



NAB Quarterly SME Survey 2022 Q3

Easing conditions for small firms, despite strong demand

NAB Group Economics

Summary

SME business conditions edged down in Q3, led by softening conditions for the smallest firms. Still, conditions remain strong among medium-sized and larger SMEs, in line with the strength in demand reported by larger businesses in the NAB Quarterly Business Survey. SME confidence edged higher in Q3 and unusually, the smallest firms reported the strongest confidence. SMEs in transport, accommodation & food, finance, and wholesale all reported strong conditions, while conditions remained fairly robust across the states. Forward orders edged down but capacity utilisation reached a record high of 84.9%, mirroring the record set in the Quarterly Business Survey of larger firms. Cost pressures and price growth remain elevated, and reported margins continued to deteriorate – though at a slower rate.

Survey Details

- **SME business conditions** fell in Q3, down 4pts, but remain well above average at +13 index points. Conditions fell the most among the smallest firms, where conditions are now at +4 index points (albeit still around the long-run average). Conditions held up better among medium-sized and larger SMEs at strong levels. Trading conditions were very strong but the employment subcomponent was soft, turning negative for the smallest firms.
- **SME business confidence** edged higher, up 2pts to +6 index points. Low-tier firms reported the strongest confidence levels, at +10 index points, while medium-sized and larger SMEs were lower but still positive.
- **Compared to larger firms** (as measured in the NAB Quarterly Business Survey), SME conditions remained somewhat lower, though also remain well above average. SME confidence was also slightly lower.
- **By industry**, SME conditions were particularly strong in transport (up 25pts to +46 index points), accommodation & food (up 1pt to +28), finance (down 3pts but still strong at +23), and wholesale (down 1pt to +20), while conditions remained soft in health (down 5pts to +5) and manufacturing (up 1pt to +4). In terms of confidence, all industries strengthened except property (down 2pts to -10 index points) and business (down 6pts but still strong at +14).
- **Across the states**, SME conditions fell in SA (down 8pts to +9 index points), NSW (down 8pts to +8) and WA (down 5pts to +16). SME conditions remain healthy across the states, as does the confidence.
- **Leading indicators** were mixed in Q3, with forward orders down 4pts to +9 index points, but capacity utilisation rose to a survey record of 84.9%.
- **Cost pressures** remain elevated. Purchase cost growth remained high at 2.4% in quarterly terms with 56% of SMEs reporting availability of materials as a constraint. Labour cost growth edged up to 1.9%, and labour remains a constraint for 80% of firms. Final prices grew at 1.7% overall and the sales margin index rose 3pts, to -7 index points. The margins index improved in the quarter but remains well into negative territory.

Table 1: SME Conditions & Confidence (Net Balance, SA)

	2022 q1	2022 q2	2022 q3
Business Confidence	10	4	6
Low-tier firms	9	1	10
Mid-tier firms	9	4	6
High-tier firms	12	6	4
Business Conditions	10	17	13
Low-tier firms	5	10	4
Mid-tier firms	10	16	15
High-tier firms	13	20	17
Comparison to QBS (Non-SMEs)			
QBS Confidence	15	5	9
QBS Conditions	13	23	22

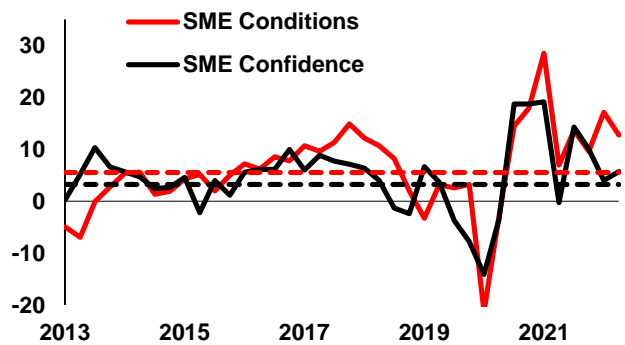
Table 2: SME Conditions by Component (Net Balance, SA)

	2022 q1	2022 q2	2022 q3
Trading Conditions	21	31	25
Low-tier firms	13	19	11
Mid-tier firms	23	32	26
High-tier firms	25	36	32
Profitability	10	16	10
Low-tier firms	2	7	3
Mid-tier firms	9	18	14
High-tier firms	13	17	11
Employment	0	5	4
Low-tier firms	2	1	-2
Mid-tier firms	-4	2	2
High-tier firms	0	9	7

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 22 August to 8 Sept 2022, covering over 700 firms across the non-farm business sector. **Next release date: 16 February 2023 (estimated).**

SME Conditions, Confidence & Prices

Chart 1: SME Conditions & Confidence (Net Balance, SA)



Note: Dotted lines denote long-run averages.

