Small Business Momentum Survey

NSW GOVERNMENT

Small Business Commissioner

September 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 September 2024.

Small business confidence improved marginally between August and September, increasing by one percentage point to 25 per cent. Small business confidence improved towards the latter part of September after the RBA announced interest rates would remain on hold and following the release of encouraging inflation indicators (with confidence increasing to 28 per cent compared to 23 per cent before these announcements).

Expectations about profitability and revenue increased between August and September. Thirteen per cent of businesses expect their profitability to improve over the next three months, up 2 percentage points from August.

The Momentum Index, which measures underlying business trends, improved for the second consecutive month, increasing by 1.3 points to 99.7. This strengthening was partially due to strong expectations of near-term business performance, possibly in anticipation of upcoming holiday periods and more favourable trading conditions.

The online survey was completed between 1-30 September with more than 700 small businesses across NSW responding.

	Previous month
Confidence 25 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 increased by 1.3 points to 99.7 points.	↑
Staff 45 per cent of businesses that have plans to expand are looking to hire additional staff.	↑
Expansion 29 per cent of businesses indicated they have plans to grow, alter or expand operations.	↓
Profitability 13 per cent expect profitability to increase, compared to 41 per cent expecting a decline.	↑
Revenue 19 per cent expect revenue to increase, compared to 35 per cent expecting a decline.	↑
Local economy 15 per cent of businesses indicated they were confident about their local economy.	↑

"Consumer spending has fallen off a cliff. These last six months have been the roughest stretch we've seen in our entire 15 years of business, even topping what we went through during the Global Financial Crisis".

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

Business conditions

Business conditions improved in September. Businesses reported their recent business performance and expectations of near-term business performance had improved, while concerns about business cost pressures have eased.

The number of businesses exploring new ways to grow, alter or expand their operations decreased by one percentage point in September to 29 per cent, 5 percentage points below the series average. Among those respondents with plans to expand, the proportion with plans to purchase or rent additional property, plant and/or equipment declined significantly, decreasing by 7 percentage points to 33 per cent, reversing the sharp increased observed in August.

The percentage of businesses reporting an increase in revenue increased in September. Nineteen per cent of businesses expect their revenue to increase over the next three months, up 3 percentage points from August.

Confidence

Small business confidence improved by one percentage point in September to 25 per cent. Rising input costs, staff shortages, interest rates, compliance burdens and weaker customer demand were cited as factors weighing on confidence.

Business performance

Business performance indicators improved in September. The percentage of businesses indicating they expected revenue and profitability to decline remains significantly larger compared to those expecting an improvement.

