



Small Business Momentum Survey



Small
Business
Commissioner

December 2022

Overview



The NSW Small Business Commission (the Commission) regularly engages with small businesses across the State through the monthly Momentum Survey. This report summarises key insights, trends and data from the survey conducted in December 2022.

Small business confidence has remained stable over the past several months but remains significantly weaker than earlier in 2022.

Businesses continue to report a challenging operating environment. Rising operating costs (including energy), staff shortages, higher interest rates and economic uncertainty were cited as factors weighing on confidence in December.

Expectations about revenue and profitability weakened further in December, nearly one in two businesses (44 per cent) expect profits to decline over the next three months. Increased input costs and concerns about decreased consumer spend appear to account for the expected decline in profitability reported by some respondents.

The online survey was completed between 1 and 29 December with more than 500 small businesses across NSW responding.



Confidence

31 per cent of businesses indicated they were confident about their individual business prospects.



Concerns

83 per cent of businesses indicated they were concerned about the cost of business inputs.



Challenges

53 per cent of businesses anticipate 2023 will be a very difficult period.



Staff

55 per cent of businesses that have plans to expand are looking to hire additional staff.



Expansion

35 per cent of businesses indicated they have plans to grow, alter or expand operations.



Profitability

10 per cent expect profitability to increase, compared to 44 per cent expecting a decline.



Revenue

15 per cent expect revenue to increase, compared to 38 per cent expecting a decline.



Local economy

19 per cent of businesses indicated they were confident about their local economy.



Confidence down in December

“Lack of skilled staff means operators are working overtime to bridge the gaps. Burn out is a real concern.”

Business conditions



Confidence levels remain significantly lower than earlier in the year, as small businesses navigate inflationary pressures, staff shortages, interest rate rises and concerns about weaker household consumption.

The number of businesses looking at new ways of doing businesses decreased marginally in December. Around two in five (35 per cent) indicated they currently have plans to grow, alter or expand their operations (down from 36 per cent in November). Of those businesses with plans to expand, more than half indicated they had plans to either improve the range and/or quality of products and services (57 per cent) or hire additional staff (55 per cent).

The percentage of small businesses expecting an increase in revenue and profitability over the next three months declined for a third consecutive month. The outlook of many small businesses continues to be dampened by increasing input costs and an uncertain trading environment. Only 15 per cent of businesses indicated they expect revenue to increase over the next three months, while 38 per cent expect revenue to decrease over the same period.

Confidence

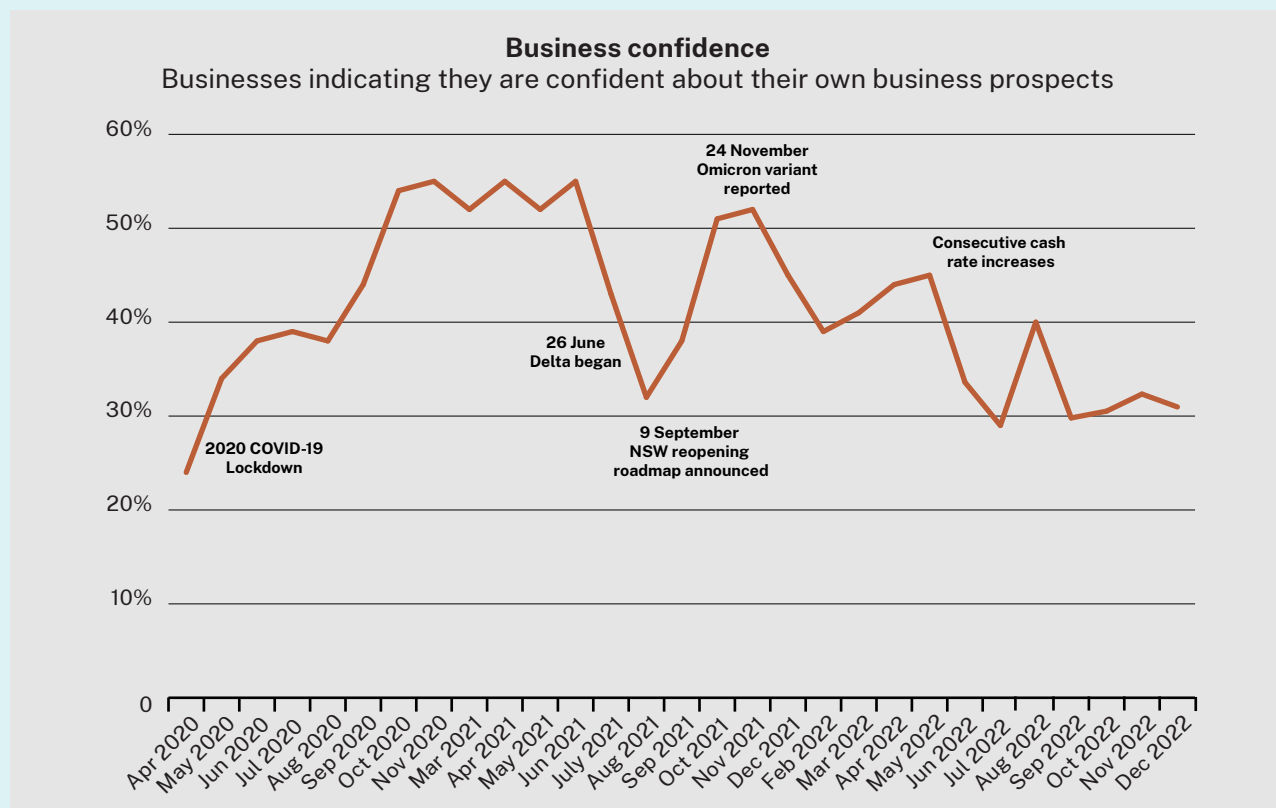
Small business confidence fell 1 percentage point in December to 31 per cent. Non-employed businesses are significantly less confident (24 per cent) about their own prospects than employing businesses (36 per cent).

