



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 62 – April 2024



fifth
quadrant

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.





34% reported weaker revenue, but 59% of SMEs were profitable.



35% are concentrating on growth compared to 37% a month earlier.



Only 17% actively recruiting compared to 30% in December.



48% expect domestic economic conditions to weaken over the next 3 months.

SMEs In Holding Pattern Amid Interest Rate Speculation

The latest findings from the Fifth Quadrant SME Sentiment Tracker reveal a slight weakening in year-on-year revenue, with 34% of SMEs reporting a decline compared to 29% in February. Despite this decline, 59% of SMEs reported a profit which is notably higher than reported last month, but in line with the data reported in April 2023. This stronger profitability data has been achieved by 74% of SMEs successfully passing on higher input costs to customers in April.

After a strong start to 2024, expectations concerning economic conditions, both domestically and internationally, are continuing to weaken, with persistent inflationary pressures delaying any immediate relief in interest rates. Consequently, growth expectations continue to trend slightly lower, with 35% concentrating on growth over the next 12 months compared to 44% reported in February.

Expectations regarding employee growth are also diminishing, with only 10% anticipating an increase in staff over the next three months. Consequently, the downward trend in recruitment activity persists, with only 17% of SMEs actively seeking to fill positions in April compared to 30% in December 2023.

With mounting concerns about interest rates, expectations regarding capital investment and marketing spend have once again retreated slightly. However, as we near the end of the financial year, purchasing intentions for passenger, light and heavy vehicles remain buoyant and therefore demand for additional finance has rebounded, with 18% of SMEs requiring additional funds over the next 3 months. SMEs with 20-99 employees are driving the highest demand for additional finance.

In summary, sentiment remains highly correlated with stubborn inflation and the potential for further rate hikes. Despite, heightened profitability, caution remains highly prevalent and hence many SMEs are in a holding pattern in relation to staff numbers, capital investment and marketing spend. However, the demand for finance has rebounded in line with growing demand for vehicles and equipment before the end of the financial year.



01 Key Performance Indicators

02 People

03 Business Sentiment

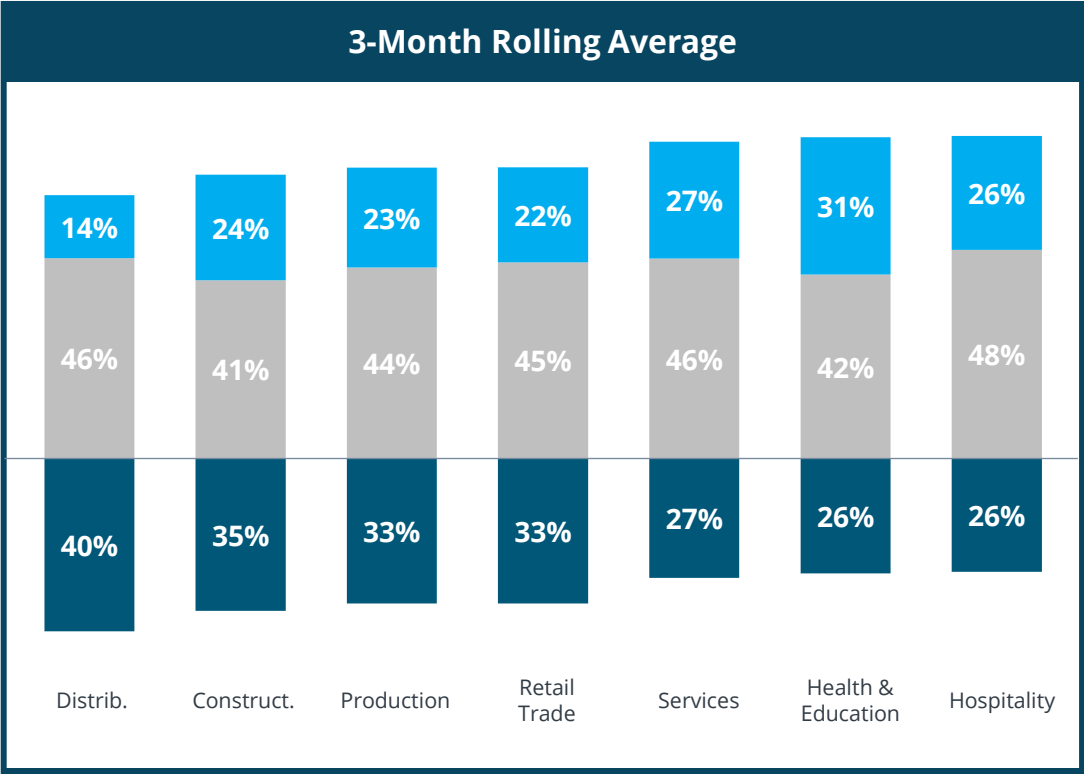
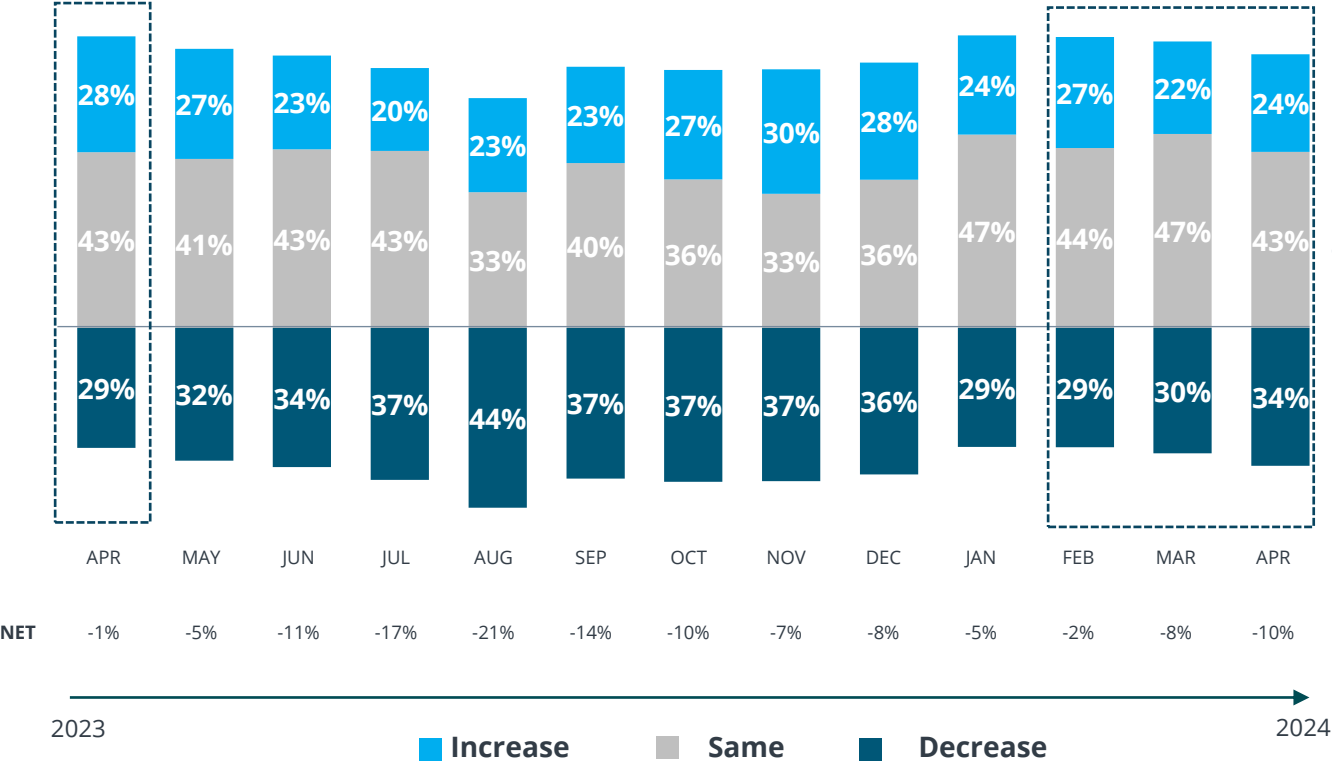
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

In the past two months, there has been a slight weakening in year-on-year revenue, with 34% of small and medium-sized enterprises (SMEs) reporting a decline compared to 24% experiencing an increase in turnover.

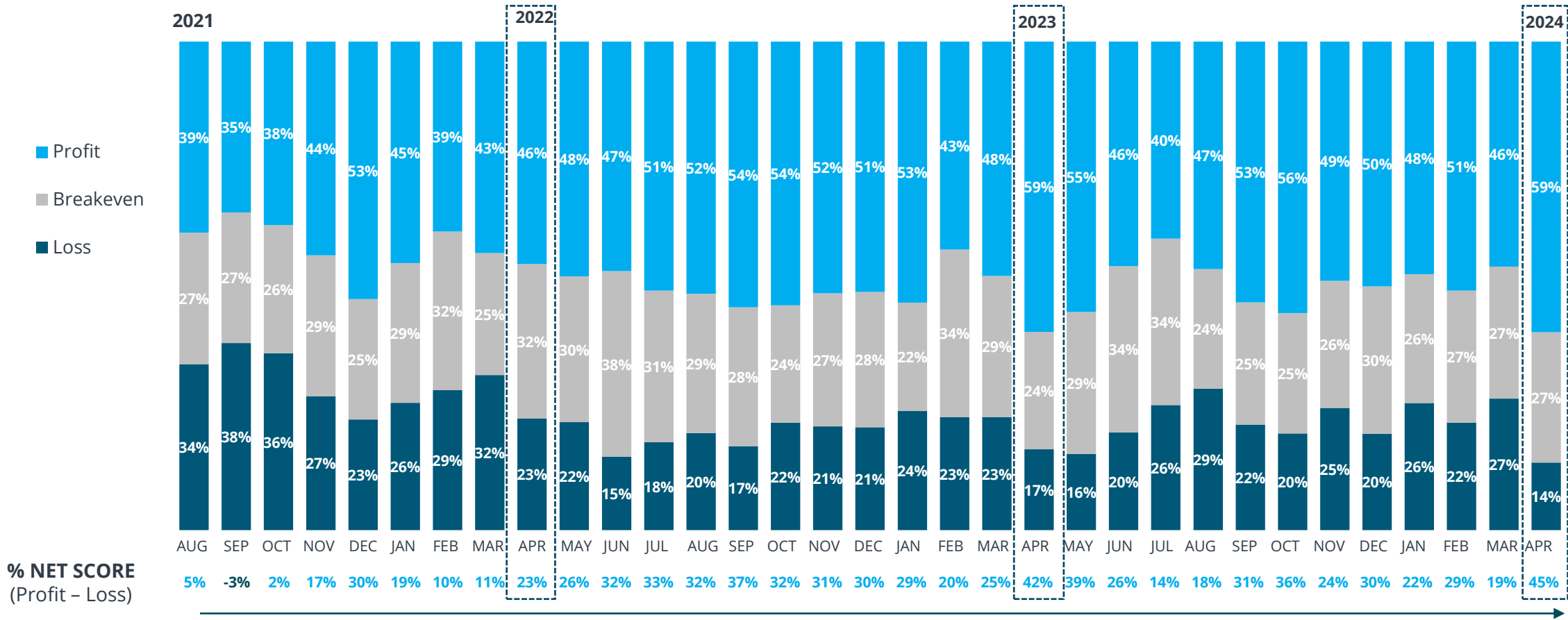
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

Despite the slight decline in revenue, profitability remained robust, with 59% of SMEs reporting a profit last month, compared to 46% the previous month. Notably, this profitability aligns with the data reported in April 2023.

