



NAB Quarterly SME Survey Q3 2024

SME confidence falls deeper into negative territory

NAB Economics

Summary

SME business confidence fell more deeply into negative territory in Q3, while conditions also turned negative in the quarter. Conditions were negative for the smallest as well as middle-tier SMEs in the survey, while larger SMEs saw conditions drop to zero index points. The softening mirrors that seen among larger firms in the NAB Quarterly Business Survey. Cost pressures remained elevated, with no improvement in the pace of materials or labour cost growth reported by SMEs in the quarter, and the pace of price growth picked up marginally to 0.8% q/q. Labour availability remains a significant constraint for around 30% of firms, similar to the rates reported by larger businesses, while the share of firms reporting sales demand as a significant constraint rose to around a quarter (similar to the results seen in the years prior to COVID), reflecting ongoing subdued consumer demand.

Survey Details

- **SME business conditions** fell 3pts to -2 index points. Conditions for the smallest SMEs remained negative and mid-tier SMEs declined to -7 index points. Larger SMEs also saw conditions ease down to 0 index points.
- **By industry**, SME conditions declined materially in transport (down 11pts) wholesale (down 9pts), retail (down 8pts), property (down 8pts) and manufacturing (down 6pts). Partly offsetting was a notable rise in business services (up 16pts). In level terms, SME conditions remained strongest in finance and business services, and were weakest in accommodation & food, manufacturing, wholesale and retail trade.
- **SME business confidence** declined 8pts to -12 index points. SME confidence declined in all industries, particularly health, transport, accommodation & food, finance and wholesale. In level terms SME confidence was positive only in property and business services.
- **Across the states**, SME conditions fell everywhere except SA, but in level terms remained positive outside of NSW and Vic (both -5 index points). SME confidence fell across the states and in level terms was negative across the board.
- **Compared to larger firms** (as measured in the NAB Quarterly Business Survey), SME business confidence and conditions remained weaker, though larger firms were also into negative territory in terms of confidence.
- **Leading indicators** remained mixed. Forward orders were steady at -8 index points, capex improved 3pts to +8 index points, while capacity utilisation dropped to 80.7%, closer to the long run average of 80.2%.

Table 1: Key SME Business Survey Statistics

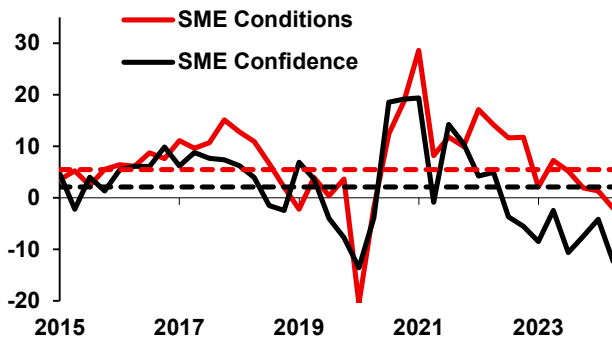
| | 2024 q1 | 2024 q2 | 2024 q3 |
|--------------------------------|-------------|-----------|------------|
| | Net balance | | |
| SME Business Confidence | -7 | -4 | -12 |
| Low -tier firms | -7 | 4 | -13 |
| Mid-tier firms | -8 | -7 | -16 |
| High-tier firms | -7 | -5 | -11 |
| QBS Conf. (Non-SMEs) | -3 | -2 | -6 |
| SME Business Conditions | 2 | 1 | -2 |
| Low -tier firms | -6 | -1 | -2 |
| Mid-tier firms | -1 | -3 | -7 |
| High-tier firms | 7 | 5 | 0 |
| QBS Cond. (Non-SMEs) | 10 | 5 | 2 |
| SME Trading Conditions | 10 | 8 | 6 |
| Low -tier firms | 4 | 5 | 8 |
| Mid-tier firms | 4 | 1 | -2 |
| High-tier firms | 16 | 14 | 9 |
| SME Profitability | -2 | 0 | -5 |
| Low -tier firms | -12 | -5 | 0 |
| Mid-tier firms | -3 | -3 | -12 |
| High-tier firms | 2 | 4 | -4 |
| SME Employment | -2 | -5 | -7 |
| Low -tier firms | -9 | -8 | -10 |
| Mid-tier firms | -3 | -7 | -7 |
| High-tier firms | 2 | -2 | -6 |

- **Cost pressures** were little changed, with quarterly purchase cost growth of 1.3% (unchanged from Q2) and labour costs growth of 1.3% (up from 1.2%).
- **Final prices** grew at 0.8% overall (up from 0.7%) while the sales margin index was broadly steady at -15 index points.

