

EMBARGOED UNTIL: 11:30AM AEDT, 28 OCTOBER 2021

NAB QUARTERLY SME SURVEY 2021 Q3

SME CONDITIONS FALL UNDER LOCKDOWNS

NAB Australian Economics



Small and medium enterprise business conditions fell sharply in Q3 under the weight of lockdowns, after reaching record highs in Q2. Confidence fell to 0 index points – the threshold between improving and deteriorating – and sales margins deteriorated significantly. The fall in conditions was felt broadly across SMEs of all sizes and across industries, led by accommodation & food businesses as well as retail. SMEs in NSW and Victoria experienced the largest declines with both conditions and confidence negative in these states. The impact of recent lockdowns on SMEs mirrored that experienced by larger firms, as measured by the NAB Quarterly Business Survey. Alongside the fall in confidence, other leading indicators also saw a deterioration after reaching record highs in Q2. Still, capital expenditure expectations for the next twelve months remained in positive territory, signally some optimism that firms will expand capacity once the economy begins to reopen. With reopening now underway, a strong rebound in activity is likely over the coming months.

HIGHLIGHTS

- **Small and medium enterprise (SME) business conditions fell sharply to +8 index points in Q3** as lockdowns brought conditions down from record highs recorded in Q2. All three sub-components fell, with trading conditions holding up best at +15 index points. Employment was down to just +3 index points, from +12 index points in Q2.
- **SME business confidence fell to zero under the weight of lockdowns.** SMEs of all sizes saw large falls in confidence, with the index turning negative for those in the middle tier (\$3m-\$5m turnover). By contrast, the confidence index remained positive for low-tier and high-tier firms, albeit at near-zero levels after strong results in prior quarters.
- **There was little to no difference in conditions and confidence between SMEs and larger businesses** (as indicated in the NAB Quarterly Business Survey), with the broad-based nature of lockdowns seeing an impact of similar magnitude.
- **Across the states, conditions and confidence turned negative in NSW and Victoria** but remained positive in the other mainland states where lockdowns were less severe or sustained. Conditions fell by 36pts in NSW and by 26pts in Victoria – far more than the falls experienced in 2020, reflecting the elevated level of conditions in Q2 – while other mainland states saw more modest, but still significant declines.
- **By industry, all sectors saw significant declines in both conditions and confidence.** As in past lockdowns, the impact was largest in accommodation & food, where conditions were down 53pts to -26 index points. Conditions in retail also fell sharply, down 27pts, but remained just positive at +1 index point. Confidence was lower across the board, with the index turning negative in healthcare and in the wholesale sector, as well as retail and accommodation & food.
- **Leading indicators deteriorated in Q3** after reaching near survey highs in Q2. Capacity utilization was down to 77.9 percent but remained above the low of 74.7 percent in Q2 2020, and forward orders were down 18pts to -2 index points. Capital expenditure expectations for the next twelve months, which hit a record high of +20 index points in Q2, pulled back to +7 index points in Q3.
- **The sales margin index**, which had steadily improved since mid-2020 to reach positive territory in Q2 2021 for the first time since 2007, deteriorated to -11 index points. Purchase costs growth edged higher, from an already high rate, while final products price growth was broadly steady.
- **More firms reported availability of materials and sales & orders as constraints on output** in Q3 than in Q2, with more than half of all firms citing these as constraints. Availability of suitable labour remained the most significant constraint but was cited by somewhat fewer firms than in Q2.

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

	2021 q1	2021 q2	2021 q3
Business Confidence	19	17	0
Low-tier firms	21	16	4
Mid-tier firms	18	13	-7
High-tier firms	20	20	3
Business Conditions	17	30	8
Low-tier firms	11	27	3
Mid-tier firms	16	28	7
High-tier firms	22	32	13

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

	2021 q1	2021 q2	2021 q3
Trading Conditions	27	42	15
Low-tier firms	20	45	8
Mid-tier firms	27	40	13
High-tier firms	32	44	21
Profitability	16	34	8
Low-tier firms	12	34	-2
Mid-tier firms	9	33	6
High-tier firms	25	37	13
Employment	7	12	3
Low-tier firms	0	6	1
Mid-tier firms	8	12	5
High-tier firms	10	16	4

All data seasonally adjusted, except purchase costs and exports. Fieldwork for this survey was conducted from 17 August to 9 September 2021, covering over 700 firms across the non-farm business sector. Next release date: 10 February 2022.

