

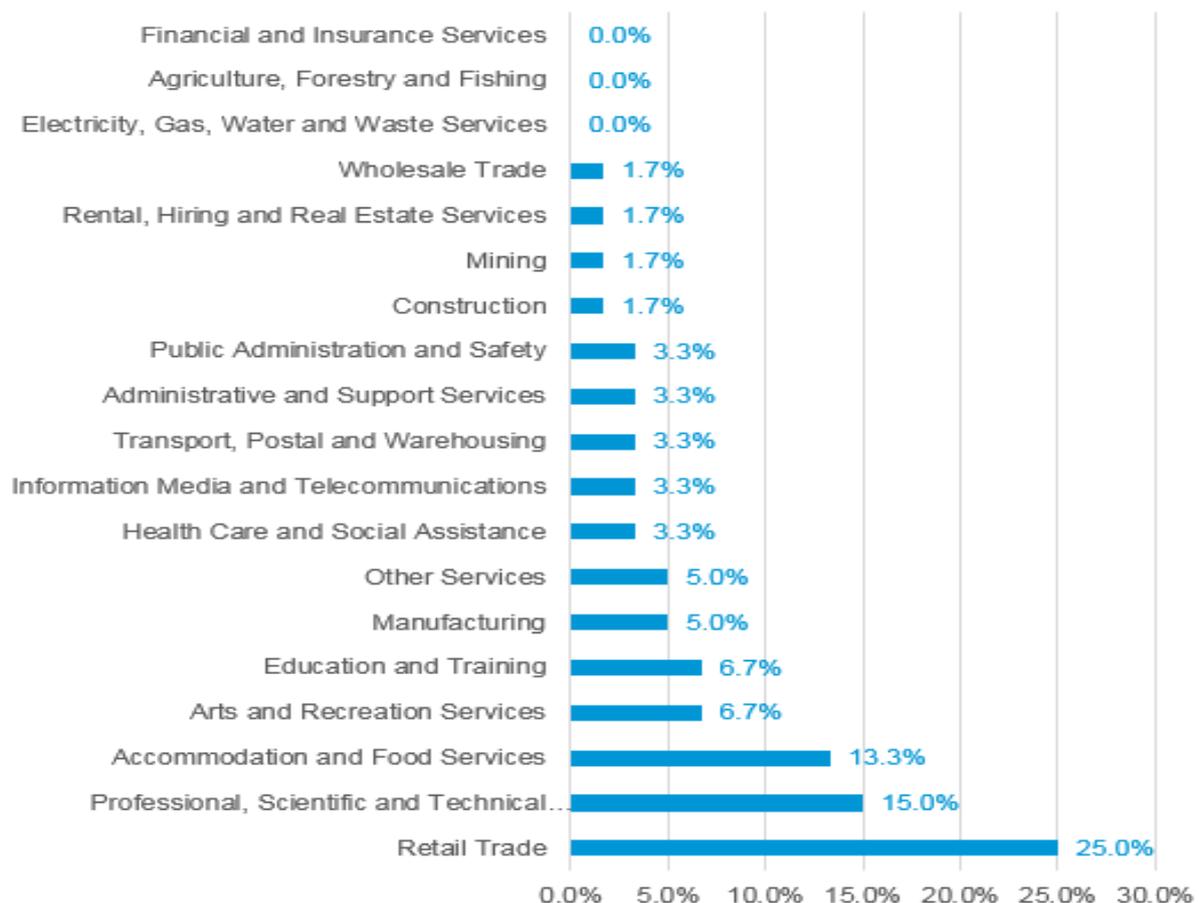
2018 Business Expectations survey results

The 2018 Business Expectations survey was completed by 60 respondents from all sizes of small business:

- 13 respondents had no employees
- 29 respondents had 1-4 employees
- 14 respondents had 5-19 employees
- 4 respondents had 20+ employees

A quarter of respondents had businesses in the retail trade industry, while the remainder were divided across the majority of industry classifications.