Chart 2: SME Conditions Components (Net Balance, SA)

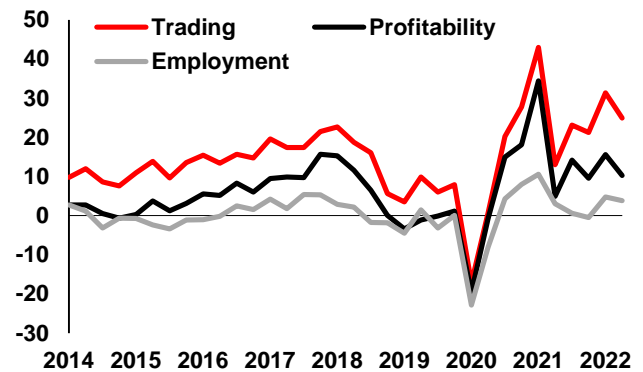


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

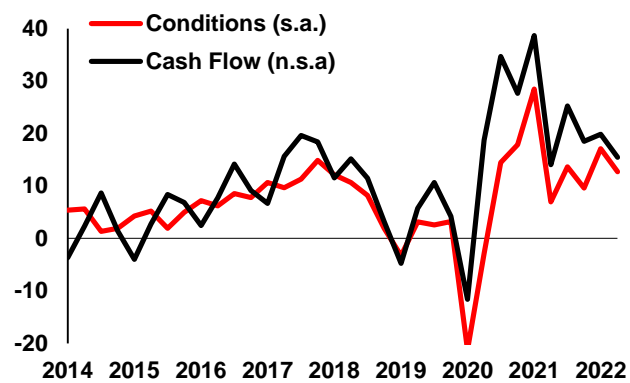
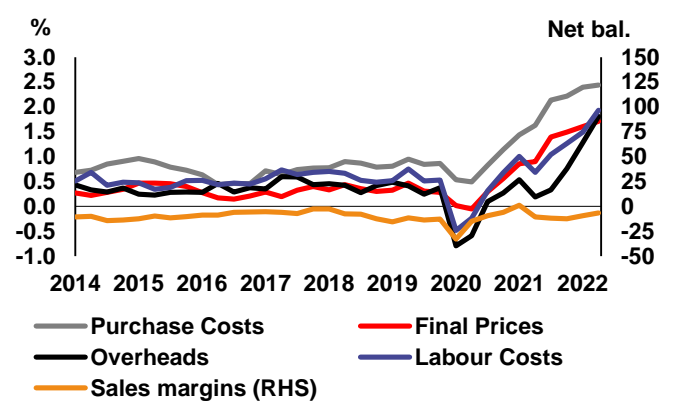


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

Chart 5: Factors Constraining SME Output (% of Firms)

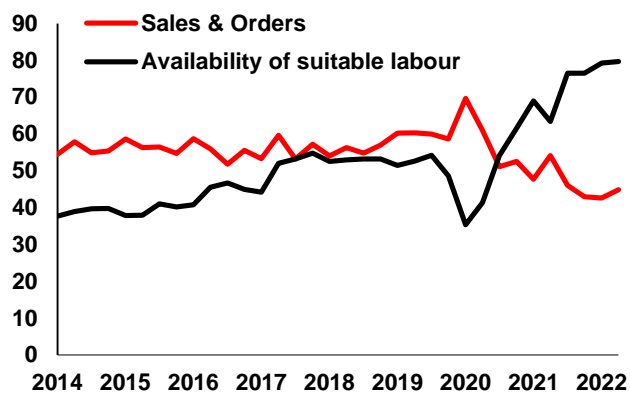
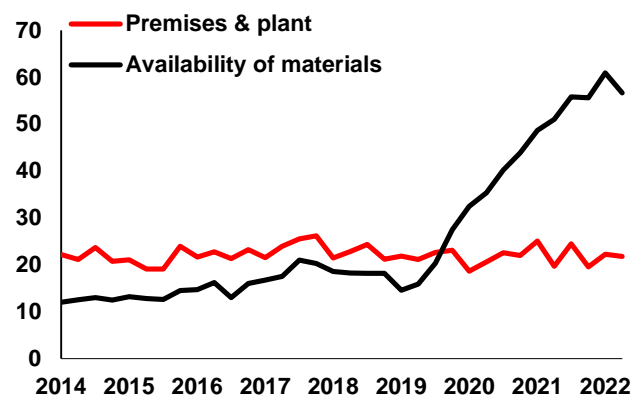


