



# Small & Medium Enterprise Sentiment Tracker

Wave 71 – January 2025



**fifth**  
quadrant



# who we are

**We are a research consultancy that partners with major brands to execute strategic market research programs.**

We are passionate about helping our clients make better decisions by providing them with actionable insights and well-informed recommendations.

Our culture is built on collaboration, curiosity, and open-mindedness. We believe that the best ideas come from working together, and we are always looking for new ways to challenge the status quo.

# what we offer

**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 and innovation.

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.



Continued Strength in SME Growth Outlook



26% of SMEs reported an increase in revenues this month



39% of SMEs are growth focused for the next 12 months



Demand for additional finance has dropped to 12%



Only 11% of SMEs are currently recruiting

In January 2025, SME revenues remained steady compared to December and were aligned with the same period in 2024. The Hospitality sector outperformed, benefiting from strong holiday trading, while Retail and Production sectors continued to face challenges with weaker results.

Encouragingly, SME optimism about the Australian economy is growing, supported by expectations of lower inflation and anticipated interest rate cuts, which are seen as key factors providing a clearer path for growth. Confidence in global economic conditions remains steady, with no major shifts in sentiment. Accordingly, the upward trend in SME growth expectations continues, with 39% of businesses prioritising growth over the next 12 months—the highest level since February 2024. Simultaneously, the proportion of SMEs planning to exit or downsize continues to decline, reflecting greater business confidence.

However, recruitment activity remains subdued, with only 11% of SMEs actively hiring—the lowest level in the past 12 months. This represents a significant decline from 27% in January last year, reflecting ongoing caution around headcounts despite improving business conditions.

While satisfaction with the Federal Government has been improving, overall sentiment remains negative, suggesting that significant work is needed to regain trust as the election approaches. Additionally, SME decision-makers generally hold a negative view of the Trump administration’s potential impact on the Australian economy, with females and those in smaller SMEs less likely to anticipate positive outcomes.

Overall, SMEs are entering 2025 with cautious optimism, balancing growth ambitions with careful cost management and workforce planning, while remaining mindful of broader economic and political influences.





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**Key Performance Indicators**

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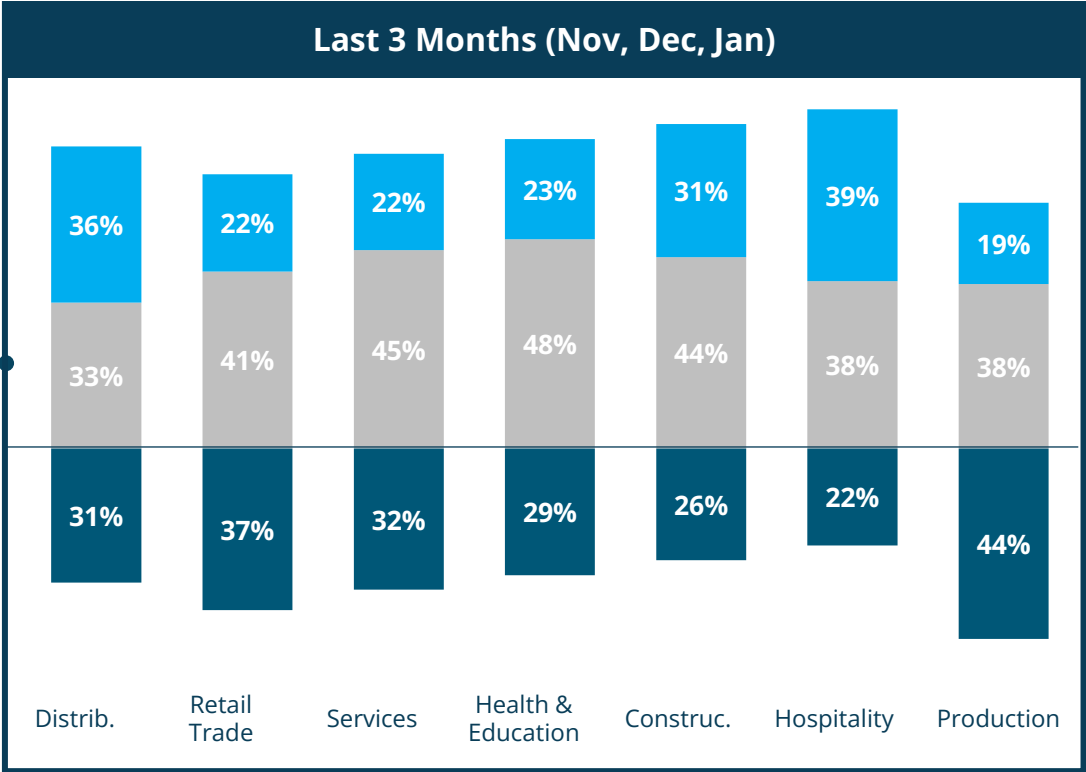
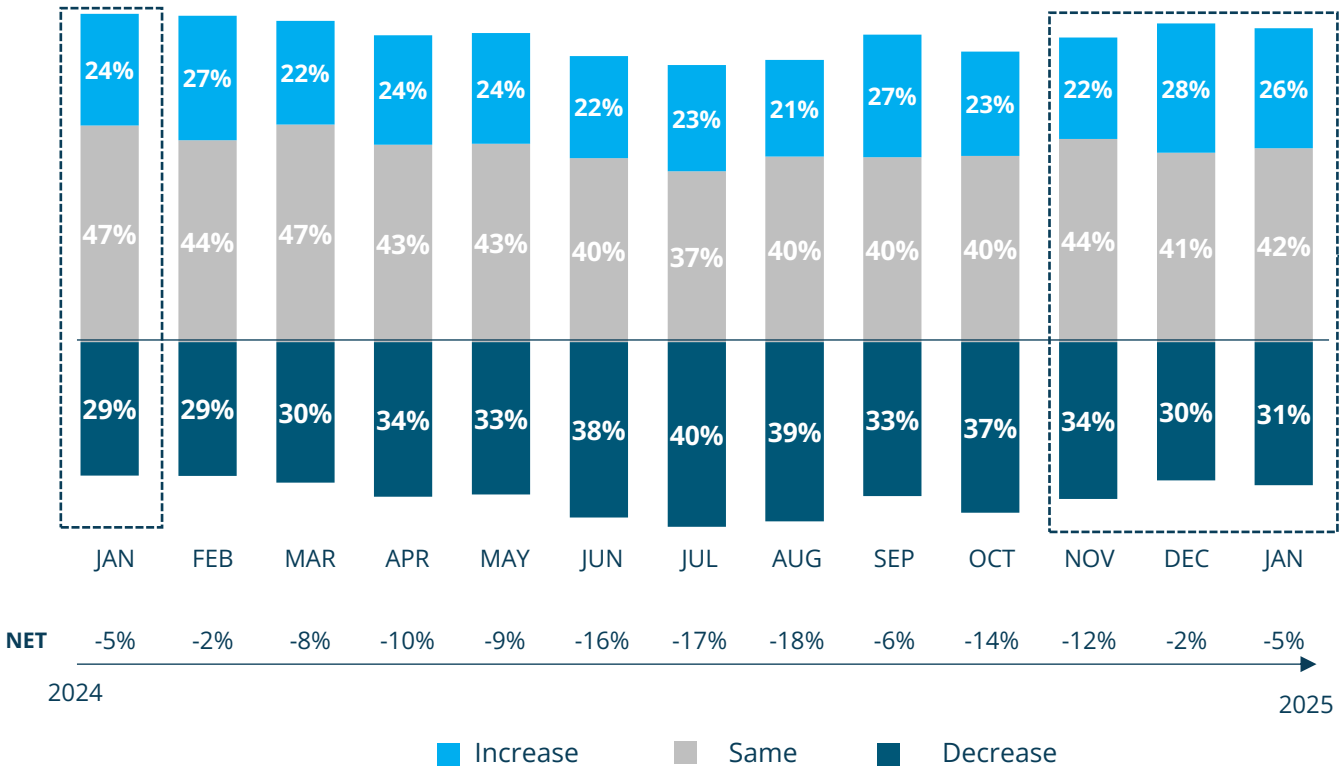
**05**

**Methodology & Sample**

# Key Performance Indicators | Revenue

Revenues in January remained steady compared to December and aligned with the same period in 2024. The Hospitality sector showed the most positive performance, likely benefiting from a strong holiday period, while Retail and Production continued to report weaker results.

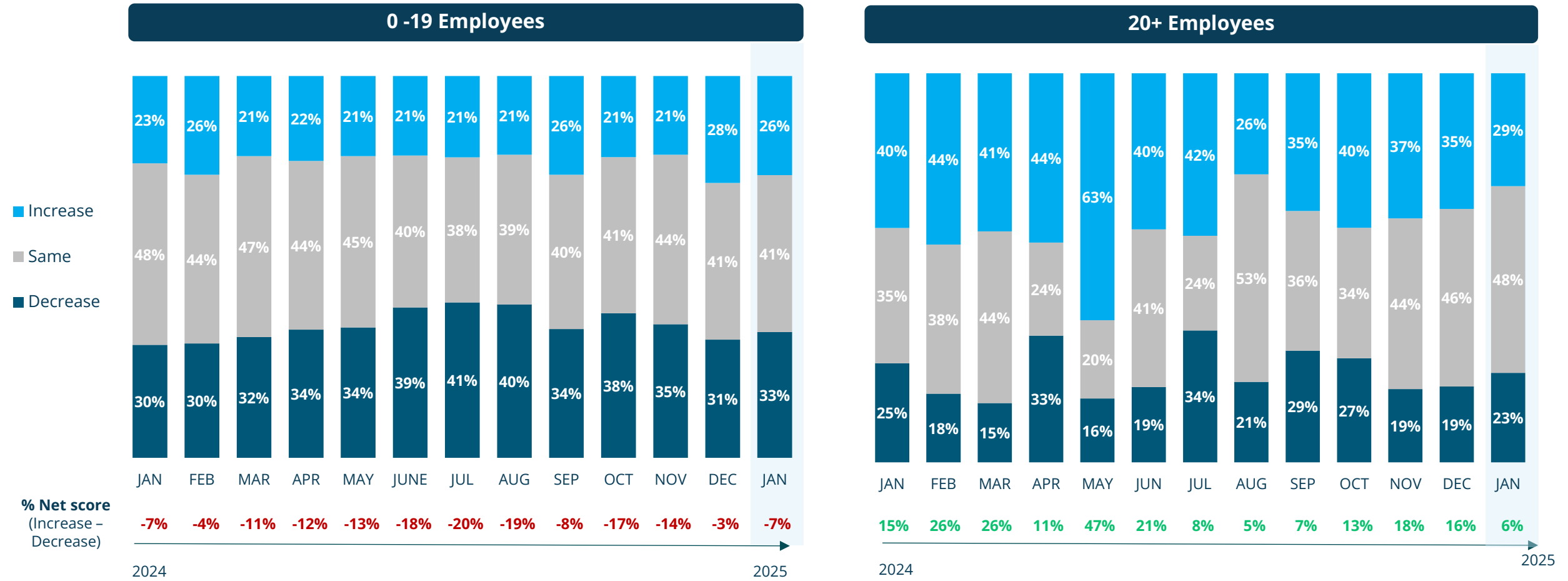
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



# Key Performance Indicators | Revenue

After a solid finish to 2024, larger SMEs reported weaker revenues in January compared to the same period last year.

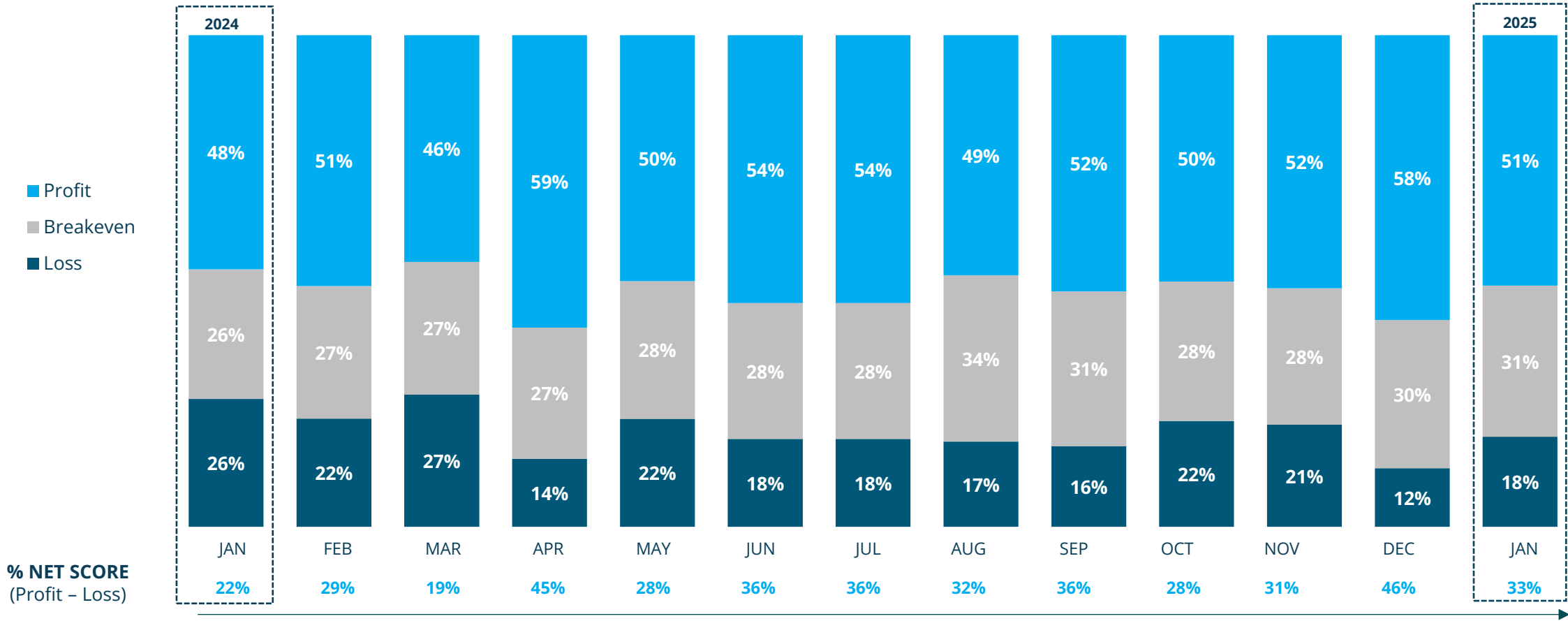
## How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



# Key Performance Indicators | Profit

As expected, profit levels this month are lower than reported in December. However, fewer businesses reported losses, indicating greater resilience and better preparedness in managing post-holiday fluctuations.

