BUSINESS NSW

NSW BUSINESS CONDITIONS

Costs and uncertainties rattle business

June 2026

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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Executive summary

Thorn & Snow Nicole Saunders | Capital Far South | Member since 2020

Business conditions in New South Wales fell sharply in the June quarter, with confidence at record lows as demand weakened, costs rose and uncertainty persisted.

The biggest pressure remains costs. Taxes, levies and government charges are now the top cost concern, overtaking insurance for the first time in the survey.

Fuel, freight and supplier costs have surged, with nearly all businesses (96%) reporting impacts linked to conflict in the Middle East. The effects are now spreading beyond fuel prices into transport, input costs, supply chains and customer demand.

At the same time, revenues are declining for many businesses, creating a growing squeeze on cashflow and profitability. Many are no longer able to absorb rising costs and are being forced to pass on costs or cut back operations.

Labour market conditions are also softening. Hiring has slowed and forward intentions have turned negative, with more businesses planning to reduce staff than increase headcount. Combined with rising employment costs, this suggests the slowdown is beginning to flow through more broadly into economic activity.

These combined pressures are driving financial stress, with many business owners reducing their own income, drawing on savings or reassessing viability. A notable share of businesses report being at, or approaching, breaking point, and most have deferred or cancelled investment plans. Despite this, awareness and uptake of government support remains low, and many businesses say the policy response is inadequate.

The Business Conditions Survey was conducted from 3–20 May, with 759 responses from businesses across NSW.

Key findings

01 **Business Confidence fell** for the third quarter in a row, reaching a record low of –78.0 (down from -52.4). Forward-looking confidence also declined to -70.8, a near record low.

02 **Hiring intentions are increasingly subdued,** with substantially more businesses planning to reduce staff than add headcount for the second quarter in a row. Businesses in accommodation, food services and retail trade reported widespread intentions to reduce headcount.

03 **Taxes, levies and other government charges have risen to be the highest concern cost for business,** overtaking insurance for the first time.

04 **Supplier and transport costs have risen as concerns for business,** now ranking third and fourth ahead of wages and energy.

05 **96% of businesses reported being impacted by the oil supply shock,** with nearly 40% describing the impact as significant or worse. Impacts are greatest on businesses in regional areas, and businesses in agriculture, transport, logistics, construction, manufacturing and retail trade.

06 **Business costs have risen substantially, with 43% reporting increases of 10-25% since February 2026,** driven largely by fuel and freight.

07 **The oil supply shock is also affecting inputs and stock,** with less than one third (30%) of businesses reporting no difficulties obtaining critical inputs, stock or supplies since the supply shock began. Meanwhile, 30% of businesses report at least some adjustments to operations as a result of availability issues.

08 **Awareness and uptake of government support remains low.** Most businesses are unaware of available assistance, only two per cent have accessed support and only 10% described the government response as adequate while 62% considered it inadequate.

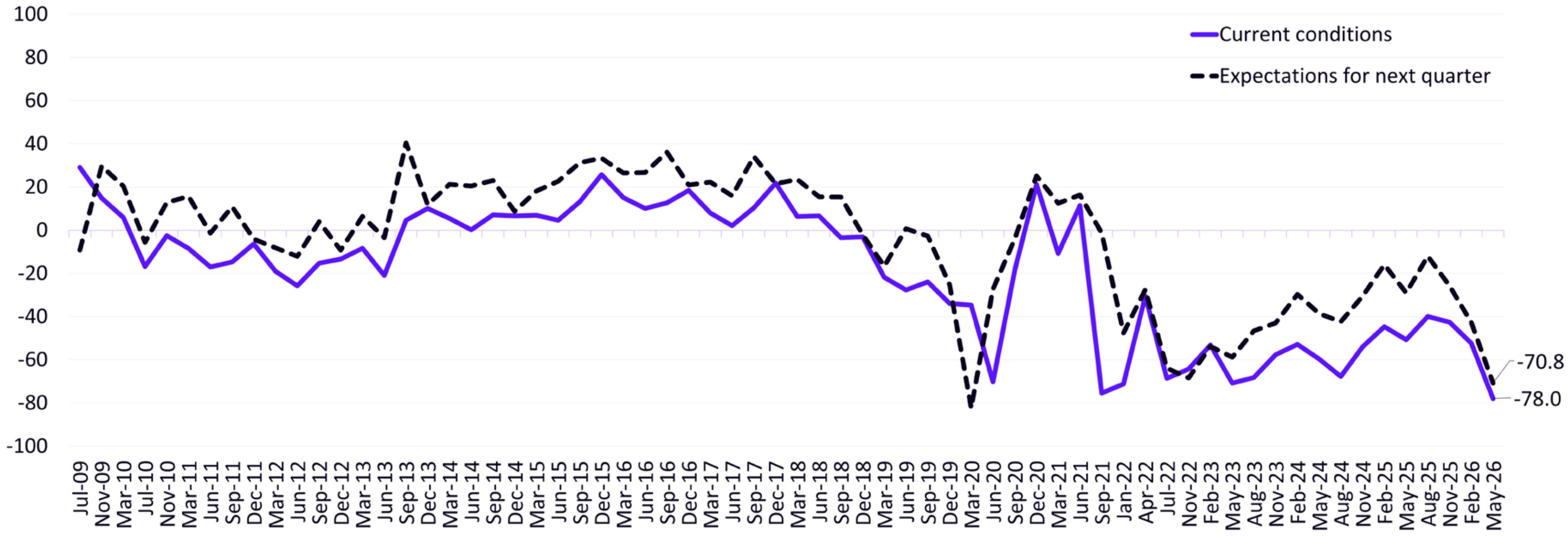
09 **Insurance remains a significant cost pressure,** with nearly three quarters of businesses reporting premium increases of more than 10% over the past year. Many underinsured businesses report concerns about viability.

1. Business confidence

The Business Confidence Index fell for the third consecutive quarter to -78.0, the lowest on record and below the previous low of -75.5 during the September 2021 lockdowns. Forward expectations also weakened to -70.8, near-historic lows and reversing the upward trend seen across 2022-2025.

While results vary by region and industry, most are slightly more optimistic about the next quarter compared to the current one.

Figure 1: Business confidence index.



Excel Logistics | Western Sydney | Member since 2016

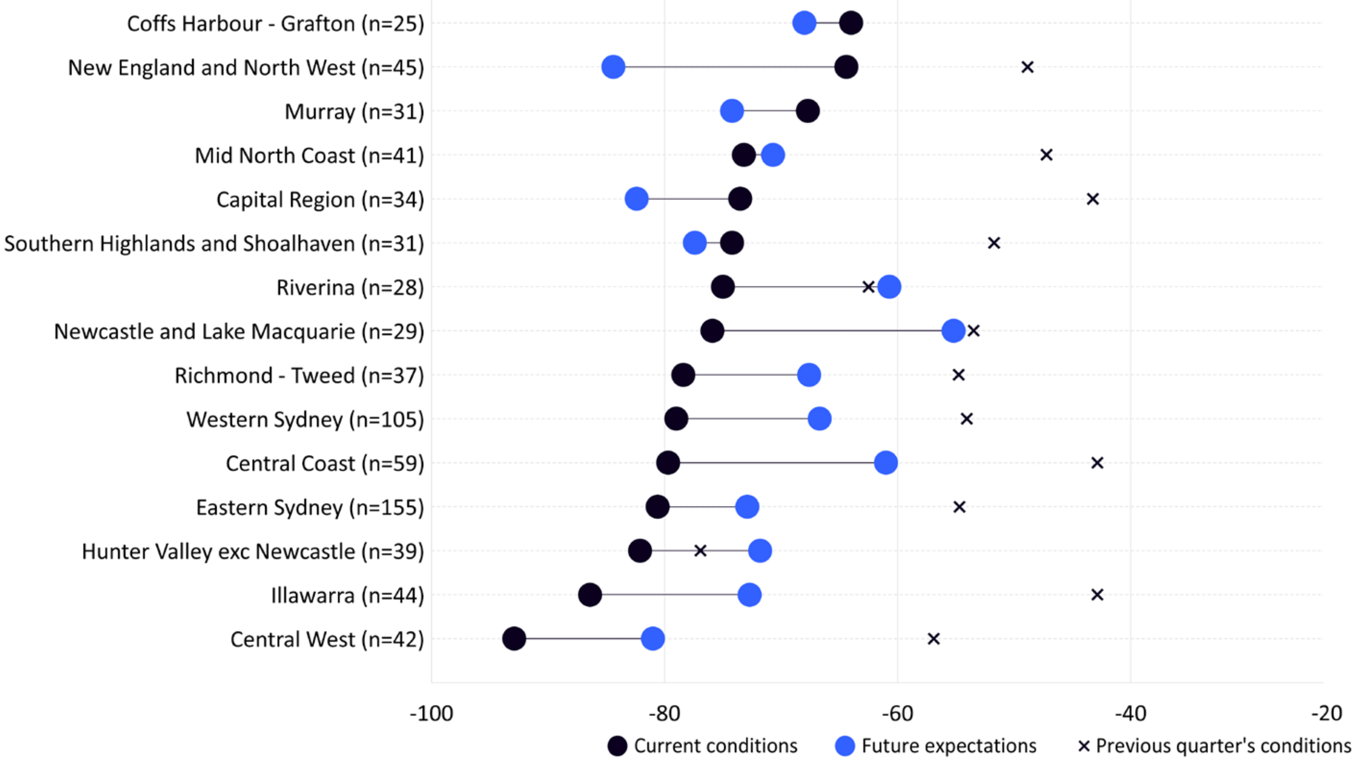
“

Work is beginning to slow quite noticeably, with a number of clients either postponing projects or, in some cases, cancelling them altogether. This is starting to have a real impact on our forward workload and pipeline.”

