



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 64 – June 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.





38% reported weaker revenue compared to 12 months earlier.



30% of SMEs have faced severe financial challenges over the past year.



Only 13% are actively recruiting, compared to 27% at the start of the year.



56% expect short-term domestic economic conditions to weaken.

SME Employment Data Continues to Nosedive

The latest edition of Fifth Quadrant's SME Sentiment Tracker shows that the current economic climate for SMEs remains challenging, with 38% reporting a decline in revenue in June. The construction sector remains weak, with 48% of companies experiencing reduced revenues.

30% of SMEs have faced severe financial challenges over the past year, with challenging economic conditions, high operational costs and weak consumer demand having a significant impact. Accordingly, 50% of respondents report issues relating to physical and mental health, relationships and personal financial security.

Employment data continues to nosedive with only 13% of SMEs actively trying to fill job roles, the lowest level seen over the past year. With weak conditions and the increase in the minimum wage on July 1, only 10% now expect to increase staff numbers over the next 3 months.

Moving forward the outlook remains negative, as sentiment regarding economic conditions globally and in Australia continue to slide as sticky inflation and geo-political issues persist. 56% of respondents expect conditions in Australia to worsen and 49% are expecting a decline globally. Accordingly, expectations regarding short term revenue growth continue to drop sharply with only 21% expecting an increase over the next 4 weeks, compared to 35% in February.

In summary, revenue and sentiment continue the ongoing decline that commenced in early 2024. Accordingly, many SMEs are facing significant challenges, that not only impact their financial wellbeing but also their health and personal relationships. As reported last month recruitment data is at the lowest levels recorded over the past 12 months and hence, we continue to expect unemployment to rise soon.



01 Key Performance Indicators

02 People

03 Business Sentiment

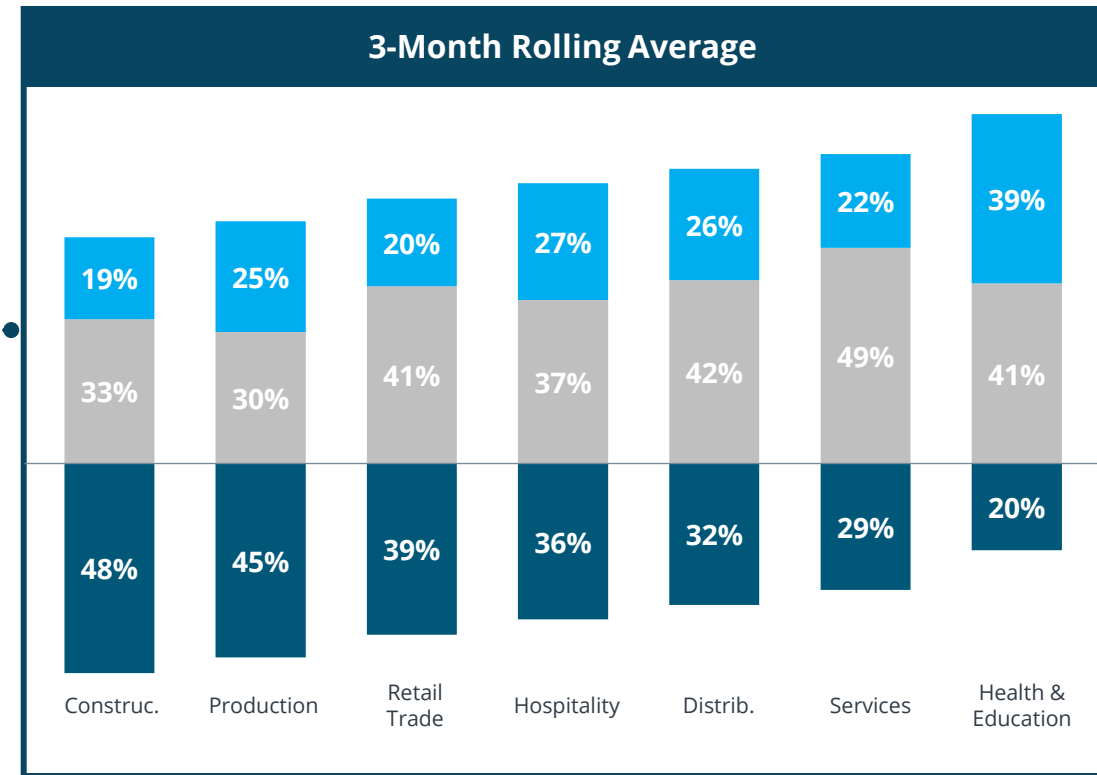
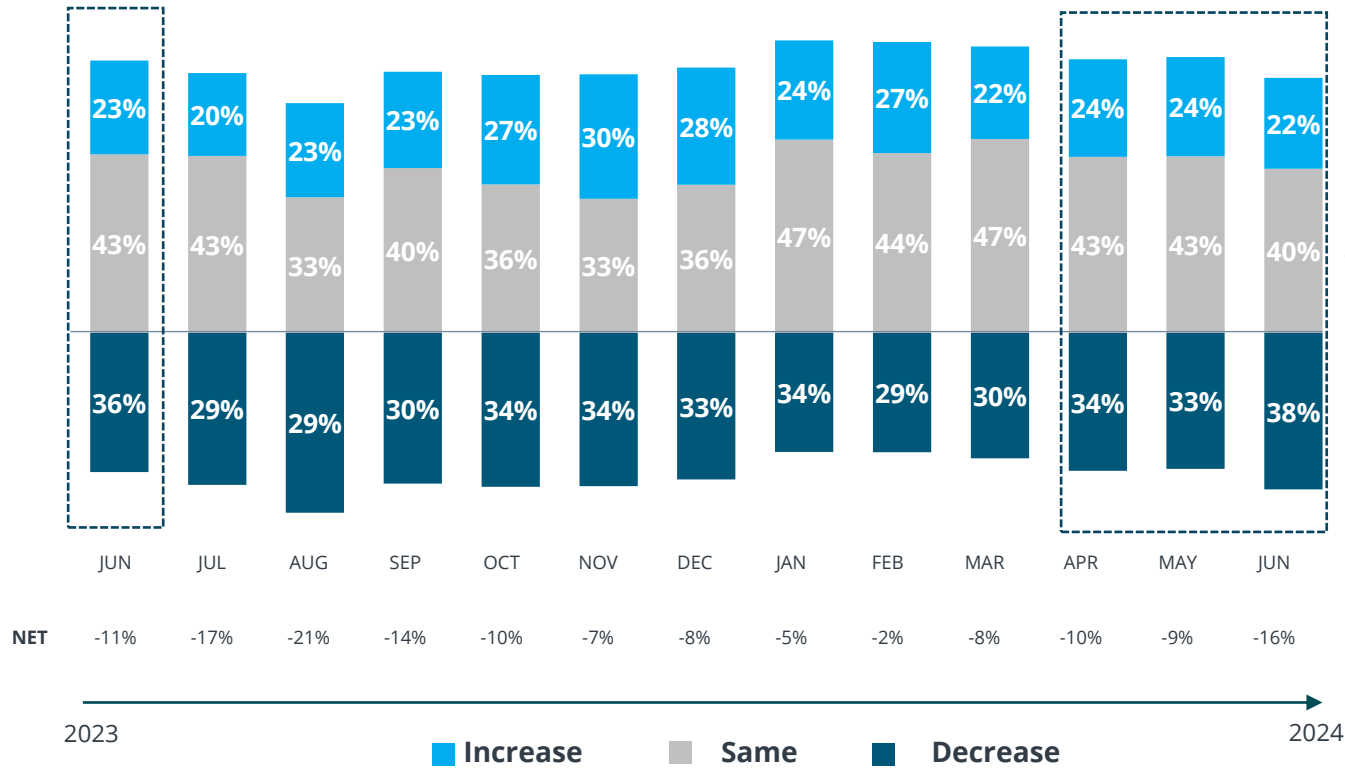
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

Another month of weaker revenues for SMEs, with 38% reporting a decline compared to the same period last year. Construction, production and retail businesses continue to struggle, whereas those in health, education and services are more positive.

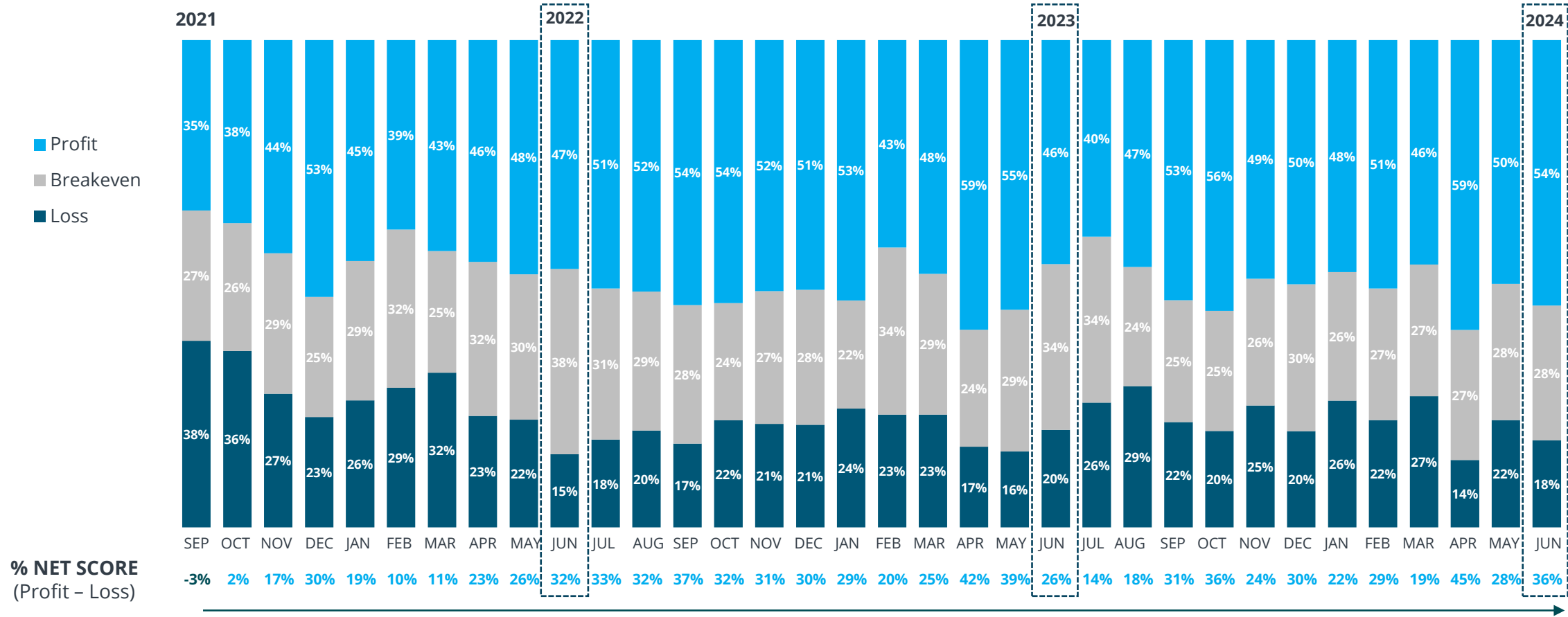
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

Profitability continues to fluctuate, with 54% of SMEs recording a profit in June. This is more positive than the June data in 2022 and 2023, suggesting SMEs have better cost controls in place to offset lower revenues.

