
MYOB Australian Small Business Survey

Special Focus Report:

Impact of interest rates and petrol price increases,
government contribution and use of online
communities

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Prepared for MYOB Australia

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About the Study

This report presents the findings of the Special Focus Questions from the MYOB Australian Small Business Survey. The online survey comprised a national sample of **1,462** small business proprietors and general managers, conducted in **September 2008**. These small businesses are defined as both non-employing and employing businesses with fewer than 20 employees. Results have been weighted to reflect the small business population distribution according to the Australian Bureau of Statistics (ABS) for company size, length of time operating, and selected ANZSIC Industry divisions (refer to ABS publications *Characteristics of Small Business, 2004*; 8127.0 and *Counts of Australian Businesses, Jun 2006*; 8165.0).

The special focus areas presented in this report include:

- The impact of interest rate rises
- The impact of increased petrol prices
- Assessment of Federal Government's FuelWatch scheme
- Awareness and use of online networks and communities

Businesses currently funded by loans/borrowing

Majority (70%) of small businesses are not currently funded by loans or borrowings

Figure 1: Currently funded by loans or borrowings (%)



Figure 1.1: Currently funded by loans or borrowings (yes) by industry (%)

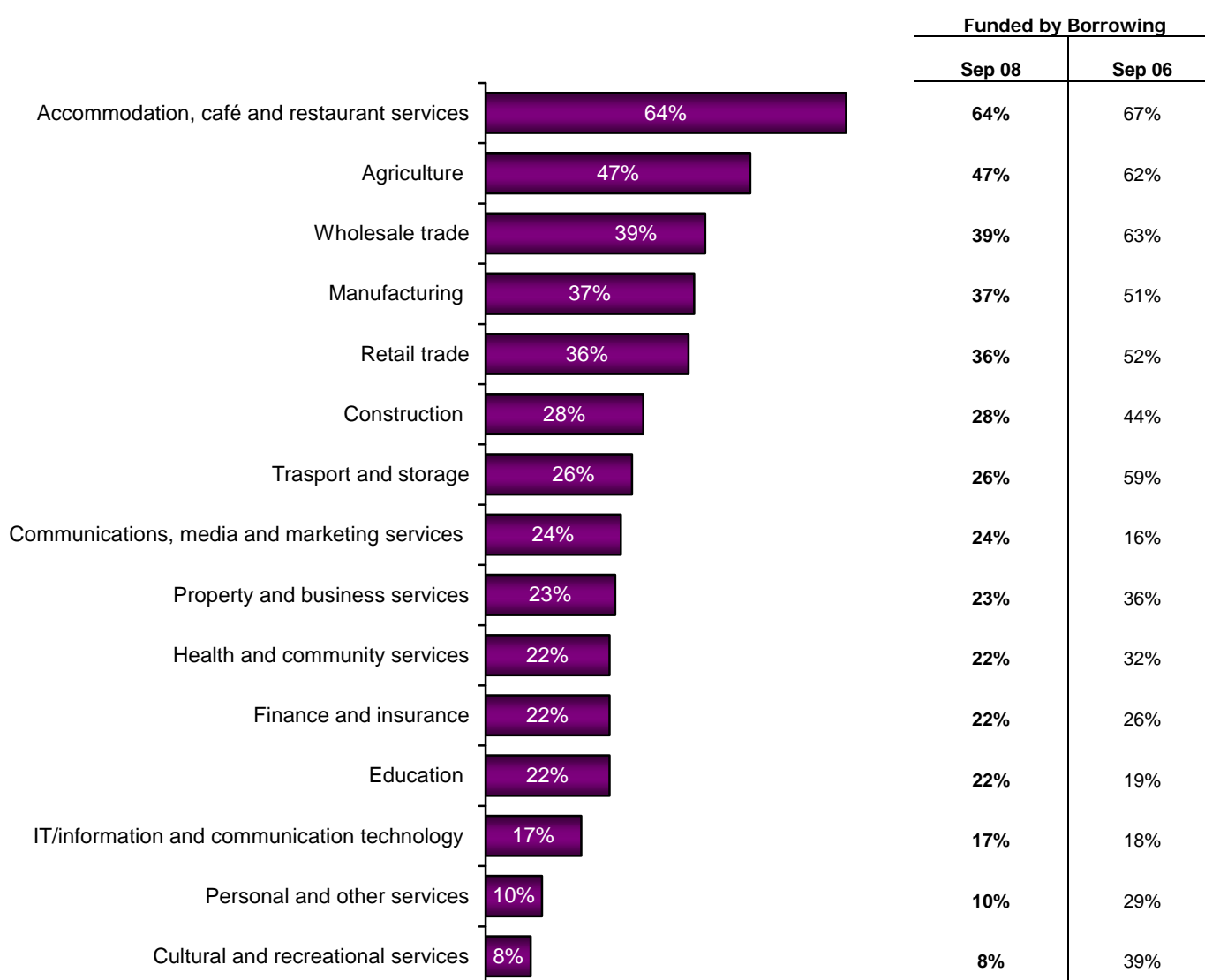
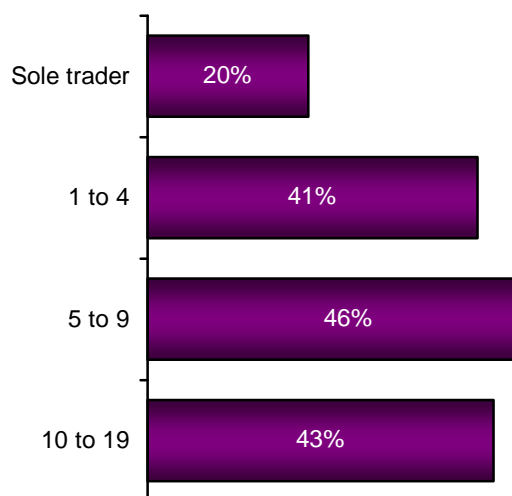
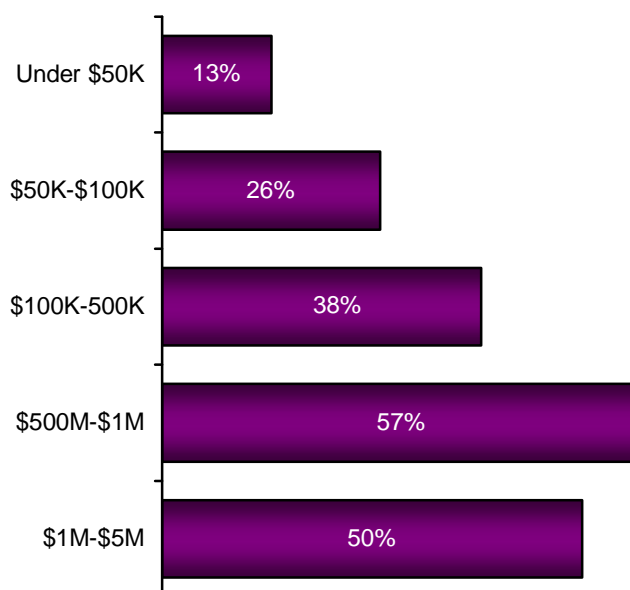


Figure 1.2: Currently funded by loans or borrowings (yes) by business size (%)Figure 1.3: Currently funded by loans or borrowings (yes) by business income (%)

Base: Small business owners (n=1462)

Q: Is your business currently funded by loans/borrowing?

AMR Interactive, October 2008

The majority of small business owners surveyed do not currently have their business funded by loans or borrowings. A total of 70% indicate their business is not funded through these means, while 30% are currently funded through borrowings. This has decreased since the results from September 2006 when 45% of small businesses surveyed were funded by borrowings.

Small businesses in the Accommodation, Café and Restaurant industry (64%) are the most likely to be funded by borrowings, this is followed by Agriculture (47%) and Wholesale Trade (39%). Small businesses least likely to be funded by borrowings are in the Cultural and Recreational Service industry (8%) which is down from 39% in September 2006 and Personal and Other Services (10%). Overall there have been some noted declines in the number of small businesses who are currently funded by borrowings since the September 2006 survey. The largest of these declines other than Cultural and Recreational Services are found in the Transport and Storage industry (33% decline), Wholesale Trade (24% decline), Retail Trade and Construction (both with a 16% decline).

It is of interest to note that those businesses managed by sole traders are half as likely to be funded by loans or borrowings as other businesses. A total of 20% of sole traders surveyed report being funded through borrowings in comparison to 41% of those with 1-4 employees, 46% of those with 5-9 employees and 43% of those with 10-19 employees.

In addition to this, small businesses with higher income are more likely to be funded by borrowings. More specifically, 13% of those small businesses where business income is reported to be under \$50,000 per annum are currently funded by borrowings, in comparison to 26% of those with an income of \$50,000-\$100,000, 38% of those with an income of \$100,000-\$500,000, 57% of those with an income of \$500,000- \$1 million and 50% of those with an income of between \$1 million-\$5 million. Thus it can be concluded that smaller operations (both in size and income) are less likely to be reliant on loans or borrowings.

Less likely to borrow money due to interest rate rises

Just over one-third (35%) of small business owners are less likely to borrow money to invest in their business due to interest rate rises

Figure 2: Less likely to borrow money to invest (%)

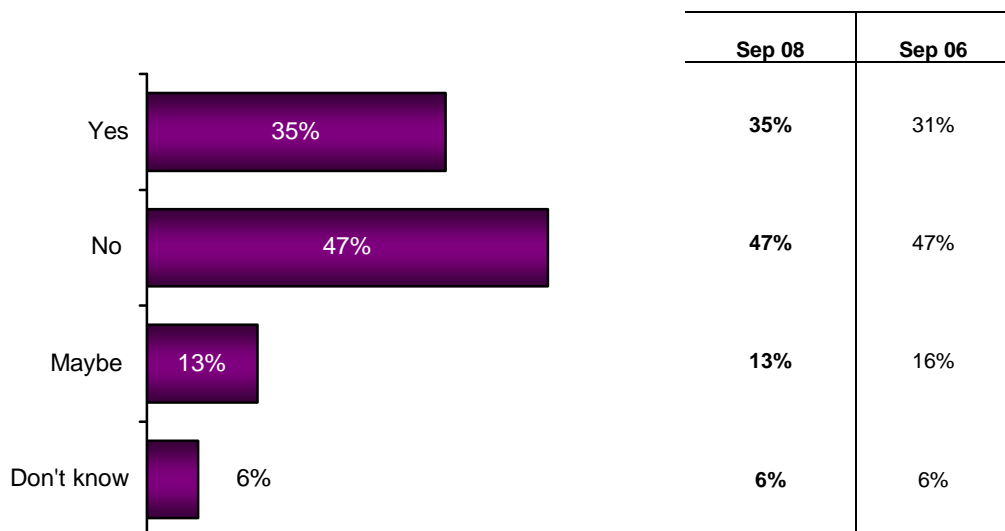
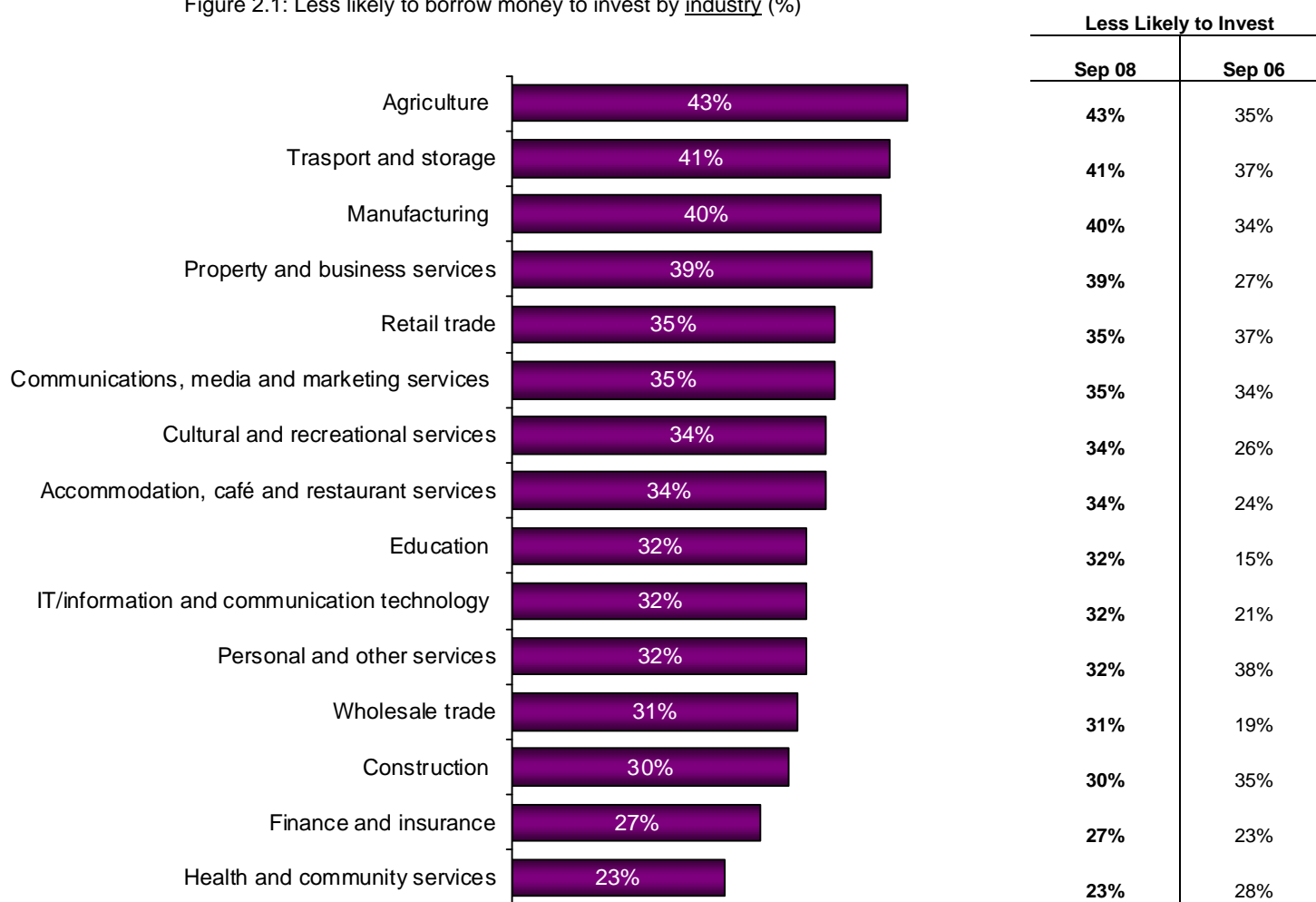


Figure 2.1: Less likely to borrow money to invest by industry (%)



Base: Small business owners (n= 1462)

Q: Have the recent increases in interest rates made you less likely to borrow money to invest in your business?

