



**BUSINESS
NSW**

NSW Business Conditions

September 2021

Quarterly snapshot of the NSW economy informed by
the businesses of NSW

As a member-based business organisation we are aware of the devastating impact lockdowns have had on business owners and their employees.

Led by our CEO Daniel Hunter, we have been in constant dialogue with decision makers in government to ensure our members' real-world experiences shaped the official response to the pandemic.

This survey and our July lockdown survey have been fundamental to our advocacy throughout the September quarter. We use real time data from members including qualitative feedback, to inform Ministers and departmental officials in our weekly, and often daily meetings to raise our members' concerns and develop practical solutions.

In July, early in the lockdown, Business NSW members told us their revenues were down by 48 per cent and 1 in 5 of them faced closure in a month due to liquidity issues.

With this clear feedback and extensive survey data we were able to make the case that [NSW businesses urgently needed more support and that the JobSaver support program needed to be improved](#).

As the more contagious Delta strain of COVID cruelled any chance of a short lockdown period it became clear vaccination rates would be the key to business reopening. Business NSW launched our **#VaccinesWork** campaign including vaccination awareness kits, [an awareness ad](#) and record media engagement promoting the full range of approved vaccines as a "faster way out of lockdown."

This Business Conditions Survey (BCS) was conducted in the first two weeks of September, at the peak of new COVID-19 case numbers. Vaccine rates passed 55 per cent (first dose) and 35 per cent (double dose) during this period but businesses were doing it tough.

The *NSW Business Conditions Index* fell significantly (worse than March 2020 – full results inside), however the *Expected Business Confidence Index* remained high. This contrast between collapsing business conditions (including revenue, profits, staff numbers and capital investment) compared to confidence for the future is a feature of the September survey.

We found:

- 53 per cent of respondents "would be closed" without government support.
- 50 per cent had accessed the JobSaver Payment.
- 41 per cent had accessed COVID-19 business grants; and
- 13 per cent accessed the COVID-19 Disaster Payment.

The key message was that there would be no re-opening for more than half of our members without continuing support.

Many businesses were also turning their attention to recommencing operations. A remarkable 40 per cent of businesses were ready to "**snap back**" as soon as government announced re-opening, and 19 per cent expected to be able to open "the end of September". A further 65 per cent expected to open between October and December 2021.

While 84 per cent of members surveyed expected to be open during the December quarter, there was clearly more to be done to bring that opening forward and support would be needed for vulnerable businesses (especially those reliant on open international borders).

That's why Business NSW launched our **#backtobusiness** campaign and worked to maintain appropriate business support and to build confidence for the peak December trading period.

This includes support for hardship grants to make stop vulnerable businesses "falling through the cracks" of support programs as they are wound back, advocacy for extending payroll rebates, the stock guarantee program to help business scale up with confidence and supporting the **Tourism Industry Council** advocacy for the visitor economy including extending dine and discover vouchers.

We would like to thank our Business NSW members for taking part in our surveys this quarter. We had over 4,000 responses to our surveys and direct feedback on issues ranging from mental health to the Public Health Orders to workforce and supply chain challenges.

All this information helped informed our advocacy on your behalf, and on behalf of the wider business community, every day of this crisis.

THE NSW ECONOMY



Hours worked down 10.6%

With accumulative jobs lost of 235k over the lockdown period (June to Sep). There is only a small change in the unemployment rate, mainly due to a big drop in the participation rate.



Growth forecast to be revised

Gross State Product was forecast to grow by 3 ¼ per cent in 2021-22 (yet to be revised).

**NSW Treasury forecast*



Job vacancies remain high

Despite falling during the lockdown period, job vacancies in September are 23.8% higher than the pre-pandemic level.



Card Spending* grew 17%

Spending rebounded strongly as NSW exited from lockdown.

**The period covers the week ending 15 October 2021 with growth compared with the corresponding week in 2019.*



2.2% increase in NSW State Final Demand*

The second strongest rebound in Australia in the June quarter, reflecting the State's resilience.

**Q2 2021 compared to Q1 2021*

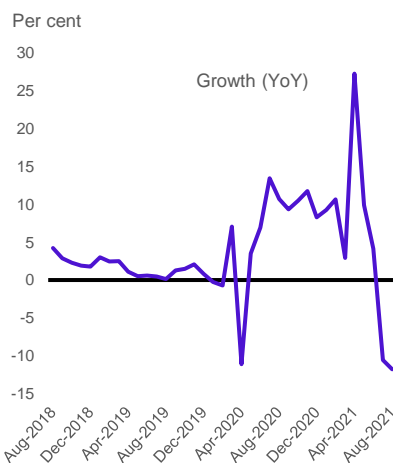
The bottom line

Business confidence and conditions fell significantly due to the lockdown. However, the reopening of the NSW economy on 11 October means an improvement in confidence and conditions over the coming months.

Source: ABS, NSW Treasury, Business NSW, Commonwealth Bank, the Labour Market Information Portal.

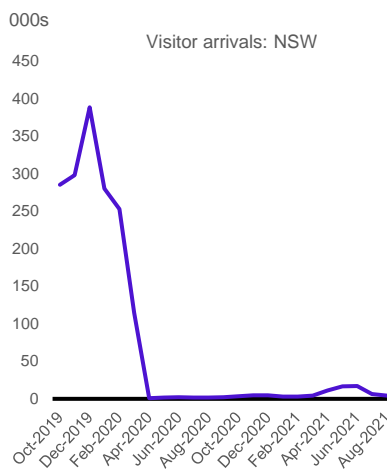
NSW INDUSTRY INDICATORS

NSW retail turnover



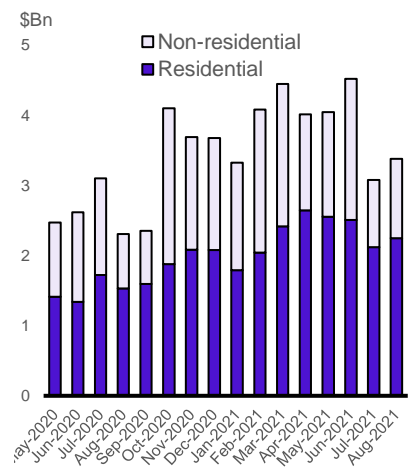
Note: Seasonally adjusted

NSW visitor arrivals



Note: Arrivals by state of main stay, unadjusted for seasonal variation

NSW building approvals



Note: By value, seasonally adjusted

Source: ABS

KEY FINDINGS

- **Confidence in the economy:** The NSW business confidence index fell sharply in the September 2021 quarter, with far more businesses viewing the economy as getting weaker (82 per cent) than getting stronger (6 per cent) (p.4).

This result is virtually the same as confidence levels during the June 2020 lockdown, when 80 per cent of businesses considered the economy to be getting weaker and 9 per cent considered the economy to be getting stronger.

