

**BUSINESS
ILLAWARRA**

MARCH 2026

NSW BUSINESS CONDITIONS

Illawarra, Shoalhaven + Southern Highlands

Cambewarra Lookout, Shoalhaven NSW

**BUSINESS
ILLAWARRA**

ABOUT BUSINESS ILLAWARRA

Business Illawarra advocates for close to 40,000 businesses across the Illawarra, South Coast and Highlands.

On behalf of our members, we develop policy, advocate to all levels of government on issues affecting businesses, undertake research to guide greater public and private sector investment in economic infrastructure, and support the development of workforce capacity and skills in our region.

Owned and supported by Business NSW, the state's leading advocacy voice for business across NSW. In our 200th year, BNSW is one of the few enduring, independent, not-for-profit organisations in Australia and the only one focused on the wellbeing of the business community. Our purpose has always been to provide a strong, clear voice for businesses on the issues important to their livelihood.

Business NSW produces a quarterly report on statewide Business Conditions; you can see a copy of the March NSW 2026 report online.



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REGIONAL EXECUTIVE SUMMARY

Illawarra, Shoalhaven + Southern Highlands

**BUSINESS
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With the 2027 NSW State Election now one year away, businesses across the Illawarra, Southern Highlands and Shoalhaven (ISHS) are operating in a challenging environment, consistent with the broader deterioration in confidence across New South Wales. Business sentiment weakened further through early 2026, driven by sustained cost pressures, ongoing skills shortages and increasing regulatory complexity.

The February interest rate increase had an immediate negative impact on confidence, contributing to weaker sentiment around both current conditions and the outlook for the year ahead. While these trends mirror the statewide experience, confidence across the ISHS region is more fragile. The Southern Highlands and Shoalhaven recorded notably weaker confidence than the NSW average, while Illawarra businesses reported current conditions broadly in line with statewide results but growing concern about future trading conditions.

Cost pressures remain entrenched across the region. Insurance costs and government charges continue to be the most significant burdens on businesses, consistent with NSW findings, alongside elevated energy, wage and supplier costs. Labour market constraints persist, with housing availability and affordability emerging as a growing barrier to workforce attraction, particularly in the Illawarra.

Compliance obligations are also weighing more heavily on business capacity, with significant time and financial resources required to meet regulatory requirements. Ahead of the state election, businesses across the ISHS region share a clear message with their counterparts across NSW: reducing the cost of doing business, simplifying regulation, and supporting workforce and housing supply will be critical to restoring confidence and supporting sustainable regional growth.

KEY FINDINGS

Illawarra, Southern Highlands + Shoalhaven

01

Confidence has dropped sharply, with SHS far weaker than NSW. Future confidence in the Southern Highlands & Shoalhaven sits at -62.1 , well below the NSW forward index of -42.8 , signalling businesses expect tougher conditions ahead

02

Insurance and government charges remain the top cost pressures statewide and regionally. These two costs consistently rank #1 and #2 across NSW, Illawarra and SHS, showing how persistent financial pressure is across the whole economy

03

Local cost pressures differ: wages pinch Illawarra, while supplier and rent pressures hit SHS. Illawarra businesses rank wages above energy, while SHS elevates supplier costs and rent, reflecting each area's industry mix

04

Compliance costs are hitting Illawarra harder than NSW overall. Illawarra has more businesses spending \$20k–\$250k annually on compliance and far fewer paying under \$1,000 compared with NSW. SHS charts show similar pressures.

05

Businesses want action on taxes, energy and housing, with housing especially urgent in Illawarra. Taxes and energy are top priorities everywhere, but Illawarra businesses elevate housing due to workforce and affordability barriers.

06

The region's industry mix increases exposure to rising costs and skill shortages. Illawarra's hospitality and services base, and SHS's retail and manufacturing sectors, heighten sensitivity to energy, insurance, supply chain costs and workforce availability.



