



NAB Quarterly SME Survey Q1 2024

SME conditions fall, diverging from larger firms

NAB Economics

Summary

SME business conditions fell further below average in Q1 as slowing demand and declining profitability weighed on firms. Conditions for SMEs have now clearly diverged from the resilience reported by larger firms in NAB's Quarterly Business Survey, with conditions for the smallest firms remaining negative and mid-tier SMEs also seeing a considerable decline. Business confidence also remained negative among SMEs, though there was a small improvement compared to Q4. Similarly, SME forward orders picked up but remained negative, while capacity utilisation edged down to 81%. Cost growth measures eased slightly, though price growth was broadly unchanged from Q4 at 0.9% in quarterly terms and labour availability remained a significant constraint for a third of all SMEs.

Survey Details

- **SME business conditions** fell 3pts to +2 index points, below the long-run average of +6. The shift was driven by a decline in conditions for mid-tier firms (those with \$3-5m annual turnover), though conditions remain weakest for the smallest SMEs. Both trading conditions and profitability slipped several points in the quarter.
- **By industry**, SME conditions declined most in transport (down 13pts), health and construction (both down 7pts), wholesale (down 5pts) and accommodation & food (down 4pts). Only property (up 7pts) and finance (up 6pts) saw a rise. In level terms, SME conditions remained negative in manufacturing, wholesale and retail, with conditions strongest in finance, business services and transport.
- **SME business confidence** rose 2pts to -6 index points. SME confidence rose in all industries except accommodation & food, with confidence still weakest in retail at -15 index points.
- **Across the states**, SME conditions fell in Vic (down 7pts) and NSW (down 4pts) with small rises elsewhere, leaving SME conditions weak outside of WA. SME confidence improved everywhere except SA but nonetheless remained negative across the states.
- **Compared to larger firms** (as measured in the NAB Quarterly Business Survey), SME conditions were much more clearly below average in Q1. Confidence remained negative across both larger firms and SMEs.
- **Leading indicators** picked up somewhat. Forward orders rose 3pts to -4 index points and capex rose 1pt to +5 index points. Capacity utilisation eased slightly, to 81.0% (from 81.4%).

Table 1: Key SME Business Survey Statistics

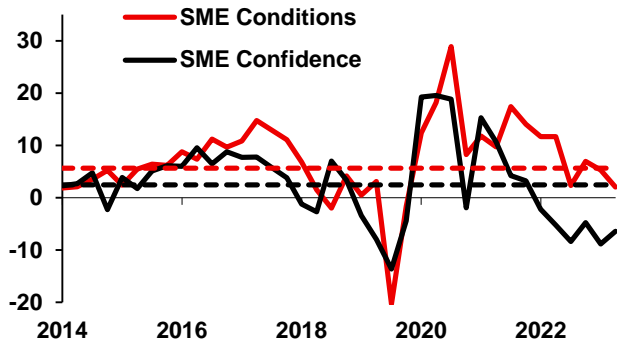
	2023 q3	2023 q4	2024 q1
	Net balance		
SME Business	-5	-9	-6
Low-tier firms	-4	-10	-7
Mid-tier firms	-7	-11	-6
High-tier firms	-4	-8	-6
QBS Conf. (Non-SMEs)	-1	-6	-2
SME Business	7	5	2
Low-tier firms	-5	-4	-5
Mid-tier firms	10	7	1
High-tier firms	10	8	6
QBS Cond. (Non-SMEs)	13	10	10
SME Trading	14	12	8
Low-tier firms	-1	3	3
Mid-tier firms	20	14	5
High-tier firms	16	15	14
SME Profitability	4	4	-1
Low-tier firms	-11	-6	-11
Mid-tier firms	8	8	-1
High-tier firms	9	5	2
SME Employment	2	0	-1
Low-tier firms	-2	-7	-7
Mid-tier firms	1	-1	-1
High-tier firms	4	3	2

- **Cost pressures** edged down, with quarterly purchase cost growth of 1.4% (down from 1.6% in Q4) and labour costs growth of 1.1% (down from 1.4%).
- **Final prices** grew at 0.9% overall (unchanged) and the sales margin index continued to edge down, falling 1pt to -12 index points.

