



NAB Quarterly SME Survey Q2 2025

SME business conditions fell in Q2

NAB Economics

Summary

SME business conditions fell in Q2, unwinding the improvement seen in Q1. While there was a third consecutive improvement in confidence, both conditions and confidence remain well below their long-run average. The fall in conditions was reflected across all sub-components (trading, profitability and employment). Larger firms captured in the NAB Quarterly Business Survey (QBS) saw similar outcomes, with conditions also falling (but by a bit less than SMEs) and confidence improving (by a bit more). SME conditions and confidence remain weaker than the quarterly survey in level terms, though the gap for conditions has gradually been narrowing, but it has opened up recently for confidence. Again, similar to the QBS, the share of SME firms reporting labour as a significant output constraint again eased but remains high. Cost measures softened in the quarter but also remain elevated.

Survey Details

- **SME business conditions** declined 4pts to -5 index points. The largest falls were experienced by the smallest (down 4pts to -3 index points) and the largest SMEs (down 5pts to -6 index points).
- **By industry**, SME conditions deteriorated in most industries with business services, accommodation and health the exceptions. The largest falls were in finance (down 19pts to +1 index points), taking it to its lowest level since 2020), transport (down 13pts) and retail (down 10pts). Conditions are strongest in health, business and property services, and weakest in manufacturing and retail.
- **SME business confidence** was little changed, up 1pt to -8 index points. SME confidence is negative across all industries except property and business services, with the latter borderline (at 0 index points).
- **Across the states**, SME conditions fell in every state except SA. In level terms, NSW and Victoria have the weakest conditions and both indices are negative, in contrast to the other states who have positive readings. Changes in SME confidence by state were mixed. All states remain in negative territory, but NSW and Victoria are lagging.
- **Conditions also weakened in Q2 in larger firms** (as measured in the NAB Quarterly Business Survey), but the decline was more modest than for SMEs. In level terms, conditions and confidence remain relatively weaker in SME firms. That said, the gap in conditions has been gradually narrowing since H2 2022 (but the confidence gap has widened recently).

Table 1: Key SME Business Survey Statistics

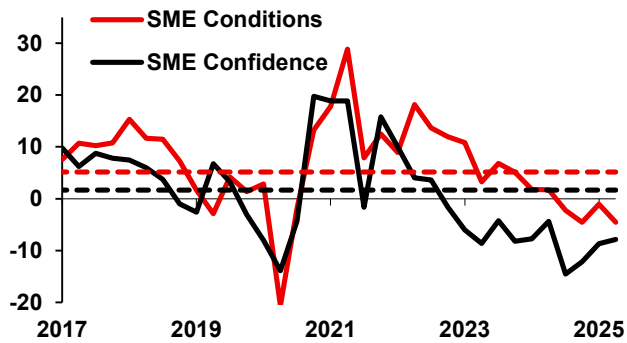
	2024 q4	2025 q1	2025 q2
	Net balance		
SME Business Confidence	-12	-9	-8
Low-tier firms	-10	-9	-11
Mid-tier firms	-15	-10	-11
High-tier firms	-13	-9	-6
QBS Conf. (Non-SMEs)	-5	-3	-1
SME Business Conditions	-5	-1	-5
Low-tier firms	-5	0	-3
Mid-tier firms	-7	-3	-4
High-tier firms	-2	-1	-6
QBS Cond. (Non-SMEs)	3	2	0
SME Trading Conditions	2	4	0
Low-tier firms	-3	10	3
Mid-tier firms	-4	-1	-2
High-tier firms	7	6	-2
SME Profitability	-8	-6	-8
Low-tier firms	-6	-6	-7
Mid-tier firms	-11	-6	-9
High-tier firms	-5	-5	-11
SME Employment	-6	-2	-4
Low-tier firms	-4	-3	-6
Mid-tier firms	-6	-2	-2
High-tier firms	-7	-4	-5

- **Leading indicators** were again mixed. Capacity utilisation fell to 80.1% (now a little below its historical average), and forward orders improved, while future capex intentions were little changed.
- **Cost pressures** eased across all categories (labour and purchase costs and overheads) but remain high by historical standards.
- **Final prices** ticked up slightly to 0.7% (back to where they were in Q4 2024). The sales margin index improved marginally but remains low.

