

Business Conditions Survey 2025 Q4

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ABOUT US

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.

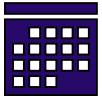
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About the Business Conditions Survey (2025 Q4)



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
- 9% Illawarra, South Coast + Highlands



“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

“Skilled labor shortage remains a major inhibitor.”

Retail Trade – Southern Highlands and Shoalhaven

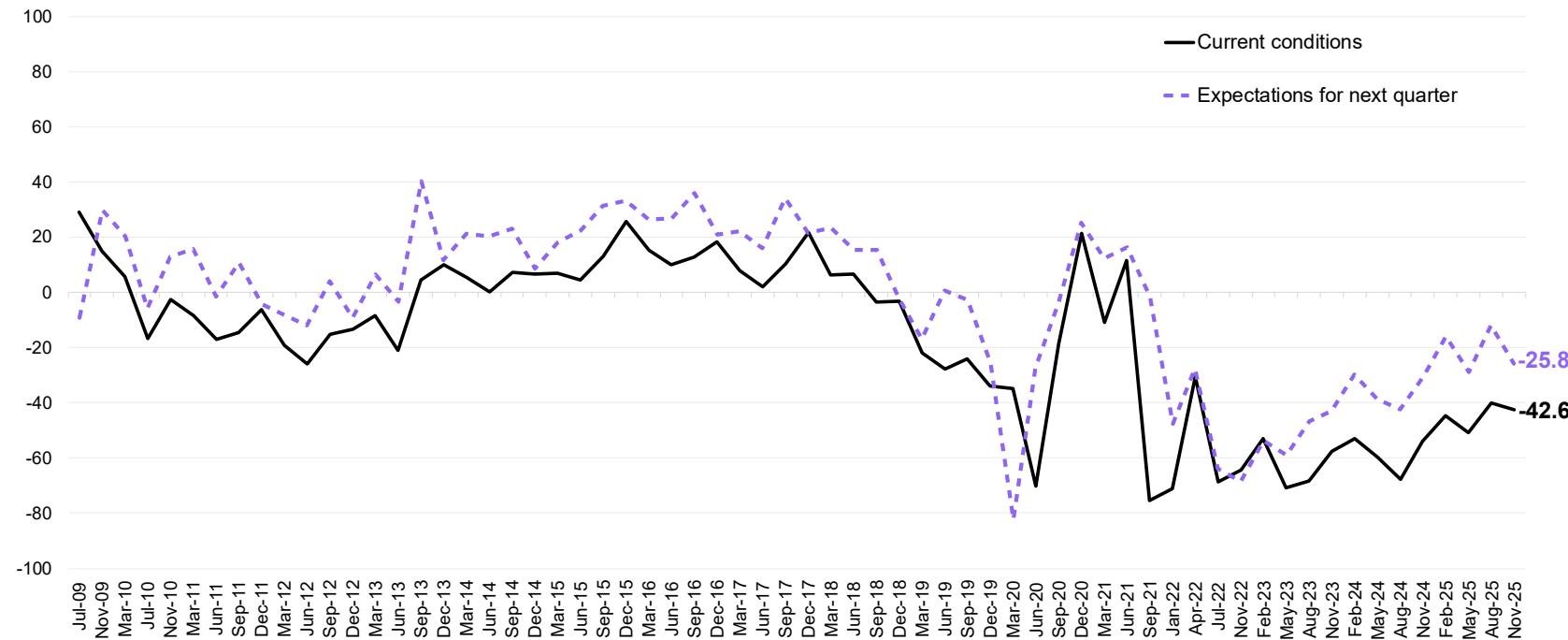
“Sales for the past 6 months indicates a further tightening of the markets we service for 2026. No positive signs in the broader economy and very little positive news on overseas economics that would support an improvement next year.”

Manufacturing - Illawarra

Regional respondent profile

	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
Capital Region	47	47	41	38	33	34	29
Central Coast	94	135	44	42	49	55	46
Central West	64	49	49	49	49	55	43
Coffs Harbour - Grafton	28	17	13	28	16	23	16
Eastern Sydney	201	164	188	176	145	125	170
Far West and Orana	20	11	12	14	13	13	11
Hunter Valley excl. Newcastle	51	50	25	25	35	30	30
Illawarra	25	21	36	22	39	48	39
Mid North Coast	34	29	34	60	43	45	31
Murray	29	27	29	23	23	15	30
New England and North West	48	42	67	50	52	48	48
Newcastle and Lake Macquarie	41	49	41	26	47	32	47
Richmond - Tweed	47	38	54	60	46	85	46
Riverina	29	22	38	27	20	30	19
Southern Highlands and Shoalhaven	32	36	41	28	27	31	24
Western Sydney	89	88	77	83	83	106	70
Total	879	825	789	751	720	775	699

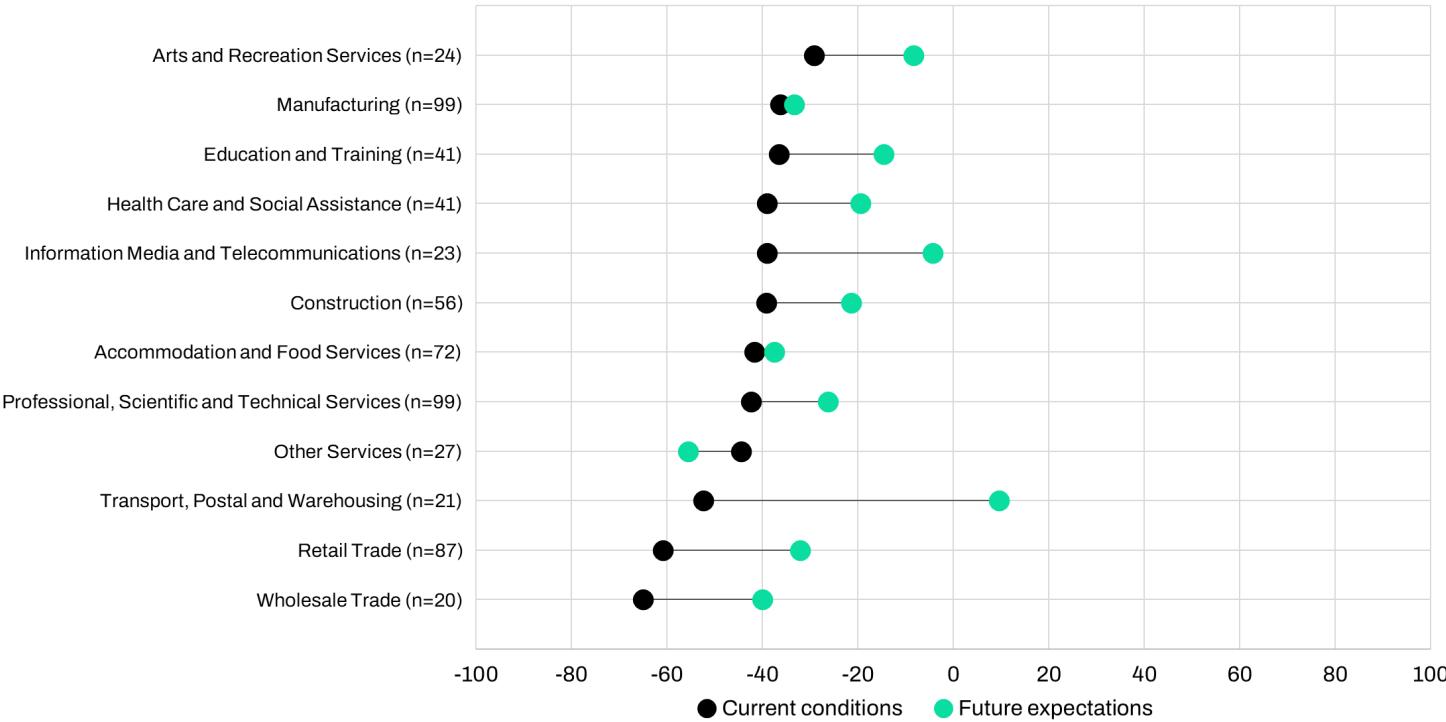
(1) Business Confidence Index



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.

