



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 60 – February 2024



who we are

We are a research consultancy that partners with major brands to execute strategic market research programs.

We are passionate about helping our clients make better decisions by providing them with actionable insights and well-informed recommendations.

Our culture is built on collaboration, curiosity, and open-mindedness. We believe that the best ideas come from working together, and we are always looking for new ways to challenge the status quo.



what we offer

We are fiercely committed to providing our team with the skills and knowledge they need to be successful in their careers.

We believe that when people feel valued, respected, and supported, they are unstoppable forces for good. They are also more likely to be creative and innovative, which is essential for driving growth and innovation.

Our culture is one of our greatest strengths. It is what attracts and retains top talent, and it is what drives our success. When everyone feels like they belong, they are more likely to be their best selves.





51% recorded a profit compared to 43% in February 2023.



37% expect short-term domestic economic conditions to weaken, compared to 69% in February 2023.



44% are concentrating on growth compared to 37% a month earlier.



35% expect revenue growth over the next 4 weeks.

Growth Expectations Surge Amid Strengthening Economic Sentiment

Optimism towards both domestic and international economic conditions has significantly risen. Only 37% of respondents now expect domestic economic conditions to weaken in the next three months, a substantial decrease from 69% in February 2023.

This optimism is mirrored in growth expectations, with nearly one in two businesses (44%) focusing on growth over the next 12 months, marking the highest level of optimism since the research commenced. As inflation continues to moderate, concerns about interest rates have sharply decreased, contributing to a more stable and predictable economic environment for businesses and consumers alike.

February's financial indicators highlight a continued positive trajectory that began in mid-2023, with the year-on-year revenue metric improving to -2 (compared to -21% in August). This steady recovery is further evidenced by the significant rise in SME profitability, with 51% of SMEs reporting profits, surpassing figures from the corresponding periods in 2022 (39%) and 2023 (43%).

February also witnessed a substantial rebound in short-term revenue expectations, with a net score of 25% (compared to 0%) last month. The employment outlook also remains positive, with 17% of businesses expecting to increase staff numbers over the next three months.

Following a spike in December, the demand for additional finance over the next 3 months has decreased slightly to 14%. However, it is notable that a significant proportion of this finance is aimed at supporting growth initiatives and facilitating the acquisition of equipment, machinery, or plant.

It is also noteworthy that satisfaction with the Federal Labor Government has reached its highest level in the last 12 months, following the announcement of lower inflation in early 2024 and the overhaul of stage 3 tax cuts.

In summary, the SME landscape is marked by a wave of optimism, underpinned by significant improvements in economic sentiment and financial performance. The shift to a predominantly positive outlook reflects easing inflationary pressures, enhanced revenue prospects, and a strong focus on growth and investment. Despite the backdrop of potential economic challenges, SMEs signal a promising year ahead.



01 Key Performance Indicators

02 People

03 Business Sentiment

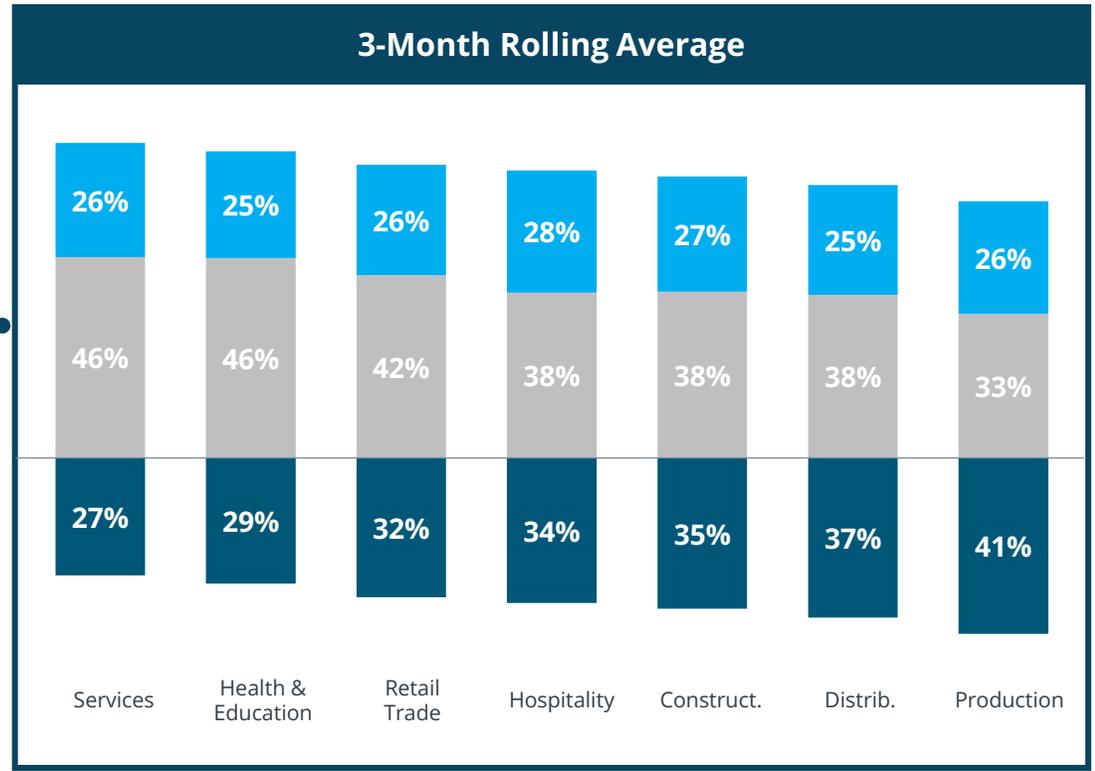
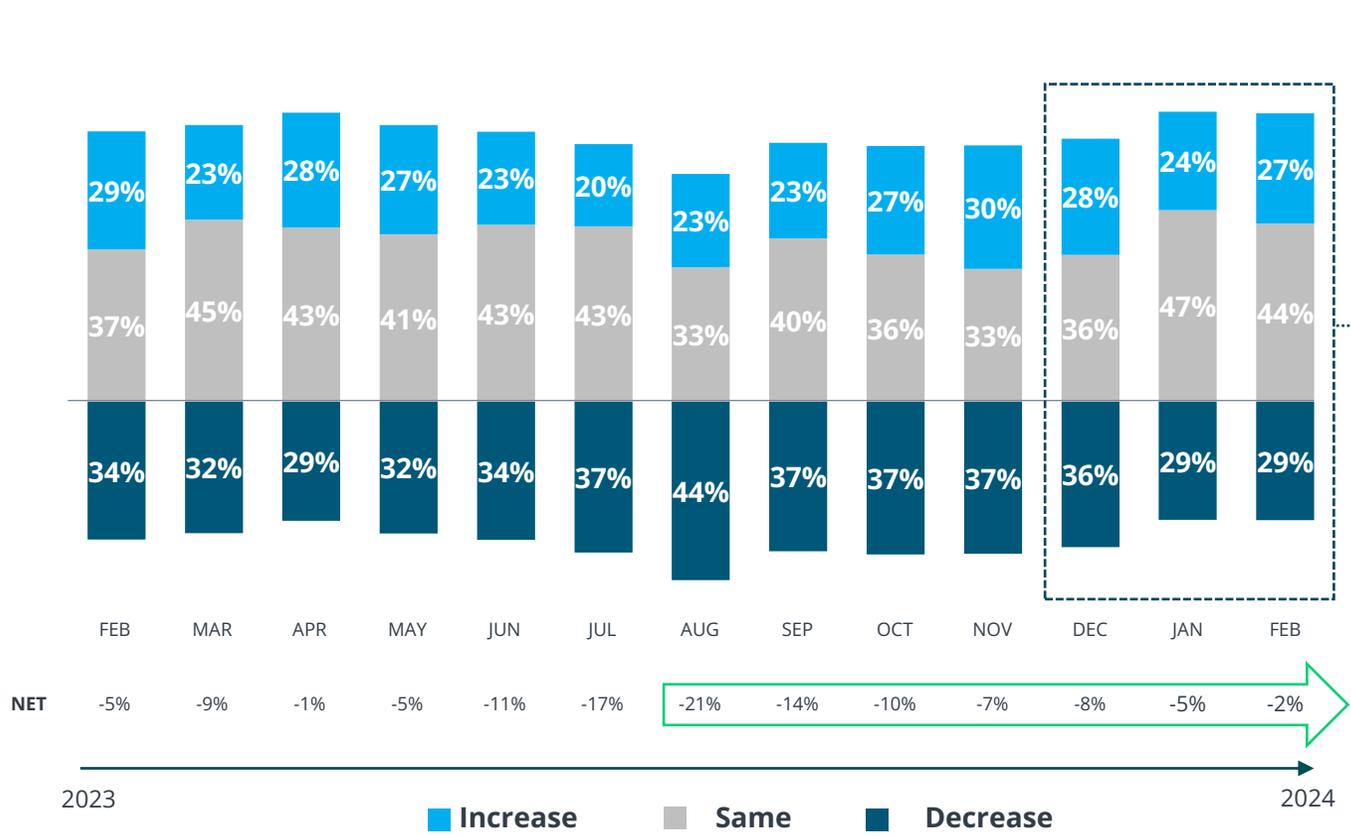
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

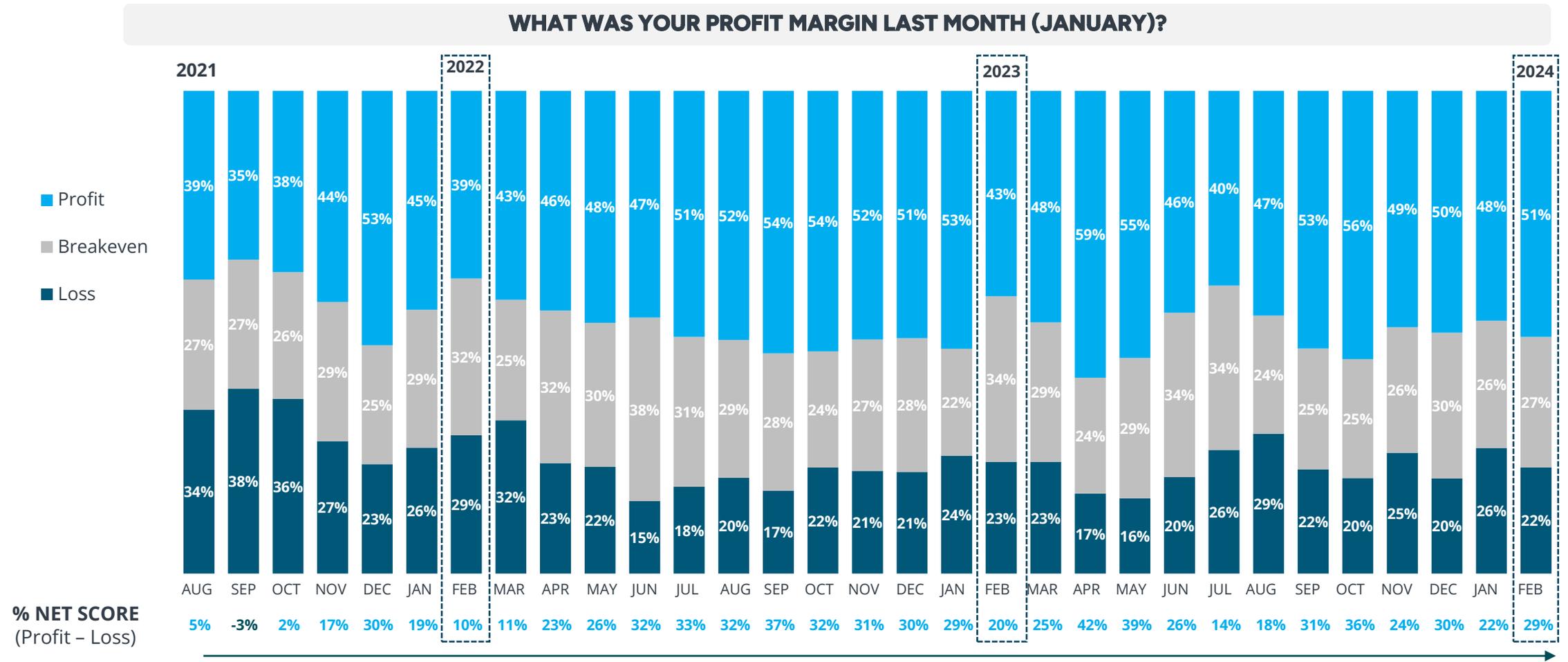
The year-on-year revenue metric rose to -2 in February, maintaining the positive trajectory that began in August 2023.

