



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 65 – July 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.





40% reported weaker revenue compared to 12 months earlier.



13% of SMEs expect difficulties in making loan repayments over the next three months.



Only 32% of SMEs are focused on growth, compared to 44% in February.



Only 16% are actively recruiting, compared to 26% six months earlier.

Growth Aspirations On Hold as Revenues Slide

The latest edition of Fifth Quadrant's SME Sentiment Tracker shows ongoing downward pressure on revenues, with 40% of businesses reporting lower revenues than 12 months earlier. This is a significant increase from the 29% reported in February. The most significant declines are observed in the distribution, retail, production, and construction sectors, highlighting the widespread impact on sectors foundational to overall economic stability. Additionally, loan stress is steadily increasing, with 13% of SMEs expecting difficulties making debt repayments over the next three months, up from 9% in April.

Given the heightened economic uncertainty and the emphasis on cost management, it's no surprise that growth ambitions are being deprioritised by many businesses as they focus on sustaining operations rather than expanding. Currently, only 32% of SMEs are focused on growth, compared to 44% in February.

Furthermore, the labour market is reflecting these economic pressures. All employee indicators are trending downward, suggesting a tough time for job hunters in the short term. Consequently, recruitment activity remains well below the norm, currently at 16%, compared to 26% six months earlier.

Confidence in both the Australian and global economies has seen a slight improvement since the spike last month. However, with increasing discussions about potential recessions globally, any hopes of recovery might be short-lived.

In summary, revenue and sentiment continue the ongoing decline that began in early 2024. Consequently, growth aspirations are on hold, with cost management and efficiency becoming key priorities, especially as interest rates are unlikely to be lowered anytime soon. Recruitment activity remains low, and we expect unemployment to keep rising in 2024.



01 Key Performance Indicators

02 People

03 Business Sentiment

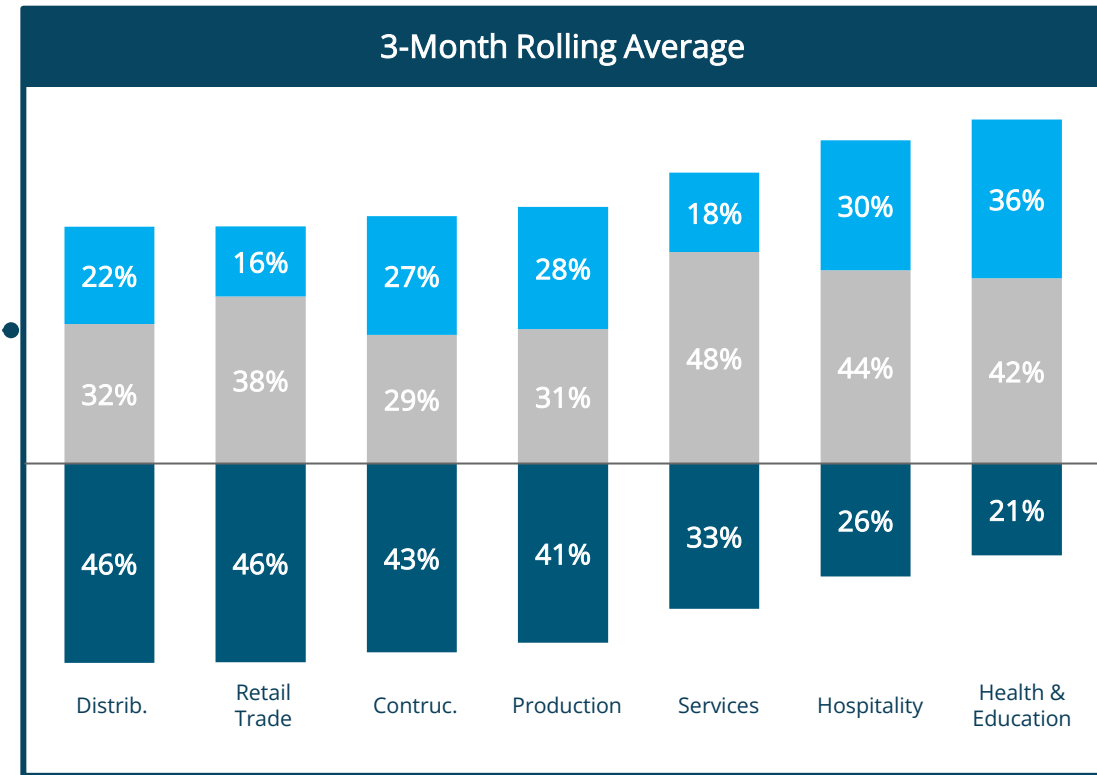
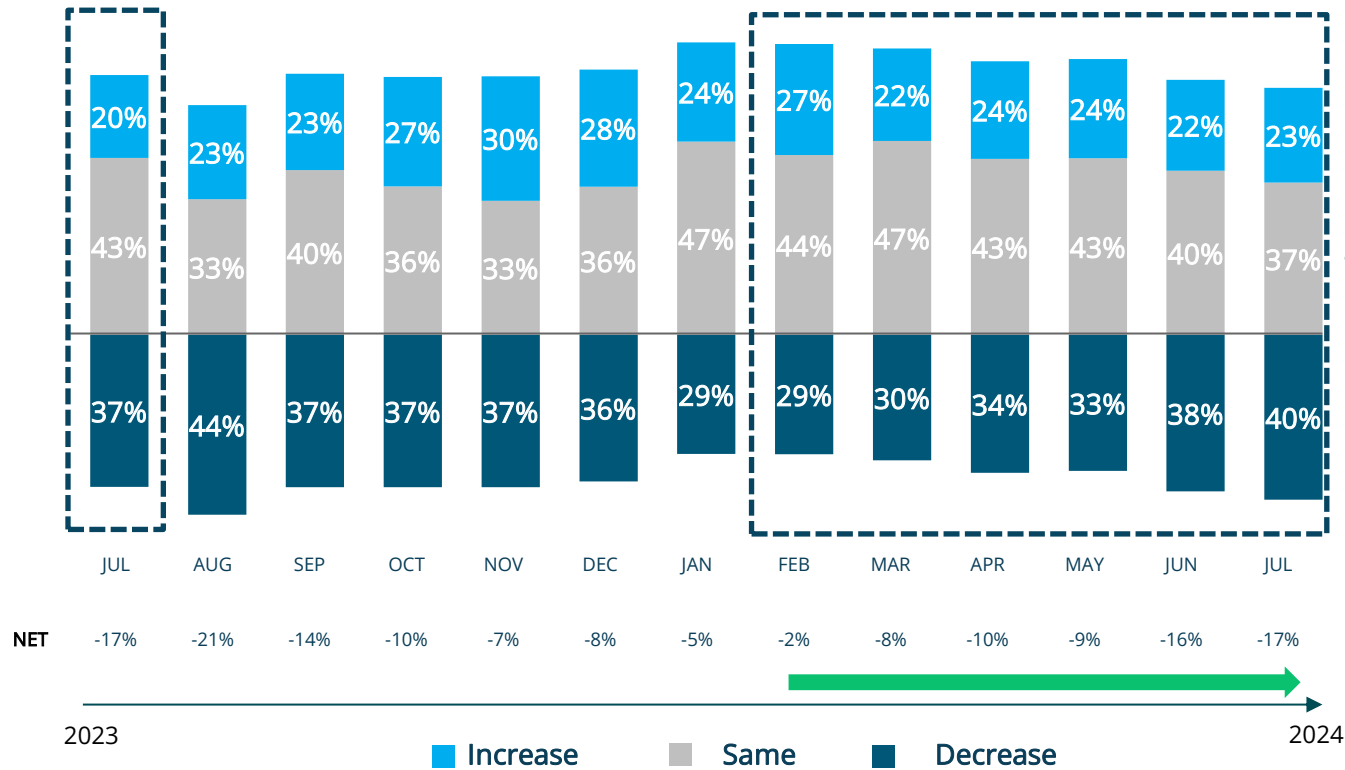
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

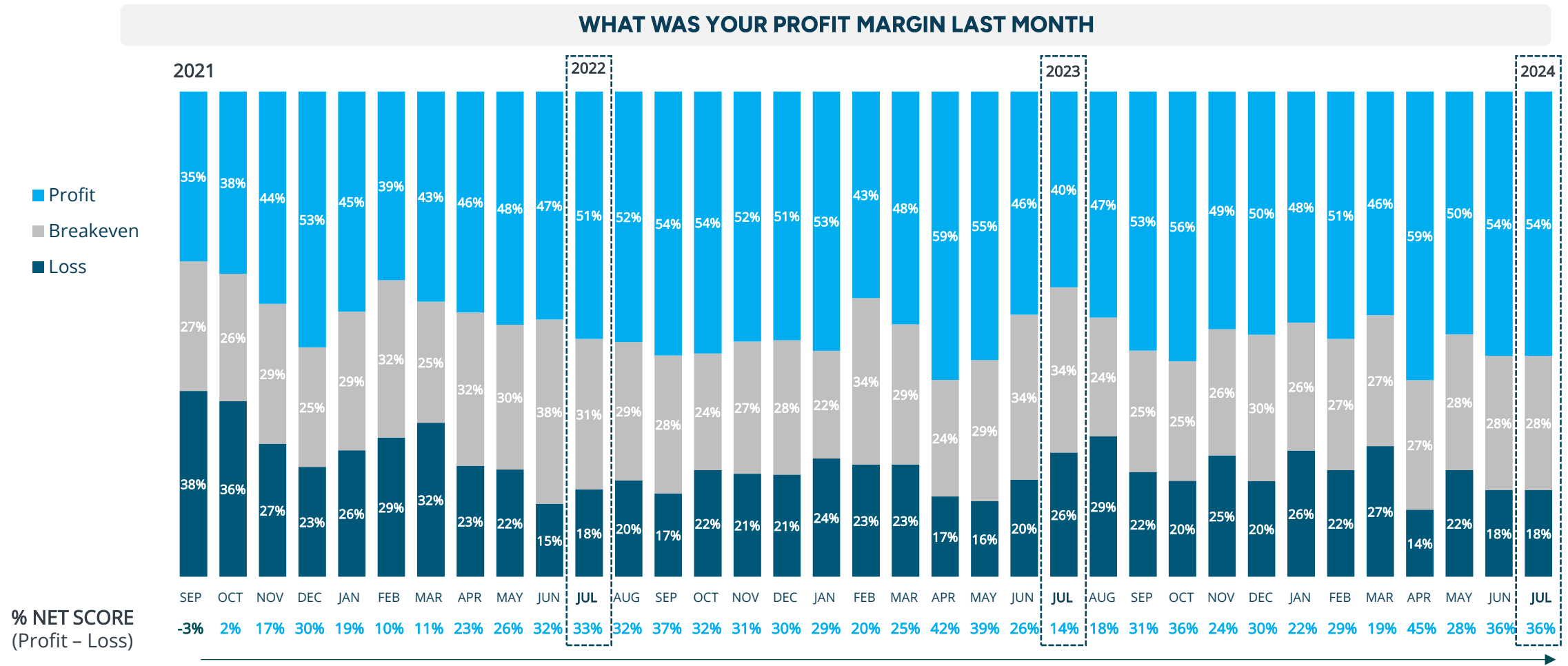
Revenue has been on a downward trend for the past six months, with the most significant declines observed in the distribution, retail, production, and construction sectors.

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



Key Performance Indicators | Profit

Despite ongoing challenges with revenue, profitability remains steady. This suggests effective cost management.

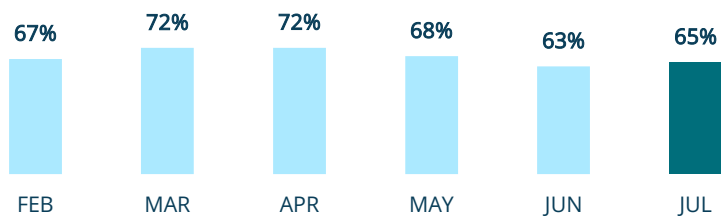


Despite remaining high, positive to report concerns regarding operational and production expenses are all trending down.

