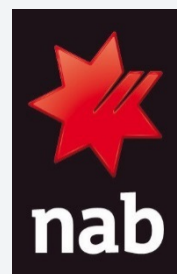


**EMBARGOED UNTIL: 11:30AM AEST, 29 JULY 2021**

# **NAB QUARTERLY SME SURVEY 2021 Q2**

## **VERY STRONG SME BUSINESS CONDITIONS IN Q2**



*NAB Australian Economics*

Small and medium enterprise business conditions improved significantly in Q2 to a new survey high. While confidence eased slightly, it remained elevated. The improvement in conditions was driven by trading conditions and profitability, but employment also increased, with all three components at record highs. The improvement in conditions was broad-based, with gains across all states and industries, and SMEs are, overall, experiencing similar conditions to larger business (as reported in last week's Quarterly Business Survey). Leading indicators also generally strengthened suggesting a positive outlook for business investment and hiring and a continuing recovery in the economy. However, Victoria's late May lockdown occurred during the survey period (so the survey is unlikely to fully reflect the impact), and before other recent lockdowns, including the one still on-going in NSW, which will negatively impact activity. That said, the hope is that the impact is short-lived and the momentum leading into the recent lockdowns sees a strong rebound in activity.

### **HIGHLIGHTS**

- **Small and medium enterprise (SME) business conditions rose strongly in Q2 2021 to +31 index points;** this is the highest level recorded since the SME survey began in Q2 2006. The improvement was driven by a pick-up in trading conditions and profitability; the gain in the employment index was more moderate but all three sub-components were at record highs.
- **SME business confidence again eased back in Q1 although, at +17 index points, it remains elevated.** By size, low-tier and mid-tier firms drove the pull-back in confidence as they came off the record highs seen in Q1, while for high tier firms' confidence was unchanged. Despite confidence easing over the last one or two quarters, it remains high for all tiers of SMEs.
- **There was little to no difference in conditions and confidence between SMEs and larger businesses** (as indicated in the NAB Quarterly Business Survey).
- **Of the mainland states, NSW had the largest gain in conditions.** While SA saw the smallest rise it was off a high base, and it continued to have the strongest conditions, but with NSW, Queensland and WA close behind. Victoria saw the weakest conditions, but they were well above average. **The decline in confidence was broad-based** except for NSW where it was unchanged. The largest fall was in WA, but off a high base, and it still has the highest confidence level. The next largest fall was in Victoria which now has the lowest confidence of the mainland states, possibly reflecting the lockdown it entered during the survey period.
- **By industry, the improvement in conditions was broad based** with all sectors seeing gains over 10pts except Transport (up 2pts). Conditions were strongest in Property, Finance and Business and lowest in Construction (but still high by historical standards). Confidence was mixed with Transport, Finance, Business and Accommodation, Cafes & restaurants, seeing gains, while the other industries generally saw falls of between 3 to 7pts except for Health which fell by over 20 points. Retail had the lowest confidence of any industry (but still solid) while property was the most confident, consistent with the strength in the housing market.
- **Leading indicators generally improved** in Q2 and were mostly at a high level. Forward orders rose by 4pts to +16 index points, a survey high. Capacity utilisation, as well 3 and 12 month expectations for capex and employment also made further gains, and are at, or close to, survey highs, suggesting businesses are planning to keep hiring and investing over the next year. However, while 3-month expectations for trading conditions and profitability again improved (to record levels), expectations 12 months out were more moderate.
- The **sales margin** index improved again and, for the first time since 2007, it was in positive territory. The improvement was despite increasing cost inflation (labour, purchase costs, overheads).
- **The availability of labour and the availability of materials** are increasingly constraints on output. While labour availability is the greatest constraint, for the first-time materials availability is a bigger issue than Sales & Orders.

