



NAB Quarterly SME Survey Q1 2023

Little improvement in cost pressures for SMEs in Q1

NAB Group Economics

Summary

SME business confidence remained negative in Q1 despite still-resilient conditions. SME responses continued to show similar patterns to those of larger firms, as observed in the NAB Quarterly Business Survey, though conditions are softer across the board for SMEs. Forward orders also remain very soft. Importantly, unlike larger firms SMEs reported little improvement in the significant cost pressures reported over the past year. Both purchase costs growth and labour costs growth were little changed from the very elevated rates seen in Q4 and the shares of firms reporting availability of materials and labour as a constraint remained very high. Price growth was slightly slower, at 1.3% for the quarter (down from 1.5% in Q4) but this remains very high by historical standards.

Survey Details

- **SME business conditions** fell 1pt to +11 index points (still above the long-run average of +6). Conditions rose 3pts for mid-tier firms but edged lower for larger and smaller SMEs. Trading conditions and profitability eased but employment picked 3pts to +4 index points.
- **SME business confidence** fell 1pt, down to -5 index points. Confidence was negative across SMEs of all sizes but fell most for mid-tier firms.
- **Compared to larger firms** (as measured in the NAB Quarterly Business Survey), SME conditions remained softer but both remain above average. Larger firms saw a clearer fall in confidence to be at similar levels to SMEs in Q1.
- **By industry**, SME conditions returned to positive territory in property (up 6pts to +1 index point), with retail the next weakest at +3 index points. There were falls in transport (down 9pts), finance (down 7pts) and business (down 4pts) but all remain at reasonable levels. In terms of confidence, property saw a large rise but remained negative (up 9pts to -14 index points). Finance, retail and health also reported deeply negative confidence levels.
- **Across the states**, SME conditions remained strongest in WA, Qld and SA while also remaining robust in Vic and NSW. SME confidence fell in Qld but rose in SA and WA, to be negative everywhere but SA and WA.
- **Leading indicators** were mixed in Q4. Forward orders eased 1pts to +1 index points while capacity utilisation edged higher, to 82.8%. Capex also fell, down 5pts to +6 index points.
- **Cost pressures** were little changed in Q1. Purchase cost growth was 2% in quarterly terms, down 0.2ppts from Q4, with 50% of SMEs still reporting availability of materials as a constraint. Labour cost growth was steady at 1.6% with 73% of firms reporting labour as a constraint (down from 78% in Q4). Final prices grew at 1.4% overall (down from 1.5%) although the sales margin index improve 7pts to -7 index points.

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

	2022 q3	2022 q4	2023 q1
Business Confidence	5	-4	-5
Low-tier firms	8	-2	-3
Mid-tier firms	4	-5	-8
High-tier firms	3	-5	-4
Business Conditions	14	12	11
Low-tier firms	4	5	3
Mid-tier firms	16	10	13
High-tier firms	18	16	13
Comparison to QBS (Non-SMEs)			
QBS Confidence	8	-1	-4
QBS Conditions	23	20	16

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

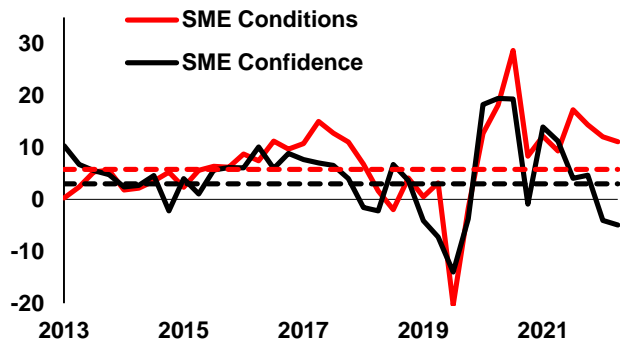
	2022 q3	2022 q4	2023 q1
Trading Conditions	27	24	19
Low-tier firms	12	15	13
Mid-tier firms	30	25	22
High-tier firms	33	28	20
Profitability	12	10	9
Low-tier firms	3	2	1
Mid-tier firms	16	10	14
High-tier firms	13	15	10
Employment	4	1	4
Low-tier firms	-3	0	-3
Mid-tier firms	2	-5	2
High-tier firms	8	5	9

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 20 February to 9 March 2023, covering over 700 firms across the non-farm business sector.

