

# Two-Speed Economy: Challenges Facing Regional Australian Micro & Small Businesses in the Current Economic Environment

October 2011

Please direct any queries to [howard.seccombe@roymorgan.com](mailto:howard.seccombe@roymorgan.com)  
Roy Morgan Research – 401 Collins Street, Melbourne VIC 3000  
Telephone: (03) 9629 6888  
© Roy Morgan Research

## Overview

- Consumer Confidence
- Unemployment & Underemployment
- Business Confidence
- Business Conditions & Performance
- Factors Influencing Business Performance
- Business Debt

## Regional Business: Main Goal in Life

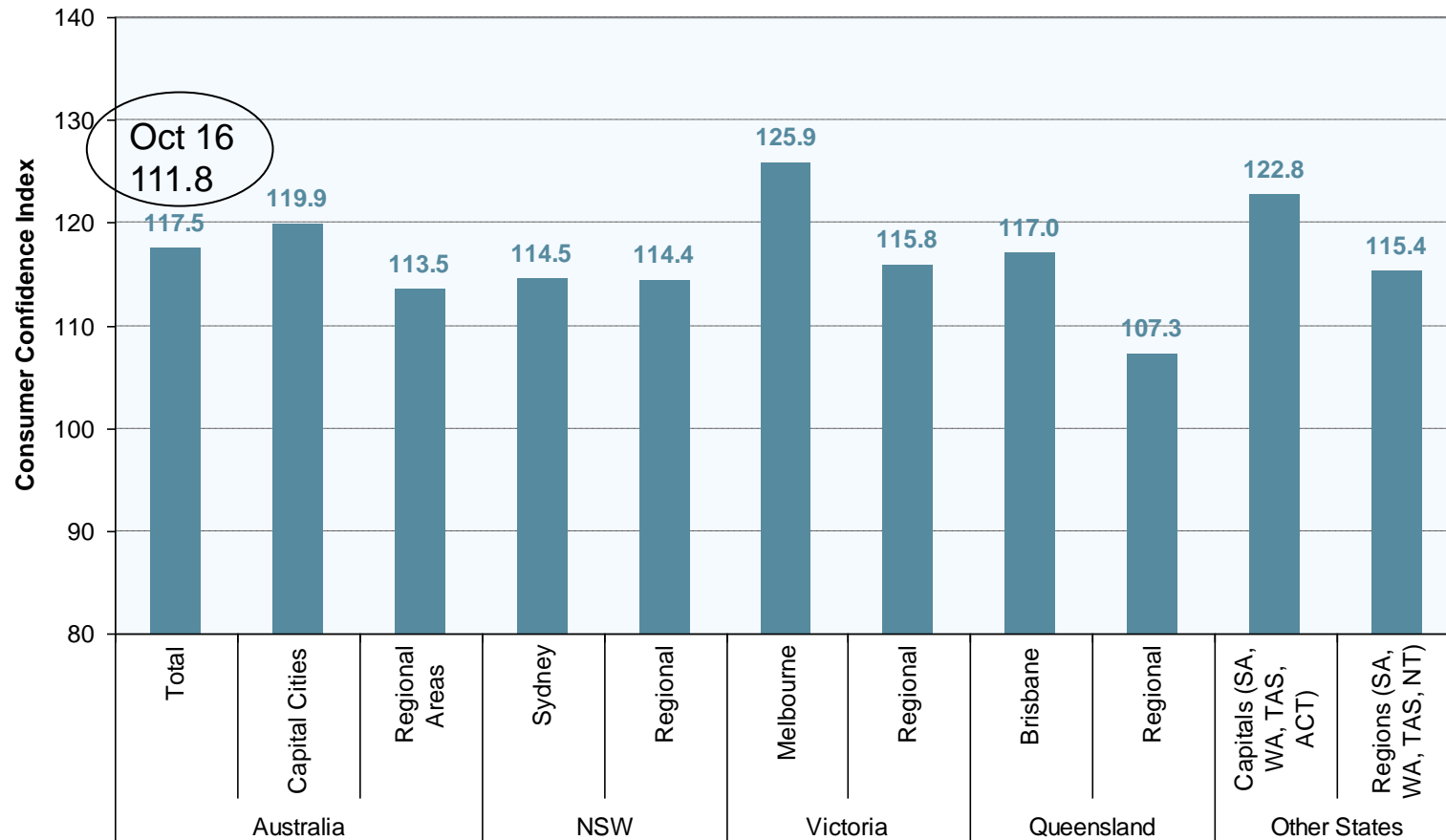
Main Goal in Life	Regional Business	
	%	Index
A secure life	35	118
A family life	32	92
A prosperous life	14	103
An exciting life	10	82
An important life	7	95

