

NAB QUARTERLY SME SURVEY 2022 Q2

CONFIDENCE FALLS DESPITE STRONG POST-OMICRON CONDITIONS

NAB Australian Economics

Small and medium enterprise (SME) business confidence fell further in Q2 despite conditions strengthening in the post-Omicron rebound period. SME confidence is down to +4 index points, back around the long-run average and in line with confidence levels reported by larger business in the NAB Quarterly Business Survey. Confidence is softest among the smallest firms, and confidence in the transport sector took a significant hit, likely reflecting the impact of higher oil prices. Still, SME business conditions rose to +13 index points in Q2, a strong level by historical standards, with trading conditions particularly elevated and profitability and employment both edging higher. SMEs in accommodation, cafes & restaurants saw a dramatic improvement in conditions, surging from a deep negative in the Omicron-affected Q1 to a strong positive level in Q2, and most other sectors were higher. Forward indicators also improved in the quarter, with capacity utilisation and forward orders both rising. In line with surveys of larger businesses, SMEs continue to report elevated cost growth with purchase costs rising 2.4% and labour costs up 1.4%, likely contributing to the softening in confidence – although the sales margin index improved somewhat in the quarter. Availability of materials and labour remain constraints for record shares of firms, highlighting that these supply-side issues continue to weigh on the ability of small businesses to operate as normal.

HIGHLIGHTS

- **SME business confidence fell in Q2 2022, down 6pts to +4 index points.** The softening was seen across SMEs of all sizes with the largest fall among the smallest firms, though all subgroups remain in positive territory.
- **SME business conditions strengthened, up 3pts to +13 index points.** Firms of all sizes saw conditions improve. Trading conditions reached +27 index points (+30 for the largest firms), while profitability rose to +13 index points and employment also rose to +4 index points.
- **Results for SMEs were similar to those among larger firms** (as indicated in the NAB Quarterly Business Survey), with conditions strengthening post-Omicron while confidence has softened.
- **Across the states, conditions improved everywhere except SA.** Confidence fell sharply in Qld and also fell in NSW and Vic, but edged higher in WA and SA.
- **By industry, conditions rebounded strongly in hospitality and were mixed elsewhere.** With the Omicron wave receding, accommodation, cafes and restaurants saw conditions swing from -13 index points in Q1 to +22 index points in Q2 (a 36pt turnaround). Most other sectors saw small gains although conditions eased for SMEs in finance and wholesale. In terms of confidence, all sectors saw a decline with the largest fall in transport (down 31pts to -12 index points). Confidence is also in negative territory in retail, property, and health.
- **Leading indicators rose in Q2.** Capacity utilisation reached 84.4% (similar to the rate among larger firms in the NAB Quarterly Business Survey), forward orders rose 4pts to +11 index points and capex rose 1pt to +9 index points.
- **Costs pressures remained elevated.** Purchase cost growth (2.4%), labour cost growth (1.4%) and overheads (1.2%) were all higher, with purchase costs running well above previous highs. Output price growth also rose, to 1.6%. Still, the sales margin index improved 4pts, to -8 index points.
- **Labour and materials availability continue to constrain output for SMEs and larger firms alike.** Around 80% of firms report availability of labour is a constraint and the share citing availability of materials as a constraint rose to more than 60%, a new record level.

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 q4	2022 q1	2022 q2
Business Confidence	14	10	4
Low-tier firms	13	9	2
Mid-tier firms	12	9	4
High-tier firms	14	11	8
Business Conditions	13	10	13
Low-tier firms	8	5	9
Mid-tier firms	11	10	14
High-tier firms	17	13	16

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

	2021 q4	2022 q1	2022 q2
Trading Conditions	24	20	27
Low-tier firms	20	13	16
Mid-tier firms	21	23	27
High-tier firms	27	22	30
Profitability	14	9	13
Low-tier firms	8	2	7
Mid-tier firms	13	10	15
High-tier firms	20	13	14
Employment	1	0	4
Low-tier firms	-3	2	1
Mid-tier firms	-3	-4	2
High-tier firms	4	0	8

All data seasonally adjusted, except purchase costs and exports. Fieldwork for this survey was conducted from 23 May to 9 June 2022, covering over 700 firms across the non-farm business sector. Next release date: 27 October 2022.

