



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 67 – September 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.





27% reported higher revenue compared to 12 months earlier



17% are actively recruiting, compared to 13% in June



22% of SMEs plan to increase their marketing spend over the next 3 months



35% are growth focused over the next 12 months

SME Confidence Rebounds from Recent Lows

After reaching significant lows in August, the latest Fifth Quadrant data indicates an improving outlook for SMEs, with 27% experiencing higher revenue compared to 12 months ago, marking the highest level since February. Short-term revenue expectations have also improved, with only 12% expecting declines in the next four weeks, down from 22% in June. Furthermore, growth expectations for the next 12 months have rebounded, with 35% of SMEs focused on expansion, compared to 32% over the past two months.

Recruitment activity has also ticked up, with 17% of SMEs hiring for new or existing roles, up from 13% in June. However, competition for talent has intensified, with a shortage of candidates and rising wage demands increasing. Moreover, the retail sector remains particularly weak.

In terms of business investment, SMEs are maintaining a cautious stance, but marketing spend is trending upwards. Capital investment remains flat, underlining a focus on cost control, though there has been some uplift in spending on technology and machinery.

The demand for working capital continues to rise, though the appetite for additional finance fluctuates. Additionally, satisfaction with the Federal Government has held steady despite ongoing challenges such as geopolitical tensions, business costs, and the absence of interest rate reductions.

Despite challenging economic conditions, SMEs have bounced back from recent lows. Inflation has dropped, leading to more positive expectations regarding interest rates, which is likely contributing to increased business activity. This is reflected in higher revenue and growth expectations. Overall, the economic outlook appears to be improving and hence businesses are more optimistic.



01 Key Performance Indicators

02 People

03 Business Sentiment

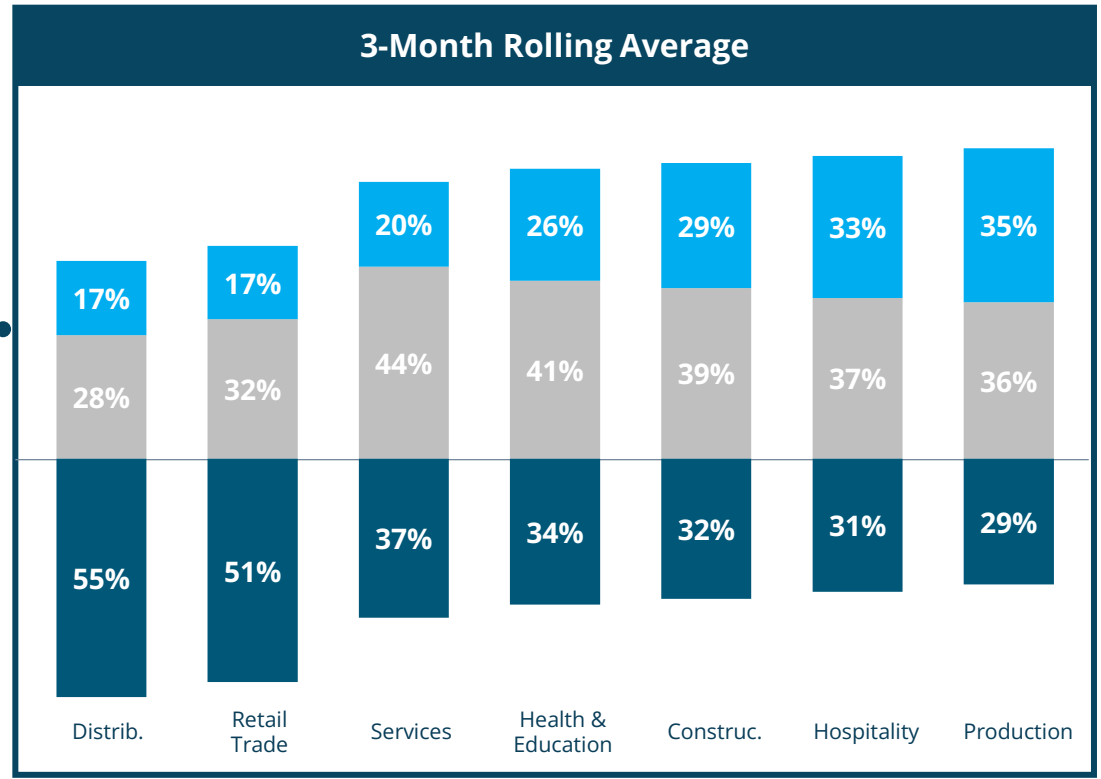
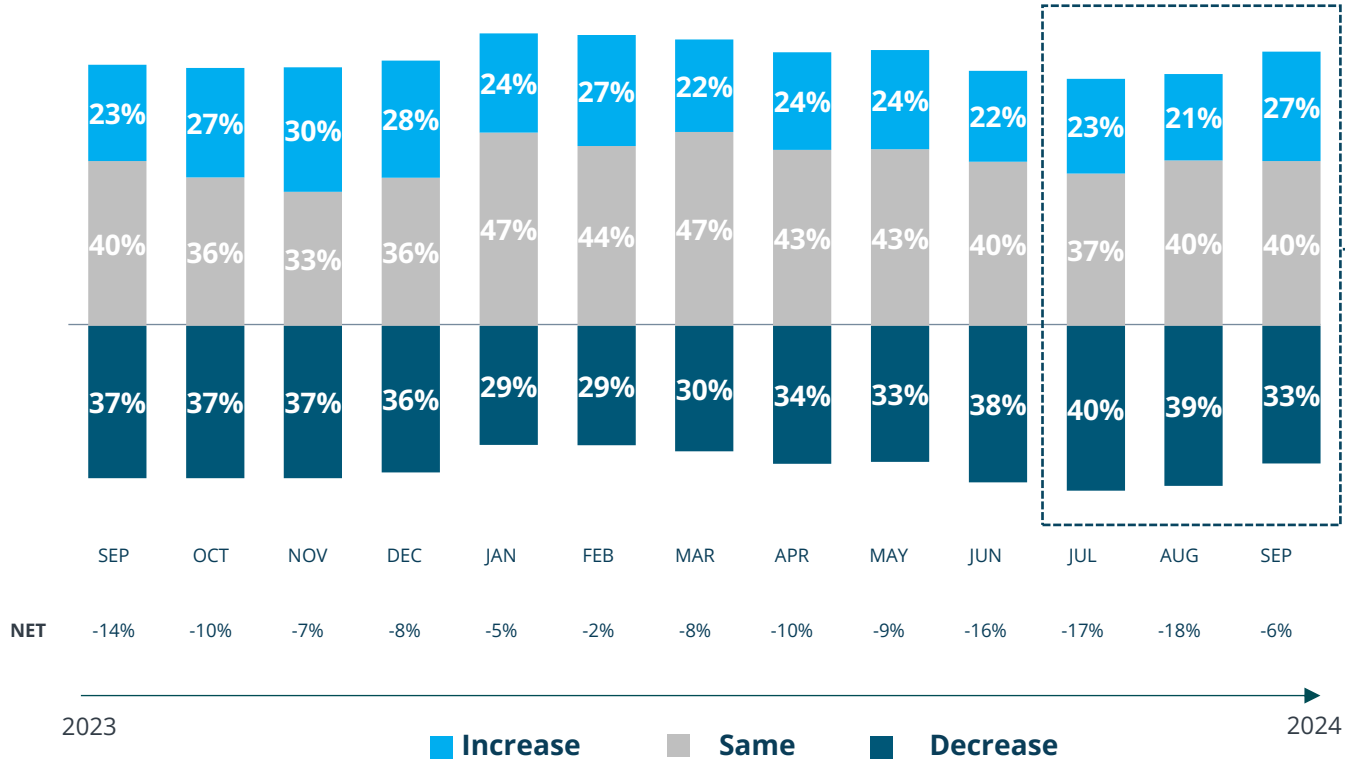
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

SME revenue has bounced back from recent lows, with 27% of businesses reporting increased revenue compared to 12 months prior. This marks the highest level since February and surpasses the figures from the same period last year.

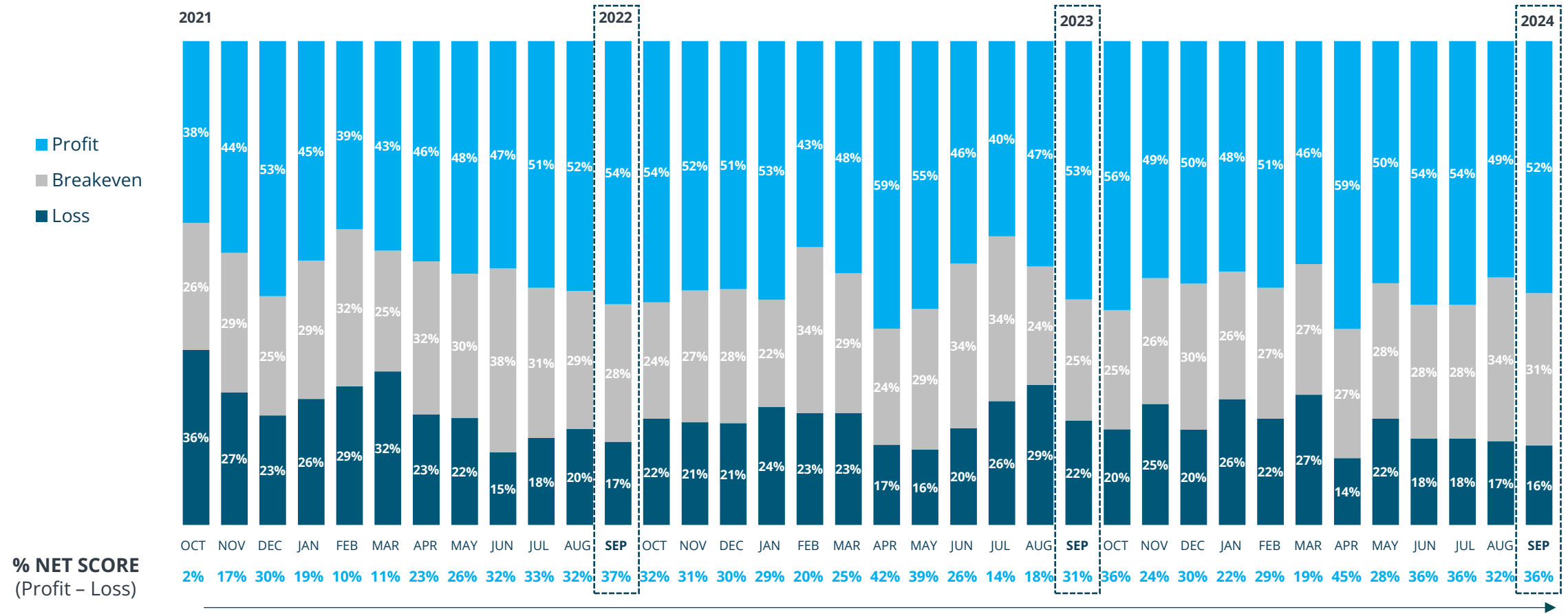
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

Profitability remains stable, indicating that the majority of SMEs are effectively managing their costs.

WHAT WAS YOUR PROFIT MARGIN LAST MONTH



Key Performance Indicators | Cost Management

While SMEs remain focused on efficiency and cost management, it's important to note that innovation is ticking up, with 24% expanding their product or service range to create new revenue opportunities.