Index is against all businesses nationally

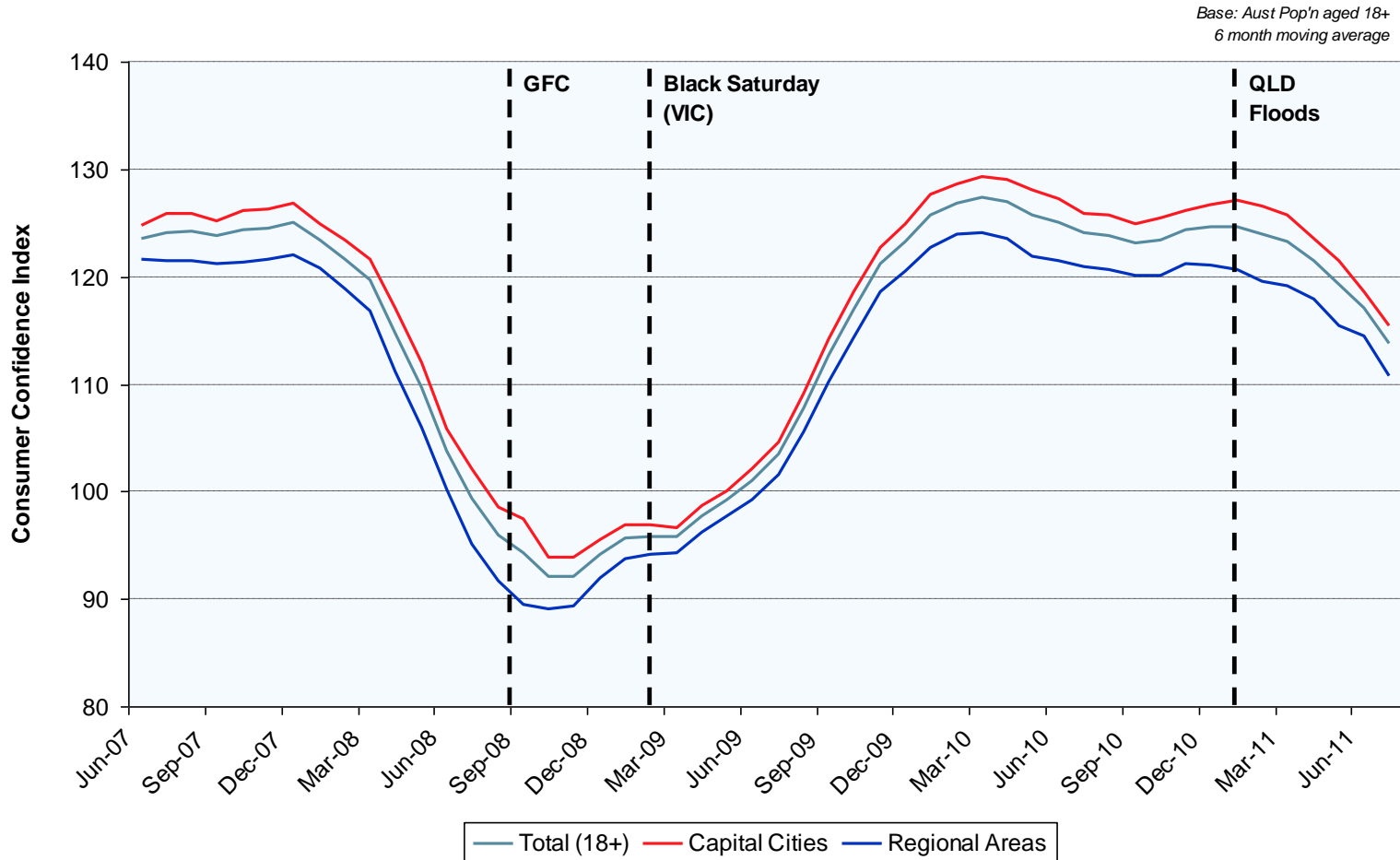
# 1. Consumer Confidence

## Confidence Comparisons

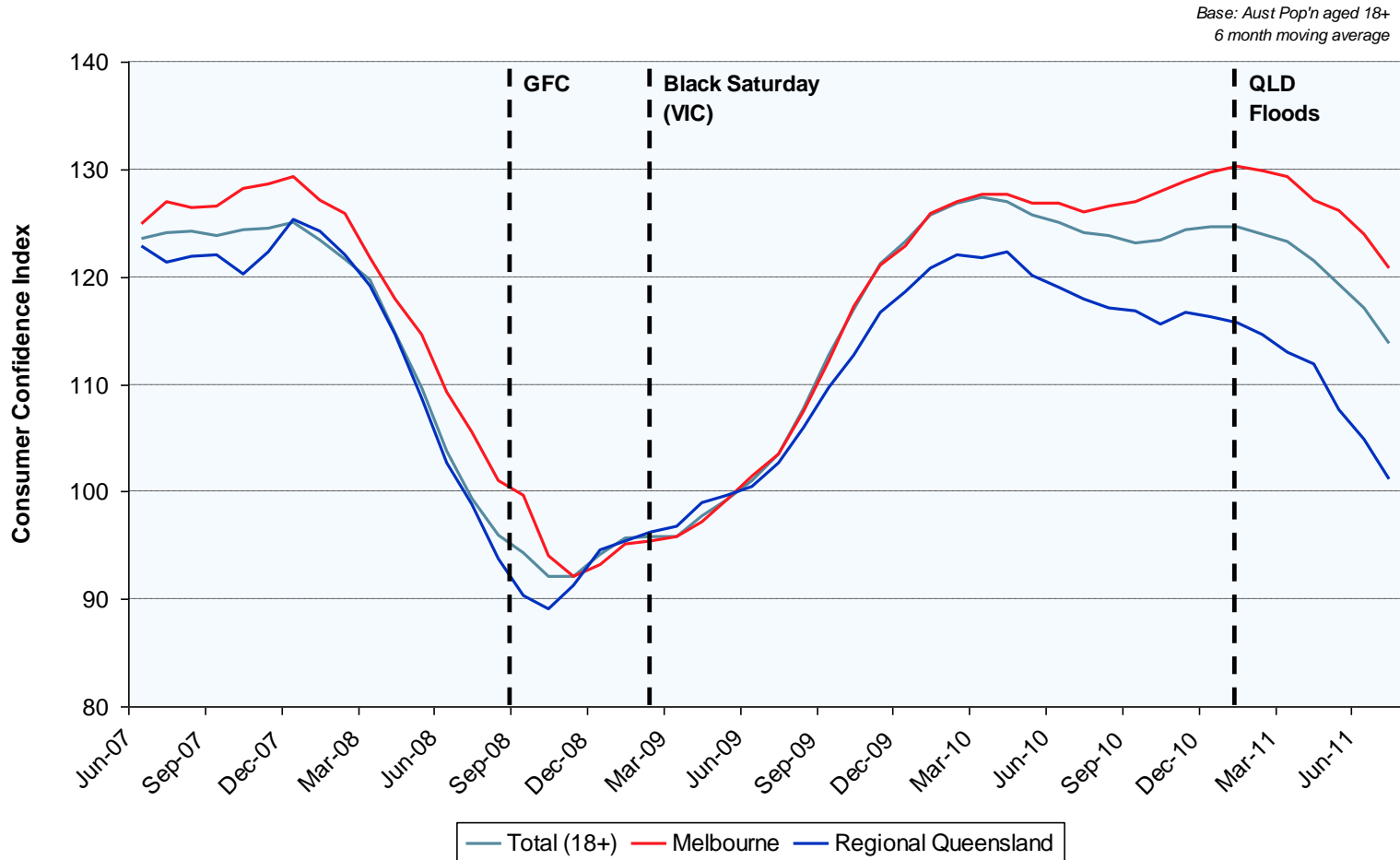
Base: Aust Pop'n aged 14+  
6 months to June 2011