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 19 February to 7 March 2024, covering over 700 firms across the non-farm business sector. **Next release date: 25 July 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)

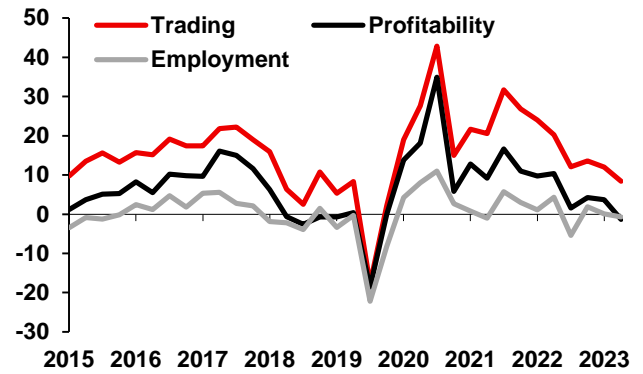


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

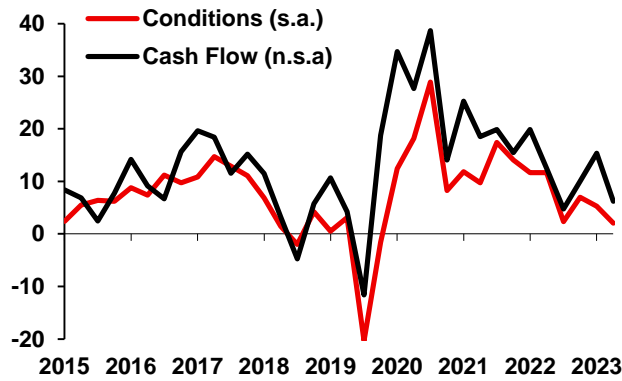
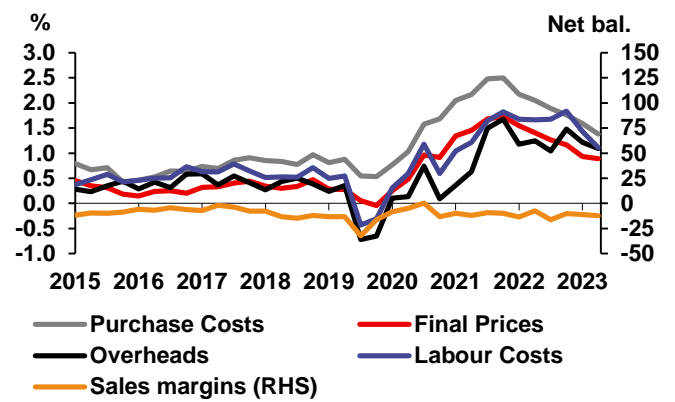


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

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

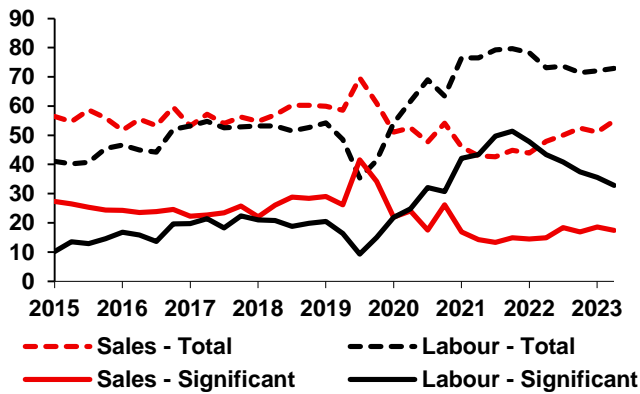
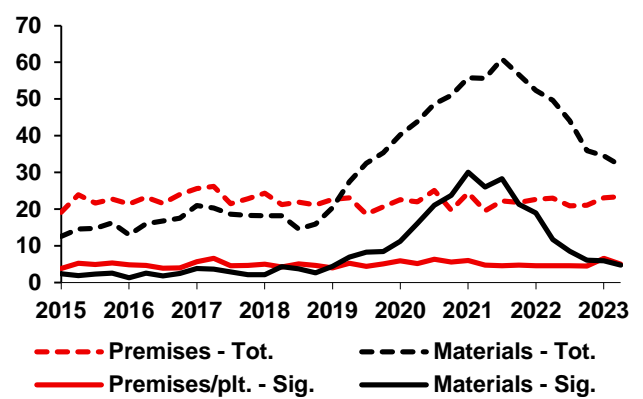


