

A person wearing a green patterned shirt is sitting at a desk. Their hands are clasped together on the desk. In front of them are several papers with financial charts and graphs. A laptop is visible in the background.

Small & Medium Enterprise Sentiment Tracker

Wave 76 – June 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.



SMEs Scale Back as Revenue Pressures Intensify to Close out FY25



Only 17% of SMEs report revenue growth over the past 12 months



Only 30% are focused on growth over the next 12 months



Hiring intentions dipped into negative territory (-5%) for the first time in over a year



56% of SMEs have outstanding debt, down from 67% in May

SME performance softened further in June, with revenue growth hitting its lowest point in the past 12 months as businesses closed FY25 on a cautious footing. Just 17% of SMEs reported higher revenue compared to a year ago, whilst 37% experienced a decline. The downturn was especially pronounced in Hospitality and Retail sectors, which continue grappling with reduced consumer demand despite recent interest rate cuts. Regional disparities persisted, with WA remaining more resilient than eastern states like NSW/ACT and VIC/TAS.

Confidence remained fragile in June, with nearly half of SMEs nominating the economic outlook and cost pressures as their top challenge. Growth intentions softened further to just 30% of SMEs focused on expansion, the lowest since November. For many SMEs, this now reflects active scaling back rather than simply pausing growth ambitions, as businesses prioritise cost control and short-term resilience whilst awaiting clearer signs of recovery.

In a positive development, satisfaction with federal government support for SMEs lifted to 40% in June, the highest level recorded over the past year. The recent federal election result may have contributed to a short-term boost in confidence, though it remains too early to determine if this marks a sustained shift in sentiment.

Labour market indicators continued cooling, with hiring intentions dipping into negative territory (-5%) for the first time in over a year. Job vacancy rates remained flat, and wage expectations edged up slightly, likely in response to the upcoming award wage rise and end-of-financial-year reviews.

Investment activity showed mixed signals in June. Capital expenditure intentions lifted modestly to a net score of +12%, likely driven by end-of-financial-year activity rather than renewed confidence. However, interest in major asset categories like vehicles and machinery continued to soften, whilst finance demand remained subdued and focused on cashflow rather than growth initiatives.

Notably, the share of SMEs with outstanding loan repayments fell to 56%, down from 67% in May, pointing to deliberate deleveraging as businesses pull back from growth and manage financial risk more cautiously.

SMEs closed FY25 on a cautious footing, with revenue pressures persisting, growth sentiment softening, and investment activity remaining subdued. Amid rising concern over the economic outlook, many SMEs appear to be scaling back rather than simply standing still, prioritising cost control and short-term resilience whilst awaiting clearer signs of recovery.



01

Key Performance Indicators

02

People

03

Business Sentiment

04

Business Investment

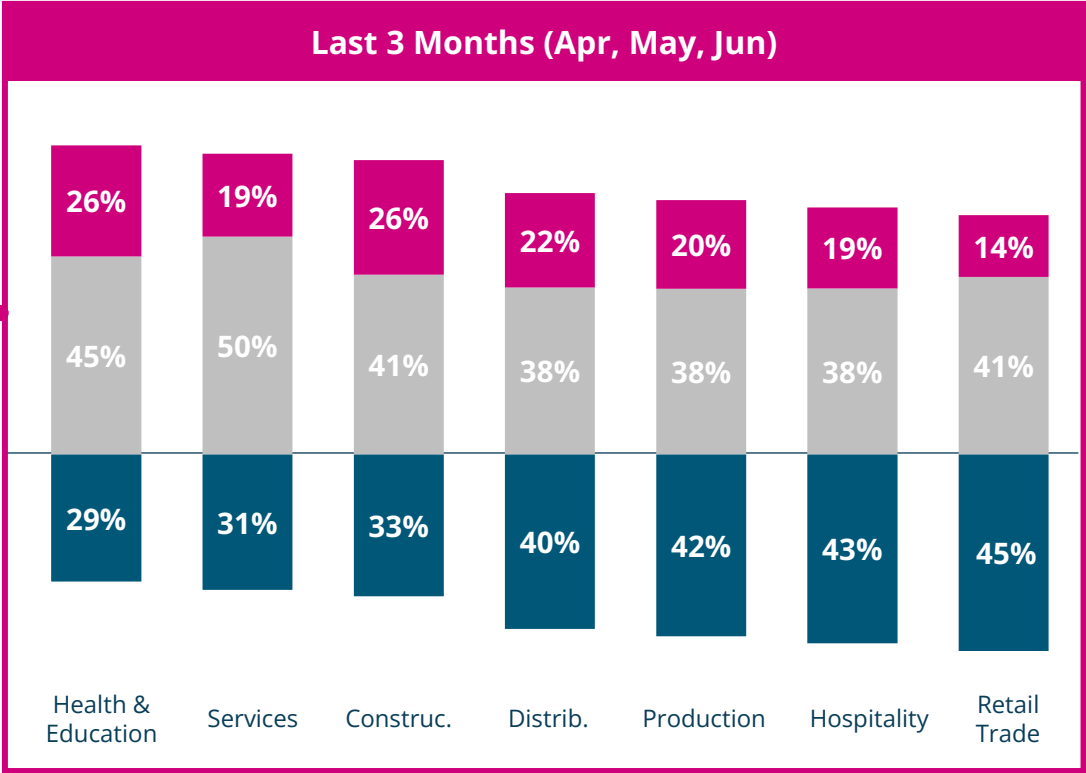
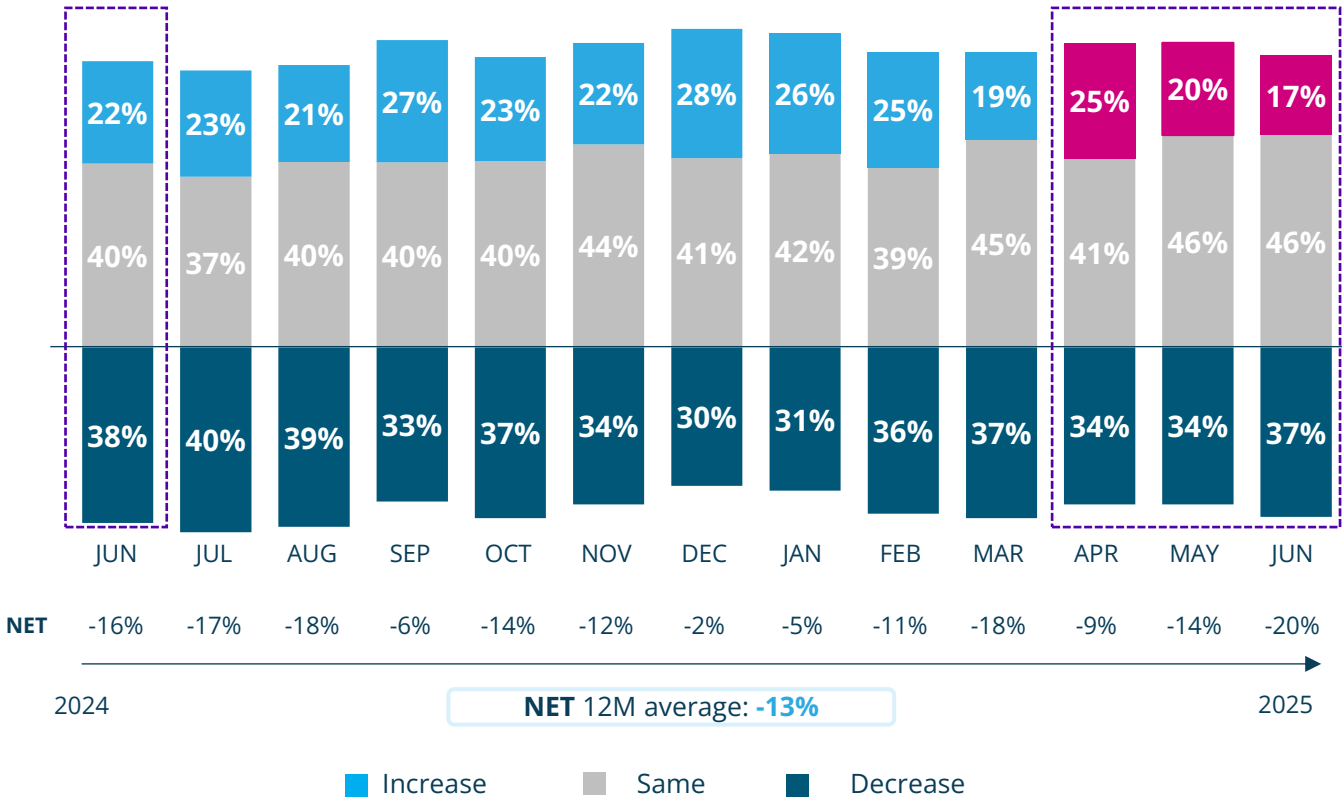
05

Methodology & Sample

Key Performance Indicators | Revenue

Revenue performance deteriorated further in June, with 37% of SMEs reporting lower revenue compared to 12 months ago, while only 17% reported increasing revenue, the weakest result recorded over the past year. Declining revenue was particularly pronounced in the Hospitality and Retail sectors, highlighting persistent consumer caution and continued economic pressure, despite recent interest rate cuts.