# Consumer Confidence Trends



# Consumer Confidence Trends

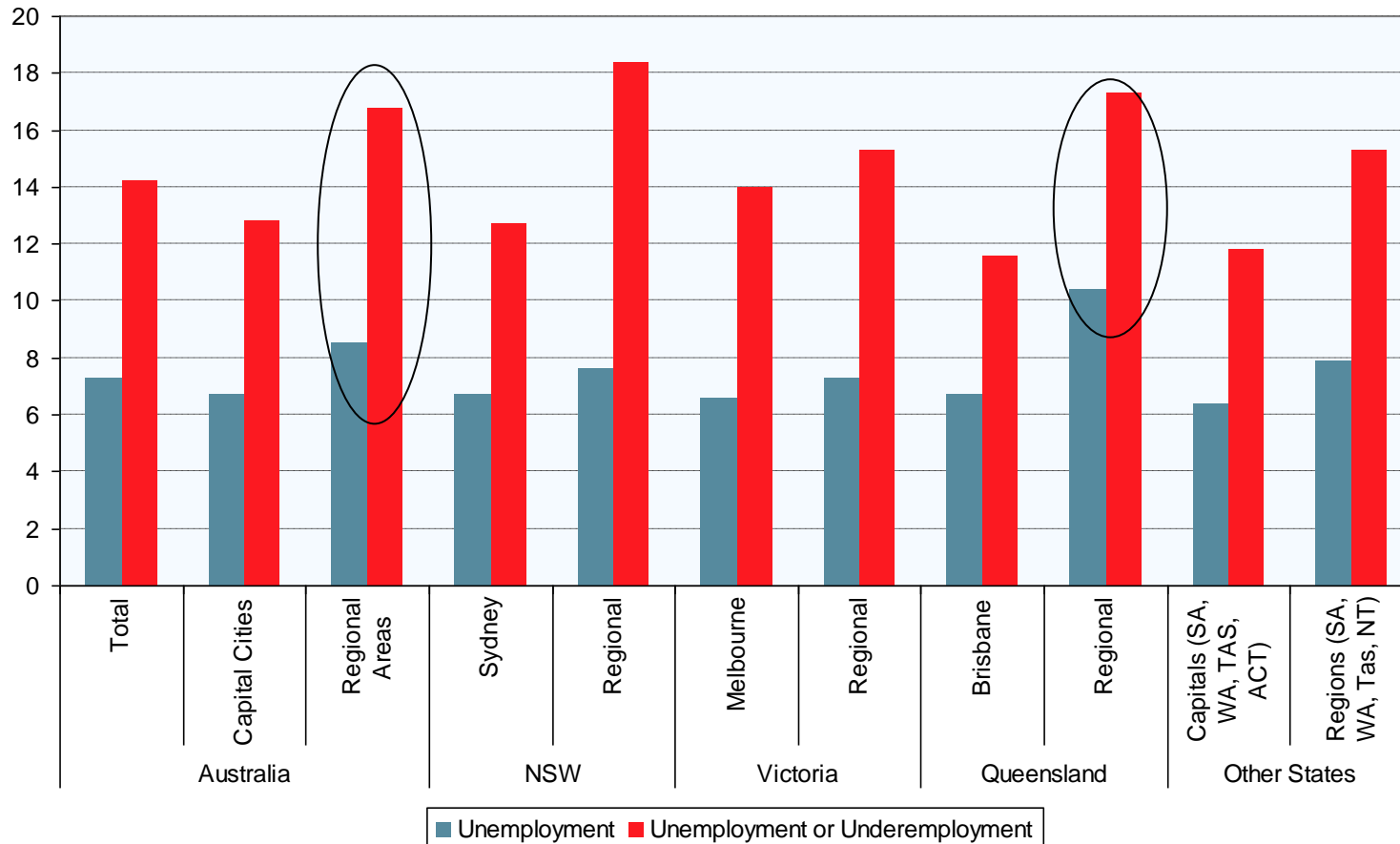


## 2. Unemployment & Underemployment



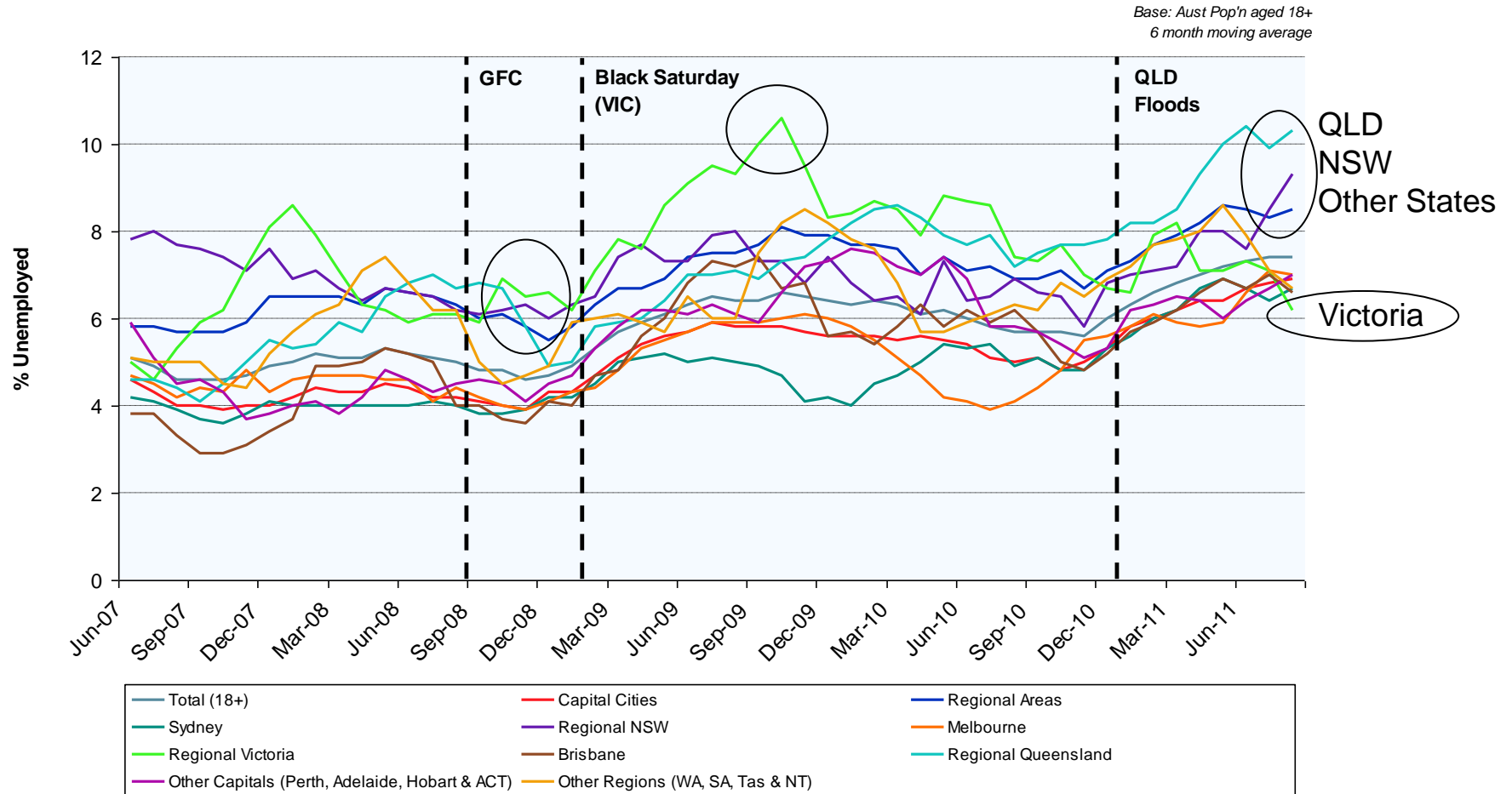
# Unemployment & Underemployment

Base: Aust Pop'n aged 18+  
6 months to June 2011

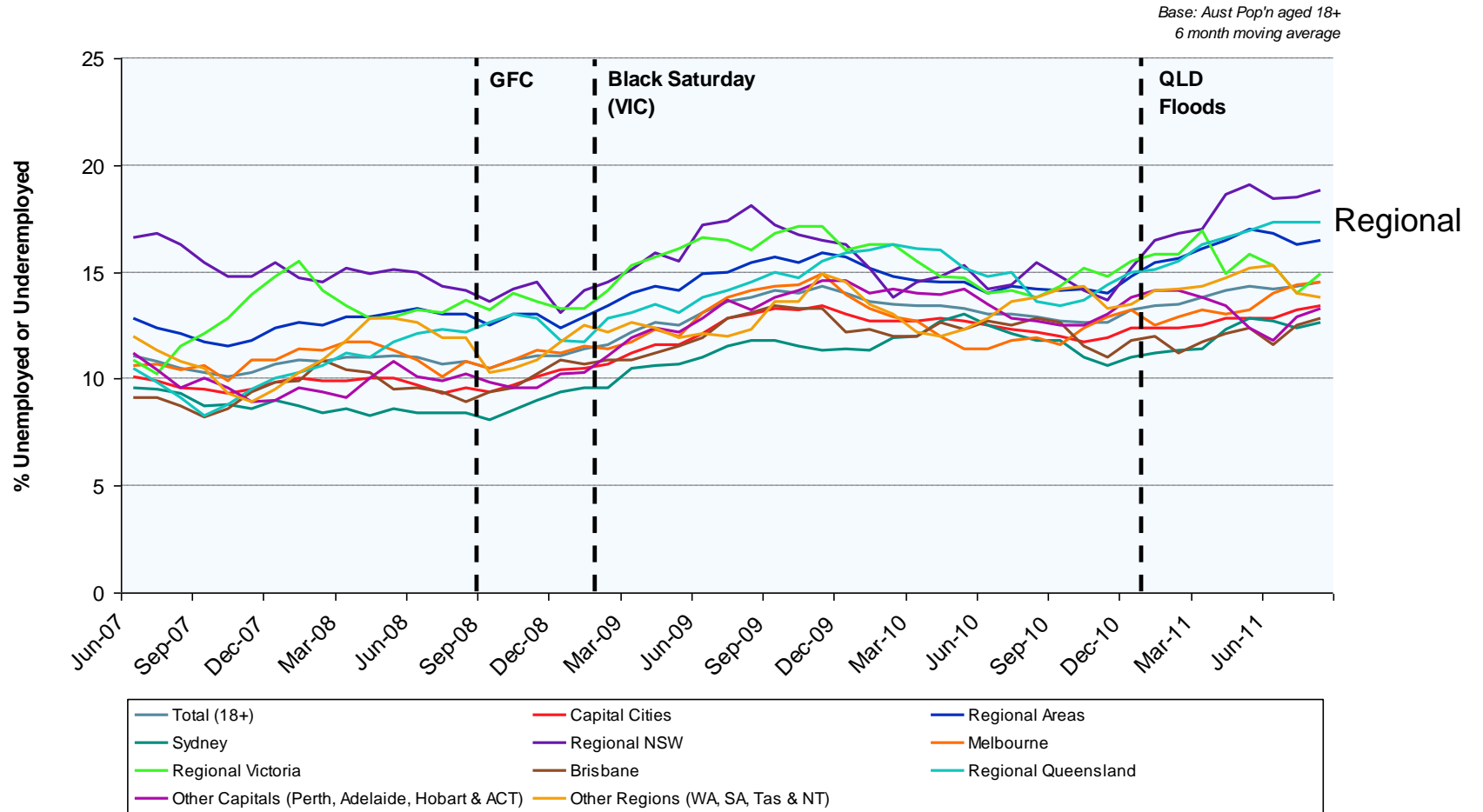


# Unemployment

Discover your edge



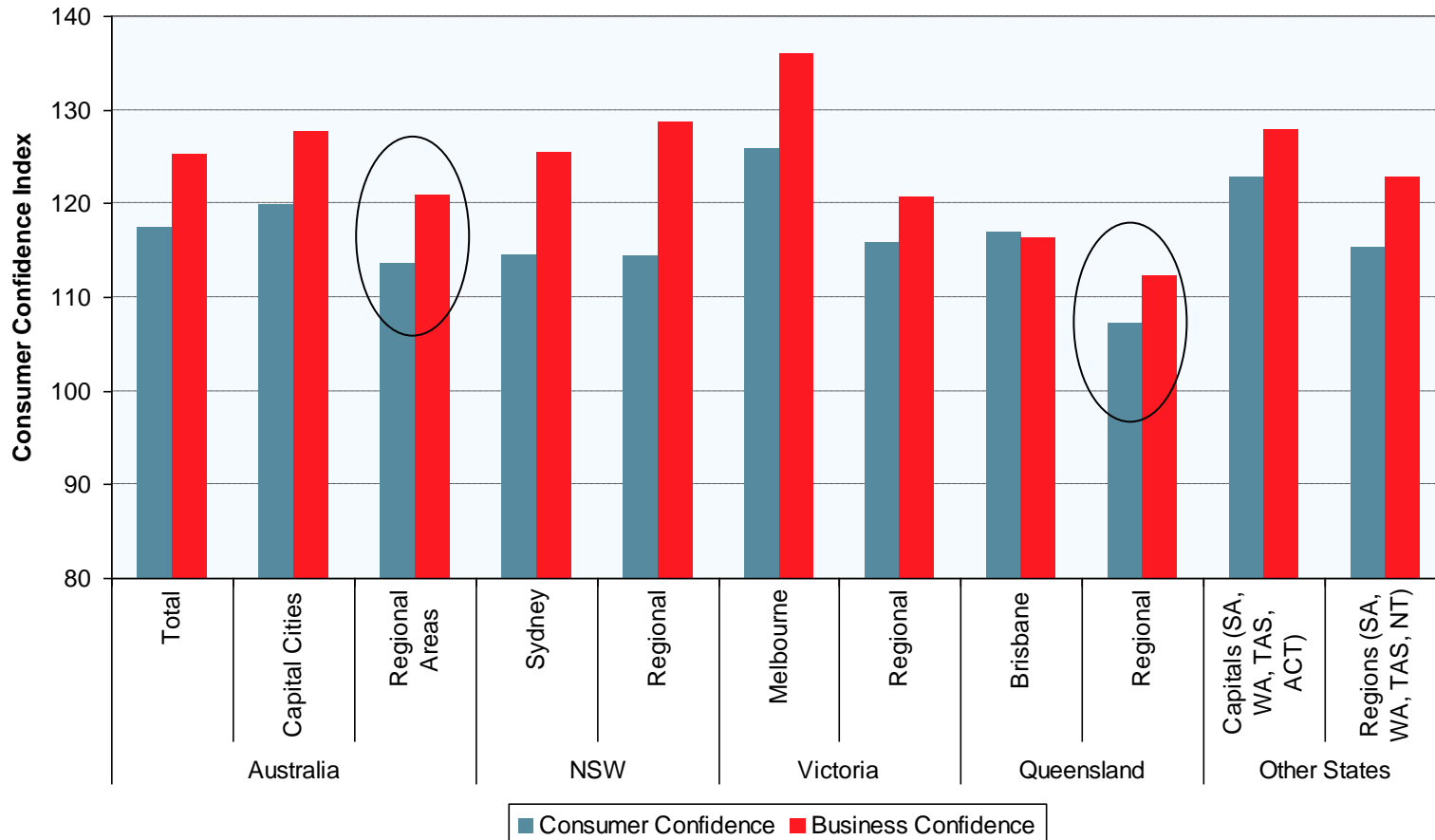
