



NAB Quarterly SME Survey Q4 2023

SME confidence negative as conditions soften

NAB Economics

Summary

SME business confidence remained deep in negative territory in Q4 as economic growth slowed. Confidence fell for SMEs of all sizes in the quarter, and was negative across all surveyed industries, reflecting the widespread concerns businesses hold about the outlook for the economy. Business conditions for SMEs also eased in the quarter, though at +5 index points remained close to the long-run average, and similar to the level of conditions reported by larger firms in the Quarterly Business Survey. SME forward orders fell and capacity utilisation eased, further reinforcing the softening trend seen across the survey's activity indicators. Labour cost growth ticked down to 1.3% in the quarter but labour availability remained a significant constraint for 36% of SMEs, though purchase cost growth remained elevated at 1.6%. Output price growth edged down to 0.9%, in line with the gradual easing observed in official inflation data.

Survey Details

- **SME business conditions** fell 3pts to +5 index points, and are now just below the long-run average of +6. Conditions declined for medium and large SMEs but improved slightly for smaller firms. Nevertheless, the index remains weakest for small firms at -4 index points. Trading conditions, profitability and employment all declined.
- **By industry**, SME conditions declined across most industries, with large falls in manufacturing (down 15pts) and finance (down 10pts). In level terms, SME conditions were negative in manufacturing, retail, wholesale and property, while conditions were strongest in transport at +20 index points.
- **SME business confidence** fell 3pts to -8 index points. By industry, SME confidence declined across the board and all industries are now in negative territory. SME confidence remains weakest in retail at -21 index points.
- **Across the states**, SME conditions fell significantly in Qld (down 12pts) and SA (down 11pts) with conditions now strongest in WA, followed by NSW and Vic. SME confidence was negative across the states in Q4.
- **Compared to larger firms** (as measured in the NAB Quarterly Business Survey), SME conditions remained softer due to the weakness among the small tier firms. Confidence was at similarly negative levels across both larger firms in the NAB Quarterly Survey and SMEs.
- **Leading indicators** also deteriorated. Forward orders fell 4pts to -7 index points and capacity utilisation declined to 81.4% (from 82.5%) – the lowest level since Q3 2021. Capex fell, 2pts to +4 index points.
- **Cost pressures** eased slightly, with purchase cost growth of 1.6% in quarterly terms (down from 1.7% in Q3) and labour costs growth of 1.3% (down from 1.8%). Final prices grew at 0.9% overall (down from 1.1%) and the sales margin index edged down 1pt in Q4 to -10 index points.

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

	2023 q2	2023 q3	2023 q4
Business Confidence	-8	-4	-8
Low-tier firms	-5	-4	-9
Mid-tier firms	-9	-6	-10
High-tier firms	-8	-3	-8
Business Conditions	2	7	5
Low-tier firms	-5	-5	-4
Mid-tier firms	5	11	7
High-tier firms	5	10	7
Comparison to QBS (Non-SMEs)			
QBS Confidence	-4	-1	-6
QBS Conditions	12	13	9

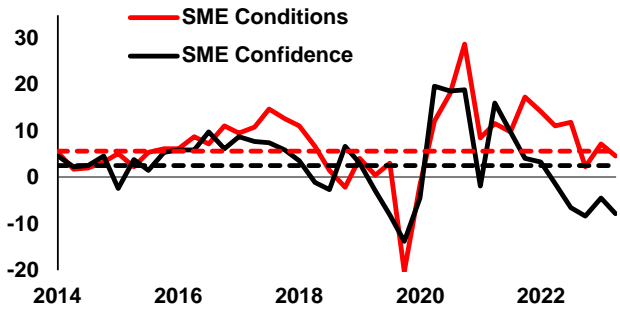
Table 2: SME Conditions by Component (Net Balance, SA)

	2023 q2	2023 q3	2023 q4
Trading Conditions	12	14	11
Low-tier firms	5	-1	2
Mid-tier firms	13	21	13
High-tier firms	14	15	13
Profitability	2	5	3
Low-tier firms	-10	-10	-6
Mid-tier firms	6	9	7
High-tier firms	4	10	5
Employment	-5	2	0
Low-tier firms	-14	-1	-6
Mid-tier firms	-3	1	0
High-tier firms	-2	4	2

