



NAB Quarterly SME Survey Q3 2025

SME business conditions & confidence rise in Q3

NAB Economics

Summary

SME business conditions rose 7pts in Q3, more than retracing the fall in Q2. The result was driven by strong gains in trading conditions and profitability along with a more moderate improvement in employment. Conditions now sit in positive territory for the first time in more than a year. Business confidence rose for a fourth consecutive quarter to be its highest since 2022. Despite the improvement, both confidence and conditions remain below their long run averages. The survey shows that larger SMEs are better placed than smaller firms across most key indicators. Larger SMEs leading in confidence, conditions (employment, trading conditions and profitability), cashflow and forward orders. While confidence improved across all firm sizes, the smallest SMEs saw a weakening in conditions, weighed down by trading conditions and employment. Both conditions and confidence remain lower than in our broader Quarterly Business Survey (QBS) however the gap narrowed in Q3. Similarly to the QBS, the share of firms reporting labour as a significant constraint on output rose in Q3 and remains elevated. Capacity utilisation edged up but remains lower than reported in the QBS.

Survey Details

- **SME business conditions** rose 7pts to +2 index points. The strongest gain was experienced by the largest SMEs (up 8pts to +3 index points) while the smallest SMEs fell (down 2pts unrounded to -7 index points).
- **By industry**, SME conditions improved in all industries except health. The largest gains were in property (up 18pts to +26 index points, its highest level since June 2022), finance (up 15pts) and manufacturing (up 11pts). Conditions are now strongest in property, business services and finance and weakest in wholesale and retail.
- **SME business confidence** rose 6pts to -2 index points, the highest it has been since September 2022. SME confidence improved across all industries except health. In Q3 half of all industries are now in positive territory, up from two industries in Q2. Confidence was highest in property and accommodation industries and weakest in health and wholesale.
- **Across the states**, SME conditions rose in every state except SA. In level terms, SA fell from the second strongest state in Q2 to the weakest in Q3. Both WA and Qld had the strongest conditions and sit at their highest levels since 2023. After lagging other states, NSW and Vic have improved, and conditions are at their highest levels since 2023.
- **Conditions also improved in Q3 in larger firms** (as measured in the NAB QBS). In level terms, conditions and confidence remain relatively weaker in SME firms compared to the QBS, but a larger gain for SMEs did narrow the gap by 1pt in Q3.

Table 1: Key SME Business Survey Statistics

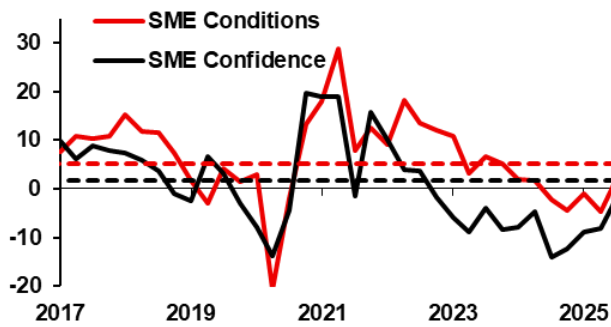
	2025 q1	2025 q2	2025 q3
	Net balance		
SME Business Confidence	-9	-8	-2
Low-tier firms	-10	-12	-5
Mid-tier firms	-10	-12	-6
High-tier firms	-10	-5	-1
QBS Conf. (Non-SMEs)	-3	0	2
SME Business Conditions	-1	-5	2
Low-tier firms	0	-4	-7
Mid-tier firms	-3	-5	-1
High-tier firms	-2	-5	3
QBS Cond. (Non-SMEs)	2	1	6
SME Trading Conditions	5	0	7
Low-tier firms	10	2	-2
Mid-tier firms	0	-2	4
High-tier firms	3	-1	12
SME Profitability	-6	-9	-1
Low-tier firms	-6	-8	-5
Mid-tier firms	-6	-10	-3
High-tier firms	-7	-10	-1
SME Employment	-3	-4	-3
Low-tier firms	-4	-8	-10
Mid-tier firms	-3	-3	-5
High-tier firms	-5	-4	0

- **Leading indicators** were broadly positive. Forward orders, capex intentions and cash flows improved, however capacity utilisation rose to 80.9% (back above the historical average).
- **Cost pressures** were flat in purchase and overhead cost growth while labour cost growth edged up slightly suggesting the easing in costs may be slowing.
- **Final prices** moved down slightly to 0.6% (back to around Q1 2021 levels). The sales margin index improved in the quarter but remains low.

