

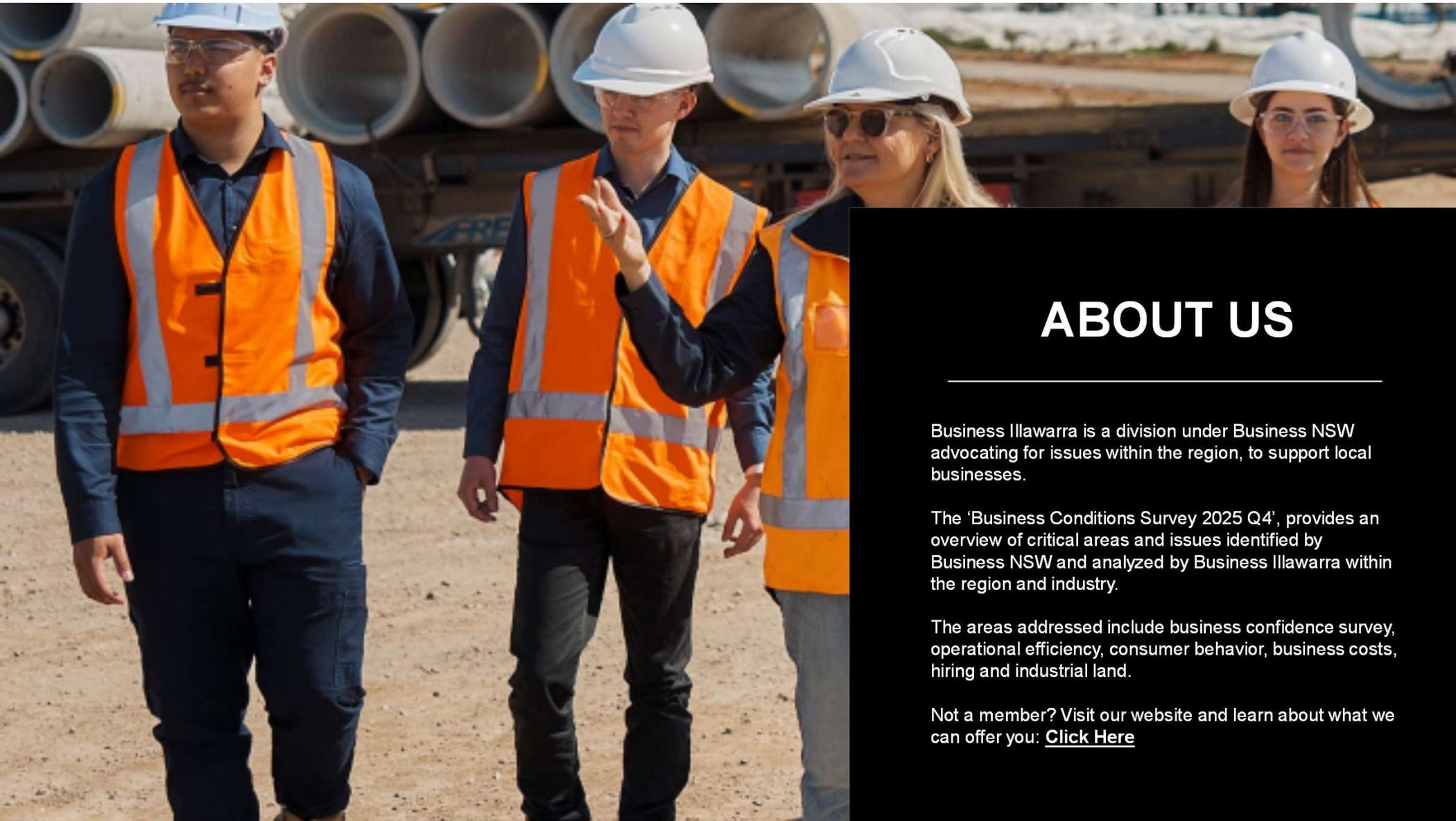
# **Business Conditions Survey, Q4 – 2025**

Illawarra, Shoalhaven + Southern Highlands

Capital + Far South Coast

**Coralie McCarthy**

December 2025



## ABOUT US

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Business Illawarra is a division under Business NSW advocating for issues within the region, to support local businesses.

The 'Business Conditions Survey 2025 Q4', provides an overview of critical areas and issues identified by Business NSW and analyzed by Business Illawarra within the region and industry.

The areas addressed include business confidence survey, operational efficiency, consumer behavior, business costs, hiring and industrial land.

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*“There is opportunities to help more businesses, however many businesses are doing it tough and may not see HR and WHS support services as high importance, even though many businesses do not realize that they are not compliant to legislation or working with best practice which leaves them exposed to fines and sanctions.”*

Professional, Scientific and  
Technical Services - Illawarra

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*“Skilled labor shortage remains a major inhibitor.”*

Retail Trade – Southern Highlands  
and Shoalhaven

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*“Sales for the past 6 months indicates a further tightening of the markets we service for 2026. No positive signs in the broader economy and very little positive news on overseas economics that would support an improvement next year.”*

Manufacturing - Illawarra

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# About the Business Conditions Survey (2025 Q4)

**BUSINESS  
ILLAWARRA**



**Survey period:** 2 Nov – 17 Nov 2025



## **Key industries:**

- Manufacturing (14%)
- Professional, scientific and technical services (14%)
- Retail trade (12%)
- Accommodation and food services (10%)



## **Size of business (staff numbers):**

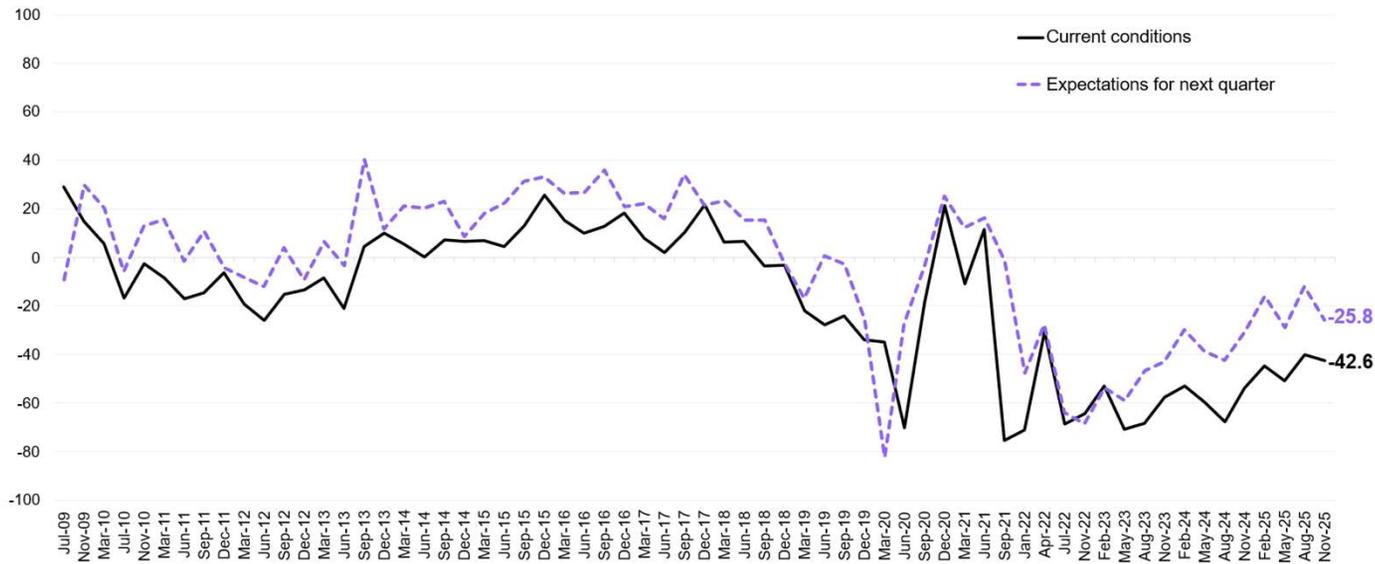
- 10% Non-employing/sole traders
- 60% with 1-20 staff
- 20% with 21-100 staff
- 10% with 101+ staff



## **Location:**

- 34% Sydney
- 66% Rest of NSW
- *Our Region makes up close to 15% of the state responses*
  - *Almost 10% Illawarra, South Coast + Highlands*
  - *4.5% Far South Coast + Capital Region*