WHAT WAS YOUR PROFIT MARGIN LAST MONTH



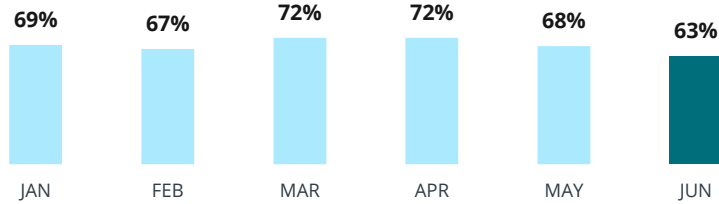
Key Performance Indicators | Business Concerns

An ongoing downward trend in concerns about input costs suggests supplier pricing is becoming more competitive.

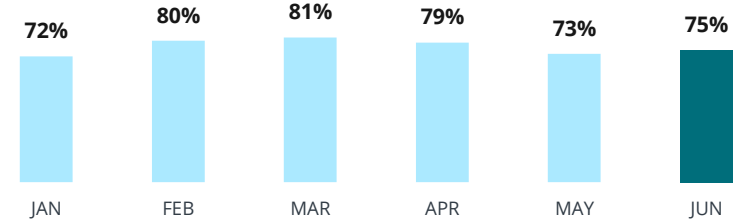
HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



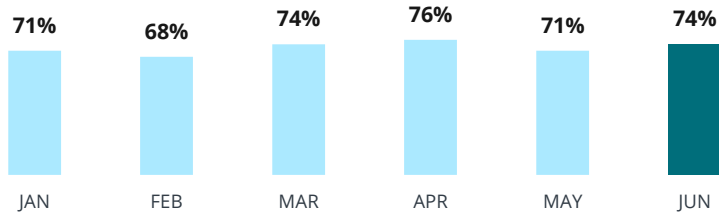
Input Costs



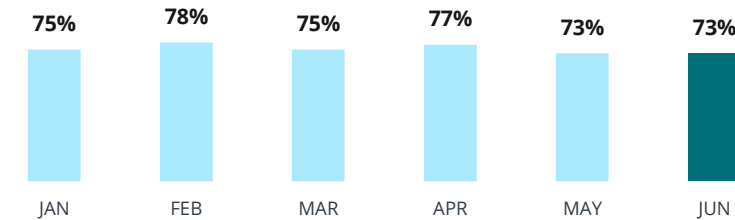
Energy costs



Rising interest rates / cost of credit



Fuel costs



Total concerned

Key Performance Indicators | Cost Recovery

Although supply side concerns are easing, only 65% of SMEs were able to pass on higher input costs in June. This is the lowest level reported in 2024 and indicates downward pressure on prices and therefore inflation.

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

JUNE

Yes, but only partially

55%

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

9%

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

1%

No

35%

YES

70%

68%

66%

74%

69%

65%

January

February

March

April

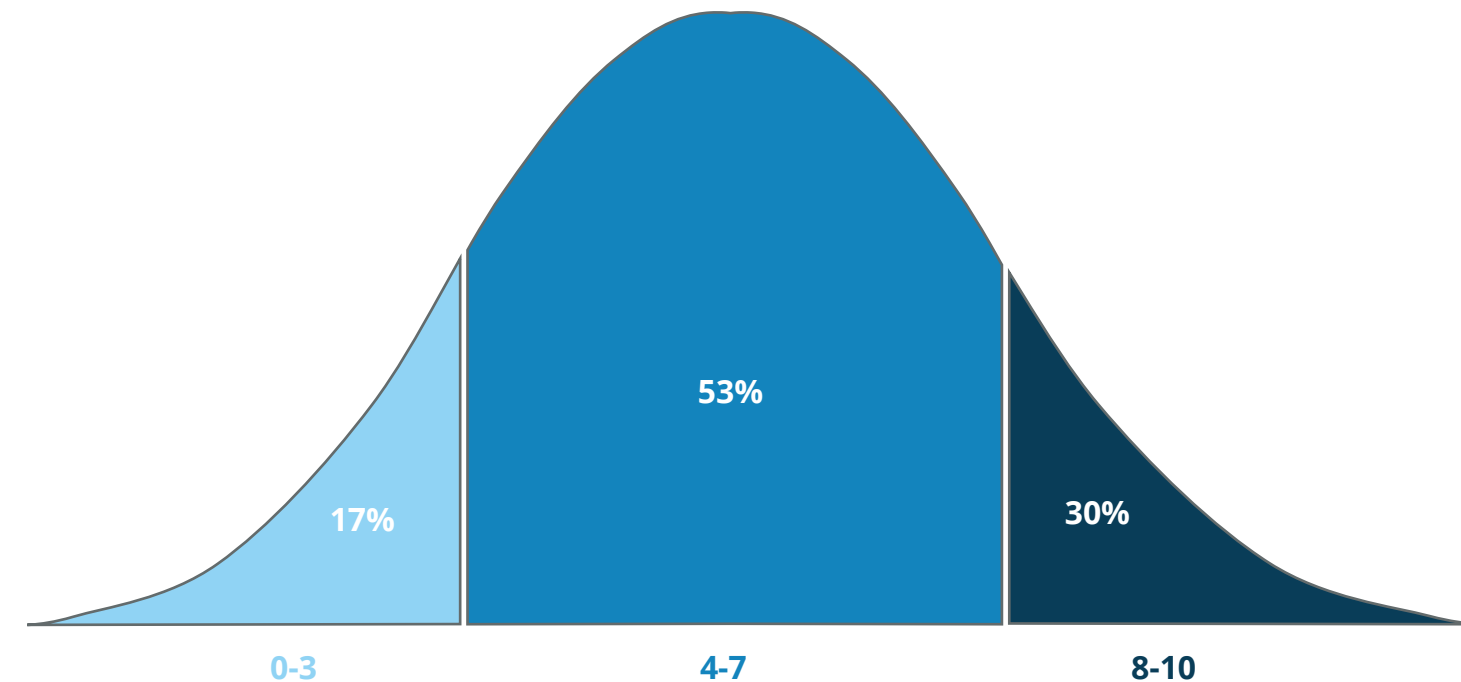
May

June

30% of SME have faced severe financial challenges over the past 12 months with weak economic conditions, operational costs and weak consumer demand having a significant impact. Accordingly, 50% of respondents report issues relating to physical and mental health, relationships and personal financial security.

HOW WOULD YOU RATE THE SEVERITY OF YOUR FINANCIAL CHALLENGES OVER THE PAST 12 MONTHS?

JUNE

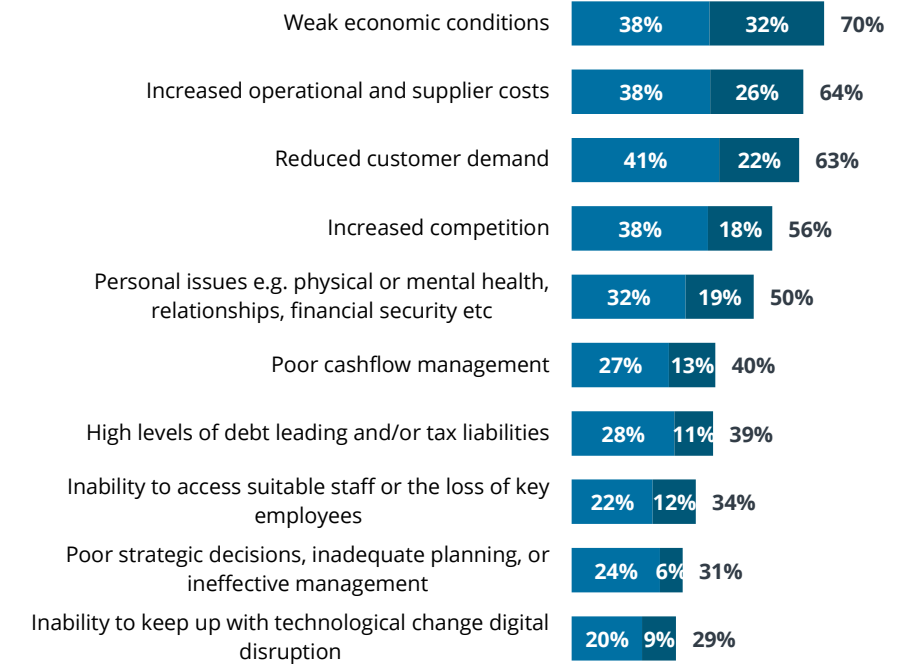


0 = Not at all challenging
10 = Extremely challenging

WHAT IMPACT HAVE THE FOLLOWING ISSUES HAD ON THE FINANCIAL HEALTH OF YOUR BUSINESS OVER THE PAST 12M?

JUNE

■ Medium ■ High



To counter difficult conditions, SMEs continue to look for operational efficiencies and product range optimisation to enhance productivity and profit.

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

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



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Key Performance Indicators

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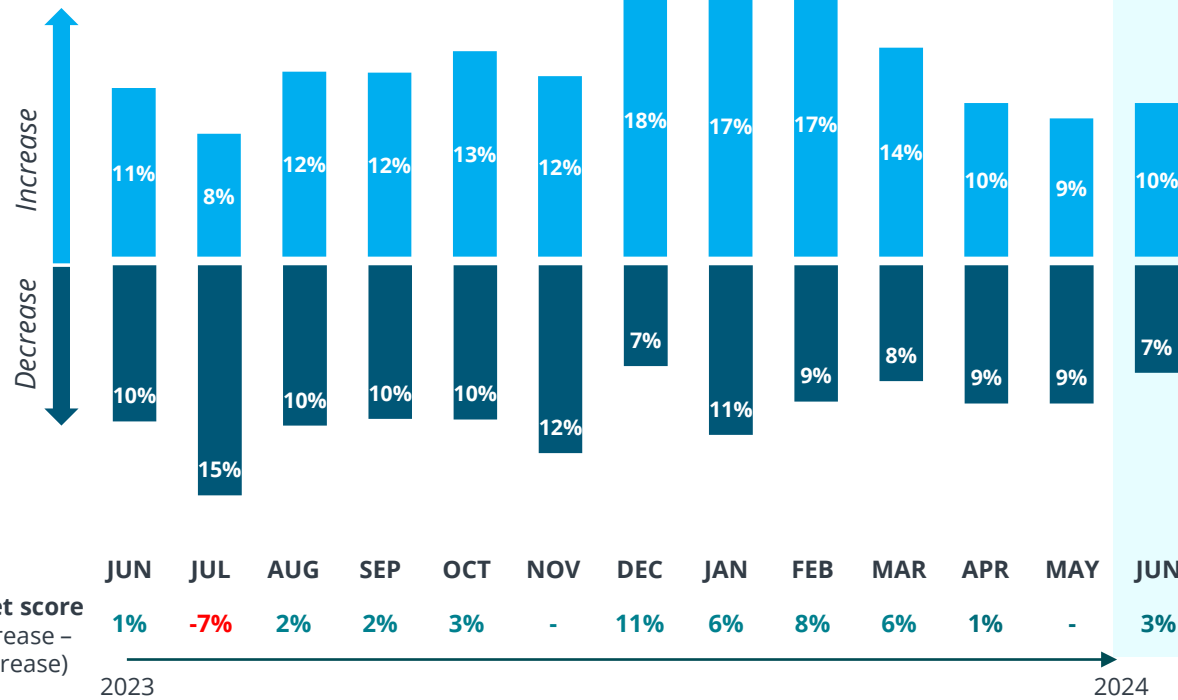
**Methodology &
Sample**