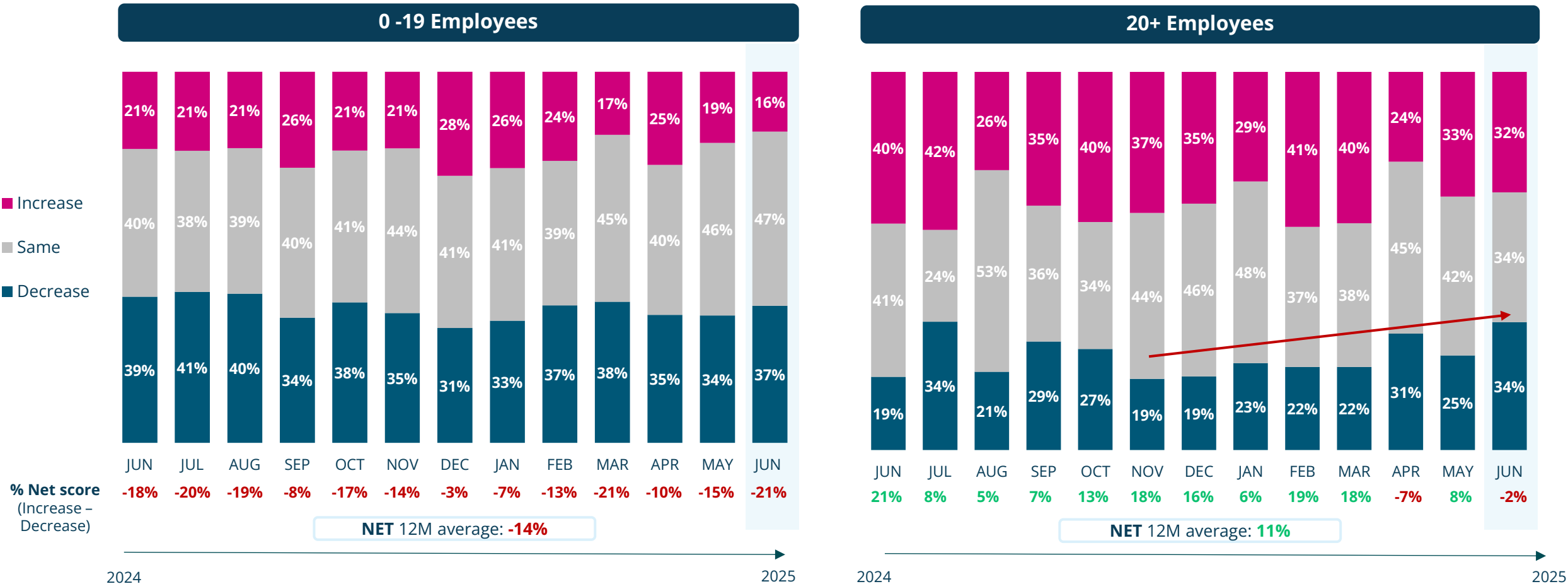
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue

For larger SMEs (20+ employees), more businesses reported declining revenue (34%) than increasing revenue (32%) in June, only the second negative net result in 12 months. This shift underscores heightened exposure to ongoing economic uncertainty and global supply chain disruptions amid continued geopolitical tensions.

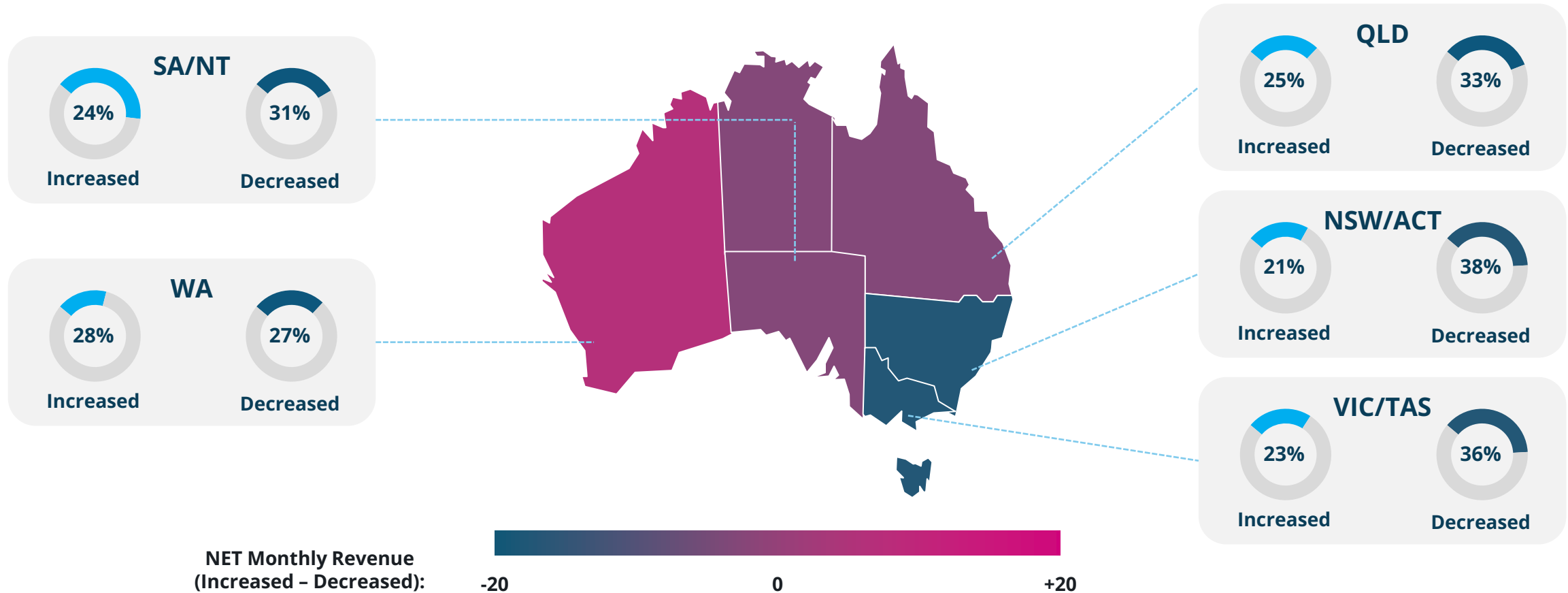
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue

SMEs in NSW/ACT and VIC/TAS continue to experience pronounced revenue pressures, with a substantial share reporting declines. In contrast, WA maintains relative resilience.

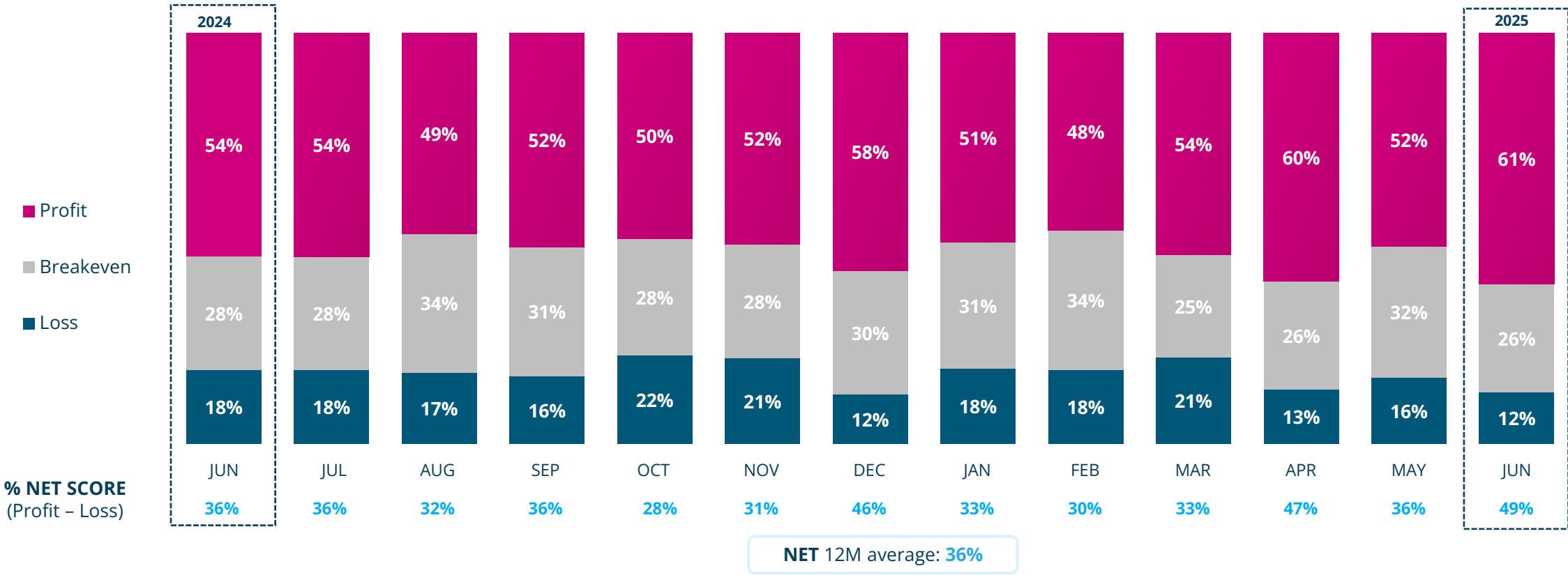
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago? – FY25TD



Key Performance Indicators | Profit

Profitability among SMEs improved in June, with 61% reporting profits. This uplift indicates SMEs have been able to manage costs effectively amid challenging revenue conditions.

