



# ST.GEORGE - ACCI SMALL BUSINESS SURVEY

**IDENTIFYING TRENDS AND CONDITIONS  
FOR THE SMALL BUSINESS SECTOR**



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## FOREWARD

The St.George-ACCI Small Business Survey is a national survey aggregated from the surveys conducted by member associations of the Australian Chamber of Commerce and Industry. It covers small businesses in every state and in every industry. The data in this survey had 1064 respondents and covers the period July, August and September 2004.

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### ST.GEORGE & ACCI

St.George and ACCI share a strong desire to foster the success of businesses in Australia. Together we aim to look after the future of your business by bringing the national and industry-specific information that you need to thrive in a rapidly changing environment.

**St.George awarded Business Bank of the Year, CFO Magazine 2004 Awards.**



# SMALL BUSINESS CONDITIONS EASE BUT SALES AND PROFITS RISE TO ALL TIME HIGHS

## SUMMARY

Small business expectations for *Australia's Economic Performance* for 2005 eased during the September quarter but overall sentiment remains positive.

*General Business Conditions* for small business dipped in trend terms, but still provides a solid base and the outlook for the December quarter is optimistic.

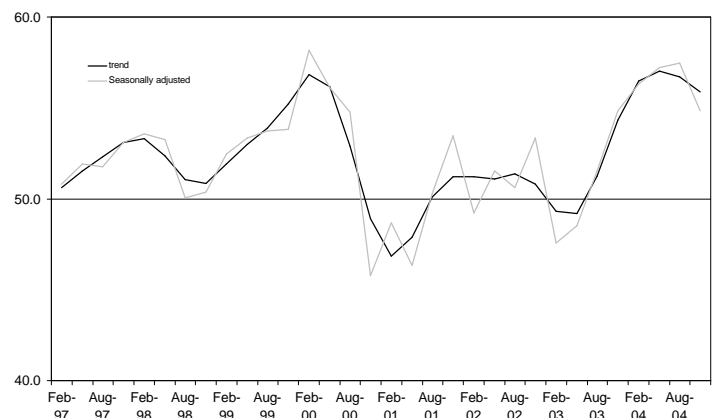
The *Small Business Barometer™* trend index for the September quarter lost some momentum but remains historically high. A slowing in *General Business Conditions* weighed on the index.

Small business *Sales Revenue* data rose again during the September quarter to reach its highest level since the series began in November 1994. Expectations for the December quarter were slightly less optimistic than for previous quarters, but the outlook remains upbeat. *Selling Prices* and *Profits* were two indicators that bucked the trend, with expectations improving.

The majority of key economic indicators moved similarly for small, medium and large businesses. The exceptions were the indices for wage and non-wage labour costs where the small business indices fell but the indices increased for larger businesses. Across many indicators, large companies tended to produce the most improvement while small and medium-sized businesses consolidated previous gains.

\* Small Business Barometer™ is a composite index of General Business Conditions, Employment and Investment in Plant and Equipment. Equal weights are applied to each economic indicator.

## Small Business Barometer™\*



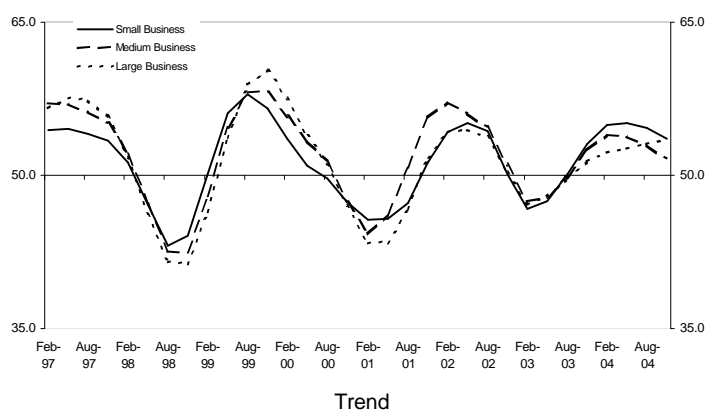
## HIGHLIGHTS

- The St.George-ACCI **Small Business Survey** for November 2004 shows economic conditions for small businesses have stabilised near recent highs. Expectations remain optimistic but have moderated slightly.
- Wage and non-wage labour costs increased at a slower rate for small businesses with most of the growth in wages coming from large companies.
- Small and medium-sized businesses have not kept pace with large businesses across many indicators. Nevertheless, economic conditions and prospects are bright.