Key Performance Indicators | People

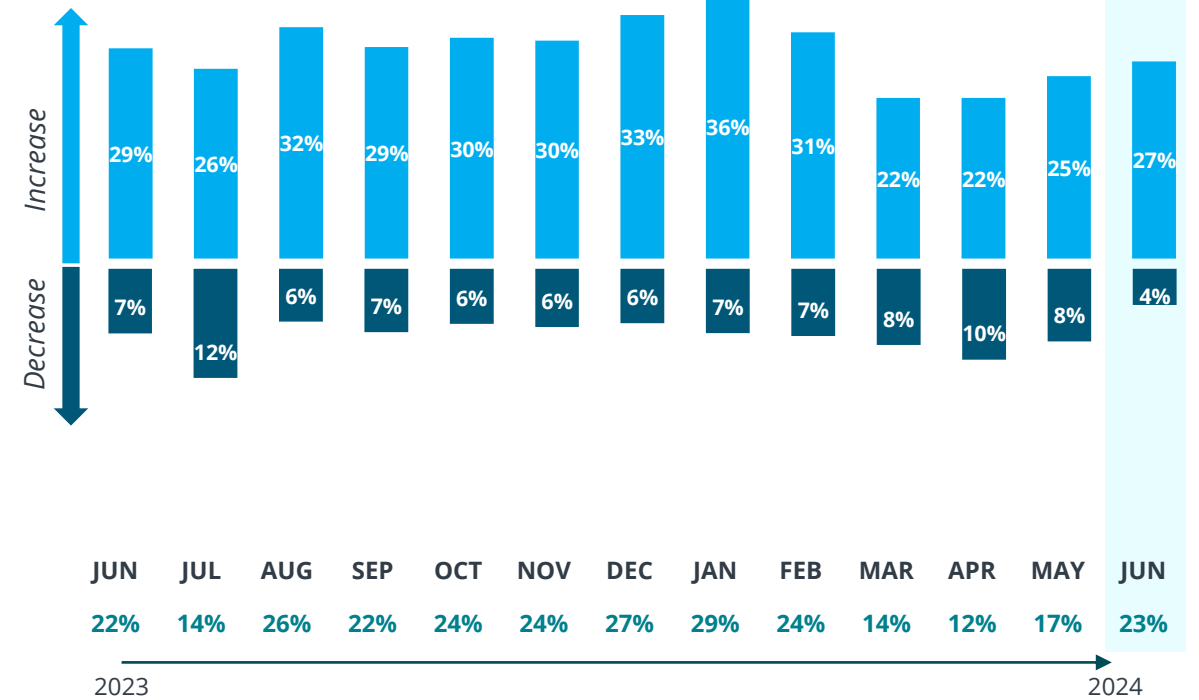
The minimum wage was increased on July 1 and therefore it is not surprising that SMEs report a continued upward trend in wage costs. This increase is also suppressing workforce expansion with only 1 in 10 expecting to increase staff numbers over the next 3 months.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

THE NUMBER OF STAFF YOU EMPLOY



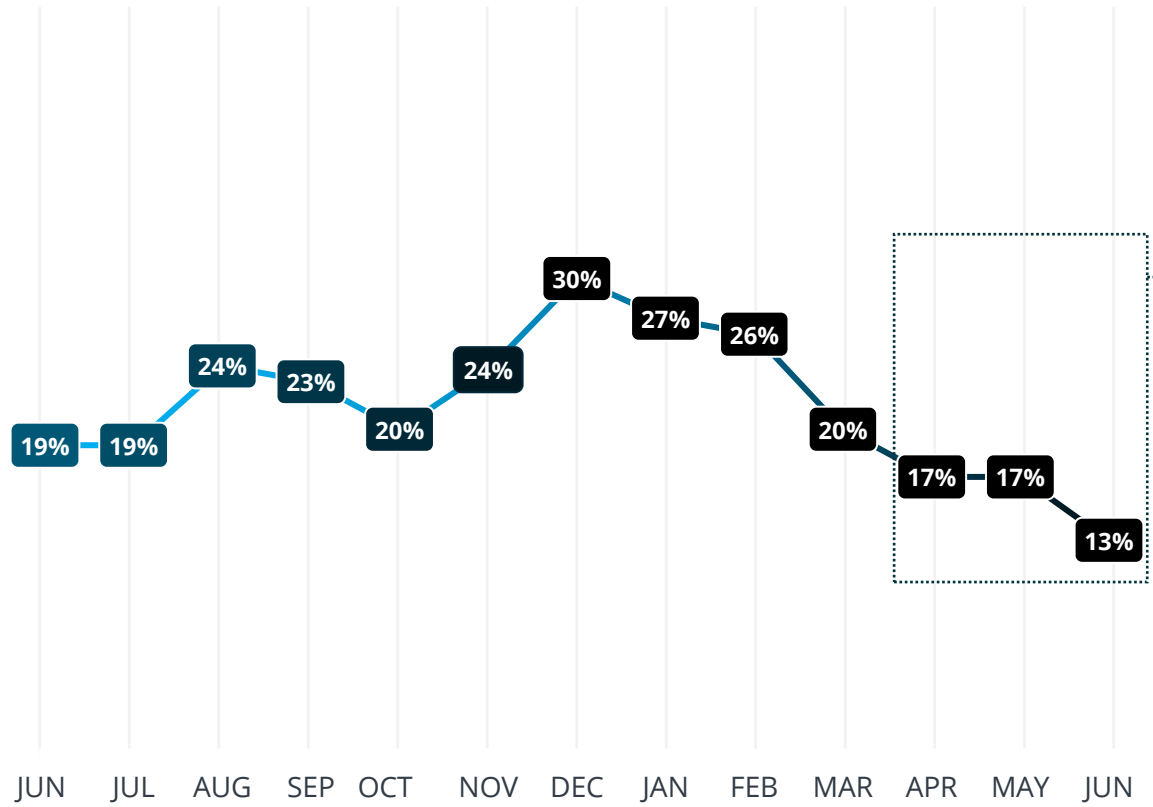
THE WAGES YOU PAY



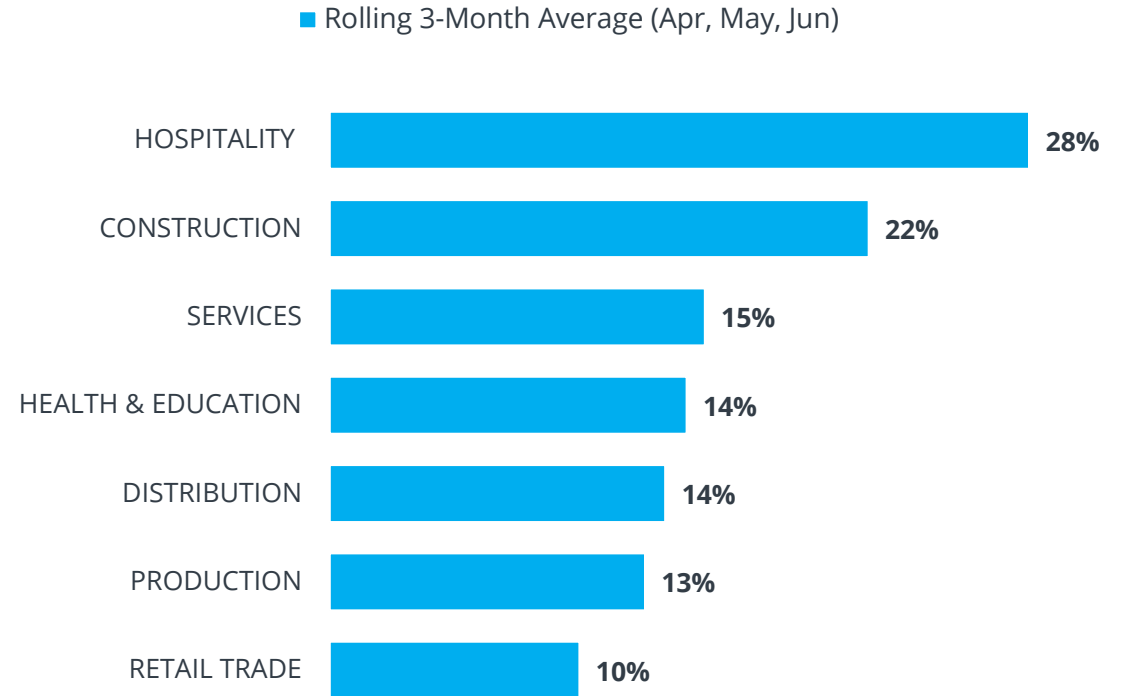
Key Performance Indicators | People

Consequently, recruitment activity continues to track downwards with only 13% of SMEs actively trying to fill job roles, the lowest level seen over the past year.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL



CURRENT JOB VACANCIES BY INDUSTRY



2023 → 2024

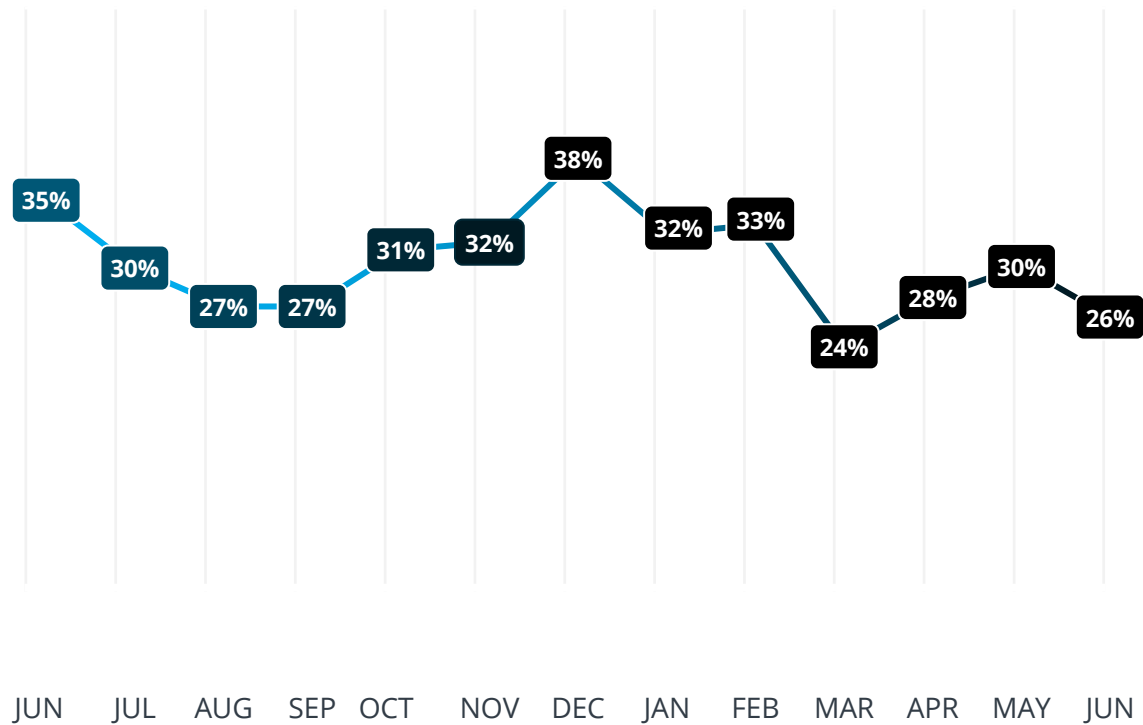
Key Performance Indicators | People

Of those SMEs actively recruiting, more than a quarter continue to find it difficult, predominantly due to a lack of skilled and qualified candidates.

