



NAB Quarterly SME Survey 2022 Q4

Conditions eased for SMEs in late 2022

NAB Group Economics

Summary

SME business conditions continued to ease in Q4, though conditions held steady for the smallest firms with medium and larger tier businesses seeing a softening in conditions. Still, conditions for SMEs remained above their long-run average with trading conditions and reported cash flow at very high levels. SME confidence fell into negative territory, consistent with the fall in confidence among larger firms observed in the Quarterly Business Survey. Forward orders declined and capacity utilisation also softened after record highs reported in the middle of the year. Cost pressures and price growth remain elevated, though the rate of growth in both costs and prices eased from Q3. Overall, the survey suggests that growth is slowing but still healthy across the sector – but SMEs are increasingly wary of how long this persists.

Survey Details

- **SME business conditions** fell in Q4, down 3pts to +11 index points (still above the long-run average of +6). Conditions were steady at +5 index points for the smallest firms, with the largest fall among mid-sized SMEs. Trading conditions edged lower but remained very strong at +22 index points, while profitability eased to +9 and employment to +1.
- **SME business confidence** fell 9pts to be in negative territory at -4 index points. The fall in confidence was seen across the board with SMEs of all sizes recording negative confidence readings.
- **Compared to larger firms** (as measured in the NAB Quarterly Business Survey), SME conditions continued to be slightly softer but similarly strong relative to historical averages. Both SMEs and larger firms saw confidence turn negative in the quarter.
- **By industry**, SME conditions turned negative in property (down 16pts to -5 index points), but otherwise remained positive with strong conditions persisting in transport (+29 index points) and accommodation, cafes & restaurants (+27) and rising in health (up 11pts to +17). In terms of confidence, all industries saw significant falls with confidence turning negative in all sectors except transport, accommodation, cafes & restaurants, and business.
- **Across the states**, SME conditions were strongest in WA, Qld and SA while also remaining robust in Vic and NSW. SME confidence fell across all states, to be negative everywhere except Qld.
- **Leading indicators** softened in Q4. Forward orders declined 7pts to +2 index points and capacity utilisation also eased to 82.2%, down from a record 84.4% in Q3 and in line with softening among larger firms.
- **Cost pressures** remain elevated. Purchase cost growth was 2.1% in quarterly terms, only slightly down from Q3, with 52% of SMEs reporting availability of materials as a constraint. Labour cost growth was 1.5%, also slightly lower than Q3, and labour remains a constraint for almost 80% of firms. Final prices grew at 1.5% overall and the sales margin index fell 5pts, to -13 index points.

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

	2022 q2	2022 q3	2022 q4
Business Confidence	4	5	-4
Low-tier firms	2	8	-2
Mid-tier firms	4	5	-4
High-tier firms	7	3	-5
Business Conditions	16	14	11
Low-tier firms	10	5	5
Mid-tier firms	17	15	8
High-tier firms	20	17	15
Comparison to QBS (Non-SMEs)			
QBS Confidence	6	9	-1
QBS Conditions	22	23	18

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

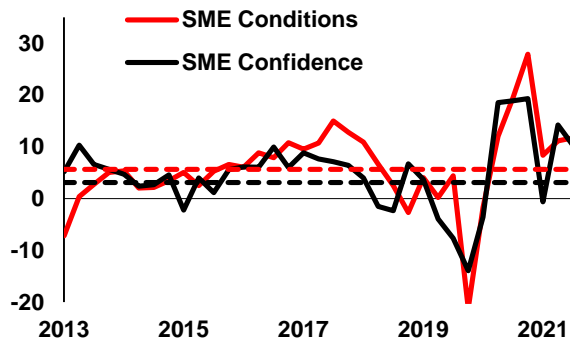
	2022 q2	2022 q3	2022 q4
Trading Conditions	30	27	22
Low-tier firms	18	12	13
Mid-tier firms	33	28	22
High-tier firms	35	32	26
Profitability	15	12	9
Low-tier firms	7	3	1
Mid-tier firms	18	16	8
High-tier firms	17	13	14
Employment	5	4	1
Low-tier firms	1	-3	1
Mid-tier firms	1	2	-5
High-tier firms	9	8	4

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 21 November to 9 December 2022, covering over 700 firms across the non-farm business sector.

Next release date: 27 April 2023.

