

Small & Medium Enterprise Sentiment Tracker

Wave 92 – October 2026

OVATION

fifth quadrant

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.

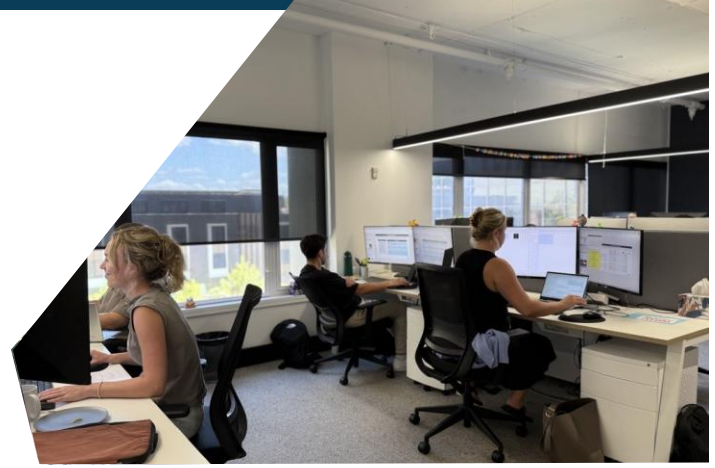
By combining innovative methodologies, proven frameworks, and the latest AI-driven tools, we deliver deep, evidence-based insights that enable our clients to anticipate change, make smarter decisions, and drive sustainable growth.

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.

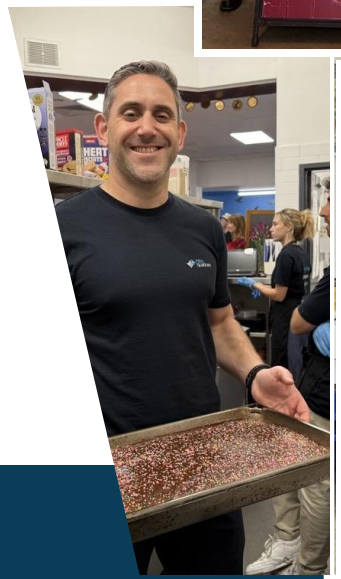














Key Learnings



Confidence in the Australian economy remained deeply negative at a net score of -57%.



Only 16% of SMEs expect revenues to improve over the next 4 weeks, while 21% expect a decline.



Despite revenue pressures, 35% of SMEs are planning for growth over the next 12 months.



Only 10% of SMEs are filling vacant job roles, compared to 14% last month.

SMEs Protect Profits as Revenue and Confidence Falter

Revenue weakened in October, with the net score falling from +1% in September to -11%, while short-term expectations returned to negative territory (-5%). Confidence in the Australian economy remains deeply negative at -57%, with global sentiment weaker still at -62%.

Interest rate and cost-of-living pressures continue to weigh on confidence and consumer spending, with concerns about the economic outlook (57%, up from 50%) and changing consumer behaviour (40%, up from 31%) increasing.

In response, SMEs are scaling back recruitment and investment, with job vacancies falling from 14% to 10% and capital expenditure intentions declining across almost all categories following September's spike.

Despite these pressures, profitability remains resilient, with the net score rising to +49%, well above the 13-month average of +37%. Businesses continue to protect margins through cost control and operational efficiencies despite weaker revenue.

Growth ambitions remain positive, with 35% of SMEs focused on expansion. Intentions have strengthened among larger SMEs, while smaller businesses remain above their historical average. Loan stress is contained, with just 8% anticipating repayment difficulties, broadly unchanged from a year ago.

In summary, SMEs remain financially resilient but increasingly cautious. While profitability is holding up, weak economic confidence is creating a widening gap between businesses' ambitions for growth and their willingness to invest.



01 Key Performance Indicators

02 People

03 Business Sentiment

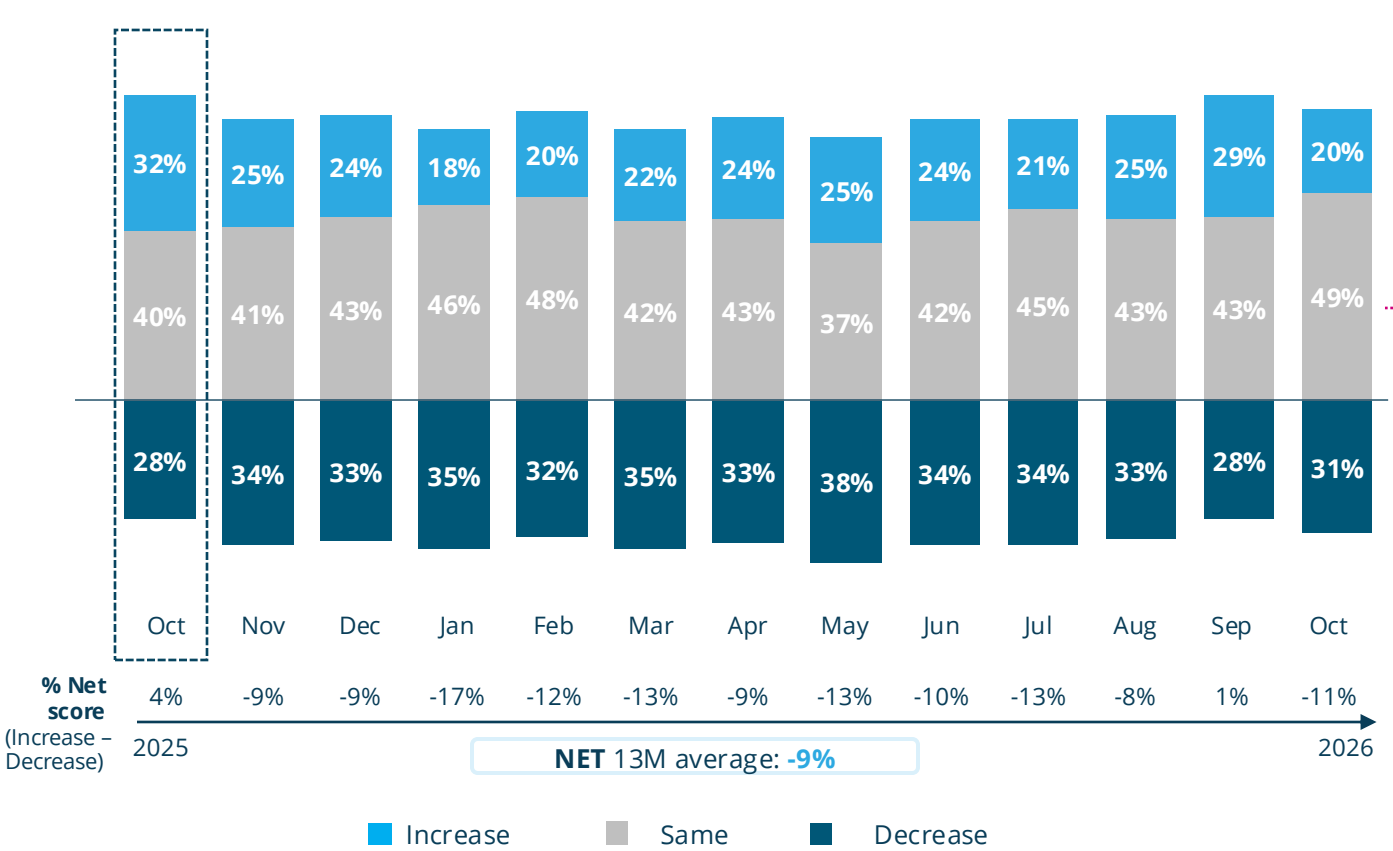
04 Business Investment

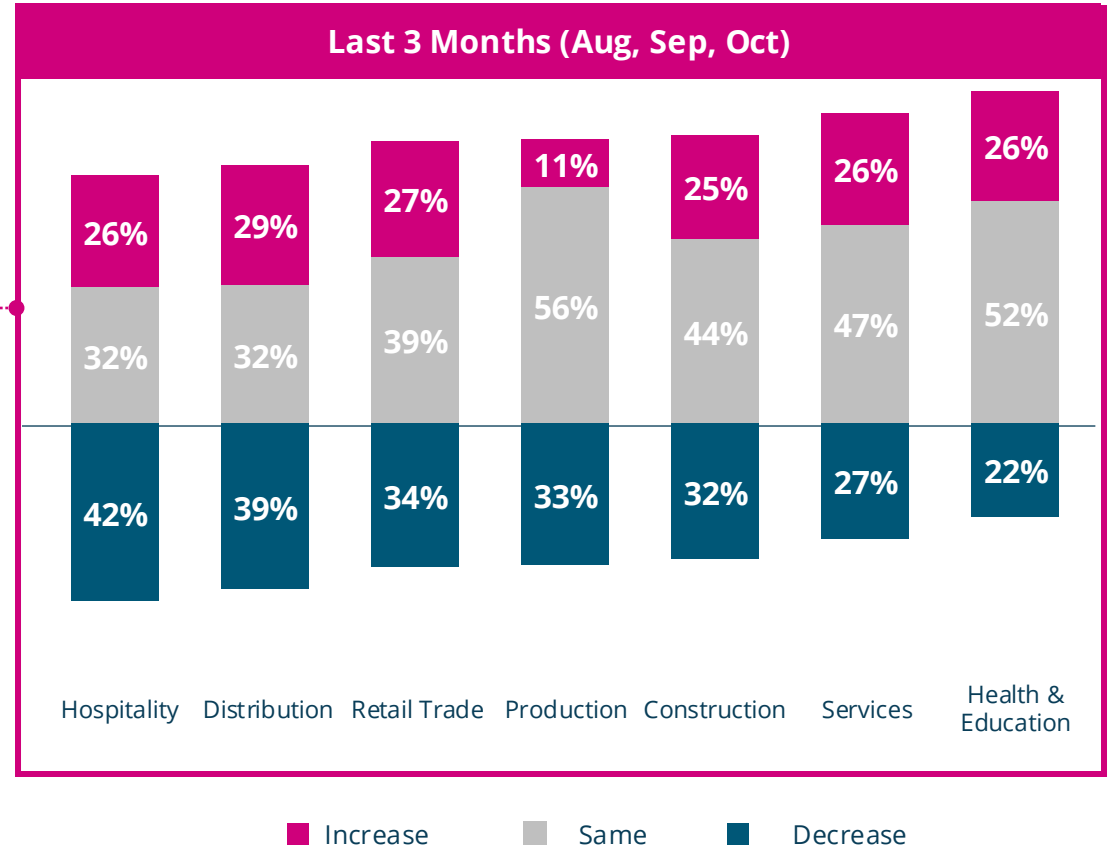
05 Methodology & Sample

Key Performance Indicators | Revenue

Revenue performance reverted to levels seen earlier in the year, with the net score falling from +1% in September to -11% in October. This compares with +4% last October, with fewer SMEs reporting revenue growth (20% vs. 32%) and slightly more reporting a decline (31% vs. 28%).

