



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 66 – August 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.





39% reported weaker revenue compared to 12 months earlier.



Only 15% are actively recruiting, compared to 26% six months earlier.



58% expect global economic conditions to weaken over the next 3 months.



22% of SMEs plan to increase their marketing spend.

SMEs Remain Resilient Despite Reaching New Lows

SMEs have continued to face a downward trend in revenues, with 39% reporting declines in August and only 21% seeing growth, marking the weakest performance in 12 months. Despite these challenges, many businesses have shown resilience by managing costs effectively, with only 17% reporting losses, down from 29% a year ago. However, concerns about operational and production costs have increased slightly, despite the decline in inflation.

As customers become more price-sensitive, the ability to pass on higher input costs has steadily decreased since April. In response, SMEs are focusing on reviewing supplier contracts and reassessing major projects. Positively, fewer businesses are facing severe financial difficulties, with the figure dropping from 30% in June to 25%, reflecting improved cost management in a competitive market.

Hiring trends are not optimistic, with only 8% of SMEs planning to increase staffing in the next three months, the lowest level in a year. As a result, recruitment activity remains stagnant, with just 15% of businesses trying to fill positions.

Meanwhile, confidence in the global economy continues to decline, with 58% of businesses expecting further weakening over the next three months. While sentiment around the Australian economy is more optimistic, it remains lower than earlier in the year.

It is positive that ahead of the crucial pre-Christmas trading period, SMEs are planning to increase marketing spend, with 22% signaling heightened activity. However, business investment across most equipment categories has steadily declined throughout 2024. This reduction in investment has resulted in weaker demand for financing, as businesses adopt a cautious approach in navigating the ongoing economic uncertainty.

In summary, sentiment has declined across all key indicators, but SMEs have implemented initiatives to reduce costs and future-proof their businesses. Recruitment and capital investment activity remain very low, but there is a positive outlook for an uplift in marketing activity as the pre-Christmas period approaches. This reflects a cautious yet proactive approach as businesses prepare for a critical trading period.



01 Key Performance Indicators

02 People

03 Business Sentiment

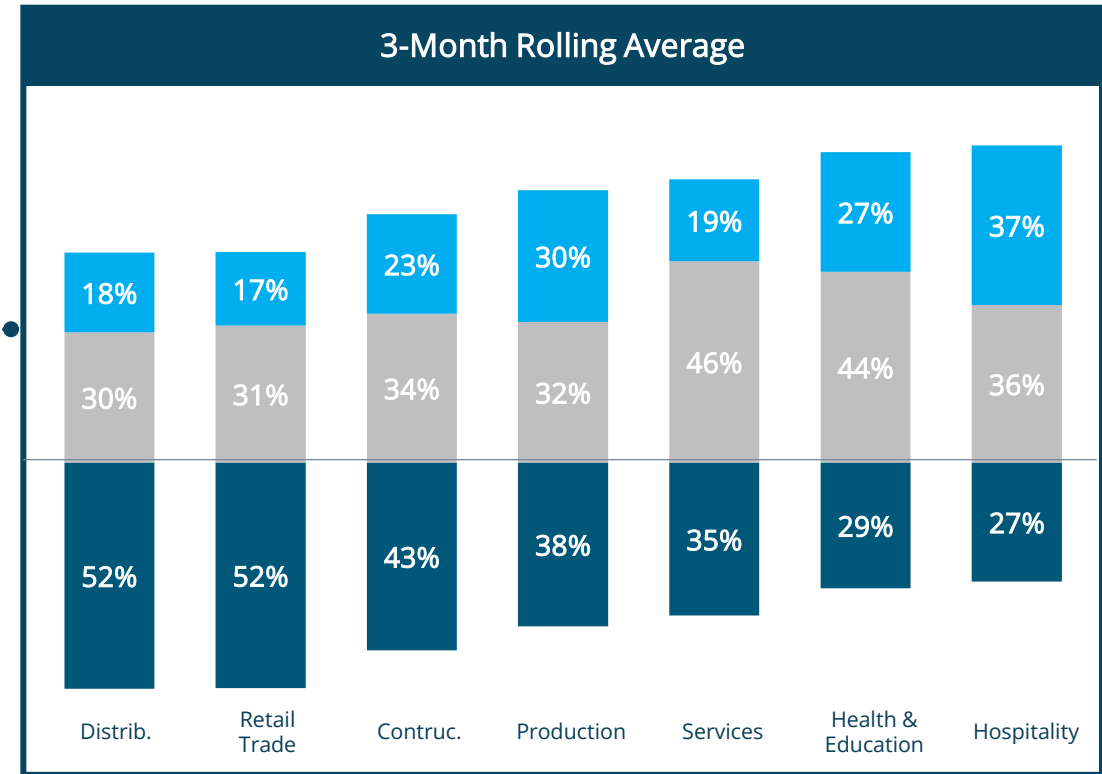
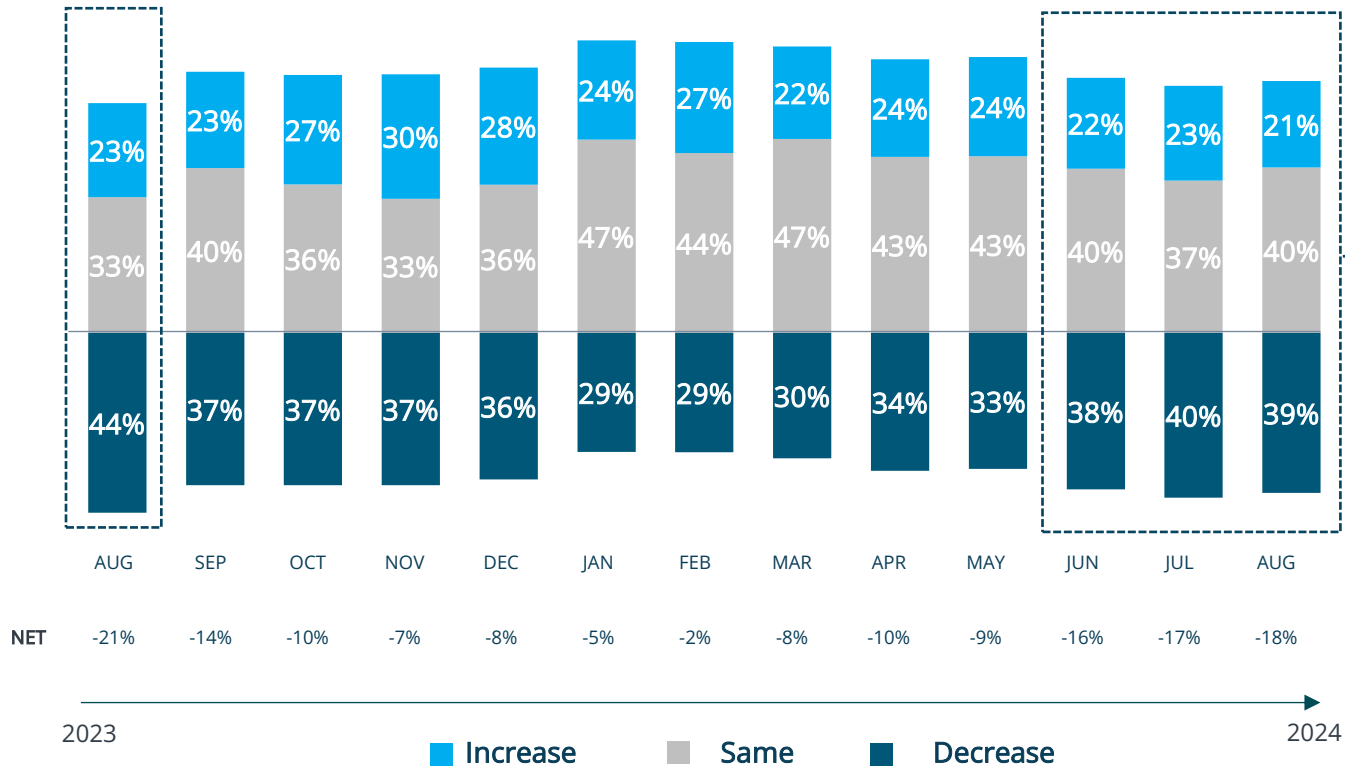
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

SME revenues continue the downward trend. Notably, 39% of respondents indicated lower revenues compared to the previous year, while only 21% reported an increase, representing the weakest revenue growth over the past 12 months.

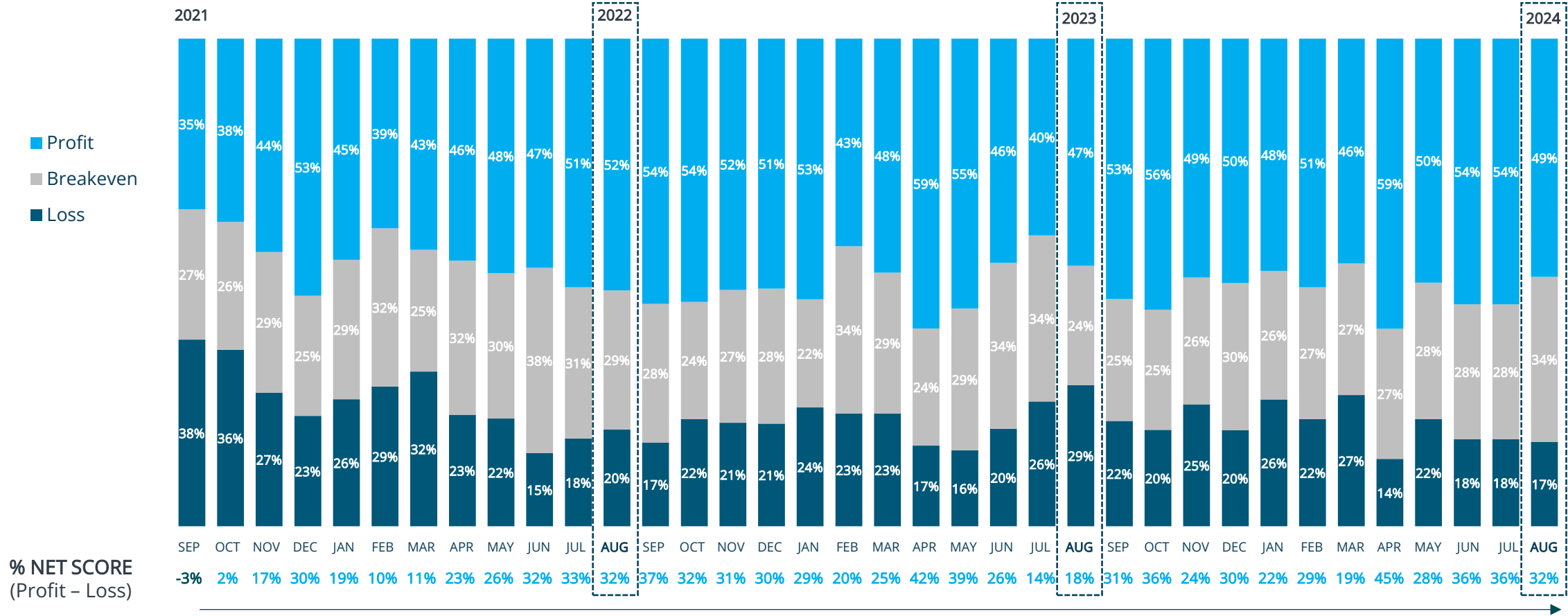
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

Despite the drop in revenue, SMEs continue to effectively manage costs with only 17% reporting a loss in August, compared to 29%, a year ago.

WHAT WAS YOUR PROFIT MARGIN LAST MONTH

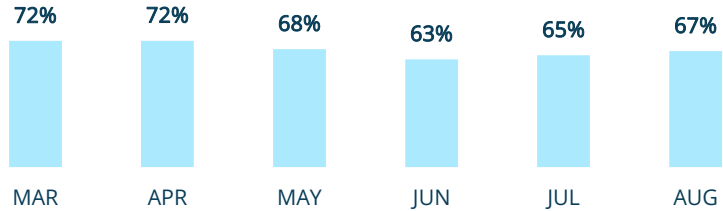


Despite inflation declining, concerns about operational and production costs increased slightly in August.

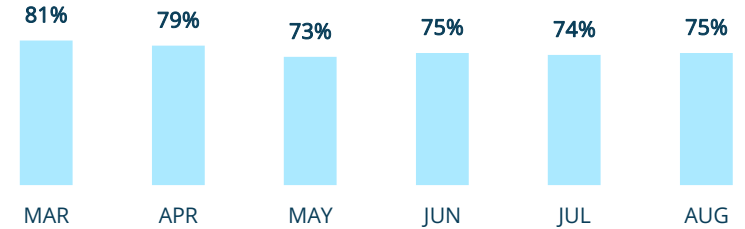
HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?