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 20 November to 8 December 2023, covering over 700 firms across the non-farm business sector. **Next release date: 2 May 2024.**

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)

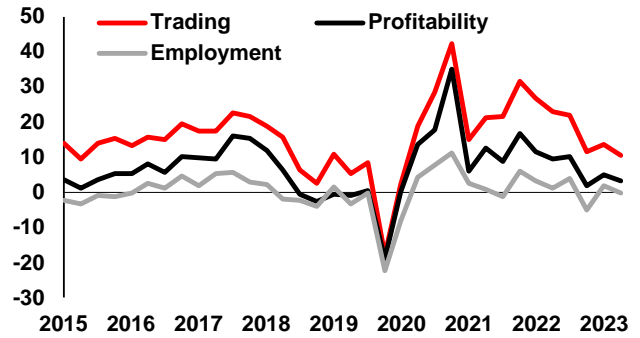


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

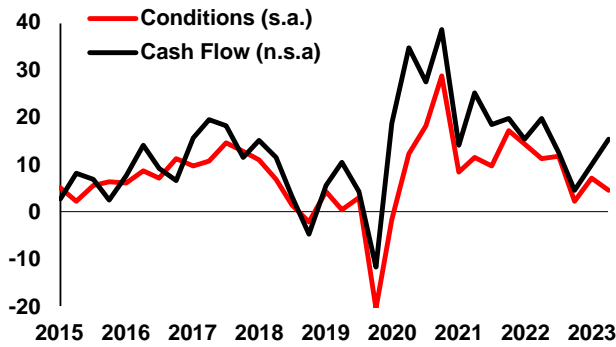
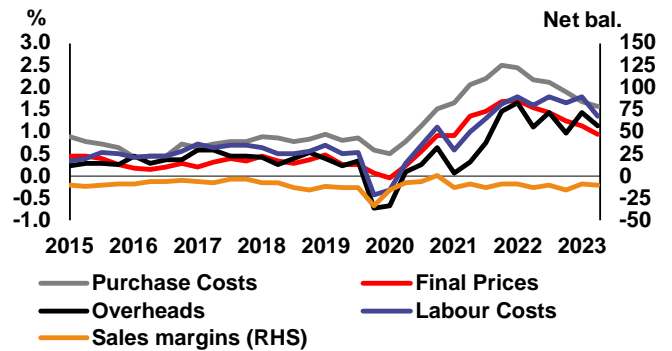


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

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

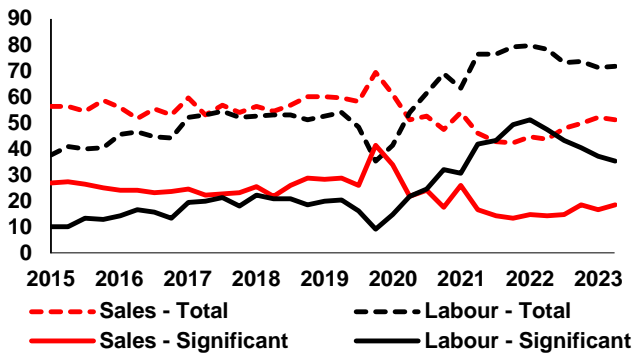
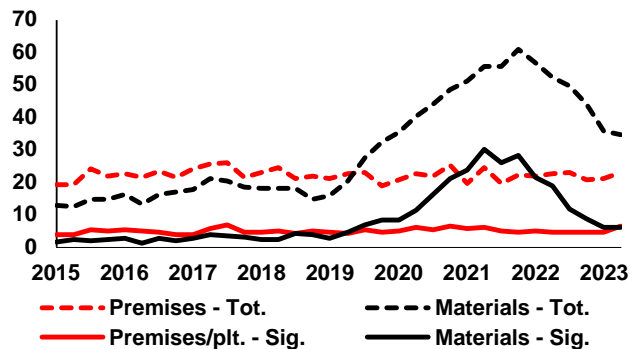