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



Key Performance Indicators | Profit

Profitability also improved, with 51% of SMEs reporting profits, surpassing the figures from the same periods in 2022 and 2023, indicating a positive trend in the financial health of small and medium enterprises.



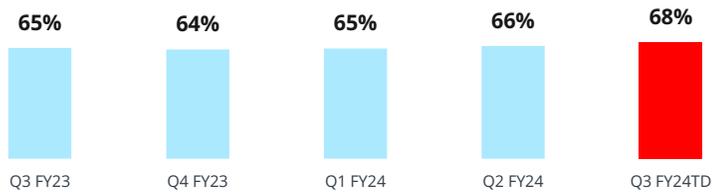
Key Performance Indicators | Business Concerns

Concerns about interest rates have sharply decreased as inflation continues to moderate, reflecting a more stable economic environment conducive to business growth and consumer spending.

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



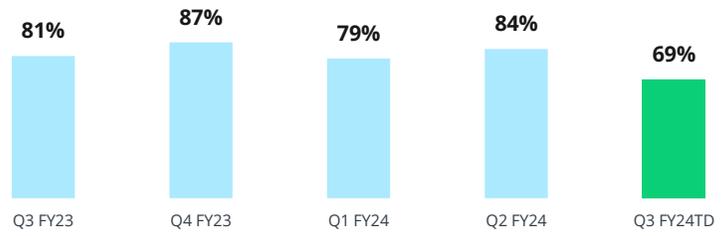
Wage costs



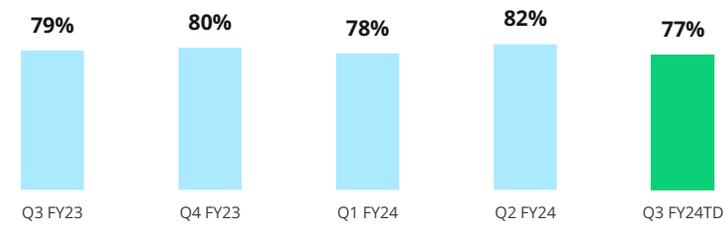
Cost of raw materials



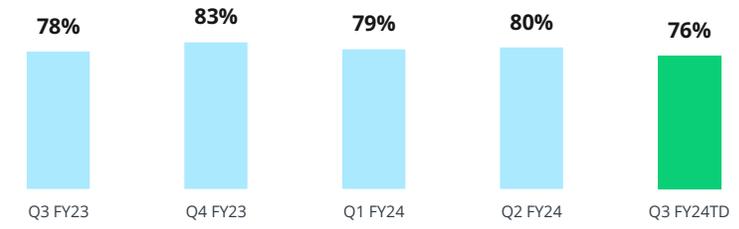
Rising interest rates / cost of credit



Fuel costs



Energy costs



Total concerned

Cost recovery remains a priority in 2024, with two-thirds (68%) of SMEs passing on higher input costs to customers.

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

FEBRUARY

Yes, but only partially

52%

Yes, I have been able to fully offset higher input costs with higher prices

12%

Yes, I have been able to pass on more than the input cost increase

3%

No

32%

YES

61%

70%

68%

December

January

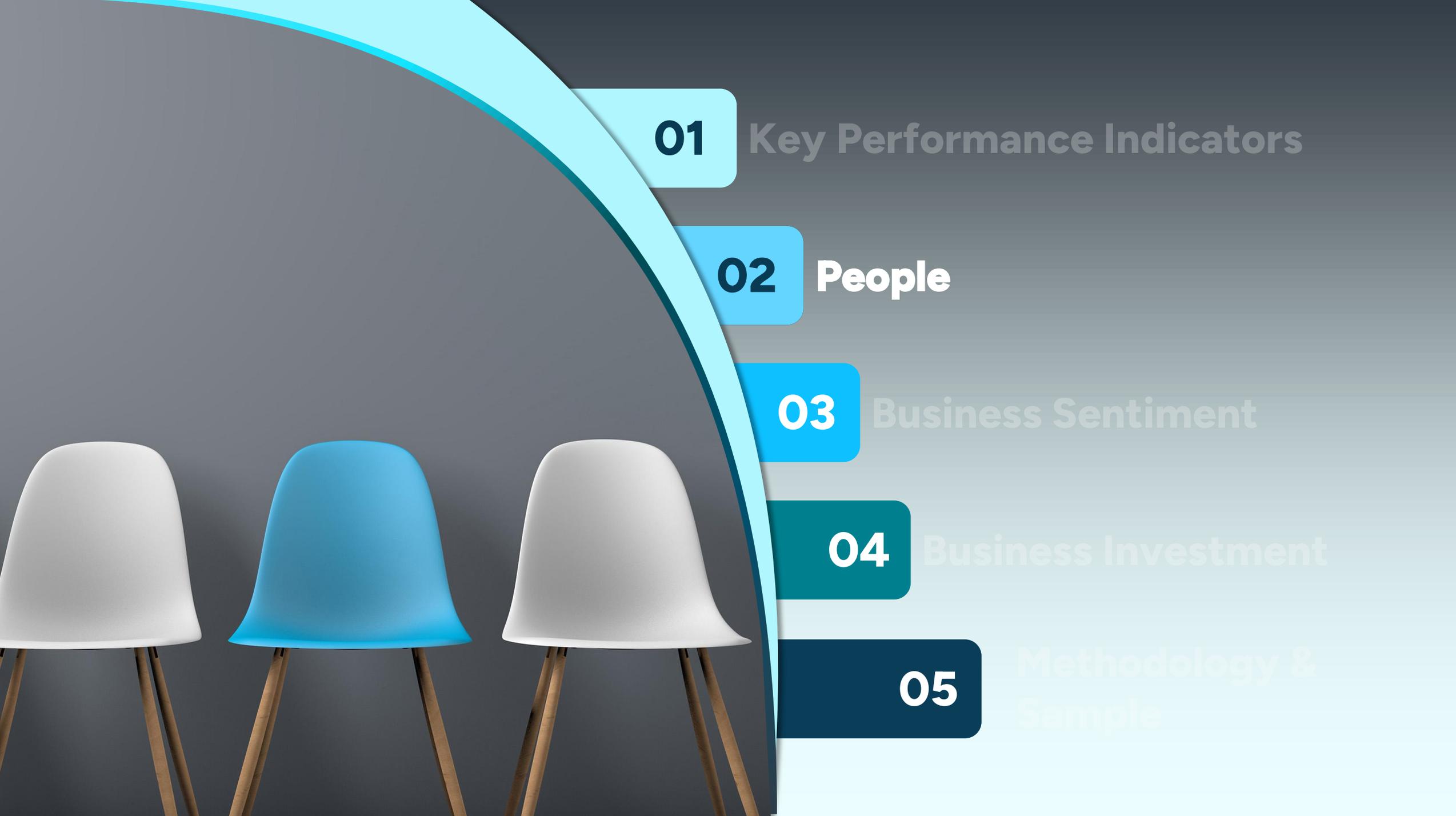
February

Key Performance Indicators | Cost Recovery

Discontinuing unprofitable products/services (25%) and streamlining business operations (25%) remain the most common responses to cost pressures in 2024. A significant 29% of businesses with 100-500 employees are implementing workforce reductions.

HOW IS YOUR BUSINESS RESPONDING TO THE CHALLENGES POSED BY ONGOING INFLATION AND INCREASING COSTS?

	FY24 Q3TD	Highest in row			
		0-4	5-19	20-99	100-500
Discontinuing products/services that are not profitable	25%	27%	22%	27%	21%
Enhancing efficiency by streamlining business operations	25%	22%	30%	35%	34%
Maximising staff productivity through better training and optimisation	21%	13%	36%	35%	39%
Renegotiating supplier contracts or seeking new supply sources	20%	19%	21%	21%	28%
Expanding the range of products/services to generate new revenue streams	19%	16%	25%	24%	15%
Reassessing current projects and significant investments for viability and impact	19%	18%	18%	25%	24%
Adopting new technologies for increased automation and operational efficiency	16%	13%	21%	26%	33%
Refining inventory management practices for better efficiency	14%	12%	14%	23%	24%
Delegating non-essential functions to external providers	12%	8%	19%	16%	31%
Undertaking debt restructuring to reduce financial burdens	12%	9%	17%	16%	25%
Shifting towards the use of renewable energy sources	10%	7%	16%	24%	22%
Implementing workforce reductions, such as layoffs or hiring freezes	7%	4%	10%	15%	29%



01

Key Performance Indicators

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People

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Business Sentiment

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Business Investment

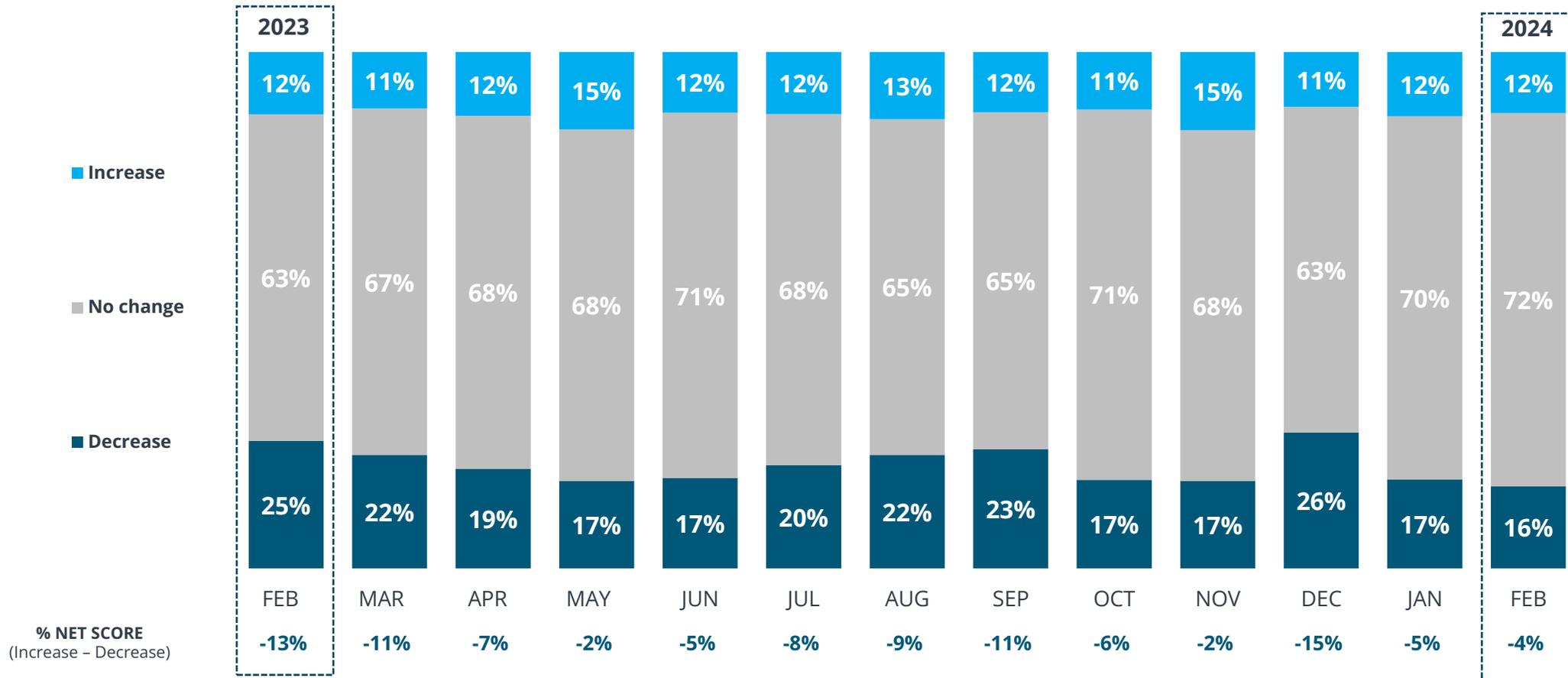
05

Methodology & Sample

Key Performance Indicators | People

Net change in employees over the last 12 months remains steady at -4%. Interestingly, 16% of businesses note a decrease in employees over the last 12 months, compared to 25% in February 2023.