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

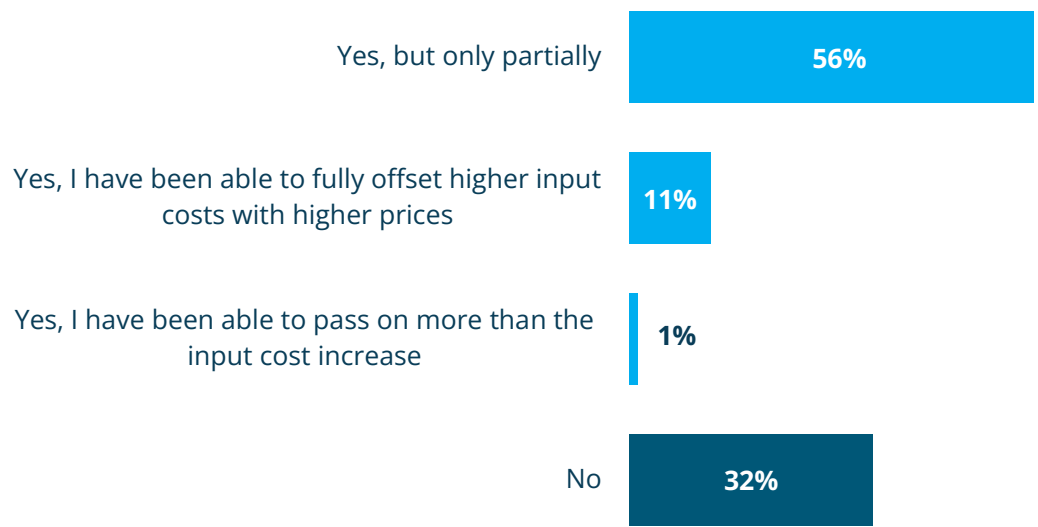
	September	May	June	July	August	September
Enhancing efficiency by streamlining business operations.	29%	29%	29%	29%	24%	29%
Expanding the range of products/services to generate new revenue streams.	24%	21%	22%	19%	23%	24%
Discontinuing products/services that are not profitable.	24%	26%	26%	27%	27%	24%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

+5% highlighted from previous month

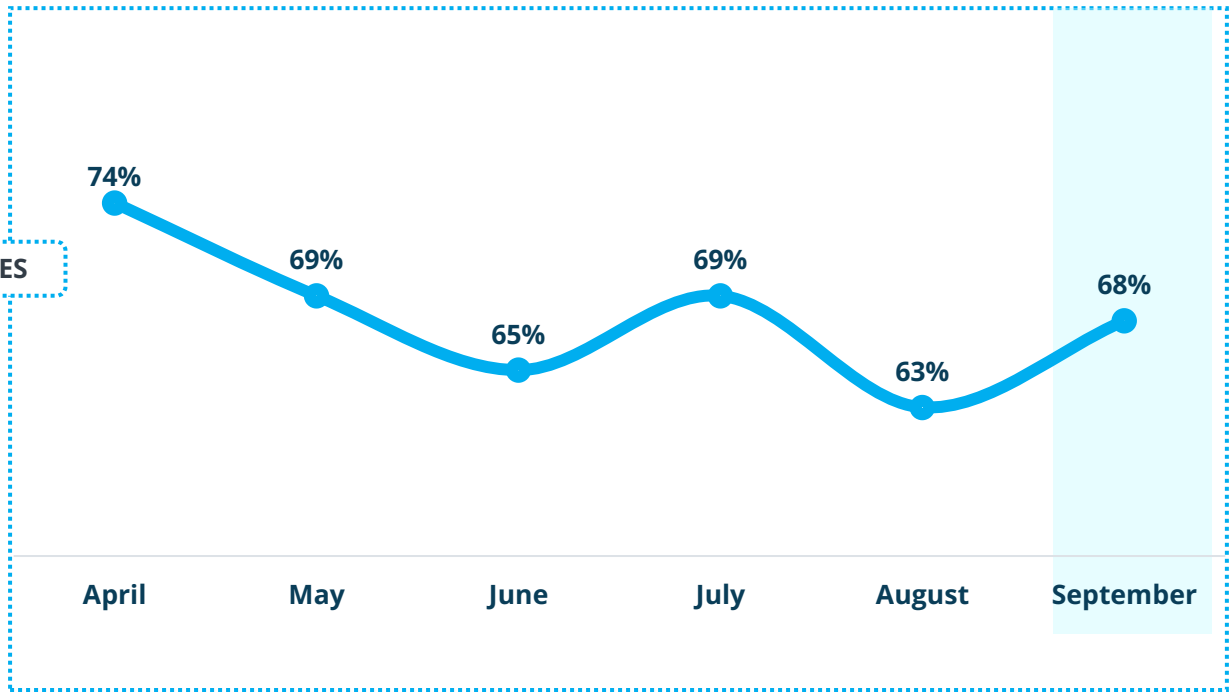
Potentially indicating rising demand, a greater number of SMEs (68%) successfully passed on costs to customers over the past month.

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

September



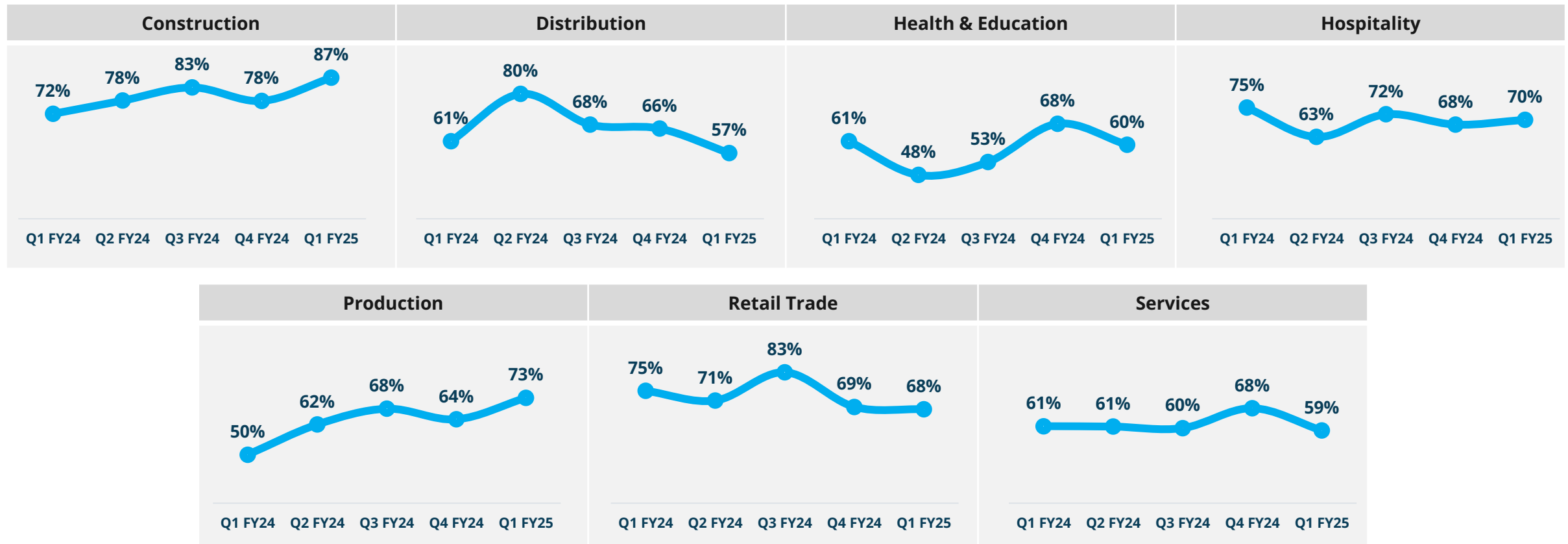
YES



Key Performance Indicators | Cost Recovery

The ability to pass on costs differs significantly across industries, with construction and production being the most likely to recover costs at present.

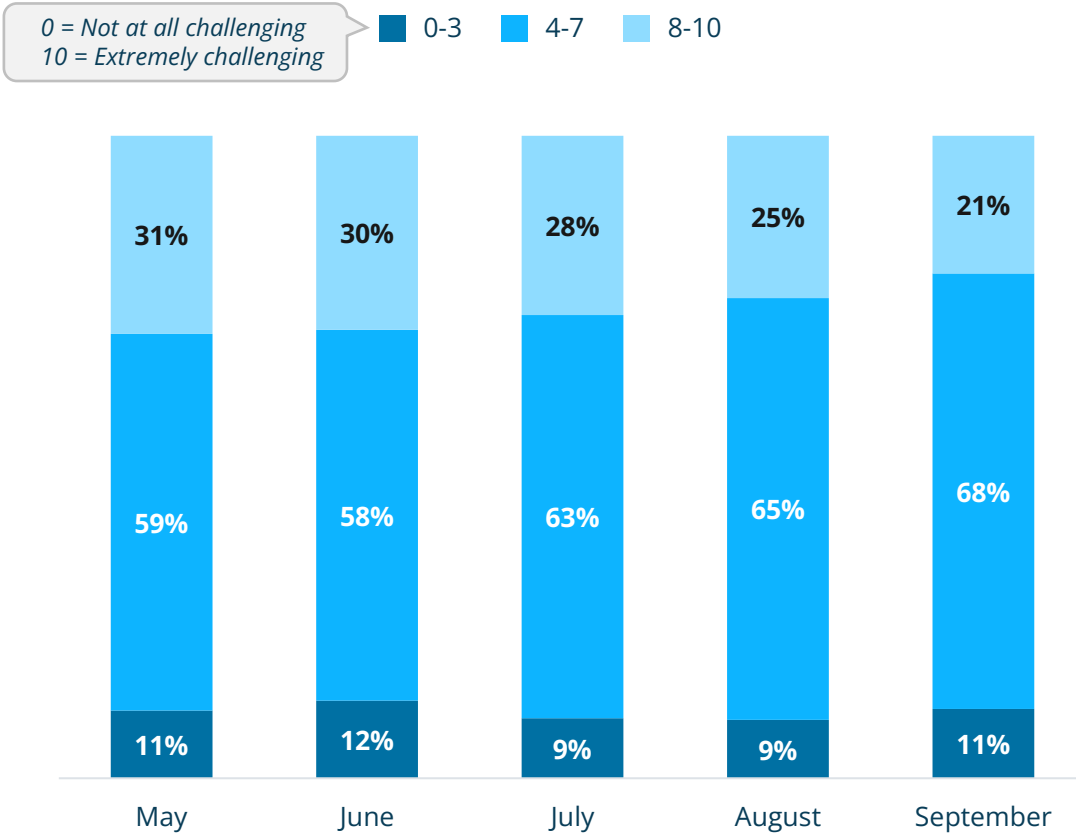
HAVE YOU BEEN ABLE TO PASS ON HIGHER INPUT COSTS TO YOUR CUSTOMERS? (YES)



Key Performance Indicators | Financial Hardship

Aligned with improved financial indicators and greater efficiency, the percentage of SMEs experiencing extreme financial hardship has dropped to 21%, down from 31% in May.

