

NSW BUSINESS CONDITIONS

December 2019

Quarterly snapshot of NSW economy informed by the businesses of NSW



NSW THIS QUARTER

Business conditions continue to be in decline with a particularly challenging December quarter, the weakest since 2009. Sentiment has been particularly weak with the ongoing impact of drought, weak household demand and bushfires in northern NSW weighing on business optimism about the future. The survey period preceded the deterioration of bushfire conditions across the south coast and other areas of NSW into late December and early in the new year.

The population serving and primary industries – in areas such as agriculture, accommodation and food services – are among the weakest. Almost all of regional NSW reported a deeper contraction.

The NSW labour market has weakened over the past few months but remains strong with unemployment at 4.5%, the lowest among the states. While weak household demand continues to weigh on spending, retail sales improved off the back of major sales events (such as Black Friday). However, leading indicators suggest a less robust Christmas trading period.

Now is a critical period for government action to boost business and consumer sentiment in the aftermath of the bushfires and ongoing impact of drought.

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>

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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



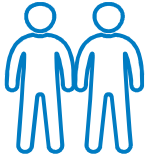
Unemployment rate 4.5%

Well below trend and the lowest in the country (among states).



2.0 per cent growth

In Gross State Product forecast for 2019-20 and 2020-21.



95,009 new jobs over the past year

Employment growth near trend, and the third fastest in the country.



\$34.5 bn in private capital expenditure

Over the past year, 7.3% higher than the same time last year.



0.6 per cent growth in State Final Demand

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



The bottom line

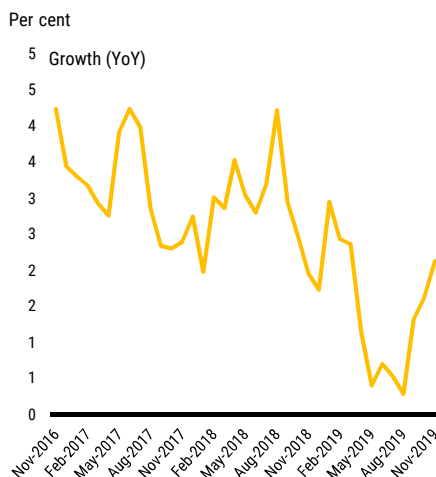
The NSW economy is facing some challenges. Timely and well-targeted support is needed to shore up confidence and support our bushfire affected communities.

