

**EMBARGOED UNTIL: 11:30AM AEDT, 17 FEBRUARY 2022**

# **NAB QUARTERLY SME SURVEY 2021 Q4**

## **SME BUSINESSES SHARED IN POST-DELTA REBOUND**

*NAB Australian Economics*



Small and medium enterprise business confidence surged in Q4 and conditions also rose as the economy reopened in the months following the Delta outbreak. In line with the wider rebound noted among larger firms in our quarterly survey, SME confidence bounced back to a strong +18 index points – well above average – after falling below zero in Q3. Conditions also rose with the smallest firms experiencing the largest gains, although the rebound was less pronounced given the limited impact of the Delta outbreak on conditions in Q3. Conditions improved for SMEs in every state. Businesses in the hospitality sector continued to report conditions in negative territory, but these businesses saw the largest confidence gains. Leading indicators also improved, albeit the survey was undertaken prior to the emergence of the Omicron variant. Capacity utilisation reached 82.1% and forward orders and capital expenditure plans also improved. While many smaller businesses will have faced disruption from the Omicron outbreak in the months since this survey was taken, the results nonetheless highlight that the Q4 rebound was broad-based and encompassed firms of all sizes.

### **HIGHLIGHTS**

- **SME business confidence rebounded in Q4 of 2021, rising to a strong +15 index points from -1 index points in Q3.** SMEs of all sizes saw large increases in confidence as lockdowns in major states ended and vaccine milestones were met.
- **Small and medium enterprise (SME) business conditions rose 3pts to +11 index points in Q4,** following a large fall during the Delta outbreak in Q3. SMEs of all sizes saw gains in conditions with the smallest firms benefiting the most. Improvements in trading conditions and profitability drove the result, with the employment index edging down.
- **Results for SMEs were similar to those for larger firms** (as indicated in the NAB Quarterly Business Survey), with the process of lockdown and reopening causing large swings in confidence but more limited shifts in conditions.
- **Across the states, conditions and confidence rebounded strongly in NSW and Vic.** Confidence rose more than 20pts in both states and both also saw conditions return to positive territory as lockdowns ended. Elsewhere, conditions pulled-back, but remained at high levels in Qld, SA, and WA.
- **By industry, confidence rose in all sectors other than health, while conditions were mixed.** Accommodation & food saw confidence rebound more than 50pts and conditions in the sector also improved but remained in negative territory at -16 index points. Construction, wholesale, retail, and property also saw conditions strengthen, while finance and transport saw conditions fall. Conditions also edged down in health, business services, and manufacturing.
- **Leading indicators also rebounded in Q4.** Capacity utilisation was back up to 82.1%, similar to the 83.3% recorded for larger businesses in the Quarterly Business Survey. Forward orders rose 14pts to +11 index points. Capital expenditure expectations for the next twelve months also strengthened, up 3pts to +8 index points.
- **The sales margin index, which had reached positive territory in Q2 before falling sharply in Q3, improved only slightly in Q4** to remain around -11 index points. Purchase cost and labour cost growth both continued to strengthen in Q4, at 2% and 1% respectively in quarterly terms, and final products price growth also edged up to 1.3%.
- **Labour and materials availability continued was a constraint on output for a growing share of SMEs in Q4.** More than three-quarters of firms reported availability of labour was a constraint, while more than half cited availability of materials as a constraint.

**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 q2	2021 q3	2021 q4
<b>Business Confidence</b>	<b>18</b>	<b>-1</b>	<b>15</b>
Low-tier firms	17	2	14
Mid-tier firms	15	-8	12
High-tier firms	21	2	15
<b>Business Conditions</b>	<b>30</b>	<b>8</b>	<b>11</b>
Low-tier firms	29	1	6
Mid-tier firms	28	7	8
High-tier firms	33	12	14

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

	2021 q2	2021 q3	2021 q4
<b>Trading Conditions</b>	<b>44</b>	<b>13</b>	<b>19</b>
Low-tier firms	47	5	17
Mid-tier firms	41	13	16
High-tier firms	45	20	23
<b>Profitability</b>	<b>36</b>	<b>6</b>	<b>11</b>
Low-tier firms	35	-5	6
Mid-tier firms	34	4	10
High-tier firms	38	12	17
<b>Employment</b>	<b>13</b>	<b>3</b>	<b>0</b>
Low-tier firms	5	0	-3
Mid-tier firms	12	4	-2
High-tier firms	16	4	3

All data seasonally adjusted, except purchase costs and exports. Fieldwork for this survey was conducted from 16 November to 13 December 2021, covering over 700 firms across the non-farm business sector. Next release date: 28 April 2022.

