Australian Chamber of Commerce and Industry

Small Business Survey

Identifying national trends and conditions for the small business sector

March Quarter 2016

Foreword

The AusChamber Small Business Survey is a national survey aggregated from the surveys conducted by member associations of the Australian Chamber of Commerce and Industry. The data is derived from the AusChamber Business Expectations Survey.

In total 2,513 businesses participated in the Business Expectations Survey, of which 1,535 were small businesses, defined as those with 0-19 employees. The survey covers January, February and March 2016.

Participating Organisations

This survey is compiled from data collected through individual surveys conducted by members of the Australian Chamber of Commerce and Industry:

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Contents

Results at a glance

	5 year average	Mar 15	Dec 15	Mar 16	Change	Jun 16 (e)
Small Business Conditions	43.2	42.7	45.8	48.6	↑	53.2
Expected Economic Performance (a)	45.0	43.0	46.6	47.8	↑	-
Sales Revenue	45.1	45.4	51.0	53.9	↑	57.3
Wage Growth	58.1	56.2	56.9	56.0	↓	53.0
Non-Wage Labour Costs	60.8	61.8	63.9	63.0	↓	60.4
Selling Prices	45.5	46.6	47.3	47.4	↑	51.1
Profits	38.1	37.9	43.5	46.9	↑	52.3
Employment	46.3	45.3	48.0	48.7	↑	51.6
Overtime Utilisation	43.3	41.5	44.9	45.9	↑	41.7
Investment in Buildings and Structures	41.9	41.4	45.1	46.2	↑	46.4
Investment in Plant and Equipment	45.5	44.7	48.7	50.0	↑	50.6

(a) Expectation for following 12 months
(e) Expectation for next quarter

About the survey

Throughout the survey, index values are in trend terms.

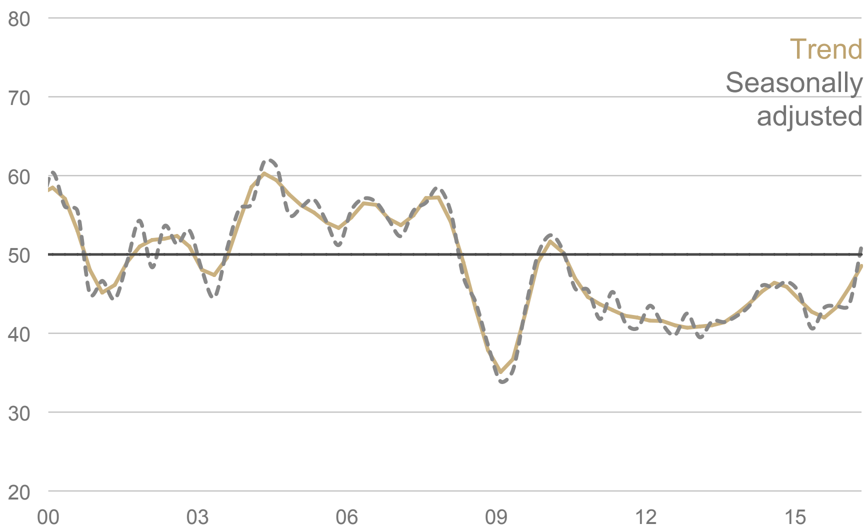
Indexes are on a scale from 0 to 100. A reading above 50 means more respondents said the variable was rising than said it was falling, while scores below 50 mean the inverse. A reading of 50 indicates an exact balance.

The outlook for small businesses is compared to that for medium-sized businesses (defined as 20-99 employees) and large businesses (100 or more employees).

Each index is calculated by taking a weighted sum of the proportion of responses in each answer grouping to form an index between 0 and 100 (answers are grouped according to the strength of conditions). The strongest answer grouping is given a weighting of 1 and the weakest is given a weighting of 0, with those between receiving a proportional weighting. As a result, if all respondents place their answer in the strongest grouping, the index would be 100. If they all opted for the weakest grouping, the index would be 0. If n is the number of response categories, prop is the proportion of responses in a given category (out of 100) and i is the response category (ordered from 1 = strongest to n = weakest), then the formula for the index is:

$$Index = \sum_{i=1}^{n} prop_i \left(\frac{n-i}{n-1}\right)$$

Small business conditions heading up



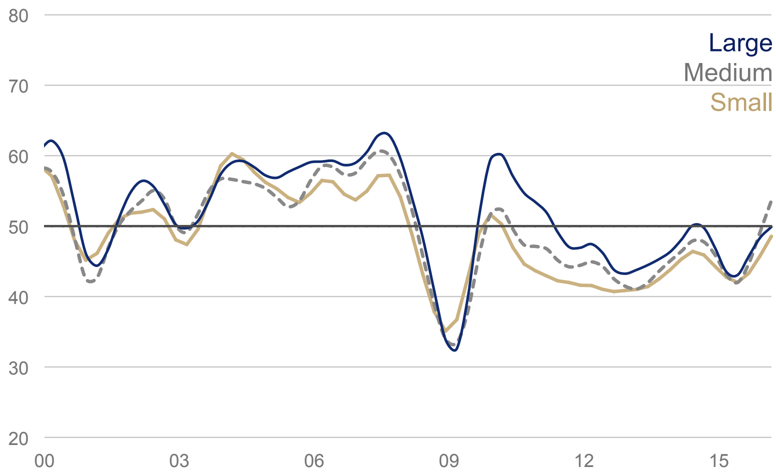
The latest AusChamber Small Business Survey shows improving conditions and confidence, with measures of small business investment pulling ahead of the overall readings for all businesses.

- The index of Small Business Conditions (p.3) rose to 48.6 from 45.8 the previous quarter, bringing the index well above the five year average and close to the neutral 50 reading.
- The Expected Economic Performance index (p.3) rose to 1.2 points to 47.8, indicating that small businesses are continuing to take a more positive view of Australia's economic performance.
- The Sales Revenue index (p.4) jumped 2.9 points to 53.9, moving well inside positive territory and 8.8 points above the five year average.
- The Profits index (p.6) grew even more strongly, rising 3.4 points to 46.9. Although the index remains in negative territory, this represents the strongest reading on small business profits since before the global financial crisis.
- The indices measuring Wages (p.4) and Non-Wage Labour Costs (p.5) moderated slightly, with both falling 0.9 points to 56.0 and 63.0 respectively.
- The Selling Prices index (p.5) remained basically flat rising 0.1 points to 47.4.
- The Employment index (p.6) continues to steadily climb, rising 0.7 points to 48.7. This is the strongest reading recorded since 2010. The Overtime Utilisation (p.7) also increased, rising 1.0 point to 45.9, suggesting further potential for improvement in employment.
- The Investment in Buildings and Structures index (p.7) rose to 46.2 from 45.1 while the Investment in Plant and Equipment index (p.8) reached the neutral benchmark of 50.0. These results reflect positively on the measures announced in the 2015-16 Budget to boost business investment.
- Small businesses generally reported weaker conditions than businesses overall, with lower readings recorded for business conditions, sales revenue, profit and employment and more rapid increases in non-wage labour costs and selling prices. However, small businesses had the same overall view on the performance of Australian economy and reported greater overtime utilization, stronger investment and stronger wage growth.