HOW DIFFICULT IS IT TO FILL THESE ROLES?

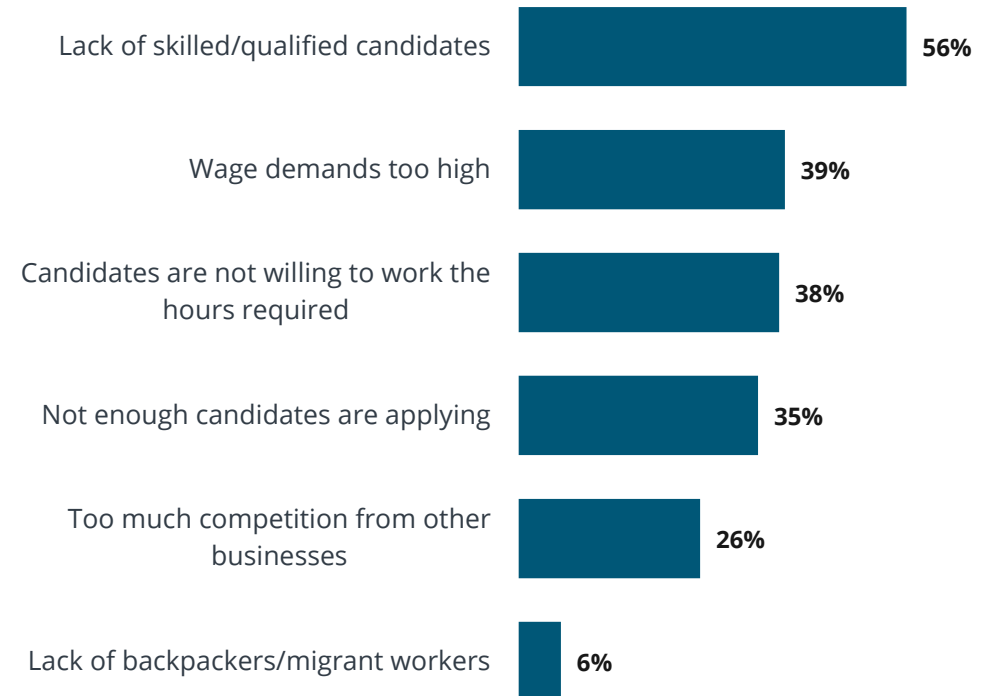
Data displayed as a 3-month rolling average

● Very Difficult



WHY IS IT DIFFICULT TO FILL THESE ROLES?

3-MONTH ROLLING AVERAGE





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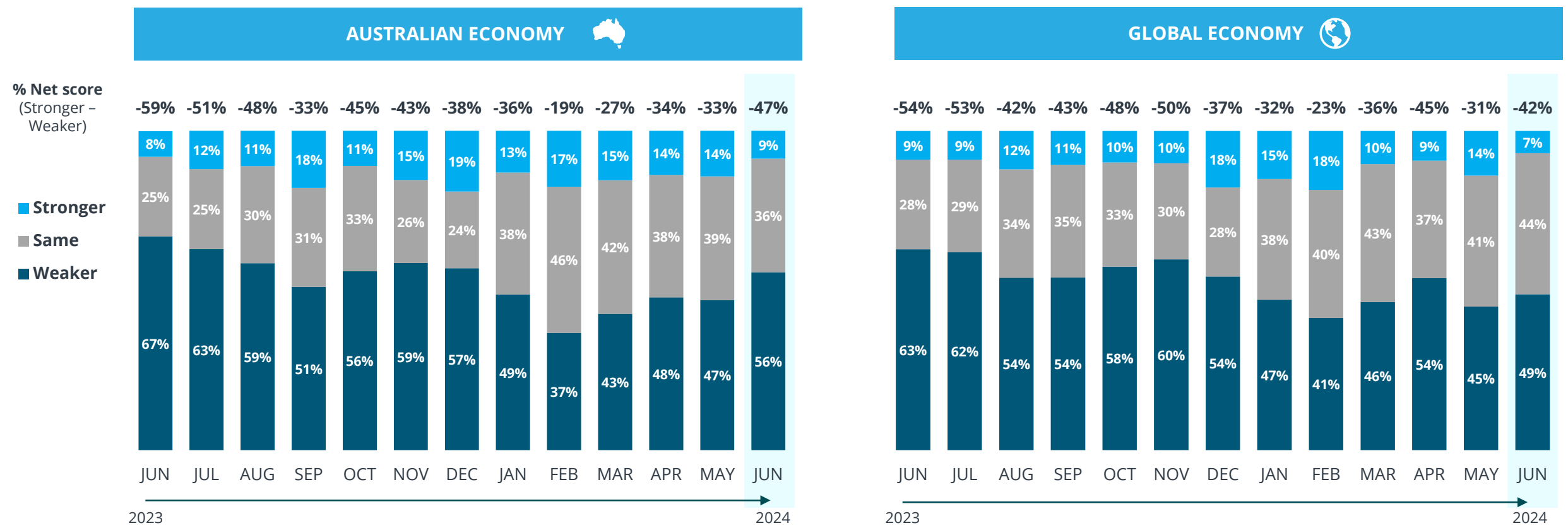
05

Methodology & Sample

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

Confidence in both the Australian and global economies has continued to trend down in 2024, as sticky inflation and ongoing geo-political issues, including elections, impact sentiment.

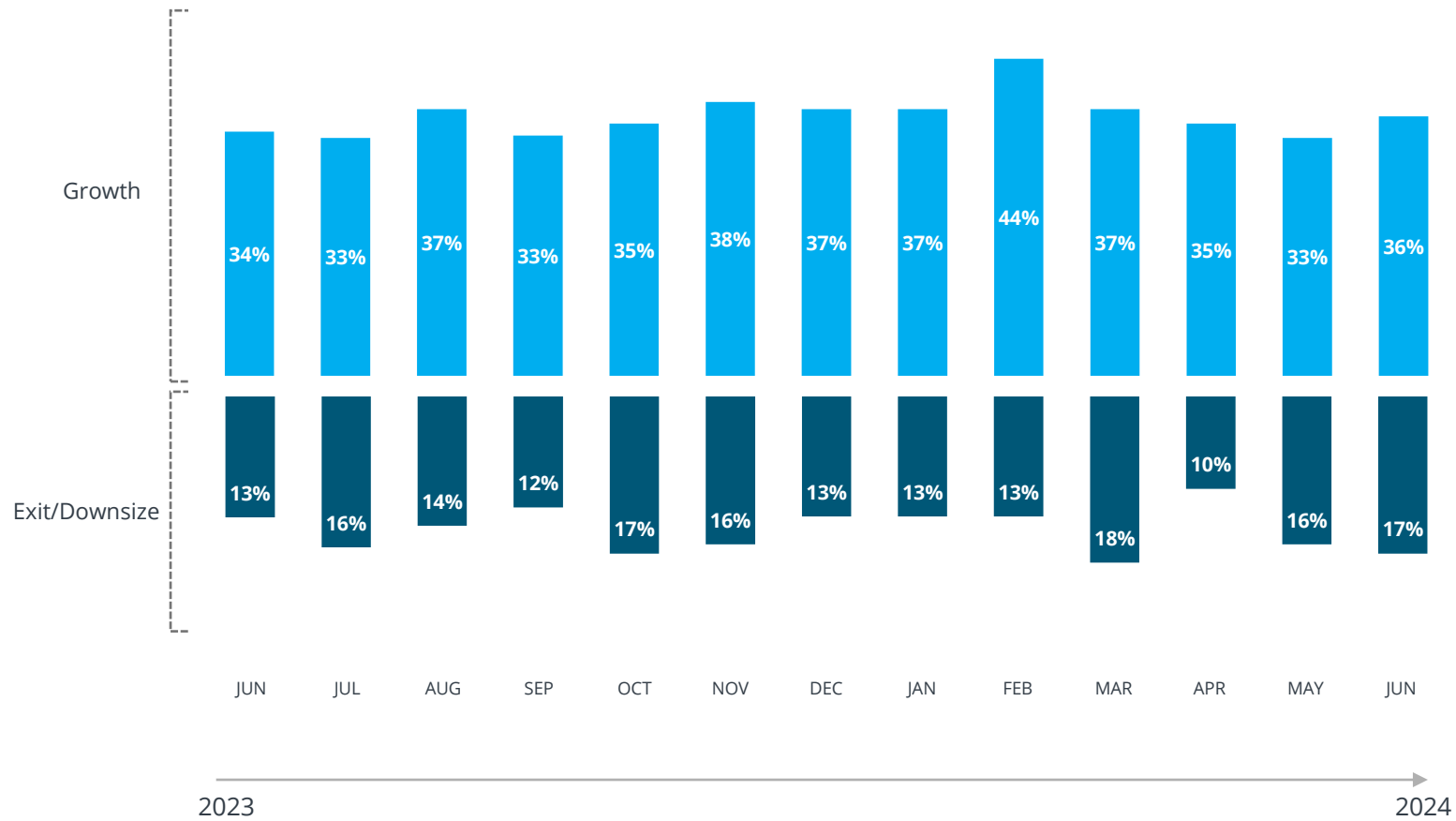
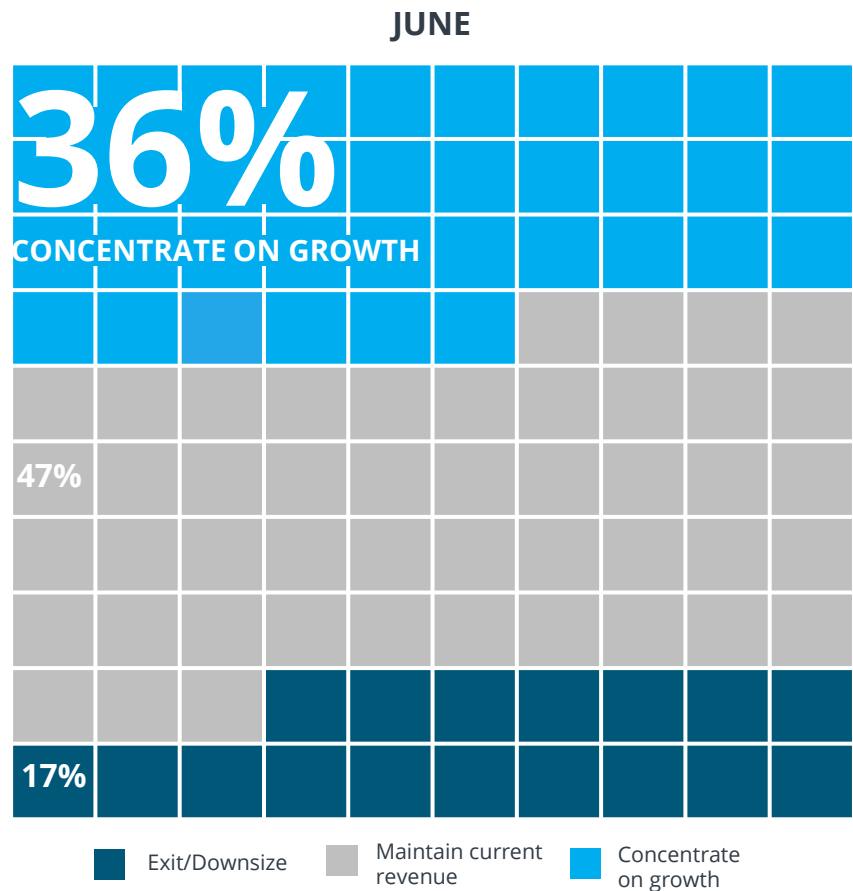
EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



Business Sentiment | Growth Expectations (Next 12 months)

Despite this, growth expectations for the year ahead, remain steady.

