

Media Release

SMEs remain optimistic as profitability recovers

- 53% recorded a profit last month, a substantial increase on August 2023.
- 69% are well positioned to withstand the impact of a possible recession.
- Only 6% foresee difficulties meeting their loan repayments.
- 16% require additional finance within the next 3 months, the most since July 2022.

6th October 2023: The September data provides cause for optimism, with YoY revenues rebounding from an annual low in August. Over half (53%) reported a profit during the previous month, an encouraging improvement from a low of 40% in July.

Encouragingly, concern surrounding higher interest rates fell from 87% in Q4 FY23 to 79% in Q1 FY24. Accordingly, the demand for additional finance has increased to 16%, the highest level of demand for finance since July 2022.

Loan stress has also subsided in line with this increased demand for finance. Only 6% of SMEs foresee difficulty in meeting their loan repayments, which is the lowest amount this year.

The SME Sentiment Tracker is conducted by leading business market research firm Fifth Quadrant in partnership with Ovation and tracks business sentiment across more than 400 small and medium enterprises each month.

Sentiment surrounding the Australian economy looks to have turned a corner, with net sentiment reaching its highest point since May 2022. In turn, over two-thirds (69%) believe their business is well insulated against the threat of recession in Australia over the next 12 months.

The Fifth Quadrant business confidence index has remained high at 99. Recruitment activity appears to mirror business confidence as of late, with 1 in 4 (23%) looking to fill job vacancies.

Despite this increase in recruitment activity over the last 2 months, 55% of those hiring found it more difficult to find suitable candidates in Q1 FY24 than 12 months earlier.

Fifth Quadrant, Managing Director, James Organ said: "In summary, although concerns may linger, this month's data displays a positive picture for SMEs. The August results found a bullish confidence among SMEs despite challenges, and the September results have vindicated this with increased profitability and greater confidence in the Australian economy. Concerns remain about fuel and energy costs – and worries about interest rates are far from over – however, the data suggests a general sense of optimism amongst SMEs as we emerge from the winter months".

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About the SME Sentiment Tracker

- Based on responses from ~400 SMEs with up to 500 employees across all sectors in Australia, including metro and regional locations.
- This wave includes data collected from the 13th – 27th of September 2023.
- Each respondent is a financial decision maker/ influencer in their business.
- Data is weighted by state, industry, and number of employees to reflect the national distribution of businesses across the country.

About Fifth Quadrant

Too often, we see businesses confusing data with insights, but data alone is not enough. We provide organisations with insight about their markets and customers by layering context and expertise on top of data. This allows our clients to make better decisions and unlock tomorrow's opportunities today.

About OVATION

Ovation is committed to delivering quality data, analytics and online research services with access to one of Australia's largest and most responsive online research panels. Our wide reach includes professionals, from small business owners to executives, across a variety of industries.