

more
than
money



NAB SME Business Insights

What's keeping SME business owners & managers awake at night?

Cashflow still the biggest risk to business but concerns around profitability continue to rise.

Q3 2024

Summary

Cashflow continued to weigh most heavily on SMEs in Q3 identified by almost 4 in 10 business owners or managers. Profitability has however become more problematic, with the number of SMEs citing this as a key risk climbing for the second straight quarter. Inflation and cost of doing business came in third on the list of biggest risks to business. Among other key takeouts was an ongoing fall in concern in regard to Government policies & regulations, work-life balance and fuel prices. While unchanged over the quarter, a considerable number still worry about staff turnover & labour shortages, while the number worried about interest rates continued to inch up as official rates continue to stay on hold.

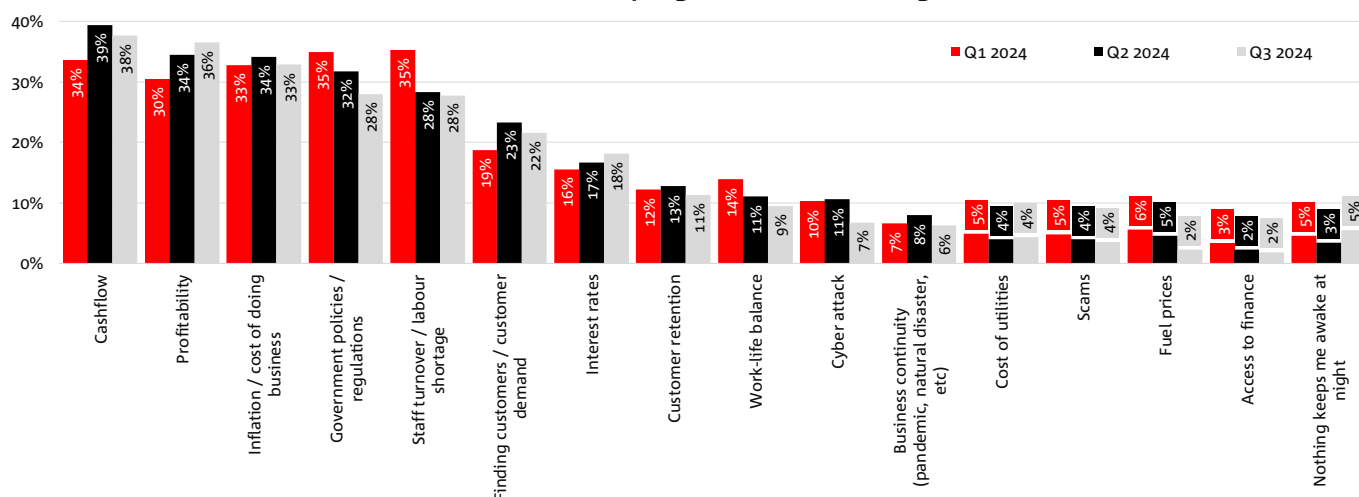
Risks to Your Business Keeping You Awake at Night

Business risk can be defined as the exposure a business has to things that could lower its profits or lead it to fail. Many factors can converge to create business risk, and businesses may not be able to completely avoid them, especially because many of these risks are external. In this report, NAB again asked around 600 Australian SME business owners & managers to nominate the top 3 risks to their business that keeps them awake at night.

NAB’s latest SME Busine Survey shows that SME business confidence fell more deeply into negative territory in Q3, while conditions also dropped to turn negative in the quarter. Conditions were firmly negative for 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.

Risks to Your Business Keeping You Awake at Night: All SMEs



Cashflow continued to weigh on most SMEs in Q3 - though for a marginally lower 38% (39% in Q2 but still above 34% reported in Q1). Profitability has more problematic, with number of SMEs citing this as a key risk climbing for the second straight quarter to 36%. Inflation and cost or doing business also kept 33% of SME owners & operators awake at night.

Among other key takeouts, we noted an ongoing fall in SMEs kept awake by Government policies & regulations (28% down from 32% in Q2 and 35% in Q1), work-life balance (9% down from 11% in Q2 and 14% in Q1) and fuel prices (2% down from 5% in Q2 and 6% in Q1). While unchanged over the quarter, a considerable number still worry about staff turnover & labour shortages (28%), while the number worried about interest rates continued to inch up (18% from 17% in Q2 and 15% in Q1) as official rates continue to stay on hold.