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# NAB QUARTERLY SME SURVEY – CONDITIONS, CONFIDENCE & PRICES

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

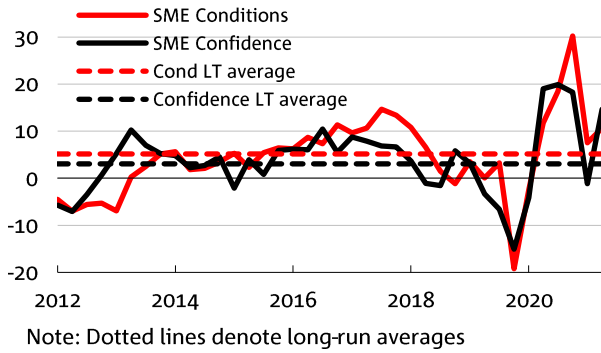


CHART 2: SME BUSINESS CONDITIONS COMPONENTS (NET BAL., S.A.)

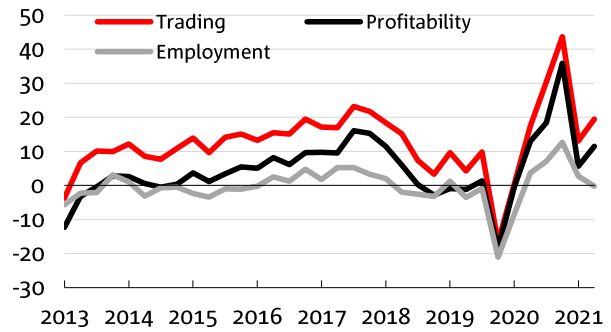


CHART 3: SME BUSINESS CONDITIONS & CASH FLOW (NET BAL, N.S.A.)

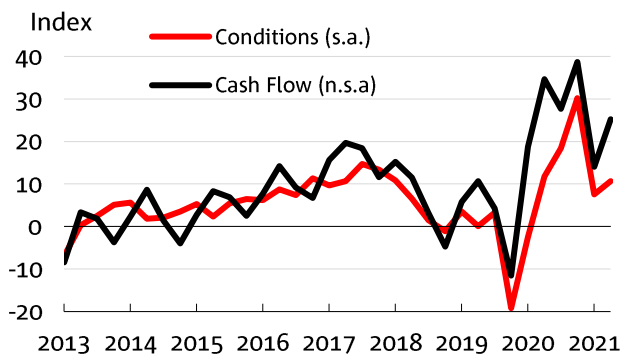
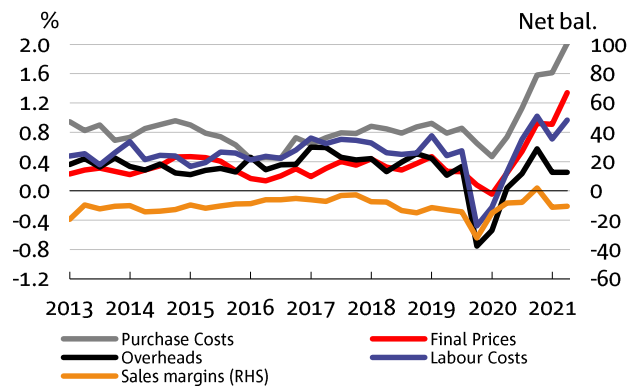


CHART 4: SME INPUT COSTS AND FINAL PRICE GROWTH (S.A.)



## CONSTRAINTS ON OUTPUT

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

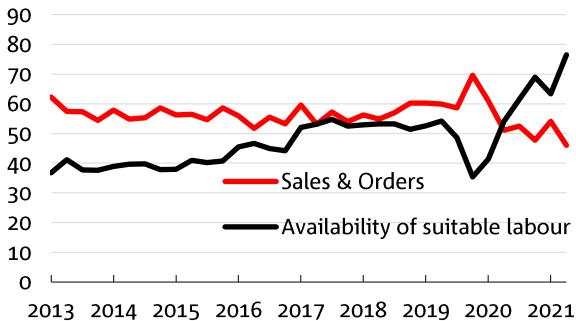
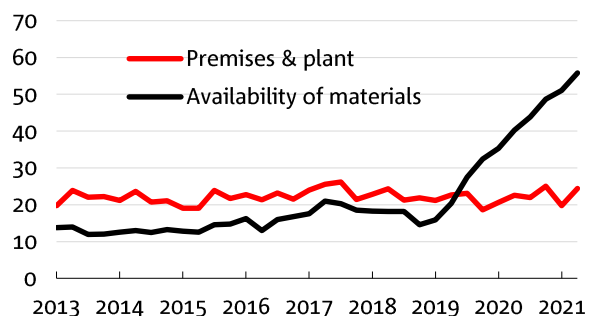
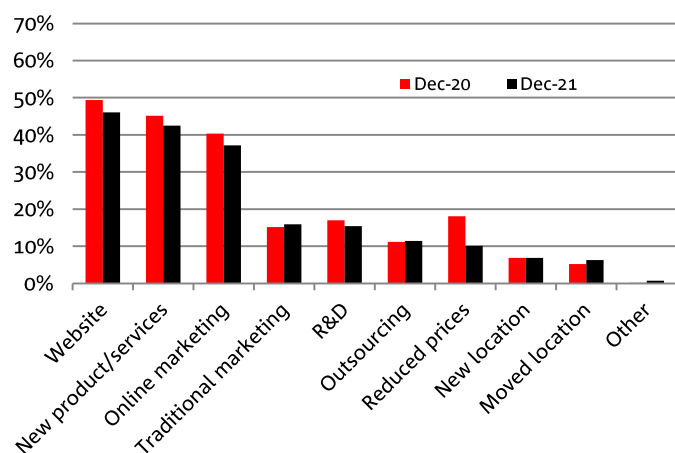