Illawarra - Construction

Regional snapshot

Figure 2: Business confidence by region



Note: Regions with less than 20 respondents have been excluded. Indicated sample sizes are for 'Current conditions' and 'Future expectations'.

> *Delay in progress due to businesses still operating in 'flood recovery mode', returning to BAU is taking longer than expected due to uncertainty of recovery support funding"*
>
> Mid North Coast - Education and Training

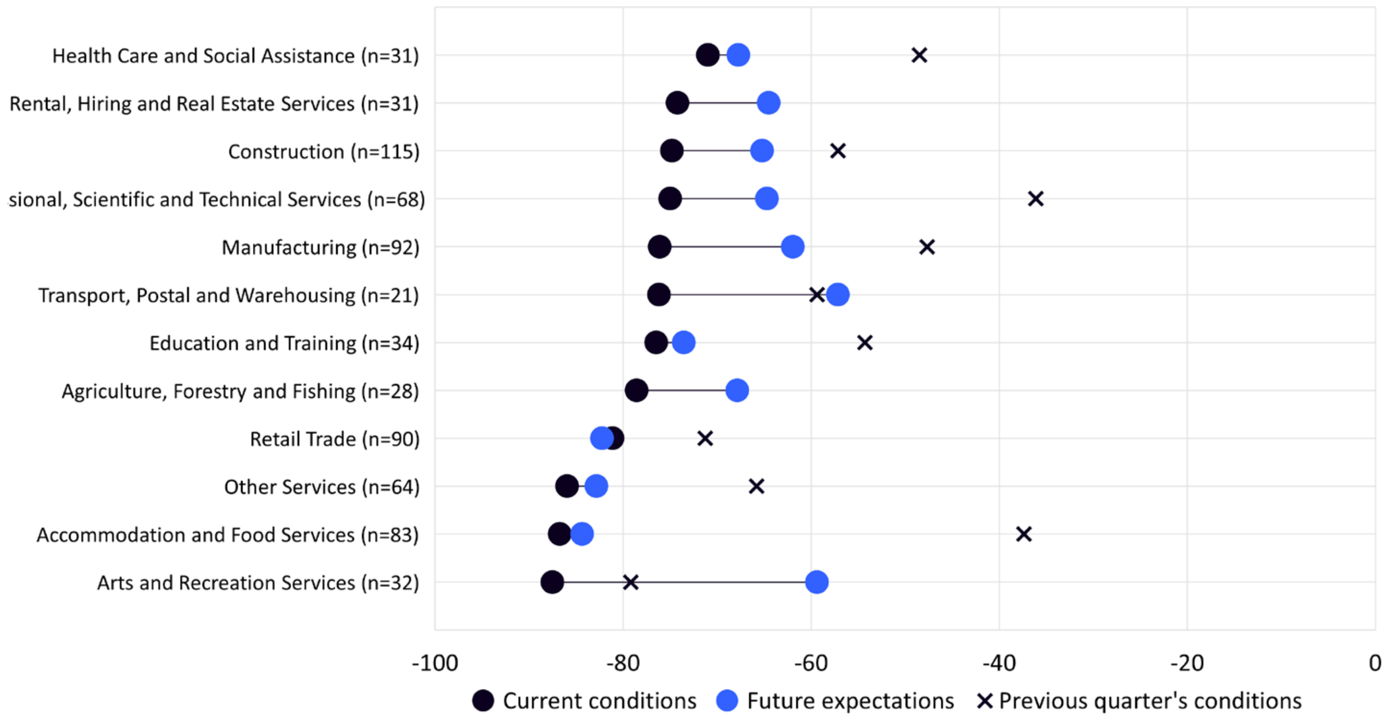
Fine Food Store The Rocks | Sydney East | Member since 2020

> *"We began 2026 in a really positive fashion with strong sales and the right team of people to help sustain and grow our business but now that has completely flipped on its head and we have notified most of our staff of redundancies so we are now paying out our remaining funds to pay our experienced, trained, knowledgeable staff to leave us as we can no longer afford to keep the business running in its current format."*

Mid North Coast - Retail Trade

Industry snapshot

Figure 3: Business confidence by industry



Note: Industries with less than 20 respondents have been excluded. Indicated sample sizes are for 'Current conditions' and 'Future expectations'.

> *We believe there will be a slowing of the property market therefore will need to adapt with staff using this slow in the market for training for better performance/productivity"*
>
> Newcastle and Lake Macquarie - Rental, Hiring and Real Estate Services

> *The market is definitely becoming more competitive which means more pricing to win jobs but also will drive efficiency for our business through better systems and more time to implement them. Being too busy over the last 2 years has led to leaks in efficiency."*
>
> Eastern Sydney - Construction

2. Hiring

NSW's unemployment rate rose from 4.3% to 4.5% in April 2026, although this remains in line with the 10-year average[1].

Our survey indicates that business hiring appears to be moderating. One in three businesses report they reduced staff over the past quarter, while only 10% hired additional staff.

Looking ahead, businesses are reporting significant changes to their hiring intentions. From late 2024 to early 2026, more businesses were expecting to hire staff than reduce staff. But future hiring intentions have flipped, with more businesses now planning to cut staff over the next three months (29%) than hire staff (8%). This is the largest gap in hiring intentions recorded in our survey.

Hiring remains strongest in transport, postal and warehousing, manufacturing, professional, scientific and technical services and healthcare and social assistance, industries that make up 38% of the NSW workforce[2].

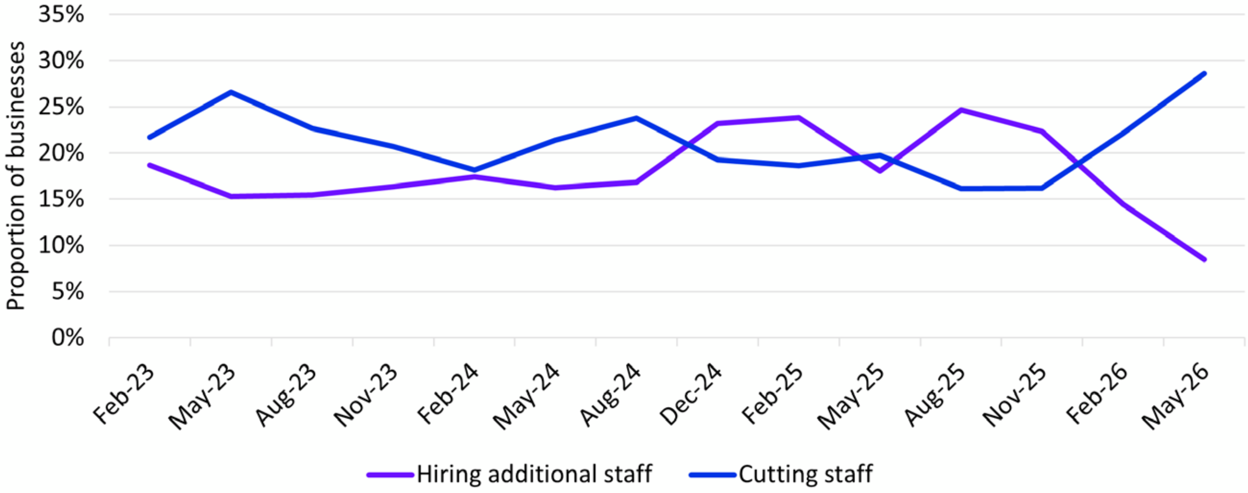
ABS[1], Labour Force, Australia, April 2026, Catalogue No. 6202.0