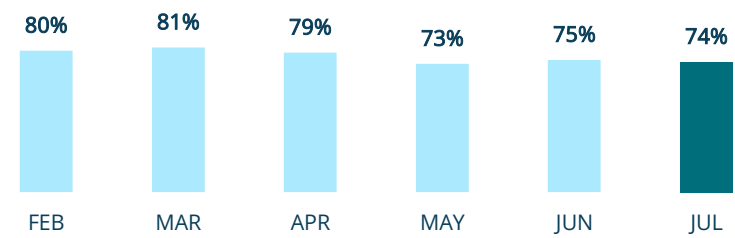
HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



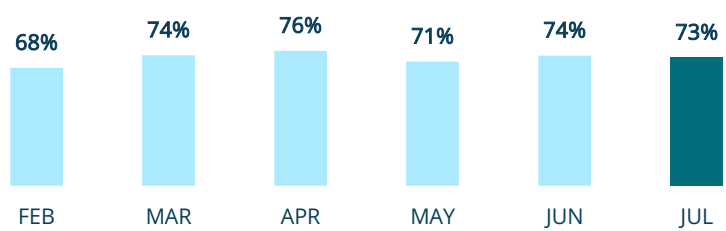
Input Costs



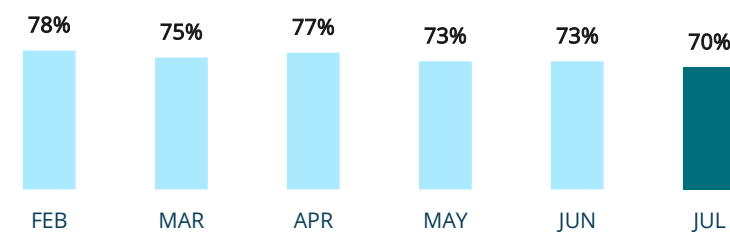
Energy costs



Rising interest rates / cost of credit



Fuel costs



Total concerned

Key Performance Indicators | Cost Recovery

At the start of the new financial year, it seems that more businesses have taken the opportunity to adjust their pricing, transferring some of their additional costs to customers.

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

JULY

Yes, but only partially

54%

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

13%

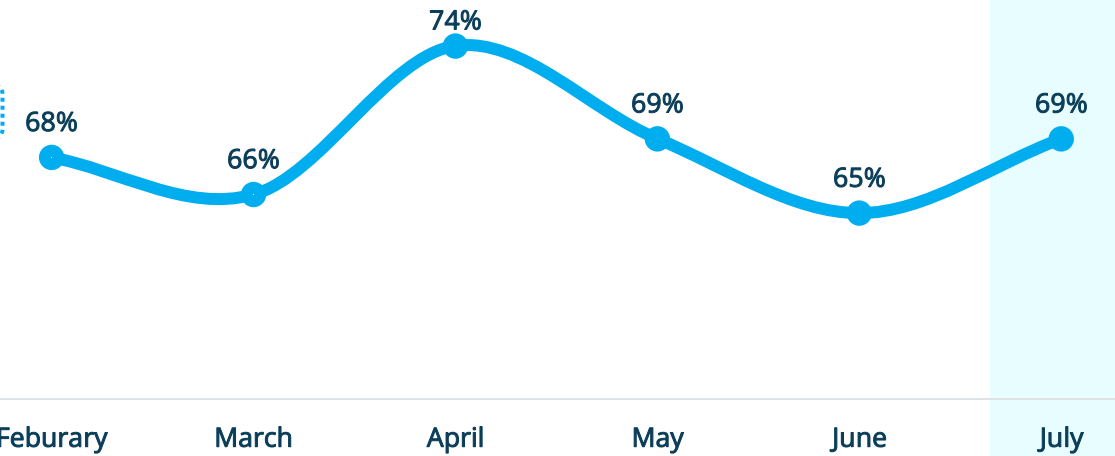
Yes, I have been able to pass on more than the input cost increase

2%

No

31%

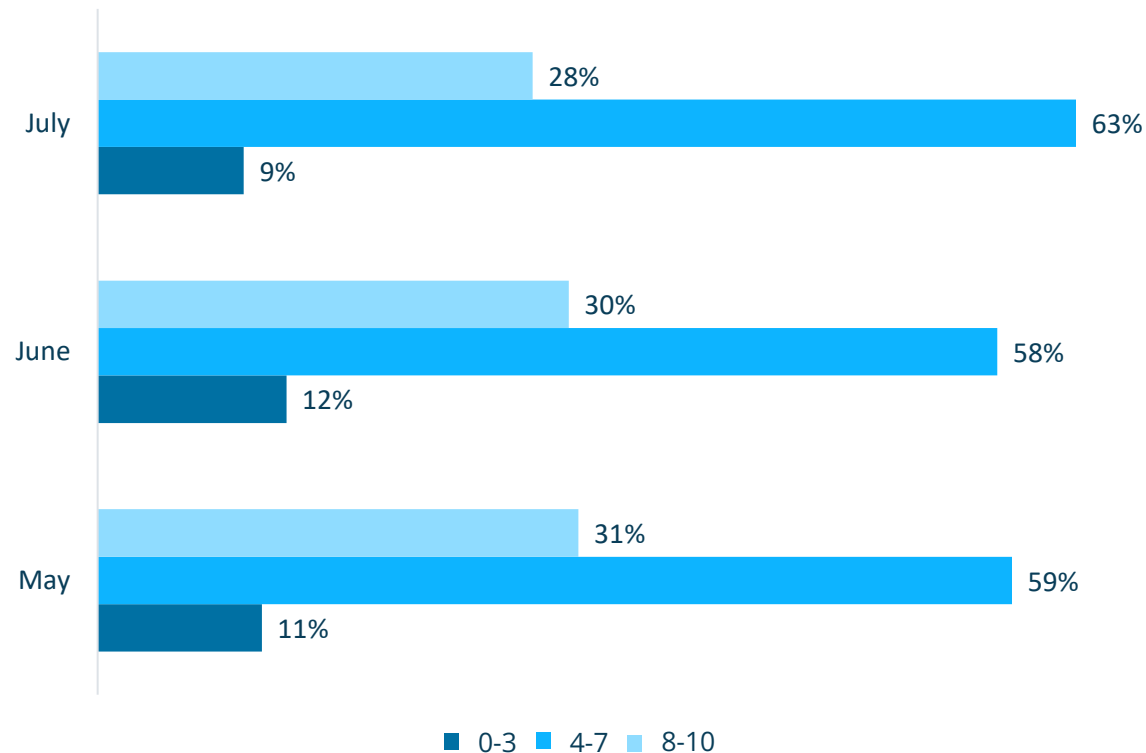
YES



Business Investment | Financial Hardship

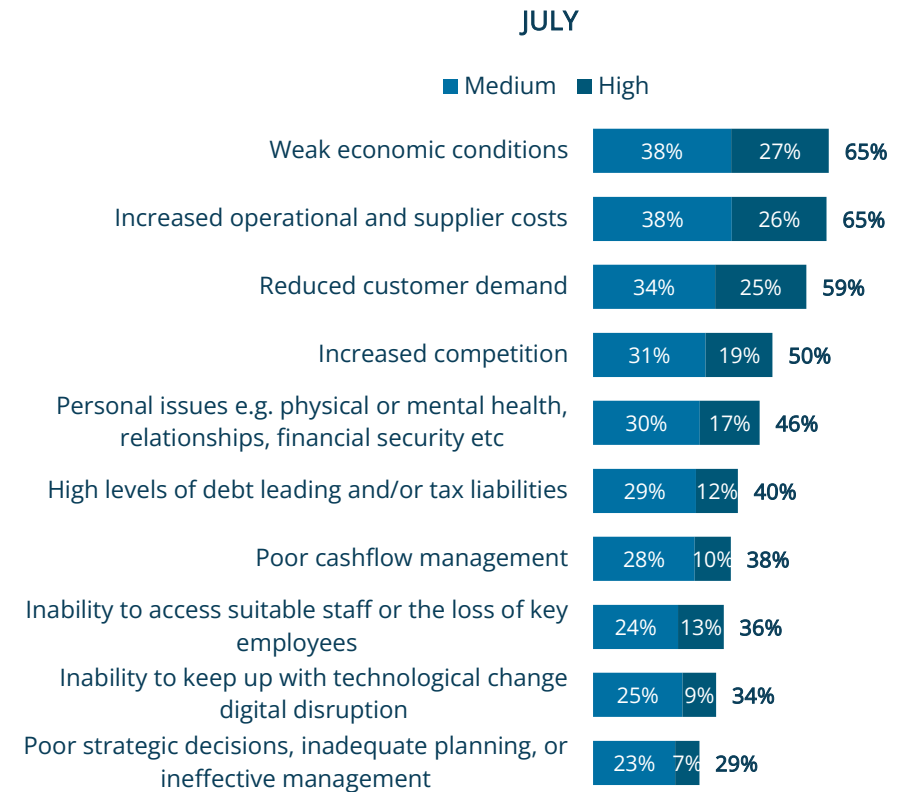
The proportion of SMEs facing significant financial challenges has slightly declined over the past three months, although weak economic conditions, rising costs, and reduced demand continue to impact.

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



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?



Business Investment | Ongoing Costs

Entering the new financial year, it's notable that more businesses are refining their inventory management and implementing workforce reductions. Another clear indication of a focus on cost optimisation and streamlined operations to navigate economic uncertainties and maintain financial stability.

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

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

+/-5% Highlighted



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Key Performance Indicators

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**Methodology &
Sample**

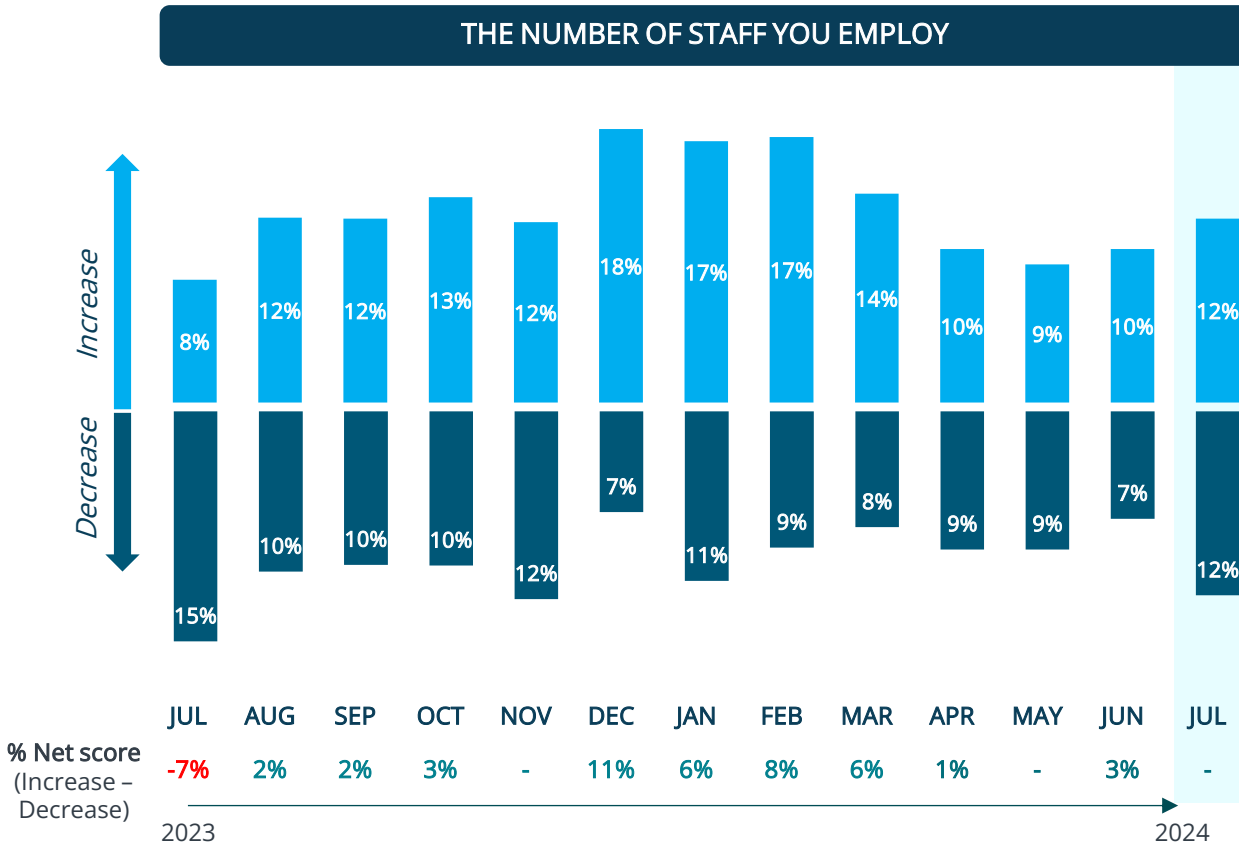
Key Performance Indicators | People

As noted previously, all employee indicators are trending down suggesting a tough time for job hunters in the short term.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

