



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 57 – November 2023





30% are generating more revenue than 12 months ago, but 37% note a decline in YoY revenues



85% are concerned about rising interest rates



38% are focusing on growth, the most since October 2022



Satisfaction with the federal government has dropped to 25%

SMEs Enter Holiday Season with Growth Ambitions Amid Economic Headwinds

The November findings indicate that in the face of escalating business challenges, a significant number of small and medium-sized enterprises (SMEs) are shifting their focus towards growth. A record 38% of SMEs have plans to prioritise growth in the coming 12 months, the highest percentage observed this year. Concurrently, the proportion of SMEs anticipating a rise in capital expenditure has also reached a peak, with one-third (31%) expecting to increase their investments, marking a notable high point in investment intentions.

This increased appetite for growth comes amidst the ongoing concerns regarding wage (70%), fuel (84%) and energy (82%) costs, as well as the possibility of future interest rate rises (85%).

Even with escalating worries about rising costs and a cautious stance regarding both global and local economic conditions, short-term revenue forecasts among businesses have remained consistent. For the third month in a row, 29% of businesses anticipate a revenue increase in the upcoming four weeks. This stability in revenue expectations is likely influenced by heightened marketing efforts, particularly in preparation for the Christmas season, as evidenced by 25% of businesses increasing their marketing investments during this period.

Satisfaction with the federal Labor government has seen a notable decline, dropping from 33% in October to 25% in November. This significant decrease in approval is likely a reaction to the latest interest rate hike and ongoing increases in operating costs.

In summary, higher growth intentions and steady short-term revenue expectations provide cause for positivity heading into the Christmas period. While the potential for further rate rises in 2024, coupled with higher input costs, are causing much anxiety for SMEs, recession readiness and the ability to pass on higher input costs remain steady. Thus, many SMEs will enter the Christmas period optimistic, and hopeful of easing inflationary and cost pressures in the new year.



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

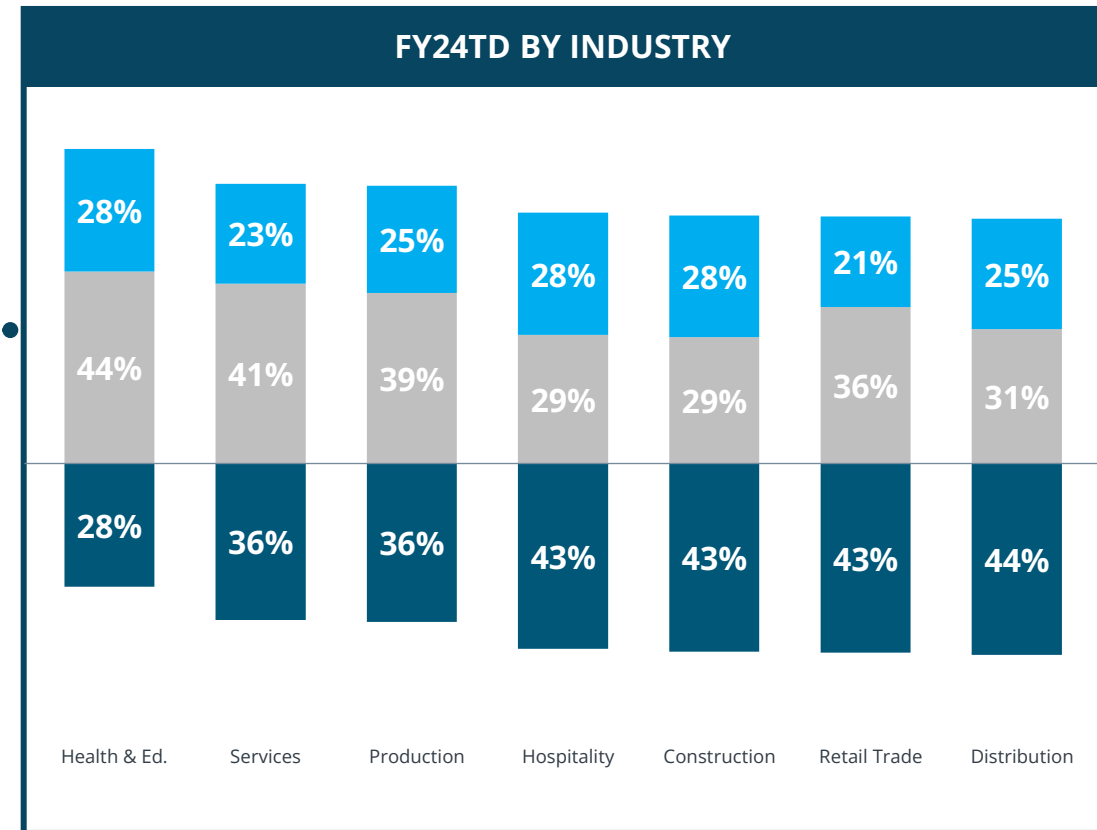
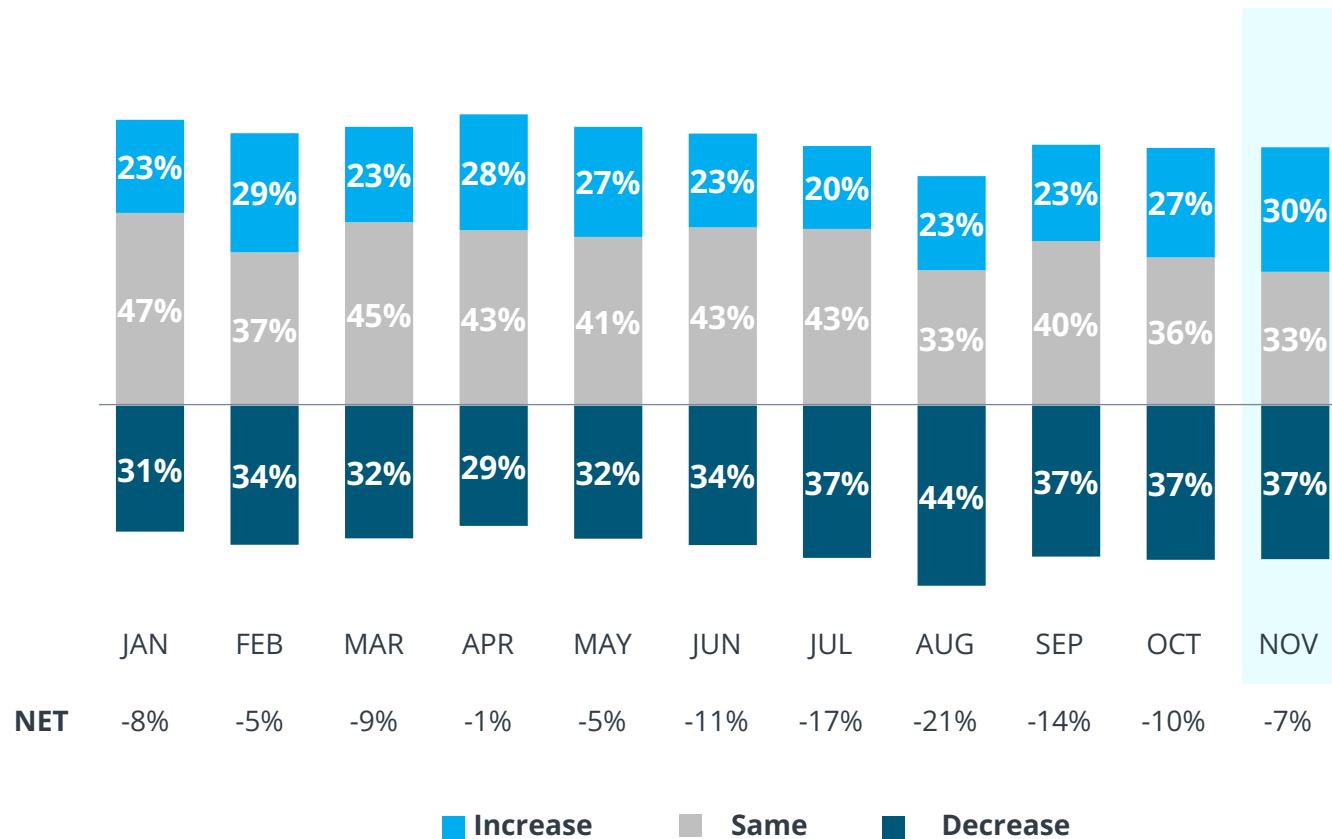
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

30% of SMEs have seen an increase in monthly revenue compared to 12 months ago, the highest level reported this year. Despite this positive trend, over one-third of SMEs are still facing reduced income levels. This downturn is particularly pronounced in sectors such as Hospitality, Retail, Distribution, and Construction.

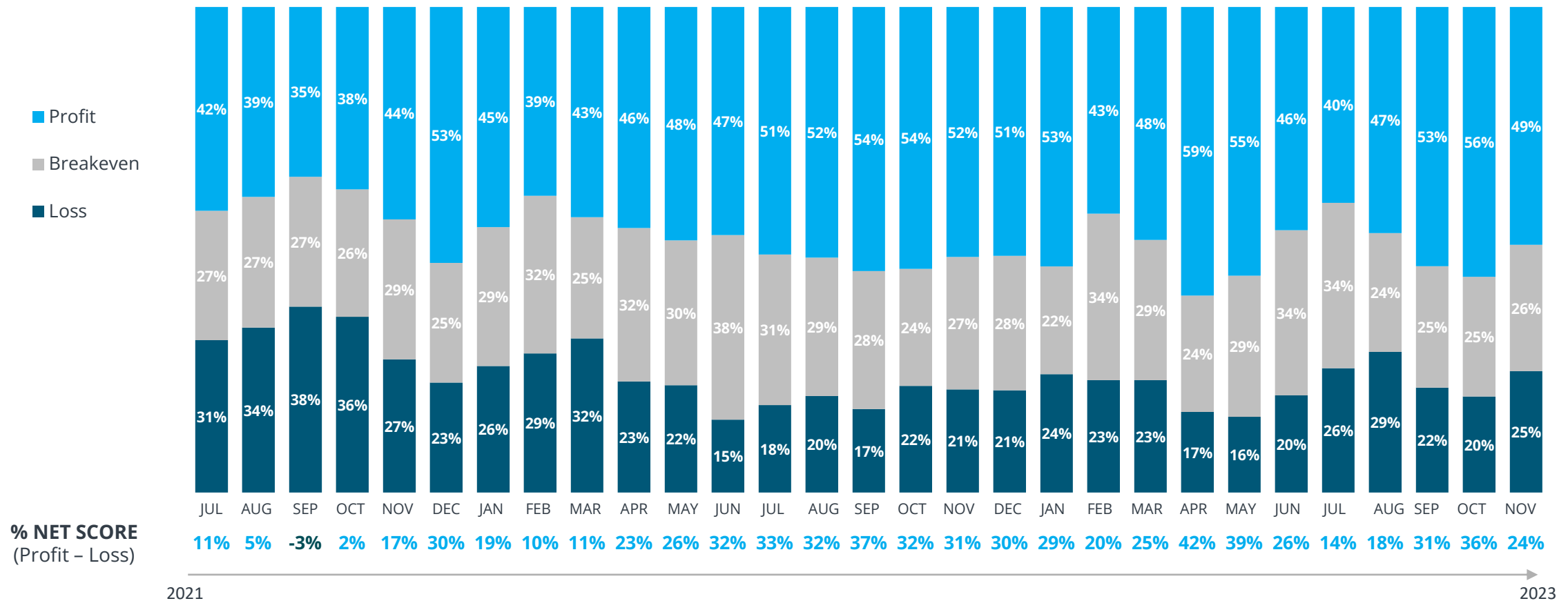
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

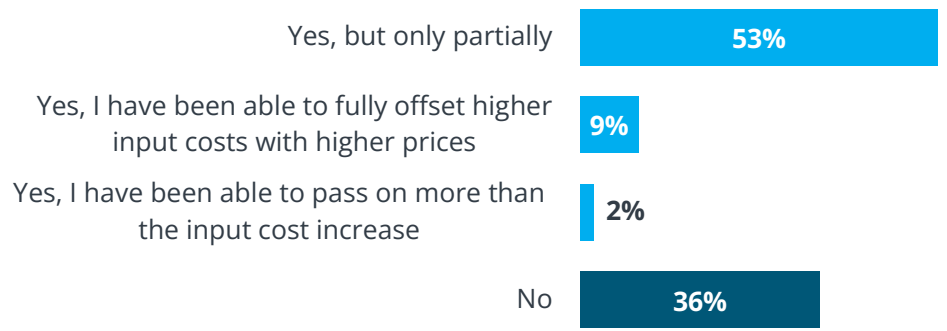
The previously observed upward trend in profitability has reversed, with only 49% reporting profits, a decline from 56% from the previous month. Additionally, one in four businesses (25%) have reported a financial loss in October.