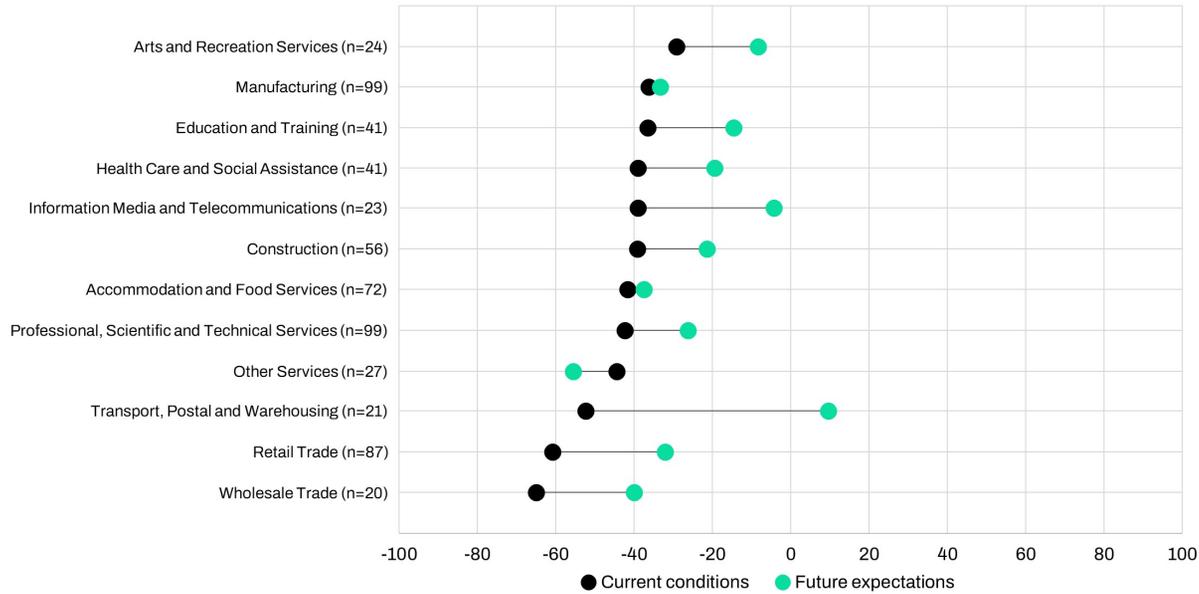
# (1) Business Confidence Index



The Business confidence Index fell slightly to -42.6 in Q4 2025, down from -40.0 in the previous quarter. Despite this drop, confidence remains high relative to the past three years. Confidence for the quarter ahead is stronger at -25.8.

Business Illawarra, amongst most regions and industries expect improved conditions in the coming quarter.

# Business NSW Confidence Index (by industry)



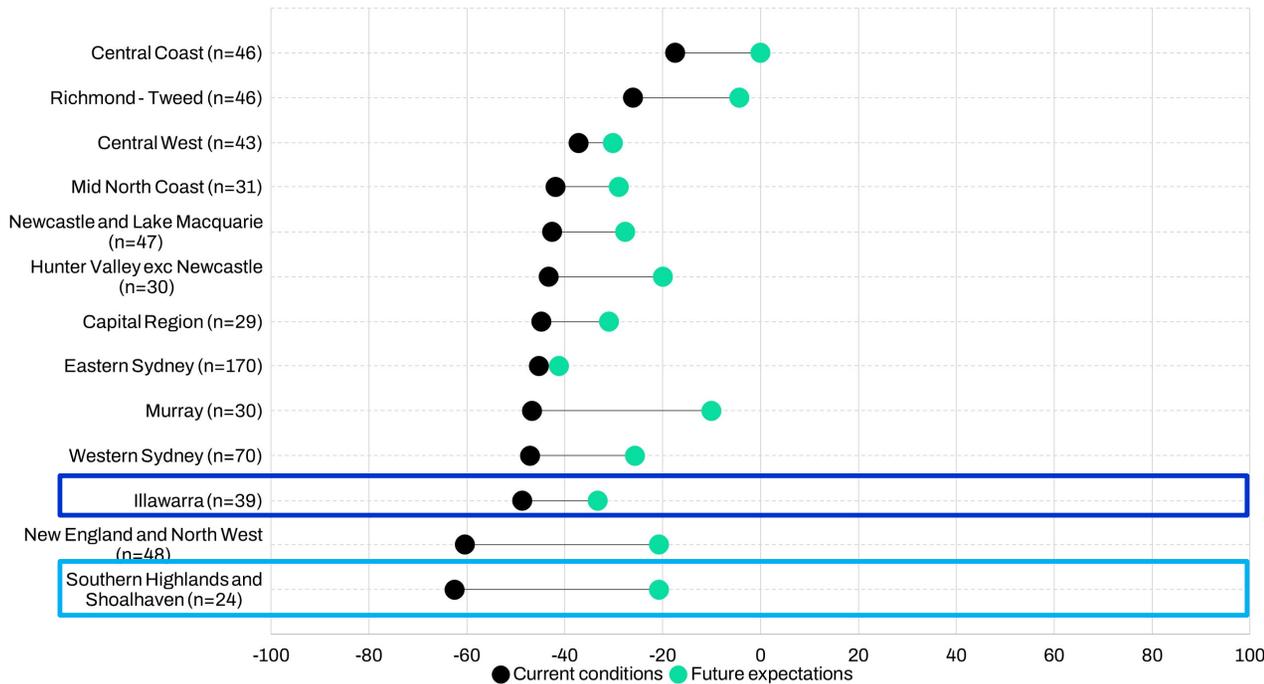
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*“ Global economic downturns is my major concern as it will flow thru to accommodation bookings drying up ”*

Accommodation and Food Services - Illawarra

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## Business Confidence Index (by region)



Illawarra region is maintaining realistic expectations on their business confidence index, remaining below 0.

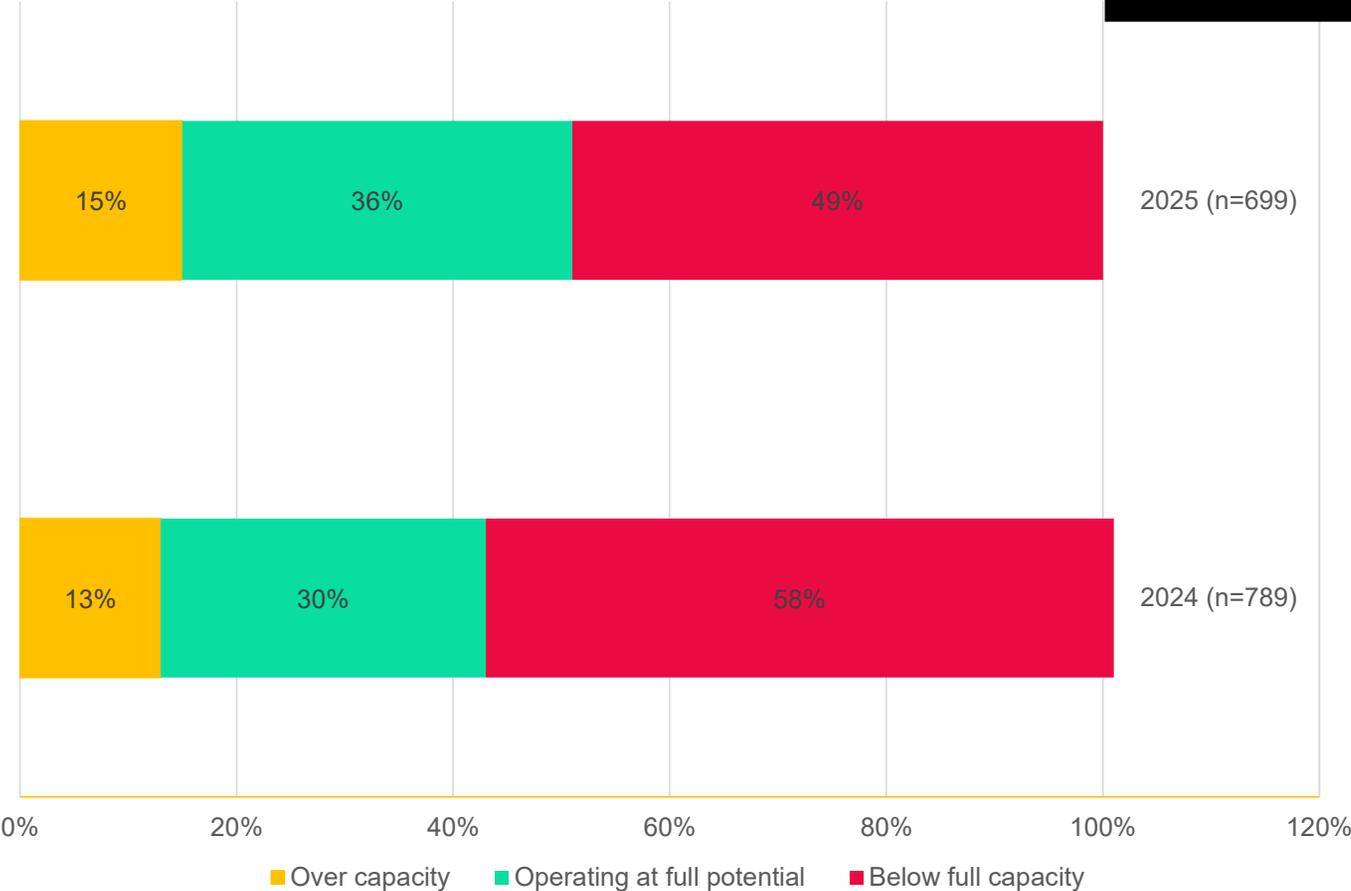
The Southern Highlands and Shoalhaven region, have high future expectations for their business confidence index in the new year, despite already being close to -60.