- **Business downsizing:** Businesses have scaled back capital spending and staffing levels. Around 28 per cent of respondents indicated their staffing levels were lower compared to the previous quarter while 53 per cent indicated capital spending was down (p 4).

The drop in key measures of business performance, particularly staffing levels, was not as significant as June 2020.

- **Businesses remain at risk:** A large proportion of firms (43 per cent) indicated solvency became less manageable during this current lockdown compared to 33 per cent in the lockdown of June 2020 (p. 5).
- **Businesses optimistic about the future:** The NSW expected performance index declined compared to the previous quarter. However, 36 per cent of businesses reported that they expected the NSW economy to be somewhat or much stronger in the next three months, compared to 21 per cent in June 2020 (p. 4).

This largely reflected a positive response to the roadmap out of lockdown and clear vaccination targets consistently referred to by state and federal governments throughout the lockdown period.

- **Industry impact uneven:** Unsurprisingly, the population serving industries (including *Arts and Recreation Services, and Accommodation and Food Services*) have been the hardest hit, with the largest reported declines in confidence and business performance of any industry. *Accommodation and Food Services* and *Retail and Wholesale Trade* have seen a far greater drop in confidence and performance than during the major lockdown of mid-2020. Other industries however, such as *Construction and Manufacturing*, are performing better than during the major lockdown of mid-2020.
- **All NSW regions affected:** All regions in NSW demonstrated a substantial drop in confidence and business activities compared to the previous quarter, with *Sydney, particularly Greater Western Sydney, the Hunter Valley, and Mid North Coast* the worst affected.

COMMENTS FROM BUSINESSES

“The problem is the uncertainty. Will I have to start enforcing vaccination rules? It’s difficult to plan for a future that is so uncertain.”

Vehicle repair business, North Coast

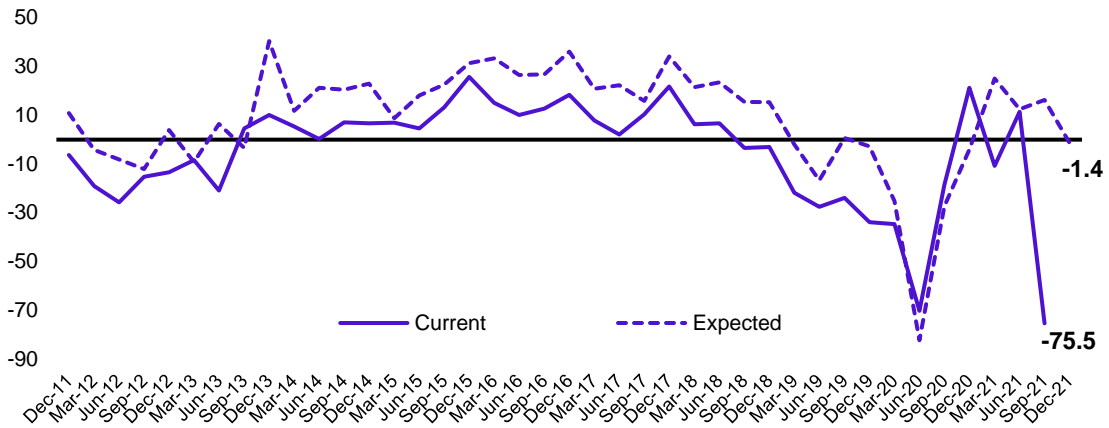
“It’s all great that there has been rent relief, taxation, utilities and supplier payment deferrals, but what really worries me as a business owner is that when we open back up these things will all need to be paid up on top of the ongoing costs of running the business.”

Retail business, Illawarra

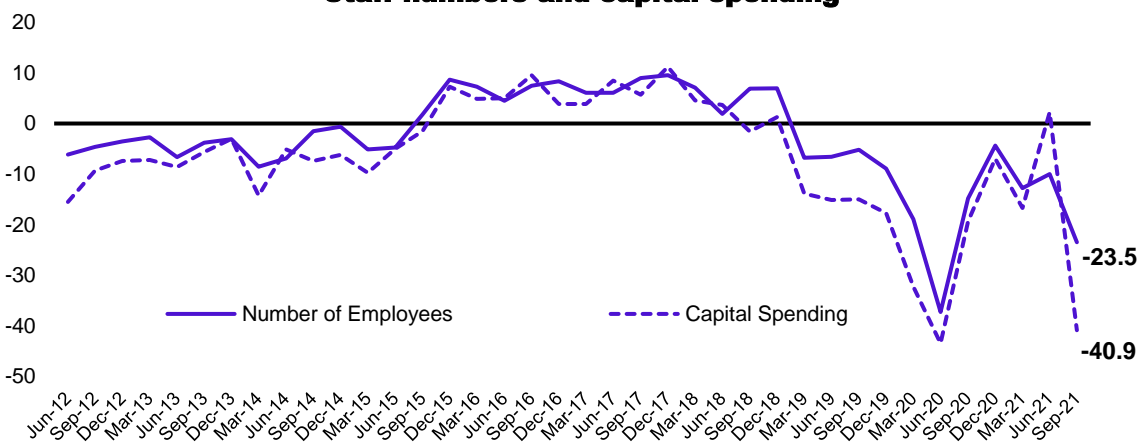
SURVEY RESULTS

Conditions were declining significantly in September during the COVID-19 lockdown.