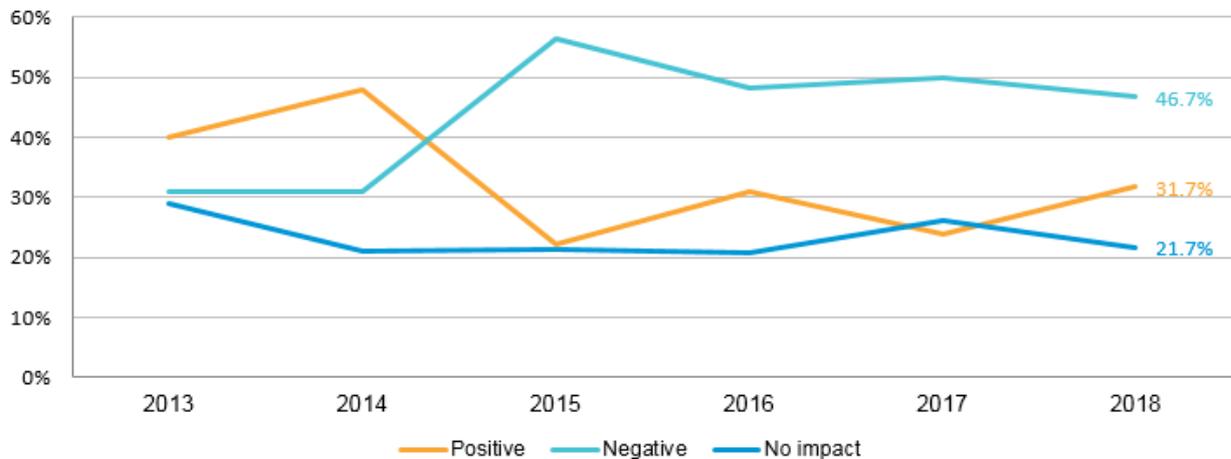
Chart 1: Industry breakdown of survey respondents



Impact of the economy

Respondents were asked whether they believed the economy would have a positive, negative or neutral impact on their business in 2018. Businesses are feeling more optimistic about the economy compared to 12 months ago, with 31.7 per cent expecting a positive impact, up from 24 per cent in 2017. The level of negative sentiment also decreased from 50 per cent in 2017 to 46.7 per cent in 2018.

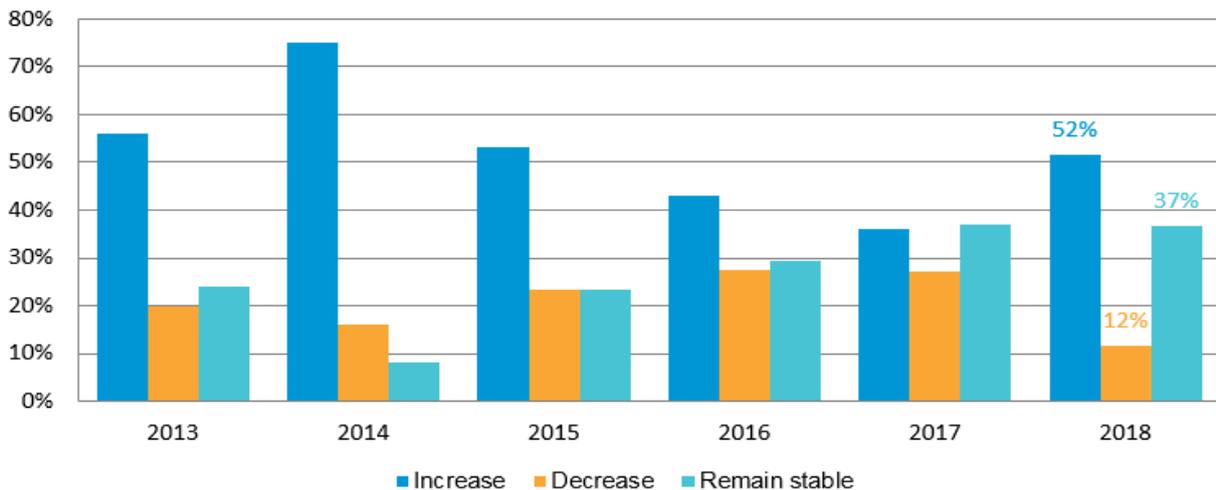
Chart 2: Expected impact of the economy on respondents' businesses over the next 12 months