WHAT WAS YOUR PROFIT MARGIN LAST MONTH



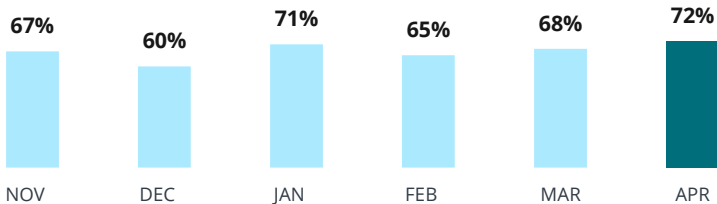
Key Performance Indicators | Business Concerns

While worries about energy costs (79%) persist, concerns regarding increasing interest rates (76%) and wage costs (72%) are on an upward trend.

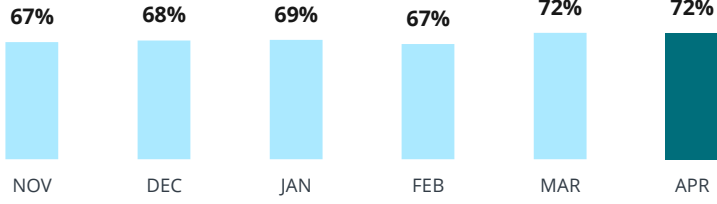
HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



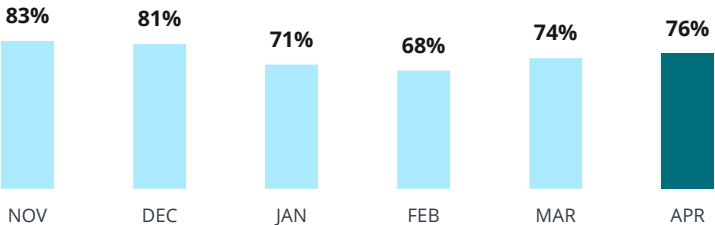
Wage costs



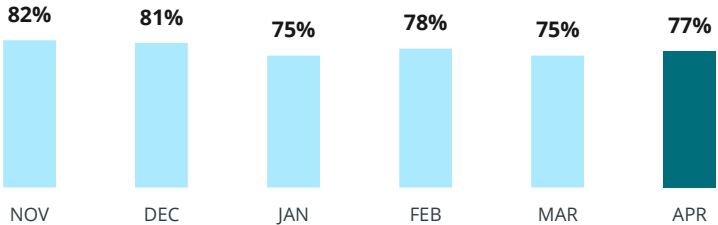
Cost of raw materials



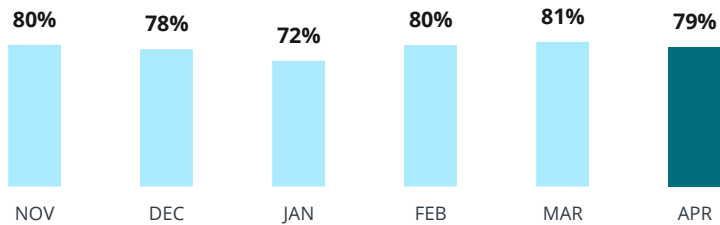
Rising interest rates / cost of credit



Fuel costs



Energy costs

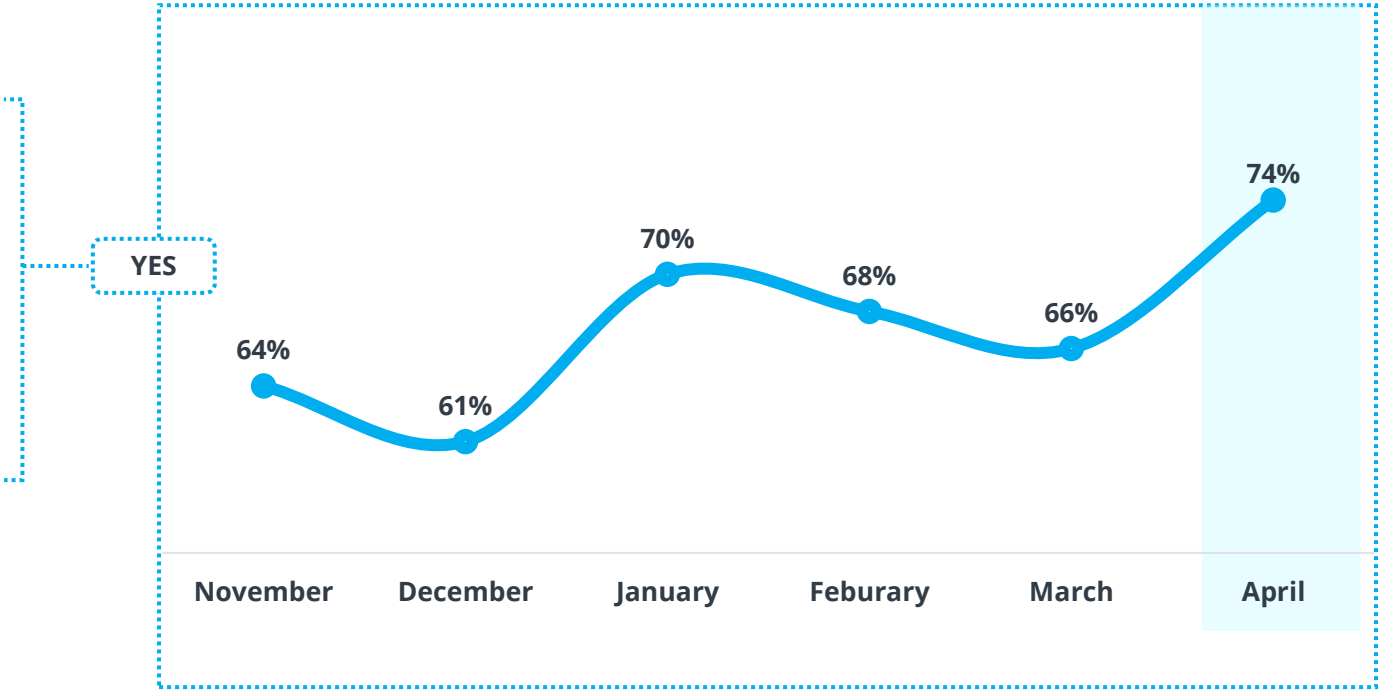
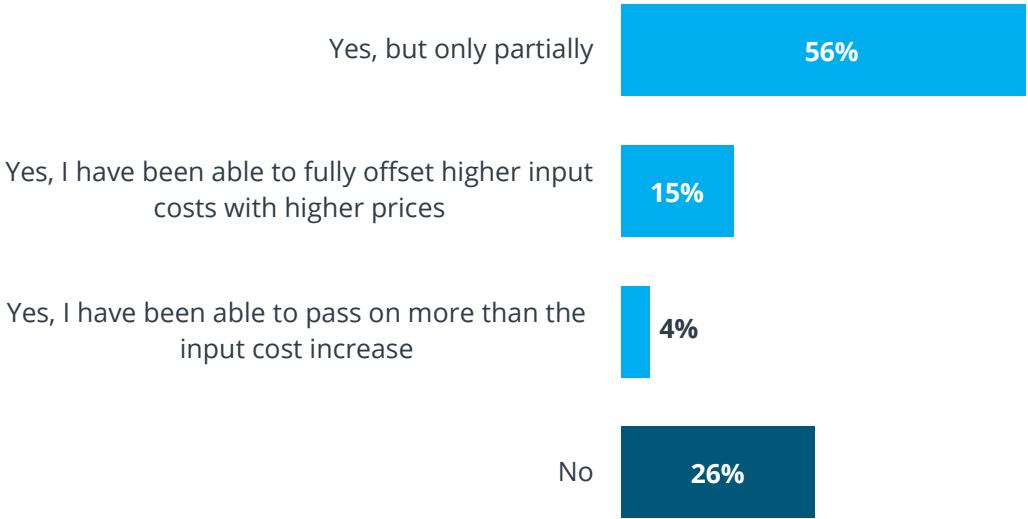


Total concerned

During April, 74% of SMEs successfully passed on higher input costs to customers, contributing to the stronger profitability data reported.

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

APRIL





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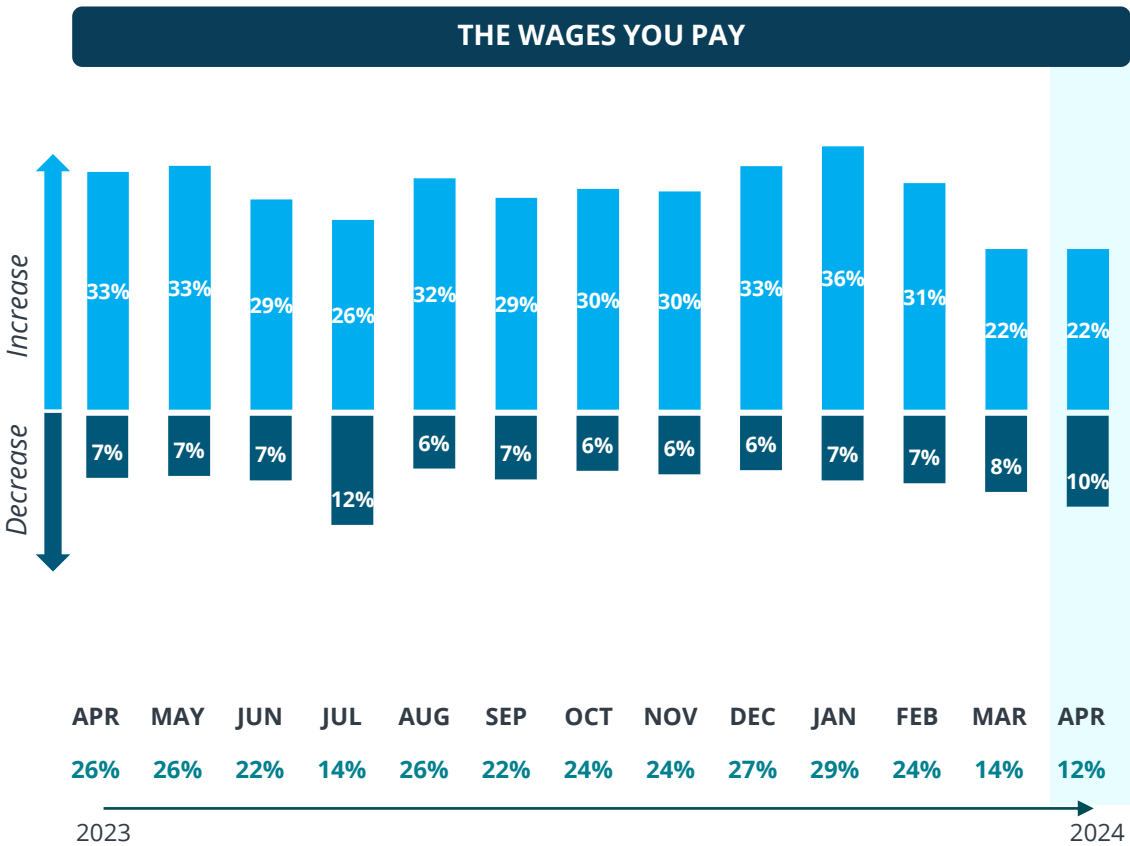
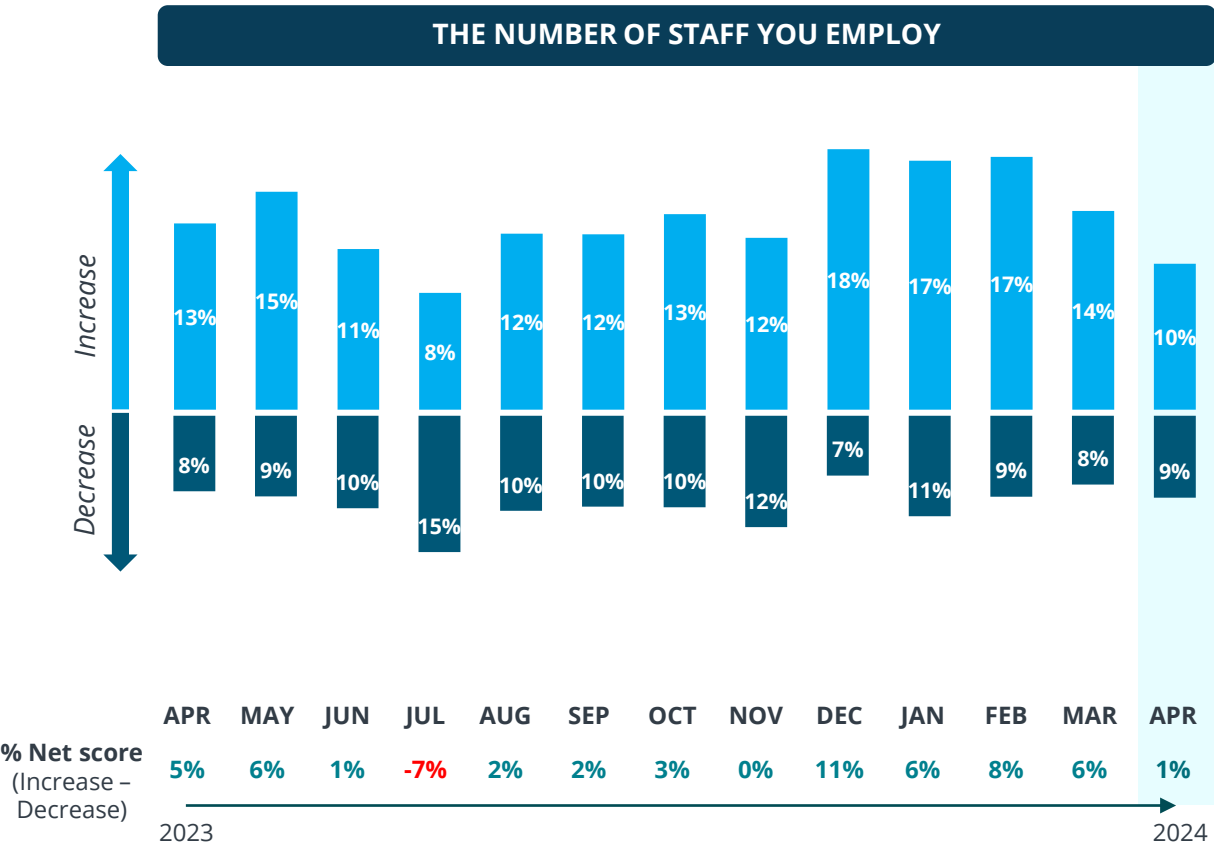
05