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

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

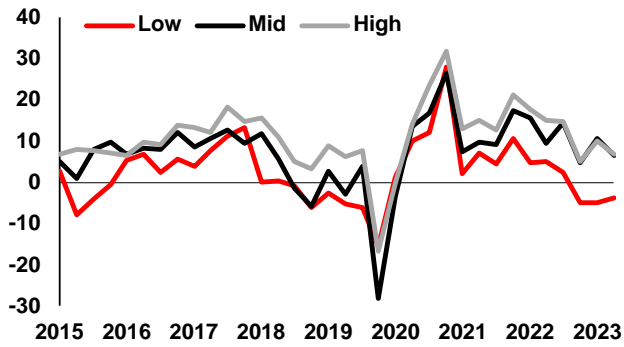


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

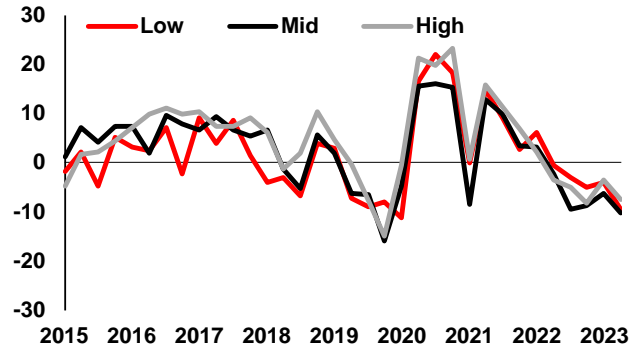


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

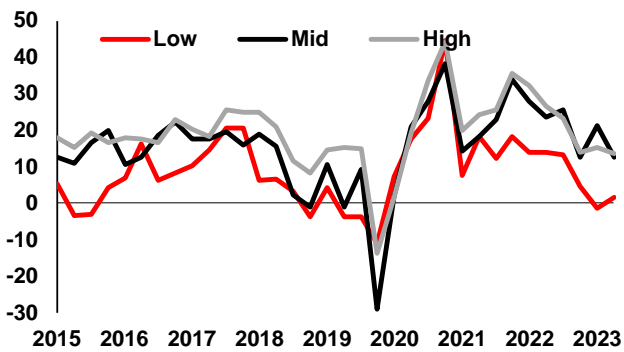


Chart 10: Profitability by Firm Size (Net Balance, SA)

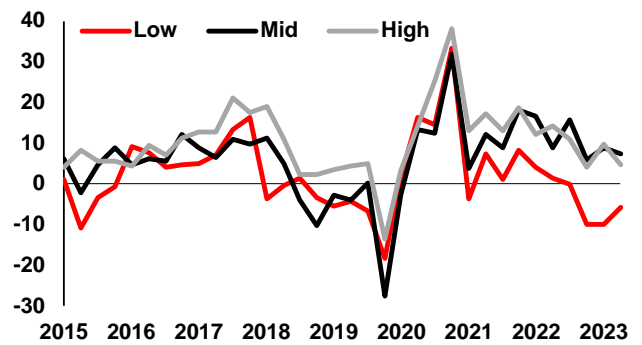


Chart 11: Employment by Firm Size (Net Balance, SA)

