

# SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 49 – March 2023



# ABOUT US



ACA Research & Fifth Quadrant have worked closely with Ovation on business and consumer research projects for over a decade. Our strong partnership has allowed us to collaborate on this tracker to provide a monthly update on the sentiment of Small & Medium businesses throughout Australia.

## TWO BRANDS OPERATING UNDER A SINGLE MANAGEMENT

ACA Research is a full-service market research consultancy, with a **strong focus on B2B projects.**

Our consultants provide strategic qualitative and quantitative research solutions to support business decision making.



Fifth Quadrant is our **specialist customer experience brand** providing industry analysis, benchmarking, research and consulting services.

Our consultants work on strategic and operational projects to help clients optimise CX delivery and reduce cost to serve.



Ovation is committed to delivering quality data, analytics and online research services with access to **one of Australia's largest and most responsive online research panels.** Our wide reach includes professionals, from small business owners to executives, across a variety of industries.

Our continued success is based on integrity and passion to ensure the best outcomes for both our clients and members alike.



# KEY LEARNINGS



**24% of SMEs are generating higher revenues than before the pandemic**



**81% are concerned about rising energy costs**



**34% are not well positioned to withstand the impact of a possible recession**



**26% are looking to increase capital investment, up 7% from last month**

## *SMEs Remain Resilient Despite Fears of Recession*

SMEs were faced with a tipping point last month, as many firms continued to bear the brunt of rising input costs and tightening economic conditions. Despite these significant challenges, all key performance indicators ticked upwards in March, with one quarter (24%) of SMEs generating higher revenues than before the pandemic, and nearly half (48%) operating at a profit compared to 43% a month earlier.

However, sentiment regarding the Australian economy remains delicate with 67% of SMEs expecting weaker conditions over the next 3 months and 66% expecting softer global conditions. It is also concerning that one third (34%) of SMEs do not think they are well positioned to withstand the impact of a recession over the next 12 months and only 30% are focusing on growth compared to 41% reported in October last year.

While rising interest rates remain a key concern for 80% of SMEs, increasing energy (81%) and wage cost (61%) concerns have spiked over the past month. Importantly, two-thirds (66%) of SMEs have been able to pass some of these higher input costs onto customers, but looking forward less SMEs (62%) expect this to continue if they wish to remain competitive in a weak economy.

On a positive note, capital investment intentions have also rebounded as we move into the final quarter of the financial year. Intentions to invest have increased across the board, but specifically in technology, machinery and plant.

Interestingly, 56% of SME decision makers support the federal Labor government's decision to apply a tax rate of 30% to superannuation earnings on balances above \$3 million, with hospitality and distribution sectors most likely to support the change.

*In summary, SMEs remained resilient in March, but despite stronger revenue and profitability figures, rising input costs such as wages and energy remain significant concerns. While short term revenue expectations remain steady, sentiment about economic conditions continues to fall, and hence the fears of a recession are real amongst the SME community.*



1

**KEY PERFORMANCE INDICATORS**

2

**PEOPLE**

3

**BUSINESS SENTIMENT**

4

**BUSINESS INVESTMENT**

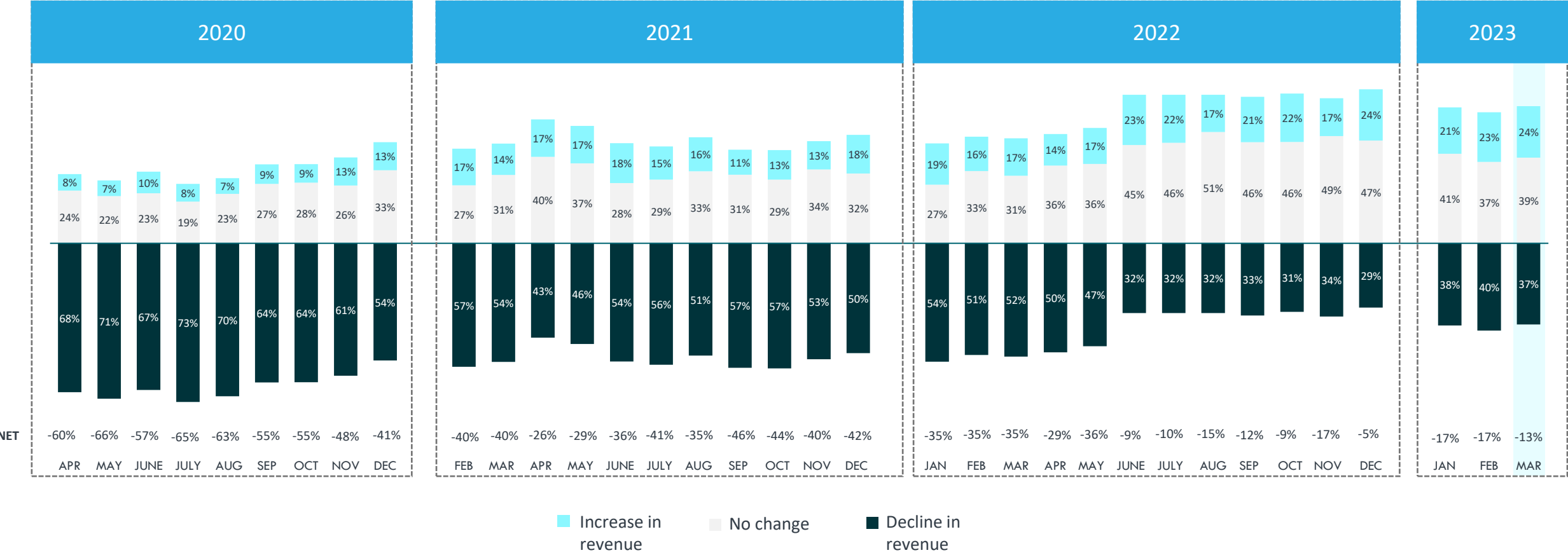
5

**GOVERNMENT POLICY**



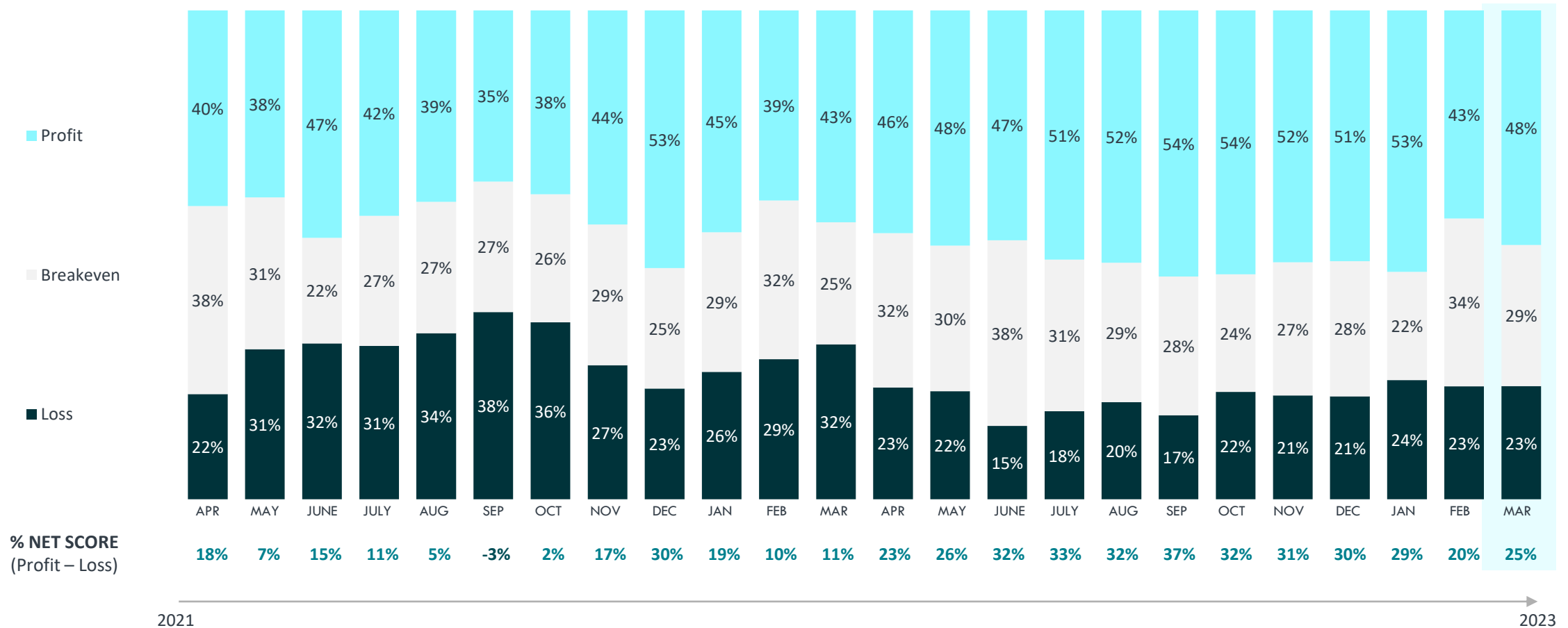
Positive to see revenue figures slightly improving in March despite difficult economic conditions.

HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE PRIOR TO THE PANDEMIC?



In line with revenue, profitability has also increased.

## WHAT WAS YOUR PROFIT MARGIN LAST MONTH (FEBRUARY)?



# BUSINESS CONCERNS

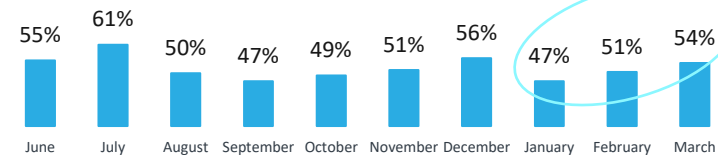
Despite the slight increase in revenue and profit concerns regarding skill shortages, wage costs, and energy costs have all spiked over the past month.

## HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



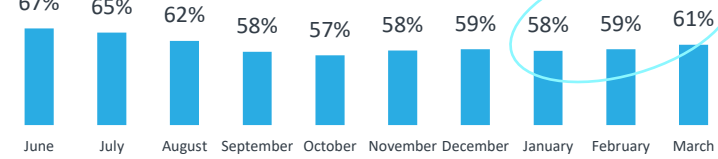
### Staff or skill shortages

10 month trend: -1%



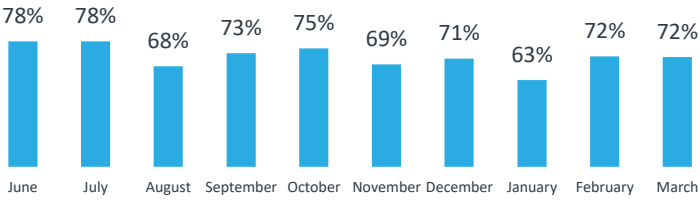
### Increasing wage costs

10 month trend: -6%



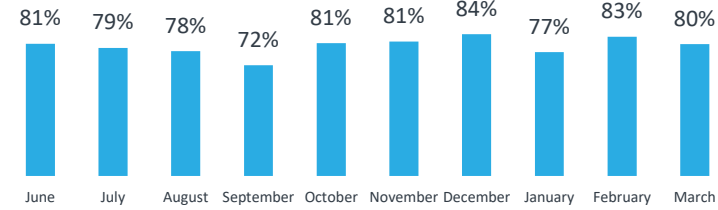
### Supply chain delays and associated costs increase

10 month trend: -6%



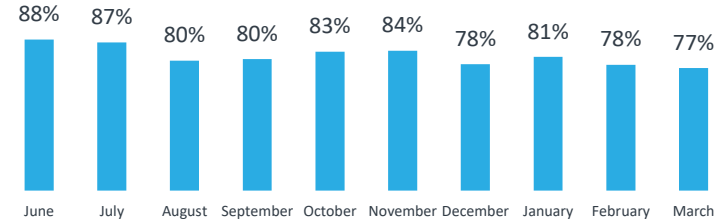
### Rising interest rates

10 month trend: -1%



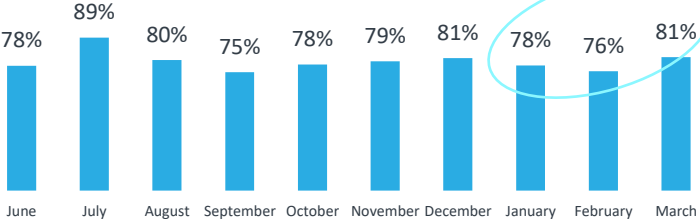
### Increasing fuel costs

10 month trend: -11%



### Increasing energy costs

10 month trend: +3%

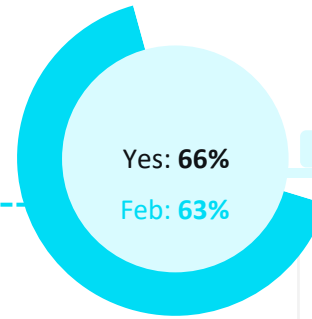
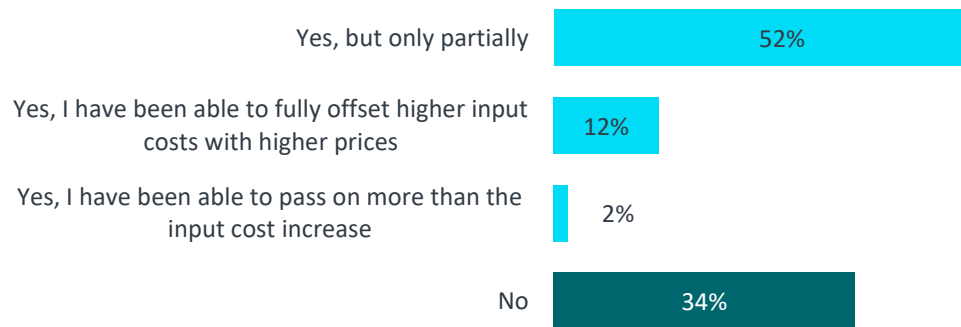


NET concerned

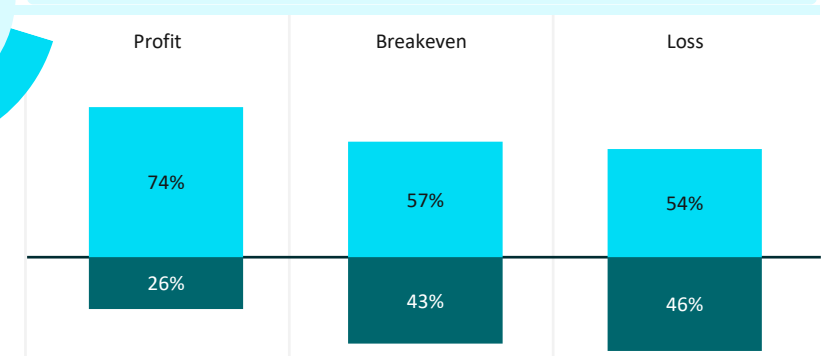
# COST RECOVERY

Accordingly two-thirds (66%) of SMEs have passed on higher input costs to customers, but looking forward less SMEs (62%) expect to be able to continue to increase their prices. Profitable SMEs are more likely to have been passing on higher input costs to customers, while many who operated at a loss in February intend to start doing so too.

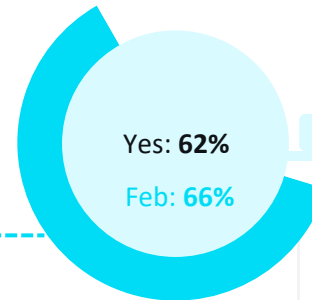
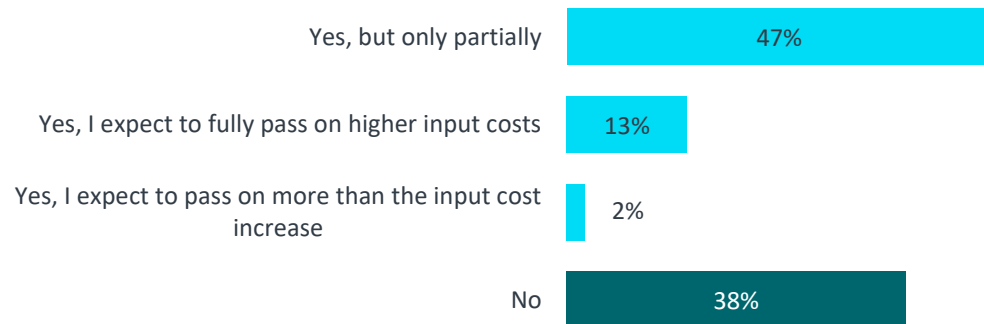
## HAVE YOU BEEN ABLE TO PASS ON HIGHER INPUT COSTS TO YOUR CUSTOMERS?



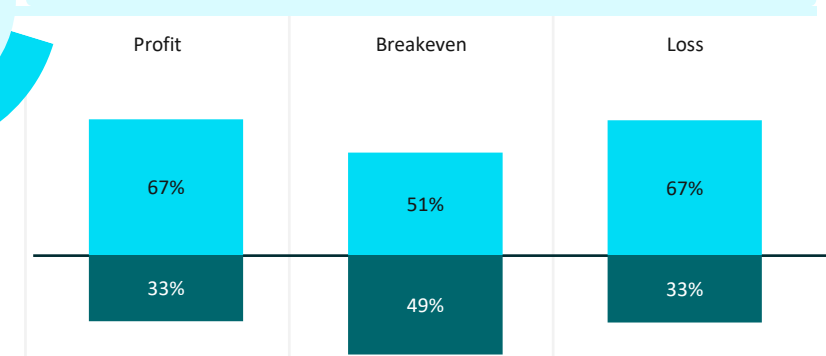
### BY PROFIT IN FEBRUARY



## DO YOU EXPECT TO BE ABLE TO PASS ON/CONTINUE TO PASS ON HIGHER INPUT COSTS TO CUSTOMERS IN THE NEXT 6 MONTHS?



### BY PROFIT IN FEBRUARY







1

KEY PERFORMANCE INDICATORS

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BUSINESS SENTIMENT

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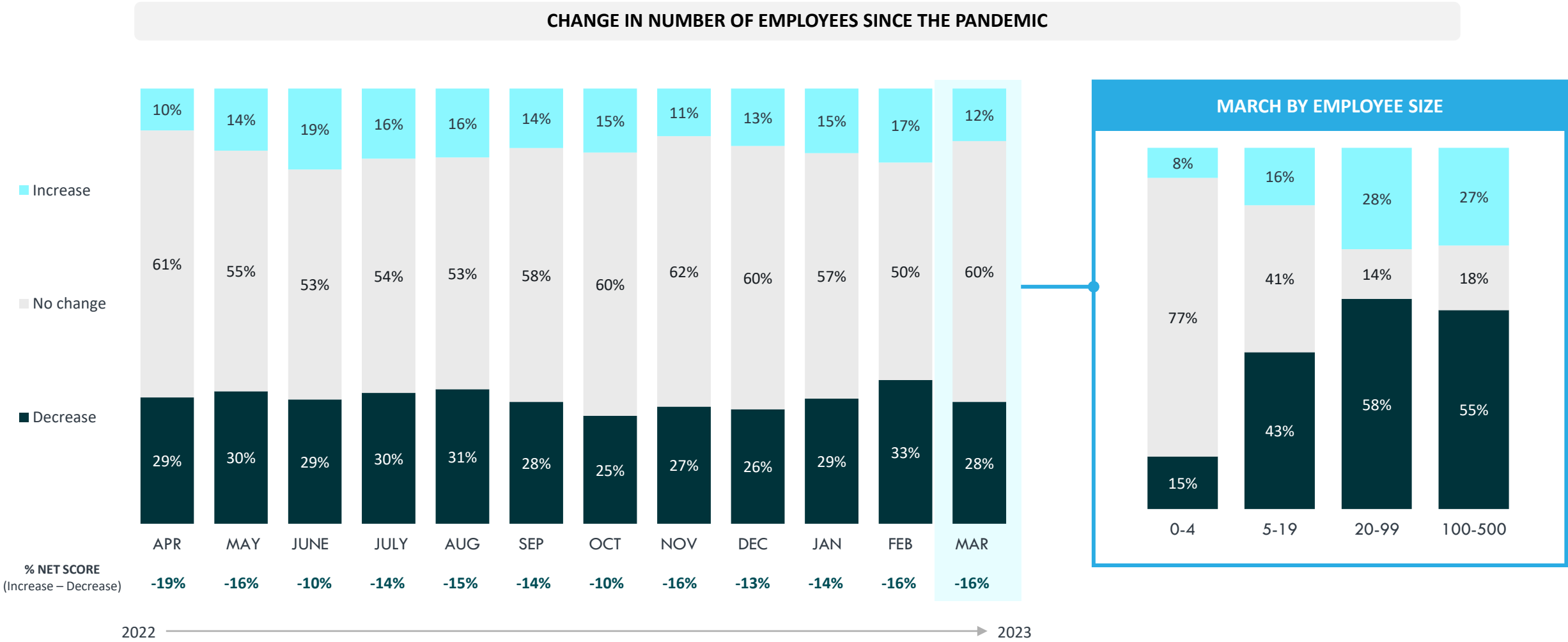
BUSINESS INVESTMENT

5

GOVERNMENT POLICY

# EMPLOYMENT

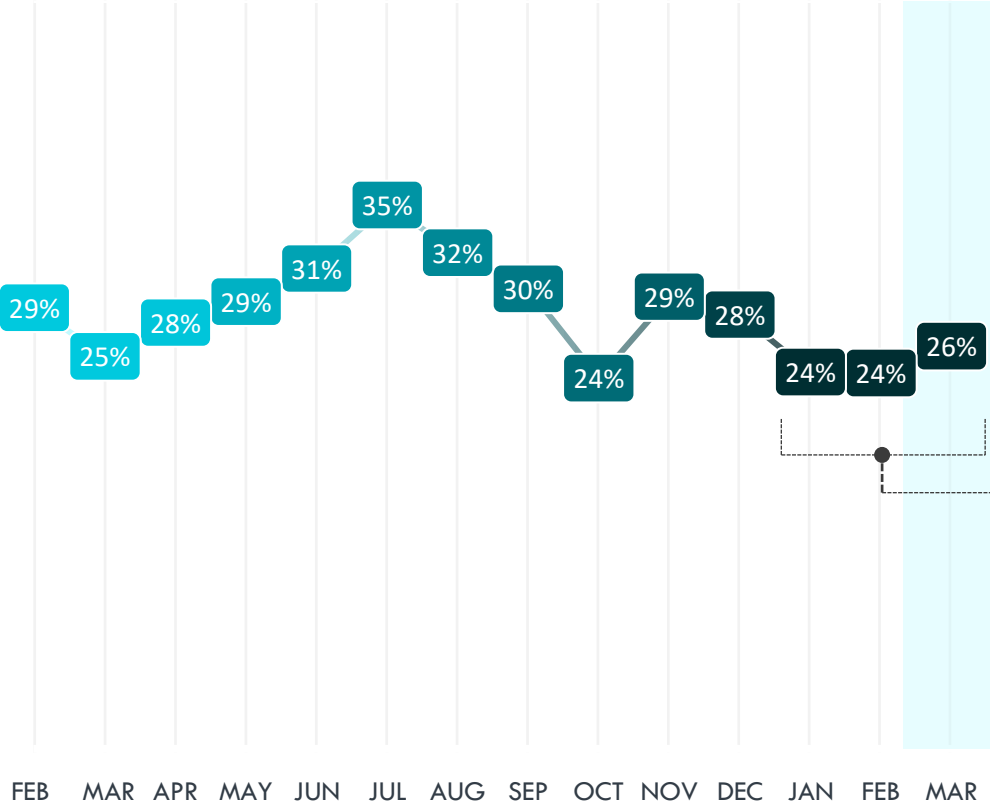
Leaner workforces appear to have emerged as a lasting pandemic trend, with 88% of SMEs opting to operate with either the same or less staff, especially amongst larger businesses who have apparently right sized their operations through efficiency initiatives and technology implementation over the past 3 years.



