



# SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 63 – May 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.





**33% reported weaker revenue compared to 12 months earlier**



**33% are concentrating on growth compared to 44% in February**



**Only 17% are actively recruiting, compared to 26% in February**



**47% expect domestic economic conditions to weaken over the next 3 months**

## SME Sentiment Points to Rise In Unemployment

The latest Fifth Quadrant SME Sentiment Tracker continues to report soft revenues in line with weak economic conditions. 33% report lower revenues than 12 months earlier. The Health & Education is the only sector showing significant growth, while Retailers are doing it tough with 39% reporting lower revenues over the past 3 months.

Profitability remains volatile. In May, only 50% of SMEs reported making a profit, a decrease from 59% in April. More than one-fifth of SMEs reported losses, underscoring their vulnerability. Despite these challenges, there has been a slight easing of inflationary pressures, as concerns about key inputs, including energy and fuel costs, have declined.

Growth expectations for the next 12 months have decreased for the fourth consecutive month, suggesting that stronger economic conditions are not anticipated soon. Similarly, revenue expectations for the next four weeks are low, mirroring the levels reported in May 2023.

Employment data indicates a downward trend, with only 9% of businesses planning to increase staff in the next three months, and an equal percentage expecting a decrease. The upcoming rise in the minimum wage in July is expected to put upward pressure on payroll costs, likely contributing to a rise in unemployment. Consequently, recruitment activity remains low, at 17%.

Despite these ongoing challenges, there are signs of improving business sentiment towards the global economy. The percentage of businesses expecting stronger conditions has risen to 14% in May 2024, and the net sentiment score has improved from -45% to -31%, reflecting growing optimism about economic prospects in the global economy.

In summary, revenue, profit and employment data are all on the decline with little expectation that the economic conditions in Australia will improve any time soon. The data indicates unemployment will rise again next month and hence the ongoing commentary regarding the direction of interest rates will again point lower. Hopefully, this will stimulate greater consumer confidence and spending activity.





**01** Key Performance Indicators

**02** People

**03** Business Sentiment

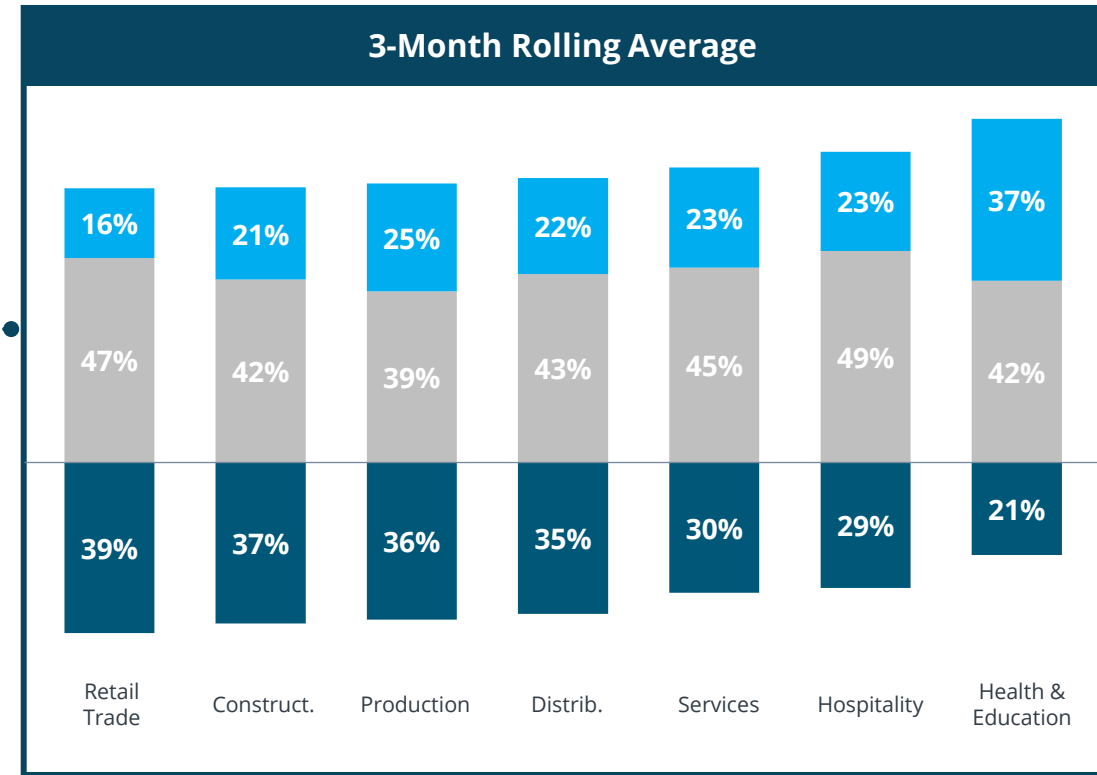
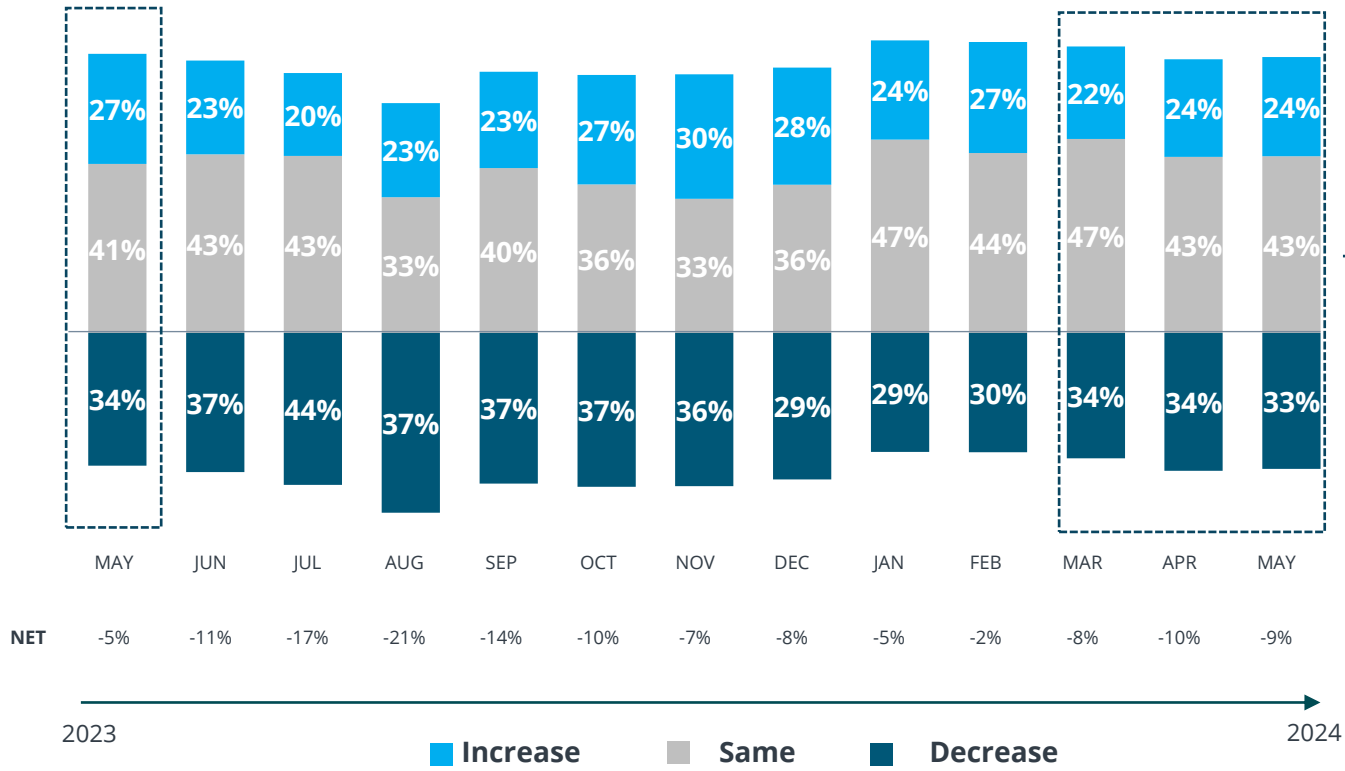
**04** Business Investment

**05** Methodology & Sample

# Key Performance Indicators | Revenue

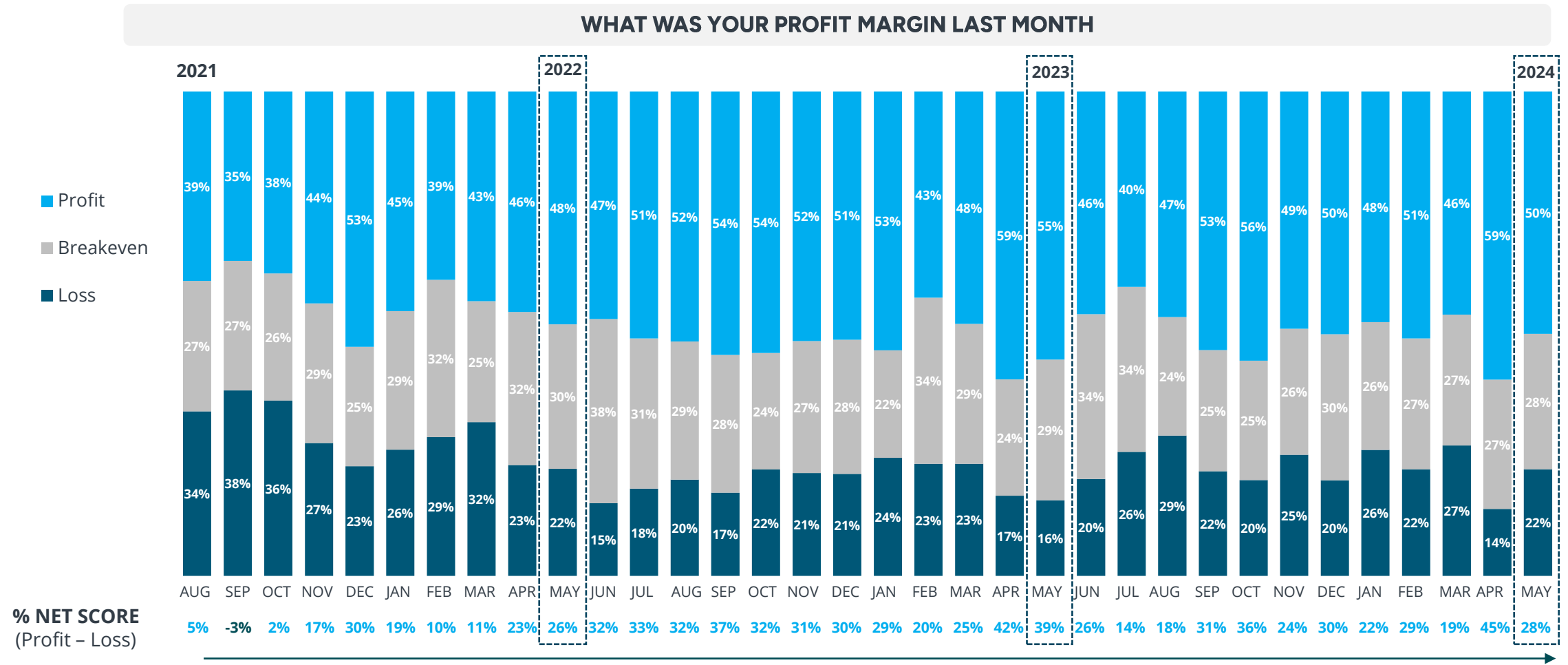
SMEs continue to report soft revenues in line with weak economic conditions. Health & Education is the only sector showing significant growth, while Retailers are doing it tough with 39% reporting lower revenues over the past 3 months.

