



**BUSINESS  
NSW**

# **NSW BUSINESS CONDITIONS**

Optimism despite escalating pressures

September 2025

Wollongong, NSW Australia





# 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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Rod Henderson | Ampcontrol | Member since 1985



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# Executive summary

## Reasons for optimism despite escalating pressure

NSW businesses continue to grapple with tough and unpredictable conditions.

Cost pressures are rising, driven by higher insurance premiums, taxes and energy prices. Insurance has been identified as the top cost concern in every Business Conditions Survey since early 2023.

Global uncertainty adds to the pressure. While inflation has stabilised, trade disruptions persist and the outlook is for weaker growth in major economies.

Despite this, NSW businesses report feeling more optimistic. The Business Confidence Index for this quarter has reached its highest level since April 2022, with expectations for the next quarter trending upward. Confidence is rising across almost all regions and industries.

What's driving this? Businesses cite lower interest rates and an uptick in broader domestic economic conditions. Australia's economy grew 0.6% in the June quarter, bringing annual growth to 1.8%. More encouragingly still, GDP per capita increased by 0.2%.<sup>1</sup>

Productivity briefly took centre stage during the Government's Economic Reform Roundtable in August. The challenge now is turning those discussions into tangible results. NSW businesses see rising costs, skill shortages and compliance burdens as key barriers to lifting productivity.

The latest Business Conditions Survey was conducted from 3-18 August. The survey received 775 responses from businesses across all key industries and regions in NSW. The survey captures businesses' views on confidence and business prospects, cost pressures, hiring intentions, productivity challenges, interstate business prospects and feedback for Government.

<sup>1</sup> Australian economy grew 0.6 per cent in June quarter | Australian Bureau of Statistics

## Key findings

- 01 The Business Confidence Index rose in the third quarter of 2025, improving to -40.0 from -50.8. While still negative, it is the highest reading since April 2022. Business confidence for the quarter ahead is even more optimistic, climbing to -12.0, the highest reading since September 2021.
- 02 Business prospects for FY25-26 reported an average of 5.8, up from 5.1 in FY24-25 and 4.9 in FY23-24.
- 03 Insurance costs have remained the top concern for over two years, followed by taxes, levies and other government charges since Q1 2024. Energy cost concerns have rebounded in recent quarters.
- 04 Access to emergency finance has improved: 57% of businesses reported they could cover a month's expenses via business loans, credit cards or overdrafts, up from 40% a year ago. Only 9% said they couldn't raise this amount, down from 12% in 2024 and 15% in 2023.
- 05 While 25% of businesses reduced staff in the past three months, 84% of businesses plan to maintain or grow headcount in the next quarter.
- 06 The proportion of businesses reporting it is applicable for staff (owner included) to work from home increased from 45% to 55% since 2023. On average, businesses say 1.7 days per five-day week is optimal for productivity, down from 2.0 days two years ago.
- 07 Businesses reported business costs being the most common challenge to improving productivity (65%), followed by access to skilled labour (42%) and external regulations or compliance requirements (41%).
- 08 23% of respondents said their business operated in at least one state or territory outside NSW. For these businesses Queensland is the most common additional location (85%).
- 09 29% of businesses reported interacting with the NSW planning system in the past five years, but only 6% of those reported their most recent experience had been positive.





“

*There is an opportunity to expand into direct, customer-facing sales channels such as pop-up stores and event-based retail experiences, enabling us to deepen engagement, strengthen brand loyalty, and gather real-time market feedback.”*

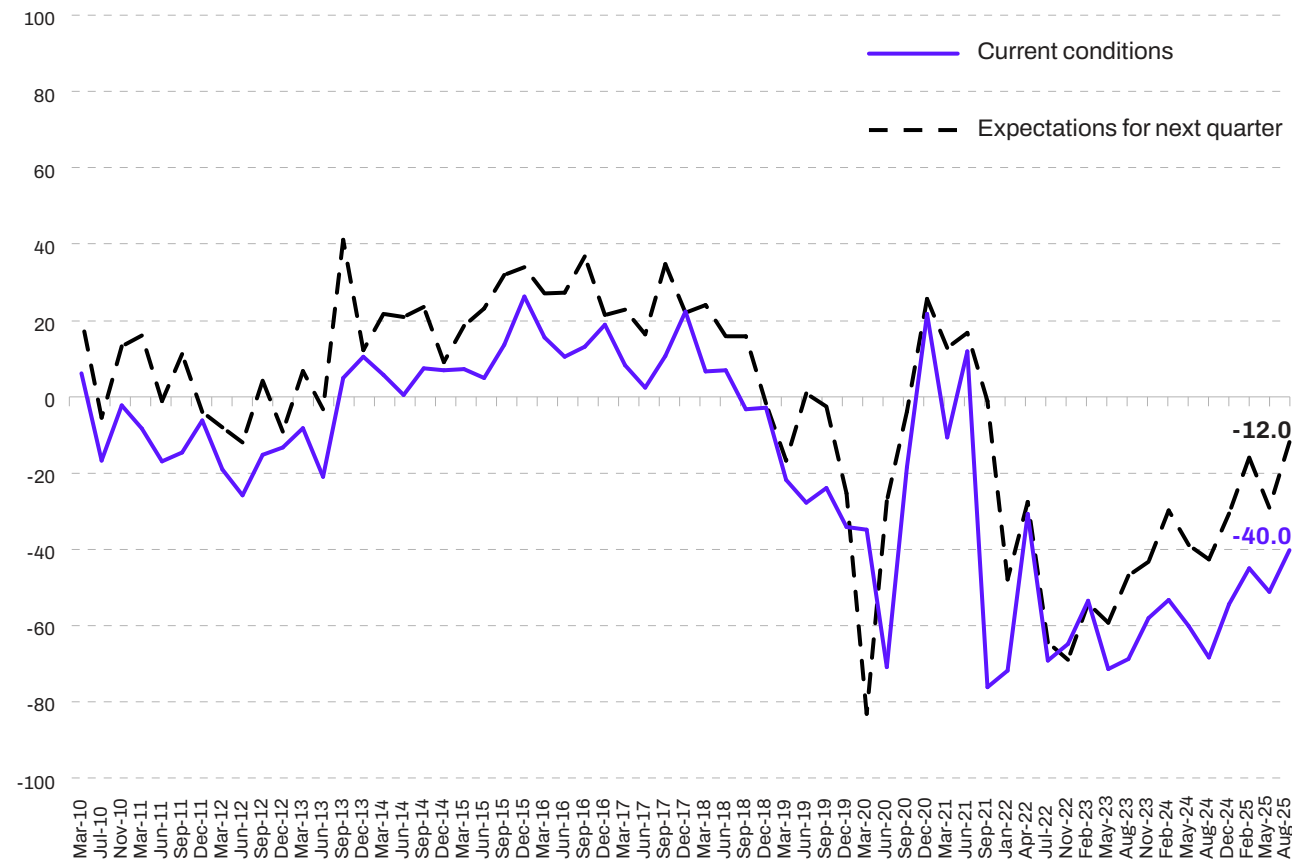
Retail trade – Western Sydney

# 1. Business confidence

The Business Confidence Index rose to -40.0 in Q3 2025, up from -50.8. While still negative, it is the highest confidence level since April 2022. Confidence for the quarter ahead is stronger at -12.0, the best since September 2021.