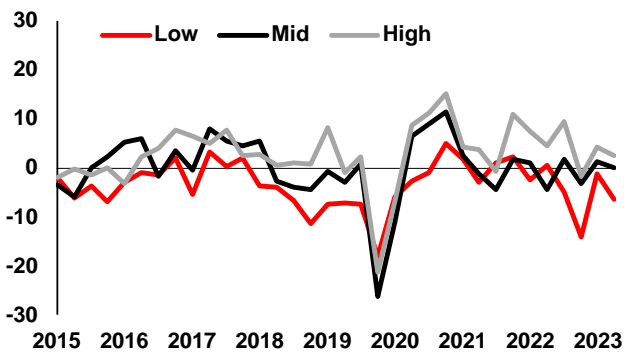


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

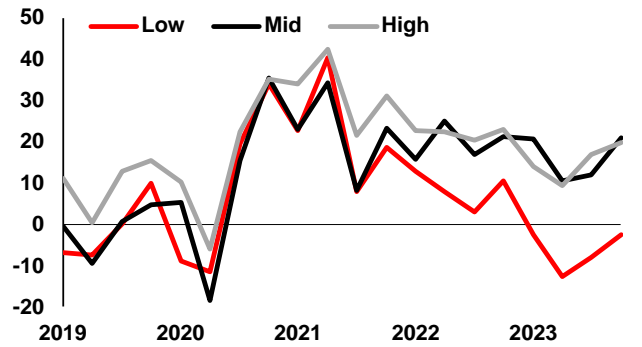


Chart 13: Capacity Utilisation by Firm Size (% , SA)

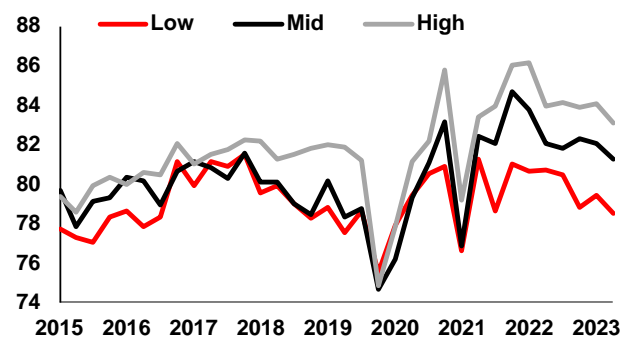
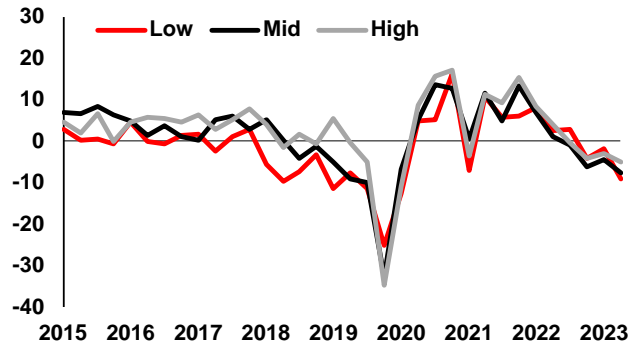


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

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

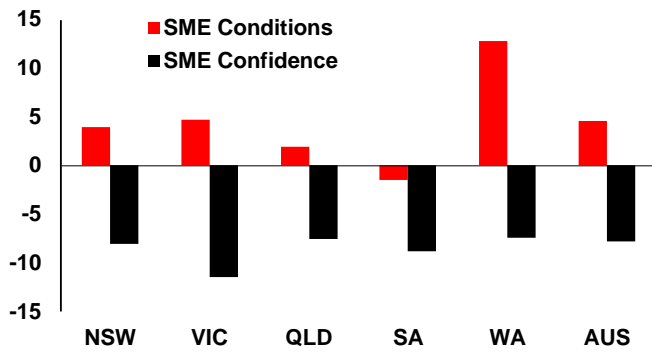


Chart 16: SME Conditions by State (Net Balance, SA)

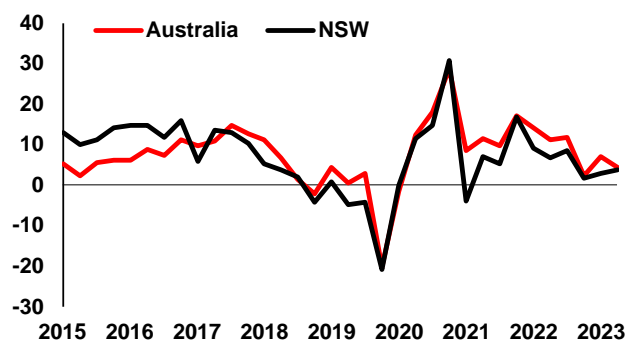


Chart 17: SME Confidence by State (Net Balance, SA)

