Sensis Business Index
Australia’s Leading Small and Medium Business Outlook & Confidence Survey
August 2019
Introduction

Welcome to the ‘new’ Sensis Business Index. At Sensis we’ve been surveying small-medium businesses and their confidence levels for over 25 years and the index is regarded as one of the leading surveys of its type. Over the past months we’ve been talking to small businesses, industry, government and the media about how we can improve the Index. All of that feedback culminates in this ‘new’ Index you are reading today. The key change is in the methodology used, moving from telephone-based interviews to a digital online survey – a preference now of the majority of small-medium businesses and how they interact, plus it provides the benefit of faster turnaround times from survey to publication, a larger sample size and a range of new questions. The data can be provided to partners via our new digital portal – so they gain a deeper understanding on the confidence and opinions of Australia’s small-medium businesses.

As future surveys are published, we’ll be able to compare the data v’s previous surveys, for this report we don’t recommend that approach due to the methodology change.

If you would like to view the data and run your own tailored analysis, please see page 39
Introduction

The Sensis Business Index is based on 1,019 online interviews conducted between 23 and 31 July 2019 with small and medium business proprietors or managers employing up to 199 people. This sample is drawn from metropolitan and major non-metropolitan regions throughout Australia with targets set for location and industry as shown opposite. Glow is responsible for fieldwork and Dynata for sampling.

The Index is a survey of Australia’s small and medium businesses (SMBs) which commenced in 1993 to measure and track:

• SMB business activity over the last three months.

• Expectations for the current quarter.

• Overall confidence among SMBs.

The Index samples SMBs nationally, enabling broad scrutiny of this sector and relevant trends and issues. It examines differences by location, business size and industry. The aim is to reflect the attitudes and behaviour of SMBs, which comprise some 99% of Australian businesses.
The good news for Australia is that SMB’s are feeling confident and this is expressed widely across the country. Metropolitan SMB’s are more confident than regional and interestingly female led SMB’s are more confident than their male counterparts. I’m regularly talking to small-medium businesses and there is no doubt that they are feeling happy about their business prospects and, in the main, strong trading conditions.

However, the big possible cloud on the horizon facing SMB’s is the economy. This concern is driven off the back of consumer confidence levels which have dropped, declining property prices, stagnant wage growth and a potential for consumers to ‘pull their heads in on spending’ as the year progresses. Whilst the trade war between the US and China may not directly impact many SMB’s it’s the uncertainty its causes that flows through to consumer and SMB confidence. Whist lower interest rates and tax cuts are welcome the concern is consumers will pocket the saving and pay down debt instead of spending.

Overall SMB’s are confident and it’s the Australian economy and consumer confidence in the year ahead that will determine if their confidence continues.

John Allan
Chief Executive Officer, Sensis
Executive Summary

- The latest Sensis Business Index has revealed that Australia’s small-medium business sector has experienced a post-election bounce, with 57% of businesses now confident while just 17% are worried.
- Tasmania, with 63% of businesses expressing confidence in their prospects, remains the most confident state followed by Queensland at 60% and Victoria at 58%.
- South Australian businesses are the most worried, with 24% expressing fears, while 21% of businesses in both New South Wales and Western Australia are worried about their prospects.
- There are significant differences between confidence levels in metro and regional areas. While 58% of metro businesses expressed confidence and 17% expressed worries, 52% of regional businesses were confident and 20% were worried about the coming 12 months.
- Victorian businesses lead the country in terms of prospects of expansion with 58% expecting significant or moderate expansion in the coming year and 10% looking to drive this by acquisition. This is well ahead of the national average of 52% expecting growth, 35% staying the same and 5% shrinking.
Executive Summary

• Victoria is also the most positive about increasing workforce numbers – 56% of businesses believe there is nothing holding them back from employing more staff. This is 5% better than the national average.

• Despite confidence across the country, small and medium businesses are raising significant worries about the current state of the economy. One in three business owners and managers believes the economy is slowing down and one in two believes it is at a standstill. 22% of businesses expect an improvement in the coming 12 months and 30% believe the situation will get worse.

• 37% of businesses across the country believe excessive ‘red tape’ is holding back their growth. This was highest in Victoria with 41% of businesses quoting red tape as an issue. 35% of New South Wales businesses view insurance as the second hindrance after red tape (36%), while 37% of South Australian and Tasmanian businesses believe insurance is putting the brake on their growth.

