



Sensis Business Index

Australia's Leading Small and Medium Business Outlook & Confidence Survey November 2019



Introduction



Welcome to the second edition of 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. 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. This report compares this quarter to the last (July 2019) . We don't recommend comparing prior to July due to the methodology change.

If you would like to view the data and run your own tailored analysis, please see page 37.

Introduction

The Sensis Business Index is based on 1,011 online interviews conducted between 17 and 31 October 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 on page 36. 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 98%* of Australian businesses and make up 67%* of the country's GDP (*Deloitte).

Executive Summary

Australia's small and medium business owners are by nature an optimistic bunch. We know they have can-do attitudes that give them the drive to tackle a challenge even in the face of trying conditions. It's this same entrepreneurial spirit that is now shoring up SMB confidence in business prospects despite their growing skepticism in the state of the national economy.

So it is pleasing to see that the majority of SMBs (55%) are still confident about their business prospects over the next 12 months despite this measure of confidence falling every quarter in 2019. This period saw the trend continue with a 2% drop in confidence compared to last quarter.

The worrying signs however for SMBs and the economy generally are evident in the other factors underpinning the report. More than one in four (26%) Australian small and medium businesses (SMBs) think current Federal Government policies are working against them – an increase of 3% from last quarter. This is the first time the Index has seen an upward trend in the number of SMB owners who believe Federal Government policies are working against them.

Over the years we have seen a growing perception among SMBs that Federal Government policies do not affect them. This change in sentiment may be small but is a significant about-turn in this trend.

The sentiment comes as SMB confidence in the Australian economy drops 5% quarter on quarter, with 39% of SMB owners now believing the economy is in slowdown compared to 34% in the last period. Compared to the previous quarter, fewer SMB owners now believe the economy is growing (3% drop to 13%).

Thirty six percent of SMBs also believe the nation's economy will be worse in 12 months' time, compared to 30% last quarter. Only 16% said it would be better a year from now, compared to 22% last quarter.



Executive Summary

SMB confidence in the Australian economy has been falling consistently, and this quarter is no different with 48% now believing it is at a standstill and 39% believing it is actively slowing.

Our research has identified the troubles small businesses are having accessing finance for 18 months now. Worryingly this quarter's results show that thirty five percent of SMB owners say it has become harder to access finance compared to three months ago – an increase of 5% from last quarter.

Western Australian (42%) and South Australian (41%) SMBs are the most likely to say that finance is more difficult to access than six months ago. Those most likely to think finance is now easier to access include SMB owners in the ACT (18%) and Victoria (18%), with NSW coming third (14%).

Nationally, 17% of SMBs tried to access finance in the past six months – a jump of 5% compared to last quarter. Of these, only 63% were successful compared to 73% in the previous period. More than one in four (26%) were rejected, compared to a rejection rate of fewer than one in five (19%) last quarter.

SMBs are anticipating strong profitability and workforce growth in the next three months, with 34% expecting an increase in profitability over the next three months (29% in previous period) and 19% expecting the size of their workforce to grow (16% in previous period).

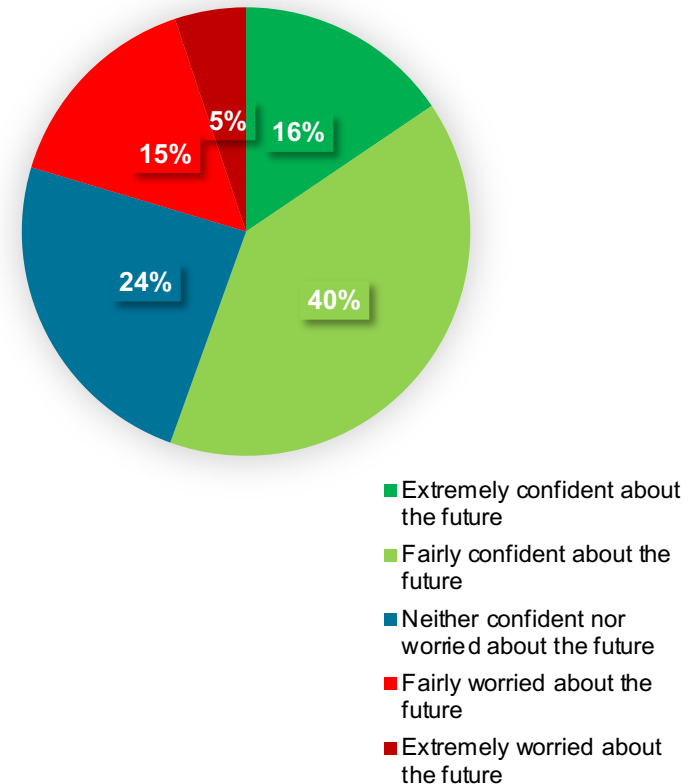
John Allan
Chief Executive Officer, Sensis

SMB confidence

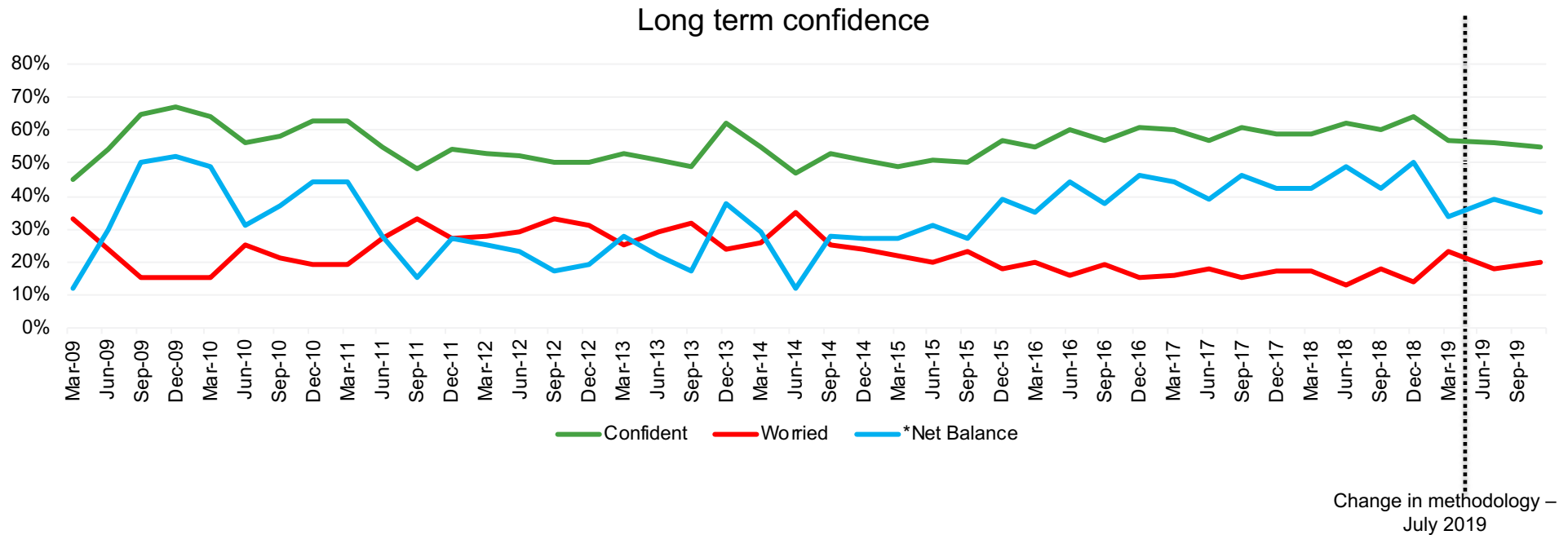


Majority of SMBs confident, but 20% now worried

- The majority of Australia's small and medium businesses are still confident about the future, despite confidence falling every quarter in 2019.
- Increasing numbers of SMB owners are becoming worried or very worried about the future. Whilst this number is still small (5% are extremely worried and 15% fairly worried), it is a trend that is increasing since the low of June 2018.
- The finance and insurance industry was the most confident (a massive 70% of these SMBs were either fairly or extremely confident), while the transportation and storage industry had the lowest level of confidence (45%).
- There was a significant fall in confidence amongst retailers with 29% now worried about the future. In the run up to Christmas and summer, this is a concerning sign as it is traditionally their busiest and most profitable period.



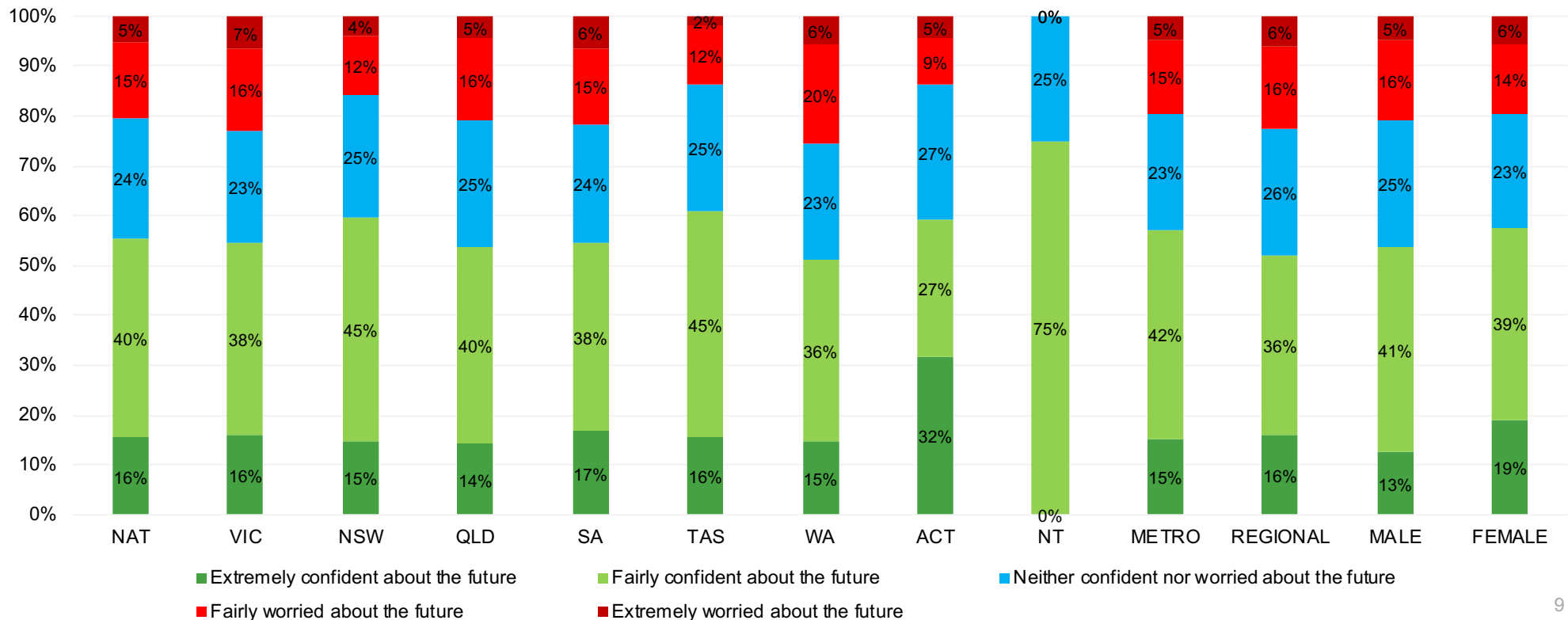
SMBs optimistic, but confidence is falling



