



Small Business Momentum Survey



Small
Business
Commissioner

January 2024

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 January 2024.

Small business confidence remained relatively stable between December and January, decreasing by two percentage points to 31 per cent. While confidence levels have been improving since mid-2023, they remain well below the peaks observed in 2021.

Expectations about revenue and profitability improved significantly between December and January, coinciding with the holiday period. Seventeen per cent of businesses expect their profitability to improve over the next three months, up 7 percentage points from December.

Businesses continue to report challenging trading conditions. Rising input costs, including fuel, freight, insurance, materials, rent, wages and utilities were reported as impacting small businesses. Staff shortages, higher interest rates, late payments, compliance burdens and weaker customer demand were also cited as factors weighing on confidence.

Overall momentum, as measured by the Momentum Index, accelerated significantly, increasing by 11.8 points to 103.4 and reaching expansionary territory for the second time. The Momentum Index improved because the components relating to profitability, revenue and capital expenditure all strengthened considerably, more than offsetting the modest decline in confidence.

The online survey was completed between 9 January and 31 January with more than 700 small businesses across NSW responding.

		Previous month
	Confidence 31 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 11.8 points, to 103.4.	↑
	Staff 49 per cent of businesses that have plans to expand are looking to hire additional staff.	↑
	Expansion 37 per cent of businesses indicated they have plans to grow, alter or expand operations.	↑
	Profitability 17 per cent expect profitability to increase, compared to 37 per cent expecting a decline.	↑
	Revenue 22 per cent expect revenue to increase, compared to 29 per cent expecting a decline.	↑
	Local economy 20 per cent of businesses indicated they were confident about their local economy.	↑



"Prices haven't been the same since the pandemic. The cost of insurances, fuel and electricity, just to name a few, have squeezed any profits out of our margins".

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

Business conditions



Business conditions, including revenue and profitability, improved in January despite the moderation in business confidence.

The number of businesses looking at new ways of growing, altering or expanding their operations grew in January, increasing by 5 percentage points to 37 per cent. This is above the series average of 35 per cent. Of those businesses with plans to expand, the percentage planning to purchase or rent additional property, plant and/or equipment rose significantly, increasing by 17 percentage points to 36 per cent, reversing the sharp decline observed in December.

The percentage of businesses reporting an increase in revenue improved significantly in January. Twenty-two per cent of businesses expect revenue to increase over the next three months, up 7 percentage points from December.

