Small Business
Momentum Survey

NSW GOVERNMENT

Small Business Commissioner

August 2023

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 August 2023.

Small business confidence rose for a second consecutive month, increasing by 2 percentage points to 30 per cent between July and August.

Businesses continue to report challenging trading conditions. Increasing input costs, including energy, fuel, materials, rents and wages were reported as impacting small business. Staff shortages, higher interest rates, economic uncertainty and weaker customer demand were also cited as factors weighing on confidence in August.

Expectations about revenue and profitability remained relatively stable in August. Approximately one in five (17 per cent) businesses expect revenue to increase over the next three months, down 1 percentage point from July. Concerns and impacts relating to inflation and consumer spending may have contributed to the dampened outlook reported by some businesses.

The online survey was completed between 1 and 31 August with more than 600 small businesses across NSW responding.

	Previous month
Confidence 30 per cent of businesses indicated they were confident about their individual business prospects.	↑
Concerns 82 per cent of businesses indicated they were concerned about the cost of business inputs.	↓
Momentum The Momentum Index increased by 4.6 points between July and August to 88.7 index points.	↑
Staff 50 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 12 per cent expect profitability to increase, compared to 41 per cent expecting a decline.	↑
Revenue 17 per cent expect revenue to increase, compared to 34 per cent expecting a decline.	↓
Local economy 20 per cent of businesses indicated they were confident about their local economy.	↑

Confidence up in August

"Finding quality staff has always been difficult but it has become even more so post COVID".

***See page 9 for more information on the Momentum Index.**

Business conditions

Small Business Commissioner

Business conditions improved for a second consecutive month in August. The RBA's decision to leave the cash rate unchanged for the second time in as many months may have contributed to an improved outlook. However, business conditions remain subdued, coinciding with challenging trading conditions, higher interest rates and elevated costs.

The number of businesses looking at new ways of doing business rose in August, increasing by 3 percentage points to 35 per cent, in-line with the series average. Of those businesses with plans to expand, the percentage looking to purchase or rent additional property, plant or equipment declined, decreasing by 4 percentage points to 33 per cent, a record low.

The percentage of businesses expecting an increase in profitability improved marginally in August. Twelve per cent of businesses expect profitability to increase over the next three months, up 2 percentage points from July.

Confidence

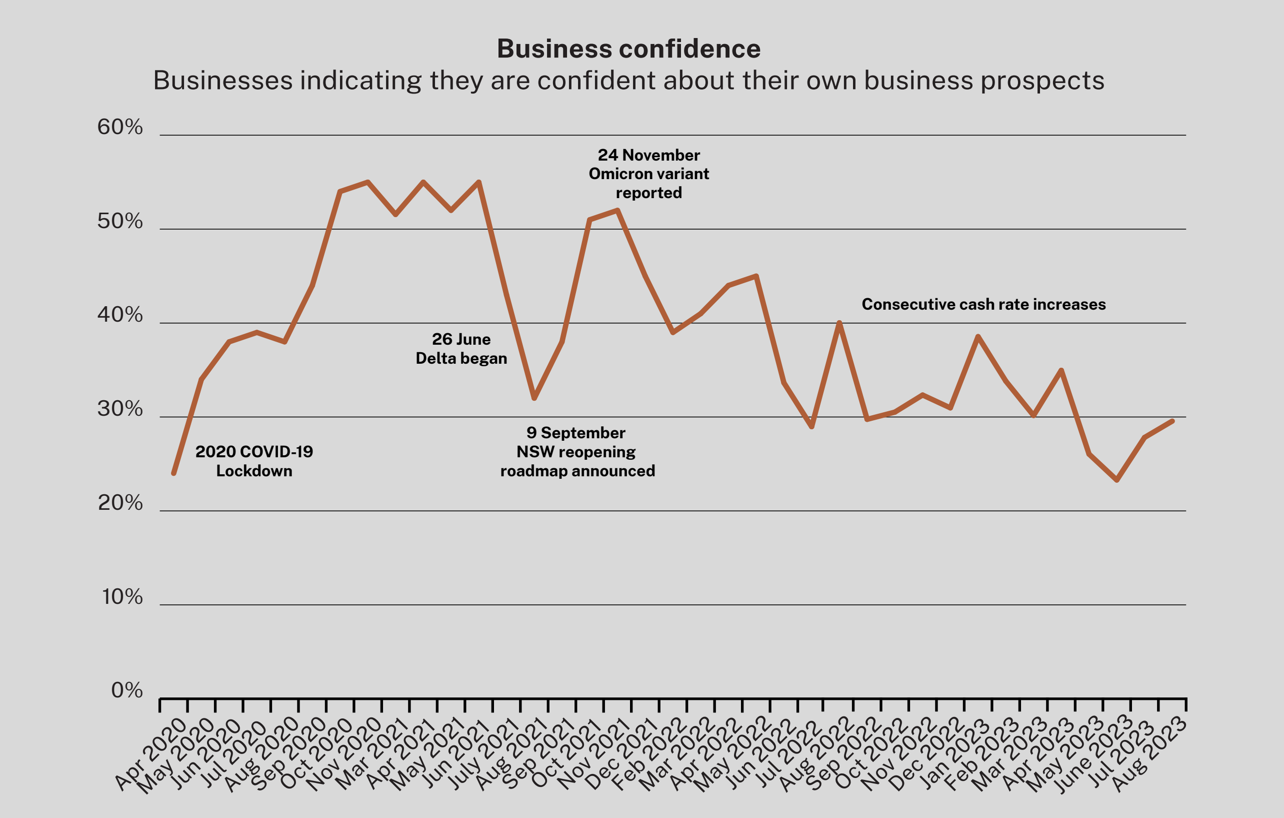
Small business confidence increased by 2 percentage points in August to 30 per cent. Despite the improvement, there are significantly more businesses worried (46 per cent) about their individual business prospects than those that are confident.