Small Business Conditions

	Mar 16	Jun 16 (e)
Small	48.6	53.2
All businesses	50.3	52.1

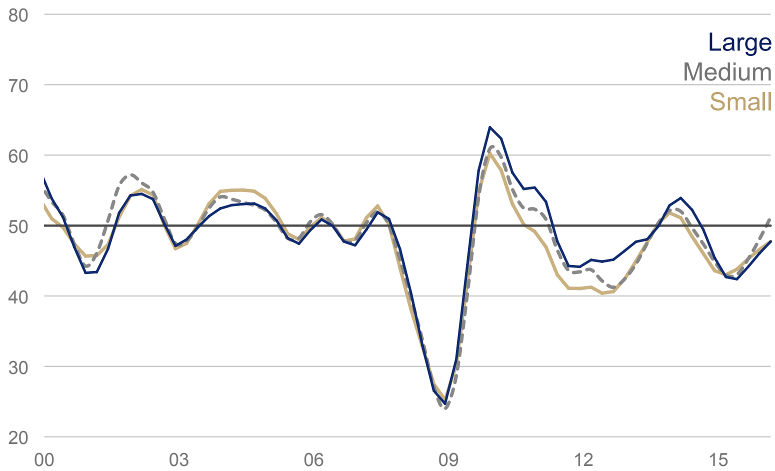
(e) expectation for next quarter



Expected Economic Performance

	Dec 15	Mar 16 (e)
Small	46.6	47.8
All businesses	46.6	48.5

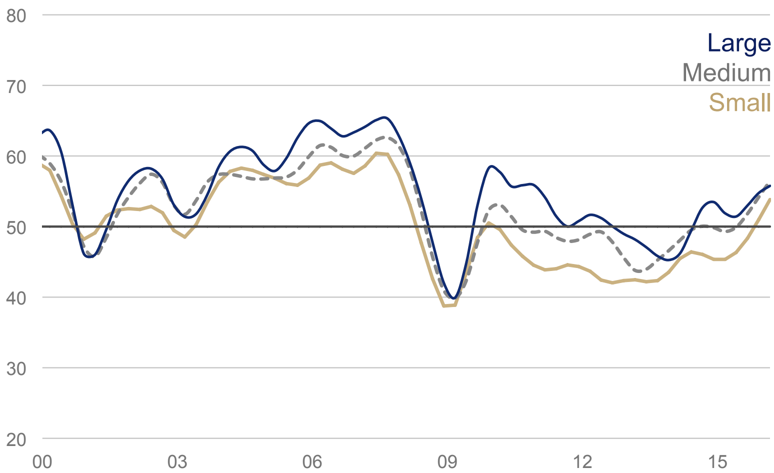
(a) expectation for following 12 months



Sales Revenue

	Mar 16	Jun 16 (e)
Small	53.9	57.3
All businesses	55.5	58.6

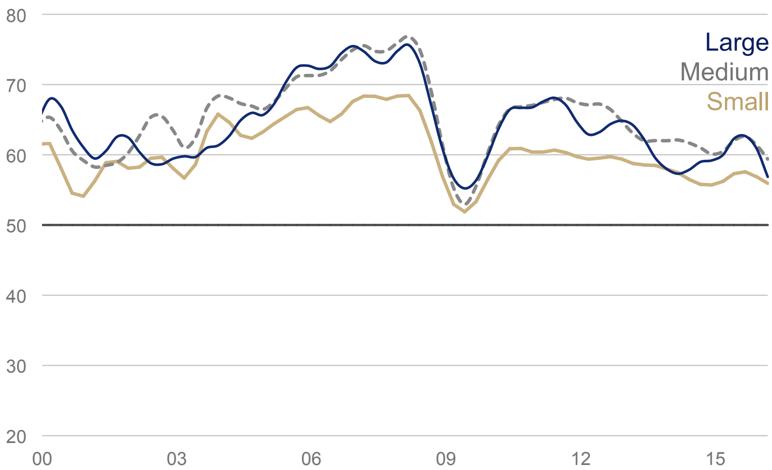
(e) expectation for next quarter



Wages

	Mar 16	Jun 16 (e)
Small	56.0	53.0
All businesses	57.3	51.3

