



NAB Quarterly SME Survey Q2 2024

SME conditions stable but still below average

NAB Economics

Summary

SME business conditions held steady in Q2 but remained below their long-run average, continuing to track below the level of conditions reported by larger businesses. The quarter saw a pick-up in conditions for the smallest SMEs (albeit they remain negative) while conditions for medium and larger SMEs slipped. SME business confidence also remains in negative territory though it improved somewhat in the quarter – although SME forward orders softened. Cost pressures remained elevated with only marginal improvement in the quarter, while price growth edged down. Labour availability remains a significant constraint for around 30% of firms, similar to the rates reported by larger businesses, signalling that the labour market remains fairly tight despite some easing in the unemployment rate.

Survey Details

- **SME business conditions** were steady at +2 index points, below the long-run average of +6. Conditions for the smallest SMEs improved 5pts albeit they remained negative, while conditions for mid-tier firms turned negative in the quarter and larger firms saw also conditions ease slightly.
- **By industry**, SME conditions declined in accommodation & food (down 14pts), health (down 7pts), business services (down 5pts) and construction (down 2pts). Other sectors saw SME conditions rise, most notably in wholesale (up 8pts). In level terms, SME conditions remained strongest in finance, transport, property and business services, and were weakest in accommodation & food and manufacturing.
- **SME business confidence** rose 4pts to -3 index points. SME confidence rose in most industries but in level terms remains negative in manufacturing, retail, accommodation & food, wholesale and construction.
- **Across the states**, SME conditions fell in WA (down 5pts) and NSW (down 2pts) with small rises elsewhere, leaving SME conditions weak outside of WA and Qld. SME confidence improved across the states but nonetheless remained negative in NSW, Vic and SA.
- **Compared to larger firms** (as measured in the NAB Quarterly Business Survey), SME business confidence, and in particular conditions, remained softer.
- **Leading indicators** remained mixed. Forward orders fell 2pts to -7 index points and capex fell 1pt to +4 index points, but capacity utilisation remained above average at 81.5% (from 81.2%).

Table 1: Key SME Business Survey Statistics

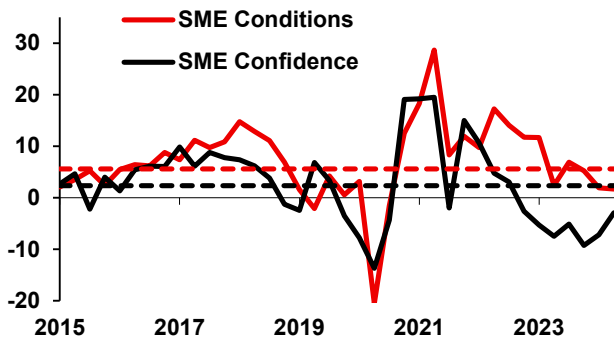
	2023 q4	2024 q1	2024 q2
	Net balance		
SME Business Confidence	-9	-7	-3
Low-tier firms	-10	-7	4
Mid-tier firms	-12	-7	-5
High-tier firms	-8	-7	-4
QBS Conf. (Non-SMEs)	-6	-2	-1
SME Business Conditions	5	2	2
Low-tier firms	-4	-6	-1
Mid-tier firms	7	0	-2
High-tier firms	8	7	6
QBS Cond. (Non-SMEs)	11	10	5
SME Trading Conditions	13	10	8
Low-tier firms	3	4	4
Mid-tier firms	14	4	2
High-tier firms	16	16	13
SME Profitability	4	-2	1
Low-tier firms	-6	-12	-4
Mid-tier firms	8	-2	-1
High-tier firms	6	3	4
SME Employment	-1	-1	-4
Low-tier firms	-7	-8	-6
Mid-tier firms	-2	-3	-7
High-tier firms	3	2	-1

- **Cost pressures** were little changed, with quarterly purchase cost growth of 1.3% (down from 1.5% in Q1) and labour costs growth of 1.2% (down from 1.3%).
- **Final prices** grew at 0.7% overall (down from 0.9%) while the sales margin index improved slightly, up 3pts to -12 index points.