WHAT WAS YOUR PROFIT MARGIN LAST MONTH (OCTOBER)?

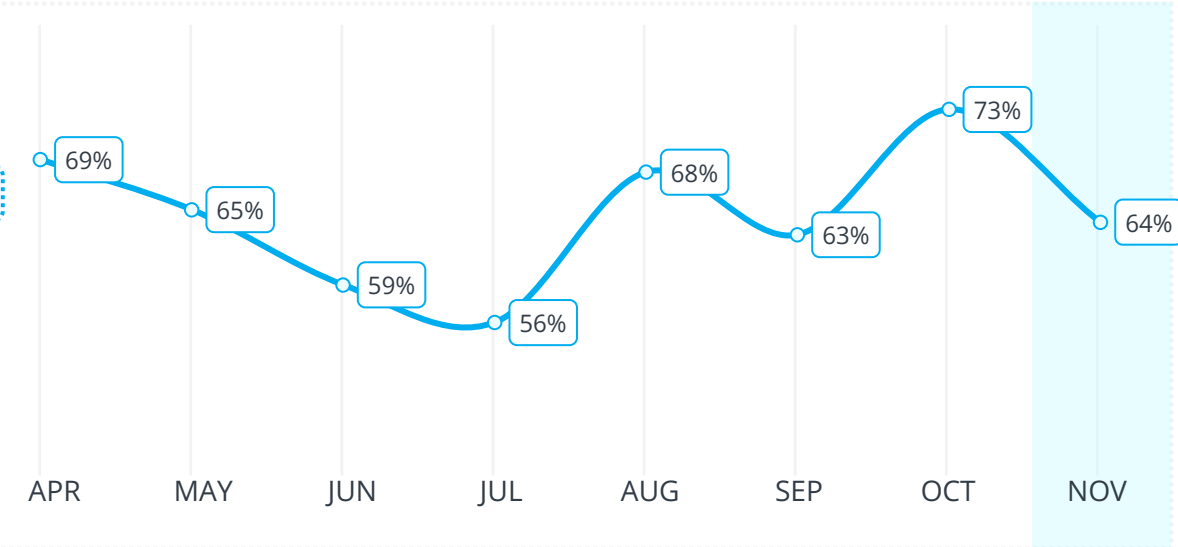


After a strong month in October, cost recovery has fallen back to levels seen in August & September.

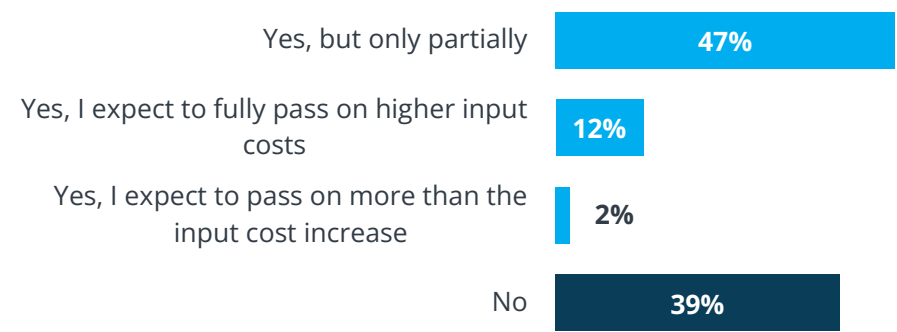
HAVE YOU BEEN ABLE TO PASS ON HIGHER INPUT COSTS TO YOUR CUSTOMERS?



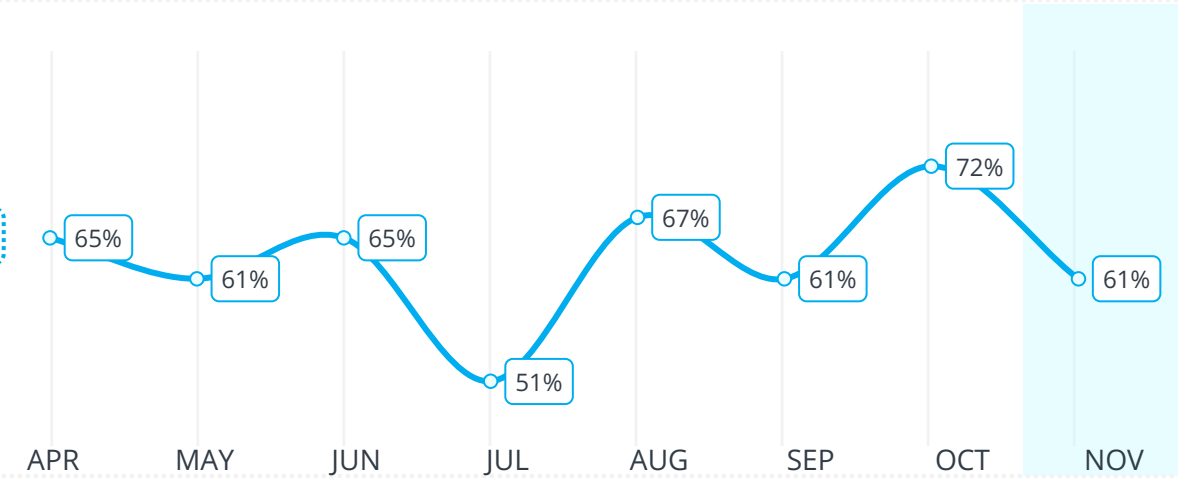
YES



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



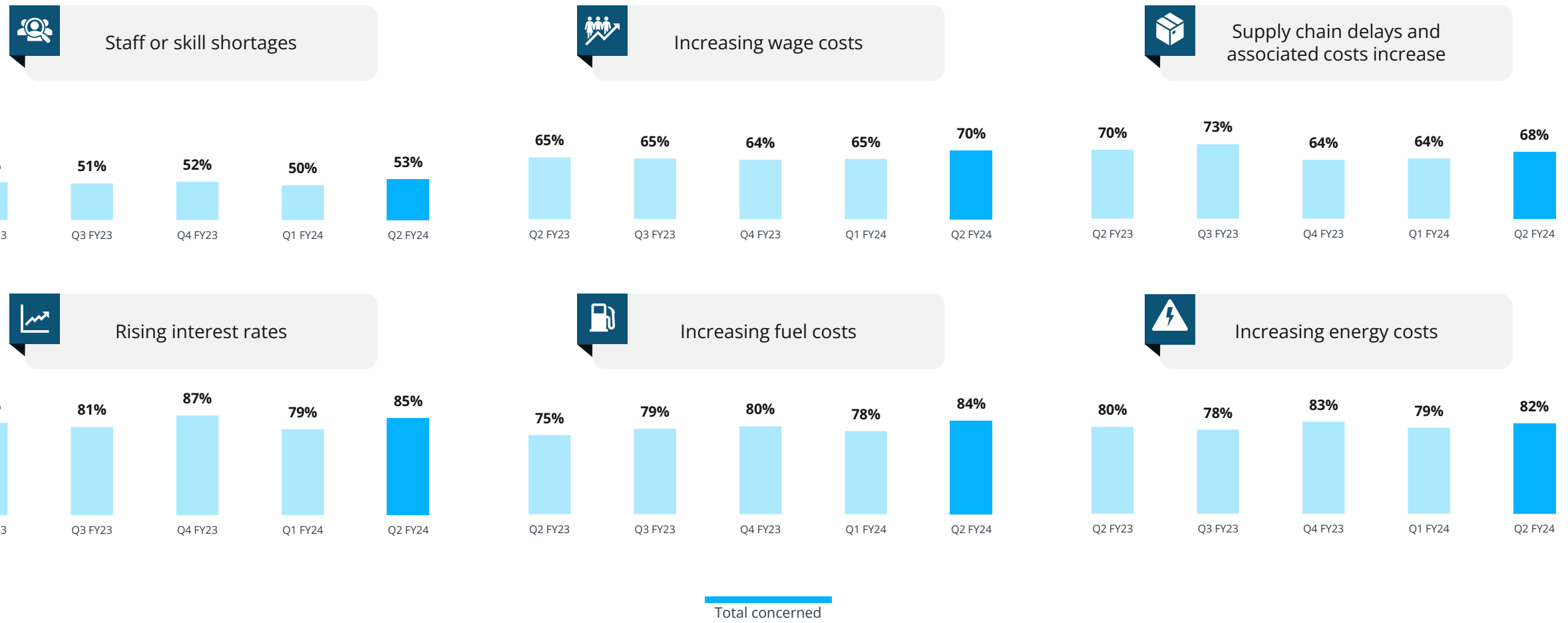
YES



Key Performance Indicators | Business Concerns

Concern has risen across the board for key issues in Q2 FY24. Increasing wage (70%) and fuel (84%) costs have reached yearly highs, while rising interest rates remain the foremost concern.

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





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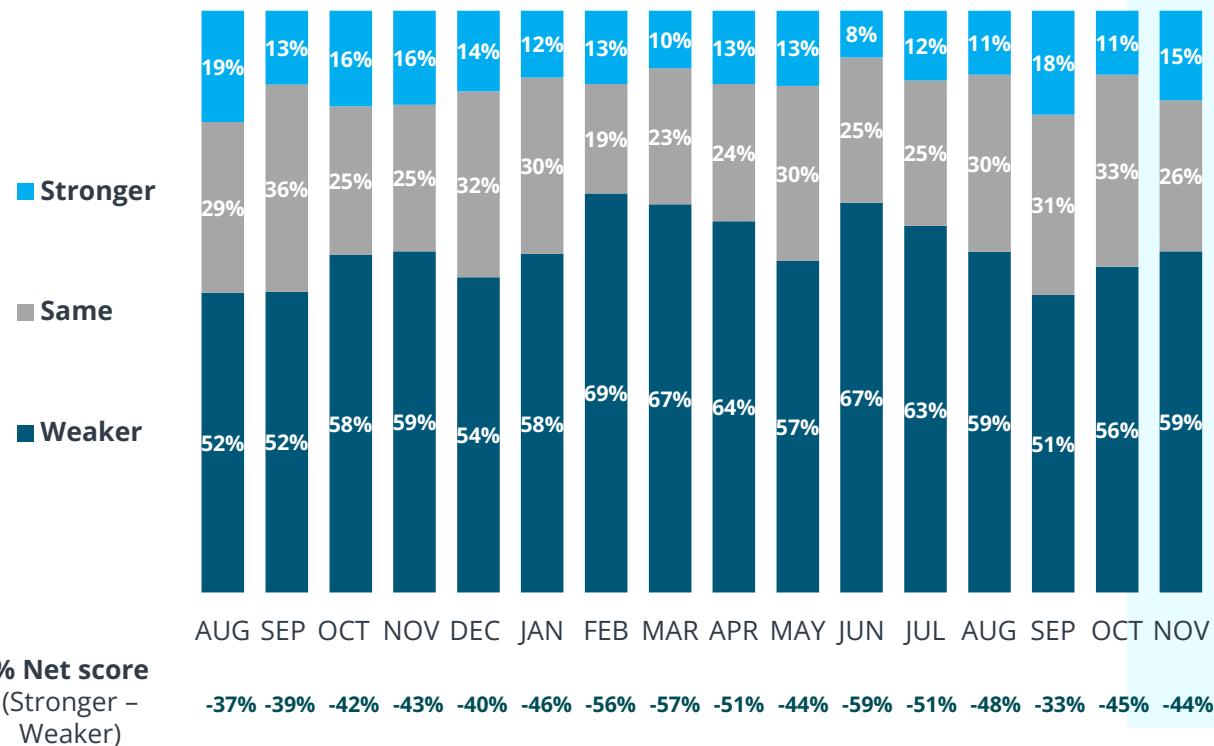
Methodology & Sample