Methodology &
Sample

Key Performance Indicators | People

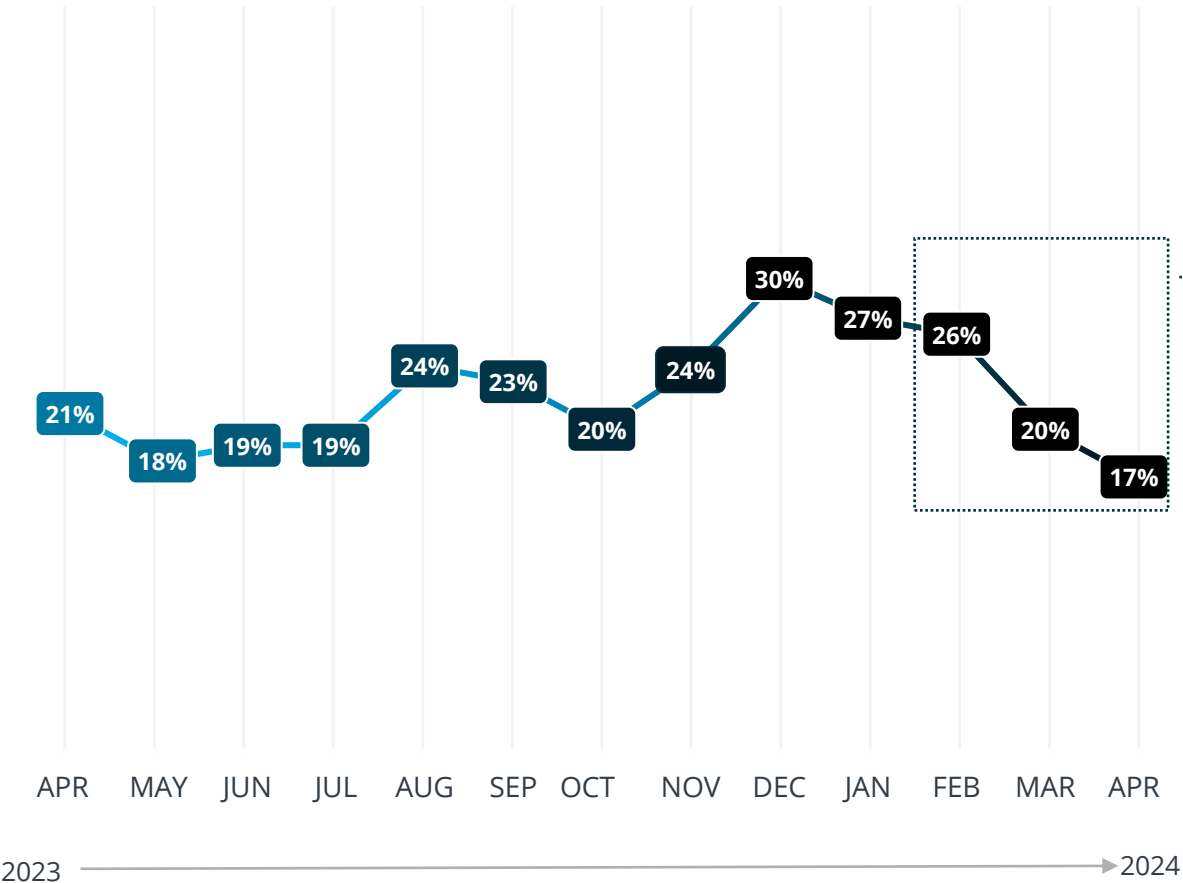
Expectations for employee growth are diminishing, with only 10% anticipating an increase in staff over the next three months. Consequently, wage growth is unlikely to grow significantly during this period, despite the concerns expressed in previous data.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

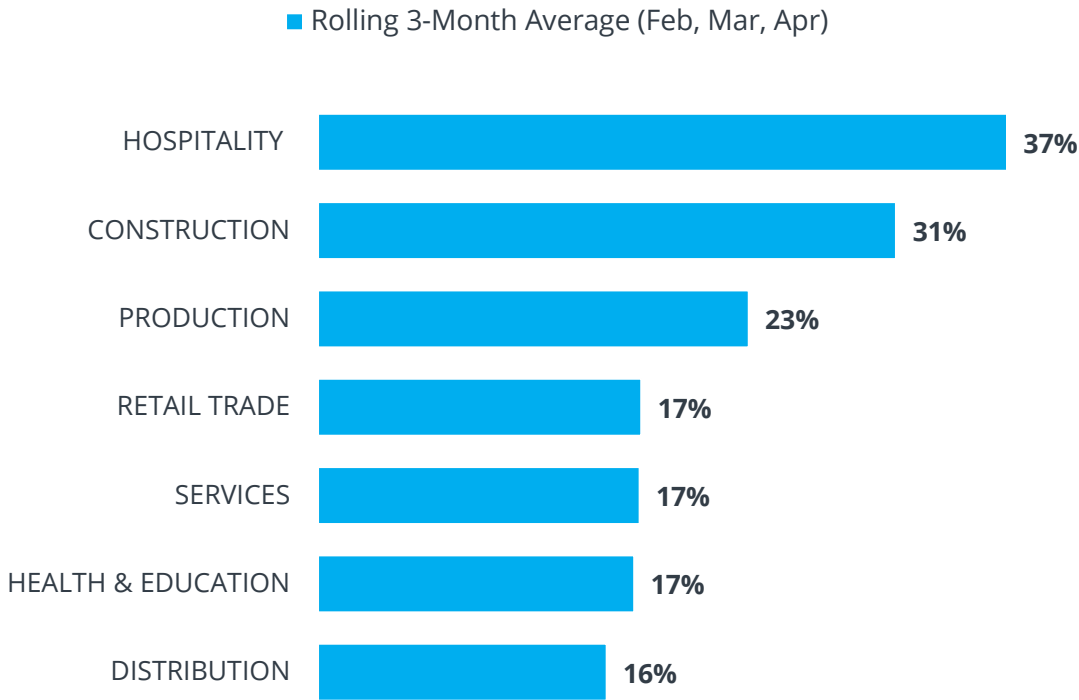


Consequently, the downward trend in recruitment activity persists, with only 17% of SMEs actively seeking to fill positions in April compared to 30% in December 2023.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL



CURRENT JOB VACCANCIES BY INDUSTRY

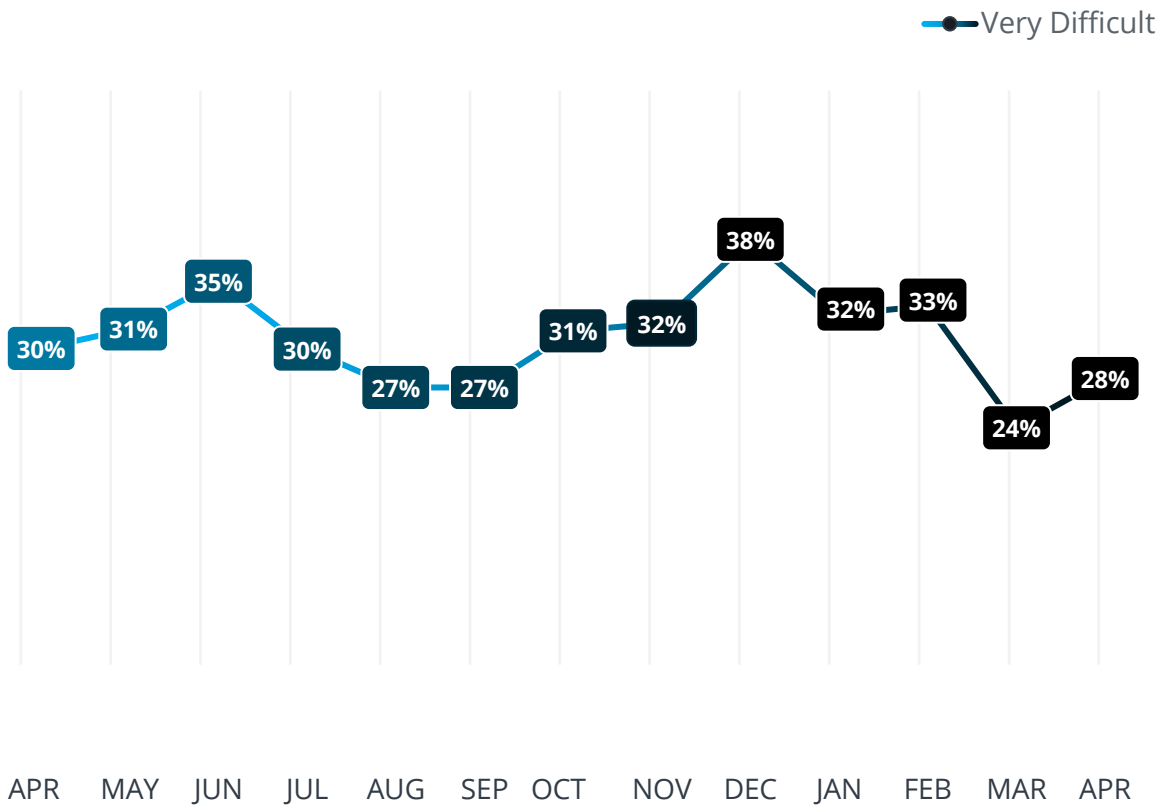


Key Performance Indicators | People

Despite the ongoing challenges in recruitment faced by 28% of businesses actively seeking employees, this figure remains lower than the long-term average. If recruitment activity remains subdued, it is anticipated that the difficulty in finding suitable candidates may decrease further.