Next release date: 27 July 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)

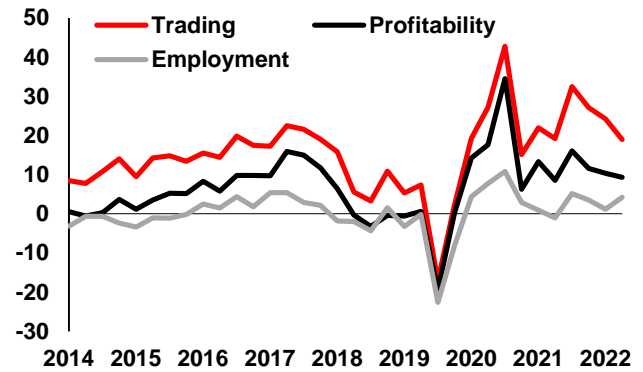


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

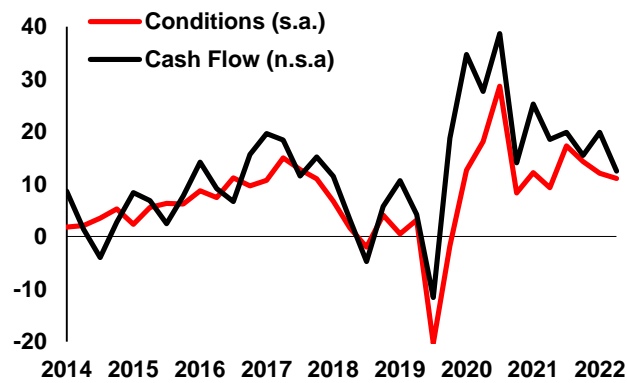
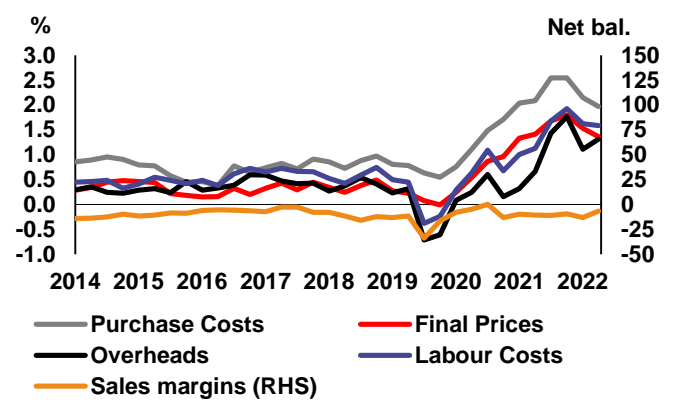


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

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

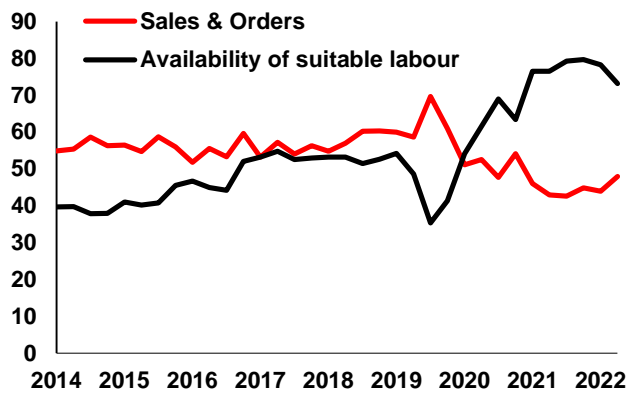
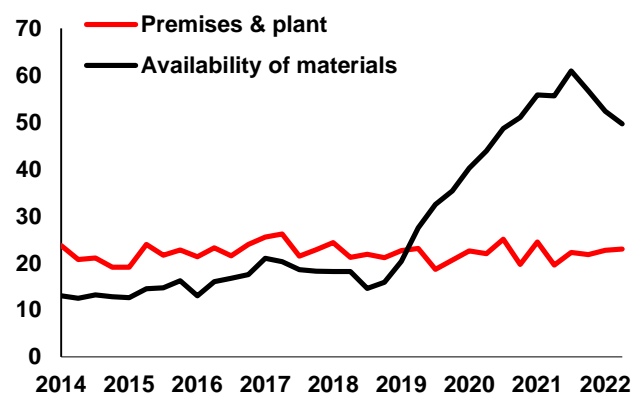