CHANGE IN NUMBER OF EMPLOYEES OVER THE LAST 12 MONTHS

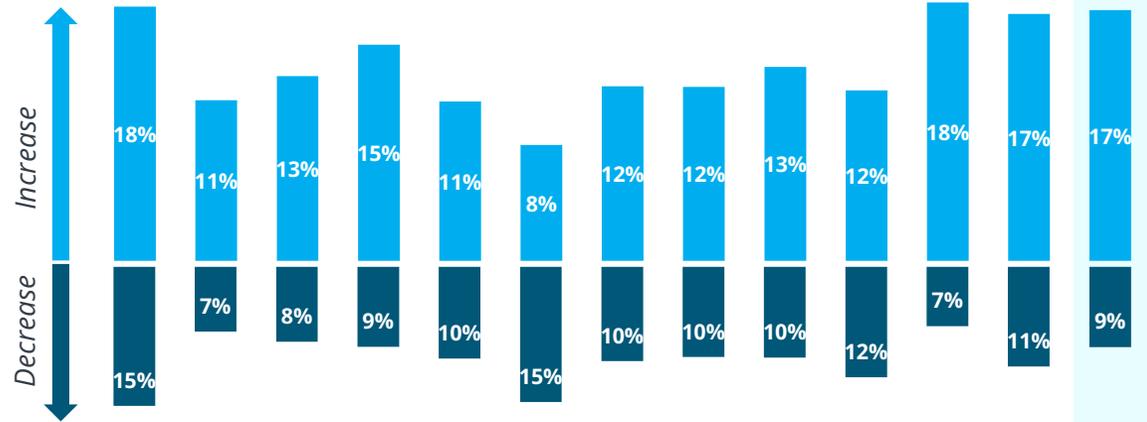


Key Performance Indicators | People

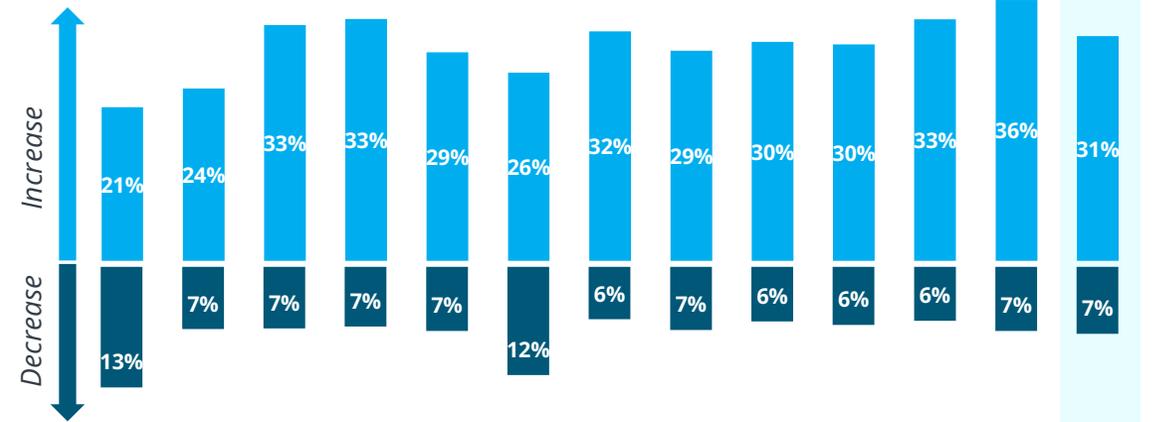
Looking forward, employment expectations remain positive with 17% expecting to increase staff numbers over the next 3 months. Expectations regarding wage growth have moderated slightly in line with slightly higher unemployment data.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

THE NUMBER OF STAFF YOU EMPLOY



THE WAGES YOU PAY



% Net score
(Increase -
Decrease)

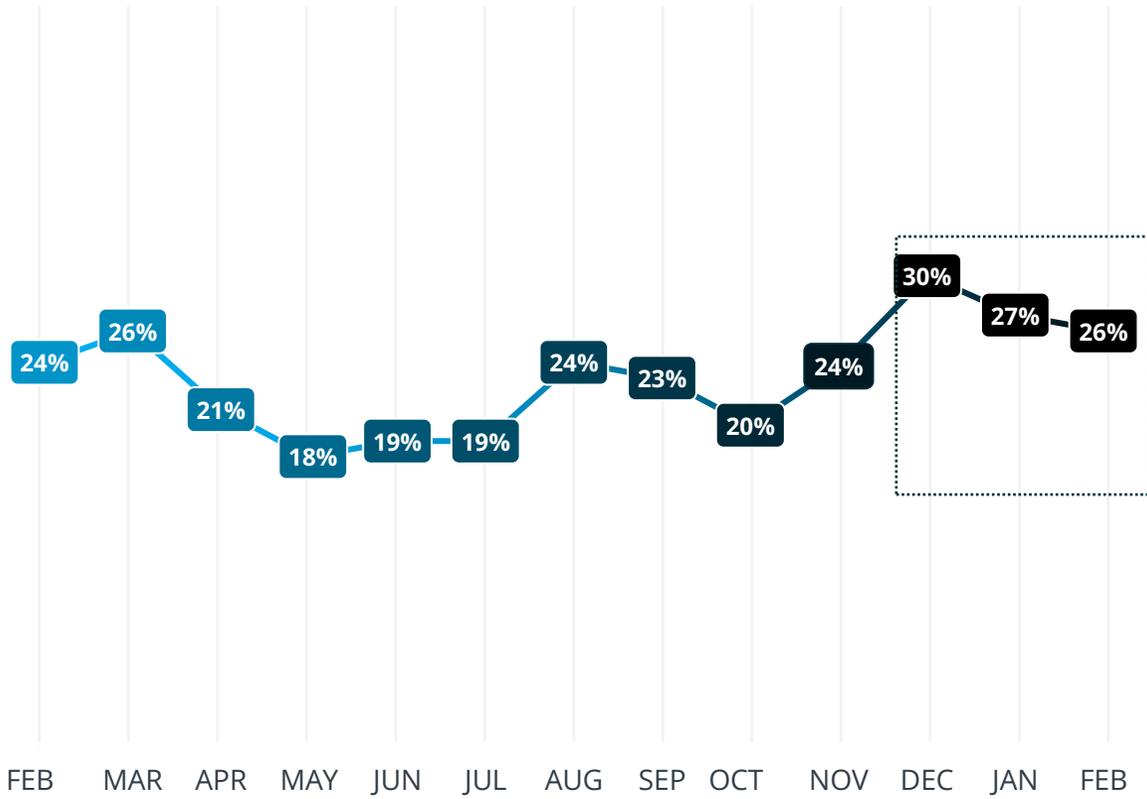
FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB
2023 2024

FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB
2023 2024

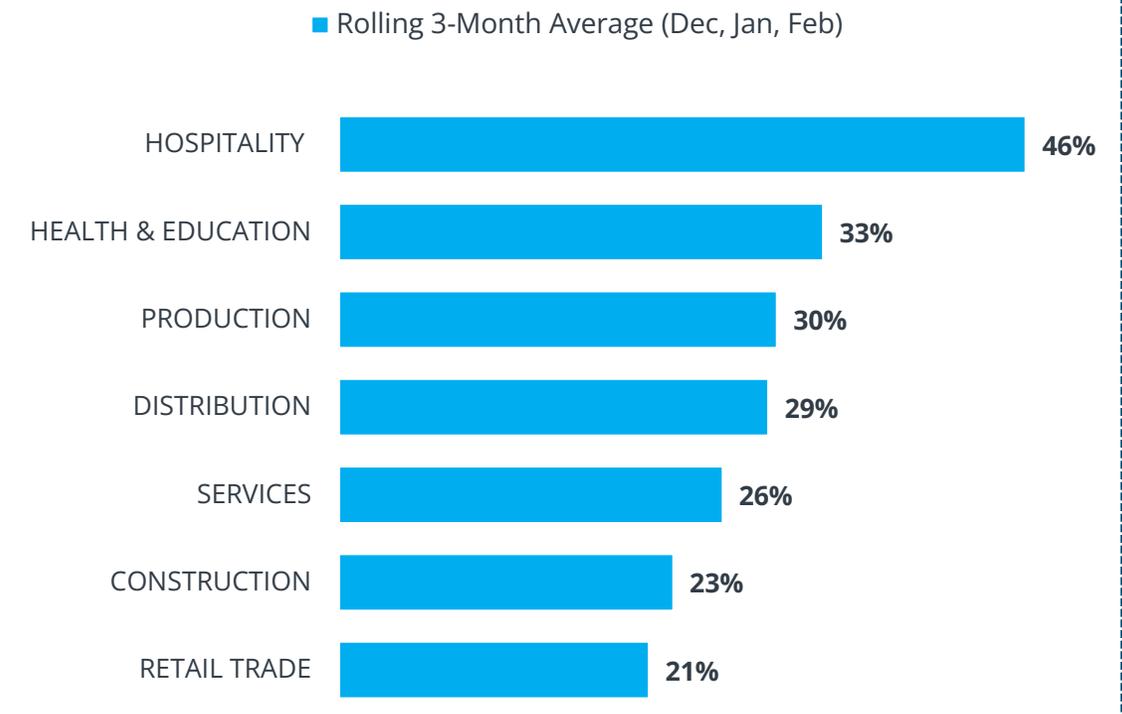
Key Performance Indicators | People

Recruitment activity has fallen slightly since December, yet it remains consistent with YoY trends. The hospitality industry remains most active, with one in two (46%) currently recruiting.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL



CURRENT JOB VACCANCIES BY INDUSTRY

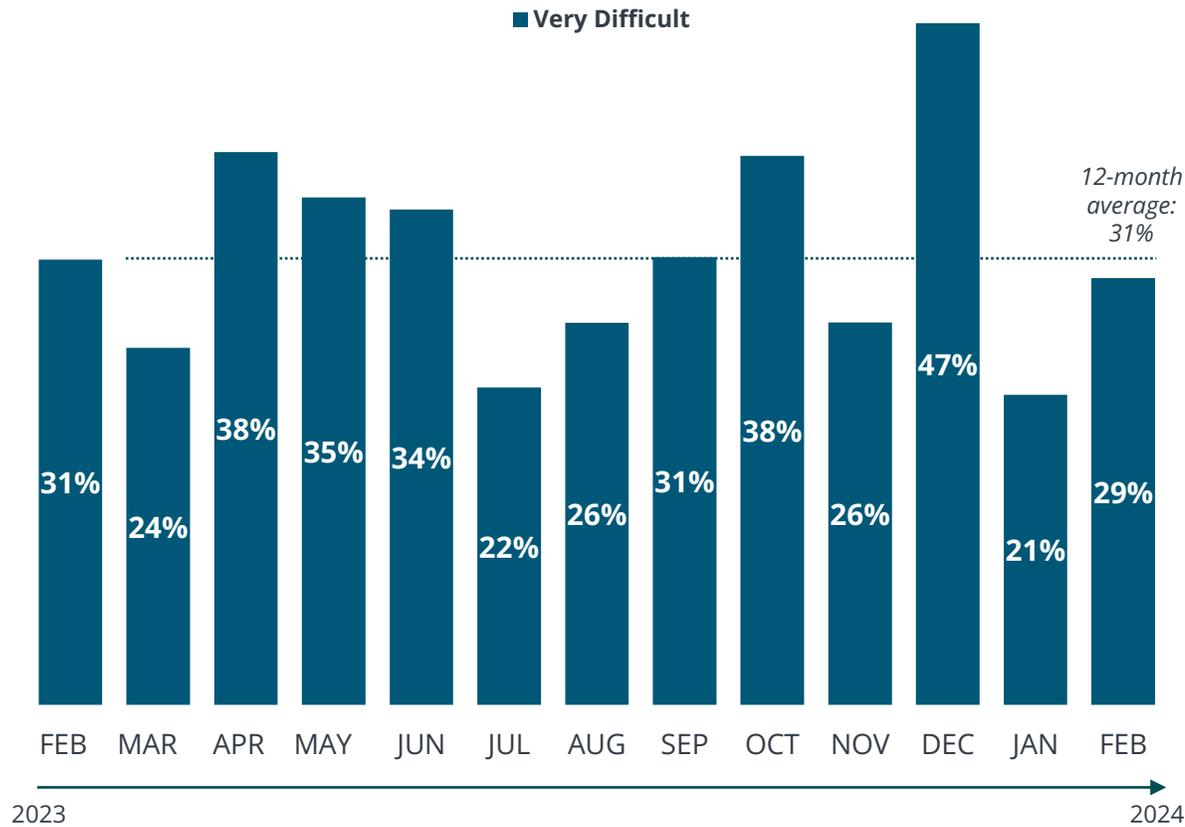


2022 —————> 2024

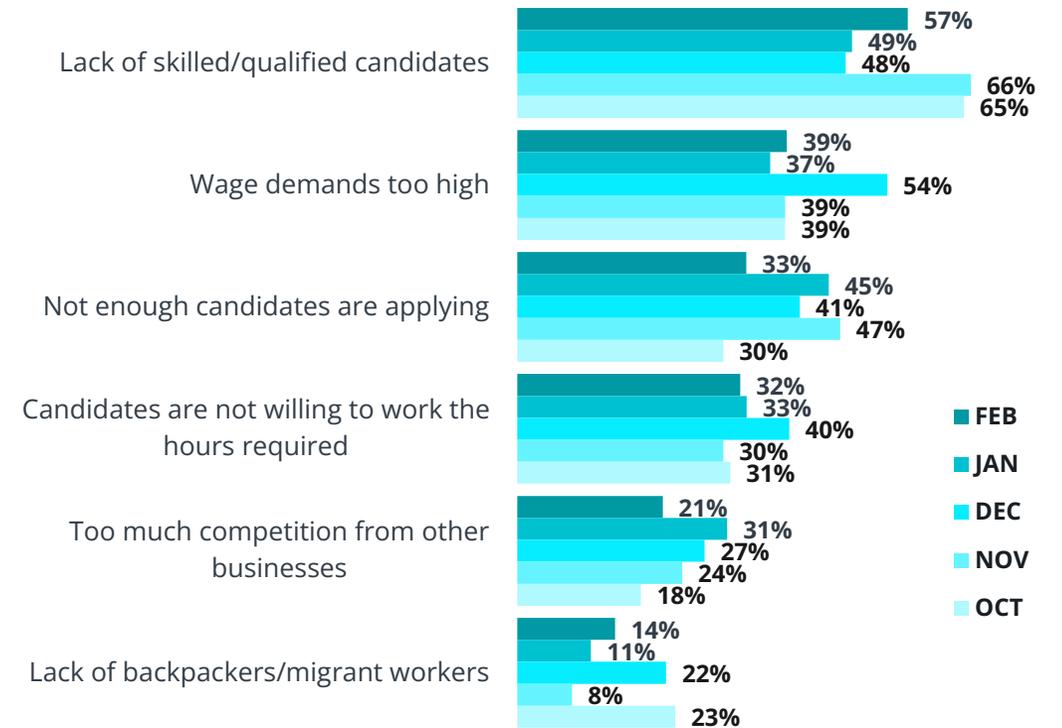
Key Performance Indicators | People

Recruitment difficulty has eased since December but is in line with data reported in February 2023. A lack of skilled/qualified candidates remains the foremost barrier.

HOW DIFFICULT IS IT TO FILL THESE ROLES?



WHY IS IT DIFFICULT TO FILL THESE ROLES?





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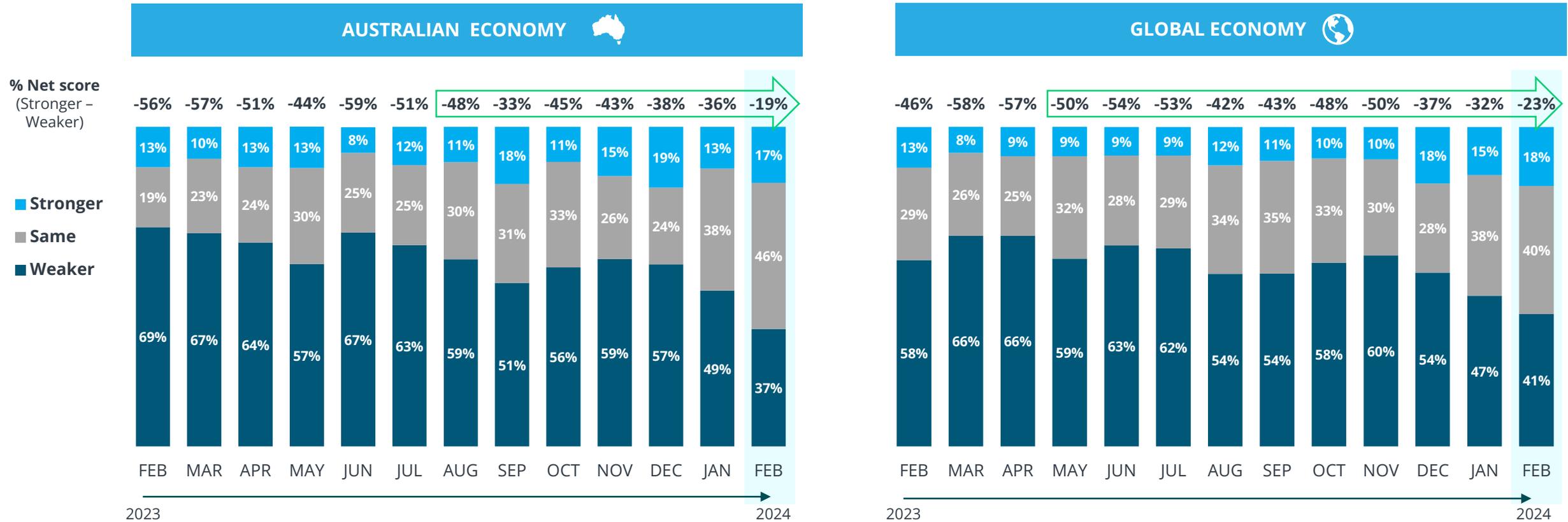
05

Methodology & Sample

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

Optimism towards domestic and international conditions continues to rise. Only 37% expect domestic economic conditions to weaken within the next 3 months, compared to 69% in February 2023.

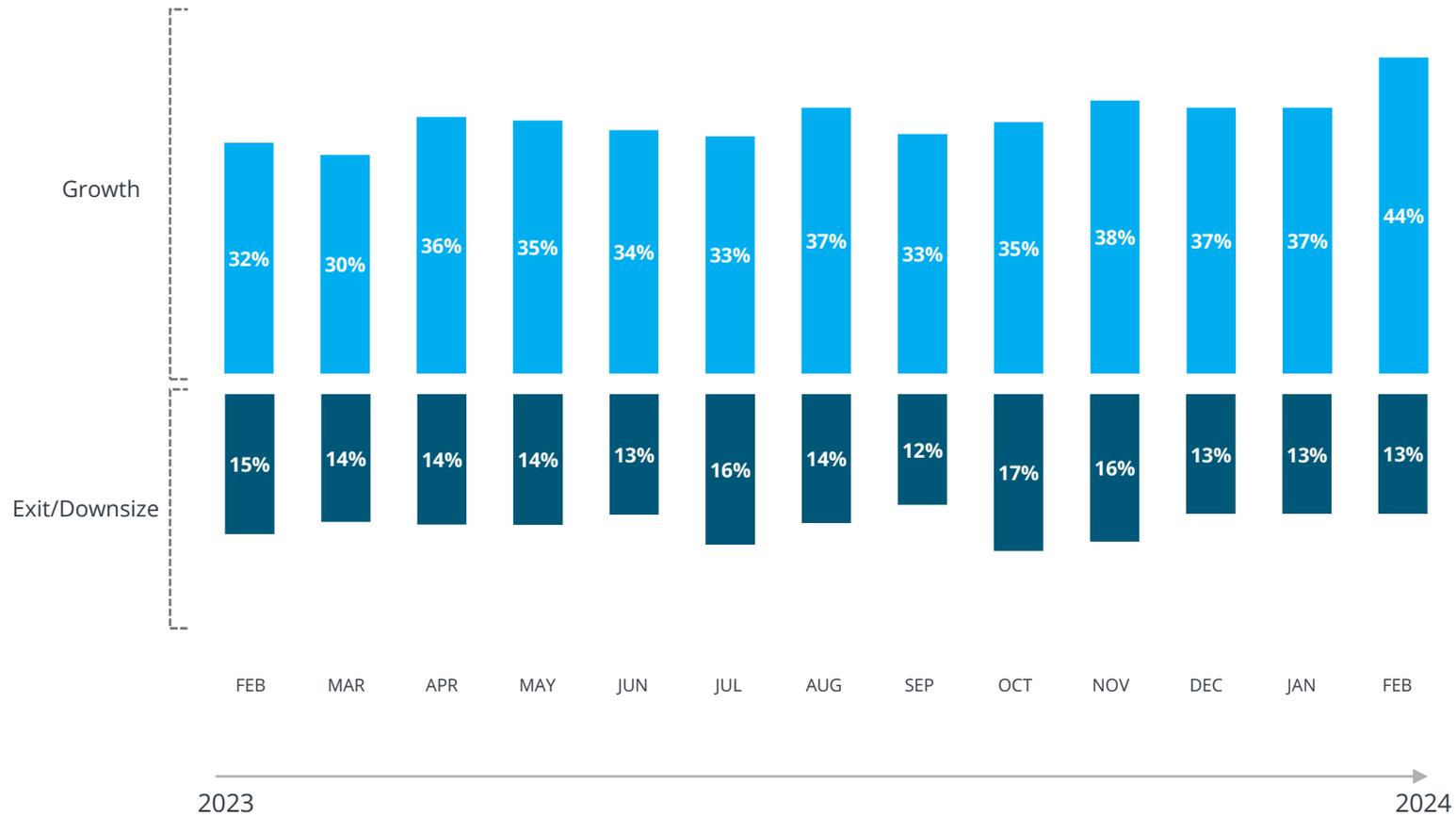
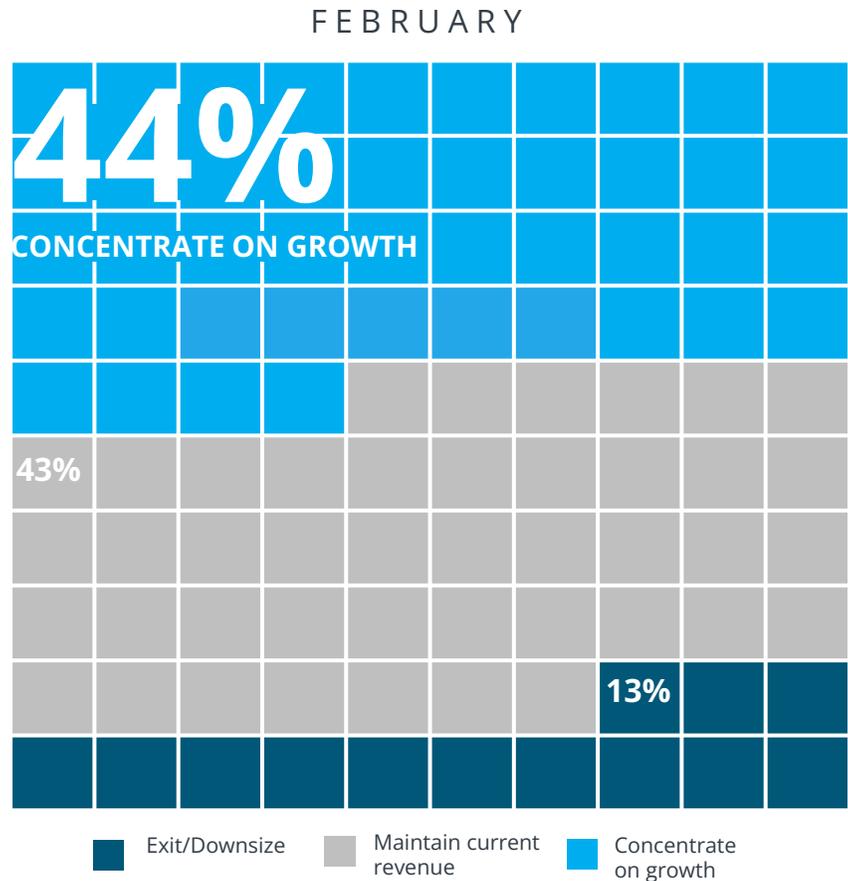
EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



