



# **SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER**

**Wave 61 – March 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.



SME Optimism Cools As Revenue & Profitability Soften



30% reported weaker revenue in March.



Concerns about interest rates increase to 74% from 68% last month



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



27% increasing capital investment over the next 3 months

After a robust start to the year, 30% of SMEs have reported weaker revenue in March compared to 12 months earlier. Profitability has also diminished, with 27% of SMEs experiencing a loss, an increase from 22% the previous month.

After a period of decline, concerns regarding inflation and interest rates have begun to trend upwards with 74% now concerned compared to 68% last month. Clearly there is growing apprehension among businesses that the anticipated rate relief may not materialise as soon as hoped.

Accordingly, many SMEs continue to adopt efficiency and cost-cutting measures, including discontinuing unprofitable products/services (26%) and streamlining business operations (23%).

Employee data is also weakening, with 19% of SMEs reporting fewer employees than 12 months earlier. Consequently, the proportion of SMEs anticipating staff increases over the next three months has also declined and only 20% of SMEs are currently seeking to fill positions, compared to 27% in January.

Despite weakness across most key performance indicators, growth expectations remain robust, with 37% of businesses targeting growth over the next 12 months. However, this marks a decline from the spike to 44% recorded last month. Notably, growth-oriented businesses are acutely aware of the numerous challenges that could temper their growth expectations, with the economic outlook (42%) being the primary concern, followed by changing customer behaviours (34%) and workforce productivity issues (19%).

Despite ongoing caution, SMEs are maintaining their investment in capital equipment, a trend anticipated to continue as they seek to capitalise on tax concessions available before the financial year ends. 27% of SMEs will increase their capital investment over the next 3 months up from 20% last month. This illustrates a careful balance between managing costs and seizing opportunities to drive business growth.

However, the demand for additional finance over the next three months has decreased to 12%, down from 20% in December 2023. This trend suggests that most SMEs intend to rely on cash flow and existing financial facilities for their investment needs, indicating a preference to minimise debt exposure until interest rates decrease.

After a wave of optimism to start 2024, SME sentiment is more measured this month with revenue declining and expectations regarding lower interest rates being reevaluated. Weakness in employee data is also notable. Despite these challenges, a significant portion remain growth-focused, cautiously balancing investments in capital equipment against a backdrop of economic uncertainty and shifting customer behaviors.





**01**

**Key Performance Indicators**

**02**

**People**

**03**

**Business Sentiment**

**04**

**Business Investment**

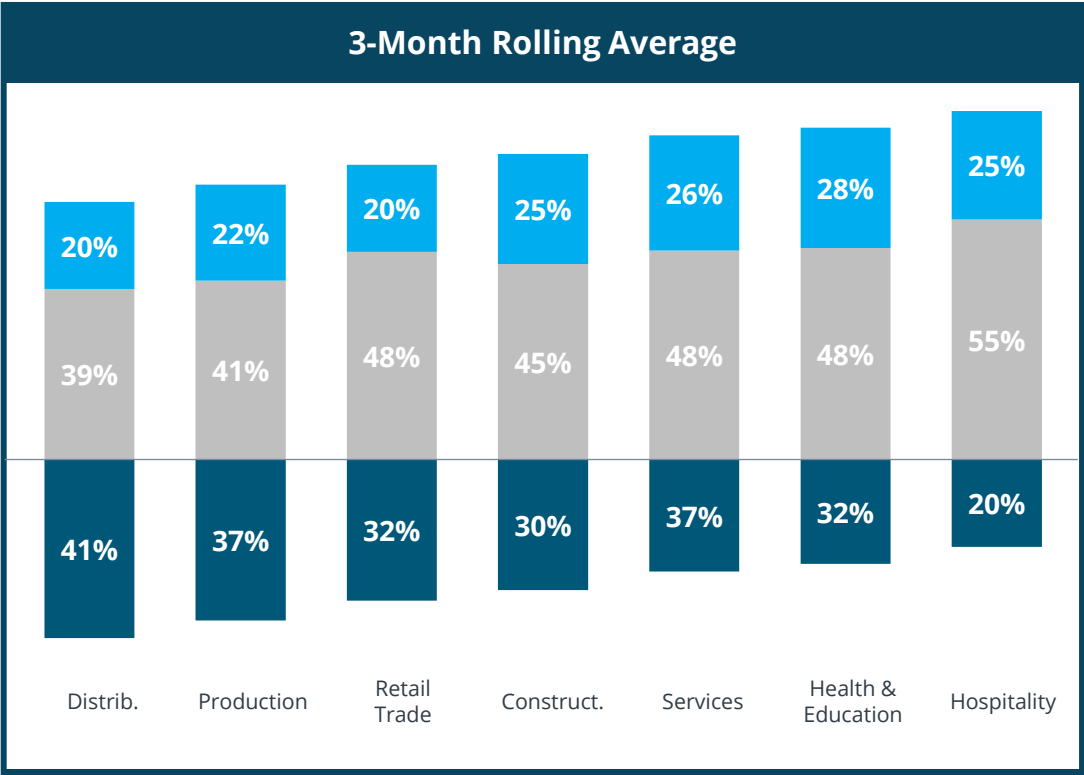
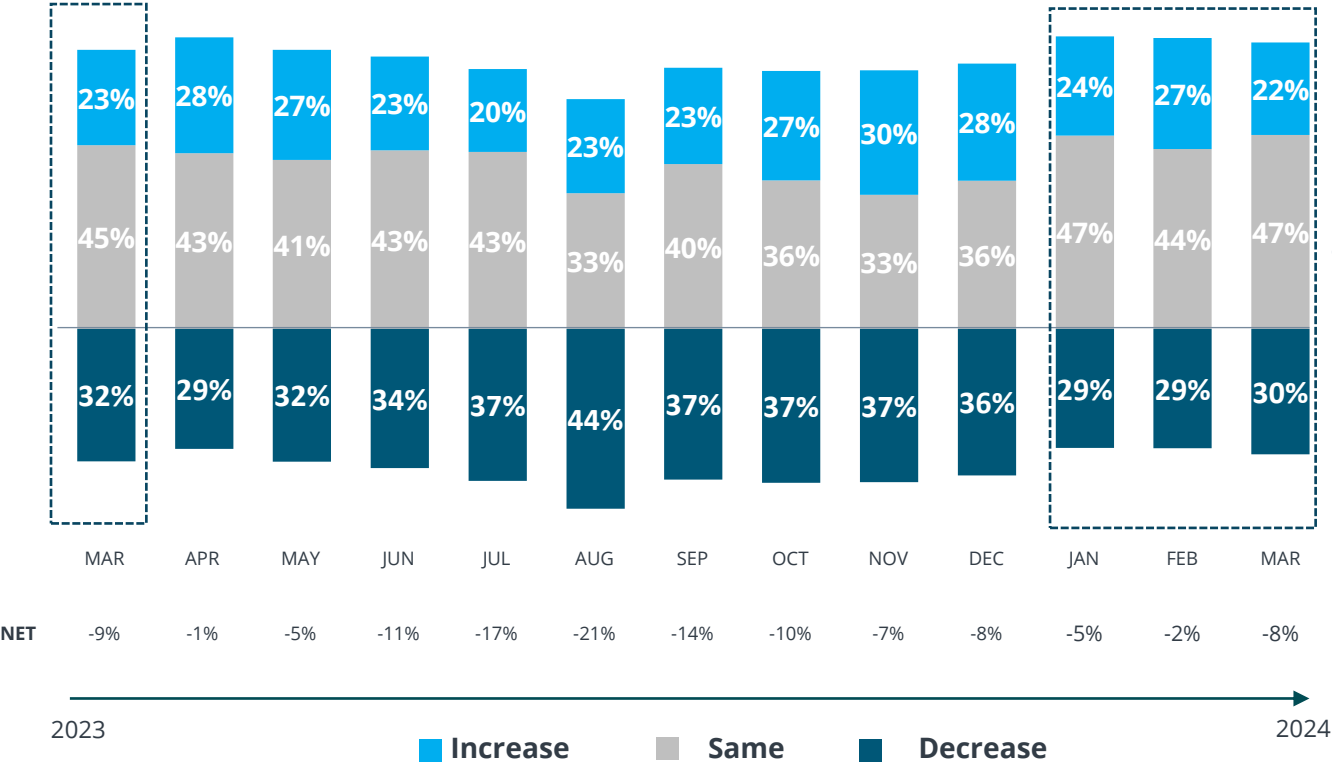
**05**

**Methodology &  
Sample**

# Key Performance Indicators | Revenue

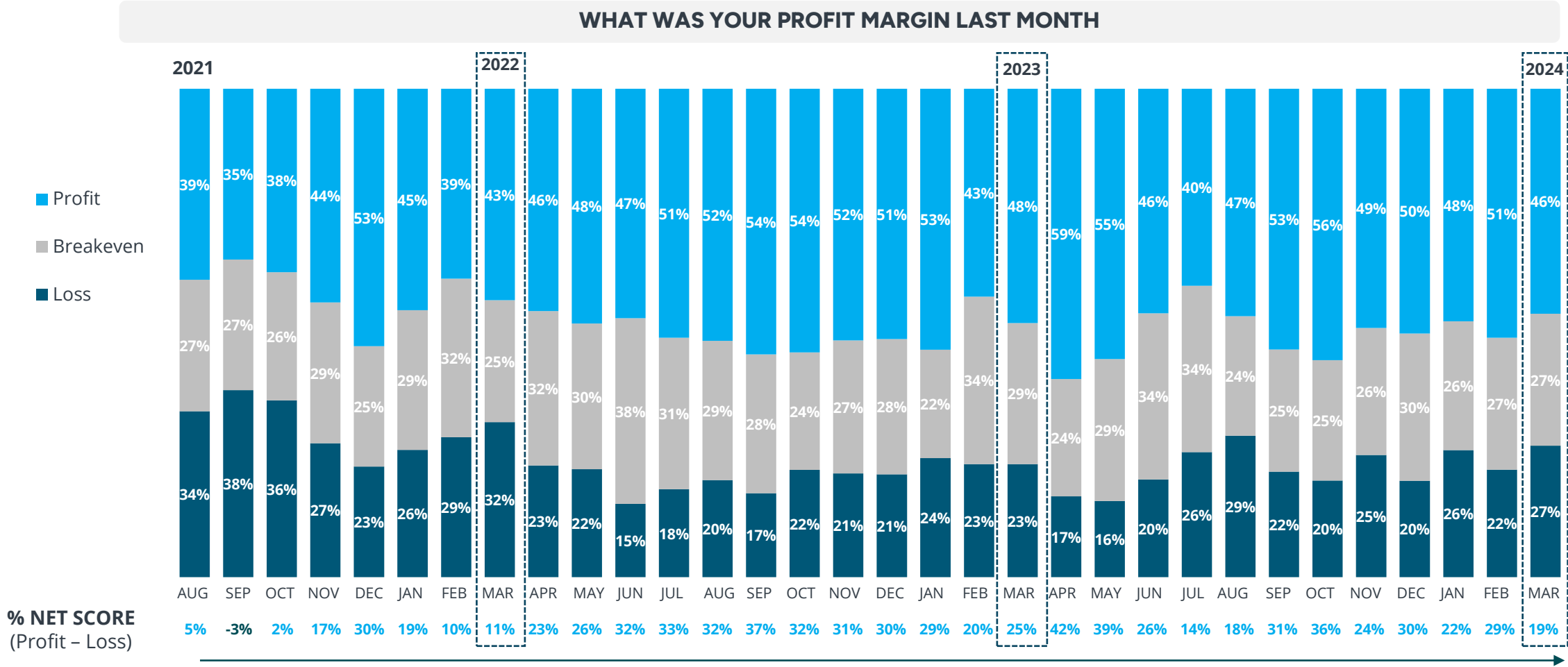
After a robust start to the year, revenue growth has slightly declined amid challenging trading conditions, mirroring the performance of the same period in 2023. Notably, the Hospitality sector has outperformed other industry groups in revenue growth during the first quarter of 2024.

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



# Key Performance Indicators | Profit

Profitability has also diminished, with 27% of SMEs reporting a loss last month, an increase from 22% the previous month. This figure is also marginally lower than the same period in 2023.



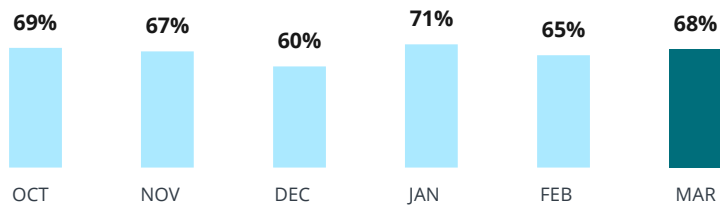
# Key Performance Indicators | Business Concerns

After a period of decline, concerns regarding inflation and interest rates have begun to trend upwards as expectations for rate cuts are being reassessed. This shift indicates a growing apprehension among businesses that the anticipated relief may not materialise as soon as hoped.