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

Chart 7: SME Conditions by Firm Size (Net Balance, SA)

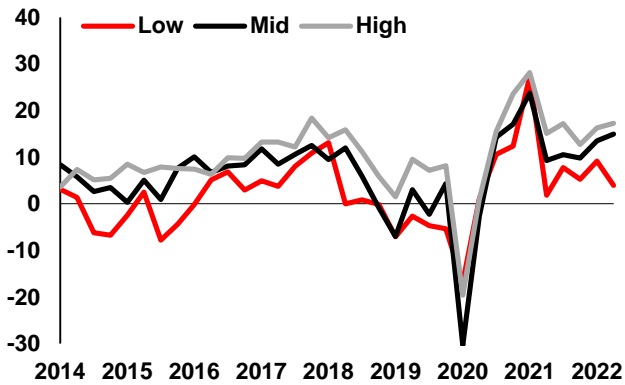


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

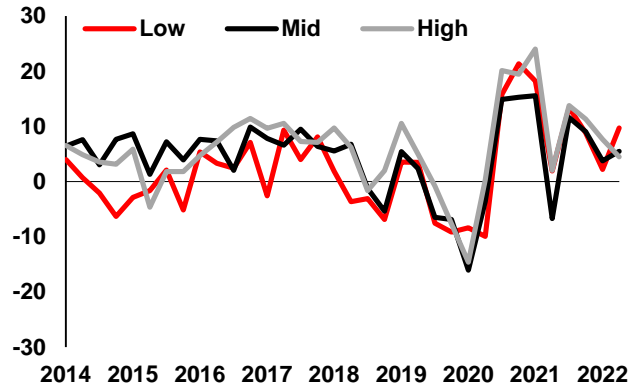


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

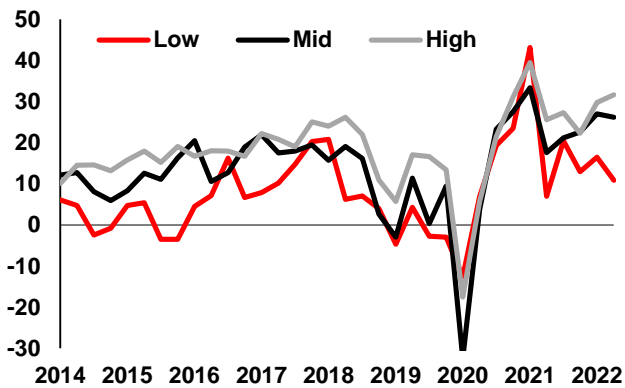


Chart 10: Profitability by Firm Size (Net Balance, SA)

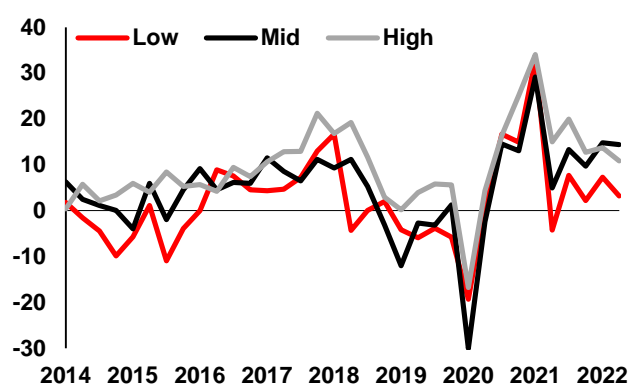


Chart 11: Employment by Firm Size (Net Balance, SA)

