Small Business Momentum Survey

NSW GOVERNMENT

Small Business Commissioner

February 2025

Overview

NSW Small Business Commissioner

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 February 2025.

Small business confidence rose marginally between January and February, increasing by one percentage point to 25 per cent. Despite this improvement, confidence levels remain subdued amid challenging trading conditions.

Businesses reported rising input costs, compliance burdens, staff shortages, insurance, weaker customer demand, government fees and charges, policy uncertainty and an uncertain economic outlook as factors weighing on confidence.

While confidence levels remained relatively stable between January and February, confidence improved throughout February following the cash rate decision. There was a 7 percentage point increase in confidence in the week following the cash rate decision when compared to the week prior.

Expectations about revenue and profitability increased between January and December. Fourteen per cent of businesses expect their profitability to increase over the next three months, an increase of four percentage points from January. The Momentum Index, a measure of underlying business trends, declined moderately, decreasing by 5.0 points to 102.4, though remains in the expansionary territory of the index.

The online survey was completed between 1-28 February 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 84 per cent of businesses indicated they were concerned about the cost of business inputs.	↓
Momentum* The Momentum Index decreased by 5.0 points to 102.4 points.	↓
Staff 46 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 14 per cent expect profitability to increase, compared to 42 per cent expecting a decline.	↑
Revenue 19 per cent expect revenue to increase, compared to 33 per cent expecting a decline.	↑
Local economy 15 per cent of businesses indicated they were confident about their local economy.	=

Confidence up in February

"Consumer discretionary spending typically slows down pre-election. Once the election is over and potentially a couple of interest rate cuts come through, we should be poised for a good year".

***See pages 5 & 9 for more information on the Momentum Index.**

Business conditions

Business conditions improved in February, marked by rising revenue and profitability, along with decreasing concerns about input costs.

The number of respondents exploring new ways to grow, alter, or expand their operations increased in February, rising by three percentage points to 33 per cent. This figure is one percentage point below the series average of 34 per cent. Among those respondents with planning to expand, there was a significant decrease in the proportion of businesses intending to hire staff, decreasing by 7 percentage points to 46 per cent. Recent volatility in the business expansion series may be attributable to seasonal factors, coinciding the Christmas and New Year period.

The percentage of businesses reporting an increase in revenue increased in February. Nineteen per cent of businesses anticipate their revenue to increase over the next three months, up three percentage points from January.

Confidence

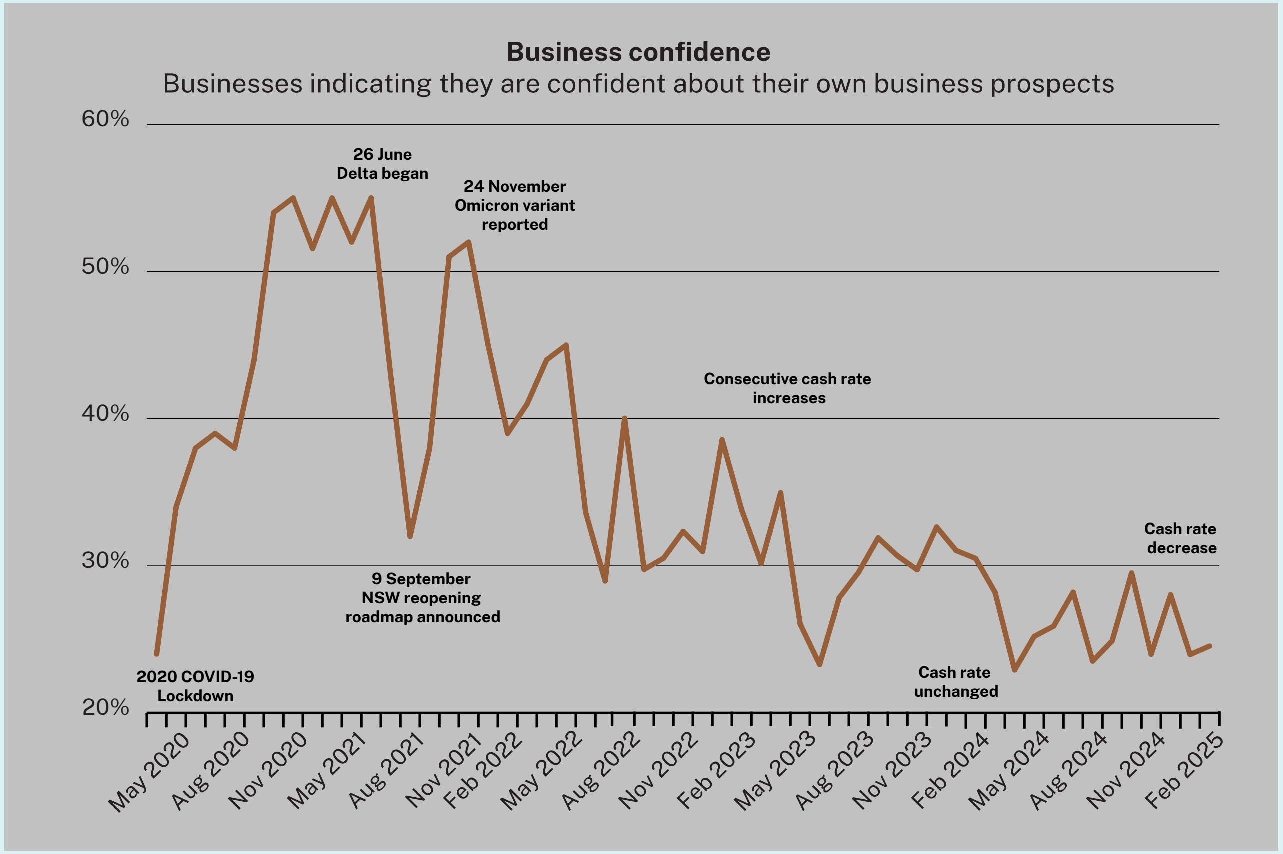
Small business confidence improved in February, increasing by one percentage point to 25 per cent. Businesses in Regional NSW were significantly more confident about their individual business prospects than their metropolitan counterparts (28 per cent compared to 22 per cent).