CHART 6: FACTORS CONSTRAINING SME OUTPUT (% of firms)



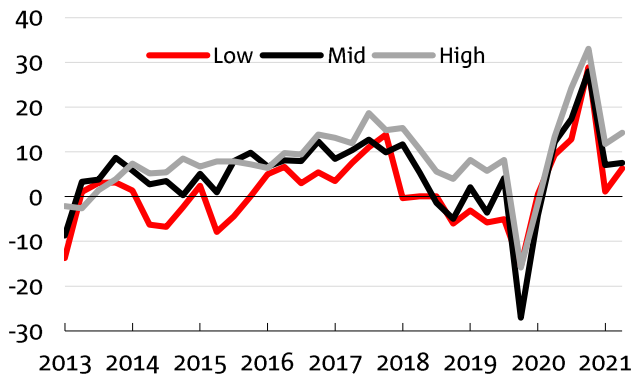
## STRATEGIES

CHART 7: STRATEGIES EMPLOYED TO IMPROVE COMPETITIVENESS

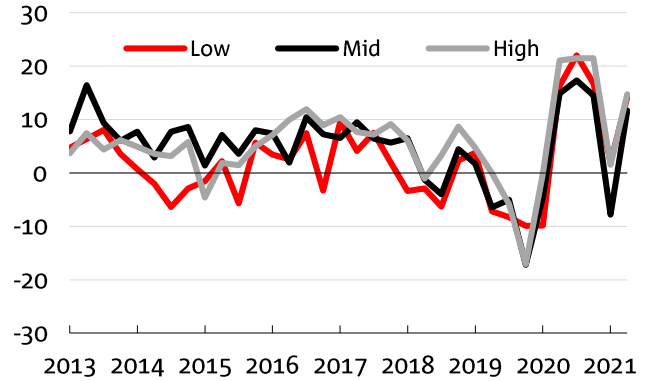


# NAB QUARTERLY SME SURVEY – BY FIRM SIZE

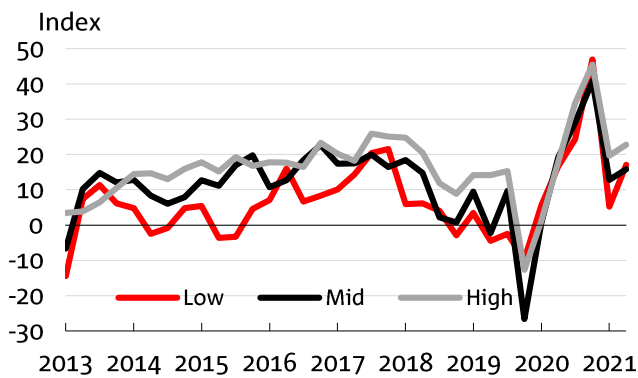
**CHART 8: BUSINESS CONDITIONS BY FIRM SIZE (NET BAL., S.A.)**



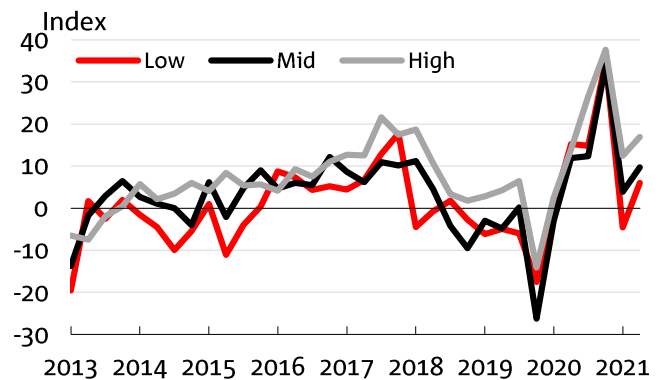
**CHART 9: BUSINESS CONFIDENCE BY FIRM SIZE (NET BAL., S.A.)**