ABS[2], Labour Force, Australia, Detailed, March 2026

Figure 4: Change of staff headcount

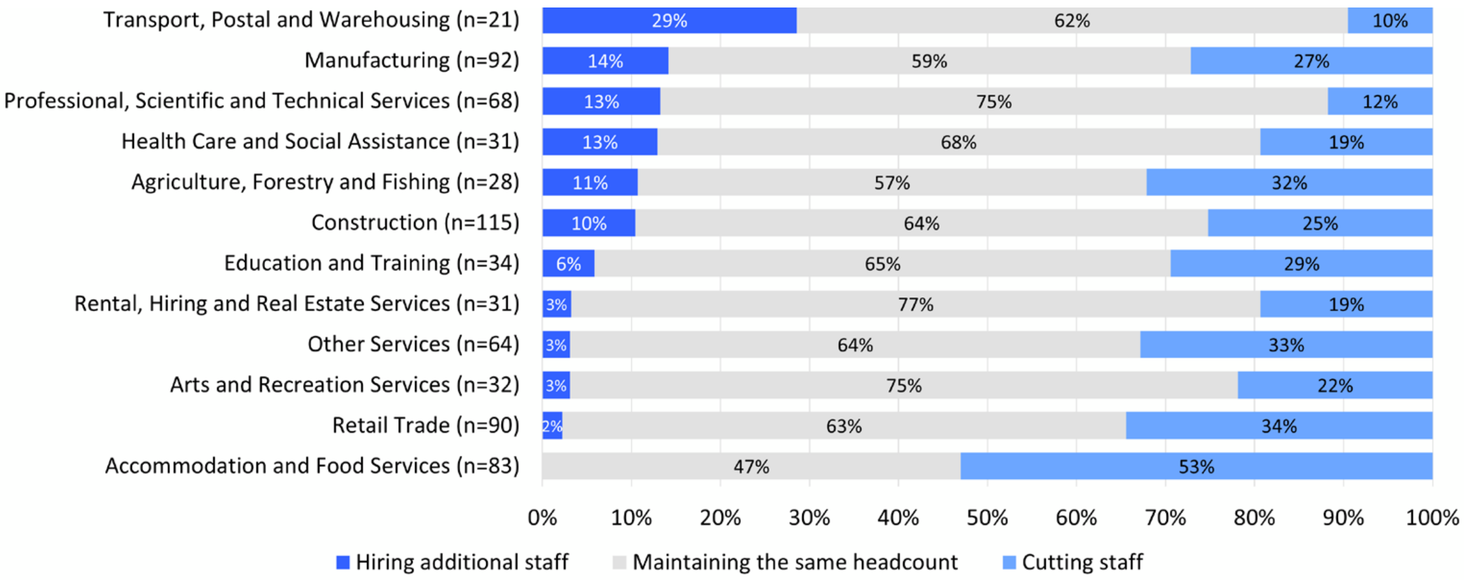
	Change of staff headcount in the past three months		Plans for staff headcount for the next three months
We have hired additional staff	10%	Hiring additional staff	10%
No change	57%	Maintaining the same headcount	57%
We have cut staff	32%	Cutting staff	32%

Figure 5: Business hiring intentions for the next three months



Businesses in hospitality and local services industries (such as accommodation and food services, retail, arts and recreation, other services) are reporting particularly subdued hiring intentions for the next three months, with around one third of businesses planning to reduce headcount and very few planning to hire new staff.

Figure 6: Plans for staff headcount for the next three months by industry



Note: Industries with less than 20 respondents have been excluded.

> *Biggest challenge is finding adequately qualified staff. If I lose 3-5 core people, my business efficiency is in deep strife because of how hard it is to get degree qualified professionals in this region."*
>
> Mid North Coast - Professional, Scientific and Technical Services

> *Eventually staff numbers will have to be reviewed, costs are just rising constantly, production suffers as customers aren't confident in spending, so businesses suffer in many different ways"*
>
> Central West - Manufacturing

Glenworth Valley | Central Coast | Member since 2019

Significantly increasing costs of small business are decimating this industry (enormous increases in wages, insurance, electricity, gas, cooking oils, food costs, alcohol costs, rents, essentially everything across the board). These increases can't be passed on the consumers."

Coffs Harbour – Grafton – Accommodation and Food Services

We struggle with the costs involved with employing people, not specifically wages and super, but workers compensation, payroll tax, and WHSE Compliance."

Newcastle and Lake Macquarie - Manufacturing

3. Business costs

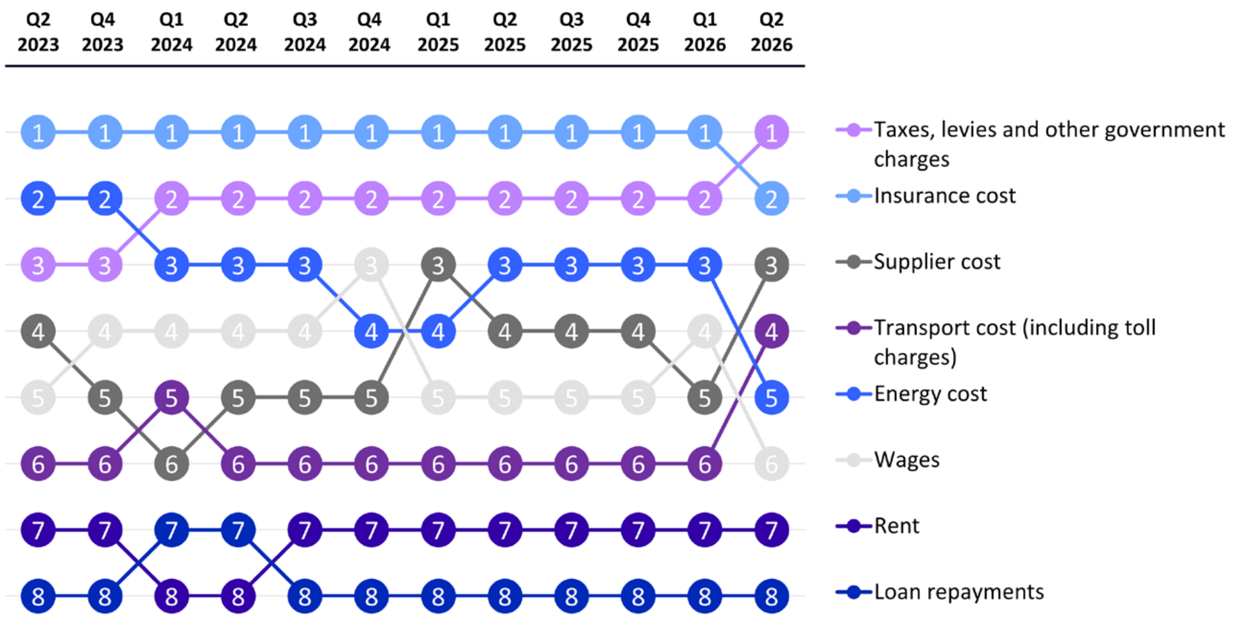
Business cost concerns

Inflation remains elevated at an annual rate of 4.2%, down from 4.6% in March, but still above the Reserve Bank of Australia's target band of 2-3%[3]. Transport costs are a key driver, which rose 6.6% in the past 12 months. The RBA raised the cash rate to 4.35% at the beginning of May, the third increase in a row.

After nearly three years, insurance has been displaced as the leading cost concern by taxes, levies and other government charges.

The fallout of the Middle East conflict is having a direct impact on businesses' cost concerns. Businesses are increasingly concerned about costs relating to suppliers and transport, indicating impacts have spread beyond fuel.

Figure 7: Ranked concerns about business costs over time



Note: this question asks businesses to score their cost concerns out of 10. A decline in the ranking for a cost does not mean an absolute decline in the cost pressures facing business.

ABS[3], Consumer Price Index, Australia, April 2026, Catalogue No. 6401.0

Manly Co-op | Sydney East | Member since 2012

> *"Looking ahead to the 2026–27 financial year, the key challenge for our business is ongoing cost uncertainty combined with increasing risk transfer in contracts. With limited mechanisms for cost escalation or shared risk, maintaining sustainable margins while continuing to deliver high-quality outcomes will remain a pressure point."*

Richmond – Tweed - Construction

📷 Canowindra Produce | Central West | Member since 1979

One of the biggest challenges facing our business in the 2026–27 financial year is the continued increase in operating costs across almost every area of the business. Costs associated with wages, superannuation, insurance, cleaning supplies, maintenance, utilities, software subscriptions and contractor services have all risen significantly, placing increased pressure on profit margins for small businesses. Despite these challenges, there are also opportunities for growth and improvement."

Southern Highlands and Shoalhaven - Rental, Hiring and Real Estate Services

4. Oil supply shock impact

A top priority of our Q2 survey was to understand the ongoing effects of the Middle East conflict on businesses across the state. Here, we outline the reported impacts on businesses so far, how they are responding, and what they want to see from Government.

The most affected areas affected are: fuel costs (70%), transport and logistics (63%), and input costs (61%) but many businesses also reported weaker customer demand (43%) and impacts on staff travel (41%).

Exposure

Over 80% of businesses reported using oil-based products, mainly diesel (64%) and petrol (57%).

We asked businesses to gauge the extent of the oil supply shock on their business. Around 40% of businesses report a significant or severe impact. This proportion is the same as in late March when we asked businesses the same question. Since then, there has been a marginal decrease in the number of business reporting no or minor impacts.