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 19 August to 5 September 2024, covering around 600 firms across the non-farm business sector. **Next release date: 13 February 2025 (TBC).**

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)

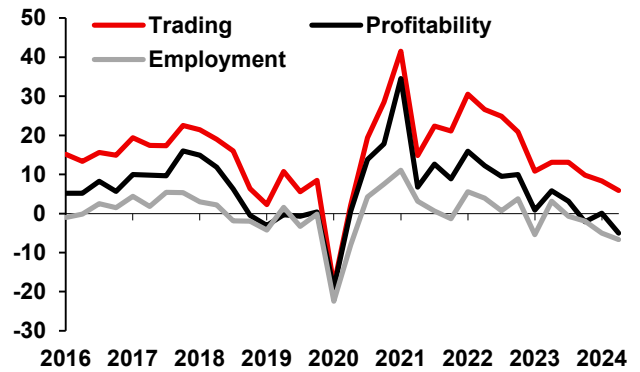


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

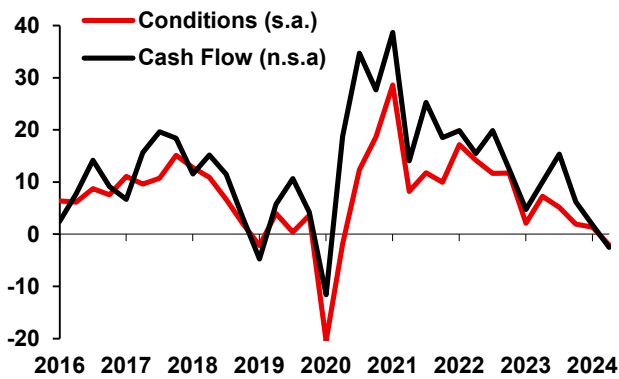
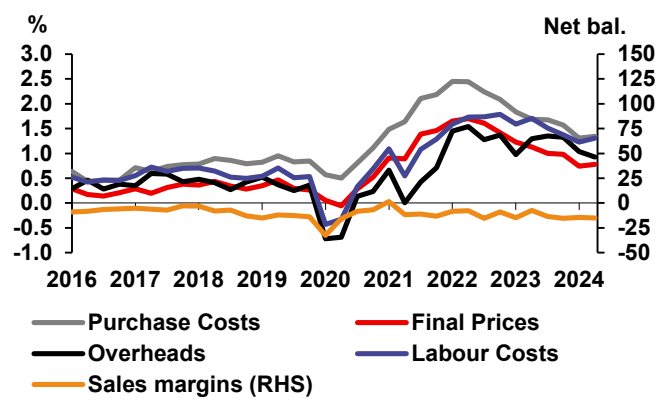


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

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

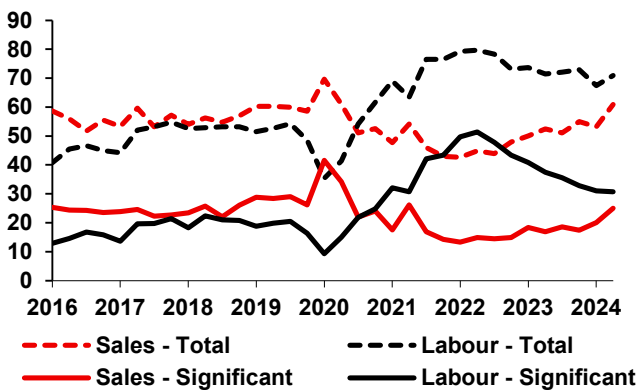
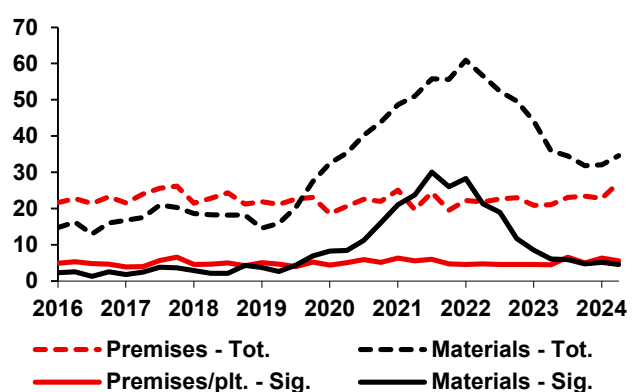


