

# SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 50 – April 2023





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



**28% of SMEs are generating higher revenues than before the pandemic**



**80% are concerned about rising energy costs**



**30% are not well positioned to withstand the impact of a possible recession**



**24% to increase marketing spend over the next 3 months**

## ***SMEs Report Stronger Financials But Recruitment Activity Stalls***

The SME sector in Australia demonstrated a significant improvement in financial performance in April 2023, following a slow start to the year. The research shows that 28% of SMEs generated more revenue than pre-pandemic levels, which is the highest percentage since the study began in April 2020. In addition, 59% of SMEs recorded a profit in March. As a result, the proportion of businesses expecting growth over the next 12 months rose to 36%, up from 30% a month earlier.

However, with the increase in revenue and profitability, there are also growing concerns about staff shortages and associated wage costs. Although these concerns are rising, more than 80% of SMEs remain most concerned about rising interest rates and energy costs. Furthermore, 69% of SMEs are passing on higher input costs to customers, indicating that businesses are finding it increasingly challenging to maintain their profitability.

Recruitment activity dropped in the sector, reflecting the uncertain economic environment. Only 21% of SMEs were actively recruiting, down from 26% in the previous month. Recruitment difficulties have also rebounded after trending lower since January, with 71% of those experiencing difficulties reporting a lack of skilled candidates and 53% facing rising wage demands.

While sentiment towards the domestic economy improved in April as interest rate hikes were paused, sentiment towards global economic conditions remains low as inflation and geopolitical tensions continue.

*In summary, it is very positive to report a stronger financial performance from SMEs in April despite the ongoing cost challenges. Clearly many businesses are doing more with less as recruitment activity is put on hold while the cat and mouse game continues with interest rates and the impact this has on consumer spending.*



1

KEY PERFORMANCE INDICATORS

2

PEOPLE

3

BUSINESS SENTIMENT

4

BUSINESS INVESTMENT

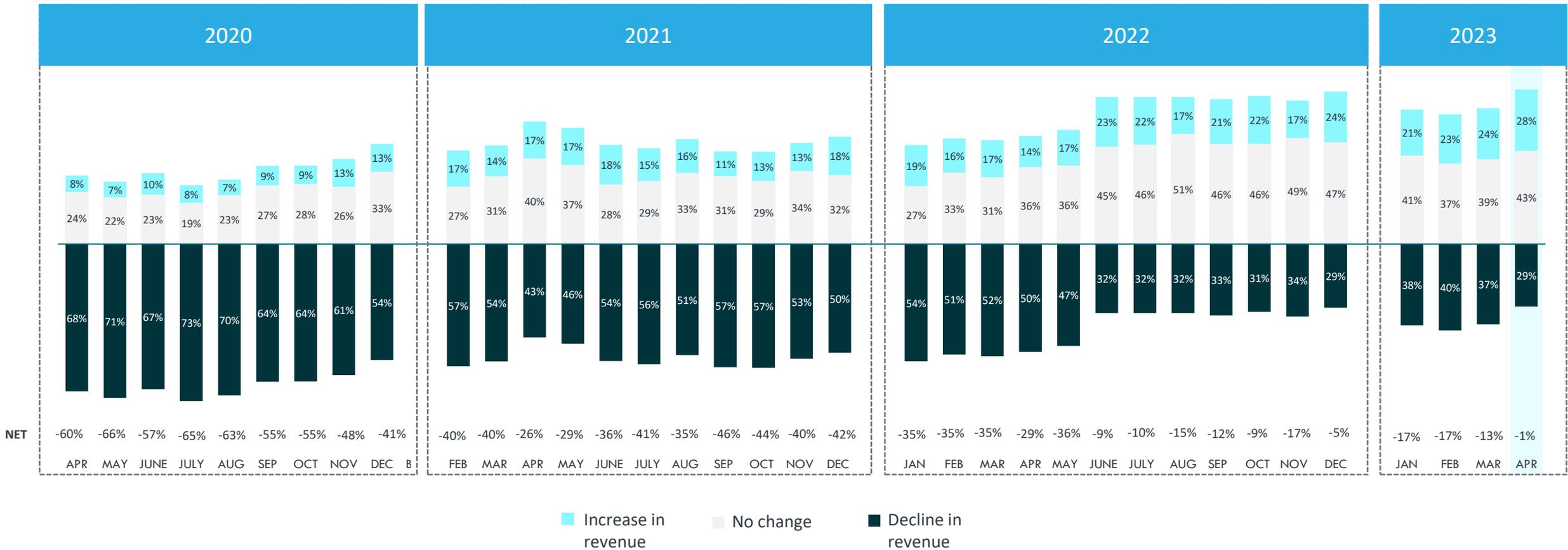
5

GOVERNMENT POLICY

# REVENUE

After a soft first quarter, it's positive to see a strong rebound with 28% of SMEs now generating more revenue than prior to the pandemic. This is the highest since the inception of the research in April 2020.

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



# REVENUE

One half (53%) of organisations with 100 to 500 employees are generating more revenue than prior to the pandemic. Those in production posted the strongest net revenue figure during April, while the hospitality and retail sectors are still recovering.

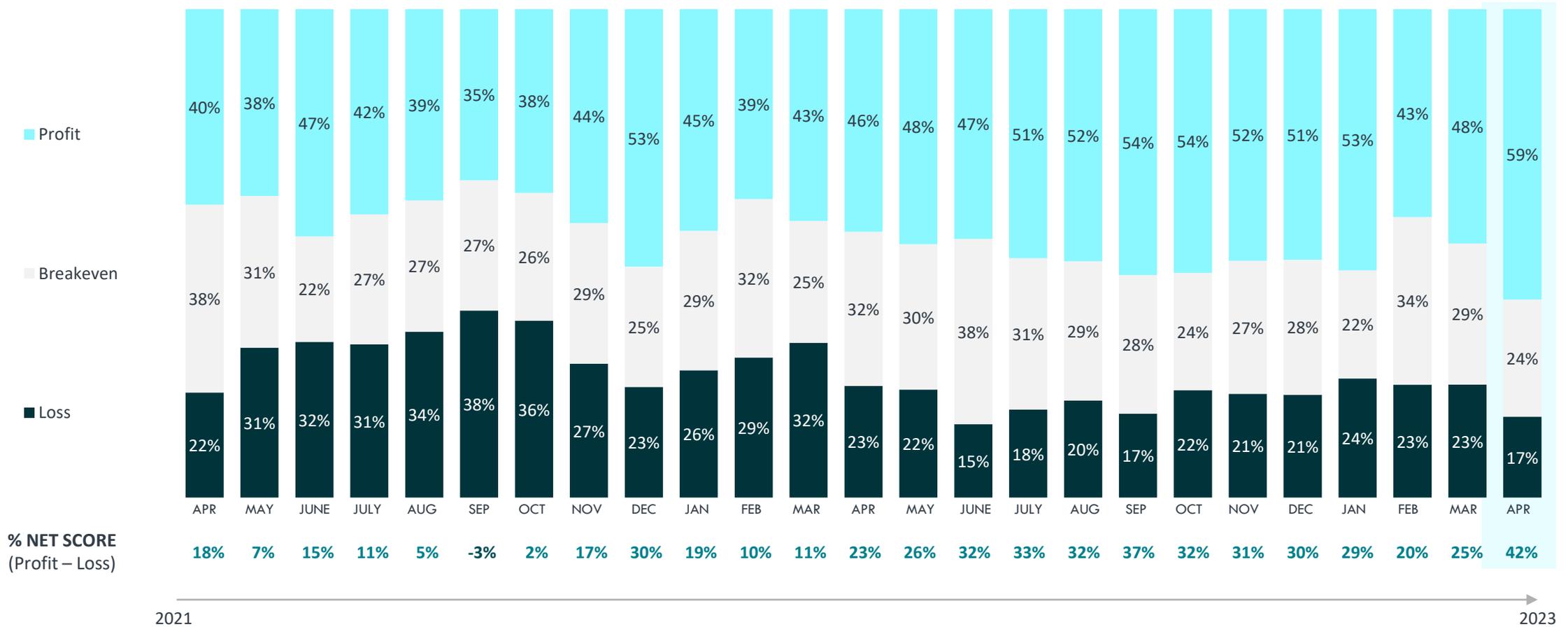
## HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE PRIOR TO THE PANDEMIC?

APRIL



Profitability is also much higher with nearly 60% recording a profit in March.

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



# BUSINESS CONCERNS

As revenue and profit have increased so have concerns regarding skills shortages and associated wage costs. However, rising interest rates and energy costs remain the issues of greatest concern for more than 80% of SMEs.

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



### Staff or skill shortages

11 month trend: +2%



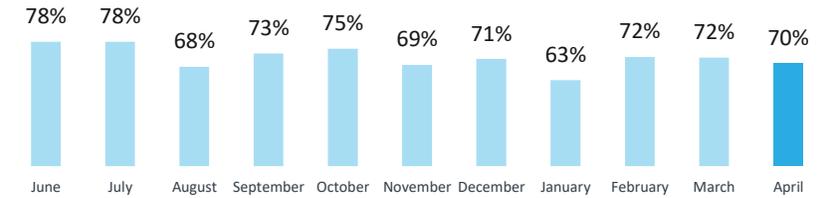
### Increasing wage costs

11 month trend: -2%



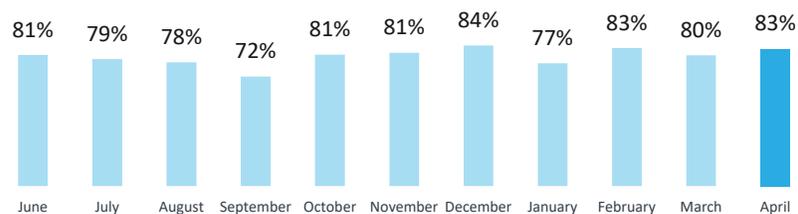
### Supply chain delays and associated costs increase