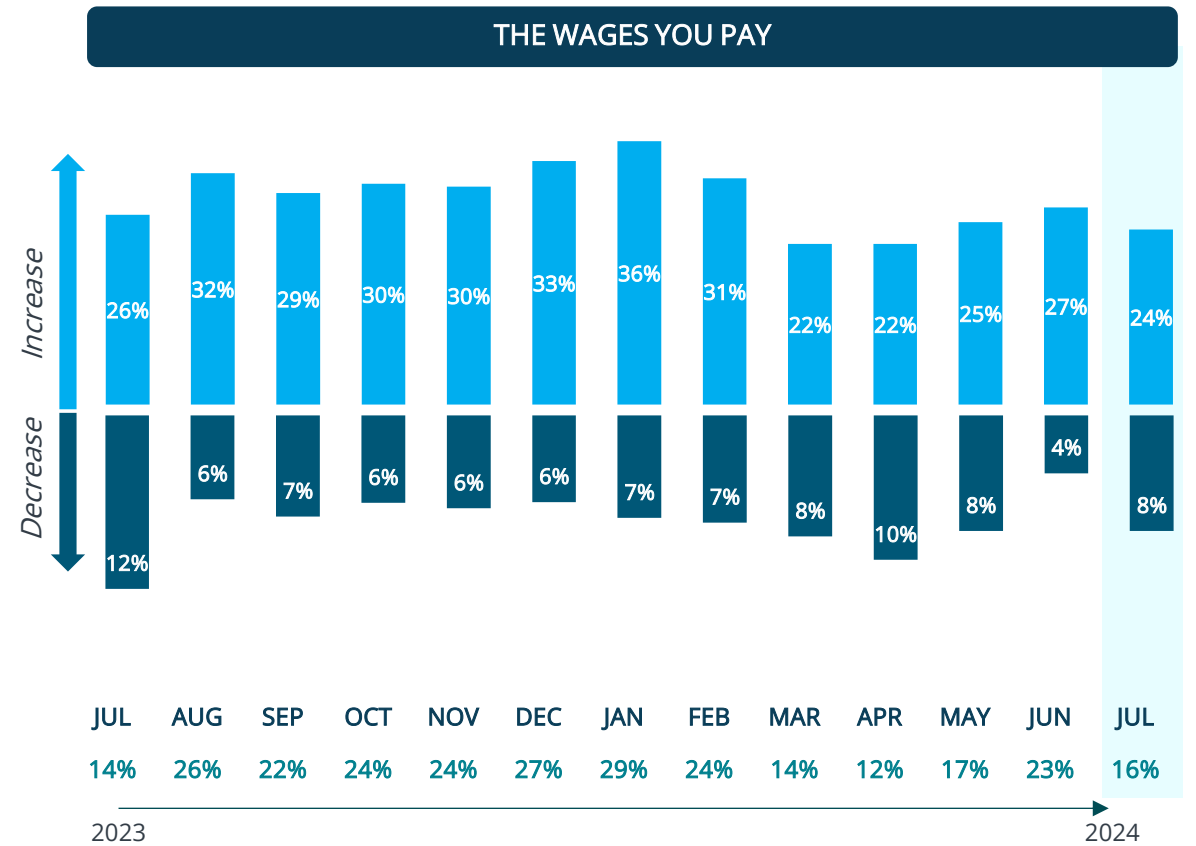
THE NUMBER OF STAFF YOU EMPLOY

Increase
Decrease



THE WAGES YOU PAY

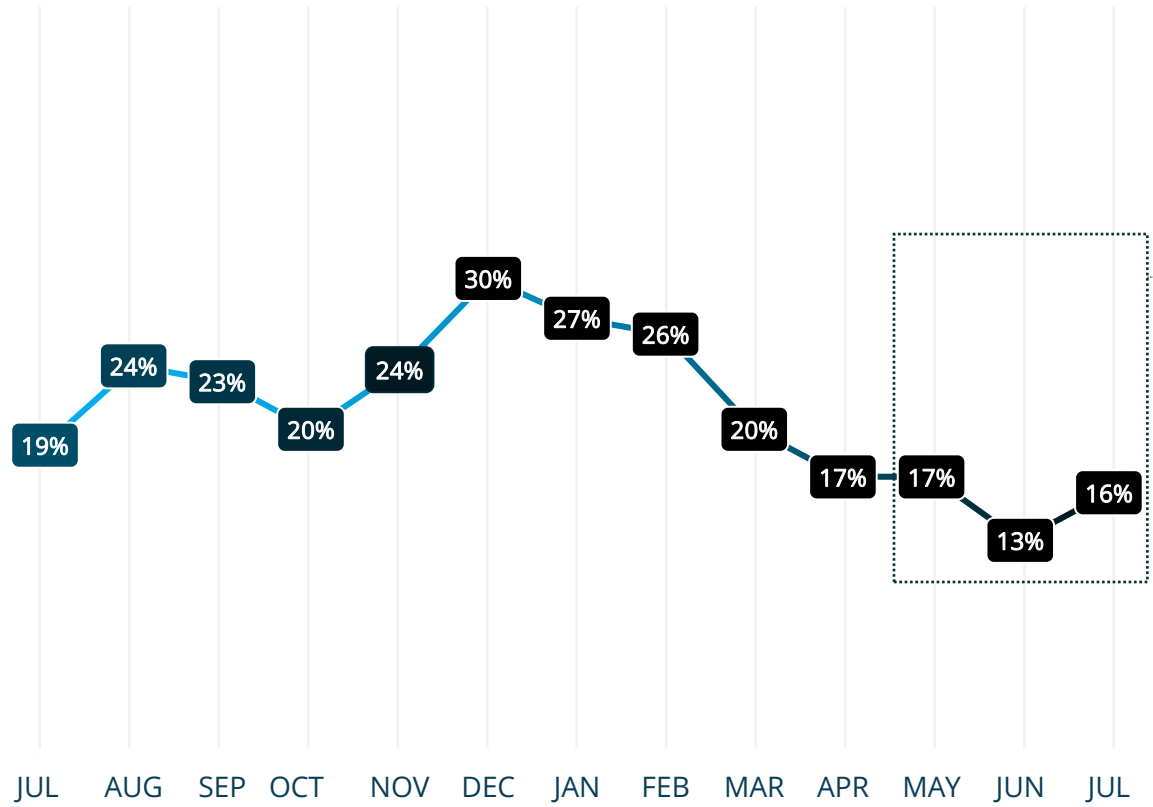
Increase
Decrease



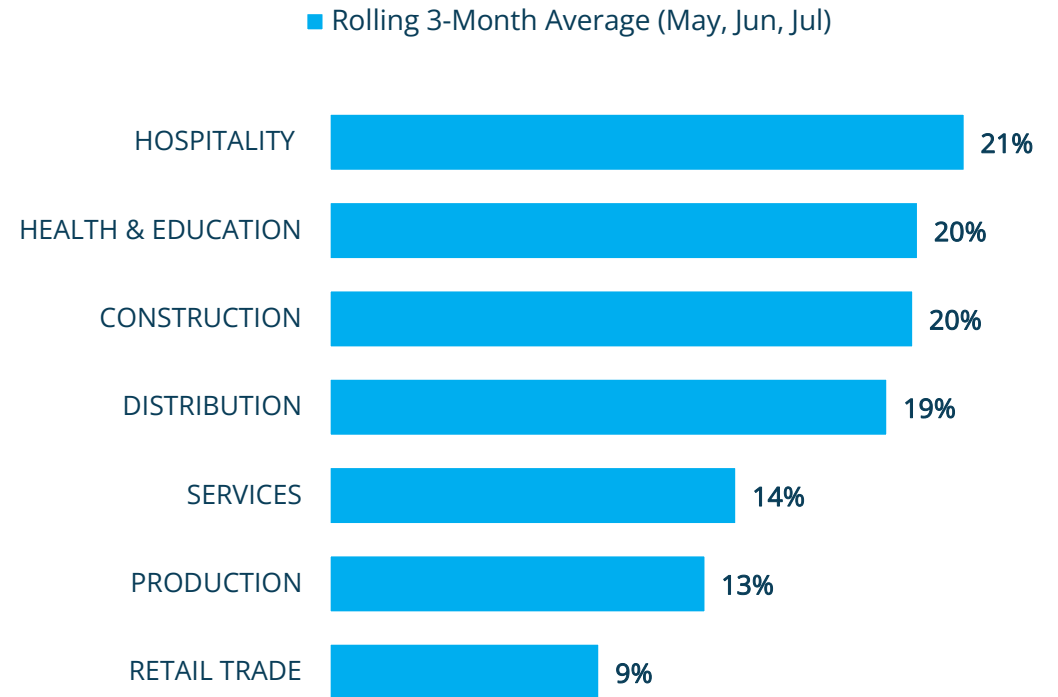
Key Performance Indicators | People

Consequently, recruitment activity remains well below the norm at 16%.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL



CURRENT JOB VACANCIES BY INDUSTRY



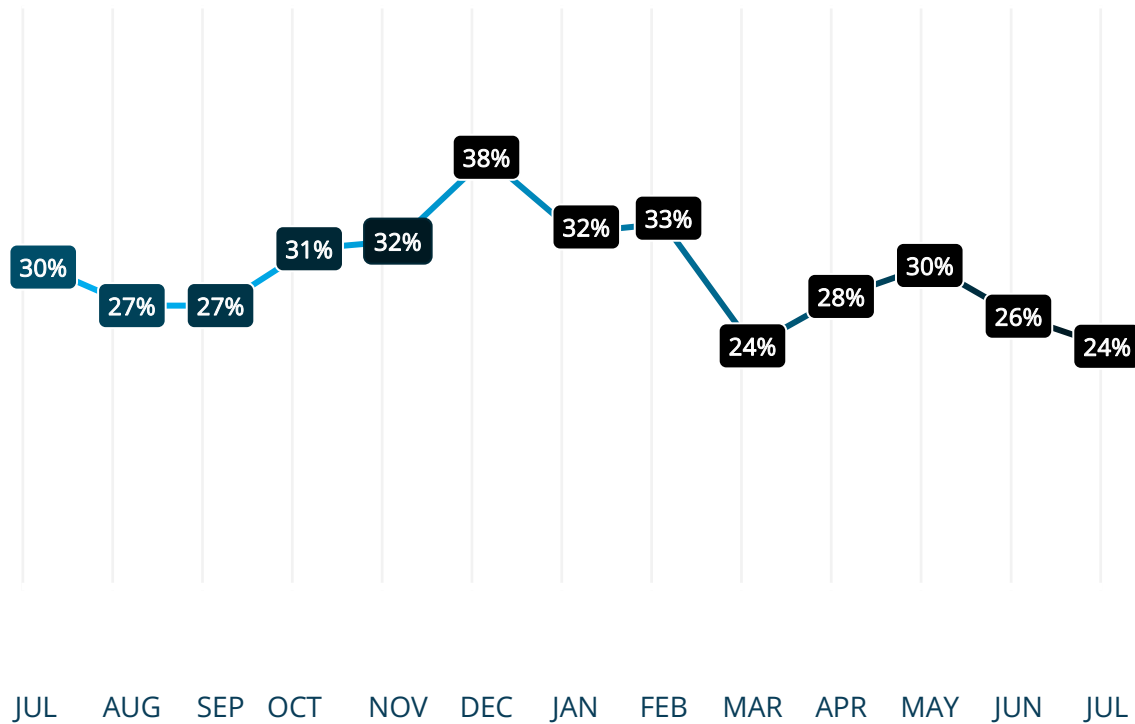
2023 → 2024

Therefore, not surprising that recruitment difficulties are also declining, despite a lack of appropriate candidates and wage demands impacting certain sectors.

HOW DIFFICULT IS IT TO FILL THESE ROLES?