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

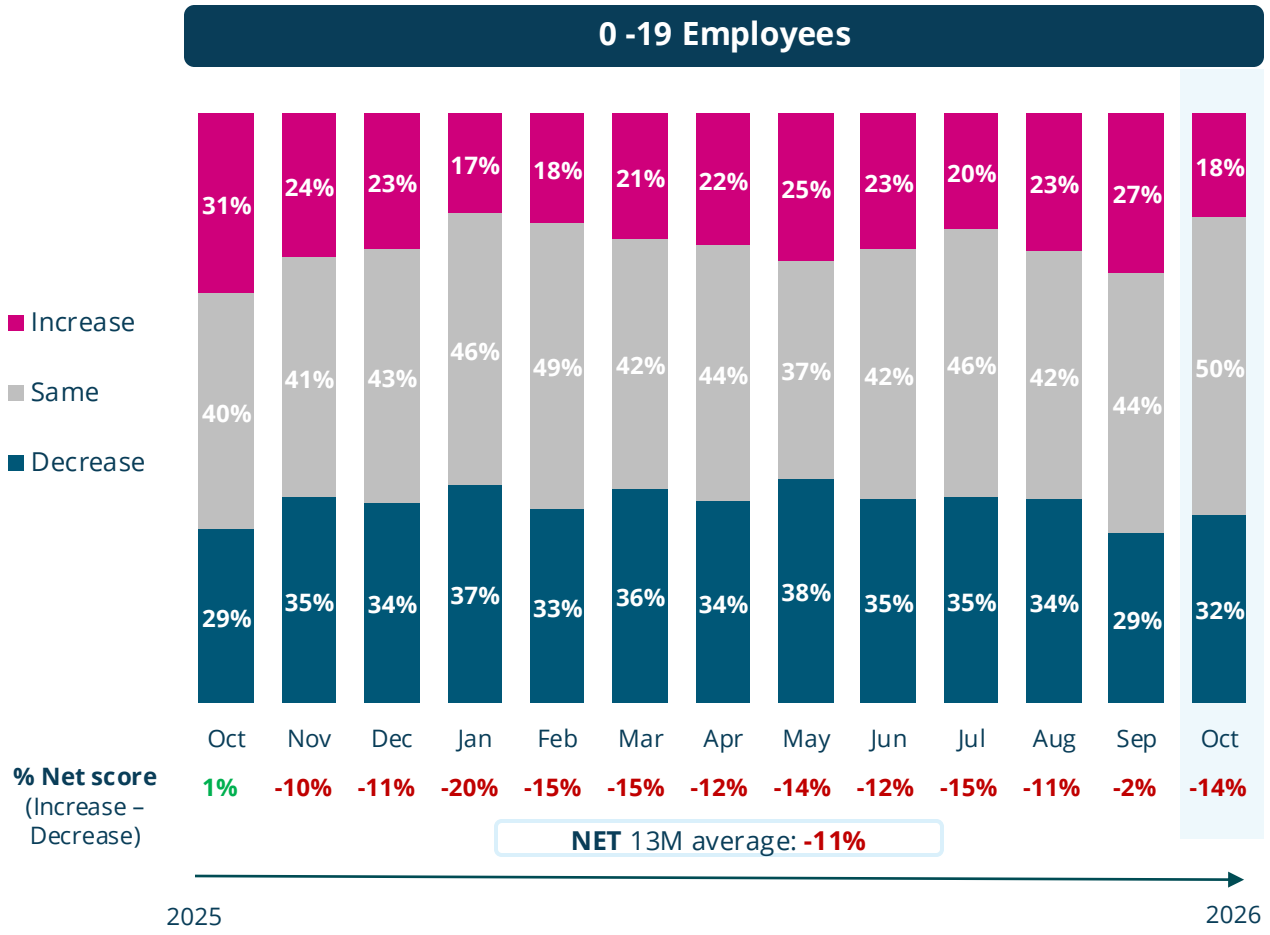


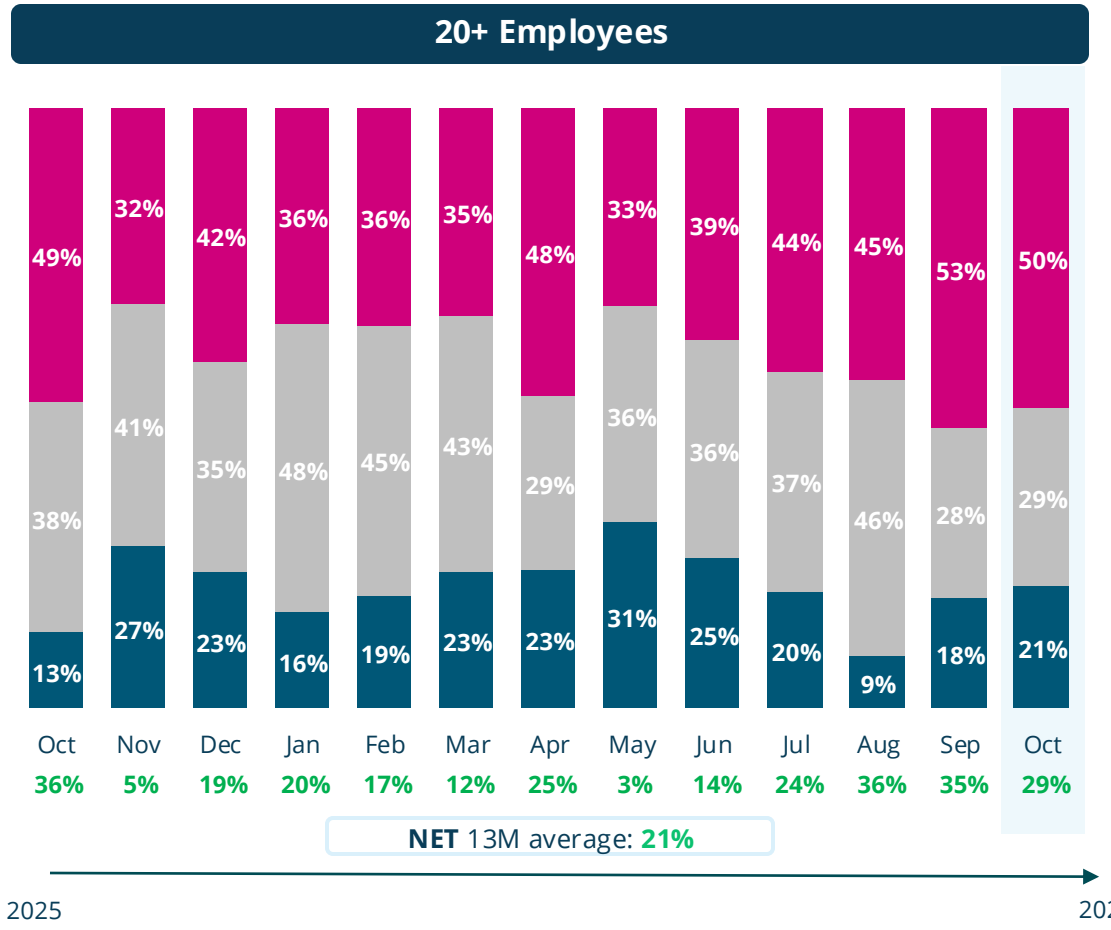


Key Performance Indicators | Revenue

The revenue divide by business size persisted in October, with smaller SMEs sharply lower than last month at -14% while larger SMEs also eased to 29%, lower than the 35% seen in September.

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

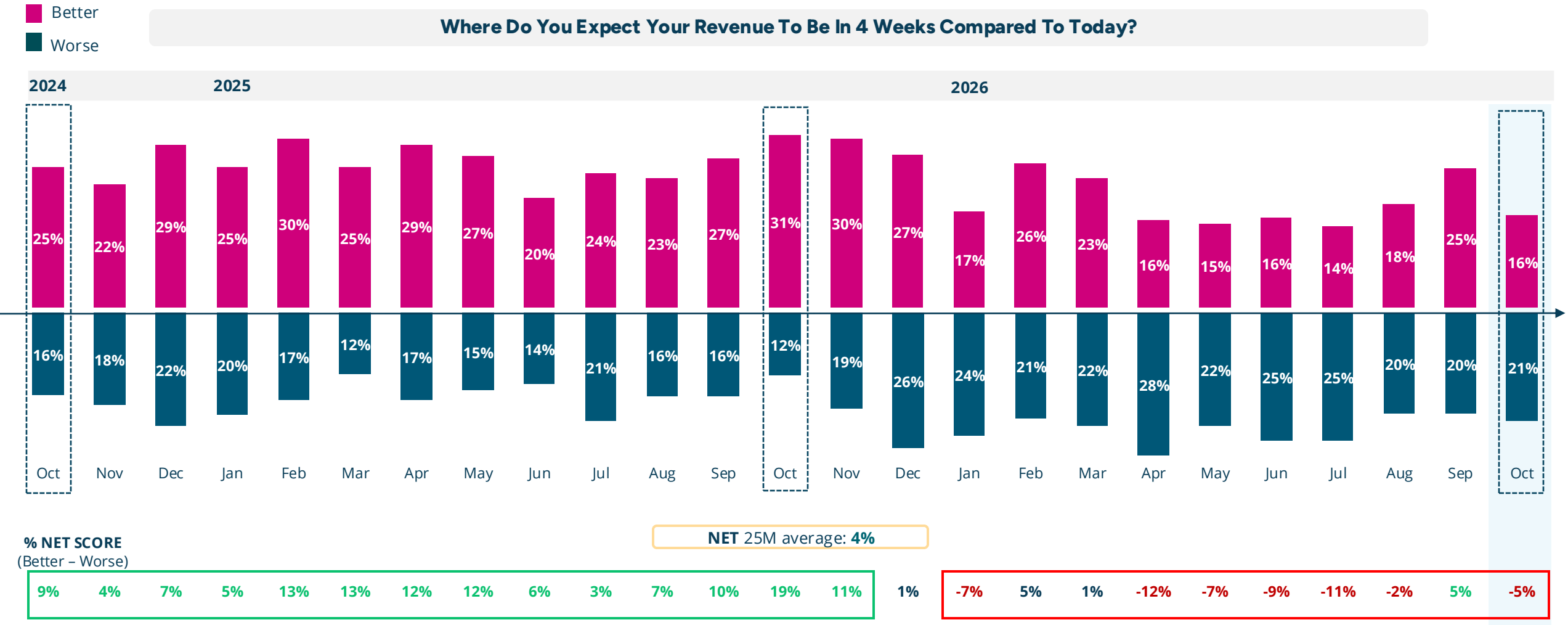




fifth quadrant

Key Performance Indicators | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations turned negative again in October, with the net score falling to -5% as 21% of SMEs anticipate a decline against 16% expecting improvement. The contrast with 2025 is striking, with expectations positive throughout last year but negative in seven of the ten months of 2026, highlighting the sustained deterioration in business confidence.

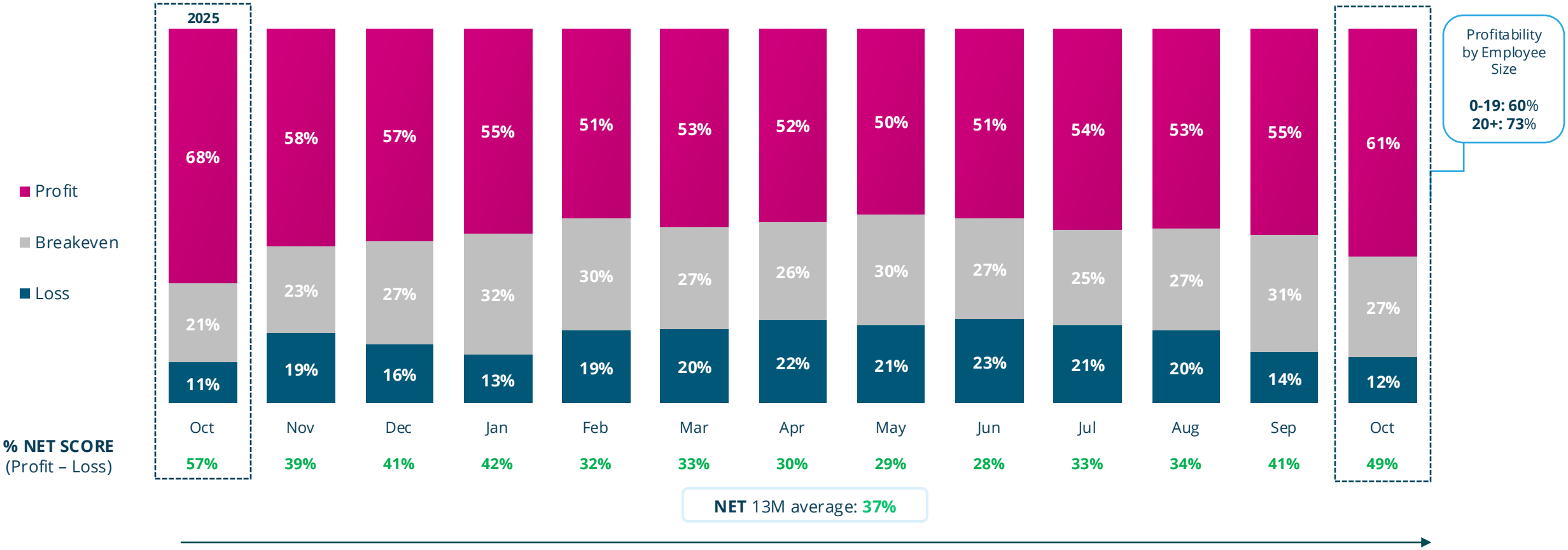


fifth quadrant

Key Performance Indicators | Profit

Despite revenue pressures, SMEs continue to demonstrate resilience, with the net profitability score rising to 49% in October, continuing the upward trend since July (33%). Six in ten (61%) reported a profit, although this remains below the 68% recorded last October.

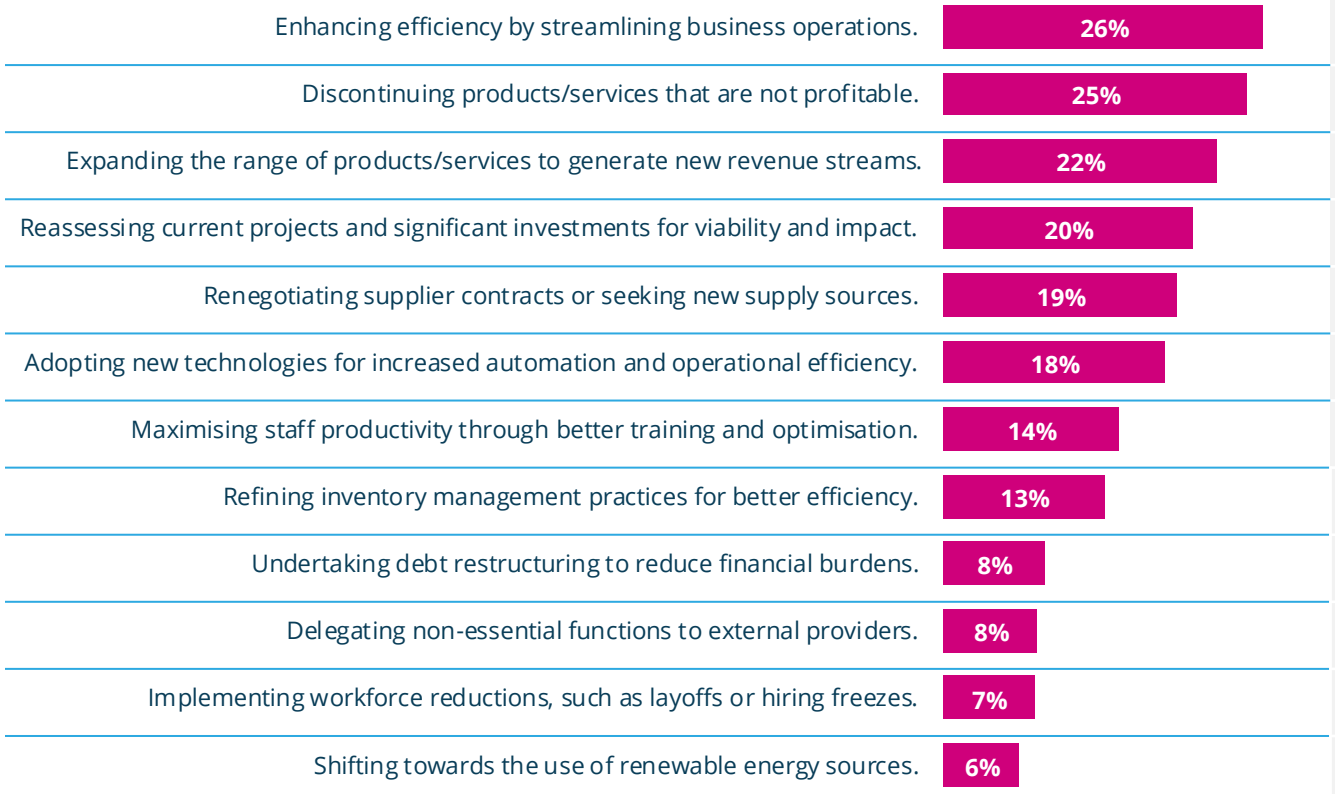
What Was Your Profit Margin Last Month?



Key Performance Indicators | Responding To Challenges

The resilience in SME profitability reflects a continued focus on managing costs and improving efficiency. Streamlining operations remains the leading response (26%), while more businesses are reassessing investments (20%, up from 15% in September). Investment in technology has eased to 18%, following a peak of 23% in September.