**TABLE 1: SME BUSINESS CONDITIONS & CONFIDENCE (NET BAL., S.A.)**

Note: Low-tier firm: turnover \$2m-3m p.a.; Mid-tier: \$3m-5m p.a.; High-tier: \$5m-10m

	2020 q4	2021 q1	2021 q2
<b>Business Confidence</b>	<b>20</b>	<b>19</b>	<b>17</b>
Low-tier firms	17	22	16
Mid-tier firms	15	18	13
High-tier firms	23	20	20
<b>Business Conditions</b>	<b>13</b>	<b>17</b>	<b>31</b>
Low-tier firms	11	11	28
Mid-tier firms	13	15	29
High-tier firms	15	21	34

**TABLE 2: SME BUSINESS CONDITIONS BY COMPONENT (NET BAL., S.A.)**

	2020 q4	2021 q1	2021 q2
Trading Conditions	20	25	46
Low-tier firms	20	21	47
Mid-tier firms	21	26	42
High-tier firms	20	30	47
Profitability	15	16	36
Low-tier firms	17	12	35
Mid-tier firms	14	9	35
High-tier firms	16	24	38
Employment	4	7	13
Low-tier firms	-4	-1	6
Mid-tier firms	5	8	12
High-tier firms	9	10	16

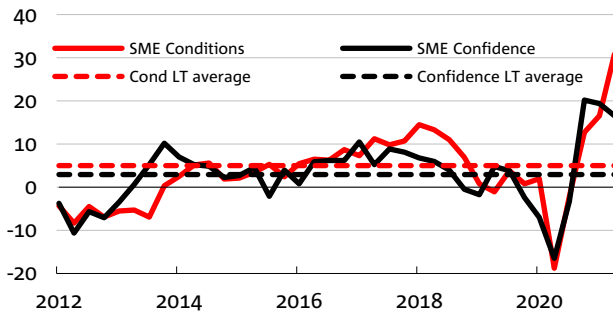
All data seasonally adjusted, except purchase costs and exports. Fieldwork for this survey was conducted from 18 May to 10 June 2021, covering over 700 firms across the non-farm business sector. Next release date: 28 October 2021.

Contacts: Alan Oster – Chief Economist, Tony Kelly – Senior Economist

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# NAB QUARTERLY SME SURVEY – CONDITIONS, CONFIDENCE & PRICES

CHART 1: SME BUSINESS CONDITIONS & CONFIDENCE (NET BAL., S.A.)



Note: Dotted lines denote long-run averages

CHART 2: SME BUSINESS CONDITIONS COMPONENTS (NET BAL., S.A.)

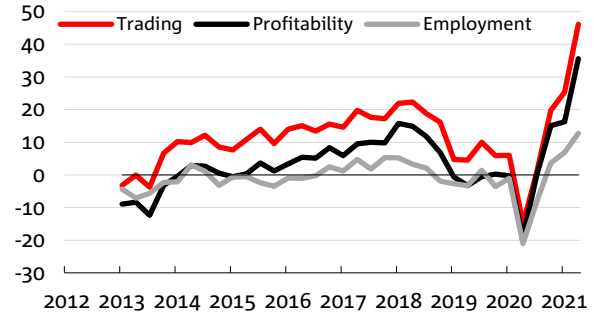


CHART 3: SME BUSINESS CONDITIONS & CASH FLOW (NET BAL, N.S.A.)

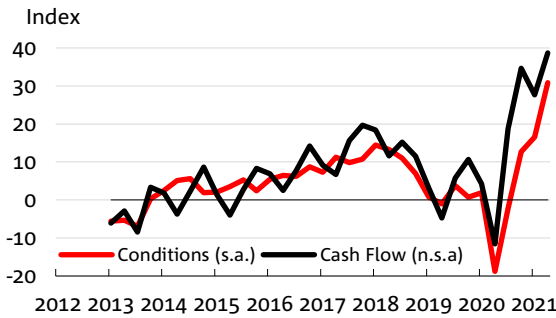
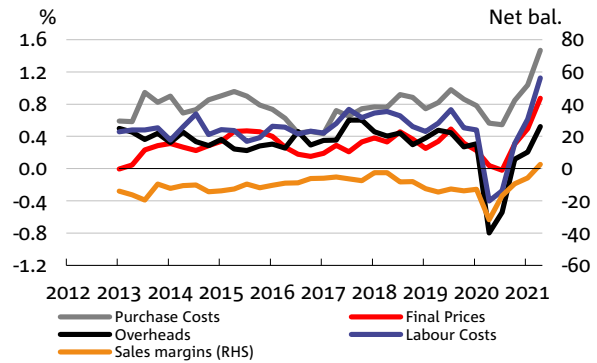


CHART 4: SME INPUT COSTS AND FINAL PRICE GROWTH (S.A.)



