



Small & Medium Enterprise Sentiment Tracker

Wave 75 – May 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.



Cautious Conditions Persist as SMEs Focus on Stability Over Growth



Only 20% of SMEs report revenue growth over the past 12 months



Only 7% are positive about the impact of the Trump Administration down from 23% in February



23% of SMEs expect wages to increase over the next 3 months



Demand for additional finance has dropped to 11% from 13% last month

SME performance softened in May, with both revenue and profitability easing compared to April and the same period last year. Production and Retail sectors reported the weakest outcomes, reflecting the ongoing impact of cost-of-living pressures on consumer demand. Those in NSW/ACT and VIC/TAS were more heavily affected, while WA continued to outperform. Profitability declined in line with revenue, and fewer businesses were able to pass on rising costs, suggesting stabilising inflation and increased price sensitivity among customers.

Sentiment remained cautious, with global economic confidence deeply negative and only a modest improvement in views of the Australian economy. While financial sentiment softened, short-term revenue expectations held firm, and business sentiment continued to outpace that of consumers. Support for the Trump administration's impact on Australia's economy continued to decline, with only 7% of SMEs viewing it positively, down from 23% in February.

Employment expectations eased slightly in May, aligning with softer trends across other key performance indicators. Job vacancies remained steady but below the 12-month average, indicating low job growth and potentially low staff turnover. FY25 continues to reflect a broader downward trajectory in hiring demand, particularly among smaller SMEs. However, larger businesses reported more open roles, which may point to higher staff turnover driven by pressure on revenues and profit margins.

Investment and finance indicators also showed subdued activity. The usual end-of-financial-year increase in capital expenditure has so far failed to materialise, with marketing taking priority as businesses focused on short-term revenue. Smaller SMEs showed stronger interest in IT investment, while intentions to invest in equipment, machinery, and plant declined.

In May, SME demand for additional finance declined, with weakening interest across the Construction, Hospitality, and Services sectors. The proportion of SMEs with debt rose from 62% in February to 67% in May, while loan stress also increased, with 11% of businesses, particularly in the Retail, Health, and Education sectors, concerned about meeting repayments in the next six months.

SMEs faced a challenging May, with softer revenues, easing profitability, and cautious sentiment reflecting ongoing economic uncertainty. Despite increasing financial pressures and increasing loan stress, most SMEs appear to be in a holding pattern, focused on short-term stability while awaiting clearer economic signals both locally and globally.



01

Key Performance Indicators

02

People

03

Business Sentiment

04

Business Investment

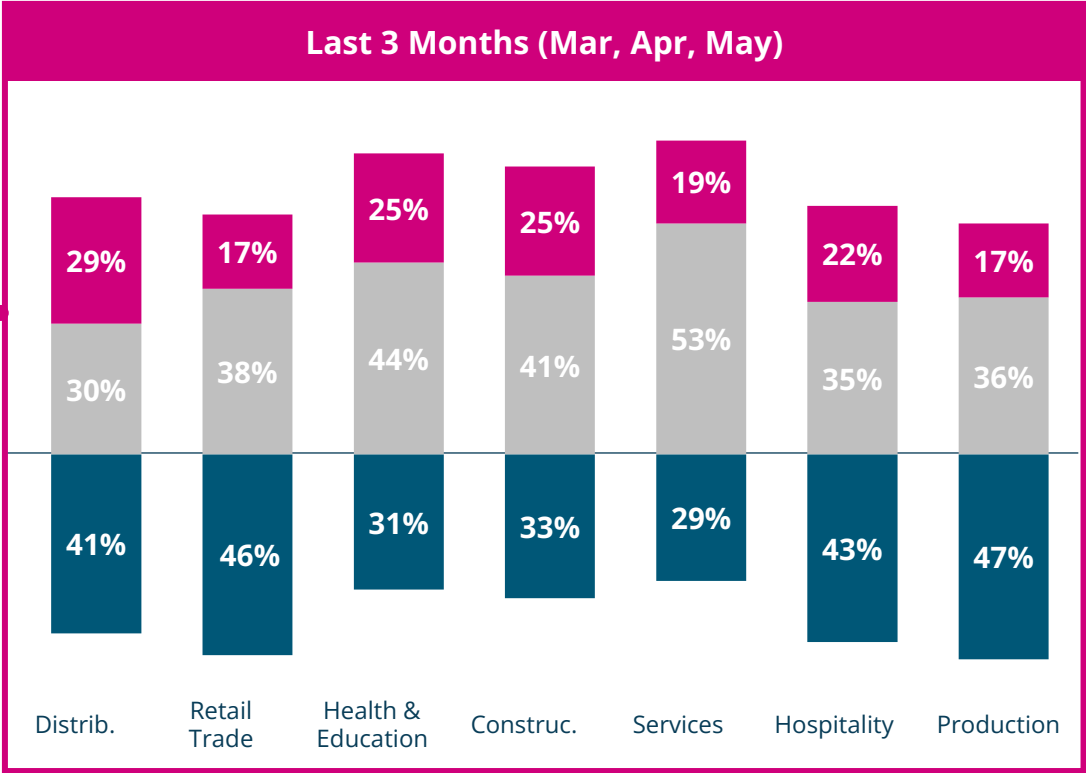
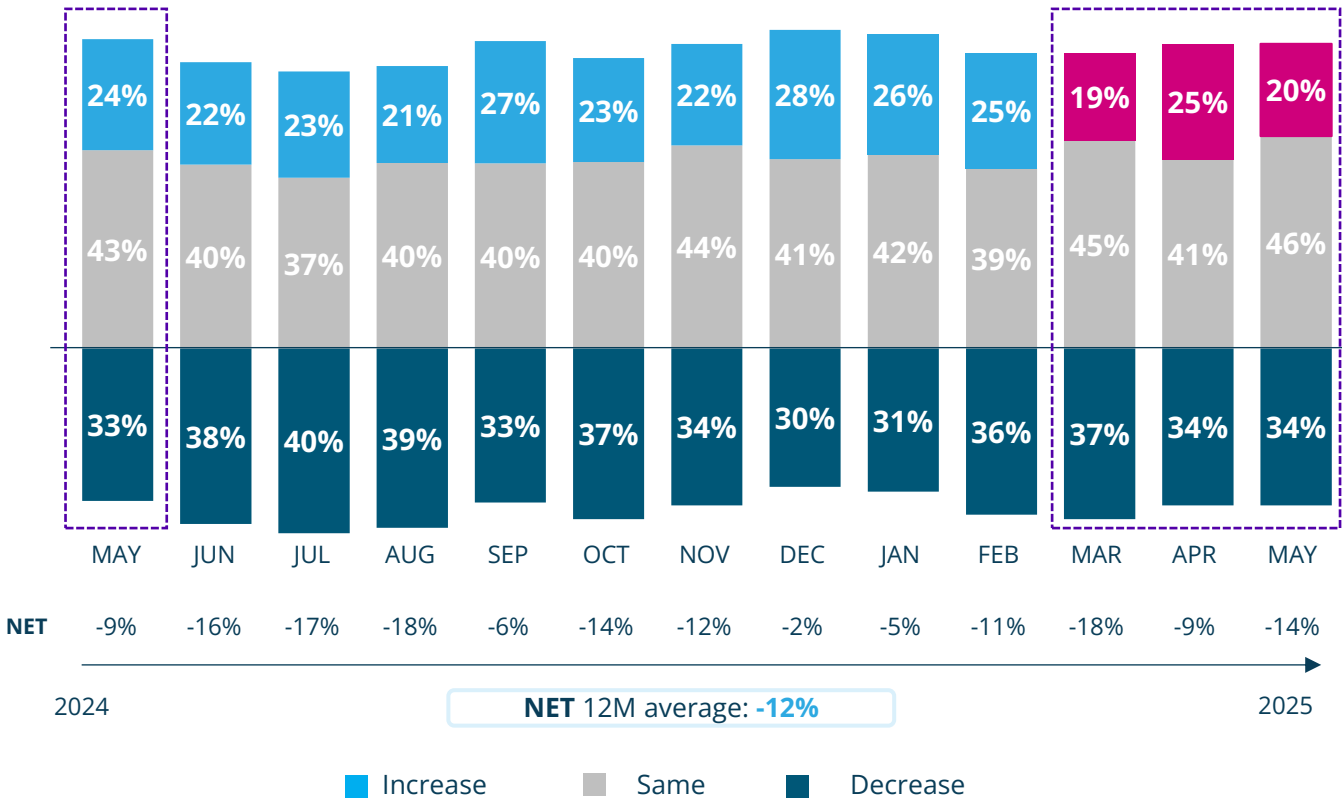
05

Methodology & Sample

Key Performance Indicators | Revenue

Revenues are slightly softer in May compared to April and the same period last year. Over the past three months, the Production and Retail sectors have reported the weakest revenue performance relative to 12 months ago. This softness is likely linked to ongoing cost-of-living pressures, which continue to dampen consumer demand. However, with recent interest rate cuts, we may see a reversal in the coming months.

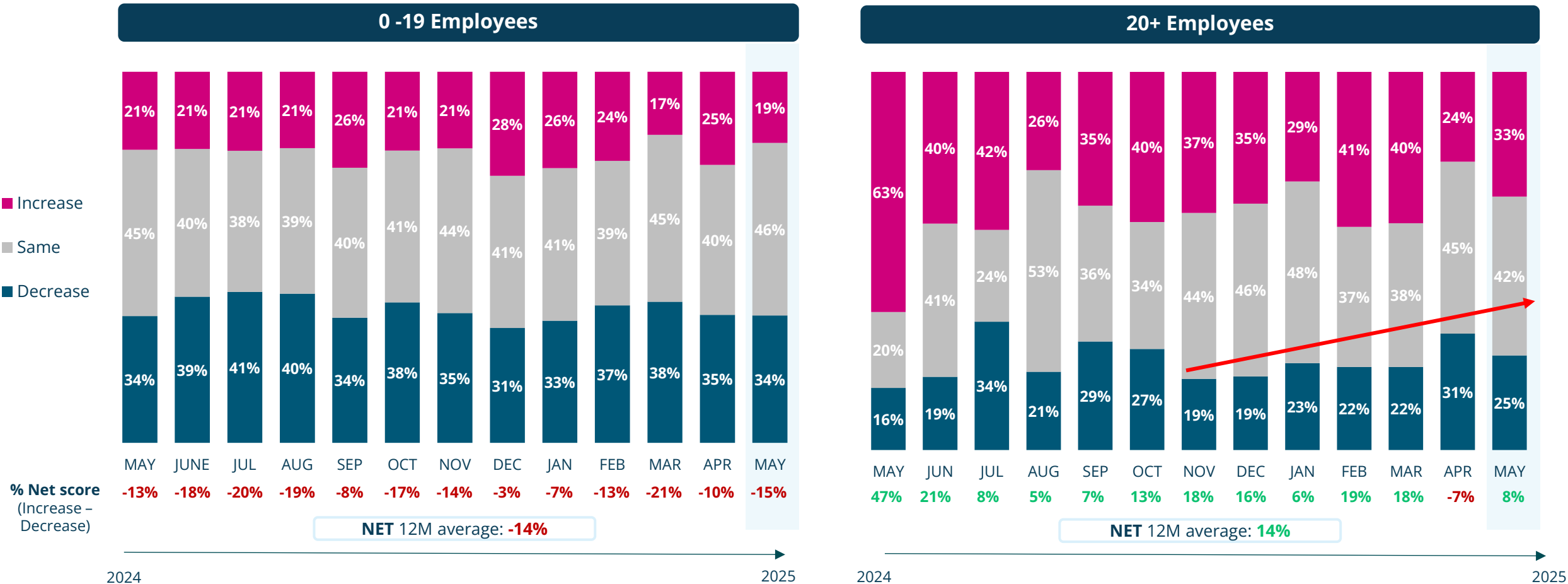
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue

While seeing a modest improvement in May, the broader trend since late 2024 remains one of weakening revenue among larger SMEs (20+ employees), indicating heightened exposure to the effects of geopolitical instability and tariff-related disruptions.

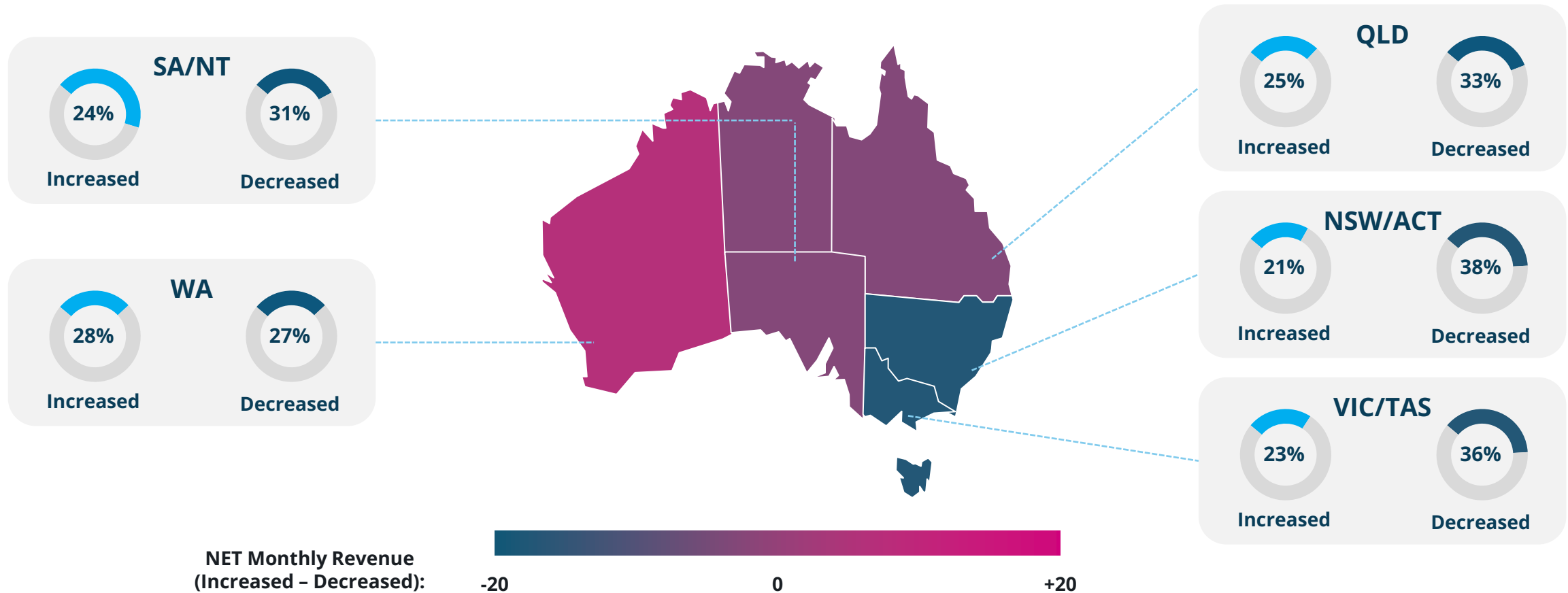
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue

SMEs in NSW/ACT (-17%) and VIC/TAS (-13%) continue to underperform, with more than one-third in each reporting lower revenues year-on-year. In contrast, WA remains the most positive state, showing stronger revenue performance.

