

# Small and medium business profile, Nov 2005

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# Small businesses (0-19 employees)

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## Definition and key trends

- 'Small business' = employs less than 20 people.
- Growing numbers (Nov 1999 to Jun 2004):
  - non-agricultural small businesses increased by 28%
  - non-agricultural small business owner/operators increased by 18.7%
- Increasing proportion of sole operators:
  - 72.6% run by sole operators in June 2004, up from 68.5% in Jun 2003 and 67.9% in Nov 1999.
- High proportion of 'micro-businesses' engaged in solitary, home-based, part-time work:
  - 46% of non-agricultural small businesses have no employees and are operated at or from home
  - 32.9% of non-agricultural small business operators work part-time, compared with 28% of all employees (June 2004).

Sources: ABS, cat. no. 8127.0, 6202.0.

# How many small businesses?

- Number of small businesses (June 2004):
  - 686,420 registered non-agricultural small businesses
  - 1,269,000 registered and unregistered non-agricultural small businesses
  - 68,084 registered agricultural small businesses (almost 10% of all registered small businesses).



Sources: ABS, cat. no. 8127.0, 8161.0.55.001.

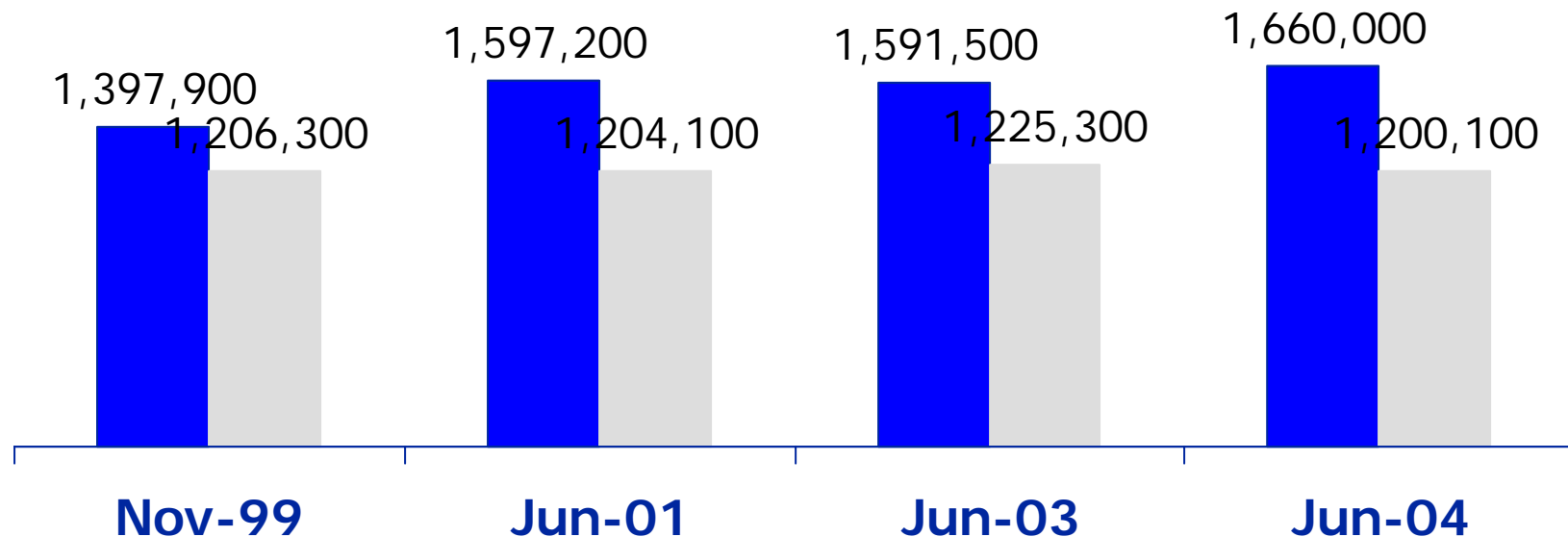
## How many owner/operators?

