



# SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 54 - August 2023





**Almost half (47%) of SMEs made a profit compared to 40% in the previous month**



**24% have job roles they are trying to fill, compared to 19% in July.**



**37% are focusing on growth over the next 12 months**



**33% expect revenue growth over the next 4 weeks compared to 22% last month**

## **SME Business sentiment pops – are we turning a corner?**

After a continued period of declining revenue and profit, the August results of the Fifth Quadrant SME Sentiment Tracker suggest confidence is growing in line with falling inflation and the stabilisation of interest rates.

Despite year-on-year revenues continuing to fall, 47% of SMEs reported a profit and 33% expect revenues to increase over the next 4 weeks compared to 22% in the previous month. Decision makers also report less concerns regarding increasing costs and are more confident about local and global economic conditions. Accordingly, the Fifth Quadrant Business Sentiment Index has risen from 87 to 105.

With more certainty regarding interest rates and costs, recruitment activity has again increased. One in four (24%) are currently looking to fill roles compared to only 19% in July. The data suggests a more bullish outlook for SMEs as we approach the important Christmas trading period and hence 37% of all SMEs are now focusing on growth over the next 12 months. This is the highest level reported since October 2022.

It is also positive to report an uplift in capital expenditure with 30% of SMEs increasing investment over the next 3 months. It is also notable that only 9% of SMEs expect to have difficulties meeting loan repayments over the next 6 months, down from 16% in July.

In summary, despite ongoing challenges, the August findings indicate a brighter outlook for SMEs. Confidence is on the rise, and businesses are more optimistic now than they were earlier in the year. Growth initiatives are back on the agenda with recruitment and capital investment bouncing back as we approach the final quarter of another very challenging year. Only time will tell, but hopefully this is a turning point for SMEs.



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.



**01 Key Performance Indicators**

**02 Business Sentiment**

**03 People**

**04 Business Investment**

**05 Methodology & Sample**



**01** Key Performance Indicators

**02** Business Sentiment

**03** People

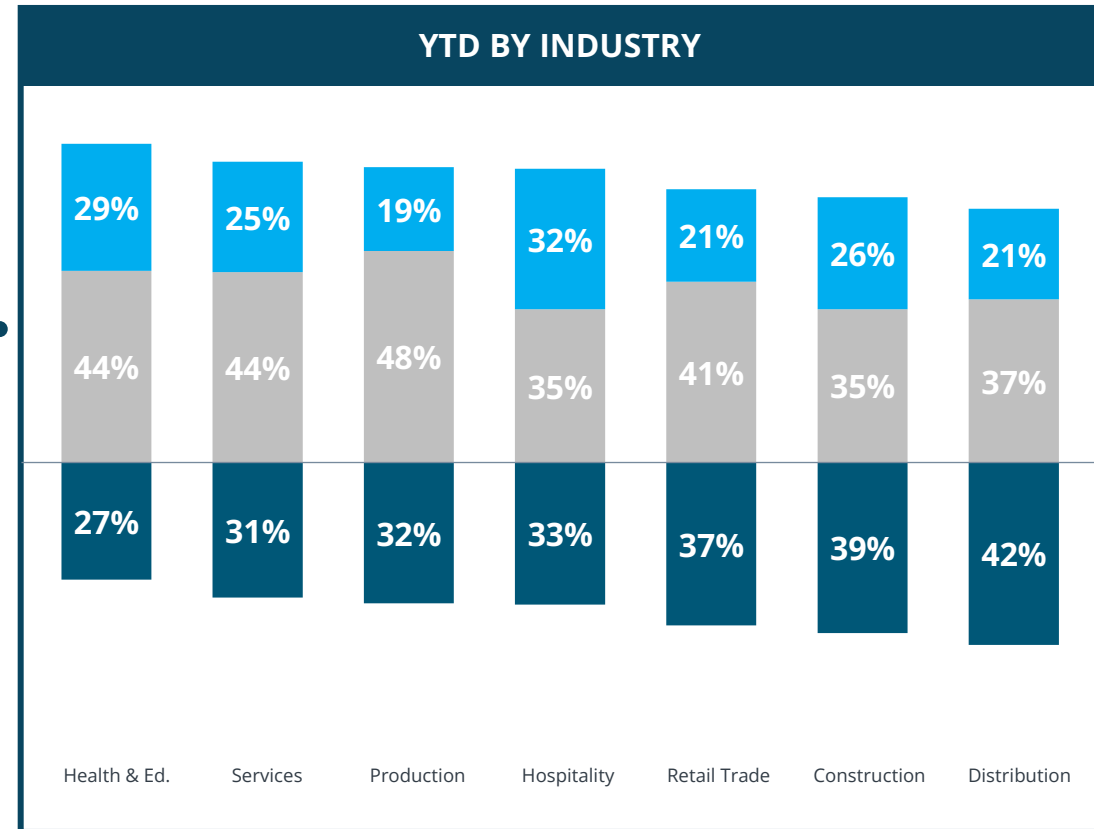
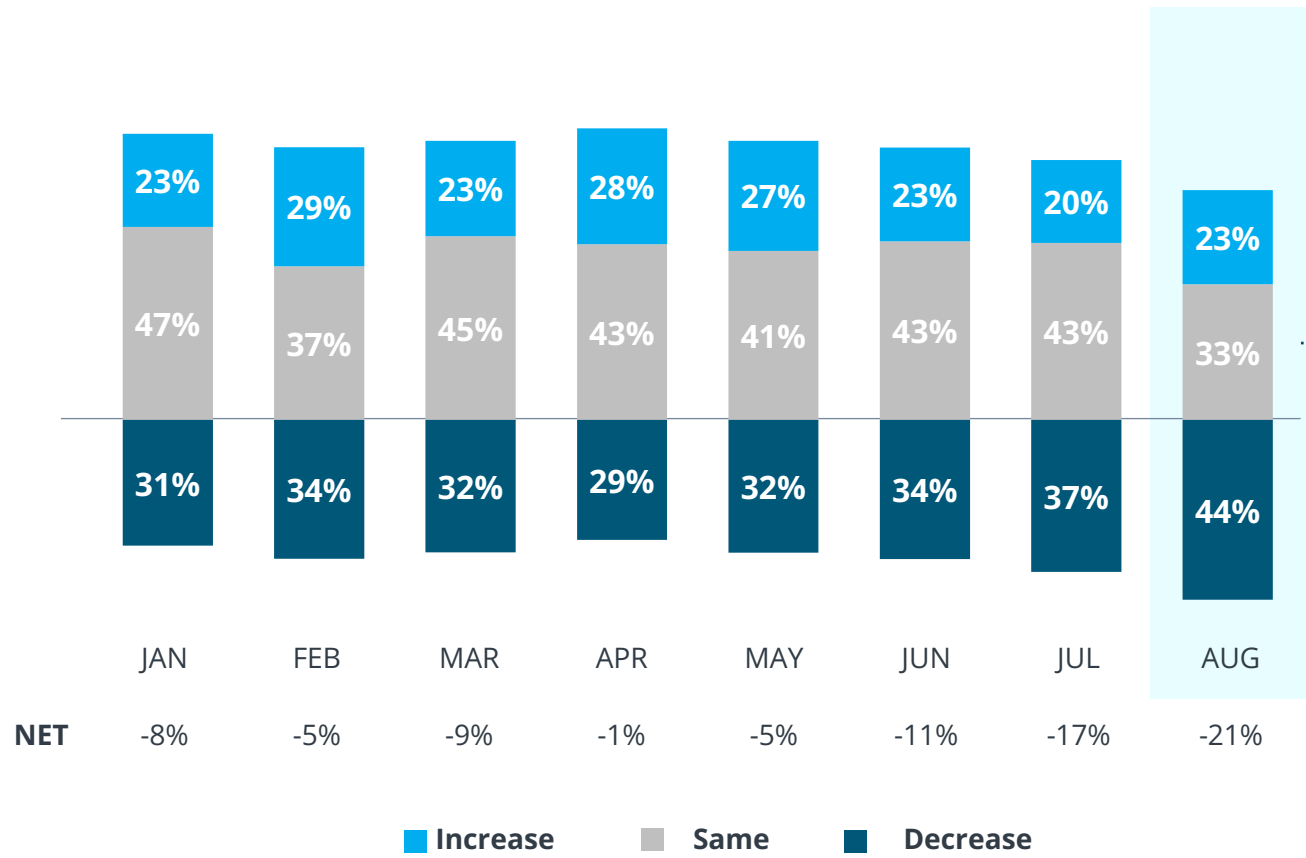
**04** Business Investment

**05** Methodology & Sample

# Key Performance Indicators | Revenue

Year on year revenues continue to track down, with 44% reporting less revenue than 12 months ago. Retail, Distribution and Construction sectors have seen the largest decreases during 2023.

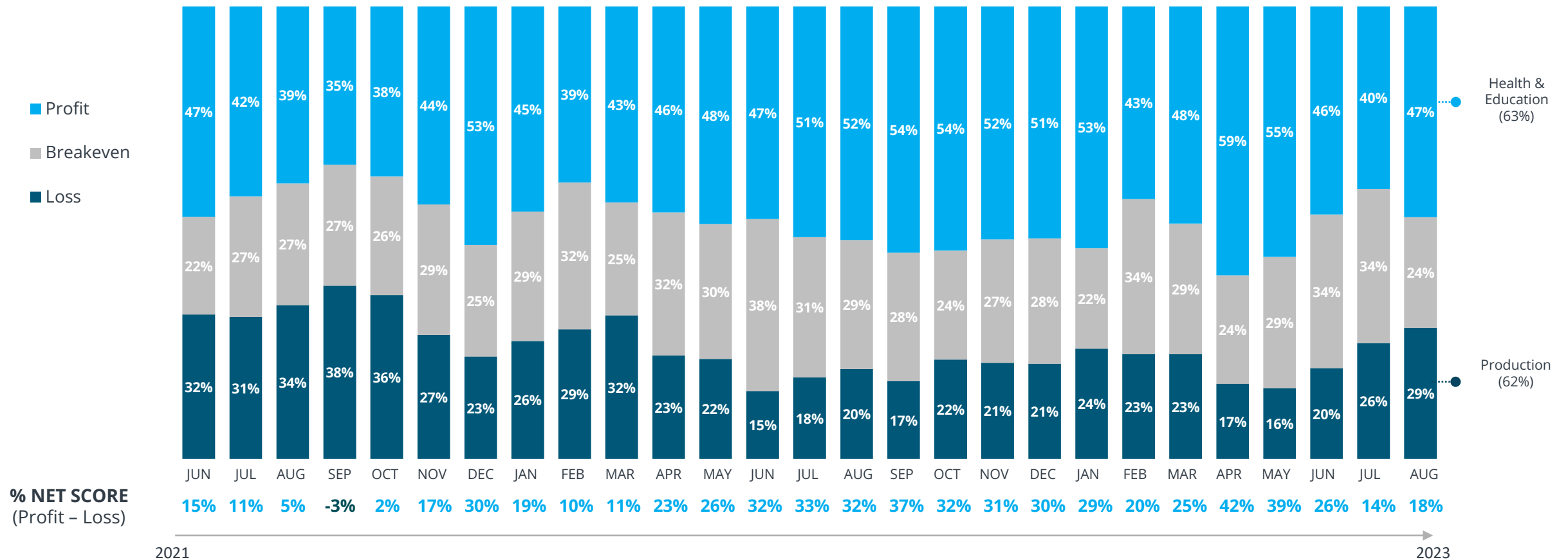
## HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



# Key Performance Indicators | Profit

Despite revenues trending down, profitability has rebounded with half (47%) reporting a profit during the previous month. However, 29% reported a loss, up from 16% in May emphasising the ongoing challenges of generating revenue and managing costs.