# Unemployment & Underemployment



## 3. Business Confidence

# Confidence Comparisons

Base: Aust Pop'n aged 14+ / Australian businesses  
6 months to June 2011

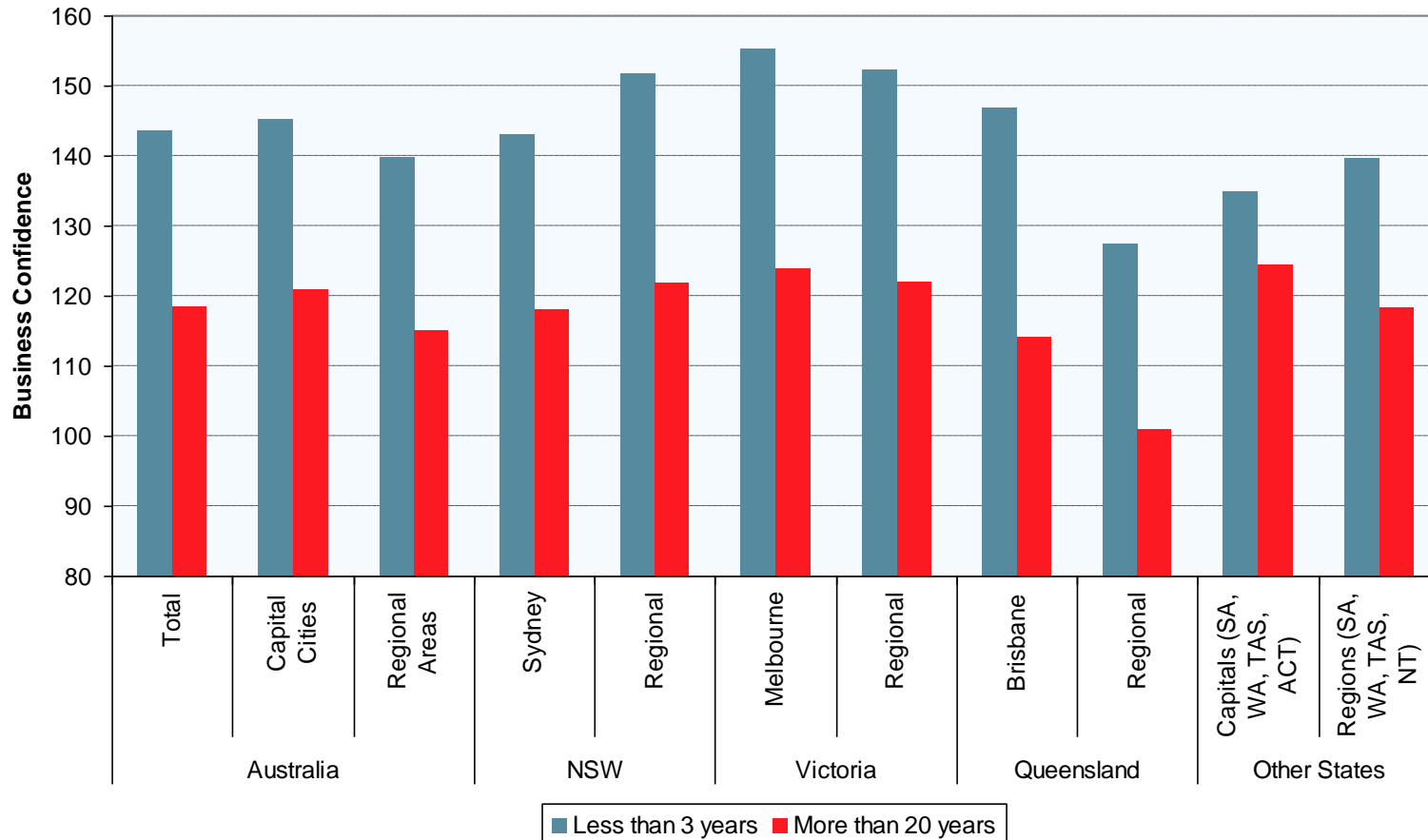


## Confidence Comparisons – Outlook an Issue for Regions, especially QLD

% Total “Bad Time”	Capital Cities	Regions	Regional NSW	Regional QLD
Economy N12M	39.9	41.8	38.7	47.8
Economy N5Y	28.9	33.0	29.0	38.1
Investing N12M	37.7	40.7	34.5	43.6