SMBs generally confident, but confidence is falling

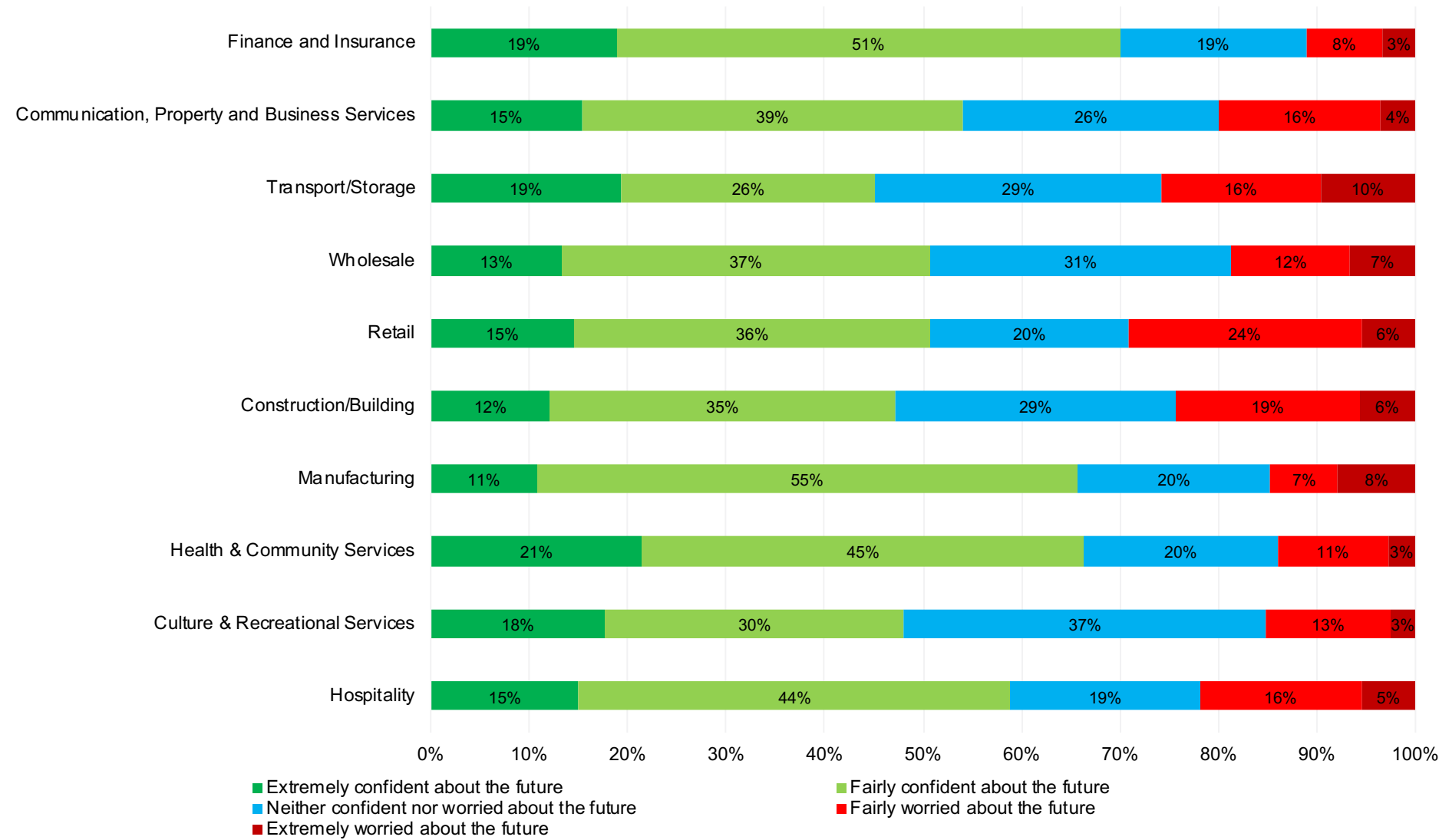


- Tasmania is the most confident state with 61% of SMBs feeling confident or very confident. There has been a significant rise in confidence across NSW up 9% to 60%
- Compared to the previous quarter, there has been an increase in the number of SMBs across the country feeling worried – up 2% to 20% nationally. Significant rises in the number of SMBs saying they are worried or very worried in Victoria (up 9% to 23%) and WA (up 5% to 26%)
- Slight falls in confidence in Victoria (down 2%), Tasmania (down 2%) and Metro SMBs (down 2%).



* Note : small sample size for ACT & NT

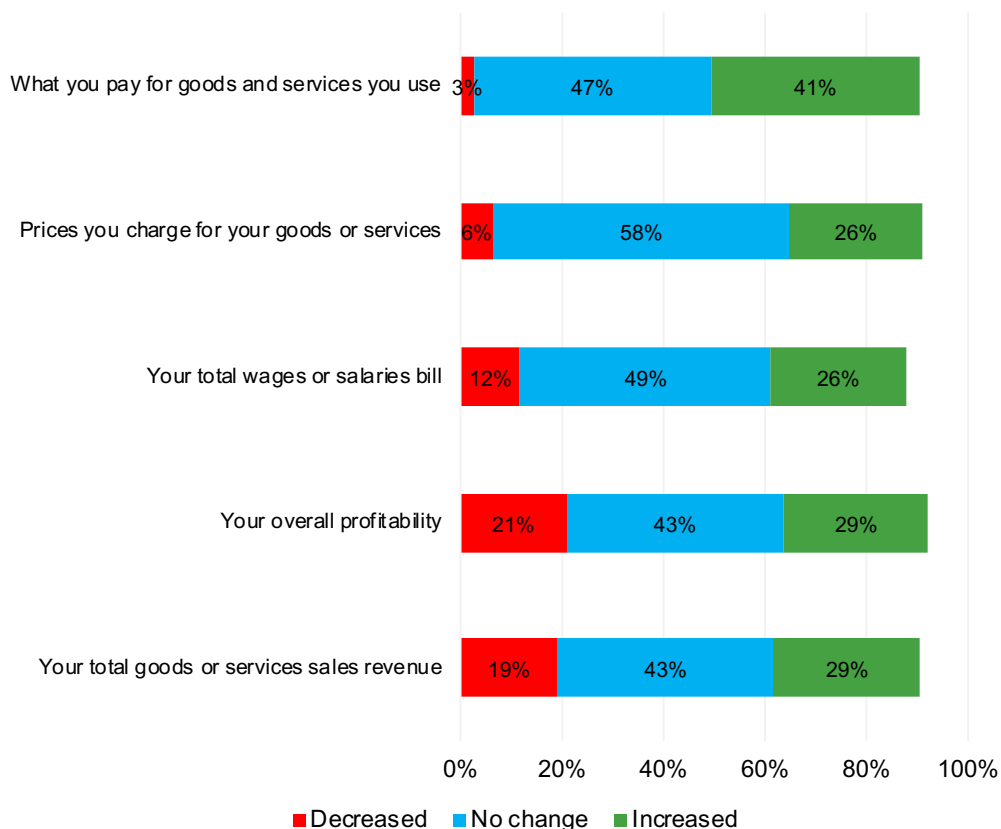
Confidence varies across industries



Factors underpinning confidence

- 41% of SMBs reported an increase in the prices they pay for goods and services (up from 36% last quarter).
- An increasing number of SMBs reported an increase in profitability, up from 25% last quarter to 29% in November. There was a small drop in businesses reporting that their profitability had dropped (down to 21% from 22% in August).
- Businesses are once again split down the middle when asked if there is anything preventing them taking on new staff, however this has turned negative from last quarter. 51% now say there are barriers to them taking on new staff (49% last quarter) and 49% saying there are no barriers (51% last quarter).

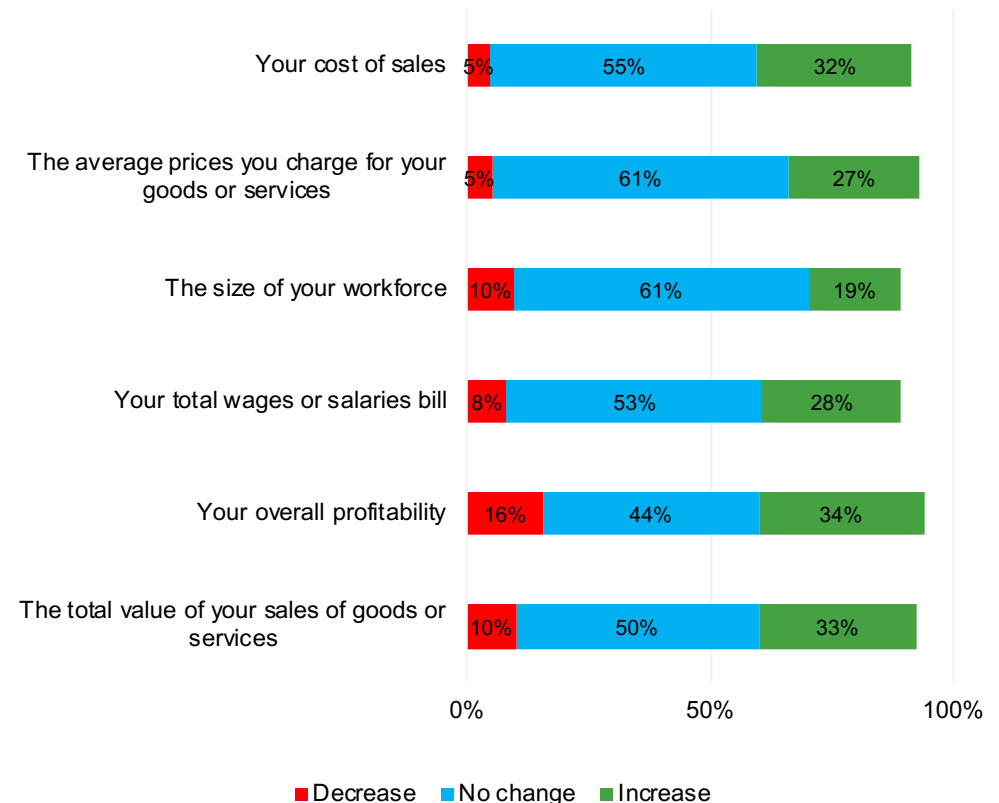
In the past quarter, (excluding normal seasonal changes) how have the following business indicators changed at your business?



