

A nighttime photograph of the Sydney Harbour Bridge, illuminated with blue lights. The bridge's steel structure is prominent, and the road below is filled with light trails from moving vehicles, creating a sense of motion. The sky is dark, and the bridge's arch is the central focus.

**BUSINESS  
NSW**

# **NSW BUSINESS CONDITIONS**

A Multi-Speed Environment

**AUGUST 2023**



Business NSW President Lyall Gorman (left) and CEO Daniel Hunter (right)

# About Us

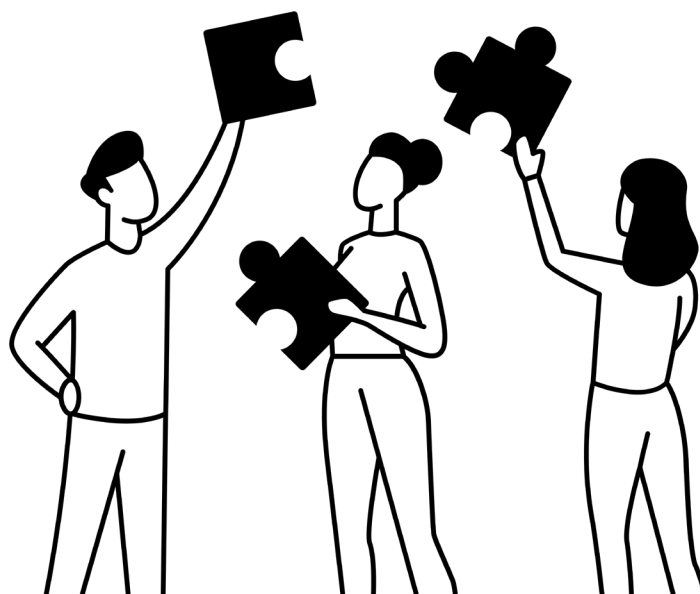
Business NSW is the peak business organisation for New South Wales with almost 50,000 member businesses across the state.

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.

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# Executive Summary

Trading conditions have been tough for many businesses (especially SMEs) in recent years. The cost of doing business has surged and the central bank has aggressively raised interest rates to combat inflation. This has led to slowing customer demand, which has further weighed on business activity. However, as inflation begins to moderate, the end of the RBA rate hike cycle is in sight. This has prevented a further deterioration in business confidence and even allowed some to feel optimistic about their business prospects for the financial year ahead.

The latest quarterly Business Conditions Survey was conducted during 1-14 August and received a total of 1,002 responses, covering all key industries and regions in NSW.

## Key findings

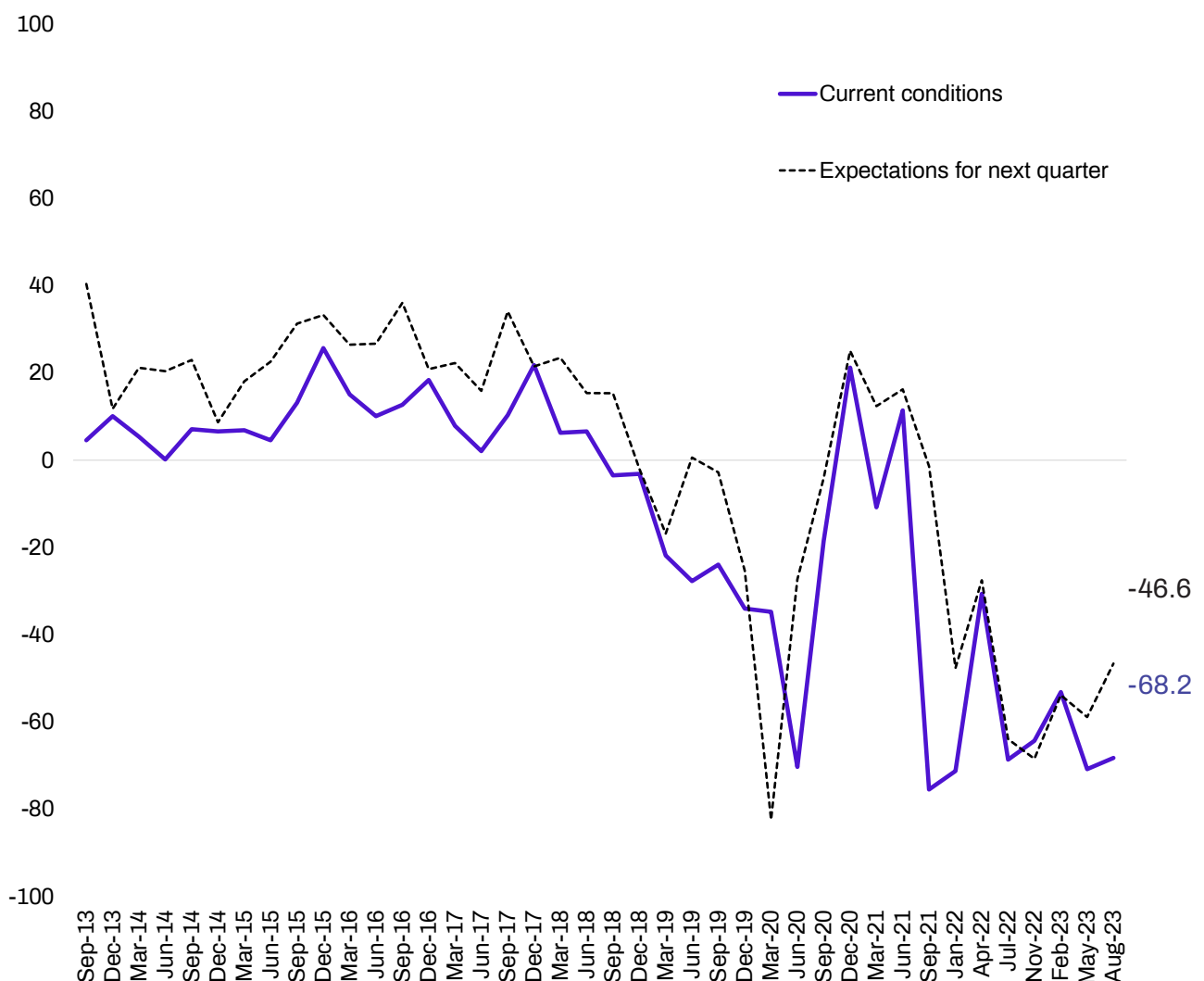
1. The headline Business Confidence Index rebounded to -68.2 in the third quarter of 2023, from -70.8 last quarter.
2. A multi-speed business environment has emerged, with some expecting to shut down and some anticipating major success in the financial year 2023-24.
3. Concerns about the impact of interest rates have subsided in the latest quarter, although businesses remain highly cautious about customer spending.
4. To raise emergency finance, business credit from banks is the most common option, followed by personal credit and mortgages.
5. 85% of respondents believe they would be able to raise emergency finance for their business.
6. 62% of respondents intend to maintain the same headcount for the next three months, while 23% expect to cut staff and 15% expect to hire additional staff.
7. Businesses have mixed views on how working from home impacts productivity.
8. 36% of respondents have experienced cyber incidents in the past 12 months; this includes unsuccessful hacking attempts.
9. 50% of respondents have experienced an online scam in the past 12 months; this includes unsuccessful scam attempts.
10. 93% of respondents have experienced barriers accessing NSW Government services, assistance or grants – the most common issue being a lack of awareness of what is available.