Almost all (96%) businesses report being affected by the oil supply shock in some way, even those that do not use oil products directly. Businesses in agriculture, transport and logistics, construction, manufacturing and retail trade are reporting the highest impacts on average. Businesses in professional services are reporting the lowest impacts.

Figure 8: Extent of oil supply shock impact on business

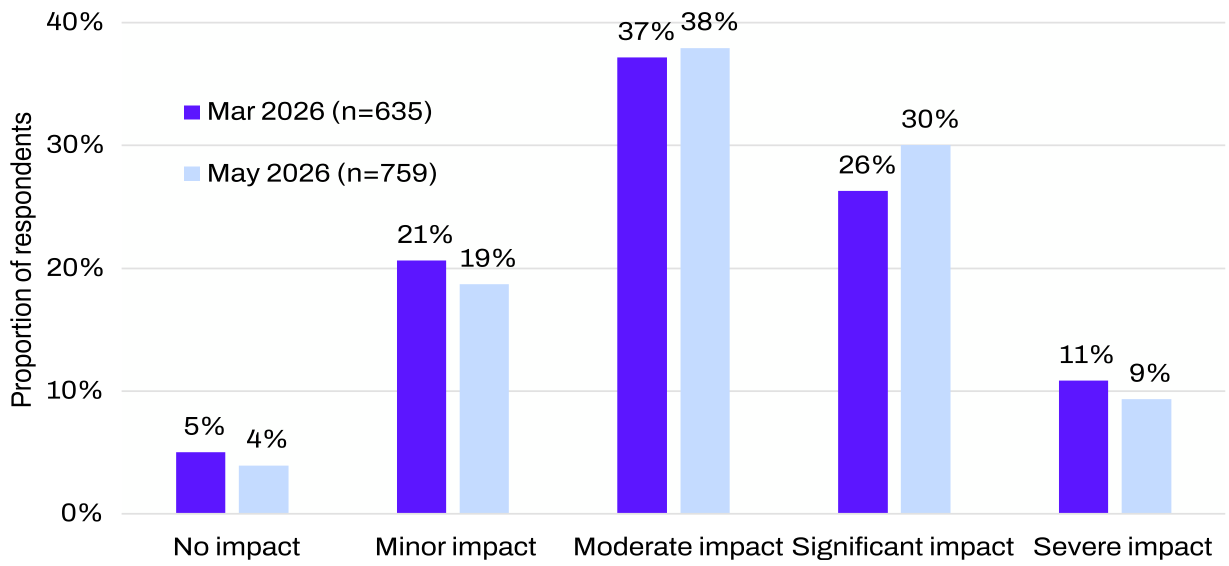
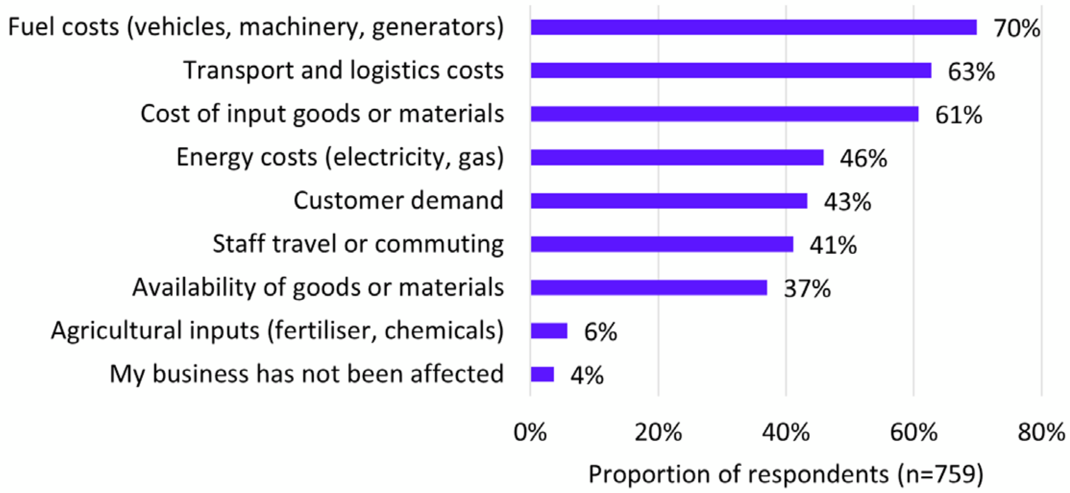


Figure 9: Areas of business impacted by oil supply shock



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

> *My business is not directly impacted by fuel costs, however, my clients are and this is where we are impacted when they look to reduce costs"*
>
> Hunter Valley excluding Newcastle - Professional, Scientific and Technical Services

> *We're laying off another Tradesman and selling one of the vans to try and keep the apprentices on, looking at letting the office manager go and moving out of our commercial place and back to a home office, due to the downturn in work as our customers are not spending"*
>
> Newcastle and Lake Macquarie – Construction

Costs

59% of businesses report their costs have increased by at least 10% since February. Less than 10% of businesses had no significant change to their costs, indicating widespread impact.

Fuel and freight costs have been the major contributors, with 76% reporting fuel costs increases above 10% and 68% reporting the same for freight costs.

Figure 10: Total reported business cost change since February 2026

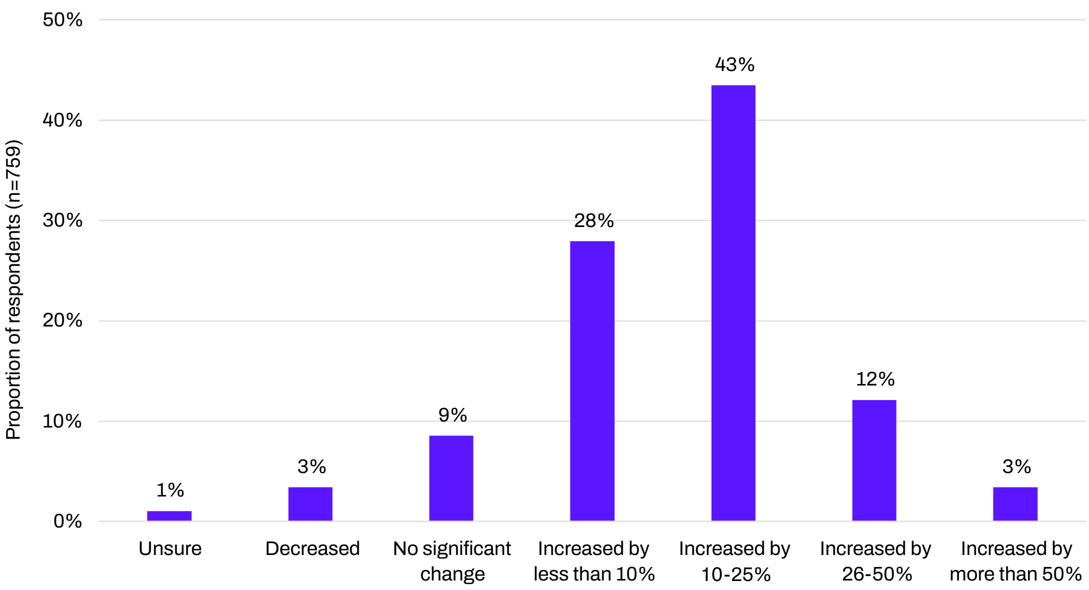
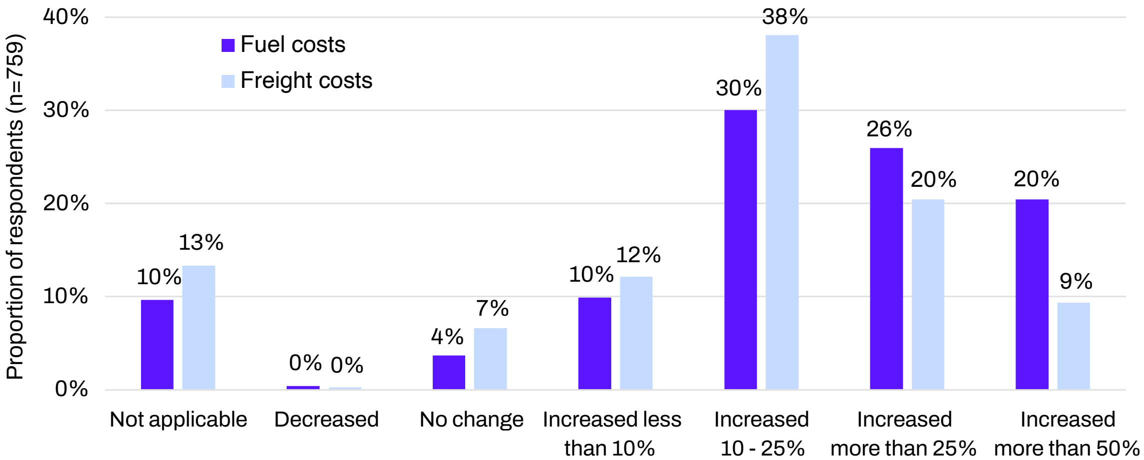