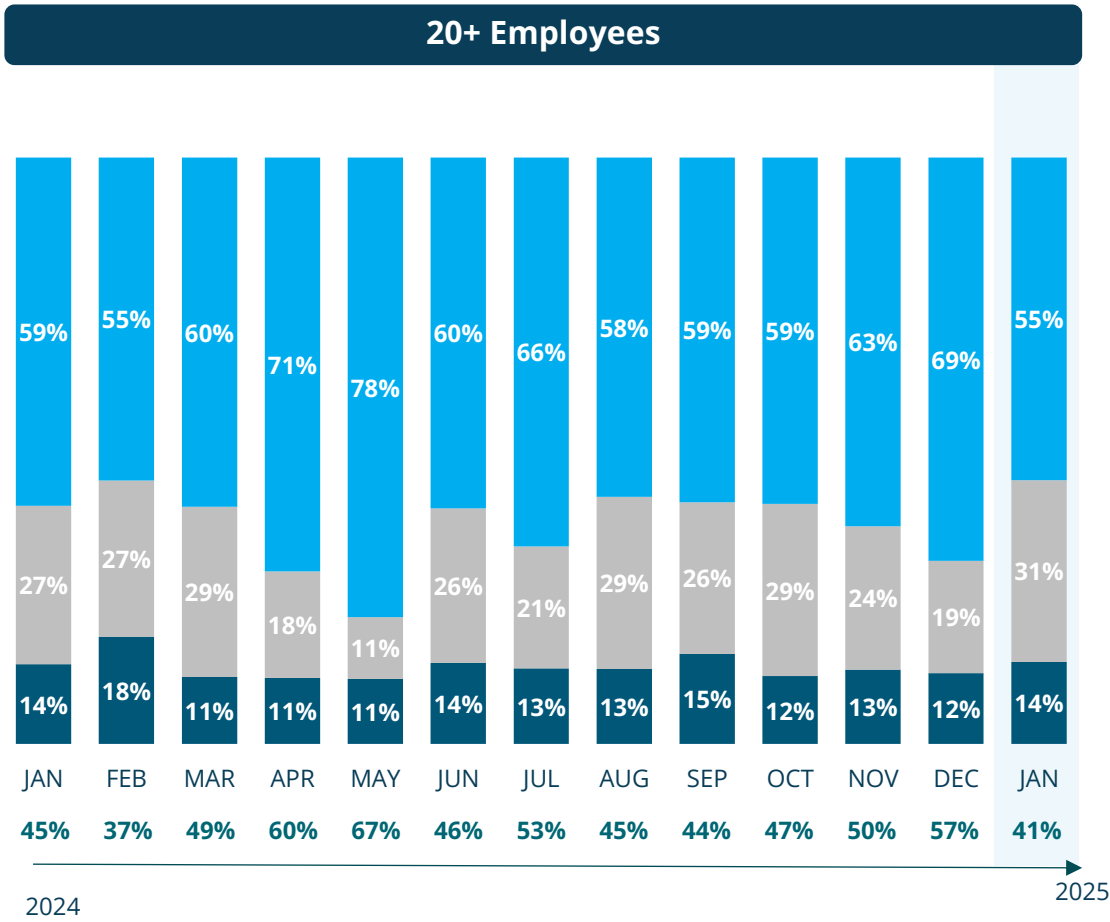
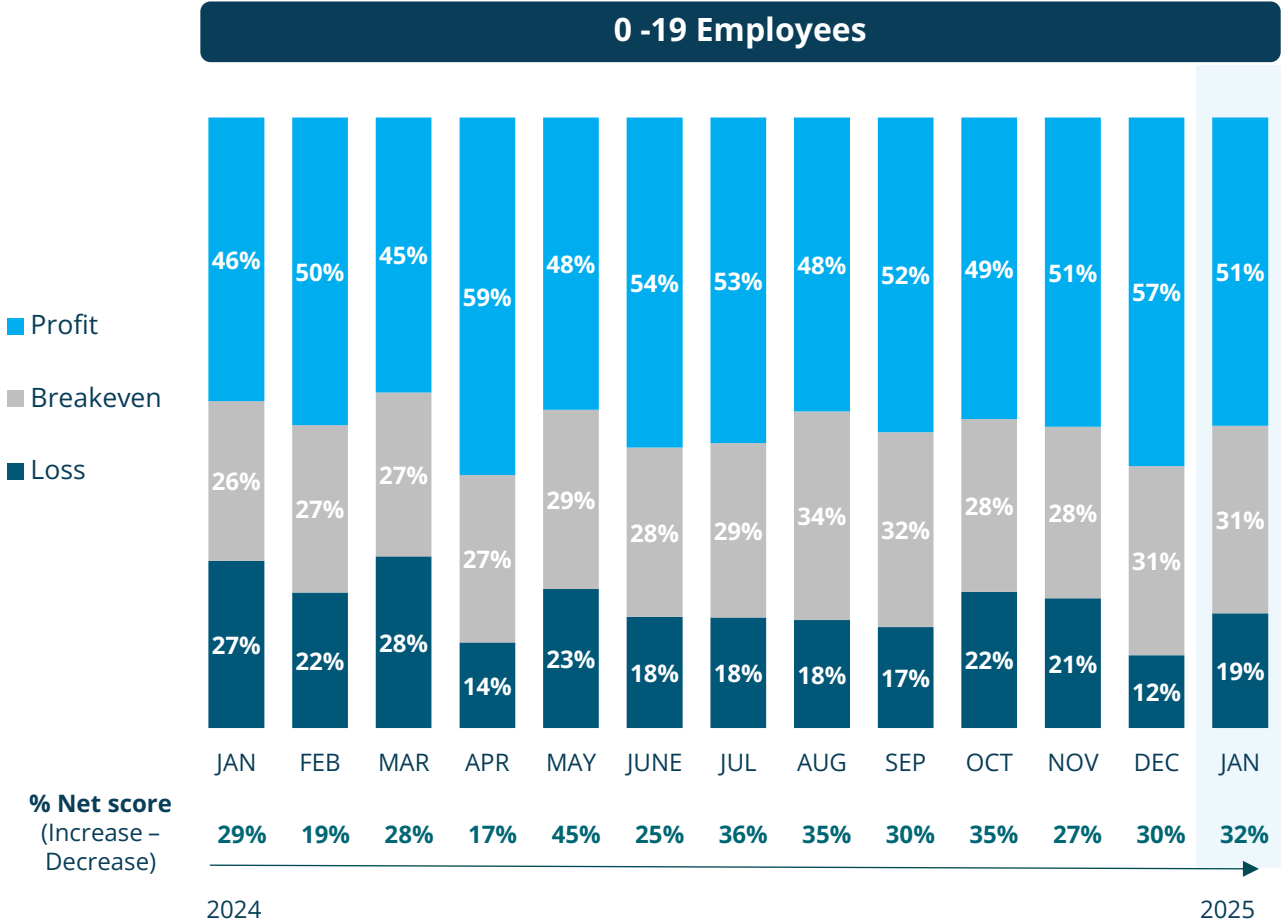
What Was Your Profit Margin Last Month?



# Key Performance Indicators | Profit

Both small and large SMEs reported a lower proportion of businesses turning a profit compared to December.

## What Was Your Profit Margin Last Month?





# Key Performance Indicators | Initiatives To Counter Cost Pressures

With January being a quieter month, SMEs have taken the time to focus more on efficiency improvements, staff productivity, and the growing importance of new technologies.

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

January		September	October	November	December	January
Enhancing efficiency by streamlining business operations	27%	29%	24%	23%	22%	27%
Discontinuing products/services that are not profitable	26%	24%	24%	26%	31%	26%
Maximising staff productivity through better training and optimisation	22%	17%	16%	20%	17%	22%
Adopting new technologies for increased automation and operational efficiency	19%	16%	15%	14%	16%	19%
Reassessing current projects and significant investments for viability and impact	18%	24%	14%	18%	17%	18%
Renegotiating supplier contracts or seeking new supply sources	17%	21%	23%	20%	22%	17%
Expanding the range of products/services to generate new revenue streams	17%	24%	14%	22%	22%	17%
Undertaking debt restructuring to reduce financial burdens	11%	11%	8%	13%	12%	11%
Shifting towards the use of renewable energy sources	9%	10%	8%	10%	7%	9%
Implementing workforce reductions, such as layoffs or hiring freezes	9%	13%	9%	10%	9%	9%
Delegating non-essential functions to external providers	8%	10%	14%	14%	11%	8%
Refining inventory management practices for better efficiency	8%	14%	12%	14%	15%	8%
Consulting banks and/or financial counsellors about financial hardship	7%	10%	6%	6%	9%	7%

With inflation now at more manageable levels, fewer SMEs feel the need to pass additional costs onto their customers.

Have You Been Able To Pass On Higher Input Costs To Your Customers?

January

Yes, but only partially

49%

Yes, I have been able to fully offset higher input costs with higher prices

13%

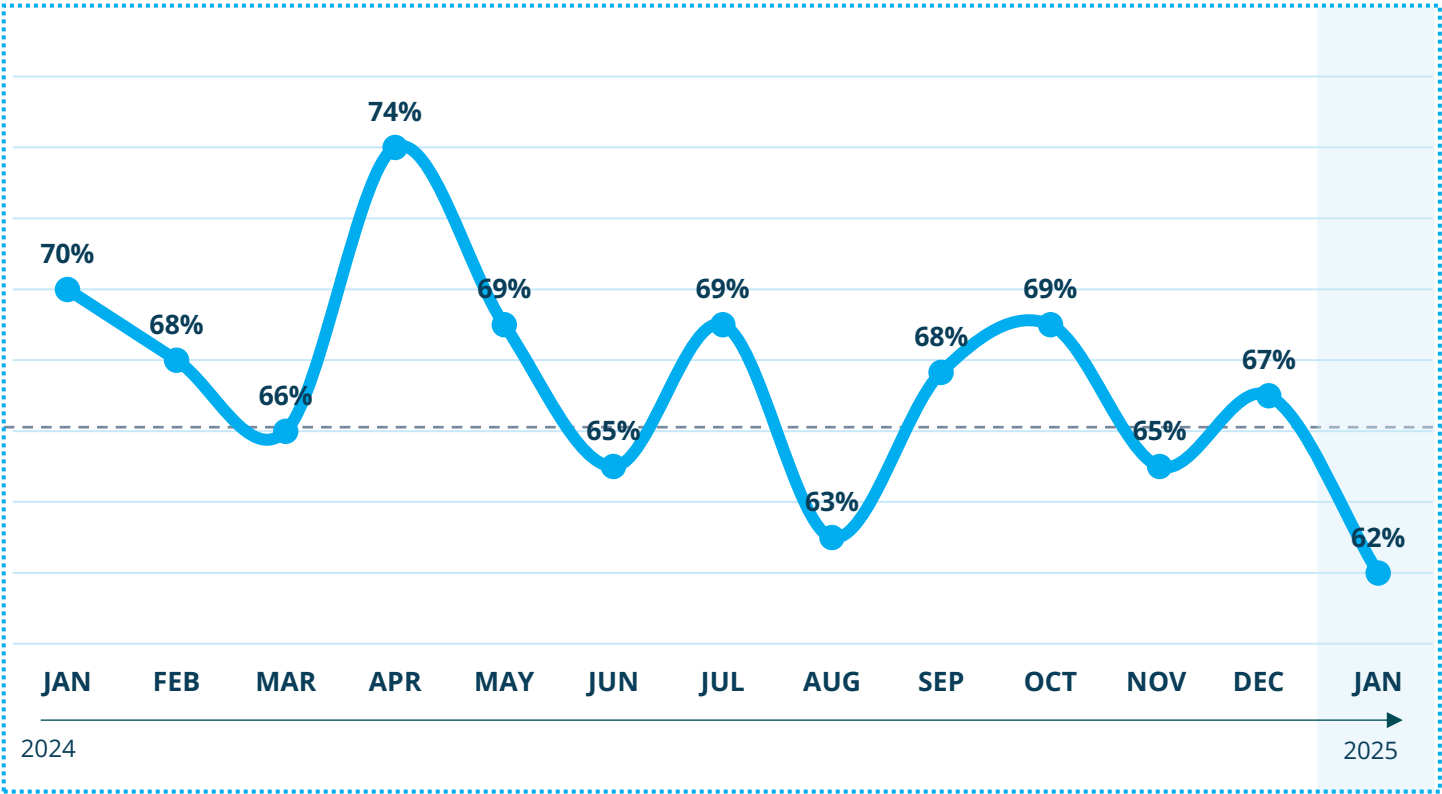
Yes, I have been able to pass on more than the input cost increase

1%

No

38%

YES

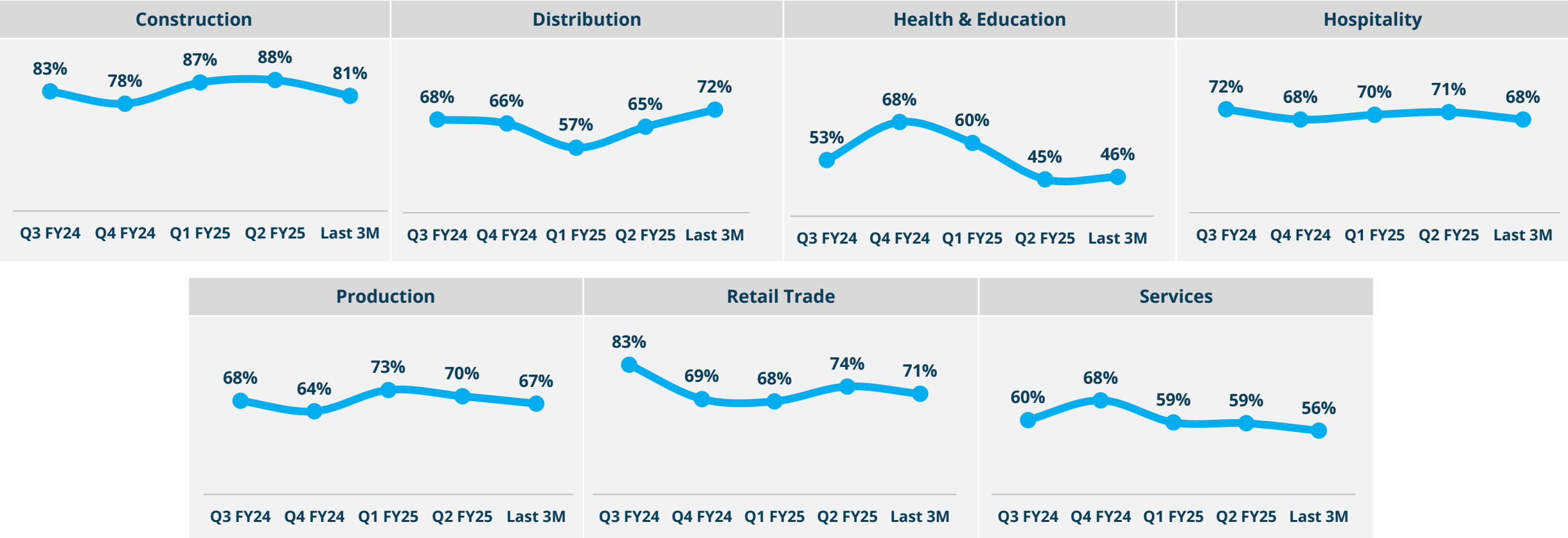


12-month average: 66%

# Key Performance Indicators | Cost Recovery

However, we continue to see a strong upward trend in cost recovery within the distribution sector, while the services sector continues to track down.

Have You Been Able To Pass On Higher Input Costs To Your Customers? (Yes)





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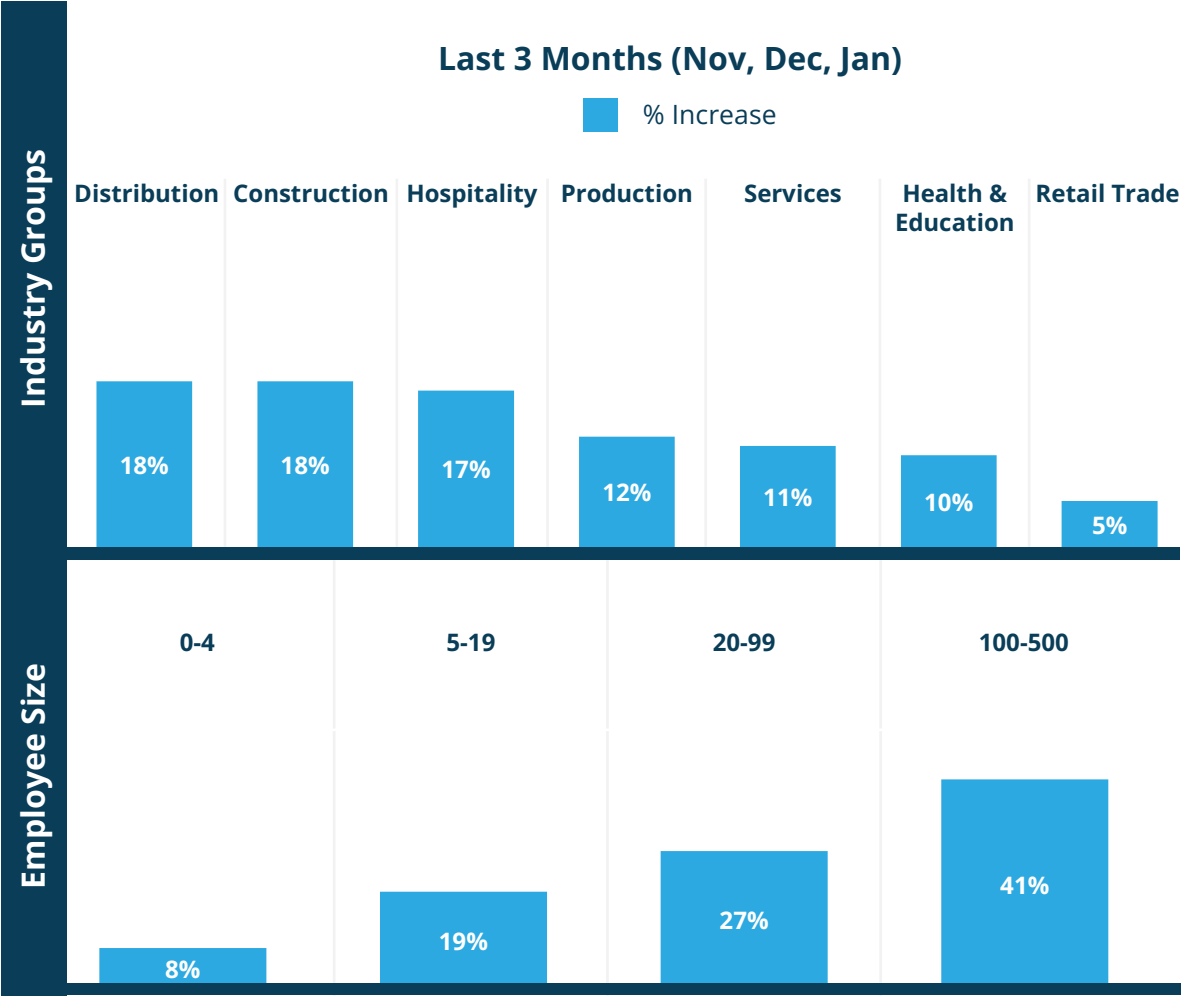
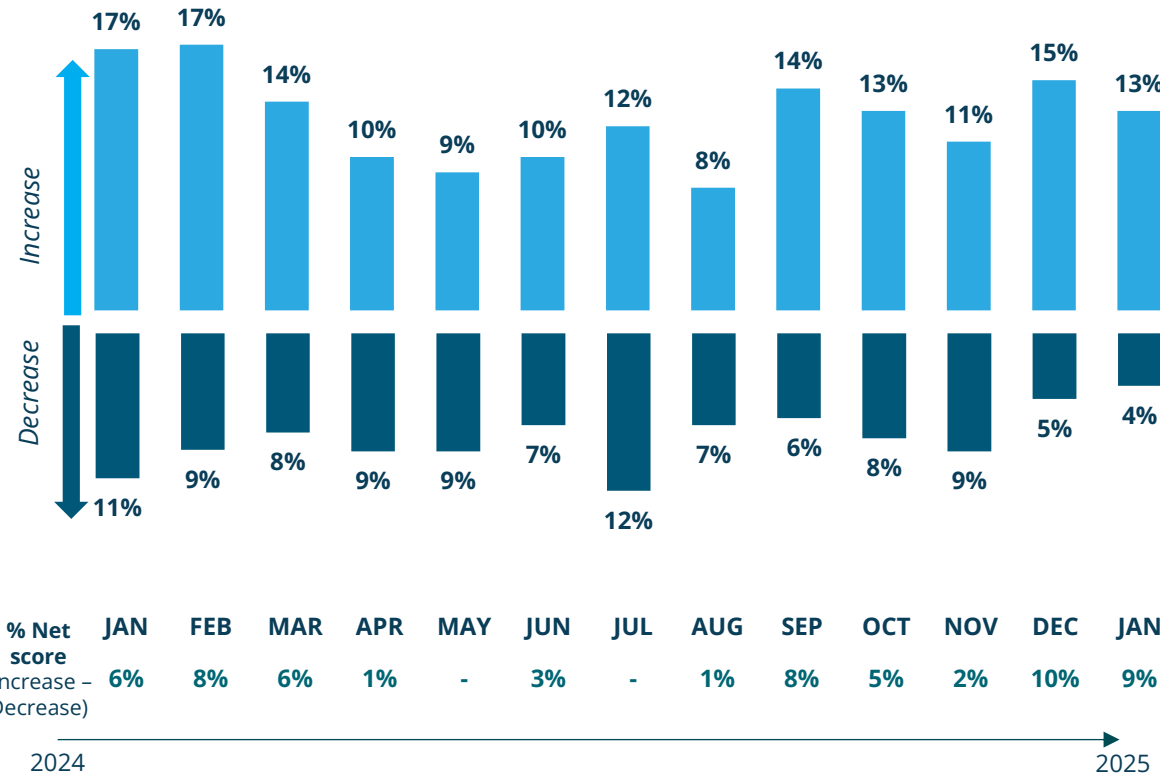


