

Media Release

Smaller businesses set to cut jobs in 2015

Concerning Forward Look at Business Employment

(8 December 2014 – Australia) Australia's employment outlook for 2015 continues to look uncomfortable with small businesses – which account for 50 percent of private sector employment – set to significantly reduce headcounts and cut their wage bills.

First time research from business banking analysts East & Partners (East) has found that Micro businesses, with A\$1-5 million in annual turnover, and SME businesses turning over A\$5-20 million are planning to cut their headcounts, while larger businesses are set to add staff.

According to the Australian Bureau of Statistics, Australia's unemployment rate in November was at 6.2 percent, and moved through the 6 percent barrier in May.

East's forecasts are partly based on a direct interviewing program with a structured, national sample of 984 businesses interviewed around Australia carried out in November 2014.

The research found that Micro businesses planned headcount reductions averaging 6.6 percent in the first half of 2015, while SMEs planned a 2.9 percent cut.

Both business segments also forecast lower wages expenses, with Micros expecting a fall of 5.5 percent and SMEs a 4.0 percent decrease.

Emphasising the two-gear nature of the economy, however, Corporate businesses turning over A\$20-725 million are projecting a 4.0 percent headcount increase, while the largest Institutional businesses project a 3.3 percent increase.

Both the Corporate and Institutional segments expect their wages expenses will rise, by 1.8 percent and 1.3 percent respectively.

Lachlan Colquhoun, Head of Markets Analysis at East & Partners, said the results further reinforced suggestions for a very uncertain period ahead for the economy in 2015.

"Small business are major drivers of employment, accounting for around half of all private sector employment and around 46 percent of GDP, and these results point to further rises in unemployment next year," said Colquhoun.

"Larger businesses might be adding headcount but if businesses are not hiring at a grassroots level the two-gear economy will continue, and the wider economy will struggle to achieve significant momentum."

“Particularly concerning are comparisons with historical ABS employment data which, based on these forecast employer hiring/retrenchment plans, may well be seriously under-stated”, he added.

“This is worrying news indeed from the economy’s largest employment growth engines.”

East has added headcount and wages projects to its research platform, and will continue to monitor employer intentions as part of its ongoing research.

About the East & Partners Business Banking Index

Released every two months, the Business Banking Index (BBI) explores shifting preferences customers place on mind share, customer advocacy and satisfaction when ranking their overall sentiment towards Australian banks. The research formulates bank index scores from over a thousand interviews with Institutional, Corporate, SME and Micro businesses, effectively spanning the full range of business segments.

The breadth of the BBI analysis delivers market-spanning conclusions on how highly customers regard their bank. Bank index scores monitor key drivers of customer engagement behaviour including business banking advertising recall, mind share, loyalty, satisfaction, proactivity, empathy, detraction and advocacy.

The BBI has proven clear predictive correlations based on customer engagement behaviour and intentions with key bank performance outcomes both in aggregate and by individual bank. The BBI’s leading predictors are strongly connected with measures such as market share, customer retention, wallet share, product cross-sell and bank margins.

Market Segments:

Micro – A\$1-5 million

SME – A\$5-20 million

Corporate – A\$20-725 million

Institutional – A\$725 million plus

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