Business Sentiment | Growth Expectations (Next 12 months)

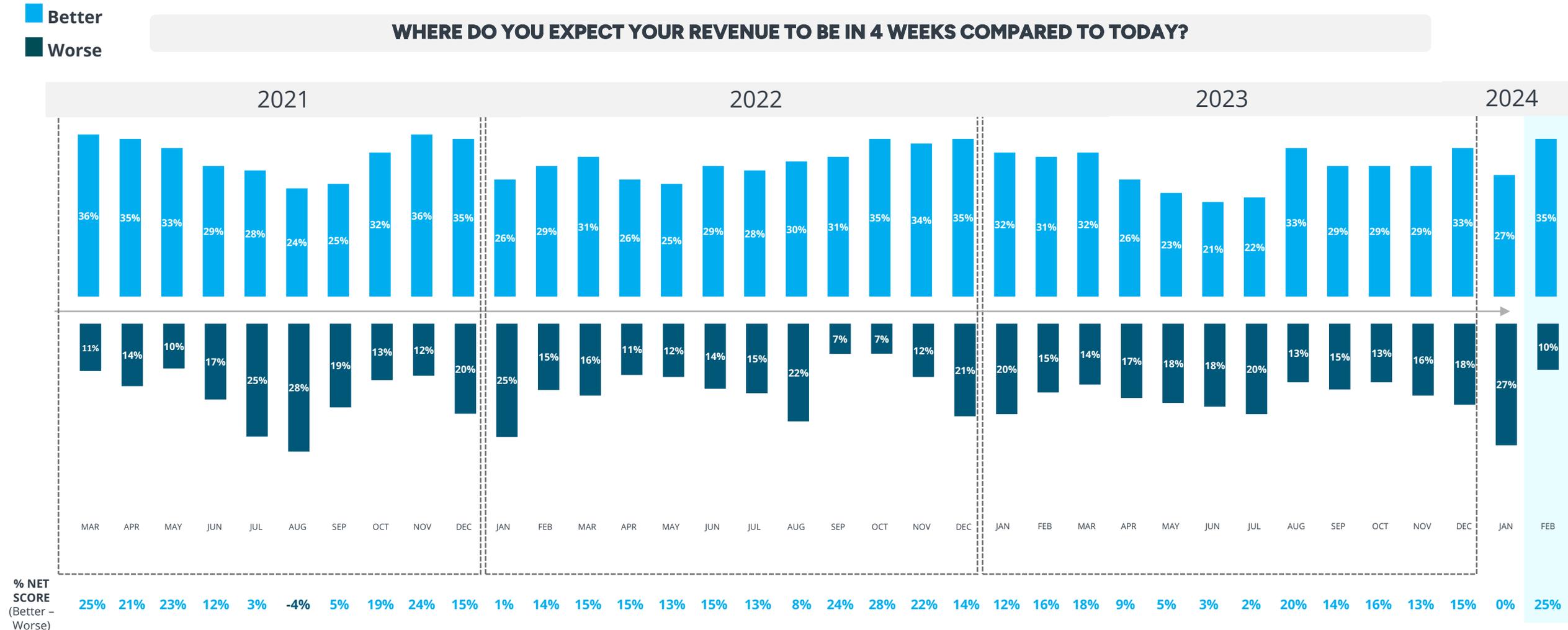
Accordingly, growth expectations have continued to climb, with nearly one in two (44%) focusing on growth over the next 12 months. This is the highest reported since the question was first asked in January 2022.

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



Business Sentiment | Revenue Expectations (Next 4 weeks)

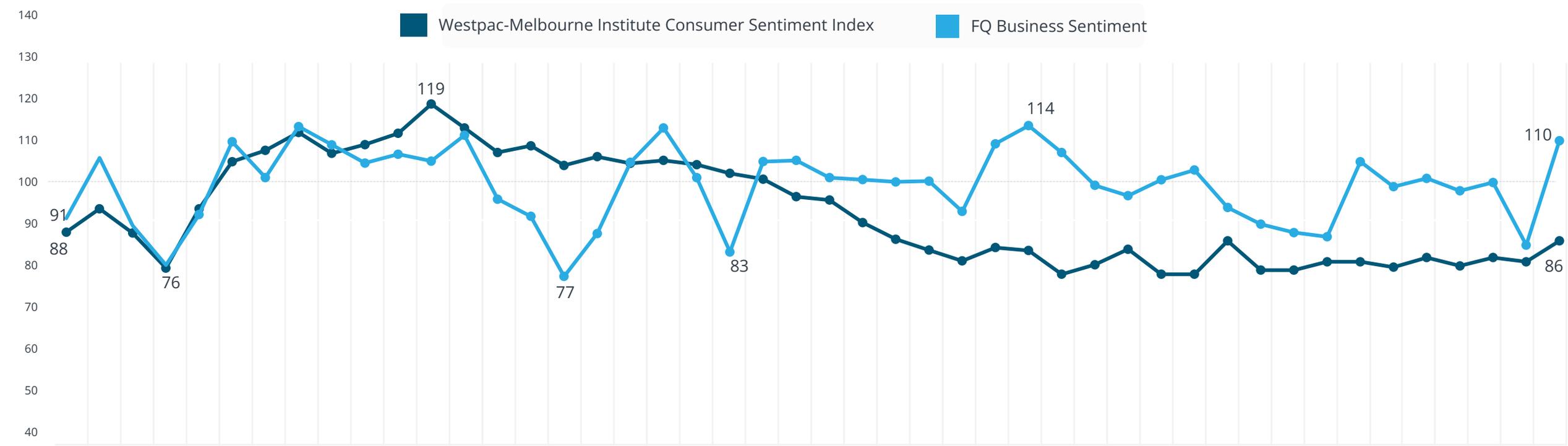
Accordingly short-term revenue expectations rebounded substantially in February. A net score of 25% this month marks the highest level recorded since October 2022.



Business Sentiment | Sentiment 2020-2023

Accordingly, the Fifth Quadrant Business Sentiment index has jumped to 110.

BUSINESS AND CONSUMER SENTIMENT

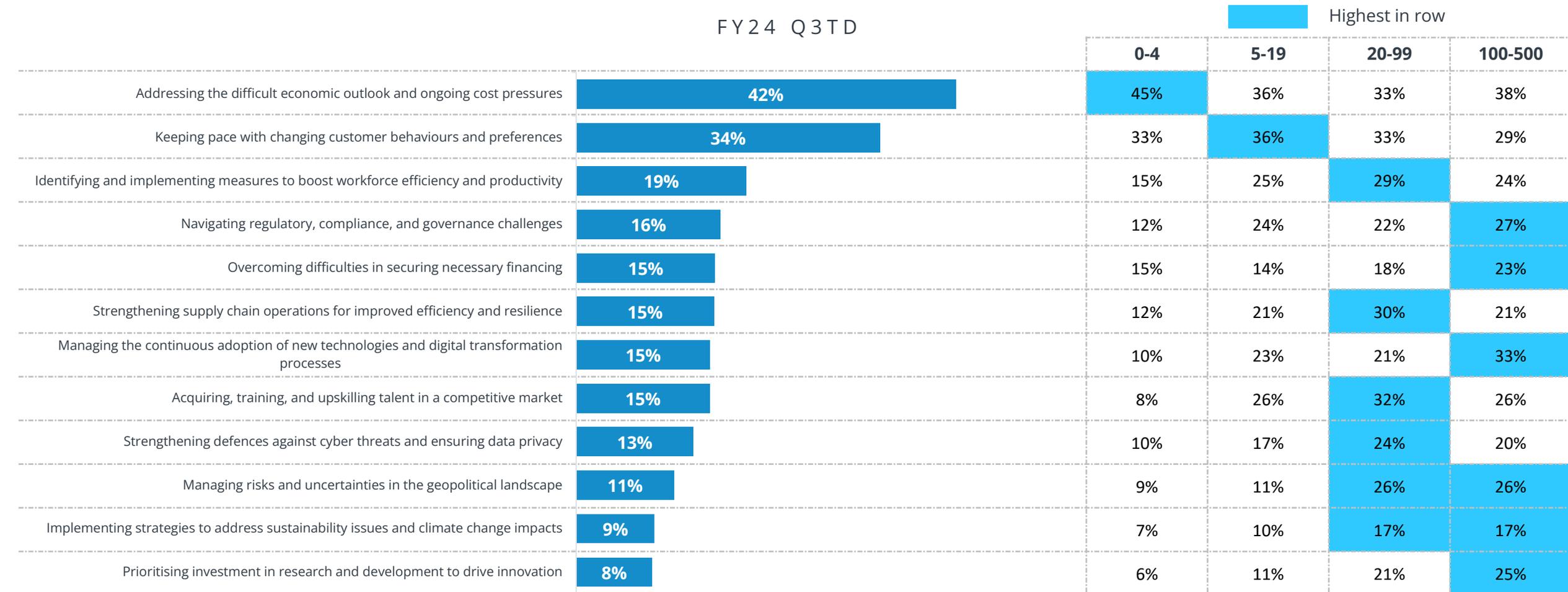


May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21 Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22 Jul-22 Aug-22 Sep-22 Oct-22 Nov-22 Dec-22 Jan-23 Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24 Feb-24

- 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

Ongoing cost pressures and changing customer behaviours and preferences remain the two most anticipated challenges of 2024. Cost pressures are of most concern to smaller businesses, while larger organisations are concerned by a wide array of challenges.

WHICH OF THESE ISSUES DO YOU ANTICIPATE WILL POSE THE MOST SIGNIFICANT CHALLENGES TO YOUR BUSINESS IN 2024?





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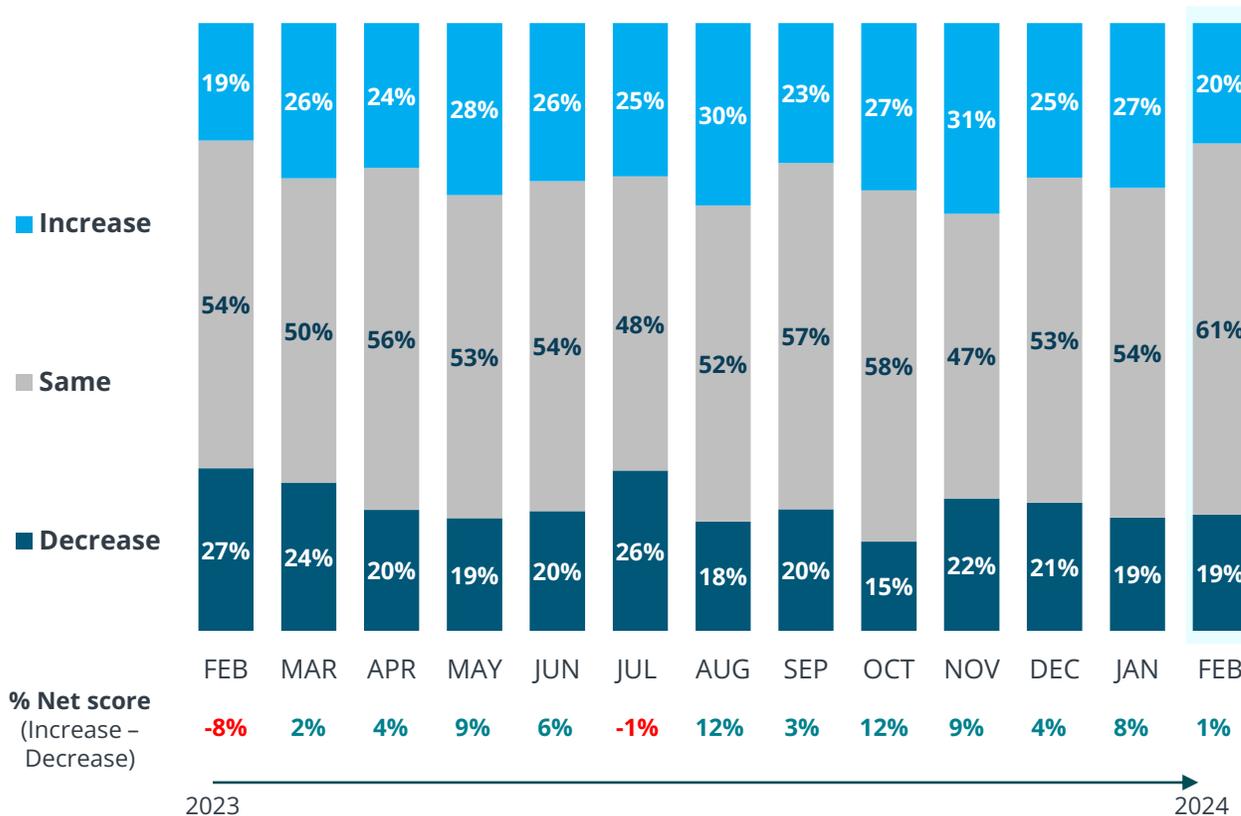
**Methodology &
Sample**

