Small & Medium Enterprise Sentiment Tracker

Wave 90 – August 2026

OVATION

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creating tomorrow today

At Fifth Quadrant we discover what matters tomorrow so our clients can act with confidence today to create a better future for their customers, their people, and their business.

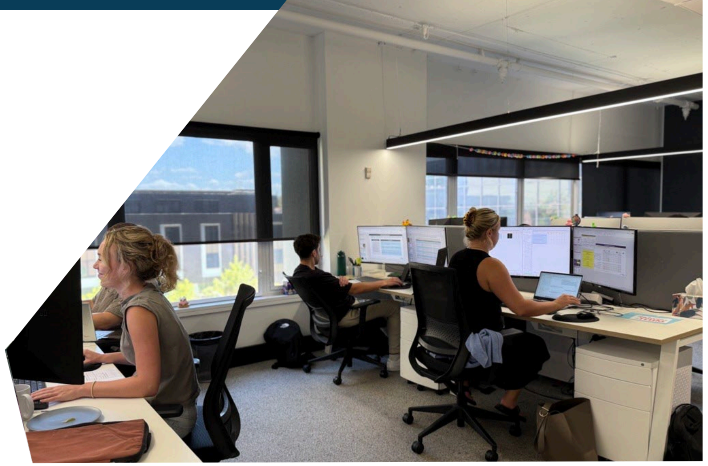
By combining innovative methodologies, proven frameworks, and the latest AI-driven tools, we deliver deep, evidence-based insights that enable our clients to anticipate change, make smarter decisions, and drive sustainable growth.

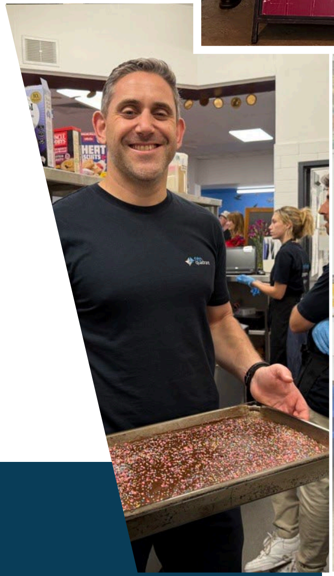
our culture

We are fiercely committed to providing our team with the skills and knowledge they need to be successful in their careers.

We believe that when people feel valued, respected, and supported, they are unstoppable forces for good. They are also more likely to be creative and innovative, which is essential for driving growth.

Our culture is one of our greatest strengths. It is what attracts and retains top talent, and it is what drives our success. When everyone feels like they belong, they are more likely to be their best selves.




Key Learnings

Only 18% expect revenue to improve over the next four weeks, with the net score negative for a fifth consecutive month

19% of SMEs expect wages to increase over the next three months, down from 30% in July

41% of SMEs are focused on growth over the next 12 months, up from 24% in July

12% of SMEs expect difficulty meeting loan repayments, the highest level in 13 months

SME Growth Ambitions Rebound, But For How Long?

SME growth ambitions rebounded sharply in August, with net growth intent jumping from +4% to +26%, the strongest result since October. With the RBA holding the cash rate at 4.35% for a second consecutive meeting, some of the uncertainty that weighed on confidence through the first half of the year appears to have lifted. Economic expectations also improved, although both the Australian and global measures remain deeply negative.

Revenue lifted to a net -8%, its best result since October, and short-term revenue expectations recovered to -2%, while profitability edged higher but remains below its 13-month average. Larger SMEs continue to outperform, strengthening to +36% on revenue against -11% for smaller businesses.

Labour market pressures eased considerably. The share of SMEs expecting wage increases fell from 30% to 19%, unwinding July's award wage spike, while hiring intentions rose for a second consecutive month. Recruitment activity continued to build, with 15% of SMEs now trying to fill roles, although the increase came almost entirely from larger businesses, where 55% are currently recruiting.

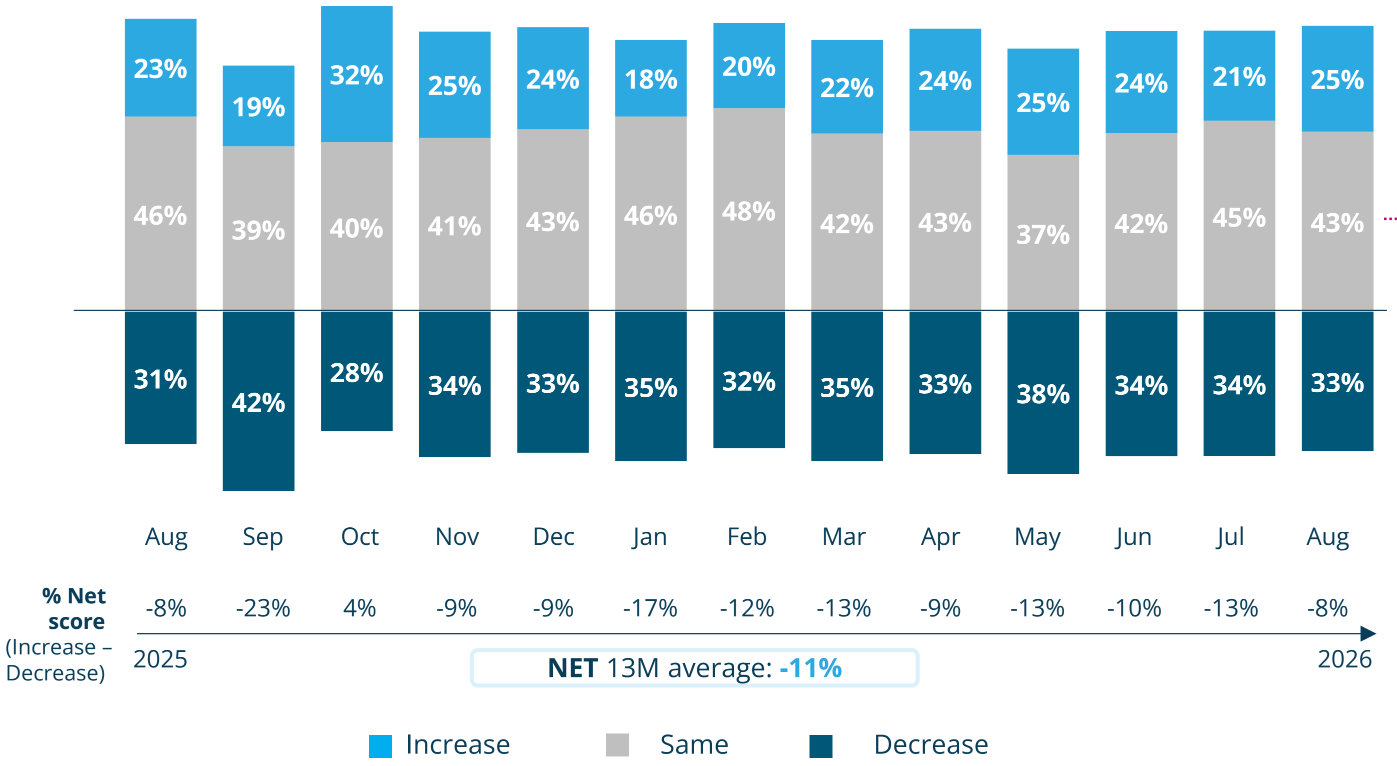
Financial conditions are more mixed. Demand for additional finance rose to 12%, with a growing share of that borrowing intended to fund growth in Australia. However, loan stress reached its highest level in 13 months, with more than one in ten SMEs expecting difficulty meeting repayments over the next six months.

> Overall, August marks a clear turn in SME confidence. Growth ambitions, hiring intentions and borrowing have all strengthened, and cost pressures have eased from recent highs. However, revenue remains negative and a rising minority of SMEs are struggling to service existing debt. The recovery may also prove short-lived. Since this data was collected, underlying inflation has stayed above the RBA's target band, prompting several major banks to forecast a further rate increase at its next meeting in late September, which would test the confidence that returned in August.

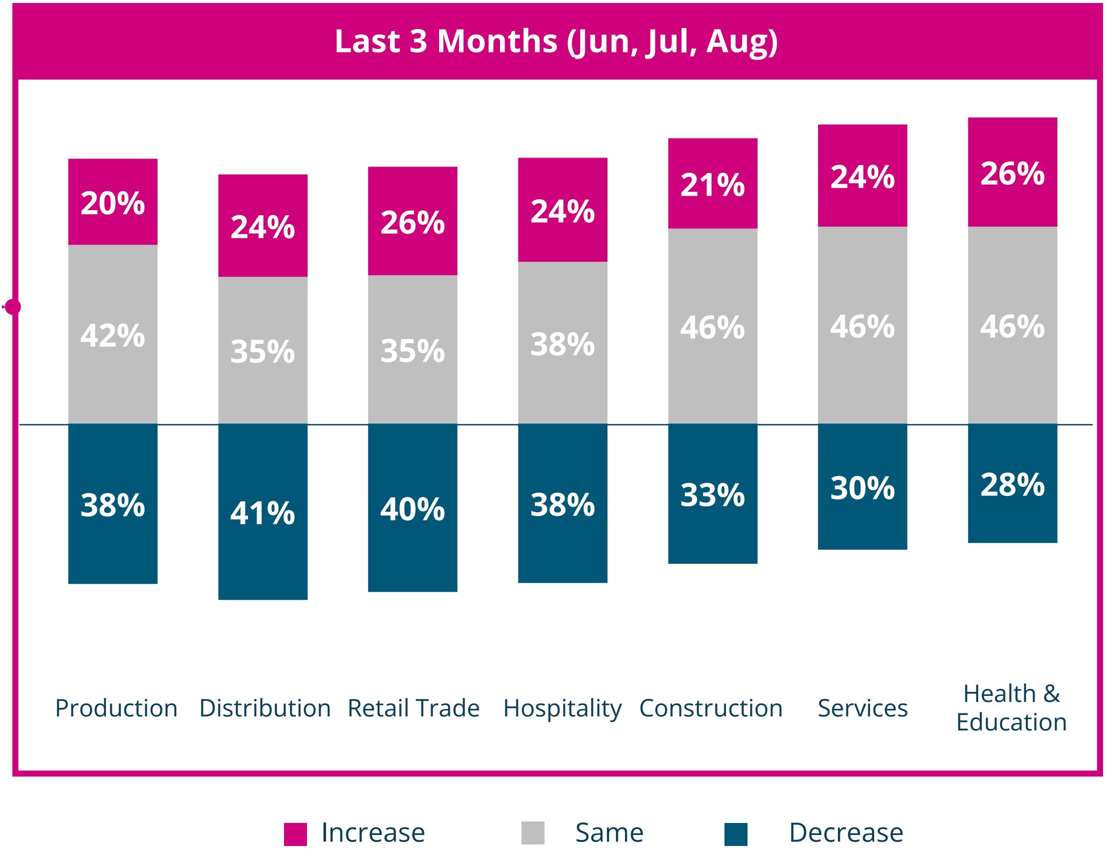
Key Performance Indicators | Revenue

Revenue improved in August, with 25% of SMEs reporting growth against 33% reporting a decline, lifting the net score to -8%, above the 13-month average of -11%. Production and Distribution remain the weakest sectors.