NAB QUARTERLY SME SURVEY – CONDITIONS, CONFIDENCE & PRICES

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

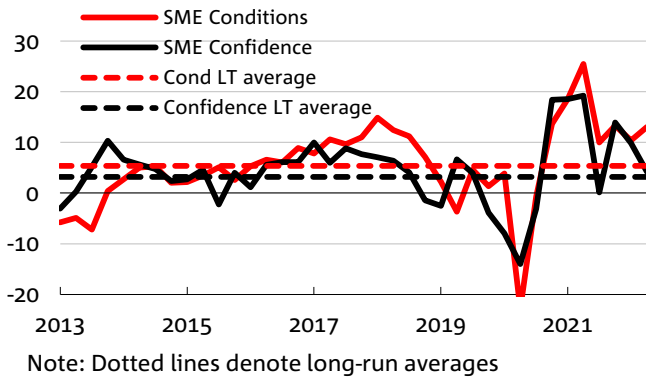


CHART 2: SME BUSINESS CONDITIONS COMPONENTS (NET BAL., S.A.)

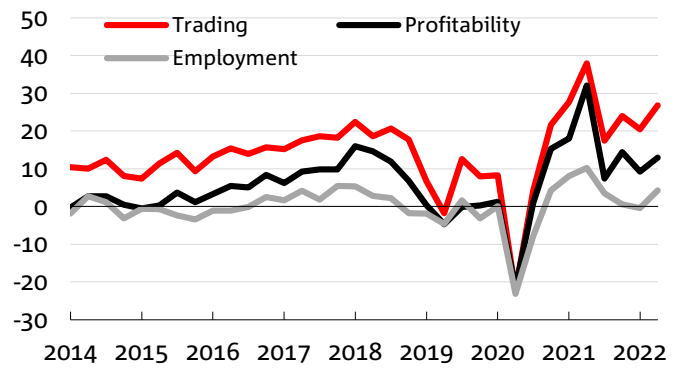


CHART 3: SME BUSINESS CONDITIONS & CASH FLOW (NET BAL, N.S.A.)

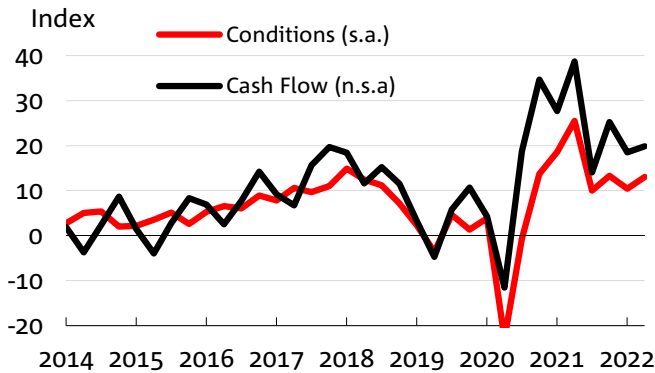
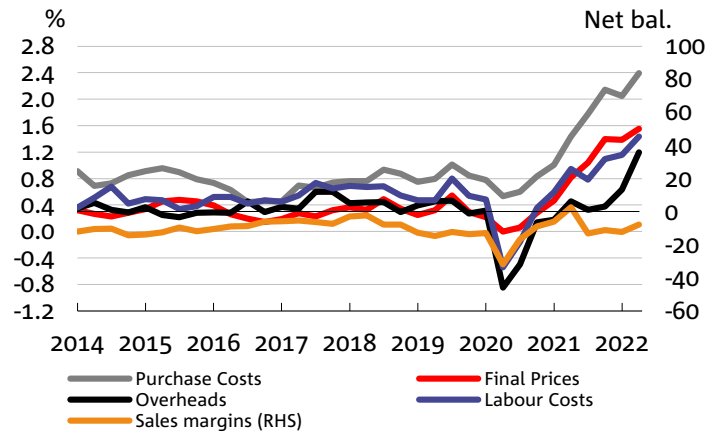


CHART 4: SME INPUT COSTS AND FINAL PRICE GROWTH (S.A.)



CONSTRAINTS ON OUTPUT

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

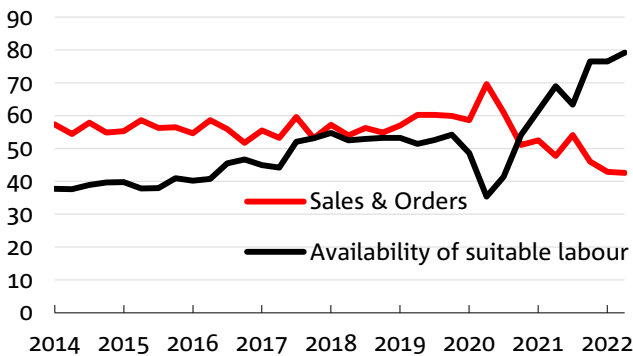
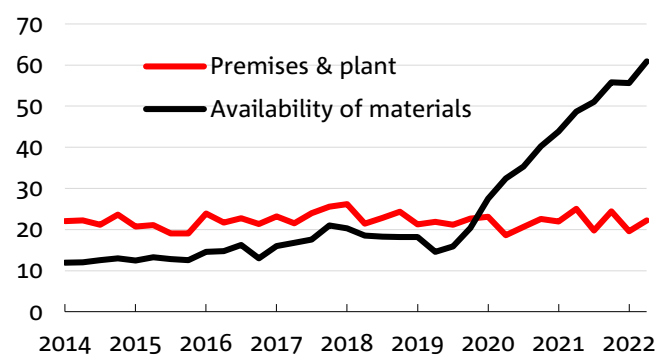