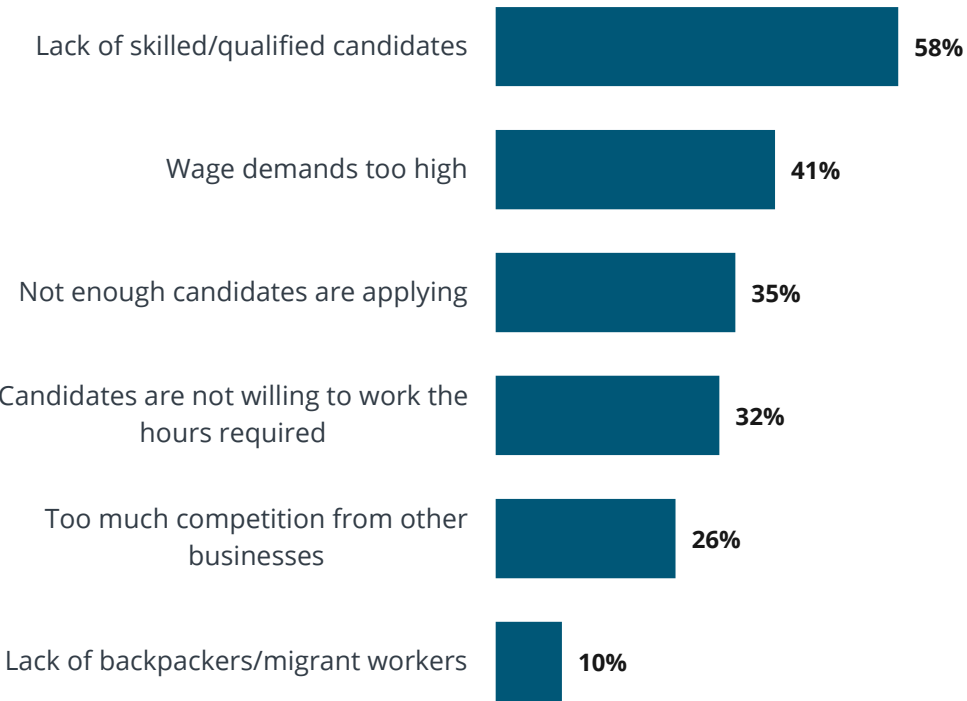
HOW DIFFICULT IS IT TO FILL THESE ROLES?

Data displayed as a 3-month rolling average



WHY IS IT DIFFICULT TO FILL THESE ROLES?

April 3-Month Rolling Average





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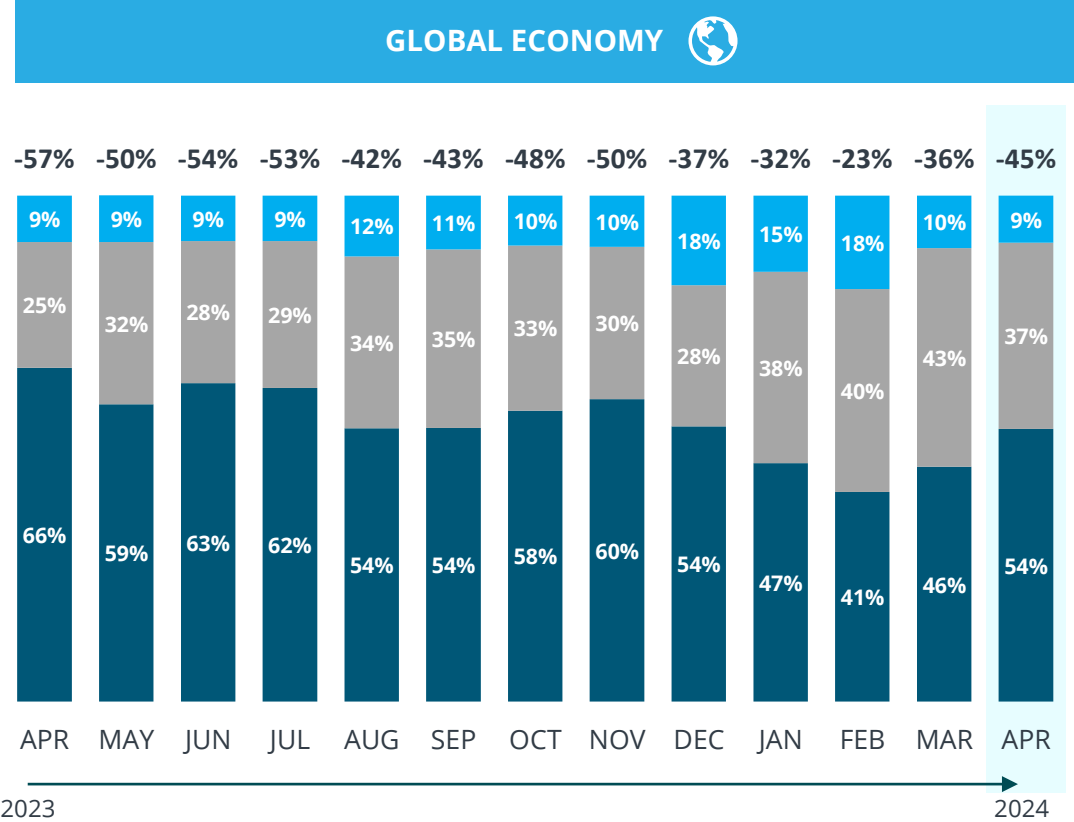
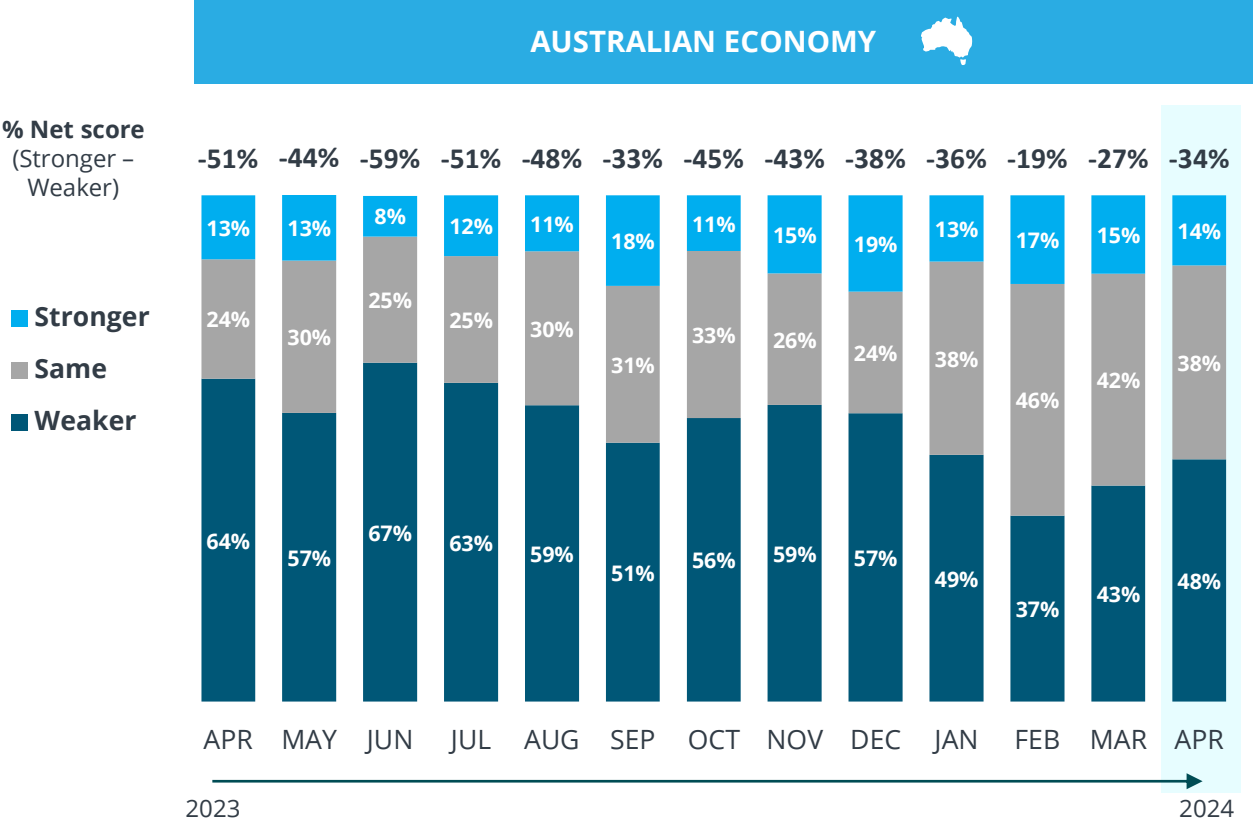
05

Methodology &
Sample

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

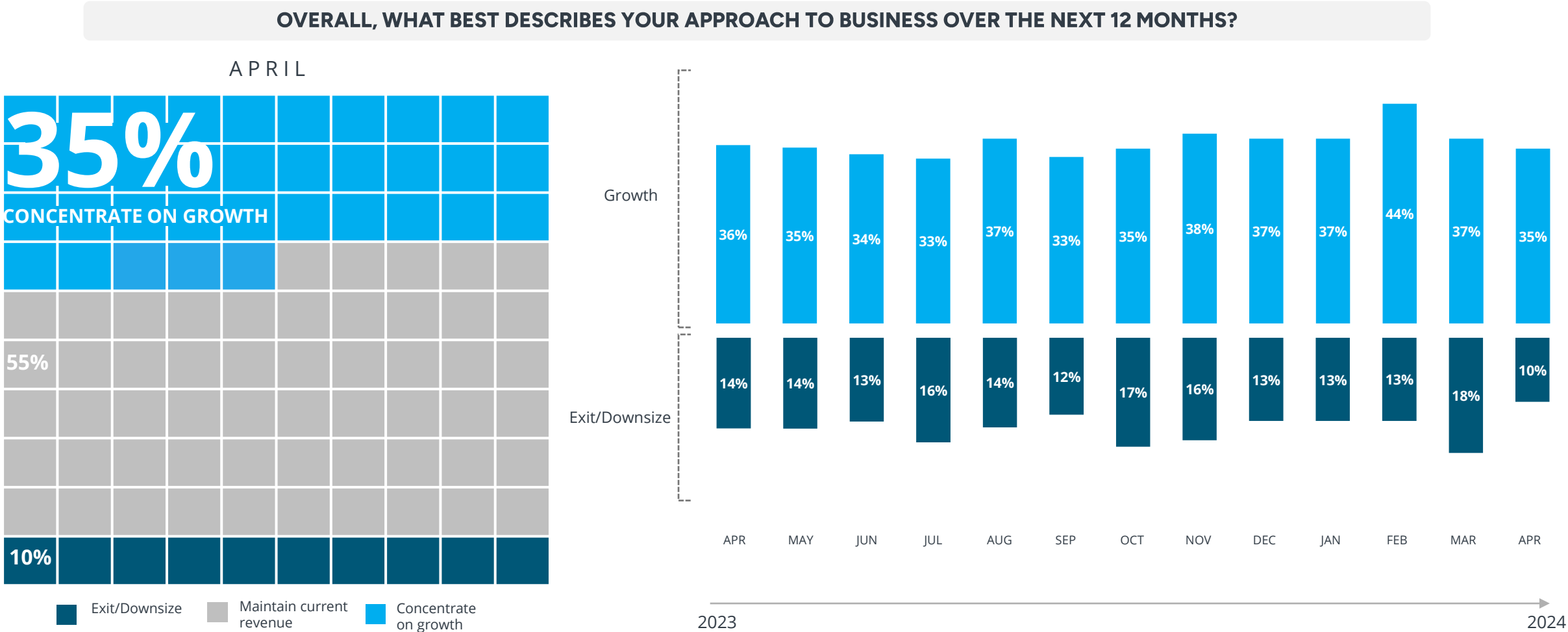
After a strong start to 2024, expectations concerning economic conditions, both domestically and internationally, are continuing to weaken, with persistent inflationary pressures delaying any immediate relief in interest rates.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