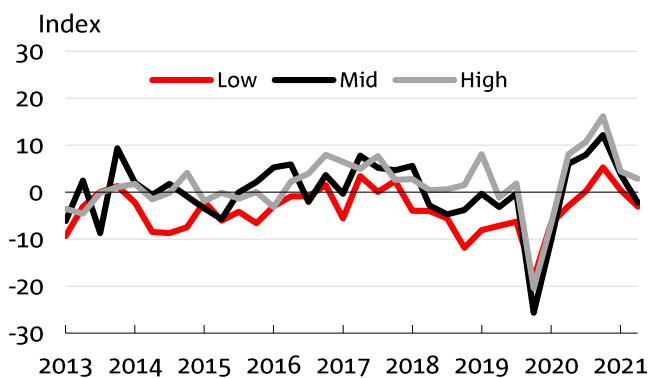
**CHART 10: TRADING CONDITIONS BY FIRM SIZE (NET BAL., S.A.)**



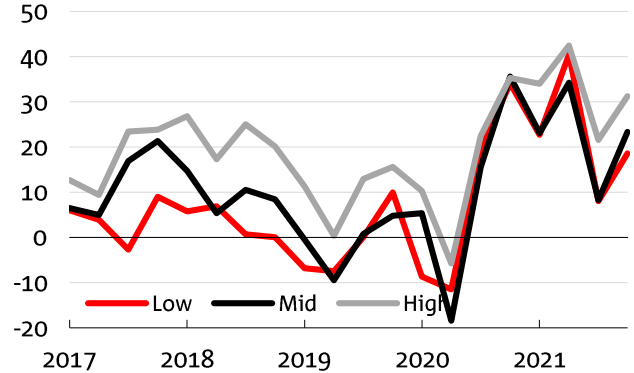
**CHART 11: PROFITABILITY BY FIRM SIZE (NET BAL., S.A.)**



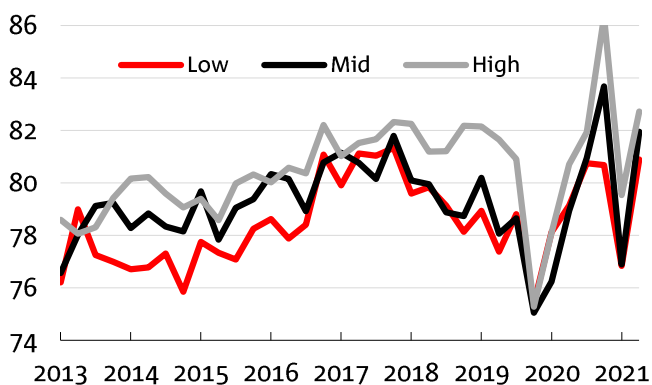
**CHART 12: EMPLOYMENT BY FIRM SIZE (NET BAL., S.A.)**



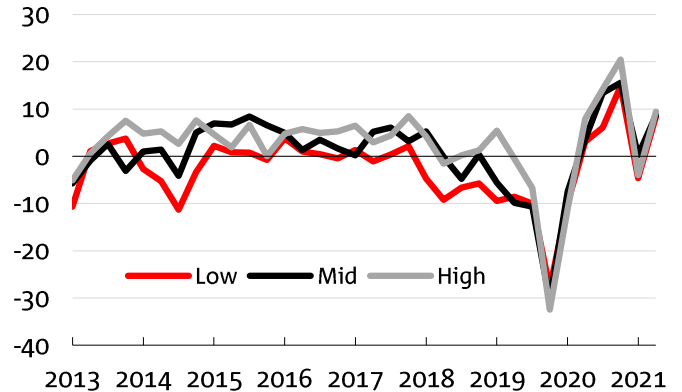
**CHART 13: CASH FLOW BY FIRM SIZE (NET BAL., N.S.A.)**