AMR Interactive, October 2008

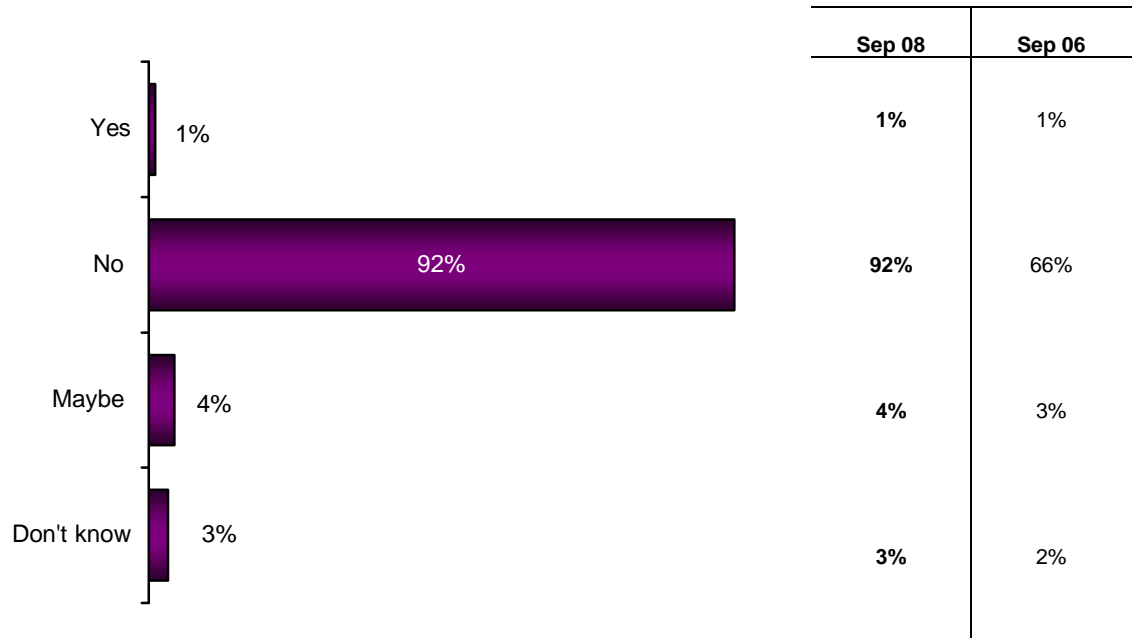
The increases in interest rates have not influenced the borrowing of 47% of small business owners surveyed, who indicated they are not less likely to borrow money to invest in their business due to increases in interest rates. However 35% of small business owners report that they are less likely to borrow funds. These figures are relatively consistent with those from September 2006 with an increase in 4% of small business owners less likely to borrow.

Small business owners with the most concern over borrowing are in the Agriculture (43%), Transport and Storage (41%), Manufacturing (40%) and Property and Business Services (39%) sectors. Overall, a number of industries have seen a decline in borrowing confidence due to increased interest rates, with Education seeing a 17% increase, Wholesale Trade and Property and Business Services both seeing a rise of 12% of those less likely to borrow since September 2006, while IT/Information & Communication Technology have a 11% increase in borrowing concern and Agriculture (currently the least confident) and Cultural and Recreational Services show an 8% increase.

Likely default on loans

5% of small businesses surveyed report the possibility (yes/maybe) of defaulting on loans in the next 12 months

Figure 3: Likely to default on borrowings (%)



*Note: Sep 06 had 28% of participants indicate they have no borrowings as a response

Figure 3.1: Likely to default (Yes/Maybe) on borrowings by state (%)

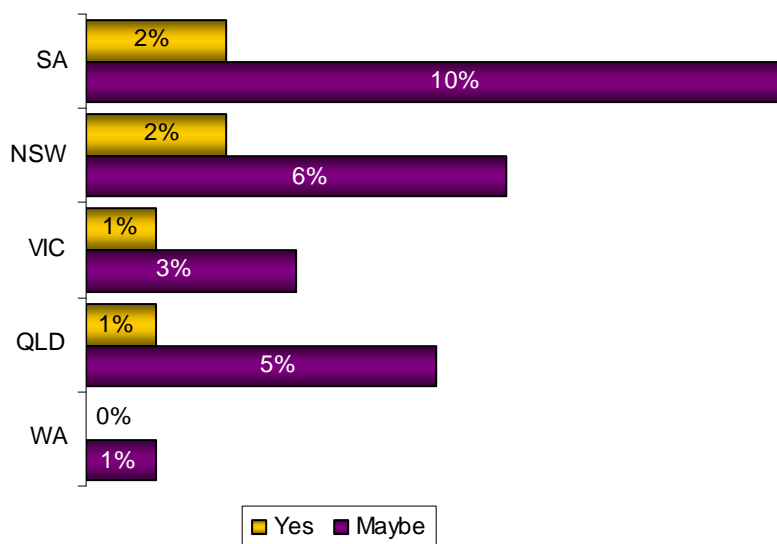
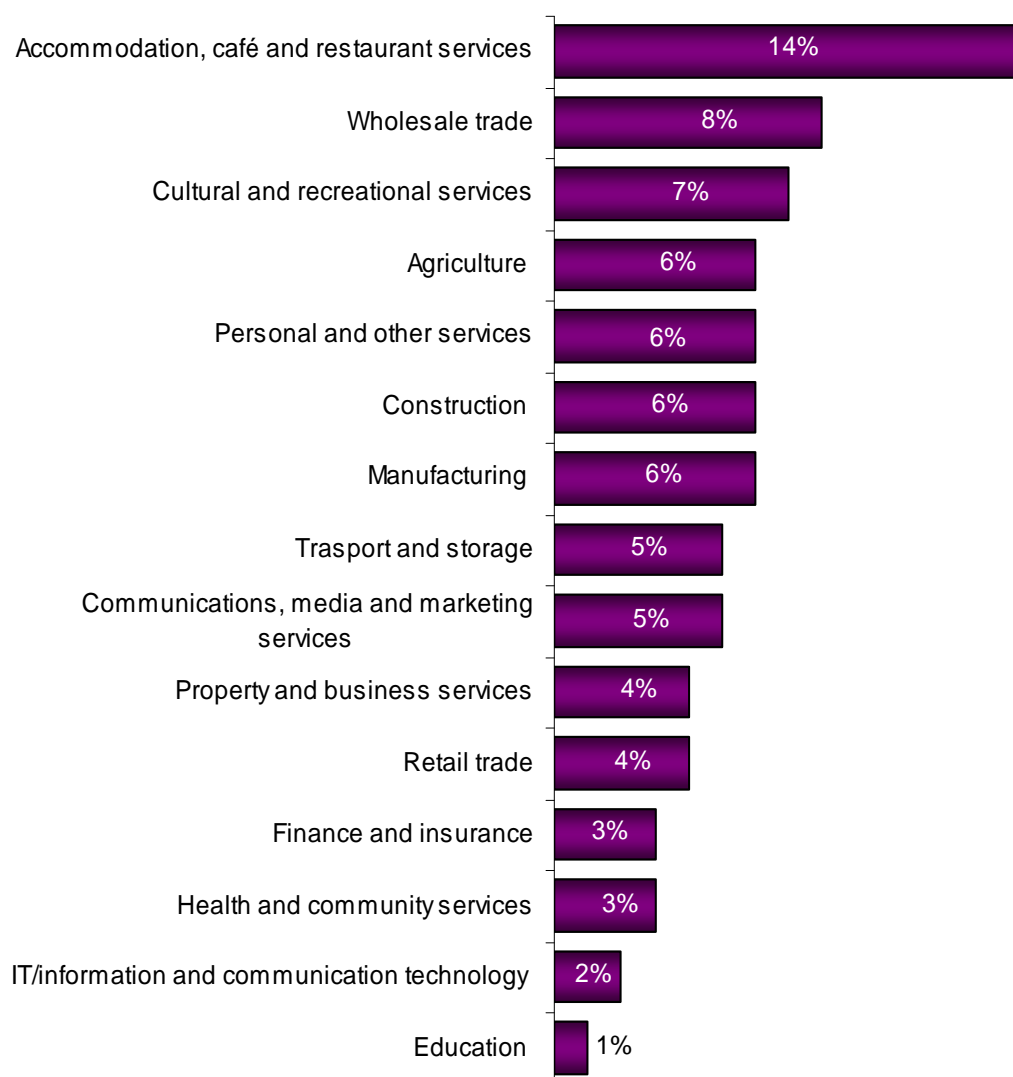


Figure 3.2: Likely to default (Yes/Maybe) on borrowings by industry (%)



Base: Small business owners (n= 1462)

Q: Is your business likely to default on loans/borrowings in the next 12 months?

AMR Interactive, October 2008

While the vast majority of small business owners surveyed reported that they are not likely to default on loans over the next 12 months, only 1% of small businesses reported that they are likely to default, and 4% that they may default. These results are reflective of those found in the September 2006 MYOB Small Business Survey.

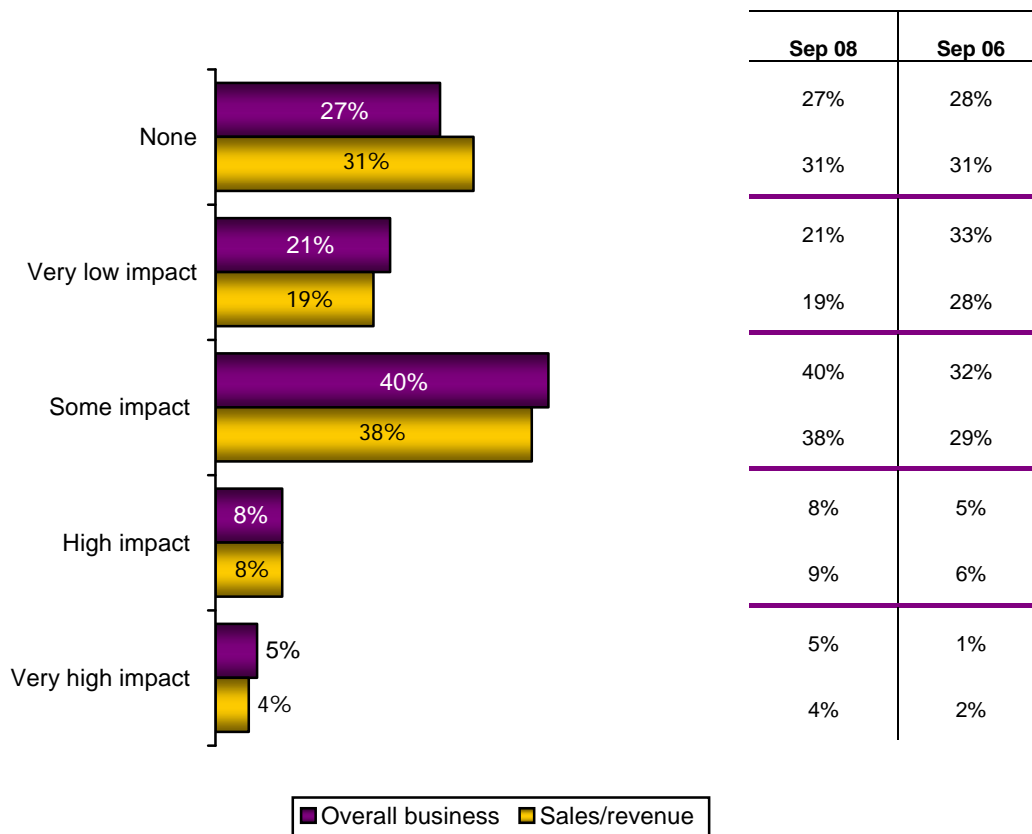
When analysing on a state by state basis, those small businesses in SA are the most likely to default on loans/borrowings with 10% reporting 'maybe' and 2% reporting 'yes' to defaulting in the next 12 months. This is followed by NSW where 6% reported 'maybe' and 2% 'yes'.

While there is not much shift in the likelihood to default between industries, small businesses in the Accommodation, Café and Restaurant industry are the most likely, out of all industries, to be unsure of their business future with 14% reporting 'maybe' when asked if their business is likely to default on borrowings. As this sector was also previously established to be the one most likely funded by borrowings, then the larger levels of uncertainty can be expected.

Impact of interest rate rises

Small business owners report 'some impact' from interest rate rises on their overall business (40%) and sales/revenue (38%)

Figure 4: Negative impact of interest rate rises on own business (%)



Base: Small business owners (n= 1462)

Q: To what degree are increases in interest rates negatively impacting on your business?

Q: To what degree have the recent increases in interest rates negatively affected your sales/revenue (i.e. consumers spending less with you)?

AMR Interactive, October 2008

For overall business impact, 40% of small business owners surveyed believe that interest rates have had some negative impact on their business. There has been an increase in the level of negative impact shown since September 2006 with a small increase in the number of responses for 'some impact' (8% increase), 'high impact' (3% increase) and 'very high impact' (4% increase).

When analysing overall business impact by industry, those in the Accommodation, Café and Restaurant industry are feeling the impact of interest rate rises more so than other industries with 22% reporting a high or very high negative impact. This is followed by Manufacturing with 19%, Construction with 16% high or very high impact (see Appendix 1).

This increase in negative impact shown in overall business is mirrored in the reported impact on sales/revenue, with increase in 'some impact' (9% increase), 'high impact' (3% increase) and 'very high impact' (2% increase) since September 2006.