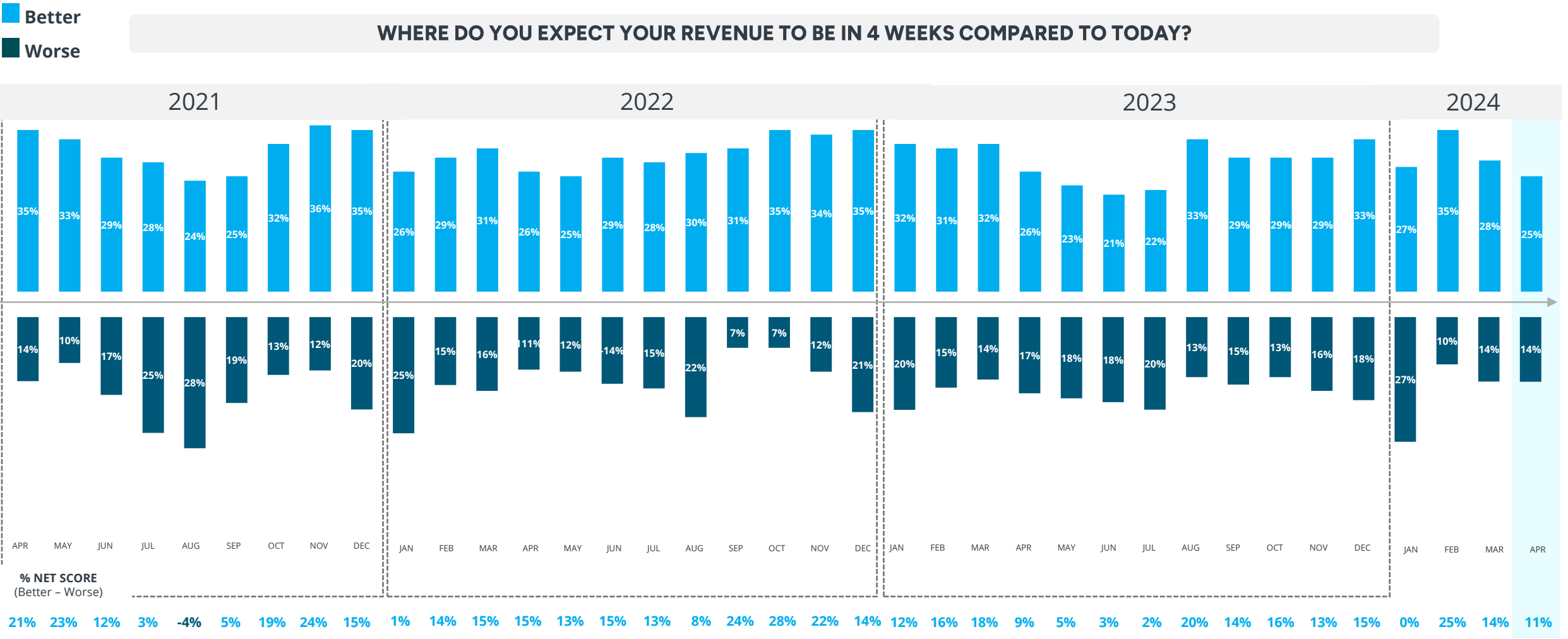
Business Sentiment | Growth Expectations (Next 12 months)

Consequently, growth expectations continue to trend slightly lower, with 35% concentrating on growth over the next 12 months compared to 44% reported in February.



Business Sentiment | Revenue Expectations (Next 4 weeks)

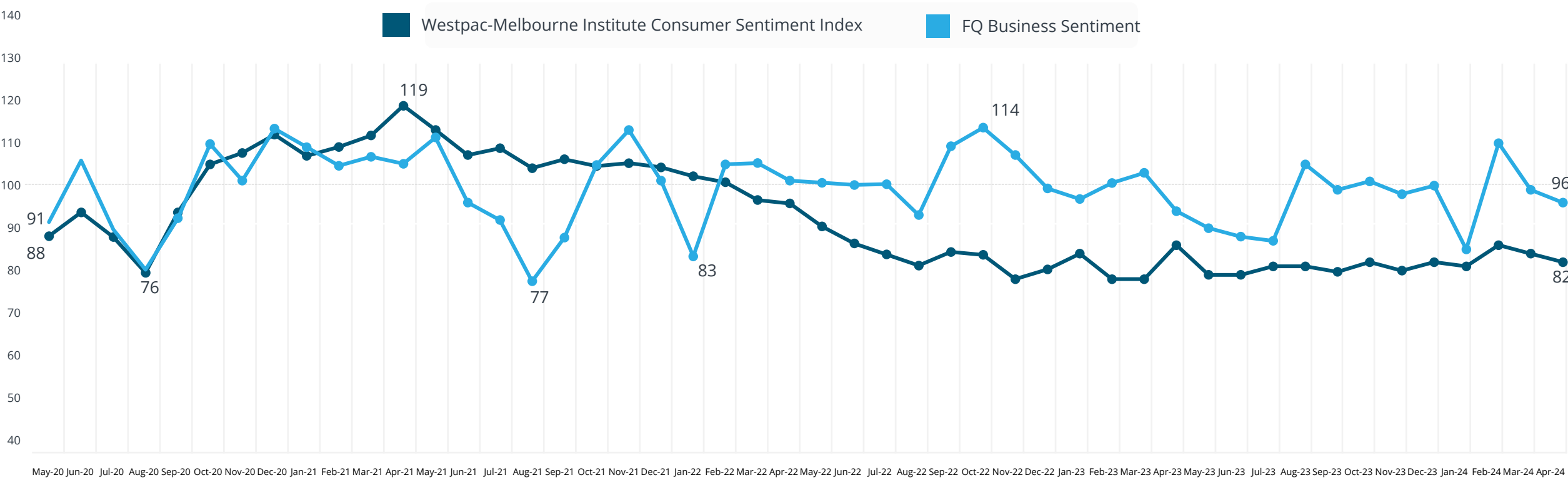
In line with weaker sentiment and growth expectations, only 25% of SMEs expect an increase in revenue over the next 4 weeks.



Business Sentiment | Sentiment 2020-2023

The Fifth Quadrant Business Sentiment Index has dropped to 96 but remains well above consumer sentiment.

BUSINESS AND CONSUMER SENTIMENT





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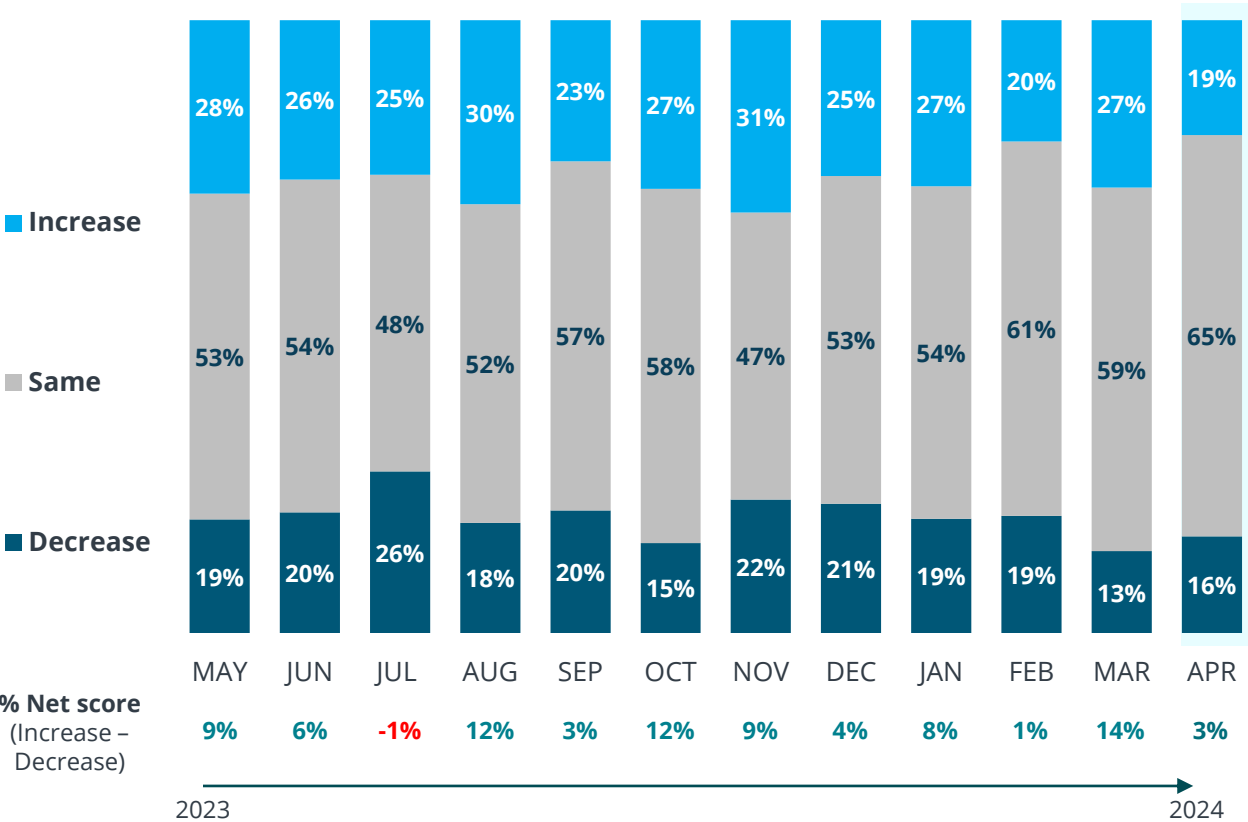
**Methodology &
Sample**