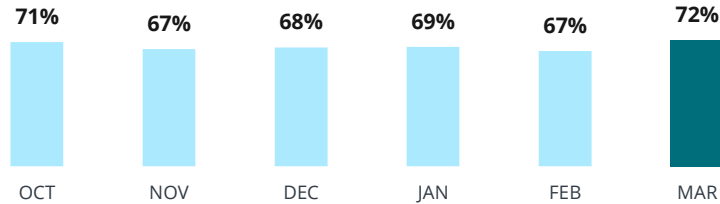
## HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



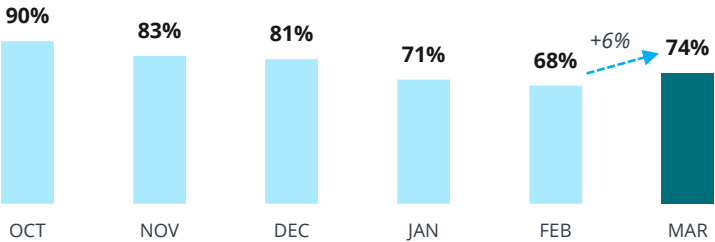
Wage costs



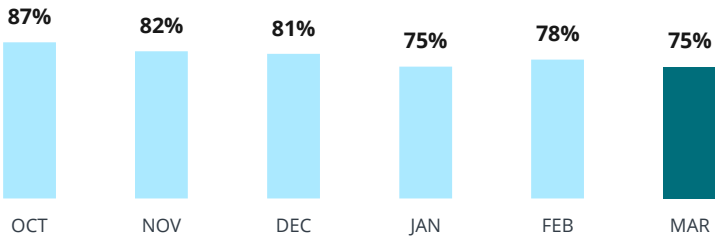
Cost of raw materials



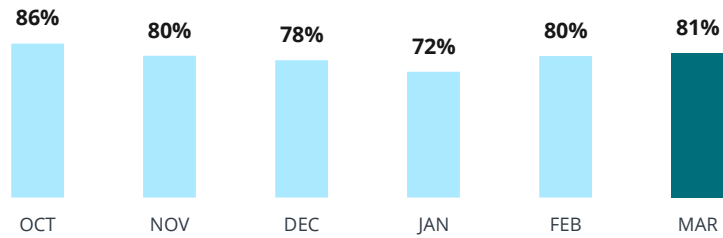
Rising interest rates / cost of credit



Fuel costs



Energy costs

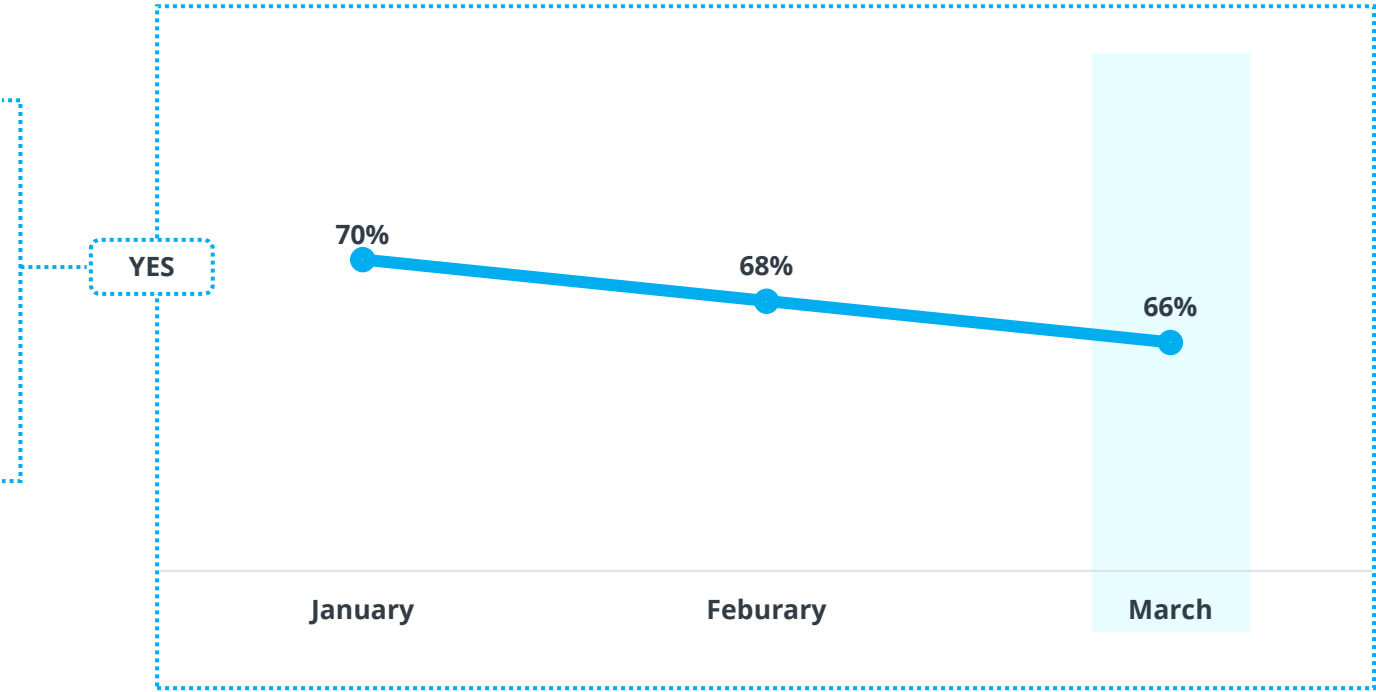
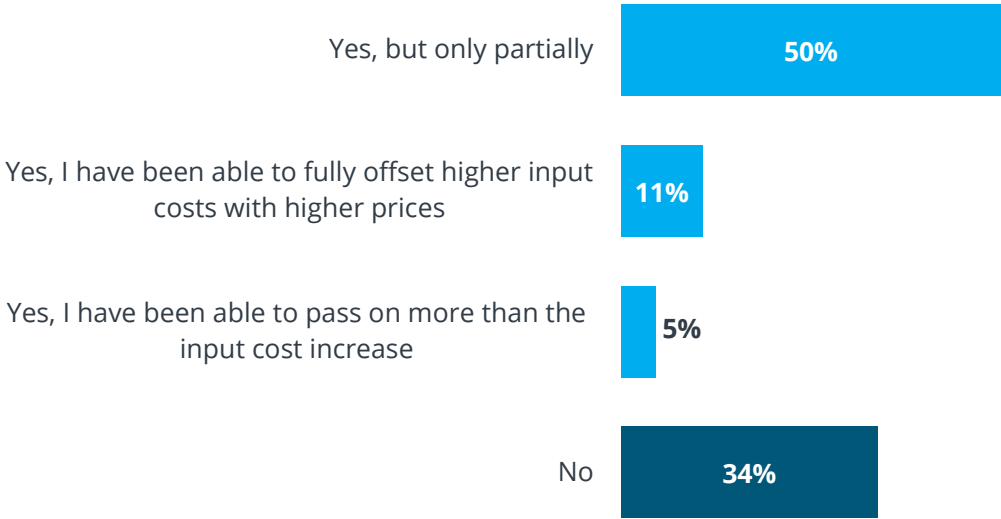


Total concerned

There is a noticeable downward trend in cost recovery as customers become more price-conscious, hence showing less willingness to accept further cost increases.

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

MARCH





# Key Performance Indicators | Cost Recovery

Stubborn inflation and rising costs are compelling SMEs to adopt efficiency and cost-cutting measures, including discontinuing unprofitable products/services (26%) and streamlining business operations (23%). These strategies reflect a pragmatic approach to navigating economic pressures.

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

FY24 Q3		Highest in row			
		0-4	5-19	20-99	100-500
Discontinuing products/services that are not profitable	26%	27%	24%	24%	21%
Enhancing efficiency by streamlining business operations	23%	20%	29%	35%	32%
Renegotiating supplier contracts or seeking new supply sources	21%	18%	26%	24%	27%
Maximising staff productivity through better training and optimisation	20%	11%	35%	36%	36%
Expanding the range of products/services to generate new revenue streams	19%	17%	24%	22%	21%
Reassessing current projects and significant investments for viability and impact	19%	16%	25%	24%	30%
Adopting new technologies for increased automation and operational efficiency	16%	13%	22%	27%	30%
Refining inventory management practices for better efficiency	14%	12%	16%	22%	29%
Undertaking debt restructuring to reduce financial burdens	13%	11%	17%	18%	22%
Delegating non-essential functions to external providers	11%	7%	17%	15%	27%
Shifting towards the use of renewable energy sources	10%	8%	14%	20%	24%
Implementing workforce reductions, such as layoffs or hiring freezes	7%	4%	11%	15%	26%



**01**

Key Performance Indicators

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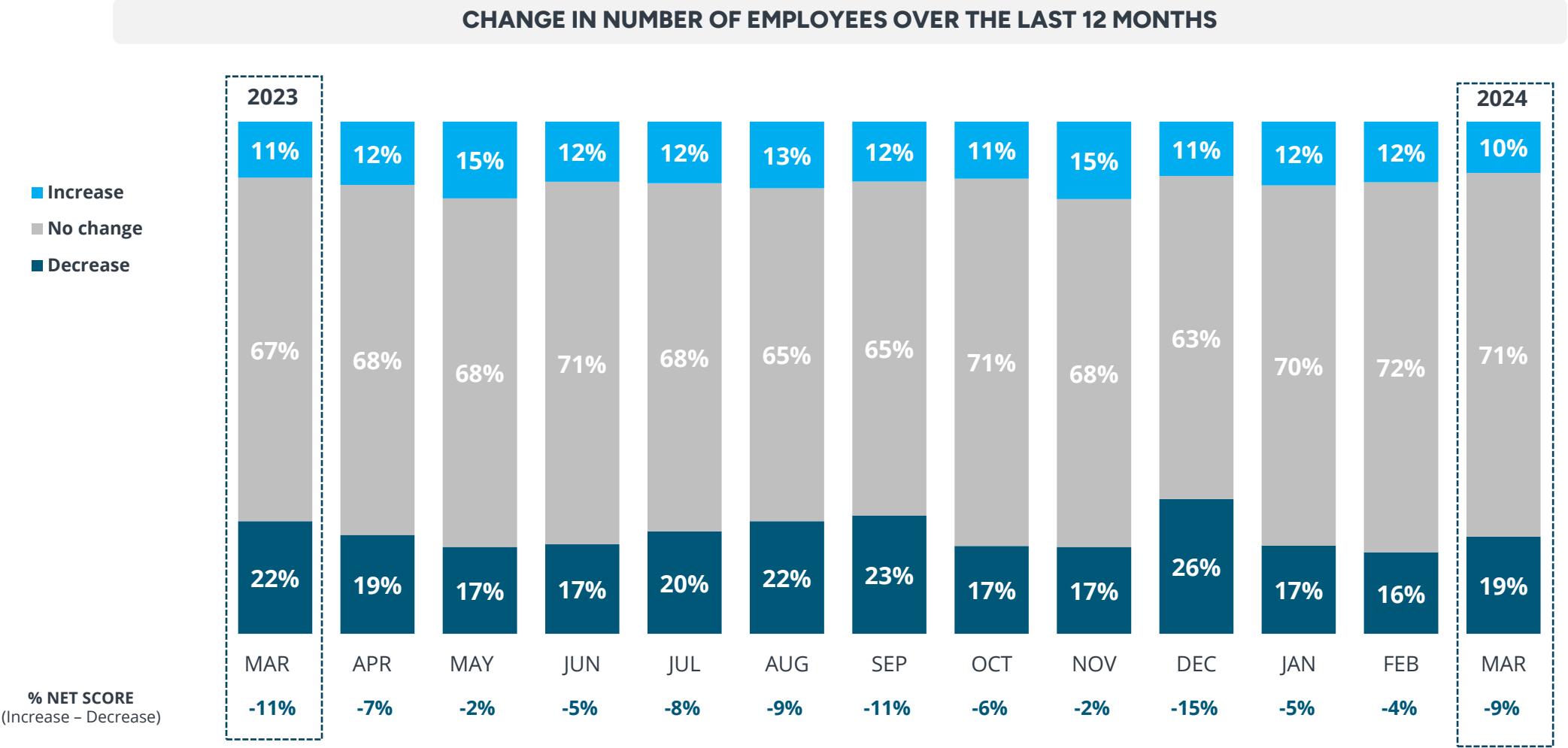
Business Investment