Raised prices as result of interest rates

One-third of small business owners surveyed have raised, or intend to raise, their prices as a result of interest rates

Figure 5: Have raised, or intend to raise prices due to interest rate rises (%)

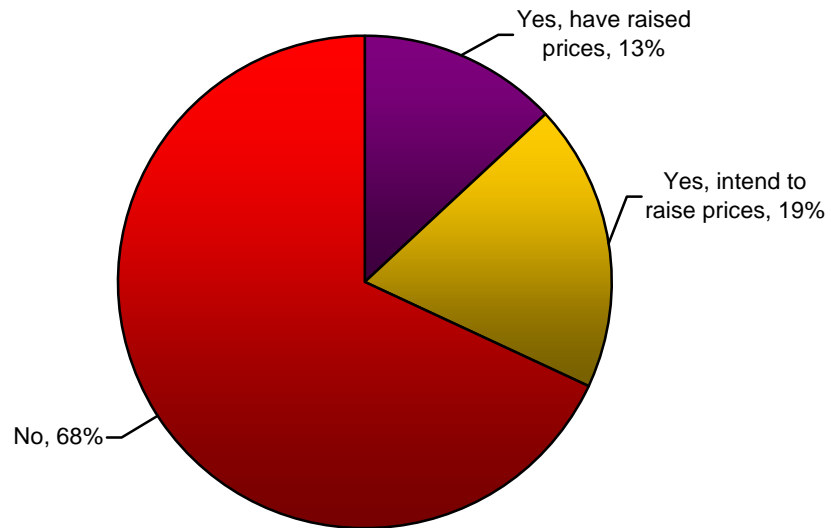
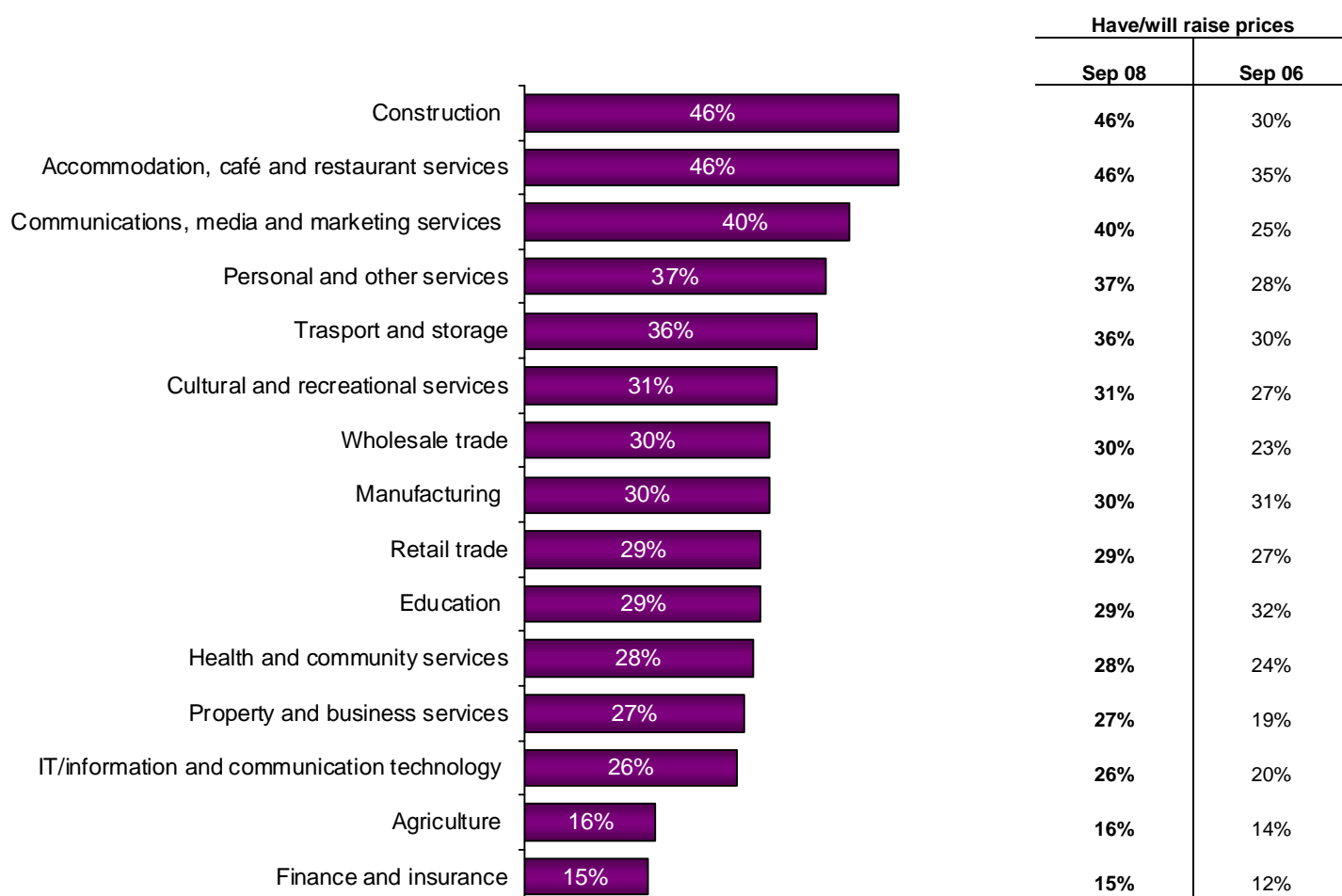


Figure 5.1: Have raised, or intend to raise prices due to interest rate rises by state (%)



Figure 5.2: Have raised, or intend to raise prices due to interest rate rises by industry (%)



Base: Small business owners (n=1462)

Q: Have you, or do you intend to, raise your prices due to higher interest rates?

AMR Interactive, October 2008

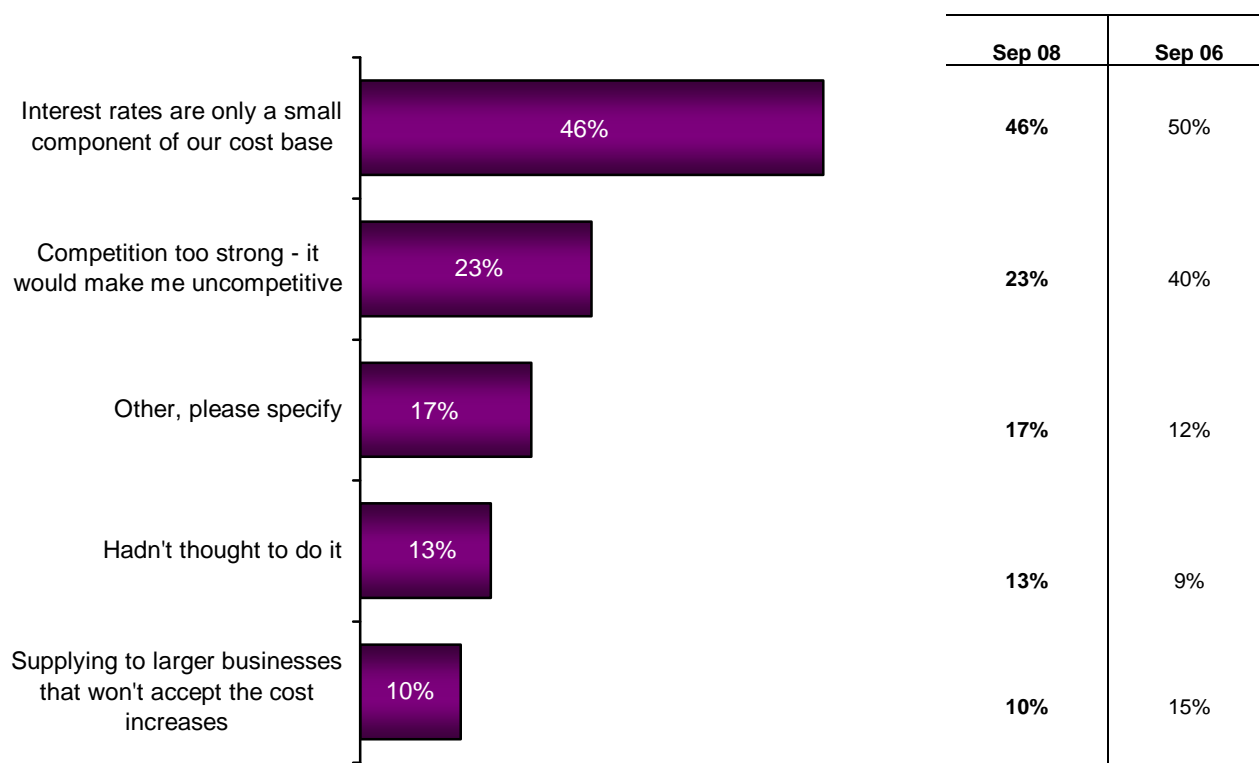
A total of 32% of small business owners surveyed have raised (13%) or intend to raise (19%) their prices as a result of interest rate rises. This is an increase of 7% since September 2006 when 25% had or intended to raise prices.

Small business owners in the Construction and the Accommodation, Café and Restaurant industries (both 46%) are the most likely to be raising their prices, followed by Communications, Media and Marketing Services (40%). As previously indicated, the Accommodation, Café and Restaurant industry are clearly being impacted more so than other industries in regards to interest rates, thus also being one of the most likely to raise prices as a result of this is expected.

Why prices not raised (due to interest rates)

For small business owners who have not raised prices due to interest rates, the most common reason why they have not done so is that interest rates are only a small component of cost base

Figure 6: Reasons for not raising prices (%)



Base: Small business owners who have not raised prices (n=996)

Q: If No, why not...?

AMR Interactive, October 2008

Interest rates only being a small component of cost base was cited by small business owners (who have not raised prices, 68%) as the most common reason for not raising prices (46%), this is followed by competition being too strong- it would make them uncompetitive (23%).

Interest rates only being a small component of the cost base was reported the highest in the Accommodation, Café and Restaurant sector (61%) and the Education sector (60%) (See Appendix 2).

Petrol prices increasing business costs

Majority (73%) of small business owners report business costs increasing as a direct result of petrol prices

Figure 7: Petrol prices directly increased business costs (%)

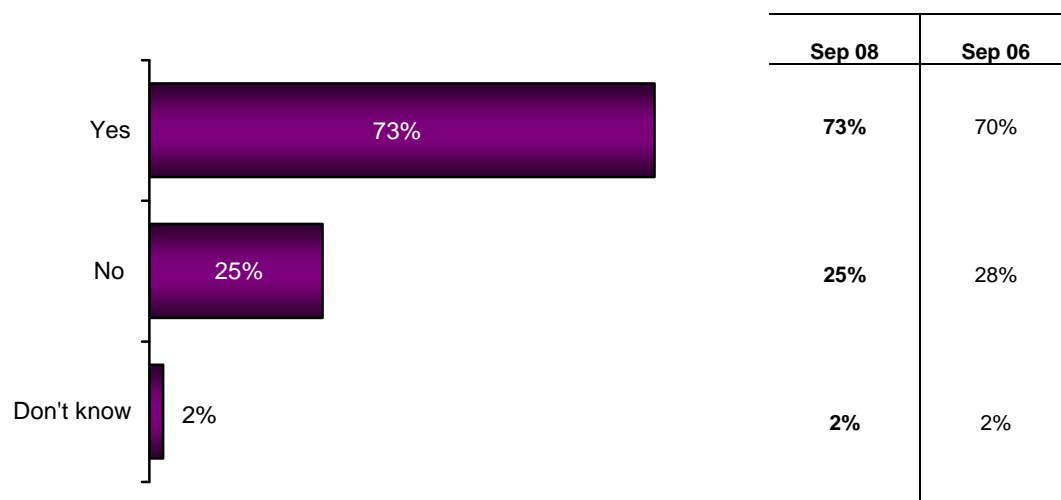


Figure 7.1: Petrol prices directly increased business costs (yes) by state (%)

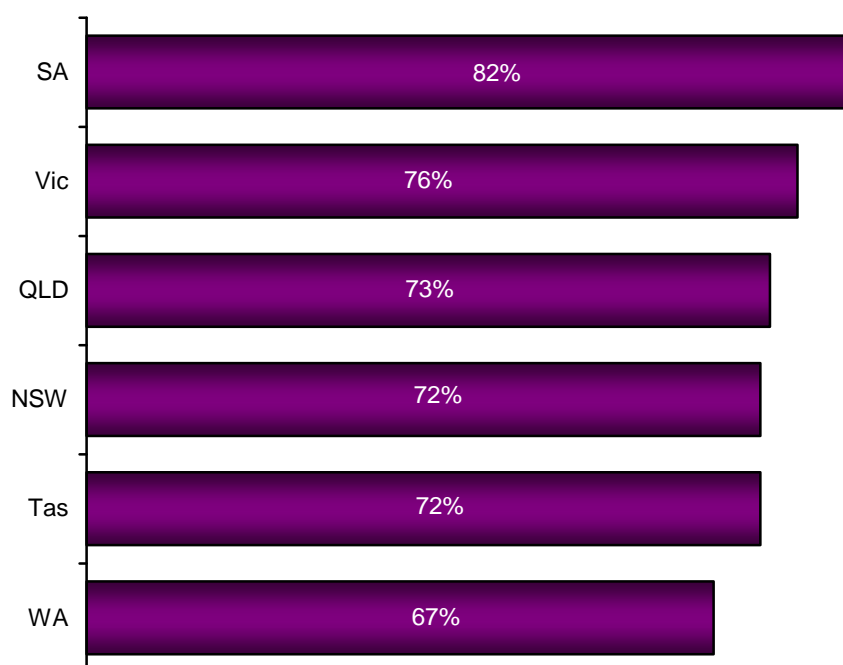
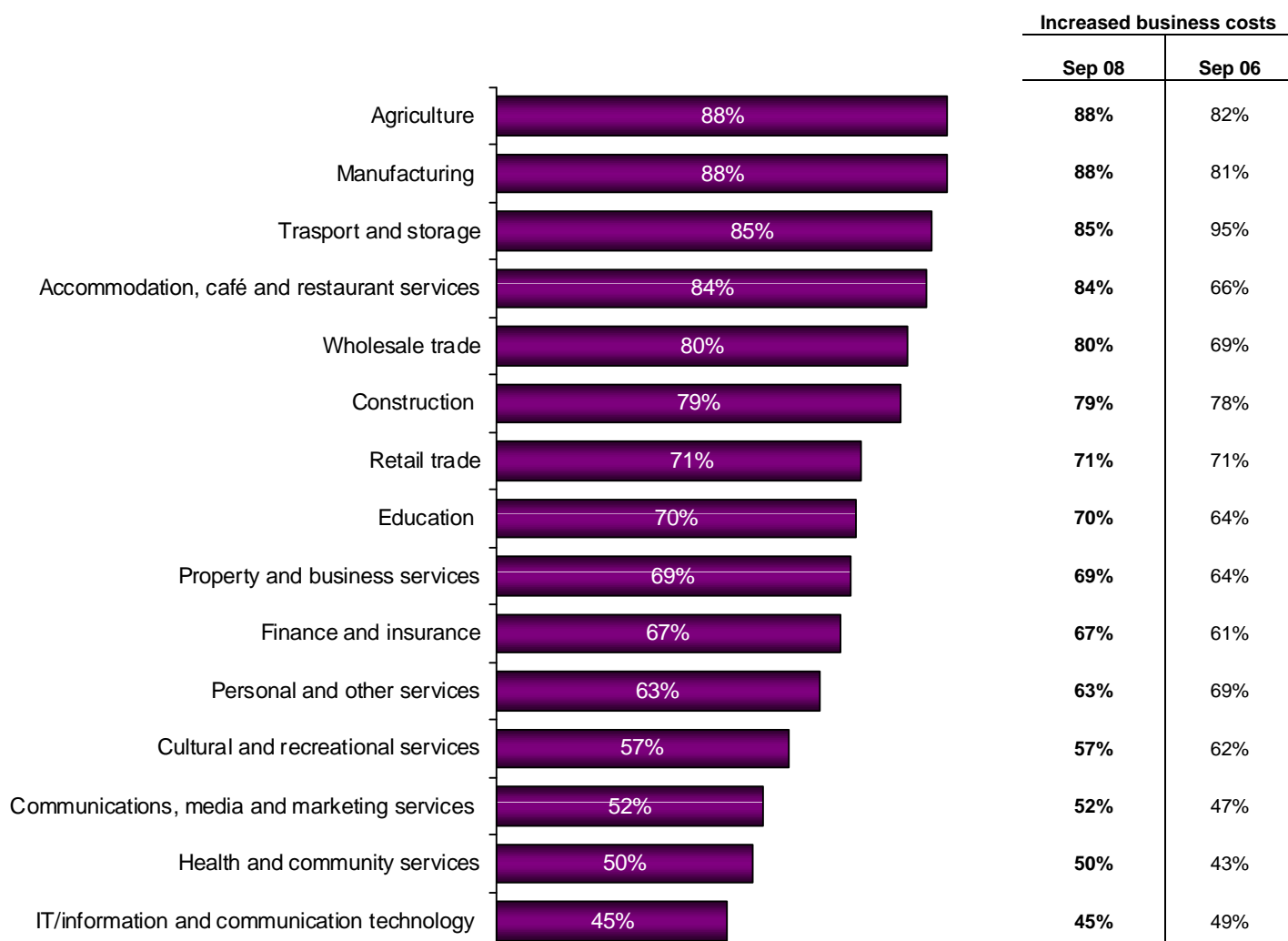


Figure 7.2: Petrol prices directly increased business costs (yes) by industry (%)



Base: Small business owners (n=1462)

Q: Has the increase in petrol/diesel prices increased your business costs?

