Small Business Momentum Survey

NSW Government
Small Business Commissioner

September 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 September 2023.

Small business confidence rose for a third consecutive month, increasing by 2 percentage points to 32 per cent between August and September. The improvement underscores a momentum swing, with the Momentum Index strengthening to reach a neutral standing for the first time.

Despite the improvement, businesses continue to report challenging trading conditions. Increasing input costs, including energy, fuel, materials, rent, tolls and wages were reported as impacting small businesses. Staff shortages, higher interest rates, exchange rates, climate and weaker customer demand were also cited as factors weighing on confidence in September.

Expectations about revenue and profitability remained stable in September. Approximately one in ten (12 per cent) businesses expect profitability to increase over the next three months, unchanged from August.

The online survey was completed between 1 and 30 September with more than 600 small businesses across NSW responding.

	Previous month
Confidence 32 per cent of businesses indicated they were confident about their individual business prospects.	↑
Concerns 79 per cent of businesses indicated they were concerned about the cost of business inputs.	↓
Momentum The Momentum Index increased by 10.7 points, reaching 99.4.	↑
Staff 50 per cent of businesses that have plans to expand are looking to hire additional staff.	↑
Expansion 33 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 33 per cent expecting a decline.	↓
Local economy 20 per cent of businesses indicated they were confident about their local economy.	↓

"I'm struggling to find staff. We've opted to sponsor an overseas worker, but the process is really expensive".

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

Business conditions

Business conditions improved for a third consecutive month in September. The RBA's decision to continue to leave the cash rate unchanged may have contributed to an improved business outlook.

The number of businesses looking at new ways of doing business declined in September, decreasing by 2 percentage points to 33 per cent, below the series average of 35 per cent. Of those businesses with plans to expand, the percentage of businesses looking to increase their headcount remains high, with one in two (50 per cent) businesses indicating they have plans to hire additional staff.

The percentage of businesses expecting an increase in revenue remained stable in September. Seventeen per cent of businesses expect revenue to increase over the next three months, unchanged from August.

Confidence

Small business confidence increased by 2 percentage points in September to 32 per cent. For the first time since April, more businesses in Greater Sydney (33 per cent) were confident about their individual business prospects than those in Regional and Rural NSW (31 per cent).

Business performance

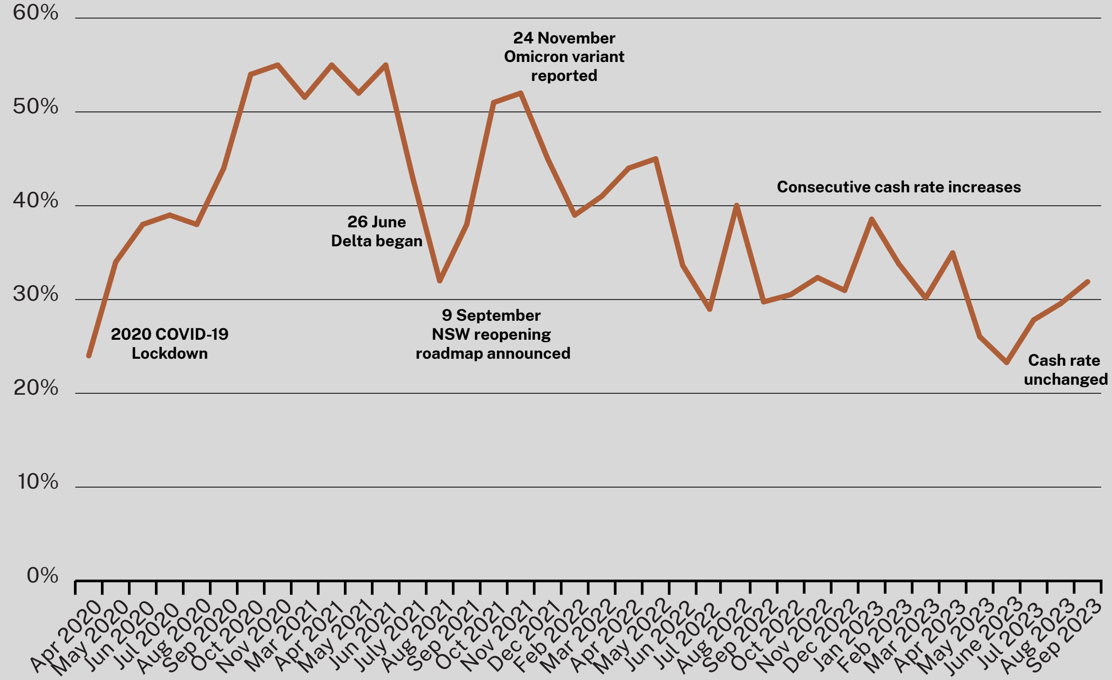
Business performance indicators remained stable in September. The percentage of businesses indicating they expect revenue and profitability to decline continues to be significantly larger compared to those that expect an improvement.