Business performance

Business performance indicators moderated further in December. The percentage of businesses indicating they expect revenue and profits to decline remains significantly larger compared to those that expect an improvement.

The business environment

The cost of business inputs is the top concern for small businesses for a ninth consecutive month, with 83 per cent expressing concern. The next highest concerns were predicted retail electricity and gas price increases, followed by cash flow and availability of working capital, with 76 and 70 per cent expressing concern respectively.



Year in review 2022



The past year has presented evolving challenges for small businesses. While impacts related to COVID-19 have eased, many businesses have faced significant changes in the operating environment. These include increasing business costs, extreme weather events, interest rate increases and staff shortages. Some sectors remained impacted by COVID-19 with international tourism yet to fully recover and ongoing supply chain challenges.

Two in five (43 per cent) businesses indicated that they were heavily impacted by natural disasters in 2022 and only one in four (23 per cent) businesses indicated that their business is now performing better than it did before the COVID-19 pandemic.

Expectations for the current Christmas and holiday period are subdued with one in three (32 per cent) businesses indicating they expect trading conditions to be worse when compared to same period (December 2021 and January 2022) last year.

Looking forward to 2023, the outlook of many small businesses is pessimistic. The majority (53 per cent) anticipate that the year will be a difficult period for their business, while only a minority (5 per cent) anticipate that 2023 will offer a more favourable trading environment.