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 25 August to 11 September 2025, covering around 550 firms across the non-farm business sector. **Next release date: 29 January 2026.**

SME Conditions, Confidence & Prices

Chart 1: SME Conditions & Confidence (Net Balance, SA)



Note: Dotted lines denote long-run averages.

Chart 2: SME Conditions Components (Net Balance, SA)

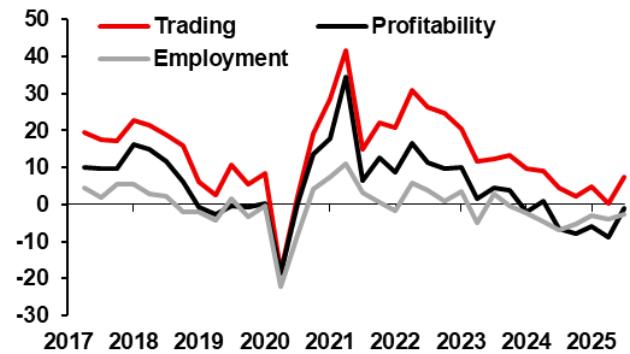


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

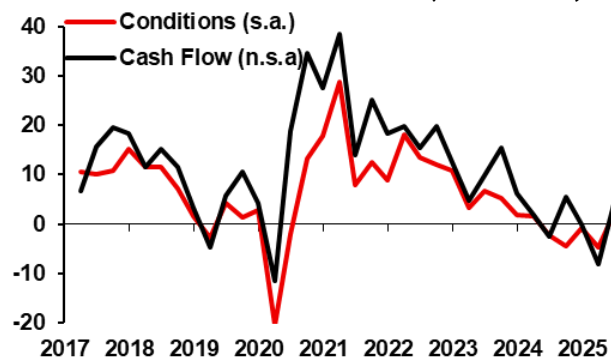
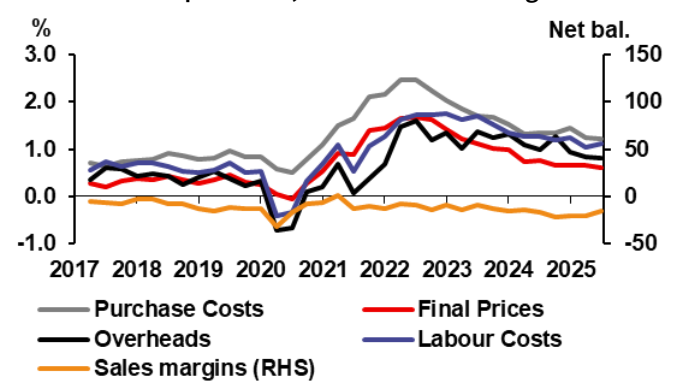


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

Chart 5: Factors Constraining SME Output (% of Firms)

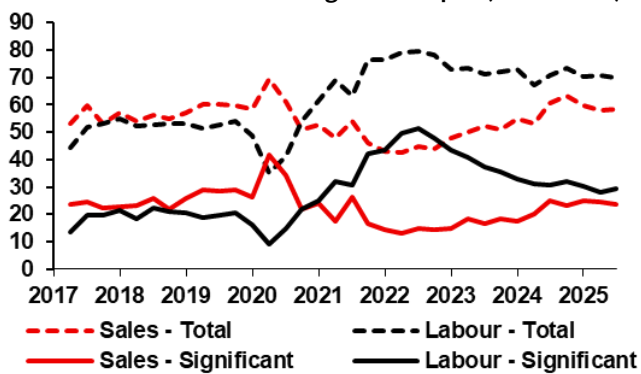
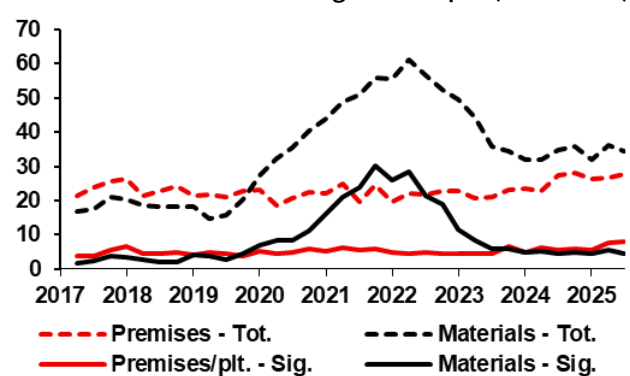