- The Council of Small Business Associations of Australia (COSBOA) estimates that small businesses are “responsible for generating 3.3 million jobs”, including self-employed owner/operators and employees, across all industries in Australia.
- 1.66m people operated 1.23m non-agricultural small businesses, solely or with partners in June 2004:
  - 921,294 businesses (72.6%) had a sole operator
  - 318,519 businesses (25.1%) had two operators
  - 92.5% of operators ran one business only
  - two thirds of businesses (856,000) and operators (1.04m) were run at or from home
  - two thirds of operators (1.1m) operated their business as a full-time job. The remainder were part-time.

## How many people are self-employed?

- Do small business surveys overstate self-employment?
  - 'small business operator' is not synonymous with 'self-employed'
  - the reported number of non-agricultural small business operators is consistently higher than the number of all 'self-employed' people plus all 'employers' (ABS data).

Non-agricultural small business operators, all self-employed and all employers (number)



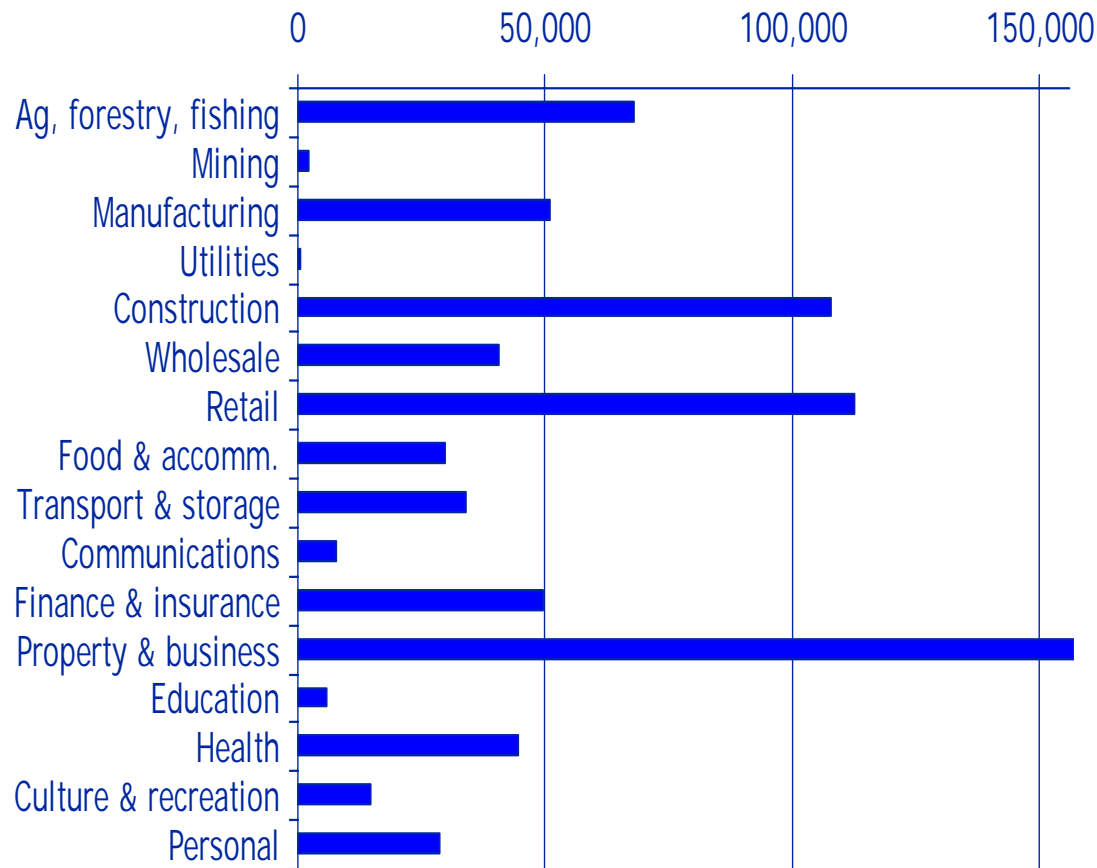
Sources: ABS, cat. no. 8127.0; 6603-E.