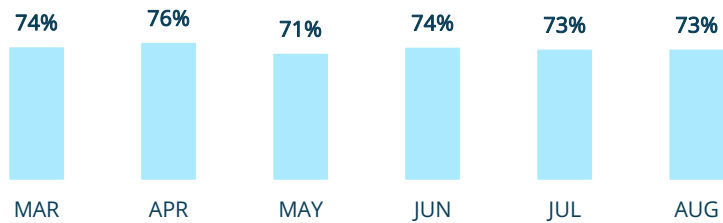
Input Costs



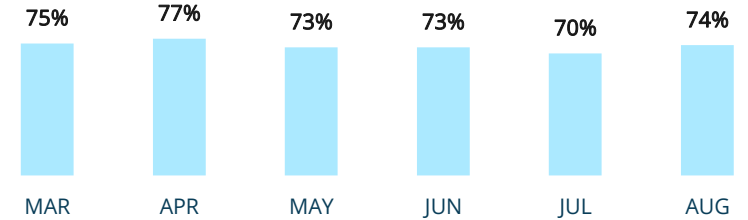
Energy costs



Rising interest rates / cost of credit



Fuel costs



Total concerned

Key Performance Indicators | Cost Recovery

The ability to pass on higher input costs has been steadily decreasing since April, as customers grow increasingly price-sensitive in a challenging operating environment.

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

AUGUST

Yes, but only partially

52%

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

11%

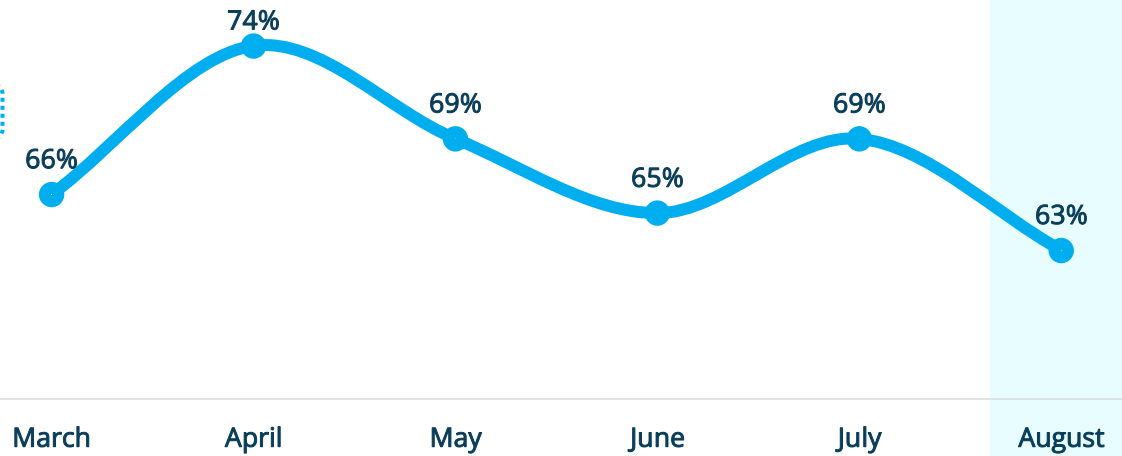
Yes, I have been able to pass on more than the input cost increase

1%

No

37%

YES



Business Investment | Ongoing Costs

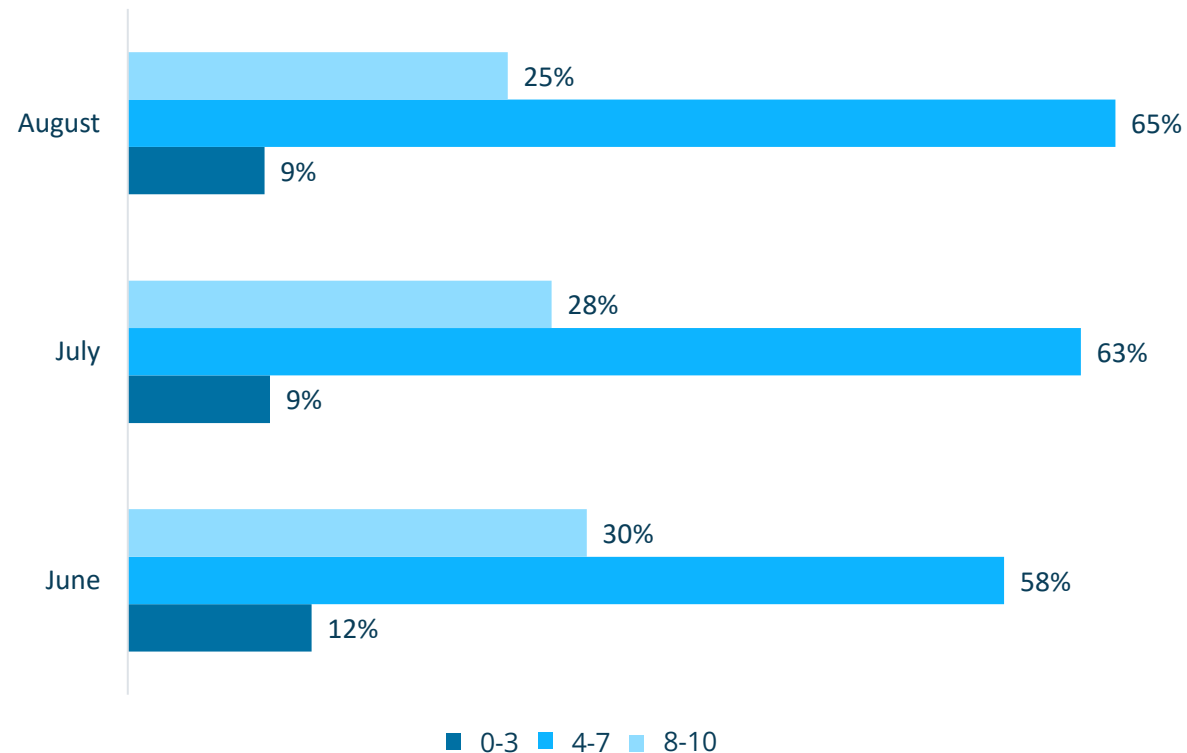
Highlighting their focus on cost management, a growing number of SMEs are reviewing supplier contracts and re-evaluating the viability of major projects and investments.

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

	AUGUST	+5% highlighted from previous month				
		April	May	June	July	August
Discontinuing products/services that are not profitable.	27%	23%	26%	26%	27%	27%
Renegotiating supplier contracts or seeking new supply sources.	26%	17%	22%	22%	17%	26%
Enhancing efficiency by streamlining business operations.	24%	26%	29%	29%	29%	24%
Expanding the range of products/services to generate new revenue streams.	23%	18%	21%	22%	19%	23%
Reassessing current projects and significant investments for viability and impact.	23%	22%	20%	20%	18%	23%
Maximising staff productivity through better training and optimisation.	20%	24%	18%	19%	19%	20%
Adopting new technologies for increased automation and operational efficiency.	16%	19%	14%	16%	15%	16%
Refining inventory management practices for better efficiency.	14%	14%	13%	9%	16%	14%
Undertaking debt restructuring to reduce financial burdens.	12%	13%	16%	11%	11%	12%
Implementing workforce reductions, such as layoffs or hiring freezes.	12%	9%	9%	9%	14%	12%
Shifting towards the use of renewable energy sources.	10%	13%	9%	9%	8%	10%
Delegating non-essential functions to external providers.	10%	8%	11%	8%	8%	10%
Consulting banks and/or financial counsellors about financial hardship.	9%	N/A	10%	6%	6%	9%

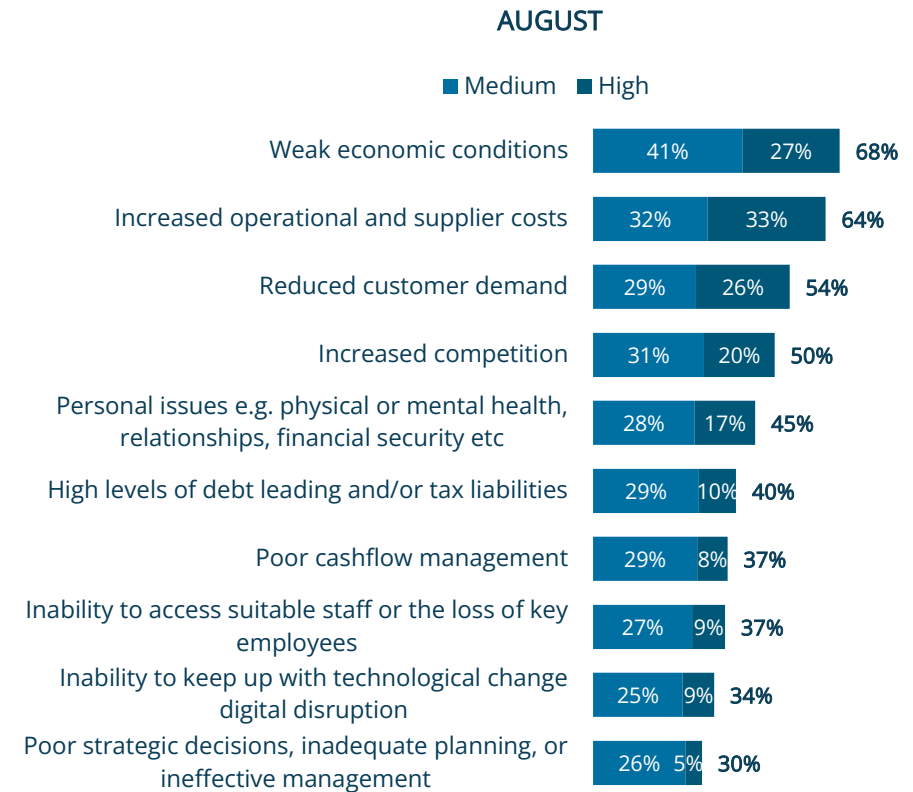
It's encouraging to see fewer SMEs reporting severe financial difficulties over the past 12 months, with the figure dropping from 30% in June to 25% this month. This improvement reflects stronger cost management in a weak and highly competitive market.

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?





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Key Performance Indicators

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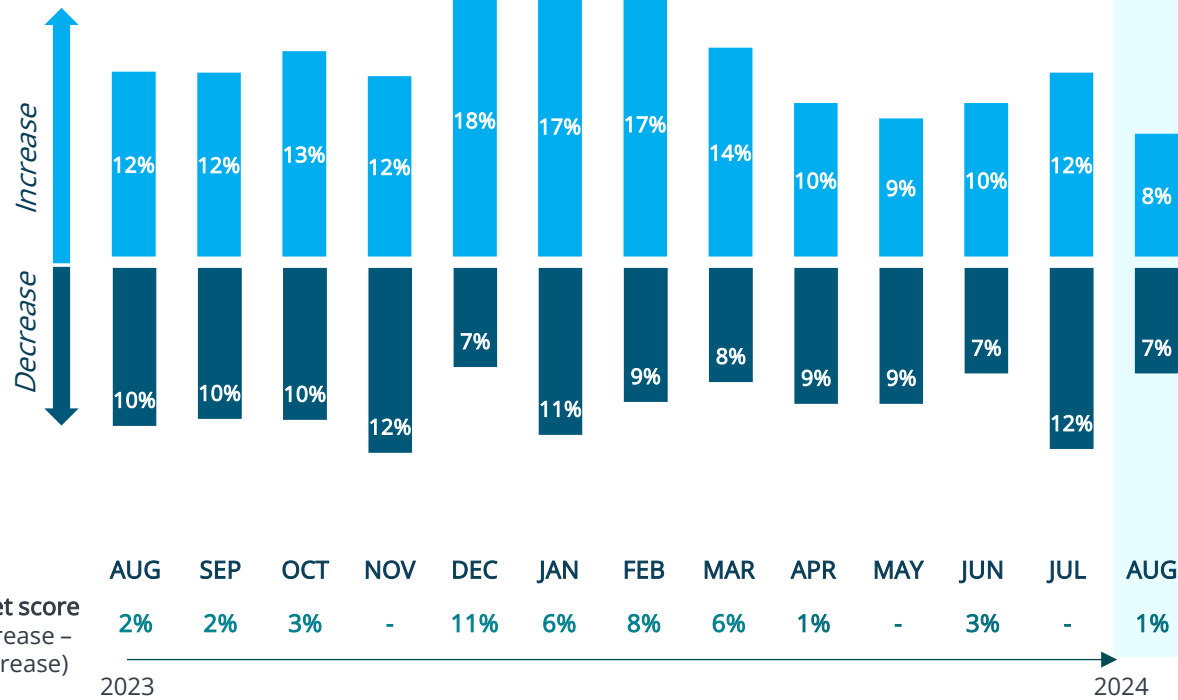
**Methodology &
Sample**