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 20 May to 6 June 2024, covering over 700 firms across the non-farm business sector. Next release date: 24 October 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)

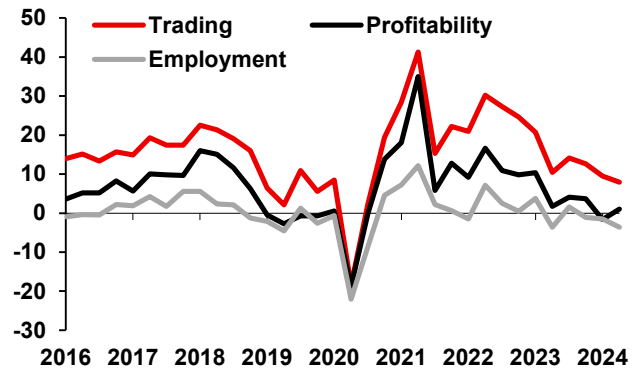


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

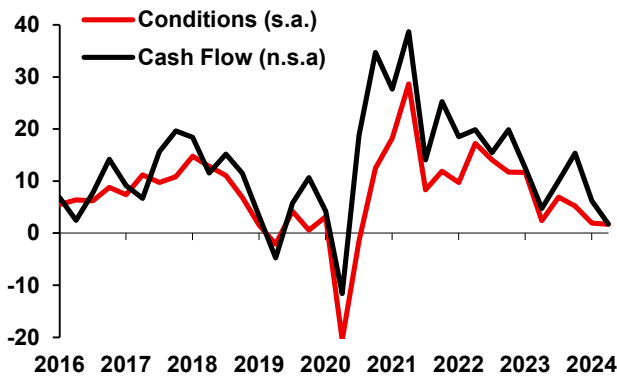
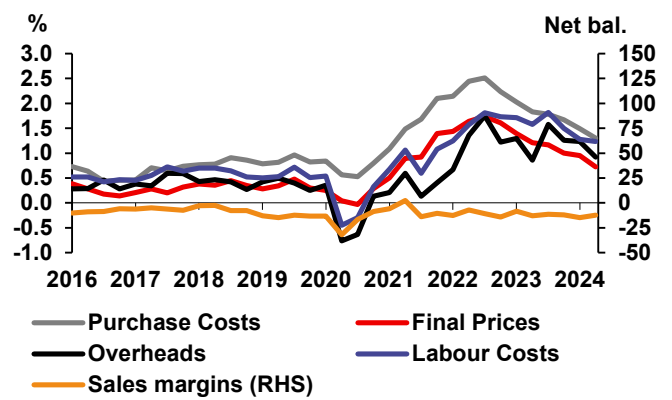


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

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

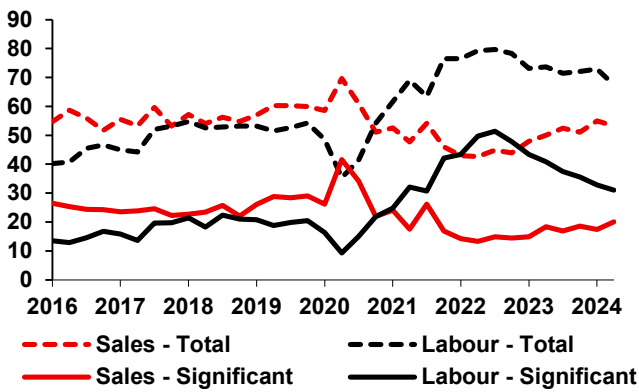
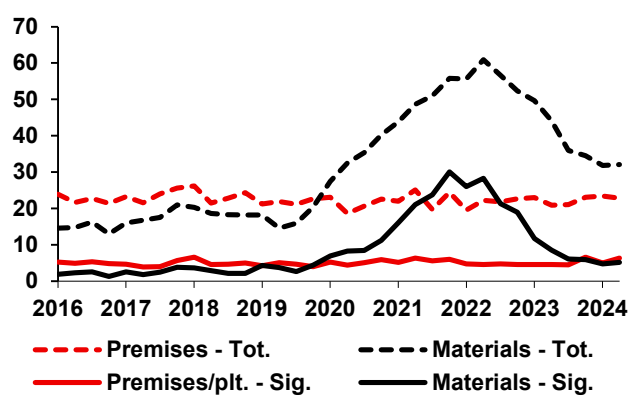