The business environment

The cost of business inputs is the top concern for small businesses for an eighteenth consecutive month, with 79 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 77 per cent and 73 per cent expressing concern respectively.

Business confidence

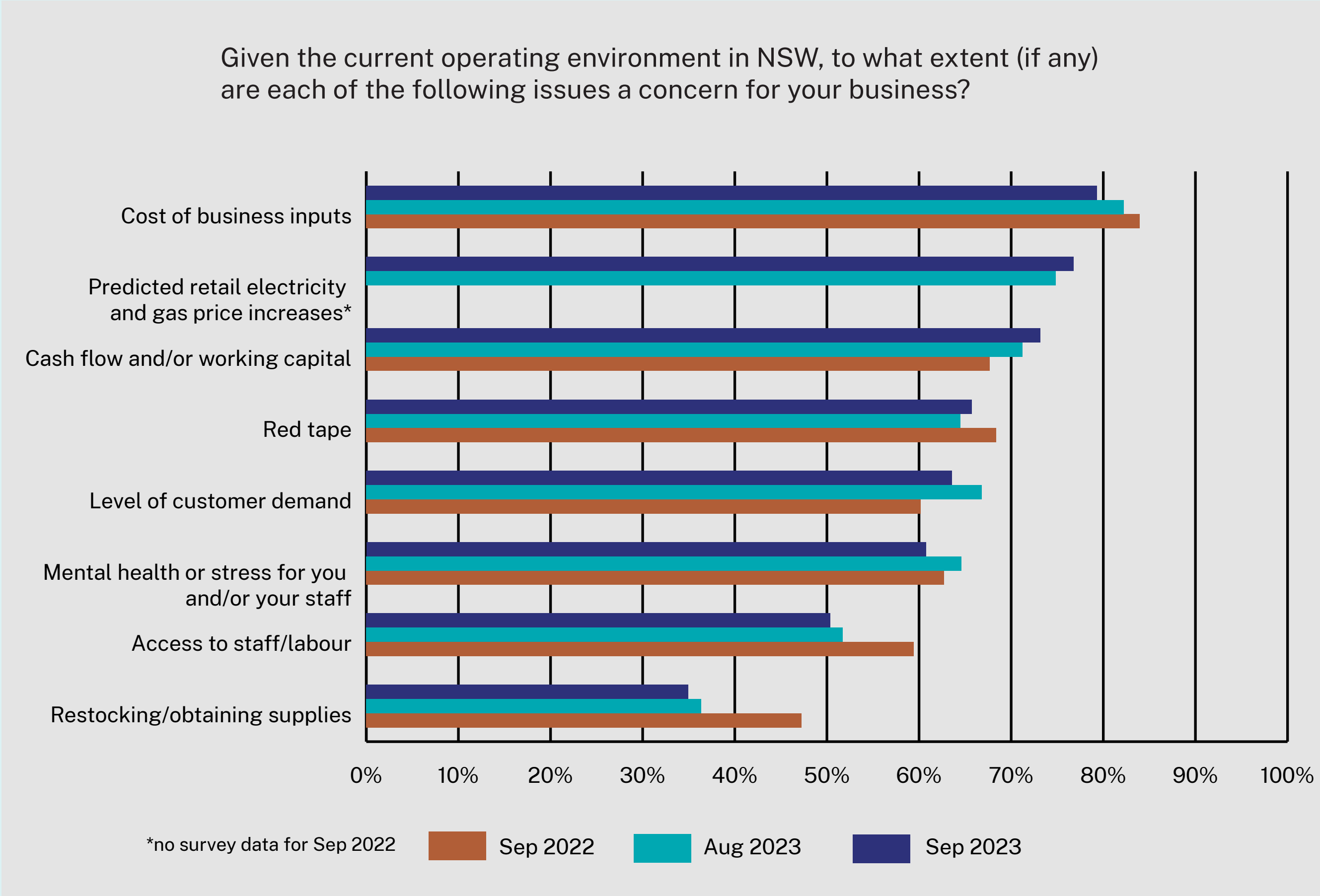
Businesses indicating they are confident about their own business prospects



Business conditions

"Despite being in business for many years we aren't feeling confident. Staff shortages and the costs associated with running a business are mentally exhausting."

Business concerns



Small business stories

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Sarah Frenay, Valley Outdoors, Kangaroo Valley NSW

"Running a small business is full of challenges, but if you can get through them it's great on the other side".

Valley Outdoors

Valley Outdoors is an award-winning ecotourism adventure-based business operating out of Kangaroo Valley. Co-owners Sarah & Travis Frenay and the team at Valley Outdoors strongly believe that everyone can benefit from more time in nature and are passionate about introducing more people to the outdoors through canoeing and other exciting activities.

How is business?

Business is good but all small businesses, us included, are being presented with immense challenges. We're lucky to have an amazing team and great relationships with our local community and industry to help us come up with crafty and timely solutions.

What's your biggest challenge at the moment?