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

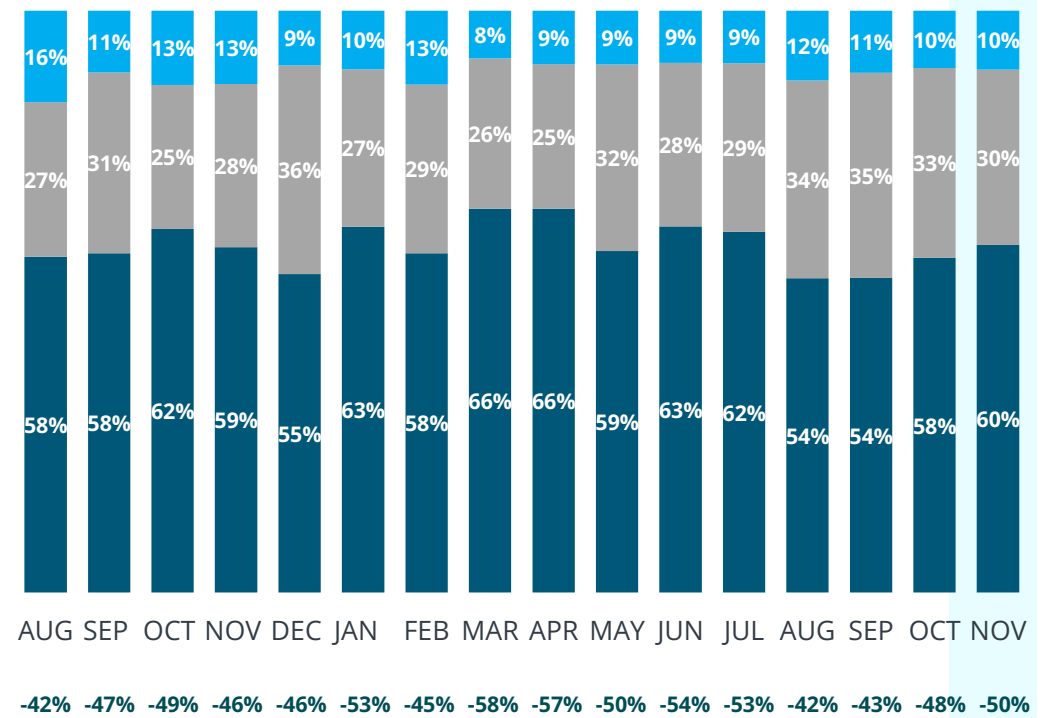
Expectations regarding short-term economic conditions remain negative, with 59% expecting the Australian economy to weaken amidst ongoing inflationary pressures. Continued geopolitical tensions abroad have meant expectations regarding the global economy remain negative as well.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS

AUSTRALIAN ECONOMY



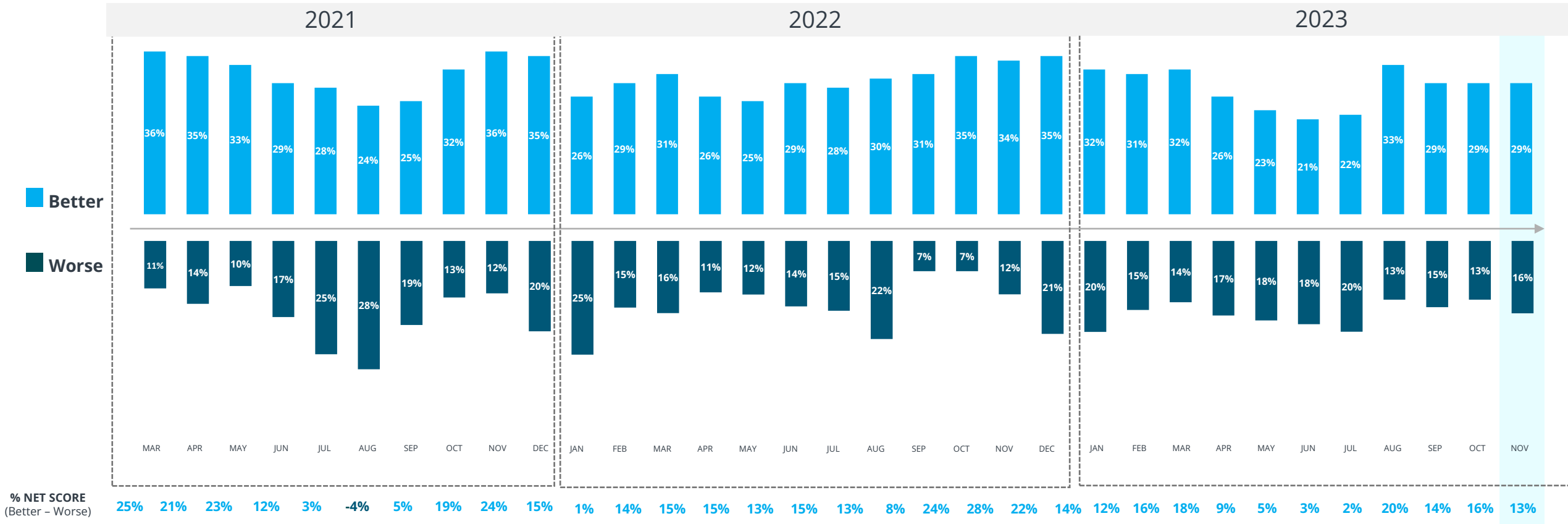
GLOBAL ECONOMY



Key Performance Indicators | Revenue Expectations (Next 4 weeks)

However, short-term revenue expectations remain positive, in-line with the FY24 average, but lower than reported in November 2023.

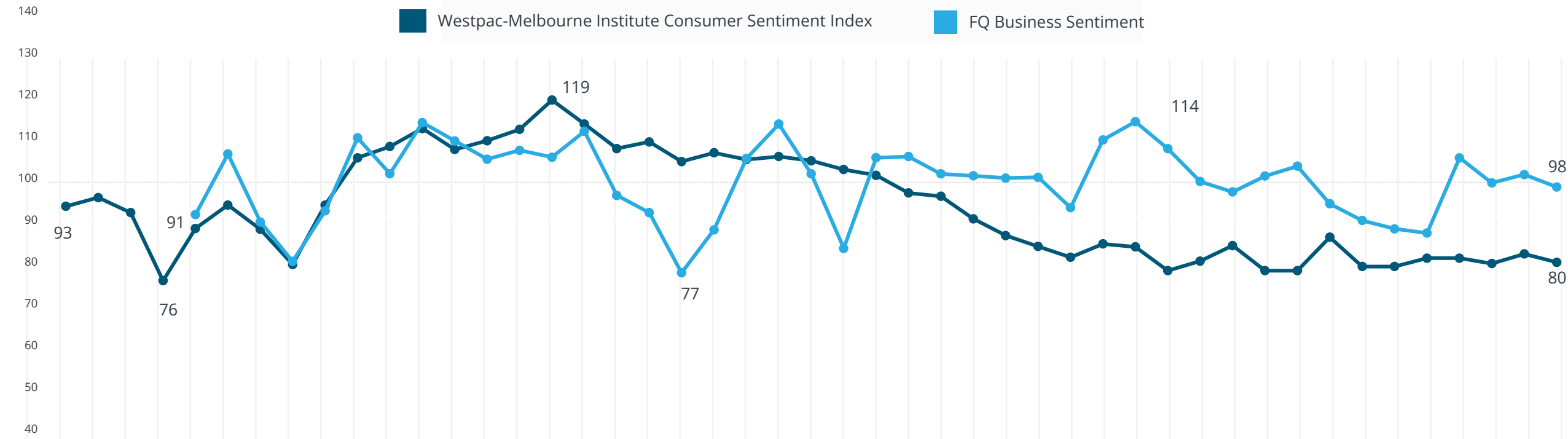
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



Business Sentiment | Sentiment 2020-2023

The Fifth Quadrant Business Sentiment Index has remained steady despite the RBA's interest rate rise in November.

BUSINESS AND CONSUMER SENTIMENT

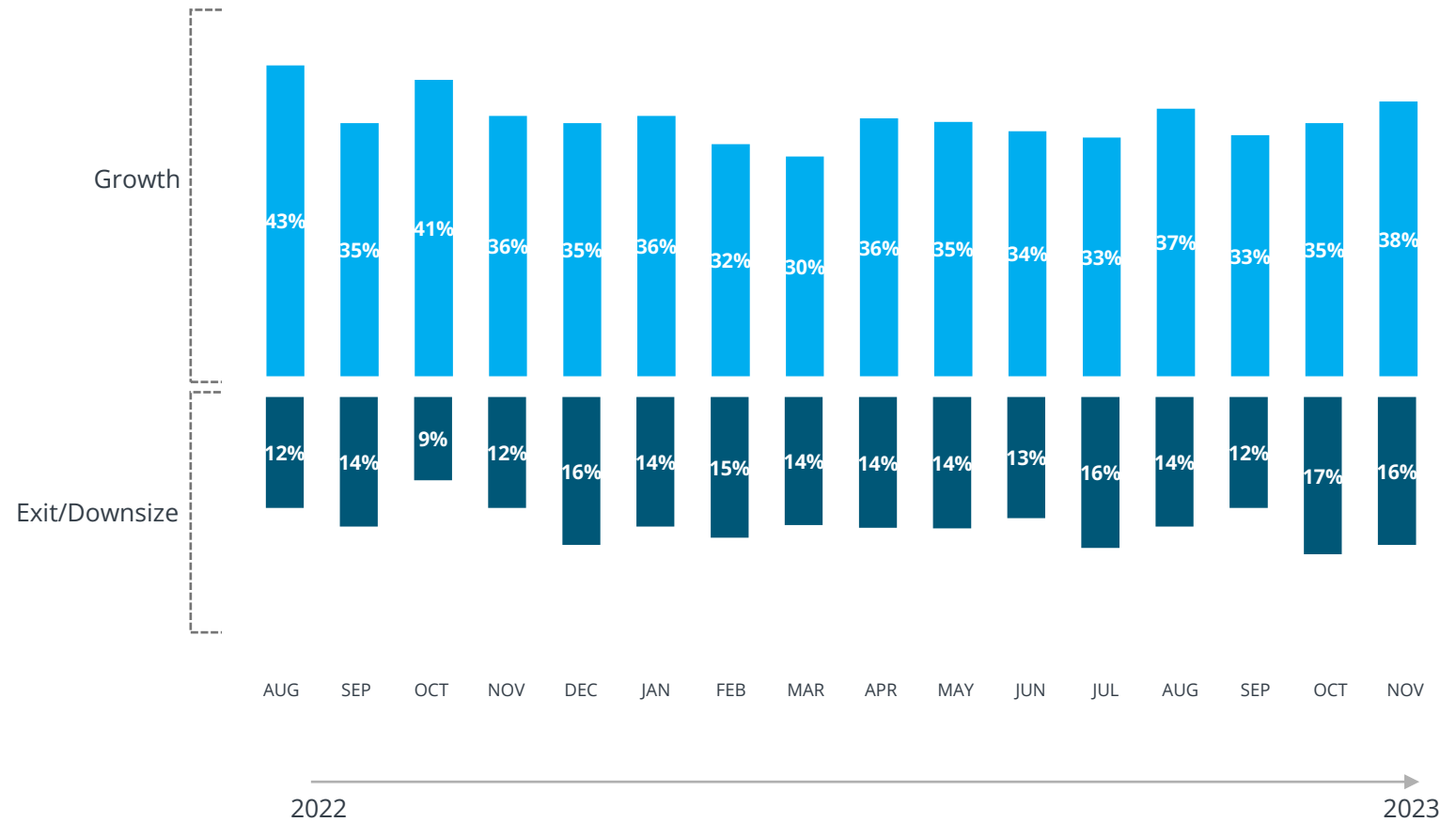
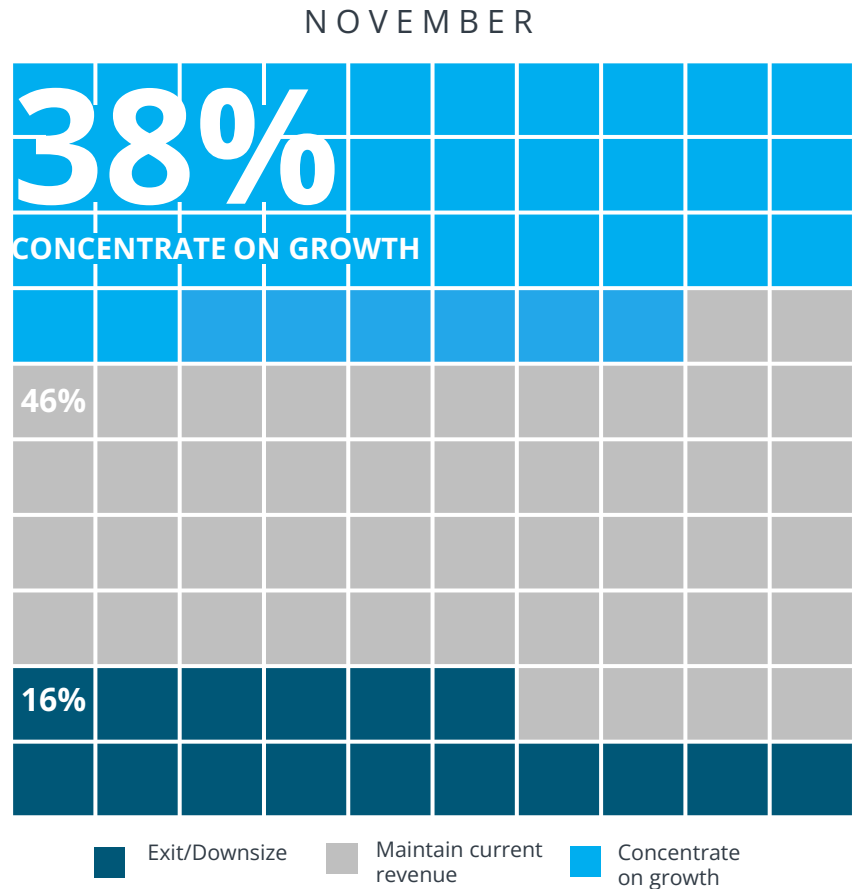