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



	April	May	June	July	August	September	October
Enhancing efficiency by streamlining business operations.	26%	21%	30%	27%	31%	24%	26%
Discontinuing products/services that are not profitable.	22%	27%	27%	28%	28%	28%	25%
Expanding the range of products/services to generate new revenue streams.	22%	16%	16%	19%	22%	24%	22%
Reassessing current projects and significant investments for viability and impact.	22%	21%	18%	18%	14%	15%	20%
Renegotiating supplier contracts or seeking new supply sources.	18%	19%	18%	22%	22%	16%	19%
Adopting new technologies for increased automation and operational efficiency.	19%	17%	17%	19%	21%	23%	18%
Maximising staff productivity through better training and optimisation.	22%	16%	20%	18%	17%	17%	14%
Refining inventory management practices for better efficiency.	12%	12%	12%	16%	13%	13%	13%
Undertaking debt restructuring to reduce financial burdens.	10%	10%	10%	8%	9%	8%	8%
Delegating non-essential functions to external providers.	7%	9%	11%	7%	10%	8%	8%
Implementing workforce reductions, such as layoffs or hiring freezes.	9%	7%	9%	6%	8%	8%	7%
Shifting towards the use of renewable energy sources.	6%	4%	5%	4%	7%	5%	6%



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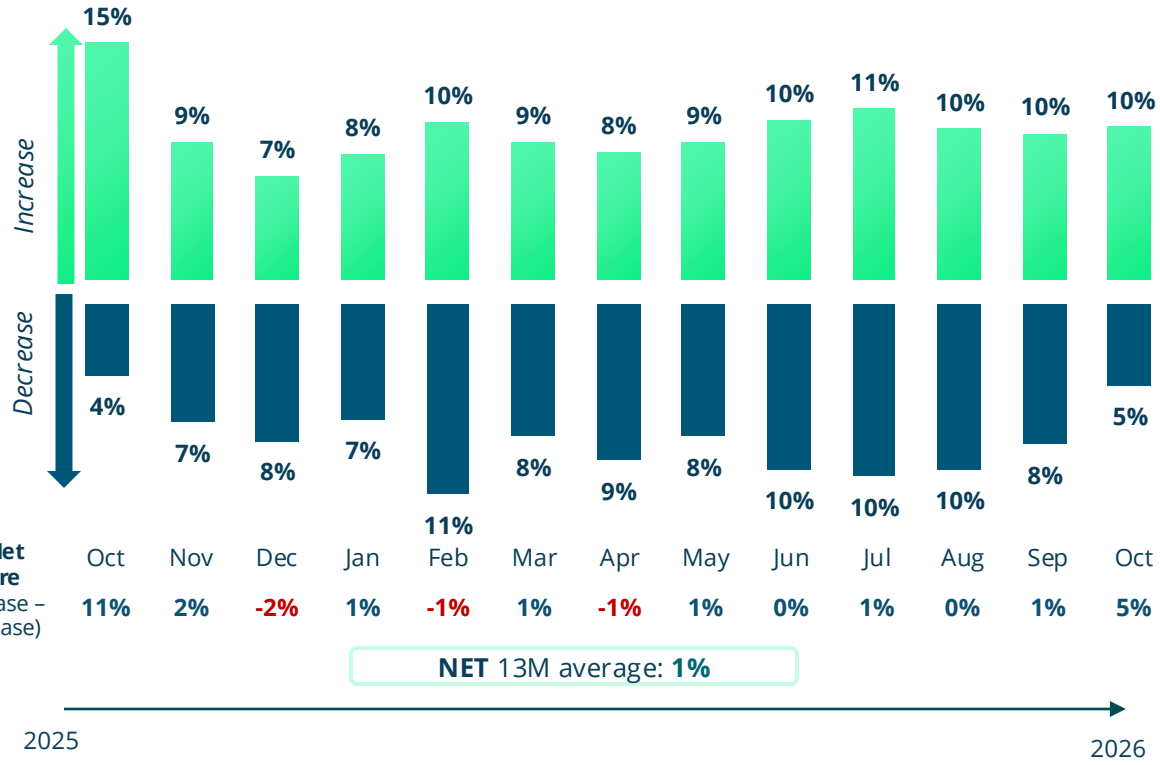
05 Methodology & Sample

Key Performance Indicators | People

Staffing intentions improved in October, with the net score rising to +5%, its highest level since October last year (+11%). While 10% of SMEs expect to increase headcount, only 5% anticipate cuts. Notably, Retail Trade has the weakest hiring intentions of any sector (6%), a concerning sign ahead of the Christmas trading period.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



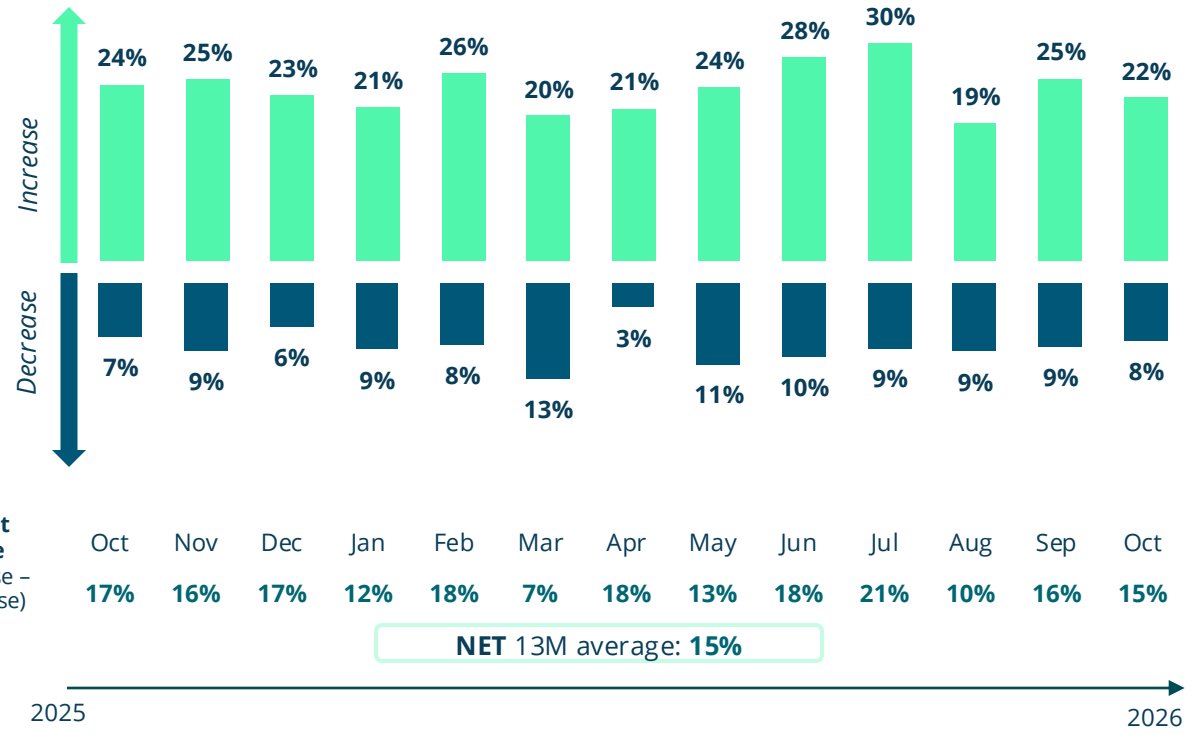


Key Performance Indicators | People

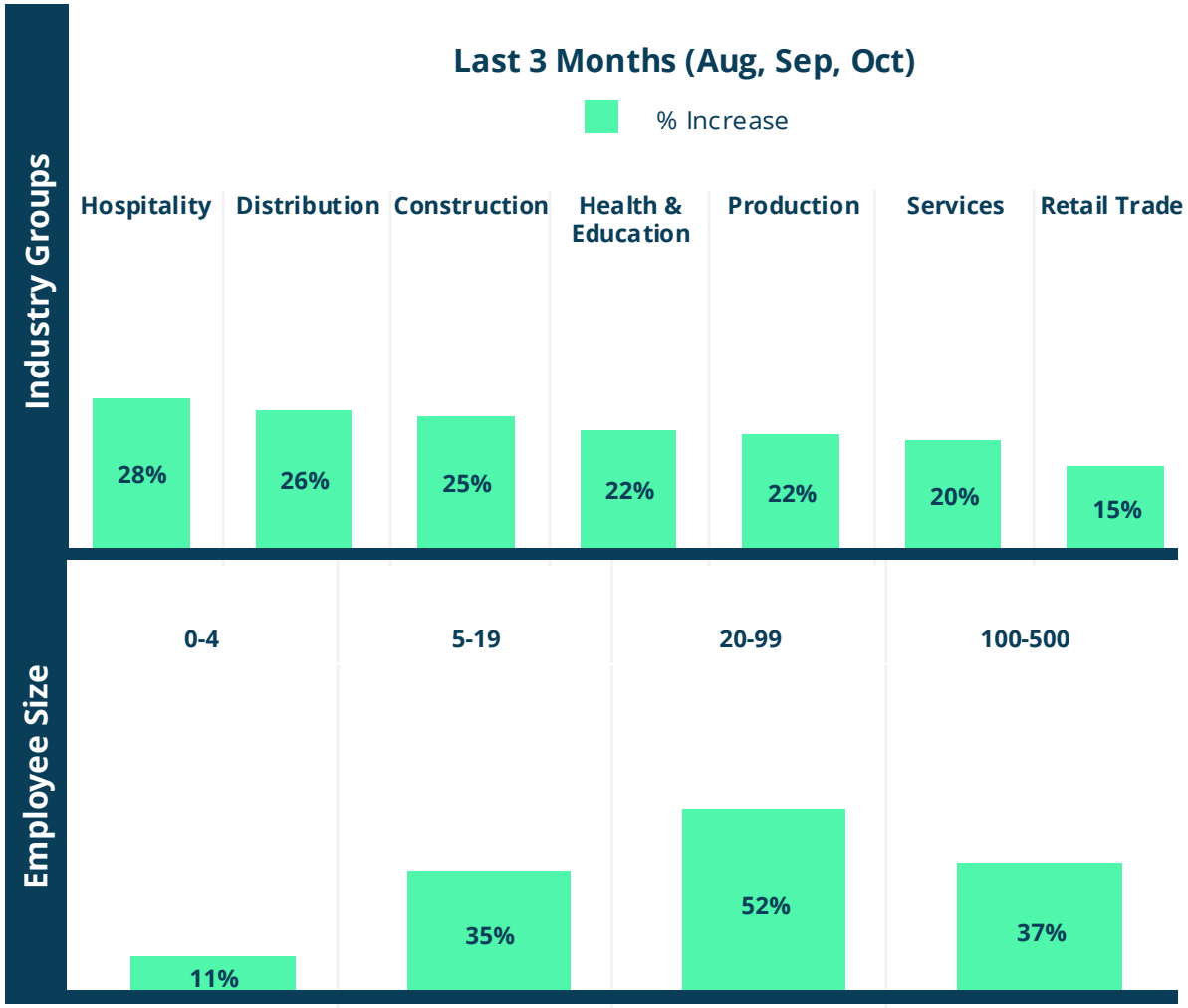
Wage expectations eased slightly in October, with the net score falling from +16% in September to +15%, broadly in line with the 13-month average. Just over one in five SMEs (22%) anticipate higher wages, with expectations strongest in Hospitality (28%) and among businesses employing 20–99 staff (52%). Retail Trade remains the least likely to anticipate wage increases (15%).

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



Last 3 Months (Aug, Sep, Oct)