How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



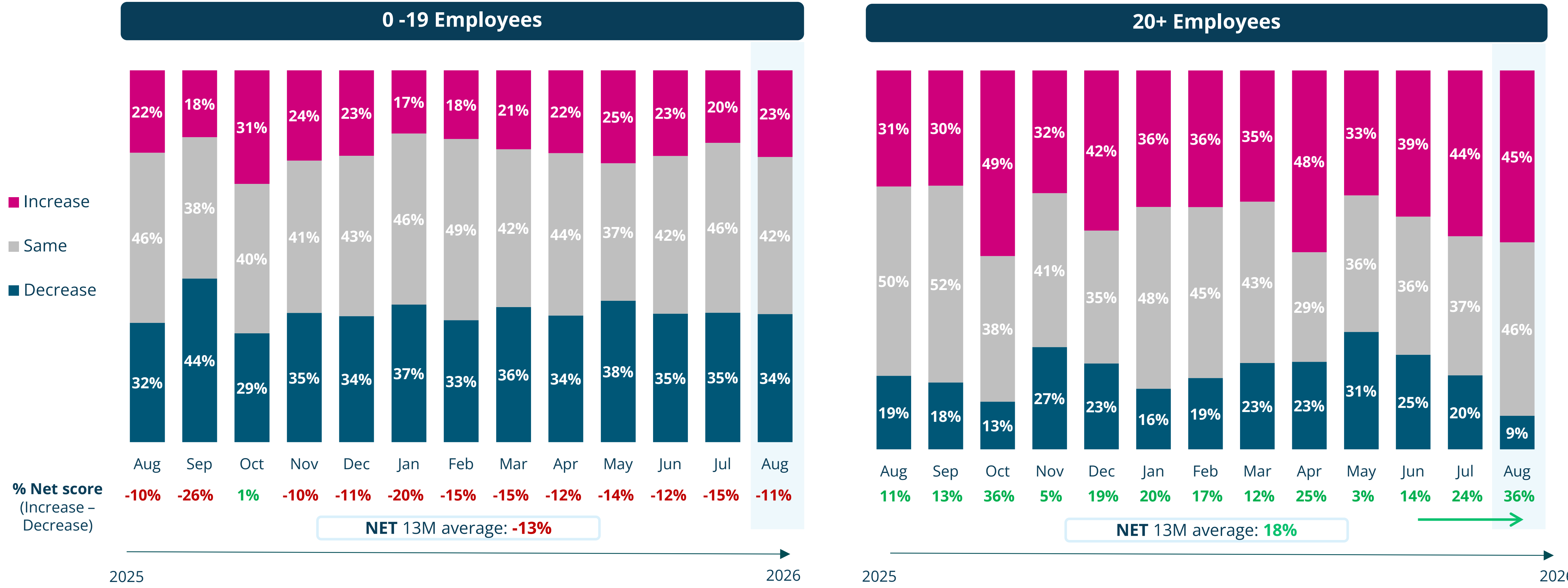
Last 3 Months (Jun, Jul, Aug)



Key Performance Indicators | Revenue

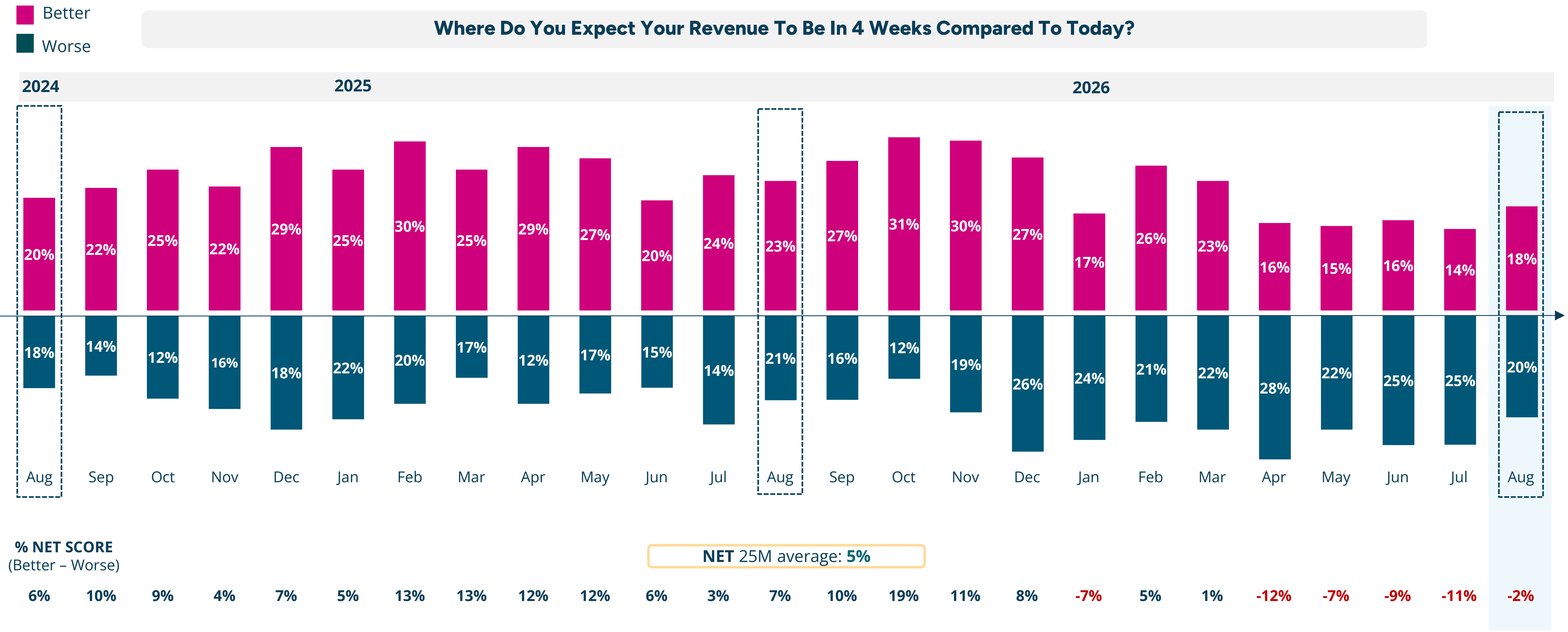
The revenue divide by business size widened further in August, with larger SMEs strengthening to a net of +36%, their joint strongest result in 13 months, while smaller SMEs improved to -11% but remain firmly negative.

How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue Expectations (Next Four Weeks)

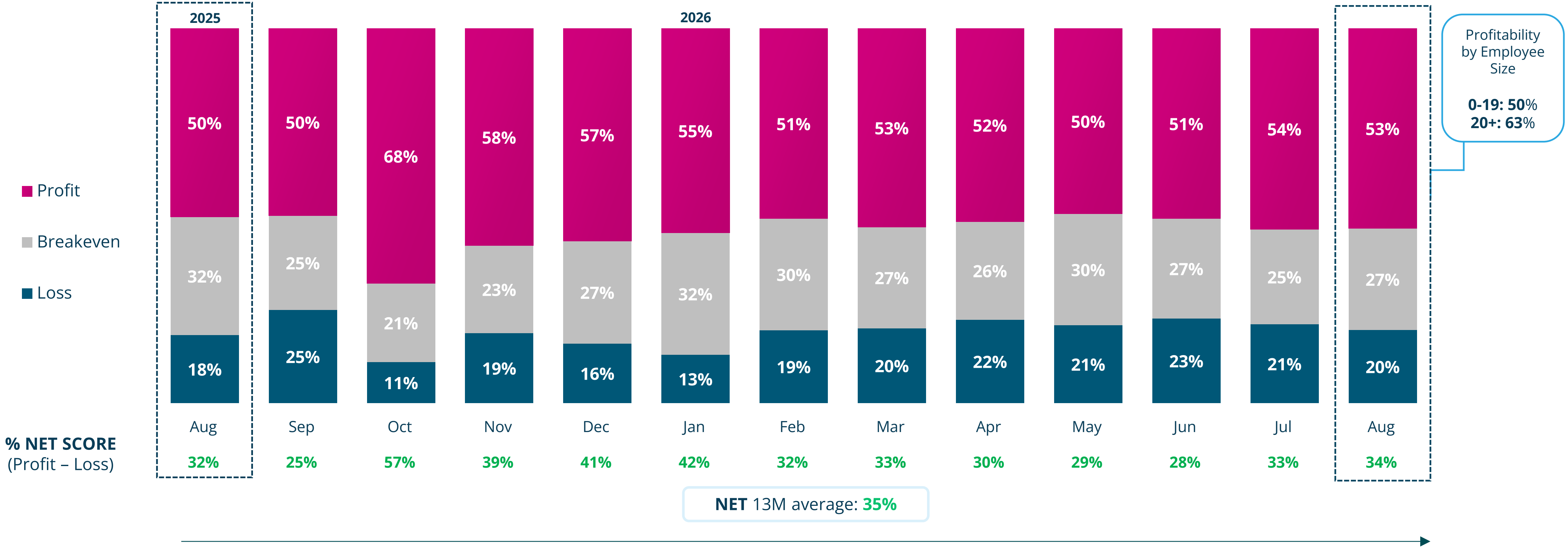
Short-term revenue expectations also improved, with the net score recovering to -2%, the strongest result since March. This is a fifth consecutive month in negative territory, likely reflecting three rate rises earlier this year.



Key Performance Indicators | Profit

In line with improving revenue, profitability edged higher in August, with the share reporting a loss now sitting at 20%. Larger SMEs continue to outperform, with 63% reporting profit against 50% of smaller businesses.

What Was Your Profit Margin Last Month?



Key Performance Indicators | Responding To Challenges

Efficiency remains the primary response to cost pressures, with an increasing focus on streamlining operations and technology adoption. Reassessing current projects fell to 14%, its lowest level this year.

How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

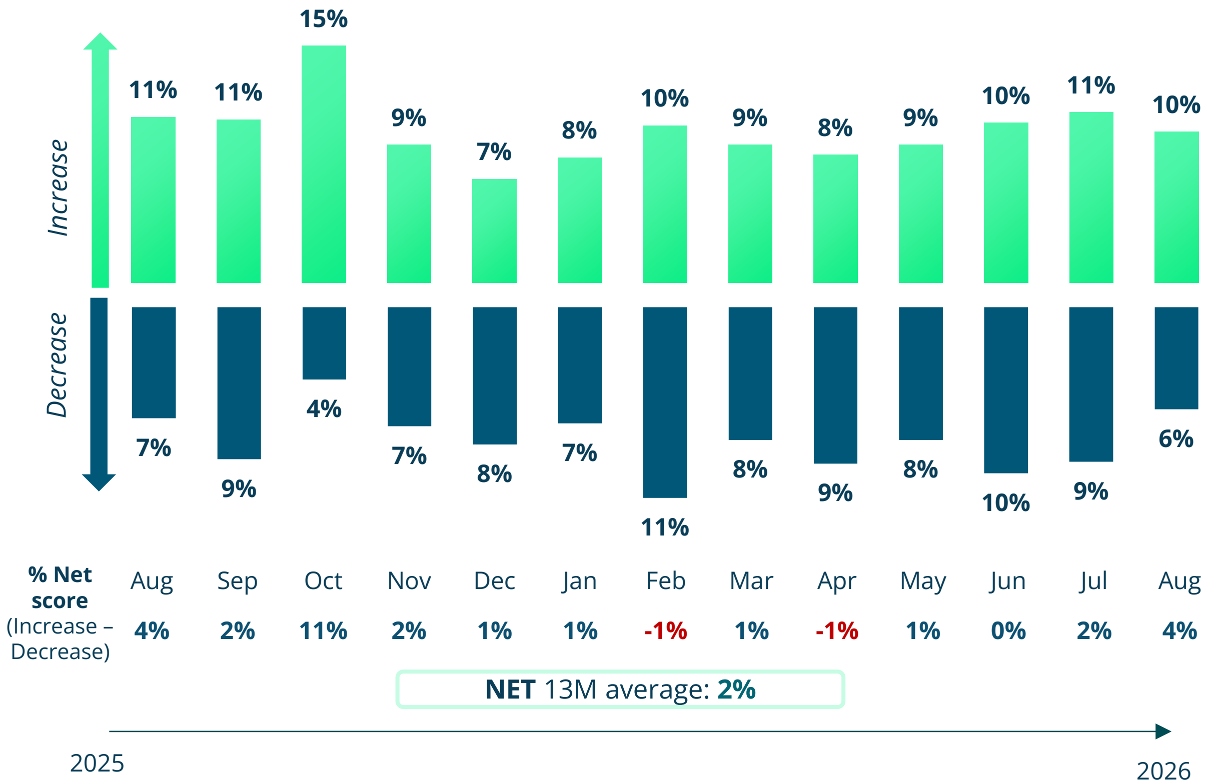
	August	February	March	April	May	June	July	August
Enhancing efficiency by streamlining business operations.	31%	26%	29%	26%	21%	30%	27%	31%
Discontinuing products/services that are not profitable.	28%	21%	23%	22%	27%	27%	28%	28%
Renegotiating supplier contracts or seeking new supply sources.	22%	17%	20%	18%	19%	18%	22%	22%
Expanding the range of products/services to generate new revenue streams.	22%	17%	21%	22%	16%	16%	19%	22%
Adopting new technologies for increased automation and operational efficiency.	21%	19%	19%	19%	17%	17%	19%	21%
Maximising staff productivity through better training and optimisation.	17%	21%	20%	22%	16%	20%	18%	17%
Reassessing current projects and significant investments for viability and impact.	14%	22%	22%	22%	21%	18%	18%	14%
Refining inventory management practices for better efficiency.	13%	12%	13%	12%	12%	12%	16%	13%
Delegating non-essential functions to external providers.	10%	9%	7%	7%	9%	11%	7%	10%
Undertaking debt restructuring to reduce financial burdens.	9%	12%	9%	10%	10%	10%	8%	9%
Implementing workforce reductions, such as layoffs or hiring freezes.	8%	10%	9%	9%	7%	9%	6%	8%
Shifting towards the use of renewable energy sources.	7%	5%	6%	6%	4%	5%	4%	7%