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NAB QUARTERLY SME SURVEY – CONDITIONS, CONFIDENCE & PRICES

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

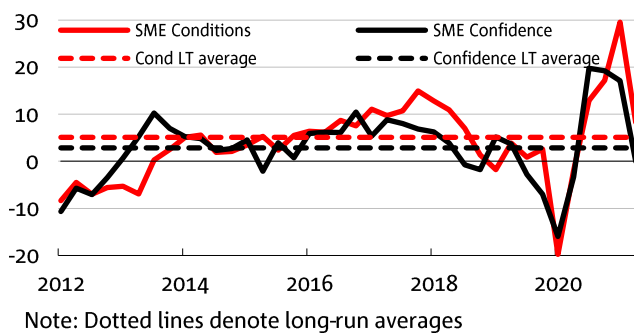


CHART 2: SME BUSINESS CONDITIONS COMPONENTS (NET BAL., S.A.)

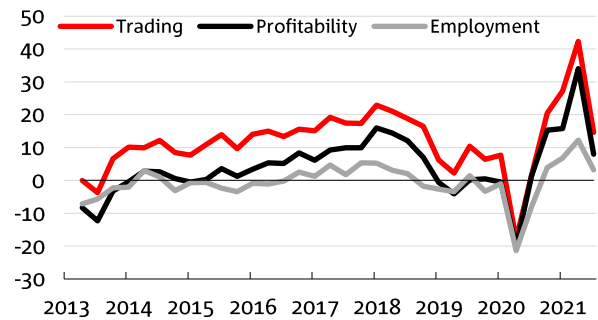


CHART 3: SME BUSINESS CONDITIONS & CASH FLOW (NET BAL, N.S.A.)

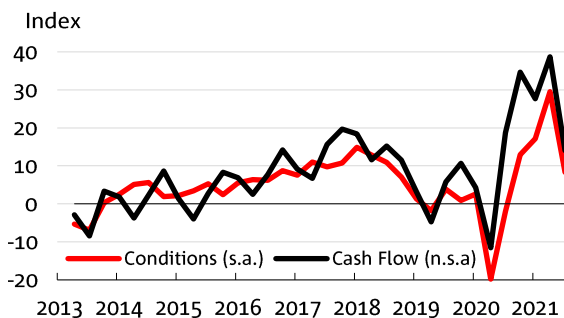
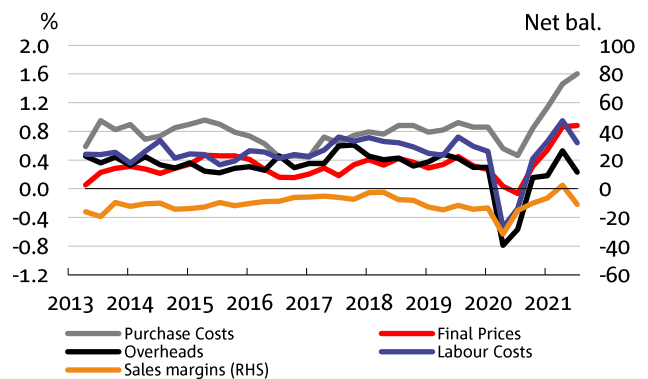


CHART 4: SME INPUT COSTS AND FINAL PRICE GROWTH (S.A.)



