



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 53 - July 2023





Continued struggles with revenues, with 37% reporting a decrease compared to 12 months ago



Concern about rising interest rates has decreased from 87% to 81%



20% expect a decline in revenue over the next month



74% support the federal increase to the minimum wage

Challenging Landscape Persists as Revenues Decline

This month's findings offer a snapshot of persistent challenges and a glimmer of hope. The downward trajectory of year-on-year revenues remains concerning, with a significant 37% reporting diminished revenues compared to this time last year. Profitability also continues its downward trend, with only 40% of SMEs reporting a profit last month.

However, it is encouraging to report that business concerns have gradually receded across various fronts. The gradual easing of inflationary pressures coupled with a steady cash rate in July and August offers SMEs a glimmer of respite. Notably, concern about rising interest rates has fallen from 87% in June to 81% in July.

Recruitment activity remains stagnant; so too the number of growth-oriented businesses. It is notable that two-thirds (65%) of SMEs feel well poised to weather the potential impact of an impending recession over the next 12 months. However, a concerning 48% of those with 20-99 employees express unease about their ability to withstand a recession.

Sentiment towards the Australian economy saw a slight uptick in July, yet remains low overall. Business confidence and short-term revenue expectations continue to trend downwards, with 20% foreseeing a decline in revenues over the next month.

Satisfaction with the federal Labor government's ability to support business needs remains modest at 29%. Despite this, 74% of SMEs stand in support of the recent 5.75% increase to the minimum wage amidst Australia's ongoing cost of living crisis.

In summary, this month's data underscores the challenging environment SMEs continue to navigate, with declining revenues and profitability continuing to cast shadows on growth prospects. The RBA's decision to leave interest rates unchanged in August will be welcomed by SMEs. Easing labour market conditions and a continual forecasted decline in CPI inflation should buoy confidence moving forward. However, the current period of below-trend growth remains persistent.



Too often, we see businesses confusing data with insights.

Numbers don't answer business questions by themselves, but they still feel tangible.

We believe you need to go further.

Our people layer their understanding of the underlying business environment, context and market on top of primary or secondary data, using their expertise to discover insights that unlock tomorrow's opportunities, today.

This is Fifth Quadrant.



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.



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**Methodology &
Sample**



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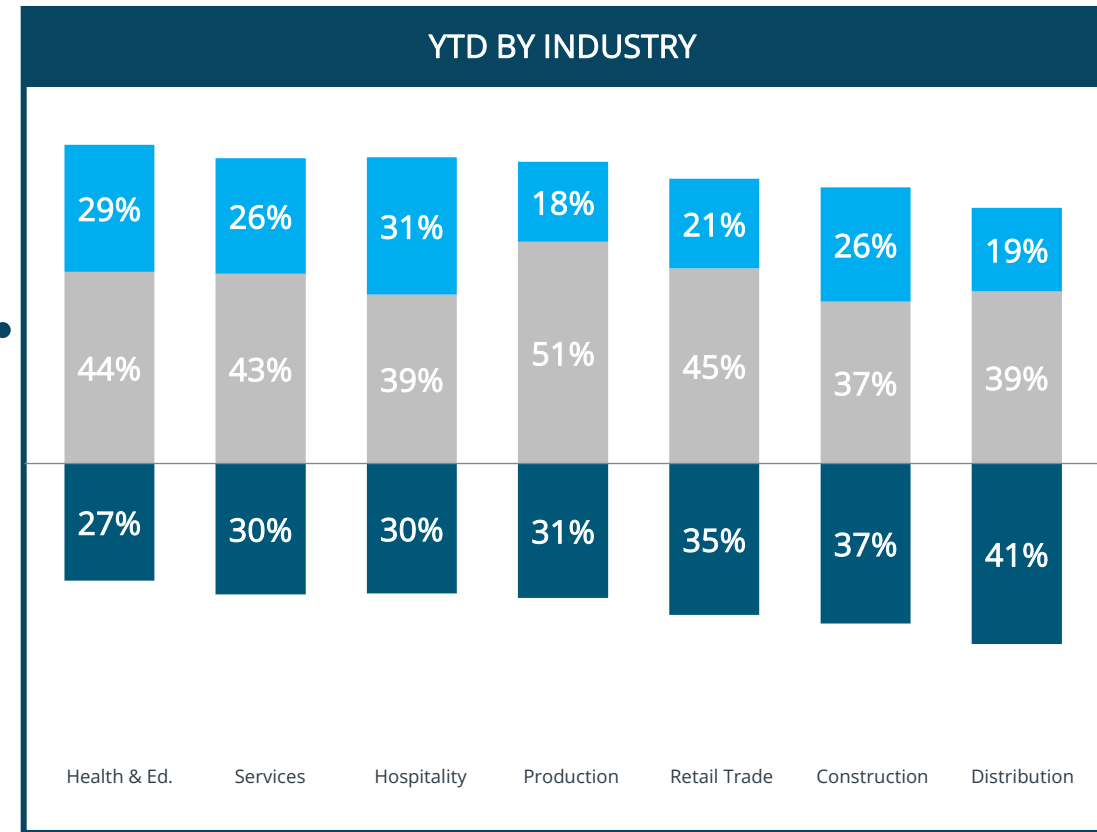
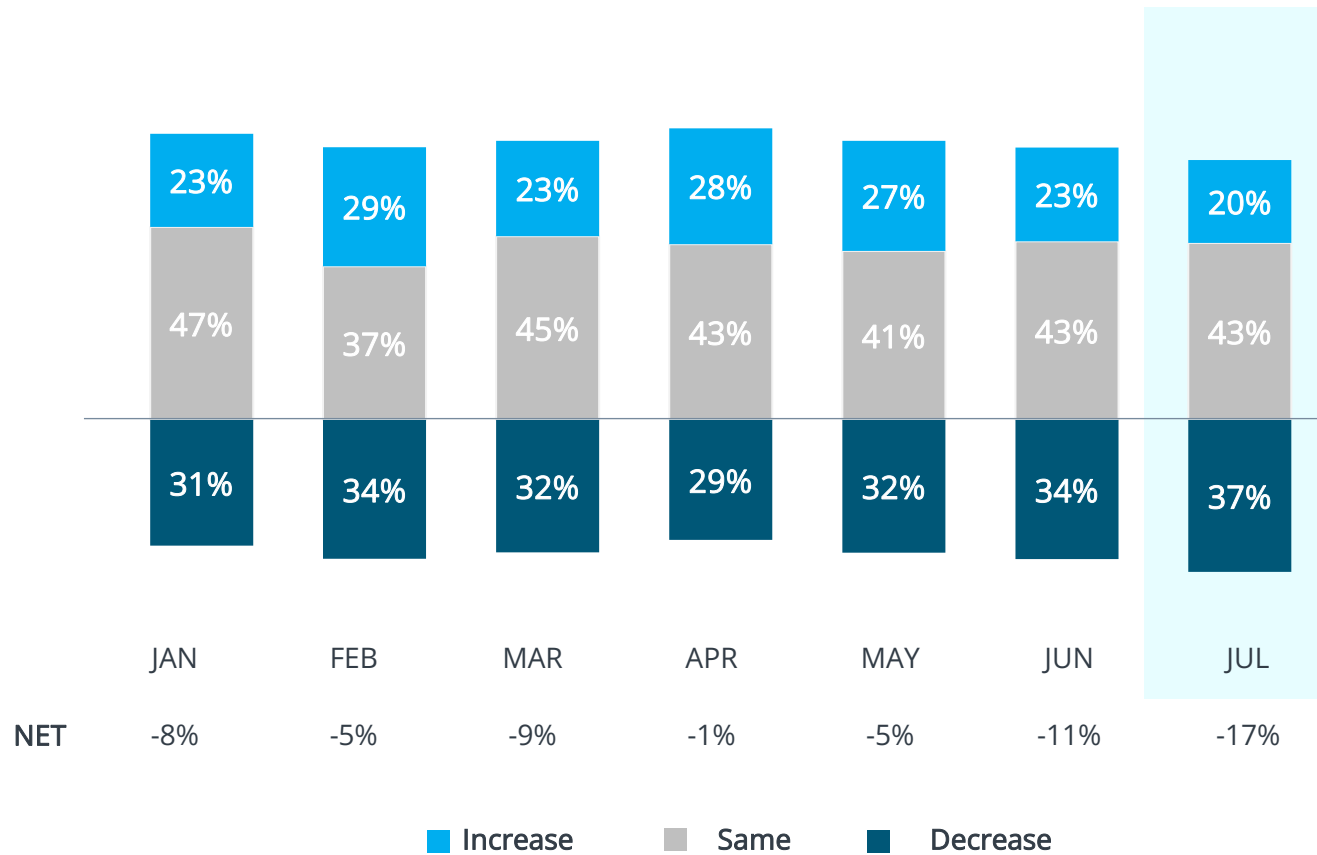
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**Methodology &
Sample**

Key Performance Indicators | Revenue

Year on year revenues continue to track down, with 37% reporting less revenue than 12 months ago. Distribution and Construction have seen the largest decreases over the past 12 months.

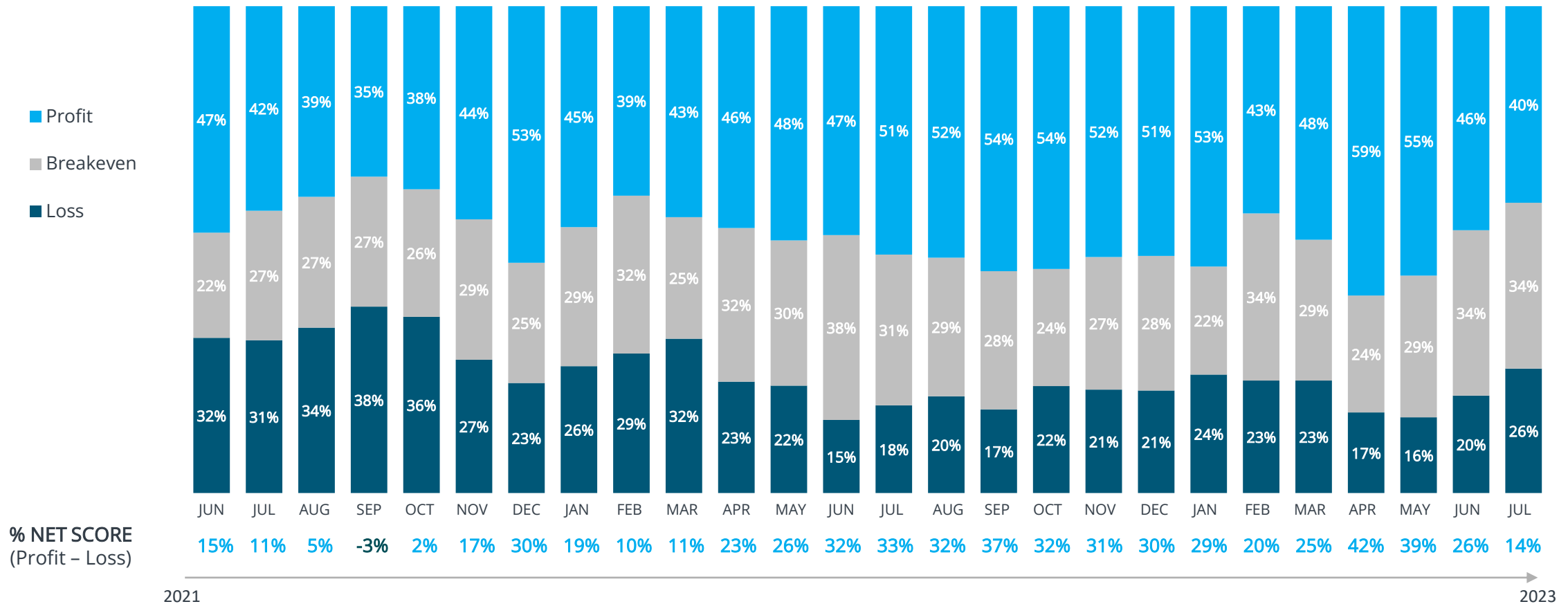
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

Profitability continues to fall with only 40% reporting a profit. One in four (26%) reported a loss, an increase of ten percentage points from May.