# Key Performance Indicators | People

Overall, staffing expectations for the next three months remain stable, with SMEs in the distribution, construction, and hospitality sectors showing the highest levels of activity.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ

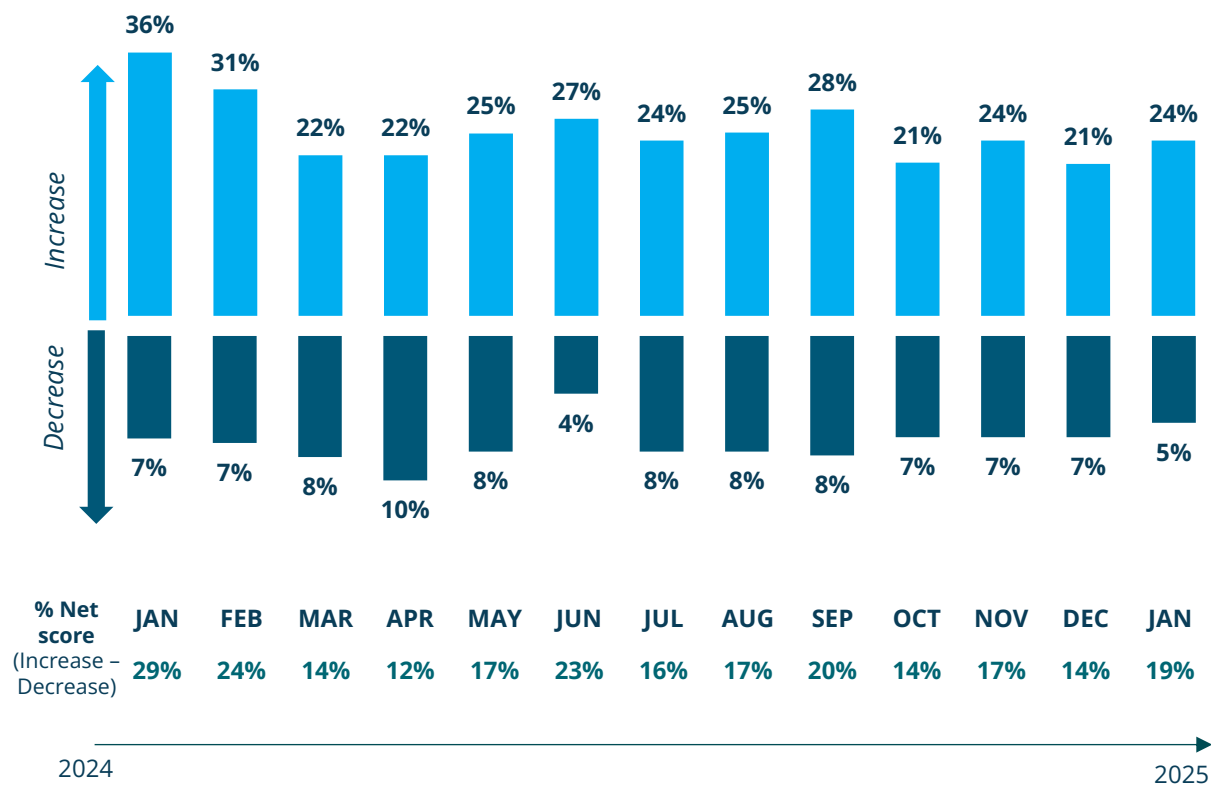


# Key Performance Indicators | People

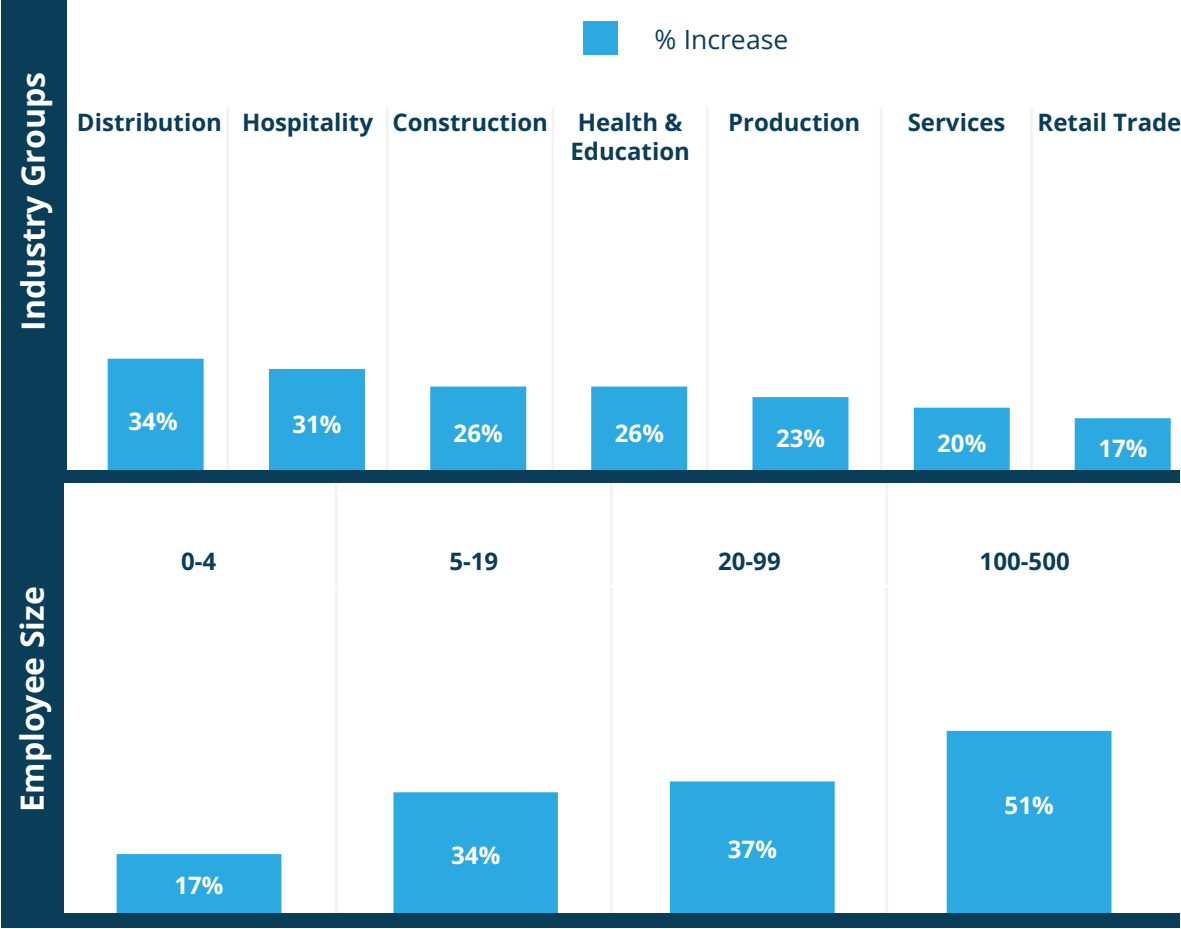
Expectations regarding wage increases over the next quarter are also relatively stable.

## Expectations Over The Next 3 Months Regarding Wages

### The Wages You Pay



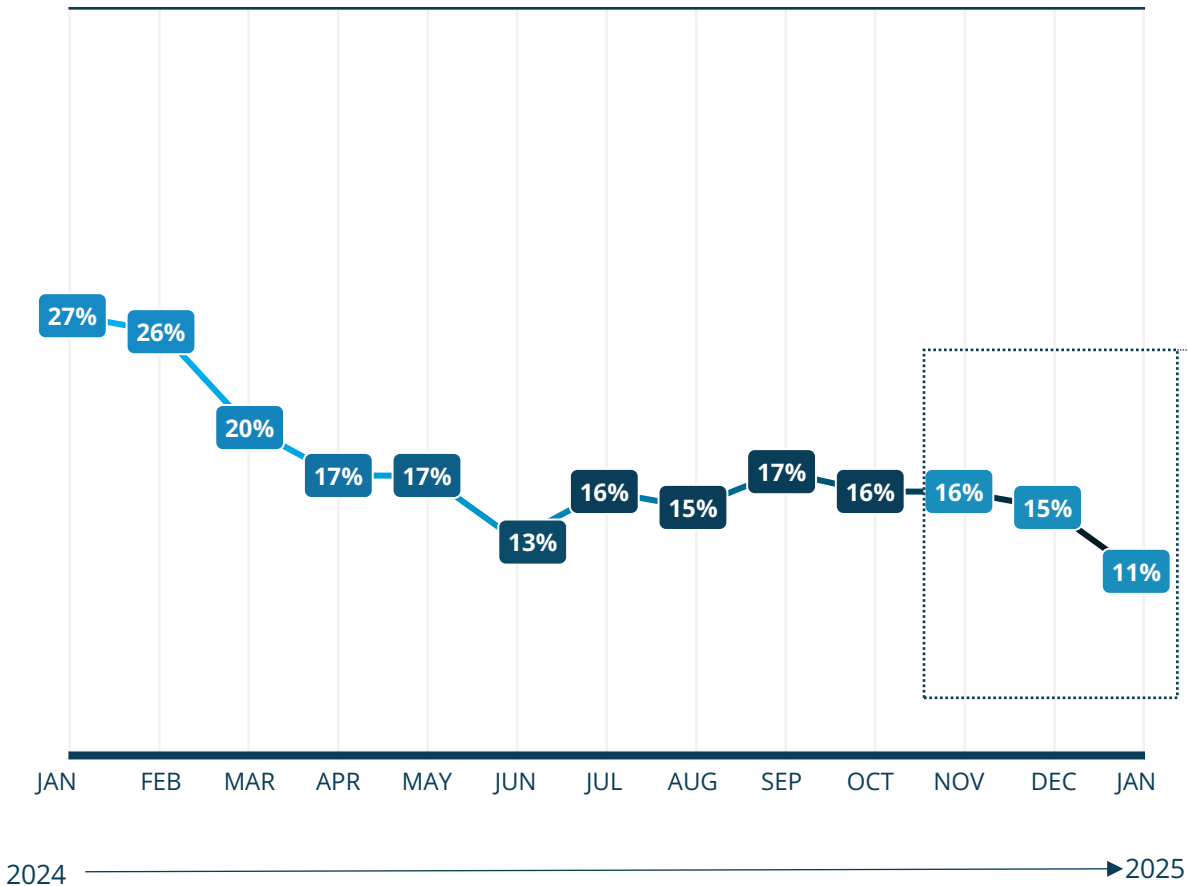
## Last 3 Months (Nov, Dec, Jan)



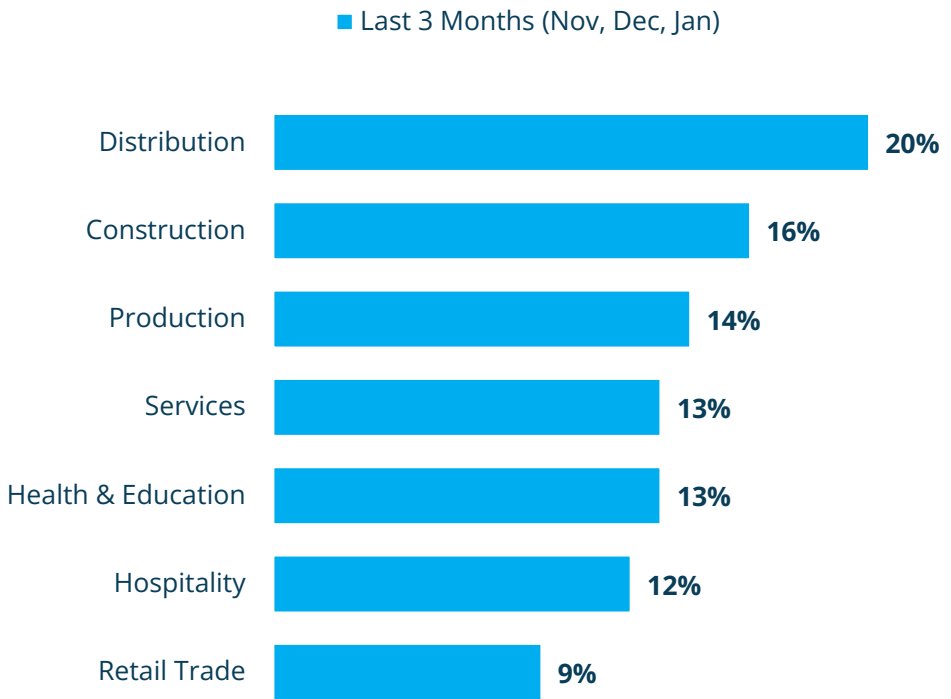
# Key Performance Indicators | People

In January, only 11% of SMEs were actively recruiting—the lowest level reported in the past 12 months. This marks a significant drop from 27% in January last year, highlighting continued caution around headcounts.

SMEs That Currently Have Job Roles They Are Trying To Fill



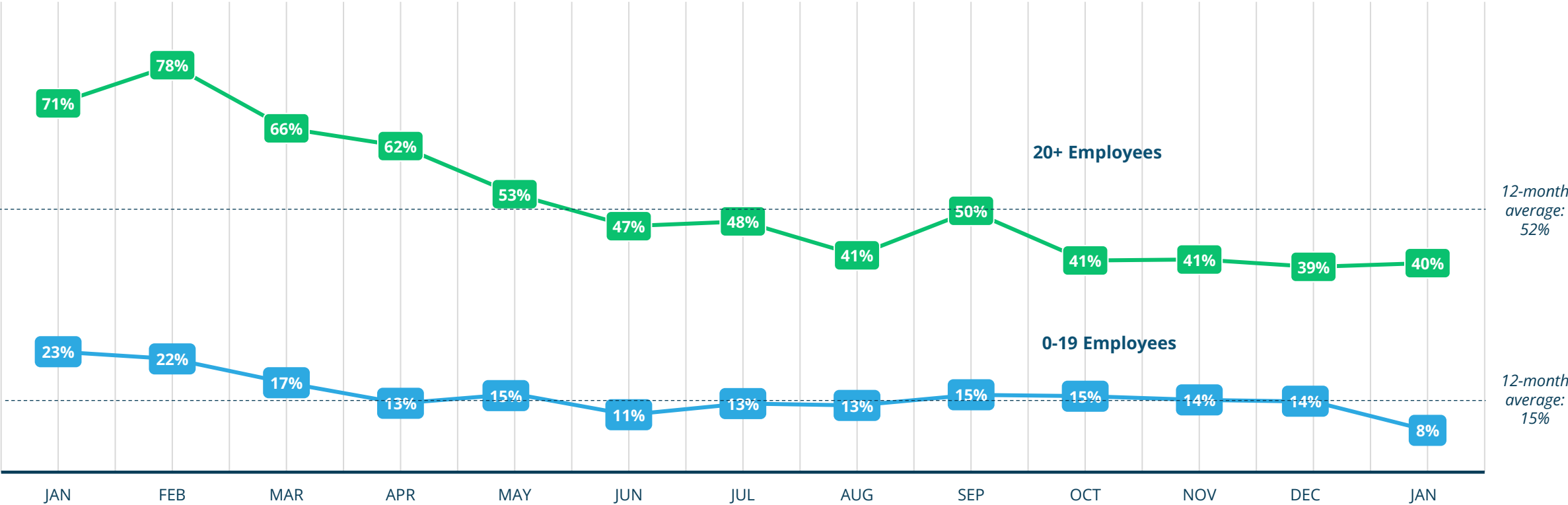
Current Job Vacancies By Industry



# Key Performance Indicators | People

Hiring remains below the 12-month average across both employee size cohorts, with the number of smaller SMEs reporting open job roles hitting its lowest point in 13 months.

