

**BUSINESS
NSW**



NSW BUSINESS CONDITIONS

Bracing for Turbulence

OCTOBER / NOVEMBER 2022



About Us

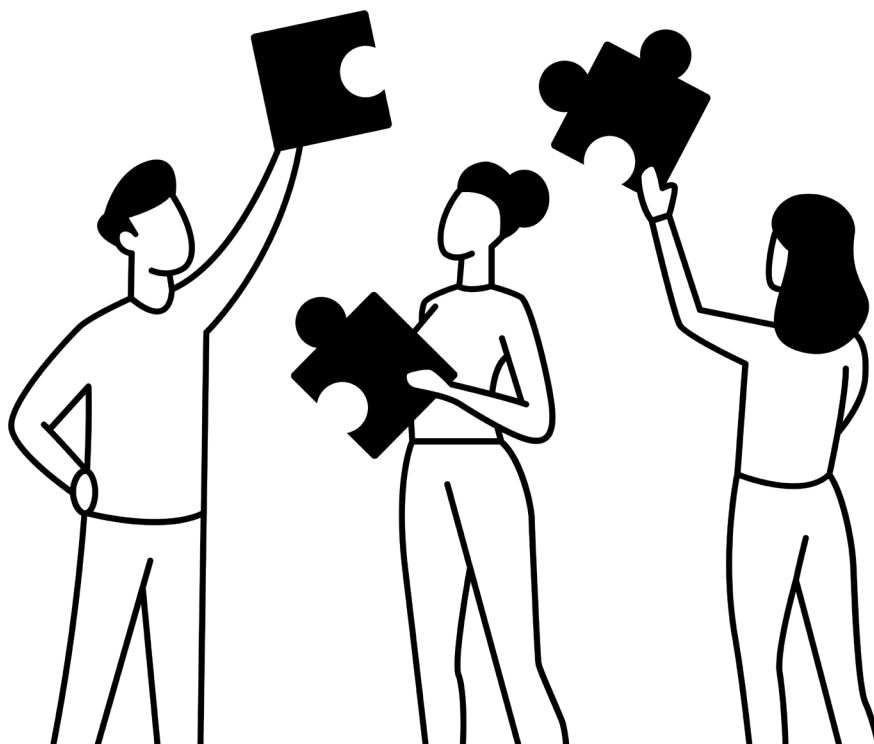
Business NSW is the peak business organisation for New South Wales with more than 46,000 member businesses across the state.

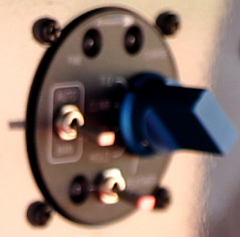
Our purpose is to create a better Australia by maximising the outcomes and potential of Australian businesses. We achieve this by working with businesses spanning all industry sectors including small, medium and large enterprises.

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.

TABLE OF CONTENTS

Overview	5
1. Business Confidence	6
2. Business Conditions	7
3. Industry Snapshot	10-11
4. Regional Snapshot	12-13
5. Topical Matters	15-22
Interest Rates	15
Energy Cost	17
Cyber security	20
Feedback on Commonwealth Budget	22
6. In the words of Business	23





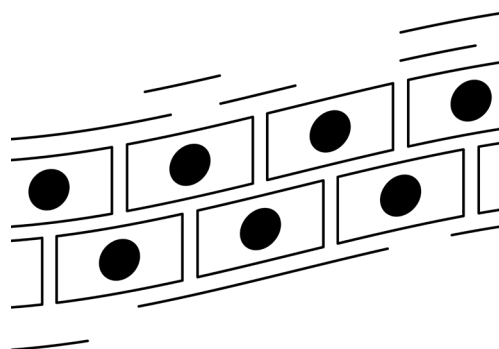
Overview

Business NSW conducts the Business Conditions Survey on a quarterly basis to track business confidence in NSW and identify issues that are important to business success. The survey results are a key part of the evidence base we draw upon when advocating to Government on behalf of the business community.

The latest survey was conducted during 27 October to 7 November. In addition to gauging business confidence, the survey set out to hear from businesses about how they have been coping with a range of recent challenges – rising interest rates, energy costs and cyber security risks. The survey also collected business feedback on the Commonwealth Budget handed down just two days prior to the survey on 25 October. A total of 870 responses were received, and as usual, they included businesses across all industries and all regions of NSW.

Overall, the survey results were far from comforting, suggesting more needs to be done by both federal and state governments. Business confidence remains firmly in negative territory, and most industries and regions expect a deterioration in the next quarter. The impact of the numerous interest rate hikes is being more intensely felt by businesses, as the looming increase of energy prices will further weigh on business operations. Meanwhile, there is a consensus that the latest Commonwealth Budget is not doing enough to support business in NSW.

Business understands the need to build a stronger, more resilient economy and the need to tackle inflation. That's why governments, state and federal, need to press on with skills and tax reforms, support during energy transition, more investment in innovation and a coordinated state-federal productivity agenda. In the face of global economic challenges, business does not need industrial relations red tape taking workplaces back to an era of conflict and disruption. Soaring energy prices also demand agile government responses. The NSW Government's change to stamp duty, *Property Tax (First Home Buyer Choice) Bill 2022*, is a positive step toward much larger tax reforms supported by business.



1. Business Confidence

Business confidence in NSW has remained subdued this quarter. The headline Business Confidence Index (BCI) came in at -64.3, slightly less negative than the previous reading of -68.6. However, for the first time since March 2020 (which was the start of the pandemic and full of uncertainties), the reading that captures expectations for the following quarter dipped below the headline Business Confidence Index. This suggests businesses are being especially downbeat about the near-term economic outlook.