# 1. Business Confidence

Business confidence in NSW remains soft in the third quarter of 2023 amid ongoing economic uncertainties. Despite a small rebound from the previous quarter, the headline Business Confidence Index remains deep in negative territory with a reading of -68.2 (Figure 1). However, all but one region (Figure 2) and all but two industries (Figure 3) have fewer pessimists regarding the final quarter of 2023. The positive gap between the readings for current conditions and expectations for the next quarter is the widest since the start of 2022.

**Figure 1: Business Confidence Index**



## Regional Snapshot

Figure 2: Business confidence by region

	Business Confidence Index		
	Last Quarter (May 2023)	Current Quarter (Aug 2023)	Next Quarter
<b>NSW</b>	<b>-70.8 (n=989)</b>	<b>-68.2 (n=1002)</b>	<b>-46.6 (n=1002)</b>
<b>Regions expecting a rebound</b>			
Capital Region	-81.6 (n=49)	-76.4 (n=55)	-49.1 (n=55)
Central Coast	-66.7 (n=45)	-64.6 (n=48)	-41.7 (n=48)
Central West	-73.9 (n=46)	-75.9 (n=54)	-44.4 (n=54)
Coffs Harbour – Grafton	-65.5 (n=29)	-66.7 (n=24)	-45.8 (n=24)
Eastern Sydney	-67.5 (n=243)	-63.9 (n=241)	-43.2 (n=241)
Far West and Orana	-69.2 (n=13)	-68.8 (n=16)	-37.5 (n=16)
Hunter Valley	-61 (n=41)	-71.4 (n=63)	-54.0 (n=63)
Illawarra	-78 (n=59)	-67.3 (n=49)	-46.9 (n=49)
Mid North Coast	-77 (n=61)	-73.9 (n=69)	-52.2 (n=69)
New England & North West	-70.5 (n=44)	-82.0 (n=50)	-58.0 (n=50)
Newcastle & Lake Macquarie	-64.2 (n=53)	-65.2 (n=46)	-45.7 (n=46)
Richmond – Tweed	-71.7 (n=60)	-72.3 (n=65)	-33.8 (n=65)
Riverina	-61 (n=41)	-59.5 (n=37)	-56.8 (n=37)
Southern Highlands & Shoalhaven	-88.6 (n=44)	-82.4 (n=34)	-55.9 (n=34)
Western Sydney	-68.9 (n=122)	-62.9 (n=116)	-44.8 (n=116)
<b>Regions expecting no change</b>			
Murray	-76.9 (n=39)	-51.4 (n=35)	-51.4 (n=35)



## Industry Snapshot

**Figure 3: Business confidence by industry**

	Business Confidence Index		
	Last Quarter (May 2023)	Current Quarter (Aug 2023)	Next Quarter
<b>All industries</b>	<b>-70.8 (n=989)</b>	<b>-68.2 (n=1002)</b>	<b>-46.6 (n=1002)</b>
<b>Industries expecting a rebound</b>			
Accommodation & Food Services	-73.1 (n=119)	-80.1 (n=136)	-52.9 (n=136)
Administrative & Support Services	-71.4 (n=14)	-57.9 (n=19)	-15.8 (n=19)
Agriculture, Forestry & Fishing	-55.9 (n=34)	-62.8 (n=43)	-46.5 (n=43)
Arts & Recreation Services	-74.4 (n=39)	-77.5 (n=40)	-37.5 (n=40)
Construction	-71.2 (n=73)	-66.7 (n=99)	-46.5 (n=99)
Education & Training	-42.3 (n=26)	-48.6 (n=37)	-32.4 (n=37)
Financial & Insurance Services	-55.6 (n=27)	-57.1 (n=21)	-42.9 (n=21)
Health Care & Social Assistance	-62.5 (n=48)	-69.6 (n=56)	-55.4 (n=56)
Information Media & Telecommunications	-88.9 (n=18)	-70.8 (n=24)	-50.0 (n=24)
Manufacturing	-76.5 (n=115)	-57.1 (n=84)	-45.2 (n=84)
Mining	-100 (n=3)	0.0 (n=3)	33.3 (n=3)
Other Services	-75 (n=72)	-80.5 (n=77)	-48.1 (n=77)
Professional, Scientific & Technical Services	-51.8 (n=110)	-62.4 (n=109)	-49.5 (n=109)
Rental, Hiring & Real Estate Services	-84.8 (n=33)	-79.3 (n=29)	-65.5 (n=29)
Retail Trade	-82.2 (n=180)	-73.6 (n=174)	-44.3 (n=174)
Transport, Postal & Warehousing	-75 (n=28)	-36.4 (n=11)	-27.3 (n=11)
Wholesale Trade	-69.8 (n=43)	-60.7 (n=28)	-53.6 (n=28)
<b>Industries expecting a deterioration</b>			
Electricity, Gas, Water & Waste Services	-50 (n=4)	-27.3 (n=11)	-36.4 (n=11)
Public Administration & Safety	0 (n=3)	0.0 (n=1)	-100.0 (n=1)



*“There are so many small businesses that are poised for scaling but overheads are just too high. The biggest thing we need is space to help us to scale our businesses.”*

~ Retail Trade (Western Sydney)

*“Staffing is becoming harder and harder in regional areas. We could grow our business if we could find the right staff. There needs to be more incentives for people to move to regional areas.”*

