Small Business Momentum Survey

Small Business Commissioner

NSW GOVERNMENT

April 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 April 2024.

Small business confidence declined significantly between March and April, decreasing by 5 percentage points to 23 per cent, a record low. Confidence levels are now lower than when NSW first entered lockdown in 2020.

Businesses continue to report challenging trading conditions. Rising input costs (freight, fuel, government fees and charges, insurance, materials, utilities and wages), staff shortages, interest rates, compliance burdens and weaker customer demand were cited as factors weighing on confidence.

Expectations about profitability decreased marginally, while revenue stabilised between March and April. Eleven per cent of businesses expect their profitability to improve over the next three months, down a percentage point from March.

The Momentum Index, a composite measure of underlying business trends, also fell significantly in April, decreasing by 8.9 points to 97.9. This puts the index below 100 for the first time this year and reflects weaknesses in the capital expenditure and recent business performance components.

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

	Previous month
Confidence 23 per cent of businesses indicated they were confident about their individual business prospects.	↓
Concerns 85 per cent of businesses indicated they were concerned about the cost of business inputs.	=
Momentum* The Momentum Index decreased by 8.9 points to 97.9 points.	↓
Staff 41 per cent of businesses that have plans to expand are looking to hire additional staff.	↓
Expansion 31 per cent of businesses indicated they have plans to grow, alter or expand operations.	=
Profitability 11 per cent expect profitability to increase, compared to 45 per cent expecting a decline.	↓
Revenue 16 per cent expect revenue to increase, compared to 36 per cent expecting a decline.	=
Local economy 15 per cent of businesses indicated they were confident about their local economy.	↓

"The cost of running a business is becoming too much. Raising our prices by 30 to 40 percent is significant, and we're afraid customers won't be able to absorb these additional costs".

*See page 8 for more information on the Momentum Index.

Business conditions

Business conditions deteriorated further in April, with profitability moderating for a third consecutive month. Expectations about revenue and concerns about costs stabilised.

The number of businesses looking at new ways of growing, altering or expanding their operations stabilised in April, remaining unchanged at 31 per cent. This is 4 percentage points below the series average of 35 per cent. Among those respondents with plans to expand, the proportion of businesses planning to hire additional staff fell significantly, decreasing by 9 percentage points to 41 per cent.

The percentage of businesses reporting an increase in revenue stabilised in April. Sixteen percent of businesses expect revenue to increase over the next three months, unchanged from March.

Confidence

Small business confidence declined by 5 percentage points in April to 23 per cent. Businesses with 20-199 employees (32 per cent) remain significantly more confident about their individual prospects than businesses with 1-19 employees (23 per cent) and non-employing businesses (21 per cent).

Business performance

Business performance indicators showed mixed results, with profitability declining and revenue stabilising. The percentage of businesses indicating they expect revenue and profitability to decline remains significantly larger compared to those that expect an improvement.