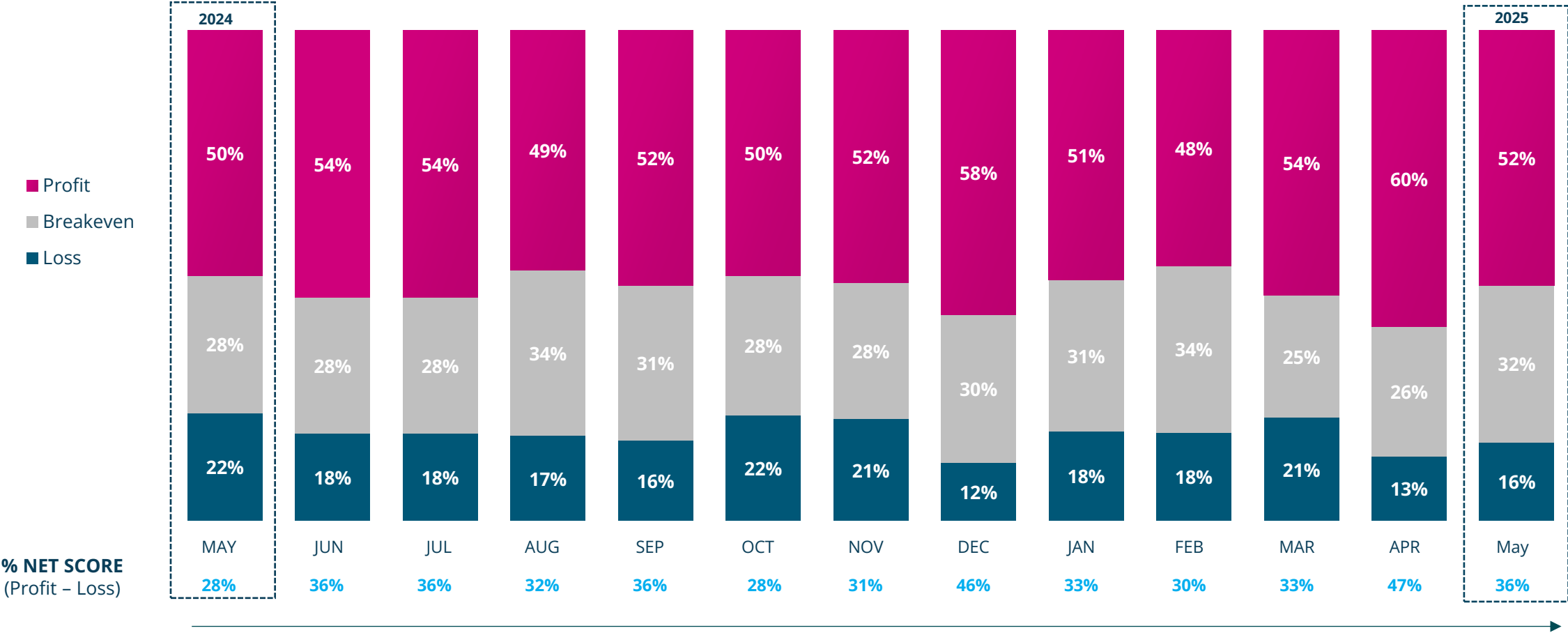
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago? – FY25TD



Key Performance Indicators | Profit

Reflecting the softer revenue performance, SME profitability declined in May, with 52% of businesses reporting a profit, down from 60% in April.

What Was Your Profit Margin Last Month?



Key Performance Indicators | Responding To Challenges

A growing focus on training and outsourcing in May points to SMEs prioritising productivity gains and adopting more flexible workforce strategies.

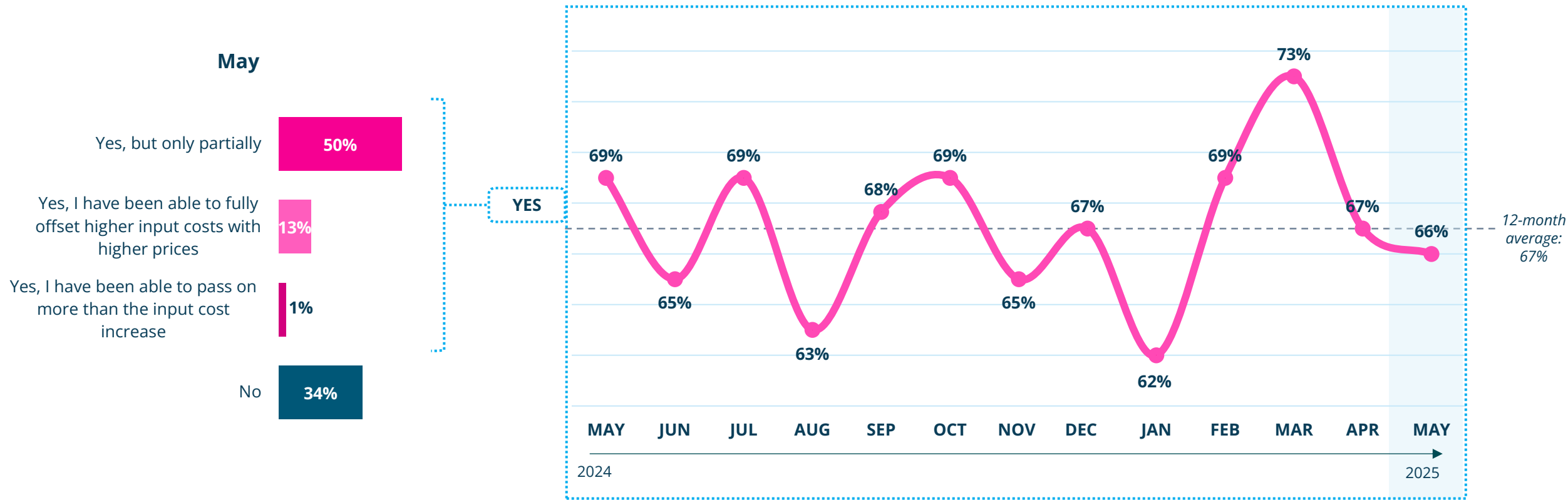
How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

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

Key Performance Indicators | Cost Recovery

Fewer than two-thirds of SMEs were able to pass on increasing input costs in May, slipping below the 12-month average of 67%. This decline likely reflects easing inflation and heightened price sensitivity among customers.

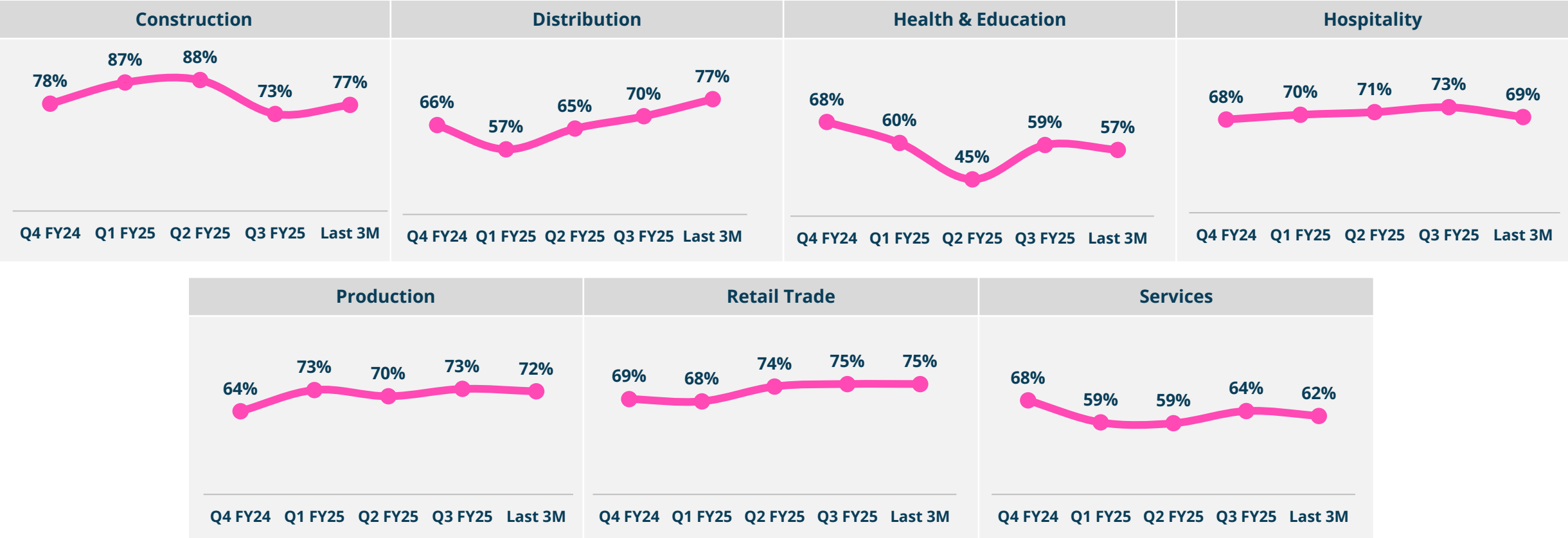
Have You Been Able To Pass On Higher Input Costs To Your Customers?



Key Performance Indicators | Cost Recovery

The Distribution sector continues its upward trend in cost recovery observed throughout FY2025.

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





01

Key Performance Indicators

02

People

03

Business Sentiment

04

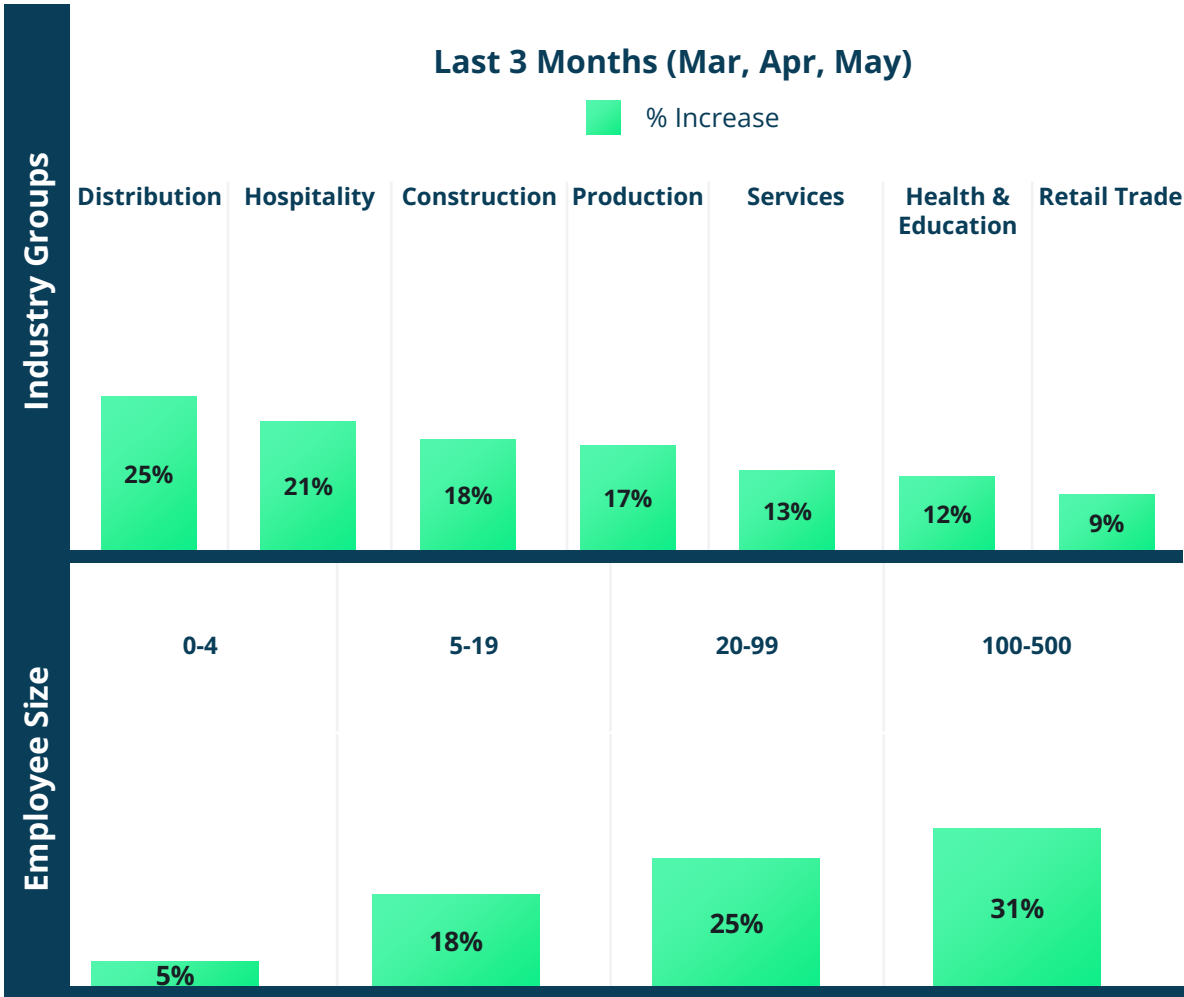
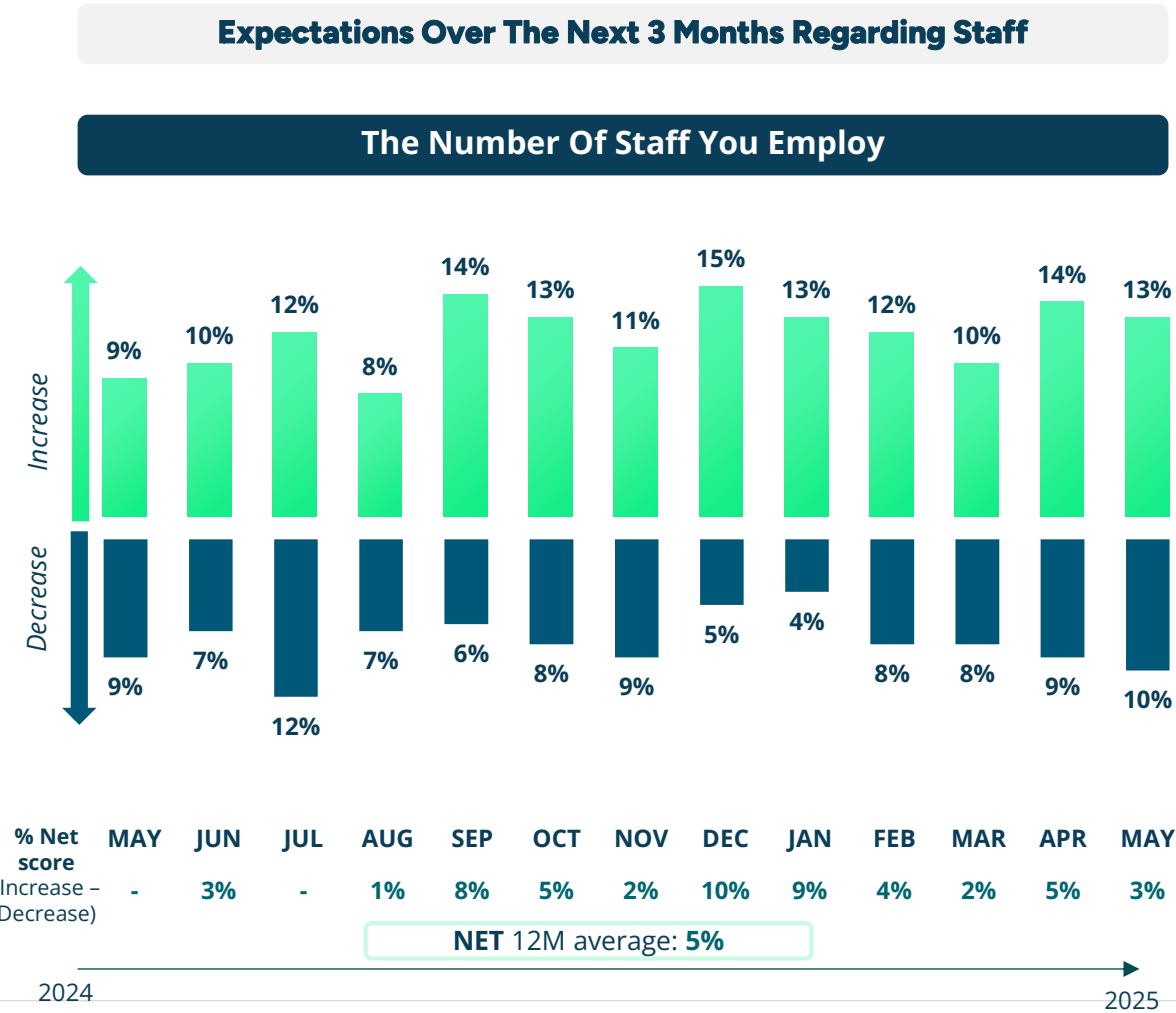
Business Investment