AMR Interactive, October 2008

The majority (73%) of small business owners surveyed believe that the increase in petrol prices has increased their business costs, with the biggest impact being felt in the Agriculture (88%), Manufacturing (88%) and Transport and Storage (85%) industries. These three industries also reported the highest figures in September 2006, leading to the assumption that they are perhaps more sensitive to the rise in petrol prices as these industries usually have heavier vehicle and machinery use in comparison to other industries.

Impact of rising petrol prices

86% of small business owners report some form of negative impact on their business due to rise in petrol prices

Figure 8: Negative impact of petrol prices on business (%)

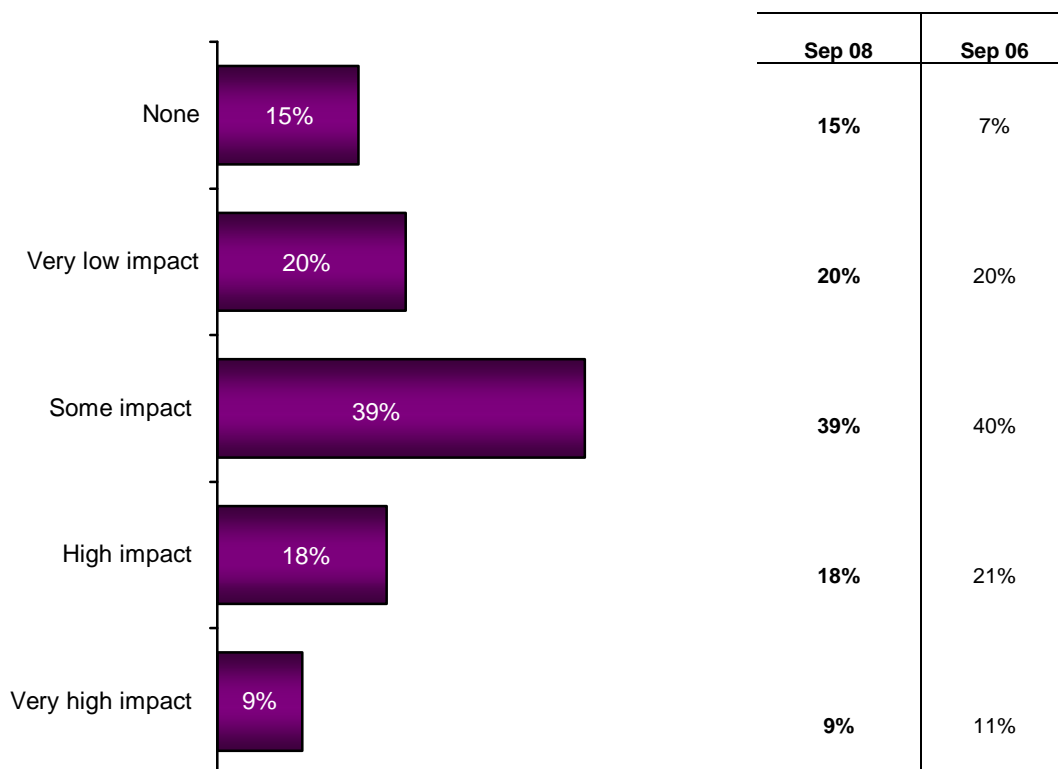


Figure 8.1: High/Very High negative impact of petrol prices on business by state (%)

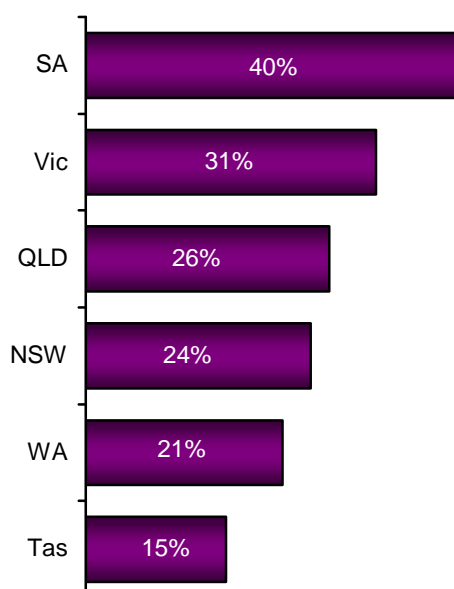


Figure 8.2: High/Very High negative impact of petrol prices on business by business size (%)

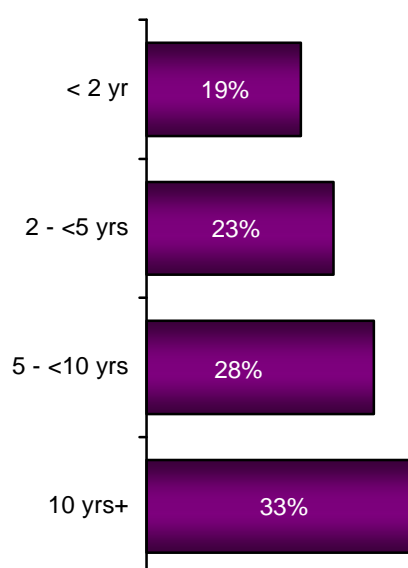
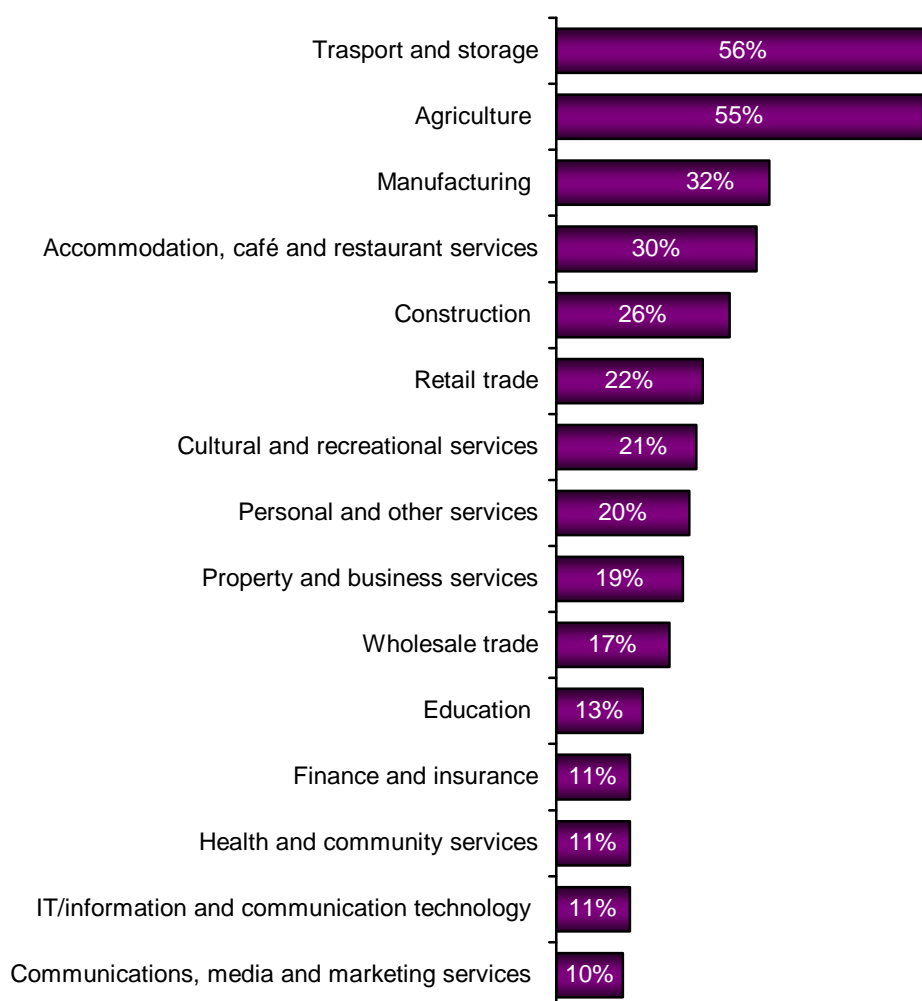


Figure 8.3: High/Very High negative impact of petrol prices on business by industry (%)



Base: Small business owners (n=1462)

Q: To what degree are increases in petrol/diesel prices having a negative impact on your business?

AMR Interactive, October 2008

A total of 39% of small business owners surveyed report 'some impact' from the increases in petrol prices on their business. These results are similar to those from September 2006, with the only real shift in results occurring in the 8% increase in those reporting no impact since 2006.

It is of interest to note that as the length of time in operation increases, so does the impact felt from increased petrol prices, with 19% of small businesses operating for less than 2 years reporting high/very high impact, 23% of those operating between 2 and under 5 years, 28% of those operating between 5 and under 10 years, and 33% of those who have been operating for 10 years and over.

In regards to industry, small businesses in the Transport and Storage (56% high/very high) and Agriculture (55% high/very high) sectors are clearly feeling the impact of petrol price rises more so than other sectors, with a 23% gap in high/very high impact reporting between Agriculture and the next highest reporting in the Manufacturing industry (32% high/very high).

Raised prices as a result of petrol prices

36% of small business owners have raised, or intend to raise prices as a result of petrol prices

Figure 9: Raised prices as a result of increased petrol costs (%)

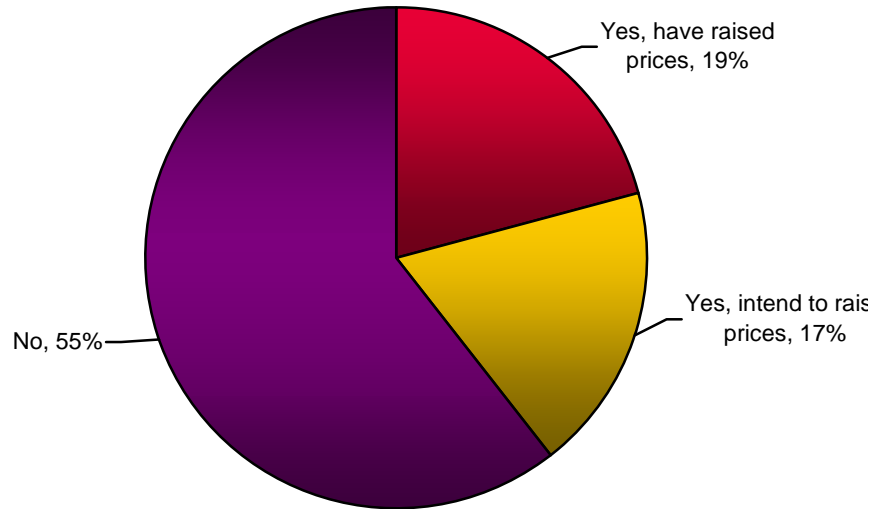
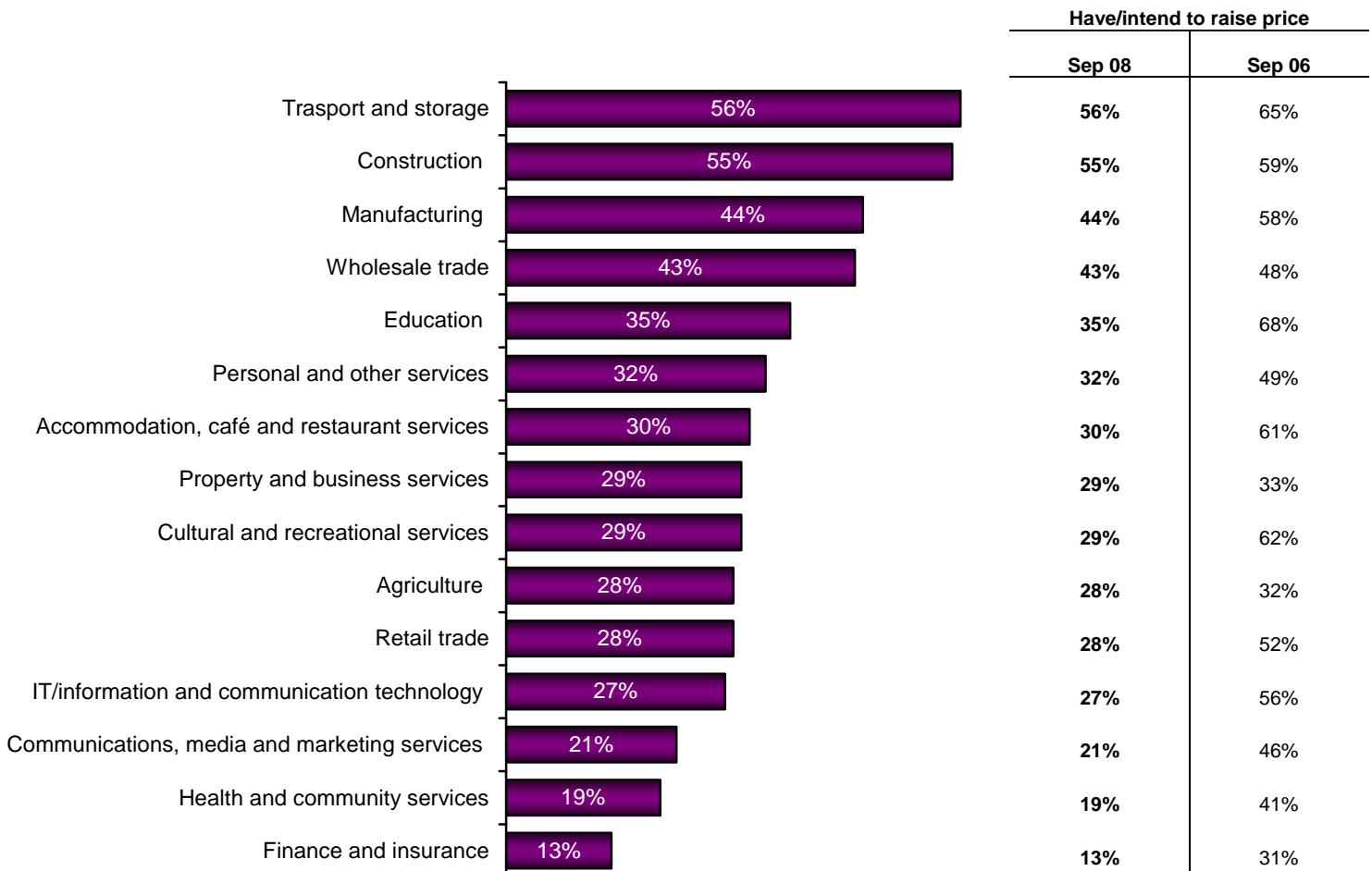


Figure 9.1: Raised prices as a result of increased petrol costs by industry (%)



Base: Small business owners (n=1462)

Q: Have you, or do you intend to, raise your prices due to higher petrol prices?

