



# Small & Medium Enterprise Sentiment Tracker

Wave 73 – March 2025



**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 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.





**Domestic and global economic sentiment has plummeted**



**68% believe the Trump Administration will have a negative impact on the Australian economy**



**Only 19% of SMEs reported an increase in revenues vs last year**



**Only 34% of SMEs are growth focused compared to 39% in January**

## Tariff Terrors Shake SME Confidence as Outlook Turns Grim

Confidence in both domestic and global economies has plummeted as tariff wars shift from threat to reality. Now, 66% of SMEs expect a weaker global economy (up from 43% in February) and 56% anticipate a weaker domestic outlook (up from 39%). Accordingly, 68% of SMEs now believe the Trump Administration will have a negative impact on the Australian economy. Heightened concern around these geopolitical tensions and associated supply chain challenges is adding to the economic unease, putting pressure on business planning and investment.

SME revenue softened over the past month, with only 19% reporting higher turnover compared to the same period last year. More concerning, 37% are now reporting lower revenue — up from 31% in January. The weakest performance in Q1 2025 came from businesses in production, retail, and hospitality.

Consequently, the proportion of SMEs focused on growth declined to 34% (down from 39% in January), while 20% now report plans to downsize or exit—the highest level recorded in the past 12 months. Accordingly, investment intentions for capital equipment and marketing spend also retraced from February levels.

Hiring intentions also continue to decline, with only 10% of SMEs planning to increase staff over the next three months—down from 15% in December. Notably, the retail sector has been the least active in hiring over the past quarter. In line with limited workforce growth expectations, job vacancies have also dropped to 13%, following a temporary uptick in February.

Financing trends reflect a similar caution. Demand for additional financing has fallen to its lowest point in a year (8%), particularly among smaller SMEs. On a positive note, loan stress has eased—from 12% in December to 8%—supported by falling interest rates, although this improvement could be short lived in the current environment.

**This is clearly a time of heightened risk for SMEs, with sentiment weakening across all key indicators. The direction of confidence and activity in the coming months will largely depend on how tariff negotiations play out and whether businesses see a path to greater stability.**



**01**

**Key Performance Indicators**

**02**

**People**

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**Business Investment**

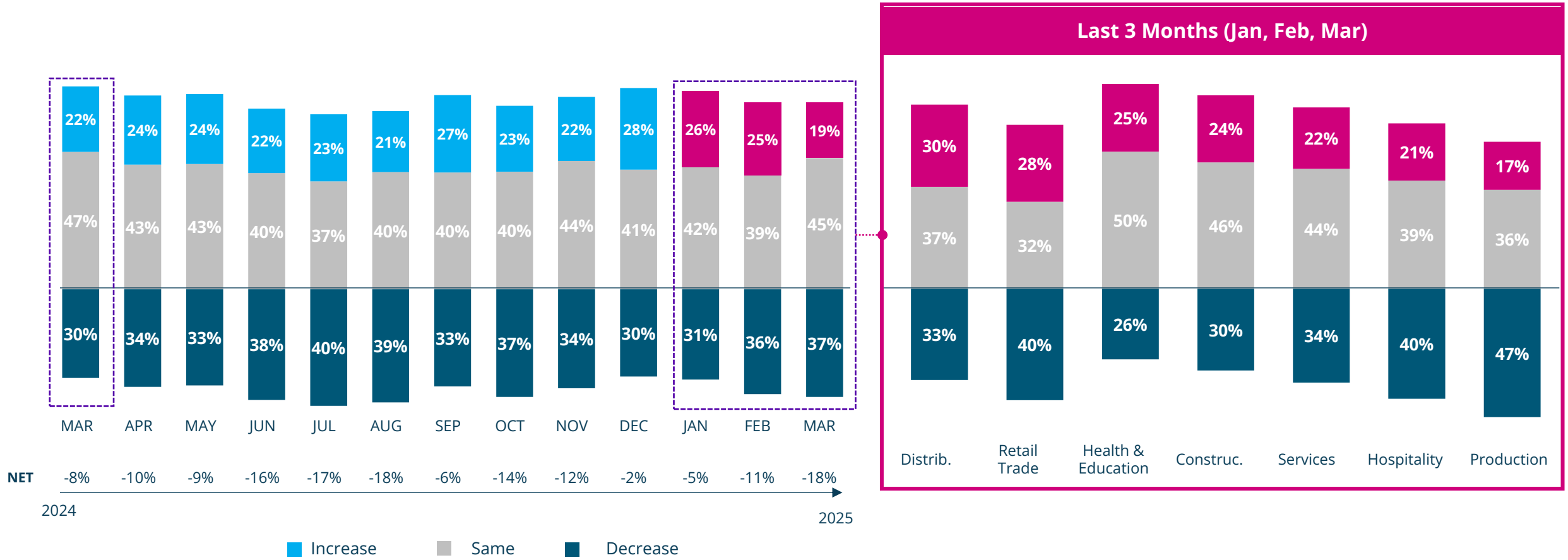
**05**

**Methodology & Sample**

# Key Performance Indicators | Revenue

SME revenue has softened over the past month, with only 19% reporting higher turnover compared to the same period last year. More concerning, 37% are now reporting lower revenue — up from 31% in January. The weakest performance in Q1 2025 came from businesses in production, retail, and hospitality.

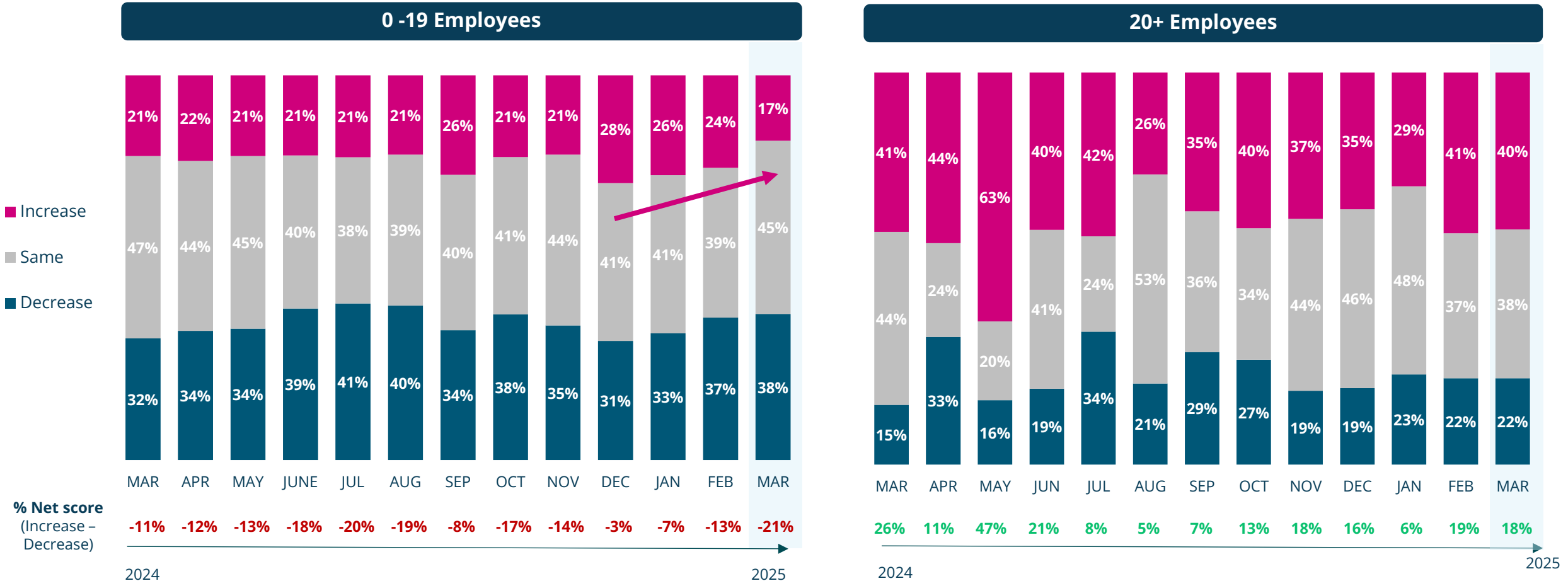
## How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



# Key Performance Indicators | Revenue

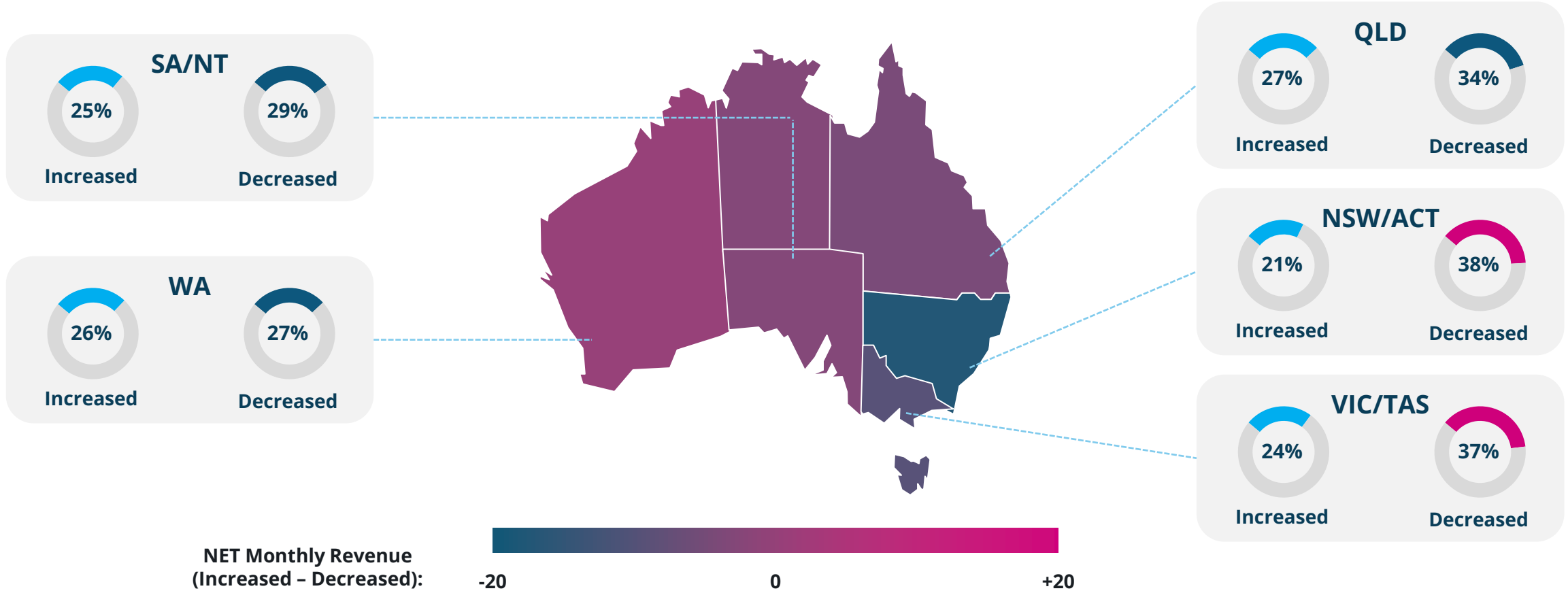
The downward trend in revenue growth is most evident among smaller SMEs (0-19 employees), suggesting they are more vulnerable to current economic pressures and shifting market conditions.

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



Notably, the larger economies of NSW/ACT and VIC/TAS reported the most significant declines.

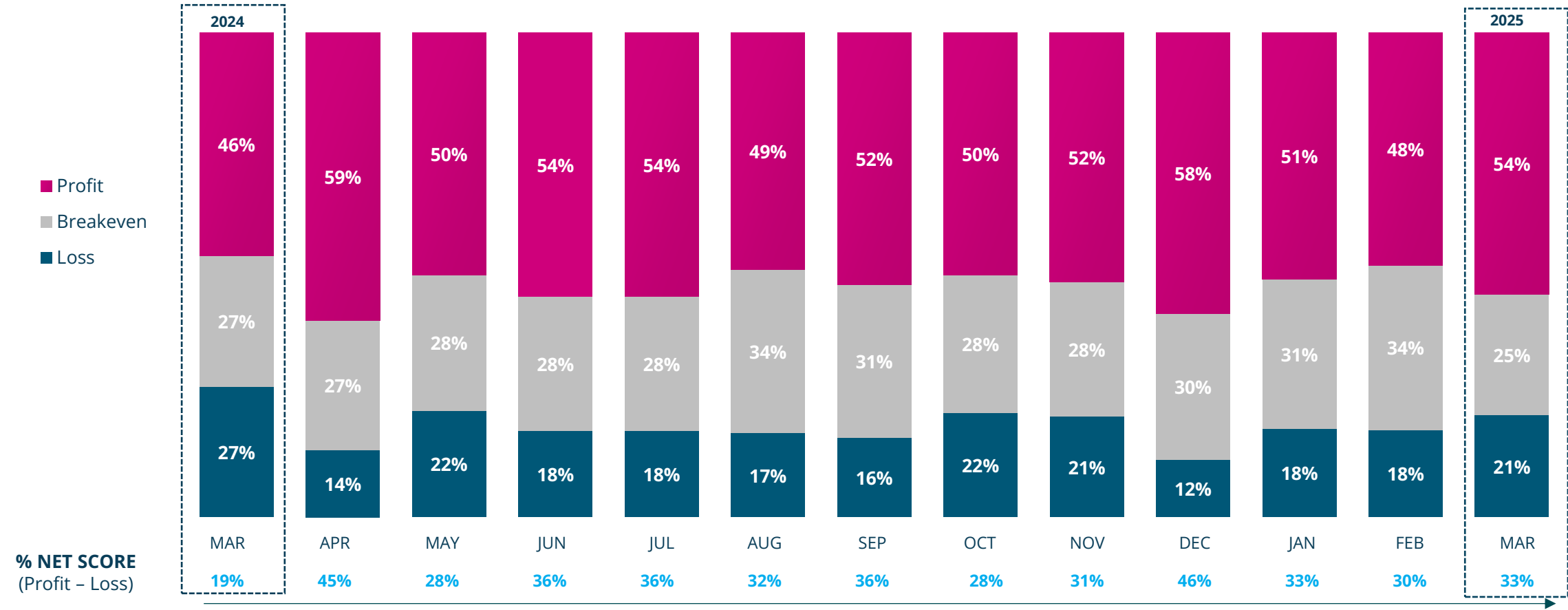
## How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago? – FY25TD



# Key Performance Indicators | Profit

While 54% of SMEs reported a profit in March — the highest for the quarter — the share of loss-making businesses also rose from 12% in December to 21% in March, highlighting a widening gap in financial performance.

## What Was Your Profit Margin Last Month?





# Key Performance Indicators | Initiatives To Counter Cost Pressures

While many SMEs continue to refine their product and service offerings, they continue to actively seeking ways to reduce costs and improve efficiency.