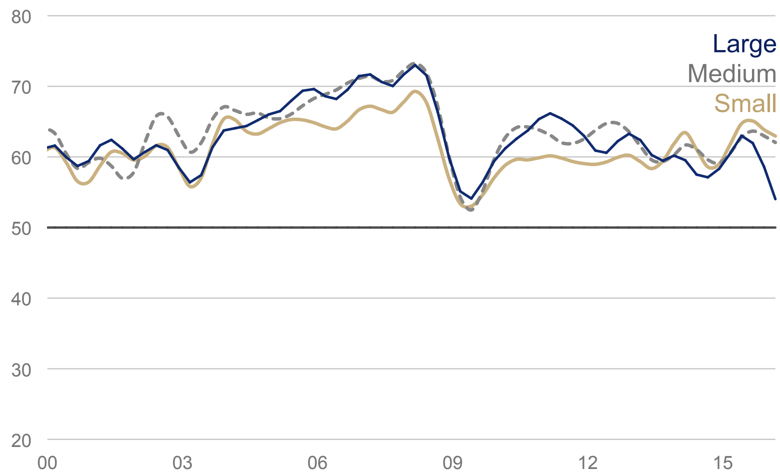
(e) expectation for next quarter



Non-Wage Labour Costs

	Mar 16	Jun 16 (e)
Small	63.0	60.4
All businesses	58.2	56.0

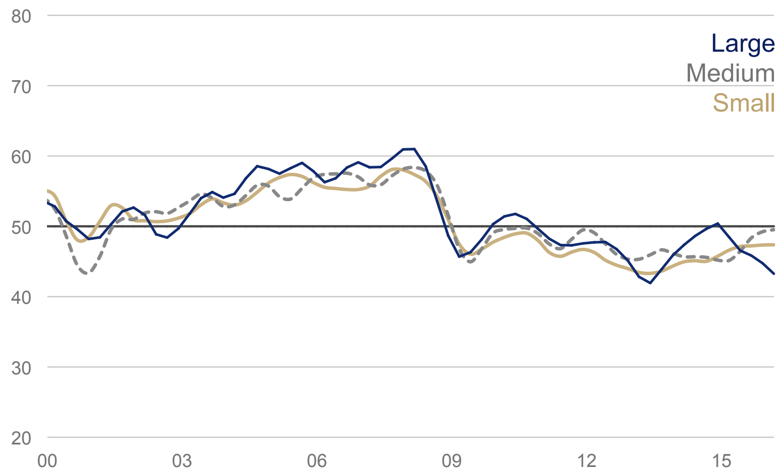
(e) expectation for next quarter



Selling Prices

	Mar 16	Jun 16 (e)
Small	47.4	51.1
All businesses	45.6	48.1

(a) expectation for following 12 months



Profits

	Mar 16	Jun 16 (e)
Small	46.9	52.3
All businesses	47.5	53.7

(e) expectation for next quarter

Employment

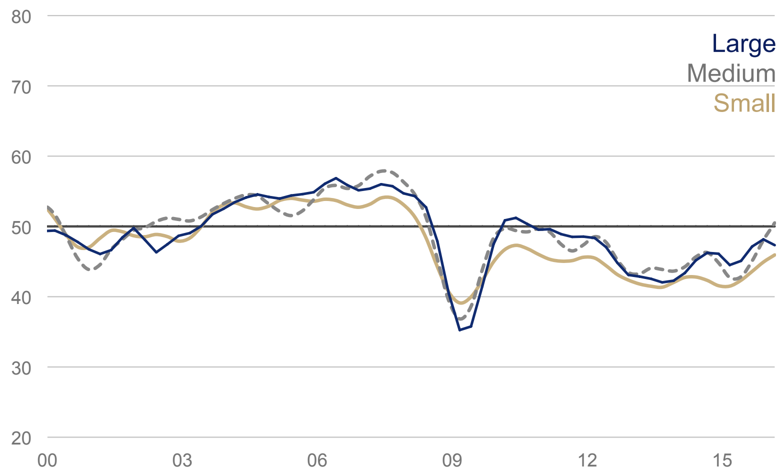
	Mar 16	Jun 16 (e)
Small	48.7	51.6
All businesses	51.5	52.2