Business performance

Business performance indicators remained relatively stable in August. The percentage of businesses indicating they expect revenue and profitability to decline continues to be significantly larger compared to those that expect an improvement.

The business environment

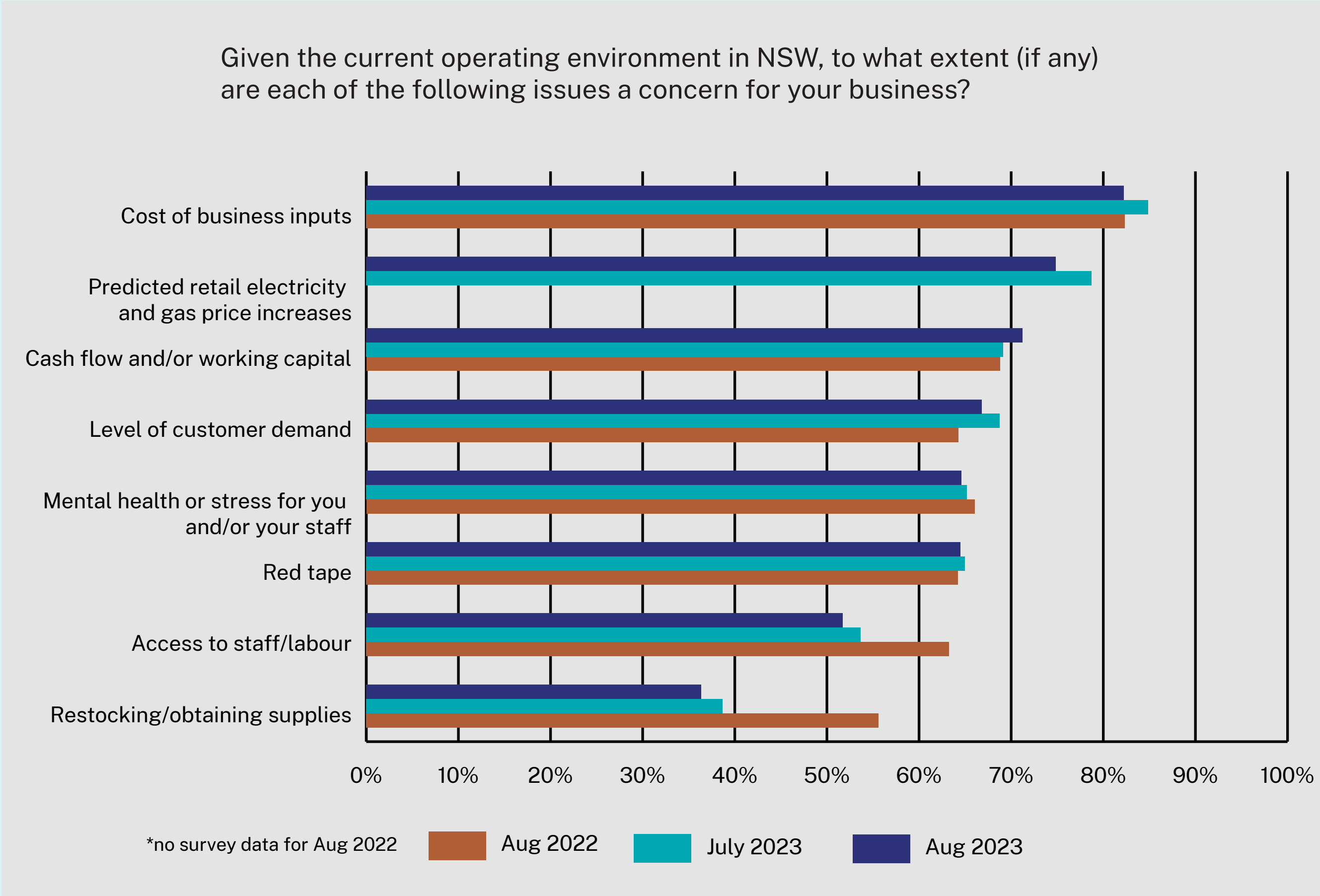
The cost of business inputs is the top concern for small businesses for a seventeenth consecutive month, with 82 per cent expressing concern. The next highest concerns were predicted retail electricity and gas price increases, followed by cashflow and the availability of working capital, with 75 per cent and 71 per cent expressing concern respectively.



