



AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

SURVEY OF SMALL BUSINESS

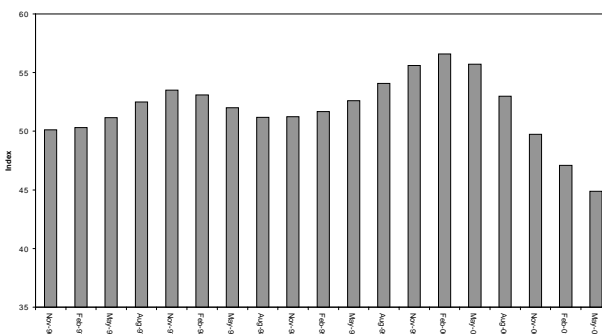
IDENTIFYING TRENDS AND CONDITIONS WITHIN THE SMALL BUSINESS SECTOR

ISSUE 7 - MAY 2001

SMALL BUSINESS CONDITIONS CONTINUE DOWNWARD TREND

SMALL BUSINESS BAROMETER™ Trend

The results of the ACCI *Survey of Small Business* indicate that conditions in the small business sector have deteriorated after showing some positive signs in the previous period. Not only did respondents indicate that conditions within their own businesses had deteriorated, but small businesses confidence in the performance of the national economy also declined sharply.



A significant decline in key activity measures, such as sales revenue, profits and employment each contributed to the deterioration in business conditions. Importantly, the data on investment in the small business sector declined markedly with the falling indices on actual investment in buildings and in plant and equipment both indicating a weakening investment climate.

The Small Business Barometer™, which combines data on general business conditions, employment and investment, declined for the fifth consecutive quarter. Activity is significantly weaker than during the same period last year.

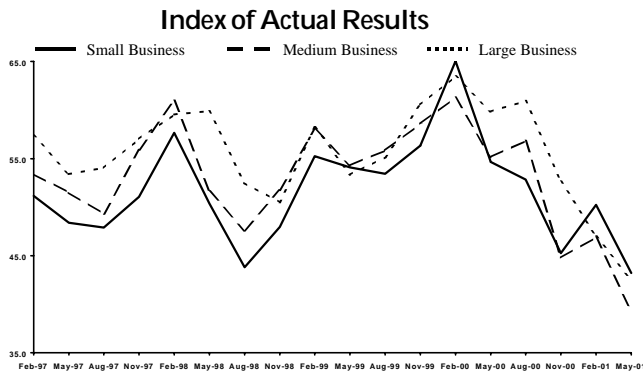
The ACCI *Survey of Small Business* has a primary aim of gauging business conditions of firms that employ less than 20 employees. With 2.5 million employees across the small business sector, this represents a crucially important segment of the national economy. The ACCI *Survey of Small Business* is derived from ACCI's comprehensive *National Survey of Business Expectations* and allows a unique comparison of small (1-19 employees), medium (20-99 employees) and large (100+ employees) businesses. This is a weighted sample covering businesses throughout the whole of Australia and within the entire non-farm private sector.

The data on expectations were mixed, with small business expecting general conditions to improve marginally in the coming period, with improvements expected in sales revenue, and employment. However, the data on expected profitability and investment remain pessimistic.

In addition to the data on small business itself, this survey compares conditions in the small business sector with conditions in medium and large-sized firms. This allows the specific conditions within the small business community to be highlighted and important trends to be identified, especially when they differ from large firms. A comparison of the data indicates that conditions for all firm sizes were weak during the period.

The index recording the level of impediments to investment in the small business sector increased during the quarter, up from 35.9 in the previous quarter to 37.7. Business taxes and charges remained as the most important impediment to investment for the fifth consecutive quarter. It is interesting to note that non-wage labour costs remained in the top five list of impediments to investment, rising to second position from third in the previous survey.