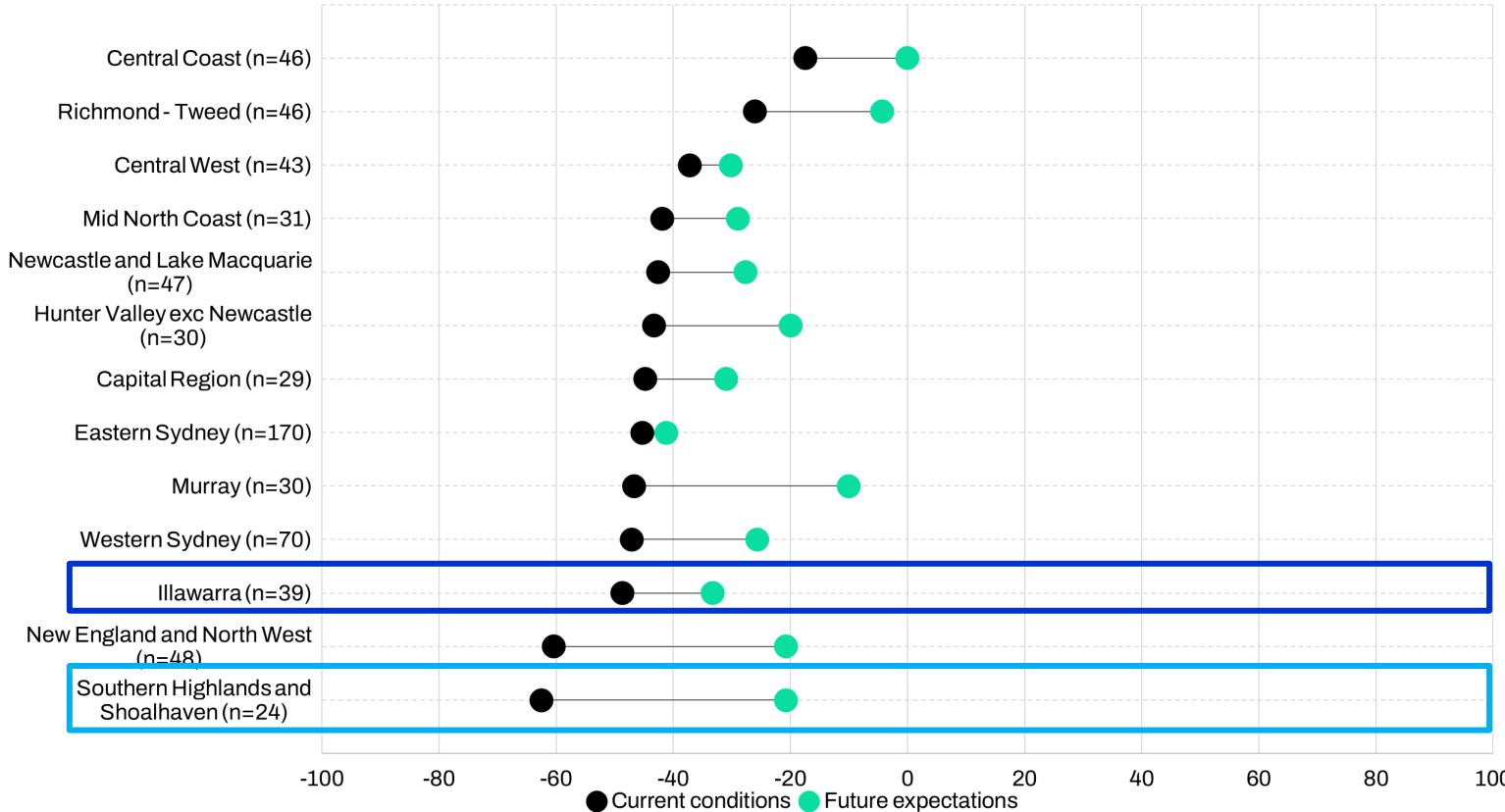
Business NSW Confidence Index (by industry)



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

Accommodation and Food
Services - Illawarra

Business Confidence Index (by region)



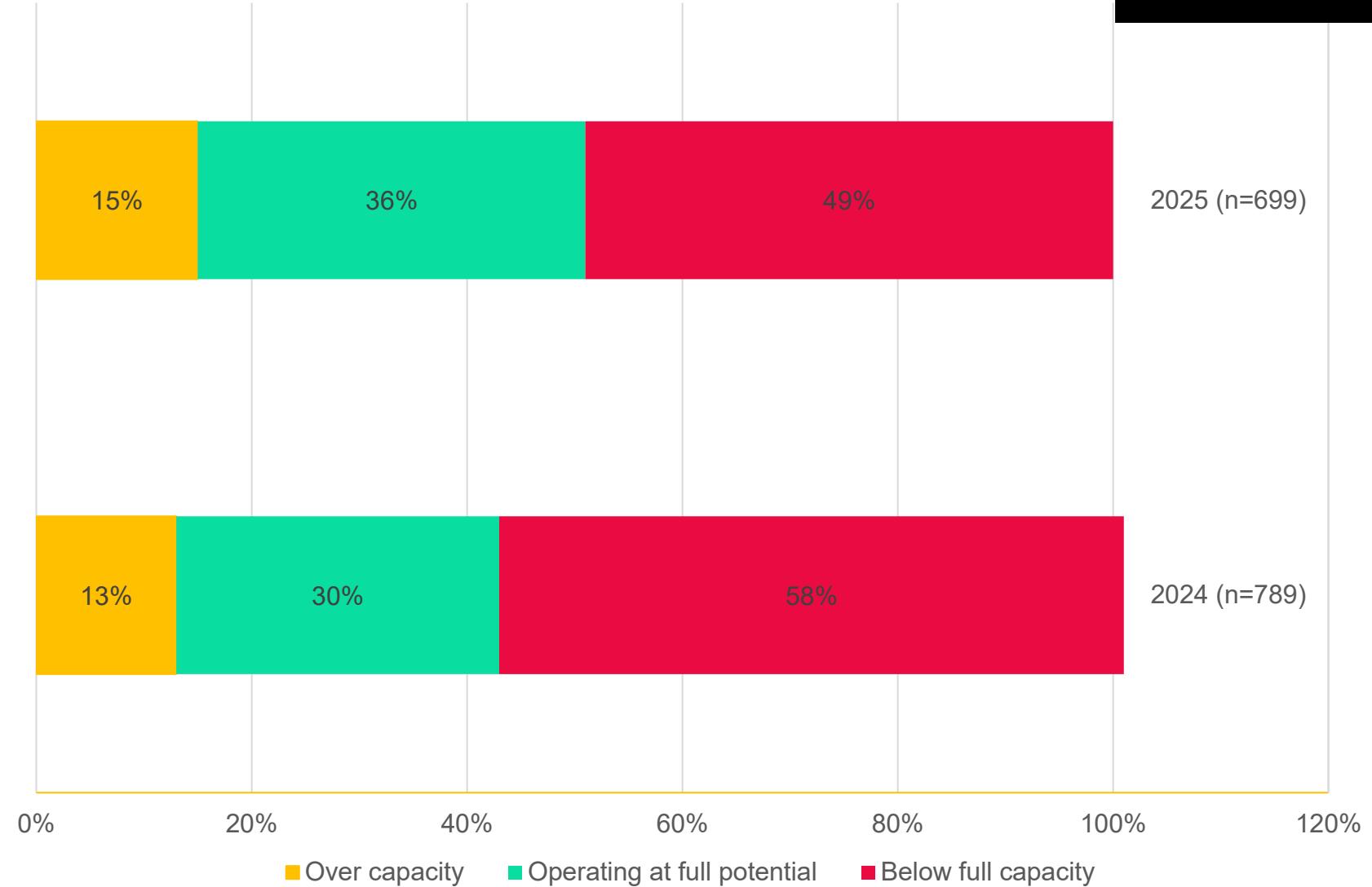
Illawarra region is maintaining realistic expectations on their business confidence index, remaining below 0.