Business performance

Business performance indicators improved in February. A significantly higher percentage of businesses anticipate a decline in revenue and profitability compared to those expecting an improvement.

The business environment

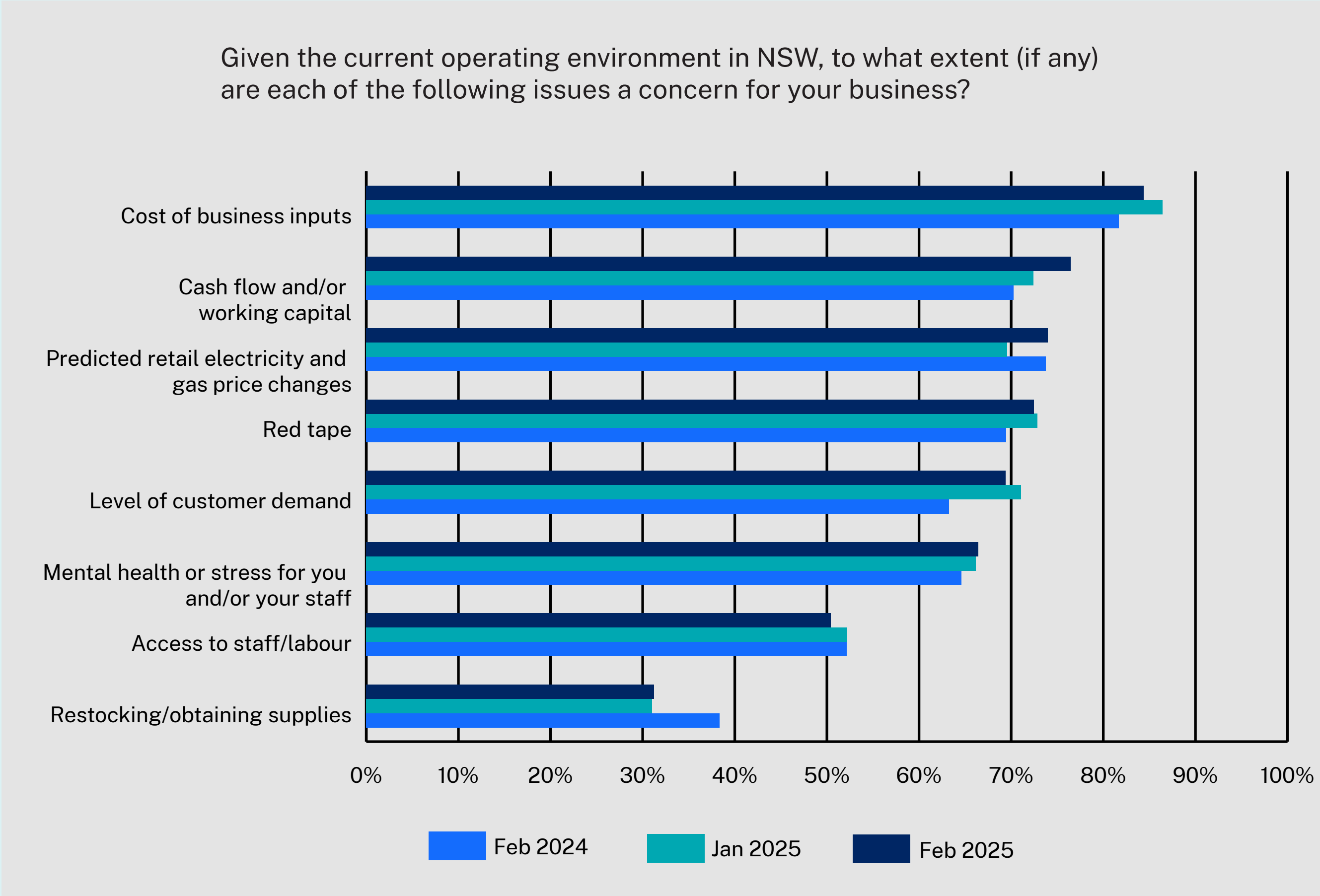
The cost of business inputs remains the top concern for small businesses, with 84 per cent expressing concern, one percentage point above the series average. The next highest concerns were cash flow and the availability of working capital, followed by predicted retail energy and gas price changes, with 76 per cent and 74 per cent expressing concern respectively.