CHART 6: FACTORS CONSTRAINING SME OUTPUT (% of firms)



NAB QUARTERLY SME SURVEY – BY FIRM SIZE

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

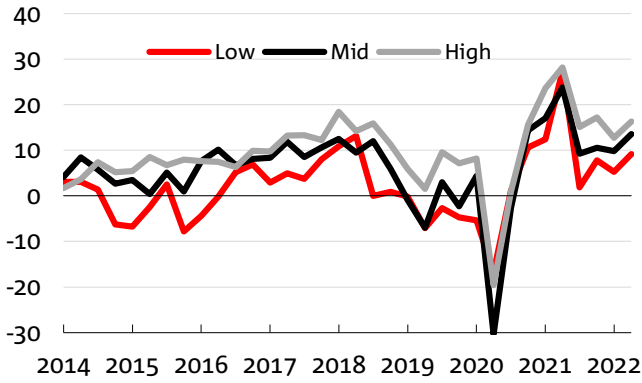


CHART 9: BUSINESS CONFIDENCE BY FIRM SIZE (NET BAL., S.A.)

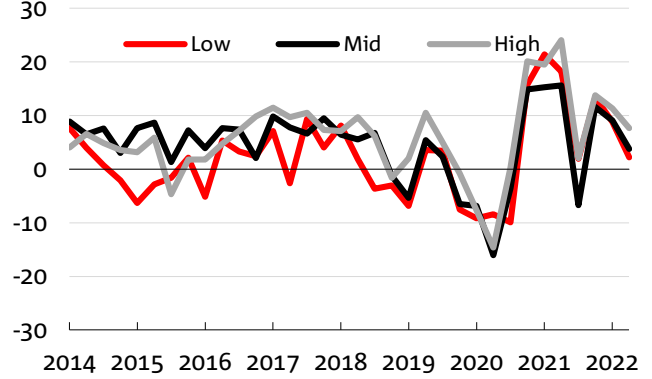


CHART 10: TRADING CONDITIONS BY FIRM SIZE (NET BAL., S.A.)

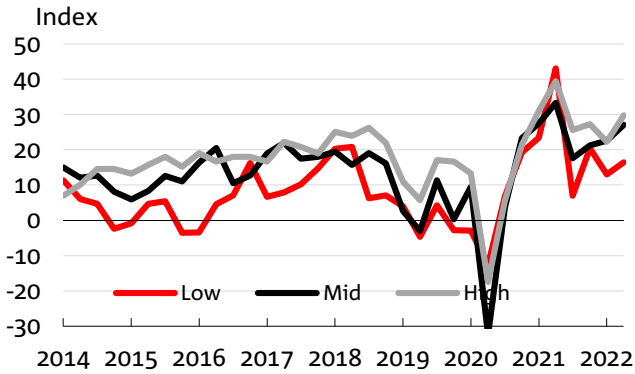


CHART 11: PROFITABILITY BY FIRM SIZE (NET BAL., S.A.)

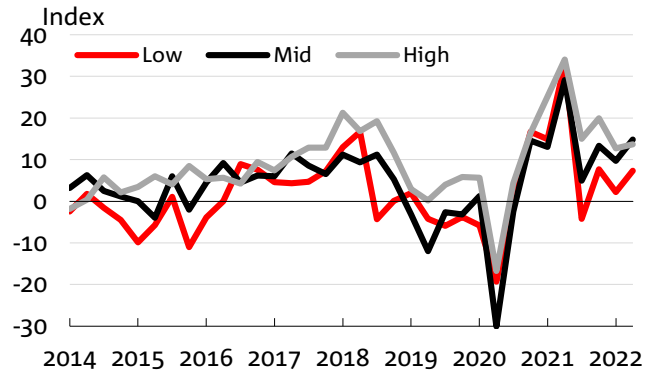


CHART 12: EMPLOYMENT BY FIRM SIZE (NET BAL., S.A.)