- March 2020:** First lockdowns
- August 2020:** Victoria announces new lockdown measures
- February 2021:** First COVID-19 vaccine doses administered in Australia
- June 2021:** Sydney announces new lockdown measures
- October 2021:** Sydney & Melbourne released from lockdowns
- January 2022:** Reported 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
- November 2023:** RBA raises cash rate target by 25 basis points after 4 months without change

Key Performance Indicators | Growth Expectations (Next 12 months)

Nearly 1 in 4 (38%) plan to concentrate on growth in 2024. This marks the highest proportion of growth focused businesses since October 2022, suggesting an underlying confidence that conditions will improve in 2024.

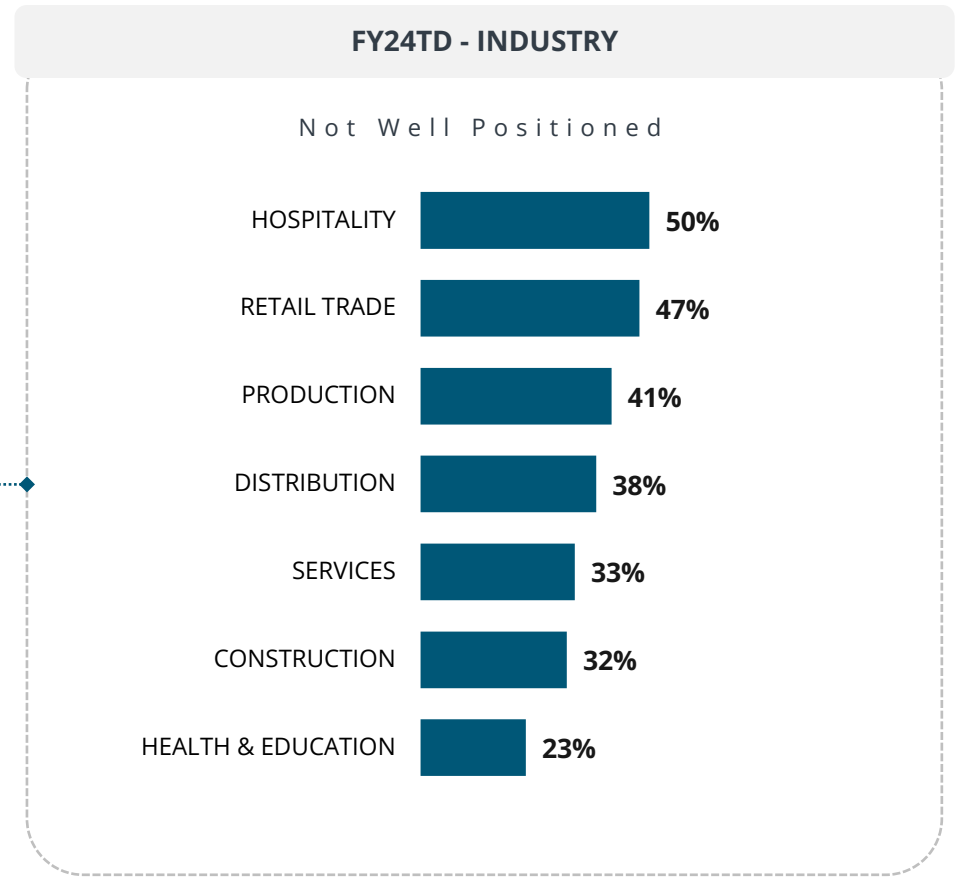
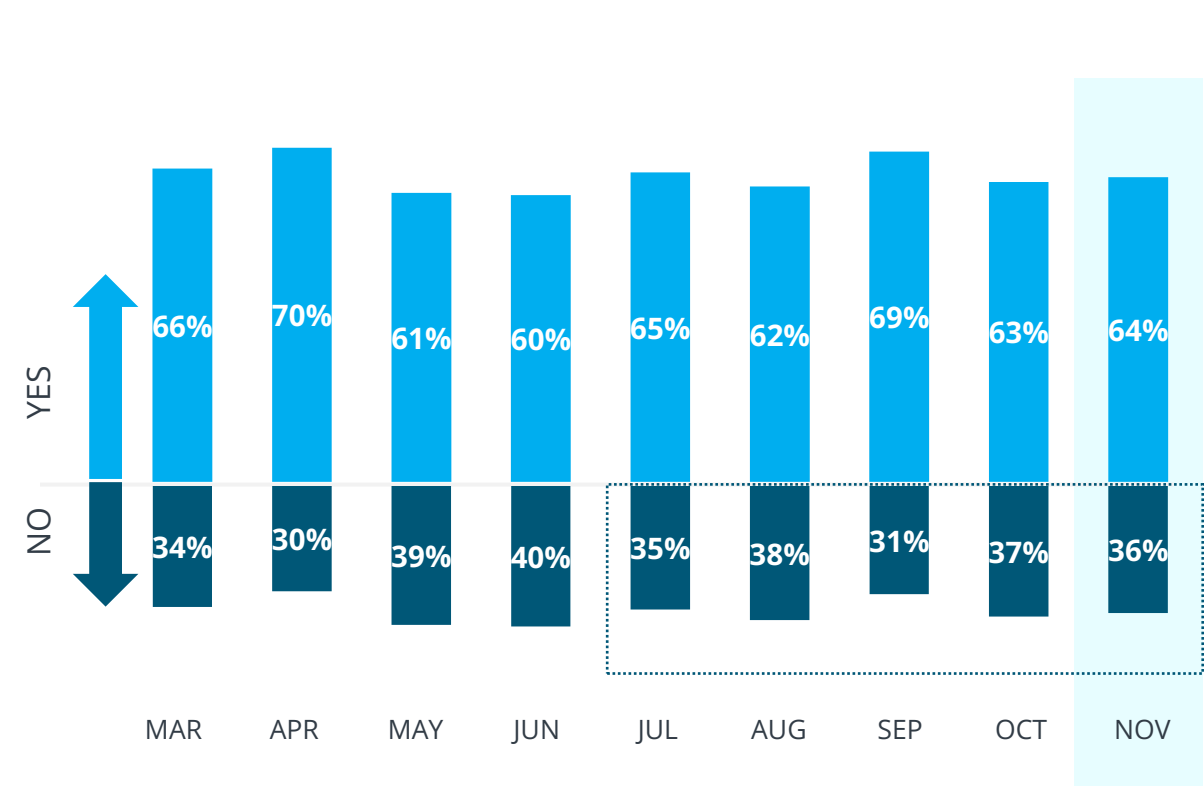
OVERALL, WHAT BEST DESCRIBES YOUR APPROACH TO BUSINESS OVER THE NEXT 12 MONTHS?



Business Sentiment | Recession Readiness

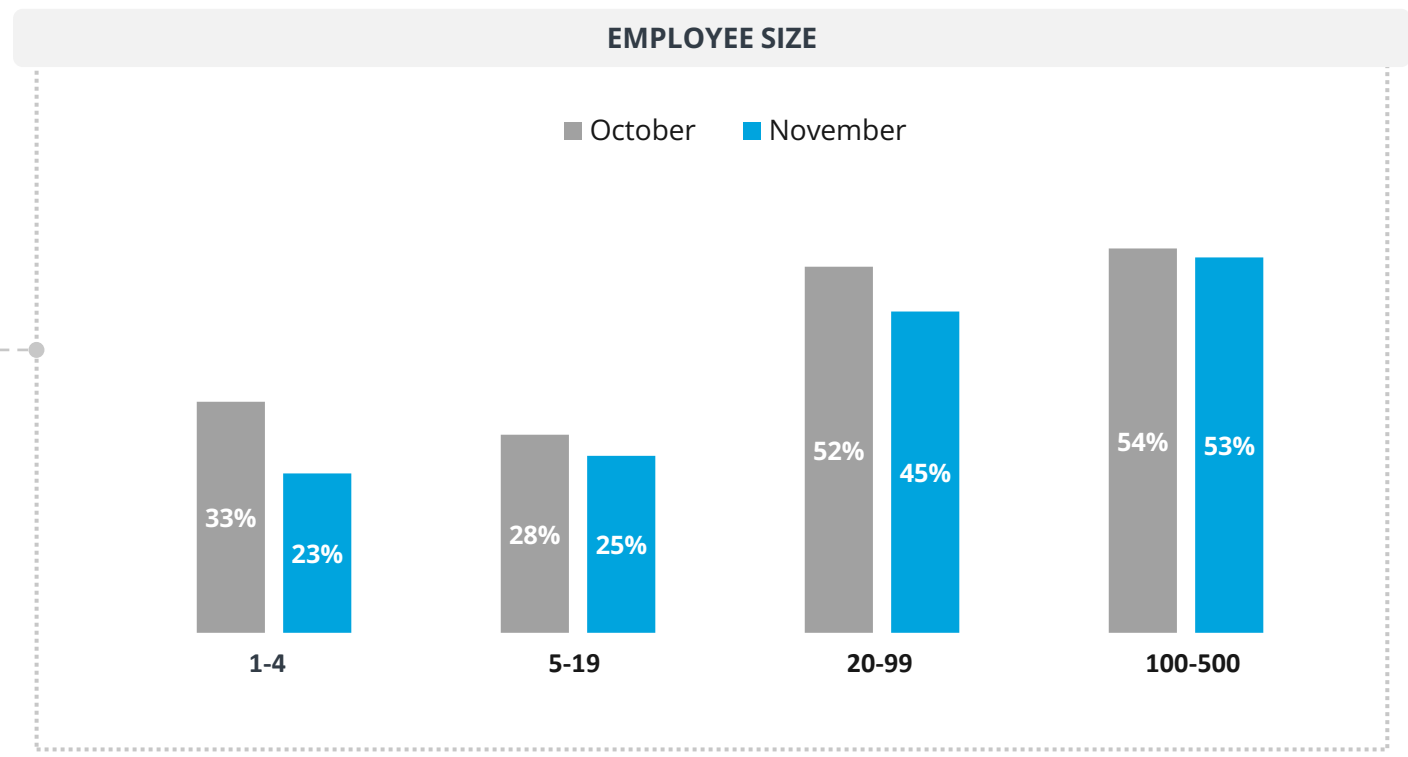
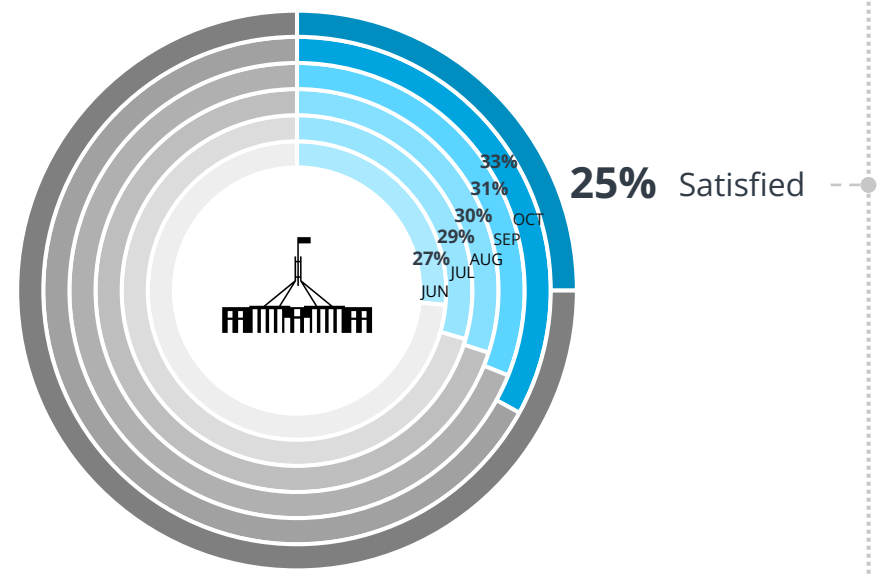
Two-thirds (64%) believe their business is well insulated against the threat of a recession. Health & Education SMEs currently display the highest levels of confidence, while 1 in 2 Hospitality businesses are believed to be in a precarious position.