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

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

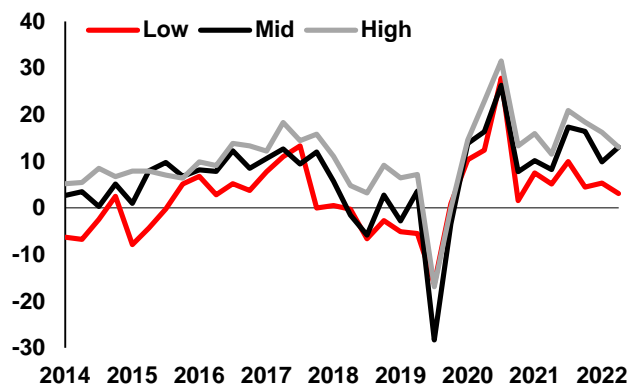


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

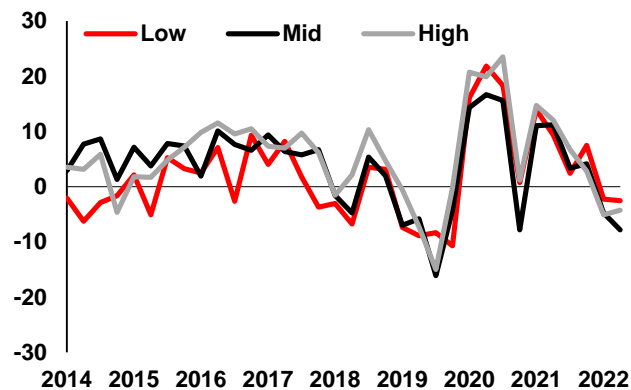


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

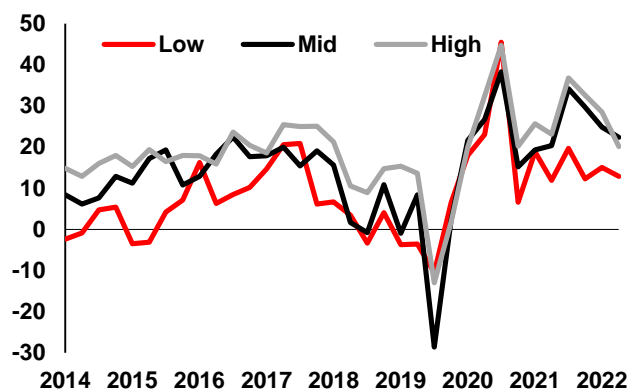


Chart 10: Profitability by Firm Size (Net Balance, SA)

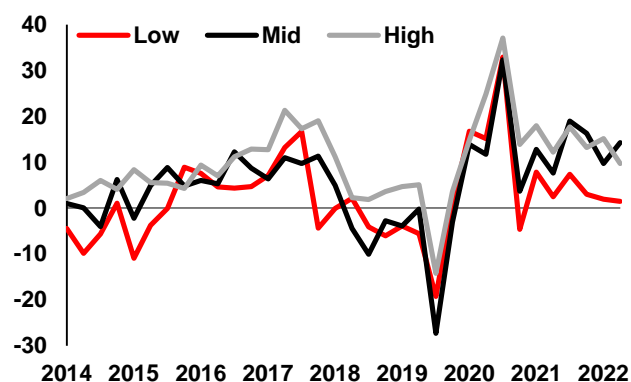


Chart 11: Employment by Firm Size (Net Balance, SA)

