Small Business Momentum Survey

Small Business Commissioner

May 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 May 2024.

Small business confidence recovered slightly between April and May, increasing by 2 percentage points to 25 per cent. Confidence levels remain subdued amidst challenging trading conditions.

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

Expectations about profitability and revenue fell between April and May. One in ten (10 per cent) businesses expect their profitability to improve over the next three months, down one percentage point from April.

The Momentum Index, a composite measure of underlying business trends, decreased for a second consecutive month, dropping by a further 8.8 points to 89.1. This reflects weaknesses across all components of the index in recent months, especially in comparison with the Christmas and summer period.

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

	Previous month
Confidence 25 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 decreased by 8.8 points to 89.1 points.	↓
Staff 39 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 43 per cent expecting a decline.	↓
Revenue 13 per cent expect revenue to increase, compared to 38 per cent expecting a decline.	↓
Local economy 15 per cent of businesses indicated they were confident about their local economy.	=

"Our costs have increased substantially, but if we try to raise our fees to ease the burden, our clients either default on their payments or cancel the service. It's a grim prospect for growth".

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

Business conditions

Business conditions deteriorated further in May, with profitability and revenue moderating. Concerns about input costs stabilised and are in line with the series average. However, concerns about the level of customer demand increased significantly between April and May, rising by 5 percentage points to 73 per cent.

The number of businesses exploring new ways to grow, alter, or expand their operations increased significantly in May, rising by 4 percentage points to 35 percent, returning to the series average. Among those respondents with plans to expand, the proportion of businesses planning to purchase or rent additional property, plant and/or equipment fell significantly, decreasing by 10 percentage points to 26 per cent.

The percentage of businesses reporting an increase in revenue fell in May after stabilising in April. Thirteen percent of businesses expect revenue to increase over the next three months, down 2 percentage points from April.

Confidence

Small business confidence increased by 2 percentage points in May to 25 per cent. Businesses with 20-199 employees (32 per cent) remain significantly more confident about their individual prospects than businesses with 1-19 employees and non-employing businesses (both at 25 per cent respectively).

Business performance

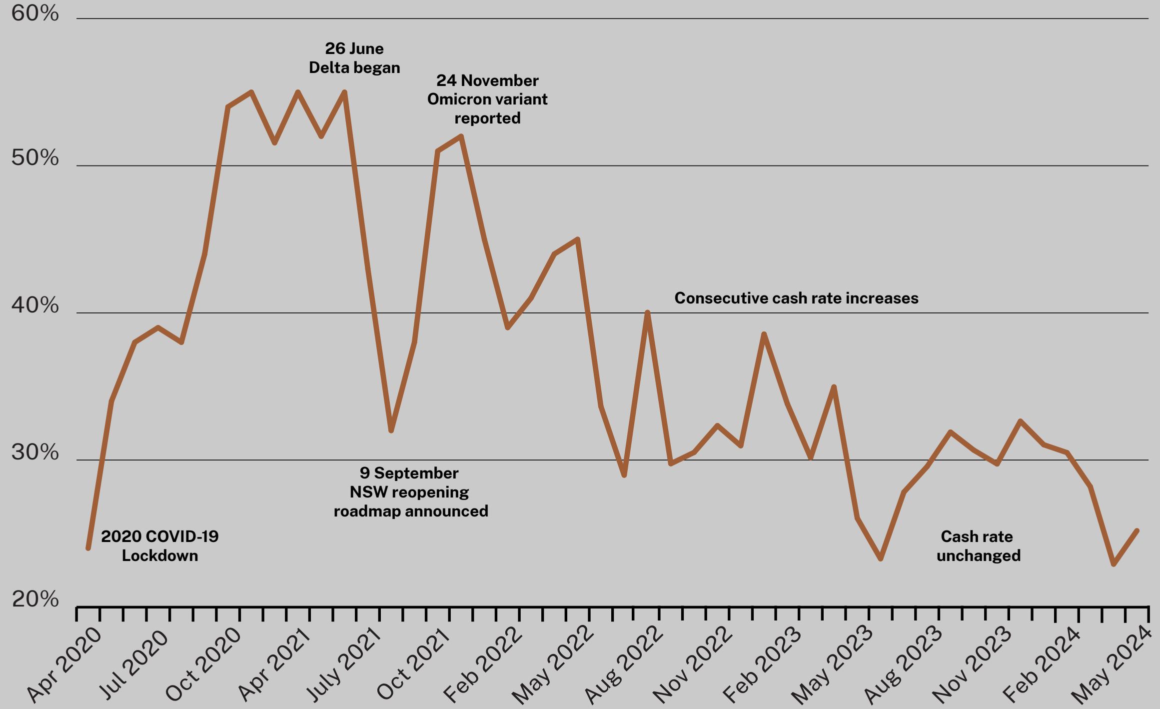
Business performance indicators moderated in May. The percentage of businesses indicating they expect revenue and profitability to decline remains significantly larger compared to those that expect an improvement.