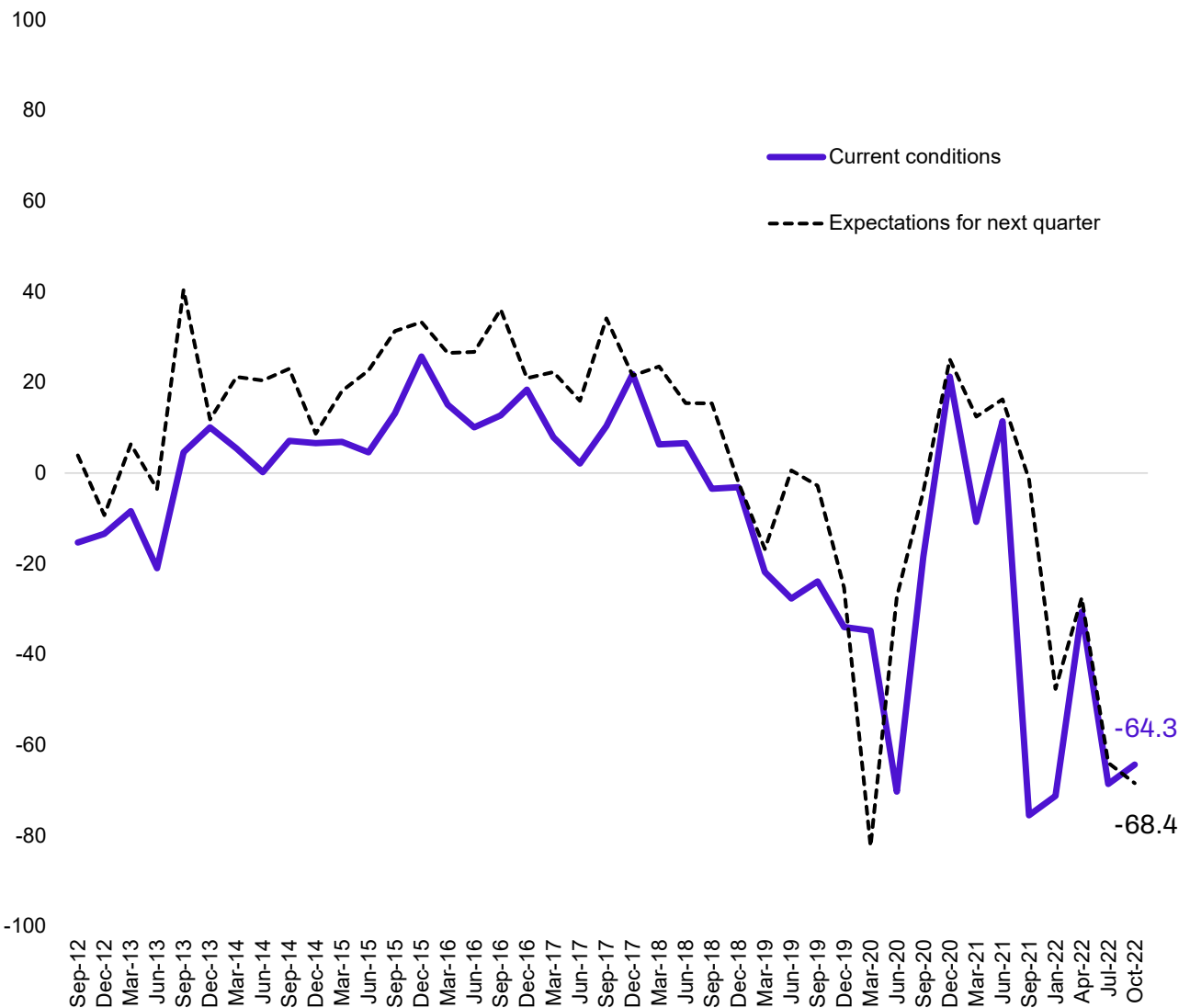


Figure 1: Business Confidence Index

2. Business Conditions

Consistent with the trends of the business confidence measures, the suite of business conditions measures shows a rebound in the current quarter (except for capital spending) and an expected decline across the board in the following quarter. **Amid a challenging outlook, businesses are expecting higher operating cost pressures, lower sales revenue, weaker profits, lower capital spending and fewer jobs.**

	Last Quarter (n=1118)	Current Quarter (n=870)	Expectations for Next Quarter (n=870)
Ability to cope with operating cost pressures	-68.6	-66.4	-72.3
Sales revenue	-55.8	-46.2	-58.4
Profit	-68.3	-65.1	-65.6
Capital spending	-51.0	-52.5	-61.0
Number of jobs	-27.7	-27.4	-43.8

Figure 2: Business Conditions Measures

“Higher interest rates, higher utility charges, higher labour costs, higher cost of goods, higher personal stress, higher business stress, all equal lower business returns for small business.”

~ Accommodation and Food Services



“We need assistance to meet energy needs, trade and supply shortages and with access to finance for capital equipment upgrades.”

~ Manufacturing

LUNCH BAR

- BEEF, CHICKEN & TUNA BURGER 13⁹⁹
- ADD CHIPS OR SALAD 18⁹⁹
- CHICKEN SCHNITZEL BURGER 13⁹⁹
- ADD CHIPS OR SALAD 18⁹⁹
- QUICHE OF THE DAY 9⁹⁹
- ADD SIDE SALAD 14⁹⁹
- WINTER SOUPS 12⁹⁹

- PRAWN LINGUINE 22⁹⁹
- WILD MUSHROOM LINGUINI 17⁹⁹
- CHUNKY BEEF PIE 6⁰⁰
- CHICKEN & MUSHROOM PIE 6⁰⁰
- BEEF SAUSAGE ROLL 5⁹⁹
- LAMB & HARRISSA SAUSAGE ROLL 5⁹⁹
- ADD CHIPS OR SALAD TO ANY 5⁹⁹



Please ORDER & PAY COUNTER

- ESPRESSO
- MACCHIATO
- PICCOLO, CAFÉ LATÉ
- FLAT WHITE, MOCHA
- CHAI LATE, HOT CHOC
- TEA
- PEPPERMINT
- CHANDONILE
- GREEN TEA
- BABYCINO
- EXTRAS FOR YOUR COFFEE
- EXTRA SHOT, SOY,

COLD BAR

- ICED COFFEE, ICED M
- ICED CHAI, COFFEE O
- ORGANIC FRUIT FRAPPE
- ORGANIC FRUIT SMOOTHIE
- BREAKFAST SMOOTHIE
- MILKSHAKES - CHOCOLATE VA
- AÇAI SMOOTHIE ORGANIC