# (2) Self-reported operational efficiency



Business NSW:

- Below full capacity - decreased by 9%.
- Full potential - increasing by 6%.
- Over capacity - increased by 2%.



Source: Business NSW

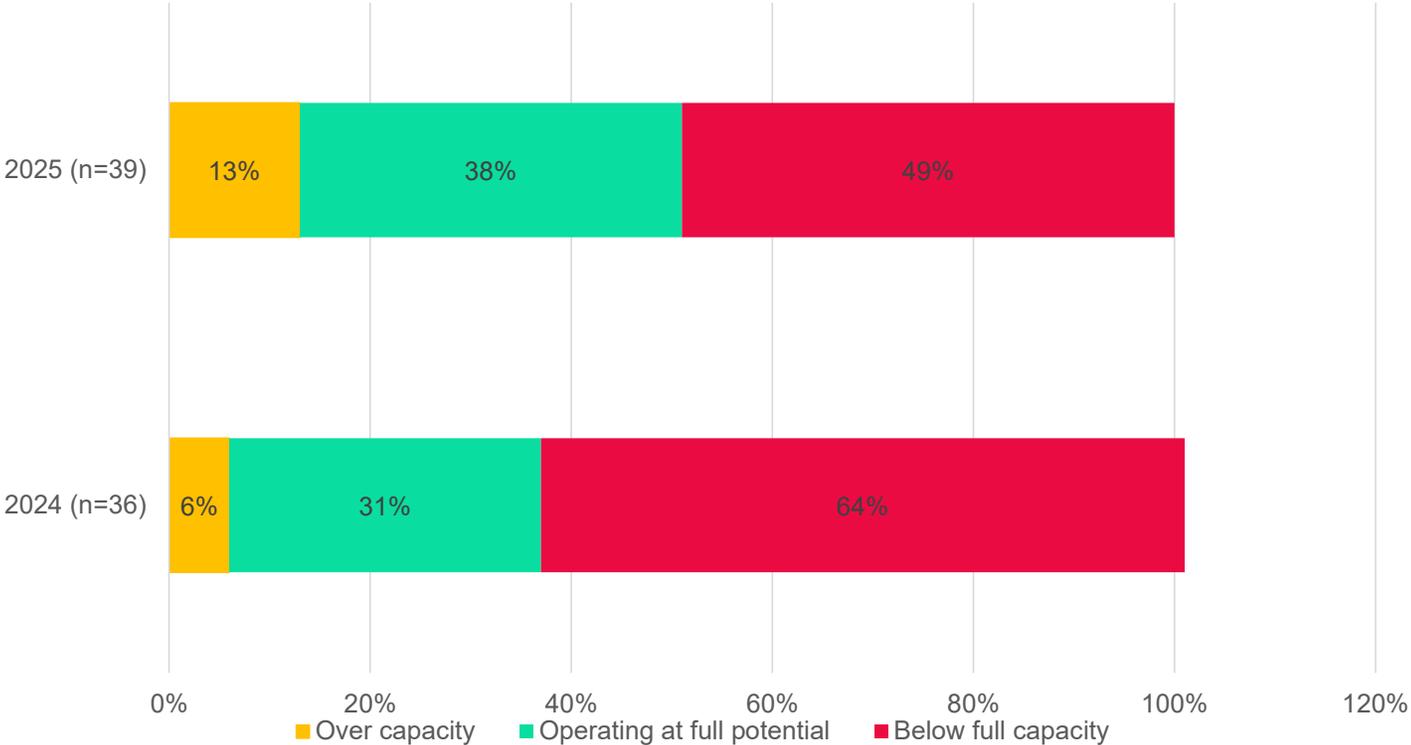
# Self-reported operational efficiency (Illawarra)



- Below full capacity – decreased by 15%
- Full potential – increased by 7%
- Over capacity - increased by 7%

*“Do not foresee a great future. Considering closing operations after 30 years in business.”*

Construction - Illawarra



Source: Business NSW

# Self-reported operational efficiency (Southern Highlands and Shoalhaven)

- Below full capacity - dropped by 17%
- Full potential - increased by 13%
- Over capacity - increased by 5%

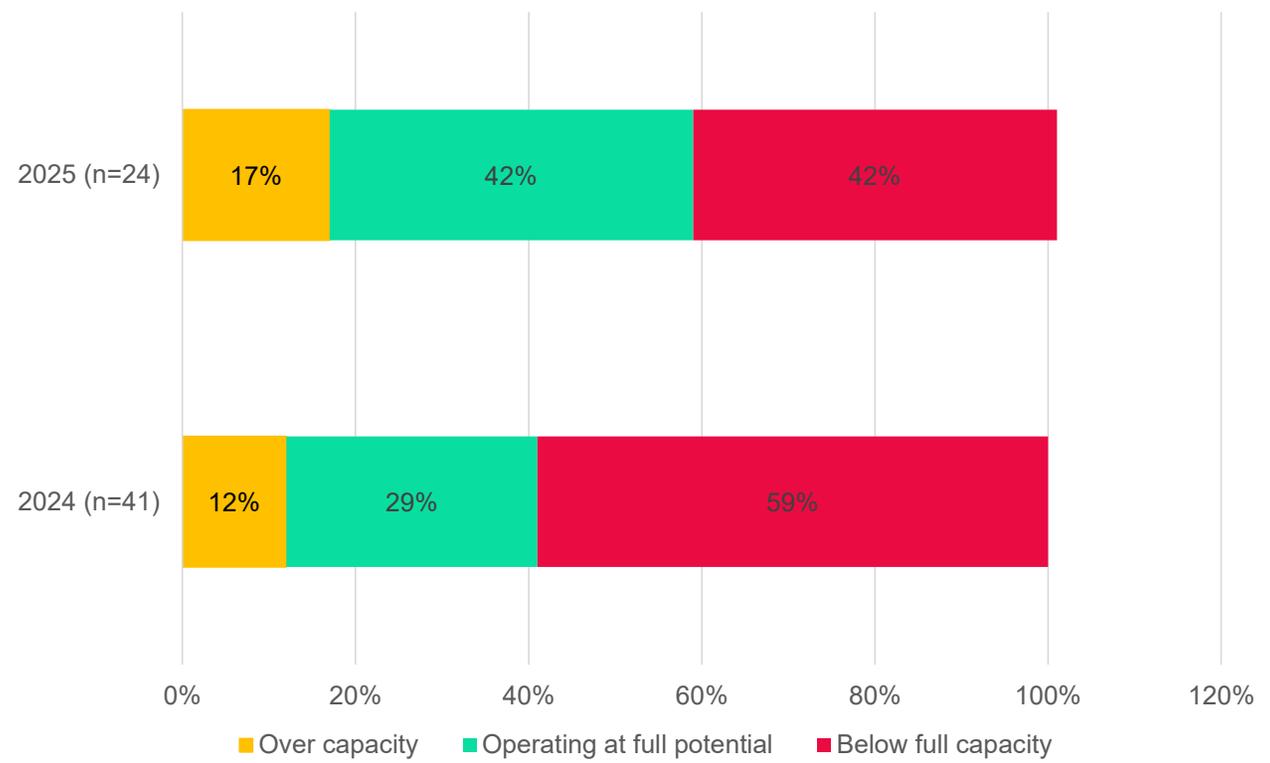
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*“I closed my shop and now operate from home, so less turnover but no overheads, so will be profitable for first time in 3 years.”*