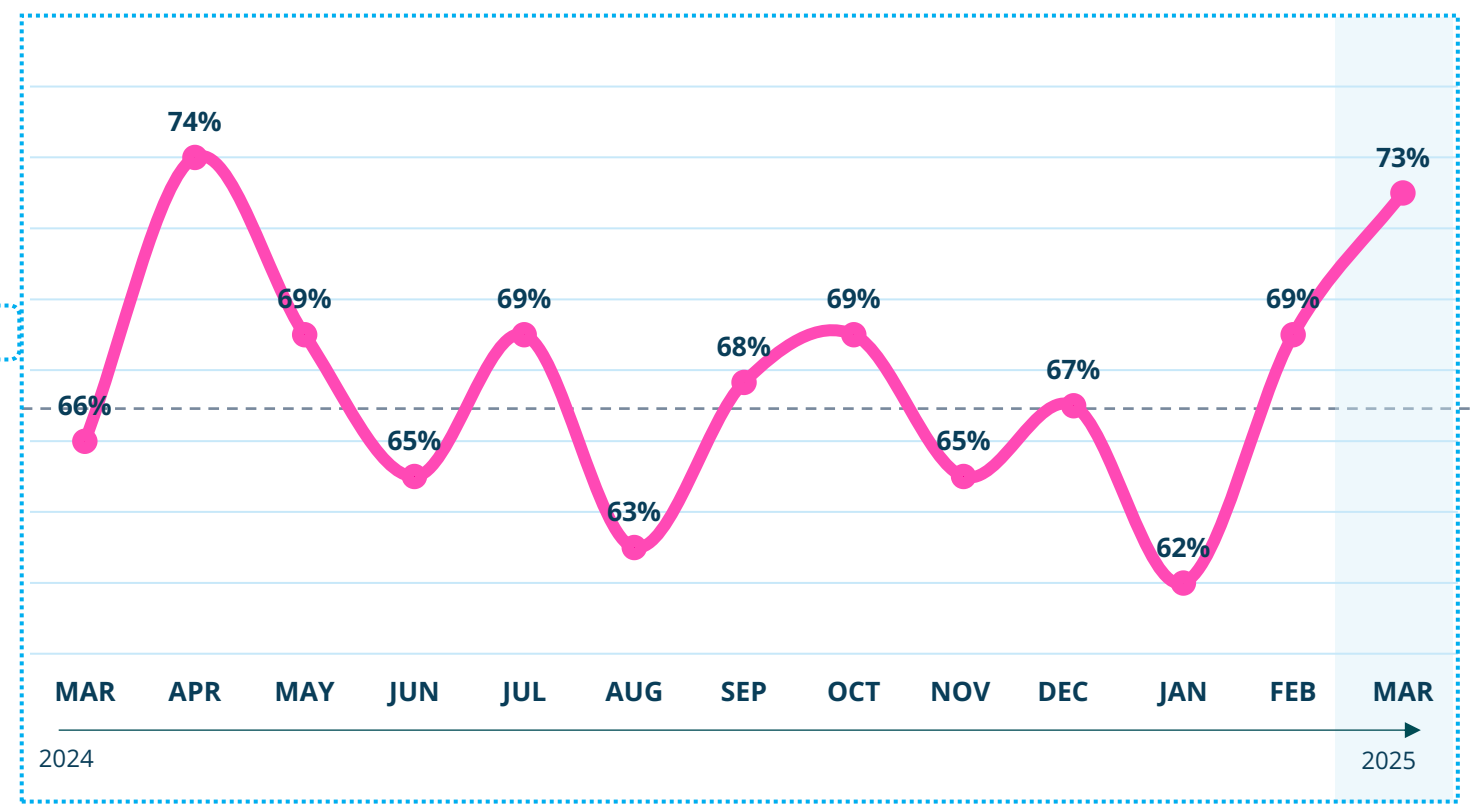
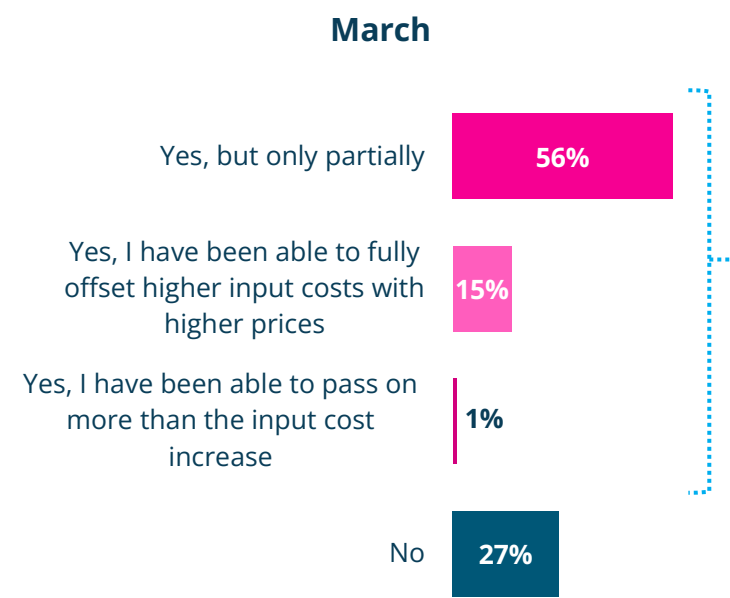
## How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

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

# Key Performance Indicators | Cost Recovery

Reflecting declining inflation more SMEs have been able to pass on cost increases in March, surpassing the yearly average of 67%.

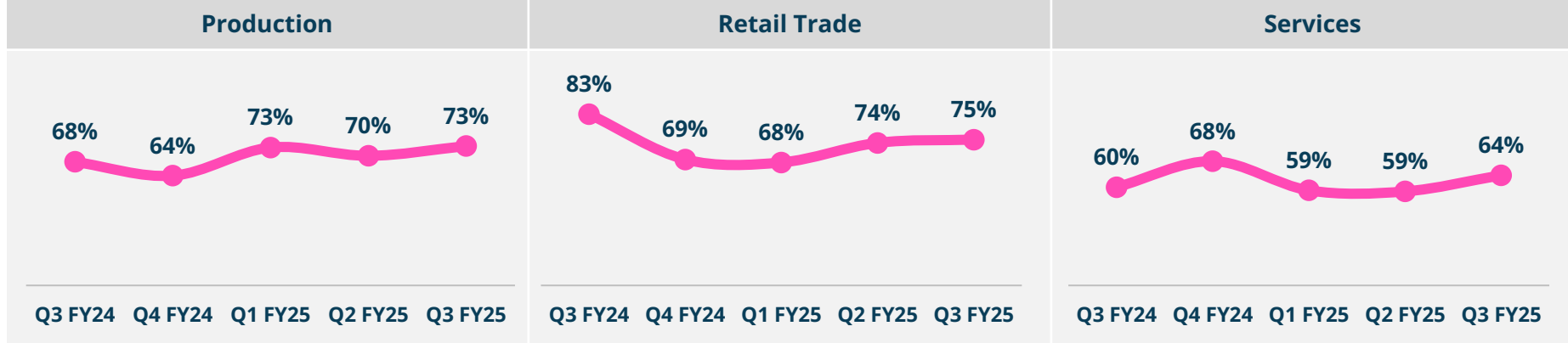
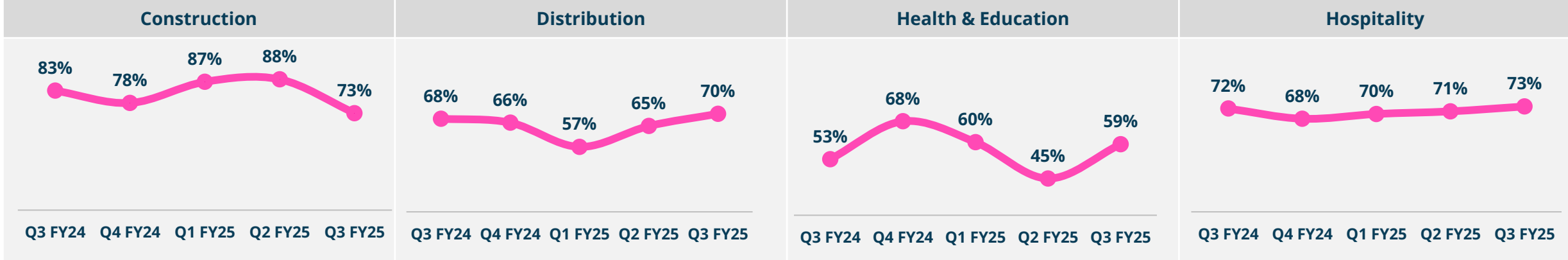
## Have You Been Able To Pass On Higher Input Costs To Your Customers?



# Key Performance Indicators | Cost Recovery

Most industries have been more successful in passing on higher costs in the last quarter, with the construction sector being a notable exception — likely due to fixed-price contracts and tighter competitive pressures limiting pricing flexibility.

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





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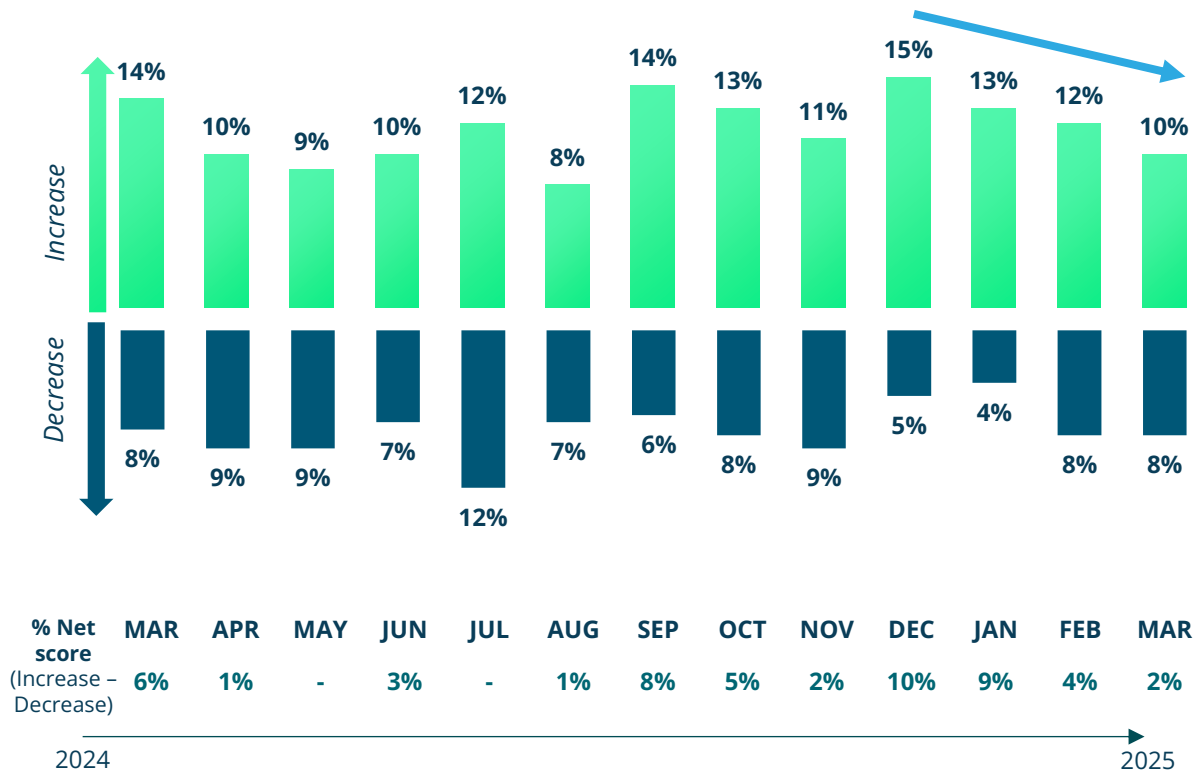
**Methodology & Sample**

# Key Performance Indicators | People

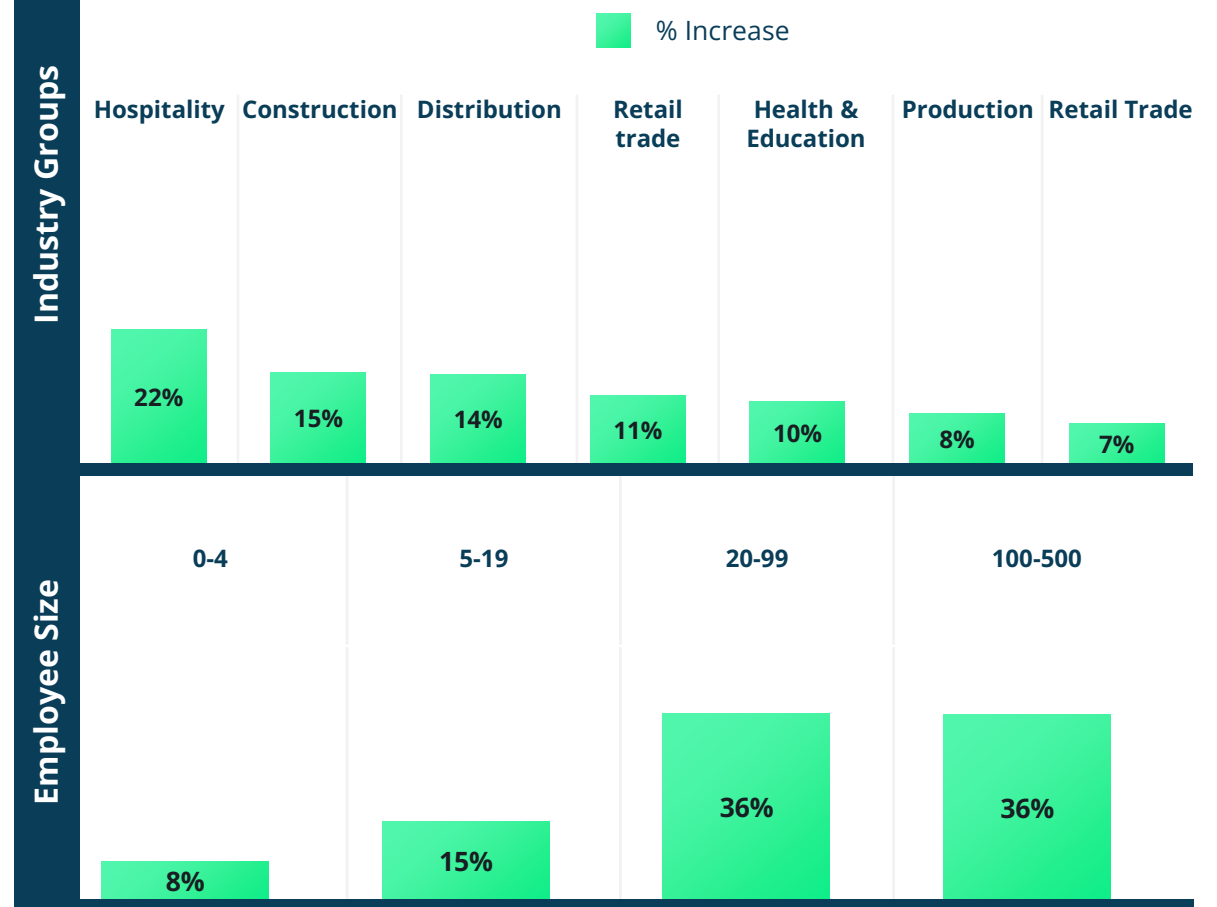
Hiring intentions continue to decline, with only 10% of SMEs planning to increase staff over the next three months — down from 15% in December. Notably, the retail sector has been the least active in hiring over the past quarter.