Source: ABS, NSW Government, NSW Business Chamber

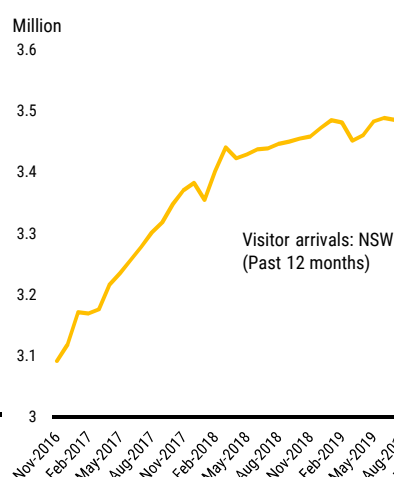


INDUSTRY INDICATORS

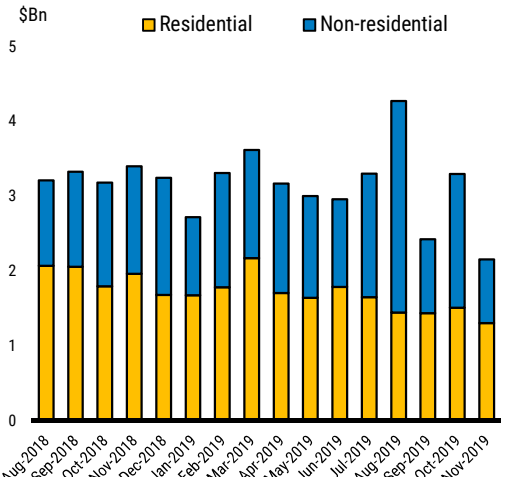
NSW Retail Turnover



NSW Visitor Arrivals



NSW Building Approvals

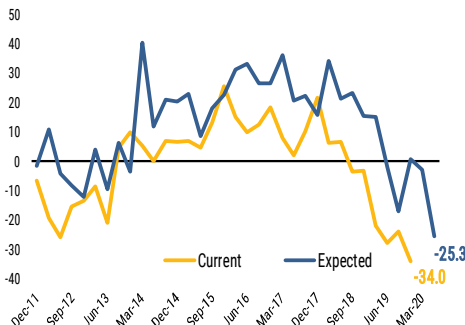


Source: ABS

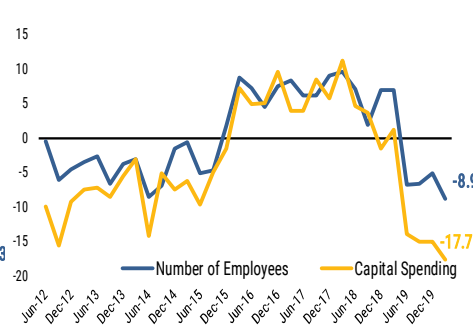
SURVEY RESULTS

A deeper contraction amid bushfire outbreaks

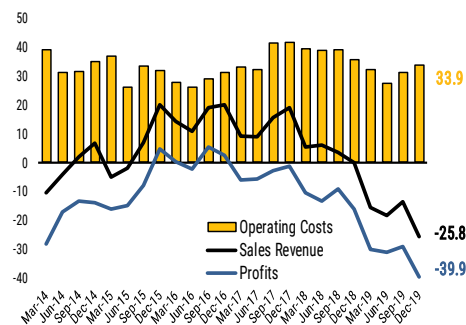
Performance of the NSW Economy



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

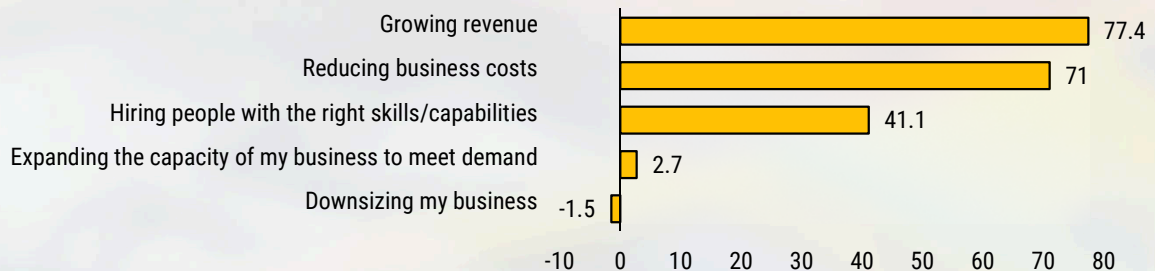
- The ongoing impact of drought, bushfires and weak household demand are pushing almost all sectors of the NSW economy further into negative territory after some signs of stabilisation in the previous quarter (the survey period only partially captures the impact of bushfires).
- Primary industries are unsurprisingly facing some of the harshest conditions. While the population serving industries stabilised this quarter, the accommodation and food services sectors are doing it tough with the November bushfires and weak household demand affecting trade.
- Our survey has previously foreshadowed some emerging weakness in the NSW labour market with fewer respondents indicating they were hiring staff. Despite an improvement in December, there are 18,779 fewer employed persons compared to August 2019.
- There was a marginal improvement in the Capital Region (though this preceded the impact of the bushfires), Mid North Coast, and Central Coast which traditionally performs well this time of year. Respondents from most regions reported a deeper contraction.
- NSW was facing significant economic headwinds even before the bushfires. While the bushfires will have a concentrated impact on affected communities, we expect the NSW economy to be resilient even though existing challenges will persist. Timely and well-targeted support for affected communities will be crucial to offset the short-term negative impacts on tourism, agriculture, and retail.

QUOTES

- "Business confidence has weakened with the bushfires, drought and weak household demand weighing heavily on sentiment right across the state, in both regional and metro areas."
- "This time of year normally offers a welcome boost to business trade but conditions have moved in the opposite direction."
- "Our communities are resilient and we need to be optimistic and back ourselves. We all need to do our bit to support affected communities by spending local and supporting businesses and their employees."