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

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

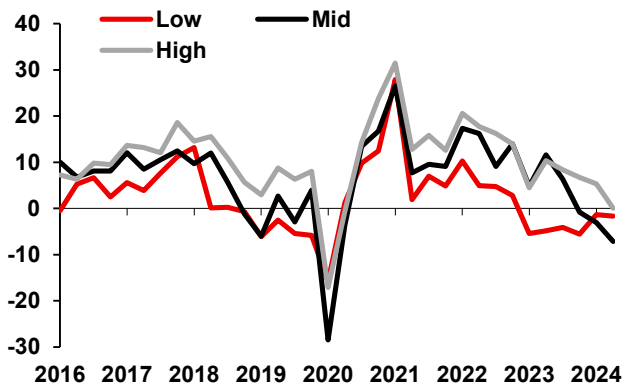


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

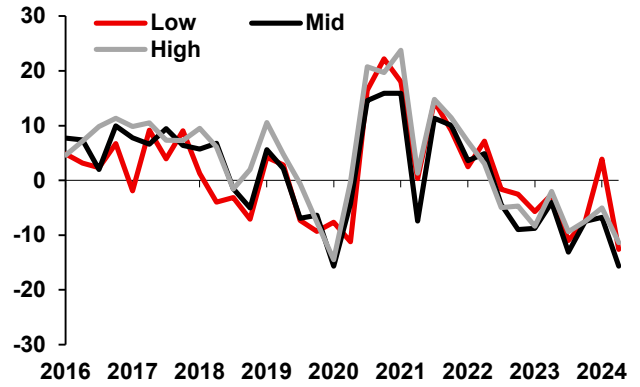


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

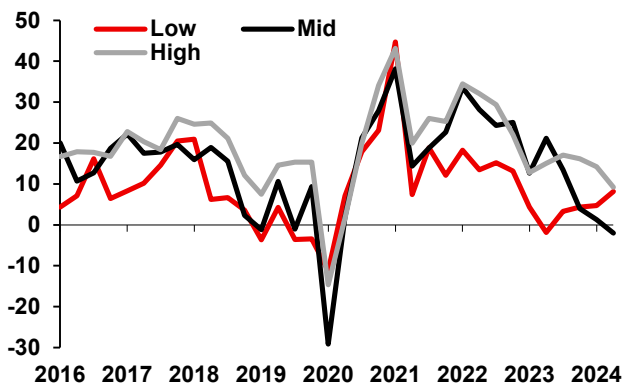


Chart 10: Profitability by Firm Size (Net Balance, SA)

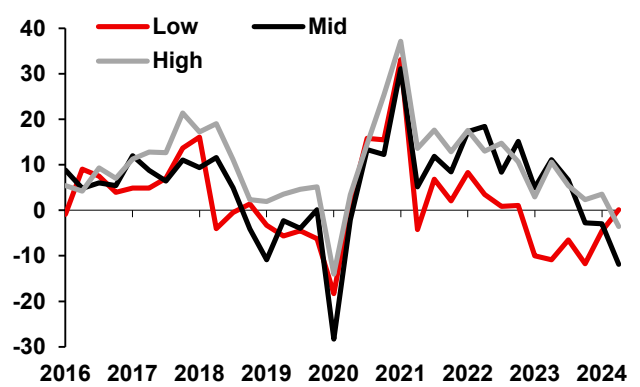


Chart 11: Employment by Firm Size (Net Balance, SA)