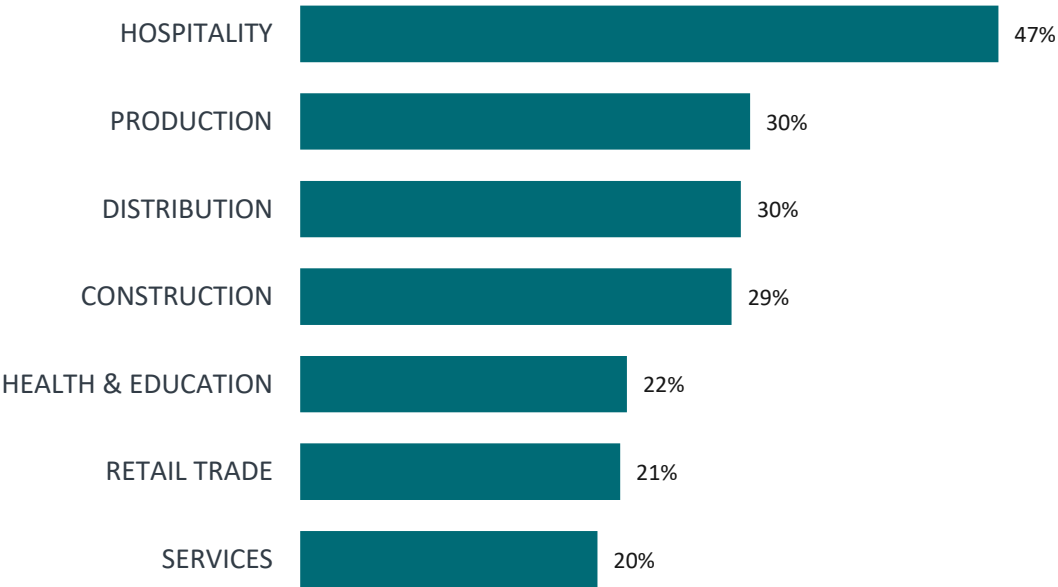
# JOB VACANCIES

After a weaker start to 2023, recruitment activity has slightly increased. The hospitality industry was especially active during the March quarter, with nearly half (47%) trying to fill vacant job roles.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL

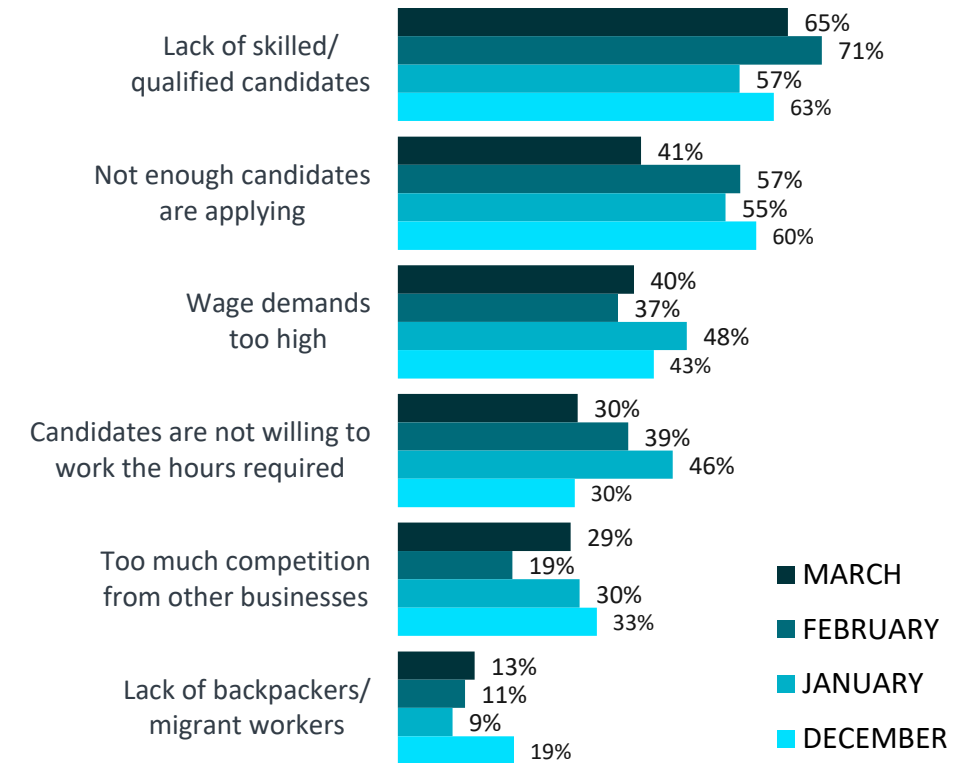
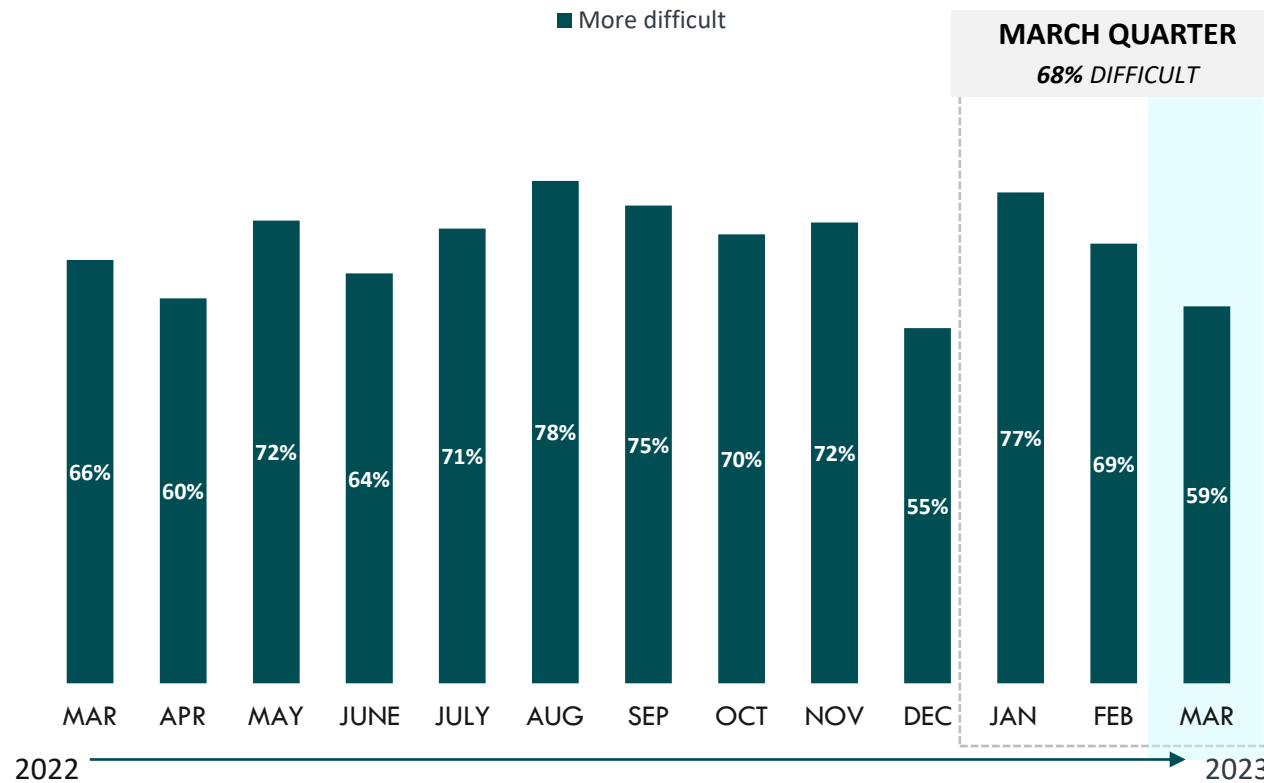


MARCH QUARTER BY INDUSTRY (JAN-MAR 2023)



Recruitment difficulties are showing signs of gradually dissipating in 2023. However, a lack of skilled candidates remains the main barrier for those recruiting.

OVERALL, DO YOU THINK IT IS MORE OR LESS DIFFICULT TO FILL ROLES THAN BEFORE THE COVID-19 PANDEMIC?





