

# NAB QUARTERLY SME SURVEY

## 2018 Q1

By Group Economics

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## BUSINESS CONDITIONS STRONG AND BUSINESSES HAVE THEIR SAY ON TAX

The NAB SME Survey is the leading survey of small and medium businesses in Australia, and complements the comprehensive Quarterly NAB Business Survey (QBS) which covers larger businesses. The SME survey offers a rich repertoire of insights into factors affecting smaller firms' conditions by state, industry and size, as well as an assessment of their outlook for investment and output.

Small and Medium Enterprise (SME) business conditions were unchanged in Q1 2018 at +12, while SME business confidence declined 2pts in Q1 to +6pts.

According to Alan Oster, NAB Group Chief Economist "SME business conditions remained at their highest level since the GFC and while SME business confidence slipped in the March quarter it too remains above average."

"While there was a widening in the performance gap between SME and large businesses, the still strong readings for SME conditions suggest this is not a major source of concern given that leading indicators in the survey are generally positive" said Mr Oster.

"Across industries, health again reported the strongest business conditions. While retail continues to be the weakest sector, there has been a large fall in property services conditions, likely reflecting the cooling in housing markets." Mr Oster said.

According to Mr Oster, "Across the mainland states, SME business conditions were strongest in Victoria, and while they were again weakest in Western Australia there was some improvement and it has the highest business confidence reading of all the states. Of concern, however, is that South Australia is moving in the wrong direction, with SME business conditions negative for the first time since 2016."

"SMEs are increasingly reporting that it is difficult to find suitable labour, another sign that the labour market is tightening, although we are yet to see any flow through to wages" said Mr Oster.

As with the QBS, special questions were asked in the Survey related to company tax – what sized cut would be needed to improve the business outlook and how would the additional resources gained from a tax cut be used.

According to Mr Oster: "The results of special questions included in this quarter's survey on corporate taxes are broadly similar for large and SME businesses, although on balance, more SMEs see a tax cut as potentially beneficial than do large businesses possibly in part because a greater proportion of the latter do not pay tax in Australia. For SMEs, as for large businesses, the major initial impact if there were a tax cut is likely to be on business investment."

For more information, please see the NAB Quarterly SME Survey report.

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