SMEs That Currently Have Job Roles They Are Trying To Fill



2024 → 2025

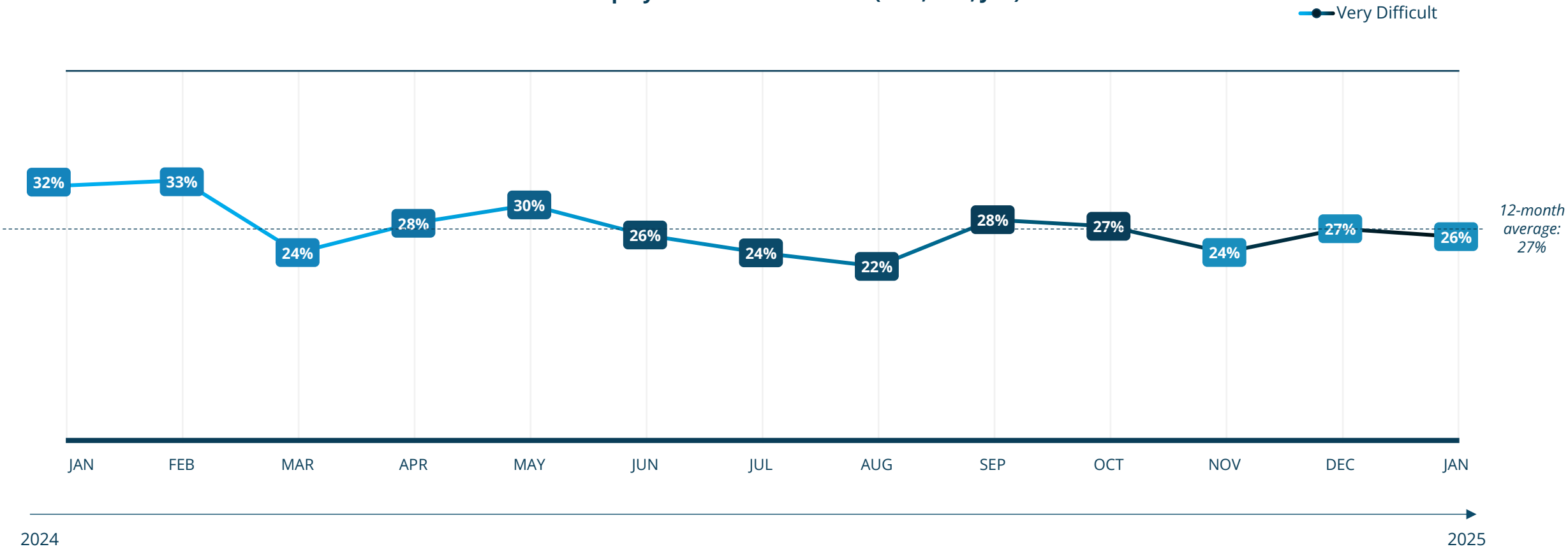


# Key Performance Indicators | People

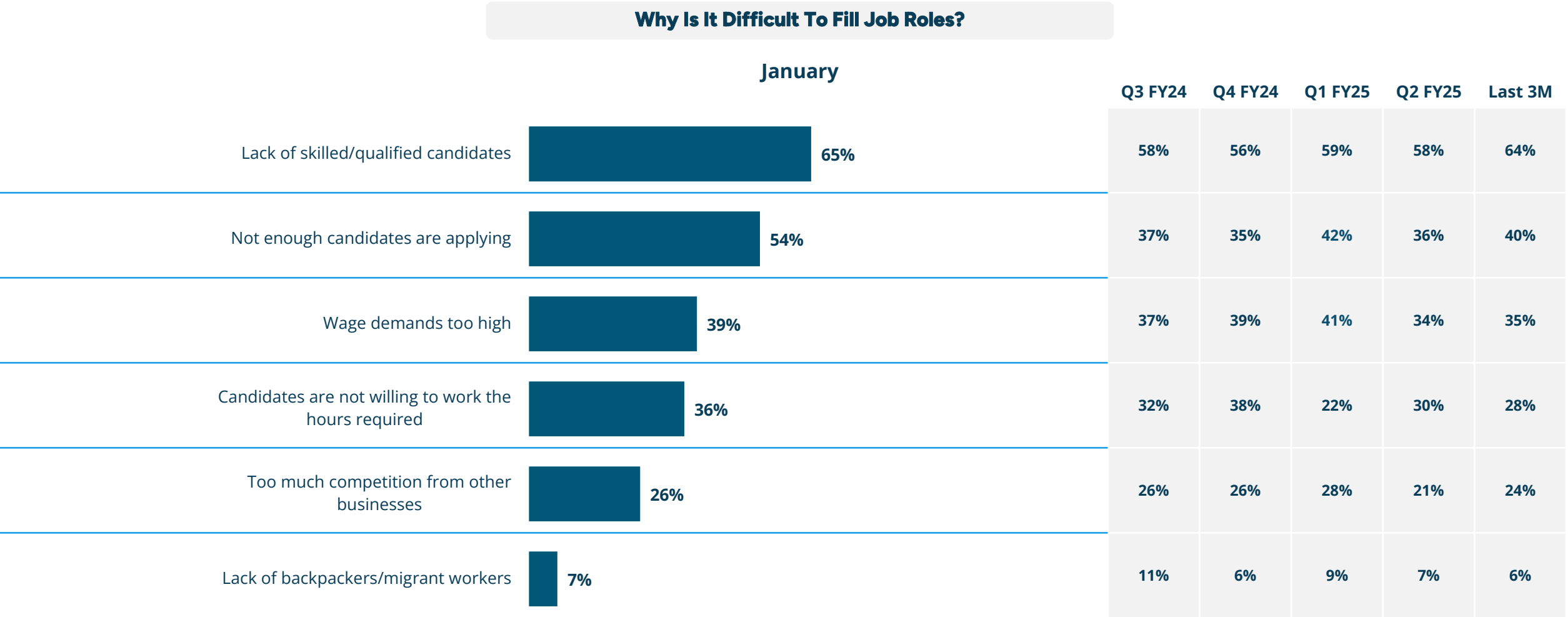
The proportion of businesses facing difficulties in filling roles has dropped to 26%, below the 12-month average and significantly lower than January 2024, when competition for talent was much higher.

## How Difficult Is It To Fill These Roles?

Data displayed as a last 3 months (Nov, Dec, Jan)



Despite the overall slowdown in hiring, the key difficulty remains finding candidates with the required skills.





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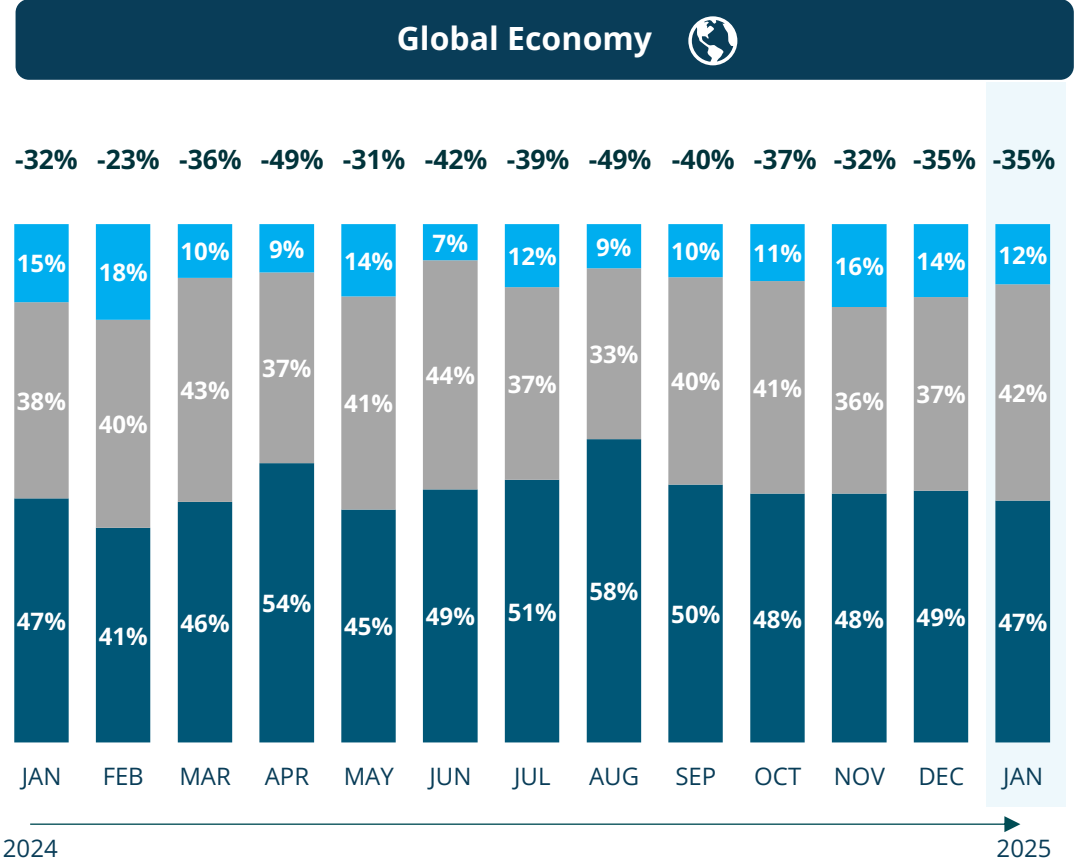
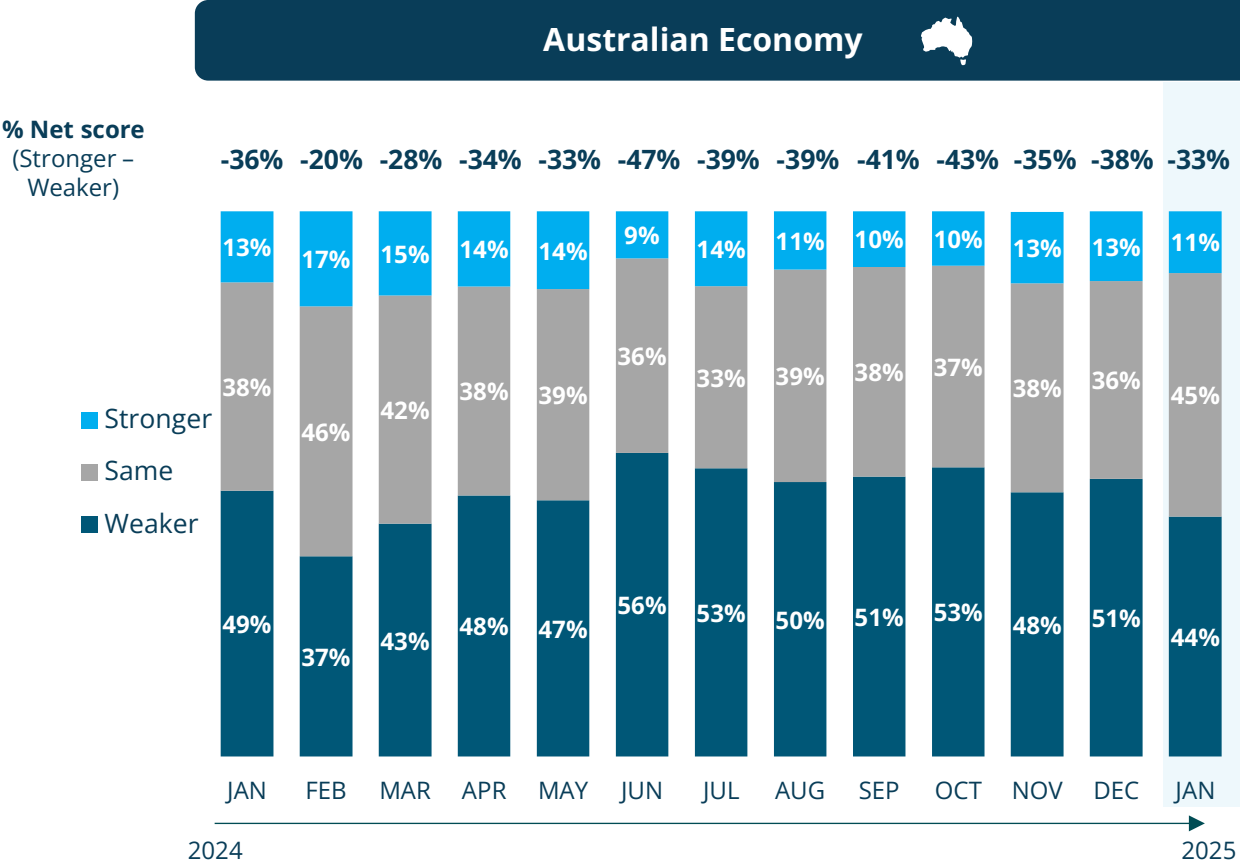
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**Methodology & Sample**

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

SMEs are increasingly optimistic about the Australian economy in the coming months with lower inflation and anticipated interest rate cuts providing businesses a clearer path for growth. Meanwhile, confidence in global economic conditions remains steady.

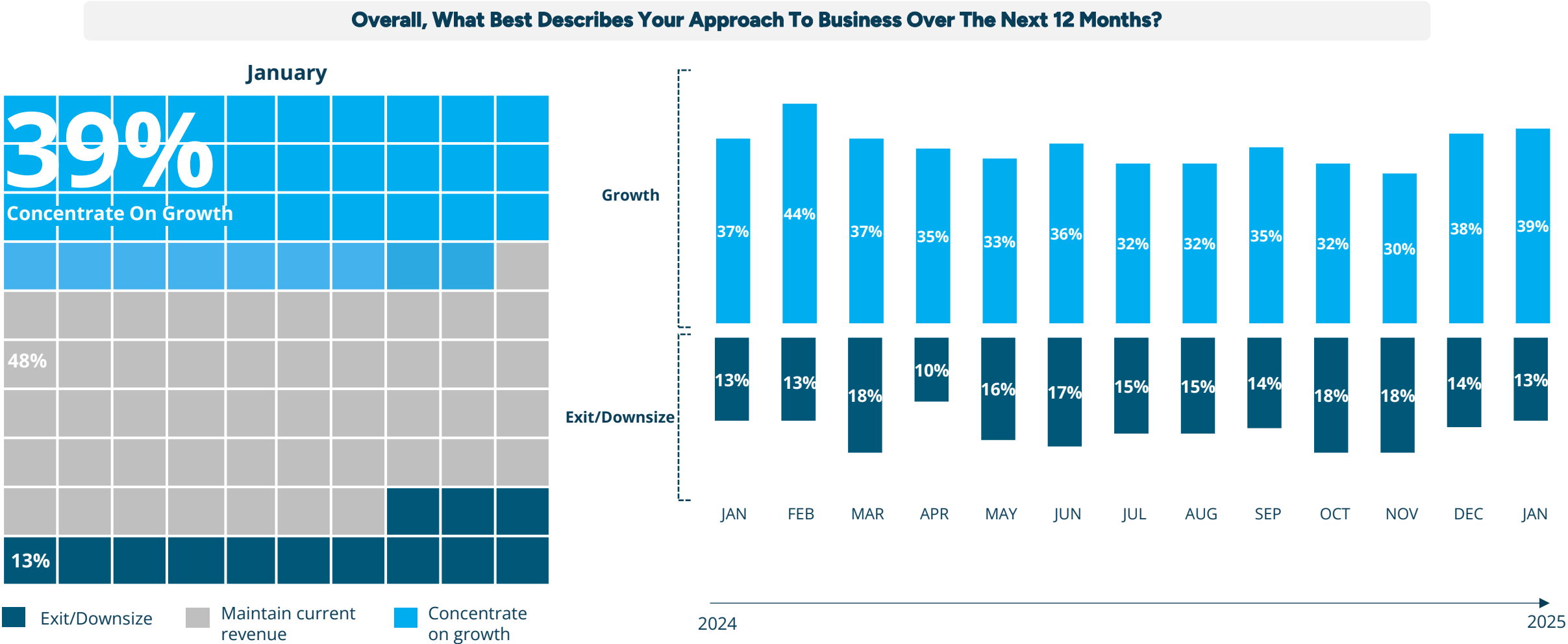
## Expectations Over The Next 3 Months Regarding Economic Conditions





# Business Sentiment | Growth Expectations (Next 12 months)

The upward trend in SME growth expectations continues, with 39% prioritising growth over the next 12 months—the highest level reported since February 2024. Meanwhile, the proportion of businesses planning to exit or downsize continues to decline.



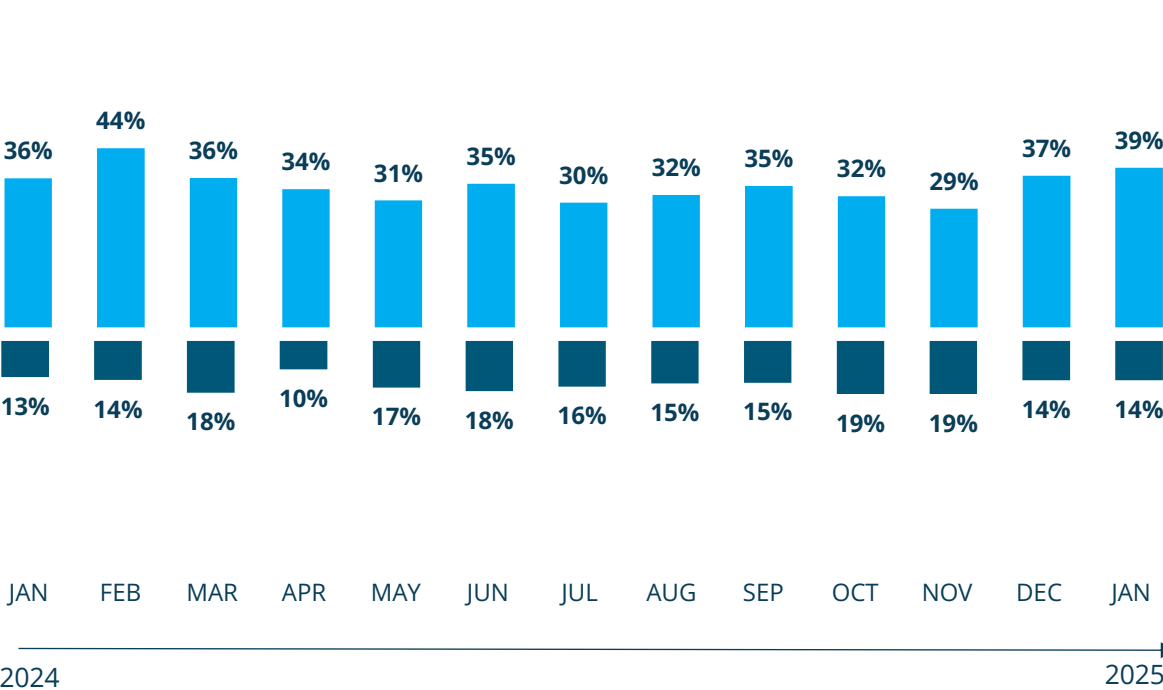
# Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations among smaller SMEs continue to rise, whereas larger SMEs show more subdued confidence, with expectations significantly lower than 12 months ago.