**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.)

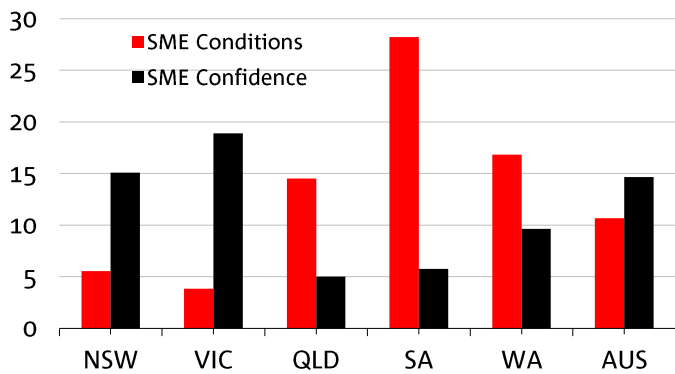


CHART 17: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

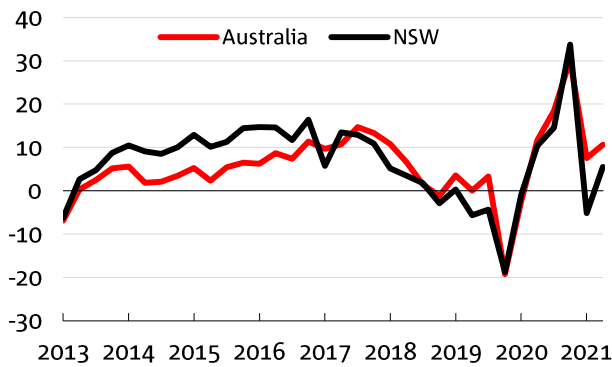


CHART 18: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)

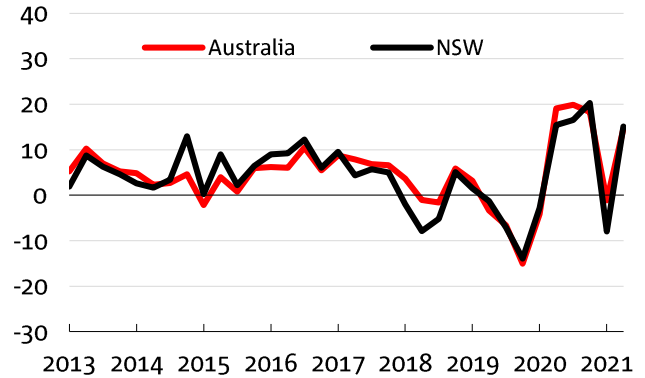


CHART 19: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

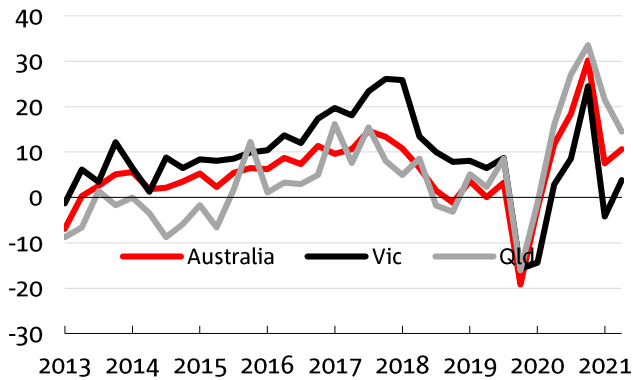


CHART 20: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)