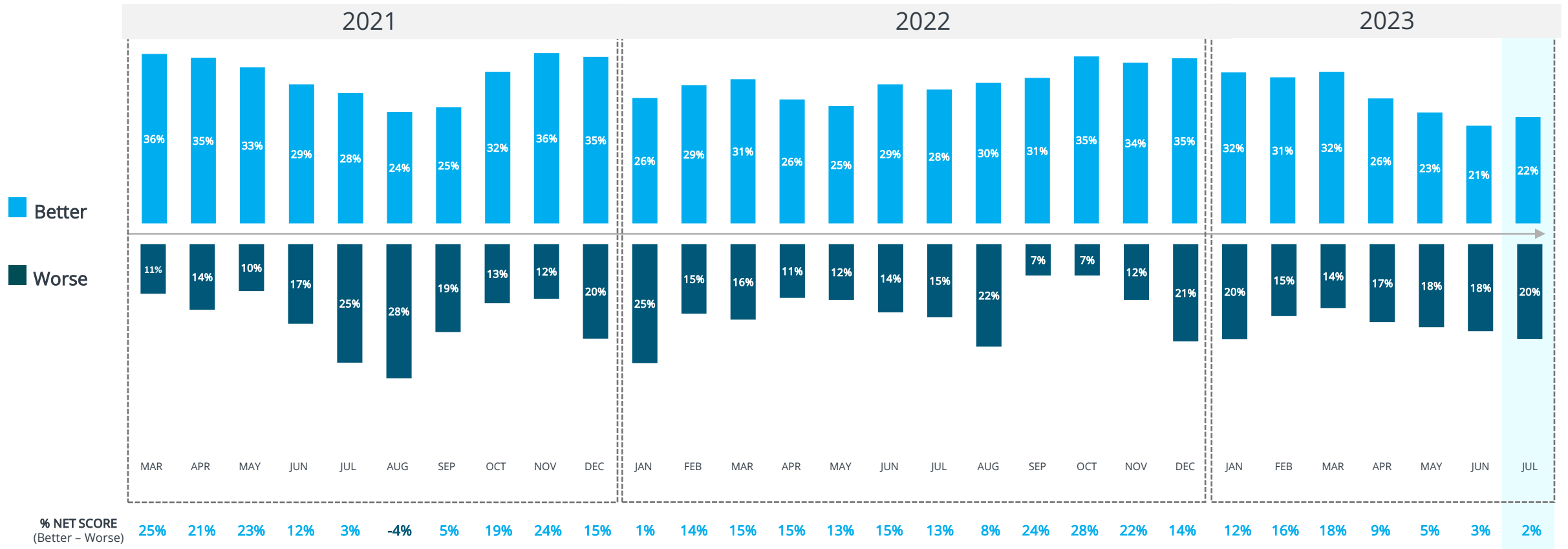
WHAT WAS YOUR PROFIT MARGIN LAST MONTH (JUNE)?



Key Performance Indicators | Revenue Expectations (Next 4 weeks)

Short-term revenue expectations continue to trend down, with one in five (20%) predicting a decline in revenues over the next four weeks.

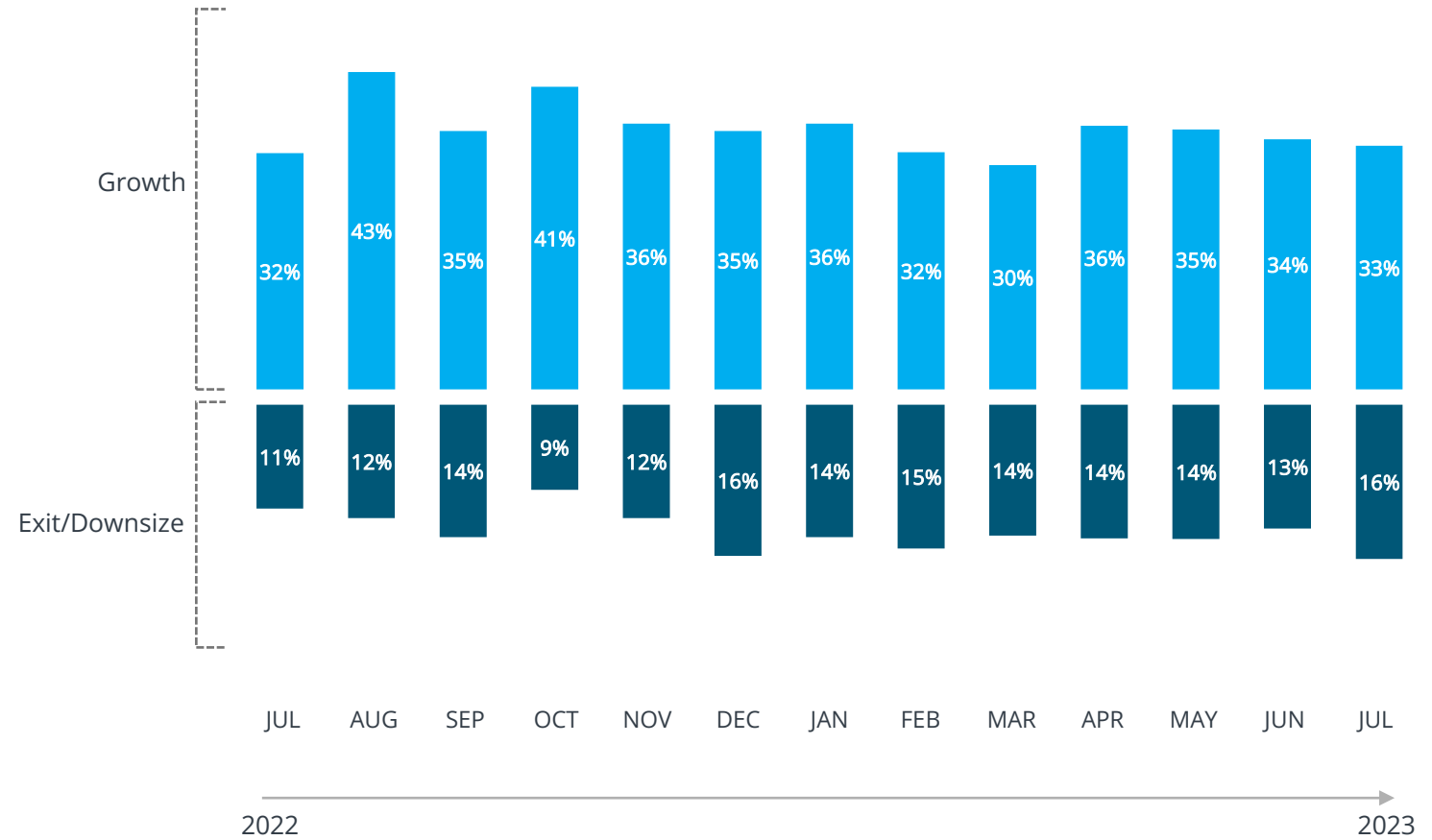
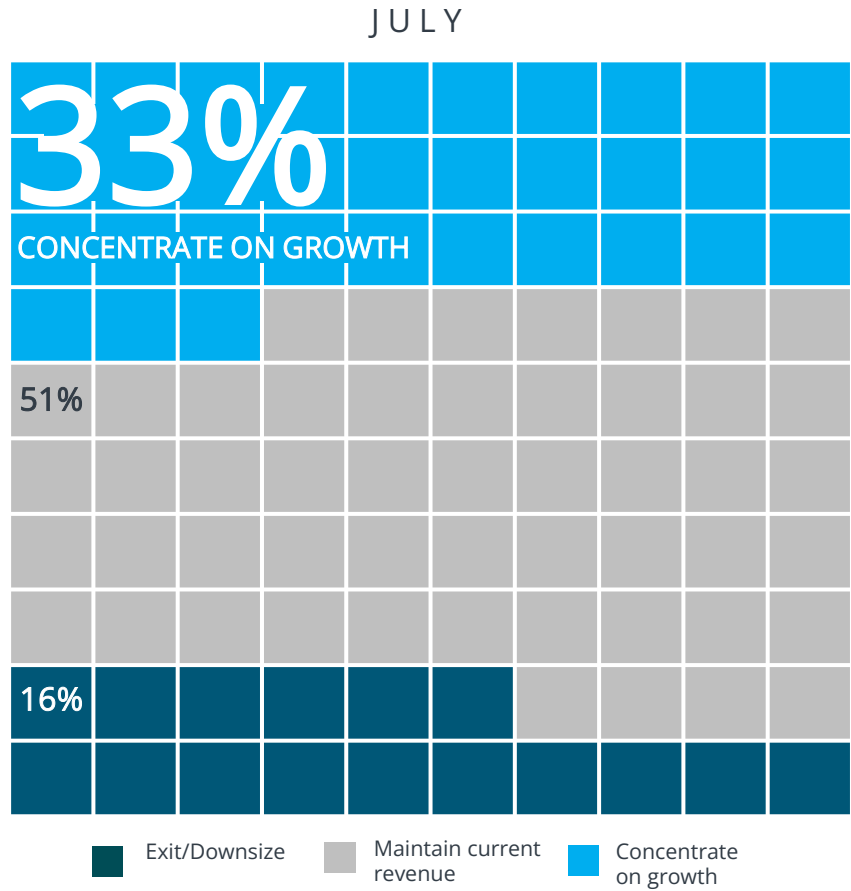
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



Key Performance Indicators | Growth Expectations (Next 12 months)

The proportion of growth-oriented businesses has remained steady at around one in three (33%), but there has been a gradual decline since April.

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



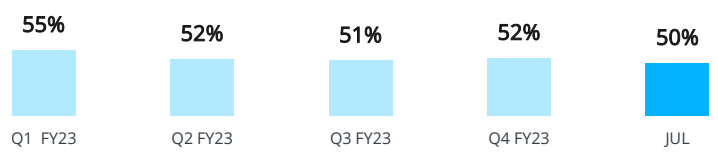
Key Performance Indicators | Business Concerns

Encouragingly, business concerns have fallen across the board. Gradually declining inflation coupled with an unchanged cash rate in July and August should offer SMEs some hope of respite moving forward.