## Expectations Over The Next 3 Months Regarding Staff

### The Number Of Staff You Employ



## Last 3 Months (Jan, Feb, Mar)

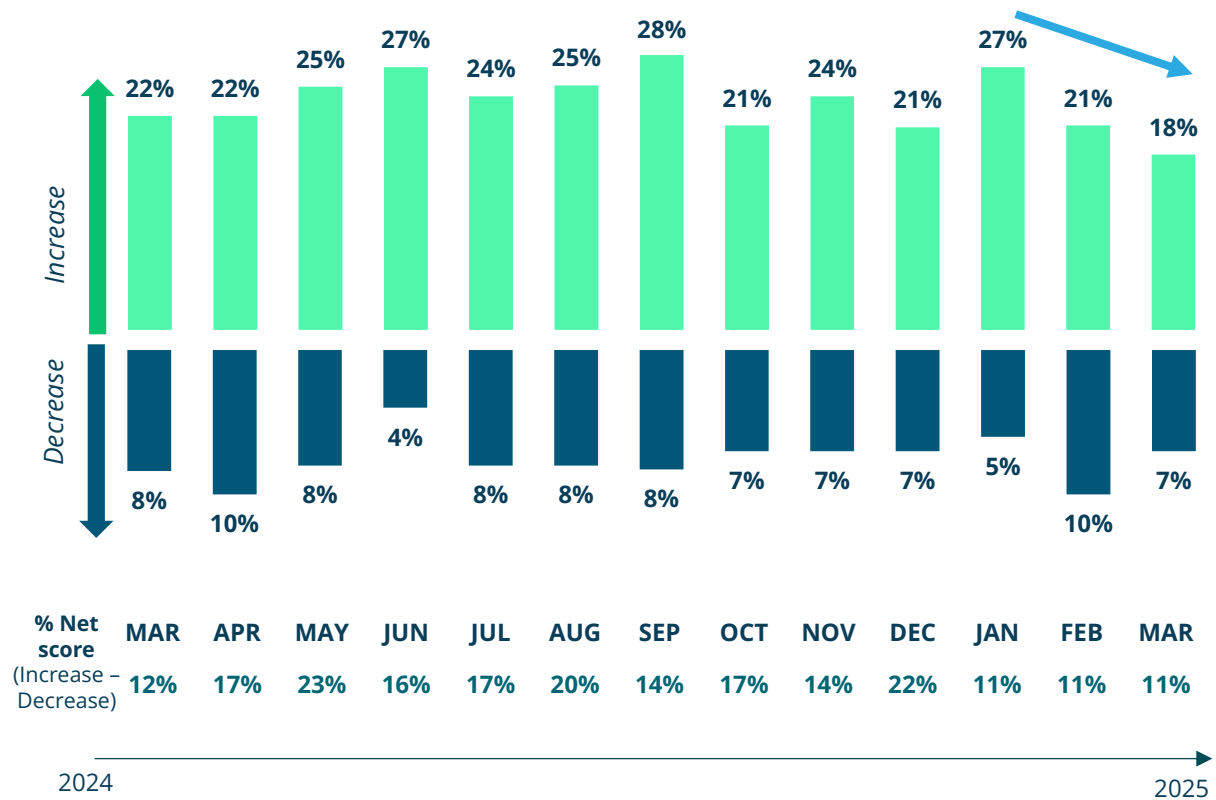


# Key Performance Indicators | People

With hiring activity stagnating, wage expectations have also eased, only 18% of SMEs expect wages to increase over the next three months, the lowest level recorded in the past year. This points to a weakening jobs market ahead.

## Expectations Over The Next 3 Months Regarding Wages

### The Wages You Pay



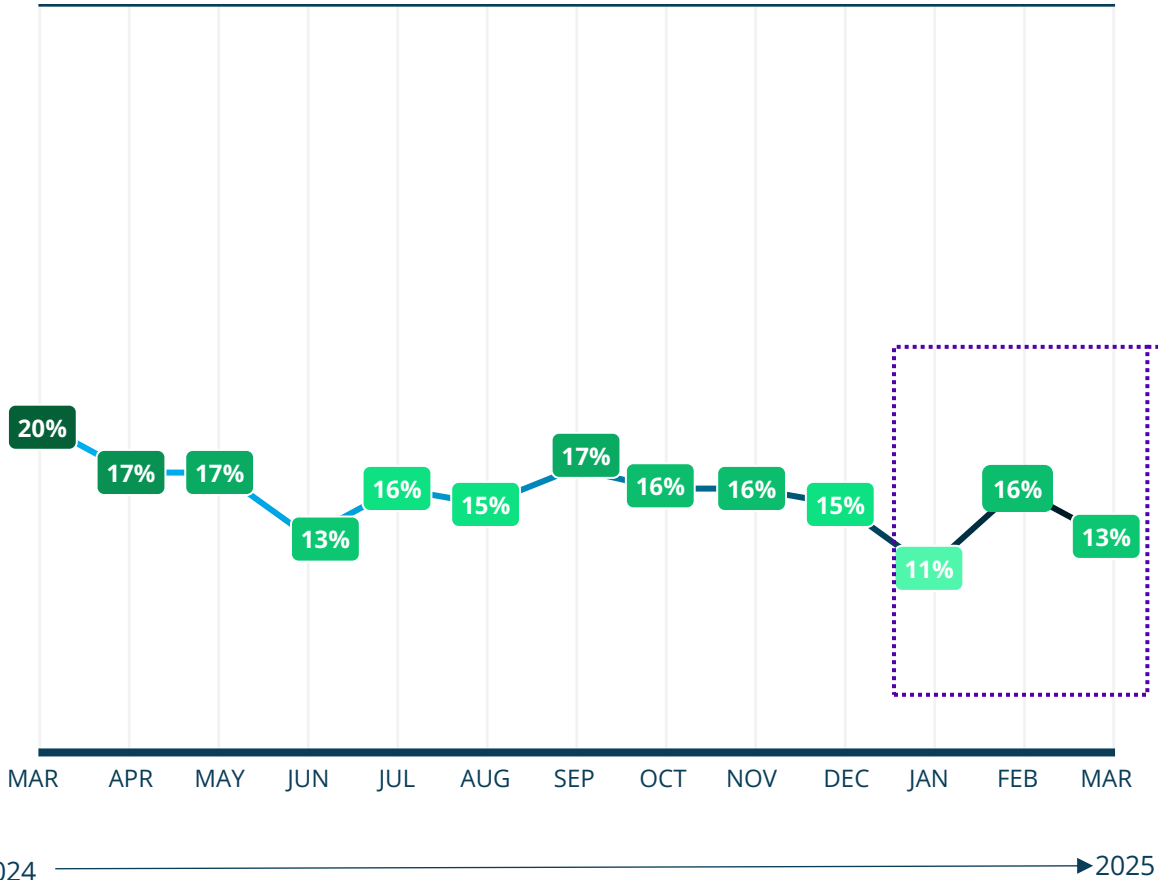
## Last 3 Months (Jan, Feb, Mar)



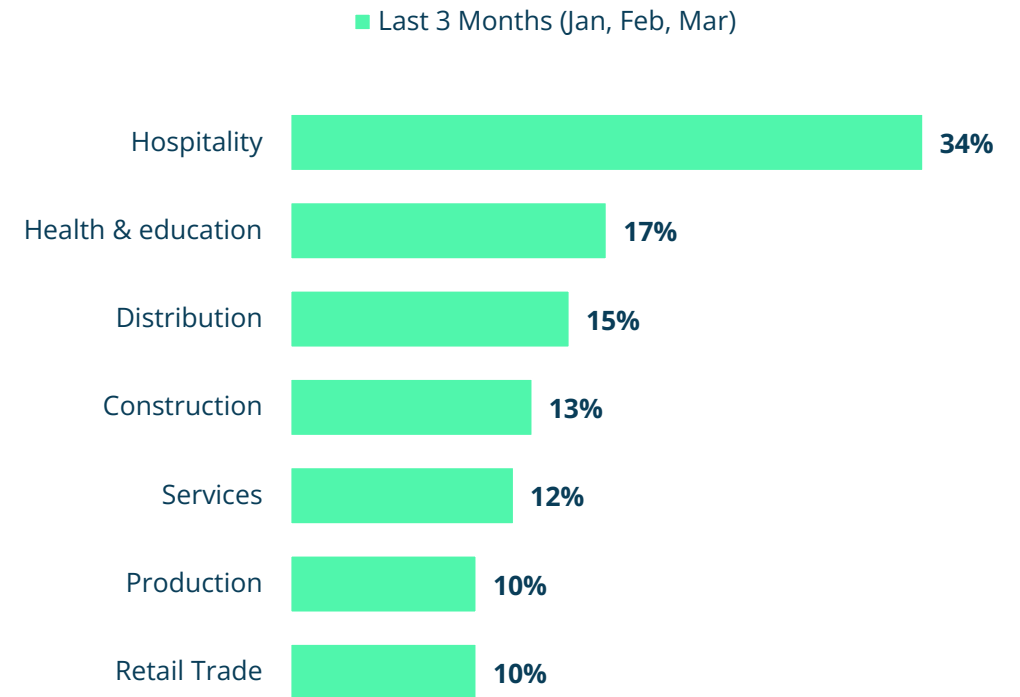
# Key Performance Indicators | People

In line with limited workforce growth expectations, job vacancies have fallen to 13% following a temporary uptick in February.

## SMEs That Currently Have Job Roles They Are Trying To Fill



## Current Job Vacancies By Industry

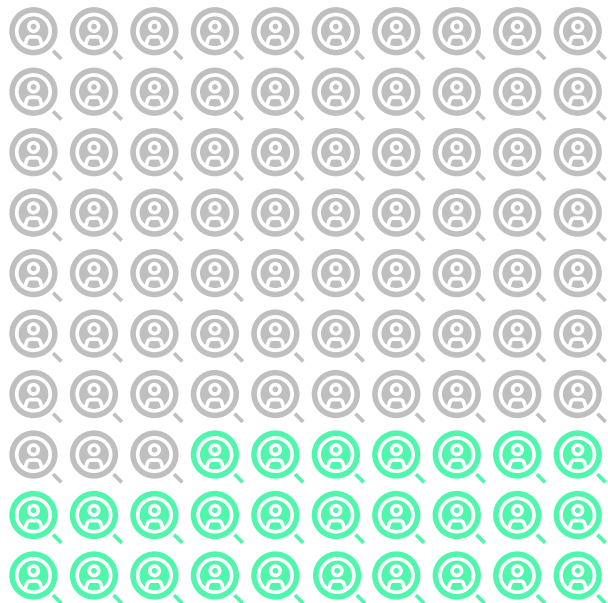


2024 → 2025

SME job vacancies have steadily declined year-on-year, with early signs in 2025 pointing to a more challenging labour market ahead.

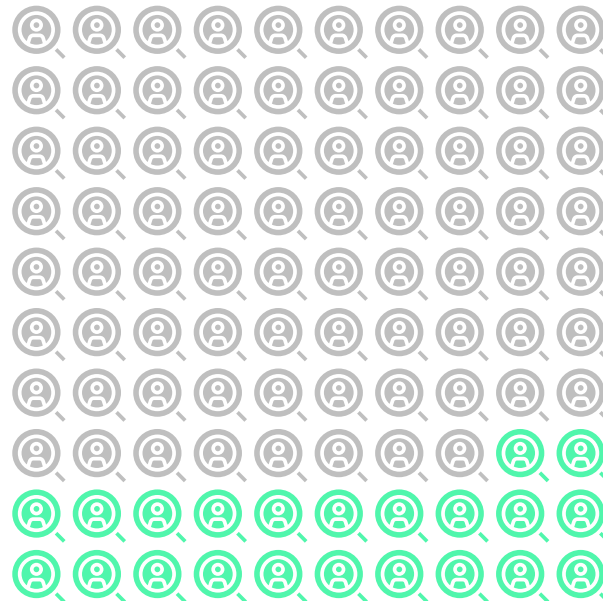
## SMEs That Currently Have Job Roles They Are Trying To Fill

**FY23**



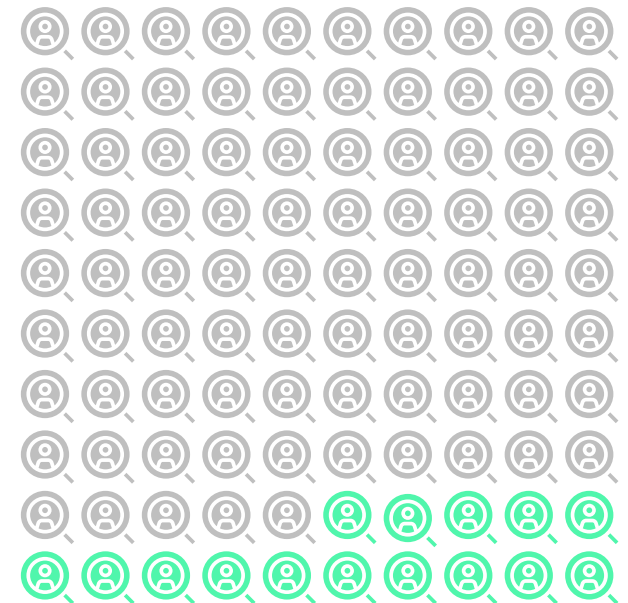
**27% with job vacancies**

**FY24**



**22% with job vacancies**

**FY25TD**



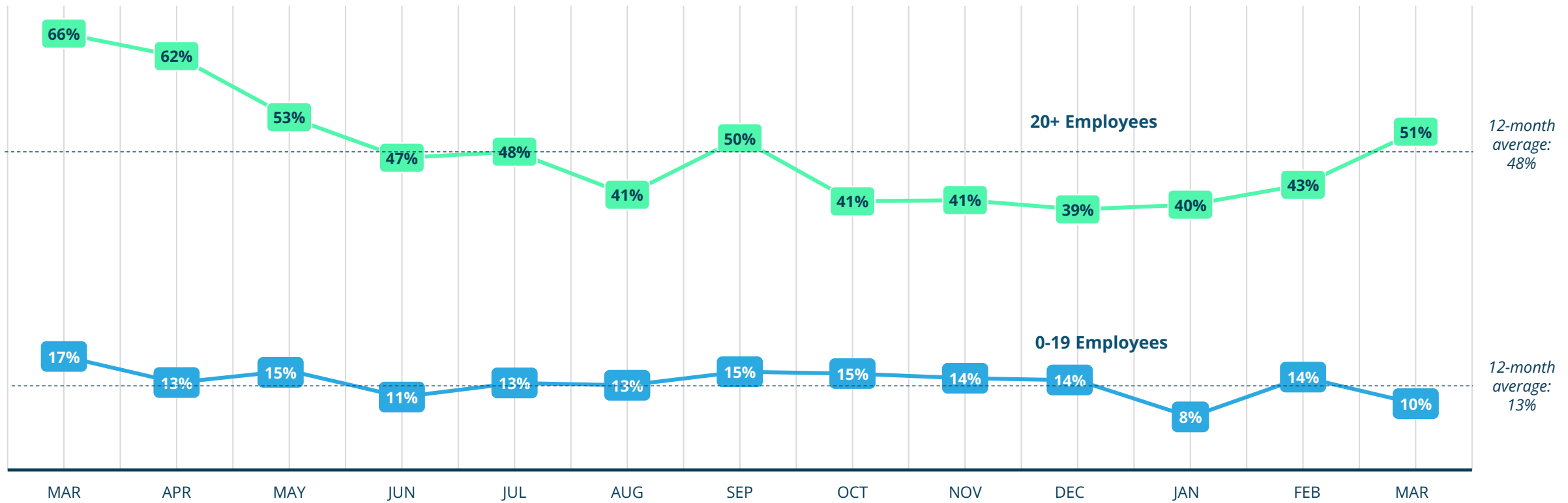
**15% with job vacancies**



# Key Performance Indicators | People

This month highlights a clear divergence in SME recruitment activity as larger SMEs (51%) rebound strongly while smaller SMEs (10%) remain cautious.