## How many employees?

- 56% of non-agricultural small businesses have no employees. 46% are home-based with no employees.
- Number of all small business employees (including agriculture businesses, Aug 2001):
  - 2.3m employees (38.2% of all employees).
- Number of non-agricultural small business employees (June 2004):
  - 715,000 businesses (56.3%) had no employees
  - 416,000 businesses (32.8%) employed 1 to 4 people
  - 139,000 businesses (10.9%) employed 5 to 19 people
- This translates to an estimated 2.9m employees in 555,000 non-agricultural small businesses – or around 30% of all employees - in June 2004.

# What do they do?

Registered small businesses by industry,  
June 2004 (number)



● Registered small businesses are concentrated in:

- property & business services (20.8%)
- retail (14.9%)
- construction (14.3%)
- agriculture (9.0%)



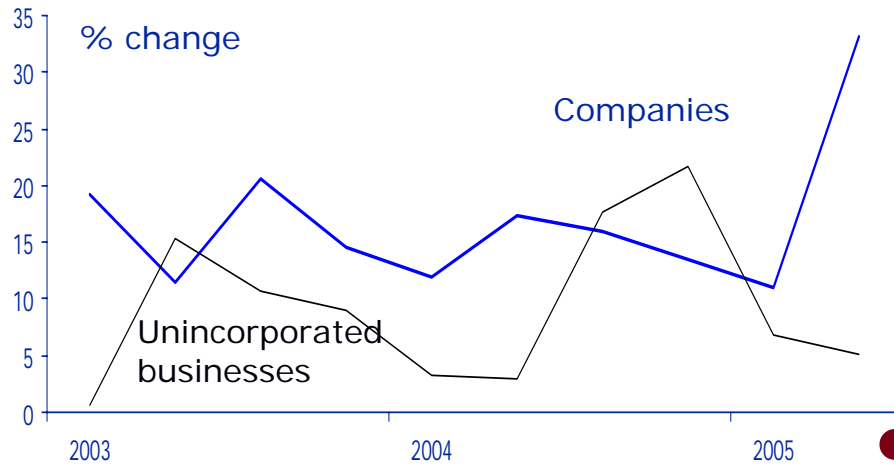
## Where are they?

- The distribution of small businesses across Australia reflects the general population. No state or territory has a significantly greater or smaller number of small businesses relative to the size of its population.
- COSBOA estimates that 35% of small businesses are in regional areas (including agricultural businesses).
- Two thirds (856,000) of small non-agricultural businesses operated from or at home in 2004.

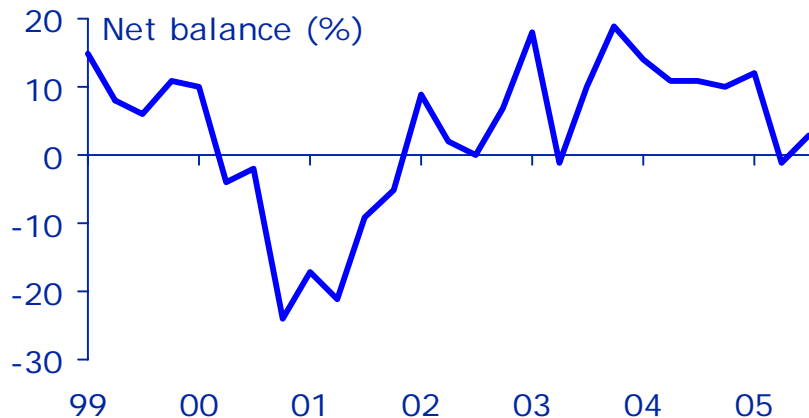
Sources: ABS, cat. no. 8127.0; [www.cosboa.org/statistics.html](http://www.cosboa.org/statistics.html).

