

Media Release

SMEs confidence steady in the lead up to EOFY

- *The Westpac-Melbourne Institute SME Index sits at 99.9 for Q1 2017, up 3 per cent from Q1 2016*
- *Westpac Genie supports more businesses, at a time where 17 per cent of SMEs are using mobile apps in their business*

The *Westpac-Melbourne Institute SME Index* (SME Index), which examines the economic health of Australian small and medium sized enterprises (SMEs), shows business confidence remains stable, going from 100.7 in Q4 2016 to 99.9 in Q1 2017¹ as SMEs prepare for the upcoming Federal Budget and end-of-financial-year.

The slight decline in the SME Index indicates businesses have a conservative outlook on future business conditions, despite many reporting improvements in current business operations (sales, profits, employment).

Westpac's General Manager of SME Business Bank, Julie Rynski said, "It's pleasing to see a steady level of optimism among Australian businesses as they gear up for the end-of-financial-year.

"We know tax time can be stressful for business owners, with around a quarter of our SME customers telling us they experience cash flow difficulties because of late payments and around 24 per cent with more than \$10,000 in unpaid invoices on their books."

Ms Rynski added, "We are also seeing this reflected through steady interest in our Live Online Lending Application (LOLA), designed to make sure SMEs feel supported and have access to additional finance when they need it the most."

Looking at sentiment among the major states, Victoria was the most optimistic (106.0) with marginal dips in overall confidence across most of the other states. Decreases of 8.7 per cent were identified in New South Wales (100.8), 8 per cent

¹ The SME Index is computed as the average of two sub-indexes based on responses to questions about "general business conditions over the last 3 months" and "expectations for business conditions in 3 months' time". Indexes are computed using the net balance approach, i.e. percentage reporting 'improve' less the percentage reporting 'deteriorate' plus 100). An Index value greater (less) than 100 indicates that there were more 'improve' ('deteriorate') responses in the sample.

in South Australia (94.2) and 1.9 per cent in Queensland (98.3). Western Australia recorded the lowest SME Index reading, reporting an 8 per cent decrease to 80.4.

Westpac Senior Economist, Matthew Hassan said there were a number of contributors to the current results.

“Trading conditions have clearly improved on a year ago. Some of the concerns about the wider Australian economy have also likely eased with GDP posting a solid rebound in the December quarter, more than reversing a surprise contraction in the previous quarter.

“Meanwhile the global backdrop has improved, the mining investment downturn is nearly over and interest rates and the Australian dollar remain supportive. There are clearly still significant areas of concern for SMEs; consumer demand is patchy, the outlook for housing is uncertain and profits are under pressure. Overall, the picture looks mixed with improvements in current activity offset by ongoing doubts about the extent to which these will be sustained,” said Hassan.

Across industries, the SME Index was strongest for Professional Services (111.7), Health & Aged Care Services (108.6) and Manufacturing (104.2), with each sector showing improvements in business conditions in the last 12 months. The survey found a dip in confidence in the Construction sector, declining by 12.4 per cent, partly due to a decline in profits (25 per cent), harder access to finance (21.9 per cent) and an increase in government regulations (56.3 per cent).

The Index also found 17 per cent of surveyed SMEs use mobile apps in their business, which Ms Rynski notes, “is pleasing given recent advancements to Westpac’s mobile payment system, Genie”.

“Mobile payment solutions, which are helping businesses get paid faster and are a good example of how SMEs can transform their operations. Through mobile payment systems like Genie our customers are able to get paid faster and free up more time to work on other parts of the business,” concluded Ms Rynski.

Find out more information about Westpac’s [Genie](#).

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About the Westpac-Melbourne Institute Small Business Index

The March Westpac-Melbourne Institute SME Index was commissioned by Westpac Banking Corporation (WBC) (ABN 33 007 457 141) and conducted by the Melbourne Institute.



200 years proudly supporting Australia

The Westpac-Melbourne Institute SME (Small to Medium Enterprise) Index aims to provide information about the economic health of Australian small and medium enterprises. The Report is a quarterly publication based on a representative survey of 400 businesses from all over the country. Survey data from this report provides measures of general business conditions and changes in many aspects of SME operations.

About the Westpac Customer Panel

The Westpac Customer Panel surveyed over 200 small and medium enterprise business members of the Westpac Group customer community with a turnover under \$5 million per annum. The driver and topic coding used is qualitative and directional only, based on the manual sampling of all relevant comments related to the question. Fieldwork was conducted between 22 February and 1 March 2017.