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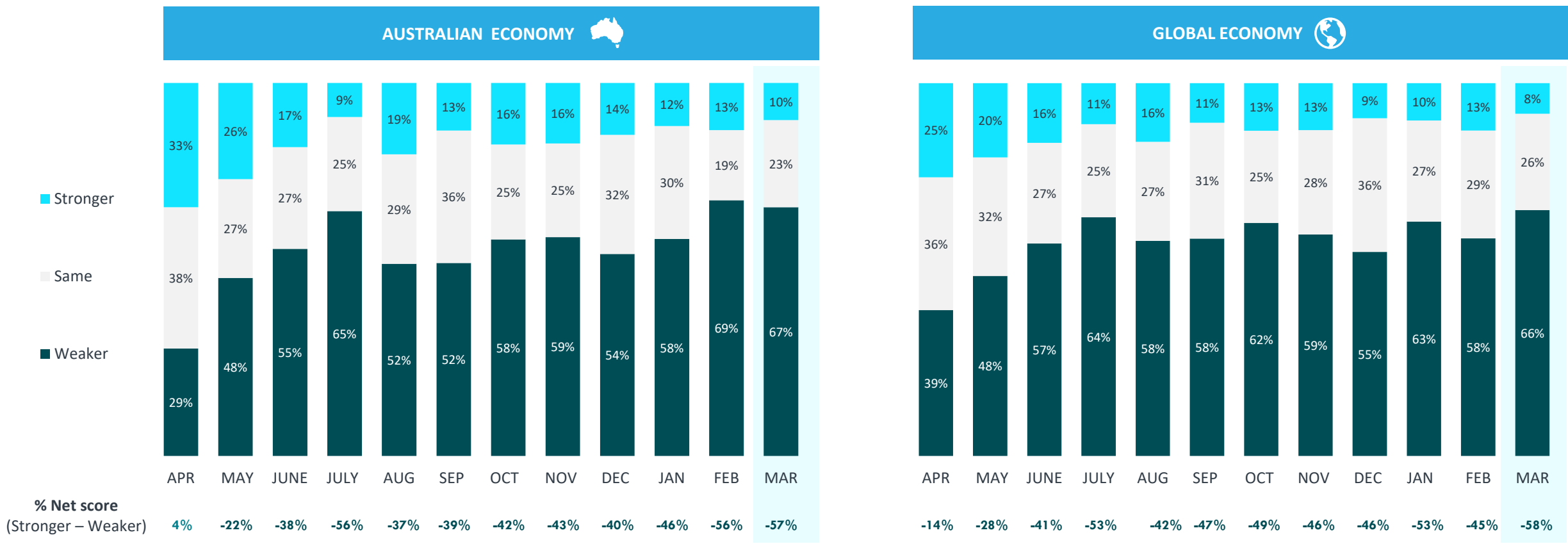
5

GOVERNMENT POLICY

# EXPECTATIONS REGARDING ECONOMIC CONDITIONS (NEXT 3 MONTHS)

Continued interest rate rises have stalled confidence in the Australian domestic economy, while volatility abroad has further weakened confidence in the global economy.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS





# RECESSION READINESS

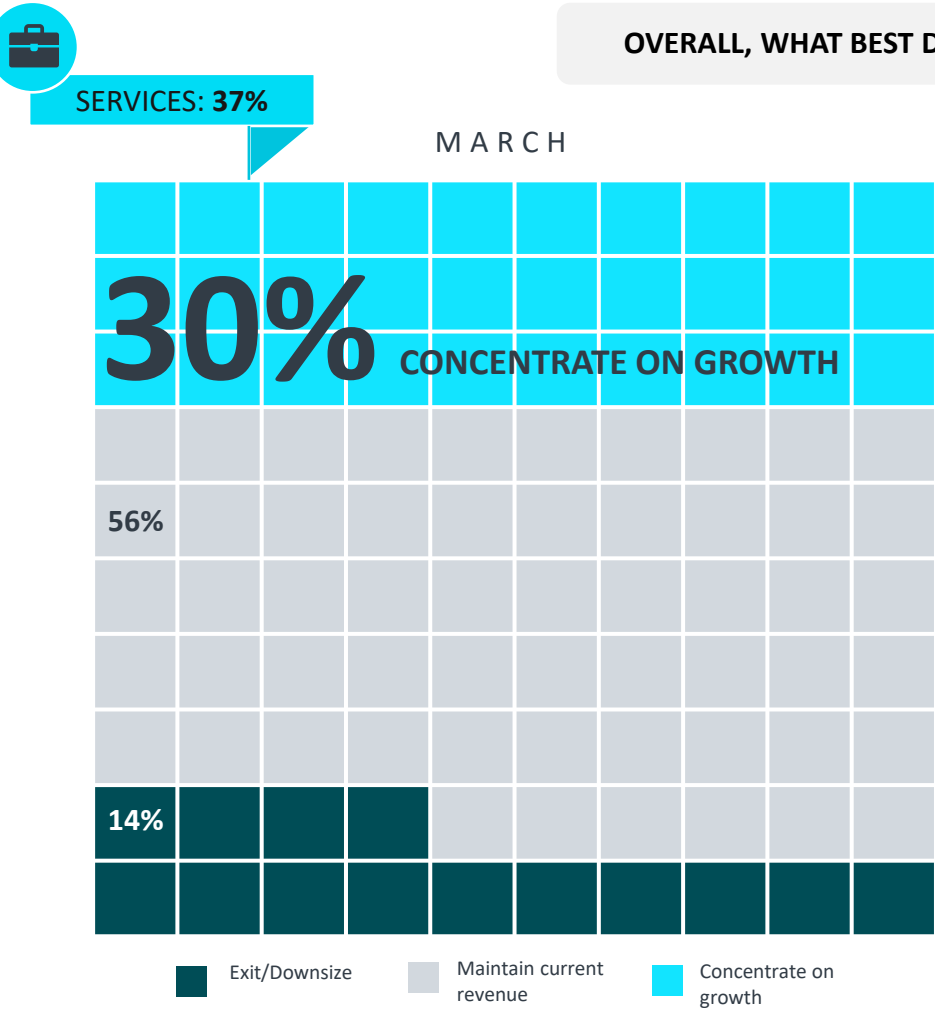
One third of SMEs are in a vulnerable position should the Australian economy enter a period of recession. Unsurprisingly, larger organisations are well insulated against such circumstances, while those in need of additional finance are most at risk.

DO YOU THINK YOUR BUSINESS IS WELL POSITIONED TO WITHSTAND THE IMPACT OF A POSSIBLE RECESSION IN AUSTRALIA OVER THE NEXT 12 MONTHS?

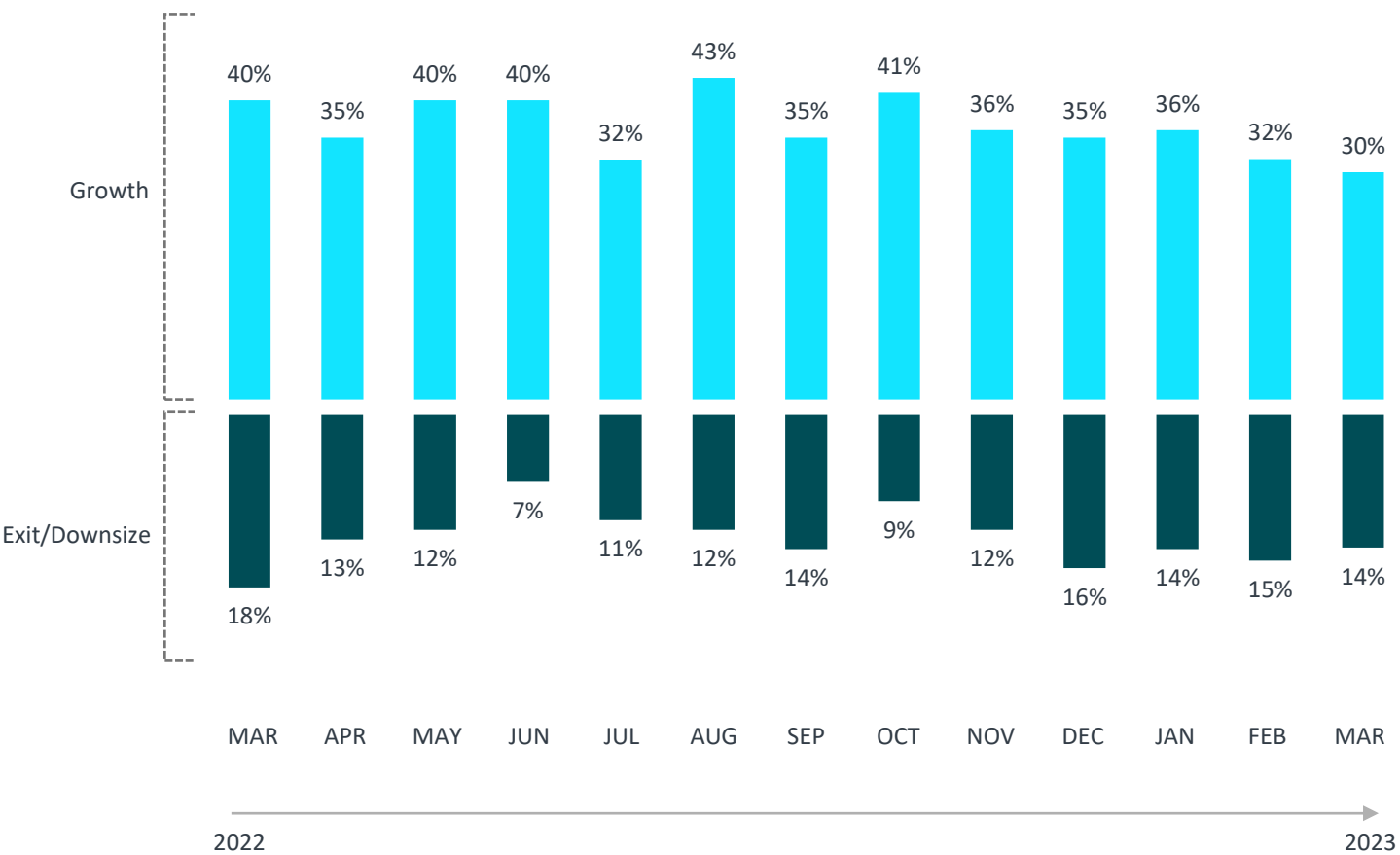


# GROWTH EXPECTATIONS (NEXT 12 MONTHS)

March saw a further decline in the number of growth focussed organisations, as economic uncertainty persists domestically and internationally.



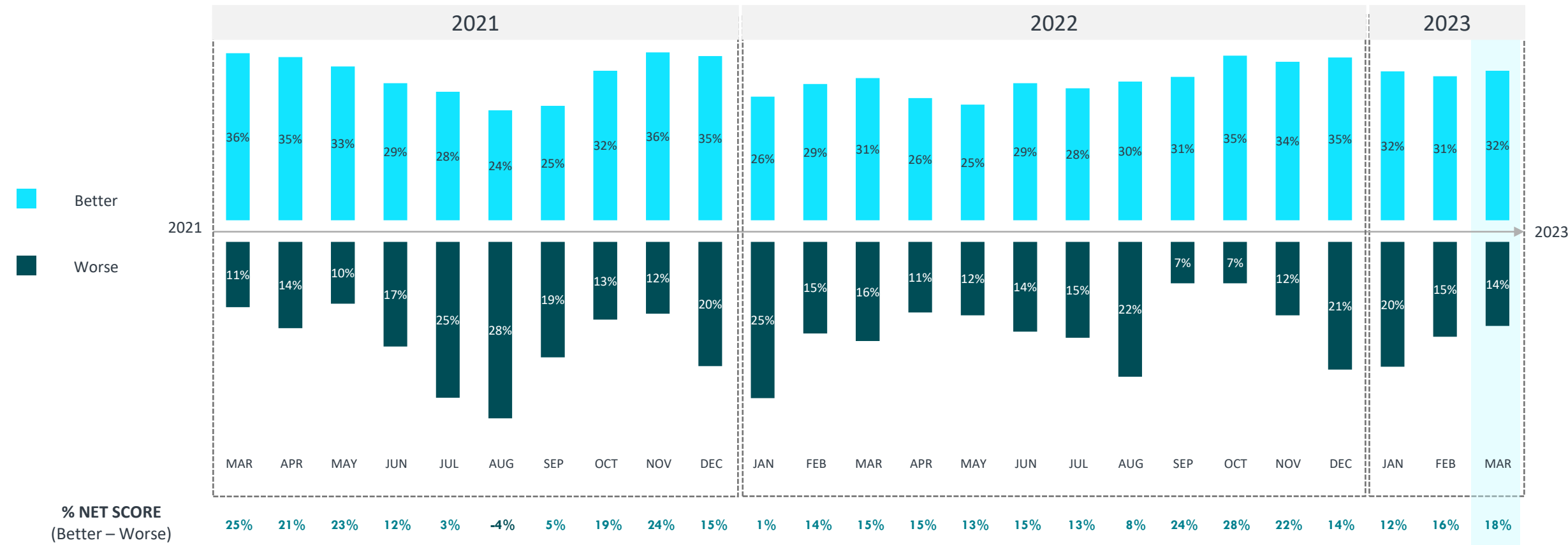
OVERALL, WHAT BEST DESCRIBES YOUR APPROACH TO BUSINESS OVER THE NEXT 12 MONTHS?