11 month trend: -8%



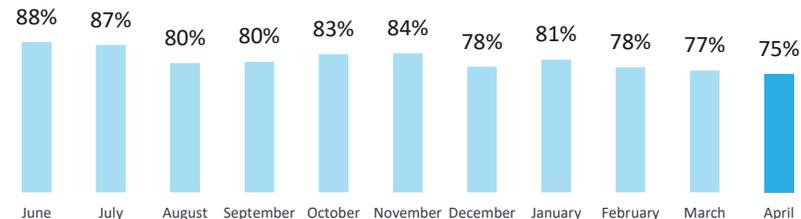
### Rising interest rates

11 month trend: +2%



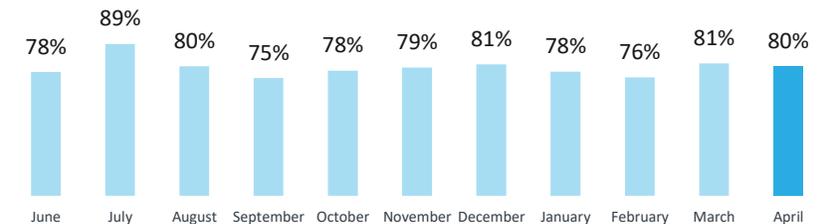
### Increasing fuel costs

11 month trend: -13%



### Increasing energy costs

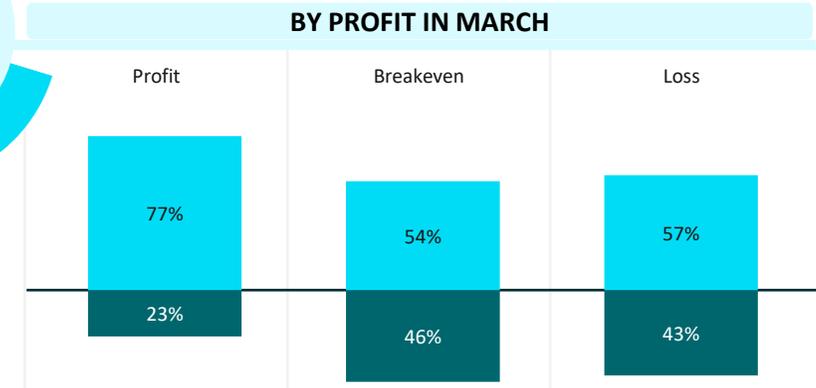
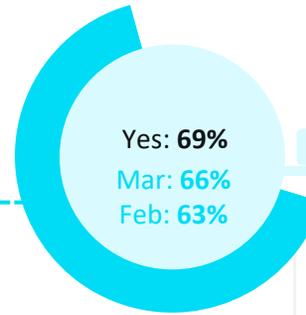
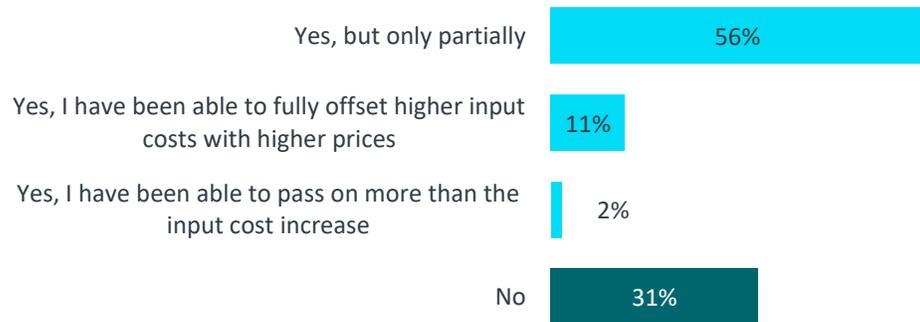
11 month trend: +2%



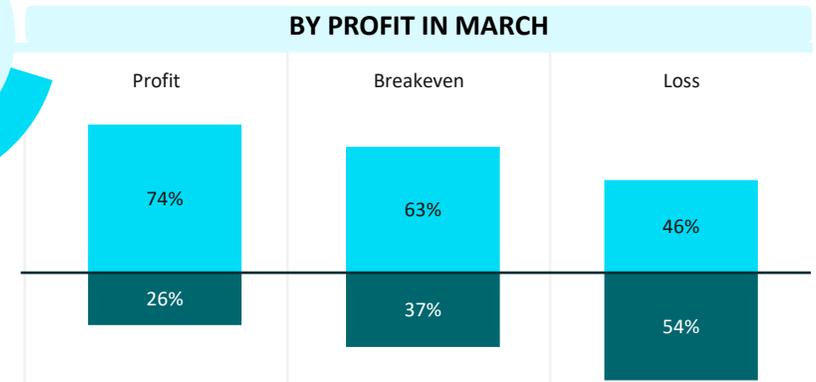
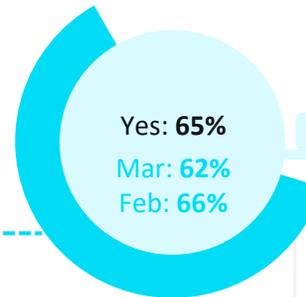
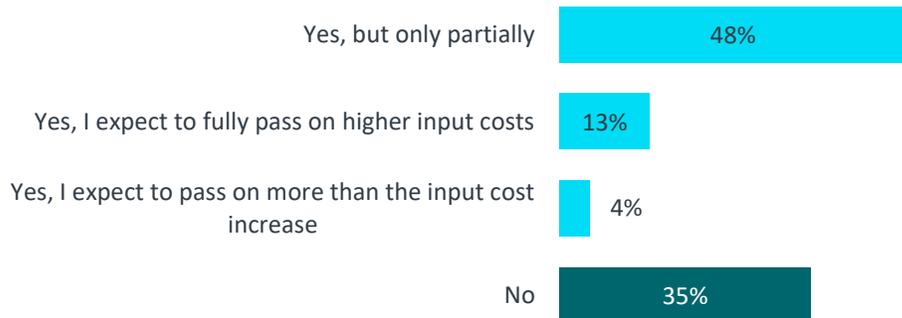
NET concerned

Continued uptick in the proportion of SMEs passing higher input costs onto their customers (now 69% rising from 63% in February), hence the lift in profitability this month.

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



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





1

KEY PERFORMANCE INDICATORS

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BUSINESS INVESTMENT

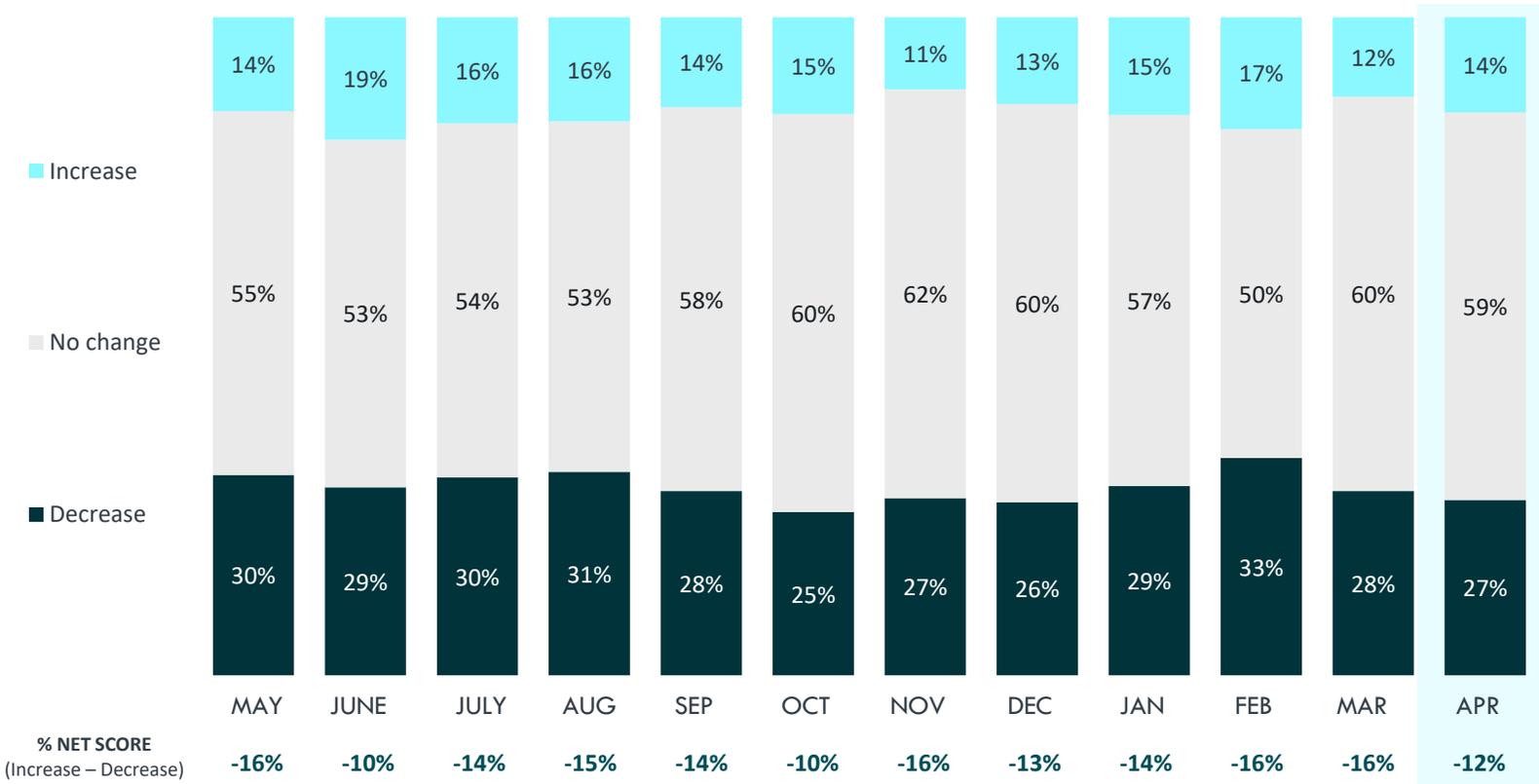
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GOVERNMENT POLICY

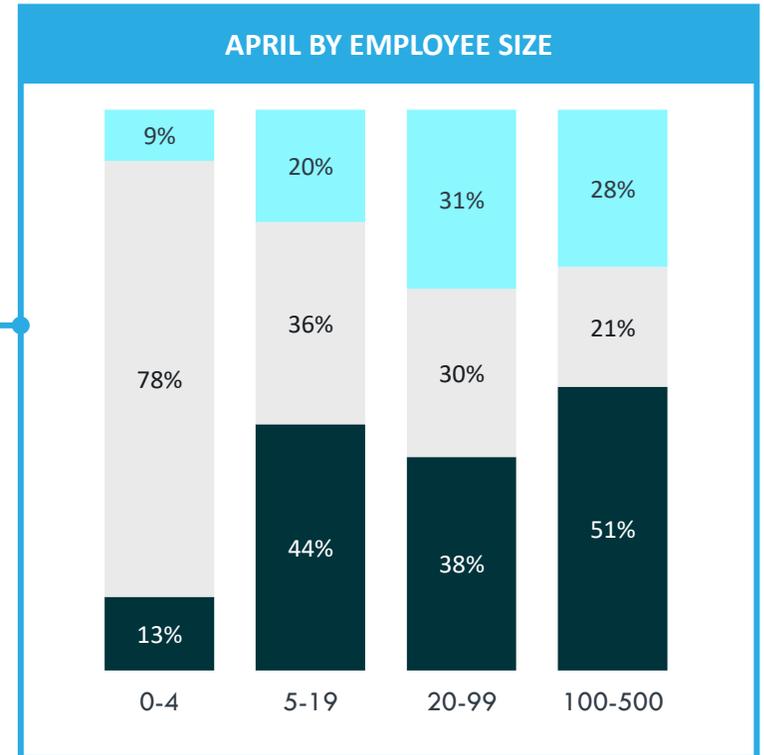
# EMPLOYMENT

Despite the uplift in revenues and profit, workforce numbers in more than one quarter of SMEs remain lower than prior to the pandemic indicating an uplift in productivity potentially as result of technology investment during the pandemic.