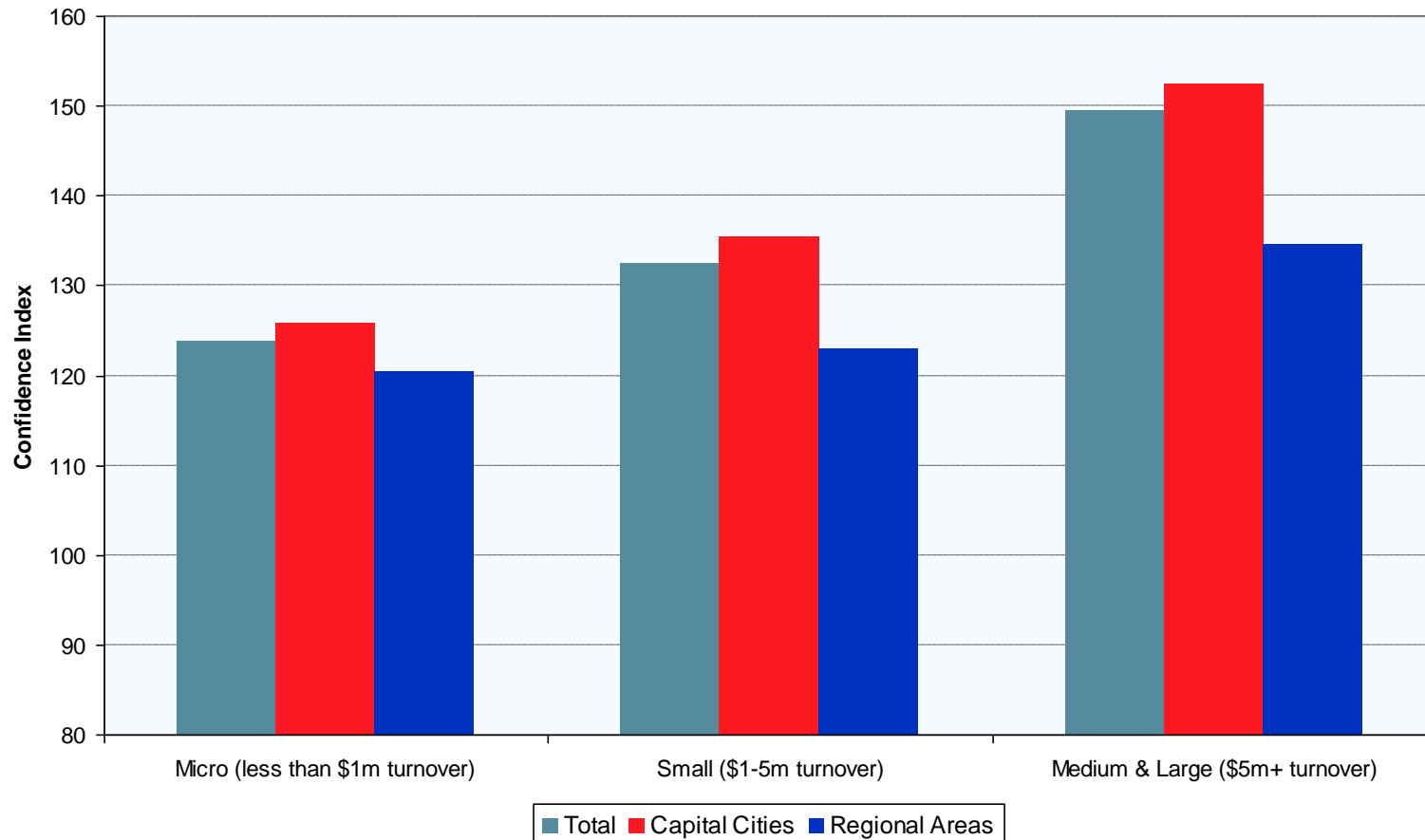
# Business Confidence by Years in Operation

Base: Small and Micro Businesses (<\$5mil turnover)  
6 months to June 2011



## Business Confidence by Turnover

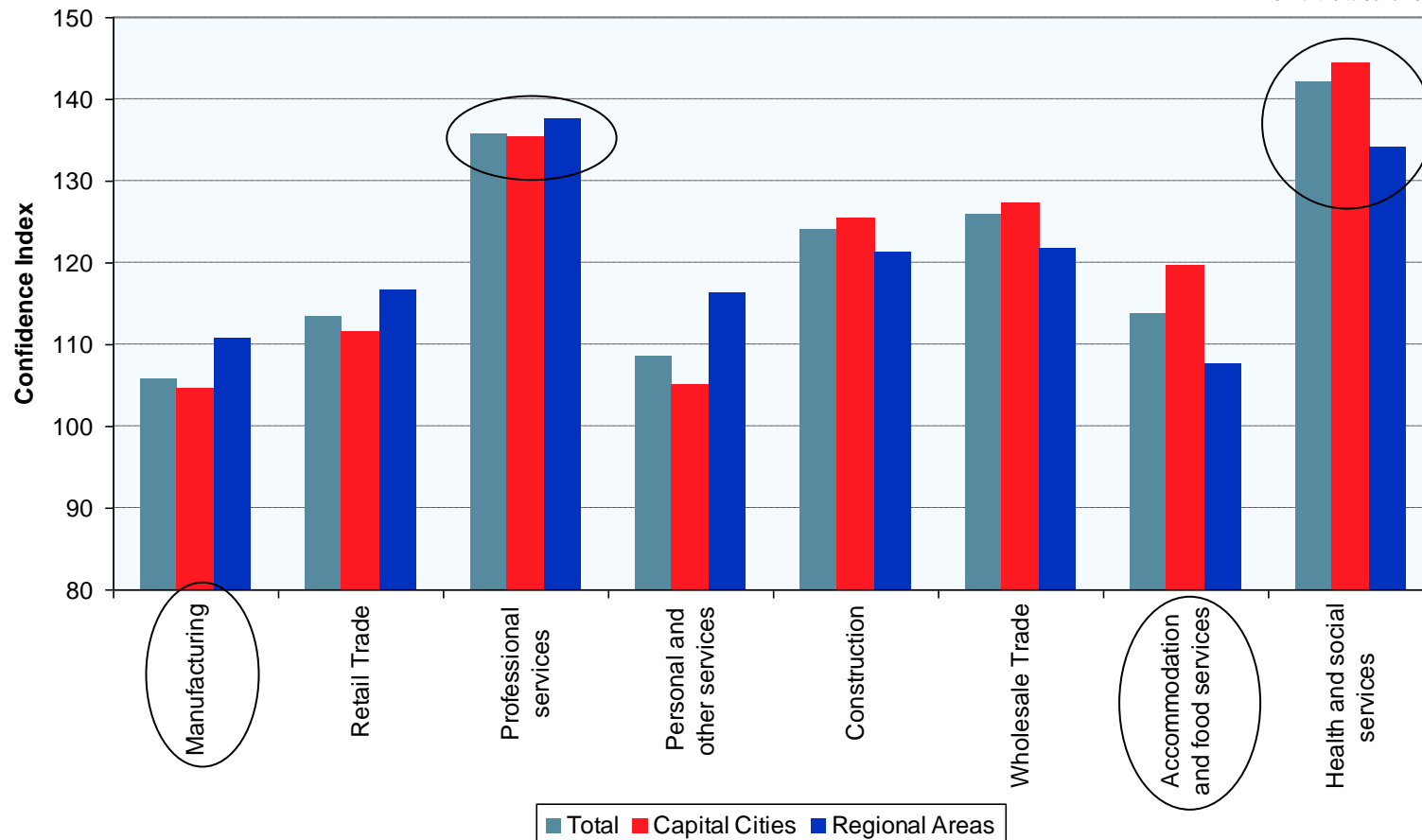
Base: Aust Businesses  
6 months to June 2011