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

Chart 7: SME Conditions by Firm Size (Net Balance, SA)

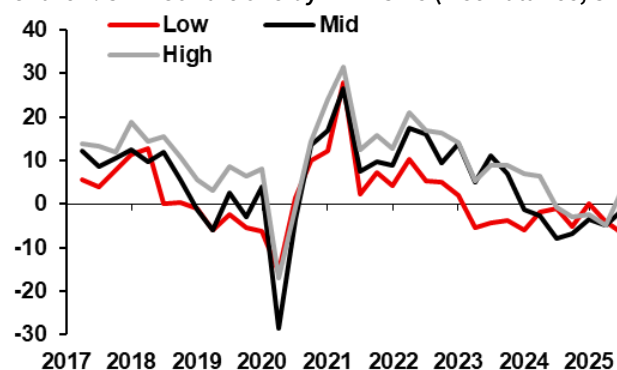


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

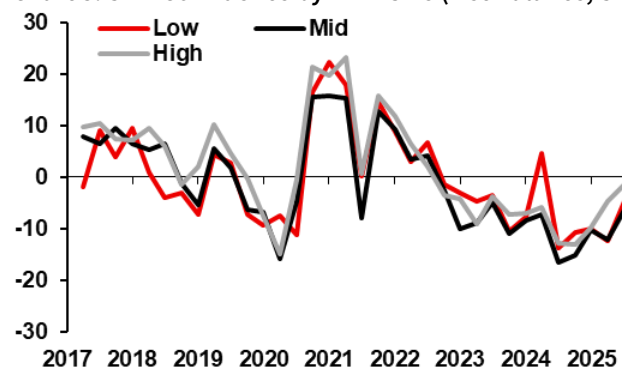


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

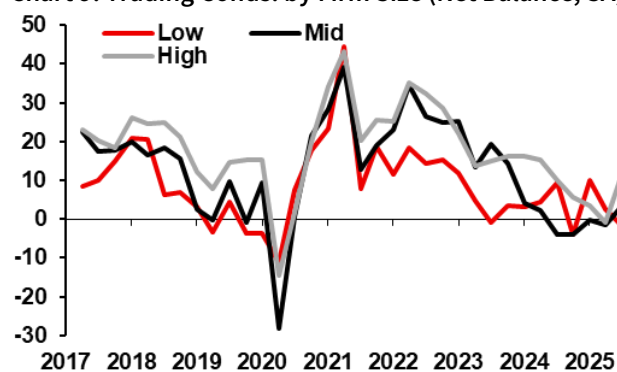


Chart 10: Profitability by Firm Size (Net Balance, SA)

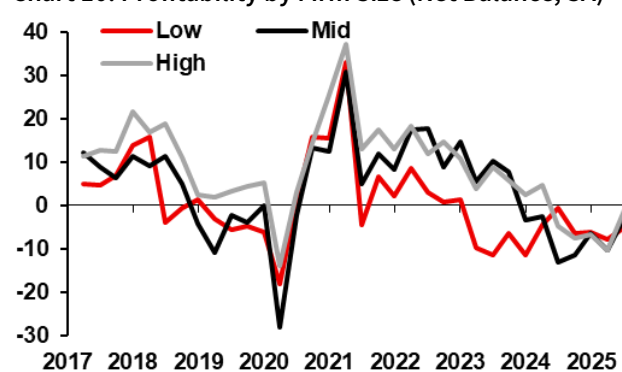


Chart 11: Employment by Firm Size (Net Balance, SA)

