

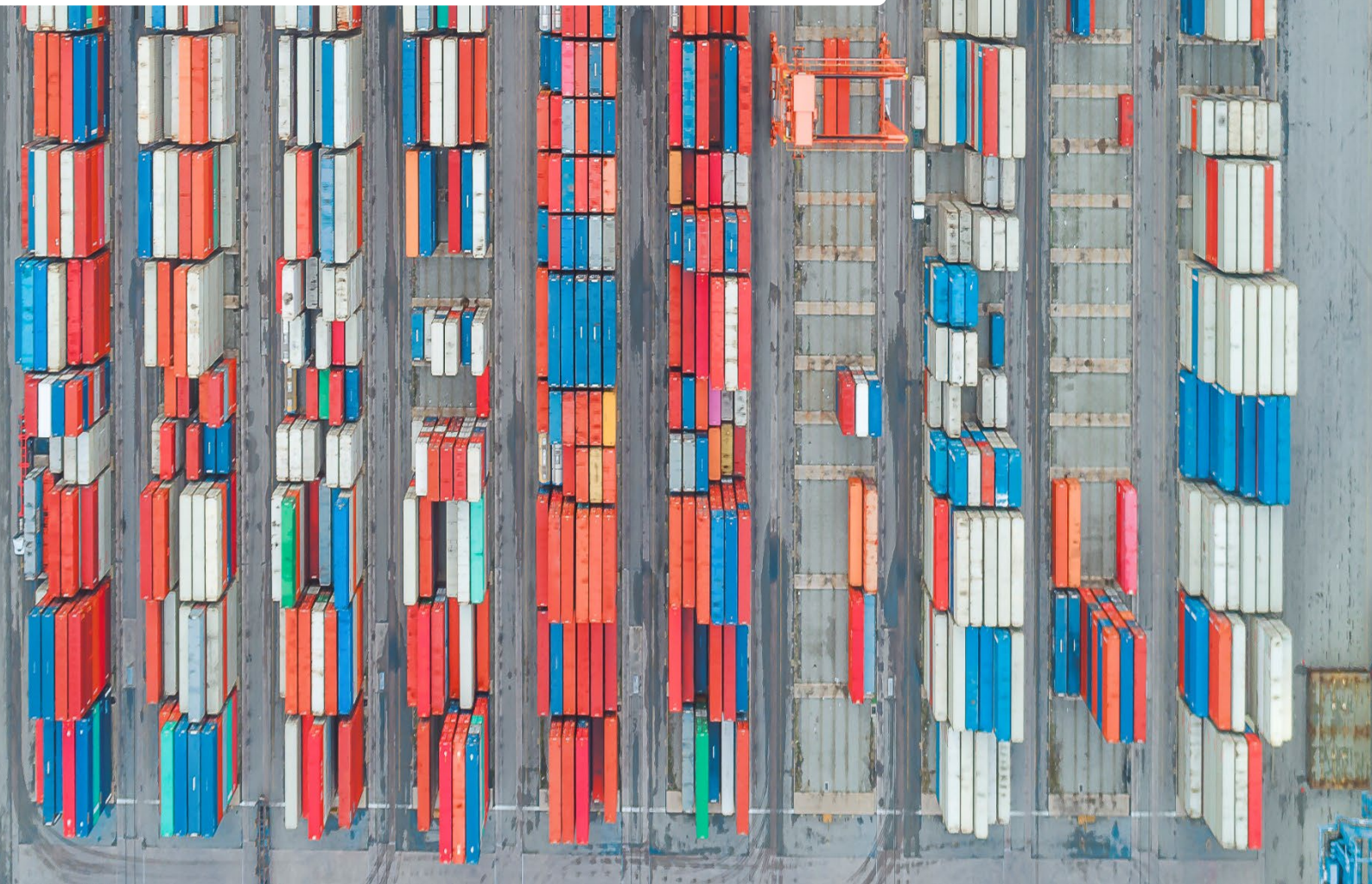
more  
than  
money



# NAB Business Insights

Q2 2023

Supply Chain - The impact on SMEs



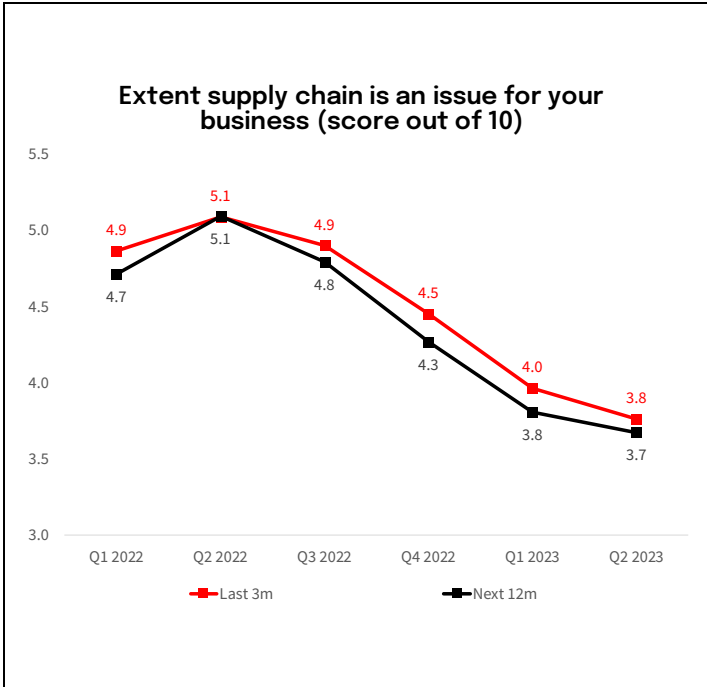


## Key Findings

**Supply chain pressures on Australian SMEs continue to ease and are expected to continue easing over the next 12 months. Improving supply conditions were reported across most industries. The number of highly impacted firms were most prevalent in Manufacturing and Retail, and least so (by some margin) in Business Services and Accommodation & Hospitality.**