Business Risks Keeping You Awake at Night: States

Though cashflow, profitability and inflation & cost of doing business were the 3 biggest risks to SMEs on average, this was not uniform across the country. Cashflow was the biggest concern for most SMEs in VIC (43%) and NSW (38%), profitability in WA (41%) and staff turnover & labour shortages in TAS (44%), SA (43%) and QLD (39%). We also noted comparatively higher numbers in VIC who cited finding customers & customer demand (27%) as a key business risk, in TAS (22%), NSW (21%) and VIC (20%) interest rates, in WA (20%) and SA (19%) work-life balance, in WA (20%) and SA (19%) business continuity, in SA the cost of utilities (14%), and in TAS business continuity, fuel prices and access to finance (11%) - see table below.

Business Risks Keeping You Awake at Night: States

	All	NSW	QLD	SA	TAS	VIC	WA
Cashflow	38%	38%	31%	41%	22%	43%	35%
Profitability	36%	36%	34%	30%	33%	39%	41%
Inflation/cost of doing business	33%	37%	30%	38%	33%	30%	31%
Government policies/regulations	28%	26%	30%	32%	22%	28%	27%
Staff turnover/labour shortage	28%	22%	39%	43%	44%	21%	29%
Finding customers/customer demand	22%	21%	18%	16%	22%	27%	18%
Interest rates	18%	21%	15%	11%	22%	20%	12%
Customer retention	11%	11%	11%	5%	0%	13%	16%
Work-life balance	9%	8%	6%	19%	11%	8%	20%
Cyber attack	7%	6%	9%	8%	0%	7%	6%
Business continuity (pandemic, natural disaster, etc)	6%	6%	7%	3%	11%	7%	8%
Cost of utilities	4%	4%	4%	14%	11%	3%	2%
Scams	4%	3%	5%	3%	0%	4%	4%
Fuel prices	2%	2%	1%	5%	11%	3%	2%
Access to finance	2%	4%	1%	0%	11%	1%	0%
Nothing keeps me awake at night	5%	6%	8%	0%	0%	4%	8%

Top 3 risks **1** **2** **3**

Business Risks Keeping You Awake at Night: Industry

In the September quarter, cashflow was the biggest risk for SMEs in Retail (46%), Construction (42%) and Property Services (38%). It was also equal highest with profitability in Transport & Storage (36%). Profitability was the biggest risk in Accommodation & Hospitality (48%). Inflation & cost of doing business was the number one risk in Wholesale (39%), Government policies & regulations in Finance & Insurance (47%), staff turnover & labour shortages in Business Services (37%) and finding customers & customer demand in Manufacturing (39%). Staff turnover & labour shortages ranked equal highest in Health Services (43%),

Though most SMEs typically identified many of the same issues keeping them awake at night, we did note some factors weighed more heavily on owners & managers in specific industries. The most obvious included the much higher number in the Finance & Insurance services sector kept awake at night thinking about the risks posed by cyber-attack (34%), in Retail (17%) and Transport & Storage (16%) work-life balance. Noticeably more firms in the Accommodation & Hospitality sector worried about the cost of utilities (17%) and in the Business Services sector scams (10%) - See Table below & Appendix 1 for individual charts comparing business risks in key industries against the Australian average.