Business Investment | Next Three Months

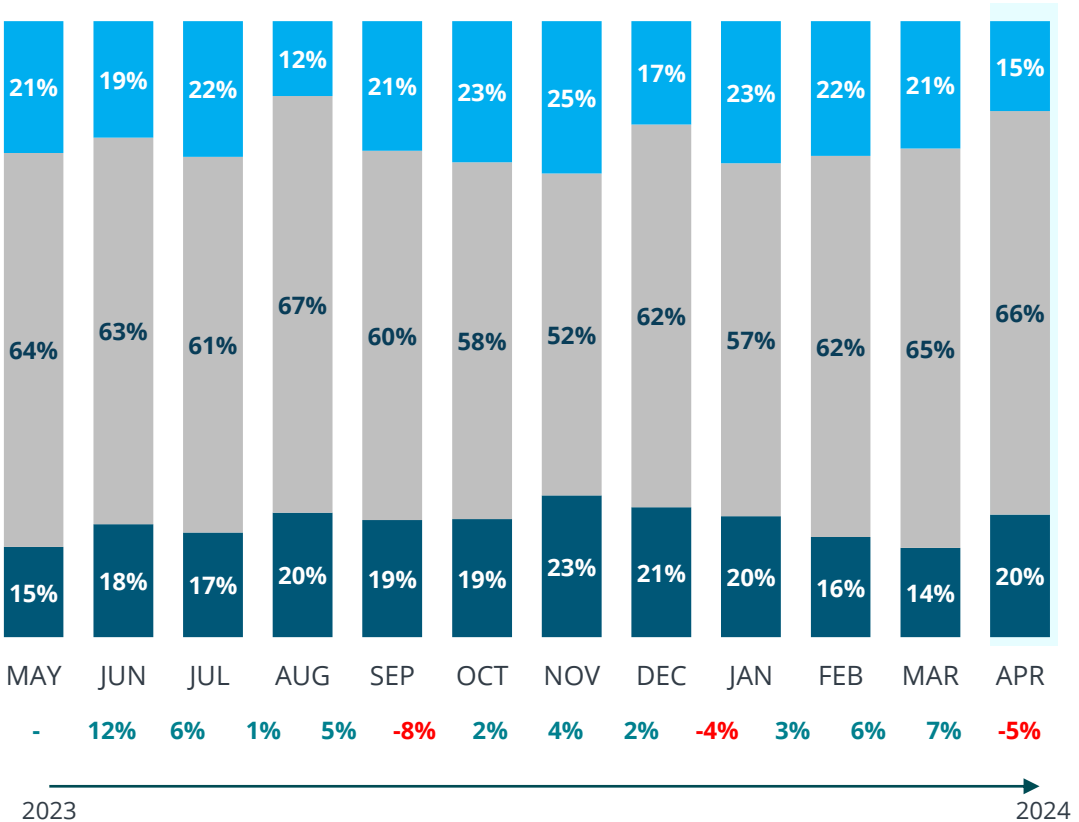
With mounting concerns about interest rates, expectations regarding capital investment and marketing spend have once again retreated slightly. However, most SMEs continue to invest in future growth without reducing budgets.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

BUSINESS SPENDING/ CAPITAL INVESTMENT



MARKETING SPEND



Consequently, as we near the end of the financial year, purchasing intentions are on the rise, especially in the vehicle categories.

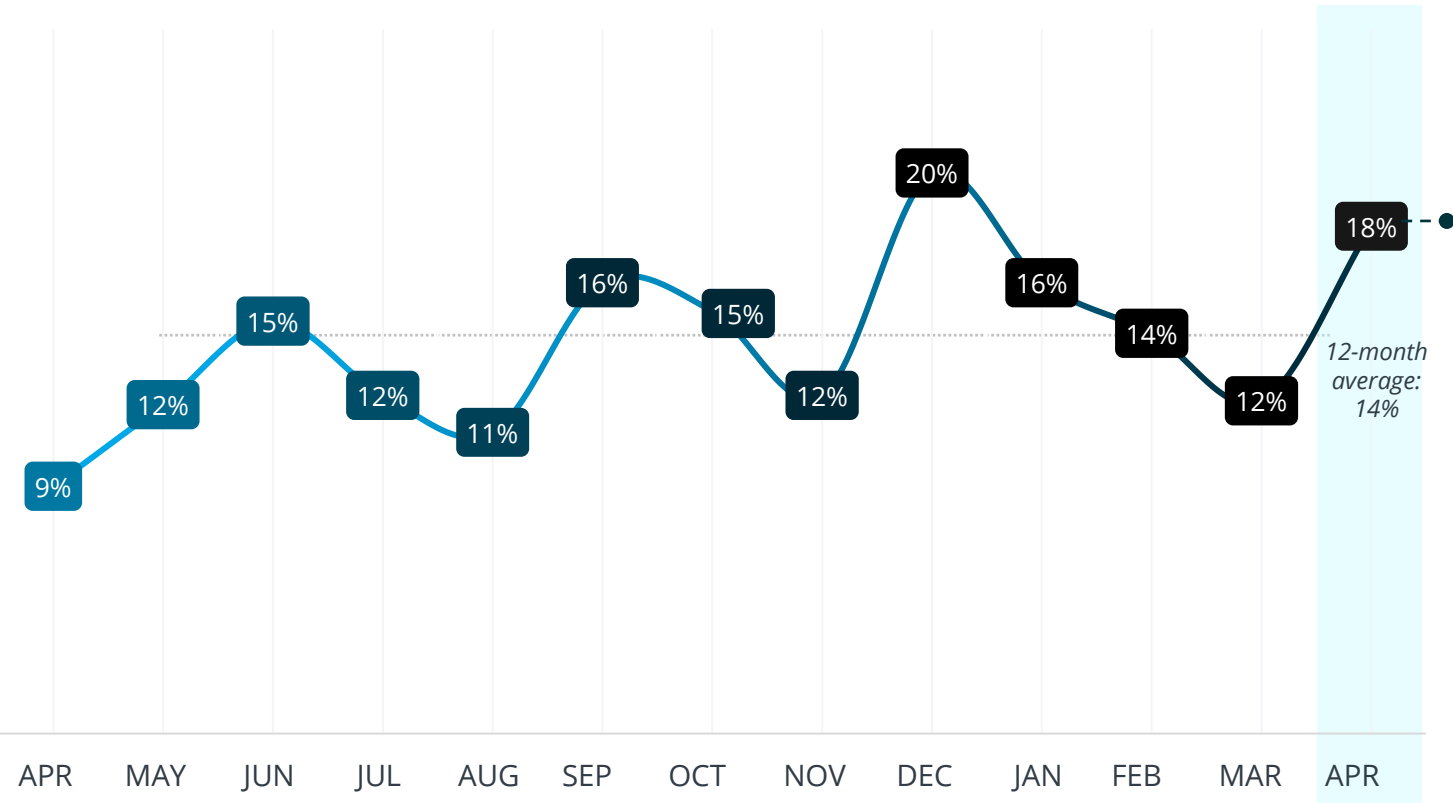
WHICH OF THE FOLLOWING WILL YOU PURCHASE FOR YOUR BUSINESS OVER THE NEXT 3 MONTHS?

A P R I L					Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	APRIL FY24
■ Probably will ■ Definitely will									
IT / Office equipment, including hardware & software	40%	7%	47%		44%	44%	44%	46%	47%
Equipment, machinery or plant	17%	4%	21%		17%	18%	23%	26%	21%
Passenger vehicle(s) including SUVs	17%	3%	20%		16%	13%	17%	16%	20%
Light commercial vehicle(s) including utes, vans, and minibuses	18%	2%	20%		14%	13%	16%	15%	20%
Electric vehicle(s), including Hybrid powered by a combination of both petrol and electricity or Fully Electric which are solely electric vehicles (no petrol)	13%	3%	15%		10%	12%	14%	14%	15%
Truck(s) less than 4.5 tonnes that can be operated with a car licence	10%	3%	13%		7%	8%	11%	10%	13%
Commercial real estate including buildings or land	10%	3%	13%		10%	7%	11%	12%	13%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	3%	12%		10%	10%	12%	13%	13%
Truck(s) more than 4.5 tonnes that require a heavy vehicle licence	9%	3%	12%		7%	7%	11%	10%	12%
Medium and large bus(es) with more than 12 seats that require a bus driver licence	8%	3%	11%		6%	5%	8%	9%	11%

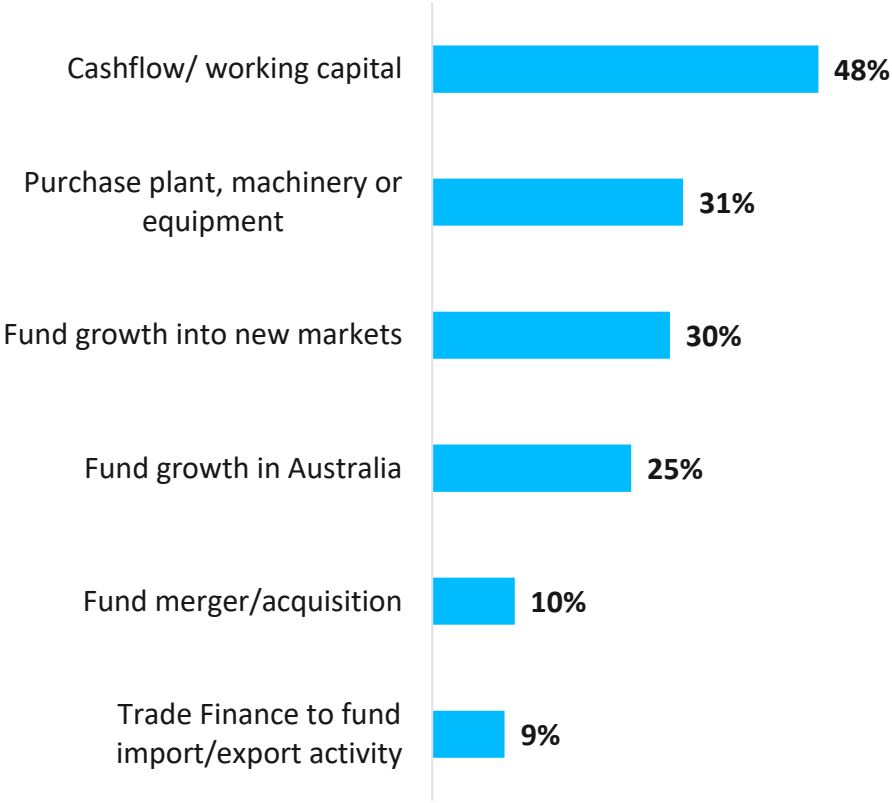
Business Investment | Finance Needs (Next 3 months)

Accordingly, demand for additional finance has rebounded, with 18% of SMEs requiring funds to support cash flow, equipment purchases, and facilitate growth over the next 3 months.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



AND WHAT IS THE PURPOSE OF THIS FINANCE?



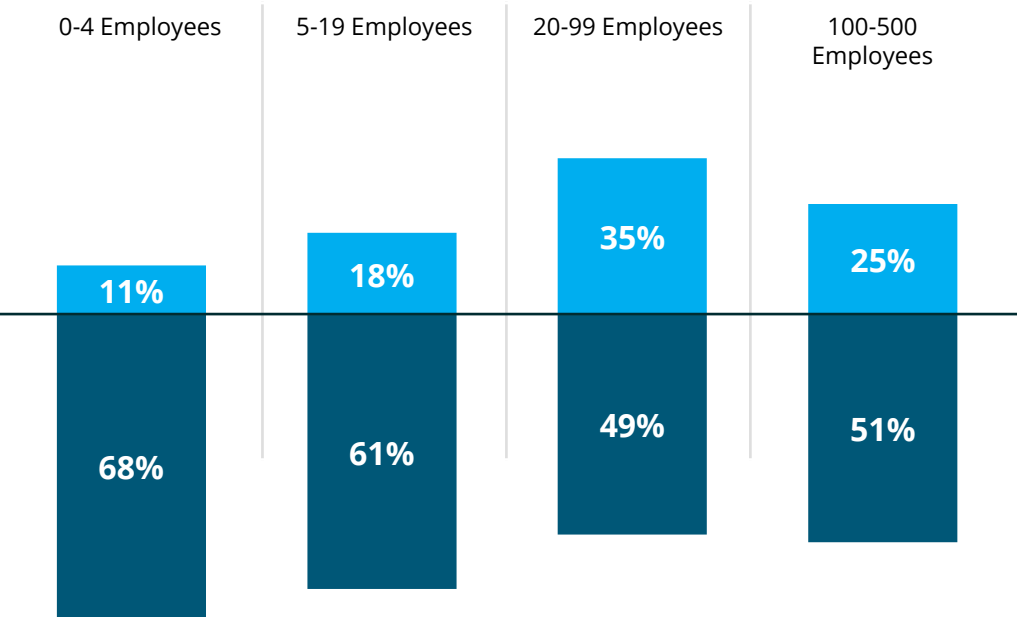
Business Investment | Finance Needs (Next 3 months)

SMEs with 20-99 employees, along with those in the hospitality sector, are driving the highest demand for additional finance.