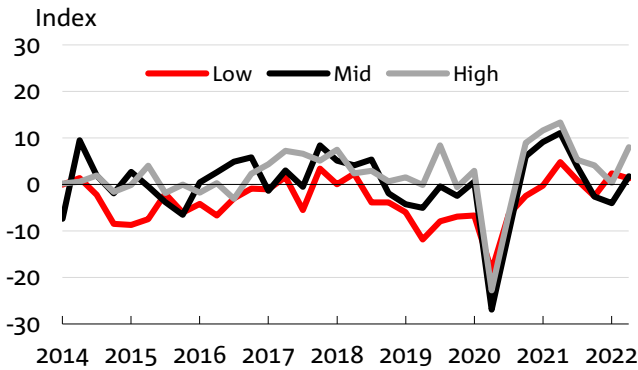


CHART 13: CASH FLOW BY FIRM SIZE (NET BAL., N.S.A.)

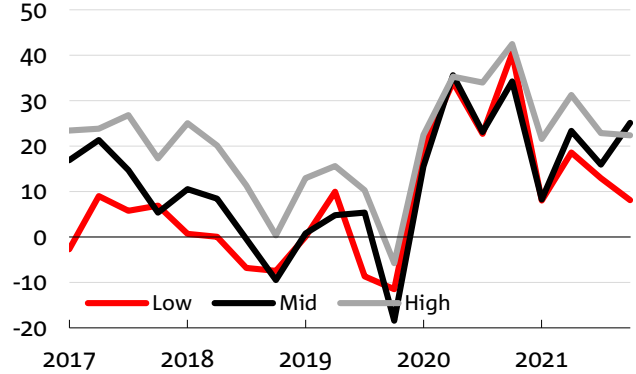


CHART 14: CAPACITY UTILISATION (% S.A.)

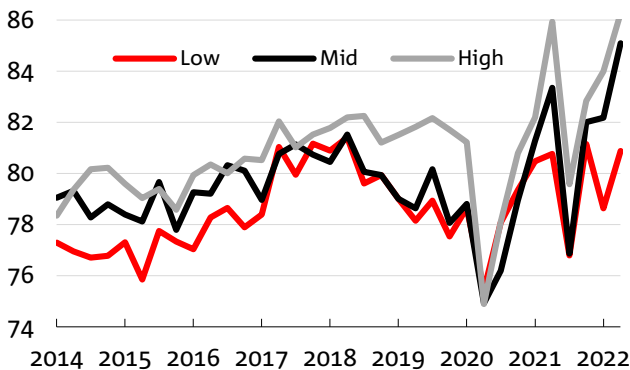
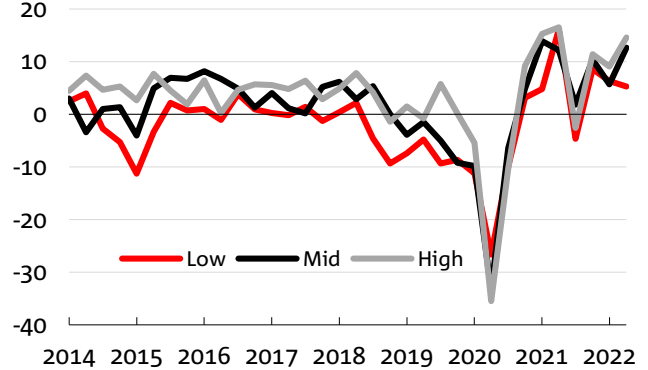


CHART 15: FORWARD ORDERS BY FIRM SIZE (NET BAL., S.A.)



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.)

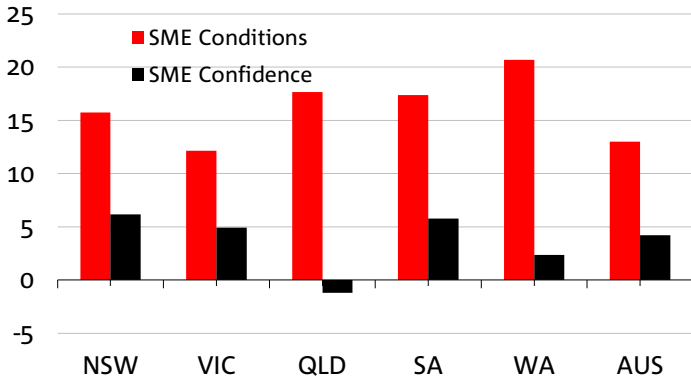


CHART 17: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

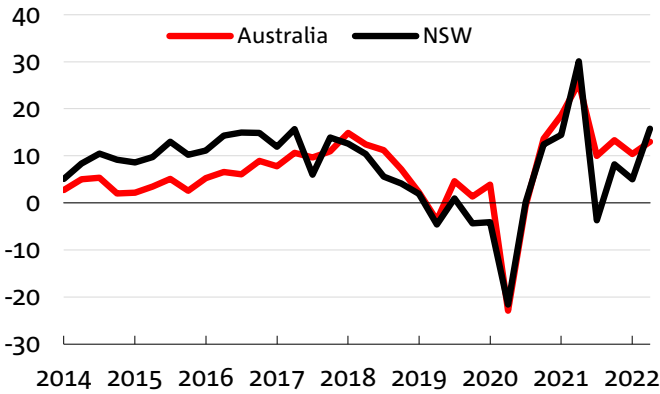


CHART 18: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)