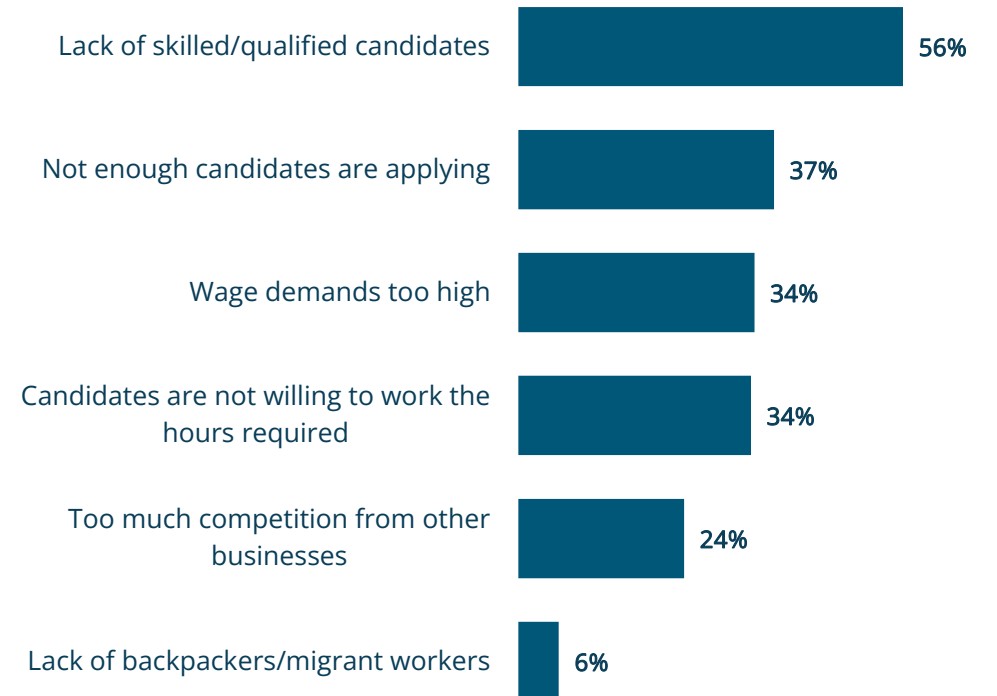
Data displayed as a 3-month rolling average

● Very Difficult



WHY IS IT DIFFICULT TO FILL THESE ROLES?

3-month Rolling Average





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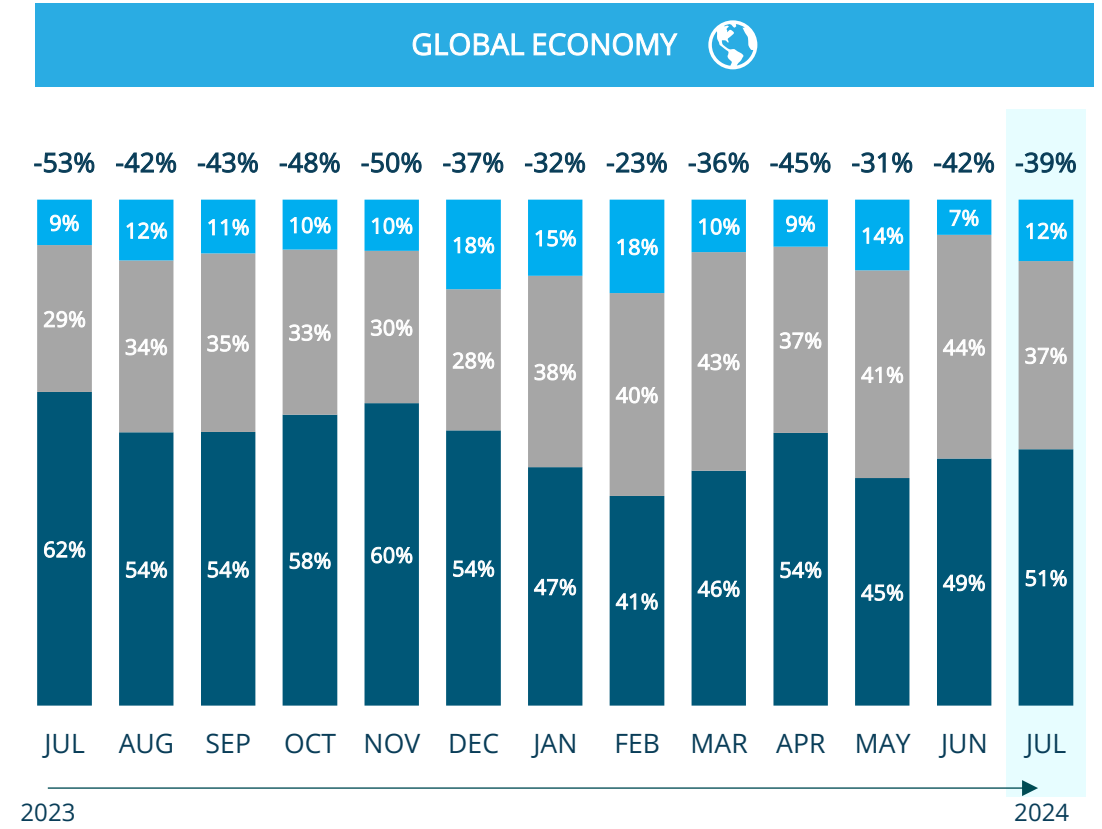
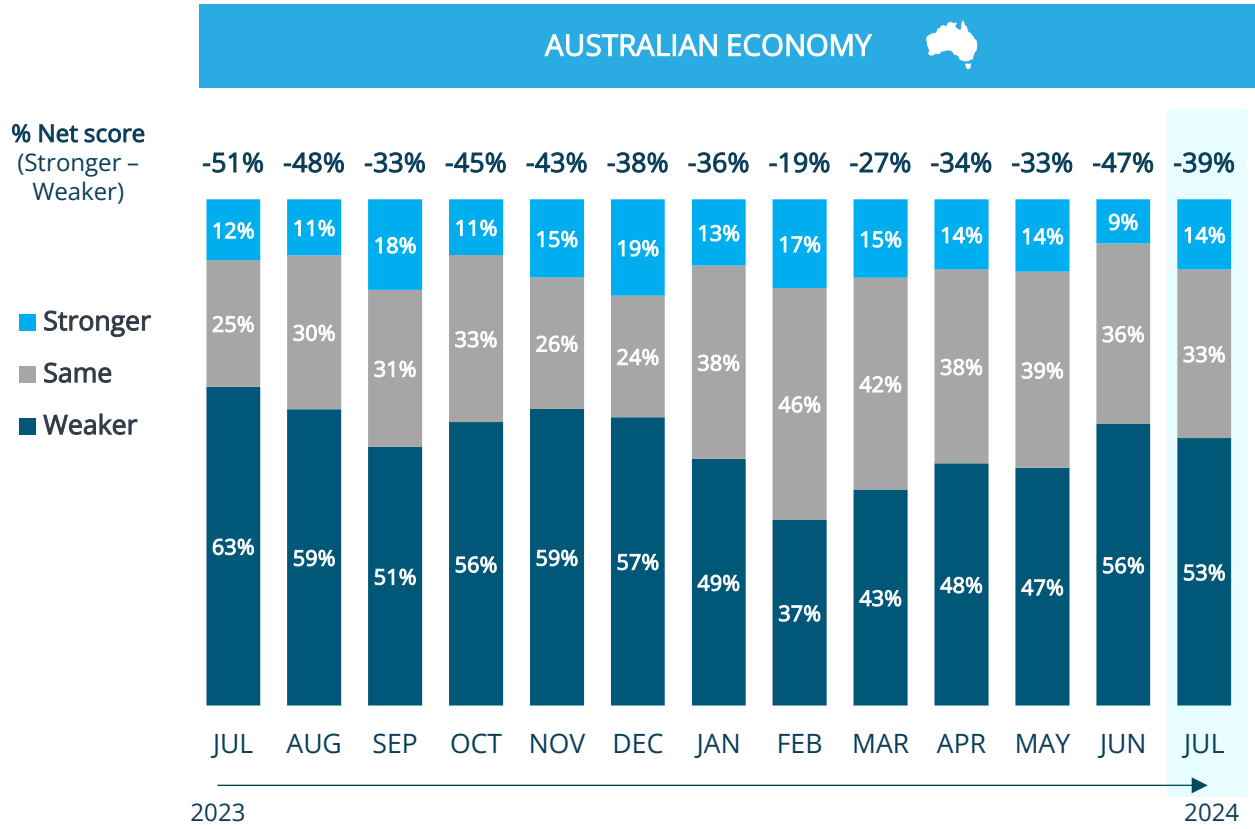
05

Methodology & Sample

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

Confidence in both the Australian and global economies has seen a slight improvement since the spike last month. However, economic uncertainty remains a key concern, with increasing discussions about a potential recessions globally. Consequently, this data could retrace rapidly.

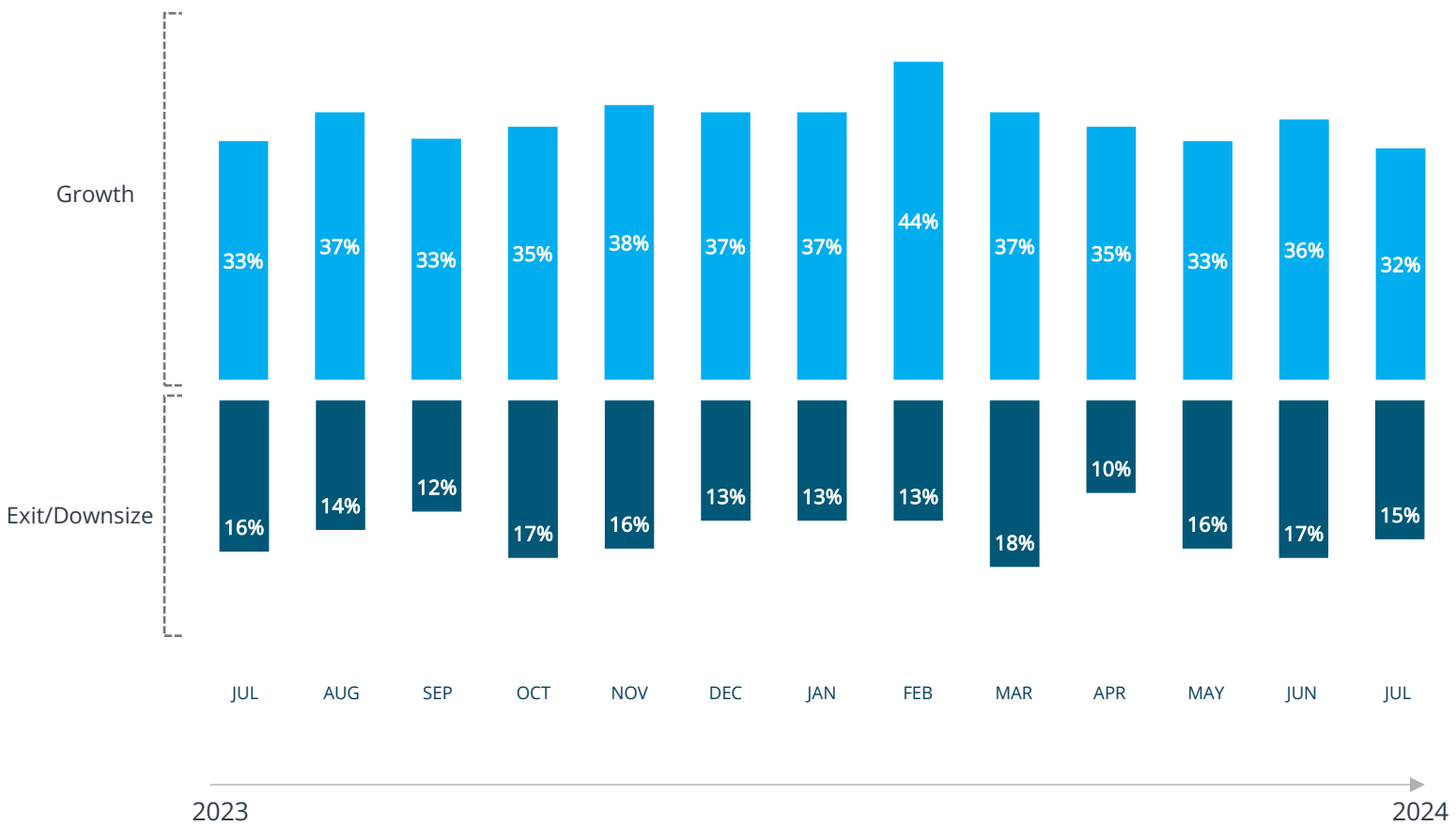
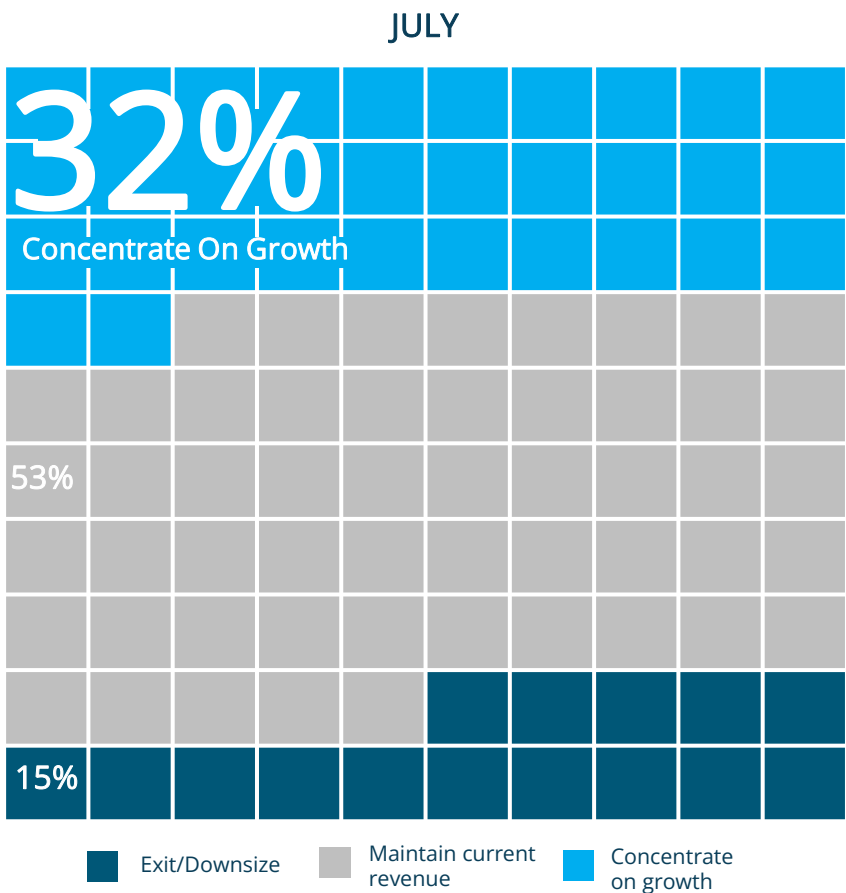
EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



