

**BUSINESS
NSW**

NSW BUSINESS CONDITIONS

Signs of green shoots

March 2025

Byron Bay, NSW Australia

**MEMBERSHIP
BUSINESS** 

About us

Business NSW is the peak business organisation for New South Wales representing the needs of 48,000 businesses across the state.

Our purpose is to create a better Australia by maximising the outcomes and potential of Australian businesses. We achieve this by working with businesses spanning all industry sectors including small, medium and large enterprises.

Operating through our network in metropolitan and regional NSW, and with our state chamber partners, Business NSW represents the needs of business at a local, state and federal level. This is why when we speak, the government listens.

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Ron Palin and Tina Smyth | Akubra Hats | Member since 1924



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Executive summary

The Australian economy is at a crossroads. At an international level, the change of government in the US and the introduction of trade tariffs has created uncertainties for our export outlook. Businesses are increasingly looking domestically for opportunities and support. However, with the federal election set for April or May, there is also a degree of domestic uncertainty.

A positive development for businesses has been the start of the monetary easing cycle by the Reserve Bank of Australia (RBA). The interest rate cut on 18 February provides relief to businesses by lowering borrowing costs and supporting households with mortgages, benefiting businesses that rely on these customers.

The latest Business Conditions Survey, conducted from 2-17 February, received 751 responses across all key industries and regions in NSW. The findings show green shoots, most notably the continued increase in the Business Confidence Index and strong demand for workers, with one in four businesses intending to hire more staff. However, the survey has also confirmed challenges such as skyrocketing insurance costs and persistent skill shortages. Businesses – owners, managers or staff – are increasingly adopting Artificial Intelligence (AI) to improve productivity.

A selection of respondent comments at the end of the report offer further insights into businesses' views on key issues, including regulatory requirements, tax, insurance, energy, skills and the visitor economy.

Key findings

- 01 The Business Confidence Index rises to -44.7 for the March quarter of 2025, the highest reading in almost three years. Business sentiment likely improved on the back of the widely anticipated interest rate cut by the RBA in February.
- 02 Key factors that would boost business confidence in 2025 include further interest rate cuts, slowing inflation, easier access to skilled workers and stronger sentiment to buy locally.
- 03 Surveyed just a fortnight prior to the RBA interest rate cut announcement, 18% of businesses saw the rate cut as critical to their survival and 65% believed it would benefit their business.
- 04 Insurance costs have been the top business cost concern for nearly two years, with about a third of businesses reporting an increase of over 30% in the past 12 months.
- 05 The NSW labour market will remain tight in the next 3 months, with 81% of businesses planning to maintain the same headcount or hire additional staff. Roles classified as 'Technicians and trades workers' and 'Professionals' are the most common roles to be filled.
- 06 Businesses are increasingly receptive to adopting AI in their operations, with the average acceptance score rising from 4.6 in 2023 to 6.0 in 2024 and 6.7 in 2025 (out of 10).
- 07 The most common AI use is for 'information search', with 50% of businesses already using it and 31% interested in exploring adoption of it.
- 08 Compared to survey findings in 2023 and 2024, more businesses now view regulatory requirements as excessive, with about one in five rating them 10 out of 10 (on a scale where 0 means 'too relaxed', 5 means 'the right balance' and 10 means 'excessive').



“

[The] general economic climate and uncertainty is hindering investment decisions.”

Construction, Western Sydney

“

Businesses have made the changes needed to survive in a difficult market. 2025 should see markets stabilise and a rate cut in Q1 will build confidence in investment.”

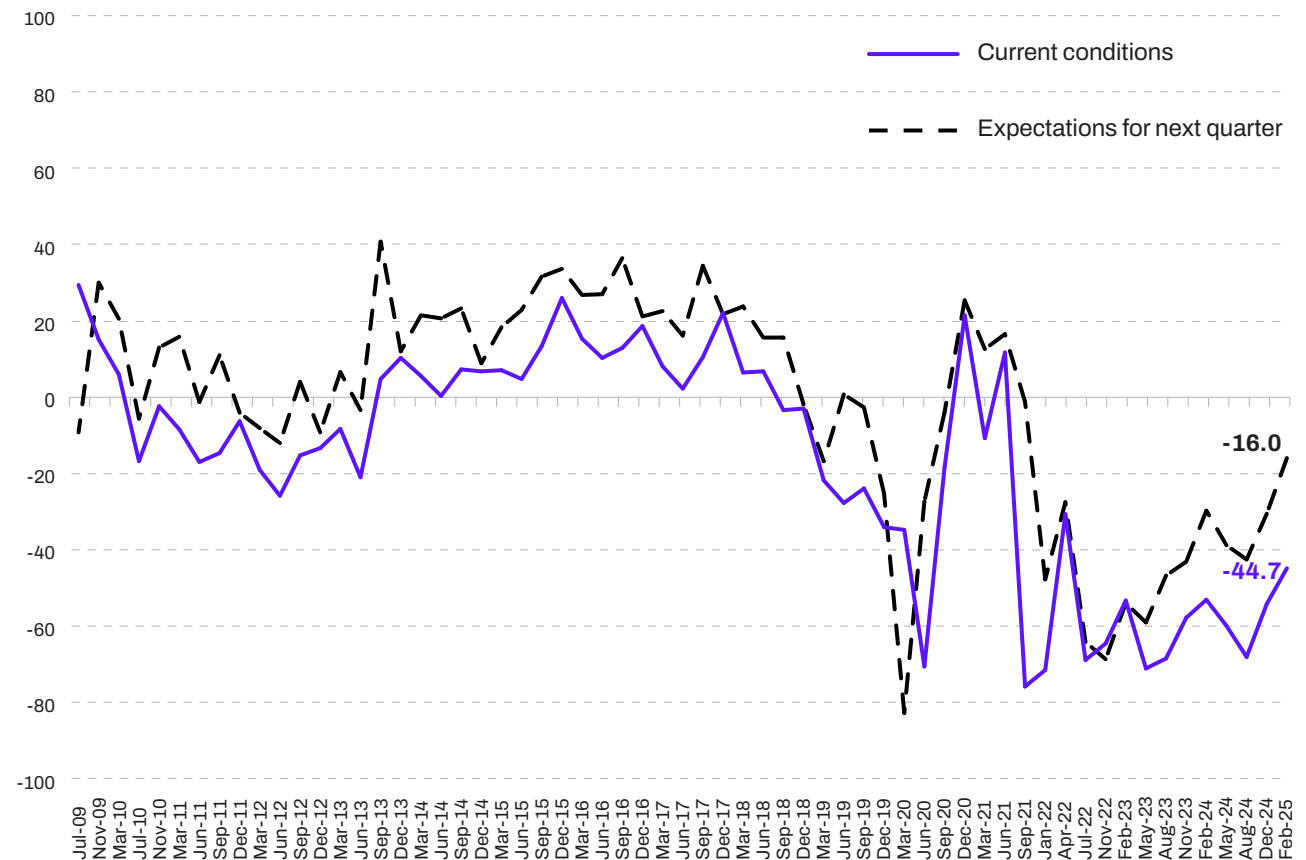
Other Services, Murray

1. Business confidence

The Business Confidence Index continues its upward trend in the opening quarter of 2025. The latest reading of -44.7 (albeit still in negative territory) is the highest in almost three years. Business confidence for the quarter ahead is even higher, with a reading of -16.0. The expected start of the monetary easing cycle by the Reserve Bank of Australia at the time of the survey was likely the key driver behind these upward trends.

The regional and industry breakdowns show further promising signs for some segments. For instance, the next-quarter business confidence reading has returned to positive territory for the Central Coast and for the Financial and Insurance Services industry.