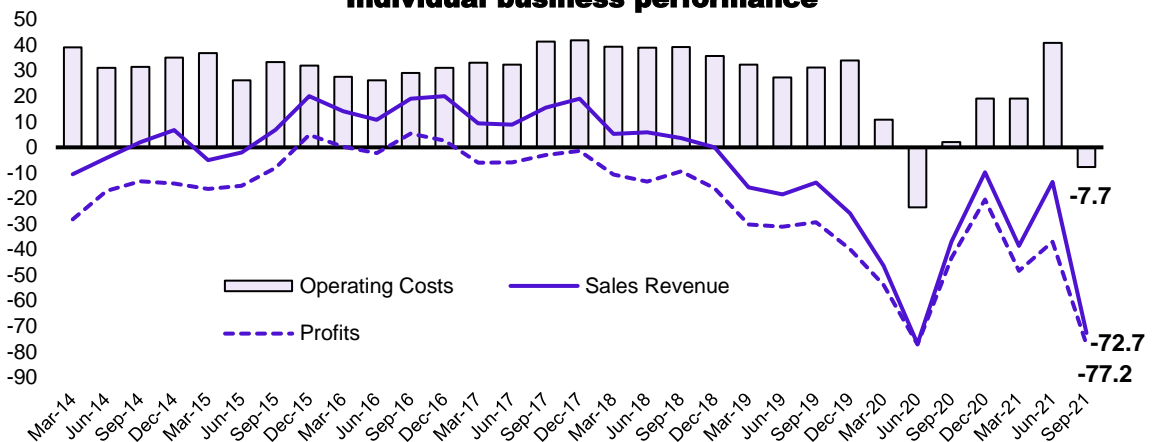
Performance of the NSW economy



Staff numbers and capital spending



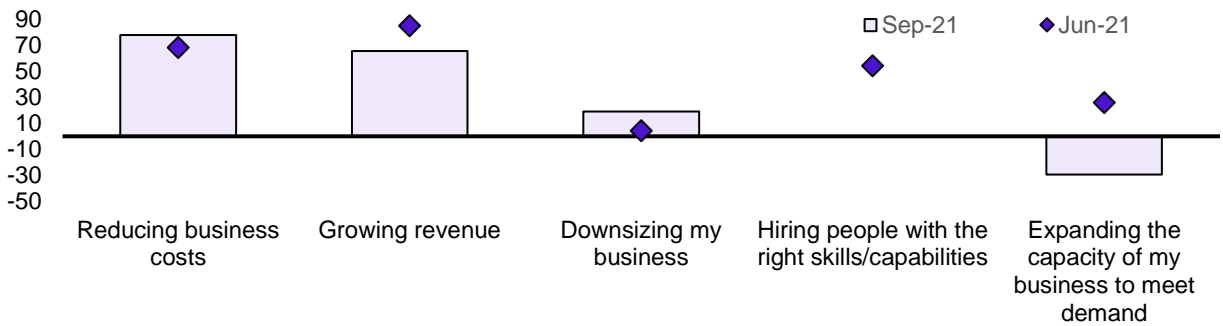
Individual business performance



Note: Index scores are calculated as the percentage of respondents reporting an increase minus the percentage reporting a decrease. A positive number implies improving business conditions (except for operating costs for which it implies cost pressures) whereas a negative number implies weaker conditions. There were 1664 respondents to the survey.

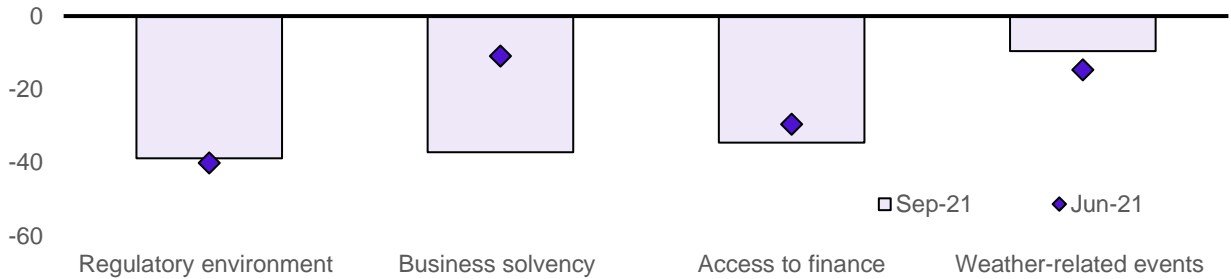
THE BUSINESS ENVIRONMENT

Business priorities*



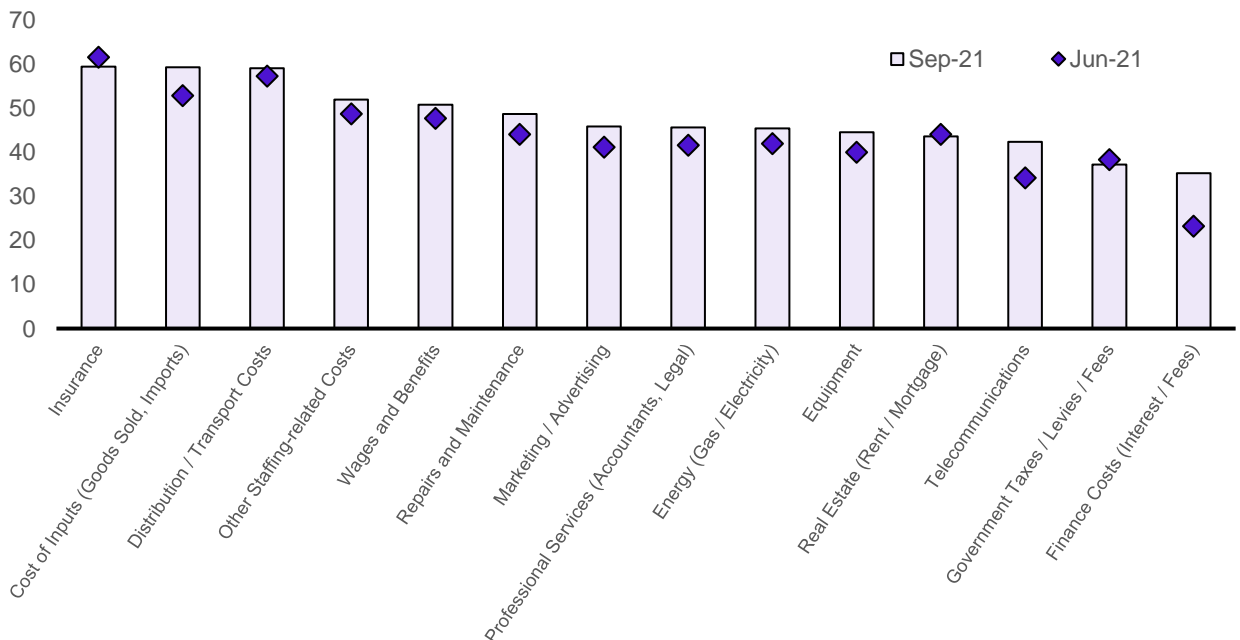
*Index scores calculated as the percentage of respondents indicating the priority was more important minus those indicating the priority was less important. A positive number implies a priority is becoming more important whereas a negative number implies a priority is becoming less important.

Factors weighing on business*



*Index scores calculated as the percentage of respondents indicating the factor was more favourable minus those indicating the factor was less favourable. A positive number implies an improvement whereas a negative number implies a deterioration.