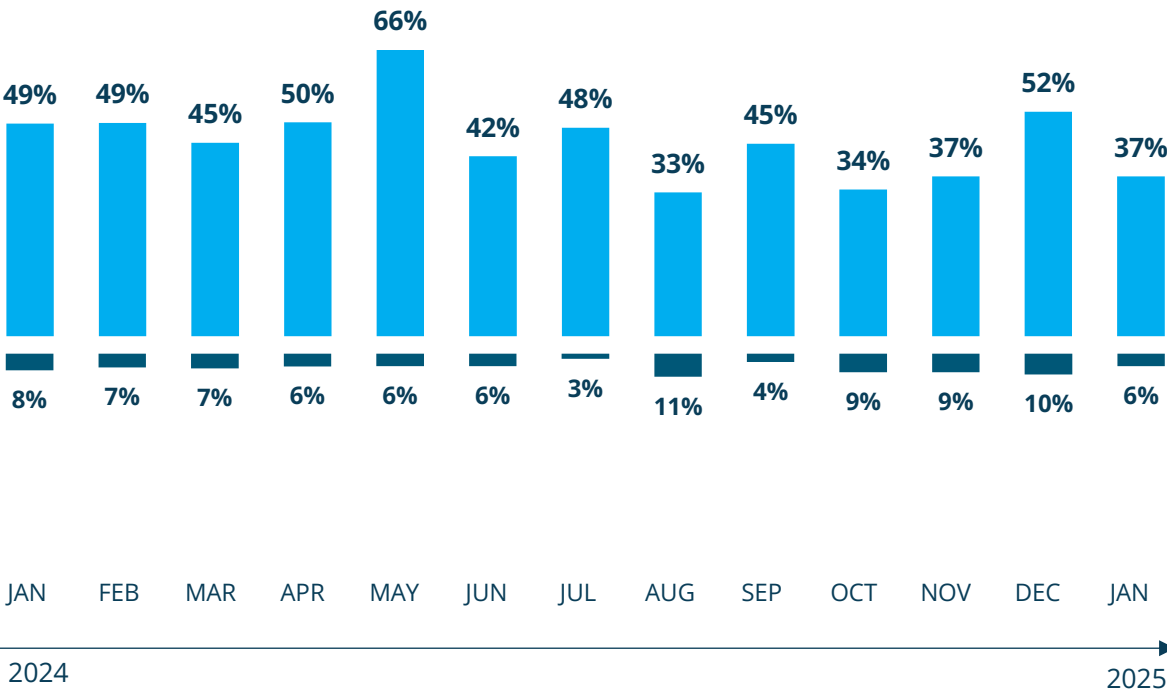
## Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

Concentrate on growth   Exit/Downsize

### 0 -19 Employees



### 20+ Employees



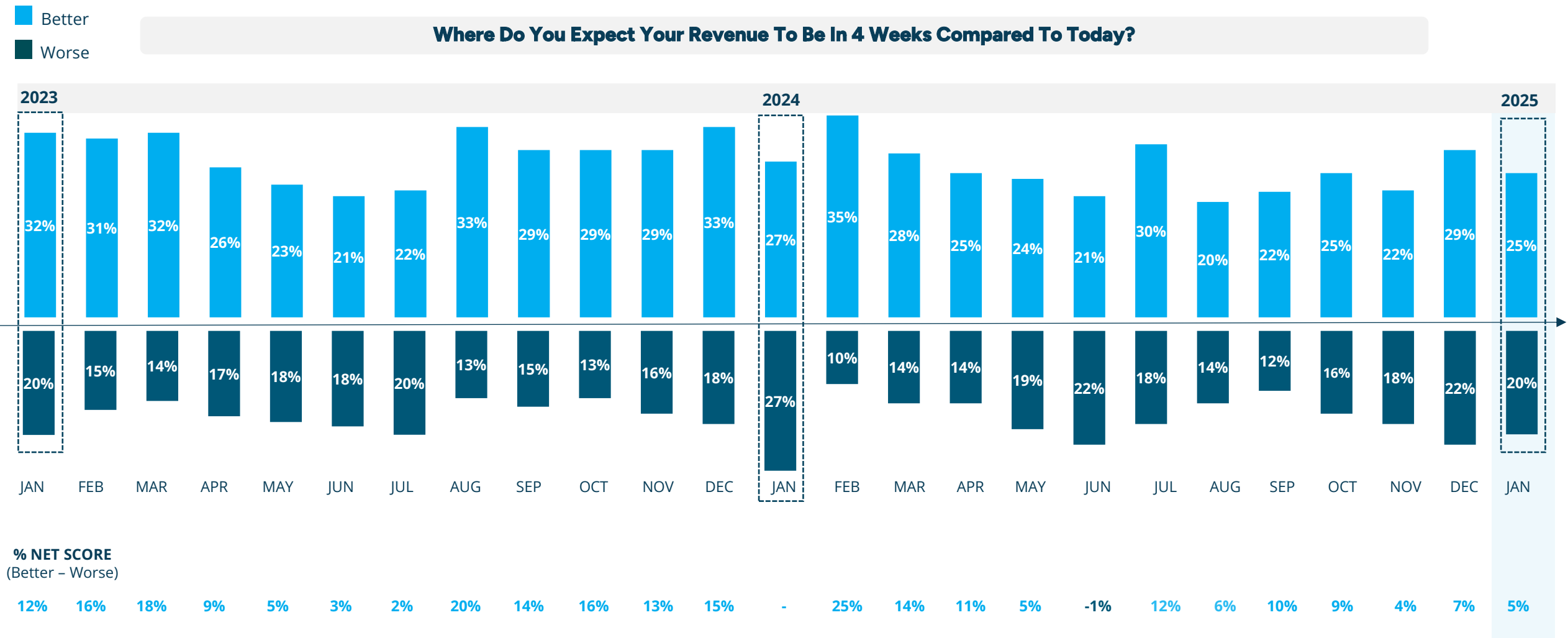
Despite growing confidence in the Australian economy, SMEs remain cautious, with economic uncertainty and ongoing cost pressures still cited as key concerns for the next three months.

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

	January	August	September	October	November	December	January
Addressing the difficult economic outlook and ongoing cost pressures	44%	50%	43%	46%	45%	47%	44%
Keeping pace with changing customer behaviours and preferences	32%	37%	40%	33%	35%	42%	32%
Strengthening defences against cyber threats and ensuring data privacy	20%	24%	22%	19%	20%	20%	20%
Navigating regulatory, compliance, and governance challenges	20%	24%	25%	16%	20%	22%	20%
Managing the continuous adoption of new technologies and digital transformation processes	18%	19%	18%	17%	19%	21%	18%
Strengthening supply chain operations for improved efficiency and resilience	17%	15%	19%	14%	18%	15%	17%
Identifying and implementing measures to boost workforce efficiency and productivity	20%	22%	24%	15%	18%	18%	20%
Managing risks and uncertainties in the geopolitical landscape	14%	20%	15%	11%	16%	17%	14%
Overcoming difficulties in securing necessary financing	15%	16%	15%	16%	15%	17%	15%
Acquiring, training, and upskilling talent in a competitive market	14%	19%	14%	17%	13%	19%	14%
Prioritising investment in research and development to drive innovation	8%	7%	8%	6%	8%	7%	8%
Implementing strategies to address sustainability issues and climate change impacts	8%	11%	8%	9%	8%	10%	8%

# Business Sentiment | Revenue Expectations (Next Four Weeks)

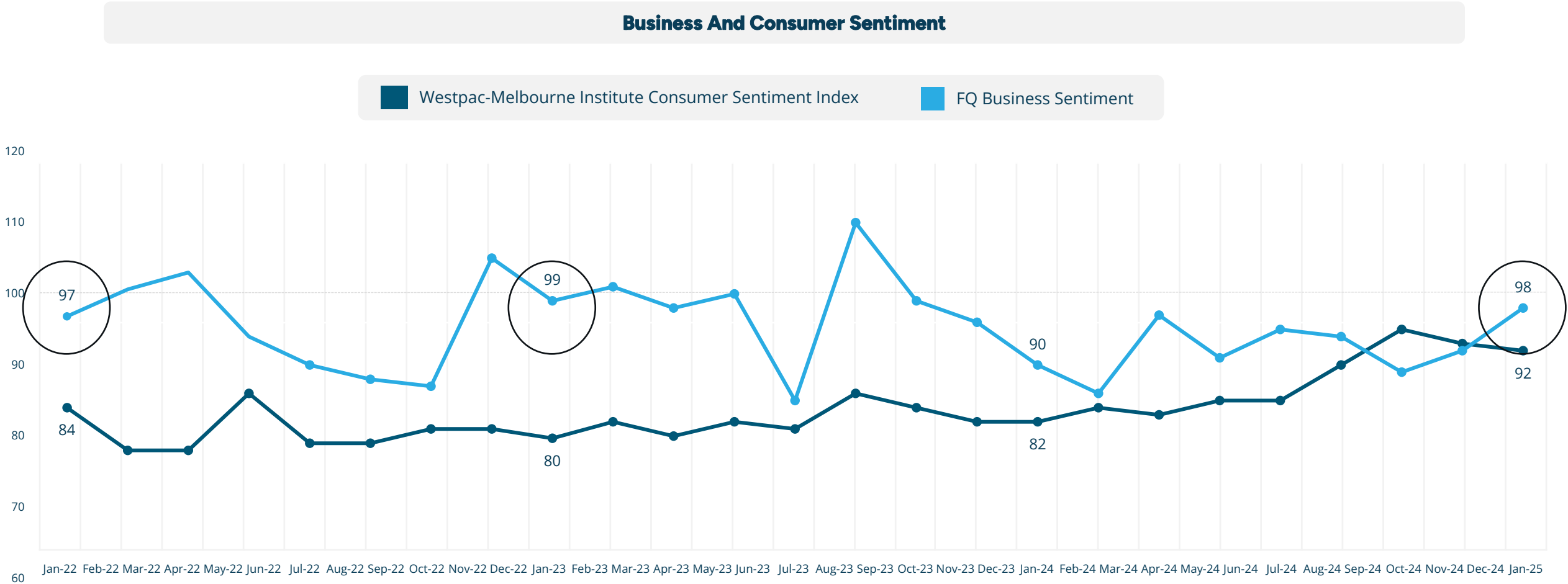
As expected in January, short-term revenue expectations among SMEs are mixed. While some anticipate a rebound after the seasonal lull, others are adjusting from a strong trading period.





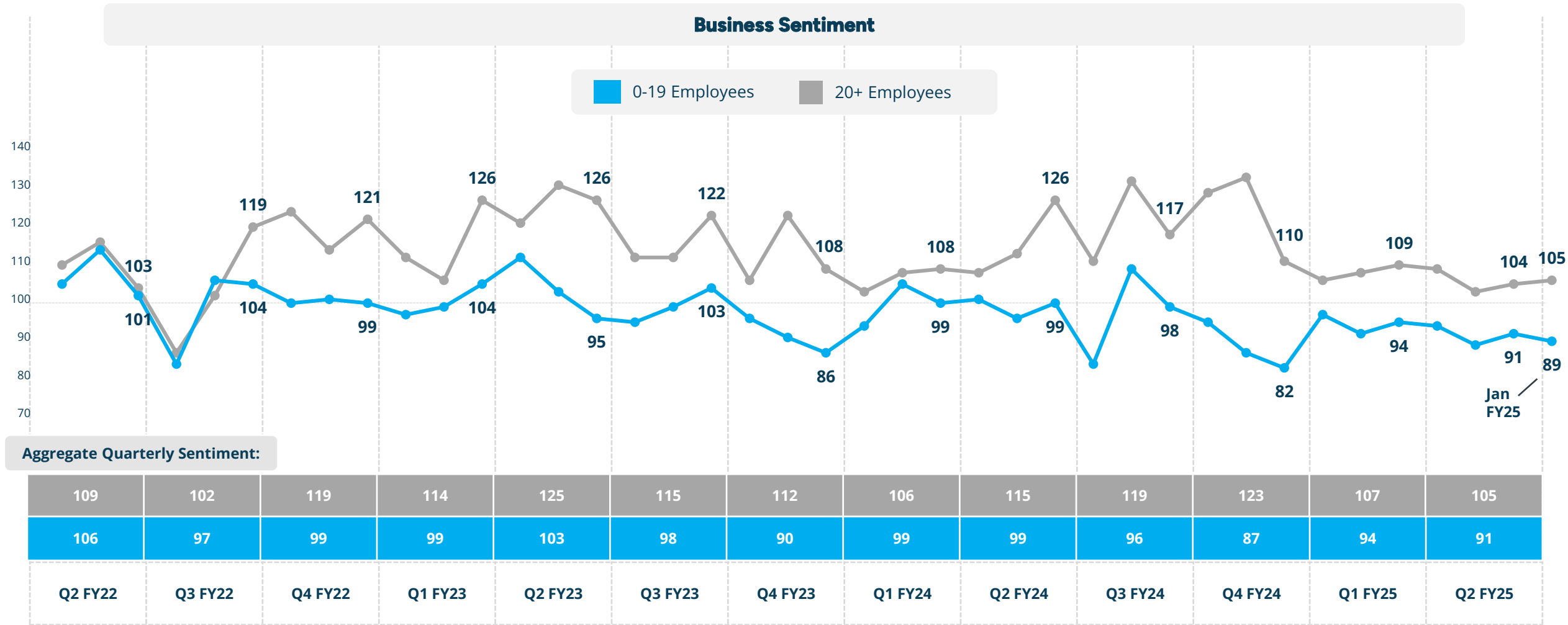
# Business Sentiment | Sentiment Index

With a renewed focus on growth, the SME business sentiment index has once again surpassed consumer sentiment. Notably, the index aligns with levels seen in 2022 and 2023, marking an improvement over January 2024.



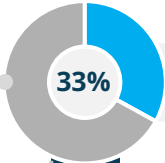
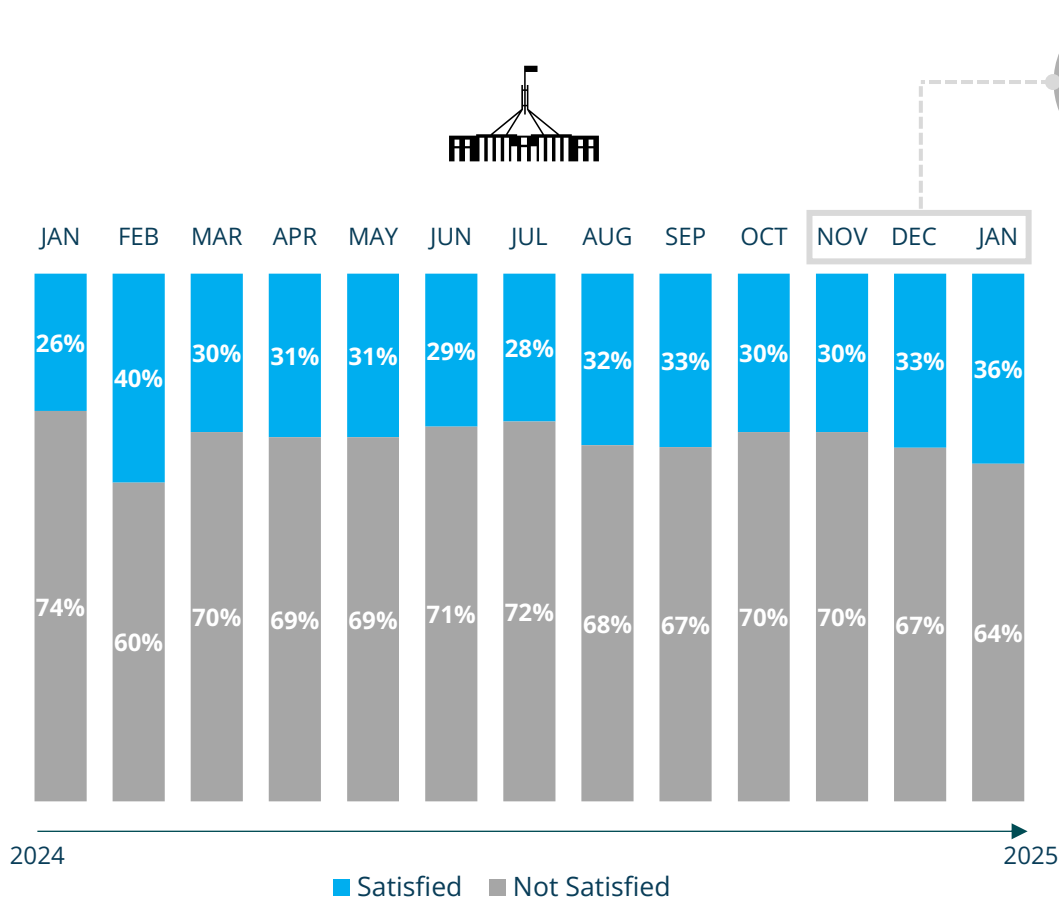
# Business Sentiment | Sentiment Index

Sentiment for larger SMEs (20+ employees) continues to track ahead of their smaller counterparts.



While satisfaction with the Federal Government has continued to rise, overall sentiment remains negative, indicating significant work is needed before the election.