Most regions and industries expect improved conditions next quarter. Notably, Richmond–Tweed, the Central Coast and the Capital Region are just out of negative territory.

**Figure 1: Business Confidence Index**







# Regional snapshot

Figure 2: Business confidence by region

	Business Confidence Index		
	Last Quarter (2025 Q2)	Current Quarter (2025 Q3)	Next Quarter (2025 Q4)
<b>NSW</b>	<b>-50.8 (n=720)</b>	<b>-40.0 (n=775)</b>	<b>-12.0 (n=775)</b>
<b>Regions expecting economic trajectory to improve</b>			
Central Coast	-34.7 (n=49)	-21.8 (n=55)	0.0 (n=55)
Richmond - Tweed	-39.1 (n=46)	-24.7 (n=85)	8.2 (n=85)
Illawarra	-56.4 (n=39)	-29.2 (n=48)	-18.8 (n=48)
New England and North West	-38.5 (n=52)	-29.2 (n=48)	-2.1 (n=48)
Newcastle and Lake Macquarie	-63.8 (n=47)	-34.4 (n=32)	-21.9 (n=32)
Coffs Harbour - Grafton	-62.5 (n=16)	-39.1 (n=23)	-30.4 (n=23)
Hunter Valley exc Newcastle	-51.4 (n=35)	-40.0 (n=30)	-30.0 (n=30)
Eastern Sydney	-57.9 (n=145)	-43.2 (n=125)	-12.0 (n=125)
Mid North Coast	-44.2 (n=43)	-44.4 (n=45)	-15.6 (n=45)
Western Sydney	-56.6 (n=83)	-46.2 (n=106)	-15.1 (n=106)
Riverina	-20.0 (n=20)	-46.7 (n=30)	-10.0 (n=30)
Capital Region	-51.5 (n=33)	-50.0 (n=34)	0.0 (n=34)
Central West	-49.0 (n=49)	-58.2 (n=55)	-29.1 (n=55)
Southern Highlands and Shoalhaven	-63.0 (n=27)	-64.5 (n=31)	-12.9 (n=31)
Far West and Orana	-69.2 (n=13)	-69.2 (n=13)	-30.8 (n=13)
<b>Regions expecting no change</b>			
Murray	-43.5 (n=23)	-13.3 (n=15)	-13.3 (n=15)



# Industry snapshot

**Figure 3: Business confidence by industry**

	<b>Business Confidence Index</b>		
	<b>Last Quarter (2025 Q2)</b>	<b>Current Quarter (2025 Q3)</b>	<b>Next Quarter (2025 Q4)</b>
<b>NSW</b>	<b>-50.8 (n=720)</b>	<b>-40.0 (n=775)</b>	<b>-12.0 (n=775)</b>
<b>Industries expecting economic trajectory to improve</b>			
Professional, Scientific and Technical Services	-33.7 (n=98)	-19.6 (n=97)	0.0 (n=97)
Agriculture, Forestry and Fishing	-61.9 (n=21)	-22.2 (n=27)	-11.1 (n=27)
Education and Training	-57.9 (n=38)	-25.0 (n=40)	-2.5 (n=40)
Financial and Insurance Services	-52.9 (n=34)	-26.1 (n=23)	4.3 (n=23)
Electricity, Gas, Water and Waste Services	-37.5 (n=8)	-30.0 (n=10)	0.0 (n=10)
Construction	-58.0 (n=50)	-36.2 (n=69)	-24.6 (n=69)
Rental, Hiring and Real Estate Services	-52.9 (n=17)	-36.8 (n=19)	-5.3 (n=19)
Information Media and Telecommunications	-45.8 (n=24)	-37.0 (n=27)	7.4 (n=27)
Other Services	-60.7 (n=28)	-37.8 (n=37)	-21.6 (n=37)
Manufacturing	-58.9 (n=95)	-40.0 (n=90)	-12.2 (n=90)
Health Care and Social Assistance	-53.5 (n=43)	-45.3 (n=53)	-11.3 (n=53)
Arts and Recreation Services	-39.4 (n=33)	-46.2 (n=26)	11.5 (n=26)
Transport, Postal and Warehousing	-71.4 (n=14)	-50.0 (n=8)	-25.0 (n=8)
Accommodation and Food Services	-42.9 (n=77)	-55.8 (n=95)	-22.1 (n=95)
Wholesale Trade	-73.9 (n=23)	-57.1 (n=28)	-10.7 (n=28)
Retail Trade	-55.7 (n=88)	-58.1 (n=105)	-18.1 (n=105)
<b>Industries expecting no change</b>			
Administrative and Support Services	-23.8 (n=21)	-15.4 (n=13)	-15.4 (n=13)
Mining	-83.3 (n=6)	-80.0 (n=5)	-80.0 (n=5)
<b>Industries expecting a deterioration</b>			
Public Administration and Safety	0.0 (n=2)	66.7 (n=3)	-33.3 (n=3)



*Overall demand for services has been depressed for a while. We see some cause for optimism since the new FY commenced, but it is very soft and this is impacting us severely.”*

*Information Media and Telecommunications, Eastern Sydney*

“

*In FY25-26, our main challenges will involve navigating increased operational costs, labour shortages, and the need to upskill our workforce in line with new markets that we want to explore.”*

Manufacturing, Richmond – Tweed

“

*[We have] opportunities to change business model. The old business model has served its purpose and it's now time to innovate and change.”*