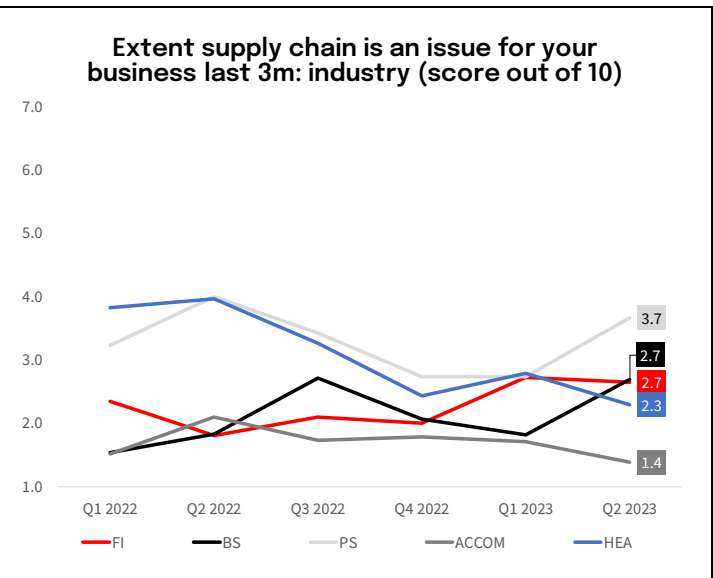
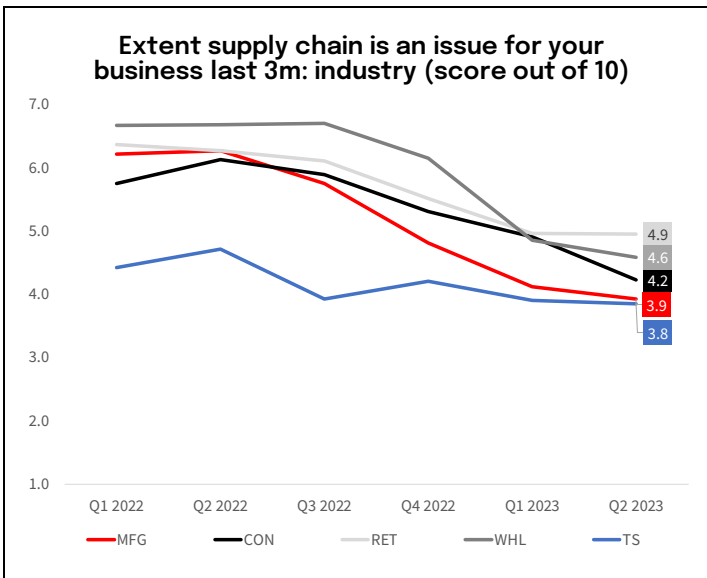
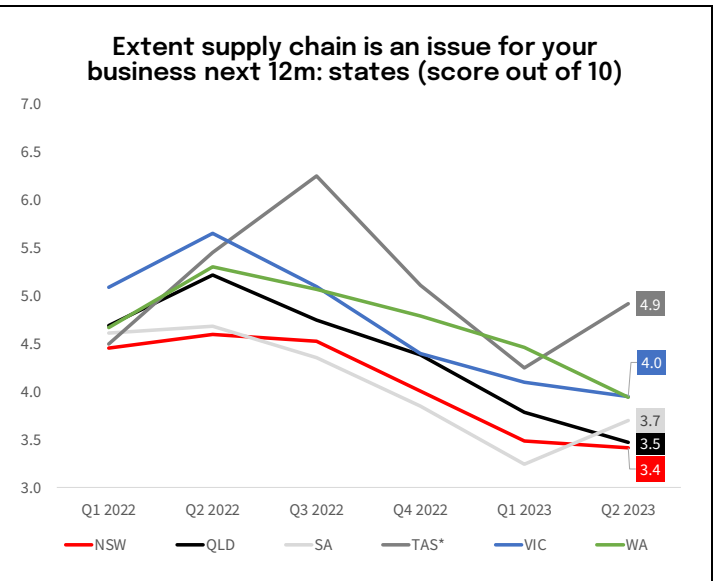
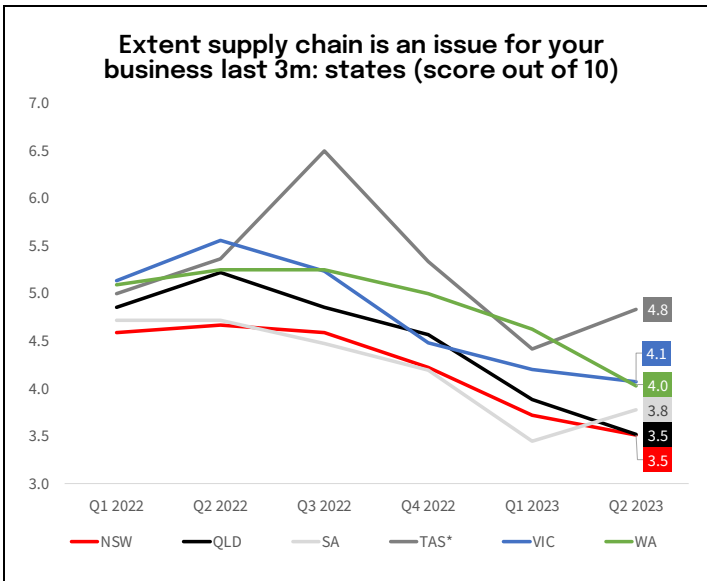
- Supply chain issues moderated for the fourth straight quarter in Q2 and are expected to be less problematic in the next 12 months. When asked to rate the extent it was an issue for their business over the last 3 months, SMEs scored 3.8 pts out of 10, down from 4.0 pts in Q1 and a survey high 5.1 pts at the same time last year. SMEs also see less disruption to their business from supply chain in the next 12 months, scoring 3.7 pts overall (down from 3.8 pts in Q1 and 4.8 pts 5.1 pts at the same time last year).
- Supply chain was less problematic in most states in the last 3 months. It was highest and increased in TAS (4.8 pts) and lowest in NSW and QLD (3.5 pts). SMEs in most states are more optimistic about the next 12 months, with the extent they believe supply chain will be an issue lower in all states apart from TAS (4.9 pts) and SA (3.7 pts). The outlook improved most in WA (3.9 pts), with NSW the most optimistic state (3.4 pts).
- Supply chain caused less disruption for SMEs in most industries in Q2, except Personal (3.7 pts) and Business Services (2.7 pts). Though moderating, supply chain had the biggest impact in the Retail sector (4.9 pts), ahead of Wholesale Trade (4.6 pts) and Construction (4.2 pts). It caused the least issues in Accommodation & Hospitality (1.4 pts) and Health Services (2.3 pts).
- Looking ahead 12 months, the outlook is mixed. SMEs believe supply chain issues will improve most in Construction (4.2 pts), Accommodation & Hospitality (1.1 pts), and Transport & Storage (3.7 pts). In contrast, SMEs operating in Personal (3.5 pts) and Business Services (2.6 pts) expect supply chain issues to be somewhat more challenging than expected in the previous quarter.