FREE WI

@GUSTOESPRESSO

GUSTOESPRESSO.COM

@BAKEBARANON

BAKEBAR.COM

ORDER & PA

ANY COUNT



3. Industry Snapshot

	Business Confidence Index		
	Last Quarter	Current Quarter	Next Quarter
All industries	-68.6 (n=1118)	-64.3 (n=870)	-68.4 (n=870)
Industries expecting a rebound			
Retail Trade	-79.9 (n=164)	-80.0 (n=115)	-78.3 (n=115)
Other Services	-67.9 (n=78)	-65.9 (n=82)	-63.4 (n=82)
Arts & Recreation Services	-67.9 (n=56)	-71.2 (n=52)	-61.5 (n=52)
Education & Training	-72.5 (n=40)	-61.1 (n=36)	-58.3 (n=36)
Wholesale Trade	-66.7 (n=36)	-77.4 (n=31)	-71.0 (n=31)
Industries expecting no change			
Mining	-62.5 (n=8)	-100.0 (n=3)	-100.0 (n=3)
Industries expecting a deterioration			
Professional, Scientific & Technical Services	-61.9 (n=126)	-52.9 (n=104)	-58.7 (n=104)
Accommodation & Food Services	-72.4 (n=163)	-72.2 (n=97)	-75.3 (n=97)
Manufacturing	-61.9 (n=97)	-55.9 (n=93)	-66.7 (n=93)
Health Care & Social Assistance	-74.3 (n=101)	-66.7 (n=63)	-73.0 (n=63)
Construction	-56.5 (n=85)	-55.6 (n=54)	-66.7 (n=54)
Financial & Insurance Services	-56.5 (n=23)	-53.1 (n=32)	-56.3 (n=32)
Rental, Hiring & Real Estate Services	-63.3 (n=30)	-70.4 (n=27)	-74.1 (n=27)
Agriculture, Forestry & Fishing	-57.7 (n=26)	-69.2 (n=26)	-80.8 (n=26)
Information Media & Telecommunications	-71.4 (n=28)	-50.0 (n=20)	-75.0 (n=20)
Transport, Postal & Warehousing	-84.0 (n=25)	-50.0 (n=20)	-70.0 (n=20)
Administrative & Support Services	-66.7 (n=18)	-50.0 (n=8)	-87.5 (n=8)
Electricity, Gas, Water & Waste Services	-63.6 (n=11)	0.0 (n=5)	-20.0 (n=5)
Public Administration & Safety	-33.3 (n=2)	0.0 (n=2)	-50.0 (n=2)

Figure 3: Business Confidence by Industry

	Business Conditions Measures - Current Quarter (Oct / Nov)				
	Ability to cope with operating cost pressures	Sales revenue	Profit	Capital spending	Number of jobs
All Industries (n=870)	-66.4	-46.2	-65.1	-52.5	-27.4
Retail Trade (n=115)	-76.5	-56.5	-78.3	-63.5	-46.1
Professional, Scientific & Technical Services (n=104)	-66.3	-27.9	-45.2	-55.8	-9.6
Accommodation & Food Services (n=97)	-70.1	-54.6	-76.3	-44.3	-28.9
Manufacturing (n=93)	-63.4	-40.9	-64.5	-45.2	-15.1
Other Services (n=82)	-61.0	-53.7	-63.4	-56.1	-31.7
Health Care & Social Assistance (n=63)	-68.3	-49.2	-65.1	-47.6	-22.2
Construction (n=54)	-61.1	-42.6	-57.4	-40.7	-22.2
Arts & Recreation Services (n=52)	-75.0	-61.5	-76.9	-55.8	-46.2
Education & Training (n=36)	-69.4	-30.6	-50.0	-50.0	-25.0
Financial & Insurance Services (n=32)	-59.4	-34.4	-50.0	-50.0	-31.3
Wholesale Trade (n=31)	-67.7	-45.2	-80.6	-54.8	-22.6
Rental, Hiring & Real Estate Services (n=27)	-74.1	-48.1	-66.7	-74.1	-40.7
Agriculture, Forestry & Fishing (n=26)	-65.4	-57.7	-65.4	-42.3	-46.2
Information Media & Telecommunications (n=20)	-40.0	-55.0	-70.0	-75.0	-35.0
Transport, Postal & Warehousing (n=20)	-50.0	-45.0	-70.0	-35.0	-10.0
Administrative & Support Services (n=8)	-62.5	-37.5	-75.0	-75.0	-25.0
Electricity, Gas, Water & Waste Services (n=5)	20.0	20.0	0.0	0.0	40.0
Mining (n=3)	-100.0	-33.3	-66.7	-100.0	-33.3
Public Administration & Safety (n=2)	-100.0	0.0	-50.0	-50.0	100.0

Figure 4: Business Conditions by Industry

4. Regional Snapshot

	Business Confidence Index		
	Last Quarter	Current Quarter	Next Quarter
NSW	-68.6 (n=1118)	-64.3 (n=870)	-68.4 (n=870)
Regions expecting a rebound			
Central Coast	-57.4 (n=47)	-62.9 (n=43)	-58.1 (n=43)
New England & North West	-64.1 (n=39)	-75.8 (n=33)	-72.7 (n=33)
Richmond – Tweed	-63.3 (n=60)	-60.0 (n=45)	-44.4 (n=45)
Western Sydney	-75.5 (n=155)	-65.3 (n=124)	-62.9 (n=124)
Regions expecting no change			
Southern Highlands & Shoalhaven	-70.7 (n=41)	-60.0 (n=35)	-60.0 (n=35)
Regions expecting a deterioration			
Capital Region	-68.7 (n=67)	-74.4 (n=43)	-76.7 (n=43)
Central West	-67.4 (n=46)	-71.4 (n=49)	-75.5 (n=49)
Coffs Harbour – Grafton	-62.2 (n=37)	-61.9 (n=21)	-76.2 (n=21)
Far West and Orana	-73.7 (n=19)	-52.9 (n=17)	-82.4 (n=17)
Hunter Valley	-69.8 (n=53)	-71.7 (n=46)	-78.3 (n=46)
Illawarra	-83.7 (n=49)	-54.8 (n=31)	-64.5 (n=31)
Mid North Coast	-71.1 (n=45)	-66.7 (n=45)	-77.8 (n=45)
Murray	-72.9 (n=48)	-51.6 (n=31)	-77.4 (n=31)
Newcastle & Lake Macquarie	-61.8 (n=68)	-62.5 (n=56)	-67.9 (n=56)
Riverina	-57.5 (n=40)	-67.7 (n=31)	-77.4 (n=31)
Eastern Sydney	-68.1 (n=304)	-62.3 (n=220)	-68.2 (n=220)