Accommodation and Food Services,  
Coffs Harbour – Grafton



## 2. Business prospects

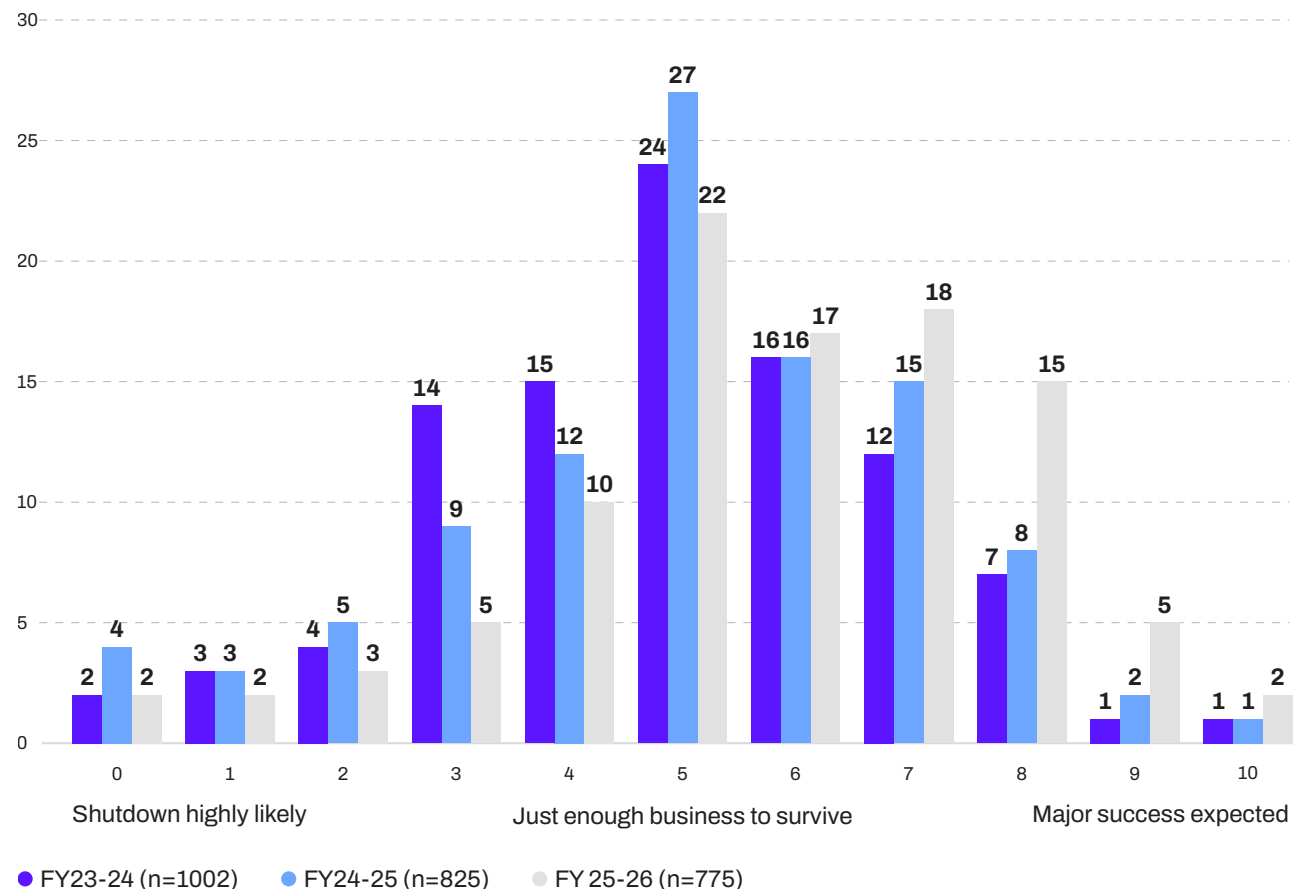
On a scale of 0 to 10, the average self-rated business prospects for FY 2025-26 is 5.8, which is interpreted as 'having just enough business to survive'.

About one in five businesses (21%) rated their prospects below 5. This includes 2% of businesses that gave a score of 0, which represents 'shutdown highly likely'.

Overall, businesses are slightly more optimistic about this financial year compared to their ratings for the previous two years.

	FY23-24 (n=1002)	FY24-25 (n=825)	FY 25-26 (n=775)
Average score	4.9	5.1	5.8

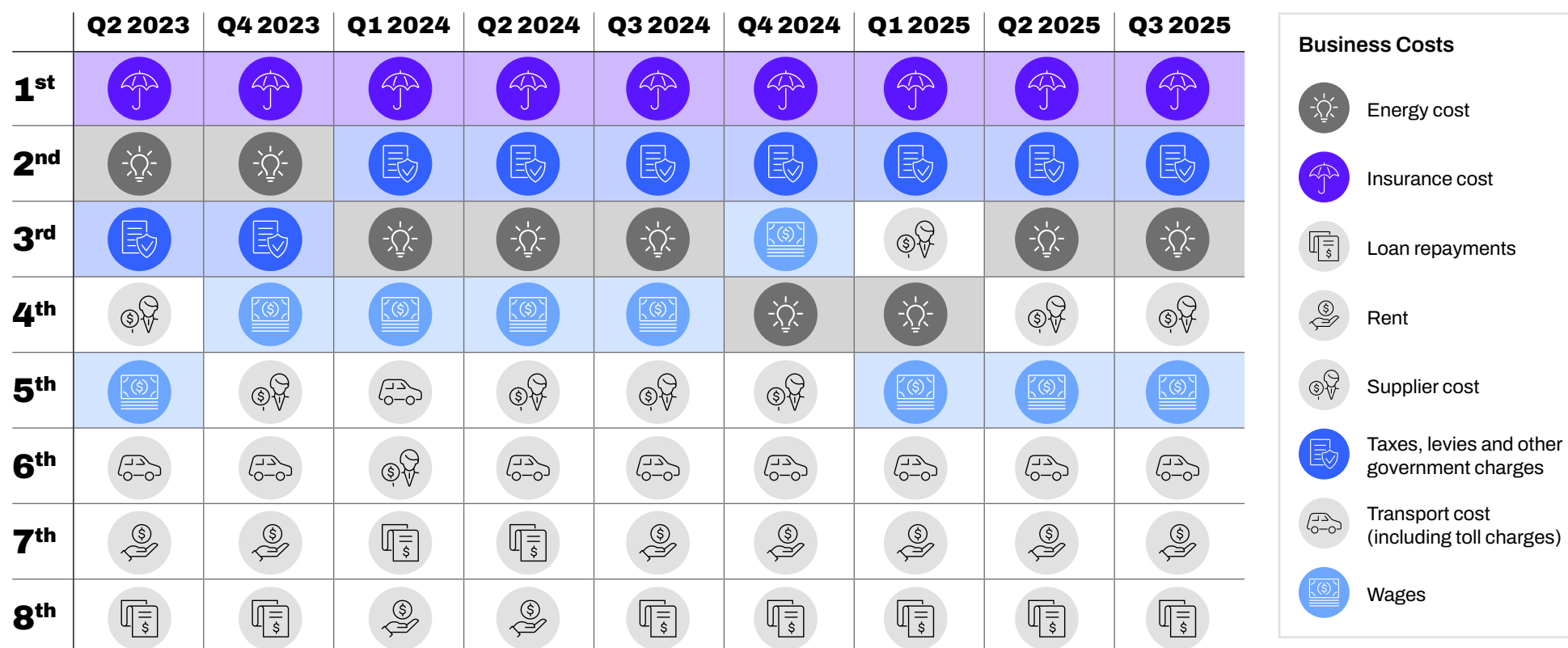
**Figure 4: Self-rated business prospects**



# 3. Business costs

Rising business costs remain a key barrier to expansion, with businesses citing them as the top challenge to improving productivity (see figure 9). Insurance costs continue to rank as the top concern, a position held for over two years. Since early 2024, this has been followed by taxes, levies and other government charges. Energy costs have recently increased as a concern, while concern over supplier costs have eased despite ongoing international trade uncertainty.

**Figure 5: Concerns about business costs over time**





## Finance

The Reserve Bank of Australia ended its monetary tightening in November 2023 with the cash rate target at 4.35% and began the easing cycle in February 2025. Since then, business access to emergency finance has improved, with 57% able to cover a month's expenses in August 2025 using business loans, credit cards and overdrafts, up from 40% a year earlier.