CONSTRAINTS ON OUTPUT

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

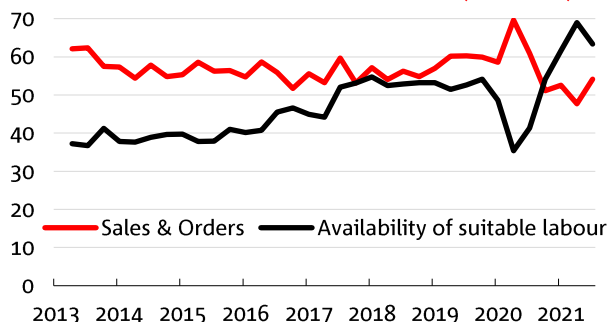
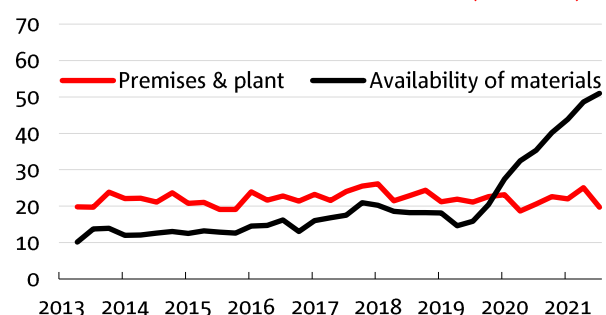
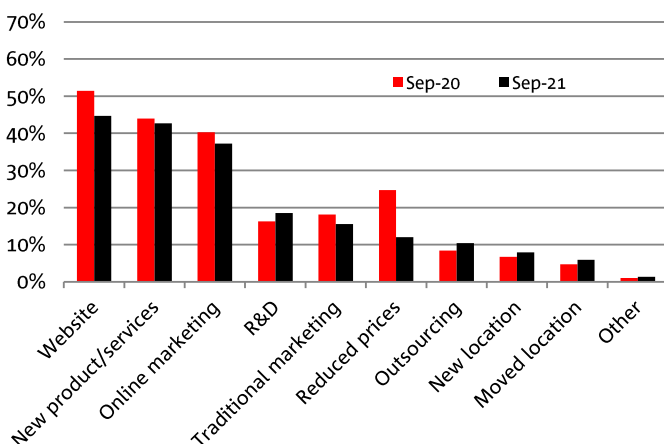


CHART 6: FACTORS CONSTRAINING SME OUTPUT (% of firms)



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.)

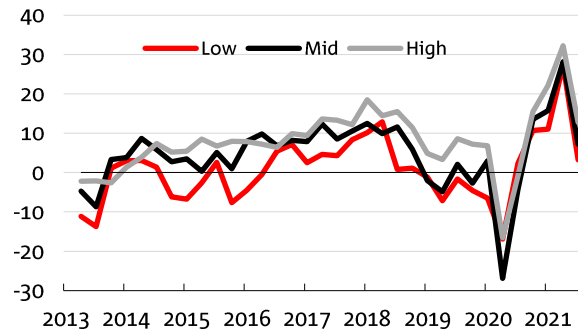


CHART 9: BUSINESS CONFIDENCE BY FIRM SIZE (NET BAL., S.A.)

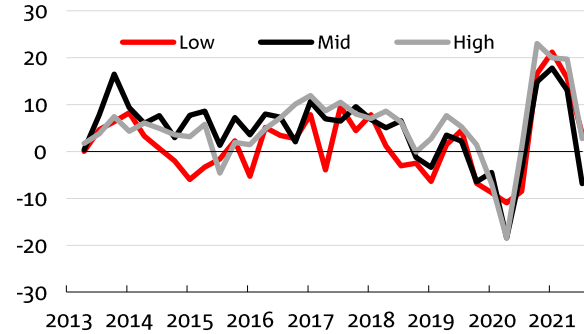


CHART 10: TRADING CONDITIONS BY FIRM SIZE (NET BAL., S.A.)

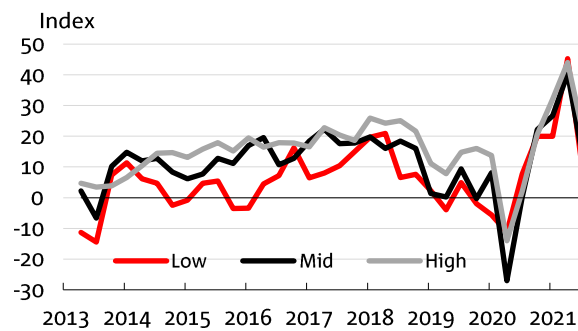


CHART 11: PROFITABILITY BY FIRM SIZE (NET BAL., S.A.)