“We need better support for small business and stop treating a small business like a big business. There is no incentive to run a small business, most small business owners are doing it tough and basically working for free”

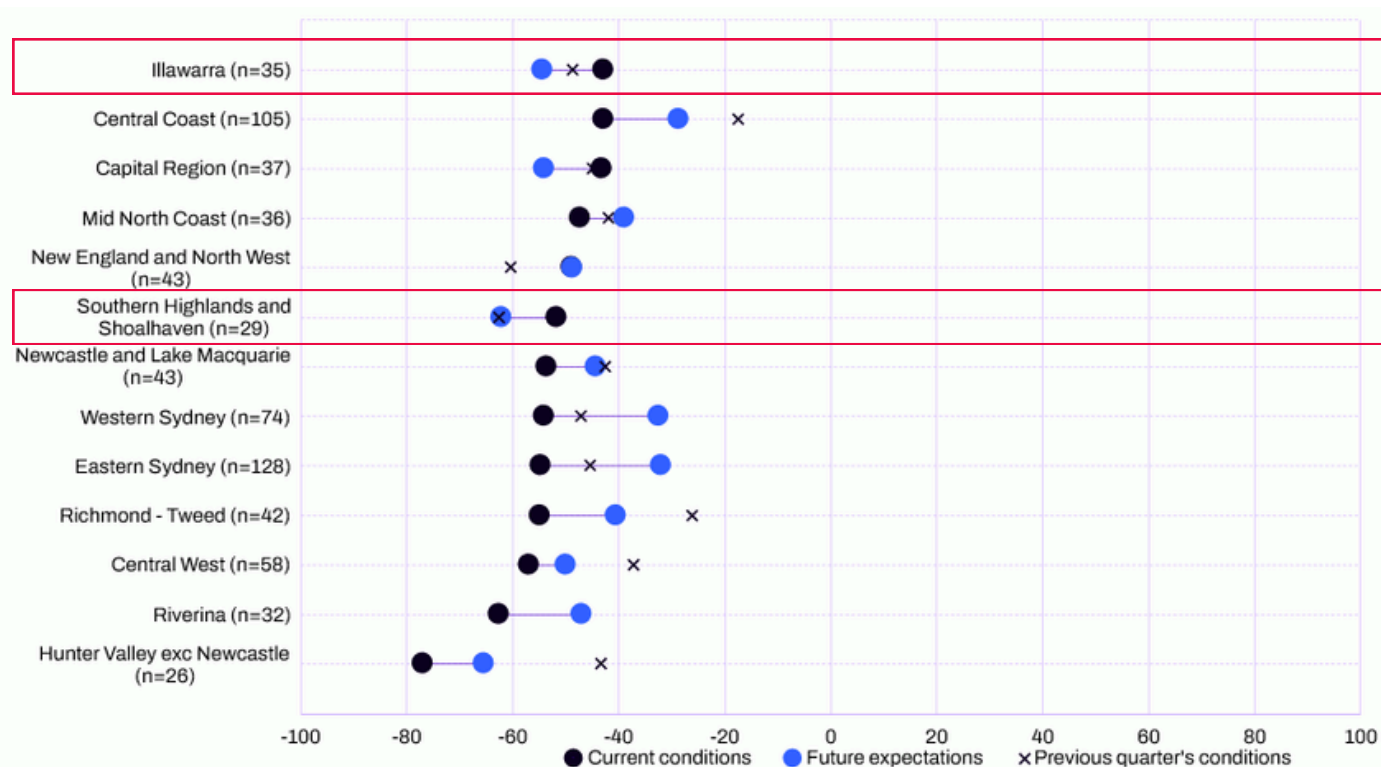
**HOSPITALITY
BUSINESS
FEEDBACK**

BUSINESS CONFIDENCE BY REGION

Business confidence across the Illawarra and the Southern Highlands and Shoalhaven remains weak at the start of 2026, broadly consistent with subdued sentiment across New South Wales following sustained cost pressures and the February interest rate increase. Businesses in both regions report negative confidence in current trading conditions, aligning with the statewide environment.

The key point of difference lies in the outlook. While NSW businesses remain comparatively more optimistic about future conditions than current conditions, confidence in the Illawarra and the Southern Highlands and Shoalhaven is more pessimistic about the year ahead, indicating a backward-looking confidence profile. In the Illawarra, current conditions are broadly in line with the NSW average, but expectations have softened more noticeably. In contrast, the Southern Highlands and Shoalhaven record weaker confidence for both current conditions and future expectations, suggesting more entrenched pessimism.

This divergence indicates that, unlike much of NSW, regional businesses are increasingly cautious about recovery, raising the risk of deferred investment, constrained hiring and heightened caution in business decisions.