**05**

Methodology &  
Sample

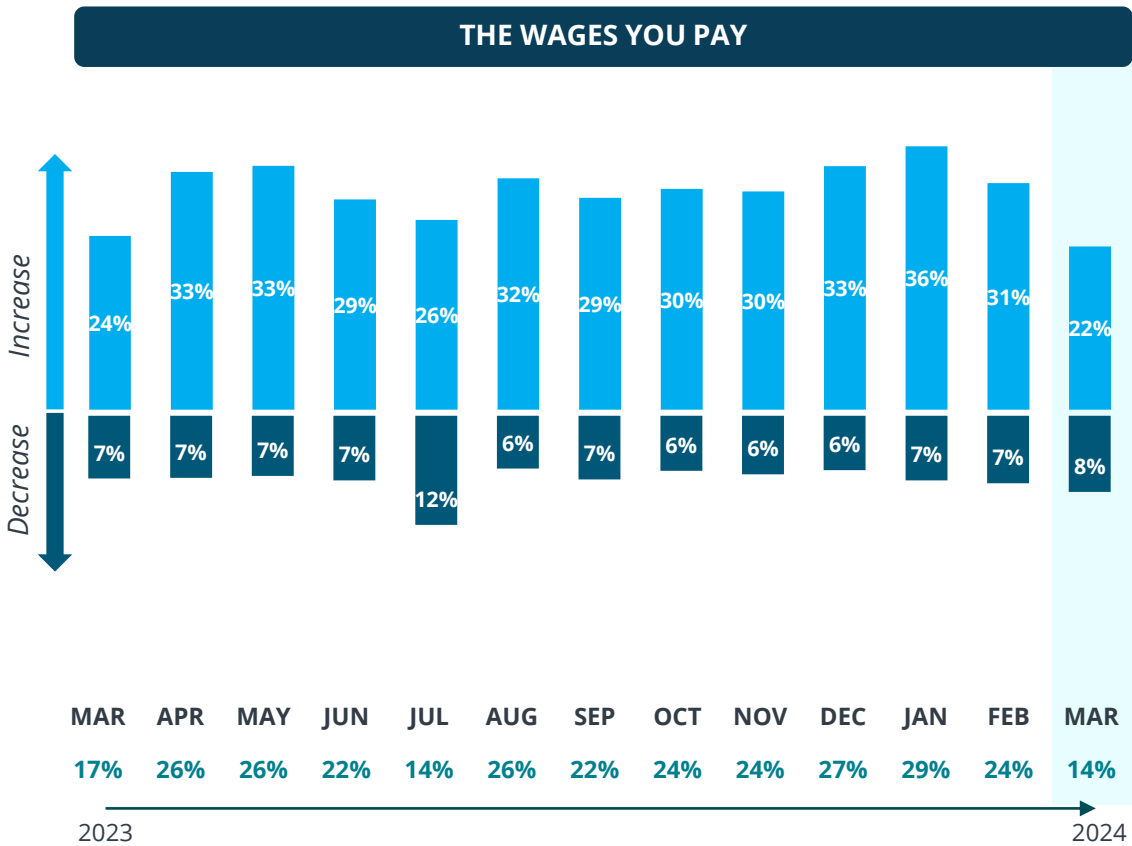
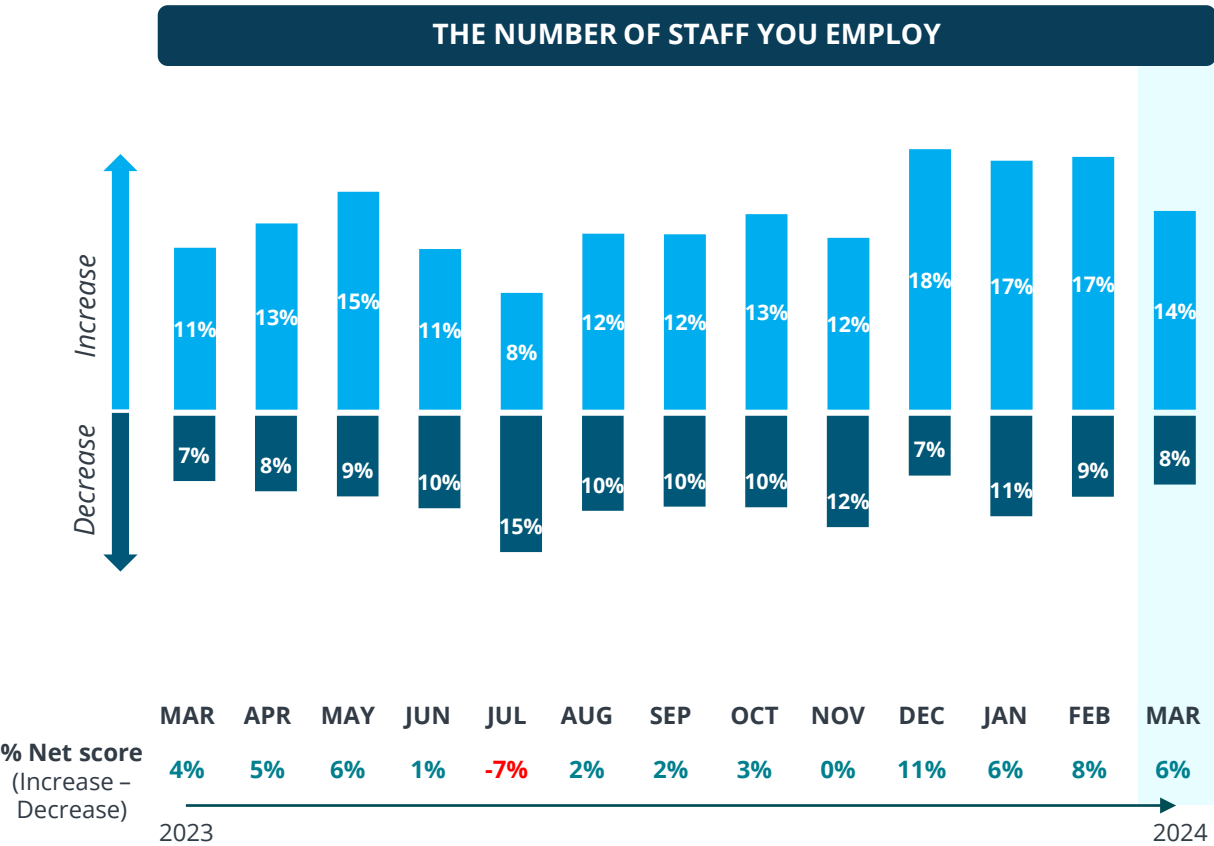
# Key Performance Indicators | People

In unison with trends in revenue and profitability, employee data has also begun to show signs of weakening, with 19% of SMEs reporting fewer employees than 12 months earlier.



Consequently, the proportion of SMEs anticipating staff increases over the next three months has also declined, leading to a welcome slowdown in wage growth.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

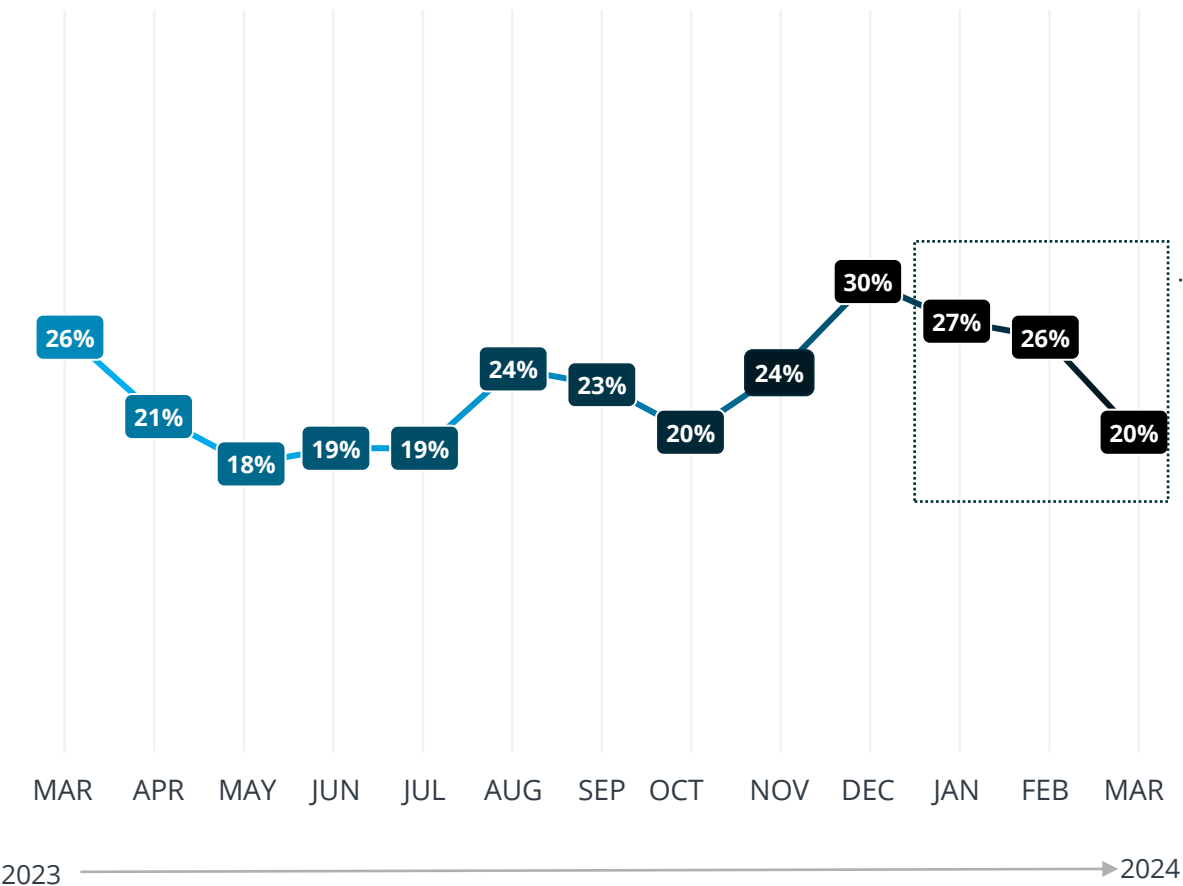




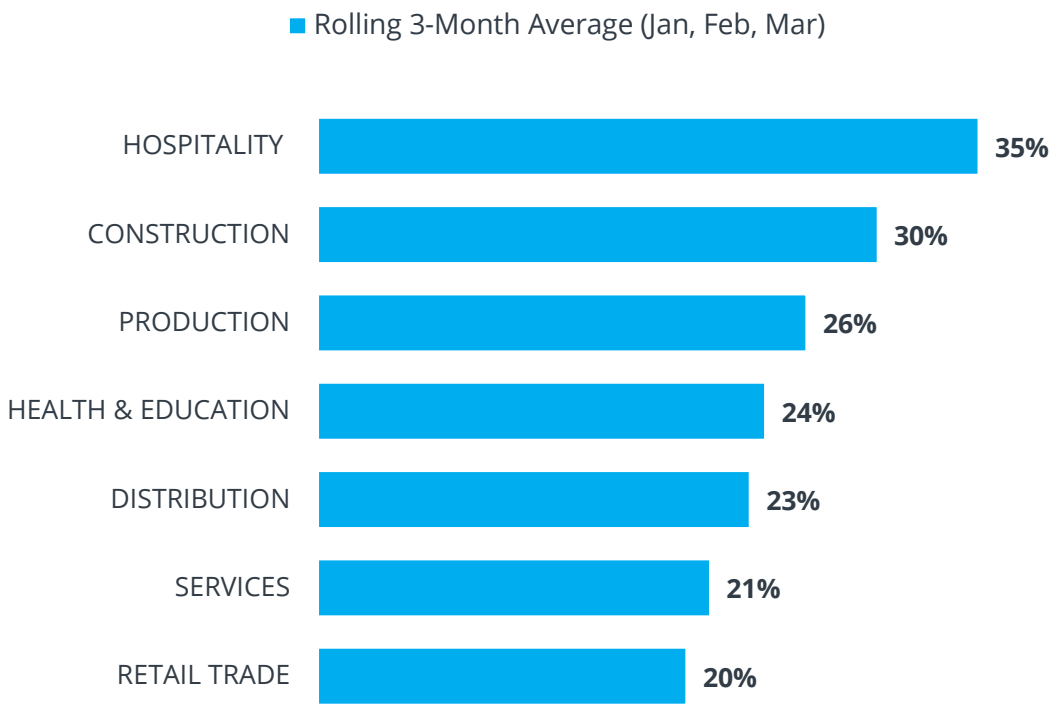
# Key Performance Indicators | People

Consequently, recruitment activity is declining, with only 20% of SMEs actively seeking to fill positions. Despite a notable rise in insolvencies this year, the hospitality and construction sectors continue to exhibit strong demand for labor. This underscores the persistent need for workers in these sectors, even amidst financial challenges.