## AUSTRALIAN ECONOMIC PERFORMANCE

The index of *Australia's Economic Performance* for small business eased during the September quarter yet remains in positive territory for the sixth consecutive quarter. Medium-sized businesses followed the downward trend while large companies, in trend terms, managed to hold their ground. Overall, businesses expect economic conditions over the next year to be fairly stable.

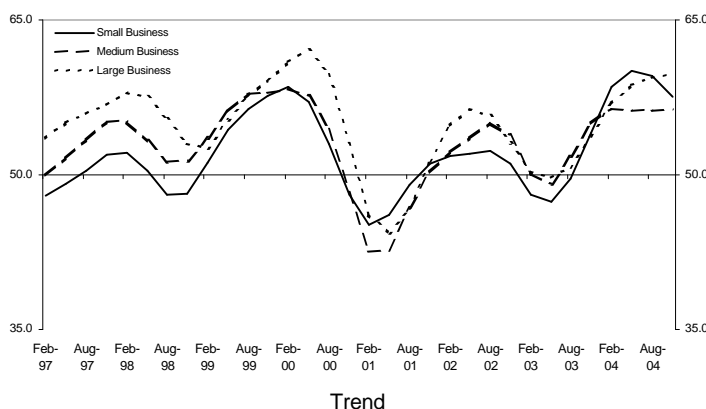


	Sept 2004 Expectation	June 2005 Expectation	Sept 2005 Expectation
<b>Much Stronger</b>	1.5	4.5	5.8
<b>Somewhat Stronger</b>	32.8	27.8	20.9
<b>About the Same</b>	48.4	50.0	56.7
<b>Somewhat Weaker</b>	15.9	16.2	14.1
<b>Much Weaker</b>	1.3	1.5	2.4
<b>Net Balance</b>	54.3	54.4	53.4
<b>S.A.</b>	53.4	55.4	52.5
<b>Trend Index</b>	53.1	54.7	53.6

S.A. means seasonally adjusted.

## GENERAL BUSINESS CONDITIONS

*General Business Conditions* for small businesses weakened, in trend terms, during the September quarter. The decline was underlined by large falls in the seasonally adjusted series. Expectations remain upbeat with almost a quarter of small businesses reporting better conditions on the way. *General Business Conditions* for both medium and large businesses remained stable, although there was some weakening in the underlying (non-trend) data for large companies.

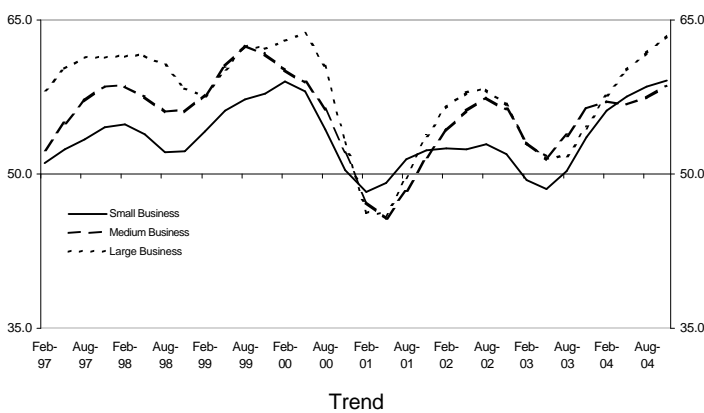


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	31.5	28.5	32.6
<b>Same</b>	48.3	52.2	53.2
<b>Down</b>	20.2	19.3	14.2
<b>Net Balance</b>	55.7	54.6	59.2
<b>S.A.</b>	55.3	54.3	56.4
<b>Trend Index</b>	54.1	57.5	55.1