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

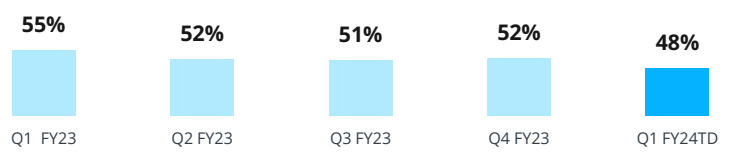


Positive to report a continued downward trend in relation to the extent of concern across most issues as inflation decreases and interest rates remain on hold.

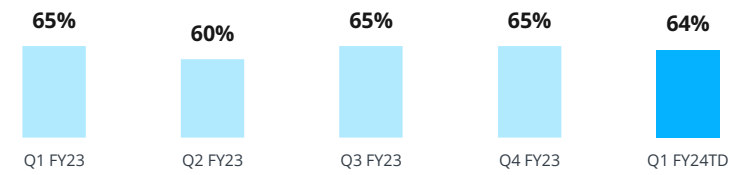
## HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



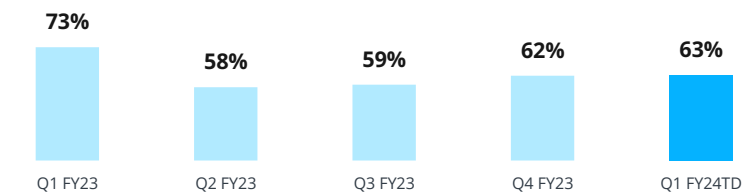
Staff or skill shortages



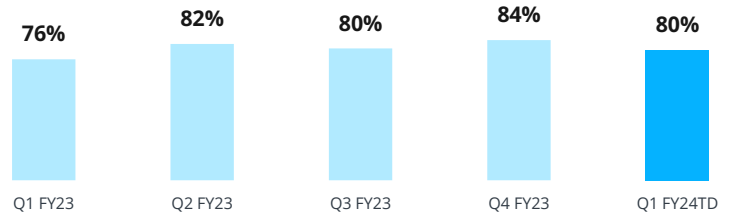
Increasing wage costs



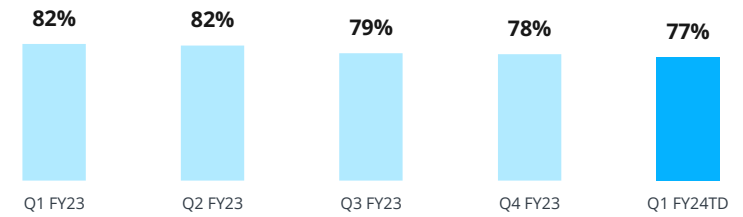
Supply chain delays and associated costs increase



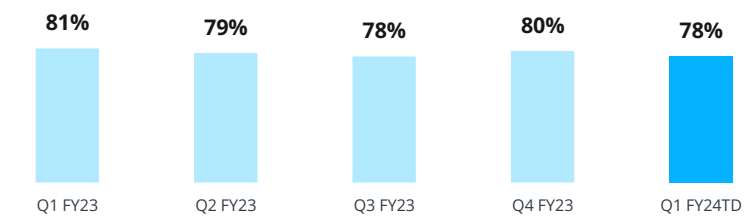
Rising interest rates



Increasing fuel costs



Increasing energy costs



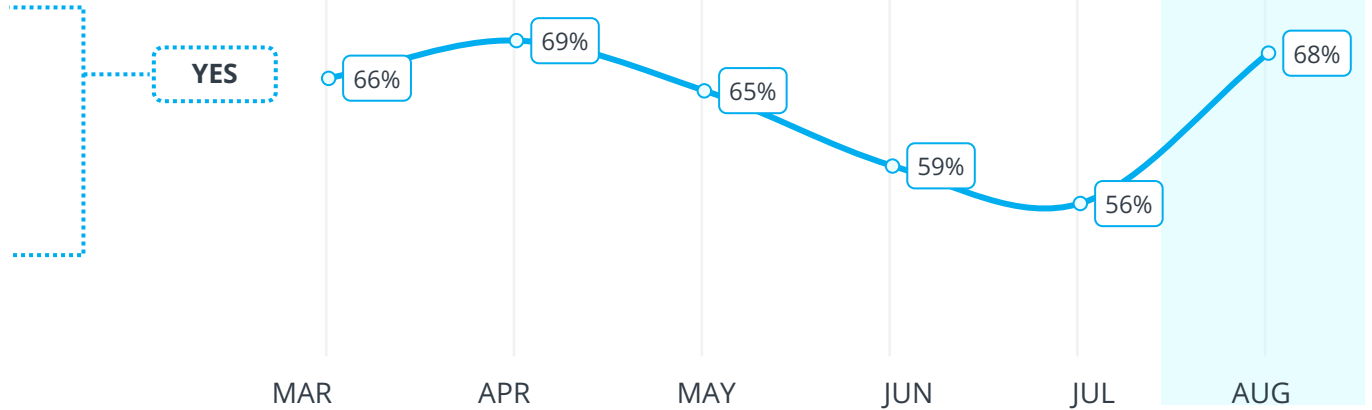
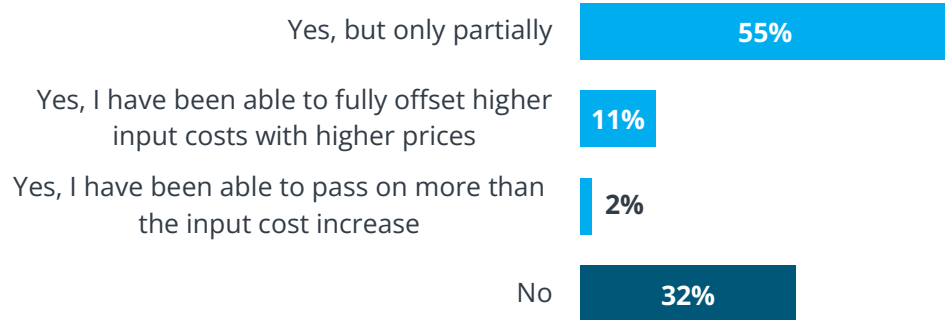
Total concerned



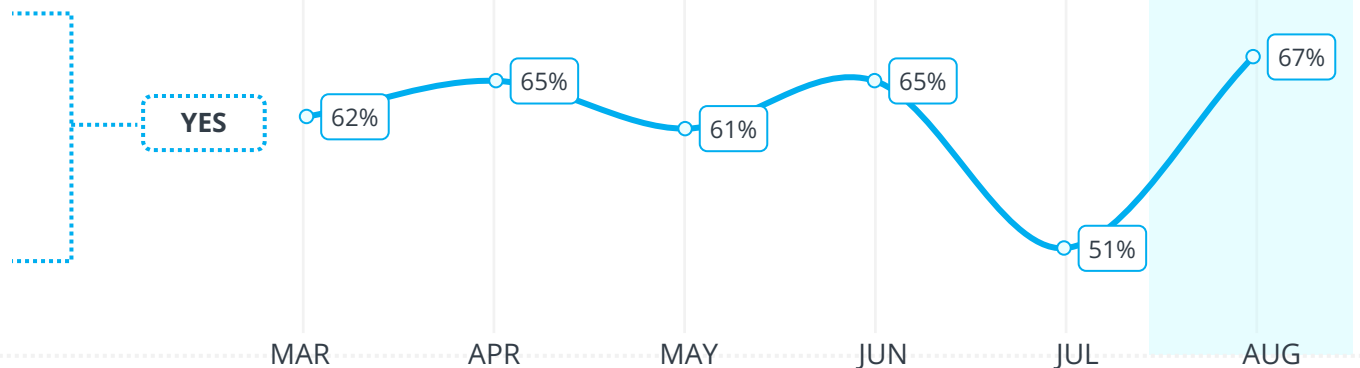
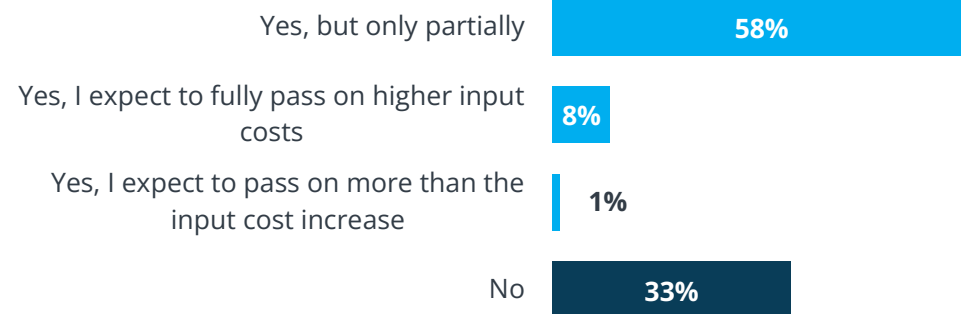
# Key Performance Indicators | Cost Recovery

After a significant drop in July, SMEs have regained confidence regarding their ability to pass on costs to customers. In August, two-thirds (67%) of SMEs expect to pass on/continue to pass on higher input costs over the next 6 months indicating greater demand from customers.

## 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?





01

Key Performance Indicators

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Business Sentiment

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People

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Business Investment

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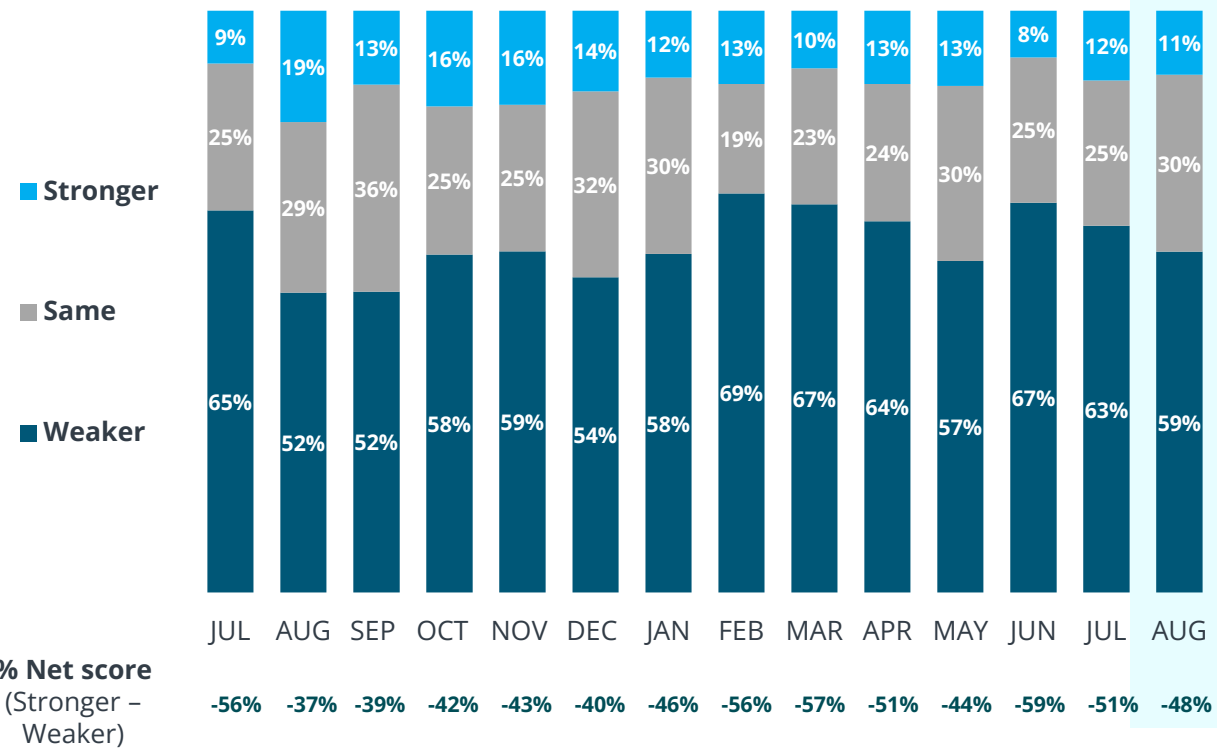
Methodology & Sample