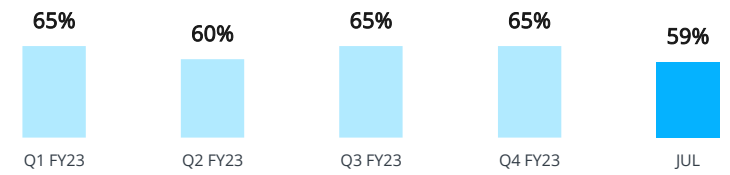
HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



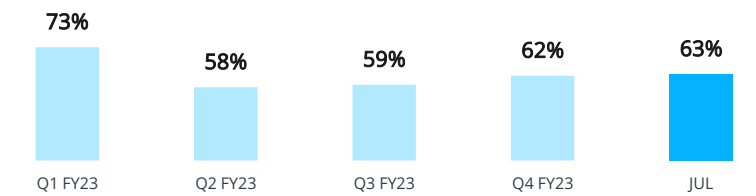
Staff or skill shortages



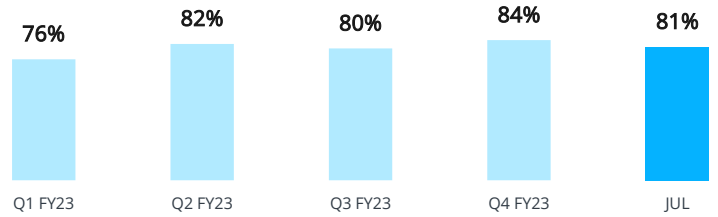
Increasing wage costs



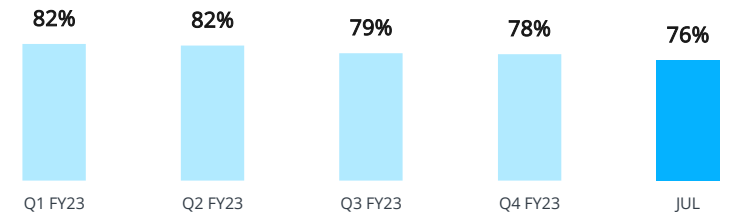
Supply chain delays and associated costs increase



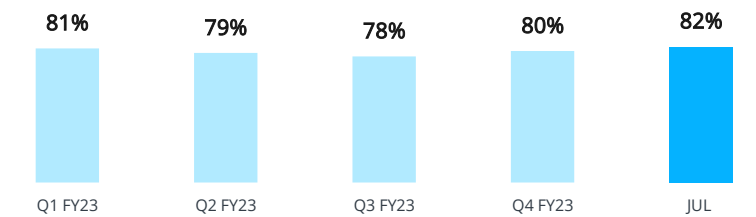
Rising interest rates



Increasing fuel costs



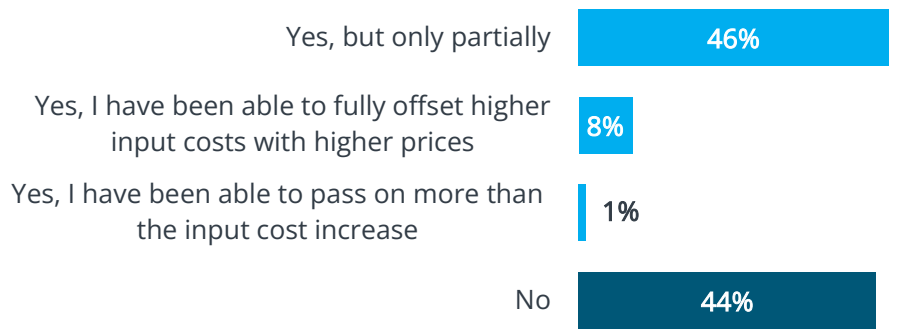
Increasing energy costs



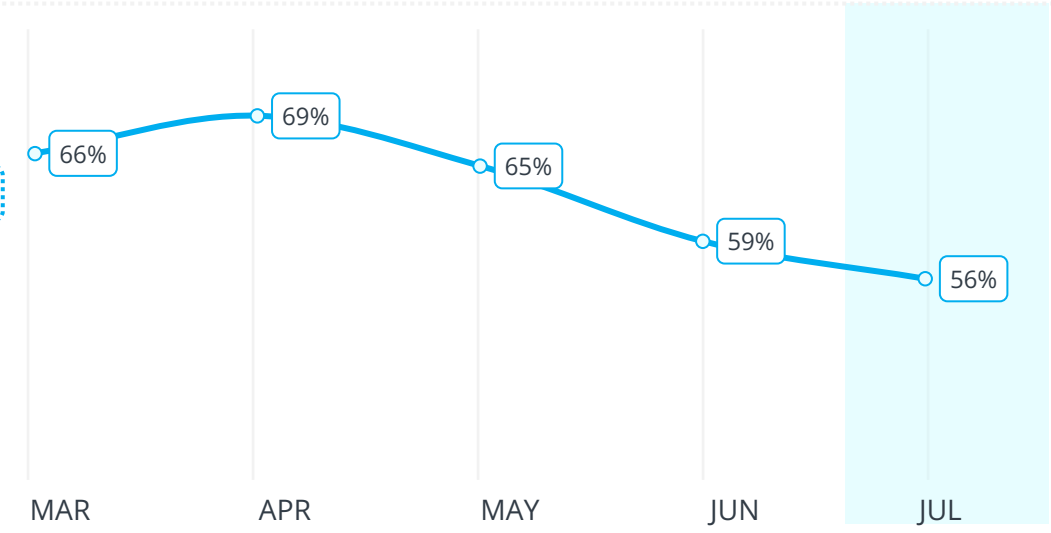
Total concerned

The ability of SMEs to transfer higher input costs to customers continues to diminish, with half (49%) expecting to absorb cost inflation over the next 6 months.

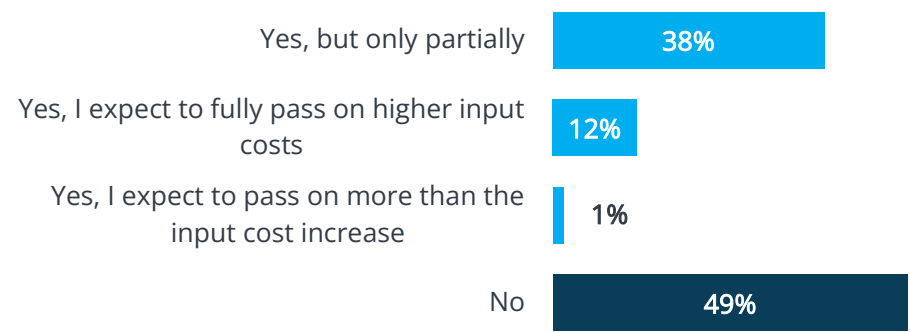
HAVE YOU BEEN ABLE TO PASS ON HIGHER INPUT COSTS TO YOUR CUSTOMERS?



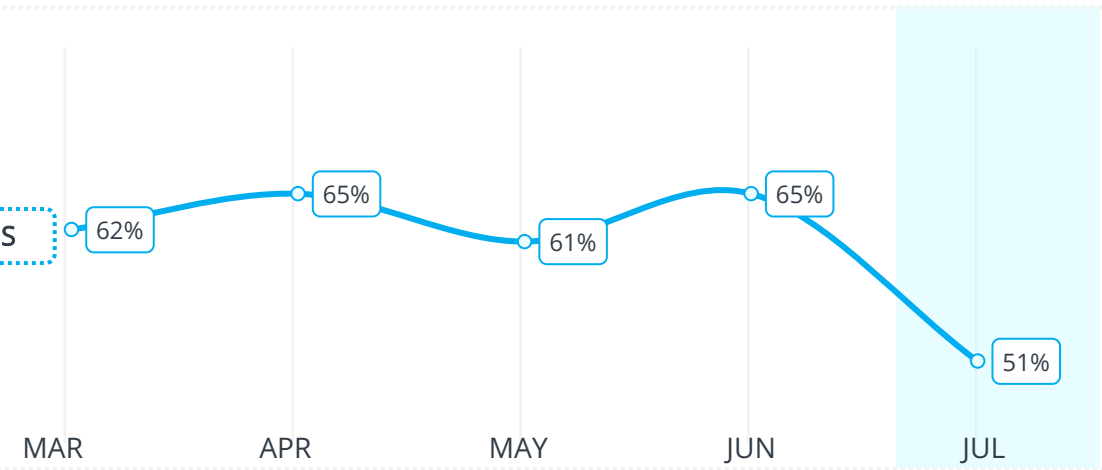
YES



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



YES





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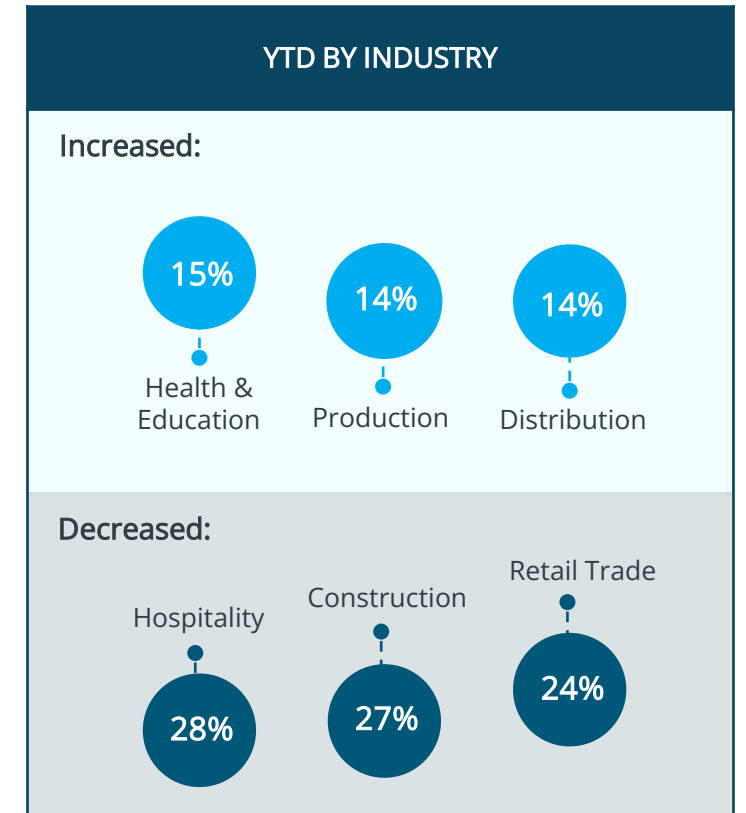
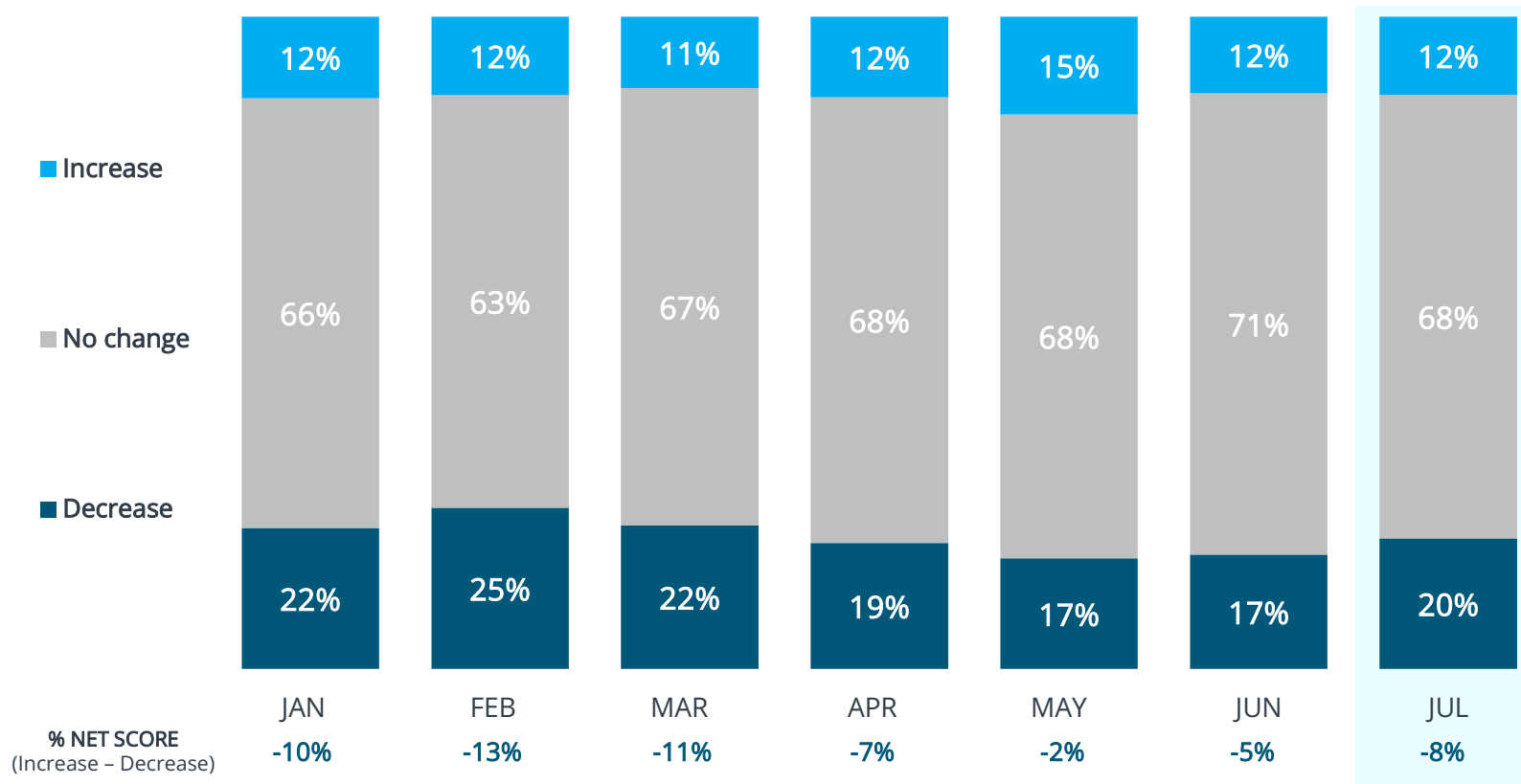
Business Sentiment