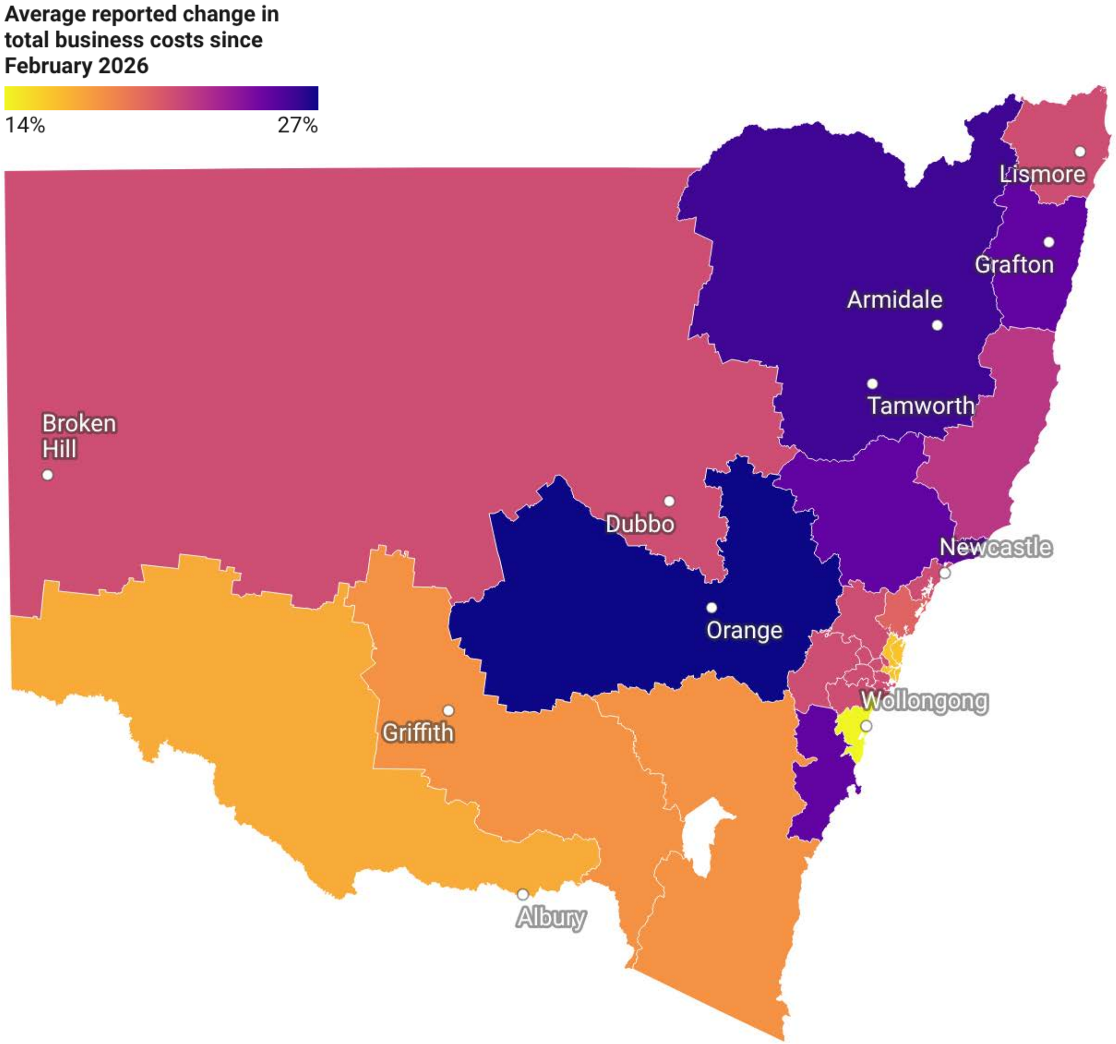
Figure 11: Total reported fuel and freight cost change since February 2026



Businesses in regional areas are reporting higher average cost increases than businesses in metropolitan areas. This makes sense, given greater distances are associated with higher costs for fuel, freight, and market access.

Businesses in the Central West have experienced cost increases of 27% on average, closely followed by businesses in New England North West at 26%, while businesses in Eastern Sydney have reported a relatively lower (but still extremely high) 16% average increase in costs.

Figure 12: Average reported change in total business costs by region since February 2026

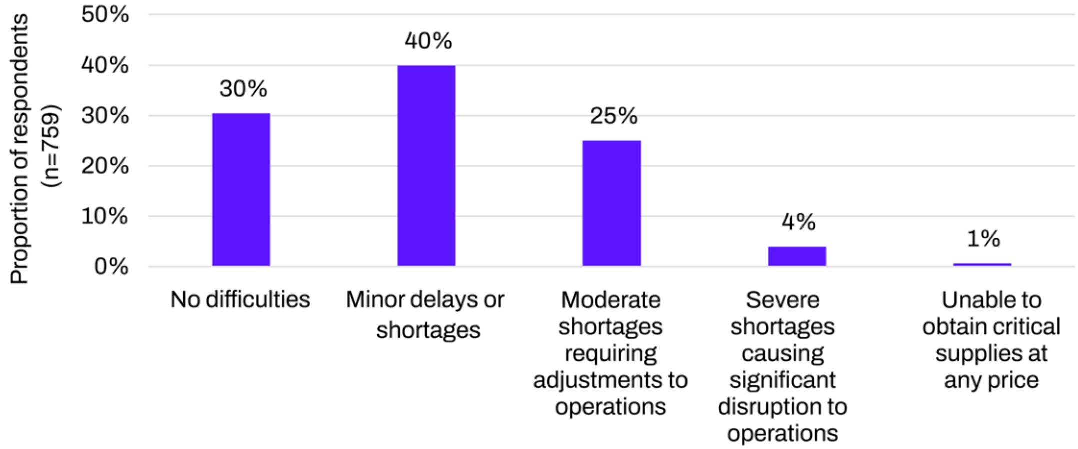


The purpose of this map is to illustrate the heightened impacts on regional businesses. Figures are indicative only.
Source: BNSW Q2 2026 survey (n=759) • Map data: ABS • Created with Datawrapper

Supply chains

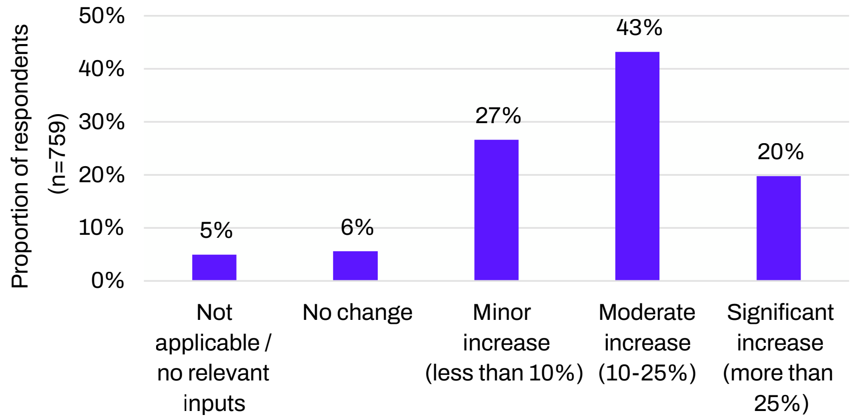
Supply constraints are increasingly evident, with 70% of businesses reporting at least some difficulties accessing inputs, stock or supplies. One in four businesses reported moderate shortages requiring operational adjustments, with a further 5% reporting severe or critical disruptions.

Figure 13: Impact of oil supply shock on obtaining critical inputs, stock or supplies



Supply chain disruptions are having tangible impacts. Two thirds of businesses report increases of at least 10% in the price of key inputs, materials or other goods due to supply chain disruptions, with 89% of all businesses experiencing at least a minor increase since February.

Figure 14: Change in cost of key inputs, materials or goods due to supply chain disruption



"We are seeing a knock-on effect from the fuel price shock to our salon inventory costs"

Eastern Sydney – Other services

Financial impact

Businesses are reporting significant impacts on their revenue relative to February 2026. Nearly half of all businesses (48%) reported revenue declines of more than 10%.

Revenues are declining for most businesses while costs are escalating rapidly. This points to a substantial forthcoming crunch on business profitability.