• Access to finance is still a significant issue for Australia’s small and medium businesses. 30% of business owners and managers believe it is harder to access finance than it was six months ago, while 57% believe there has been no change.

• Access is hardest in regional areas with 37% reporting it is harder than it was six months ago to access finance and 52% saying there has been no change. A quarter of businesses are using credit cards to access finance and more than one in five are increasing their overdraft facilities.
SMB confidence strong despite concerns

- SMB confidence is high across the country.
- Tasmanian SMBs were the most confident in the country with 24.4% extremely confident and 39% fairly confident. Confidence is also high is Queensland (59.9% of SMBs are extremely or fairly confident), Victoria (58.3%) and Western Australia (57.2%). Despite this feeling of confidence in WA, 20.7% of WA SMBs were either fairly or extremely worried, pointing to a 2 speed WA economy.
- 8.4% of South Australian SMBs were extremely worried, with 16% fairly worried; this is well above the national average.
- New South Wales SMBs are also more worried than the national average (20.7%).
- Regional SMBs were less confident (51.7% are extremely or fairly confident) than their metropolitan cousins (58.5% are extremely or fairly confident). 19.9% of regional SMBs are fairly or extremely worried, compared to 16.8% in metro areas.
Confidence varies across the country

And thinking about the next twelve months, how confident do you feel about your business prospects? Would you say you are...

- **Extremely confident about the future**
- **Fairly confident about the future**
- **Neither confident nor worried about the future**
- **Fairly worried about the future**
- **Extremely worried about the future**

<table>
<thead>
<tr>
<th>Region</th>
<th>NAT</th>
<th>VIC</th>
<th>NSW</th>
<th>QLD</th>
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<td>0.0%</td>
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<td>12.2%</td>
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<td>17.1%</td>
<td>16.8%</td>
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<td>0.0%</td>
<td>0.0%</td>
<td>16.6%</td>
<td>12.2%</td>
<td>13.9%</td>
<td>18.9%</td>
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</tbody>
</table>
| **Note**: small sample size for ACT & NT
Industry confidence – a mixed bag

- Health & Community Services is the most confident industry sector with 70% of businesses fairly or extremely confident, followed by Construction & Building at 60.1%.
- Confidence is solid across all industry sectors, with the exceptions being Transport & Storage industry (49.2%) and Wholesale (50.6%).
- One in five businesses in Hospitality, Culture & Recreational Services, Retail and Wholesale are either fairly or extremely worried about the coming 12 months.
Confidence varies across industries

Extremely confident about the future
Fairly confident about the future
Neither confident nor worried about the future
Fairly worried about the future
Extremely worried about the future

Hospitality
Cultural & Recreational Services
Health & Community Services
Manufacturing
Construction & Building
Retail
Wholesale
Transport & Storage
Communication, Property, and Business Services
Finance and Insurance

Data percentages for each industry are shown in the chart.
Factors underpinning confidence

- 36% of SMBs report increases in the price paid for goods and services, compared to 23% reporting increases in the prices they charged.

- 25% of SMBs reported increased profitability in the last quarter, while 22% reported a fall in profitability.

- Businesses are split down the middle when asked if there is anything preventing them taking on new staff with 48.9% saying there are barriers and 51.1% saying there aren't.
Changes in workforce

- Businesses reported that there had been a small increase in full time, part time and casual staff numbers over the last three and 12-month periods.
- 7.6% of businesses observed a reduction in staff numbers, 9.4% increased their staffing numbers and 50.6% reported numbers had stayed the same across full, part, casual and contract workers.

How has your workforce changed in the last 3 months?

Statistical analysis (median and outliers) - Changes in workforce make up analysis
### Changes in workforce around the country in last 3 months

<table>
<thead>
<tr>
<th>State</th>
<th>Full Time</th>
<th>Part Time</th>
<th>Casual</th>
<th>Contract</th>
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<tr>
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<td>12.6%</td>
<td>7.0%</td>
<td>7.0%</td>
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<tr>
<td>NSW</td>
<td>57.0%</td>
<td>46.3%</td>
<td>47.4%</td>
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<tr>
<td>QLD</td>
<td>57.4%</td>
<td>48.2%</td>
<td>47.4%</td>
<td>56.3%</td>
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<tr>
<td>SA</td>
<td>50.4%</td>
<td>46.2%</td>
<td>46.3%</td>
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<tr>
<td>TAS</td>
<td>40.3%</td>
<td>7.3%</td>
<td>10.7%</td>
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<tr>
<td>WA</td>
<td>13.6%</td>
<td>4.9%</td>
<td>10.7%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

- Reduced
- Stayed the same
- Increased
Changes in workforce around the country in last 3 months

* Note: small sample size for ACT & NT
What is driving the changes in workforce?