Figure 1: Business Confidence Index





Regional snapshot

Figure 2: Business confidence by region

	Business Confidence Index		
	Last Quarter (2024 Q4)	Current Quarter (2025 Q1)	Next Quarter (2025 Q2)
NSW	-54.0 (n=789)	-44.7 (n=751)	-16.0 (n=751)
Regions expecting economic trajectory to improve			
Central Coast	-31.8 (n=44)	-11.9 (n=42)	11.9 (n=42)
Richmond - Tweed	-66.7 (n=54)	-31.7 (n=60)	-25.0 (n=60)
Newcastle and Lake Macquarie	-61.0 (n=41)	-34.6 (n=26)	-3.8 (n=26)
Coffs Harbour - Grafton	-30.8 (n=13)	-35.7 (n=28)	-17.9 (n=28)
Southern Highlands and Shoalhaven	-58.5 (n=41)	-39.3 (n=28)	-28.6 (n=28)
Mid North Coast	-52.9 (n=34)	-41.7 (n=60)	-20.0 (n=60)
Eastern Sydney	-43.1 (n=188)	-47.7 (n=176)	-13.6 (n=176)
Riverina	-60.5 (n=38)	-48.1 (n=27)	-3.7 (n=27)
Capital Region	-65.9 (n=41)	-50.0 (n=38)	-26.3 (n=38)
New England North West	-56.7 (n=67)	-52.0 (n=50)	-28 (n=50)
Illawarra	-75.0 (n=36)	-54.5 (n=22)	-31.8 (n=22)
Central West	-57.1 (n=49)	-55.1 (n=49)	-18.4 (n=49)
Western Sydney	-67.5 (n=77)	-55.4 (n=83)	-7.2 (n=83)
Far West and Orana	-66.7 (n=12)	-57.1 (n=14)	-21.4 (n=14)
Murray	-24.1 (n=29)	-60.9 (n=23)	-8.7 (n=23)
Regions expecting no change			
Hunter Valley excl. Newcastle	-56.0 (n=25)	-32.0 (n=25)	-32.0 (n=25)

Industry snapshot

Figure 3: Business confidence by industry

	Business Confidence Index		
	Last Quarter (2024 Q4)	Current Quarter (2025 Q1)	Next Quarter (2025 Q2)
NSW	-54.0 (n=789)	-44.7 (n=751)	-16.0 (n=751)
Industries expecting economic trajectory to improve			
Financial and Insurance Services	-68.0 (n=25)	-4.2 (n=24)	8.3 (n=24)
Rental, Hiring and Real Estate Services	-56.5 (n=23)	-20.0 (n=15)	20.0 (n=15)
Professional, Scientific and Technical Services	-50.5 (n=97)	-24.3 (n=111)	-1.8 (n=111)
Information Media and Telecommunications	-36.0 (n=25)	-27.8 (n=18)	16.7 (n=18)
Education and Training	-55.6 (n=36)	-37.5 (n=32)	-18.8 (n=32)
Accommodation and Food Services	-44.6 (n=101)	-38.1 (n=84)	-22.6 (n=84)
Arts and Recreation Services	-67.6 (n=37)	-44.4 (n=45)	-15.6 (n=45)
Construction	-63.8 (n=69)	-47.4 (n=57)	-7.0 (n=57)
Public Administration and Safety	0.0 (n=1)	-50.0 (n=4)	25.0 (n=4)
Health Care and Social Assistance	-45.2 (n=31)	-50.9 (n=53)	-9.4 (n=53)
Agriculture, Forestry and Fishing	-38.1 (n=21)	-56.3 (n=16)	-43.8 (n=16)
Manufacturing	-52.7 (n=74)	-60.0 (n=80)	-21.3 (n=80)
Wholesale Trade	-57.1 (n=21)	-60.0 (n=25)	-40.0 (n=25)
Retail Trade	-58.7 (n=138)	-61.5 (n=104)	-28.8 (n=104)
Other Services	-59.2 (n=49)	-66.7 (n=36)	-16.7 (n=36)
Transport, Postal and Warehousing	-42.1 (n=19)	-78.6 (n=14)	-35.7 (n=14)
Industries expecting no change			
Electricity, Gas, Water and Waste Services	-60.0 (n=5)	-42.9 (n=7)	-42.9 (n=7)
Industries expecting a deterioration			
Administrative and Support Services	-53.8 (n=13)	-26.1 (n=23)	-30.4 (n=23)
Mining	-75.0 (n=4)	0.0 (n=3)	-33.3 (n=3)



The cost of living crisis and weather events have been the biggest challenges, along with competition from online retailers. Having many vacant shops on the high street does not do anything for confidence in the economy.”

Retail Trade, Central West

Improving business confidence

Further interest rate cuts and a slowdown in inflation are expected to boost business confidence in 2025. However, the ongoing skills shortages could limit the speed of recovery. Amid global economic uncertainties, businesses want stronger domestic support – such as increased local procurement, more streamlined government processes and more domestic visitors.



Our biggest challenge is freight as we are quite poorly serviced and pay a premium for this!

Wholesale Trade,
New England North West

Figure 4: What would improve business confidence in 2025?