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Methodology &
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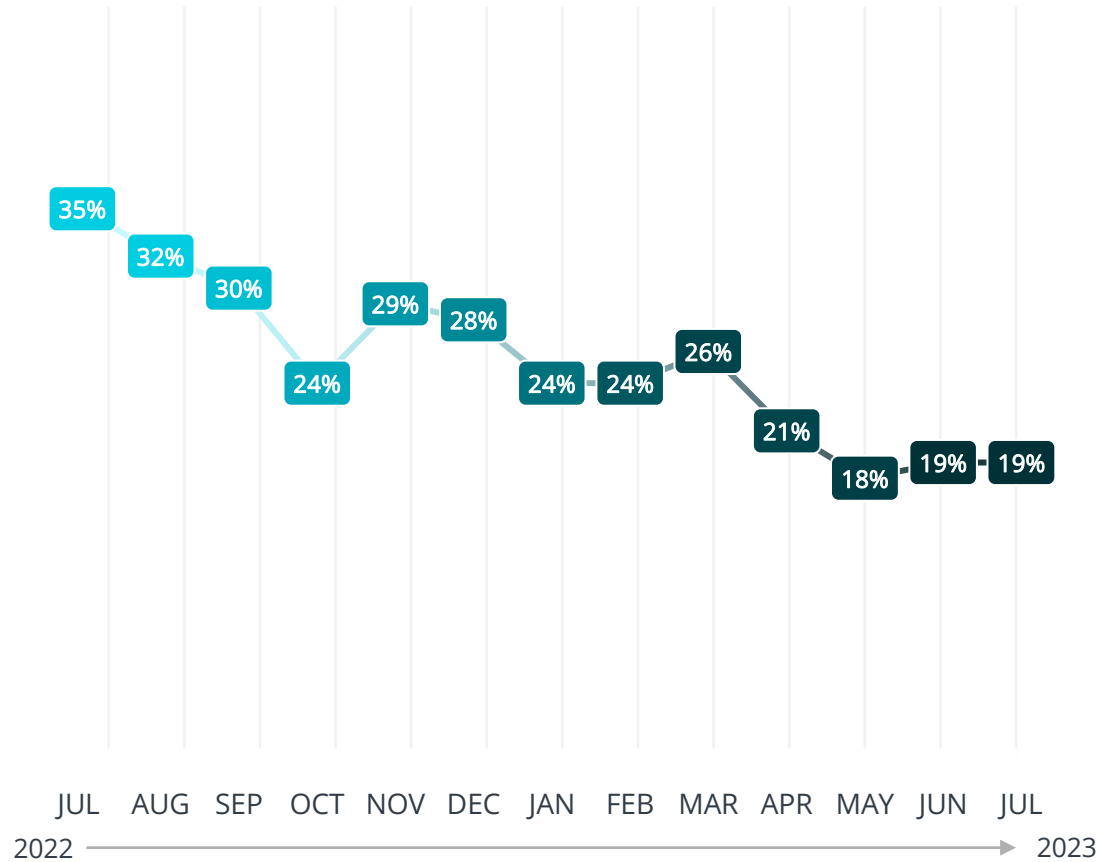
Net employment compared to 12 months ago has again decreased over the past month.

CHANGE IN NUMBER OF EMPLOYEES OVER THE LAST 12 MONTHS

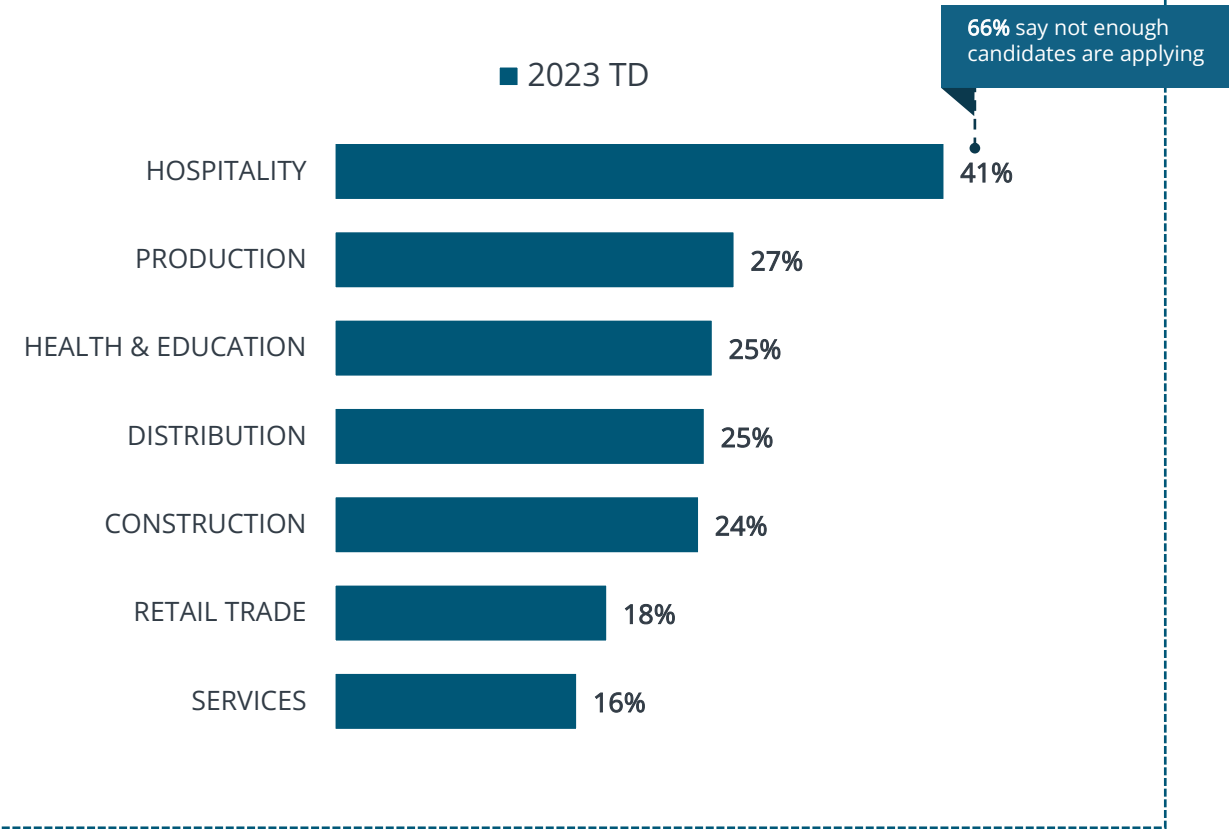


Recruitment activity remains stagnant, with 19% of SMEs looking to fill roles. The Hospitality sector has been most active in recruiting during 2023 but are still struggling with a lack of candidates applying.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL