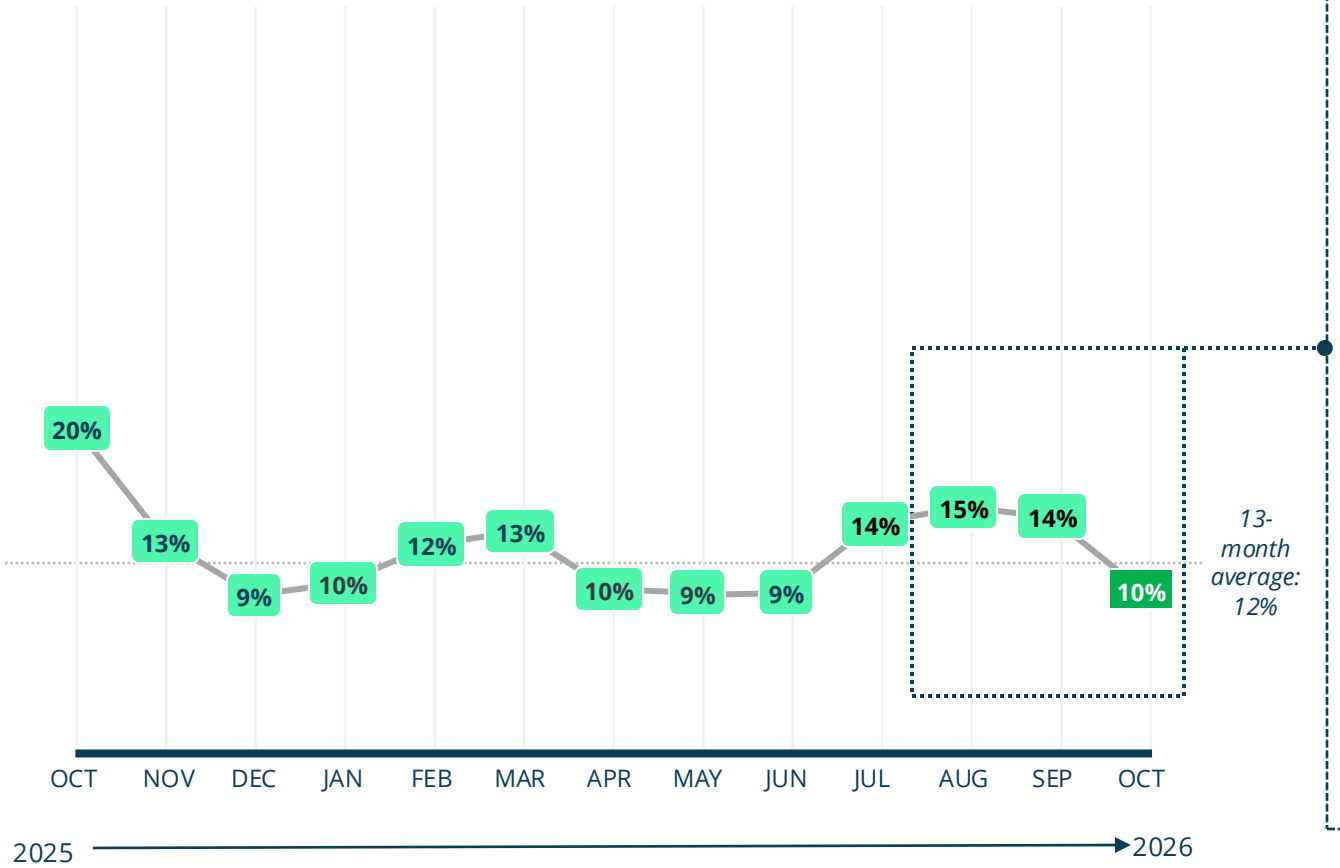


fifth quadrant

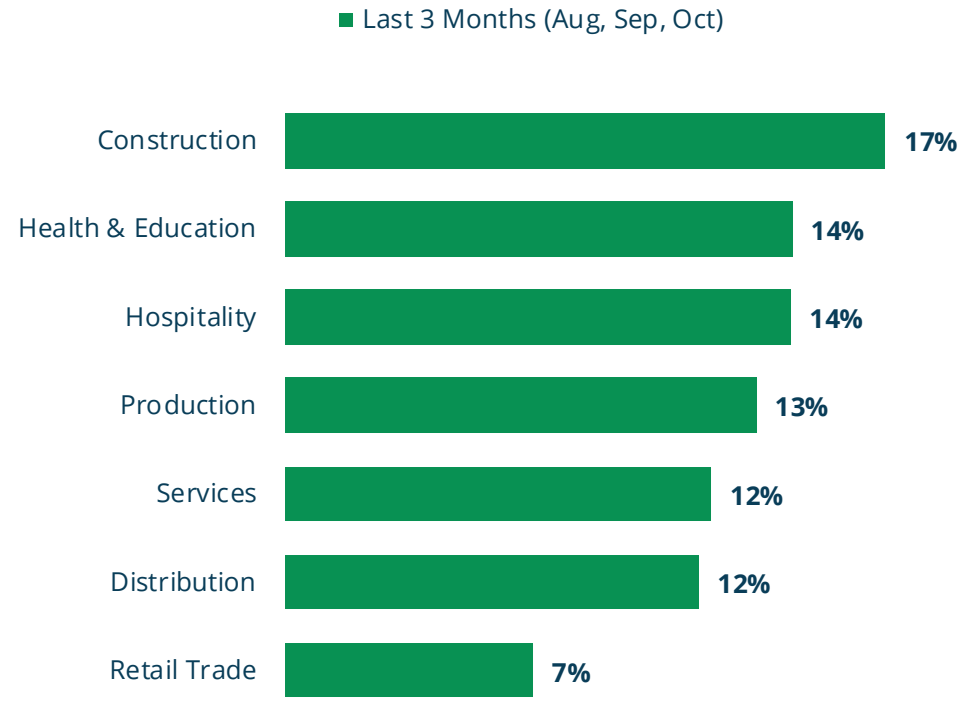
Key Performance Indicators | People

Current hiring activity eased in October, with 10% of SMEs reporting vacancies, down from 14% in September and 20% a year ago. Construction continues to have the greatest hiring need (17%), while Retail Trade remains the lowest (7%), reinforcing signs of caution ahead of the Christmas trading period.

SMEs That Currently Have Job Roles They Are Trying To Fill



Current Job Vacancies By Industry

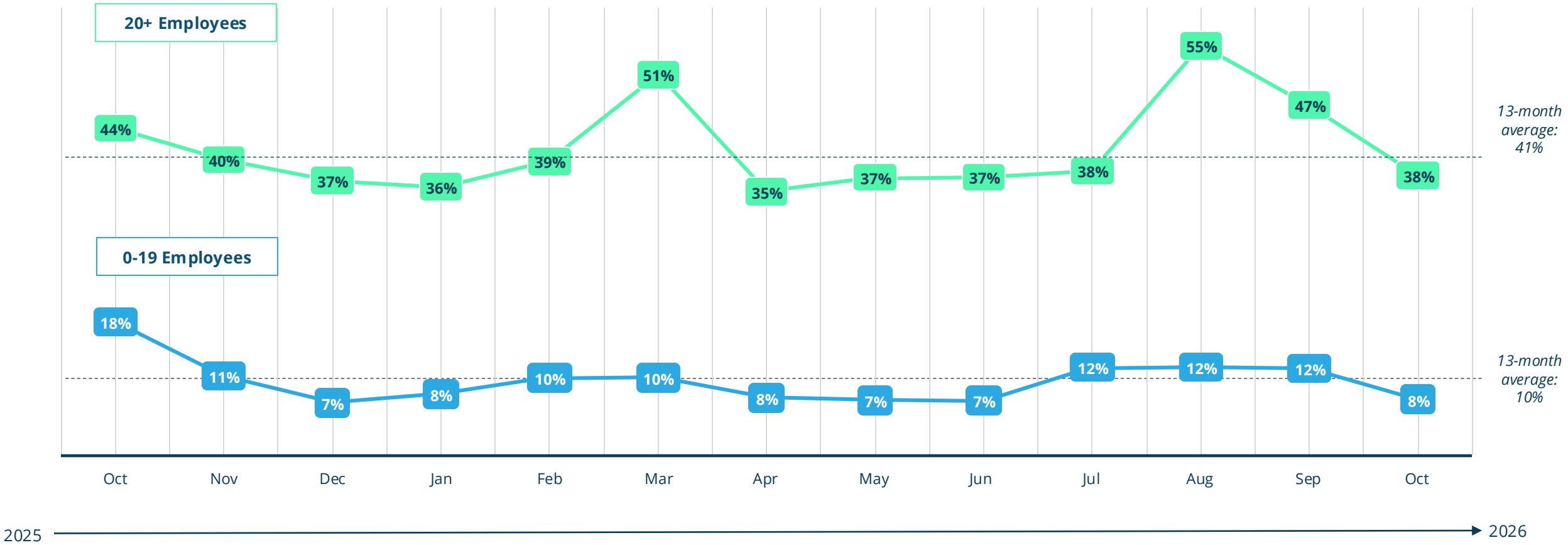


fifth quadrant

Key Performance Indicators | People

Both smaller and larger SMEs are pulling back on recruitment ahead of the holiday season. Vacancies among businesses with 20+ employees fell from 47% to 38%, while smaller SMEs declined from 12% to 8%, with both cohorts now below their 13-month averages.

SMEs That Currently Have Job Roles They Are Trying To Fill

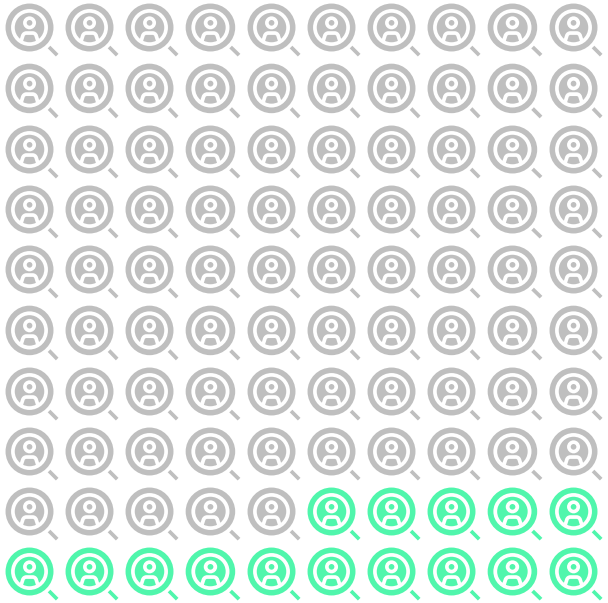


Key Performance Indicators | People

The proportion of SMEs reporting job vacancies has averaged 13% so far in FY27, up from the FY26 annual average of 11%, but still below the 15% recorded in FY25.

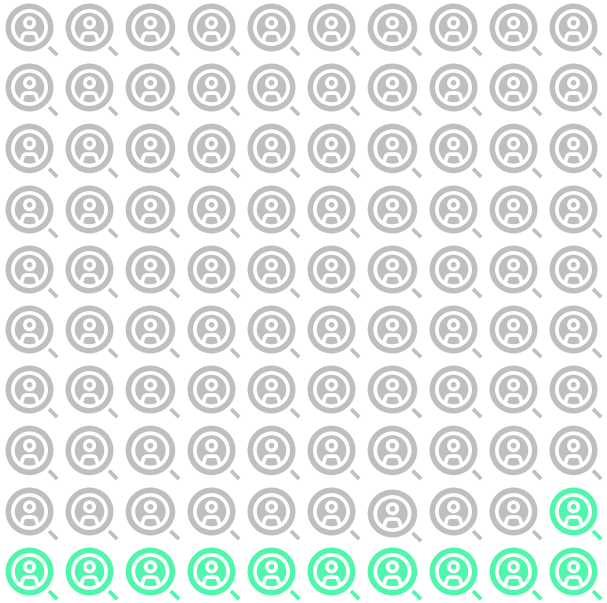
SMEs That Currently Have Job Roles They Are Trying To Fill

FY25



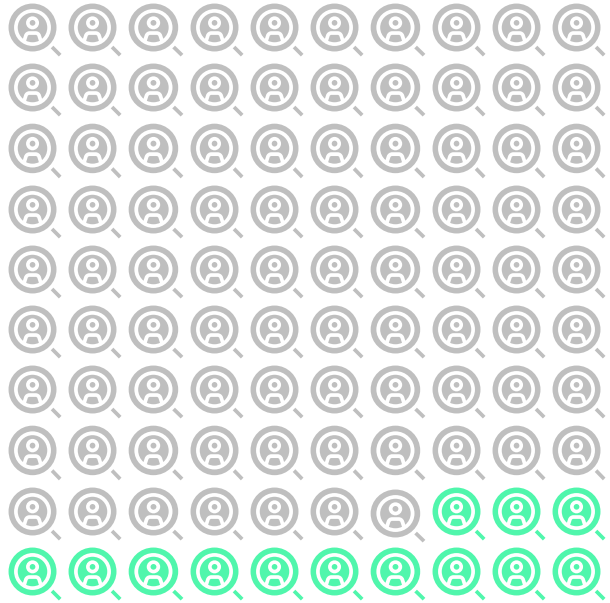
15% with job vacancies

FY26



11% with job vacancies

FY27

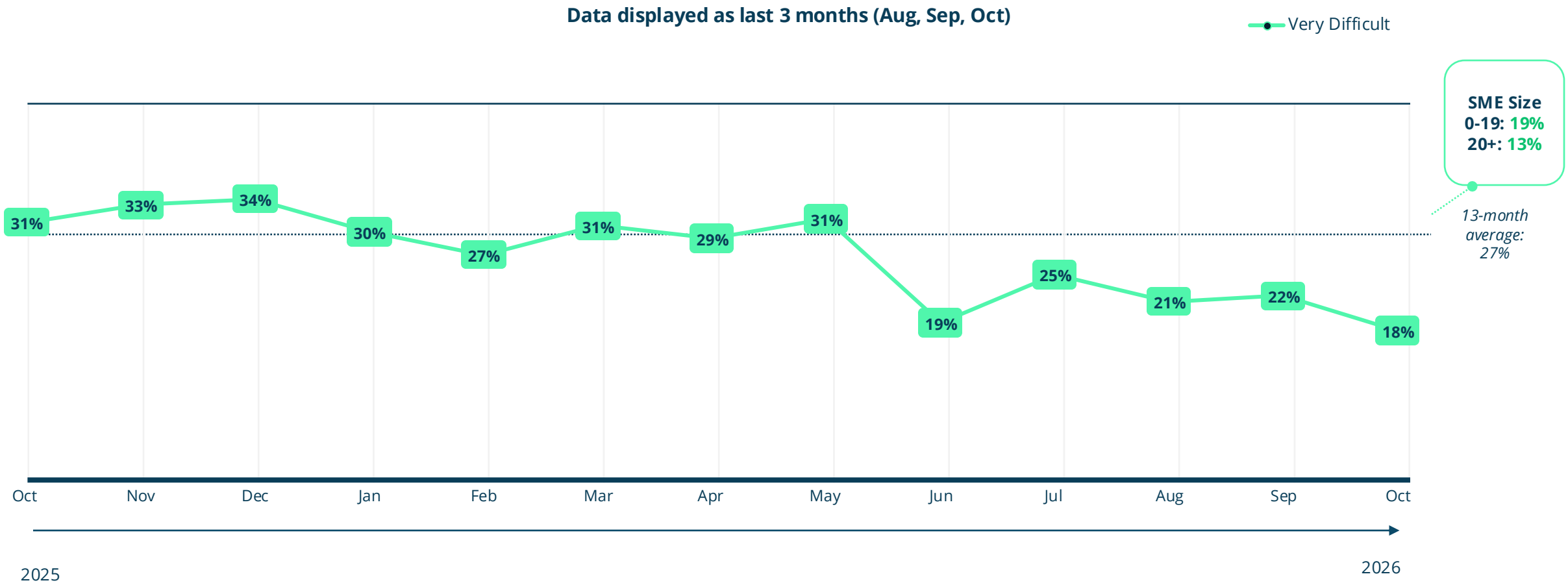


13% with job vacancies

Key Performance Indicators | People

Recruitment difficulties continue to ease, with 18% of SMEs reporting roles as very difficult to fill, down from 22% in September and 31% a year ago. This is the lowest reading in 13 months, consistent with rising unemployment and easing labour market pressures.

How Difficult Is It To Fill These Roles?