Interest rate cuts



Slowing inflation



Easier access to skilled workers



Stronger sentiment to buy locally



More streamlined government processes



More domestic visitors to your region



Greater energy reliability



More reliable telecommunications and data connectivity



Greater transport connectivity

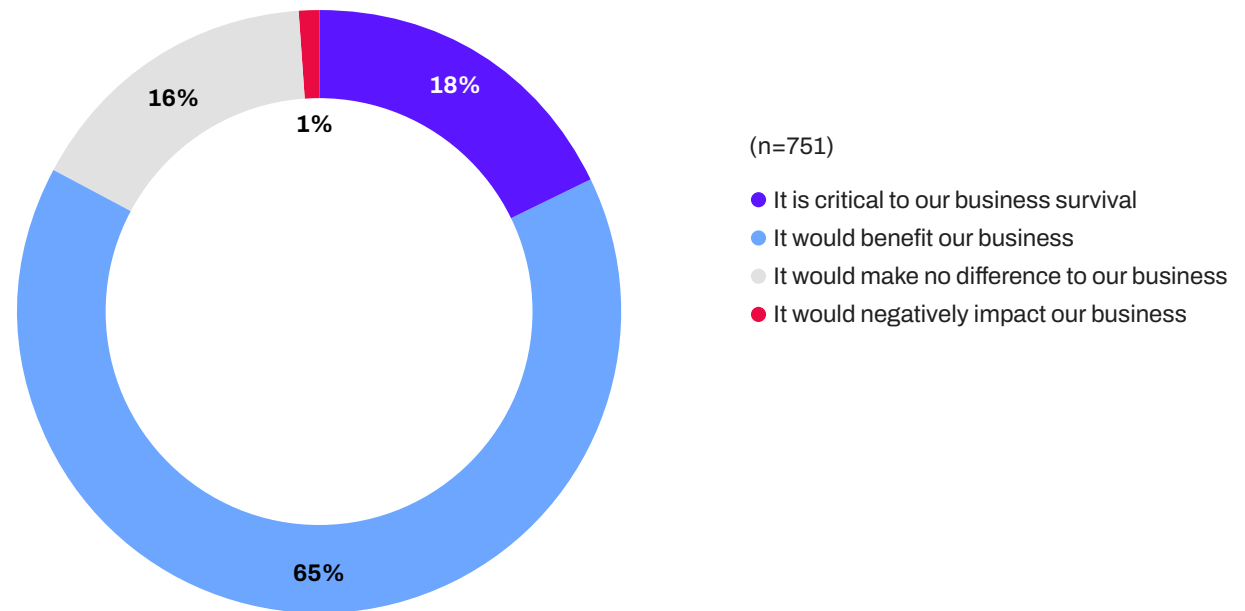


More international visitors to your region

n=751

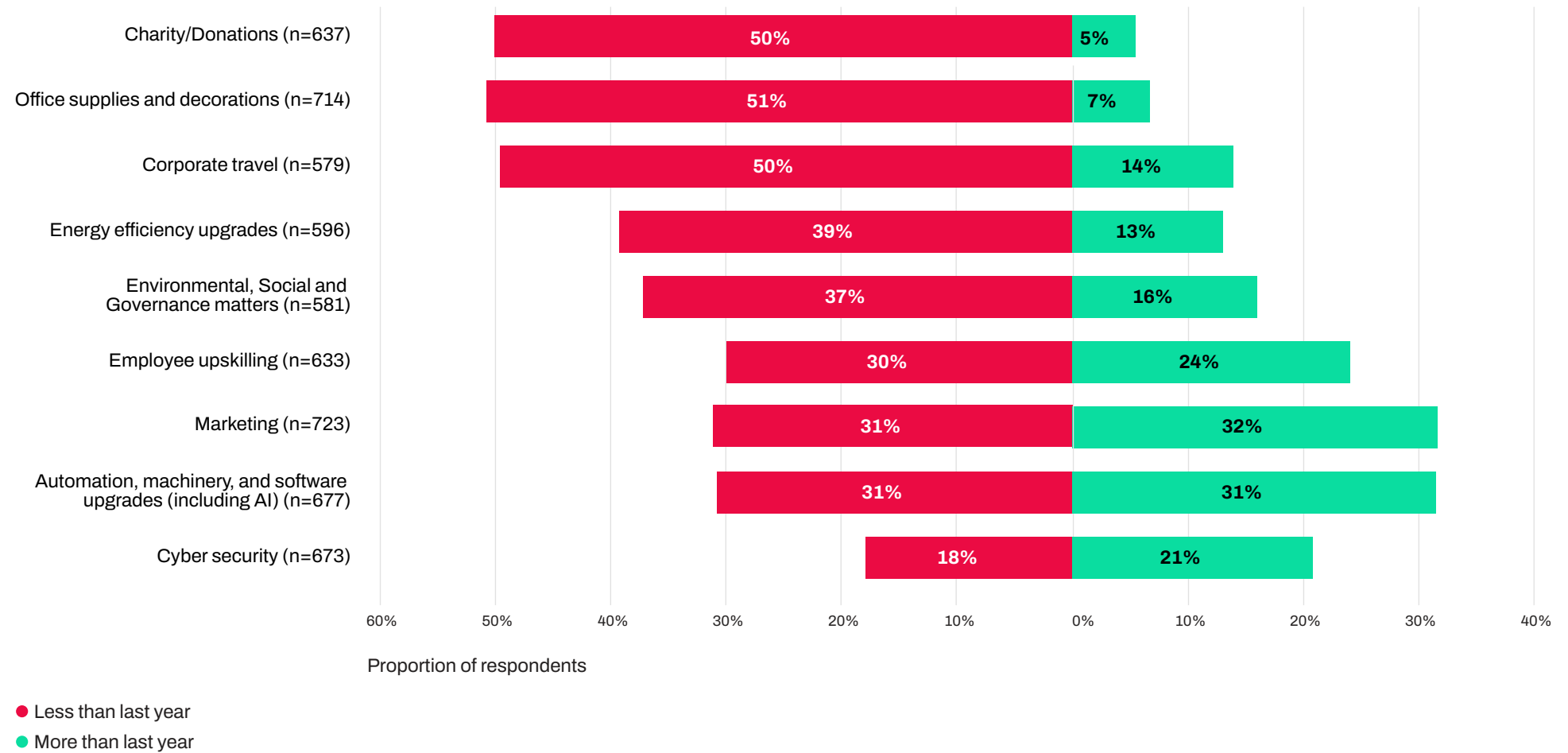
The Reserve Bank of Australia's interest rate cut on 18 February would be welcome news to most businesses in NSW. Surveyed just a fortnight prior to the announcement, 18% of businesses saw the rate cut as critical to their survival, while 65% believed it would benefit their business, mainly through improved consumer confidence and reduced cost-of-living pressures. Previous Business NSW research found that businesses were most concerned about customer demand during interest rate hikes.

Figure 5: Expected impact of the February rate cut on business



Business spending intentions

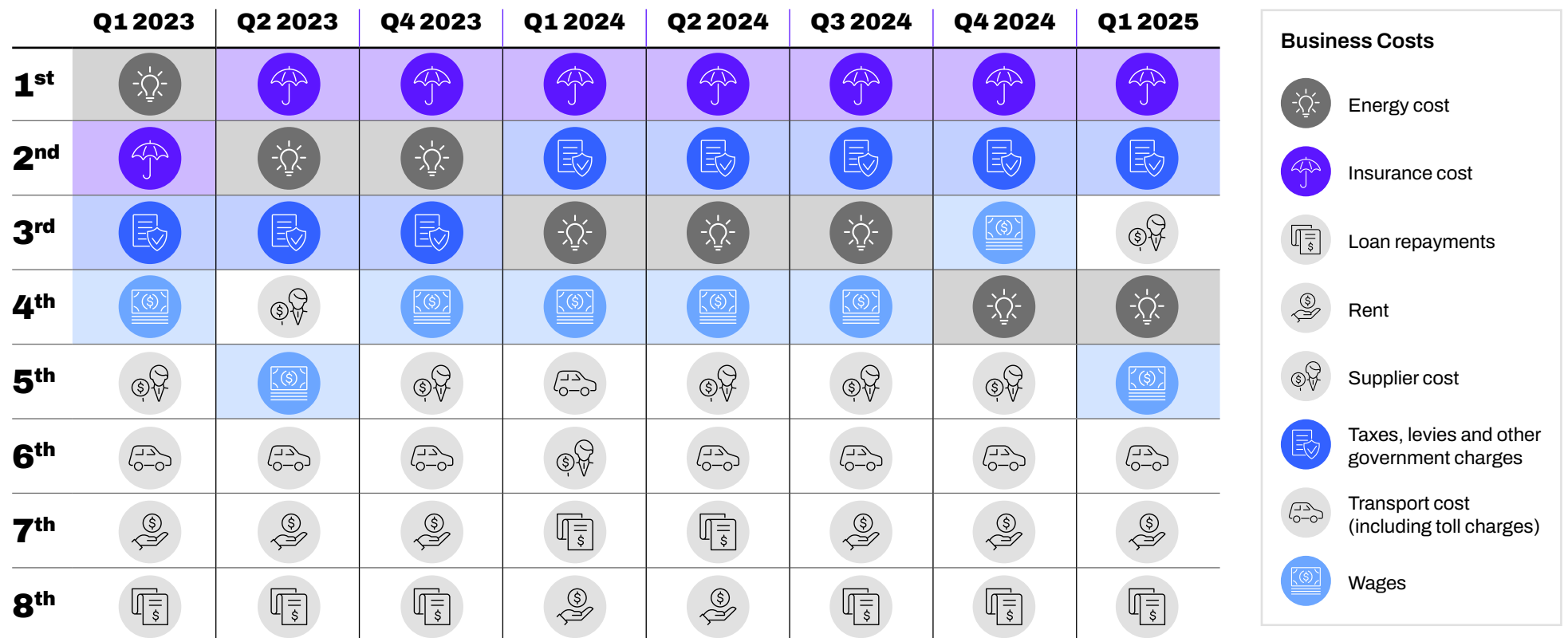
Figure 6: Business spending intentions for 2025 compared to 2024



2. Business costs

The rising cost of doing business has been a major barrier to business expansion, and for some, even threatens their survival. To identify pain points, Business NSW has surveyed businesses on various cost concerns. Insurance costs have been the top concern for nearly two years, with taxes, levies and other government charges coming in a close second since early 2024.