Confidence

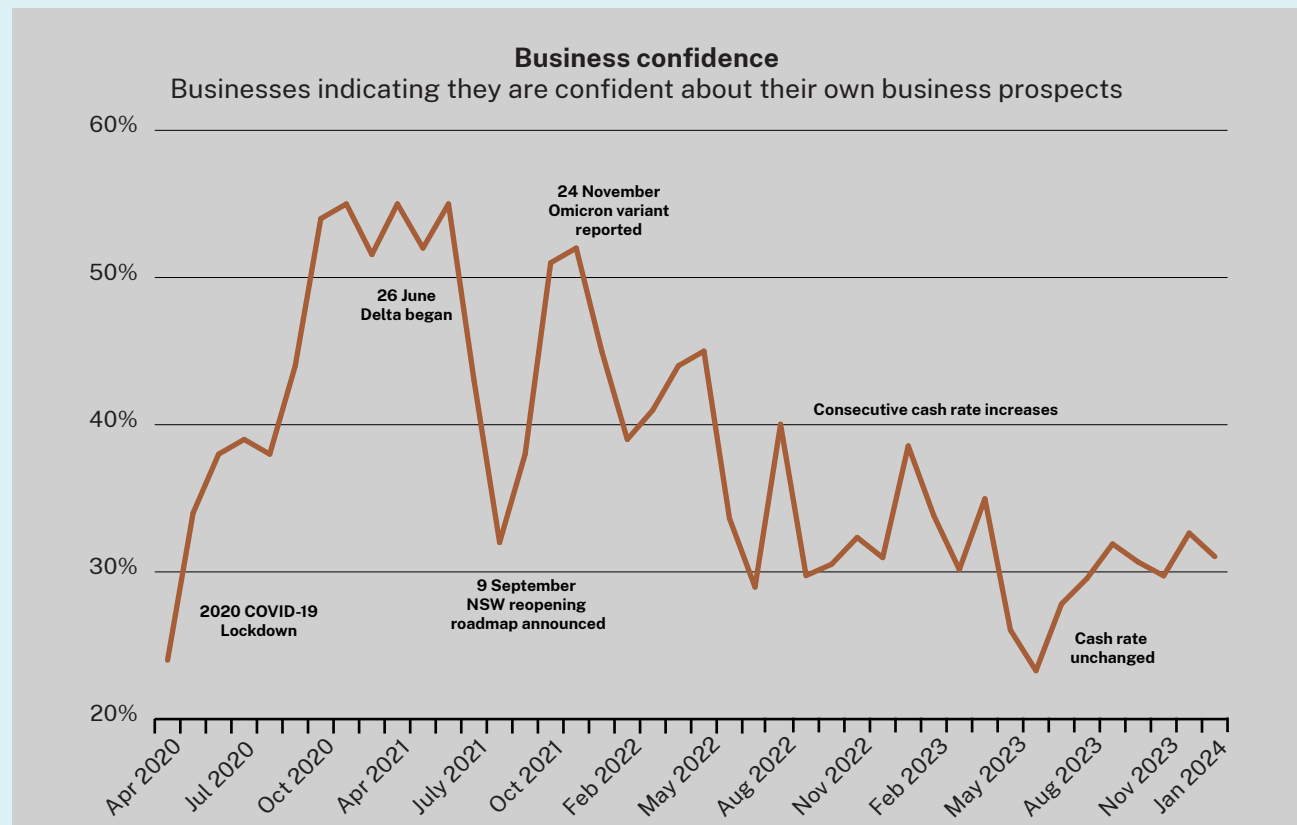
Small business confidence decreased by two percentage points in January to 31 per cent. Employing businesses (34 per cent) were significantly more confident about their individual business prospects than non-employing businesses (26 per cent).

Business performance

Business performance indicators improved significantly in January. Although the percentage of businesses indicating they expect revenue and profitability to decline remains larger compared to those that expect an improvement, the gap has closed considerably.

The business environment

The cost of business inputs was reported as the top concern for small businesses for a twenty-second consecutive month, with 79 per cent expressing concern. The next highest concerns were predicted retail electricity and gas price increases, followed by redtape, with 72 per cent and 68 per cent expressing concern respectively.