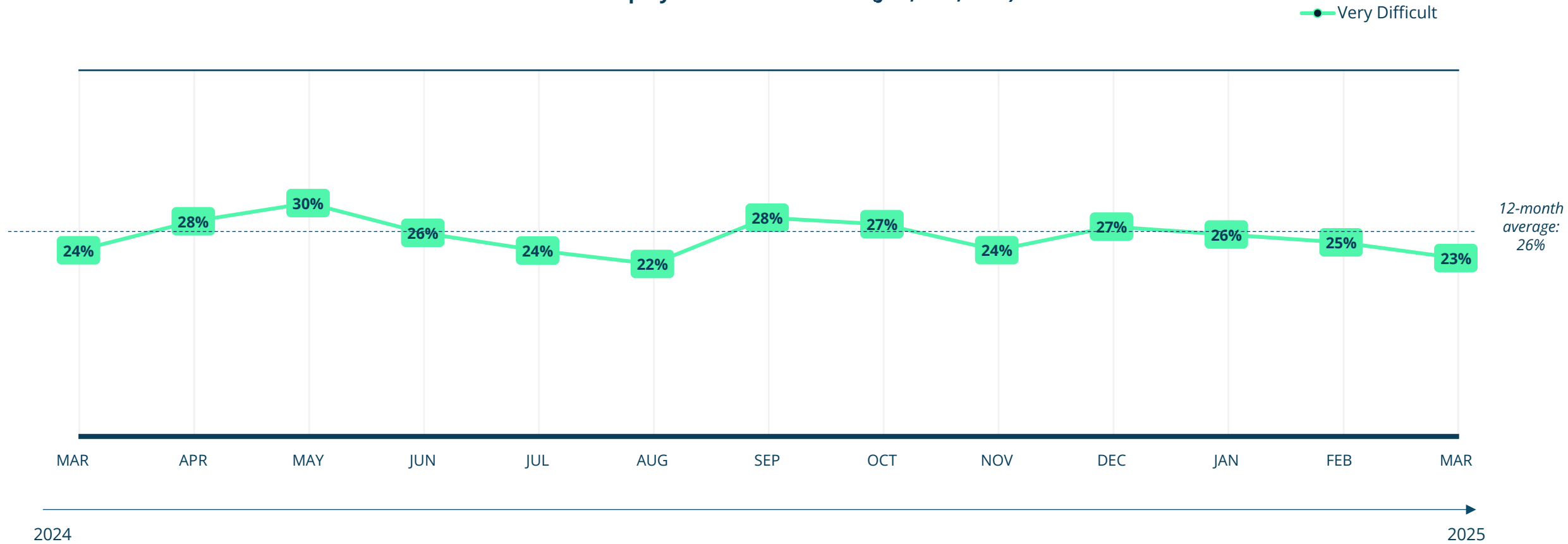
## SMEs That Currently Have Job Roles They Are Trying To Fill



With softer demand from smaller businesses, recruitment difficulty has also eased slightly, suggesting an improvement in labour availability.

## How Difficult Is It To Fill These Roles?

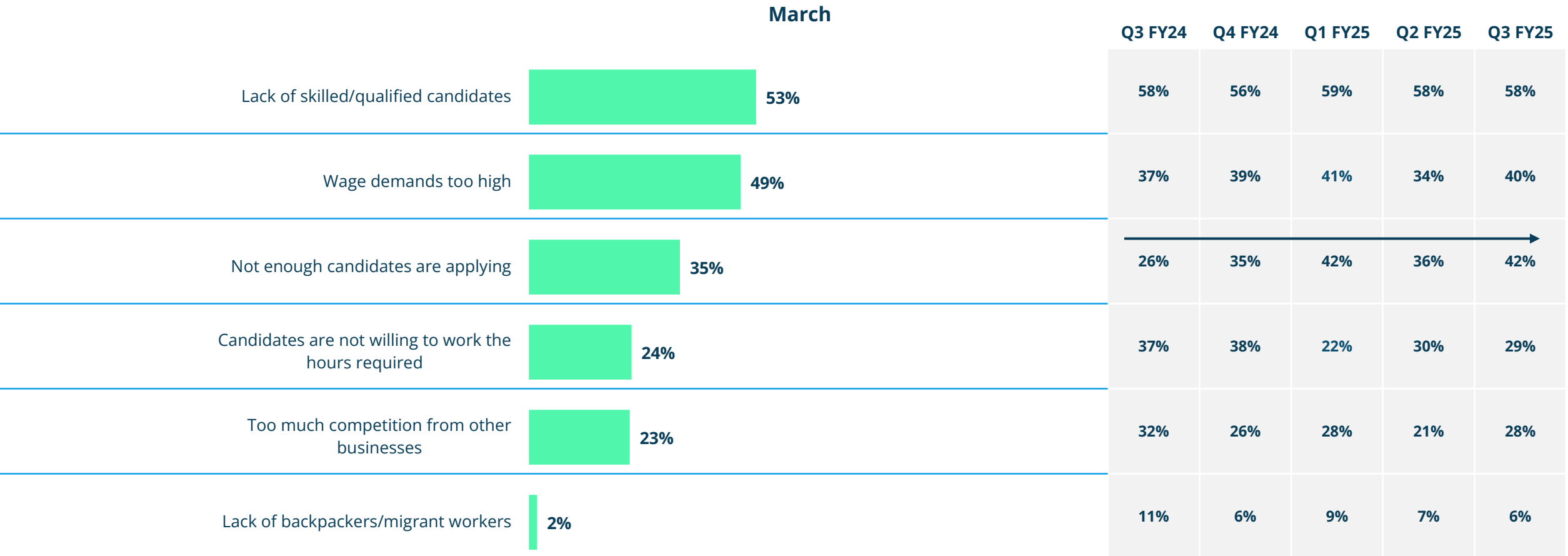
Data displayed as last 3 months (Jan, Feb, Mar)



# Key Performance Indicators | People

However, for those businesses still facing recruitment difficulties, candidate shortages and rising wage expectations persist—highlighting that a strong employee value proposition remains essential, even in a softer jobs market,

## Why Is It Difficult To Fill Job Roles?





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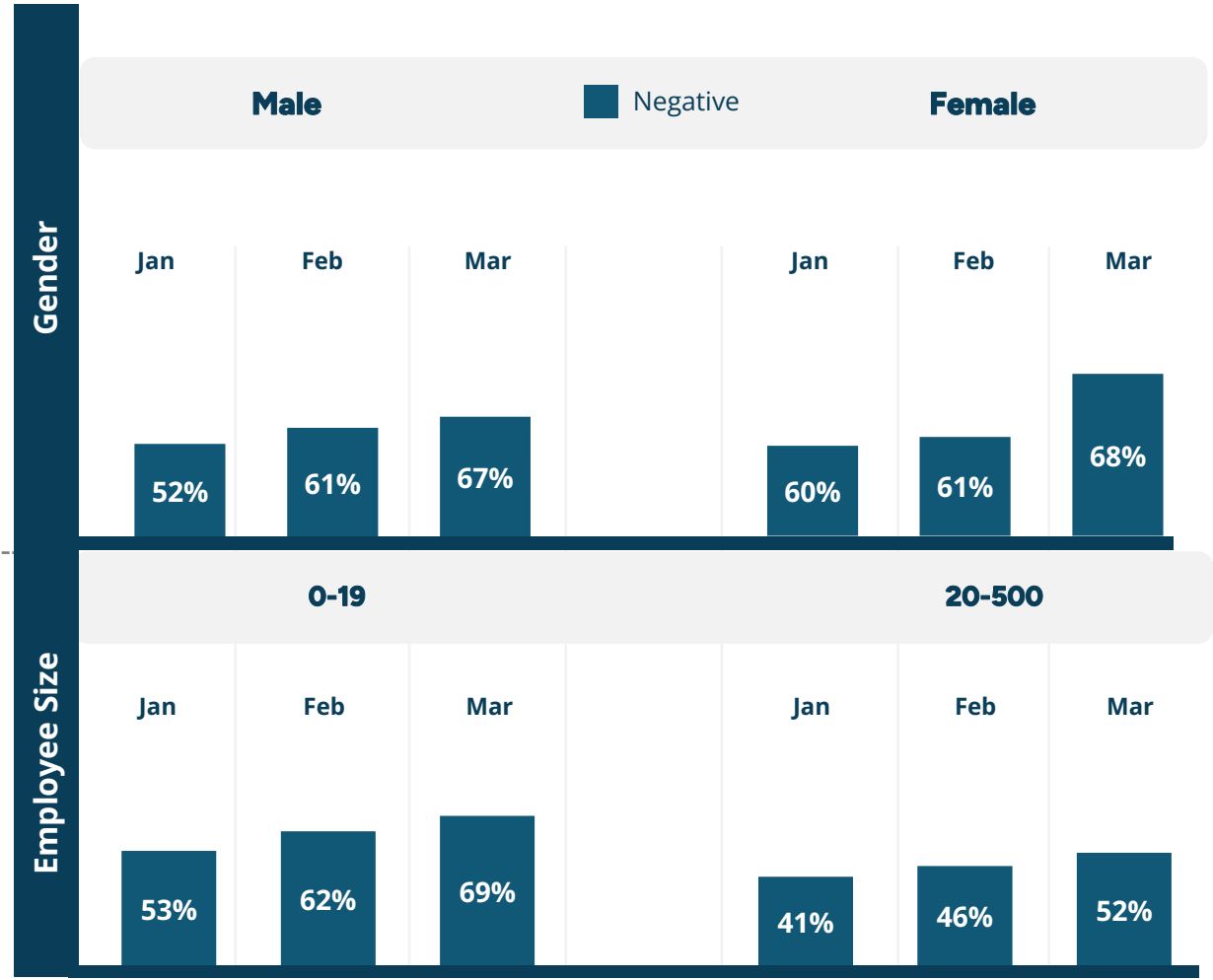
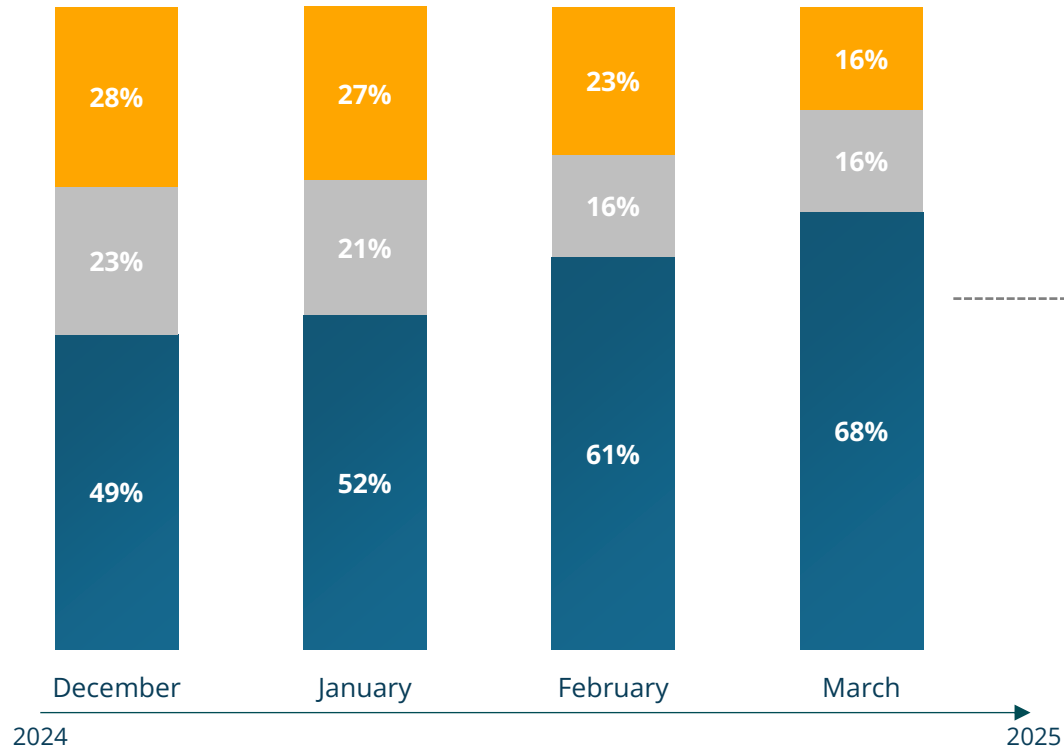
Methodology & Sample

# Business Sentiment | Government Policy

The Trump Administration is severely damaging business sentiment, with 68% of respondents already expecting a negative outcome for the Australian economy. Notably, this data was collected before the tariffs were announced on April 2nd, so sentiment is likely to have deteriorated even further in line with the sharp downturn in global markets.