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

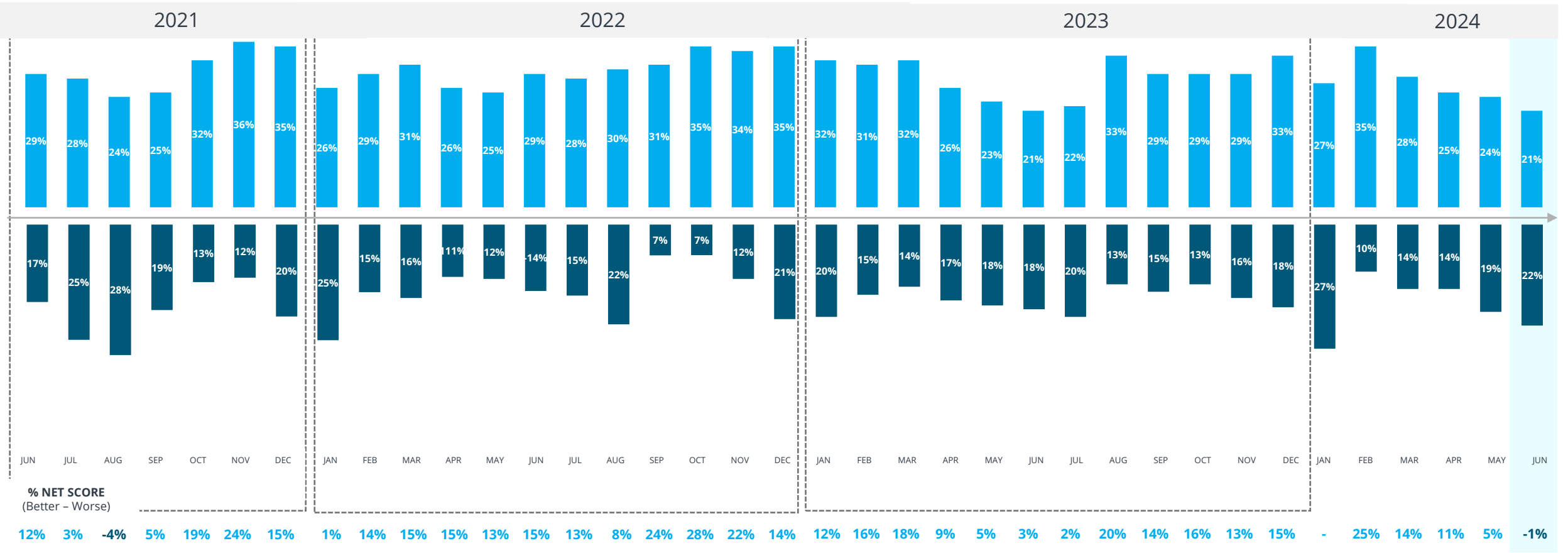


Business Sentiment | Revenue Expectations (Next Four Weeks)

However, more immediate expectations regarding short term revenue growth continue to drop sharply in line with falling revenues and weak sentiment.

■ Better
■ Worse

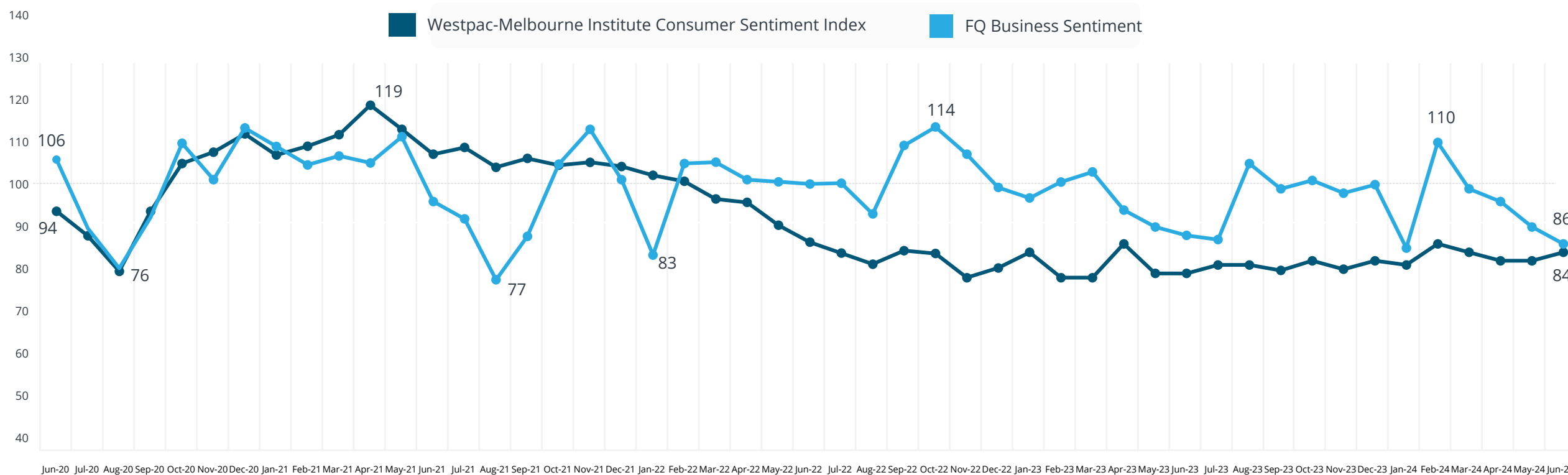
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



Business Sentiment | Sentiment 2020-2023

The Fifth Quadrant Business Sentiment Index has fallen to 86 from a 2024 high of 110 in February.

BUSINESS AND CONSUMER SENTIMENT





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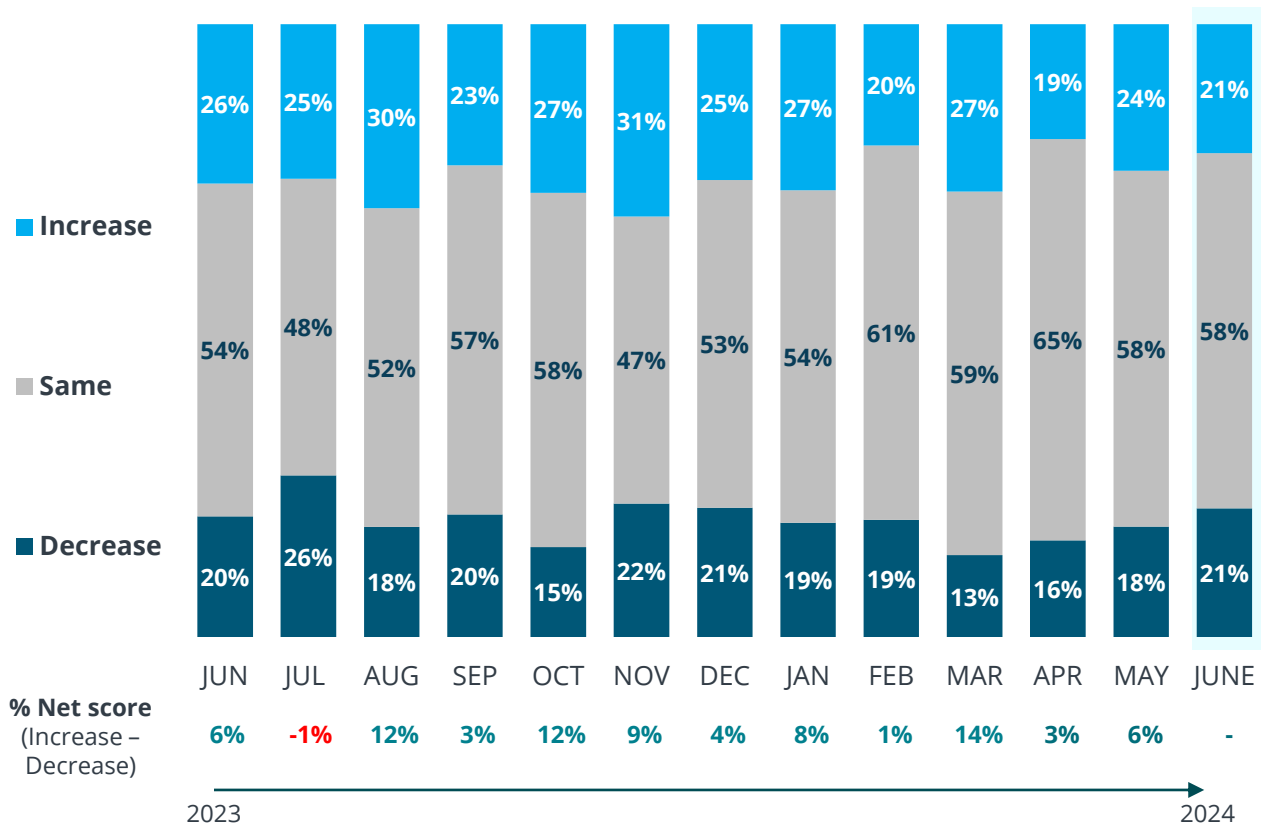
**Methodology &
Sample**

