



Standing Committee on Economy and Gender and Economic Equality

Inquiry into Annual and Financial Reports 2021-2022 **ANSWER TO QUESTION TAKEN ON NOTICE**

Asked by Ms Leanne Castley MLA on 10 November 2022: Ms Tara Cheyne MLA took on notice the following question(s):

Reference: Hansard uncorrected proof transcript 10 November, page 210-211.

In relation to: Drop in investment for ACT businesses

THE CHAIR: I have a question, output class 3. A report from the Federal Parliament to the library was released last month showing that the ACT has the worst business conditions in the country. That was the title of the section. Between 2019 and 2020 and 2020 and 2021, business investment by the ACT fell by 11.5 per cent, business investment, compared to 1.4 per cent. There was a fall nationally. The ACT is also the worst performing jurisdiction for value of retail sales between 2021 and 22. Value of retail sales reduced in the ACT by 1.3 per cent despite the national average increasing by 5.9.

Now, at page 84 of the CMTEDD annual report outlines the future direction for business in 2022 and 23 financial year but I am failing to see there was—what major investment there was in business and given that our survival rates are, you know, they show that we are the work in the country over the last couple of years, I am just wondering why businesses are being underfunded again and even though the stats show they are performing poorly, I just would like your thoughts on that.

Ms Cheyne: Yes, there is a lot in that.

THE CHAIR: There is a lot of stats.

Ms Cheyne: Yes, Ms Castley, and I do not have a copy of that report that you are referring to, so I cannot speak to that unfortunately. I think to first reiterate what we discussed in the last hearing about business exit rates again in the ACT, it is non-employing businesses that made up the largest proportion of total non-surviving businesses in the ACT every year for the four years to 2021.

So the ACT is skewed in that we have a large number of non-employing businesses and those businesses also have the lowest rate of survival while having the large proportion of the business exit figure. And again, that can be pointed to a few things, but we do have a lot of sole trader consultancies that may then get a—may then get work elsewhere as part of a broader business.

THE CHAIR: Yes, I understand that. I think my point of this question is about the investment, so it has dropped by 11.5 per cent.

Ms Cheyne: Sure. I guess what I am getting to with that part of the question is what funding to businesses are you looking for here?

THE CHAIR: Well, why are we 11.5 per cent less, why do we spend that amount less on business in the ACT than the rest of the country?

Ms Cheyne: I need to see exactly the figure, like exactly what the context is of that figure, Ms Castley, so perhaps I could take that on notice and if you could share that through the committee secretary, and then I can respond to that in more detail. But without the broader context of what that figure is for investment, I cannot go to any level of detail.

THE CHAIR: And I know, you know, we talk about retail sales being up in the ACT but this report again—and so, I will get it shared with the secretary is that we have reduced by 1.3 per cent which does seem different to what we have been hearing in the chamber. So I am just wondering what have you heard from businesses that this cohort are still struggling, that retail spending is not up like we expect it to be, it was up in the year of COVID and now it is 1.3 per cent.

Ms Cheyne: Yes, my understanding, the latest information that I had, Ms Castley, was that retail spending was still very strong in the ACT so I will need to check what that figure is being drawn from and compare that against the information that I have. But I will give you a fulsome response on notice, unless Ms Arthy or Ms Starick has something to add. No we will take it on notice, we will take it on notice.

Tara Cheyne MLA: The answer to the Member's question is as follows:—

It is important to understand the context within which statistics are prepared.

The numbers from the parliamentary library report are for the financial year 2021-22 that includes August, September, and October 2021 when the ACT was in strict lockdowns. In comparing across years for the ACT, the fact that the lockdowns in 2020-21 were less severe than those in 2021-22 is a significant reason for the lower level of business investment in 2021-22.

Some of this variability can be removed by using year on year estimates (which compare 12-months of sales with the previous 12 months) rather than through the year estimates (which compare one month of sales with the same month in the previous year). However, the timing of comparisons can still impact on the data. For example, as the larger states of NSW and Victoria started their lockdowns earlier than the ACT, this can make the comparison with the national average difficult, depending on which time period is used. Through the year estimates compare the estimate for a month or quarter to the corresponding month or quarter in the previous period.

These factors, along with the timing of investment and spending decisions, can lead to significant variation in the statistics for the ACT. The latest business investment data shows an increase of 17.2 per cent for 2021-22 following the 11.6 per cent fall in 2020-21.

For example, a through the year analysis comparing the June month 2021 against the June month 2022, shows ACT retail trade turnover grew slower than the national rate. However, the value of retail trade turnover in the ACT grew highest of any jurisdiction in through the year terms in the month of September 2022. Moreover, the ACT also recorded the highest monthly growth in September 2022 of any jurisdiction, when compared to the month of August 2022.

Retail Trade Turnover, Nominal, Seasonally Adjusted, September 2022

	Value (\$m)			Change (%)	
	Sep 2021	Aug 2022	Sep 2022	Monthly	Through the year
ACT	429	645	655	1.6	52.8
Australia	29,757	34,882	35,096	0.6	17.9

Approved for circulation to the Standing Committee on Economy and Gender and Economic Equality

Signature:



Date: 7/12/22

By the Minister for Business and Better Regulation, Tara Cheyne MLA