The business environment

The cost of business inputs remains the top concern for small businesses, with 82 per cent expressing concern, in line with the series average. The next highest concerns were the level of customer demand, followed by cash flow and the availability of working capital, with 73 per cent and 71 per cent expressing concern respectively.

Business confidence

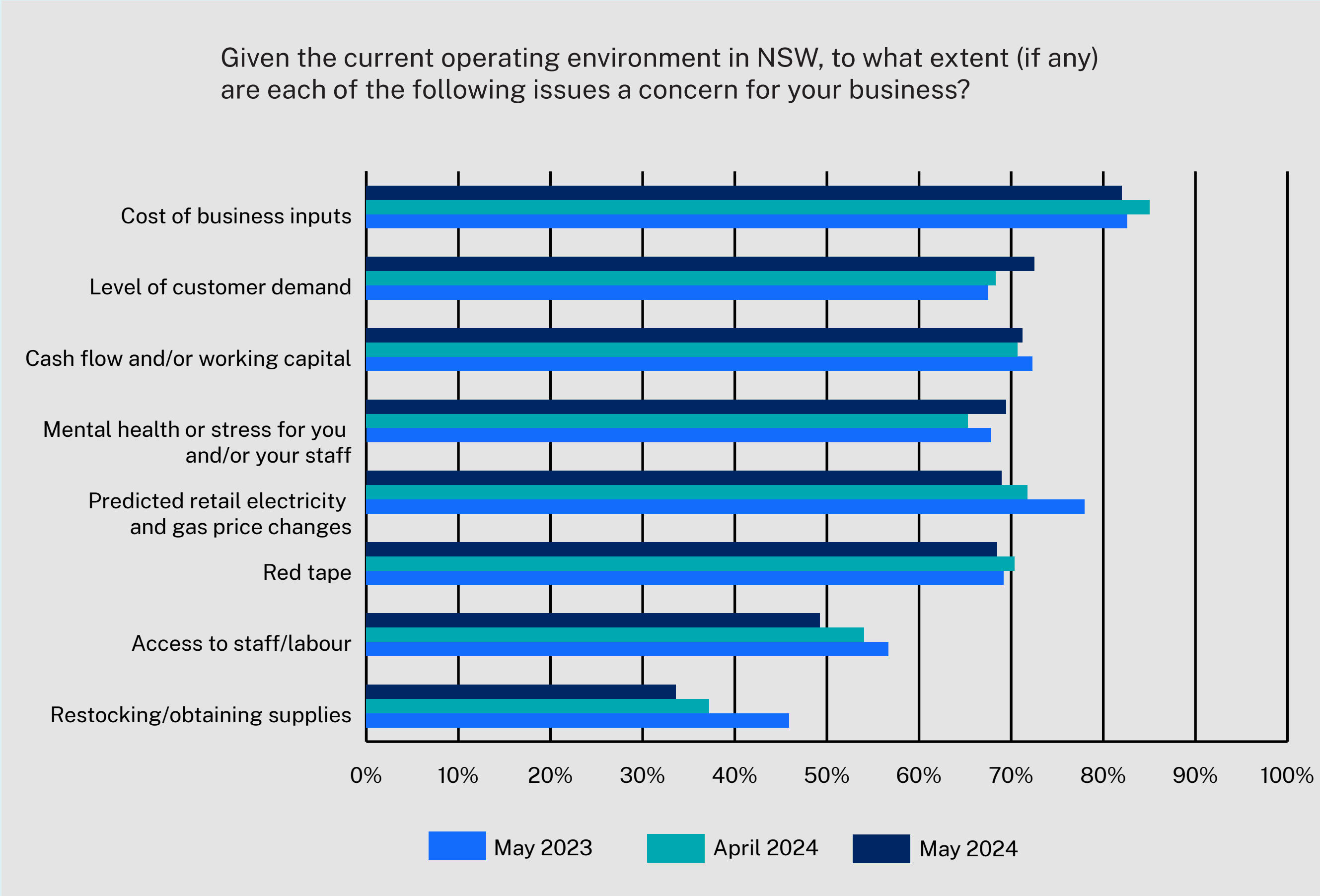
Businesses indicating they are confident about their own business prospects



Business conditions

"The hardest thing is finding staff and dealing with all the red tape surrounding employment."

Business concerns



"People don't have money to spend on concerts anymore and alcohol taxes continue to rise. It's become too expensive to go out for a few drinks and watch a band".

Australian Live Music Industry

Approximately one in twenty businesses (6 per cent) in NSW reported operating in, or supplying goods and/or services to the Australian live music industry.

Of those businesses:

- Three in five (58 per cent) are extremely or very concerned about the state of the industry.
- One in five (19 per cent) are moderately concerned and
- One in five (22 per cent) are slightly concerned or not concerned at all.