Business Investment | Next Three Months

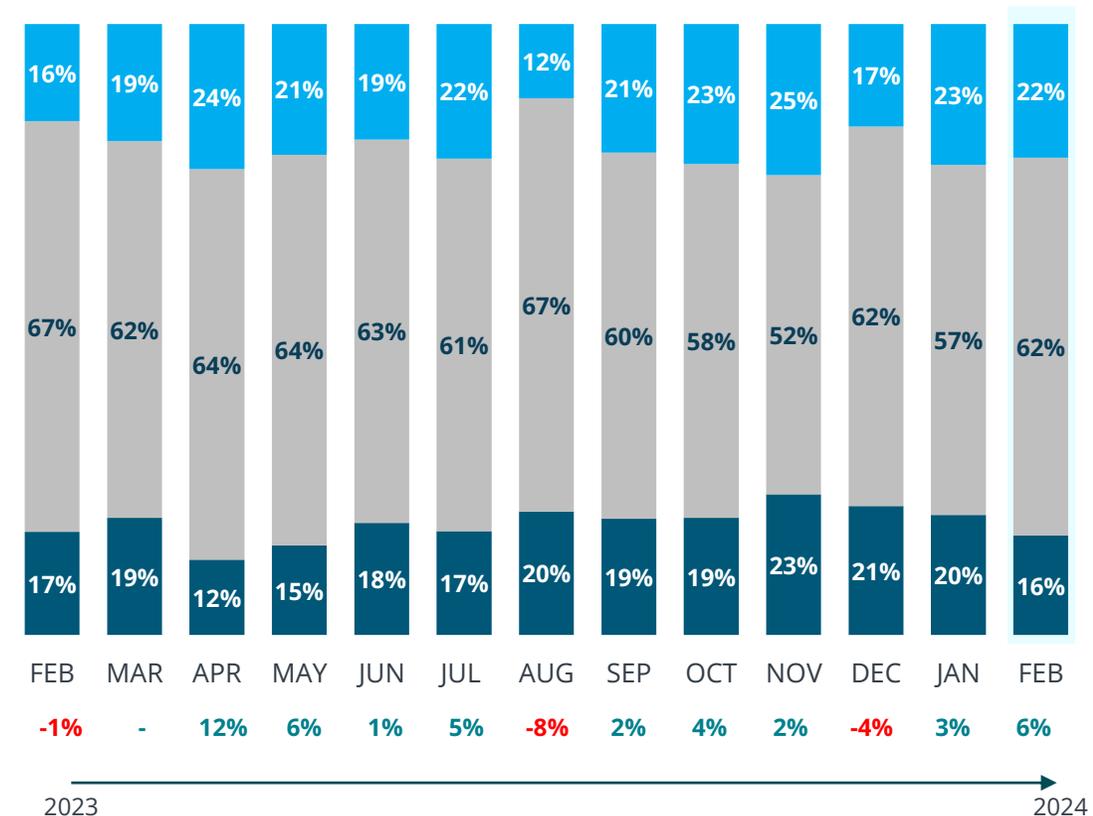
Capital expenditure expectations fell slightly in February, while the aggregate expected marketing spend increased to its highest level since May 2023.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

BUSINESS SPENDING/ CAPITAL INVESTMENT

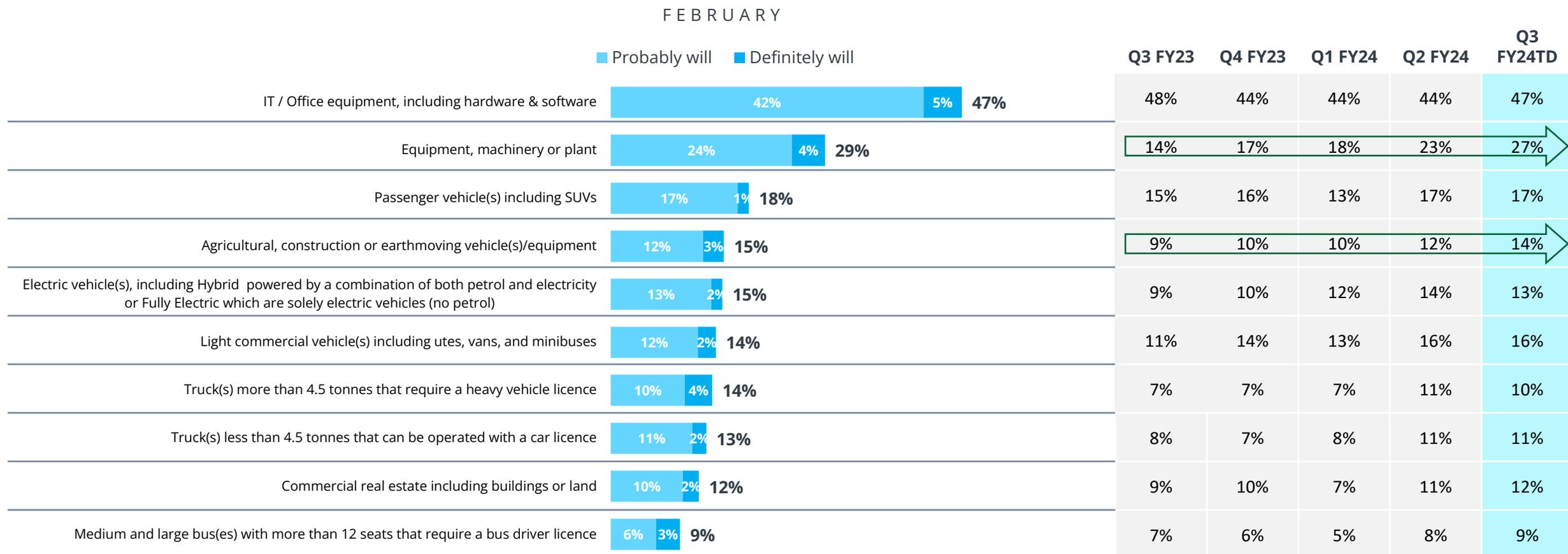


MARKETING SPEND



Investment plans for equipment, machinery, or plant encompassing sectors like agriculture, construction, and earthmoving, maintain an upward trajectory.

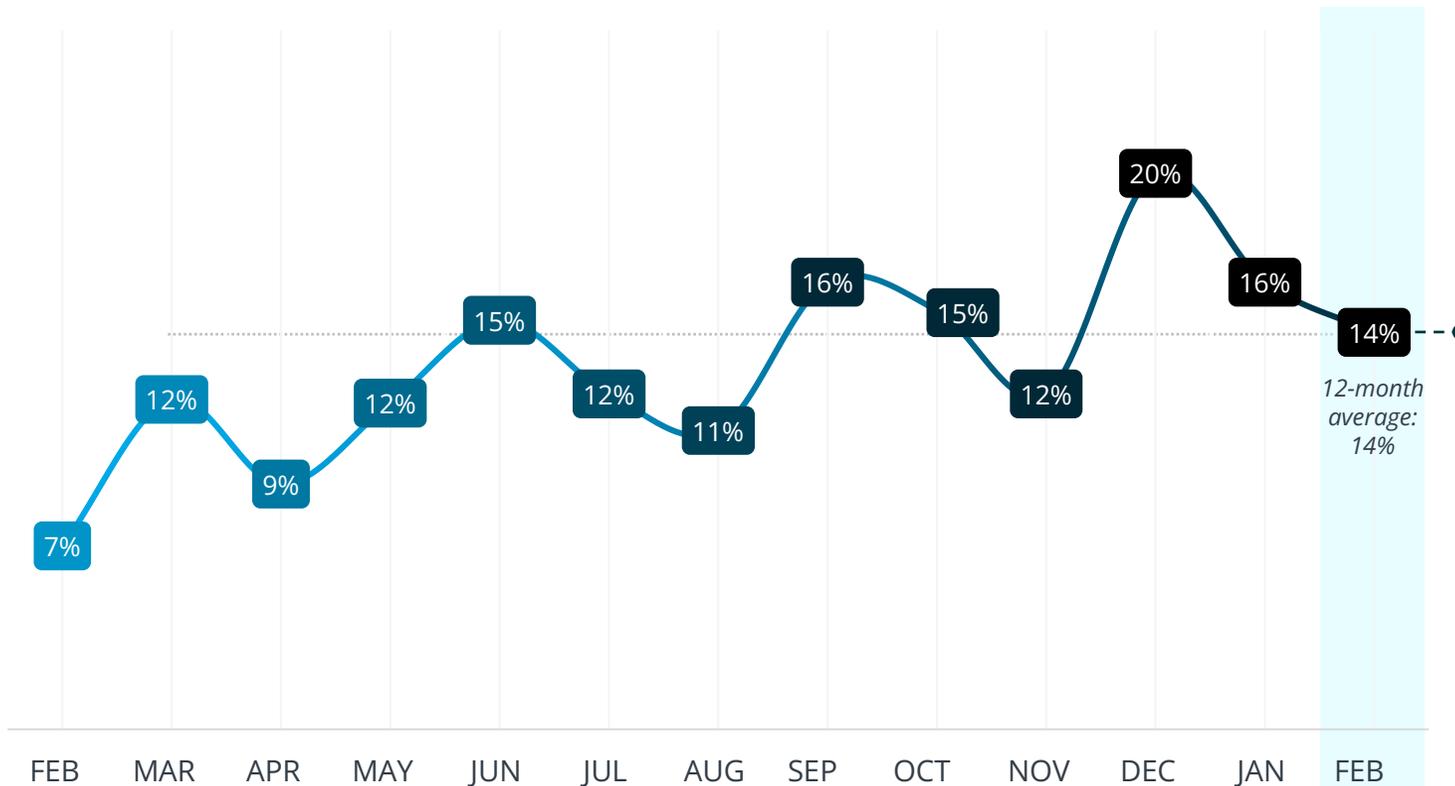
WHICH OF THE FOLLOWING WILL YOU PURCHASE FOR YOUR BUSINESS OVER THE NEXT 3 MONTHS?



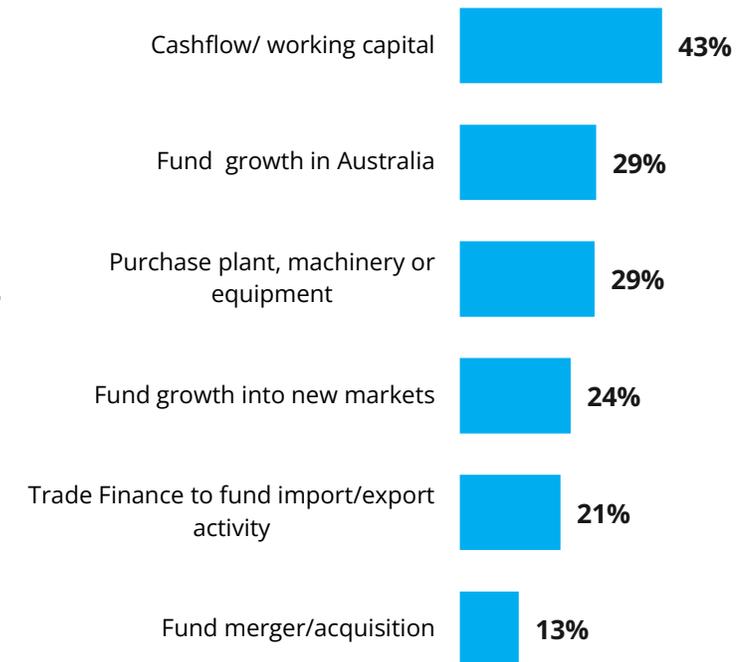
Business Investment | Finance Needs (Next 3 months)

Following a spike in December, the demand for additional finance has normalised to the annual average. The primary reason for seeking extra funds continues to be cash flow or working capital, although financing for growth and equipment purchase also rank highly among the motivations.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



AND WHAT IS THE PURPOSE OF THIS FINANCE?