Key Performance Indicators | People

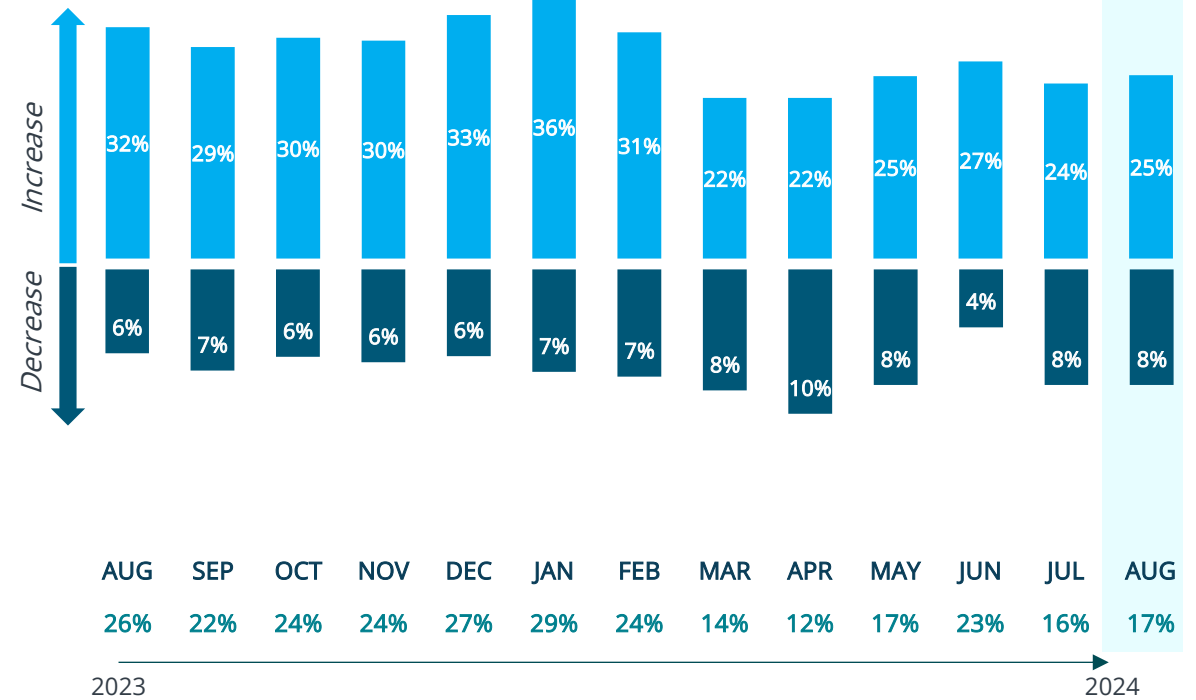
Only 8% of SMEs plan to increase their staff in the next three months, marking the lowest figure recorded in the past year.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

THE NUMBER OF STAFF YOU EMPLOY



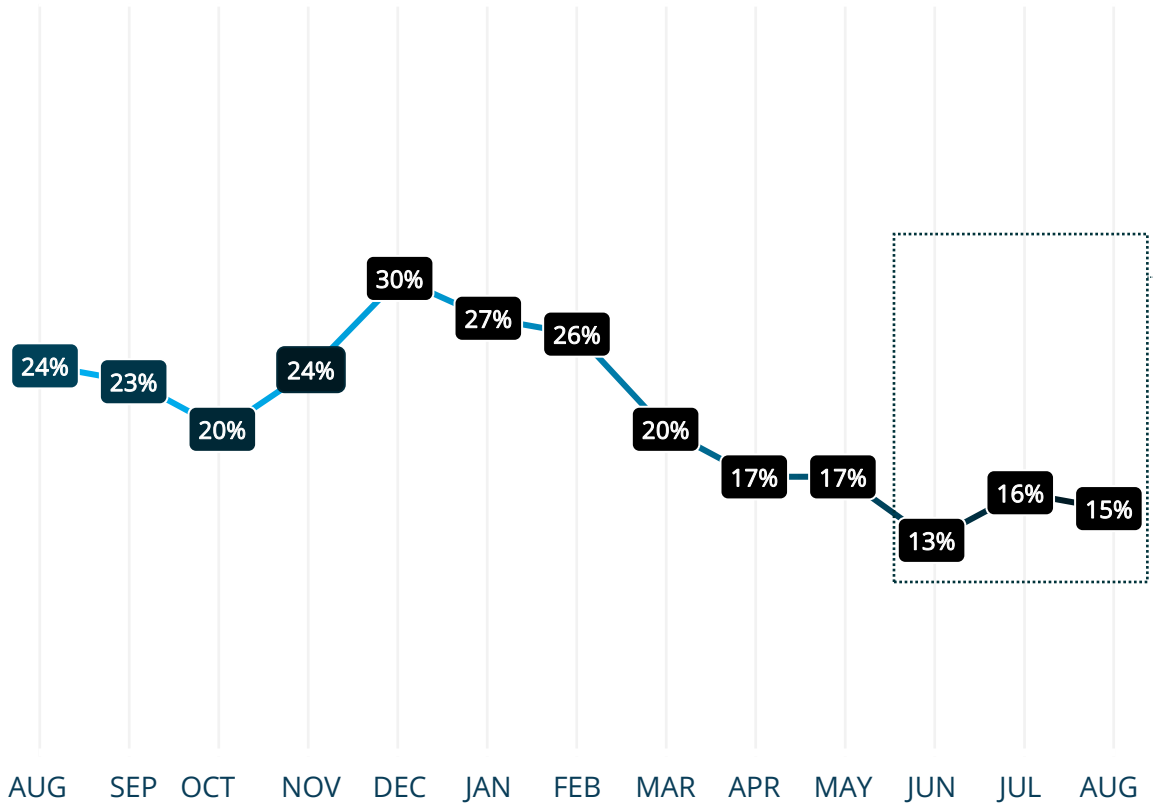
THE WAGES YOU PAY



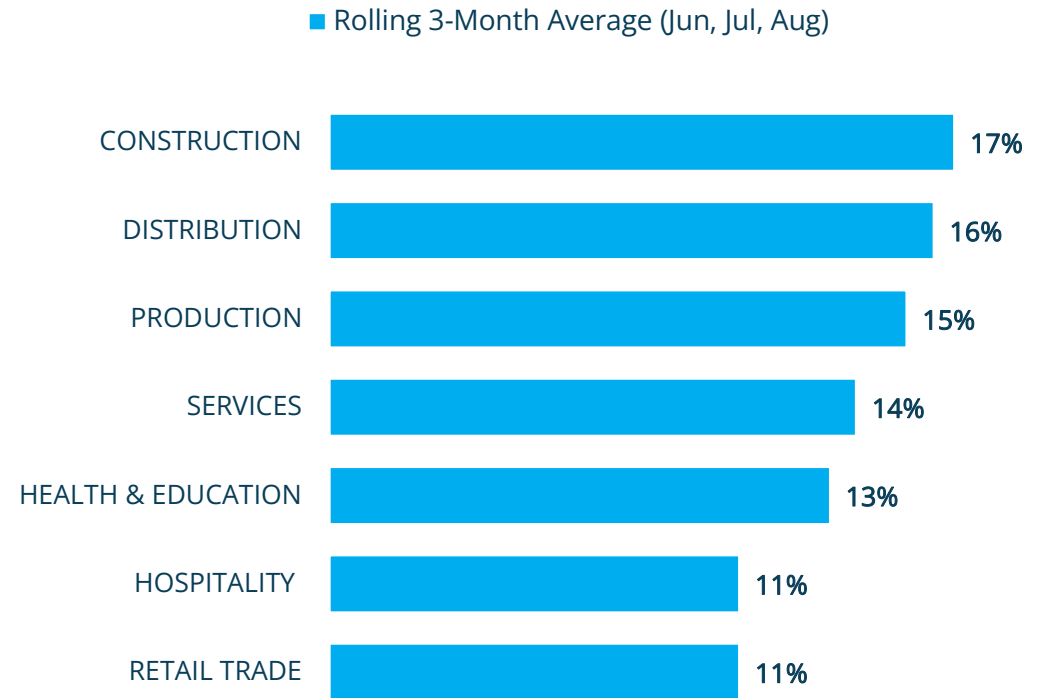
Key Performance Indicators | People

As a result, recruitment activity remains stagnant, with only 15% of SMEs currently attempting to fill new or existing positions.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL



CURRENT JOB VACANCIES BY INDUSTRY

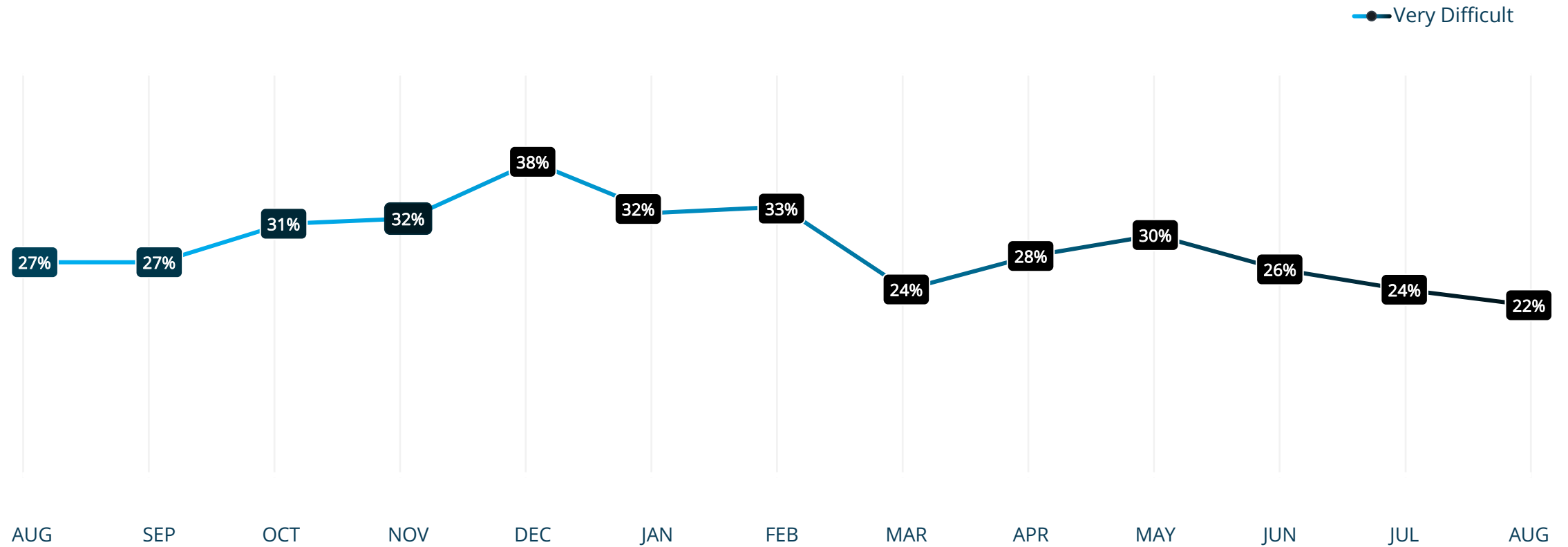


2023 → 2024

With recruitment efforts slowing, the difficulty in finding new staff has eased, dropping from 38% in December 2023 to a current low of 22%.

HOW DIFFICULT IS IT TO FILL THESE ROLES?







Data displayed as a 3-month rolling average



Although recruitment has become somewhat easier, SMEs continue to report challenges in finding suitable candidates for their open positions.

WHY IS IT DIFFICULT TO FILL THESE ROLES?