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



# Key Performance Indicators | Profit

Profitability continues to fluctuate with only 50% of SMEs reporting a profit in May, compared to 59% in April. More than one-fifth of SMEs reported a loss last month again demonstrating the vulnerability of many SMEs.

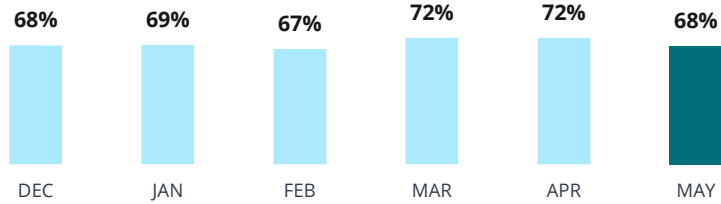


Interestingly, concerns regarding all key inputs have declined this month, suggesting SMEs are experiencing a moderation in inflationary pressures.

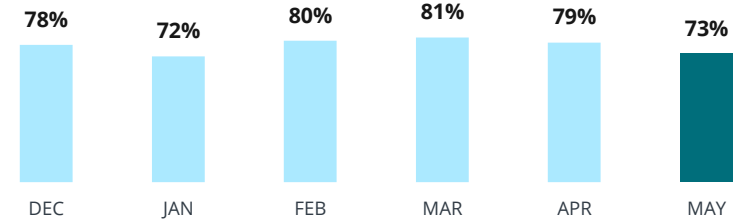
## HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



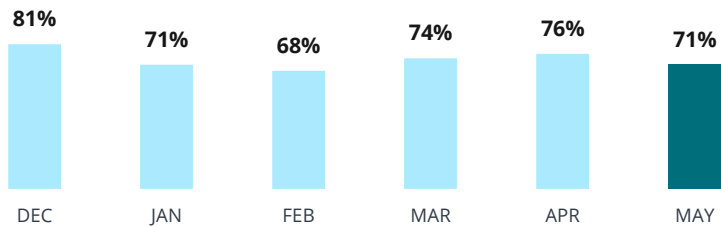
### Cost of raw materials



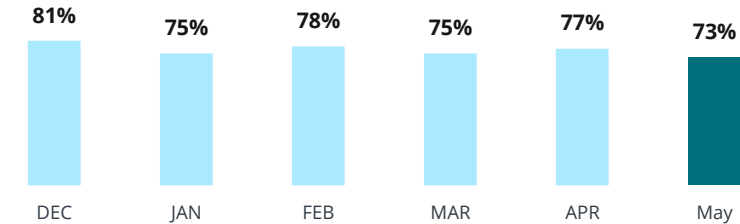
### Energy costs



### Rising interest rates / cost of credit



### Fuel costs



Total concerned

With slightly less inflationary pressures on SMEs this month it is not surprising less businesses are passing on higher input costs to their customers.

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

M A Y

Yes, but only partially

54%

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

13%

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

2%

No

31%

YES

61%

70%

68%

66%

74%

69%

December

January

February

March

April

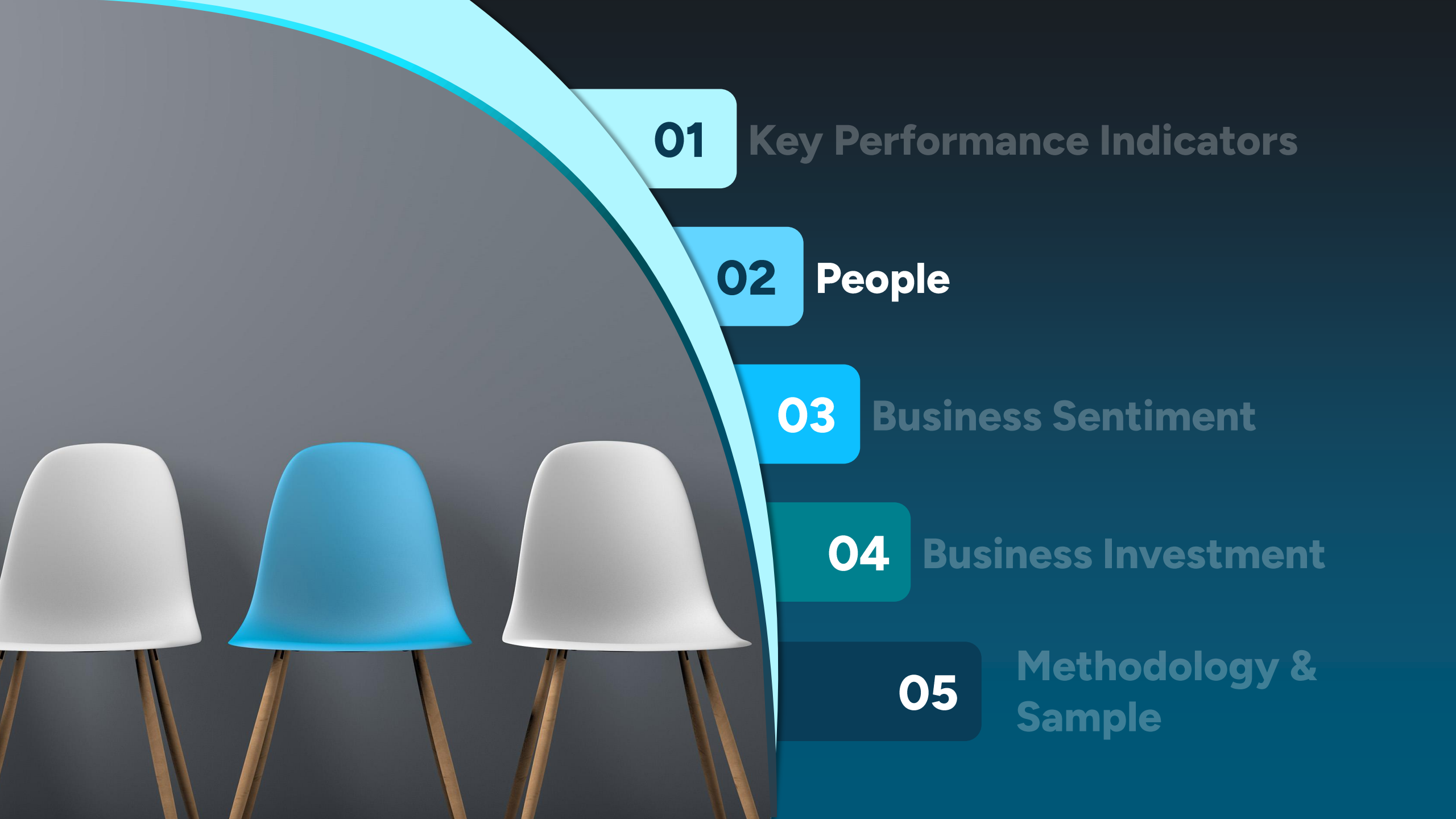
May



As the business environment becomes more challenging, a greater proportion of SMEs are streamlining business operations to enhance efficiency.

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

	M A Y	January	February	March	April	May
Enhancing efficiency by streamlining business operations	29%	24%	25%	21%	26%	29%
Discontinuing products/services that are not profitable	26%	24%	27%	26%	23%	26%
Renegotiating supplier contracts or seeking new supply sources	22%	21%	19%	22%	17%	22%
Expanding the range of products/services to generate new revenue streams	20%	18%	20%	20%	18%	20%
Reassessing current projects and significant investments for viability and impact	20%	20%	18%	20%	22%	20%
Maximising staff productivity through better training and optimisation	18%	19%	24%	16%	24%	18%
Undertaking debt restructuring to reduce financial burdens	16%	10%	14%	15%	13%	16%
Adopting new technologies for increased automation and operational efficiency	14%	17%	15%	17%	19%	14%
Refining inventory management practices for better efficiency	13%	12%	16%	15%	14%	13%
Delegating non-essential functions to external providers	11%	11%	13%	9%	8%	11%
Consulting banks and/or financial counsellors about financial hardship	10%	N/A	N/A	N/A	N/A	10%
Implementing workforce reductions, such as layoffs or hiring freezes	9%	7%	6%	8%	9%	9%
Shifting towards the use of renewable energy sources	9%	12%	9%	11%	13%	9%