Business conditions

"Operating costs are increasing at a faster rate than we can keep up with. If we put up our rates in line with costs our services will become too expensive and we'll lose customers."

Business concerns



"We run a large gas oven, the cost of electricity has increased so much, we wouldn't be able to afford to change to electric".

Ban on new gas connections

Some local government areas have passed or are considering passing new planning rules that prevent gas appliances in new homes and businesses. This would mean new businesses would be required to only use electric appliances like stoves, cooktops, heaters and hot water units instead of gas appliances.

The Commission sought feedback from business operators across the State to better understand the impact any potential ban on new gas connections would have on small businesses.

A significant number of businesses use gas, with one in five (19 per cent) businesses indicating their business currently has a gas connection which is used in their business.

Of those businesses with a gas connection:

- One in four (25 per cent) indicated their business would not be able to operate if they were unable to access a gas connection as there are no alternatives.
- Two in five (42 per cent) indicated their business would be able to operate if they were unable to access a gas connection but the alternative energy sources and/or technologies would be inferior.
- One in ten (11 per cent) indicated their business would be able to operate if they were unable to access a gas connection as there are good alternative options available.
- The majority (57 per cent) indicated that a potential ban on new gas connections would have a negative impact on their business, including significant cost increases and reduced productivity.

Businesses reported concerns around the costs associated with a potential ban on new gas connections, including the cost of electricity compared to gas, noting that electricity is significantly more expensive. Businesses also reported concerns about the cost of converting gas connections to electricity as well as the higher price of electric appliances relative to gas appliances.

Detailed results

Confidence

	Confidence – in own business prospects#		Confidence – in local economy#	
	August 2023	July 2023	August 2023	July 2023
Extremely confident	↑ 5.9%	4.8%	↓ 1.3%	1.9%
Fairly confident	↑ 23.6%	23.0%	↑ 18.5%	15.1%
About the same	↓ 24.5%	27.8%	↑ 30.7%	28.6%
Fairly worried	↑ 33.8%	30.8%	↓ 38.1%	41.0%
Extremely worried	↓ 12.1%	13.5%	↓ 11.4%	13.4%
Extremely or fairly confident	↑ **29.6%**	**27.8%**	↑ **19.8%**	**16.9%**