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



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

Medium/High Impact
+5% highlighted from previous month

	July	August	September
Increased operational and supplier costs	65%	64%	68%
Weak economic conditions	65%	68%	64%
Reduced customer demand	59%	54%	58%
Increased competition	50%	50%	54%
Personal issues	46%	45%	51%
High levels of debt leading and/or tax liabilities	40%	40%	44%
Inability to access suitable staff or the loss of key employees	36%	37%	43%
Poor cashflow management	38%	37%	40%
Inability to keep up with technological change digital disruption	34%	34%	38%
Poor strategic decisions, inadequate planning, or ineffective management	29%	30%	32%



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**Methodology &
Sample**

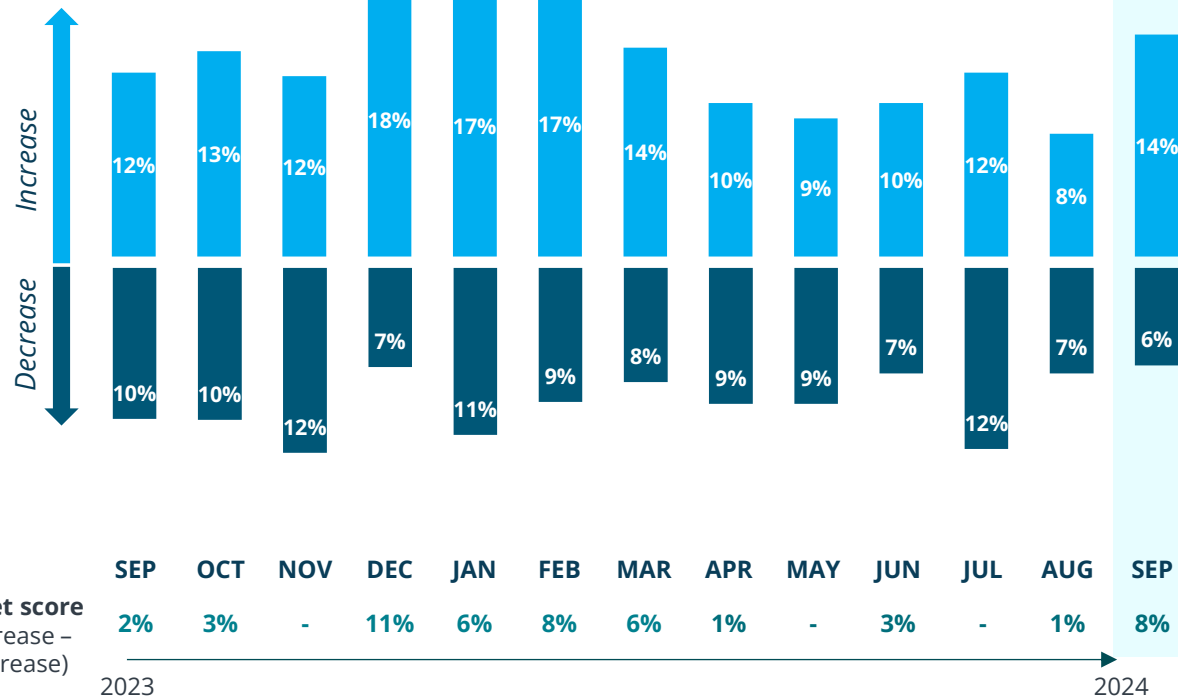


Key Performance Indicators | People

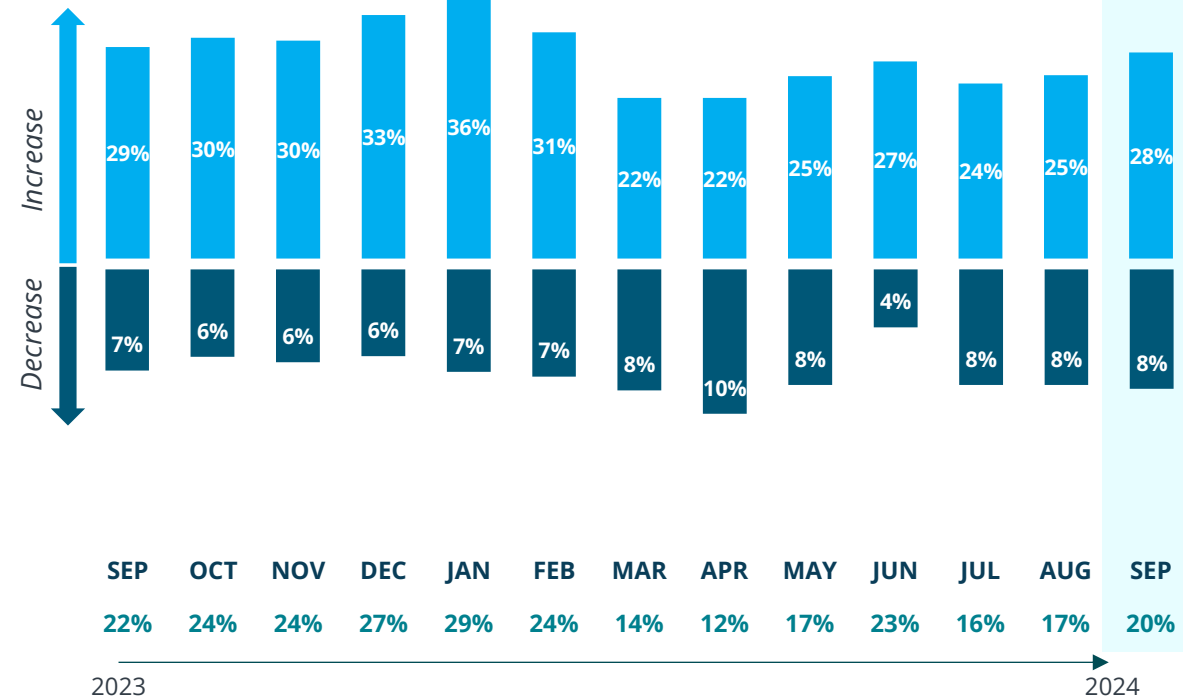
Workforce activity has also rebounded from last month's lows, with 14% of SMEs expecting to increase their staff numbers over the next three months.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING STAFF

THE NUMBER OF STAFF YOU EMPLOY



THE WAGES YOU PAY

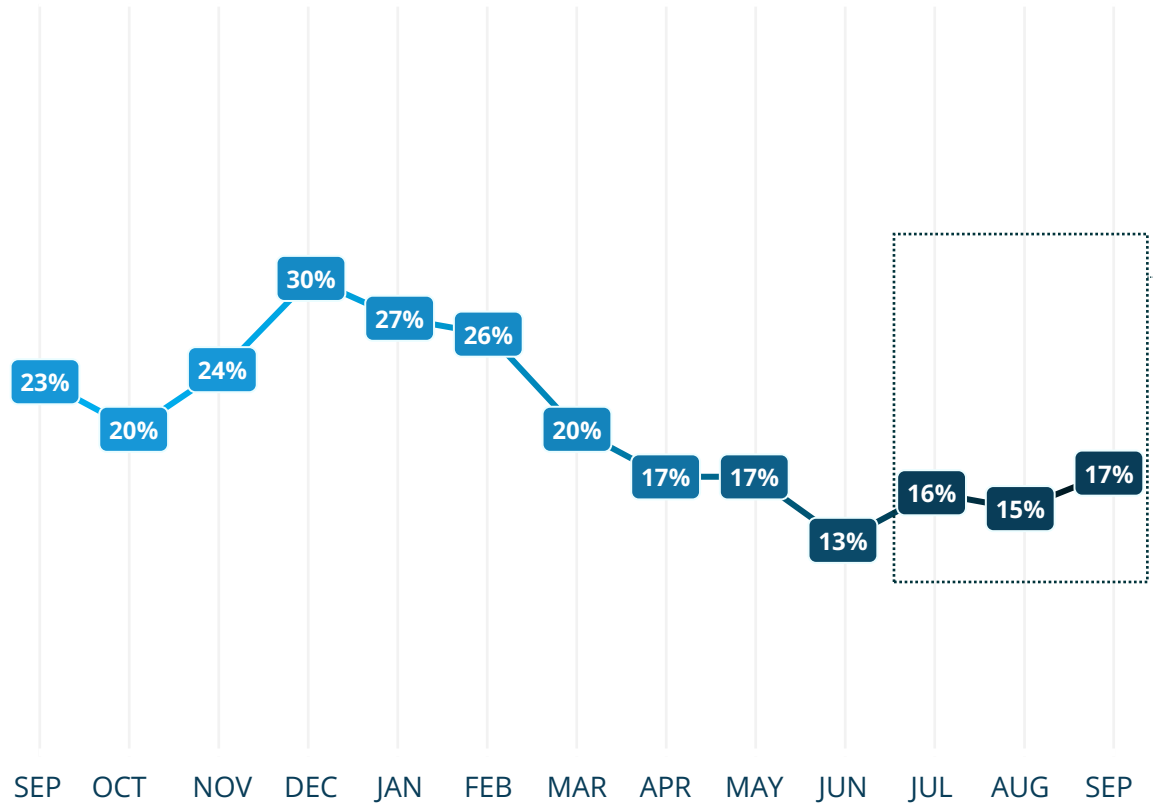


% Net score
(Increase - Decrease)

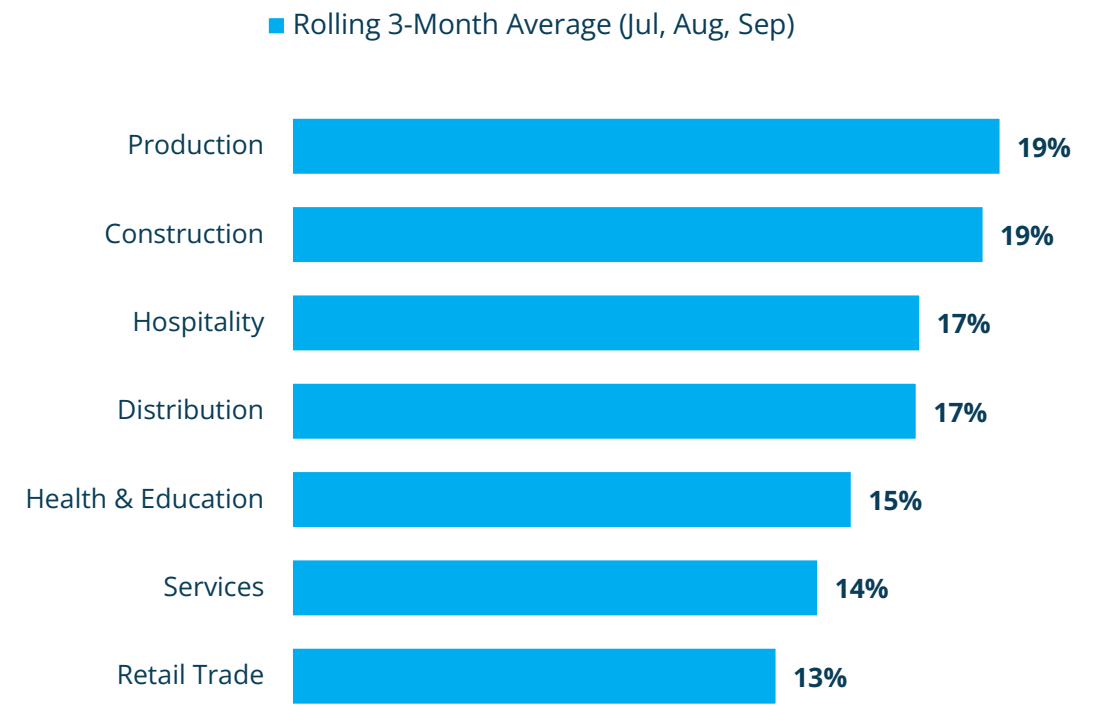
Key Performance Indicators | People

Consequently, recruitment activity has picked up, with 17% of SMEs currently hiring for new or existing positions, up from 13% in June. However, activity in the retail sector remains weak.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL



CURRENT JOB VACANCIES BY INDUSTRY

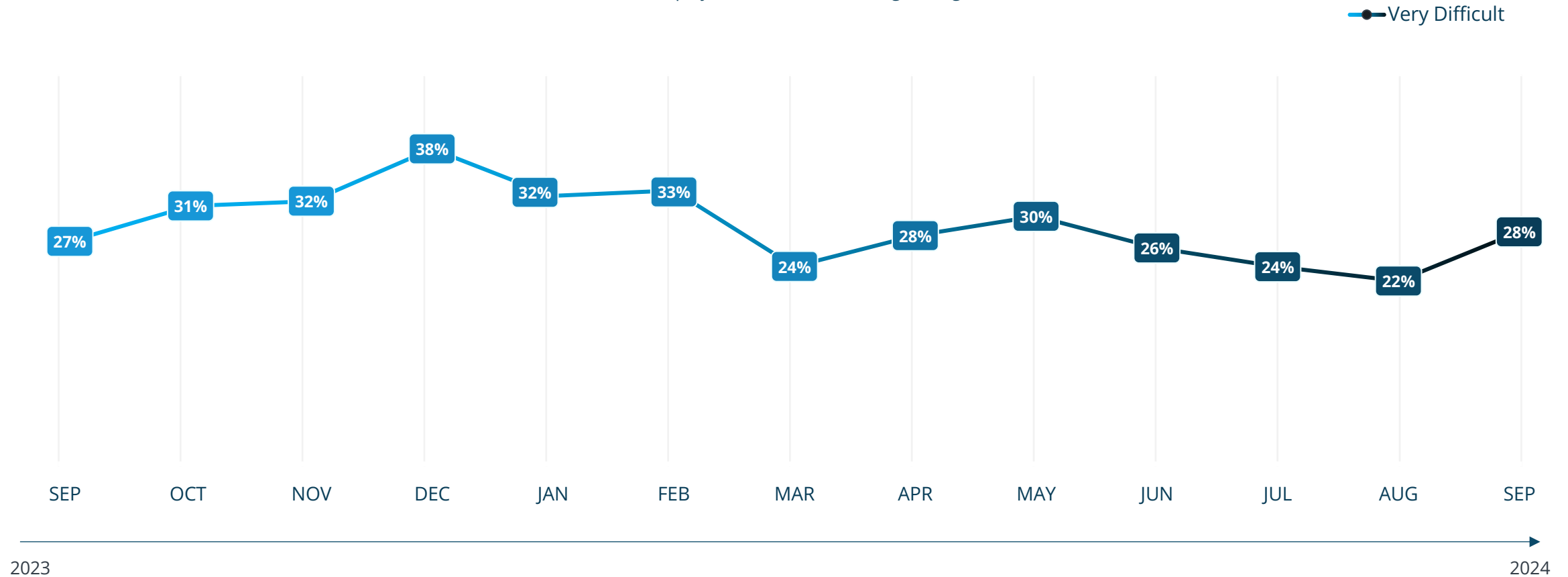


2023 → 2024

The challenge of filling roles has grown as competition for talent picks up.