Key Performance Indicators | People

Hiring intentions rose for a second consecutive month to a net score of +4%, the highest since October. Construction and Hospitality continue to lead hiring demand, while Retail Trade and Health & Education are now the most subdued.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



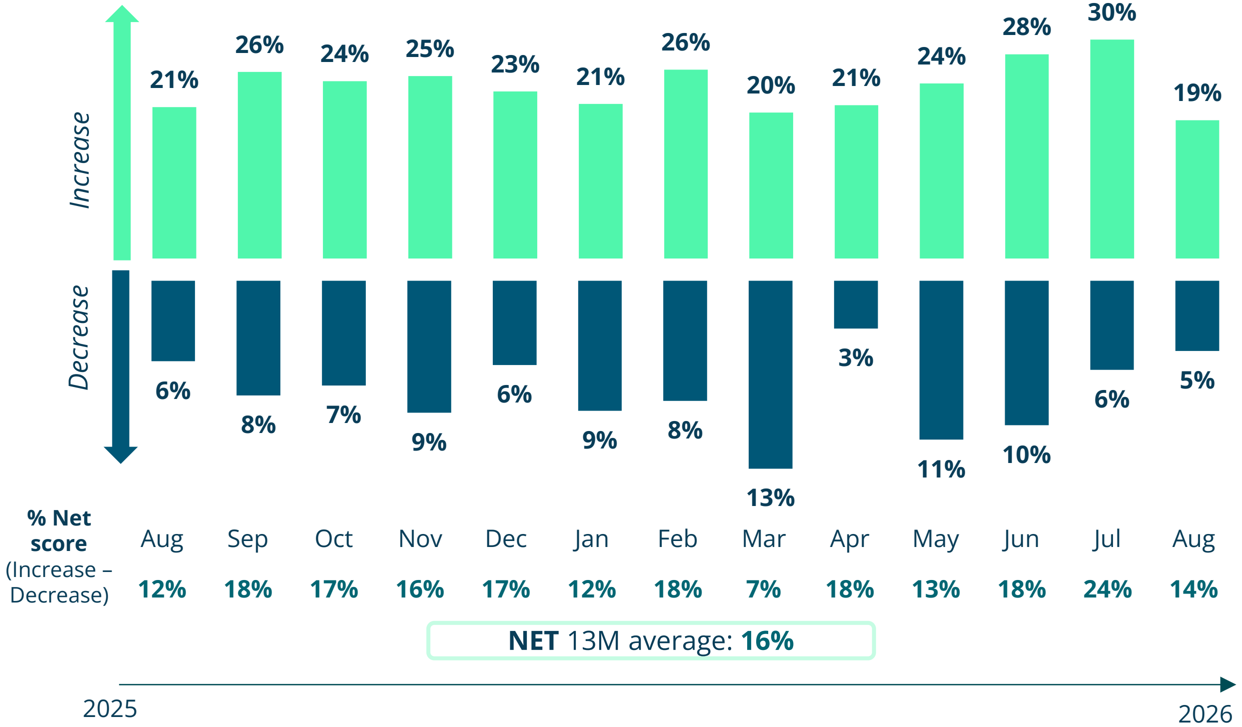
fifth quadrant

Key Performance Indicators | People

The share of SMEs expecting wage increases fell from 30% to 19% in August, unwinding July's award wage spike and returning the net score towards its 13-month average. In Hospitality, 40% still expect increases over the next three months.

Expectations Over The Next 3 Months Regarding Wages

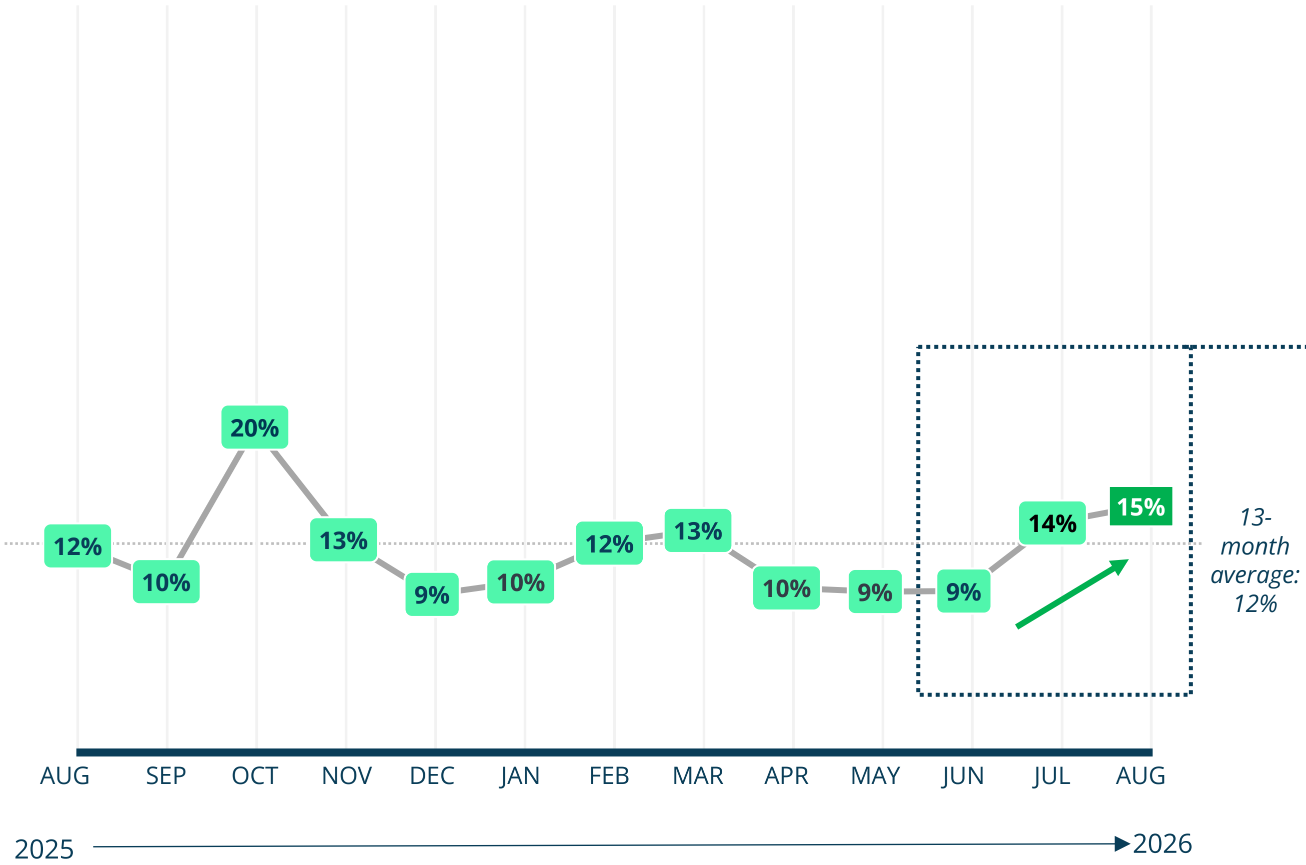
The Wages You Pay



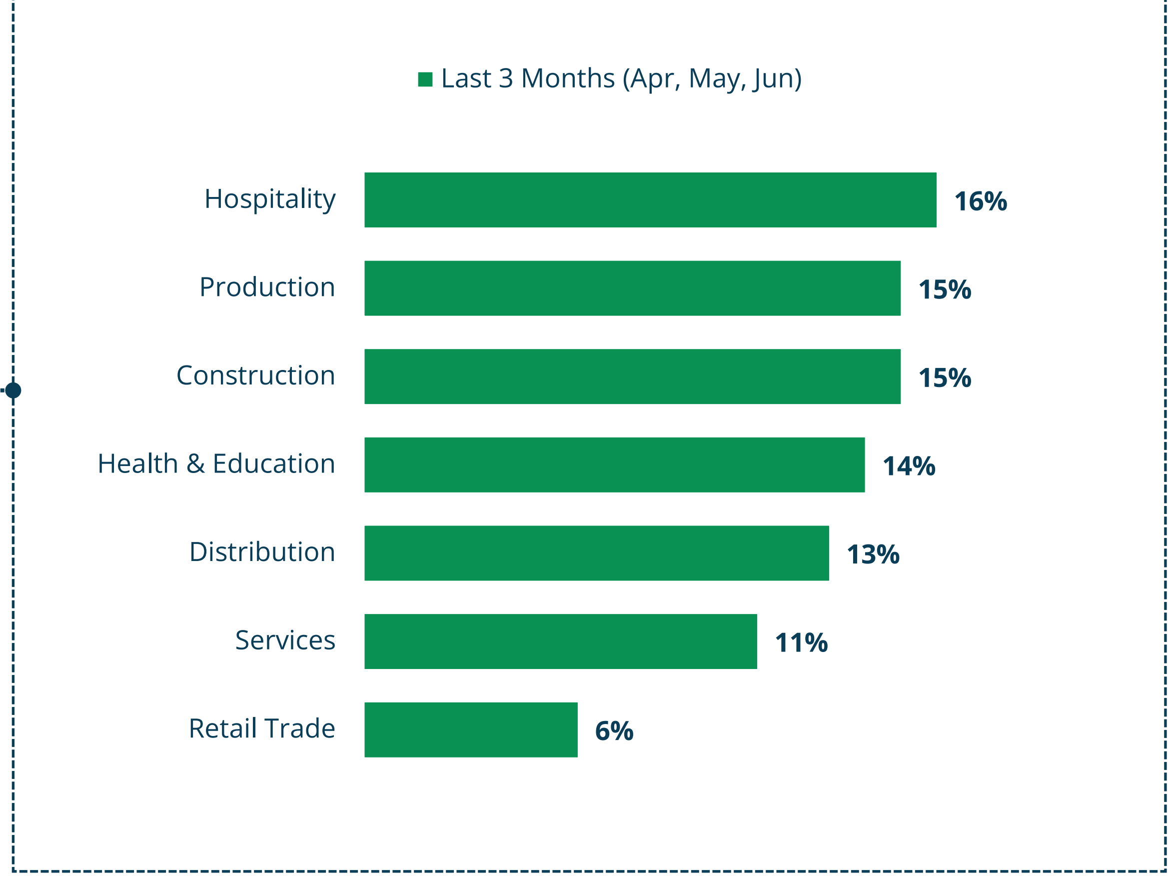
Key Performance Indicators | People

Recruitment activity continued to build, with 15% of SMEs currently trying to fill roles, up from 9% in June and above the 13-month average. Hospitality leads on vacancies at 16%, followed by Production and Construction at 15%.