Business size	n	% sample	Confidence*	Previous month
Non employing	252	37.7%	30.2%	↓
1 – 4 employees	229	34.2%	26.4%	↑
5 – 19 employees	140	20.9%	33.9%	↑
20 – 199 employees	48	7.2%	29.8%	↑
Total	**669**	**100.0%**	**29.6%**	↑

Location	n	% sample	Confidence*	Previous month
Greater Sydney	360	54.5%	27.4%	↑
Regional and Rural NSW	300	45.5%	32.2%	↑
Total	**660**	**100.0%**	**29.6%**	↑

#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*	Previous month
Agriculture, Forestry and Fishing	35	5.2%	22.9%	↑
Mining	2	0.3%	50.0%	-
Manufacturing	48	7.2%	27.3%	↑
Electricity, Gas, Water and Waste Services	11	1.6%	12.5%	↓
Construction	82	12.3%	26.3%	↑
Wholesale Trade	14	2.1%	30.8%	↓
Retail Trade	78	11.7%	11.3%	↓
Accommodation and Food Services	15	2.2%	23.1%	↑
Transport, Postal and Warehousing	18	2.7%	29.4%	↑
Information Media and Telecommunications	25	3.7%	39.1%	↓
Financial and Insurance Services	27	4.0%	29.2%	↑
Rental, Hiring and Real Estate Services	32	4.8%	38.7%	↑
Professional, Scientific and Technical Services	75	11.2%	32.4%	↓
Administrative and Support Services	16	2.4%	33.3%	↓
Public Administration and Safety	3	0.4%	33.3%	↑
Education and Training	23	3.4%	35.0%	↓
Health Care and Social Assistances	41	6.1%	36.8%	↑
Arts and Recreation Services	17	2.5%	40.0%	↑
Other Services	107	16.0%	28.9%	↓
Total	**669**	**100.0%**	**29.6%**	↑

*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#	
	August 2023	July 2023	August 2023	July 2023	August 2023	July 2023	August 2023	July 2023
Increase	↓ 15.8%	16.2%	↓ 17.0%	17.6%	↑ 10.6%	8.4%	↑ 12.5%	10.9%
No change	↓ 35.4%	36.8%	↑ 40.4%	38.4%	↓ 29.0%	32.5%	↑ 36.3%	35.3%
Decrease	↑ 46.4%	45.7%	↓ 33.5%	36.1%	↓ 56.7%	57.0%	↓ 41.0%	46.3%
Unsure	↑ 2.4%	1.3%	↑ 9.1%	7.9%	↑ 3.7%	2.1%	↑ 10.3%	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?#		
	August 2023	July 2023
Yes	↑ 35.5%	32.1%
No	↓ 47.2%	49.6%
Unsure	↓ 17.3%	18.3%

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

Nature of plans (of those who indicated 'yes')~		
	August 2023	July 2023
We have plans to hire additional staff	↓ 50.3%	52.2%
We have plans to purchase/rent additional property, plant and/or equipment	↓ 32.6%	36.1%
We have plans to establish or expand our online business	↓ 24.5%	26.8%
We have plans to improve the range and/or quality of our products and services	↓ 50.2%	53.7%
Other	↓ 17.9%	21.7%

~Respondents able to select multiple options; weighted according to industry share of the small business population; n=214.

Detailed results

Momentum Index

	Momentum Index	Previous month
May 2023	87.3	N/A
June 2023	82.5	↓
July 2023	84.2	↑
August 2023	88.7	↑

About the Momentum Index

The Momentum Index (the Index) is forward-looking and combines a variety of indicators to provide a better overall measure of small business conditions in NSW.

The Index is comprised of three core indicators, including business decisions to hire staff or purchase capital equipment, their recent performance and expectations of their near-term performance.

The Index measures current sentiment and business performance relative to recent levels. A recording above 100 implies businesses are in an expansionary phase and picking up momentum. A recording below 100 implies businesses are in a contractionary phase and slowing down in momentum.

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

About the Commission

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
Get more information	www.smallbusiness.nsw.gov.au
Subscribe to our newsletter	smallbusiness.nsw.gov.au/subscribe

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Methodology

Fieldwork conducted between 1 August to 31 August 2023 with 673 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.