Q1 FY25

		Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Lack of skilled/qualified candidates	 59%	52%	58%	58%	56%	59%
Not enough candidates are applying	 47%	44%	38%	37%	35%	47%
Wage demands too high	 39%	41%	45%	37%	39%	39%
Too much competition from other businesses	 25%	26%	25%	26%	26%	25%
Candidates are not willing to work the hours required	 20%	45%	33%	32%	38%	20%
Lack of backpackers/migrant workers	 7%	13%	18%	11%	6%	7%



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Key Performance Indicators

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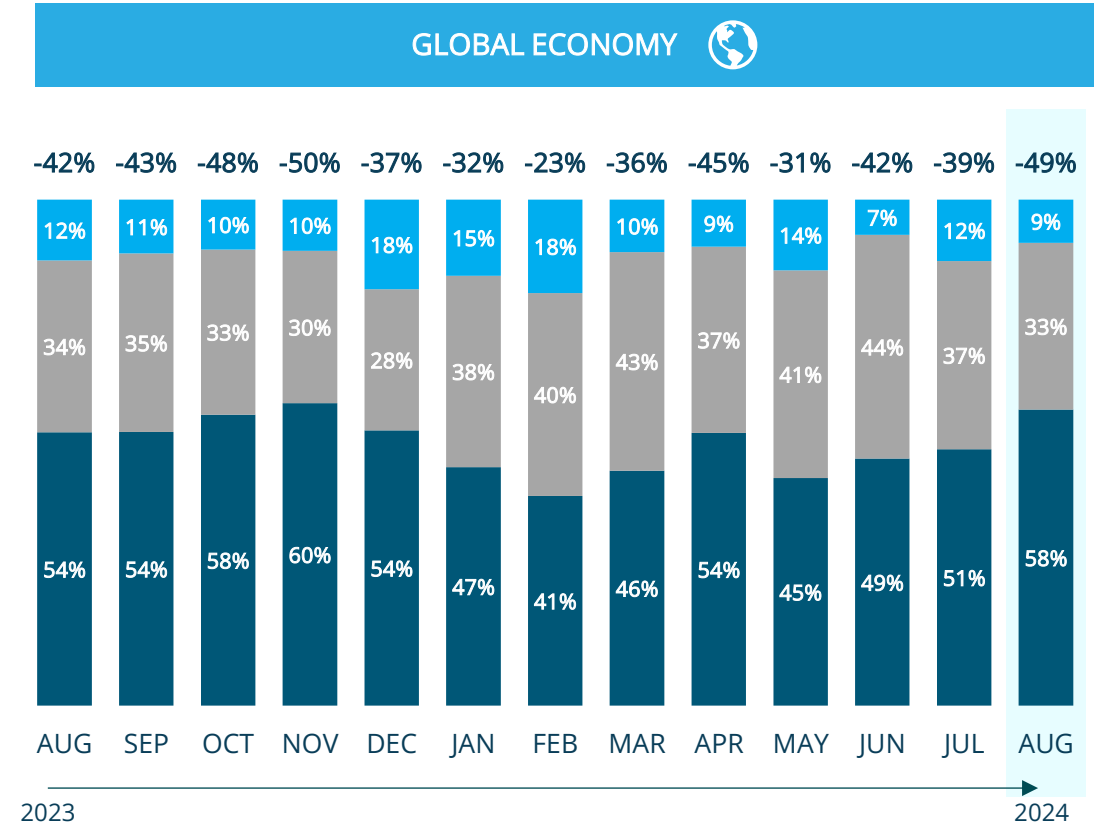
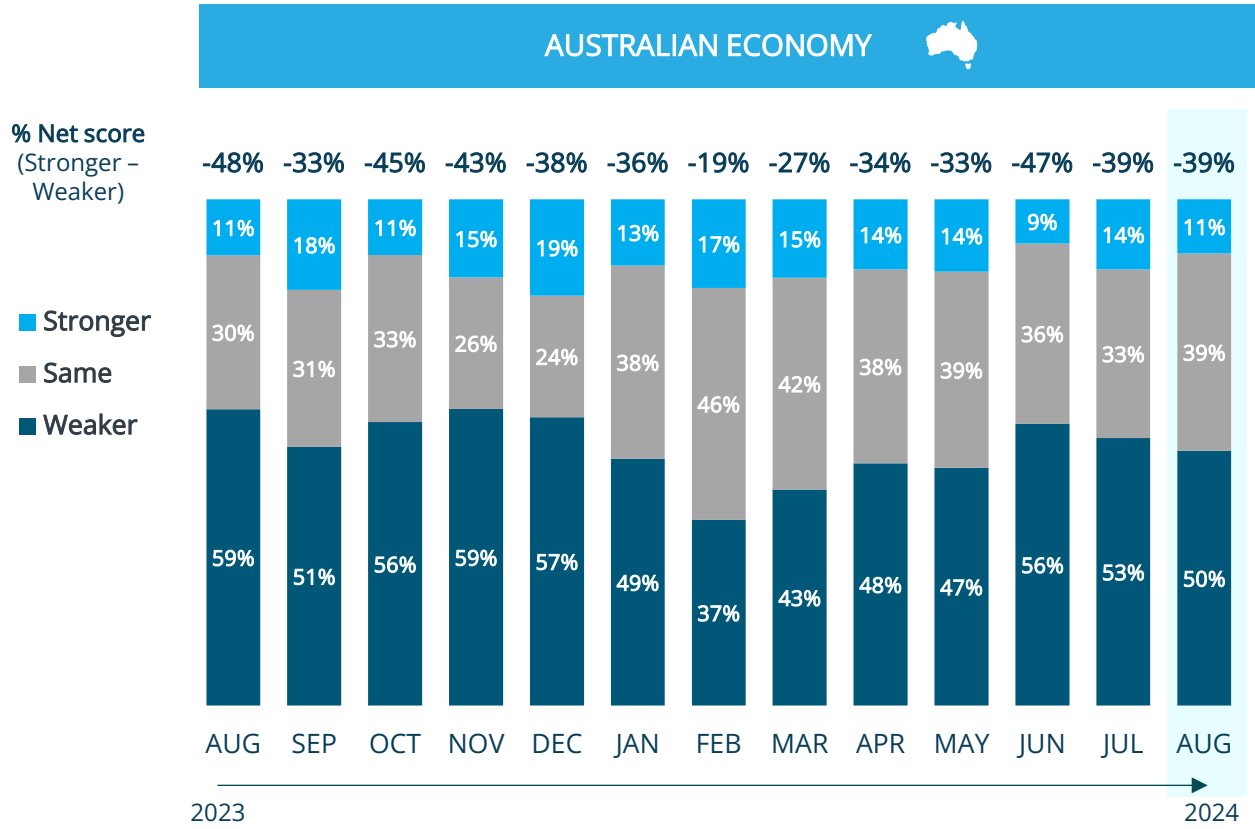
05

Methodology & Sample

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

Confidence in global economic conditions continues to decline, with 58% anticipating further weakening over the next three months. While sentiment regarding the Australian economy is more optimistic, it remains notably lower than the levels reported in February.

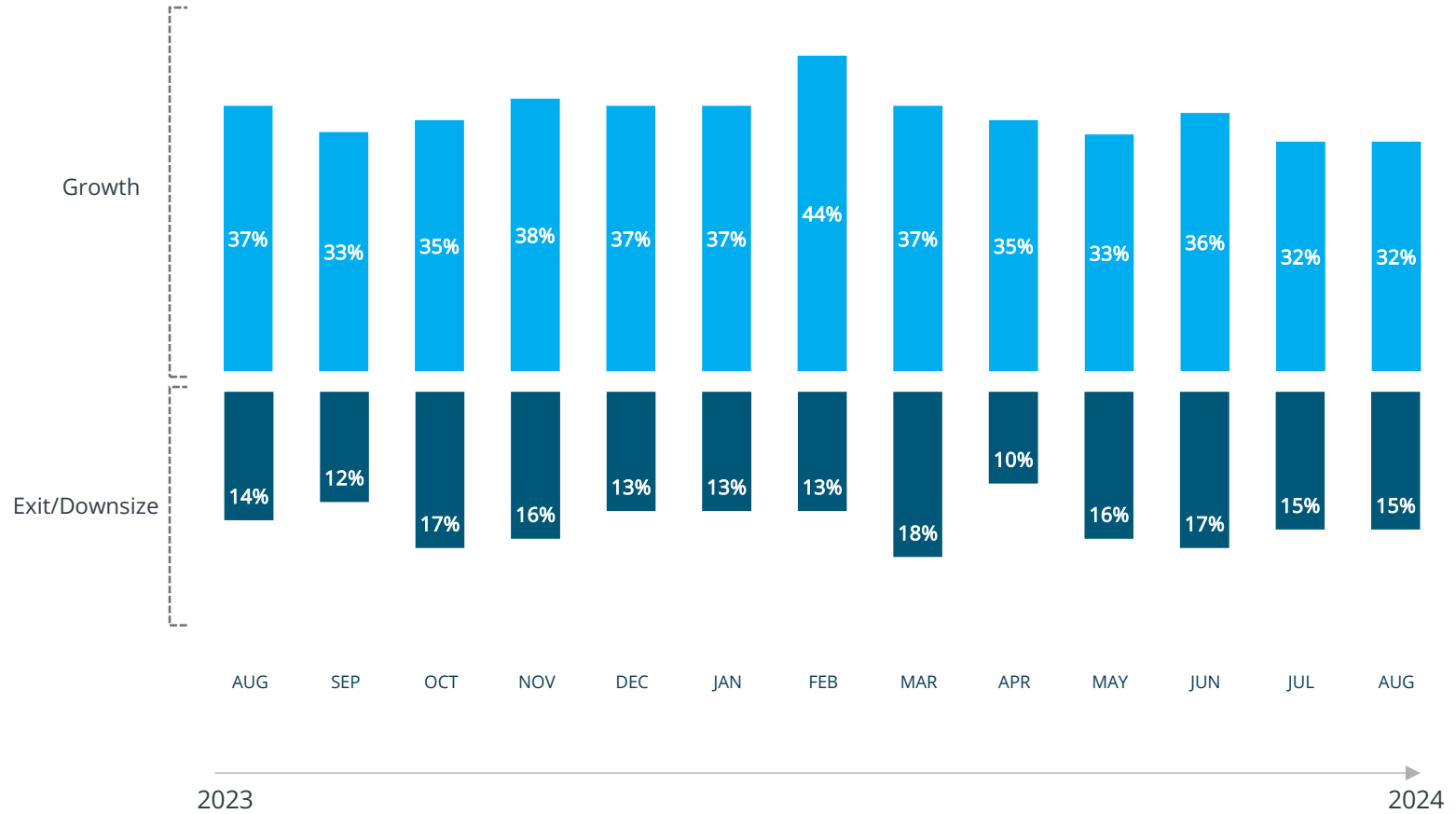
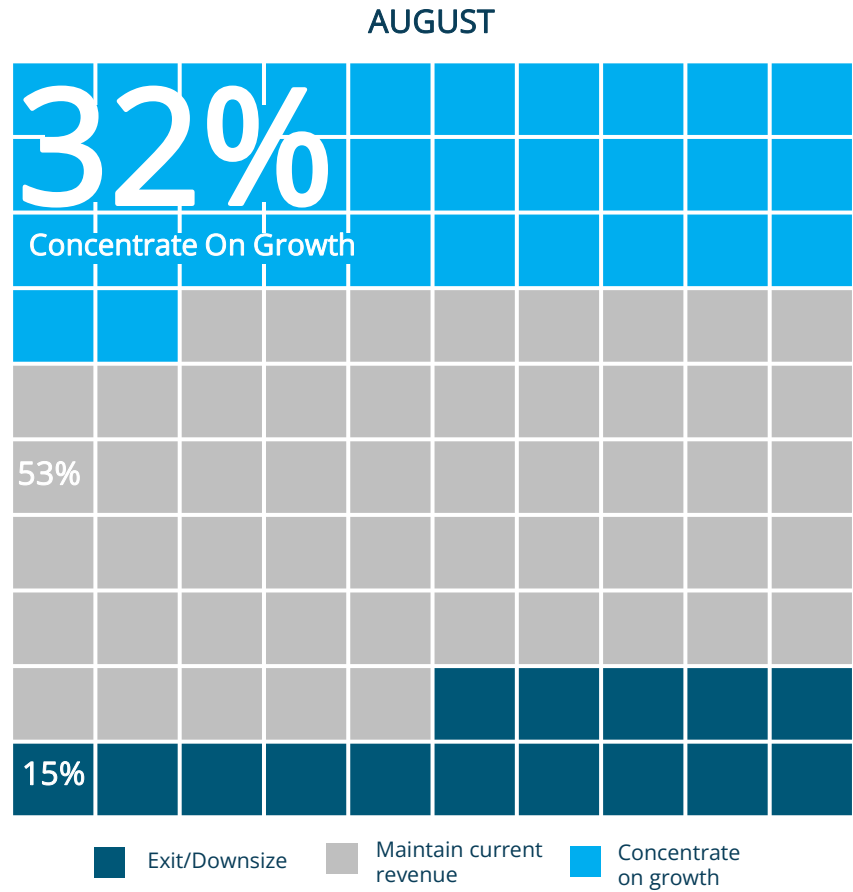
EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



