



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 55 - September 2023





53% recorded a profit last month, a substantial increase on August 2023.



69% are well positioned to withstand the impact of a possible recession.



Only 6% foresee difficulties meeting their loan repayments.



16% require additional finance within the next 3 months, the most since July 2022.

SMEs remain optimistic as profitability recovers

The September data provides cause for optimism, with YoY revenues rebounding from an annual low in August. Over half (53%) reported a profit during the previous month, an encouraging improvement from a low of 40% in July.

Encouragingly, concern surrounding higher interest rates fell from 87% in Q4 FY23 to 79% in Q1 FY24. Accordingly, the demand for additional finance has increased to 16%, the highest level of demand for finance since July 2022.

Loan stress has also subsided in line with this increased demand for finance. Only 6% of SMEs foresee difficulty in meeting their loan repayments, which is the lowest amount this year.

Sentiment surrounding the Australian economy looks to have turned a corner, with net sentiment reaching its highest point since May 2022. In turn, over two-thirds (69%) believe their business is well insulated against the threat of recession in Australia over the next 12 months.

The Fifth Quadrant business confidence index has remained high at 99. Recruitment activity appears to mirror business confidence as of late, with 1 in 4 (23%) looking to fill job vacancies.

Despite this increase in recruitment activity over the last 2 months, 55% of those hiring found it more difficult to find suitable candidates in Q1 FY24 than 12 months earlier.

In summary, although concerns may linger, this month's data displays a positive picture for SMEs. The August results found a bullish confidence among SMEs despite challenges, and the September results have vindicated this with increased profitability and greater confidence in the Australian economy. Concerns remain about fuel and energy costs – and worries about interest rates are far from over – however, the data suggests a general sense of optimism amongst SMEs as we emerge from the winter months.



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

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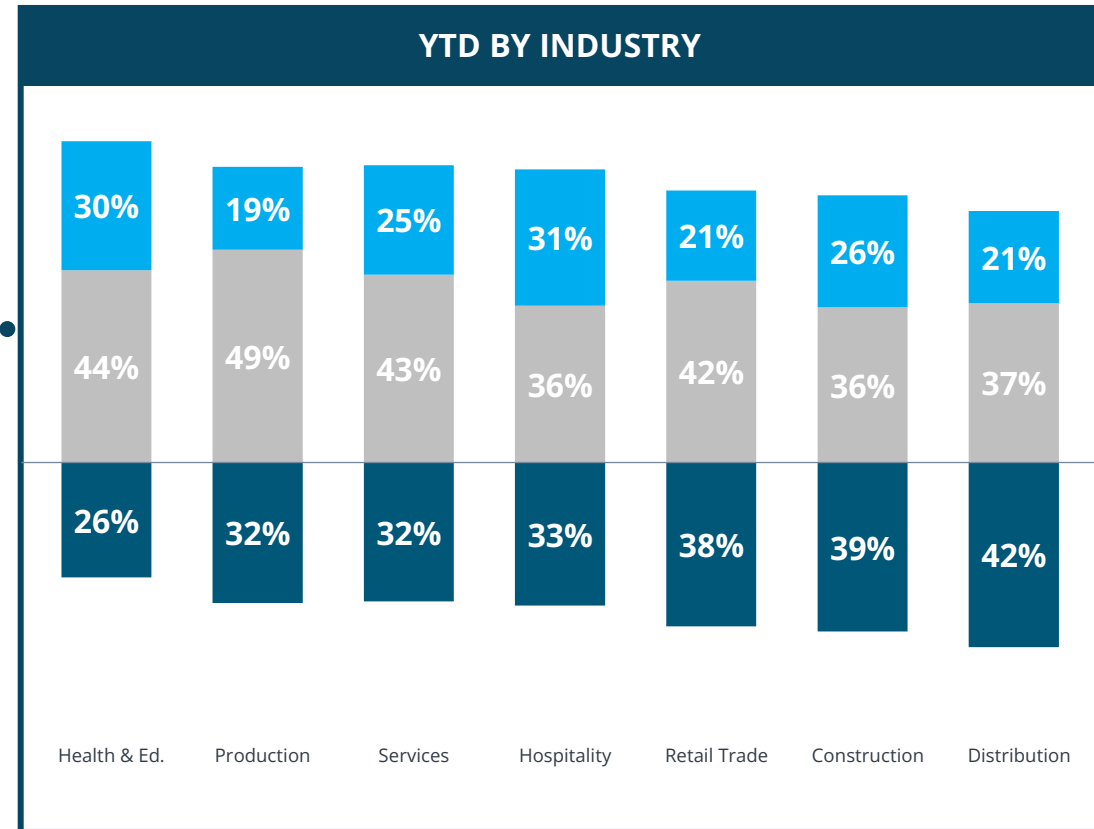
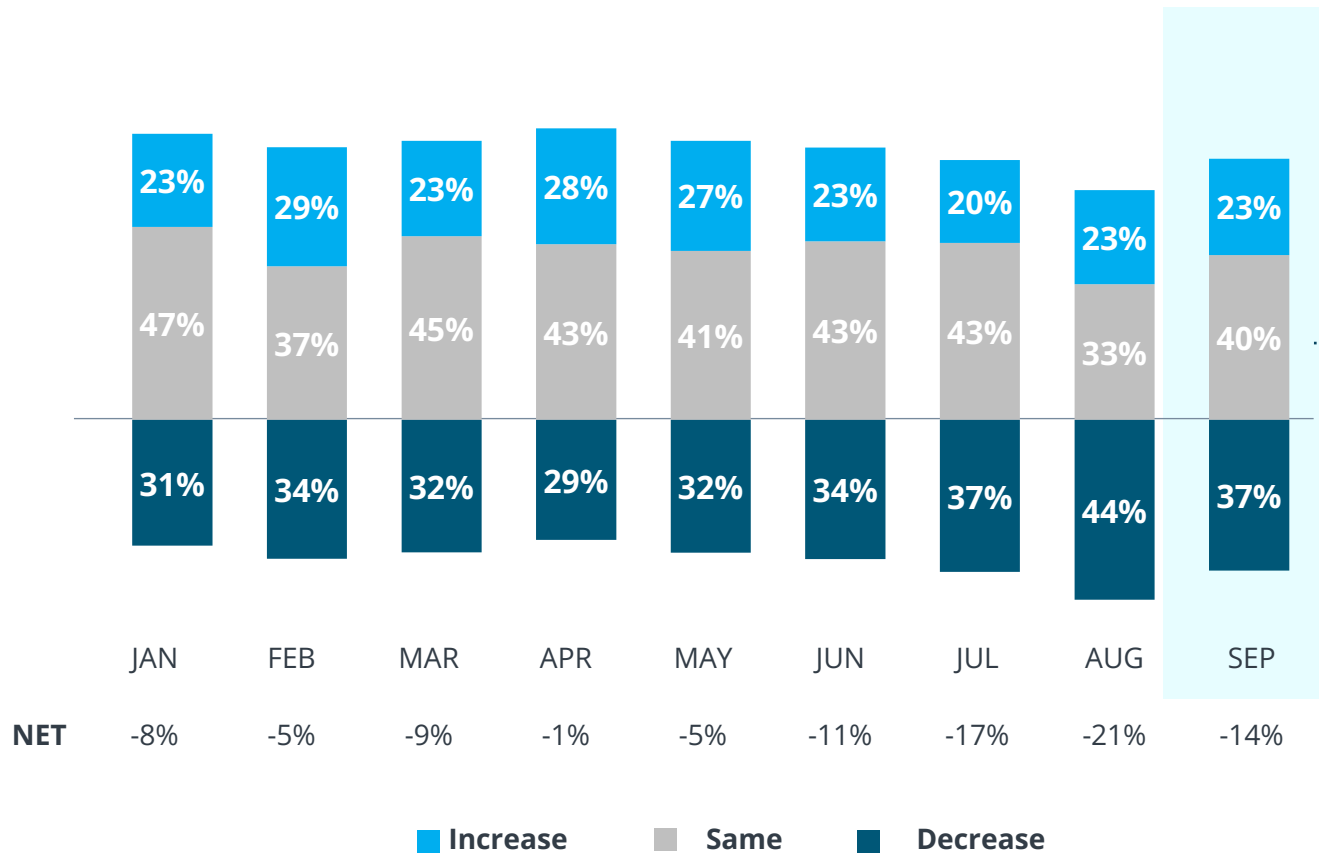
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

YoY revenues rebounded in September following an annual low last month. The Health and Education sector continues to produce strong revenue figures compared to last year.

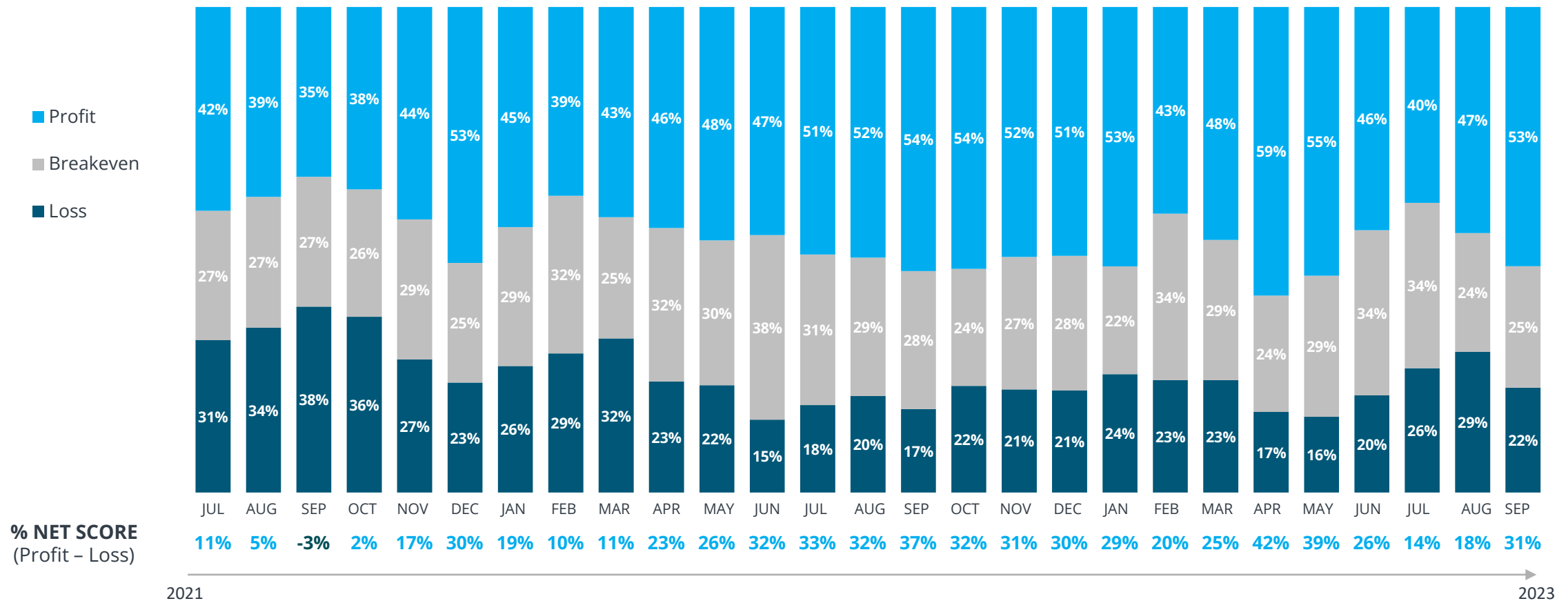
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

Profitability has rebounded strongly, with over half (53%) reporting a profit last month. The amount of SMEs reporting a loss has also decreased after two consecutive rises in July and August. Inevitably, this rebound in profitability has substantially shaped sentiment this month.