Overall sales/revenue

Fifty two per cent of respondents indicated they expected an increase in the overall sales/revenue of their business over the year ahead. This is up from 36 per cent last year, and is the highest recorded level in three years. Just over a third of respondents (37 per cent) indicated they expect their sales/revenue to remain relatively stable in 2018, which remains unchanged from last year. Twelve per cent of respondents indicated they expect a decrease in overall sales/revenue in the next 12 months.

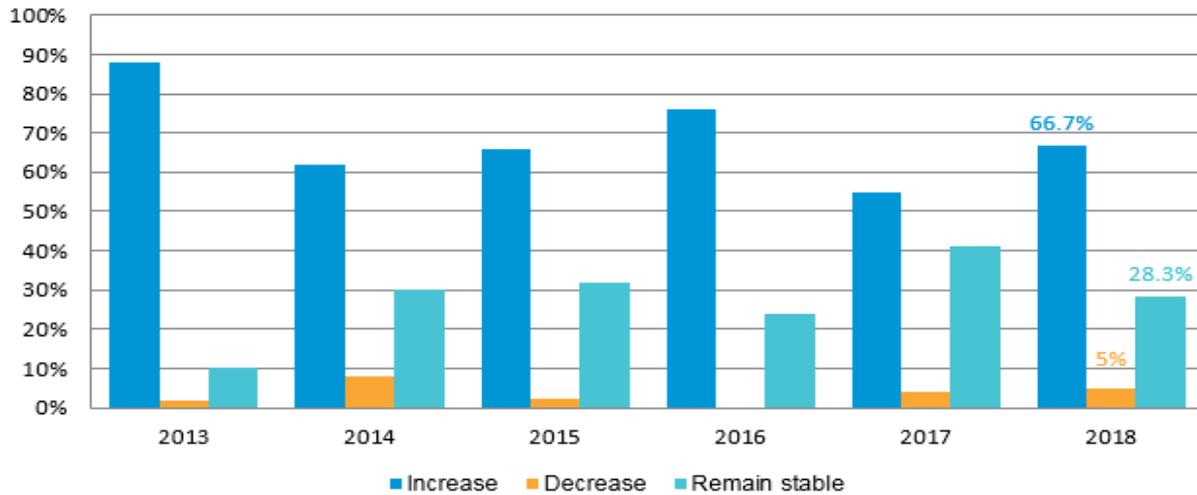
Chart 3: Expected sales/revenue of respondents' businesses over the next 12 months



Unit cost of materials and supplies

When asked about the expected cost of materials and supplies for the year ahead, two thirds of respondents (66.7 per cent) indicated they expected the cost to increase in 2018. This is up from 12 months ago, where 55 per cent expected costs to increase. Just under a third of respondents (28.3 per cent) expected costs of materials and supplies to remain the same in 2018, and five per cent are expecting costs to decrease.