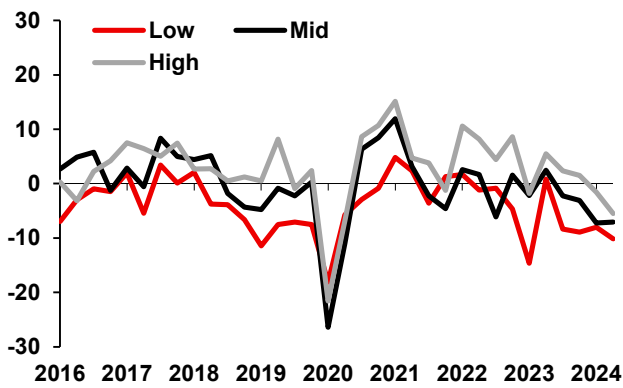


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

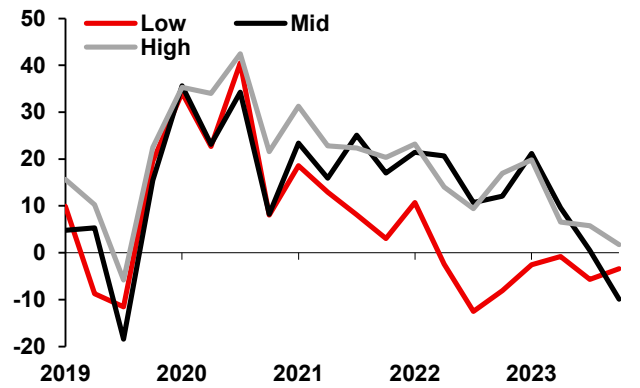


Chart 13: Capacity Utilisation by Firm Size (% , SA)

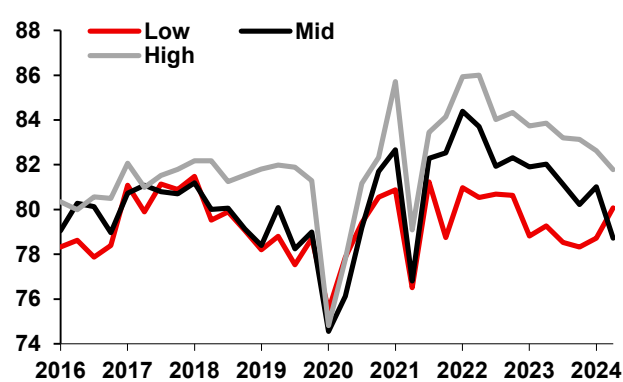
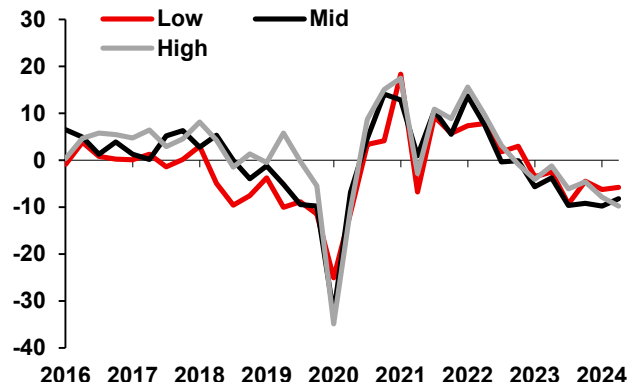


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

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

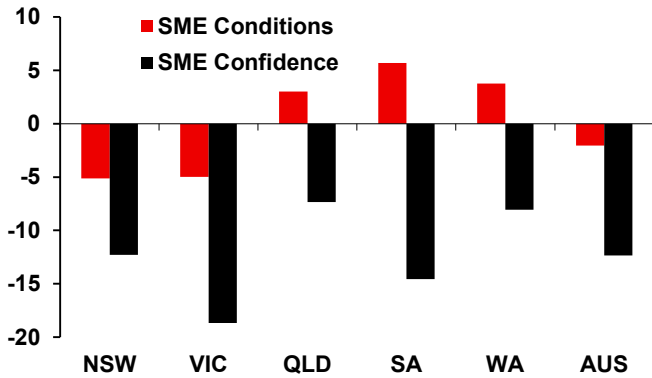


Chart 16: SME Conditions by State (Net Balance, SA)

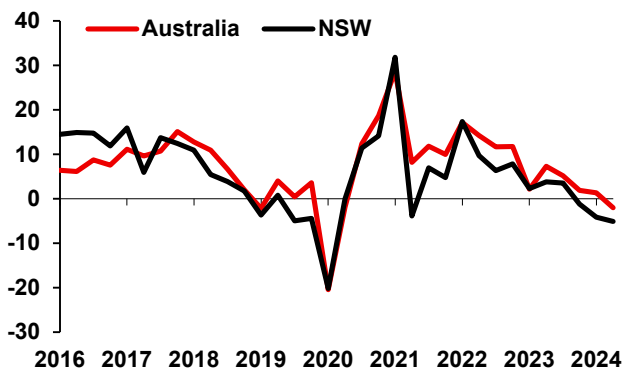


Chart 17: SME Confidence by State (Net Balance, SA)

