

Tuesday 18 August 2009

ACCI SMALL BUSINESS SURVEY

Small Business Conditions Stabilise but Remain Challenging

The August ACCI *Small Business Survey* shows a small improvement in *Small Business Conditions* over the June quarter, with this index rising three points to 39.8 – the highest level since November 2008. However, the index remains negative and is more than 11 points below the five year average of 51.3. While small businesses expect their own business conditions to improve further over the next three months, the expectations index remains in contractionary territory.

The Survey also found that:

- small business expects Australia's rate of economic growth over the next twelve months to remain weak, although the *Expected Economic Growth* index rose from 30.2 in the March quarter to 36.9 in the June quarter;
- while the indexes remain contractionary, small business expects the decline in *Sales Revenue*, *Profit Growth* and *Employment* to improve marginally over the next three months;
- *Wage Growth* and *Non-Wage Labour Costs* are expected to moderate further over the September quarter. However, these costs are still growing which maintains significant pressure on small business profitability and viability; and
- small business expects business investment to continue its declining trend over the next three months.

Difficulties in obtaining credit and low pass-through of official interest rate cuts have further increased the prominence of Financial Constraints as major investment impediments for all businesses. Small business ranked *Charges by Lending Institutions* as the third most important impediment for investment, the highest level in nine months, and *Raising Loans from Financial Institutions* has become the first and the third most binding constraints for large and medium businesses respectively.

Mr Greg Evans, Acting Chief Executive, Australian Chamber of Commerce and Industry, commented:

“Over the June quarter, small business experienced some stabilisations in trading conditions. Looking ahead, small business expects business conditions to improve further despite the expectations index remaining in contractionary territory.

“Despite some improvement in the outlook, trading conditions for the small business sector remain difficult. Hiring intentions remain contractionary, business investment continues to be fragile and small business continues to report difficulties in obtaining credit. These conditions seem likely to affect business for some time suggesting it is still a long time off before the RBA should contemplate tightening monetary policy.”

The survey assessed business conditions and business confidence amongst 1,421 small businesses around the country over the April, May and June period. A full copy of the Survey is available on the ACCI website at <http://www.acci.asn.au/SurveySBS.htm>

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