(e) expectation for next quarter

Overtime Utilisation

	Mar 16	Jun 16 (e)
Small	45.9	41.7
All businesses	45.7	40.2

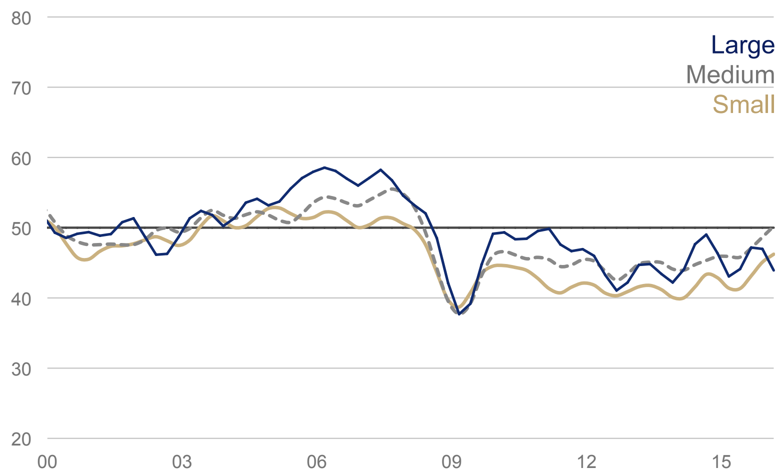
(e) expectation for next quarter



Investment in Buildings and Structures

	Mar 16	Jun 16 (e)
Small	46.2	46.4
All businesses	45.9	44.7

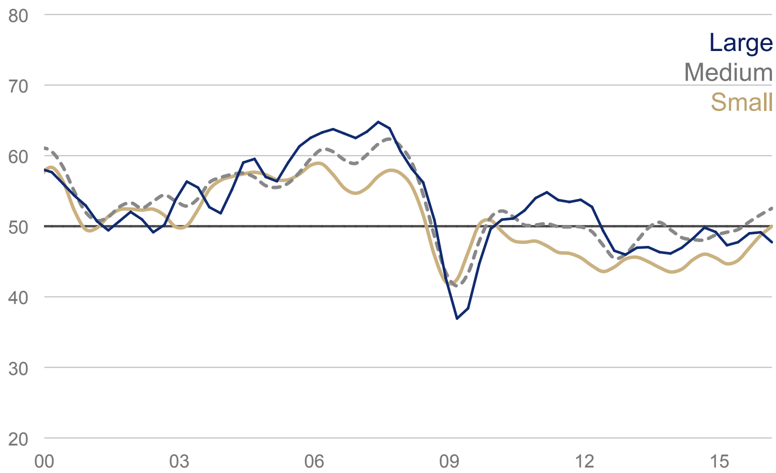
(e) expectation for next quarter



Investment in Plant and Equipment

	Mar 16	Jun 16 (e)
Small	50.0	50.6
All businesses	49.4	51.3

(e) expectation for next quarter



AUSTRALIAN CHAMBER MEMBERS: BUSINESS SA CANBERRA BUSINESS CHAMBER CHAMBER OF COMMERCE NORTHERN TERRITORY CHAMBER OF COMMERCE & INDUSTRY QUEENSLAND CHAMBER OF COMMERCE & INDUSTRY WESTERN AUSTRALIA NSW BUSINESS CHAMBER TASMANIAN CHAMBER OF COMMERCE & INDUSTRY VICTORIAN CHAMBER OF COMMERCE & INDUSTRY **NATIONAL INDUSTRY ASSOCIATION MEMBERS:** ACCORD - HYGIENE, COSMETIC AND SPECIALTY PRODUCTS INDUSTRY AGED AND COMMUNITY SERVICES AUSTRALIA AIR CONDITIONING & MECHANICAL CONTRACTORS' ASSOCIATION ASSOCIATION OF OF FINANCIAL ADVISERS ASSOCIATION OF INDEPENDENT SCHOOLS OF NSW AUSTRALIAN BEVERAGES COUNCIL LIMITED AUSTRALIAN DENTAL ASSOCIATION AUSTRALIAN DENTAL INDUSTRY ASSOCIATION AUSTRALIAN FEDERATION OF EMPLOYERS & INDUSTRIES AUSTRALIAN FEDERATION OF TRAVEL AGENTS AUSTRALIAN FOOD & GROCERY COUNCIL AUSTRALIAN HOTELS ASSOCIATION AUSTRALIAN INTERNATIONAL AIRLINES OPERATIONS GROUP AUSTRALIAN MADE CAMPAIGN LIMITED AUSTRALIAN MINES & METALS ASSOCIATION AUSTRALIAN PAINT MANUFACTURERS' FEDERATION AUSTRALIAN RECORDING INDUSTRY ASSOCIATION AUSTRALIAN RETAILERS' ASSOCIATION AUSTRALIAN SELF MEDICATION INDUSTRY AUSTRALIAN STEEL INSTITUTE AUSTRALIAN SUBSCRIPTION TELEVISION AND RADIO ASSOCIATION AUSTRALIAN TOURISM AWARDS INC AUSTRALIAN TOURISM EXPORT COUNCIL AUSTRALIAN VETERINARY ASSOCIATION BUS INDUSTRY CONFEDERATION BUSINESS COUNCIL OF COOPERATIVES AND MUTUALS CARAVAN INDUSTRY ASSOCIATION OF AUSTRALIA CEMENT CONCRETE AND AGGREGATES AUSTRALIA COMMERCIAL RADIO AUSTRALIA CONSULT AUSTRALIA CUSTOMER OWNED BANKING ASSOCIATION CRUISE LINES INTERNATIONAL ASSOCIATION DIRECT SELLING ASSOCIATION OF AUSTRALIA ECOTOURISM AUSTRALIA EXHIBITION AND EVENT ASSOCIATION OF AUSTRALASIA FITNESS AUSTRALIA HOUSING INDUSTRY ASSOCIATION HIRE AND RENTAL INDUSTRY ASSOCIATION LTD LARGE FORMAT RETAIL ASSOCIATION LIVE PERFORMANCE AUSTRALIA MASTER BUILDERS AUSTRALIA MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA MEDICAL TECHNOLOGY ASSOCIATION OF AUSTRALIA NATIONAL DISABILITY SERVICES NATIONAL ELECTRICAL & COMMUNICATIONS ASSOCIATION NATIONAL EMPLOYMENT SERVICES ASSOCIATION NATIONAL FIRE INDUSTRY ASSOCIATION NATIONAL RETAIL ASSOCIATION NATIONAL ROADS AND MOTORISTS' ASSOCIATION NEW SOUTH WALES TAXI COUNCIL NATIONAL ONLINE RETAIL ASSOCIATION OIL INDUSTRY INDUSTRIAL ASSOCIATION PHARMACY GUILD OF AUSTRALIA PHONOGRAPHIC PERFORMANCE COMPANY OF AUSTRALIA PLASTICS & CHEMICALS INDUSTRIES ASSOCIATION RESTAURANT & CATERING AUSTRALIA SCREEN PRODUCERS AUSTRALIA VICTORIAN AUTOMOBILE CHAMBER OF COMMERCE