**01**

**Key Performance Indicators**

**02**

**People**

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**Business Sentiment**

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**Business Investment**

**05**

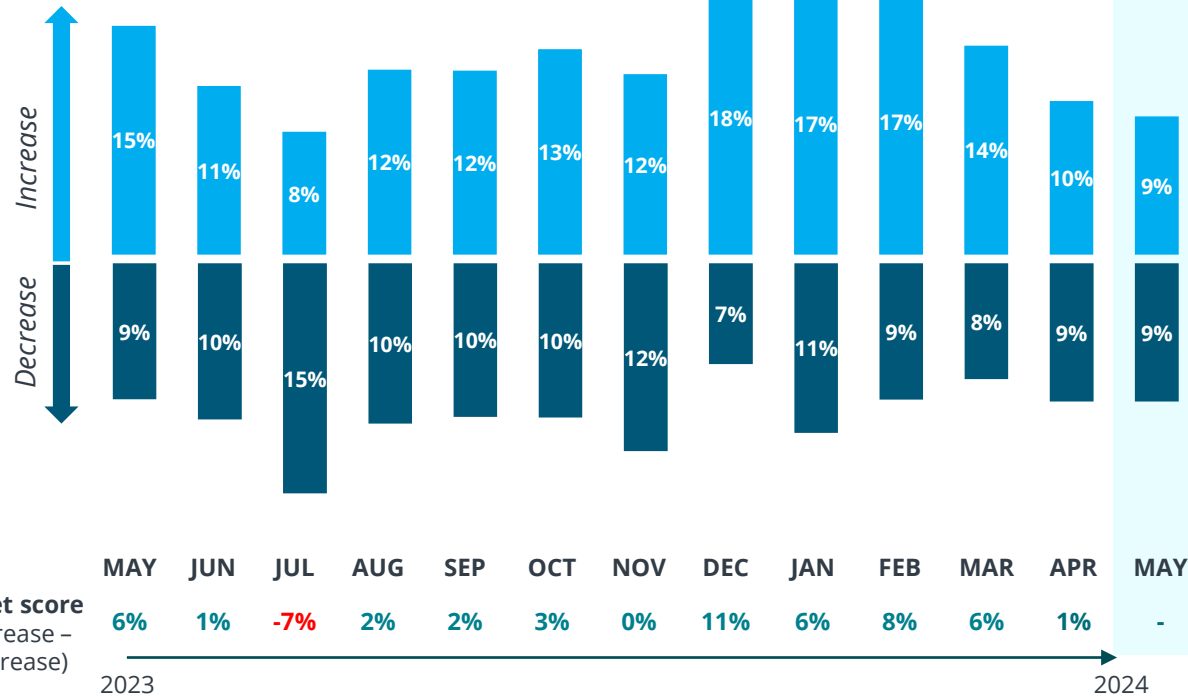
**Methodology &  
Sample**

# Key Performance Indicators | People

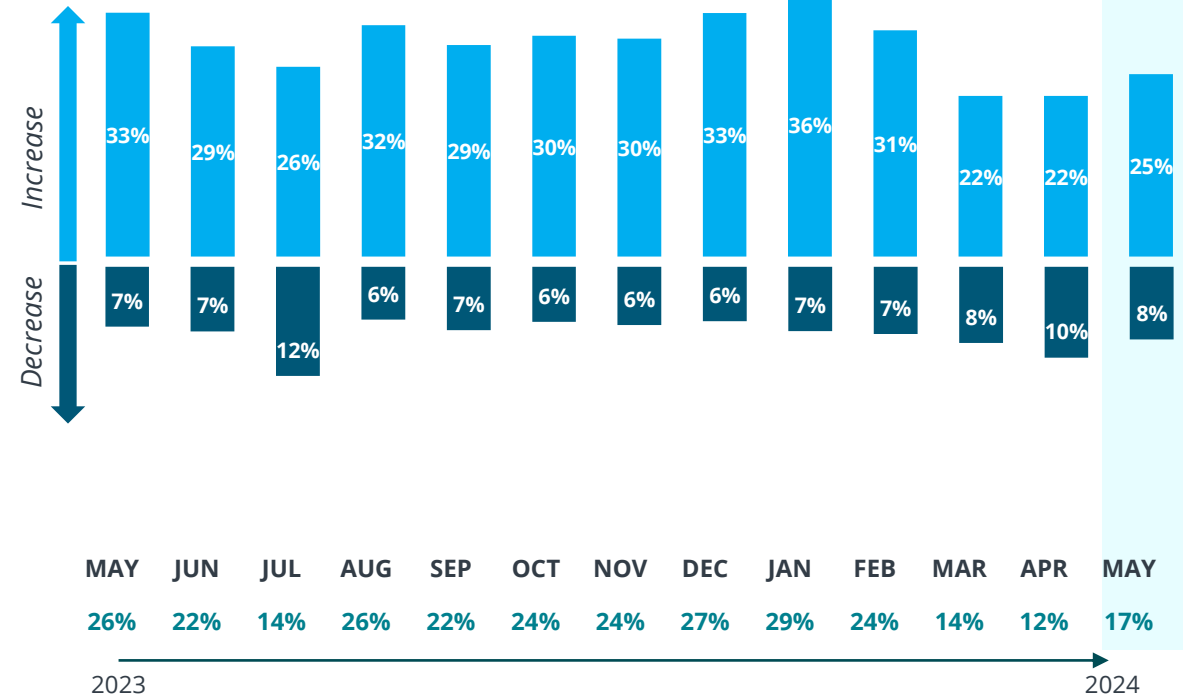
Employee data is tracking down, with only 9% of businesses expecting to increase staff over the next three months. With the minimum wage rising in July, more SMEs expect their payroll to increase and hence unemployment is likely to keep tracking up.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

### THE NUMBER OF STAFF YOU EMPLOY



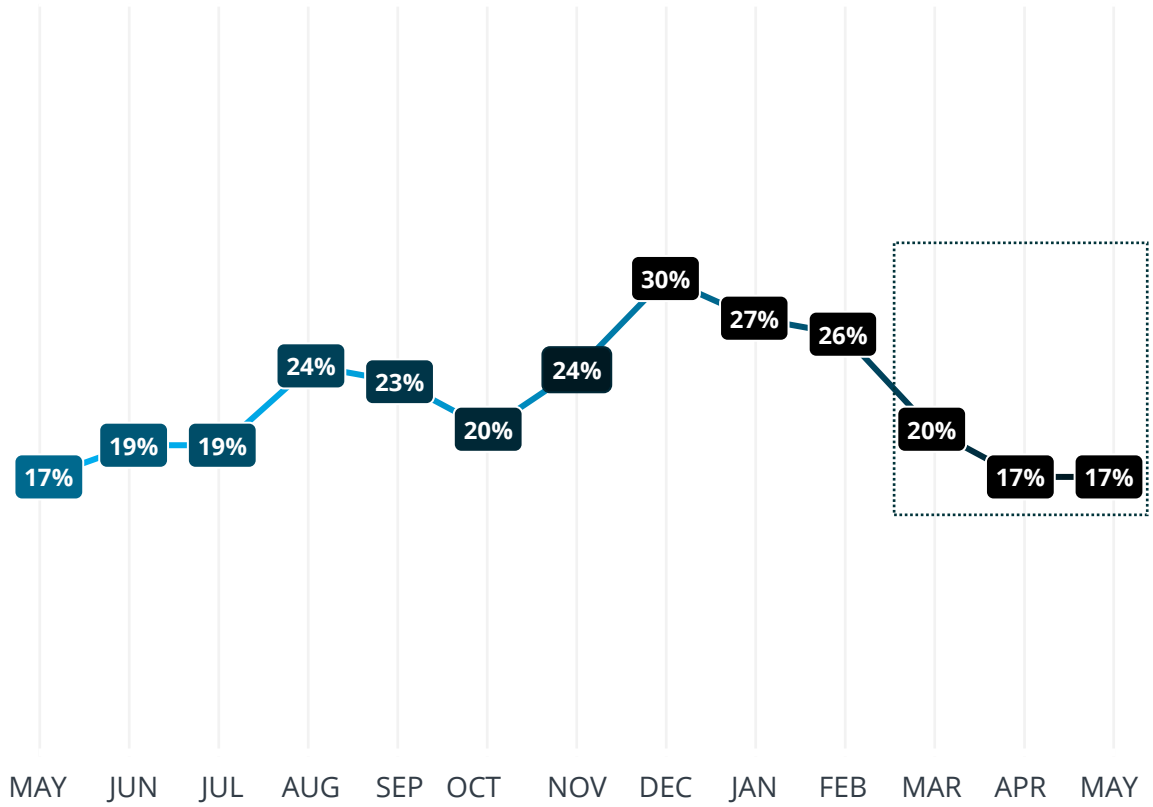
### THE WAGES YOU PAY



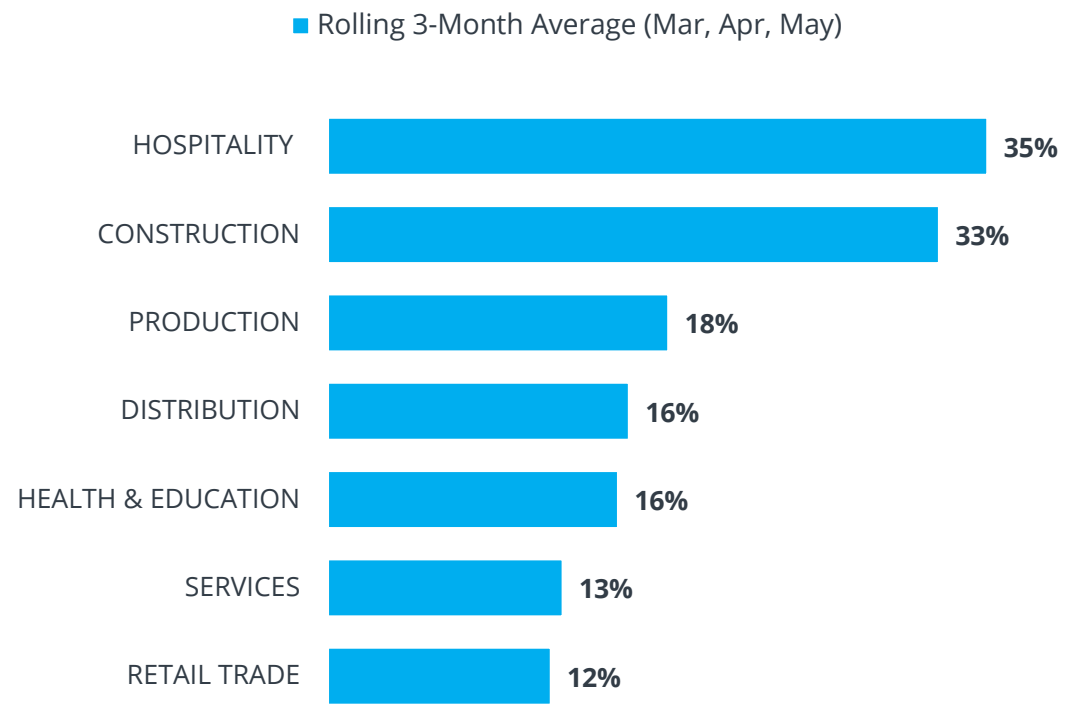
# Key Performance Indicators | People

Accordingly, recruitment activity remains at a low of 17%. The persistent costs associated with turnover, recruitment, and training in the Hospitality and Construction sectors will continue to exert significant financial pressure on these industries.

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



## CURRENT JOB VACANCIES BY INDUSTRY



2023 → 2024

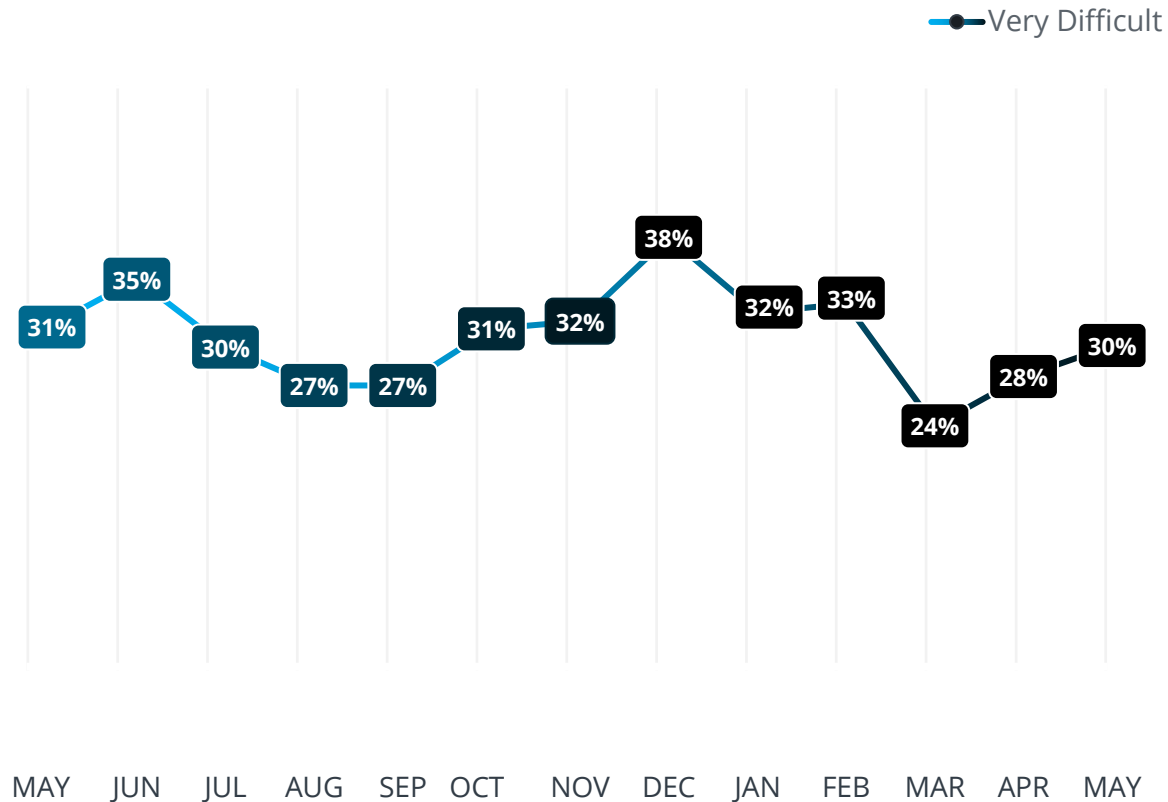


# Key Performance Indicators | People

Despite less SMEs actively recruiting, the difficulty in finding candidates is trending up, suggesting winter seasonality is exacerbating the recruitment challenge.