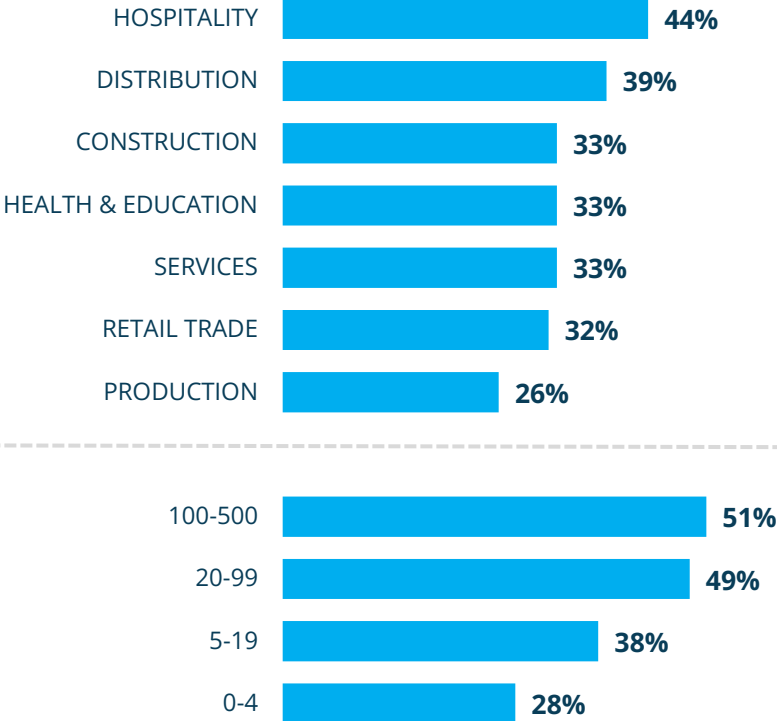
How Satisfied Are You That The Federal Government Is Delivering Effective Policies That Support The Needs Of Your Business?



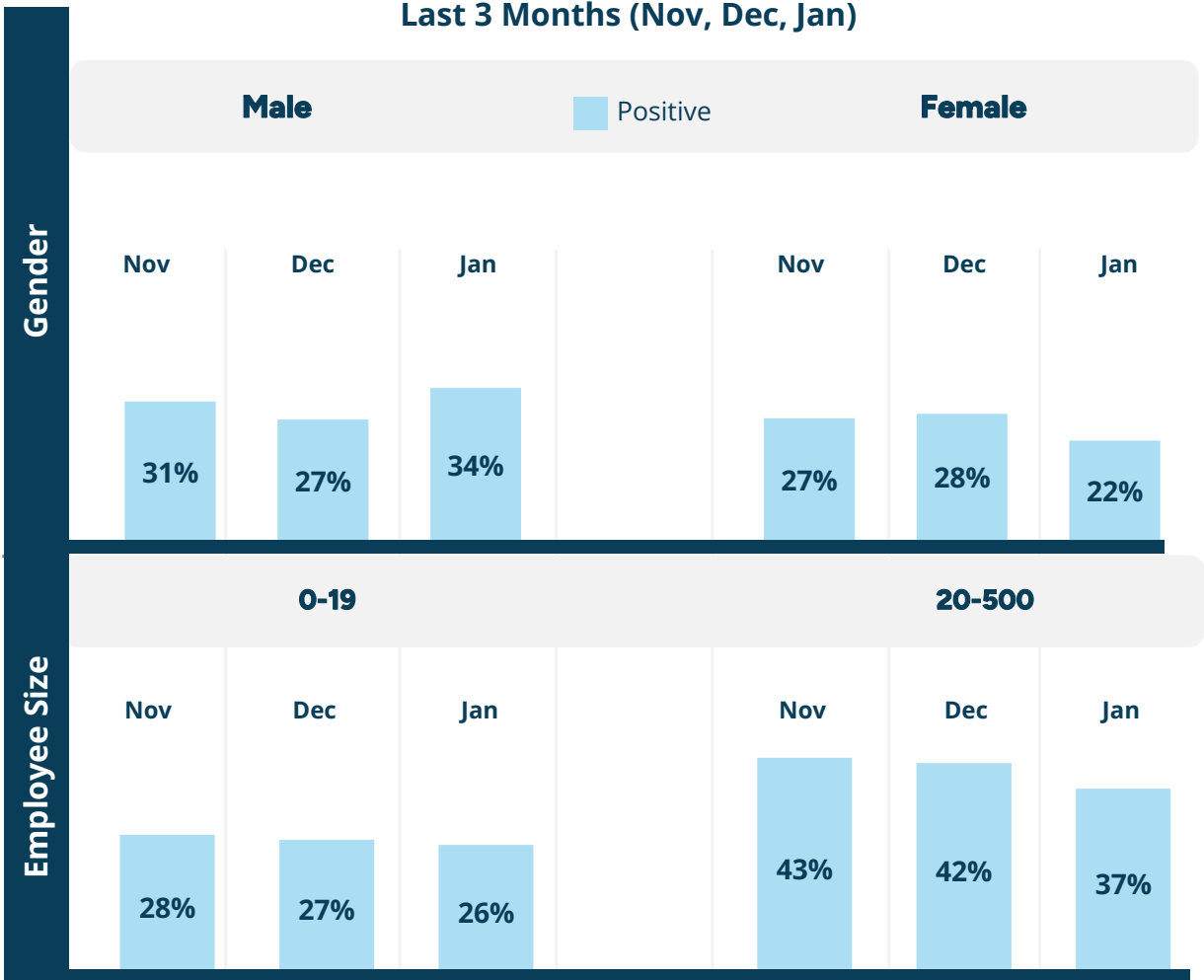
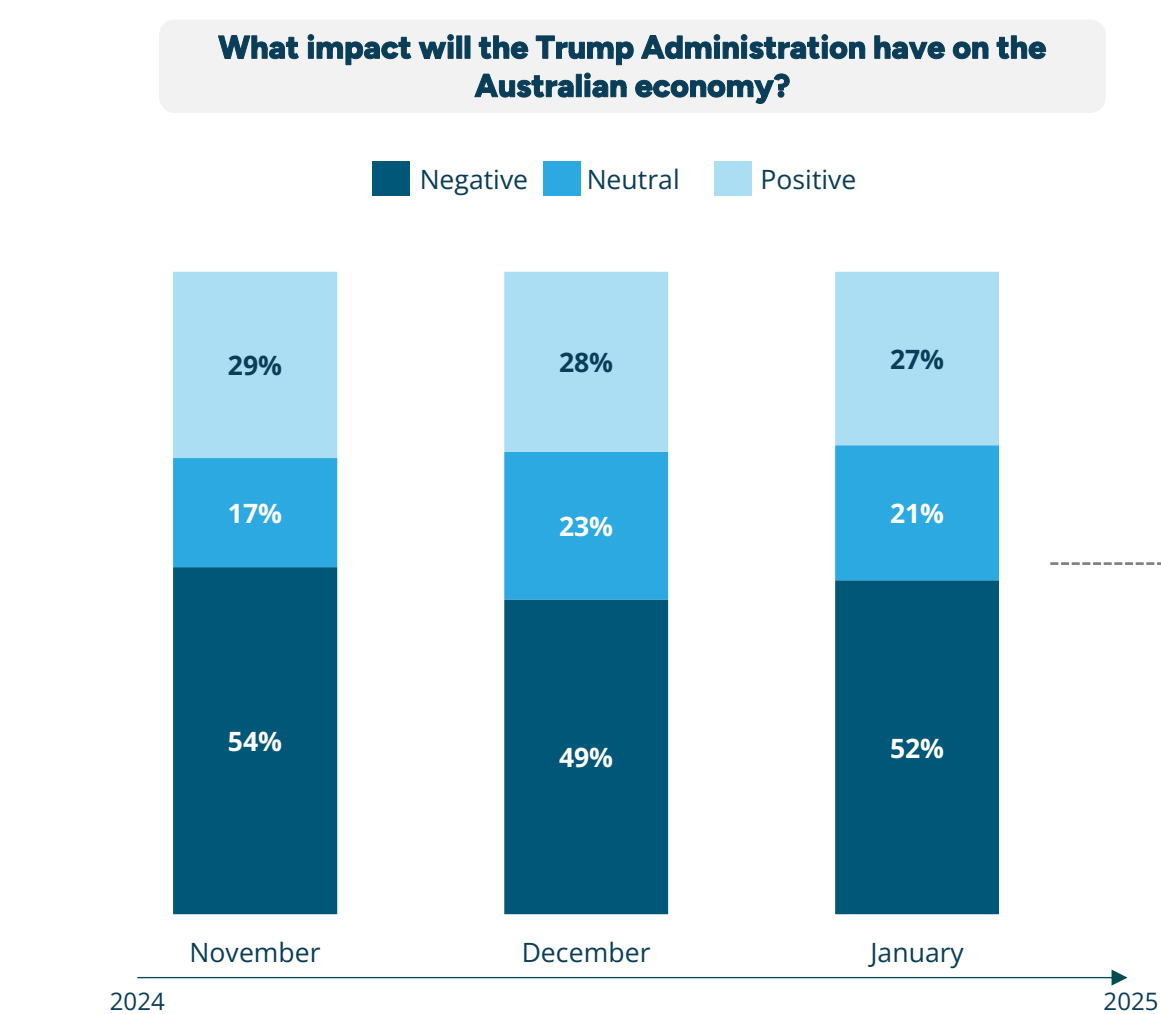
Last 3 Months (Nov, Dec, Jan)

Industry Groups

Employee Size



SME decision-makers generally hold a negative view of the Trump administration's potential impact on the Australian economy. Females and those working in smaller SMEs are less likely to anticipate positive outcomes.





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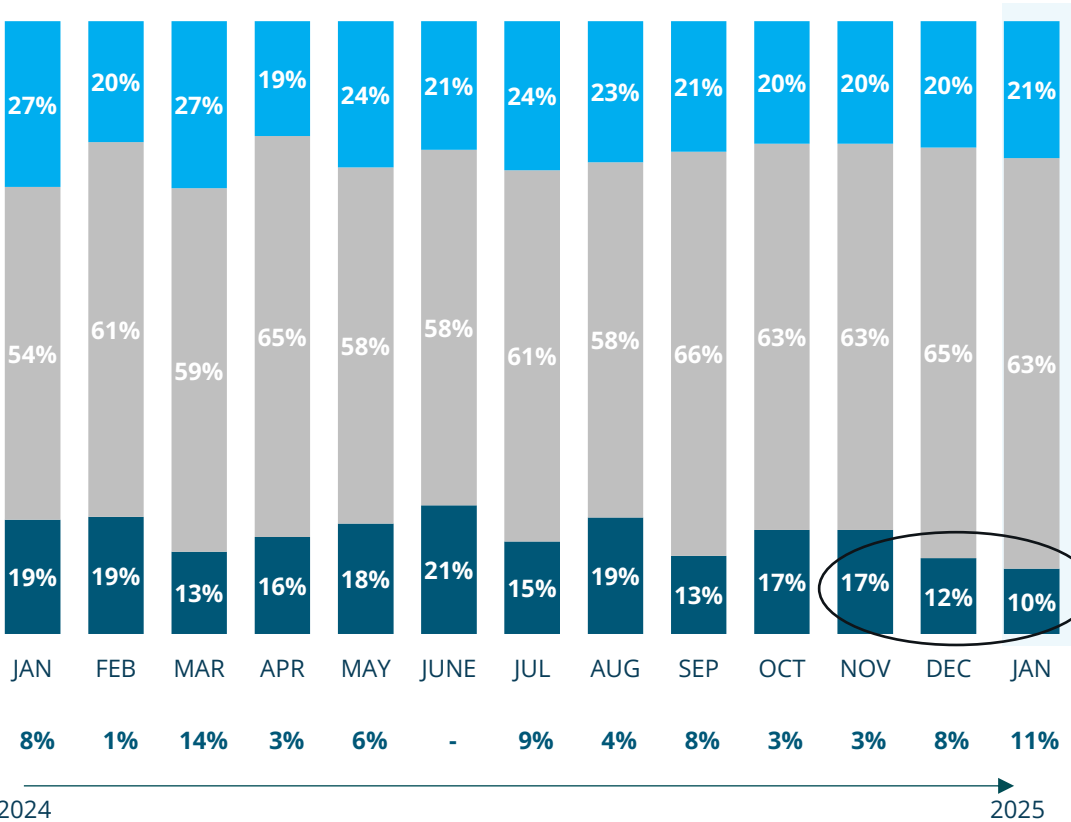
# Business Investment | Next Three Months

As growth expectations increase, it is encouraging to see a downward trend in SMEs reducing both capital investment and marketing expenditure.

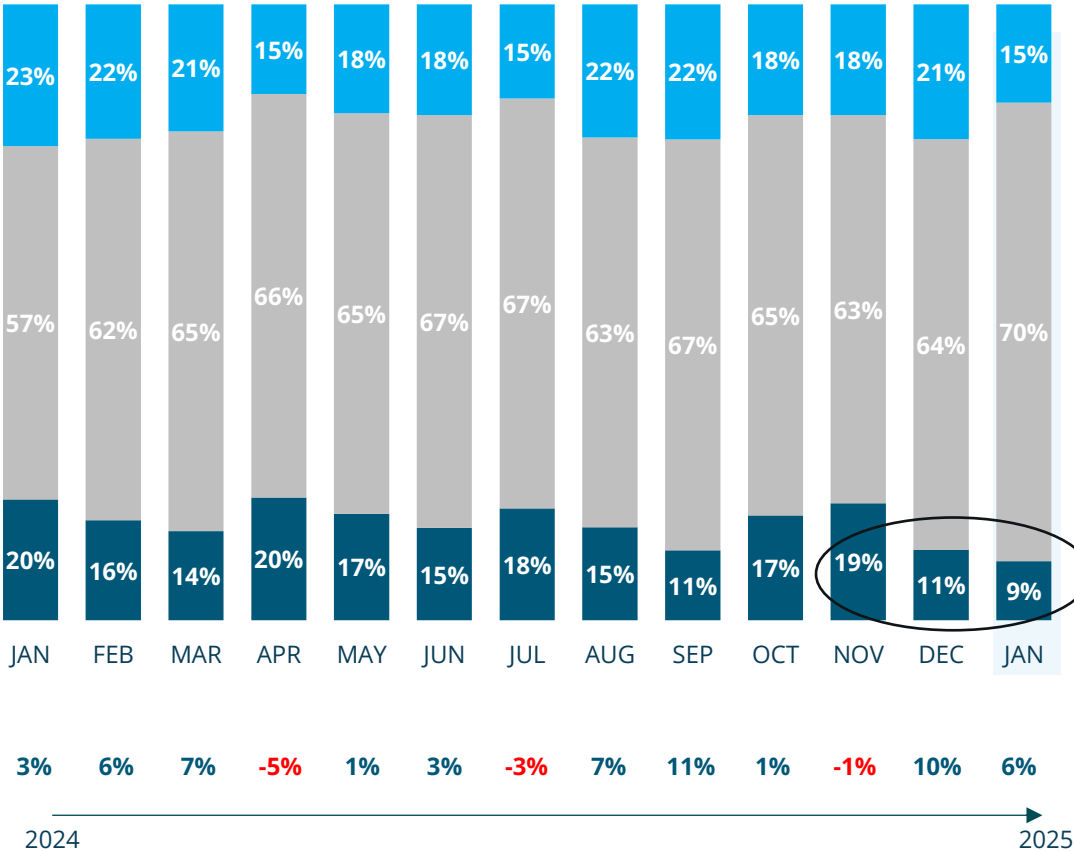
Expectations Over The Next 3 Months Regarding Business Investment

## Business Spending/ Capital Investment

- Increase
- Same
- Decrease



## Marketing Spend

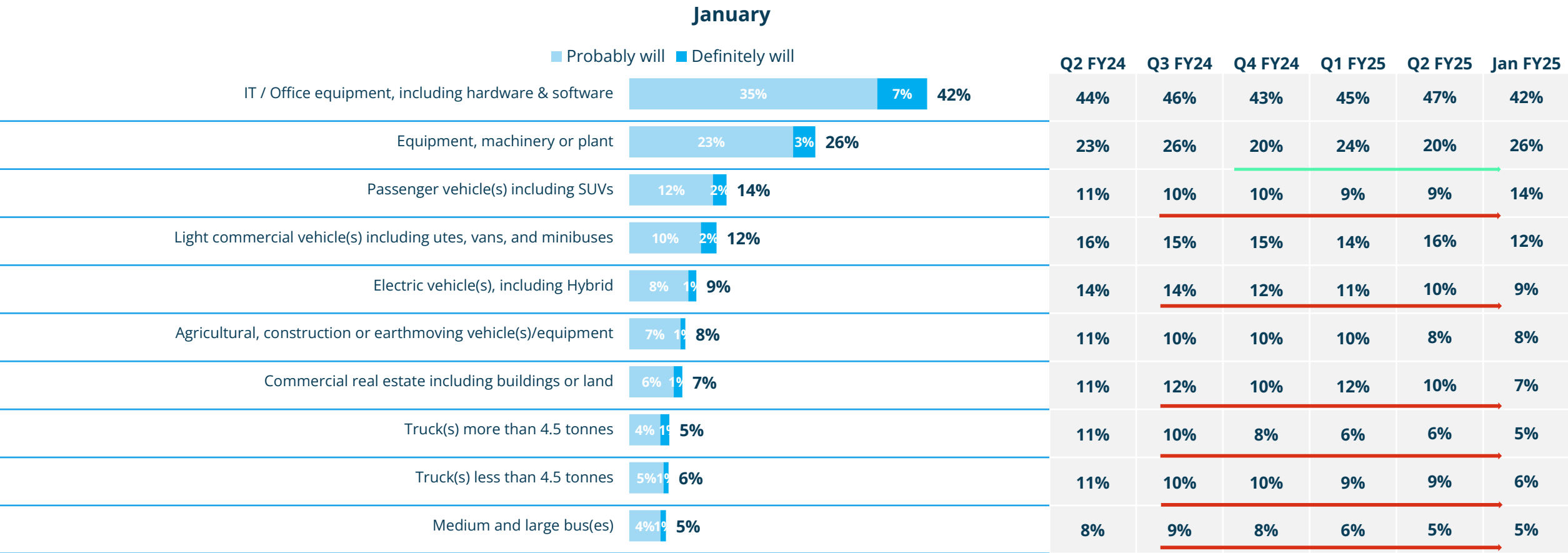




# Business Investment | Capital Expenditure

While investment in equipment, machinery, and plant looks promising for the next quarter, demand for electric vehicles, commercial real estate, trucks, and buses remains subdued.

