



Australian
Chamber of Commerce
and Industry

Small Business Survey

Identifying national trends and
conditions for the small business sector

December Quarter 2015

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 3,405 businesses participated in the Business Expectations Survey, of which 1,577 were small businesses, defined as those with 0-19 employees. The survey covers October, November and December 2015.

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December Quarter 2015

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Results at a glance

	5 year average	Dec 2014	Sept 15	Dec 15	Change	Mar 15 (e)
Small Business Conditions (actual)	42.8	44.2	43.0	44.0	↑	48.7
Expected Economic Performance (a)	45.0	44.1	45.4	46.3	↑	–
Sales Revenue (actual)	44.5	45.3	47.9	49.8	↑	58.5
Wage Growth (actual)	58.4	55.7	57.7	58.0	↑	57.2
Non-Wage Labour Costs (actual)	60.7	59.1	65.3	65.0	↓	63.0
Selling Prices (actual)	45.4	45.7	47.2	47.5	↑	51.5
Profit Growth (actual)	37.6	38.5	40.1	42.4	↑	50.7
Employment (actual)	46.3	45.8	46.9	48.6	↑	51.6
Overtime Utilisation (actual)	43.2	41.6	43.5	45.0	↑	43.1
Investment in Buildings and Structures (actual)	41.7	42.8	43.1	45.6	↑	46.3
Investment in Plant and Equipment (actual)	45.4	41.5	46.8	48.7	↑	50.8

(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).

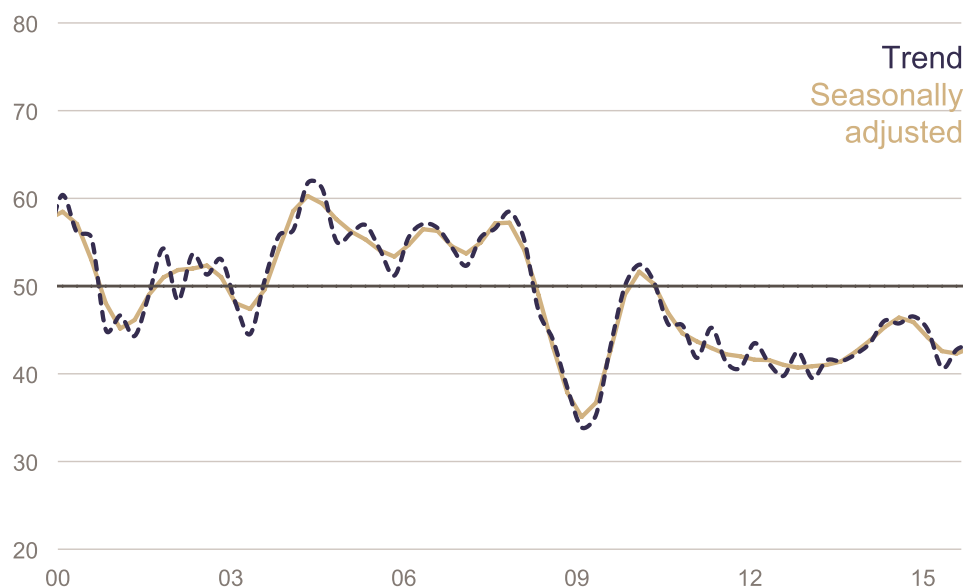
Each index is calculated by taking a weighted sum of the proportion of responses in each answer grouping to form an index between 0 and 100 (answers are grouped according to the strength of conditions).

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, $prop_i$ 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 confidence rises but cost pressures persist