Figure 7: Concerns about business costs over time

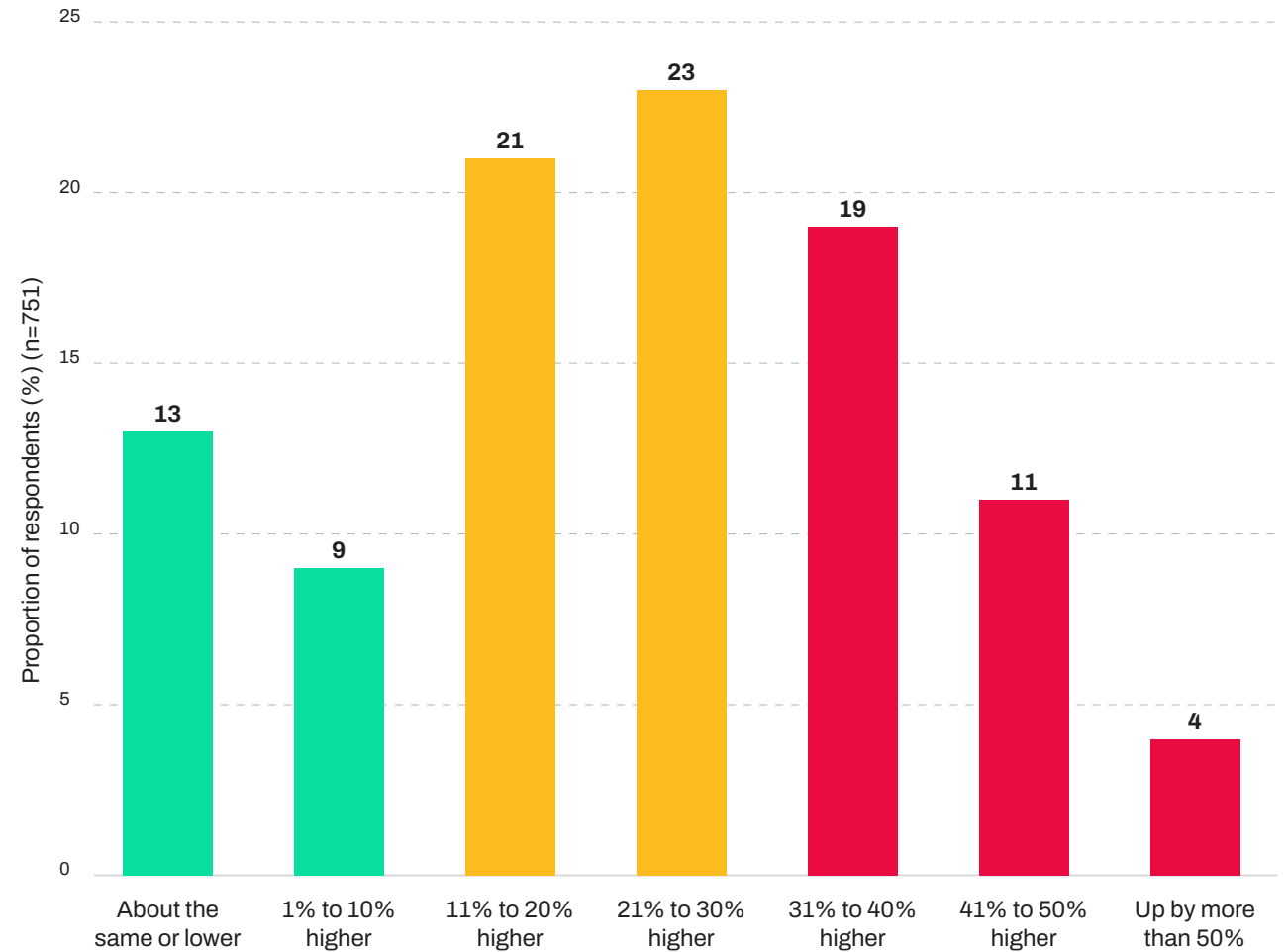


Insurance

To assess the severity of insurance cost concerns, the latest survey asked businesses about changes in their general insurance costs over the past 12 months.

While 13% of businesses reported ‘about the same or lower’ general insurance costs and 9% reported a relatively more manageable increase of up to 10%, a staggering 78% of businesses experienced a double-digit rise. Overall, about one-third of survey respondents faced an increase of at least 30% in their general insurance costs over the past year. (For comparison, the annual inflation rate for the corresponding period – January 2025 – was 2.5%.)

Figure 8: Change in general insurance costs over the past 12 months





7. Hiring intentions

The NSW unemployment rate stood at 4% in January 2025, up from 3.7% in December, yet still well below the 10-year average of 4.7%. The NSW labour market remains tight, with businesses across different regions and industries reporting skills shortages. The latest survey findings indicate recruitment challenges will persist in the near term, as 81% of businesses plan to maintain or increase their workforce. The issue is particularly acute in sectors such as 'Construction' and 'Health Care and Social Assistance' where hiring intentions are strong.



The challenge is to recruit staff who have the relevant skill set.”

Education and Training, Illawarra

Figure 9: Plans for staff headcount for the next 3 months

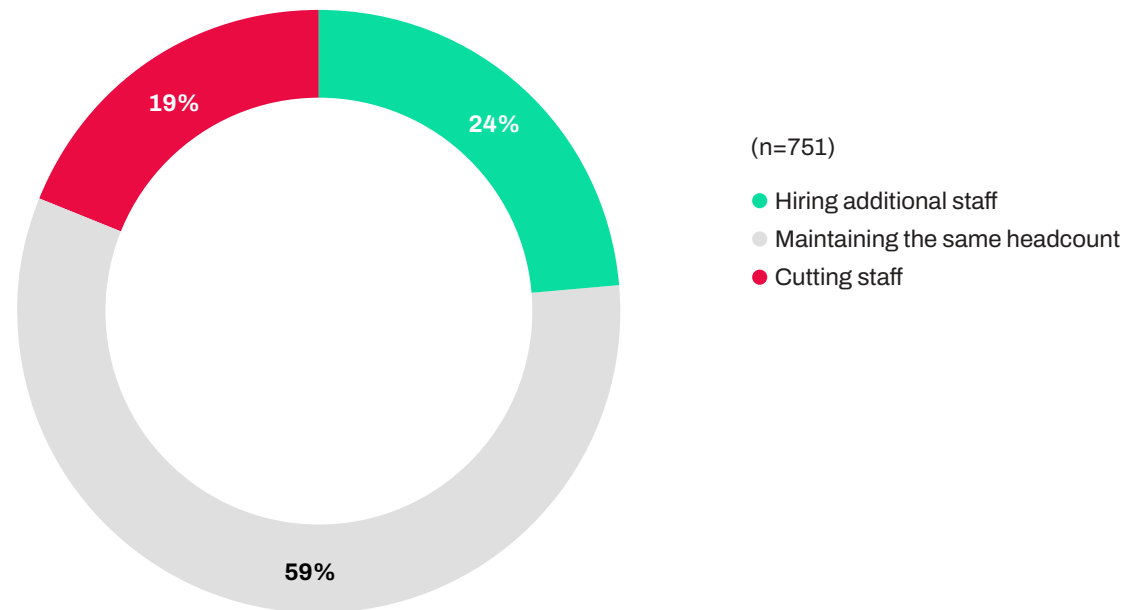
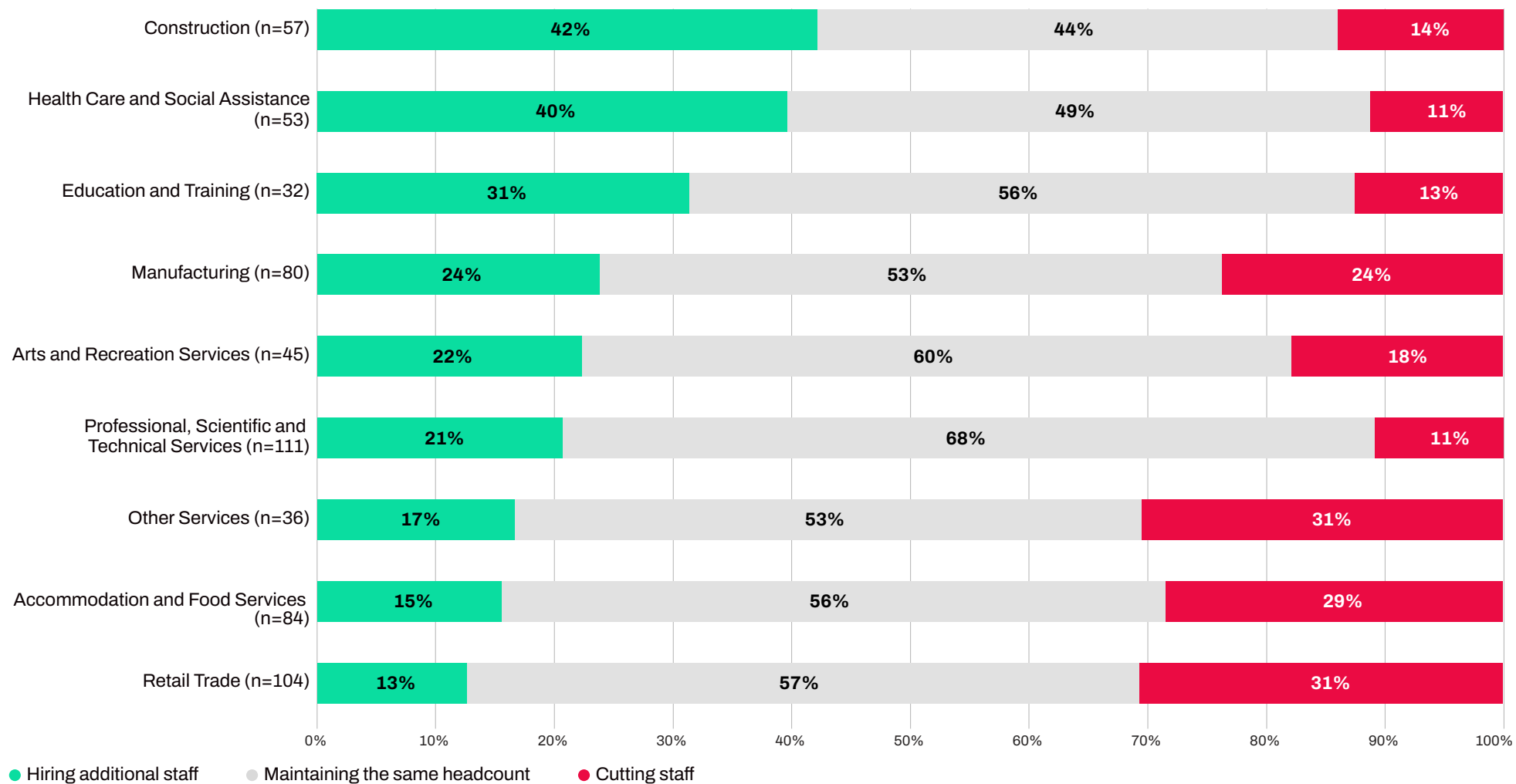