## Business Confidence by Industry

Base: Small and Micro Businesses (<\$5mil turnover)  
6 months to June 2011



## 4. Business Conditions & Performance

## Business Conditions in Last 12 Months

*The Higher the Number the Better*

Profitability in the Last 12 Months (On/Above Target - Below Target): Business Turnover	Australia			NSW		Victoria		Queensland		Other States	
	Total	Capital Cities	Regional Areas	Sydney	Regional	Melbourne	Regional	Brisbane	Regional	Capitals (SA, WA, TAS, ACT)	Regions (SA, WA, TAS, NT)
<b>All Businesses</b>	6.2	8.4	2.3	0.2	1.8	20.5	14.2	-6.6	-6.5	14.1	6.5
<b>Microbusiness (&lt;\$1m turnover)</b>	3.7	5.2	1.5	-4.1	0.5	15.8	13.6	-7.0	-6.3	12.8	4.7
<b>Small (\$1-5m turnover)</b>	21.2	24.3	10.9	29.6	30.0	52.6	21.4	-18.3	-12.2	9.3	31.0
<b>Medium &amp; Large (\$5m+ turnover)</b>	38.0	41.7	19.6	27.1	16.8	48.4	39.5	36.1	15.8	54.5	12.0

Profitability in the Last 12 Months (On/Above Target - Below Target): Industry	Australia			NSW		Victoria		Queensland		Other States	
	Total	Capital Cities	Regional Areas	Sydney	Regional	Melbourne	Regional	Brisbane	Regional	Capitals (SA, WA, TAS, ACT)	Regions (SA, WA, TAS, NT)
<b>Manufacturing</b>	-8.8	-9.1	-7.6	-11.8	2.1	-1.4	42.1	-72.7	-47.4	13.6	-21.9
<b>Retail Trade</b>	-24.2	-19.7	-32.3	-8.8	-43.4	-22.6	-32.7	-28.8	-50.0	-22.7	27.2
<b>Professional services</b>	4.6	2.8	14.2	-3.6	17.2	5.8	34.3	-26.1	-17.0	29.0	38.0
<b>Personal and other services</b>	0.0	-1.5	3.6	-15.7	14.0	-6.5	10.6	-32.6	-23.4	28.4	14.0

## Business Conditions in Next 12 Months

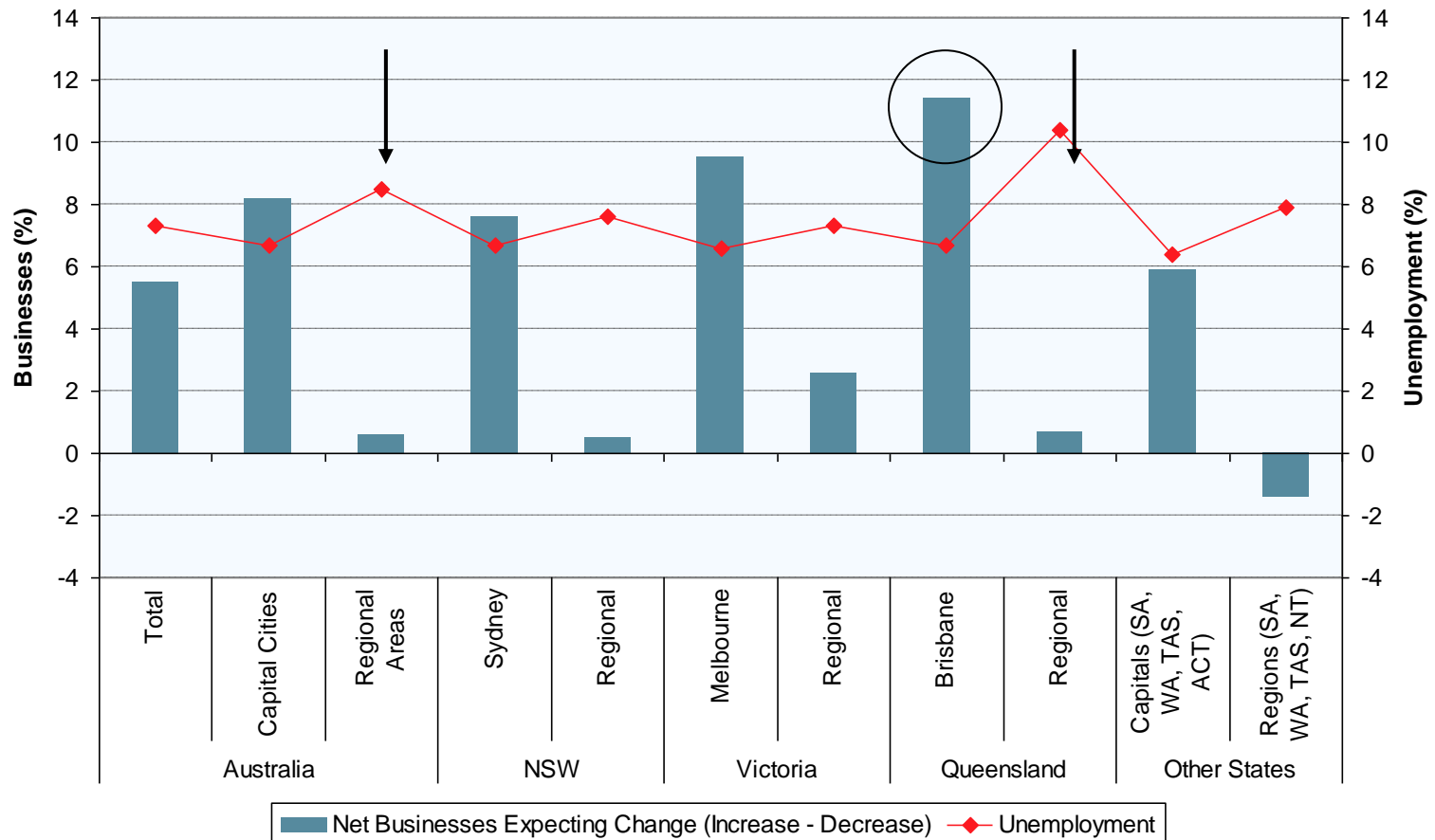
*The Higher the Number the Better*

Profitability in the Next 12 Months (Increase/Stay Same - Decrease): Business Turnover	Australia			NSW		Victoria		Queensland		Other States	
	Total	Capital Cities	Regional Areas	Sydney	Regional	Melbourne	Regional	Brisbane	Regional	Capitals (SA, WA, TAS, ACT)	Regions (SA, WA, TAS, NT)
<b>All Businesses</b>	67.6	69.5	64.3	73.2	62.6	73.0	65.8	56.1	63.7	67.6	66.4
<b>Microbusiness (&lt;\$1m turnover)</b>	68.0	70.2	64.5	73.2	62.8	73.8	65.9	58.6	65.2	67.8	65.3
<b>Small (\$1-5m turnover)</b>	63.9	66.1	56.5	77.9	51.8	70.6	71.1	37.6	40.2	60.7	84.9
<b>Medium &amp; Large (\$5m+ turnover)</b>	76.6	76.7	75.8	66.5	66.0	81.9	67.8	69.3	87.1	87.5	80.5

Profitability in the Next 12 Months (Increase/Stay Same - Decrease): Industry	Australia			NSW		Victoria		Queensland		Other States	
	Total	Capital Cities	Regional Areas	Sydney	Regional	Melbourne	Regional	Brisbane	Regional	Capitals (SA, WA, TAS, ACT)	Regions (SA, WA, TAS, NT)
<b>Manufacturing</b>	73.2	76.3	61.4	69.9	58.3	76.3	85.7	72.8	51.2	87.0	48.8
<b>Retail Trade</b>	62.4	62.9	61.5	69.0	65.7	68.1	64.6	64.4	42.0	43.3	73.8
<b>Professional services</b>	76.2	74.9	83.8	76.7	96.6	75.0	74.0	77.6	66.0	68.4	86.2
<b>Personal and other services</b>	69.4	72.8	62.0	66.5	49.2	74.7	66.5	95.9	81.8	68.1	56.4