What Was Your Profit Margin Last Month?



Key Performance Indicators | Responding To Challenges

In June, SMEs intensified their focus on streamlining strategies, notably discontinuing unprofitable products (33%) and enhancing operational efficiency (26%). Reduced emphasis on expanding product ranges (18%) and renegotiating supplier agreements (15%) further underscores this strategic shift towards simplification and cost containment amid ongoing revenue pressures.

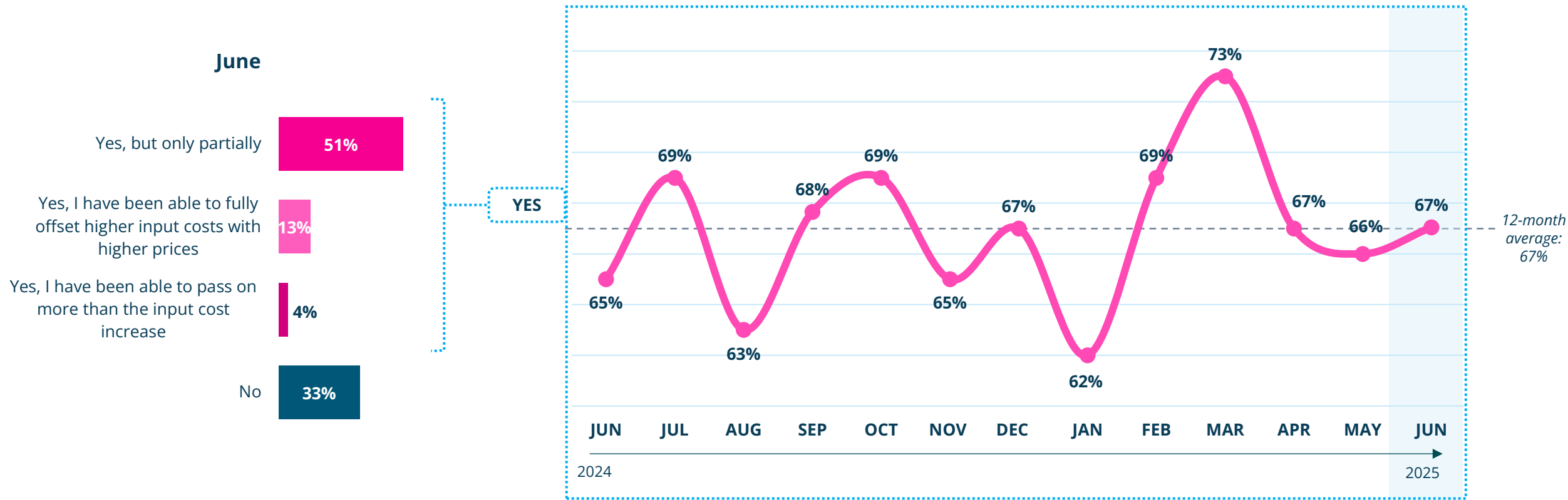
How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

	June	February	March	April	May	June
Discontinuing products/services that are not profitable	33%	27%	26%	30%	24%	33%
Enhancing efficiency by streamlining business operations	26%	18%	24%	28%	25%	26%
Maximising staff productivity through better training and optimisation	20%	13%	15%	15%	20%	20%
Expanding the range of products/services to generate new revenue streams	18%	18%	24%	23%	22%	18%
Reassessing current projects and significant investments for viability and impact	17%	21%	21%	23%	20%	17%
Refining inventory management practices for better efficiency	15%	15%	14%	14%	16%	15%
Renegotiating supplier contracts or seeking new supply sources	15%	20%	21%	25%	25%	15%
Adopting new technologies for increased automation and operational efficiency	13%	13%	15%	16%	17%	13%
Undertaking debt restructuring to reduce financial burdens	10%	10%	12%	12%	12%	10%
Shifting towards the use of renewable energy sources	10%	6%	9%	6%	8%	10%
Implementing workforce reductions, such as layoffs or hiring freezes	8%	8%	8%	8%	9%	8%
Delegating non-essential functions to external providers	7%	7%	6%	6%	10%	7%
Consulting banks and/or financial counsellors about financial hardship	6%	5%	6%	8%	8%	6%

Key Performance Indicators | Cost Recovery

Cost recovery remained stable in June, with 67% of SMEs able to pass on at least some of their higher input costs, on par with the 12-month average. However, most businesses are only doing so partially (51%), highlighting persistent margin pressures and limited pricing power in the current demand environment.

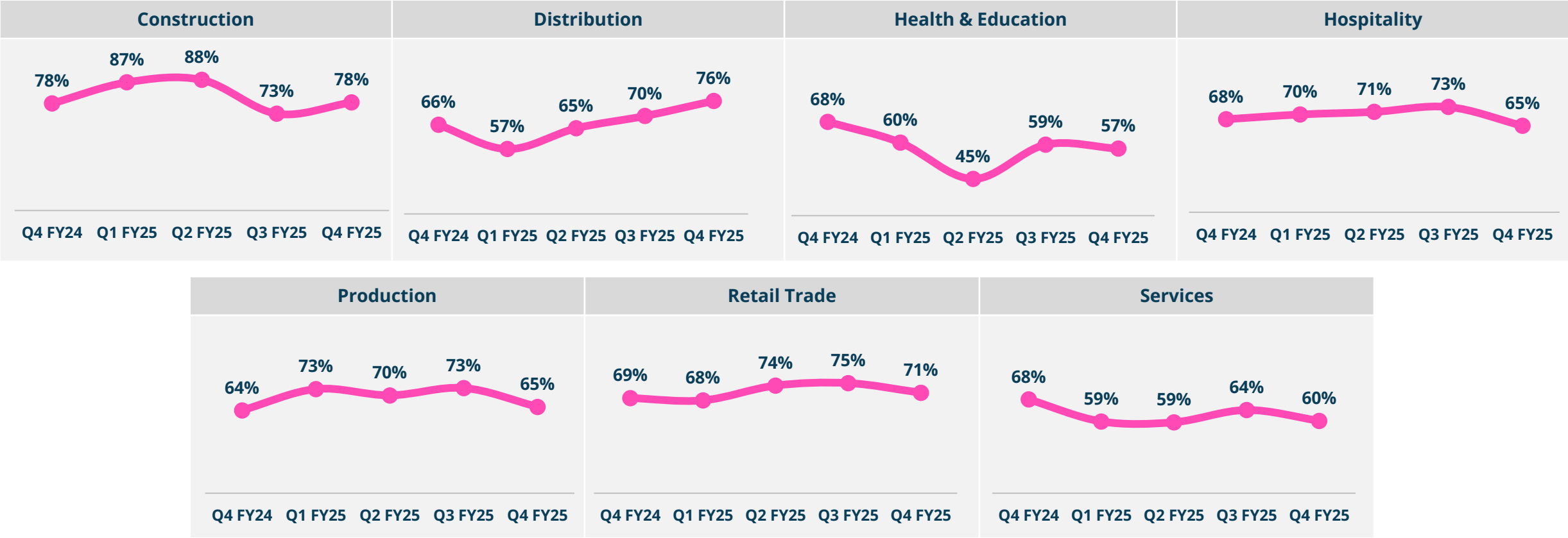
Have You Been Able To Pass On Higher Input Costs To Your Customers?



Key Performance Indicators | Cost Recovery

Cost recovery in the Distribution sector continued its upward trend, reaching 76% in Q4 FY25. In contrast, Retail Trade slipped to 71% and Hospitality dropped sharply to 65%, its lowest level since Q4 FY24. These declines likely reflect increased consumer price sensitivity and softening demand heading into winter.