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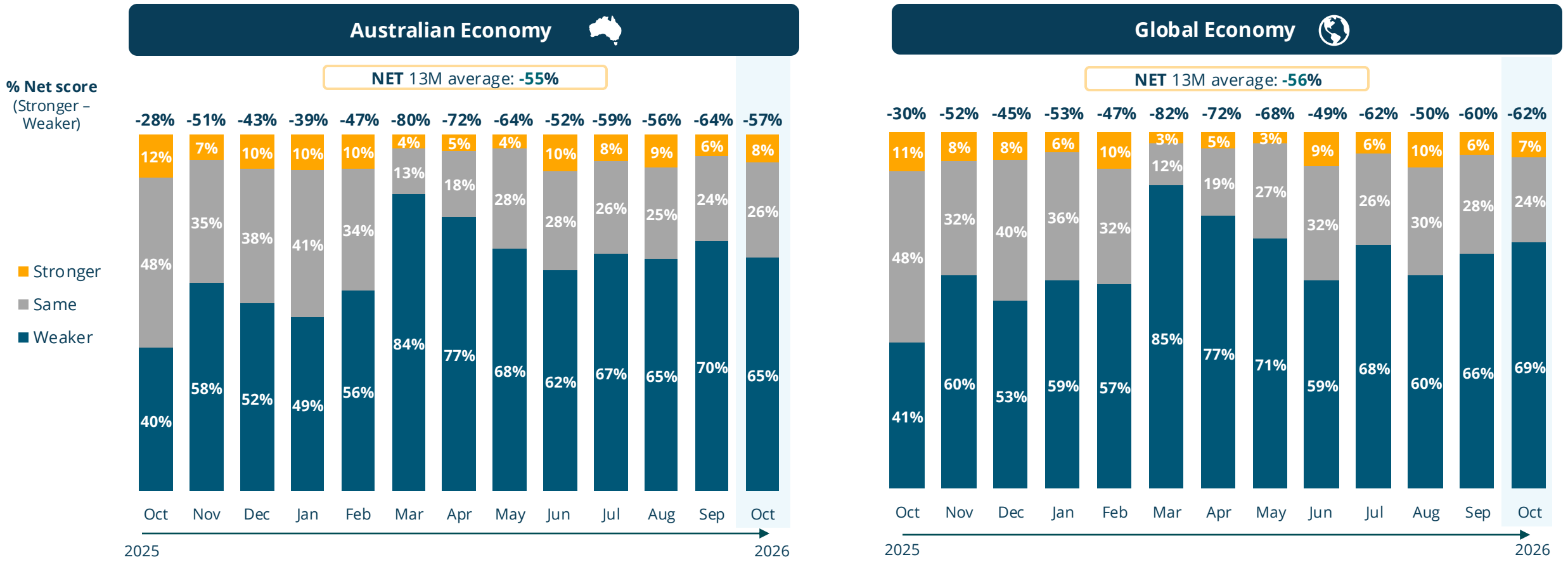
04 Business Investment

05 Methodology & Sample

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

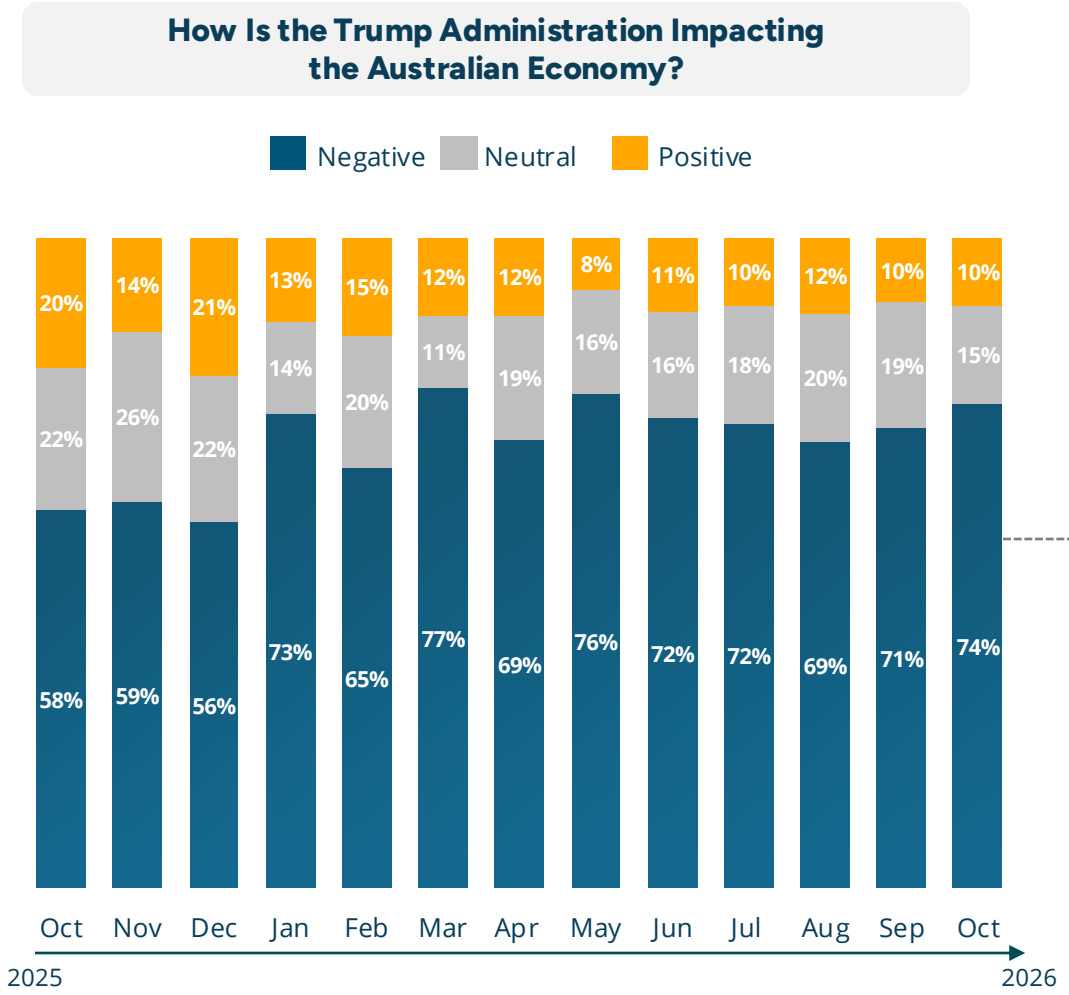
SME expectations for the Australian economy improved slightly in October, with the net score rising from -64% to -57%, while global sentiment eased from -60% to -62%. Pessimism remains widespread, although the US midterm election results could shift global economic confidence as the balance of power in Washington changes.

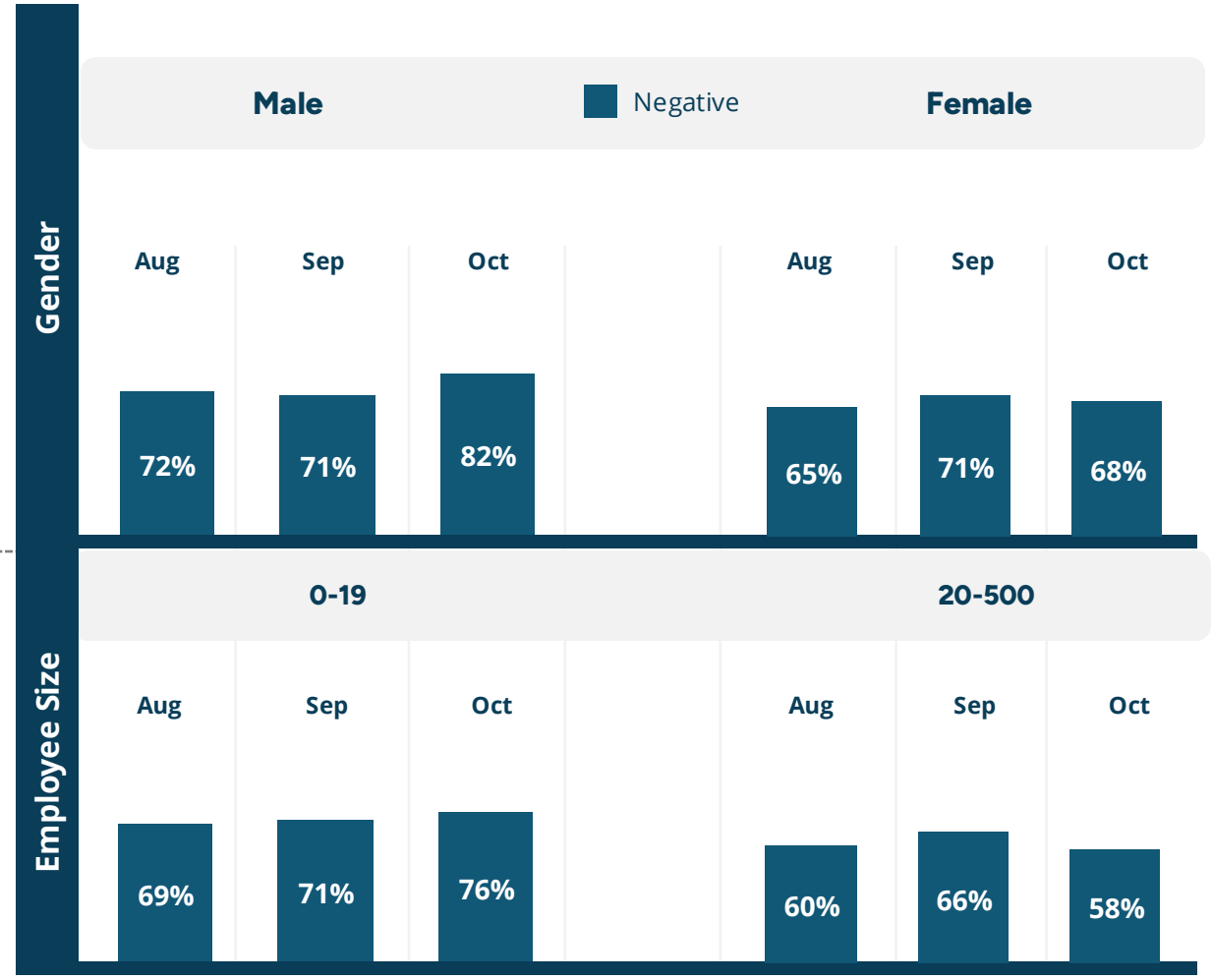
Expectations Over The Next 3 Months Regarding Economic Conditions



Business Sentiment | Expectations Regarding Economic Conditions

Negative perceptions of the Trump administration's impact on the Australian economy remain widespread, rising from 71% in September to 74% in October. Concern is particularly high among men (82% vs. 68% of women) and smaller SMEs (76% vs. 58% of larger businesses).

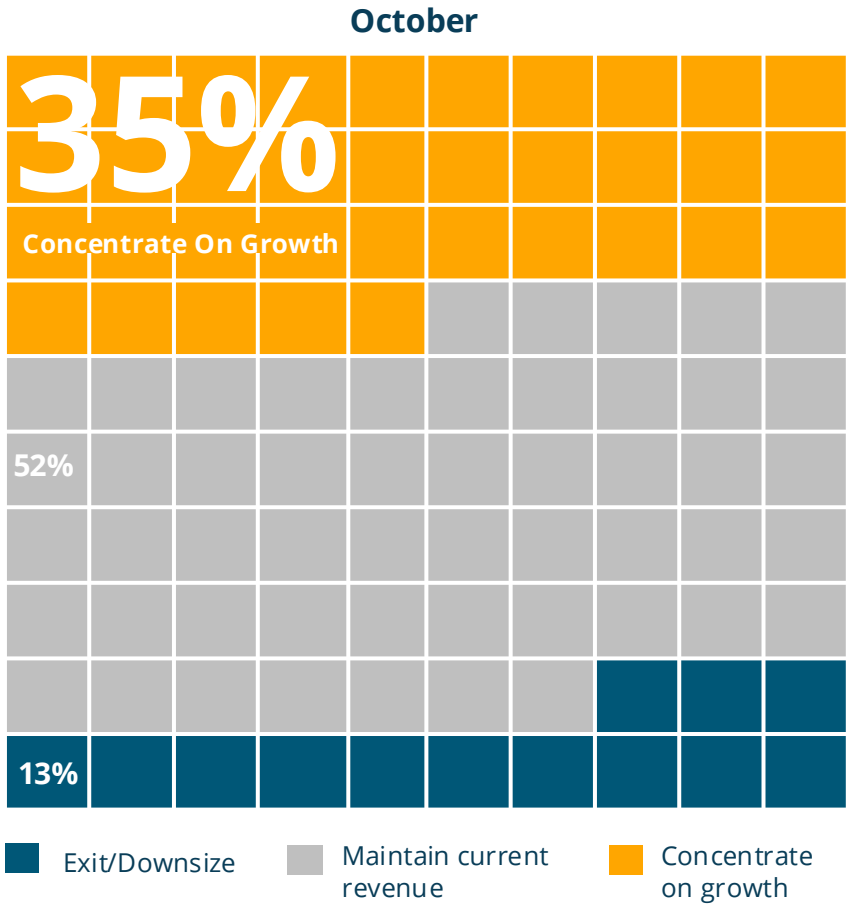


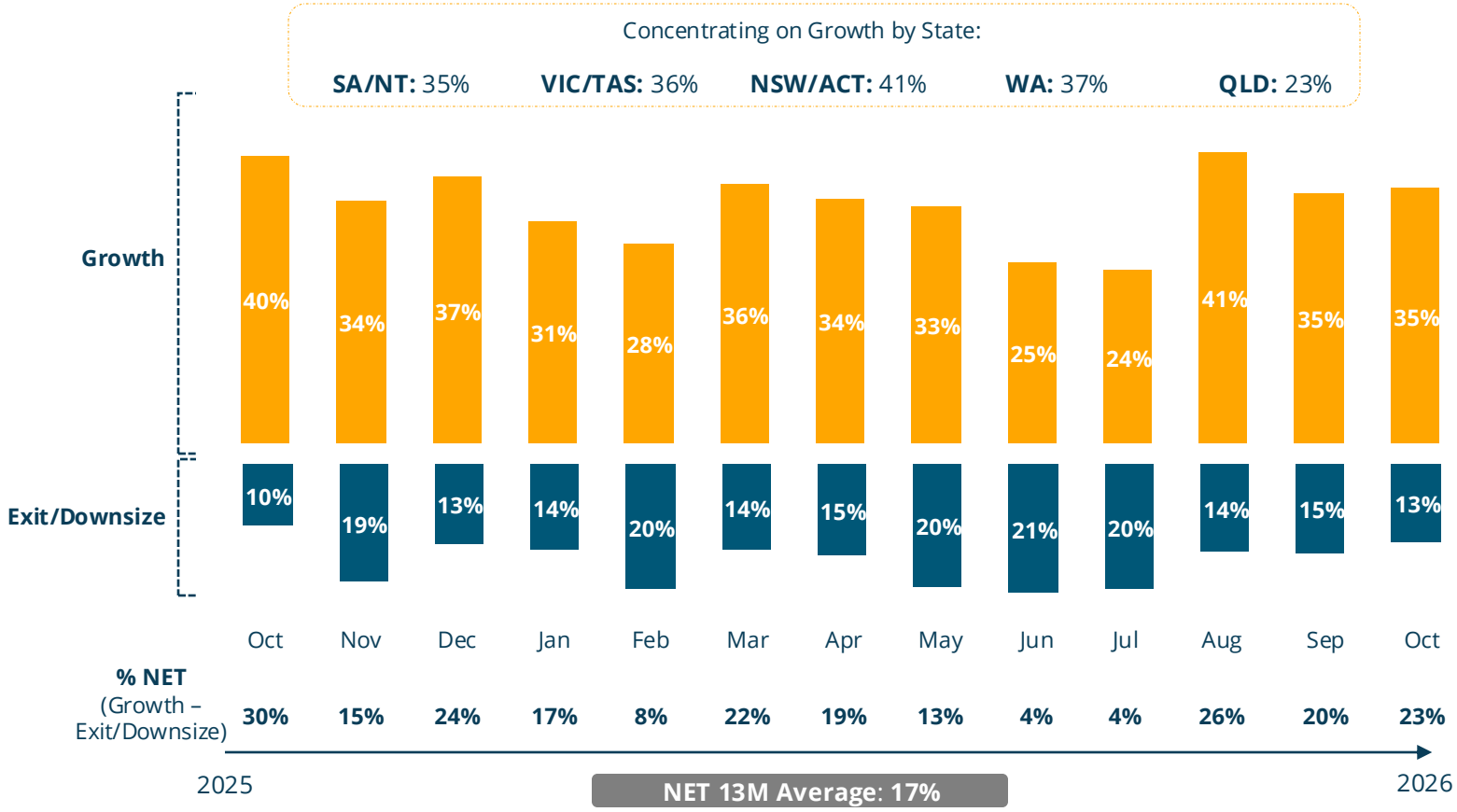


Business Sentiment | Growth Expectations (Next 12 months)

Despite ongoing revenue pressures and weak economic sentiment, SME growth ambitions remain relatively buoyant, with 35% focused on growth over the next 12 months, compared with 40% a year ago. However, challenging trading conditions and continued economic uncertainty suggest these intentions could remain volatile.