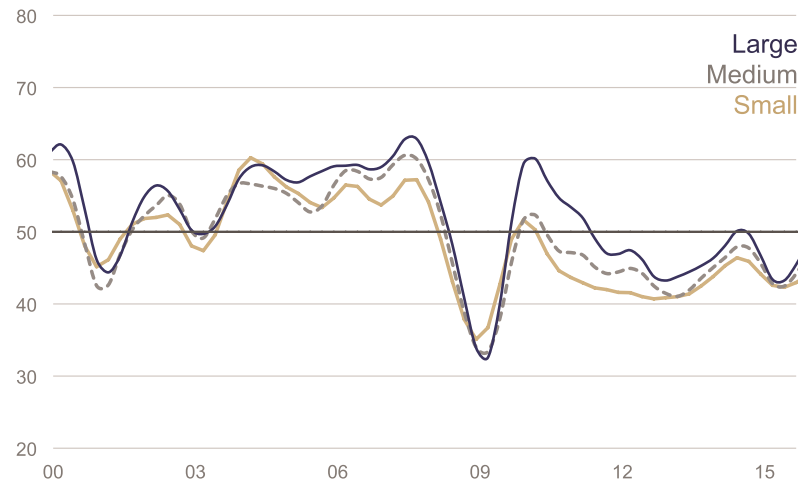
The latest AusChamber Small Business Survey shows improving conditions and confidence, but small businesses remain more pessimistic than their larger counterparts.

- The index of Small Business Conditions (p.3) rose to 44.0 from 43.0 the previous quarter. This brings the index firmly above its five-year average.
- The Expected Economic Performance index (p.3) rose for the second quarter, to 46.3, after falling in several recent quarters. It is now well above the five-year average and the reading in December 2014, but well below the peak of small business optimism recorded in late 2013 and early 2014.
- The Sales Revenue index (p.4) rose to 49.8, comparing very favourably to the five-year average of 44.5.
- The Profits index (p.6) also continue to improve, reaching 42.4 after being below 40 for five years. Recent improvements are encouraging, but the index has been at 50 or below since September 2007.
- The Wages index (p.4) shows further signs of growing pressure, with the index rising to 58.0. This remains just below the five-year average but is much higher than the reading in December 2014.
- The Non-Wage Labour Costs index (p.5) eased slightly to 65.0 from 65.3, but pressures remain higher than the five-year average of 60.7.
- The Selling Prices index (p.5) continues to push towards neutral, rising to 47.5 from 47.2. This index has not recorded a positive reading since March 2009.
- The Employment index (p.6) is also climbing close to neutral, rising to 48.6 from 46.9 to be almost three points higher than December 2014 and well above the five-year average of 46.3.
- The Overtime Utilisation index (p.7) increased to 45.0 from 43.5, suggesting further potential for increases in headcounts.
- The Investment in Buildings and Structures index (p.7) jumped to 45.6 from 43.1 while the Investment in Plant and Equipment index (p.8) rose to 48.7, suggesting businesses may finally be responding to better sales by boosting capacity.
- Small businesses generally reported weaker conditions than did businesses overall, with lower readings recorded for business conditions, sales revenue, profit, employment, overtime and investment. Price indicators were mixed, with increases in sales prices and non-wage labour costs amid more moderate wage pressures.