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

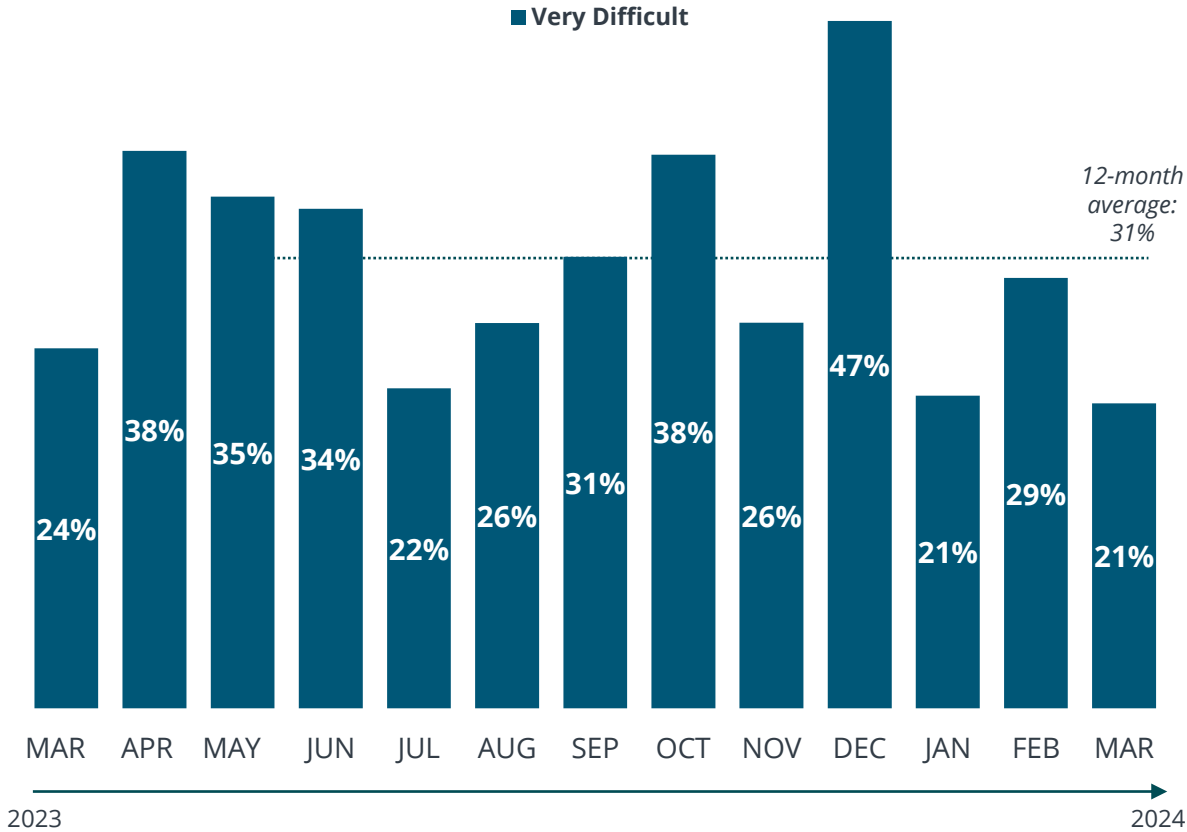


## CURRENT JOB VACCANCIES BY INDUSTRY

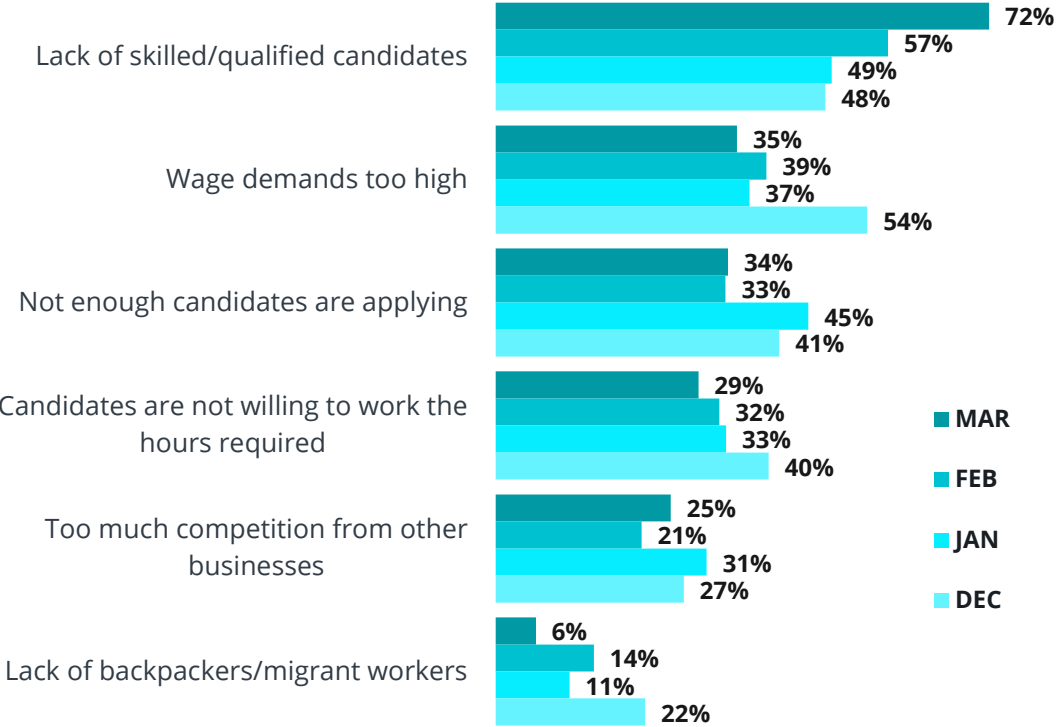


As anticipated, the softening of the job market has made it significantly easier to fill roles, reflecting a more favorable environment for recruitment.

HOW DIFFICULT IS IT TO FILL THESE ROLES?



WHY IS IT DIFFICULT TO FILL THESE ROLES?





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Business Investment

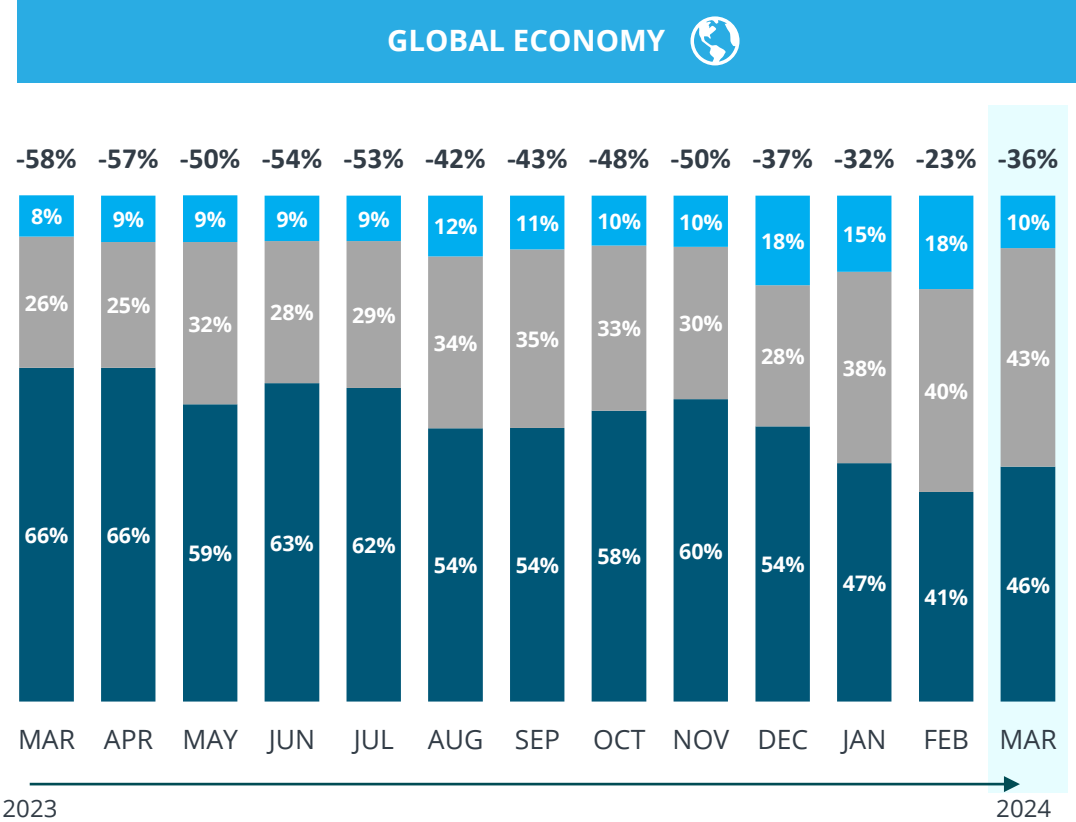
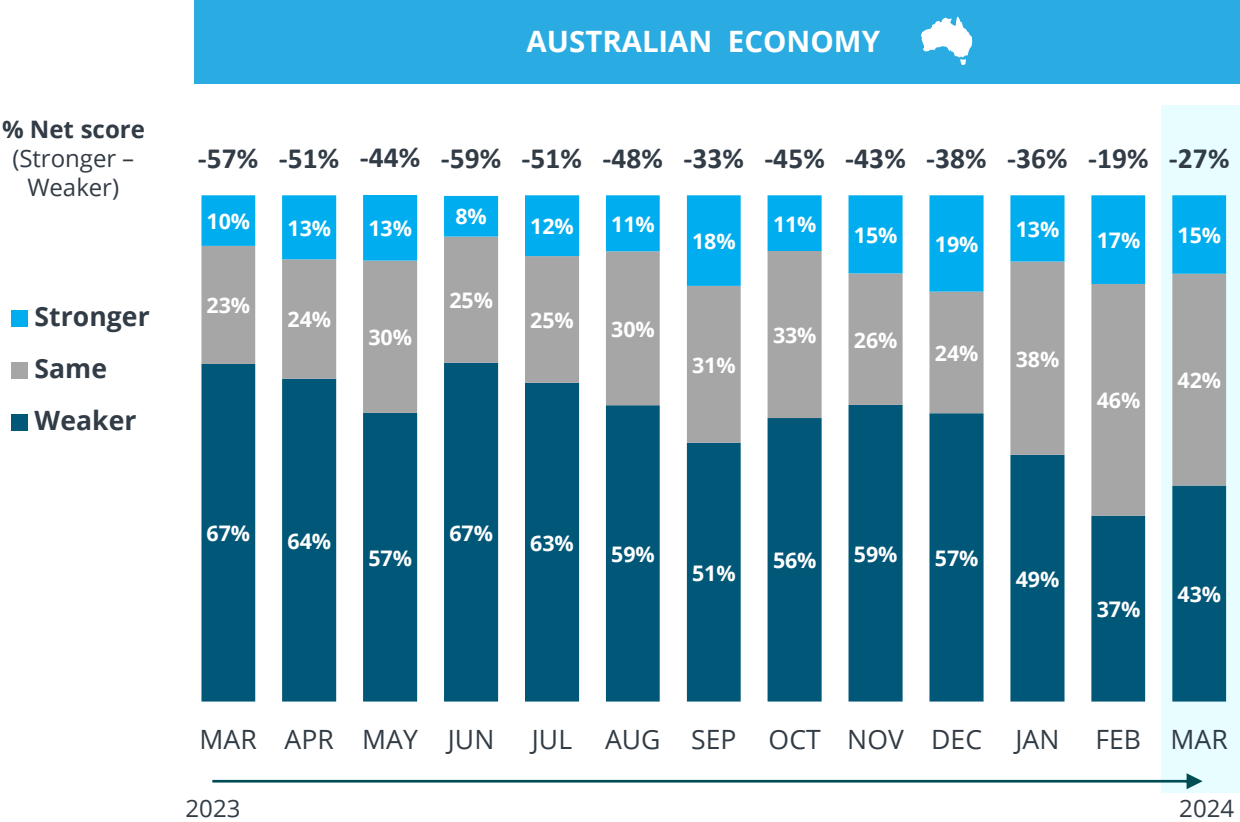
05

Methodology &  
Sample

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

Amid speculation that interest rates will be maintained at their current levels for at least another six months, sentiment regarding economic conditions is beginning to shift. Additionally, ongoing conflicts continue to undermine confidence, and with elections approaching in many countries, it is likely that sentiment will remain volatile.