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

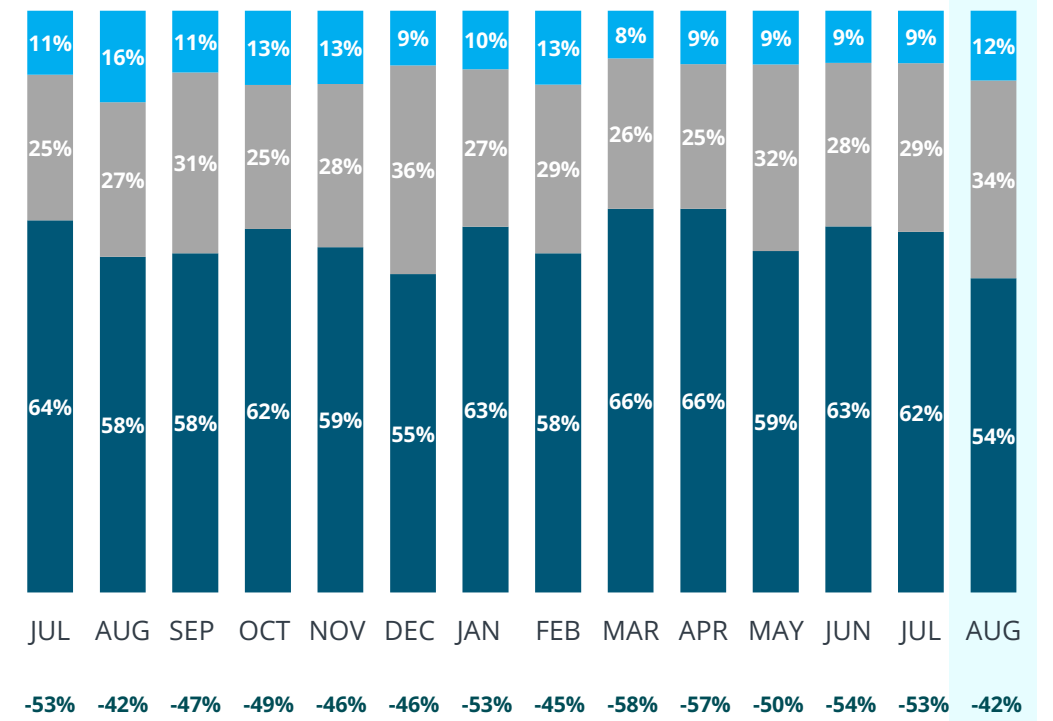
Negative sentiment towards local and global economic conditions decreased in August. Notably, sentiment towards global economic conditions reached its highest level since the initial Russian invasion of Ukraine in early 2022.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS

### AUSTRALIAN ECONOMY



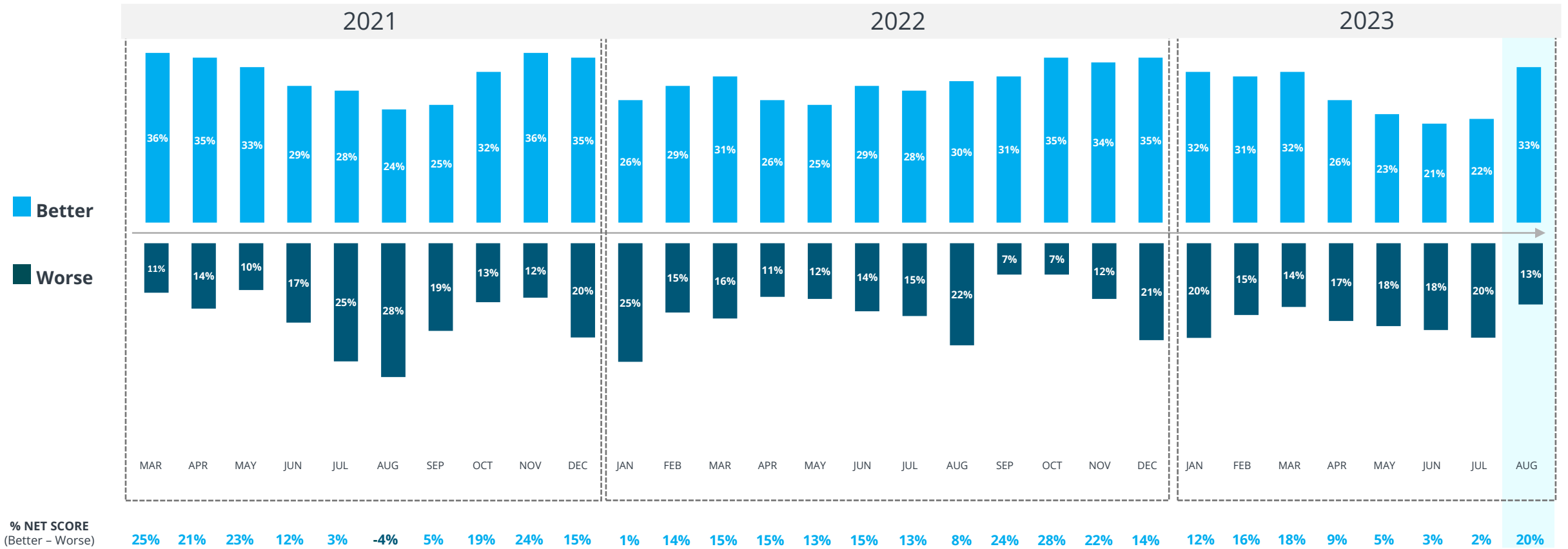
### GLOBAL ECONOMY



# Key Performance Indicators | Revenue Expectations (Next 4 weeks)

Forward looking revenue projections are much more positive with one in three (33%) predicting an increase in revenues over the next four weeks and only 13% expecting revenues to drop. This result is a high-water mark for 2023.

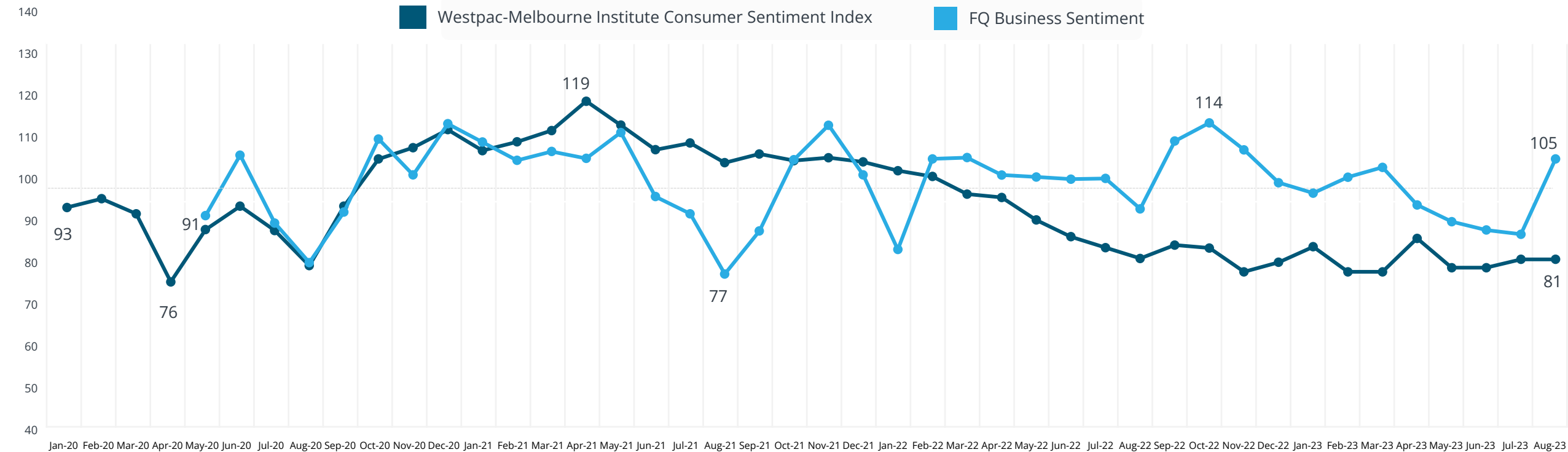
## WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



# Business Sentiment | Sentiment 2020-2023

The Fifth Quadrant Business Sentiment Index rebounded in August following a fall in ABS inflation figures during the June quarter. SMEs will be further buoyed by the RBA's decision to leave the cash rate target unchanged at 4.10 per cent for the third consecutive month.

## 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

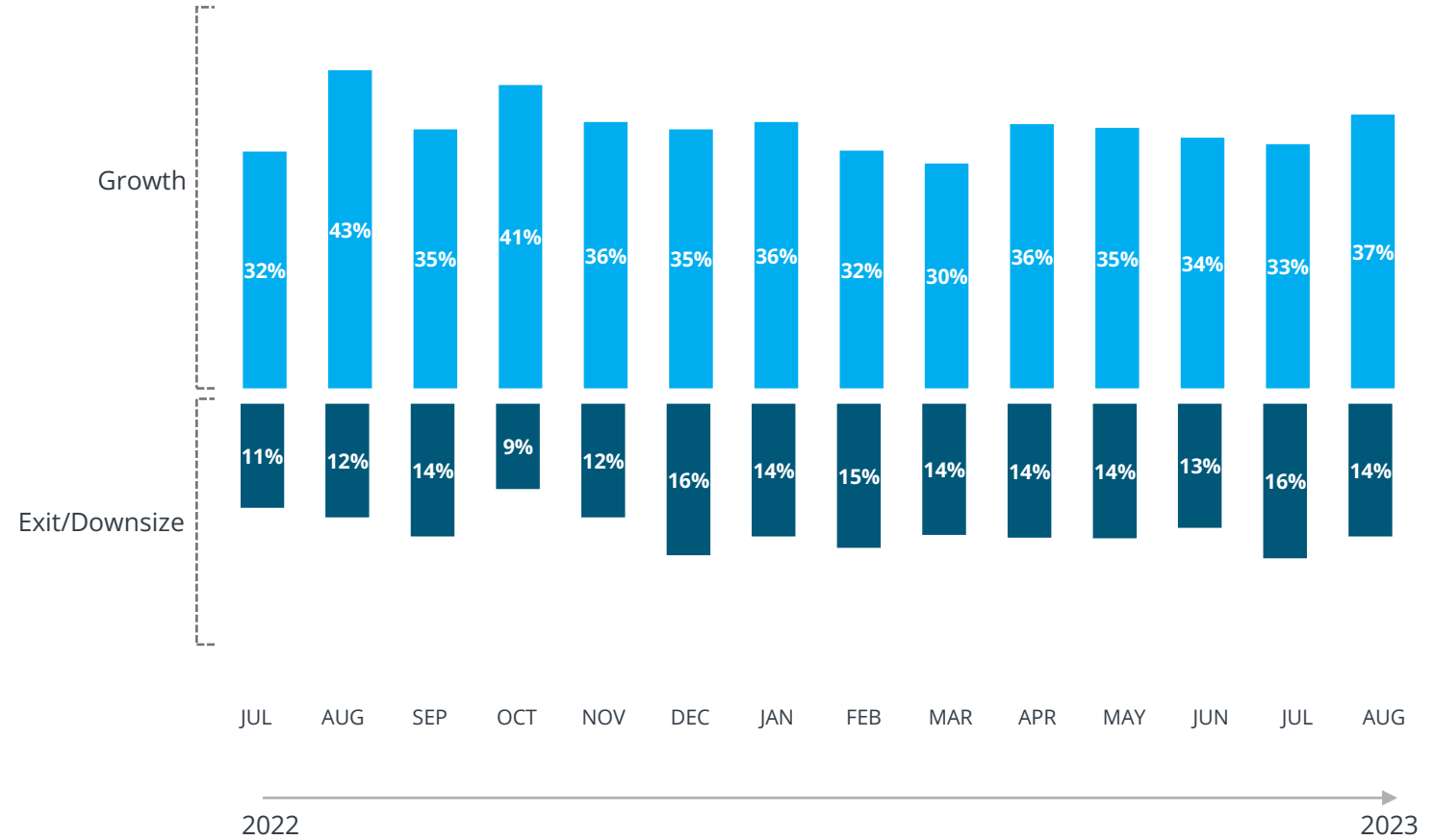
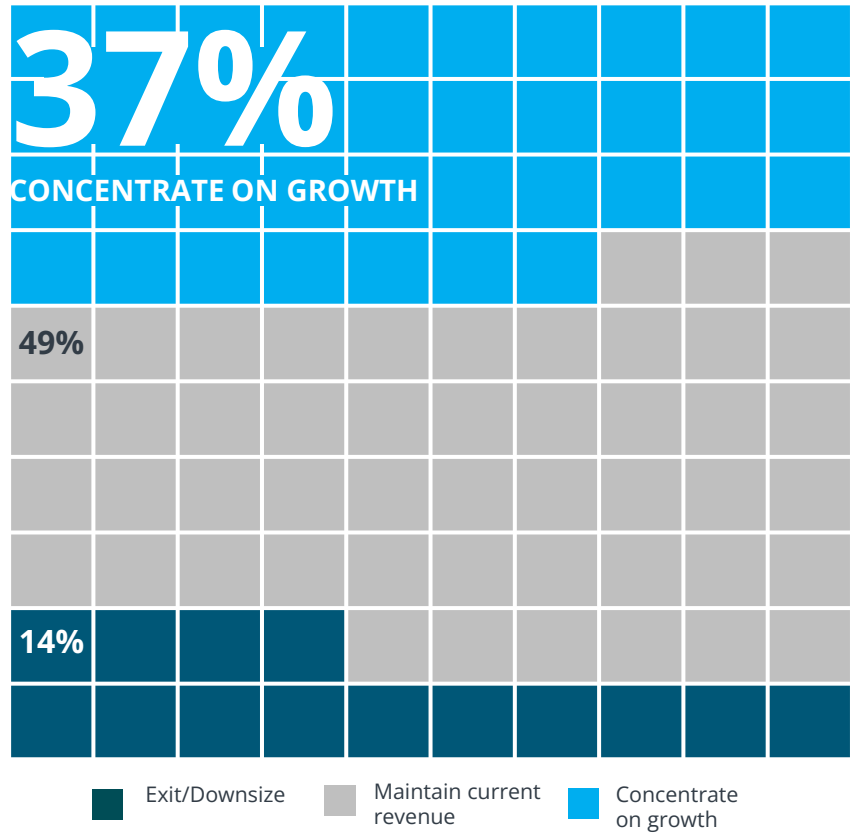
**July 2023:** RBA pauses interest rate increases for the first time since April 2023