- The number of SMEs who said supply chain was a “very significant” issue for their business (scored 8+ pts) continued to fall in Q2. In total, just 12% said it was very significant in the last 3 months, down from 15% in Q1 and almost 3 times lower than at the same time last year (31%).
- Just over 1 in 10 (11%) SMEs also believe supply chain will be a significant issue for their business in the next 12 months (12% in Q1 and 31% at the same time last year).
- The number who reported a very significant supply chain impact in the last 3 months fell sharply in NSW to 8% (14% in Q1). It was also lower in QLD (14%) and VIC (15%), and unchanged in TAS (8%). However, it doubled in SA to 16% and was also a little higher in WA (17%).
- Fewer SMEs think supply chain will be a very significant issue for their business in the next 12 months in VIC (11%), NSW (7%), and QLD (13%), with no change expected in TAS (8%). In contrast, more SMEs in SA (14%) and WA (17%) expect it to have very significant impact on their business.
- Fewer SMEs in all industries reported a very significant supply chain impact in Q2, apart from Personal Services (17%), Health (9%) and Manufacturing (18%). It was much lower in Wholesale Trade (12%) and Transport & Storage (9%). Overall, the highest number of SMEs that reported supply chain as very significant issue was highest overall in Manufacturing and Retail (18%), and lowest (by some margin) in Business Services (3%) and Accommodation & Hospitality (4%).
- The number of SMEs who think supply chain will be a significant issue over the next 12 months fell heavily in Transport & Storage (6%) and rose sharply in Personal Services (17%) and was highest of all industries along with Finance & Insurance. It was lower in all other sectors except Health (9% vs. 3%), and lowest overall for Business Services (2%) and Accommodation & Hospitality (4%).