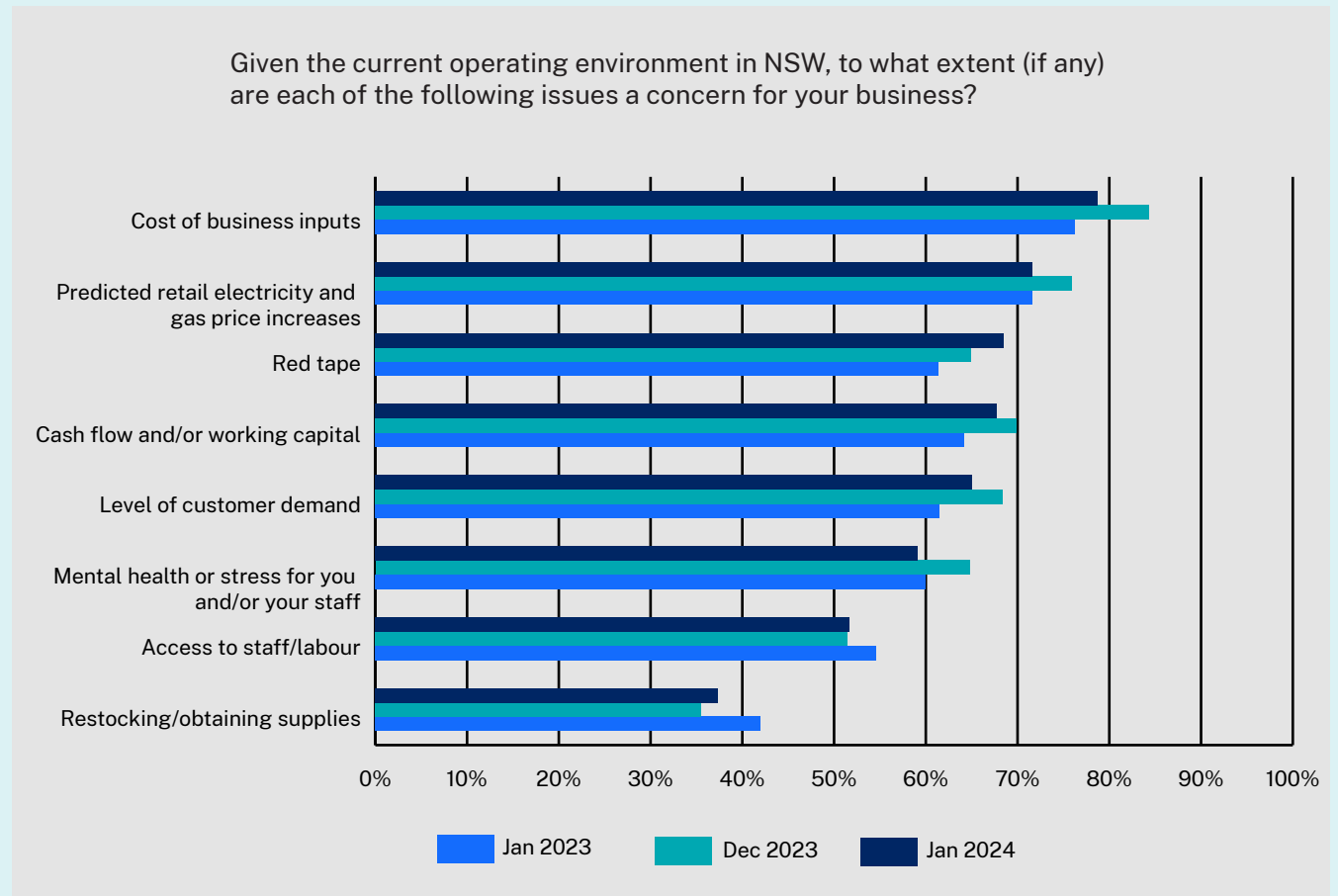


Business conditions



"Our two biggest concerns are the price of our energy bills and the cost of labour. We're also very concerned about the impact of inflation on our customers' ability to spend."

Business concerns





"Exports to overseas customers are experiencing significant delays, leading some to stop ordering".

Supply chains and logistics

Approximately one in three (30 per cent) respondents reported being impacted by disruptions at ports, including increased freight prices, inability to access markets and delayed shipments.

Of those businesses affected:

- 2 per cent indicated the impact was severe (e.g. business survival will be impacted).
- 28 per cent indicated the impact was major (e.g. my business is experiencing significant shipping delays, freight price increases, revenue losses, etc).
- 48 per cent indicated the impact was moderate (e.g. my business is experiencing modest shipping delays, freight price increases, revenue losses, etc).
- 17 per cent indicated the impact was minor or negligible (e.g. my business is experiencing minor shipping delays, freight price increases, revenue losses, etc).
- 6 per cent indicated there was no negative impact despite being affected (e.g. my business is able to operate as usual).

Business reported concerns relating to:

- Rising freight charges and considerable delays in shipments, including both air and sea freight, with sea freight reported as becoming more expensive due to higher container charges and fees. Delays in ports and customs are also contributing to increased costs.
- Supply chain disruptions, with stock either stuck in transit or not available at all. This has led to stock runouts and long lead-times with some orders taking months to arrive.
- Impacts on operations, with supply chain disruptions affecting cashflow, project deadlines and customer satisfaction. Businesses are unable to commit to orders due to uncertainty in shipping costs and timings, leading to increased carrying costs and loss of sales.