SMEs That Currently Have Job Roles They Are Trying To Fill



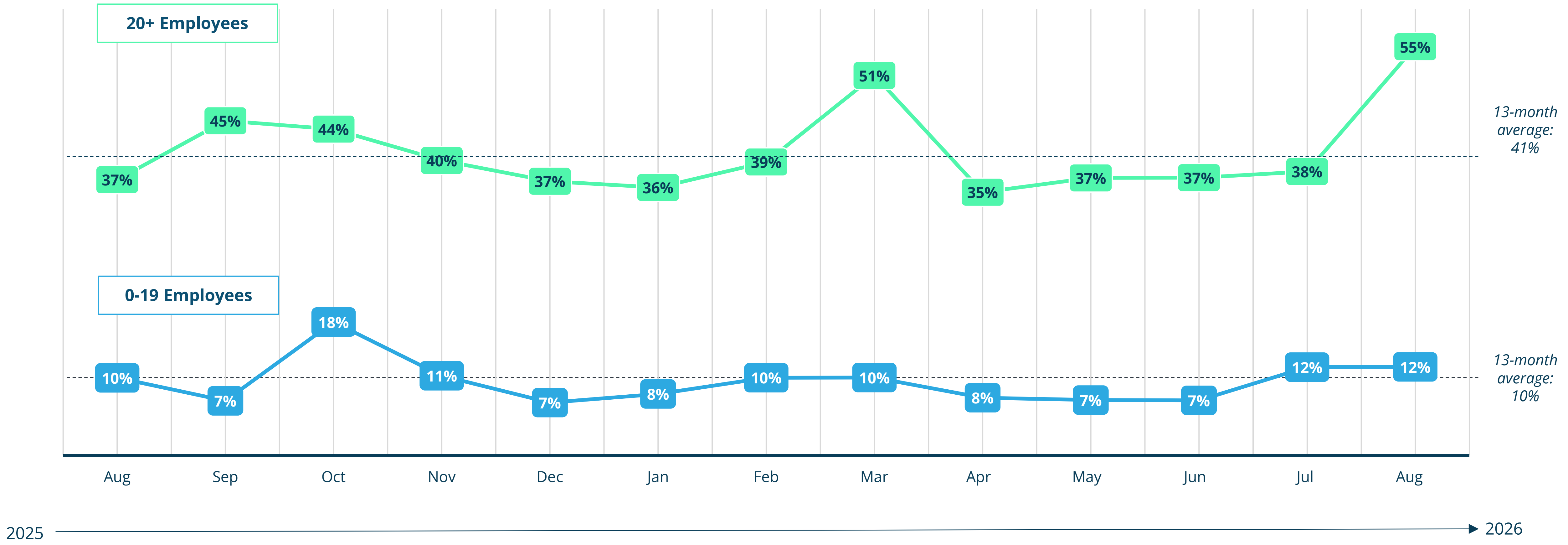
Current Job Vacancies By Industry



Key Performance Indicators | People

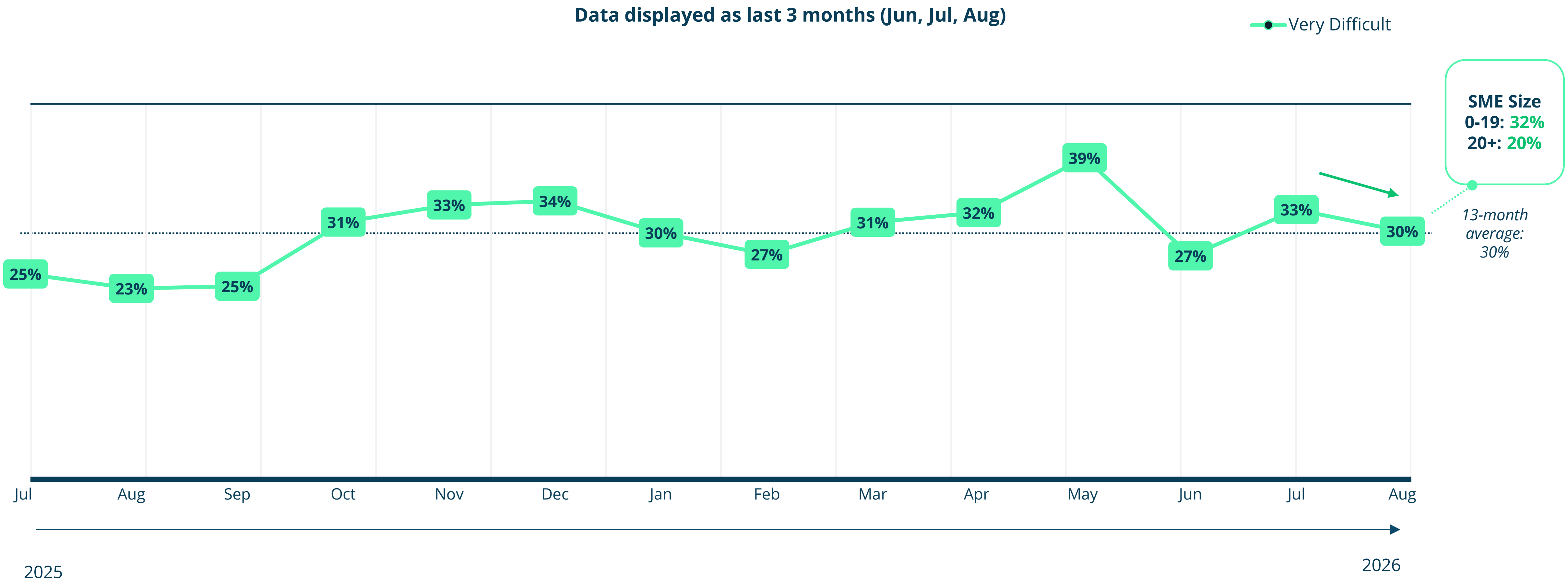
Larger SMEs drove the increase, with 55% now recruiting, up from 38% in July and the highest in 13 months. Smaller SMEs held at 12% for a second month, well below larger firms but above their own 13-month average.

SMEs That Currently Have Job Roles They Are Trying To Fill



Recruitment difficulty eased slightly in August, with 30% of hiring SMEs describing vacancies as very difficult to fill, down from 33% in July. Difficulty remains far greater for smaller SMEs at 32%.

How Difficult Is It To Fill These Roles?



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02 People

03 **Business Sentiment**

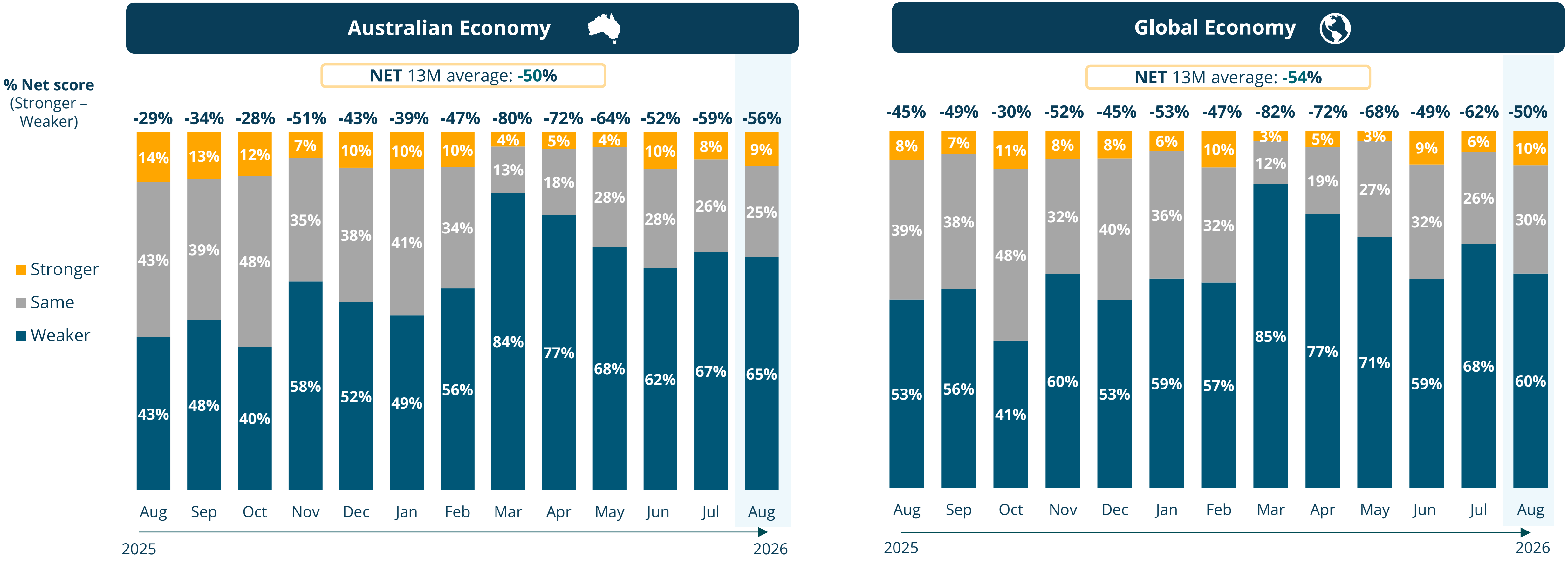
04 Business Investment

05 Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

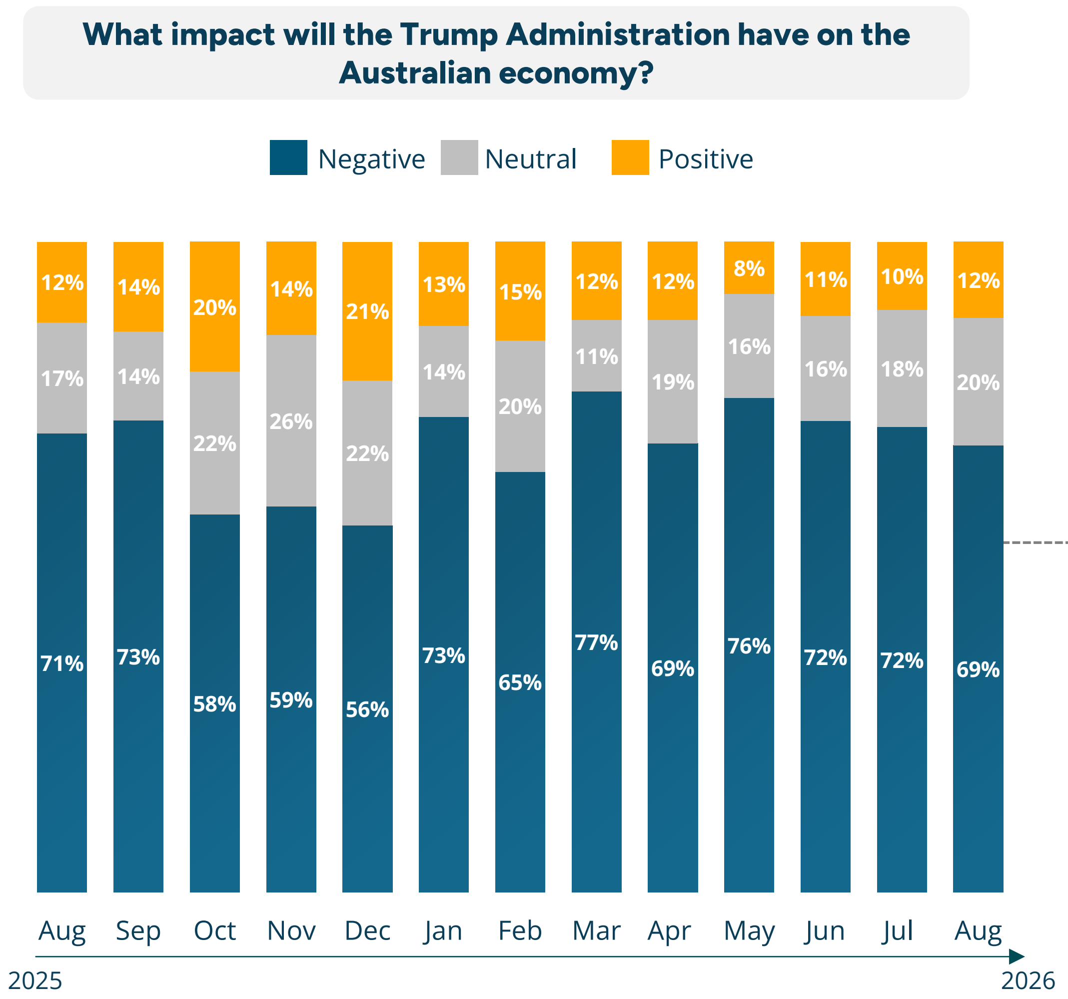
Economic expectations improved in August, with global sentiment recovering from -62% to -50% and Australian sentiment lifting slightly to -56%. However, both measures remain deeply negative, likely reflecting unresolved geopolitical tensions.