HOW DIFFICULT IS IT TO FILL THESE ROLES?

Data displayed as a 3-month rolling average



It's noteworthy that the shortage of candidates and rising wage demands are once again increasing as barriers to recruitment.

WHY IS IT DIFFICULT TO FILL THESE ROLES?

3-month rolling average (Jul, Aug, Sep)

		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	42%	44%	38%	37%	35%	42%
Wage demands too high	41%	41%	45%	37%	39%	41%
Too much competition from other businesses	28%	26%	25%	26%	26%	28%
Candidates are not willing to work the hours required	22%	45%	33%	32%	38%	22%
Lack of backpackers/migrant workers	9%	13%	18%	11%	6%	9%



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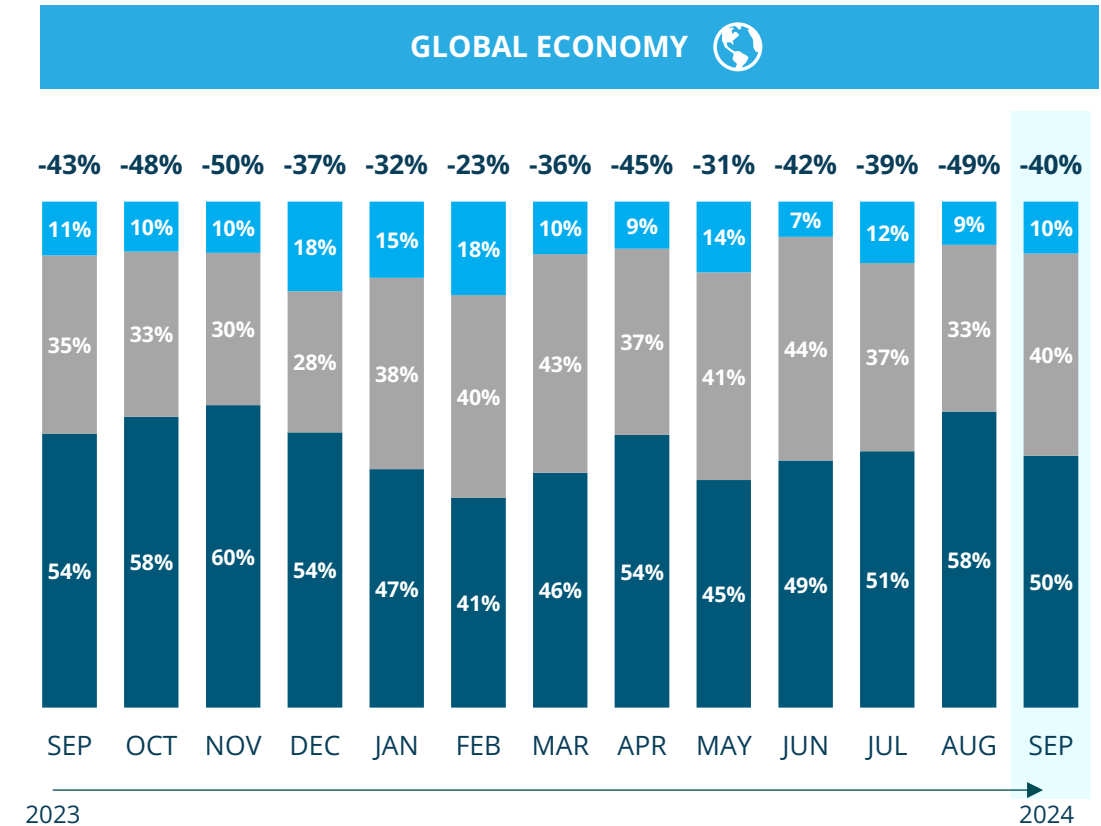
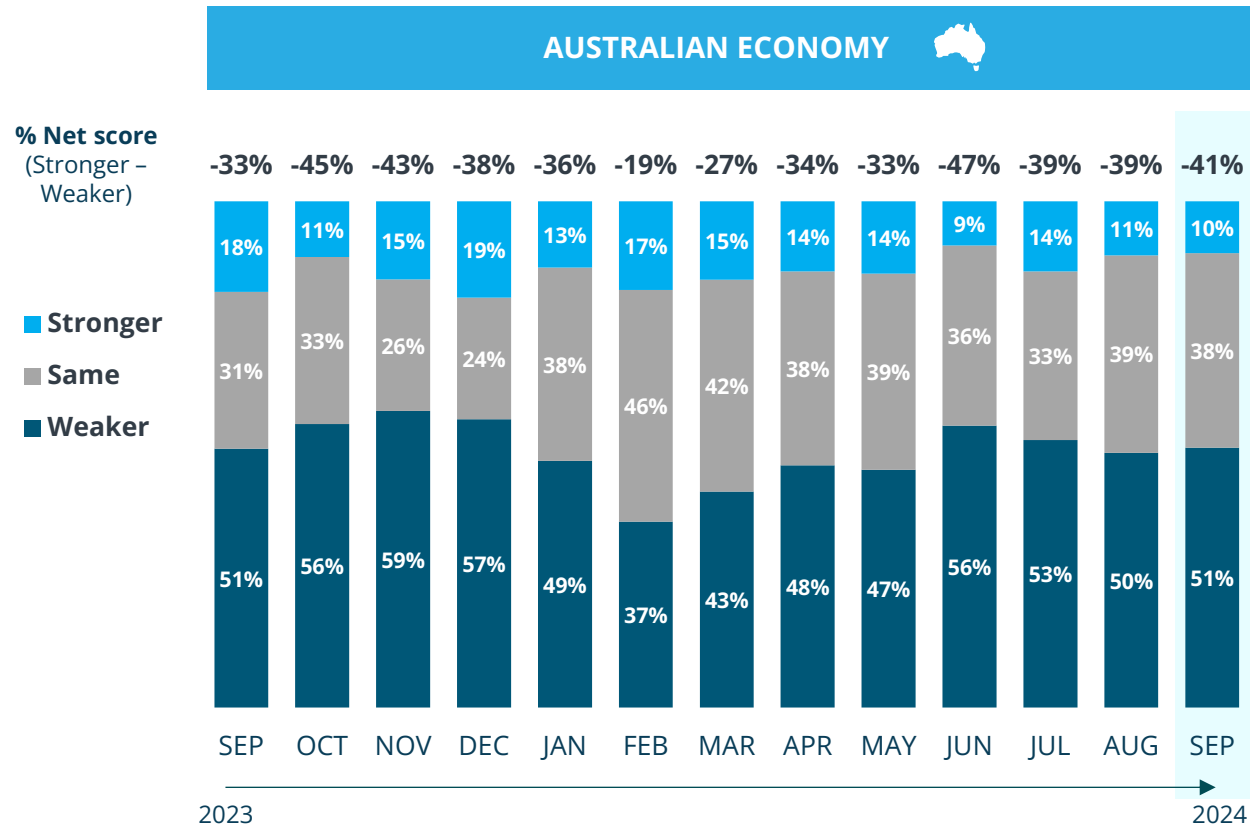
05

Methodology & Sample

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

Global economic confidence has slightly improved as interest rates have fallen in many countries. However, despite falling inflation in Australia, the lack of any rate change has left sentiment largely unchanged.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS



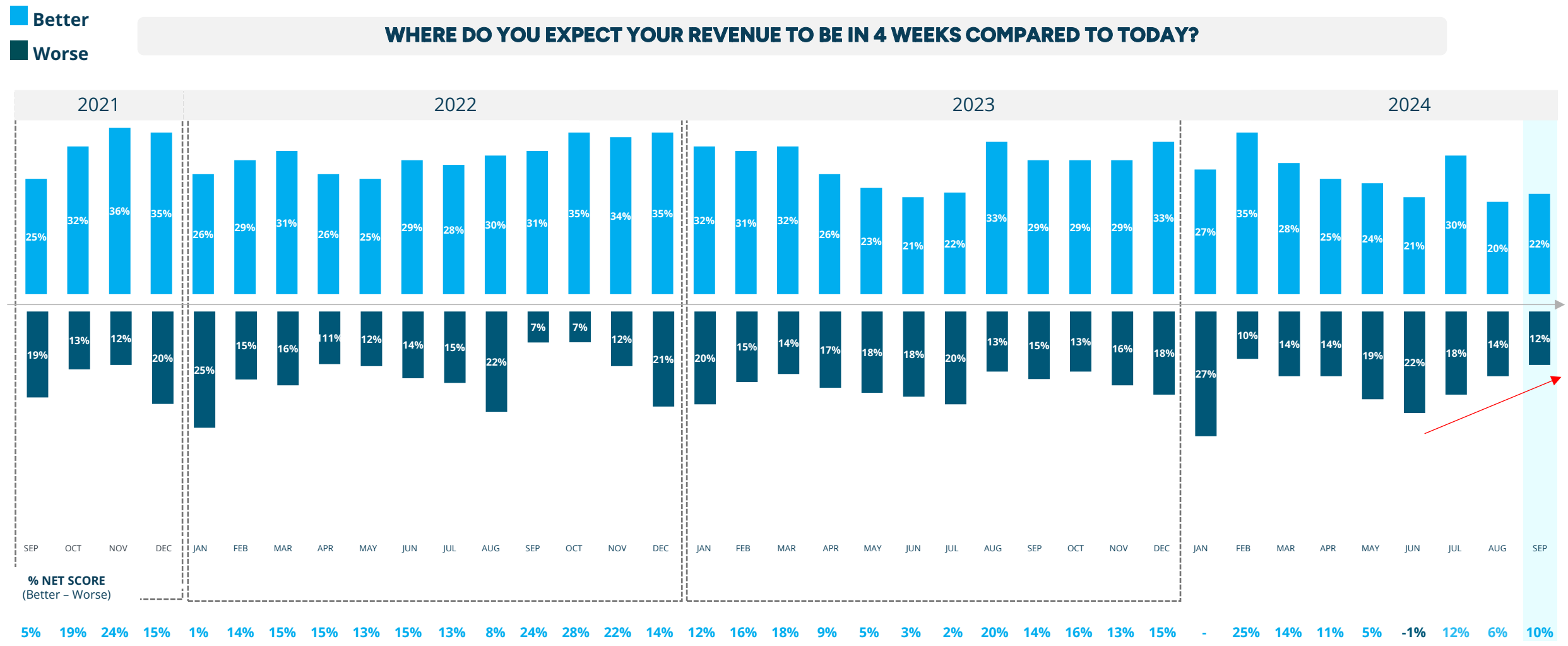
Despite weak sentiment, the proportion of SMEs concerned about the challenging economic outlook has continued to trend downward.

WHICH OF THESE ISSUES DO YOU ANTICIPATE WILL POSE THE MOST SIGNIFICANT CHALLENGES TO YOUR BUSINESS IN 2024?