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)

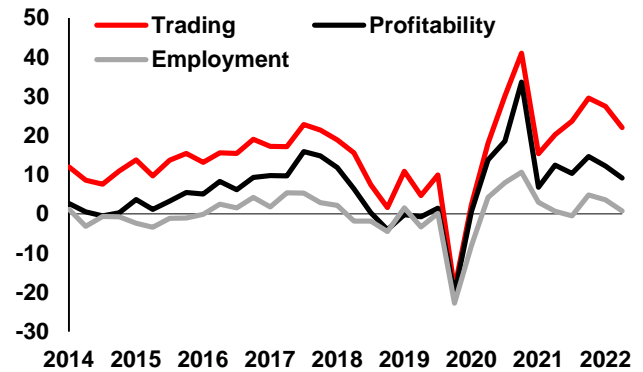


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

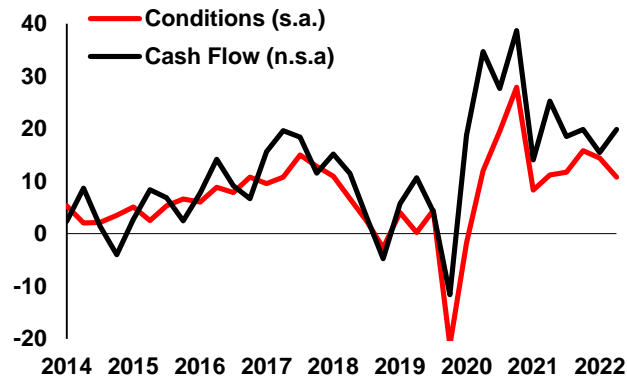
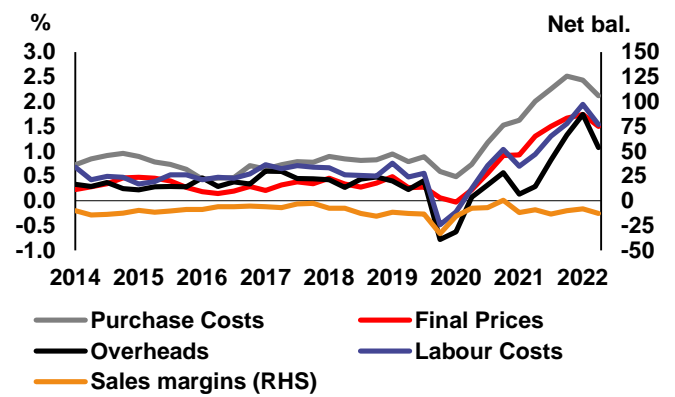


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

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

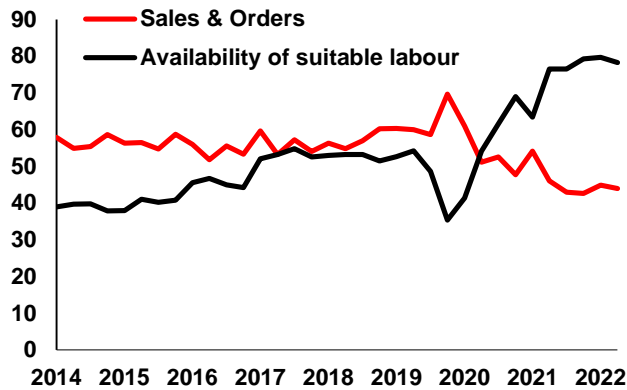
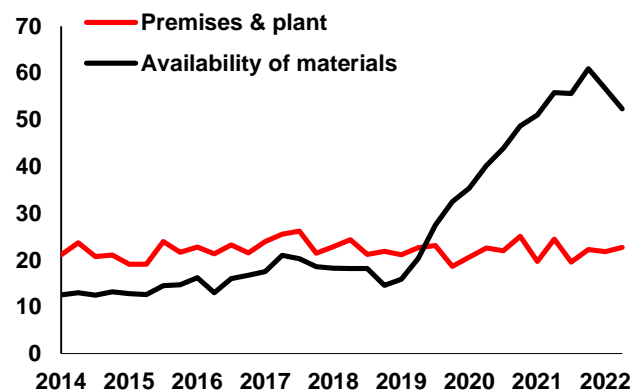