Figure 5: Business Confidence by Region

Business Conditions Measures - Current Quarter (Oct / Nov)					
	Ability to cope with operating cost pressures	Sales revenue	Profit	Capital spending	Number of jobs
NSW (n=870)	-66.4	-46.2	-65.1	-52.5	-27.4
Capital Region (n=43)	-72.1	-69.8	-81.4	-62.8	-41.9
Central Coast (n=43)	-67.4	-44.2	-60.5	-53.5	-44.2
Central West (n=49)	-89.8	-69.4	-89.8	-61.2	-22.4
Coffs Harbour – Grafton (n=21)	-66.7	-42.9	-66.7	-42.9	-4.8
Far West & Orana (n=17)	-47.1	-35.3	-58.8	-47.1	-11.8
Hunter Valley (n=46)	-73.9	-60.9	-71.7	-52.2	-39.1
Illawarra (n=31)	-64.5	-38.7	-54.8	-71.0	-12.9
Mid North Coast (n=45)	-71.1	-40.0	-71.1	-46.7	-28.9
Murray (n=31)	-64.5	-38.7	-71.0	-41.9	-29.0
New England & North West (n=33)	-66.7	-39.4	-66.7	-57.6	-27.3
Newcastle & Lake Macquarie (n=56)	-66.1	-44.6	-62.5	-55.4	-19.6
Richmond – Tweed (n=45)	-48.9	-31.1	-51.1	-6.7	-22.2
Riverina (n=31)	-74.2	-61.3	-74.2	-48.4	-29.0
Southern Highlands & Shoalhaven (n=35)	-54.3	-28.6	-51.4	-40.0	-2.9
Sydney (n=344)	-64.8	-44.5	-61.6	-57.6	-29.9
Eastern Sydney (n=220)	-63.6	-40.0	-57.3	-57.3	-33.2
Western Sydney (n=124)	-66.9	-52.4	-69.4	-58.1	-24.2

Figure 6: Business Conditions by Region



5. Topical Matters

Interest Rates

Since the Reserve Bank of Australia commenced its monetary tightening cycle in May, its cash rate target has increased from 0.1% to 2.85% following seven successive rate hikes. As inflation remains elevated, the central bank has signalled further increases in the coming months.

The Business Conditions Survey began to gauge the impact of rising interest rates on businesses in the previous survey conducted in July 2022. Over a period of three months, the level of impact reported by businesses has noticeably intensified across all indicators. The impact has been more pronounced for smaller businesses, especially sole traders.

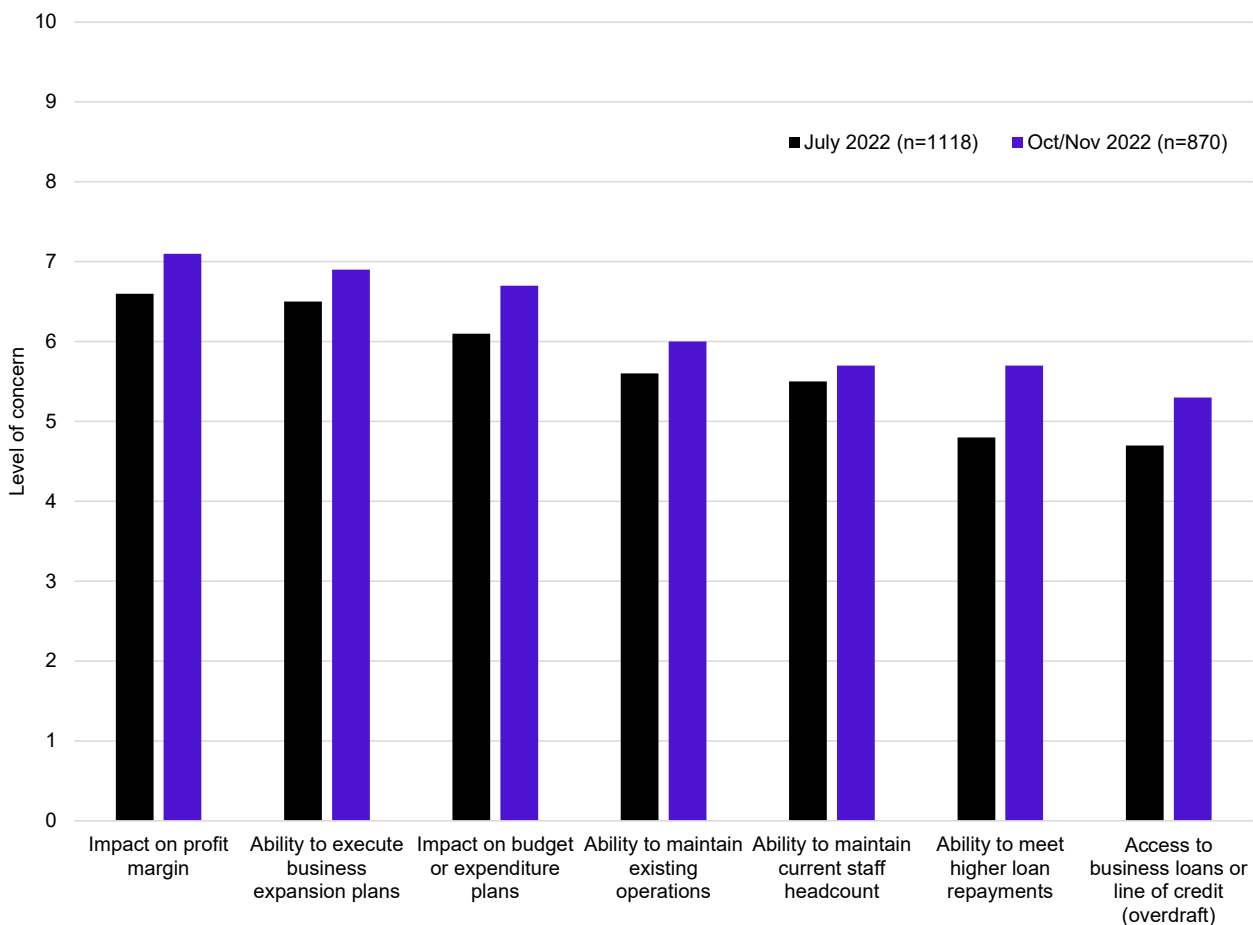


Figure 7: Concerns about the impact of rising interest rates (July 2022 vs Oct / Nov 2022)