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

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

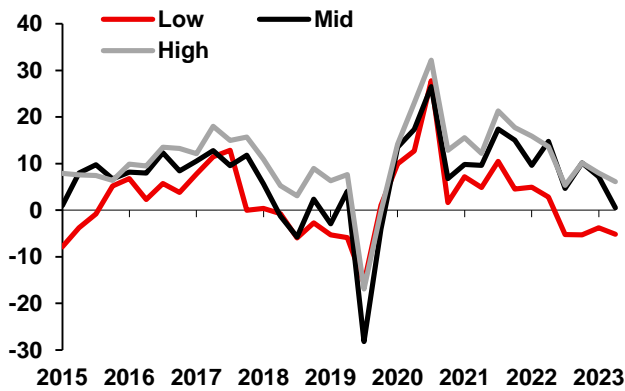


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

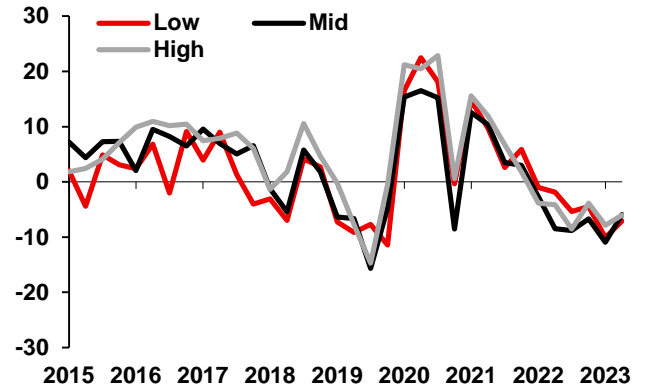


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

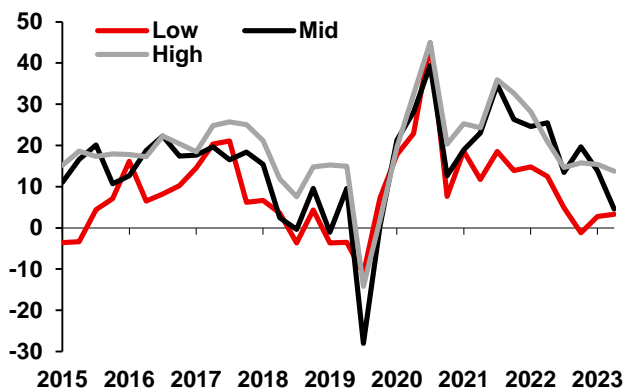


Chart 10: Profitability by Firm Size (Net Balance, SA)

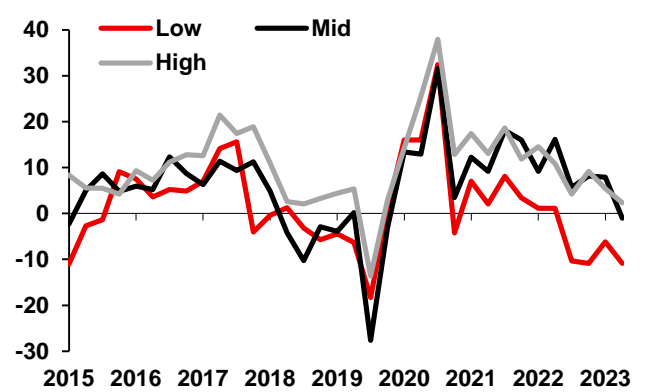


Chart 11: Employment by Firm Size (Net Balance, SA)