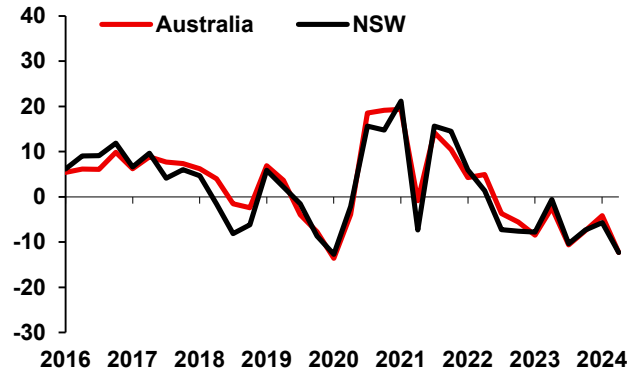


Chart 18: SME Conditions by State (Net Balance, SA)

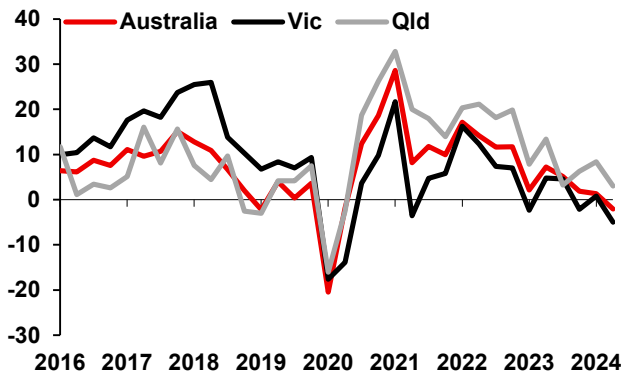


Chart 19: SME Confidence by State (Net Balance, SA)

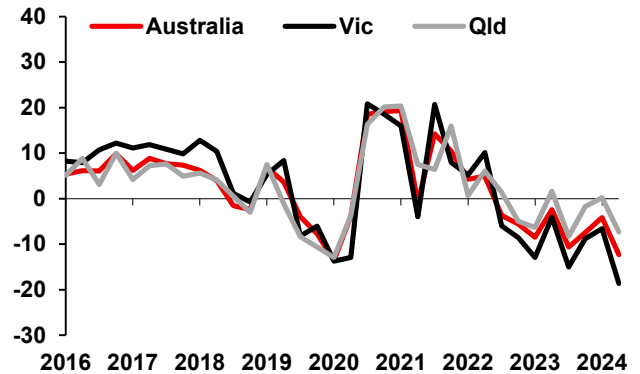


Chart 20: SME Conditions by State (Net Balance, SA)

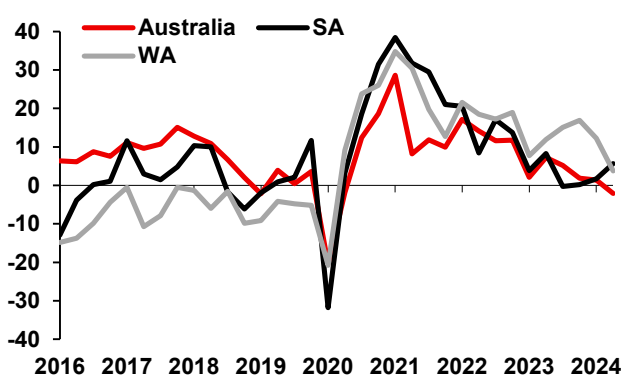
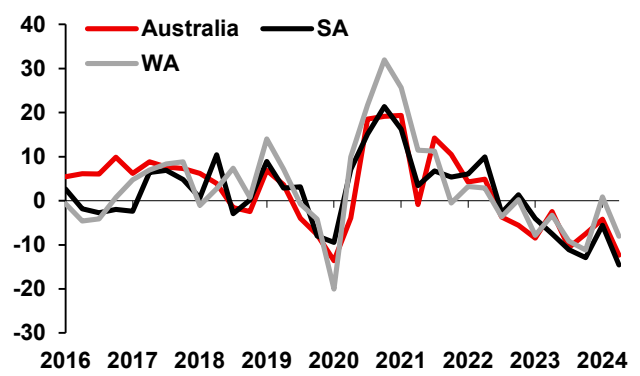