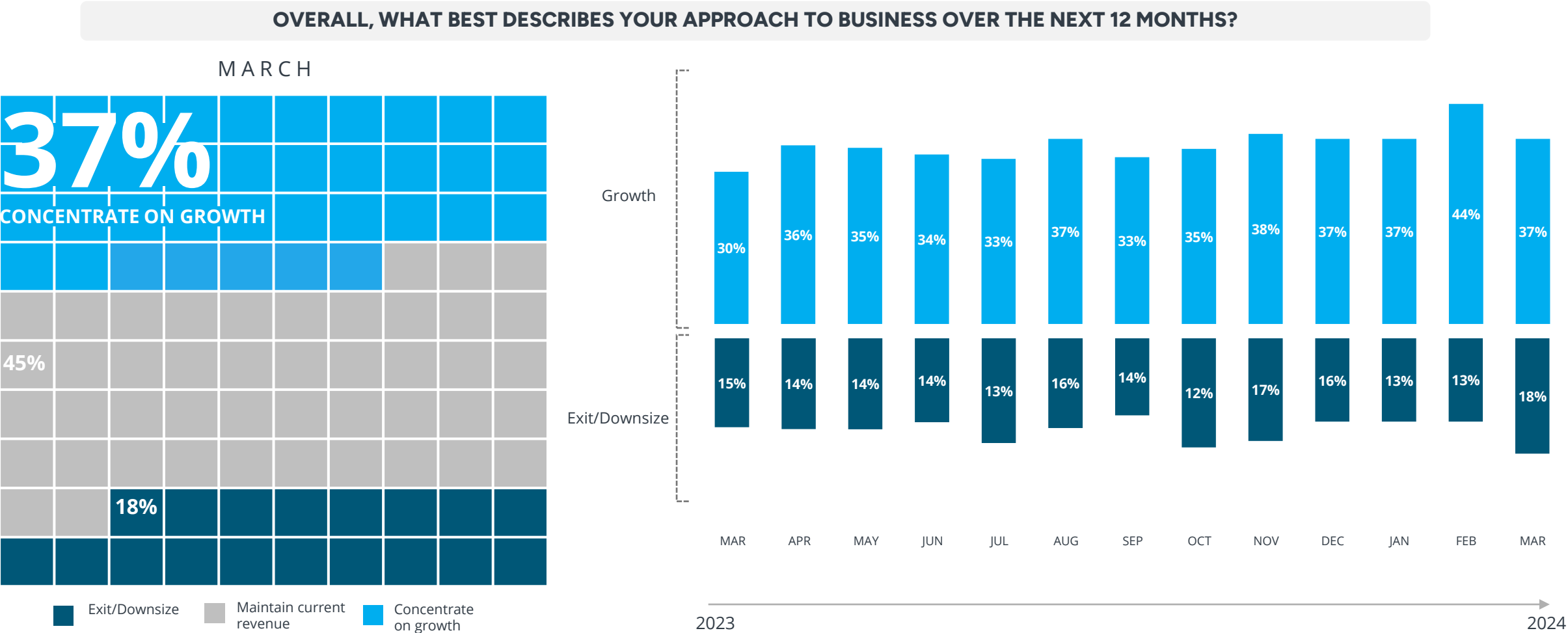
## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS





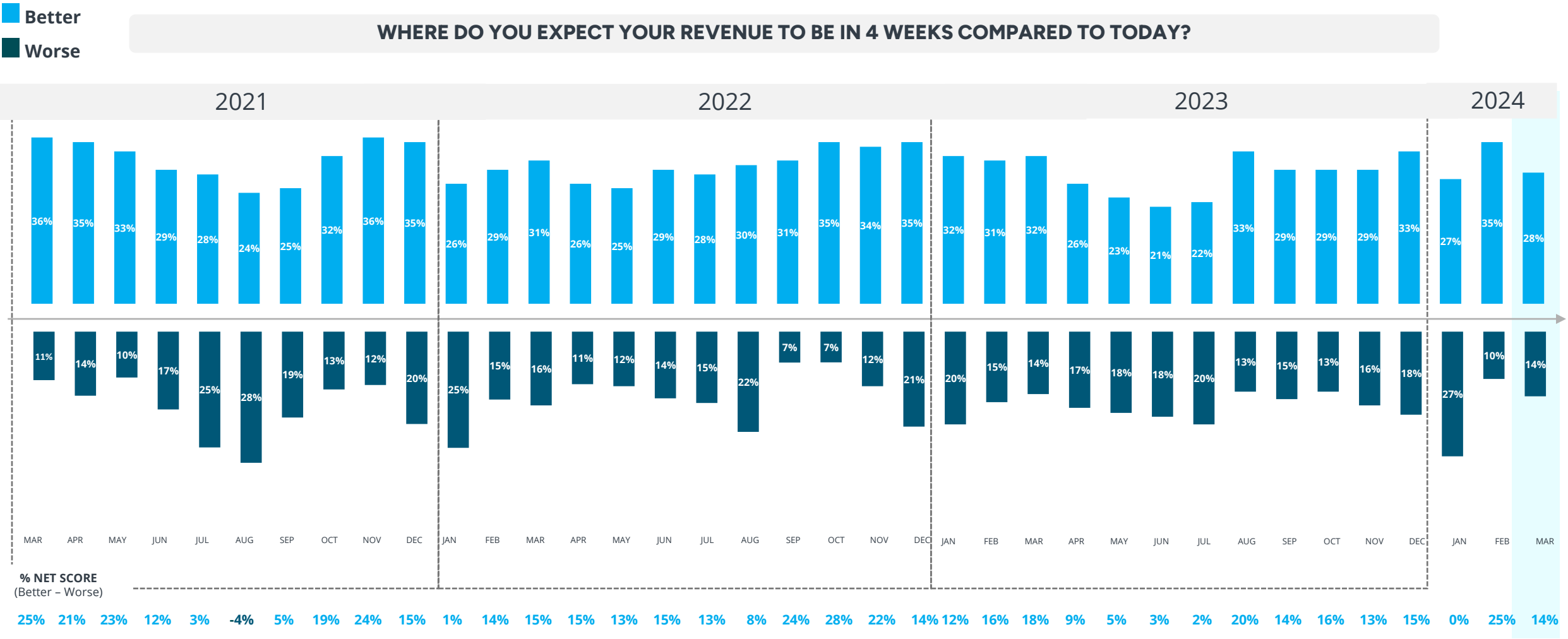
# Business Sentiment | Growth Expectations (Next 12 months)

Despite weakness across most key performance indicators, growth expectations remain robust, with 37% of businesses targeting growth over the next 12 months. However, this marks a decline from the spike to 44% recorded last month.

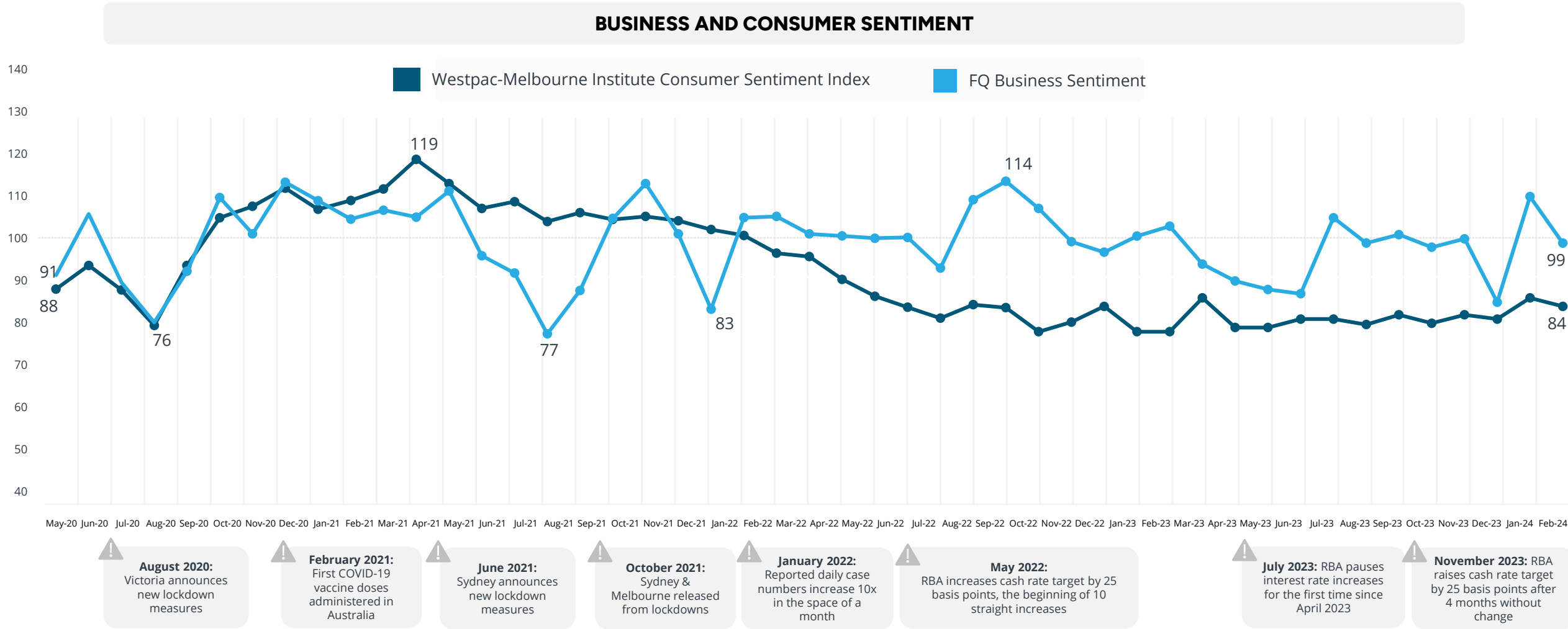


# Business Sentiment | Revenue Expectations (Next 4 weeks)

Short-term revenue expectations have also declined but remain consistent with the data reported in the last quarter of 2023 and mirroring the data reported during the corresponding period last year.



Accordingly, the Fifth Quadrant Business Sentiment Index currently stands at 99, indicating that businesses continue to maintain a more positive outlook compared to consumers.



Growth-oriented businesses are acutely aware of the numerous challenges that could temper their growth expectations over the next 12 months, with the economic outlook being the primary concern. This is followed by changing customer behaviours and workforce productivity issues.

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

	FY24 Q3TD	Highest in row	Concentrate on Growth	Maintain Current Revenue	Downsize/Exit
Addressing the difficult economic outlook and ongoing cost pressures.	42%		45%	40%	39%
Keeping pace with changing customer behaviours and preferences.	34%		36%	34%	31%
Identifying and implementing measures to boost workforce efficiency and productivity.	19%		24%	16%	13%
Navigating regulatory, compliance, and governance challenges.	17%		17%	15%	21%
Acquiring, training, and upskilling talent in a competitive market.	16%		23%	14%	5%
Strengthening supply chain operations for improved efficiency and resilience.	15%		18%	14%	13%
Overcoming difficulties in securing necessary financing.	15%		17%	13%	15%
Managing the continuous adoption of new technologies and digital transformation processes.	15%		19%	13%	11%
Strengthening defences against cyber threats and ensuring data privacy.	13%		13%	13%	13%
Managing risks and uncertainties in the geopolitical landscape.	12%		11%	13%	10%
Implementing strategies to address sustainability issues and climate change impacts.	8%		8%	10%	5%
Prioritising investment in research and development to drive innovation.	8%		12%	6%	5%





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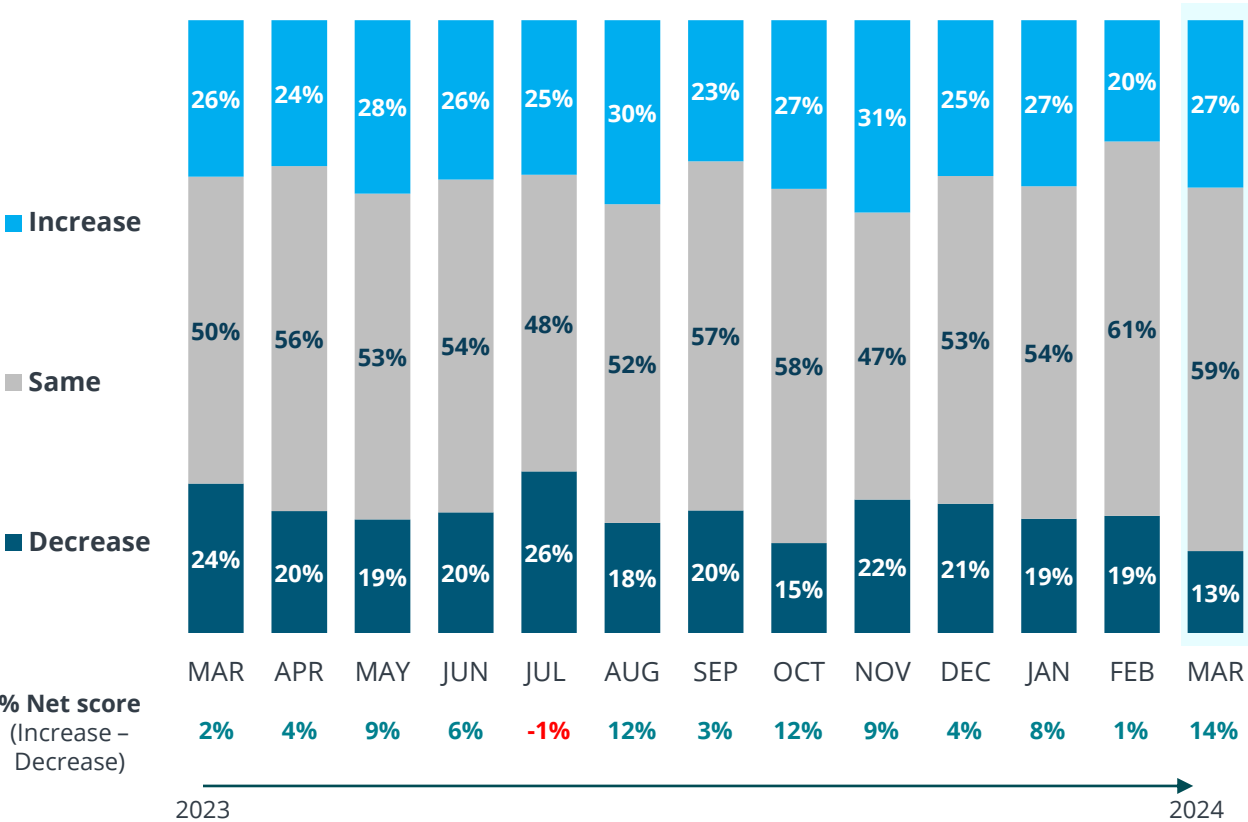
**Methodology &  
Sample**