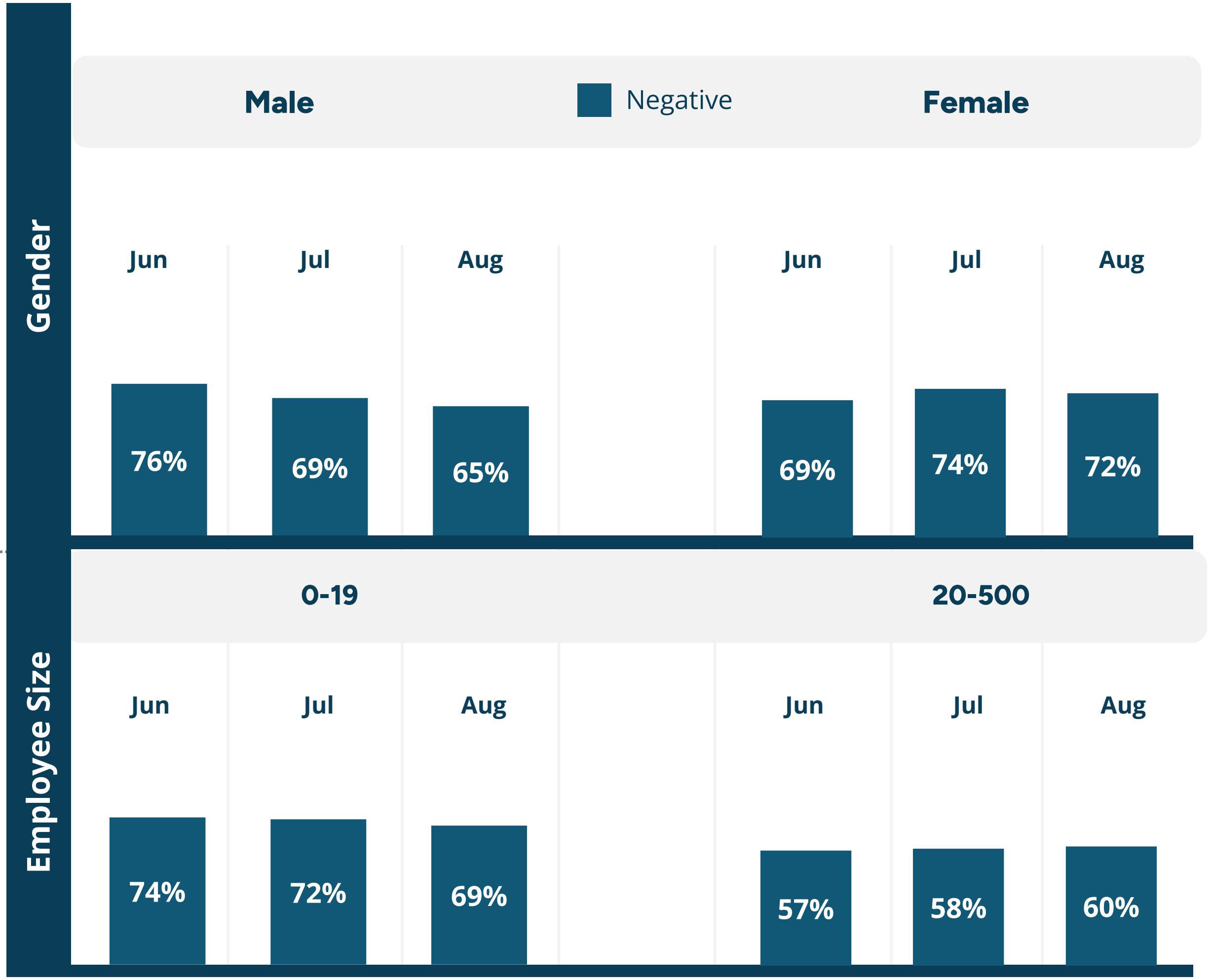
Expectations Over The Next 3 Months Regarding Economic Conditions



Business Sentiment | Expectations Regarding Economic Conditions

Negative sentiment towards the Trump Administration remains deeply entrenched at 69%, with just 12% expecting a positive impact. Recent tariff negotiations appear to have done little to shift the picture.

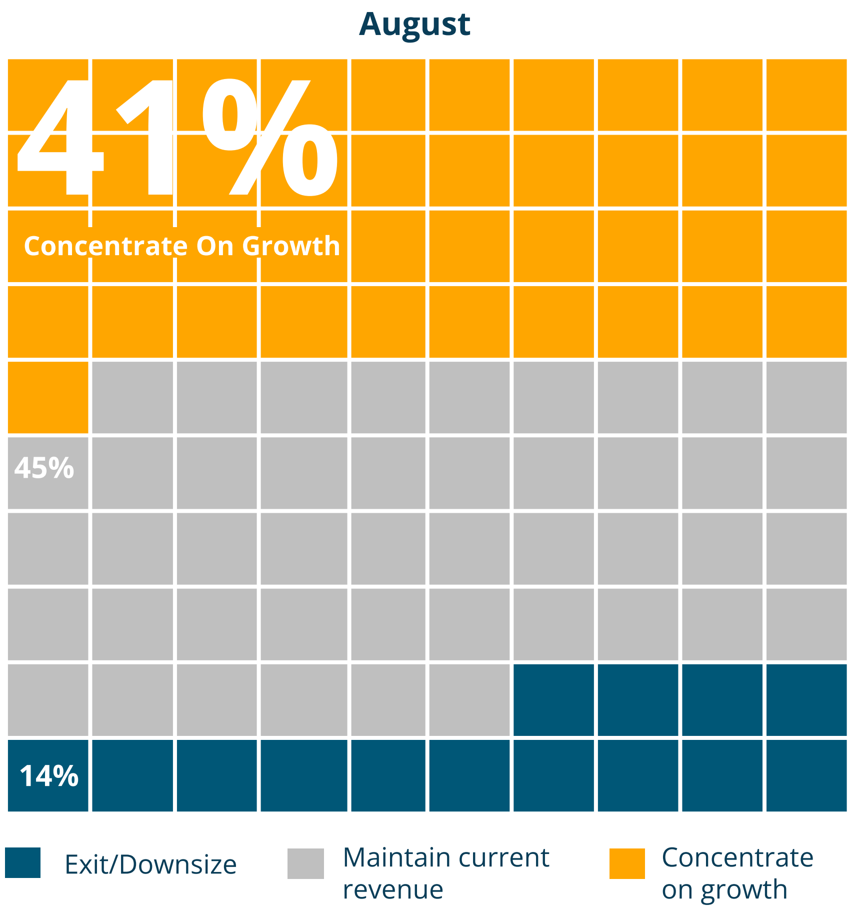


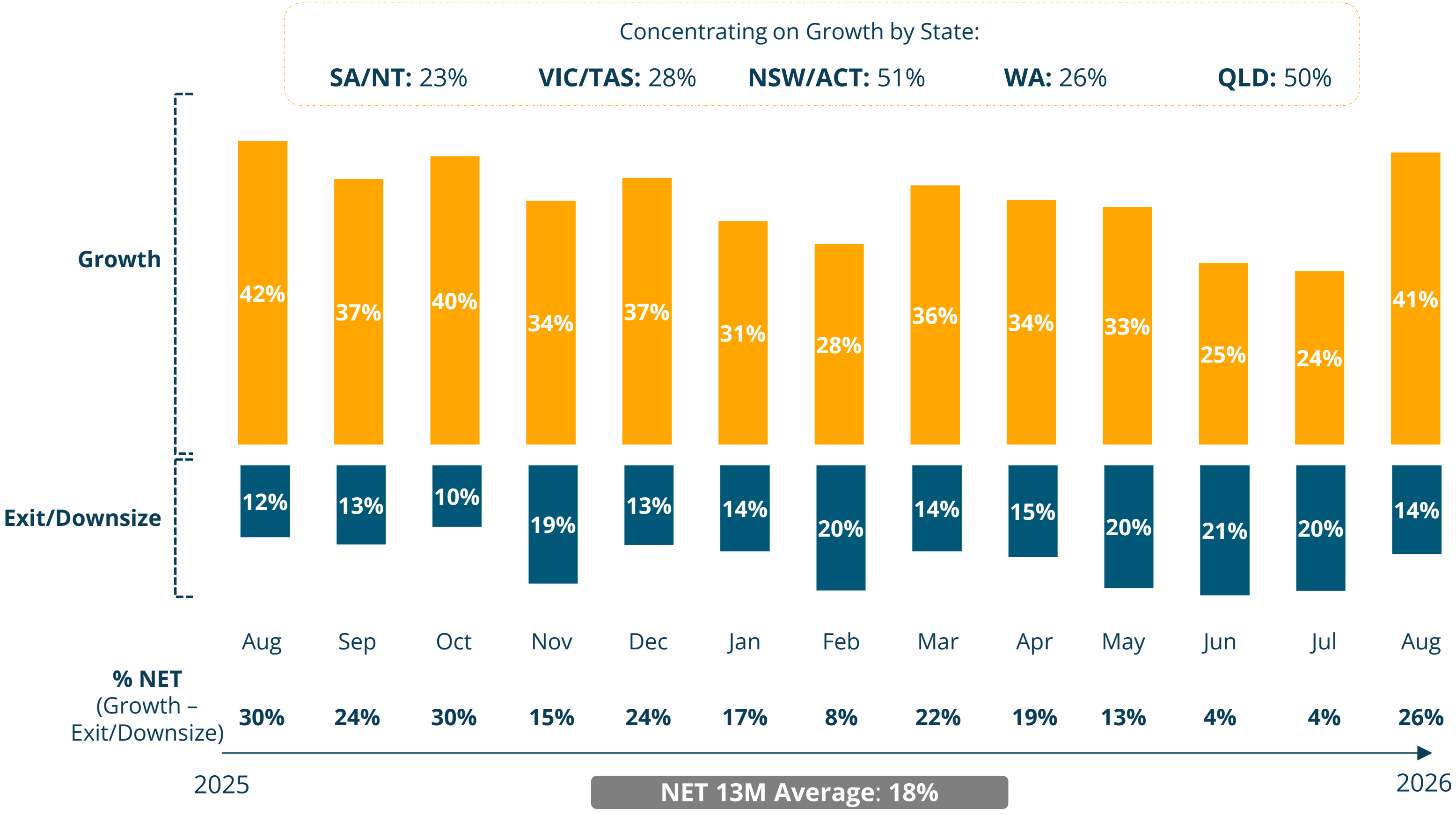


Business Sentiment | Growth Expectations (Next 12 months)

Following improvements in revenue and short-term revenue expectations, growth ambitions rebounded sharply in August, with net growth intent jumping from +4% to +26%, the strongest result since October.

Overall, What Best Describes Your Approach To Business Over The Next 12 Months?



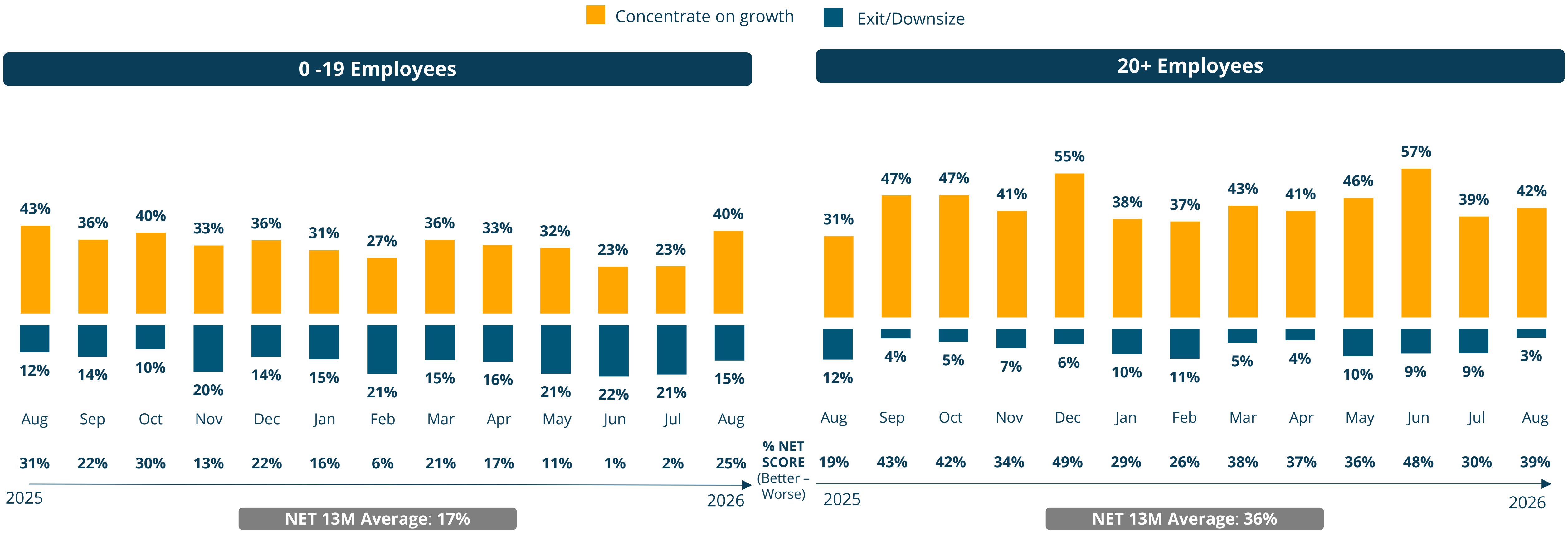


fifth quadrant

Business Sentiment | Growth Expectations (Next 12 months)

The rebound in growth intent was most pronounced among smaller SMEs, where the net score surged from +2% to +25%. Larger SMEs also strengthened, rising from +30% to +39%.