# Key Performance Indicators | Growth Expectations (Next 12 months)

Accordingly, the proportion of growth-oriented businesses has also hit a 2023 high, reaching 37%.

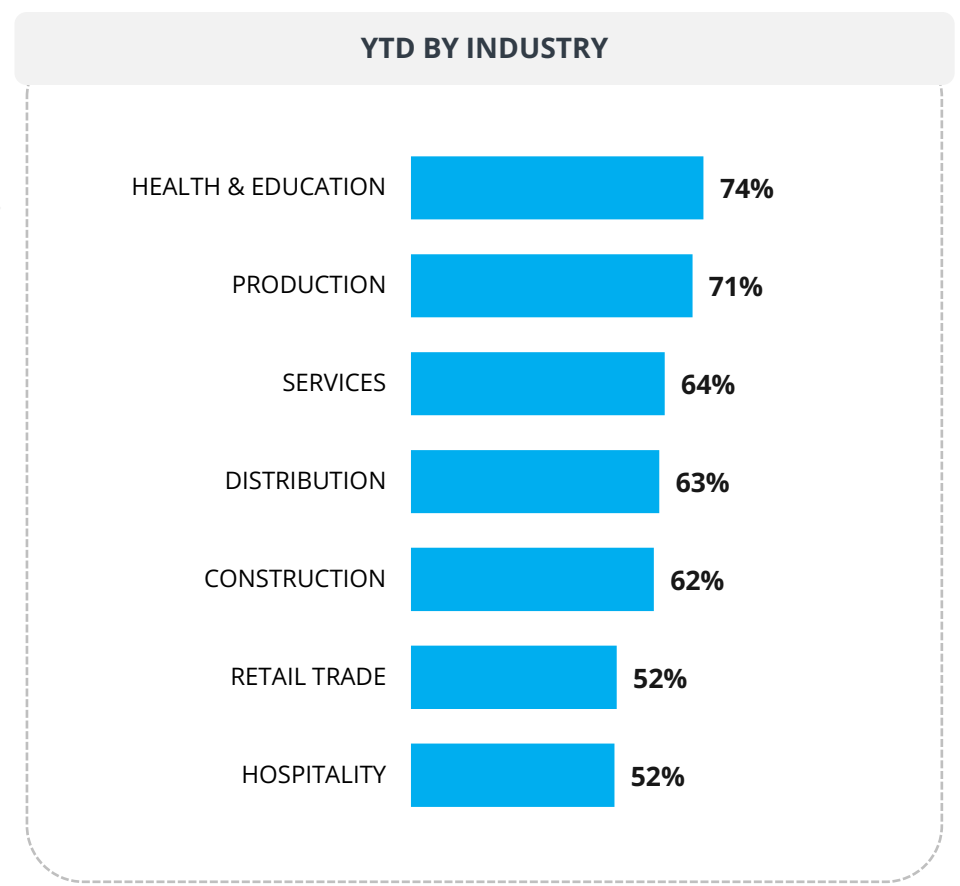
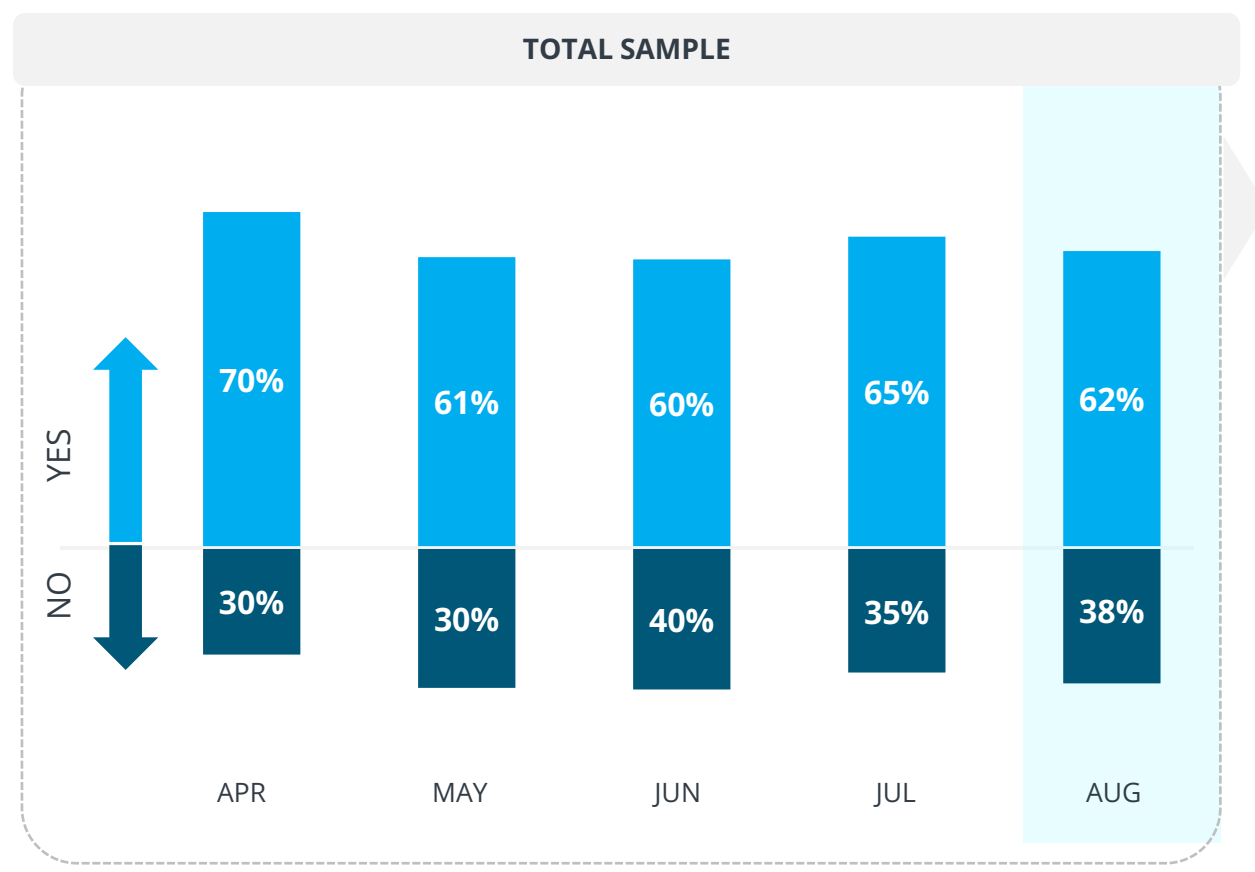
## OVERALL, WHAT BEST DESCRIBES YOUR APPROACH TO BUSINESS OVER THE NEXT 12 MONTHS?

AUGUST



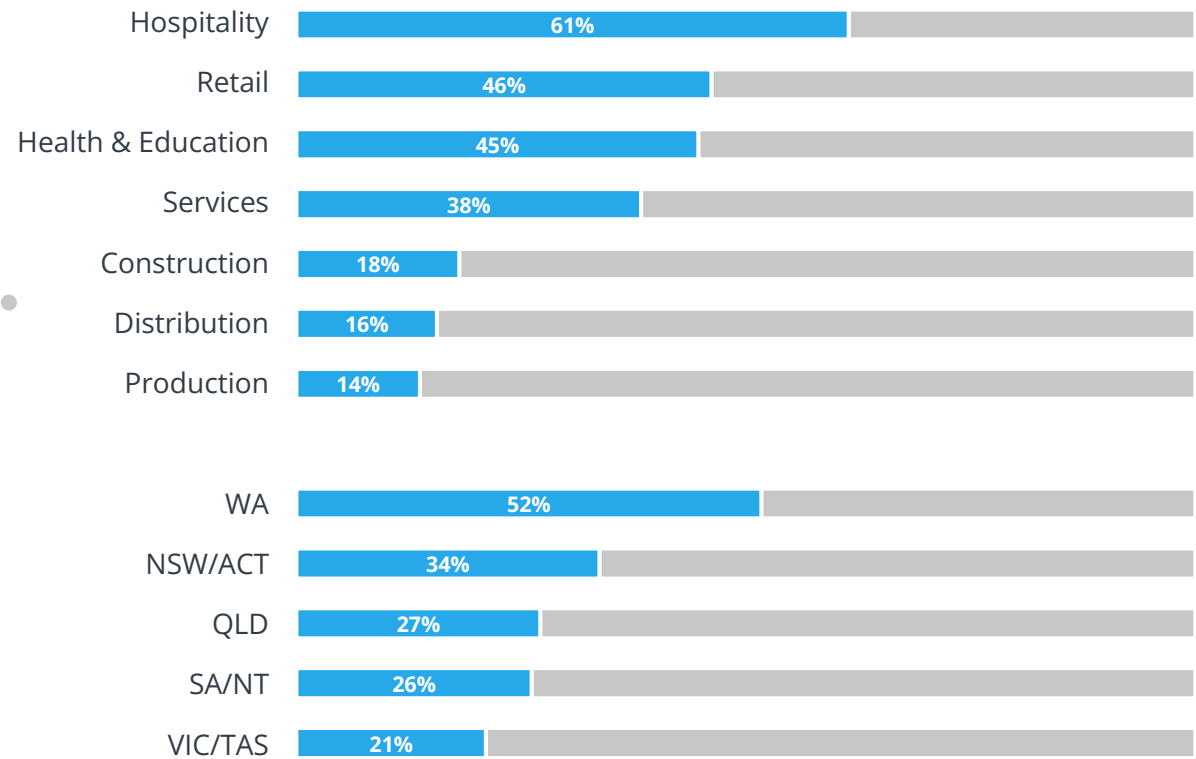
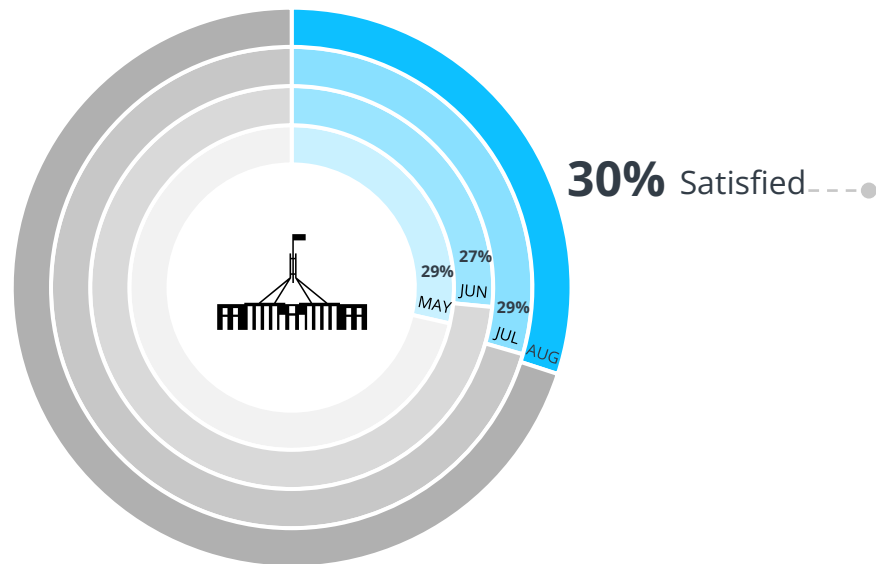
62% are well positioned to withstand the impact of a possible recession over the next 12 months.