### CHANGE IN NUMBER OF EMPLOYEES SINCE THE PANDEMIC



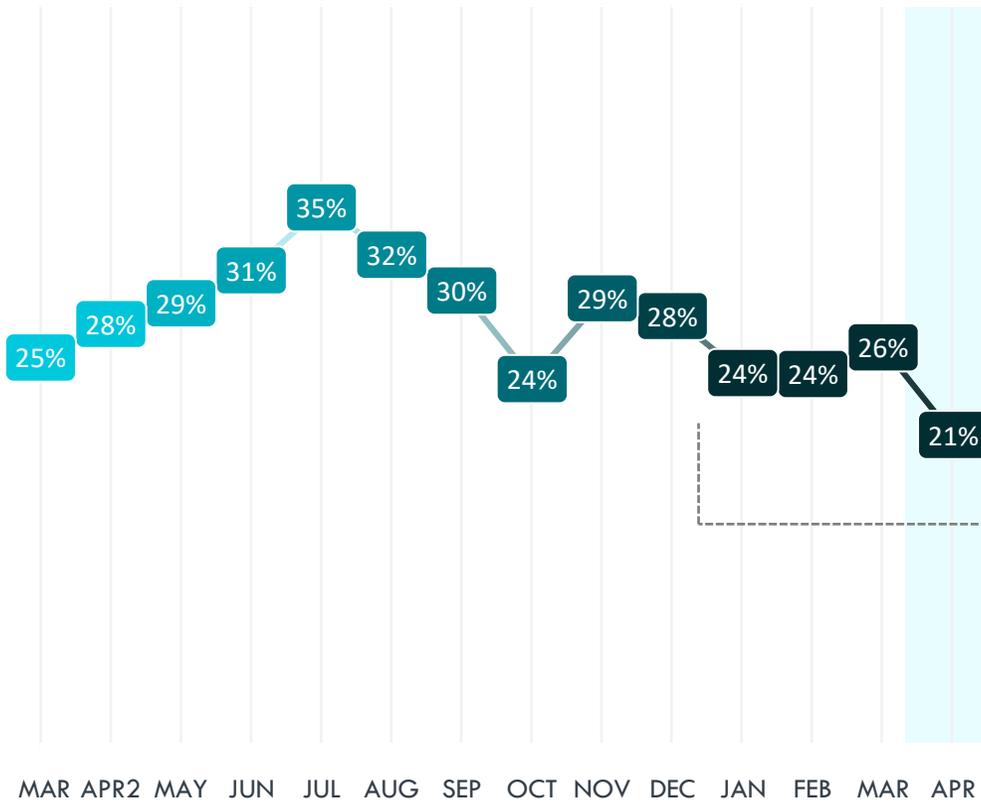
### APRIL BY EMPLOYEE SIZE



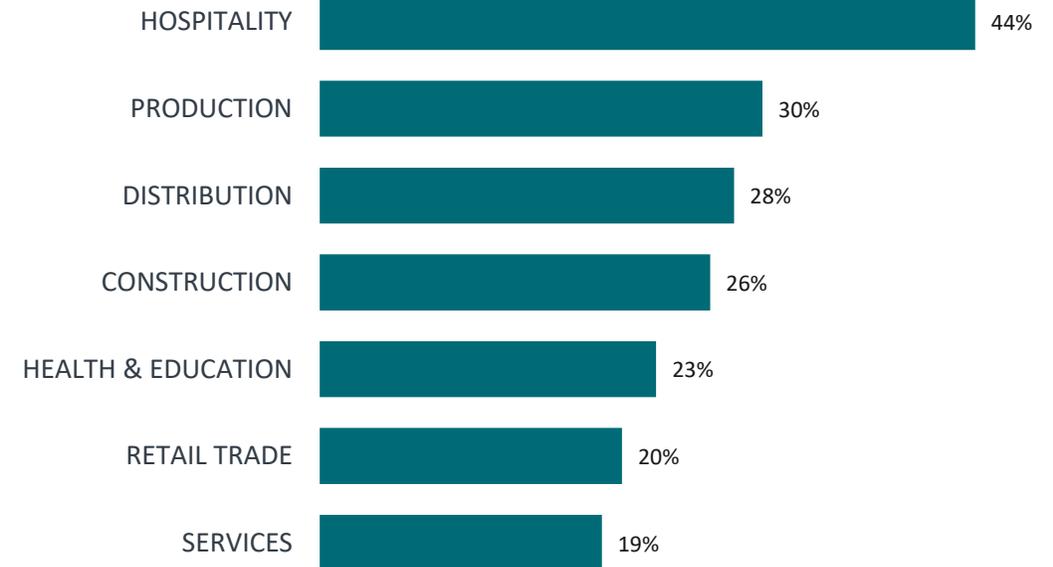
2022 → 2023

April was a slow month for recruitment with only 21% actively looking to fill roles compared to 26% a month earlier. Hospitality remains active as the sector continues its recovery despite rising interest rates.

## SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL

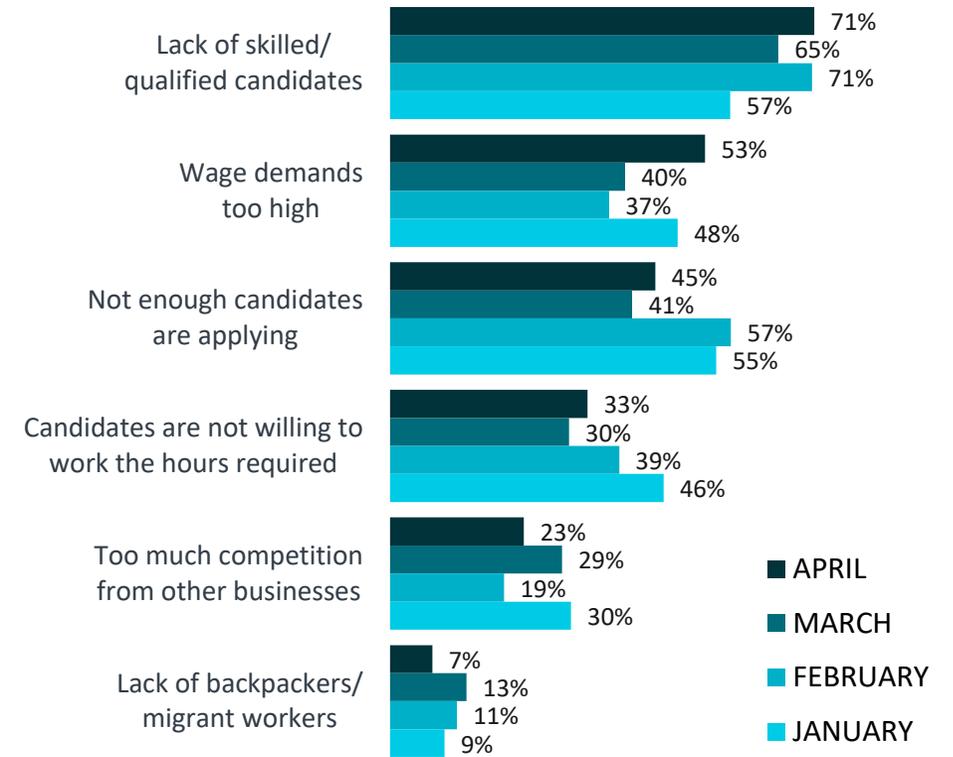
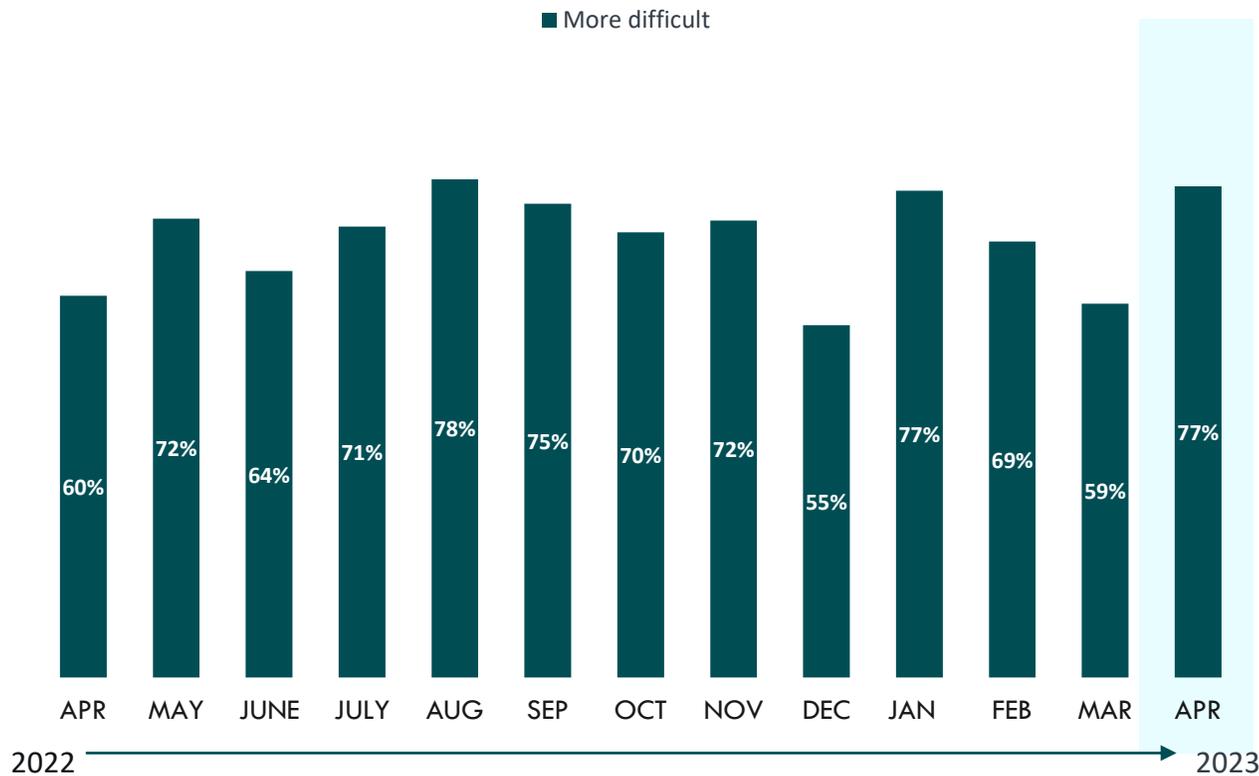


## 2023 BY INDUSTRY



After trending lower since January, recruitment difficulties have rebounded. As indicated previously, those SMEs actively recruiting continue to struggle with the lack of skills and rising wage demands.

