



# NSW Business Chamber & Commonwealth Bank Business Conditions Survey



Invigorating Business Representation

April 2010



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## Introduction

### NSW Business Chamber

NSW Business Chamber is one of Australia's largest business support groups, helping over 35,000 businesses each year. Independent and non-government, NSW Business Chamber represents the needs of business at local, state and federal level, lobbying governments and authorities to create a better environment to do business in.

### About the Survey

*NSW Business Chamber - Commonwealth Bank Business Conditions Survey* is a quarterly survey of businesses on their current and expected performance across a range of indicators. Respondents also have an opportunity to provide comment on any other factors affecting the performance of their business.

### Survey Frequency and Participation

The survey is conducted quarterly, and is typically sent to around 3,000 member businesses. The response rates and sample sizes vary between regions. More detail on respondents can be found in Appendix I.

The Business Conditions Survey was distributed through NSW Business Chamber, Hunter Business Chamber, Illawarra Business Chamber and Sydney Business Chamber. More detail on regional results can be found in Appendix II.

Data may have 0.1% to 0.2% error owing to rounding off.

## Business Conditions Survey Index

Current	Apr-09	Jul-09	Nov-09	Change	Apr-10
Business Conditions	-30.4	-14.2	11.9	↓	6.2
Sales Revenue	-24.1	-16.5	17	↓	2.4
Export Sales	-15.5	-15.9	-6.4	↓	-10.8
Profits	-33.5	-25.7	-0.4	↓	-8.6
Wage Rates	13.9	7.8	22	↑	28.6
Number of Employees	-14.7	-12.3	4.5	↑	10.1
Hours Worked by Employees	-5.6	-8.1	13.1	↓	8.3
Capacity Utilisation	-3.6	-11.7	11.4	↑	14.1
Investment in BTP&E	-14	-3	3.2	↑	5.2
Ease of Access to Finance	-27.1	-25.5	-13.1	↓	-19.4
Cost of Finance	-21.6	8.1	26.8	↑	39.7
Expected	Apr-09	Jul-09	Nov-09	Change	Apr-10
Business Conditions	-19.6	6.9	28.2	↑	28.6
Sales Revenue	-15.8	8.8	35.4	↑	36.3
Export Sales	-13.9	-7.1	-3.3	↑	-1.3
Profits	-17.8	2.4	24.8	↓	19
Wage Rates	3.8	19.4	24	↑	30.5
Number of Employees	-15.1	-1.9	10.9	↑	17.9
Hours Worked by Employees	-3.4	3.7	17.3	↑	19.4
Capacity Utilisation	2	8.3	18.3	↑	23.7
Investment in BTP&E	-14.9	-11.3	1.7	↑	8.3
Ease of Access to Finance	-16.2	-16.1	-4.2	↓	-10.5
Cost of Finance	-10.6	20.3	34.7	↑	41.2

Business Conditions Survey Index, April 2009 to March 2010, (%Up-%Down)



## Executive Summary

The NSW Business Chamber – Commonwealth Bank Business Conditions Survey shows that business conditions while still positive, are less so than the last quarter and businesses remain optimistic about the next quarter.

The March 2010 NSW Business Chamber – Commonwealth Bank Business Conditions Survey was distributed to 3,165 businesses and obtained a 10.3 per cent response rate (325 respondents) in the time that it was active (1 March to 8 March).

Indicators have been improving since April 2009. The July 2009 and November 2009 surveys showed the positive changes that were taking place and reflected the optimism of the NSW businesses. The March 2010 survey shows a slight decline in these improvements.

The March 2010 survey shows that business conditions for NSW businesses have declined in the last quarter for 24.3% of businesses, compared to 19.3 % in the November 2009 survey. NSW businesses remain positive about business conditions over the next three months with 40.9% expecting improvement.

Access to finance remains a significant issue for NSW businesses. In November 2009, 20.5% found it difficult to access finance and 13.4% expected difficulty in accessing finance in the new quarter. In March 2010, 24.3% found it difficult to access finance and 16.3% expect difficulty in accessing finance in the next three months. Also, businesses have found the cost of finance high over the last three months and expect further increases in the cost of finance over the next three months.

There has been a shift in opinion on the performance of the NSW economy since November 2009. Businesses are indicating that the NSW economy has been weaker over the last three months and the expectation is the same over the next three months. In November 2009, 36.4% believed that the economy was strong and 44.1% said that it will continue to be strong. In March 2010, only 30.5% said that the economy has been strong and 39.4% believe this will continue.