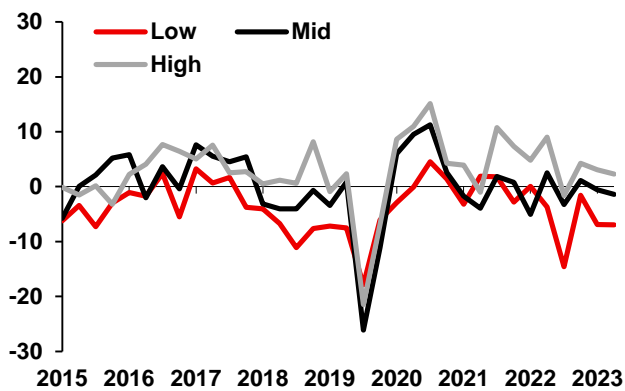


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

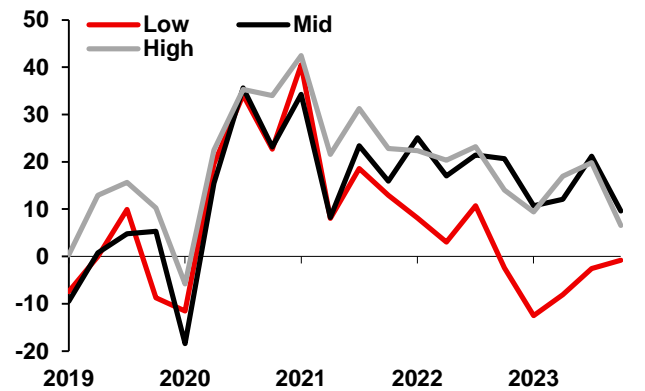


Chart 13: Capacity Utilisation by Firm Size (% , SA)

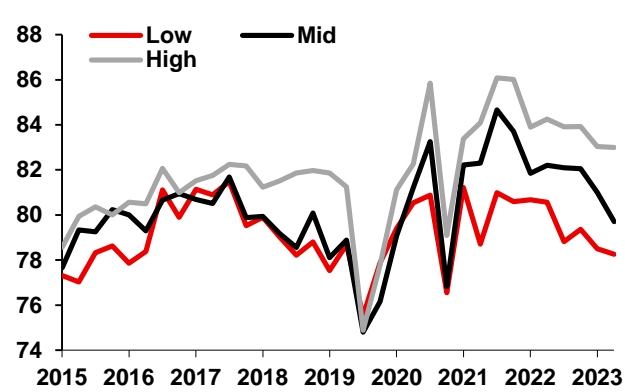
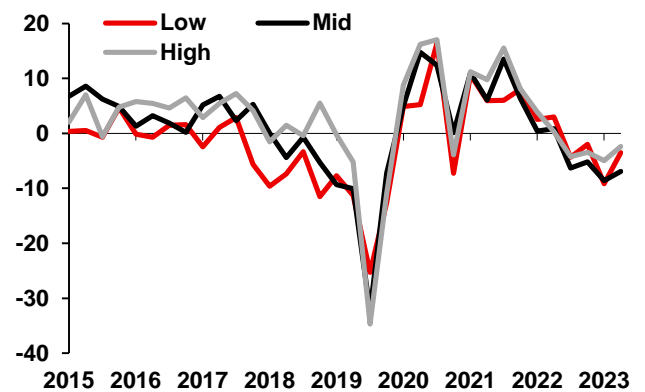


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

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

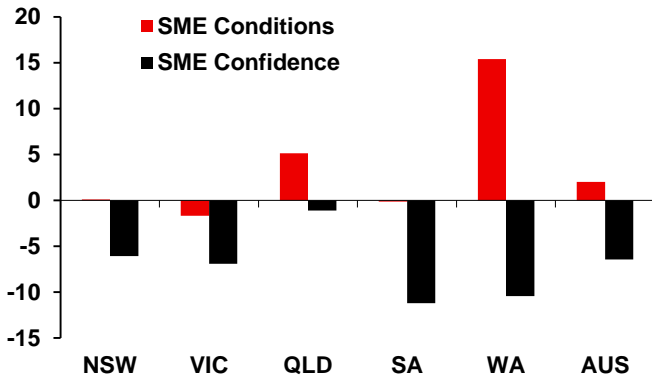


Chart 16: SME Conditions by State (Net Balance, SA)

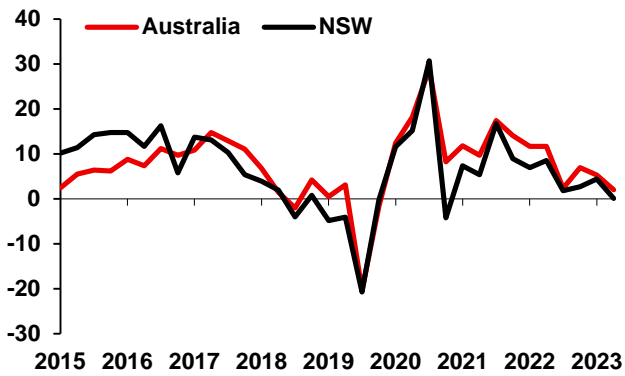


Chart 17: SME Confidence by State (Net Balance, SA)