# Profitability

## Gross operating profits, companies and unincorporated businesses



## SME profitability index



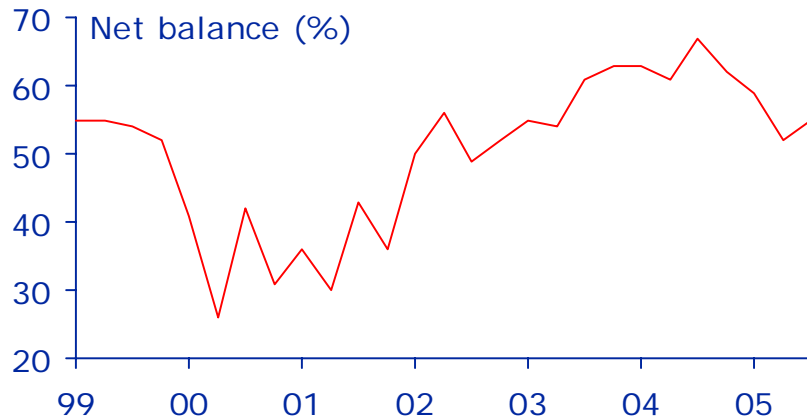
Sources: ABS, cat. no. 5676-11; 5676-13; [www.cosboa.org/statistics.html](http://www.cosboa.org/statistics.html); Sensis.

- Business earnings data are not available by size of business, but COSBOA estimates that “30% of Australia’s economic activity” comes from the small business sector - about equal to its estimated employment share.

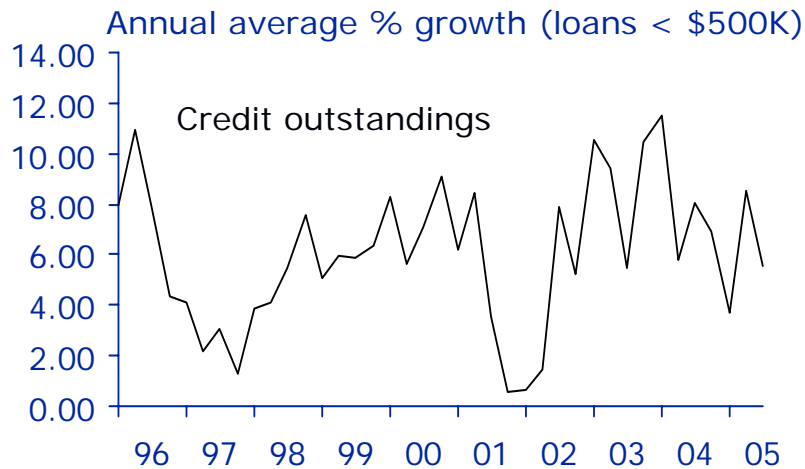
- Comparing gross operating profits for companies to those for unincorporated businesses (as a rough proxy), year-on-year growth was higher for companies than for unincorporated businesses in every quarter but two during 2003 to 2005.

# Confidence and lending

## SME confidence index



## SME lending rates



- SME business confidence was historically high in 2004-05, but it varied between states. SME's were generally more confident in the states that are benefiting from the mining boom – NT, WA and Qld – and less confident in the slower growing states of NSW and Victoria.
- Lending to the SME sector (for loans under \$500k) has slowed since late 2003, but still grew at a solid 5.6% over the year to June 2005.

Sources: Sensis; RBA.