## Economic Commentary

Michael Blythe, Chief Economist, Commonwealth Bank Australia

Recent readings from the NSW Business Chamber – Commonwealth Bank Business Conditions Survey highlight the patchiness of the recovery in the NSW economy. Business conditions declined in March 2010 from the November 2009 reading, with sales revenues falling significantly. Conditions were stronger outside of Sydney, particularly in the Hunter and Illawarra regions. Sales and profit outcomes and expectations in these two regions are stronger than Sydney and the rest of NSW, possibly reflecting the resources industry linkages for these regional economies.

Overall the positive outlook remains intact, despite current conditions failing to live up to previous strong expectations. Employment and hours worked are expected to continue to improve in the quarter ahead. This positive dynamic should bolster New South Wales' economy overall as jobs growth passes through to increases in household spending. However, wages have been rising, and a large proportion of firms are expecting to increased wage costs in the period ahead. In an environment of a patchy recovery, and significant import competition courtesy of a high Australian dollar, increases in wage and other costs pose a potential threat to profitability. For the moment though, New South Wales firms profit outlook remains positive, particularly in the Hunter and Illawarra region.

## Business Conditions

### NSW Economy

There has been a shift in opinion on the performance of the NSW economy since November 2009. Businesses are indicating that the NSW economy has been weaker over the last three months and the expectation is the same over the next three months. In November 2009, 36.4% believed that the economy was strong and 44.1% said that it will continue to be strong. In March 2010, only 30.5% said that the economy has been strong and 39.4% believe this will continue.

	Much Stronger	Somewhat Stronger	About the Same	Somewhat Weaker	Much Weaker
Current	6.5%	24.0%	44.9%	18.5%	6.2%
Expected	4.6%	34.8%	41.5%	14.8%	4.3%

### Business Conditions

The March 2010 survey shows that business conditions for NSW businesses have declined in the last quarter for 24.3% of businesses, compared to 19.3% in the November 2009 survey. NSW businesses remain positive about business conditions over the next three months with 40.9% expecting improvement.

	Up	Same	Down
March quarter outcomes	30.5%	45.2%	24.3%
June quarter expectations	40.9%	46.8%	12.3%

### Sales Revenue

Sales revenue has increased in the last quarter for 37.5% of businesses and 53.2% expect an increase over the next three months. Since November 2009, there has been a 10.0% increase in the proportion of businesses experiencing a decline in sales revenue.

	Up	Same	Down
March quarter outcomes	37.5%	28.0%	34.8%
June quarter expectations	53.2%	29.8%	16.9%

### Export Sales

Export performance has declined since the November survey. Export sales declined in the last quarter for 16.3%, and 11.1% expect a further decline over the next three months.

	Up	Same	Down
March quarter outcomes	5.5%	78.2%	16.3%
June quarter expectations	9.8%	79.1%	11.1%

## Profits

Profits have decreased slightly in the last quarter. In November 2009, 31.5% experienced a growth in profits and 43.6% expected this growth to continue. However, in March 2010, only 27.1% grew profits and 41.5% expect growth in the next three months.

	Up	Same	Down
March quarter outcomes	27.1%	37.2%	35.7%
June quarter expectations	41.5%	36.0%	22.5%

## Wage Rates

The growth in wage rates has accelerated in the last quarter. In November 2009, 25.5% noted a wage increase and 26.5% expected a further increase. In March 2010, 31.4% noted an increase and 31.7% expect an increase in the next three months.

	Up	Same	Down
March quarter outcomes	31.4%	65.8%	2.8%
June quarter expectations	31.7%	67.1%	1.2%

## Number of Employees

Number of employees has increased in the last quarter. In November 2009, 19.8% noted an increase in employee numbers and 17.1% expected an increase. In March 2010, 24.9% noted an increase and 26.8% expect growth in employee numbers in the next three months.

	Up	Same	Down
March quarter outcomes	24.9%	60.3%	14.8%
June quarter expectations	26.8%	64.3%	8.9%

## Hours Worked by Employees

Hours worked by employees have decreased slightly in the last quarter. In November 2009, 30.2% noted an increase in hours and 25.5% expected an increase. However, in March 2010, only 23.4% said hours increased and 28.3% expect the hours to increase in the next three months.

	Up	Same	Down
March quarter outcomes	23.4%	61.5%	15.1%
June quarter expectations	28.3%	62.8%	8.9%

## Capacity Utilisation

The intensity of use of business resources has decreased slightly in the last quarter but NSW businesses are more positive about the future. In November 2009, 31.2% noted an increase and 27.7% expected an increase. However, in March 2010, 29.8% increased capacity utilisation and 32.3% expect an increase in the next three months.

	Up	Same	Down
March quarter outcomes	29.8%	54.5%	15.7%
June quarter expectations	32.3%	59.1%	8.6%

## Investment In Buildings, Technology, Plant and Equipment

The investment in buildings, technology, plant and equipment has decreased slightly in the last quarter but NSW businesses expect increased investment in the next three months. In November 2009, 23.5% noted an increase and 17.3% expected an increase. However, in March 2010, 20.3% increased investment and 24.0% expect an increase in the next three months.