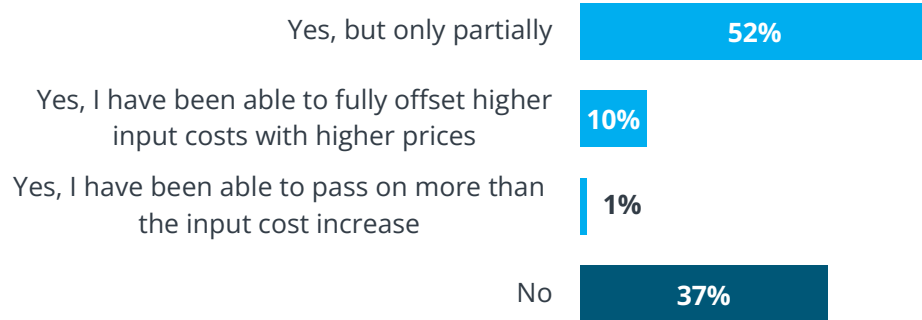
WHAT WAS YOUR PROFIT MARGIN LAST MONTH (AUGUST)?



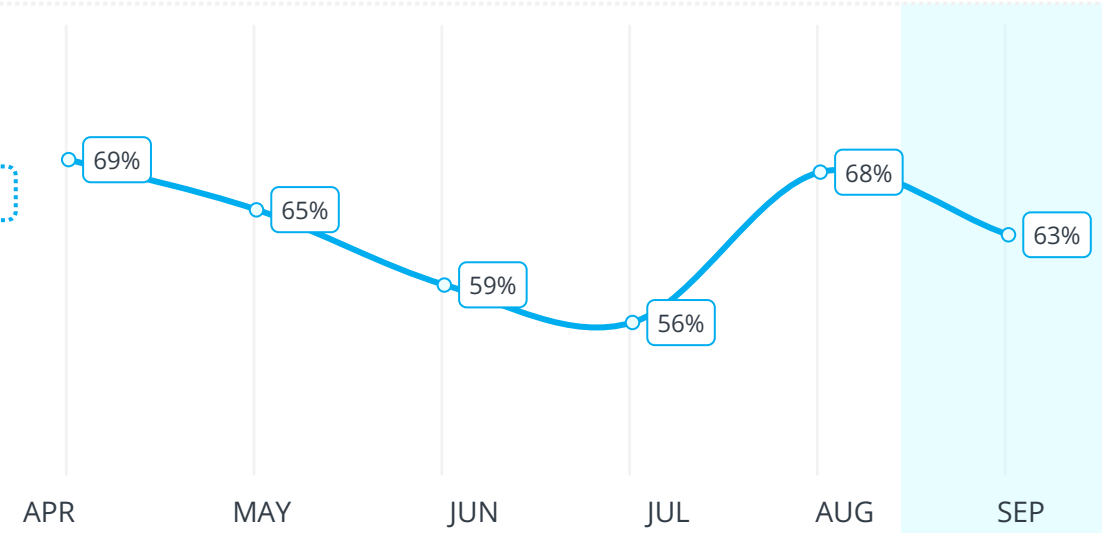
Key Performance Indicators | Cost Recovery

Cost recovery fell slightly in September. Two-thirds (61%) expect to pass on higher input costs during the remainder of 2023.

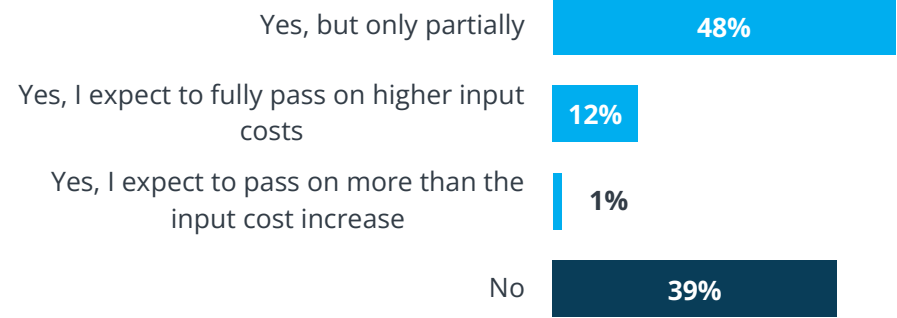
HAVE YOU BEEN ABLE TO PASS ON HIGHER INPUT COSTS TO YOUR CUSTOMERS?



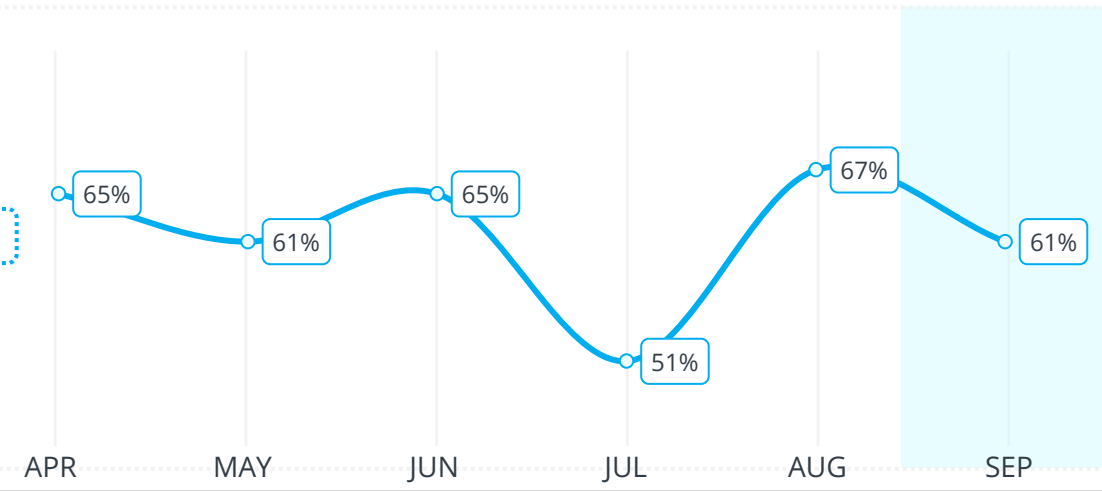
YES



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



YES

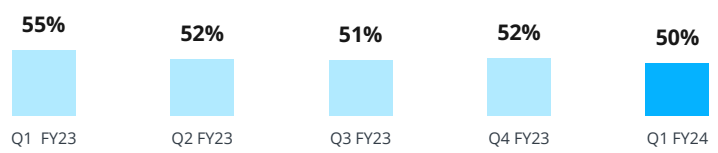


Business concerns have remained largely consistent across the board, with a notable decrease in the level of concern surrounding interest rates.

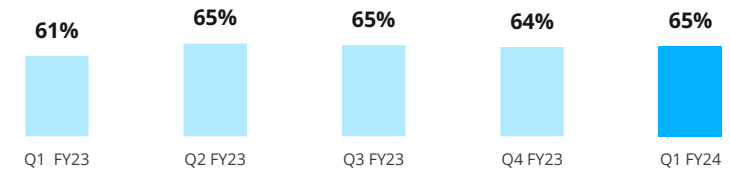
HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



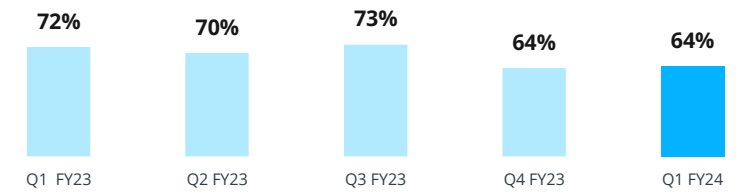
Staff or skill shortages



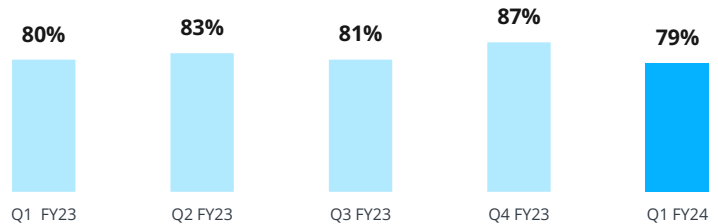
Increasing wage costs



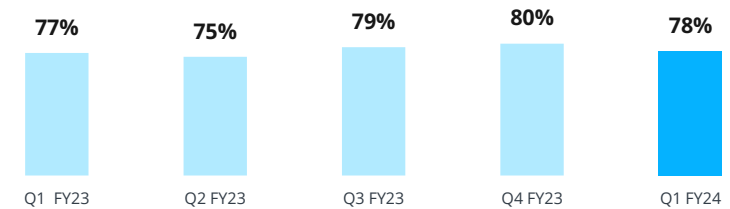
Supply chain delays and associated costs increase