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 26 May to 13 June 2025, covering around 550 firms across the non-farm business sector. **Next release date: 30 October 2025.**

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)

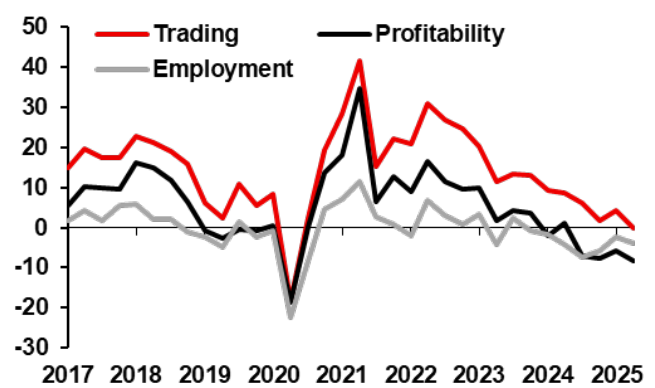


Chart 3: SME Conditions & Cash Flow (Net Balance, SA)

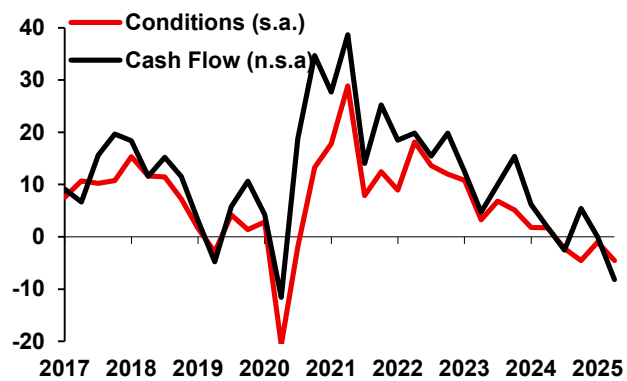
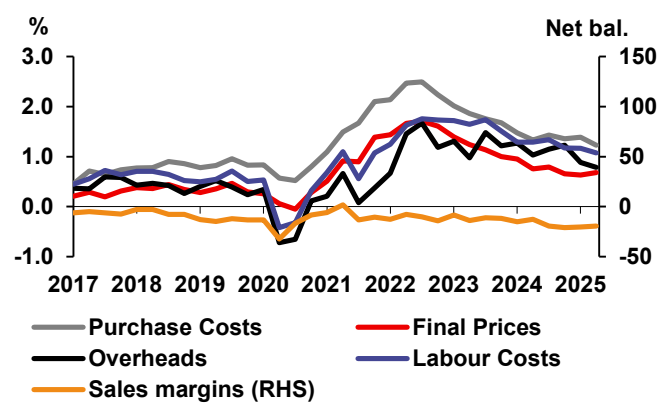


Chart 4: SME Input Costs, Price Growth & Margins



Constraints on SME Output

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

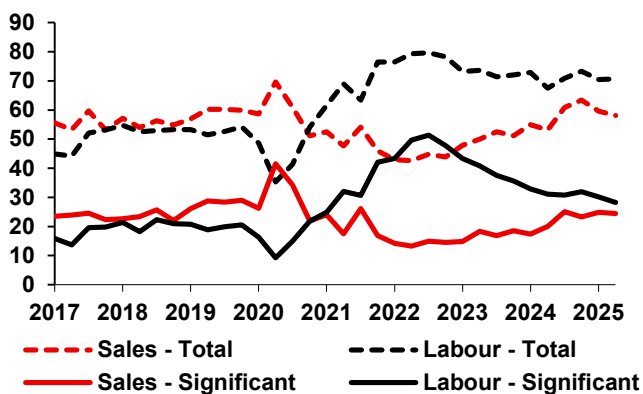
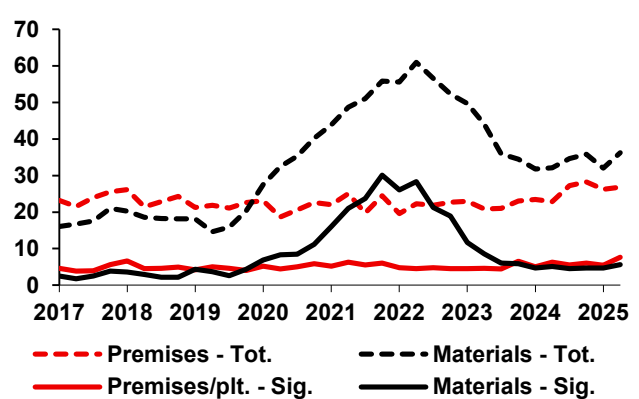