## SALES REVENUE

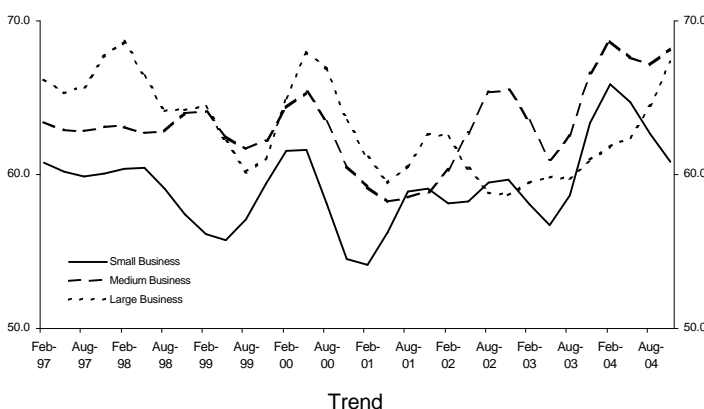
Small business *Sales Revenues* rose again during the September quarter with the trend index reaching a record high. Sales revenue has grown solidly over the past year and small businesses expect this to continue with almost half anticipating higher revenues in the December quarter. However, expectations have eased slightly over the year. The index for large businesses also hit near-record highs as strong domestic demand drove sales growth.



	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	37.7	40.4	45.2
<b>Same</b>	34.1	34.9	38.7
<b>Down</b>	28.2	24.8	16.2
<b>Net Balance</b>	54.8	57.9	64.6
<b>S.A.</b>	54.9	58.0	61.9
<b>Trend Index</b>	53.5	59.1	59.7

## WAGES GROWTH

The index of small business *Wages Growth* eased during the September quarter, but remains at high levels and is still higher than the 59.2 long-run average. With unemployment at record lows, wages pressure has been surprisingly subdued to date in official data. Expectations of further wage increases remain steady. Medium-sized businesses have reported strong but steady wages growth over the year, with this index constantly above that for small businesses. The majority of wages growth appears to be driven by large companies, with this index rising strongly in the September quarter.

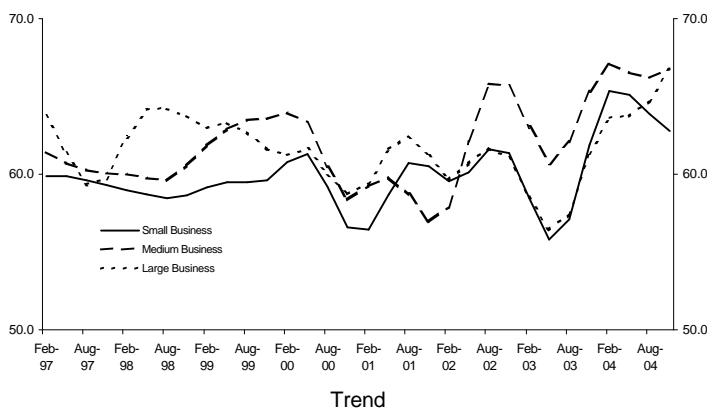


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	38.9	36.4	30.7
<b>Same</b>	53.6	55.8	63.6
<b>Down</b>	7.5	7.7	5.7
<b>Net Balance</b>	65.7	64.3	62.5
<b>S.A.</b>	64.1	62.8	63.0
<b>Trend Index</b>	63.3	60.8	59.1



## NON-WAGES GROWTH

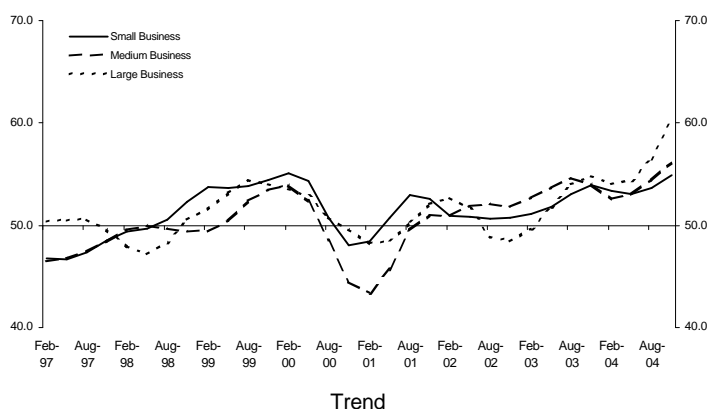
Small businesses *Non-wage Labour Costs* have tracked *Wages Growth* very closely over the year. The index peaked in February and has fallen since to remain just above its two-year average. Expectations have also eased to match actual outcomes. The cost index for medium-sized businesses has remained strong but largely unchanged over the year. Large companies were the drivers of higher labour costs with the *Non-Wage Labour Costs* index for this sector at its highest since May 1998.