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

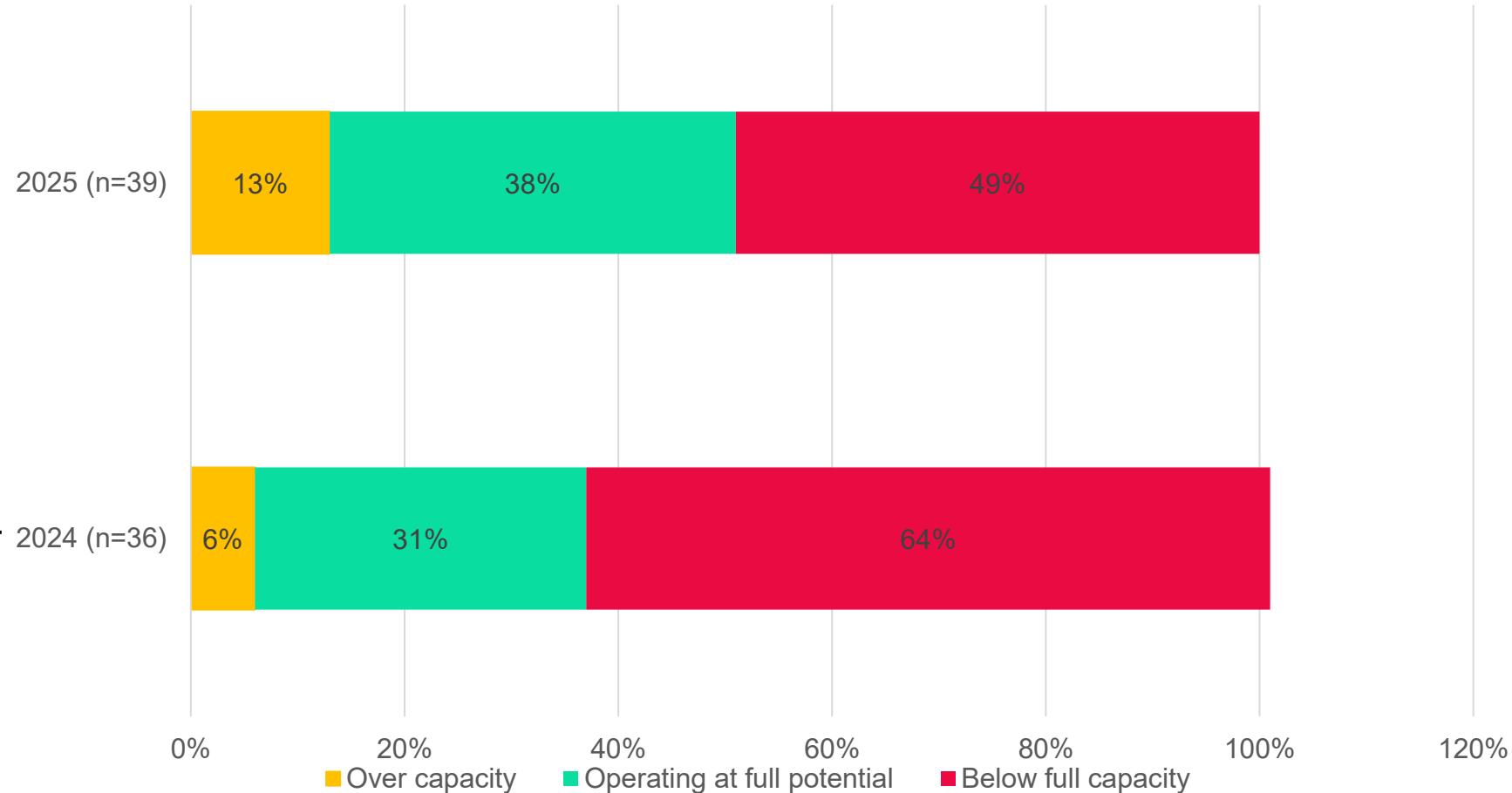
Business NSW:

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



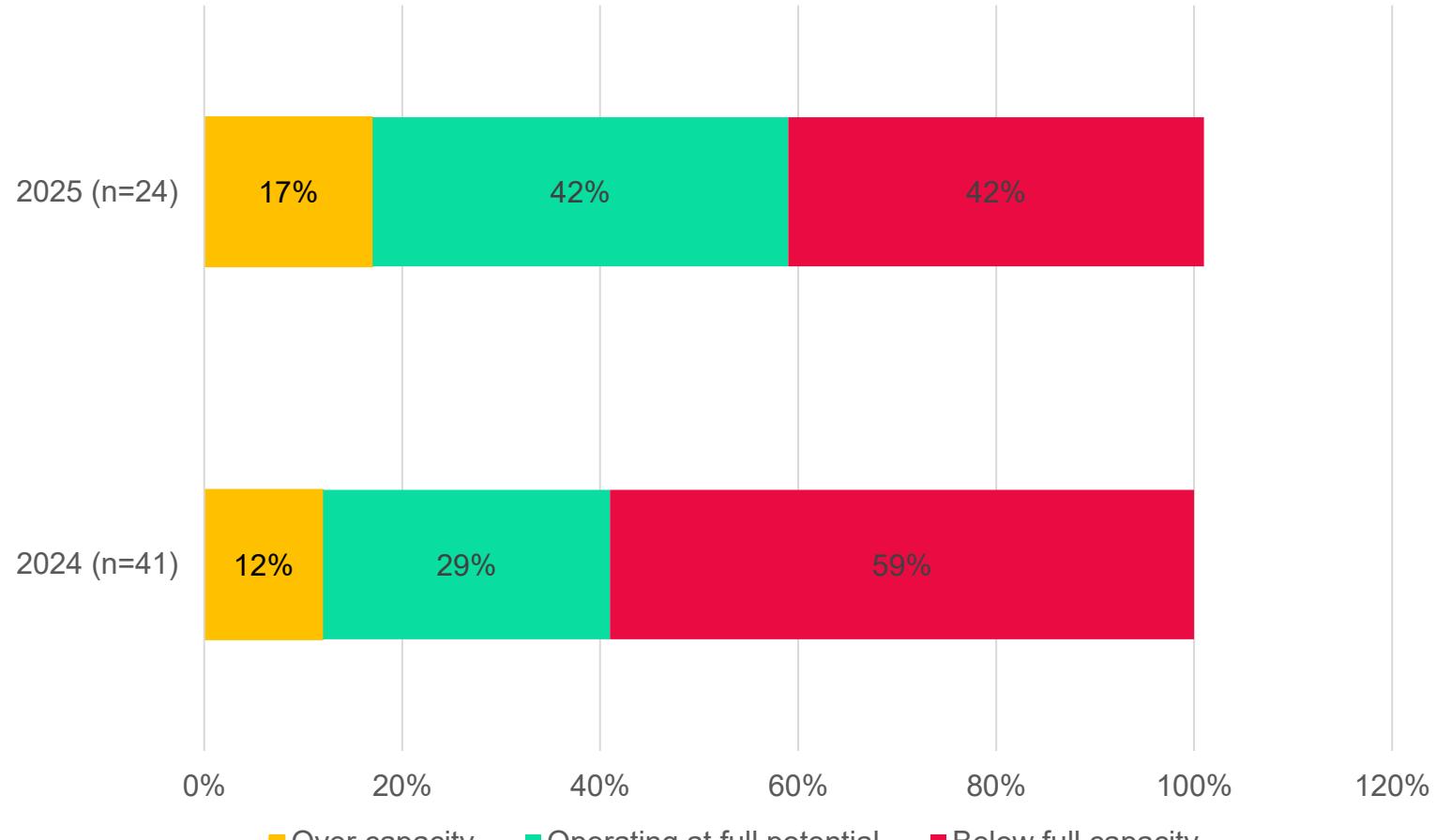
Self-reported operational efficiency (Illawarra)

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



Self-reported operational efficiency (Southern Highlands and Shoalhaven)

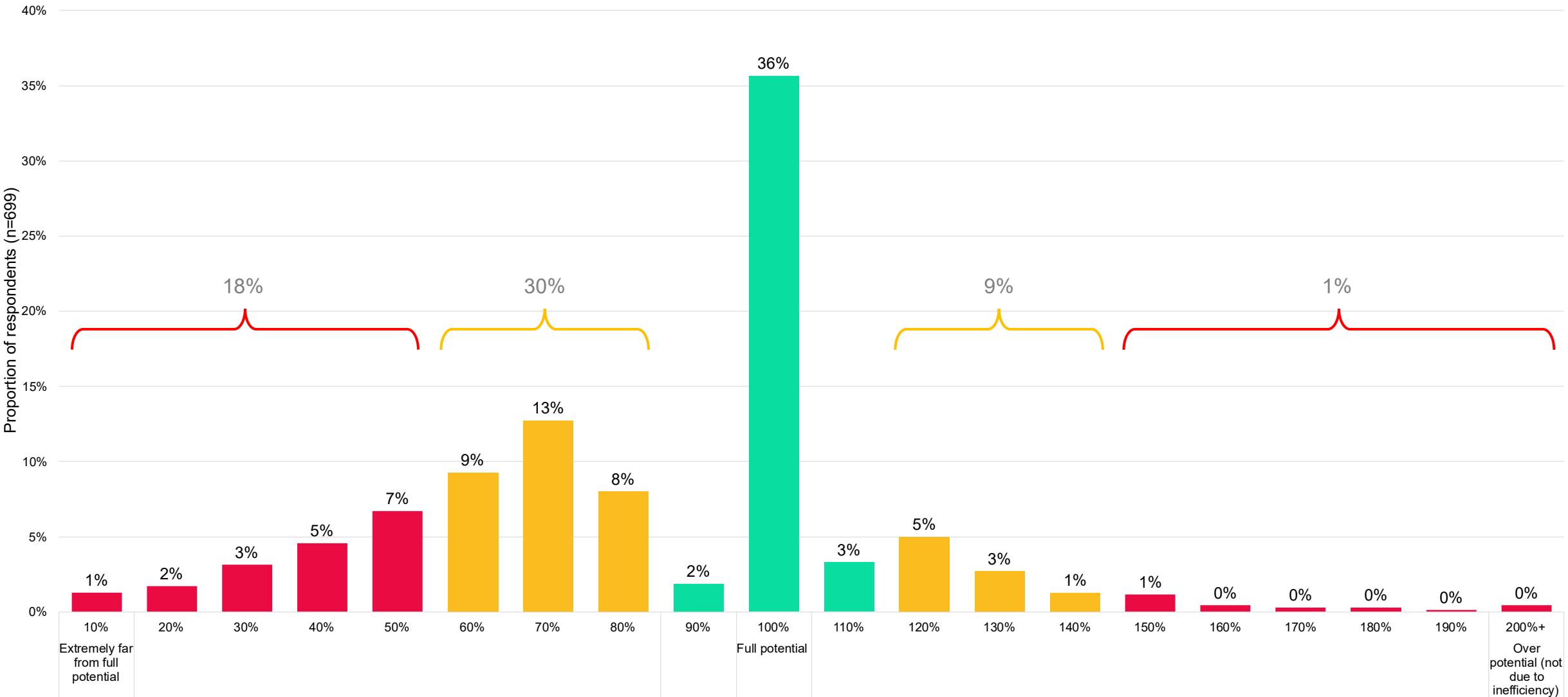
- Below full capacity - dropped by 17%
- Full potential - increased by 13%
- Over capacity - increased by 5%



