

Tuesday 17 November 2009

ACCI SMALL BUSINESS SURVEY

Actual Conditions Remain Soft Despite an Increase in Small Business Confidence

The November *ACCI Small Business Survey* shows an improvement in *Small Business Conditions* over the September quarter, with this index rising 6.7 points to 49.1 – the highest level since the March quarter of 2008. However, the index remains negative and around two points below the five year average of 50.9. Small businesses expect their business conditions to improve further over the December quarter, with the expectations index advancing into expansionary territory for the first time in more than a year.

The Survey also found that:

- small business expects Australia's economic growth to rebound over the next twelve months, with the *Expected Economic Performance* index surging from 41.6 to 55.6 over the September quarter – the highest level since September 1999;
- while the actual indexes for the September quarter remain contractionary, small business expects *Sales Revenue*, *Profit Growth* and *Employment* to increase over the next three months;
- the decline in *Overtime Utilisation* is expected to moderate over the December quarter; and
- small business expects business investment to continue to be weak over the next three months, with *Investment in Plant and Equipment* falling back into negative territory after expanding in the last three months.

Following the tightening of bank lending criteria since the onset of the global financial crisis, *Insufficient Retained Earnings* has surged to the second most binding constraint for small business investment, the highest ranking since the measurement of the constraints on investment began in the June quarter of 1999.

Mr Greg Evans, ACCI Director of Economics & Industry Policy, commented:

“While small business experienced some welcome improvements in trading conditions, indicators for sales, profits and employment remained in contractionary territory over the September quarter. Looking ahead, small business expects business conditions to improve further.

“It is evident that actual trading conditions for small businesses remain challenging, and we would like to see the more optimistic outlook convert into real improvements in trading conditions. Without access to equity raisings, investment by small businesses continues to be fragile with the sector reporting insufficient retained earnings, constraining their ability to invest due to difficulties in obtaining external funding. As the engine room for the economy, small business needs to continue to invest and employ to ensure that recovery can achieve self-sustaining momentum when the policy support is phased-out.”

The survey assessed business conditions and business confidence amongst 1,263 small businesses around the country over the July, August and September 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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