	September	May	June	July	August	September
Addressing the difficult economic outlook and ongoing cost pressures.	43%	45%	53%	50%	50%	43%
Keeping pace with changing customer behaviours and preferences.	40%	32%	40%	36%	37%	40%
Navigating regulatory, compliance, and governance challenges.	25%	21%	20%	21%	24%	25%
Identifying and implementing measures to boost workforce efficiency and productivity.	24%	20%	16%	16%	22%	24%
Strengthening defences against cyber threats and ensuring data privacy.	22%	19%	23%	19%	24%	22%
Strengthening supply chain operations for improved efficiency and resilience.	19%	15%	15%	15%	15%	19%
Managing the continuous adoption of new technologies and digital transformation processes.	18%	21%	19%	22%	19%	18%
Managing risks and uncertainties in the geopolitical landscape.	15%	19%	14%	15%	20%	15%
Overcoming difficulties in securing necessary financing.	15%	15%	14%	15%	16%	15%
Acquiring, training, and upskilling talent in a competitive market.	14%	20%	18%	15%	19%	14%
Implementing strategies to address sustainability issues and climate change impacts.	8%	12%	11%	9%	11%	8%
Prioritising investment in research and development to drive innovation.	8%	8%	7%	8%	7%	8%

Business Sentiment | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations continue to improve, with only 12% of SMEs anticipating declining revenue over the next four weeks, down from 22% in June.

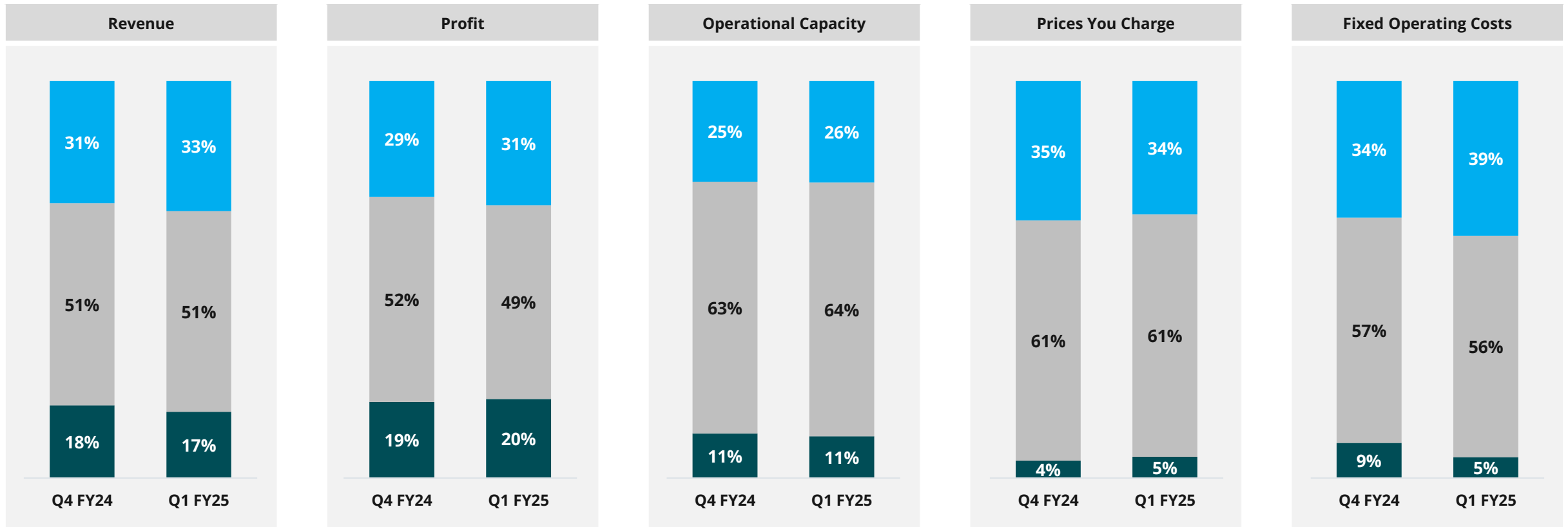


Business Sentiment | Expectations (Next 3 Months)

Looking ahead to the end of 2024, sentiment around most key performance indicators is improving, despite ongoing concerns about rising operating costs.

WHAT ARE YOUR EXPECTATIONS FOR THE NEXT 3 MONTHS ON THESE KEY INDICATORS?

Increase ■ Stay the same ■ Decrease ■

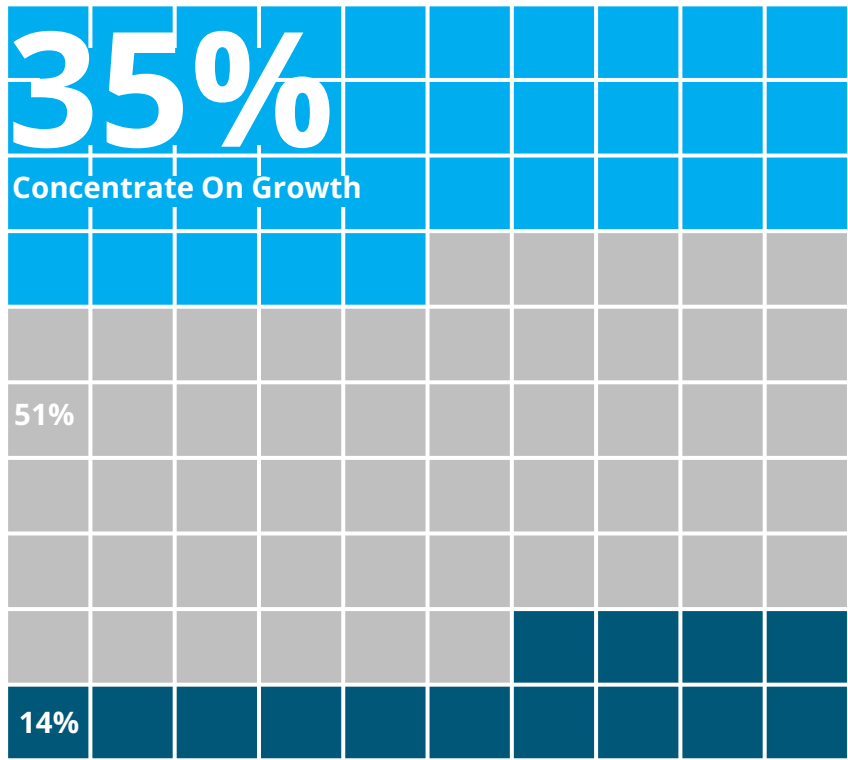


Business Sentiment | Growth Expectations (Next 12 months)

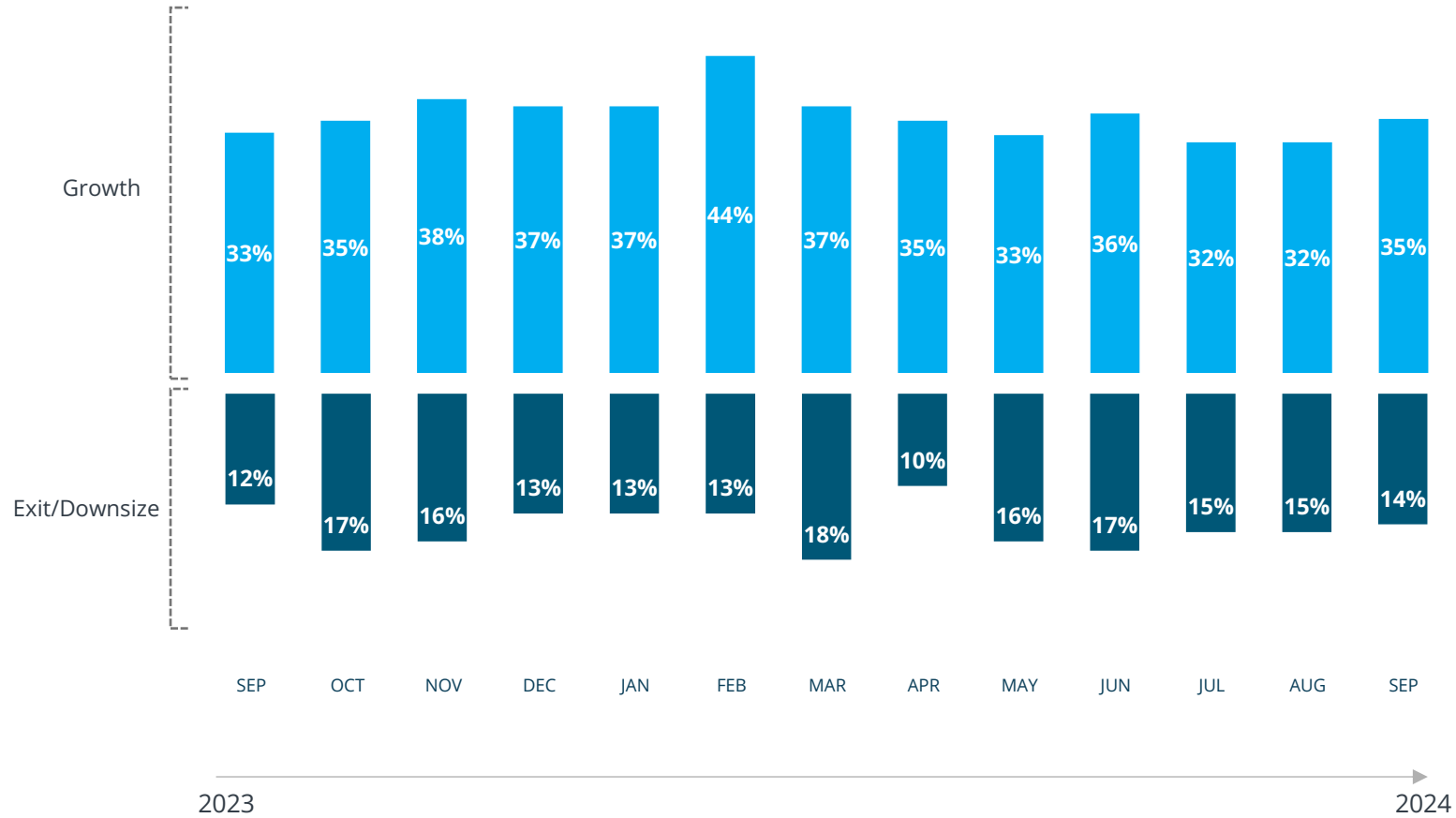
Growth expectations for the next 12 months have also rebounded, with 35% of SMEs focusing on growth, up from 32% over the past two months.

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

September



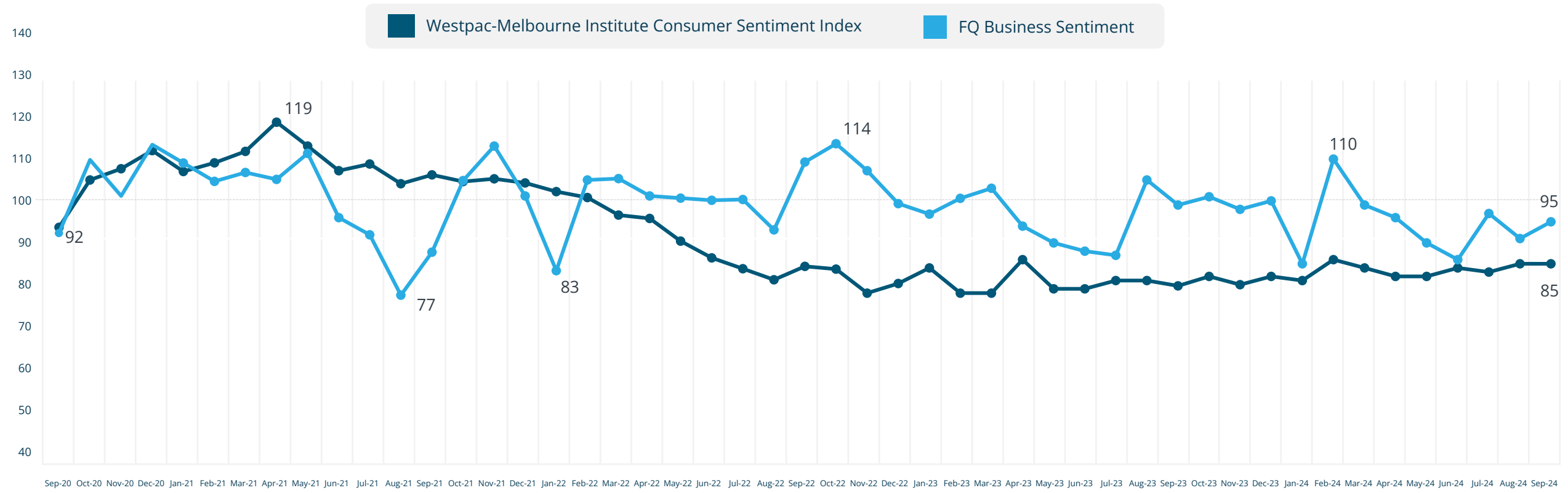
■ Exit/Downsize
 ■ Maintain current revenue
 ■ Concentrate on growth



Business Sentiment | Sentiment 2020-2023

The Fifth Quadrant Business Sentiment Index has rebounded slightly to 95.