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

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

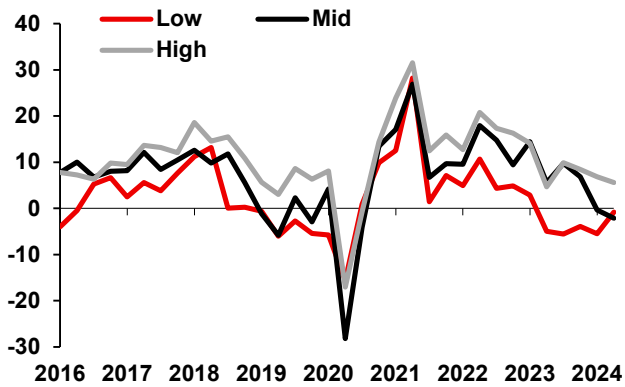


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

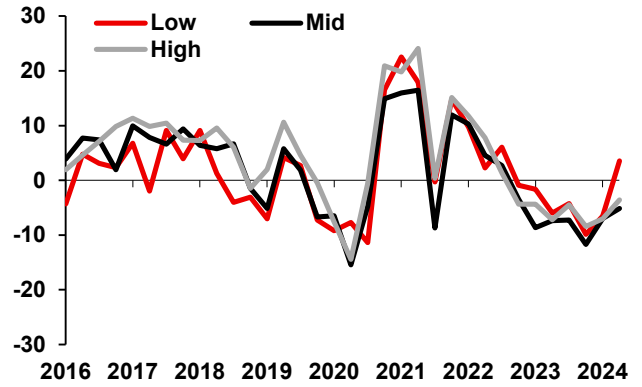


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

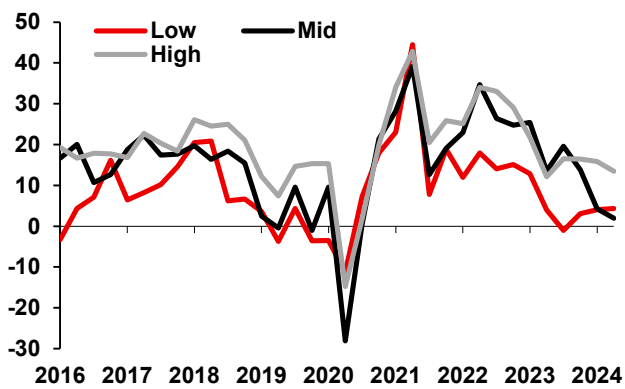


Chart 10: Profitability by Firm Size (Net Balance, SA)

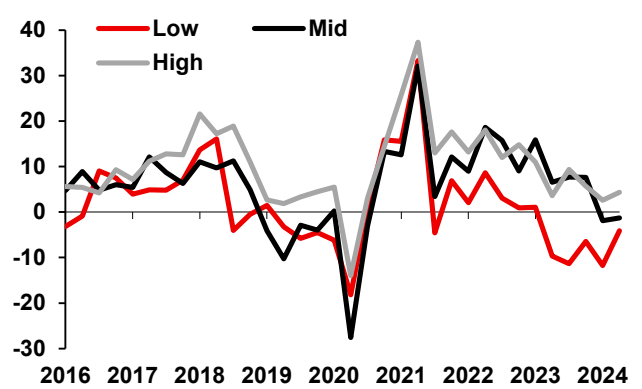


Chart 11: Employment by Firm Size (Net Balance, SA)