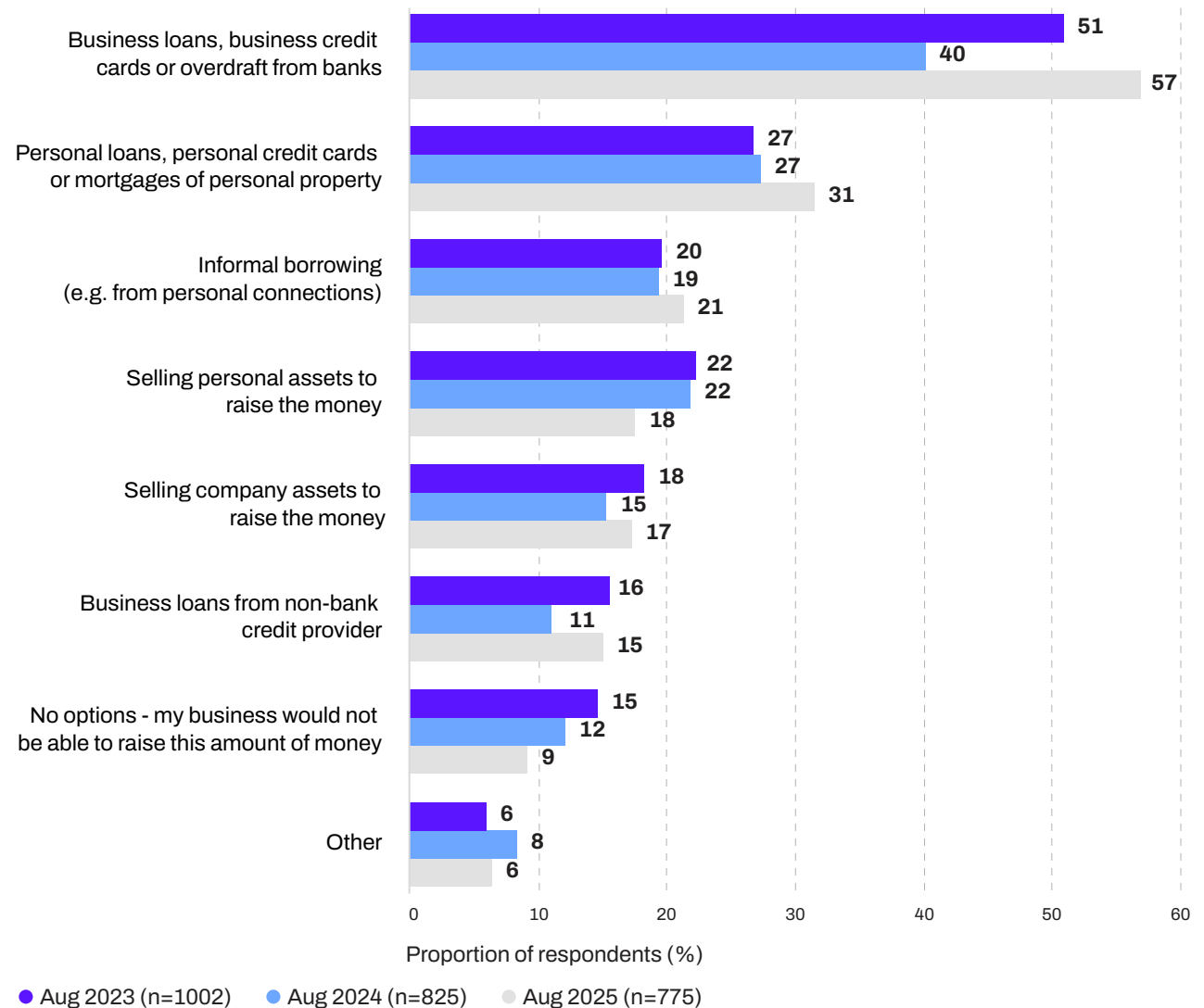
The percentage of businesses unable to raise one month's expenses fell from 15% in 2023 to 9% in 2025.



*To manage the icare premium increases we are reducing wages. This approach is manageable for us [...] but means we are less likely to employ people (as we have done in the past) because it's not worth it."*

Construction,  
Newcastle and Lake Macquarie

**Figure 6: Business access to emergency finance**



Note: Results do not sum to 100% as respondents were able to select multiple responses

# 4. Hiring intentions

NSW's unemployment rate fell to 4.0% in July 2025, down from 4.4% in June and below the 10-year average of 4.6%. Despite 25% of businesses reducing staff over the past three months, 84% plan to maintain or grow headcount in the next quarter.

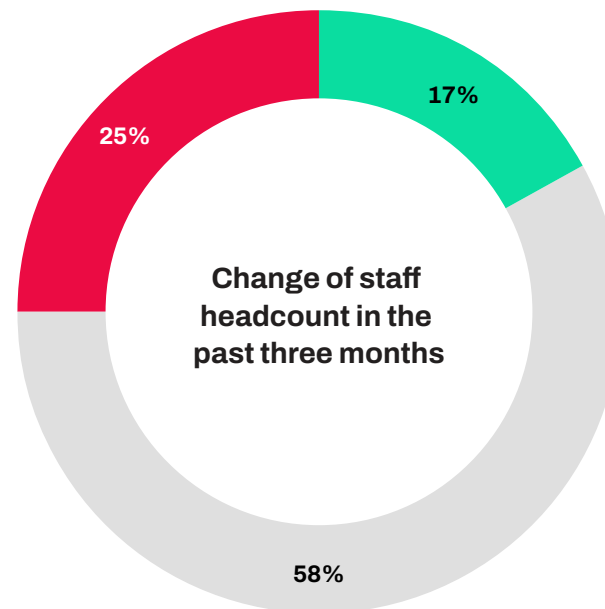
However, the employment outlook for Accommodation and Food Services businesses is less positive, with 28% of businesses in that sector expecting to reduce headcount in the next three months, the highest rate across surveyed industries.



*Skilled staff is the biggest issue to our business growing, we can get the work but don't have skilled staff to fill the orders."*