Chart 6: Factors Constraining SME Output (% of Firms)



SME Indicators by Firm Size

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

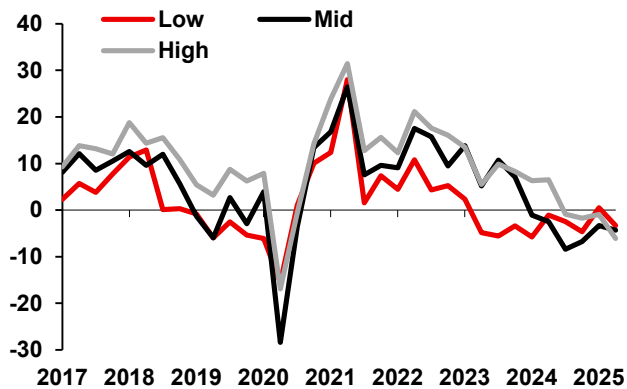


Chart 8: SME Confidence by Firm Size (Net Balance, SA)

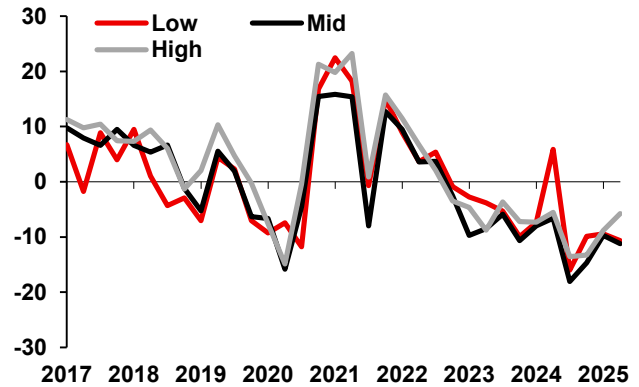


Chart 9: Trading Conds. by Firm Size (Net Balance, SA)

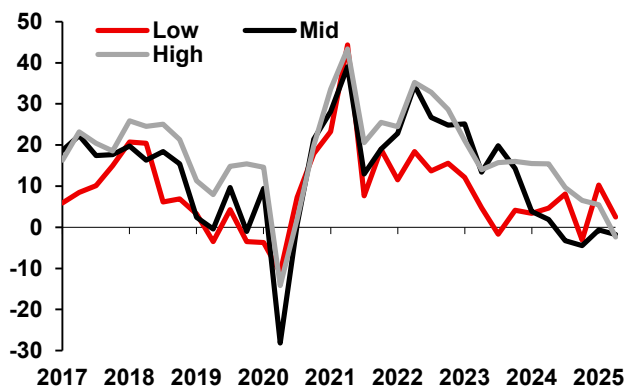


Chart 10: Profitability by Firm Size (Net Balance, SA)

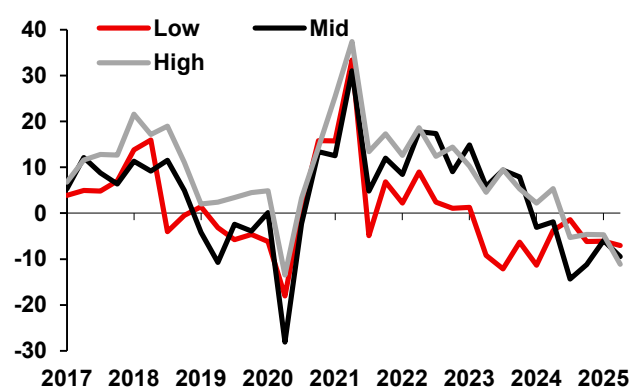


Chart 11: Employment by Firm Size (Net Balance, SA)

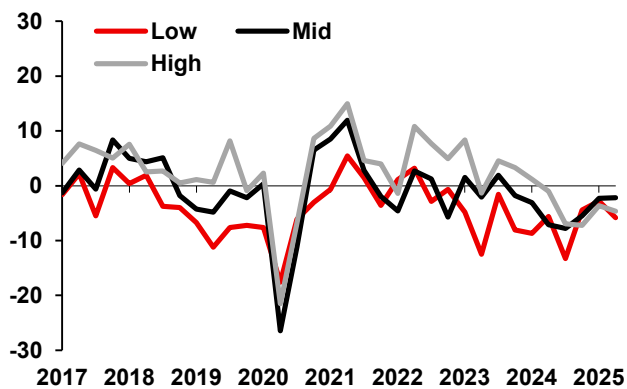


Chart 12: Cash Flow by Firm Size (Net Balance, NSA)