Figure 10: Plans for staff headcount for the next 3 months (by industry)

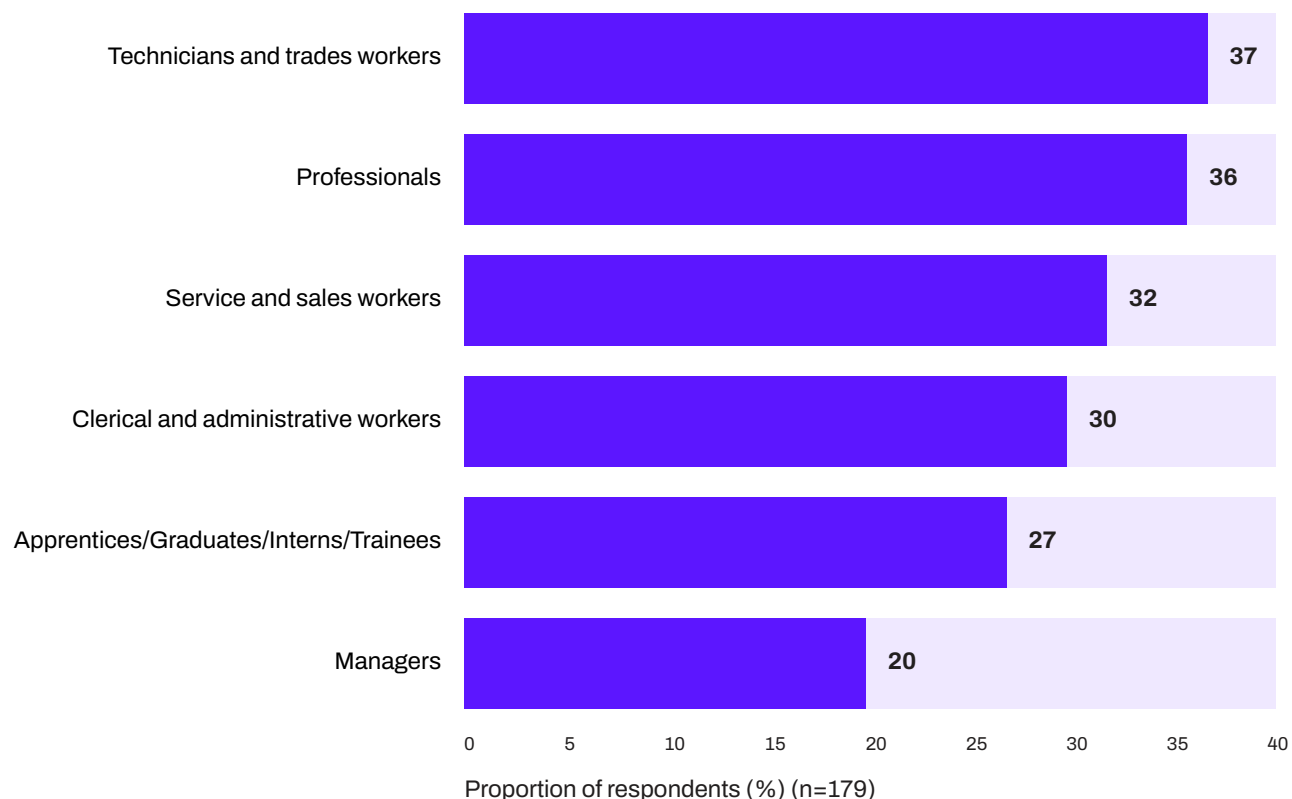


Note: Industries with less than 30 respondents have been excluded.

Reflecting ongoing skills shortages, in the next three months businesses are most likely hiring for roles that require specific skillsets (hence classified under the categories of ‘Technicians and trades workers’ and ‘Professionals’).

Due to supervision requirements, the challenge in finding skilled staff is likely also limiting businesses’ willingness to hire entry-level staff, with only 27% of businesses planning to hire ‘Apprentices/Graduates/Interns/Trainees’ in the next 3 months.