05

Methodology & Sample

Key Performance Indicators | People

In line with other KPIs, employment expectations have dropped slightly for the next 3 months. The Distribution and Hospitality sectors reported the highest employment expectations, reflecting the transient nature and ongoing labour shortages in these industries.

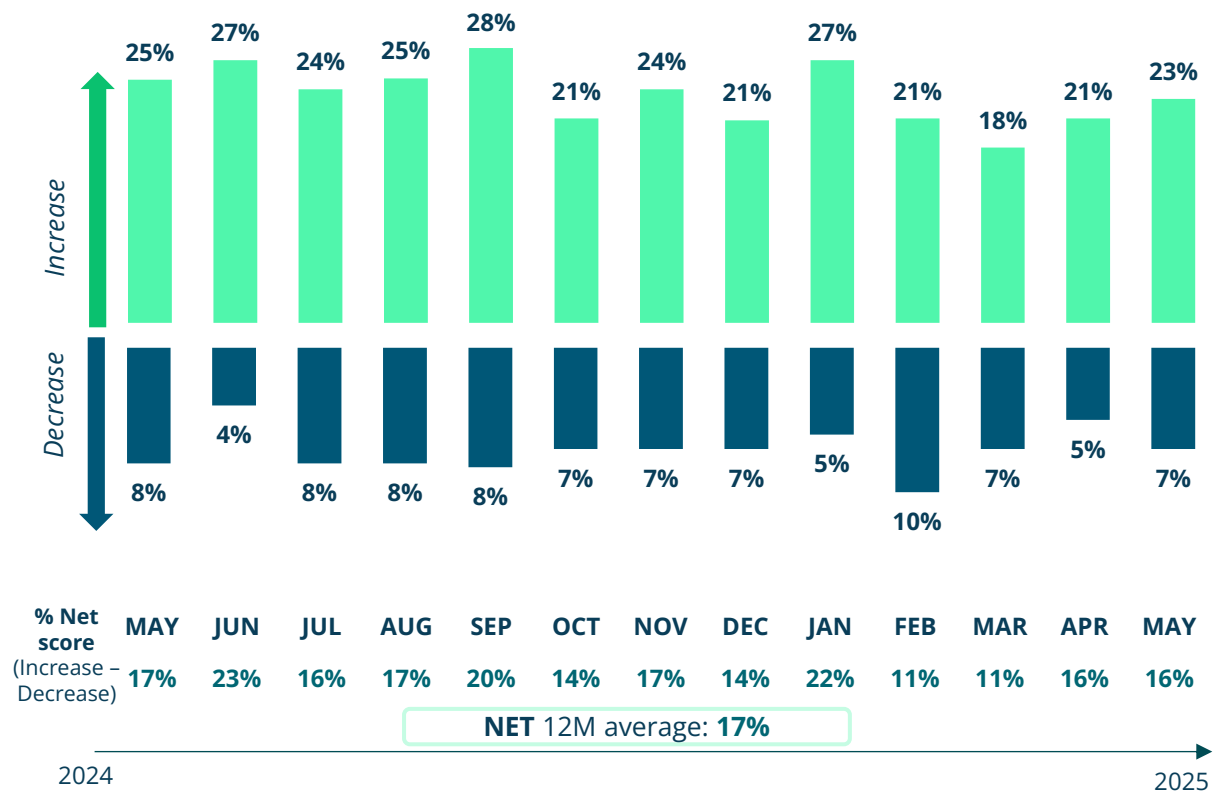


Key Performance Indicators | People

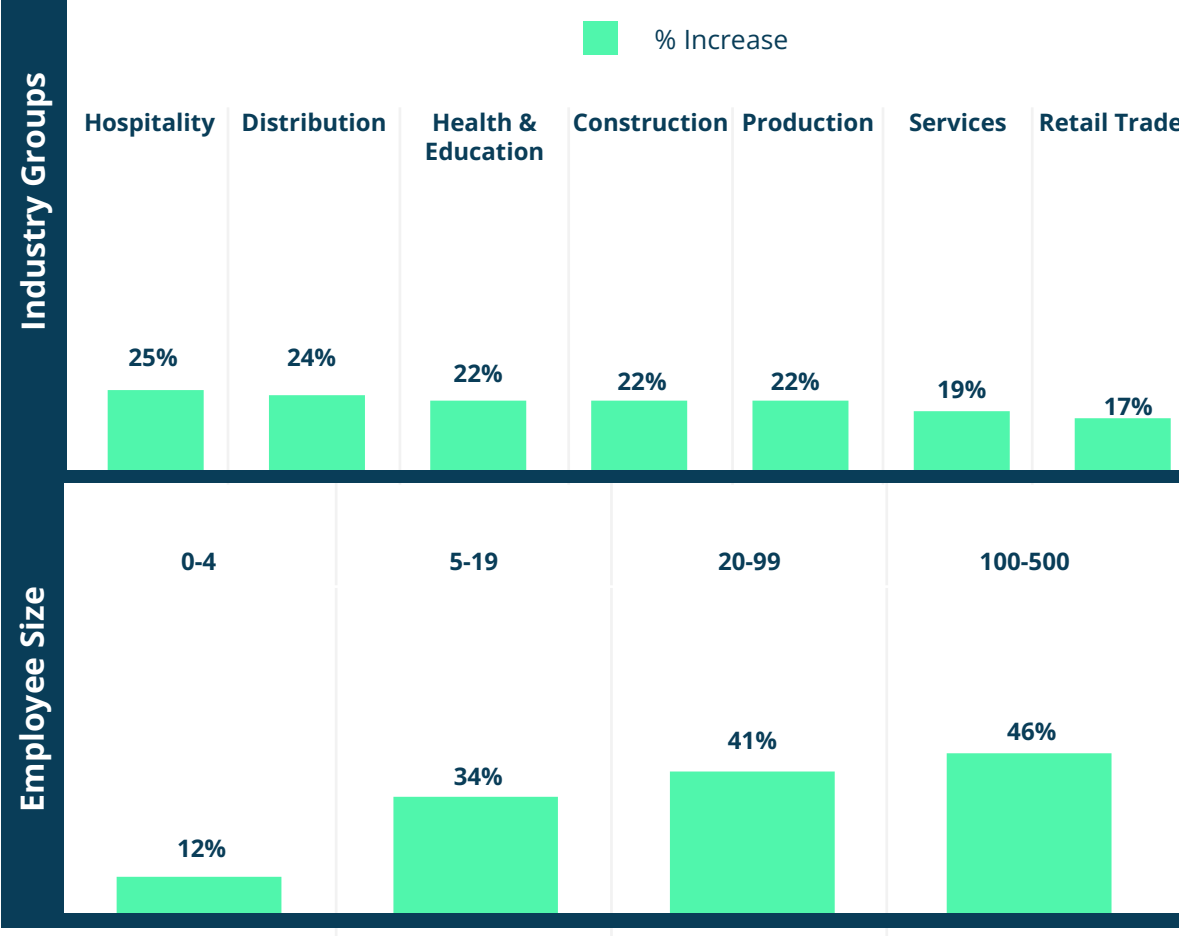
Despite subdued job growth, a higher proportion of SMEs expect to increase wages over the next three months. This is expected as the new financial year approaches, particularly following the recent increase to the minimum wage.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



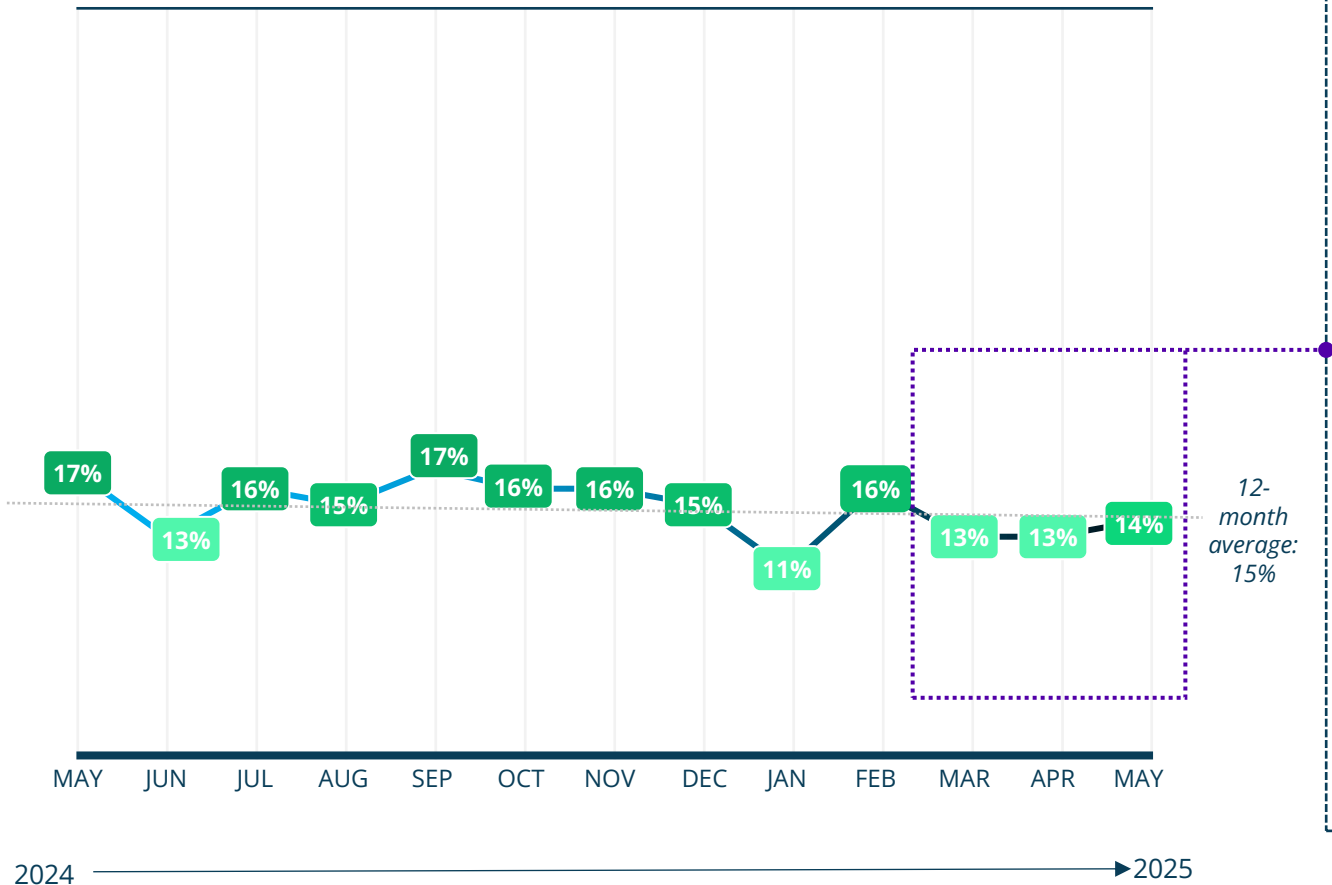
Last 3 Months (Mar, Apr, May)



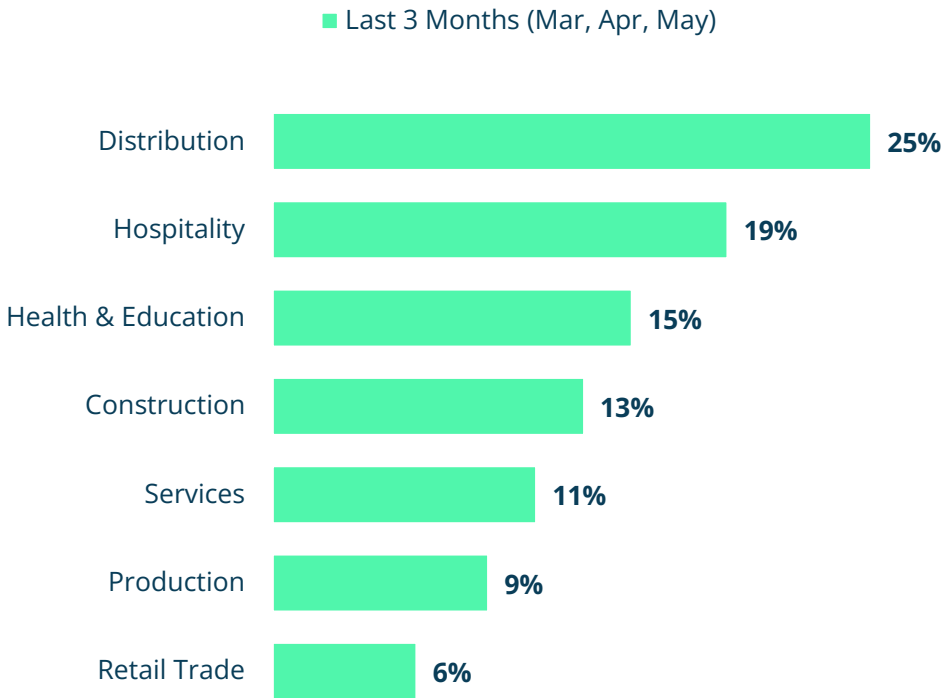
Key Performance Indicators | People

Job vacancies remained steady in May, sitting just below the 12-month average. This reflects low job growth and potentially low staff turnover.