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

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

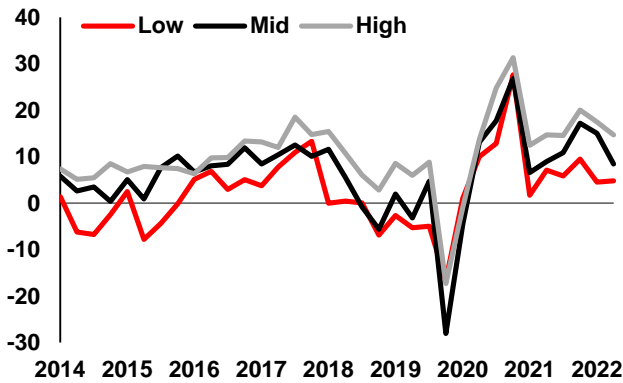


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

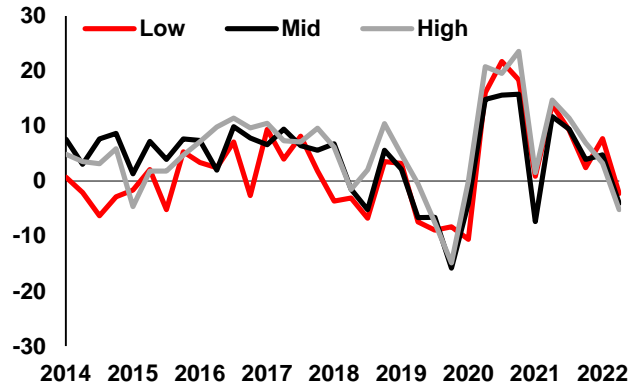


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

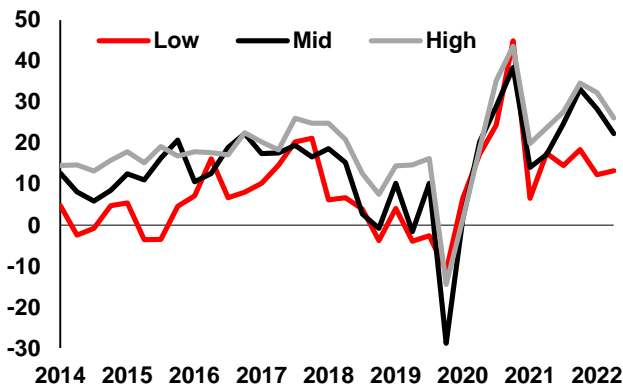


Chart 10: Profitability by Firm Size (Net Balance, SA)

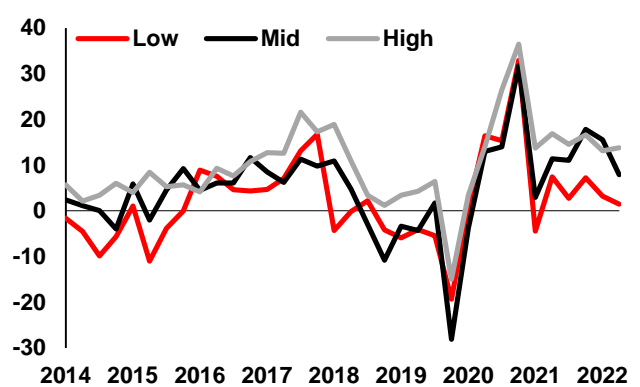


Chart 11: Employment by Firm Size (Net Balance, SA)