Business Sentiment | Growth Expectations (Next 12 months)

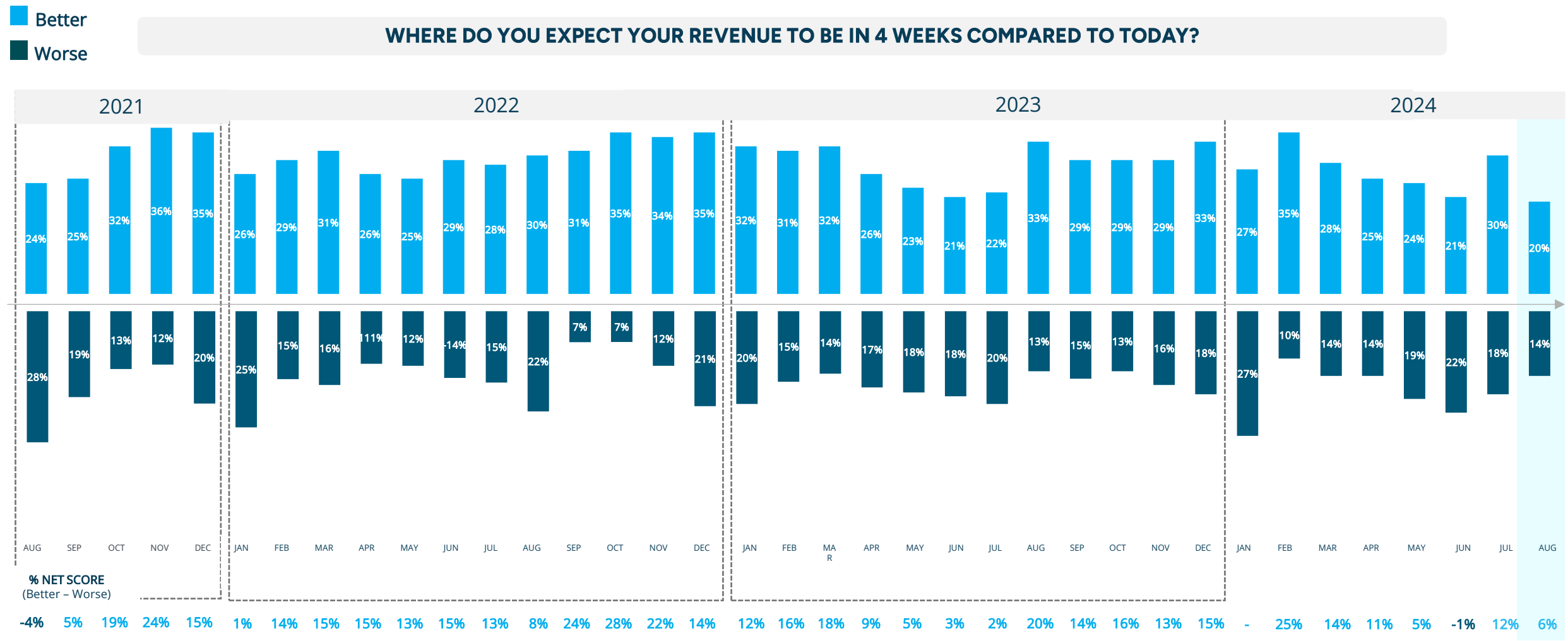
Reflecting the declining sentiment, growth expectations remain modest at 32%.

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



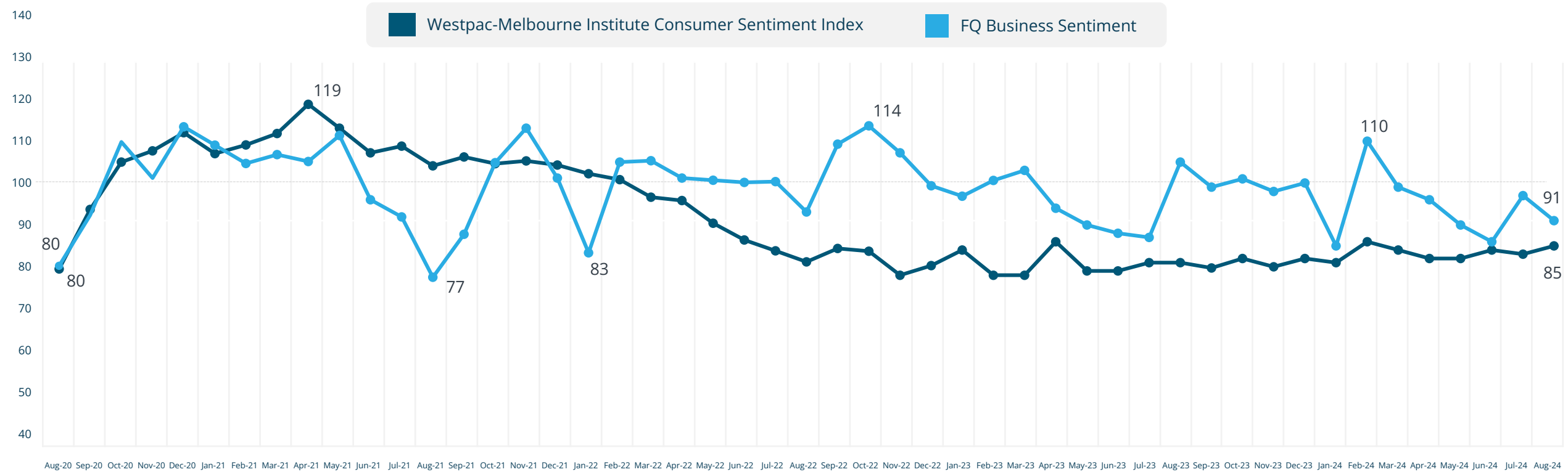
Business Sentiment | Revenue Expectations (Next Four Weeks)

Only 20% of businesses expect revenues to grow over the next four weeks, marking the lowest level of optimism recorded in the past three years.



The Fifth Quadrant Business Sentiment Index has declined to 91.

BUSINESS AND CONSUMER SENTIMENT





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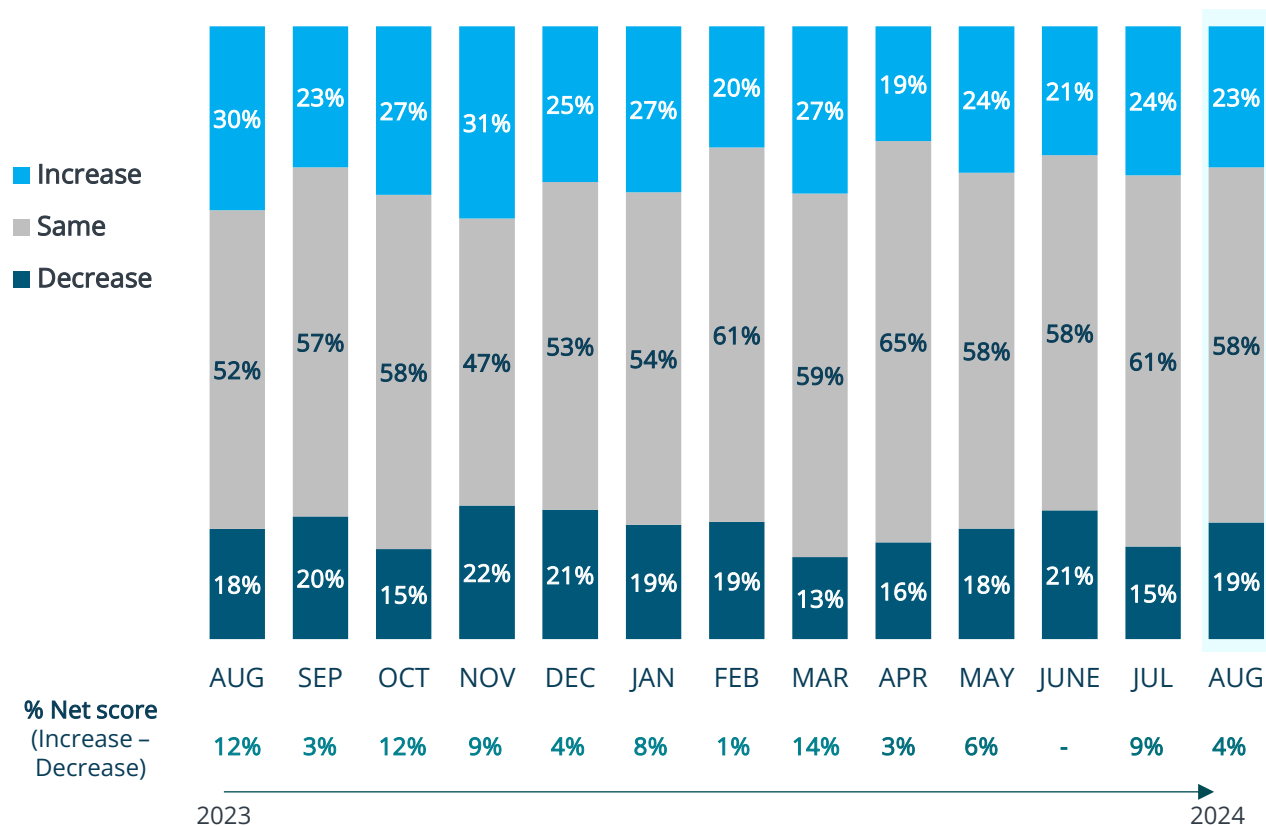
**Methodology &
Sample**

Business Investment | Next Three Months

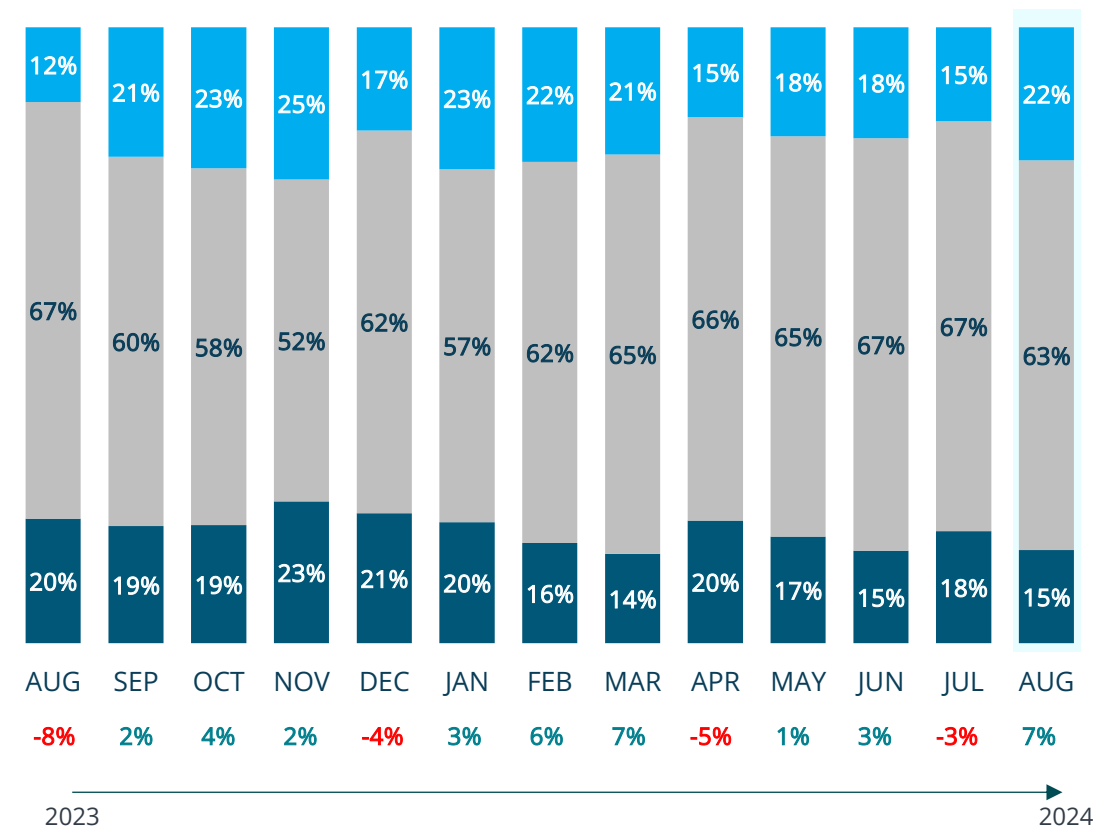
Intentions to increase marketing spend in the next three months have spiked to 22%, signaling that SMEs are gearing up for heightened activity ahead of the crucial pre-Christmas trading period.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

BUSINESS SPENDING/ CAPITAL INVESTMENT



MARKETING SPEND



Business investment across most equipment categories has declined throughout 2024.