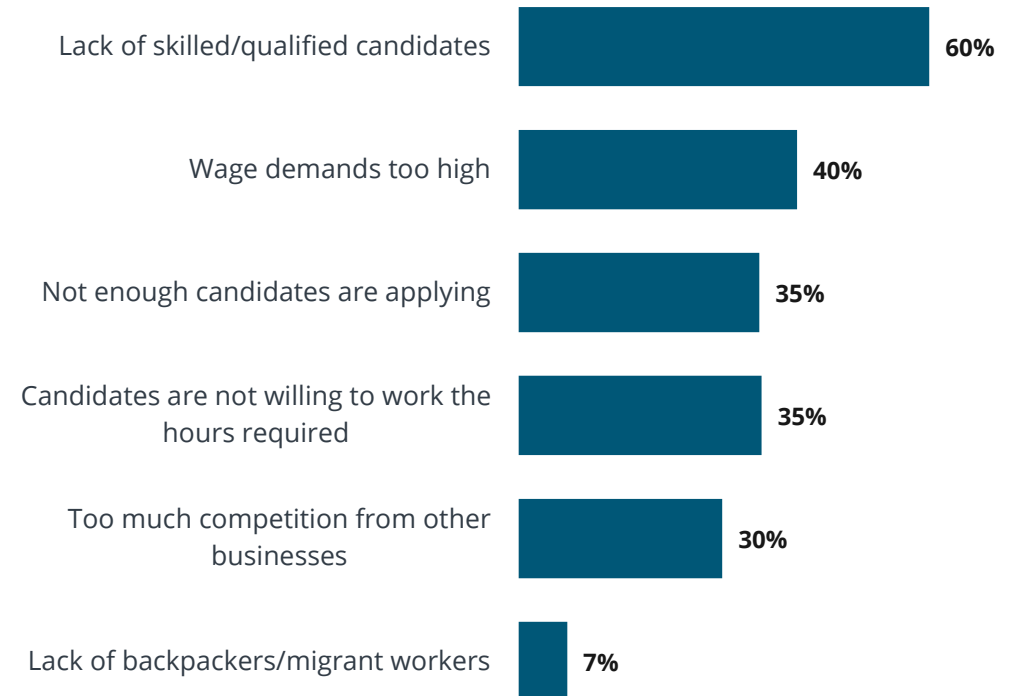
## HOW DIFFICULT IS IT TO FILL THESE ROLES?

Data displayed as a 3-month rolling average



## WHY IS IT DIFFICULT TO FILL THESE ROLES?

May 3-Month Rolling Average





01

Key Performance Indicators

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People

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Business Investment

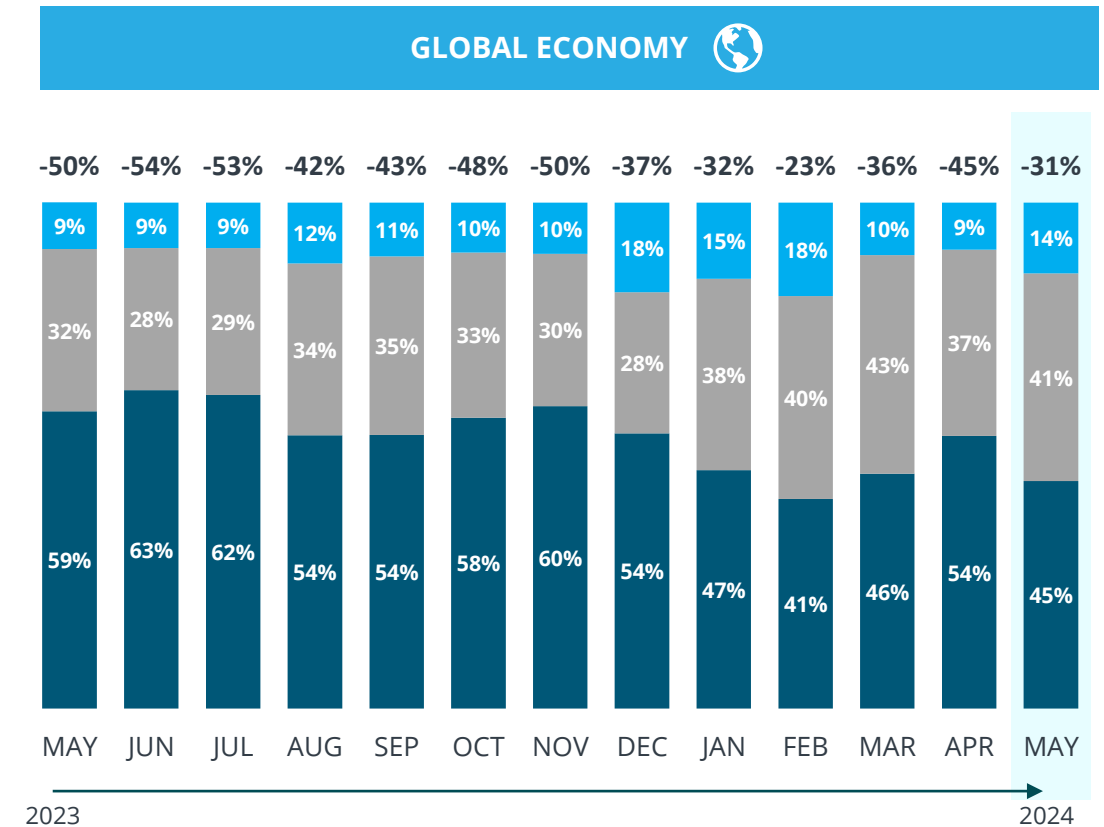
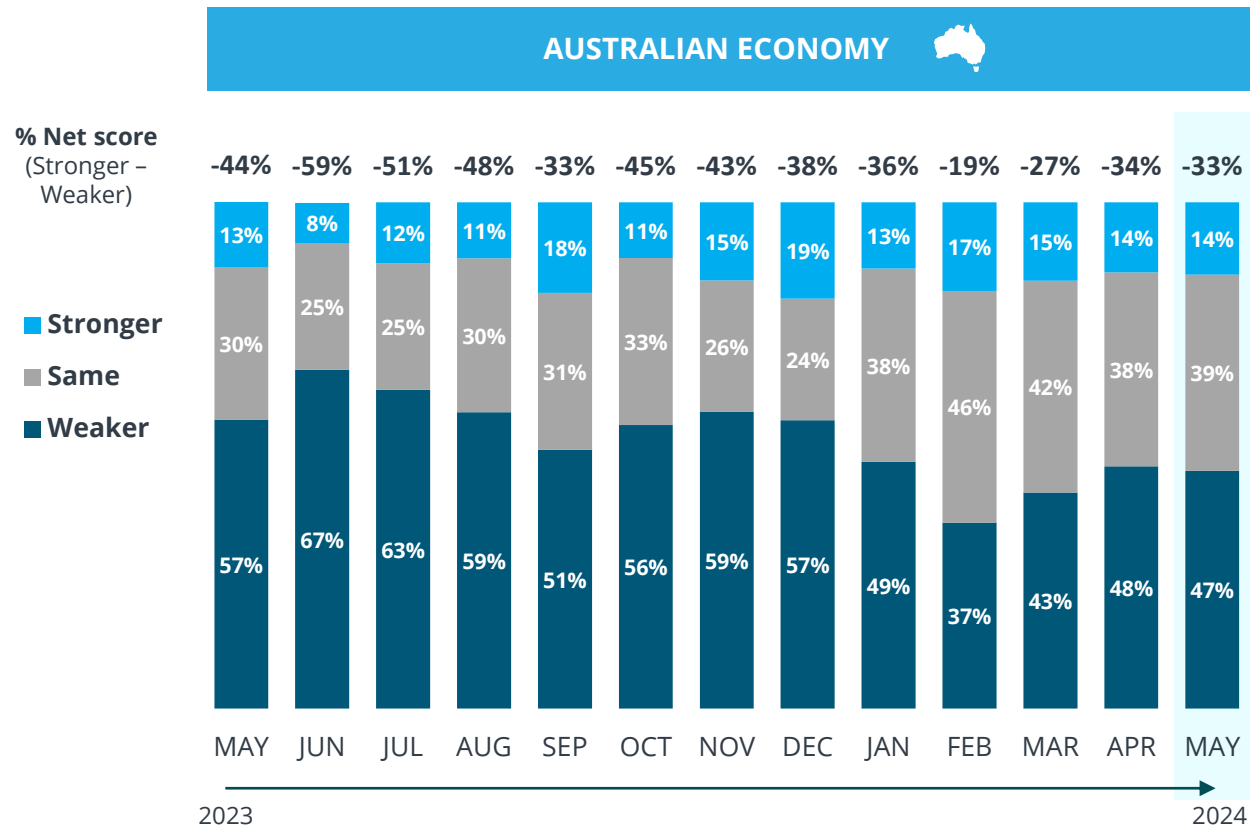
05

Methodology & Sample

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

Despite ongoing challenges, business sentiment towards the global economy is showing signs of improvement, with the percentage of businesses expecting stronger conditions increasing to 14% in May 2024. Additionally, the net score has improved from -45% to -31% in May 2024, indicating a growing optimism about future economic prospects overseas.