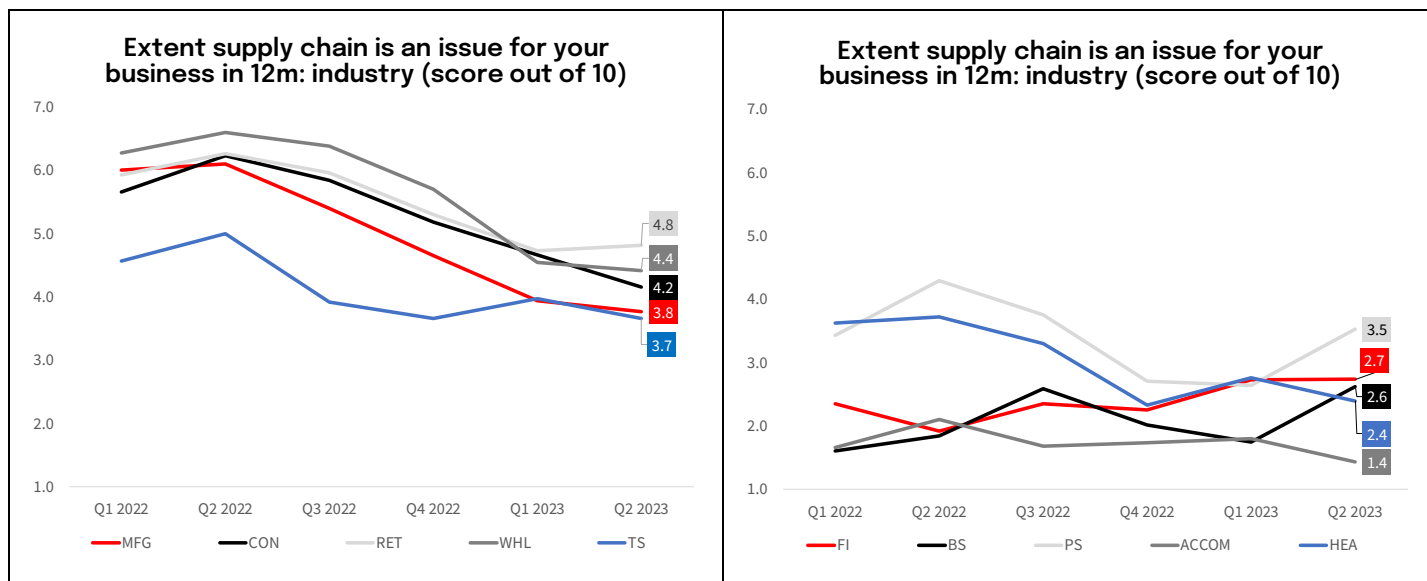
# Supply Chain – The Impact on SMEs



Supply chain issues moderated for the fourth consecutive quarter in Q2 and are expected to be less problematic in the next 12 months. When asked to rate the extent it was an issue for their business in the last 3 months, SMEs scored 3.8 pts out of 10 (10 is significant), down from 4.0 pts in the previous quarter and a survey high 5.1 pts at the same time last year. SMEs also see less disruption to their business from supply chain in the next 12 months, scoring 3.7 pts overall down from 3.8 pts in the previous quarter and 4.8 pts 5.1 pts at the same time last year.