## CONSTRAINTS ON OUTPUT

CHART 5: FACTORS CONSTRAINING SME OUTPUT (% of firms)

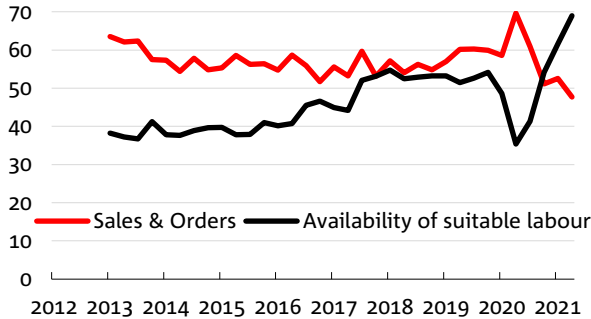
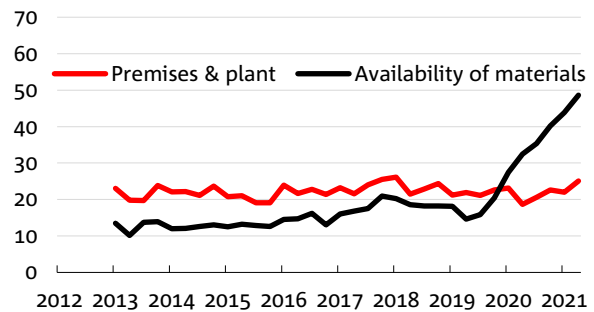
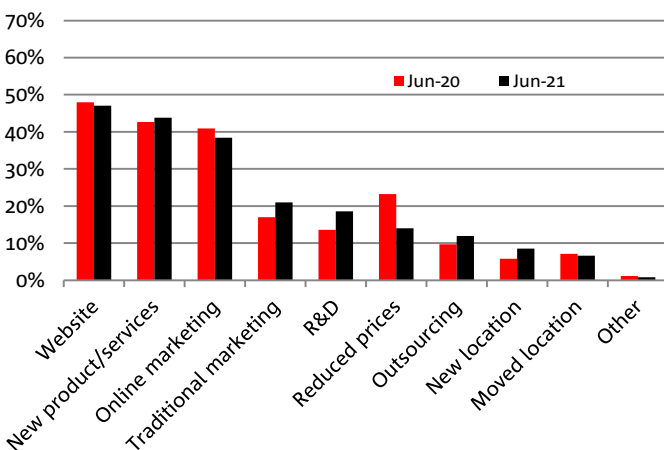


CHART 6: FACTORS CONSTRAINING SME OUTPUT (% of firms)



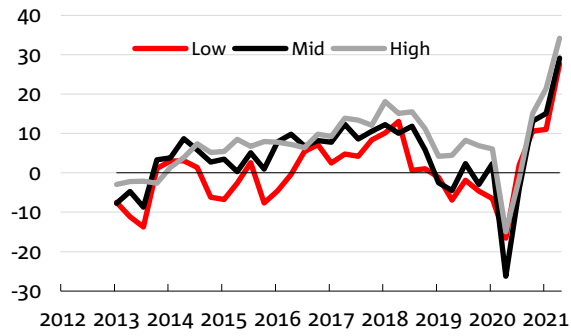
## STRATEGIES

CHART 7: STRATEGIES EMPLOYED TO IMPROVE COMPETITIVENESS

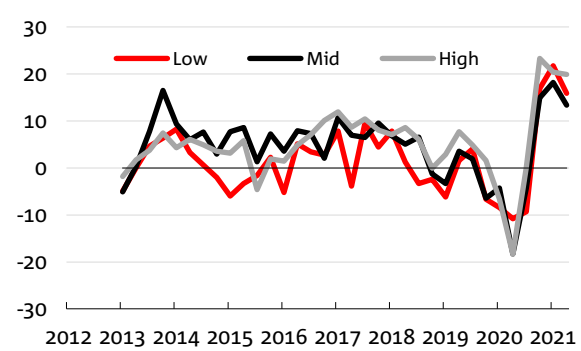


# NAB QUARTERLY SME SURVEY – BY FIRM SIZE

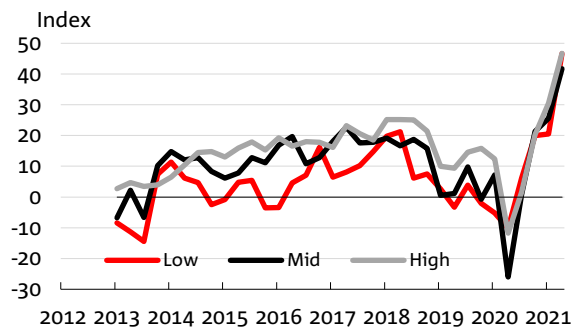
**CHART 8: BUSINESS CONDITIONS BY FIRM SIZE (NET BAL., S.A.)**