Manufacturing, Murray

Figure 7: Change of staff headcount



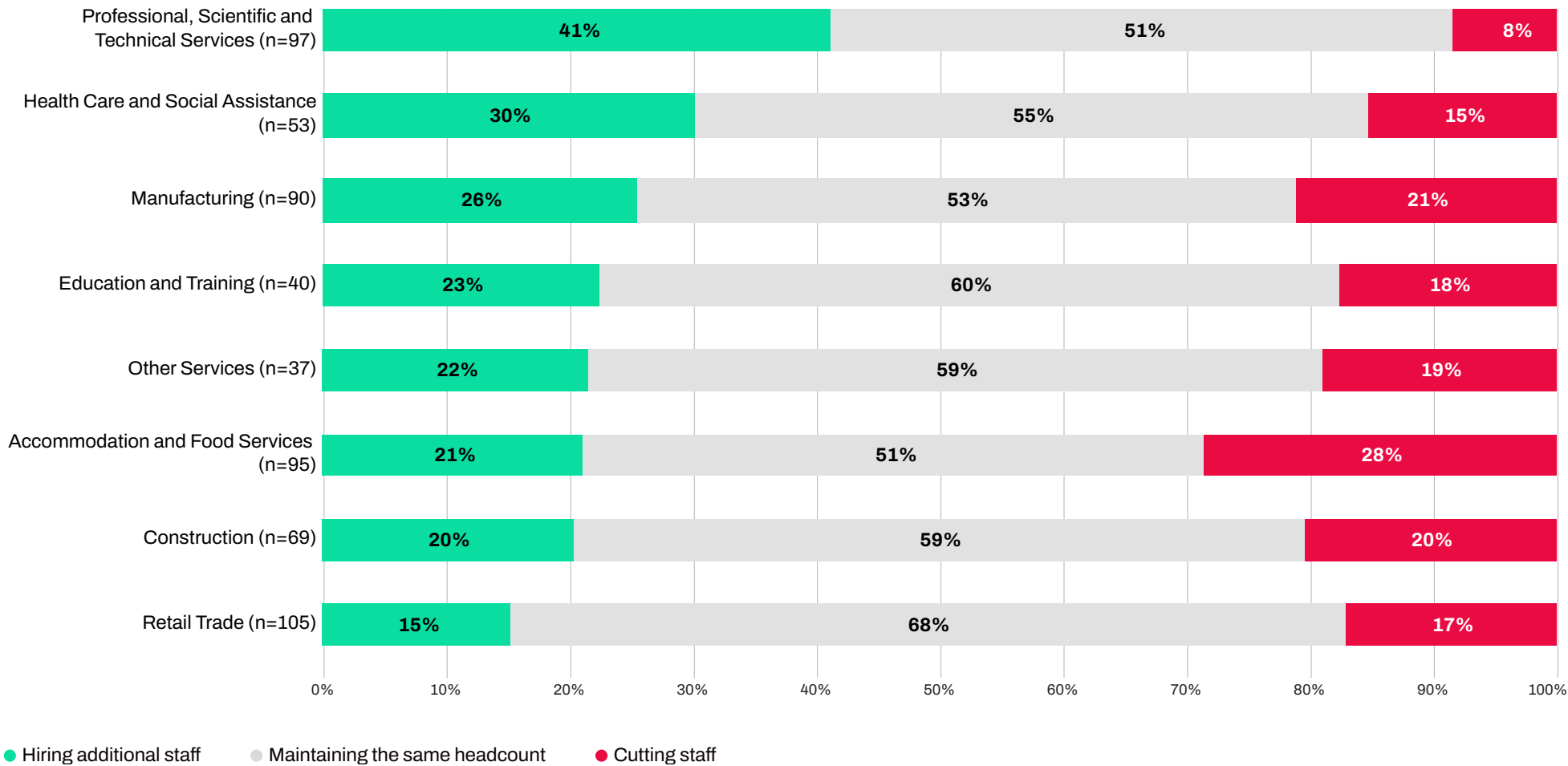
- We have hired additional staff
- No change
- We have cut staff



- Hiring additional staff
- Maintaining the same headcount
- Cutting staff



**Figure 8: Plans for staff headcount for the next three months (by industry)**



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



“

*Finding qualified staff [is a challenge], we have exhausted the local area, and we can't afford to relocate someone here with the lack of housing.”*

Professional, Scientific and  
Technical services, Mid North Coast

“

*Hiring new staff is incredibly difficult in regional areas.”*

Health Care and Social Assistance,  
Central West

Bale Defence | Mid North Coast NSW | Member since 2004



# 5. Productivity

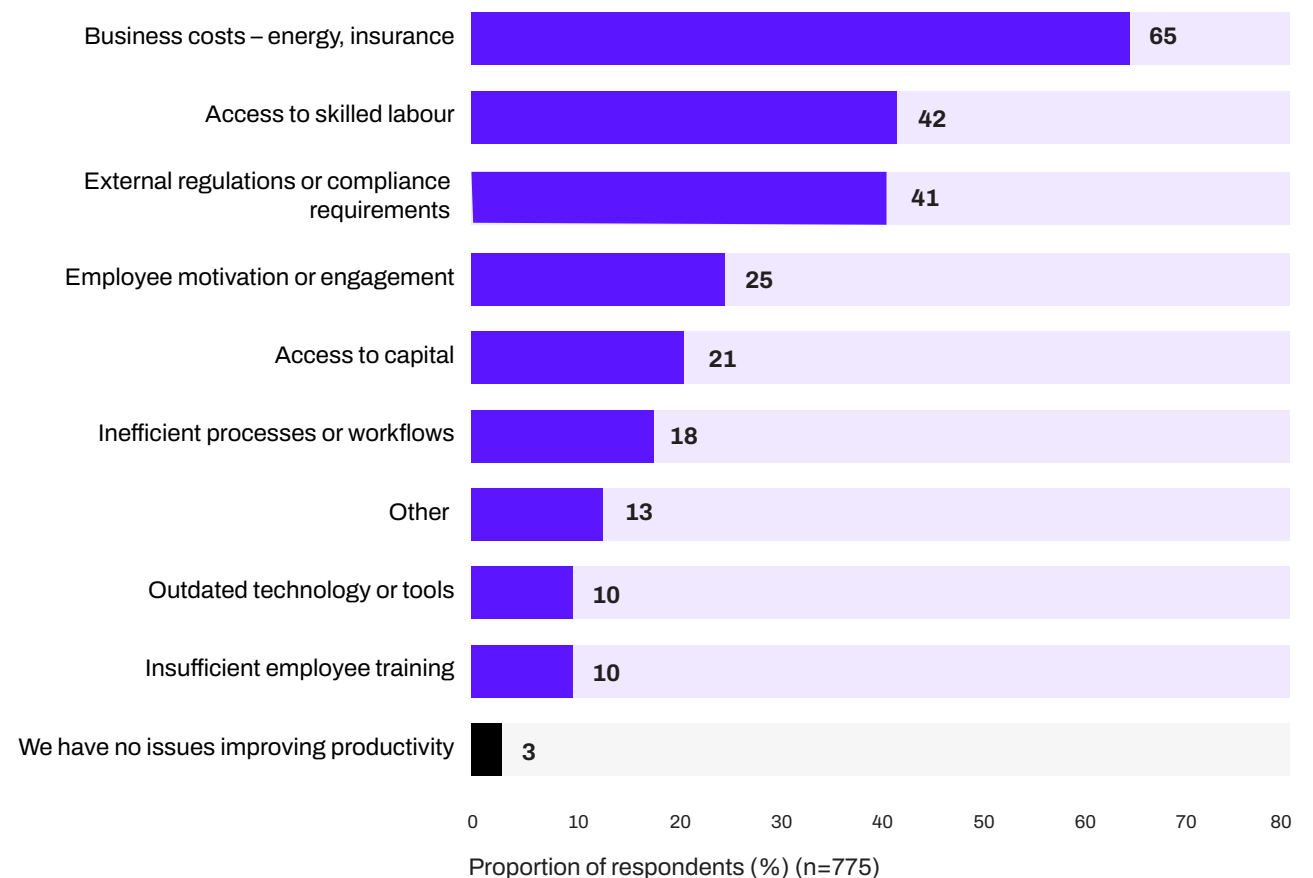
97% of respondents reported challenges in improving productivity. Business costs were the most common issue (65%), followed by access to skilled labour (42%), and external regulatory or compliance requirements (41%).