SMBs expect rising profitability into 2020

- The profitability of Australia's SMBs for the next quarter is a mixed bag, with 34% predicting they will be more profitable and 16% saying they will be less profitable.
- 32% of small businesses expect their cost of sales to rise over the next quarter, and 27% predict the prices they charge will rise in the same period.
- Businesses are however worried about the rising cost of doing business and specifically the prices for insurance and utilities. Many were worried that while this will force them to raise their prices, they see consumer demand and confidence as weak and are concerned consumers will not pay these higher prices.

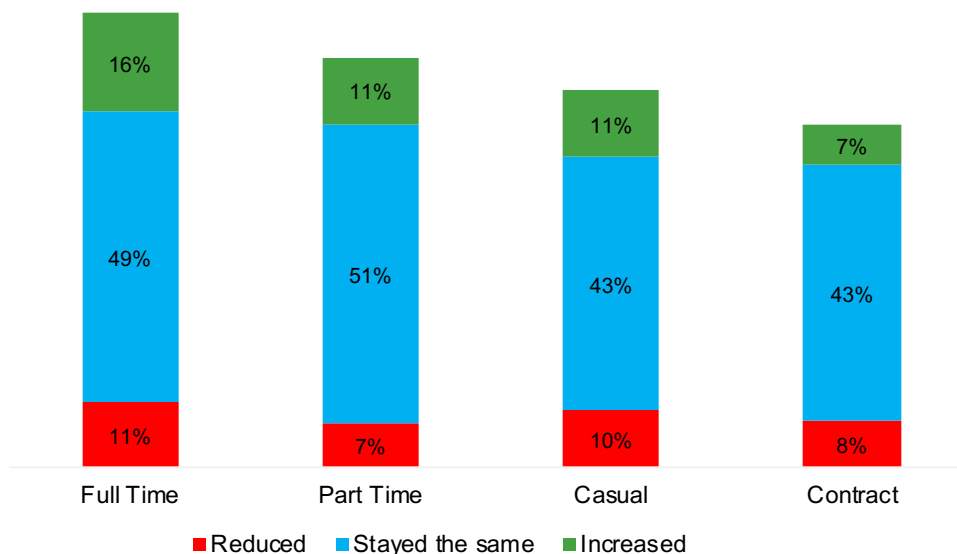
How do you estimate the following key indicators will change (excluding normal seasonal changes) for your business over the next three months?



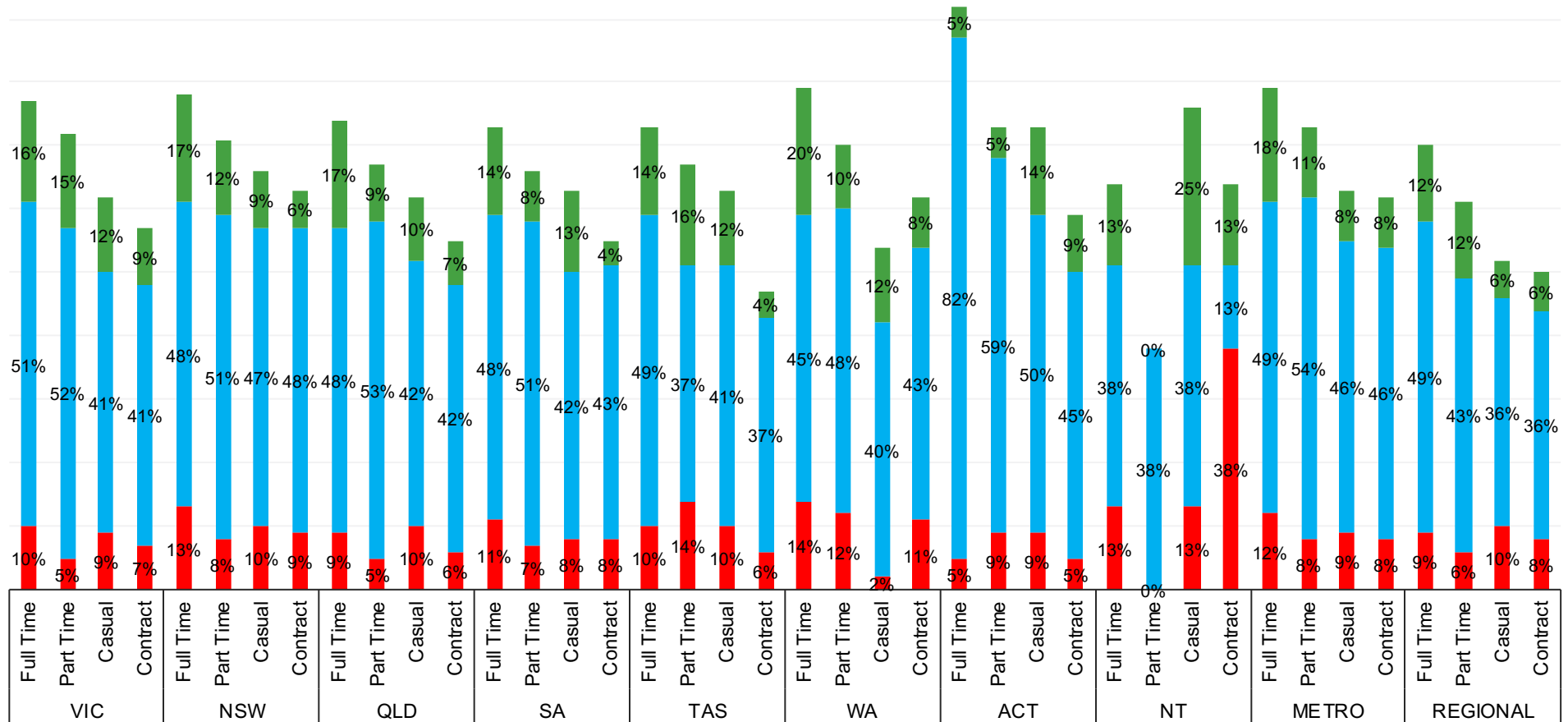
Changes in workforce

- Businesses reported that there had been a small net increase in full time, part time and casual staff numbers over the last three months.
- There was a net increase in full time roles in the November quarter with 16% of SMBs reporting an increase in full time staff (up from 12% last quarter).
- While 16% of businesses reported an increase in full time staff, 11% reduced full time staff in the same period. There were increases in part time and casual staff during the period (11% of businesses reported increases in both), however these increases were off set by 10% of businesses reporting a reduction in casual staff and 7% reporting reductions in part time staff.

November Quarter - How has your workforce changed in the last 3 months?



Changes in workforce around the country in last 3 months

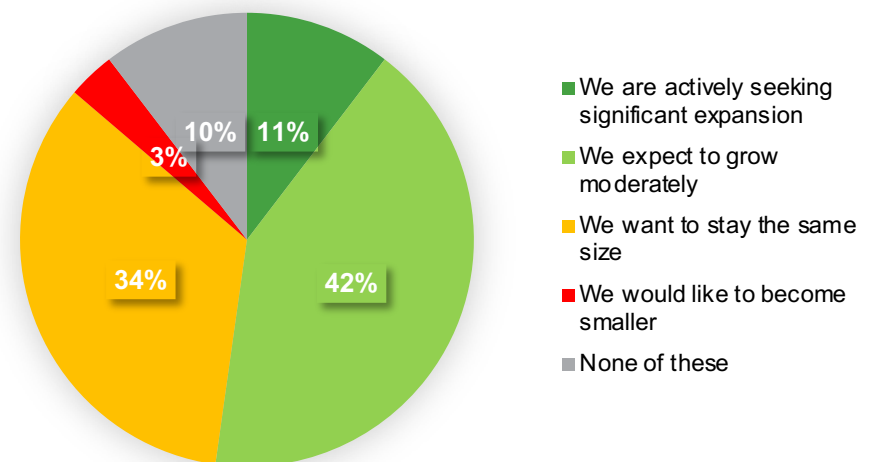
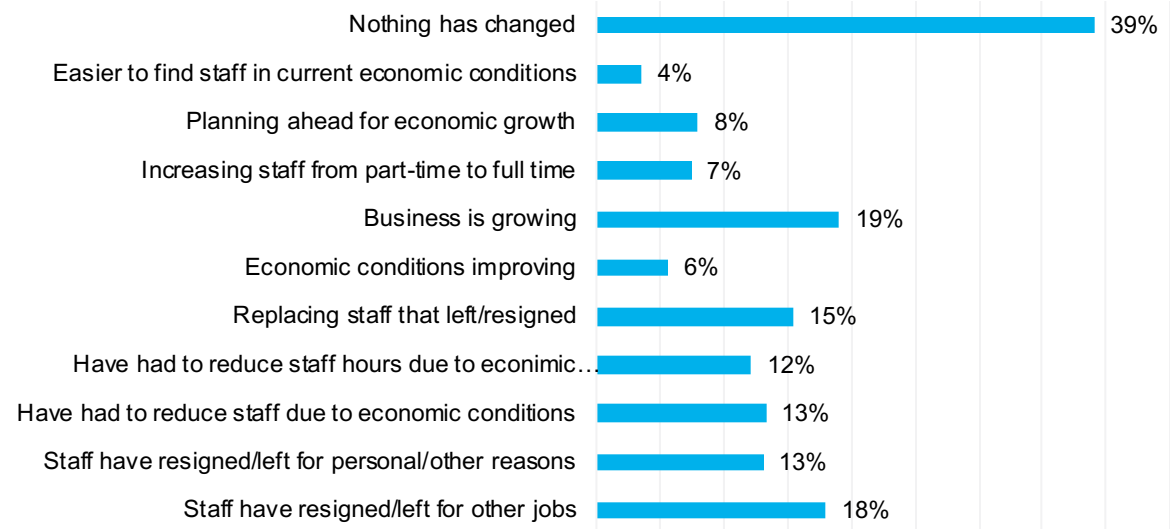


■ How has your workforce changed in the last 3 months? Reduced
 ■ How has your workforce changed in the last 3 months? Stayed the same
 ■ How has your workforce changed in the last 3 months? Increased

Note : small sample size for ACT & NT

What is driving the changes in workforce?