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

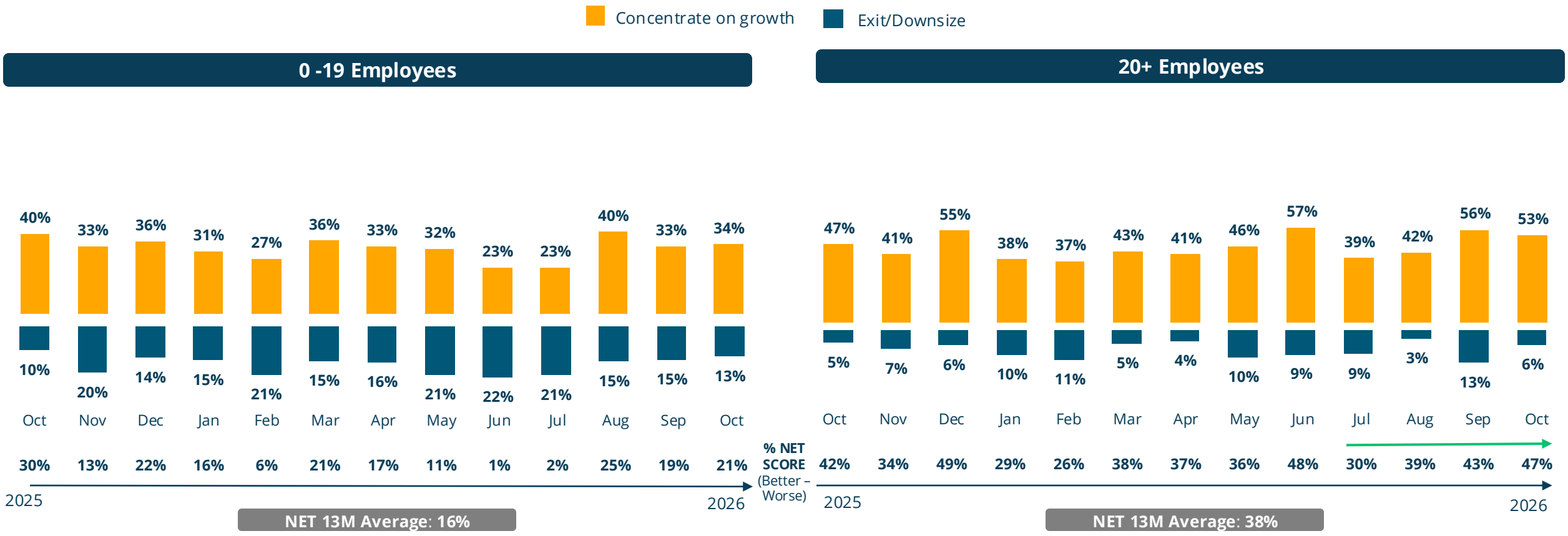




Business Sentiment | Growth Expectations (Next 12 months)

Growth ambitions among larger SMEs have strengthened over the past four months, with the proportion focused on growth rising from 39% in July to 53% in October. Smaller SMEs have also maintained positive momentum, with growth intentions holding above their 13-month average for the past three months.

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

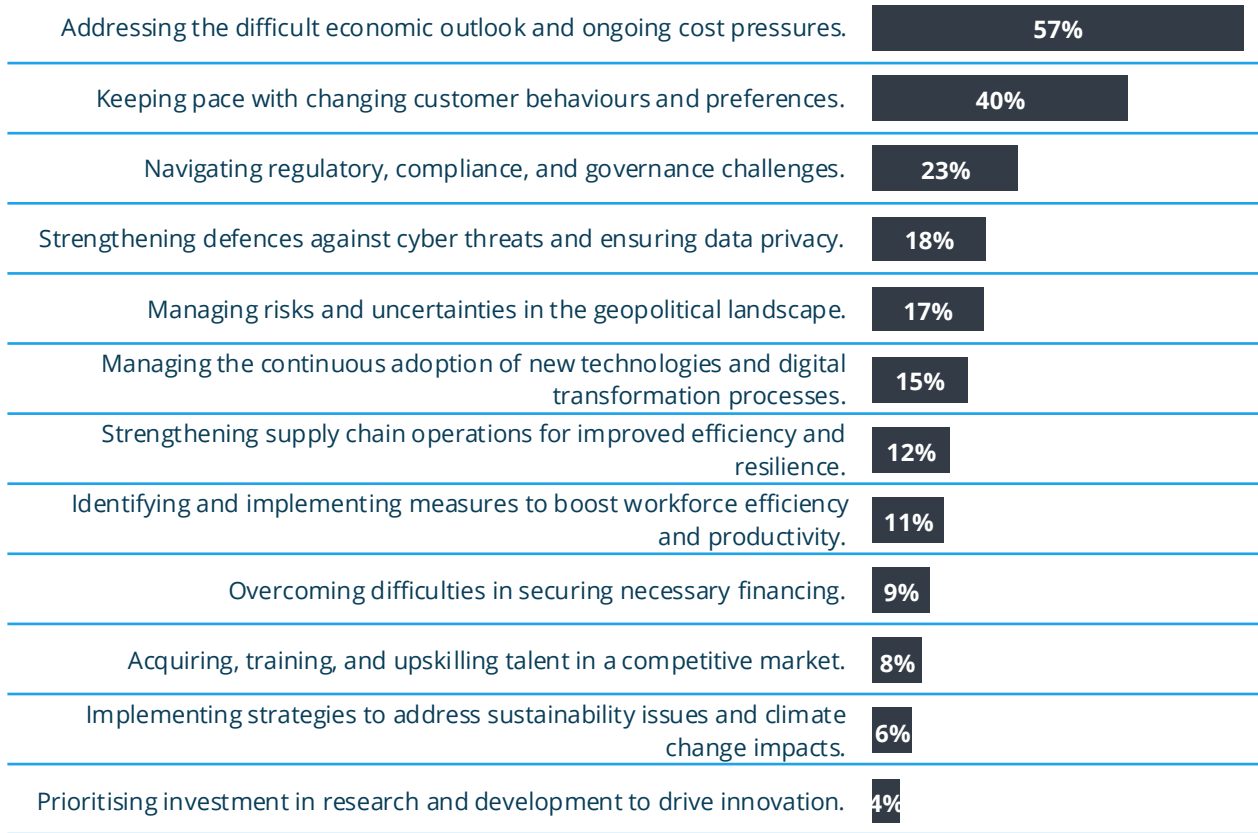


fifth quadrant

Business Sentiment | Challenges

Concerns about the economic outlook and cost pressures rose sharply in October (50% to 57%), reflecting ongoing interest rate pressures. Changing consumer behaviours also re-emerged as a growing challenge (31% to 40%), reflecting continued cost-of-living pressures on household spending. Cybersecurity concerns also increased, rising from 13% to 18%.

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



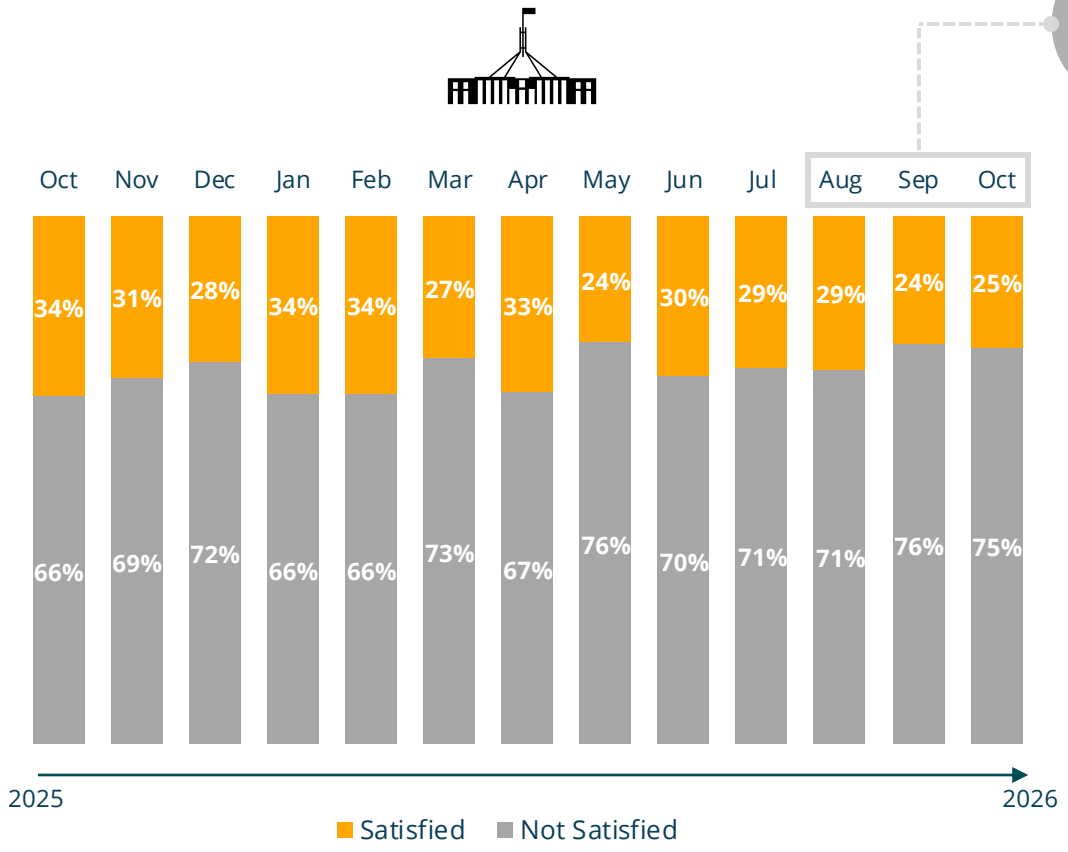
	April	May	June	July	August	September	October
Addressing the difficult economic outlook and ongoing cost pressures.	54%	56%	50%	53%	50%	50%	57%
Keeping pace with changing customer behaviours and preferences.	31%	41%	40%	32%	32%	31%	40%
Navigating regulatory, compliance, and governance challenges.	20%	26%	25%	26%	19%	26%	23%
Strengthening defences against cyber threats and ensuring data privacy.	11%	11%	14%	16%	16%	13%	18%
Managing risks and uncertainties in the geopolitical landscape.	23%	19%	16%	21%	21%	18%	17%
Managing the continuous adoption of new technologies and digital transformation processes.	15%	17%	14%	16%	18%	20%	15%
Strengthening supply chain operations for improved efficiency and resilience.	15%	10%	9%	14%	15%	13%	12%
Identifying and implementing measures to boost workforce efficiency and productivity.	12%	17%	16%	13%	17%	14%	11%
Overcoming difficulties in securing necessary financing.	15%	10%	11%	7%	13%	9%	9%
Acquiring, training, and upskilling talent in a competitive market.	13%	9%	13%	13%	11%	15%	8%
Implementing strategies to address sustainability issues and climate change impacts.	8%	6%	3%	4%	7%	6%	6%
Prioritising investment in research and development to drive innovation.	5%	4%	5%	5%	6%	6%	4%

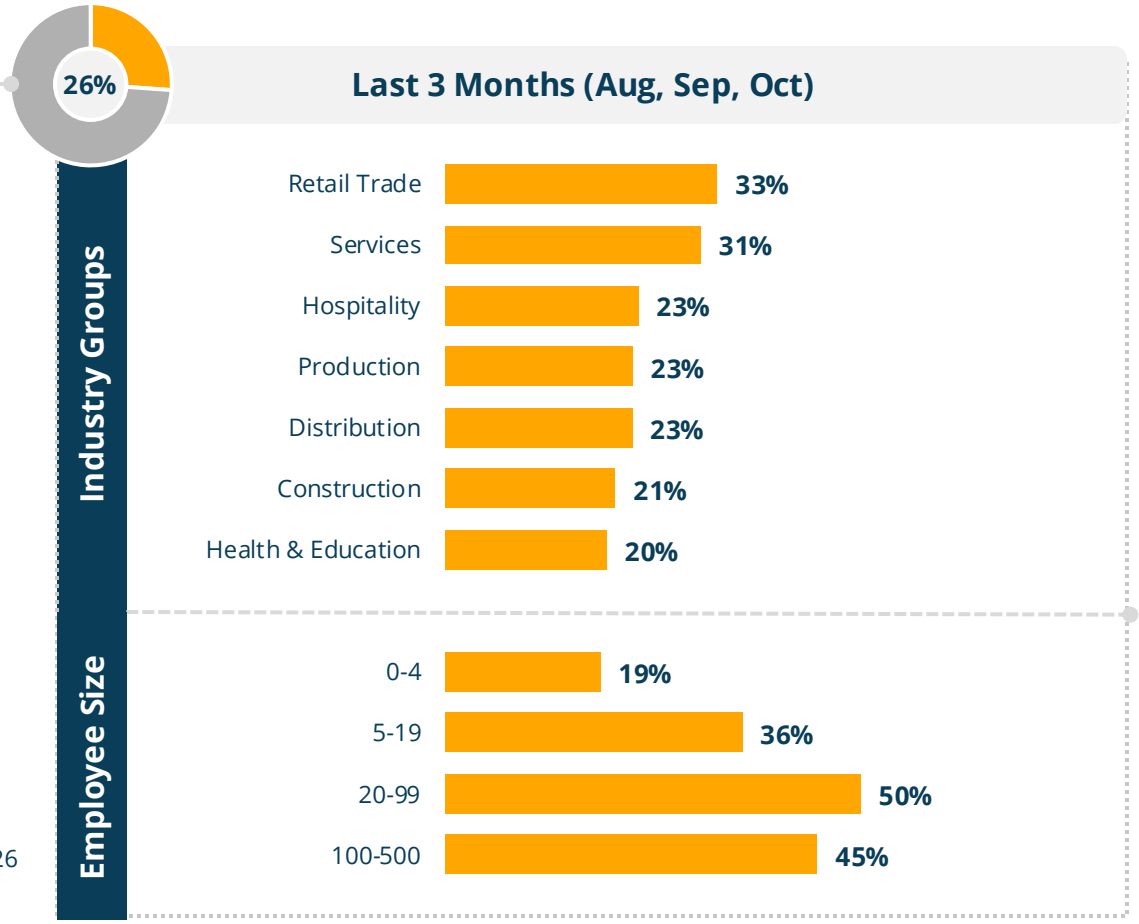
fifth quadrant

Business Sentiment | Government Policy

Satisfaction with Federal Government policy support remains low, with just 25% of SMEs satisfied in October, down from 34% a year ago. Satisfaction is particularly weak among microbusinesses with fewer than five employees (19%), confirming smaller businesses feel less supported by government policy.