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

AUGUST

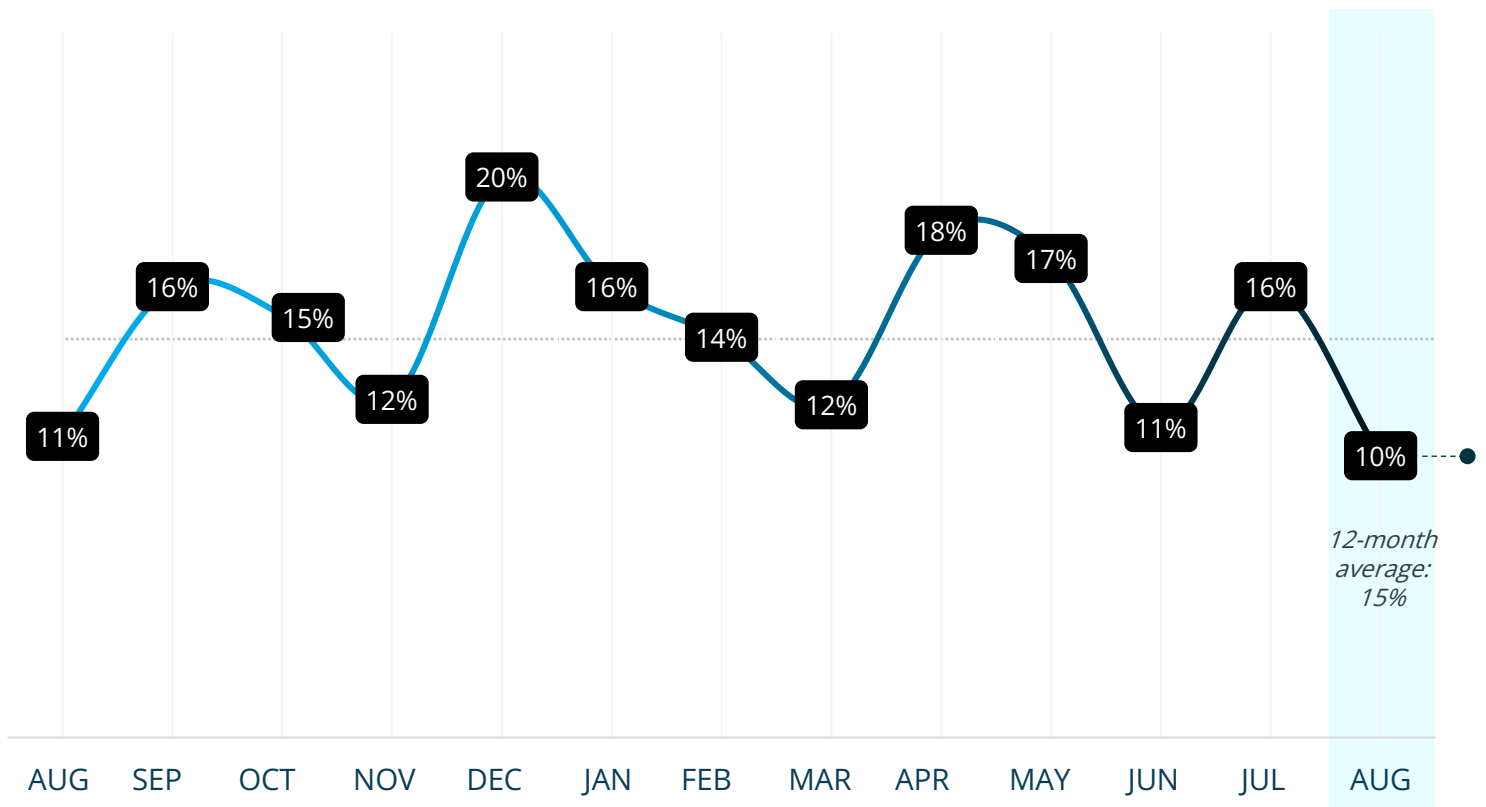
■ Probably will ■ Definitely will

	AUGUST		Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	
IT / Office equipment, including hardware & software	34%	8%	42%	44%	44%	46%	43%	45%
Equipment, machinery or plant	19%	3%	21%	18%	23%	26%	20%	23%
Passenger vehicle(s) including SUVs	14%	1%	14%	13%	17%	16%	15%	14%
Light commercial vehicle(s) including utes, vans, and minibuses	11%	3%	14%	13%	16%	15%	15%	13%
Electric vehicle(s), including Hybrid powered by a combination of both petrol and electricity or Fully Electric which are solely electric vehicles (no petrol)	9%	1%	11%	12%	14%	14%	12%	11%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	1%	10%	8%	11%	10%	10%	9%
Commercial real estate including buildings or land	9%	1%	10%	7%	11%	12%	10%	10%
Truck(s) less than 4.5 tonnes that can be operated with a car licence	6%	1%	7%	8%	11%	10%	10%	8%
Truck(s) more than 4.5 tonnes that require a heavy vehicle licence	4%	1%	6%	7%	11%	10%	8%	6%
Medium and large bus(es) with more than 12 seats that require a bus driver licence	5%	1%	5%	5%	8%	9%	8%	6%

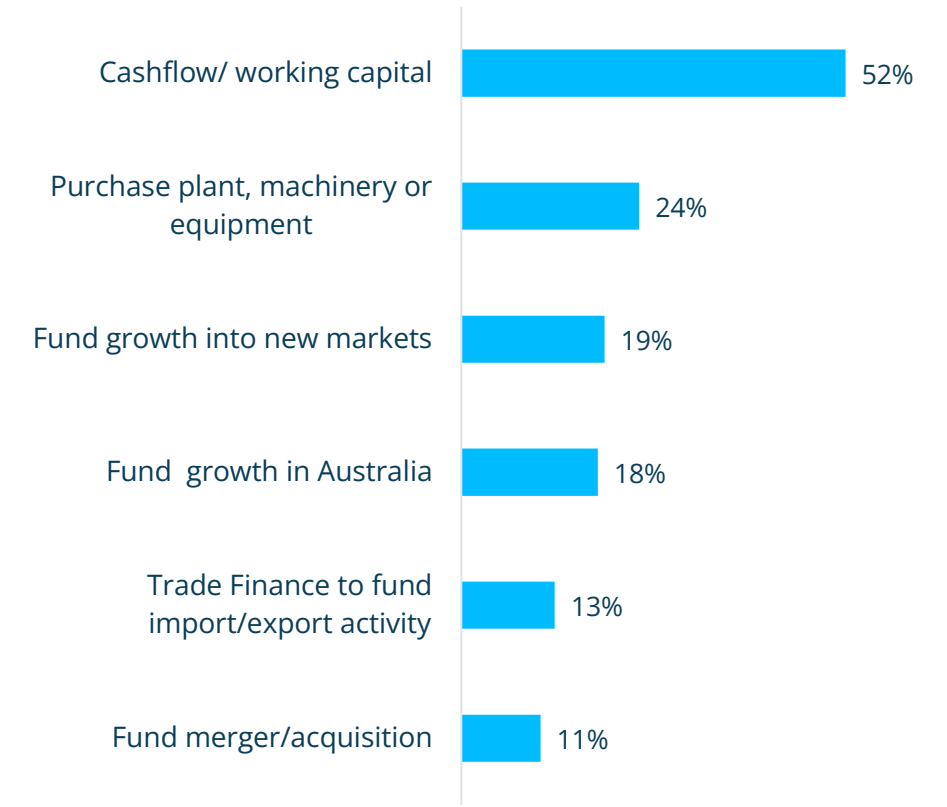
Business Investment | Finance Needs (Next 3 months)

With the decline in business investment, it's unsurprising that the demand for additional financing is also weak.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



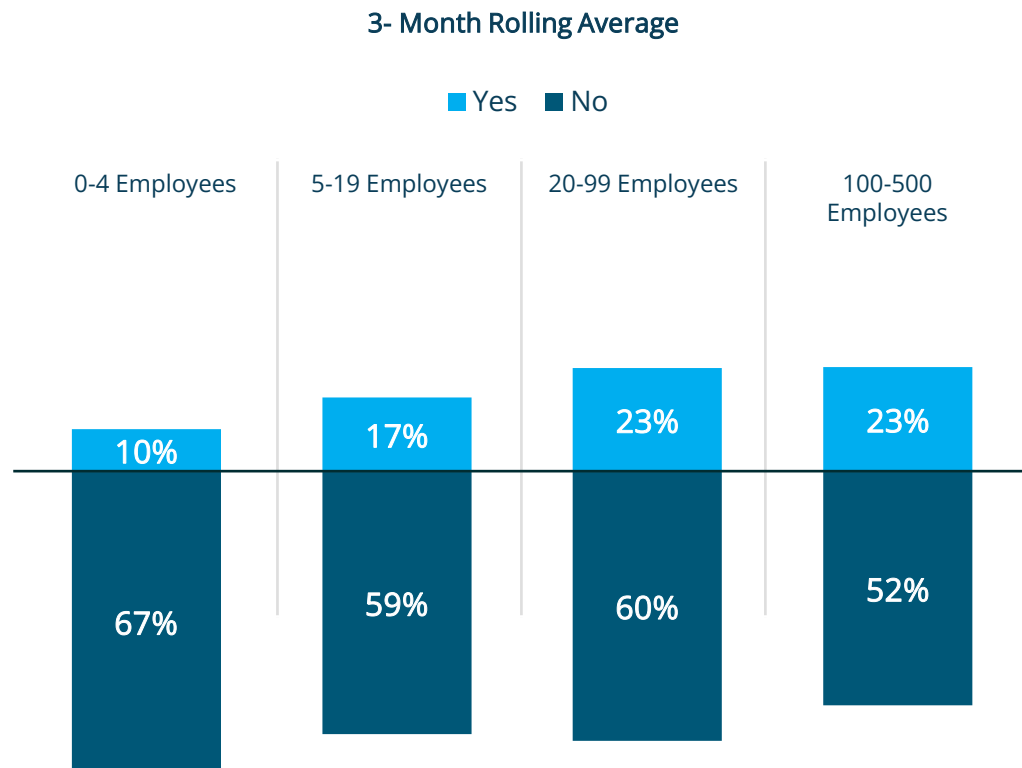
AND WHAT IS THE PURPOSE OF THIS FINANCE?



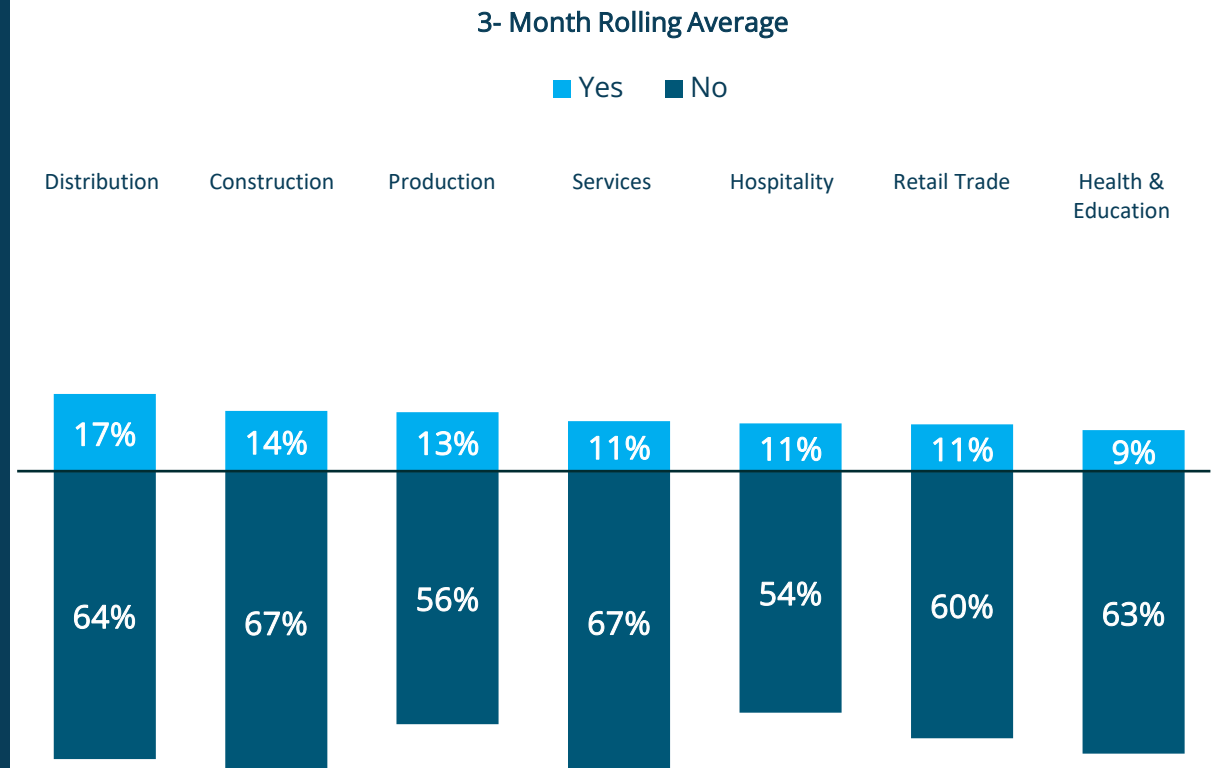
Business Investment | Finance Needs (Next 3 months)

Distribution and larger SMEs continue to drive the demand for additional financing.