Business costs*



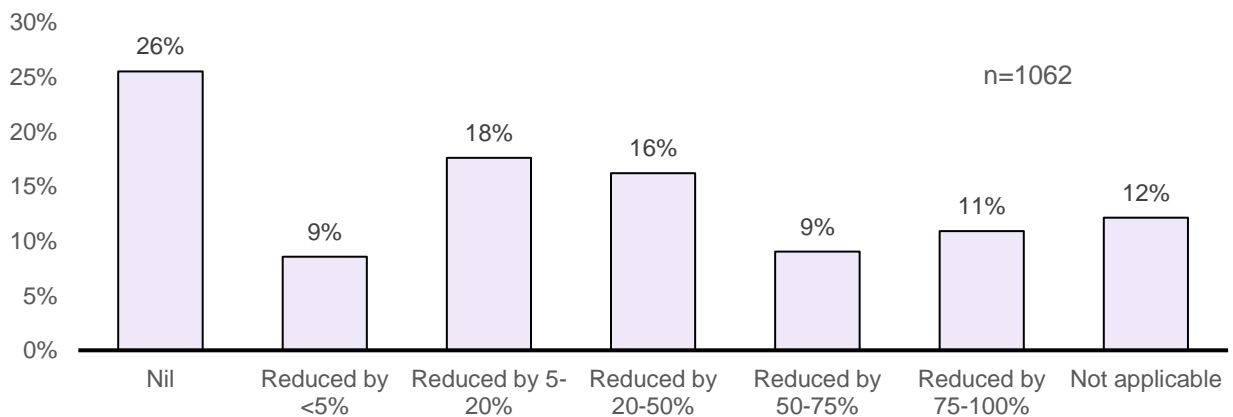
*Index scores calculated as the percentage of respondents indicating the cost was less affordable minus those indicating the cost was more affordable. A positive number implies increasing cost pressures whereas a negative number implies falling costs.

GOVERNMENT RESTRICTIONS HAVE HAD A SIGNIFICANT IMPACT

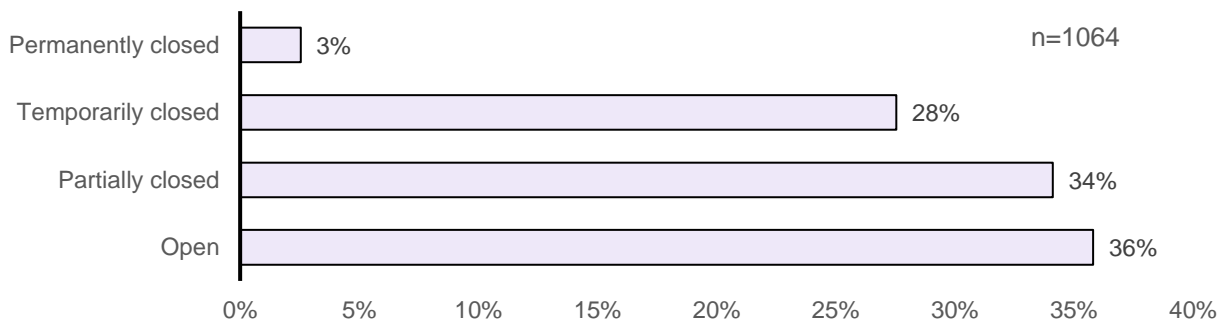
Prior to the state-wide lockdown, COVID Safe requirements had had a significant impact on customer foot traffic, with more than 10 per cent of businesses reporting that foot traffic had reduced by 75-100 per cent as a result.

28 per cent of respondents indicated that their business had temporarily closed and a further 34 per cent of businesses reported that it had partially closed during the last quarter. 95 per cent of those businesses reported that this was due to government restrictions.

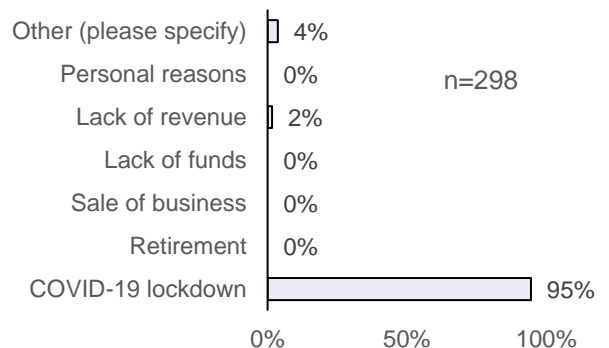
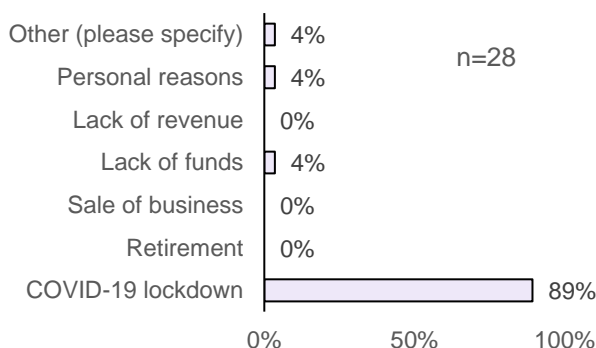
Prior to the state-wide lockdown, what impact did COVID Safe policies (Masks, QR, square metre rules) have on customer foot traffic into your business?



Is your business currently open or closed (select the most appropriate)?



Why did your business close (permanently)? Why did your business close (temporarily)?

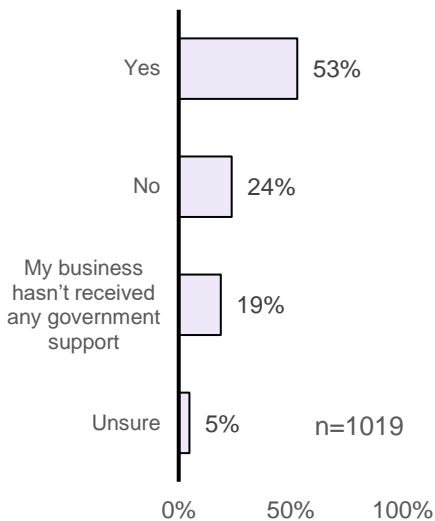


COVID-19 BUSINESS ASSISTANCE PACKAGE HAS BEEN CRUCIAL TO GET BACK TO BUSINESS

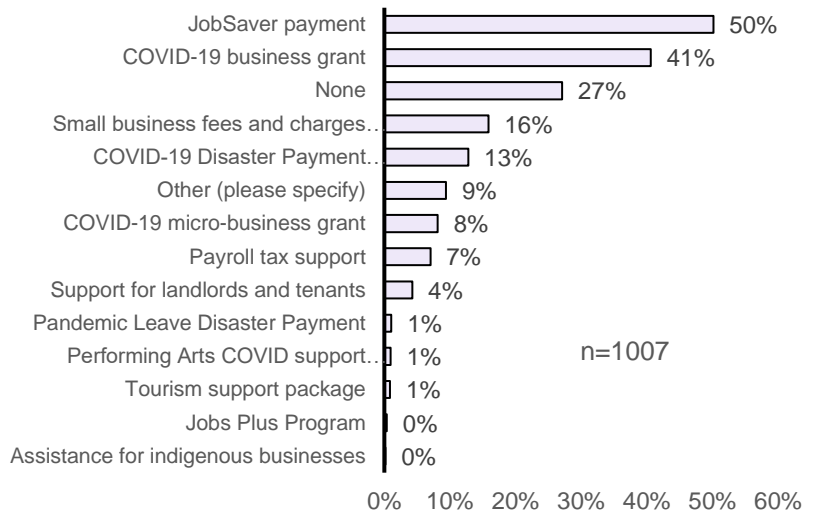
A number of government support initiatives were introduced as a result of government mandated restrictions and lockdowns. The most frequently accessed supports have been *JobSaver* and the *COVID-19 Business Grants*, with 50 per cent and 41 per cent of businesses respectively reporting having accessed these initiatives.