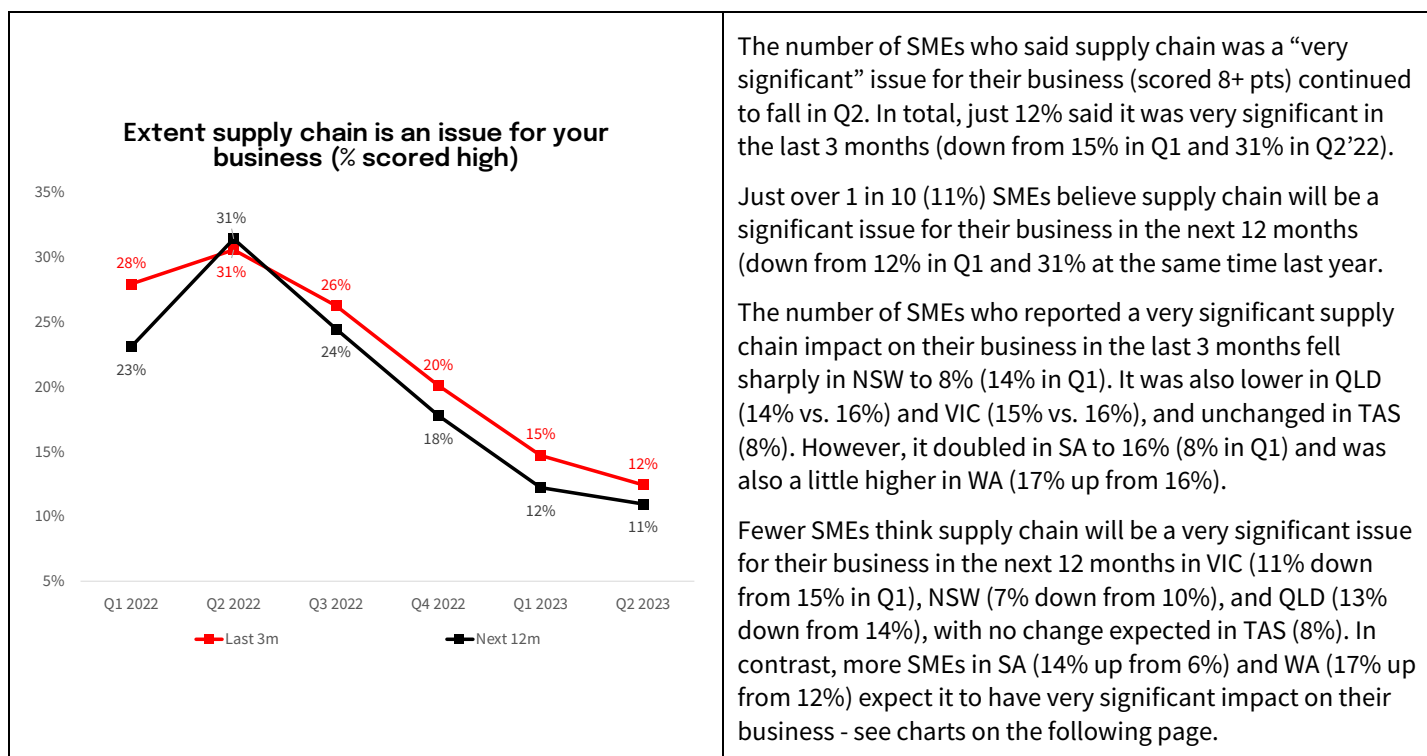
Supply chain was less problematic in most states in the last 3 months. It was highest and increased in TAS (4.8 pts vs. 4.4 pts) and lowest in NSW and QLD (3.5 pts). SMEs in most states are more optimistic about the next 12 months, with the extent they believe supply chain will be an issue lower in all states apart from TAS (4.9 pts vs. 4.3 pts) and SA (3.7 pts vs. 3.2 pts). The outlook improved most in WA (3.9 pts from 4.5 pts), with NSW now replacing SA as the most optimistic state (3.4 pts) - see charts below.