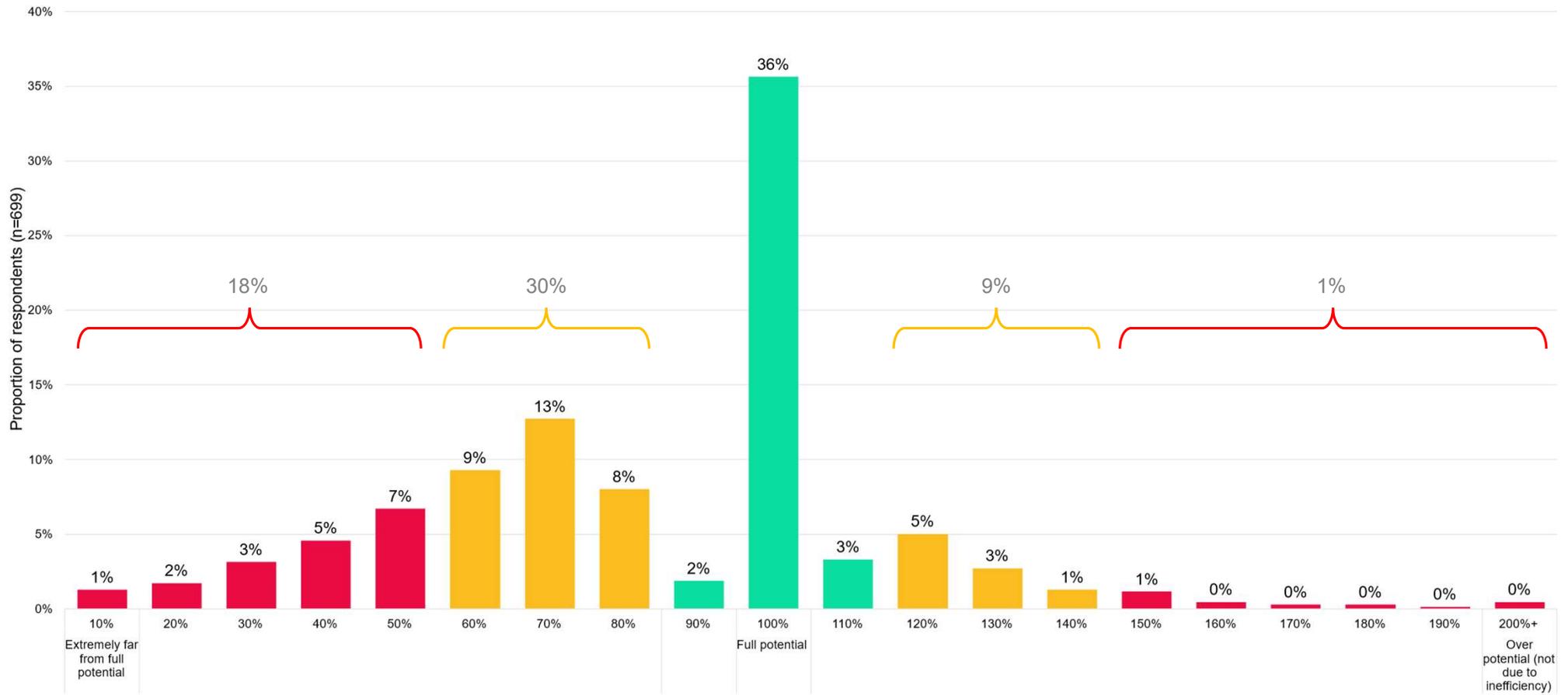
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Manufacturing - Southern Highlands, Shoalhaven

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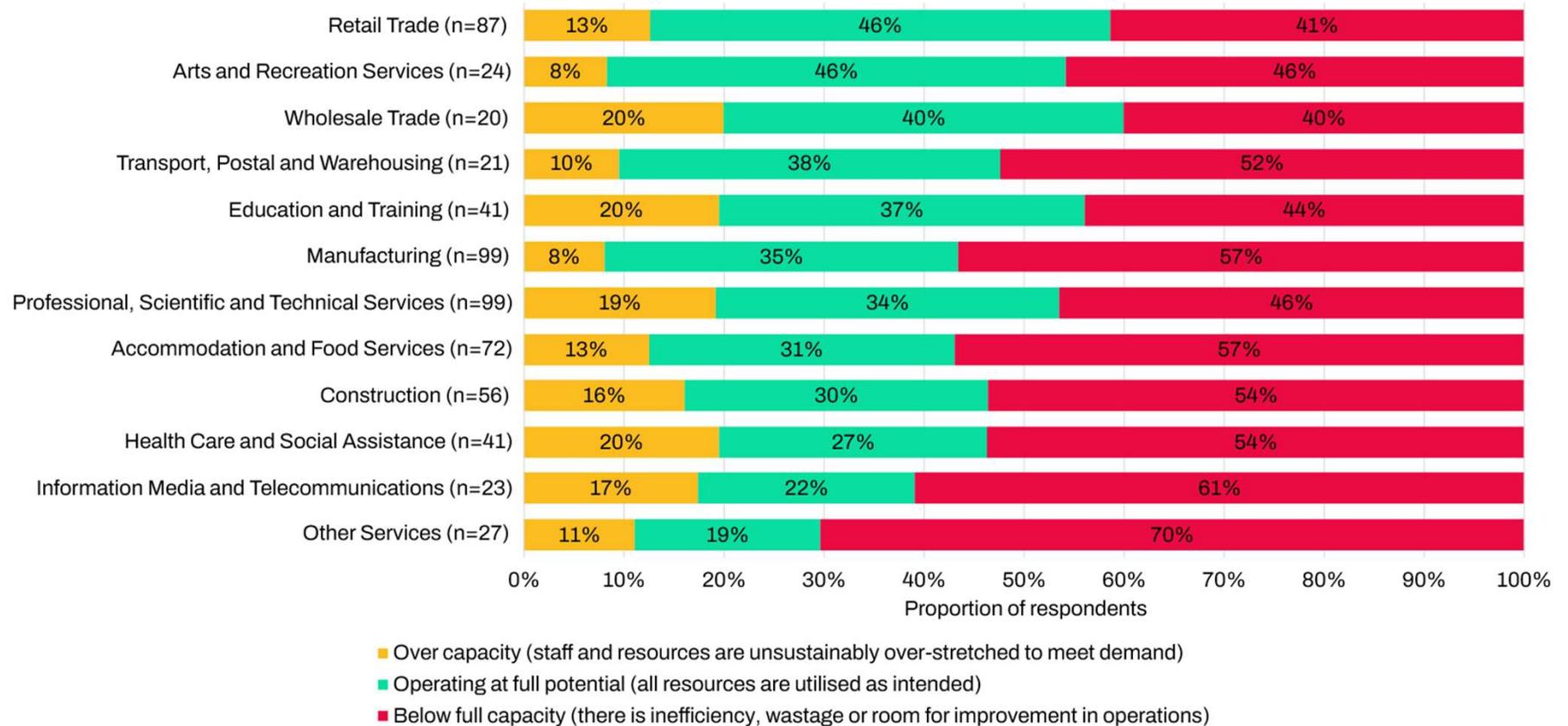


# Self-reported operational capacity



Source: Business NSW

# Self-reported operational efficiency (by industry)



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*“Increase costs of taxes, insurances and operation costs to run the business are worsening. Government red tape has increased and time off tools and put on administrate tasks has also increased.”*

Construction – Capital Region

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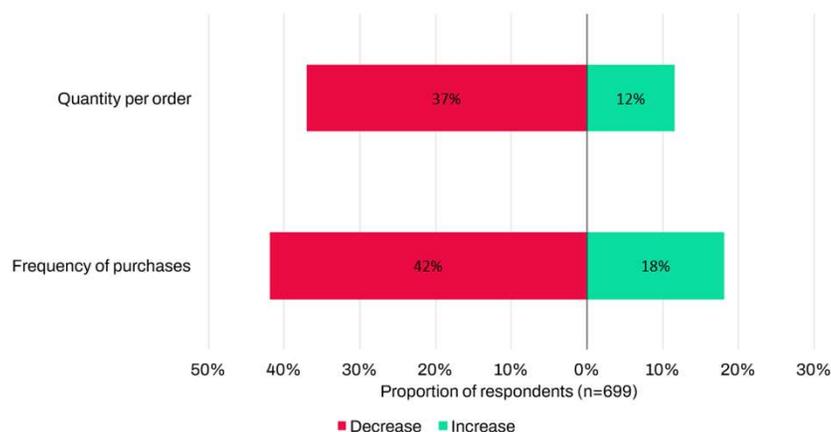
*“Fix the economic outlook – decrease rates and charges across business expenses. Small businesses cannot survive.”*

Accommodation and Food Services – Southern Highlands and Shoalhaven

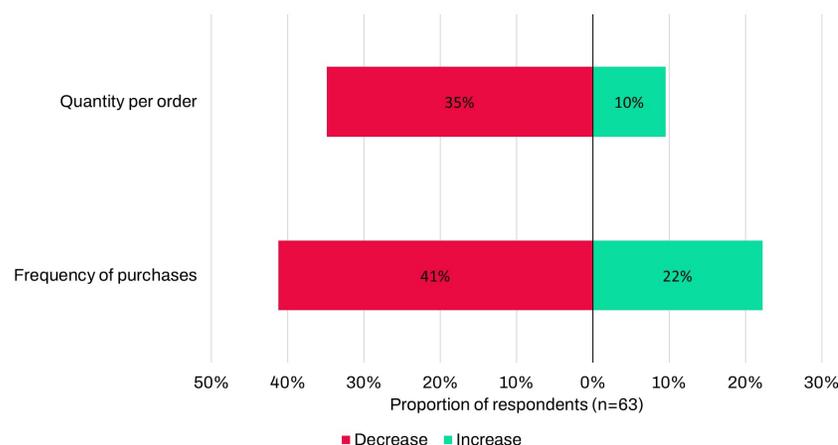
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### (3) Pre-Christmas trading conditions

Change in customer behavior compared to this time last year



Business NSW has expressed customer behaviour remains soft, with more businesses reporting declines in both purchase frequency and order size compared to 12 months ago. 42% reported a drop in purchase frequency and 37% in order size, while only 18% and 12% reported increases compared to this time last year.