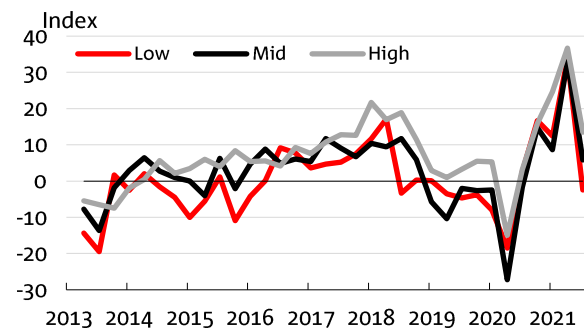


CHART 12: EMPLOYMENT BY FIRM SIZE (NET BAL., S.A.)

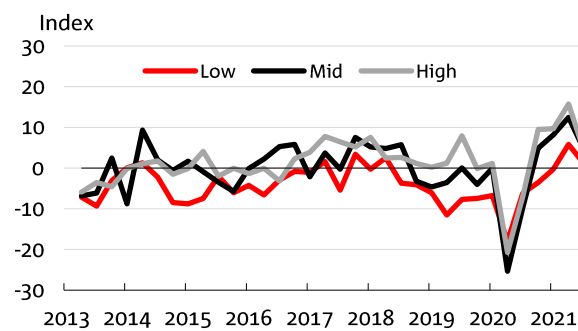


CHART 13: CASH FLOW BY FIRM SIZE (NET BAL., N.S.A.)

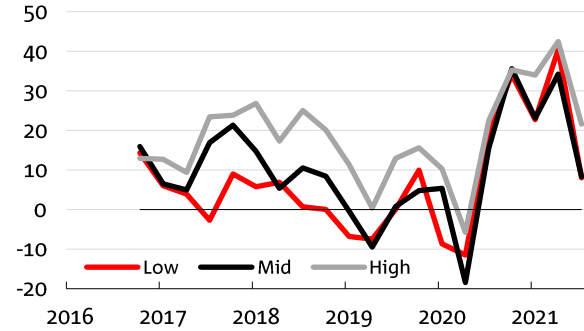


CHART 14: CAPACITY UTILISATION (% S.A.)

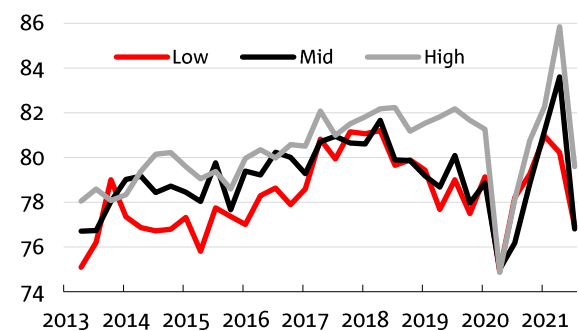
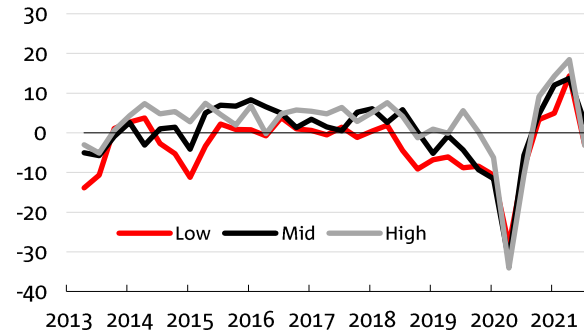


CHART 15: FORWARD ORDERS BY FIRM SIZE (NET BAL., S.A.)



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.)