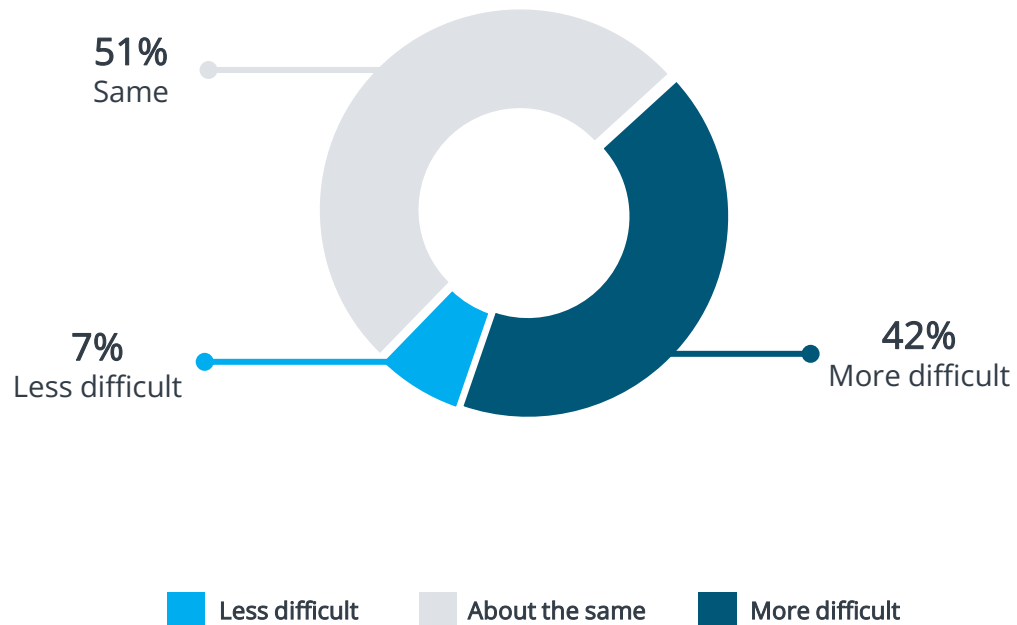


YTD BY INDUSTRY

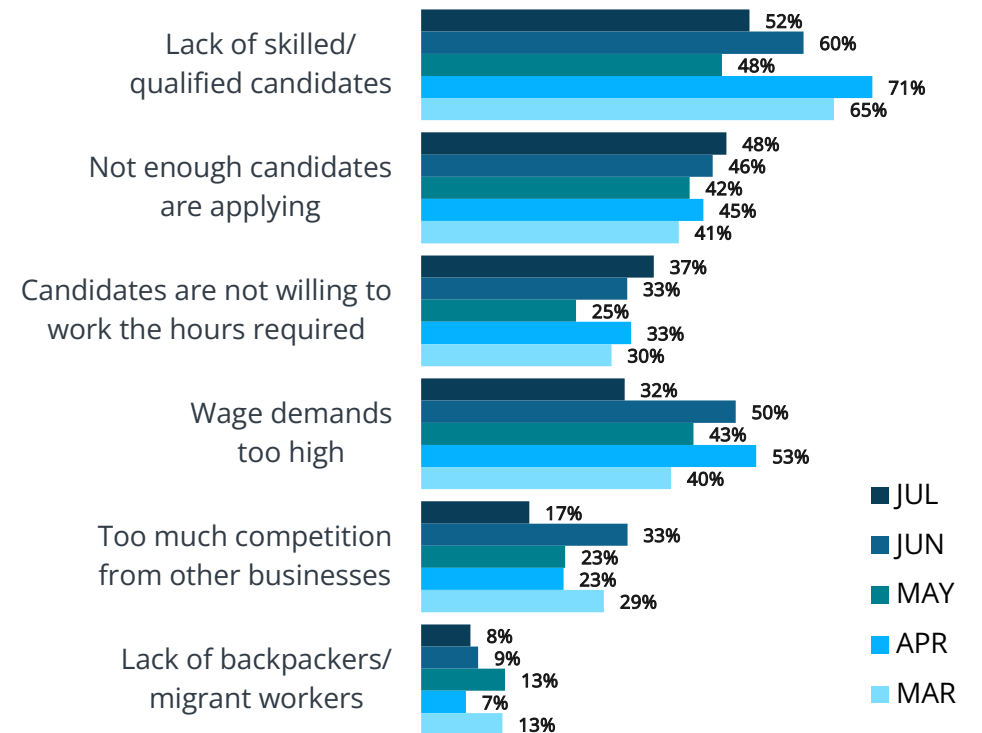


42% of SMEs are finding recruitment more difficult now than 12 months ago. High wage demands and competition from other businesses have fallen as a reason for vacancies.

OVERALL, DO YOU THINK IT IS MORE OR LESS DIFFICULT TO FILL ROLES THAN IT WAS 12 MONTHS AGO?



WHY IS IT DIFFICULT TO FILL THESE ROLES?





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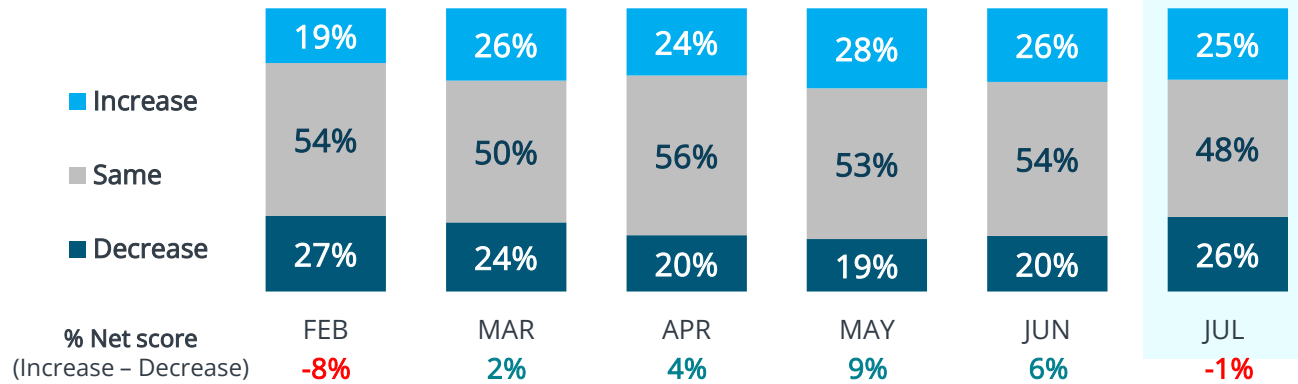
Methodology &
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Business Investment | Next Three Months

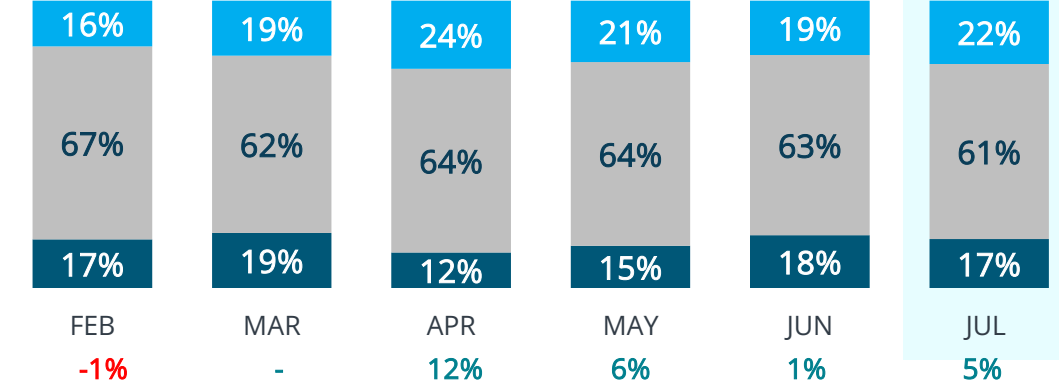
Investment intentions have again declined across all categories in the past month, with the exception of marketing spend which has increased.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