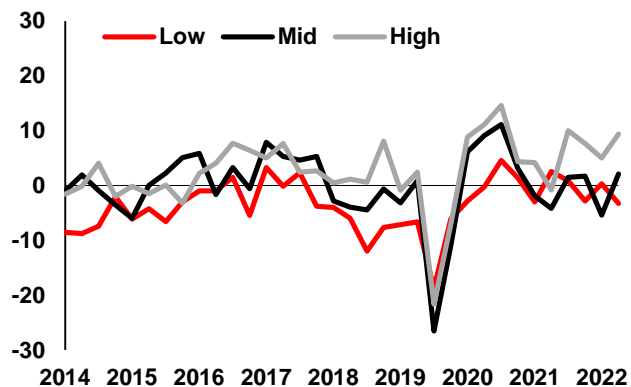


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

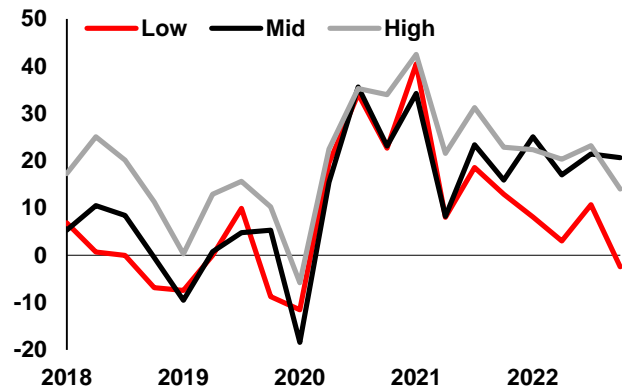


Chart 13: Capacity Utilisation by Firm Size (% , SA)

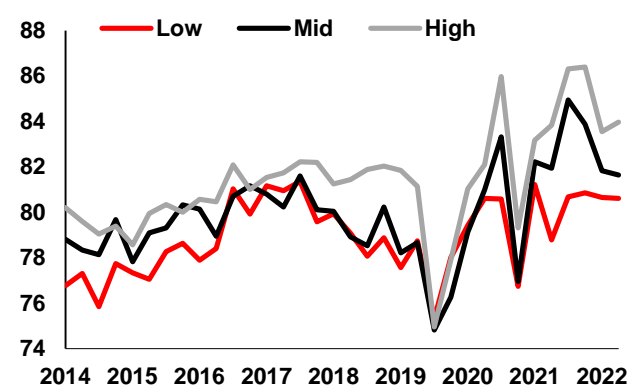
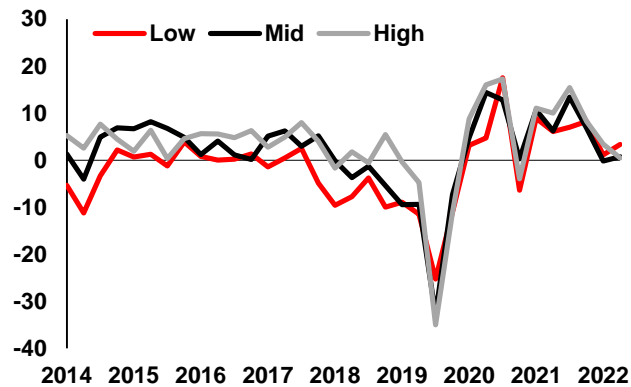


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

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

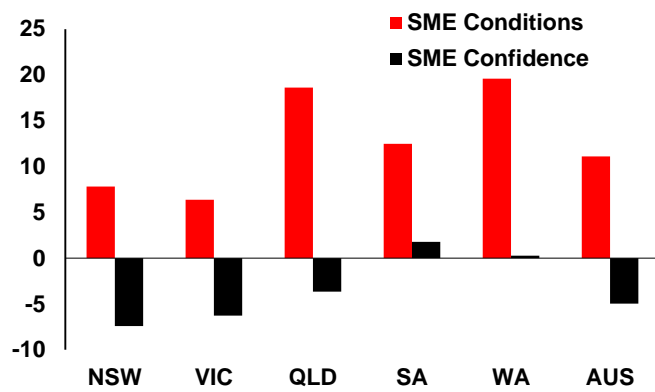


Chart 16: SME Conditions by State (Net Balance, SA)

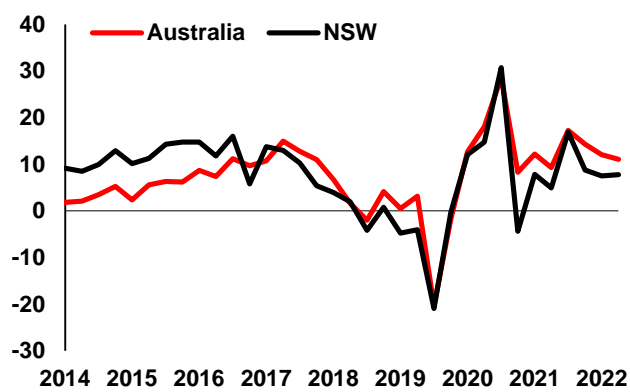


Chart 17: SME Confidence by State (Net Balance, SA)