# REVENUE EXPECTATIONS (NEXT 4 WEEKS)

Despite weaker sentiment short term revenue expectations continue to tick up after the seasonal slowdown in January and February.

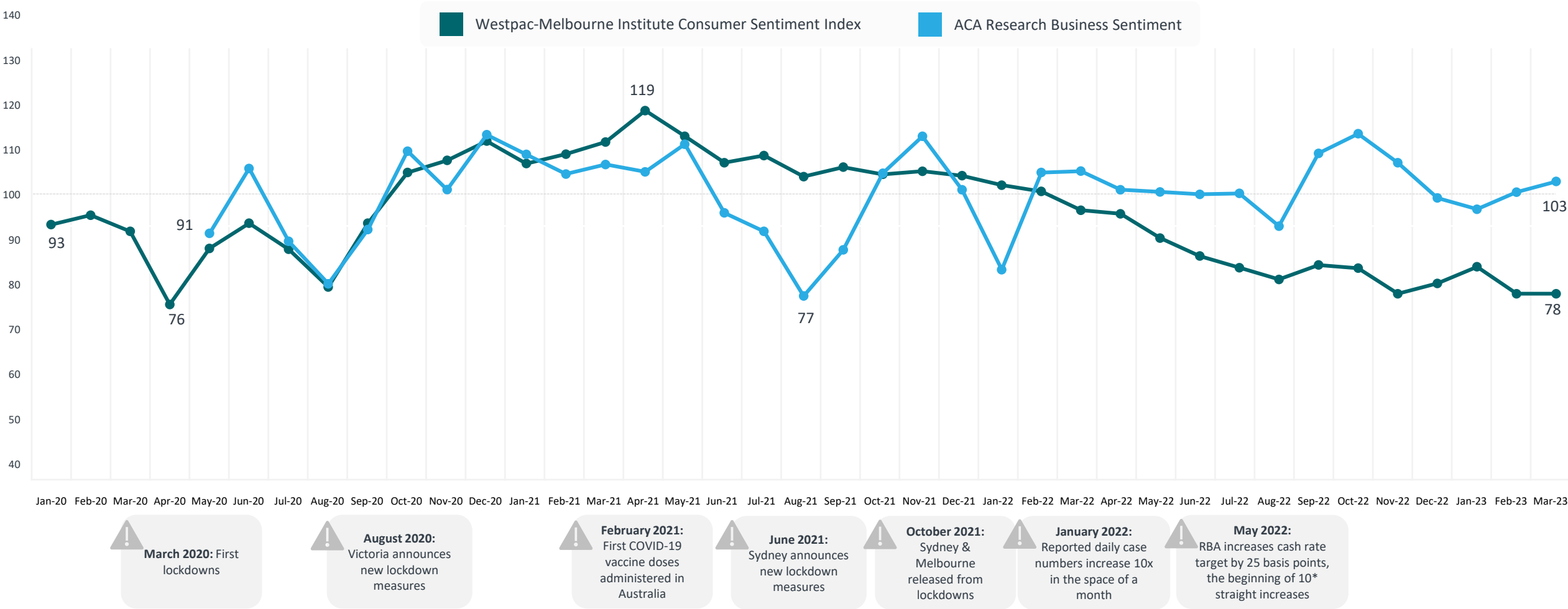
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



# SENTIMENT 2020-2023

Despite the ongoing challenges business sentiment remains much stronger than consumer sentiment.

BUSINESS AND CONSUMER SENTIMENT





1

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# BUSINESS INVESTMENT (NEXT 3 MONTHS)

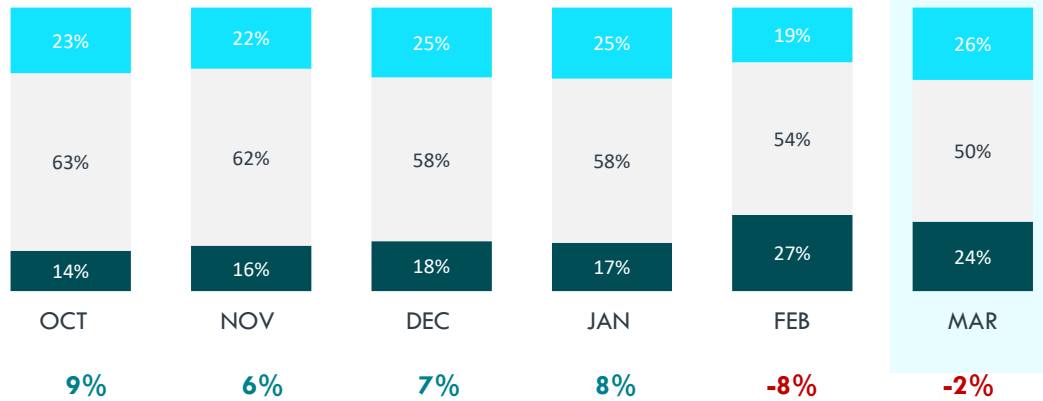
As we move into the final quarter of the financial year SME capital investment intentions have rebounded, whereas intentions to increase staff numbers have significantly declined.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

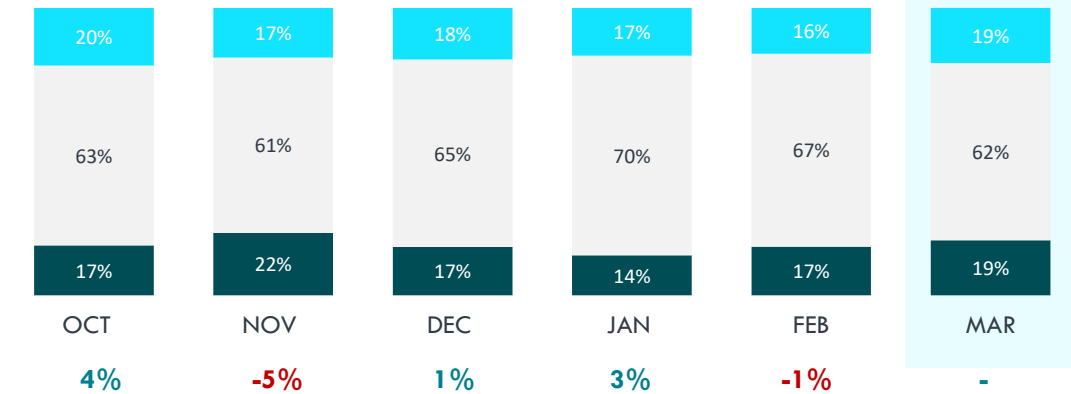
### BUSINESS SPENDING/ CAPITAL INVESTMENT

■ Increase  
■ Same  
■ Decrease

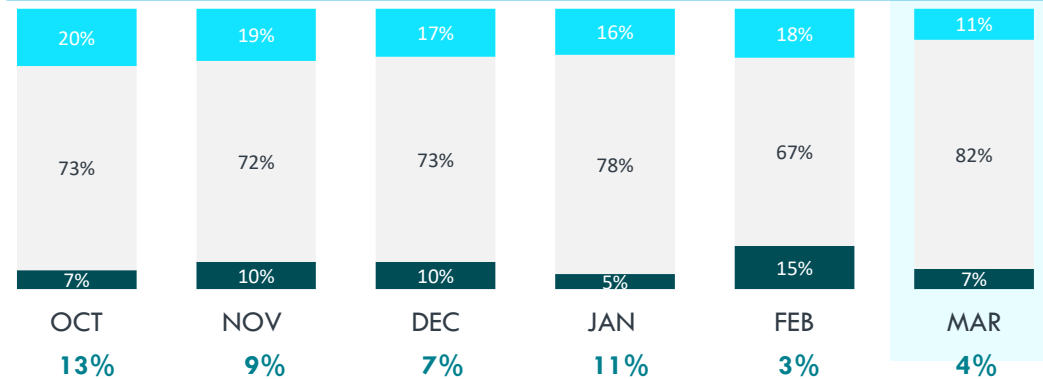
% Net score  
(Increase – Decrease)