- 53 per cent of recipients indicated that they would have closed without these supports;
- 55 per cent of recipients reported that these supports have been a major boost to cashflow, and remarkably;
- 40 per cent said these payments will allow the business to "snap back" when it's time to reopen.
- 27 per cent reported that this assistance resulted in a higher headcount than without these supports.

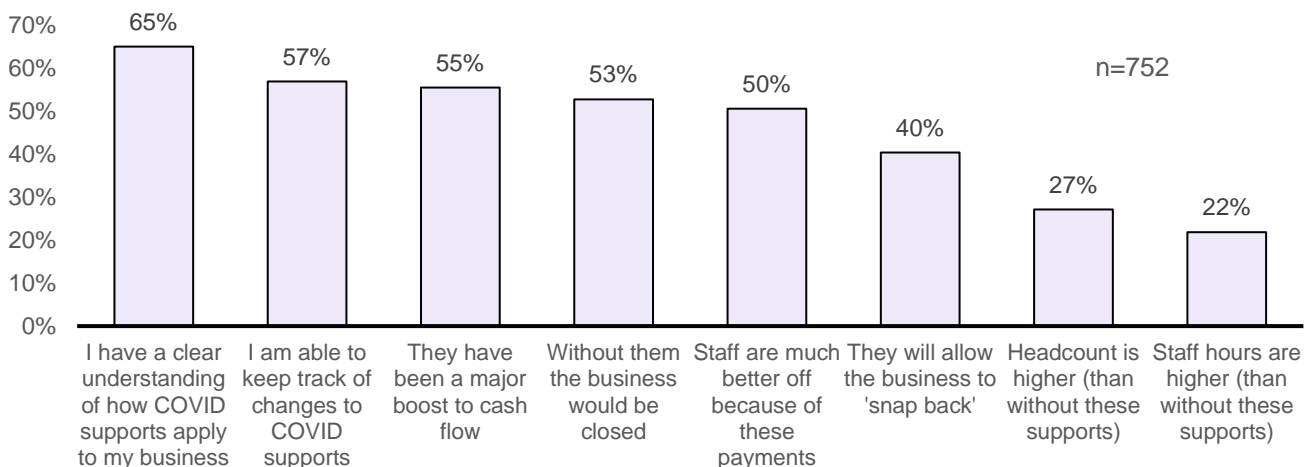
Have you received the government support you need during the current COVID-19 outbreak??



In the last 3 months, have you accessed any of the following government support programs (select as many as apply)?



Please indicate whether the following statements are true for your business due to these COVID-19 assistance programs?

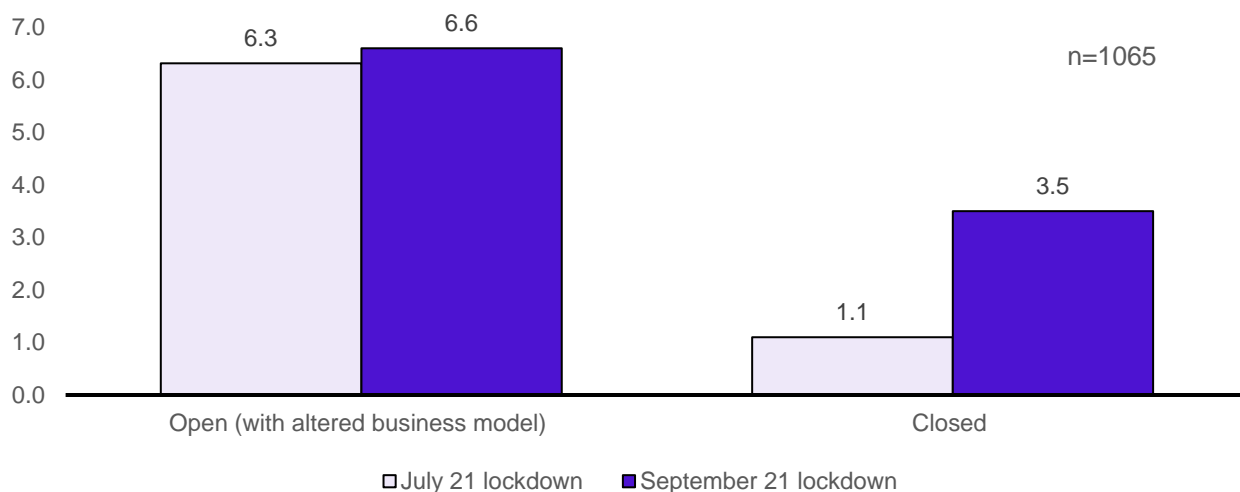


A SLIGHT IMPROVEMENT IN LIQUIDITY

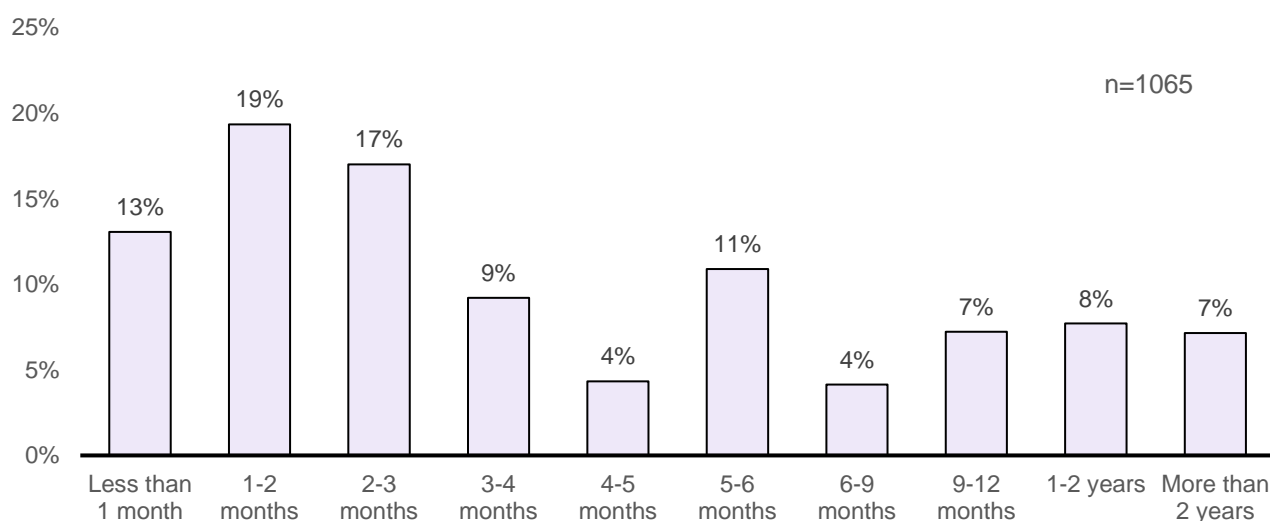
Businesses which have closed (30 per cent) have enough cash reserves to last for 3.5 months, improving from 1.1 months in July lockdown survey prior to the implementation of COVID-19 assistance programs.