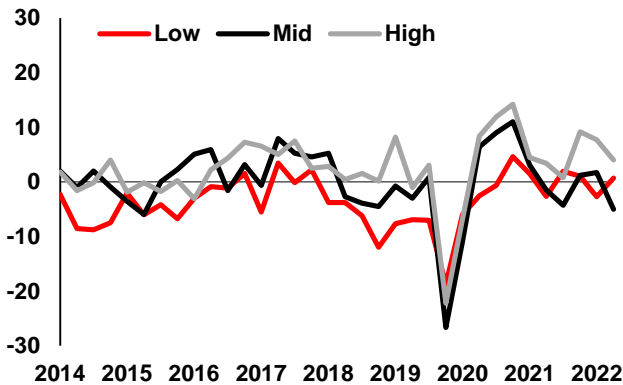


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

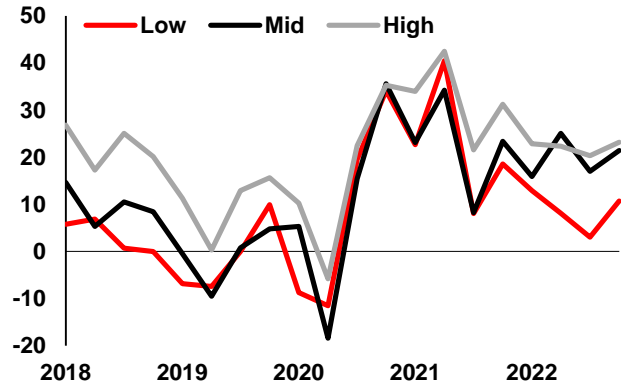


Chart 13: Capacity Utilisation by Firm Size (% , SA)

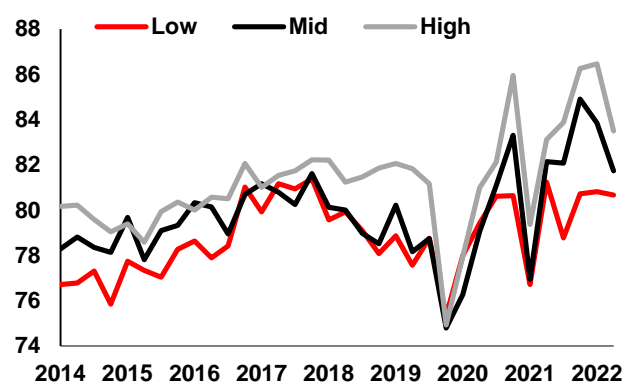
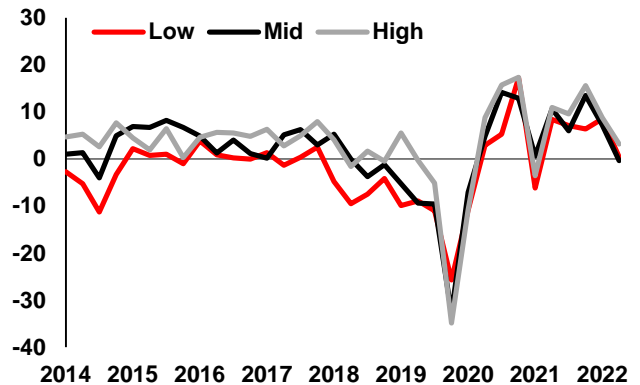


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

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

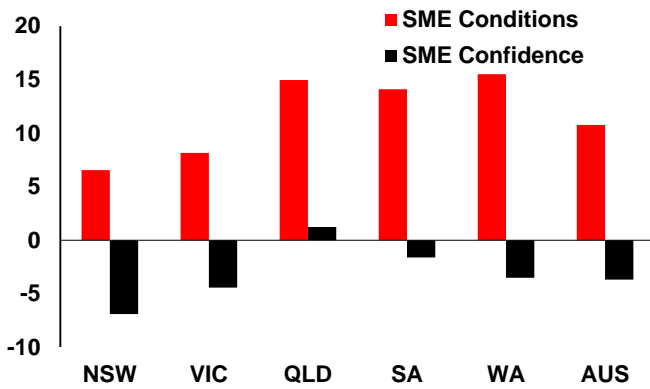


Chart 16: SME Conditions by State (Net Balance, SA)

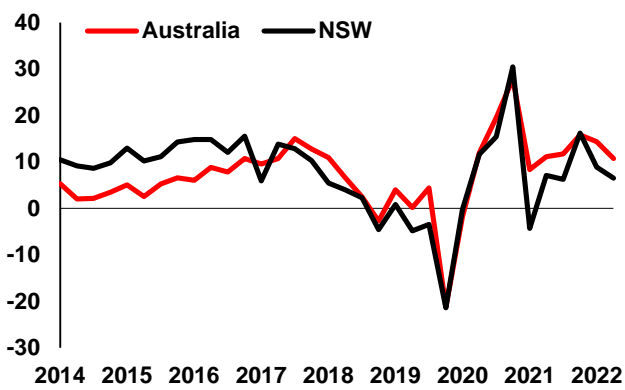


Chart 17: SME Confidence by State (Net Balance, SA)