Business Sentiment | Growth Expectations (Next 12 months)

Given the heightened economic uncertainty and the emphasis on cost management, it is not surprising that growth ambitions are being deprioritised.

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

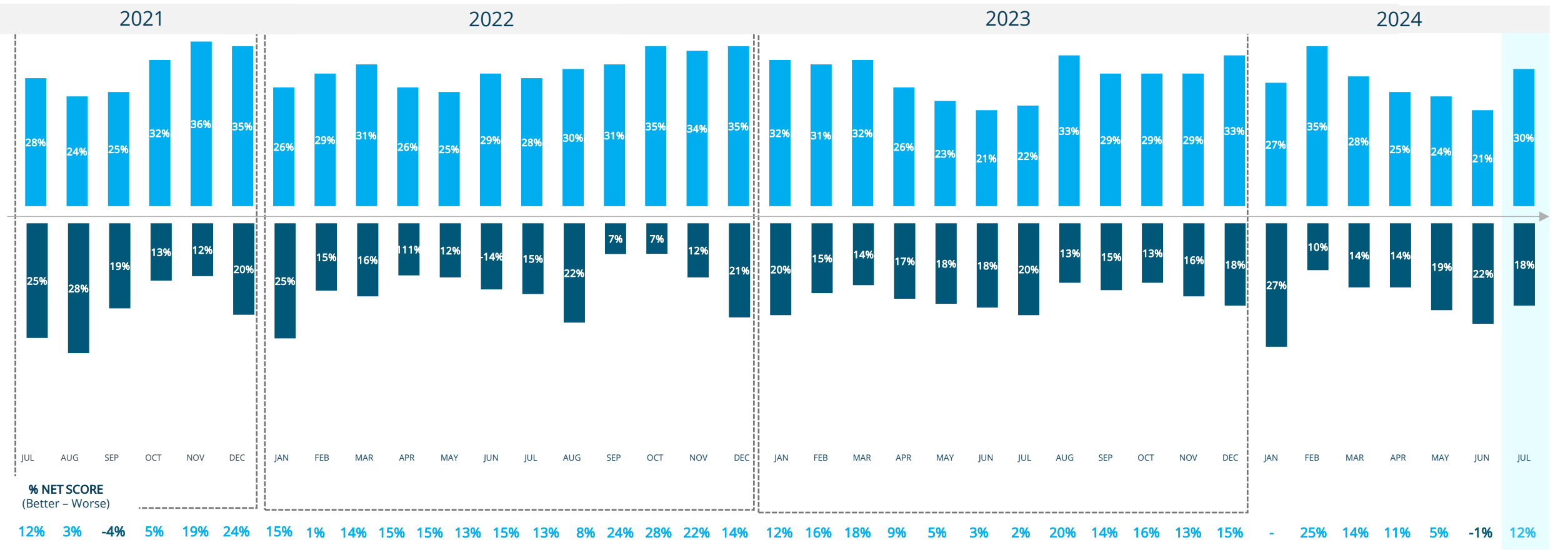


Business Sentiment | Revenue Expectations (Next Four Weeks)

Short-term revenue growth expectations have improved after a consistent decline since February, suggesting that businesses might believe they have reached the lowest point.

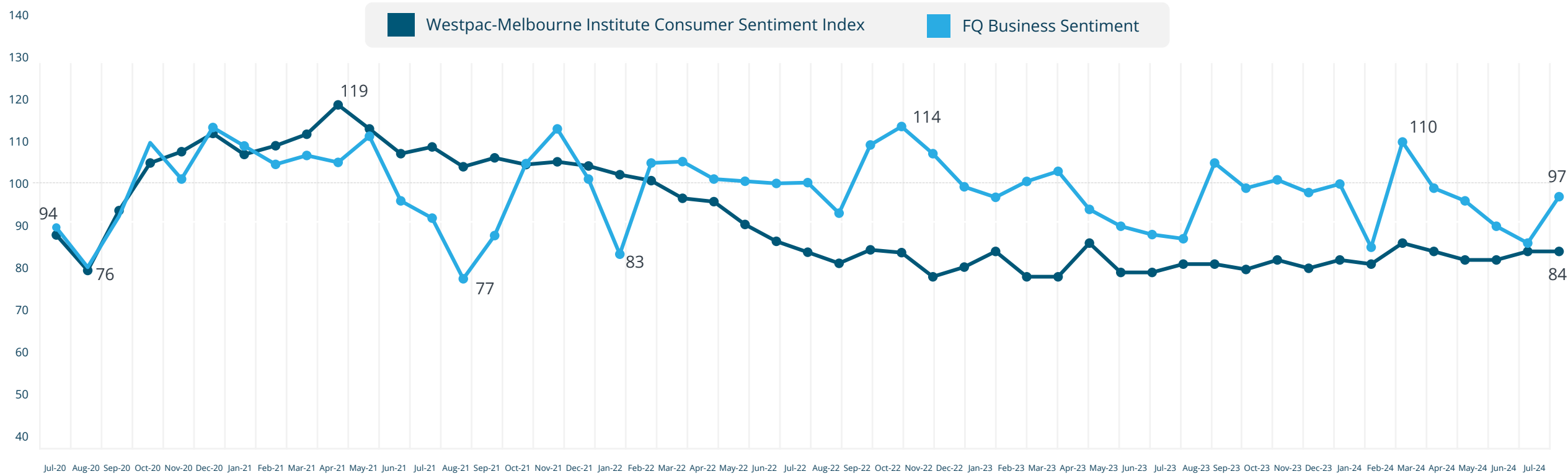
■ Better
■ Worse

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



Accordingly, the Fifth Quadrant Business Sentiment Index has risen slightly to remain above consumer sentiment at 97.

BUSINESS AND CONSUMER SENTIMENT





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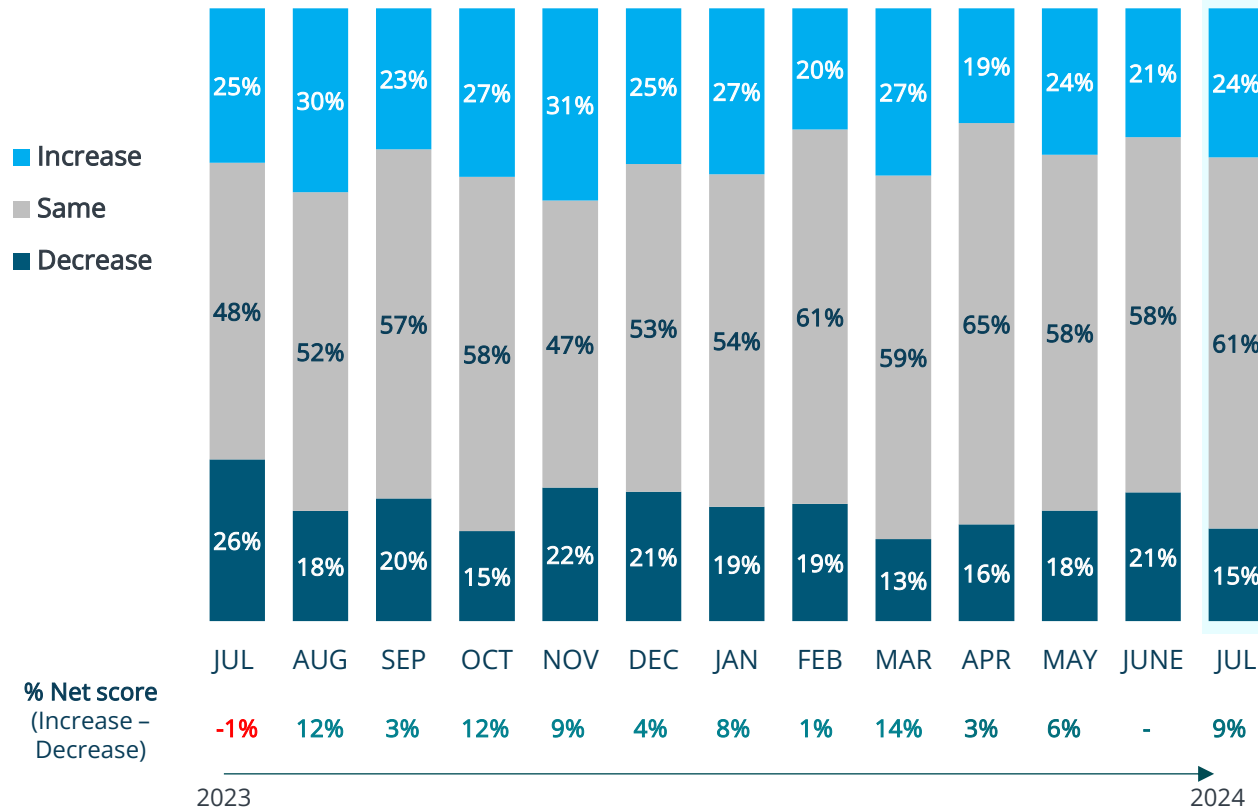
**Methodology &
Sample**