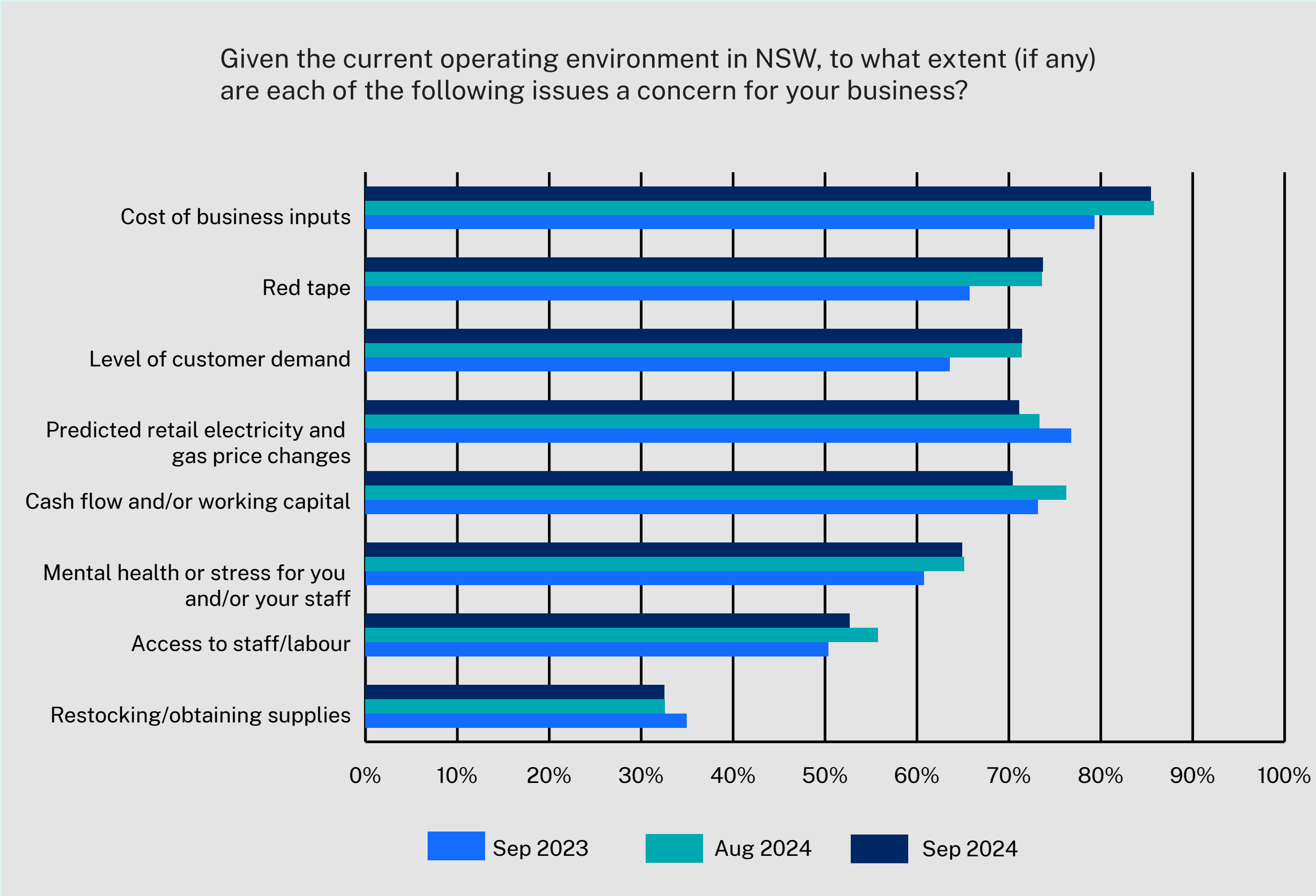
The business environment

The cost of business inputs remains the top concern for small businesses, with 85 per cent expressing concern, down one percentage point from August 2024 but 2 percentage points above the series average. The next highest concerns were red tape, followed by the level of customer demand, with 74 per cent and 71 per cent expressing concern respectively.

Business conditions

"We're facing some of the most extreme staff shortages and the worst labour conditions in the last 30 years. We're actively looking into technology solutions wherever possible".

Business concerns



Small business stories

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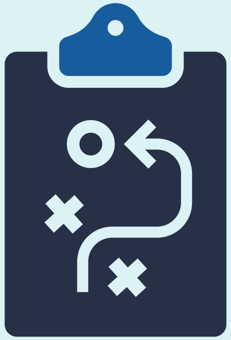

"The planning process is just not working, it's flawed and broken. The complexity of the planning portal has doubled—it's the opposite of fluid and cohesive".

NSW Planning Pathways

Approximately one in six (16 per cent) respondents indicated they recently engaged with the planning approval system to undertake new activities.

Of those businesses:

- Seven in ten (70 per cent) reported it has become significantly or somewhat harder for their business to engage with the planning approval system over the past 12 months.
- One in two (48 per cent) reported it took between 6 and 18 months to receive planning approval and begin development, with one in six (16 per cent) reporting it took more than 18 months.
- Approximately one in three (35 per cent) indicated it took 6 months or less to receive planning approval.
- The average estimated cost of engaging with the planning approval process in NSW was $27,965 and the median estimated cost was $10,000.

Businesses reported concerns relating to:

- The NSW Planning Portal, which was described as contributing difficulties when submitting applications.
- Planning processes in NSW were described as complex and burdened by unnecessary bureaucratic steps. There are calls for more streamlined processes and clearer regulations.
- Delayed approval times were seen as major barriers to business operations and growth. Respondents indicated current planning frameworks disproportionately impact small businesses.
- Feedback highlighted inconsistencies in how councils process applications, creating confusion for businesses and a desire for more uniform requirements and practices.