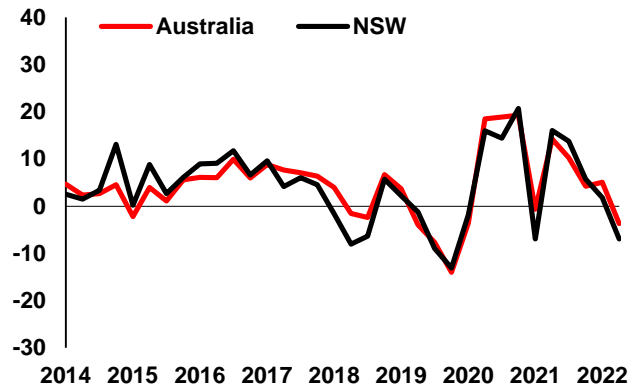


Chart 18: SME Conditions by State (Net Balance, SA)

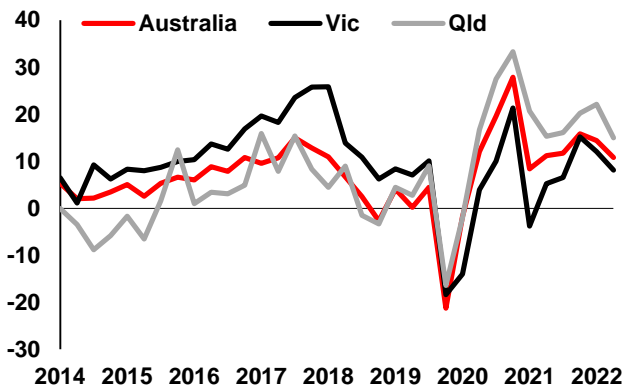


Chart 19: SME Confidence by State (Net Balance, SA)

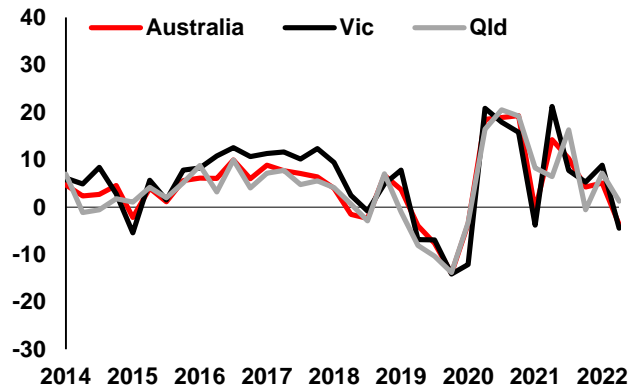


Chart 20: SME Conditions by State (Net Balance, SA)

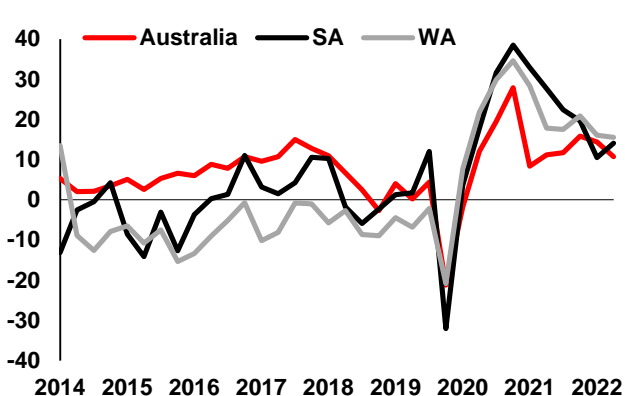
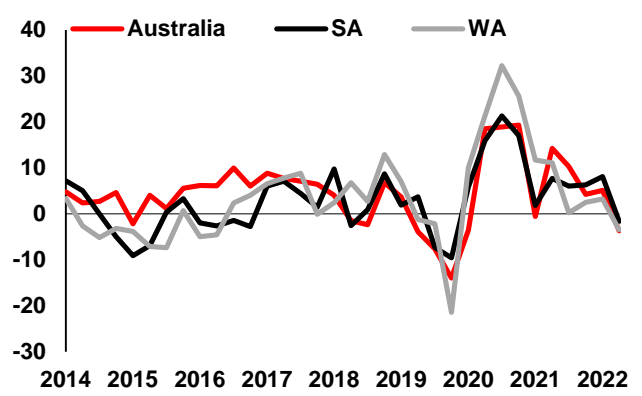