BUSINESS AND CONSUMER SENTIMENT





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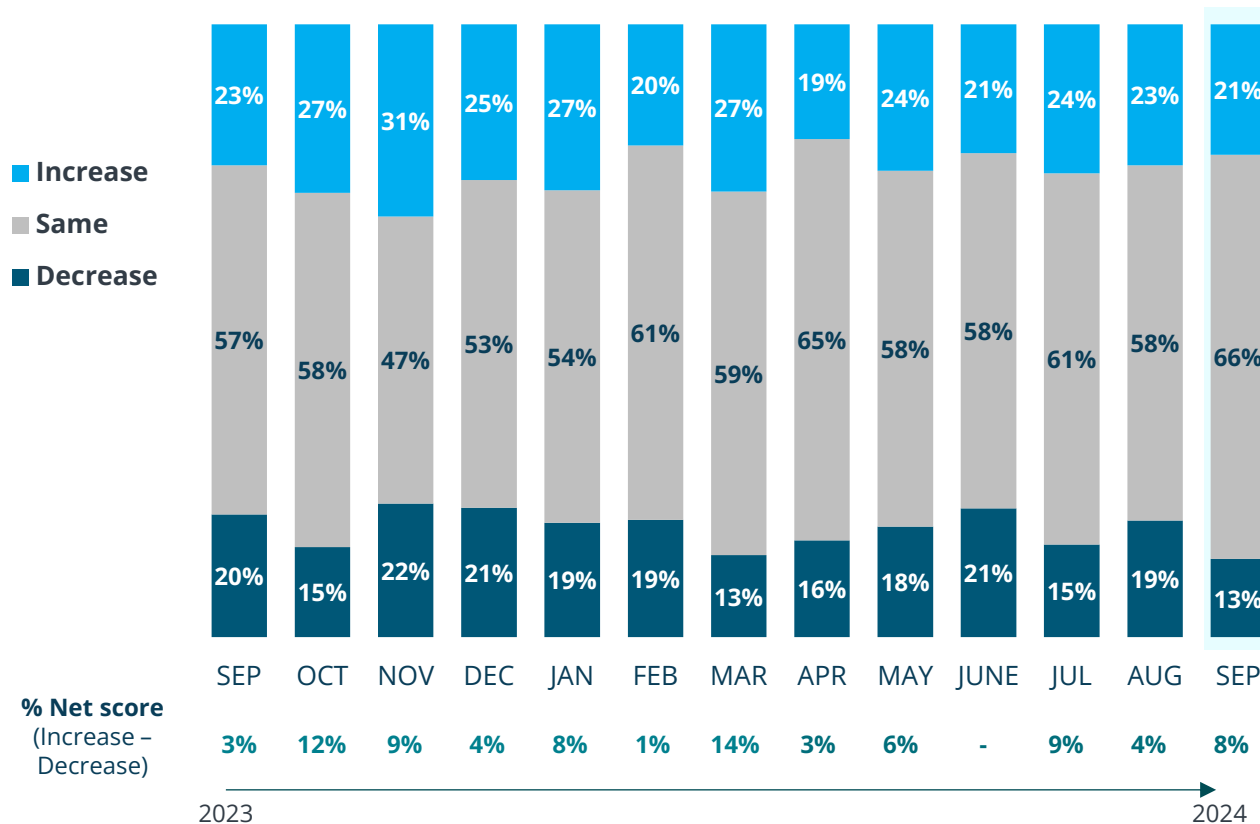
**Methodology &
Sample**

Business Investment | Next Three Months

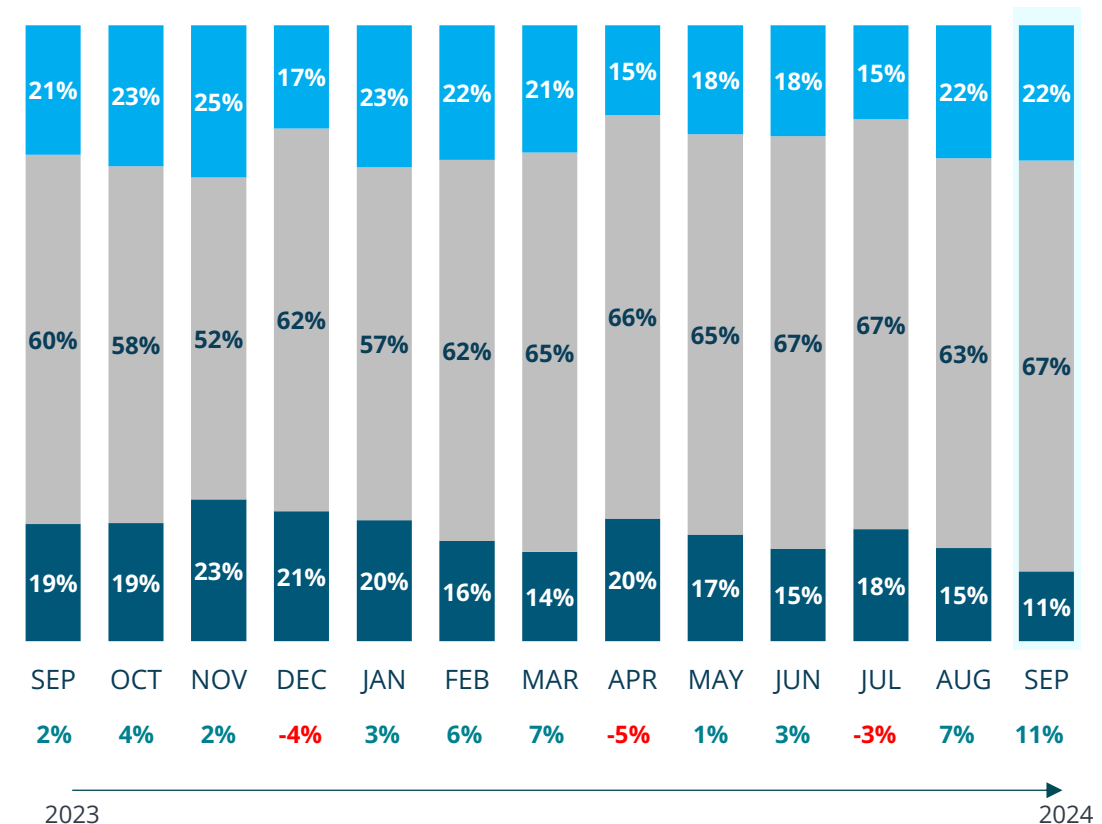
As expected, intentions to increase marketing spend over the next three months continue to rise, while capital investment remains flat, highlighting the focus on keeping costs under control.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

BUSINESS SPENDING/ CAPITAL INVESTMENT



MARKETING SPEND



As a result, business investment in most equipment categories remains relatively weak, although there is an uplift in spending on technology and plant and machinery.

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

September

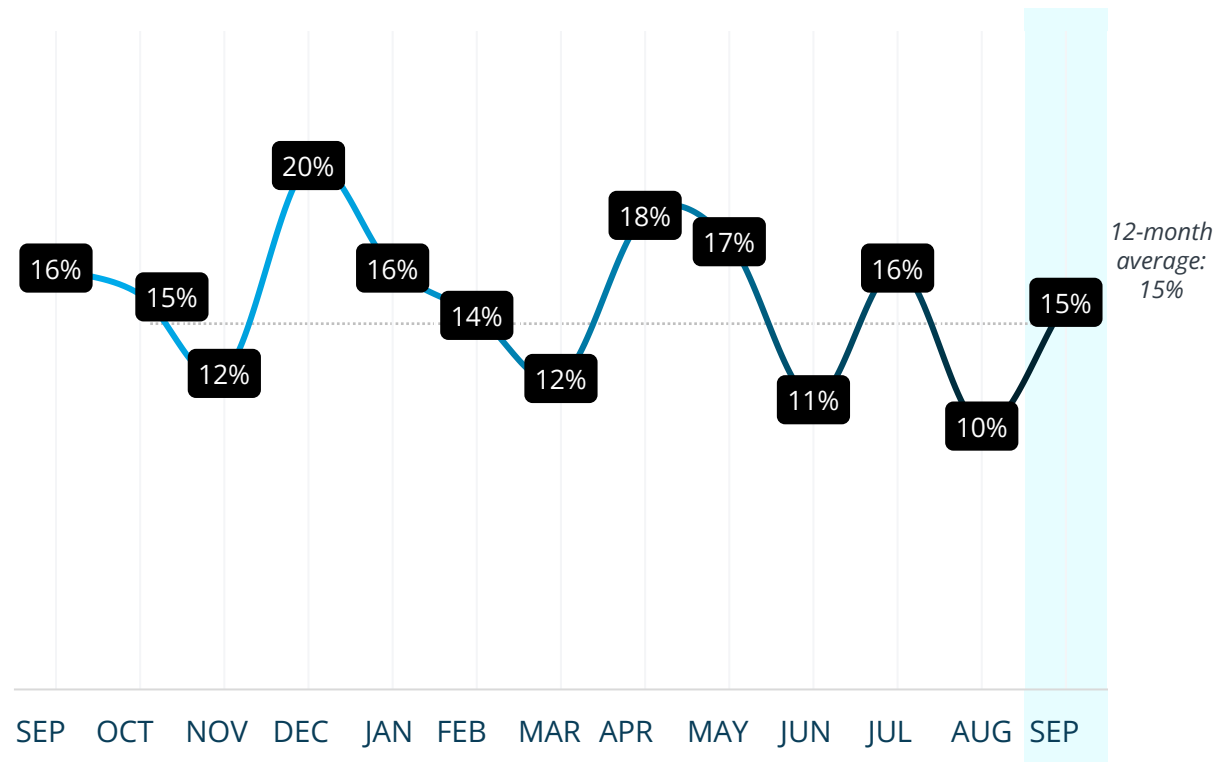
■ Probably will ■ Definitely will

	September		Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
IT / Office equipment, including hardware & software	31%	13%	44%	44%	46%	43%	45%
Equipment, machinery or plant	21%	3%	18%	23%	26%	20%	24%
Passenger vehicle(s) including SUVs	14%	3%	13%	17%	16%	15%	15%
Light commercial vehicle(s) including utes, vans, and minibuses	12%	2%	13%	16%	15%	15%	14%
Commercial real estate including buildings or land	13%	1%	7%	11%	12%	10%	12%
Electric vehicle(s), including Hybrid	11%	1%	12%	14%	14%	12%	11%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	2%	8%	11%	10%	10%	10%
Truck(s) less than 4.5 tonnes that can be operated with a car licence	8%	2%	8%	11%	10%	10%	9%
Medium and large bus(es) with more than 12 seats that require a bus driver licence	4%	1%	5%	8%	9%	8%	6%
Truck(s) more than 4.5 tonnes that require a heavy vehicle licence	4%	1%	7%	11%	10%	8%	6%

Business Investment | Finance Needs (Next 3 months)

Although the demand for additional finance fluctuates, the need for working capital continues to drive this demand.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



AND WHAT IS THE PURPOSE OF THIS FINANCE?