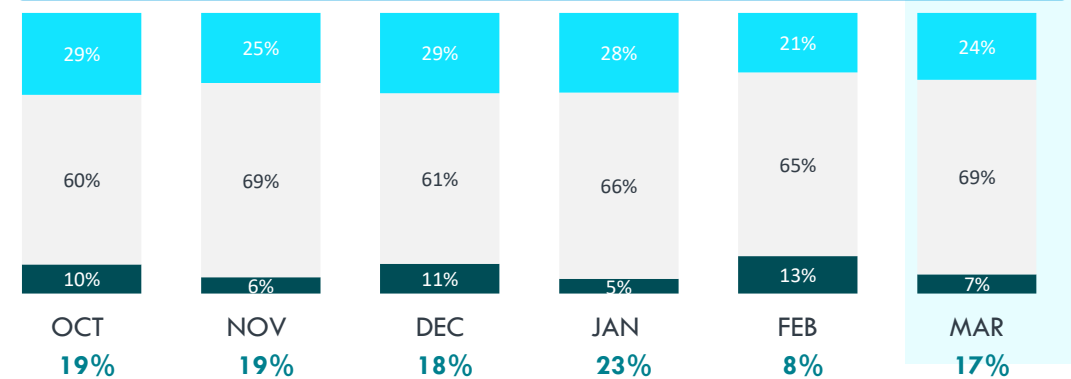
### MARKETING SPEND



### THE NUMBER OF STAFF YOU EMPLOY



### THE WAGES YOU PAY

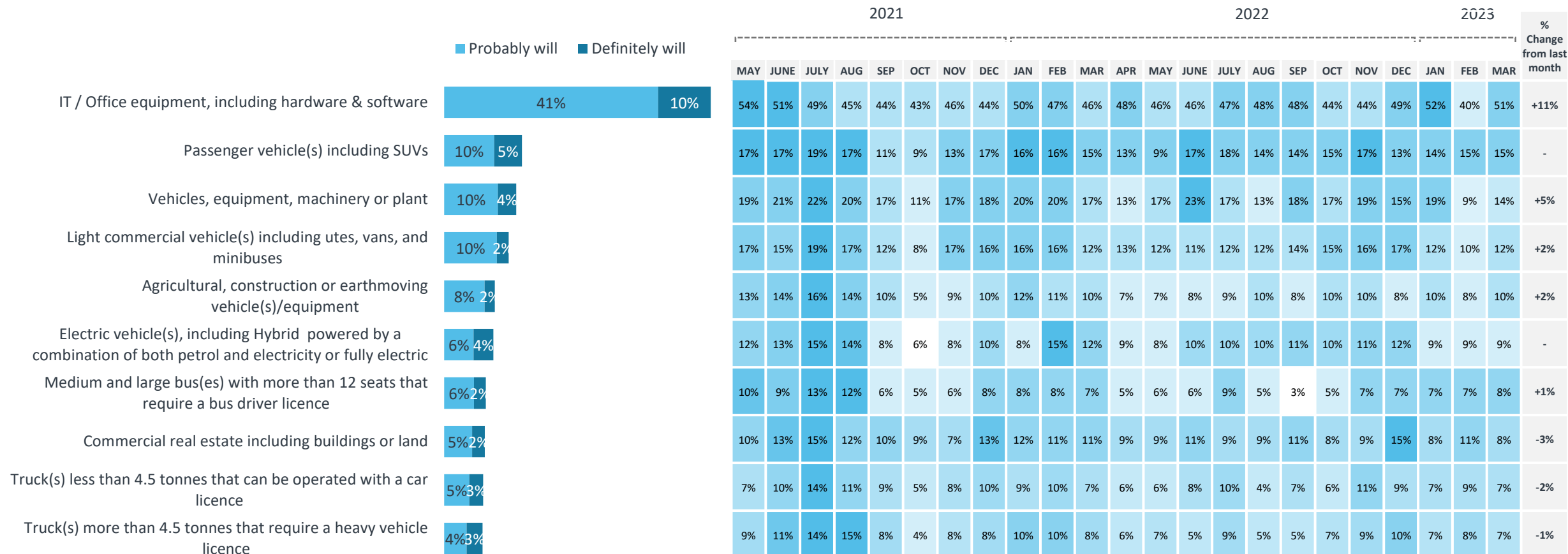




# CAPITAL EXPENDITURE (NEXT 3 MONTHS)

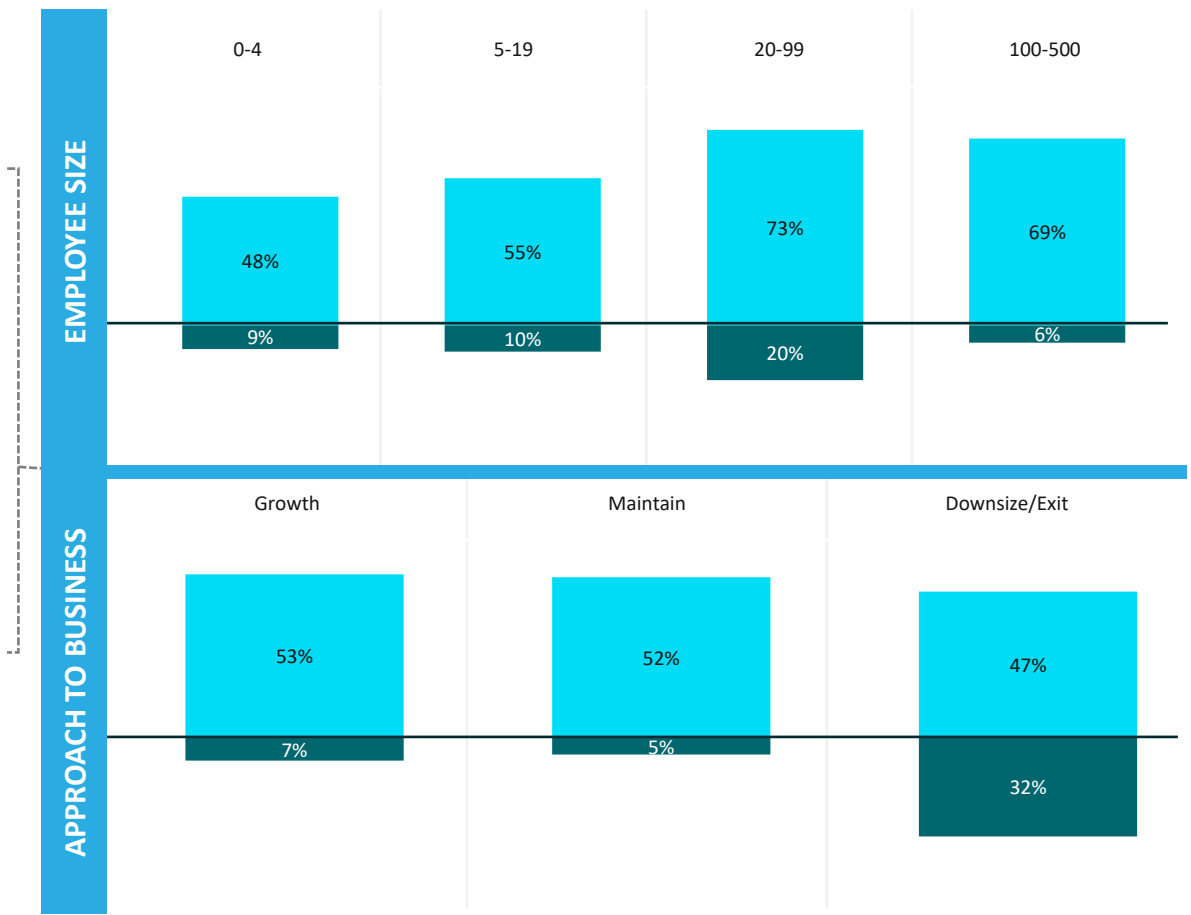
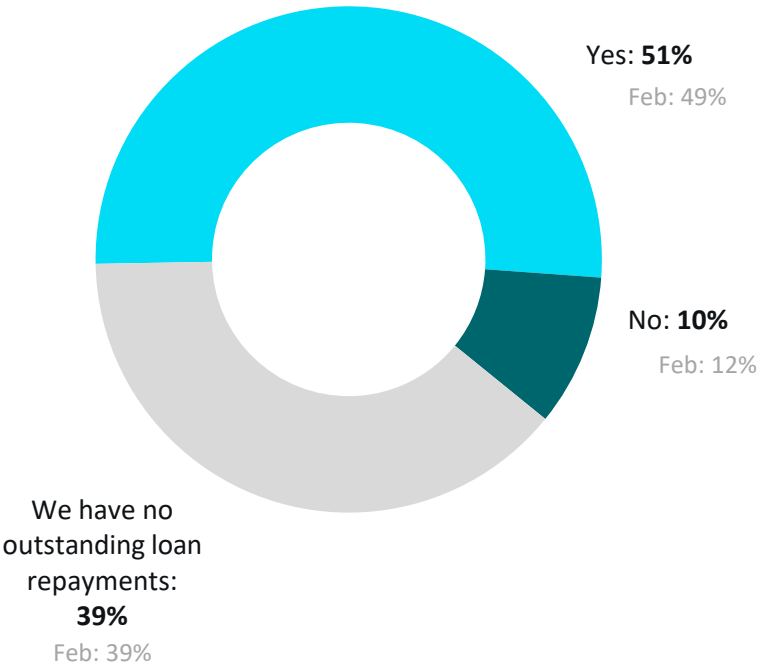
Specifically, intentions to purchase technology, machinery and plant have rebounded after dropping significantly last month.

## WHICH OF THE FOLLOWING WILL YOU PURCHASE FOR YOUR BUSINESS OVER THE NEXT 3 MONTHS?



10% of SMEs expect a level of difficulty in meeting their outstanding loan repayments over the next 6 months, a slight drop from 12% in February. Understandably, one third of businesses looking to downsize or exit are experiencing loan repayment difficulties.

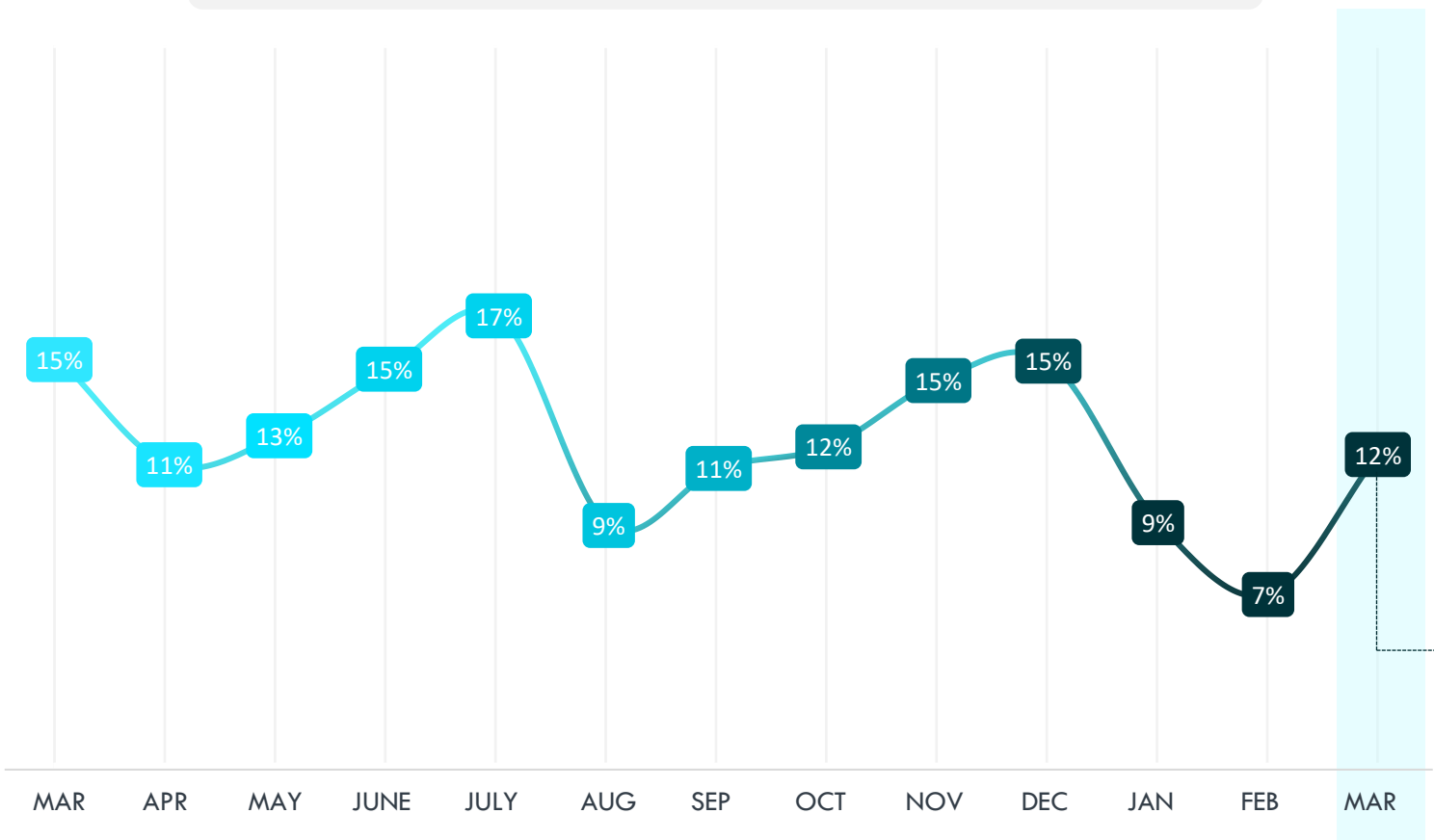
DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?