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

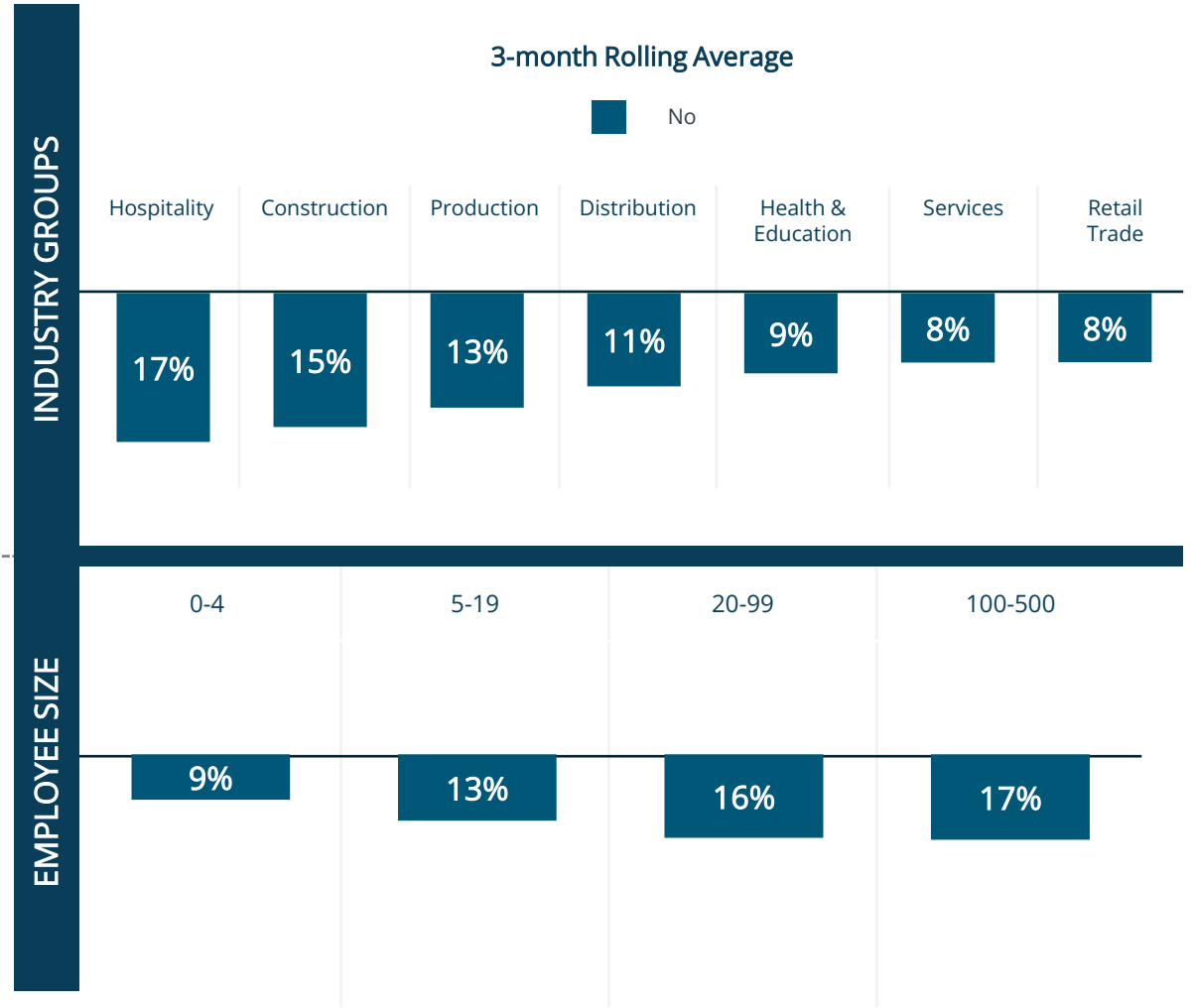
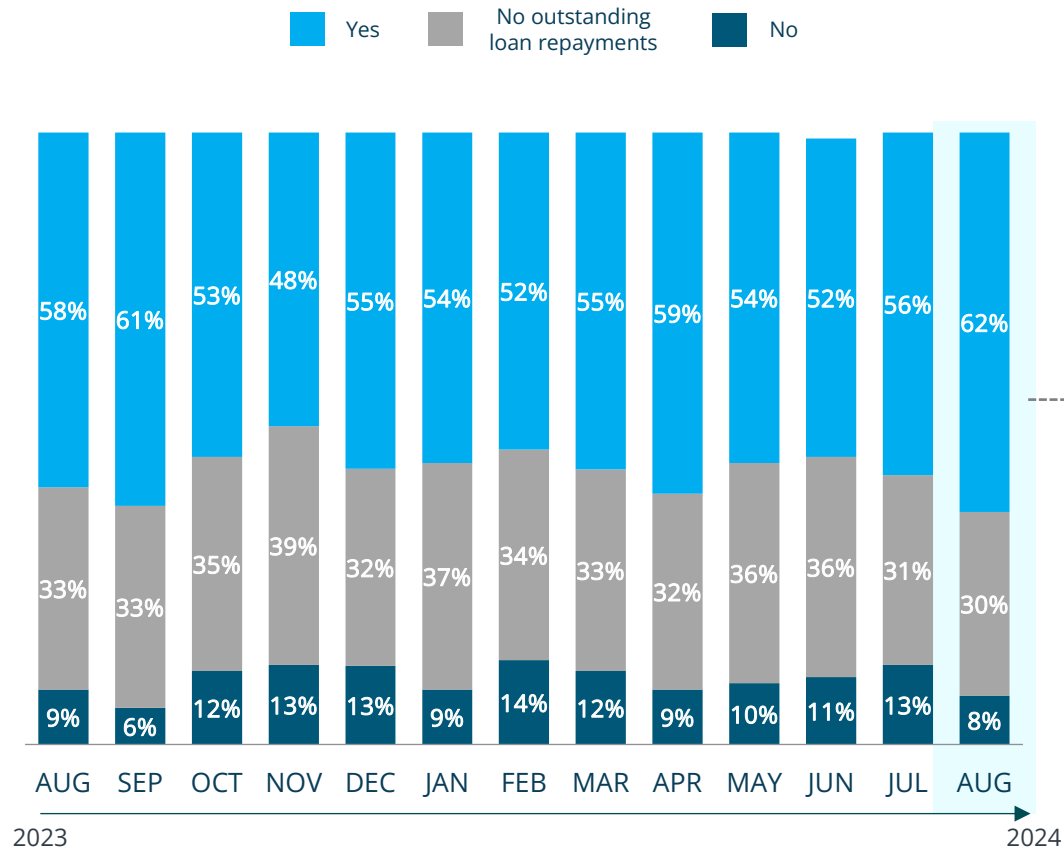


DEMAND FOR FINANCE BY INDUSTRY



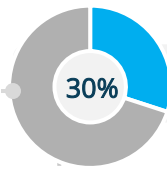
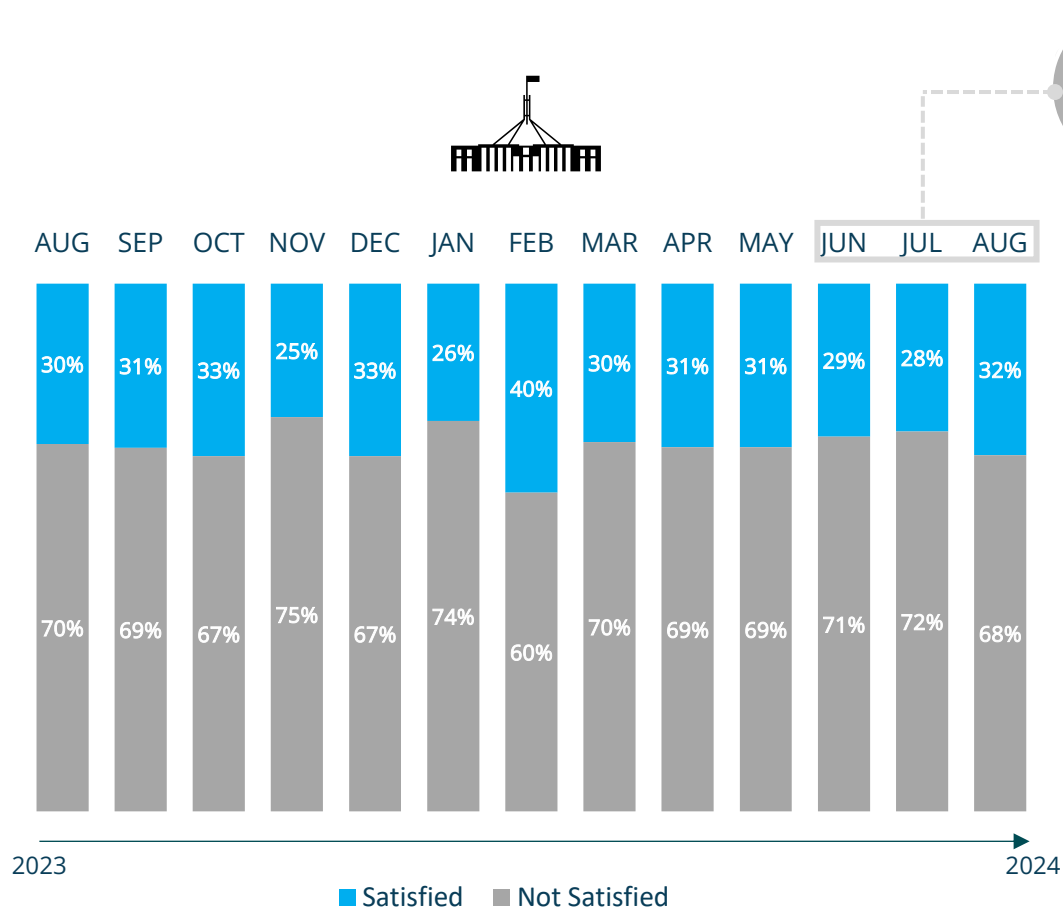
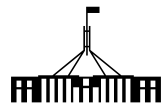
Loan stress has dropped back slightly since July, with 8% of SMEs expecting difficulties making debt repayments over the next six months.