	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	36.2	35.2	28.2
<b>Same</b>	59.2	60.1	67.7
<b>Down</b>	4.5	4.1	4.1
<b>Net Balance</b>	65.8	65.9	62.1
<b>S.A.</b>	63.5	63.5	63.1
<b>Trend Index</b>	61.9	62.8	60.0

## SELLING PRICES

*Selling prices* for small businesses have remained in check for the past 18 months but did edge higher during the September quarter. The seasonally adjusted series rose faster than at anytime during the past year. Expectations for further price rises increased with almost 25 per cent of business believing prices would rise in the December quarter. Medium-sized businesses experienced stronger price rises but the greatest rise was reported by large businesses, with this index rising to a record 60.2, the highest level since the series began.

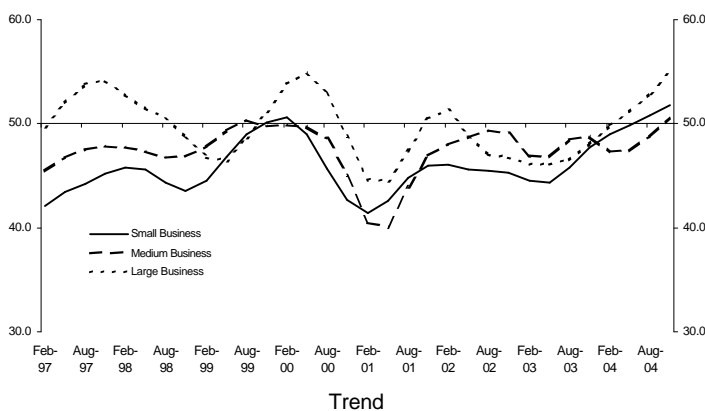


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	19.1	23.5	24.2
<b>Same</b>	69.7	66.0	68.0
<b>Down</b>	11.2	10.5	7.8
<b>Net Balance</b>	54.0	56.5	58.2
<b>S.A.</b>	53.8	56.4	59.2
<b>Trend Index</b>	53.9	54.9	56.6



## PROFITS

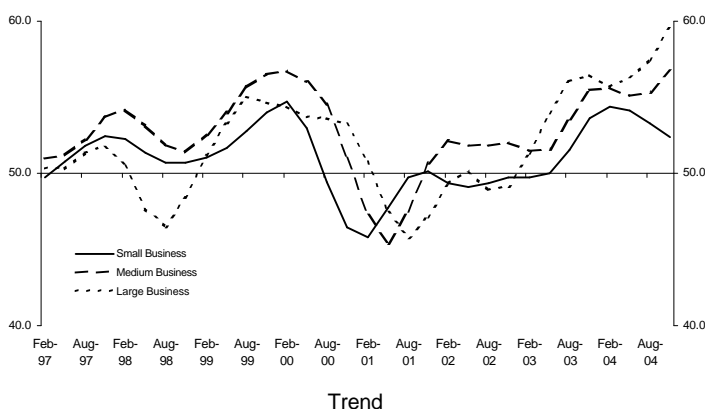
The September quarter small business index of *Profitability* edged higher to reach an historical high, aided by some moderation in *Wages* and *Non-Wage Labour Cost Growth*. Profit expectations remain positive with a third of businesses tipping a stronger bottom line for the December quarter. Medium-sized businesses also reported historically strong profits but were outpaced by large businesses which posted the largest increases in prices and sales of the three market segments.



	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>			
<b>Same</b>	24.8	28.3	35.3
<b>Down</b>	46.0	44.9	47.3
	29.2	26.9	17.4
<b>Net Balance</b>	47.8	50.8	59.0
<b>S.A.</b>	48.2	51.2	57.3
<b>Trend Index</b>	47.7	51.8	55.6

## EMPLOYMENT

The small business index of *Employment* has fallen but remains in positive territory. It is only slightly below its February peak. Expectations remain positive but have weakened slightly over the year. The majority of employment growth is being driven by medium and large businesses with both sectors' indices hitting year highs.