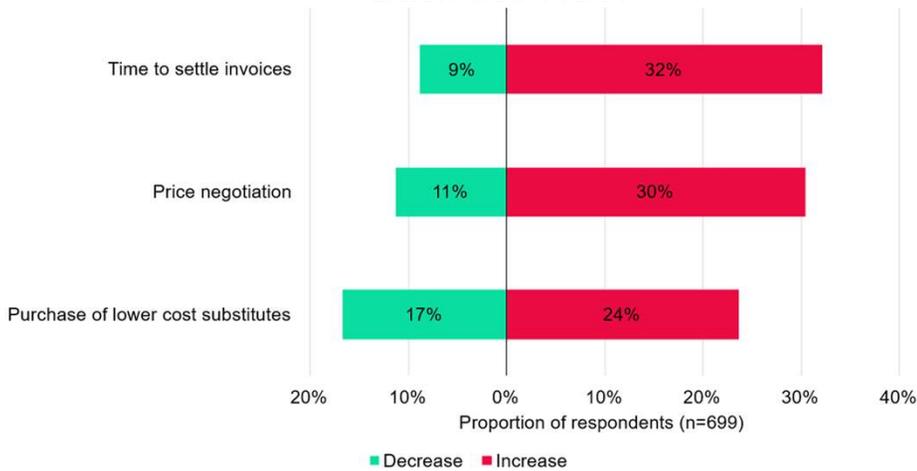


Business Illawarra data shows when looking at pre-Christmas trading conditions, customer behavior remains stable, however, there is an influx of reporting declines. With 41% of purchase frequency declined, and 35% quantity per order declining, saw only a 22% and 10% increase.

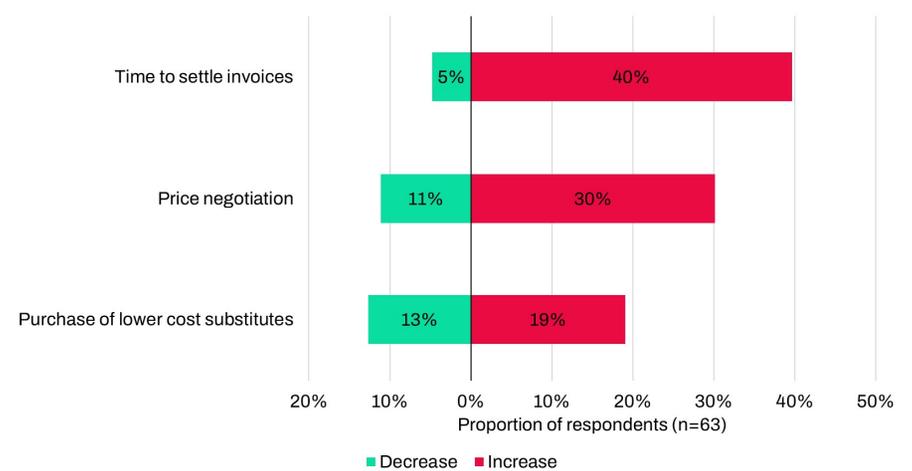
# Price-sensitivity of customers compared to this time last year



### Business NSW



### Business Illawarra

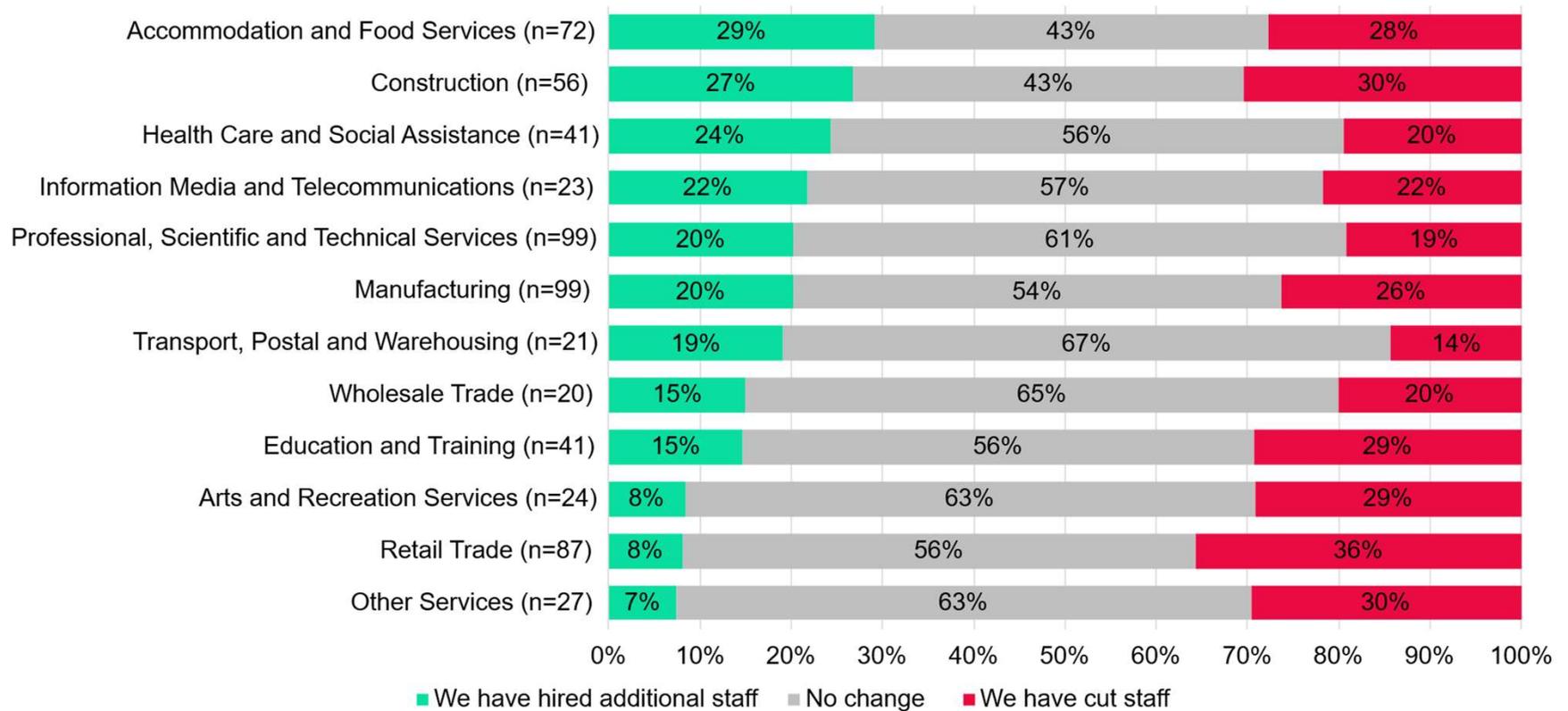


From Business NSW data, businesses report that both consumers and fellow businesses are becoming increasingly price sensitive. 32% reported customers taking longer to settle invoices, 30% noted more price negotiations and 24% reported a rise in the purchase of lower cost substitutes.