- 42% of businesses report no change in staffing levels.
- 19% reported that their businesses are growing (compared to 15% in the August quarter).
- 53% of the country's SMBs are looking to expand, with 11% of these looking for significant expansion.
- 7% of respondents were looking to buy another business, while 8% were looking to sell their business.
- 10% of WA businesses were looking to buy a new business, while 12% of South Australian SMB owners are looking to sell their business.



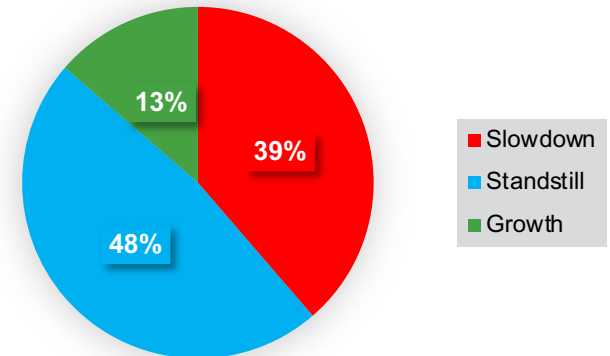


Confidence in the economy

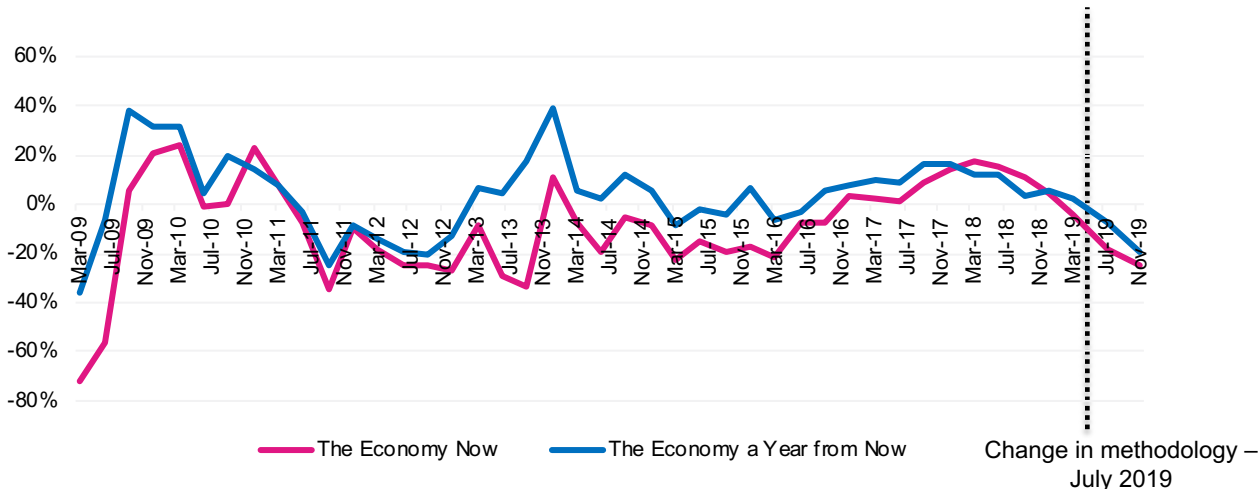
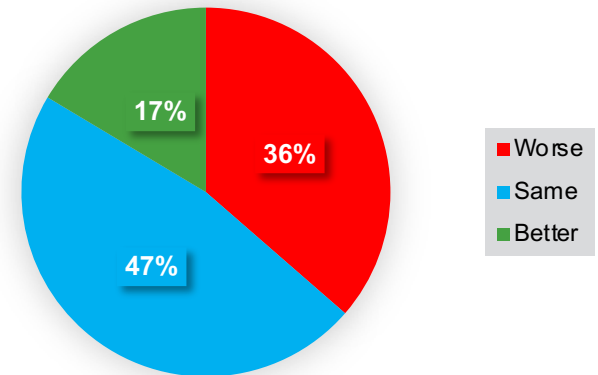
SMBs confidence in the economy continues to drop sensis

- SMB confidence in the Australian economy dropped significantly this quarter. 48% of SMB owners believe the economy is at a standstill and 39% believe it is still slowing. Only 17% of SMBs believe the economy will be better in a year's time.
- Victorian SMBs are the most pessimistic about the future of the nation's economy, with only 13% believing it will be better this time next year.
- 45% of South Australian businesses believe the economy will be in a worse place.

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

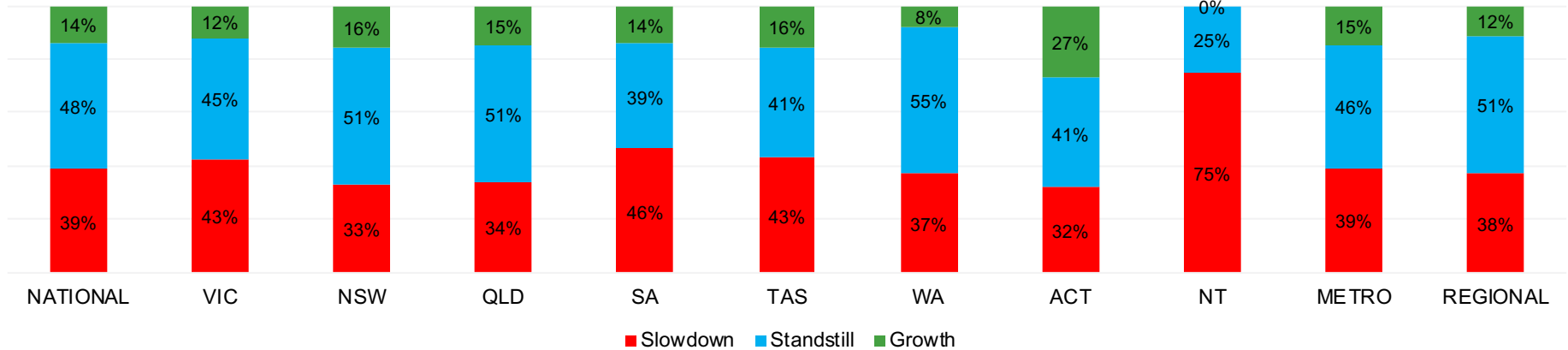


And thinking about the nation's economy overall. In a year from now do you think the nation's economy will be better, worse or about the same?



SMBs pessimistic about the nation's economy

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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?

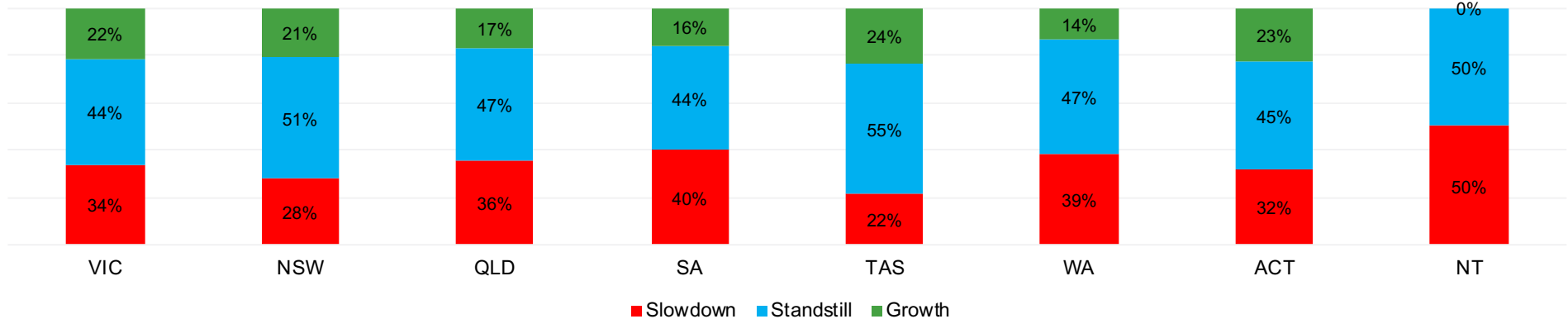


Note : small sample size for ACT & NT

SMBs State and Territory economies

- Across the country, SMB owners were divided in terms of how the state and territories are performing. 24% of Tasmanian SMBs believed the Tasmanian economy was growing making the state the most positive. Victoria followed with 22% believing the Victorian economy was growing, however 34% of Victorian SMBs believed the economy was slowing down.
- Western Australian SMBs were the most pessimistic about the current state economies. Only 14% of WA businesses felt the economy was growing, with 39% believing it was shrinking.

Thinking about your State (or Territory) economy, do you think it is in a period of economic growth, economic slowdown, or economic standstill?