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



Satisfaction with the federal Labor government's ability to support business needs remains low, albeit steady at 30%.

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







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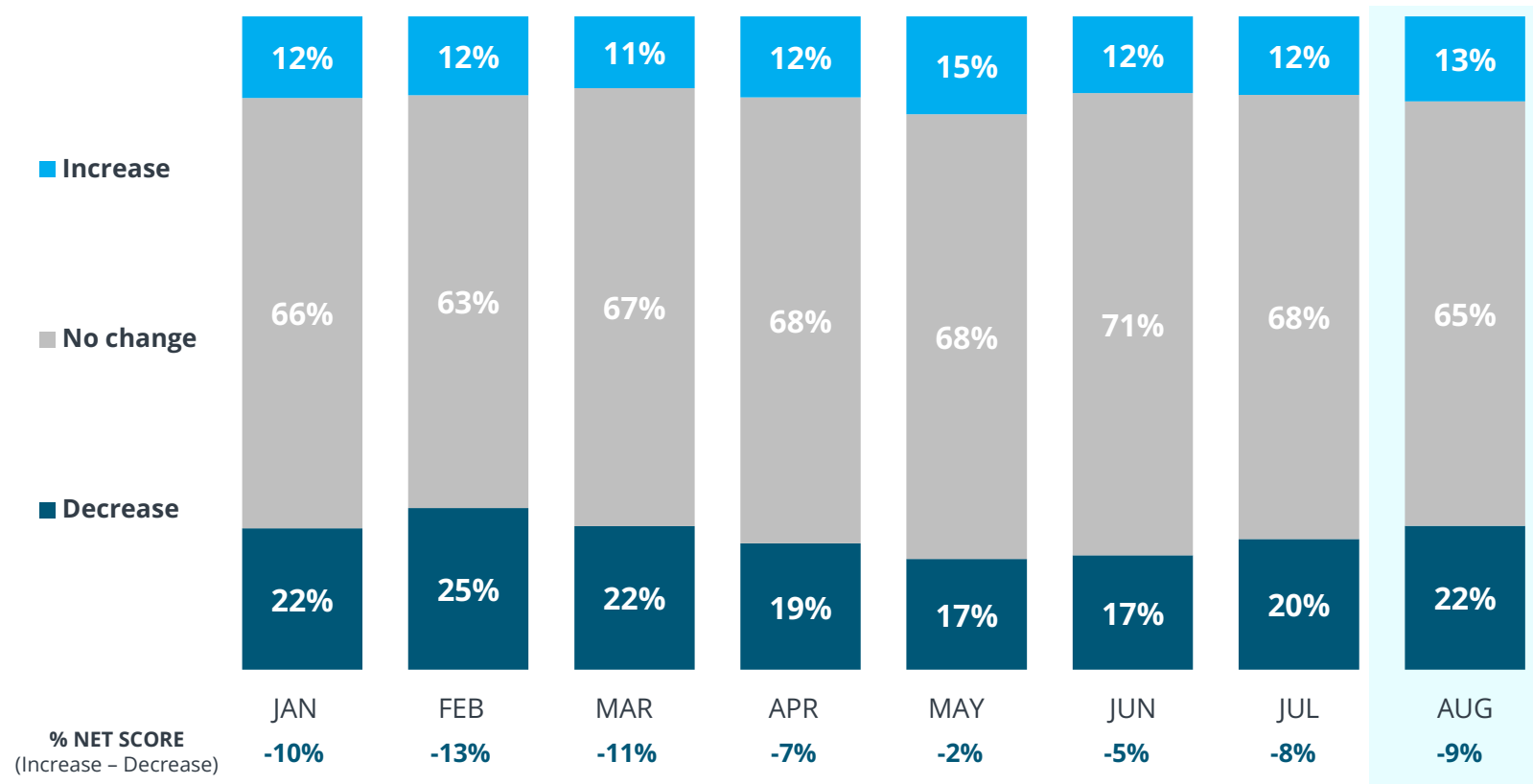
**Business Investment**

**05**

**Methodology &  
Sample**

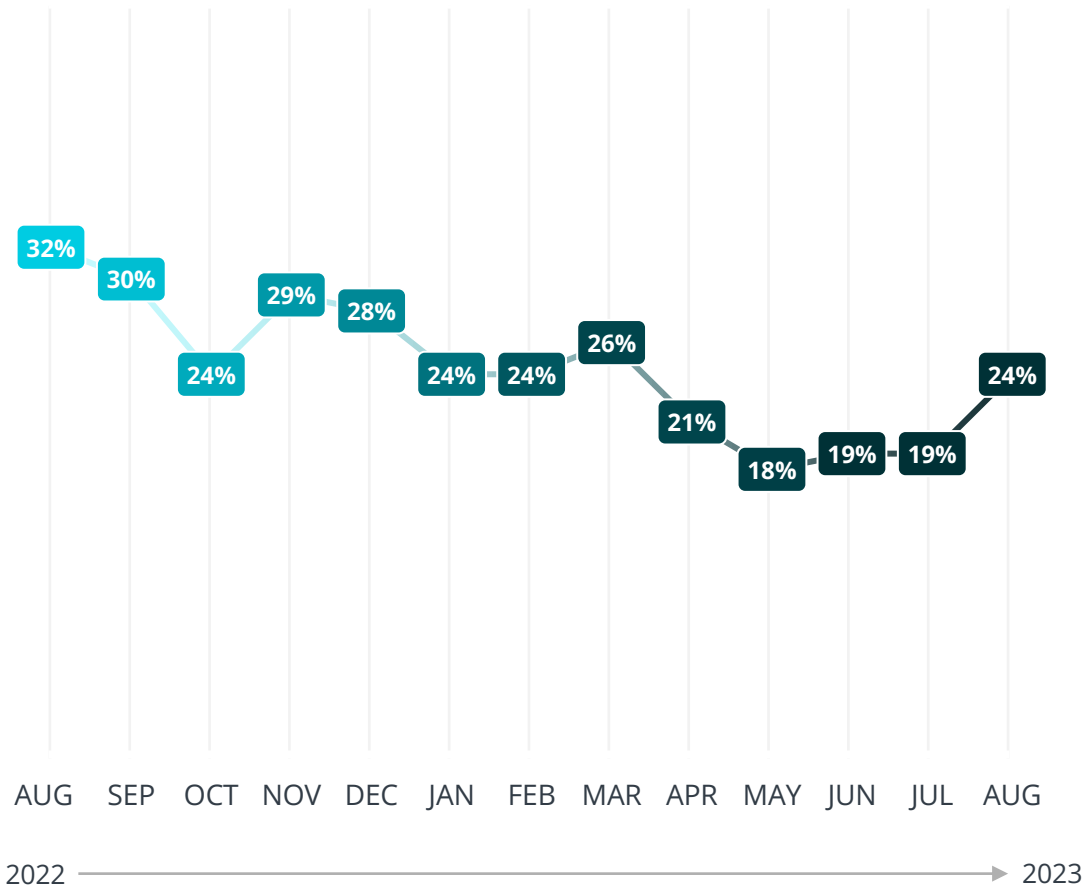
Net employment compared to 12 months ago has remained steady.

## CHANGE IN NUMBER OF EMPLOYEES OVER THE LAST 12 MONTHS

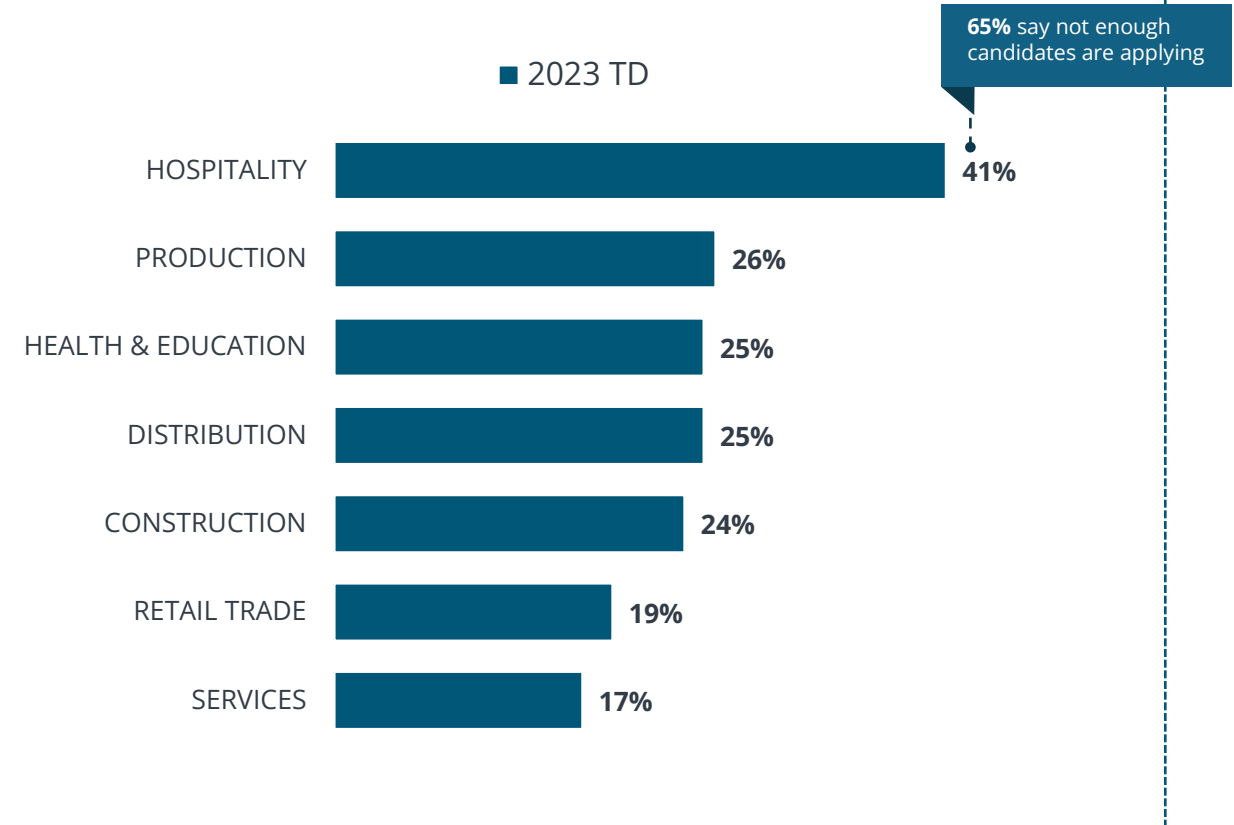


As SMEs now have more certainty regarding interest rates and costs, recruitment activity has again increased. One in four (24%) are currently looking to fill roles compared to only 19% in July.