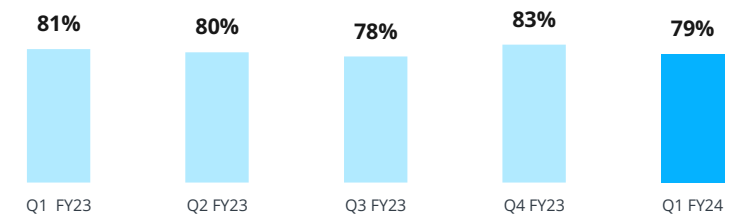
Rising interest rates



Increasing fuel costs



Increasing energy costs



Total concerned



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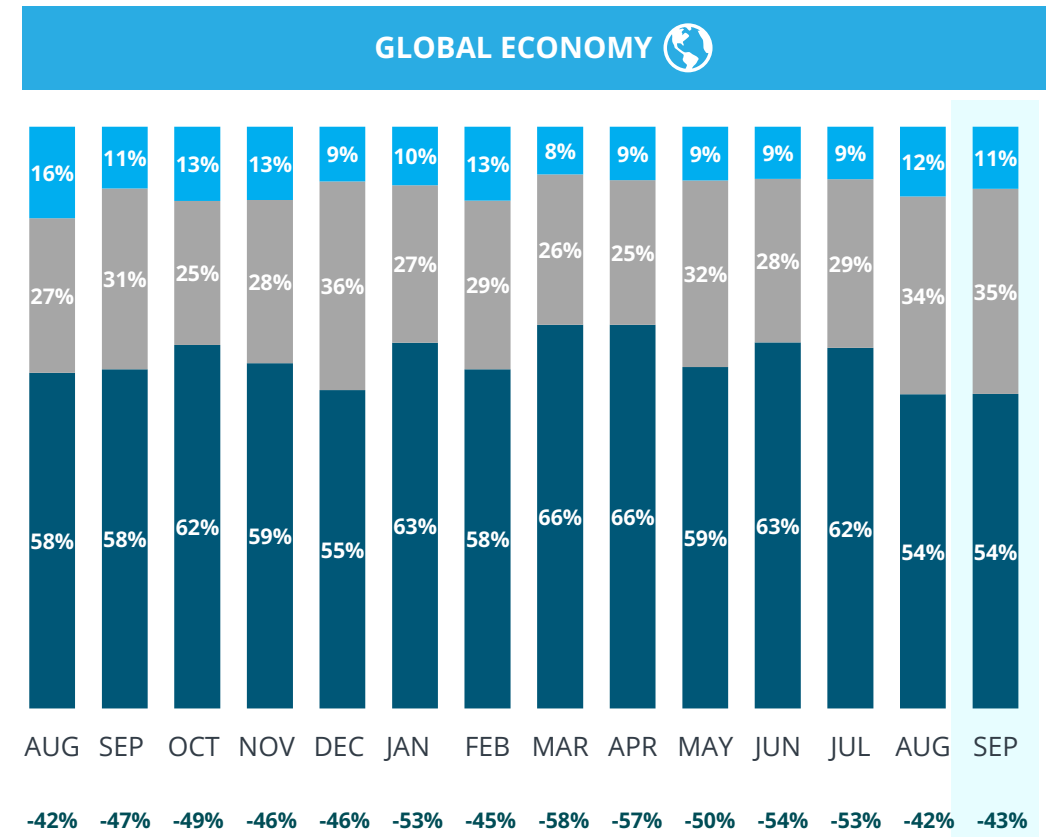
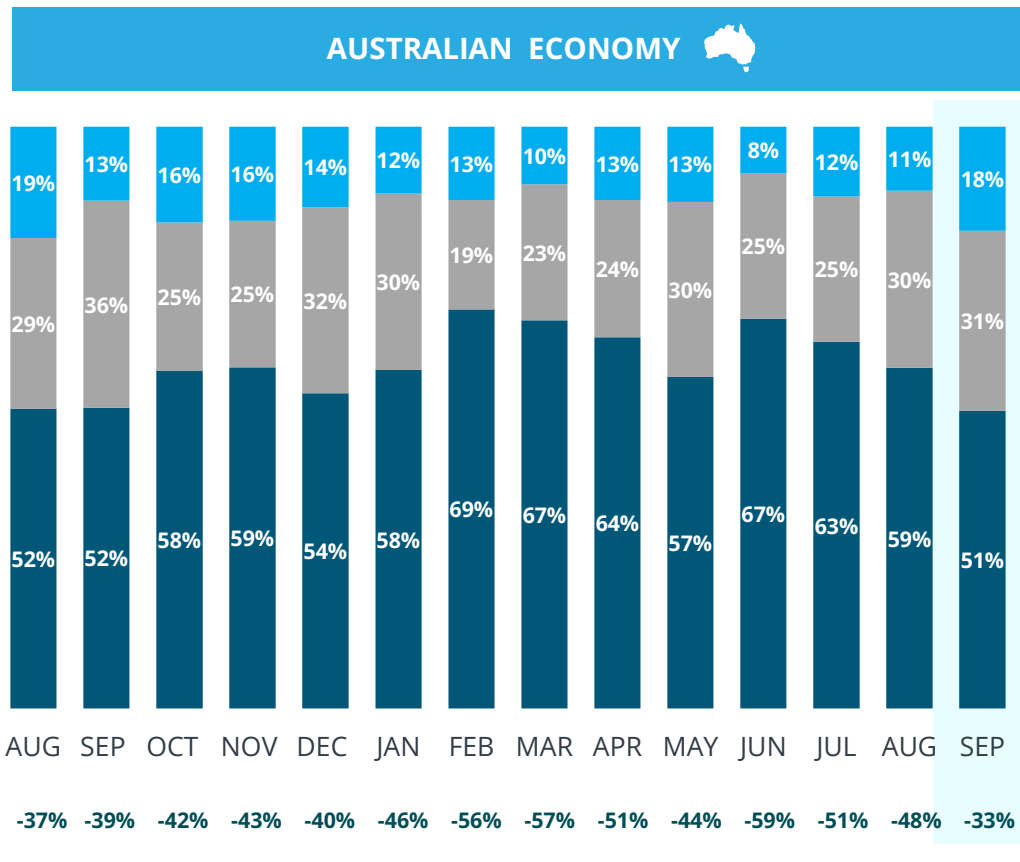
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Methodology & Sample

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

Sentiment towards the Australian economy has improved significantly, with net sentiment reaching its highest point since May 2022. In contrast, global economic sentiment remains virtually unchanged.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS

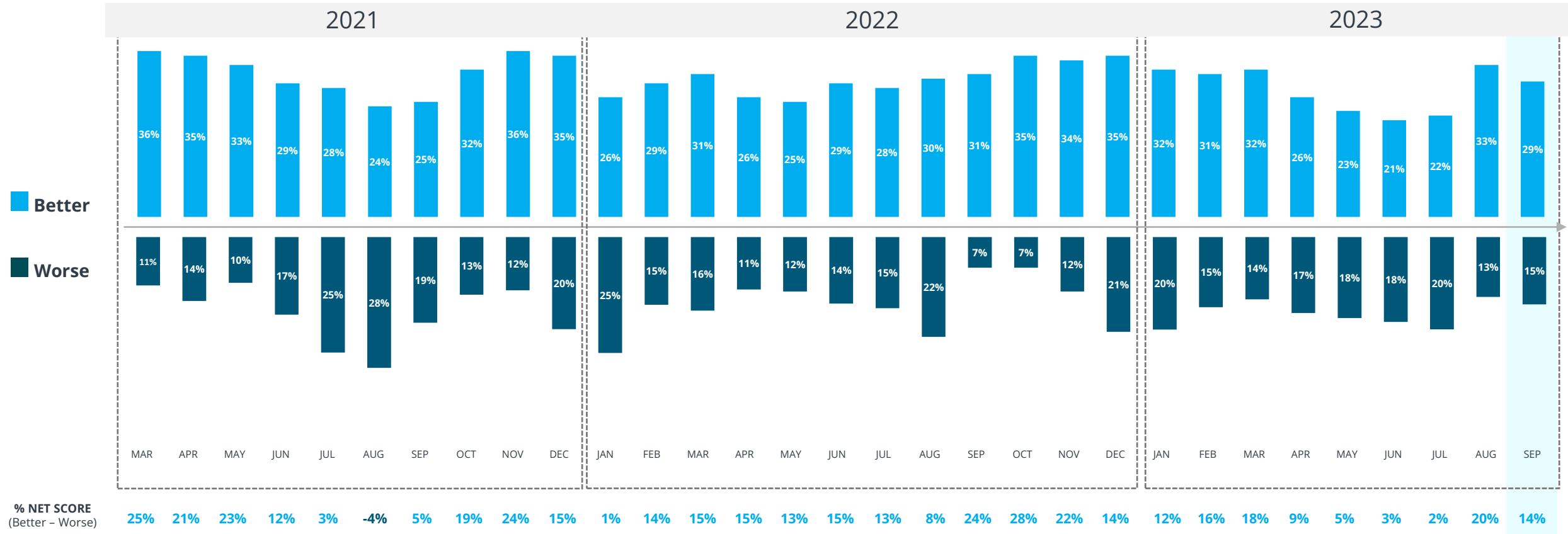


% Net score
(Stronger - Weaker)

Key Performance Indicators | Revenue Expectations (Next 4 weeks)

Short term revenue expectations remain positive after optimism bounced in August. The August results suggested that SMEs had turned a corner and the latest data suggests this positive outlook is continuing.

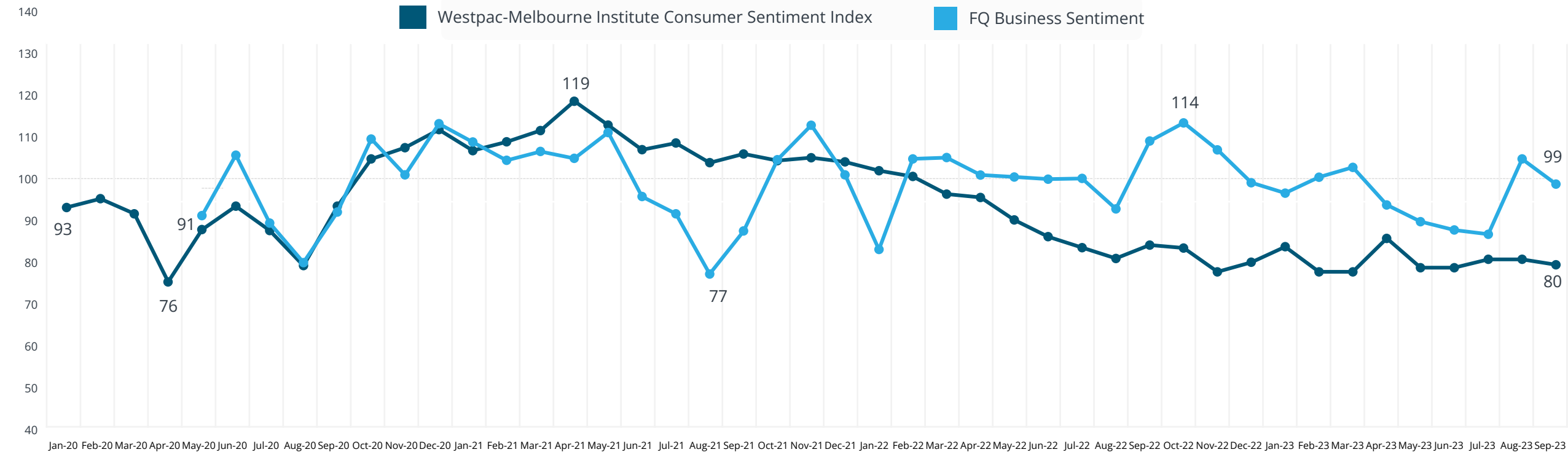
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



Business Sentiment | Sentiment 2020-2023

The Fifth Quadrant Business Sentiment Index remains above the 2023 average at 99, following a yearly-high in August. Consumer sentiment has remained steady.

