

NSW BUSINESS CONDITIONS

September 2019

Quarterly snapshot of NSW economy informed by the businesses of NSW



NSW THIS QUARTER

The NSW Business Conditions survey shows some signs of stabilisation in September, as is typical of this time of year, however business conditions remain negative across the state with regional NSW hardest hit.

Like the rest of Australia, NSW's growth potential is hampered by weak household demand. Our survey shows the population serving industries – in areas such as construction, retail, and food services – are among the weakest.

Despite concerns, the NSW labour market remains a pillar of strength with the unemployment rate falling to 4.3%. The NSW Budget will be boosted by strong employment growth leading to higher payroll tax, while green shoots in the residential property market is likely to provide support a recovery in stamp duty receipts. Non-residential building approvals rebounded strongly thanks to new hospital and commercial office projects.

Record low interest rates, a more competitive exchange rate and tax cuts may eventually boost growth, however there are no clear signs in this survey that these policy changes are having an immediate impact.

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 4.3%

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



2¼ per cent growth

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



127,000 new jobs over the past year

Employment growth above trend and second fastest in the country.



\$33.9 bn in private capital expenditure

Over the past year, 10.3% higher than the same time last year.



1.3 per cent growth in State Final Demand

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



The bottom line

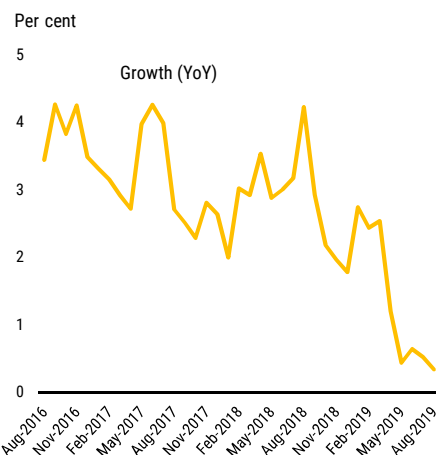
There are some signs of stabilisation although a much stronger December quarter (and perhaps rain) is required.