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

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

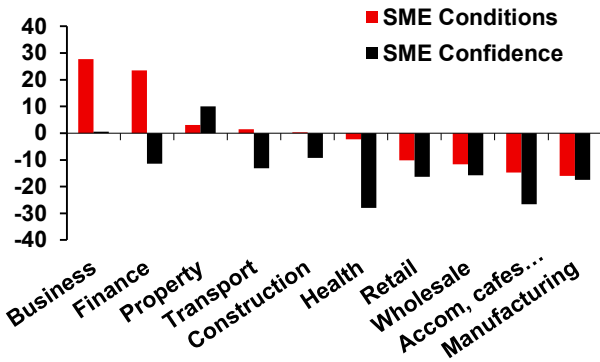


Chart 23: SME Conditions by Industry (Net Balance, SA)

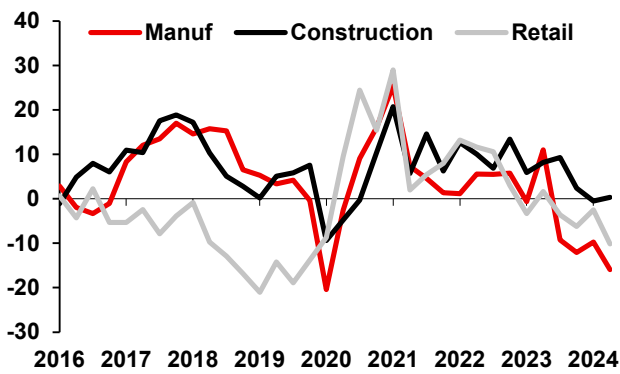


Chart 24: SME Confidence by Industry (Net Balance, SA)

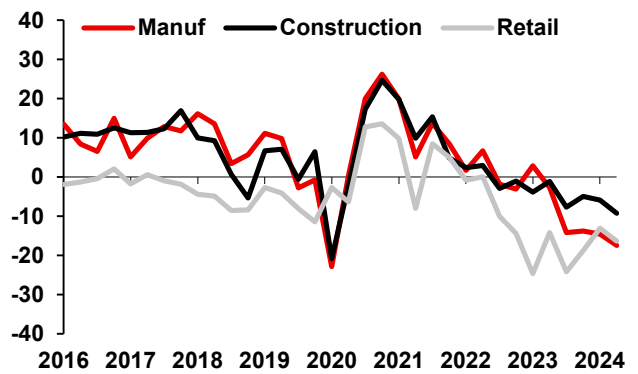


Chart 25: SME Conditions by Industry (Net Balance, SA)

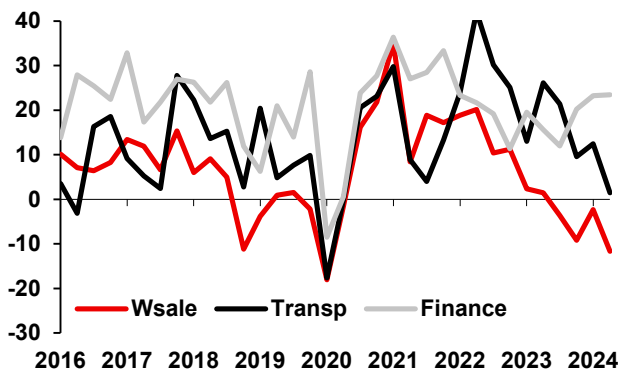


Chart 26: SME Confidence by Industry (Net Balance, SA)

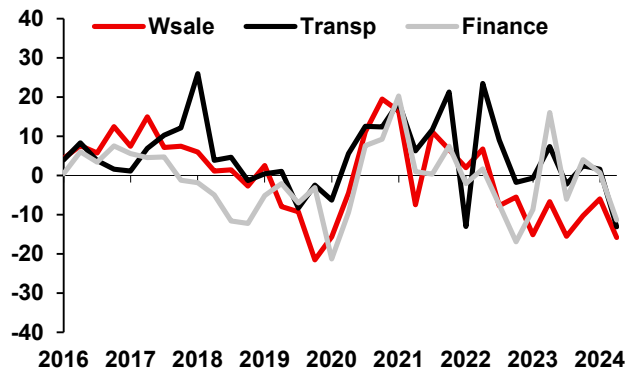


Chart 27: SME Conditions by Industry (Net Balance, SA)