# Business Investment | Next Three Months

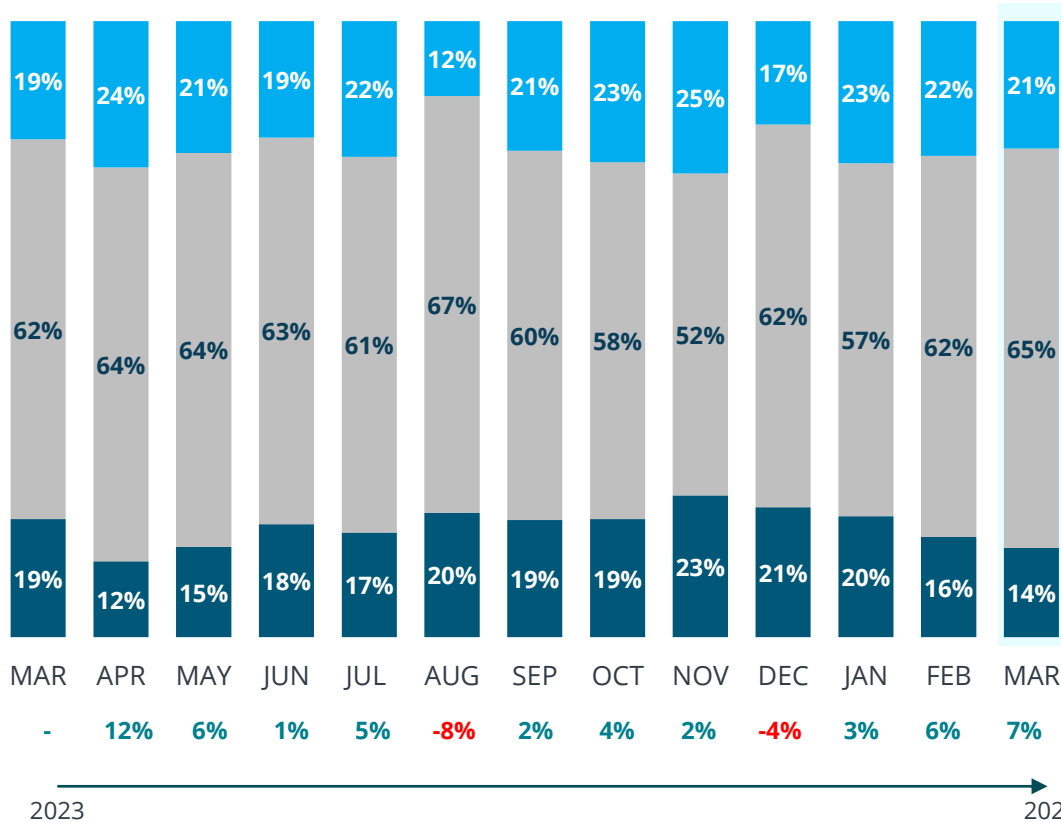
Despite ongoing caution, SMEs are maintaining their investment in capital equipment, a trend anticipated to continue as they seek to capitalise on tax concessions available before the financial year ends. This strategy illustrates a careful balance between managing costs and seizing opportunities to drive business growth.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

### BUSINESS SPENDING/ CAPITAL INVESTMENT

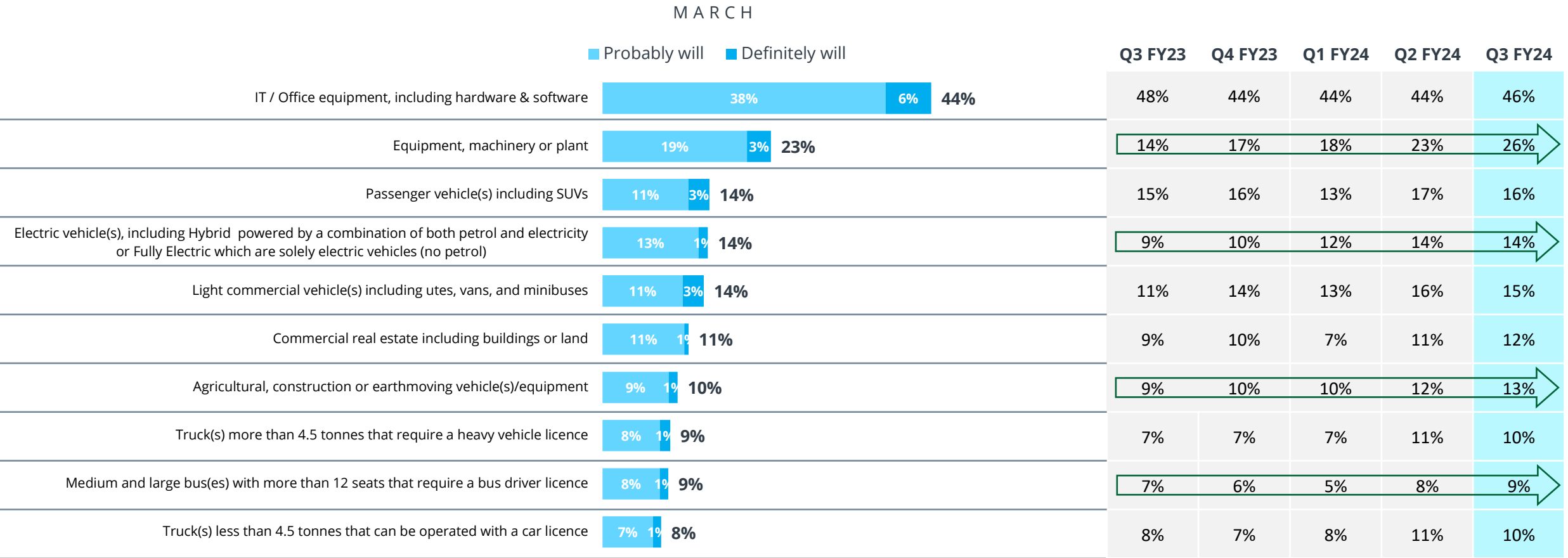


### MARKETING SPEND



Ongoing upward momentum in investment across various categories over the past 12 months, including electric vehicles. This trend also underscores the significant impact of government incentives on promoting sustainability initiatives.

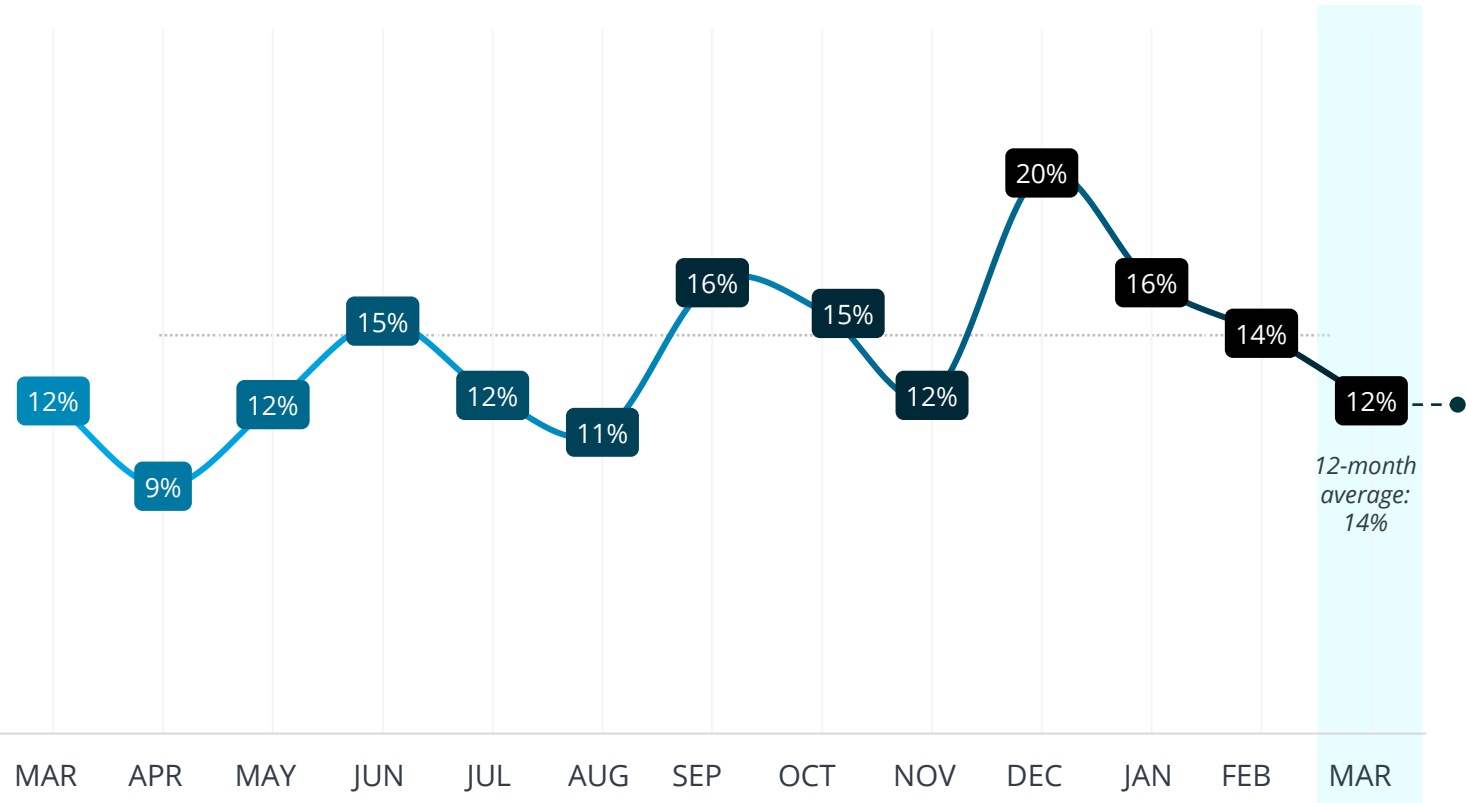
WHICH OF THE FOLLOWING WILL YOU PURCHASE FOR YOUR BUSINESS OVER THE NEXT 3 MONTHS?



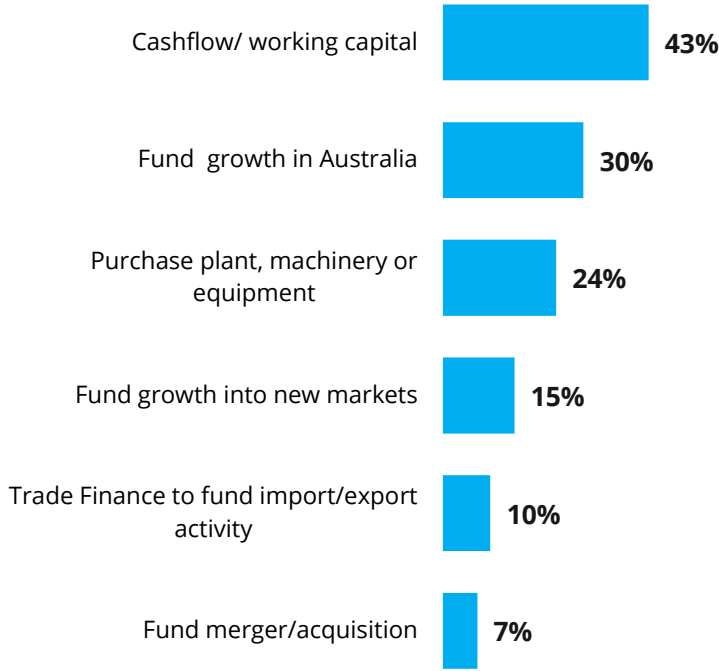
# Business Investment | Finance Needs (Next 3 months)

The demand for additional finance over the next three months is on a downward trend, indicating that most SMEs plan to utilise cash flow and existing financial facilities to meet their investment needs as the end of the financial year approaches. This approach reflects a preference to minimise debt exposure while interest rates remain on hold.