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

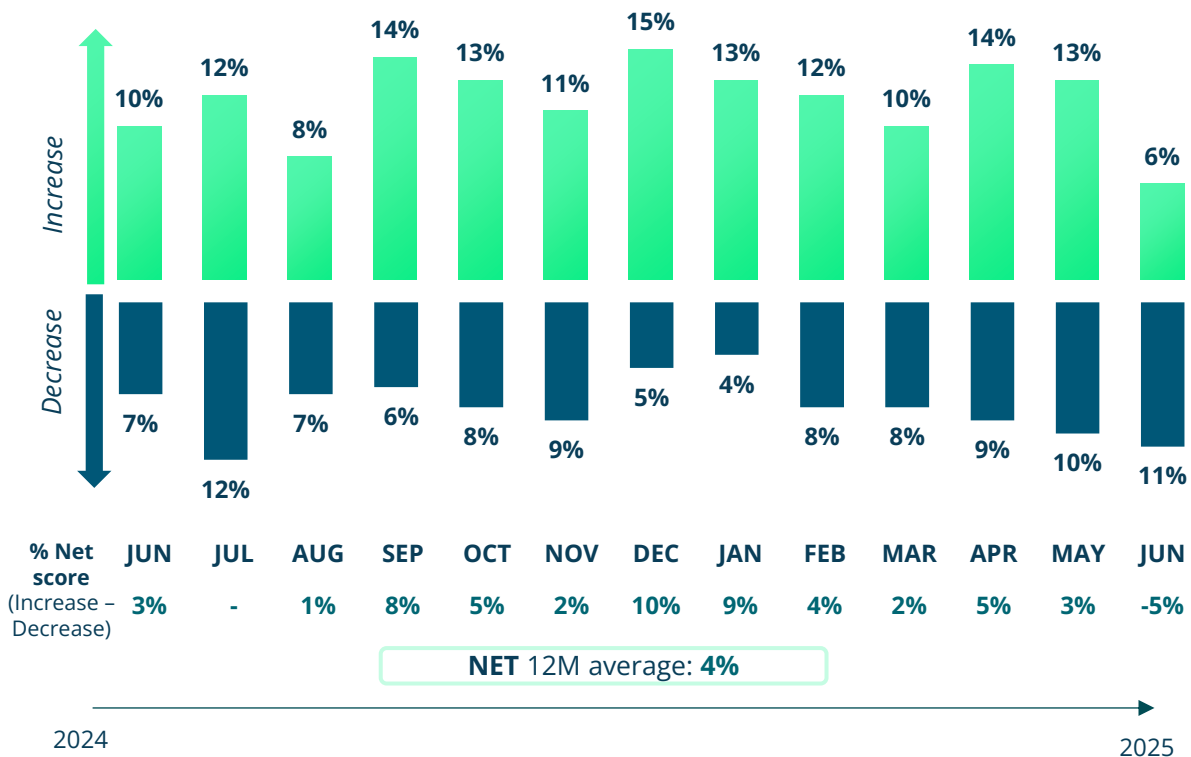
Methodology & Sample

Key Performance Indicators | People

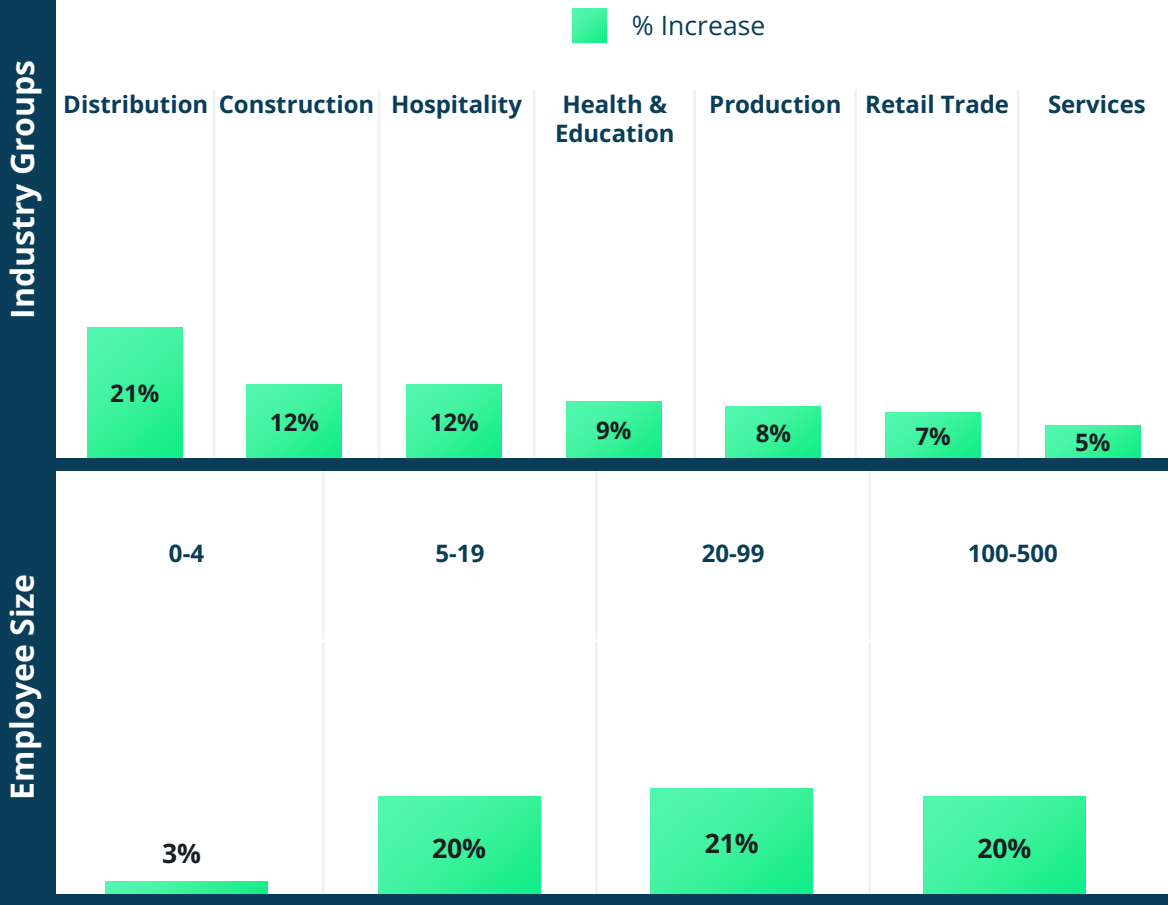
SME hiring expectations declined sharply in June, with just 6% planning to grow headcount and net intent slipping into negative territory (-5%), the weakest result in over a year. This mirrors broader signs of a cooling labour market, as businesses grow more cautious in response to soft demand, rising wage costs, and ongoing economic uncertainty.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



Last 3 Months (Apr, May, Jun)

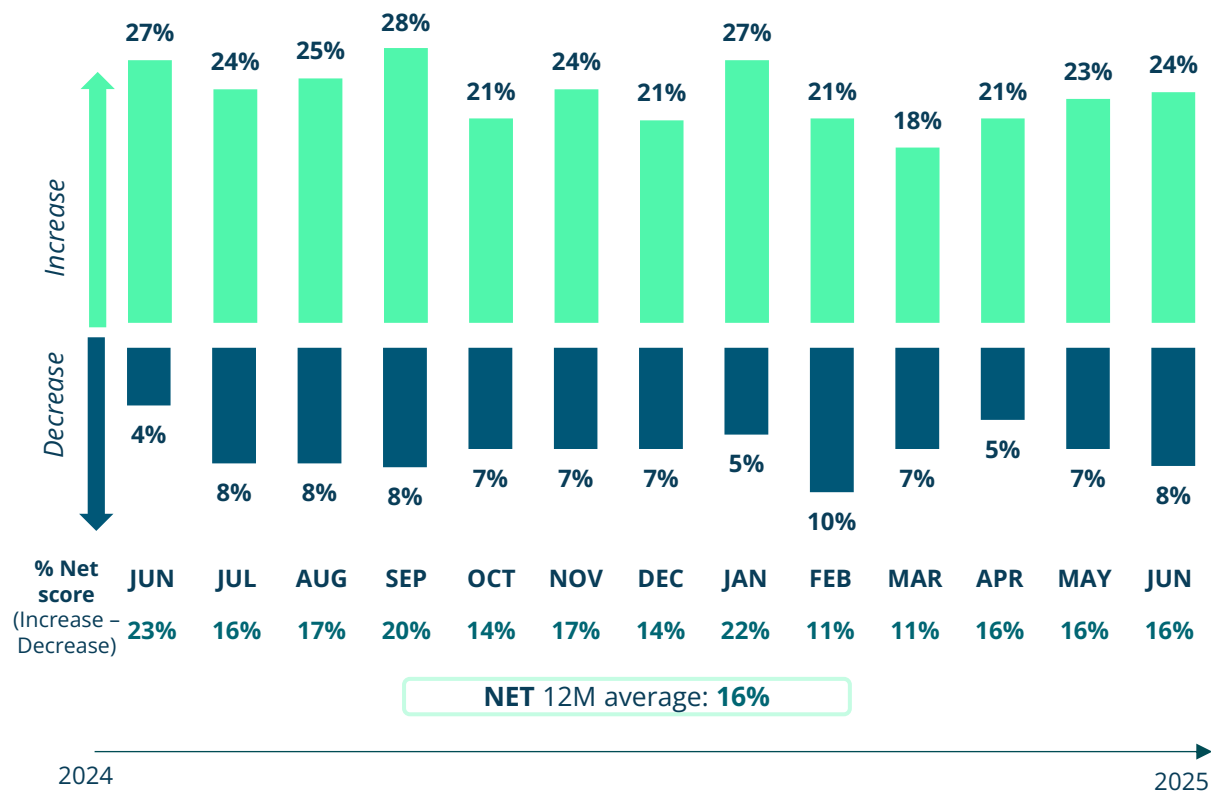


Key Performance Indicators | People

The share of SMEs expecting to increase wages rose slightly in June, likely reflecting responses to the upcoming award wage rise, particularly among sectors with high award coverage such as Hospitality, Construction, and Distribution. Larger SMEs are more likely to anticipate wage increases, consistent with broader compliance obligations and structured end of financial year pay reviews.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