GENERAL BUSINESS CONDITIONS



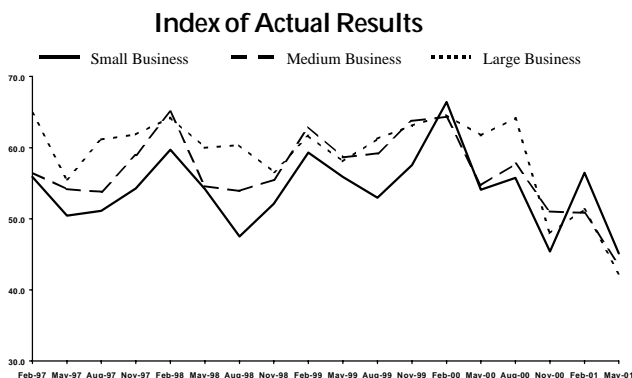
	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	32.1	24.0	30.6
Same	45.1	38.4	42.9
Down	22.8	37.5	26.6
Net Balance	+9.3	-13.5	+4.0
Index	54.7	43.2	52.1

General business conditions within the small business sector declined significantly during the latest period. However, on a more positive note, conditions are expected to improve somewhat in the period ahead. The index on actual general business conditions fell to 43.2, well down on the 50.3 recorded in the previous quarter and still much lower than the 54.7 recorded during the same period last year. The data on expectations for the period ahead are more positive, with the index increasing to 52.1.

The index is constructed to produce a number between 0-100 with 100 achieved when all respondents indicate that business conditions are up while an index number of zero is achieved when all respondents indicate that business conditions are down. An index number of 50 would show perfect balance between those expecting an increase and those expecting a reduction.

As the survey showed, more than one-third of all respondents reported that conditions within the small business sector deteriorated during the latest period. This result demonstrates considerable weakness in the Australian economy, with all firm sizes indicating a decline in general business conditions during the quarter. While all firm sizes indicated that general business conditions had deteriorated, those firms employing between 20-99 employees suffered the largest decline.

SALES REVENUE

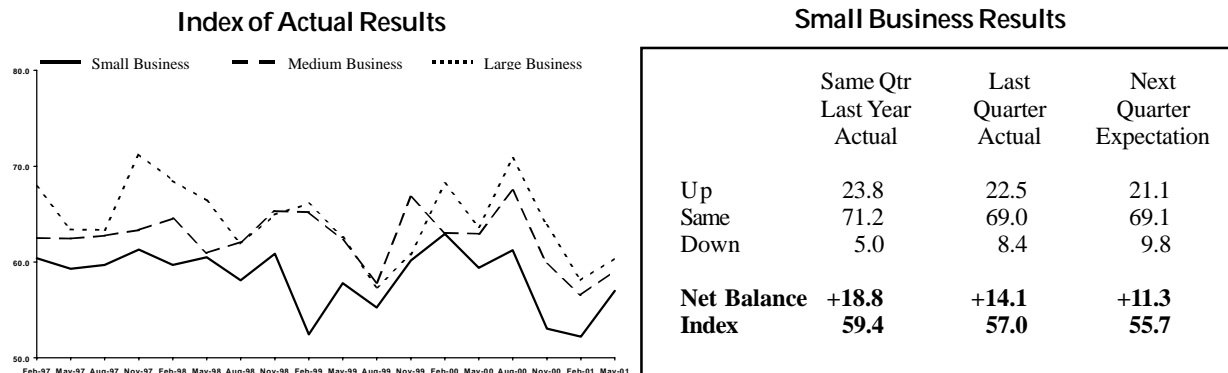


	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	36.7	31.8	35.4
Same	34.8	26.7	37.8
Down	28.5	41.5	26.8
Net Balance	+8.2	-9.7	+8.6
Index	54.1	45.2	54.3

The index for actual sales revenue declined appreciably to be 45.2, well down on the 56.5 recorded in the previous quarter and also well below the 54.1 recorded in the same quarter last year. Expectations for the following period are that there will be an improvement in sales revenue with the index at 54.3.

Firm of all sizes experienced a decline in actual sales revenue during the period, with large sized firms experiencing the largest decline.