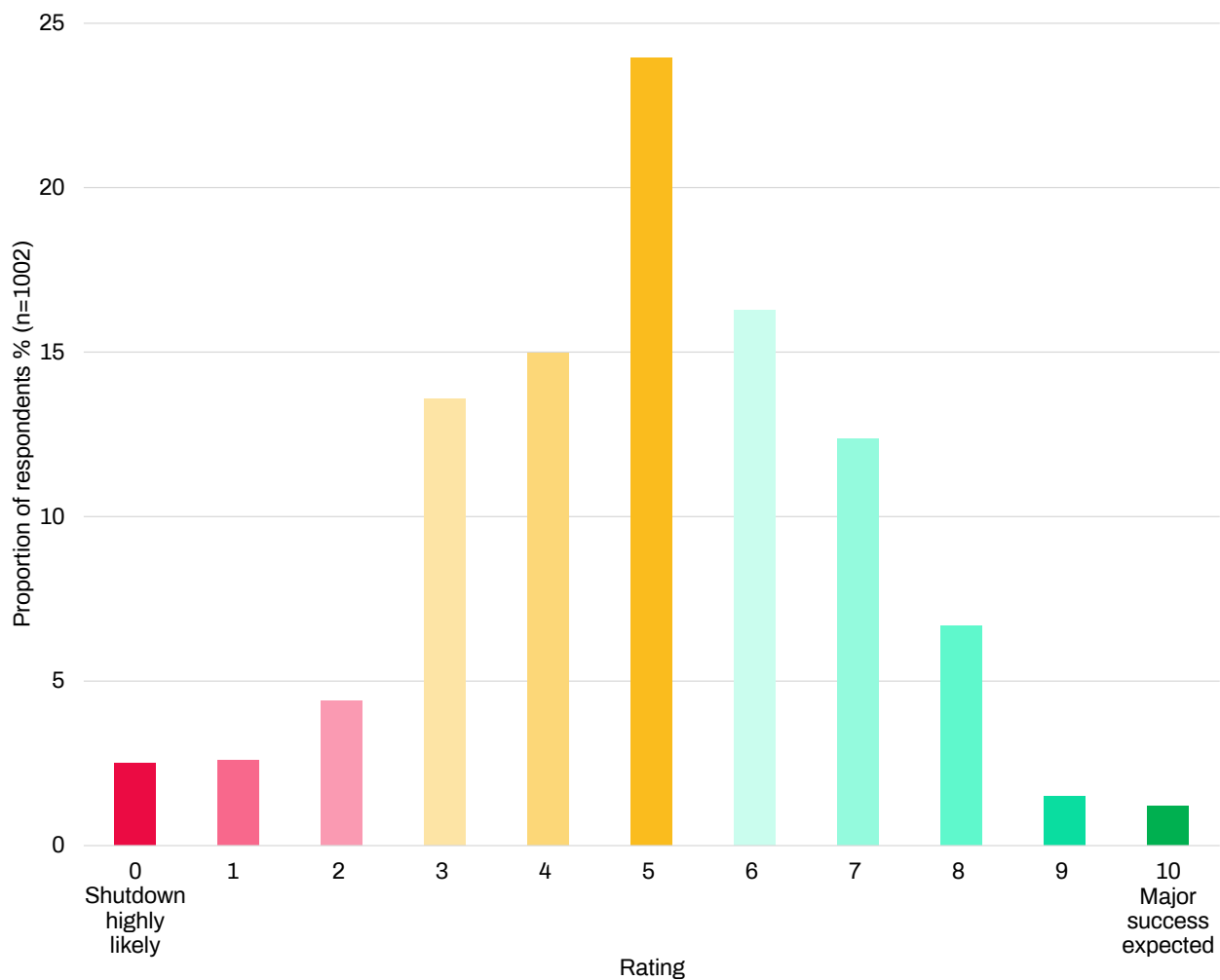
~ Professional, Scientific and Technical Services (New England and North West)

## 2. Business Prospects

The survey asked businesses to rate their prospects for the financial year 2023-24 and identified a 'multi-speed' business environment with scores ranging from 0 (meaning 'shutdown highly likely') to 10 (meaning 'major success expected').

The most common score (coming from 24% of all respondents) is 5 out of 10, which indicates they expect to have just enough business to survive.

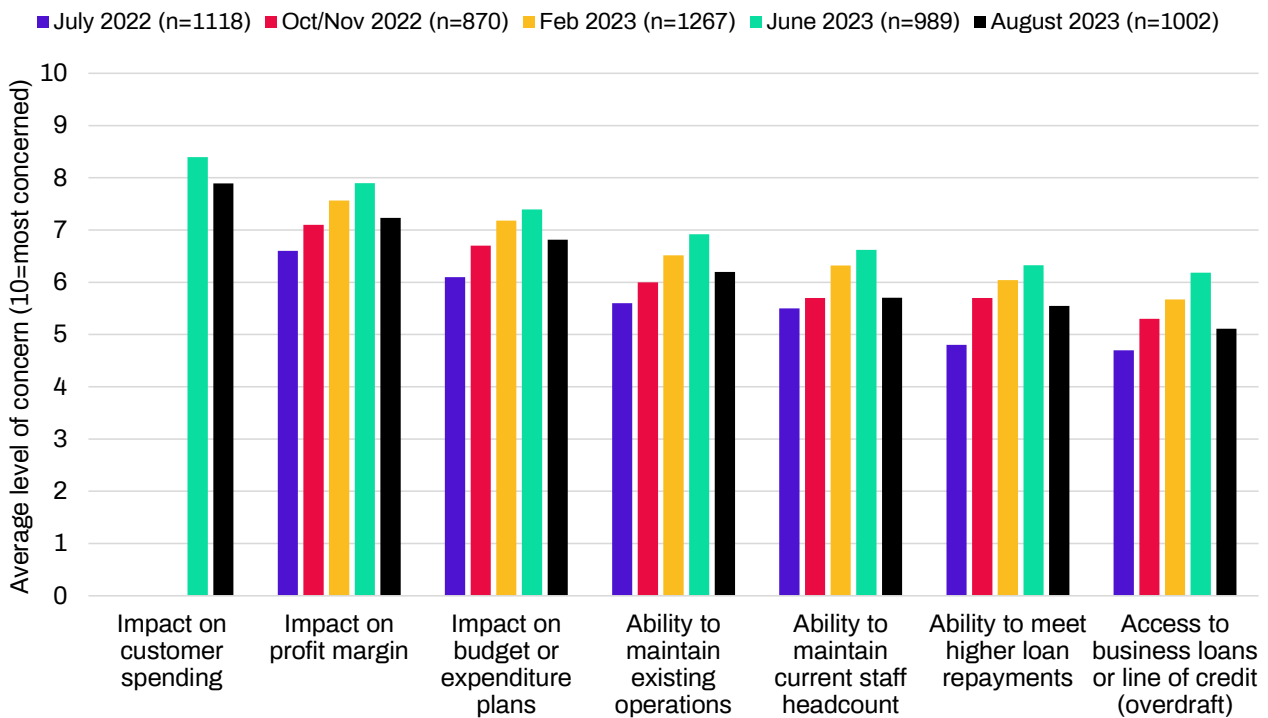
**Figure 4: Self-rated business prospects for Financial Year 2023-24**