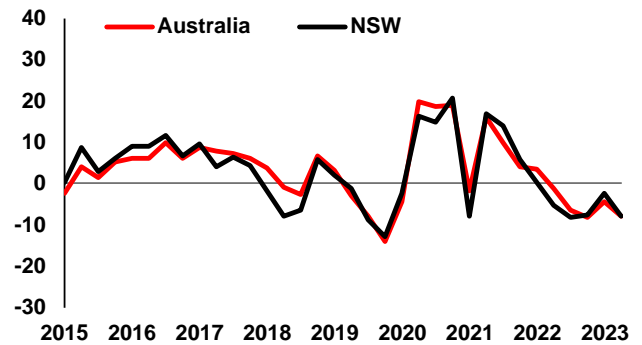


Chart 18: SME Conditions by State (Net Balance, SA)

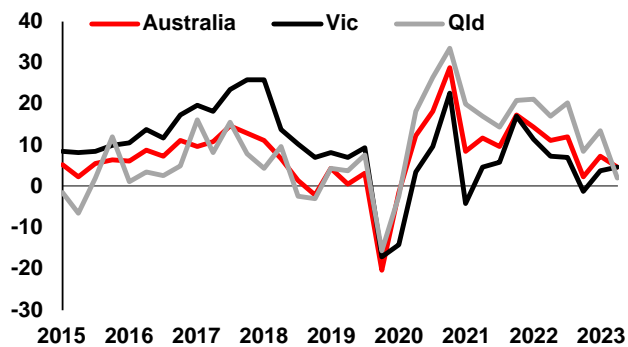


Chart 19: SME Confidence by State (Net Balance, SA)

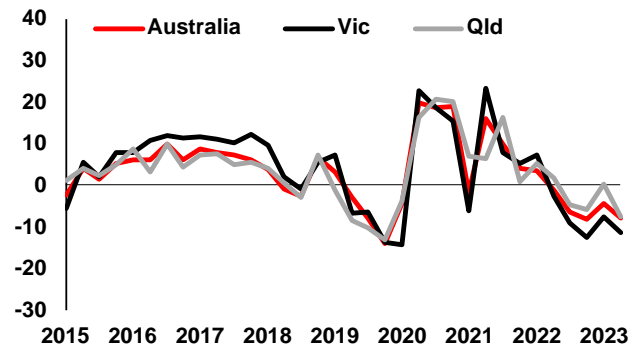


Chart 20: SME Conditions by State (Net Balance, SA)

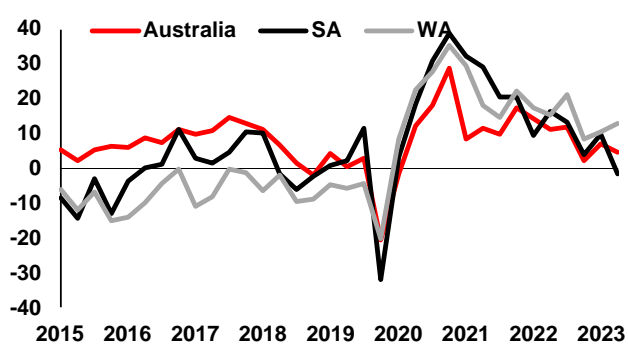
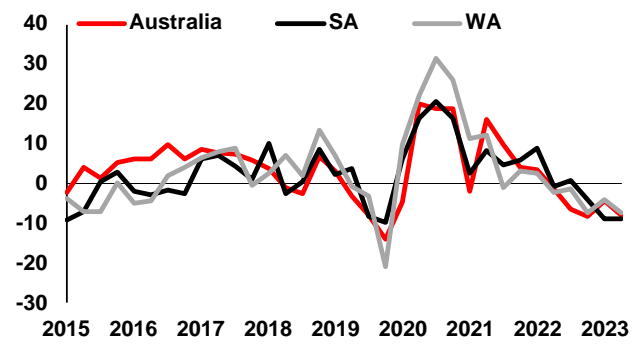