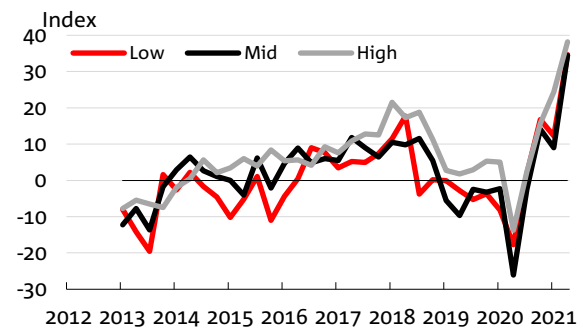
**CHART 9: BUSINESS CONFIDENCE BY FIRM SIZE (NET BAL., S.A.)**



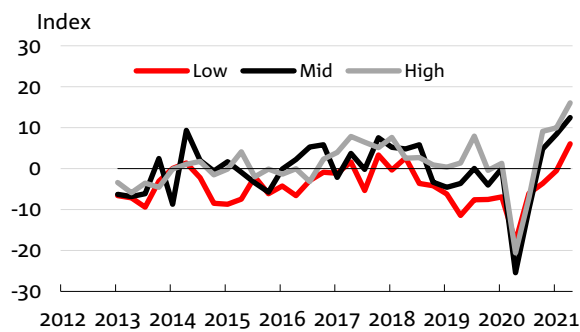
**CHART 10: TRADING CONDITIONS BY FIRM SIZE (NET BAL., S.A.)**



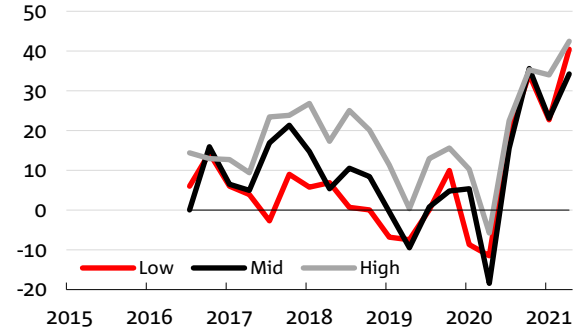
**CHART 11: PROFITABILITY BY FIRM SIZE (NET BAL., S.A.)**



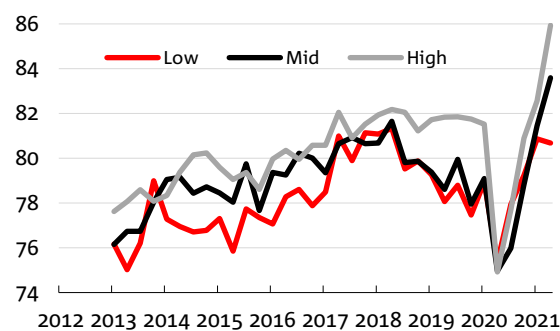
**CHART 12: EMPLOYMENT BY FIRM SIZE (NET BAL., S.A.)**



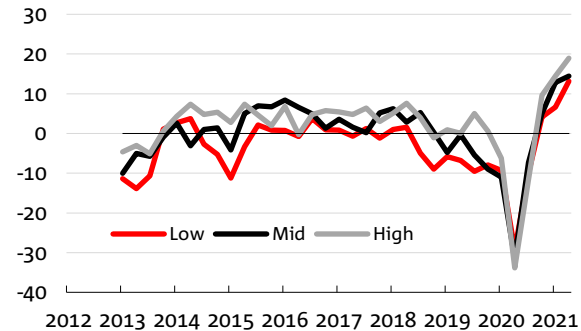
**CHART 13: CASH FLOW BY FIRM SIZE (NET BAL., N.S.A.)**