AMR Interactive, October 2008

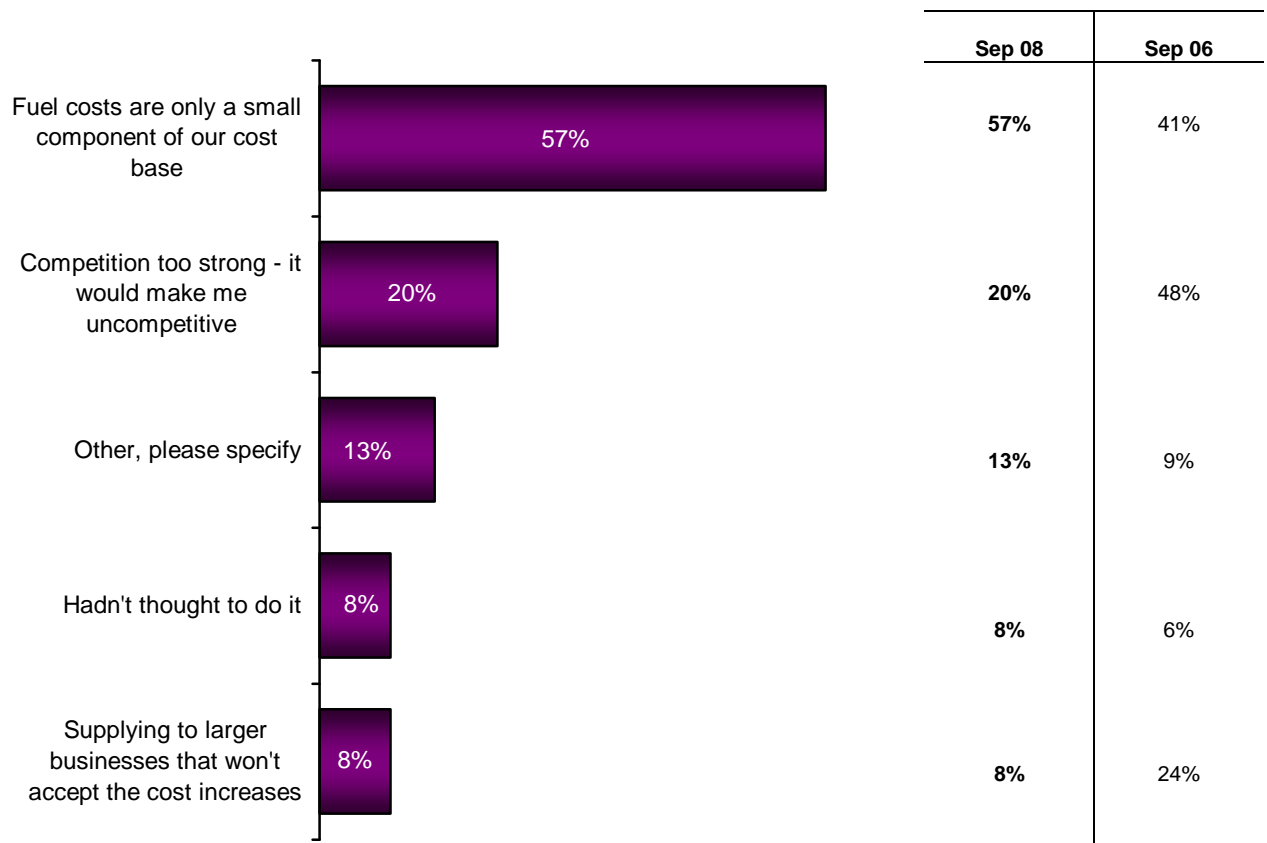
While just over half (55%) of small business owners surveyed have not raised prices as a result of petrol prices, 36% have raised (19%), or intend to raise (17%) prices due to the increase in petrol prices. This is a 5% increase since the 50%/50% split found in the September 2006 survey results.

Two of the industries previously noted as being sensitive to petrol prices, are also some of the industries with small businesses that are most likely to have raised prices as a result of increase in petrol costs. Small businesses in both the Transport and Storage industry (56%) and the Manufacturing industry (44%) are likely to have increased prices. Small businesses in the Construction industry (55%) are also likely to be raising prices. Those industries least likely to be raising prices are Finance and Insurance (13%) and Health and Community Services (19%).

Why prices not raised (due to petrol prices)

Of the small business owners that have not raised prices due to increases in petrol prices, the most common reason for not doing so is that fuel costs are only a small component of cost base

Figure 10: Why price not raised (%)



Base: Small business owners who have not/do not intend to raise prices (n=807)
 Q: If No, why not....?

AMR Interactive, October 2008

From the small business owners who have not raised or intend to raise prices as a result of increases in petrol prices (55%), over half (57%) report fuel costs only being a small component of cost base as the main reason for their decision. This is followed by competition being too strong, making them uncompetitive (20%).

Switched to alternative fuels

Majority (72%) of the small business owners surveyed have not switched to, or do not intend to switch to, alternative fuels

Figure 11: Switched, or intend to switch, to alternative fuels (%)

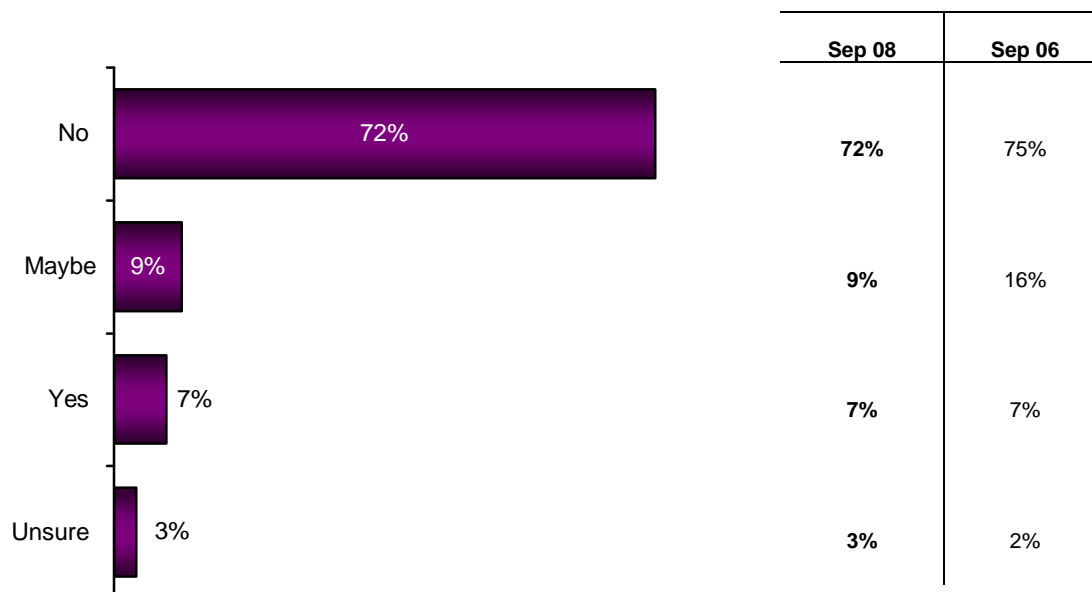
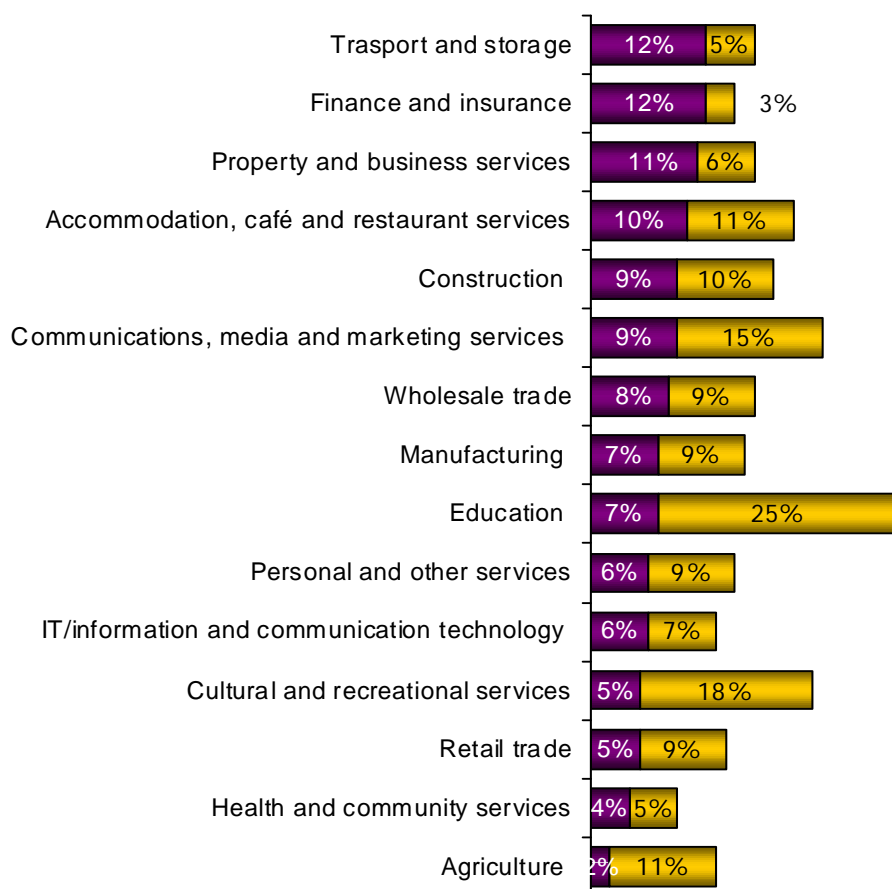


Figure 11:1 Switched, or intend to switch, to alternative fuels by industry (%)



Base: Small business owners (n=1462)

Q: Will you, or have you, switched your vehicle/s and/or machinery to an alternative fuel as a result of the increase in petrol/diesel price?

AMR Interactive, October 2008

Only 7% of small business owners have switched, or intend to switch, to alternative fuels as a result of rising petrol prices. An additional 9% may consider switching, while the majority (72%) have not switched, or do not intend to switch, to alternative fuels.

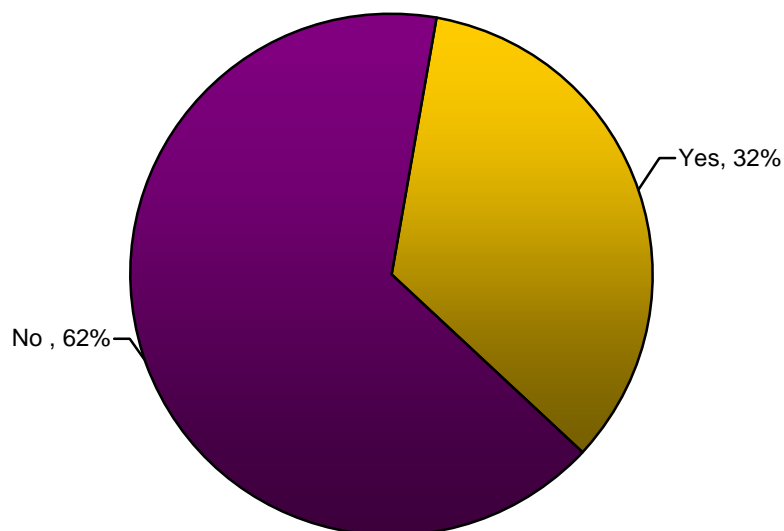
Those small businesses who are more likely to have already made the switch to alternative fuels are in the Transport and Storage industry (12% yes), Finance and Insurance (12% yes) and Property and Business Services (11% yes). As Transport and Storage are previously identified as being the most affected by rises in petrol prices, it would seem a natural step for them to switch to alternative and possible more cost effective fuels.

For those small business owners who may consider making the switch in the future, they are more likely to be from the Education (25% maybe) and Cultural and Recreational Services (18% maybe) sectors.

Looked into alternative fuels

Of those small business owners who have not switched to alternative fuels (72%), 62% have not looked into such alternatives

Figure 12: Looked into alternative fuels (%)



Base: Small business owners who have not switched to alternative fuels (n=1058)

Q: Have you ever looked into alternative fuels?