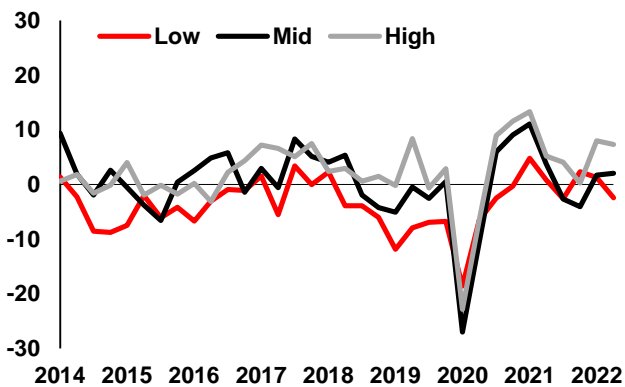


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

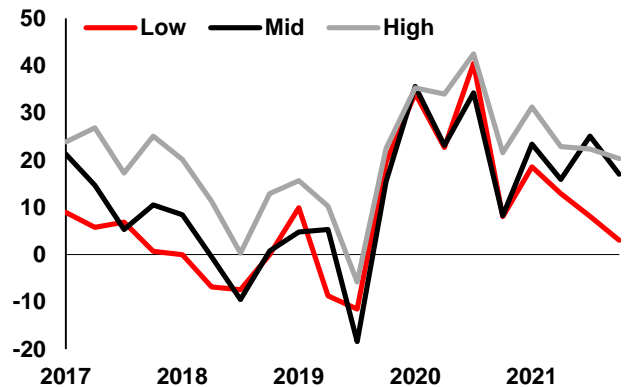


Chart 13: Capacity Utilisation by Firm Size (% , SA)

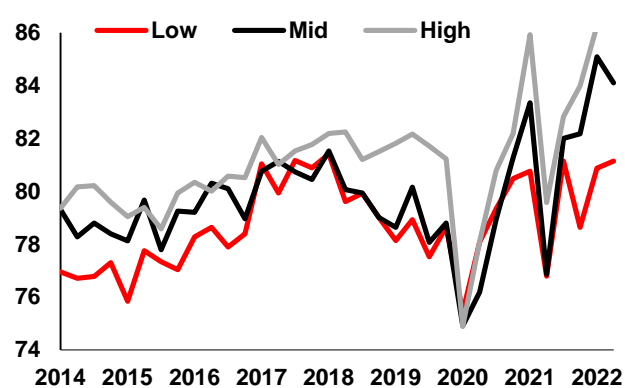
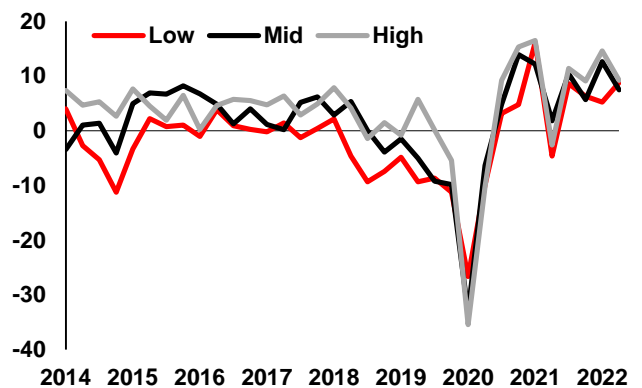


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

Chart 15: SME Conds. & Conf. by State (Net Balance, SA)

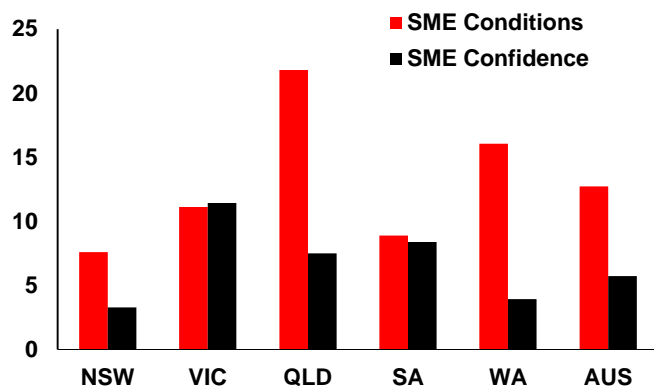


Chart 16: SME Conditions by State (Net Balance, SA)

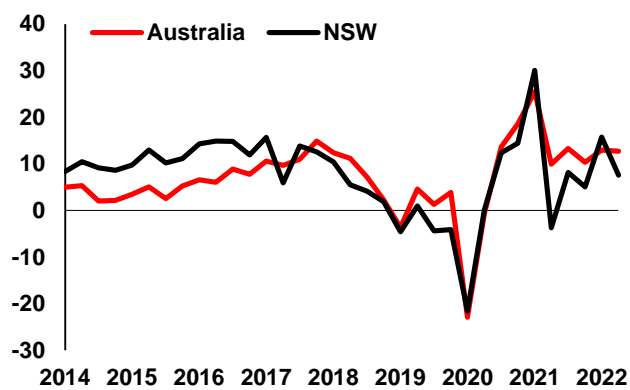


Chart 17: SME Confidence by State (Net Balance, SA)