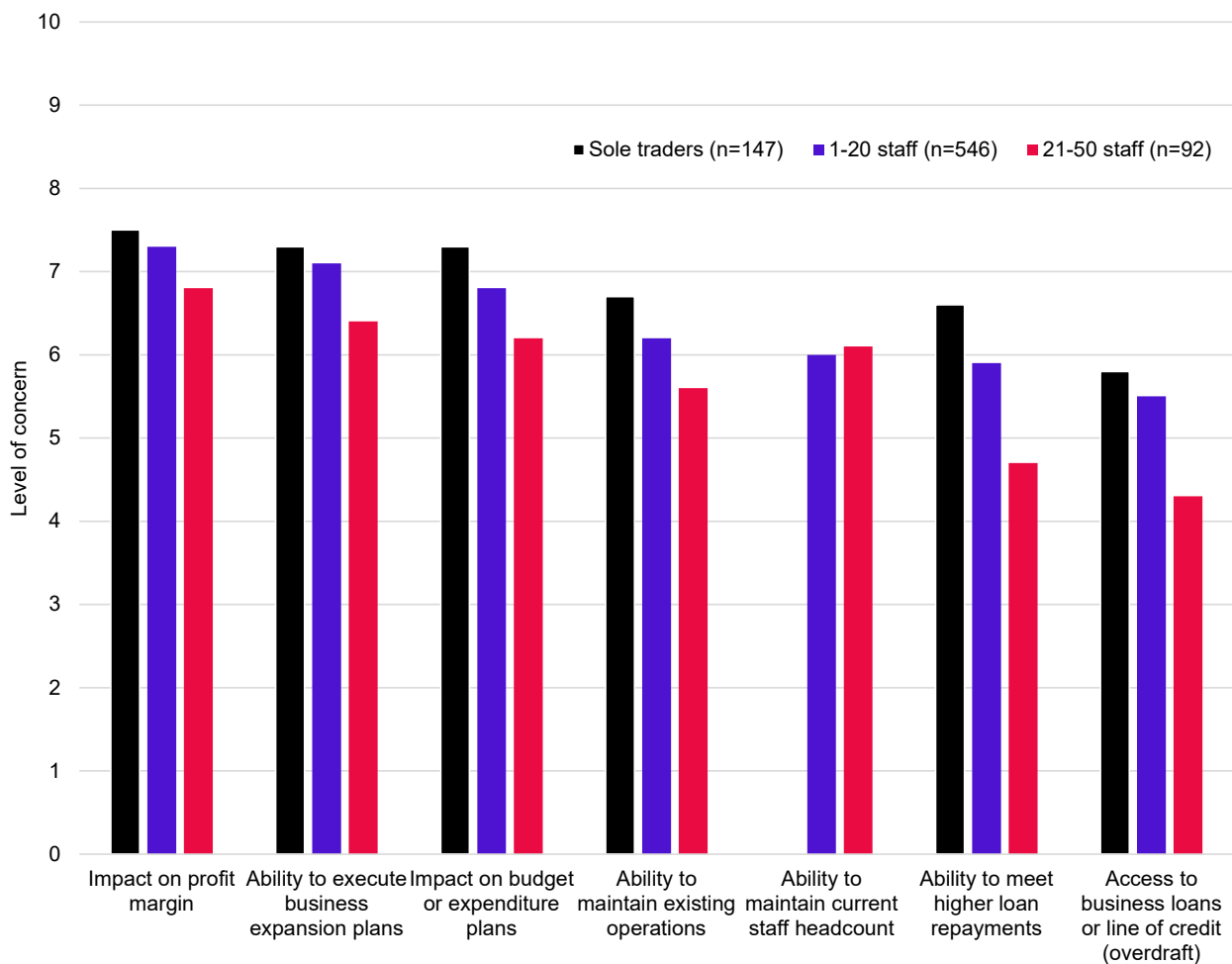


Figure 8: Concerns about the impact of rising interest rates (SMEs)

“The interest rates are significantly cutting into all our profits since the pandemic’s losses. We are at almost double on interest only repayments. We would have been able to be recuperating lost profits by now, but we are entering yet another year of debt and a bleak looking December / January shutdown period.”

~ Health Care and Social Assistance

Energy Cost

Many businesses have already experienced energy price increases in recent months. The Federal Government forecasts energy prices to be up 20% this year and a further 30% next year. This survey captured the impact of rising energy prices on businesses so far. Results indicate that businesses were most concerned about the impact on profit margin and budget or expenditure plans. **The breakdown by industry shows that businesses in Accommodation and Food Services were hardest hit.**