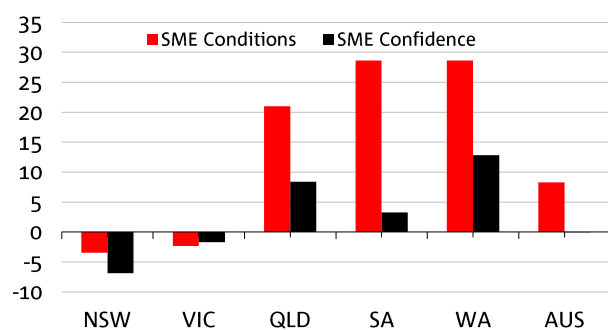


CHART 17: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

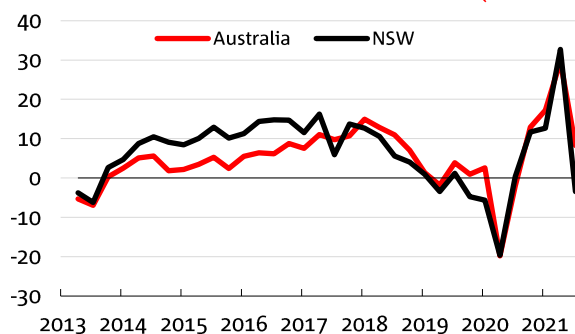


CHART 18: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)

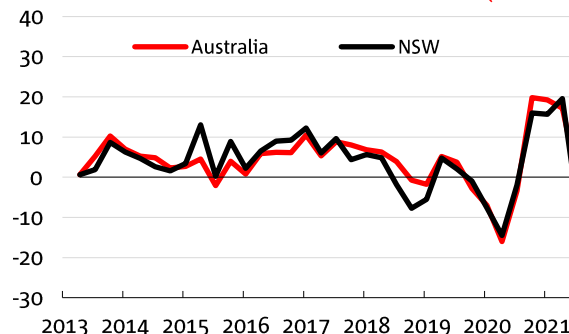


CHART 19: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

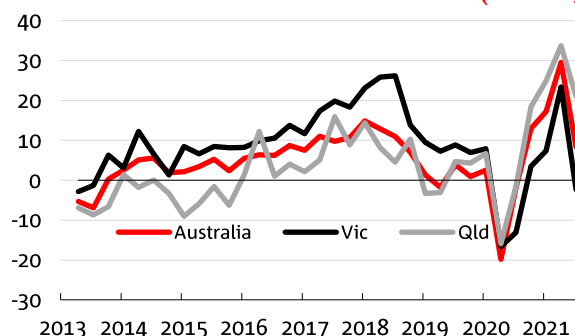


CHART 20: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)

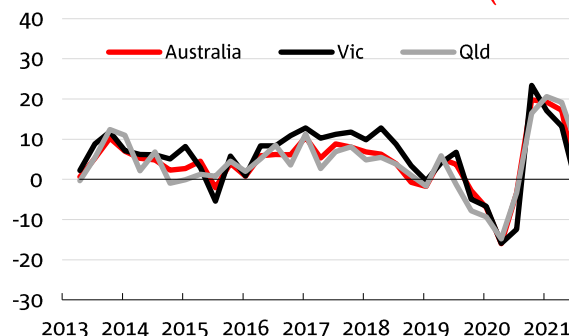


CHART 21: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

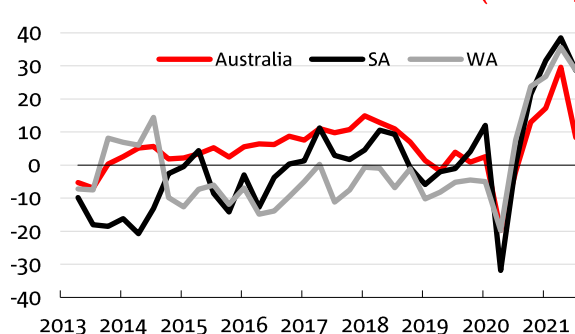
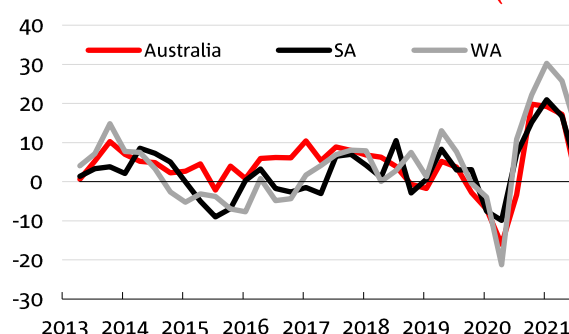