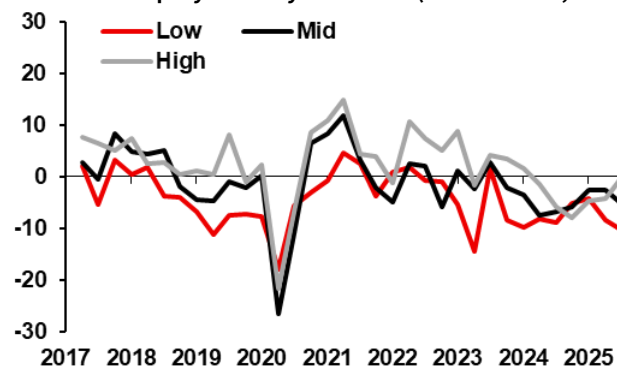


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

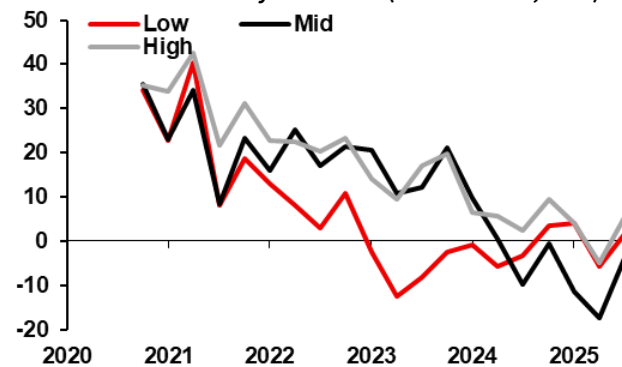


Chart 13: Capacity Utilisation by Firm Size (% , SA)

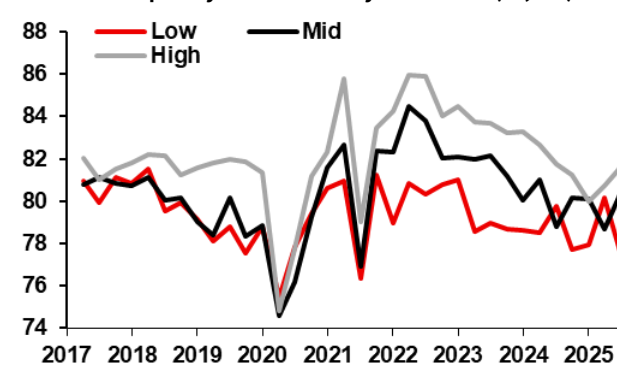
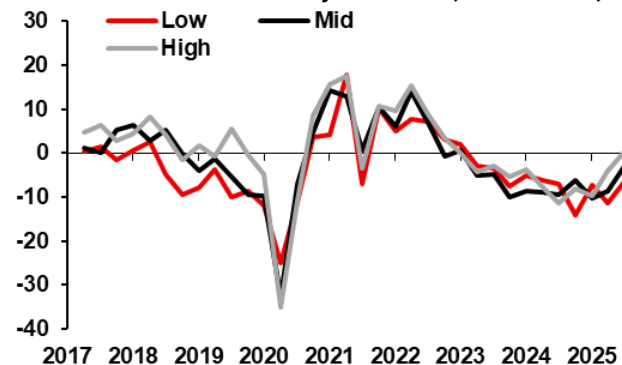


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

Chart 15: SME Conds. & Conf. by State (Net Balance, SA)

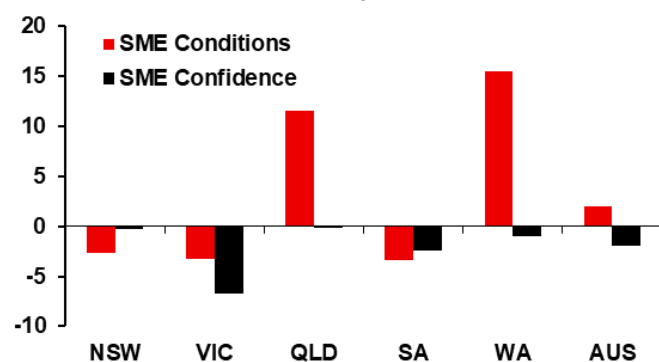


Chart 16: SME Conditions by State (Net Balance, SA)