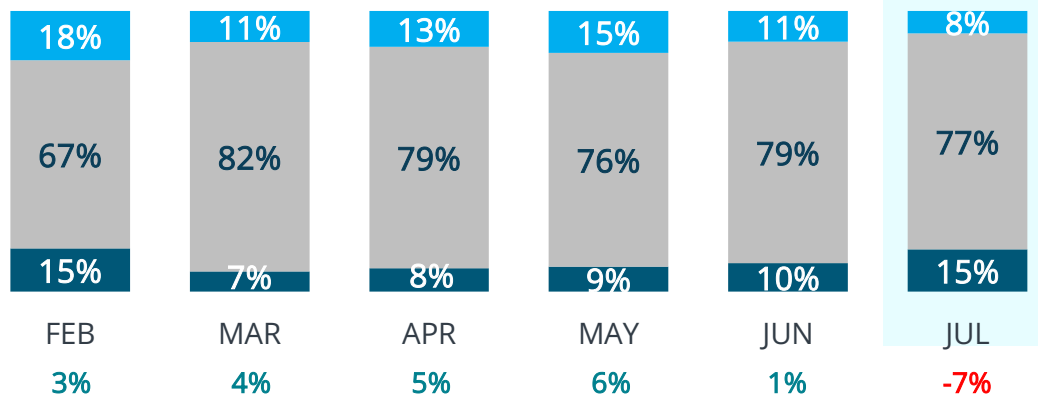
BUSINESS SPENDING/ CAPITAL INVESTMENT



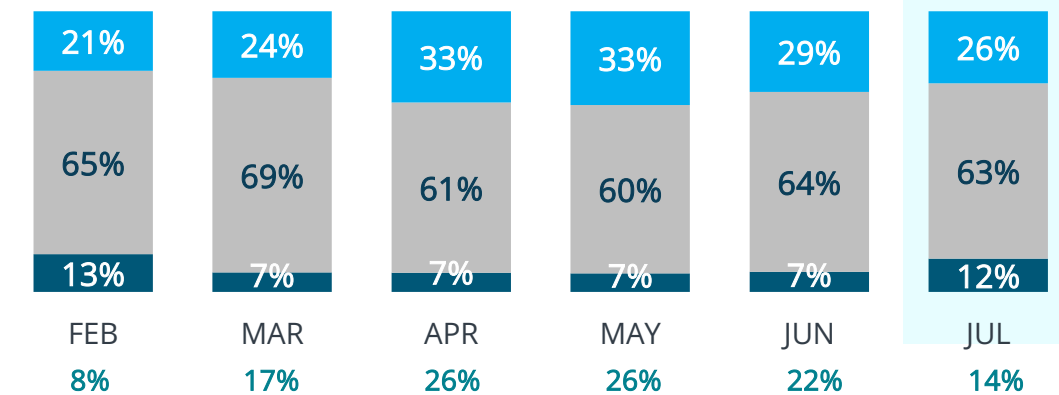
MARKETING SPEND



THE NUMBER OF STAFF YOU EMPLOY

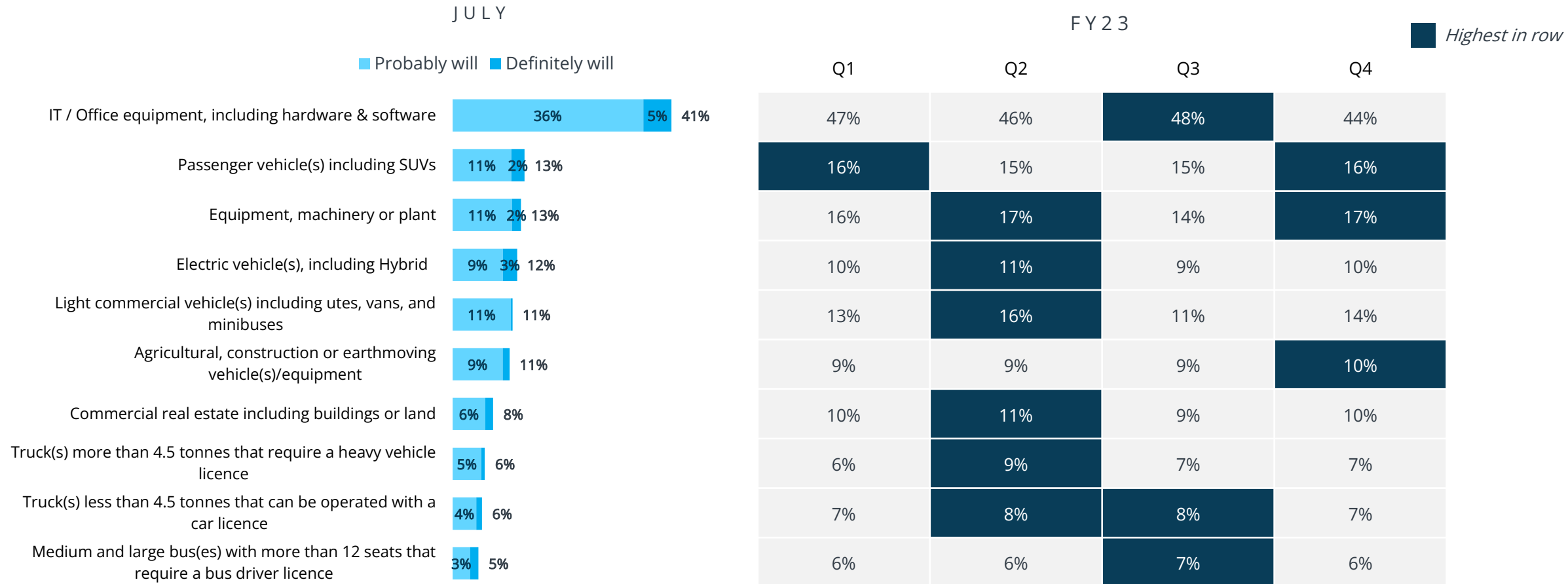


THE WAGES YOU PAY



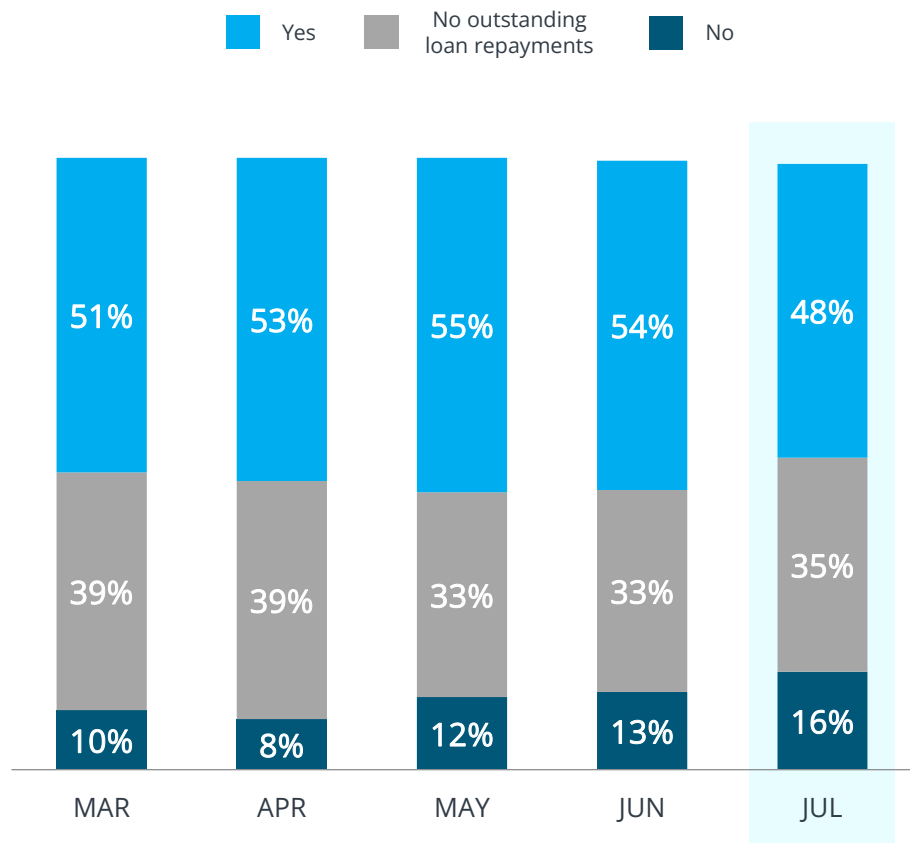
Investment intentions are below the FY23 average in most categories to begin the new financial year.

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



Loan stress has been steadily rising since April, with a notable 16% anticipating an inability to fulfill loan repayments within the next six months.

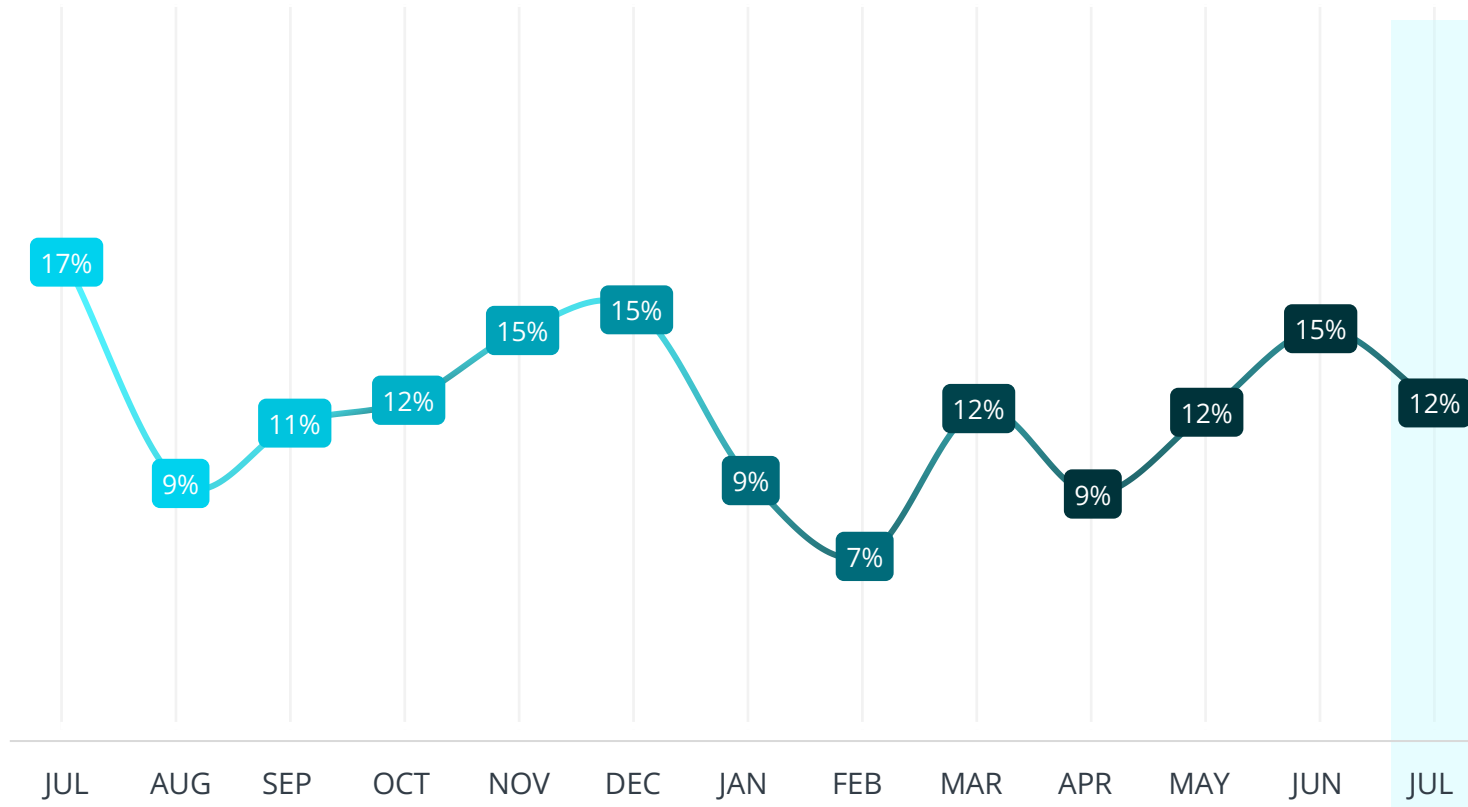
DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?



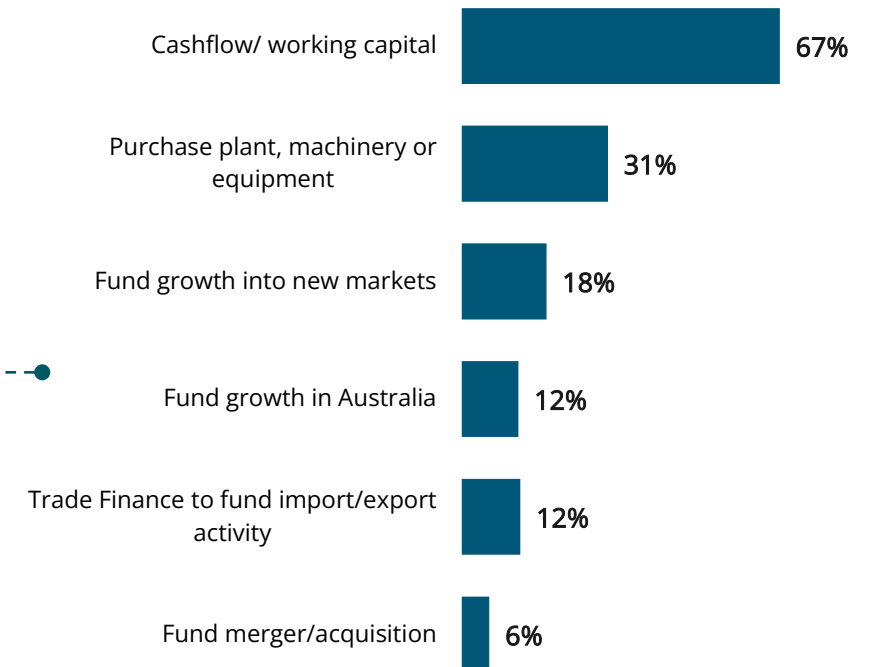
Business Investment | Finance Needs (Next 3 months)

In line with diminished profitability, cashflow / working capital remains the number one reason for additional finance.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



AND WHAT IS THE PURPOSE OF THIS FINANCE?





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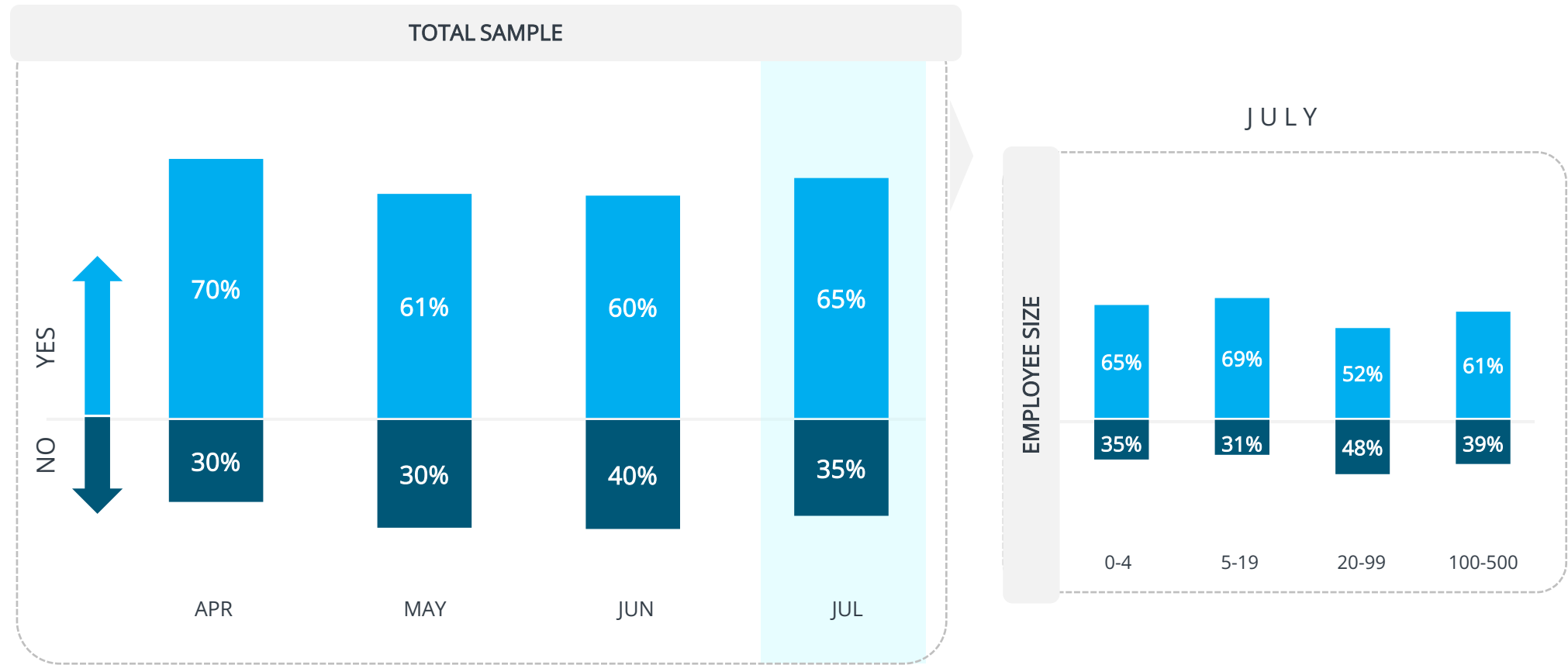
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Methodology & Sample

Business Sentiment | Recession Readiness

Two in three (65%) of SMEs are well positioned to withstand the impact of a possible recession over the next 12 months. Concerningly, half (48%) of those with 20-99 employees believe they are not well insulated in the case of a recession.