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

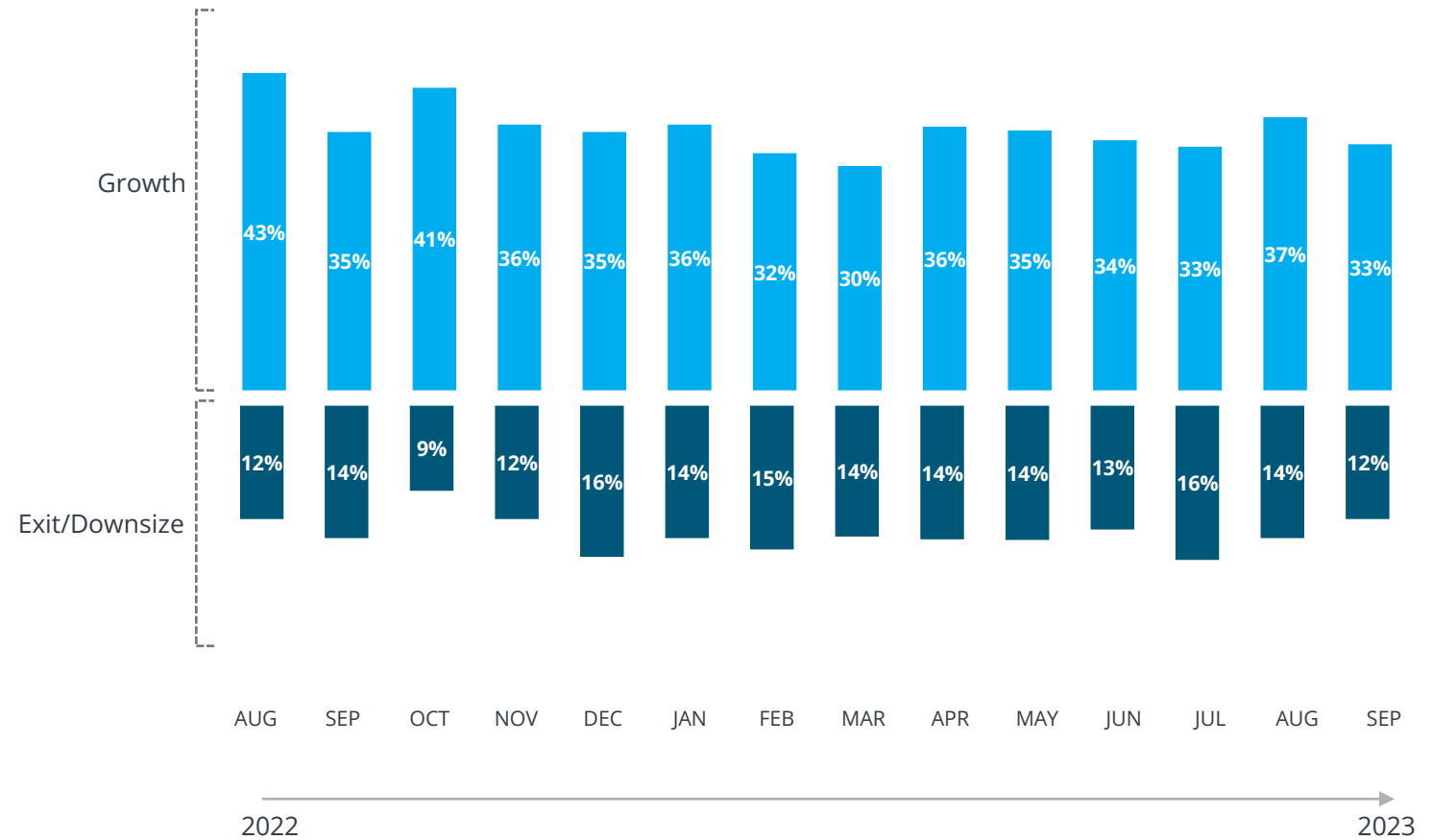
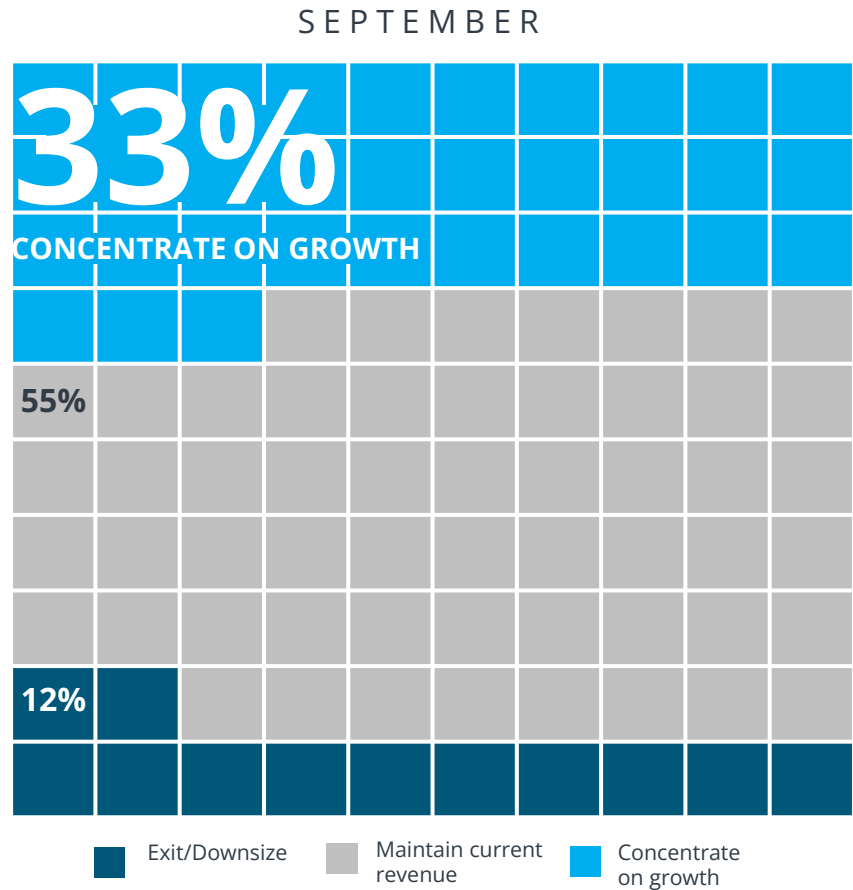
May 2022: RBA increases cash rate target by 25 basis points, the beginning of 10 straight increases

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

Key Performance Indicators | Growth Expectations (Next 12 months)

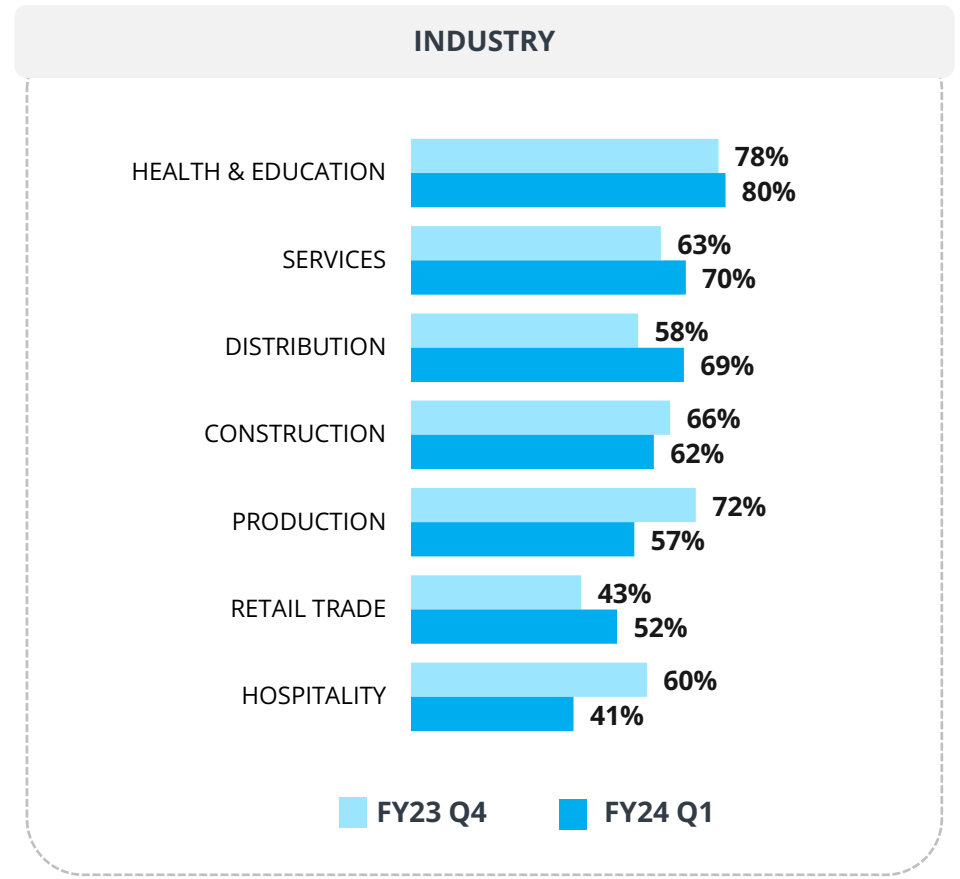
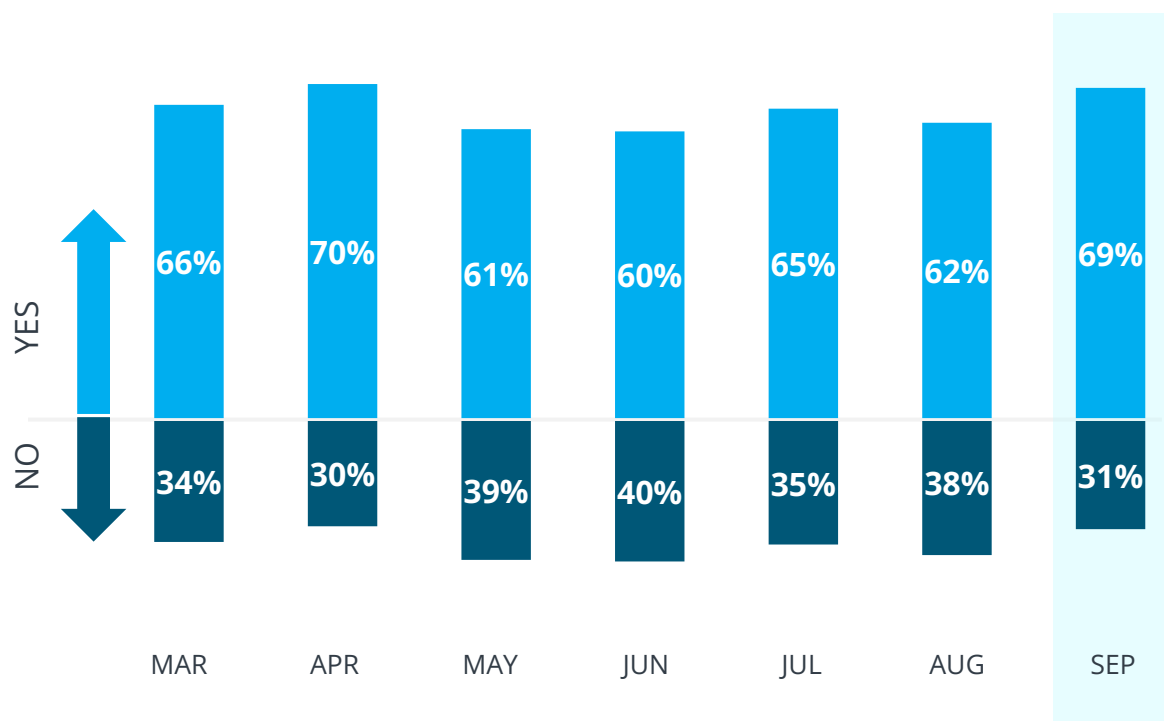
One-third (33%) of businesses are concentrating on growth.