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





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# BUSINESS SENTIMENT

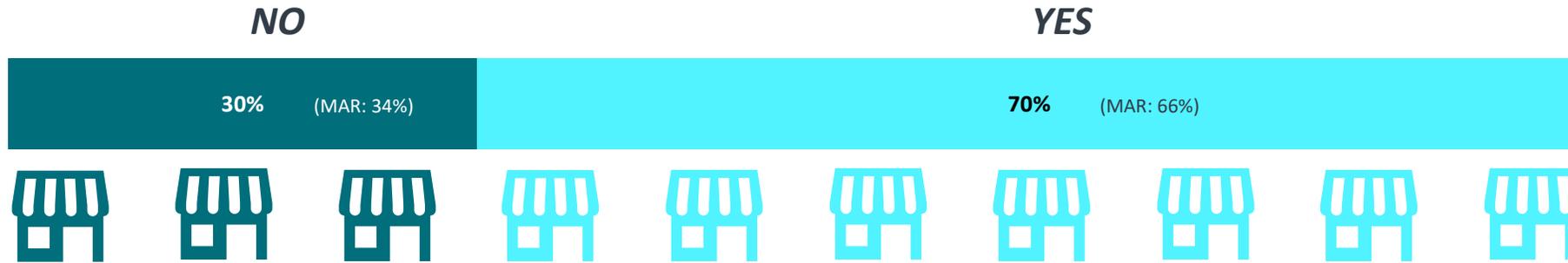
Interesting to note a clear dichotomy of opinion in relation to business strength when compared to pre-pandemic times, with 27% claiming their business is better, but 31% saying worse.

IT HAS NOW BEEN 3 YEARS SINCE THE START OF THE PANDEMIC. IRRESPECTIVE OF REVENUE AND SIZE, HOW WOULD YOU DESCRIBE YOUR BUSINESS NOW COMPARED TO YOUR BUSINESS BEFORE THE OUTBREAK?



One third of SMEs are also doubtful that they would be able to withstand a recession over the next 12 months.

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



SKEDS TOWARDS:

THOSE WHO REQUIRE ADDITIONAL FINANCE: **59%**

THOSE IN A WORSE POSITION NOW THAN PRE-PANDEMIC: **59%**

VIC/TAS: **39%**

SKEDS TOWARDS:

WA: **90%**

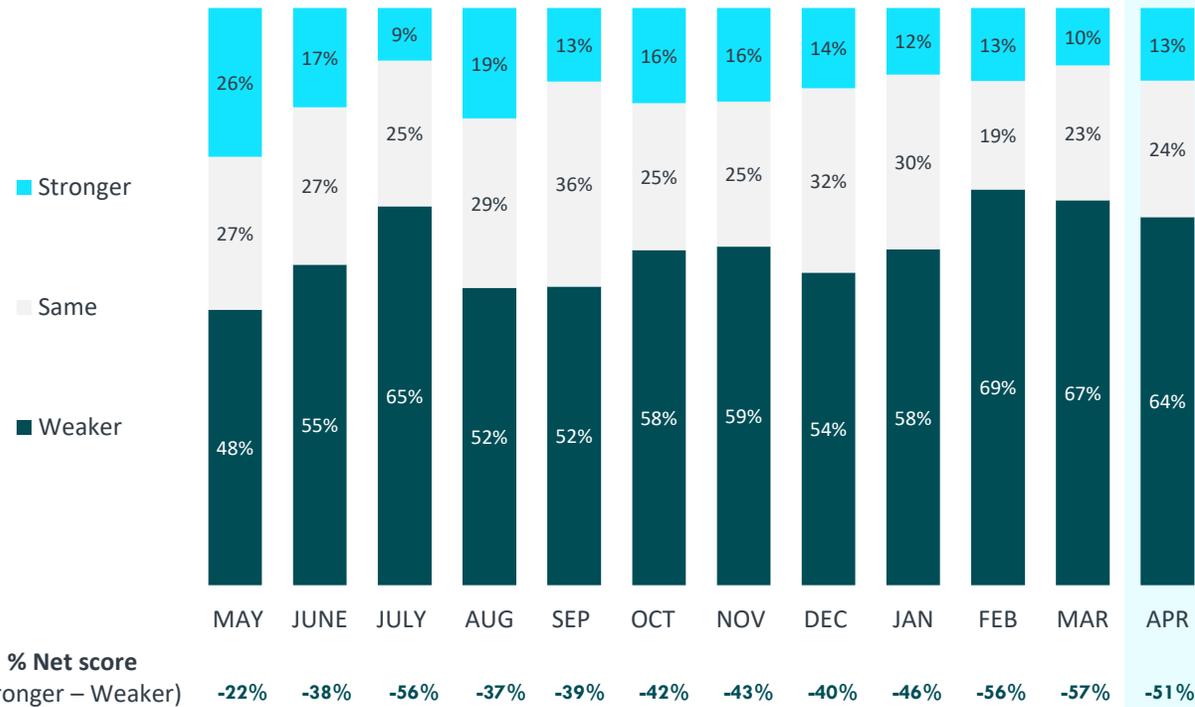
100-500 EMPLOYEES: **81%**

# EXPECTATIONS REGARDING ECONOMIC CONDITIONS (NEXT 3 MONTHS)

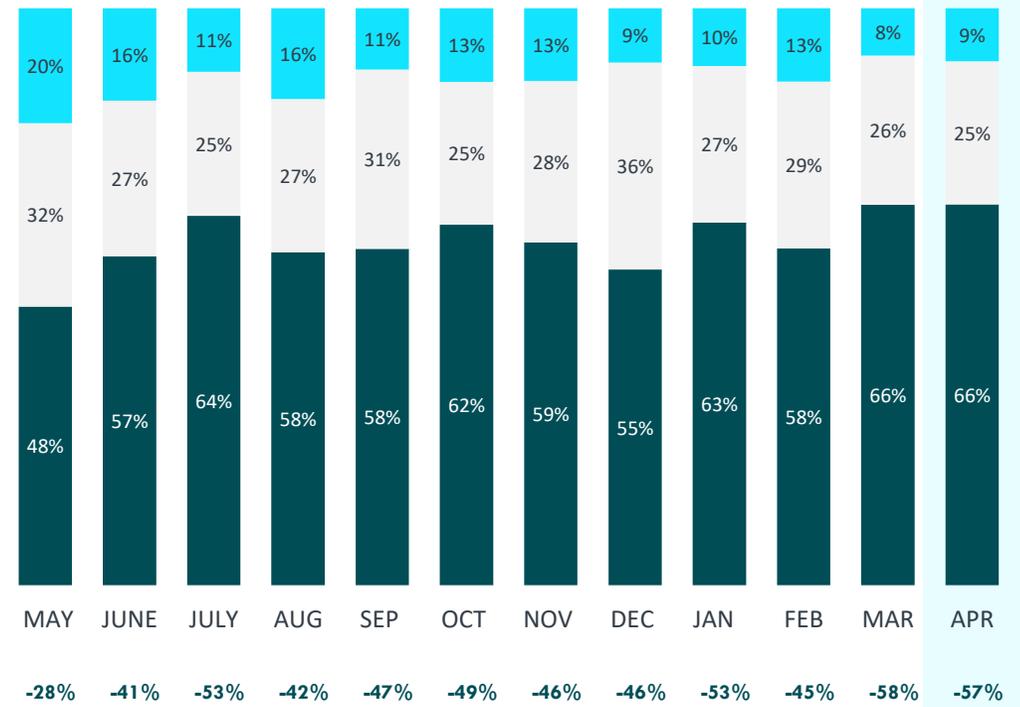
Sentiment regarding the Australian economy rose as interest rate hikes were put on hold in April. Sentiment regarding global conditions has remained low amidst stubborn inflation and ongoing geopolitical tensions.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS

### AUSTRALIAN ECONOMY



### GLOBAL ECONOMY



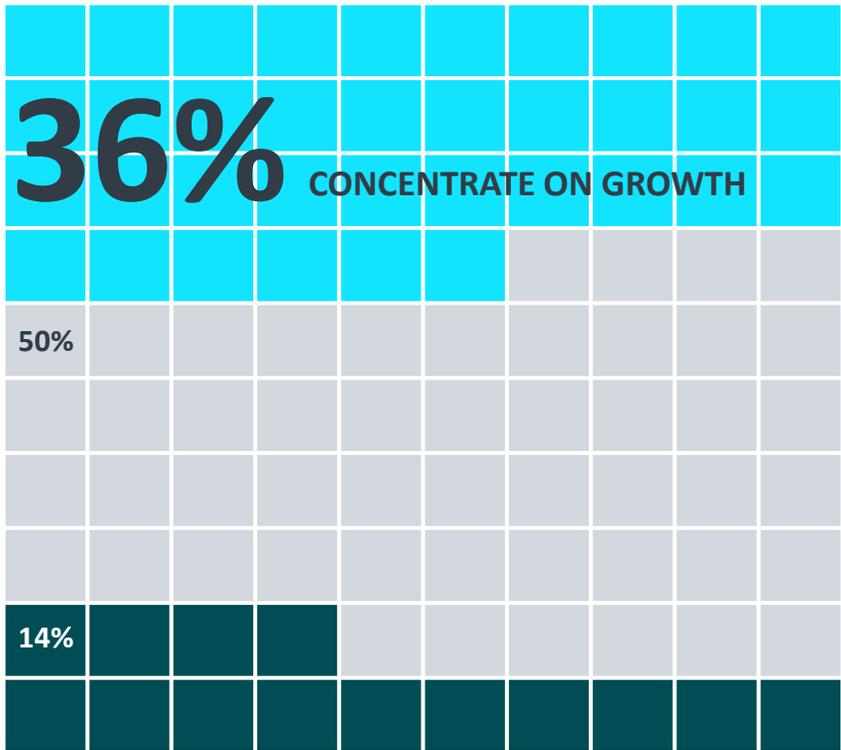
# GROWTH EXPECTATIONS (NEXT 12 MONTHS)

In line with higher revenues and profits the proportion of growth orientated businesses rebounded in April.