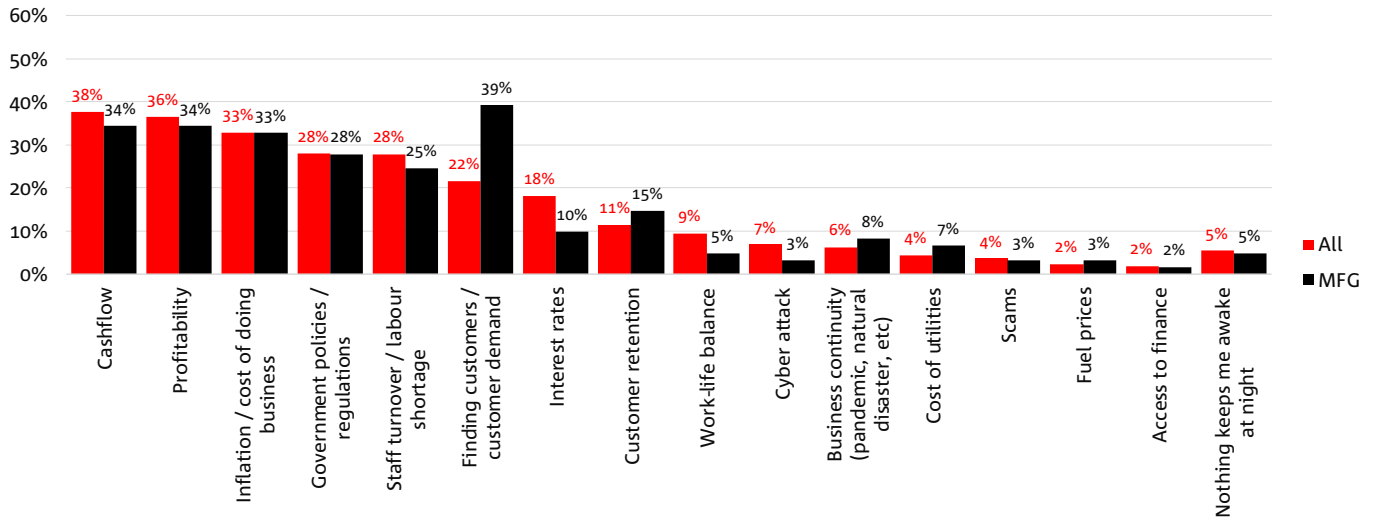
Business Risks Keeping You Awake at Night: Industry

	All	MFG	CON	RET	WHL	TS	FI	BS	PS	ACCOM	HEA
Cashflow	38%	34%	42%	46%	36%	36%	21%	31%	38%	39%	30%
Profitability	36%	34%	34%	45%	36%	36%	34%	24%	27%	48%	40%
Inflation/cost of doing business	33%	33%	30%	39%	39%	24%	28%	20%	31%	43%	33%
Government policies/regulations	28%	28%	31%	18%	22%	28%	45%	35%	23%	35%	43%
Staff turnover/labour shortage	28%	25%	37%	28%	9%	28%	17%	37%	35%	22%	43%
Finding customers/customer demand	22%	39%	13%	21%	27%	20%	21%	16%	23%	13%	13%
Interest rates	18%	10%	22%	26%	12%	16%	24%	14%	31%	9%	7%
Customer retention	11%	15%	8%	6%	16%	4%	14%	12%	19%	13%	17%
Work-life balance	9%	5%	7%	17%	9%	16%	3%	10%	8%	0%	10%
Cyber attack	7%	3%	5%	6%	4%	8%	34%	12%	0%	0%	7%
Business continuity	6%	8%	12%	1%	8%	4%	3%	8%	0%	4%	7%
Cost of utilities	4%	7%	0%	5%	9%	4%	3%	0%	0%	17%	3%
Scams	4%	3%	4%	3%	4%	4%	3%	10%	0%	0%	0%
Fuel prices	2%	3%	1%	3%	5%	4%	3%	0%	0%	0%	0%
Access to finance	2%	2%	3%	3%	1%	0%	0%	0%	4%	4%	0%
Nothing keeps me awake at night	5%	5%	6%	1%	8%	12%	3%	6%	8%	9%	7%