CHART 22: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)



NAB QUARTERLY SME SURVEY – BY INDUSTRY

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

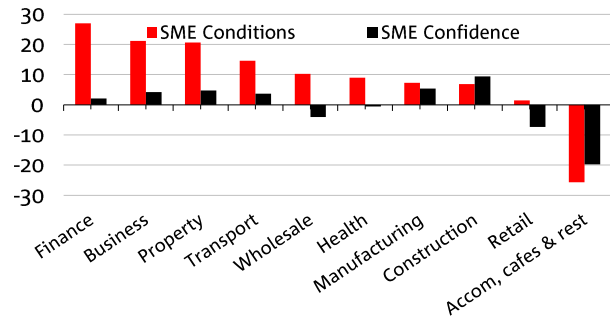


CHART 24: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

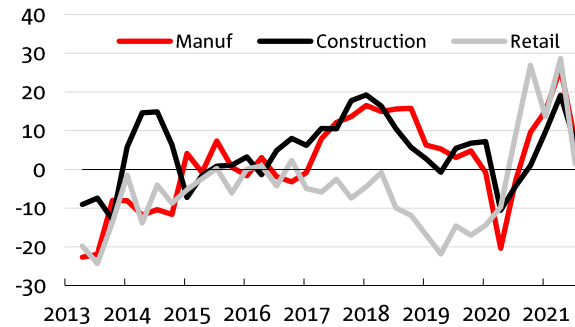


CHART 25: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

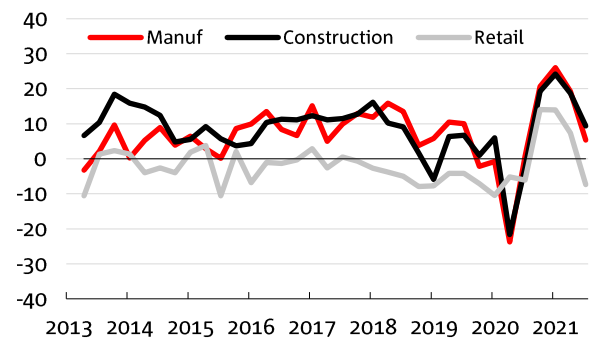


CHART 26: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

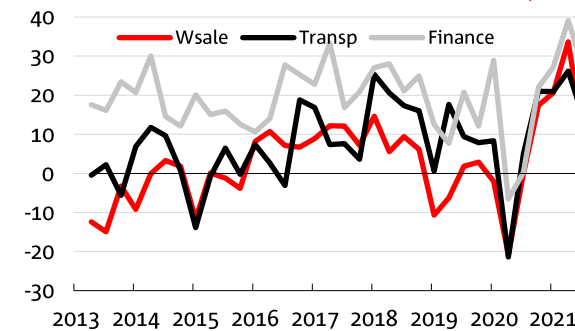


CHART 27: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

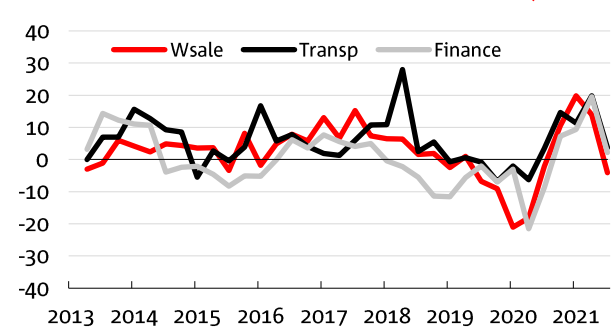


CHART 28: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