# 3. Impact of Rising Interest Rates

The Reserve Bank of Australia has hiked its cash rate target 12 times (by a total of 4 percentage points) since May 2022. Concerns among the business community about the impact of rising interest rates had been growing until the latest quarter. The recent decline in the level of concern comes on the back of two successive months (July and August) of rates being put on hold. Nevertheless, businesses remain highly cautious about the impact of current interest rate settings on customer spending.

**Figure 5: Concerns about the impact of rising interest rates (July 2022 – August 2023)**



*“Interest rates have caused discretionary spending to fall off a cliff.”*

~ Retail Trade (New England and North West)

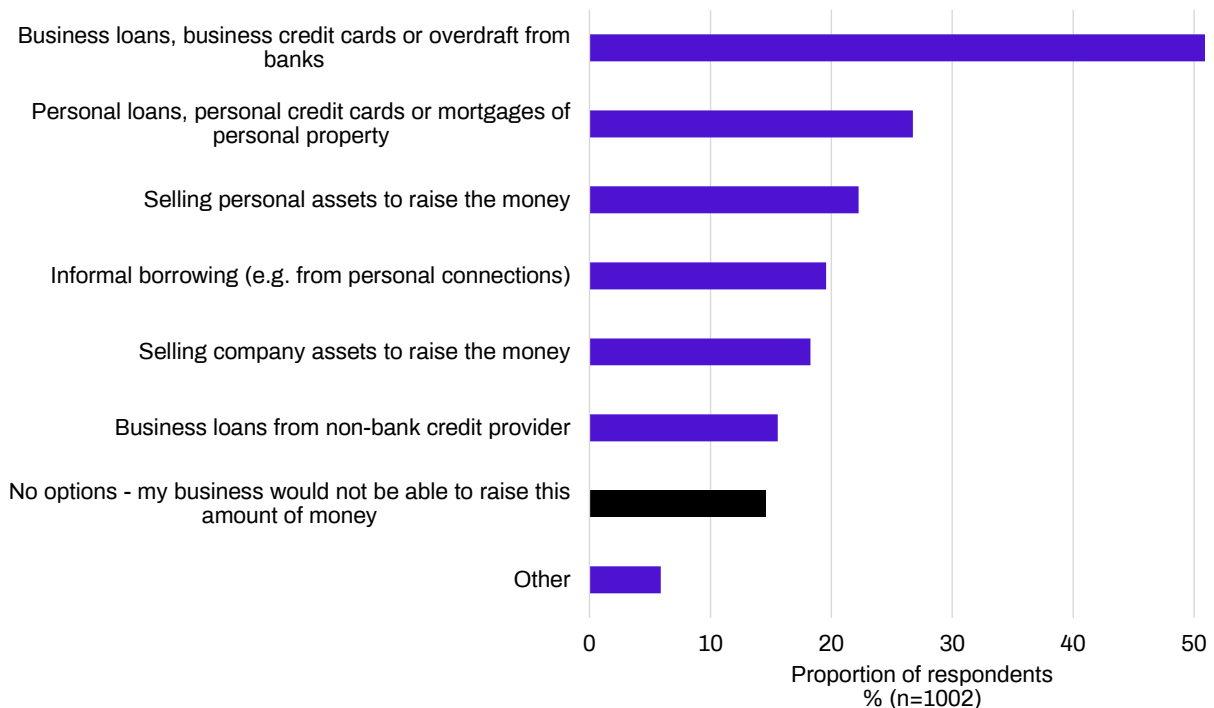
# 4. Ability to Access Emergency Finance

Being able to manage cashflows is an important aspect of running a successful business. If there is a need to raise emergency finance equivalent to one month's operating expenses, 85% of respondents believe they would be able to do so.

Of the businesses that can raise emergency finance, some have multiple options available to them. These options include:

- Business loans, business credit cards or overdraft from banks (51%)
- Personal loans, personal credit cards or mortgages of personal property (27%)
- Selling personal assets to raise the money (22%)
- Informal borrowing (20%)
- Selling company assets to raise the money (18%)
- Business loans from non-bank credit providers (16%).

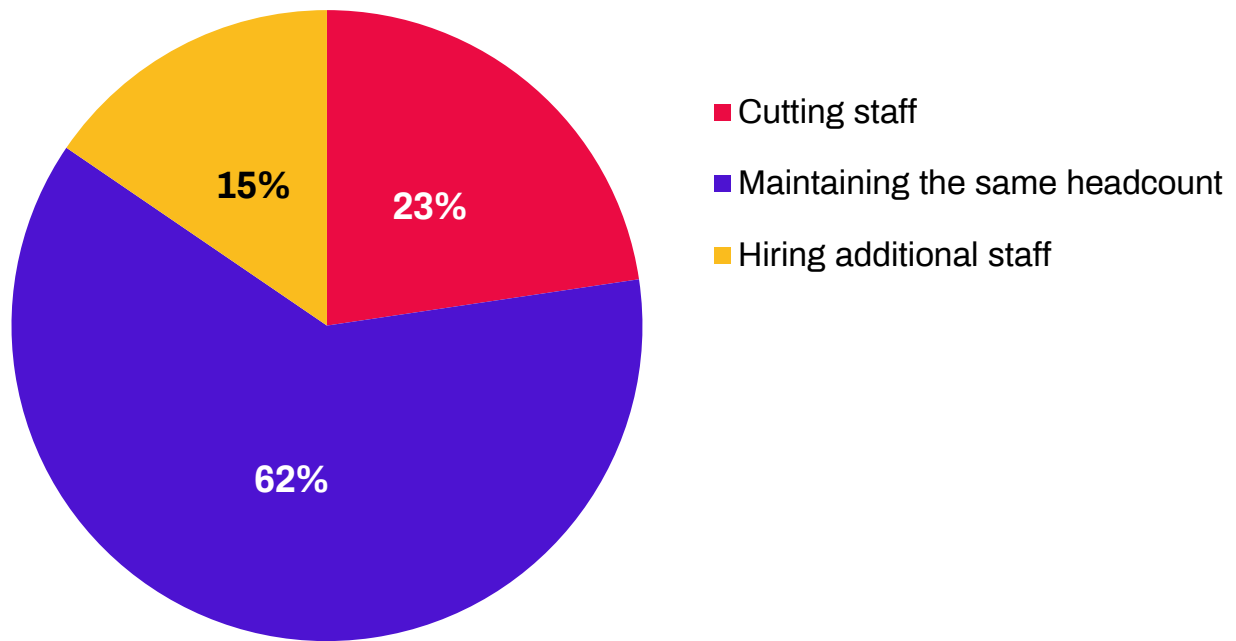
**Figure 6: Ability to raise emergency finance equivalent to one month's operating expenses**