Figure 15: Change in business revenue since February 2026

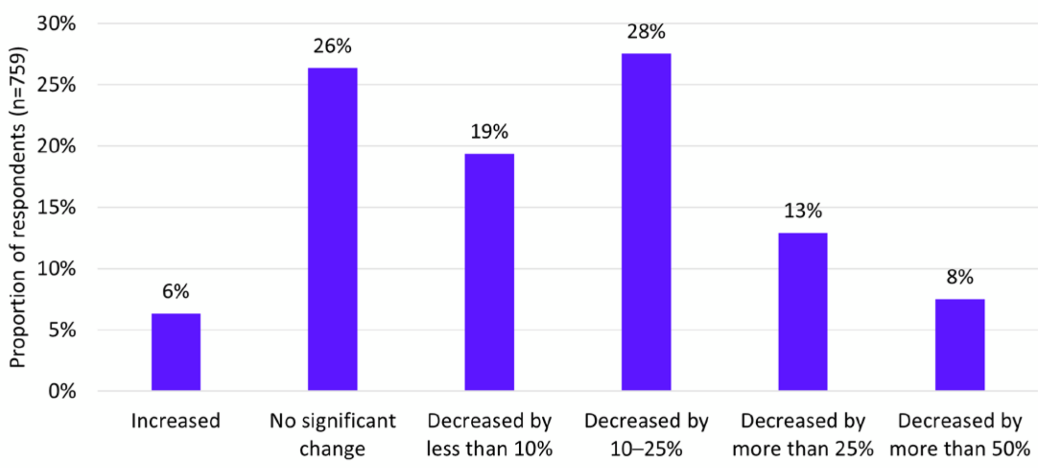
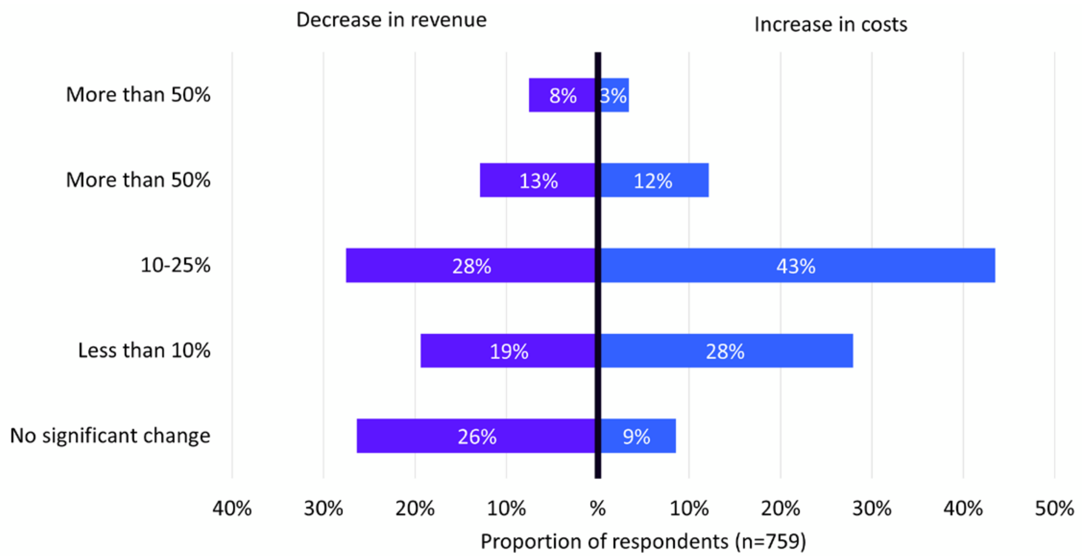


Figure 16: Comparison between revenue decrease and cost escalation since February 2026



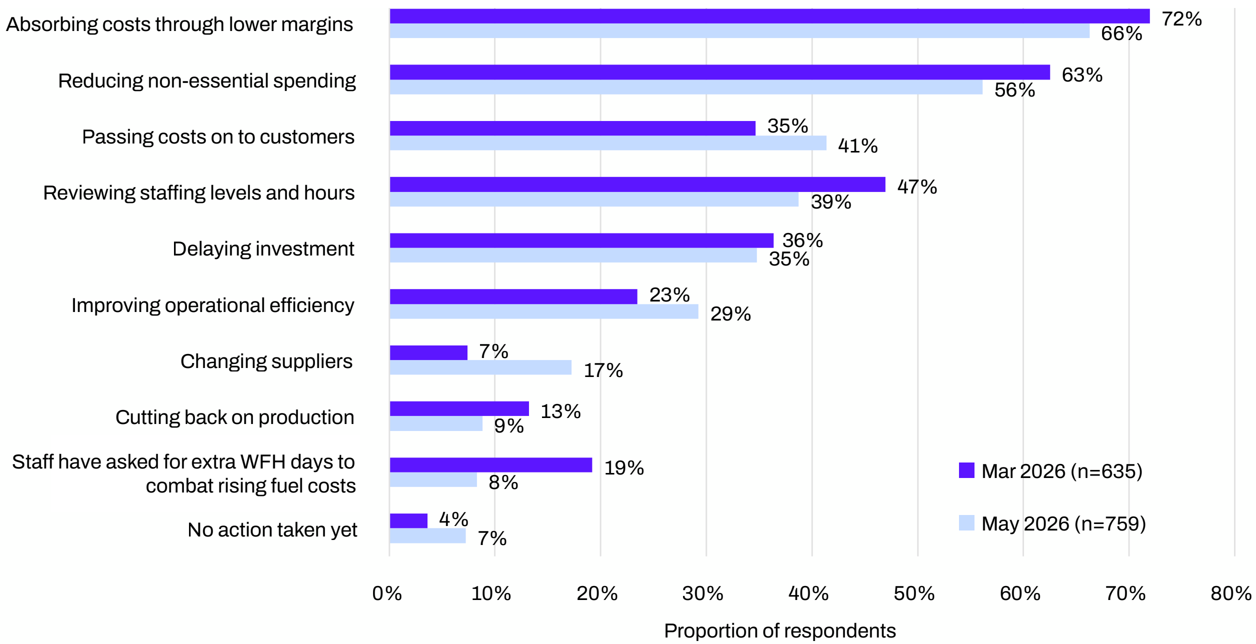
Note: 'Increased' revenue and 'unsure' or 'decreased' options have been removed from this figure.

Business response

Businesses are modifying their response to the crisis as it evolves. Compared to March, fewer businesses are able to absorb costs through lower margins and more are having to pass costs onto customers.

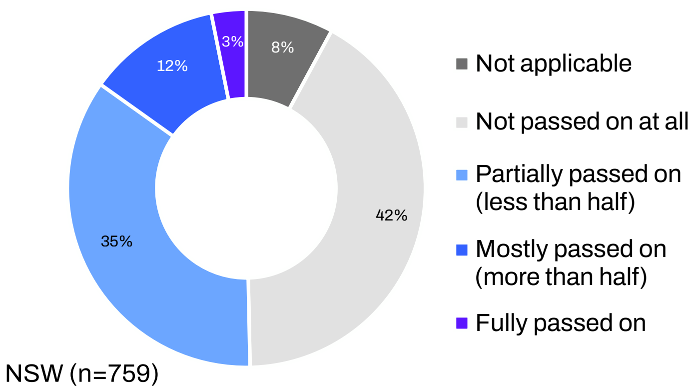
There has also been a noticeable increase in the number of businesses seeking to improve their own operational efficiency (29% up from 23%) and seeking better deals from suppliers.

Figure 17: Business responses to higher costs



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

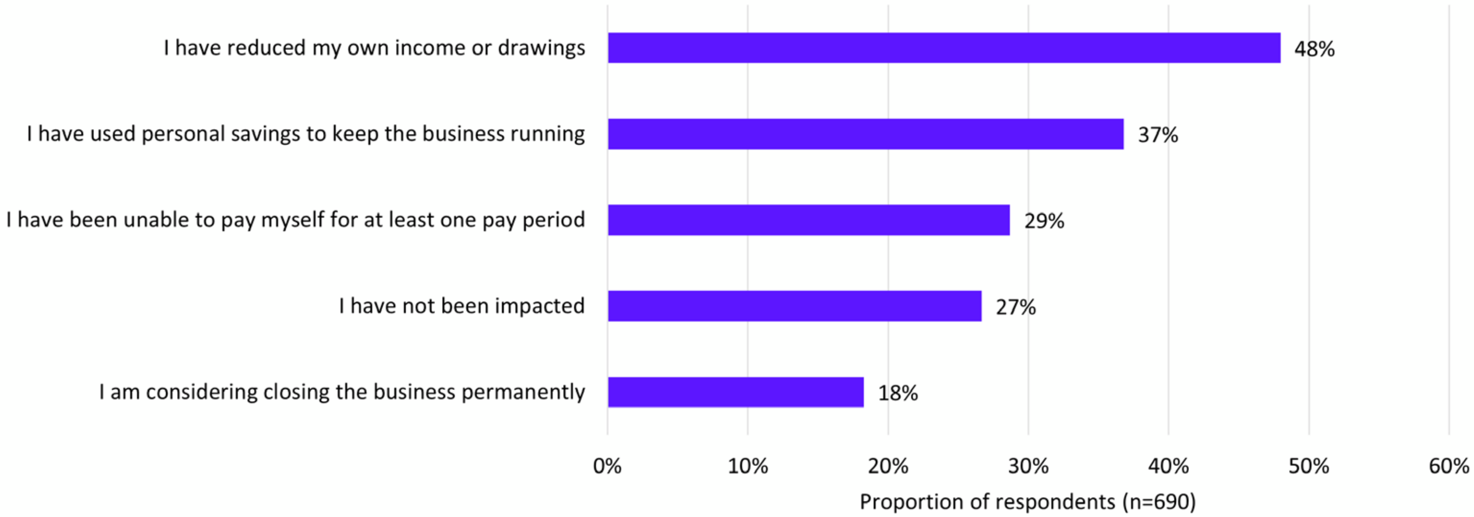
Figure 18: Proportion of businesses passing on increased costs to customers



> *We are expecting increases in supplier costs throughout the rest of the year. Which we have to try to pass on as our margins are already very thin.”*
>
> Eastern Sydney - Wholesale Trade

We asked business owners how they personally are being impacted by the oil supply shock. Nearly half of all respondents have reduced their own income in response, while more than a third report dipping into savings to cover cashflow. Almost one in five (18%) had considered closing their business permanently.