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

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

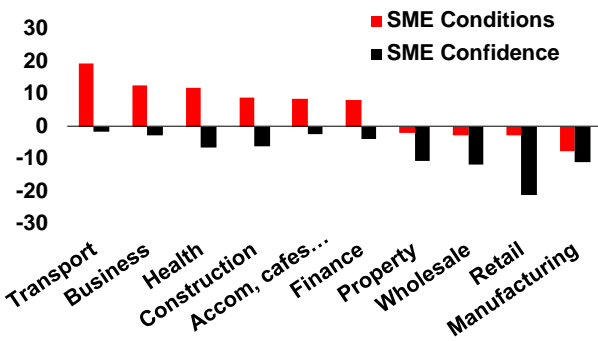


Chart 23: SME Conditions by Industry (Net Balance, SA)

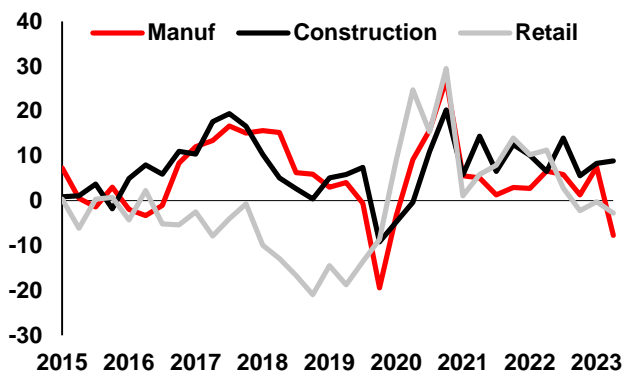


Chart 24: SME Confidence by Industry (Net Balance, SA)

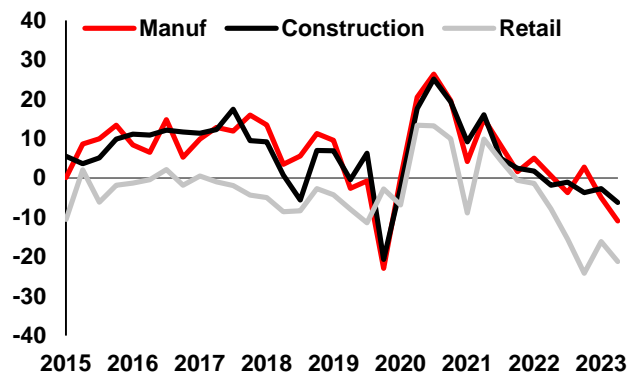


Chart 25: SME Conditions by Industry (Net Balance, SA)

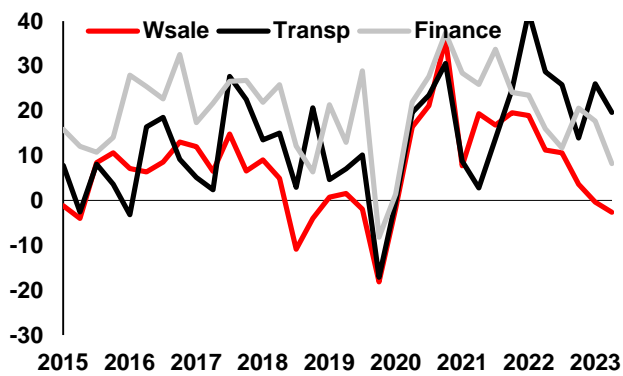


Chart 26: SME Confidence by Industry (Net Balance, SA)

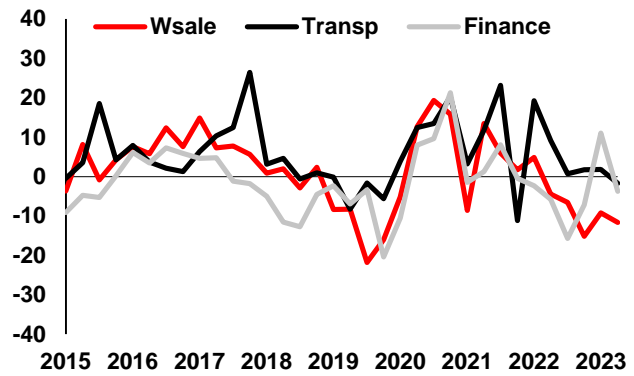


Chart 27: SME Conditions by Industry (Net Balance, SA)