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

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

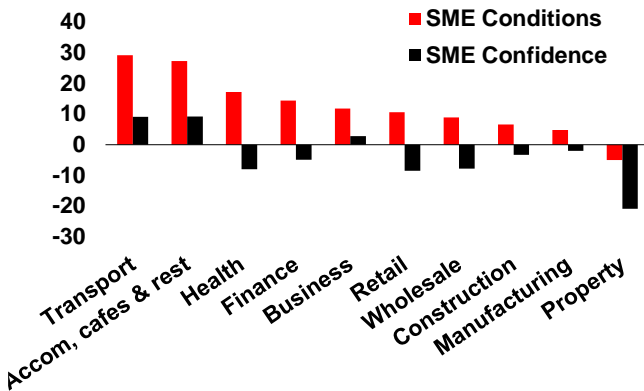


Chart 23: SME Conditions by Industry (Net Balance, SA)

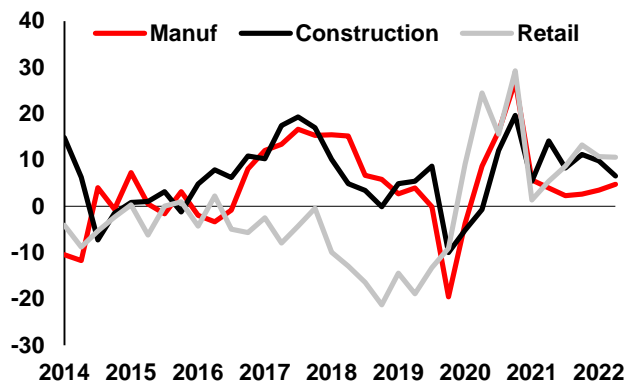


Chart 24: SME Confidence by Industry (Net Balance, SA)

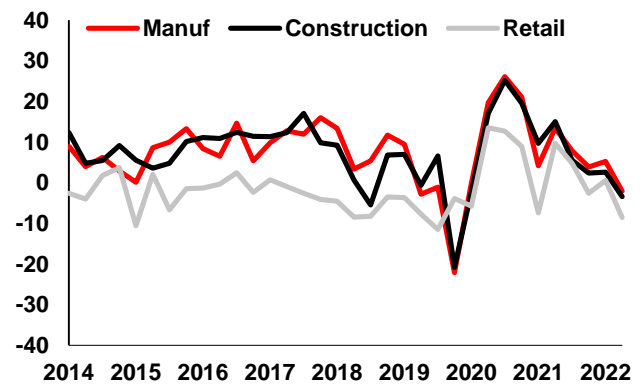


Chart 25: SME Conditions by Industry (Net Balance, SA)

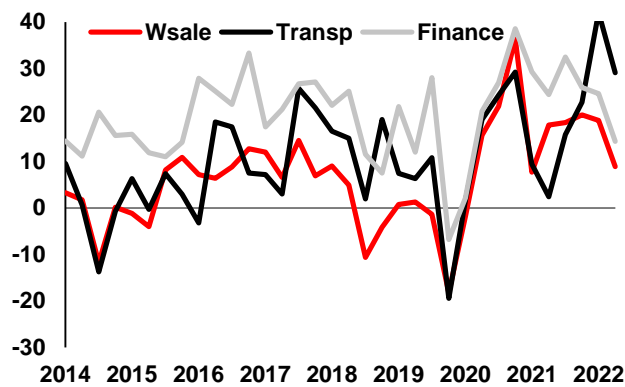


Chart 26: SME Confidence by Industry (Net Balance, SA)

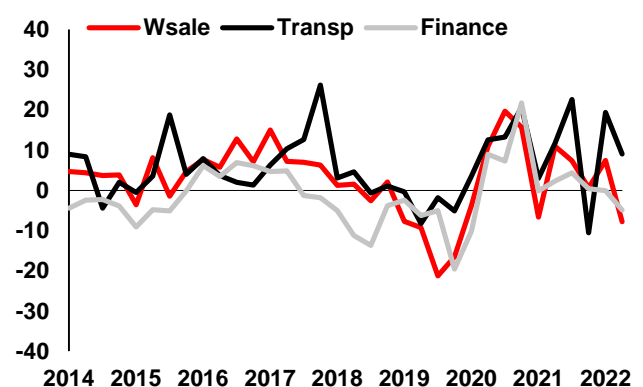


Chart 27: SME Conditions by Industry (Net Balance, SA)