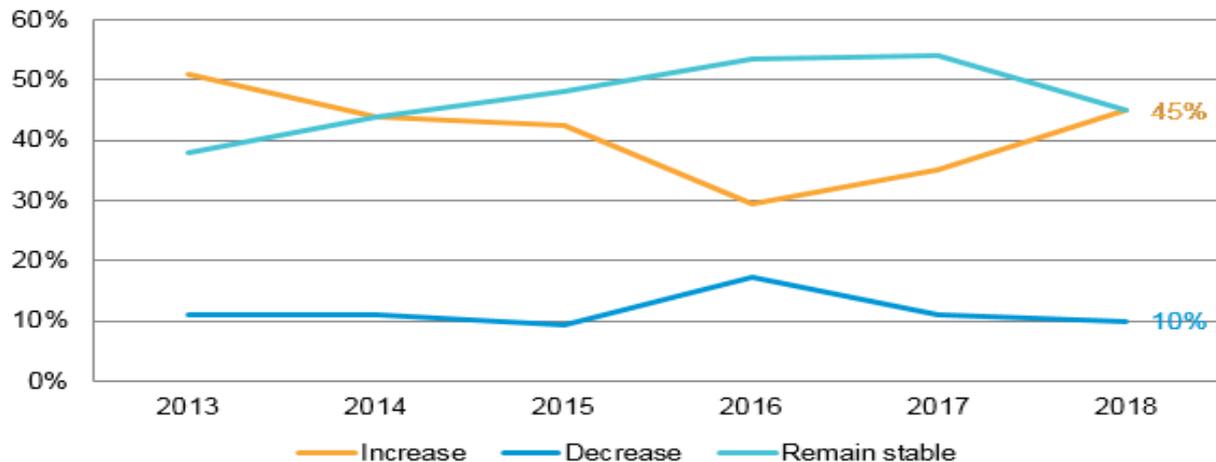
Chart 4: Respondents' expectations of the cost of materials and supplies



Selling price

This year we have seen an equal proportion of respondents expecting their selling prices to either increase or remain stable over the next 12 months – both sitting at 45 per cent. There has been a steady improvement over the past two years in the proportion of respondents expecting their selling prices to increase over the coming year (29 per cent in 2016 and 35 per cent in 2017). One in ten respondents expect their selling prices to decrease in 2018.

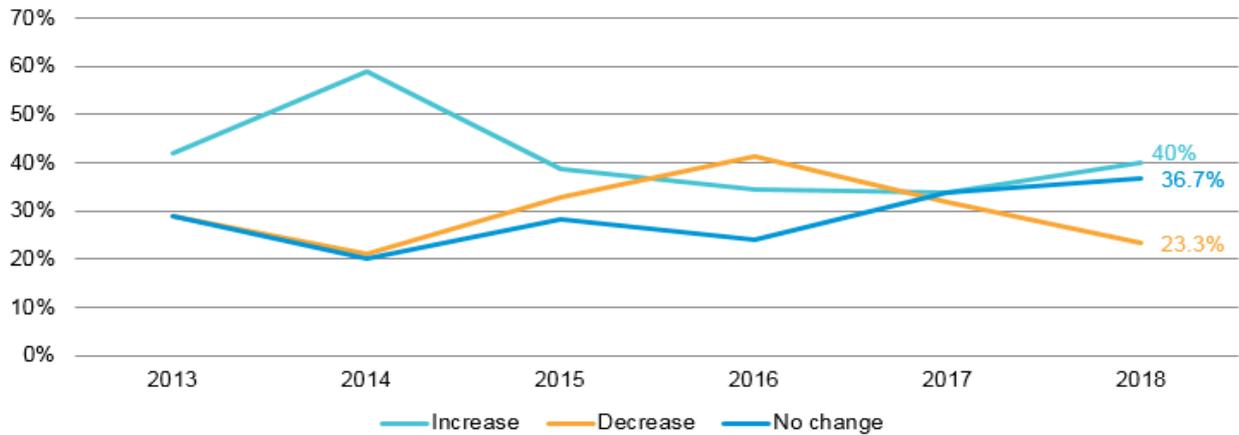
Chart 5: Respondents' expectations for their businesses' selling price over the next 12 months



Business profitability

Respondents remain optimistic about the expected profitability of their businesses, with 40 per cent expecting an increase in profitability in 2018. This is the highest level of optimism seen since 2014. Just over a third of respondents anticipate no change in profitability for the year ahead (36.7 per cent), while almost a quarter (23.3 per cent) expect a decrease in profitability (down from 32 per cent in 2017).