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 Government has taken a substantial hit in November, with smaller businesses most dissatisfied.

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





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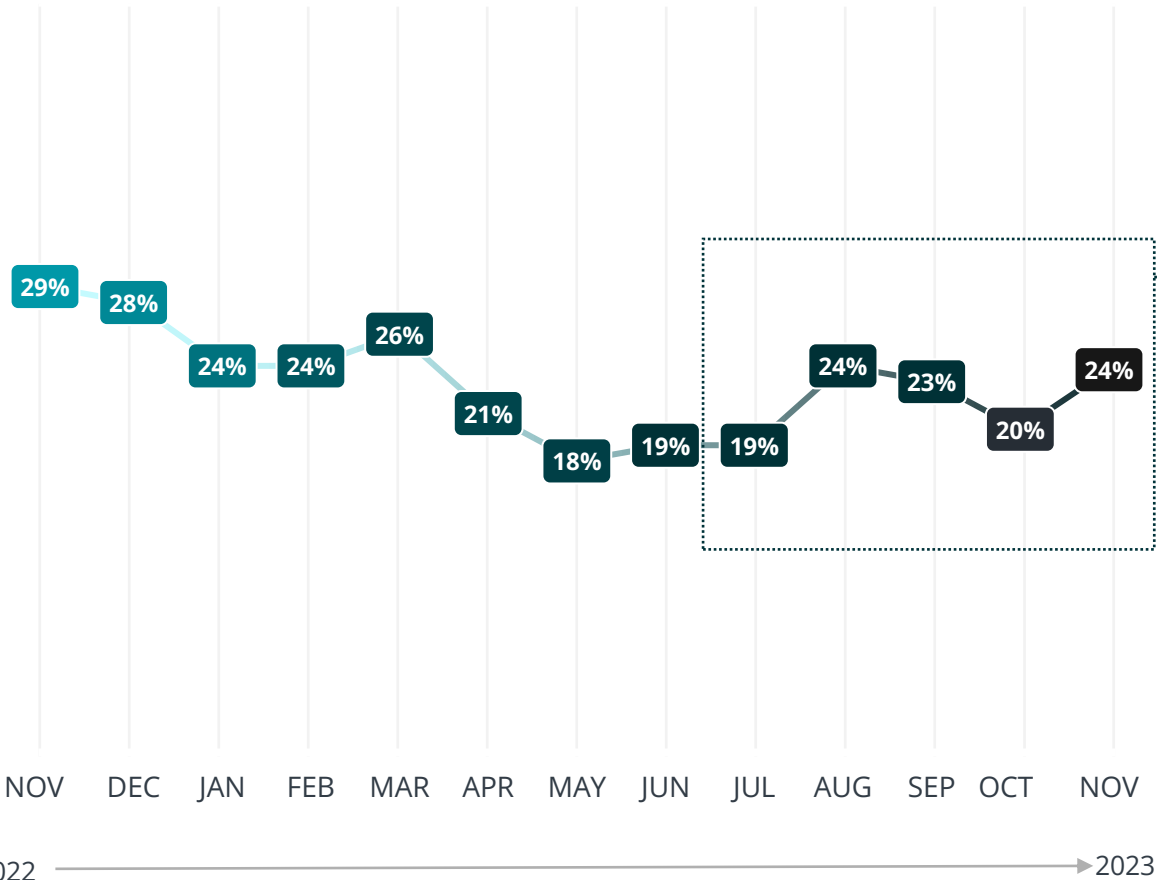
Business Investment

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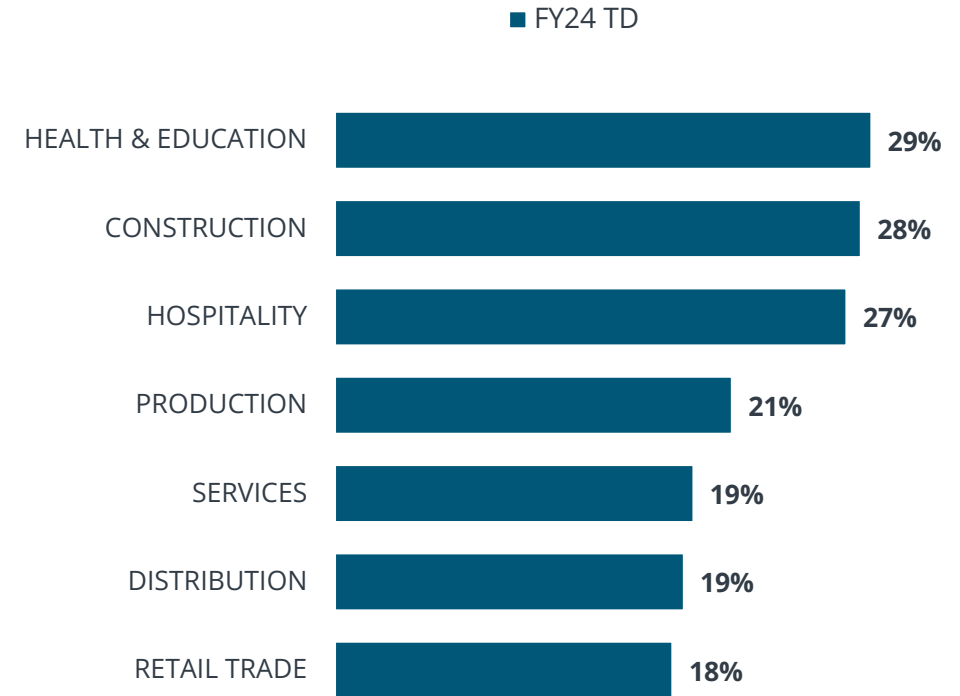
Methodology & Sample

Recruitment activity has rebounded heading into the holiday period. Health & Education (29%), Construction (28%), and Hospitality (27%) have been most active in recruiting during FY24.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL



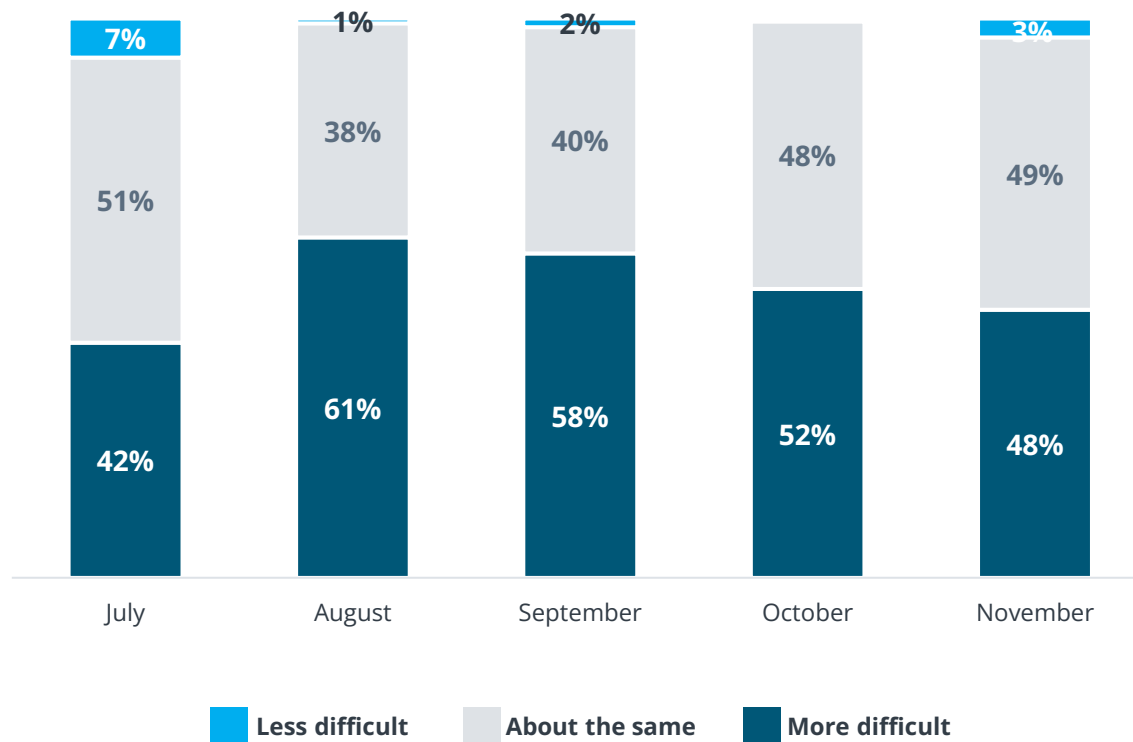
FY24 BY INDUSTRY



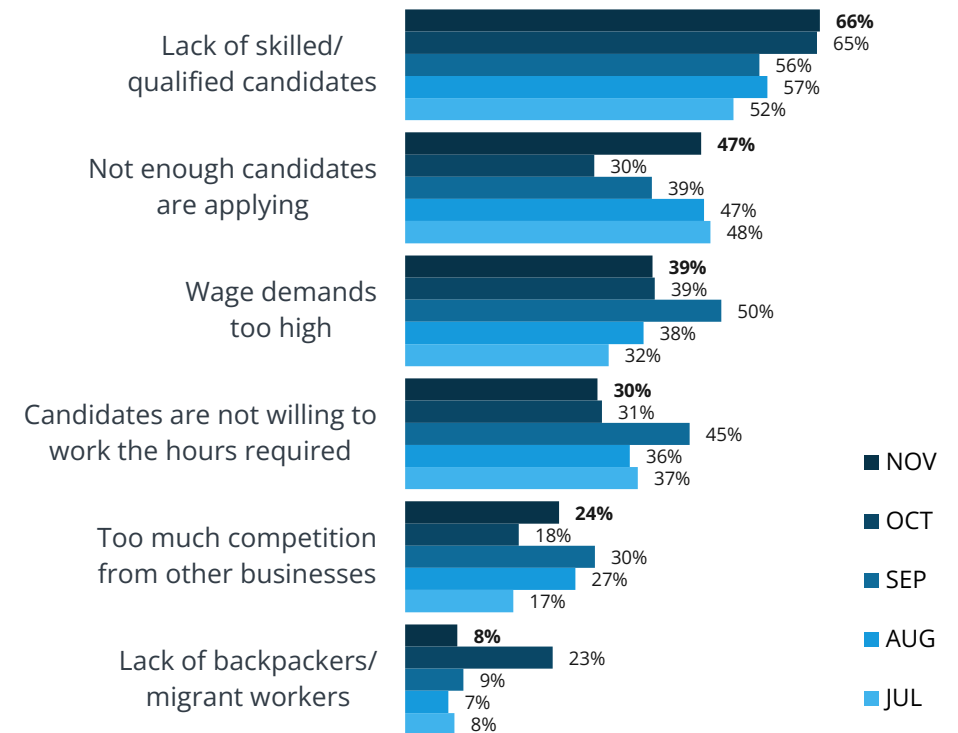
2022 → 2023

The current trend indicates a modest improvement in recruitment challenges, with 48% of businesses finding it more difficult to hire compared to 12 months ago, a decrease from 61% who reported difficulties in August.