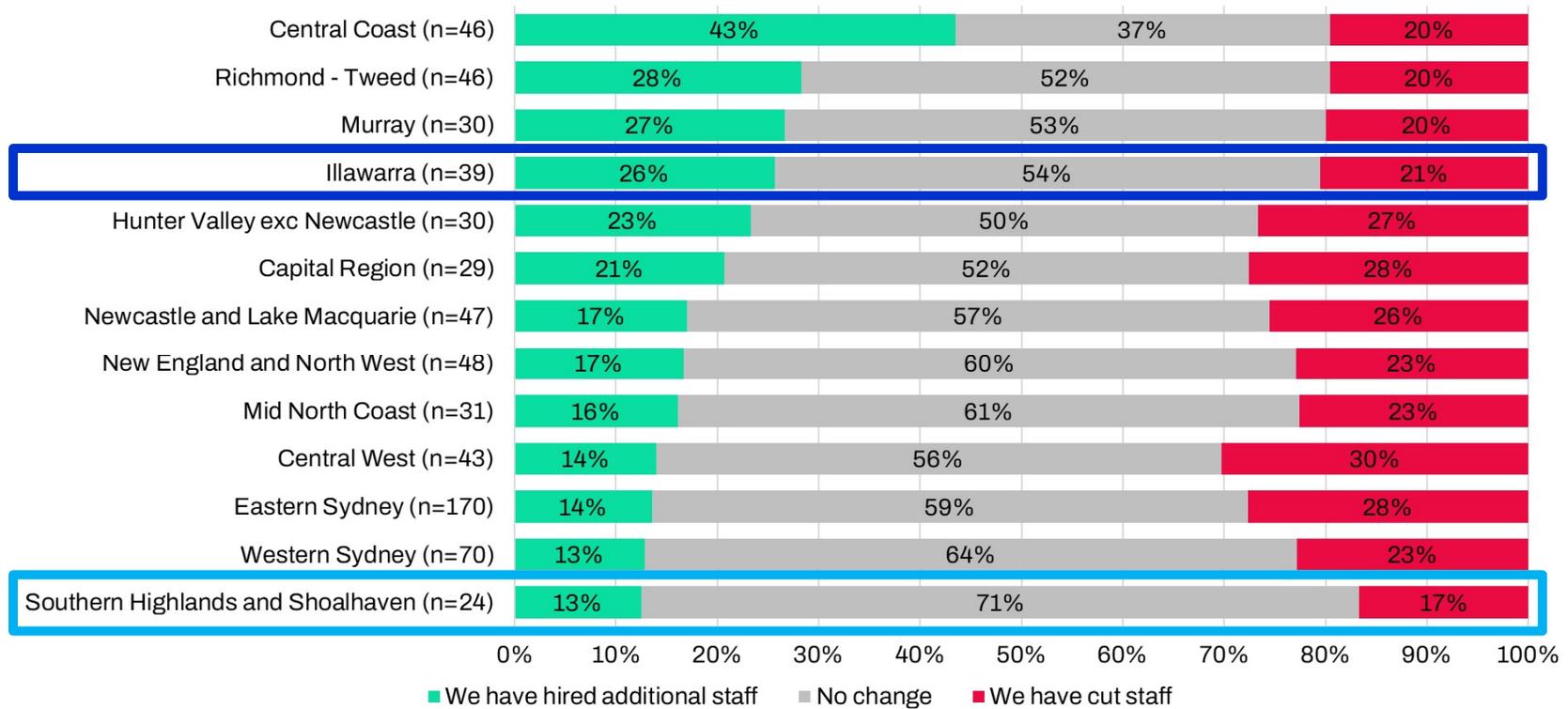
Business Illawarra data shows, time to settle invoices by customers was reported to be 40%, price negotiation at 30%, and the purchase of lower cost substitutes, indicating price-sensitivity is becoming an increased concern for customers and businesses.

### (3) Hiring

#### Change in headcount over the last 3 months (by industry)

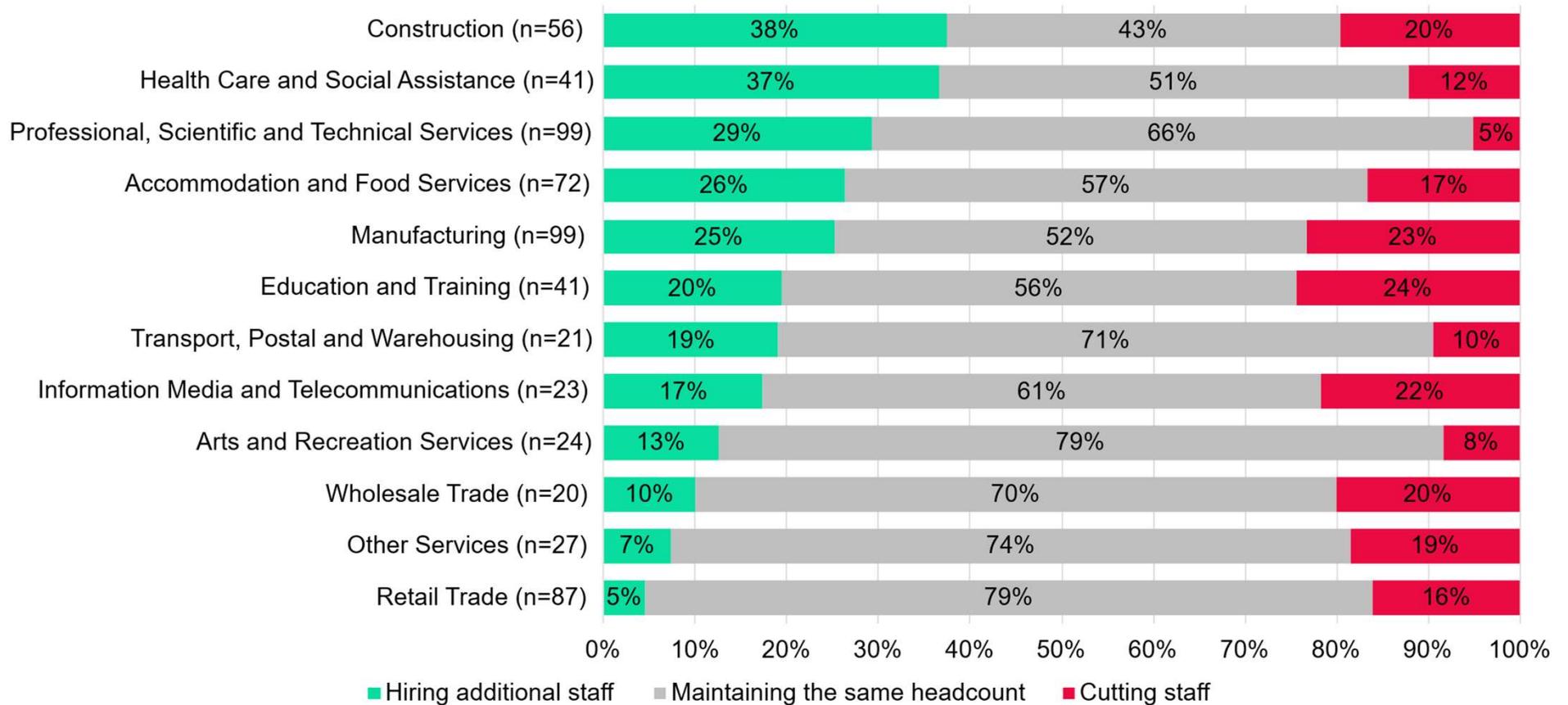


## Change in staff headcount for the next 3 months (by region)

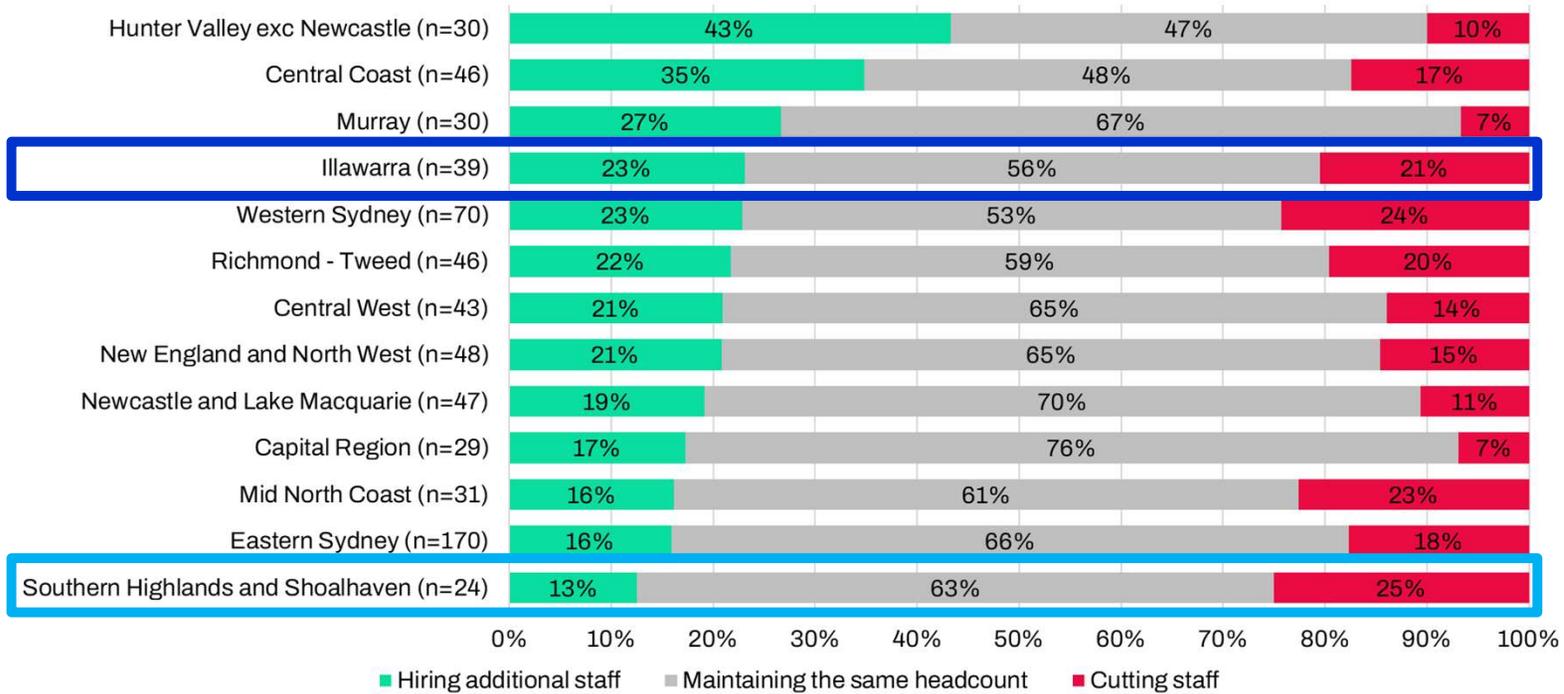


Source: Business NSW & Business Illawarra 2025

## Plans for staff headcount for the next 3 months (by industry)



# Plans for staff headcount for the next 3 months (by region)



“Staffing is our biggest issue. It’s very difficult to find staff for entry level jobs in regional areas.”