Overall, What Best Describes Your Approach To Business Over The Next 12 Months?



fifth quadrant

Business Sentiment | Challenges

Cost pressures remain the dominant challenge for SMEs, despite easing slightly in August, while regulatory and compliance concerns fell sharply to 19%. Difficulty securing finance nearly doubled from 7% to 13%.

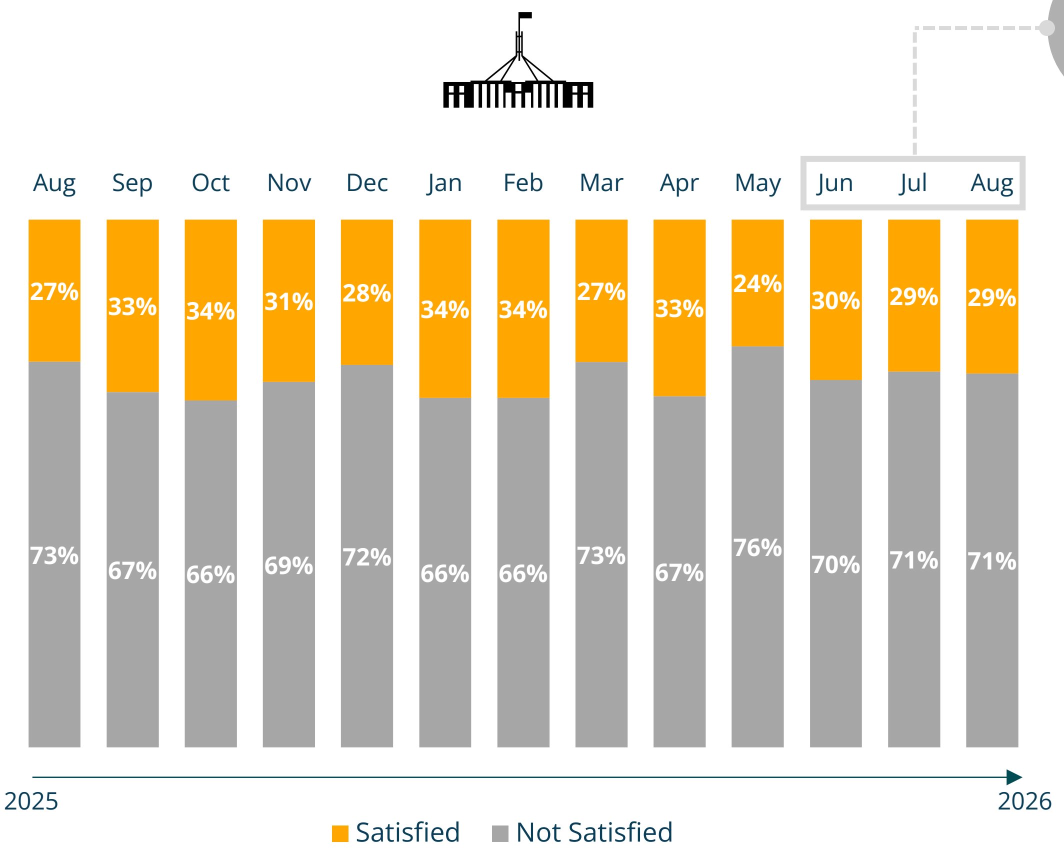
Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

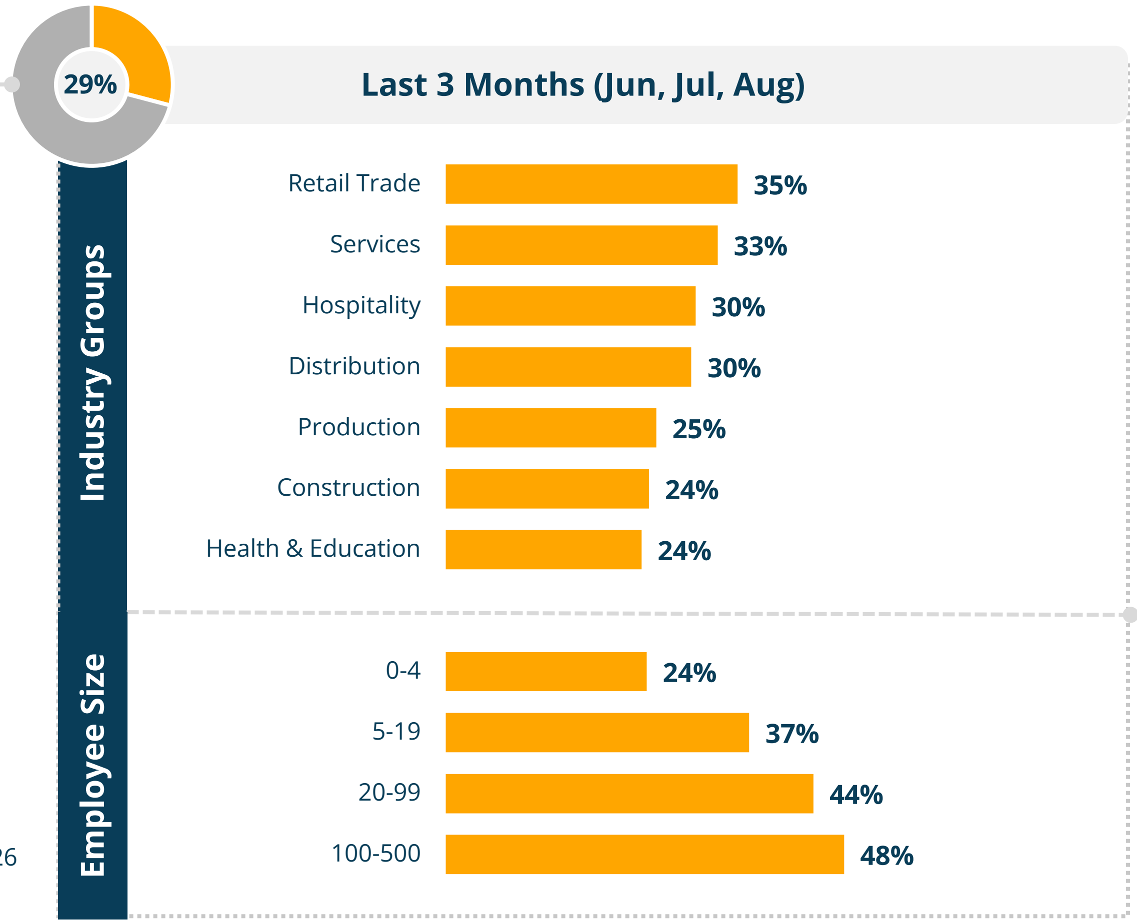
	August	February	March	April	May	June	July	August
Addressing the difficult economic outlook and ongoing cost pressures.	50%	45%	58%	54%	56%	50%	53%	50%
Keeping pace with changing customer behaviours and preferences.	32%	25%	25%	31%	41%	40%	32%	32%
Managing risks and uncertainties in the geopolitical landscape.	21%	18%	28%	23%	19%	16%	21%	21%
Navigating regulatory, compliance, and governance challenges.	19%	39%	23%	20%	26%	25%	26%	19%
Managing the continuous adoption of new technologies and digital transformation processes.	18%	19%	16%	15%	17%	14%	16%	18%
Identifying and implementing measures to boost workforce efficiency and productivity.	17%	26%	15%	12%	17%	16%	13%	17%
Strengthening defences against cyber threats and ensuring data privacy.	16%	14%	17%	11%	11%	14%	16%	16%
Strengthening supply chain operations for improved efficiency and resilience.	15%	18%	14%	15%	10%	9%	14%	15%
Overcoming difficulties in securing necessary financing.	13%	17%	10%	15%	10%	11%	7%	13%
Acquiring, training, and upskilling talent in a competitive market.	11%	9%	18%	13%	9%	13%	13%	11%
Implementing strategies to address sustainability issues and climate change impacts.	7%	4%	8%	8%	6%	3%	4%	7%
Prioritising investment in research and development to drive innovation.	6%	5%	6%	5%	4%	5%	5%	6%

Business Sentiment | Government Policy

Satisfaction with Federal Government policy support held steady at 29% in August, remaining stronger among larger SMEs.

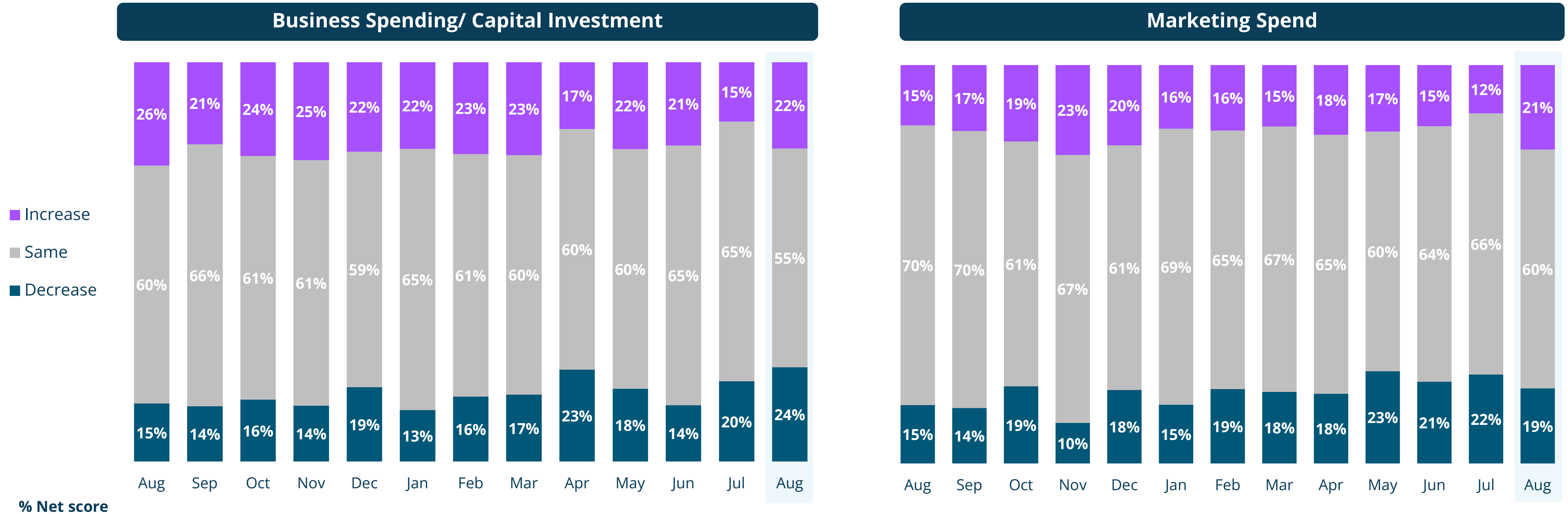
How Satisfied Are You That The Federal Government Is Delivering Effective Policies That Support The Needs Of Your Business?





Investment intentions remain subdued, with capital investment negative at -2%, while marketing spend has returned to marginally positive territory at +2%.