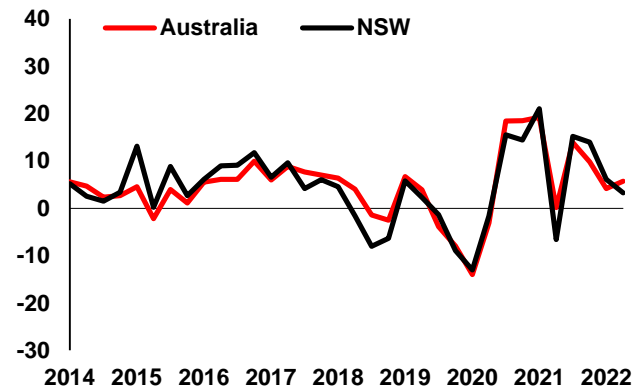


Chart 18: SME Conditions by State (Net Balance, SA)

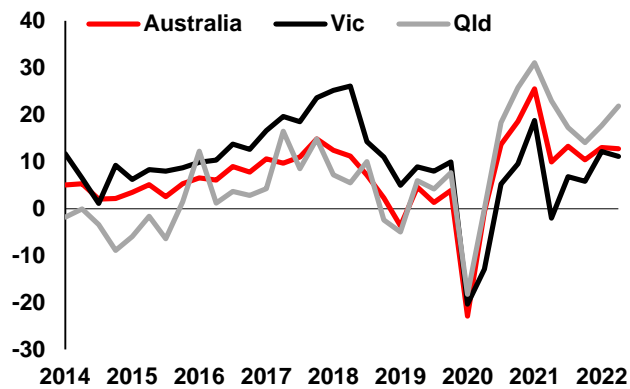


Chart 19: SME Confidence by State (Net Balance, SA)

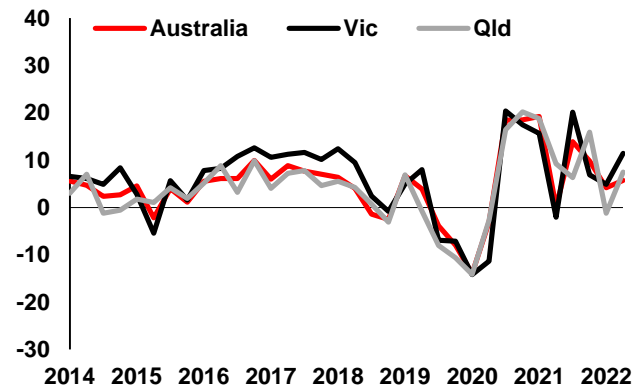


Chart 20: SME Conditions by State (Net Balance, SA)

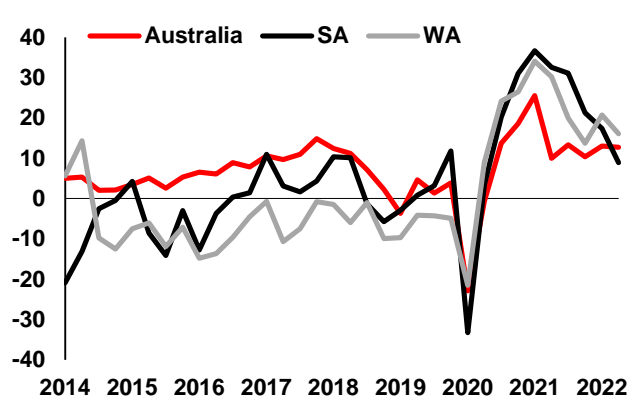
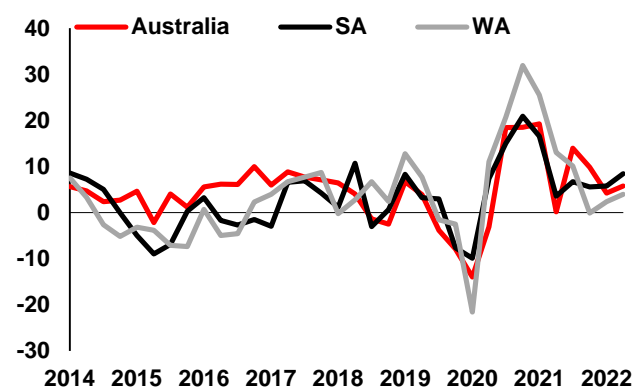


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

Chart 22: SME Conds. & Conf. by Industry (Net Bal., SA)