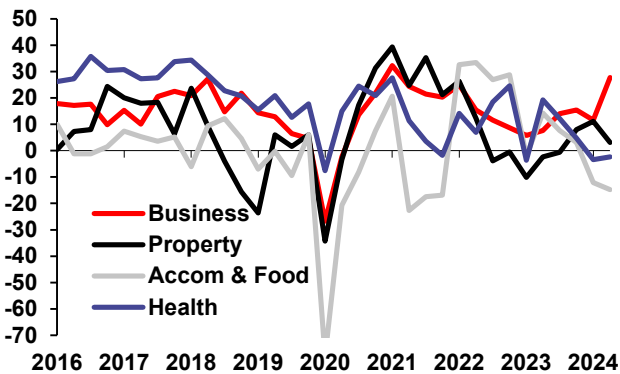
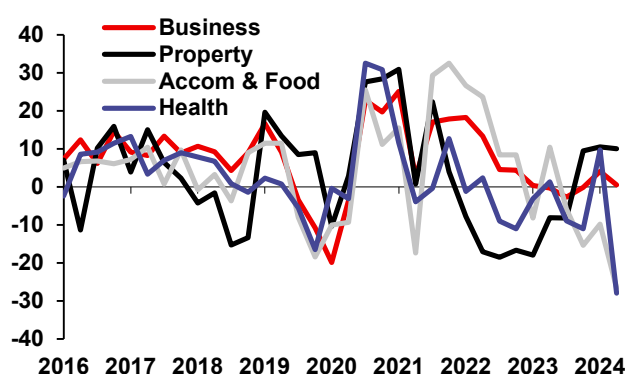


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators - Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

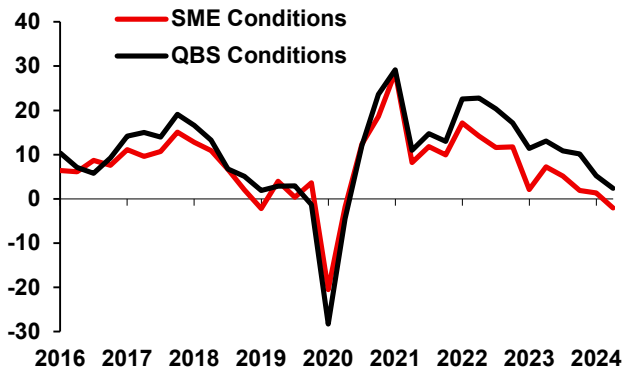


Chart 30: Business Confidence (Net Balance, SA)

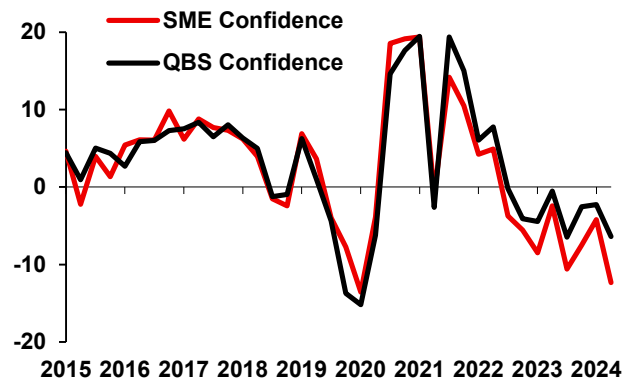


Chart 31: Trading Conditions (Net Balance, SA)

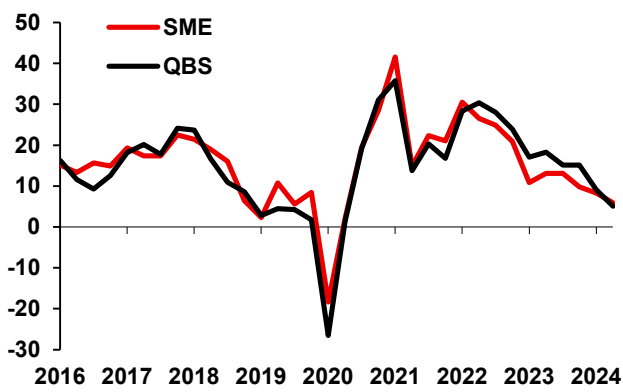


Chart 32: Profitability (Net Balance, SA)