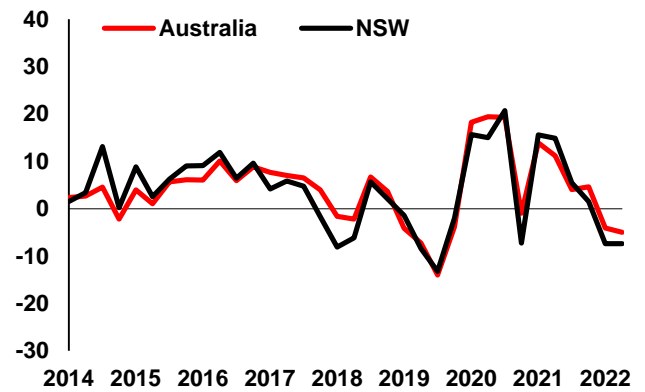


Chart 18: SME Conditions by State (Net Balance, SA)

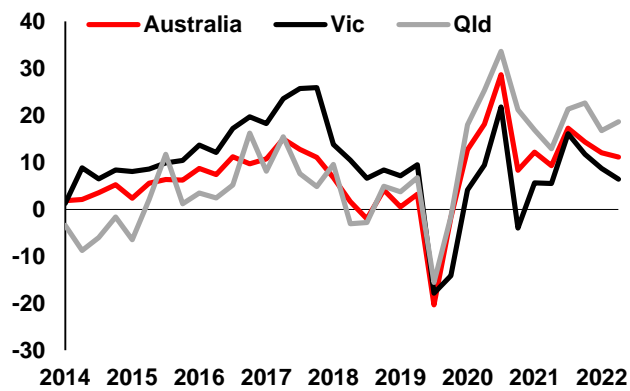


Chart 19: SME Confidence by State (Net Balance, SA)

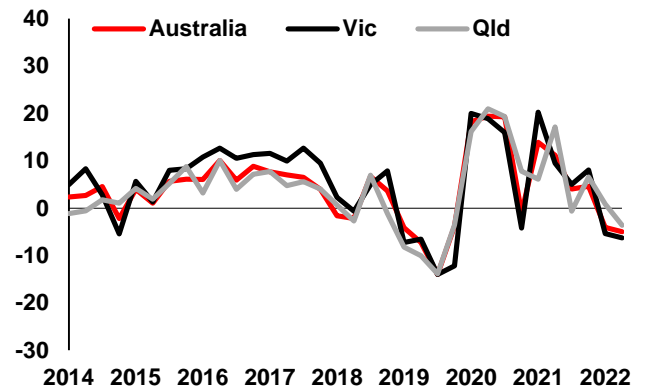


Chart 20: SME Conditions by State (Net Balance, SA)

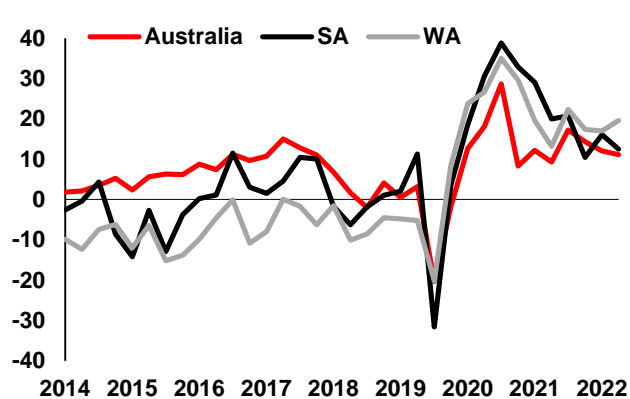
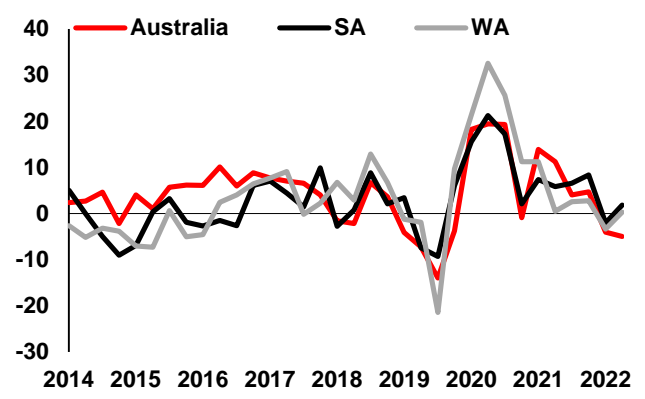