SMEs That Currently Have Job Roles They Are Trying To Fill



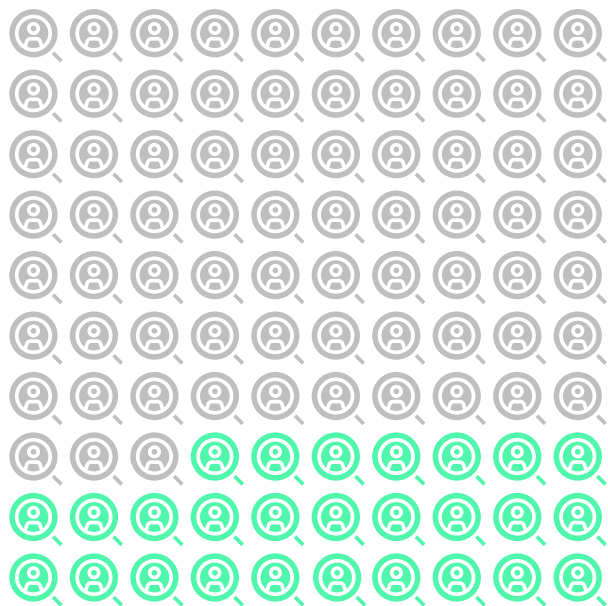
Current Job Vacancies By Industry



Low SME job vacancies are part of a broader downward trajectory, with FY25 reflecting a continued softening in hiring demand.

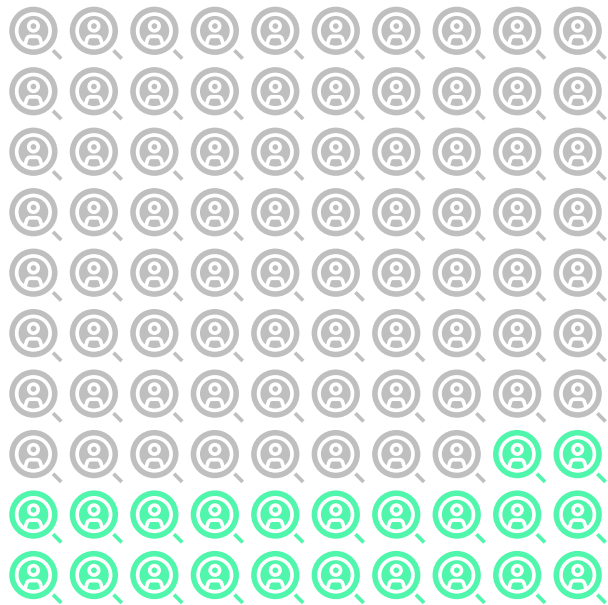
SMEs That Currently Have Job Roles They Are Trying To Fill

FY23



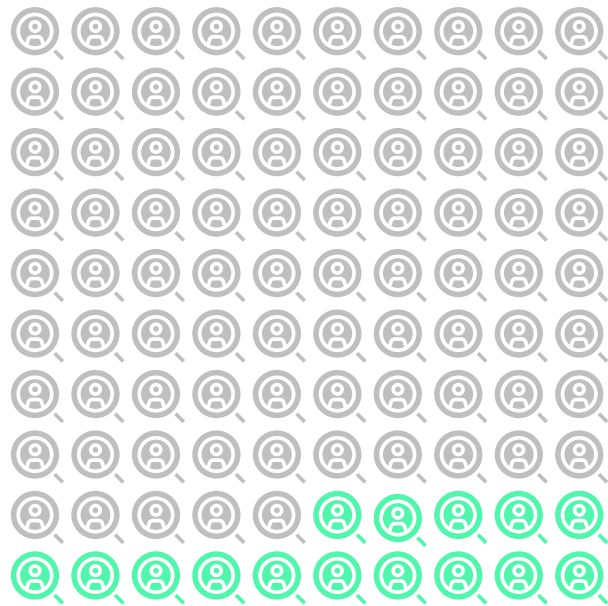
27% with job vacancies

FY24



22% with job vacancies

FY25TD

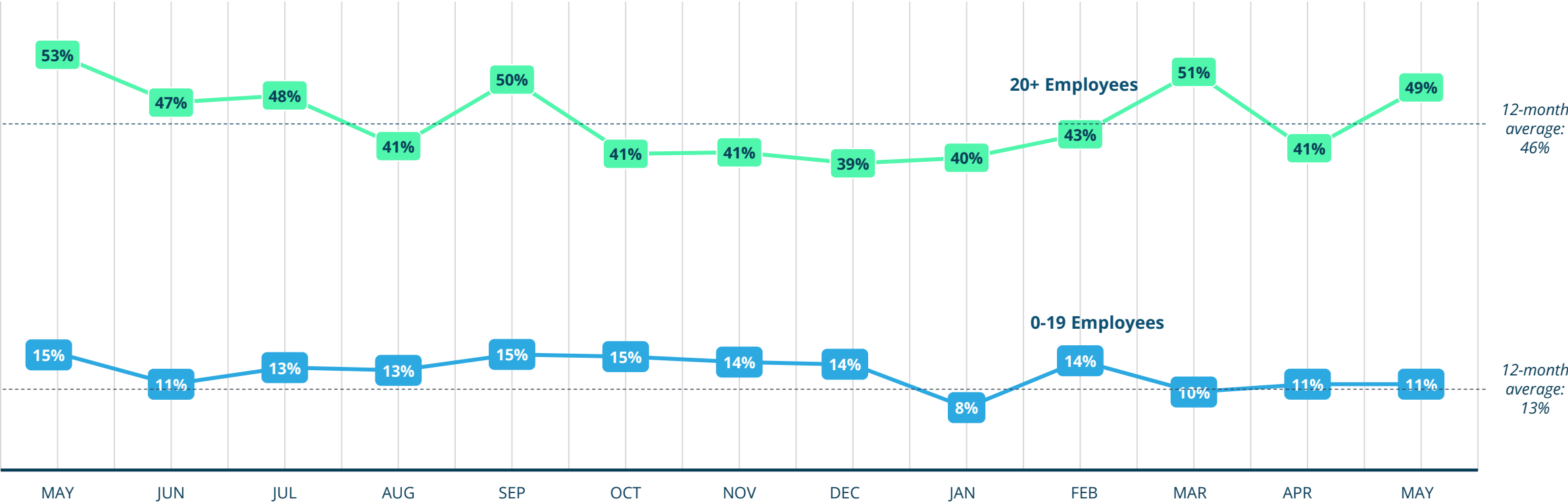


15% with job vacancies

Key Performance Indicators | People

It is concerning that larger companies report more job roles to fill, which may indicate higher staff turnover. This could be linked to growing pressures on revenue and profit margins, potentially affecting workforce stability.

SMEs That Currently Have Job Roles They Are Trying To Fill



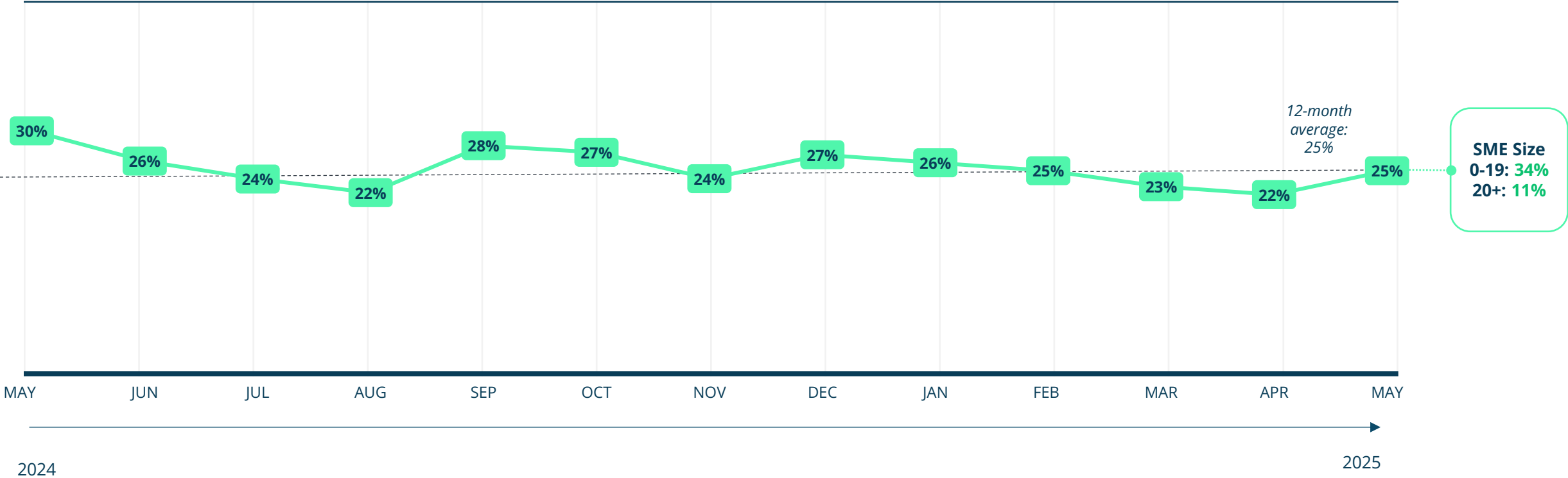
2024 → 2025

Hiring difficulty is more pronounced amongst smaller SMEs with open job roles in May.

How Difficult Is It To Fill These Roles?

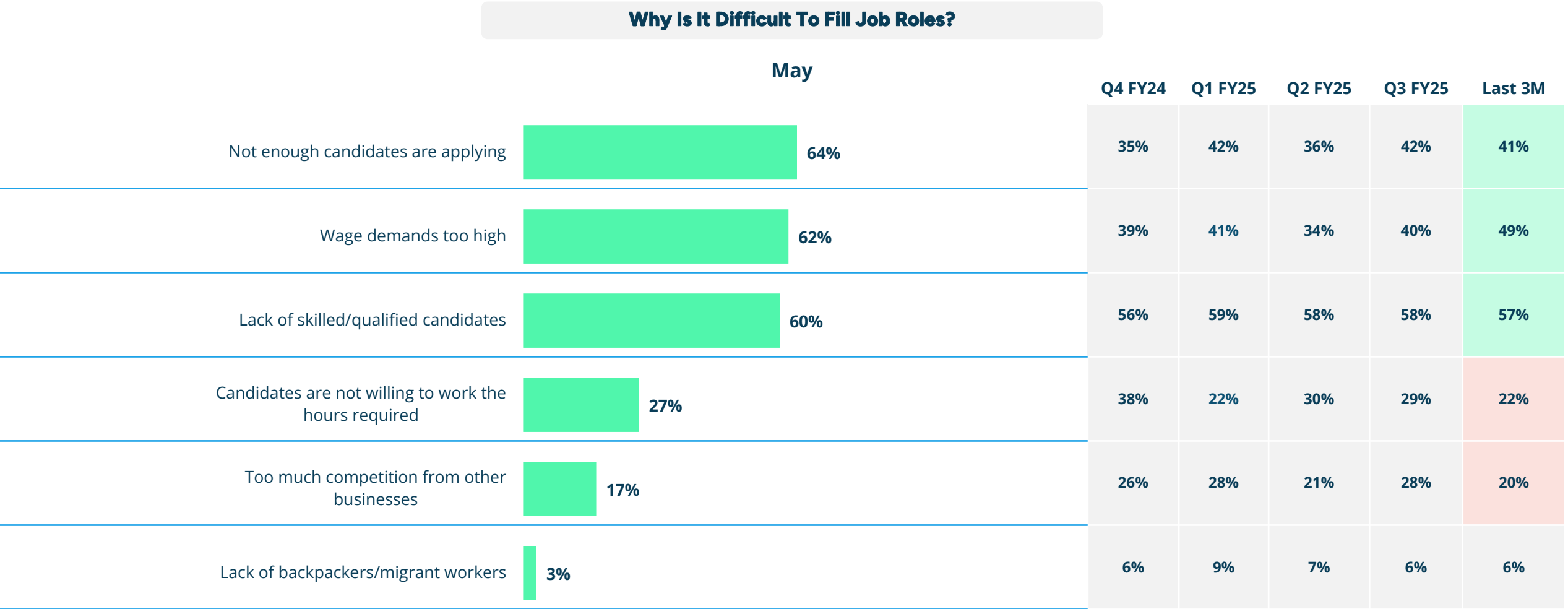
Data displayed as last 3 months (Mar, Apr, May)

Very Difficult



Key Performance Indicators | People

SMEs reported trouble finding qualified candidates and managing rising wage demands, highlighting ongoing challenges in filling positions within tight budget constraints.