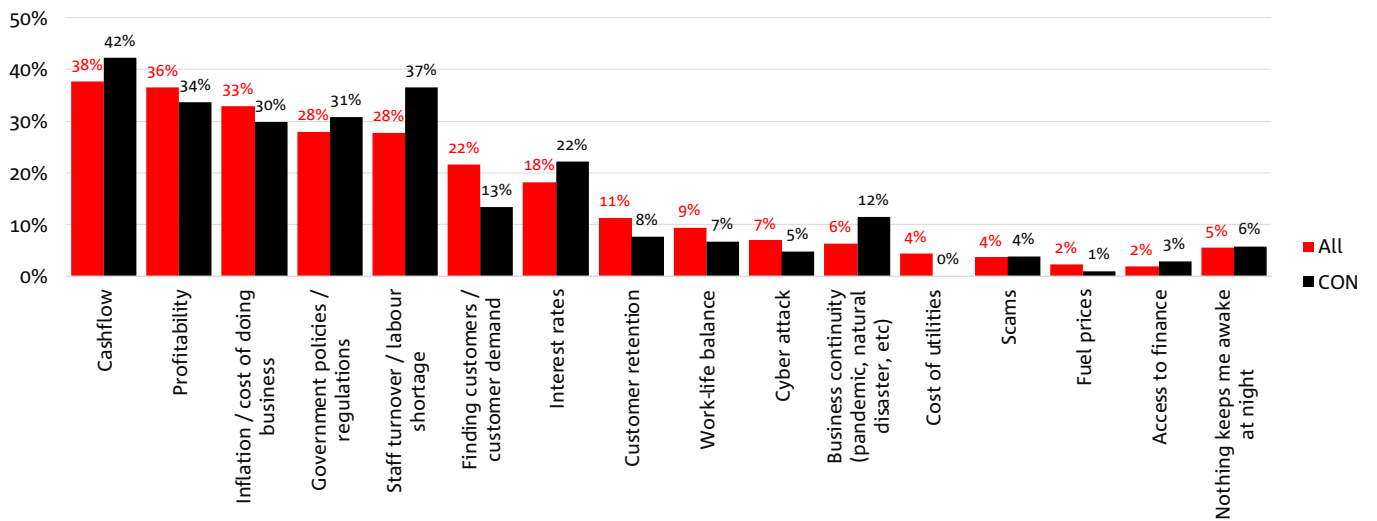
Top 3 risks **1** **2** **3**

Appendix 1: Business Risks Keeping You Awake at Night: Industry (Q2 2024)

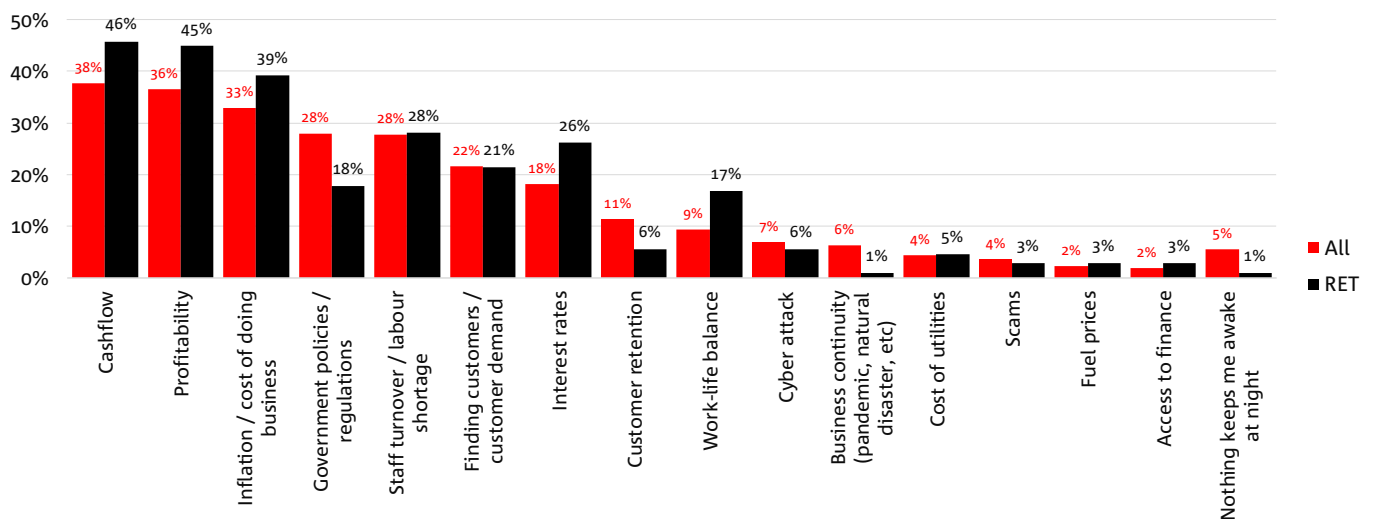
Top 3 Risks to Your Business Keeping You Awake at Night: Manufacturing