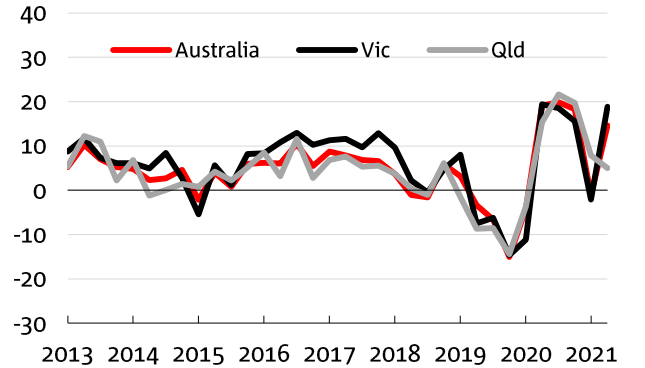


CHART 21: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

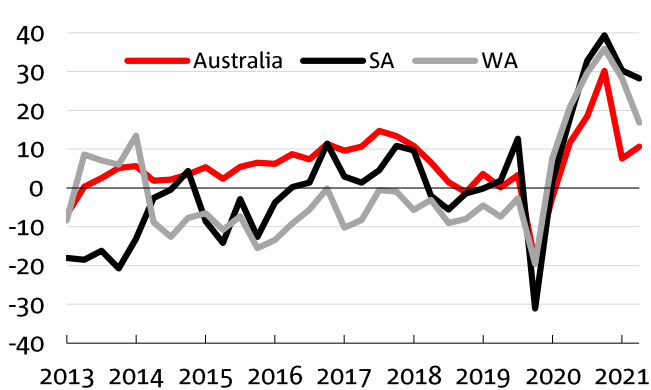
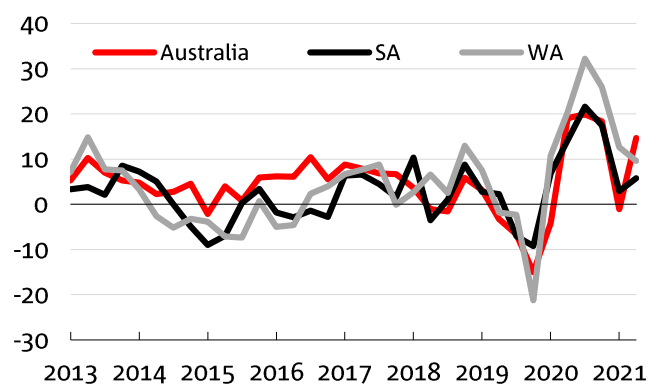


CHART 22: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)