Christmas and the holiday period

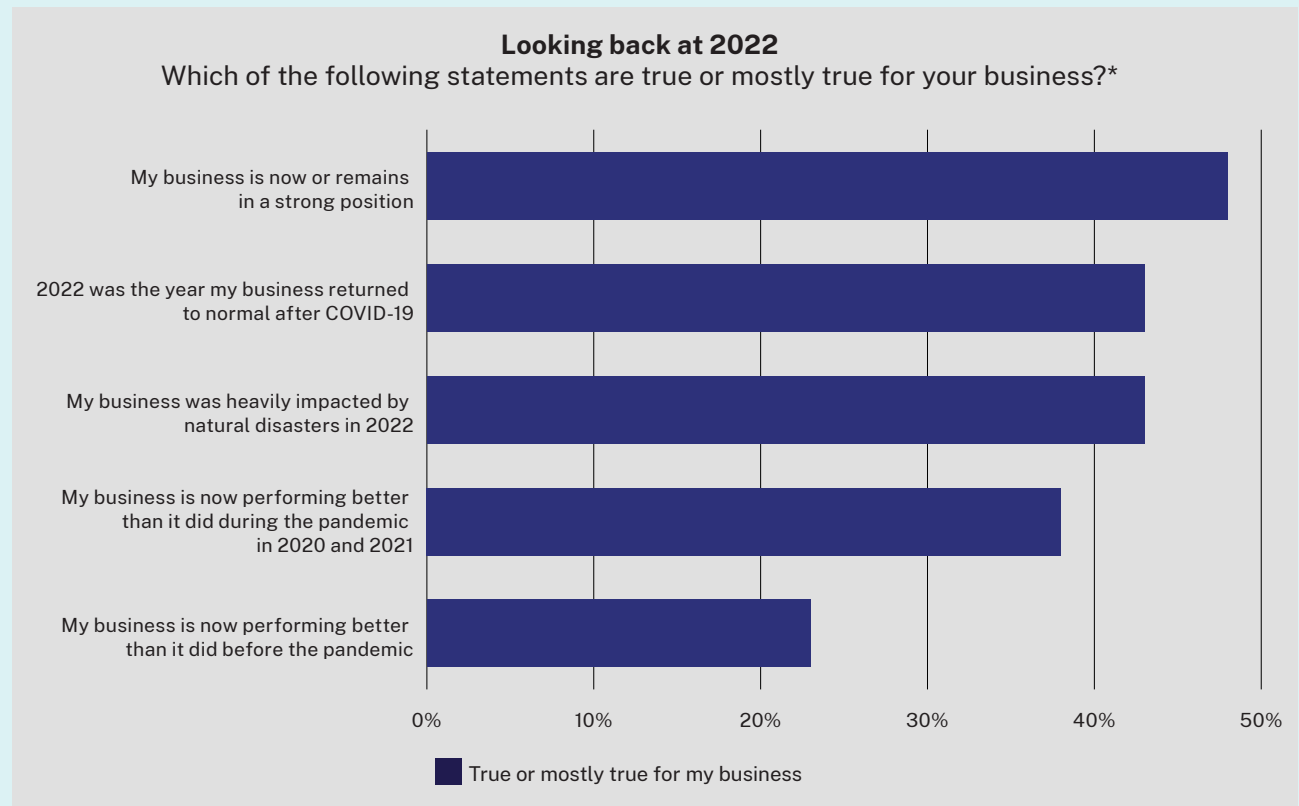
Compared to December 2021 and January 2022, 32 per cent of businesses expect trading conditions to be worse this Christmas and holiday period while only 16 per cent expect conditions to be better.

Looking back at 2022

Looking back at 2022, 48 per cent of businesses indicated that the statement 'My business is now or remains in a strong position' is true or mostly true for their business compared to 52 per cent who indicated not true.

Looking forward to 2023

One in two (53 per cent) businesses indicated that they anticipate 2023 will be a difficult period, compared to only one in twenty (5 per cent) who anticipate it will offer a more favourable trading environment.