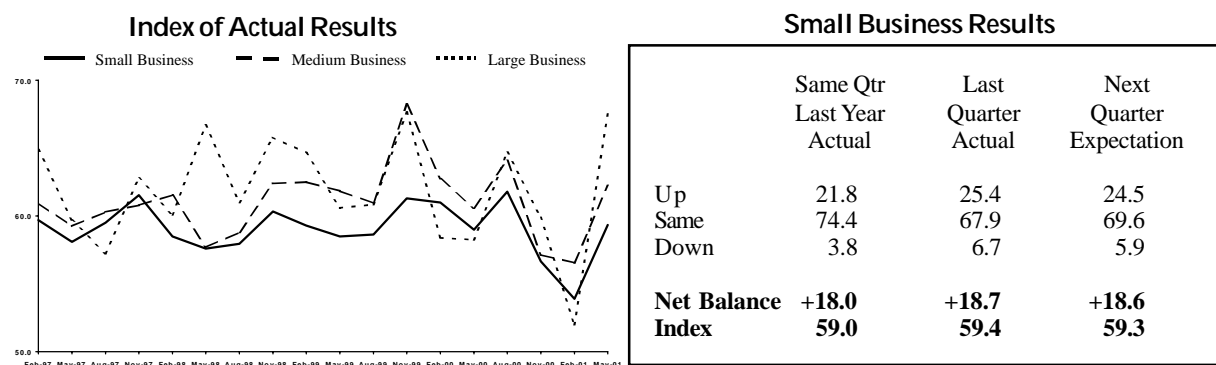
WAGES



Wage pressure increased in the most recent quarter with 22.5 percent of respondents indicating that wages growth would be higher during the period. The index on wages growth increased to 57.0, up on the 52.2 recorded in the previous quarter but marginally lower than the 59.4 recorded a year earlier. Expectations are that wages growth will continue to increase in the period ahead with the index at 55.7.

Wage pressure increased across all business sizes during the latest quarter, with a greater proportion of large sized firms experiencing wages growth in comparison with medium and small sized firms.

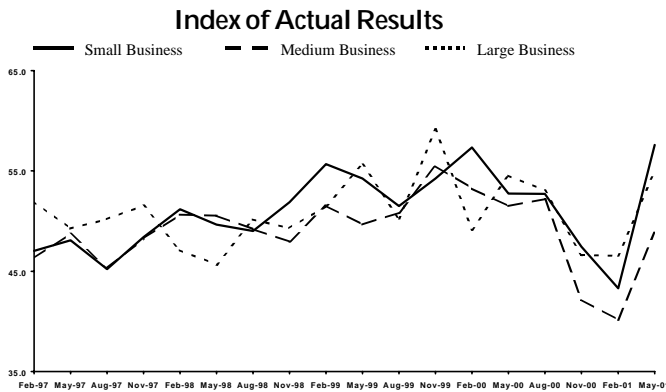
NON-WAGE LABOUR COSTS



Non-wage labour costs include all on-costs attached to the cost of employing as well as various benefits provided by employers. The index for actual non-wage labour costs increased to 59.4, up on the 53.9 recorded in the previous survey and relatively unchanged from the 59.0 recorded during the corresponding survey one year ago. The data on expectations indicate that small business believe non-wage costs will continue to increase during the next quarter with the index at 59.3.

Non-wage cost pressures increased across all business sectors during the quarter. The survey now indicates that large sized businesses are experiencing the greatest on-cost pressures.

SELLING PRICES

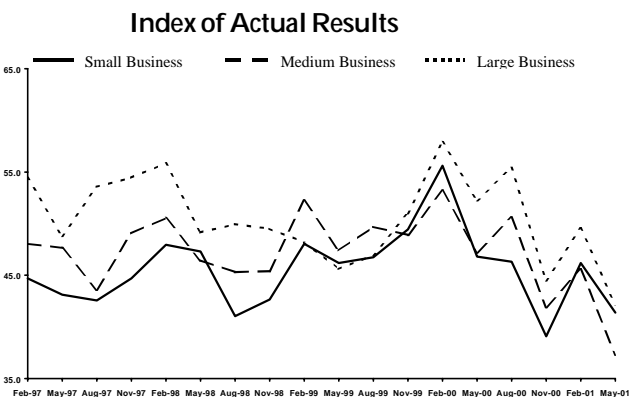


	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	15.2	29.7	28.3
Same	75.1	55.8	60.7
Down	9.7	14.4	10.9
Net Balance	+5.5	+15.3	+17.4
Index	52.8	57.6	58.7

The latest survey data indicates that selling prices increased considerably during the current quarter. The index on actual selling prices increased to 57.6 from the 43.3 recorded in the previous quarter and the 52.8 recorded during the same quarter last year. Expectations for the next period are for prices to continue to increase with the index at 58.7.