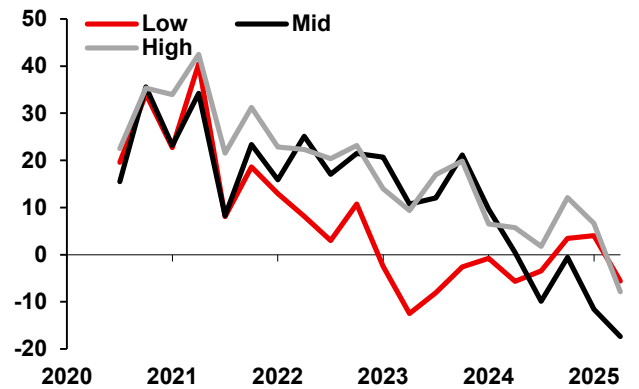


Chart 13: Capacity Utilisation by Firm Size (% , SA)

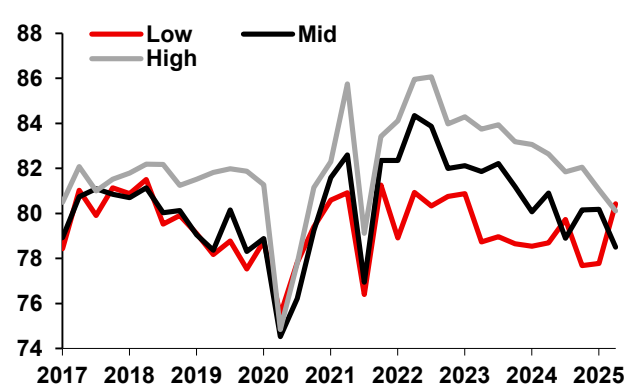
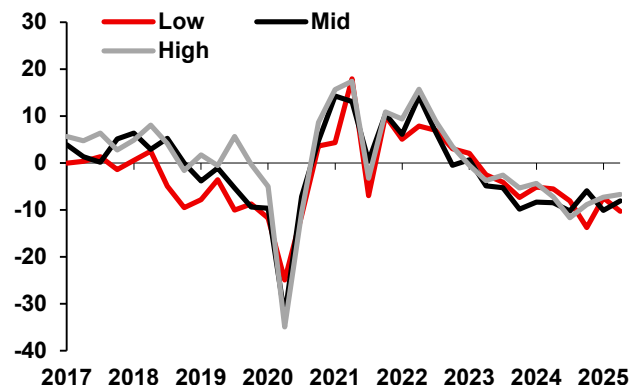


Chart 14: Forward Orders by Firm Size (Net Balance, SA)



SME Indicators by State

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

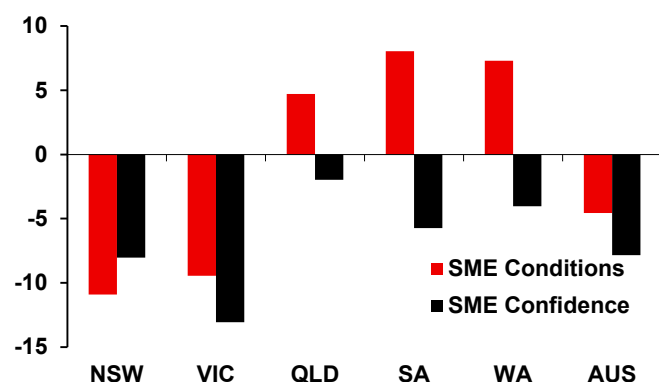


Chart 16: SME Conditions by State (Net Balance, SA)

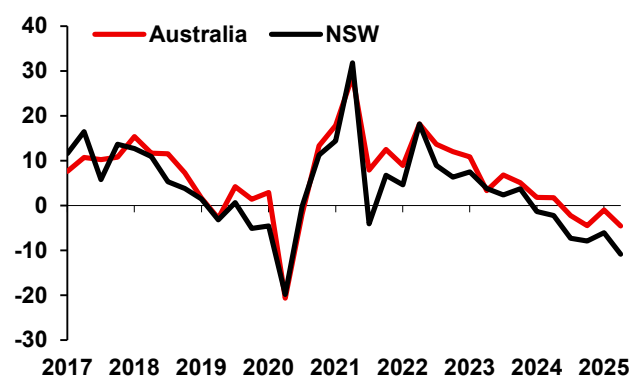


Chart 17: SME Confidence by State (Net Balance, SA)