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

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

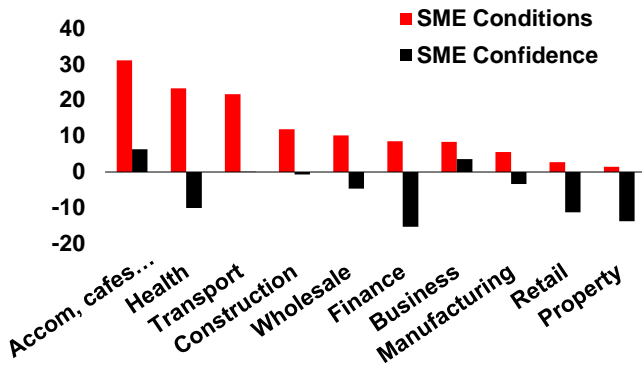


Chart 23: SME Conditions by Industry (Net Balance, SA)

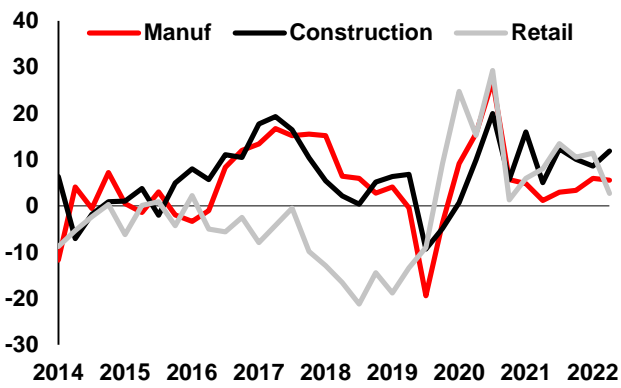


Chart 24: SME Confidence by Industry (Net Balance, SA)

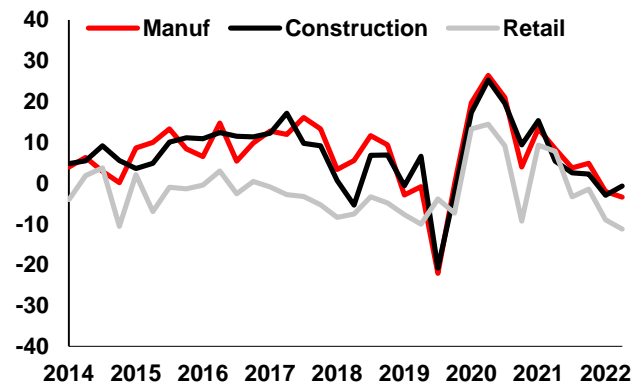


Chart 25: SME Conditions by Industry (Net Balance, SA)

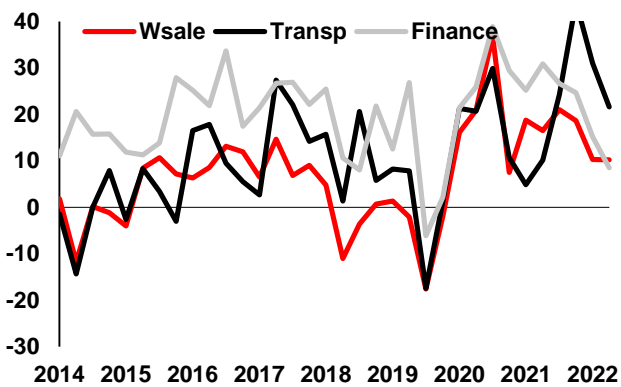


Chart 26: SME Confidence by Industry (Net Balance, SA)

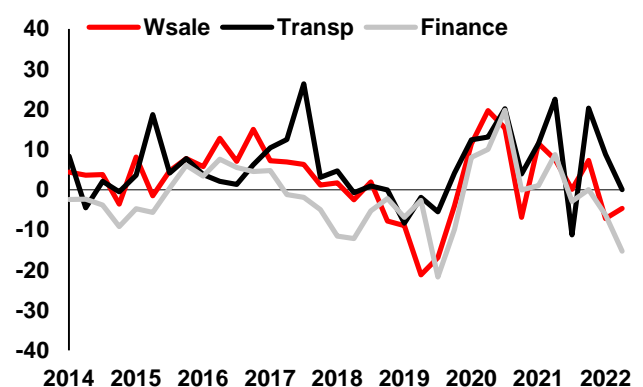


Chart 27: SME Conditions by Industry (Net Balance, SA)