	Up	Same	Down
March quarter outcomes	20.3%	64.6%	15.1%
June quarter expectations	24.0%	60.3%	15.7%

## Ease of Access to Finance

In November 2009, 20.5% found it difficult to access finance and 13.4% expected difficulty in accessing finance. In March 2010, 24.3% found it difficult to access finance and 16.3% expect difficulty in accessing finance in the next three months.

	Up	Same	Down
March quarter outcomes	4.9%	70.8%	24.3%
June quarter expectations	5.8%	77.8%	16.3%

## Cost of Finance

Businesses have found the cost of finance high over the last three months and expect further increases in the cost of finance over the next three months. In November 2009, 34.2% said cost of finance increased and 37.4% expected an increase. In March 2010, 42.5% found that cost of finance increased and 43.4% expect an increase in the next three months.

	Up	Same	Down
March quarter outcomes	42.5%	54.8%	2.8%
June quarter expectations	43.4%	54.5%	2.2%



## Appendix I – Respondents in Detail

### Respondents by Region

Region	Number of Respondents	Percentage
Sydney	113	34.8%
Hunter	58	17.8%
Illawarra	40	12.3%
Rest of NSW	114	35.1%

### Respondents by Number of Employees

Number of Employees	Percentage
1 to 4	22.2%
5 to 20	43.4%
21 to 50	19.1%
51 to 100	7.1%
More than 100	8.3%

### Respondents by Industry

Industry	Percentage
Agriculture, Forestry and Fishing	3.1%
Mining	3.8%
Manufacturing	22.0%
Wholesale Trade	6.7%
Retail Trade	7.2%
Electricity, Gas, Water and Waste Services	1.2%
Construction	6.2%
Transport, Postal and Warehousing	2.4%
Information Media and Telecommunications	2.1%
Public Administration and Safety	1.4%
Education and Training	4.8%
Health Care and Social Assistance	4.1%
Accommodation and Food Services	4.1%
Financial and Insurance Services	7.2%
Rental, Hiring and Real Estate Services	1.4%
Professional, Scientific and Technical Services	7.4%
Administrative and Support Services	3.1%
Arts and Recreation Services	3.1%
Other Services	8.8%



## Appendix II – Regional Results

### NSW Economy – Current

Region	Much Stronger	Somewhat Stronger	About the Same	Somewhat Weaker	Much Weaker
Sydney	4.4%	27.4%	45.1%	18.6%	4.4%
Hunter	5.2%	24.1%	51.7%	17.2%	1.7%
Illawarra	10.0%	35.0%	42.5%	10.0%	2.5%
Rest of NSW	7.9%	16.7%	42.1%	21.9%	11.4%

### NSW Economy – Expected

Region	Much Stronger	Somewhat Stronger	About the Same	Somewhat Weaker	Much Weaker
Sydney	4.4%	34.5%	44.2%	14.2%	2.7%
Hunter	3.4%	50.0%	34.5%	10.3%	1.7%
Illawarra	10.0%	40.0%	40.0%	10.0%	0.0%
Rest of NSW	3.5%	25.4%	43.0%	19.3%	8.8%

### Business Conditions – Current

Region	Up	Same	Down
Sydney	28.3%	43.4%	28.3%
Hunter	39.7%	44.8%	15.5%
Illawarra	50.0%	37.5%	12.5%
Rest of NSW	20.2%	51.4%	28.4%

### Business Conditions – Expected

Region	Up	Same	Down
Sydney	41.6%	46.9%	11.5%
Hunter	56.9%	41.4%	1.7%
Illawarra	52.5%	37.5%	10.0%
Rest of NSW	28.1%	52.6%	19.3%



### Sales Revenue - Current

Region	Up	Same	Down
Sydney	32.7%	30.1%	37.2%
Hunter	51.7%	29.3%	19.0%
Illawarra	55.0%	20.0%	25.0%
Rest of NSW	28.1%	28.1%	43.9%

### Sales Revenue - Expected

Region	Up	Same	Down
Sydney	56.6%	27.4%	15.9%
Hunter	70.7%	22.4%	6.9%
Illawarra	70.0%	20.0%	10.0%
Rest of NSW	35.1%	39.5%	25.4%

### Export Sales - Current

Region	Up	Same	Down
Sydney	4.4%	71.7%	23.9%
Hunter	5.2%	89.7%	5.2%
Illawarra	15.0%	72.5%	12.5%
Rest of NSW	3.5%	80.7%	15.8%