## What impact will the Trump Administration have on the Australian economy?

■ Negative ■ Neutral ■ Positive



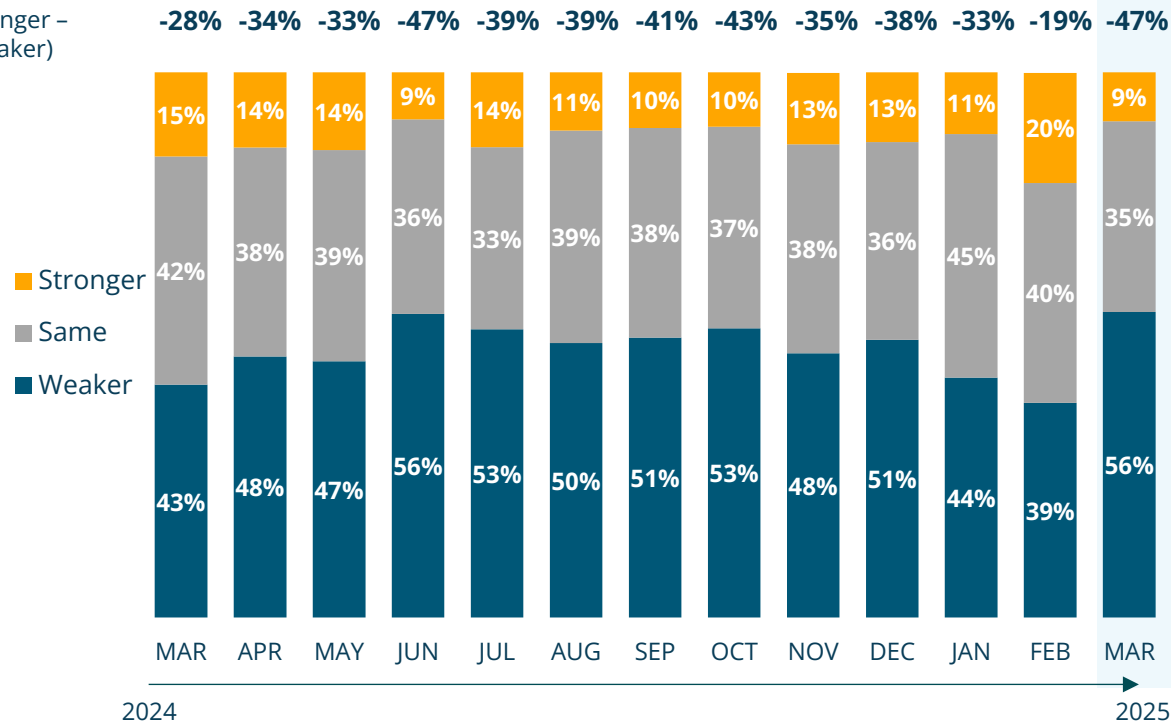
# Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

Accordingly, confidence in both the domestic and global economies has declined sharply, following a period of optimism fueled by expectations, held by many, that Trump might be good for business.

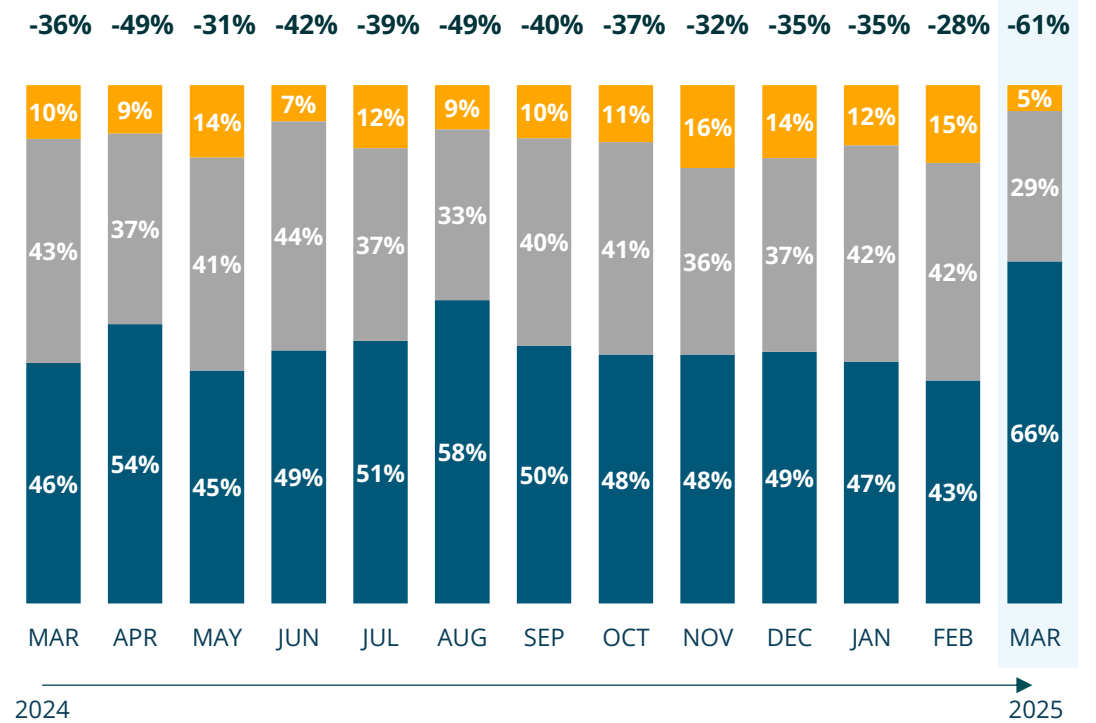
## Expectations Over The Next 3 Months Regarding Economic Conditions

### Australian Economy

% Net score  
(Stronger – Weaker)



### Global Economy



# Business Sentiment | Challenges

Not surprisingly, decision makers anticipate greater challenges over the next three months, driven by concerns around the economic outlook, geopolitical risks, and supply chain challenges.

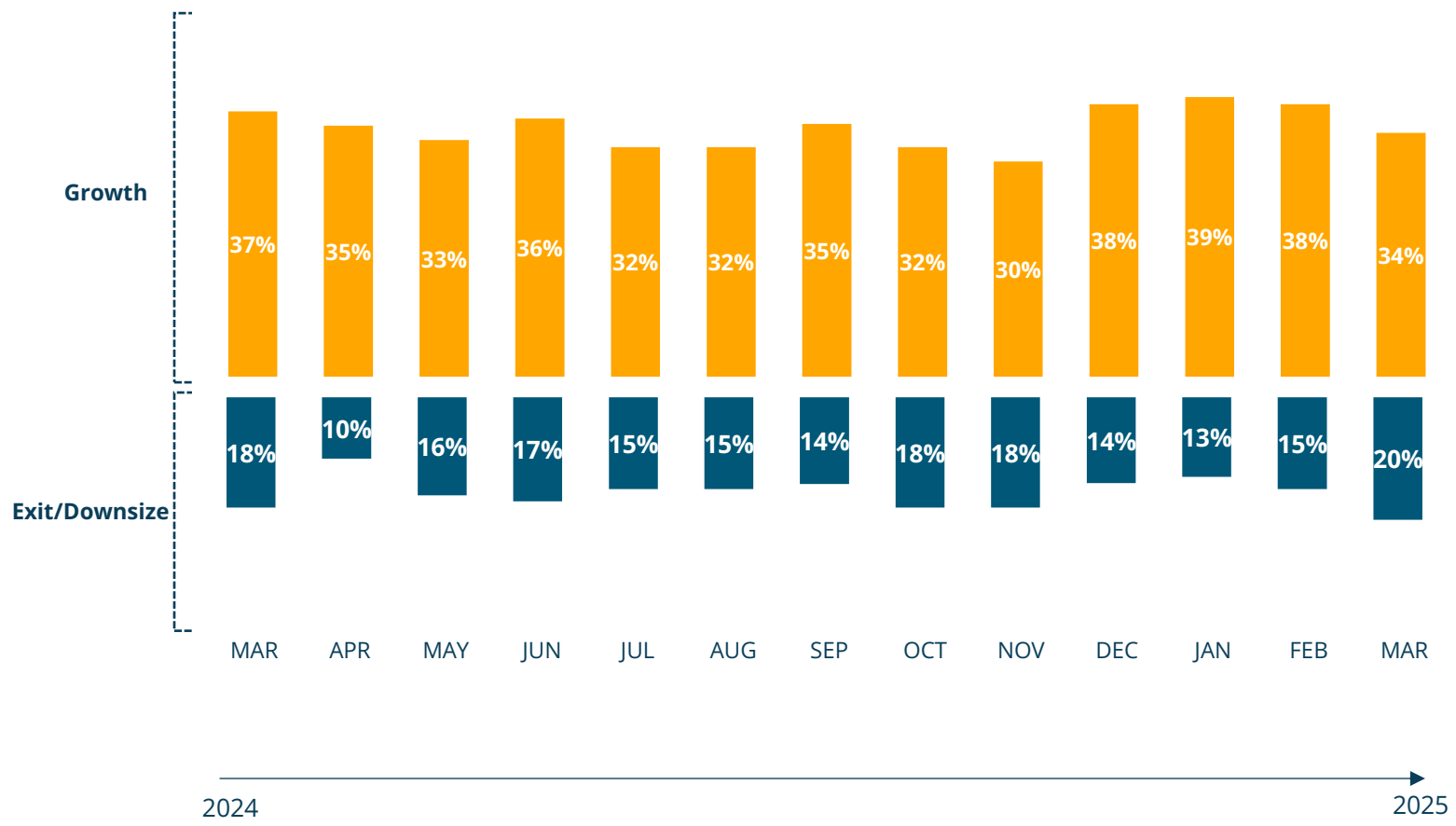
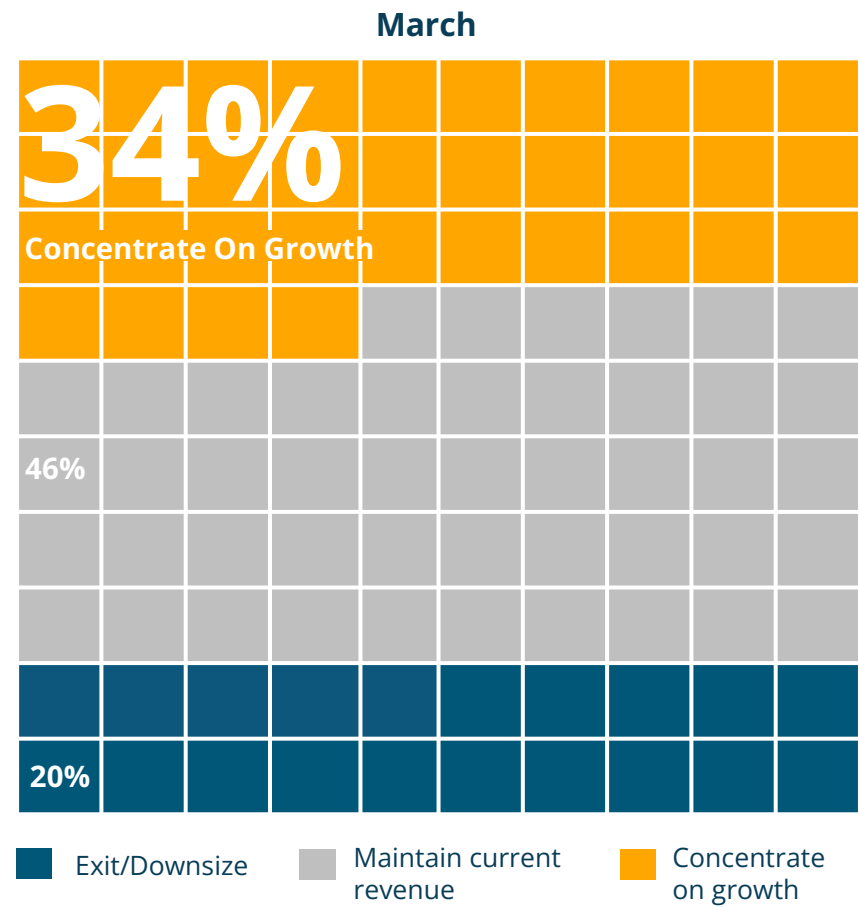
## Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

	March	October	November	December	January	February	March
Addressing the difficult economic outlook and ongoing cost pressures.	46%	46%	45%	47%	44%	42%	46%
Keeping pace with changing customer behaviours and preferences.	40%	33%	35%	42%	32%	38%	40%
Managing the continuous adoption of new technologies and digital transformation processes.	22%	17%	19%	21%	18%	22%	22%
Navigating regulatory, compliance, and governance challenges.	20%	16%	20%	22%	20%	20%	20%
Managing risks and uncertainties in the geopolitical landscape.	18%	11%	16%	17%	14%	13%	18%
Strengthening supply chain operations for improved efficiency and resilience.	18%	14%	18%	15%	17%	13%	18%
Strengthening defences against cyber threats and ensuring data privacy.	17%	19%	20%	20%	20%	14%	17%
Identifying and implementing measures to boost workforce efficiency and productivity.	16%	15%	18%	18%	20%	14%	16%
Overcoming difficulties in securing necessary financing.	16%	16%	15%	17%	15%	12%	16%
Acquiring, training, and upskilling talent in a competitive market.	15%	17%	13%	19%	14%	12%	15%
Implementing strategies to address sustainability issues and climate change impacts.	11%	9%	8%	10%	8%	12%	11%
Prioritising investment in research and development to drive innovation.	7%	6%	8%	7%	8%	8%	7%

# Business Sentiment | Growth Expectations (Next 12 months)

Also in line with growing uncertainty, the proportion of SMEs focusing on growth has declined to 34%, down from 39% in January. More concerning is the rise in businesses indicating they plan to downsize or exit, which has jumped to 20%, the highest level recorded in the past 12 months.