# NAB QUARTERLY SME SURVEY – BY INDUSTRY

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

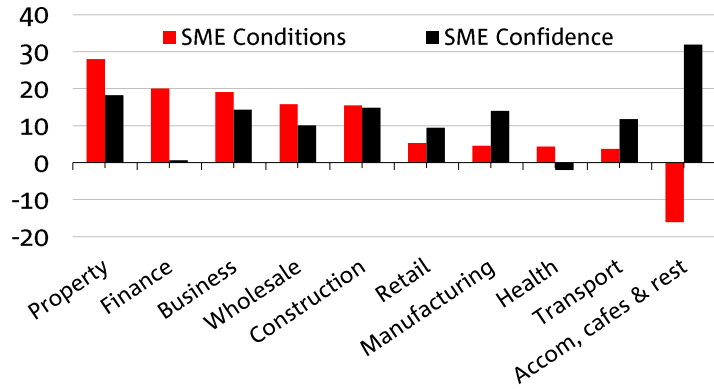


CHART 24: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

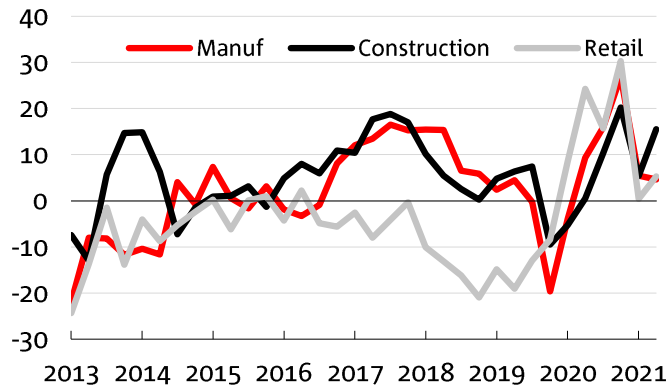


CHART 25: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

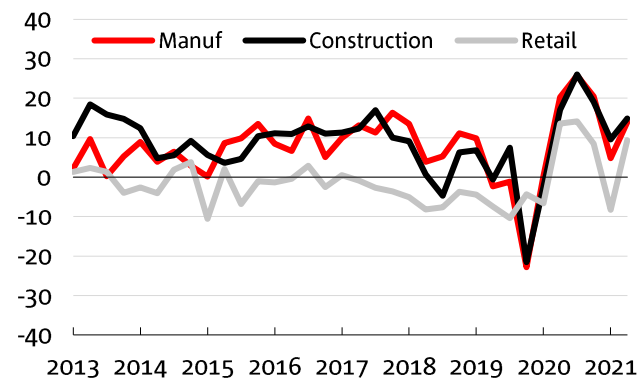


CHART 26: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

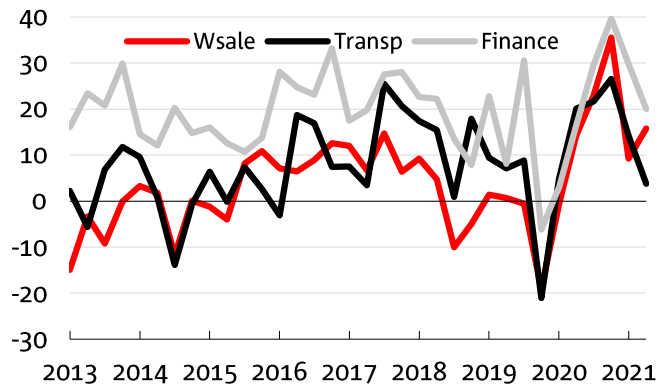


CHART 27: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

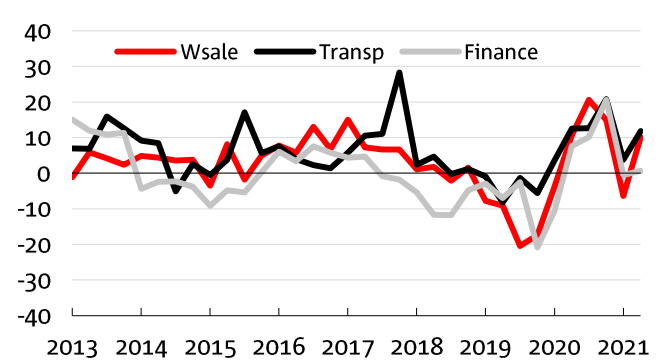


CHART 28: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

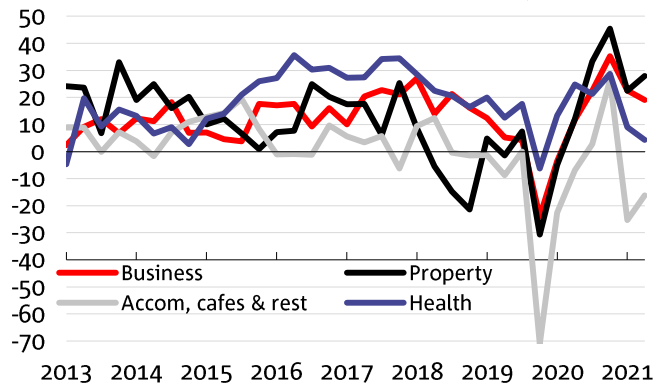
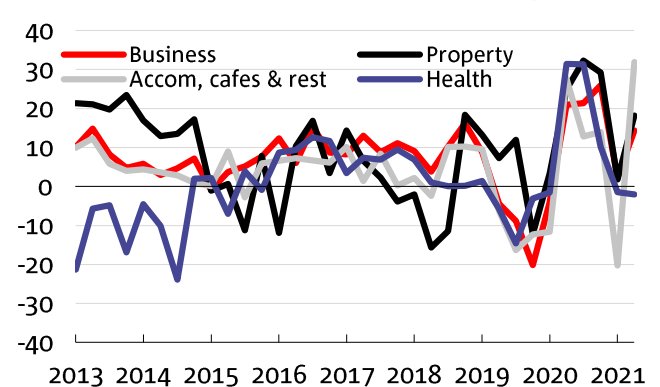
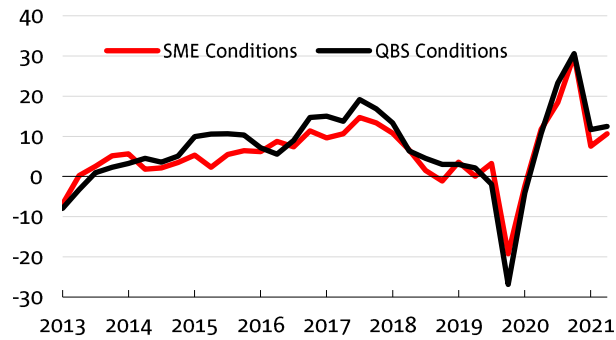


CHART 29: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

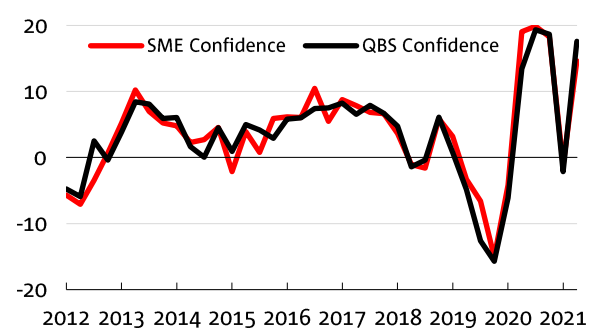


# NAB QUARTERLY SME SURVEY – COMPARISON WITH LARGER BUSINESSES

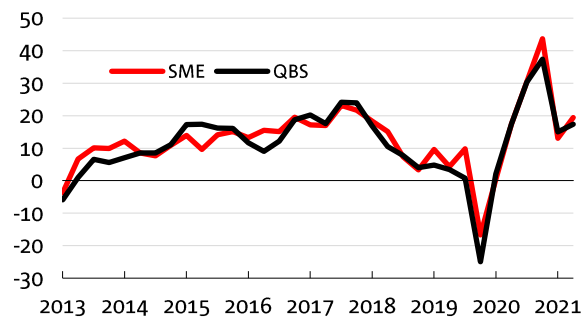
**CHART 30: BUSINESS CONDITIONS – SME & QBS (NET BAL., S.A.)**