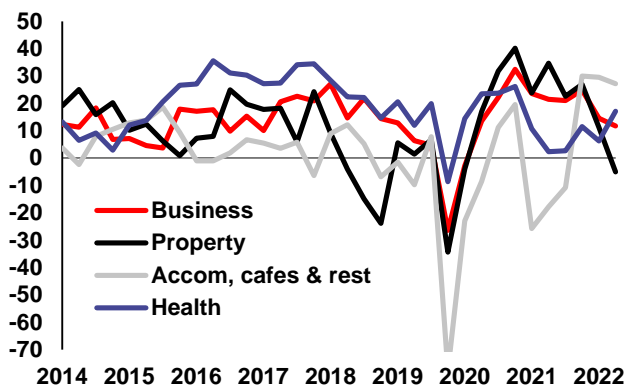
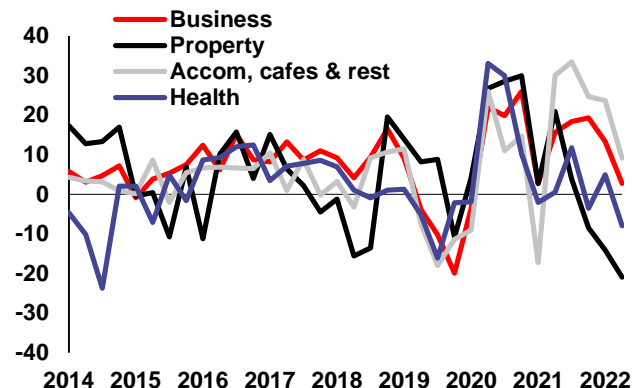


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators - Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

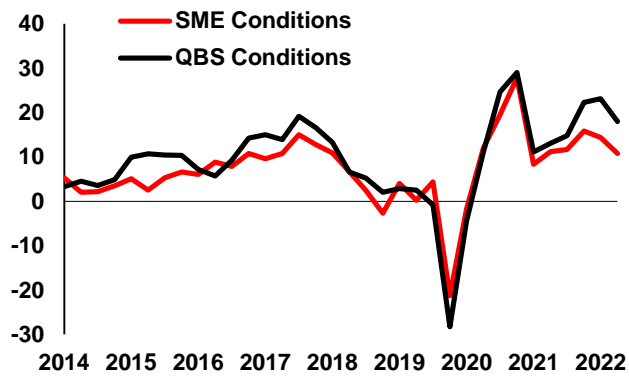


Chart 30: Business Confidence (Net Balance, SA)

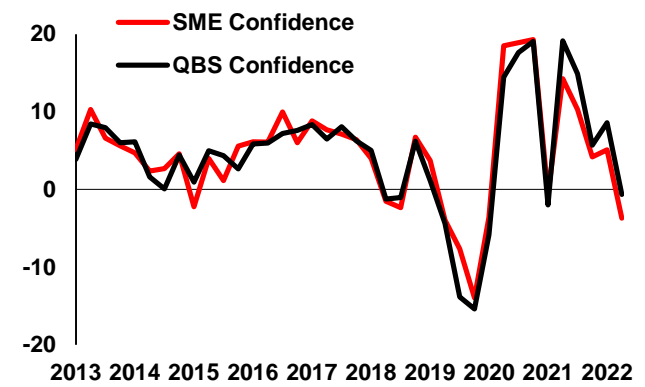


Chart 31: Trading Conditions (Net Balance, SA)

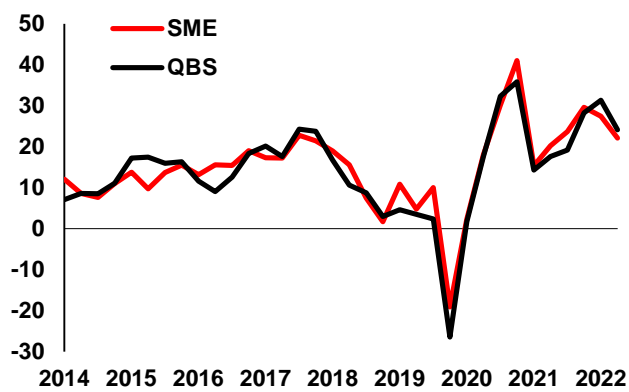


Chart 32: Profitability (Net Balance, SA)