Our biggest challenge is cashflow, the reality is that this puts a lot of pressure on balancing our day-to-day operations with the need to grow and invest in the business.

How does this impact your business?

It means we need to spend more time, which we don't have, budgeting, forecasting and shopping around for the best deals. We've also had to leverage relationships with our existing suppliers, where possible, to enter payment agreements.

What are you doing to address this challenge?

We're conscious of the fact that we can't overcome everything on our own. We've got access to amazing expertise and support, including our team, local community and industry who we look to and trust to help navigate these challenges. We're also creating new products and experiences which are less time intensive and cater to the increasingly busy lives of young professionals and families.

Detailed results

Confidence

	Confidence – in own business prospects#		Confidence – in local economy#	
	September 2023	August 2023	September 2023	August 2023
Extremely confident	↑ 7.9%	5.9%	↑ 2.4%	1.3%
Fairly confident	↑ 24.0%	23.6%	↓ 17.1%	18.5%
About the same	↑ 26.7%	24.5%	↑ 32.3%	30.7%
Fairly worried	↓ 29.0%	33.8%	↓ 36.6%	38.1%
Extremely worried	↑ 12.4%	12.1%	↑ 11.6%	11.4%
Extremely or fairly confident	**↑ 31.9%**	**29.6%**	**↓ 19.5%**	**19.8%**

Business size	n	% sample	Confidence*	Previous month
Non employing	248	39.7%	30.4%	↑
1 – 4 employees	199	31.8%	34.3%	↑
5 – 19 employees	143	22.9%	26.0%	↓
20 – 199 employees	35	5.6%	55.2%	↑
Total	**625**	**100.0%**	**31.9%**	↑

Location	n	% sample	Confidence*	Previous month
Greater Sydney	334	54.0%	32.9%	↑
Regional and Rural NSW	284	46.0%	30.8%	↓
Total	**618**	**100.0%**	**31.9%**	↑

#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	42	6.7%	10.0%	↓
Mining	5	0.8%	0.0%	↓
Manufacturing	21	3.4%	33.3%	↑
Electricity, Gas, Water and Waste Services	7	1.1%	33.3%	↑
Construction	58	9.3%	39.2%	↑
Wholesale Trade	22	3.5%	15.0%	↓
Retail Trade	110	17.6%	14.4%	↑
Accommodation and Food Services	19	3.0%	31.6%	↑
Transport, Postal and Warehousing	27	4.3%	25.0%	↓
Information Media and Telecommunications	23	3.7%	39.1%	-
Financial and Insurance Services	24	3.8%	43.5%	↑
Rental, Hiring and Real Estate Services	24	3.8%	39.1%	↑
Professional, Scientific and Technical Services	56	9.0%	33.9%	↑
Administrative and Support Services	16	2.6%	43.8%	↑
Public Administration and Safety	0	0.0%	N/A	N/A
Education and Training	16	2.6%	64.3%	↑
Health Care and Social Assistances	41	6.6%	26.3%	↓
Arts and Recreation Services	8	1.3%	12.5%	↓
Other Services	106	17.0%	34.7%	↑
Total	**625**	**100.0%**	**31.9%**	↑

*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

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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#	
	September 2023	August 2023	September 2023	August 2023	September 2023	August 2023	September 2023	August 2023
Increase	↓ 14.3%	15.8%	↓ 16.6%	17.0%	↓ 9.1%	10.6%	↓ 12.2%	12.5%
No change	↑ 38.8%	35.4%	↑ 42.3%	40.4%	↑ 36.2%	29.0%	↑ 38.5%	36.3%
Decrease	↓ 44.5%	46.4%	↓ 32.5%	33.5%	↓ 52.0%	56.7%	↑ 41.3%	41.0%
Unsure	↑ 2.5%	2.4%	↓ 8.5%	9.1%	↓ 2.7%	3.7%	↓ 8.0%	10.3%

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

Business expansion

Plans to grow, alter, or expand business operations?#		
	September 2023	August 2023
Yes	↓ 33.1%	35.5%
No	↑ 52.2%	47.2%
Unsure	↓ 14.7%	17.3%

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

Nature of plans (of those who indicated 'yes')~		
	September 2023	August 2023
We have plans to hire additional staff	↑ 50.4%	50.3%
We have plans to purchase/rent additional property, plant and/or equipment	↑ 35.0%	32.6%
We have plans to establish or expand our online business	↑ 27.7%	24.5%
We have plans to improve the range and/or quality of our products and services	↑ 53.3%	50.2%
Other	↑ 18.6%	17.9%

~Respondents able to select multiple options; weighted according to industry share of the small business population; n=187.

Detailed results

Small Business Commissioner

Momentum Index

	Momentum Index	Previous month
May 2023	87.3	N/A
June 2023	82.5	↓
July 2023	84.2	↑
August 2023	88.7	↑
September 2023	99.4	↑

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

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
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 September to 30 September 2023 with 625 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.