

NSW BUSINESS CONDITIONS

June 2019

Quarterly snapshot of NSW economy informed by the businesses of NSW



NSW THIS QUARTER

The NSW Business Conditions survey shows a further deterioration in business performance in the June quarter. Regional NSW has been the hardest hit with drought affected areas of the state continuing to struggle.

Retail sales have been disappointing but should see a boost in the next quarter from recently passed tax cuts and the decision of the RBA to cut interest rates to their lowest level in history. These measures gave survey respondents some optimism on the future outlook.

The Chamber is concerned that further declines in economic activity could see a deterioration in labour market conditions. To offset any further decline, the Chamber is emphasising the importance of governments, particularly the NSW Government to get on with the delivery of infrastructure, particularly infrastructure promised to regional NSW.

Full survey results including detailed regional and industry-level data can be found at the NSW Business Chamber website located at:

<https://www.nswbusinesschamber.com.au/Issues/Business-Surveys/Business-Conditions>

Survey Contact: Laurence Redaelli laurence.redaelli@nswbc.com.au | 02 9458 7913

NSW BUSINESS CHAMBER

The NSW Business Chamber is one of Australia's largest business support groups, with a direct membership of 20,000 businesses and providing services to over 30,000 businesses each year. The Chamber works with businesses spanning all industry sectors including small, medium and large enterprises.



NSW ECONOMIC SNAPSHOT



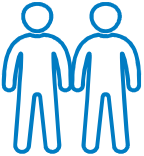
Unemployment rate 4.6%

Near full employment and the lowest in the country (among states).



2¼ per cent growth

In Gross State Product forecast for 2018-19 and 2019-20.



168,000 new jobs over the past year

Employment growth above trend and fastest in the country.



\$33.1 bn in private capital expenditure

Over the past year, 10.6% higher than the same time last year.



2.1 per cent growth in State Final Demand

Well below trend and only fourth fastest in the country (among states and territories).



The bottom line

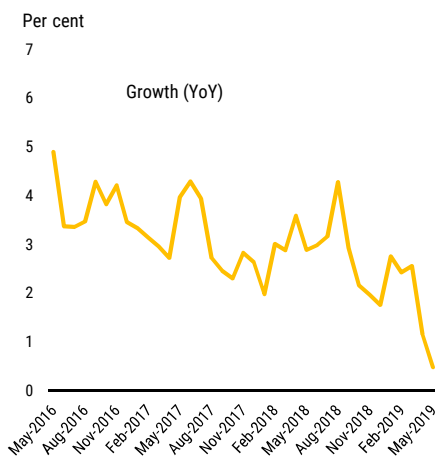
NSW is well past its peak with the NSW Budget downgrading growth forecasts to a mere 2¼ per cent. Businesses in regional NSW are doing it particularly tough.