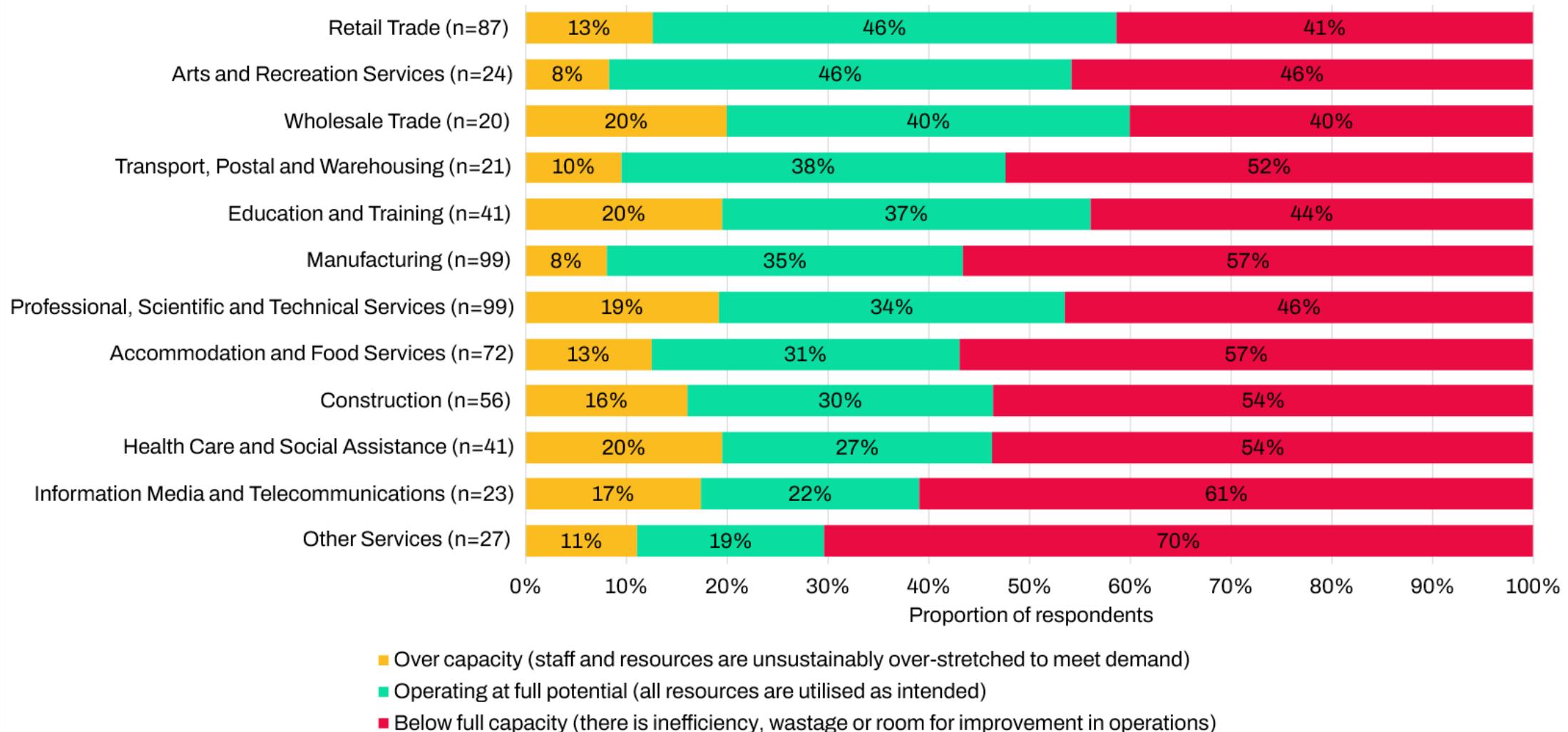
"I closed my shop and now operate from home, so less turnover but no overheads, so will be profitable for first time in 3 years."

Manufacturing - Southern Highlands, Shoalhaven

Self-reported operational capacity



Self-reported operational efficiency (by industry)



“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.”

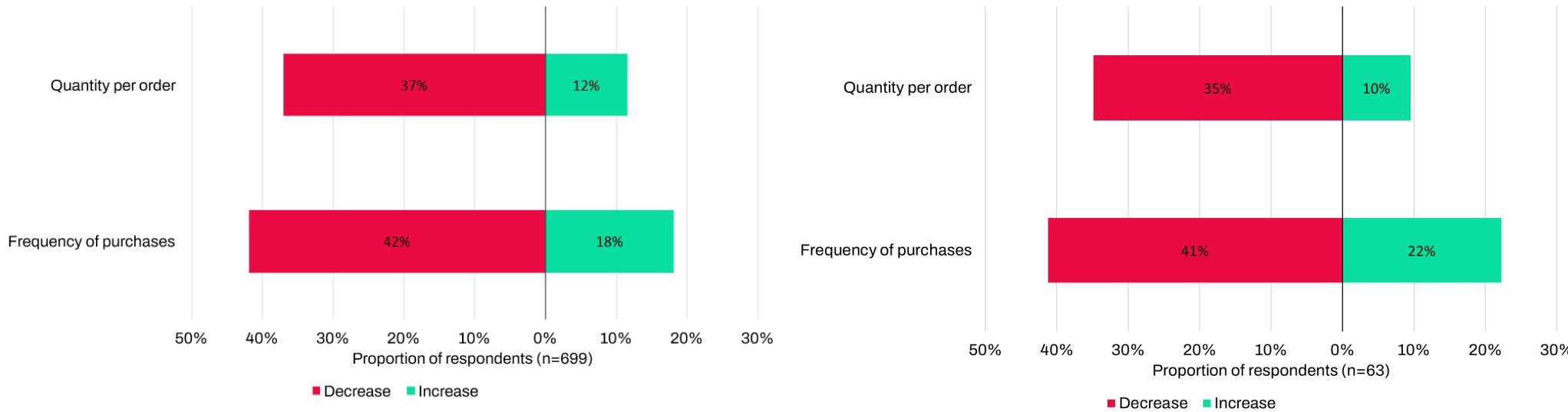
Construction – Capital Region

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

Accommodation and Food Services – Southern Highlands and Shoalhaven

(3) Pre-Christmas trading conditions

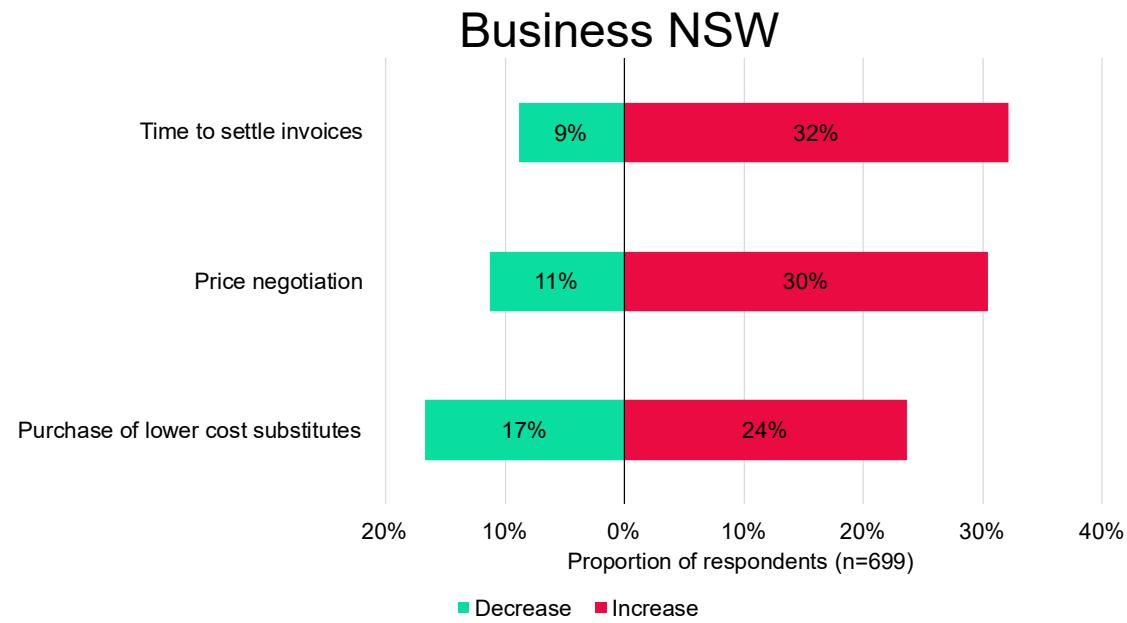
Change in customer behavior compared to this time last year