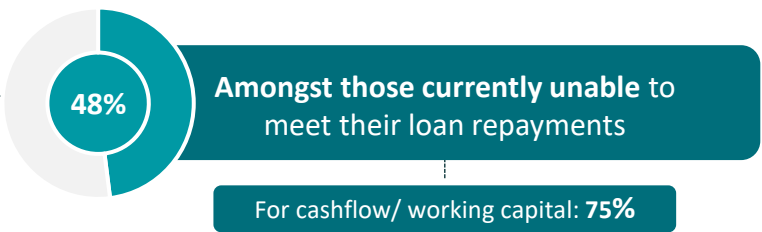
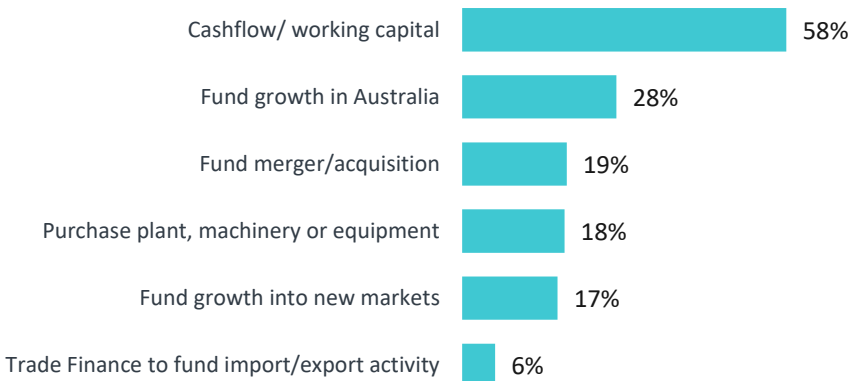
# FINANCE NEEDS (NEXT 3 MONTHS)

The demand for additional finance has also increased slightly from last month despite rising interest rates. Cashflow/ working capital is the main reason for this increase in demand.

## SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



## AND WHAT IS THE PURPOSE OF THIS FINANCE?





1

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BUSINESS INVESTMENT

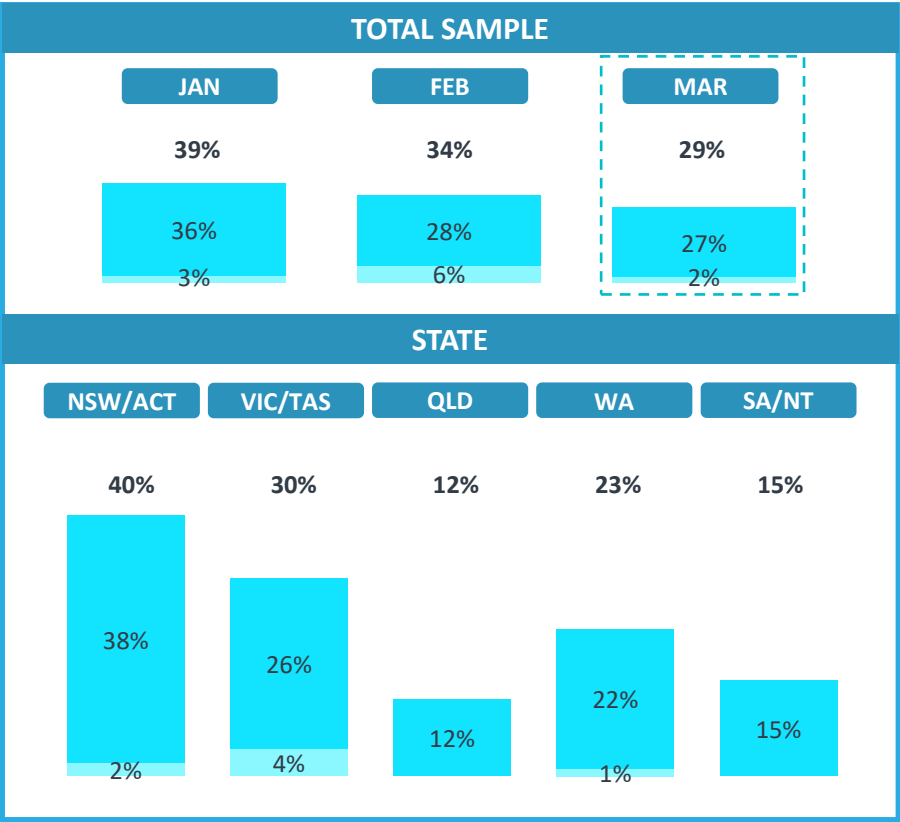
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GOVERNMENT POLICY

Satisfaction with the federal Labor government’s ability to support business needs has continued to decline, with less than a third of business decision makers now voicing some level of satisfaction.

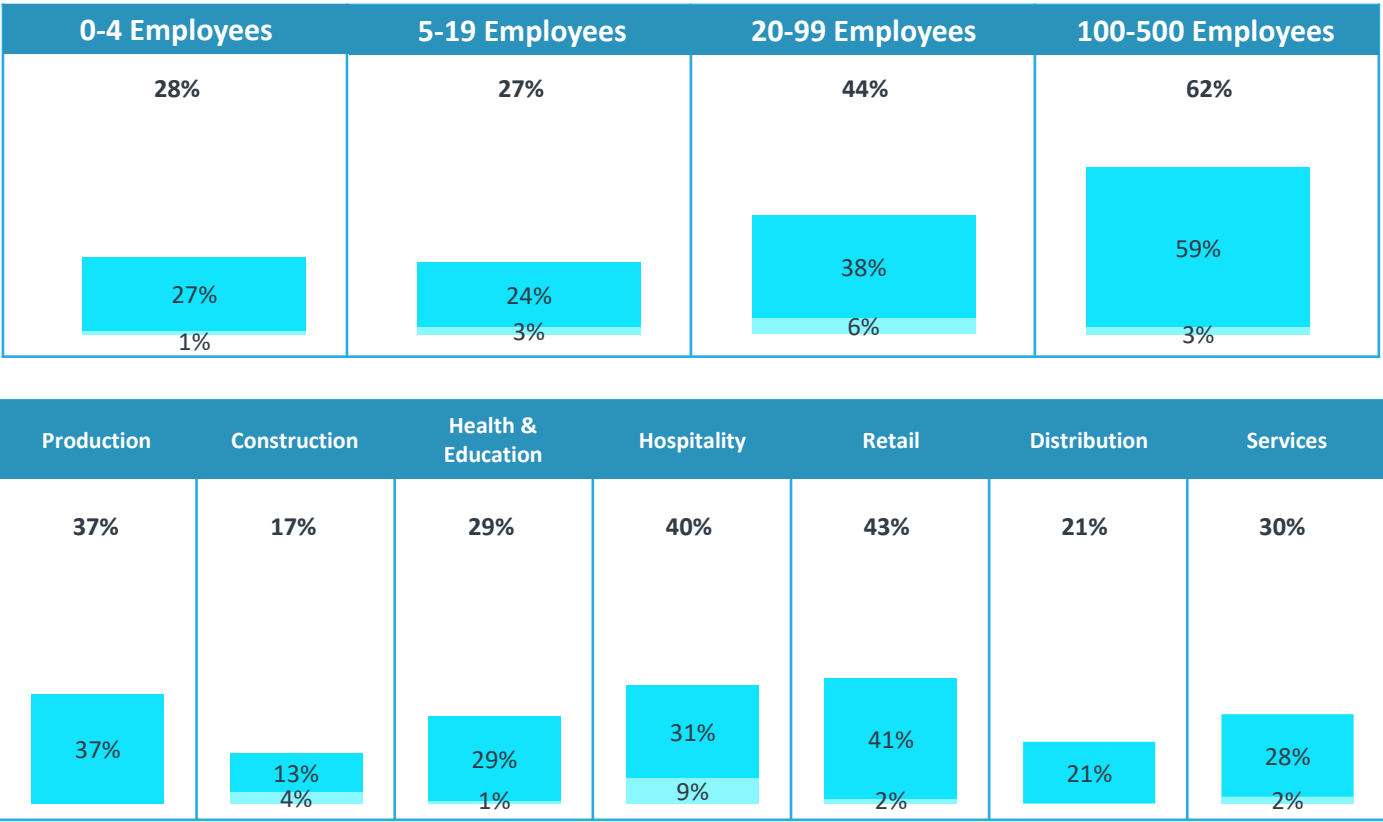
HOW SATISFIED ARE YOU THAT THE FEDERAL GOVERNMENT IS DELIVERING EFFECTIVE POLICIES THAT SUPPORT THE NEEDS OF YOUR BUSINESS?

Total satisfied



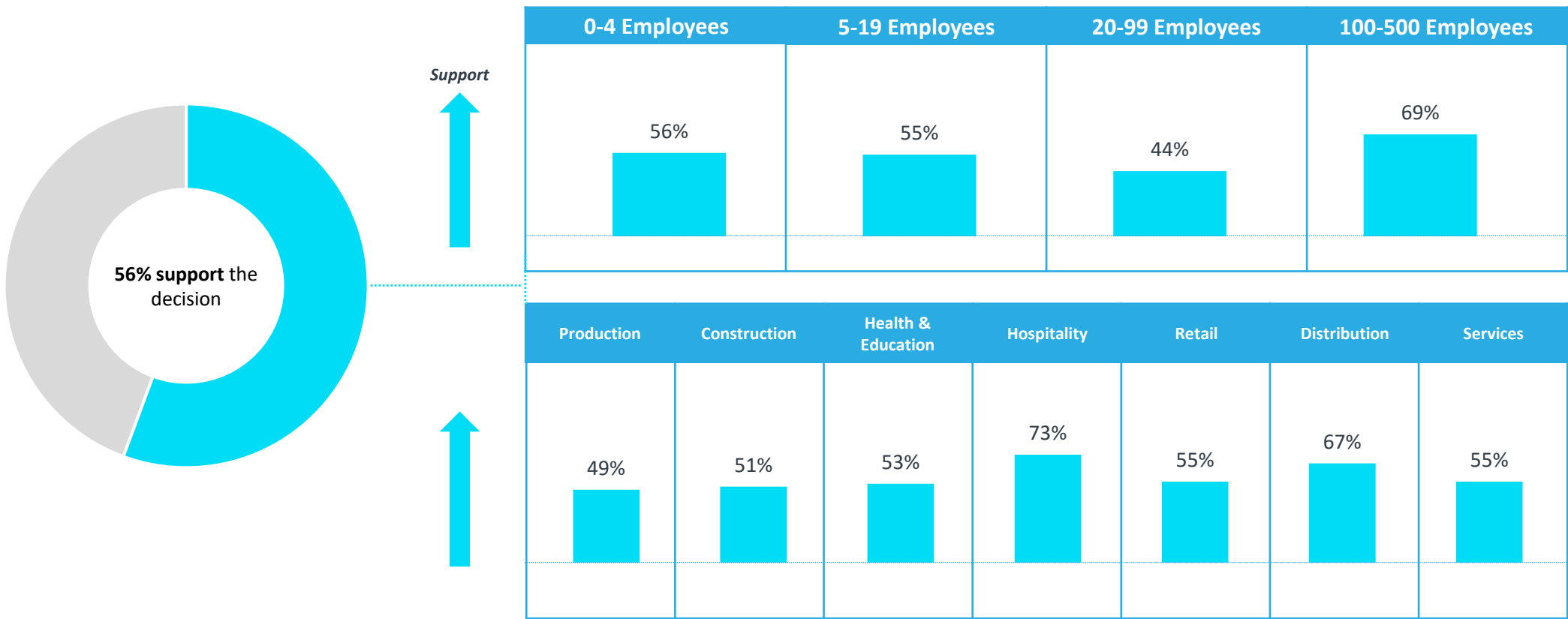
Quite satisfied

Very satisfied



Despite low levels of satisfaction, 56% of SME decision makers support the federal Labor government’s decision to apply a tax rate of 30% to superannuation balances above \$3 million, with hospitality and distribution sectors most likely to support the change.