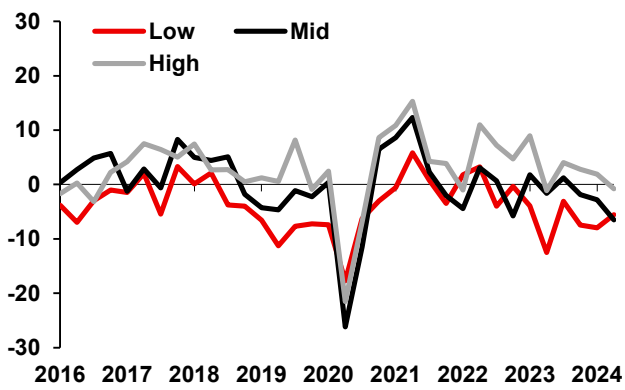


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

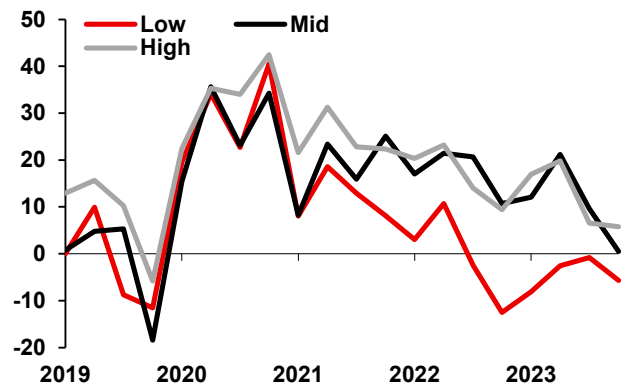


Chart 13: Capacity Utilisation by Firm Size (% , SA)

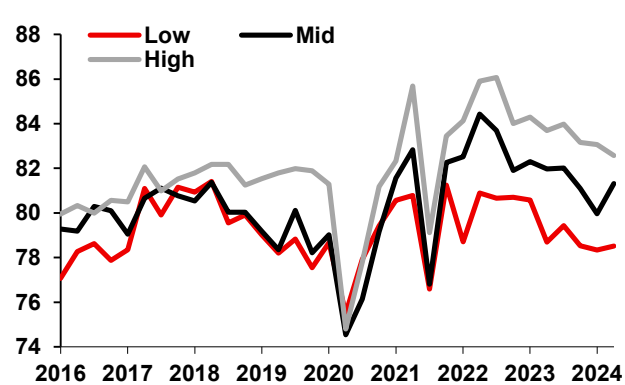
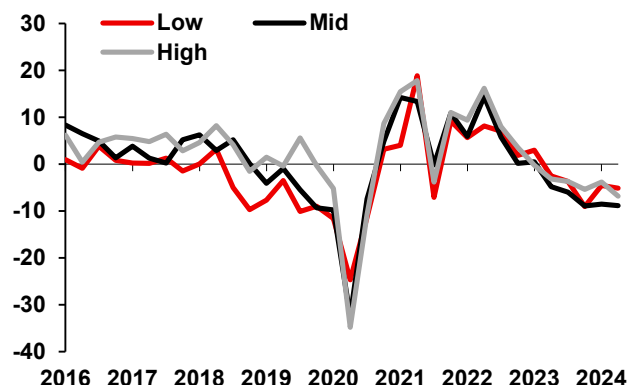


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

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

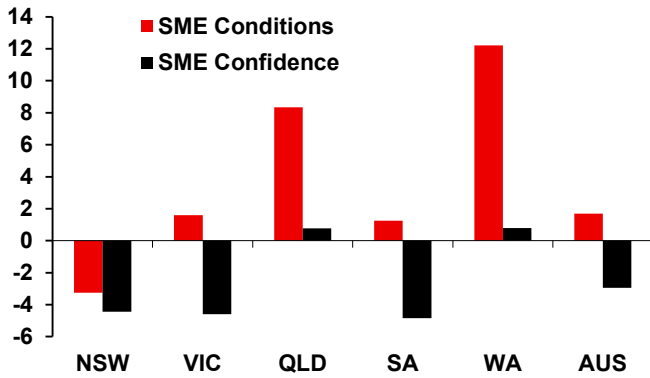


Chart 16: SME Conditions by State (Net Balance, SA)

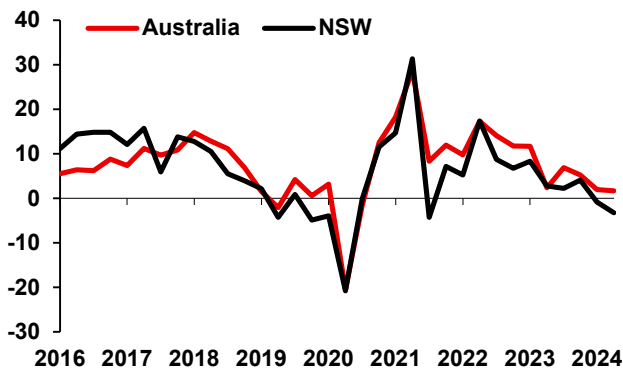


Chart 17: SME Confidence by State (Net Balance, SA)