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

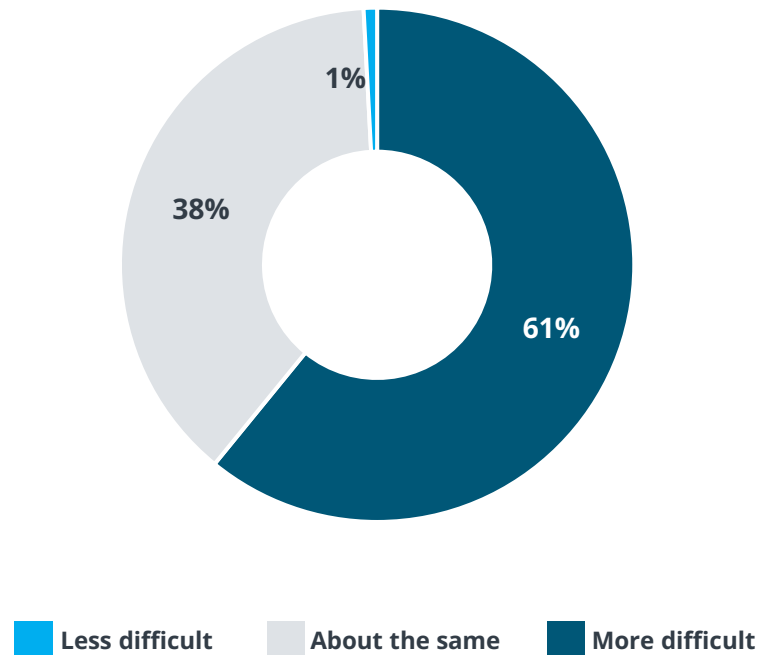


## YTD BY INDUSTRY

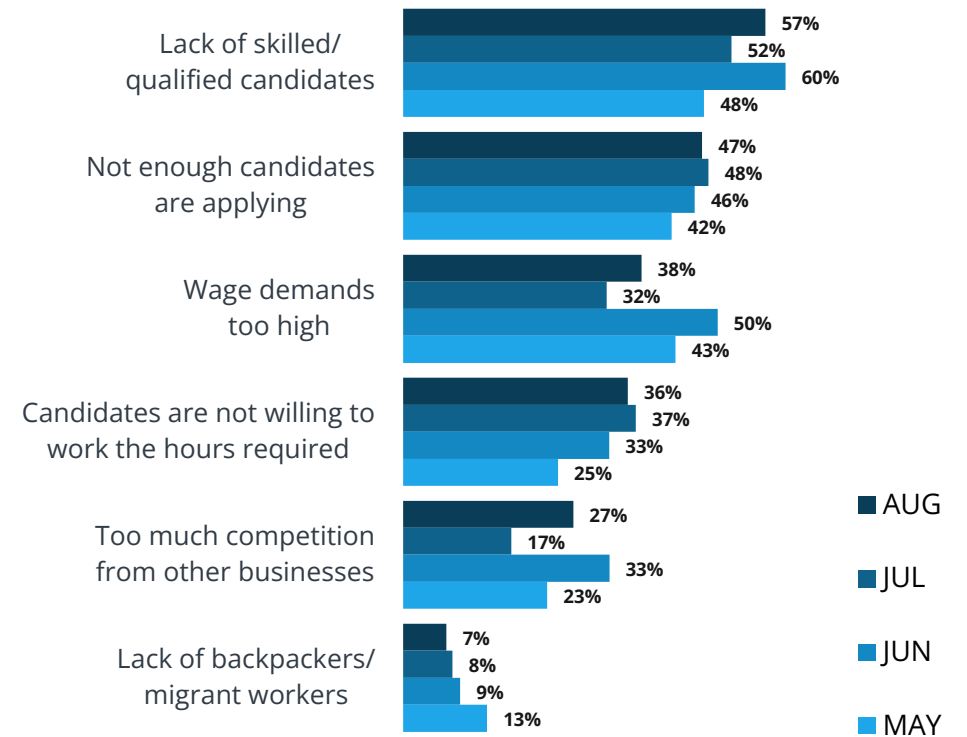


61% of SMEs are finding recruitment more difficult now than 12 months ago. A lack of adequately qualified candidates remains the foremost barrier.

## 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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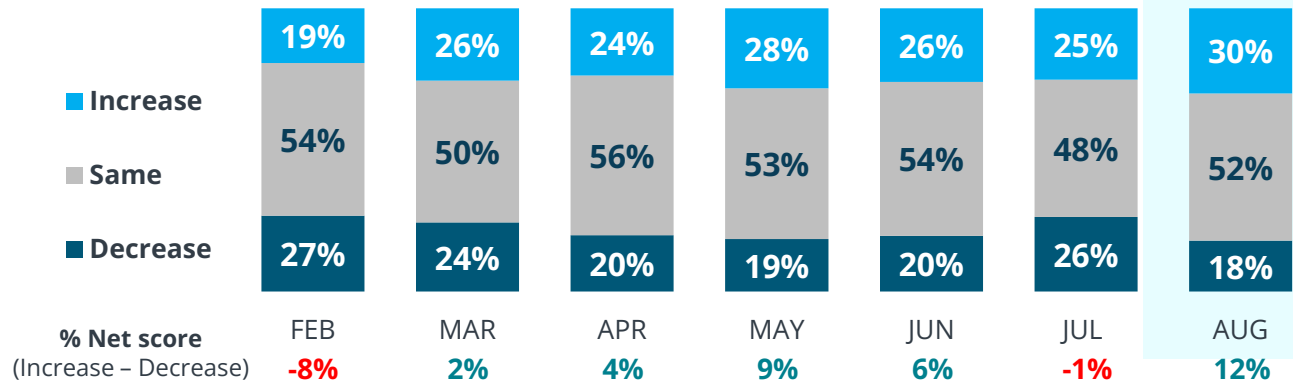
**Methodology & Sample**

# Business Investment | Next Three Months

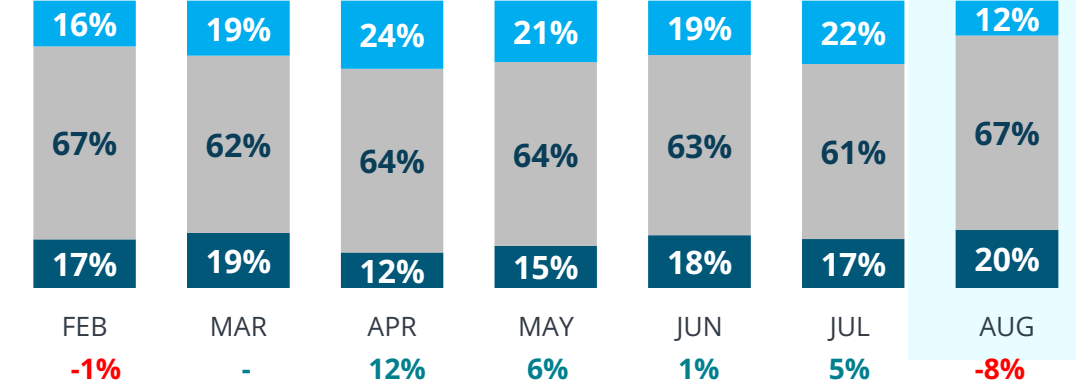
Investment in capex and wages are expected to grow over the next 3 months. However, intentions to increase marketing spend have fallen to just 12% following consecutive months of high activity in this area.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

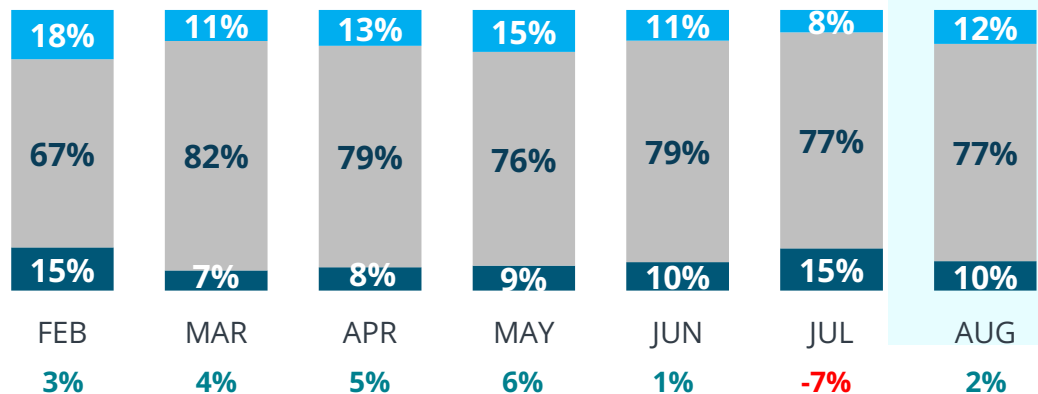
### BUSINESS SPENDING/ CAPITAL INVESTMENT