Business Investment | Next Three Months

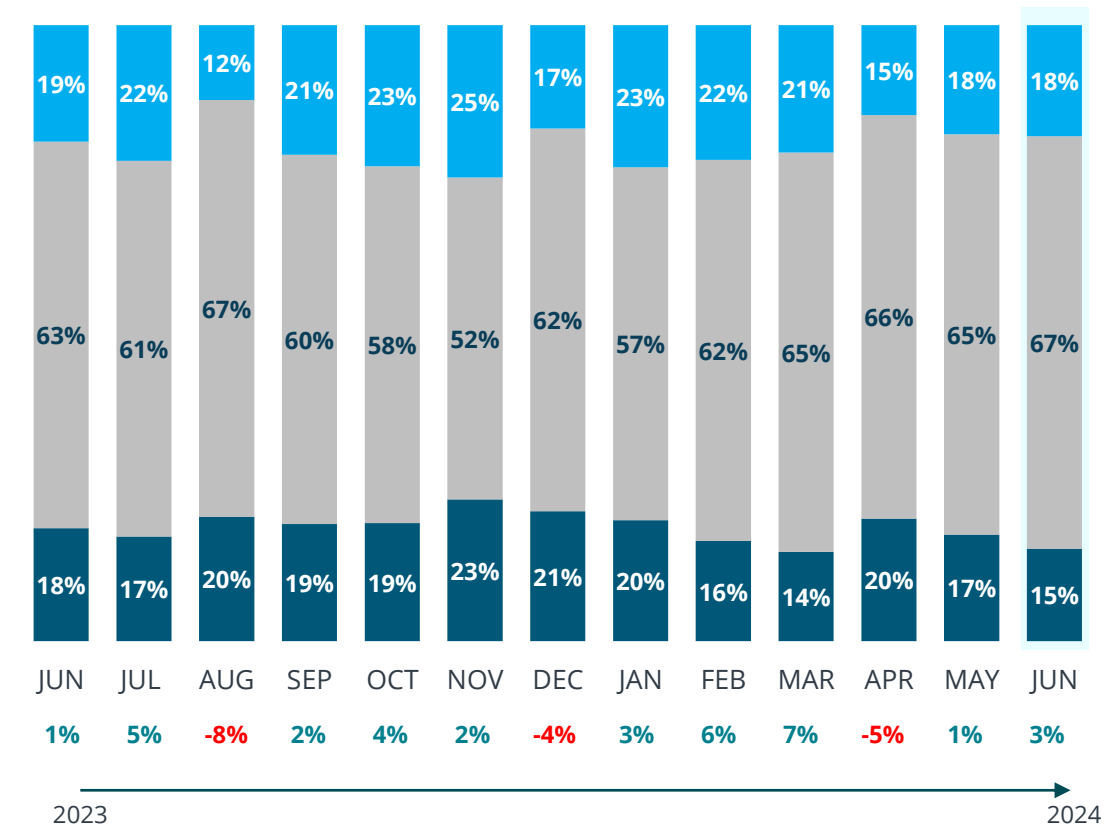
Amid economic uncertainty, there is limited expectation with regards to increasing capital investment and marketing spend.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

BUSINESS SPENDING/ CAPITAL INVESTMENT

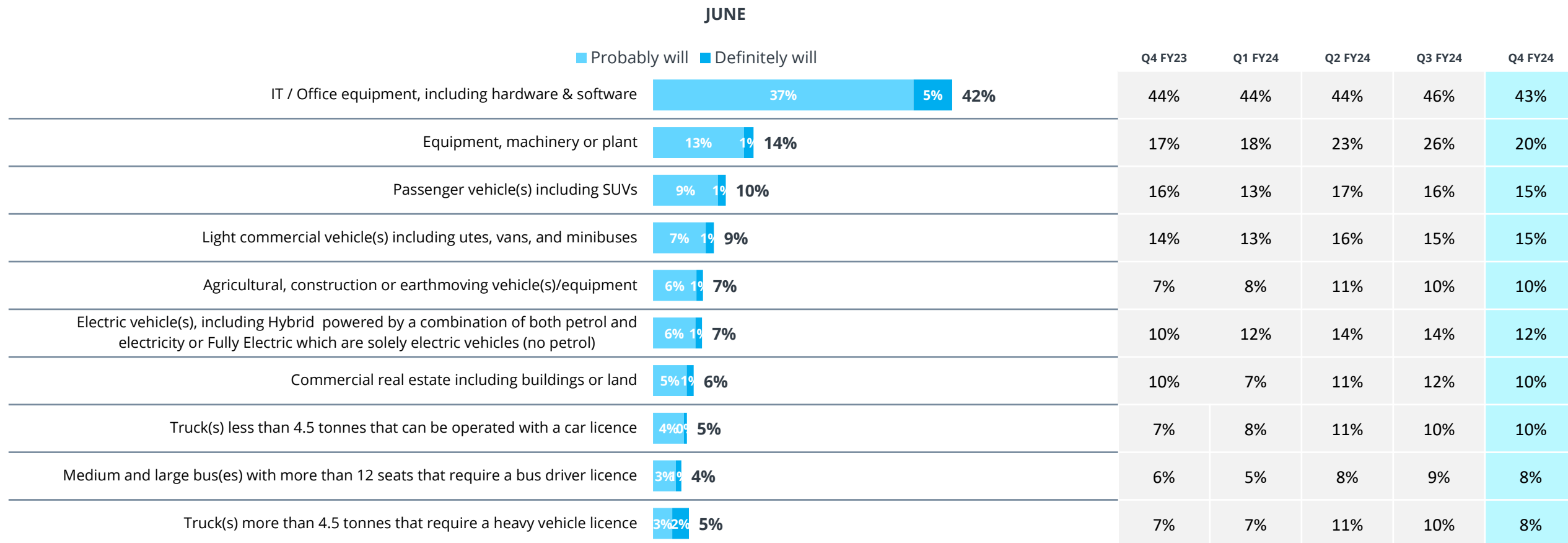


MARKETING SPEND



As expected, the intention to purchase across many capex categories has declined following the increased activity at the end of the financial year.

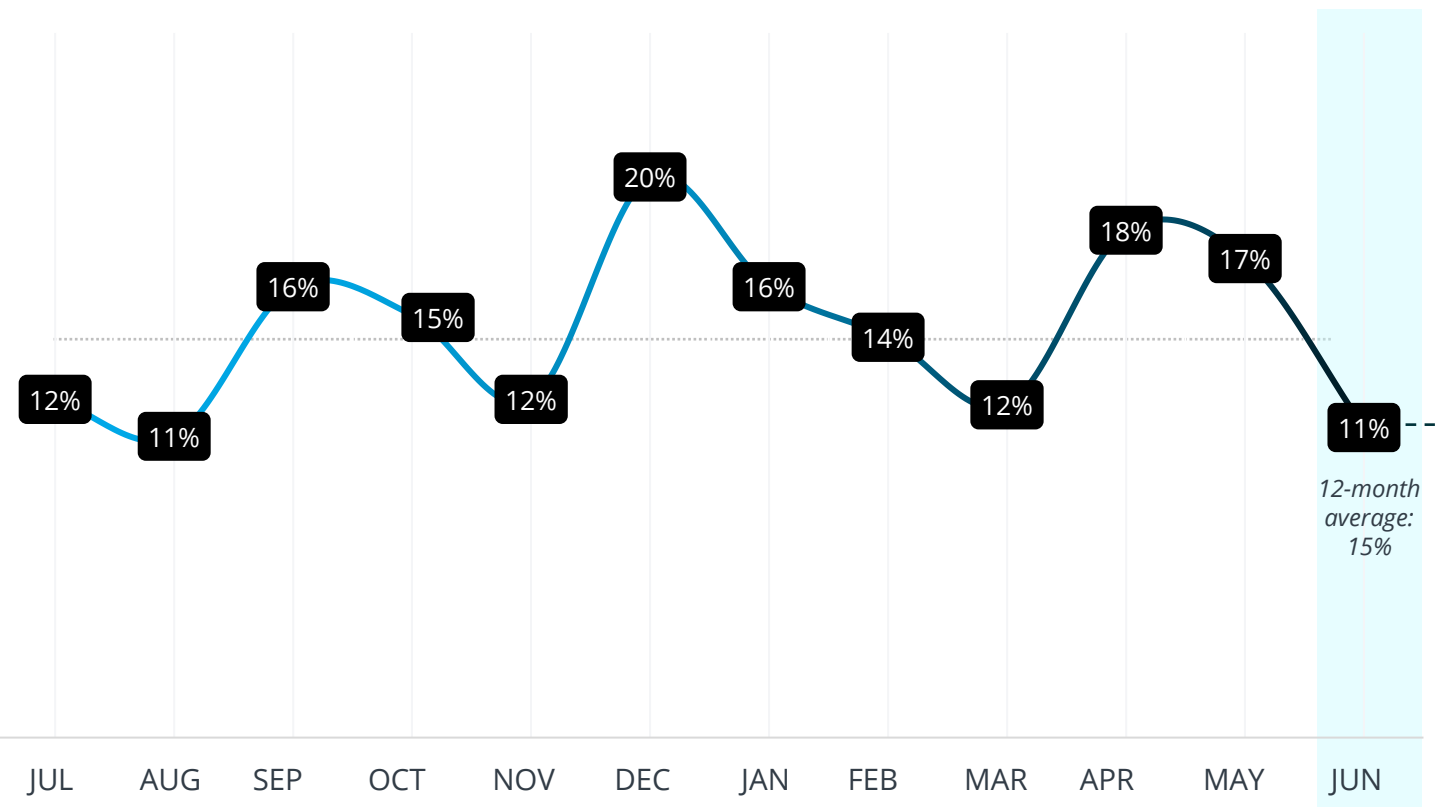
WHICH OF THE FOLLOWING WILL YOU PURCHASE FOR YOUR BUSINESS OVER THE NEXT 3 MONTHS?



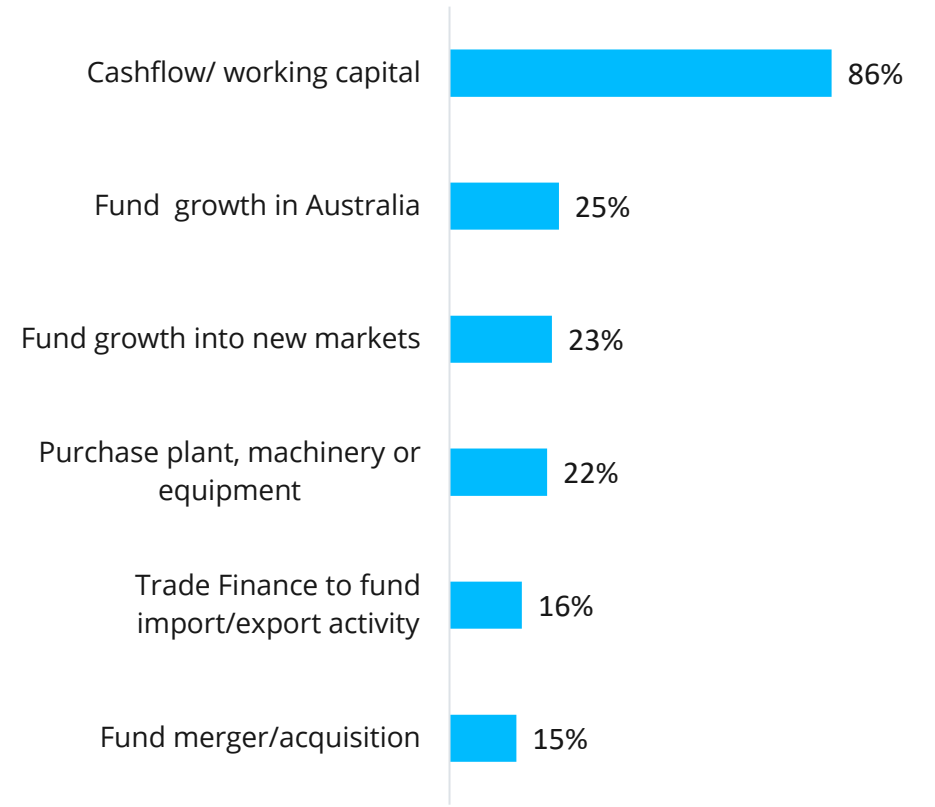
Business Investment | Finance Needs (Next 3 months)

As capex activity has dropped it not surprising that the need for additional finance has also moderated.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



AND WHAT IS THE PURPOSE OF THIS FINANCE?