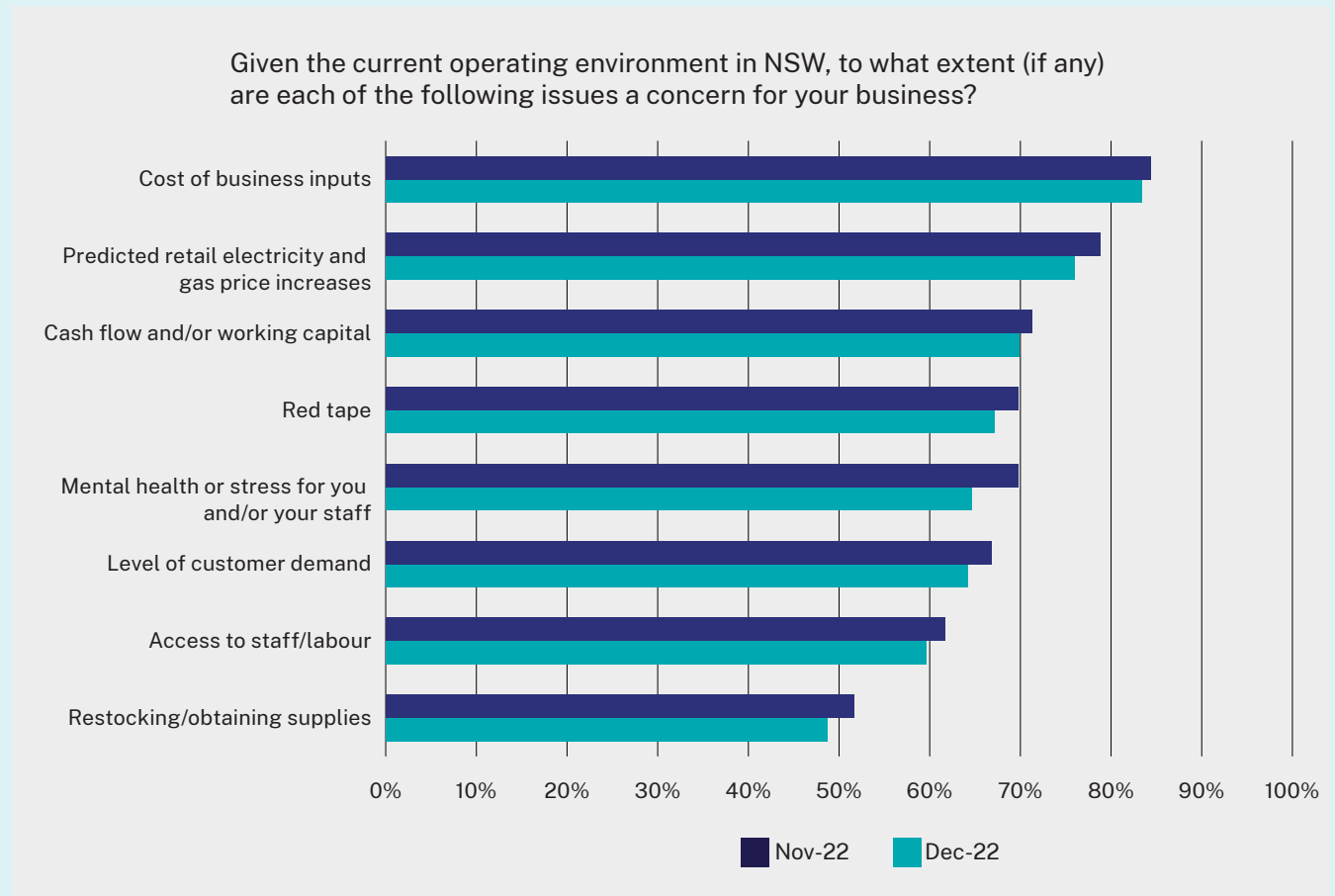
*Excludes respondents who selected N/A - not relevant for my business

Business conditions



“The cost of electricity and gas is our biggest concern. We already have very high costs and at the same time we want to ensure our prices are fair and reasonable.”

Business concerns



Detailed results



Confidence

	Confidence – in own business prospects [#]		Confidence – in local economy [#]	
	December 2022	November 2022	December 2022	November 2022
Extremely confident	4.4%	6.2%	2.9%	2.4%
Fairly confident	26.5%	26.2%	15.6%	18.8%
About the same	32.3%	23.1%	35.6%	27.8%
Fairly worried	23.7%	31.4%	36.0%	41.5%
Extremely worried	13.0%	13.1%	9.9%	9.6%
Extremely or fairly confident	31.0%	32.3%	18.5%	21.1%

Business size	n	% sample	Confidence*
Non employing	194	35.3%	23.5%
1 – 4 employees	198	36.0%	33.9%
5 – 19 employees	132	24.0%	38.9%
20 – 199 employees	26	4.7%	31.3%
Total	550	100.0%	31.0%

Location	n	% sample	Confidence*
Greater Sydney	308	56.9%	28.9%
Regional and Rural NSW	233	43.1%	31.7%
Total	541	100.0%	31.0%

[#]Confidence figures weighted according to industry share of the small business population.

*Confidence figures refer to share of businesses indicating they are confident about their own business prospects. Caution should be taken when interpreting results for categories with a small sample size.