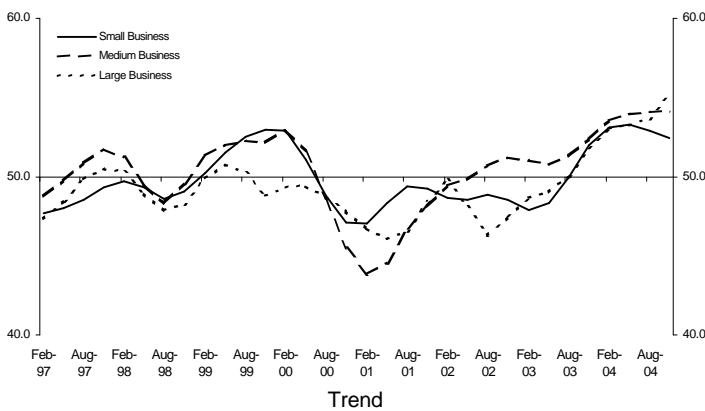


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>			
<b>Same</b>	20.4	18.3	20.6
<b>Down</b>	65.7	69.1	70.3
	13.9	12.6	9.1
<b>Net Balance</b>	53.3	52.9	55.8
<b>S.A.</b>	53.3	52.9	55.6
<b>Trend Index</b>	53.6	52.4	53.7



## OVERTIME UTILISATION

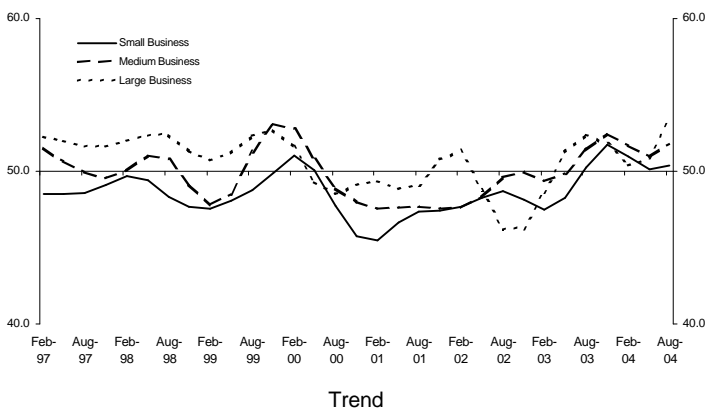
*Overtime Utilisation* by small business largely mirrors the index of employment intentions. Having peaked in May, the index has eased but still implies more overtime hours are being used. Expectations remain flat and generally have been lower than actual outcomes. This difference may reflect the difficulty in attracting employees. Medium and large-sized businesses are using more overtime, with both indices at historical highs.



	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	21.0	21.6	20.3
<b>Same</b>	63.1	62.8	65.5
<b>Down</b>	15.9	15.6	14.2
<b>Net Balance</b>	52.6	53.0	53.1
<b>S.A.</b>	52.3	52.7	50.9
<b>Trend Index</b>	52.0	52.4	51.2

## INVESTMENT IN BUILDINGS

Small business *Investment in Buildings* rose slightly during the September quarter. The September quarter was stronger than the previous three quarters and was underlined by relatively strong seasonally adjusted data. Expectations remain positive. Medium and large businesses are the main drivers of building investment, with both segments reporting rises. Investment in buildings by larger businesses was particularly strong, reaching its highest level on record.



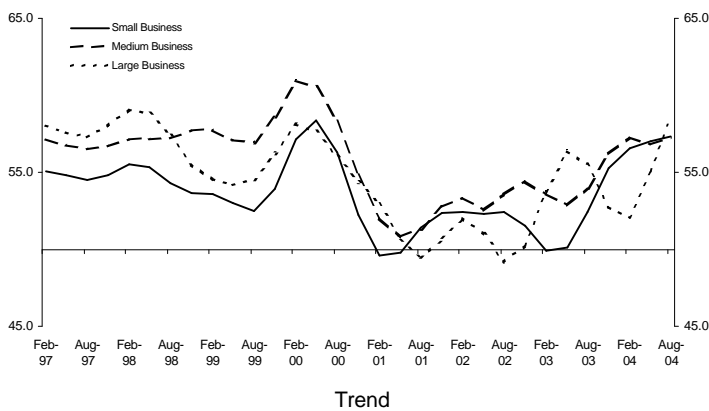
	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	16.1	17.3	15.7
<b>Same</b>	69.0	68.2	71.8
<b>Down</b>	15.0	14.5	12.5
<b>Net Balance</b>	50.6	51.4	51.6
<b>S.A.</b>	51.8	52.6	52.3
<b>Trend Index</b>	51.7	51.3	51.2