Figure 11: Roles to be filled



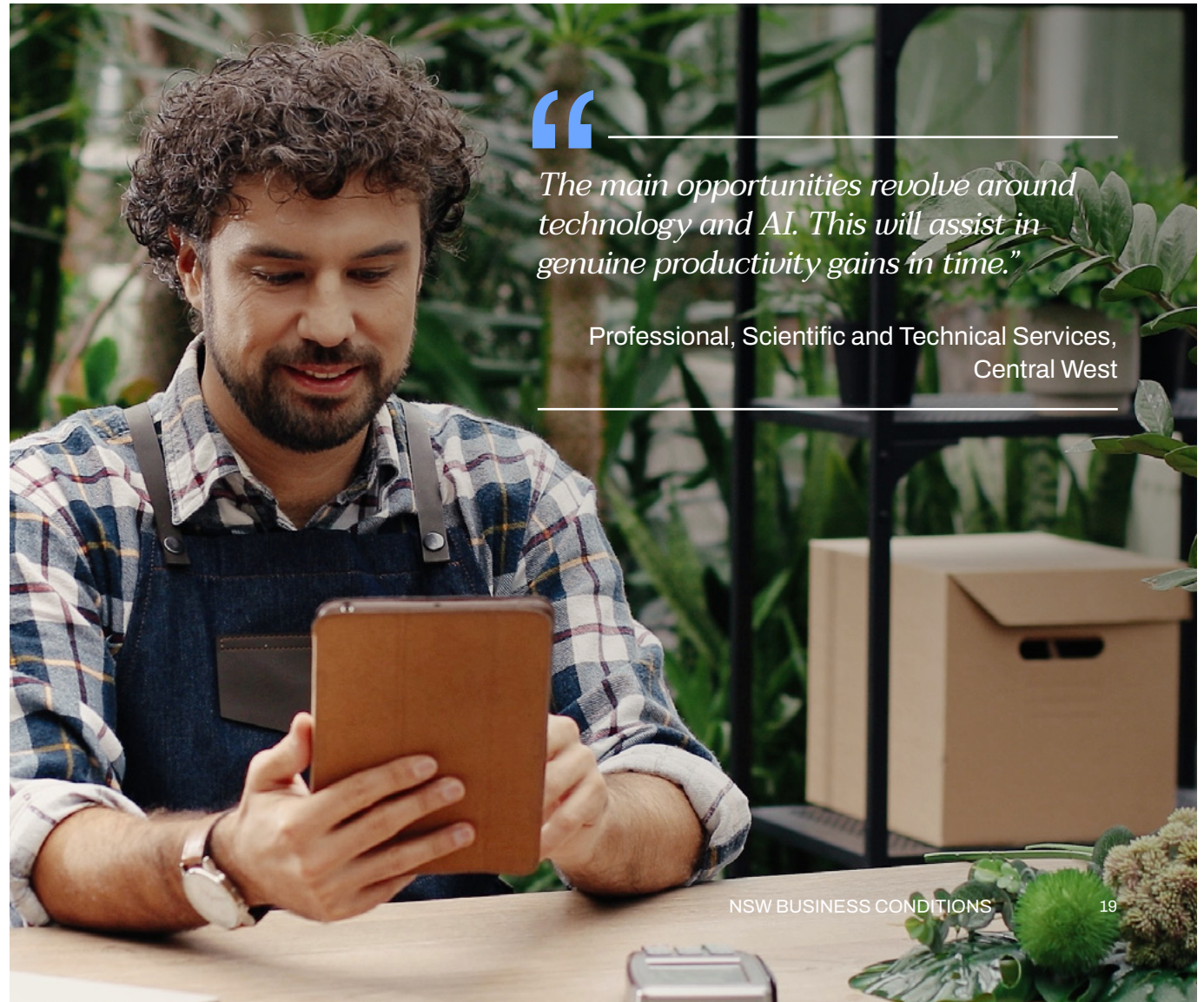
Note: Results sum to more than 100% as respondents were able to select multiple responses. Only respondents who selected “Hiring” in the previous question were asked what roles they would be hiring.

4. AI adoption

Businesses are increasingly receptive to adopting AI in their operations. With productivity still nearly 1% below pre-pandemic levels, according to Australian Bureau of Statistics data – an issue also identified in Business NSW research – businesses are looking to AI for efficiency gains. For some, AI also offers a solution to the persistent skills shortages that have hampered their business plans.

The Business Conditions Survey has been tracking business owners or managers' attitudes to AI adoption since 2023. On a scale of 0 to 10, where 10 means fully receptive of AI adoption, the average score has steadily increased from 4.6 in 2023 to 6.0 in 2024 and 6.7 in 2025.

The latest findings show almost one in four businesses is fully receptive of AI adoption, giving it the highest score of 10. On the other hand, the proportion of businesses completely opposed to AI, scoring it at 0, has dropped from 18% in 2023 to 8% in 2025.

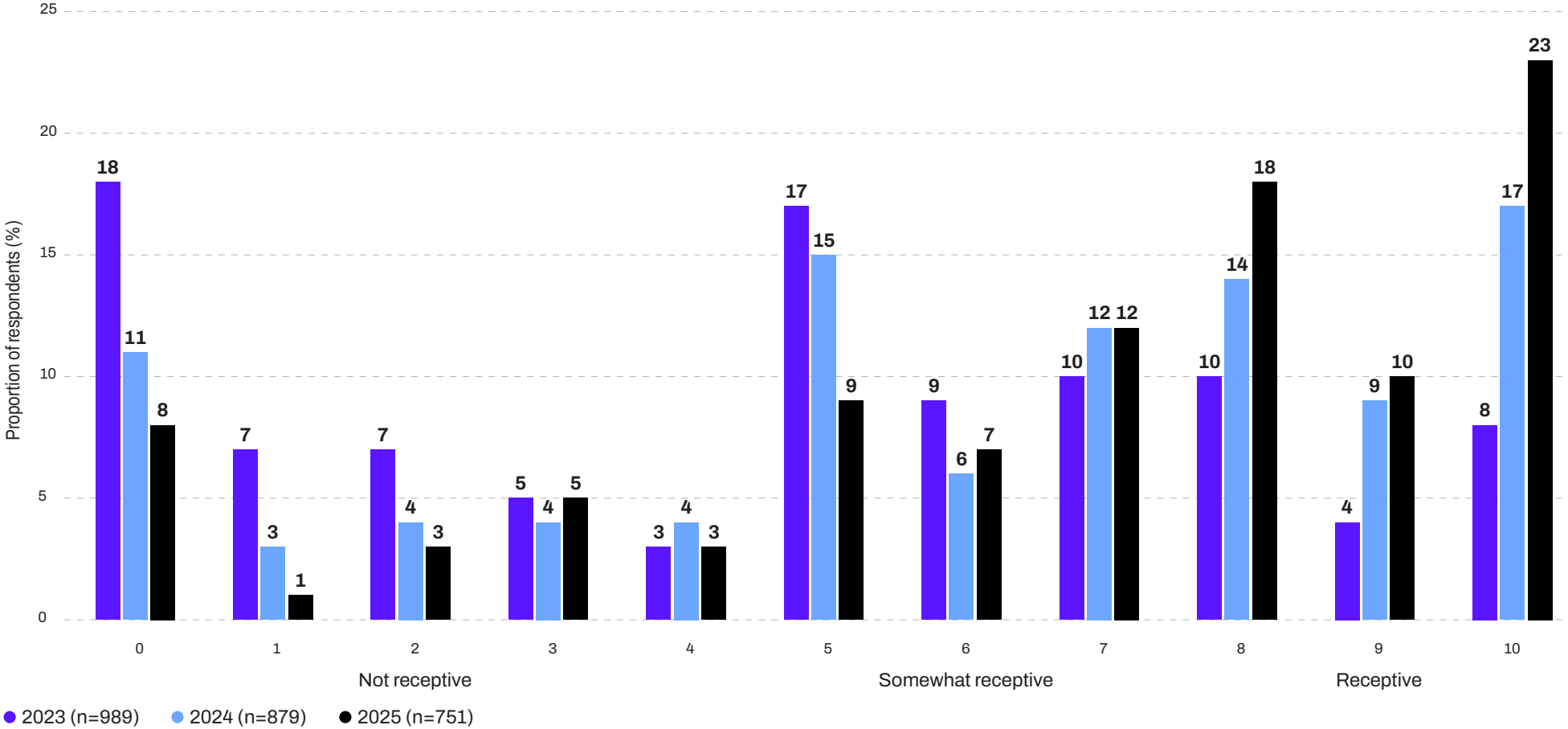


“

The main opportunities revolve around technology and AI. This will assist in genuine productivity gains in time.”

Professional, Scientific and Technical Services,
Central West

Figure 12: Attitude of business owners or managers to adopting AI in business operations



Note: Results have summed to more than 100% as participants were able to select multiple options.

The survey also asked business owners or managers to rate staff attitudes to AI adoption, as previous Business NSW research identified staff resistance as a potential barrier.