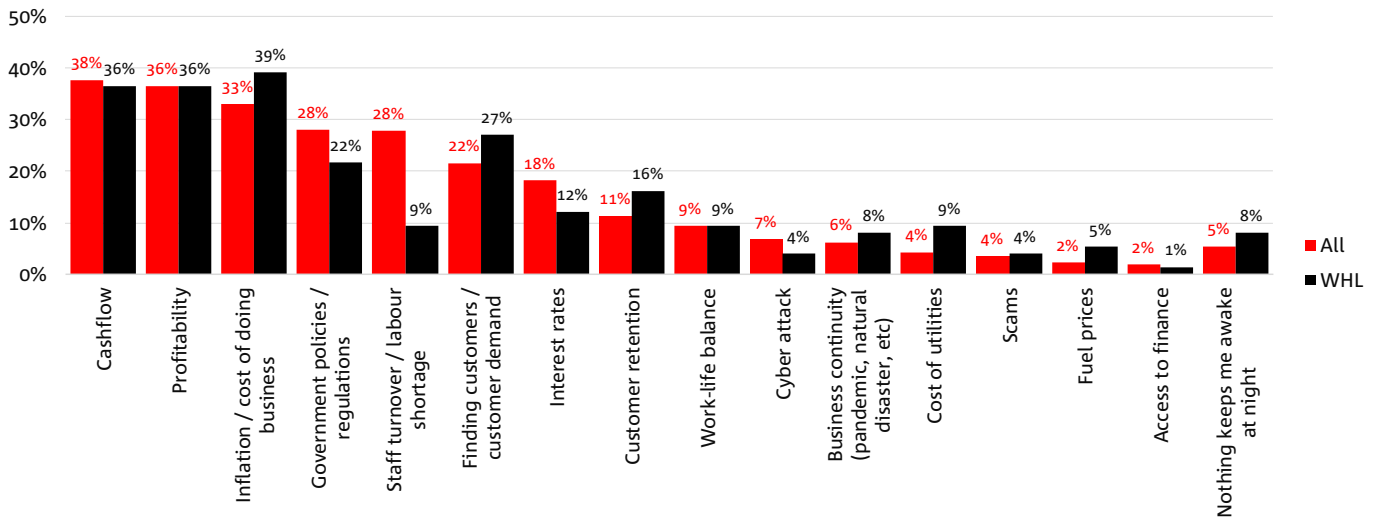
Top 3 Risks to Your Business Keeping You Awake at Night: Construction



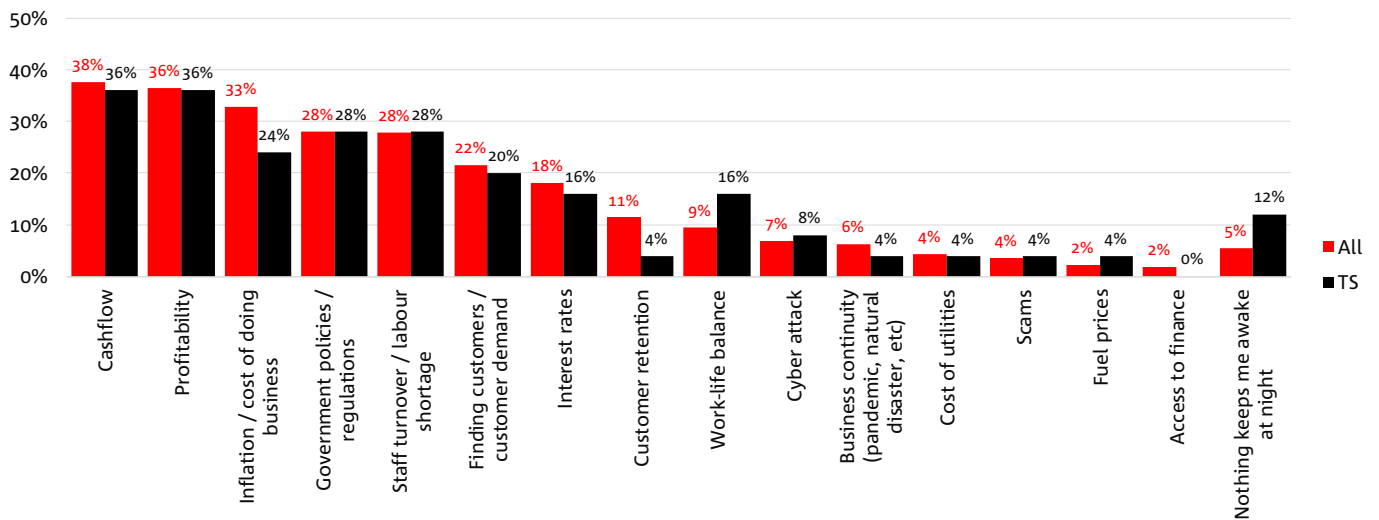
Top 3 Risks to Your Business Keeping You Awake at Night: Retail