# Medium businesses (20-99, 20-199 employees)

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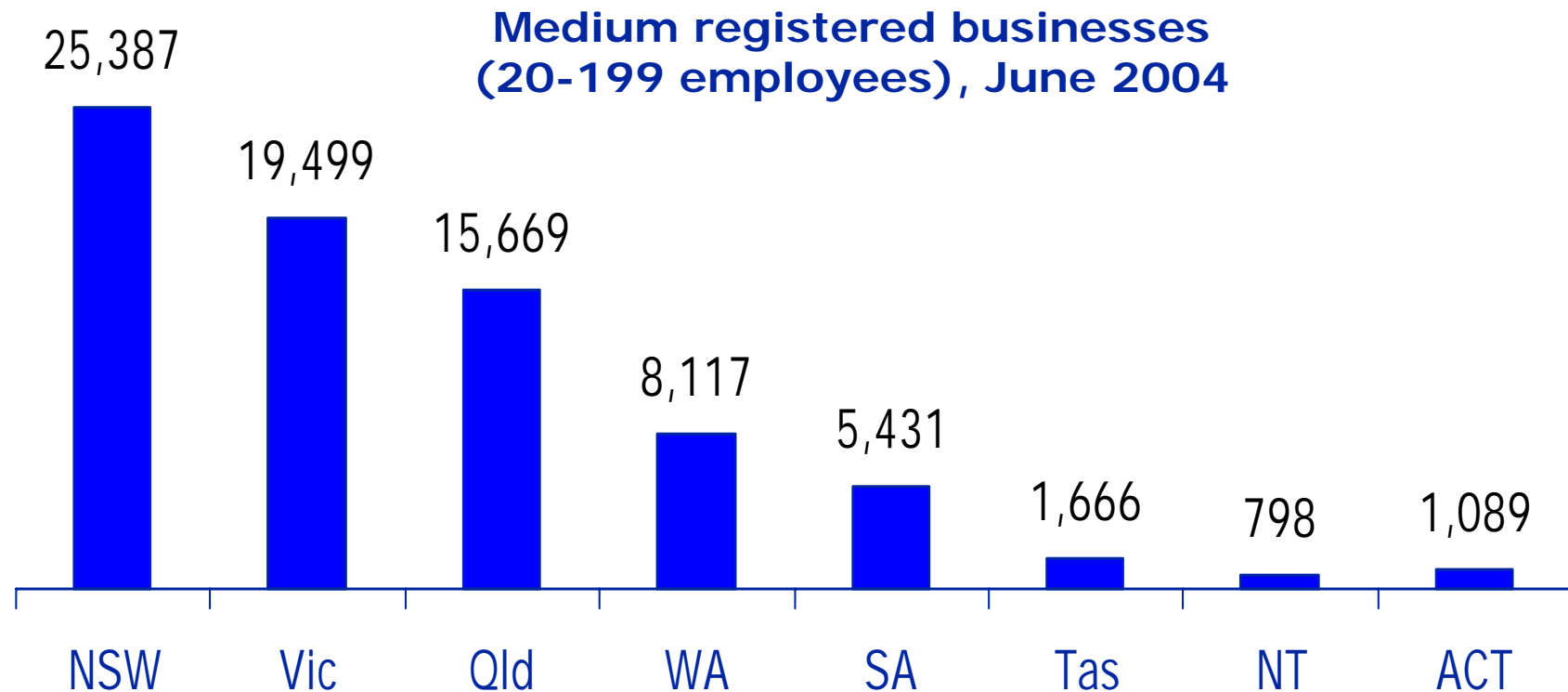
## Definition and number

- **'Medium business' does not have a fixed definition:**
  - **In the ABS business register 2004:**
    - 'small business' = 0-19 employees
    - 'medium business' = 20-199 employees
    - 'large business' = 200+ employees
  - **In the ABS business register 2001, 'medium business' was not defined. Company sizes were divided according to GST-eligible turnover, and published in 5 size ranges (in 2001 dollars).**
  - **In the Sensis Survey of SMEs (formerly the White Pages Survey), 'medium' businesses employ 20-199 people**
  - **In the St George–ACCI business expectations surveys, 'medium businesses' employ 20-99 people.**
- **77,656 medium registered businesses in Australia, June 2004 (ABS Business Register).**
  - 'medium' accounted for 9.3% of all registered businesses with employees (72.2% of businesses had no employees).

Sources: ABS, cat. no. 8161.0.55.001; [www.acci.asn.au/surveys/](http://www.acci.asn.au/surveys/); Sensis.