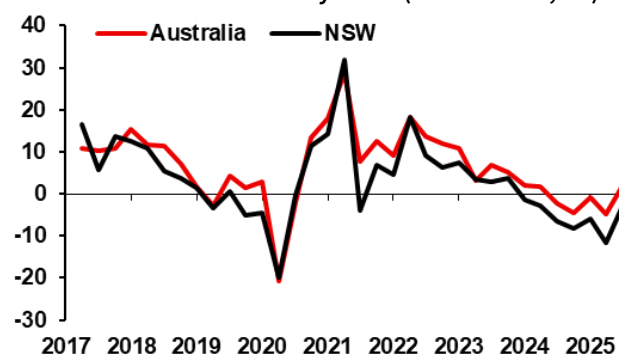


Chart 17: SME Confidence by State (Net Balance, SA)

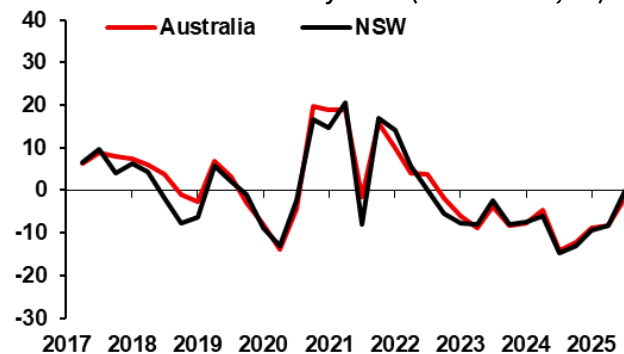


Chart 18: SME Conditions by State (Net Balance, SA)

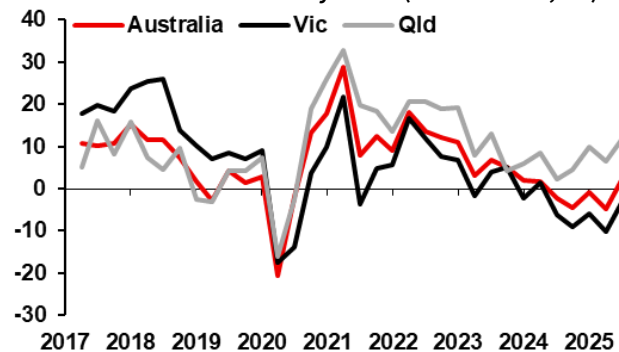


Chart 19: SME Confidence by State (Net Balance, SA)

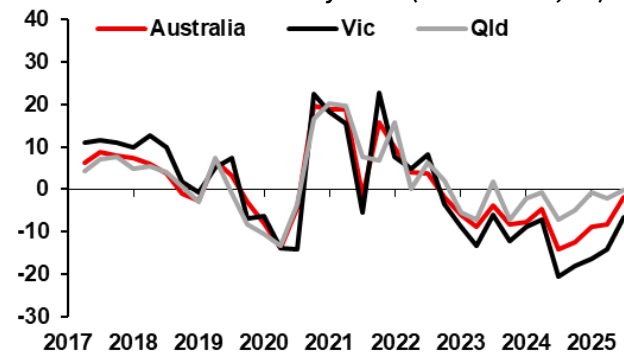


Chart 20: SME Conditions by State (Net Balance, SA)

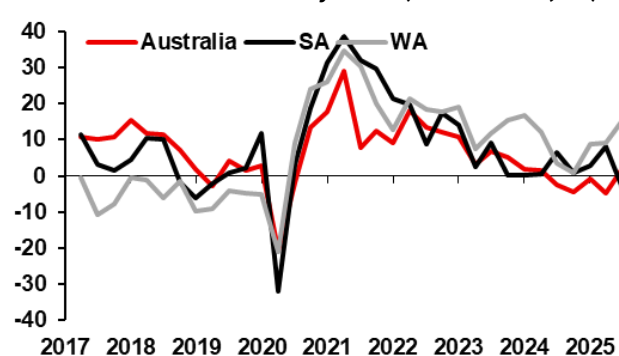
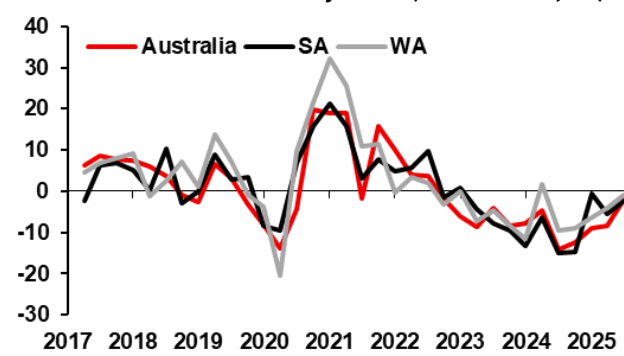