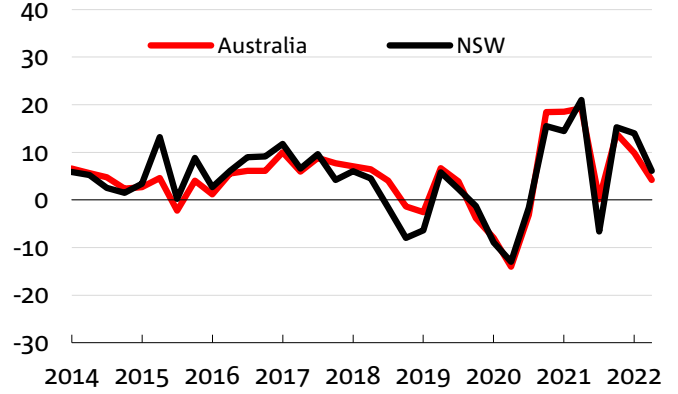


CHART 19: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

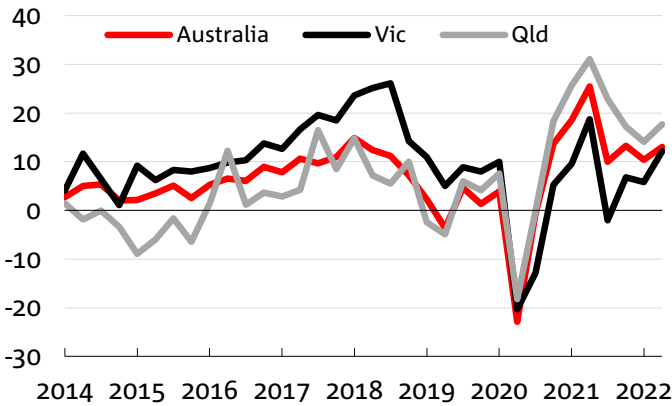


CHART 20: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)

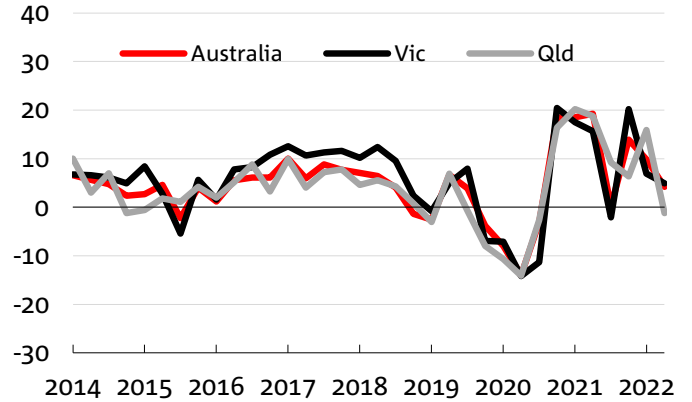


CHART 21: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

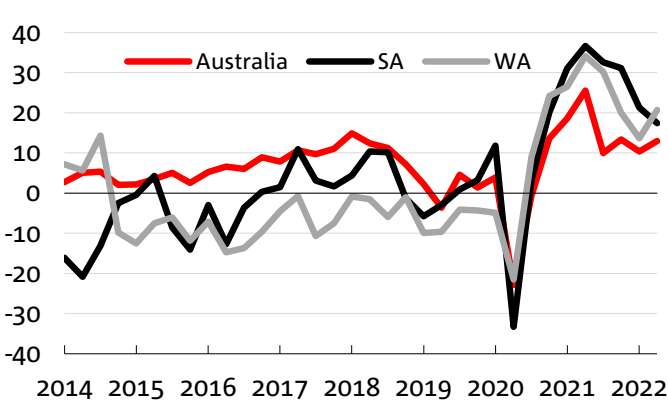
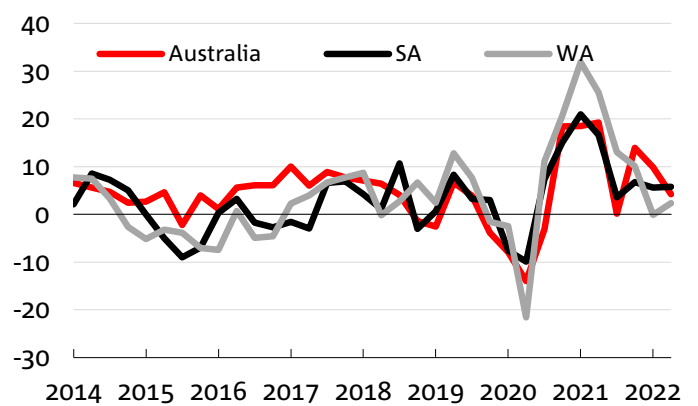