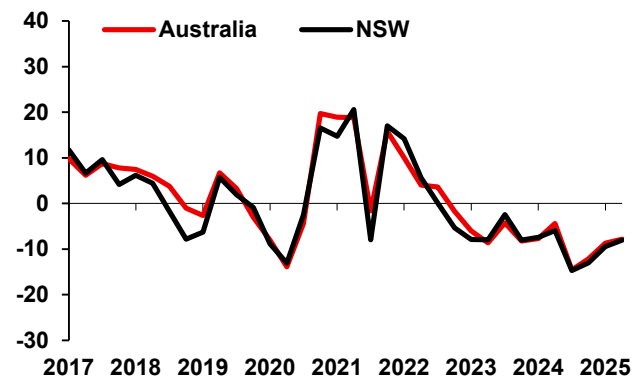


Chart 18: SME Conditions by State (Net Balance, SA)

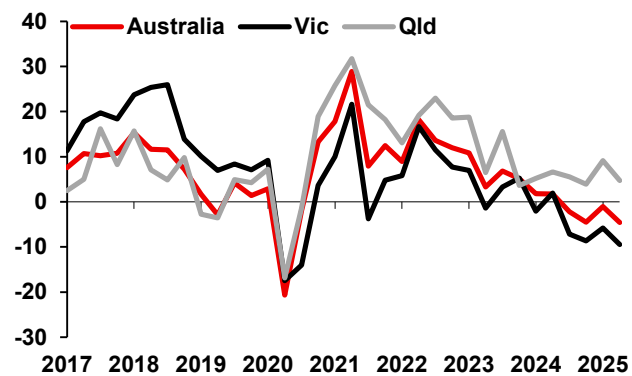


Chart 19: SME Confidence by State (Net Balance, SA)

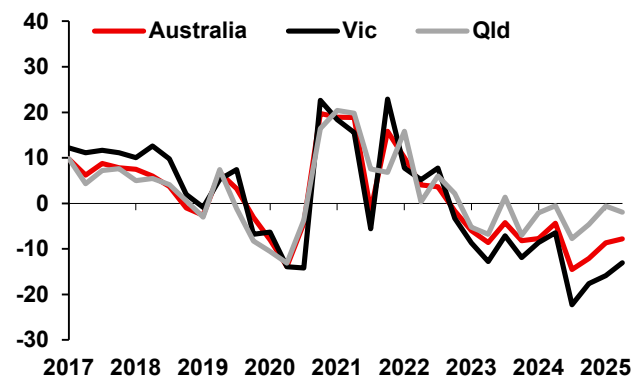


Chart 20: SME Conditions by State (Net Balance, SA)

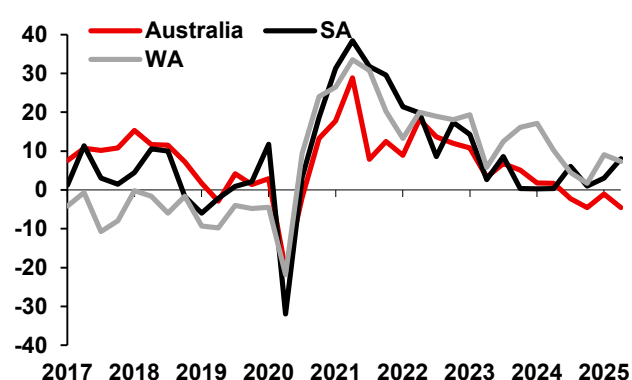
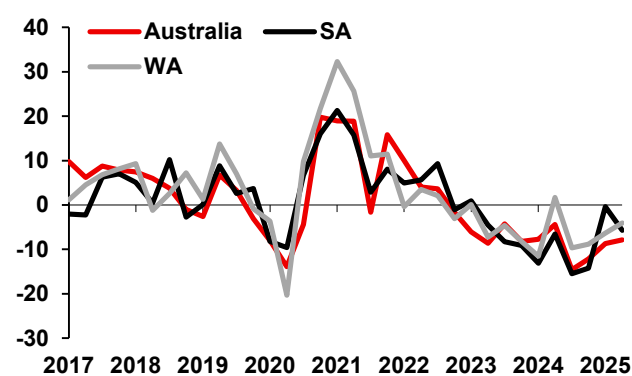