AMR Interactive, October 2008

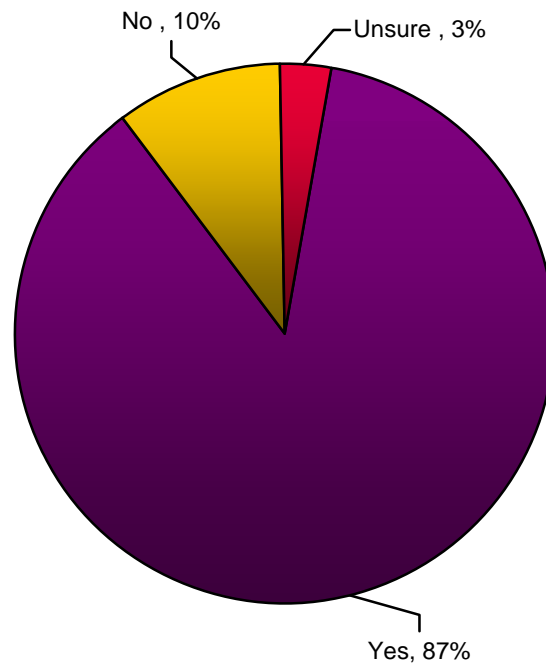
Of those small business owners who have not switched, and do not intend to switch to alternative fuels (72%), only one-third (32%) have actually ever looked into alternative fuels.

Health and Community Services (42%), Cultural and Recreational Services (41%), Construction (40%) and Transport and Storage (39%) who have not already switched to alternative fuels, are the most likely to have looked into them (See Appendix 3).

Awareness of FuelWatch Scheme

The majority (87%) of small business owners surveyed are aware of the Federal Government's FuelWatch scheme

Figure 13: Awareness of FuelWatch Scheme (%)



Base: Small business owners (n=1462)

Q: Have you previously heard of the Federal Government's FuelWatch Scheme?

AMR Interactive, October 2008

A total of 87% of small business owners are aware of the Federal Government's FuelWatch scheme, with only 10% declaring that they were not previously aware of the scheme.

Thoughts on FuelWatch

Of those small business owners who have heard of FuelWatch (87%), over half (57%) believe the scheme will have no impact on petrol prices

Figure 14: Thoughts on FuelWatch (%)

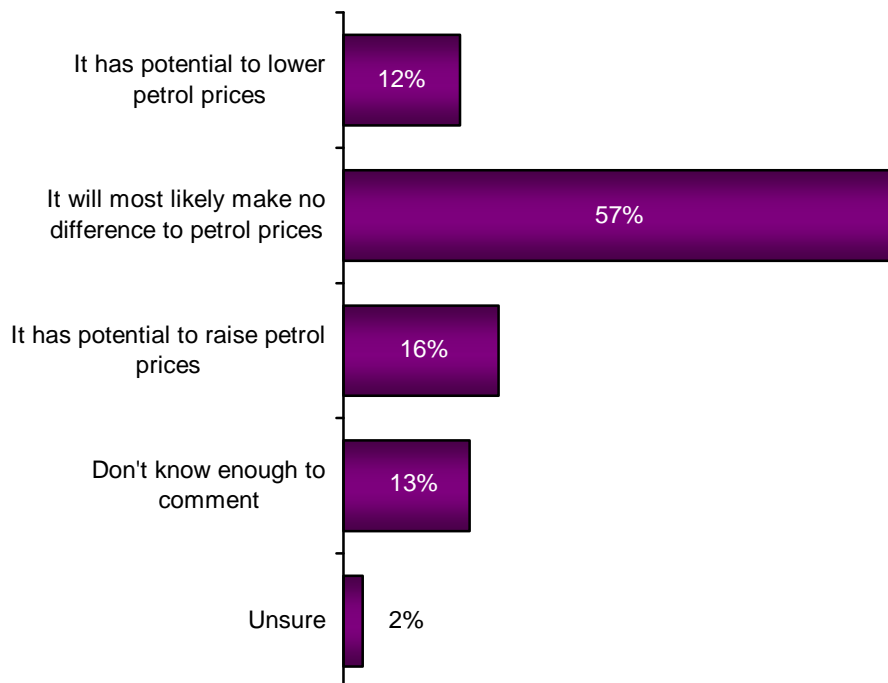


Figure 14.1: Thoughts on FuelWatch by state (%)

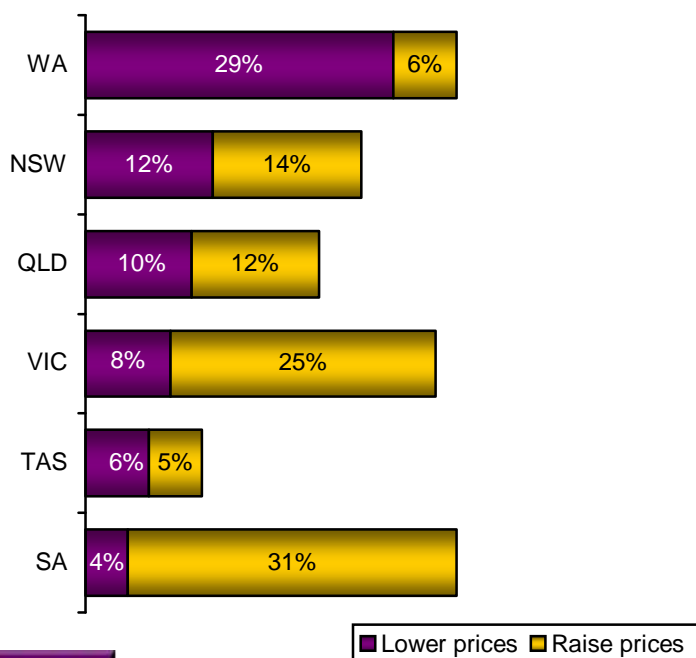
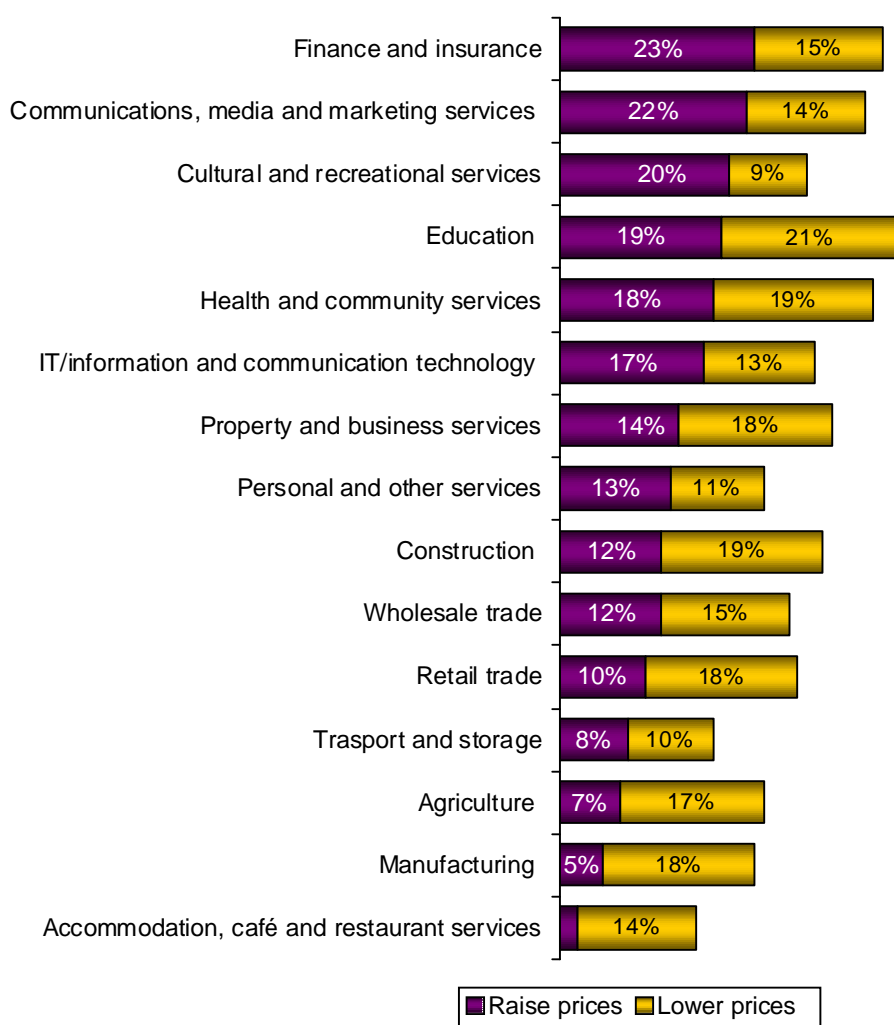


Figure 14.2: Thoughts on FuelWatch by industry (%)



Base: Small business owners who have heard of FuelWatch (n= 1271)

Q: What do you think of the scheme?

AMR Interactive, October 2008

Of the small business owners who have heard of FuelWatch (87%), over half believe that this scheme will most likely make no difference to petrol prices. A further 12% believe that the scheme does have the potential to lower petrol prices, while 16% believe it has the potential to raise petrol prices.

Small businesses in the Finance and Insurance (23%) and Communications, Media and Marketing (22%) sectors appear to be the most optimistic of all the industries in regards to the impact of the FuelWatch scheme with their responses that FuelWatch has potential to lower prices. The more pessimistic small businesses who report FuelWatch has the potential to raise petrol prices, are found in the Education (21%), Construction and Health and Community Services (both 19%).

Optimism regarding FuelWatch is far greater in WA with 29% of small businesses declaring its potential for lowering fuel prices. This is in comparison to the next highest result from NSW of 12%.

Impact of FuelWatch on small business

Majority (80%) of small business owners are indifferent to FuelWatch

Figure 15: Potential impact of FuelWatch (%)

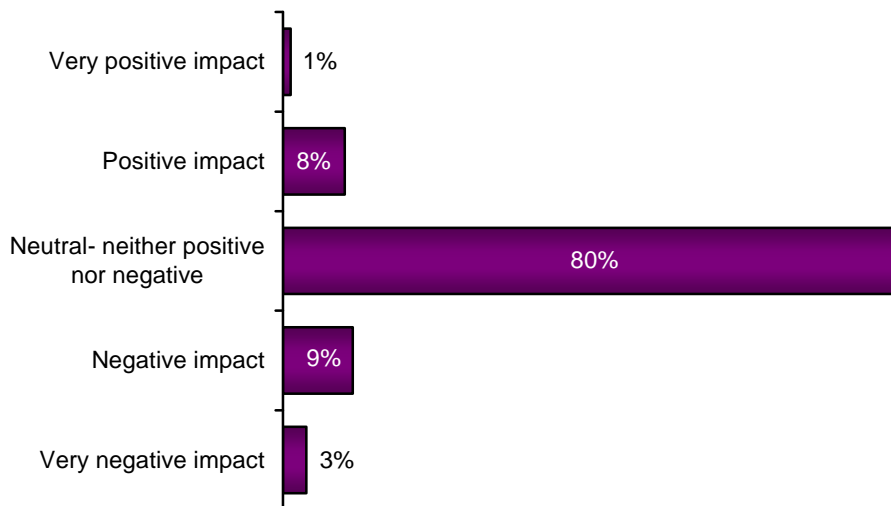
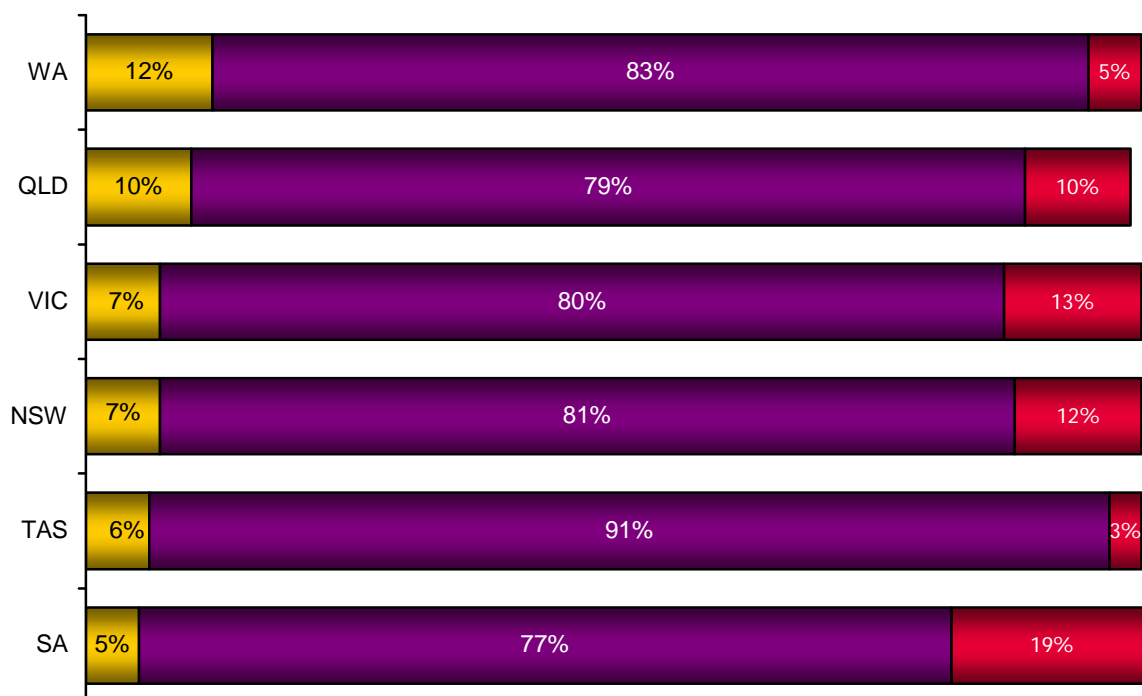
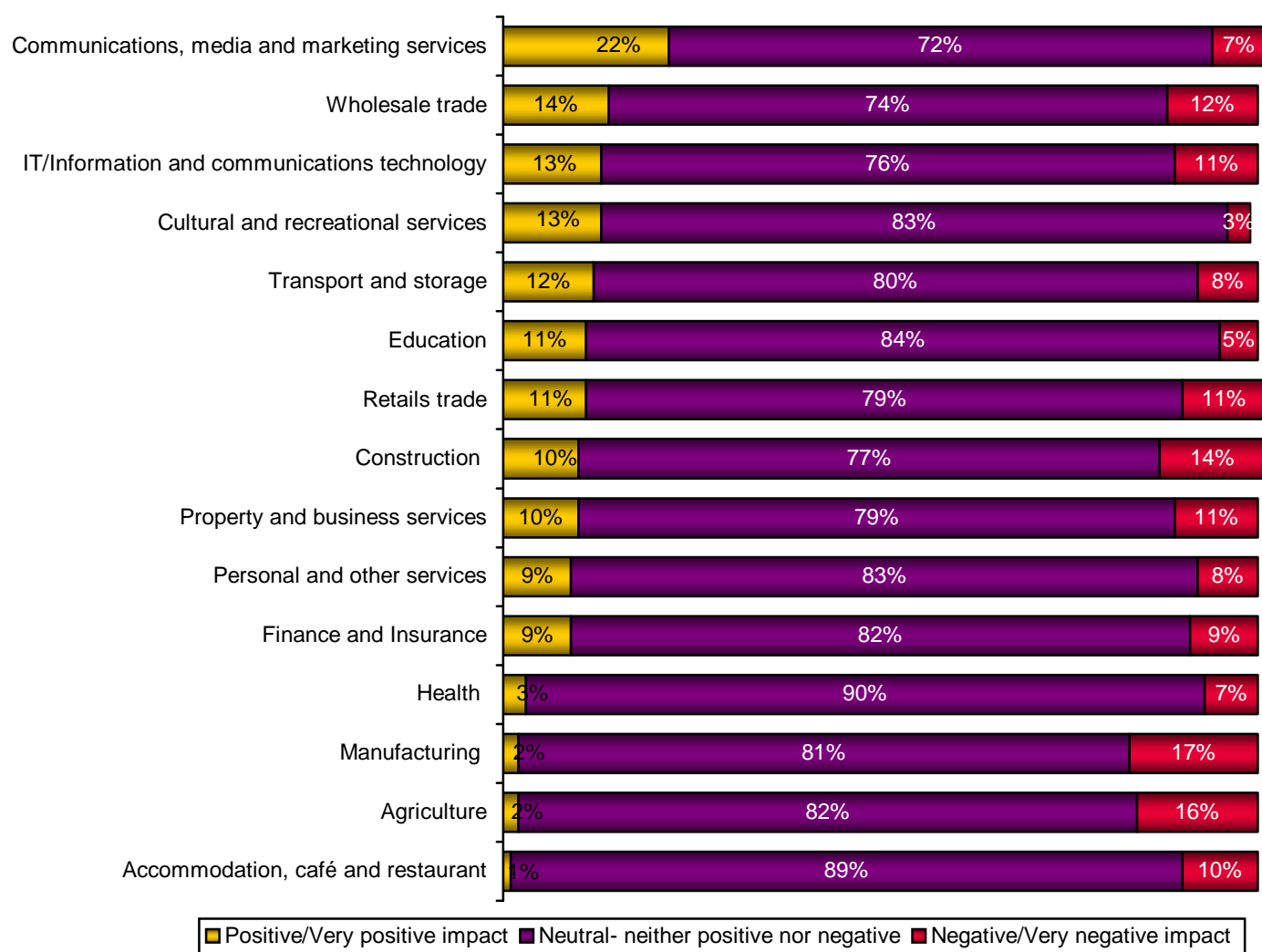