Expectations Over The Next 3 Months Regarding Business Investment



% Net score (Increase – Decrease)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Business Spending/ Capital Investment	11%	7%	8%	11%	3%	9%	7%	6%	-6%	4%	7%	-5%	-2%
Marketing Spend	0%	3%	0%	13%	2%	1%	-3%	-3%	0%	-6%	-6%	-10%	2%

2025 → 2026

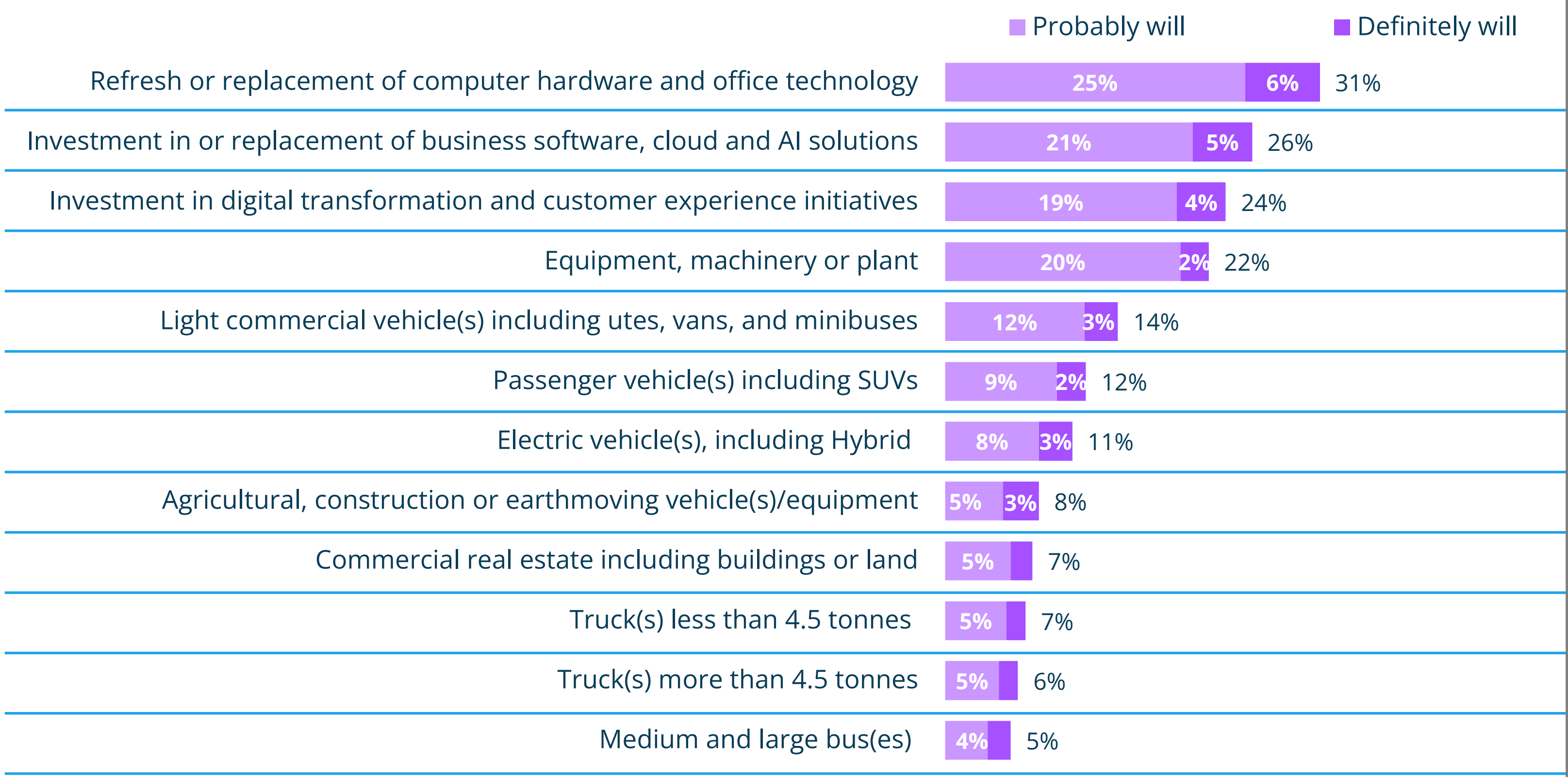
fifth quadrant

Business Investment | Capital Expenditure

Technology remains the leading investment priority, with hardware at 31%, software, cloud and AI at 26% and digital transformation at 24%. Equipment at 22% and light commercial vehicles at 14% both sit above their 12-month averages.

Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

August



	12m Avg	June	July	August
Refresh or replacement of computer hardware and office technology	(Introduced in June)	30%	31%	31%
Investment in or replacement of business software, cloud and AI solutions	(Introduced in June)	22%	24%	26%
Investment in digital transformation and customer experience initiatives	(Introduced in June)	22%	20%	24%
Equipment, machinery or plant	20%	15%	18%	22%
Light commercial vehicle(s) including utes, vans, and minibuses	11%	10%	10%	14%
Passenger vehicle(s) including SUVs	12%	14%	9%	12%
Electric vehicle(s), including Hybrid	10%	10%	9%	11%
Agricultural, construction or earthmoving vehicle(s)/equipment	8%	8%	6%	8%
Commercial real estate including buildings or land	8%	8%	8%	7%
Truck(s) less than 4.5 tonnes	6%	5%	6%	7%
Truck(s) more than 4.5 tonnes	5%	6%	6%	6%
Medium and large bus(es)	5%	5%	5%	5%

Among larger SMEs, technology purchase intentions have returned closer to June levels after an elevated July, with hardware back at 53%. Smaller SMEs, by contrast, lifted intentions across almost every category.

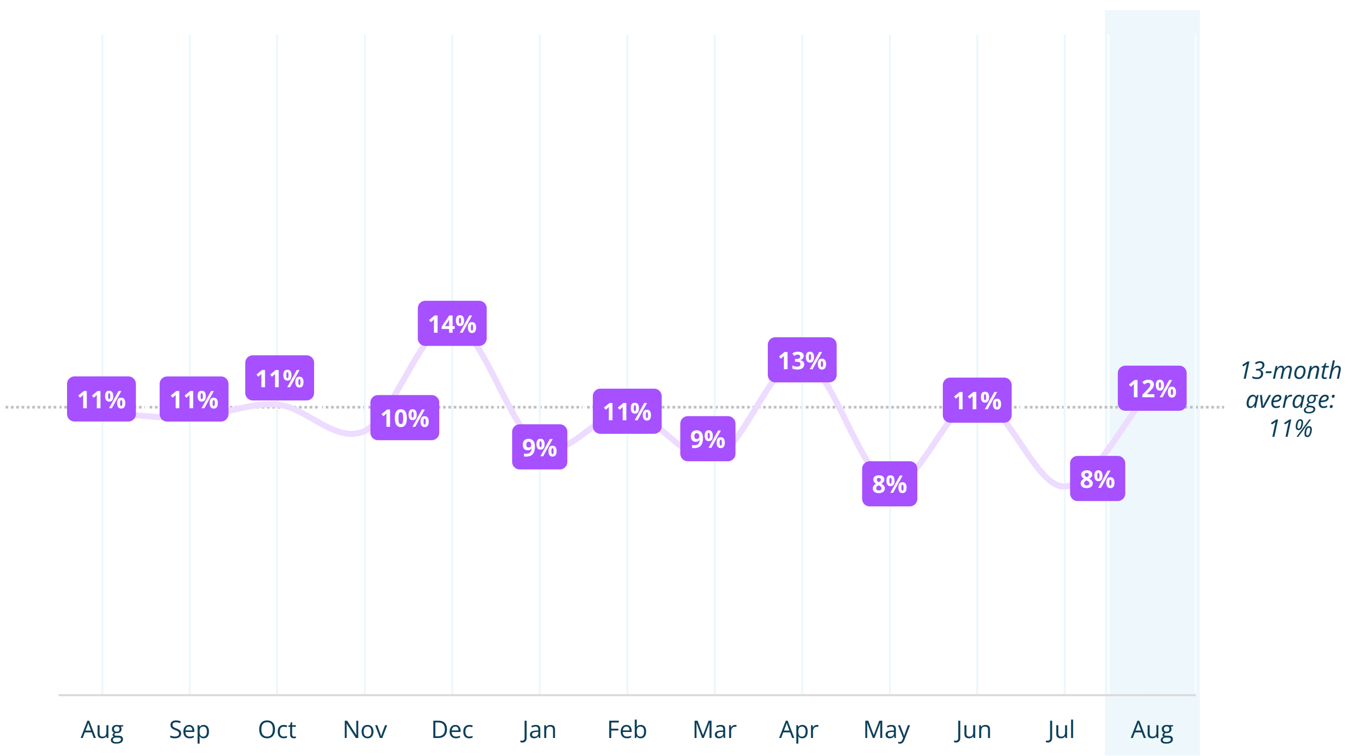
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Jun	Jul	Aug	Jun	Jul	Aug
Refresh or replacement of computer hardware and office technology	28%	28%	30%	53%	67%	53%
Investment in or replacement of business software, cloud and AI solutions	20%	21%	24%	50%	66%	54%
Investment in digital transformation and customer experience initiatives	21%	18%	22%	45%	54%	50%
Equipment, machinery or plant	13%	17%	21%	32%	39%	39%
Light commercial vehicle(s)	9%	8%	14%	27%	30%	26%
Passenger vehicle(s) including SUVs	13%	9%	11%	27%	19%	29%
Electric vehicle(s), including Hybrid	9%	8%	10%	28%	19%	26%
Agricultural, construction or earthmoving vehicle(s)/equipment	7%	6%	7%	17%	15%	21%
Commercial real estate	7%	7%	6%	22%	21%	25%
Truck(s) less than 4.5 tonnes	4%	5%	6%	11%	22%	19%
Truck(s) more than 4.5 tonnes	5%	5%	5%	12%	19%	16%
Medium and large bus(es)	4%	4%	5%	12%	16%	18%

Business Investment | Finance Needs (Next 3 months)

Demand for additional finance rose to 12% in August, slightly above its 13-month average. Funding growth in Australia is now cited by 26% of those requiring finance, against 15% to 19% in the previous five quarters.

SMEs That Will Require Additional Finance Over The Next 3 Months



And What Is The Purpose Of This Finance?

	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Last 3M
Cashflow/ working capital	62%	57%	61%	74%	59%	66%
Purchase plant, machinery or equipment	23%	25%	22%	24%	17%	16%
Fund growth into new markets	17%	15%	21%	11%	16%	17%
Fund growth in Australia	16%	16%	15%	19%	17%	26%
Trade finance to fund import/export activity	12%	15%	8%	4%	5%	8%
Fund merger/acquisition	8%	7%	9%	7%	5%	9%

Business Investment | Finance Needs (Next 3 months)

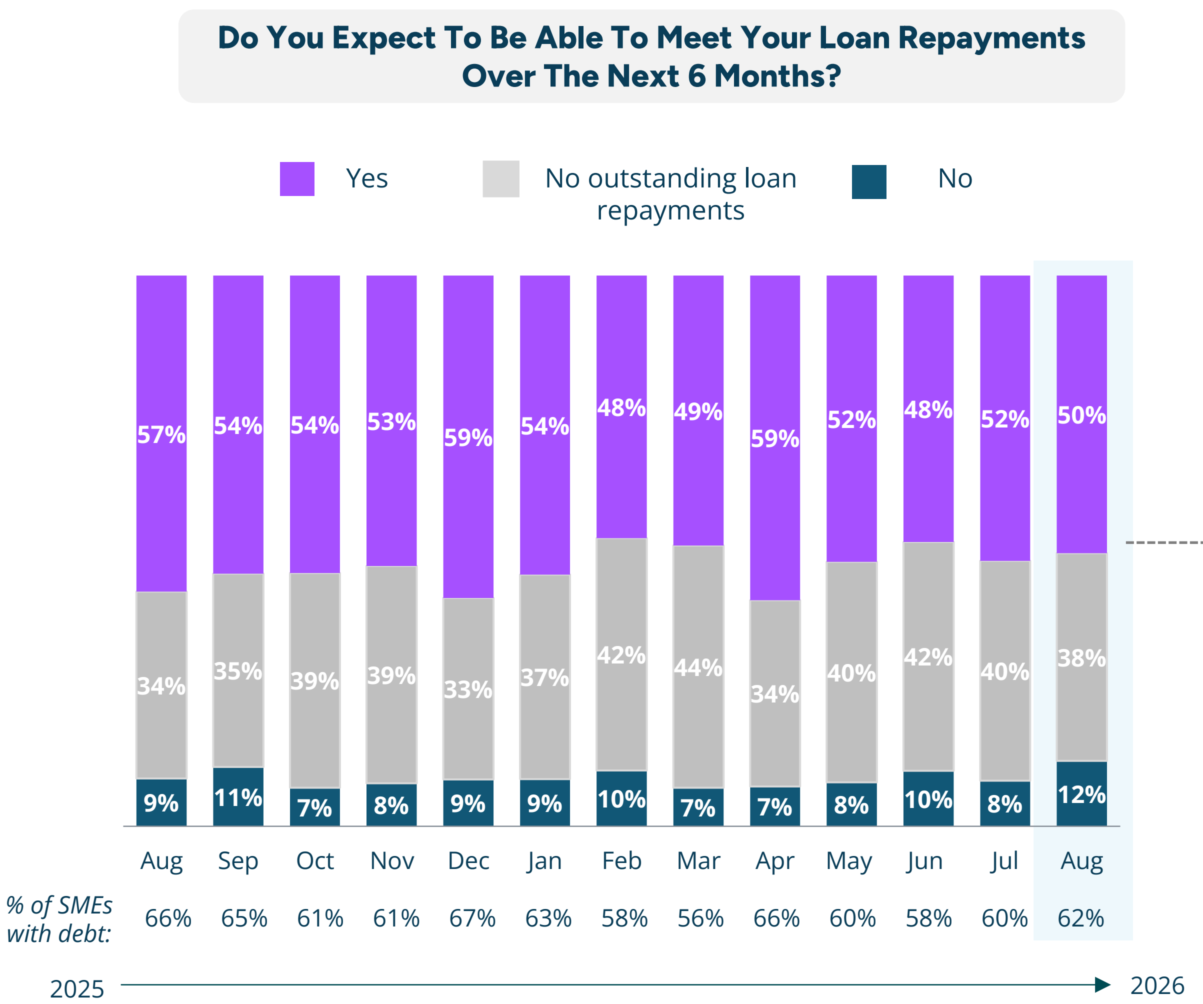
Financing requirements remain considerably higher among larger SMEs, with 18% expecting to require additional finance against 10% of smaller businesses. Distribution and Hospitality report the highest requirements by industry.