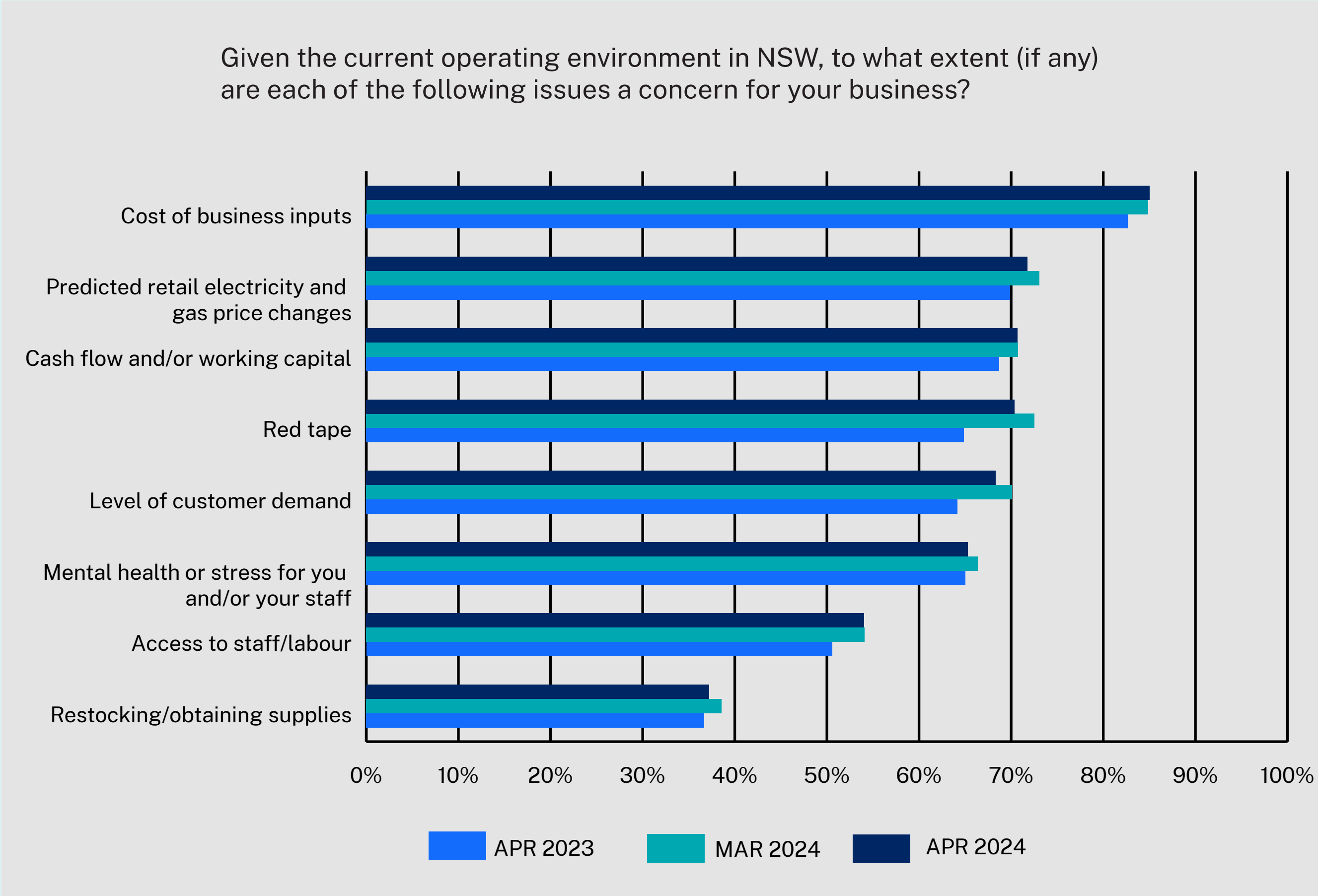
The business environment

The cost of business inputs remains the top concern for small businesses, with 85 per cent expressing concern, 3 percentage points above the series average. The next highest concerns were predicted retail electricity and gas price changes, followed by cash flow and the availability of working capital, with 72 per cent and 71 per cent expressing concern respectively.

Business conditions

"The cost of materials is continually increasing and there is a serious shortage of tradespeople. When you do find someone, the cost is ridiculous."

Business concerns



Detailed results

Confidence

	Confidence – in own business prospects#		Confidence – in local economy#	
	April 2024	March 2024	April 2024	March 2024
Extremely confident	↓ 4.9%	5.3%	↓ 1.4%	1.9%
Fairly confident	↓ 18.0%	22.9%	↓ 14.1%	15.9%
About the same	↑ 27.8%	25.5%	↑ 34.1%	30.4%
Fairly worried	↑ 32.7%	31.5%	↓ 35.8%	38.8%
Extremely worried	↑ 16.6%	14.8%	↑ 14.6%	13.0%
Extremely or fairly confident	↓ **22.9%**	**28.2%**	↓ **15.5%**	**17.8%**

Business size	n	% sample	Confidence*	Previous month
Non employing	239	35.6%	21.0%	↓
1 – 4 employees	240	35.7%	28.6%	↑
5 – 19 employees	146	21.7%	14.9%	↓
20 – 199 employees	47	7.0%	31.8%	↓
Total	**672**	**100.0%**	**22.9%**	↓

Location	n	% sample	Confidence*	Previous month
Greater Sydney	349	52.6%	22.1%	↓
Regional and Rural NSW	315	47.4%	23.0%	↓
Total	**664**	**100.0%**	**22.9%**	↓

#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	38	5.7%	8.1%	↓
Mining	2	0.3%	0.0%	↓
Manufacturing	44	6.5%	31.0%	↓
Electricity, Gas, Water and Waste Services	5	0.7%	33.3%	↑
Construction	84	12.5%	17.9%	↓
Wholesale Trade	13	1.9%	15.4%	↓
Retail Trade	75	11.2%	6.8%	↓
Accommodation and Food Services	44	6.5%	15.4%	↓
Transport, Postal and Warehousing	28	4.2%	16.7%	↓
Information Media and Telecommunications	26	3.9%	39.1%	↓
Financial and Insurance Services	34	5.1%	34.4%	↓
Rental, Hiring and Real Estate Services	24	3.6%	18.2%	↓
Professional, Scientific and Technical Services	75	11.2%	39.4%	↑
Administrative and Support Services	10	1.5%	30.0%	↑
Public Administration and Safety	0	0.0%	N/A	N/A
Education and Training	23	3.4%	50.0%	↓
Health Care and Social Assistances	37	5.5%	23.5%	↓
Arts and Recreation Services	13	1.9%	25.0%	↑
Other Services	97	14.4%	27.5%	↑
Total	**672**	**100.0%**	**22.9%**	↓

*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[#]	
	April 2024	March 2024	April 2024	March 2024	April 2024	March 2024	April 2024	March 2024
Increase	↑ 13.7%	13.1%	↓ 15.6%	16.1%	↓ 7.2%	8.4%	↓ 11.0%	11.8%
No change	↓ 37.0%	38.4%	↓ 42.3%	42.8%	↑ 31.9%	31.2%	↑ 38.5%	37.5%
Decrease	↑ 48.1%	46.9%	↑ 36.3%	34.4%	↑ 60.7%	58.4%	↑ 44.7%	43.6%
Unsure	↓ 1.2%	1.6%	↓ 5.7%	6.7%	↓ 0.2%	1.9%	↓ 5.8%	7.1%

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

Business expansion

Plans to grow, alter, or expand business operations?[#]		
	April 2024	March 2024
Yes	↓ 31.4%	31.5%
No	↓ 52.4%	54.0%
Unsure	↑ 16.3%	14.5%

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

Nature of plans (of those who indicated 'yes')[~]		
	April 2024	March 2024
We have plans to hire additional staff	↓ 40.5%	49.3%
We have plans to purchase/rent additional property, plant and/or equipment	↑ 35.7%	31.0%
We have plans to establish or expand our online business	↓ 25.2%	29.1%
We have plans to improve the range and/or quality of our products and services	↓ 44.3%	56.6%
Other	↓ 20.2%	21.2%

[~] Respondents able to select multiple options; weighted according to industry share of the small business population; n=195.

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	↑
February 2024	106.8	↑
March 2024	106.8	=
April 2024	97.9	↓

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 April to 30 April with 672 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.