CHART 22: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)



NAB QUARTERLY SME SURVEY – BY INDUSTRY

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

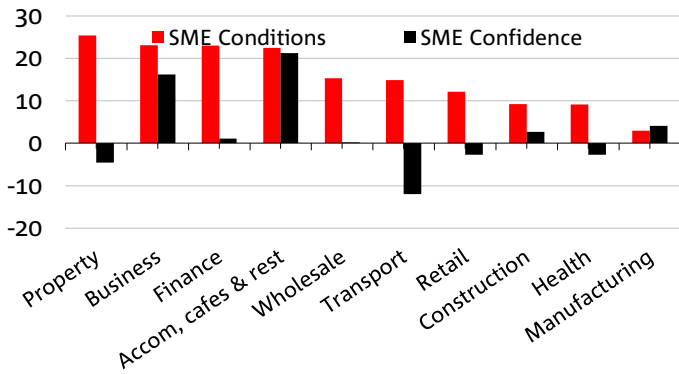


CHART 24: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

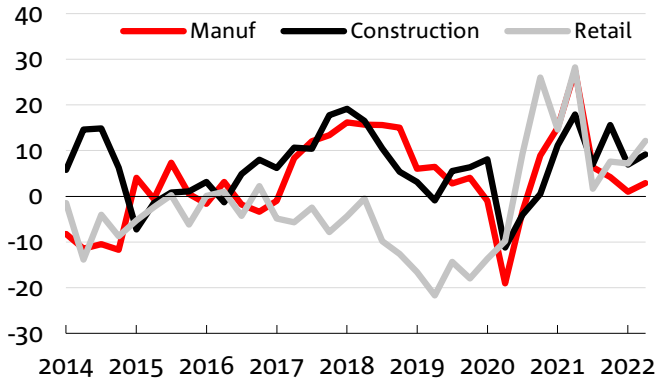


CHART 25: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

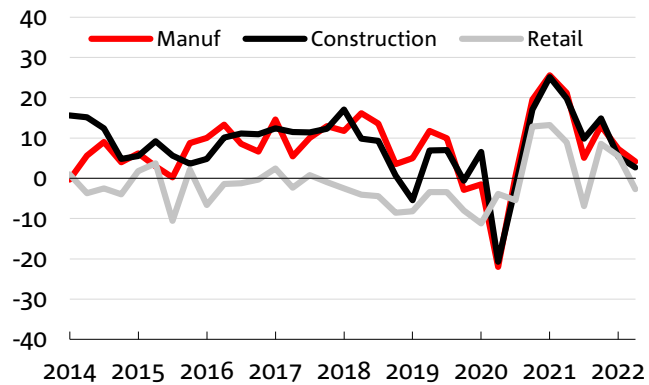


CHART 26: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

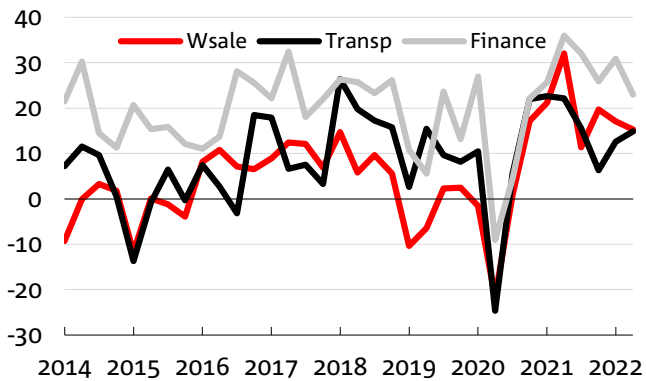


CHART 27: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)

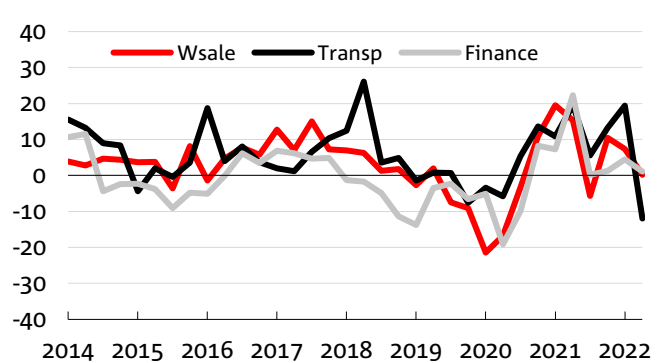


CHART 28: SME BUSINESS CONDITIONS BY INDUSTRY (NET BAL., S.A.)