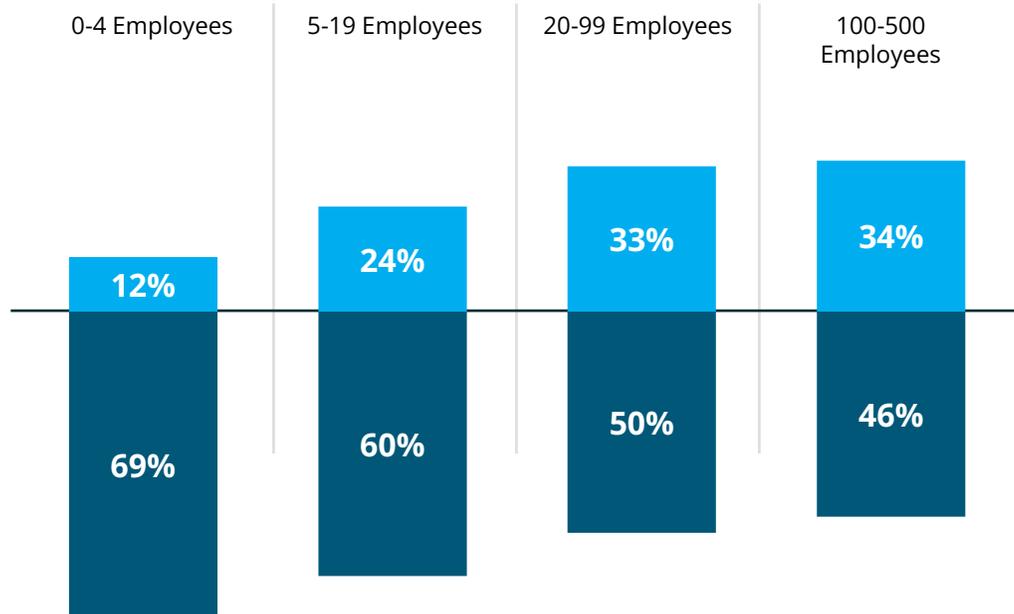
Business Investment | Finance Needs (Next 3 months)

The largest SMEs and those in hospitality and production are most in need of additional finance.

WILL YOU REQUIRE ANY ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS?

3 - MONTH ROLLING AVERAGE

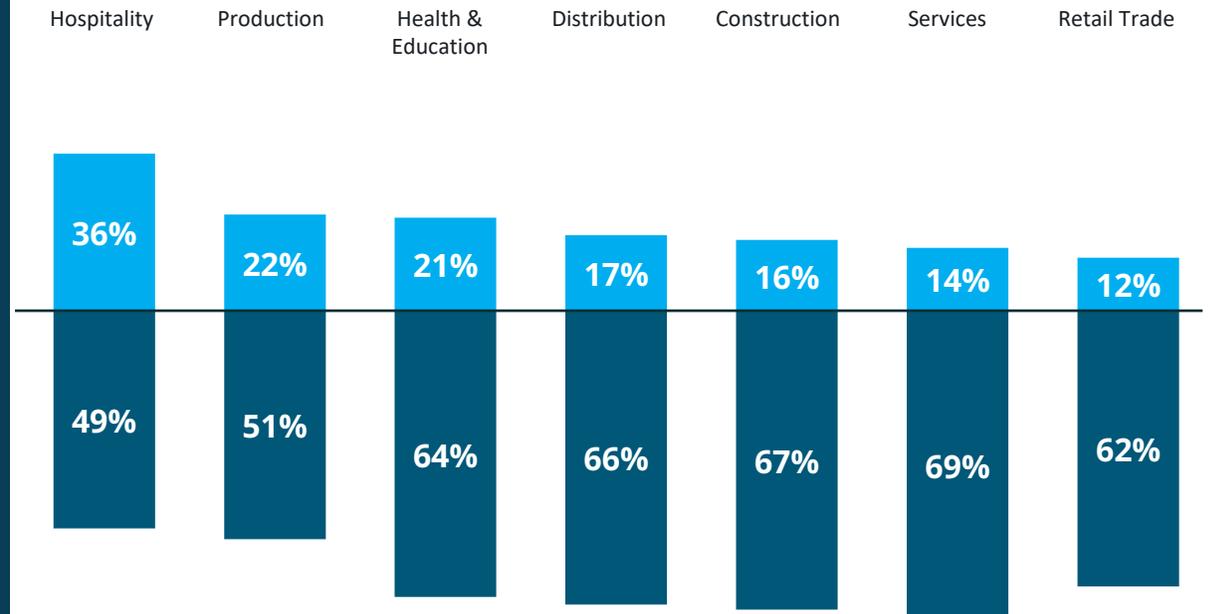
■ Yes ■ No



DEMAND FOR FINANCE BY INDUSTRY

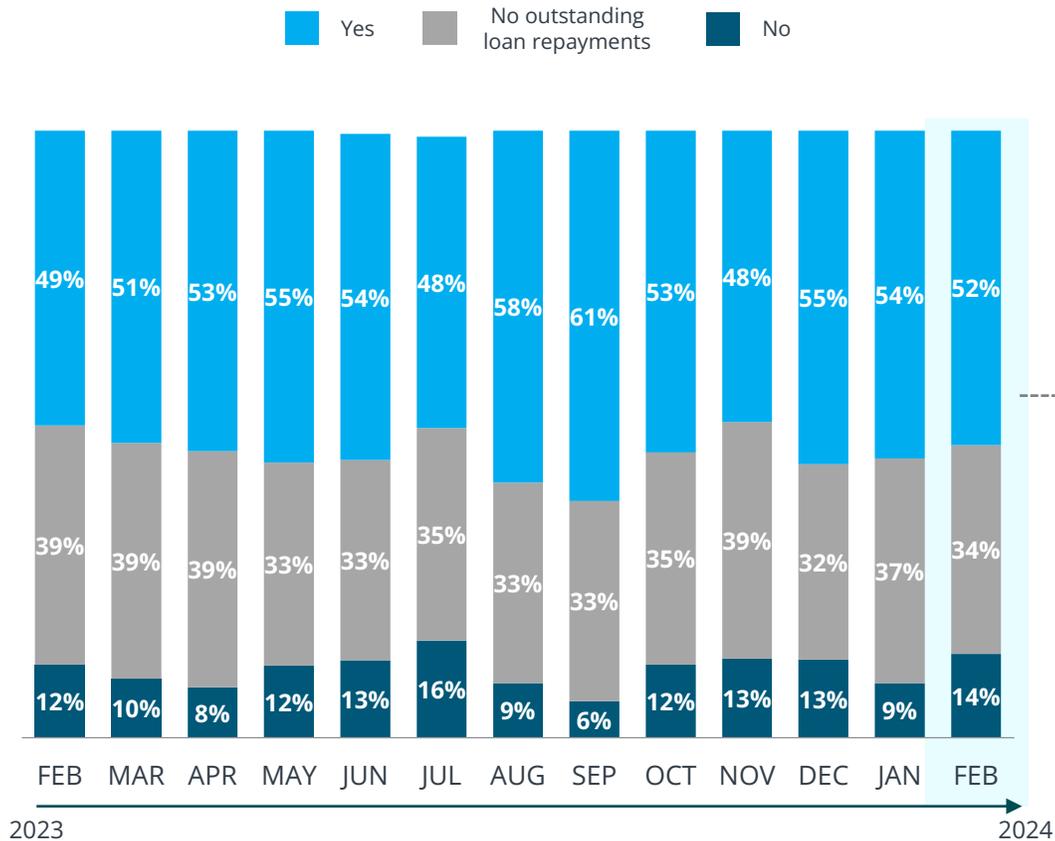
3 - MONTH ROLLING AVERAGE

■ Yes ■ No



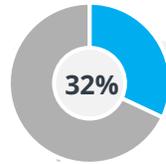
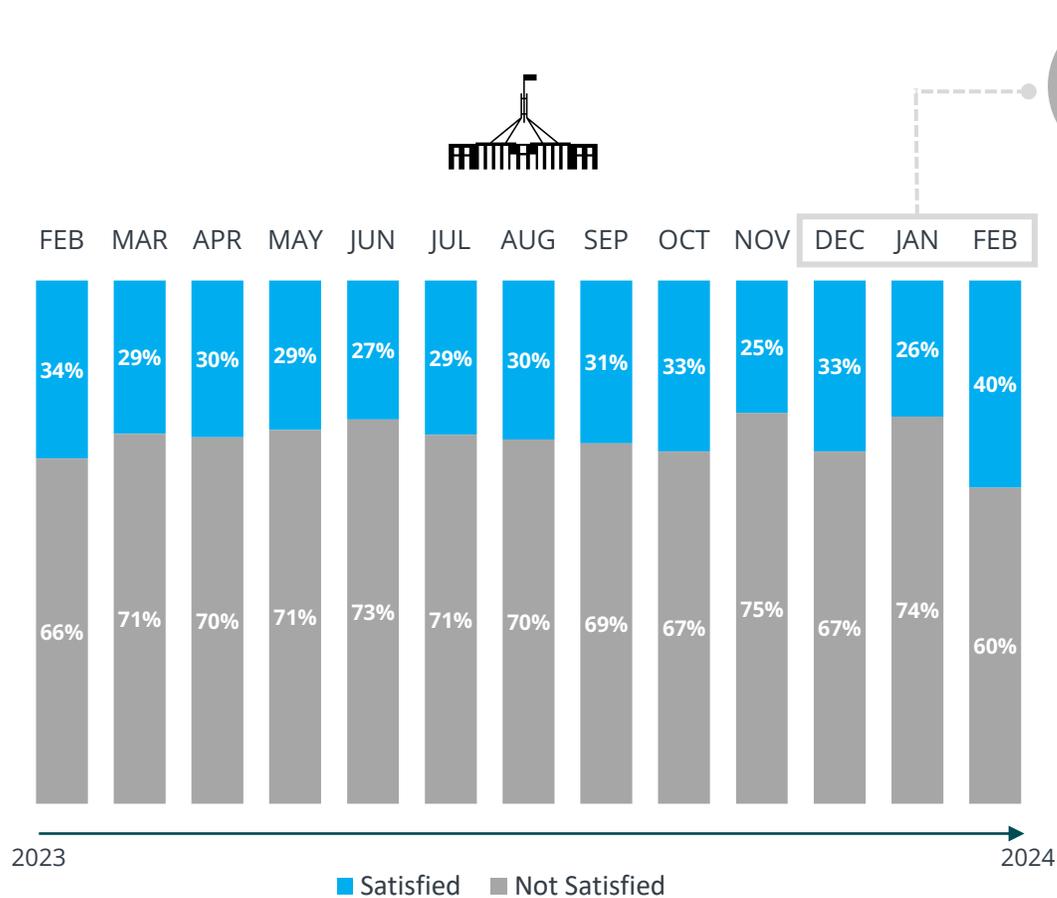
Confidence in the ability to meet loan repayments remains stable considering falling inflation and greater interest rate stability.