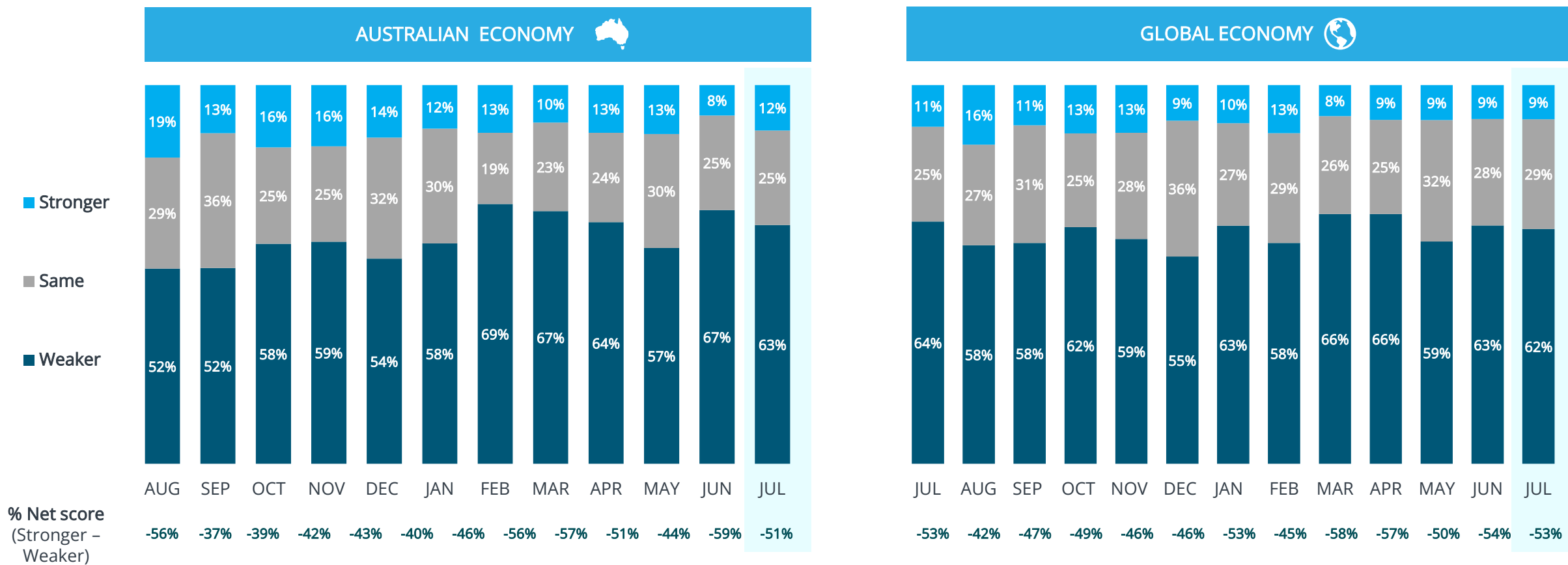
DO YOU THINK YOUR BUSINESS IS WELL POSITIONED TO WITHSTAND THE IMPACT OF A POSSIBLE RECESSION IN AUSTRALIA OVER THE NEXT 12 MONTHS?



Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

Sentiment towards the Australian economy improved slightly in July, despite the outlook remaining largely negative.

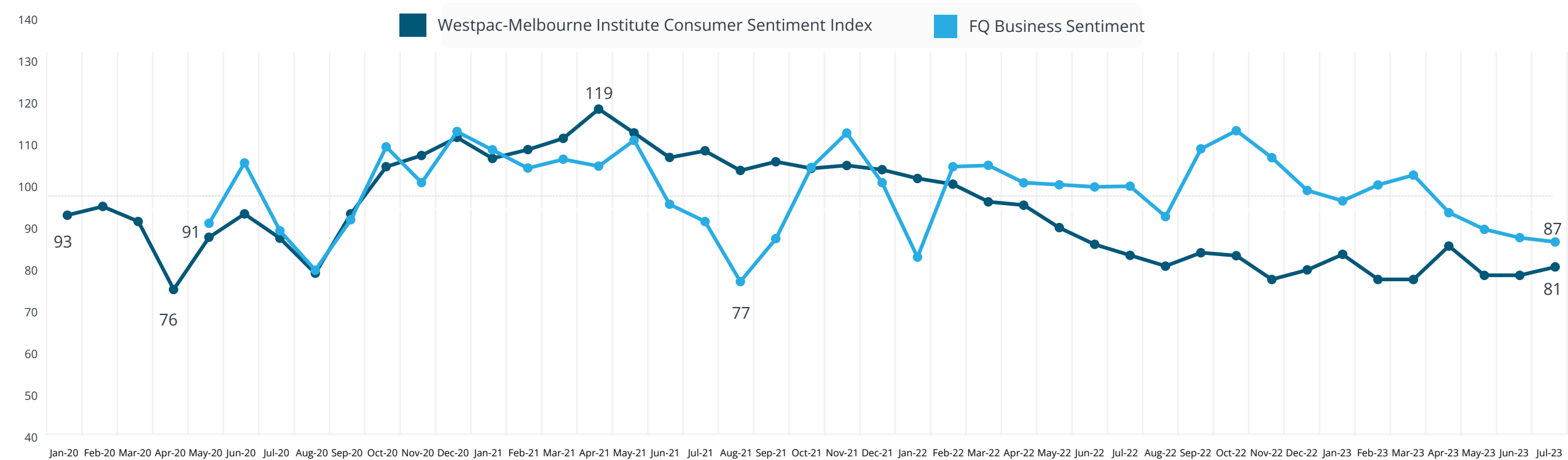
EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



Business Sentiment | Sentiment 2020-2023

SME sentiment continues to trend downwards, further converging with consumer sentiment.

BUSINESS AND CONSUMER SENTIMENT



March 2020: First lockdowns

August 2020: Victoria announces new lockdown measures

February 2021: First COVID-19 vaccine doses administered in Australia

June 2021: Sydney announces new lockdown measures

October 2021: Sydney & Melbourne released from lockdowns

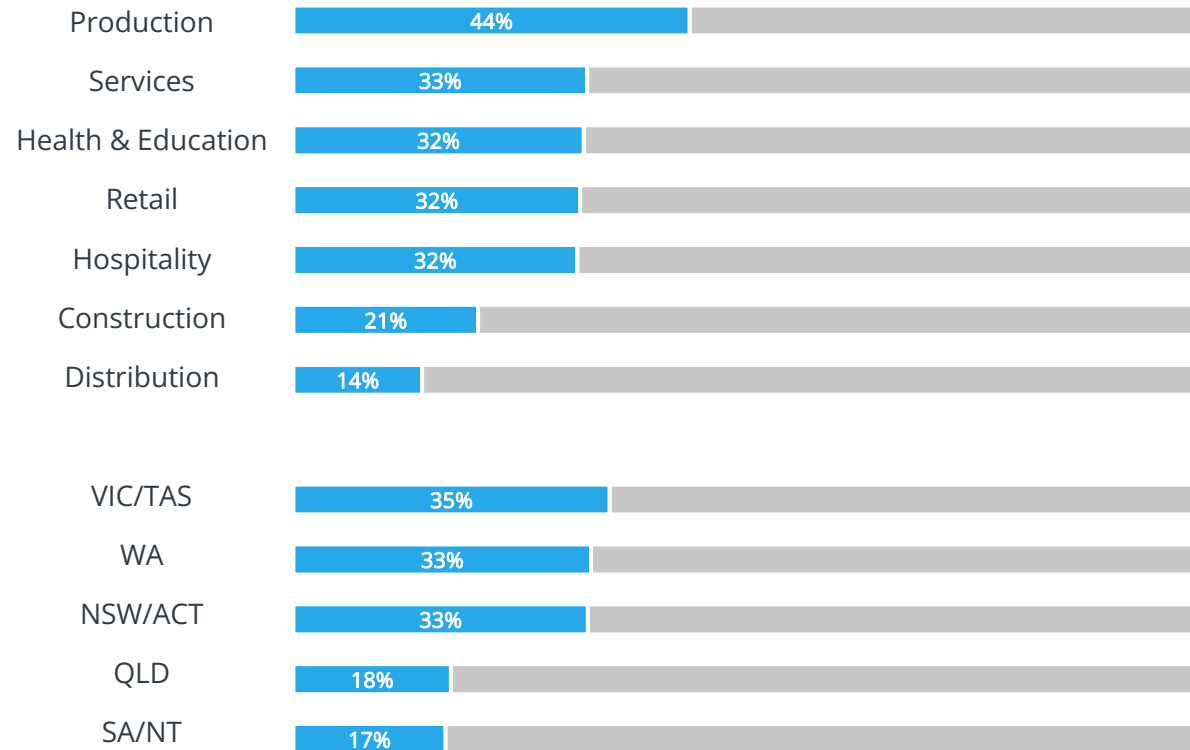
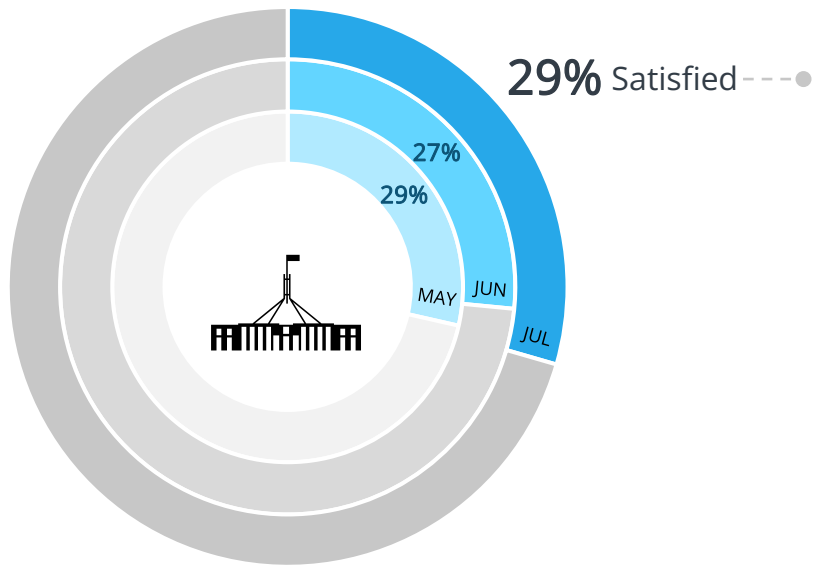
January 2022: Reported daily case numbers increase 10x in the space of a month