**CHART 14: CAPACITY UTILISATION (% S.A.)**



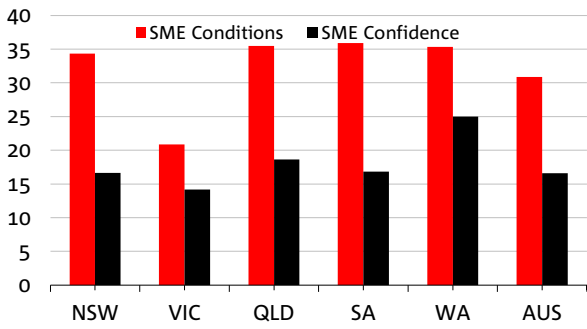
**CHART 15: FORWARD ORDERS BY FIRM SIZE (NET BAL., S.A.)**



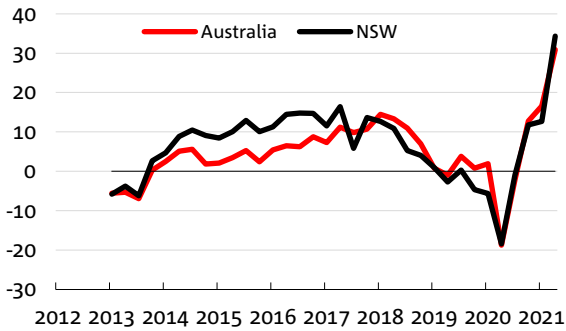
Note: Low-tier firm: turnover \$2m-3m p.a.; Mid-tier: \$3m-5m p.a.; High-tier: \$5m-10m

# NAB QUARTERLY SME SURVEY – BY STATE

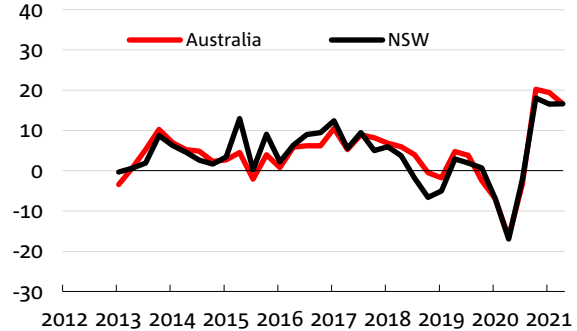
**CHART 16: BUSINESS COND. & CONFIDENCE BY STATE (NET BAL., S.A.)**



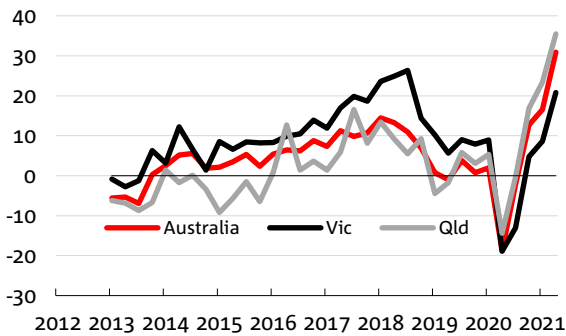
**CHART 17: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)**



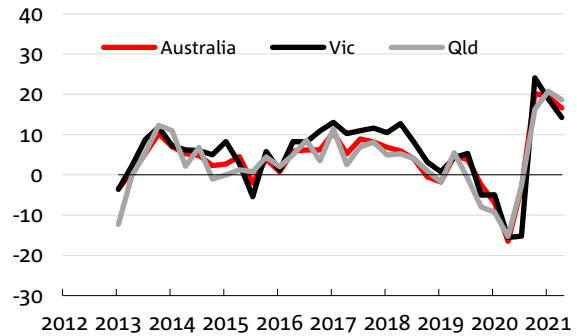
**CHART 18: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)**



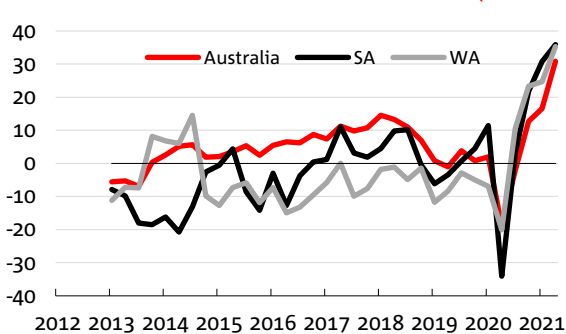
**CHART 19: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)**