Supply chain caused less disruption for SMEs in most industries in Q2, except Personal Services (3.7 pts up from 2.7 pts in Q1) and Business Services (2.7 pts up from 1.8 pts). Though moderating, supply chain had the biggest impact in the Retail sector (4.9 pts down from 5.0 pts), ahead of Wholesale Trade (4.6 pts down from 4.9 pts) and Construction (4.2 pts down sharply from 4.9 pts in the previous quarter). It caused the least issues in Accommodation & Hospitality (1.4 pts down from 1.7 pts) and Health Services (2.3 pts down from 2.8 pts) - see charts on previous page.

Looking ahead 12 months, the outlook is mixed. SMEs believe supply chain issues will improve most in Construction (4.2 pts down from 4.7 pts in Q1), Accommodation & Hospitality (1.1 pts down from 1.8 pts), and Transport & Storage (3.7 pts down from 4.0 pts). In contrast, SMEs operating in Personal Services (3.5 pts up from 2.6 pts) and Business Services (2.6 pts up from 1.8 pts) expect supply chain issues to be somewhat more challenging for their businesses - see charts above.

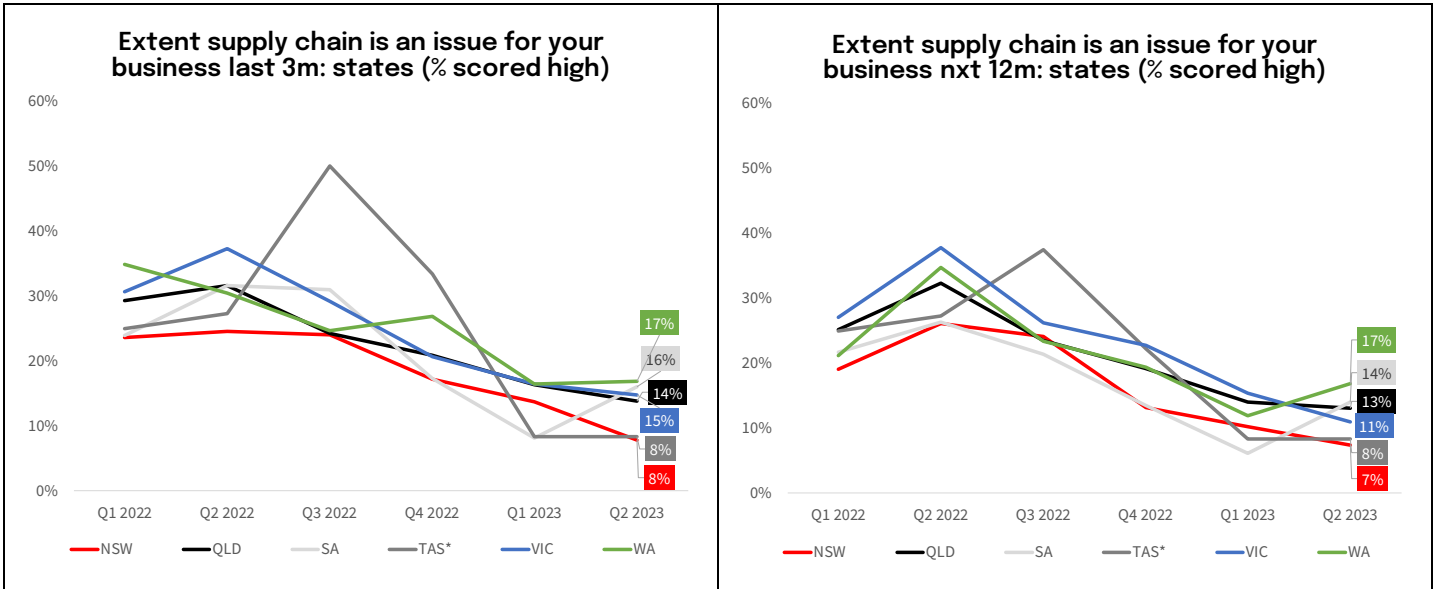


The number of SMEs who said supply chain was a “very significant” issue for their business (scored 8+ pts) continued to fall in Q2. In total, just 12% said it was very significant in the last 3 months (down from 15% in Q1 and 31% in Q2’22).

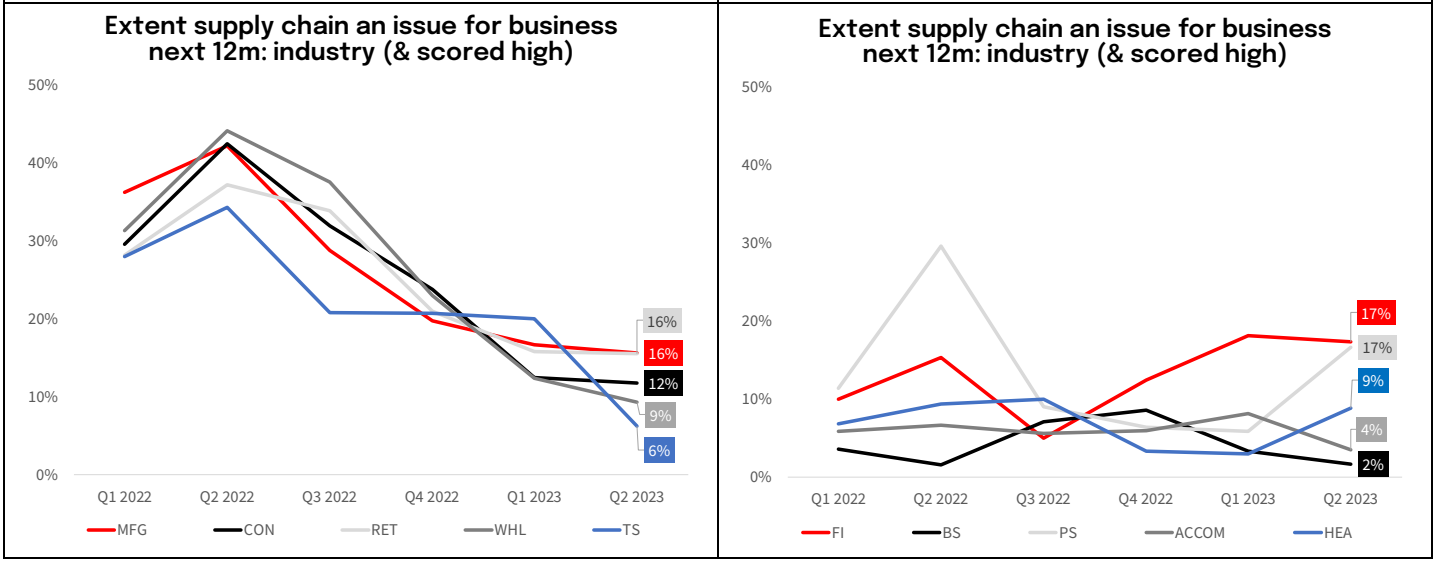
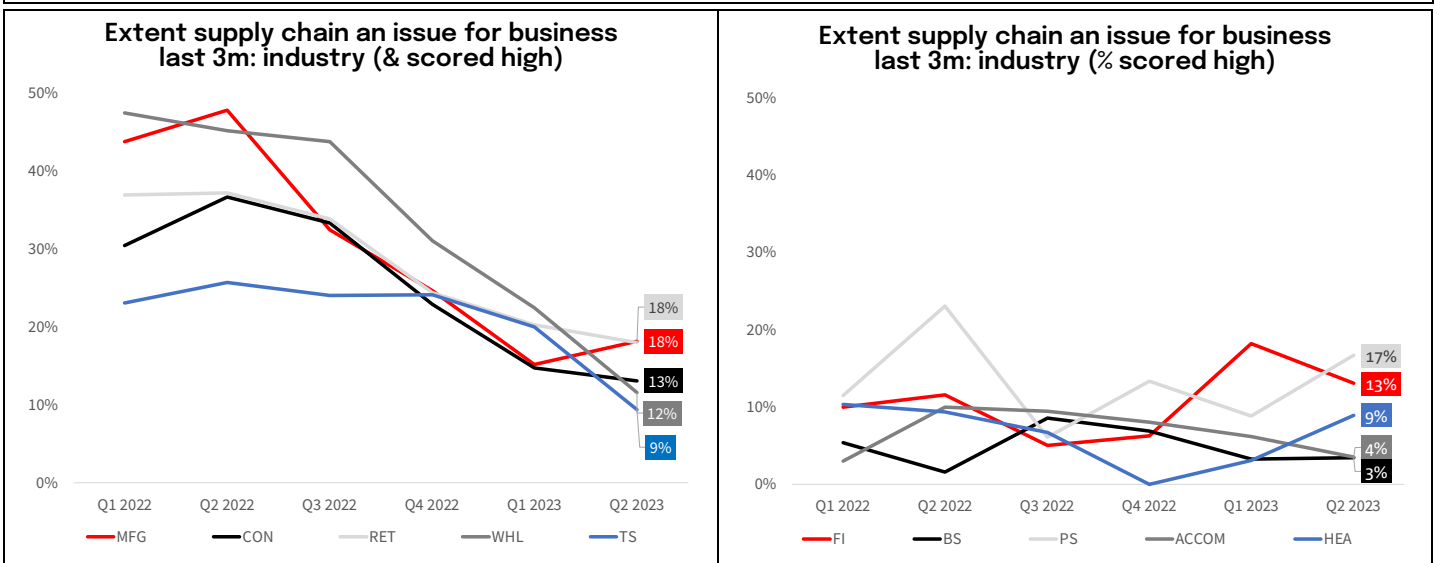
Just over 1 in 10 (11%) SMEs believe supply chain will be a significant issue for their business in the next 12 months (down from 12% in Q1 and 31% at the same time last year).