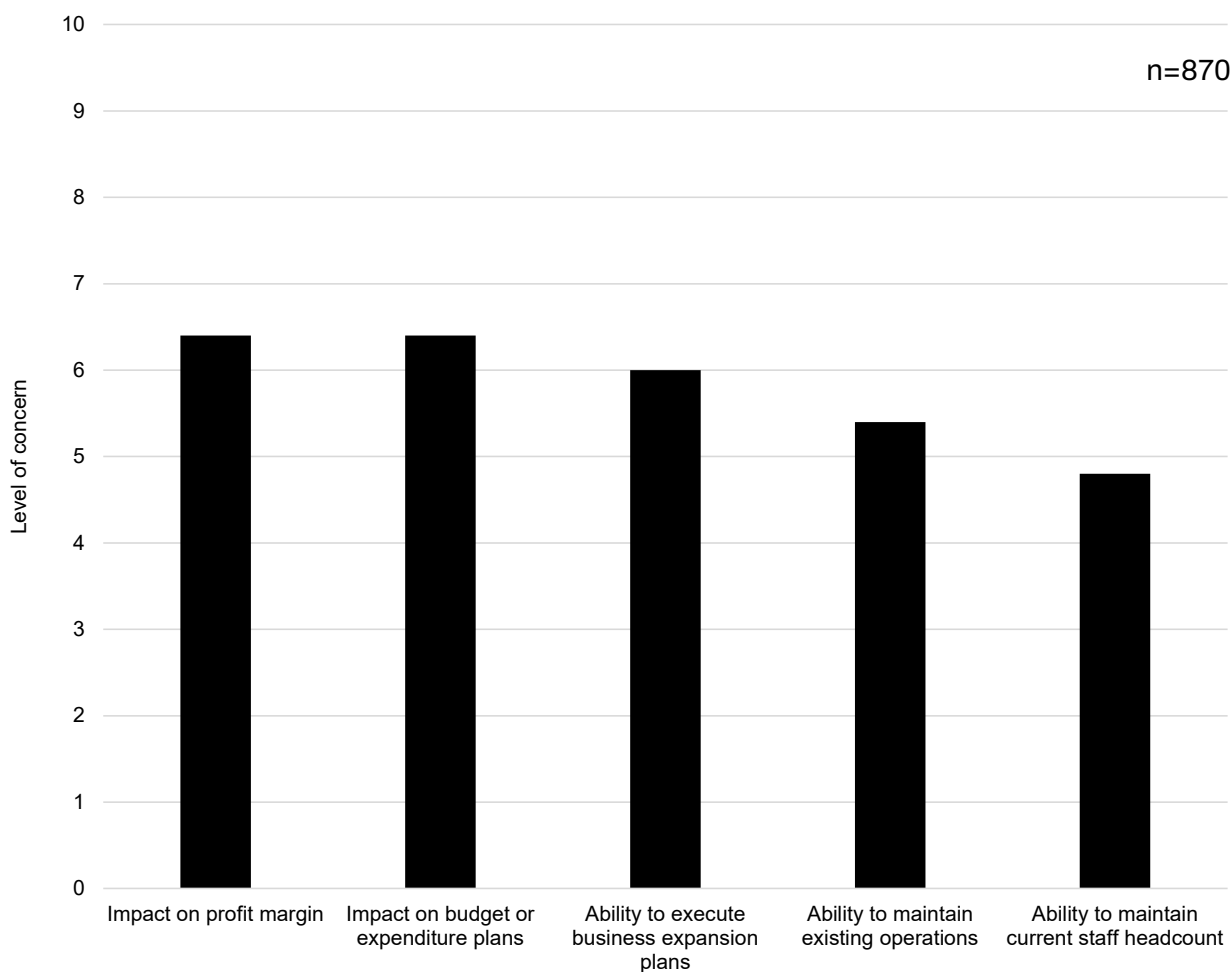


Figure 9: Concerns about energy cost

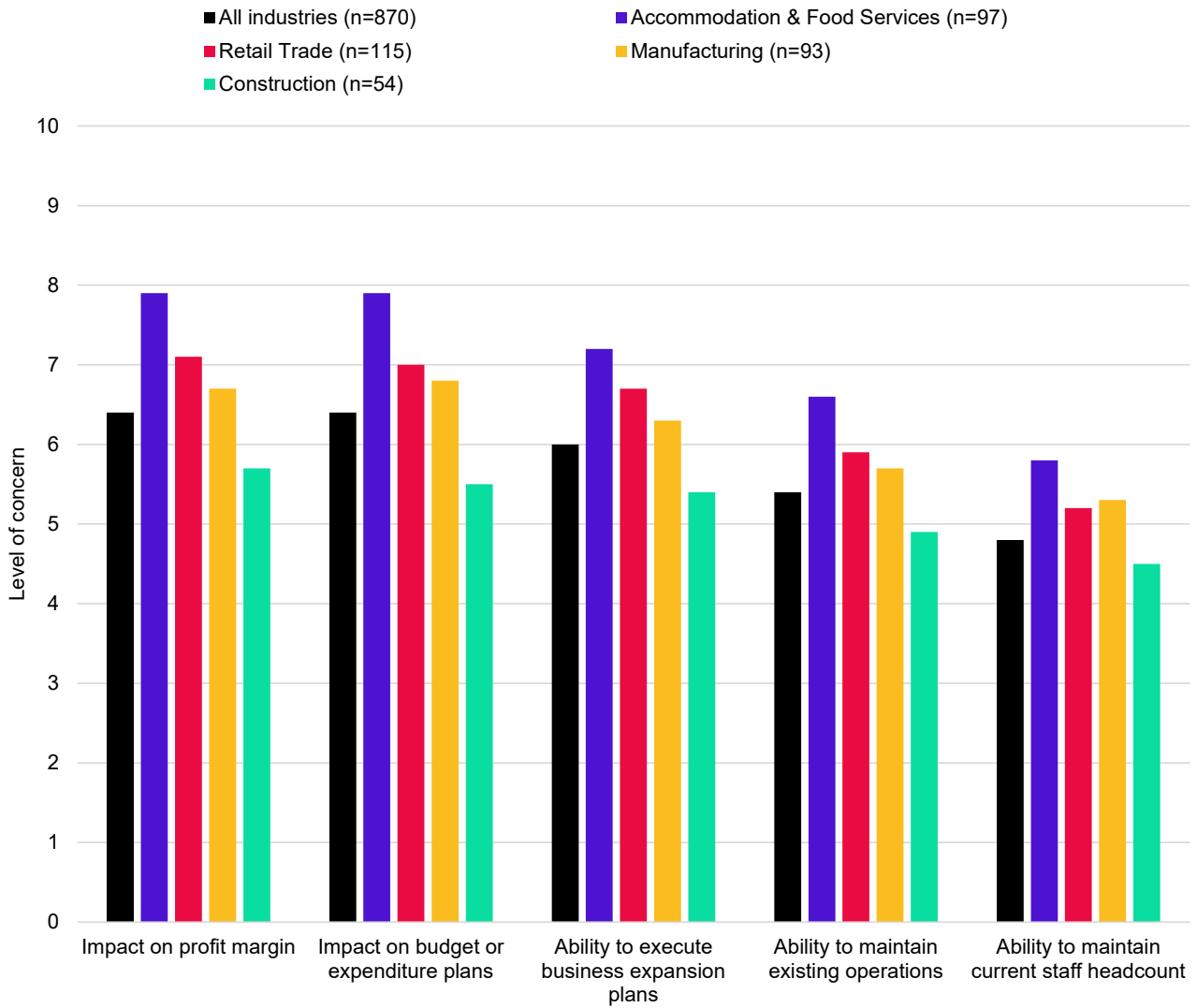


Figure 10: Concerns about energy cost (by industry)

“Our community is so concerned about the huge increases in energy and fuel costs, which combined with interest rate hikes has led to a huge decrease in customer spending.”

~ Accommodation & Food Services



95

91

E10

Cyber security

In light of recent high-profile cyber attacks in Australia, survey respondents were asked to rate their level of concern about cyber security risks. **On a scale of 0 to 10, 22% of respondents rated their level of concern with the highest possible score of 10.** A further 23% gave a high rating of 8 or 9. The average score was 6.7.