Figure 15.1: Potential impact of FuelWatch by state (%)



■ Positive/Very positive impact
 ■ Neutral- neither positive nor negative
 ■ Negative/Very negative impact

Figure 15.2: Potential impact of FuelWatch by industry (%)



Base: Small business owners (n=1462)

Q: What impact, if any, do you think the FuelWatch Scheme might have on your business?

AMR Interactive, October 2008

Of the small business owners surveyed, 80% are indifferent to the Federal Government's FuelWatch scheme, with their neutral stance being that the impact of the scheme will be neither positive nor negative.

A similar number of small business owners reported either a potentially positive impact (8%) or a potentially negative impact (9%) from the scheme. Very few saw the scheme having any extreme impact with 1% reporting a very positive impact, and 3% very negative impact.

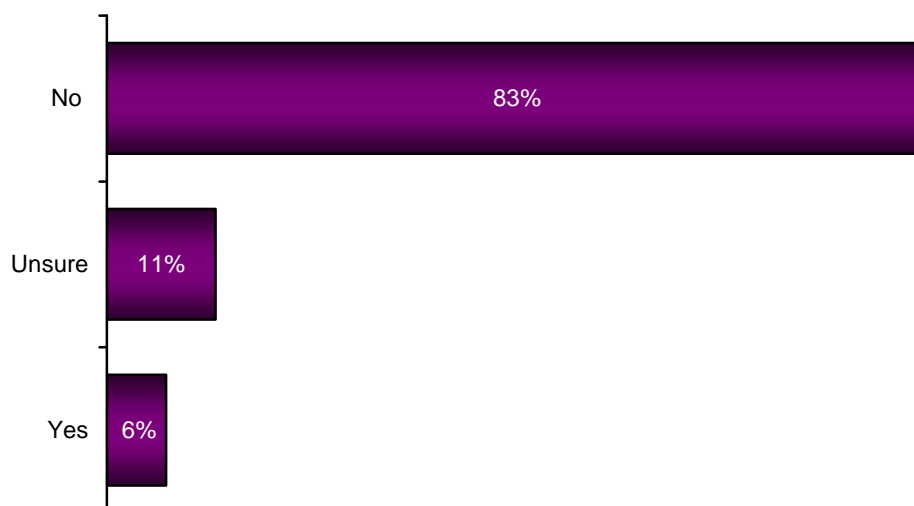
Those small businesses in the Manufacturing and Agriculture industries are the most likely to perceive a negative impact from FuelWatch, with 17% and 16% respectively reporting a potentially negative or very negative impact.

Communications, Media and Marketing (22%) is the most positive regarding FuelWatch; this sector was noted previously as being one the most optimistic towards the potential price impact of FuelWatch. This is then followed by Wholesale Trade (14%).

Federal Government efforts with fuel prices

Most (83%) small business owners believe the Federal Government is not doing enough to lower petrol prices

Figure 16: Is the Federal Government doing enough (%)



Base: Small business owners (n=1462)

Q: Do you think the Federal Government is doing enough to lower petrol prices?

AMR Interactive, October 2008

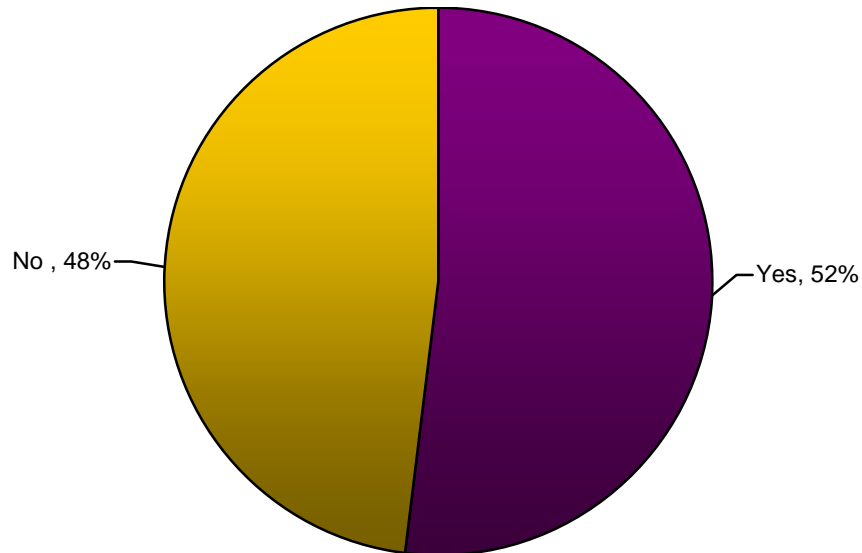
The majority (83%) of small business owners surveyed believe that the Federal Government is not doing enough to lower the price of petrol. Only 6% are currently happy with the Government's contribution.

It is interesting to note one of the industries noted as having higher levels of optimism towards the FuelWatch scheme also have higher levels of small business owners reporting that the Federal Government is doing enough to lower petrol prices as 16% of small businesses in the Communications, Media and Marketing industry report the Government is doing enough. However, Education, one of the more pessimistic industries, also report higher levels of small business owners reporting that the Federal Government is doing enough (15%).

Awareness of online communities

Half (52%) of small business owners are aware of online communities

Figure 17: Awareness of online communities and networks (%)



Base: Small business owners (n=1462)

Q: Before now, were you aware of any 'online communities or networks'?

AMR Interactive, October 2008

The number of small business owners surveyed who are aware of online communities and/or networks (52%) is relatively equally split with those who were not previously aware (48%).

Currently use online communities for business

Of those small business owners aware of online communities (52%) the majority do not currently use them to help their business

Figure 18: Currently use of online communities to help business (%)

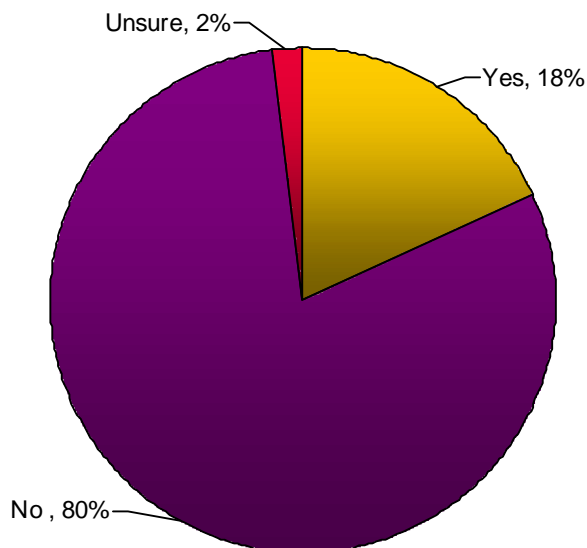
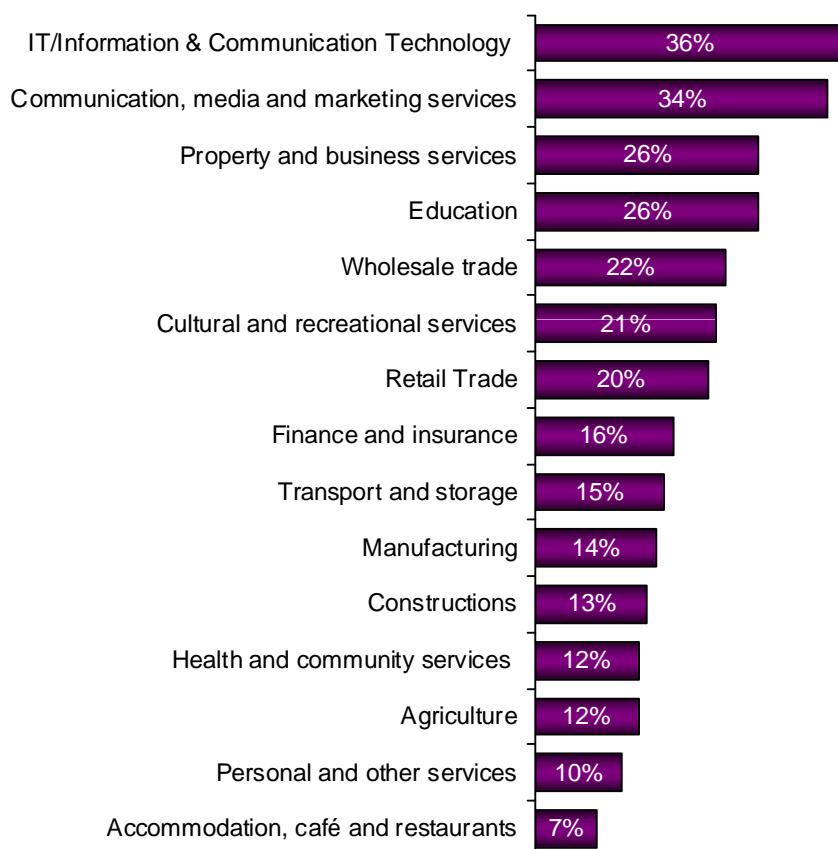


Figure 18.1: Currently use online communities to help business by industry (%)



Base: Small businesses owners who are aware of online communities (n=766)

Q: Do you currently use 'online communities or networks', to help your business?

AMR Interactive, October 2008

Of those small business owners who are aware of online communities (52%), only 18% currently utilise such networks, while 80% do not.

The highest level of use of online communities is seen in the IT/Information & Communication Technology sector (36%). Following this, small business owners in the Communications, Media and Marketing Services sector (34%), and Property and Business Services (26%) are not only some of those more aware of such online resources, but also the most likely to be using these networks/communities. However, from those small business owners with greater awareness, Finance and Insurance is replaced by Education (also 26%) in terms of those who actually use small business communities and/or networks.

Appendix 1: Interest rate impact by industry

Figure 19: Negative impact of interest rate rises on own business by industry (those who responded some/high/very high impact) (%)