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



## AND WHAT IS THE PURPOSE OF THIS FINANCE?





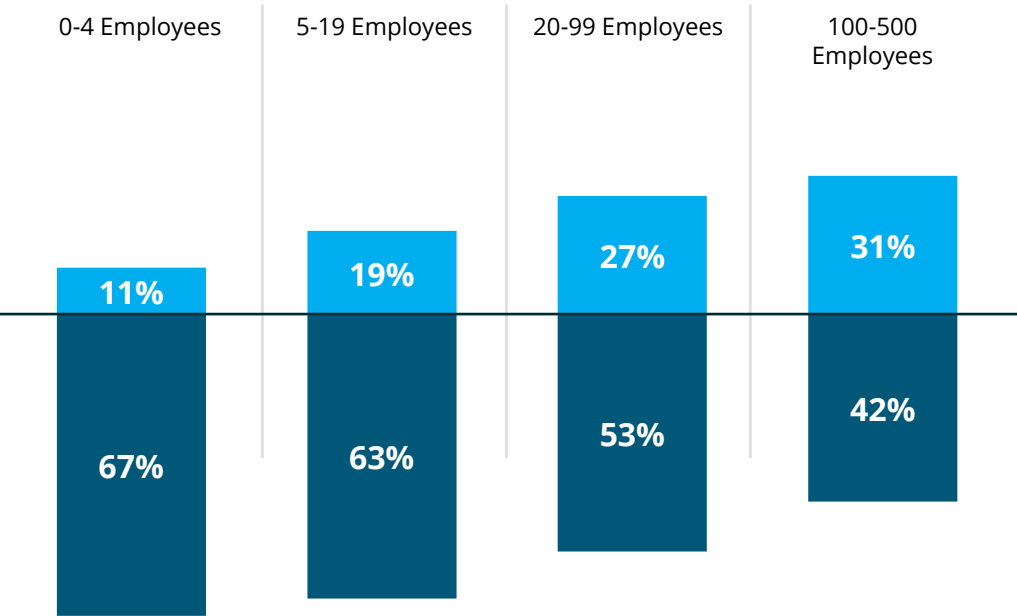
# Business Investment | Finance Needs (Next 3 months)

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

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

3 - MONTH ROLLING AVERAGE

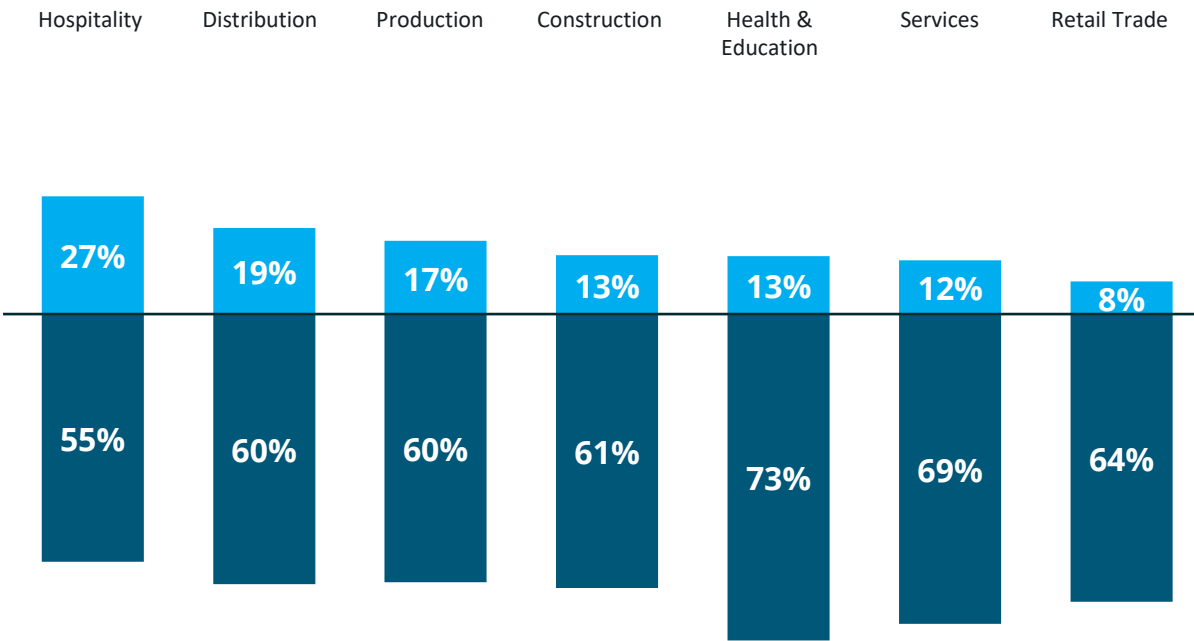
Yes No



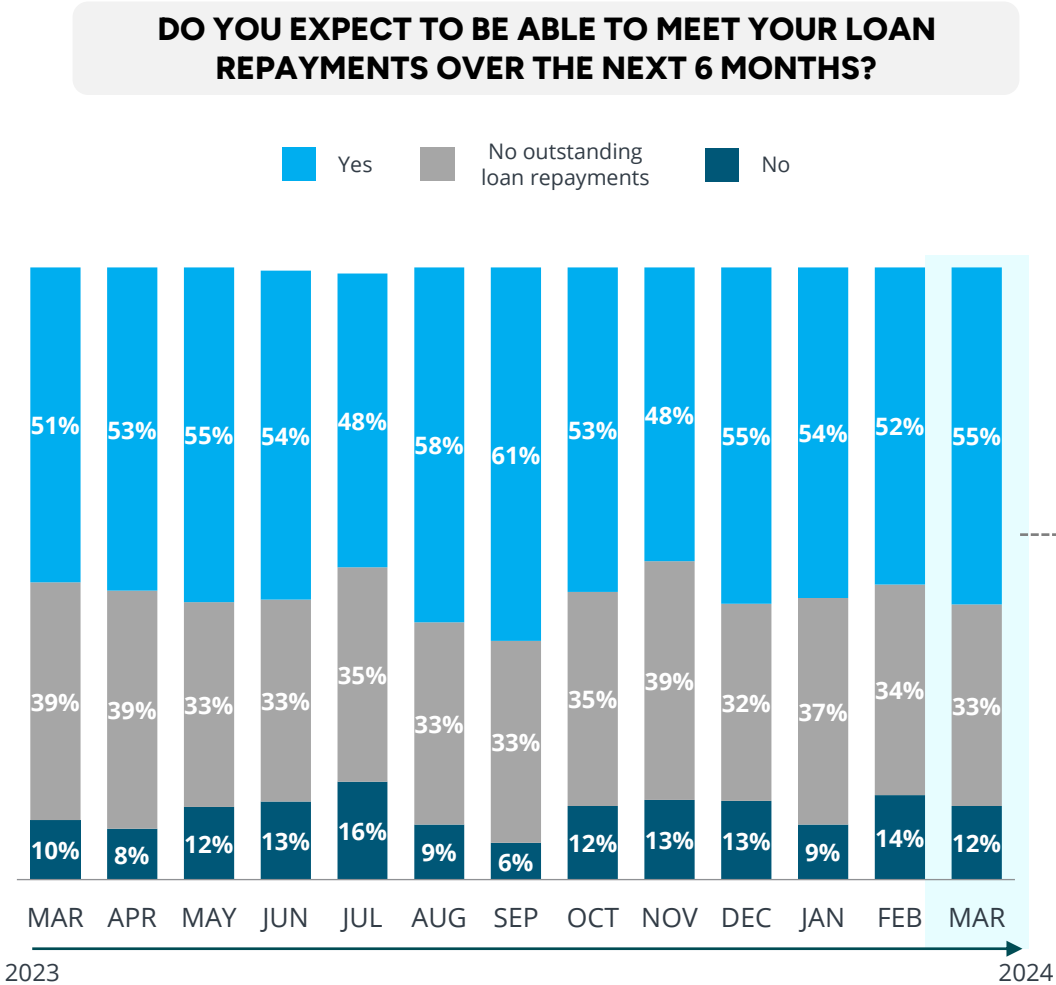
## DEMAND FOR FINANCE BY INDUSTRY

3 - MONTH ROLLING AVERAGE

Yes No

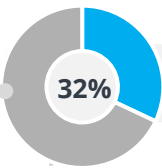
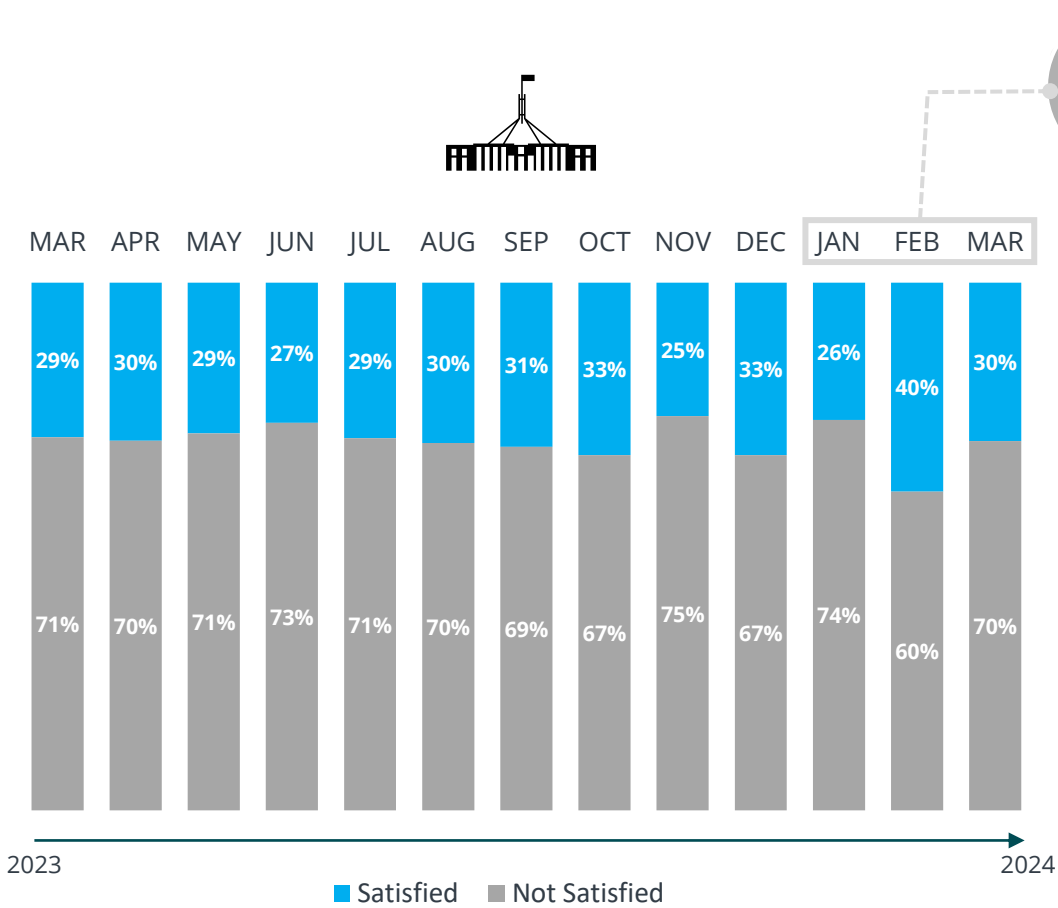


Confidence in the ability to meet loan repayments remains steady despite revenue and profitability trending lower this month.