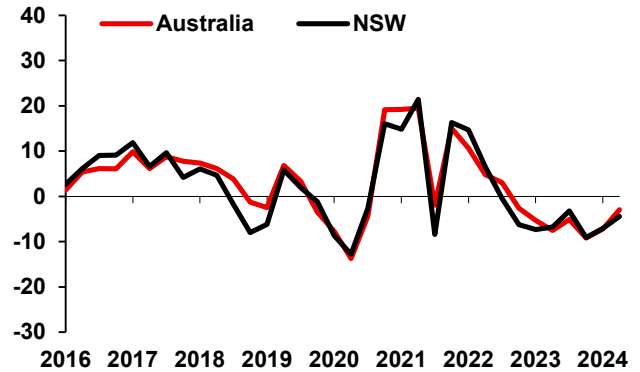


Chart 18: SME Conditions by State (Net Balance, SA)

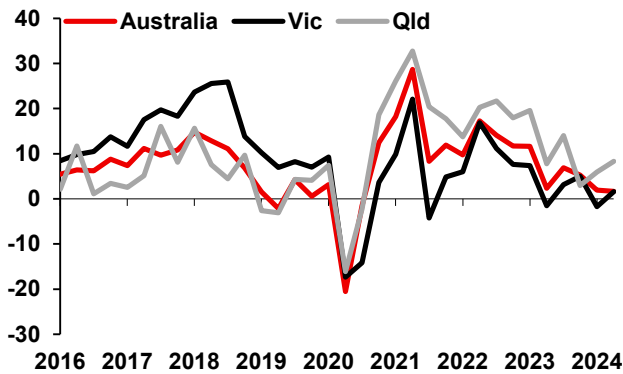


Chart 19: SME Confidence by State (Net Balance, SA)

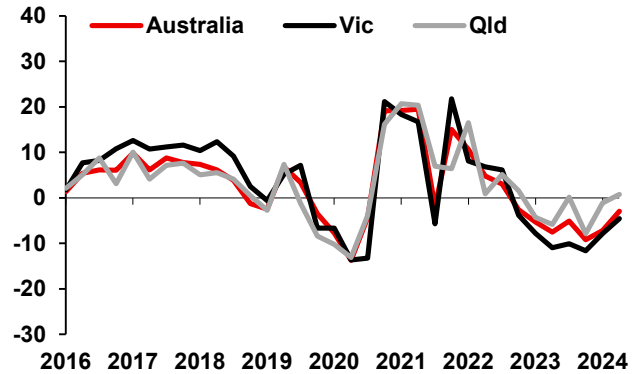


Chart 20: SME Conditions by State (Net Balance, SA)

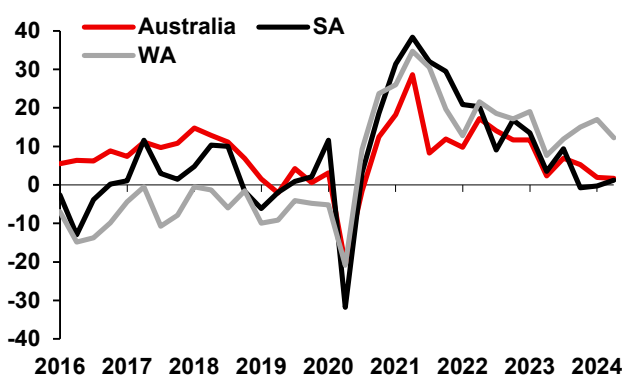
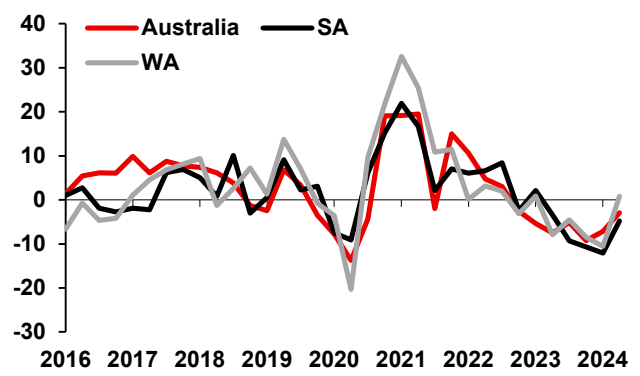