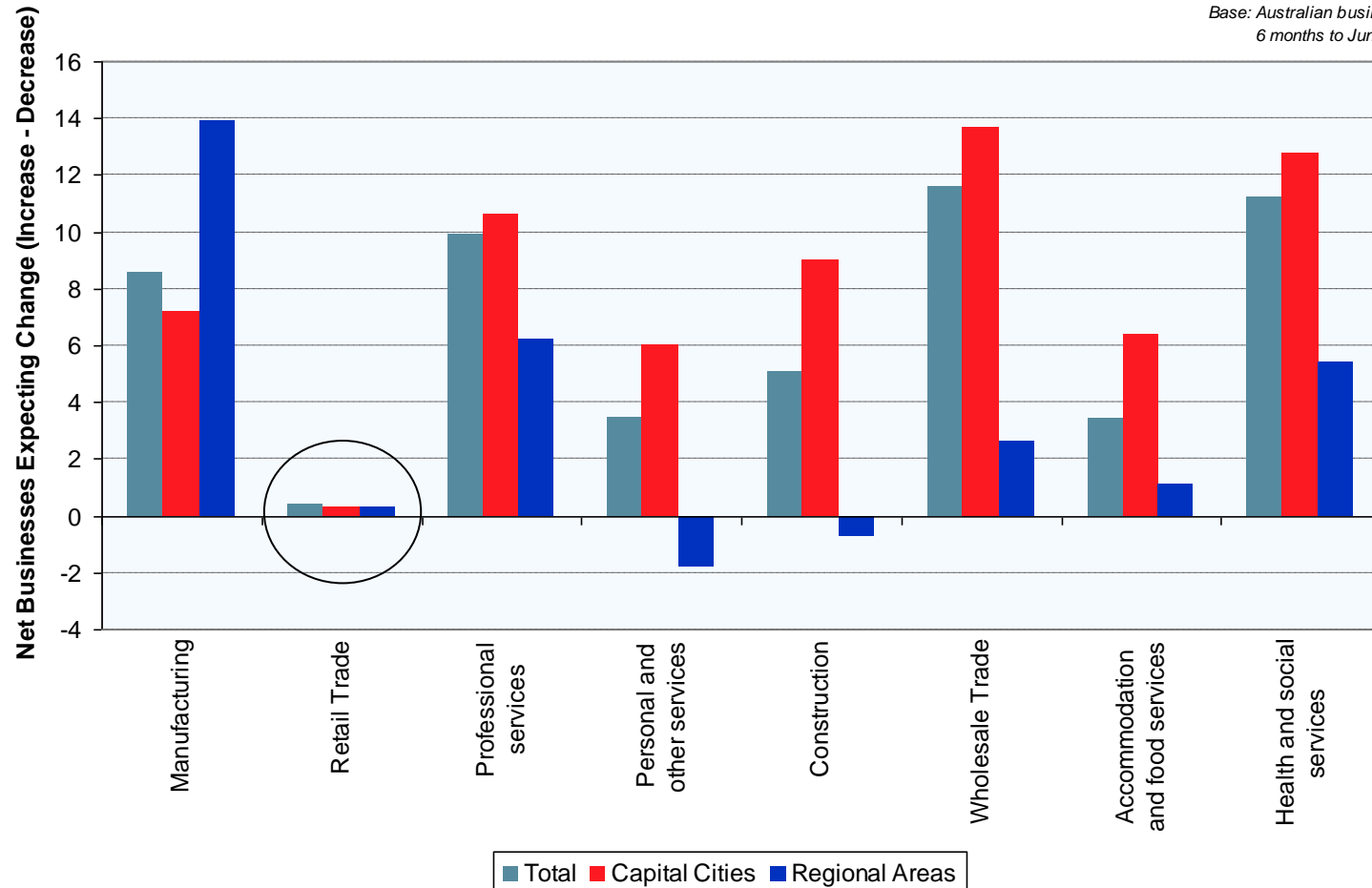
# Number of Employees in Next 12 Months

Base: Australian businesses  
6 months to June 2011



## Number of Employees in Next 12 Months

Base: Australian businesses  
6 months to June 2011



## 5. Factors Influencing Business Performance

# What Factors Have Influenced Business Performance in the Last 12 Months?

Ranking of Factors Influencing Business Performance in the Last 12 Months (Based on proportion of businesses affected by factor)			
	Total	Capital Cities	Regional Areas
Economy/level of demand	1	1	1
Competition	2	2	2
Government (State and/or Federal)	3	4	4
Costs for raw materials, transportation, etc	4	5	3
Changing consumer expectations and demands	5	3	7
Labour costs	6	6	5
Business taxes and Government charges	7	7	6