Chart 21: SME Confidence by State (Net Balance, SA)



SME Indicators by Industry

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

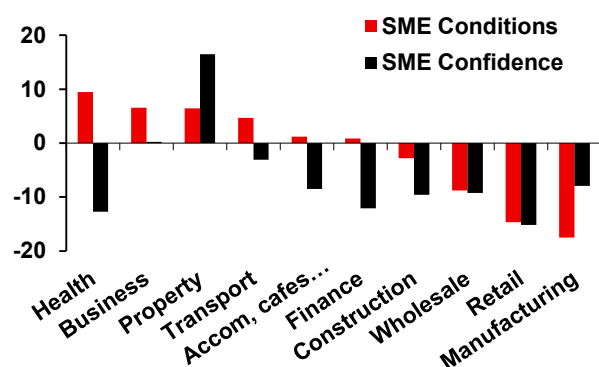


Chart 23: SME Conditions by Industry (Net Balance, SA)

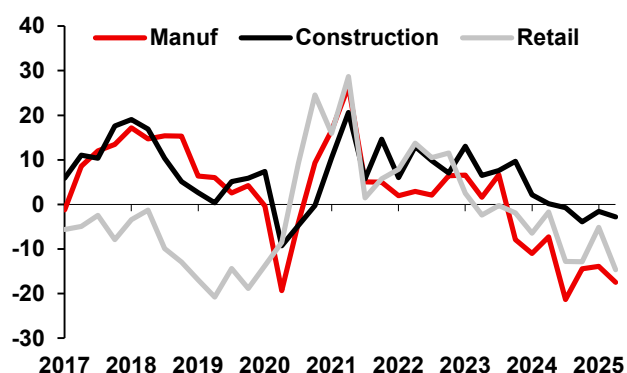


Chart 24: SME Confidence by Industry (Net Balance, SA)

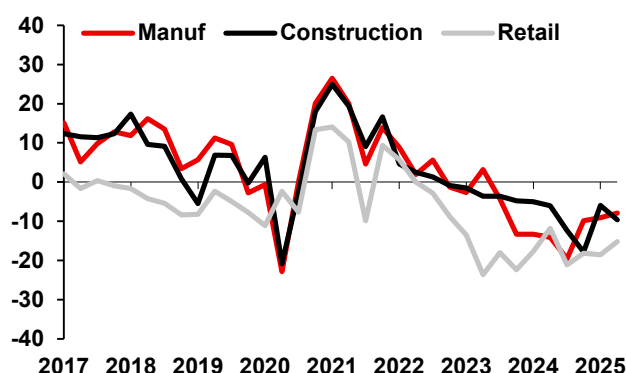


Chart 25: SME Conditions by Industry (Net Balance, SA)

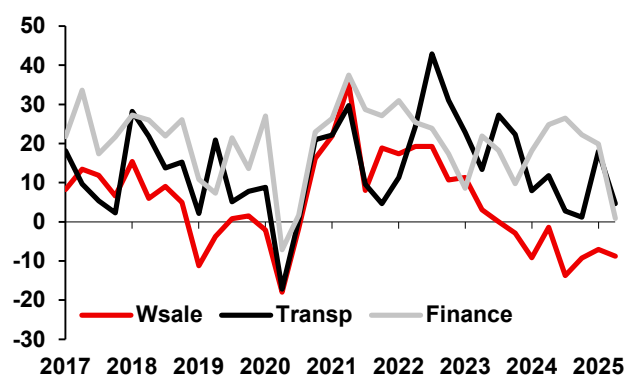


Chart 26: SME Confidence by Industry (Net Balance, SA)

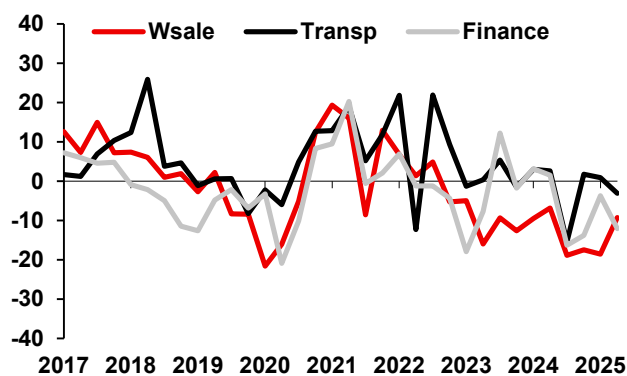


Chart 27: SME Conditions by Industry (Net Balance, SA)