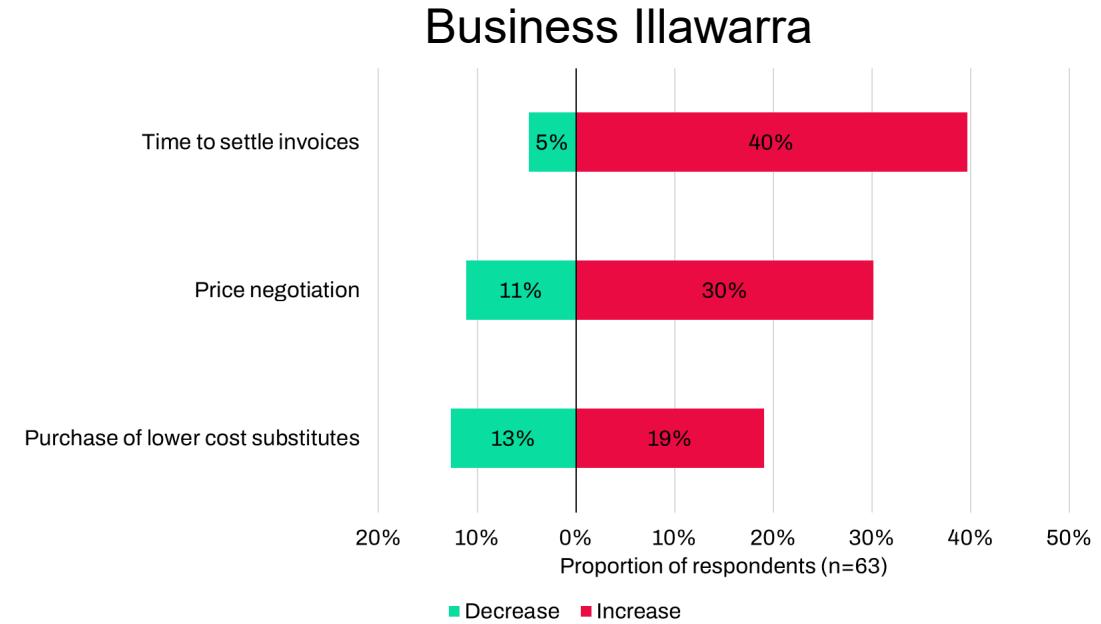
Business NSW has expressed customer behaviour remains soft, with more businesses reporting declines in both purchase frequency and order size compared to 12 months ago. 42% reported a drop in purchase frequency and 37% in order size, while only 18% and 12% reported increases compared to this time last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

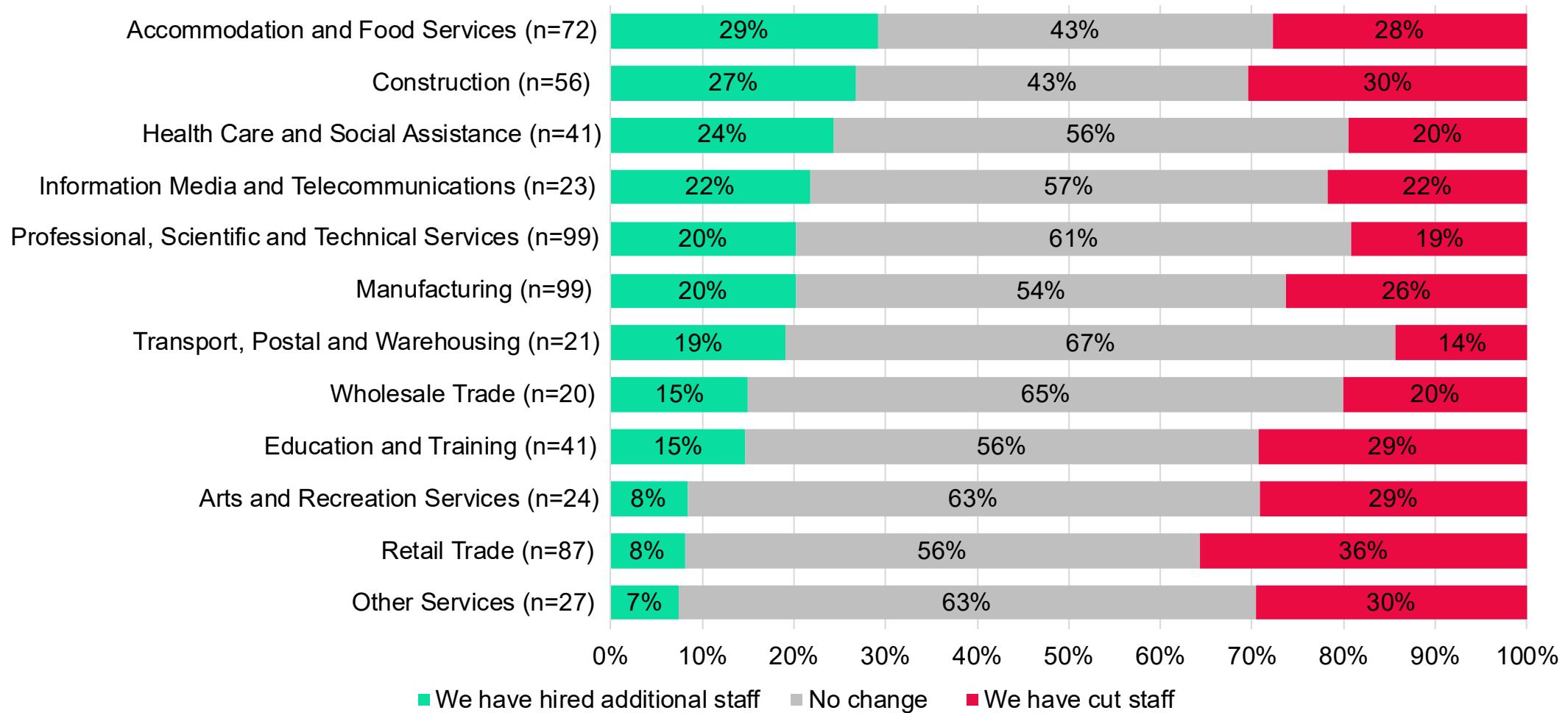


From Business NSW data, businesses report that both consumers and fellow businesses are becoming increasingly price sensitive. 32% reported customers taking longer to settle invoices, 30% noted more price negotiations and 24% reported a rise in the purchase of lower cost substitutes.