## Location

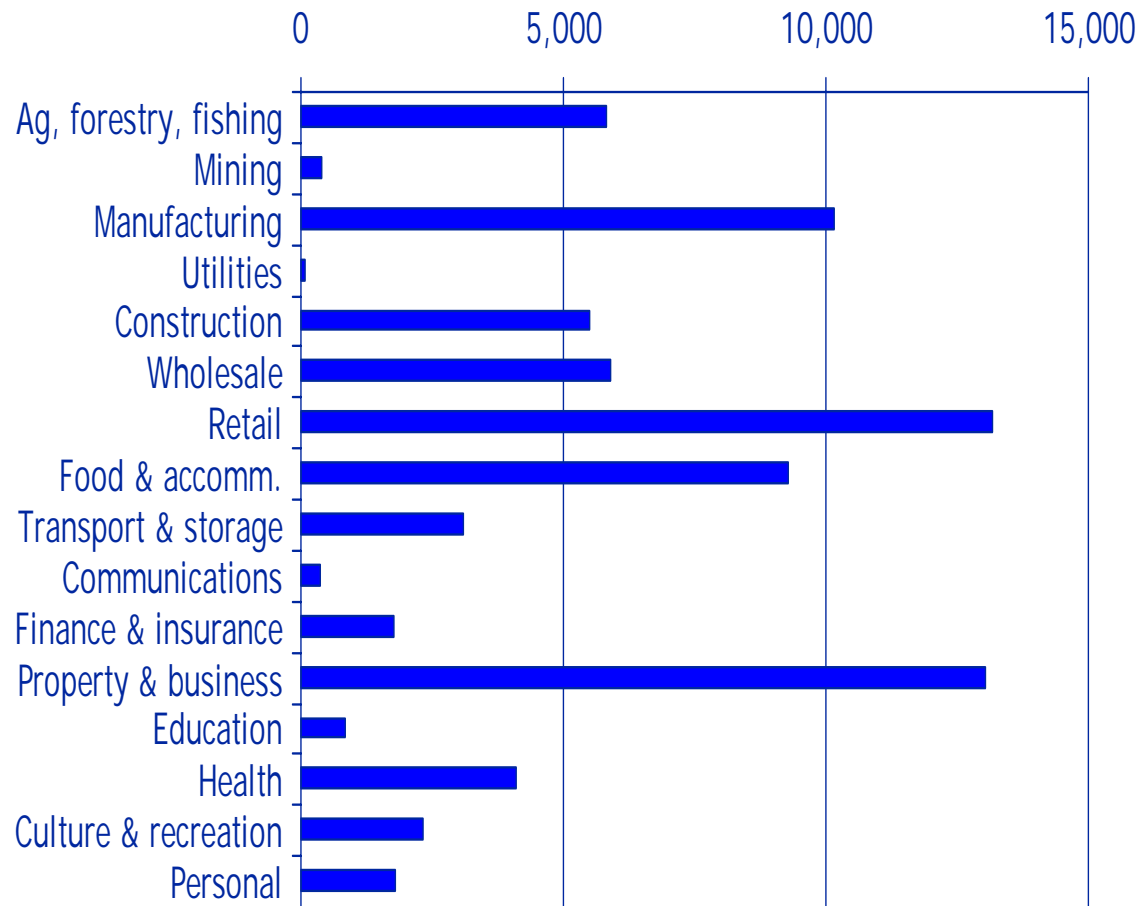
- The distribution of medium registered businesses across Australia's states and territories follows their population distribution (as does the distribution of small and all businesses).



Source: ABS, cat. no. 8161.0.55.001.

# What do they do?

Medium registered businesses (20-199 employees) by industry, June 2004



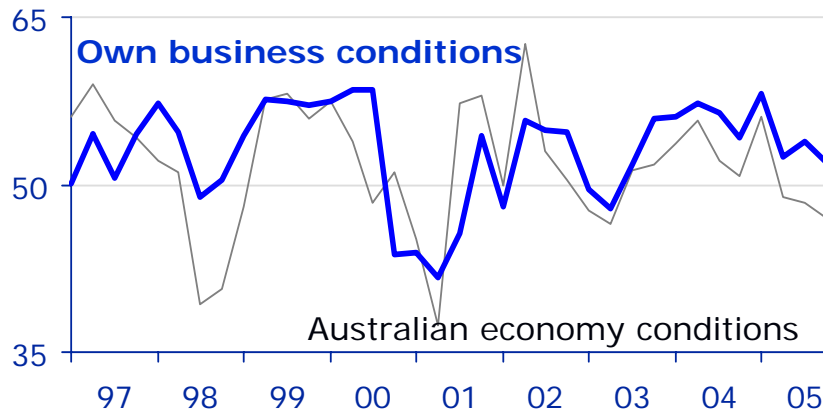
Source: ABS, cat. no. 8161.0.55.001.

- Medium registered businesses were concentrated in:
  - retail (16.9%)
  - property & business services (16.8%)
  - manufacturing (13.1%)
  - cafes, restaurants and accommodation (11.9%)
- Medium registered businesses accounted for:
  - 23.6% of businesses with employees in cafes, restaurants and accommodation
  - 16.4% of businesses with employees in manufacturing

# Business confidence and expectations

## Own business conditions and expectations of the economy

Medium business indexes (seasonally adjusted)



- In the St George-ACCI survey of business expectations, more medium businesses (20-99 employees) have been positive, rather than negative, about their own business conditions since early 2003. However, more have been negative about the general economy since Feb 2005 (an index of <50 indicates a net negative). The net balance of both indexes fell through 2005.