## Retail Trade - Capital Region

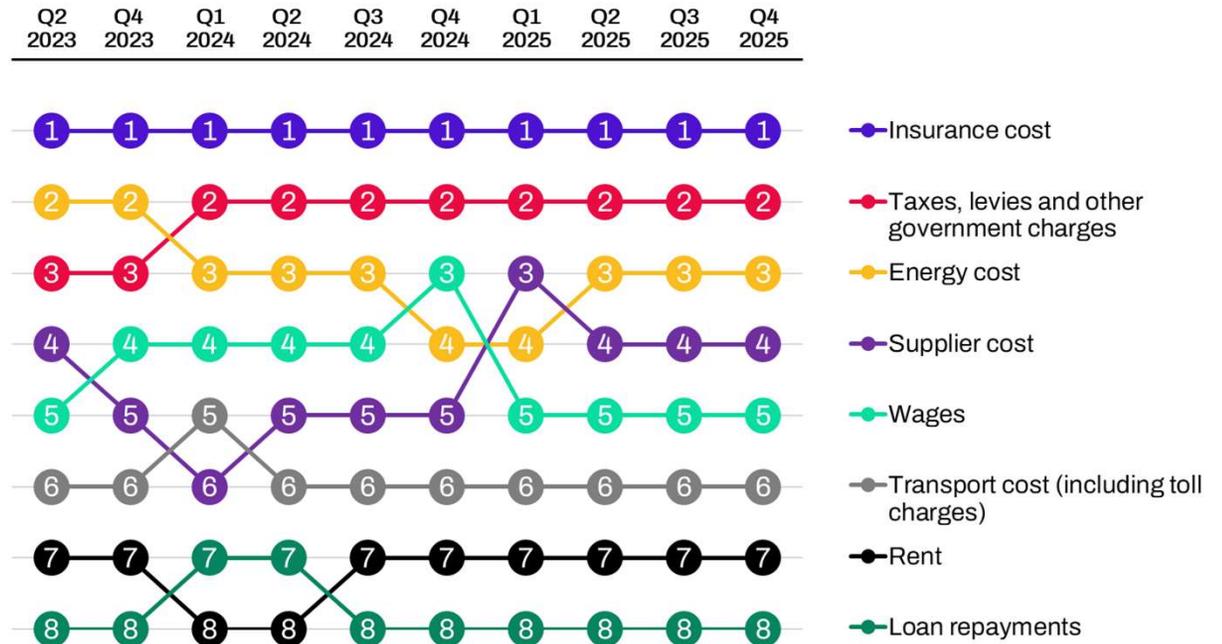
Source: Business NSW & Business Illawarra 2025

## (4) Business cost concerns over time

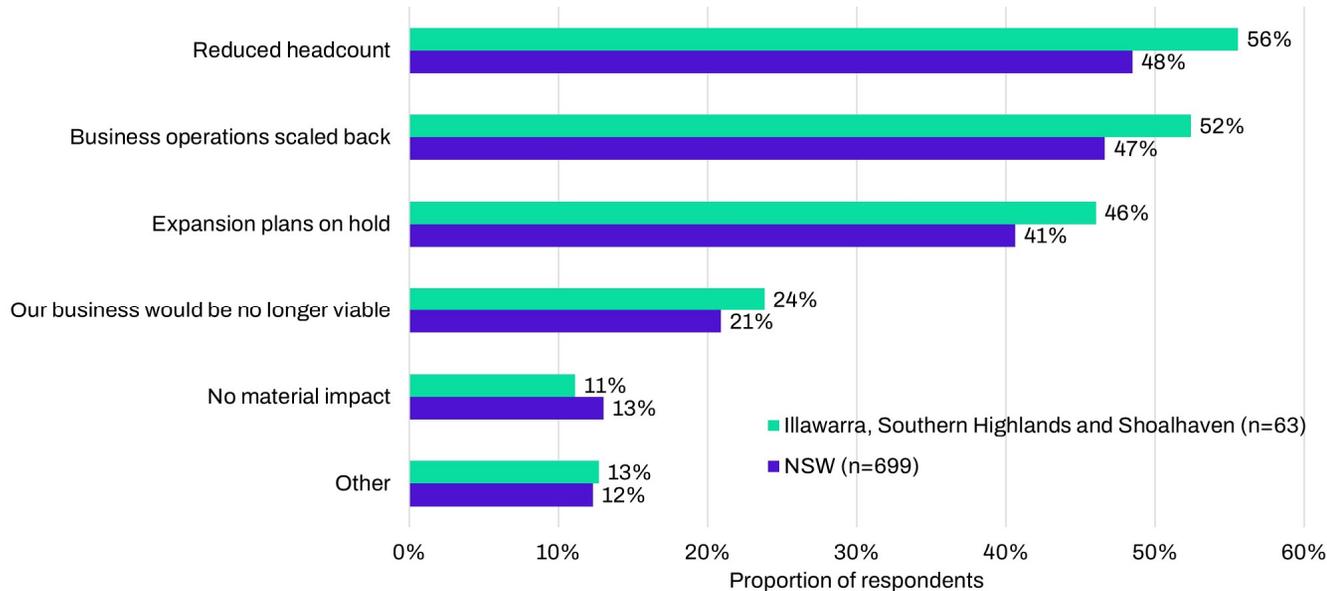
Business cost concerns have stabilized in recent quarters. Insurance costs remain the top concern; a position held for over two years. Since early 2024, this has been followed by taxes, levies and other government charges. Energy costs remain as an elevated concern, while concern over supplier costs has eased despite ongoing international trade uncertainty.

“ We’ve increased our prices as much as we can, so are not sure what we will do if these prices keep going up. ”

Accommodation and Food Services - Illawarra



## Impact of a 36% increase in workers' compensation insurance premiums over three years



“ *Workers Compensation Insurance and general insurance cost are crippling our business.*

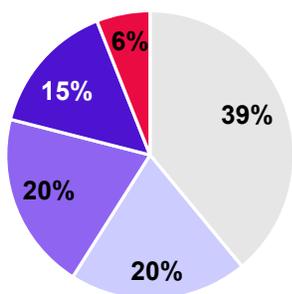
*The impact of the recent noisy workplace legislation couple with the physiological industry legislation has the potential to either break industry or break the WHS insurance system.* ”

Retail Trade - Southern Highlands and Shoalhaven

# Impact of the industrial lands shortage on business

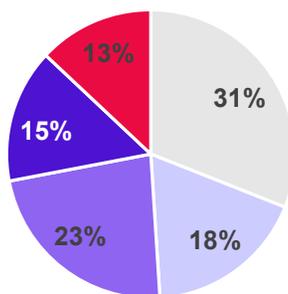


Business NSW



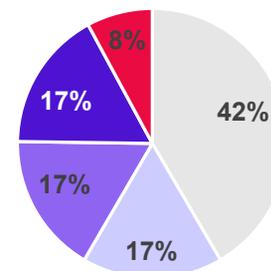
■ No impact    ■ Minimal impact  
■ Moderate impact    ■ Major impact  
■ Extreme impact    (n=699)

Illawarra



■ No impact    ■ minimal impact  
■ Moderate impact    ■ Major impact  
■ Extreme impact    (n=39)