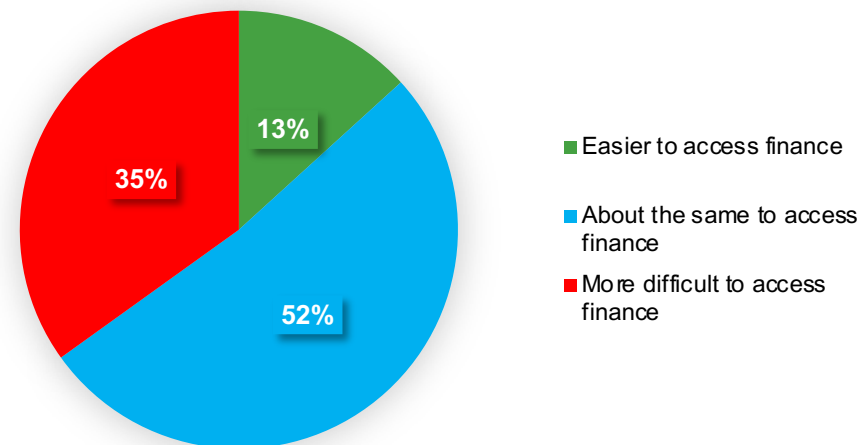


Access to finance

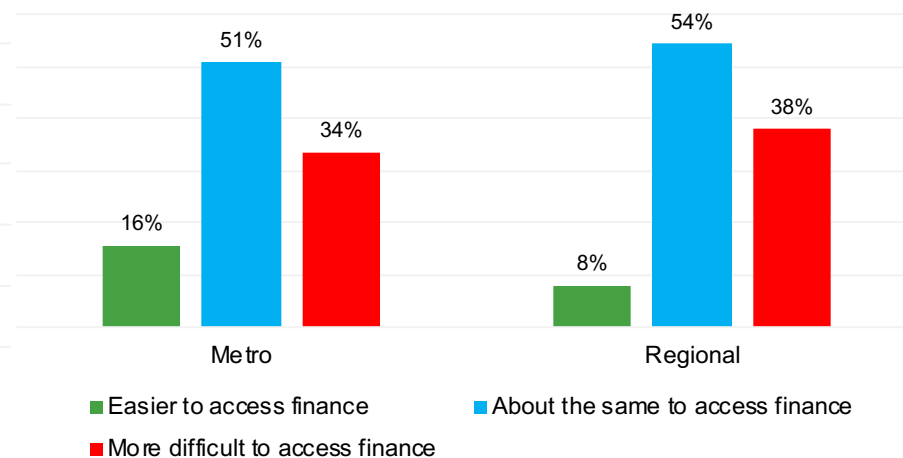
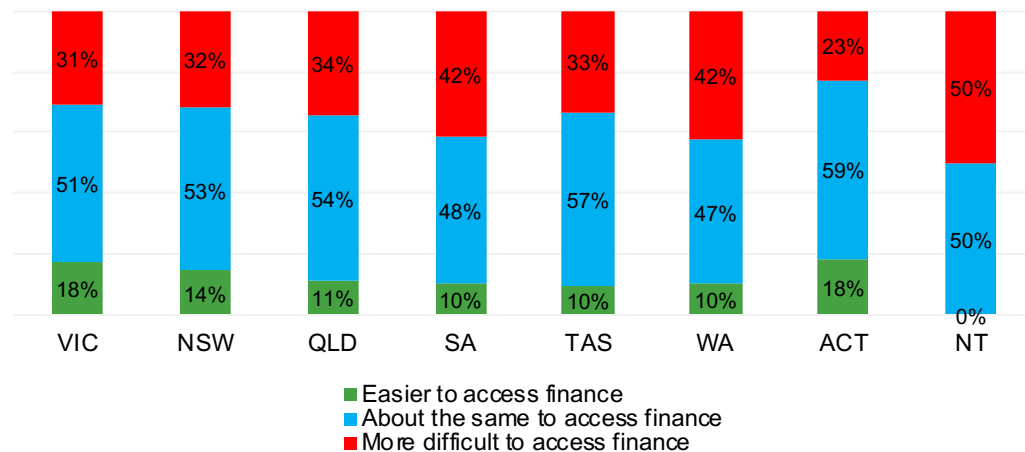


Access to finance

- In this quarter, 35% of SMBs said it was hard to access finance compared to 30% last quarter. Regional businesses find it harder to access finance than metropolitan SMBs.
- SA and WA small businesses found it hardest to access finance.
- On a more positive note, 18% of Victorian SMBs reported it was easier to access finance, up from 16.5% 3 months ago.



Compared with 3 months ago, do you think it is currently...

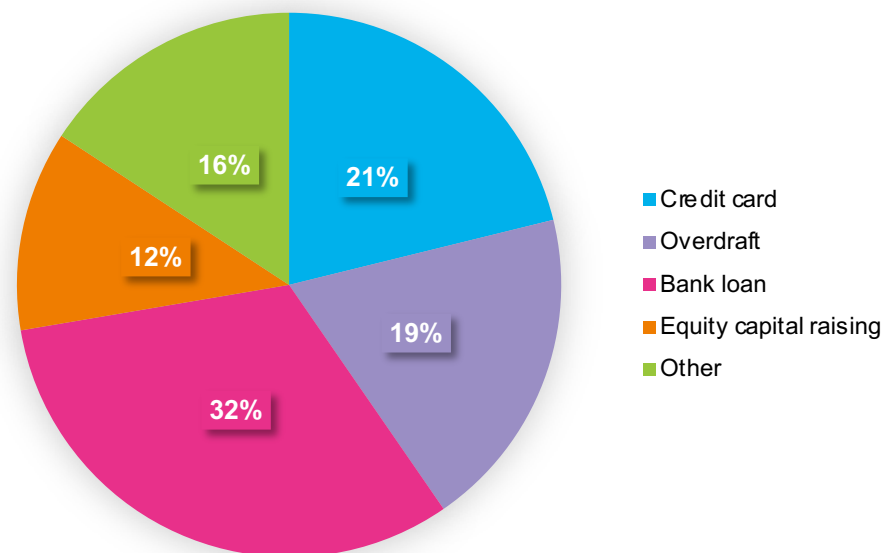


Note : small sample size for ACT & NT

Methods of finance

- 17% of SMBs applied for finance in the last 3 months, of which 63% were successful, 26% unsuccessful and the remainder pending.
- There were significant differences in methods of finance across the states.
- Victorian (44%) businesses were more likely to use a bank loan to access finance (compared to the national average of 32%). New South Wales SMBs were more likely to use a credit card (32%) than any other method, significantly over the national average of 21%.

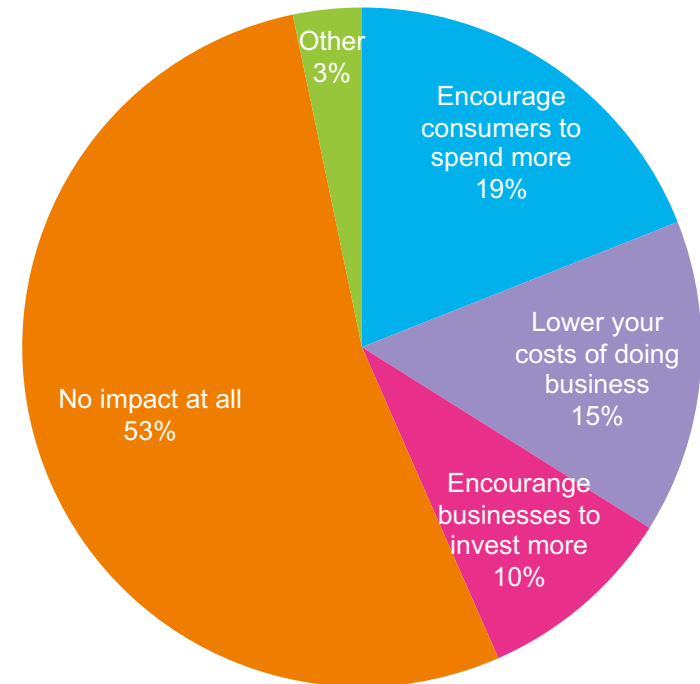
If you need to access finance in the next 6 months, which of these would you consider?



Have recent economic events impacted Australia's SMBs?

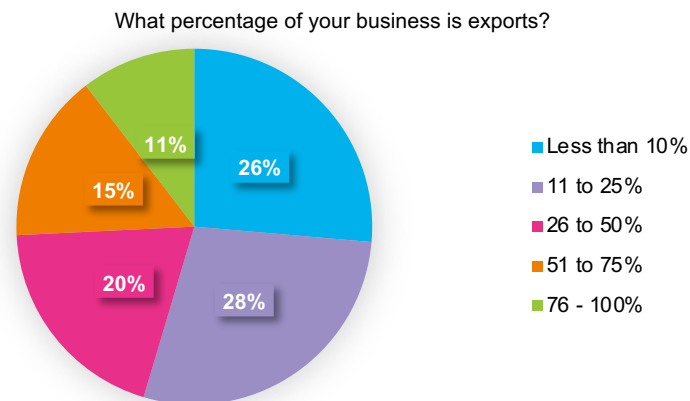
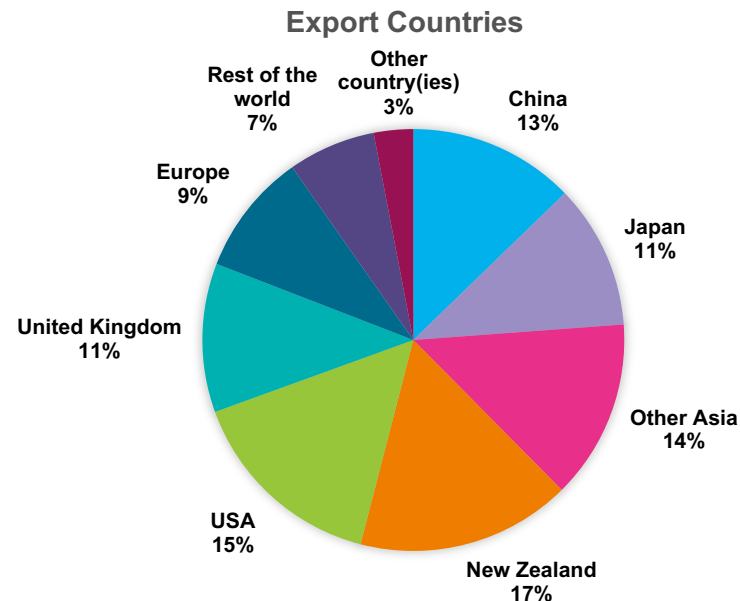
- The majority of Australian SMBs believe the recent RBA interest rate cut will have no impact and not stimulate the economy. Only 19% believe that the cut will encourage consumers to spend more.
- In terms of the recent USA/China trade war, 20% of businesses stated that they had been impacted negatively by the dispute, 8% believe it had a positive impact on their business, while 72% saw no impact on their business.

What impact do you think the recent RBA interest rate cut will have?



SMBs and exports

- 16% of SMBs reported exporting as an important part of their business. NSW leads the way with 20% of SMBs reporting they export, followed by Victoria (18%). South Australia had the smallest number of SMBs reporting that they export (8%).
- Over the last three months, 18% reported they had increased their exports while 23% were exporting less. Victorian exporters have been hardest hit with 32% reporting that they are exporting less.