01

Key Performance Indicators

02

People

03

Business Sentiment

04

Business Investment

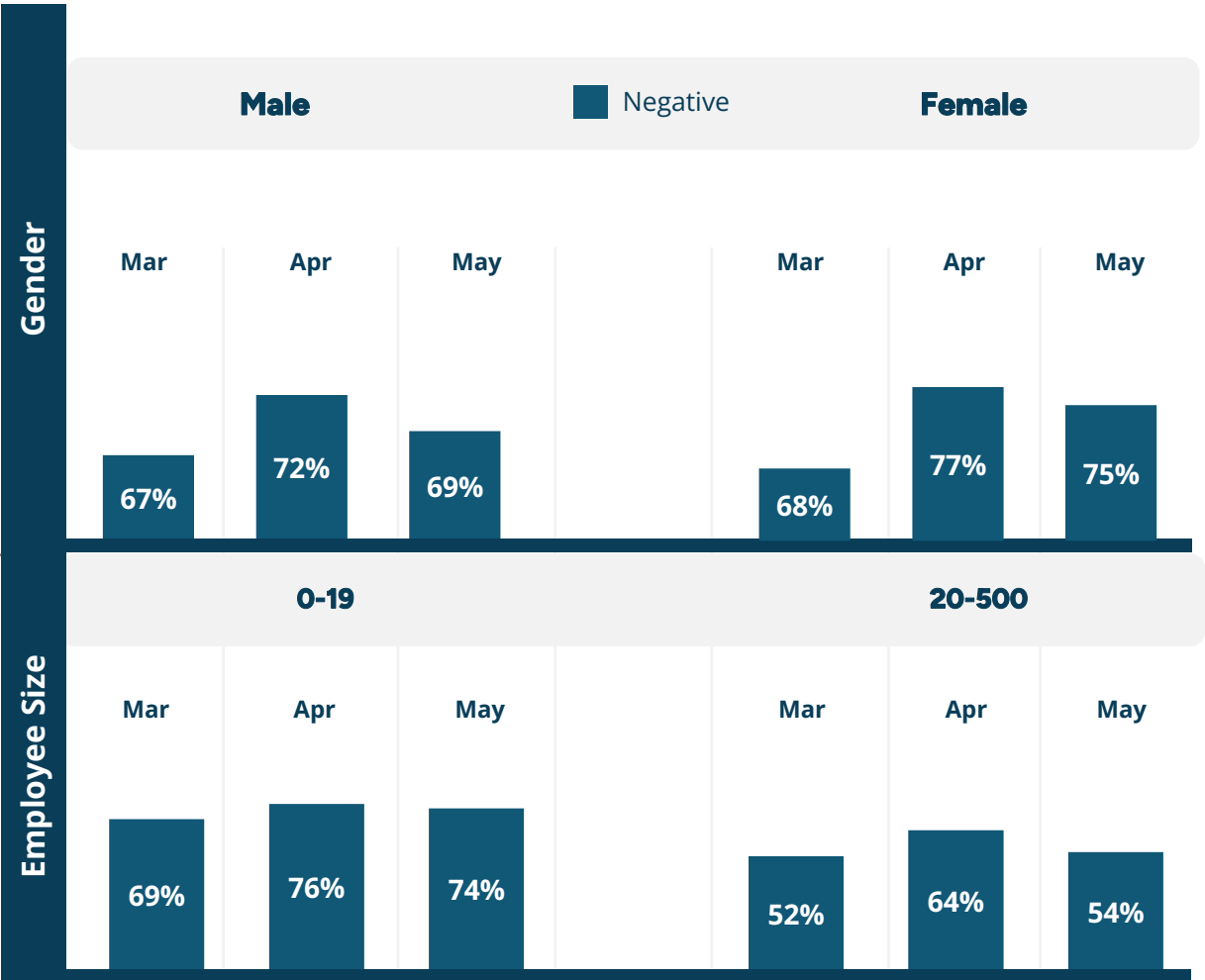
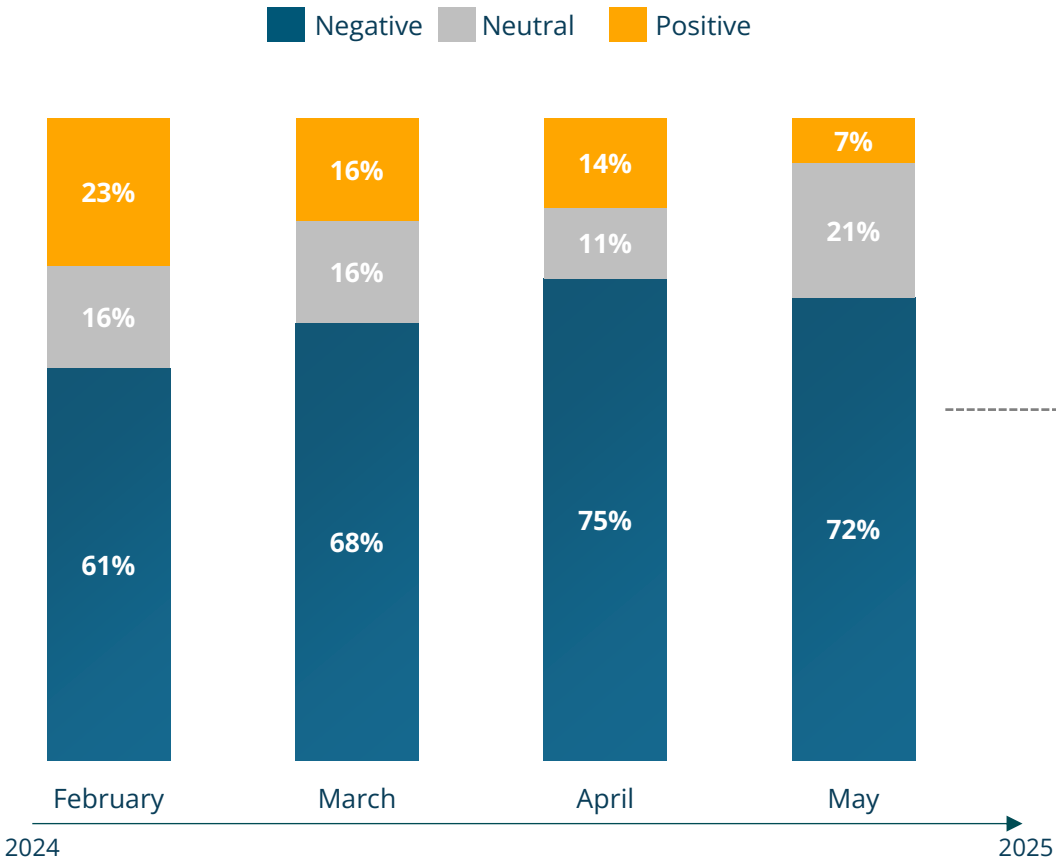
05

Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions

Only 7% of respondents now believe the Trump Administration will have a positive impact on the Australian economy, continuing a steady decline from 23% in February.

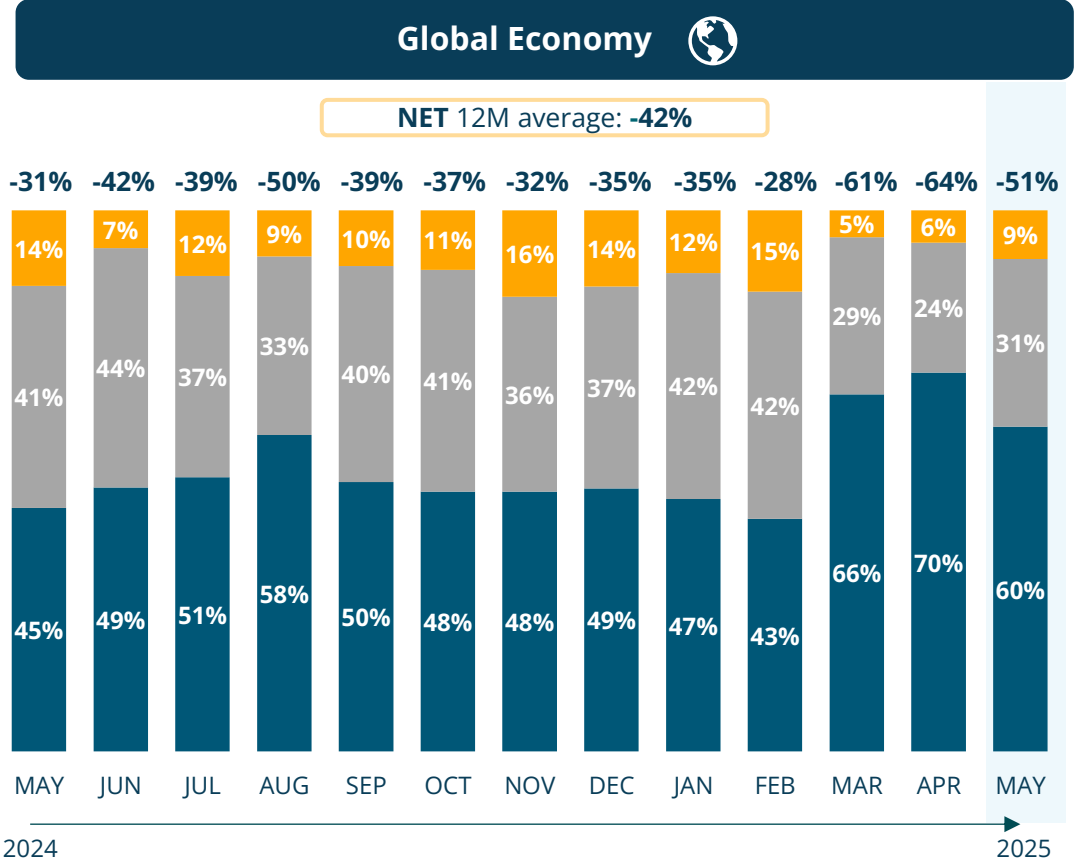
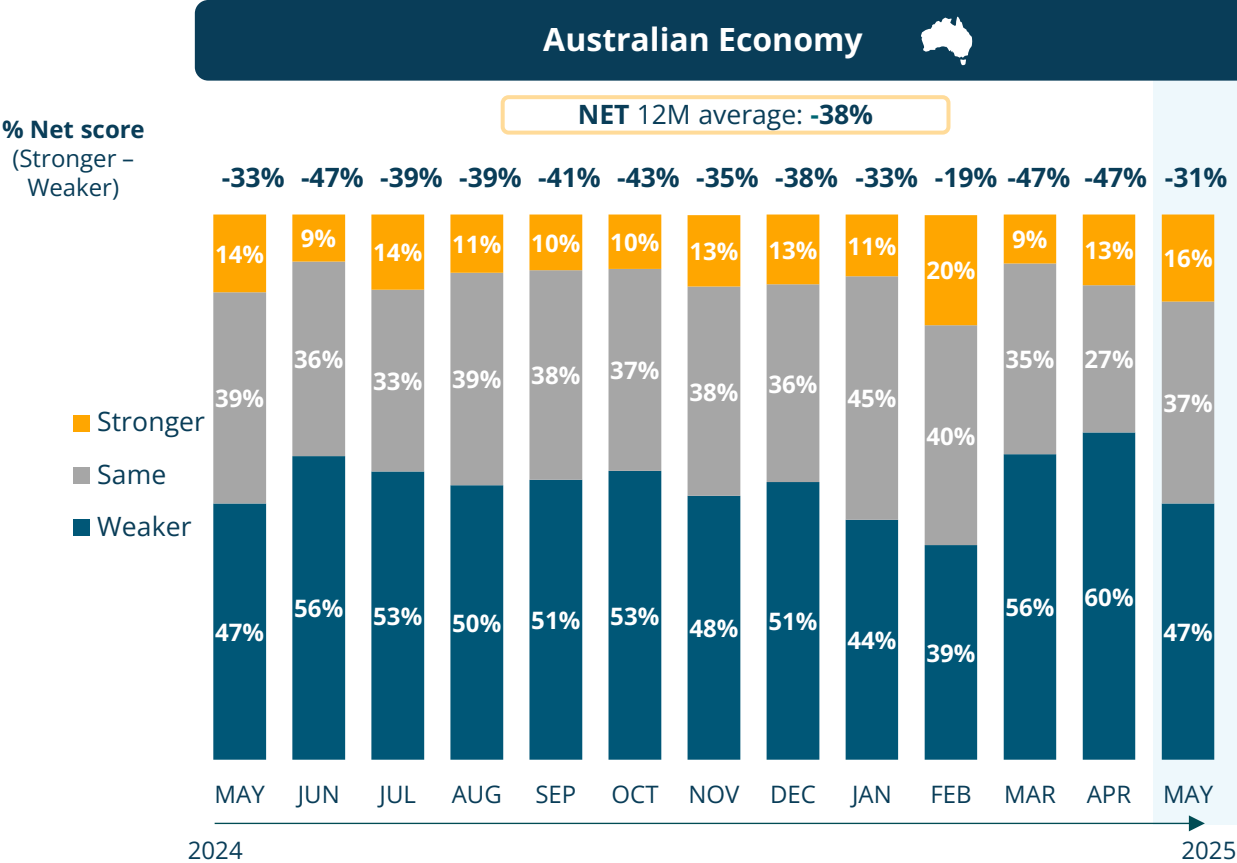
What impact will the Trump Administration have on the Australian economy?



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

Accordingly, net confidence in the global economy remained firmly negative in May at -51%, recovering only slightly from April's record low. Sentiment towards the Australian economy improved modestly, potentially reflecting post-election stability, falling interest rates, or growing belief that the tariff dilemma may have a softer impact than initially expected.

Expectations Over The Next 3 Months Regarding Economic Conditions



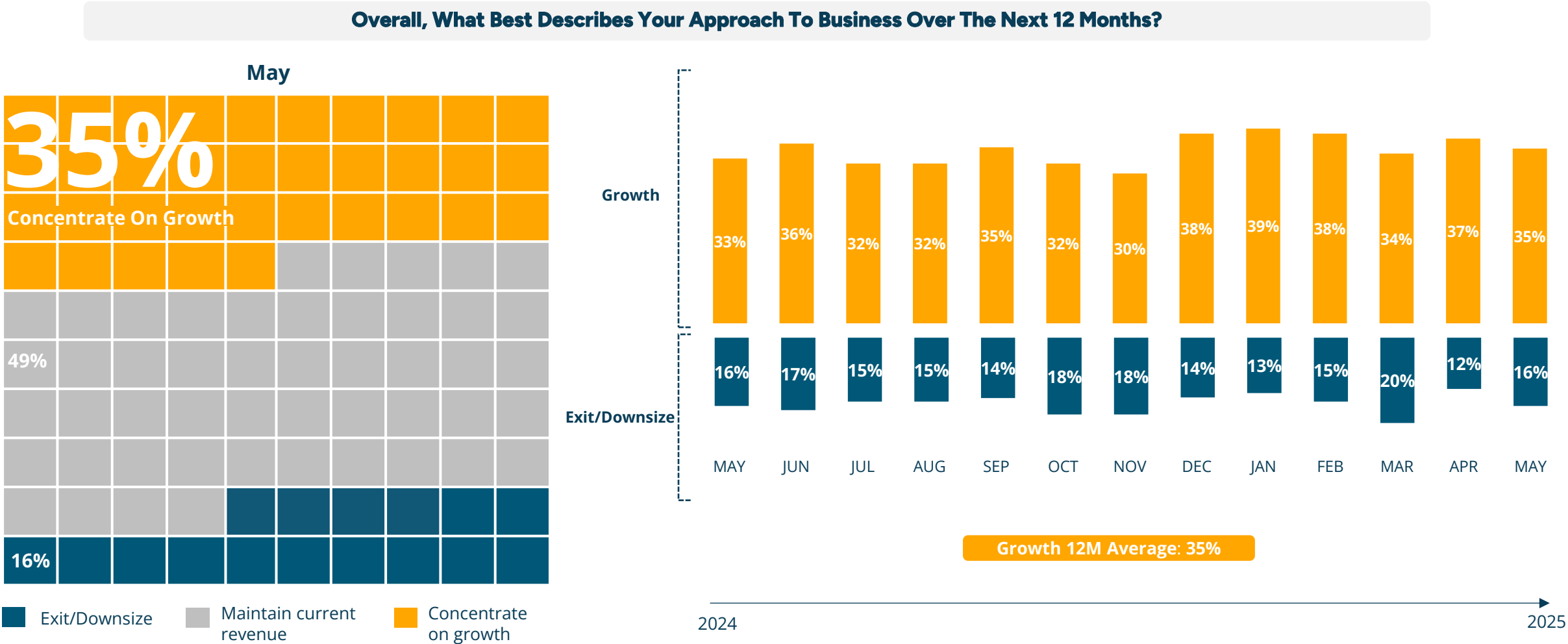
Economic conditions and shifting customer behaviours remained the top challenges for SMEs in May. Concern around navigating the geopolitical landscape has eased back to levels last seen in December, while sustainability and climate change issues continue to be deprioritised.