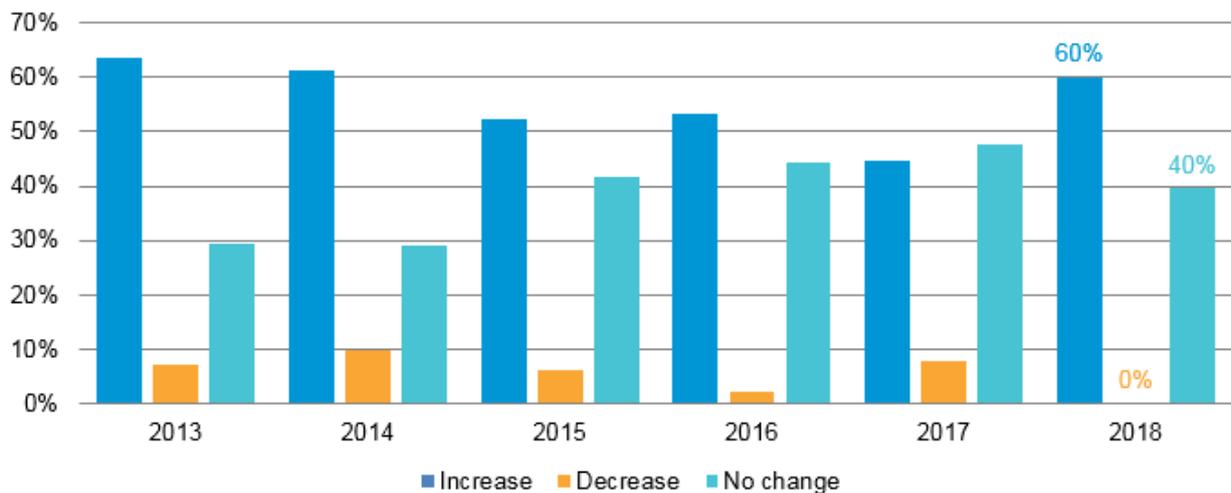
Chart 6: Respondents' expectations for the profitability of their businesses over the next 12 months



Cost of employing staff

Sixty per cent of respondents indicated they are expecting the cost of employing staff to increase in 2018. This is up from 45 per cent in 2017 and 53 per cent in 2016. The remainder of respondents (40 per cent) are expecting costs to remain the same over the next 12 month period, while no respondent expected the cost of employing staff to decrease.

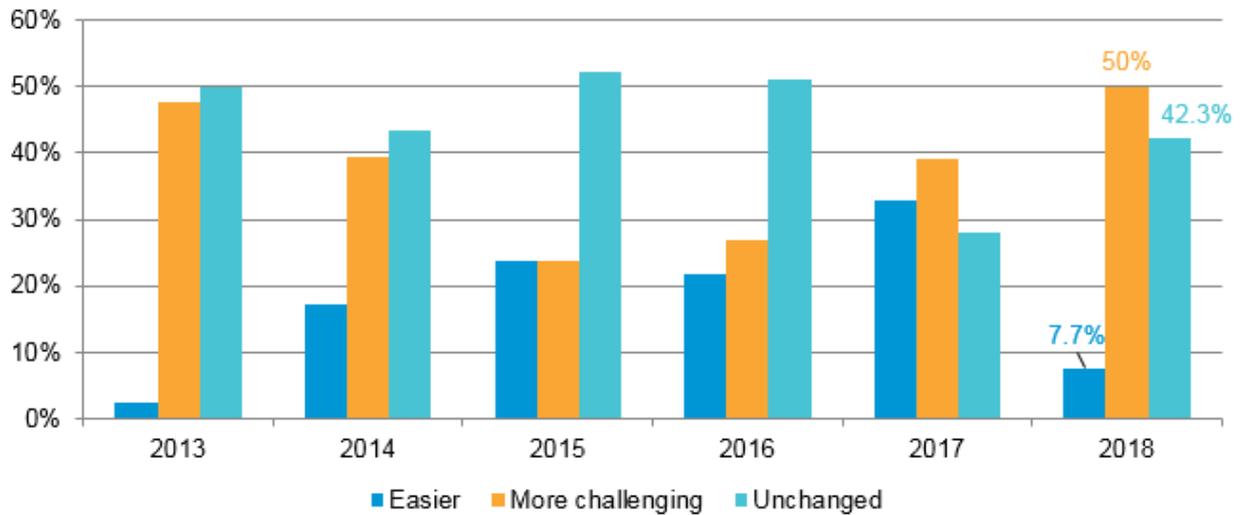
Chart 7: Respondents' expectations for the cost of employing staff over the next 12 months