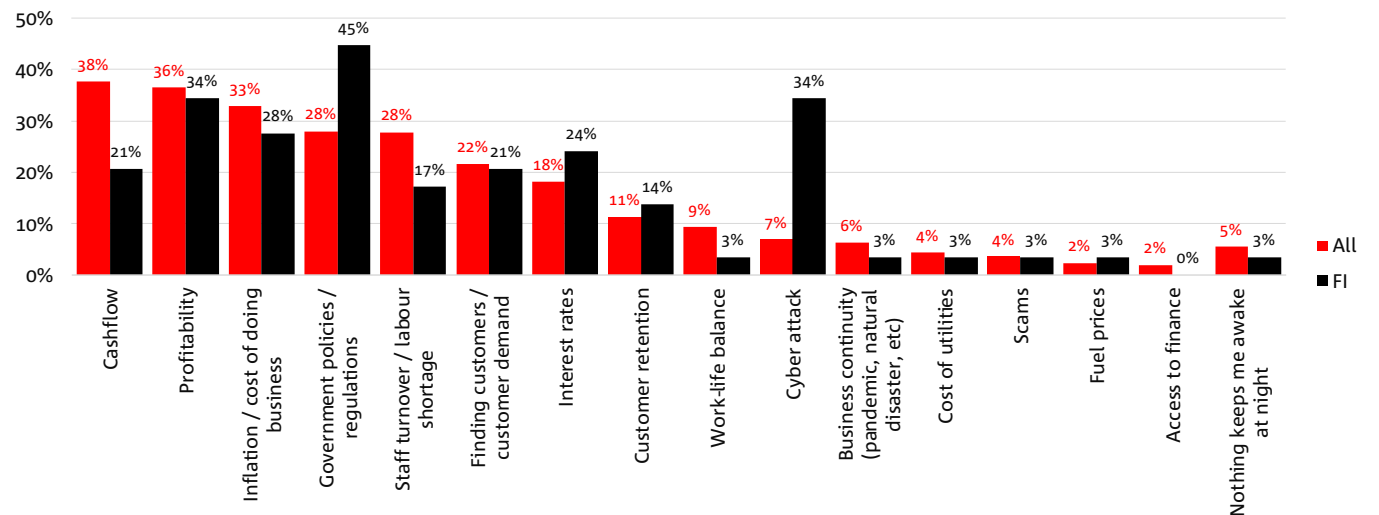
Top 3 Risks to Your Business Keeping You Awake at Night: Wholesale



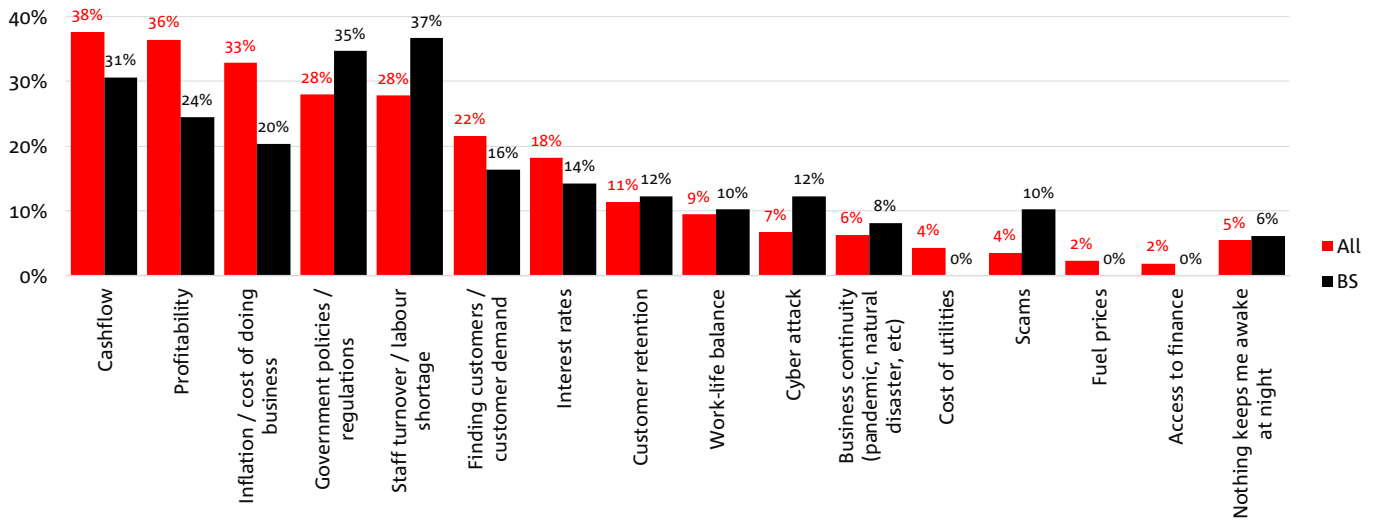
Top 3 Risks to Your Business Keeping You Awake at Night: Transport & Storage