*We have office staff and staff that work on the manufacturing floor. The staff who work on the manufacturing floor cannot work from home, thus it is very unfair to them if we allow office staff to work from home.”*

Manufacturing, Western Sydney

**Figure 9: Challenges in improving productivity**

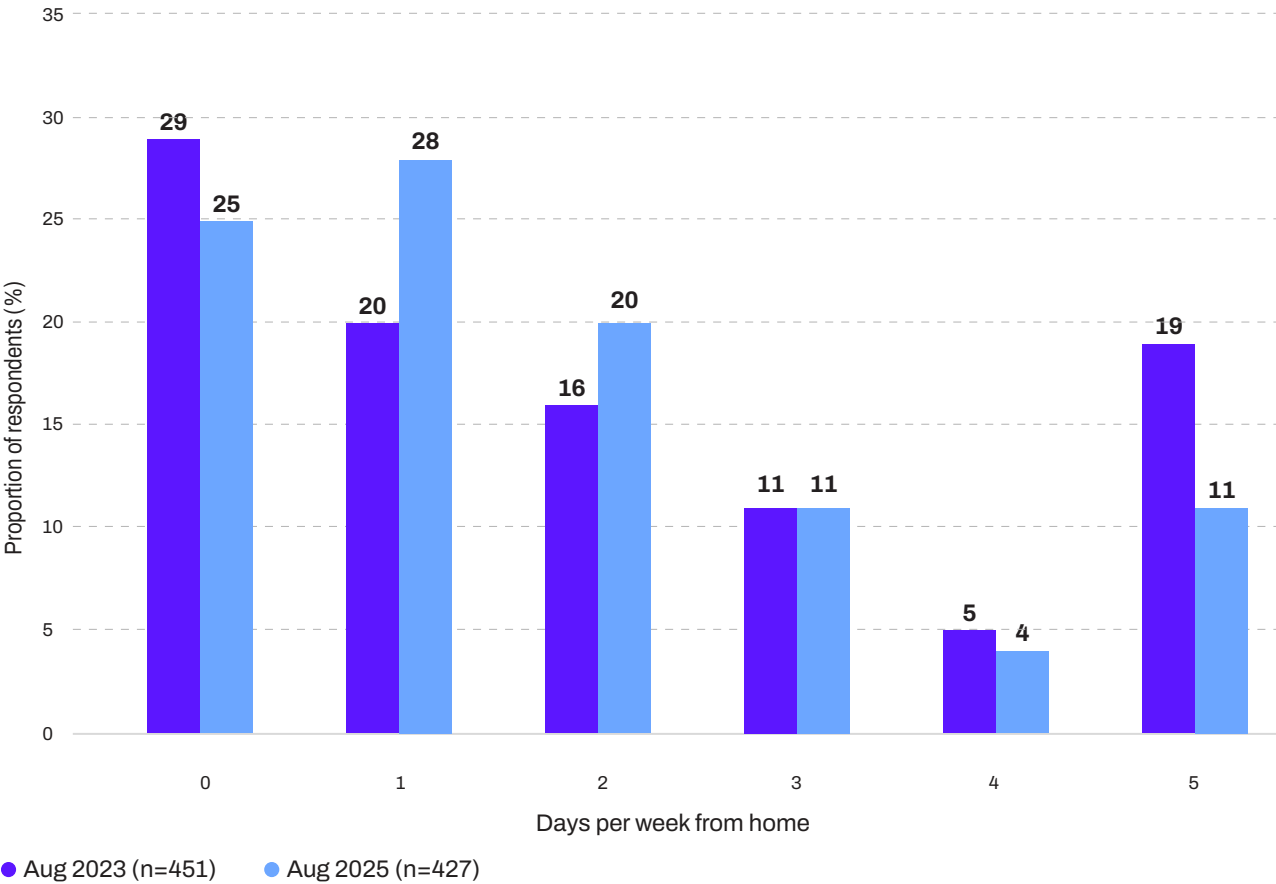


Note: Results do not sum to 100% as respondents were able to select multiple responses

55% of businesses reported that remote work is applicable for their staff, up from 45% in 2023. The proportion of businesses reporting zero work-from-home days as most productive fell from 29% to 25%. However, the average number of days applicable businesses considered optimal for staff productivity decreased over the same period from 2.0 to 1.7, driven by a sharp drop in businesses considering 4-5 remote days most productive.