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

Chart 22: SME Conds. & Conf. by Industry (Net Bal., SA)

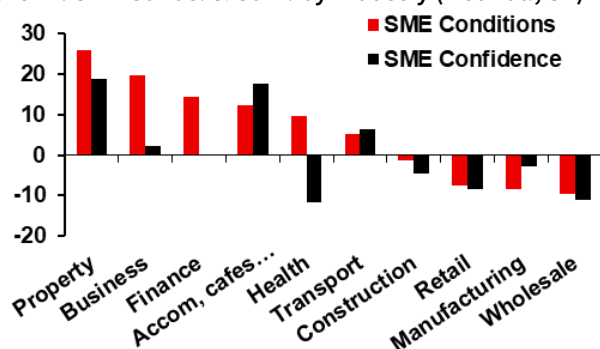


Chart 23: SME Conditions by Industry (Net Balance, SA)

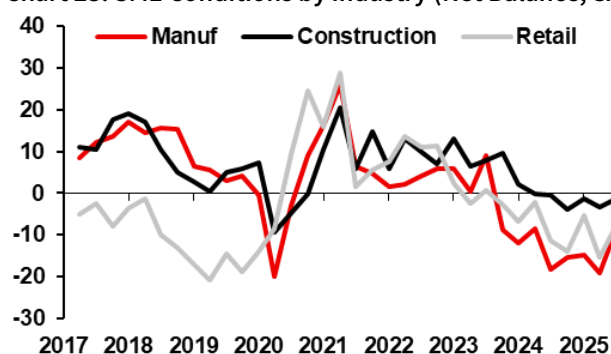


Chart 24: SME Confidence by Industry (Net Balance, SA)

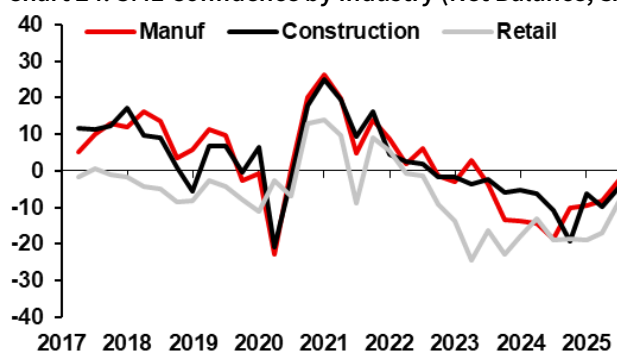


Chart 25: SME Conditions by Industry (Net Balance, SA)

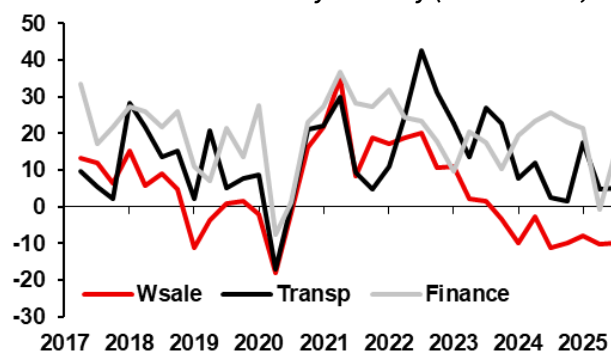


Chart 26: SME Confidence by Industry (Net Balance, SA)

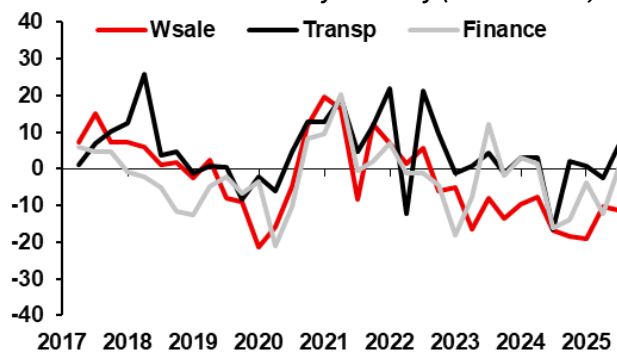


Chart 27: SME Conditions by Industry (Net Balance, SA)