Businesses reported challenges relating to:

- **Rising costs:** Increasing input costs, including security and insurance, are becoming unsustainable, especially for smaller venues showcasing local artists. Additionally, cost-of-living pressures have reduced customer demand.
- **Closure of venues:** The ongoing closure of venues has led to fewer opportunities for local artists, impacting the live music ecosystem.
- **Compliance burdens:** Noise complaints from nearby residents has led to the shutting down of events and other restrictions are limiting the operation of live music venues.
- **Staffing shortages:** The industry is facing significant labour shortages, with workers leaving for other sectors that offer greater job security and remuneration. Additionally, existing workers are experiencing burnout, compounding staffing shortages.
- **Climate and weather-related risks:** Increasingly unpredictable weather conditions are complicating event planning and pose a risk of lower attendee turnout.

Businesses reported opportunities relating to:

- **Reducing red tape:** Simplifying regulatory requirements and streamlining permit processes, while also addressing noise complaints with more balanced policies.
- **Funding and other support:** Increased funding and other support for live music venues and performers.
- **Improved education and training:** Reintroducing formal training frameworks for industry-specific skills to help address skill shortages.
- **Promotion and advertising:** Greater promotion of live music through advertising campaigns to raise public awareness and funding of grassroots initiatives to create interest in local music.

Detailed results

Confidence

	Confidence – in own business prospects#		Confidence – in local economy#	
	May 2024	April 2024	May 2024	April 2024
Extremely confident	↓ 4.2%	4.9%	↓ 1.2%	1.4%
Fairly confident	↑ 21.0%	18.0%	↓ 13.9%	14.1%
About the same	↓ 26.7%	27.8%	↓ 31.7%	34.1%
Fairly worried	↓ 31.9%	32.7%	↑ 38.7%	35.8%
Extremely worried	↓ 16.1%	16.6%	↓ 14.5%	14.6%
Extremely or fairly confident	↑ **25.2%**	**22.9%**	↓ **15.1%**	**15.5%**

Business size	n	% sample	Confidence*	Previous month
Non employing	244	35.4%	24.7%	↑
1 – 4 employees	222	32.2%	24.4%	↓
5 – 19 employees	172	24.9%	25.2%	↑
20 – 199 employees	52	7.5%	32.0%	↑
Total	**690**	**100.0%**	**25.2%**	↑

Location	n	% sample	Confidence*	Previous month
Greater Sydney	366	53.7%	26.6%	↑
Regional and Rural NSW	315	46.3%	24.0%	↑
Total	**681**	**100.0%**	**25.2%**	↑

#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	6.1%	17.5%	↑
Mining	5	0.7%	40.0%	↑
Manufacturing	59	8.6%	18.2%	↓
Electricity, Gas, Water and Waste Services	6	0.9%	66.7%	↑
Construction	82	11.9%	9.1%	↓
Wholesale Trade	19	2.8%	31.6%	↑
Retail Trade	67	9.7%	18.5%	↑
Accommodation and Food Services	47	6.8%	15.6%	↑
Transport, Postal and Warehousing	25	3.6%	29.2%	↑
Information Media and Telecommunications	22	3.2%	33.3%	↓
Financial and Insurance Services	28	4.1%	38.5%	↑
Rental, Hiring and Real Estate Services	24	3.5%	28.6%	↑
Professional, Scientific and Technical Services	76	11.0%	33.3%	↓
Administrative and Support Services	16	2.3%	33.3%	↑
Public Administration and Safety	4	0.6%	25.0%	N/A
Education and Training	19	2.8%	42.1%	↓
Health Care and Social Assistances	38	5.5%	37.1%	↑
Arts and Recreation Services	17	2.5%	33.3%	↑
Other Services	94	13.6%	18.2%	↓
Total	**690**	**100.0%**	**25.2%**	↑

*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#	
	May 2024	April 2024	May 2024	April 2024	May 2024	April 2024	May 2024	April 2024
Increase	↑ 14.0%	13.7%	↓ 13.3%	15.6%	↑ 8.2%	7.2%	↓ 10.1%	11.0%
No change	↓ 36.8%	37.0%	↑ 43.3%	42.3%	↑ 33.9%	31.9%	↑ 40.2%	38.5%
Decrease	↑ 48.5%	48.1%	↑ 37.6%	36.3%	↓ 56.2%	60.7%	↓ 43.0%	44.7%
Unsure	↓ 0.6%	1.2%	↑ 5.9%	5.7%	↑ 1.6%	0.2%	↑ 6.7%	5.8%

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

Business expansion

Plans to grow, alter, or expand business operations?#		
	May 2024	April 2024
Yes	↑ 35.3%	31.4%
No	↓ 49.2%	52.4%
Unsure	↓ 15.5%	16.3%

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

Nature of plans (of those who indicated 'yes')˜		
	May 2024	April 2024
We have plans to hire additional staff	↓ 39.0%	40.5%
We have plans to purchase/rent additional property, plant and/or equipment	↓ 26.2%	35.7%
We have plans to establish or expand our online business	↑ 30.2%	25.2%
We have plans to improve the range and/or quality of our products and services	↑ 47.9%	44.3%
Other	↑ 27.6%	20.2%

˜Respondents able to select multiple options; weighted according to industry share of the small business population; n=223.

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	↓
May 2024	89.1	↓

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 May to 31 May with 690 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.