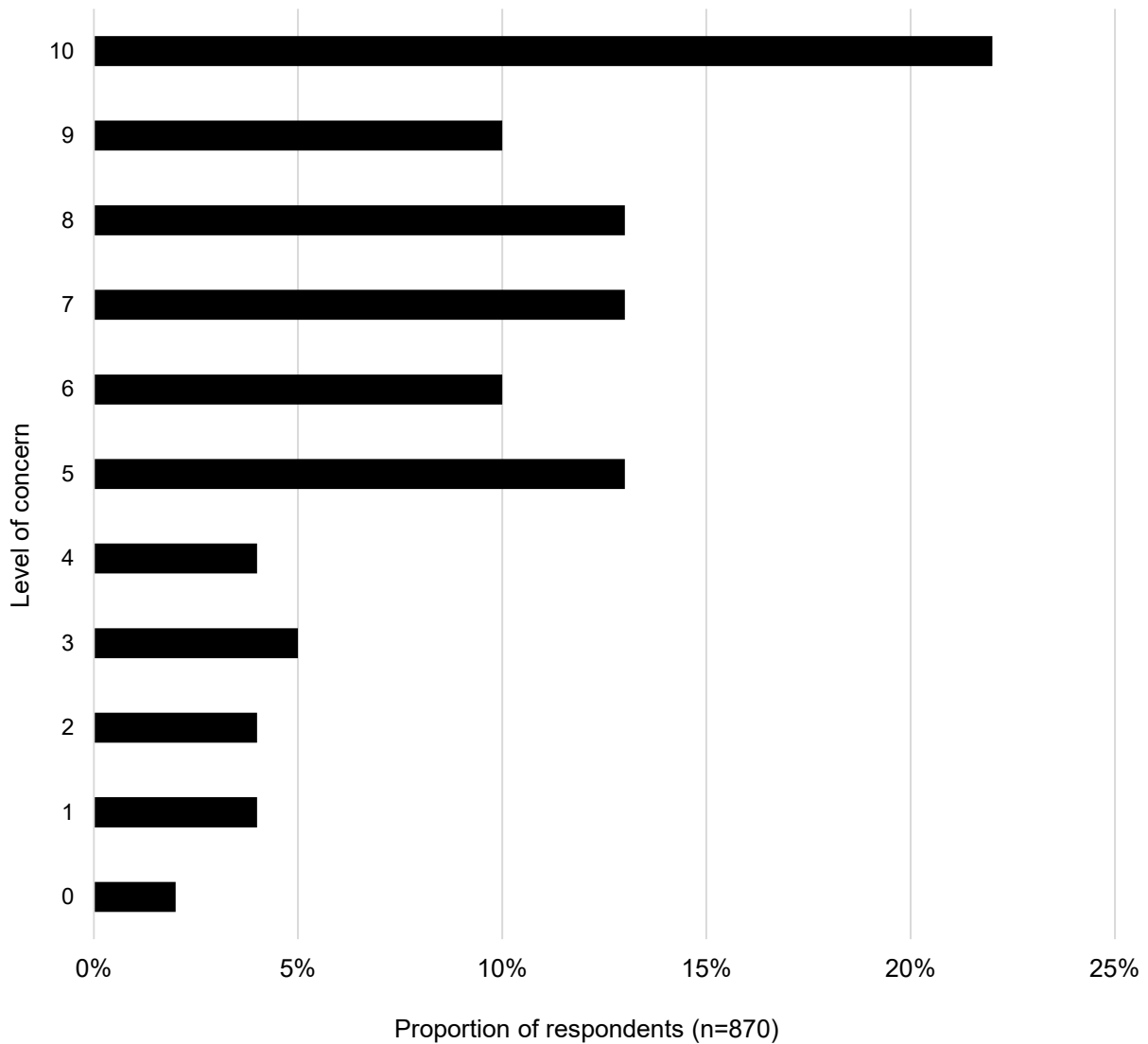


Figure 11: Concerns about cyber security risks

Although businesses were generally concerned about cyber security risks, the survey found that many businesses considered themselves at least moderately prepared in preventing and withstanding cyber attacks. Almost one in ten rated their preparedness at 9 or 10 (out of 10), while 40% gave themselves a score within the range of 6 to 8. The average score was 5.4.