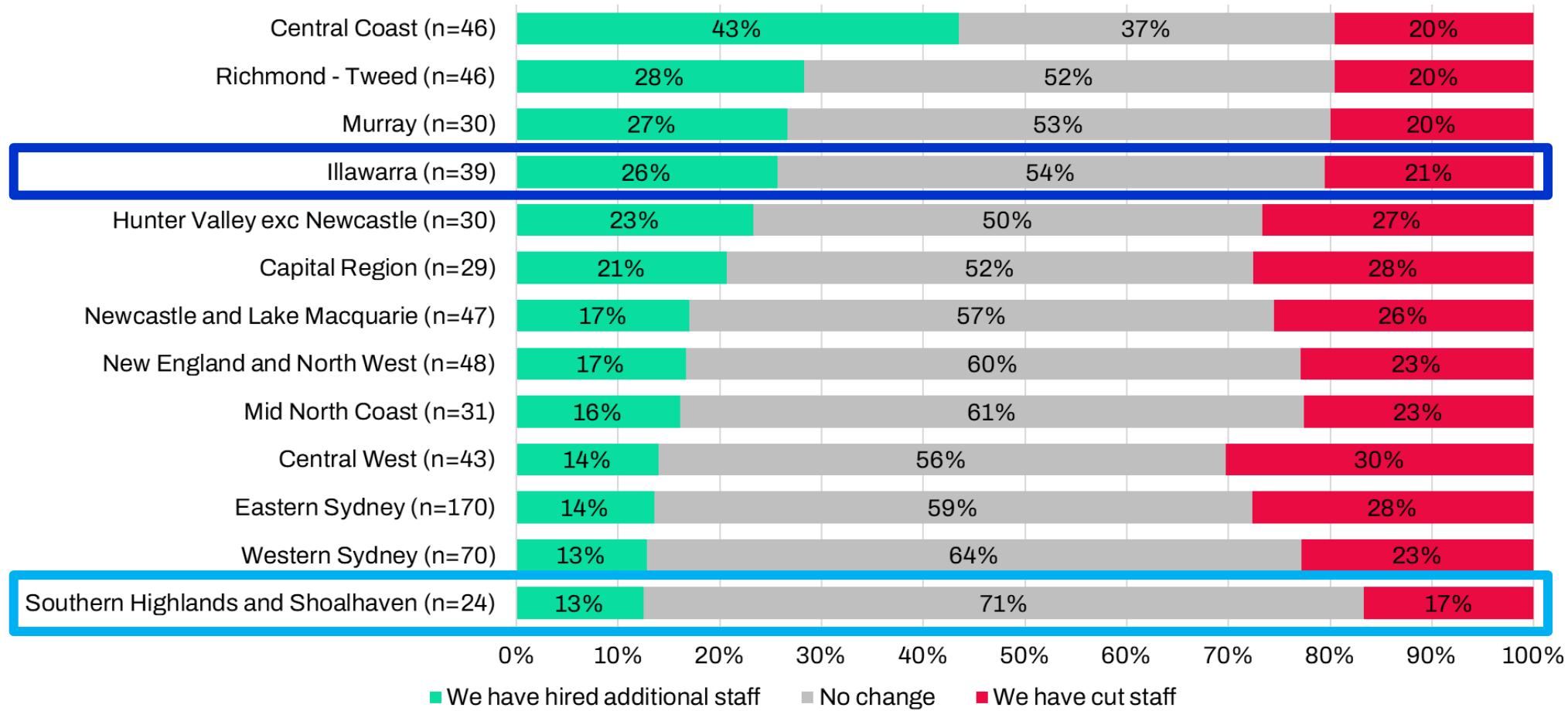


Business Illawarra data shows, time to settle invoices by customers was reported to be 40%, price negotiation at 30%, and the purchase of lower cost substitutes, indicating price-sensitivity is becoming an increased concern for customers and businesses.

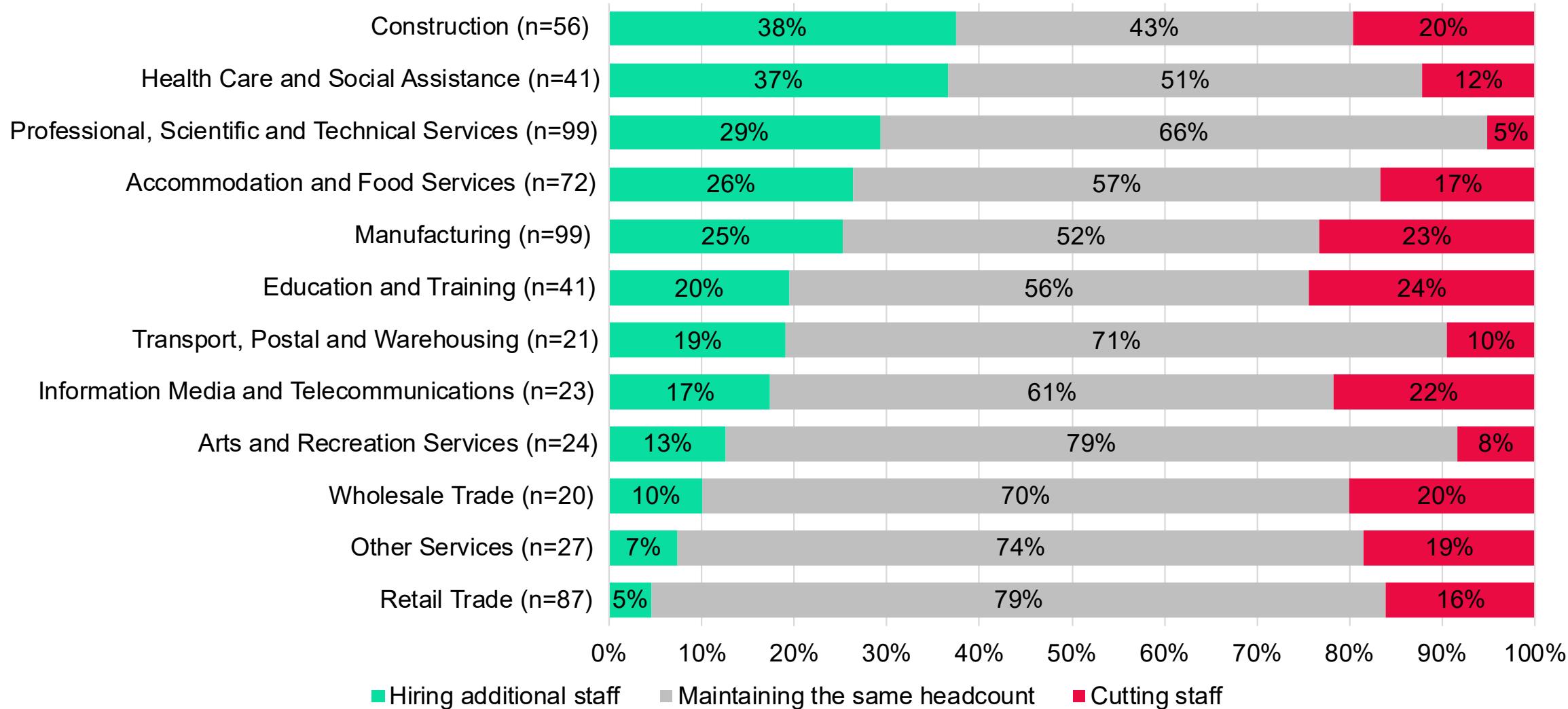
Change in headcount over the last 3 months (by industry)



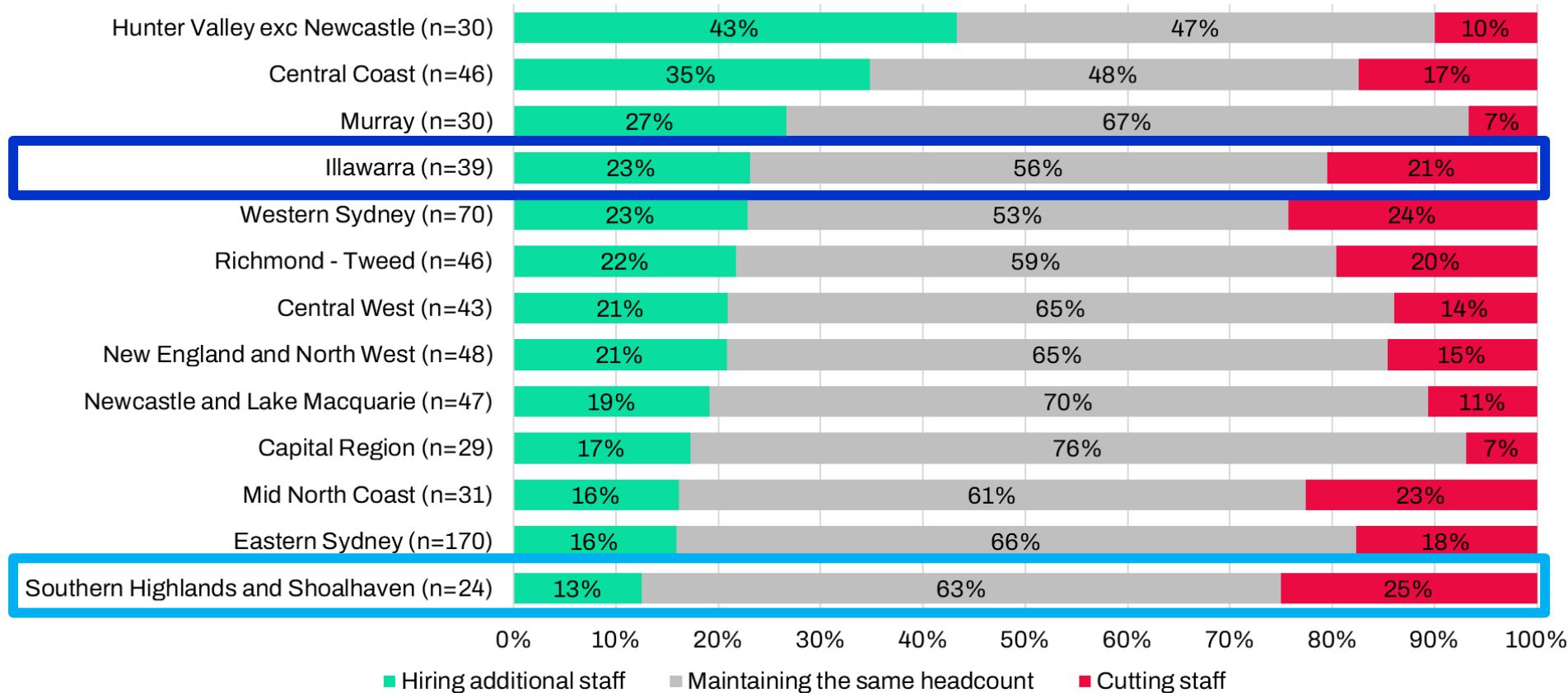
Change in staff headcount for the next 3 months (by region)