Small Business Conditions

	Dec 2015	Mar 2016 (e)
Small	44.0	48.7
All businesses	45.6	48.1

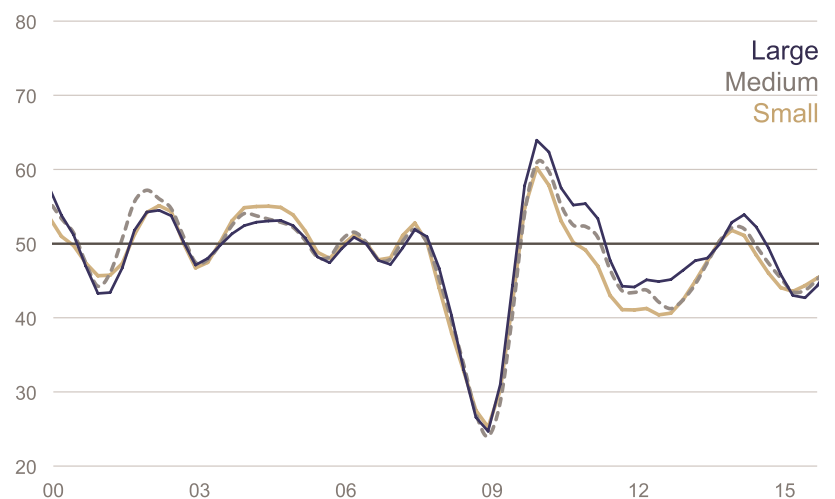
(e) expectation for next quarter



Expected Economic Performance

	Sep 2015	Dec 2015
Small	45.4	46.3
All businesses	44.6	46.5

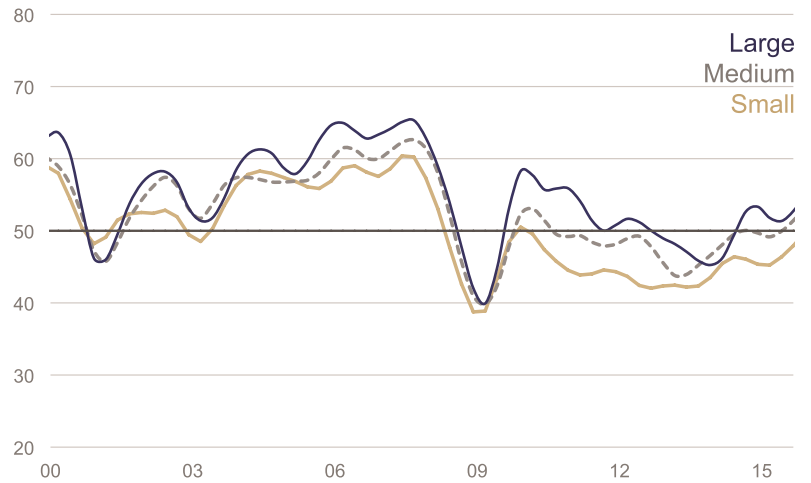
(a) expectation for following 12 months



Sales Revenue

	Dec 2015	Mar 2016 (e)
Small	49.8	58.5
All businesses	52.4	57.9

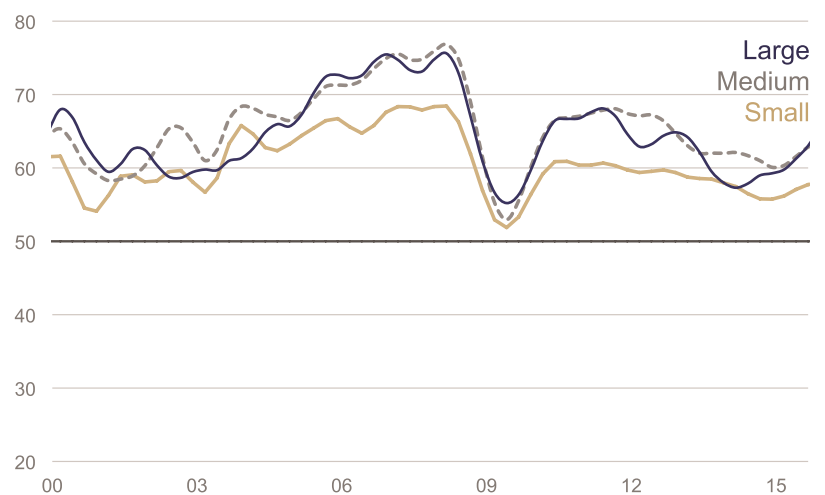
(e) expectation for next quarter



Wages

	Dec 2015	Mar 2016 (e)
Small	58.0	57.2
All businesses	63.2	59.7