## Which Of The Following Will You Purchase For Your Business Over The Next 3 Months?



Demand remains lower among small SMEs, while larger SMEs show greater positivity towards purchasing IT equipment, electric vehicles, agricultural equipment, and large trucks.

Which Of The Following Will You Purchase For Your Business Over The Next 3 Months?

Highest in row highlighted

IT / Office equipment, including hardware & software
Equipment, machinery or plant
Passenger vehicle(s) including SUVs
Light commercial vehicle(s) including utes, vans, and minibuses
Commercial real estate including buildings or land
Electric vehicle(s), including Hybrid
Agricultural, construction or earthmoving vehicle(s)/equipment
Truck(s) less than 4.5 tonnes
Truck(s) more than 4.5 tonnes
Medium and large bus(es) with more than 12 seats

0-19 Employees

Oct	Nov	Dec	Q2 FY25	Jan 2025
40%	49%	48%	46%	40%
16%	22%	20%	19%	25%
13%	17%	10%	14%	12%
9%	19%	15%	14%	11%
9%	8%	9%	9%	6%
9%	8%	9%	9%	8%
7%	10%	5%	8%	6%
10%	6%	6%	7%	5%
5%	6%	5%	5%	4%
5%	3%	4%	4%	4%

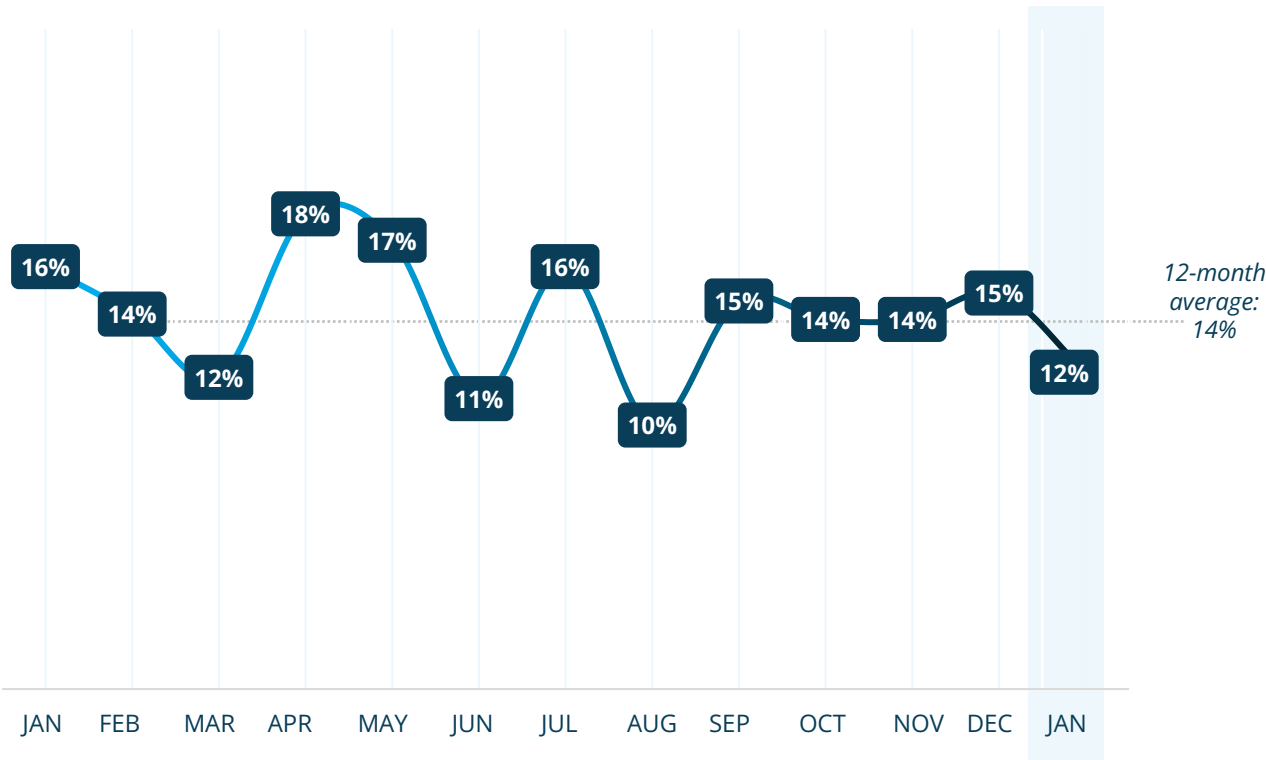
20+ Employees

Oct	Nov	Dec	Q2 FY25	Jan 2025
70%	57%	58%	61%	66%
44%	34%	43%	40%	40%
44%	30%	25%	33%	33%
37%	32%	30%	33%	28%
32%	30%	17%	26%	27%
36%	26%	21%	28%	34%
27%	15%	18%	20%	28%
25%	25%	19%	23%	19%
27%	15%	20%	21%	26%
27%	25%	20%	24%	22%

# Business Investment | Finance Needs (Next 3 months)

Demand for additional finance has dropped to 12%, below the 12-month average of 14%. Given the weak AUD, it's unsurprising that more SMEs are using finance to support domestic growth and fund export activities.

SMEs That Will Require Additional Finance Over The Next 3 Months



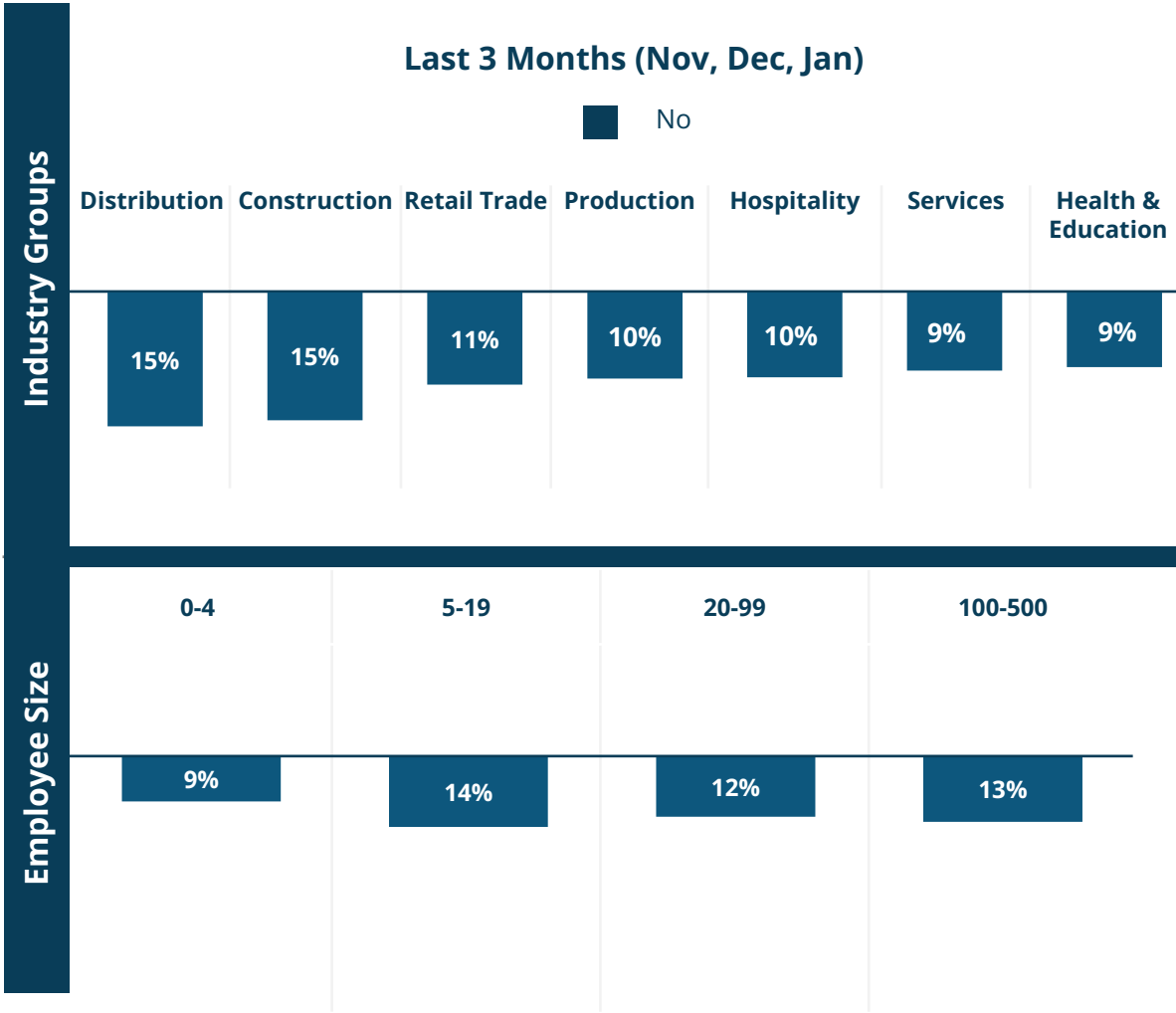
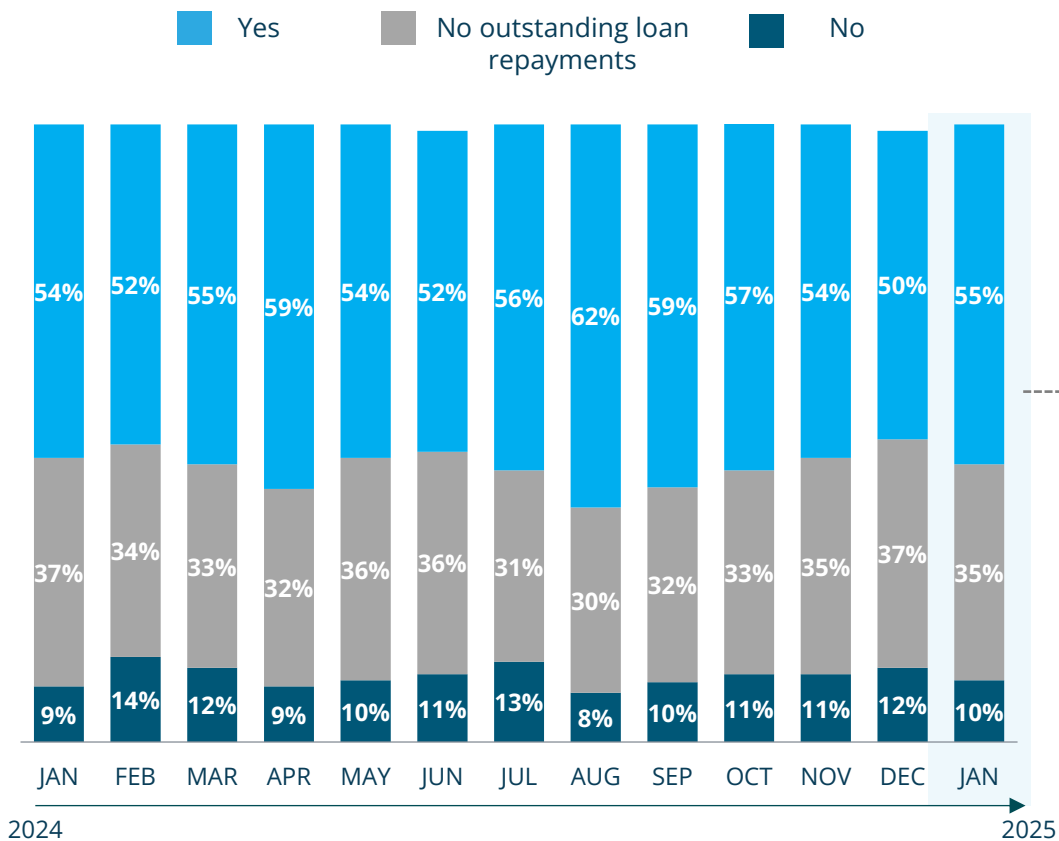
And What Is The Purpose Of This Finance?

	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Jan FY25
Cashflow/ working capital	57%	50%	62%	61%	60%	53%
Purchase plant, machinery or equipment	31%	25%	26%	23%	26%	16%
Fund growth in Australia	23%	29%	20%	16%	23%	28%
Fund growth into new markets	25%	24%	25%	22%	13%	11%
Trade finance to fund import/export activity	19%	17%	12%	13%	9%	20%
Fund merger/acquisition	13%	10%	10%	14%	7%	15%

# Business Investment | Loan Stress

The proportion of SMEs expecting to meet loan repayments has increased since December. However, businesses in the distribution and construction sectors continue to face repayment challenges.

Do You Expect To Be Able To Meet Your Loan Repayments Over The Next 6 Months?



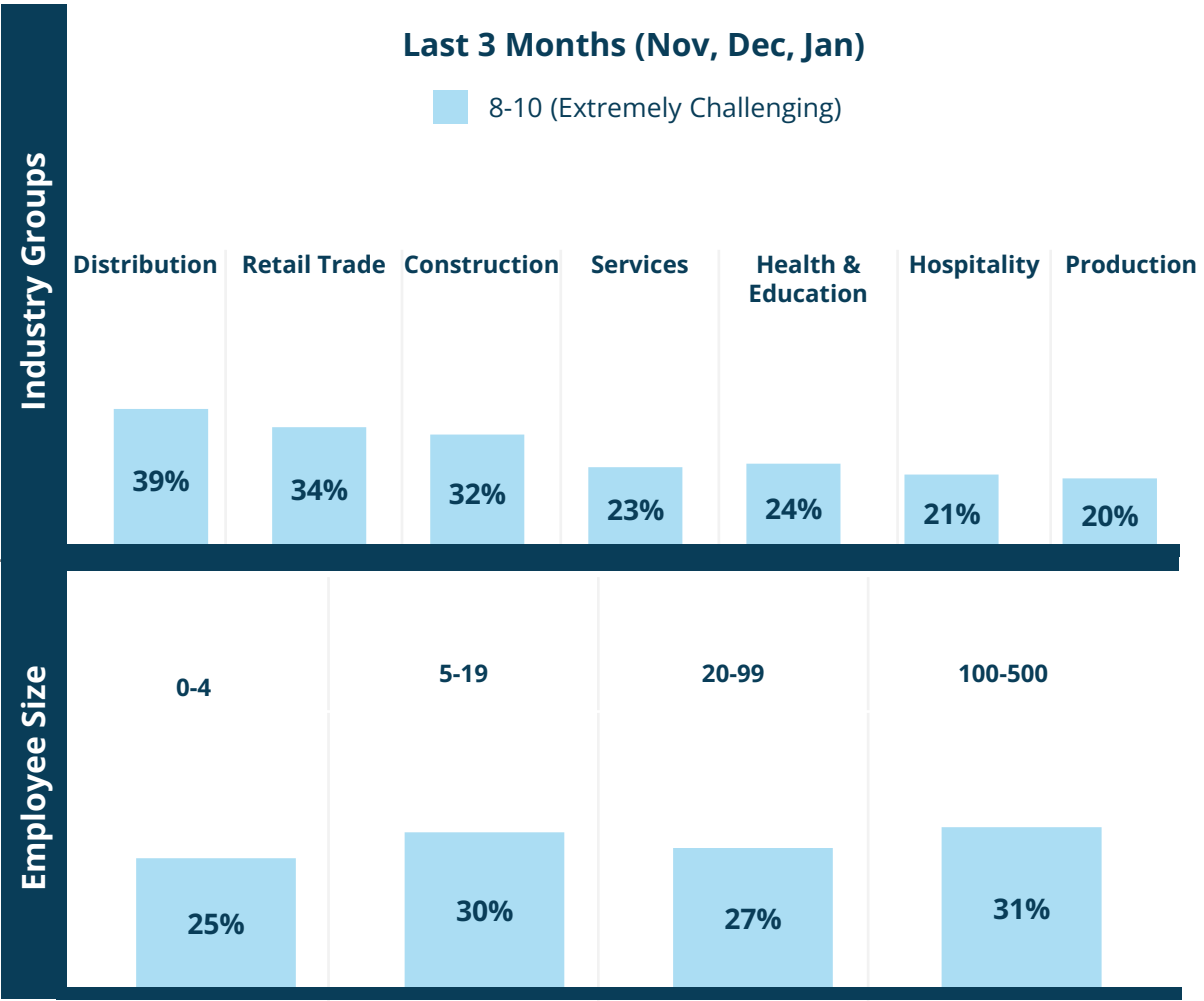
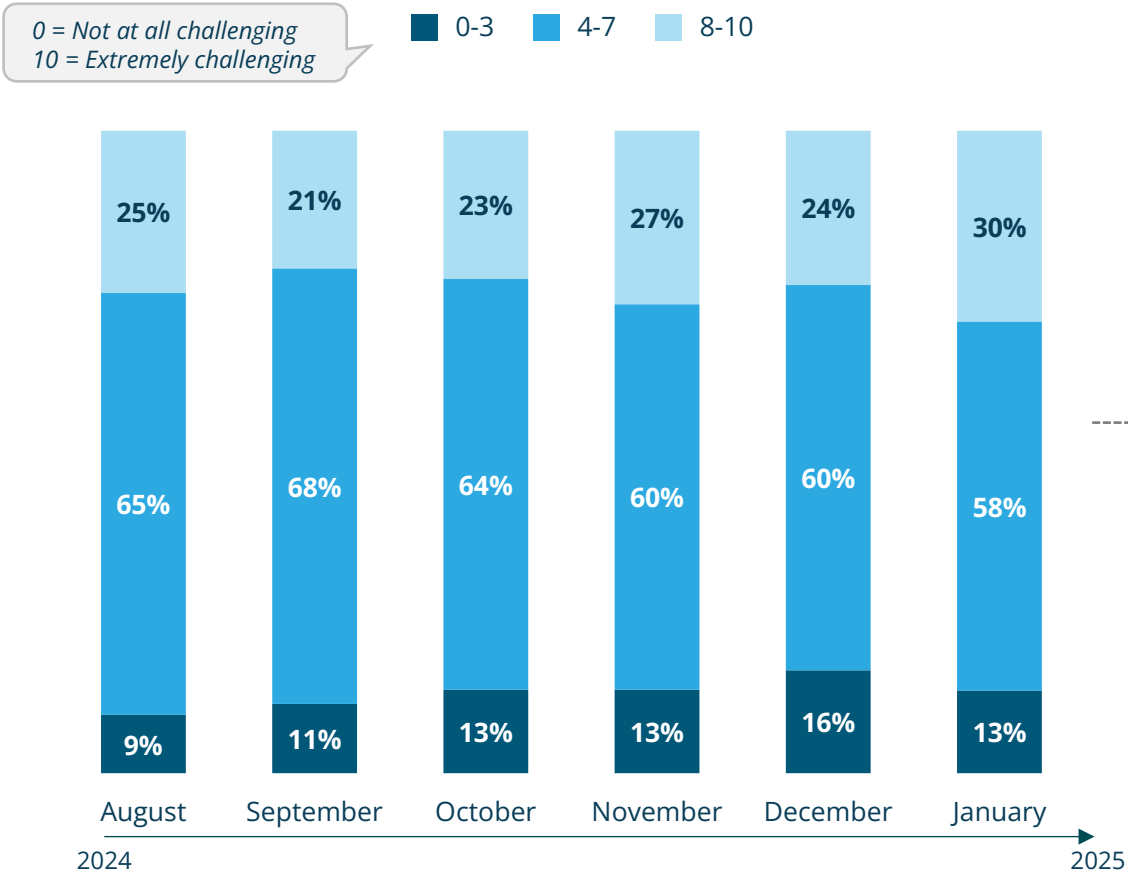
Demand for finance has declined within the distribution, hospitality and production sectors, but has ticked up amongst retailers.