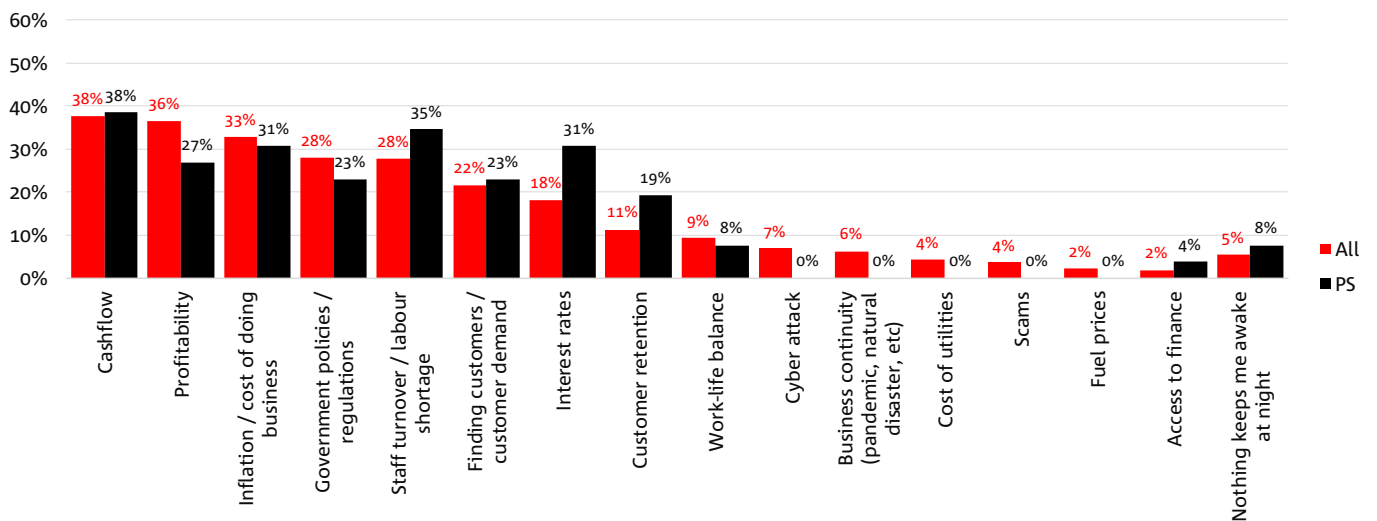
Top 3 Risks to Your Business Keeping You Awake at Night: Finance & Insurance