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







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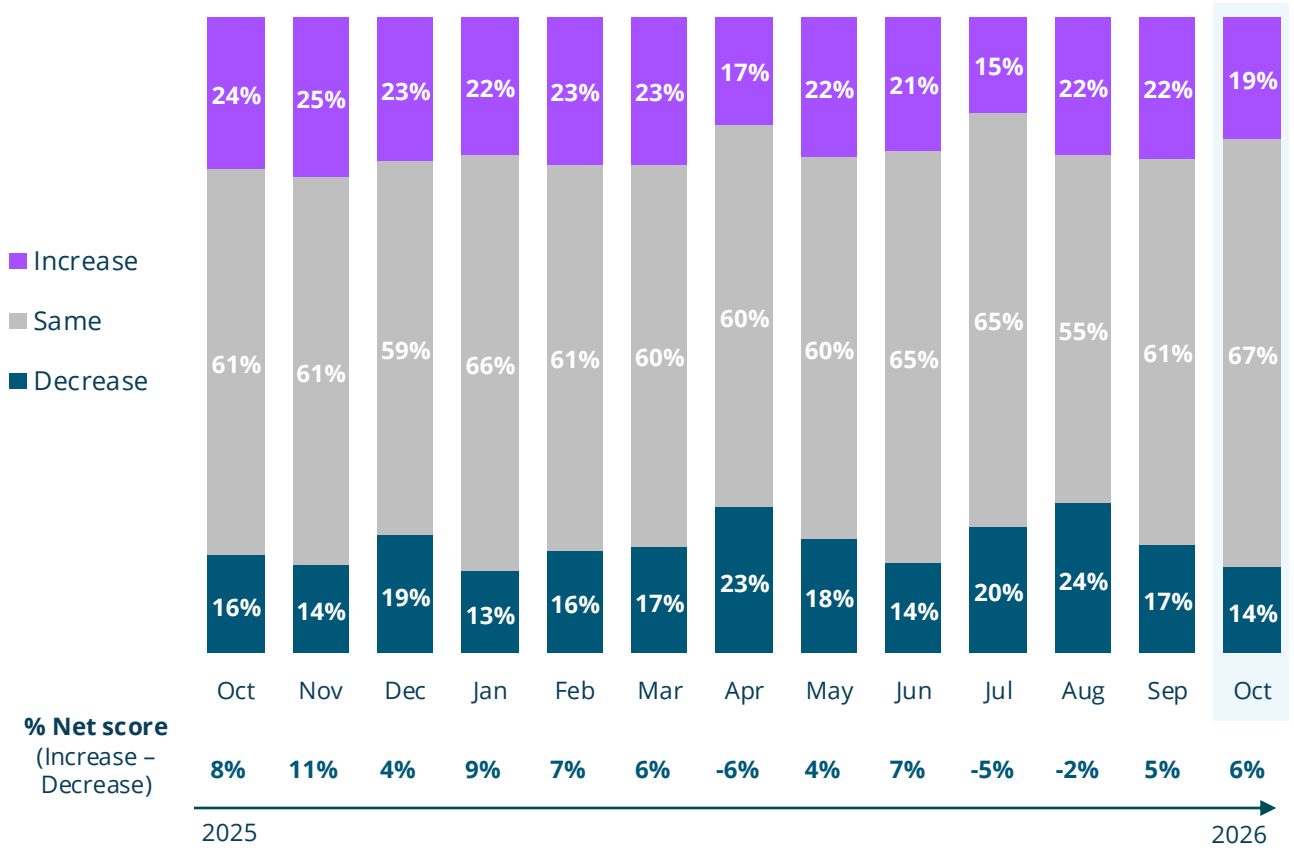
05 Methodology & Sample

Business Investment | Next Three Months

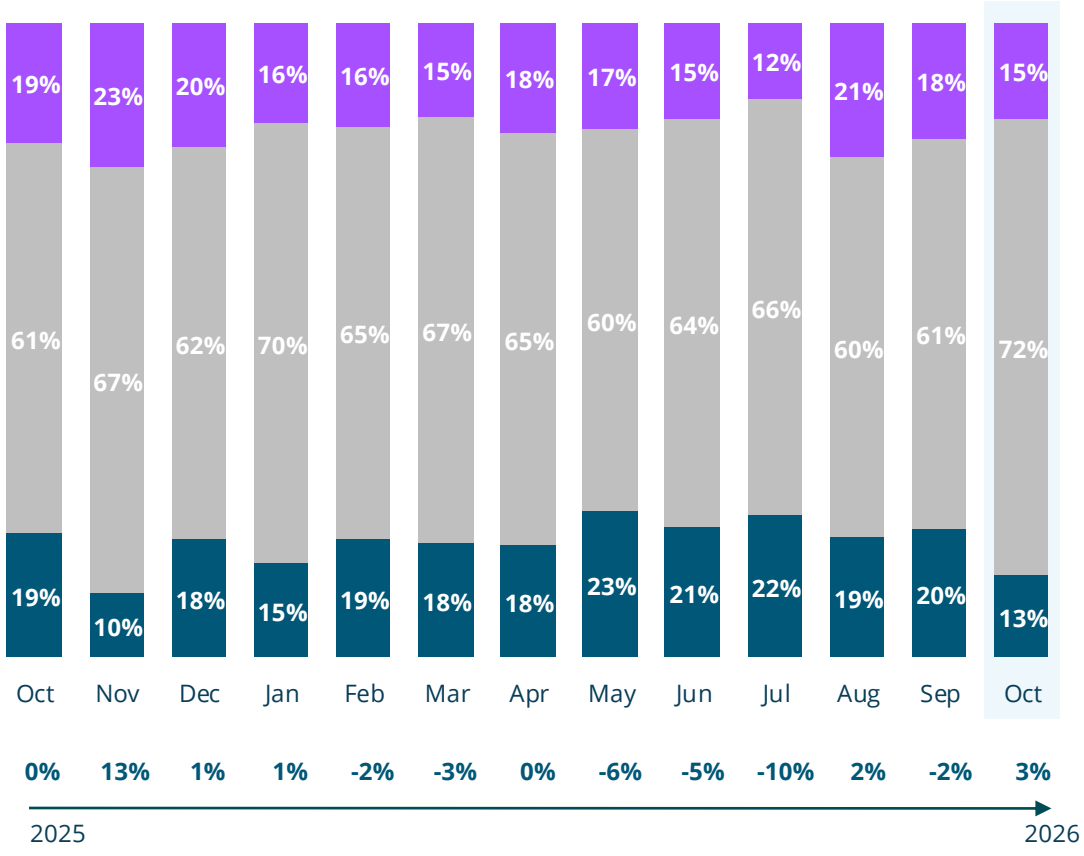
SMEs are increasingly favouring stability over additional investment, with 67% expecting to maintain capital spending and 72% holding marketing budgets steady, both up from September. While fewer businesses anticipate cutting spending, the proportion planning to increase investment has also declined, reinforcing the sense of caution.

Expectations Over The Next 3 Months Regarding Business Investment

Business Spending/ Capital Investment



Marketing Spend



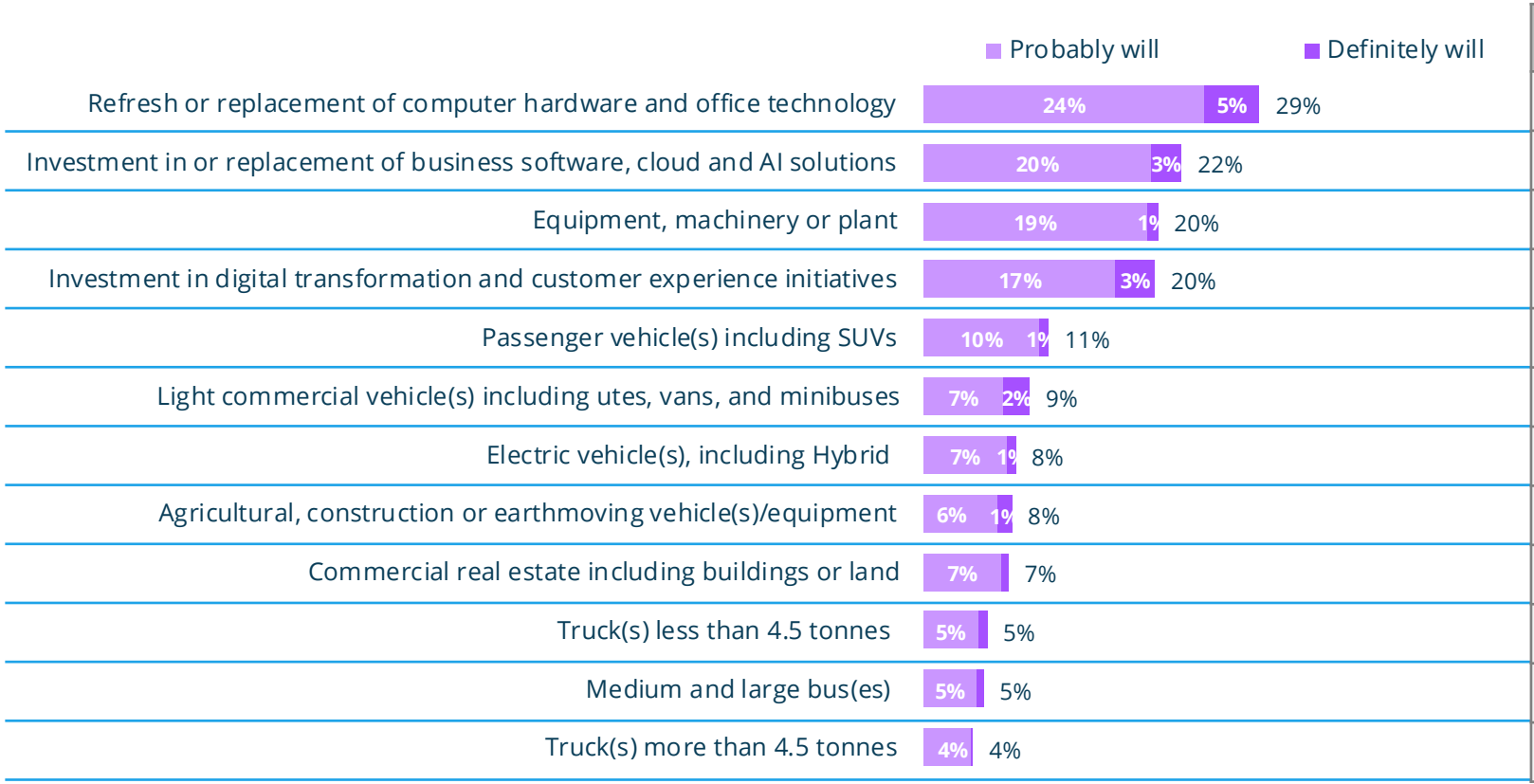
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Business Investment | Capital Expenditure

Reflecting flat overall capital investment intentions, planned expenditure across almost all categories has reverted to more typical levels following September's peak. This suggests SMEs are pulling back on investment ahead of the holiday period, with activity potentially remaining subdued until the new year.

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

October



	12m Avg	August	September	October
Refresh or replacement of computer hardware and office technology	(Introduced in June)	30%	36%	29%
Investment in or replacement of business software, cloud and AI solutions	(Introduced in June)	24%	30%	22%
Equipment, machinery or plant	(Introduced in June)	21%	27%	20%
Investment in digital transformation and customer experience initiatives	19%	22%	28%	20%
Passenger vehicle(s) including SUVs	11%	11%	15%	11%
Light commercial vehicle(s) including utes, vans, and minibuses	12%	14%	13%	9%
Electric vehicle(s), including Hybrid	10%	10%	10%	8%
Agricultural, construction or earthmoving vehicle(s)/equipment	8%	7%	8%	8%
Commercial real estate including buildings or land	8%	6%	11%	7%
Truck(s) less than 4.5 tonnes	5%	6%	9%	5%
Medium and large bus(es)	6%	5%	6%	5%
Truck(s) more than 4.5 tonnes	5%	5%	8%	4%

Business Investment | Capital Expenditure

The pullback in capital expenditure intentions is evident across both smaller and larger SMEs following September's peak. The decline is particularly pronounced among larger businesses, with planned investment in software, cloud and AI falling from 70% to 46%, and digital transformation from 65% to 46%, potentially reflecting greater scrutiny of technology investment returns alongside broader spending caution.