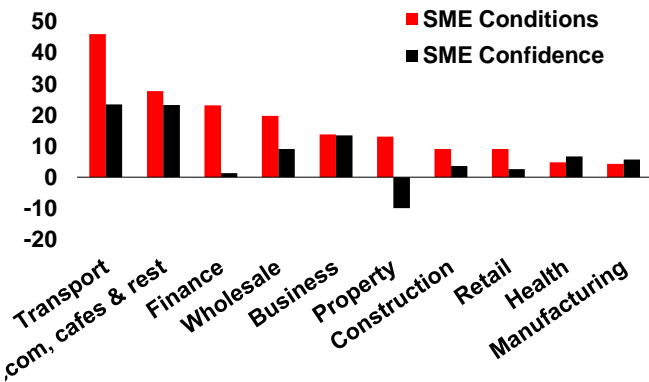


Chart 23: SME Conditions by Industry (Net Balance, SA)

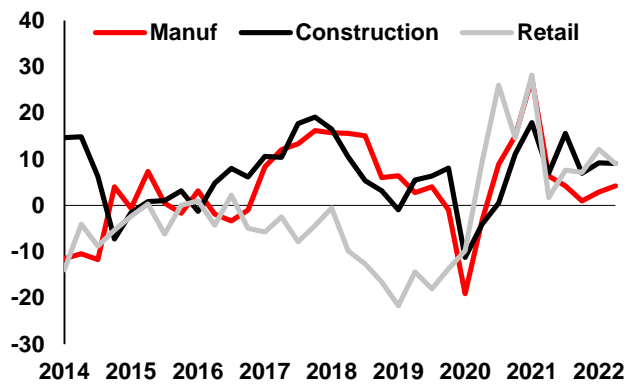


Chart 24: SME Confidence by Industry (Net Balance, SA)

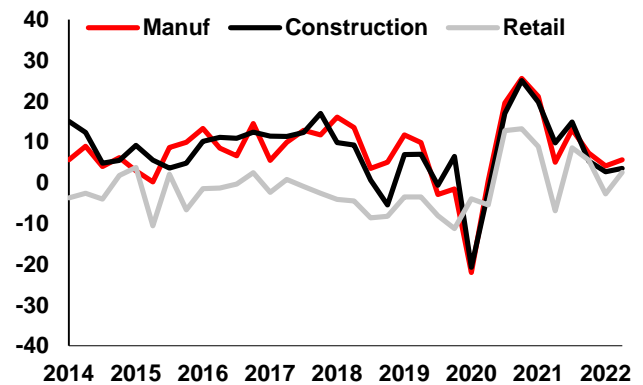


Chart 25: SME Conditions by Industry (Net Balance, SA)

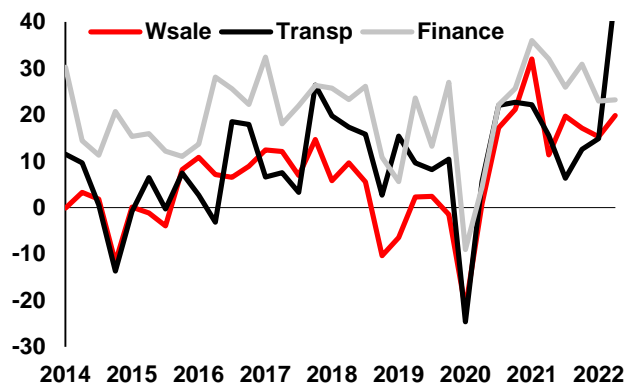


Chart 26: SME Confidence by Industry (Net Balance, SA)

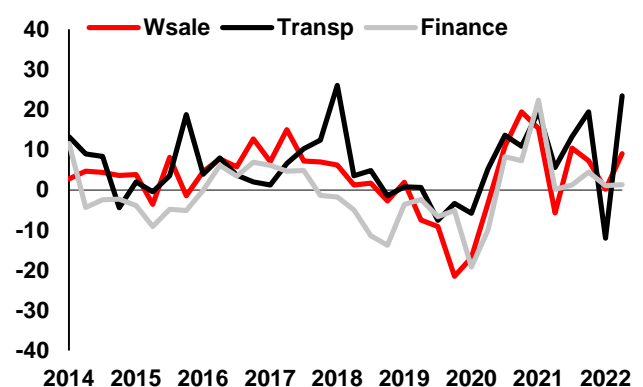


Chart 27: SME Conditions by Industry (Net Balance, SA)