A comparison between firm sizes indicates that prices in both small and large business increased during the latest period, while selling prices in those firms employing between 20-99 employees remained weak. The index on actual selling prices in medium size firms declined to 48.9.

PROFITS

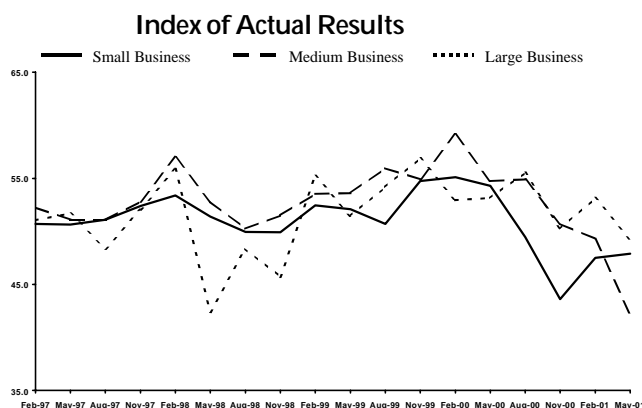


	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	20.6	17.0	19.6
Same	52.4	48.8	52.1
Down	26.9	34.2	28.3
Net Balance	-6.3	-17.2	-8.7
Index	46.8	41.4	45.7

Profitability remained extremely weak in the latest survey with 34.2 percent of respondents recording a fall in profits during the period. Only 17.0 percent of businesses indicated that profitability had improved. The index on profitability declined to 41.4 during the most recent period, down on the 46.2 recorded in the previous quarter and also well below the 46.8 recorded in the same period last year. Expectations for future profitability are less pessimistic but remain negative with the index for the period ahead at 45.7.

All business sectors recorded a deterioration in actual profitability during the period with the medium sized firms recording the lowest index on profitability, followed by small sized firms and finally larger businesses.

EMPLOYMENT

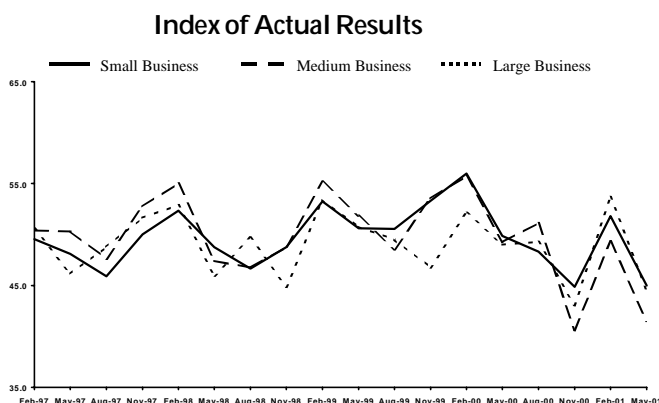


	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	19.5	18.5	24.7
Same	69.6	58.8	56.9
Down	10.9	22.7	18.4
Net Balance	+8.6	-4.2	+6.3
Index	54.3	47.9	53.2

The index for employment continued to exhibit weakness in the current period, declining to 47.9, marginally down on the 47.5 recorded in the previous quarter but well down on the 54.3 recorded in the same quarter a year ago. Expectations are more positive with respondents indicating that hiring intentions in the small business sector will improve in the period ahead with the index at 53.2.

The comparison data show that growth in employment slowed across all firm sizes during the quarter, with the greatest fall occurring amongst medium sized firms.