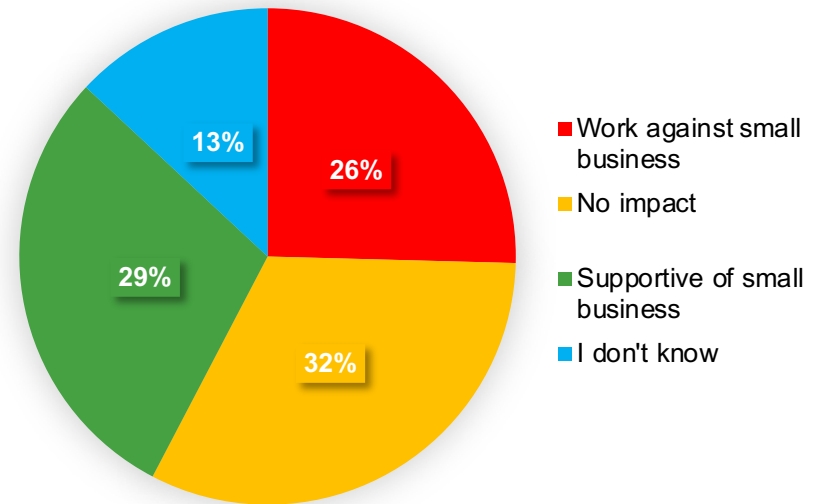




Support for the Federal Government

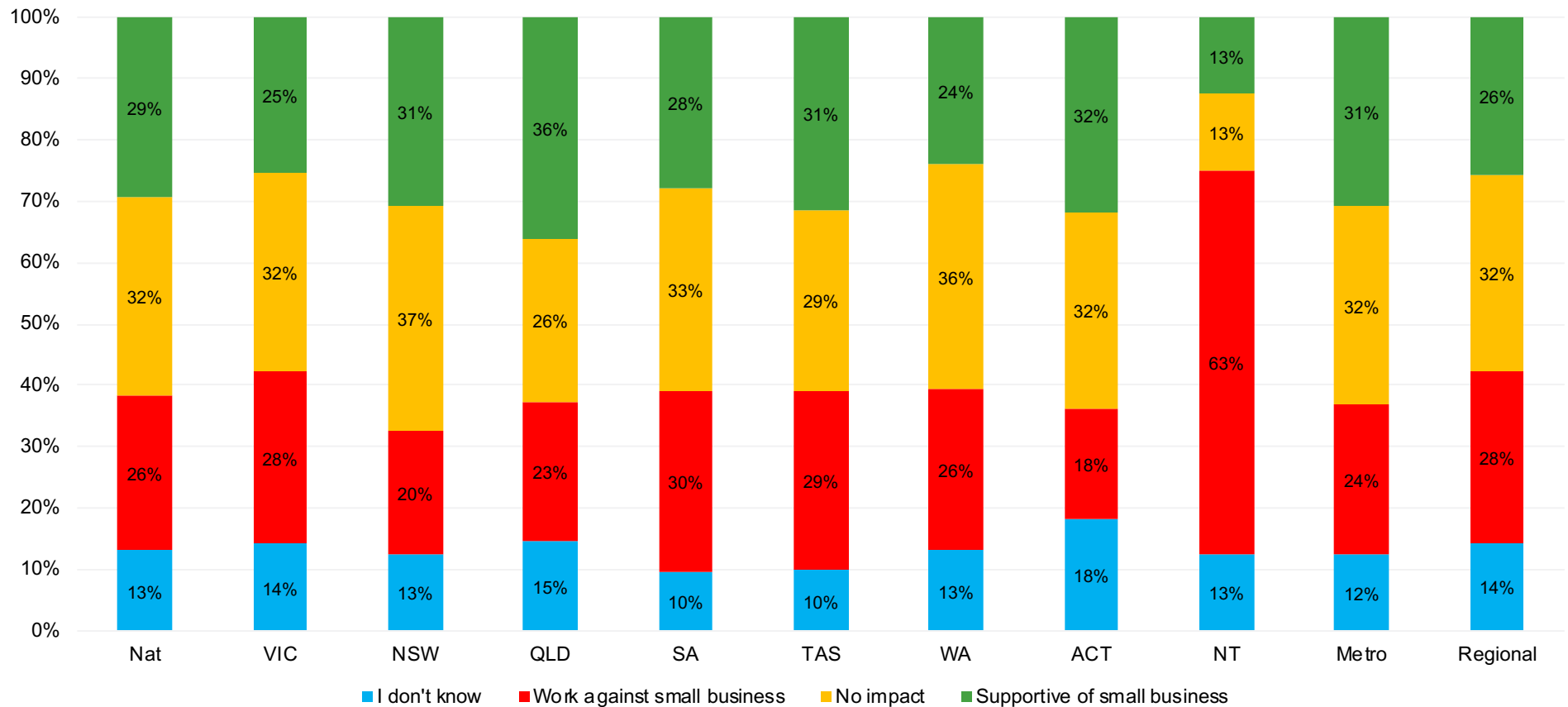
Support for Federal Government Policies

- There was a significant rise in the number of SMBs believing the Federal Government is working against small businesses, up 3 points to 26%.
- Those who believed the Federal Government was supportive of SMBs remained steady on 29%.
- The highest support for the Federal Government's policies came from SMBs in Queensland (up to 36% from 31.5% last quarter). Victoria (25%) and Western Australia (24%) were the least convinced of the Government's support for SMBs. 30% of South Australian SMBs and 29% of Tasmanian SMBs believed the Government was working against small business interests.
- The Government has an opportunity in regional areas, with regional SMBs now far less supportive than their metro counterparts – the number of businesses believing the Government was supportive of small business down to 26% (down from 31.5% last quarter). 28% of regional SMBs believe the Government is working against small business.



Support for Federal Government Policies

Overall, do you believe that the Federal Government's current policies are supportive of small business in general?

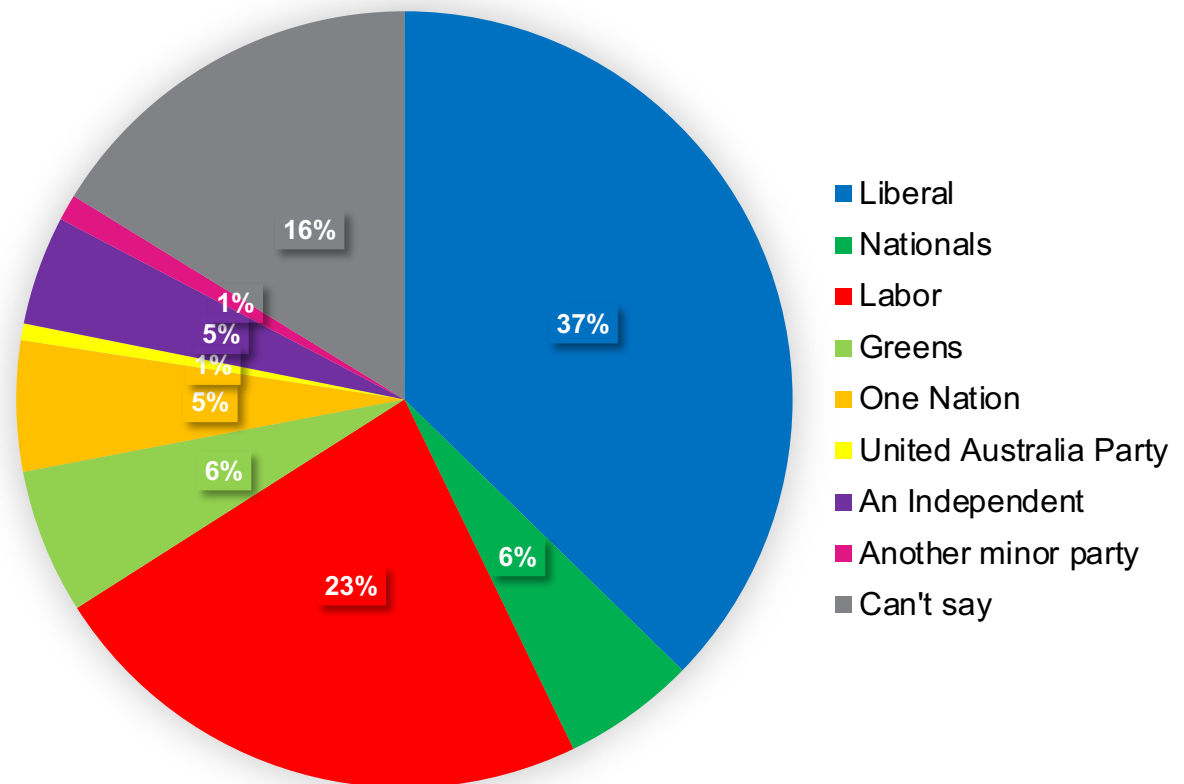


Note : small sample size for ACT & NT

SMB voting intentions

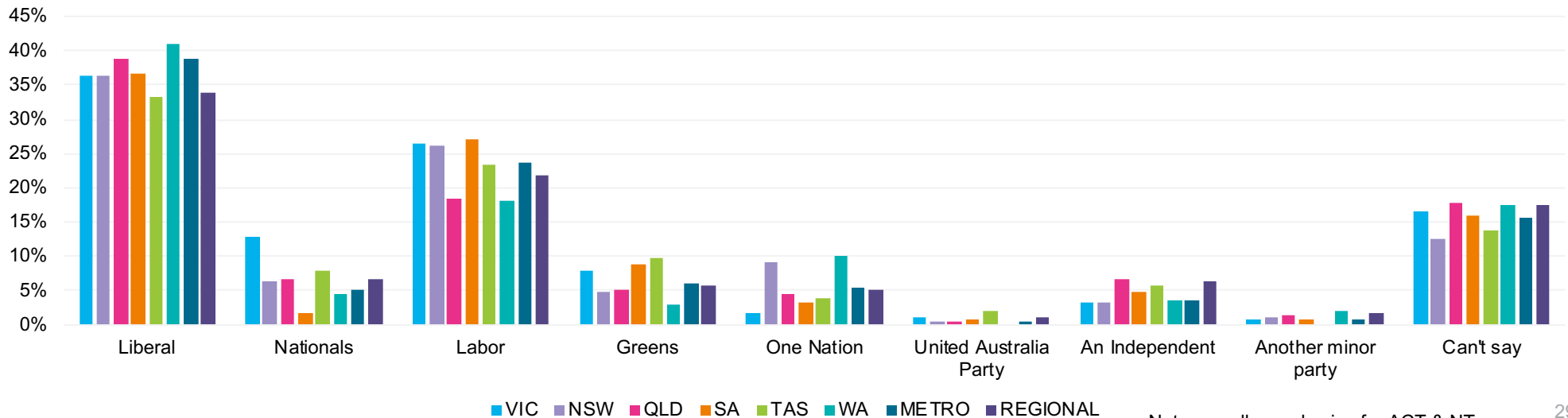
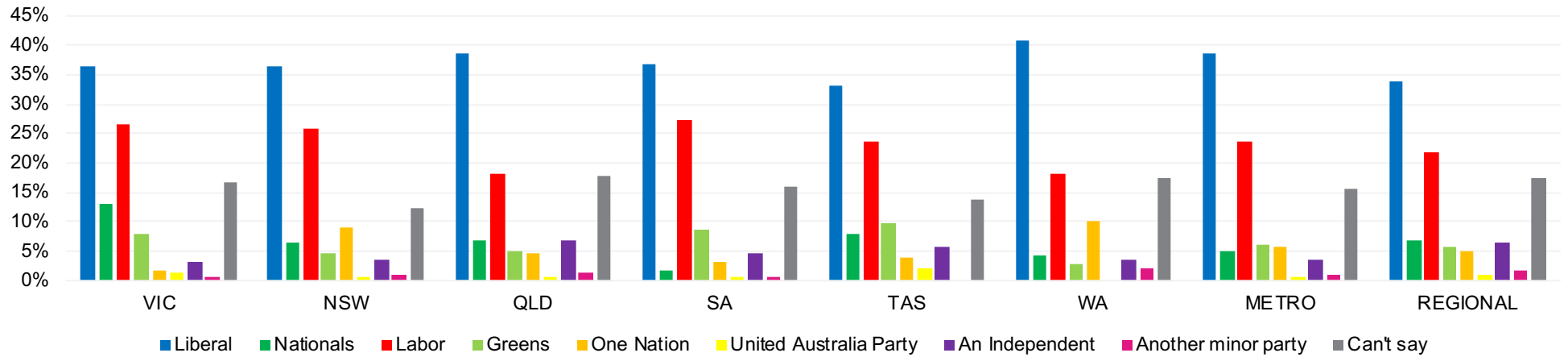
- Support for the major parties remains stable since the August quarter, and criticisms of policy and support for SMBs seems to have little impact on voting intentions.
- Liberal Party drops 1% to 37%; ALP support rises 1% to 23%; One Nation, Australia United and other minor parties all dropped 1%.

