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Soaring interest rates stunt business growth

Businesses in the Hunter region are more concerned than the NSW average when it comes to rising interest rates and energy costs, reveals the latest Business Conditions Survey.

Undertaken by **Business NSW** in collaboration with **Business Hunter**, the Business Conditions Survey indicates that despite relatively buoyant trading conditions, 39% of Hunter businesses gave a score of 10 out of 10, noting they were "extremely concerned" for the impact of rising interest rates on their business expansion plans – a concern set to intensify on the back of an eighth consecutive interest rate rise this week.

Business Hunter CEO, Bob Hawes said the survey revealed that for the first time since the start of the pandemic, businesses in the region were more downbeat about their 3 month economic outlook than their present trading conditions.

"We're seeing that many of the indicators around the economy are weighing on the minds of business owners, despite some of the sectors in the region trading well. Staffing shortages, supply chain issues, geopolitical factors, energy prices and interest rates are major contributing factors," said Mr Hawes.

The business confidence index for the three month outlook in the Hunter, which has been in negative territory for some time, softened further from July to November dropping to -72.5 from -66.2, a fall of 10 per cent over the quarter.

"This is significant given the Hunter was sitting well above other regions across the Covid period and we have now taken a dive compared to the average across NSW," Mr Hawes said.

The most recent ABS Labour force data provides additional context, with unemployment rates remaining low and businesses persevering with chronic worker shortages.

The most recent ABS Labour force data showed the monthly unemployment rate in the Hunter Valley dropped to 2.8 per cent, down from 3.2 in September, while Newcastle and Lake Macquarie eased to 3.6 per cent, representing a pool of around 12,000 people across the region at a time when the internet vacancy jobs list is still over 7,180 based on the National Skills Commission data for October 2022.

"While the monthly figures are volatile, the overall message here is that the pool of workers is low, particularly in context of the number of jobs open," said Mr Hawes.

"It's also important to note that many businesses have given up listing job vacancies online, and the end of the year holiday period is traditionally a time when businesses take their foot off the recruitment pedal, therefore the real job vacancy rate is likely much higher than the figure expressed by the National Skills Commission."

Labour force statistics data also shows there remains a shadow in relation to the workforce participation rate in the Hunter Valley, which still lags the pre pandemic rate of around 65 percent compared to 59 percent now. This represents a drop of around 7,000 in the size of the region's workforce.

"This is remarkable and concerning given widespread reports of the region's population having increased over the last two years, the low unemployment rate and jobs bonanza in the Hunter Valley. For comparison, the participation rate across Newcastle and Lake Macquarie has recovered to its pre pandemic level," said Mr Hawes.

A significant bright point is that youth unemployment (15 – 24 yr old) remains well below pre pandemic levels, at around 8 percent across the entire region compared to the figures of above 10 per cent pre pandemic.

"There's great opportunity in the job market currently for young people looking for work, including for school and higher education leavers entering the job market over the next few months," said Mr Hawes.

Business Hunter continues to assert policy makers need to bear in mind the Hunter region stands out in the nation by virtue of the ambitious growth spotlight it has in several sectors led by the new energy economy. The region needs to maintain jobs growth not only for the 'business as usual' case but also provide for the growth potential in new and existing sectors which could be a factor of two times more than what our growth has been historically.

"We continue to work with a whole range of regional stakeholders to make sure businesses, educators and training and development organisations are all aware of the circumstances and remedies being suggested and proposed," Mr Hawes said.

"We're also looking for initiatives that make sense to take to government particularly in the lead up to the State election in March 2023 where whoever takes government will have their hands full to be part of the solution to resolving the workforce issues currently before us."

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