



## Media Release

# SMEs Eye Brighter 2024

- 50% reported a profit and only 20% are now operating at a loss (down from 25% last month)
- Confidence in the local and global economies remains weak, however optimism spiked in December.
- Outlook for 2024 is positive, with 33% expecting to increase their revenue in January and 37% targeting growth for the year.
- Lingering concerns regarding input costs could temper growth aspirations

### 11<sup>th</sup> January 2024:

Despite challenging market conditions, the Fifth Quadrant Business Sentiment Index remains steady at 100, consistent with the long-term average.

The December report highlights that while 28% of SMEs have experienced an increase in monthly revenue compared to the same period last year, over one-third continue to witness declining revenues. The most impacted sectors include hospitality, distribution, construction, and retail, underscoring the difficulties these sectors face adapting to the current market environment.

In an encouraging sign of resilience, profitability among these businesses remains relatively stable. Half of the surveyed SMEs report profits, while only 20% are operating at a loss. This resilience suggests effective cost management and operational efficiencies, enabling many companies to maintain profitability despite revenue challenges.

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.

However, SMEs continue to voice major concerns over rising input costs, indicating expectations of continued inflationary pressures into 2024. The overall economic outlook among SMEs remains cautious, with prevailing pessimism regarding global and Australian conditions. Nevertheless, a noticeable upturn in confidence was observed in December, underpinning a level of positivity for the coming year.

Looking ahead, short-term revenue projections for SMEs are also positive with one-third anticipating revenue increases in January. Furthermore, 37% of SMEs are setting their sights on growth in 2024, with a decrease in the number of businesses (13%) planning to downsize or exit. Additionally, 18% of businesses project an increase in their workforce in the next quarter, with a third foreseeing higher wages. However, projections for early 2024, indicate a modest decline in capital investment and marketing expenditures.

The demand for finance also spiked in December, with 20% of businesses indicating a need for additional funds to kickstart operations in 2024. However, while confidence in the ability to make loan payments has increased, loan stress remains a concern, particularly in the retail sector.

*Fifth Quadrant, Managing Director, James Organ said: "In summary, heading into 2024, the sentiment among SMEs appears cautiously optimistic despite challenging market conditions. While revenue fluctuations persist, businesses continue to demonstrate resilience and effective cost management. Concerns over rising input costs and inflationary pressures remain, yet there's a growing confidence in revenue growth and workforce expansion. In summary, many SMEs will be hoping for a brighter 2024, after another year of significant challenges."*

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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 4<sup>th</sup> – 18<sup>th</sup> December 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.