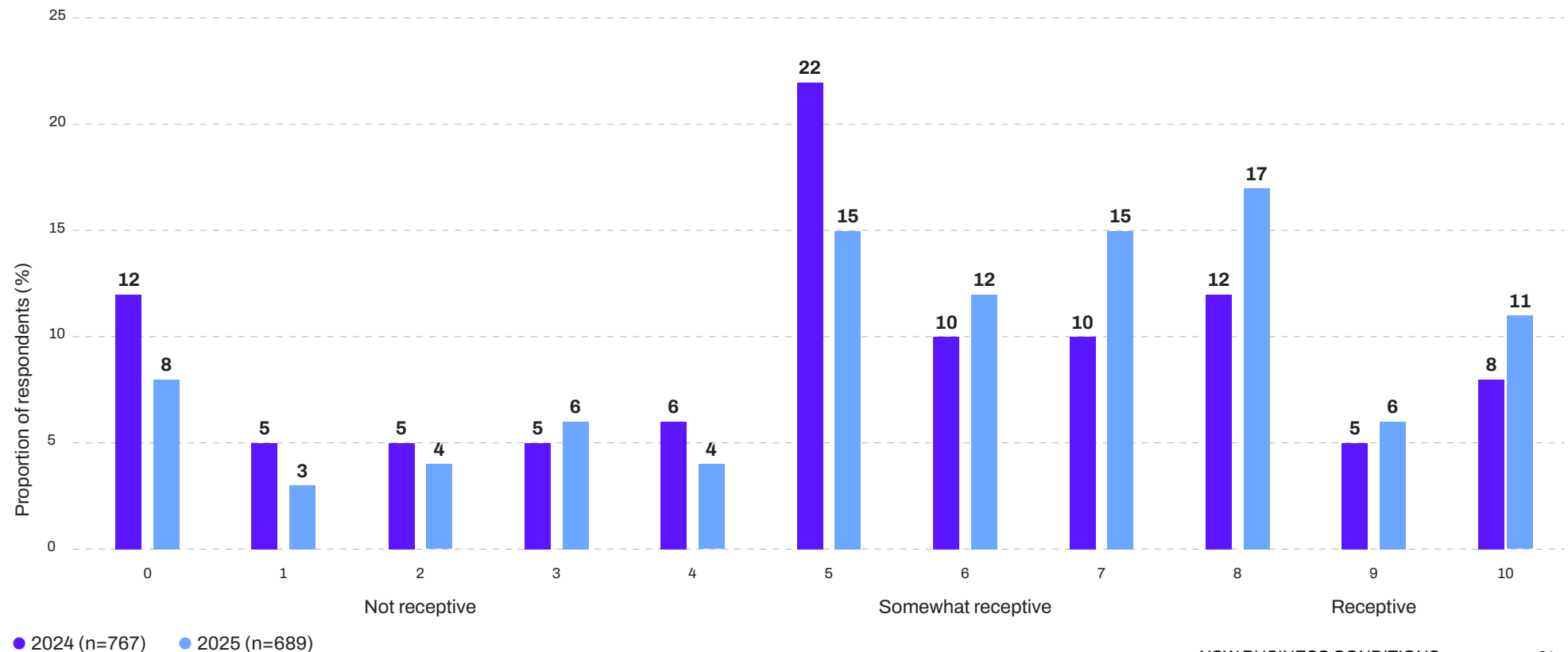
While the average receptiveness score (5.2 in 2024 and 5.9 in 2025) is below that of business owners or managers, it nevertheless shows an increase over the year, indicating staff are warming up to using AI at work.



We want to leverage AI and more cloud-based computing. However, due to restrictions imposed by the ASD, we aren't able to use any systems that do not have sovereign processing and storage of data, which limits our ability to use the latest technologies."

Manufacturing, Mid North Coast

Figure 13: Perceived attitude of staff to adopting AI in business operations



AI adoption varies by task. The survey found businesses are most receptive to using AI for 'information search', with 50% already doing so and 31% interested in exploring its adoption.

While many businesses are open to using AI across various tasks, the tasks that are less likely to be fully replaced by AI are 'planning and organisation', 'internal communications' and 'external communications', each with over 30% of businesses not interested in delegating to AI or they have tried but stopped.

'Performance monitoring and reporting' has the lowest adoption rate (15%), but 56% of businesses are interested in exploring its adoption.



Multiple levels of government regulations, inter-agency compliance reporting and taxes makes growing your business difficult and requires increasing time and resources to ensure we are compliant, especially if you are operating across different jurisdictions.”

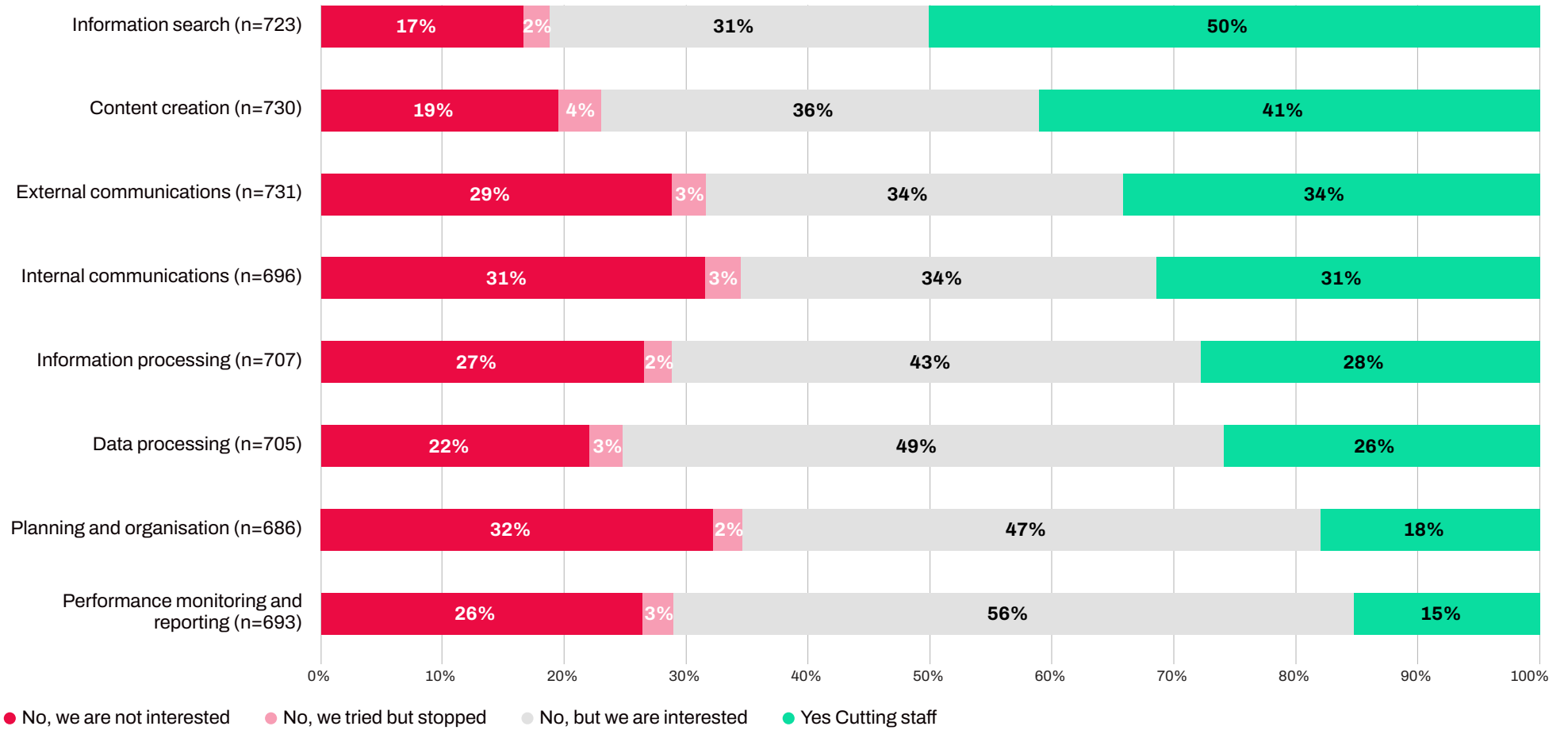
Administrative and Support Services,
Eastern Sydney



We are outsourcing work where we can to reduce cost centres and avoid the burden of regulations and additional costs associated with employees, and to mitigate the risks imposed by federal and state bodies when it comes to hiring and firing of staff.”