Note: The results add up to more than 100% as respondents were allowed to have multiple selections.

# 5. Hiring Intentions

Figure 7: Plans for staff headcount for the next three months (n=1002)



*“Maintaining the same hours for staff with the downturn in customers. Trying to provide local jobs whilst not going backward ourselves.”*

~ Other Services (Southern Highlands and Shoalhaven)



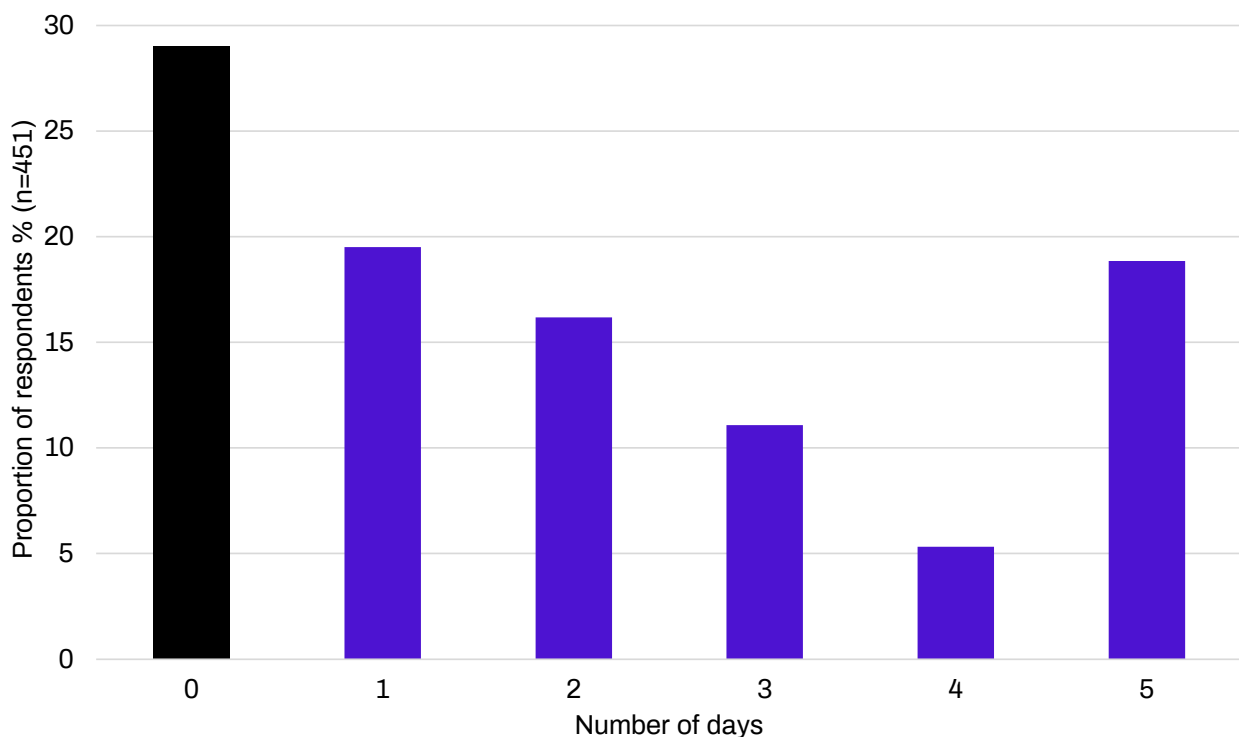
# 6. Business Views on Staff Working From Home

Amid ongoing debate on the benefits of working from home, the survey asked businesses to nominate the optimal number of days from a staff productivity perspective. Where working from home is feasible, 29% of respondents consider not working from home at all is best for staff productivity.

Of those who support working from home, there are almost as many businesses that support one day a week as those who support five days a week. The overall distribution of preferences shows:

- 20% support one day a week
- 16% support two days a week
- 11% support three days a week
- 5% support four days a week
- 19% support five days a week.