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

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

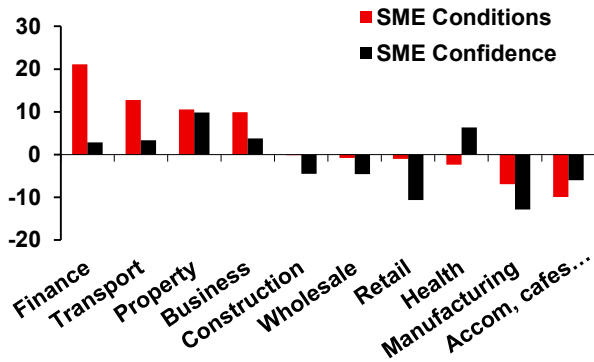


Chart 23: SME Conditions by Industry (Net Balance, SA)

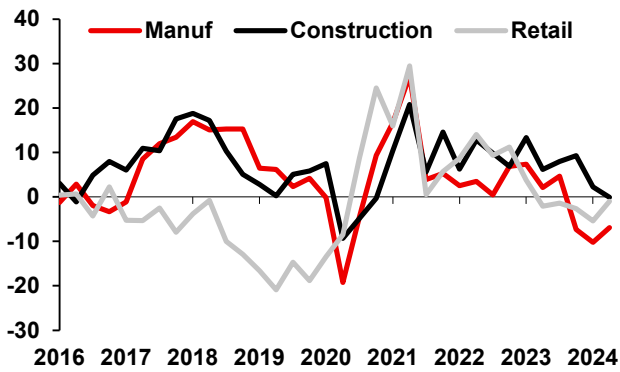


Chart 24: SME Confidence by Industry (Net Balance, SA)

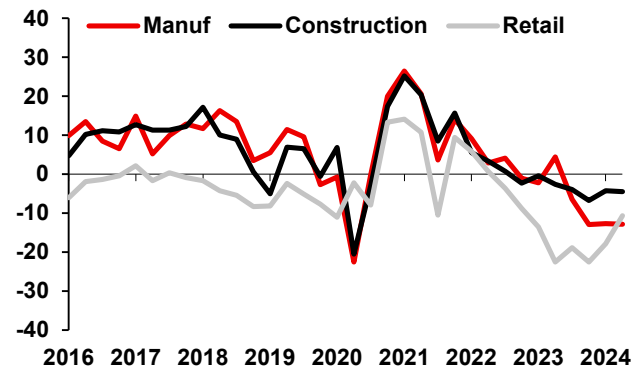


Chart 25: SME Conditions by Industry (Net Balance, SA)

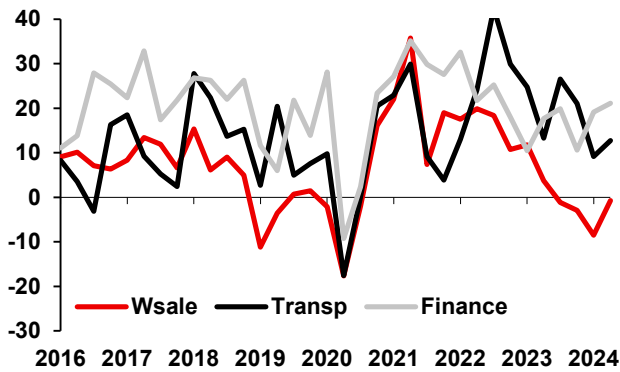


Chart 26: SME Confidence by Industry (Net Balance, SA)

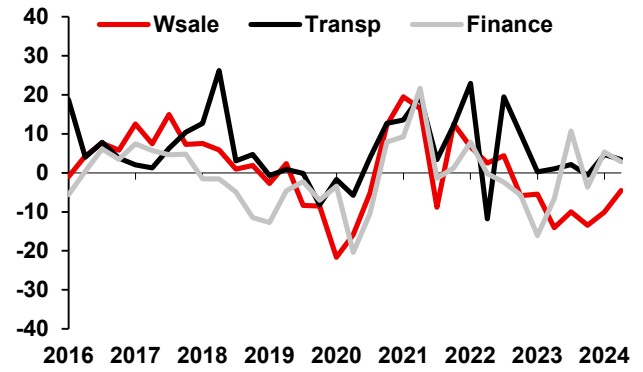


Chart 27: SME Conditions by Industry (Net Balance, SA)