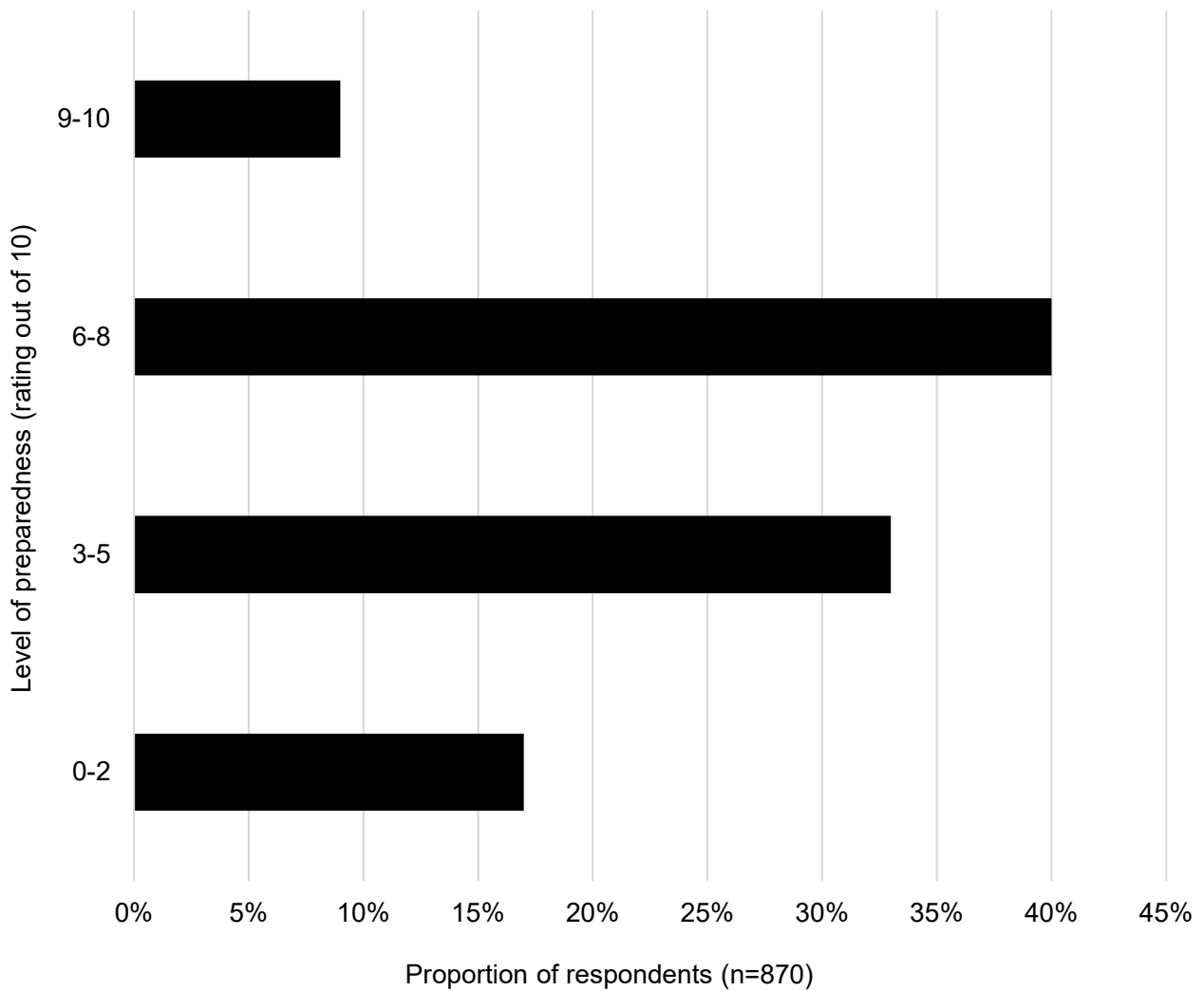


Figure 12: Preparedness in preventing and withstanding cyber attacks

Feedback on Commonwealth Budget

This survey gauged business feedback on the Commonwealth Budget handed down by the Treasurer on 25 October 2022. On a scale of 0 to 10, two-thirds of respondents rated the Budget with a score of 4 or below in terms of its support for the NSW business community. **The average score was 3.1 (out of 10).**

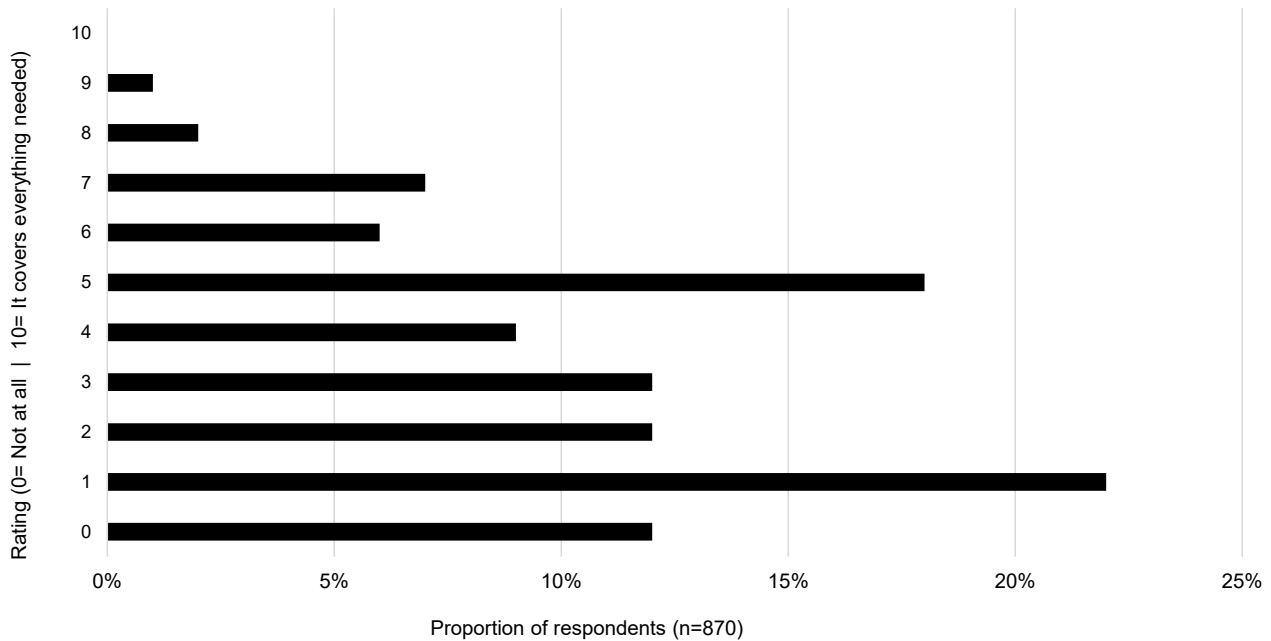


Figure 13: Businesses' assessment of the latest Commonwealth Budget

Benefits from measure	Average score* (out of 10)
Energy efficiency grants program	4.5
Income threshold top-up for age pensioners	3.6
Increased migration to deal with skills shortages	3.5
Appropriateness of measure	Average score** (out of 10)
Stage-3 personal tax cuts	5.6
Disaster insurance	5.2
Housing Accord	4.8
Paid Parental Leave reforms	4.1

Figure 14: Feedback on selected measures

* 0 = Not at all ... 10 = Exactly what I need

** 0 = Not at all ... 10 = Exactly what the community needs

6. In the words of business

If there is one thing that the NSW Government could do to improve the ease of doing business, what would that be?

Energy	Financial support	Tax reforms	Business confidence	Access to skills
<ul style="list-style-type: none"> • Cost-relief measures (e.g. subsidies and rebates) • Electricity and gas price controls • Ensure gas and electricity are consistently provided • Funding to install energy-efficient lighting in older buildings • Funding for transition to renewal energy • Solar rebate 	<ul style="list-style-type: none"> • Grants for entrepreneurship and job creation • Grants for capital equipment upgrade • Low-interest loans for small business • Government guarantee for SME loans • Support access to reputable lenders • Re-introduce Dine, Discover and Stay vouchers • Reduce cost of licences and fees • Ease cost of living 	<ul style="list-style-type: none"> • Cut payroll tax • Cut stamp duty • Cut land tax • Cut indirect taxes on licences and permits • Cut Emergency Services Levy 	<ul style="list-style-type: none"> • Promote the benefits of doing business in NSW • Promote infrastructure projects • Ensure functioning public transport • Support sovereign manufacturing to reduce reliance on foreign countries • Ensure government procurement policies are enforced • Simplify tender processes • Reduce the time it takes to apply, process and receive grants • Cut red-tape and reduce paperwork in general 	<ul style="list-style-type: none"> • Subsidies for apprenticeships • Subsidies for training • Wage subsidies



CONTACT

Sam Moreton

General Manager, Policy and Analysis
Sam.Moreton@businessnsw.com

Dr Sherman Chan

Chief Economist
Sherman.Chan@businessnsw.com

**BUSINESS
NSW**