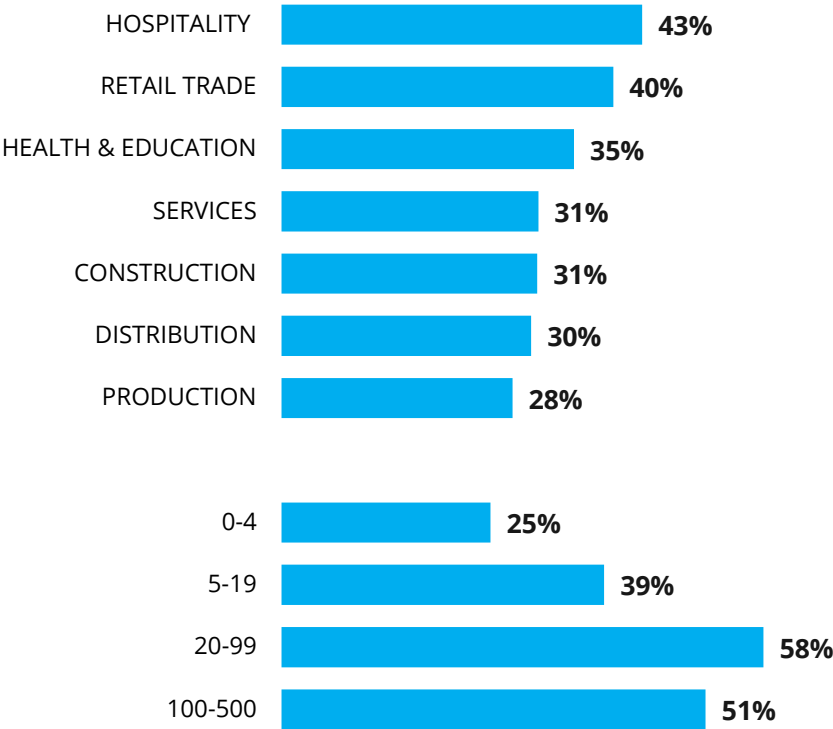


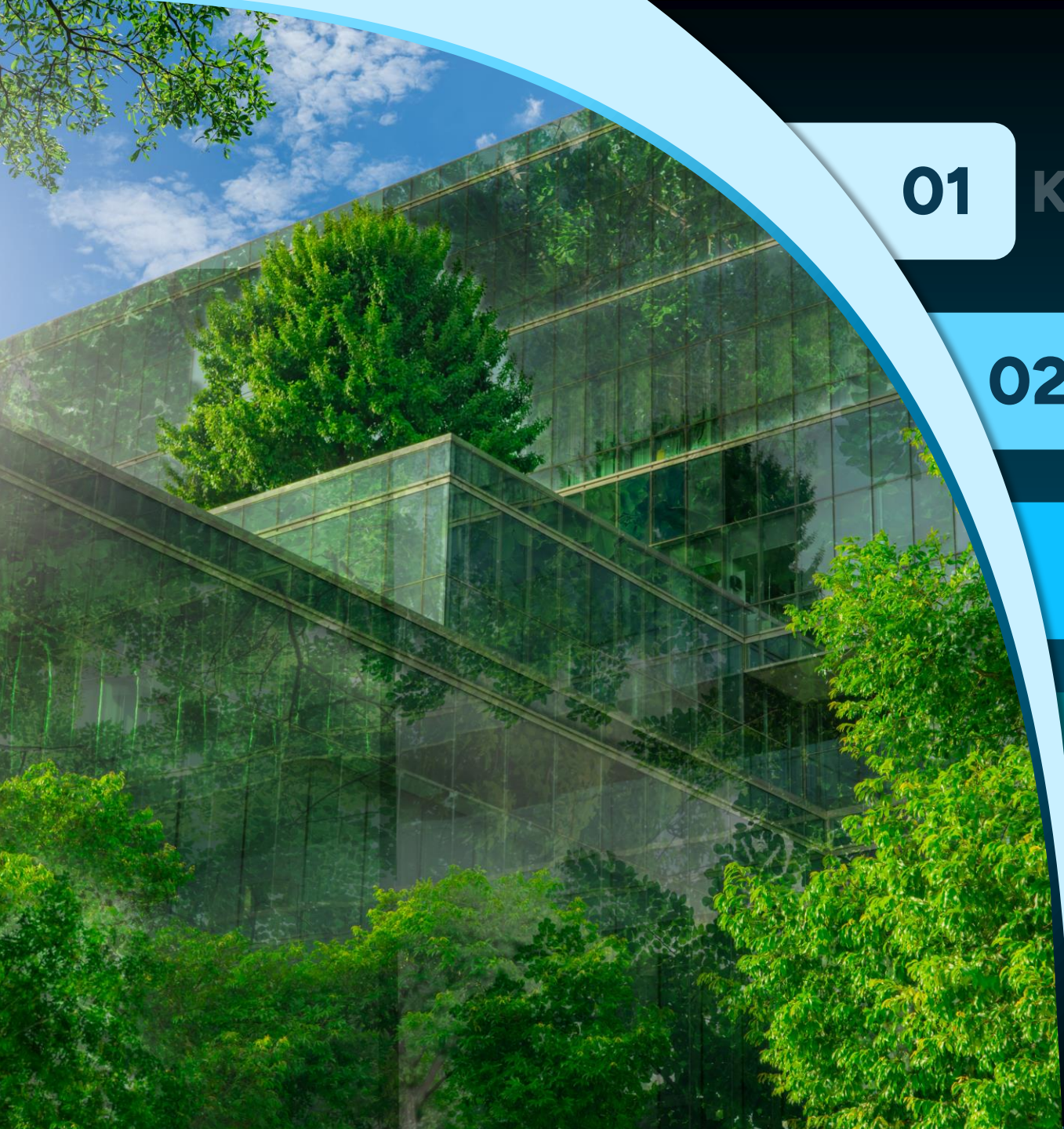
February saw satisfaction with the Federal Labor Government reach its highest level in the last 12 months, but this quickly reversed in March probably a reflection of sticky interest rates, stubborn inflation and further increases to the minimum wage impacting SME across all KPI's.

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



3-Month Rolling Average





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**Methodology &  
Sample**

The SME Tracker was first launched  
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



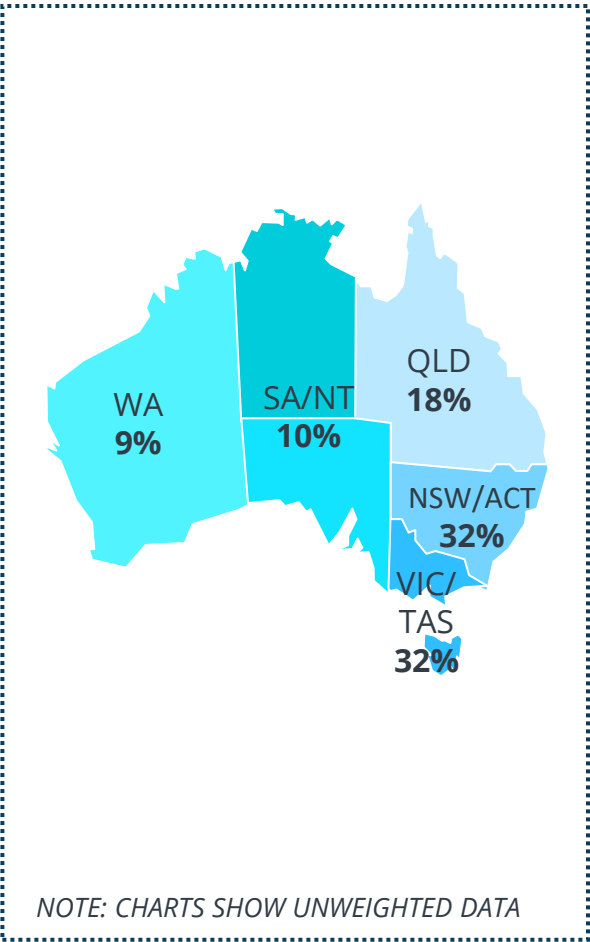
Data is **weighted** by industry, state and  
number of employees to reflect the  
national distribution of businesses across  
the country



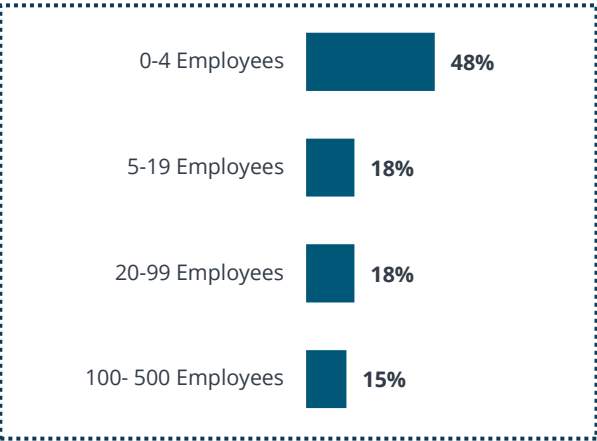
# Our Sample

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.

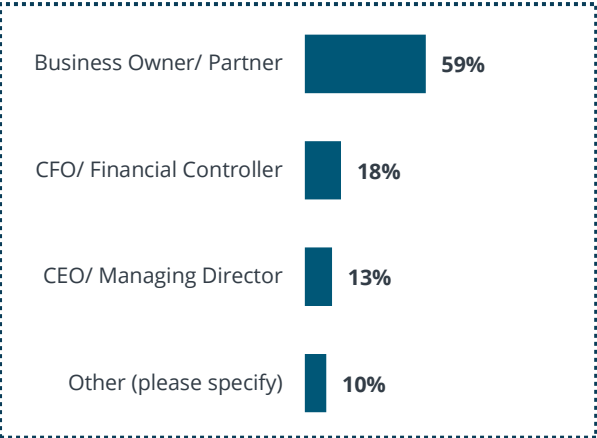
## HEAD OFFICE LOCATION



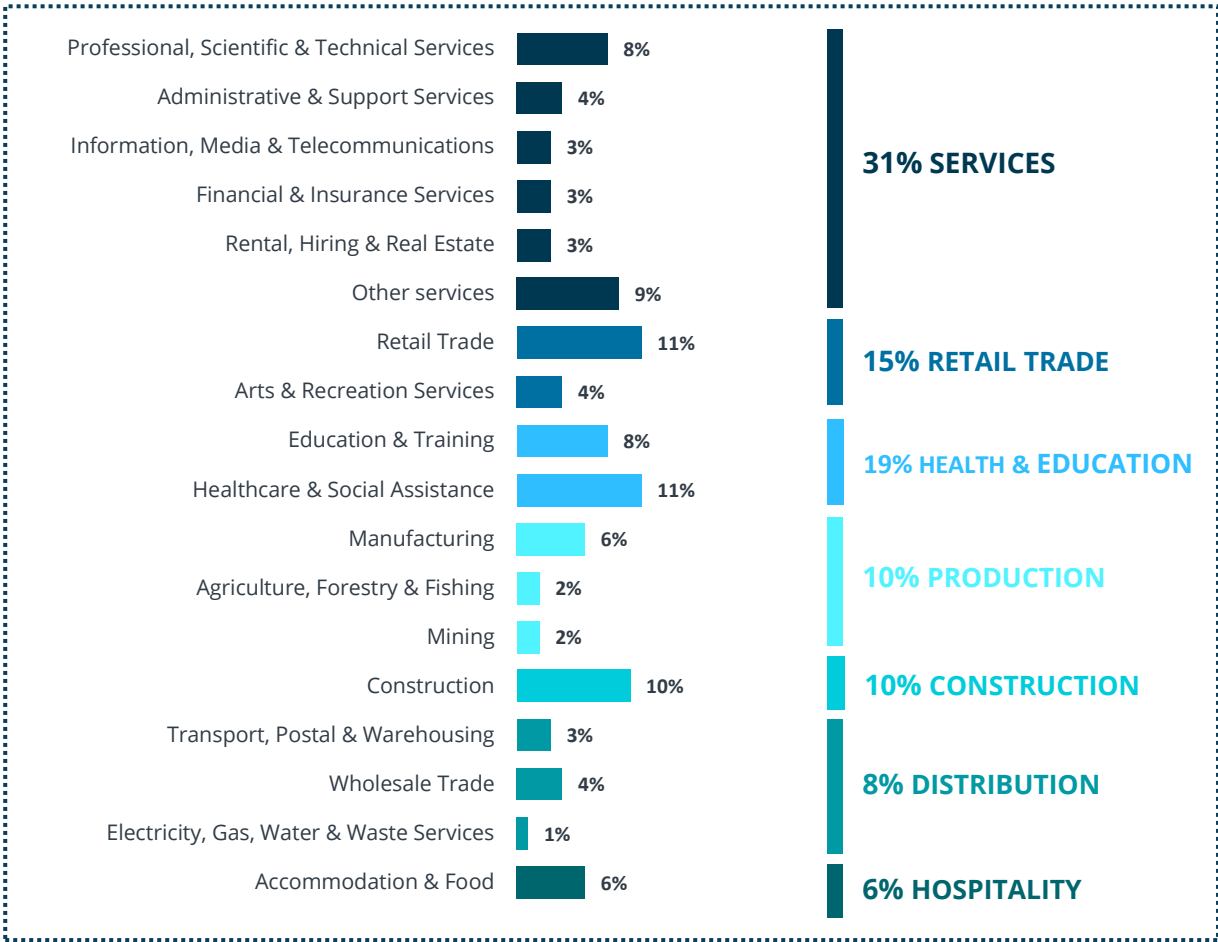
## SIZE OF BUSINESS: EMPLOYEES



## POSITION IN BUSINESS



## INDUSTRY SECTOR



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# Thank You

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