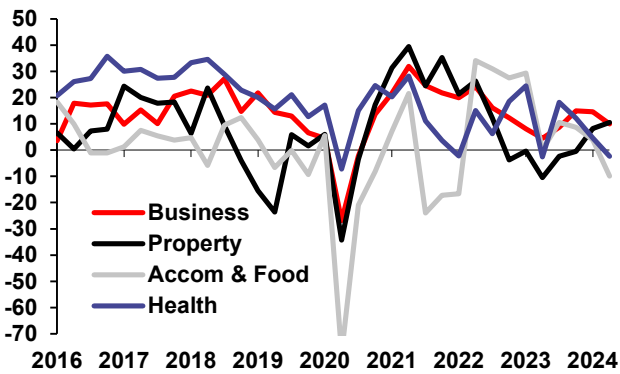
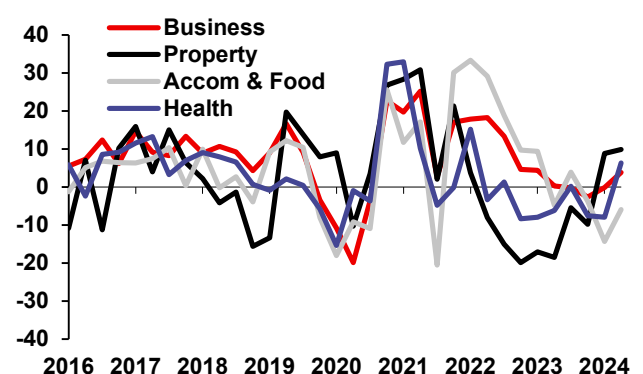


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators - Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

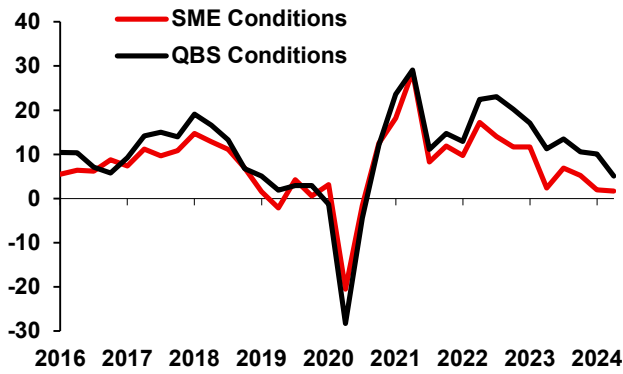


Chart 30: Business Confidence (Net Balance, SA)

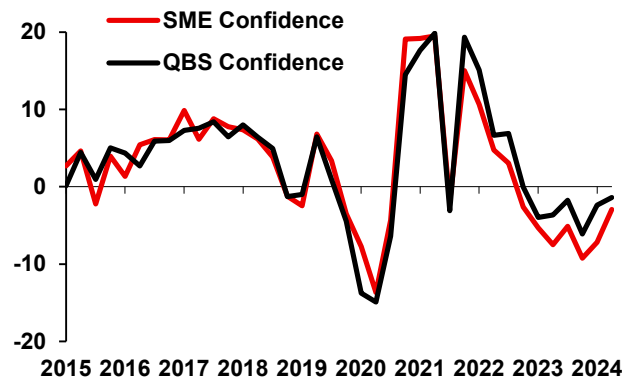


Chart 31: Trading Conditions (Net Balance, SA)

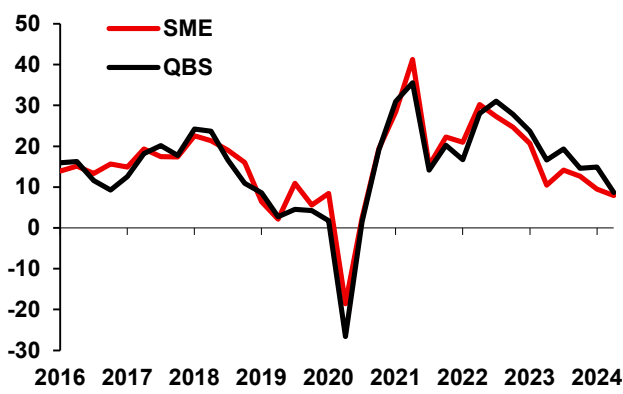


Chart 32: Profitability (Net Balance, SA)

