



Media Release.

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Small business confidence falls to all time low



- *Westpac-Melbourne Institute Small Business Index fell by 12.7 per cent (15.8 points) in May to an all-time low of 108.2, from 124.0 in February*
- *Two in five (38.3 per cent) small businesses are concerned about macroeconomic conditions weighing down on business performance*

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Small business confidence has fallen significantly this quarter, with the May *Westpac-Melbourne Institute Small Business Index* recording a decrease of 12.7 per cent to an all-time low of 108.2 points, down from 124.0 points in February.

The Index, which measures the confidence, current performance and future plans of the Australian small business sector has recorded the worst result since February 2014, with all subindexes falling over the quarter.

Nonetheless, four of the five components of the Small Business Index have remained above the 100-neutral mark, suggesting that small businesses are still optimistic about their performance although this optimism is waning.

Westpac's General Manager of Small Business, Julie Rynski commented that while weak economic activity has weighed down heavily on small businesses over the past year, small businesses are still confident enough to move cautiously into the second half of 2015, with 20 per cent of small businesses expecting to invest in the next three months.

"Despite the recent fall in confidence, my conversations with small business owners reveal it's not all doom and gloom for the small business sector. This Index was taken before the Federal Budget announcement, which included a number of tax breaks and allowances for small business, and should result in improved conditions and increased sentiment amongst Australian small businesses over the next quarter. Whilst falling, the Small Business Index has still remained in positive territory over the past quarter, which is an encouraging sign for the sector."



“It is heartening that there has been a moderate improvement in the Wholesale & Retail Trade sector, where the Small Business Index rose to 103.2, up from 99.3 in February. This is likely the result of strong growth in retail trade in recent months that has been fuelled by a significant lift in consumer confidence and spending, which could ultimately translate into positive flow-on effects for the small business sector,” said Ms Rynski.

The economy remained the main negative factor affecting small businesses (38.3 per cent). Regulation has also increasingly affected businesses this quarter, with 35.8 per cent citing it as negatively impacting their performance, up 12.6 per cent from February.

“Small businesses are highly exposed to changing macro-economic conditions, which has consistently been the main factor dampening performance. The deteriorating economic outlook, elevated unemployment expectations and complex regulations, have resulted in a challenging operating environment for the sector.”

“Nonetheless, I am reassured by my interactions with small business owners across the country, which indicates that they still have confidence in their future despite the challenges they are facing. This potentially signals an uplift in the sector going forward,” said Ms. Rynski.

The results by state reveal falling performance levels in all four major states, with the Small Business Index falling four per cent in NSW to 120.9 points, 7.7 per cent in VIC to 104.3 points, QLD fell 11.2 per cent to 112.9 points. WA was the only state to register a negative Index of 94.8, reflecting the growing concerns of small businesses in the state surrounding the end of the mining boom and falling commodity prices.

“Small businesses are an integral part of the Australian economy and Westpac is committed to helping them power forward and overcome the challenges they face to ensure sustained prosperity in Australia,” added Ms Rynski.

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KEY FINDINGS

Westpac-Melbourne Institute Small Business Index

- The Westpac-Melbourne Institute Small Business Index fell by 12.7 per cent (15.8 points) to an all-time low of 108.2 over last quarter and by 12.7 per cent (15.7 points) over the last 12 months.
- Two in five (38.3 per cent) small businesses are concerned about macroeconomic conditions weighing down on business performance.
- Less than one in three (29.4 per cent) small businesses expect to see an increase in business activity over the next quarter.
- One in five (20 per cent) small businesses expects to invest in the coming quarter.
- The Future Performance Index is at 119.3, the highest of all the sub-Indexes.
- Customers are the top positive factor impacting small business performance (41.6 per cent).
- The top perceived negative factor affecting small business performance is the economy (38.3 per cent), followed by regulations (35.8 per cent).
- The state results show declines in all four major states by 4.0 per cent (NSW), 7.7 per cent (VIC), 11.2 per cent (QLD) and 11.3 per cent (WA). WA is the only state to register a negative Index of 94.8.
- The Small Business Index for the Whole & Retail Trade Industry rose to 103.2 from 99.3 last quarter.

Notes to editors:

About the Westpac-Melbourne Institute Small Business Index

The May 2015 Westpac-Melbourne Institute Small Business Index was commissioned by Westpac Banking Corporation (WBC) (ABN 33 007 457 141) and conducted by the Melbourne Institute.

The research aims to provide information about the economic health of Australian small businesses. The report is a quarterly publication based on a representative survey of 300 small businesses from all over the country conducted between 7 April and 16 April 2015. Data from this survey provides measures of performance and the factors that have had the greatest positive/negative effects.