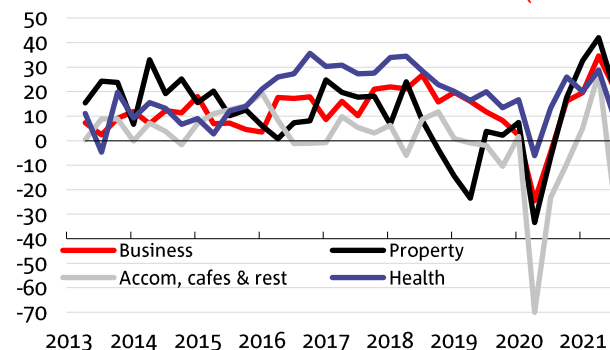
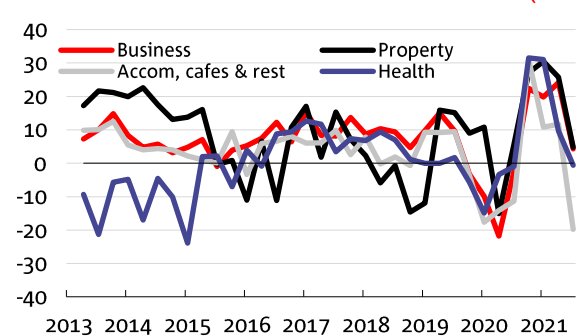


CHART 29: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)



NAB QUARTERLY SME SURVEY – COMPARISON WITH LARGER BUSINESSES

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

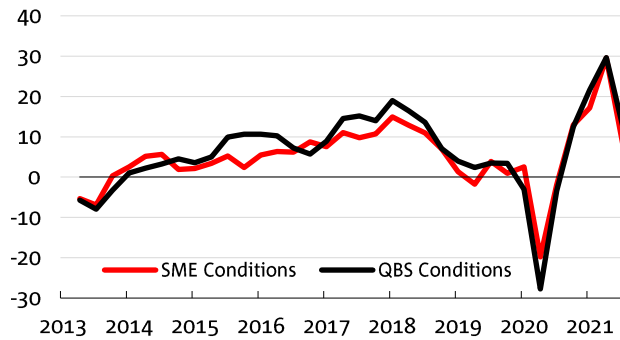


CHART 31: BUSINESS CONFIDENCE – SME & QBS (NET BAL., S.A.)

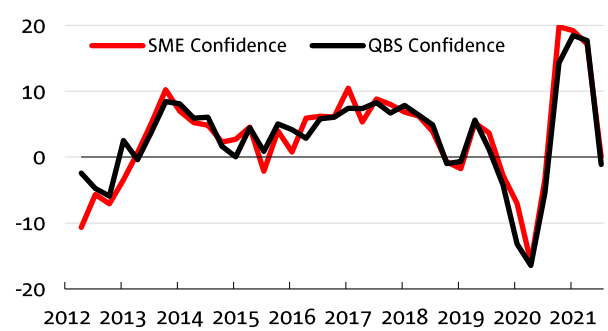


CHART 32: TRADING CONDITIONS – SME & QBS (NET BAL., S.A.)

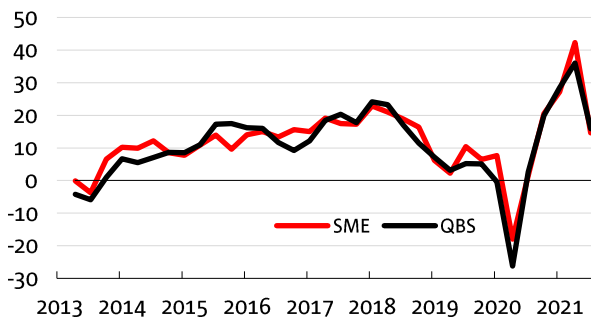


CHART 33: PROFITABILITY – SME & QBS (NET BAL., S.A.)

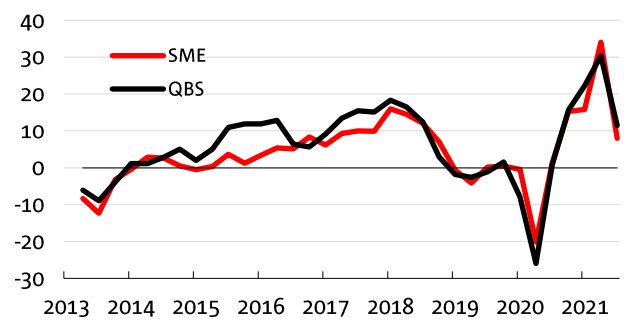


CHART 34: EMPLOYMENT – SME & QBS (NET BAL., S.A.)

