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Rising costs lead to job cuts

The employment outlook of the Hunter region has changed, with one in five businesses now expecting to cut staff in the next three months and 56% anticipating zero growth.

Undertaken by **Business NSW** in collaboration with **Business Hunter**, the Business Conditions Survey (BCS), is the most informative temperature check of businesses across the state, including the Hunter. This quarter, it reveals fragile sentiment, weakened by nine successive interest rate hikes and increasing costs of doing business.

Business Hunter CEO, Bob Hawes said in the same period online job advertisements across the region, as measured by the National Skills Commission Internet Vacancy, had dropped by more than 15%, likely to be reflecting the change in hiring intention coming through the BCS.

“It’s probably no coincidence that we’re seeing online job advertisements fall off a cliff, with the BCS revealing that 75% of businesses are looking to either maintain or reduce their current headcount in the short term,” said Mr Hawes.

“Businesses frustrated by not being able to fill positions, as well as those taking a conservative approach regarding future hiring intentions because of the state of the economy are withdrawing from advertising jobs online.”

“The message resonating loud and clear this quarter is that business sentiment has changed, and conditions are undeniably challenging at present.”

When asked to rate their business prospects, 56% of Hunter businesses indicated they had ‘just enough business activity to survive’, while 5% were ‘very likely headed for shutdown’.

Mr Hawes said many businesses across the region were battenning down the hatches at a time when they were expecting to recover from flat trading or losses incurred during the pandemic.

“While many businesses continue to raise genuine concerns about availability of workers and enduring skills shortages, some are starting to cut staff amid a slowdown in trade, which is a worrying sign,” said Mr Hawes.

“Across the state, issues evident from workers/skills shortages are being compounded by the rising cost of doing business, which businesses have now ranked as the biggest barrier to operating at full potential.”

“The cost of doing business has been creeping up on us and is now at the top of the leader board of issues impacting business,” said Mr Hawes.

Melanie Chapman, owner of PEGS café in Whitebridge, said when it came to support for small businesses, they were left on their own.

“Tax costs are killing small businesses, and this has to be resolved if we want to keep our small businesses alive. When it comes to weathering economic storms, small businesses are on the front line, and minimising our exposure is an urgent need. When COVID hit, tax cuts and apprenticeships support were rapidly rolled out, and they’ve been turned off at a time when it’s needed most,” said Ms Chapman.

“You know conditions are tough when regulars stop buying their daily coffee, or share a meal instead of buying their own. Sadly, we’ve entered that phase, and the conditions that are making it tough on them, in turn make it tough on us.”

The BCS also shows that businesses in the Hunter region continue to be more impacted by rising energy costs than the NSW average, with one business indicating they are bracing for an imminent 39% increase in energy costs.

“We need renewables to come online faster to reduce volatility in the market. This election we’re calling for a new government program to support SME’s to decarbonise and reduce their exposure to bill shock. At a broader level, we’re urging the incoming government to support the NSW Government’s Electricity Infrastructure Roadmap and rapidly accelerate approvals for large scale renewable energy projects to ensure energy security for business,” said Mr Hawes.

Survey participants said:

“My electricity is about to increase by 39%, my wages bill has increased by 10%, insurance increased by 35%, just to name a few. These aren’t small increases, they are detrimental to my businesses viability and longevity” – Retail Trade.

“Larger corporations are hesitant to spend money as they can see the writing on the wall with regards to the local & global economy. So everyone is going to batten down the hatches and try to ride out the next few years” – Manufacturing.

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