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

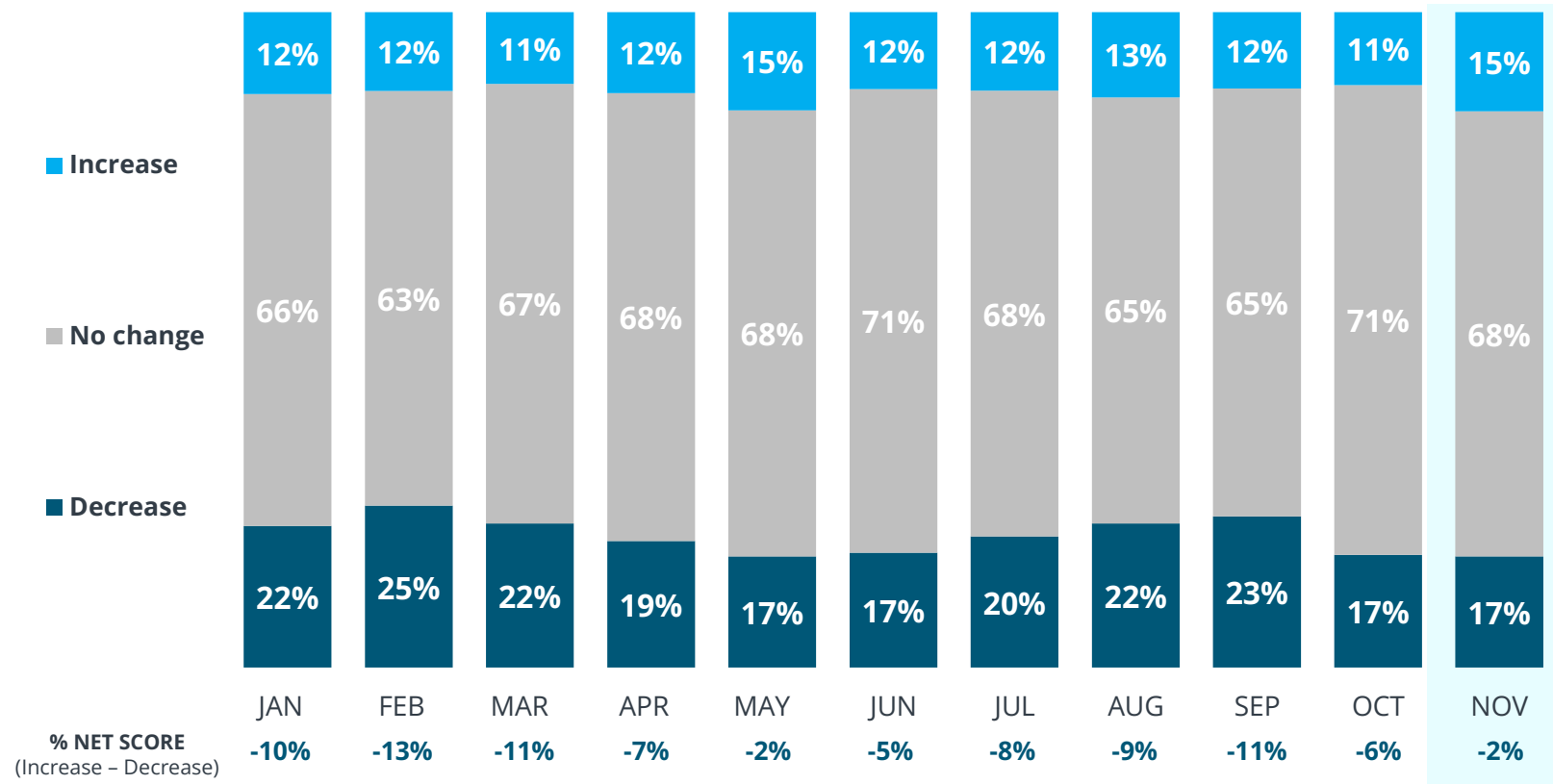


WHY IS IT DIFFICULT TO FILL THESE ROLES?



In line with the lift in recruitment net employment improved in November.

CHANGE IN NUMBER OF EMPLOYEES OVER THE LAST 12 MONTHS





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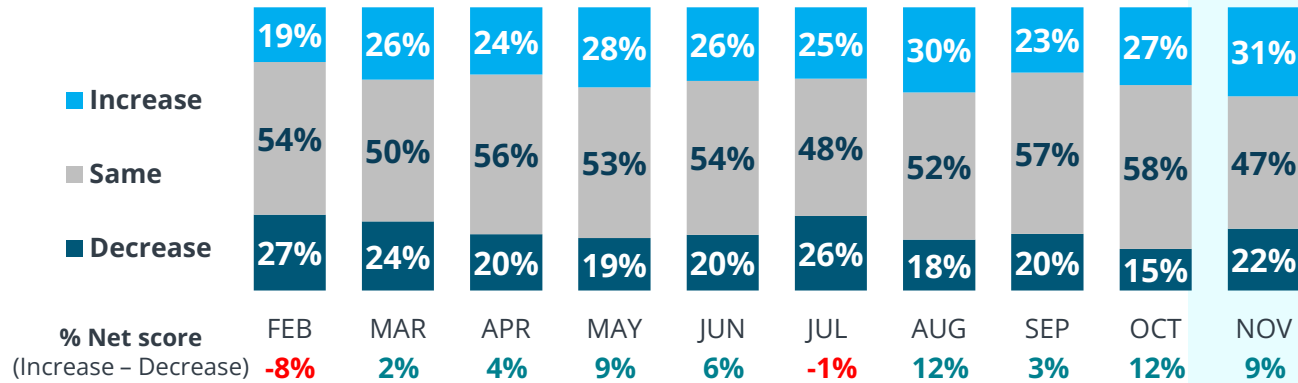
**Methodology &
Sample**

Business Investment | Next Three Months

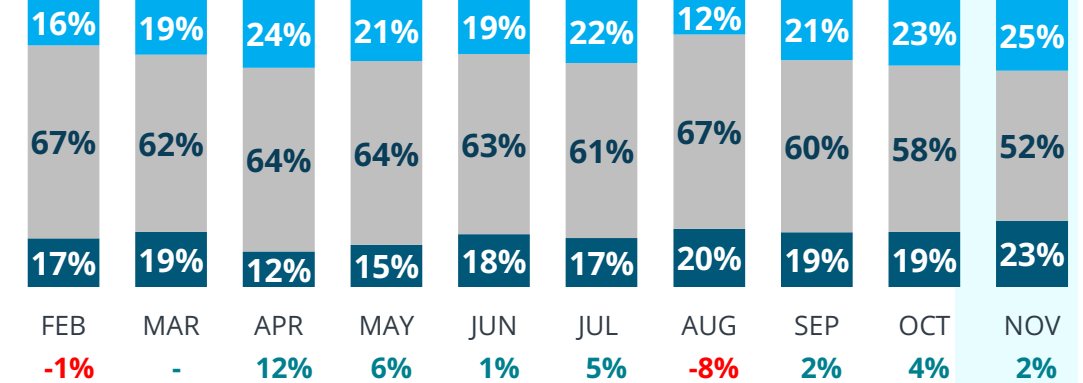
It's encouraging to note that one-third (31%) of businesses anticipate an increase in capital investment in the next three months, and 25% expect to boost their marketing expenditures. However, it's important to recognise that nearly a quarter (25%) are reporting a decline in these key business investment indicators.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