DO YOU SUPPORT THE FEDERAL GOVERNMENT’S DECISION TO INCREASE TAXATION ON EARNINGS FROM SUPERANNUATION BALANCES IN EXCESS OF \$3 MILLION TO 30% FROM THE CURRENT 15%?





# APPENDIX

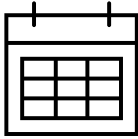
1

**METHODOLOGY & SAMPLE**

2

**ABOUT ACA RESEARCH & FIFTH QUADRANT**

# METHODOLOGY



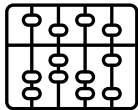
The SME Tracker was first launched  
**w/e 5<sup>th</sup> April 2020**



Respondents from across  
Australia, including **metro**  
**and regional** areas



All respondents are **business owners or**  
**financial decision makers/influencers**



Monthly waves with a minimum of  
**400 completed surveys with small**  
**and medium businesses with up to**  
**500 employees**



All **industry sectors** are  
represented, allowing for  
subgroup analysis

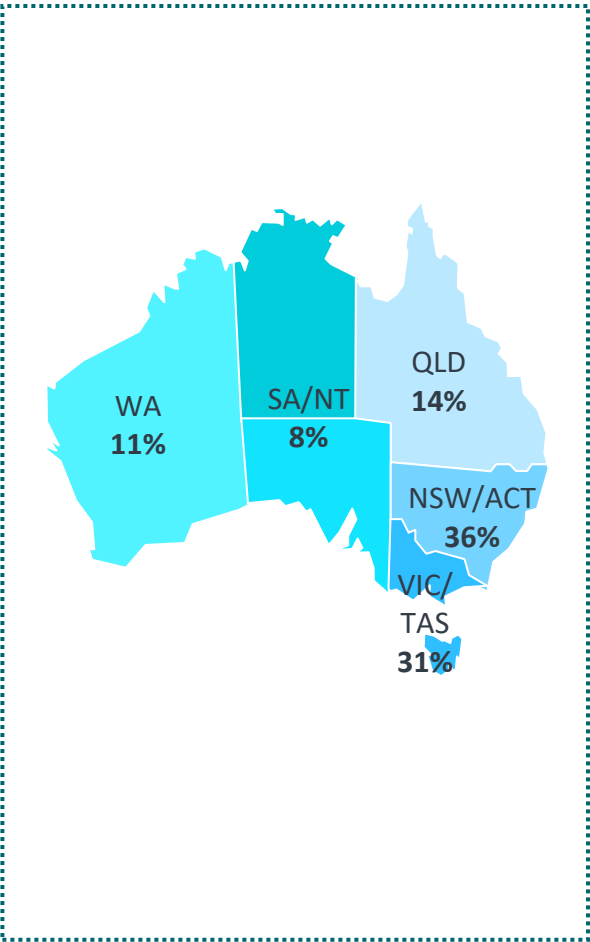


Data is **weighted** by industry, state  
and number of employees to reflect  
the national distribution of businesses  
across the country

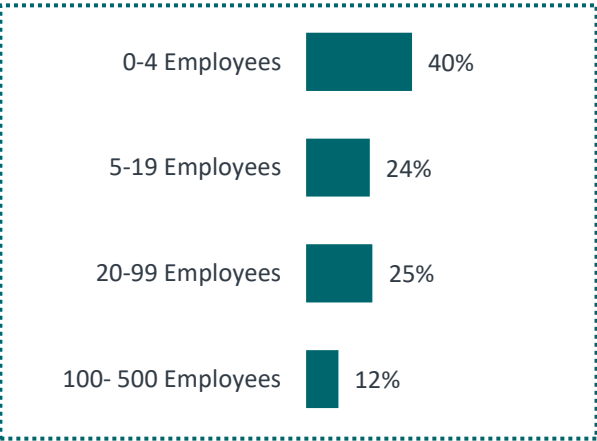
# OUR SAMPLE

Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

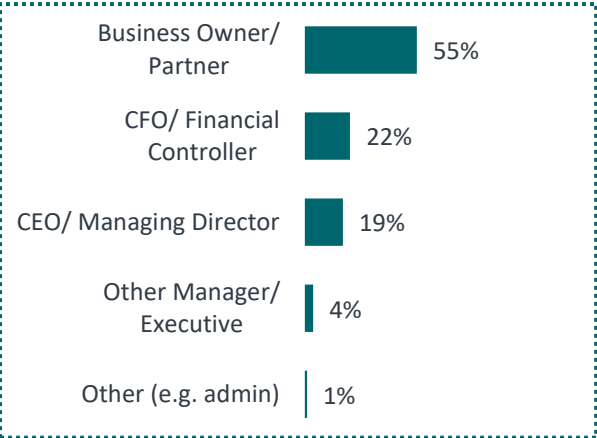
## HEAD OFFICE LOCATION



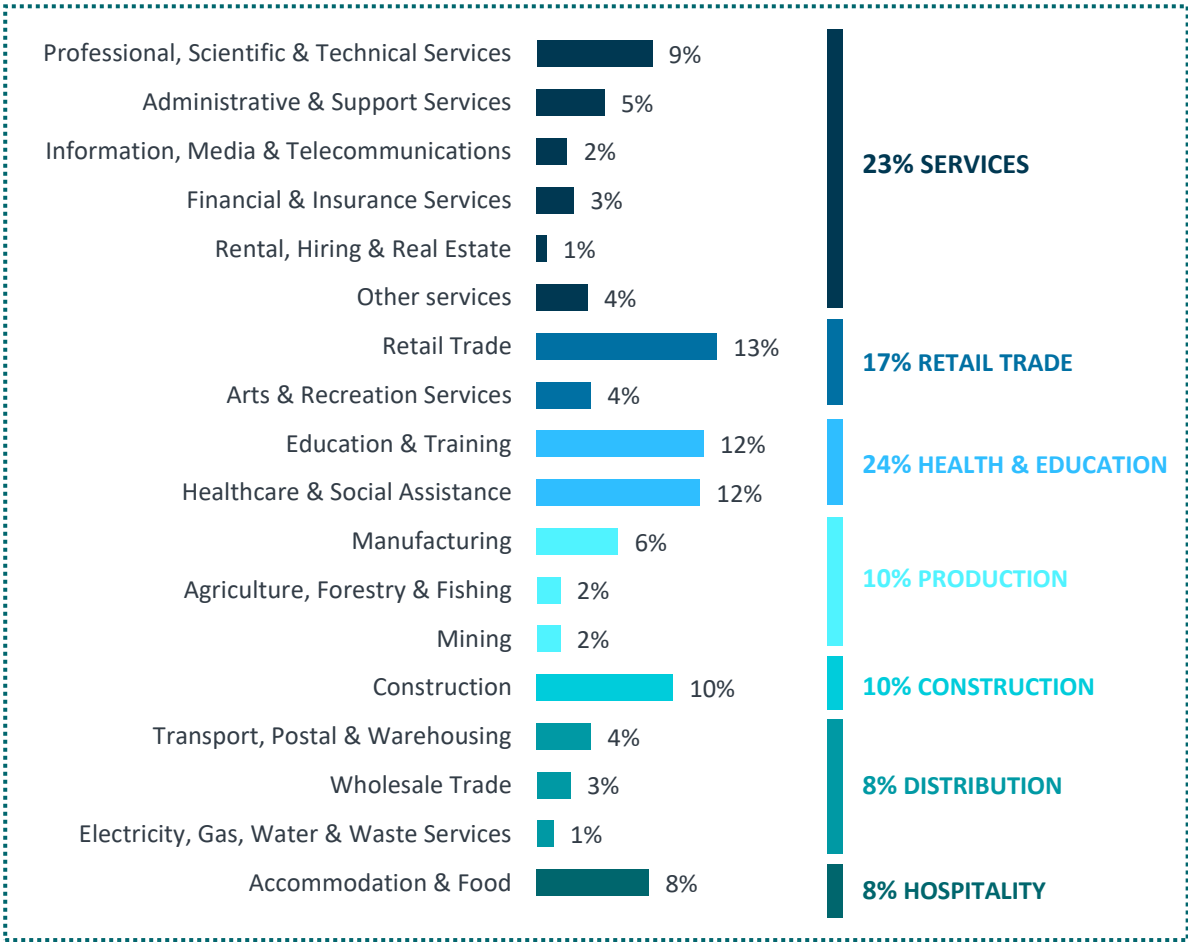
## SIZE OF BUSINESS: EMPLOYEES



## POSITION IN BUSINESS



## INDUSTRY SECTOR



NOTE: CHARTS SHOW UNWEIGHTED DATA

# APPENDIX

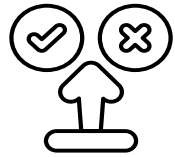
1

METHODOLOGY & SAMPLE

2

ABOUT ACA RESEARCH & FIFTH QUADRANT

# OUR PROMISE TO CLIENTS



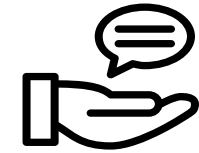
WE HELP OUR CLIENTS  
MAKE INFORMED  
BUSINESS DECISIONS



BY LEVERAGING OUR  
SPECIALIST  
CAPABILITIES



TO EXECUTE  
CUSTOMISED RESEARCH  
AND CONSULTING  
PROGRAMS



TO DELIVER  
ACTIONABLE  
RECOMMENDATIONS  
AND ADVICE

Providing meaningful insight to allow you to make informed business decisions that drive growth, competitive advantage and productivity

Leveraging our deep industry expertise and customer experience specialisation to drive better outcomes for your business, customers, employees, business partners, shareholders and the community

Working in partnership with you to design and deliver research & consulting programs aligned to your individual needs

Helping you achieve your goals by delivering pragmatic, actionable recommendations and strategic advice

# OUR RESEARCH FRAMEWORK

## DELIVERING INSIGHT THROUGHTOUT THE CUSTOMER JOURNEY

Market  
Evaluation &  
Opportunity  
Identification

Brand Health,  
Comms &  
Thought  
Leadership

Channel And  
Partner  
Experience

Mystery  
Shopping  
Audits

Lost Lead  
Management

Customer  
Experience

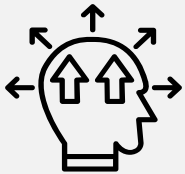
NPD &  
Innovation

### KNOW YOUR MARKET

### KNOW YOUR CUSTOMER

### CREATE GREAT EXPERIENCES

AWARENESS  
OF NEED



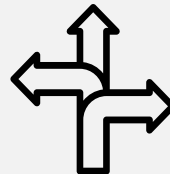
DISCOVERY



ENGAGE



DECISION



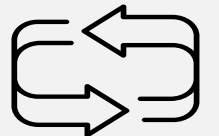
PURCHASE &  
ONBOARDING



ONGOING  
EXPERIENCE



RENEWAL,  
REPLACEMENT  
& LOYALTY







# THANK YOU!

FOR FURTHER INFORMATION, PLEASE CONTACT:

**JAMES ORGAN, MANAGING DIRECTOR**  
ACA RESEARCH & FIFTH QUADRANT  
E: [jorgan@acaresearch.com.au](mailto:jorgan@acaresearch.com.au)