Business Investment | Next Three Months

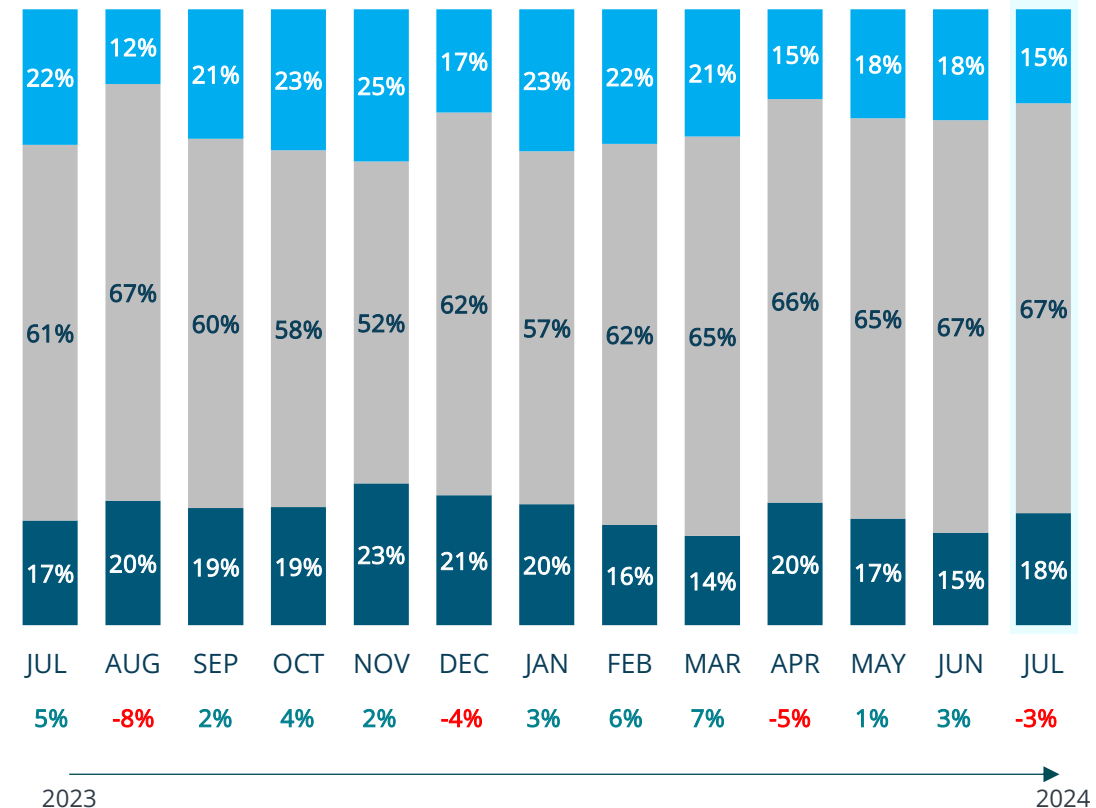
There has been a slight increase in capital expenditure following the renewal of budgets in July, but marketing spend remains flat.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

BUSINESS SPENDING/ CAPITAL INVESTMENT

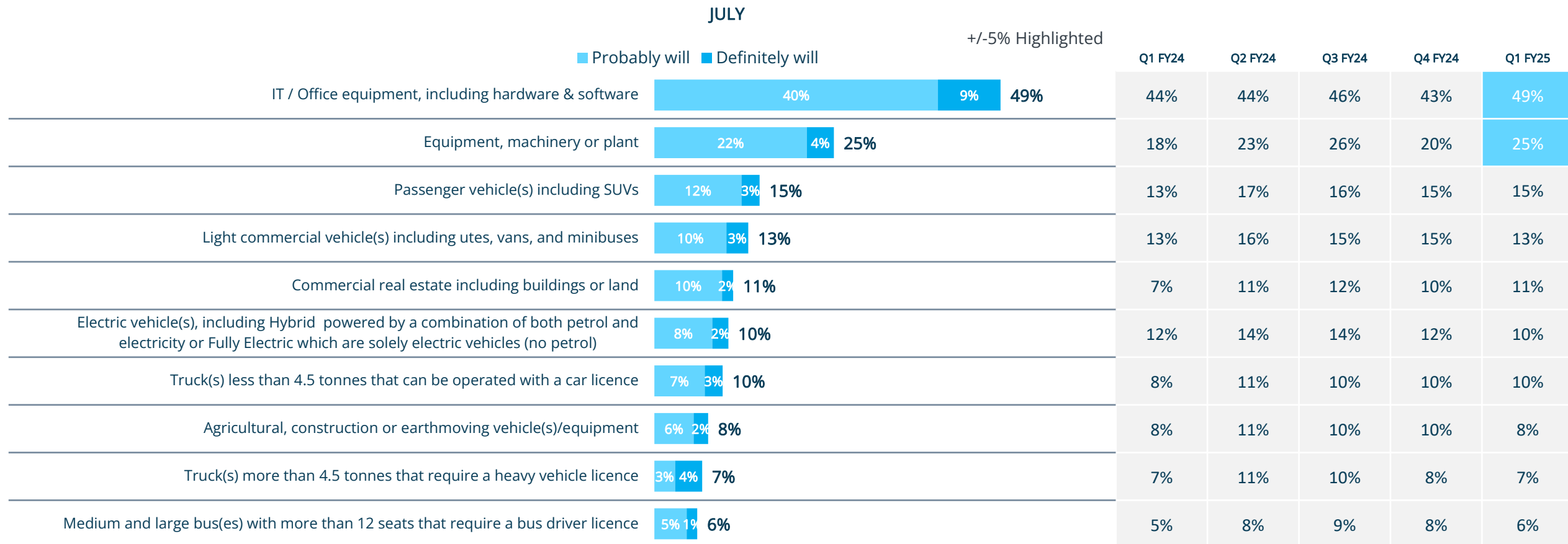


MARKETING SPEND



Since the beginning of the new financial year, more SMEs have increased their capital expenditure allocation to the technology, machinery, and plant categories.

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

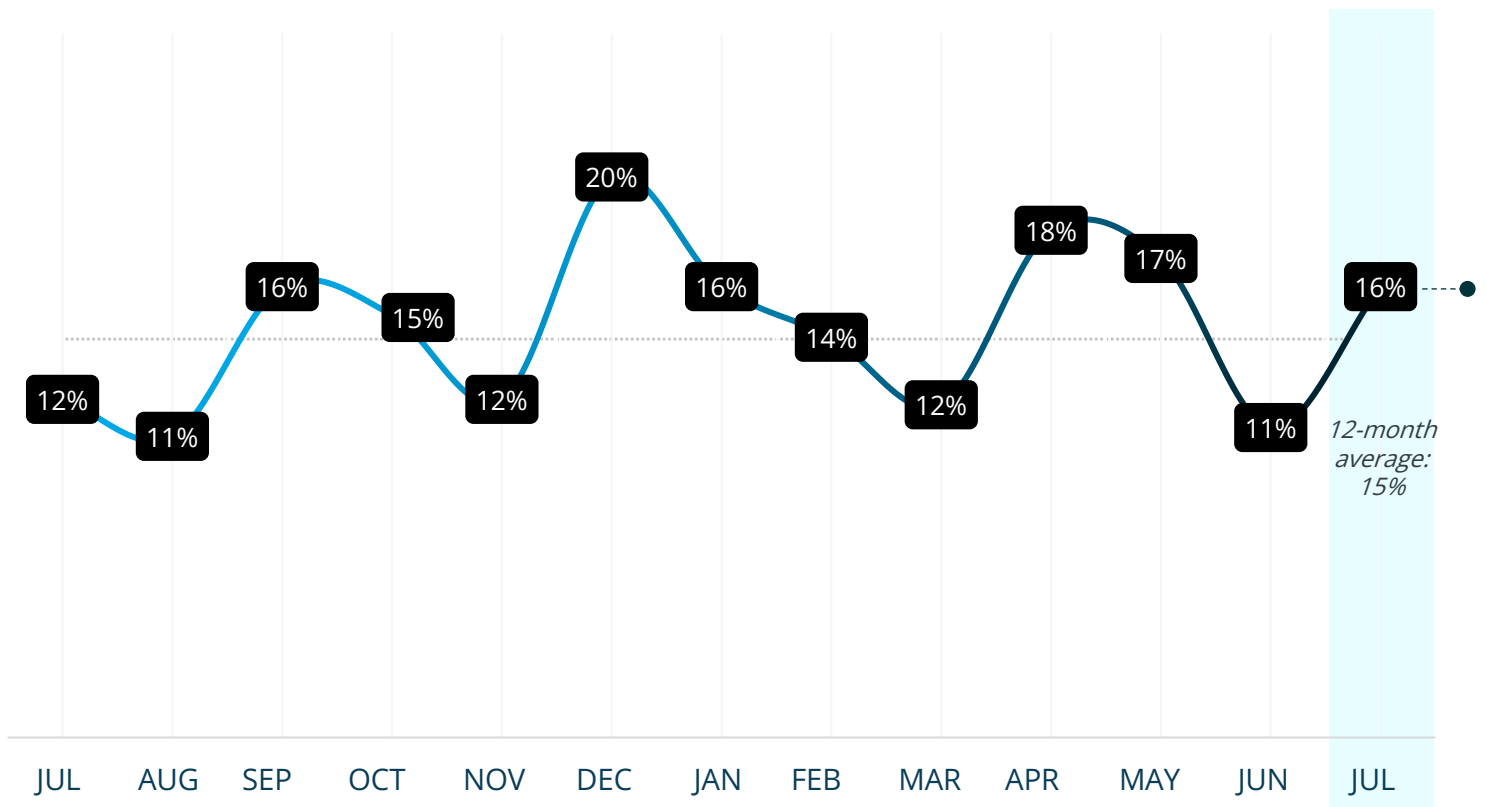


+/-5% Highlighted

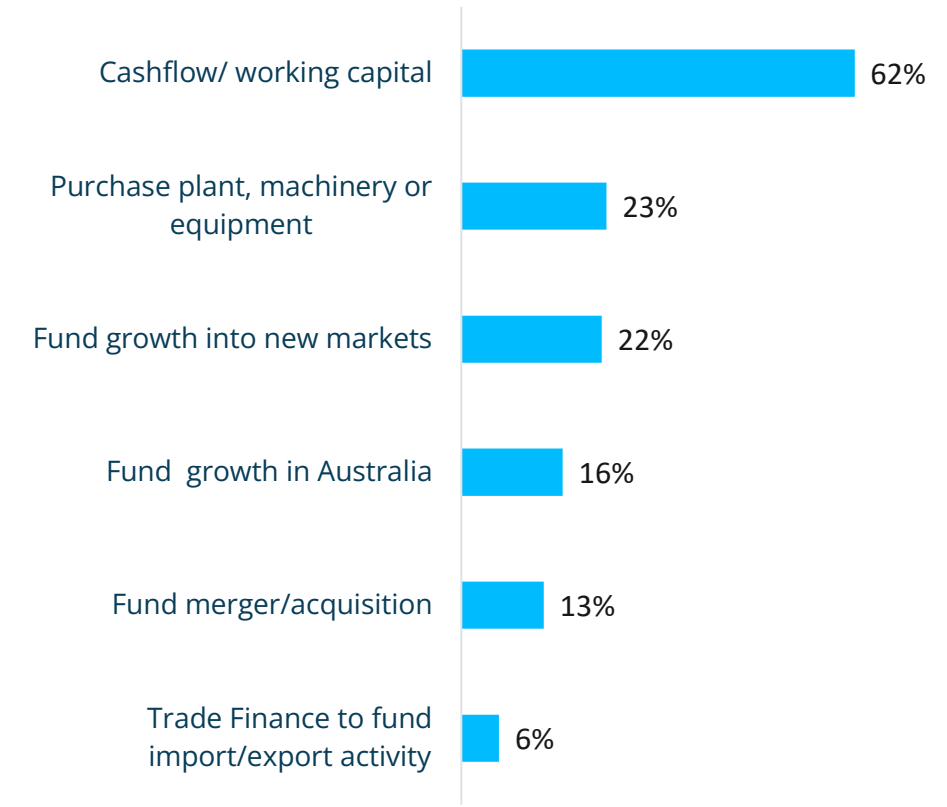
Business Investment | Finance Needs (Next 3 months)

In line with higher capex, the need for additional finance has also increased.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



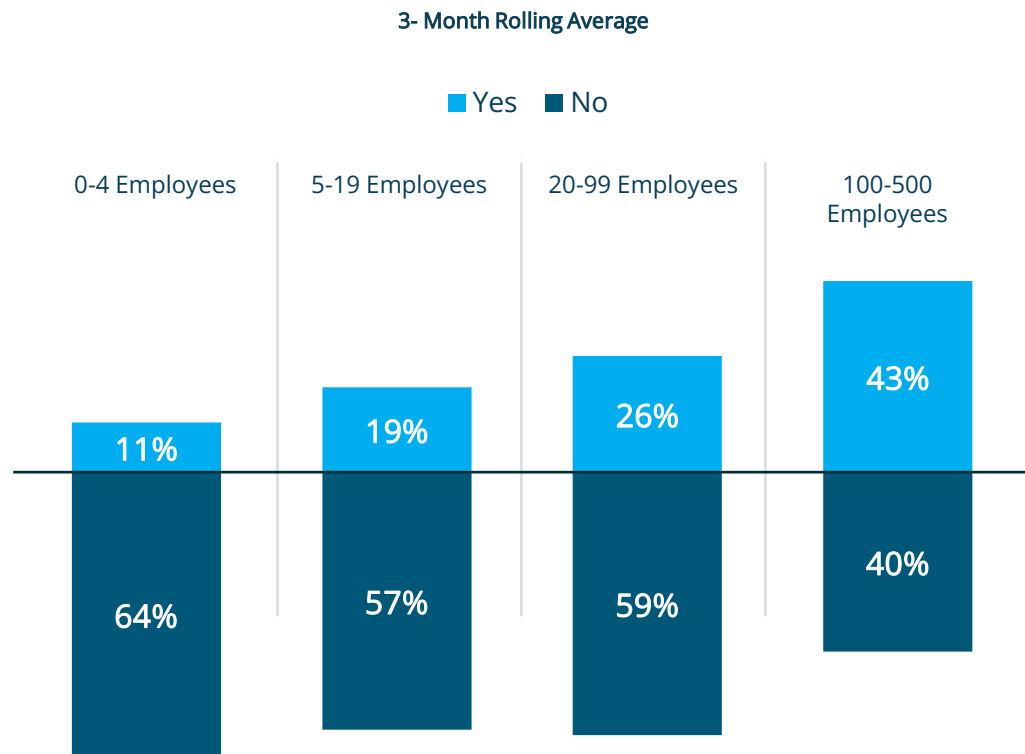
AND WHAT IS THE PURPOSE OF THIS FINANCE?