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

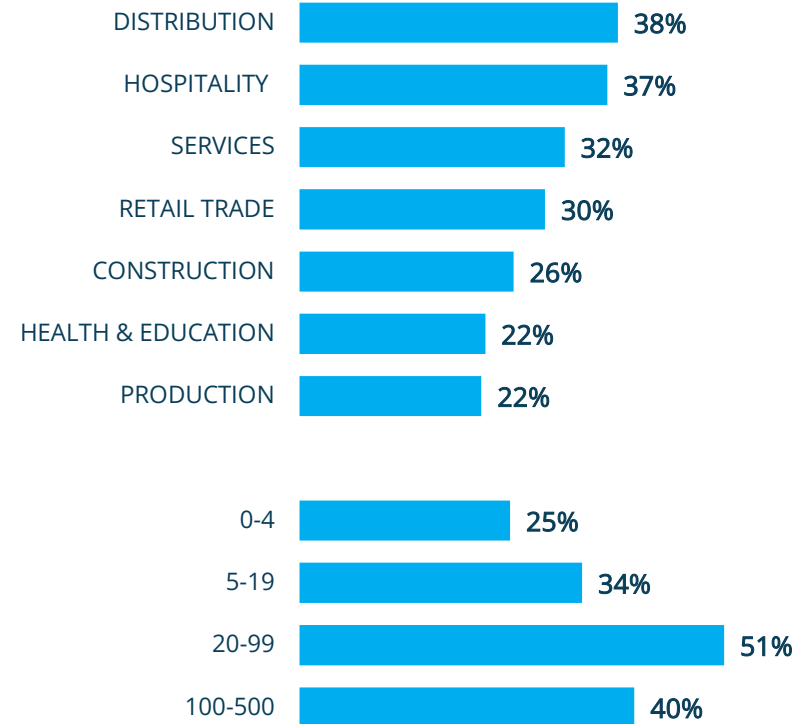


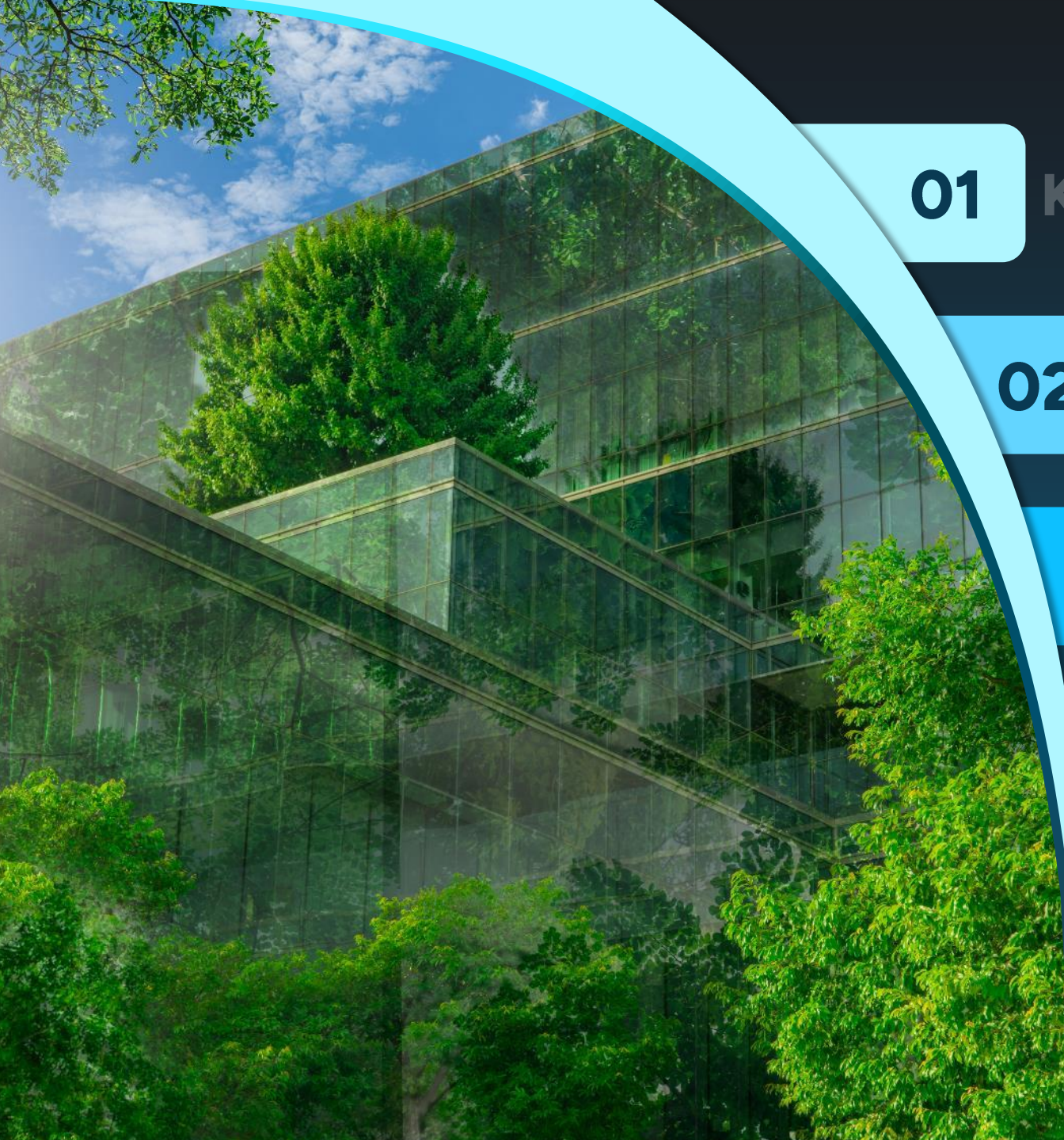
Satisfaction with the Federal Government has risen, despite broader negative sentiment among SMEs. This could be a response to the government's strong actions addressing issues within the CFMEU, particularly its efforts to improve governance.

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

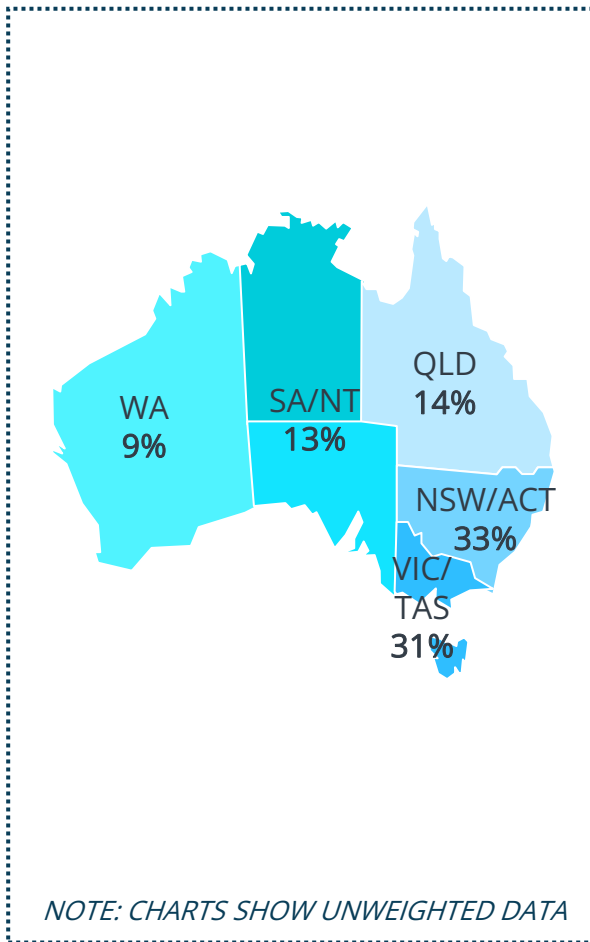


Data is **weighted** by industry, state and
number of employees to reflect the
national distribution of businesses across
the country

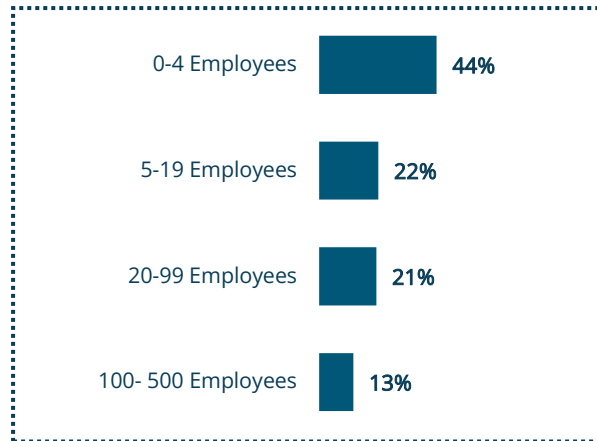
Our Sample

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.

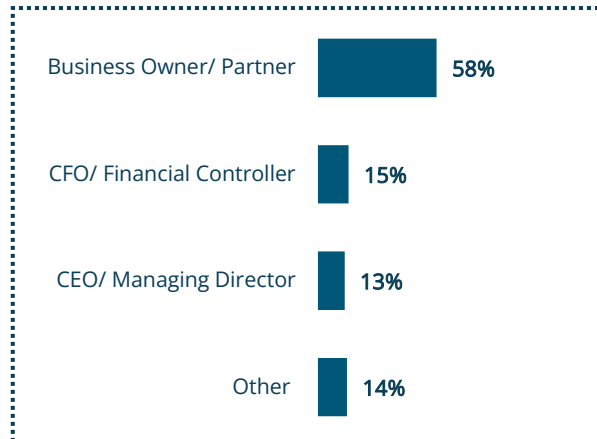
HEAD OFFICE LOCATION



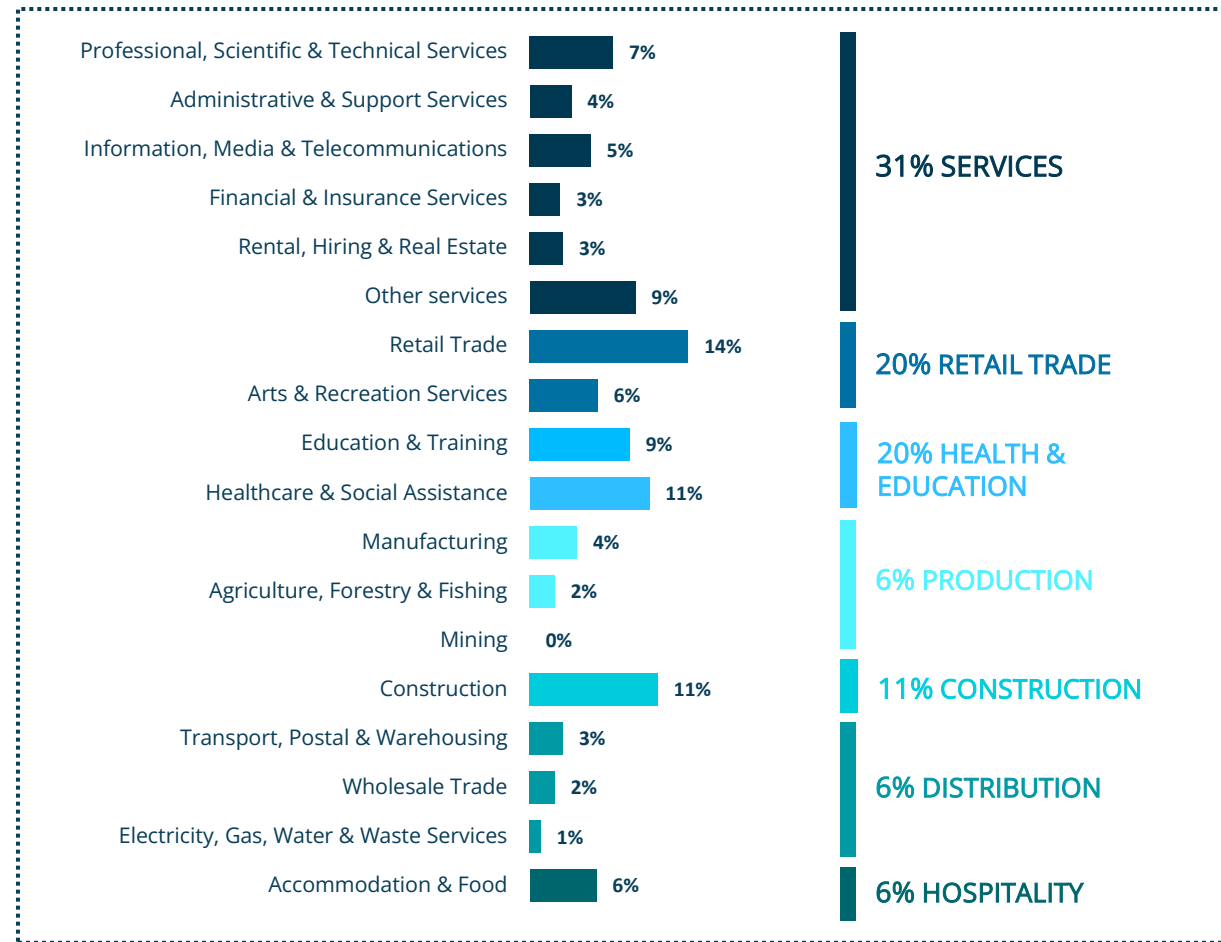
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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