## SMEs who were 'confident' (%)

No of employees:	Feb 05	May 05	Aug 05
1-19	71	66	55
20-99	79	71	65
100-199	74	83	96

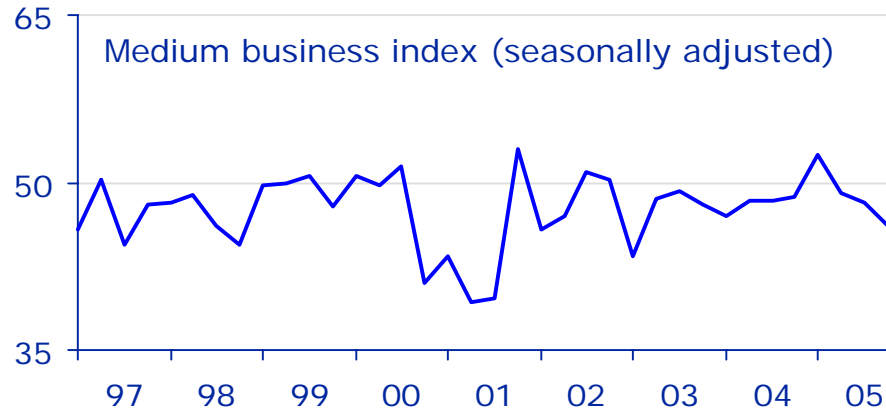
- In the Sensis SME Survey, the proportion of businesses who say they are 'confident' (instead of 'worried' or neither) generally increases with the size of the business. In 2005, the proportion of small and 'smaller-medium' businesses who were confident fell, while confidence among 'larger-medium' firms increased.

Source: [www.acci.asn.au/SurveyStatistics.htm](http://www.acci.asn.au/SurveyStatistics.htm); Sensis.

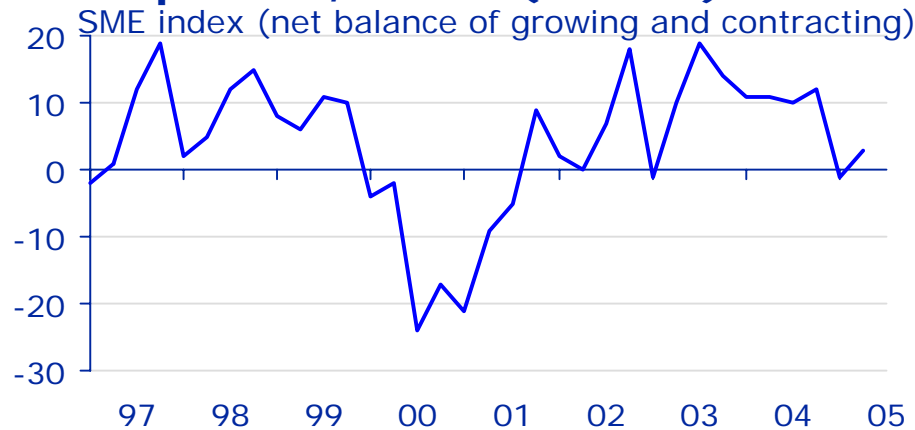


# Business profitability

## Profitability changes in previous quarter (St George-ACCI)



## Profitability changes in previous quarter, index (Sensis)



- The St George-ACCI index of profitability growth for medium businesses has been negative (<50) since Feb 2005. This means more medium businesses were reporting a fall in profitability than an increase. This was similar to the pattern reported by small businesses. Large businesses were more likely to report profitability growth in 2005.

- In the latest Sensis SME survey (Aug '05), medium businesses (20-199 employees) "recorded noticeably higher performance than small businesses for sales, employment, wages, profitability and capital expenditure". Small businesses (1-19 employees) "recorded greater increases in prices charged".

Source: [www.acci.asn.au/SurveyStatistics.htm](http://www.acci.asn.au/SurveyStatistics.htm); Sensis.