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

3 - MONTH ROLLING AVERAGE

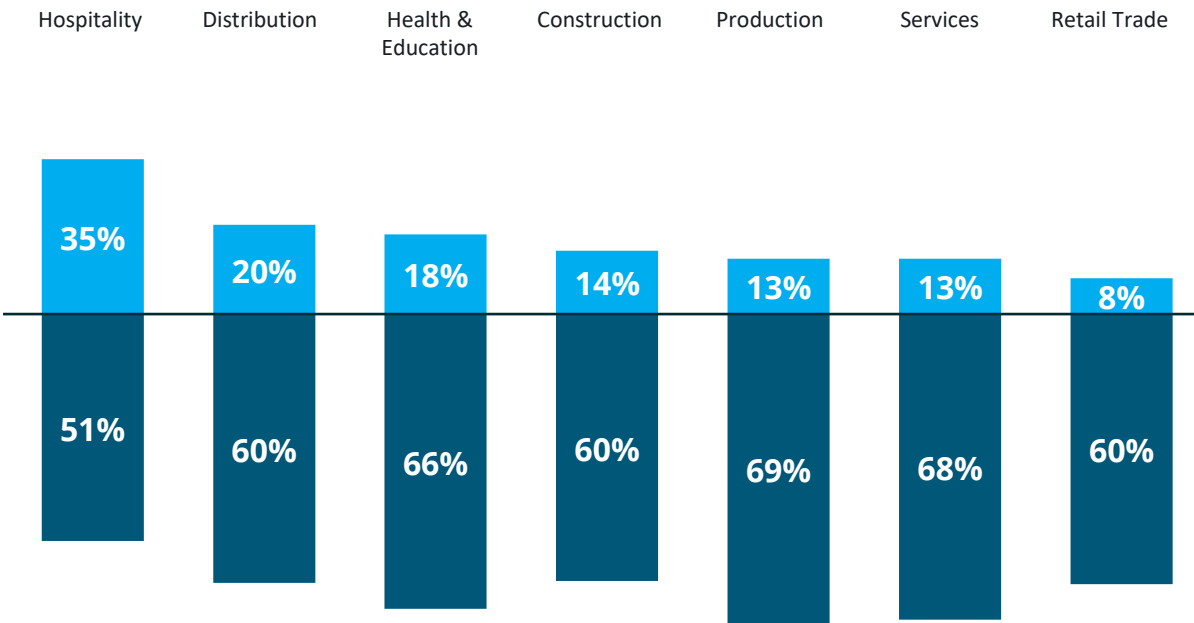
Yes No



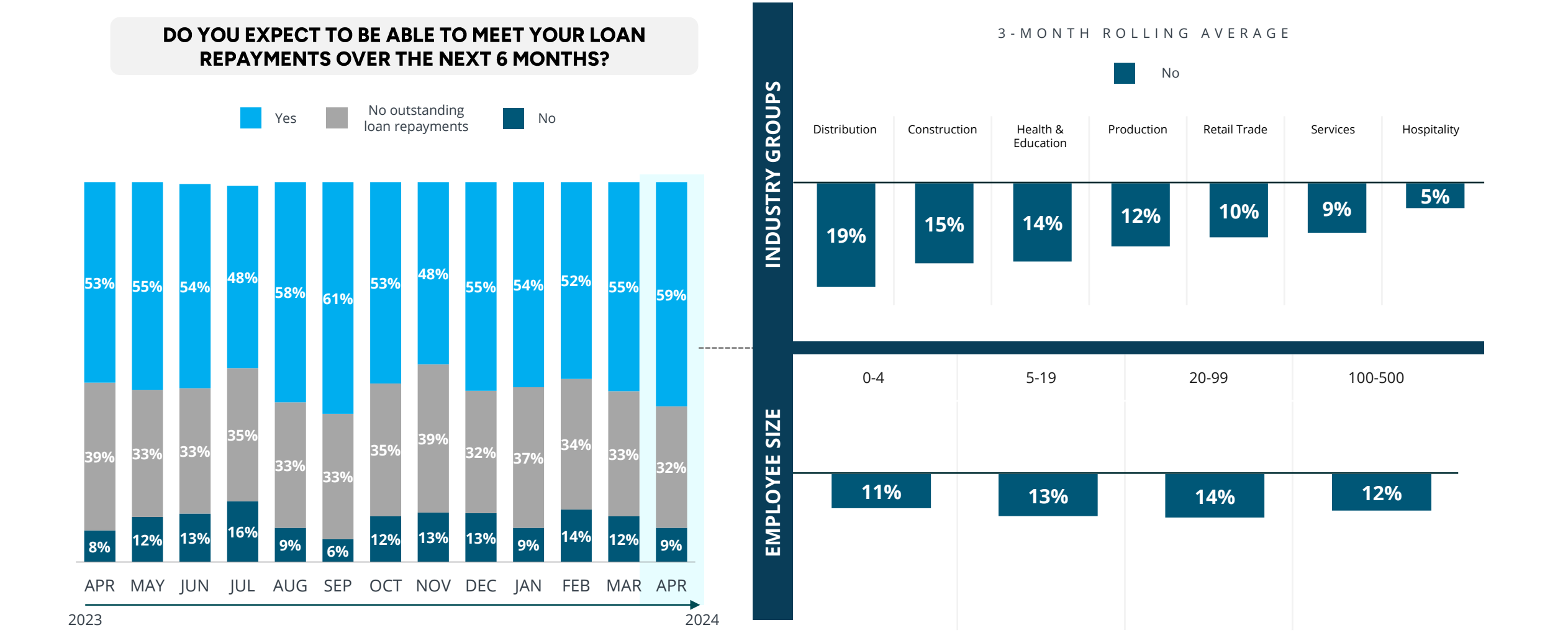
DEMAND FOR FINANCE BY INDUSTRY

3 - MONTH ROLLING AVERAGE

Yes No

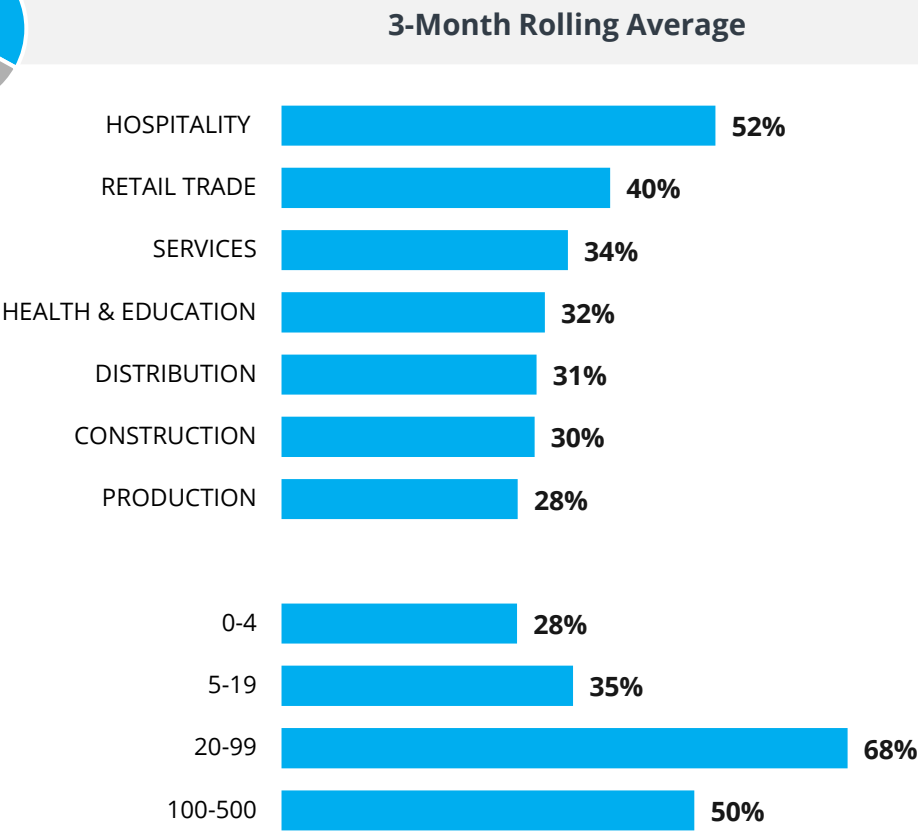
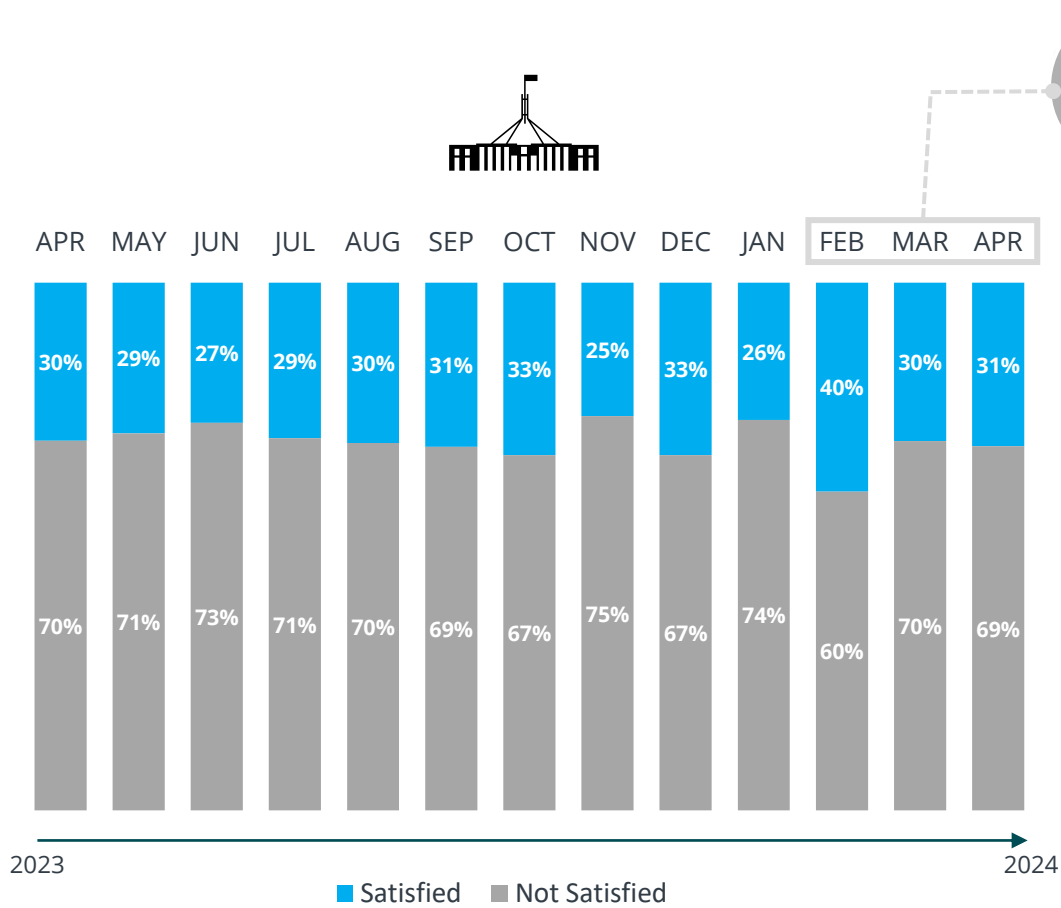