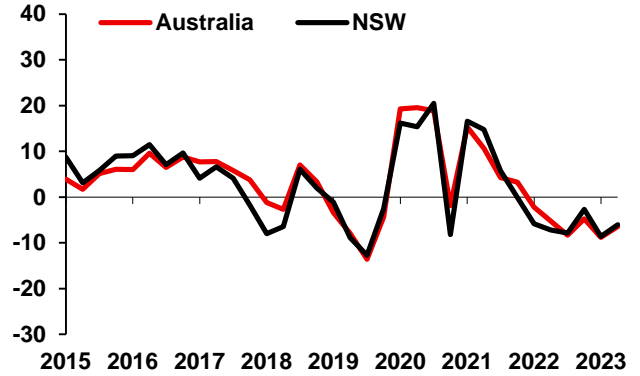


Chart 18: SME Conditions by State (Net Balance, SA)

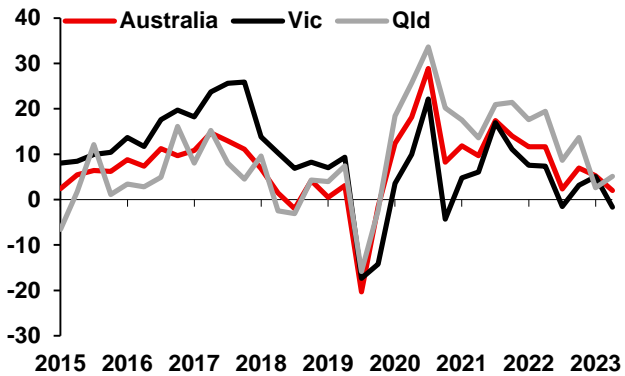


Chart 19: SME Confidence by State (Net Balance, SA)

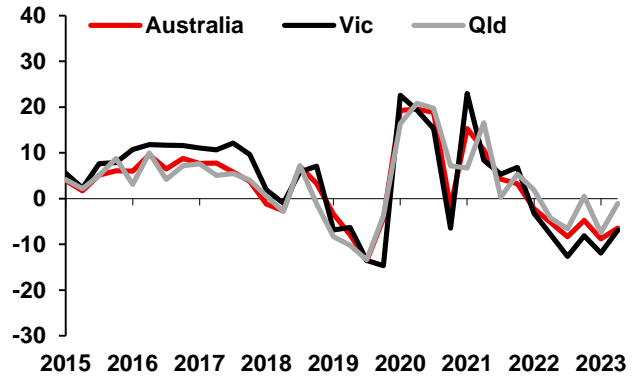


Chart 20: SME Conditions by State (Net Balance, SA)

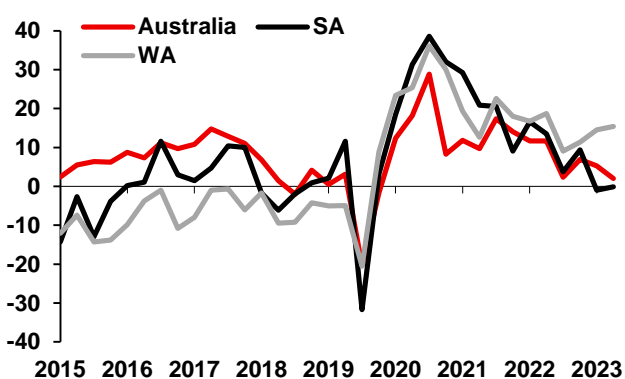
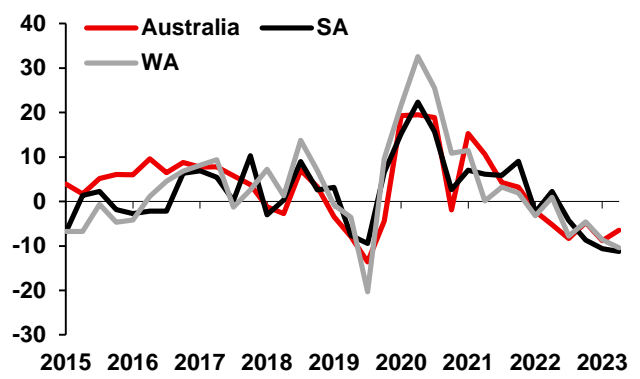