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



SMB voting intentions

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



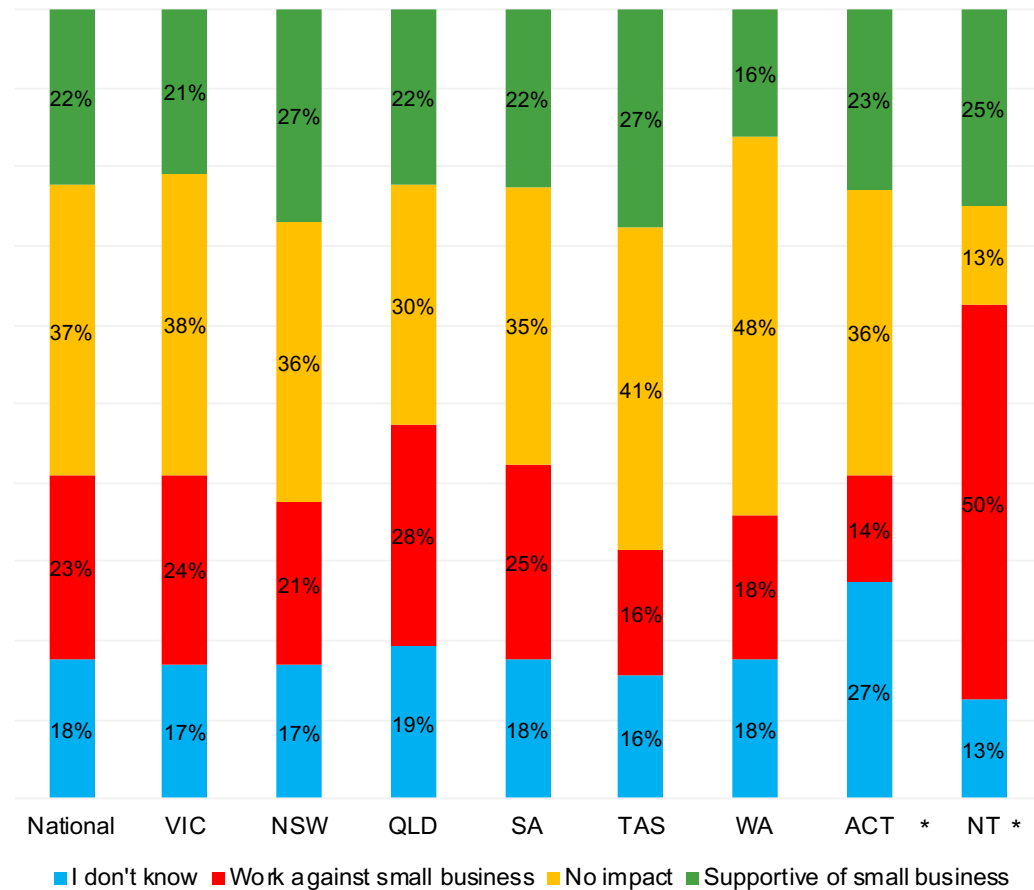
Note : small sample size for ACT & NT

Support for State and Territory Governments



SMB support for state and territory governments

- Tasmanian SMBs are the most positive at 27% when it comes to state and territory government support for SMBs for the second quarter in a row. However this is down 4% on the last period.
- The NSW Government also performed strongly with 27% of SMBs believing it is supportive.
- 28% of Queensland SMBs believe the Queensland Government is working against SMBs.

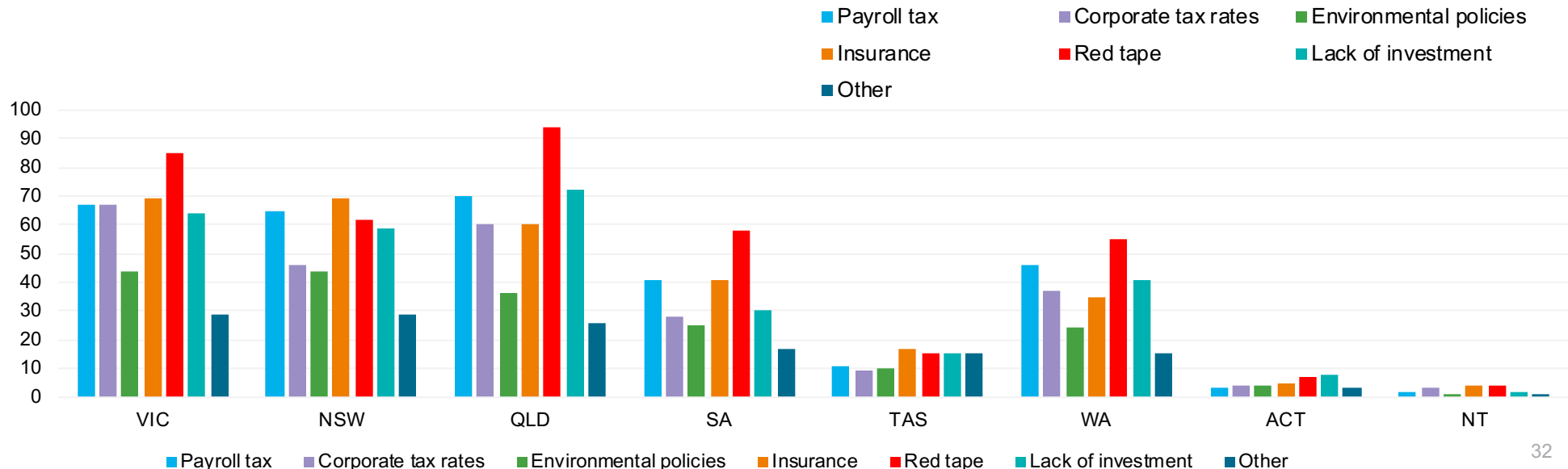
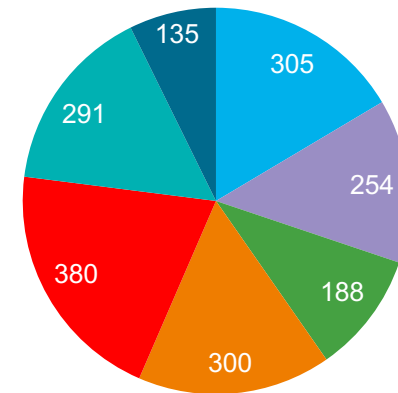


* Note : small sample size ACT & NT

What do SMBs believe is holding them back?

- Small business owners again railed against the red tape and bureaucracy they see as holding them back and stopping them being competitive.
- Regional SMB owners were especially critical of red tape and the increasing cost of insurance.

Which State, Territory or Federal government policies are holding you back?
Number of businesses reporting these issues



Sensis Business Index

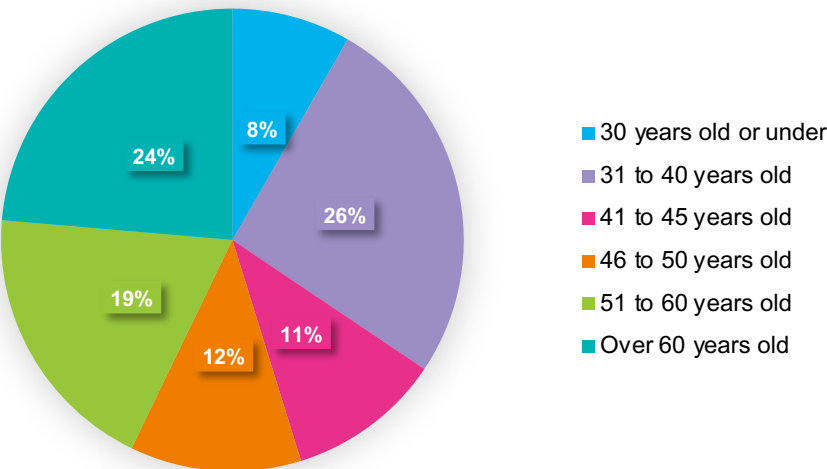
About the survey



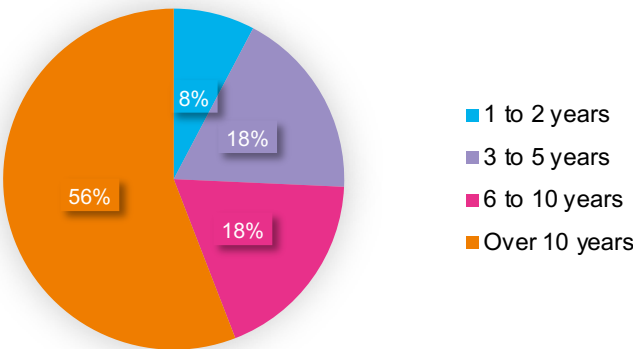
About the survey



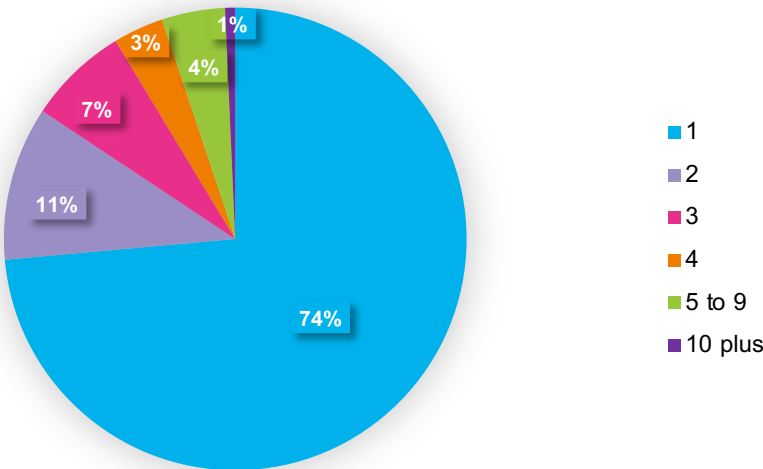
Which of the following age groups do you fall into?