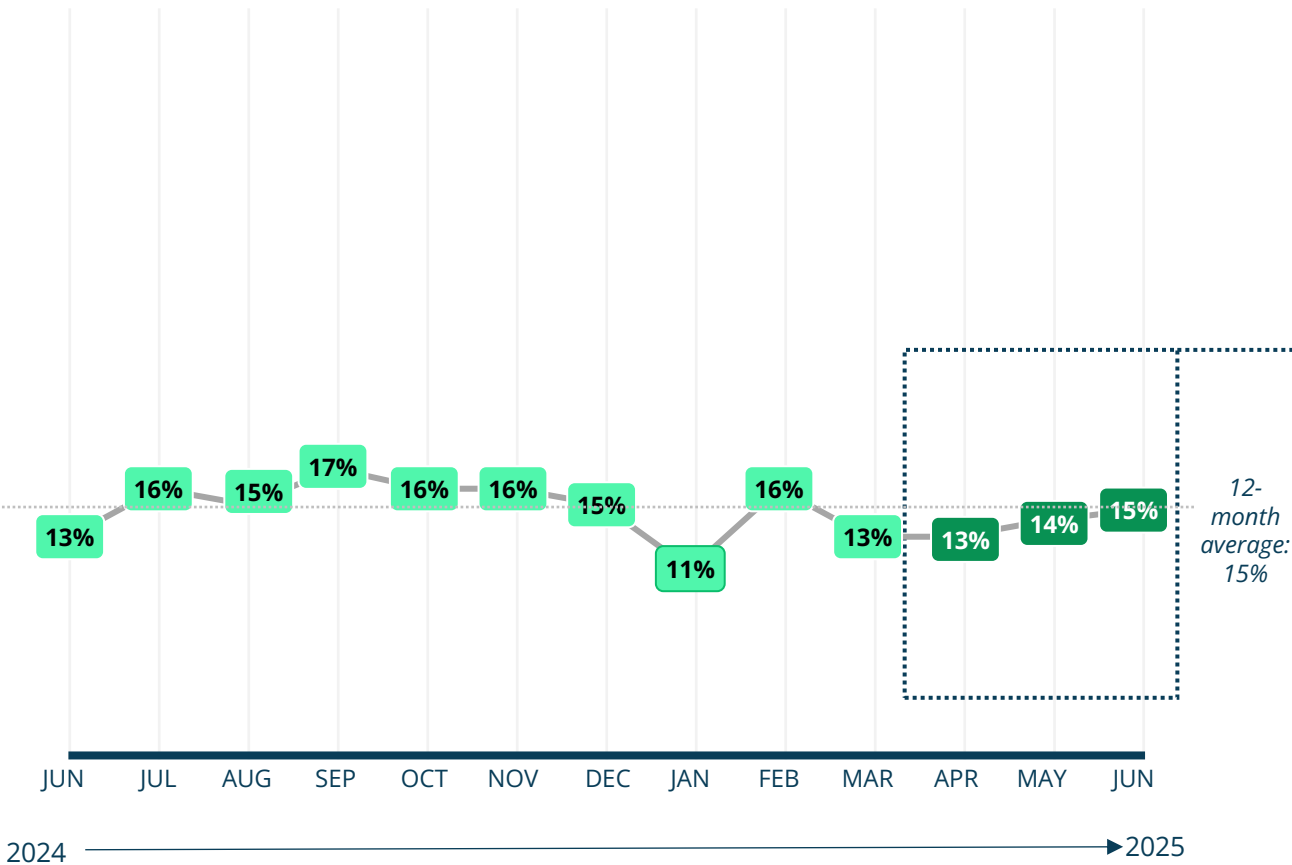
Last 3 Months (Apr, May, Jun)



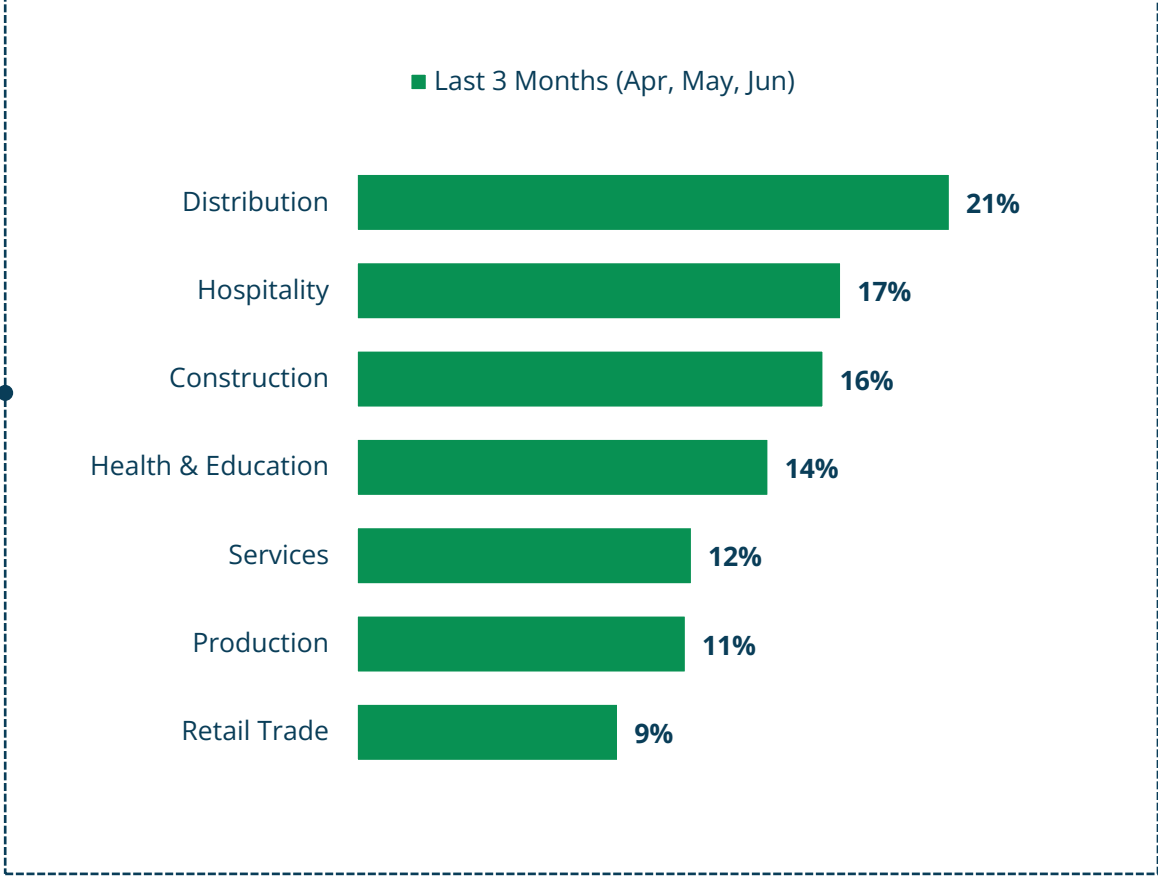
Key Performance Indicators | People

Job vacancies held steady in June, remaining in line with the 12-month average. The relatively flat trend points to subdued hiring momentum and may suggest stable workforce retention, with fewer businesses actively recruiting or replacing staff.

SMEs That Currently Have Job Roles They Are Trying To Fill



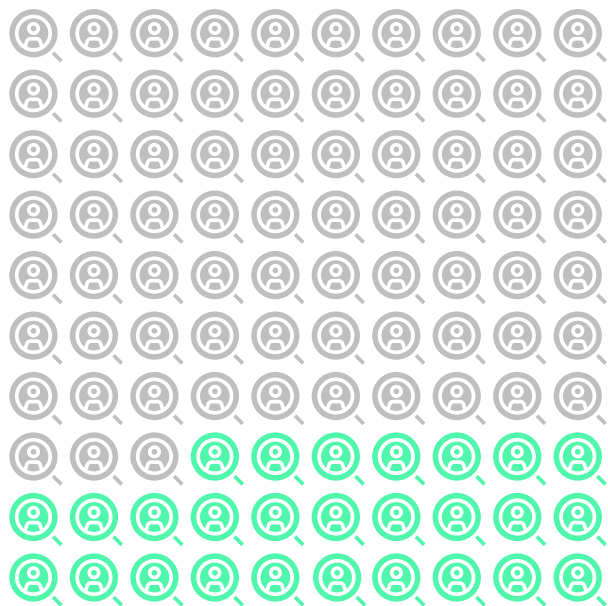
Current Job Vacancies By Industry



SME job vacancies have declined steadily across the past three financial years, with FY25 to date reflecting the lowest level recorded. This ongoing drop signals a sustained easing in hiring activity, likely driven by conservative staffing strategies and reduced turnover.