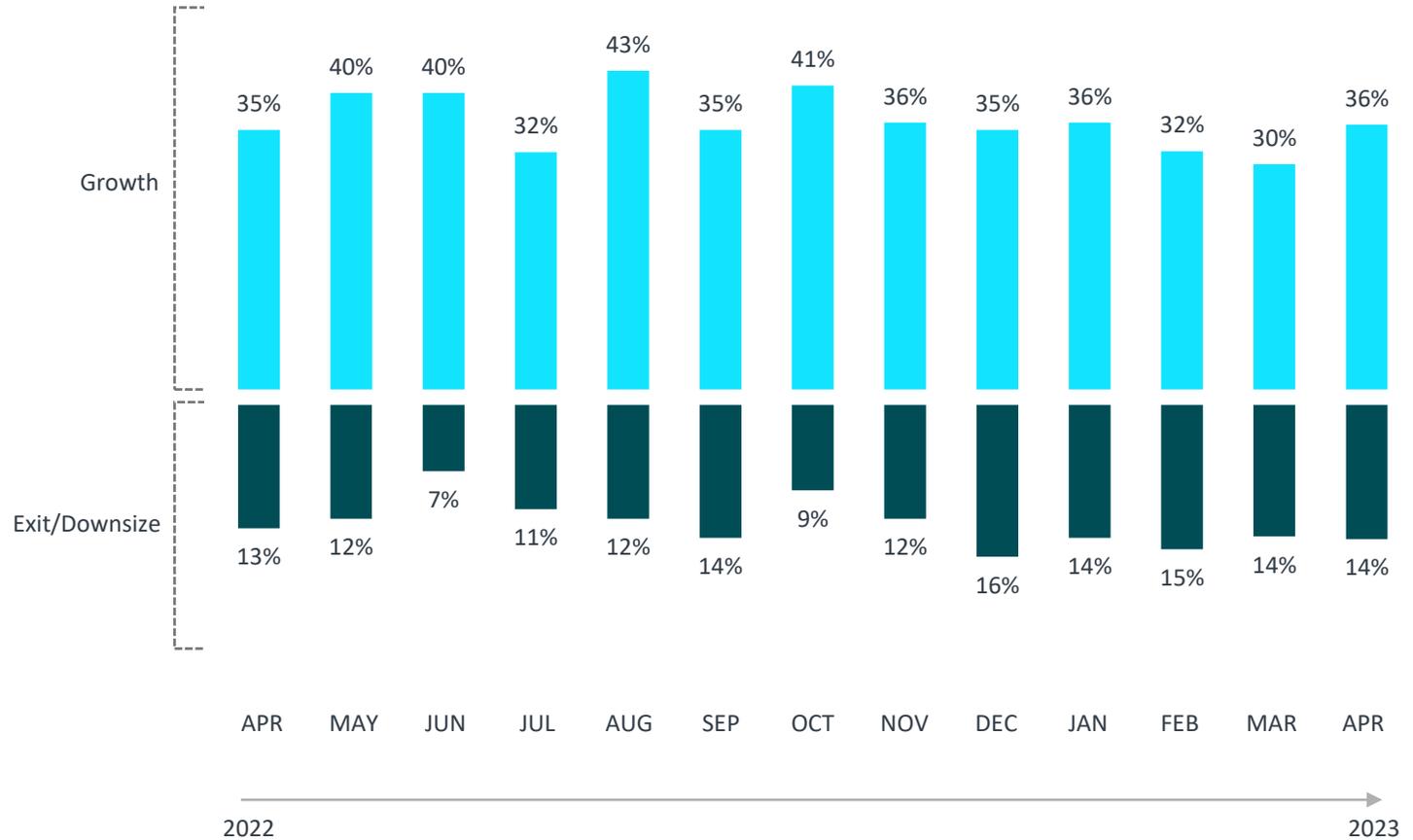
OVERALL, WHAT BEST DESCRIBES YOUR APPROACH TO BUSINESS OVER THE NEXT 12 MONTHS?

PRODUCTION: 42%

APRIL



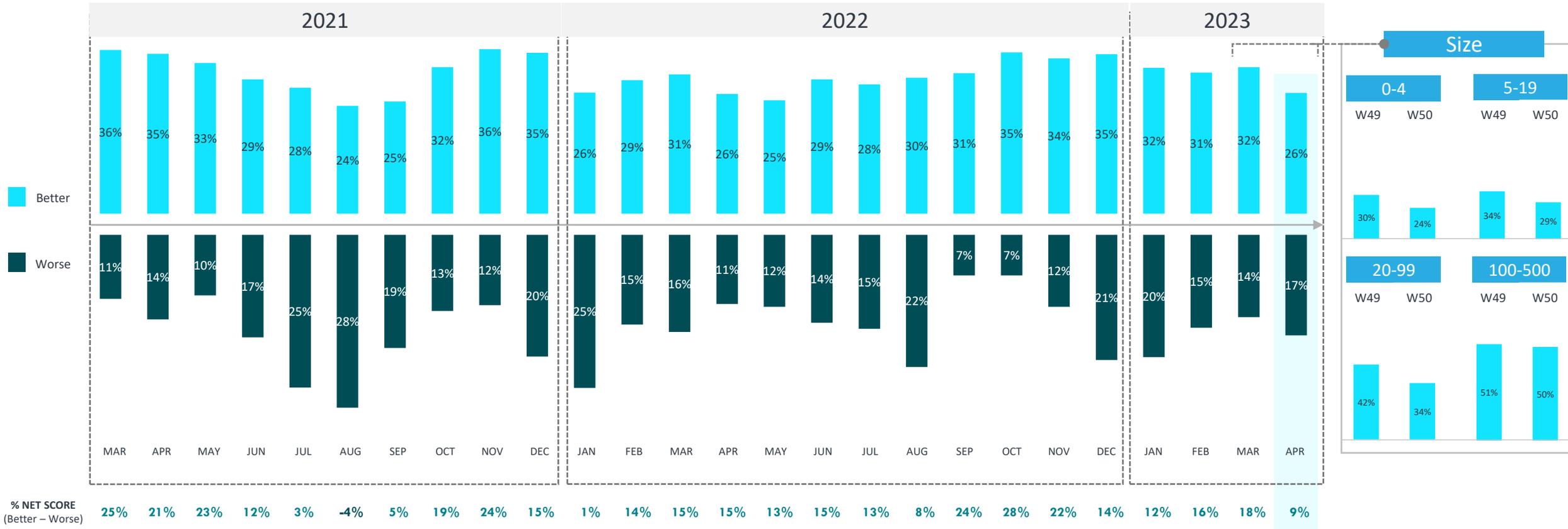
■ Exit/Downsize    
 ■ Maintain current revenue    
 ■ Concentrate on growth



# REVENUE EXPECTATIONS (NEXT 4 WEEKS)

Despite stronger growth expectations over the next 12 months, short term revenue expectations over the next 4 weeks are not so positive.

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





1

KEY PERFORMANCE INDICATORS

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5

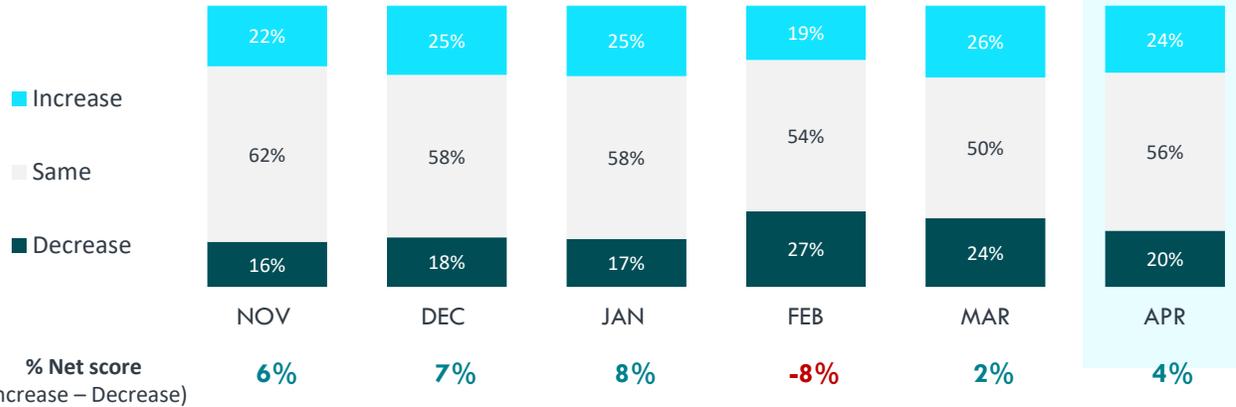
GOVERNMENT POLICY

# BUSINESS INVESTMENT (NEXT 3 MONTHS)

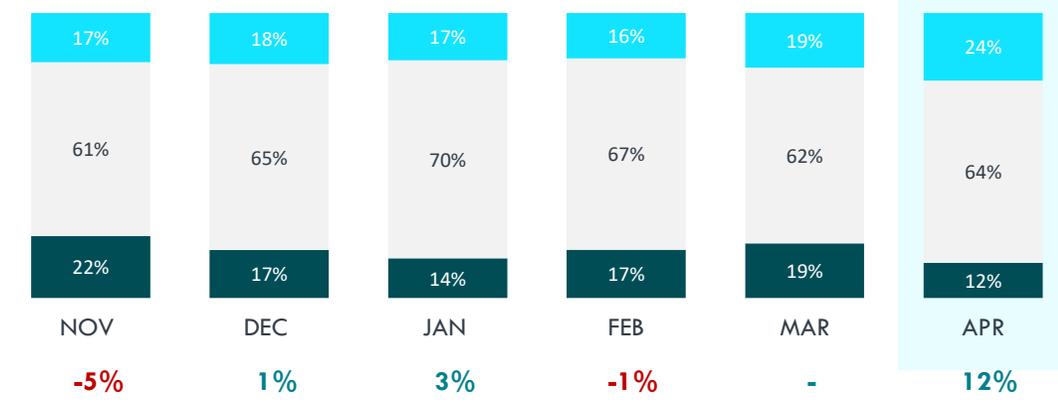
Despite expected wage pressures, capital investment intentions remain relatively strong and marketing spend is predicted to rise over the last quarter of the financial year.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

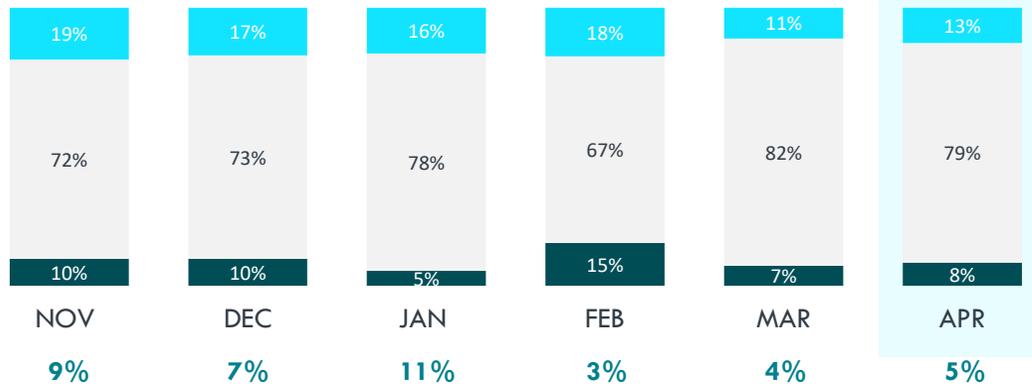
### BUSINESS SPENDING/ CAPITAL INVESTMENT



