

NSW BUSINESS CONDITIONS

JUNE 2018

Quarterly snapshot of NSW economy informed by the businesses of NSW



NSW THIS QUARTER

The NSW Business Chamber's Business Conditions Survey reaffirms the continued strength of economic activity in NSW with business confidence remaining upbeat in the June quarter.

The labour market has been the clear winner from the state's robust economic performance in recent times. However, this quarter's survey provides the first sustained signs of moderating employment growth and capital investment. Increasing costs and relatively flat revenue appear to be impacting business decisions.

The NSW economy is transitioning away from a significant residential construction boom. A substantial public infrastructure pipeline and our strengths in the tourism, education, financial services and human services industries are keeping the NSW economy on a good footing.

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>

For more information on the survey, please 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 4.9%
Well below trend and the lowest in the country (among states).



2³/₄ per cent growth
In Gross State Product forecast for 2018-19.



122,000 new jobs over the past year
Employment growth above trend and fastest in the country.



\$30.1bn in private capital expenditure
Over the past year, 4.7% higher than the same time last year.



3.7 per cent growth in State Final Demand
Well above trend and third fastest in the country (among states and territories).



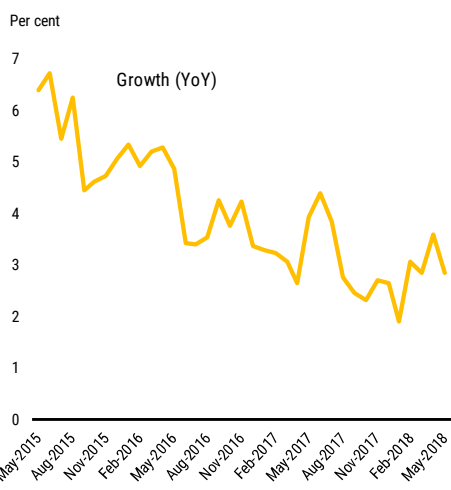
The bottom line
NSW is consolidating significant gains made over recent years, including through a persistently strong labour market, though conditions are normalising after a particularly robust period of growth.

Source: ABS, NSW Government



INDUSTRY INDICATORS

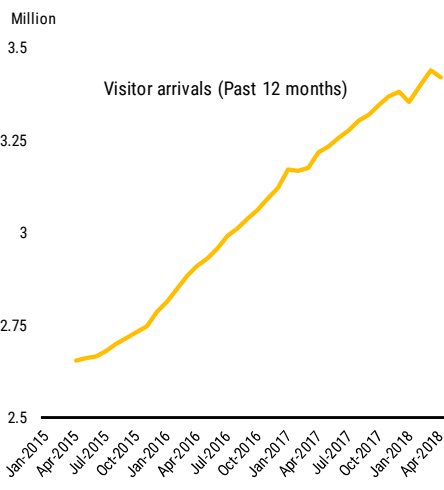
NSW Retail Turnover



Note: Seasonally Adjusted

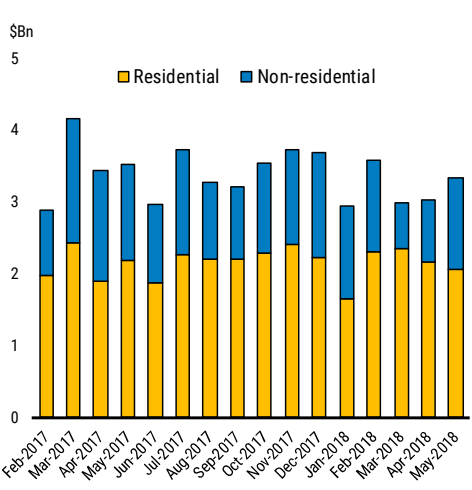
Source: ABS

NSW Visitor Arrivals



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

NSW Building Approvals



Note: By value, Seasonally Adjusted



BUSINESS NEEDS IN FOCUS

This quarter, the NSW Business Chamber asked respondents about their priorities ahead of the NSW Budget handed down on 19 June 2018. Businesses indicated the importance of following priorities:

- A stronger local economy – **96.1%**
- Reductions in payroll tax* – **94.8%**
- Affordable and reliable energy – **90.1%**
- Red tape reduction (including tax administration) – **86.5%**
- Improving skills, training and education – **86.4%**
- Regional development strategies – **82.6%**
- More regional infrastructure – **81.7%**
- Workplace health and safety – **78.0%**
- The workers compensation system – **72.1%**
- Better service from Government – **71.3%**
- Better Government procurement processes – **65.0%**
- Access to finance – **63.3%**
- Housing affordability/supply – **57.2%**
- More urban infrastructure – **53.2%**

Note: Percentages refer to respondents indicating the issue as a priority for their business