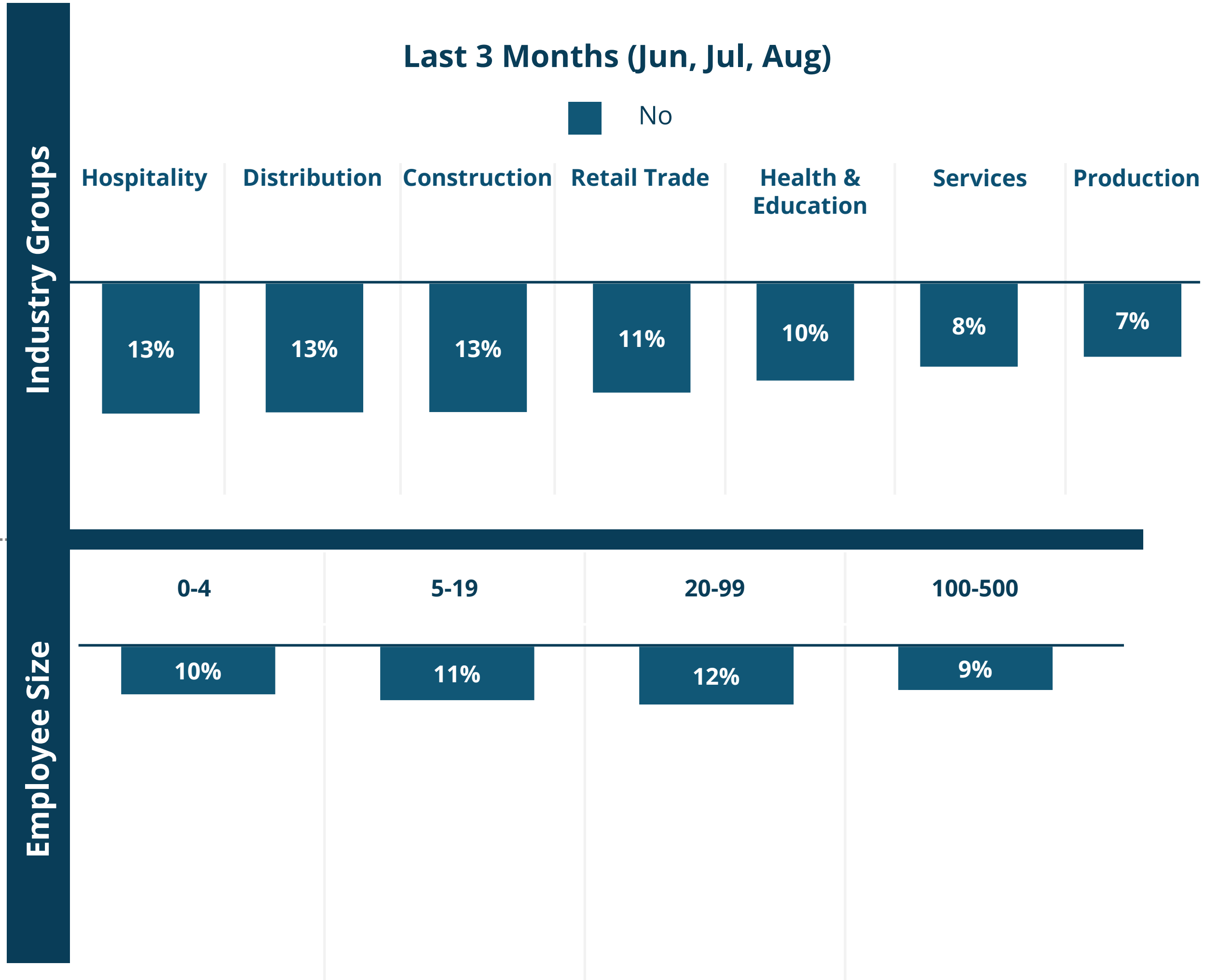
Will You Require Any Additional Finance Over The Next 3 Months? (Yes)

	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Last 3M
0-19 Employees	11%	10%	11%	10%	9%	10%
20+ Employees	18%	17%	17%	16%	15%	18%
Construction	10%	11%	16%	8%	11%	9%
Distribution	21%	12%	18%	10%	15%	14%
Health & Education	11%	11%	10%	11%	7%	6%
Hospitality	10%	15%	18%	8%	10%	14%
Production	12%	11%	8%	10%	11%	8%
Retail Trade	12%	14%	13%	15%	7%	13%
Services	10%	9%	8%	9%	11%	10%

Business Investment | Loan Stress

Loan stress has increased since July, with 12% of SMEs now expecting difficulty meeting loan repayments, the highest level in 13 months. Retail Trade, Construction and Health & Education are most exposed, all sitting at 13%.





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05 Methodology & Sample

Methodology

- The SME Tracker was first launched 5th April 2020
- Monthly waves with a minimum of 400 completed surveys with small and medium businesses with up to 500 employees
- All respondents are business owners or financial decision makers/influencers
- Use of accredited research panels ensures a consistent sample of the national population across states and territories.

Respondents from across Australia, including **metro and regional** areas

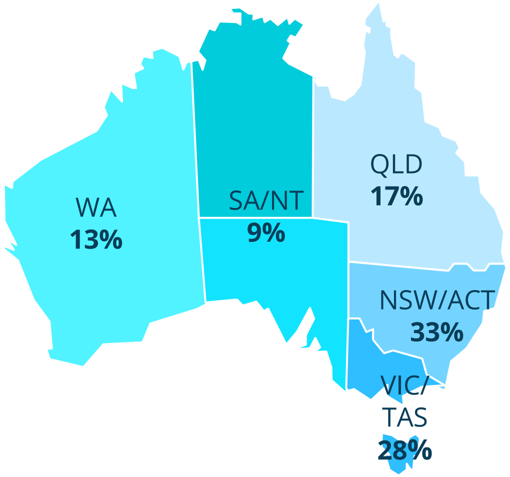
All **industry sectors** are represented, allowing for subgroup analysis

Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

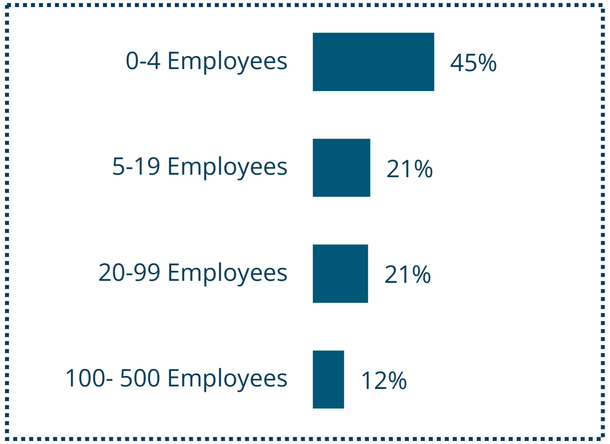
Our Sample

Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

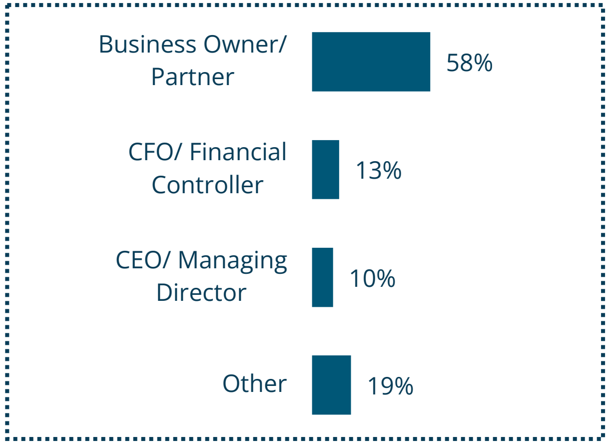
Head Office Location



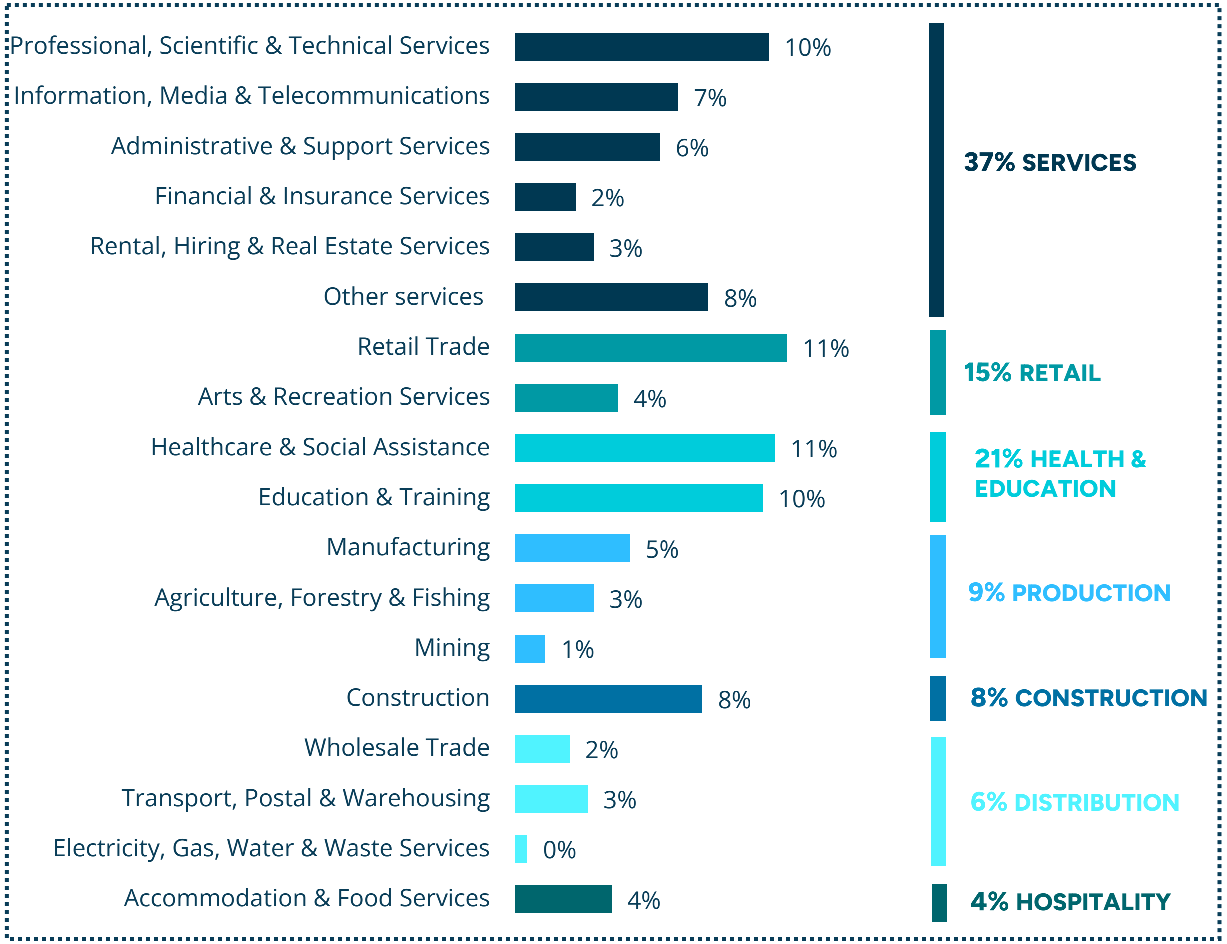
Size Of Business: Employees



Position In Business



Industry Sector



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