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

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

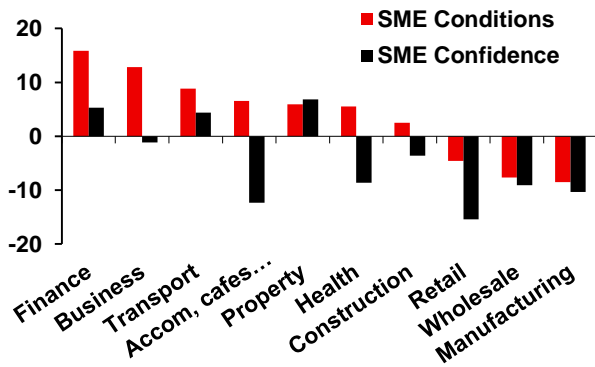


Chart 23: SME Conditions by Industry (Net Balance, SA)

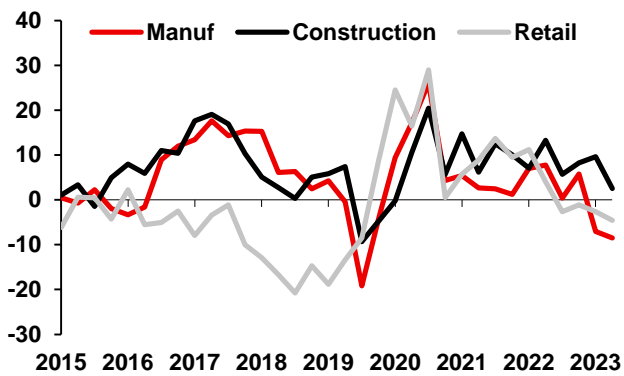


Chart 24: SME Confidence by Industry (Net Balance, SA)

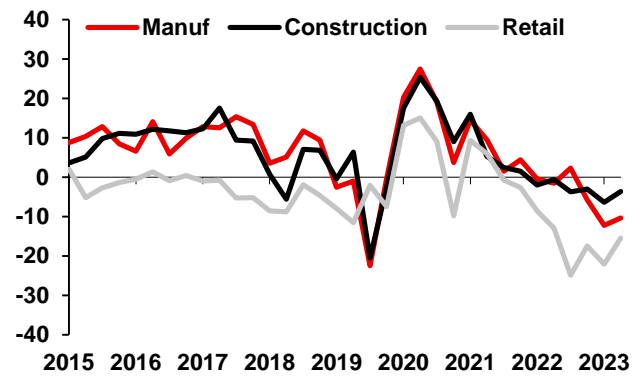


Chart 25: SME Conditions by Industry (Net Balance, SA)

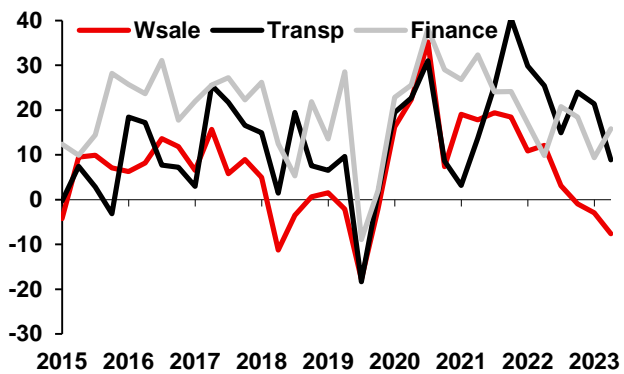


Chart 26: SME Confidence by Industry (Net Balance, SA)

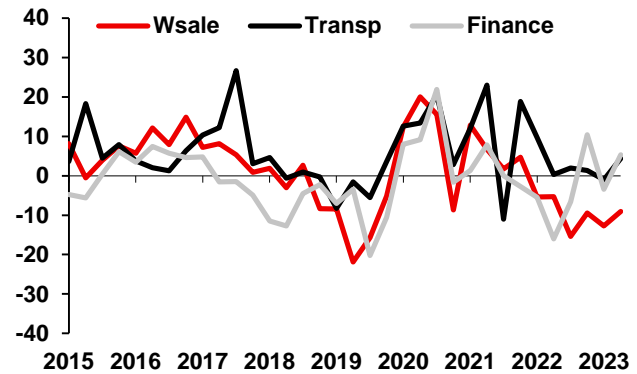


Chart 27: SME Conditions by Industry (Net Balance, SA)