	Aug-23 (n=451)	Aug-25 (n=427)
Average number of days	2.0	1.7

**Figure 10: Number of days working from home in a 5-day work week considered best for staff productivity**

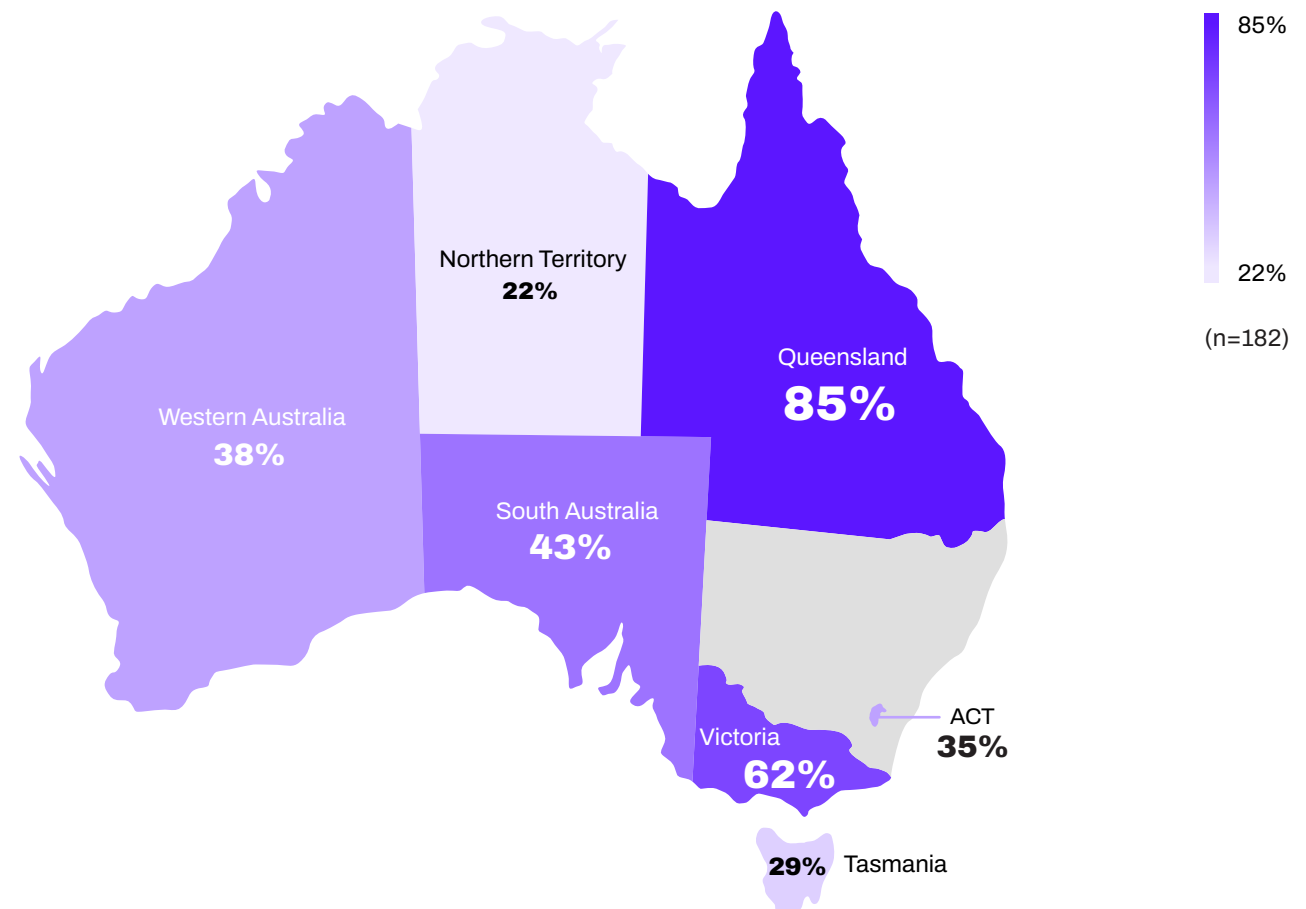


*Note: Only businesses who indicated working from home as applicable have been included in this figure*

# 6. Interstate business

23% of respondents said their business operated in at least one state or territory outside NSW. Among these, the average number of additional jurisdictions was 3.1. Queensland was the most common (85%), followed by Victoria (62%), while the Northern Territory was the least common (22%).

**Figure 11: Businesses operating in additional states and territories outside NSW**

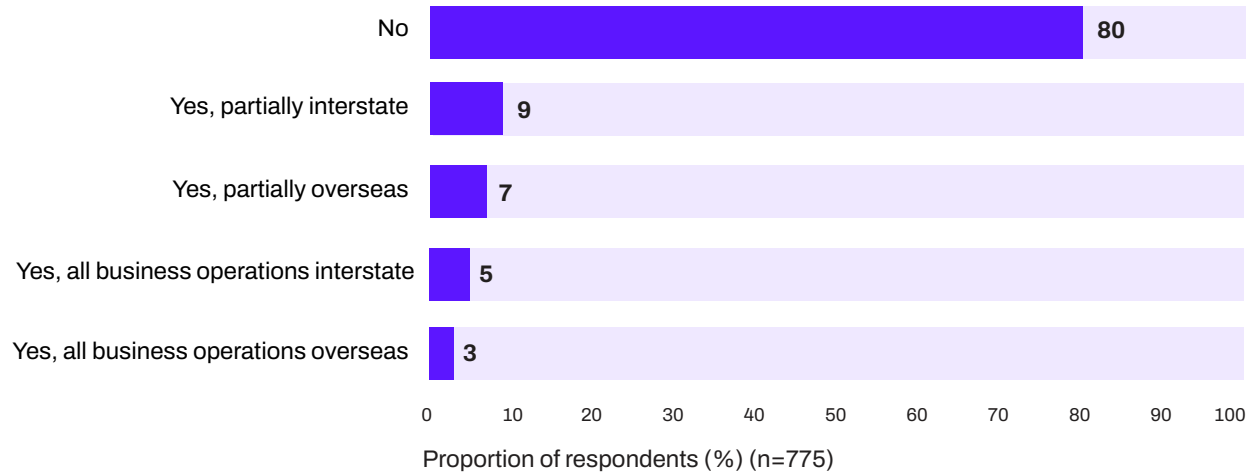


*Note: Results do not sum to 100% as respondents were able to select multiple responses. Only businesses operating in an additional state or territory have been included in this figure.*



Four in five businesses (80%) have no plans to relocate operations out of NSW. Among those considering a move, most are looking to shift part of their operations interstate or overseas, rather than relocating entirely. The top motivations cited were labour costs (46%) and rent (36%).

Figure 12: Businesses considering moving business operations



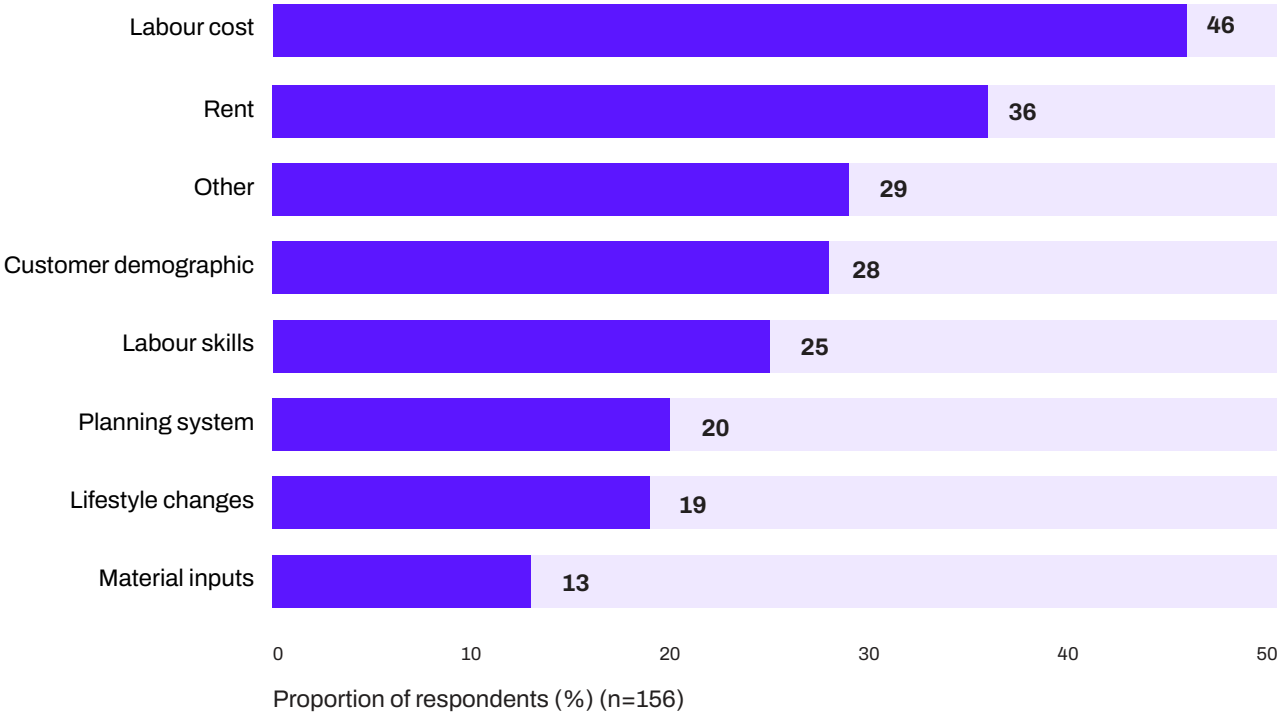
Note: Results do not sum to 100% as respondents were able to select multiple responses