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

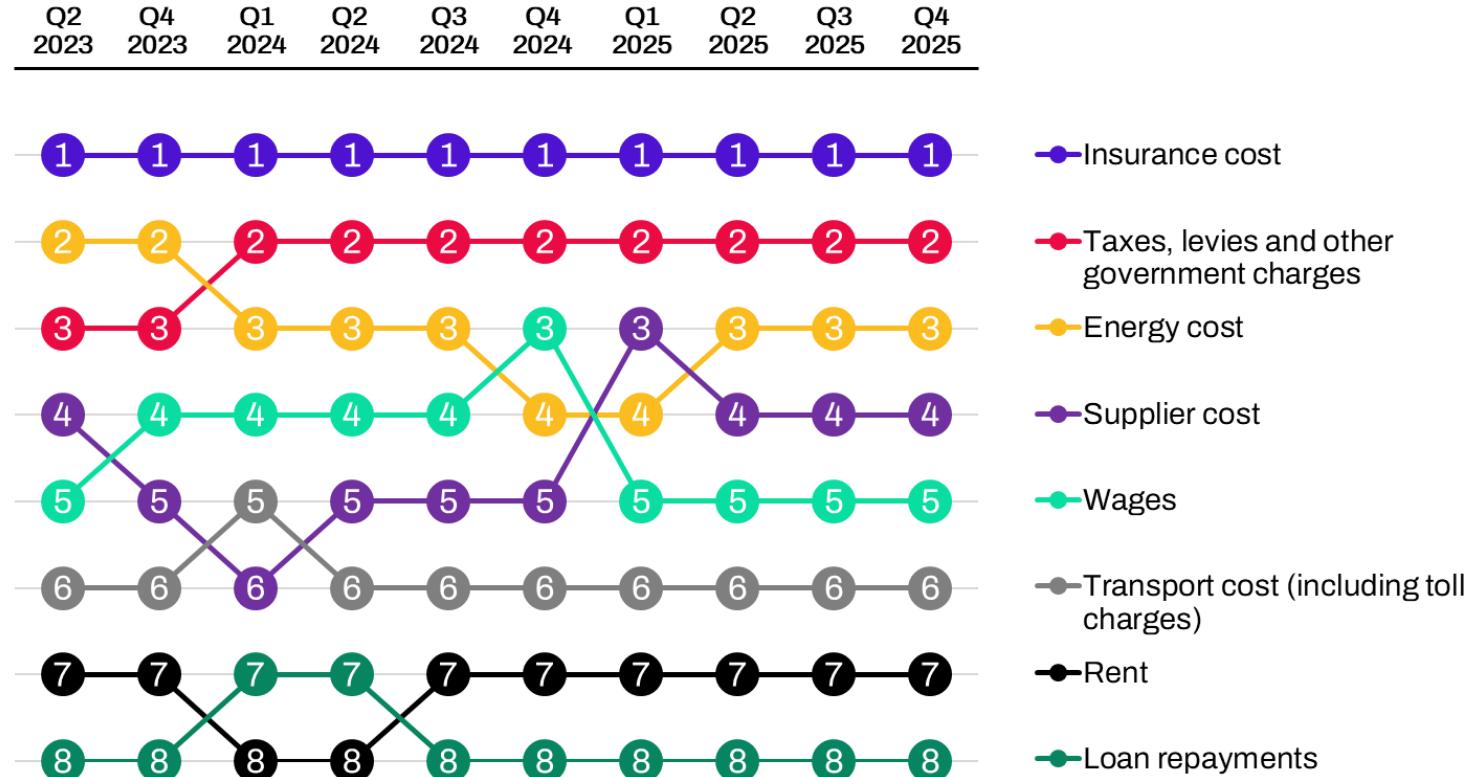
Source: Business NSW & Business Illawarra 2025

(4) Business cost concerns over time

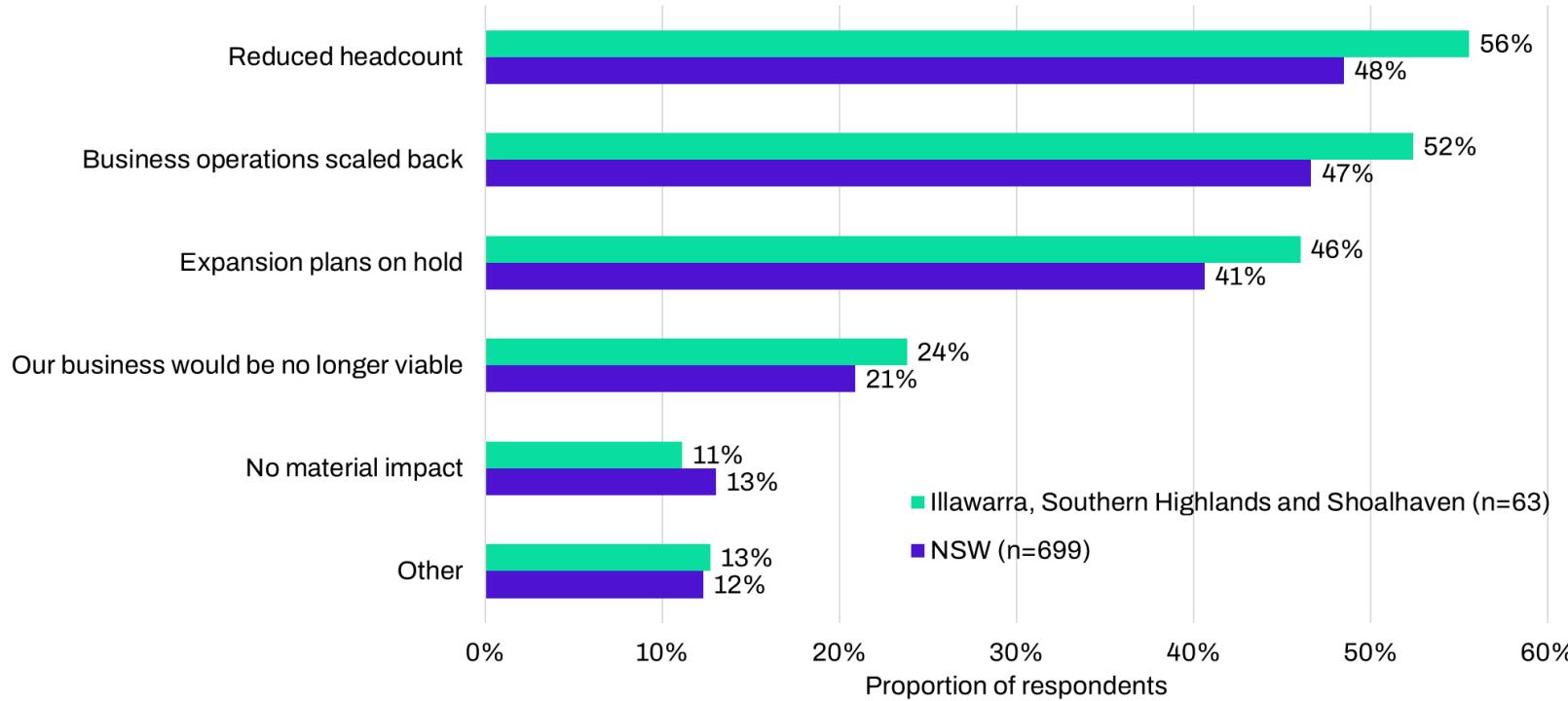
Business cost concerns have stabilized in recent quarters. Insurance costs remain the top concern; a position held for over two years. Since early 2024, this has been followed by taxes, levies and other government charges. Energy costs remain as an elevated concern, while concern over supplier costs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



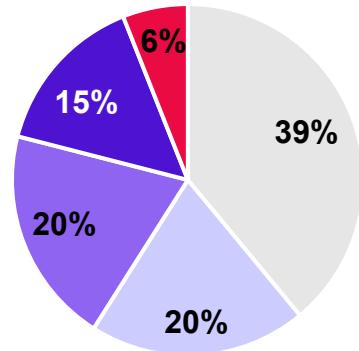
“
*Workers Compensation
Insurance and general insurance
cost are crippling our business.*