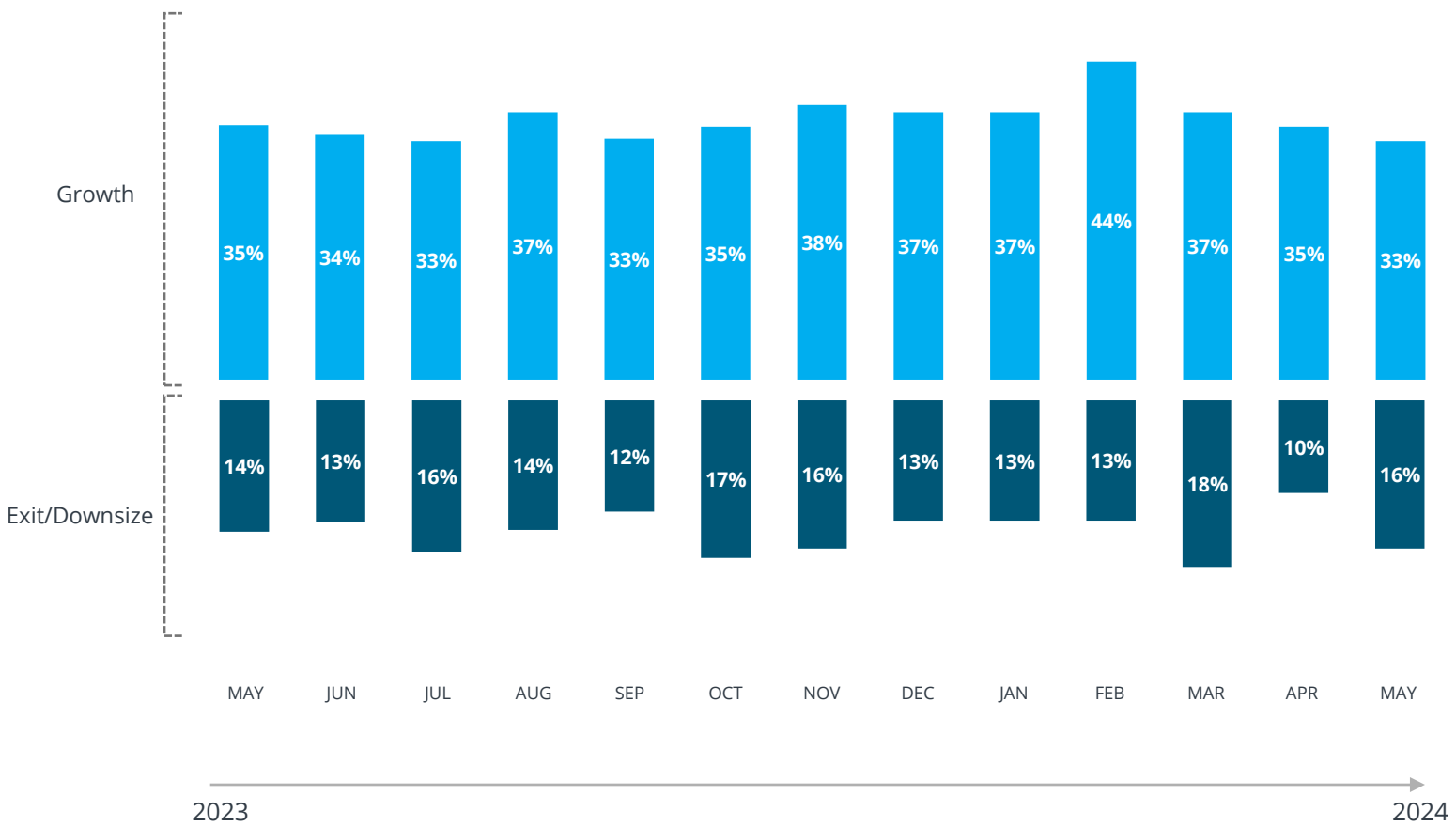
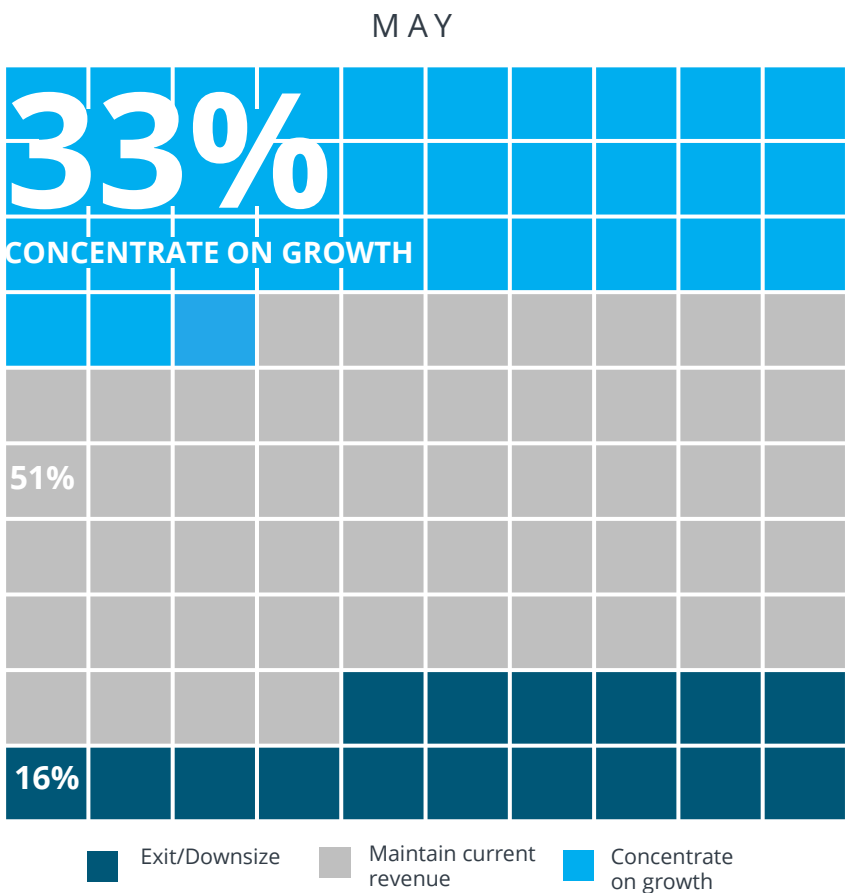
## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



# Business Sentiment | Growth Expectations (Next 12 months)

However, growth expectations over the next 12 months have declined for the fourth straight month, suggesting better economic conditions are not expected anytime soon in Australia.

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



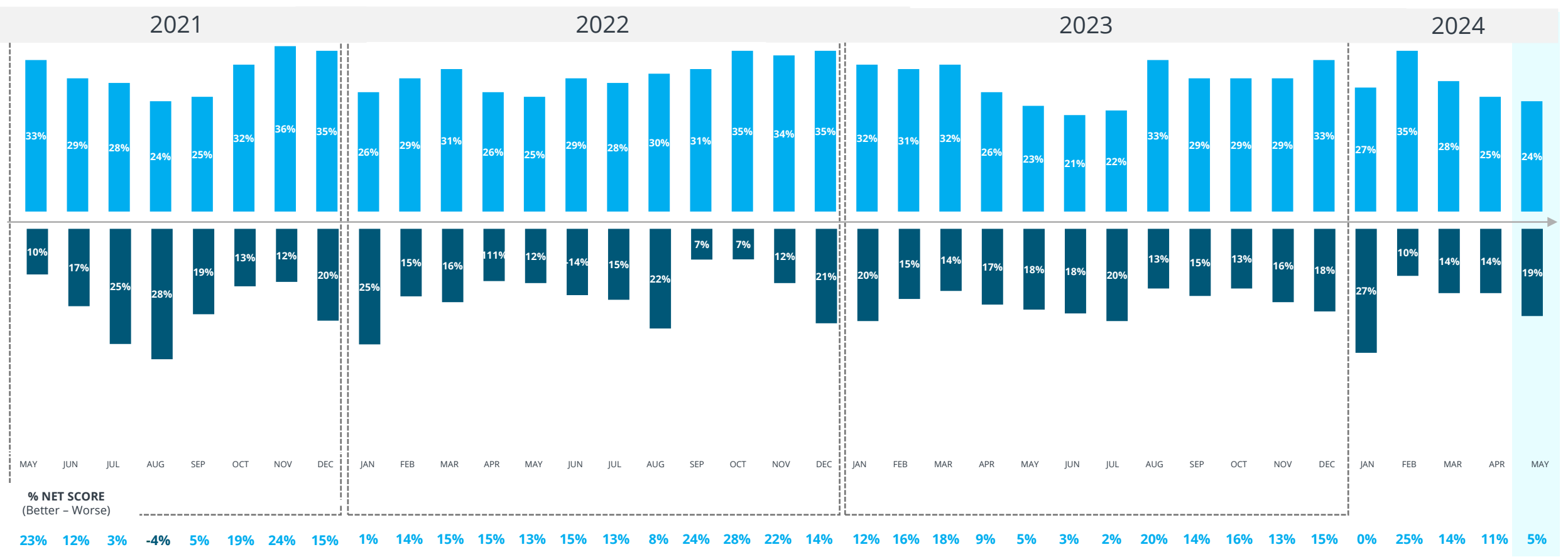


# Business Sentiment | Revenue Expectations (Next 4 weeks)

Revenue expectations for the next four weeks are also tracking lower, aligning with declining growth expectations and matching the same levels reported in May 2023.

■ Better  
■ Worse

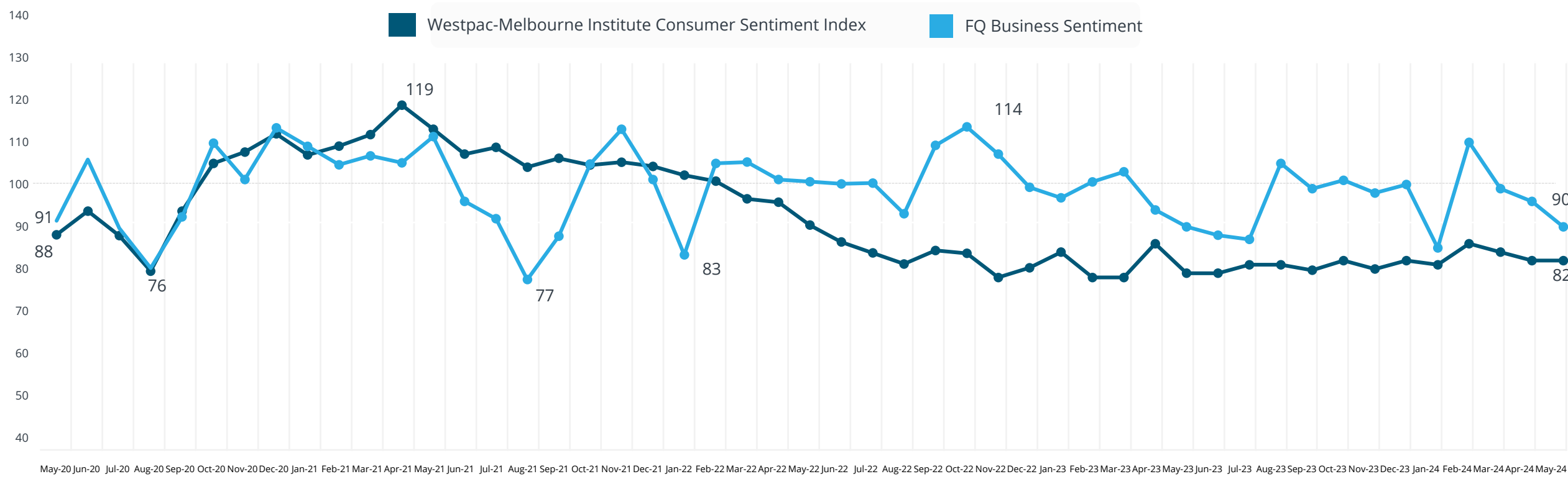
## WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



# Business Sentiment | Sentiment 2020-2023

The Fifth Quadrant Business Sentiment Index has fallen to 90, slightly higher than consumer sentiment.

## BUSINESS AND CONSUMER SENTIMENT





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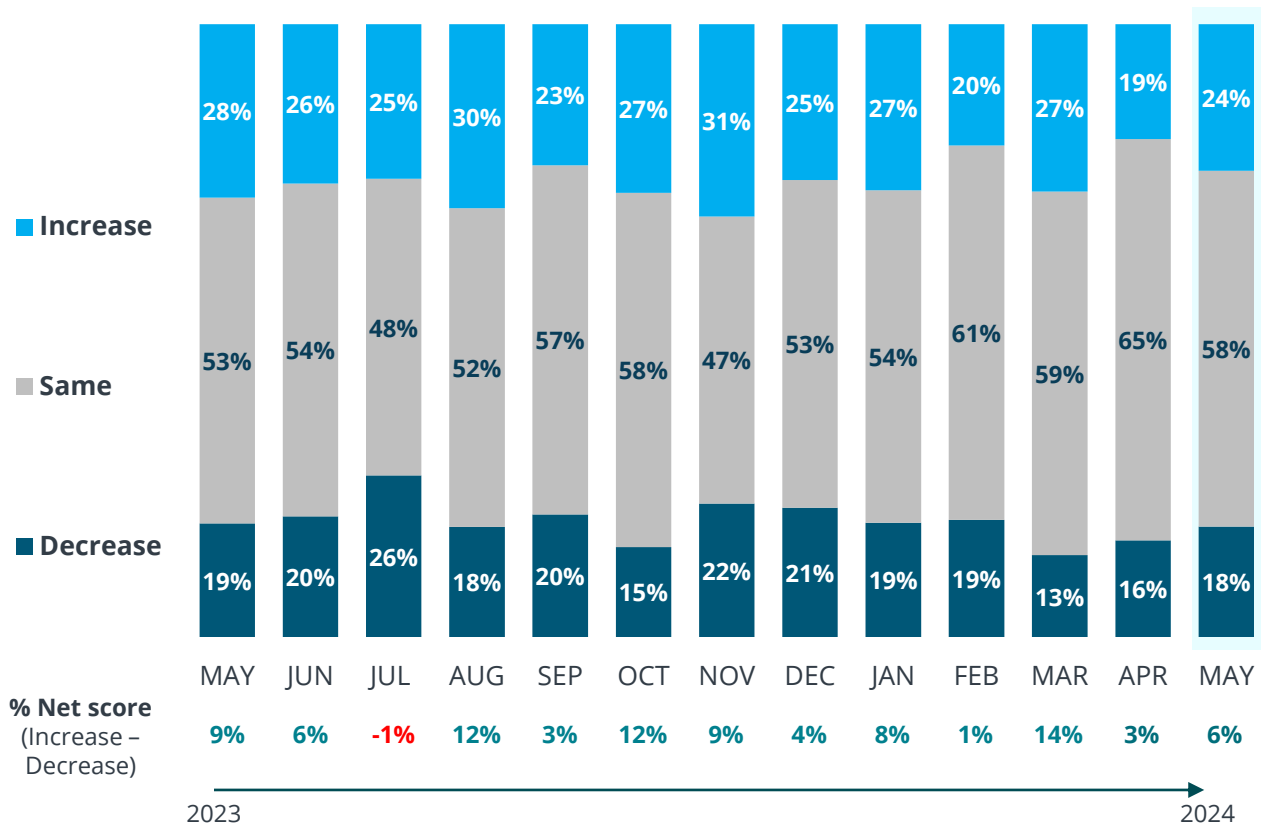
**Methodology &  
Sample**