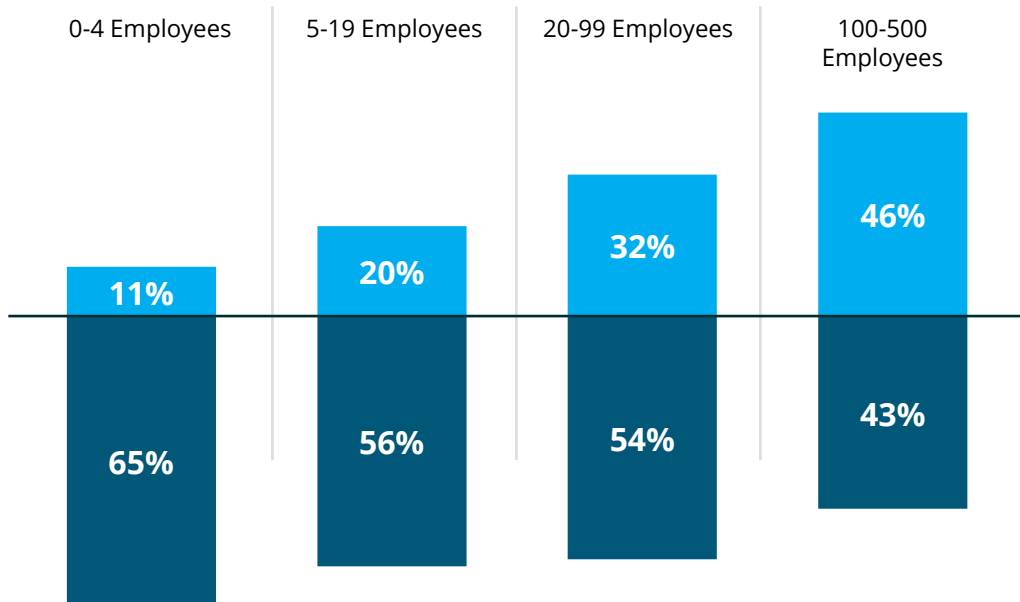


Larger SMEs and those in hospitality are driving the demand for additional financing.

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

3-MONTH ROLLING AVERAGE

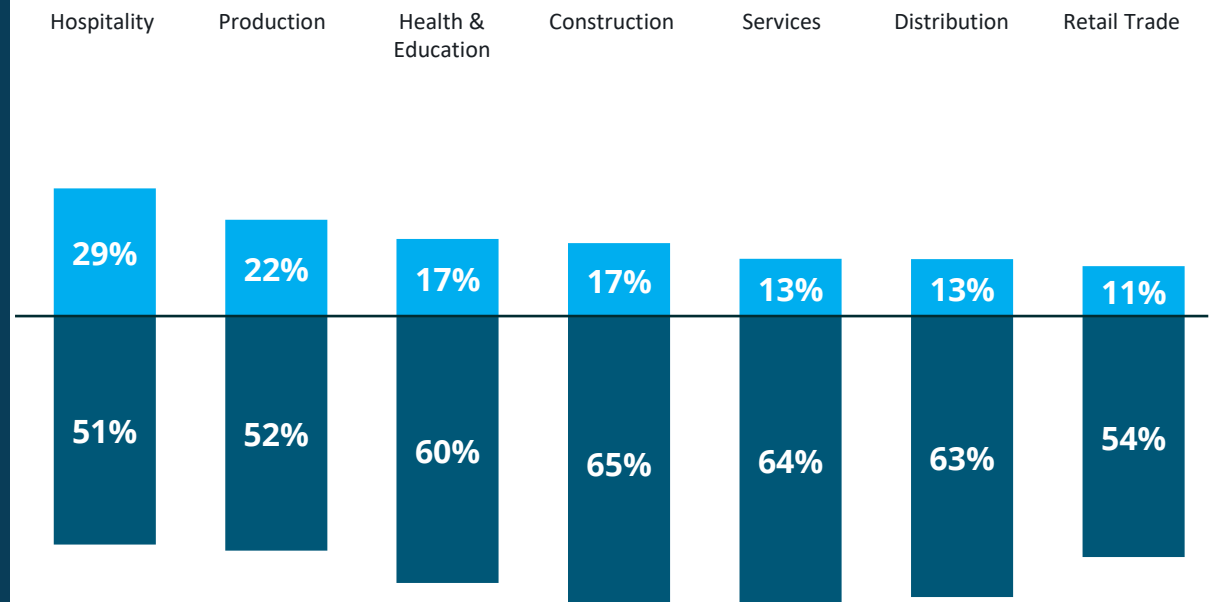
■ Yes ■ No



DEMAND FOR FINANCE BY INDUSTRY

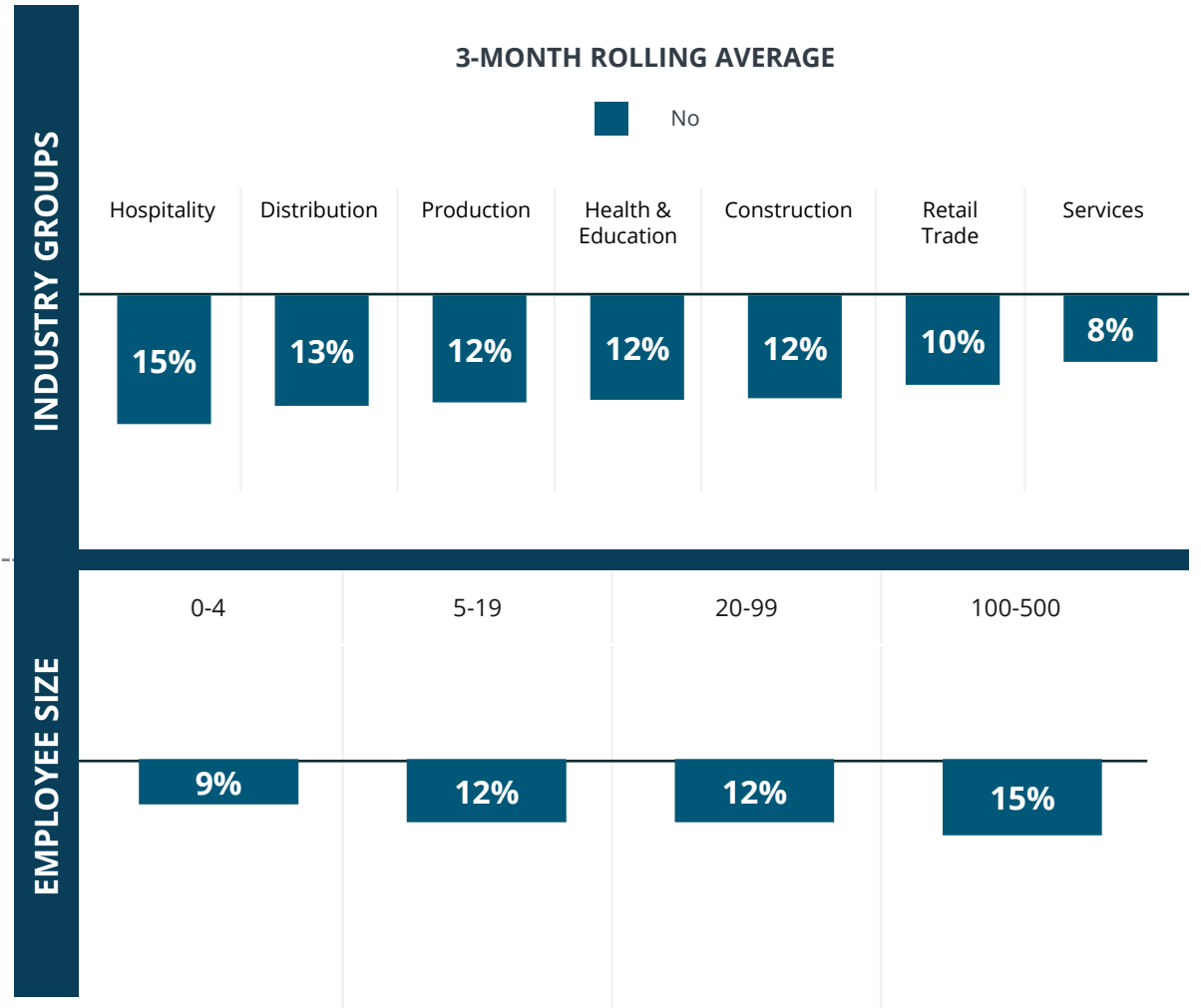
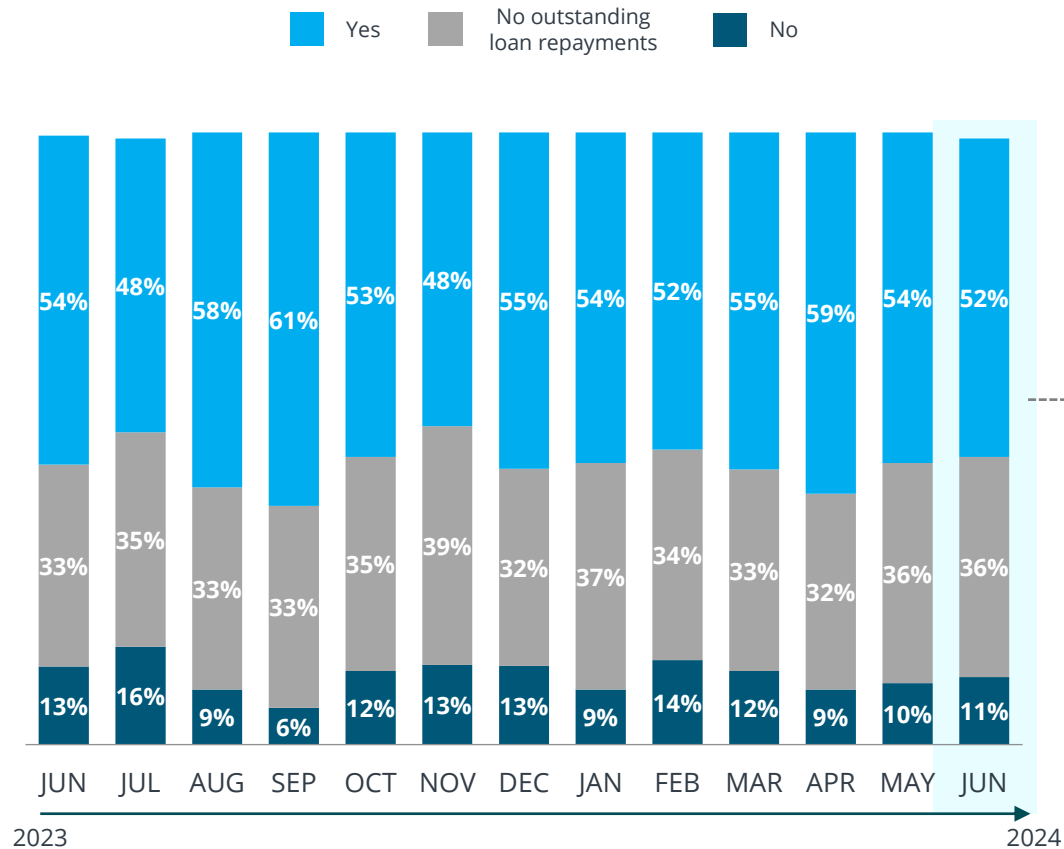
3-MONTH ROLLING AVERAGE