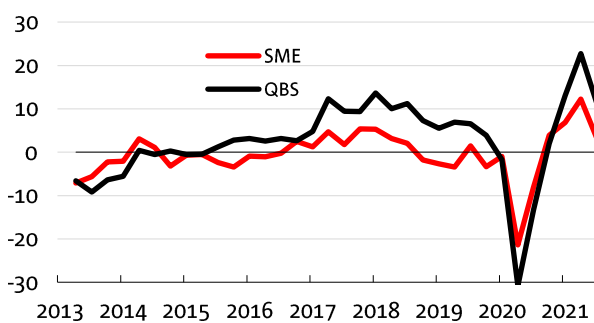


CHART 35: FORWARD ORDERS – SME & QBS (NET BAL., S.A.)

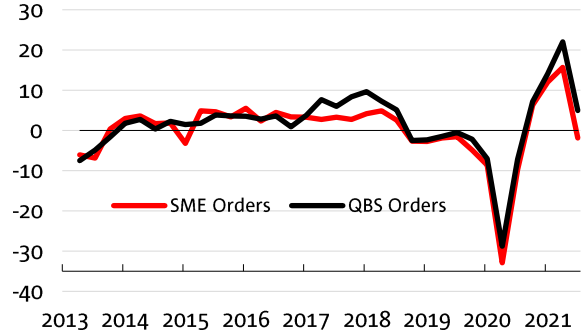


CHART 36: CAPACITY UTILISATION – SME & QBS (% , S.A.)

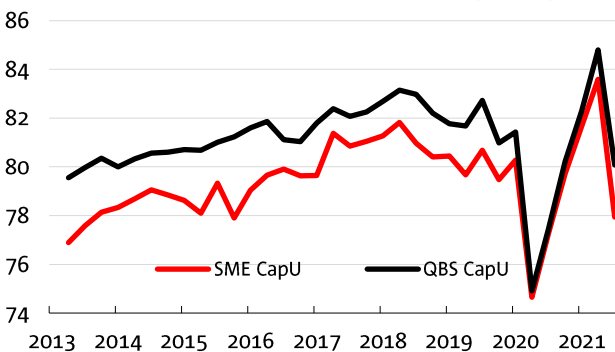


CHART 37: CAPITAL EXPENDITURE – SME & QBS (NET BAL., S.A.)

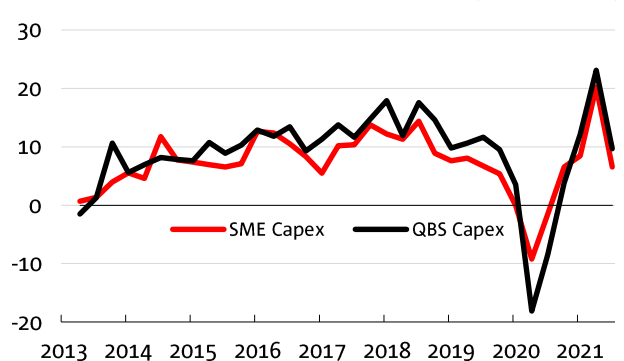
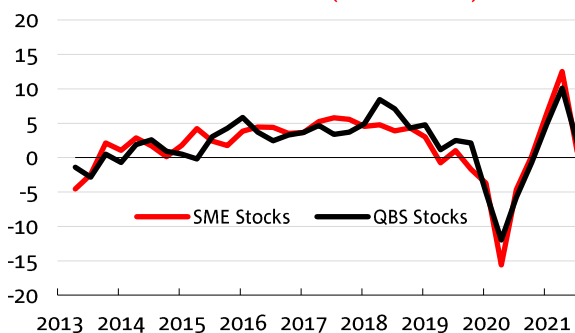


CHART 38: STOCKS – SME & QBS (NET BAL., S.A.)



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