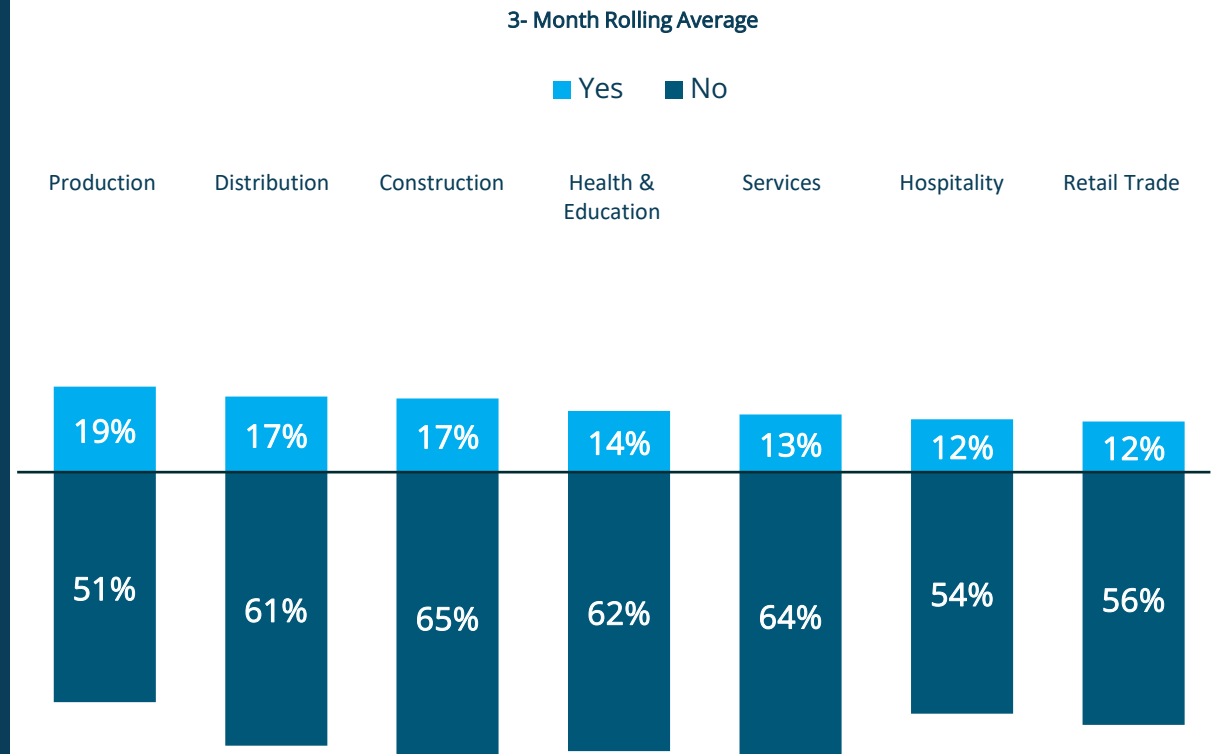
Business Investment | Finance Needs (Next 3 months)

Larger SMEs and those in the production industry continue to drive the demand for additional financing.

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

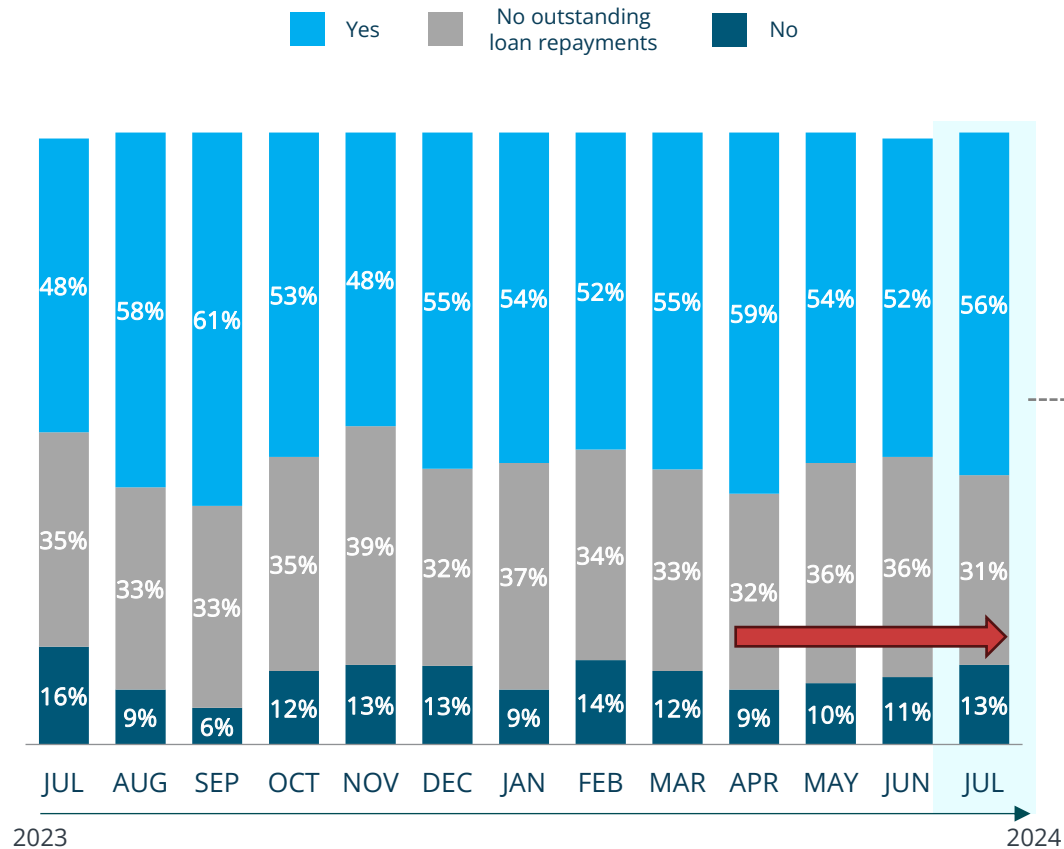


DEMAND FOR FINANCE BY INDUSTRY



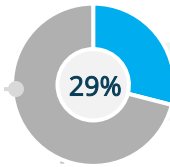
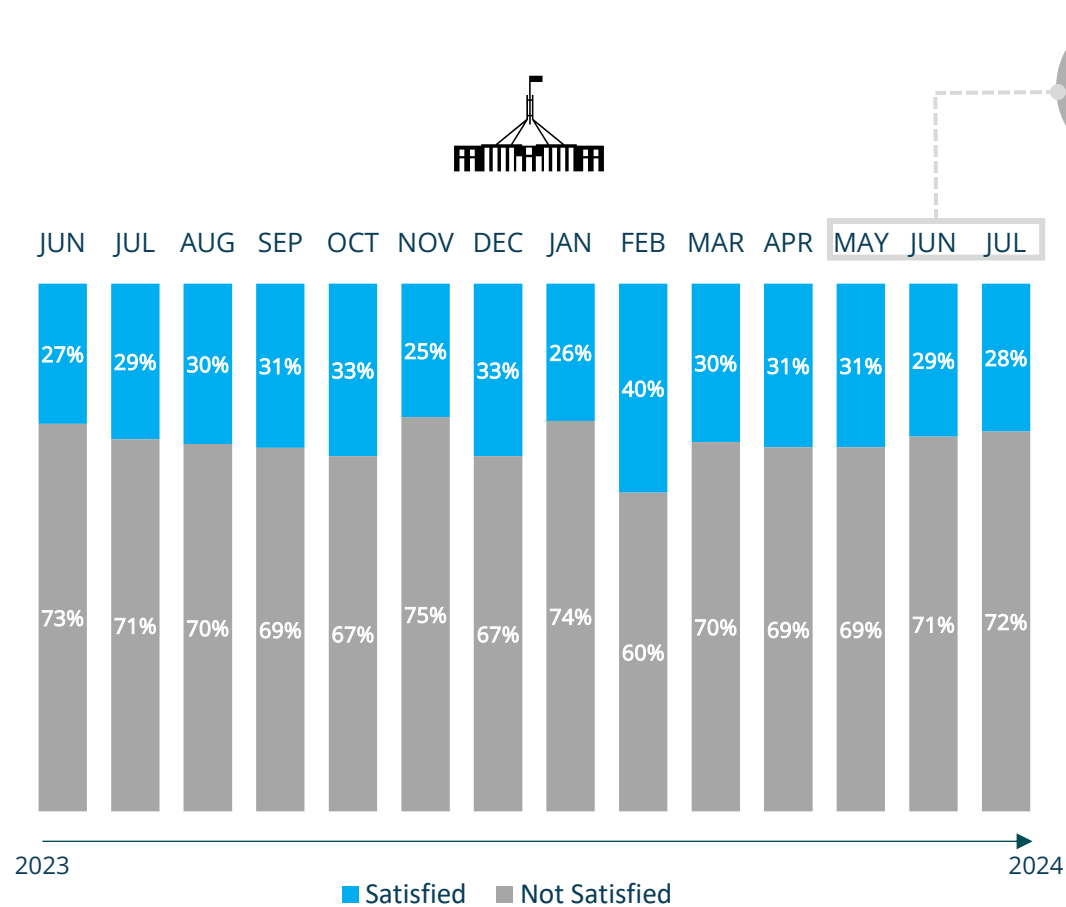
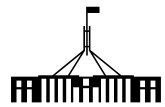
Loan stress is steadily increasing, with 13% of SMEs expecting difficulties making debt repayments over the next three months, up from 9% in April.