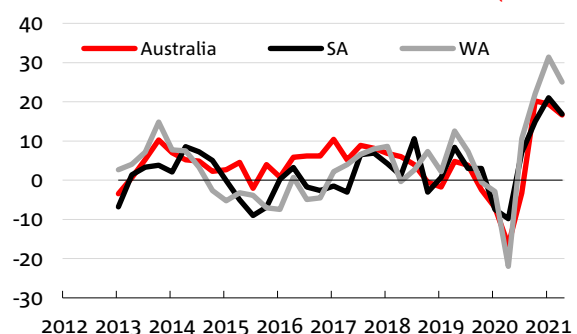
**CHART 20: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)**



**CHART 21: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)**



**CHART 22: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)**



# NAB QUARTERLY SME SURVEY – BY INDUSTRY

CHART 23: SME BUSINESS COND. & CONF. BY INDUSTRY (NET BAL. S.A.)

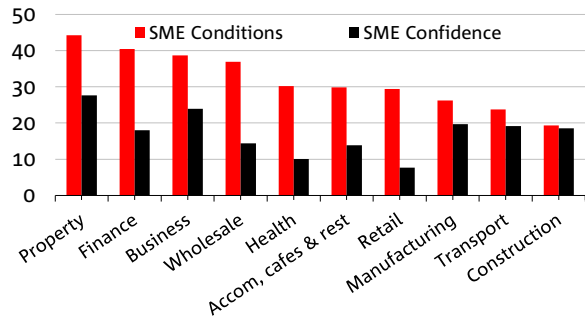


CHART 24: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

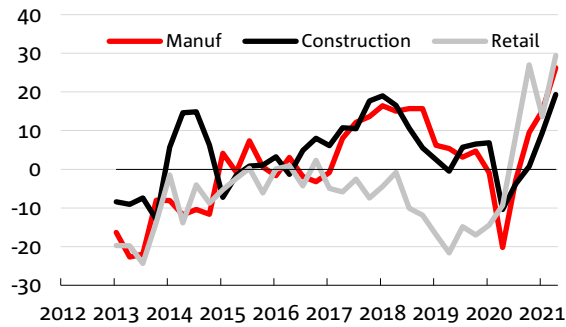


CHART 25: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

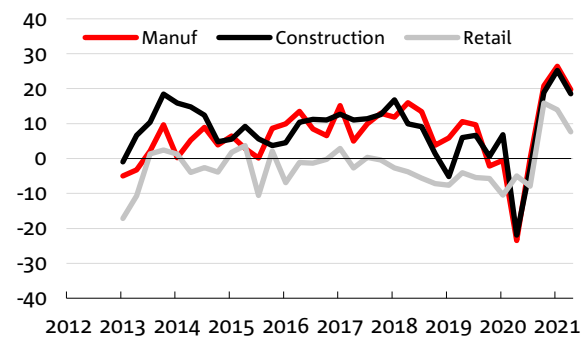


CHART 26: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