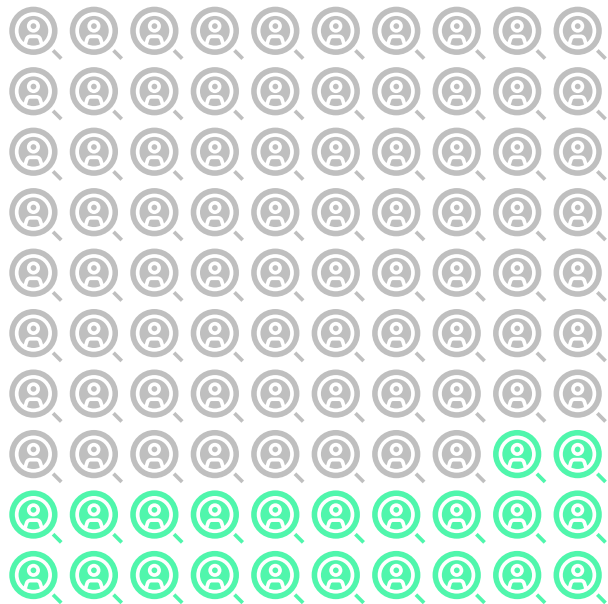
SMEs That Currently Have Job Roles They Are Trying To Fill

FY23



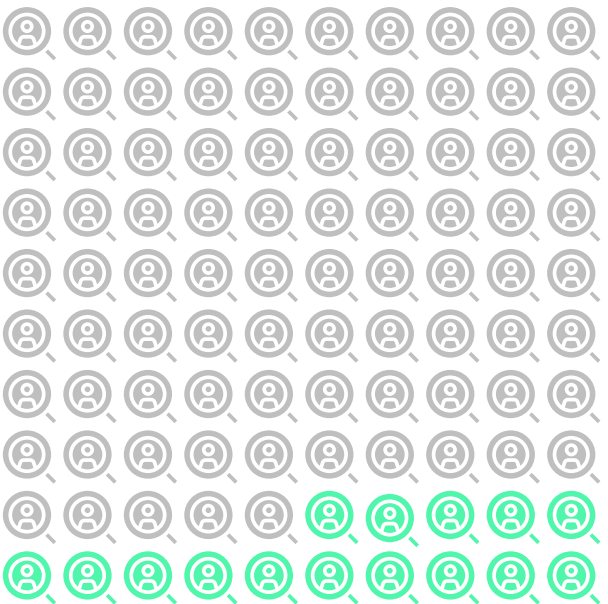
27% with job vacancies

FY24



22% with job vacancies

FY25

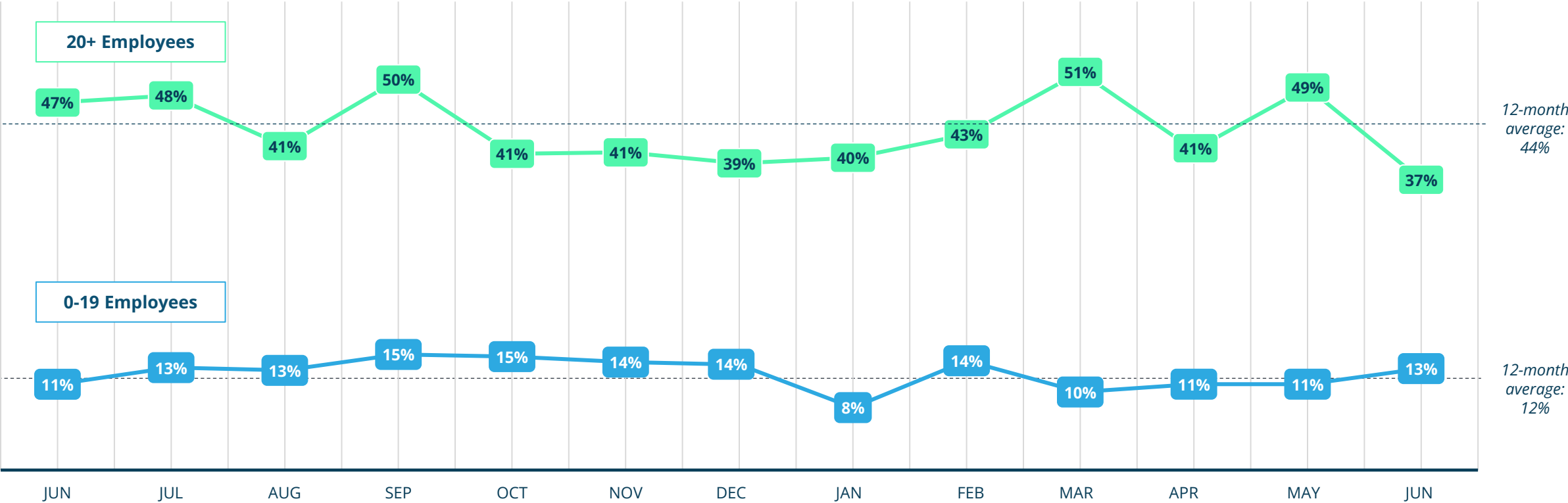


15% with job vacancies

Key Performance Indicators | People

Among larger SMEs (20+ employees), job vacancies decline in June, falling to 37%, well below the 12-month average, indicating that larger businesses are scaling back recruitment activity amid softening demand. Vacancy levels among smaller SMEs (0-19 employees) remained relatively steady at 13%, consistent with the subdued hiring trend seen throughout FY25.

SMEs That Currently Have Job Roles They Are Trying To Fill



2024 → 2025

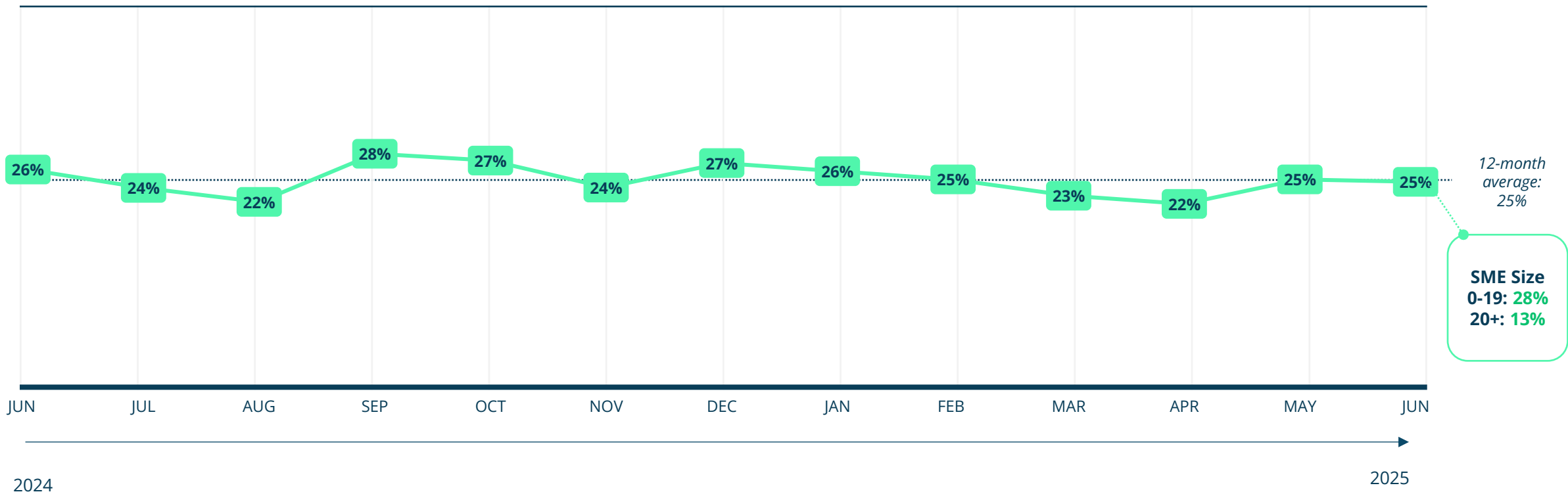
Key Performance Indicators | People

One in four SMEs reported significant difficulty filling roles in June, consistent with the 12-month average. However, smaller businesses (0-19 employees) continue to face greater challenges, with 28% reporting hiring as “very difficult”, more than double the rate for larger firms.

How Difficult Is It To Fill These Roles?

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

● Very Difficult



Key Performance Indicators | People

Since Q2 FY25, the share of SMEs citing wage demands as a barrier to hiring has increased from 34% to 47%, while those reporting a lack of applicants has also climbed from 36% to 47%. These increases suggest that cost pressures and labour availability are becoming more acute, even as overall hiring demand softens.

Why Is It Difficult To Fill Job Roles?