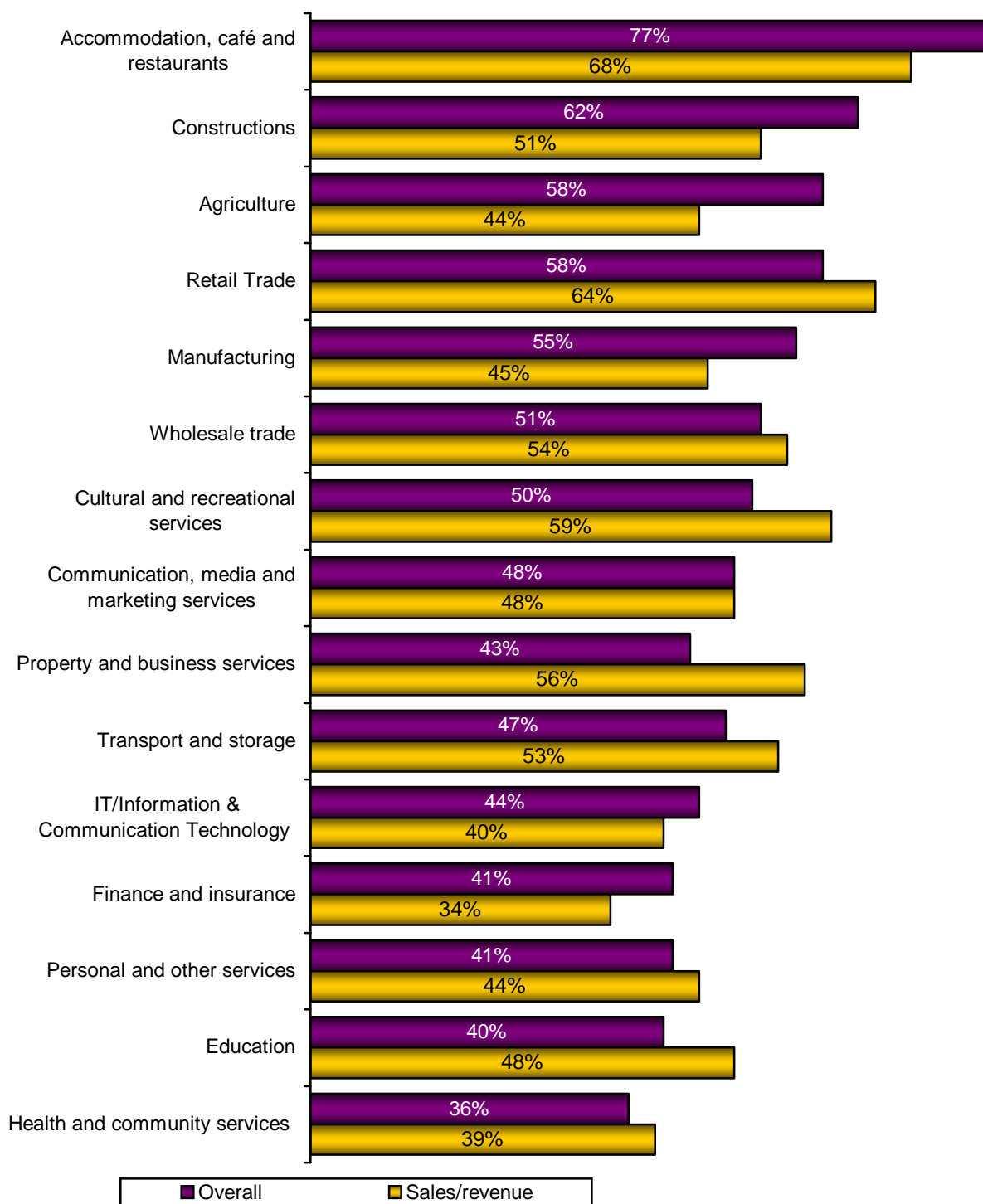
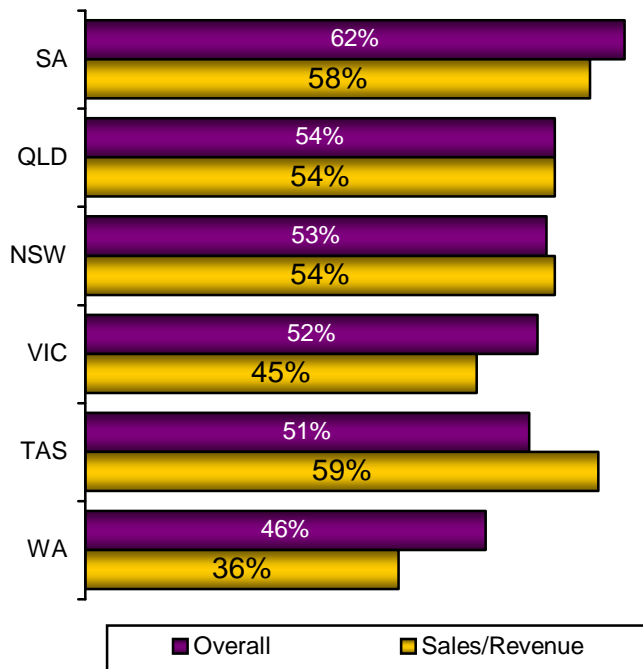


Figure 19.1: Negative impact of interest rate rises on own business by state (those who responded some/high/very high impact) (%)



Base: Small business owners (n= 1462)

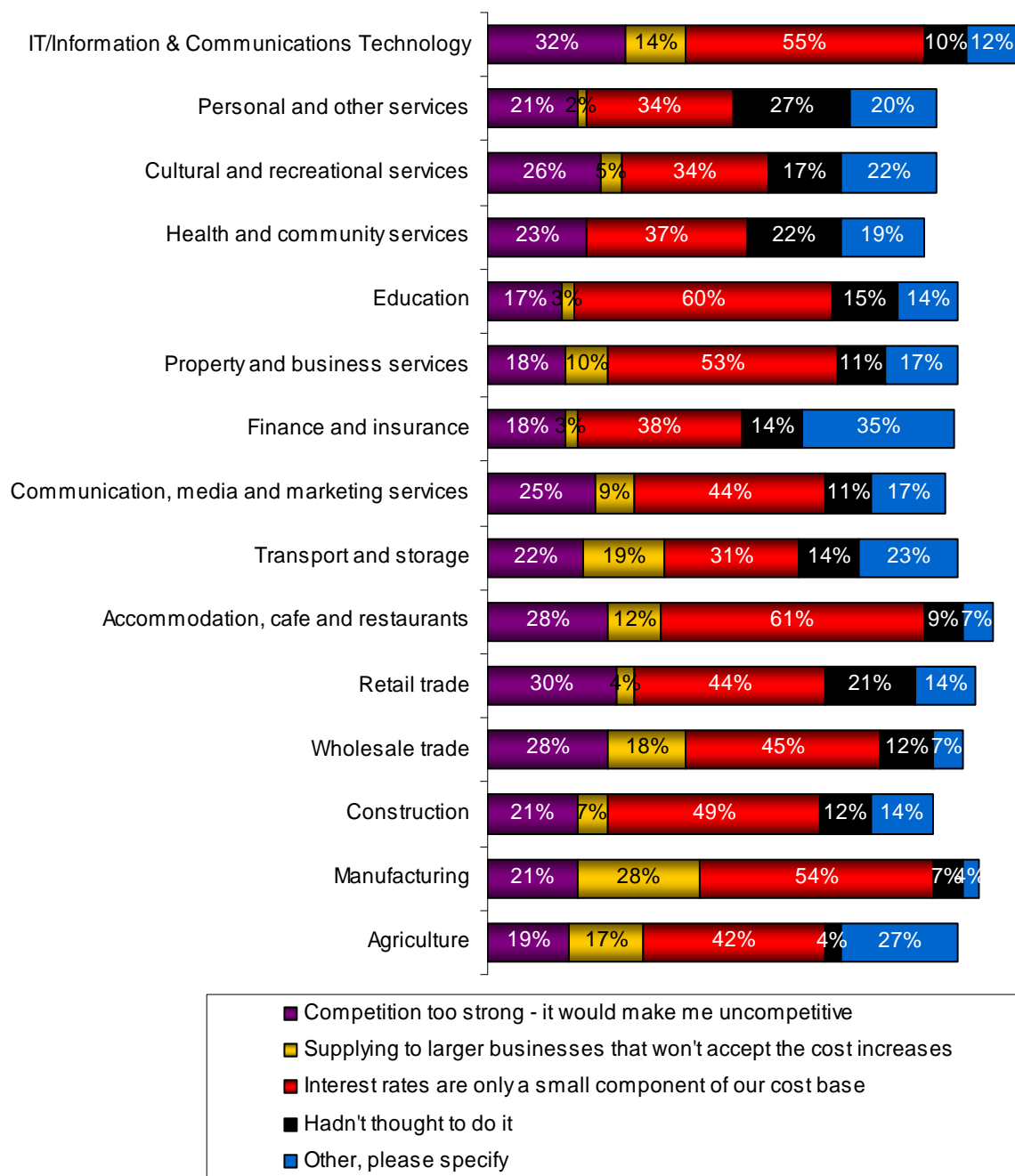
Q: To what degree are increases in interest rates negatively impacting on your business?

Q: To what degree have the recent increases in interest rates negatively affected your sales/revenue (i.e. consumers spending less with you)?

AMR Interactive, October 2008

Appendix 2: Why prices not raised due to interest rates by industry

Figure 20: Reasons for not raising prices by industry (%)



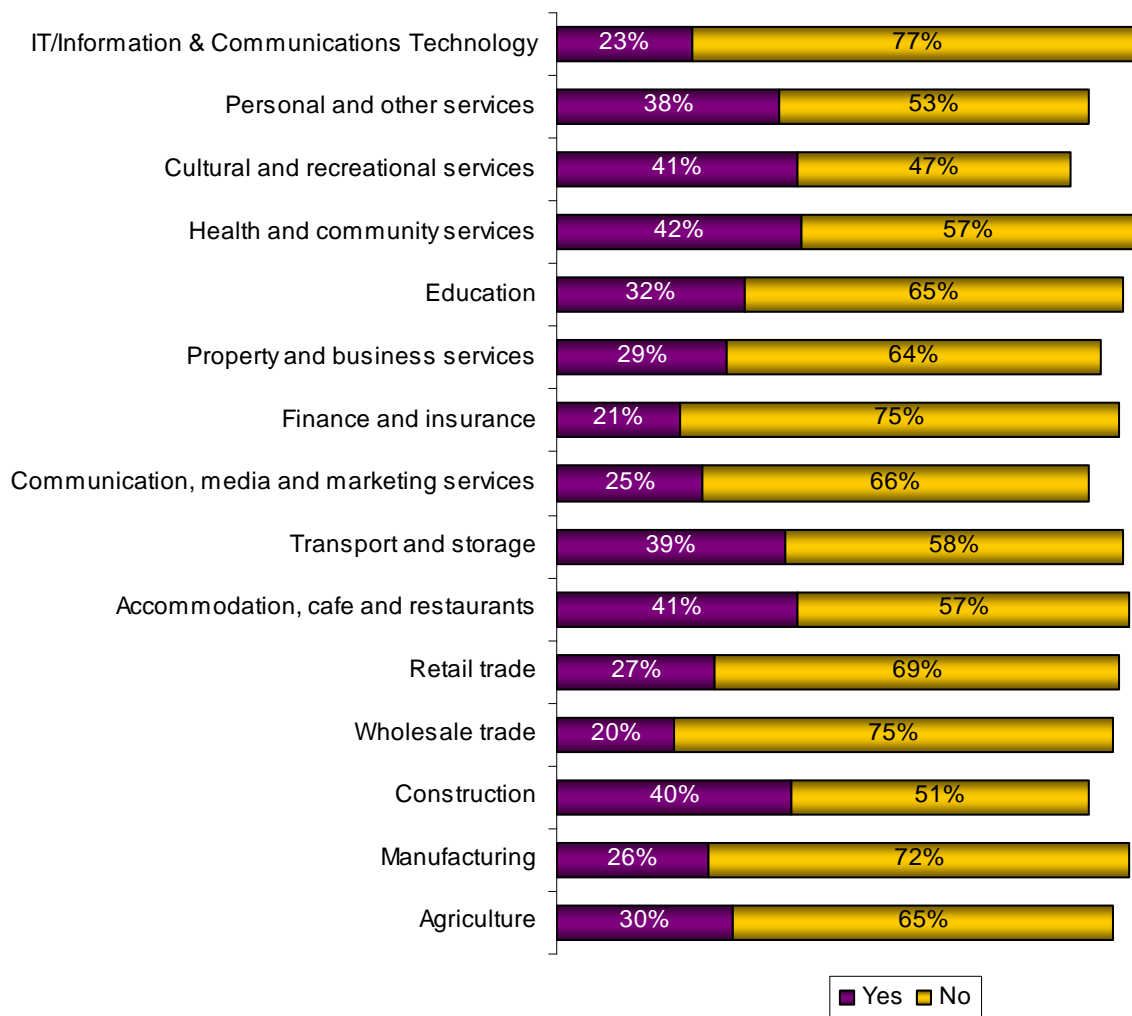
Base: Small business owners who have not raised prices (n=996)

Q: If No, why not...?

AMR Interactive, October 2008

Appendix 3: Have looked into alternative fuels by industry

Figure 21: Looked into alternative fuels by industry (%)



Base: Small business owners who have not switched to alternative fuels (n=1058)

Q: Have you ever looked into alternative fuels?

AMR Interactive, October 2008

Appendix 4: Survey Questions

Q: Is your business currently funded by loans/borrowings?

1. Yes
2. No

Q: Have the recent increases in interest rates made you less likely to borrow money to invest in your business?

1. Yes
2. No
3. Maybe
4. Don't Know

Q: Is your business likely to default on loans/borrowings in the next 12 months?

1. Yes
2. No
3. Maybe
4. Don't Know

Q: To what degree are increases in interest rates negatively impacting on your business?

1. None
2. Very low
3. Some
4. High
5. Very high

Q: To what degree has the recent increases in interest rates negatively affected your sales/revenue (i.e. consumers spending less with you)?

1. None
2. Very low
3. Some
4. High
5. Very high

Q: Have you, or do you intend to, raise your prices due to higher interest rates?

1. Yes, have raised prices
2. Yes, intend to raise prices
3. No

If Q (3) ASK;

Qa. If No, why not...

1. Competition too strong - it would make me uncompetitive
2. Supplying to larger businesses that won't accept the cost increases
3. Interest rates are only a small component of our cost base
4. Hadn't thought to do it
5. Other, please specify _____

Q: Has the increases in petrol/diesel prices directly increased your business costs?

1. Yes
2. No
3. Don't Know

Q: To what degree are increases in petrol/diesel prices having a negative impact on your business?

1. None
2. Low
3. Some
4. High
5. Very high

Q: Have you, or do you intend to, raise your prices due to higher petrol/diesel prices?

1. Yes, have raised prices
2. Yes, intend to raise prices
3. No
4. Unsure

If Q (3) ASK;

Q: If No why not ...

1. Competition too strong - it would make me uncompetitive
2. Supplying to larger businesses that won't accept the cost increases
3. Fuel costs are only a small component of our cost base
4. Hadn't thought to do it
5. Other, please specify _____

Q: Will you, or have you, switched your vehicle/s and/or machinery to an alternative fuel as a result of the increase in petrol/diesel prices?

1. Yes
2. No
3. Maybe
4. Unsure

If Q(2) ASK;

Q: Have you ever looked into alternative fuels?

1. Yes
2. No

The Federal Government has established a National FuelWatch Scheme to promote competition and transparency in the petrol market. The intent of this program is to ensure motorists are not paying a cent more than they have to at the bowsers.

Q: Have you previously heard of the Federal Government's FuelWatch Scheme?

1. Yes
2. No
3. Unsure

If Q (1); ASK

Qa. What do you think of this scheme?

1. It has potential to lower petrol prices
2. It will most likely make no difference to petrol prices
3. It has potential to raise petrol prices
4. Don't know enough to comment
5. Unsure

Q: What impact, if any, do you think the FuelWatch Scheme might have on your business?

1. Very positive impact
2. Positive impact
3. Neutral- neither positive nor negative
4. Negative impact
5. Very negative impact

Q: Do you think the Federal Government is doing enough to lower petrol prices?

1. Yes
2. No
3. Unsure

An 'online community or network' is like a website where people can congregate online to buy/sell online OR share ideas and information OR discuss a subject OR introduce

themselves. These are generally for people who share similar situations, interests and activities, or who are interested in exploring the interests, experiences and activities of others. These [web based](#) communities can provide a variety of ways for users to interact, such as [e-mail](#) and [instant messaging](#) services.

Q: Before now, were you aware of any 'online communities or networks'?

1. Yes
2. No

Q: Do you currently use 'online communities or networks', to help your business?

1. Yes
2. No
3. Unsure