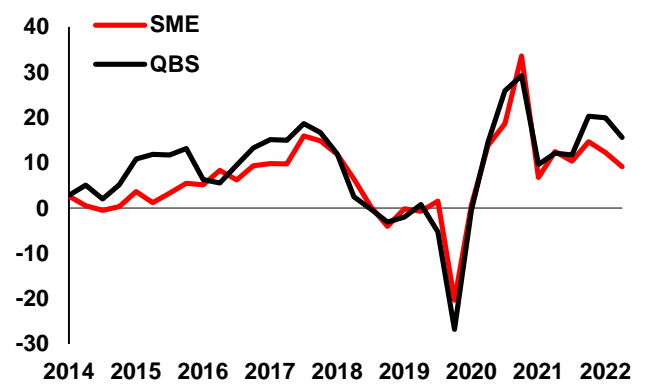


Chart 33: Employment (Net Balance, SA)

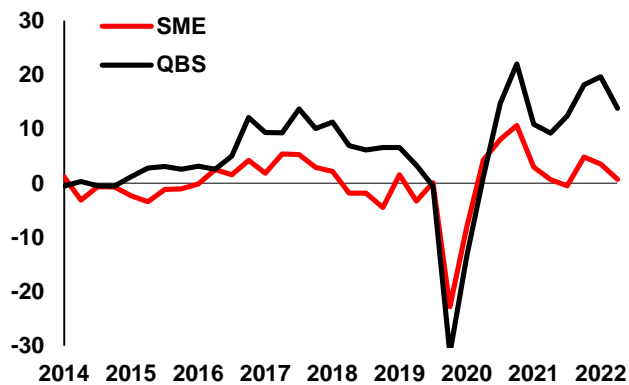


Chart 34: Forward Orders (Net Balance, SA)

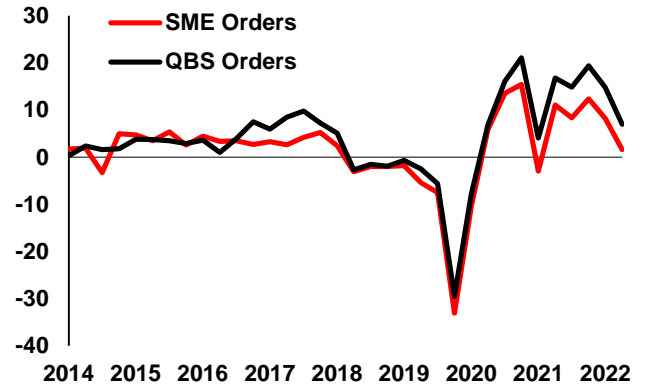


Chart 35: Capacity Utilisation (% , SA)

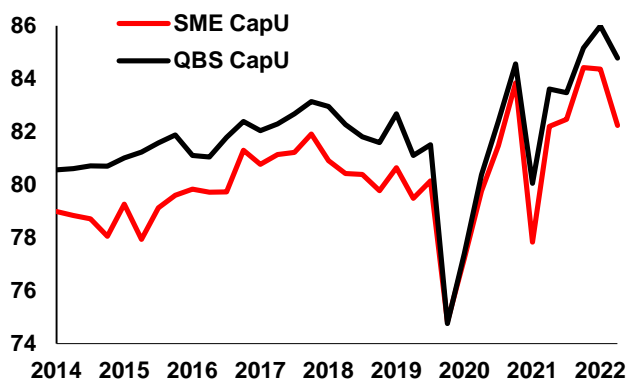
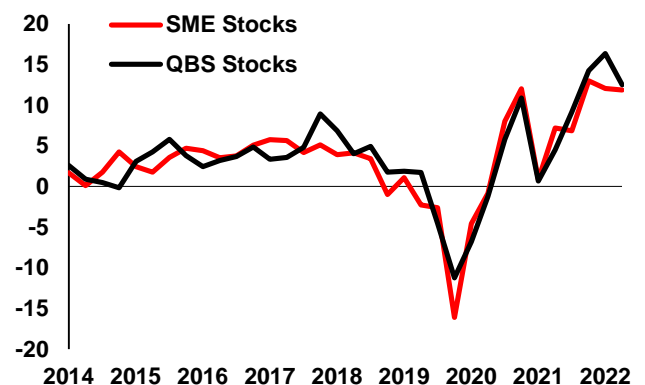


Chart 36: Stocks (Net Balance, SA)



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