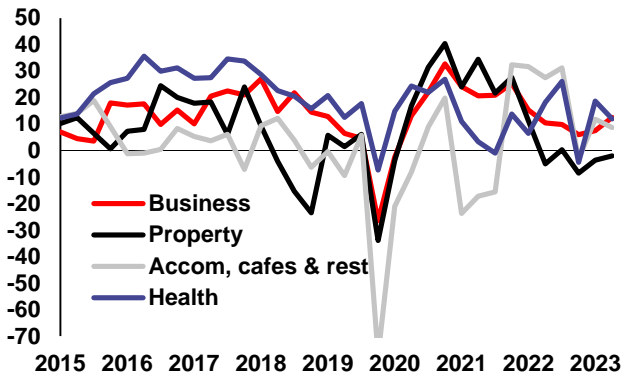
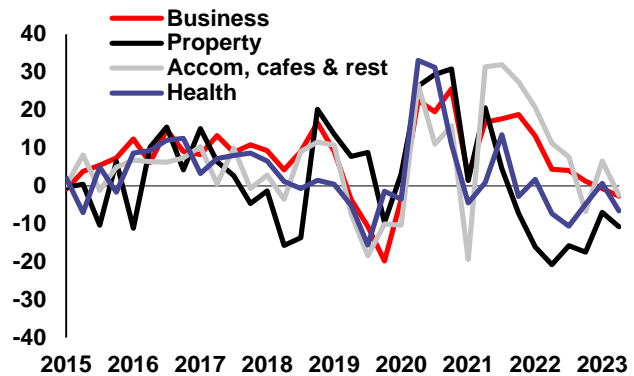


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators - Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

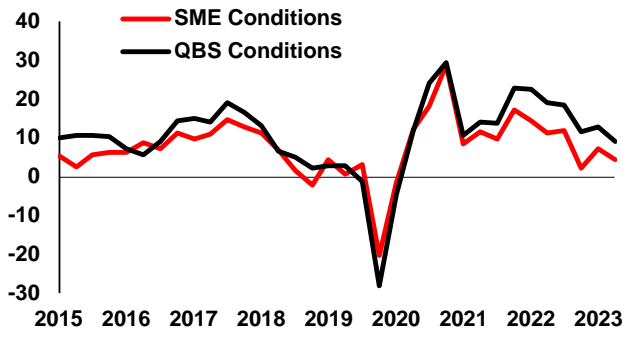


Chart 30: Business Confidence (Net Balance, SA)

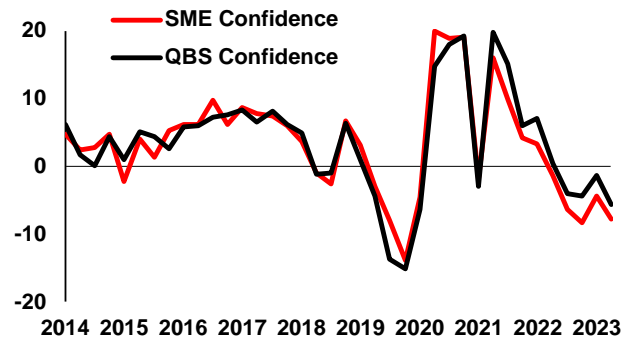


Chart 31: Trading Conditions (Net Balance, SA)

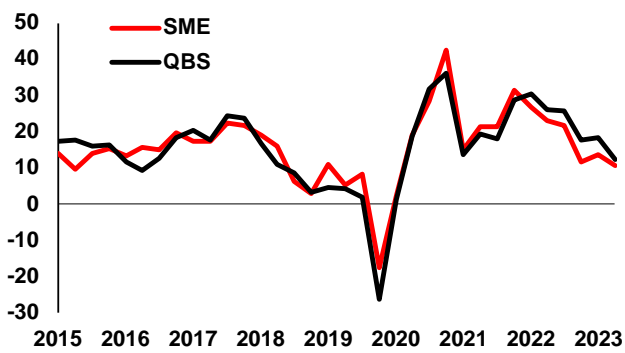


Chart 32: Profitability (Net Balance, SA)