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



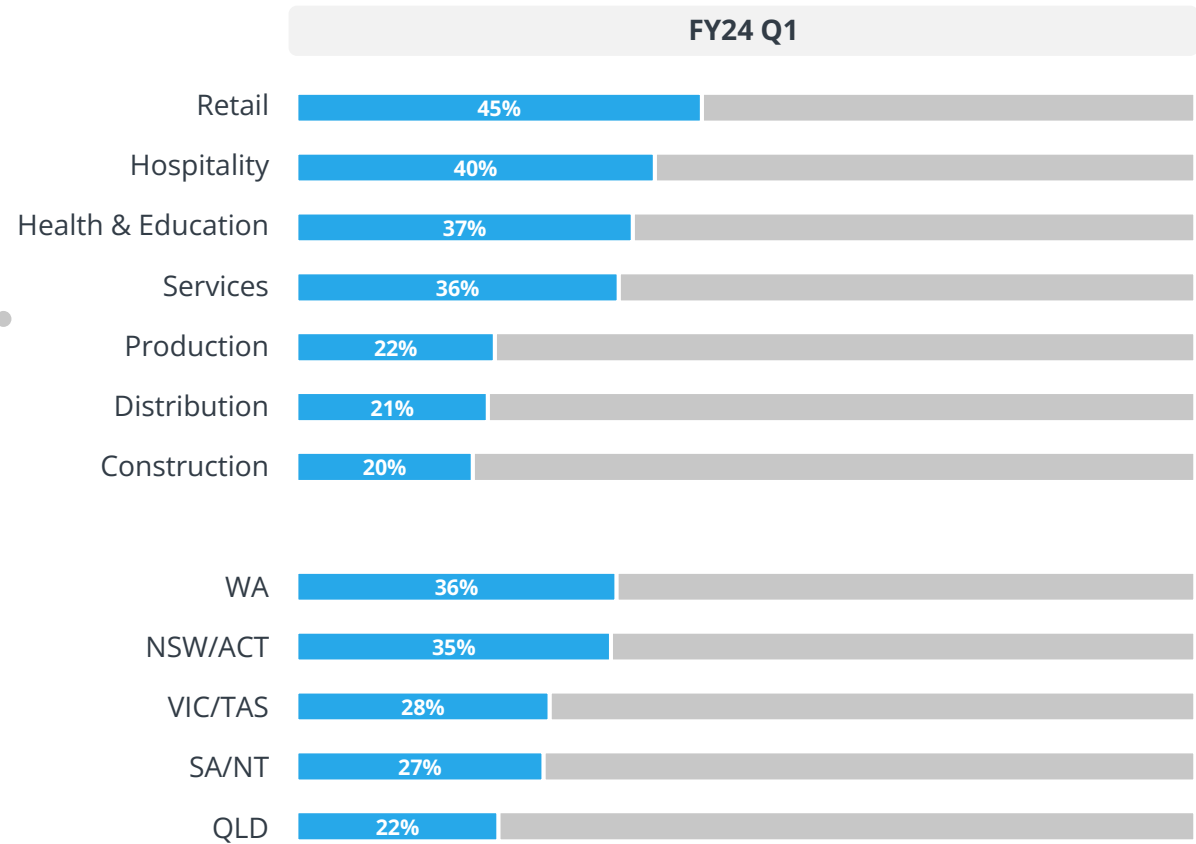
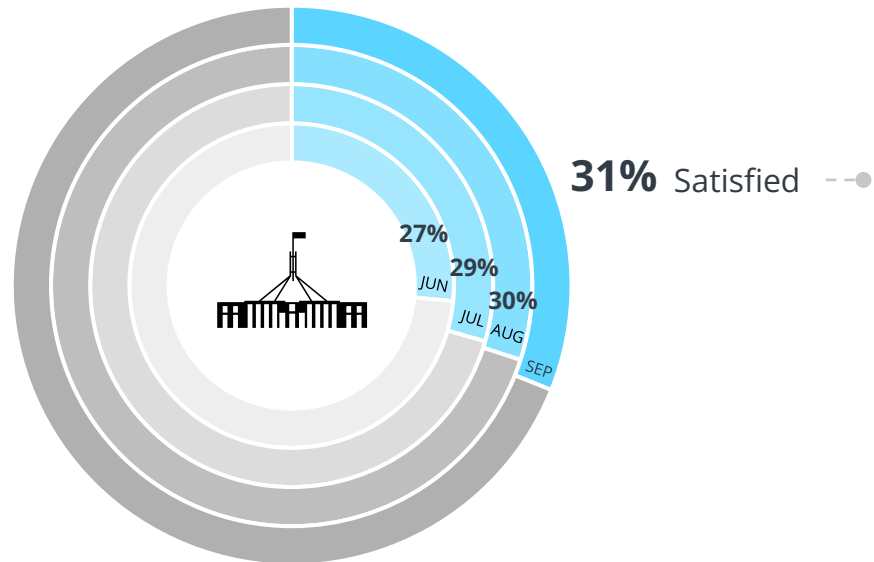
In light of stronger financial performances in September, 69% believe their business is insulated against the possibility of a recession over the next 12 months.

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



3 in 10 (31%) are satisfied with the federal Labor government's ability to support the needs of their business.

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





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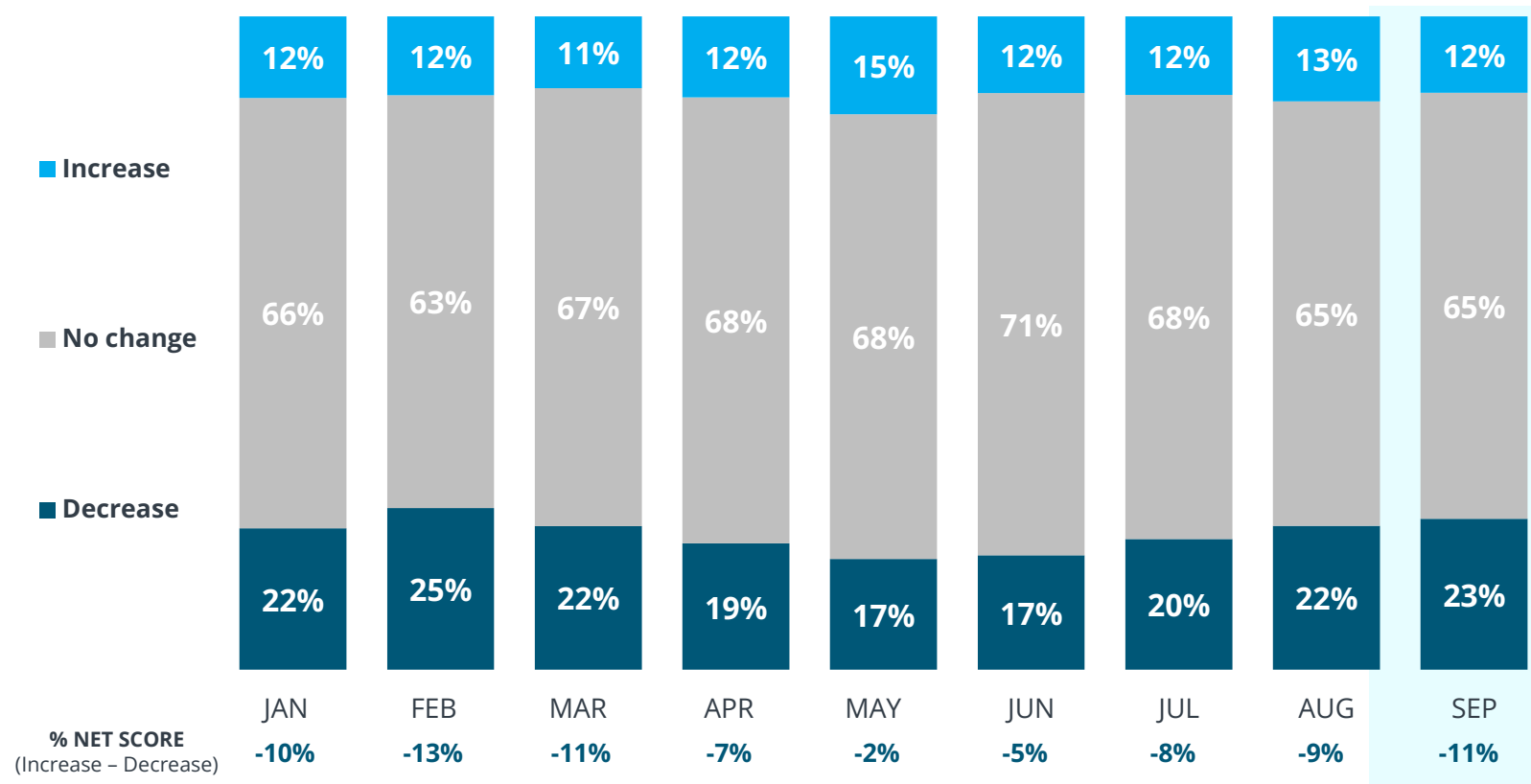
Business Investment

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Methodology & Sample

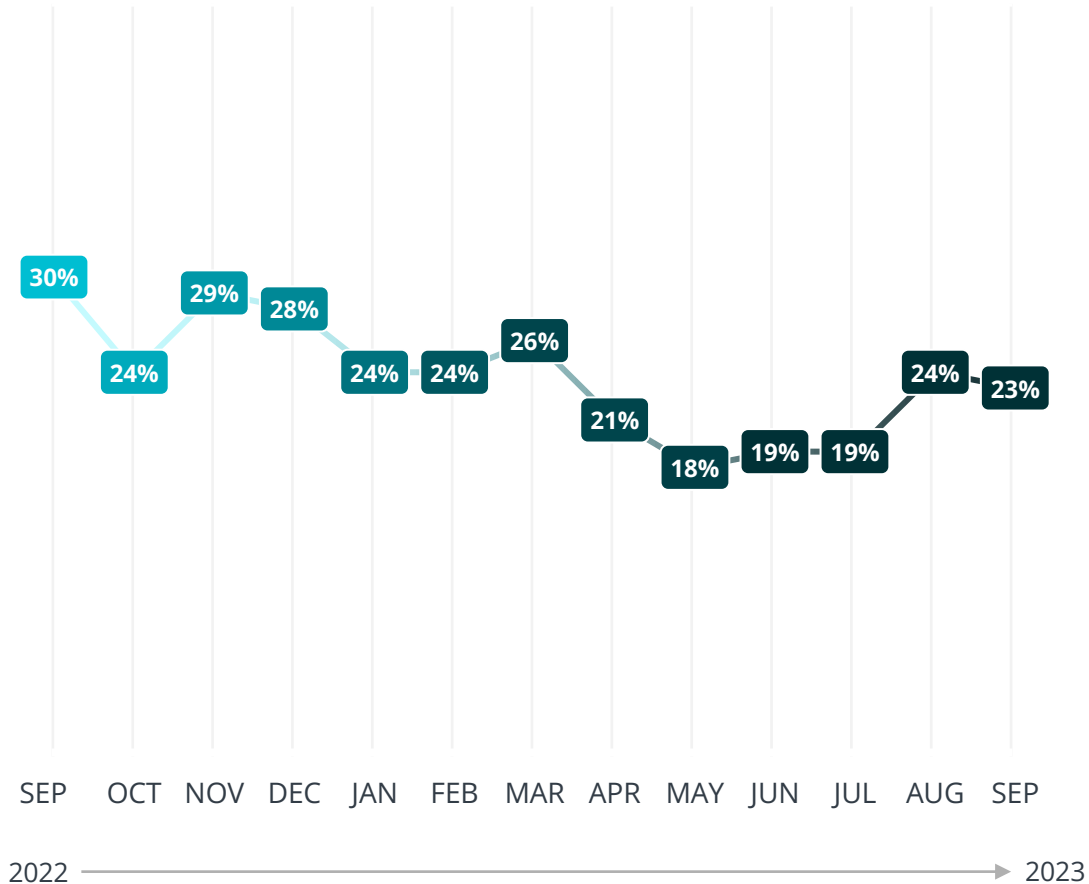
Net employment over the last 12 months has remained stable.

CHANGE IN NUMBER OF EMPLOYEES OVER THE LAST 12 MONTHS

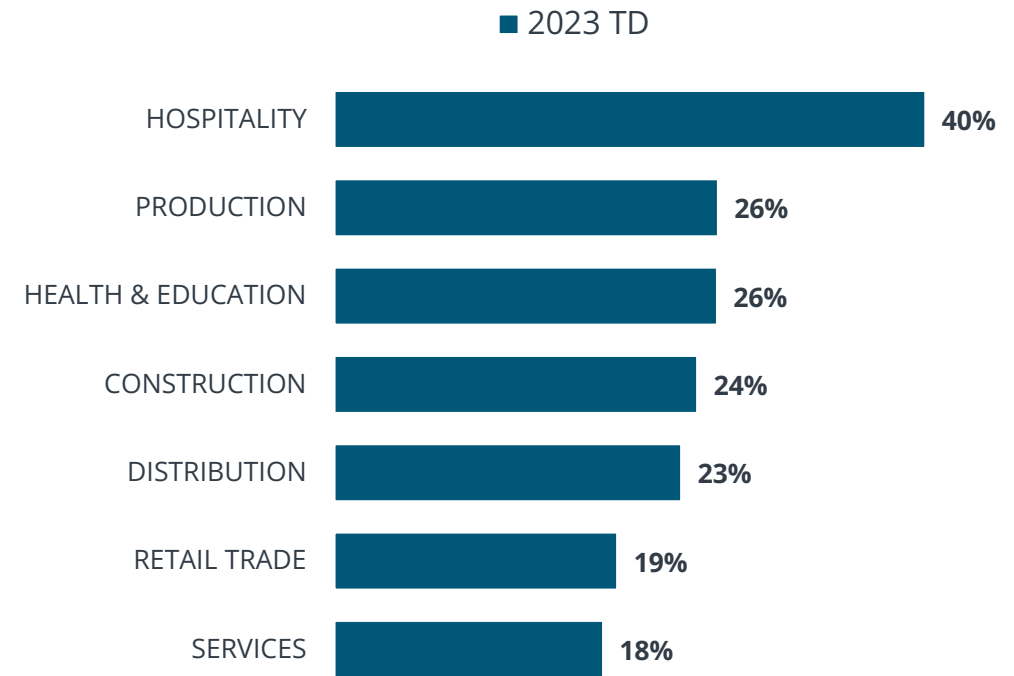


Recruitment activity continues to mirror business sentiment. Despite this recent rebound, recruitment activity remains down 7% YoY.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL

