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DROPPING BUSINESS CONFIDENCE A WARNING FOR NO TAX HIKES IN STATE BUDGET

A drop in business confidence is putting pressure on the NSW Government to rule out any tax hikes on the business community to make up for the loss of GST revenue in the upcoming State Budget.

Following three consecutive quarters of increase, the Business Confidence Index has worsened to -59.7 for the June quarter (from a two-year high of -52.9 for the March quarter). Business confidence has remained deep in negative territory for more than three and a half years since September 2021.

The change follows limited small business relief in the Federal Budget and sticky inflation that dampens consumer purchasing power.

With the State Budget to be handed down June 18, Business NSW CEO Daniel Hunter has called on the NSW Government to genuinely focus on small and medium enterprises and rule out any tax hikes on NSW's struggling businesses.

"It is vital that the upcoming NSW State Budget helps bolster consumer and business confidence," Mr Hunter said.

"NSW is being ripped off in the GST carve up. The answer is a fairer share of the GST, not more taxes on NSW businesses at a time when confidence and the economy are struggling to win the battle against inflation and higher business costs.

"NSW is the leading state for business and generates more GST than any other state. Now is not the time for business tax hikes to fund essential services but getting back more of the taxes we already pay.

"Business NSW wholeheartedly supports Treasurer Mookhey and the NSW Government in taking the fight to Canberra to get NSW a fairer share of the GST.

"Insurance, energy and taxes remain the three cost categories that businesses are most concerned about. A government that attacks these problems head-on will be warmly applauded by the business community.

"Concerns about the cost of wages have jumped from fifth to fourth in terms of the main cost concerns for businesses, reflecting the challenging industrial relations environment businesses face," Mr Hunter said.

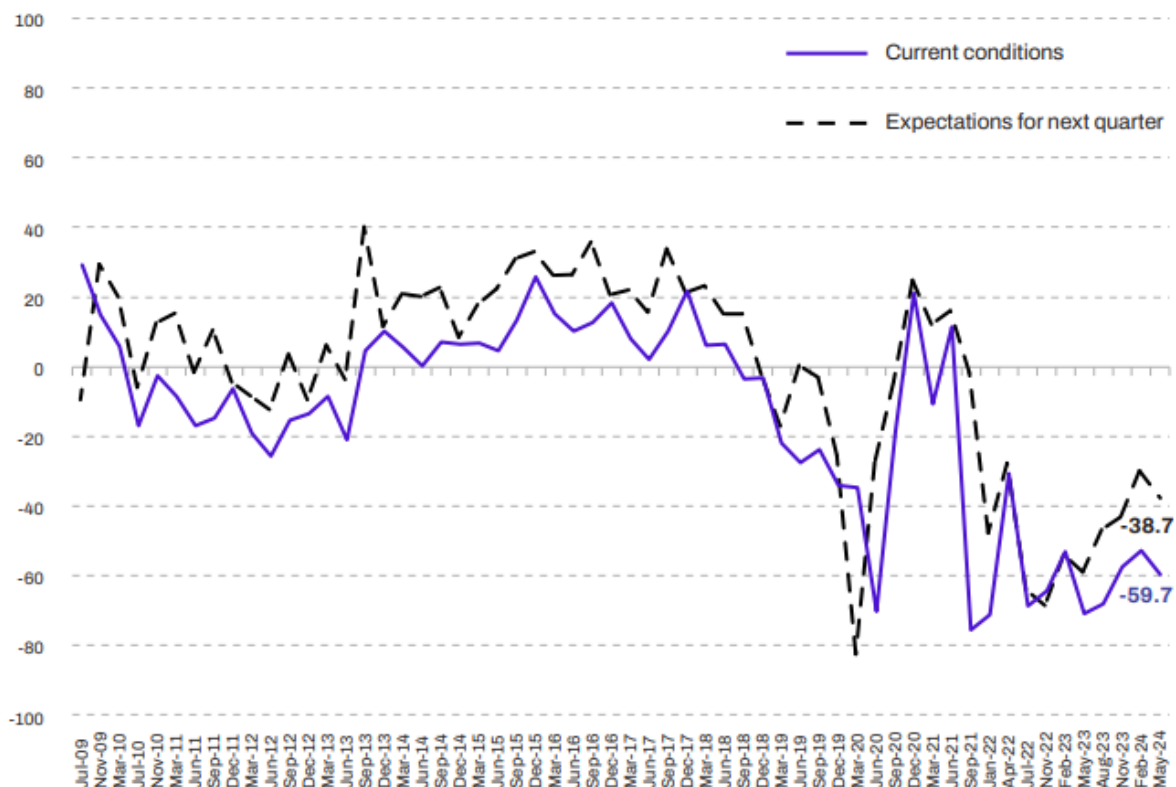
Key findings:

- Following three consecutive quarters of increase, the Business Confidence Index has worsened to -59.7 for the June quarter (from a two-year high of -52.9 for the March quarter).
- The three cost categories that businesses are most concerned about are insurance cost; taxes, levies and other government charges; and energy cost.
- Interest rate concerns have returned despite no monetary policy changes since November 2023. Businesses are most worried about the impact of interest rates on customer spending and their profit margin.

- The majority (62%) of businesses intend to maintain the same headcount in the next three months, while 21% plan to cut staff and 16% plan to hire additional staff.
- 46% of businesses have observed a decline in productivity. On the other hand, 10% of businesses have observed an increase in productivity and most of these businesses have invested in staff training.
- Compared to staff members, business owners or managers are more receptive to adopting AI in business operations. The key motivation of AI adoption is cost savings, while the biggest concerns are privacy and a lack of in-house expertise.
- The self-rated availability and reliability of access to telecommunications is notably lower for businesses outside of Sydney. This includes access to mobile phone services, broadband internet services, higher bandwidth business-specific services and data security support services.
- To businesses across NSW, future investment (public or private) should prioritise energy reliability and cost. This followed by transport infrastructure (for Sydney-based businesses) and housing availability (for regional businesses).

The latest [Business Conditions Survey](#) was conducted from 29 April to 13 May, with a total of 879 responses covering all key industries and regions in NSW.

Figure 1: Business Confidence Index



About Business NSW

Formerly the NSW Business Chamber, **Business NSW** is the peak policy and advocacy body which has been representing businesses in NSW since 1826. We represent almost 50,000 businesses.

MEDIA CONTACT: CHRIS TAYLOR 0423 272 494