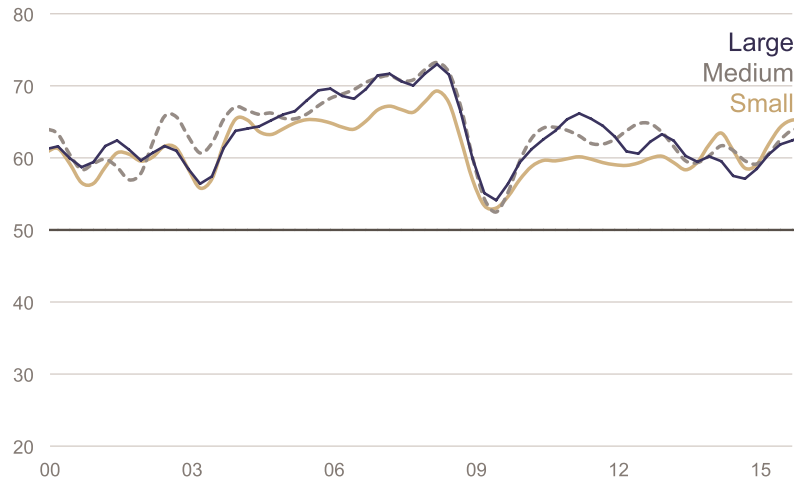
(e) expectation for next quarter



Non-Wage Labour Costs

	Dec 2015	Mar 2016 (e)
Small	65.0	63.0
All businesses	64.0	61.1

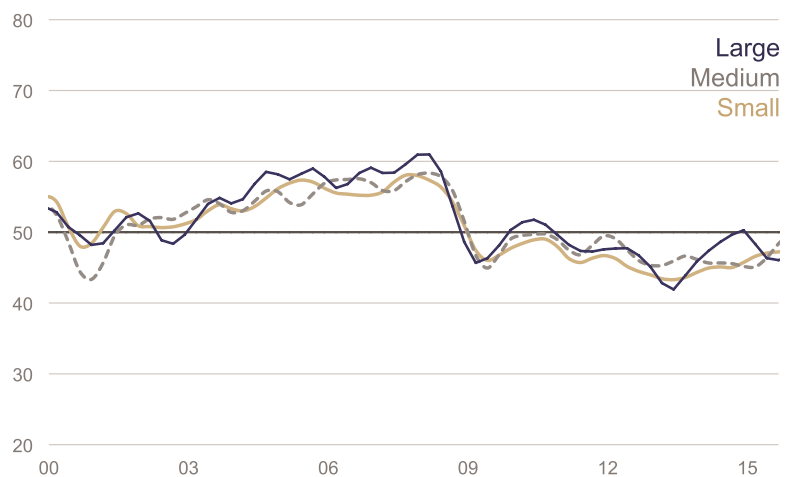
(e) expectation for next quarter



Selling Prices

	Dec 2015	Mar 2016 (e)
Small	47.5	51.5
All businesses	47.2	50.8

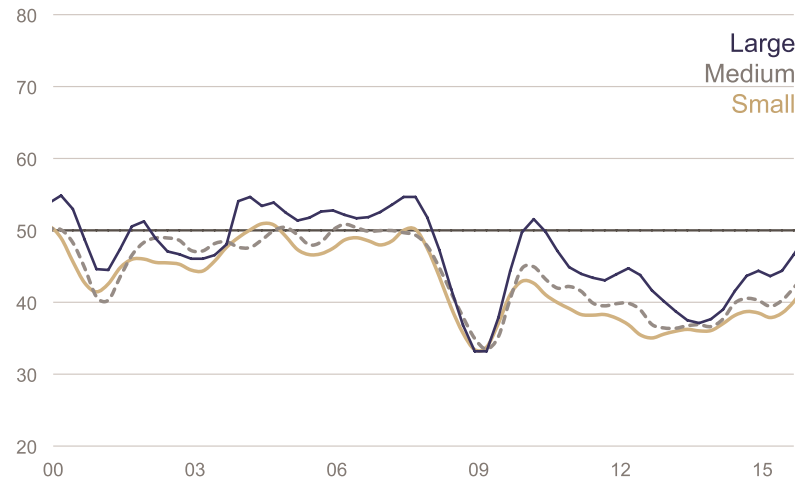
(e) expectation for next quarter



Profits

	Dec 2015	Mar 2016 (e)
Small	42.4	50.7
All businesses	44.9	51.3

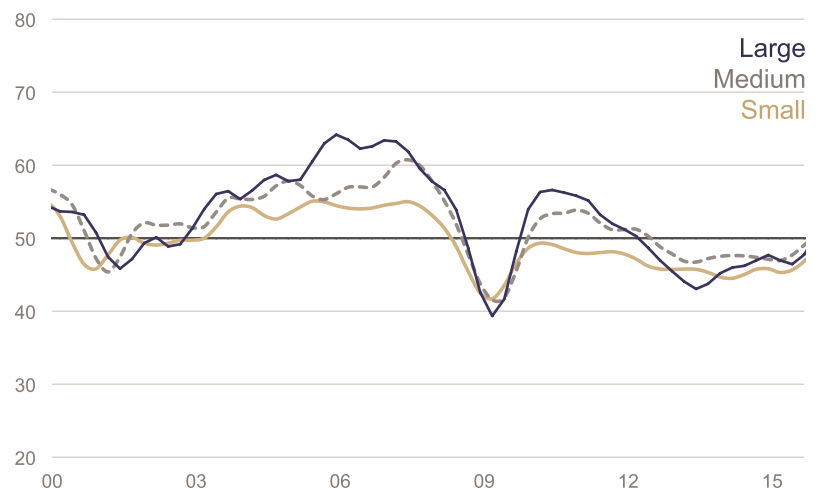
(e) expectation for next quarter



Employment

	Dec 2015	Mar 2016 (e)
Small	48.6	51.6
