



Media Release.

Tuesday, 17 February 2015

Westpac Small Business Index indicates optimistic outlook for small business sector



For further information

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- *Westpac-Melbourne Institute Small Business Index rose just 0.8 per cent to 124.0 over last quarter*
- *The index has increased 3.8 per cent (4.6 points) over the last 12 months*
- *Two in five (38.5 per cent) small businesses are concerned about macroeconomic conditions weighing down on business performance*

Small business confidence has remained stable this quarter, with the February *Westpac-Melbourne Institute Small Business Index* recording an increase of 0.8 per cent to 124.0 points, up from 123.0 in November.

The Index, which measures the confidence, current performance and future plans of the Australian small business sector, has increased 3.8 per cent (4.6 points) over the past 12 months, with over half (56.9 per cent) of small business owners agreeing that their business' financial situation is better than it was this time last year.

Westpac's General Manager of Small Business, Julie Rynski commented that although there have been unfavourable fluctuations in sentiment over the past 12 months, small businesses are starting the year more confident about their financial situation and future business activity than they were this time last year.

"Despite unexpected declines experienced in Hospitality and Recreational Services and Wholesale and Retail trade over the historically busy Christmas period, the Small Business Index has remained in positive territory over the past twelve months. This result is attributed to a number of factors including; the lower Australian dollar which is encouraging domestic spending; falling petrol prices; and expectations of an interest rate cut, which eventuated earlier this month."



“The *Westpac - Melbourne Institute Index of Consumer Sentiment* jumped to its highest level in a year last week, with optimists just outnumbering pessimists. This renewed consumer confidence may lead to increased spending and ultimately have a positive flow on effect to the small business sector,” added Ms Rynski.

The ‘economy’ has once again been listed as the main negative factor affecting business performance (38.5 per cent), followed by ‘customers’ (29.7 per cent) and regulation (23.3 per cent).

“Small businesses are highly exposed to changing macroeconomic conditions, which is constantly coming through as the main factor weighing down on small business performance. It is however, reassuring to see the proportion of businesses citing ‘regulation’ as a negative factor affecting business performance decrease in the latest report, which is a positive result of Governments efforts to reduce red tape around the sector.”

The Hon Bruce Billson MP, Federal Minister for Small Business said “Small Business is the engine room of the economy. That is why our priority is to create the right conditions to ensure Australia is the best place to start and grow a small business” said Bruce Billson Federal Minister for Small Business.

“These survey results point to some progress, but remind us all that there is more to do to energise enterprise in our economy,” added Mr Billson.

The results by state reveal slight improvements in the performance of small businesses in Queensland (increase of 6.4 points) and Victoria (increase of 1.3 points) in contrast to a slight drop in New South Wales (down 1.2 points) and a significant decrease in Western Australia (down 16.8 points), which has been significantly affected by falling commodity prices this quarter.

“Small businesses are an essential part of the Australian economy and Westpac will continue to extend a helping hand to the small business sector to ensure the continued prosperity of our nation,” added Ms, Rynski.

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KEY FINDINGS

Westpac-Melbourne Institute Small Business Index

- The Westpac-Melbourne Institute Small Business Index lifted 0.8 per cent to 124.0 over the last quarter, and 3.8 per cent (4.6 points) over the last 12 months.
- Two in five (38.5 per cent) small businesses are concerned about macroeconomic conditions weighing down on business performance, with the economy the top negative factor affecting small business increasing over the past 12 months (from 35.1 per cent in February 2014).
- Over half (56.9 per cent) of small business owners agree that their business' financial situation is better now than it was this time last year.
- Almost two thirds (61.2 per cent) of small businesses are confident that business activity will increase over the next 12 months.
- Economy still rates as the top negative factor affecting small business activity (38.5 per cent) followed by customers (29.7 per cent).
- The state results show improvements in performance of small businesses in VIC and QLD, and deteriorations in NSW and WA.
- Businesses in 'Wholesale and Retail Trade' and those with a turnover above \$2m reported a marked worsening on their performance over the past quarter.
- A net balance of 23.2 per cent expect an increase in activity in the next three months, down from 29.5 per cent in the last quarter.
- The proportion of revenue from local sales rose again, from 91.0 per cent in November to 92.8 per cent in February.

Notes to editors:

About the Westpac-Melbourne Institute Small Business Index

The February 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 5 January and 13 January 2015. Data from this survey provides measures of performance and the factors that have had the greatest positive/negative effects.