“My top priority is housing affordability. I am genuinely worried that my children may not be able to afford to move out or buy a home... my business is strong and growing. What I need from government is stability and fewer unnecessary obstacles rather than additional layers of intervention.”

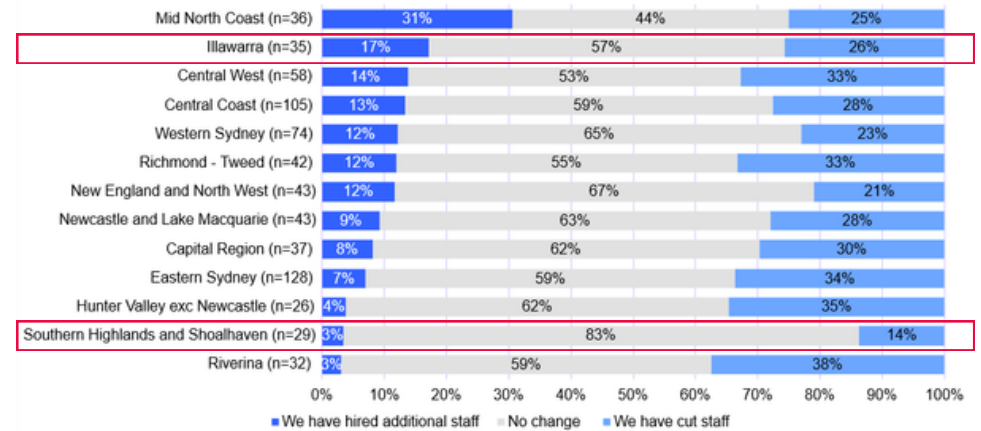
TRANSPORT BUSINESS FEEDBACK

HIRING INTENTION

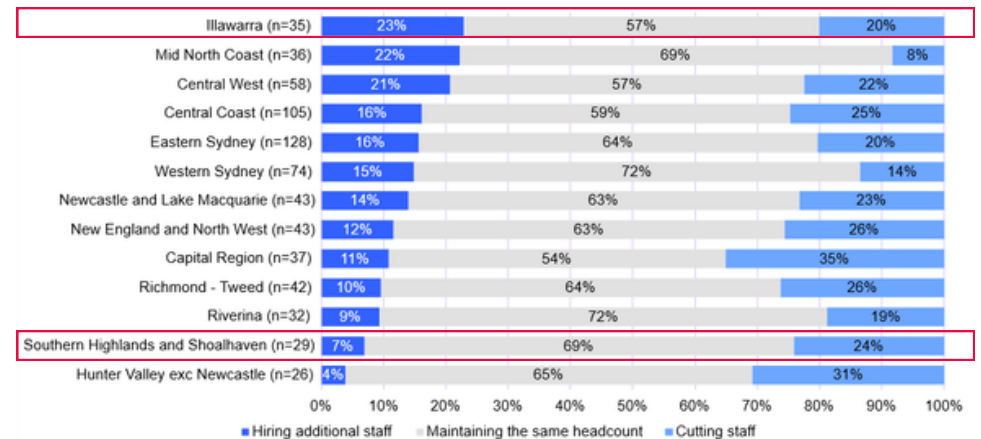
Hiring conditions across the Illawarra and Southern Highlands & Shoalhaven follow the statewide trend of cautious workforce planning. Although NSW businesses report that 78% plan to maintain or increase staff over the next three months, the regional outlook is more uneven. In the Illawarra, 23% of businesses plan to hire, one of the highest rates among regional NSW, and 57% expect to hold headcount steady, indicating modest confidence in near-term demand. In contrast, the Southern Highlands and Shoalhaven show a more subdued outlook, with only 7% planning to hire and the majority (69%) expecting to maintain staffing levels.

Recent hiring activity also reflects this mixed picture. Illawarra businesses report a balance of maintaining and reducing staff, while SHS continues to show signs of labour shedding, with 24% cutting staff in the past quarter, slightly below the statewide figure of 28% reducing staff, however consistent with the region's weaker forward confidence. Recruitment pressures remain evident across both sub-regions, particularly in sectors reliant on skilled trades, services roles and professional workers, echoing the broader NSW challenge. Looking ahead, the data suggests that businesses in the region are generally focused on stabilising their workforce.