Source: ABS, NSW Government, NSW Business Chamber



INDUSTRY INDICATORS

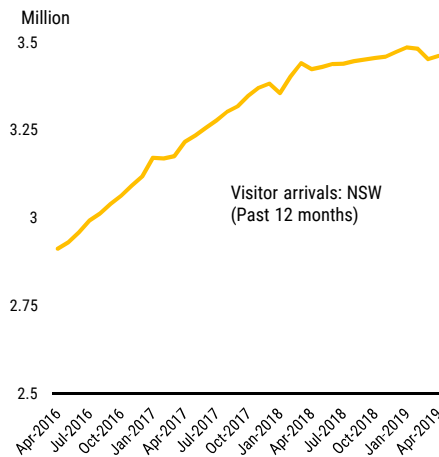
NSW Retail Turnover



Note: Seasonally Adjusted

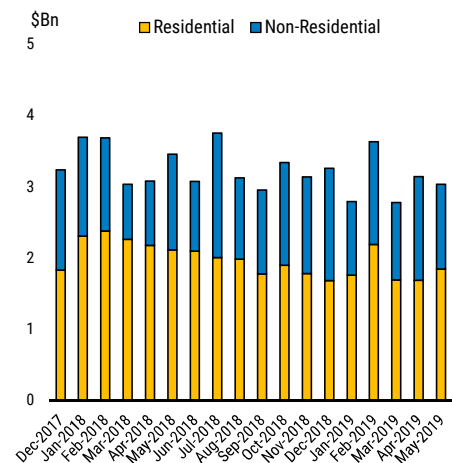
Source: ABS

NSW Visitor Arrivals



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

NSW Building Approvals

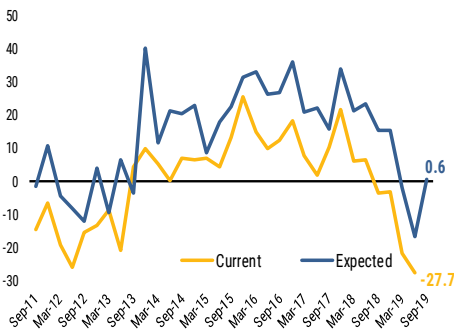


Note: By value, Seasonally Adjusted

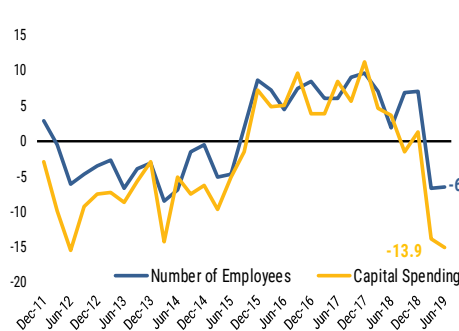
SURVEY RESULTS

Business confidence weakest since GFC but signs of stabilisation

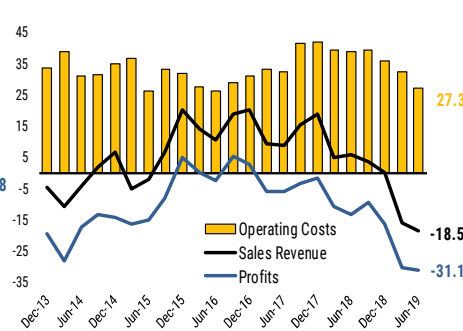
Performance of the NSW Economy



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 900 respondents to the survey.

OVERVIEW

- Business conditions remain weak as the NSW economy faces a more challenging economic environment with business confidence, staffing levels, capital spending, sales and profits mostly falling deeper into negative territory from the previous quarter. The index measuring respondents' perceptions about the performance of the NSW economy was the weakest since April 2009 – the height of the Global Financial Crisis.
- There are some signs of stabilisation with respondents more optimistic about the next quarter which returned to positive territory following negative index scores for the previous two quarters. The return to a more stable political environment and economic stimulus may further boost business sentiment (the survey period was prior to the second RBA rate cut and the passage of the personal income tax package).
- The persistence of drought conditions across the state continues to affect businesses in regional NSW. Across the state, respondents from the Far West and Orana, New England Northwest, Capital Region, and Southern Highlands and Shoalhaven regions continue to report particularly difficult business conditions.
- Consecutive cuts to the cash rate by the RBA will provide modest support for business across the state via a boost to consumer demand and more favourable borrowing rates.
- The recently passed tax package, in particular tax offsets for low and middle income earners, will also be a welcome boost for retailers in the near term.
- While these measures may be useful in absorbing spare capacity in the economy in the short term, more substantive economic reform and capacity building (such as through investments in skills and infrastructure) will be needed to support productivity growth and the longer-term performance of the economy.

QUOTES

- "The NSW economy is doing it tough with our drought affected regions particularly feeling the pinch."
- "Weaker conditions are leading to employers shedding staff. Our survey suggests a majority of employers have been cutting staff in all but a few of the state's regions."
- "While business conditions have continued to disappoint, there are some signs of stabilisation as businesses adjust. Respondents were more optimistic about the next quarter, in part boosted by recently announced rate cuts and a more stable political environment."



REGIONAL PERFORMANCE



Region	Business Confidence [#]		Unemployment rate [*]	Youth Unemployment rate [*]
	June 2019 Quarter (Index)	Past Four Quarters (Index)		
NSW	-27.7 (n=816)	-14.4 (n=2990)	4.6%	10.1%
Sydney	-27.0 (n=196)	-13.4 (n=764)	4.1%	9.2%
Central Coast	-24.4 (n=45)	-0.6 (n=172)	5.5%	11.4%
Capital Region	-40.0 (n=30)	-11.3 (n=133)	4.8%	14.3%
Central West	-25.5 (n=47)	-15.0 (n=187)	5.0%	8.3%
Coffs Harbour - Grafton	-3.1 (n=32)	-9.9 (n=142)	8.0%	20.3%
Far West and Orana	-46.9 (n=32)	-28.7 (n=101)	2.9%	6.2%
Hunter Valley	-12.0 (n=25)	-11.9 (n=59)	5.4%	11.8%
Illawarra	-38.5 (n=52)	-18.9 (n=143)	4.7%	11.8%
Mid North Coast	-5.1 (n=59)	-5.9 (n=204)	5.5%	11.3%
Murray	-18.2 (n=55)	-14.2 (n=197)	6.1%	6.9%
New England and North West	-35.0 (n=60)	-33.6 (n=232)	5.7%	9.4%
Newcastle and Lake Macquarie	-43.2 (n=44)	-7.2 (n=138)	4.7%	10.4%
Richmond - Tweed	-32.9 (n=70)	-14.6 (n=253)	3.9%	9.7%
Riverina	-15.4 (n=39)	-4.6 (n=153)	3.7%	10.7%
Southern Highlands and Shoalhaven	-59.1 (n=22)	-37.0 (n=73)	5.6%	11.4%

*May 2019, annual averages used for regional unemployment rates (excluding NSW).

[#]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.

Full regional results available at: <https://www.nswbusinesschamber.com.au/Issues/Business-Surveys/Business-Conditions>

CONFIDENCE MAP[^]