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





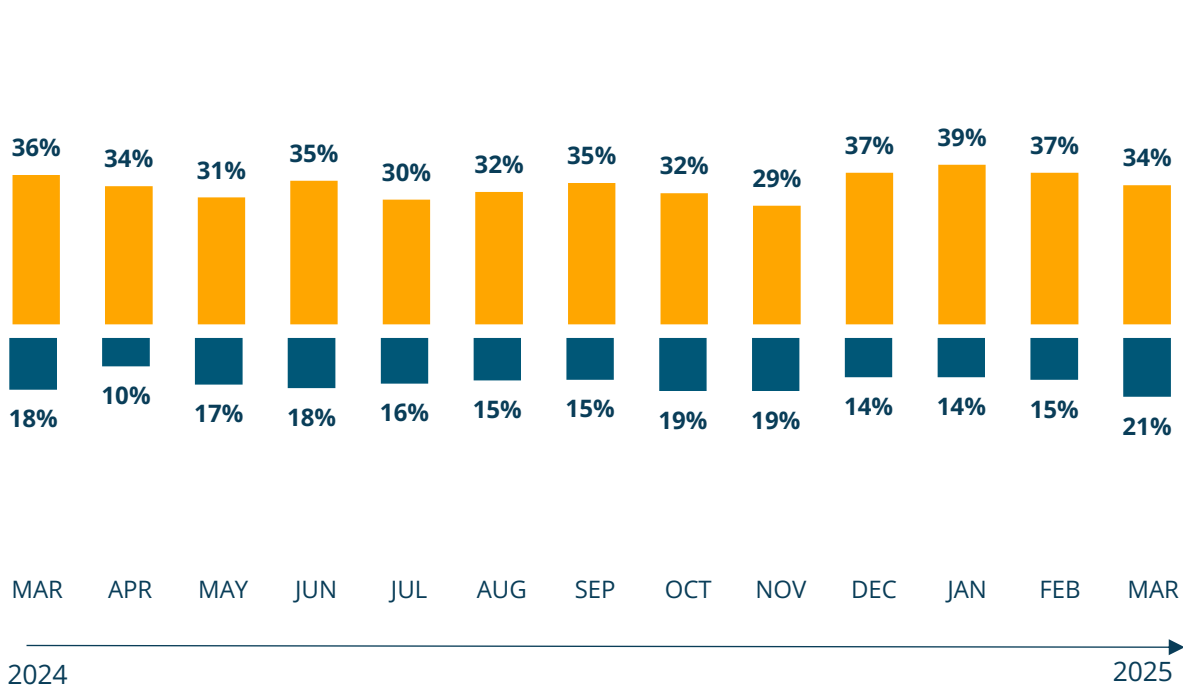
# Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations has dropped in both employee size cohorts.

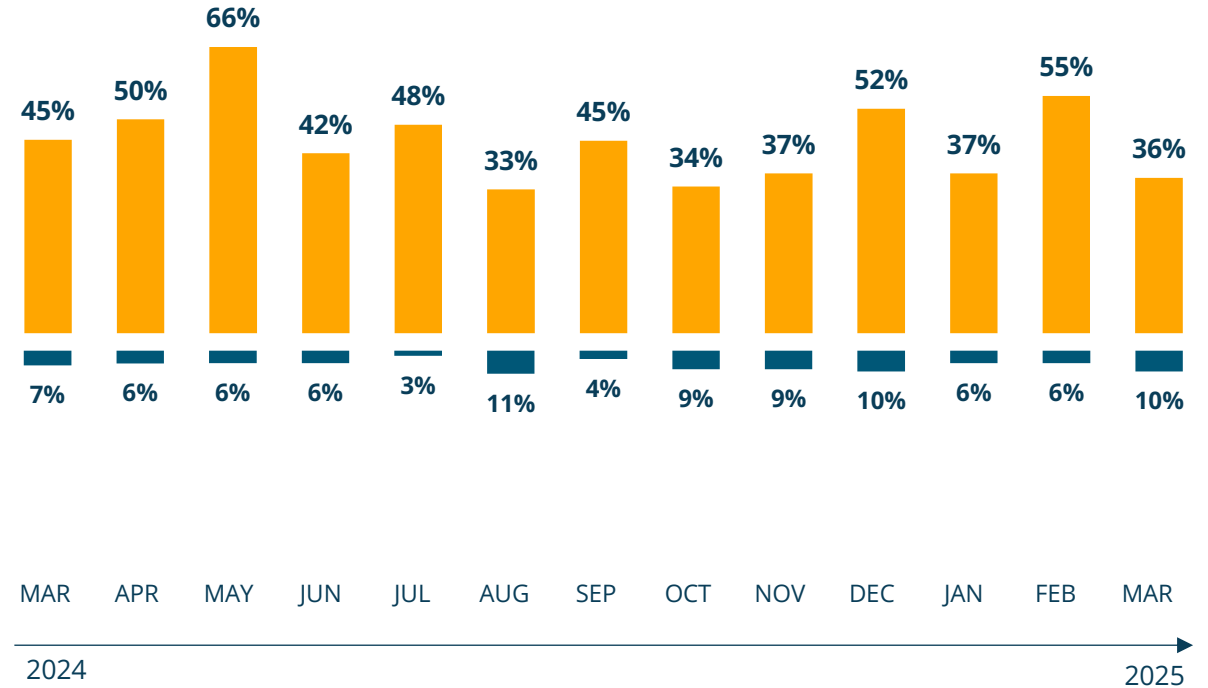
## Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

■ Concentrate on growth
 ■ Exit/Downsize

### 0 -19 Employees



### 20+ Employees

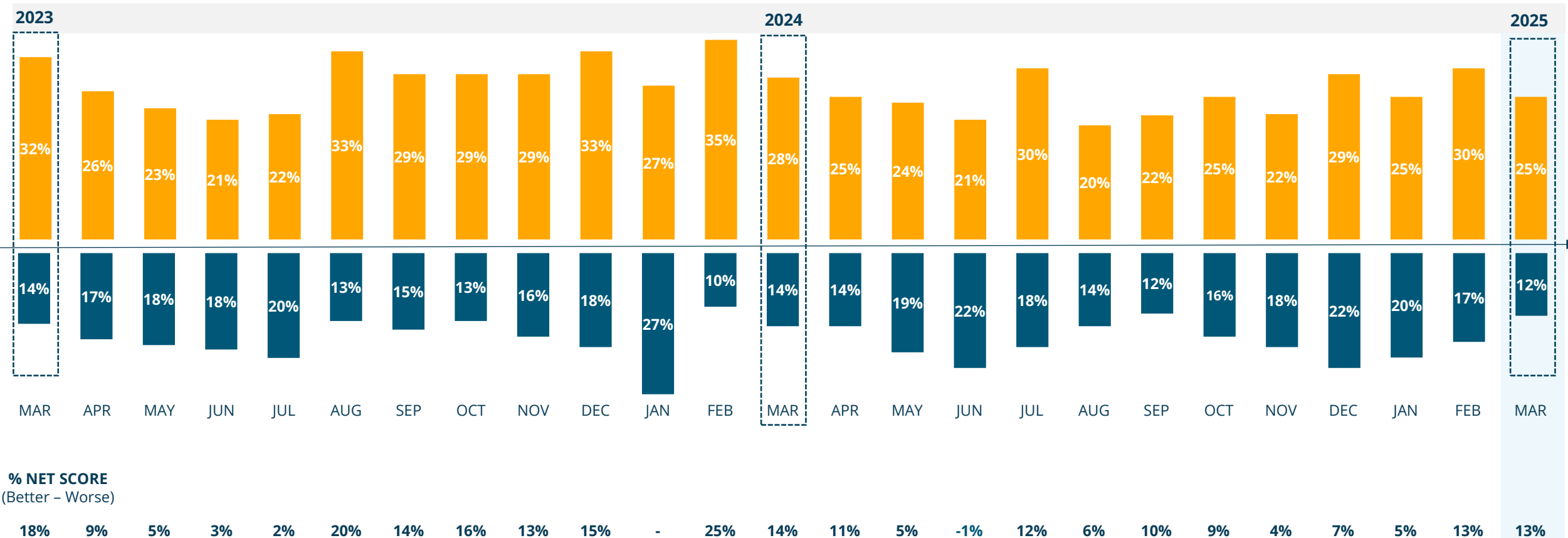


# Business Sentiment | Revenue Expectations (Next Four Weeks)

While short-term revenue expectations did not decline significantly in March, the full impact is likely to be reflected in our April data as the effects of the tariffs begin to take hold.

■ Better  
■ Worse

## Where Do You Expect Your Revenue To Be In 4 Weeks Compared To Today?

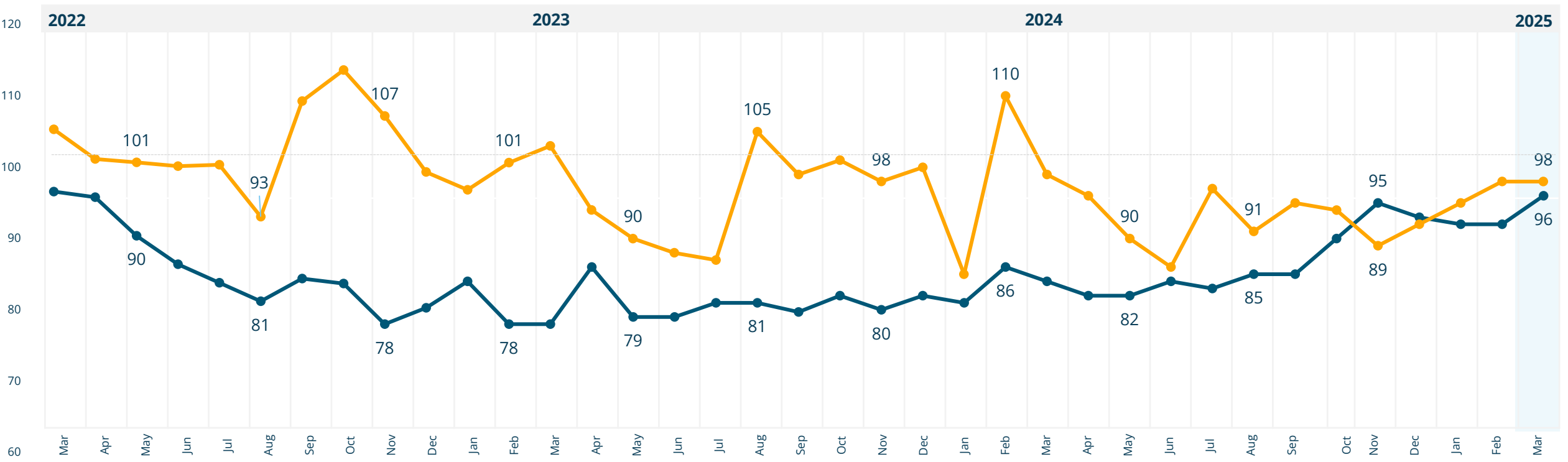


# Business Sentiment | Sentiment Index

While the Fifth Quadrant SME Sentiment Index remains above consumer sentiment, a significant decline is anticipated for both indicators next month.

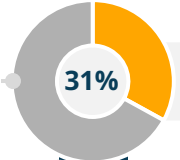
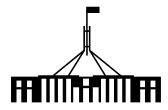
## Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index      FQ Business Sentiment

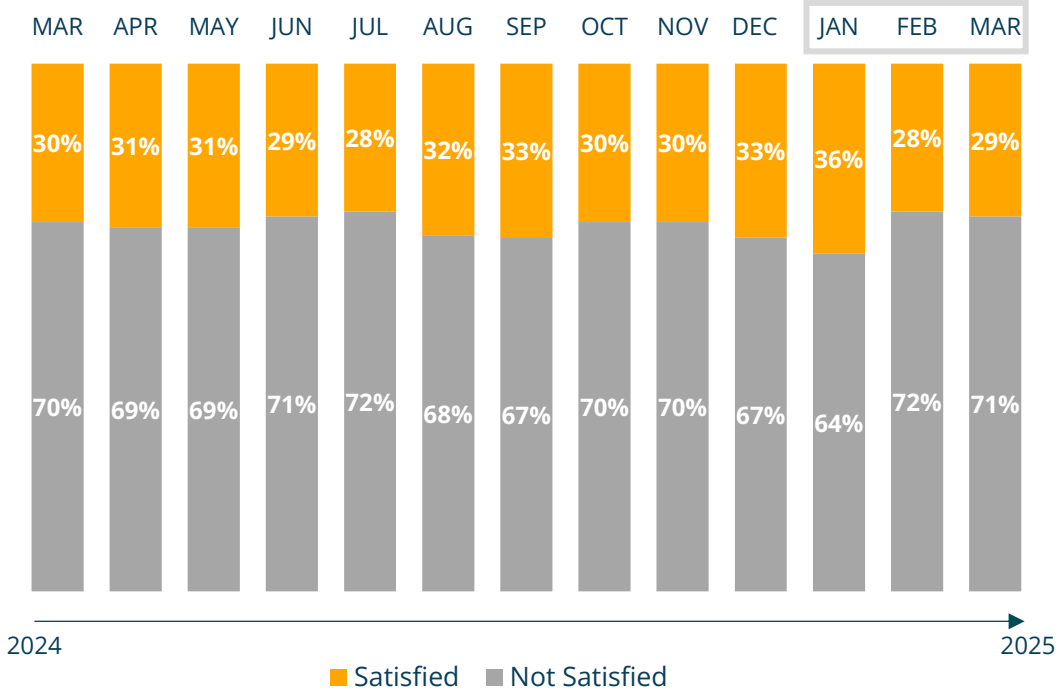


Support for the Federal Government has remained low but steady as the country officially enters the election race,