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

	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Last 3M
0-19 Employees	15%	13%	14%	13%	14%	13%
20+ Employees	28%	28%	35%	26%	21%	23%
Construction	19%	13%	17%	14%	19%	18%
Distribution	12%	19%	13%	19%	16%	14%
Health & Education	20%	13%	17%	8%	8%	8%
Hospitality	25%	27%	29%	14%	17%	13%
Production	21%	17%	22%	16%	14%	12%
Retail Trade	15%	8%	11%	9%	9%	12%
Services	12%	12%	13%	13%	13%	13%

Unsurprisingly, financial hardship has increased in January, with many SMEs experiencing slower revenues typical of the holiday period.

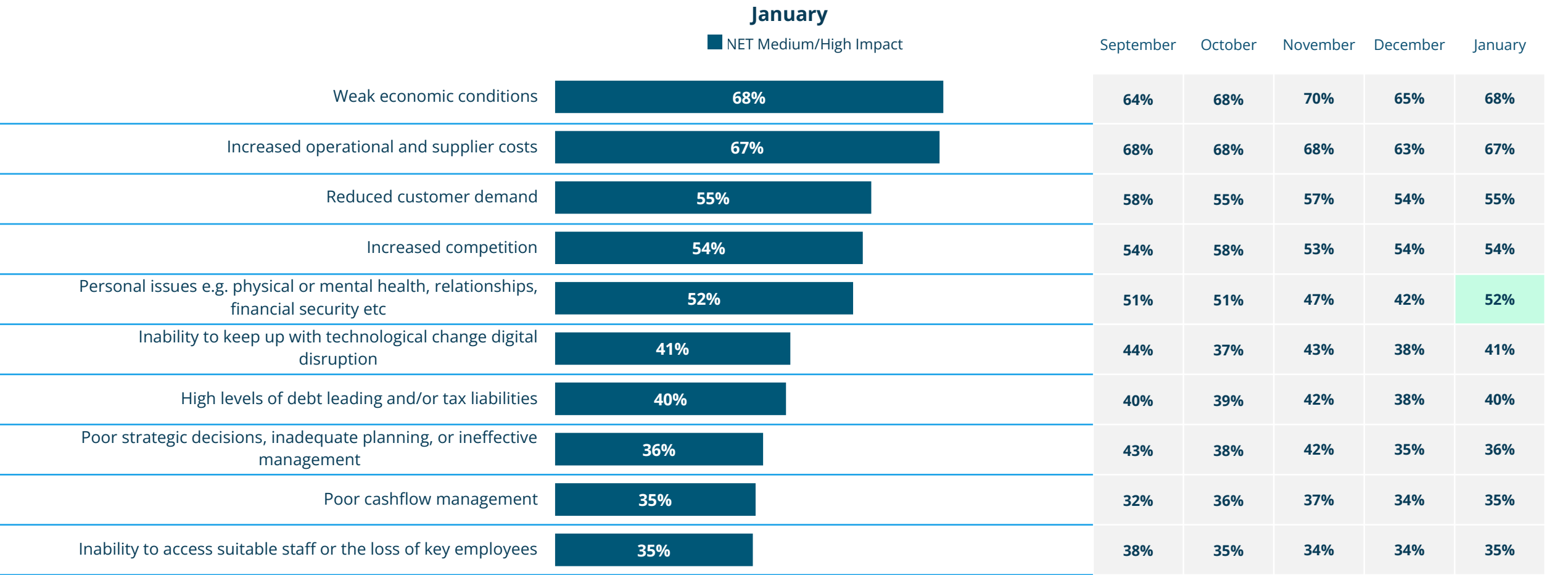
How Would You Rate The Severity Of Your Financial Challenges Over The Past 12 Months?

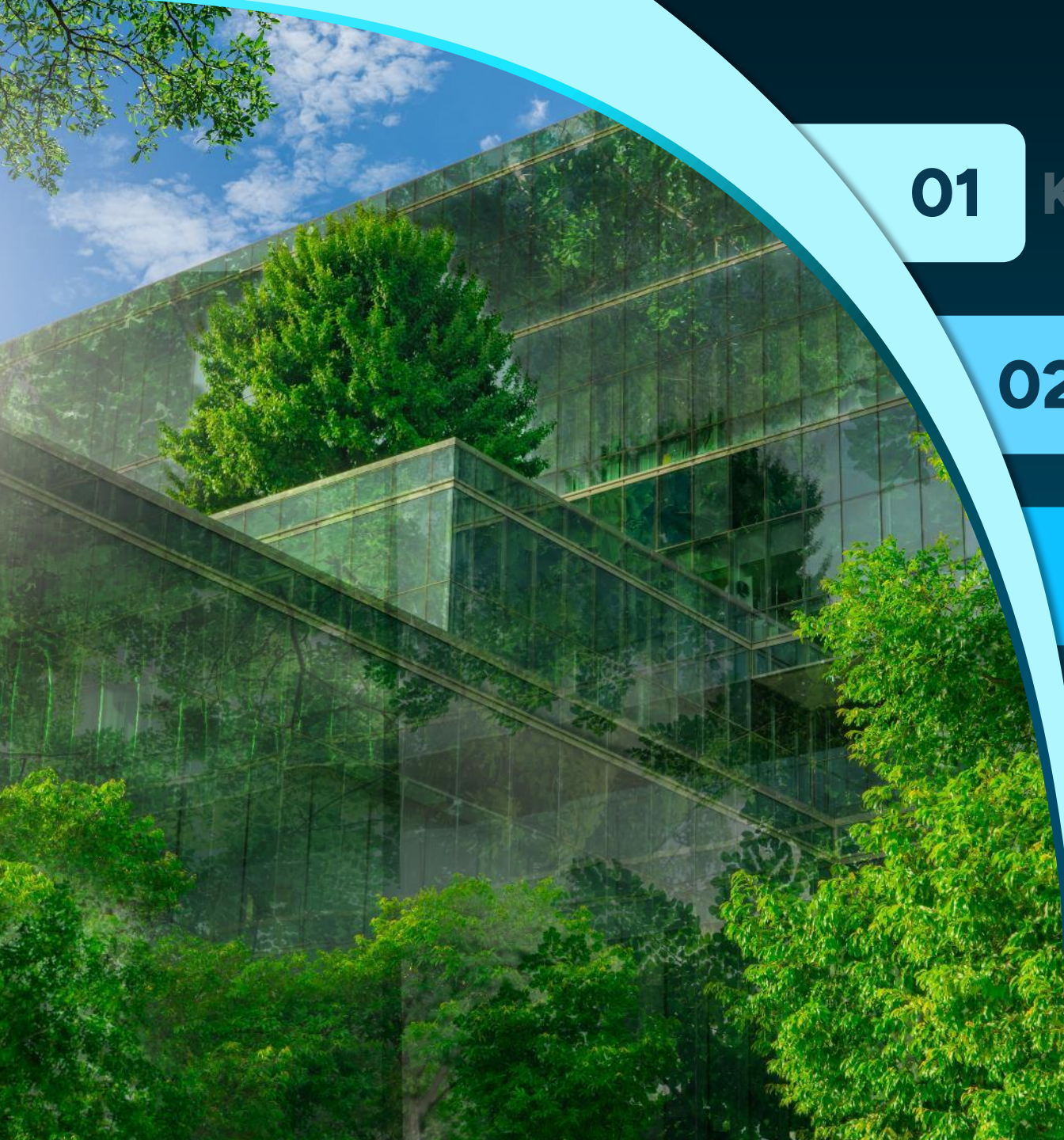




Personal challenges have become more pronounced in January, suggesting the holiday period is a key time for increased mental health, relationship, and financial pressures.

What Impact Have The Following Issues Had On The Financial Health Of Your Business Over The Past 12m?





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▶ 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

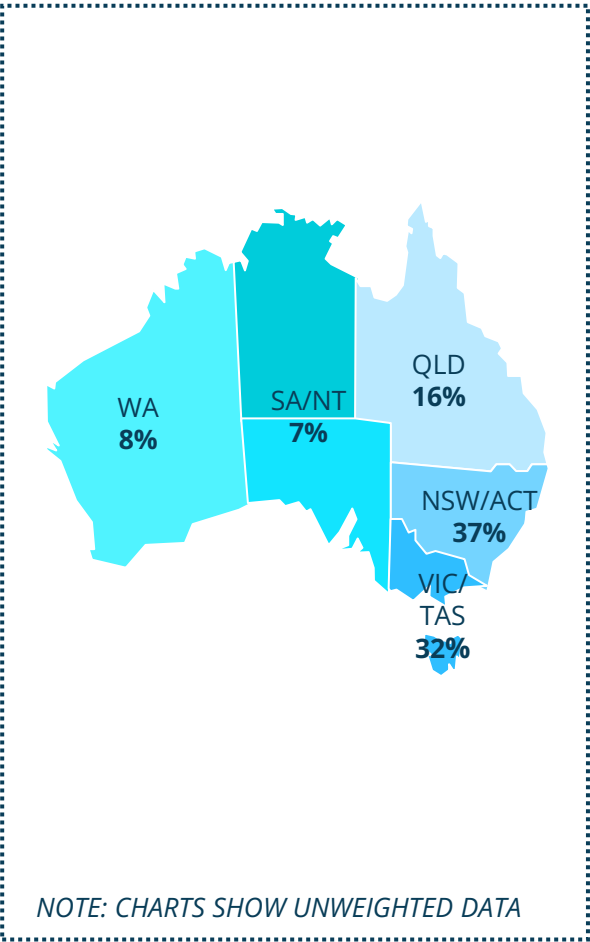


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

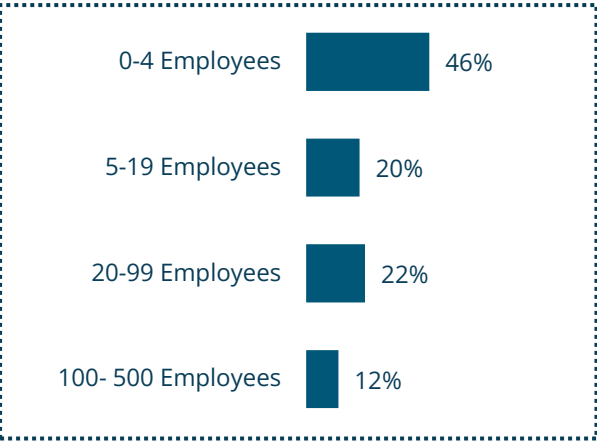
# Our Sample

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.

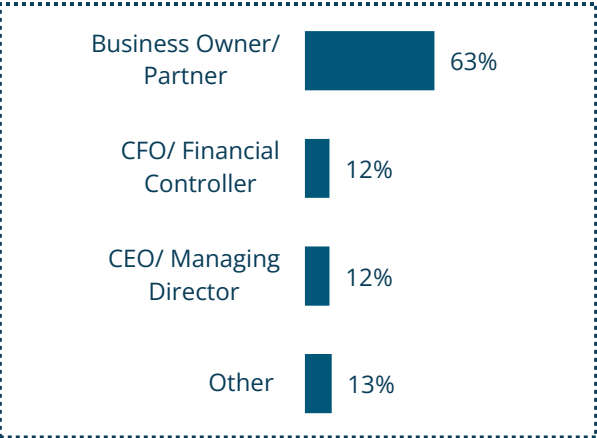
## Head Office Location



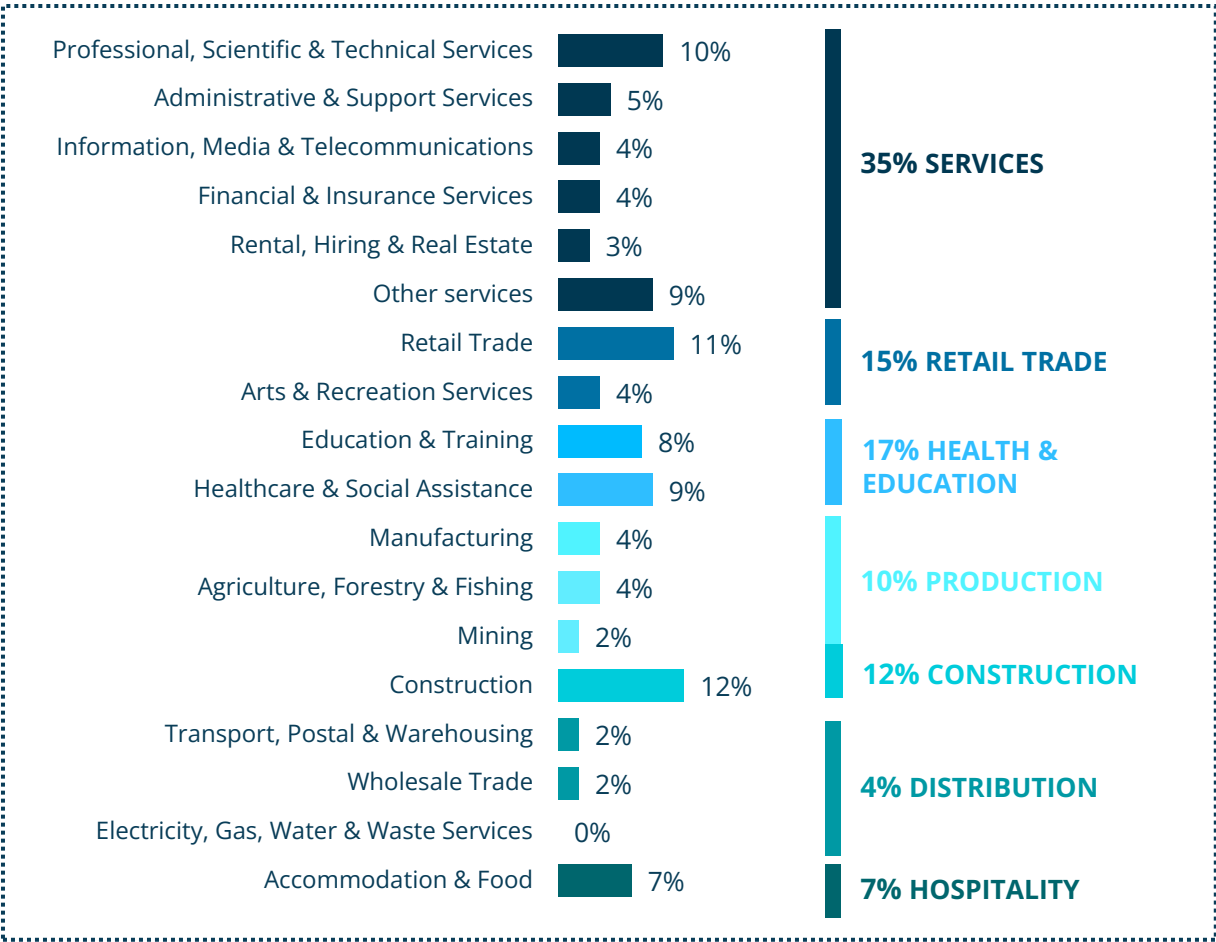
## Size Of Business: Employees



## Position In Business



## Industry Sector





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Fifth Quadrant Pty Ltd  
ABN: 53 088 072 940 | ACN: 088 072 940

Level 6, 54 Miller Street  
North Sydney, NSW, 2060, Australia

E: [james@fifthquadrant.com.au](mailto:james@fifthquadrant.com.au)



# Thank You

For further information, please contact:

**James Organ**

Managing Director

E: [james@fifthquadrant.com.au](mailto:james@fifthquadrant.com.au)

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