**Figure 8: Number of days working from home that is best for staff productivity**



# 7. Cyber Incidents

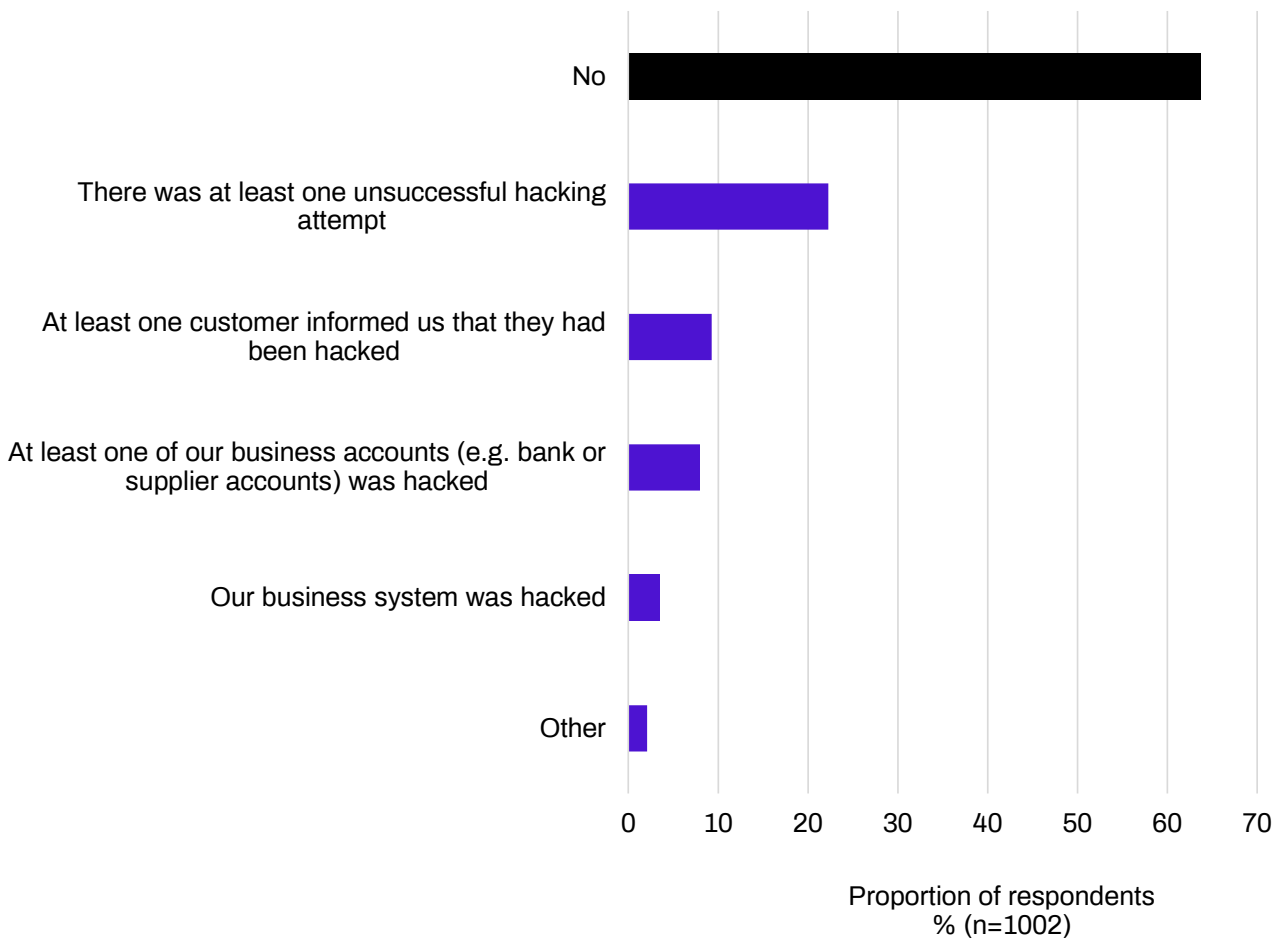
The previous Business Conditions Survey found that one in three respondents could not afford to enhance cyber security for their business. The latest survey asked whether businesses have experienced any cyber incidents in the past 12 months.

Most respondents (64%) reported to have experienced no cyber incidents.

Of those who have encountered cyber incidents, some have experienced various types of incidents. These incidents include:

- at least one unsuccessful hacking attempt (22%)
- at least one customer informed the business that they had been hacked (9%)
- at least one of the business accounts was hacked (8%)
- the business system was hacked (4%).

**Figure 9: Experience of cyber incidents in the past 12 months**



Note: The results add up to more than 100% as respondents were allowed to have multiple selections.



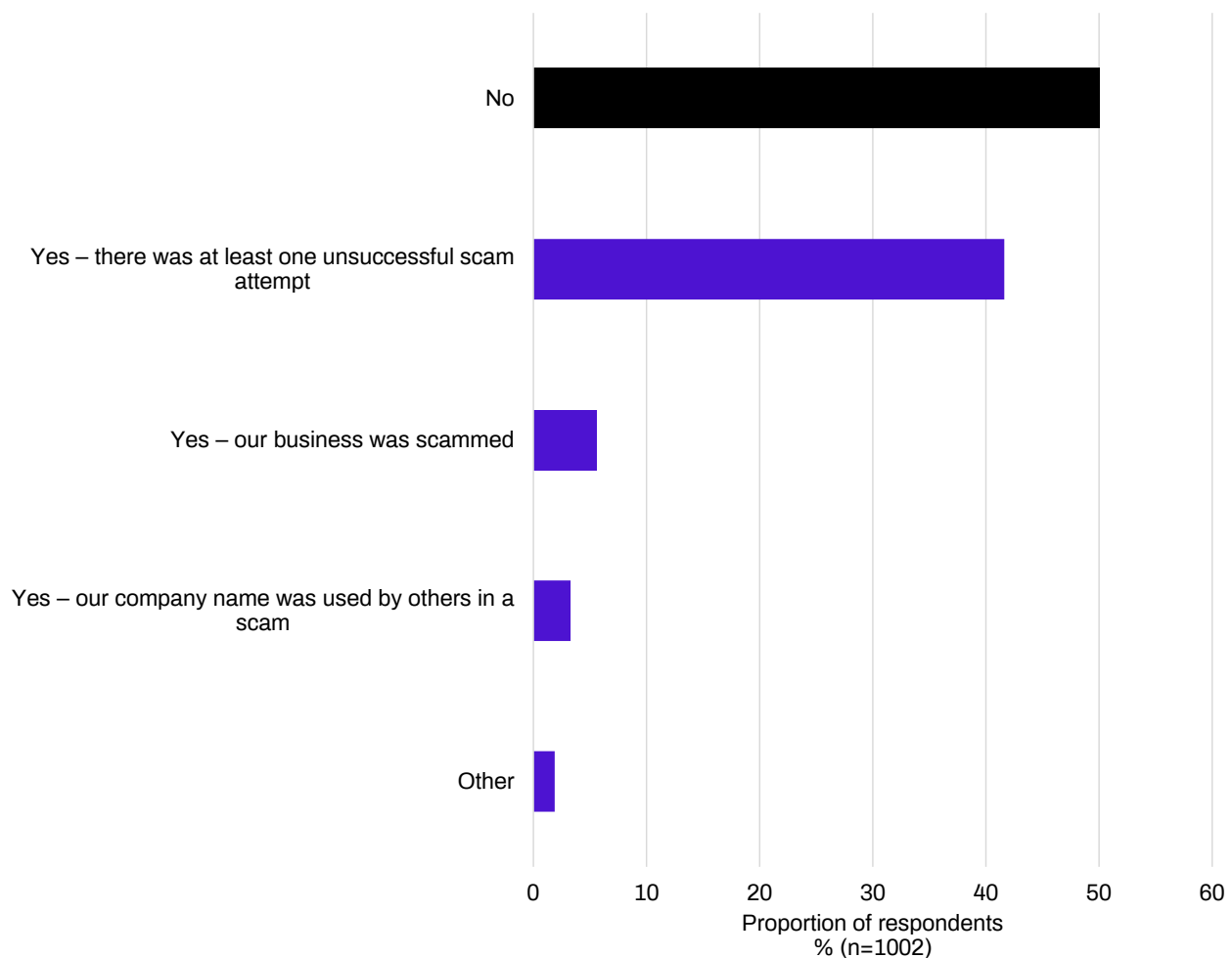
# 8. Online Scams

Amid a recent rise in online scams, the latest survey asked businesses about their experience in the past 12 months.