	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Cashflow/ working capital	53%	57%	50%	62%	61%
Purchase plant, machinery or equipment	27%	31%	25%	26%	23%
Fund growth into new markets	26%	25%	24%	25%	22%
Fund growth in Australia	23%	23%	29%	20%	16%
Fund merger/acquisition	18%	13%	10%	10%	14%
Trade Finance to fund import/export activity	22%	19%	17%	12%	13%

Business Investment | Finance Needs (Next 3 months)

In the past 12 months, the hospitality sector has seen the largest drop in demand for additional finance.

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

Highest in row highlighted

	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
0-4	11%	12%	11%	11%	11%
5-19	18%	22%	19%	20%	17%
20-99	27%	26%	27%	32%	28%
100-500	25%	32%	31%	46%	21%
Construction	15%	18%	13%	17%	14%
Distribution	12%	16%	19%	13%	19%
Health & Education	14%	21%	13%	17%	8%
Hospitality	31%	28%	27%	29%	14%
Production	14%	23%	17%	22%	16%
Retail Trade	11%	16%	8%	11%	9%
Services	13%	12%	12%	13%	13%

Cashflow/
working capital

Q4 FY24: 55%
Q1 FY25: 41%↓

Fund growth in
Australia

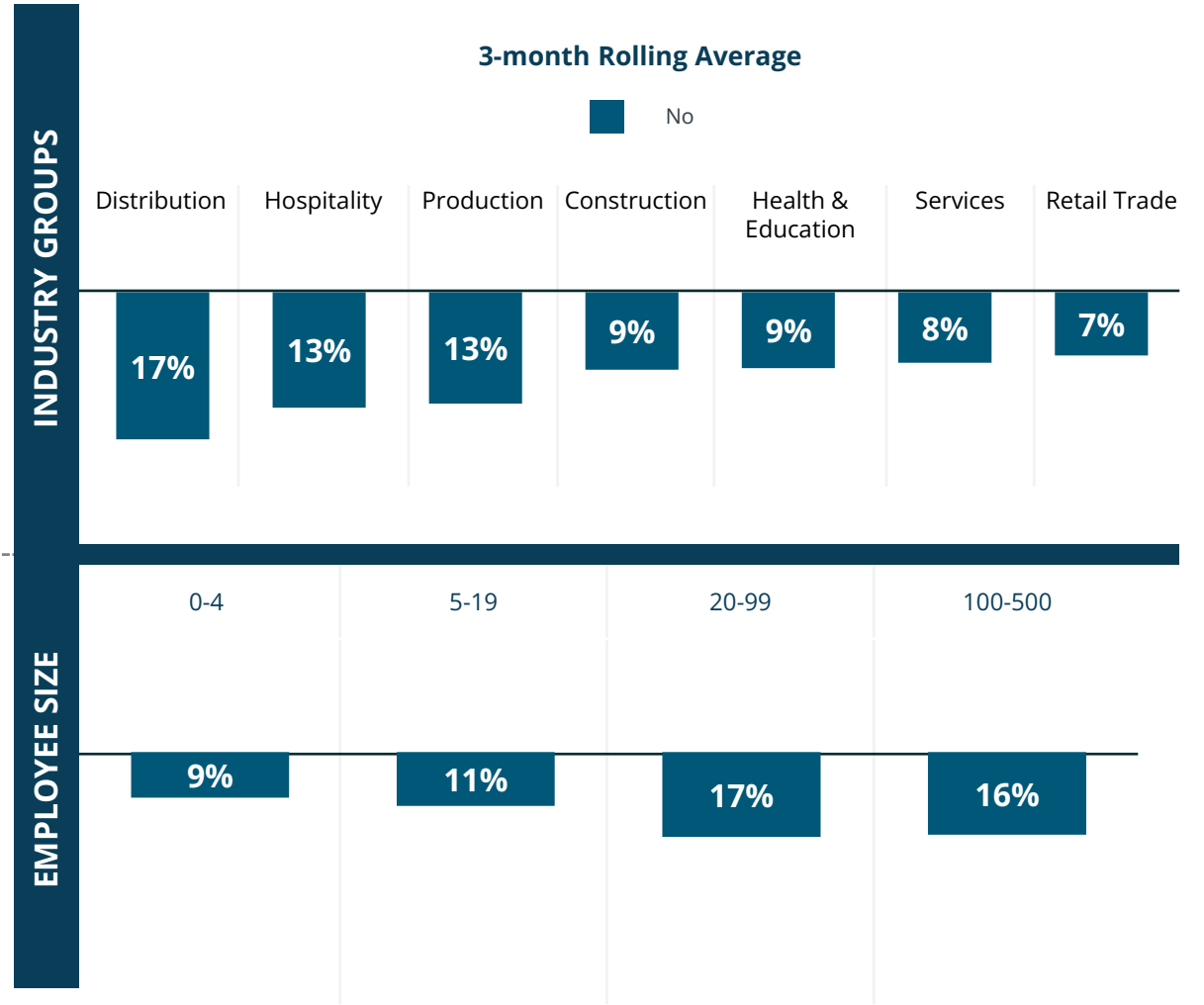
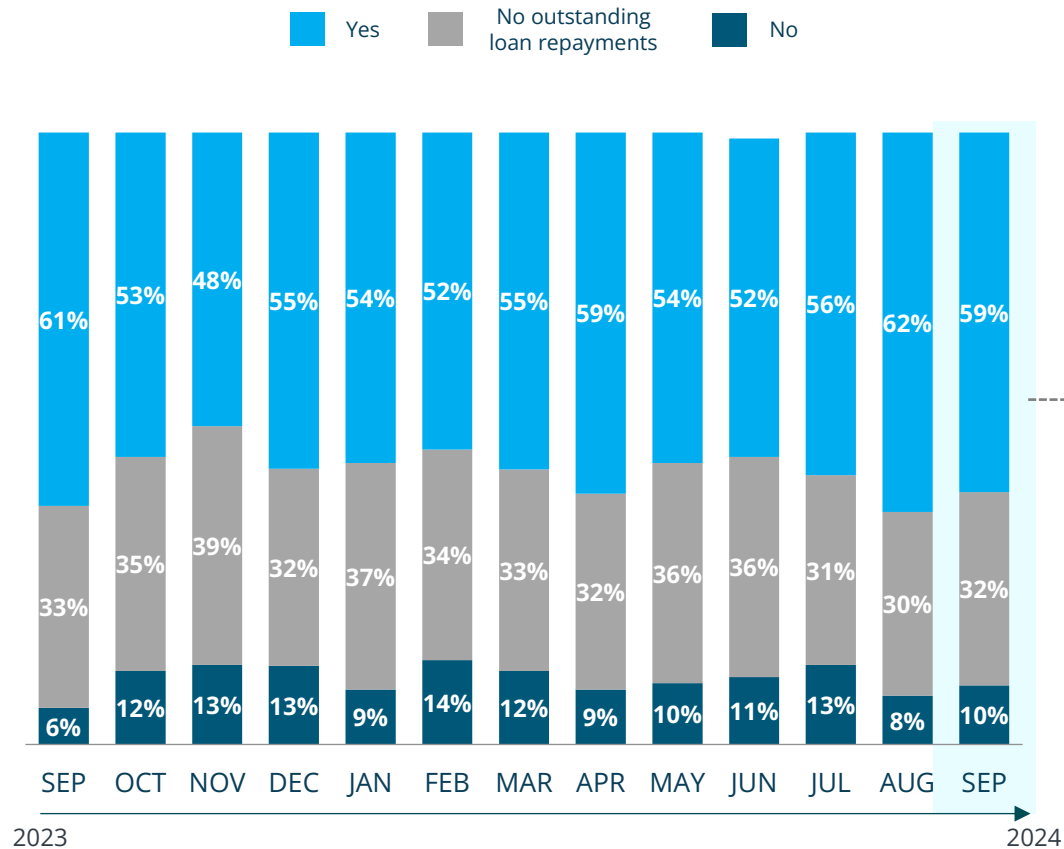
Q4 FY24: 46%
Q1 FY25: 29%↓

Purchase plant,
machinery or
equipment

Q1 FY24: 29%
Q1 FY25: 22%↓

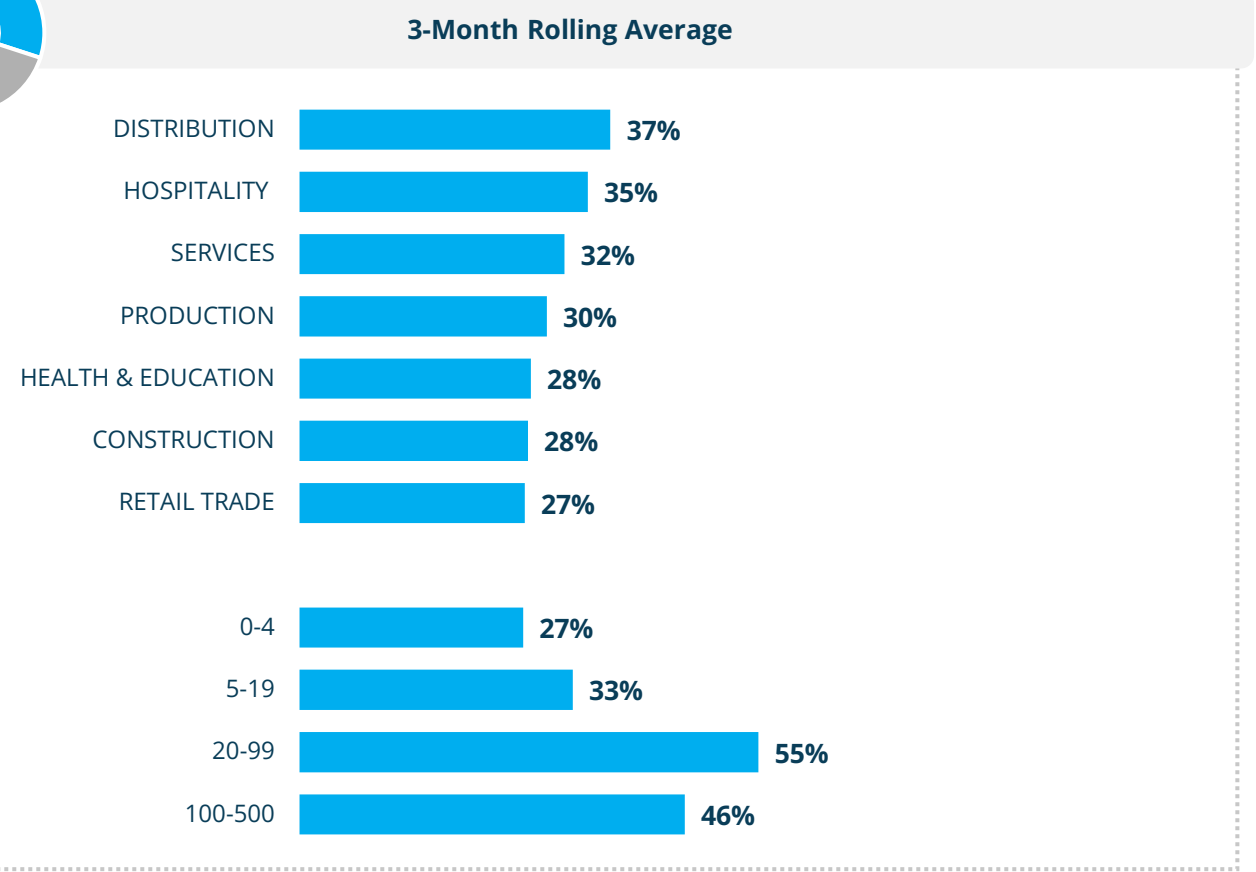
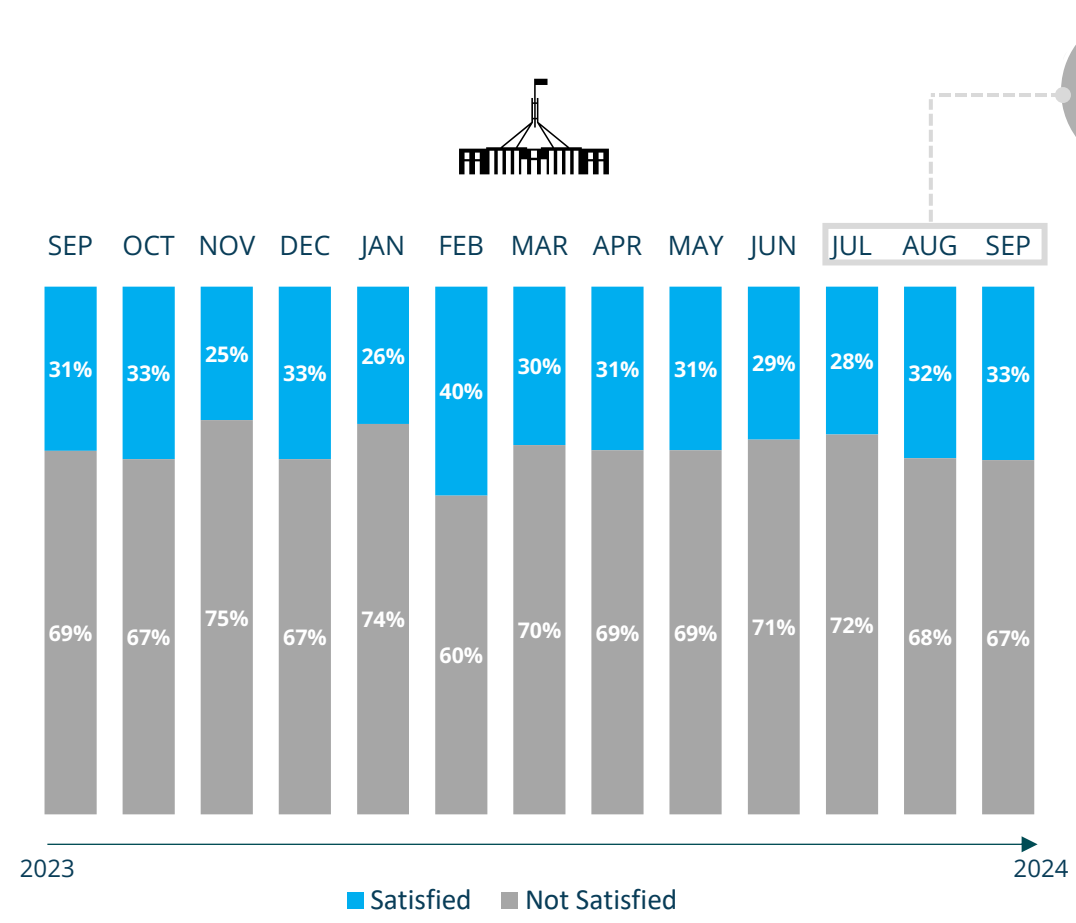
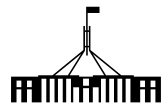
The distribution sector continues to face the highest level of loan stress, with 17% expecting challenges in making repayments over the next six months.