Detailed results



Confidence

Industry	n	% sample	Confidence*
Agriculture, Forestry and Fishing	33	6.0%	32.3%
Mining	2	0.4%	100.0%
Manufacturing	27	4.9%	46.2%
Electricity, Gas, Water and Waste Services	7	1.3%	50.0%
Construction	68	12.4%	32.8%
Wholesale Trade	23	4.2%	21.7%
Retail Trade	55	10.0%	24.5%
Accommodation and Food Services	32	5.8%	29.0%
Transport, Postal and Warehousing	24	4.4%	25.0%
Information Media and Telecommunications	26	4.7%	17.4%
Financial and Insurance Services	36	6.5%	33.3%
Rental, Hiring and Real Estate Services	22	4.0%	20.0%
Professional, Scientific and Technical Services	51	9.3%	37.5%
Administrative and Support Services	7	1.3%	33.3%
Public Administration and Safety	2	0.4%	100.0%
Education and Training	26	4.7%	32.0%
Health Care and Social Assistances	22	4.0%	40.9%
Arts and Recreation Services	12	2.2%	27.3%
Other Services	75	13.6%	21.4%
Total	550	100.0%	31.0%

*Confidence figures refer to share of businesses indicating they are confident about their own business prospects. Caution should be taken when interpreting results for industries with a small sample size.

Detailed results



Revenue and profitability

	Revenue change – Past 3 months [#]		Revenue change – Expected over next 3 months [#]		Profitability change – Past 3 months [#]		Profitability change – Expected over next 3 months [#]	
	December 22	November 22	December 22	November 22	December 22	November 22	December 22	November 22
Increase	17.1%	20.6%	15.5%	16.2%	11.2%	11.4%	9.6%	9.8%
No change	39.2%	35.3%	40.5%	40.9%	32.8%	31.9%	39.2%	40.0%
Decrease	42.6%	41.7%	37.8%	36.0%	53.2%	54.8%	44.5%	42.7%
Unsure	1.1%	2.4%	6.3%	6.9%	2.8%	2.0%	6.7%	7.5%

[#]Revenue and profitability figures weighted according to industry share of the small business population.

Business expansion

Plans to grow, alter, or expand business operations? [#]	December 22		November 22	
	December 22	November 22	December 22	November 22
Yes	35.5%	36.4%	35.5%	36.4%
No	51.1%	46.0%	51.1%	46.0%
Unsure	13.4%	17.6%	13.4%	17.6%

[#]Weighted according to industry share of the small business population.

Nature of plans (of those who indicated 'yes') [~]	December 22		November 22	
	December 22	November 22	December 22	November 22
We have plans to hire additional staff	54.8%	56.3%	54.8%	56.3%
We have plans to purchase/rent additional property, plant and/or equipment	36.2%	35.4%	36.2%	35.4%
We have plans to establish or expand our online business	23.2%	32.3%	23.2%	32.3%
We have plans to improve the range and/or quality of our products and services	57.5%	56.2%	57.5%	56.2%
Other	14.5%	15.2%	14.5%	15.2%

[~]Respondents able to select multiple options; weighted according to industry share of the small business population; n=179.

About the Commission



Small
Business
Commissioner

Our purpose

The NSW Small Business Commissioner is an independent statutory appointment that operates under the Small Business Commissioner Act 2013.

The Commissioner:

- **Is independent**
- **Is a source of information and guidance for NSW small businesses**
- **Advocates to reduce red tape**
- **Facilitates and encourages the fair treatment of small businesses**
- **Promotes greater partnership between government and small business**
- **Conducts mediation to resolve disputes.**

What we do

We help resolve issues affecting small businesses across the State and influence changes in Government policies.



We ensure that small business needs are front of mind in NSW Government decision-making.



We advocate for small businesses, providing information resources, strategic advice and practical guidance to tens of thousands of businesses each year.



We provide a cost-effective dispute resolution service to help keep leasing disputes and other small business disagreements out of court.

Contact us



Call us

1300 795 534



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www.smallbusiness.nsw.gov.au



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smallbusiness.nsw.gov.au/subscribe



Methodology

Fieldwork conducted between 1 December to 29 December 2022 with 550 respondents. The survey is conducted through an online survey platform.

Selected businesses are invited to participate, with the sample randomly drawn. Where indicated, figures are weighted according to each industry's share of the small business population. Smaller sample sizes mean that results for individual industries and other categories should be treated with caution.

Figures may not align with the total percentage as respondents were able to select multiple options for certain questions.

Please contact the Small Business Commission for more information about survey methodology.