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

	May	December	January	February	March	April	May
Addressing the difficult economic outlook and ongoing cost pressures.	45%	47%	44%	42%	46%	44%	45%
Keeping pace with changing customer behaviours and preferences.	42%	42%	32%	38%	40%	38%	42%
Managing the continuous adoption of new technologies and digital transformation processes.	24%	21%	18%	22%	22%	25%	24%
Navigating regulatory, compliance, and governance challenges.	20%	22%	20%	20%	20%	21%	20%
Strengthening defences against cyber threats and ensuring data privacy.	20%	22%	20%	20%	20%	22%	20%
Identifying and implementing measures to boost workforce efficiency and productivity.	19%	18%	20%	14%	16%	22%	19%
Managing risks and uncertainties in the geopolitical landscape.	17%	17%	14%	13%	18%	20%	17%
Strengthening supply chain operations for improved efficiency and resilience.	15%	15%	17%	13%	18%	14%	15%
Overcoming difficulties in securing necessary financing.	15%	17%	15%	12%	16%	16%	15%
Acquiring, training, and upskilling talent in a competitive market.	14%	19%	14%	12%	15%	20%	14%
Prioritising investment in research and development to drive innovation.	9%	7%	8%	8%	7%	7%	9%
Implementing strategies to address sustainability issues and climate change impacts.	8%	10%	8%	12%	11%	11%	8%

Business Sentiment | Growth Expectations (Next 12 months)

With key financial indicators all softer, growth expectations edged down slightly in May. Many SMEs remain in a holding pattern, closely monitoring economic developments before committing to growth initiatives.



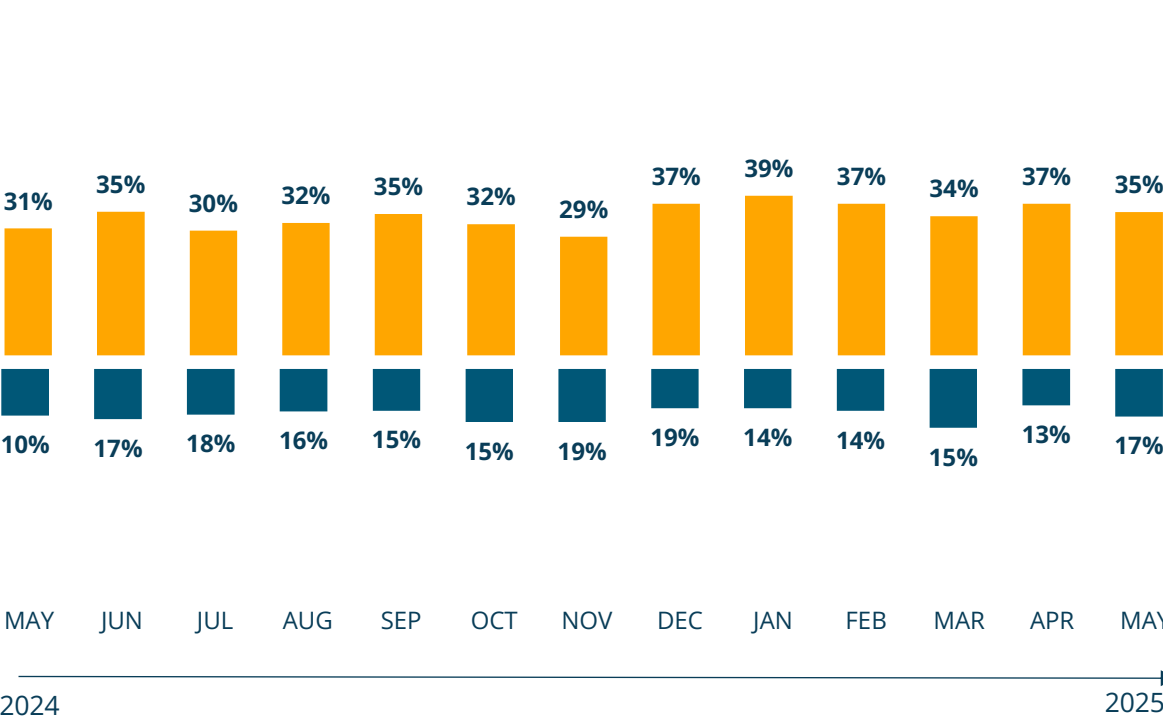
Business Sentiment | Growth Expectations (Next 12 months)

Growth aspirations among the larger employee cohort have declined sharply since February and are now at their lowest point in 2025. The peak recorded in May 2024 is now a distant memory.

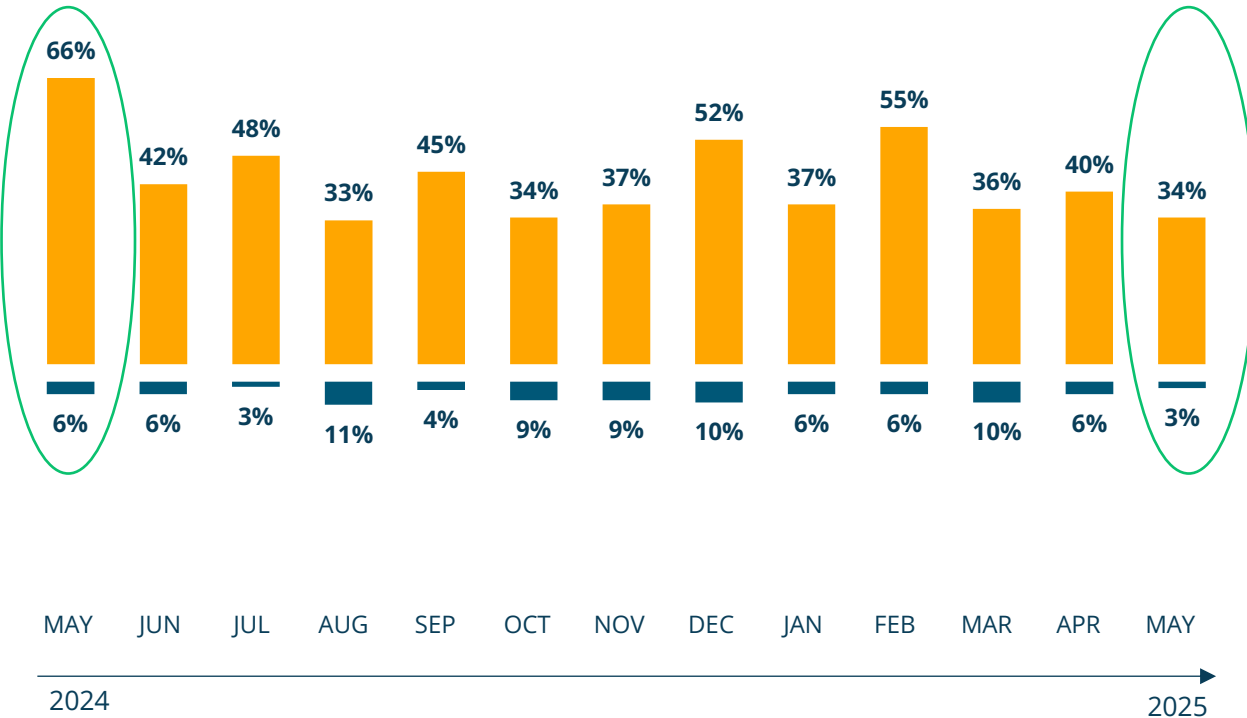
Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

Concentrate on growth Exit/Downsize

0 -19 Employees

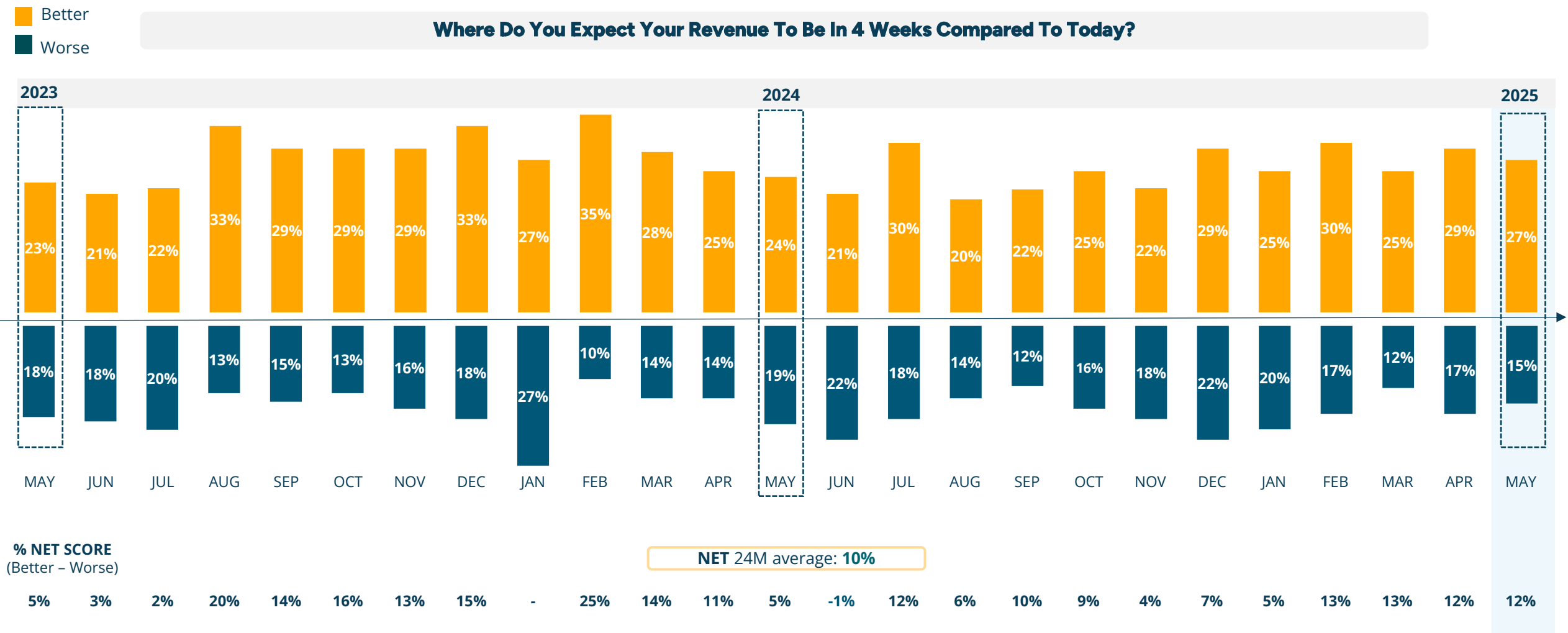


20+ Employees



Business Sentiment | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations remain stable, even as overall financial sentiment weakens.

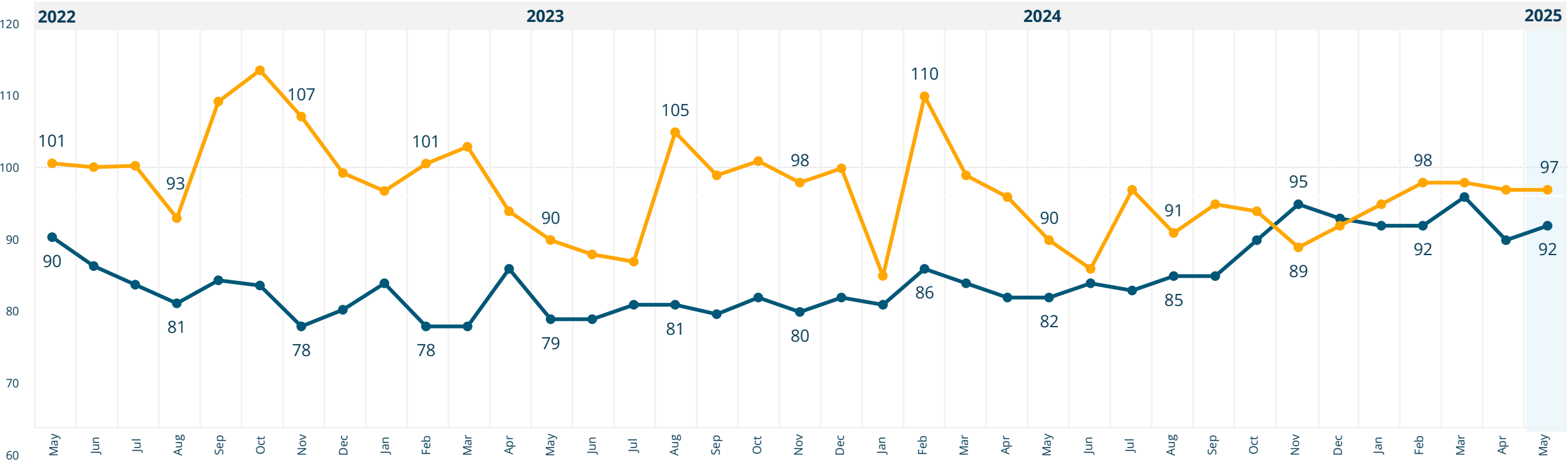


Business Sentiment | Sentiment Index

Business sentiment continues to be slightly more positive than consumer sentiment.