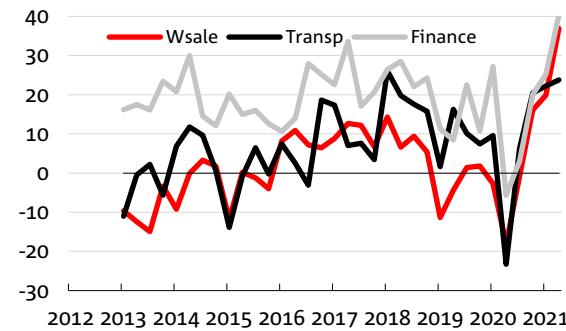


CHART 27: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

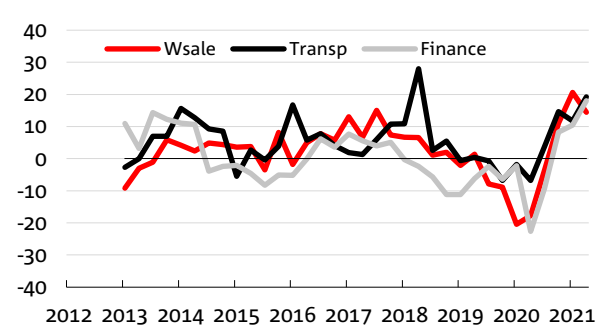


CHART 28: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

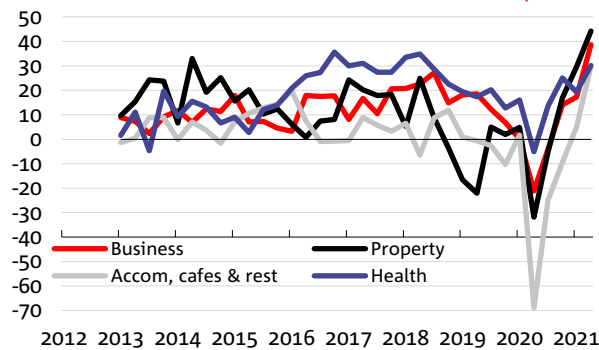
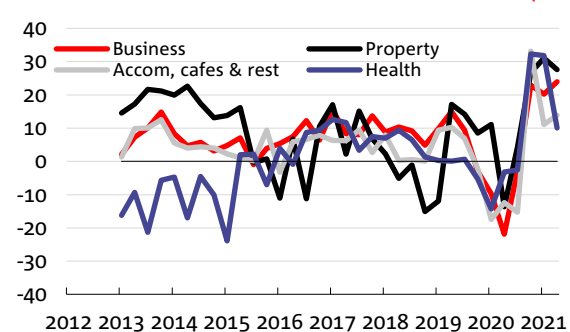
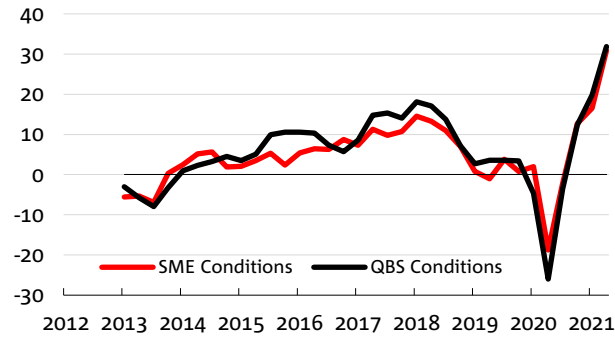


CHART 29: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

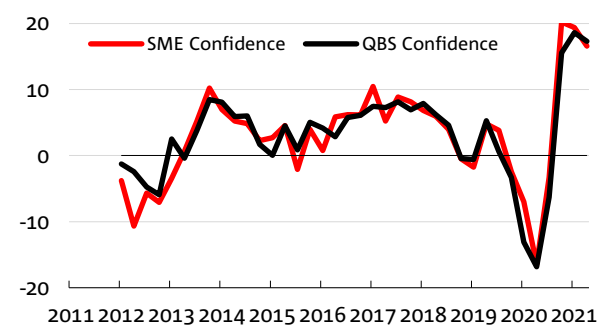


# NAB QUARTERLY SME SURVEY – COMPARISON WITH LARGER BUSINESSES

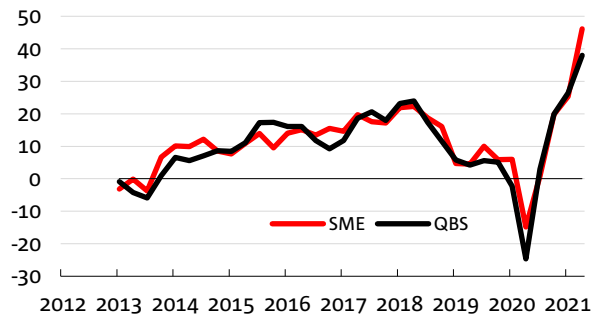
**CHART 30: BUSINESS CONDITIONS – SME & QBS (NET BAL., S.A.)**



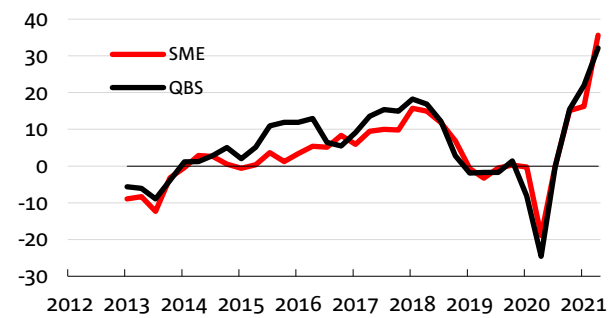
**CHART 31: BUSINESS CONFIDENCE – SME & QBS (NET BAL., S.A.)**