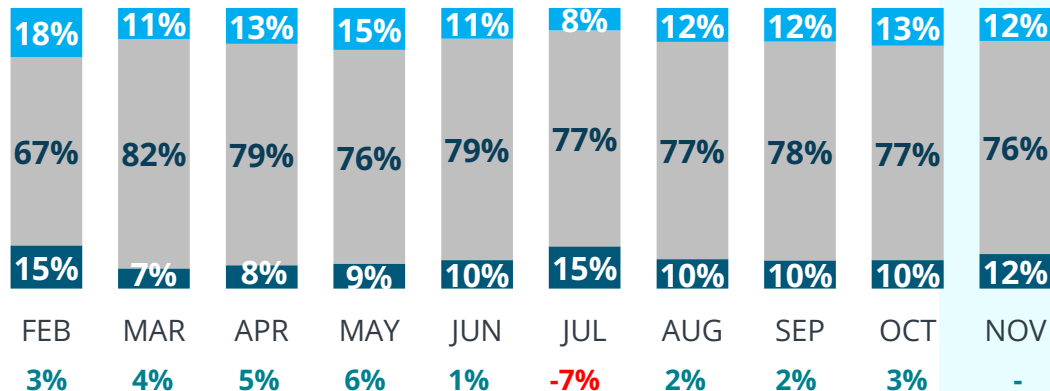
BUSINESS SPENDING/ CAPITAL INVESTMENT



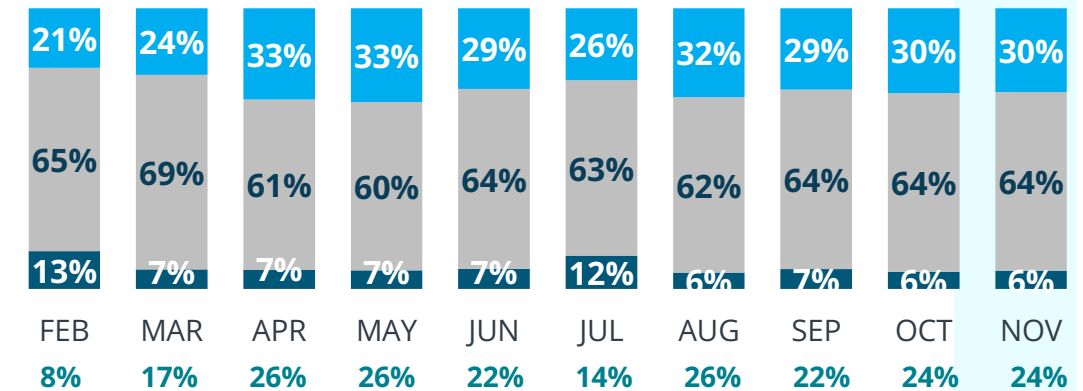
MARKETING SPEND



THE NUMBER OF STAFF YOU EMPLOY

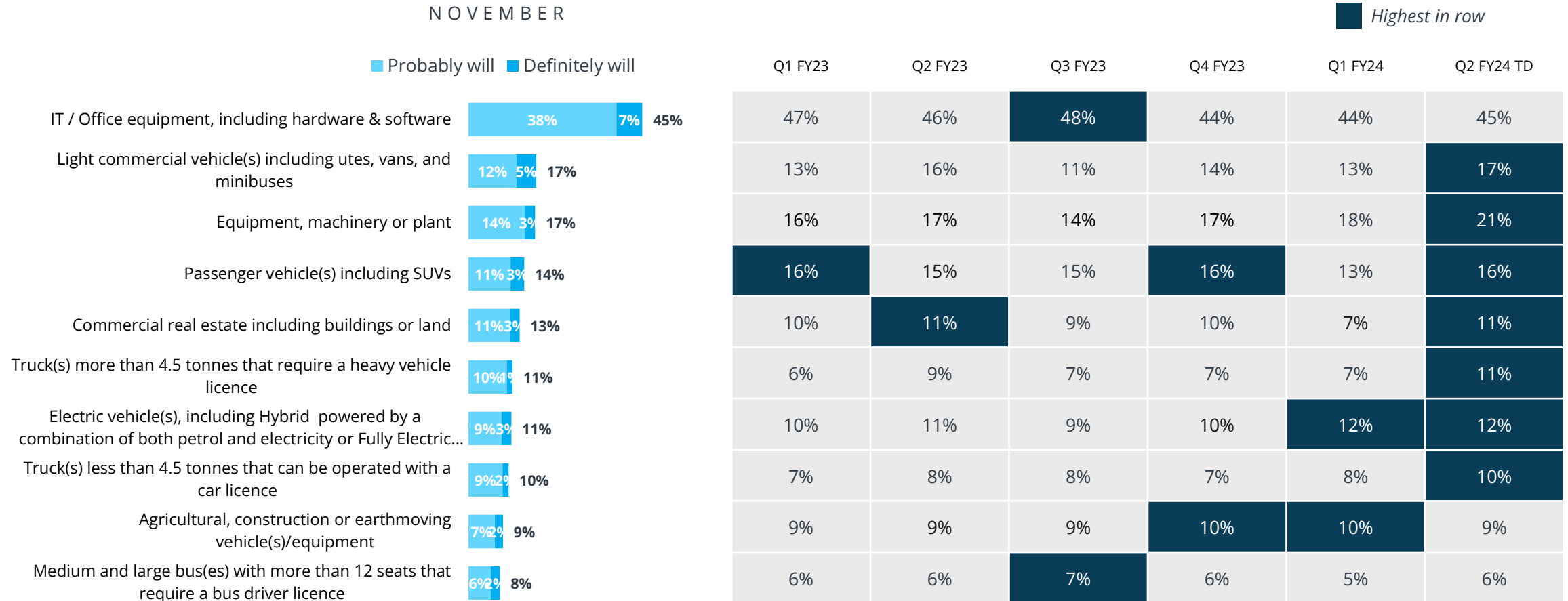


THE WAGES YOU PAY



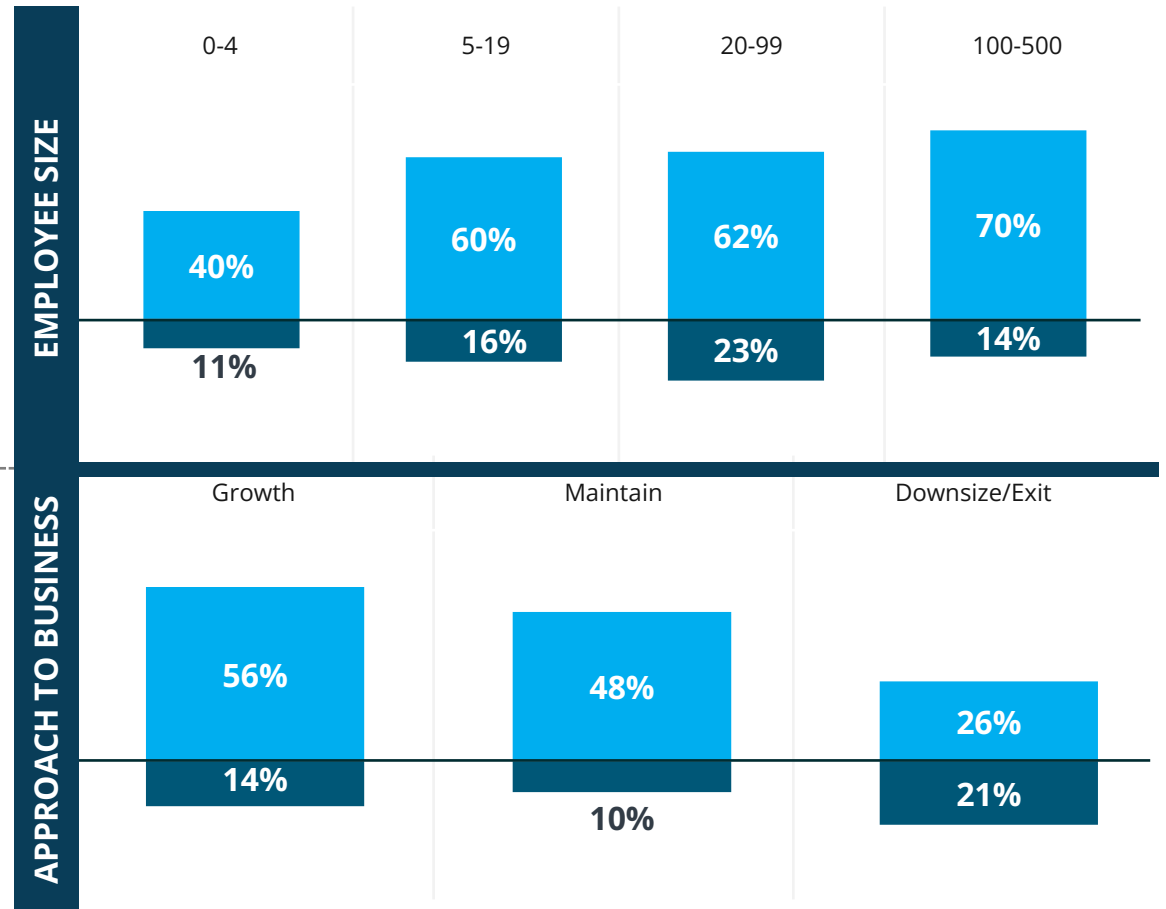
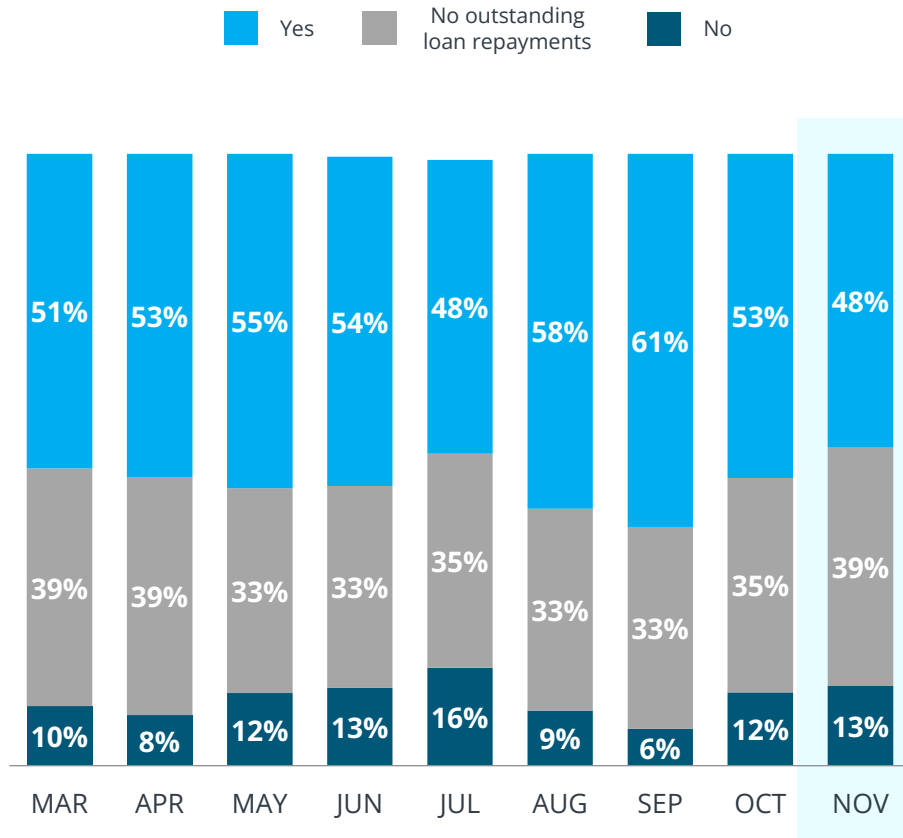
In line with rising capital investment, we are likely to see demand increase across most categories over the next 3 months.

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



Confidence regarding loan payments continues to tick lower as many SMEs experience cashflow challenges during the holiday period.

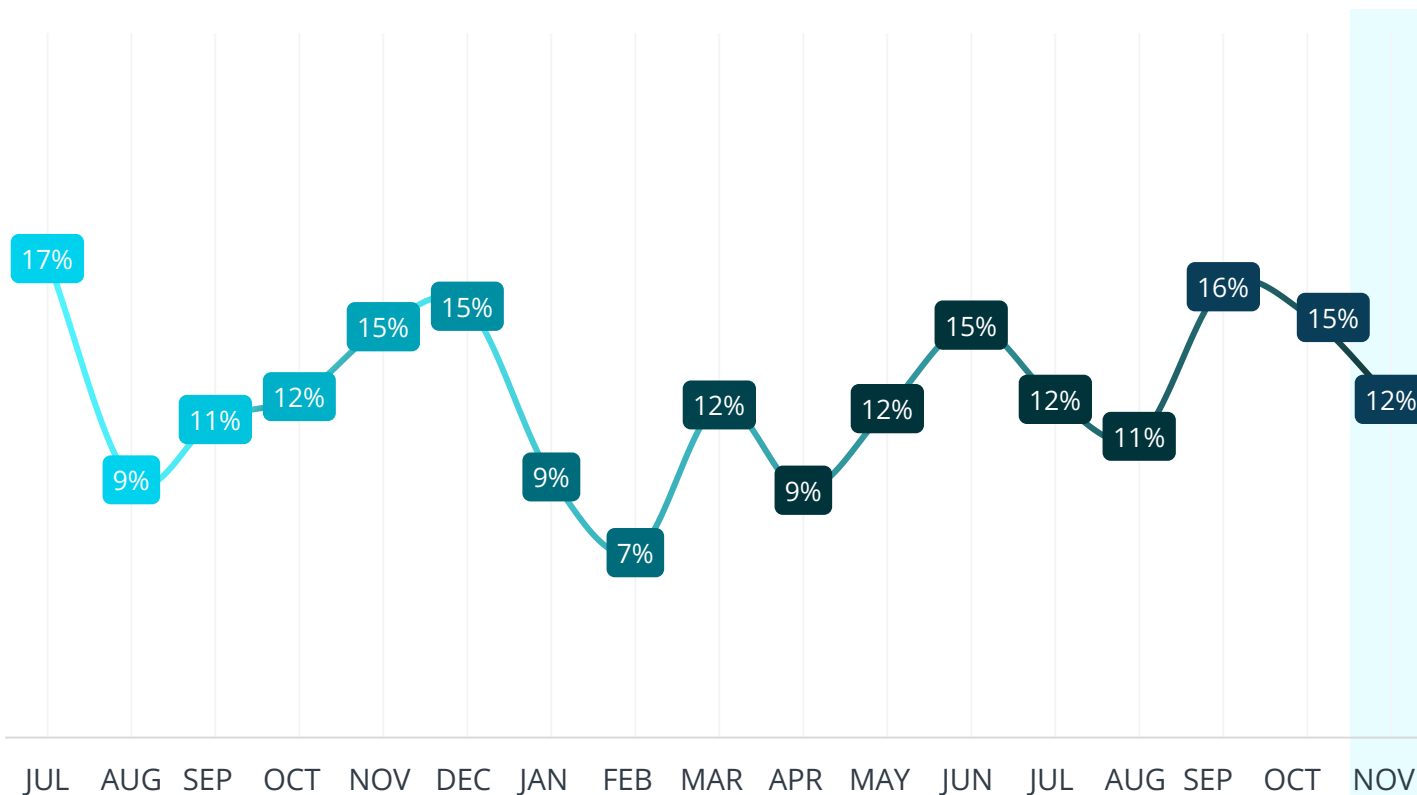
DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?