## INVESTMENT IN PLANT AND EQUIPMENT

Small business *Investment in Plant and Equipment* remains very strong, hitting its highest level since the peak of the last investment cycle in May 2000. Another round of business investment bodes well for sustainable future economic growth. Expectations remain stable and positive for the December quarter. Investment by medium-sized businesses was steady while large businesses reported a significant jump.



	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
<b>Up</b>	25.4	28.7	22.7
<b>Same</b>	59.7	55.9	63.3
<b>Down</b>	14.8	15.4	14.0
<b>Net Balance</b>	55.3	56.7	54.4
<b>S.A.</b>	55.8	57.2	54.4
<b>Trend Index</b>	55.2	57.7	52.1



## CONSTRAINTS ON INVESTMENT

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In ACCI's Survey of Investor Confidence businesses are asked the degree to which 20 factors constrain business investment in plant and equipment. In the most recent survey, the average level of impediments to investment for small business rose from 35.5 to 38.2.

### TOP FIVE CONSTRAINTS ON INVESTMENT

Figures in brackets show rankings during the previous quarter

#### Small Business

1. Business Taxes and Charges (1)
2. Non-Wage Labour Costs (5)
3. Availability of Suitably Qualified Employees (3)
4. Wage Costs (4)
5. State Government Regulations (2)

#### Medium Business

1. Business Taxes and Government Charges (2)
2. Availability of Suitably Qualified Employees (1)
3. State Government Regulations (3)
4. Non-Wage Labour Costs (5)
5. Wage Costs (8)

#### Large Business

1. Availability of Suitably Qualified Employees (1)
2. Wage Costs (2)
3. Federal Government Regulations (8)
4. Business Taxes and Government Charges (7)
5. Local Competition (3)

Constraints to small business investment remained relatively stable with only a reshuffle since the previous survey. Constraints two to four are all labour related and should be expected in a tight labour market. Business Taxes and Government Charges remains the paramount constraint to small business. State Government Regulation represents more of a constraint for small and medium businesses while large businesses find Federal Government Regulations more of an inhibitor.



## COMPARISON BY SIZE OF BUSINESS ACTUAL RESULTS FROM THE MOST RECENT QUARTER

### General Business Conditions

	Small	Medium	Large
Up	28.5	29.5	30.0
Same	52.2	52.3	47.3
Down	19.3	18.3	18.7
<b>Original</b>	<b>54.6</b>	<b>55.7</b>	<b>57.7</b>
<b>SA</b>	<b>54.3</b>	<b>55.3</b>	<b>57.3</b>
<b>Trend</b>	<b>57.5</b>	<b>56.3</b>	<b>59.6</b>

### Sales Revenue

	Small	Medium	Large
Up	40.4	39.4	44.4
Same	34.9	37.2	30.6
Down	24.8	23.4	25.1
<b>Original</b>	<b>57.9</b>	<b>58.0</b>	<b>59.7</b>
<b>SA</b>	<b>58.0</b>	<b>58.2</b>	<b>59.9</b>
<b>Trend</b>	<b>59.1</b>	<b>58.6</b>	<b>63.5</b>

### Wages Growth

	Small	Medium	Large
Up	36.4	48.9	45.9
Same	55.8	45.0	46.9
Down	7.7	6.2	7.1
<b>Original</b>	<b>64.3</b>	<b>71.4</b>	<b>69.4</b>
<b>SA</b>	<b>62.8</b>	<b>69.7</b>	<b>67.7</b>
<b>Trend</b>	<b>60.8</b>	<b>61.2</b>	<b>67.4</b>