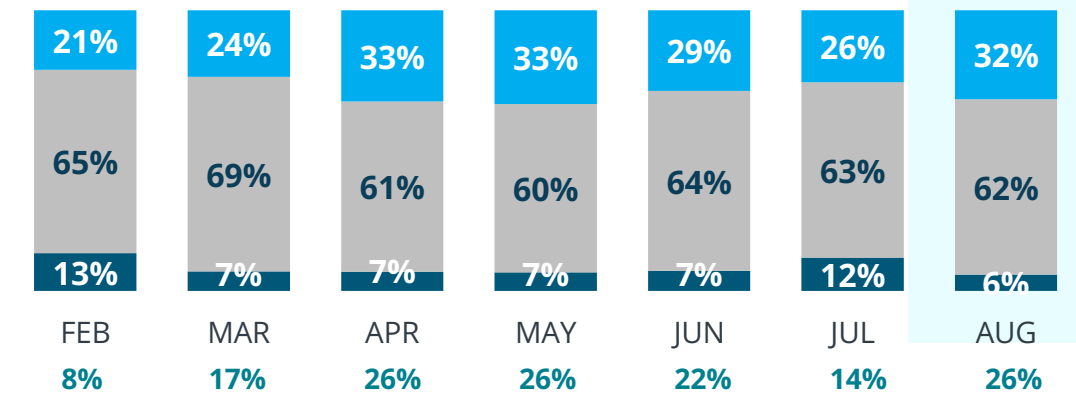
### MARKETING SPEND



### THE NUMBER OF STAFF YOU EMPLOY



### THE WAGES YOU PAY



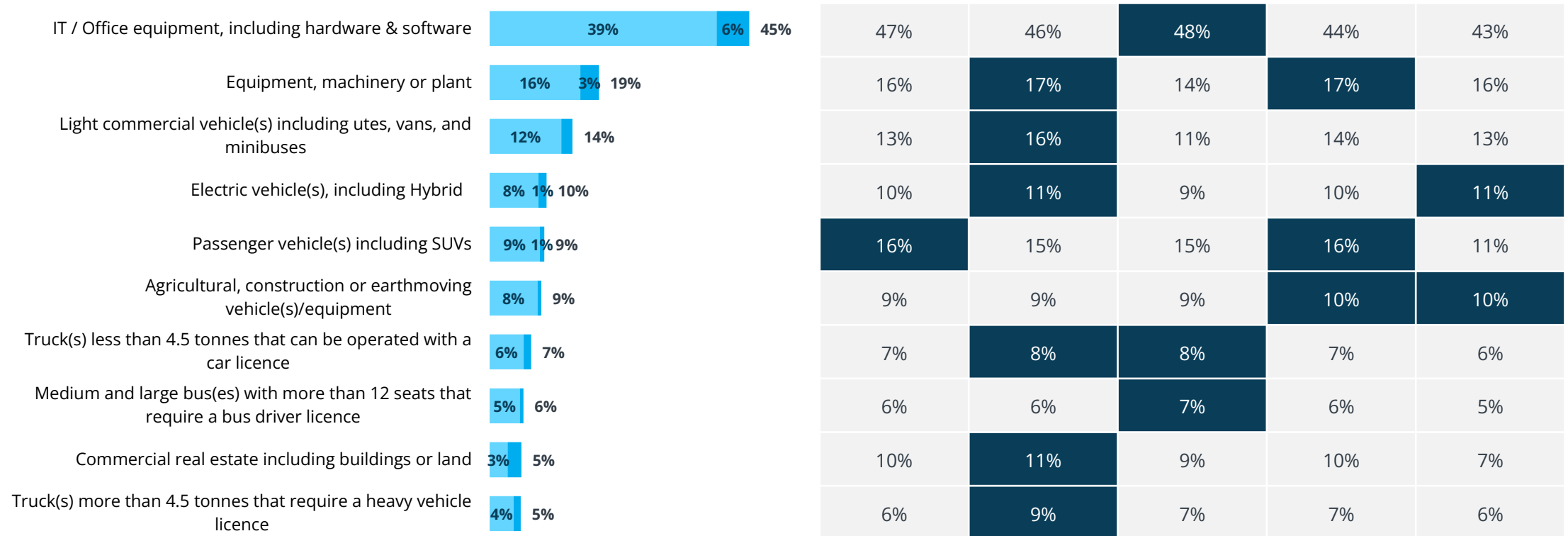
Investment intentions across most categories has remained steady during the past two quarters, but it is notable that passenger car purchases are falling indicating the backlog created by supply chain issues continues to ease.

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

AUGUST

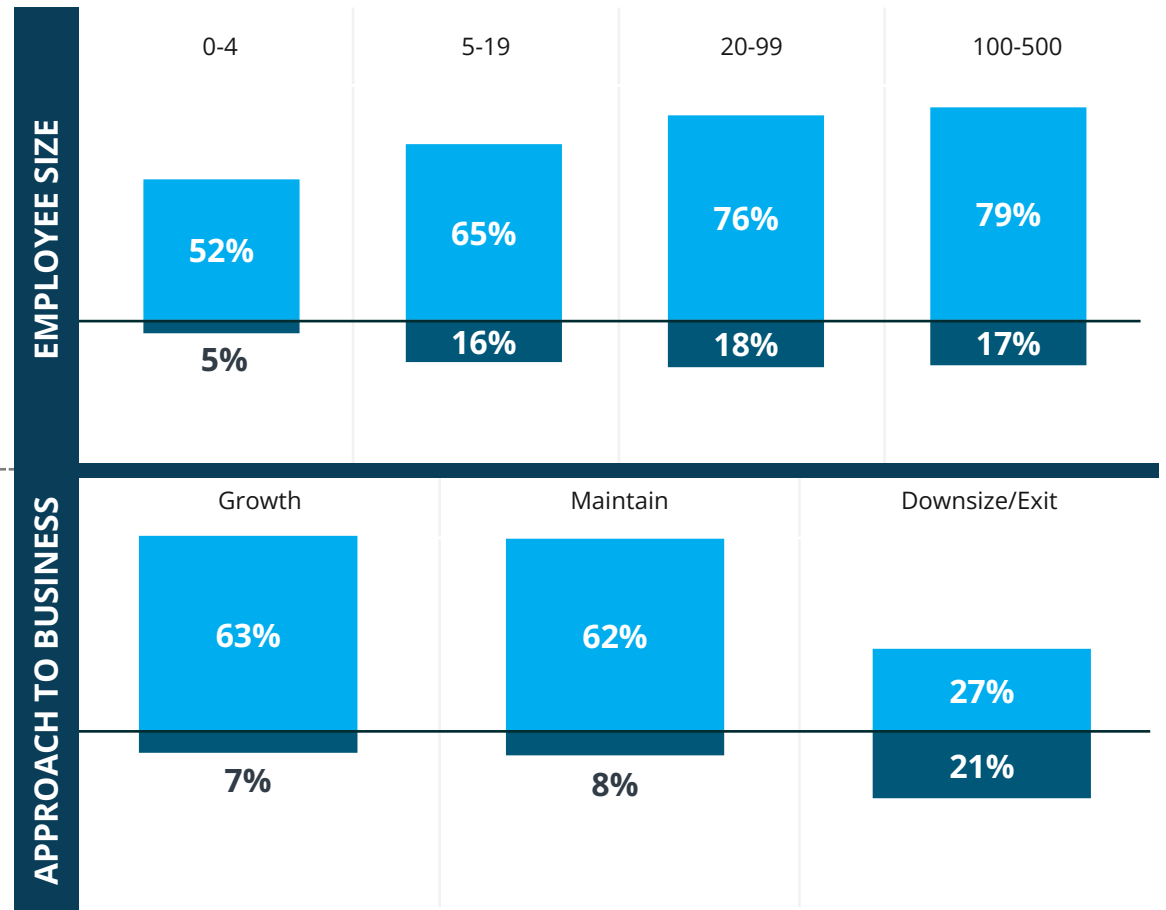
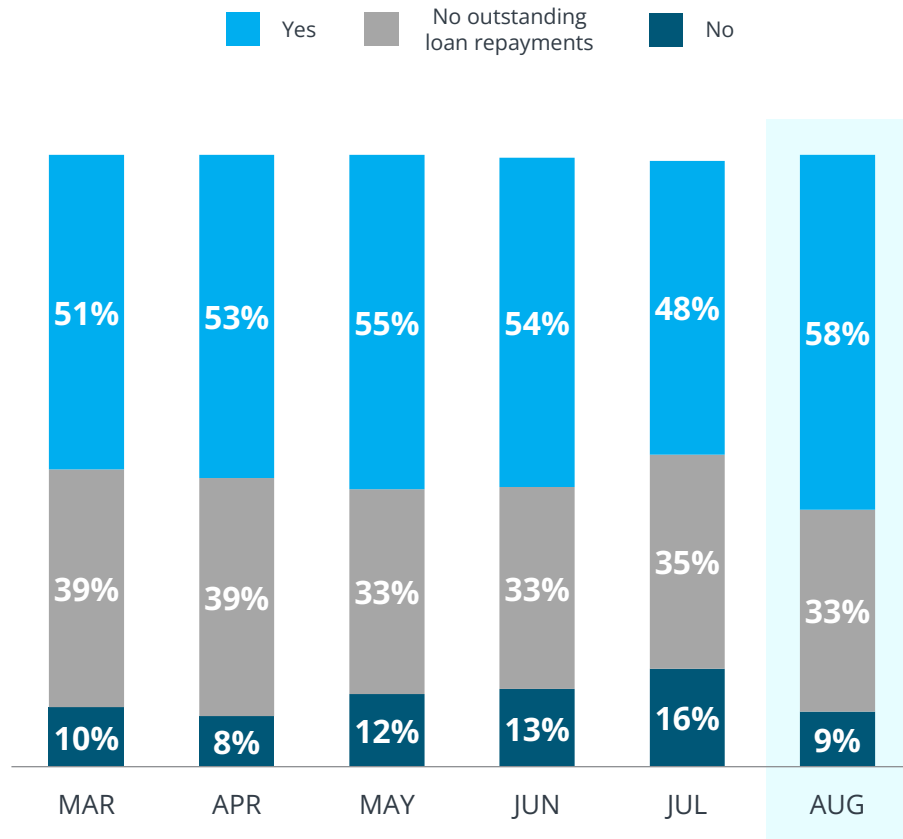
 Highest in row

 Probably will  Definitely will



Loan stress eased during August, with only one in ten (9%) anticipating an inability to fulfill loan repayments over the next six months.