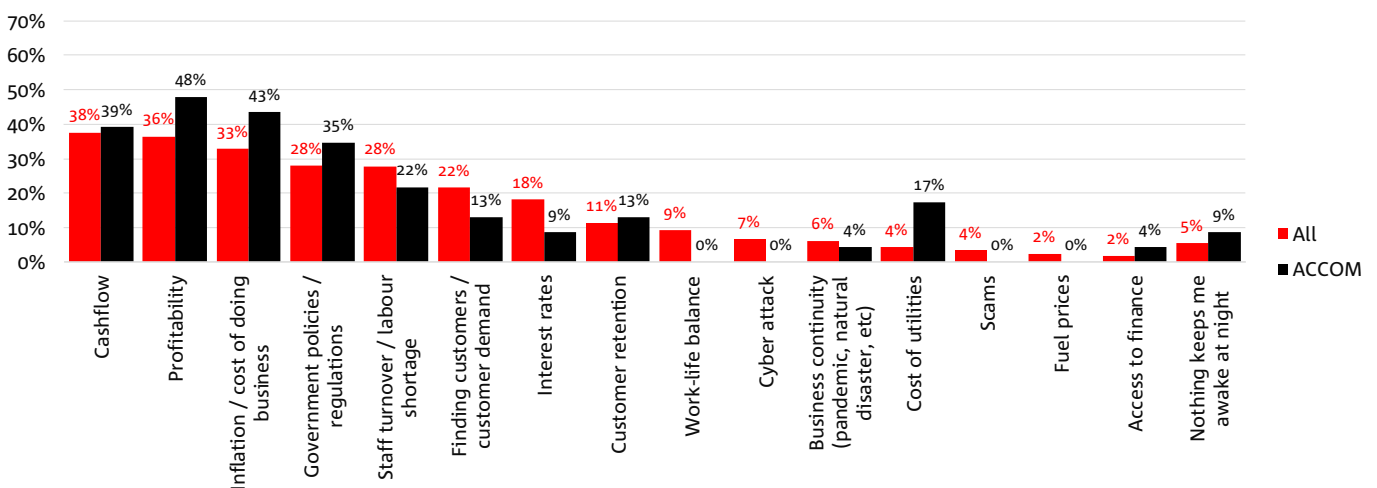
Top 3 Risks to Your Business Keeping You Awake at Night: Business Services



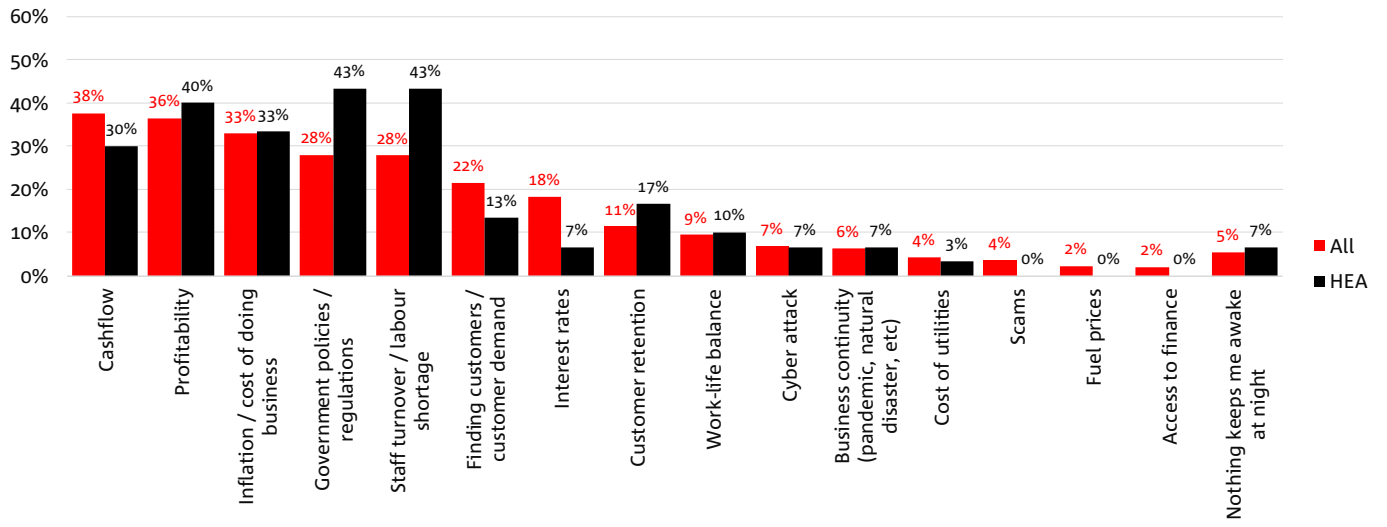
Top 3 Risks to Your Business Keeping You Awake at Night: Property Services



Top 3 Risks to Your Business Keeping You Awake at Night: Accommodation & Hospitality



Top 3 Risks to Your Business Keeping You Awake at Night: Health Services



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