Changes in head count over the past 3 months



Changes in head count looking forward 3 months



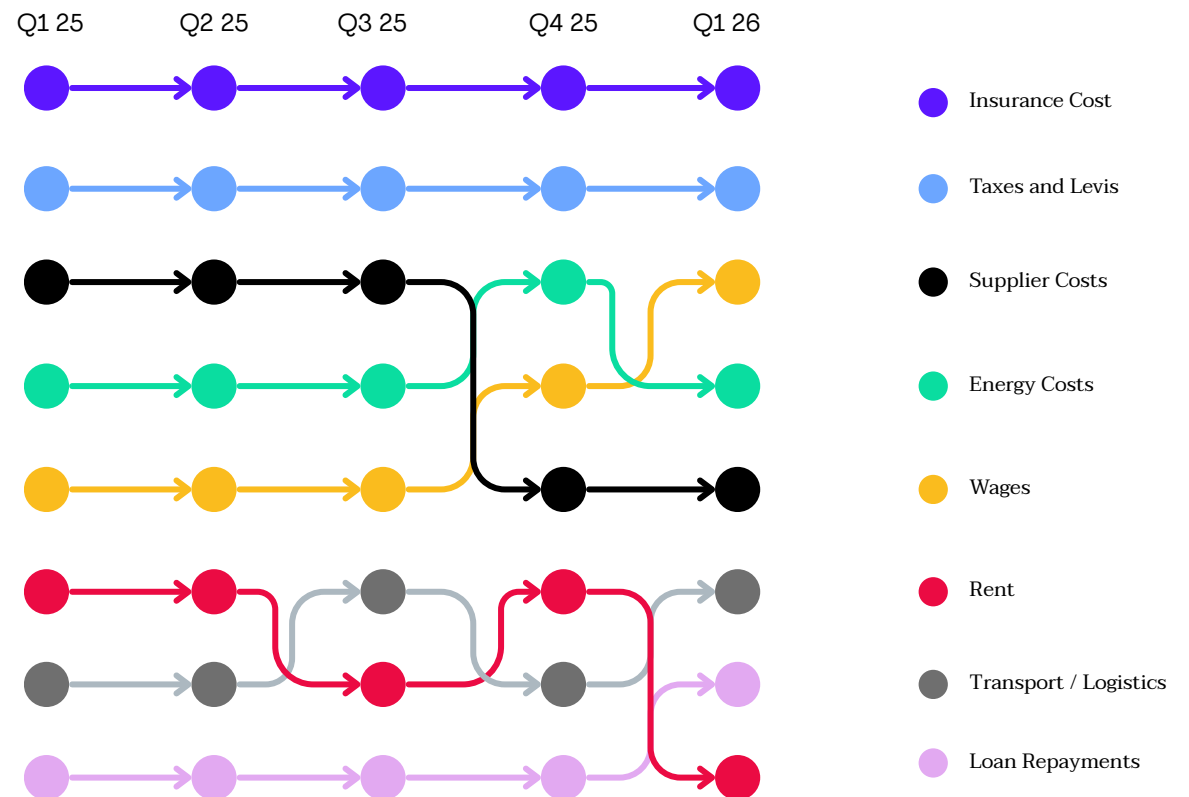


“When projects are delayed due to compliance/authorisation issues, we are not getting paid. Of all risk factors to our small business, this one is the highest costs and we have zero control over it. “

**PROFESSIONAL
SERVICES
BUSINESS
FEEDBACK**

BUSINESS CONCERNS OVER TIME

Business cost concerns across Illawarra and the Southern Highlands & Shoalhaven closely mirror the statewide pattern, with insurance and taxes and levies consistently the top pressures. Energy, wages and supplier costs also remain elevated, though the region shows more movement in rent and transport than NSW. Overall, costs remain entrenched, with little relief emerging quarter-to-quarter.