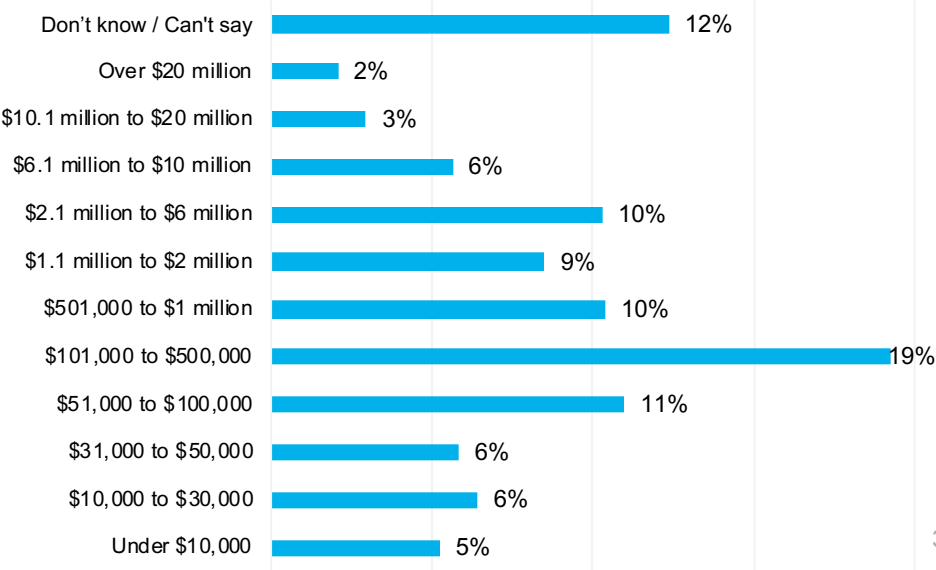
Years of operation



How many business locations do you operate from?

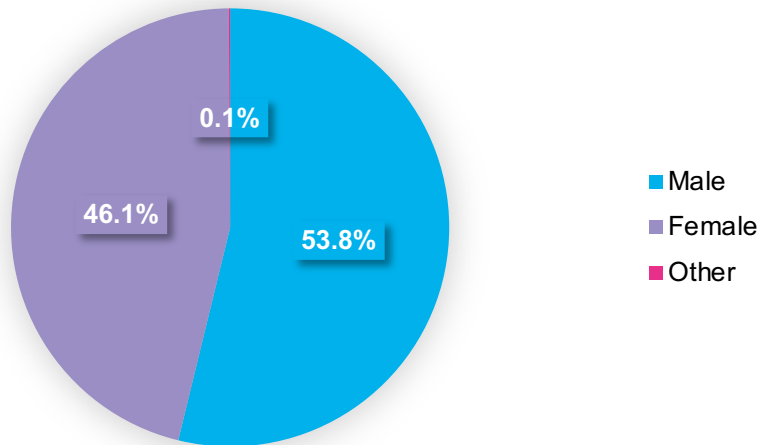


What is the approximate annual revenue of your business?

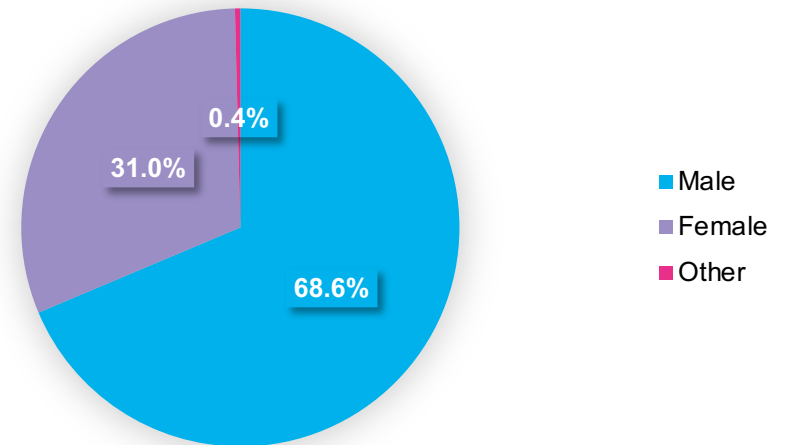


About the survey

Gender of respondent



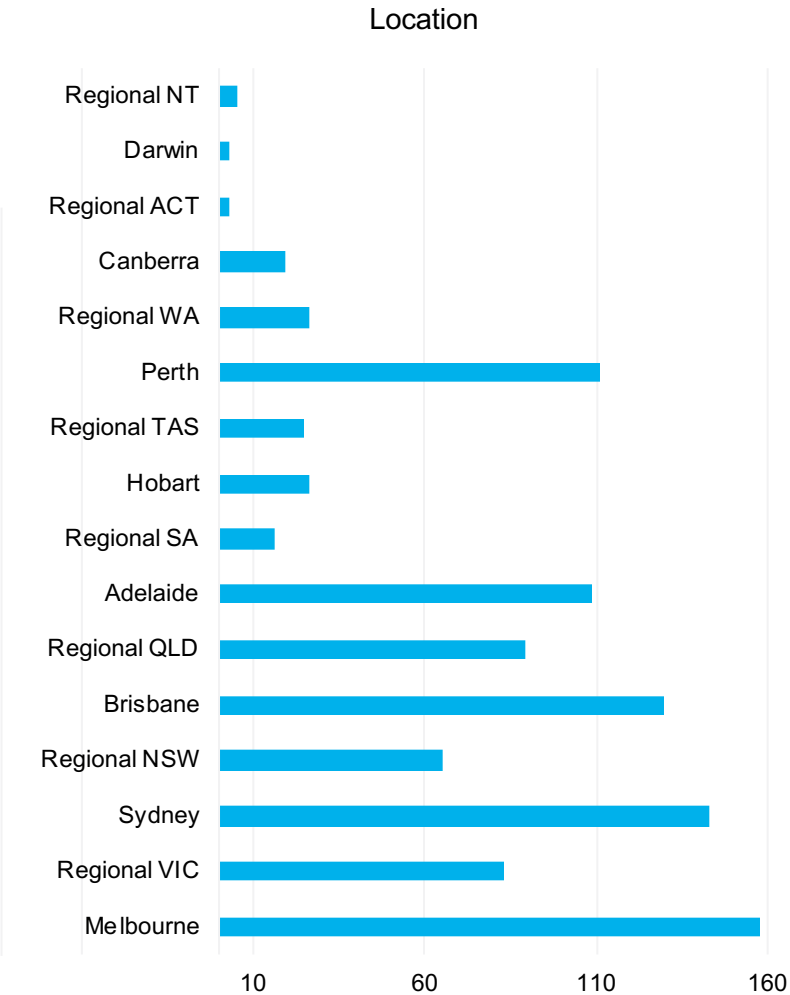
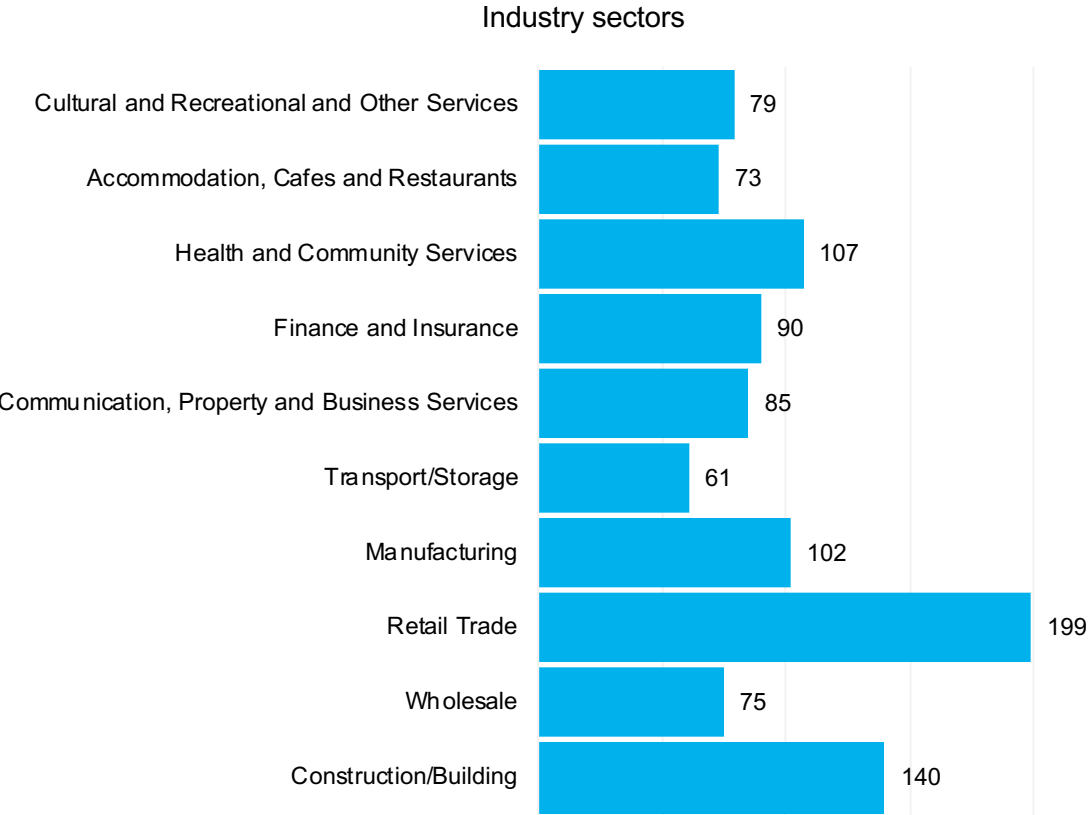
Gender of business owner



About the survey



Breakdown of small and medium businesses surveyed



Full access to the Sensis SMB Business Index is available.
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 prior to July 2019.

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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