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

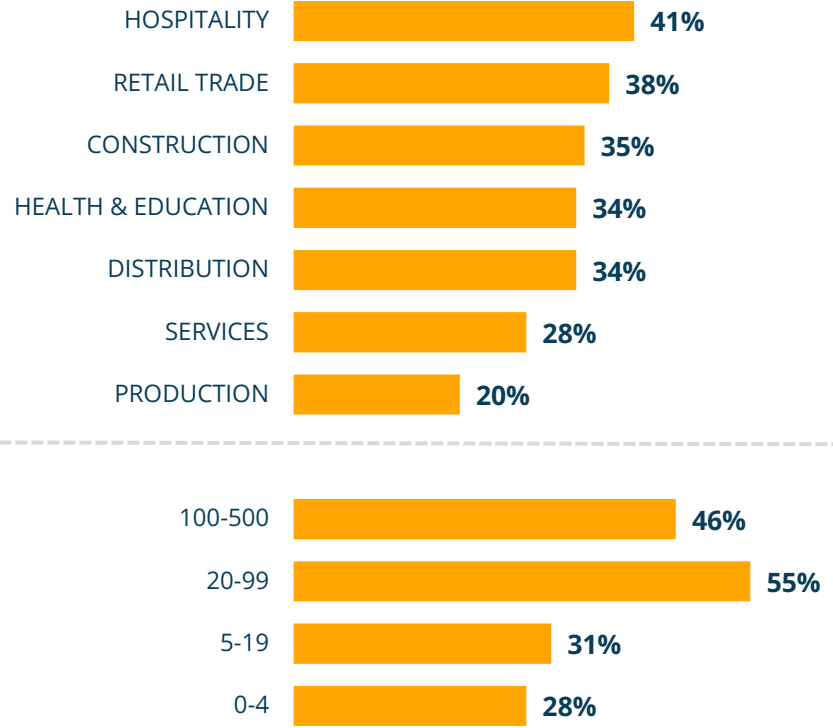


### Last 3 Months (Jan, Feb, Mar)



Industry Groups

Employee Size





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**Methodology & Sample**

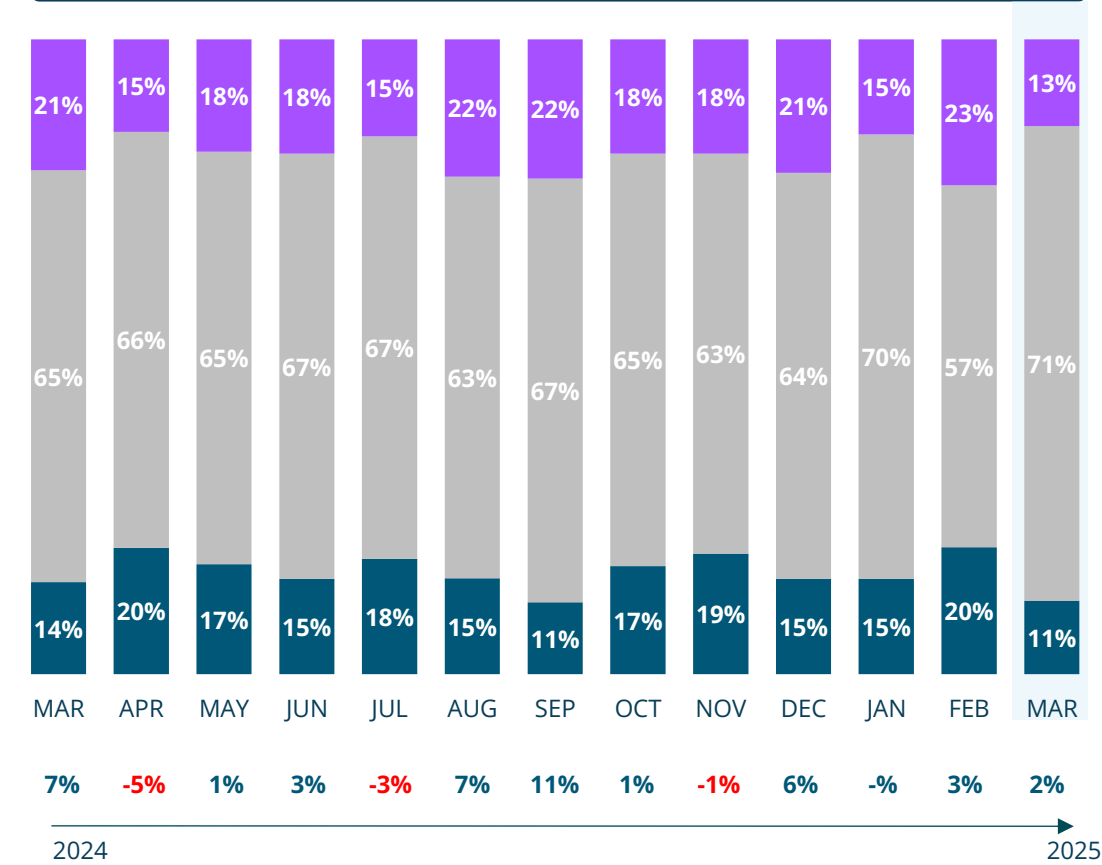
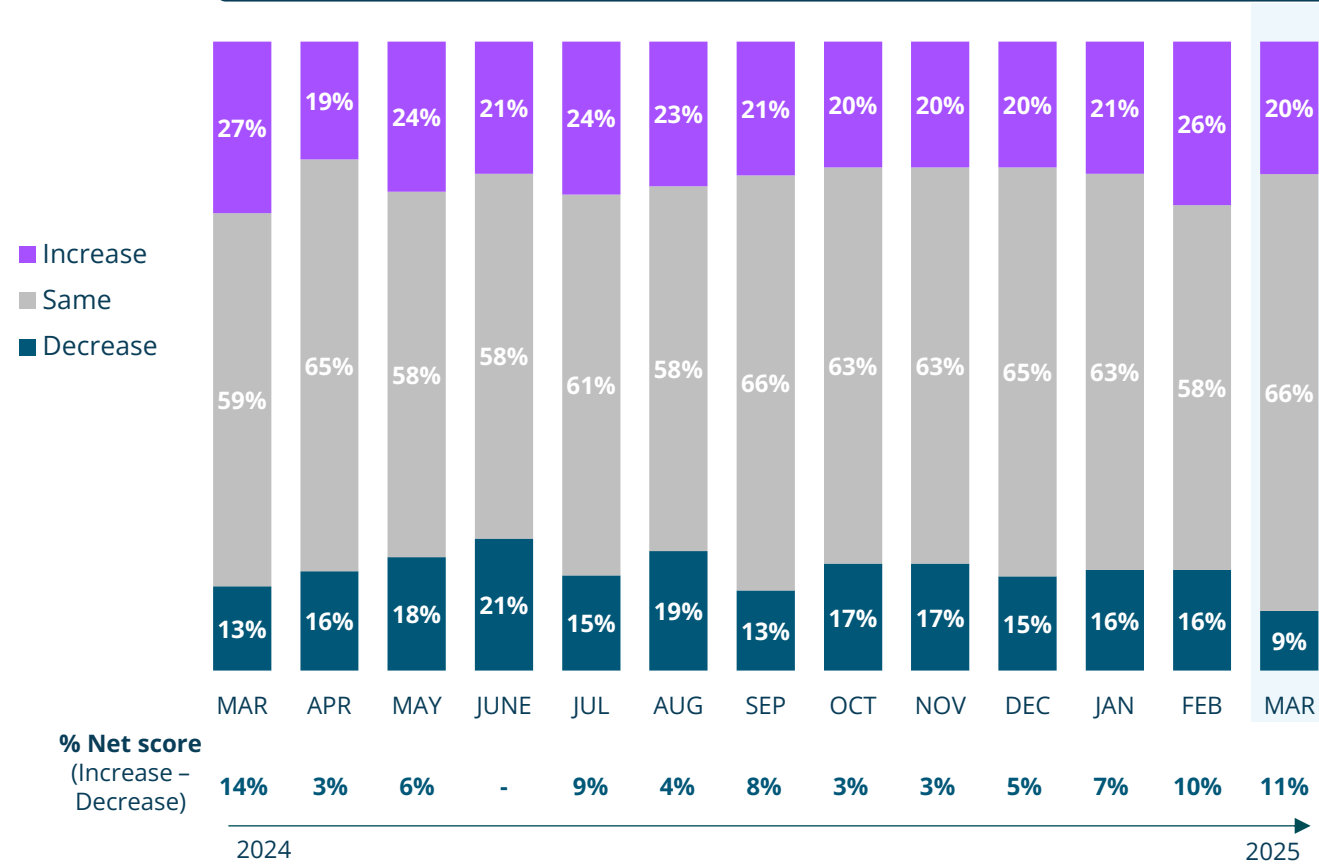
# Business Investment | Next Three Months

Intentions to increase capital expenditure and marketing spend have both declined, reflecting the rise in economic uncertainty.

## Expectations Over The Next 3 Months Regarding Business Investment

### Business Spending/ Capital Investment

### Marketing Spend



While investment in plant and equipment remains positive, expectations for commercial vehicle purchases continue to decline.

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

March

■ Probably will ■ Definitely will

		Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
IT / Office equipment, including hardware & software	37% 7% 45%	44%	46%	43%	45%	47%	44%
Equipment, machinery or plant	19% 4% 25%	23%	26%	20%	24%	20%	25%
Passenger vehicle(s) including SUVs	10% 3% 15%	17%	16%	15%	15%	15%	14%
Electric vehicle(s), including Hybrid	9% 2% 13%	13%	14%	12%	11%	10%	11%
Light commercial vehicle(s) including utes, vans, and minibuses	8% 2% 12%	17%	15%	15%	14%	16%	11%
Commercial real estate including buildings or land	7% 2% 10%	11%	12%	10%	12%	10%	9%
Agricultural, construction or earthmoving vehicle(s)/equipment	7% 1% 9%	12%	13%	10%	10%	8%	9%
Truck(s) less than 4.5 tonnes	6% 2% 8%	11%	10%	10%	9%	9%	7%
Truck(s) more than 4.5 tonnes	6% 2% 6%	11%	10%	8%	6%	6%	6%
Medium and large bus(es)	5% 2% 6%	8%	9%	8%	6%	5%	6%

While the quarterly data points to continued negativity around capital expenditure, there were a few bright spots in March, with some categories showing slight improvement compared to February.

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

### 0-19 Employees

IT / Office equipment, including hardware & software
Equipment, machinery or plant
Passenger vehicle(s) including SUVs
Electric vehicle(s), including Hybrid
Light commercial vehicle(s) including utes, vans, and minibuses
Commercial real estate including buildings or land
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

Jan	Feb	Mar
40%	42%	43%
25%	22%	24%
12%	11%	<b>14%</b>
8%	10%	<b>13%</b>
11%	8%	10%
6%	6%	<b>9%</b>
6%	8%	8%
5%	7%	7%
4%	6%	5%
5%	6%	5%

### 20+ Employees

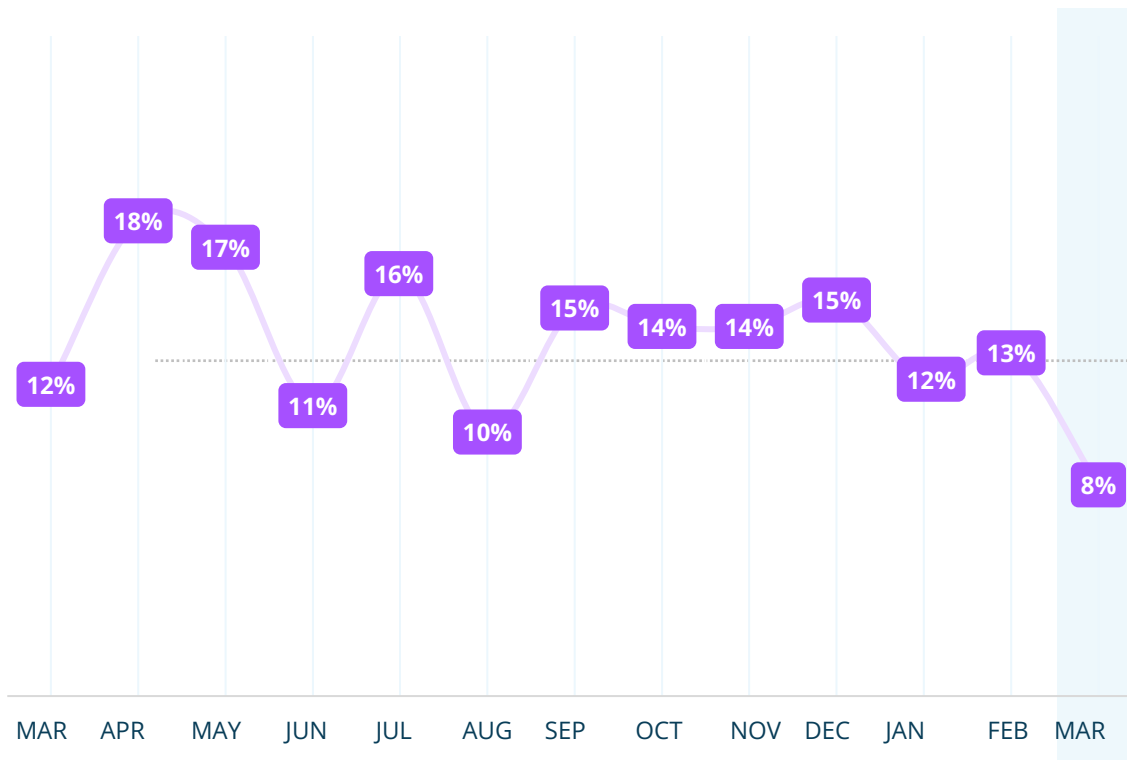
Jan	Feb	Mar
66%	66%	<b>69%</b>
40%	35%	37%
33%	32%	<b>37%</b>
34%	30%	27%
28%	30%	<b>34%</b>
27%	31%	26%
28%	28%	22%
19%	20%	<b>25%</b>
26%	27%	22%
22%	25%	21%



# Business Investment | Finance Needs (Next 3 months)

Demand for additional financing has dropped to its lowest level in a year (8%). In contrast, demand for trade financing has spiked, likely in anticipation of rising tariffs.

## 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	Q3 FY25
Cashflow/ working capital	57%	50%	62%	61%	60%	54%
Fund growth in Australia	23%	29%	20%	16%	23%	26%
Purchase plant, machinery or equipment	31%	25%	26%	23%	26%	18%
Trade finance to fund import/export activity	19%	17%	12%	13%	9%	17%
Fund growth into new markets	25%	24%	25%	22%	13%	13%
Fund merger/acquisition	13%	10%	10%	14%	7%	7%

# Business Investment | Finance Needs (Next 3 months)

Demand for additional financing fell significantly over the latest quarter among smaller SMEs (0–19 employees), while it spiked among larger businesses. There were also notable differences in demand across sectors, reflecting varying levels of confidence and capital needs.