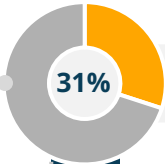
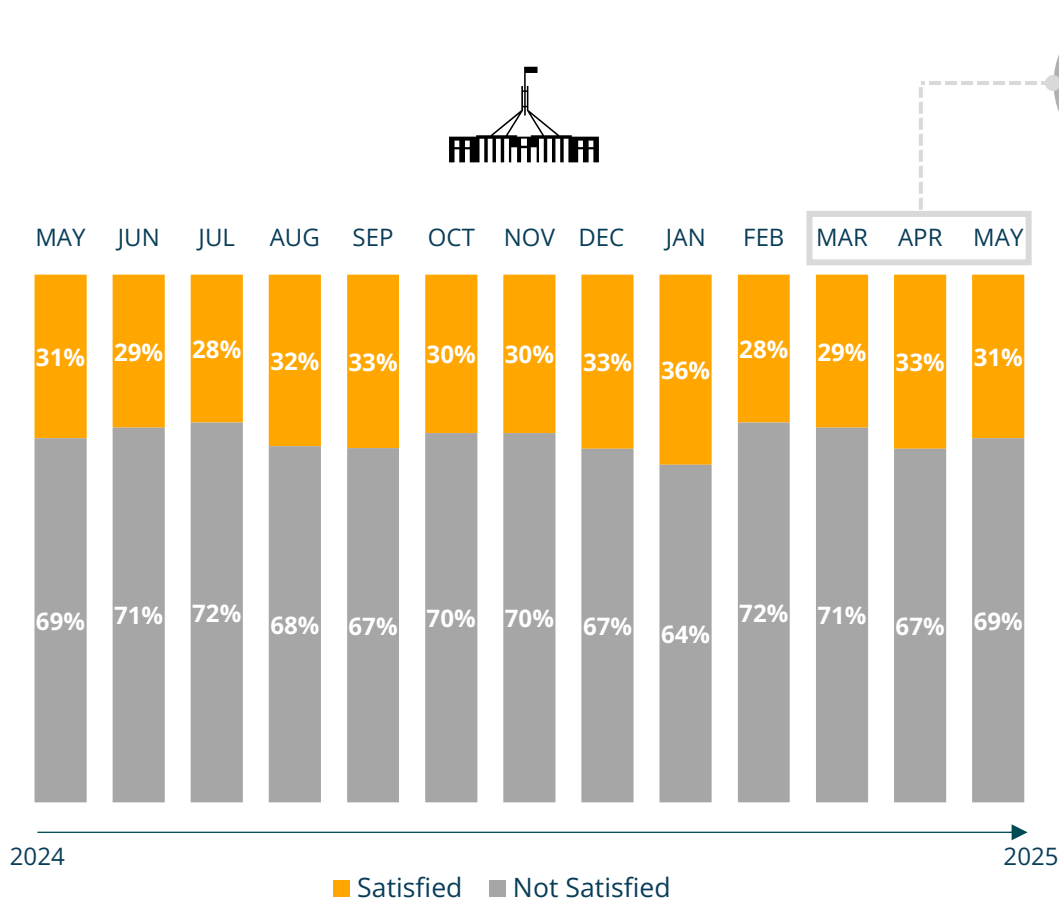
Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index FQ Business Sentiment



Government satisfaction holds steady in May, with larger businesses and key service sectors most supportive. Despite Labor winning the election in a landslide, satisfaction with the federal government remains weak.

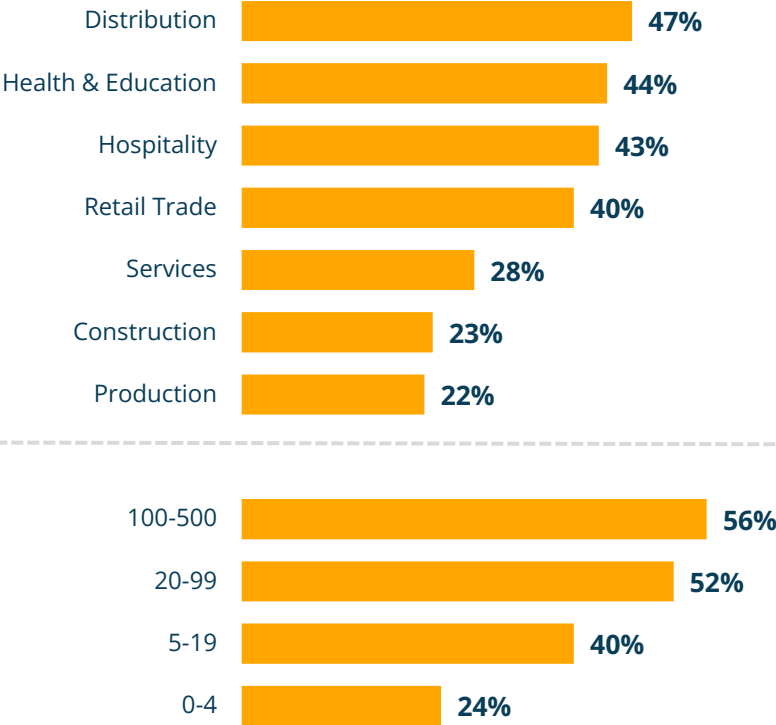
How Satisfied Are You That The Federal Government Is Delivering Effective Policies That Support The Needs Of Your Business?



Last 3 Months (Mar, Apr, May)

Industry Groups

Employee Size





01

Key Performance Indicators

02

People

03

Business Sentiment

04

Business Investment

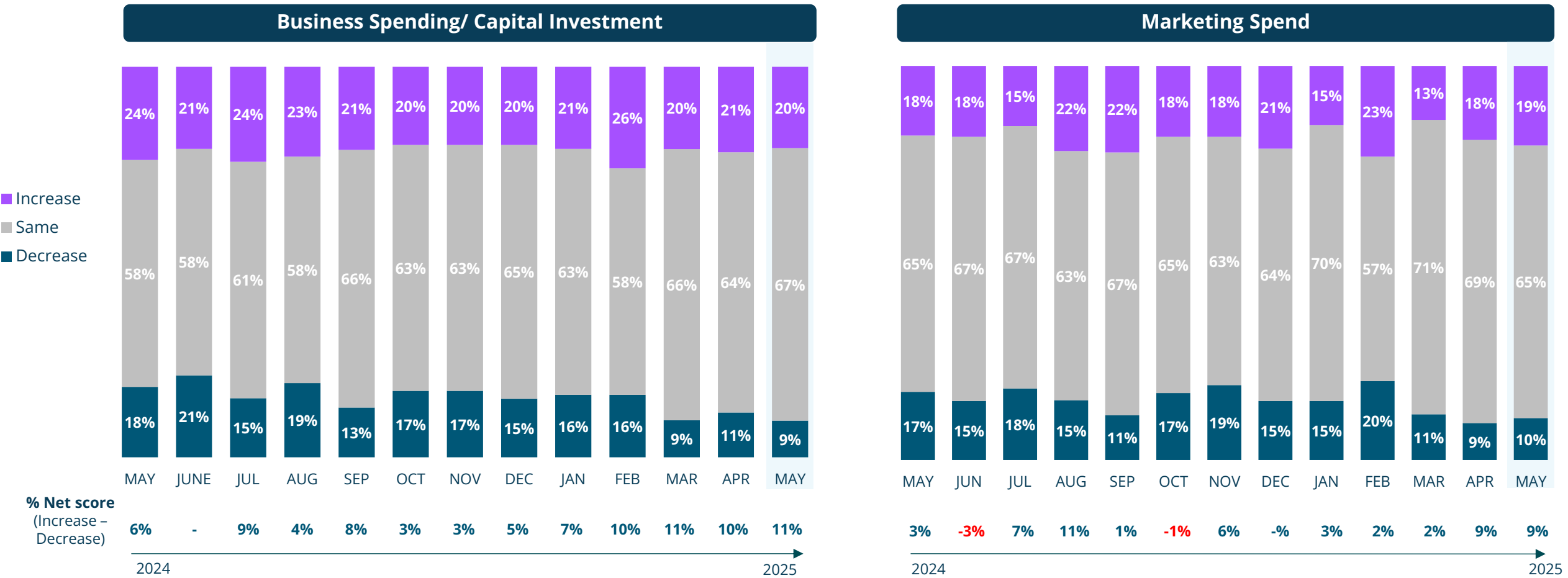
05

Methodology & Sample

Business Investment | Next Three Months

The usual spike in capital expenditure at the end of the financial year has not materialised, with only 20% of SMEs planning to increase capex over the next three months. Marketing spend appears to be a higher priority, as businesses focus on the immediate challenge of generating revenue rather than investing in longer-term opportunities.

Expectations Over The Next 3 Months Regarding Business Investment



Investment intentions remain relatively weak across all equipment, machinery and vehicle categories.

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

May

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

Business Investment | Capital Expenditure

Smaller SMEs showed stronger interest in IT investment, while intent to purchase equipment, machinery or plant dropped significantly. Larger SMEs increased plans for light commercial vehicles and equipment, though passenger vehicles, including electric vehicles, and small trucks, remain lower priorities.

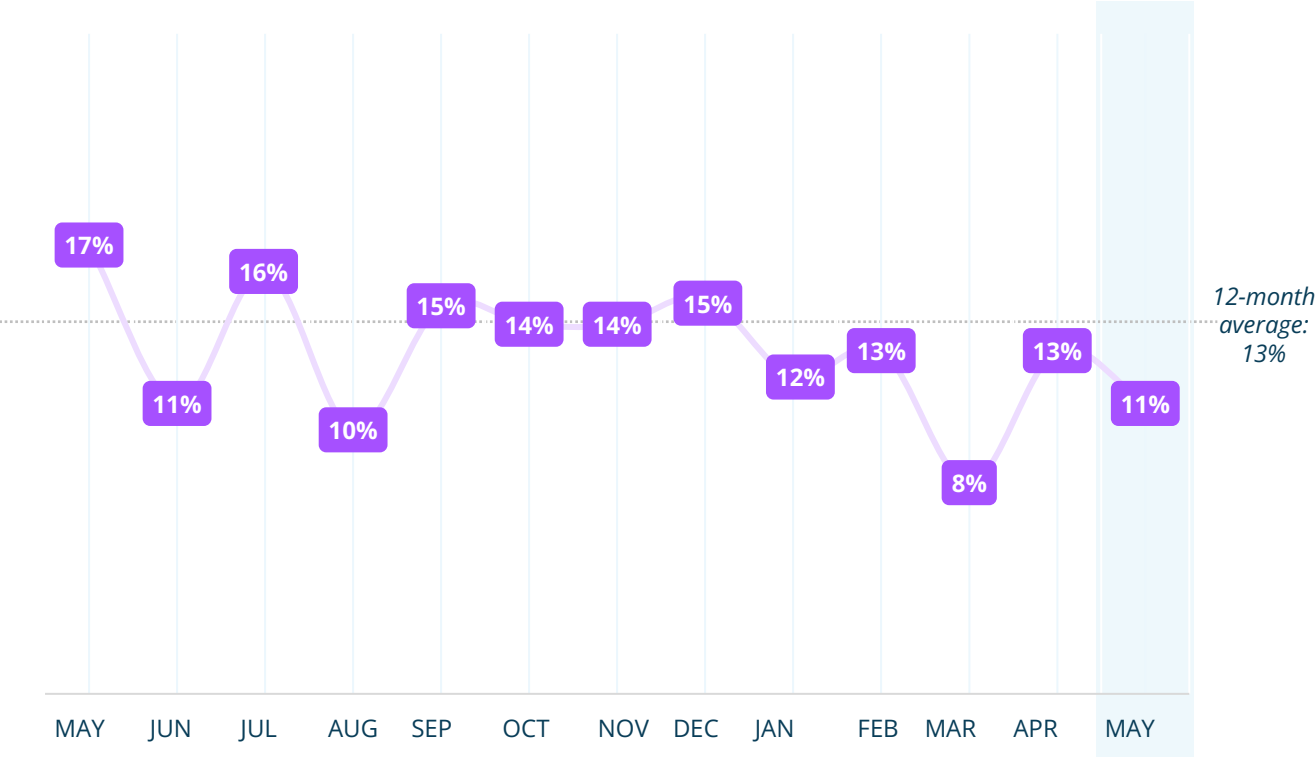
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Mar	April	May	Mar	April	May
IT / Office equipment, including hardware & software	43%	39%	46%	69%	62%	64%
Equipment, machinery or plant	24%	19%	13%	37%	37%	39%
Passenger vehicle(s) including SUVs	14%	13%	10%	37%	36%	32%
Electric vehicle(s), including Hybrid	13%	9%	9%	27%	30%	26%
Light commercial vehicle(s) including utes, vans, and minibuses	10%	10%	11%	34%	31%	37%
Commercial real estate including buildings or land	9%	6%	7%	26%	26%	23%
Agricultural, construction or earthmoving vehicle(s)/equipment	8%	7%	3%	22%	21%	27%
Truck(s) less than 4.5 tonnes	7%	8%	5%	25%	26%	17%
Truck(s) more than 4.5 tonnes	5%	7%	4%	22%	16%	22%
Medium and large bus(es) with more than 12 seats	5%	4%	5%	21%	18%	18%

Business Investment | Finance Needs (Next 3 months)

SME demand for additional finance dipped in May, with interest in funding domestic growth continuing to decline. However, funding for new market expansion rose, suggesting a shift toward diversification, possibly beyond the U.S.

SMEs That Will Require Additional Finance Over The Next 3 Months



And What Is The Purpose Of This Finance?