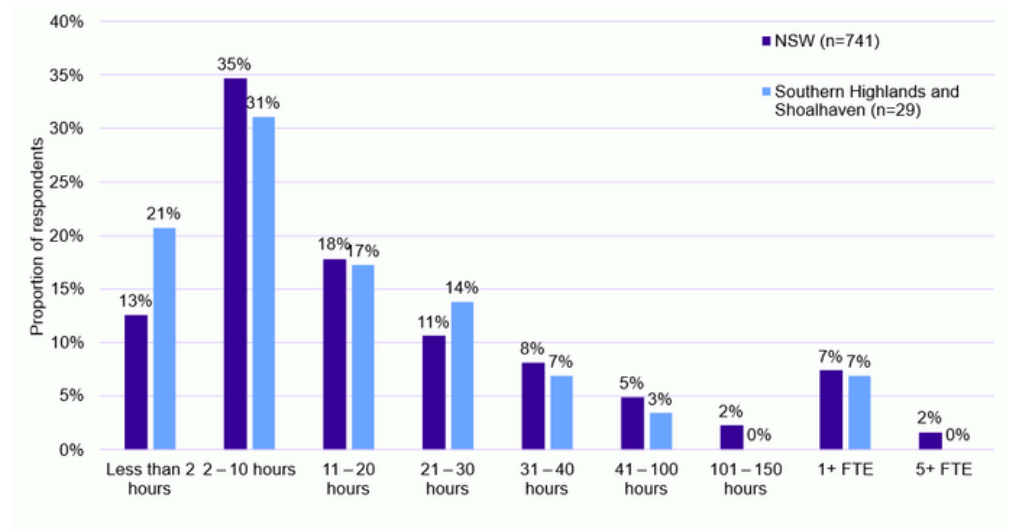
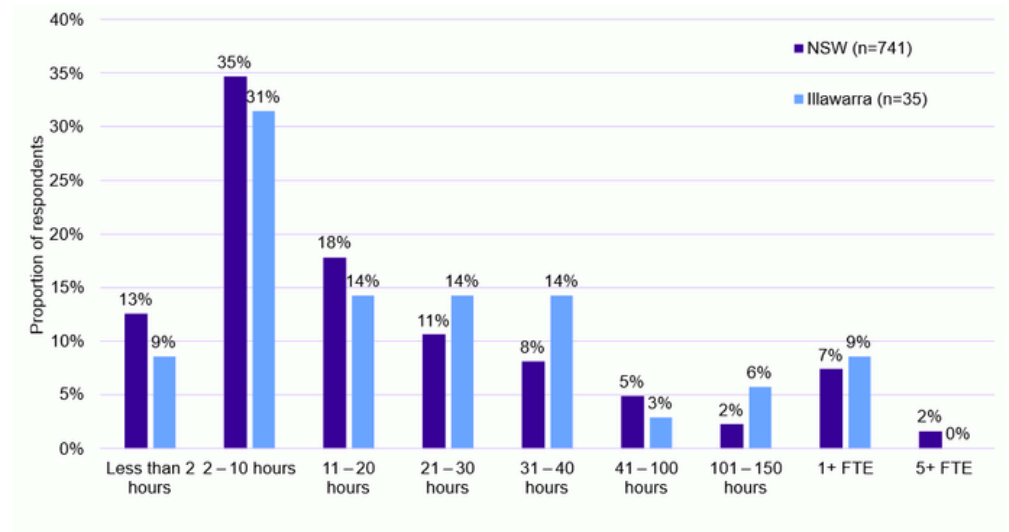
COMPLIANCE + REGULATION

Time spent per month working to meet regulatory and compliance requirements

Time spent meeting regulatory and compliance requirements in the Illawarra, Southern Highlands and Shoalhaven is broadly consistent with the high burden reported across New South Wales.

As with the NSW average, a significant share of businesses in the region spend more than 21 hours per month on compliance activities.

However, the impact of this time burden appears more pronounced locally, given weaker overall business confidence and a higher concentration of small businesses with limited capacity to absorb regulatory demands compared with the statewide profile.