Although the liquidity situation for closed businesses has improved, almost half of businesses reported they have three months or less worth of cash in reserves. This implies that many businesses that remain opened still find it tough operating under restrictive trading environment.

How long can your business survive based on your existing cash reserves/liquidity?



How long can your business survive based on your existing cash reserves/liquidity?



CONCERNS REMAIN FOR END OF BUSINESS SUPPORTS

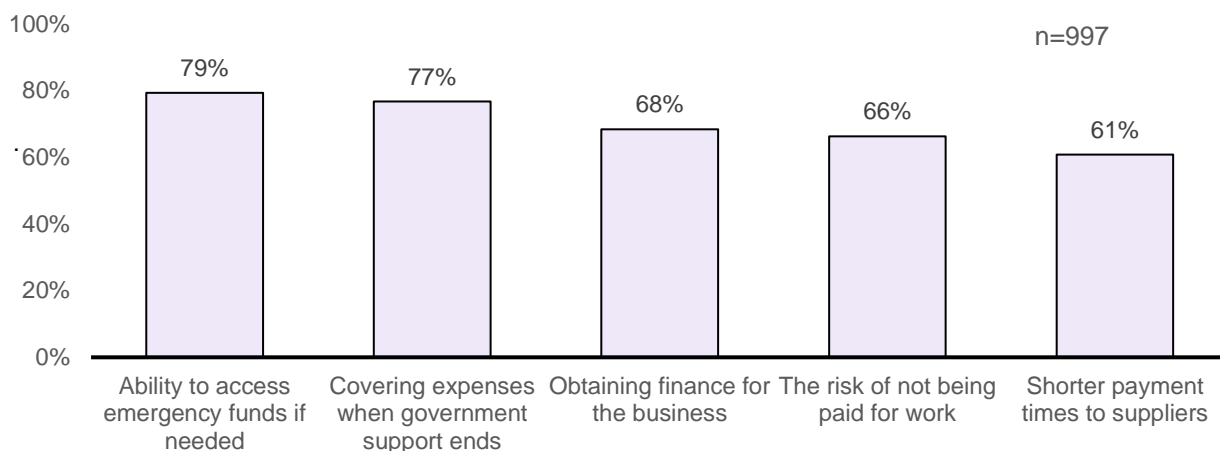
Businesses remain concerned about cash flow, with 79 per cent of respondents reporting being either somewhat or very concerned about their ability to access emergency funds if needed. 77 per cent of businesses were either somewhat or very concerned about being able to cover expenses when government supports end.

The survey raises concerns whether businesses will be ready for the cessation of COVID-19 business assistance measures (restrictions begin to ease in the last quarter of 2021). More than half of businesses reported not being ready for when this happens.

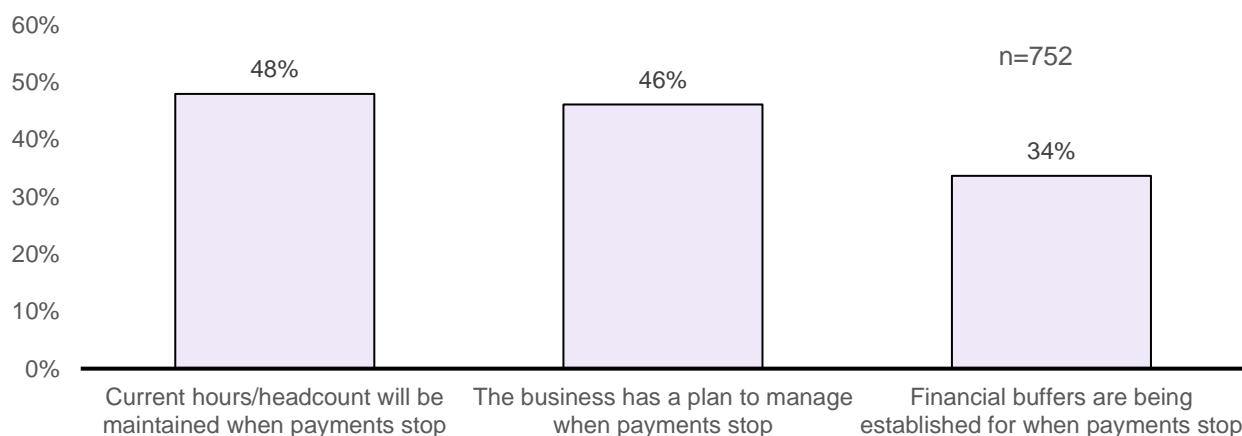
Around 46 per cent indicated they had a plan to manage when payments stop while 34 per cent said they were building financial buffers.

A premature cessation of the support measures may disrupt business operations and recovery. Ending the supports too soon can potentially lead to firms reducing current hours and headcount as indicating by more than half of the respondents in this survey. Building business confidence to re-stock and re-hire will be an ongoing challenge for vulnerable sectors and regions.

In terms of cash flow and access to finance, how concerned are you about the following? – Respondents indicating somewhat and very concerned



Business preparation ahead of the end of COVID-19 business assistance package



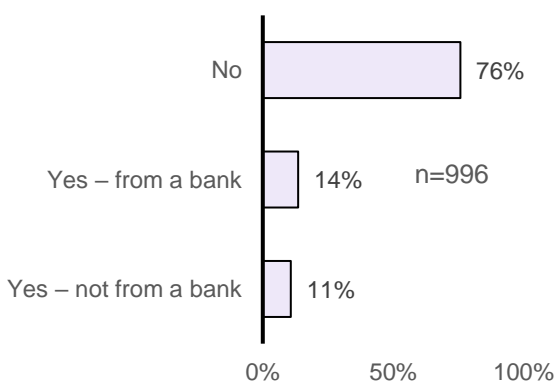
CASH FLOW AND ACCESS TO FINANCE REMAIN A CONCERN

In terms of concern about accessing to finance, only a quarter of respondents indicated they sought additional finance from a financial institution as a result of COVID-19. Almost half of those indicated they had not sought additional funding from a bank.