The number of SMEs who reported a very significant supply chain impact on their business in the last 3 months fell sharply in NSW to 8% (14% in Q1). It was also lower in QLD (14% vs. 16%) and VIC (15% vs. 16%), and unchanged in TAS (8%). However, it doubled in SA to 16% (8% in Q1) and was also a little higher in WA (17% up from 16%).

Fewer SMEs think supply chain will be a very significant issue for their business in the next 12 months in VIC (11% down from 15% in Q1), NSW (7% down from 10%), and QLD (13% down from 14%), with no change expected in TAS (8%). In contrast, more SMEs in SA (14% up from 6%) and WA (17% up from 12%) expect it to have very significant impact on their business - see charts on the following page.



Fewer SMEs in all industries reported a very significant supply chain impact in Q2, apart from except Personal Services (17% up from 9%), Health (9% vs. 3%) and Manufacturing (18% vs. 15%). It was much lower in Wholesale Trade (12% vs. 22%) and Transport & Storage (9% vs. 20%). Overall, it was highest in Manufacturing and Retail (18%), and lowest (by some margin) in Business Services (3%) and Accommodation & Hospitality (4%). The number of SMEs who think supply chain will be a significant issue over the next 12 months fell heavily in Transport & Storage (6% vs. 20% in Q1) but rose sharply in Personal Services (17% vs. 6%) and was equal highest of all industries with Finance & Insurance. It was lower in all other sectors except Health (9% vs. 3%), and lowest overall for Business Services (2%) and Accommodation & Hospitality (4%) - see charts below.



## 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.





## Contact the authors

### Dean Pearson

Head of Behavioural and Industry Economics

[Dean.Pearson@nab.com.au](mailto:Dean.Pearson@nab.com.au)

+61 0 457 517 342

### Robert De Iure

Associate Director Economics

[Robert.De.Iure@nab.com.au](mailto:Robert.De.Iure@nab.com.au)

+61 0 477 723 769