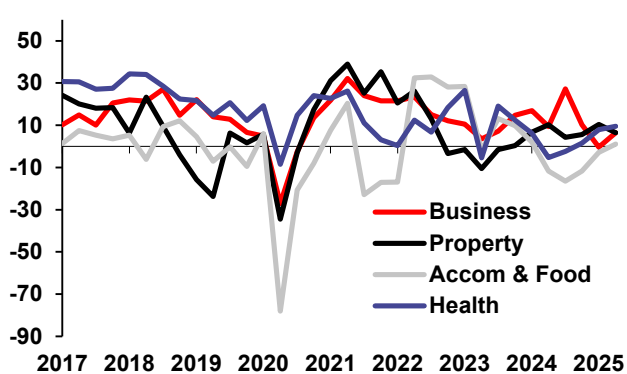
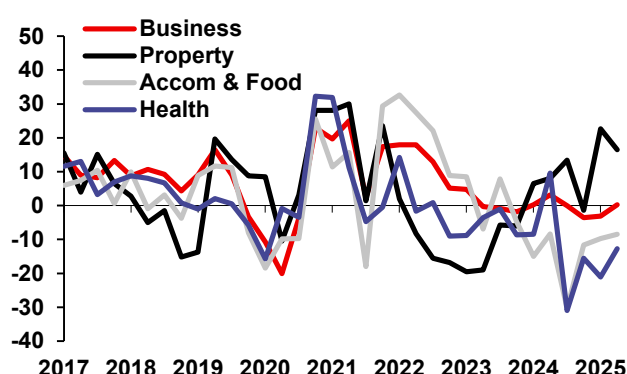


Chart 28: SME Confidence by Industry (Net Balance, SA)



SME Indicators – Comparison to Larger Businesses

Chart 29: Business Conditions (Net Balance, SA)

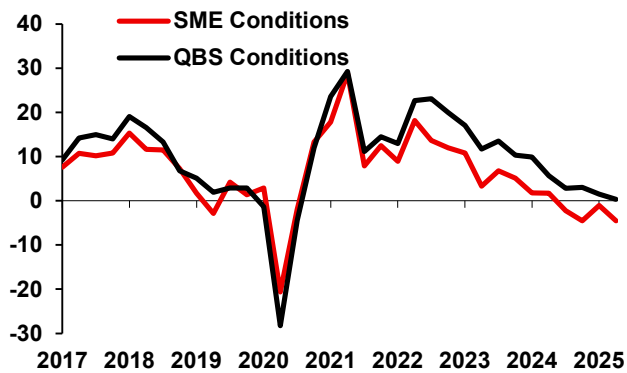


Chart 30: Business Confidence (Net Balance, SA)

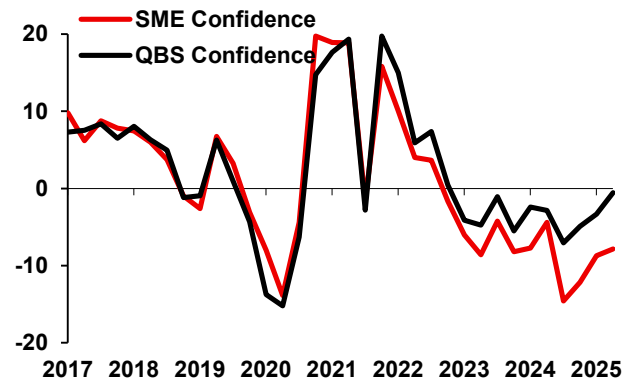


Chart 31: Trading Conditions (Net Balance, SA)

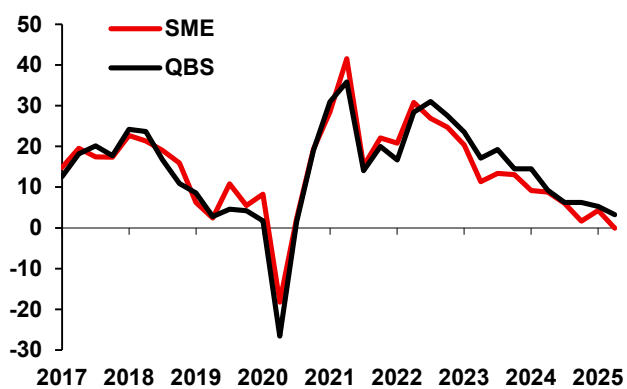


Chart 32: Profitability (Net Balance, SA)