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

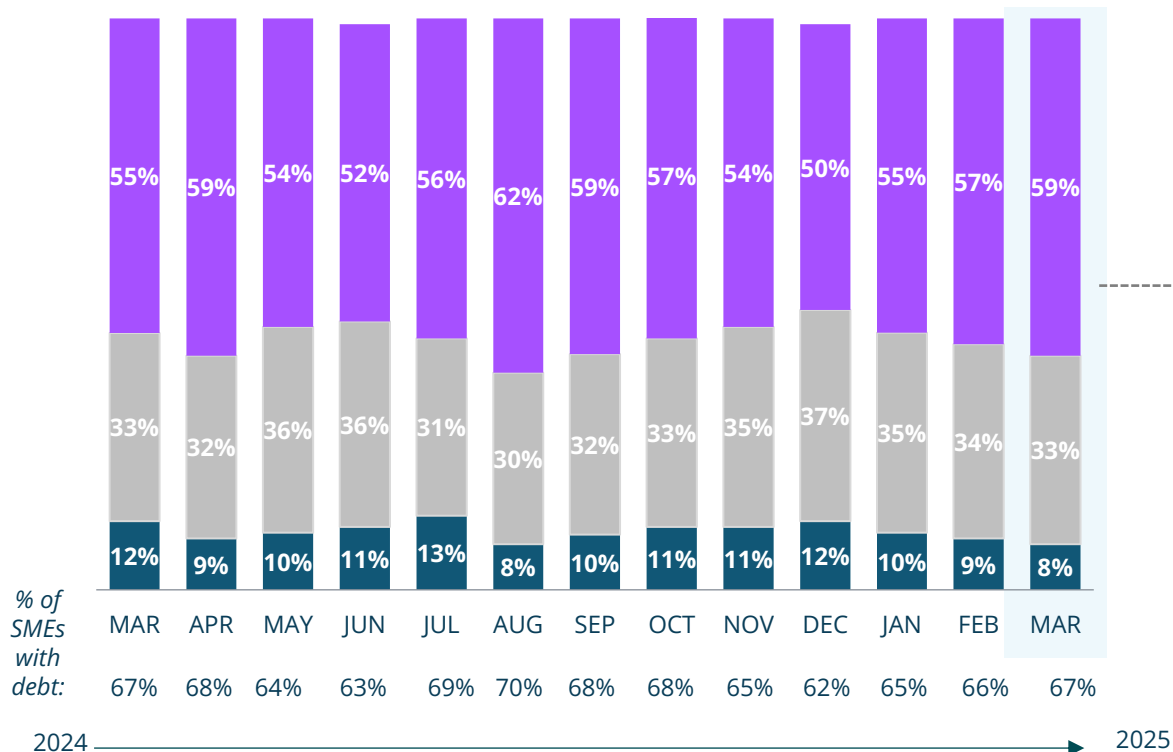
	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
0-19 Employees	16%	13%	14%	13%	14%	10%
20+ Employees	28%	28%	35%	26%	21%	24%
Construction	18%	13%	17%	14%	19%	9%
Distribution	12%	19%	13%	19%	16%	6%
Health & Education	21%	13%	17%	8%	8%	11%
Hospitality	28%	27%	29%	14%	17%	25%
Production	23%	17%	22%	16%	14%	12%
Retail Trade	16%	8%	11%	9%	9%	14%
Services	12%	12%	13%	13%	13%	11%

# Business Investment | Loan Stress

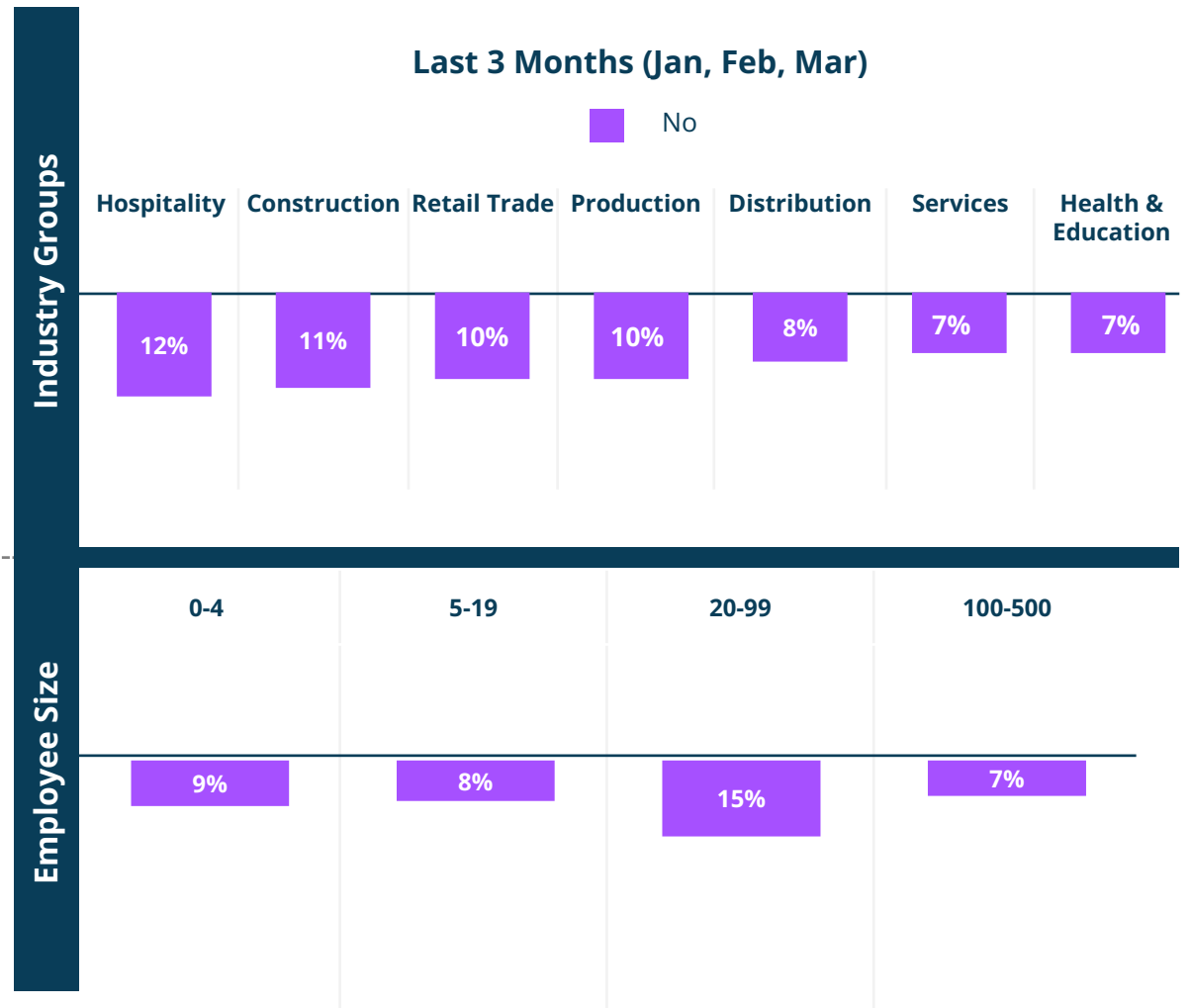
It's a positive sign that loan stress continues to decline, falling from 12% in December to 8% now, likely supported by the recent drop in interest rates. However, ongoing economic uncertainty means this trend could reverse quickly if conditions worsen.

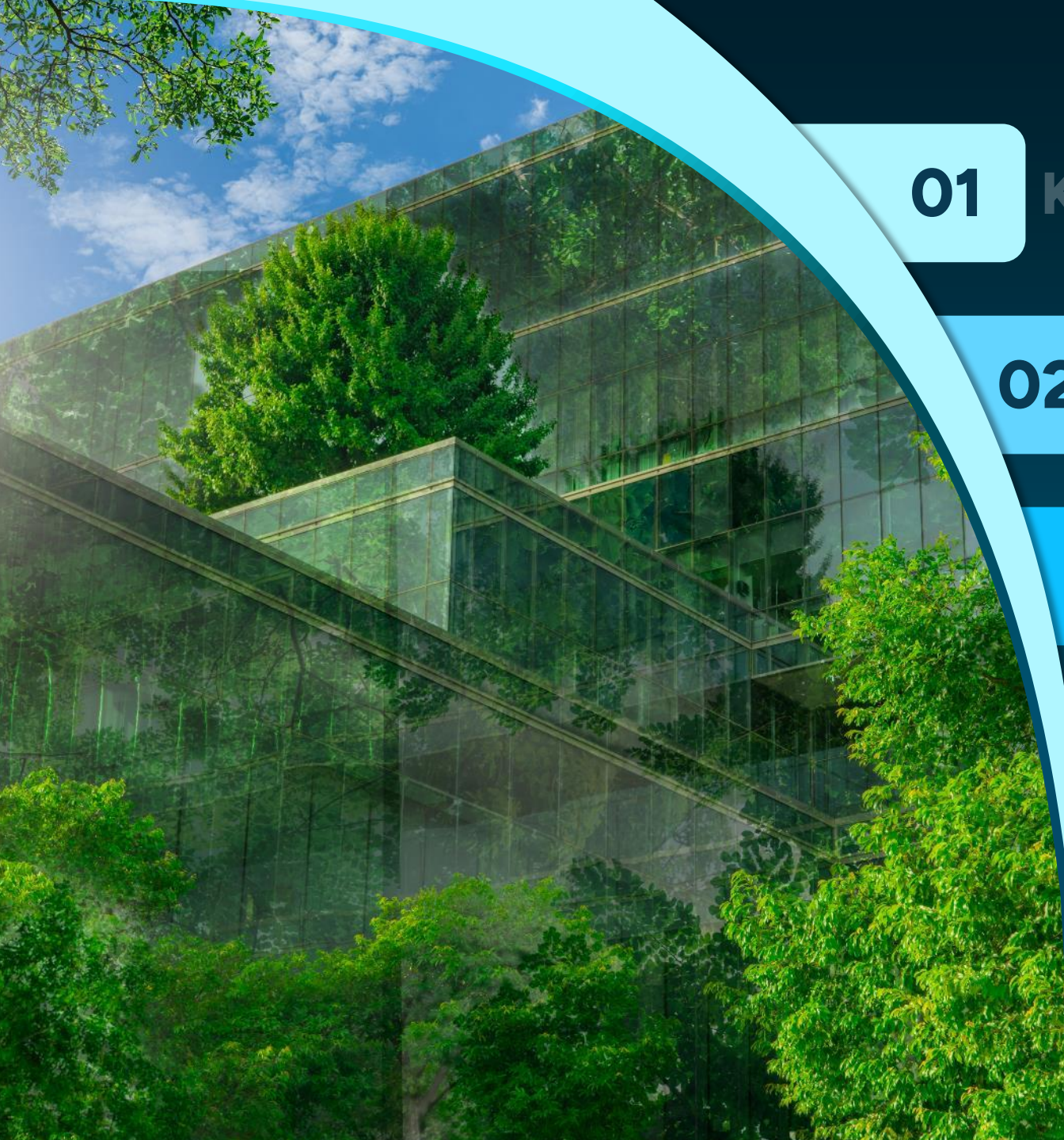
## Do You Expect To Be Able To Meet Your Loan Repayments Over The Next 6 Months?

■ Yes    
 ■ No outstanding loan repayments    
 ■ No



## Last 3 Months (Jan, Feb, Mar)





**01**

**Key Performance Indicators**

**02**

**People**

**03**

**Business Sentiment**

**04**

**Business Investment**

**05**

**Methodology &  
Sample**

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

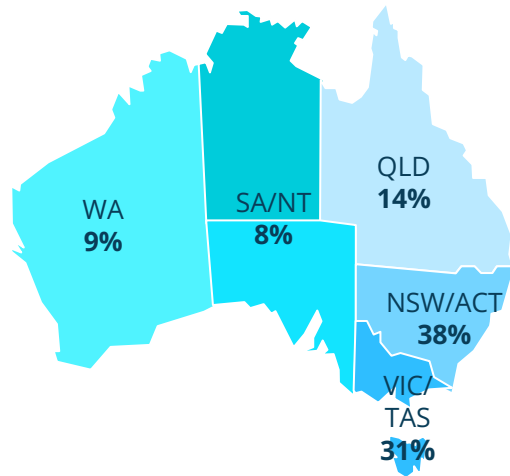


Data is **weighted** by industry, state and  
number of employees to reflect the  
national distribution of businesses across  
the country

# Our Sample

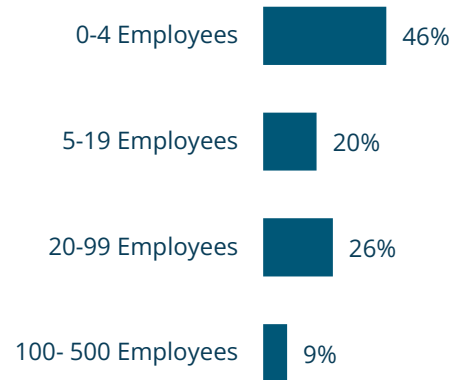
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

## Head Office Location

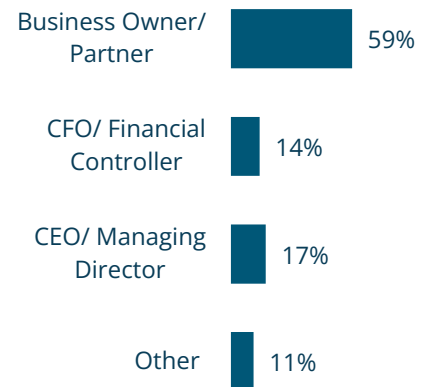


NOTE: CHARTS SHOW UNWEIGHTED DATA

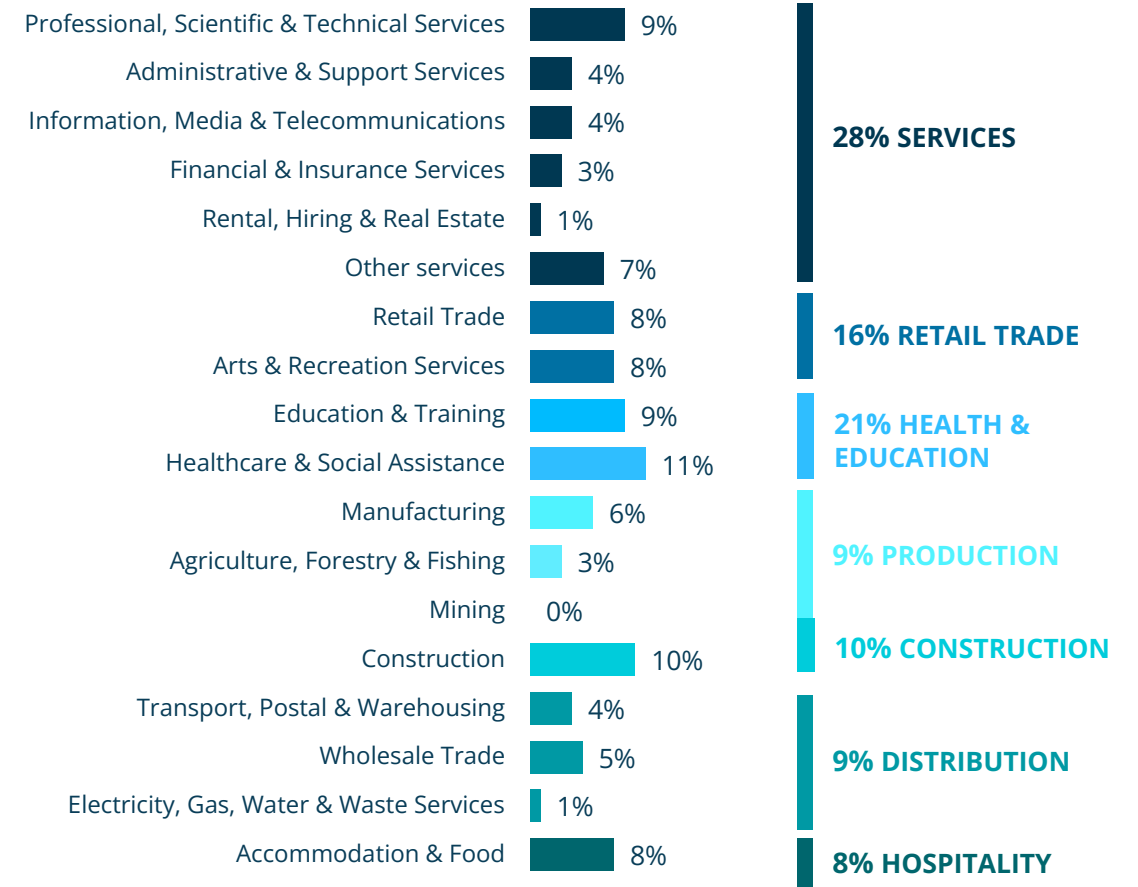
## Size Of Business: Employees



## 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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