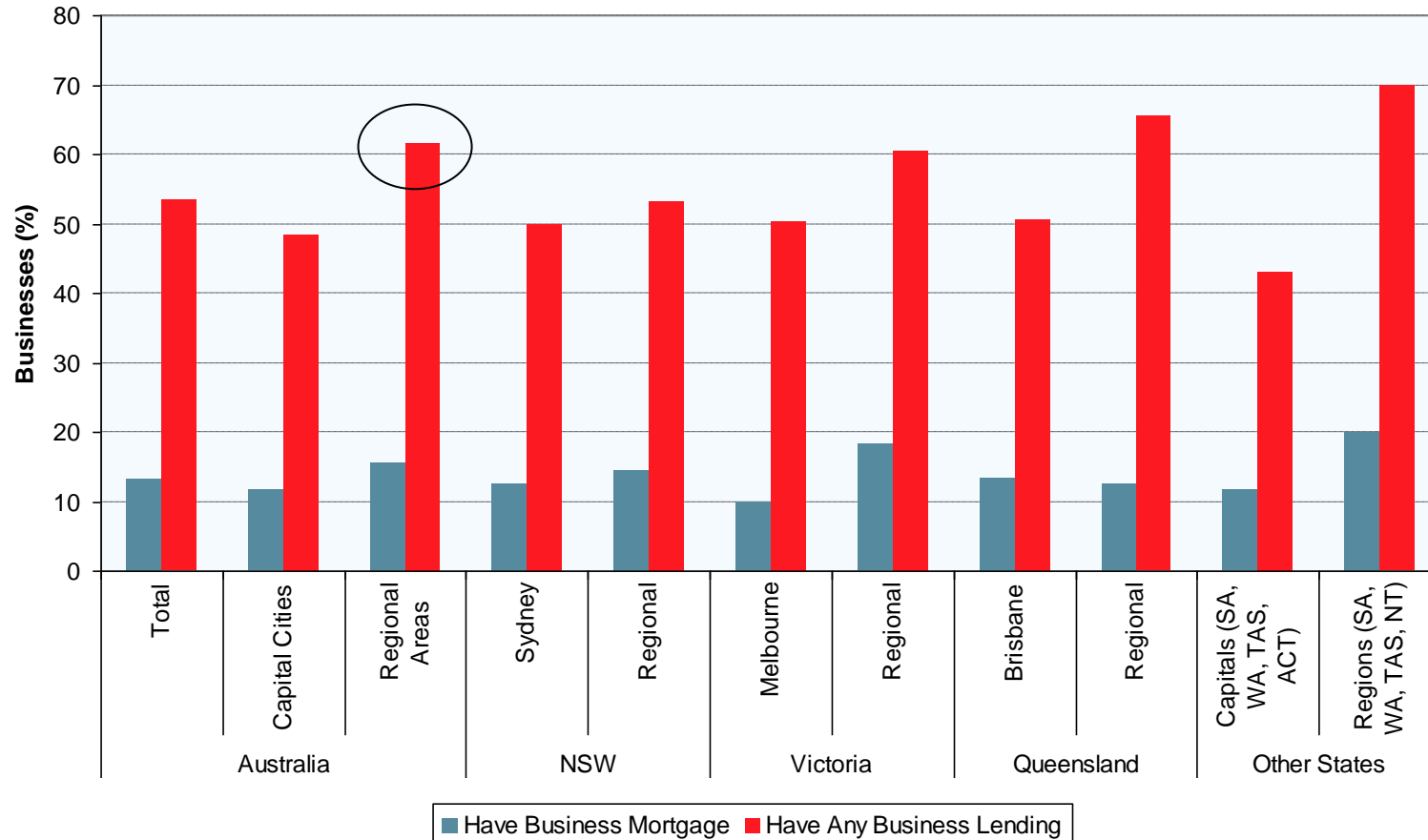




## 6. Business Debt

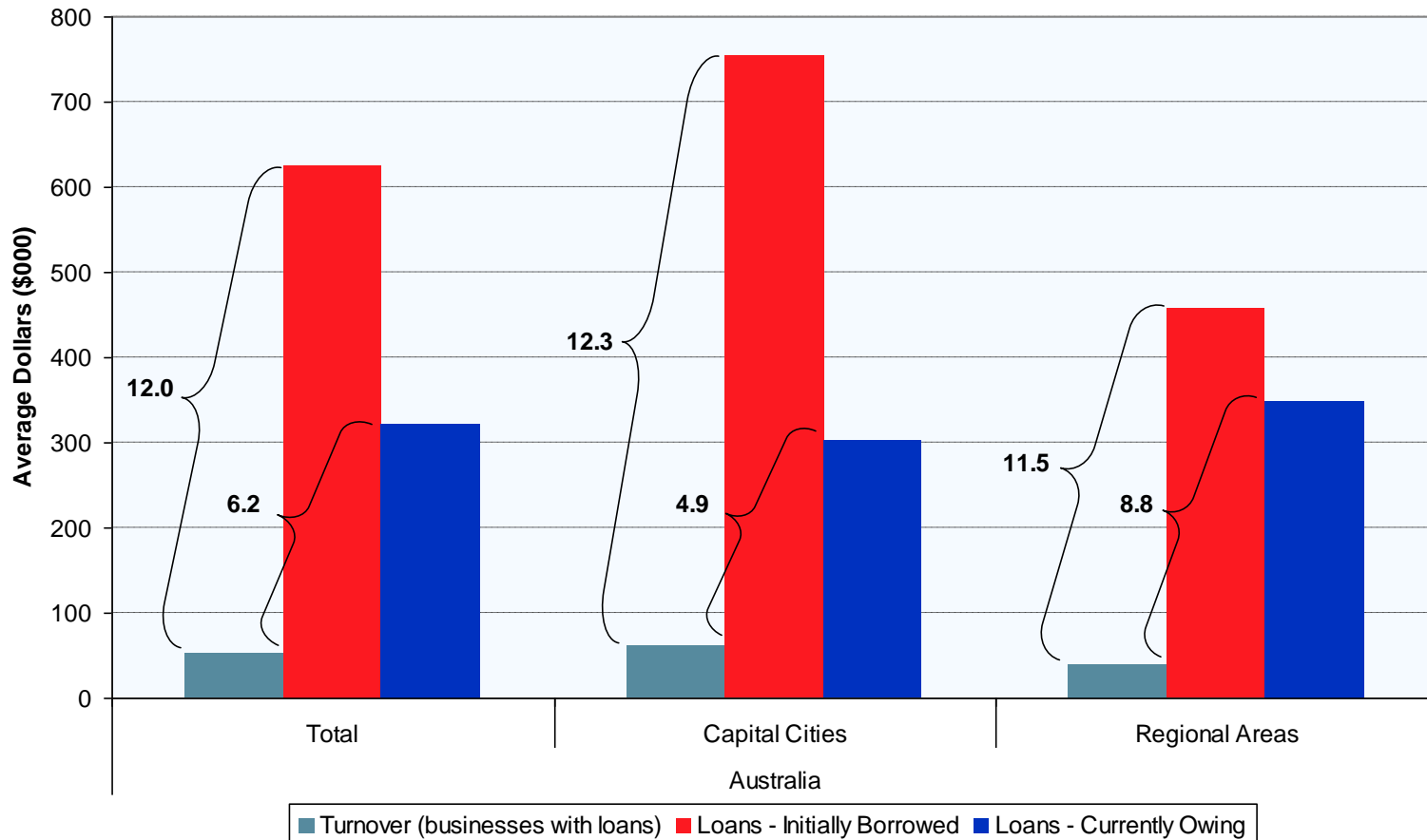
# Lending Products Held by Small & Micro Businesses

Base: Small and Micro Businesses (<\$5mil turnover)  
6 months to June 2011



# Average Debt to Turnover Ratios

Base: Small and Micro Businesses (<\$5mil turnover)  
6 months to June 2011



## Average Debt to Turnover Ratios

Average Debt and Turnover (\$000) - Small and Micro Business (<\$5mil turnover)	Australia			NSW		Victoria		Queensland		Other States	
	Total	Capital Cities	Regional Areas	Sydney	Regional	Melbourne	Regional	Brisbane	Regional	Capitals (SA, WA, TAS, ACT)	Regions (SA, WA, TAS, NT)
<b>Turnover with Loans</b>	52.1	61.4	39.7	61.1	34.2	54.6	35.4	55.0	45.5	76.5	40.5
<b>Loans - Initially Borrowed</b>	625.7	753.0	456.4	713.2	480.6	430.0	304.5	1931.0	571.6	896.4	490.4
<b>Loans - Currently Owing</b>	321.8	301.7	347.7	273.3	271.8	298.4	217.7	354.3	468.7	317.1	351.6
<b>Ratio - Borrowed to Turnover*</b>	<b>12.0</b>	<b>12.3</b>	<b>11.5</b>	<b>11.7</b>	<b>14.0</b>	<b>7.9</b>	<b>8.6</b>	<b>35.1</b>	<b>12.6</b>	<b>11.7</b>	<b>12.1</b>
<b>Ratio - Owing to Turnover*</b>	<b>6.2</b>	<b>4.9</b>	<b>8.8</b>	<b>4.5</b>	<b>7.9</b>	<b>5.5</b>	<b>6.1</b>	<b>6.4</b>	<b>10.3</b>	<b>4.1</b>	<b>8.7</b>

\* Based on turnover of businesses with any loan.



## About Roy Morgan Research

Roy Morgan Research is the largest independent Australian research company, with offices around Australia, as well as in New Zealand, United States and United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has more than 60 years' experience in collecting objective, independent information on consumers and more recently, on businesses. In Australia, Roy Morgan Research is considered to be the authoritative source of information on financial behaviour, readership, voting intention and consumer confidence. Roy Morgan Research is a specialist in recontact customised surveys which provide invaluable and effective qualitative and quantitative information regarding specific customer segments and target markets.

## Roy Morgan Business Single Source

Roy Morgan Business Single Source is designed to be the ideal single source model for all Australian business, covering all industries and turnovers. Roy Morgan Business Single Source began in May 2010 and conducts more than 1,100 surveys each month which amounts to in excess of 13,000 interviews completed each year. It provides an integrated and holistic understanding of businesses; their size, performance, expectations, confidence, financial needs and telecommunications activity. This is the only business survey in Australia which allows ready analysis of the full scope of business financial services needs and behaviour, for customers, non-customers and Main Financial Institution customers of all major financial institutions.

The overriding benefit of Roy Morgan Business Single Source is the strategic insights it affords by the linkage of so many aspects of business finances and activities. Not only can an organisation's profitable business customers be analysed by their business banking relationship, satisfaction and product mix and, but so can this analysis be conducted for its non-customers. Hence brand positioning, product differentiation, merchandising, efficient media planning, market expansion and line extension opportunities can all be considered in the light of correct understanding of the marketplace.

In addition to the detailed information of the business, Roy Morgan Business Single Source is the only survey that allows integration with its Roy Morgan Consumer Single Source, the largest face-to-face consumer survey incorporating over 50,000 interviews conducted each year. This integration provides an unprecedented unified view of a consumer, linking their business activities against their consumer activities, which is a key benefit to the Micro Business segment which represents more than 80% of businesses in Australia.

## Methodology

All interviews in the business survey are conducted online following a recruitment through telephone interviews. The sample includes business from every industry, size and locality in Australia, and across the full range of business financial services from banking products to insurance, merchant servicing, international trade and business superannuation arrangements. Interviews are conducted continuously over a 12 month period with results weighted to reflect the geographic, industry, annual turnover and employee numbers distribution reported in the full Australian Bureau of Statistics 'Counts of Australian Businesses' (8165.0).