June		Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Not enough candidates are applying	52%	35%	42%	36%	42%	47%
Candidates are not willing to work the hours required	50%	38%	22%	30%	29%	32%
Lack of skilled/qualified candidates	48%	56%	59%	58%	58%	55%
Wage demands too high	44%	39%	41%	34%	40%	47%
Too much competition from other businesses	17%	26%	28%	21%	28%	18%
Lack of backpackers/migrant workers	5%	6%	9%	7%	6%	7%



01

Key Performance Indicators

02

People

03

Business Sentiment

04

Business Investment

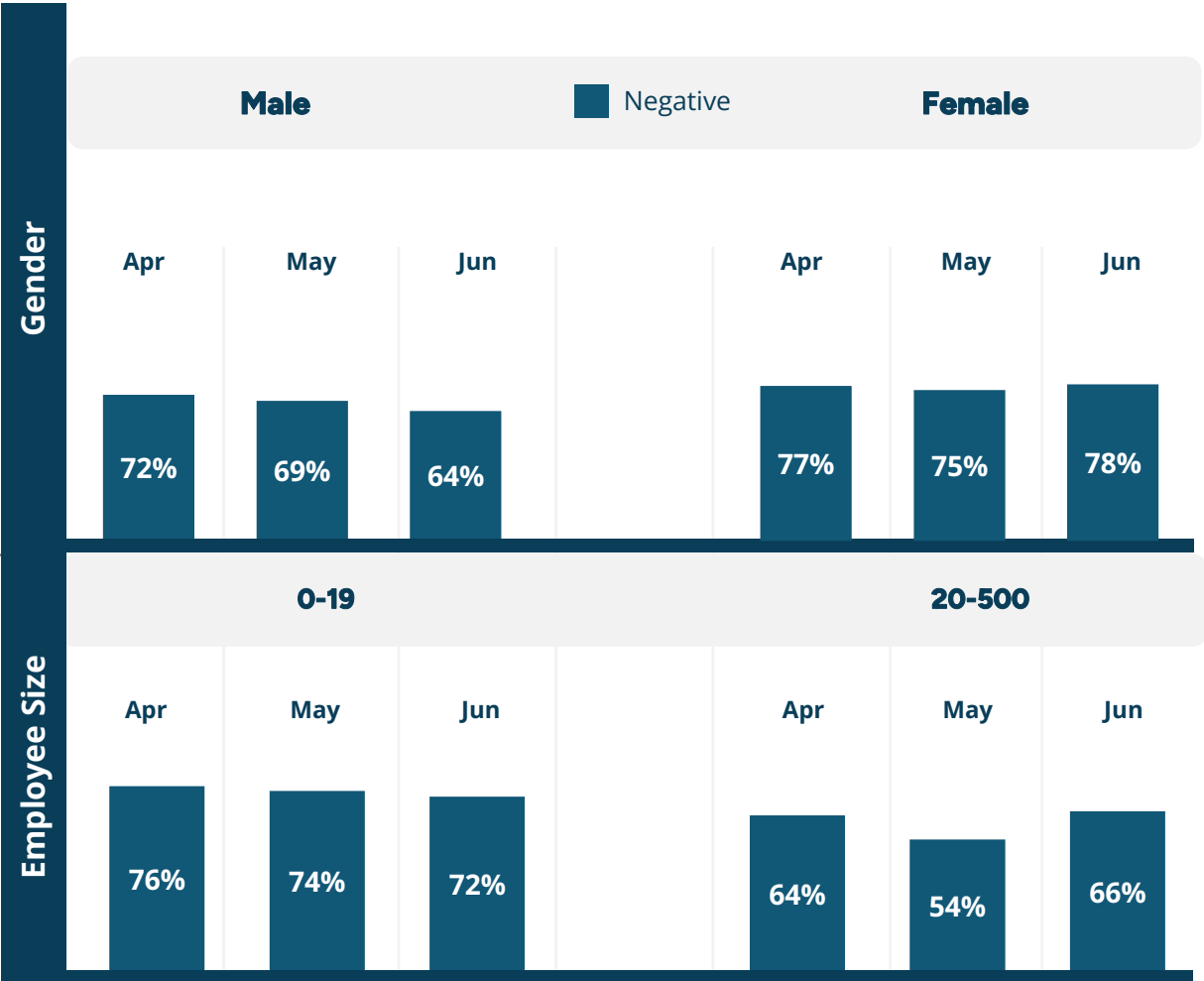
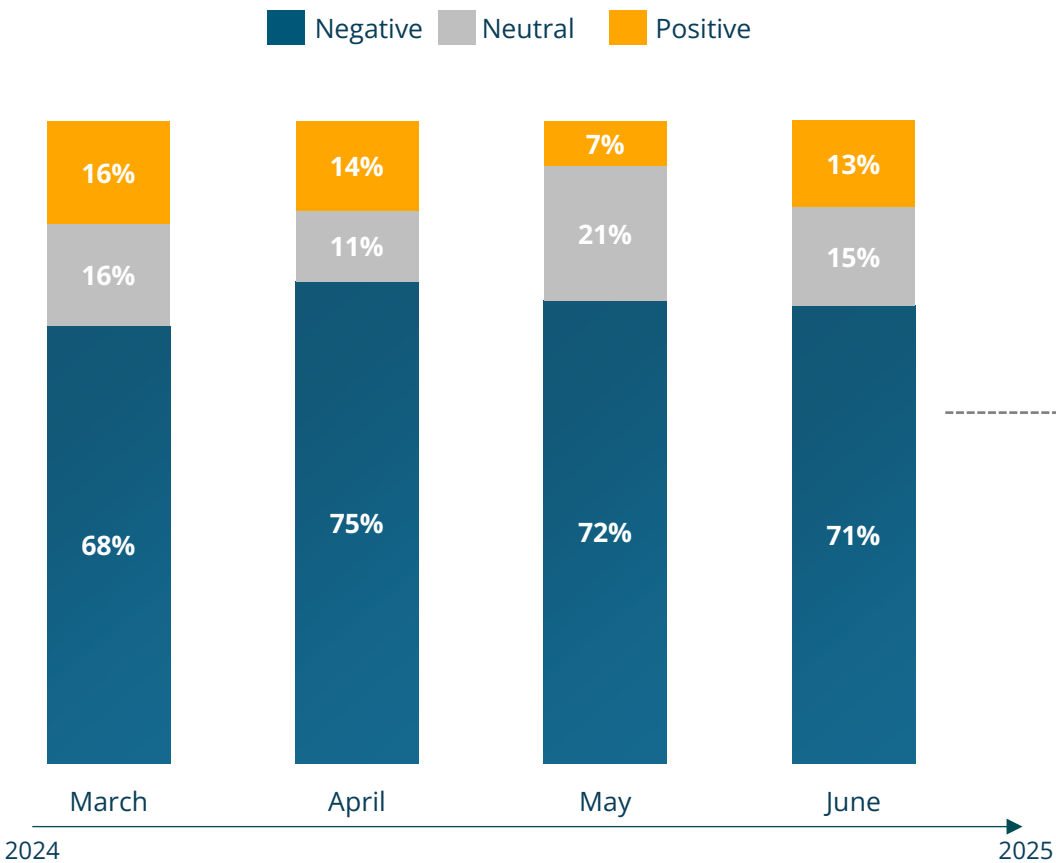
05

Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions

Sentiment toward the Trump administration remains overwhelmingly negative, with 71% of SMEs expecting an adverse impact on Australia’s economy. Smaller SMEs are more likely to hold negative views, likely due to greater sensitivity to global uncertainty, trade disruption, and inflation risks.