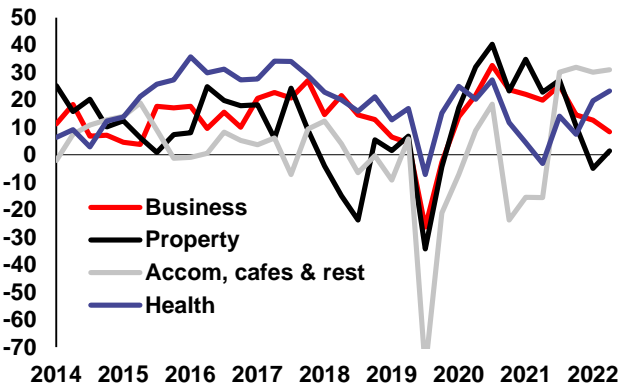
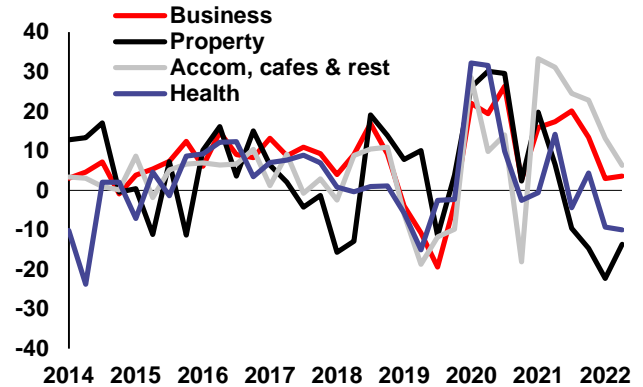


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators - Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

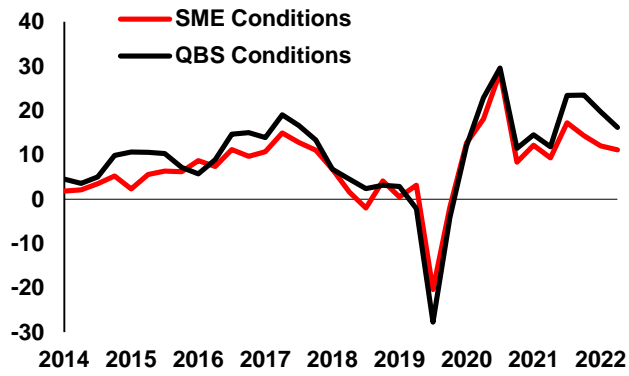


Chart 30: Business Confidence (Net Balance, SA)

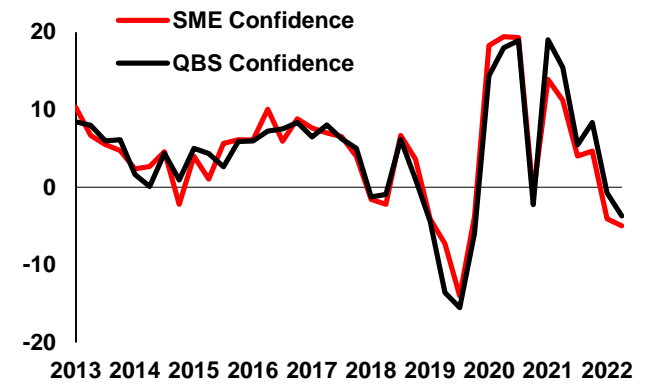


Chart 31: Trading Conditions (Net Balance, SA)

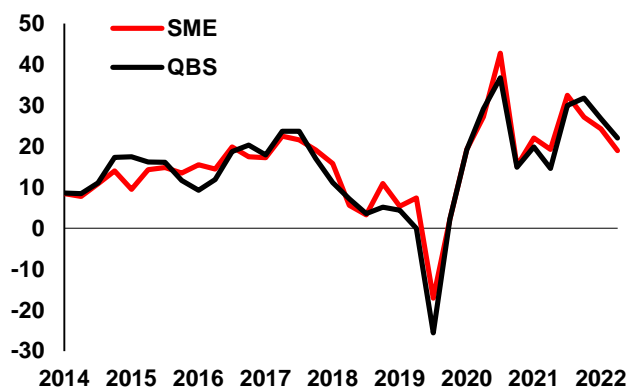


Chart 32: Profitability (Net Balance, SA)