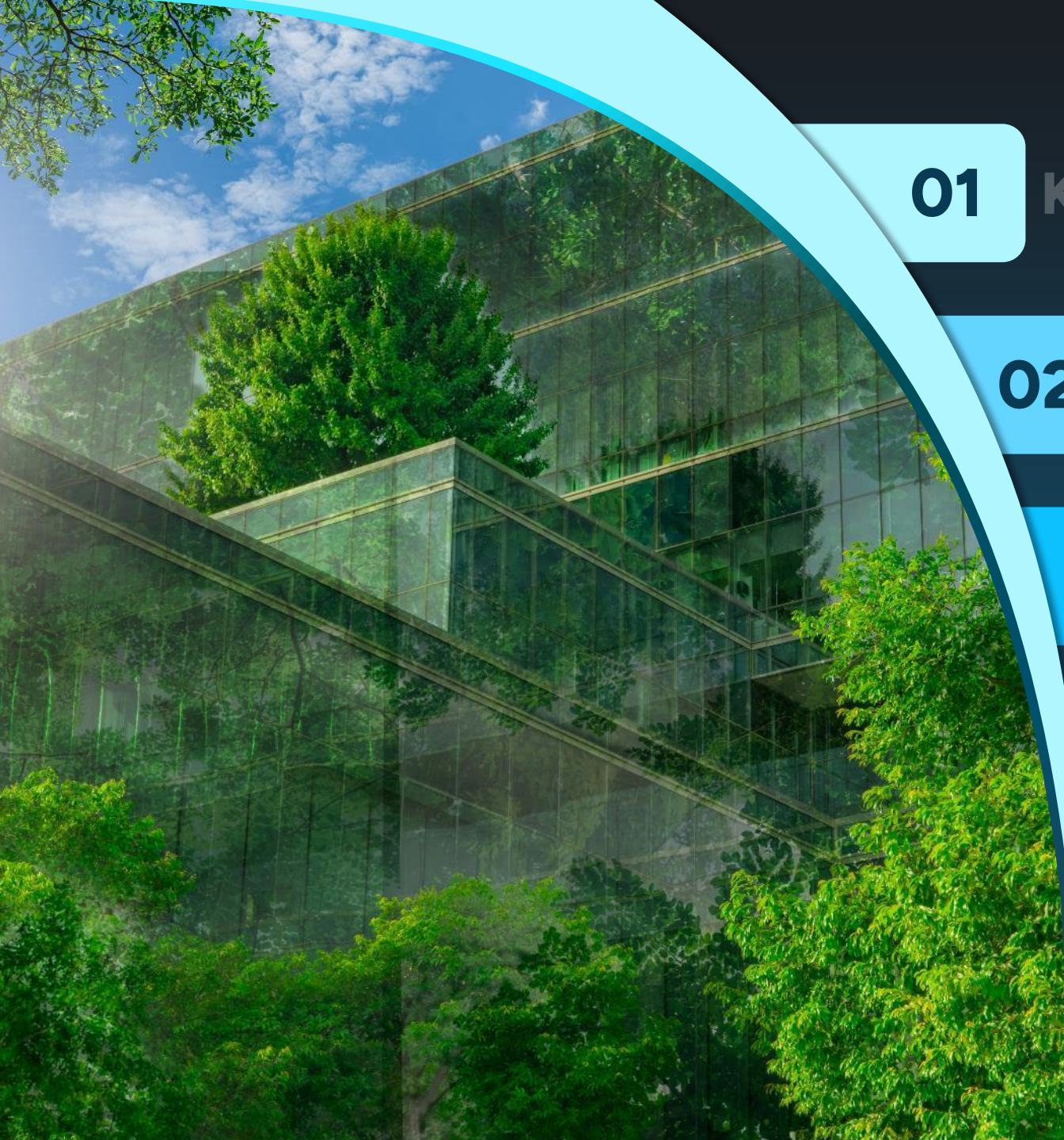
DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?



Satisfaction with the Federal Government has held steady over the past month, despite various challenges such as geopolitical tensions, rising business costs, and the lack of an interest rate reduction.

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

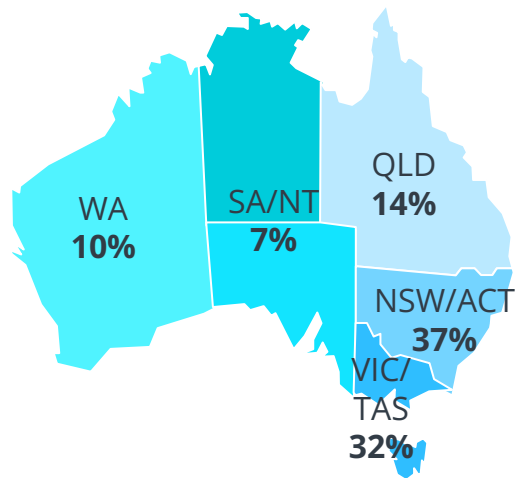


Data is **weighted** by industry, state and
number of employees to reflect the
national distribution of businesses across
the country

Our Sample

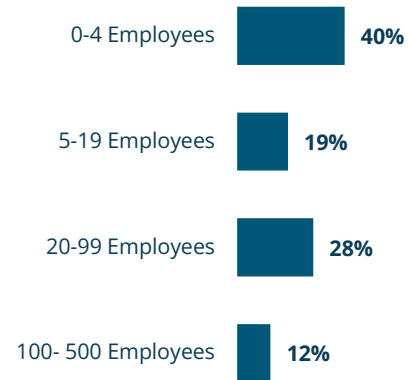
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

HEAD OFFICE LOCATION

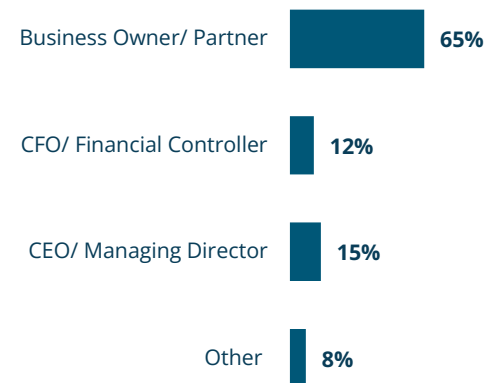


NOTE: CHARTS SHOW UNWEIGHTED DATA

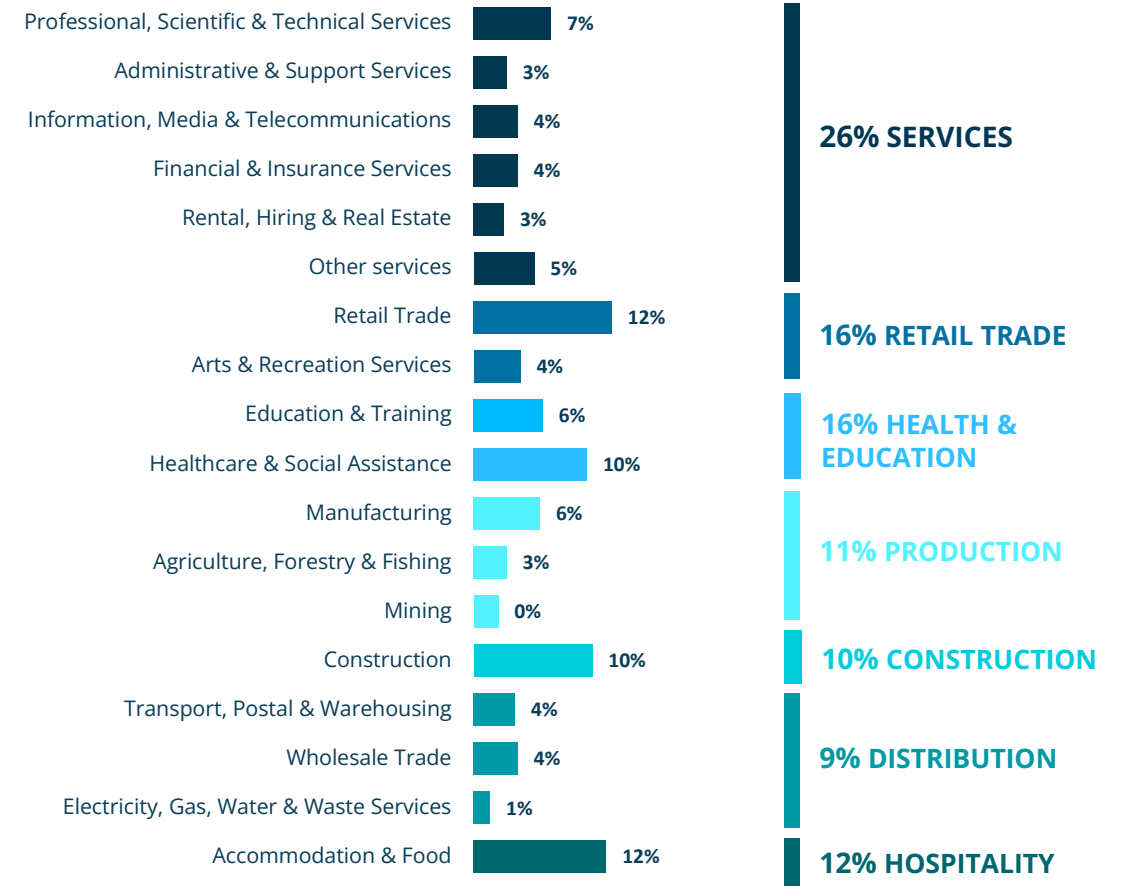
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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