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

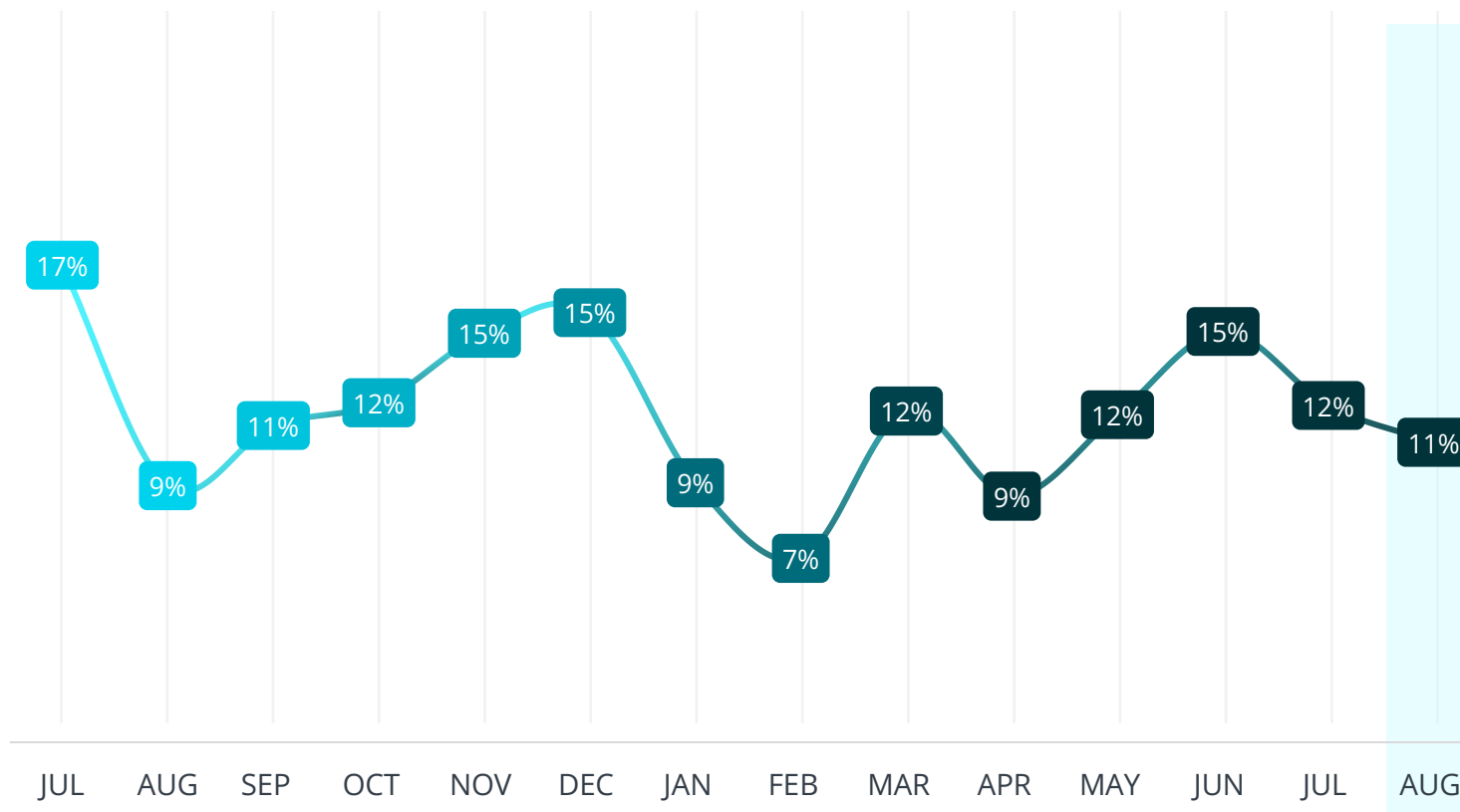




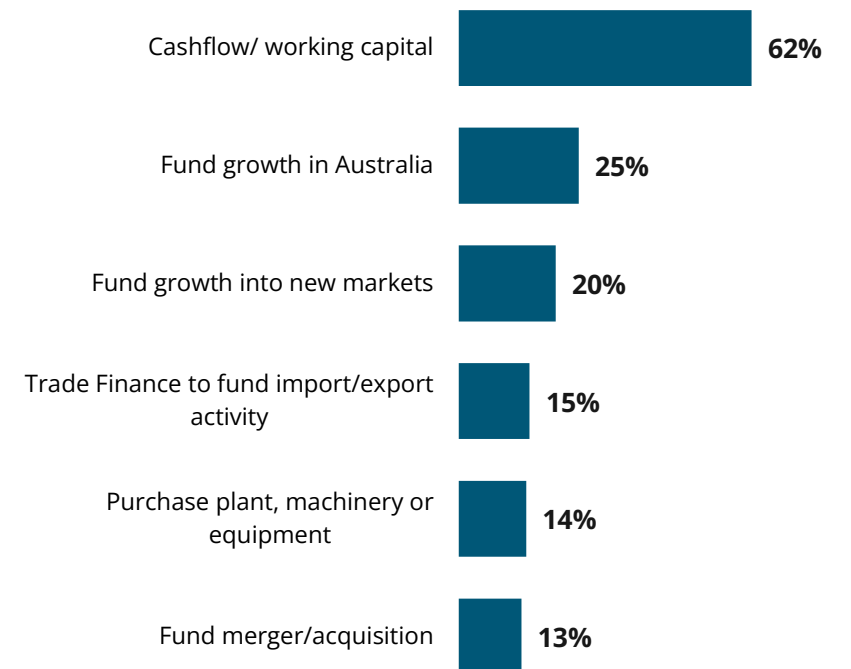
# Business Investment | Finance Needs (Next 3 months)

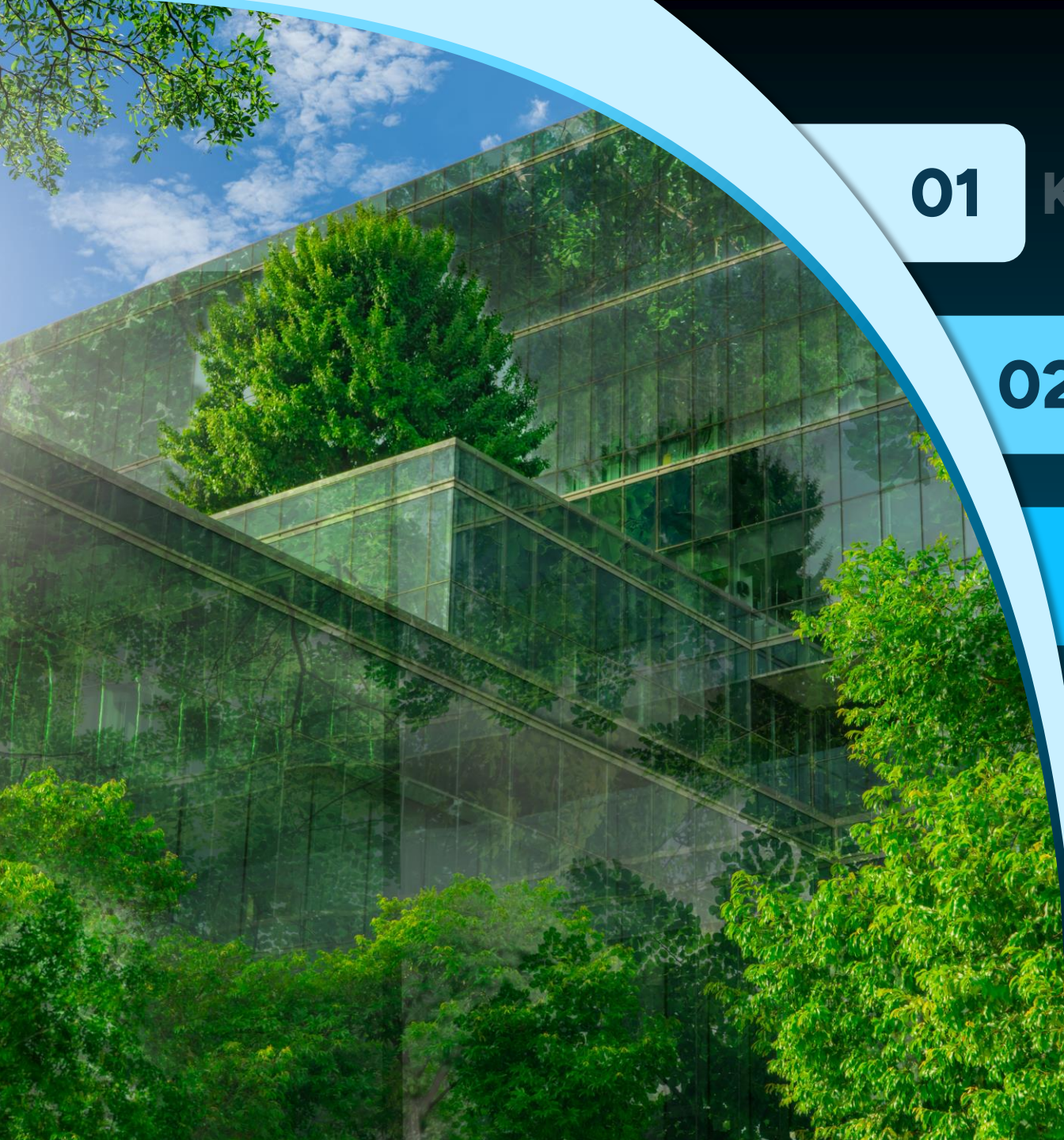
While loan stress has decreased, the number of SMEs seeking additional finance remains virtually unchanged. Notably, two-thirds (62%) of those seeking additional finance are doing so in response to cashflow issues.

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



## AND WHAT IS THE PURPOSE OF THIS FINANCE?





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**Methodology &  
Sample**

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

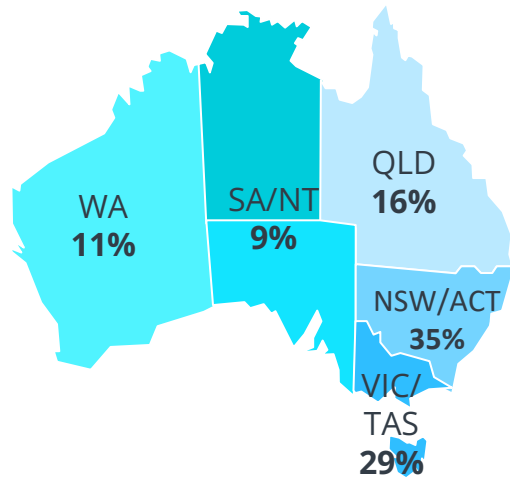


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

# Our Sample

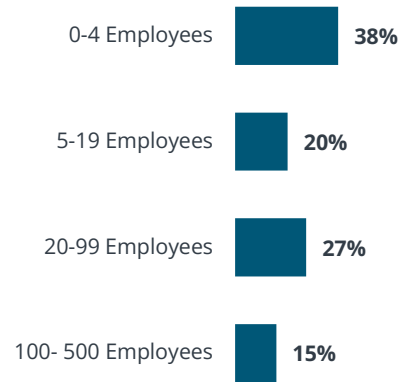
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

## HEAD OFFICE LOCATION

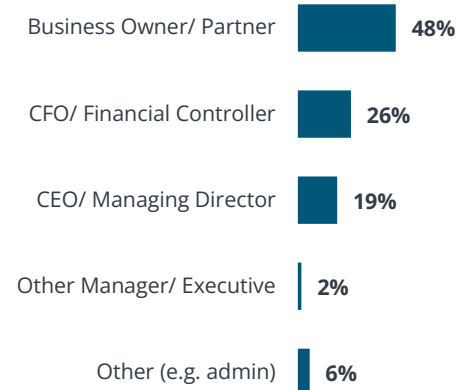


NOTE: CHARTS SHOW UNWEIGHTED DATA

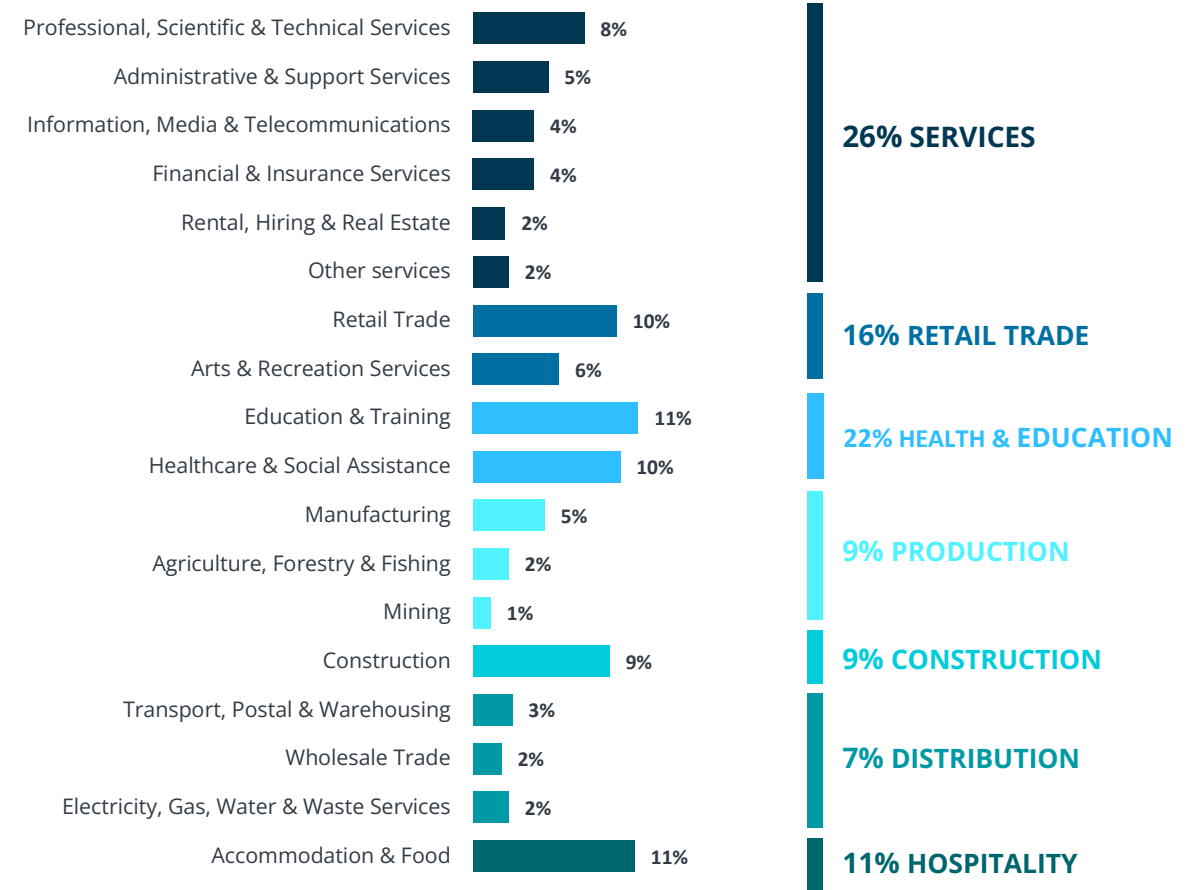
## SIZE OF BUSINESS: EMPLOYEES



## POSITION IN BUSINESS



## INDUSTRY SECTOR



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**Thank You**

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