### Non-Wages Growth

	Small	Medium	Large
Up	35.8	39.6	44.4
Same	60.1	57.4	53.9
Down	4.1	3.1	1.6
<b>Original</b>	<b>65.9</b>	<b>68.3</b>	<b>71.4</b>
<b>SA</b>	<b>63.5</b>	<b>65.9</b>	<b>68.8</b>
<b>Trend</b>	<b>62.8</b>	<b>66.8</b>	<b>66.9</b>

### Selling Price

	Small	Medium	Large
Up	23.5	22.8	31.5
Same	66.0	67.4	60.5
Down	10.5	9.9	8.1
<b>Original</b>	<b>56.5</b>	<b>56.5</b>	<b>61.8</b>
<b>SA</b>	<b>56.4</b>	<b>56.4</b>	<b>61.6</b>
<b>Trend</b>	<b>54.9</b>	<b>56.2</b>	<b>60.2</b>

### Profits

	Small	Medium	Large
Up	28.3	26.0	32.9
Same	44.9	47.8	39.0
Down	26.9	26.2	28.1
<b>Original</b>	<b>50.8</b>	<b>49.9</b>	<b>52.4</b>
<b>SA</b>	<b>51.2</b>	<b>50.3</b>	<b>52.8</b>
<b>Trend</b>	<b>51.8</b>	<b>50.6</b>	<b>55.0</b>

### Employment

	Small	Medium	Large
Up	18.3	25.9	28.9
Same	69.1	61.6	58.8
Down	12.6	12.5	12.3
<b>Original</b>	<b>52.9</b>	<b>56.7</b>	<b>58.3</b>
<b>SA</b>	<b>52.9</b>	<b>56.8</b>	<b>58.4</b>
<b>Trend</b>	<b>52.4</b>	<b>56.7</b>	<b>59.5</b>

### Overtime

	Small	Medium	Large
Up	21.6	21.0	24.2
Same	62.8	65.2	62.6
Down	15.6	13.8	13.2
<b>Original</b>	<b>53.0</b>	<b>53.6</b>	<b>55.5</b>
<b>SA</b>	<b>52.7</b>	<b>53.3</b>	<b>55.2</b>
<b>Trend</b>	<b>52.4</b>	<b>54.1</b>	<b>55.3</b>

### Investment in Buildings

	Small	Medium	Large
Up	17.2	19.6	24.1
Same	68.2	66.2	63.1
Down	14.5	14.1	12.8
<b>Original</b>	<b>51.4</b>	<b>52.7</b>	<b>55.7</b>
<b>SA</b>	<b>52.6</b>	<b>53.9</b>	<b>56.9</b>
<b>Trend</b>	<b>51.3</b>	<b>53.4</b>	<b>57.3</b>

### Investment in Plant & Equipment

	Small	Medium	Large
Up	28.7	28.1	31.5
Same	55.9	58.9	52.7
Down	15.4	13.0	15.8
<b>Original</b>	<b>56.7</b>	<b>57.6</b>	<b>57.9</b>
<b>SA</b>	<b>57.2</b>	<b>58.1</b>	<b>58.4</b>
<b>Trend</b>	<b>57.7</b>	<b>58.4</b>	<b>62.0</b>



## PARTICIPATING ORGANISATIONS

The St.George-ACCI Small Business Survey is a national survey aggregated by size of business from the surveys conducted by member associations of the Australian Chamber of Commerce and Industry. Participating organisations and contact details at each organisation are listed below.

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### **Commerce Queensland**

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### **Printing Industries Association of Australia**

Mr Hagop Tchamkertenian  
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### **Tasmanian Chamber of Commerce & Industry**

Mr Nick Behrens  
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### **Victorian Automobile Chamber of Commerce**

Ms Elly Babic  
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### **Victorian Employers' Chamber of Commerce & Industry**

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\* in conjunction with Sensis.

### NOTE ON INTERPRETING THE SURVEY

An index level of 50 indicates that there is an exact balance between those who responded that conditions had improved and those who replied that conditions had declined. Thus, any level below 50 can generally be interpreted as meaning that conditions are deteriorating, and conversely, a reading above 50 indicates conditions on average are improving.

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