*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

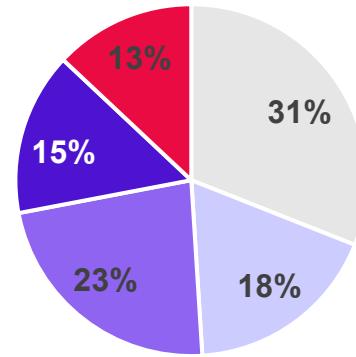
Impact of the industrial lands shortage on business

Business NSW



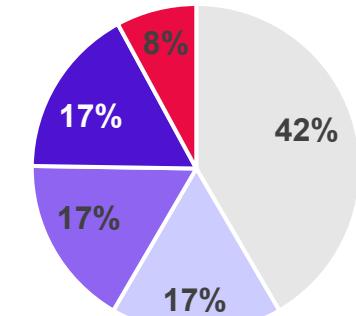
(n=699)

Illawarra



(n=39)

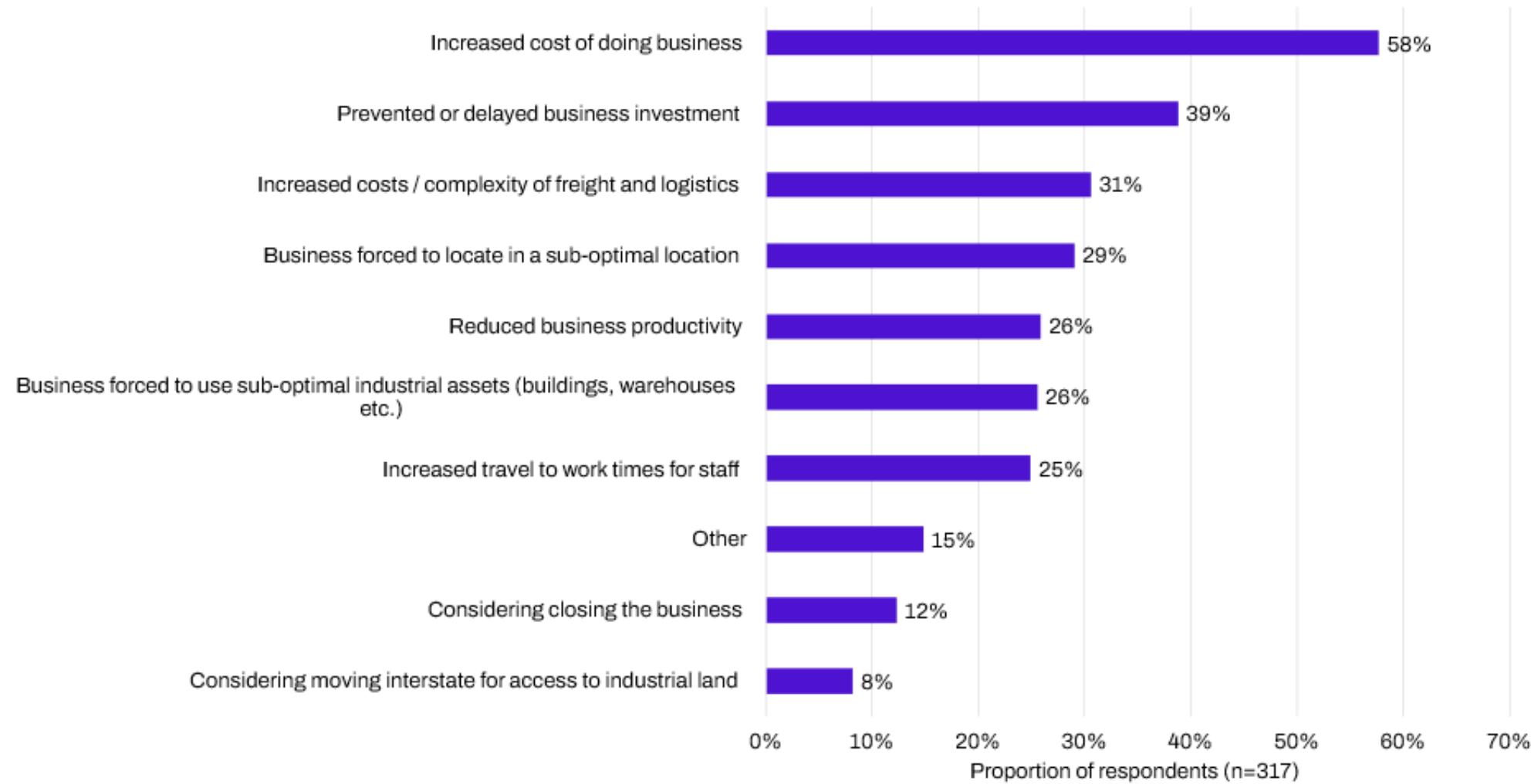
Southern Highlands and
Shoalhaven



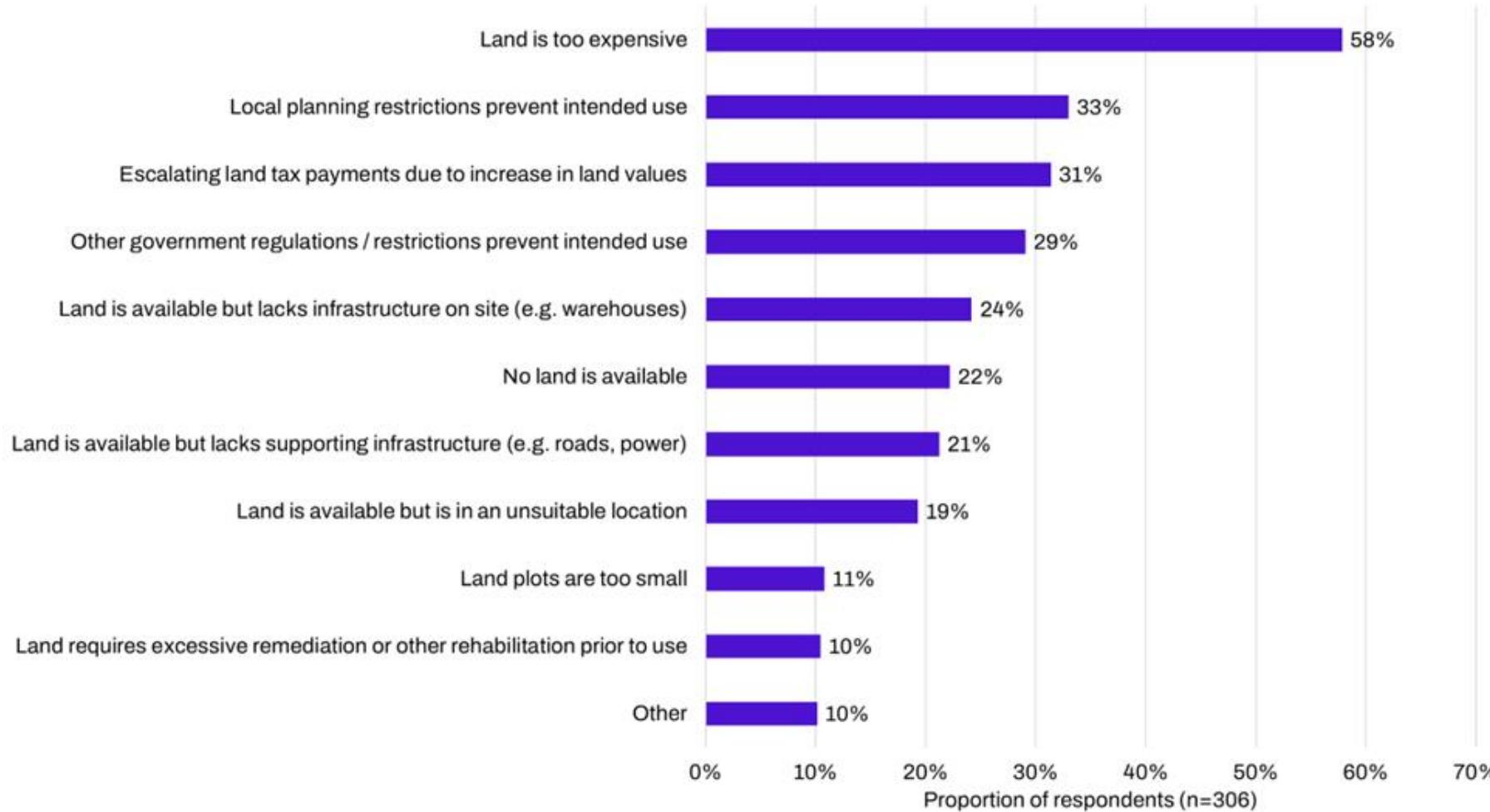
(n = 24)

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



“Land being so expensive stops the business expanding.”

Retail Trade - Capital Region