Some businesses reported to have experienced online scams in various ways. Findings include:

- 50% have not experienced an online scam
- 42% have experienced at least one unsuccessful scam attempt
- 6% have been scammed
- 3% have found their company name used by others in a scam.

**Figure 10: Experience of online scam in the past 12 months**



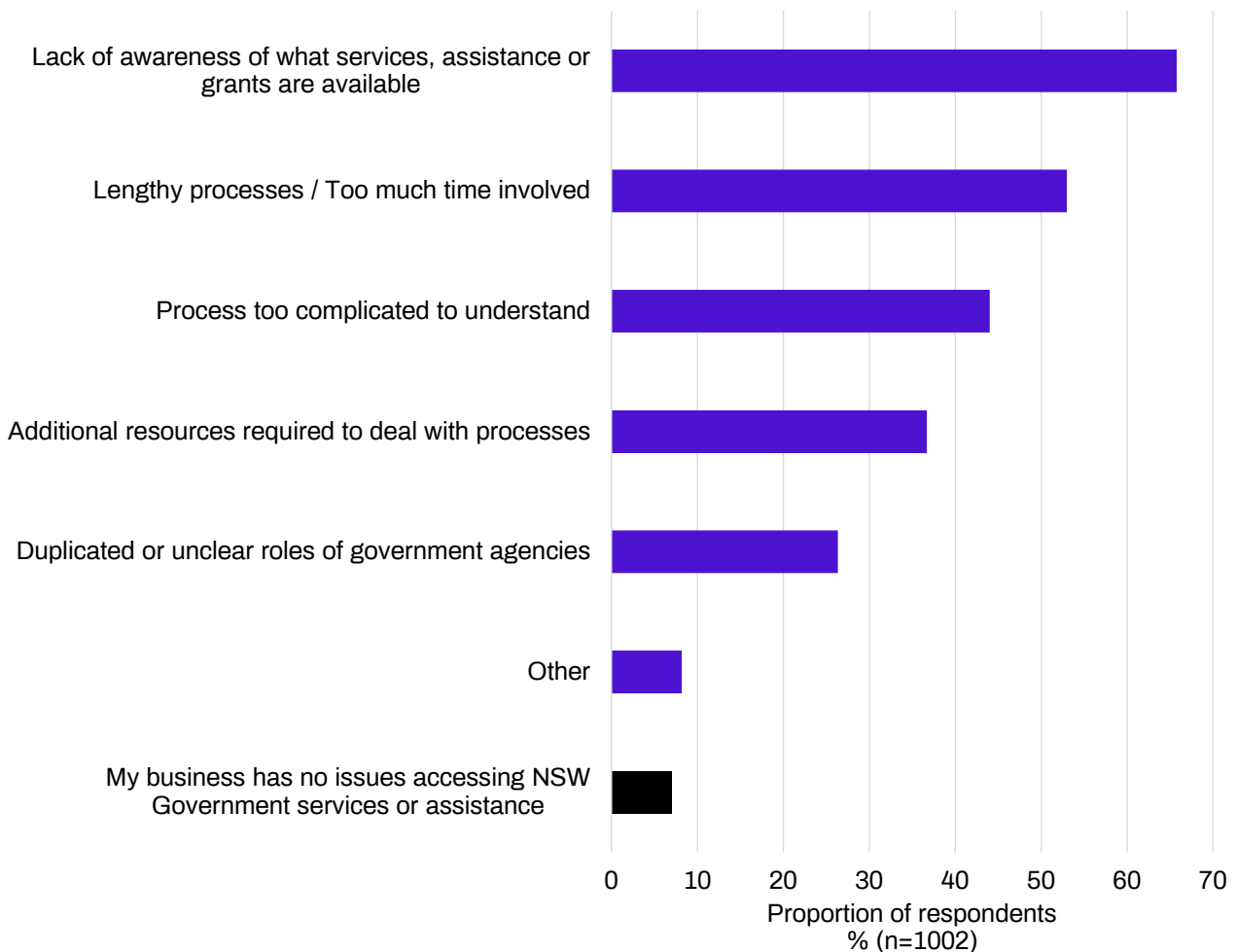
Note: The results add up to more than 100% as respondents were allowed to have multiple selections.

# 9. Feedback to Government

An overwhelming 93% of respondents experience barriers accessing NSW Government services, assistance or grants. Many even experience multiple barriers. Common issues include:

- Lack of awareness of what services, assistance or grants are available (66%)
- Lengthy processes / too much time involved (53%)
- Processes too complicated to understand (44%)
- Additional resources required to deal with processes (37%)
- Duplicated or unclear roles of government agencies (26%).

**Figure 11: Barriers to accessing government services, assistance or grants**



Note: The results add up to more than 100% as respondents were allowed to have multiple selections.

## Areas of NSW Government services or assistance that have room for improvement



### COMMUNICATIONS

- Speaking to a real person
- Being able to reach someone in a timely manner
- Not being redirected to a web portal



### GRANTS AND FINANCIAL ASSISTANCE

- Simplifying grant processes
- Improving grant visibility
- Providing tax relief



### EFFICIENCY OF SERVICES

- Streamlining services
- Reducing paperwork
- Removing overlaps of agency responsibilities




### UNDERSTANDING OF SME

- Recognising the specific needs of SMEs
- Hiring staff with real-world experience related to SMEs
- Providing more pragmatic advice to SMEs

*“Access to government funding is complicated and requires almost an additional staff member.”*

~ Manufacturing (Richmond – Tweed)



*“Too much red tape from Local, State and Federal governments. All levels of government should aim to make life easier for business owners, in terms of less regulations and requirements.”*

~ Accommodation and Food Services (Western Sydney)



