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SPIRALLING BUSINESS COSTS LEADING TO JOB CUTS

The [latest Business Conditions Survey](#), undertaken by Business NSW in collaboration with Business Illawarra, has found that approximately one in five employers across the region are looking to cut staff because of the spiralling cost of doing business.

This survey – the most informative temperature check of business conditions in NSW – has found many enterprises are looking to batten down the hatches to survive interest rate hikes, spiralling energy costs and supply chain issues.

Of the more than 1,200 businesses surveyed, 59 percent of business owners indicated they will maintain the same headcount while only 19 percent are looking to bring people on. The remaining 22 percent of business owners intend to cut staff, with the highly casualised workforces of arts and recreation, accommodation and food services and retail most likely to be the sectors hardest hit by job cuts.

Survey findings also include that Illawarra businesses are expecting a deterioration in business conditions in the near term, as depicted by a -58.8 next quarter Business Confidence Index score. This compares unfavourably with the statewide average score of -53.8.

Business Illawarra Executive Director Adam Zarth said that the survey puts beyond doubt that enterprises across the wider region are feeling the pinch.

“Local businesses were looking forward to expanding post-lockdown but what we are seeing is business owners going into survival mode in the next year,” said Mr Zarth.

“In positive news, survey results show that in the Illawarra business are being impacted less by the key cost increases confronting them, such as rising interests rates and energy prices, compared to others.”

“However it’s worrying to see staff cuts emerge as a response to the cost increases here locally as part of a statewide trend.”

“Many business owners have been absorbing price increases into their profits, but this can’t go on forever.”

“Now we are seeing the result of softening demand and an increase in unemployment across the region.”

The latest ABS Regional Labour force detailed data release for January 2023 reports that the Illawarra unemployment rate increased from 2.8 percent in December to 4.1 per cent. This unemployment rate is now above the 12 month average of 2.8 percent and back above the NSW and National rates of 3.2 per cent and 3.5 per cent respectively.

Those in employment (full and part time) fell from 165,300 to 161,700 in the Illawarra between December and January.

Mr Zarth said that housing shortages have continued to be a sleeper issue impacting business.

“More than one in three (35 percent) of business owners refer to affordability of housing for workers in nearby areas as the biggest barrier to hiring new employees in the survey.”

“In the next month Business Illawarra will be releasing a Key Worker Housing Affordability report and strategy that will demonstrate solutions to this economically significant issue,” Mr Zarth said.

Other key findings of the survey include:

- More than half of respondents (59 percent) said higher wages demanded by workers was the other biggest barrier to hiring new employees.
- The rising cost of doing business is the biggest barrier to operating at full potential, demonstrating that current rates of inflation have implications for business expansion.
- Concern about interest rates has been steadily rising across all indicators since this question was first asked in July 2022 (when the RBA cash rate target was 1.35 percent). The question was repeated in October/November 2022 (2.85 percent) and February 2023 (3.35 percent).

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About Business Illawarra

Formerly the Illawarra Business Chamber, *Business Illawarra* is the region’s peak business organisation, and the regional office of Business NSW responsible for the south-east of the state, including the Southern Highlands.