Detailed results

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Confidence

	Confidence – in own business prospects#		Confidence – in local economy#	
	September 2024	August 2024	September 2024	August 2024
Extremely confident	↑ 5.0%	4.6%	↑ 1.4%	1.0%
Fairly confident	↑ 19.9%	18.9%	↑ 13.3%	11.6%
About the same	↑ 30.7%	23.3%	↑ 31.7%	31.6%
Fairly worried	↓ 27.2%	36.3%	↓ 36.8%	40.2%
Extremely worried	↑ 17.2%	16.9%	↑ 16.8%	15.6%
Extremely or fairly confident	**↑ 24.9%**	**23.5%**	**↑ 14.7%**	**12.6%**

Business size	n	% sample	Confidence*	Previous month
Non employing	245	34.6%	21.2%	↓
1 – 4 employees	234	33.1%	25.4%	↑
5 – 19 employees	167	23.6%	27.9%	↑
20 – 199 employees	62	8.8%	31.6%	↑
Total	**708**	**100.0%**	**24.9%**	↑

Location	n	% sample	Confidence*	Previous month
Greater Sydney	361	51.9%	26.4%	↑
Regional and Rural NSW	334	48.1%	23.7%	↓
Total	**695**	**100.0%**	**24.9%**	↑

#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	5.9%	20.0%	↓
Mining	5	0.7%	0.0%	↓
Manufacturing	36	5.1%	30.6%	↑
Electricity, Gas, Water and Waste Services	11	1.6%	40.0%	↓
Construction	93	13.1%	23.6%	↓
Wholesale Trade	30	4.2%	16.7%	↓
Retail Trade	76	10.7%	14.9%	↓
Accommodation and Food Services	49	6.9%	16.3%	↑
Transport, Postal and Warehousing	32	4.5%	10.0%	↑
Information Media and Telecommunications	26	3.7%	34.6%	↑
Financial and Insurance Services	33	4.7%	23.3%	↓
Rental, Hiring and Real Estate Services	26	3.7%	28.0%	↓
Professional, Scientific and Technical Services	73	10.3%	37.0%	↑
Administrative and Support Services	12	1.7%	27.3%	↑
Public Administration and Safety	0	0.0%	N/A	N/A
Education and Training	31	4.4%	38.7%	↓
Health Care and Social Assistances	40	5.6%	23.7%	↓
Arts and Recreation Services	17	2.4%	23.5%	↓
Other Services	76	10.7%	31.9%	↑
Total	**708**	**100.0%**	**24.9%**	↑

*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

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 2024	August 2024	September 2024	August 2024	September 2024	August 2024	September 2024	August 2024
Increase	↑ 14.0%	11.8%	↑ 18.9%	16.1%	↑ 9.8%	7.6%	↑ 13.2%	11.0%
No change	↓ 34.1%	38.0%	↓ 38.3%	41.7%	↑ 29.1%	28.6%	↓ 37.1%	38.7%
Decrease	↑ 50.9%	48.9%	↓ 34.6%	36.7%	↓ 59.8%	62.5%	↓ 41.4%	45.4%
Unsure	↓ 1.0%	1.3%	↑ 8.2%	5.5%	↑ 1.3%	1.3%	↑ 8.4%	4.9%

#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 2024	August 2024
Yes	↓ 29.4%	30.3%
No	↑ 56.1%	55.4%
Unsure	↑ 14.5%	14.3%

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

Nature of plans (of those who indicated 'yes')~		
	September 2024	August 2024
We have plans to hire additional staff	↑ 44.7%	43.3%
We have plans to purchase/rent additional property, plant and/or equipment	↓ 33.0%	40.0%
We have plans to establish or expand our online business	↓ 25.4%	26.5%
We have plans to improve the range and/or quality of our products and services	↑ 57.2%	51.2%
Other	↑ 24.6%	14.6%

~Respondents able to select multiple options; weighted according to industry share of the small business population; n=198.

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	↓
June 2024	93.2	↑
July 2024	92.8	↓
August 2024	98.4	↑
September 2024	99.7	↑

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

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

Methodology

Fieldwork conducted between 1 September to 30 September with 708 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.