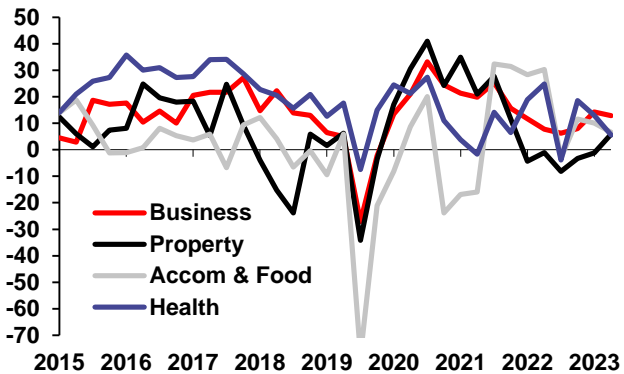
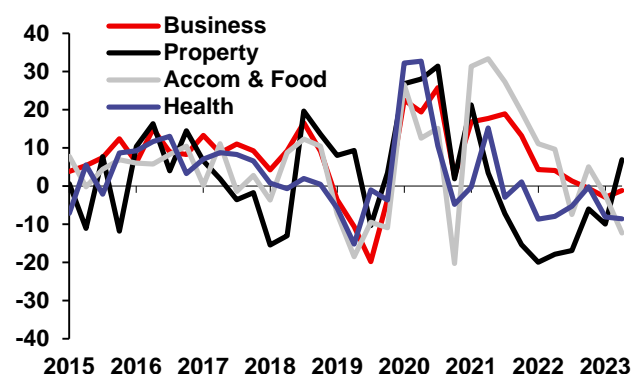


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators - Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

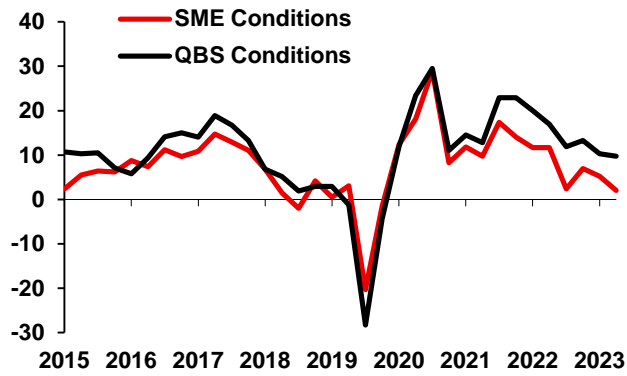


Chart 30: Business Confidence (Net Balance, SA)

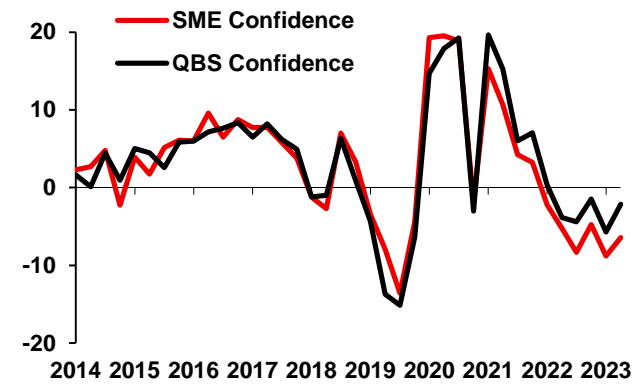


Chart 31: Trading Conditions (Net Balance, SA)

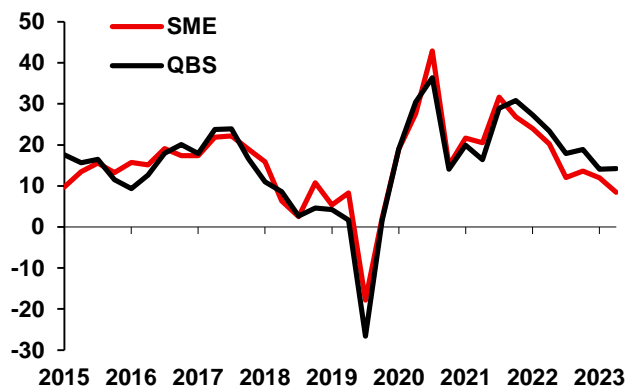


Chart 32: Profitability (Net Balance, SA)