Source: ABS, NSW Government, NSW Business Chamber



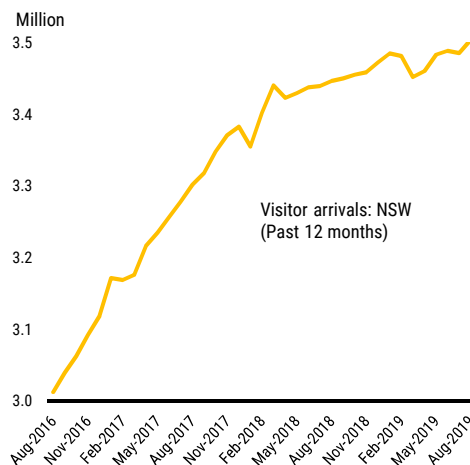
INDUSTRY INDICATORS

NSW Retail Turnover



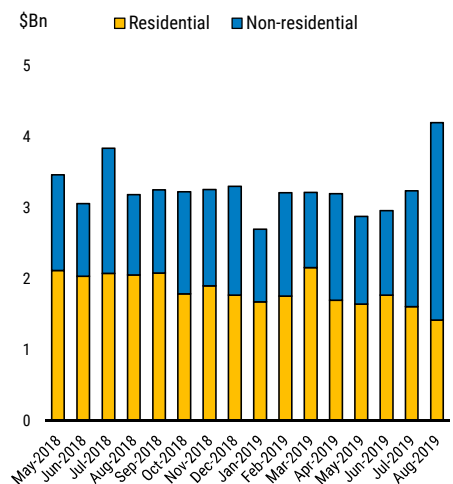
Note: Seasonally Adjusted

NSW Visitor Arrivals



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

NSW Building Approvals



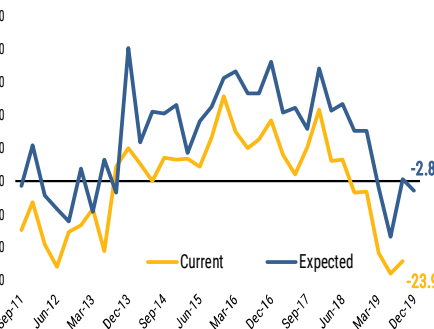
Note: By value, Seasonally Adjusted

Source: ABS

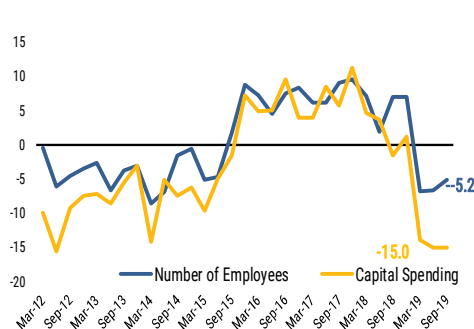
SURVEY RESULTS

Early signs of stabilisation but negativity reigns

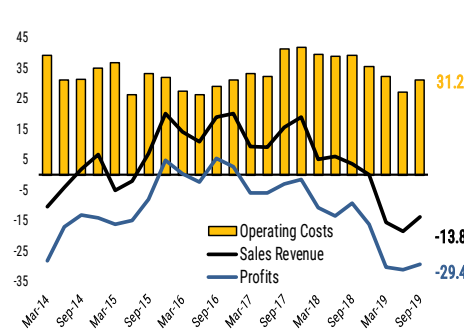
Performance of the NSW Economy



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

- From industry perspective, almost all sectors including population serving, knowledge intensive, industrial, and health/education appear to have stabilised.
- A September quarter rebound is not unusual due to seasonal factors while negative perceptions about the upcoming quarter take some of the shine off the improvement seen in the current quarter.
- The persistence of drought conditions continues to affect regional NSW, with all industries affected. While there is a marginal improvement in the Far West, Hunter, Richmond – Tweed, and Southern Highlands and Shoalhaven Region; respondents from New England and Northwest, Riverina, and Capital Region reported a deeper contraction.
- Cuts to the cash rate will provide modest support for business across the state. 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. That said, our survey does not show any signs of an immediate impact from recent policy changes despite the modest improvement seen this quarter.
- While these measures may be useful in absorbing spare capacity in the short term, more substantive economic reform and capacity building (through investments in skills, energy affordability, infrastructure, and water management) will be needed to support productivity growth and the longer-term performance of the economy.

QUOTES

- “Drought affected areas of NSW are doing it tough.”
- “Like the rest of Australia, NSW’s growth potential is hampered by weak household demand. Our surveys shows the population serving industries are among the weakest.”
- “Business conditions show some signs of stabilisation, however respondents remain pessimistic and we have a long way to go before entering a more optimistic phase.”
- “We are yet to see strong evidence of impacts from recent interest rate and tax cuts in our survey.”



REGIONAL PERFORMANCE

Region	Business Confidence [#]		Unemployment rate [*]	Youth Unemployment rate [*]
	Sep 2019 Quarter (Index)	Past Four Quarters (Index)		
NSW	-23.9 (n=798)	-19.4 (n=3065)	4.3%	9.4%
Sydney	-15.9 (n=239)	-17.7 (n=795)	4.1%	9.2%
Central Coast	-17.1 (n=41)	-5.4 (n=166)	5.4%	11.4%
Capital Region	-60.7 (n=28)	-24.8 (n=125)	4.3%	14.3%
Central West	-33.3 (n=33)	-19.2 (n=167)	3.7%	7.3%
Coffs Harbour - Grafton	-27.6 (n=29)	-13.3 (n=128)	6.7%	16.8%
Far West and Orana	-22.7 (n=22)	-35.1 (n=97)	3.3%	7.5%
Hunter Valley	-4.7 (n=43)	-9.9 (n=101)	5.2%	10.6%
Illawarra	-28.6 (n=49)	-22.9 (n=170)	5.3%	12.1%
Mid North Coast	-32.4 (n=34)	-11.8 (n=195)	5.9%	12.6%
Murray	-25.0 (n=48)	-22.9 (n=192)	5.5%	7.8%
New England and North West	-52.9 (n=51)	-37.6 (n=226)	4.5%	7.4%
Newcastle and Lake Macquarie	-8.3 (n=60)	2.6 (n=154)	4.4%	10.5%
Richmond - Tweed	-14.9 (n=47)	-17.4 (n=242)	4.2%	10.1%
Riverina	-22.9 (n=35)	-12.7 (n=150)	3.2%	8.3%
Southern Highlands and Shoalhaven	-48.3 (n=29)	-45.9 (n=85)	7.1%	20.5%

^{*}August 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[^]