# Business Investment | Next Three Months

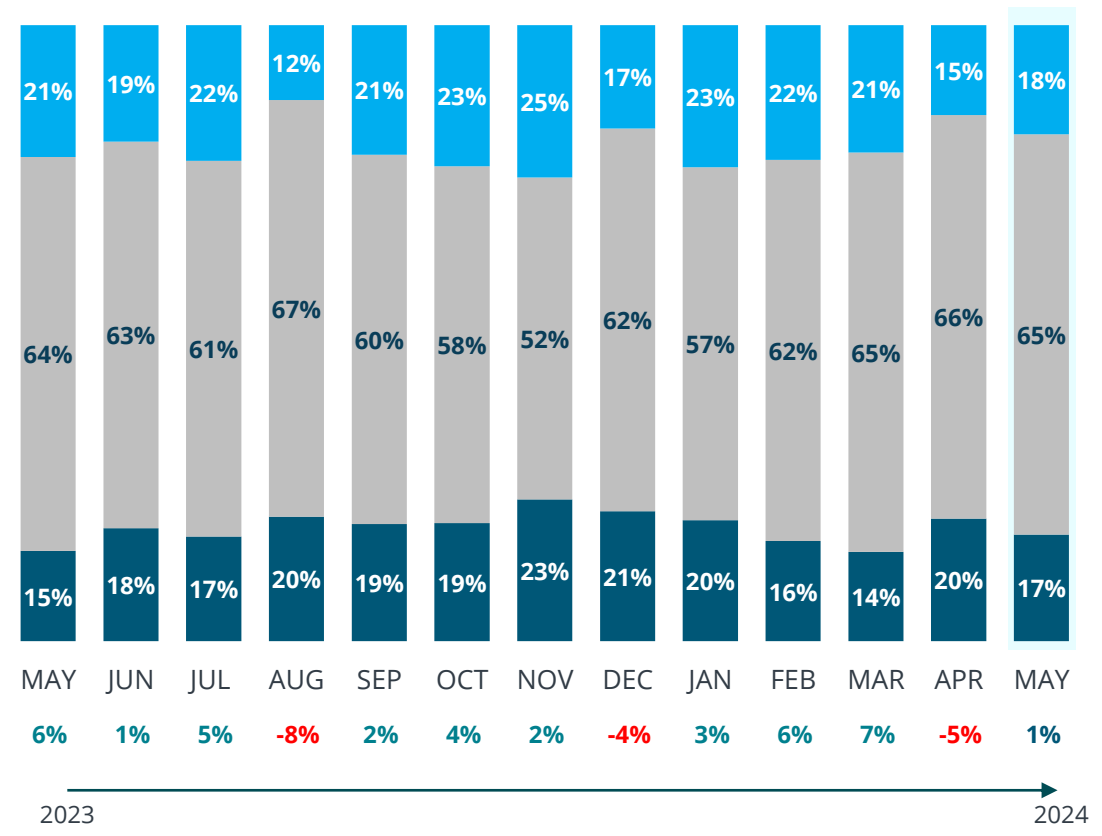
Slight uptick in capital investment as expected at the end of the financial year, but lower than last year. Marketing spend remains flat.

## EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

### BUSINESS SPENDING/ CAPITAL INVESTMENT



### MARKETING SPEND





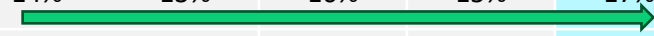
Purchasing intentions for light commercial vehicles continue an upward trend.

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

M A Y

■ Probably will ■ Definitely will

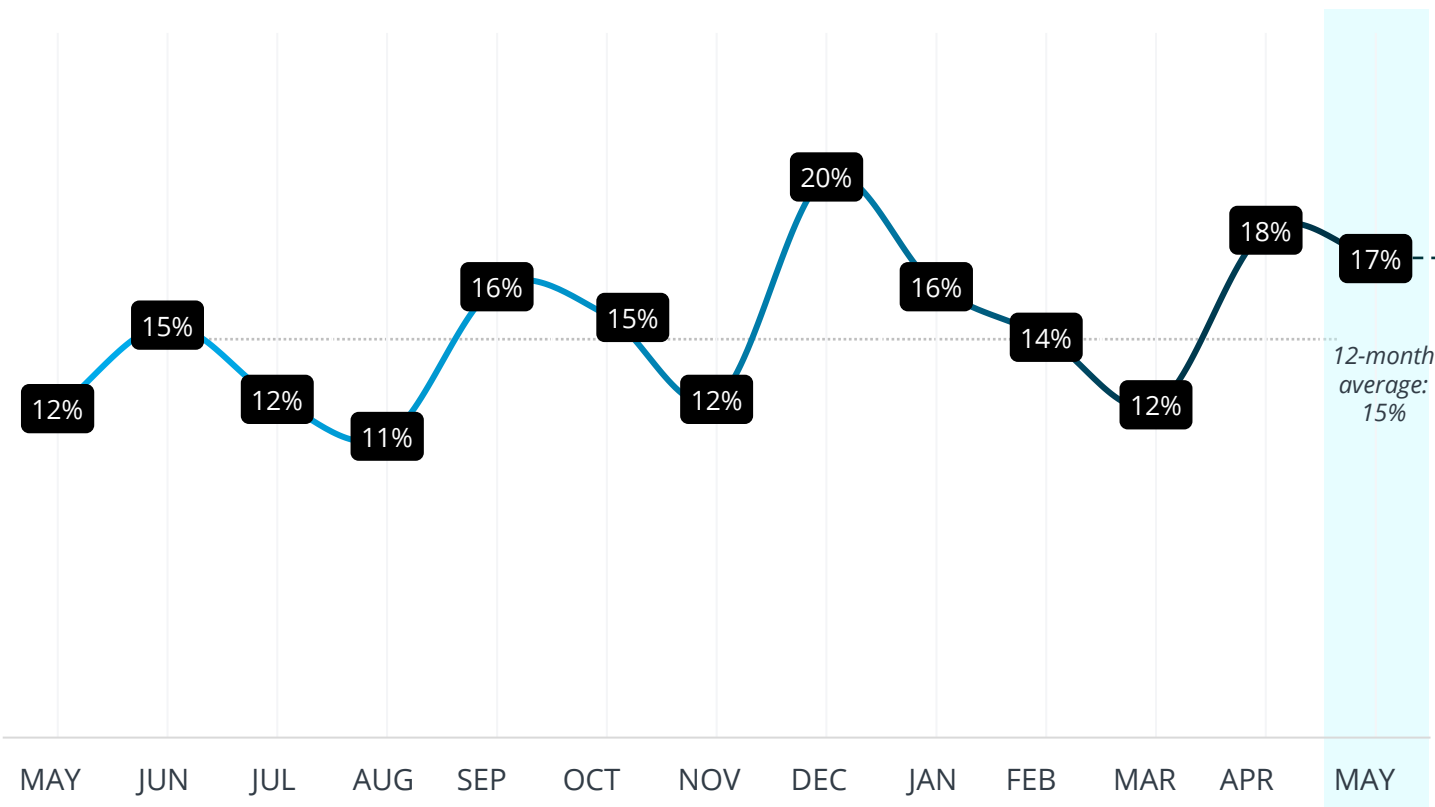
		Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	May FY24
IT / Office equipment, including hardware & software	32% + 7% = 40%	44%	44%	44%	46%	40%
Equipment, machinery or plant	20% + 4% = 24%	17%	18%	23%	26%	24%
Light commercial vehicle(s) including utes, vans, and minibuses	16% + 1% = 17%	14%	13%	16%	15%	17%
Passenger vehicle(s) including SUVs	11% + 4% = 15%	16%	13%	17%	16%	15%
Electric vehicle(s), including Hybrid powered by a combination of both petrol and electricity or Fully Electric which are solely electric vehicles (no petrol)	11% + 3% = 14%	10%	12%	14%	14%	14%
Truck(s) less than 4.5 tonnes that can be operated with a car licence	10% + 2% = 12%	7%	8%	11%	10%	12%
Agricultural, construction or earthmoving vehicle(s)/equipment	9% + 3% = 12%	10%	10%	12%	13%	12%
Commercial real estate including buildings or land	7% + 3% = 10%	10%	7%	11%	12%	10%
Medium and large bus(es) with more than 12 seats that require a bus driver licence	7% + 1% = 8%	6%	5%	8%	9%	8%
Truck(s) more than 4.5 tonnes that require a heavy vehicle licence	6% + 2% = 8%	7%	7%	11%	10%	8%



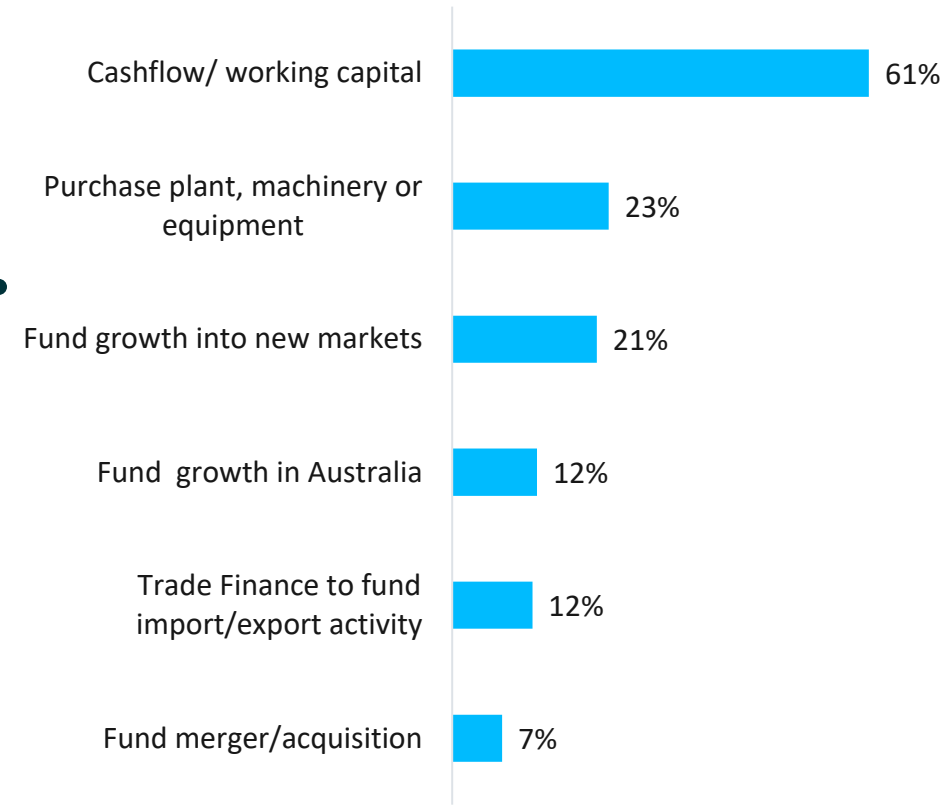
# Business Investment | Finance Needs (Next 3 months)

Demand for additional finance remains steady at 17%, slightly above the 12-month average of 15%.