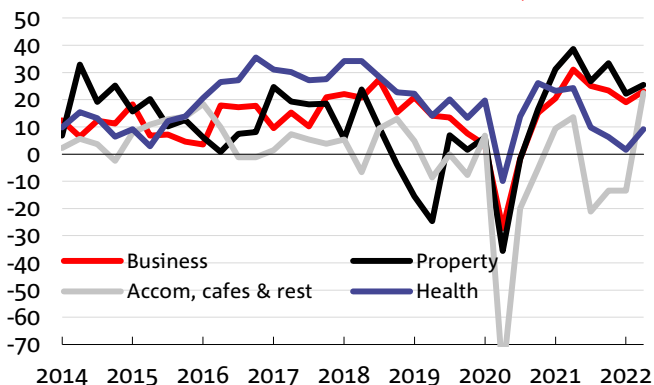
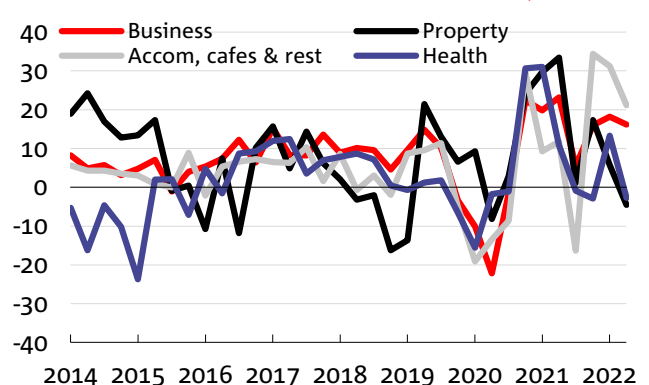


CHART 29: SME BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., S.A.)



NAB QUARTERLY SME SURVEY – COMPARISON WITH LARGER BUSINESSES

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

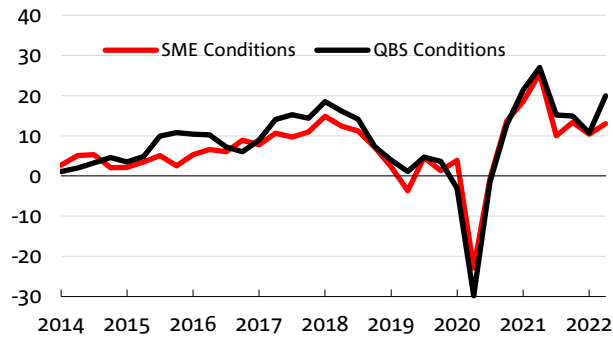


CHART 31: BUSINESS CONFIDENCE – SME & QBS (NET BAL., S.A.)

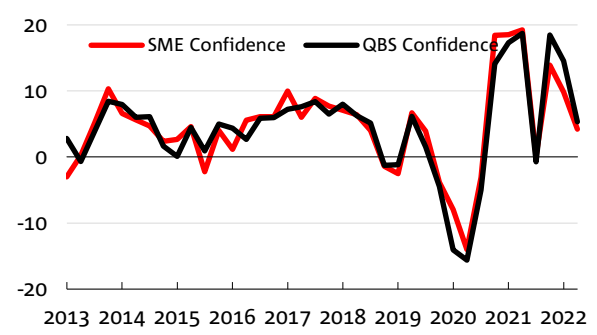


CHART 32: TRADING CONDITIONS – SME & QBS (NET BAL., S.A.)

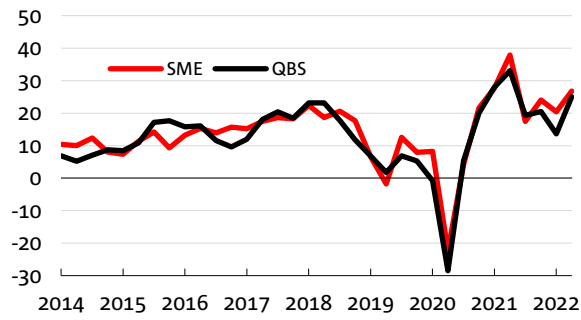


CHART 33: PROFITABILITY – SME & QBS (NET BAL., S.A.)