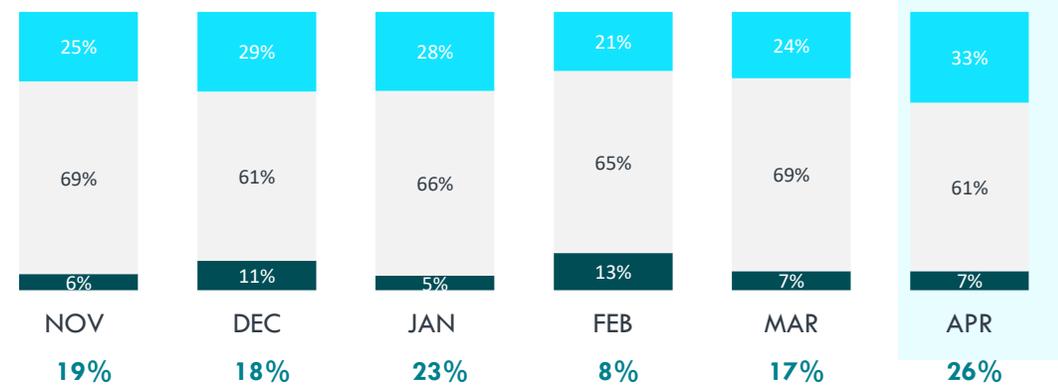
### MARKETING SPEND



### THE NUMBER OF STAFF YOU EMPLOY



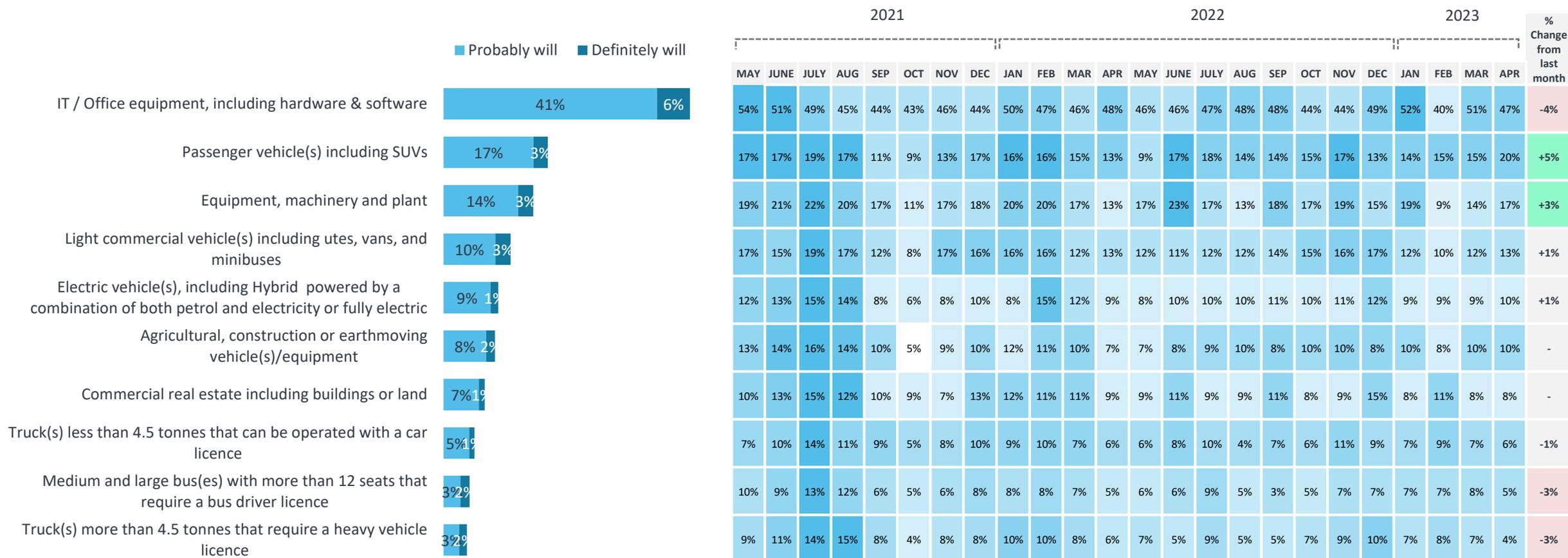
### THE WAGES YOU PAY



# CAPITAL EXPENDITURE (NEXT 3 MONTHS)

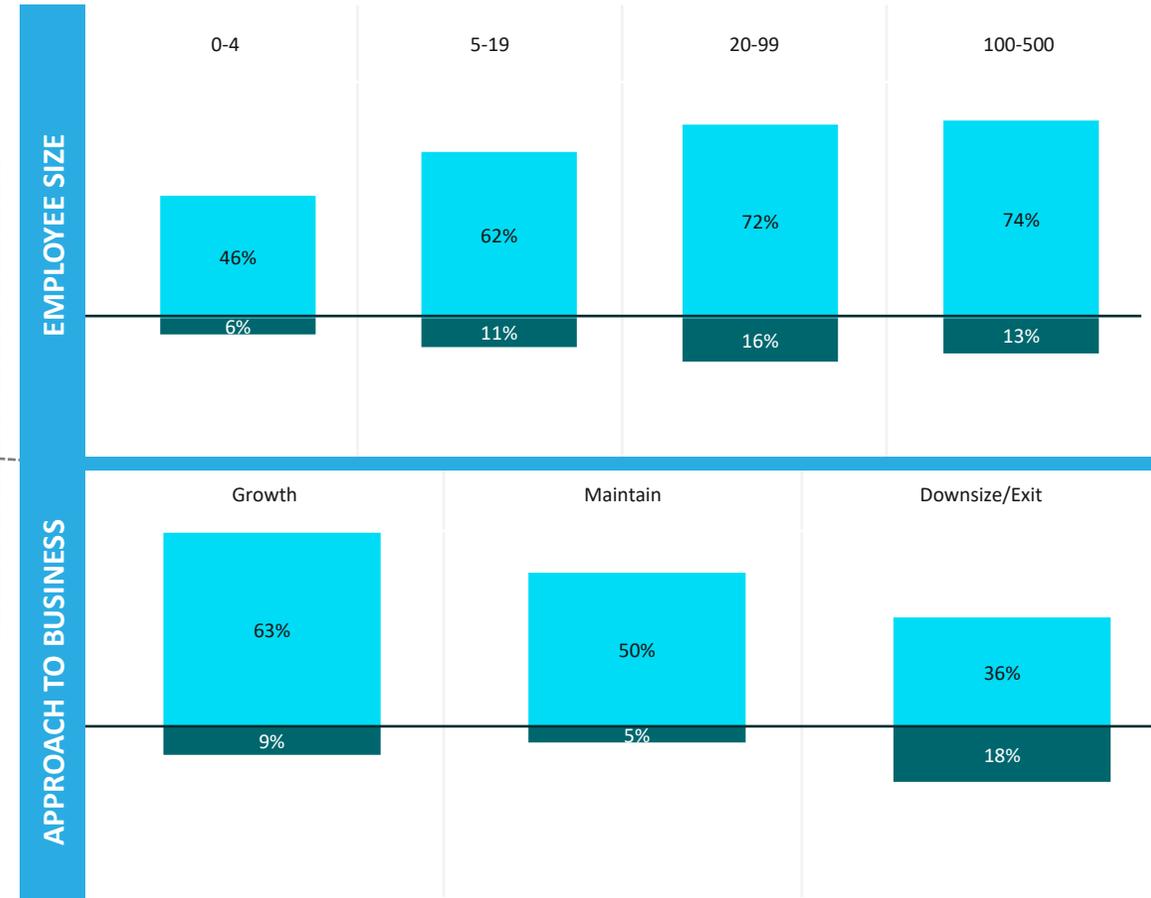
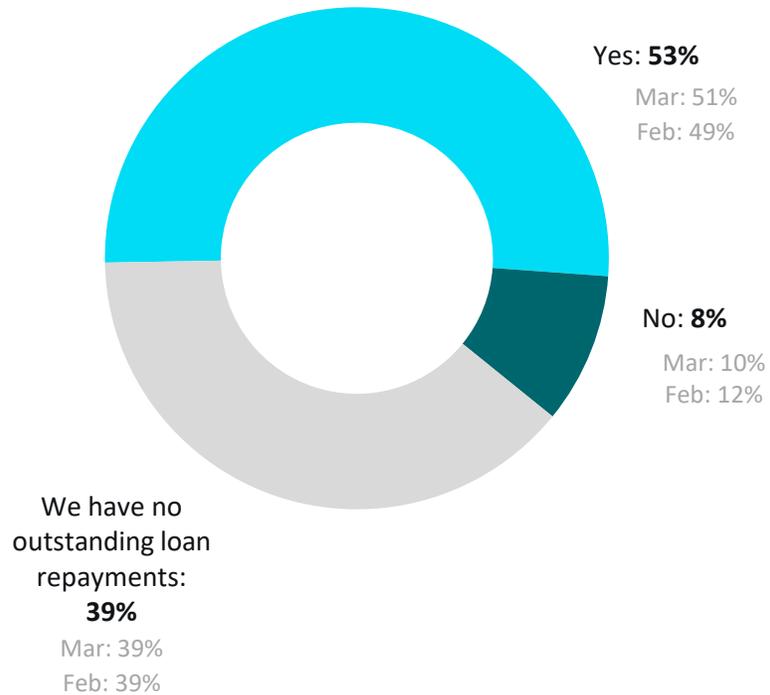
Demand for machinery and plant continues to strengthen, whereas the IT and heavy commercial categories pulled back.

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



8% of SMEs expect a level of difficulty in meeting their outstanding loan repayments over the next 6 months, compared to 12% in February.

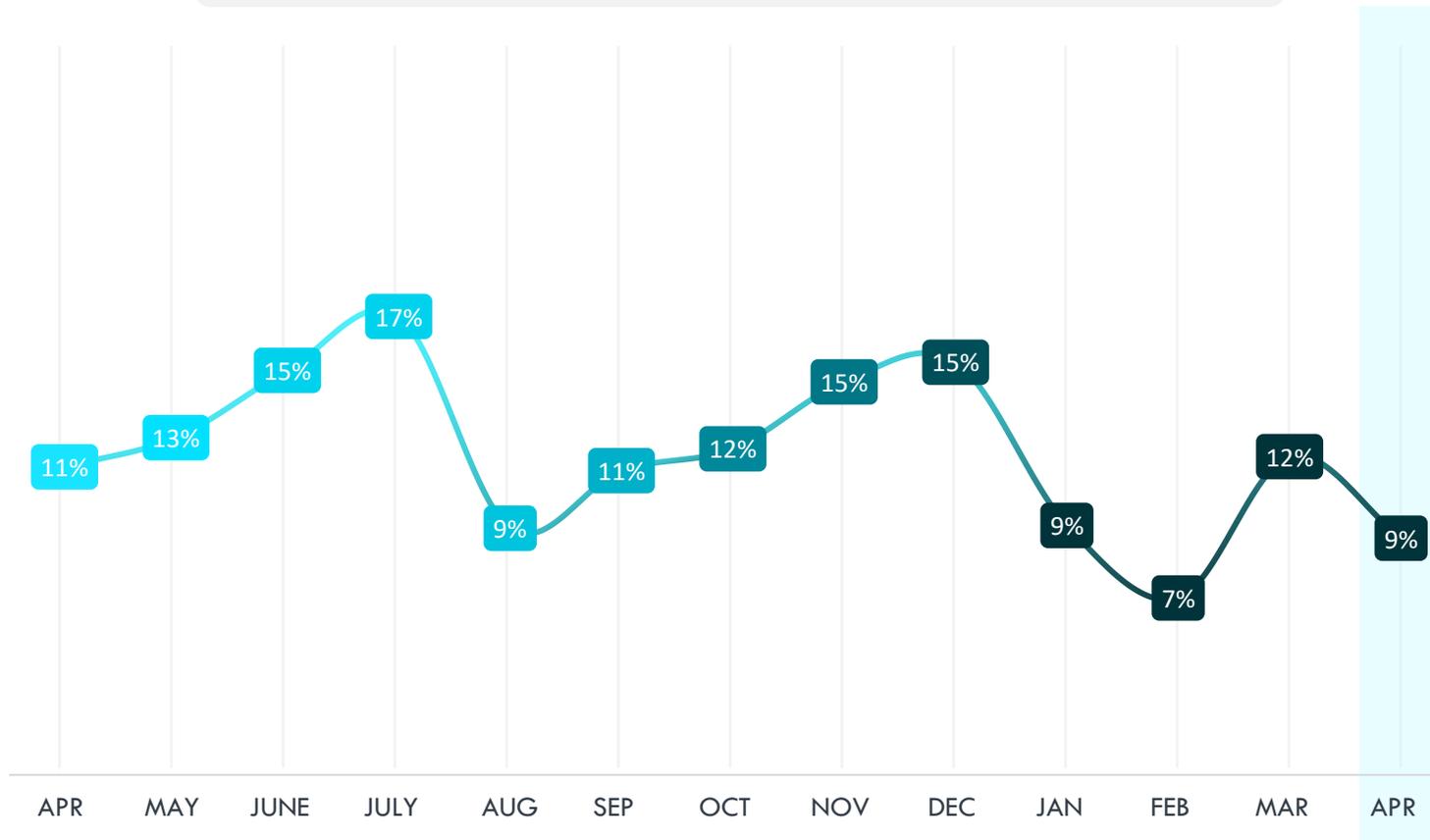
## DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?