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



## AND WHAT IS THE PURPOSE OF THIS FINANCE?



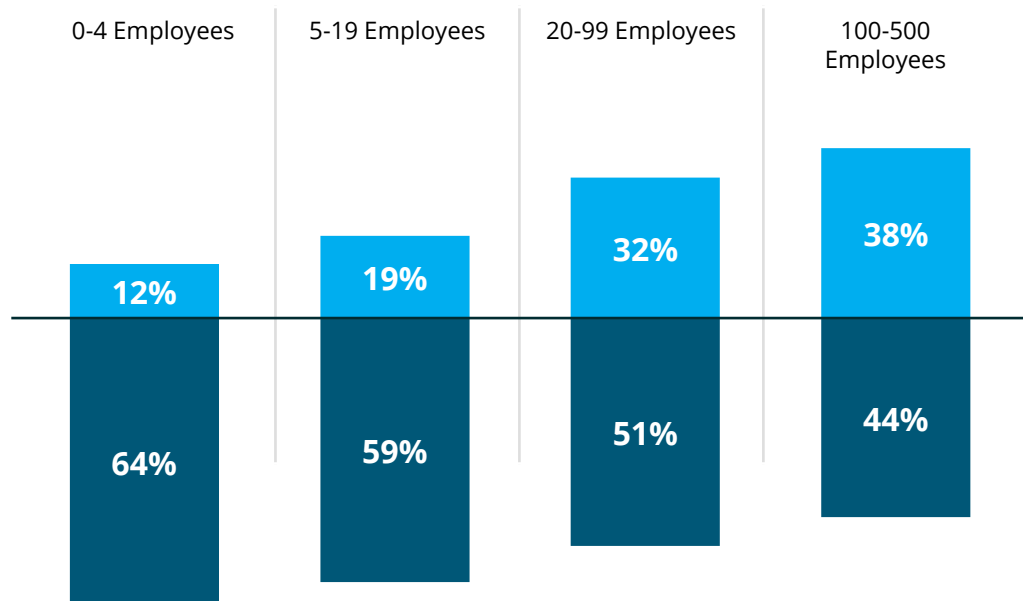
# Business Investment | Finance Needs (Next 3 months)

Large SMEs and those in hospitality are driving the demand for additional financing.

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

3 - MONTH ROLLING AVERAGE

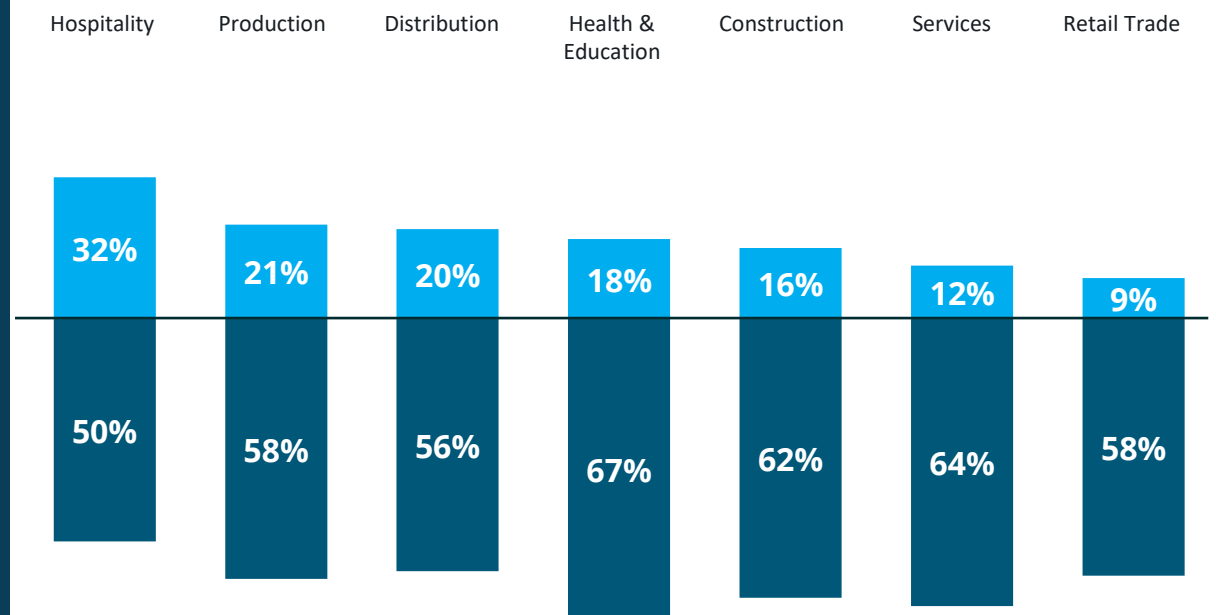
■ Yes ■ No



## DEMAND FOR FINANCE BY INDUSTRY

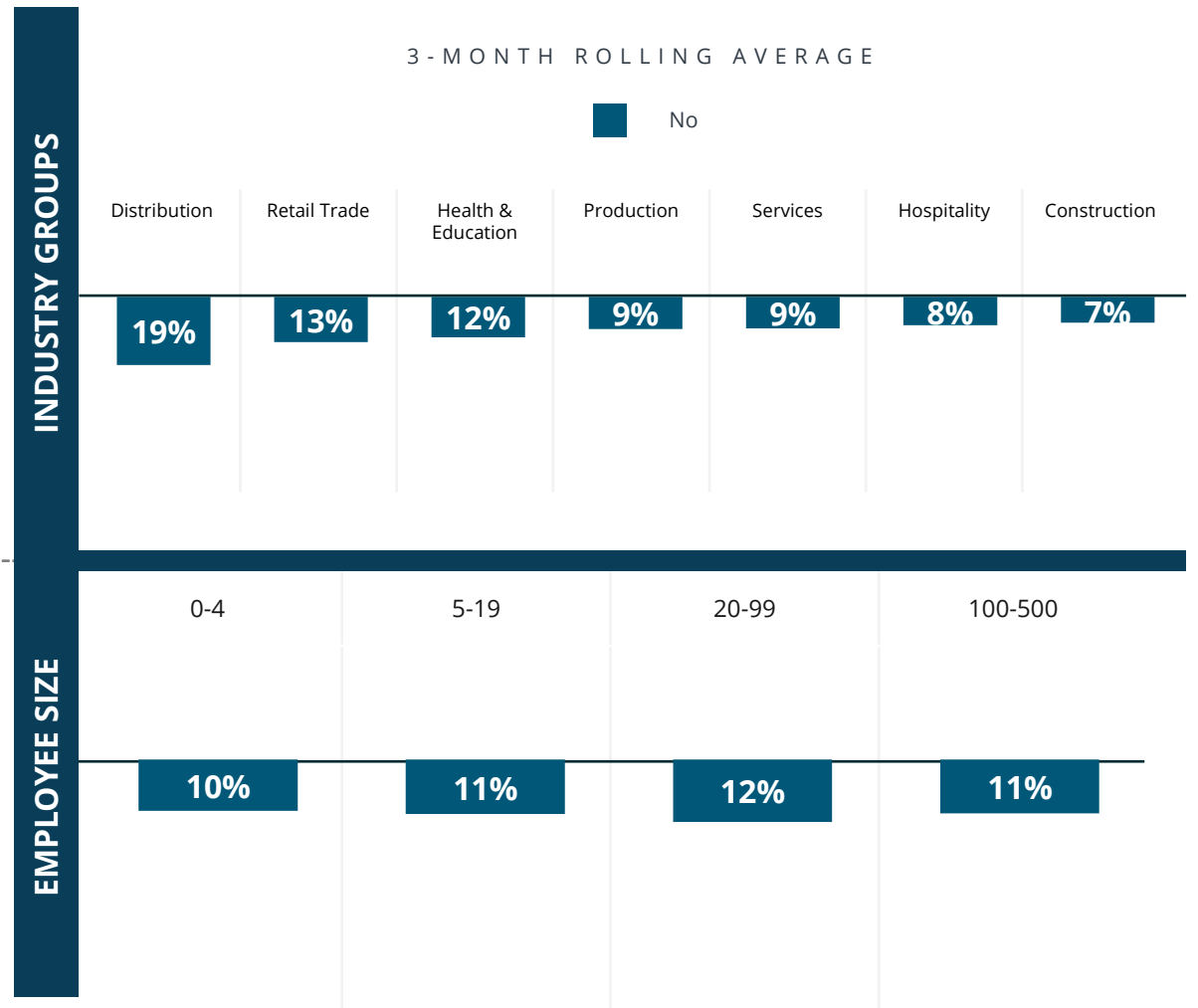
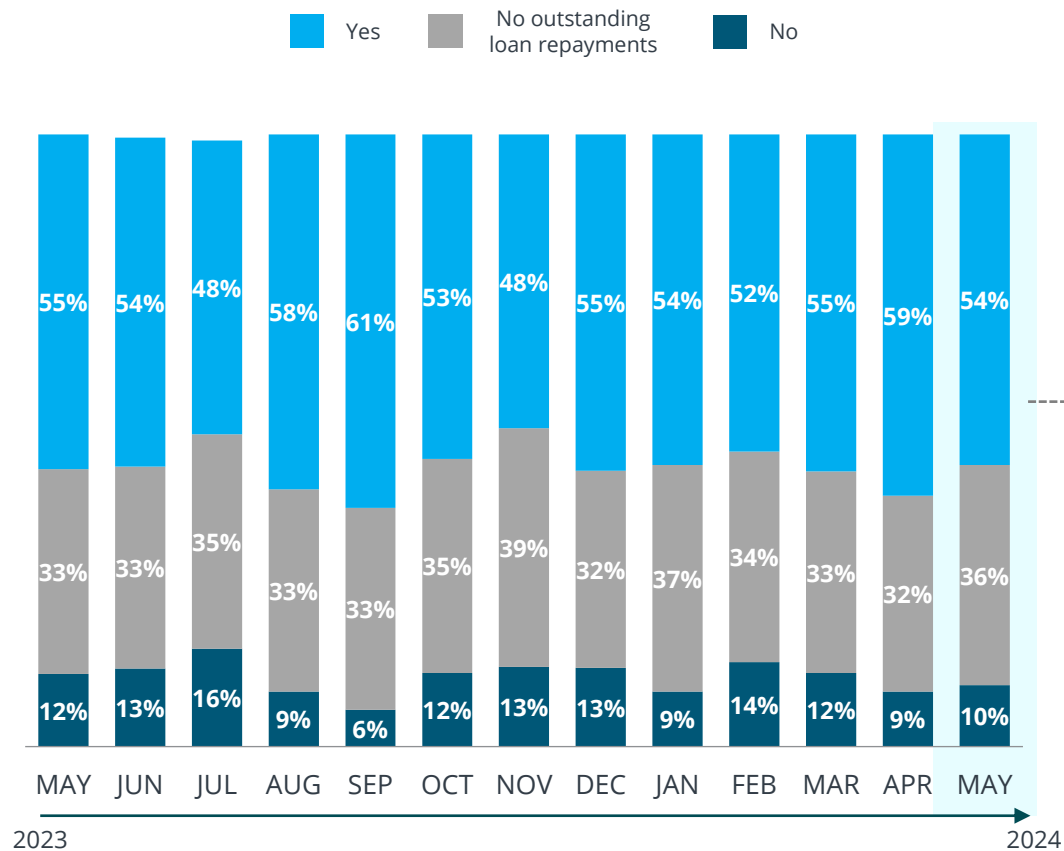
3 - MONTH ROLLING AVERAGE

■ Yes ■ No



Confidence regarding loan repayments over the next 6 months is steady with the distribution sector remaining the most vulnerable.