May 2022: RBA increases cash rate target by 25 basis points, the beginning of 10 straight increases

July 2023: RBA pauses its interest rate increases for the first time since April 2023

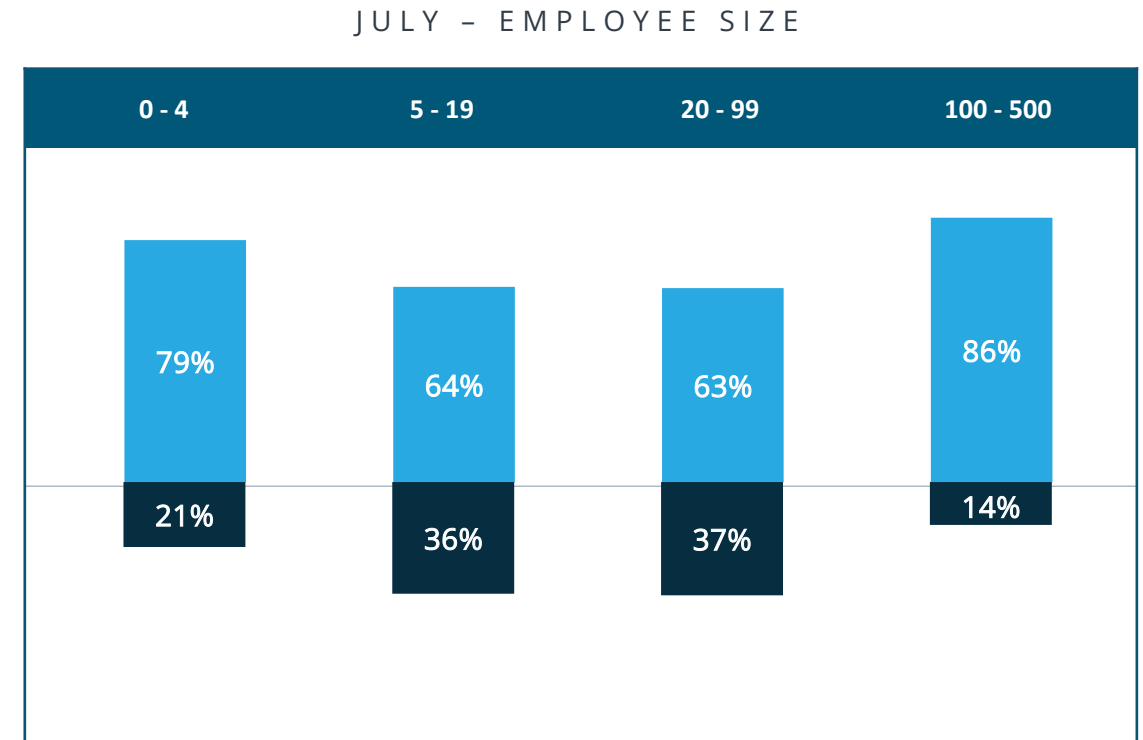
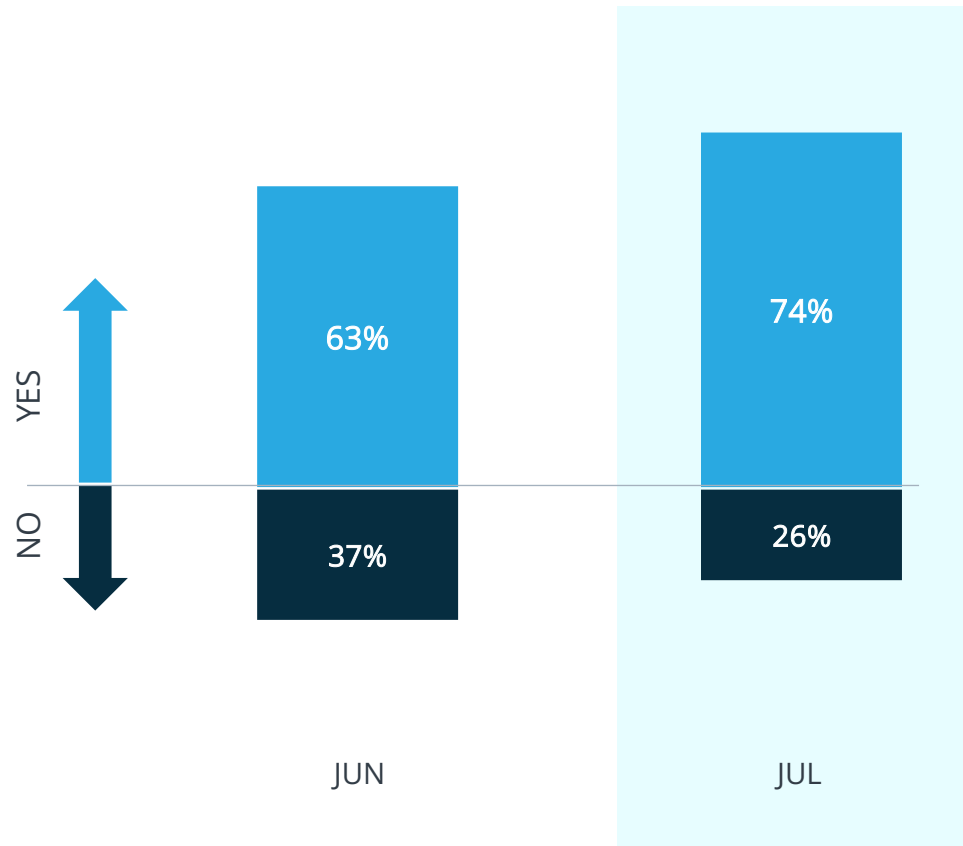
Satisfaction with the federal Labor government's ability to support business needs remains low at 29%.

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



While 59% are concerned about increasing wage costs, 74% support the increase to the minimum wage amidst Australia's current cost of living crisis.

DO YOU SUPPORT THE DECISION BY THE FAIR WORK COMMISSION TO INCREASE THE MINIMUM WAGE BY 5.75%?





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

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

All respondents are business owners or financial decision makers/influencers

Use of accredited research panels ensures a consistent sample of the national population across states and territories.



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



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

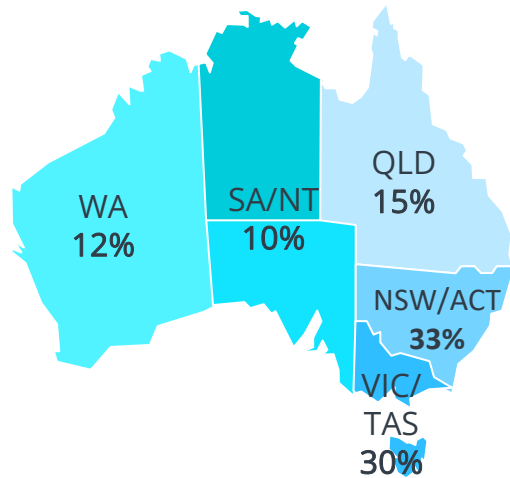


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

Our Sample

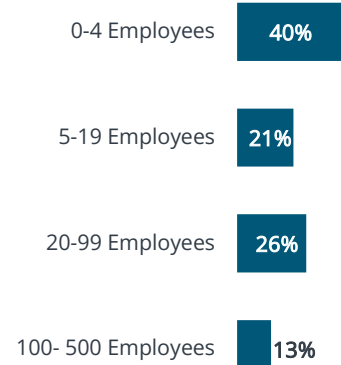
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

HEAD OFFICE LOCATION

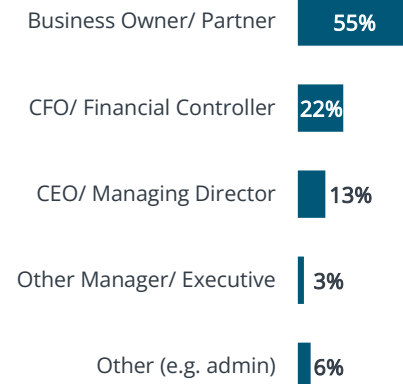


NOTE: CHARTS SHOW UNWEIGHTED DATA

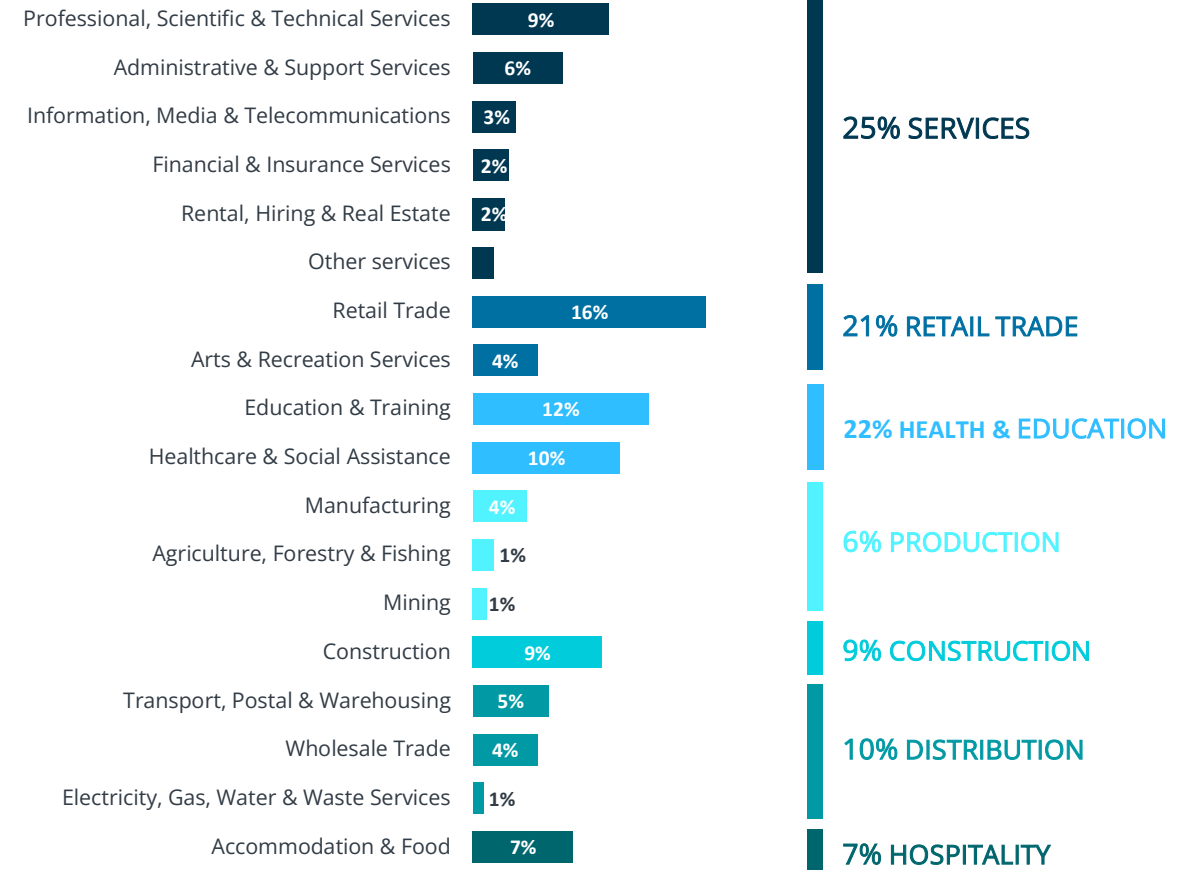
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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