Figure 19: Impact of oil supply shock on business owner



Note: Results do not sum to 100% as respondents were able to select multiple options. Respondents who indicated that they were not the business owner were excluded from this figure.

"

I've never seen an economy seize to a complete standstill so quickly. So many clients on the phone in tears... we are trying to do the right thing by everyone but it's hard to see the end of this."

New England and North West –
Information Media and Technology

Forward outlook

Businesses tell us that the oil supply shock continues to place them under extreme pressure, with 11% saying they are already at breaking point requiring closure, sale or restructuring. A further 23% expect to reach that point within three months if conditions persist.

Most (82%) have had to make changes to their plans for growth and investment, including 16% who have had to cancel plans entirely.

"Forward bookings have dramatically dropped off. At the moment we're OK, but I'm very worried about how it will be in 2-3 months time."

Capital Region - Construction

Figure 20: Time until fundamental business change (sale, closure or restructure) is required in current conditions

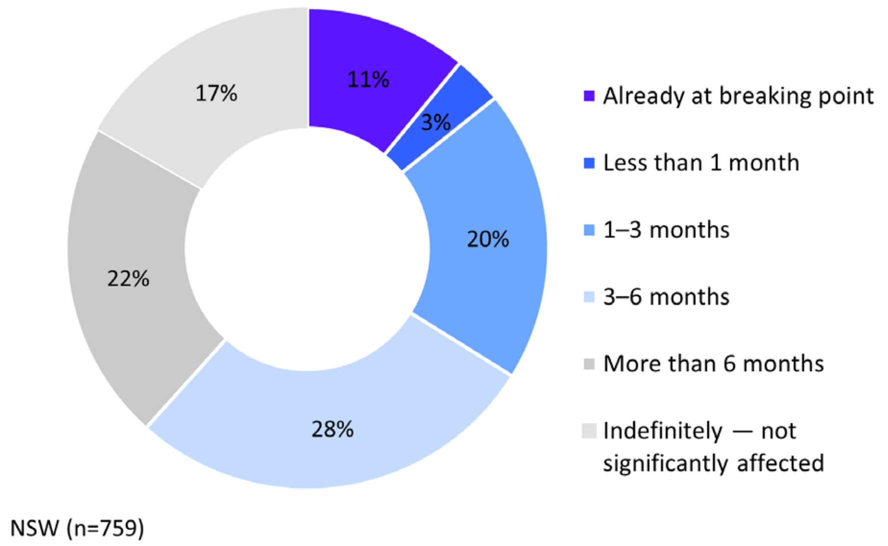
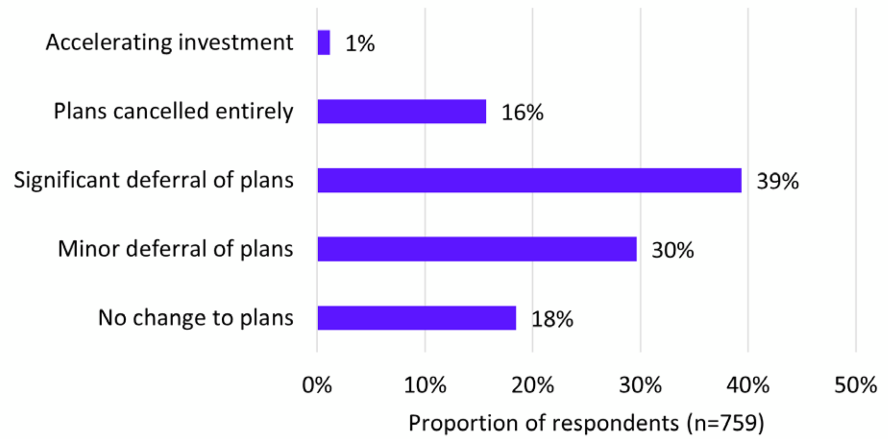


Figure 21: Impact of oil supply shock on business investment or growth plans within the next 12 months



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

Government response

Regarding the government response during the fuel and supply chain disruptions, most businesses (63%) were unaware of any state or federal government assistance, and so far only 2% have accessed this support.

Overall, 62% of businesses stated the government response was inadequate, compared to 10% who considered it adequate.

Figure 22: Awareness of state or federal government assistance available to businesses affected by fuel and supply chain disruptions

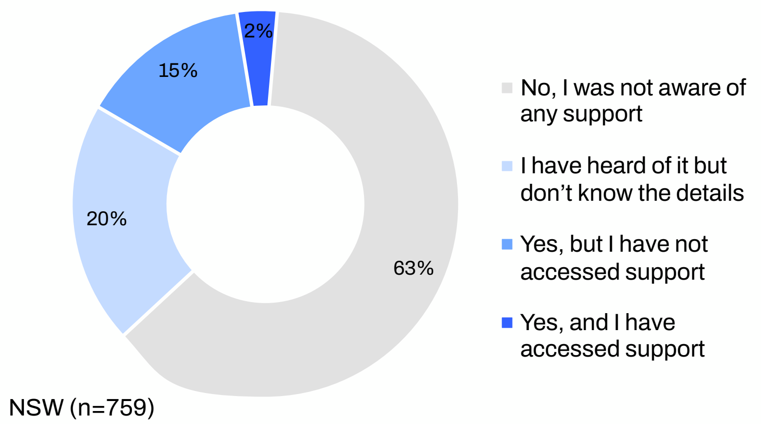
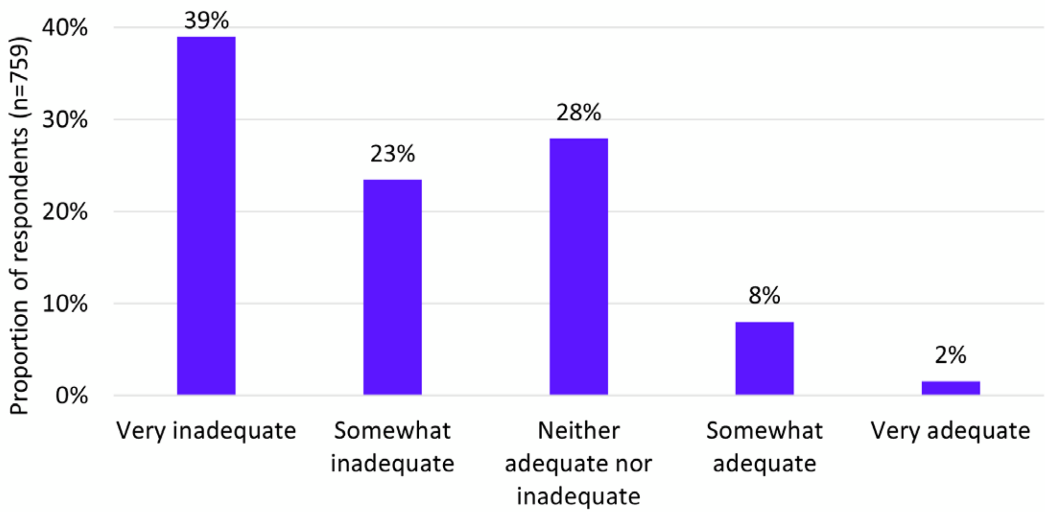


Figure 23: Rating of government response through oil supply shock



When asked to prioritise policy responses, businesses most frequently selected fuel tax relief and subsidies (36% ranked first; 69% in the top three). Securing alternative fuel supplies ranked second, while 13% identified preventing a resurgence in inflation as their top priority.