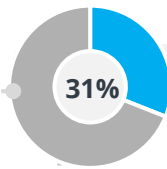
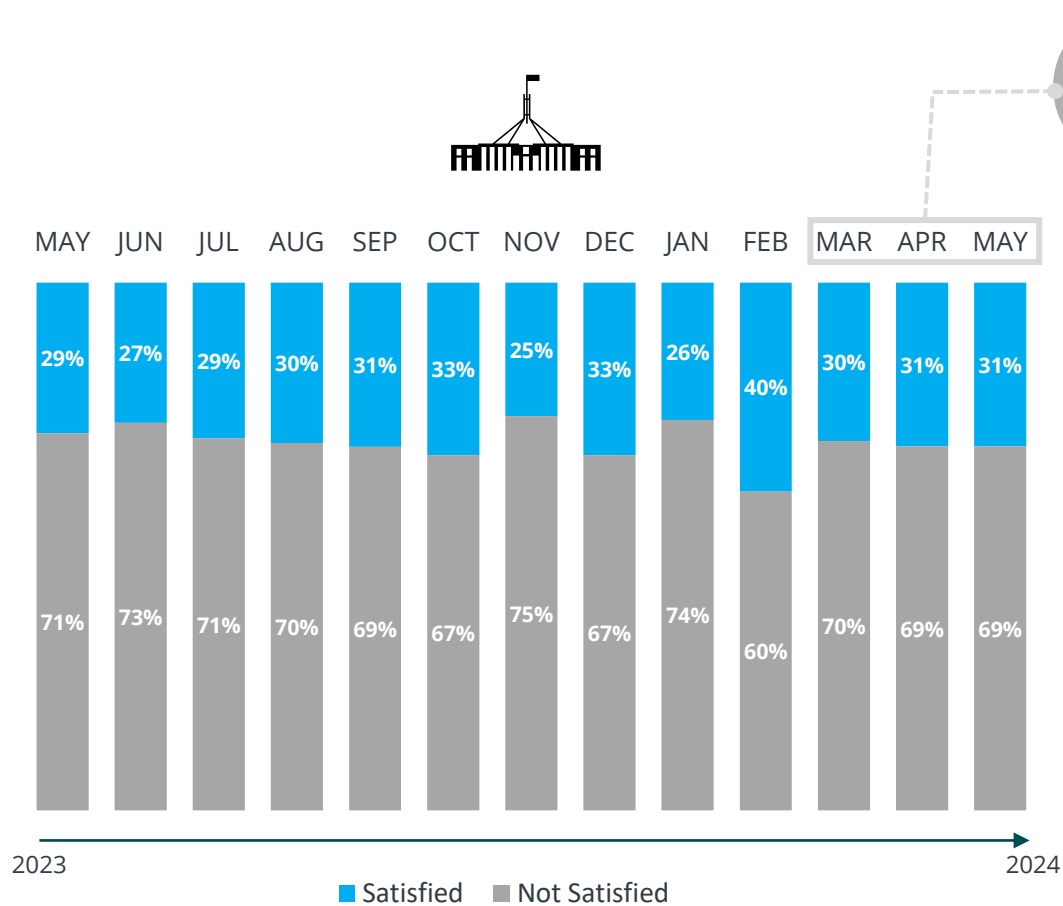
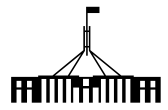
## DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?



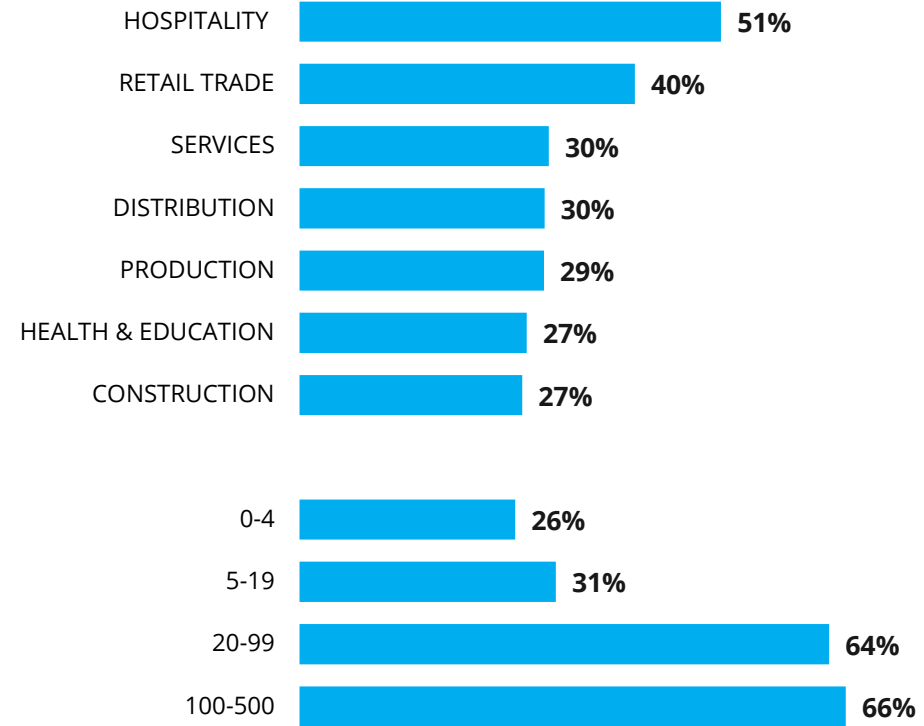


Satisfaction with the Federal Government remains consistent at 31%. Surprisingly, respondents in the struggling hospitality and retail sectors remain more positive than their peers in other industries.

## 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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**Key Performance Indicators**

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**05**

**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

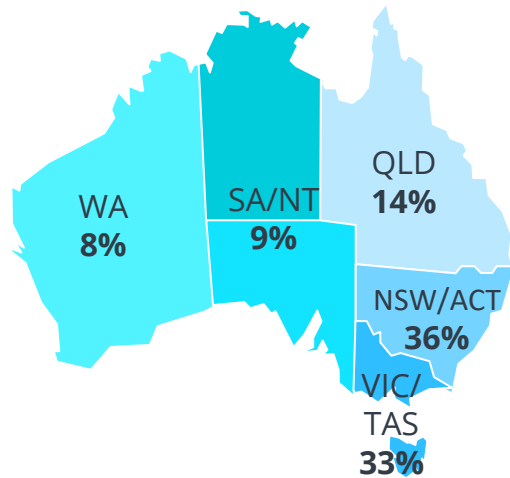


Data is **weighted** by industry, state and  
number of employees to reflect the  
national distribution of businesses across  
the country

# Our Sample

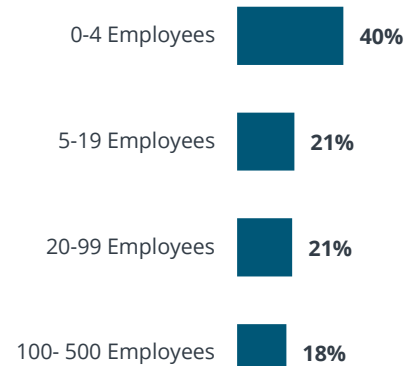
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

## HEAD OFFICE LOCATION

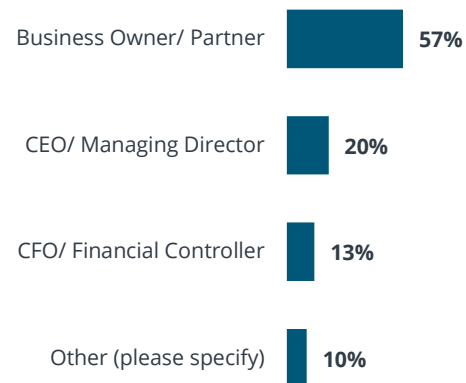


NOTE: CHARTS SHOW UNWEIGHTED DATA

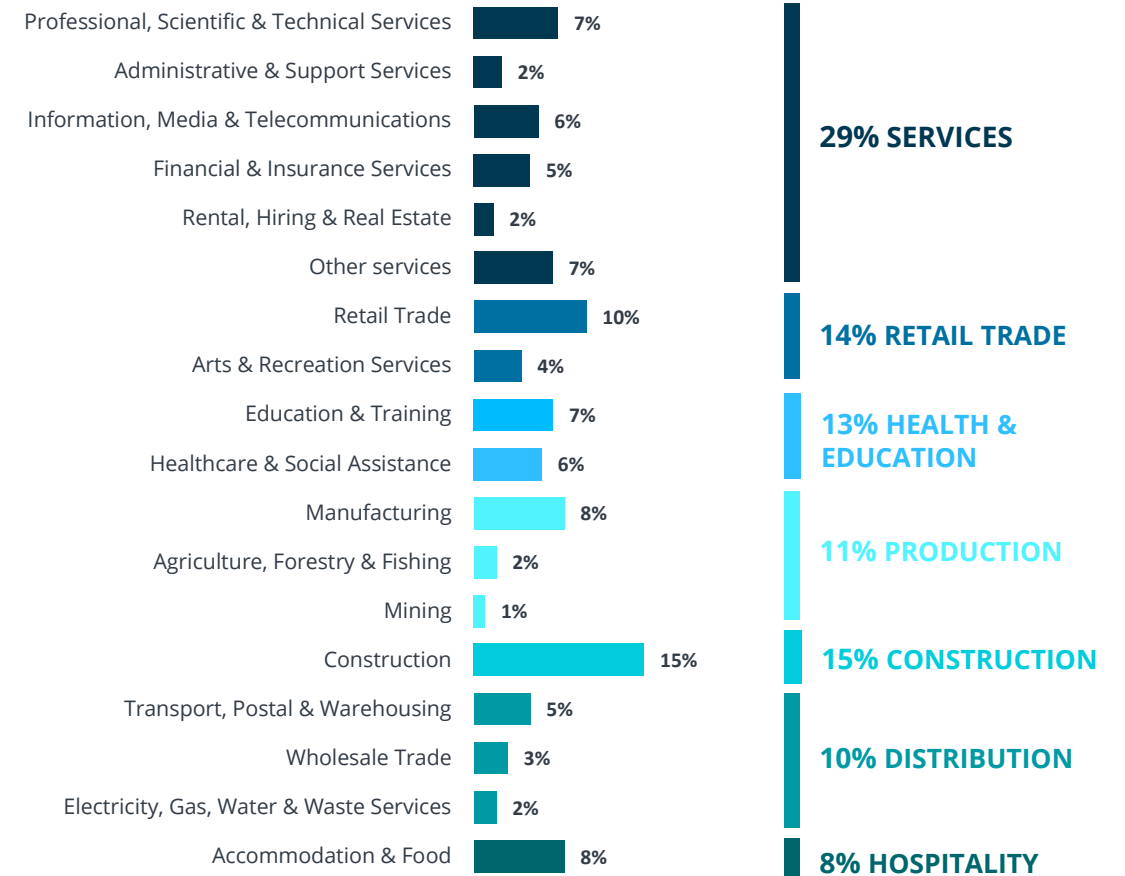
## SIZE OF BUSINESS: EMPLOYEES



## POSITION IN BUSINESS



## INDUSTRY SECTOR





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Fifth Quadrant Pty Ltd  
ABN: 53 088 072 940 | ACN: 088 072 940

Level 6, 54 Miller Street  
North Sydney, NSW, 2060, Australia

E: [james@fifthquadrant.com.au](mailto:james@fifthquadrant.com.au)



**Thank You**

For further information, please contact:

**James Organ**

Managing Director

E: [james@fifthquadrant.com.au](mailto:james@fifthquadrant.com.au)

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