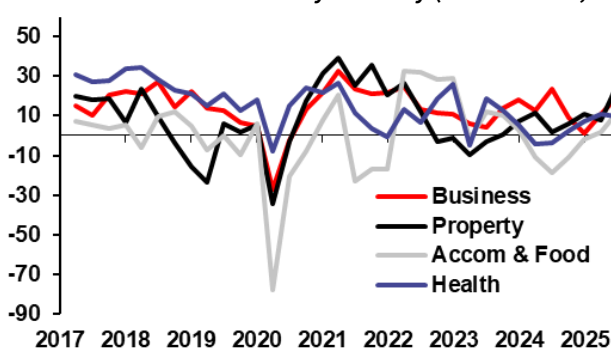
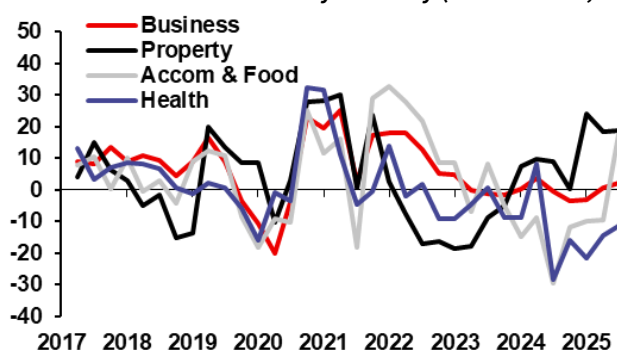


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators – Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

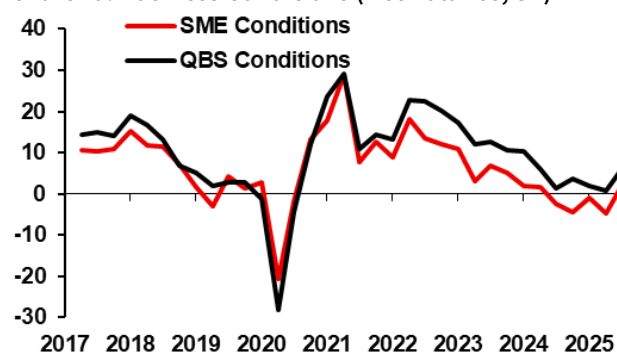


Chart 30: Business Confidence (Net Balance, SA)

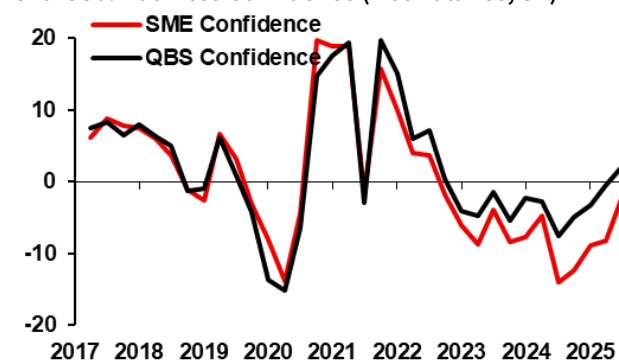


Chart 31: Trading Conditions (Net Balance, SA)

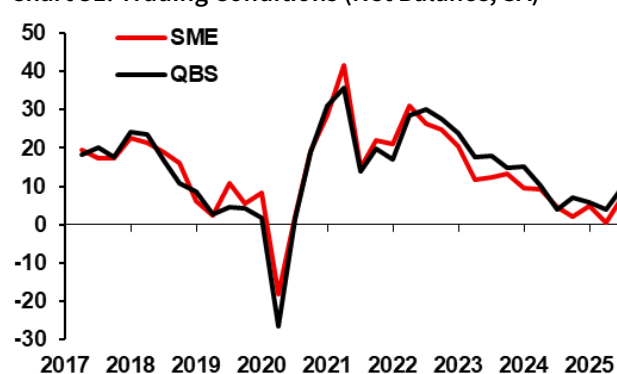


Chart 32: Profitability (Net Balance, SA)