### Export Sales - Expected

Region	Up	Same	Down
Sydney	11.5%	77.9%	10.6%
Hunter	5.2%	91.4%	3.4%
Illawarra	20.0%	70.0%	10.0%
Rest of NSW	7.0%	77.2%	15.8%



### Profits – Current

Region	Up	Same	Down
Sydney	24.8%	37.2%	38.1%
Hunter	36.2%	41.4%	22.4%
Illawarra	35.0%	40.0%	25.0%
Rest of NSW	21.9%	34.2%	43.9%

### Profits – Expected

Region	Up	Same	Down
Sydney	40.7%	35.4%	23.9%
Hunter	58.6%	31.0%	10.3%
Illawarra	55.0%	35.0%	10.0%
Rest of NSW	28.9%	39.5%	31.6%

### Wage Rates – Current

Region	Up	Same	Down
Sydney	29.2%	69.9%	0.9%
Hunter	44.8%	53.4%	1.7%
Illawarra	20.0%	77.5%	2.5%
Rest of NSW	30.7%	64.0%	5.3%

### Wage Rates – Expected

Region	Up	Same	Down
Sydney	36.3%	63.7%	0.0%
Hunter	43.1%	55.2%	1.7%
Illawarra	20.0%	77.5%	2.5%
Rest of NSW	25.4%	72.8%	1.8%



### Number of Employees - Current

Region	Up	Same	Down
Sydney	26.5%	60.2%	13.3%
Hunter	31.0%	53.4%	15.5%
Illawarra	25.0%	57.5%	17.5%
Rest of NSW	20.2%	64.9%	14.9%

### Number of Employees - Expected

Region	Up	Same	Down
Sydney	26.5%	67.3%	6.2%
Hunter	44.8%	50.0%	5.2%
Illawarra	25.0%	65.0%	10.0%
Rest of NSW	18.4%	68.4%	13.2%

### Hours Worked by Employees - Current

Region	Up	Same	Down
Sydney	27.8%	59.1%	13.0%
Hunter	24.1%	67.2%	8.6%
Illawarra	22.5%	60.0%	17.5%
Rest of NSW	18.4%	60.5%	21.1%

### Hours Worked by Employees - Expected

Region	Up	Same	Down
Sydney	31.9%	57.5%	10.6%
Hunter	32.8%	62.1%	5.2%
Illawarra	35.0%	57.5%	7.5%
Rest of NSW	20.2%	70.2%	9.6%



### Capacity Utilisation - Current

Region	Up	Same	Down
Sydney	34.5%	46.9%	18.6%
Hunter	34.5%	58.6%	6.9%
Illawarra	40.0%	50.0%	10.0%
Rest of NSW	19.3%	61.4%	19.3%

### Capacity Utilisation - Expected

Region	Up	Same	Down
Sydney	37.2%	52.2%	10.6%
Hunter	50.0%	46.6%	3.4%
Illawarra	35.0%	62.5%	2.5%
Rest of NSW	17.5%	71.1%	11.4%

### Investment In Buildings, Technology, Plant and Equipment - Current

Region	Up	Same	Down
Sydney	22.1%	62.8%	15.0%
Hunter	22.4%	65.5%	12.1%
Illawarra	17.6%	76.5%	5.9%
Rest of NSW	19.3%	65.8%	14.9%

### Investment In Buildings, Technology, Plant and Equipment - Expected

Region	Up	Same	Down
Sydney	26.5%	57.5%	15.9%
Hunter	39.7%	51.7%	8.6%
Illawarra	22.5%	67.5%	10.0%
Rest of NSW	14.0%	64.9%	21.1%



### Ease of Access to Finance - Current

Region	Up	Same	Down
Sydney	4.4%	69.0%	26.5%
Hunter	8.6%	69.0%	22.4%
Illawarra	2.5%	65.0%	32.5%
Rest of NSW	4.4%	75.4%	20.2%

### Ease of Access to Finance - Expected

Region	Up	Same	Down
Sydney	6.2%	71.7%	22.1%
Hunter	6.9%	82.8%	10.3%
Illawarra	5.0%	77.5%	17.5%
Rest of NSW	5.3%	81.6%	13.2%

### Cost of Finance - Current

Region	Up	Same	Down
Sydney	48.7%	48.7%	2.7%
Hunter	32.8%	65.5%	1.7%
Illawarra	40.0%	55.0%	5.0%
Rest of NSW	42.1%	55.3%	2.6%

### Cost of Finance - Expected

Region	Up	Same	Down
Sydney	56.6%	40.7%	2.7%
Hunter	37.9%	60.3%	1.7%
Illawarra	35.0%	65.0%	0.0%
Rest of NSW	36.0%	61.4%	2.6%



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**Invigorating Business Representation**