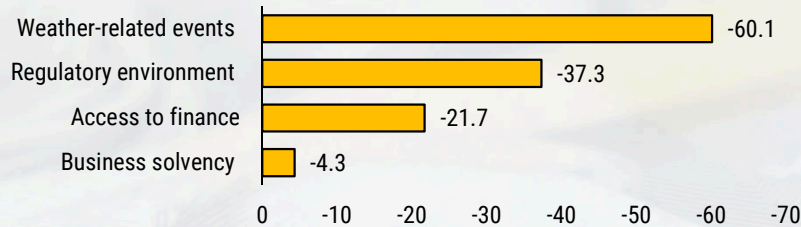
THE BUSINESS ENVIRONMENT

Business Priorities*



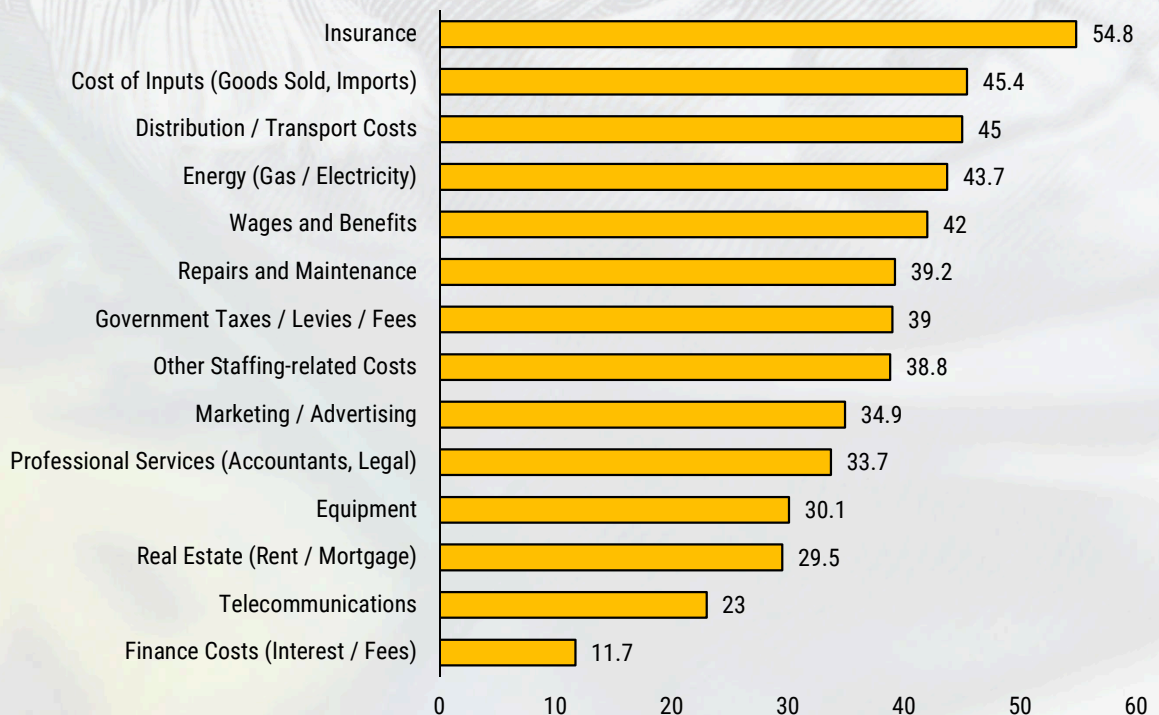
*Index scores calculated as the percentage of respondents indicating the priority was more important minus those indicating the priority was less important. A positive number implies a priority is becoming more important whereas a negative number implies a priority is becoming less important.

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.



REGIONAL PERFORMANCE

Region	Business Confidence [#]		Unemployment rate [*]	Youth Unemployment rate [*]
	Dec 2019 Quarter (Index)	Past Four Quarters (Index)		
NSW	-34.0 (n=624)	-26.6 (n=2953)	4.4%	10.2%
Sydney	-29.1 (n=165)	-23.0 (n=775)	4.3%	9.6%
Central Coast	-12.9 (n=31)	-14.1 (n=156)	5.2%	9.8%
Capital Region	-46.2 (n=26)	-34.7 (n=118)	4.0%	13.6%
Central West	-26.5 (n=34)	-26.1 (n=161)	3.4%	8.7%
Coffs Harbour - Grafton	-41.5 (n=31)	-25.0 (n=128)	5.5%	12.3%
Far West and Orana	-46.2 (n=13)	-38.6 (n=88)	3.5%	7.6%
Hunter Valley	-43.5 (n=23)	-20.0 (n=115)	5.1%	11.0%
Illawarra	-38.7 (n=31)	-31.1 (n=161)	5.2%	12.0%
Mid North Coast	-30.0 (n=50)	-17.9 (n=195)	6.3%	13.4%
Murray	-40.0 (n=45)	-30.6 (n=183)	5.1%	7.5%
New England and North West	-61.9 (n=42)	-48.1 (n=208)	4.1%	8.0%
Newcastle and Lake Macquarie	0.0 (n=37)	-15.3 (n=183)	4.4%	10.7%
Richmond - Tweed	-43.2 (n=44)	-26.9 (n=227)	4.1%	9.7%
Riverina	-29.6 (n=27)	-18.9 (n=132)	3.6%	6.8%
Southern Highlands and Shoalhaven	-73.3 (n=15)	-51.2 (n=84)	8.5%	23.9%

*Data updated as of 29 January 2020, 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^A