- 42% of businesses report no change in staffing levels.
- 15% of businesses have reduced staffing numbers due to economic circumstances, with a further 10% reducing staff hours.
- Of those businesses that have experienced a reduction in workforce, 41.5% have made staff redundant and 22% have reduced staff working hours.
Confidence in the economy
SMBs becoming more optimistic about the economy sensis

- One in three business owners and managers believe the economy is slowing down and one in two believe it is at a standstill. Overall, 22% of businesses expect an improvement in the economy over the next 12 months and 30% believe the situation will get worse.

- South Australian businesses are the most concerned, with 24% expressing fears about the economic slowdown, while 21% of businesses in both New South Wales and Western Australia are worried about their prospects.

Overall, do you believe that Australia is in a period of economic growth, economic slowdown, or economic standstill?

And thinking about the nation’s economy overall. In a year from now do you think the nation’s economy will be better, worse or about the same?
Perceptions of the economy across the country

- Victorian SMBs were the most worried about the state of the economy with 36.5% believing it is in slowdown. Queensland SMBs were the most positive, with 18.3% believing the economy is growing.
- When comparing Metro and Regional SMBs, regional businesses were more convinced the economy is slowing (32.6% vs 36.7%).

*Note: small sample size in ACT & NT*
The majority of SMBs across the country are not optimistic about the prospects of the economy over the coming 12 months. Despite the overall feeling of a slow or stagnant economy, there are glimmers of hope that the economy is beginning to move forward. Compared to the perceptions about the economy today, the percentage of SMBs predicting the economy would be better in 12 months time was higher in all states and territories and fewer businesses believe the economy will be worse. 

*Note: small sample size in ACT & NT*
Access to finance
Access to finance

- Access to finance remains a significant worry for SMBs, especially in regional areas. 30% of businesses believe it is harder than it was 6 months ago to access finance. This rises to 37% in regional areas. All states and territories noted it was harder to obtain finance, especially in Queensland and NSW.

<table>
<thead>
<tr>
<th></th>
<th>VIC</th>
<th>NSW</th>
<th>QLD</th>
<th>SA</th>
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<tr>
<td>Easier</td>
<td>16.5</td>
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<td>Same</td>
<td>54.8</td>
<td>53.7</td>
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<td>65.9</td>
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<td>Harder</td>
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<td>26.8</td>
<td>27.9</td>
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- 87% of SMBs have not attempted to access finance in the last 6 months. Of the 13% that did, 73% were successful. SMBs within the Health and Community Services sector were most likely to have accessed finance (19%), followed by manufacturing (16%) and Hospitality (15%).
Methods of finance

- There were significant differences in methods of finance across the states.
- Victorian (44%) and Tasmanian (44%) businesses were more likely to use a bank loan to access finance whereas South Australian SMBs were more likely to use a credit card (28%) than any other method.
- There are significant differences in the way male and female business owners access finance. 36% of male respondents would consider bank loans, followed by overdraft (24%) and credit card (21%); whereas 47% of female respondents would use a bank loan to finance the business, followed by credit card (33%) and overdraft (21%).

![Bar chart showing finance methods]
How gender changes confidence
How gender reflects attitudes

Business Confidence:
- Extremely confident .... 18.9%
- Fairly Confident ......... 41.7%
- Fairly worried ........... 10.7%
- Extremely worried ........ 6.2%

The economy in 12 months time:
- Worse........................ 30.6%
- Same.......................... 50.2%
- Better......................... 19.2%

Are Federal Government policies supportive:
- Work against SMBs........ 24.4%
- No impact....................... 38.8%
- Supportive of SMBs ...... 23.1%
- Don’t know.................... 13.7%

Business Confidence:
- Extremely confident ........ 13.9%
- Fairly Confident ............ 41.0%
- Fairly worried ............... 14.1%
- Extremely worried ........... 3.8%