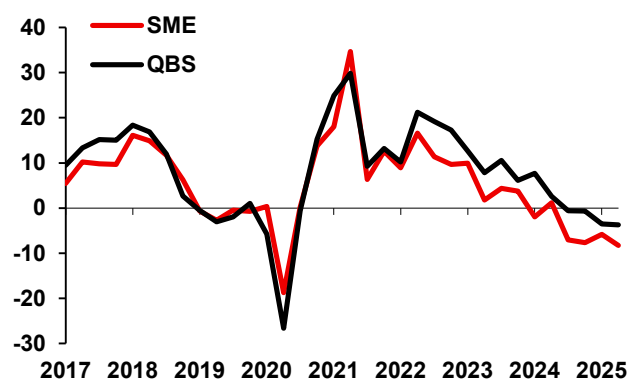


Chart 33: Employment (Net Balance, SA)

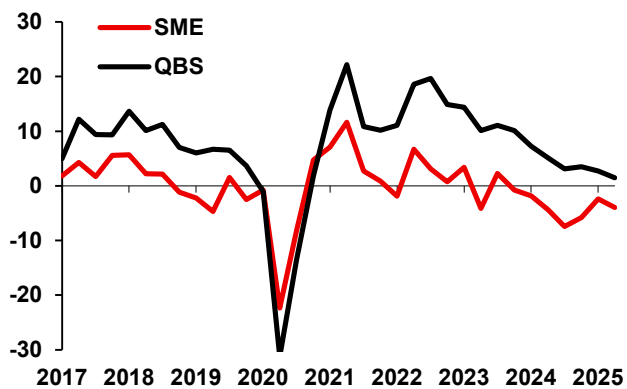


Chart 34: Forward Orders (Net Balance, SA)

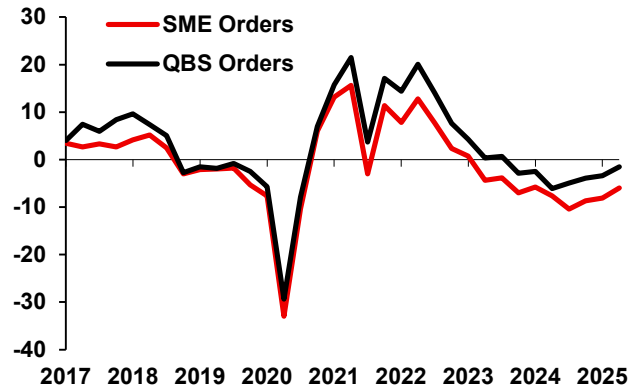


Chart 35: Capacity Utilisation (% , SA)

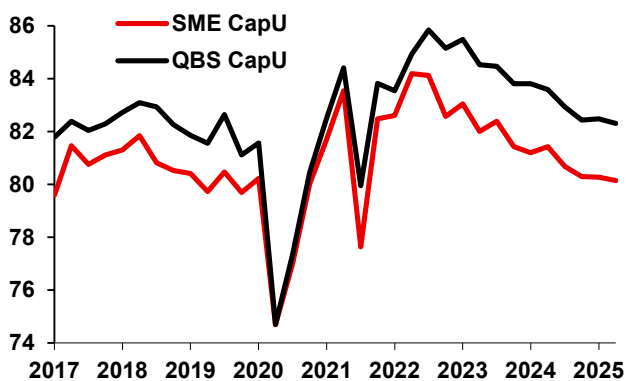
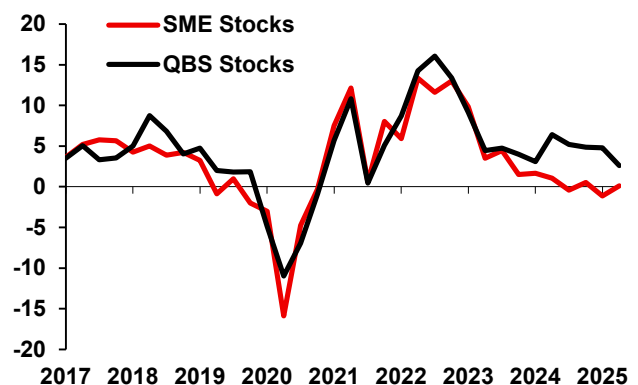


Chart 36: Stocks (Net Balance, SA)



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