All businesses	49.2	50.4

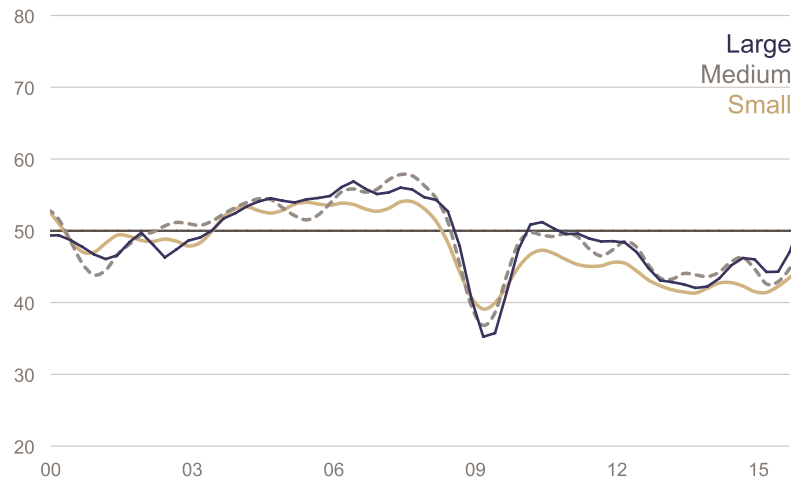
(e) expectation for next quarter



Overtime Utilisation

	Dec 2015	Mar 2016 (e)
Small	45.0	43.1
All businesses	47.7	43.5

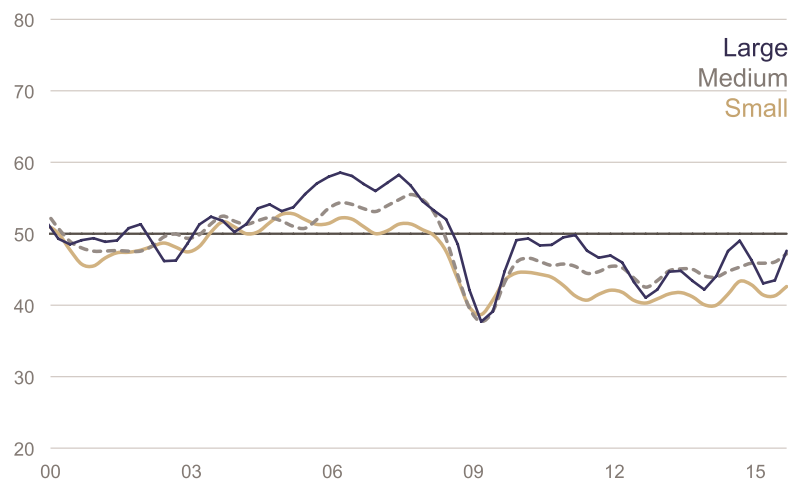
(e) expectation for next quarter



Investment in Buildings and Structures

	Dec 2015	Mar 2016 (e)
Small	45.6	46.3
All businesses	48.6	48.3

(e) expectation for next quarter



Investment in Plant and Equipment

	Dec 2015	Mar 2016 (e)
Small	48.7	50.8
All businesses	50.5	51.1

(e) expectation for next quarter



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