■ Yes ■ No



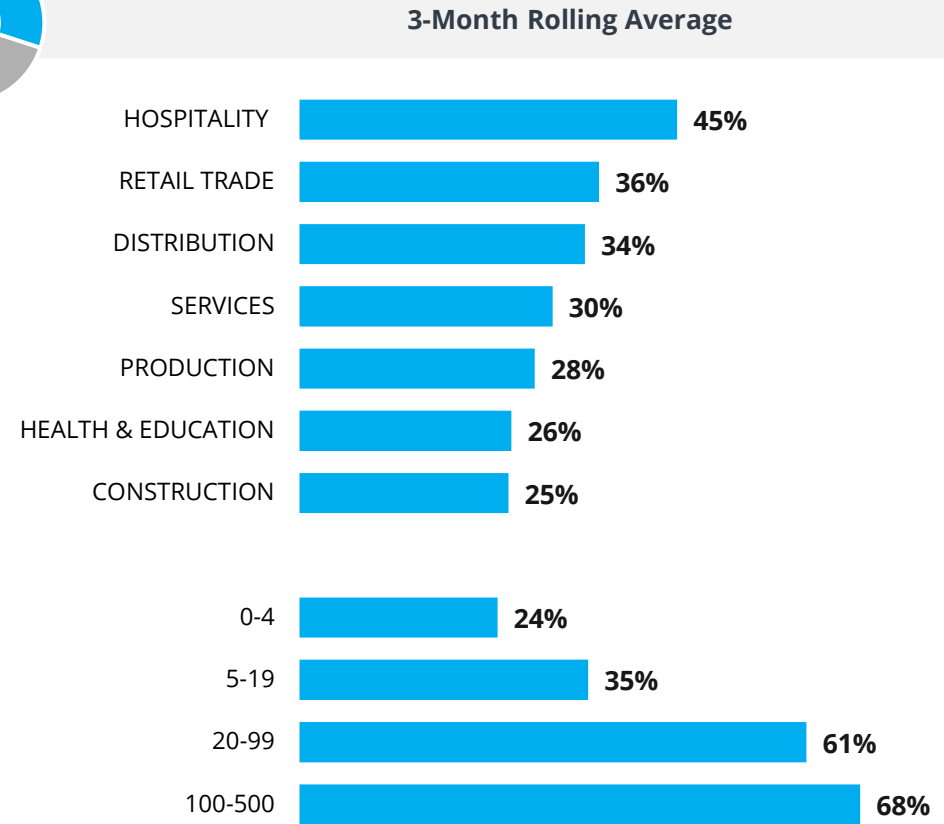
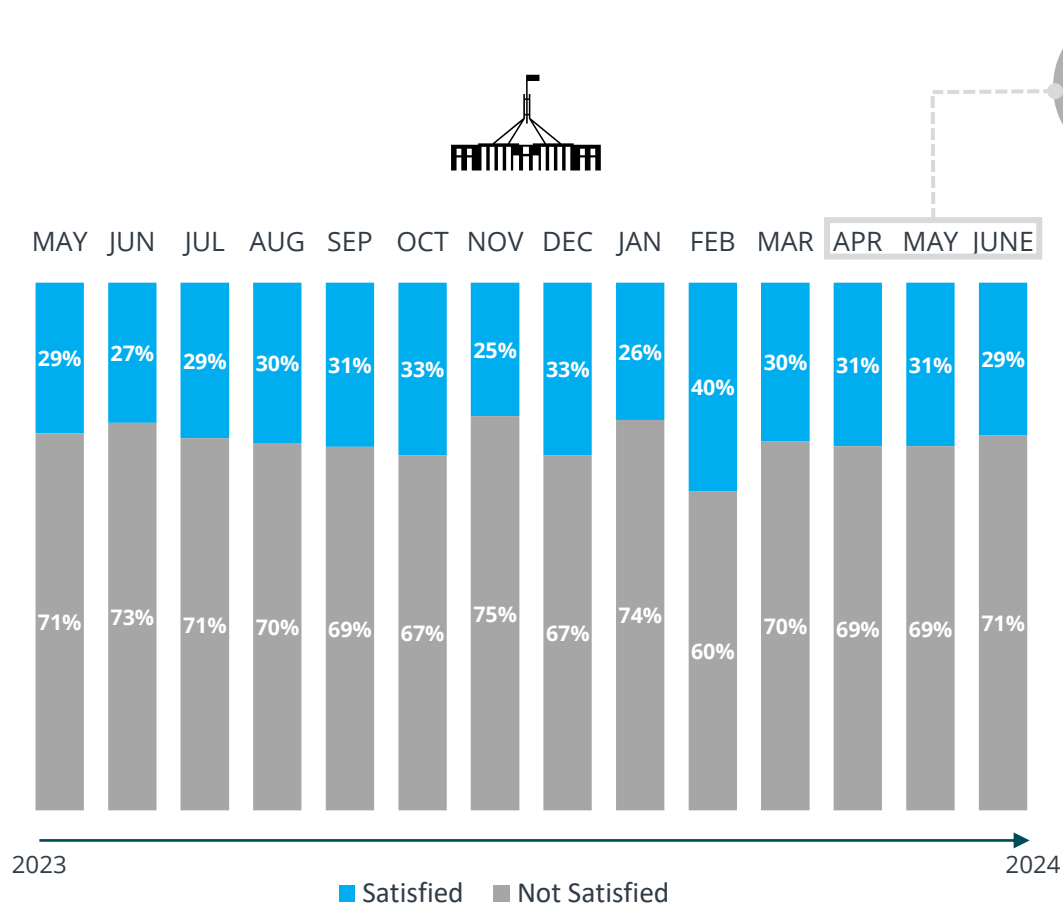
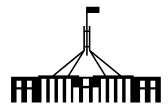
11% of SMEs do not expect to meet loan repayments over the next 6 months, up from 9% in April.

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



Satisfaction with the Federal Government remains consistent at 29%. 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?





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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

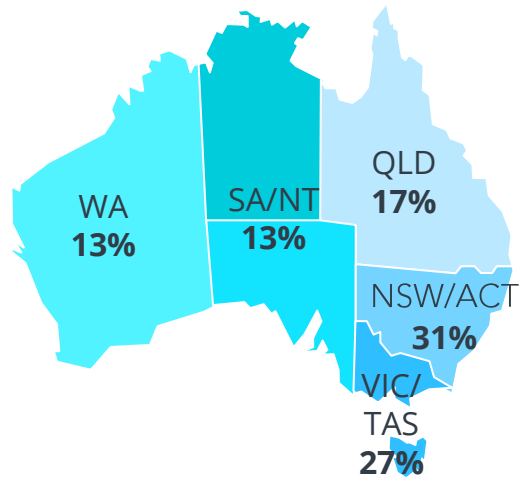


Data is **weighted** by industry, state and
number of employees to reflect the
national distribution of businesses across
the country

Our Sample

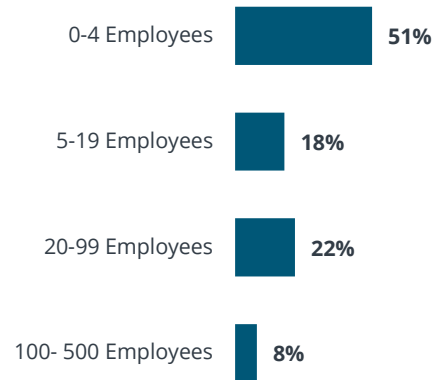
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

HEAD OFFICE LOCATION

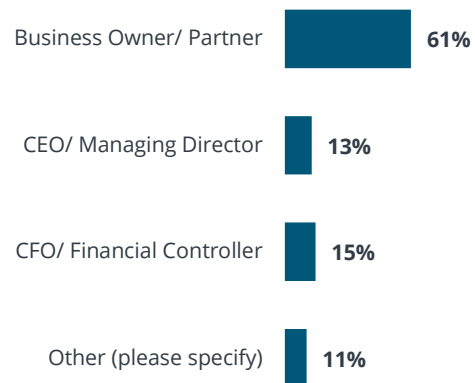


NOTE: CHARTS SHOW UNWEIGHTED DATA

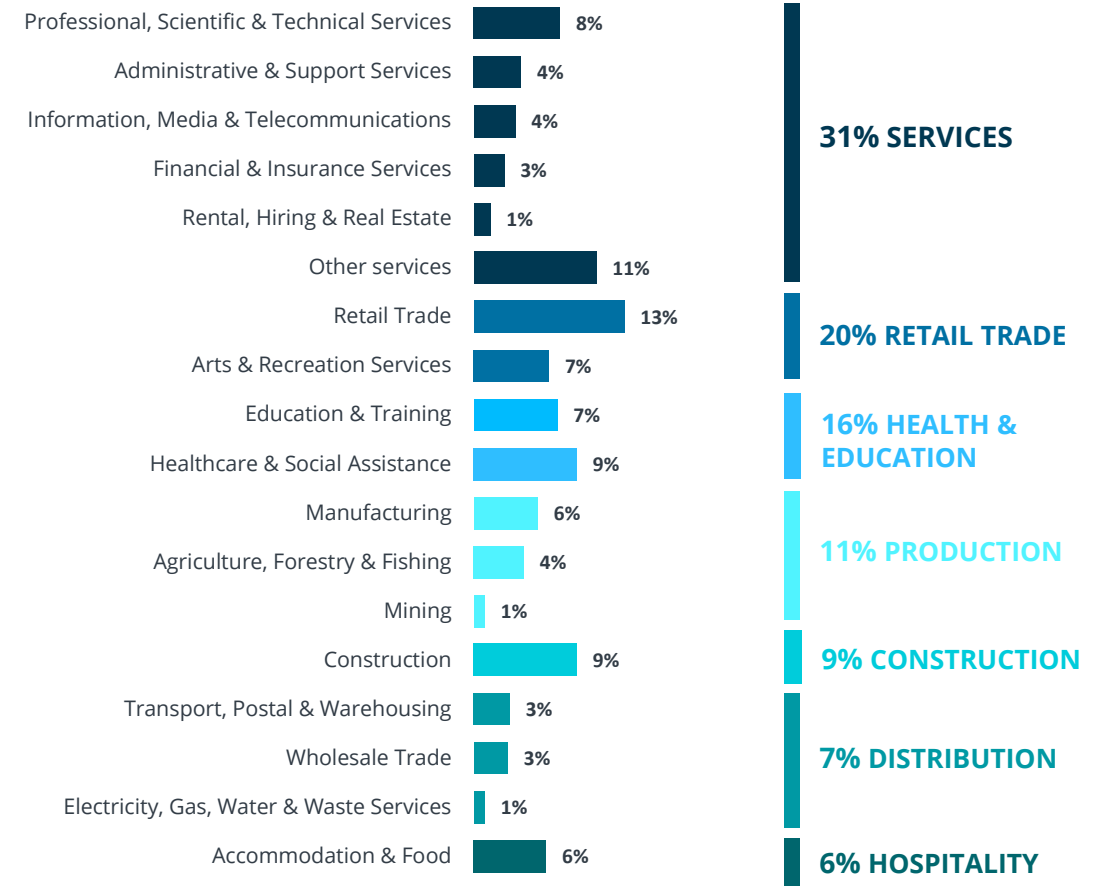
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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