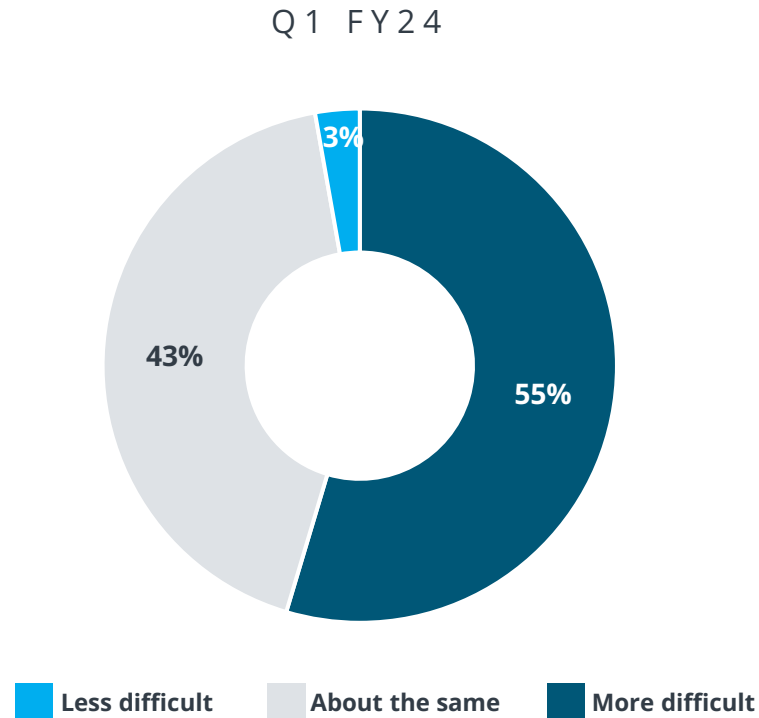


YTD BY INDUSTRY

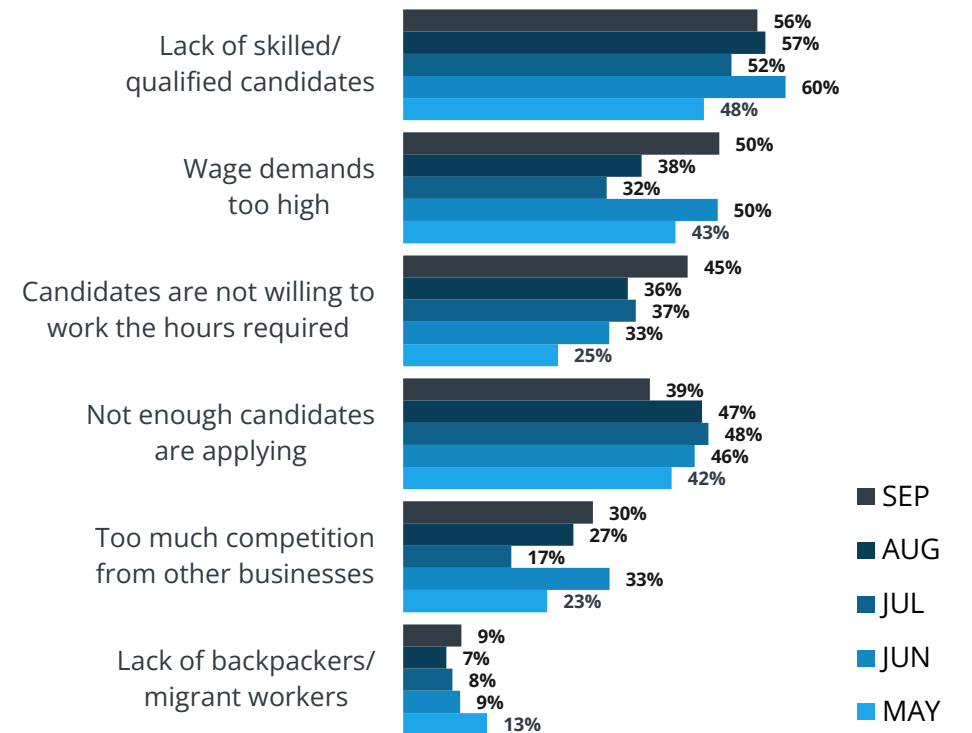


Over half (55%) found recruitment during Q1 FY24 more difficult than 12 months ago. A lack of skilled/ qualified candidates remains the primary barrier.

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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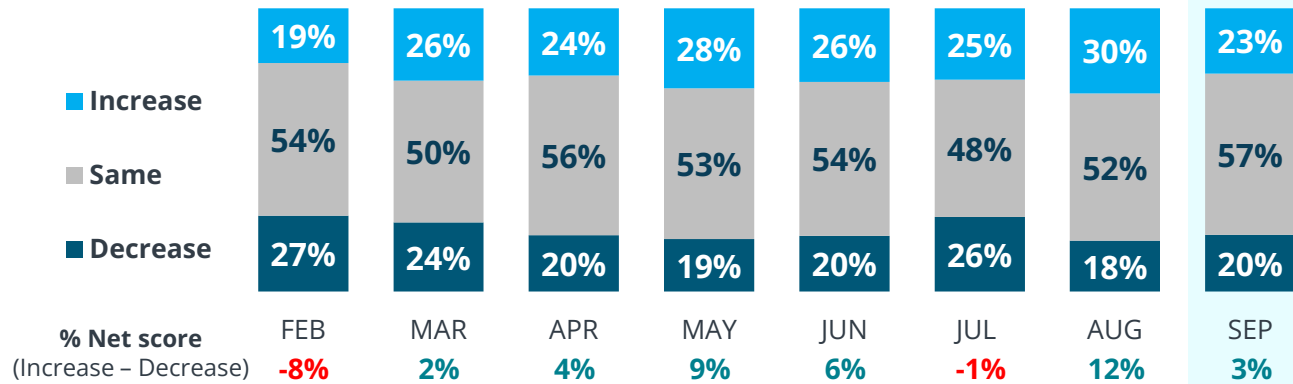
**Methodology &
Sample**

Business Investment | Next Three Months

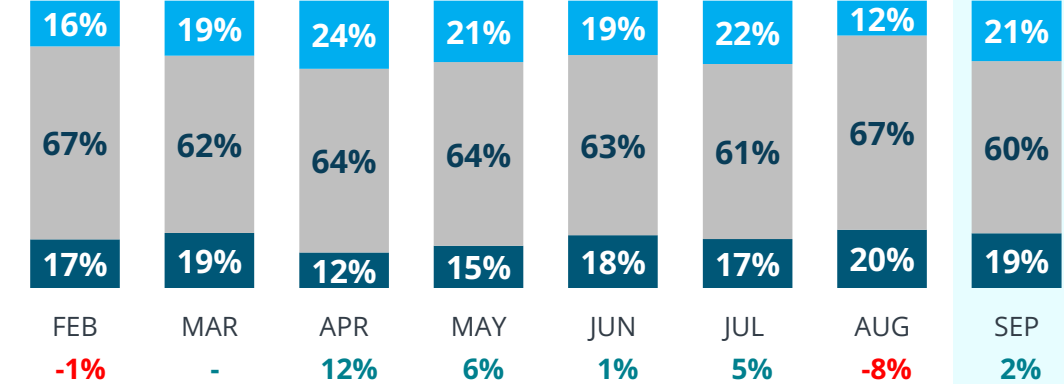
Investment expectations remained largely stable during September, with marketing spend seeing a notable recovery from August.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