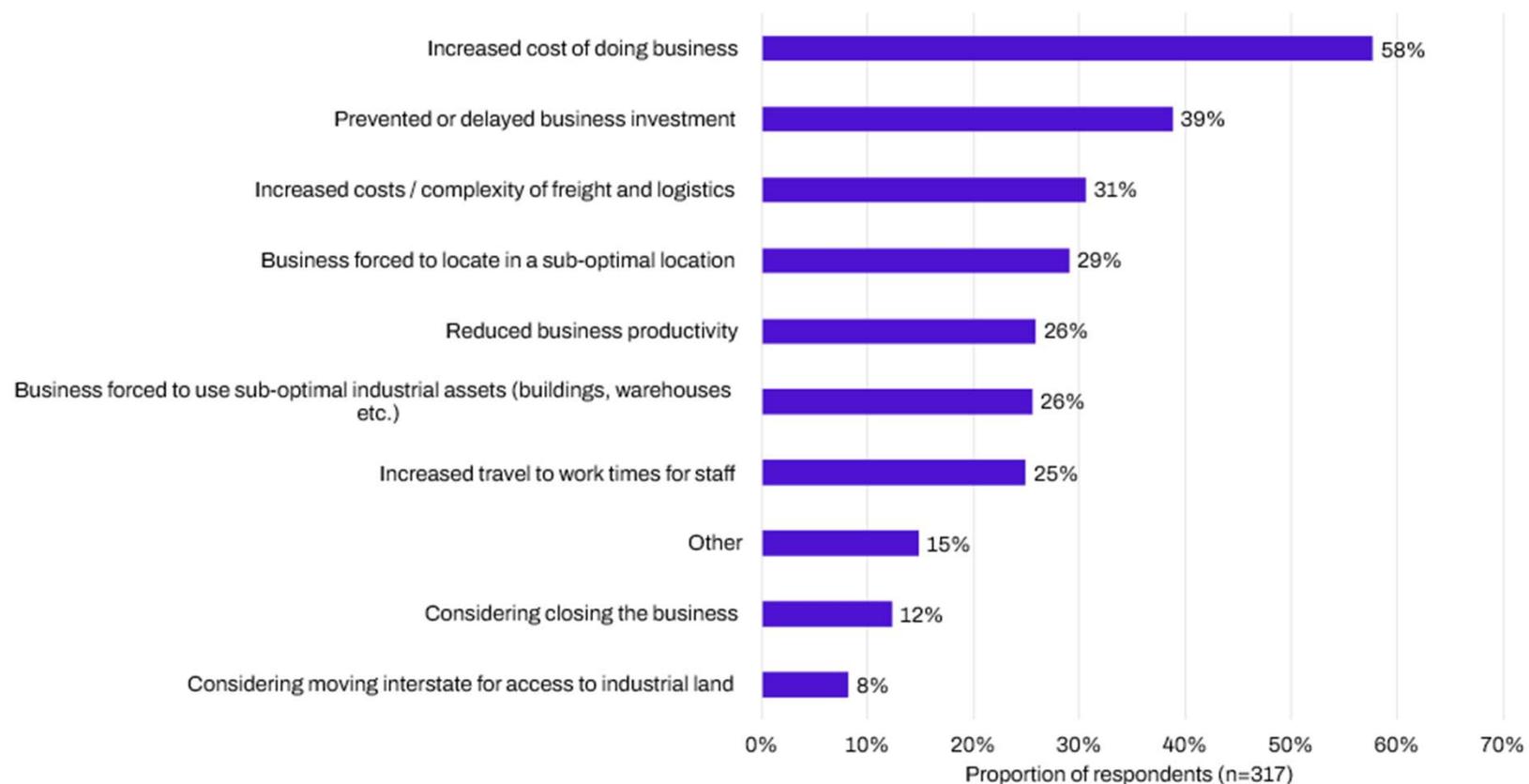
Southern Highlands and Shoalhaven



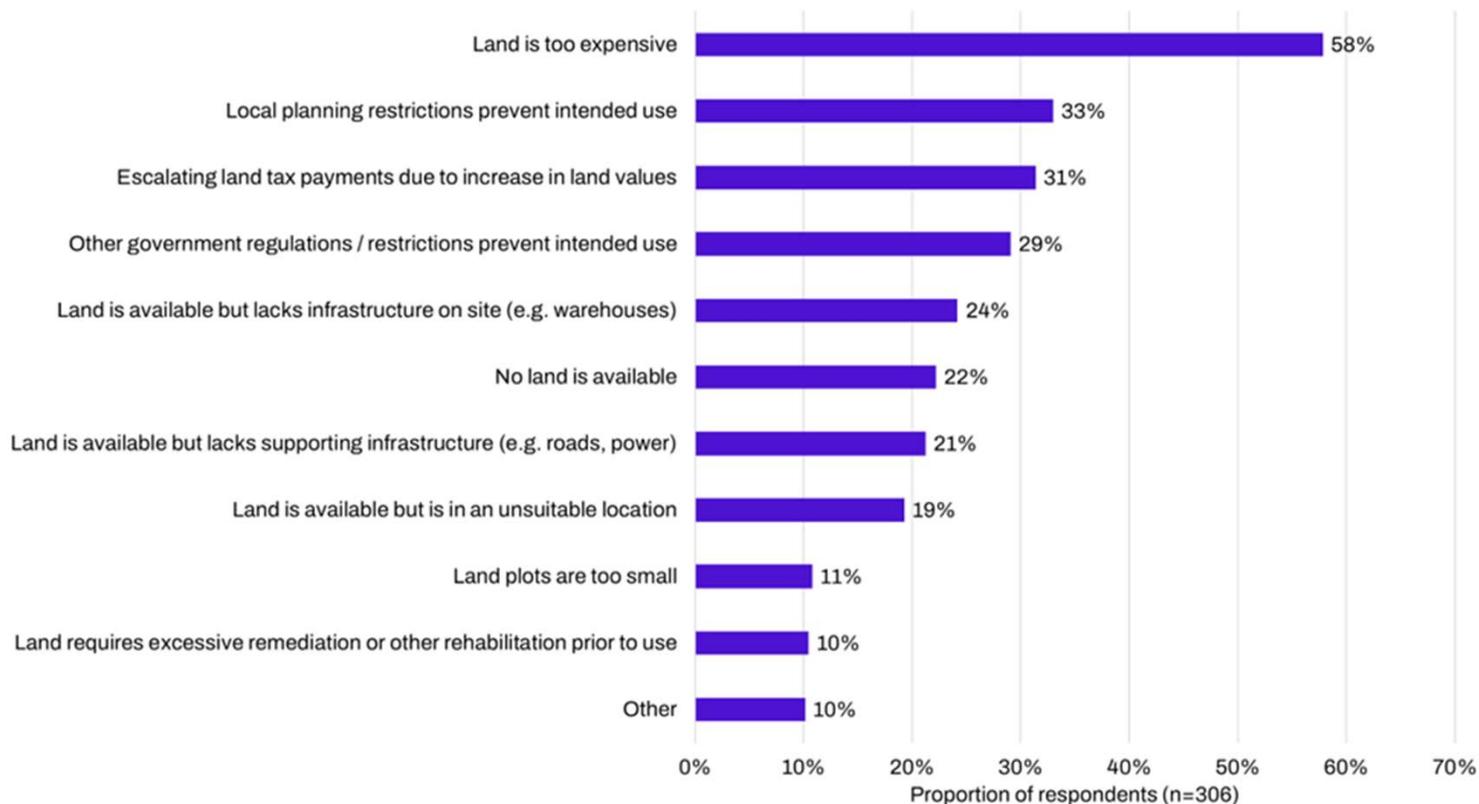
■ No impact    ■ Minimal impact    ■ Moderate impact  
■ Major impact    ■ Extreme impact    (n = 24)

Southern Highlands and Shoalhaven region had the highest percentage, with 42% reporting 'no impact' to the industrial lands shortage on business. However, while this was high across Business NSW and Illawarra as well, 'extreme impact' had the lowest percentage, with the Illawarra reporting 13%.

## Impacts of industrial land shortage on business



## Barriers to growth, expansion or relocation due to industrial land shortage




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*“Land being so expensive stops the business expanding.”*

Retail Trade - Capital Region

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*“Increase costs of taxes, insurances and operation costs to run the business are worsening. Government red tape has increased and time off tools and put on administrative tasks has also increased.”*

Accommodation, 5-20 FTE –  
Southern Highlands

*“Costs associated with all businesses are constantly increasing at a rate that does not meet return on sales.”*

Retail – 5-20 FTE  
Far South Coast

*“Energy costs are having a big impact on business.”*

Transport – 5-20 FTE  
Illawarra

*“Based on current bookings we are forecasting a very difficult 2026. Our business has managed through the last couple of years due to a couple of new contracts won early 2024 but these are now completed. General customer inquiries and orders are low and mood of customers very subdued. Fortunately, we are debt free and hoping to see things improve from FY27.”*

Manufacturing – 20-50 FTE  
Illawarra

*“Opportunities; increase in workload, particularly from developers releasing land, government agencies spending on civil infrastructure Challenges; keeping up workload for our crews. The last year was particularly hard.”*

Construction – 200+ FTE  
Illawarra

*“I foresee that employees will start to ask for more money and the industry will become competitive a lot more than it is now. We will struggle to hit our profit margins if this happens. Insurance and workers comp are a huge issue and may also cause us to reconsider investing in expansion.”*

Trade, Electrician – 20-50 FTE  
Shoalhaven