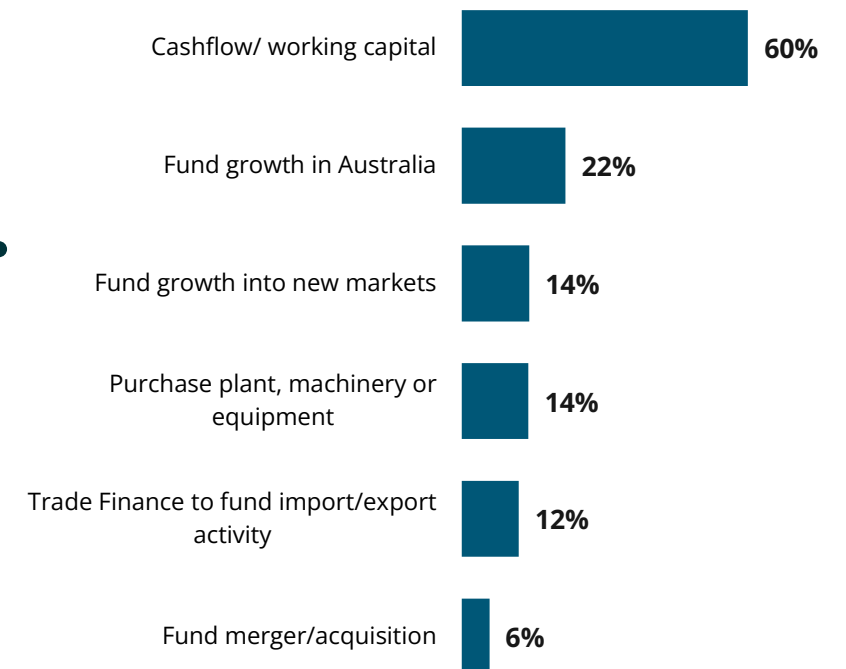
Business Investment | Finance Needs (Next 3 months)

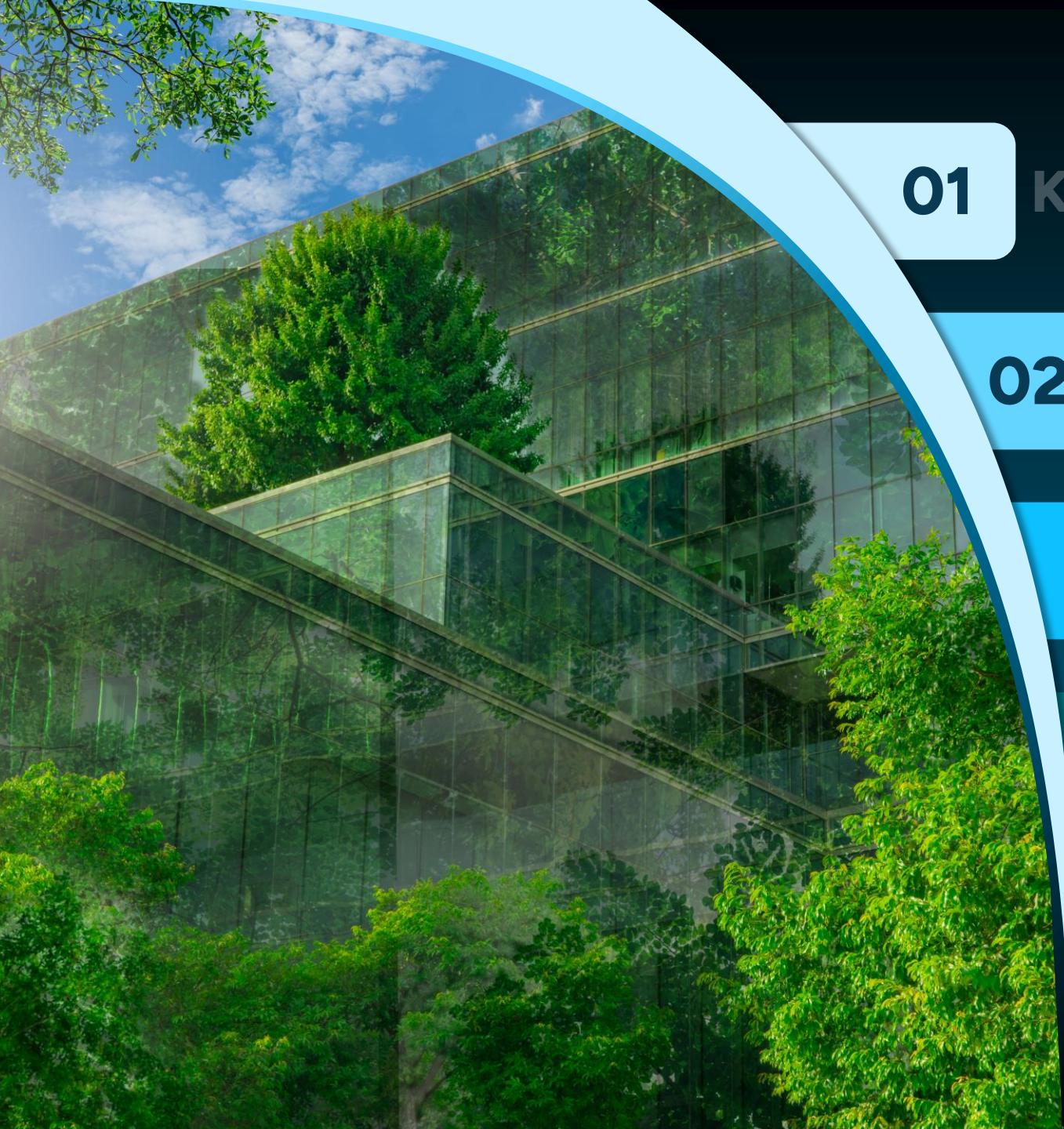
However, demand for additional finance has declined slightly following the RBA's decision to increase interest rates in November. Cashflow/working capital remains the number one motive for obtaining finance.

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

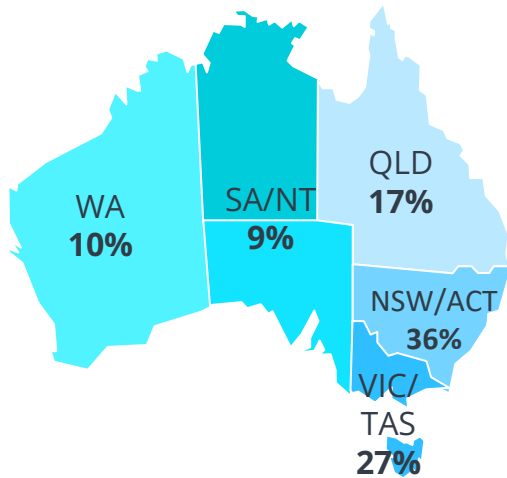


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

Our Sample

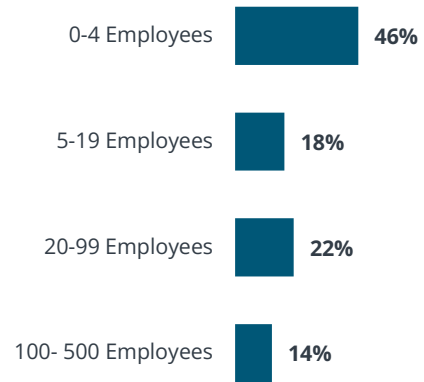
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

HEAD OFFICE LOCATION

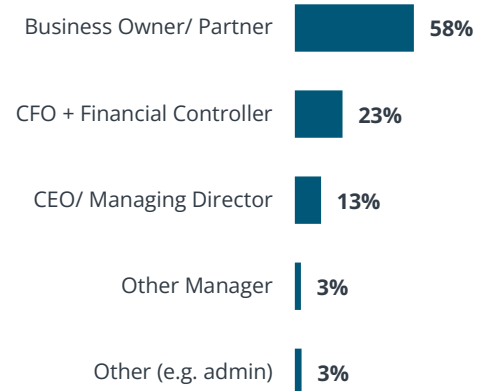


NOTE: CHARTS SHOW UNWEIGHTED DATA

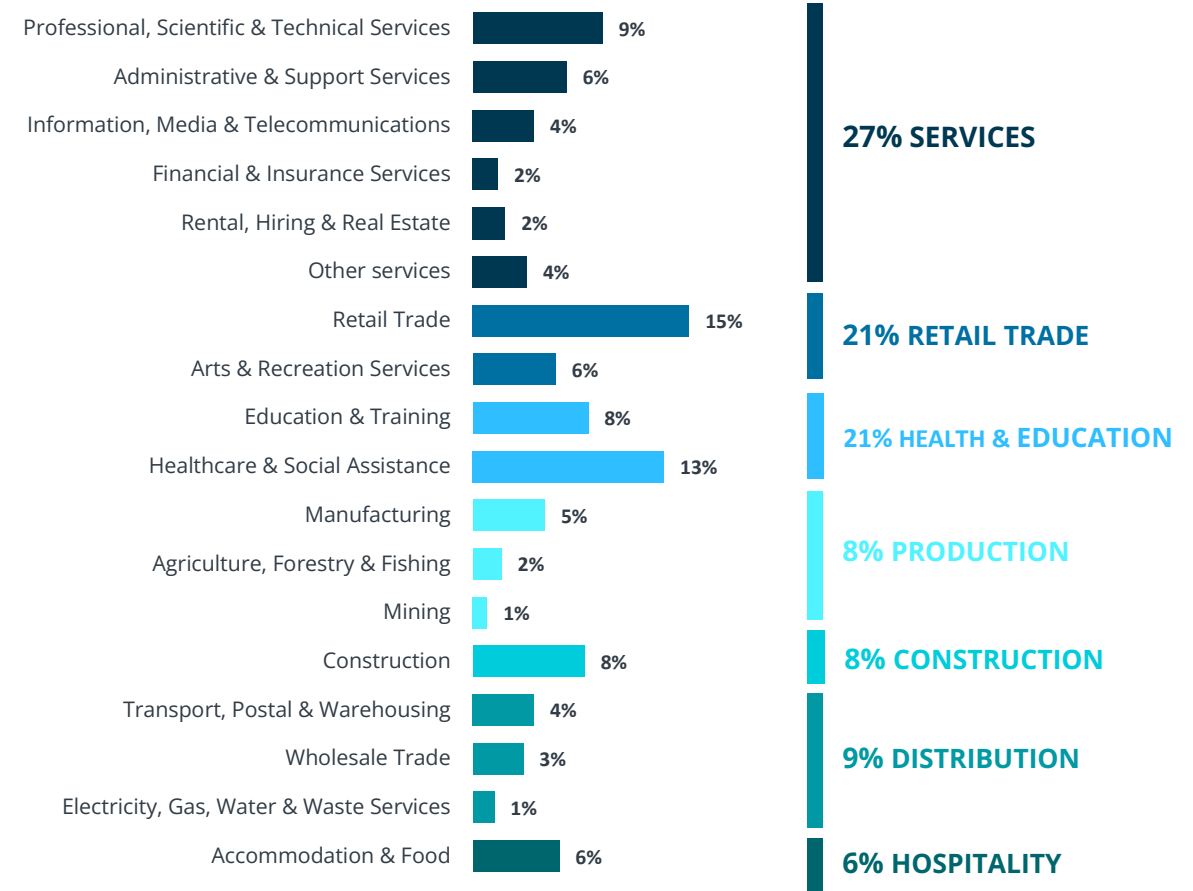
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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