The economy in 12 months time:
- Worse........................ 29.7%
- Same.......................... 47.2%
- Better......................... 23.1%

Are Federal Government policies supportive:
- Work against SMBs ......... 21.5%
- No impact....................... 34.9%
- Supportive of SMBs ........ 32.5%
- Don’t know.................... 11%
Support for the Federal Government
Support for Federal Government Policies

- The highest support for the Federal Government’s policies came from SMBs in NSW (32.2%) and Queensland (31.5%). Regional SMBs were more supportive (31.5%) than their metro counterparts (28.8%).
- 34.1% of Tasmanian SMBs believe Federal Government policies work against SMBs.
- When it comes to those SMBs who believe the Federal Government has no impact on their business, NSW (40.7%) and South Australian (37%) SMBs sat above the national average.
SMB voting intentions

If there was a Federal election tomorrow, who would you vote for?

* Note: small sample size ACT & NT
Support for State and Territory Governments
Tasmanian SMBs were the most positive when it comes to state and territory government support for SMBs, with 37.1% believing the Hodgman Government is supportive to SMBs. The Berejiklian Government also performed strongly with 26.6% of SMBs believing it is supportive.

30.3% of South Australian SMBs believe the Marshall Government is working against SMBs.

* Note: small sample size ACT & NT
Which State, Territory or Federal government policies are holding you back?
Which State, Territory or Federal government policies are holding you back?

* Note: small sample size ACT & NT
Tied in red tape?

- Nationally, 37.4% of SMBs state that 'red tape' is holding back their growth and profitability. This figure rises to 41% in Victoria.
- In NSW, 35% of businesses view insurance as the second highest hindrance after red tape (36%), while 37% of South Australian and Tasmanian businesses believe insurance is putting the brakes on their growth.
- When pressed further as to what red tape specifically, few business owners and managers could name specific examples.
Stimulating the economy: The $30,000 tax incentive
Taking advantage of the $30,000 asset write-off

- Less than a third of SMBs took advantage of the extended asset write off incentive at the end of the last financial year.
- Those deciding against taking advantage cited lack of available funds, lack of awareness and reluctance to overspend.
Sensis Business Index
About the survey
About the survey

AGE OF RESPONDENTS
- 30 years old or under: 21%
- 31 to 40 years old: 24%
- 41 to 40 years old: 11%
- 46 to 50 years old: 6%
- 51 to 60 years old: 11%
- Over 60 years old: 10%

HOW MANY LOCATIONS DO YOU OPERATE FROM?
- 1: 10%
- 2: 12%
- 3: 5%
- 4: 23%
- 5 to 9: 11%
- 10 to 19: 21%
- 20 to 29: 11%
- 30 to 39: 10%
- 40 plus: 0%

GENDER OF THE BUSINESS OWNER/MOST SENIOR PERSON
- Male: 30%
- Female: 70%

ANNUAL REVENUE OF BUSINESSES SURVEYED
- Don't know/Can't say: 55
- Under $10,000: 42
- $10,000 to $30,000: 40
- $31,000 to $50,000: 52
- $10,000 to $30,000: 55
- $51,000 to $100,000: 105
- $101,000 to $500,000: 118
- $1 million to $2 million: 91
- $6 million to $10 million: 100
- $501,000 to $1 million: 185
- $1.1 million to $2 million: 142
- Over $20 million: 142
- $6 million to $10 million: 142
- $1.1 million to $2 million: 142
- Over $20 million: 142
### Industry sector

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<td>Communication, Property and Business Services</td>
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<td>Construction/Building</td>
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<td>Culture &amp; Recreational Services</td>
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<td>Finance and Insurance</td>
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<td>Health &amp; Community Services</td>
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<td>Manufacturing</td>
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### Location of business

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<th>Metro</th>
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Full access to the Sensis SMB Business Index is available under license. For details, please contact Will Clarke, Head of Corporate Communications, on 03 8653 3431 or will.clarke@sensis.com.au

Please note that the data in this report were obtained using an online sampling method and so quarter on quarter comparisons are not recommended.
Sensis helps Australians connect and engage through our leading platforms. We help create and manage valuable connections via our digital consumer businesses (Yellow, White Pages, True Local, Whereis and Skip), search engine marketing and optimisation services, website products, social, data and mapping solutions, and through our digital agency Found. Sensis is also Australia’s largest print directory publisher including the Yellow Pages and White Pages.

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