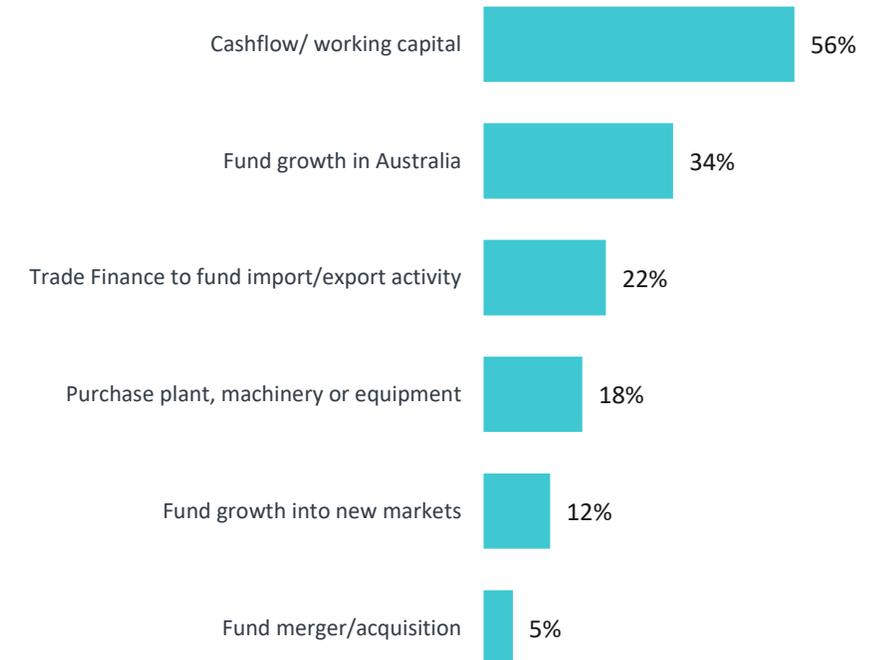
# FINANCE NEEDS (NEXT 3 MONTHS)

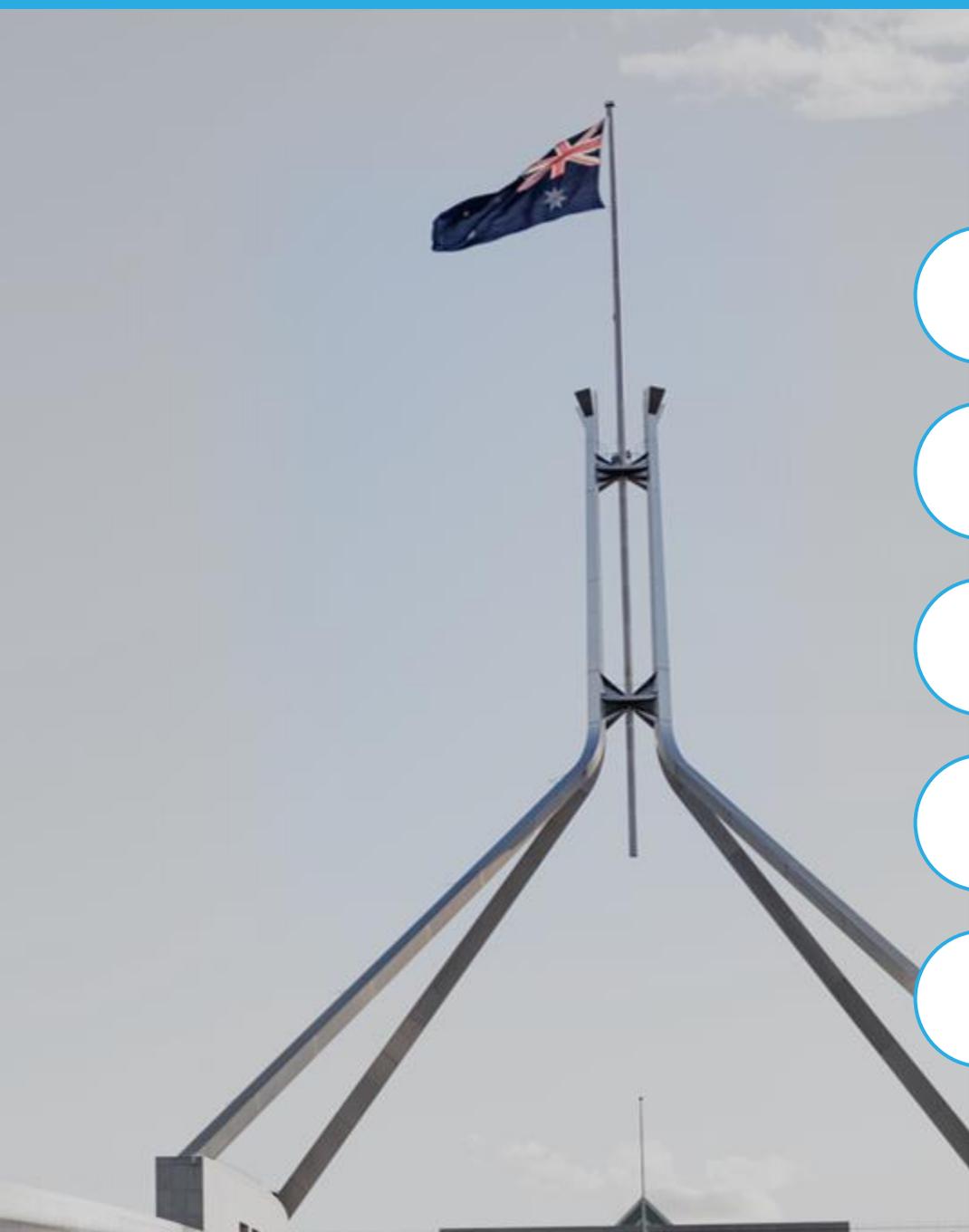
The demand for additional finance has also decreased slightly from last month despite a hold on interest rates. With rates increasing again in May we can expect demand for finance to fall.