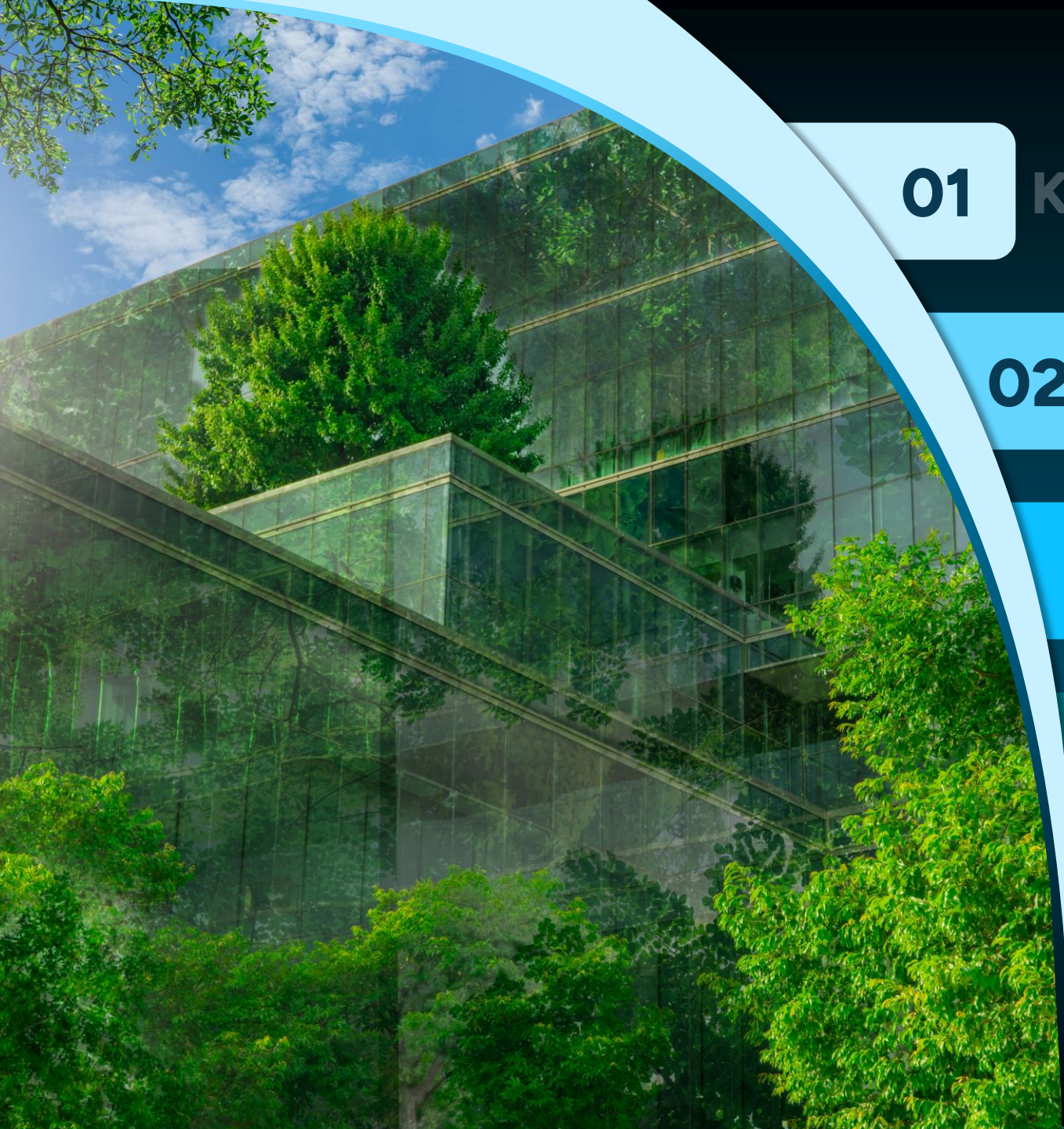
Despite the declining sentiment, it is encouraging that most SMEs are confident they will meet loan repayments over the next 6 months. However, businesses in the distribution and construction sectors remain the most vulnerable.



Satisfaction with the Federal Government remains steady at 31%, with greater support from the hospitality and retail sectors and amongst businesses with 20+ employees.

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





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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

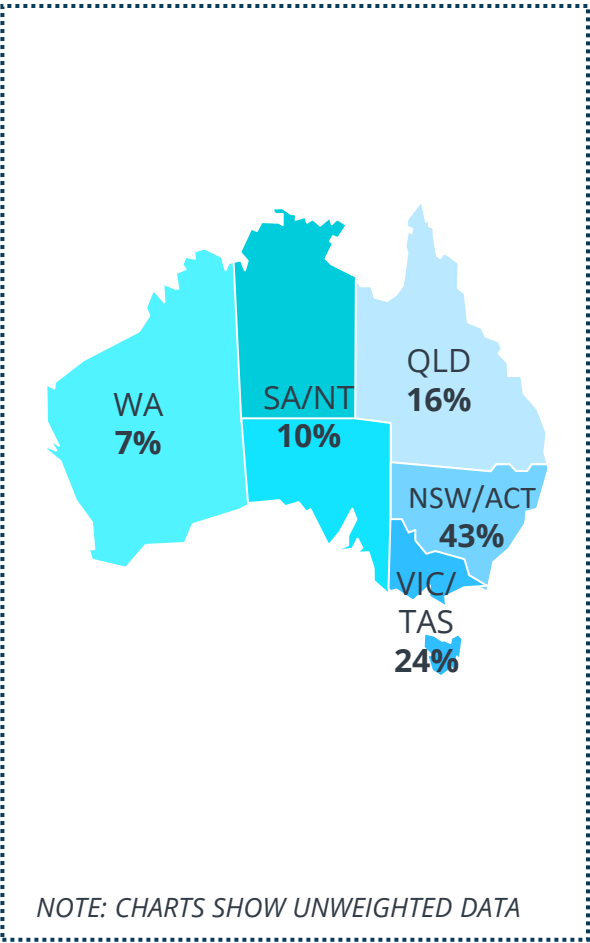


Data is **weighted** by industry, state and
number of employees to reflect the
national distribution of businesses across
the country

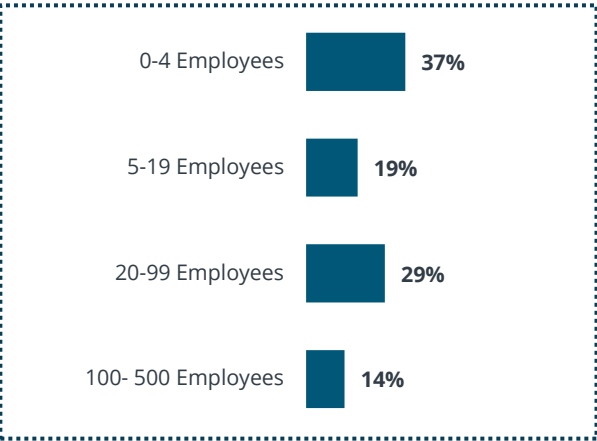
Our Sample

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.

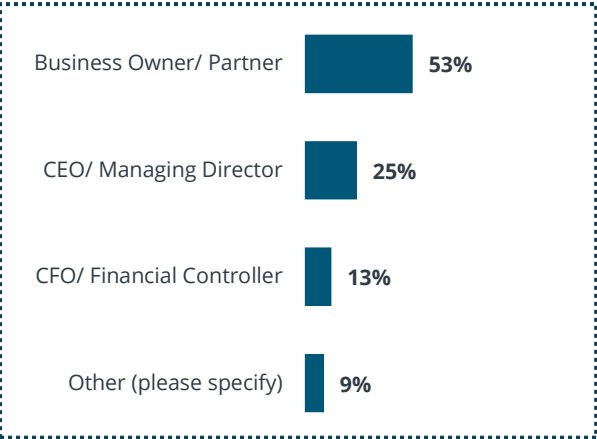
HEAD OFFICE LOCATION



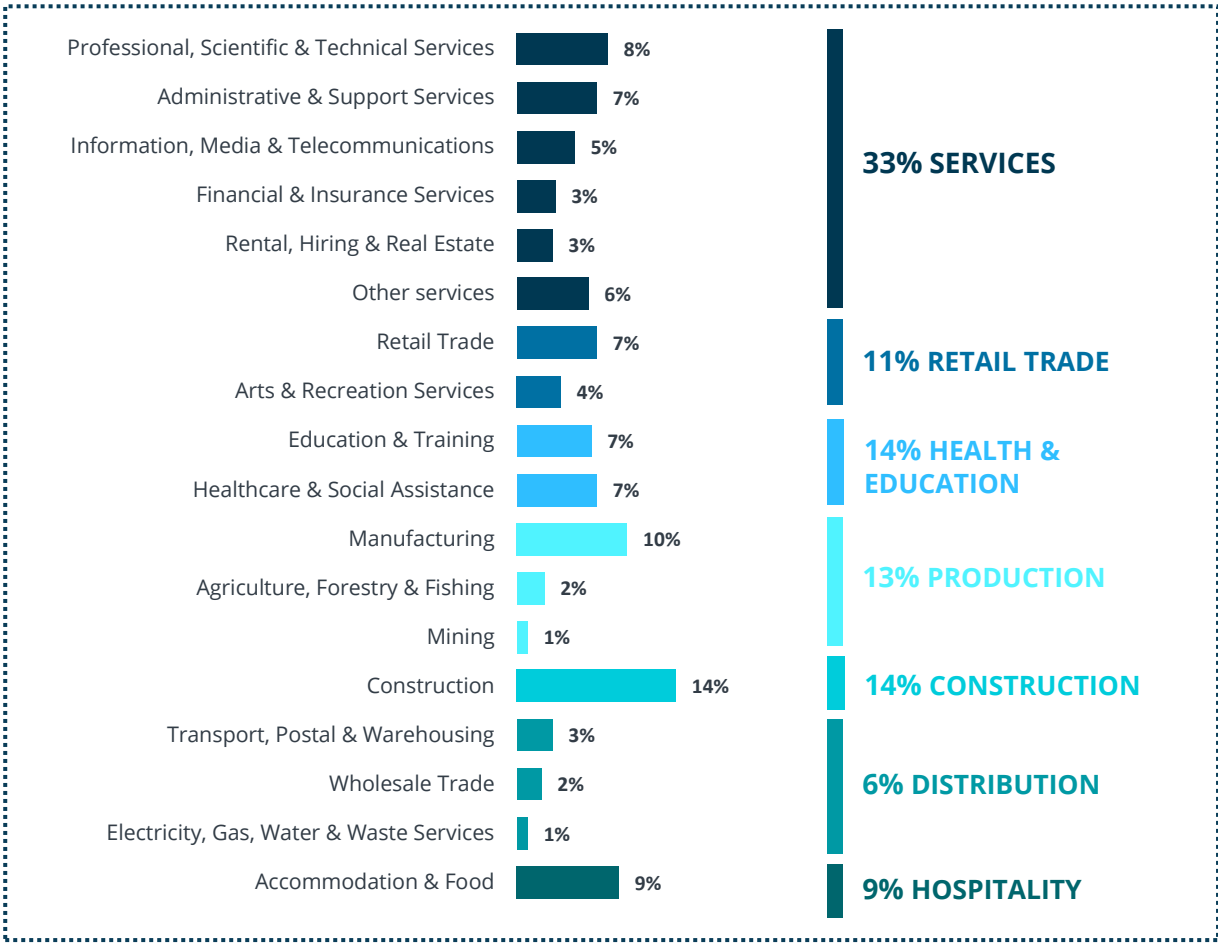
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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