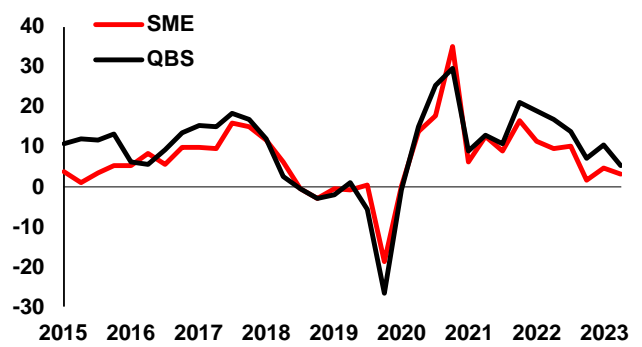


Chart 33: Employment (Net Balance, SA)

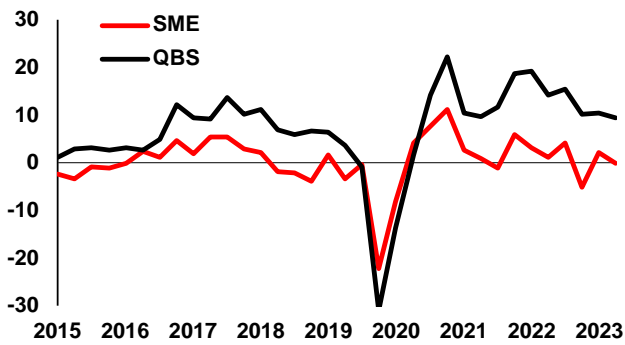


Chart 34: Forward Orders (Net Balance, SA)

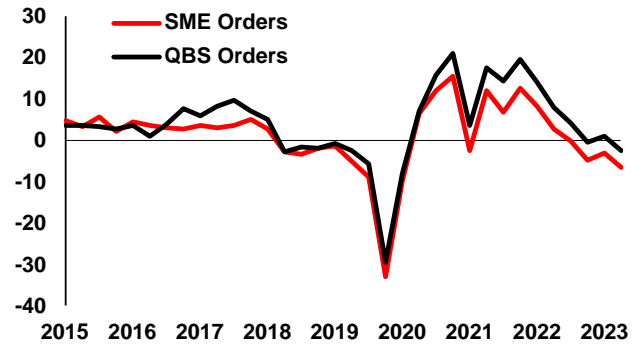


Chart 35: Capacity Utilisation (% SA)

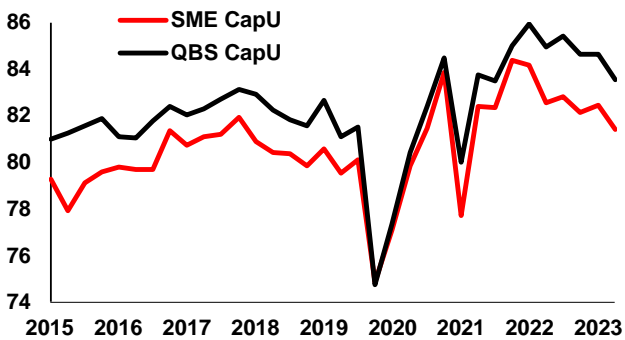
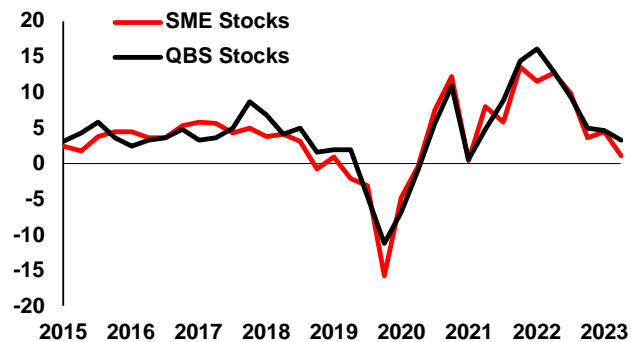


Chart 36: Stocks (Net Balance, SA)



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.