Currently impacting our
business right now is
excessive record keeping and
reporting requirements”

**MANUFACTURING
BUSINESS**

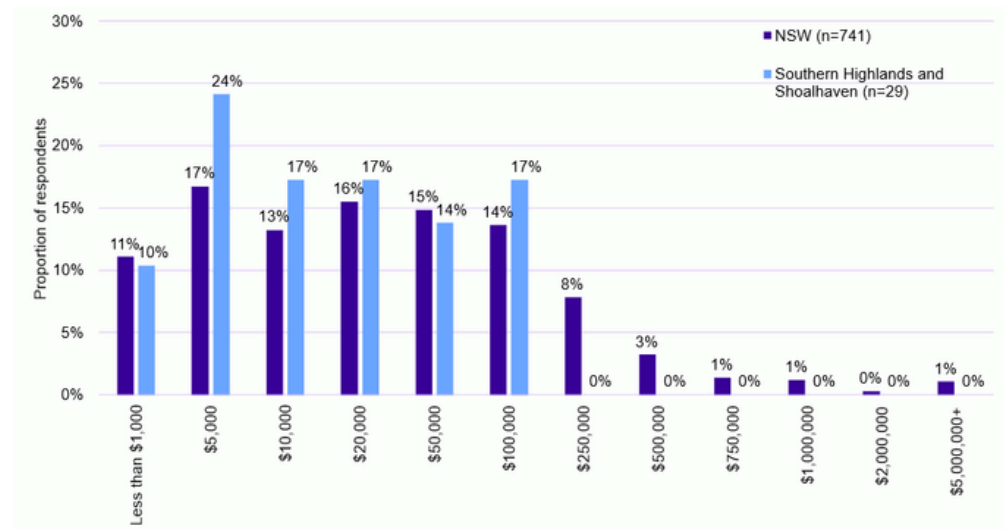
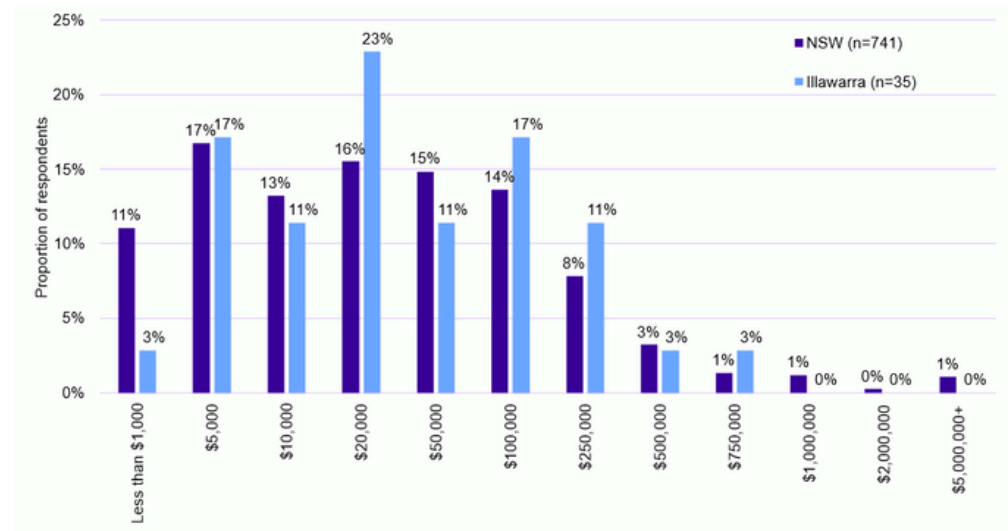
COMPLIANCE + REGULATION

Estimated annual cost of meeting regulatory and compliance requirements

The estimated annual cost of meeting regulatory and compliance requirements in the Illawarra, Southern Highlands and Shoalhaven is broadly consistent with the high burden reported across New South Wales.

However, regional businesses appear less insulated from these costs, with fewer businesses reporting minimal compliance expenditure. In the Illawarra, moderate to high compliance costs are more widely distributed across smaller firms, while businesses in the Southern Highlands and Shoalhaven report a similarly broad cost burden.

Against a backdrop of weaker confidence, compliance costs represent a more significant constraint on capacity, productivity and investment than is evident statewide.



FEEDBACK TO GOVERNMENT AHEAD OF 2027 ELECTION

Across Illawarra and the Southern Highlands & Shoalhaven, business priorities for the 2027 State Election closely reflect the statewide message. As in NSW, taxes, levies and government charges are the top concern, followed by energy cost and reliability and housing availability and affordability.

However, Illawarra places a stronger emphasis on housing, elevating it above energy, while SHS aligns more closely with the NSW order. Mid-tier issues also diverge: Illawarra prioritises red-tape reduction earlier, whereas SHS places insurance costs and industrial relations higher than the state average. Overall, the region reinforces NSW's call for cost relief, energy stability and reduced regulatory burden.