Ability to find and retain suitable staff

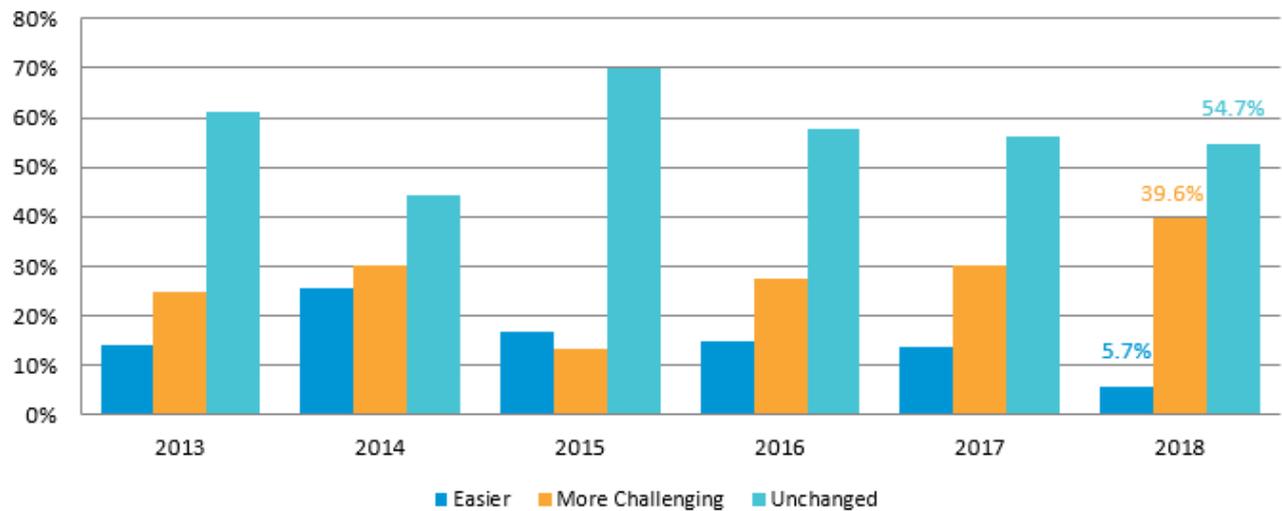
Businesses are feeling less optimistic than in previous years about how easy it will be to find new workers in 2018. Half of the respondents indicated they expected it to be more challenging, which is the highest level since 2012. A further 42.3 per cent indicated they expect no change in the year ahead.

Chart 8: Respondents' expectations for the ease at which their businesses will find new employees over the next 12 months



When asked about retaining suitable staff, the majority of respondents indicated they expected it to be just as challenging as in previous years (54.7 per cent), while 39.6 per cent indicated they expected it to be more challenging.

Chart 9: Respondents' expectations for their ability to retain suitable staff over the next 12 months