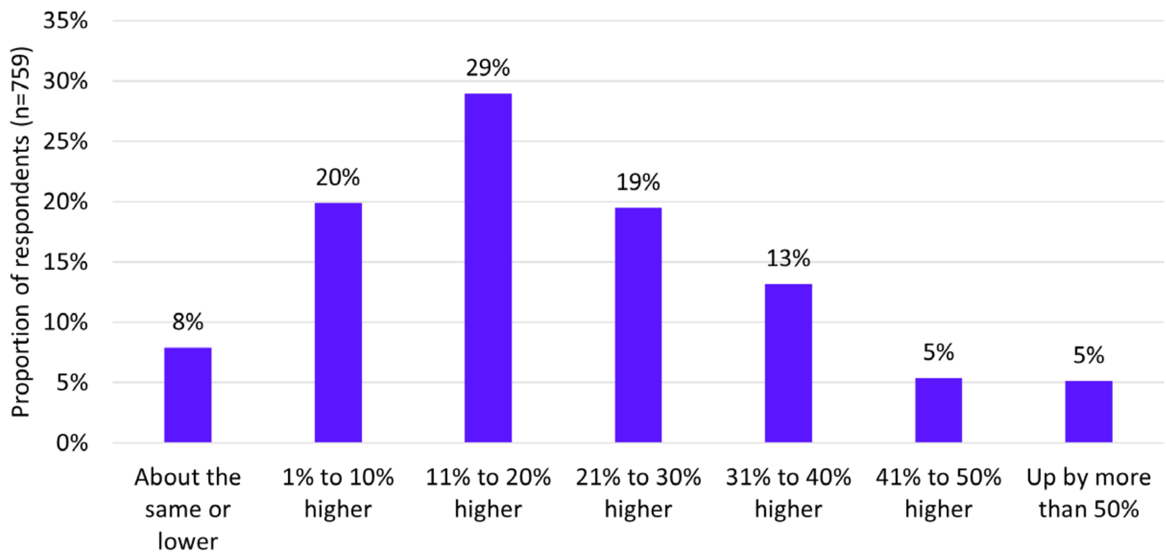
Figure 24: Ranked government priorities to support businesses

	Overall ranking	% Ranked 1	% ranked top 3
Fuel tax relief or subsidies	1	36%	69%
Securing alternative fuel supplies	2	11%	54%
Emergency business grants or loans	3	12%	48%
Coordinating supply to address shortfalls in regions and priority products	4	4%	27%
Clamping down on unreasonable price increases	5	8%	25%
Energy efficiency support for businesses	6	3%	13%
Preventing a resurgence in inflation by limiting spending	7	13%	26%
Opening new domestic areas for gas and oil exploration	8	7%	22%
Better communication and information	9	3%	9%
Increased investment in alternative energy sources and storage (e.g. solar, batteries)	10	3%	8%

5. Insurance

The rising cost of insurance continues to be a dominant concern for New South Wales businesses. Nearly three quarters (72%) of businesses reported premium increases above 10% in the past year.

Figure 25: Change in general insurance costs over the past 12 months

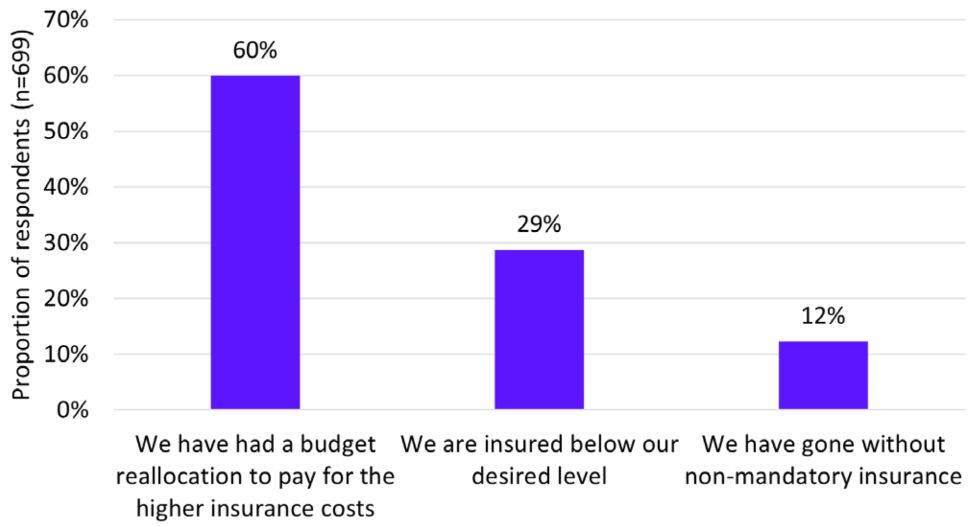


Our business is poised to grow but the cost of doing business makes growth prohibitive. Insurance, Workers comp insurance, utility costs, and HR compliance make growth a challenge."

Richmond – Tweed - Manufacturing

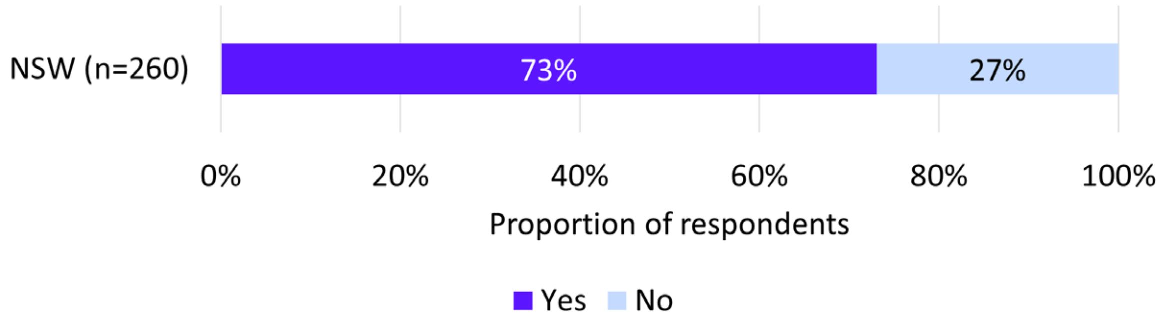
Among those affected by a premium increase, 60% have absorbed costs through budget reallocation, while 29% are now underinsured and 12% have foregone non-mandatory insurance. Of those underinsured, 73% were concerned that their business viability is at risk as a result.

Figure 26: Business response to insurance cost increase



Note: Results do not sum to 100% as respondents could select multiple responses. Only businesses that reported an increase in insurance costs over the past 12 months were asked this question.

Figure 27: Business viability at risk as a result of being underinsured



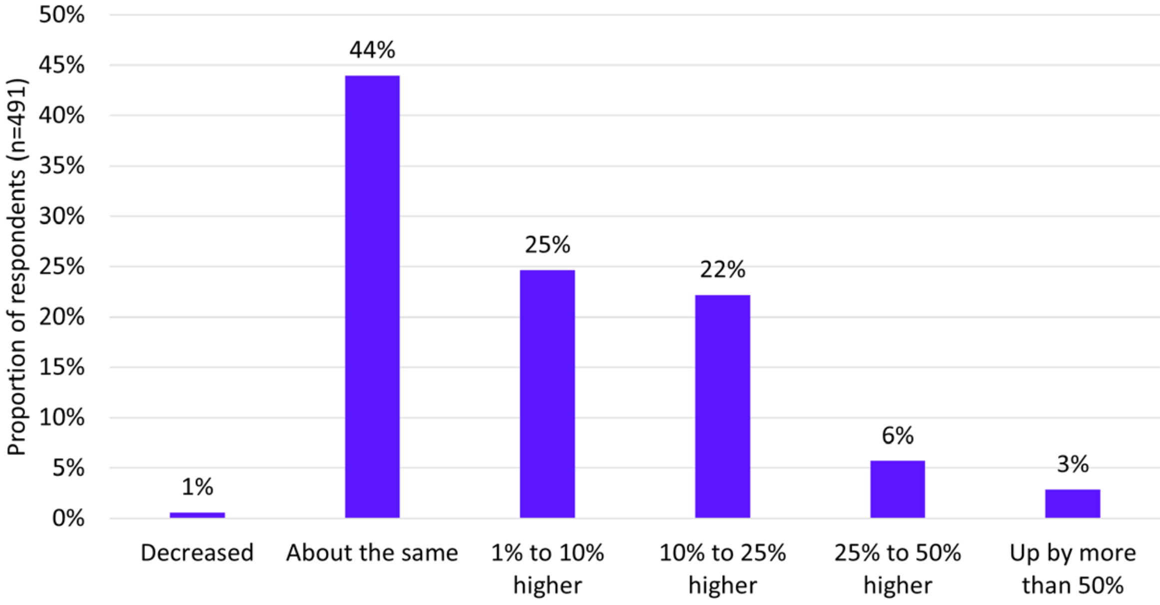
Note: Only those who responded "We have gone without non-mandatory insurance" or "We are insured below our desired level" were asked this question.

Emergency Services Levy

The NSW Government is currently consulting on proposed changes to how emergency services are funded.

The Emergency Services Levy, incorporated into insurance premiums to fund emergency services, has increased for many businesses. While 44% reported no change over the past 12 months, 31% experienced increases of more than 10%, with some reporting rises of up to 50%.

Figure 28: Change in Emergency Services Levy (ESL) contributions in the past 12 months



Note: Respondents who reported not paying ESL have been excluded from this figure.

Cassegrain Winery | Mid North Coast | Member since 2008

CONTACT

Nathan Wallwork
Head of Economics & Policy
policy@businessnsw.com