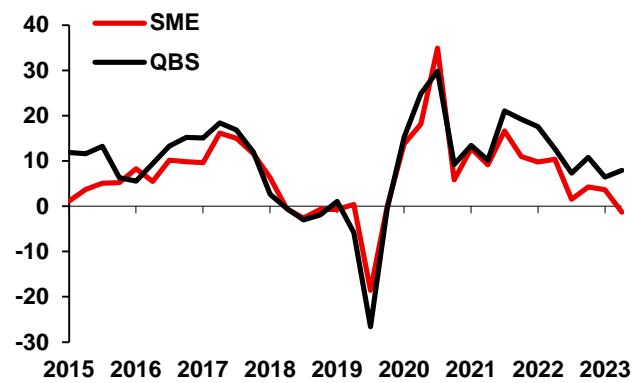


Chart 33: Employment (Net Balance, SA)

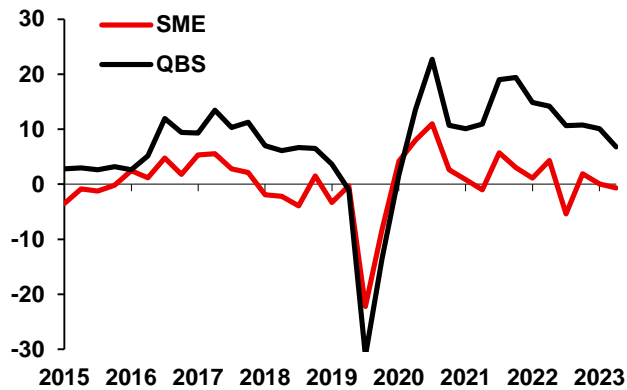


Chart 34: Forward Orders (Net Balance, SA)

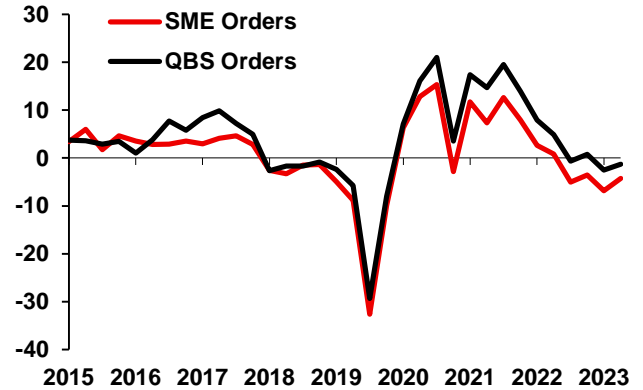


Chart 35: Capacity Utilisation (% , SA)

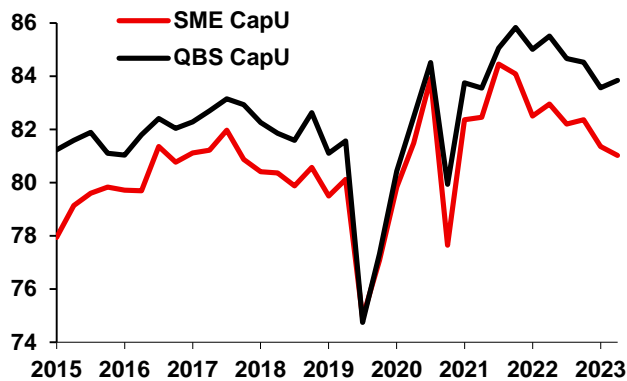
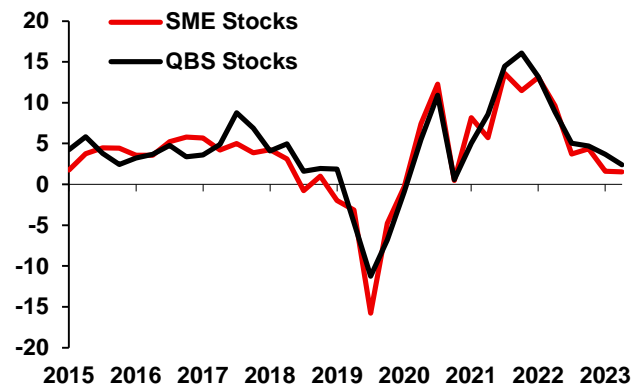


Chart 36: Stocks (Net Balance, SA)



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