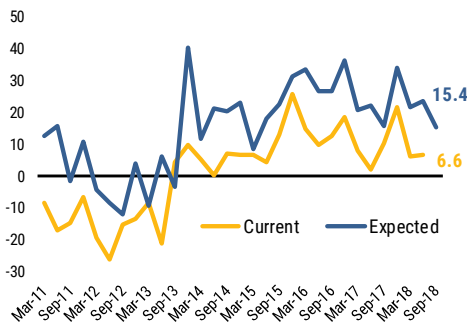
*Percentages calculated for respondents liable for payroll tax



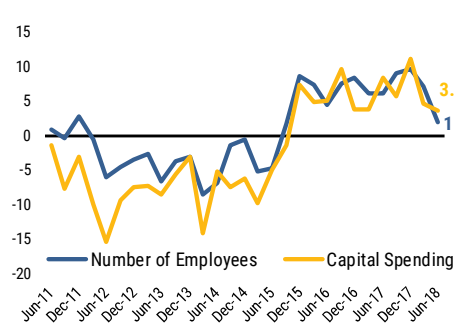
SURVEY RESULTS

Conditions normalising for NSW businesses

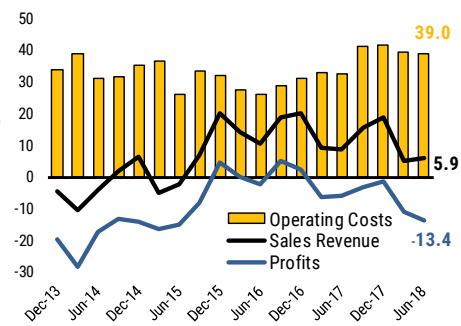
Performance of the NSW Economy



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 941 respondents to the survey.

OVERVIEW

- Business confidence in NSW remains solid with respondents to the Survey indicating perceptions of the NSW economy remain above trend. This is off the back of the solid performance of the NSW economy over the past several years.
- Despite this, the survey points to the first sustained signs of slowdown in business expansion with respondents reporting a reduced pace of growth in capital spending and staffing levels. This is consistent with businesses' perceptions of normalising conditions with respondents reporting the deterioration of business revenue and profitability compared to the strong levels recorded in 2016-17. It is notable that business profits have performed weaker than sales revenue due to the persistence of increasing cost pressures.
- Business conditions are not uniform across the state. Hunter Valley, Newcastle and Lake Macquarie have been particularly strong over the past year while reported conditions are weaker in the Far West and Orana, and Richmond-Tweed regions. Sustained weakness in the Southern Highlands and Shoalhaven, and Murray regions is a concern reflected by their higher rates of unemployment (including particularly high rates of youth unemployment).

QUOTES

- "NSW business conditions remain strong, and at above trend levels, even though they are normalising after a particularly strong period of growth over the past several years".
- "Our survey shows continued cost pressures for business are having an impact on staffing levels and capital expenditure".
- "This underscores the importance of the Government's recently announced cut to payroll tax which will be essential to ensuring continued employment growth, particularly in our regions".
- "As residential construction moderates, the state's economic performance will hinge on our ability to move toward broader-based growth drivers by leveraging our key strengths in areas such as tourism, education, financial services, and human services".



REGIONAL PERFORMANCE

Region	Business Confidence [#]		Unemployment rate*	Youth Unemployment*
	June Quarter (Index)	Past Four Quarters (Index)		
Sydney	20.9 (n=234)	12.2 (n=820)	4.4%	9.2%
Central Coast	7.8 (n=51)	18.0 (n=172)	6.2%	18.1%
Capital Region	0.0 (n=51)	12.5 (n=168)	4.7%	7.8%
Central West	28.0 (n=50)	16.0 (n=181)	4.3%	7.4%
Coffs Harbour - Grafton	-5.1 (n=39)	4.9 (n=162)	8.3%	21.8%
Far West and Orana	10.3 (n=39)	-6.1 (n=115)	3.5%	5.2%
Hunter Valley	33.3 (n=9)	31.5 (n=89)	5.7%	13.2%
Illawarra	7.0 (n=57)	5.2 (n=194)	4.7%	10.8%
Mid North Coast	-9.3 (n=43)	15.1 (n=179)	5.1%	14.1%
Murray	0.0 (n=57)	9.3 (n=183)	9.0%	21.7%
New England and North West	-18.3 (n=60)	5.9 (n=237)	6.2%	17.4%
Newcastle and Lake Macquarie	2.9 (n=35)	23.2 (n=233)	5.7%	10.6%
Richmond - Tweed	-17.1 (n=70)	-0.4 (n=259)	5.0%	8.2%
Riverina	13.7 (n=73)	12.7 (n=220)	5.6%	14.1%
Southern Highlands and Shoalhaven	0.0 (n=21)	7.5 (n=80)	8.1%	19.6%

*May 2018, annual averages used for regional unemployment rates.

[#]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[^]