Business conditions

"The combination of rising interest rates, wage growth and the lack of small business incentives makes it difficult to maintain our current staffing levels. Unfortunately, we may need to consider downsizing our staff".

Business concerns



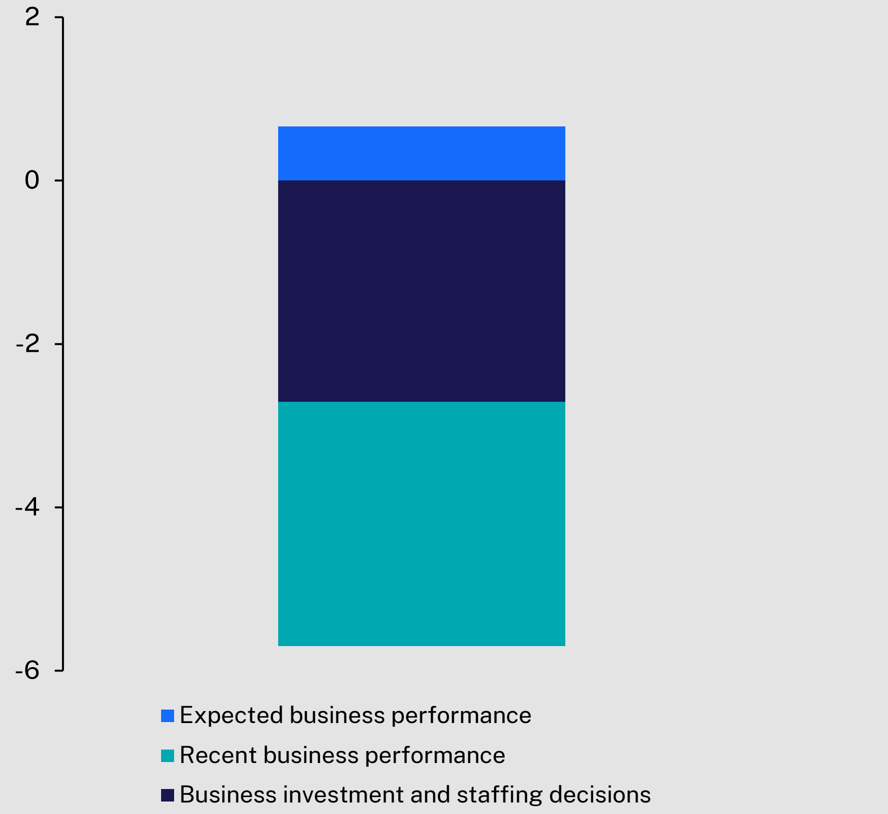
Momentum in focus

The Momentum Index is a composite measure that tracks key business performance metrics to identify critical turning points in underlying trends. This month, the Momentum Index decreased by 5.0 points and has been more volatile in recent months, partially due to seasonal factors.

The deceleration of the Momentum Index in February was not unexpected, with January boosted by investment and staffing decisions that were deferred over the Christmas and New Year period. The decline in the February index were primarily driven by weaker performance in both the business investment and staffing decisions and recent business performance components of the index (compared to January). However, the expected business performance component of the index made a positive contribution in February.