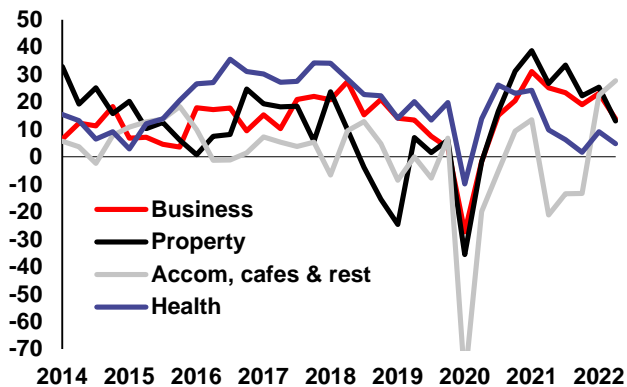
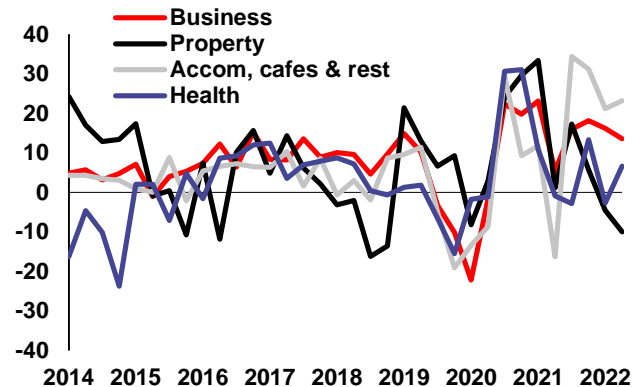


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators - Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

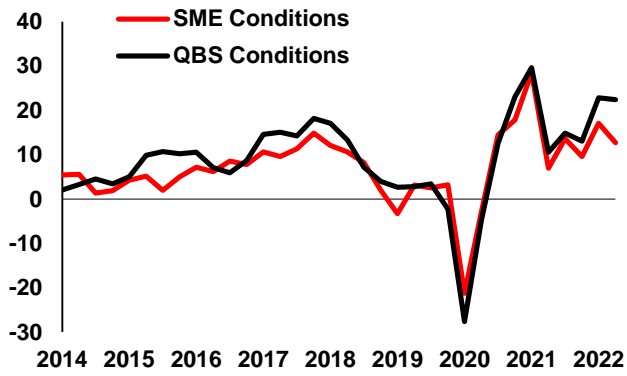


Chart 30: Business Confidence (Net Balance, SA)

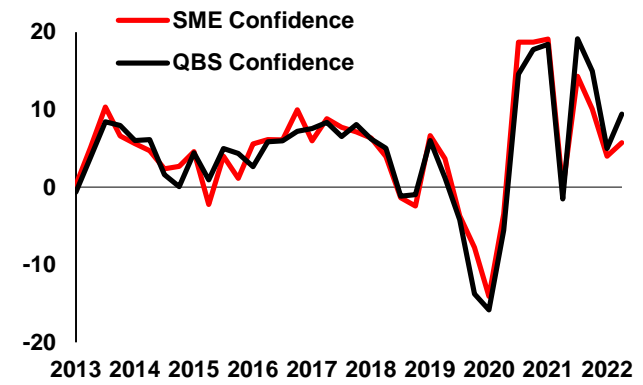


Chart 31: Trading Conditions (Net Balance, SA)

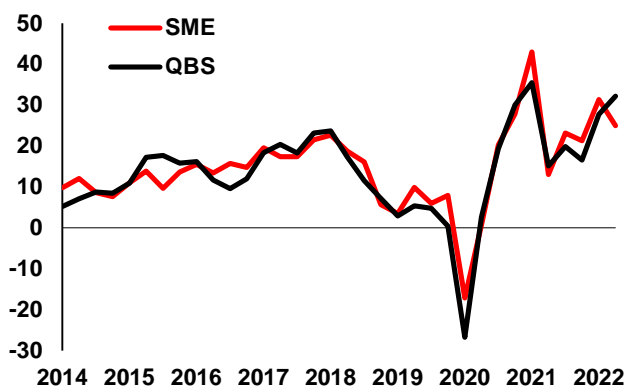


Chart 32: Profitability (Net Balance, SA)