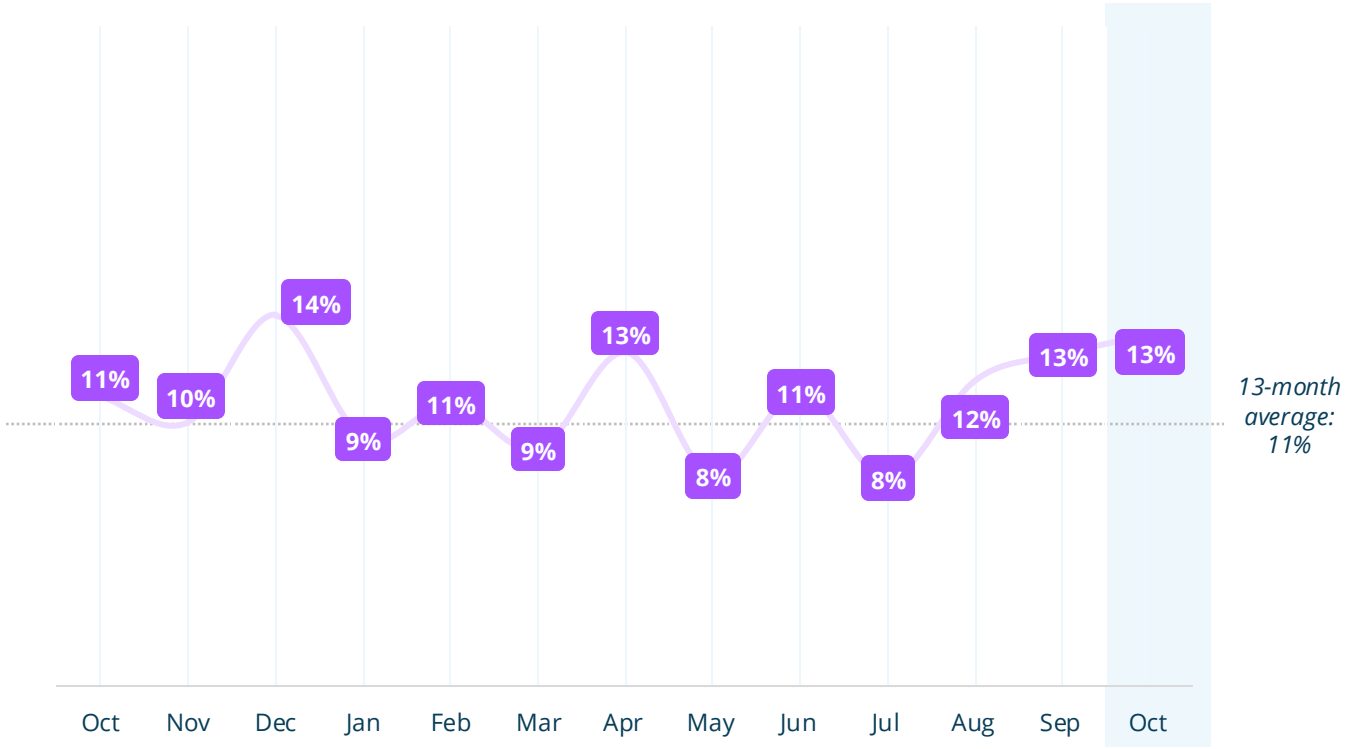
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Aug	Sep	Oct	Aug	Sep	Oct
Refresh or replacement of computer hardware and office technology	30%	34%	27%	53%	68%	51%
Investment in or replacement of business software, cloud and AI solutions	24%	27%	20%	54%	70%	46%
Equipment, machinery or plant	21%	26%	19%	39%	43%	41%
Investment in digital transformation and customer experience initiatives	22%	25%	18%	50%	65%	46%
Passenger vehicle(s) including SUVs	11%	14%	9%	29%	33%	33%
Light commercial vehicle(s)	14%	11%	7%	26%	41%	33%
Electric vehicle(s), including Hybrid	10%	8%	6%	26%	34%	33%
Agricultural, construction or earthmoving vehicle(s)/equipment	7%	7%	6%	21%	24%	25%
Commercial real estate	6%	9%	6%	25%	34%	28%
Truck(s) less than 4.5 tonnes	6%	7%	4%	19%	32%	25%
Medium and large bus(es)	5%	4%	4%	18%	28%	24%
Truck(s) more than 4.5 tonnes	5%	7%	3%	16%	28%	17%

Business Investment | Finance Needs (Next 3 months)

Demand for additional finance remained steady at 13% in October, unchanged from September but above the 11% recorded a year ago. While cashflow and working capital remain the primary need (55%), increased financing for domestic growth (28%) and mergers and acquisitions (10%) confirms that some SMEs are continuing to pursue expansion despite broader investment caution.

SMEs That Will Require Additional Finance Over The Next 3 Months



And What Is The Purpose Of This Finance?

	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27	Last 3M
Cashflow/ working capital	57%	61%	74%	59%	56%	55%
Purchase plant, machinery or equipment	25%	22%	24%	17%	30%	27%
Fund growth into new markets	15%	21%	11%	16%	20%	17%
Fund growth in Australia	16%	15%	19%	17%	25%	28%
Trade finance to fund import/export activity	15%	8%	4%	5%	11%	10%
Fund merger/acquisition	7%	9%	7%	5%	9%	10%

Business Investment | Finance Needs (Next 3 months)

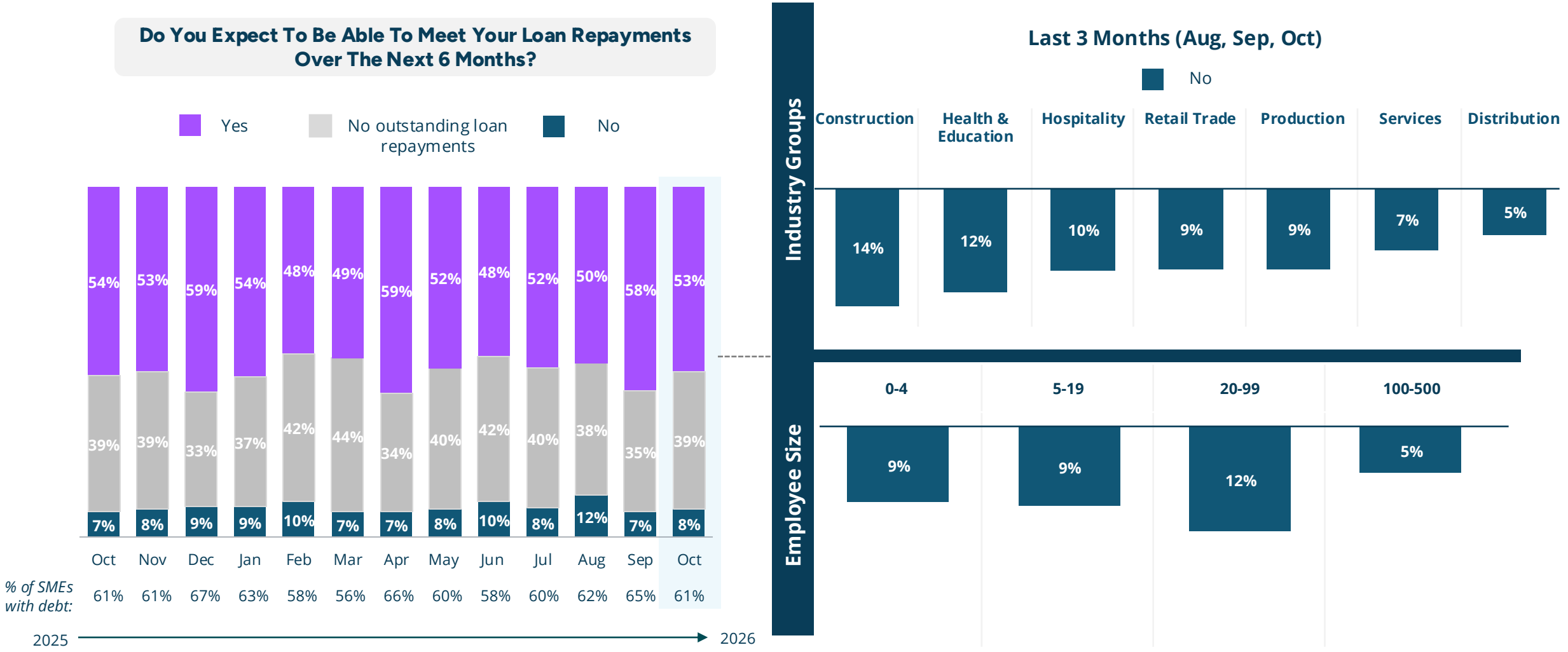
Demand for additional finance remains strongest among larger SMEs, with 20% requiring funding compared with 10% of smaller businesses over the past three months. Financing needs have also increased in Hospitality (16%) and Retail Trade (16%), potentially reflecting cashflow pressures and preparations for the upcoming holiday trading period.

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

	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27	Last 3M
0-19 Employees	10%	11%	9%	10%	12%	10%
20+ Employees	17%	17%	16%	15%	20%	20%
Construction	11%	16%	8%	11%	8%	10%
Distribution	12%	18%	10%	15%	8%	11%
Health & Education	11%	10%	11%	7%	6%	10%
Hospitality	15%	18%	8%	10%	17%	16%
Production	11%	8%	10%	11%	10%	13%
Retail Trade	14%	13%	15%	7%	13%	16%
Services	9%	8%	9%	11%	13%	13%

Business Investment | Loan Stress

Loan stress remains relatively stable, with 8% of SMEs expecting difficulty meeting repayments over the next six months, compared with 7% in September and October last year. Stress is highest in Construction (14%) and Health & Education (12%), while businesses with 20 to 99 employees remain the most vulnerable.





01 Key Performance Indicators

02 People

03 Business Sentiment

04 Business Investment

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

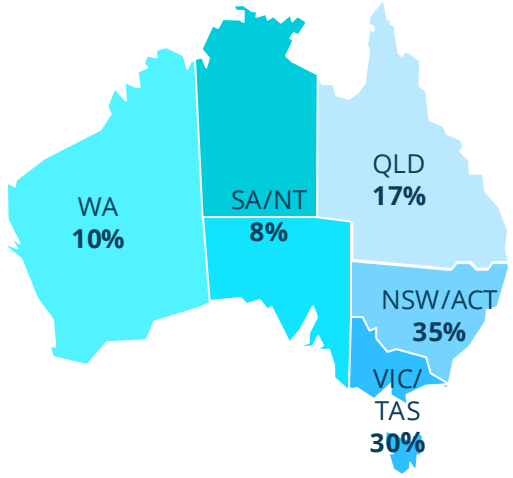


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

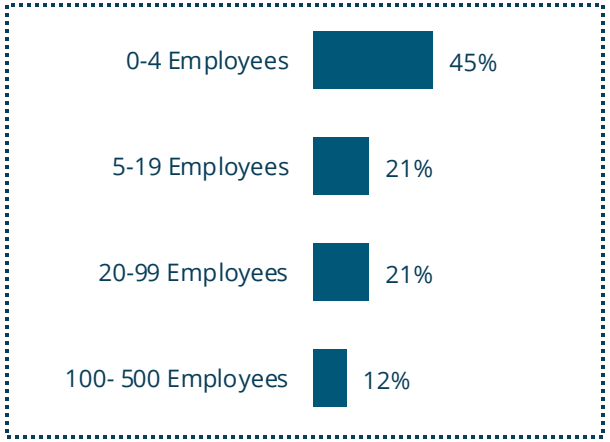
Our Sample

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.

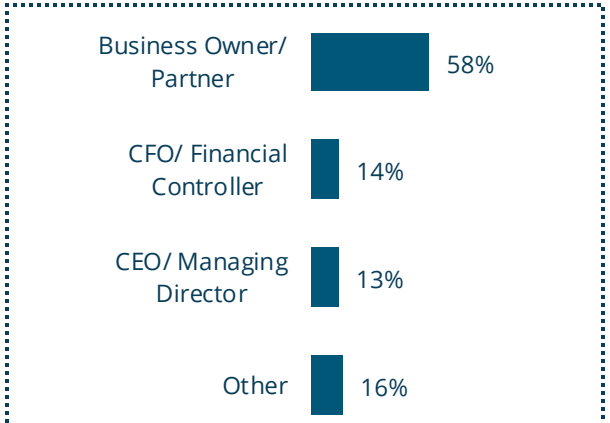
Head Office Location



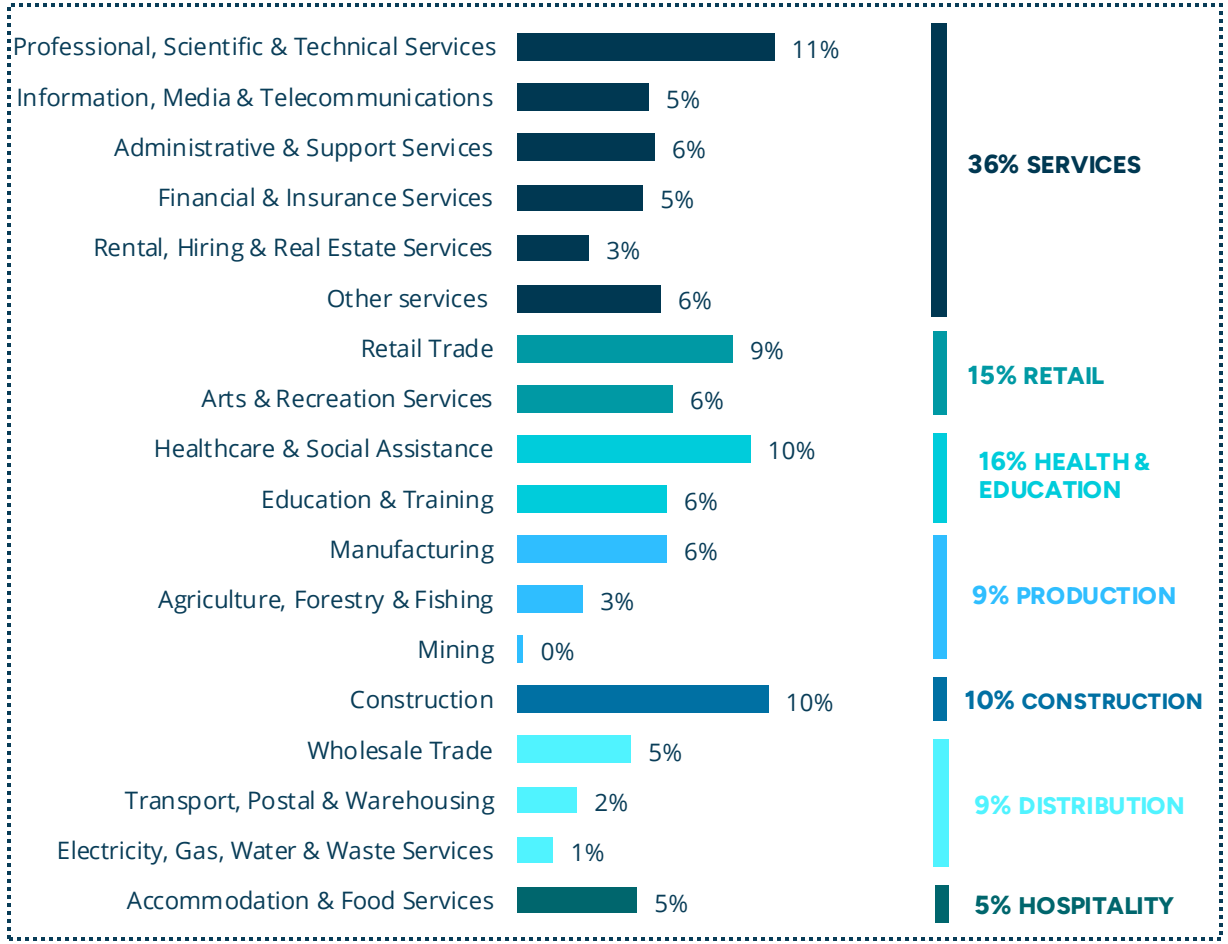
Size Of Business: Employees



Position In Business



Industry Sector



fifth quadrant

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