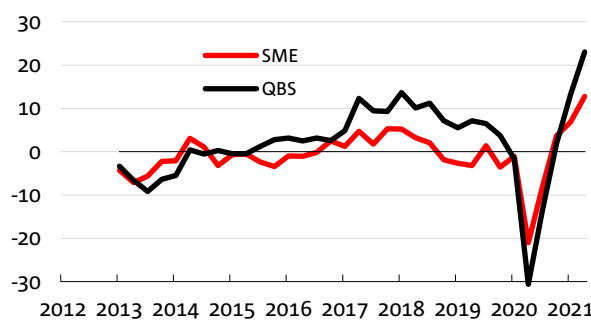
**CHART 32: TRADING CONDITIONS – SME & QBS (NET BAL., S.A.)**



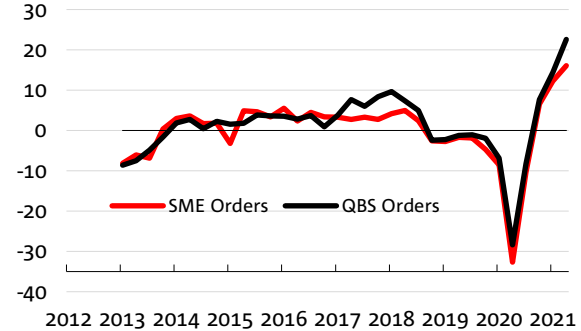
**CHART 33: PROFITABILITY – SME & QBS (NET BAL., S.A.)**



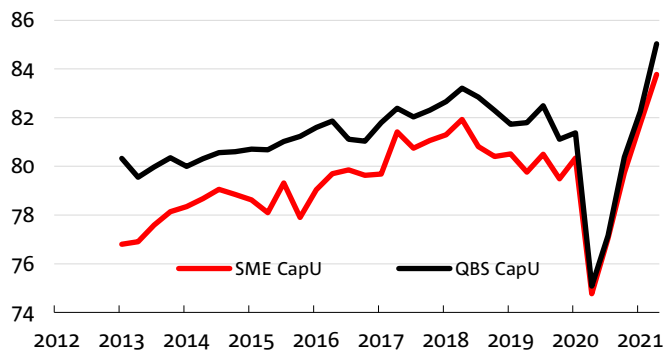
**CHART 34: EMPLOYMENT – SME & QBS (NET BAL., S.A.)**



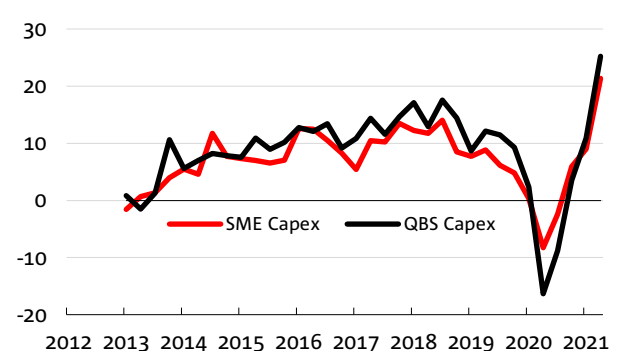
**CHART 35: FORWARD ORDERS – SME & QBS (NET BAL., S.A.)**



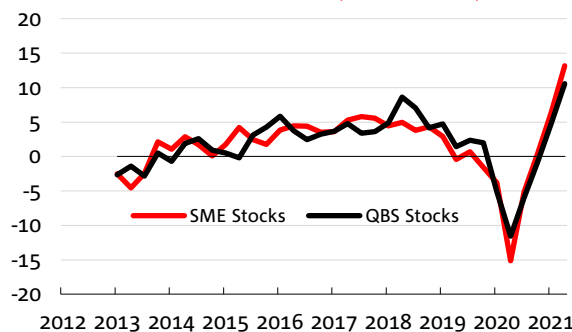
**CHART 36: CAPACITY UTILISATION – SME & QBS (% S.A.)**



**CHART 37: CAPITAL EXPENDITURE – SME & QBS (NET BAL., S.A.)**



**CHART 38: STOCKS – SME & QBS (NET BAL., S.A.)**



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