OVERTIME

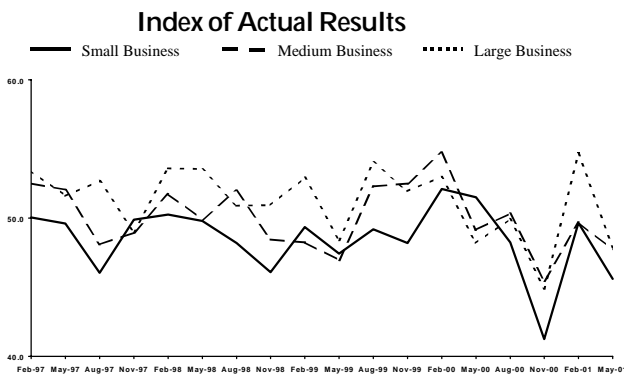


	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	16.4	11.8	14.2
Same	66.9	66.4	64.5
Down	16.7	21.9	21.2
Net Balance	-0.3	-10.1	-7.0
Index	49.9	45.0	46.5

Overtime utilisation in the small business sector declined significantly in the latest period. The index decreased to 45.0 during the quarter, down on the 51.8 recorded during the previous quarter. The same quarter last year indicated an index value of 49.9. Expectations indicate that overtime utilisation will decline in the period ahead with the index for the coming period at 46.5.

A comparison across business sizes showed that all sectors recorded a significant decline in overtime utilisation, with medium sized firms recording the biggest decrease, followed by large and smaller sized firms.

INVESTMENT IN BUILDINGS

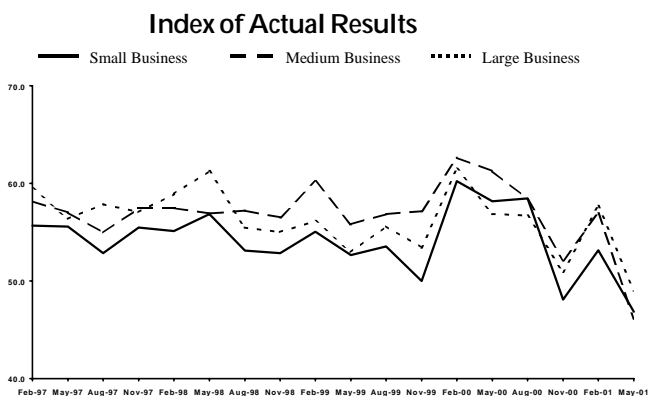


	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	14.3	12.3	13.3
Same	74.4	66.6	68.0
Down	11.2	21.1	18.7
Net Balance	+3.1	-8.8	-5.4
Index	51.5	45.6	47.3

The index for investment in buildings by the small business sector decreased to 45.6, down on the 49.7 in the previous quarter. This result is also lower than the 51.5 recorded a year earlier. Expectations remain pessimistic with the index at 47.3.

The current survey data reveal a decrease in investment in buildings across all business sizes. Small sized firms recorded the largest decrease in investment in buildings, followed by medium sized firms.

INVESTMENT IN PLANT AND EQUIPMENT



	Same Qtr Last Year Actual	Last Quarter Actual	Next Quarter Expectation
Up	26.8	15.2	13.9
Same	62.7	63.3	64.8
Down	10.5	21.5	21.2
Net Balance	+16.3	-6.3	-7.3
Index	58.2	46.9	46.3

The latest survey results indicate a marked decline in the level of investment in plant and equipment by the small business sector. The index softened to 46.9, considerably lower than the 53.2 recorded in the last survey, and well down on the 58.2 recorded in the same period last year. Expectations are for a significant decline in investment growth in the period ahead with the index at 46.3.

Investment in plant and equipment declined amongst all business sizes, with medium sized firms indicating the largest decline in the level of investment during the quarter.

CONSTRAINTS ON INVESTMENT BY SIZE OF FIRM

From the ACCI's *Survey of Investor Confidence* business is asked the degree in which twenty factors constrain business investment in plant and equipment. The overall index for small business increased in the latest quarter to 37.7 up from 35.9 recorded in the previous survey.