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

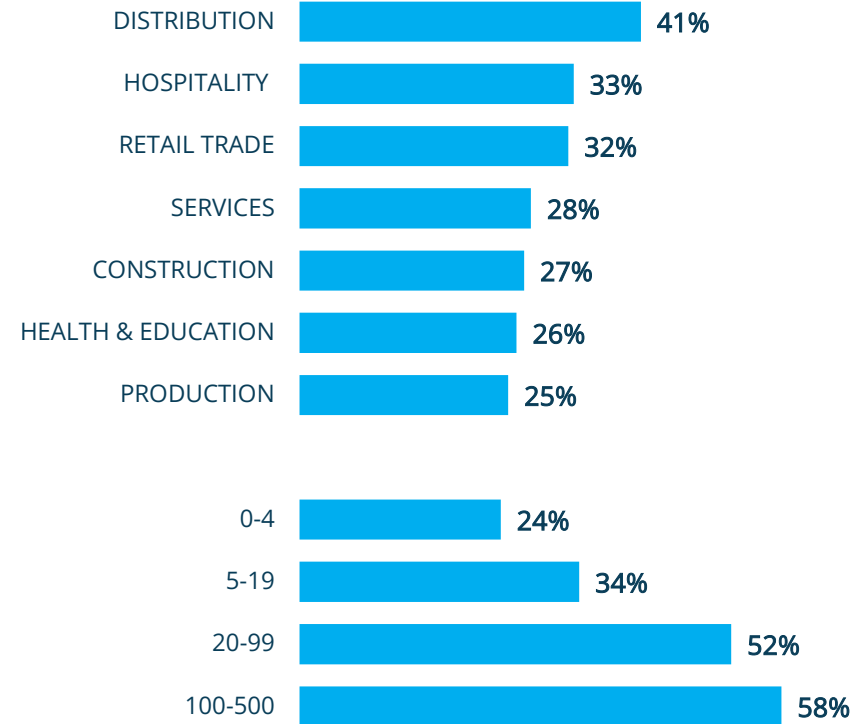


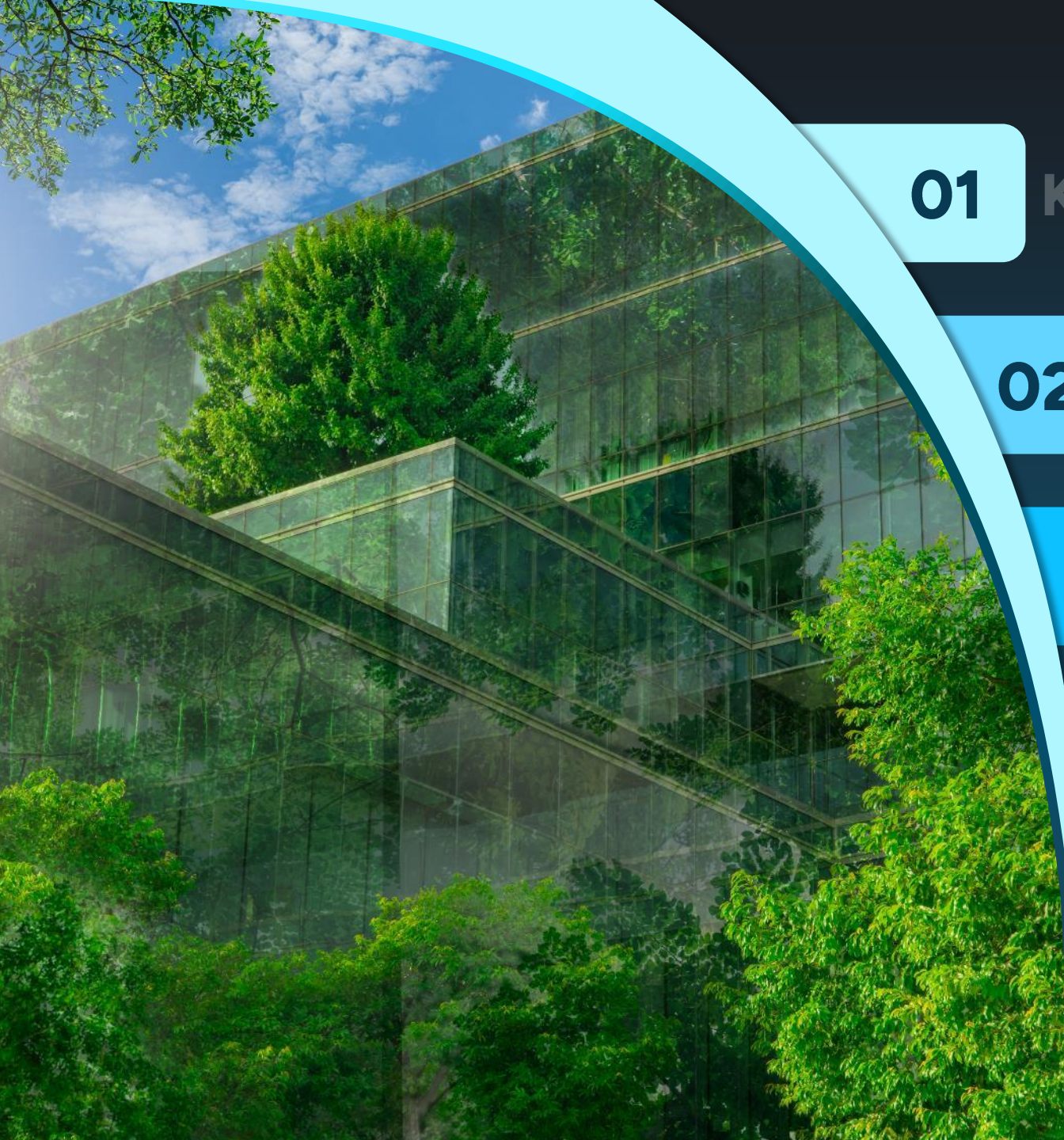
Satisfaction with the Federal Government has continued to decline since the highs reported in February.

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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**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

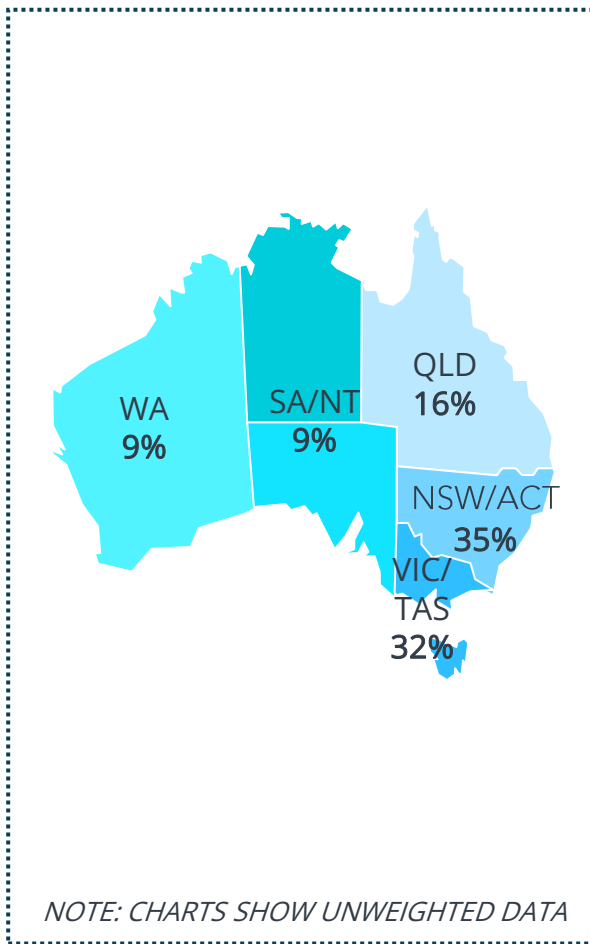


Data is **weighted** by industry, state and
number of employees to reflect the
national distribution of businesses across
the country

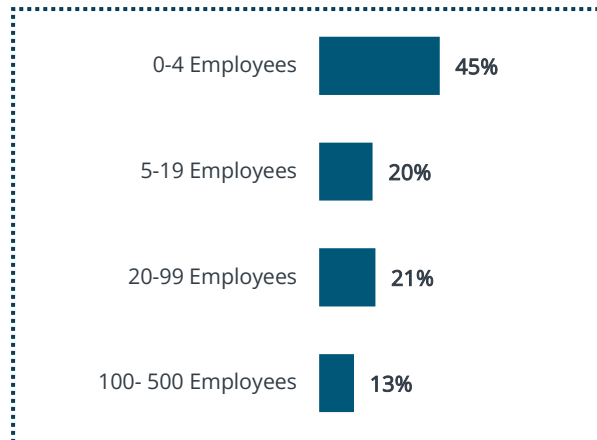
Our Sample

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.

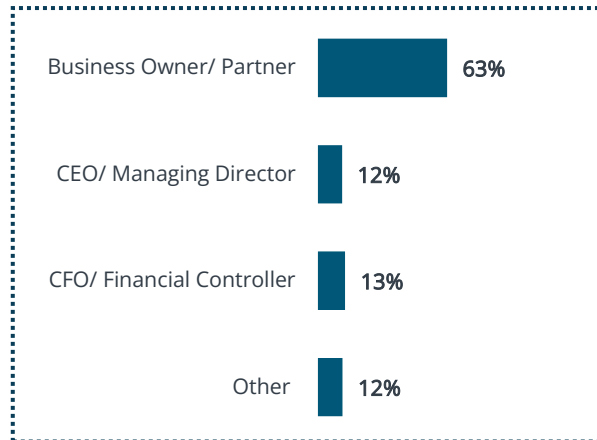
HEAD OFFICE LOCATION



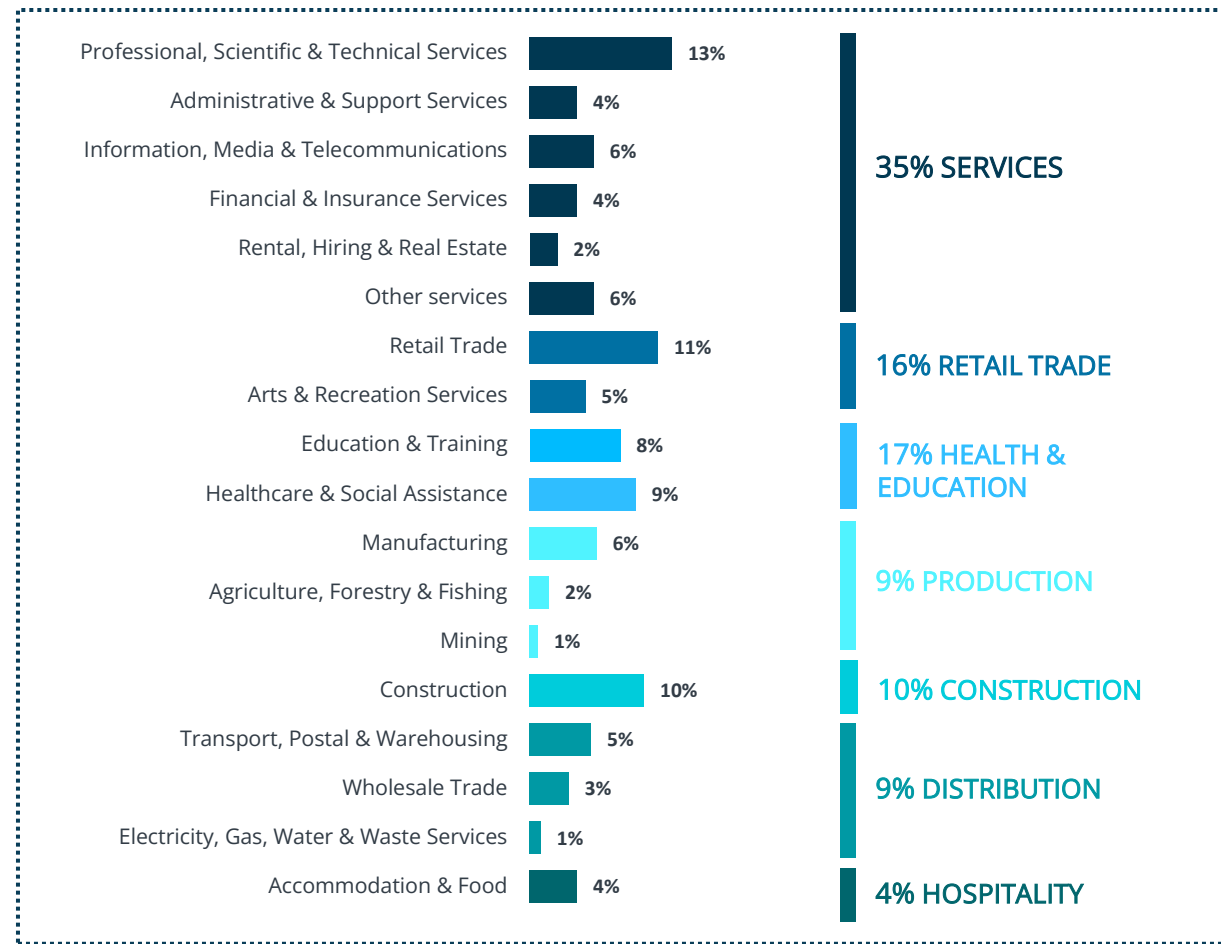
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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