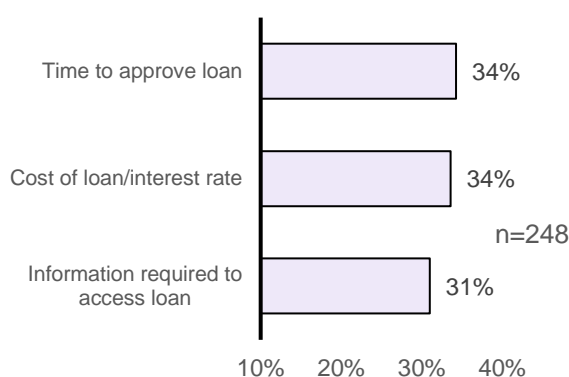
Of those who sought additional finance, around one in three indicated they were either 'dissatisfied' or 'very dissatisfied' with their experience relating to time to approve, information required to access a loan and cost of the loan.

Businesses that didn't apply for loans had a broad range of reasons not doing so. Around 38 per cent indicated it was because they didn't have a need. More than half reported it was because they didn't think their business qualified or because they preferred other assistance.

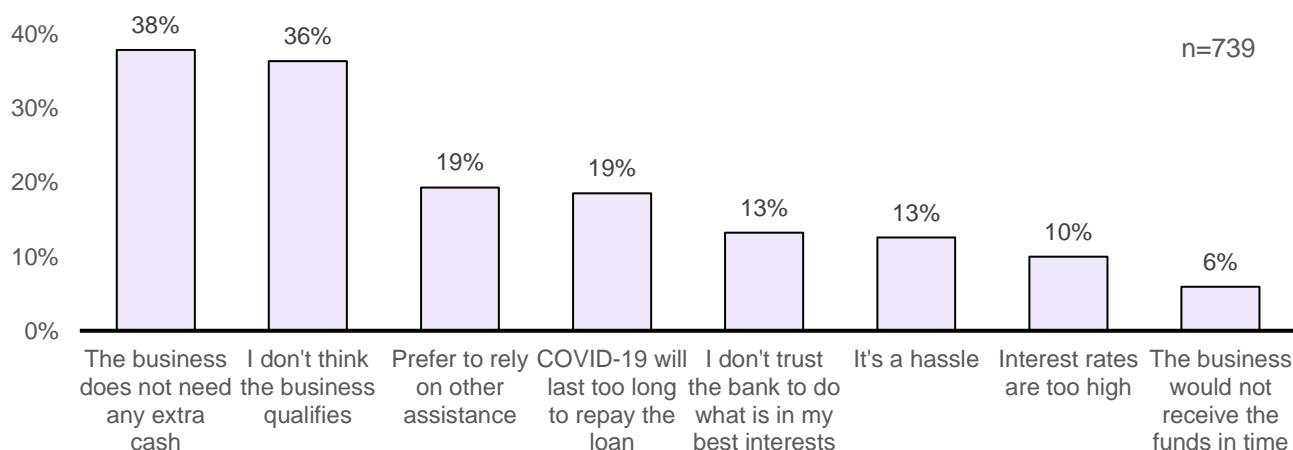
Has your business sought additional finance from a financial institution as a result of COVID-19 (including overdrafts or other loans)?



How satisfied are you with your experience with your financial institution? – Respondents indicating dissatisfied and very dissatisfied



Please select any of the following factors that account for why your business has not applied for a loan (select any that apply).



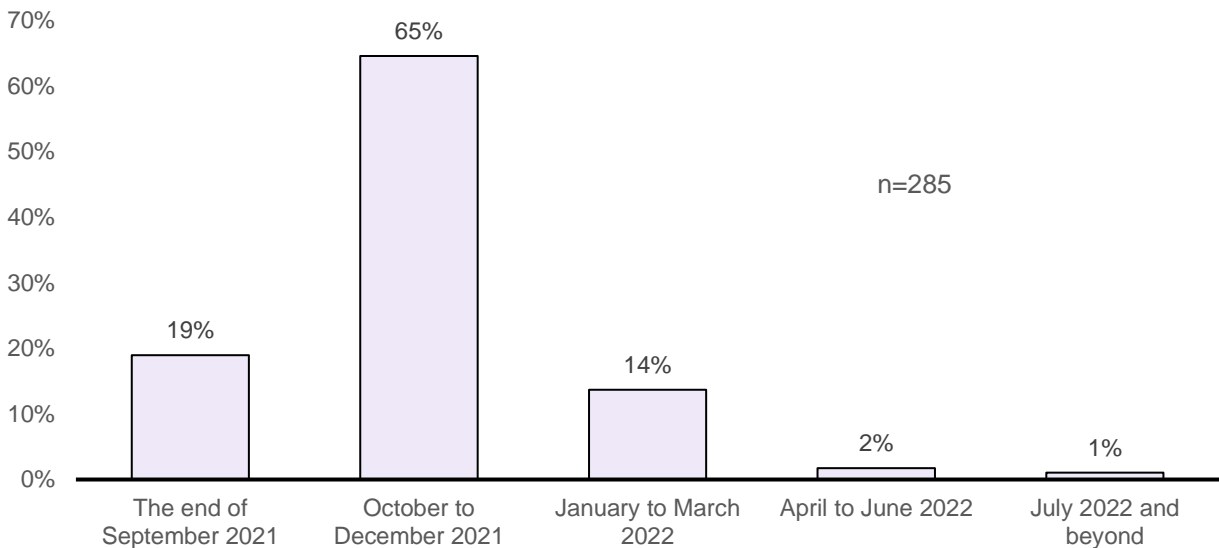
FIRMS READY TO EMBRACE ‘NEW NORMAL’ BUT GOVERNMENT SUPPORT MUST CONTINUE

84 per cent of businesses that have temporarily closed during lockdown expect to be open during the October to December quarter. However, businesses requested continuing support as lockdown restrictions ease

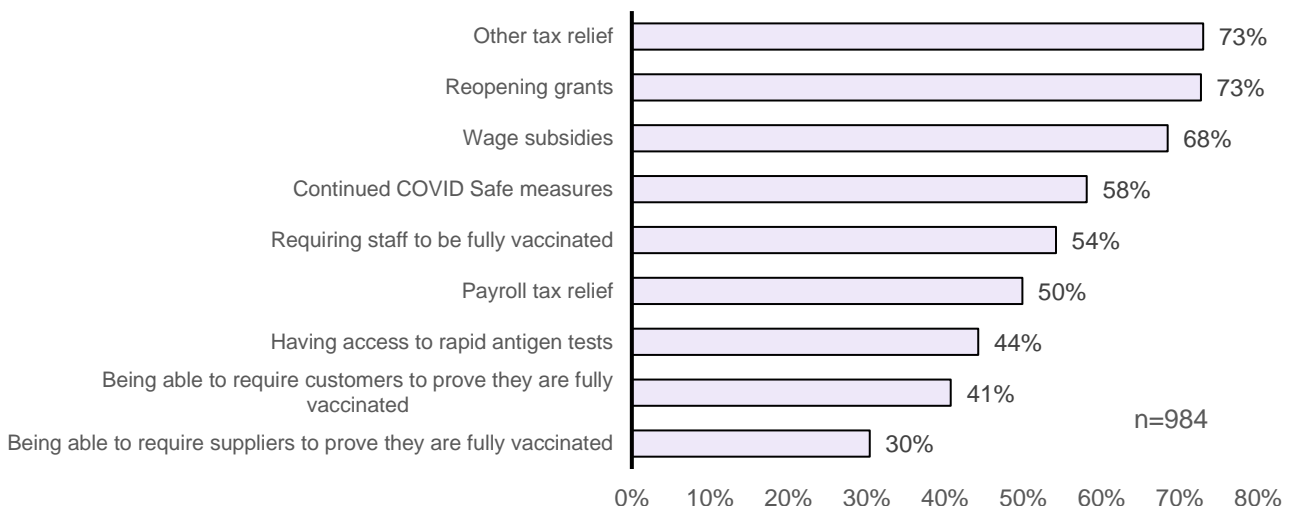
To provide support as restrictions ease, businesses have requested additional tax relief, grants to support reopening and/or restocking and continued subsidies.