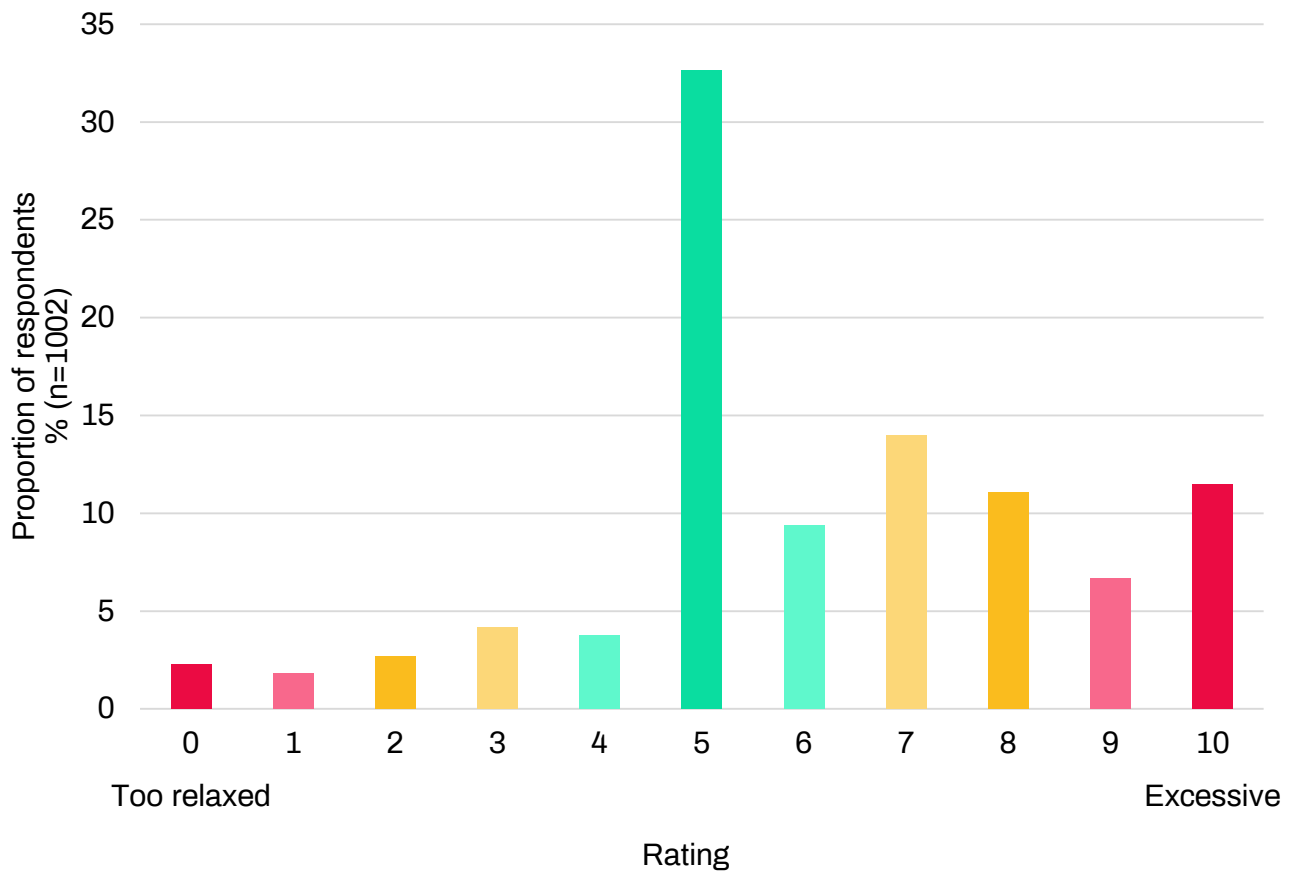
*“There have been too many changes and red tape in the construction industry. Planning takes way too long.”*

~ Construction (Murray)



*“New industrial relation laws are not taking small business concerns into account.”*

~ Retail Trade (Coffs Harbour – Grafton)

**Figure 12: Business views on the current level of regulatory requirements**

Noting that the government has a range of regulations in place to ensure a fair and efficient trading environment for businesses and to also protect the community, 33% of respondents consider the current level of regulatory requirements to be the right balance (giving it a rating of 5 out of 10).

Some respondents have more extreme views on the current level of regulatory requirements:

- 2% consider it 'too relaxed' (giving it a score of 0)
- 12% consider it 'excessive' (giving it a score of 10).

The median score is 6 out of 10.

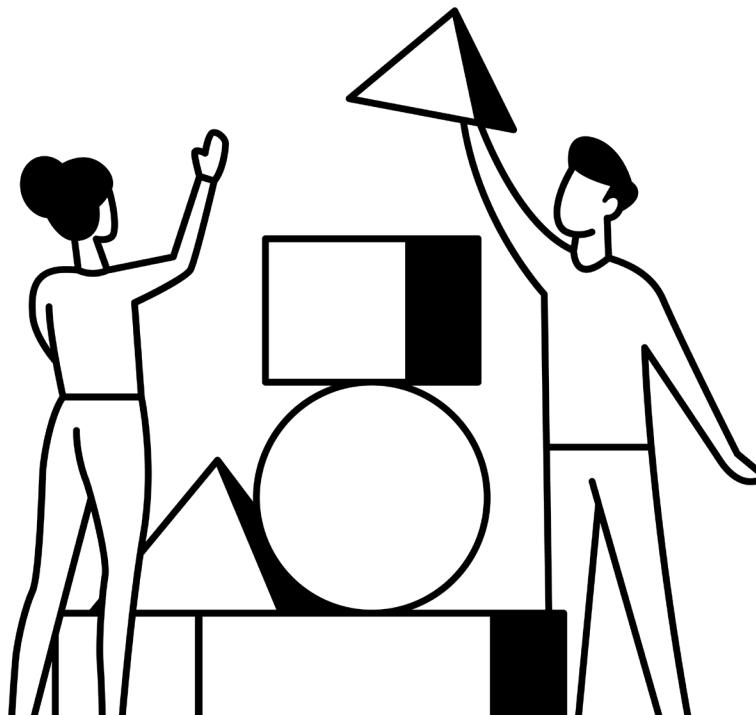
*“Government processes are always too time consuming and complex for small businesses to navigate.”*

~ Other Services (Capital Region)



When considering whether to extend the life of the Eraring coal-fired power station, how should the NSW Government prioritise various factors?

- 1** Keeping bills down
- 2** Lowering the risk of blackouts
- 3** Reducing emissions
- 4** Saving local jobs





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