Detailed results



Confidence

	Confidence – in own business prospects [#]		Confidence – in local economy [#]	
	January 2024	December 2023	January 2024	December 2023
Extremely confident	↑ 8.9%	6.4%	↑ 3.3%	1.7%
Fairly confident	↓ 22.1%	26.3%	↓ 16.9%	18.3%
About the same	↑ 27.0%	24.5%	↑ 34.8%	32.4%
Fairly worried	↓ 31.6%	32.3%	↓ 34.3%	38.5%
Extremely worried	↓ 10.4%	10.6%	↑ 10.7%	9.0%
Extremely or fairly confident	↓ 31.0%	32.6%	↑ 20.2%	20.0%

Business size	n	% sample	Confidence*	Previous month
Non employing	260	36.2%	26.2%	↓
1 – 4 employees	254	35.3%	33.1%	↓
5 – 19 employees	155	21.6%	32.6%	↑
20 – 199 employees	50	7.0%	42.1%	↑
Total	719	100.0%	31.0%	↓

Location	n	% sample	Confidence*	Previous month
Greater Sydney	398	56.5%	31.0%	↓
Regional and Rural NSW	307	43.5%	31.7%	↑
Total	705	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*	Previous month
Agriculture, Forestry and Fishing	42	5.8%	34.1%	↑
Mining	1	0.1%	100.0%	↑
Manufacturing	33	4.6%	40.0%	↑
Electricity, Gas, Water and Waste Services	13	1.8%	61.5%	↑
Construction	96	13.4%	22.2%	↓
Wholesale Trade	18	2.5%	31.3%	↑
Retail Trade	72	10.0%	20.3%	↓
Accommodation and Food Services	38	5.3%	17.6%	↓
Transport, Postal and Warehousing	28	3.9%	14.3%	↓
Information Media and Telecommunications	23	3.2%	50.0%	↑
Financial and Insurance Services	50	7.0%	48.9%	↑
Rental, Hiring and Real Estate Services	28	3.9%	29.6%	↓
Professional, Scientific and Technical Services	81	11.3%	36.7%	↓
Administrative and Support Services	11	1.5%	30.0%	↑
Public Administration and Safety	0	0.0%	N/A	N/A
Education and Training	21	2.9%	36.8%	↓
Health Care and Social Assistances	53	7.4%	49.0%	↑
Arts and Recreation Services	13	1.8%	41.7%	↓
Other Services	98	13.6%	33.0%	↑
Total	719	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 [#]	
	January 2024	December 2023	January 2024	December 2023	January 2024	December 2023	January 2024	December 2023
Increase	↑ 17.5%	13.9%	↑ 21.9%	14.5%	↑ 10.8%	8.4%	↑ 17.1%	9.7%
No change	↓ 35.6%	38.6%	↑ 41.2%	39.6%	↓ 31.4%	31.4%	↑ 37.9%	35.8%
Decrease	↓ 44.7%	45.6%	↓ 28.8%	40.2%	↓ 55.7%	58.0%	↓ 36.7%	48.4%
Unsure	↑ 2.2%	1.9%	↑ 8.1%	5.8%	↓ 2.2%	2.2%	↑ 8.3%	6.1%

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

Business expansion

	Plans to grow, alter, or expand business operations? [#]	
	January 2024	December 2023
Yes	↑ 36.6%	32.4%
No	↓ 48.3%	50.7%
Unsure	↓ 15.1%	16.9%

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

	Nature of plans (of those who indicated 'yes') [~]	
	January 2024	December 2023
We have plans to hire additional staff	↑ 48.8%	43.9%
We have plans to purchase/rent additional property, plant and/or equipment	↑ 35.8%	18.5%
We have plans to establish or expand our online business	↑ 32.9%	31.0%
We have plans to improve the range and/or quality of our products and services	↑ 52.3%	50.3%
Other	↓ 18.0%	21.3%

[~]Respondents able to select multiple options; weighted according to industry share of the small business population; n=240.

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	↑
September 2023	99.4	↑
October 2023	103.8	↑
November 2023	95.1	↓
December 2023	91.6	↓
January 2024	103.4	↑

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



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Methodology

Fieldwork conducted between 9 January to 31 January 2024 with 719 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.