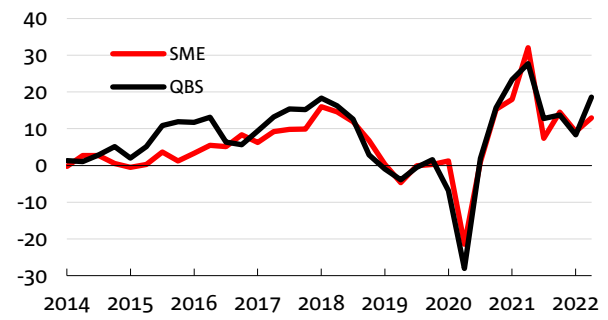


CHART 34: EMPLOYMENT – SME & QBS (NET BAL., S.A.)

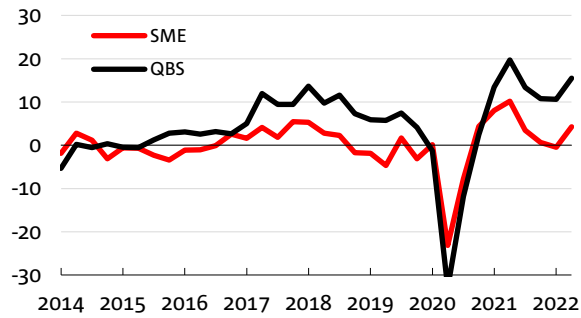


CHART 35: FORWARD ORDERS – SME & QBS (NET BAL., S.A.)

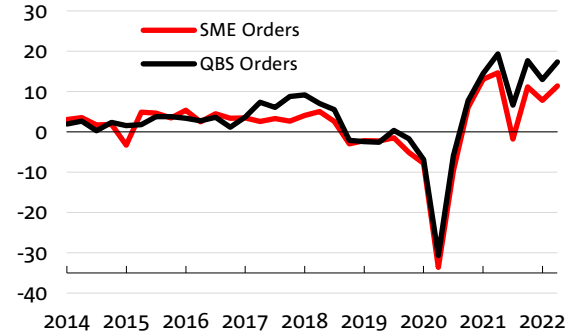


CHART 36: CAPACITY UTILISATION – SME & QBS (% S.A.)

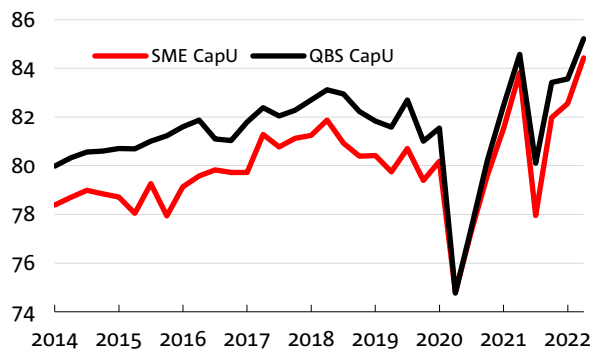


CHART 37: CAPITAL EXPENDITURE – SME & QBS (NET BAL., S.A.)

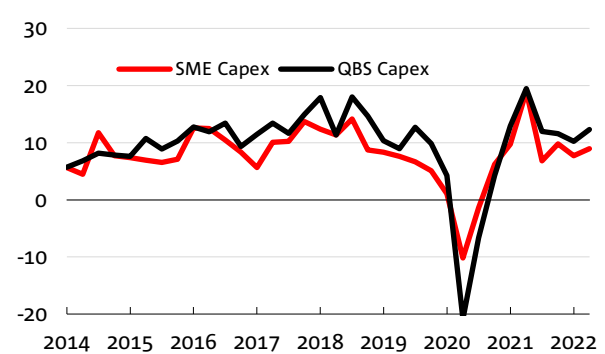
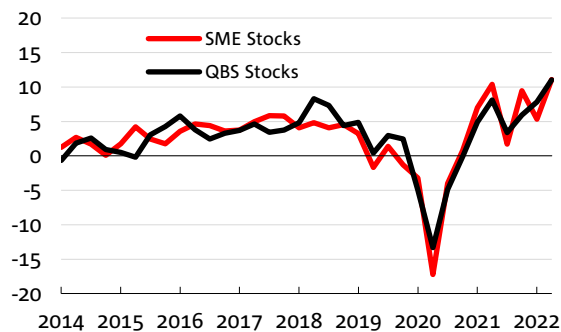


CHART 38: STOCKS – SME & QBS (NET BAL., S.A.)



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