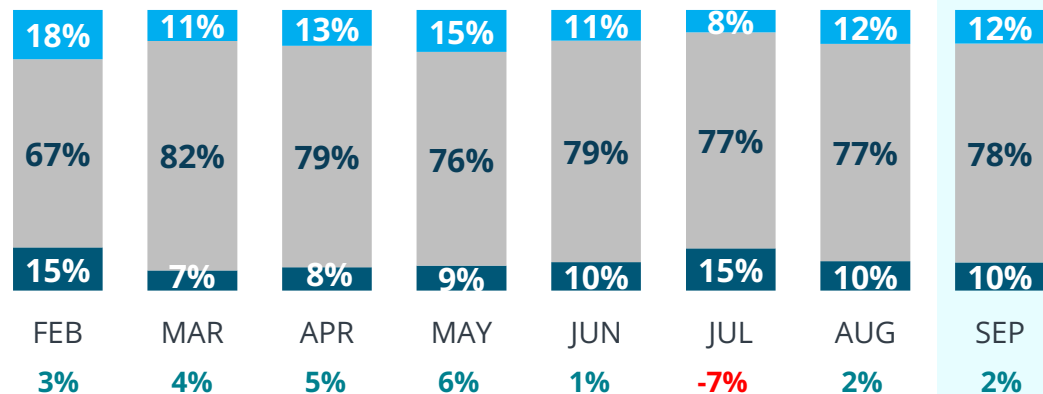
BUSINESS SPENDING/ CAPITAL INVESTMENT



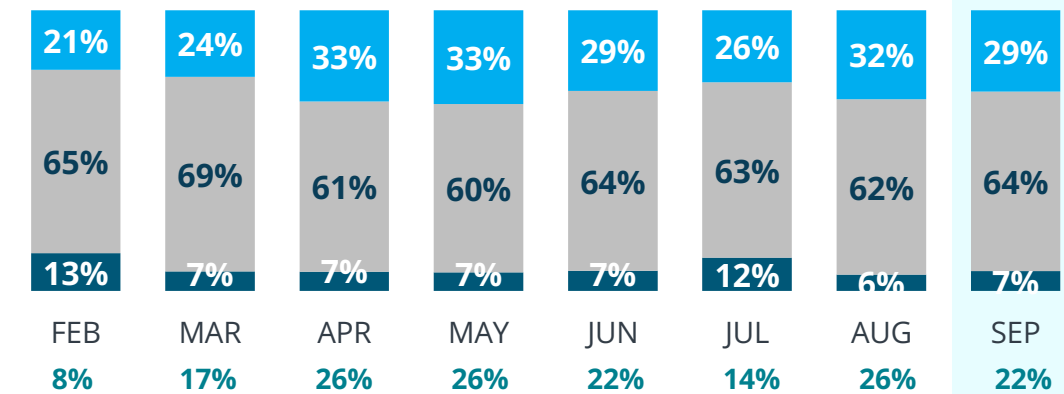
MARKETING SPEND



THE NUMBER OF STAFF YOU EMPLOY

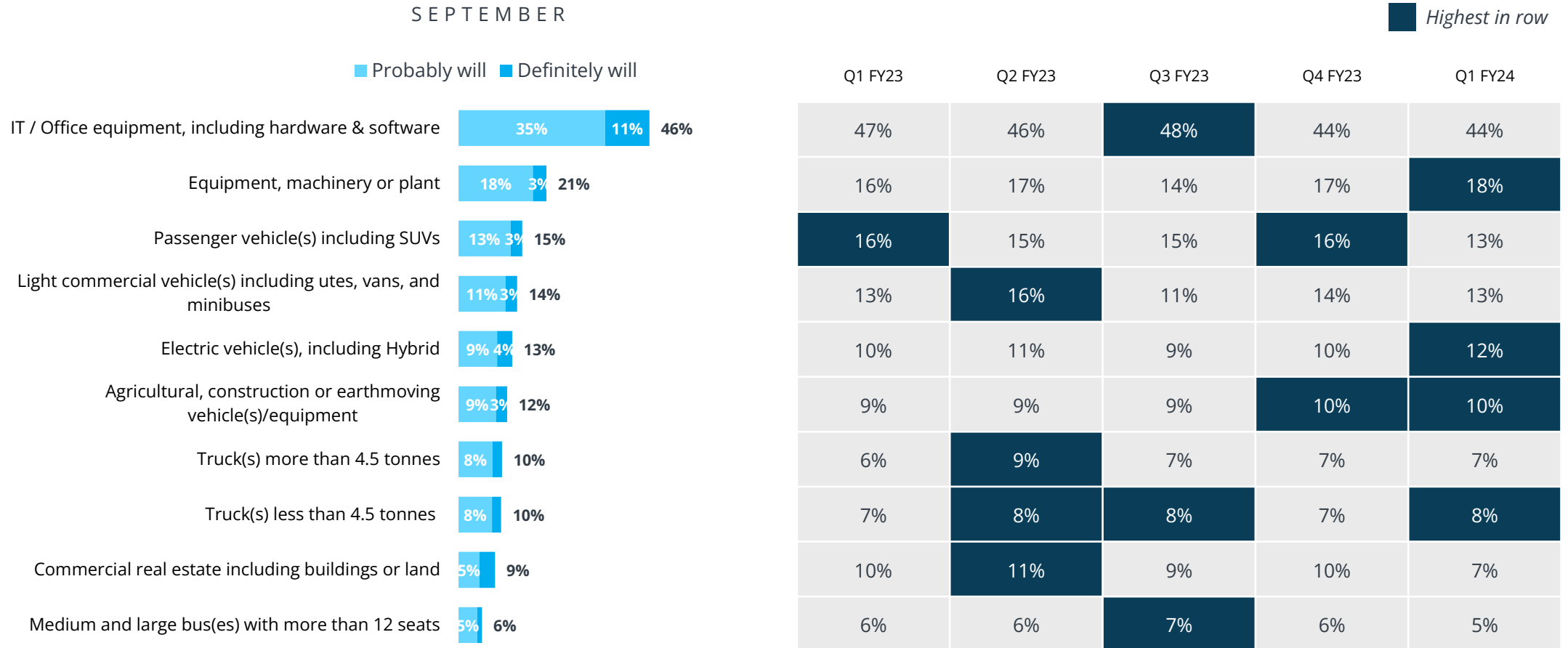


THE WAGES YOU PAY



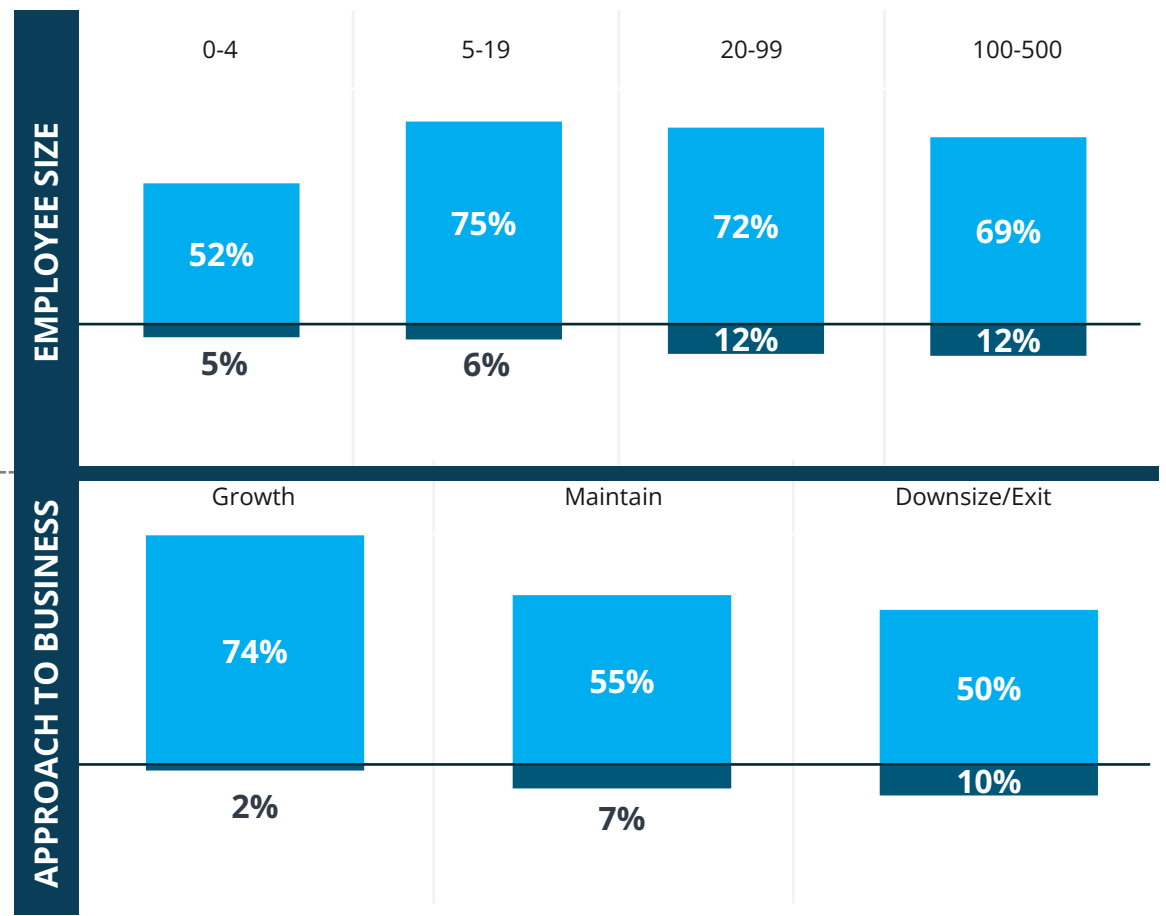
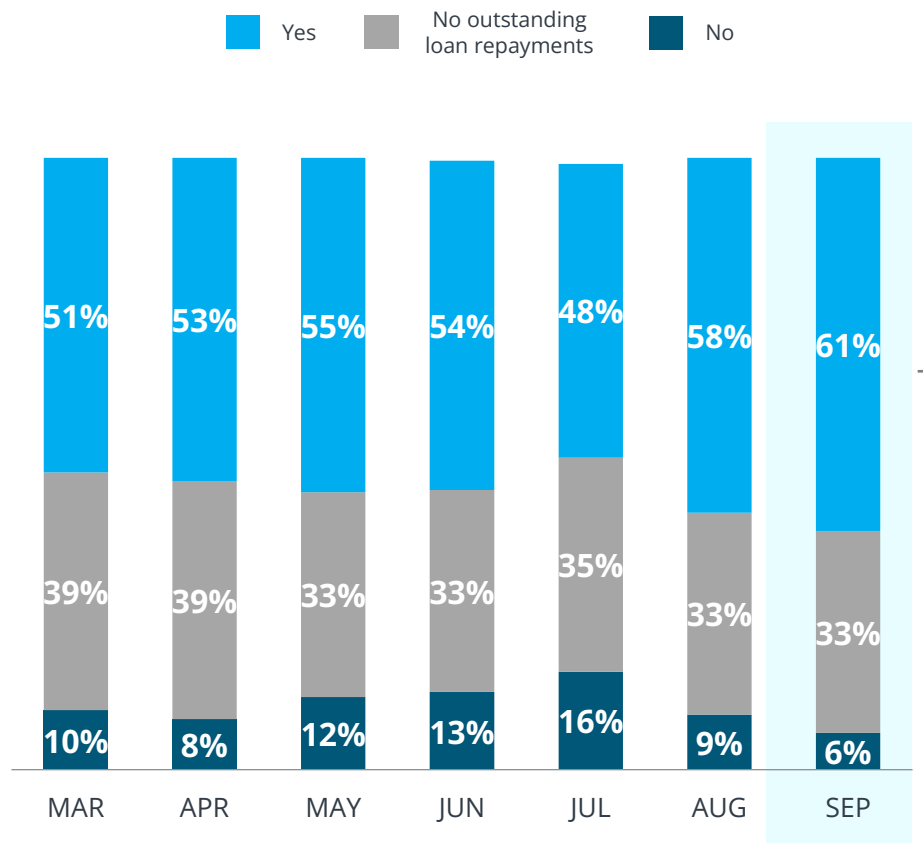
Investment intentions around equipment, machinery and electric vehicles were particularly notable during Q1 FY24.

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



As interest rates remain stable, loan stress has subsided accordingly.

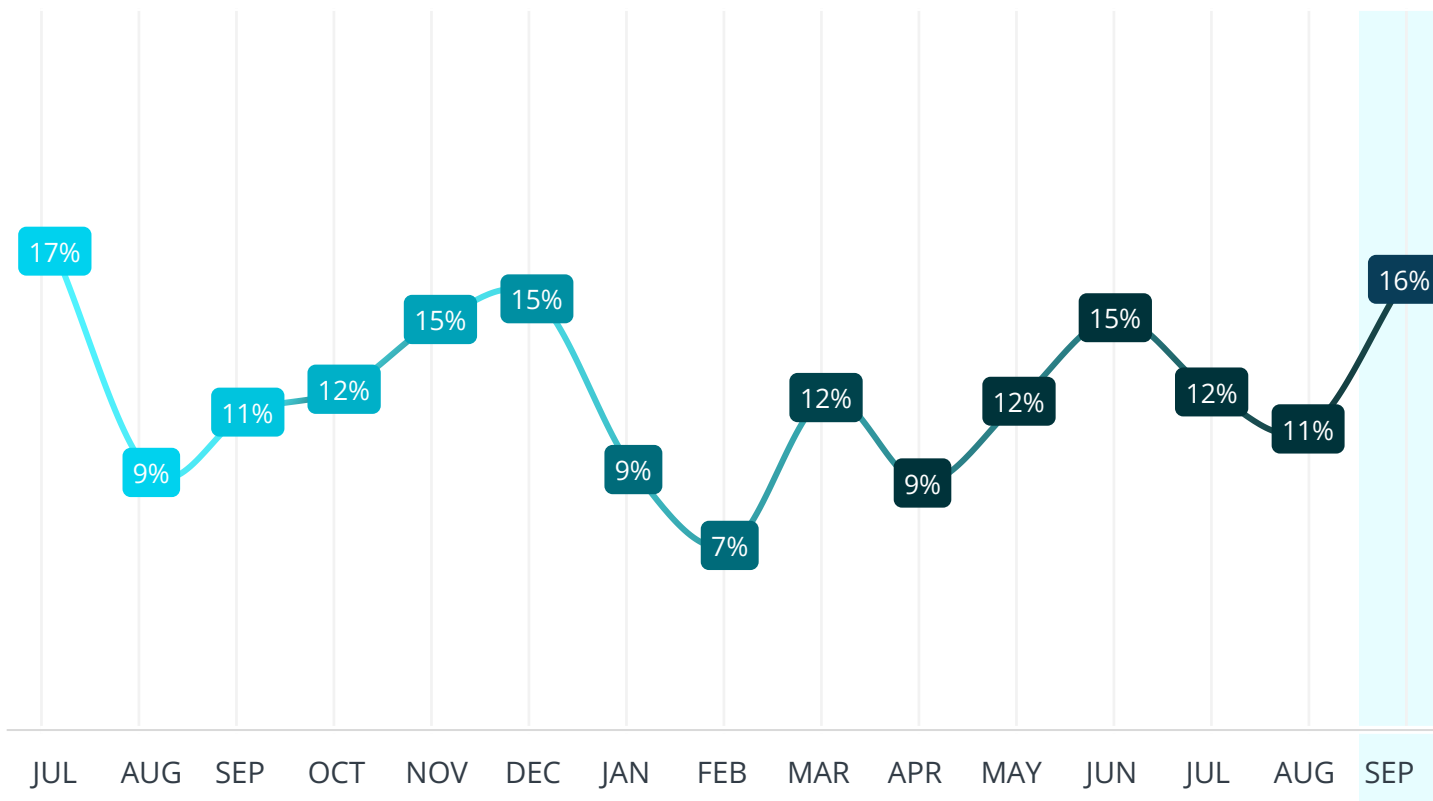
DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?