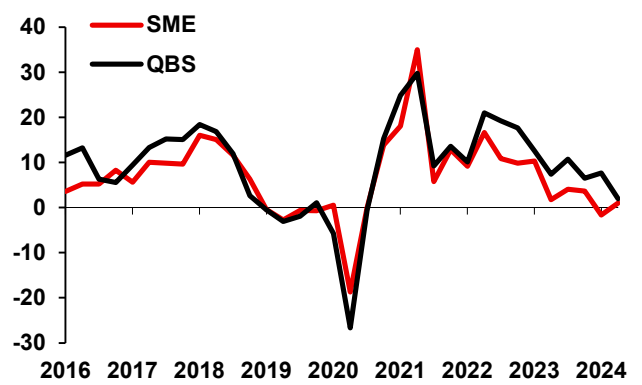


Chart 33: Employment (Net Balance, SA)

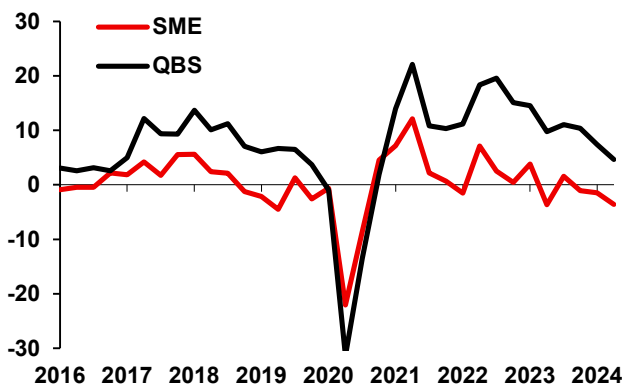


Chart 34: Forward Orders (Net Balance, SA)

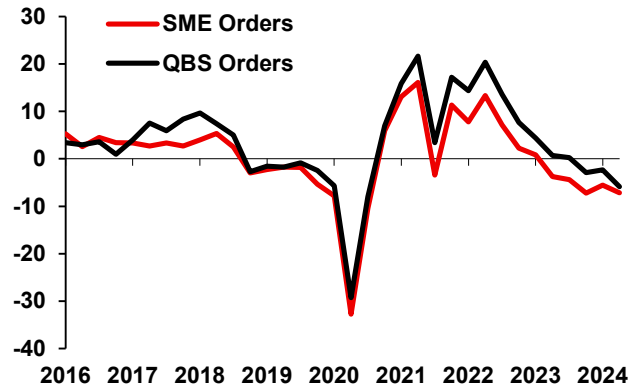


Chart 35: Capacity Utilisation (% , SA)

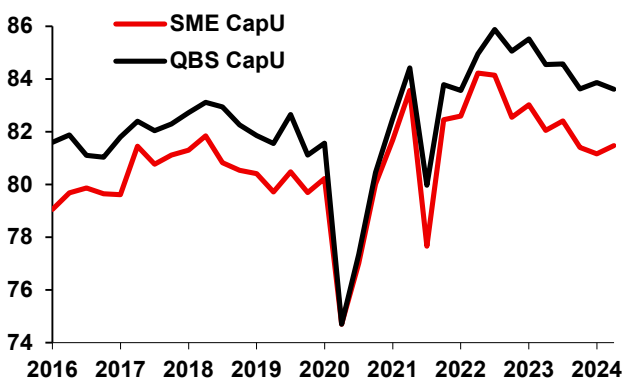
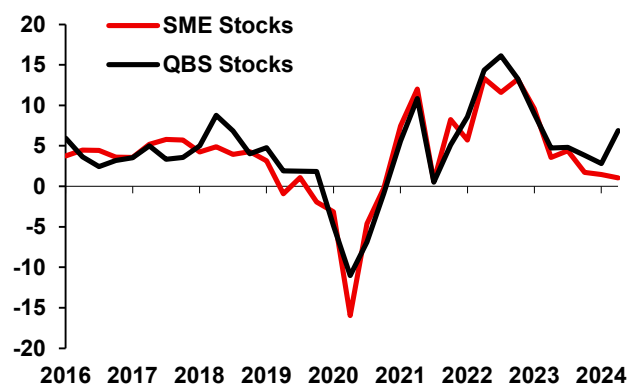


Chart 36: Stocks (Net Balance, SA)



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