TOP FIVE CONSTRAINTS ON INVESTMENT

SMALL BUSINESS

1. **Business Taxes and Government Charges (1)**
2. **Non-Wage Labour Costs (3)**
3. **Charges by Lending Institutions (8)**
4. **Availability of Suitably Qualified Employees (2)**
5. **Wage Costs (6)**

MEDIUM BUSINESS

1. **Business Taxes and Government Charges (1)**
2. **Wage Costs (12)**
3. **Federal Government Regulations (2)**
4. **Non-wage Labour Costs (14)**
5. **State Government Regulations (5)**

LARGE BUSINESS

1. **Insufficient Demand (3)**
2. **Business Taxes and Government Charges (1)**
3. **Wage Costs (7)**
4. **Local Competition (8)**
5. **Federal Government Regulations (4)**

FIGURES IN BRACKETS SHOW RANKINGS DURING THE PREVIOUS QUARTER

The latest data on constraints to investment in the small business sector indicate that labour related constraints have increased in importance, with the index for Non-Wage Labour Costs and Wage Costs jumping to second and fifth position respectively. Availability of Suitably Qualified Employees also remained in the top five constraints to investment despite falling from second position to fourth. Charges by Lending Institutions are also a major impediment to investment in the small business sector, jumping to third position from eighth in the previous survey.

Wage and Non-Wage Labour costs were also identified by medium sized firms, while wage costs were also amongst the top five constraints to investment in larger sized firms.

All business sizes indicated business taxes and government charges as a major constrain to investment with this constraint recorded as the top impediment in small and medium size firms and the second largest in those firms employing more than 100 employees large firms. Federal Government regulations continue to be a major impediment for medium and large business, recorded at third and fifth respectively.

It should be noted that the largest impediment to investment in large size firms is now Insufficient Demand, which is indicative of a marked slowing in the Australian economy.

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COMPARISON BY SIZE OF FIRM

ACTUAL RESULTS FROM THE MOST RECENT QUARTER

General Business Conditions

	Small	Medium	Large
Up	24.0	18.5	25.0
Same	38.4	41.5	35.0
Down	37.5	40.0	40.0
Net Balance	-13.5	-21.5	-15.0
Index	43.2	39.3	42.5

Sales Revenue

	Small	Medium	Large
Up	31.8	31.2	28.8
Same	26.7	24.7	26.9
Down	41.5	44.2	44.3
Net Balance	-9.7	-13.0	-15.5
Index	45.2	43.6	42.3

Wages Growth

	Small	Medium	Large
Up	22.5	30.7	33.4
Same	69.0	56.8	54.0
Down	8.4	12.4	12.5
Net Balance	+14.1	+18.3	+20.9
Index	57.0	59.1	60.4

Non-Wages Growth

	Small	Medium	Large
Up	25.4	29.6	38.2
Same	67.9	65.3	58.7
Down	6.7	5.1	3.1
Net Balance	+18.7	+24.5	+35.1
Index	59.4	62.3	67.6

Selling Price

	Small	Medium	Large
Up	29.7	19.5	25.7
Same	55.8	58.7	58.4
Down	14.4	21.8	15.9
Net Balance	+15.3	-2.3	+9.8
Index	57.6	48.9	54.9

Profits

	Small	Medium	Large
Up	17.0	18.4	20.0
Same	48.8	37.8	44.3
Down	34.2	43.8	35.7
Net Balance	-17.2	-25.4	-15.7
Index	41.4	37.3	42.2

Employment

	Small	Medium	Large
Up	18.5	17.3	27.6
Same	58.8	49.8	43.3
Down	22.7	32.9	29.1
Net Balance	-4.2	-15.6	-1.5
Index	47.9	42.2	49.3

Overtime

	Small	Medium	Large
Up	11.8	17.5	16.0
Same	66.4	48.0	57.1
Down	21.9	34.5	26.9
Net Balance	-10.1	-17.0	-10.9
Index	45.0	41.5	44.6

Investment in Buildings

	Small	Medium	Large
Up	12.3	17.7	20.2
Same	66.6	60.0	55.4
Down	21.1	22.3	24.5
Net Balance	-8.8	-4.6	-4.3
Index	45.6	47.7	47.9

Investment in Plant & Equipment

	Small	Medium	Large
Up	15.2	17.7	19.8
Same	63.3	56.8	58.4
Down	21.5	25.5	21.8
Net Balance	-6.3	-7.8	-2.0
Index	46.9	46.1	49.0



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