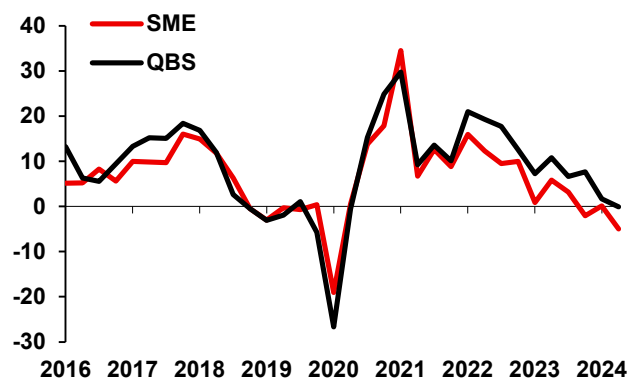


Chart 33: Employment (Net Balance, SA)

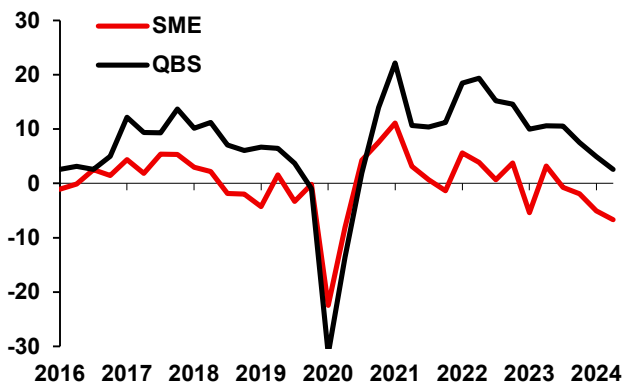


Chart 34: Forward Orders (Net Balance, SA)

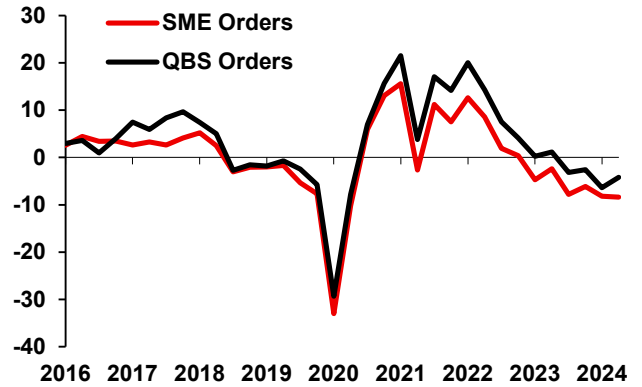


Chart 35: Capacity Utilisation (% , SA)

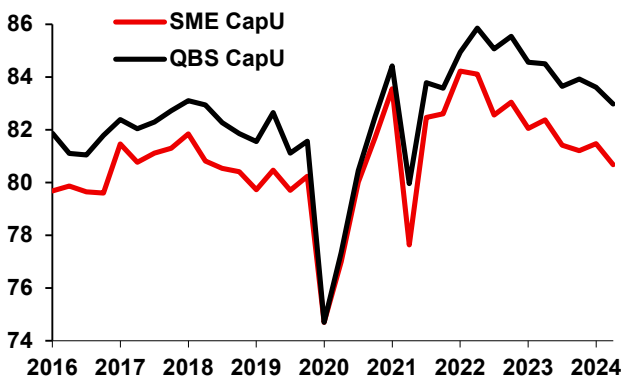
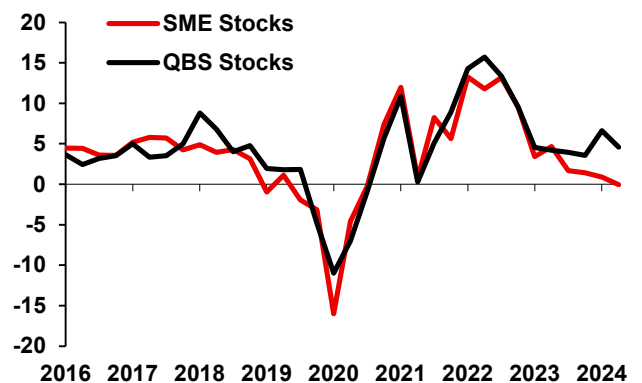


Chart 36: Stocks (Net Balance, SA)



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