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

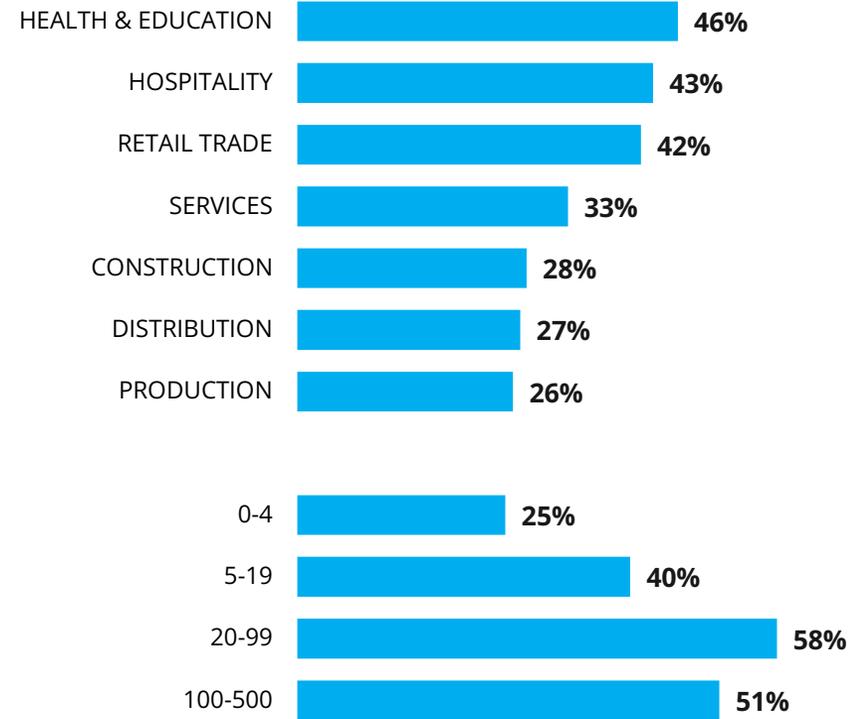


February saw satisfaction with the Federal Labor Government reach its highest level in the last 12 months. This boost in satisfaction follows the ABS announcement of lower-than-expected inflation in early 2024 and overhaul of the stage 3 tax cuts.

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



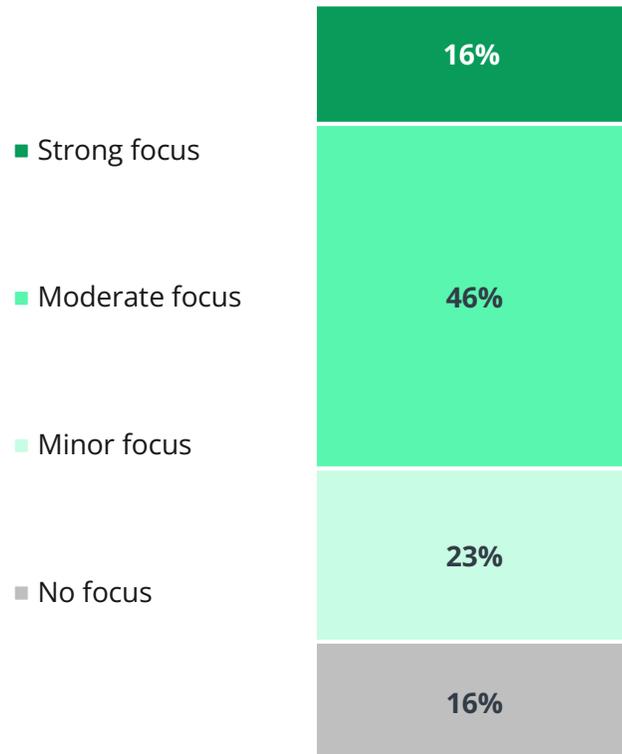
3-Month Rolling Average



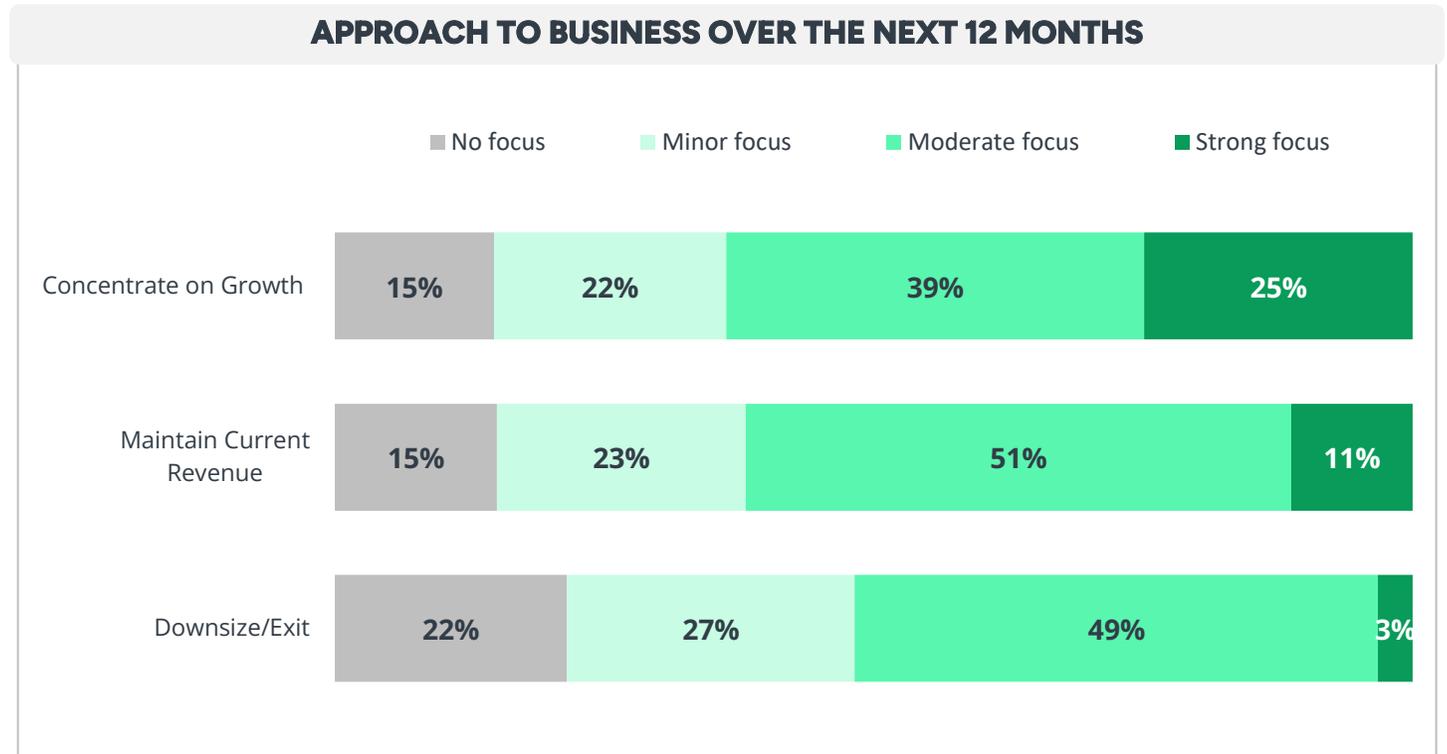
Only 16% of SMEs have a strong focus on sustainability. Growth focused businesses are leading the way with 1 in 4 (25%) displaying a significant focus on sustainability.

HOW MUCH FOCUS DO YOU HAVE ON SUSTAINABILITY IN YOUR BUSINESS?

FY24 Q3TD



APPROACH TO BUSINESS OVER THE NEXT 12 MONTHS





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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

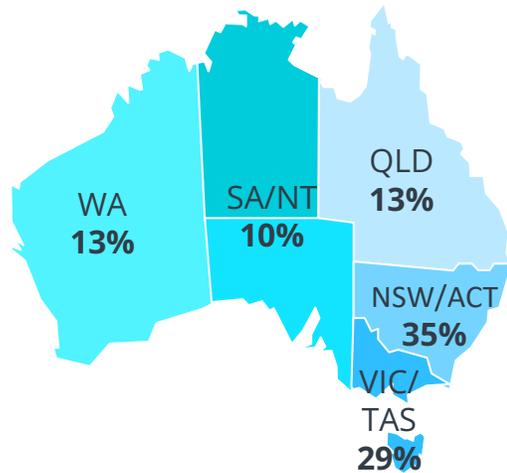


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

Our Sample

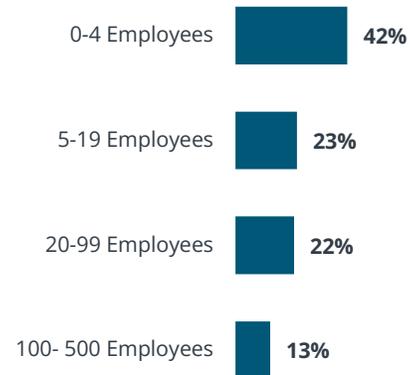
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

HEAD OFFICE LOCATION

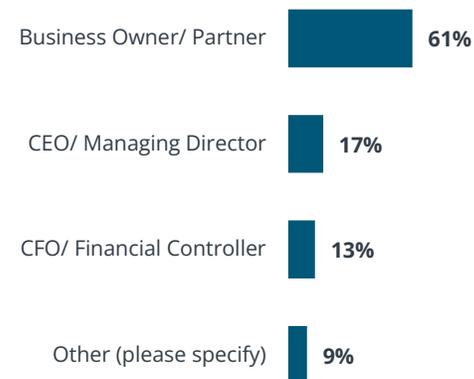


NOTE: CHARTS SHOW UNWEIGHTED DATA

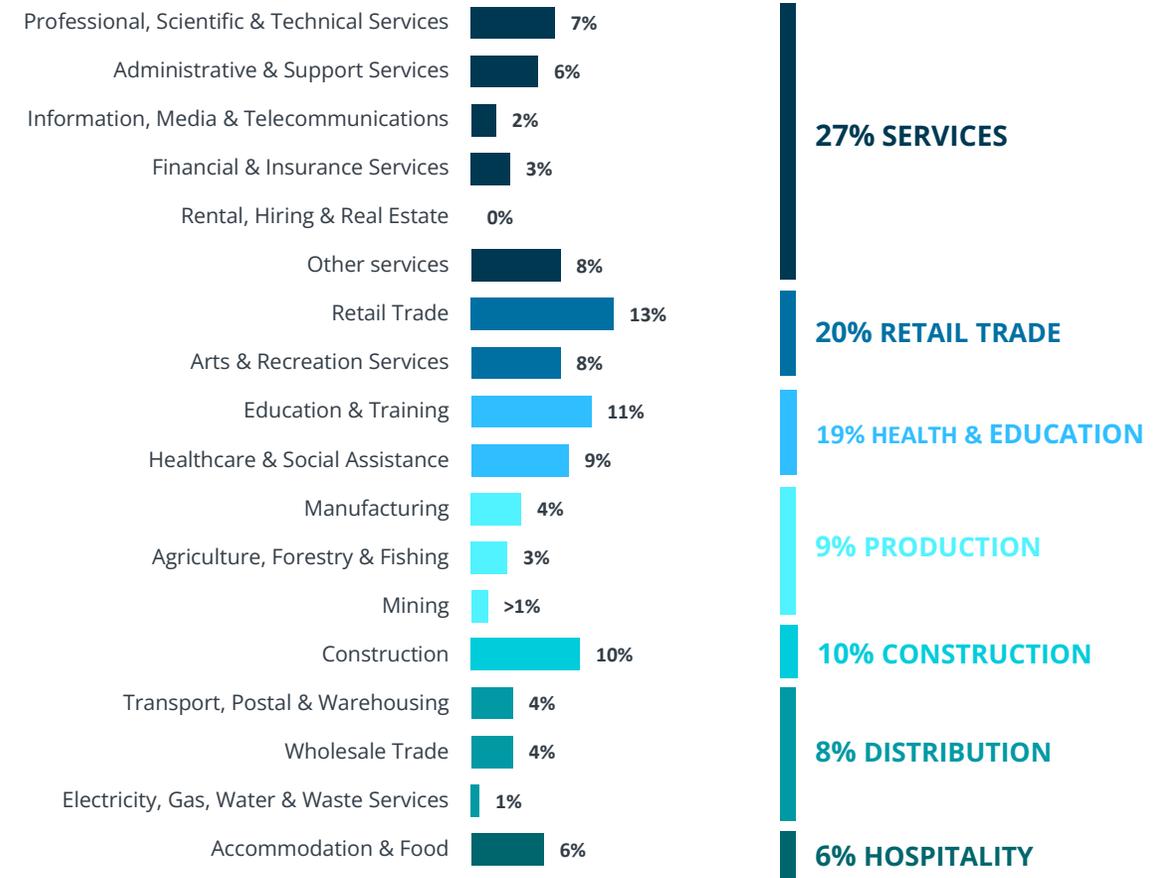
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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