“

*NSW tends to have higher compliance and regulatory requirements compared to QLD, VIC, and SA. Operating costs such as wages, utilities, and insurances are often higher, while some other states offer more flexible labour arrangements and lower overheads.”*

Retail - Richmond, Tweed

**Figure 13: Motivations for considering moving**



*Note: Results do not sum to 100% as respondents were able to select multiple responses. Only businesses considering moving have been included in this figure.*



# 7. Feedback for government

## State government

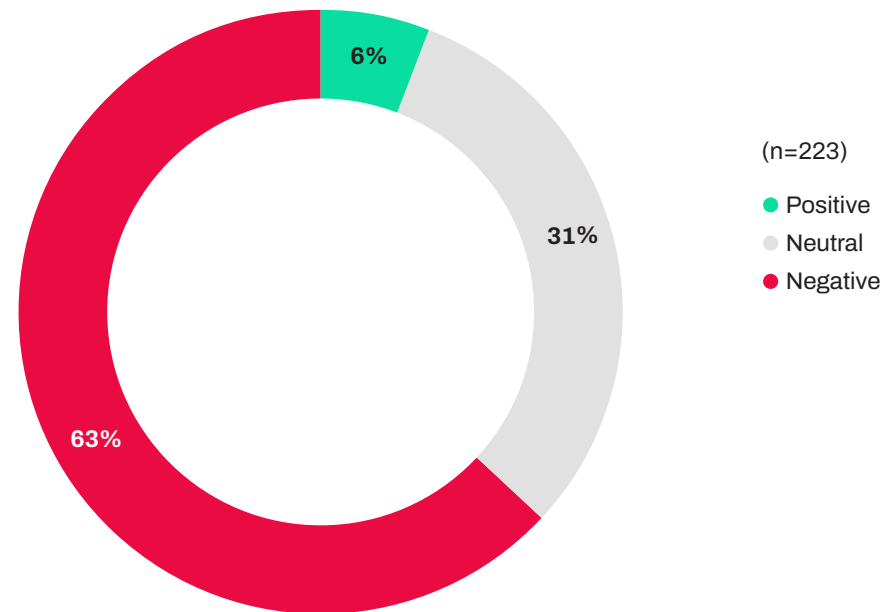
29% of businesses reported interacting with the planning system in the past five years. Of these, only 6% described their most recent experience as positive, while nearly two thirds rated it as negative.



*NSW has the best operating conditions out of all the states we operate in. If there was a stronger government initiative to source from local suppliers/manufacturers as there is in other states it would round out the operating conditions perfectly.”*

Manufacturing, Riverina

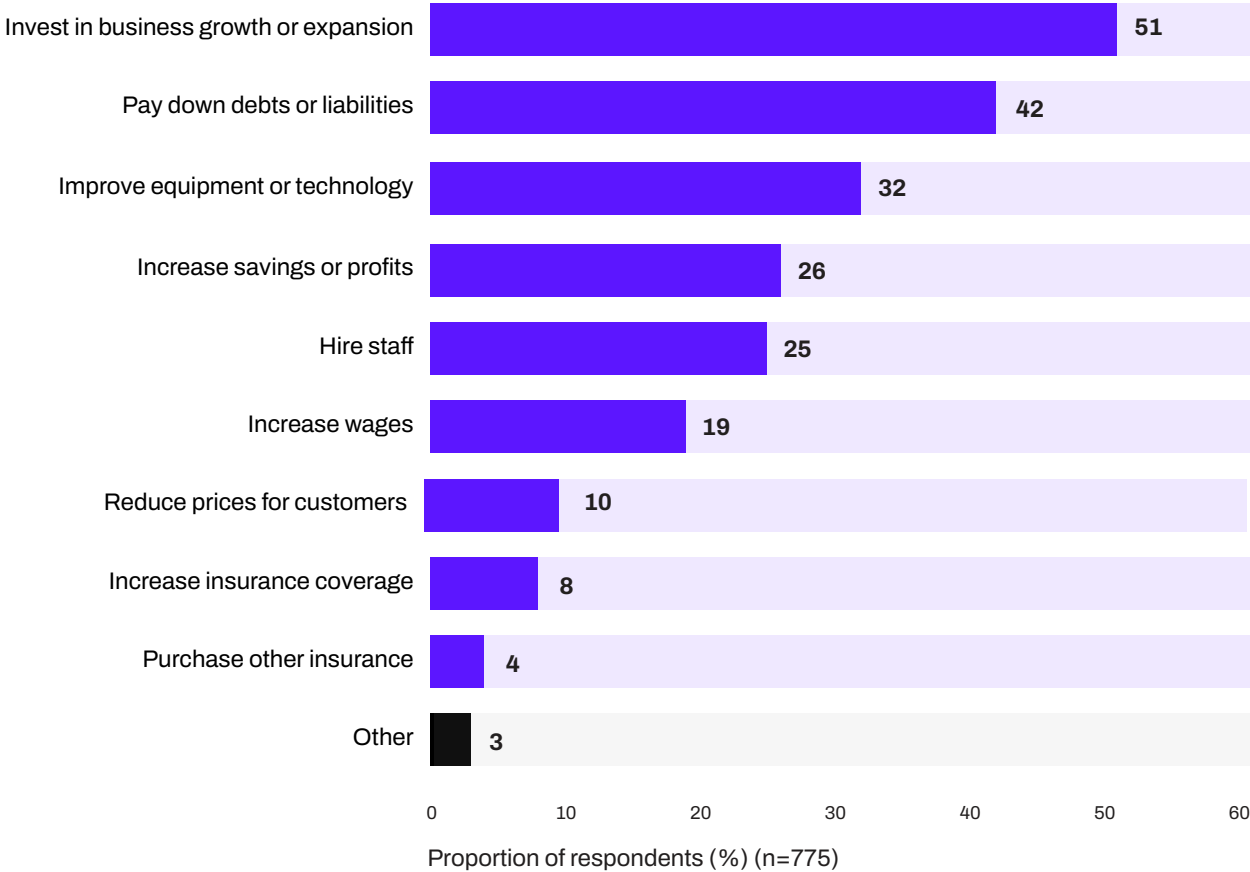
Figure 14: Businesses' most recent experience with NSW planning system



Note: Only businesses with recent experience with the NSW planning system were included in this figure



Figure 15: How businesses would use savings from the removal of the Emergency Services Levy



Note: Results do not sum to 100% as respondents were able to select multiple responses

“  
We plan to expand our  
business by building new  
accommodation, more than  
doubling the number of rooms.  
[...] We anticipate this process  
will take a number of years.”

Health Care and Social Assistance.  
Richmond – Tweed



Visy Logistics Riverina International Freight and Logistics Hub | Wagga

## CONTACT

**Nathan Wallwork**

Head of Economics & Policy

[Nathan.Wallwork@businessnsw.com](mailto:Nathan.Wallwork@businessnsw.com)



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