	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Last 3M
Cashflow/ working capital	50%	62%	61%	60%	54%	61%
Fund growth in Australia	29%	20%	16%	23%	26%	17%
Purchase plant, machinery or equipment	25%	26%	23%	26%	18%	17%
Fund growth into new markets	24%	25%	22%	13%	13%	17%
Trade finance to fund import/export activity	17%	12%	13%	9%	17%	18%
Fund merger/acquisition	10%	10%	14%	7%	7%	4%

Business Investment | Finance Needs (Next 3 months)

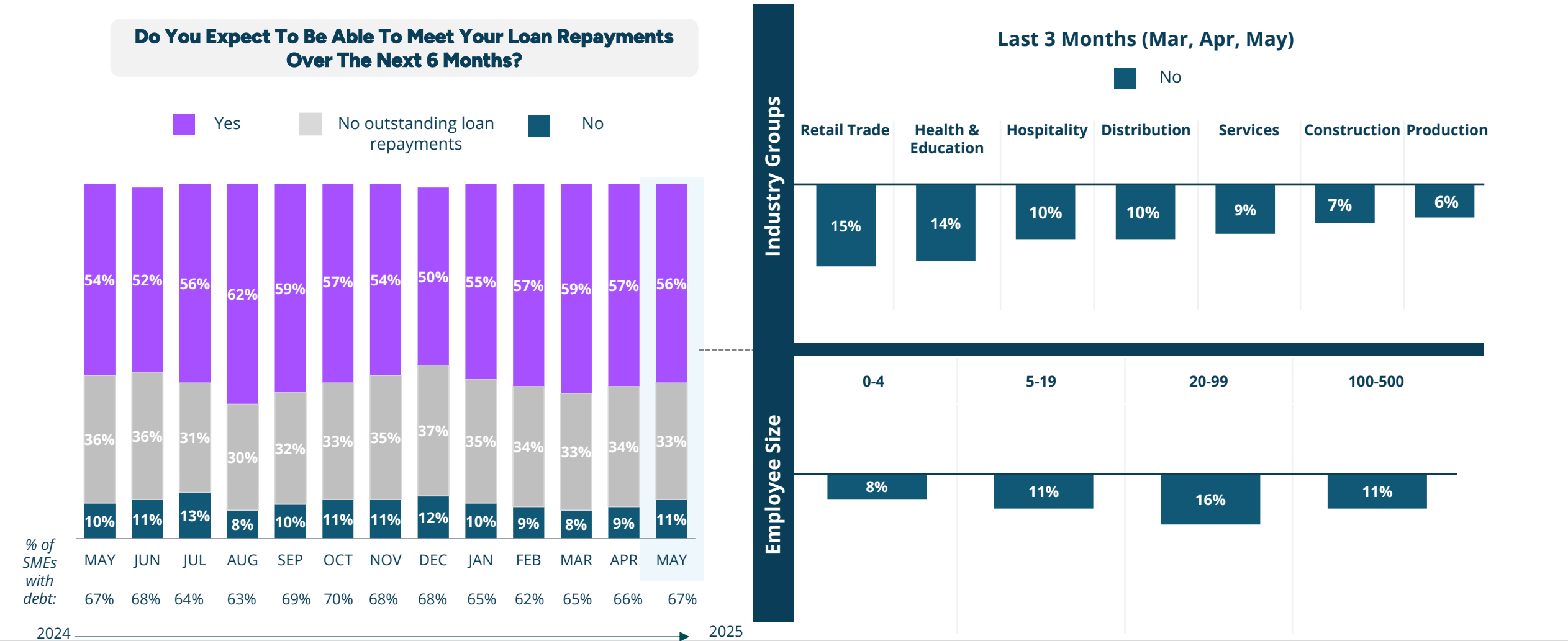
The long-term decline in demand for finance among larger SMEs (20+ employees) continued in May, while demand continues to weaken in the Construction, Hospitality, and Services sectors.

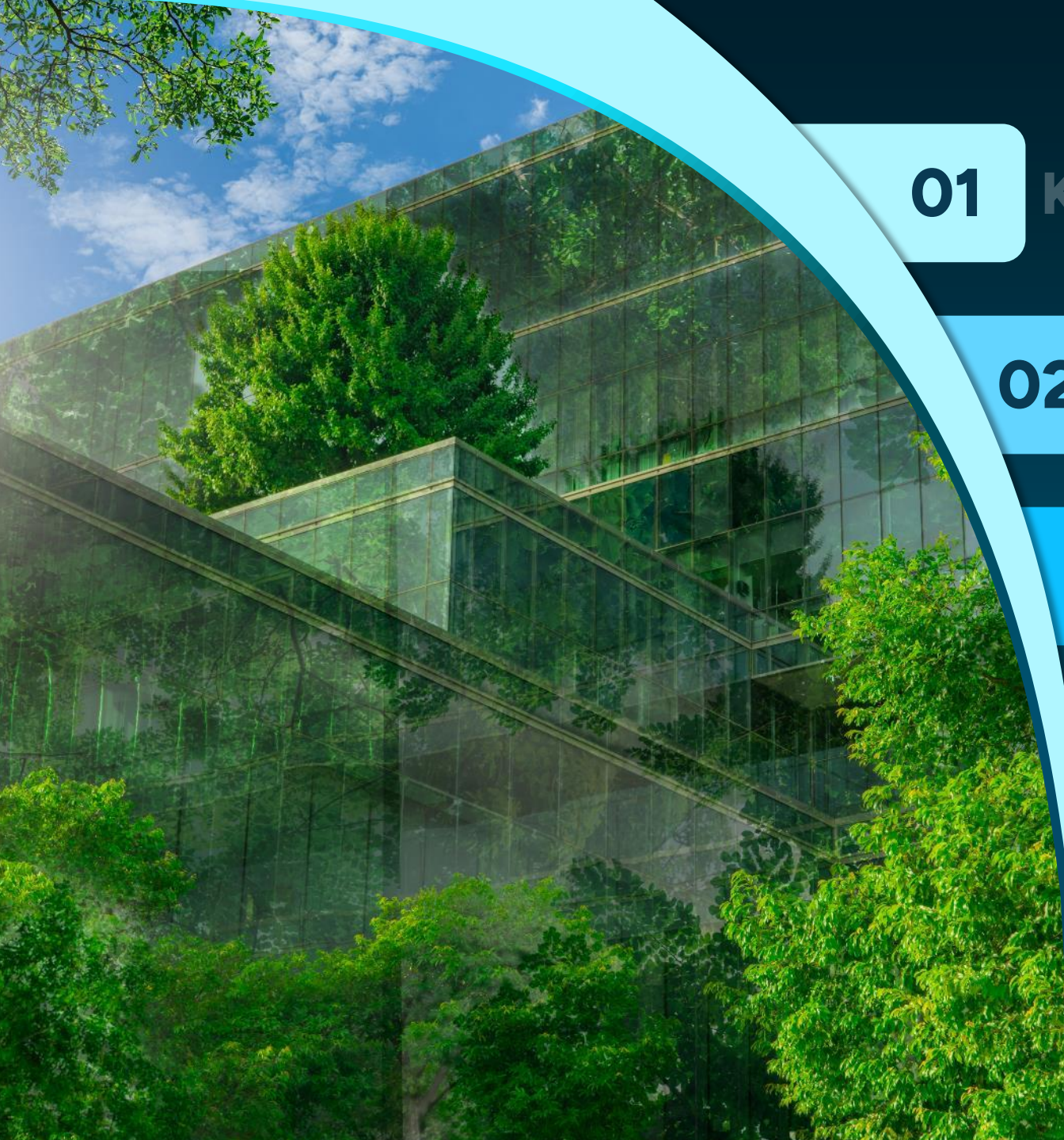
Will You Require Any Additional Finance Over The Next 3 Months? (Yes)

	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Last 3M
0-19 Employees	13%	14%	13%	14%	10%	10%
20+ Employees	28%	35%	26%	21%	24%	20%
Construction	13%	17%	14%	19%	9%	8%
Distribution	19%	13%	19%	16%	6%	19%
Health & Education	13%	17%	8%	8%	11%	13%
Hospitality	27%	29%	14%	17%	25%	19%
Production	17%	22%	16%	14%	12%	9%
Retail Trade	8%	11%	9%	9%	14%	11%
Services	12%	13%	13%	13%	11%	9%

Business Investment | Loan Stress

The proportion of SMEs with debt has increased from 62% in February to 67% in May. Loan stress is also trending upward, with 11% of businesses expressing concern about meeting repayments over the next six months. This concern is most pronounced in the Retail, Health, and Education sectors.





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



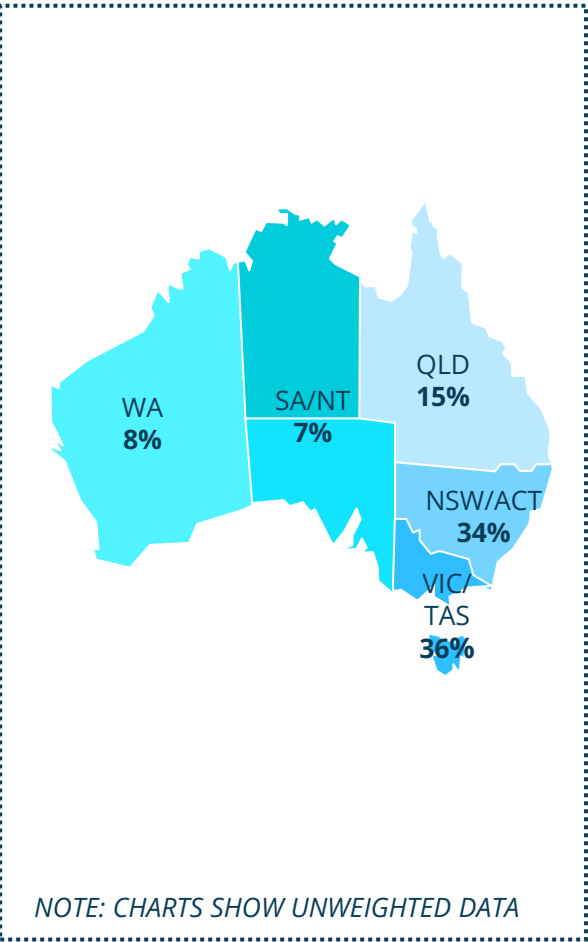
All **industry sectors** are represented,
allowing for subgroup analysis



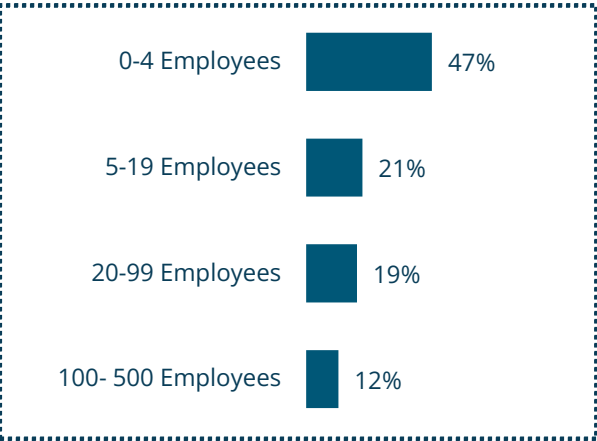
Data is **weighted** by industry, state and
number of employees to reflect the
national distribution of businesses across
the country

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.

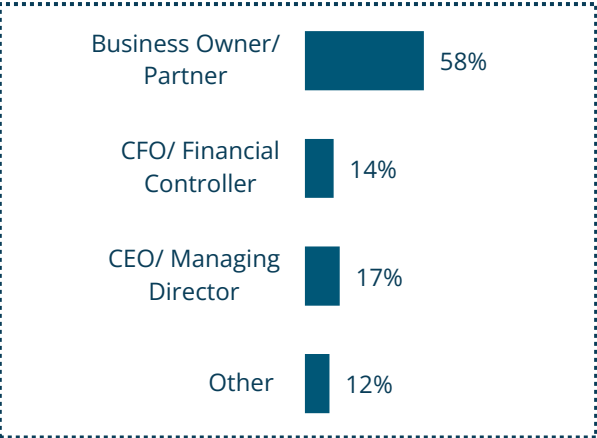
Head Office Location



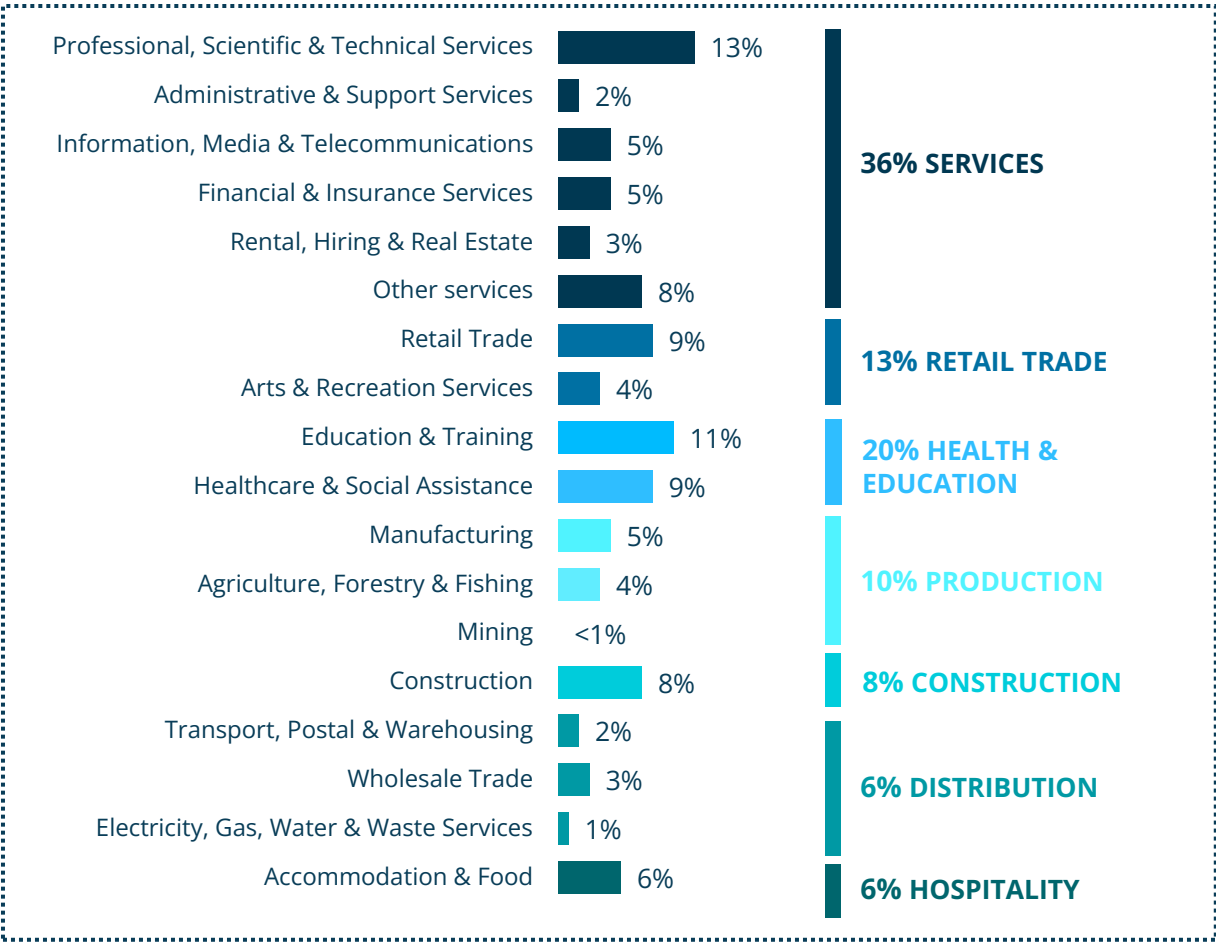
Size Of Business: Employees



Position In Business



Industry Sector



All Rights Reserved.

This work is copyright. Apart from any use permitted under the Copyright Act 1968, no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher.

Use of any part of this publication that may result in commercial or competitive advantage against the publisher is not permitted.

The information contained in this report is based on extensive primary and secondary research. Whilst we believe the information to be reliable and a reflection of the current status, we are not in a position to guarantee the results. This report is provided on the understanding that the company, its servants and agents are not responsible for the results of any actions taken by our clients or any other person on the basis of this report, nor for any error or omission in the report.

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



Thank You

For further information, please contact:

James Organ

Managing Director

E: james@fifthquadrant.com.au

Creating Tomorrow Today