Accommodation and Food Services,
Richmond-Tweed

Figure 14: Current delegation of tasks to AI



Note: Respondents who selected "Not applicable" have been excluded.



5. Business feedback to government

Regulations

The Business Conditions Survey tracks businesses' views on the existing level of regulatory requirements. On a scale of 0 (too relaxed) to 10 (excessive), the average score has risen from 2023 to 2024 and increased again in 2025.

The latest findings show that 21% of businesses consider the current level of regulatory requirements to be the right balance. However, 72% of respondents consider them more stringent than necessary, rating them 6 or higher. About one in five businesses rates the level of regulation as excessively high, giving it 10 out of 10.

Figure 15a: Business views on the level of regulatory requirements

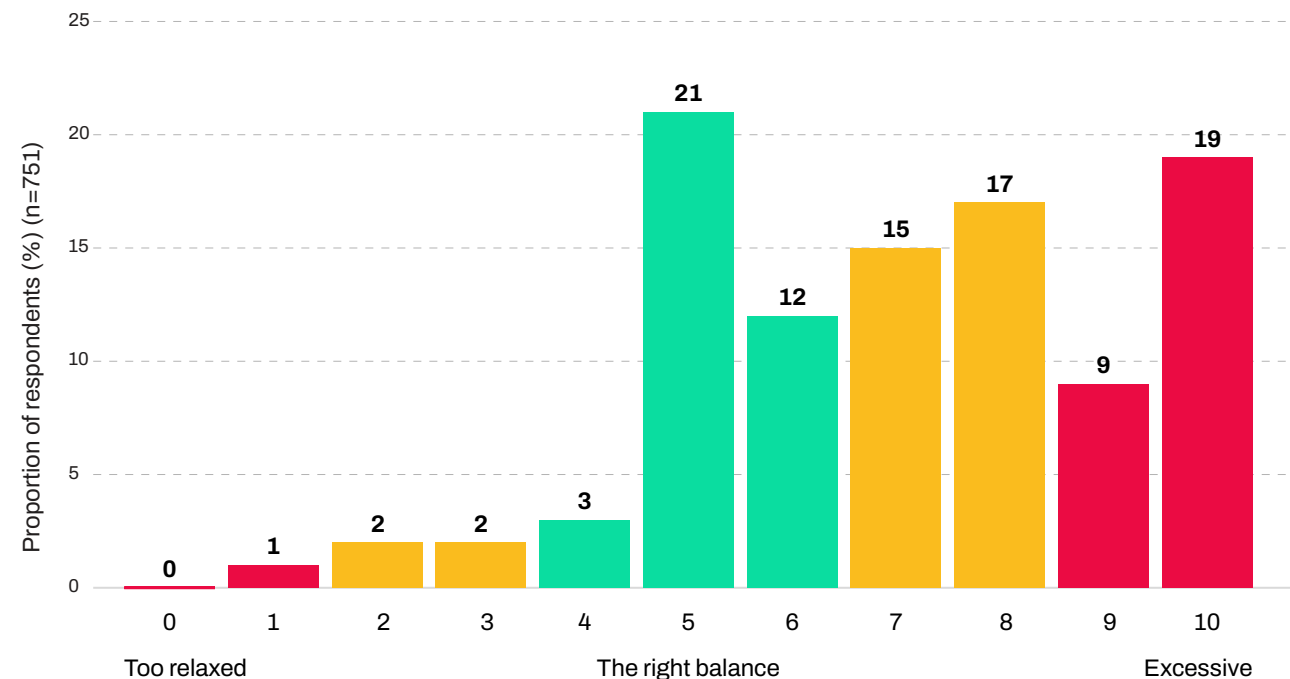


Table 15b: Change in business views on the current level of regulatory requirements

	2023 (n=1002)	2024 (n=879)	2025 (n=751)
Average score (out of 10)	6.2	6.7	7.1



“

Instead of supporting job creation, payroll tax punishes businesses for expanding their workforce. This additional financial strain makes it harder to sustain and grow operations while ensuring quality services.”

Health Care and Social Assistance,
Mid North Coast

“

One of the biggest challenges we continue to face in 2025 is managing our tax debt. Since the pandemic, we have struggled to keep up with our tax obligations, often finding ourselves behind at the end of each quarter. We believe further assistance, such as more flexible payment arrangements or targeted support for small businesses, could help alleviate this pressure and promote long-term growth.”

Professional, Scientific and Technical Services,
Newcastle and Lake Macquarie

“

Business tax needs reform. We are paying too much, and the structure isn't competitive.”

Retail Trade, Capital Region

“

Workers Compensation Insurance - this whole scheme is broken and in need of serious review. The costs are incredible and the system is rife with employee abuse.”

Accommodation and Food Services,
Central Coast

“

Workers Compensation is the greatest unknown in our business. The process is excessively unfair to the business when compared to workers' rights.”

Manufacturing, Richmond-Tweed

“

Insurance costs could break our business this year.”

Retail Trade, Capital Region



Bale Defence | Mid North Coast NSW | Member since 2004

Figure 16:
Preferred source of funding for energy infrastructure projects



Government through long-term loans over the lifetime of the asset



Government through an increase in short-term taxes



Energy users – households



Energy users – businesses

n=751



Energy costs are too much which is making sourcing products from overseas more competitive.”

Wholesale Trade, Eastern Sydney

Skills



“

Finding staff is a challenge, with local staff not having appropriate skills and imported staff can't find accommodation.

Arts and Recreation, Mid North Coast

Sapphire Coast Community Aged Care | South Coast NSW | Member since 2014

“

The readiness of school leavers for the workforce is an issue. They need more preparation.

Education and Training, Illawarra

“

Our biggest challenge is the lack of support when investing in training apprentices. The side of the trade we are doesn't get any coverage in the TAFE curriculum so we as a business need to build it ourselves.

Manufacturing, Western Sydney

“

We need training to learn how to use new technology, advice on how to implement new technology into the business, consultancy to determine what software is available to help run and improve the business, and free government assistance to help business move forward with new technology.

Retail Trade, Western Sydney

**SKILLS
BUSINESS**

Industrial relations

INDUSTRIAL RELATIONS BUSINESS

“

Industrial relations laws make it very difficult to move on excess and non-performing staff. They have shifted too far in favour of staff.

Retail Trade, Capital Region

“

Current industrial relations laws are one of our biggest problems, especially with respect to casual, part-time and permanent part-time. This works against the best interests of employees and employers. This is a major factor in considering selling or closing a business.

Manufacturing, Central Coast

Visitor economy

VISITOR ECONOMY BUSINESS



Weaker USD is making Australia a better value destination for international guests.

Accommodation and Food Services, Eastern Sydney

Frankie's Cafe and Catering | Port Macquarie NSW | My Business Member



We are in tourism and have noticed that high interest rates are impacting travel behaviour. People are booking much closer to their travel dates, and when they do book, cancellations are more common as some find they can no longer afford to travel when the time comes. This has led to lower occupancy rates and fewer visitors to our town.

Accommodation and Food Services, Illawarra



We provide a high-end product to restaurants, which consumers just cannot afford right now, it seems. Our secondary income from agritourism is also in steep decline. Cost of living is limiting people's ability to indulge in local holidays, restaurants etc.

Agriculture, Forestry and Fishing, Southern Highlands and Shoalhaven



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