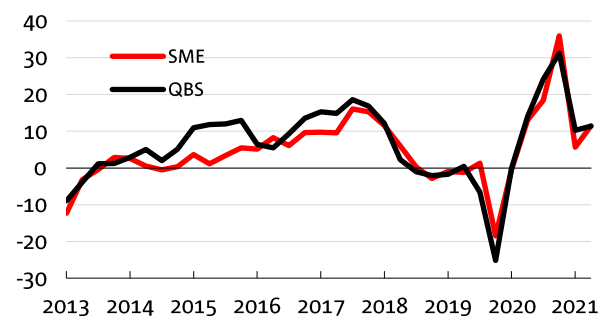
**CHART 31: BUSINESS CONFIDENCE – SME & QBS (NET BAL., S.A.)**



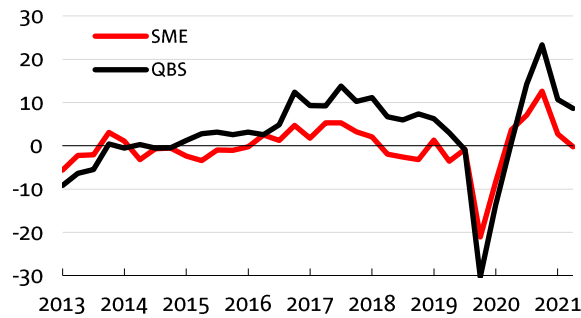
**CHART 32: TRADING CONDITIONS – SME & QBS (NET BAL., S.A.)**



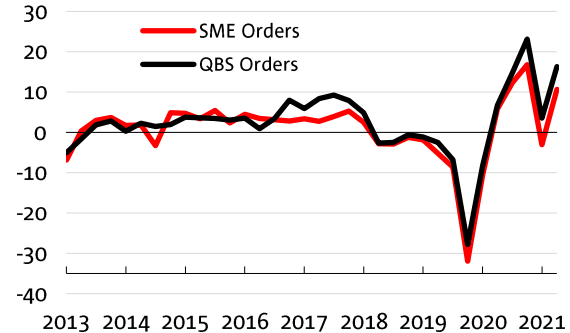
**CHART 33: PROFITABILITY – SME & QBS (NET BAL., S.A.)**



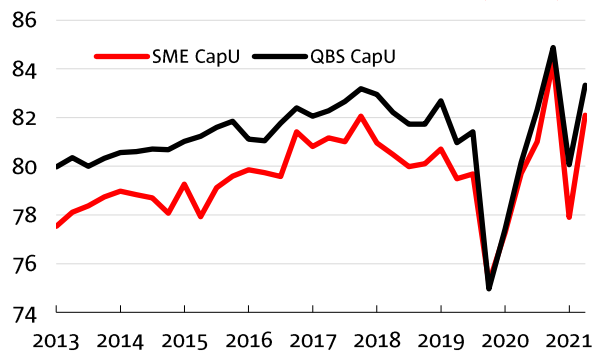
**CHART 34: EMPLOYMENT – SME & QBS (NET BAL., S.A.)**



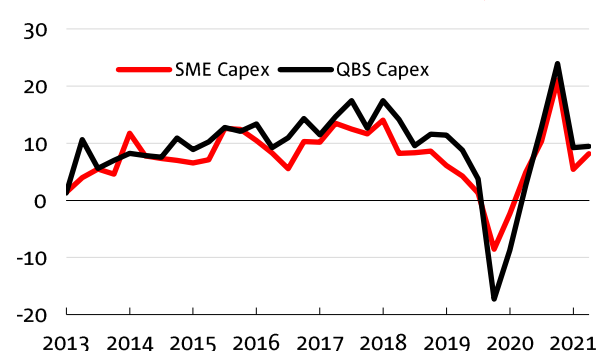
**CHART 35: FORWARD ORDERS – SME & QBS (NET BAL., S.A.)**



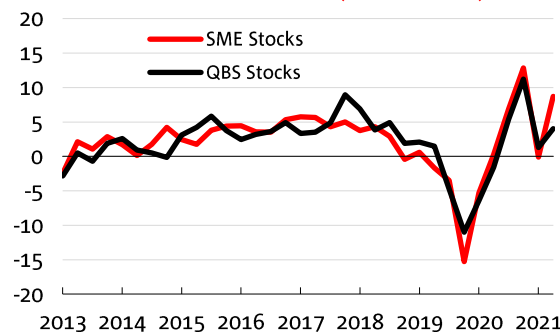
**CHART 36: CAPACITY UTILISATION – SME & QBS (% S.A.)**



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



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



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