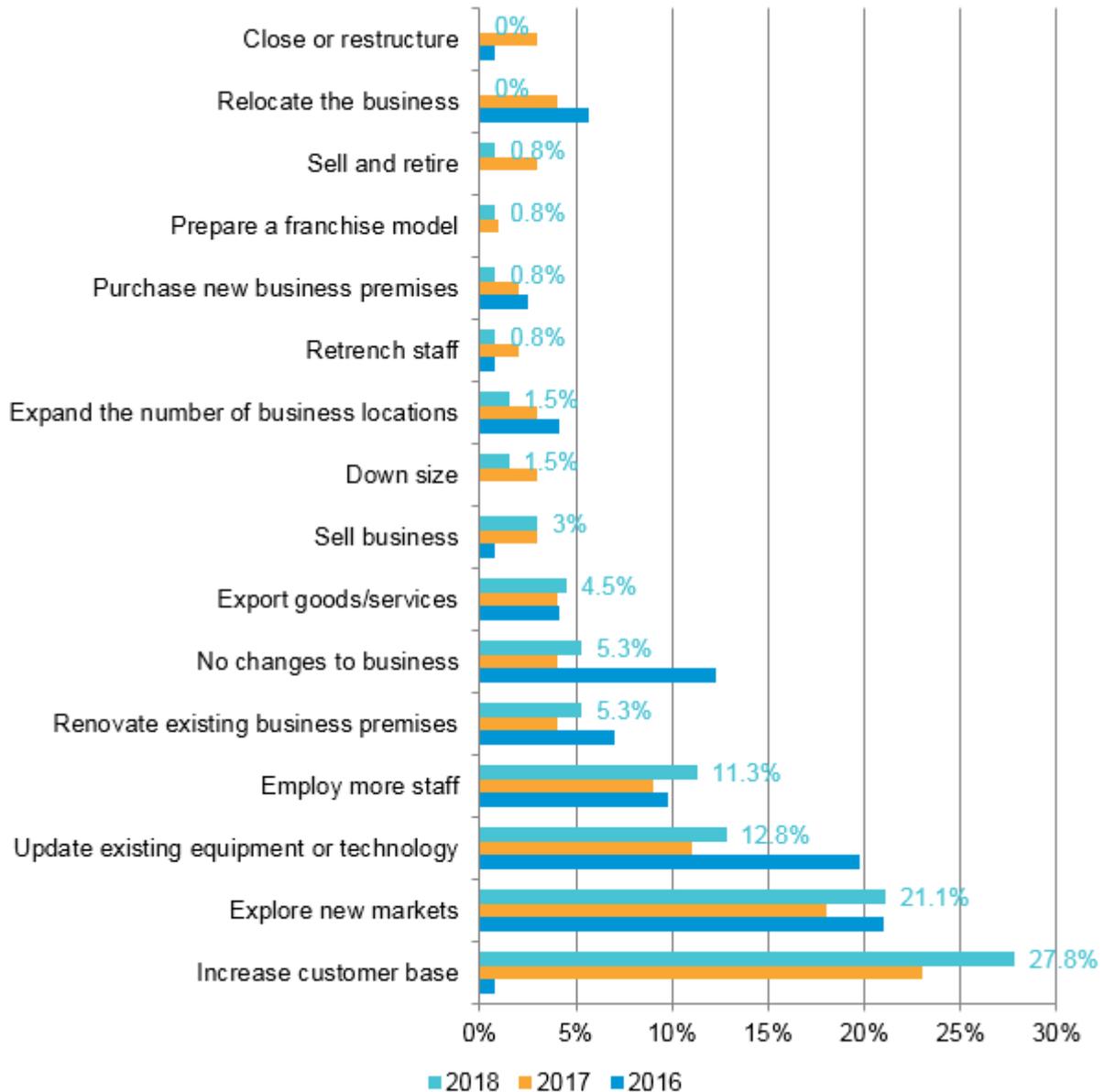


Expected changes to the business

Respondents were asked whether they had planned to make any changes to their business during 2018, and were presented with a list of possible options to choose from. The most common change reported this year (in line with previous years) was to increase the customer base (27.8 per cent), followed by exploring new markets (21.1 per cent). Encouragingly, more than one in ten (11.3 per cent) respondents indicated that they would employ more staff in the coming year. None of the

respondents in this year's survey indicated an intention to close or restructure their business or to relocate to a new premises.

Chart 10: Respondents' expected changes to their business over the next 12 months



Challenges for 2018

Respondents were asked to indicate what their top three challenges would be for 2018 from a list of options. Respondents most commonly reported that attracting customers would be a challenge for their business (12.9 per cent), followed by increasing operating costs (12 per cent) and achieving or managing growth (11.1 per cent). These results are similar to what was found in 2017, with attracting customers featuring in the top three list of challenges for the last three years. Results also indicate that a smaller number of respondents believe that accessing finance will be a challenge for their

business, with a reduction from 5 per cent of responses in 2017 to 2.3 per cent in 2018.

Chart 11: Respondents' anticipated challenges for their business over the next 12 months