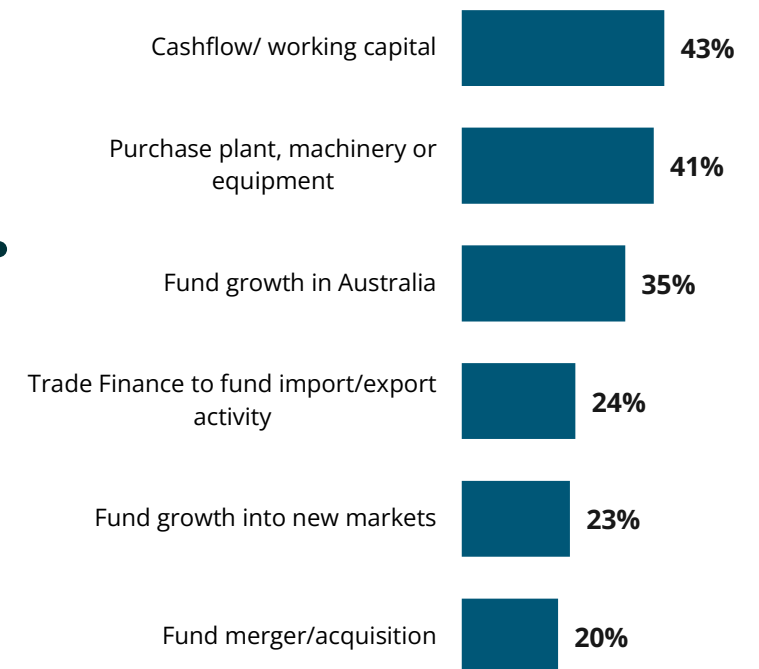
Business Investment | Finance Needs (Next 3 months)

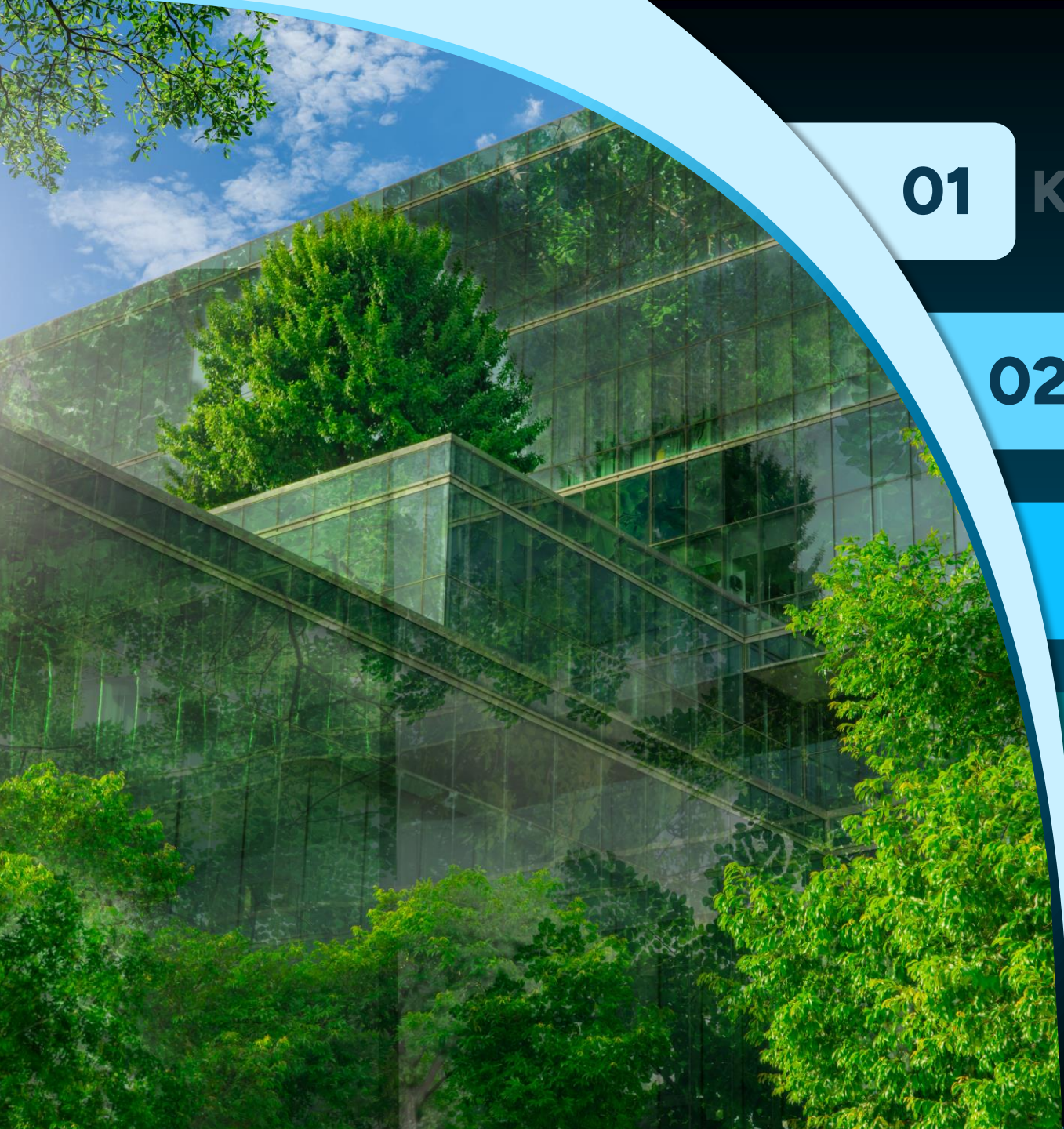
Continued interest rate stability has elevated the demand for additional finance, with 16% looking to obtain finance over the next 3 months. This is the highest level of demand for additional finance since July 2022.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



AND WHAT IS THE PURPOSE OF THIS FINANCE?





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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

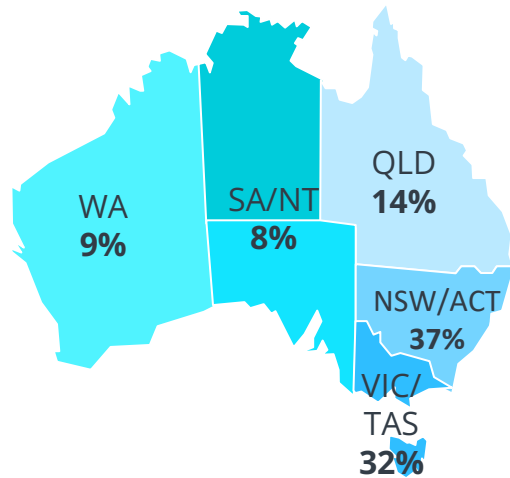


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

Our Sample

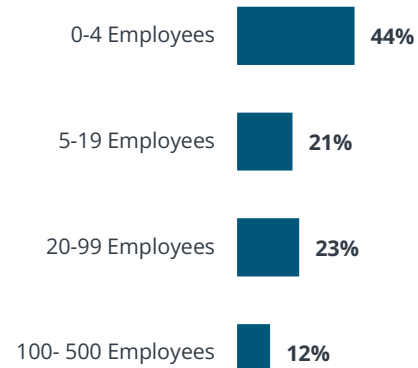
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

HEAD OFFICE LOCATION

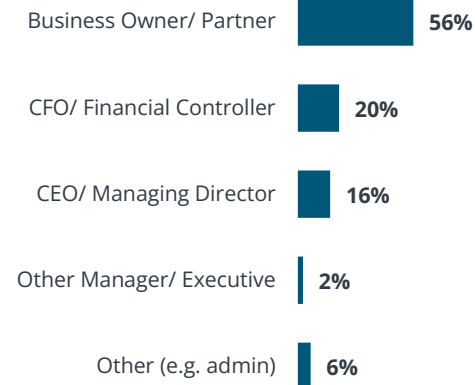


NOTE: CHARTS SHOW UNWEIGHTED DATA

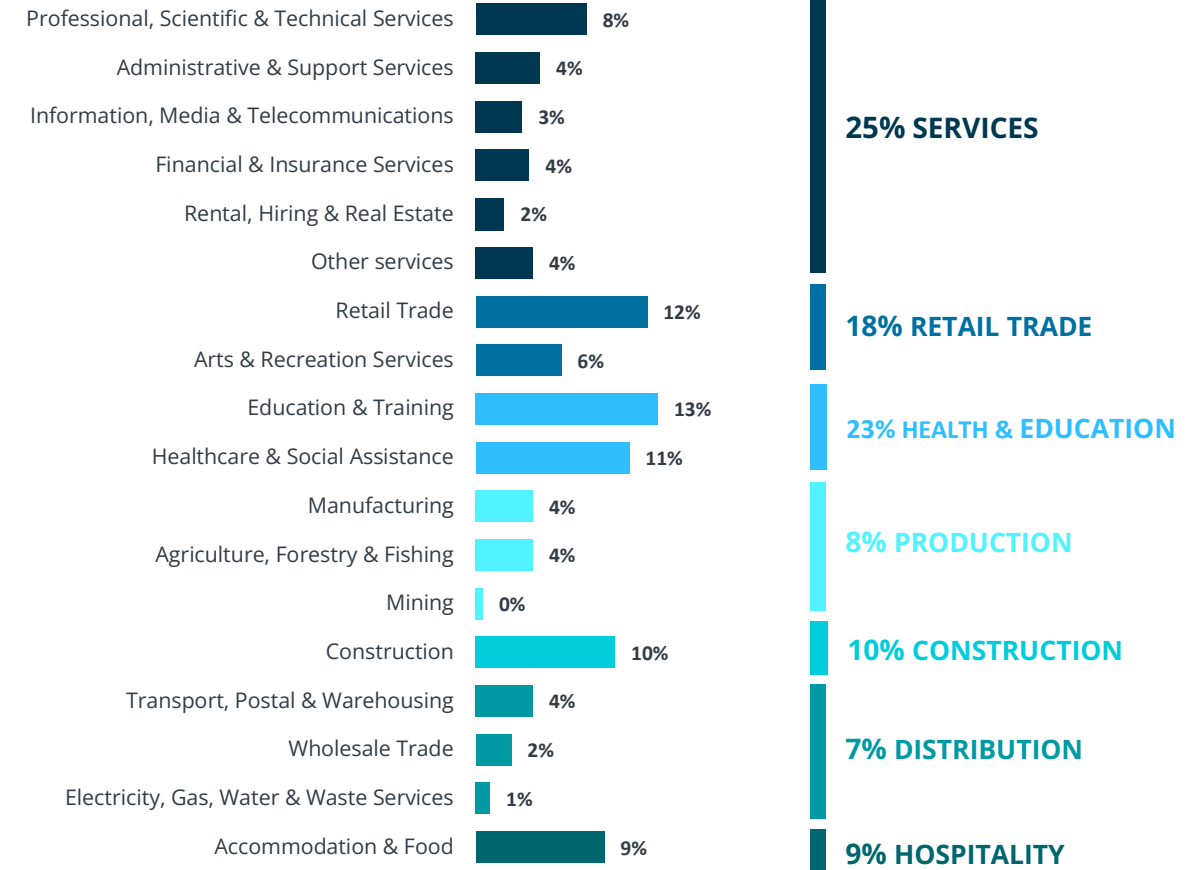
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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