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



## AND WHAT IS THE PURPOSE OF THIS FINANCE?





1

KEY PERFORMANCE INDICATORS

2

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4

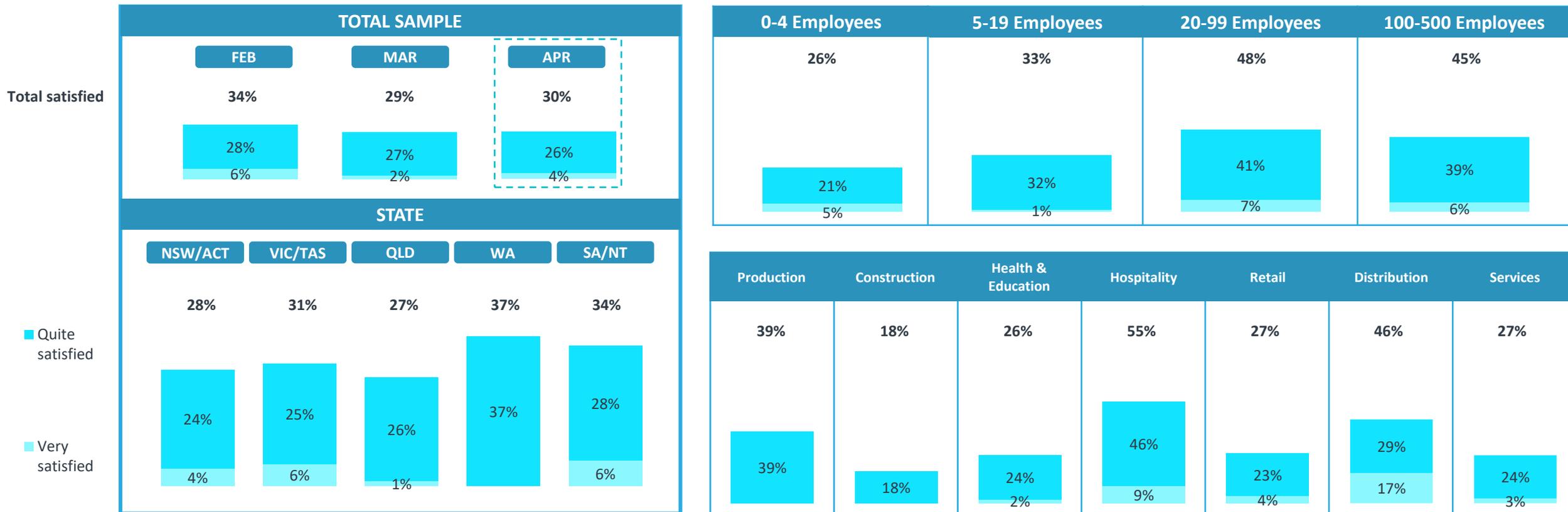
BUSINESS INVESTMENT

5

GOVERNMENT POLICY

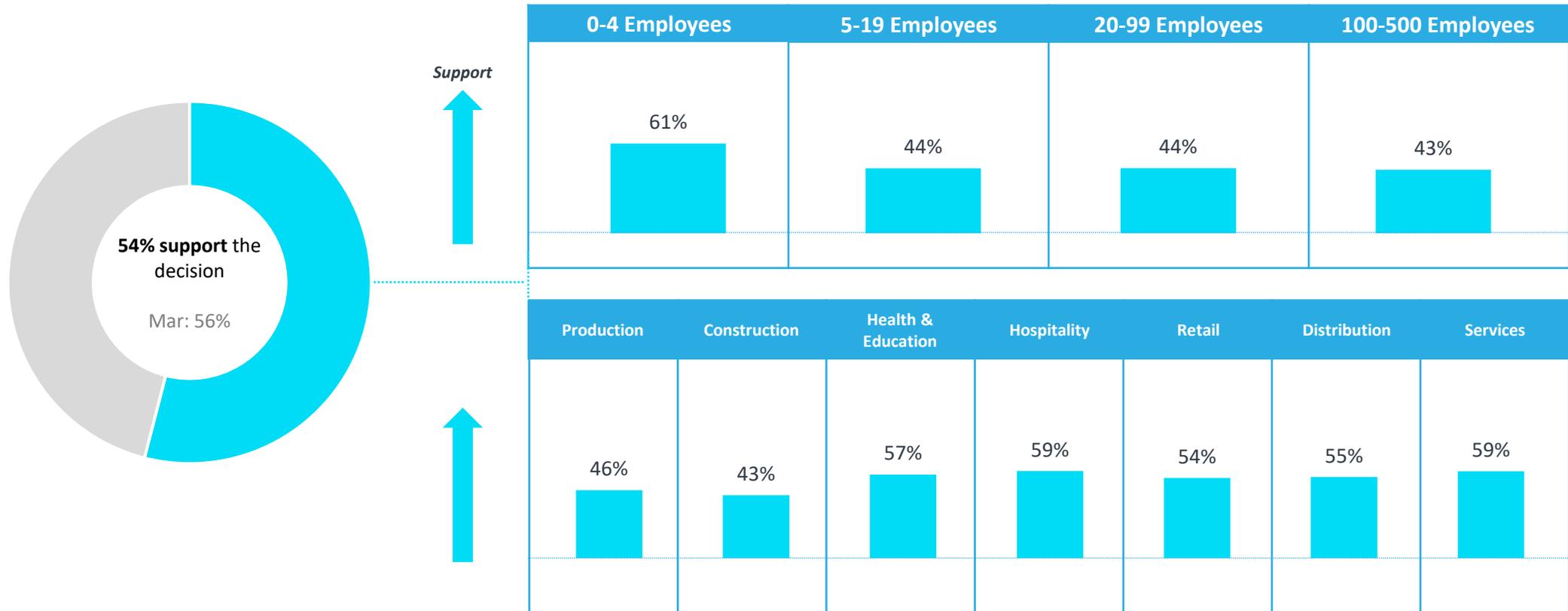
Satisfaction with the federal Labor government's ability to support business needs is flat, with less than a third of business decision makers satisfied.

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



Despite low levels of satisfaction, 54% of SME decision makers support the federal Labor government’s decision to apply a tax rate of 30% to earnings on superannuation balances above \$3 million. This is slightly lower than the 56% reported in the previous wave.

## 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%?



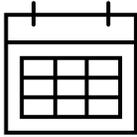
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**METHODOLOGY & SAMPLE**

2

**ABOUT ACA RESEARCH & FIFTH QUADRANT**

# METHODOLOGY



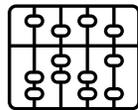
The SME Tracker was first launched  
**w/e 5<sup>th</sup> April 2020**



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

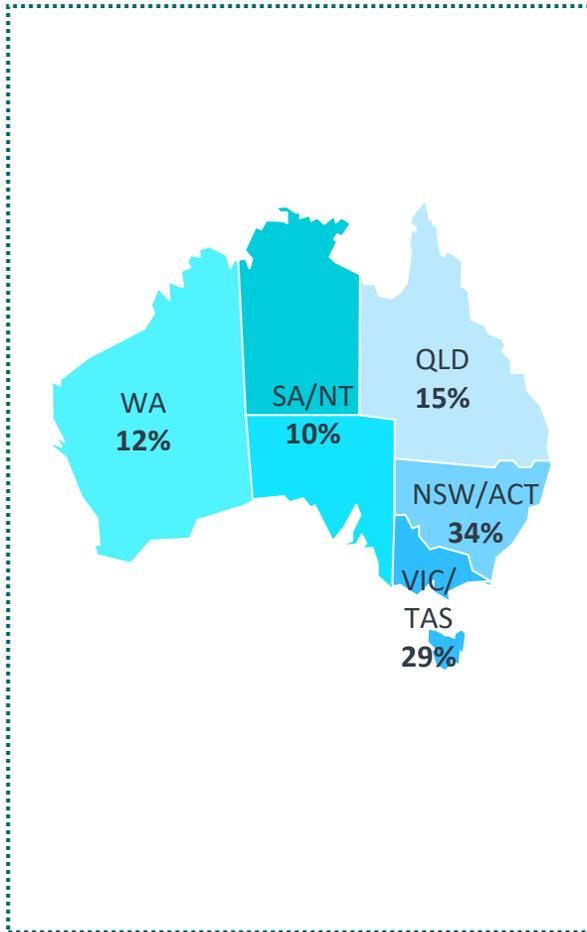


Data is **weighted** by industry, state  
and number of employees to reflect  
the national distribution of businesses  
across the country

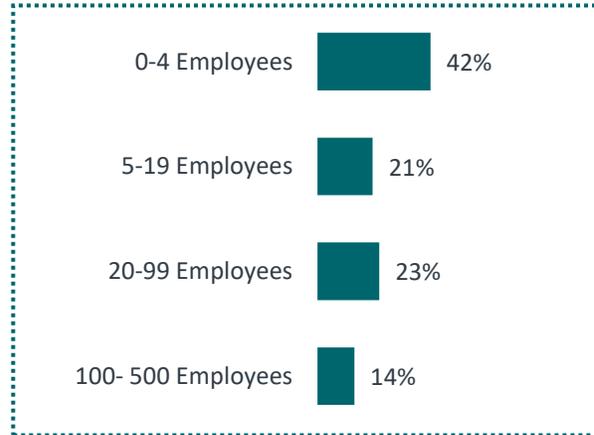
# OUR SAMPLE

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.

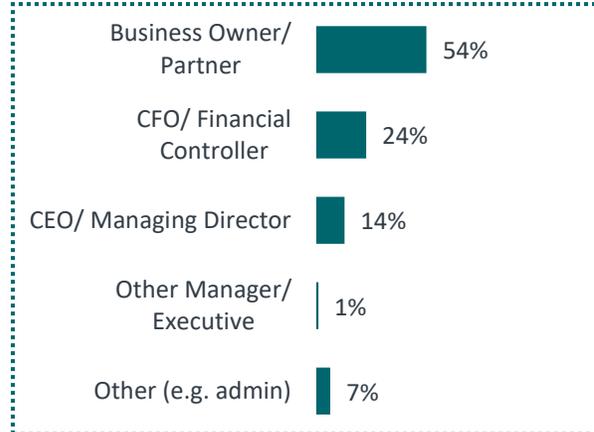
## HEAD OFFICE LOCATION



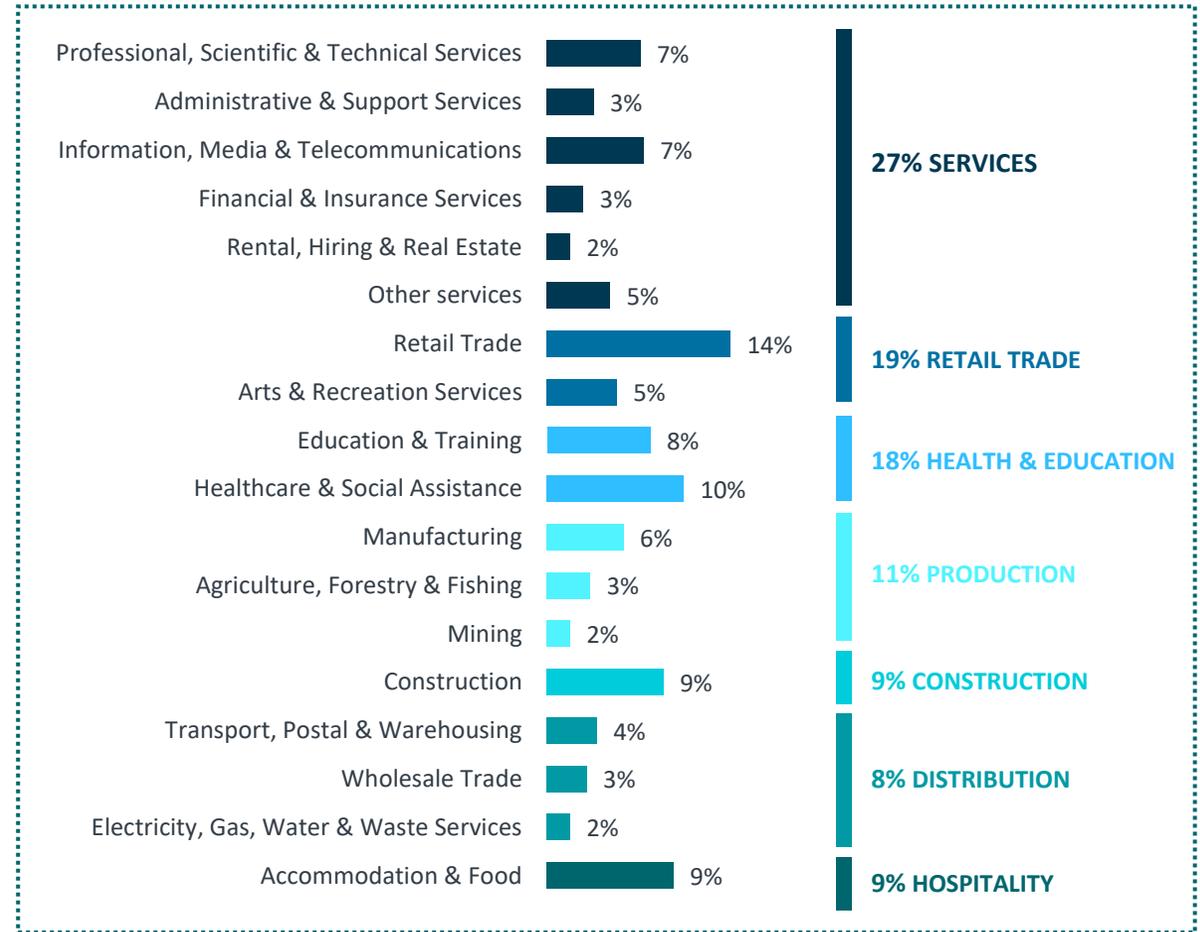
## SIZE OF BUSINESS: EMPLOYEES



## POSITION IN BUSINESS



## INDUSTRY SECTOR



NOTE: CHARTS SHOW UNWEIGHTED DATA

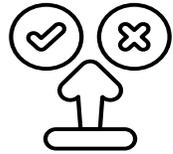
1

METHODOLOGY & SAMPLE

2

ABOUT ACA RESEARCH & FIFTH QUADRANT

# OUR PROMISE TO CLIENTS



WE HELP OUR CLIENTS  
MAKE INFORMED  
BUSINESS DECISIONS

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



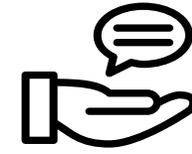
BY LEVERAGING OUR  
SPECIALIST  
CAPABILITIES

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



TO EXECUTE  
CUSTOMISED RESEARCH  
AND CONSULTING  
PROGRAMS

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



TO DELIVER  
ACTIONABLE  
RECOMMENDATIONS  
AND ADVICE

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

# OUR RESEARCH FRAMEWORK

DELIVERING INSIGHT THROUGHOUT 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



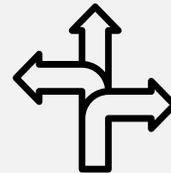
DISCOVERY



ENGAGE



DECISION



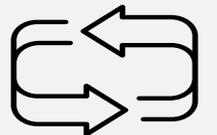
PURCHASE & ONBOARDING



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)