# Sales and prices

## Sales revenue changes in previous quarter



## Selling price changes in previous quarter

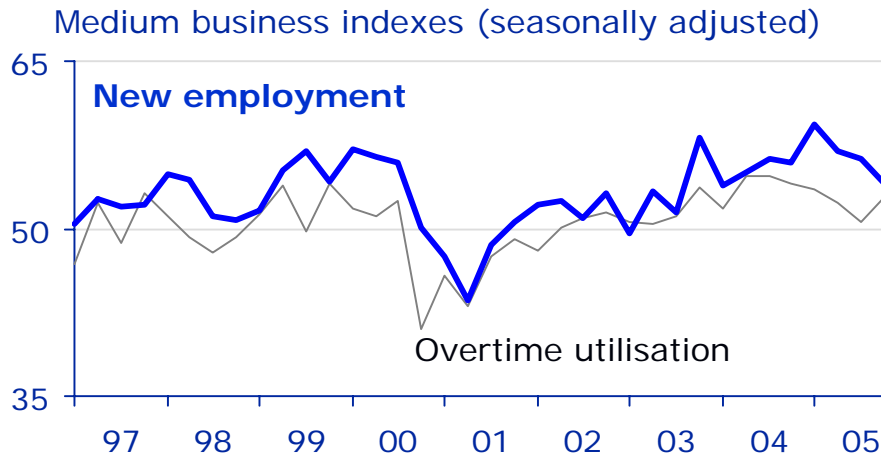


- The St George-ACCI indexes of sales revenue and selling prices for medium business (20-99 employees) were positive (>50) in every quarter of 2004 and 2005. That is, in each quarter, more medium businesses reported growth in sales revenue and selling prices than reported a decline. Growth in selling prices was more volatile than in sales revenue.
- This positive growth in medium business sales revenues through 2004 and 2005 indicates that the declining profitability of some medium businesses in 2005 is probably related to rising business costs, rather than falling business revenues.

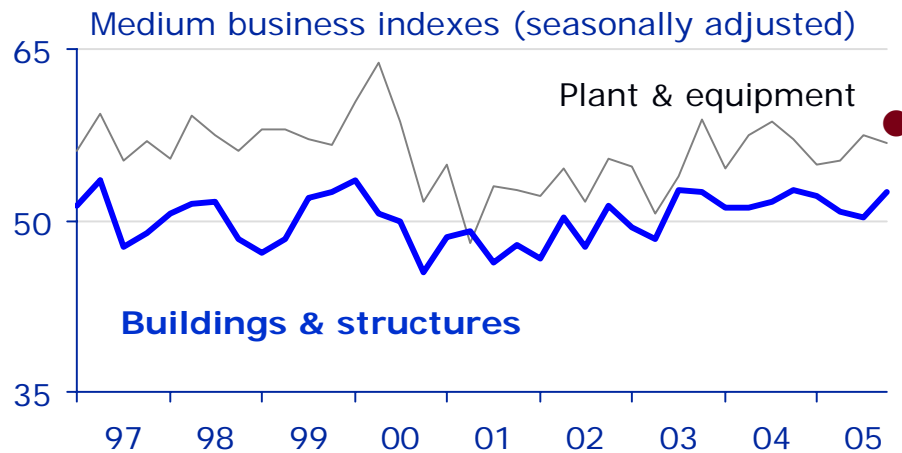
Source: [www.acci.asn.au/SurveyStatistics.htm](http://www.acci.asn.au/SurveyStatistics.htm).

# Employment and investment

## Employment and overtime changes in previous quarter



## Changes in investment levels in previous quarter



Source: [www.acci.asn.au/SurveyStatistics.htm](http://www.acci.asn.au/SurveyStatistics.htm).

- The St George-ACCI indexes of employment growth and overtime utilisation for medium businesses have been positive (>50) since Feb 2003. This means that, in each quarter, more medium businesses reported an increase in net employment and overtime utilisation than a decrease. In 2005, medium businesses were more likely to report net employment growth than small businesses, but less likely than large businesses.

Through 2004 and 2005, more medium businesses reported growing investment levels than declining levels. More businesses reported growing investment in plant and equipment than in buildings and structures.