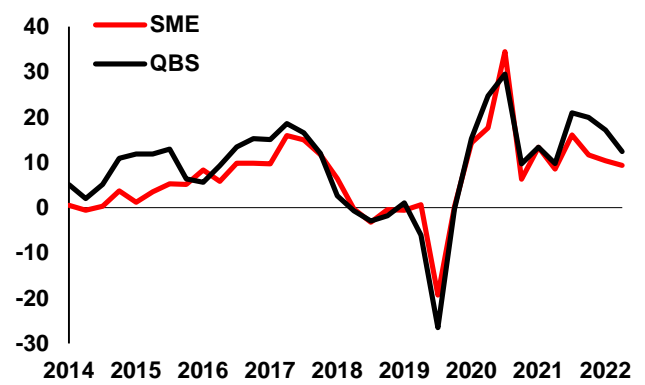


Chart 33: Employment (Net Balance, SA)

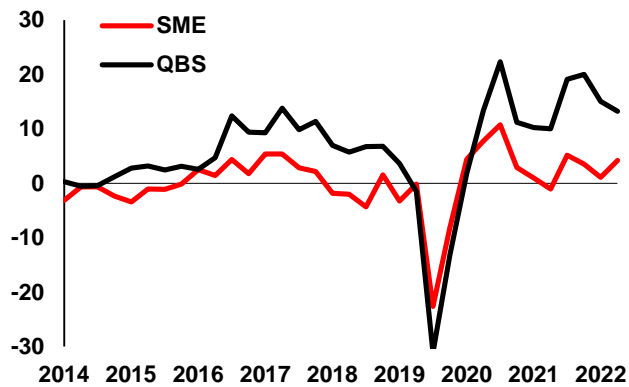


Chart 34: Forward Orders (Net Balance, SA)

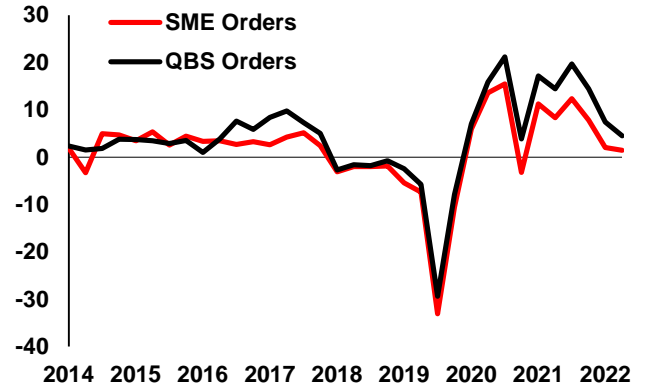


Chart 35: Capacity Utilisation (% , SA)

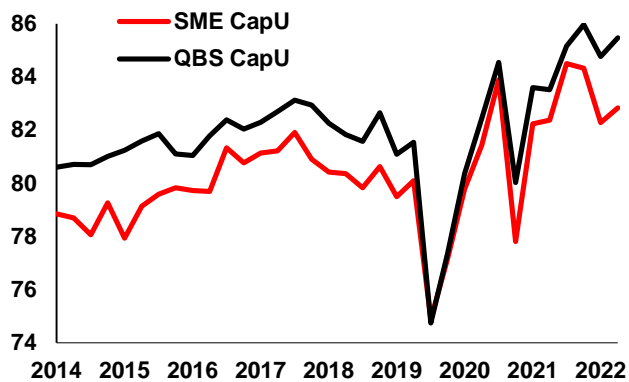
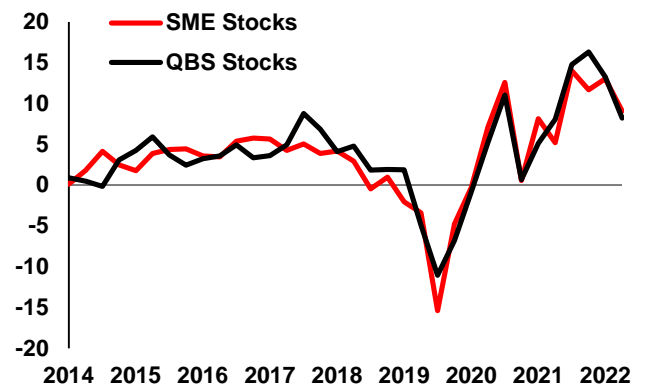


Chart 36: Stocks (Net Balance, SA)



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.