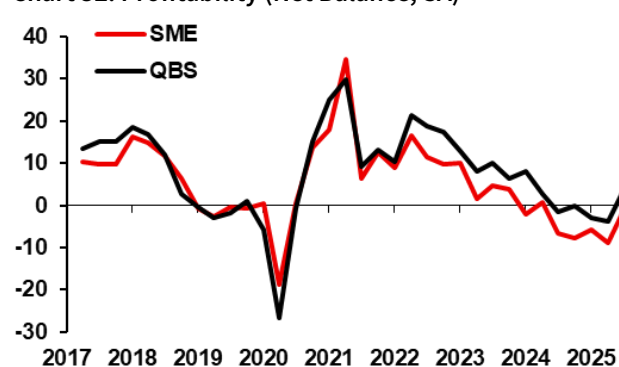


Chart 33: Employment (Net Balance, SA)

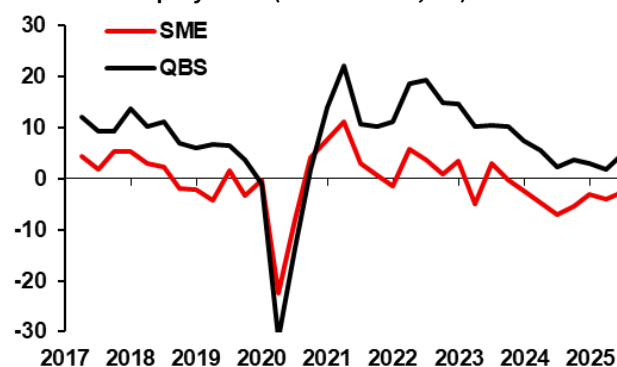


Chart 34: Forward Orders (Net Balance, SA)

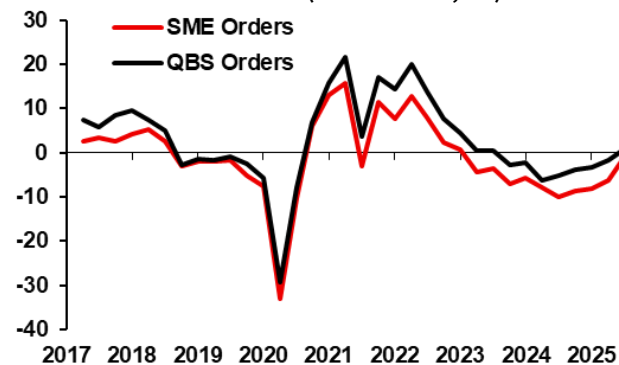


Chart 35: Capacity Utilisation (% , SA)

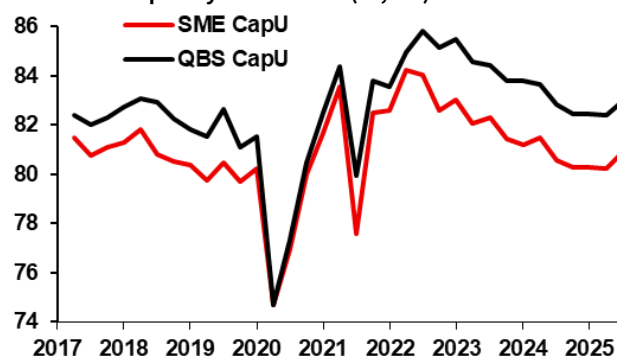
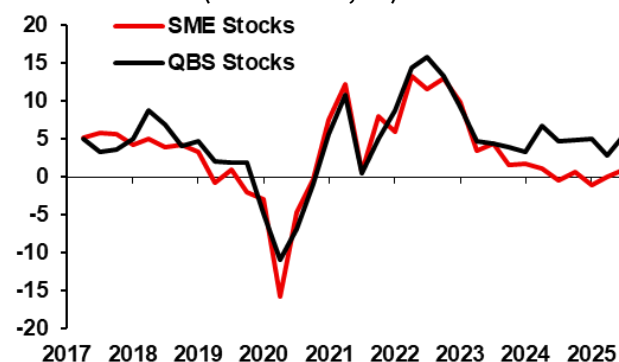


Chart 36: Stocks (Net Balance, SA)



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