- **Expected business performance** (+0.7%) - positively impacted the index, with increases in predicted revenue (+0.4%) and profitability (+0.2%).
- **Recent business performance** (-3.0%) - negatively impacted the index, with decreases in revenue (-2.1%) and profitability (-0.9%).
- **Business investment and staffing decisions** (-2.7%) - also negatively contributed to the index. The proportion of businesses with plans to hire additional staff or purchase/rent additional property, plant and/or equipment has been volatile in recent months.

Contribution to change in Momentum Index: January to February



Detailed results

Confidence

	Confidence – in own business prospects#		Confidence – in local economy#	
	February 2025	January 2025	February 2025	January 2025
Extremely confident	↑ 3.8%	3.5%	↑ 2.1%	1.1%
Fairly confident	↑ 20.8%	20.5%	↓ 13.3%	13.8%
About the same	↓ 28.7%	28.9%	↑ 35.2%	33.4%
Fairly worried	↓ 32.1%	35.4%	↓ 36.8%	38.1%
Extremely worried	↑ 14.7%	11.7%	↓ 12.6%	13.5%
Extremely or fairly confident	↑ **24.5%**	**24.0%**	↑ **15.4%**	**14.9%**

Business size	n	% sample	Confidence*	Previous month
Non employing	231	36.2%	22.4%	↓
1 – 4 employees	202	31.6%	24.1%	↑
5 – 19 employees	150	23.5%	28.9%	↓
20 – 199 employees	56	8.8%	25.7%	↑
Total	**639**	**100.0%**	**24.5%**	↑

Location	n	% sample	Confidence*	Previous month
Greater Sydney	342	54.5%	21.6%	↓
Regional and Rural NSW	285	45.5%	28.4%	↑
Total	**627**	**100.0%**	**24.5%**	↑

#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	43	6.7%	11.6%	↓
Mining	2	0.3%	0.0%	↓
Manufacturing	47	7.4%	26.1%	↑
Electricity, Gas, Water and Waste Services	11	1.7%	36.4%	↑
Construction	85	13.3%	23.2%	↑
Wholesale Trade	26	4.1%	22.7%	↑
Retail Trade	69	10.8%	19.4%	↑
Accommodation and Food Services	31	4.9%	9.7%	↓
Transport, Postal and Warehousing	18	2.8%	17.6%	↓
Information Media and Telecommunications	24	3.8%	54.5%	↑
Financial and Insurance Services	26	4.1%	26.9%	↓
Rental, Hiring and Real Estate Services	32	5.0%	30.0%	↑
Professional, Scientific and Technical Services	61	9.5%	28.3%	↓
Administrative and Support Services	7	1.1%	14.3%	↓
Public Administration and Safety	0	0.0%	N/A	N/A
Education and Training	17	2.7%	43.8%	↑
Health Care and Social Assistances	39	6.1%	34.3%	↑
Arts and Recreation Services	19	3.0%	27.8%	↑
Other Services	82	12.8%	32.5%	↑
Total	**639**	**100.0%**	**24.5%**	↑

*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[#]	
	February 2025	January 2025	February 2025	January 2025	February 2025	January 2025	February 2025	January 2025
Increase	↓ 12.4%	14.6%	↑ 18.6%	15.9%	↓ 7.8%	9.1%	↑ 14.0%	9.7%
No change	↓ 40.1%	40.4%	↓ 42.3%	45.9%	↓ 31.0%	34.0%	↓ 38.1%	40.8%
Decrease	↑ 46.6%	44.1%	↑ 32.9%	30.1%	↑ 59.9%	55.7%	↑ 41.6%	40.2%
Unsure	= 0.9%	0.9%	↓ 6.2%	8.1%	↑ 1.3%	1.2%	↓ 6.2%	9.2%

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

Business expansion

Plans to grow, alter, or expand business operations?[#]		
	February 2025	January 2025
Yes	↑ 32.8%	30.1%
No	↓ 49.7%	56.4%
Unsure	↑ 17.6%	13.6%

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

Nature of plans (of those who indicated 'yes')[~]		
	February 2025	January 2025
We have plans to hire additional staff	↓ 46.3%	53.4%
We have plans to purchase/rent additional property, plant and/or equipment	↑ 35.0%	34.5%
We have plans to establish or expand our online business	= 32.6%	32.6%
We have plans to improve the range and/or quality of our products and services	↑ 57.9%	57.4%
Other	↓ 16.5%	21.2%

[~]Respondents able to select multiple options; weighted according to industry share of the small business population; n=197.

Detailed results

Momentum Index

	Momentum Index	Previous month
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	↑
October 2024	100.8	↑
November 2024	109.3	↑
December 2024	96.1	↓
January 2025	107.4	↑
February 2025	102.4	↓

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

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 administrative burden for small businesses**
- **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 February to 28 February with 639 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.