A number of non-cash support measures were also requested, including greater clarity around operating restrictions, and increased support from government for businesses to ensure that employees and customers are fully vaccinated.

When do you expect your business to reopen?



What would make it easier for your business to be successful as lockdown restrictions ease?



SKILLS SHORTAGES

42 per cent of businesses reported currently experiencing a skills shortage, even in the midst of lockdown. This result, combined with the responses regarding “snapping back” as restrictions are eased, are anticipated to result in high demand for skilled and unskilled labour in the coming months.

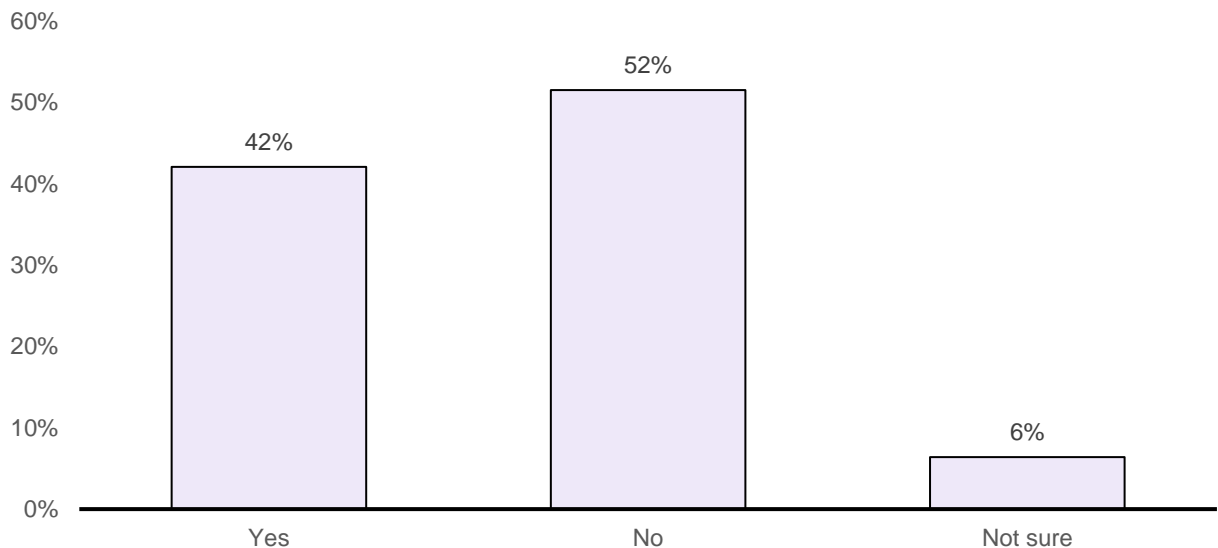
Primary industries (Agriculture and Mining) are experiencing the biggest skills shortages (66.7% and 80% respectively). These are followed by Construction (59.0%), Manufacturing (55.6%) and Transport & Warehousing (55.5%).

Historically, these have tended to be the industries most impacted by skills shortages.

As expected, Retail businesses reported the least shortages (24%).

All regions are close to the state-wide percentage. The regions with the highest report shortages were Richmond-Tweed (55.0% with a shortage) and Southern Highlands / Shoalhaven (54.1%).

Is your business currently experiencing a skills shortage?



REGIONAL PERFORMANCE

Region	Business Confidence [#]		Unemployment rate*	Youth Unemployment rate*
	September 2021 Quarter (Index)	Past Four Quarters (Index)		
NSW	-75.5 (n=1664)	-33.8 (n=3110)	4.6%	10.0%
Central Coast	-70.8 (n=54)	-40.4 (n=99)	5.7%	11.5%
Capital Region	-80.5 (n=87)	-36.9 (n=157)	5.5%	13.2%
Central West	-71.9 (n=104)	-37.3 (n=161)	2.5%	5.7%
Coffs Harbour – Grafton	-80.4 (n=47)	-41.7 (n=96)	4.1%	2.2%
Far West and Orana	-60.7 (n=32)	-36.4 (n=55)	5.8%	12.0%
Hunter Valley	-83.3 (n=105)	-43.4 (n=173)	4.5%	12.6%
Illawarra	-76.8 (n=72)	-40.5 (n=131)	5.5%	12.5%
Mid North Coast	-81.5 (n=60)	-26.7 (n=116)	5.5%	11.0%
Murray	-54.4 (n=76)	-13.6 (n=154)	6.6%	16.5%
New England and North West	-74.5 (n=115)	-30.8 (n=198)	4.6%	6.2%
Newcastle and Lake Macquarie	-71.0 (n=74)	-32.8 (n=122)	5.7%	11.7%
Richmond – Tweed	-67.6 (n=81)	-25.3 (n=174)	4.9%	7.9%
Riverina	-69.2 (n=75)	-45.3 (n=95)	2.3%	8.4%
Southern Highlands and Shoalhaven	-70.0 (n=54)	-27.1 (n=107)	6.0%	12.5%
Sydney	-81.3 (n=422)	-33.2 (n=975)	5.7%	12.7%
Eastern Sydney [^]	-81.7 (n=341)	-35.4 (n=780)		
Western Sydney [^]	-79.5 (n=81)	-24.6 (n=195)		

*Data updated as of 21 September 2021, annual averages used for regional unemployment rates (excluding NSW). This averaging method obscures the full impact of COVID-19 on regional labour markets. [#]Index is calculated as the percentage of respondents reporting a stronger economy minus the percentage reporting a weaker economy. A positive number implies improving conditions while a negative number implies conditions are weaker. [^]Eastern Sydney includes Eastern City, North and South districts; Western Sydney refers to Western and Central cities as designated by the Greater Sydney Commission. Full regional results available at: <https://www.businessnsw.com/advocacy/surveys/business-surveys>.

CONFIDENCE MAP

Confidence map weighting is based on business confidence levels in the September quarter relative to the NSW average.

