

Media Release

SME outlook still positive, but rising interest rates temper optimism

- The proportion of SMEs reporting a profit has increased for the third month in a row, with 56% now recording a profit
- 78% have passed rising costs onto customers
- However, 89% are now concerned about rising interest rates
- 37% do not believe they would withstand a possible recession

13th November 2023:

The October data presents a positive picture for SMEs, with profitability and expected revenue continuing to grow. Winter blues have been left behind and 27% now report a higher monthly revenue compared to 12 months ago. The Fifth Quadrant Business Confidence Index also remains high at 101.

However, in October SMEs were braced for rising interest rates and the RBA decision in early November to lift rates has cooled their optimism. Almost 9 in 10 SMEs are concerned about rising interest rates and concern over fuel and energy costs has increased accordingly. This is reflected in dampened expectations for both the Australian and Global economies. 56% now expect the Australian economy to weaken over the next three months.

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.

This caution has resulted in a slowdown in recruitment with only 20% now advertising vacancies. Even so, filling roles is still proving difficult for SMEs that choose to do so.

Concerns over rising costs has resulted in fewer SMEs feeling prepared to withstand a possible recession over the next 12 months, with those in the retail and hospitality especially worried. The proportion who feel unable to meet their loan repayments has also increased.

Fifth Quadrant, Managing Director, James Organ said: "In summary, the October results continue the positive trend in SME confidence with growing revenues and profitability. SMEs have been more positive since August, but rising interest rates and high fuel and energy costs remain significant areas for concern. As we enter the Christmas trading period it will be interesting to see if sentiment holds up as many consumers adjust their budgets to accommodate the latest interest rate rise"

ENDS

For further information contact:

James Organ
Managing Director
Fifth Quadrant
E: james@fifthquadrant.com.au
M: 0414 552 240

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 10th – 31st of October 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.