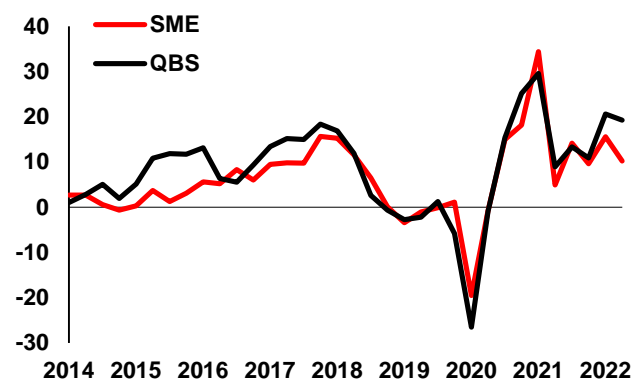


Chart 33: Employment (Net Balance, SA)

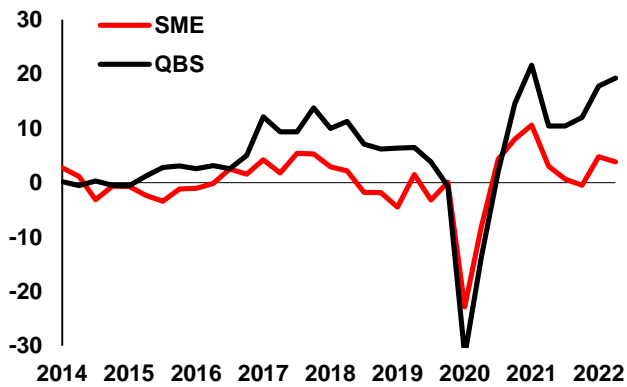


Chart 34: Forward Orders (Net Balance, SA)

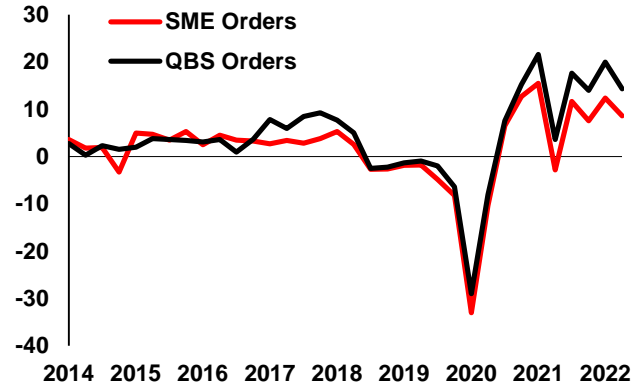


Chart 35: Capacity Utilisation (% , SA)

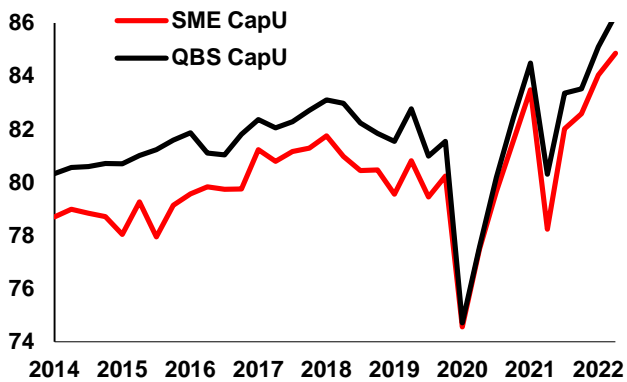
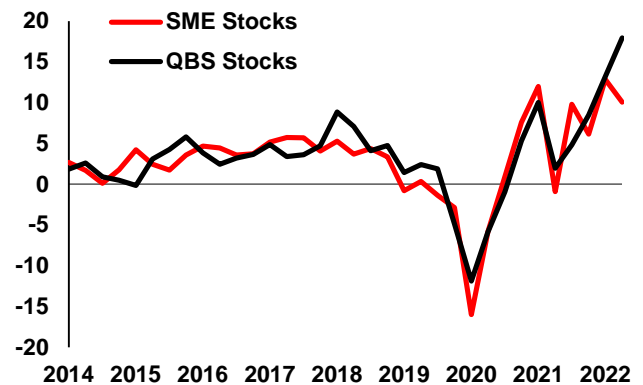


Chart 36: Stocks (Net Balance, SA)



Authors

Brody Viney

Senior Economist
Brody.Viney@nab.com.au
+61 0 452 673 400

Gareth Spence

Senior Economist
Gareth.Spence@nab.com.au
+61 0 436 606 175

Alan Oster

Group Chief Economist
Alan.Oster@nab.com.au
+61 0 414 444 652

Important notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.