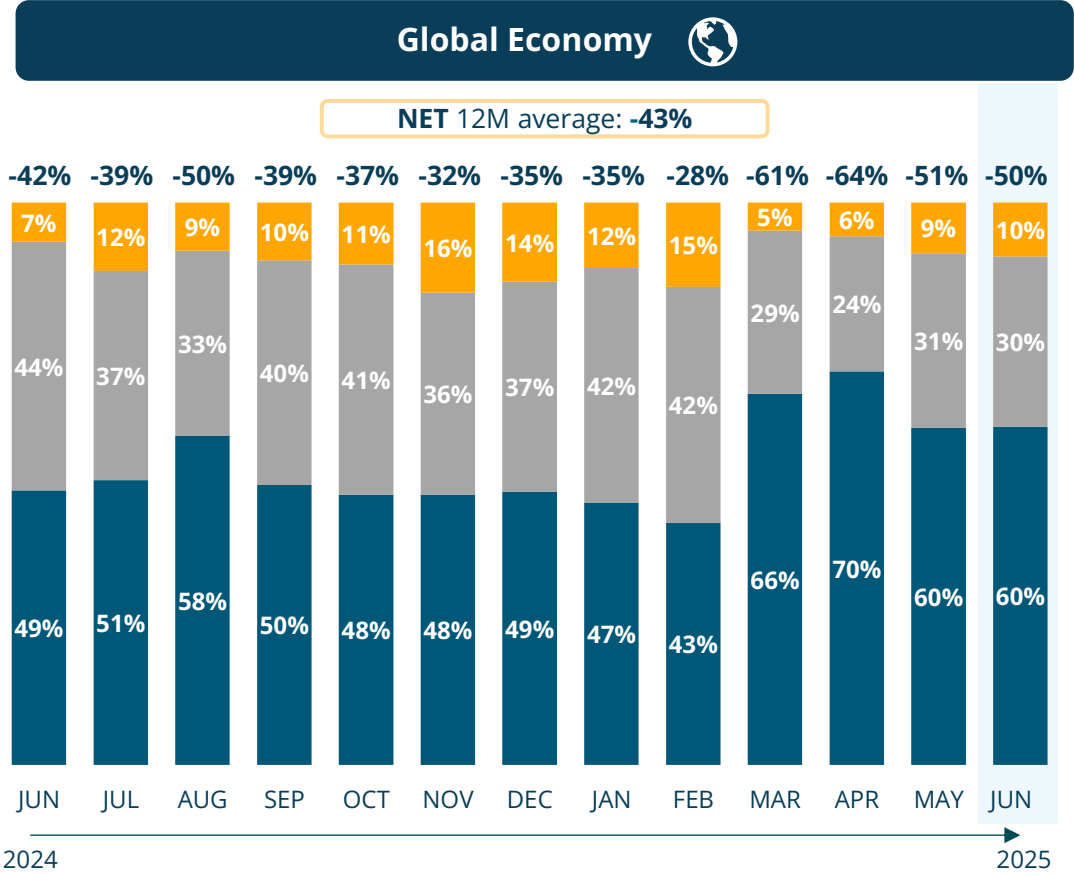
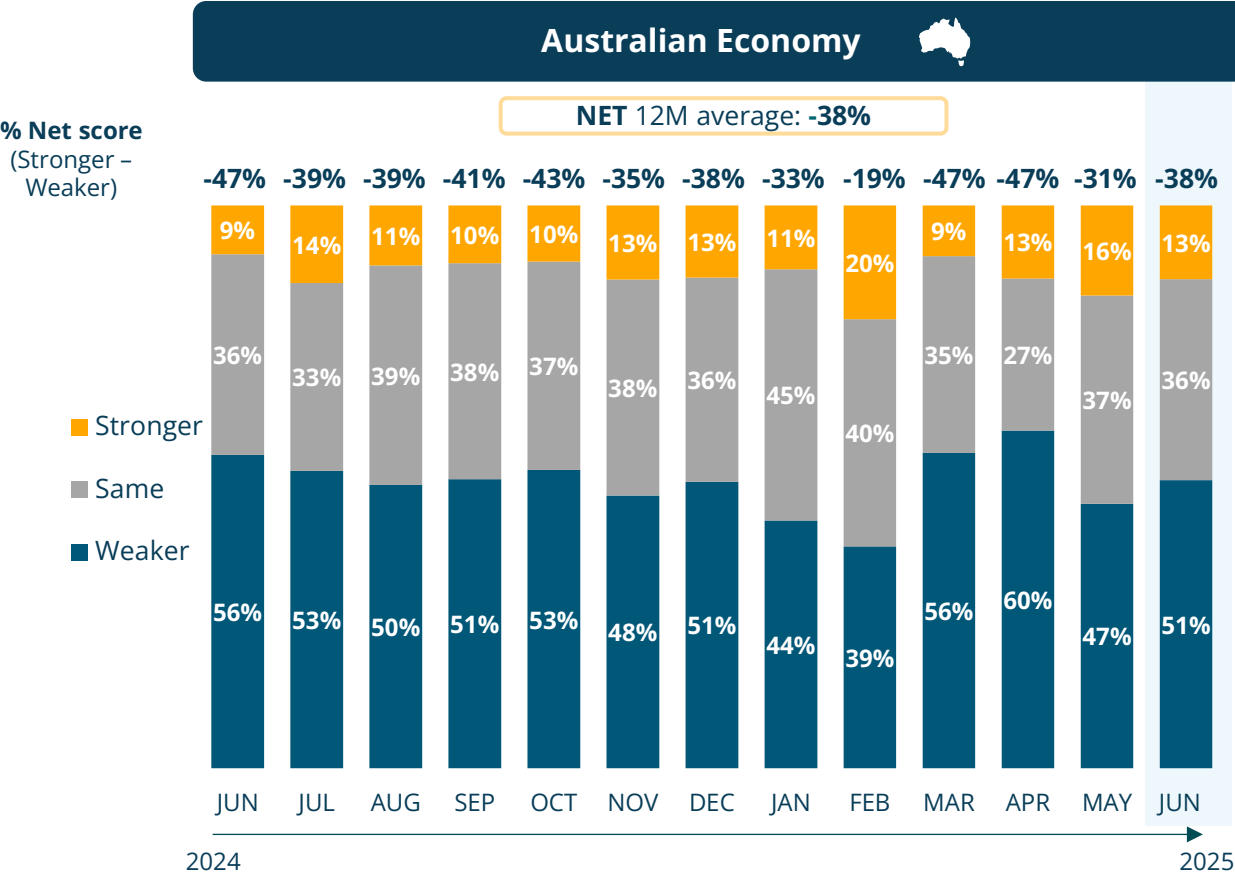
What impact will the Trump Administration have on the Australian economy?



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

Sentiment toward the global economy remains firmly negative (net -50%) in June, as SMEs brace for rising costs, trade disruptions, and geopolitical volatility. The Australian outlook remains fragile, with new US tariff increases due to begin in July.

Expectations Over The Next 3 Months Regarding Economic Conditions



Business Sentiment | Challenges

Concern over the economic outlook and cost pressures intensified in June, with nearly half of SMEs (49%) identifying it as their top challenge. This increase suggests that rising input costs and global uncertainty are dominating business concerns, overshadowing other issues such as technology adoption, cybersecurity, and access to financing, which have slipped in priority.

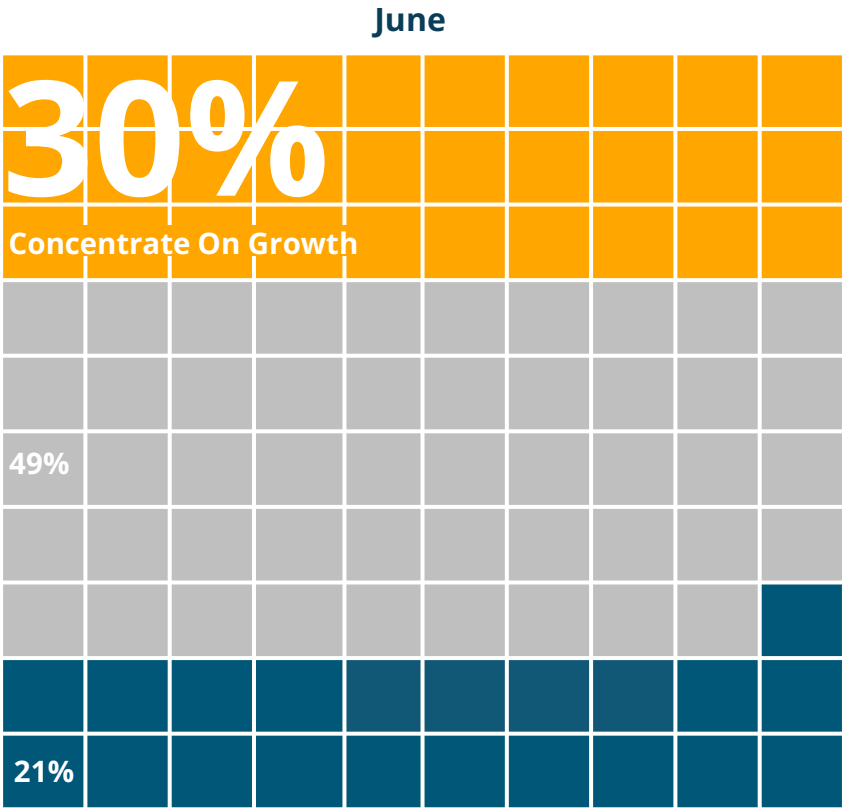
Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

	June	January	February	March	April	May	June
Addressing the difficult economic outlook and ongoing cost pressures	49%	44%	42%	46%	44%	45%	49%
Keeping pace with changing customer behaviours and preferences	42%	32%	38%	40%	38%	42%	42%
Navigating regulatory, compliance, and governance challenges	21%	20%	20%	20%	21%	20%	21%
Identifying and implementing measures to boost workforce efficiency and productivity	21%	20%	14%	16%	22%	19%	21%
Managing the continuous adoption of new technologies and digital transformation processes	19%	18%	22%	22%	25%	24%	19%
Strengthening defences against cyber threats and ensuring data privacy	17%	20%	20%	20%	22%	20%	17%
Managing risks and uncertainties in the geopolitical landscape	16%	14%	13%	18%	20%	17%	16%
Acquiring, training, and upskilling talent in a competitive market	15%	14%	12%	15%	20%	14%	15%
Strengthening supply chain operations for improved efficiency and resilience	11%	17%	13%	18%	14%	15%	11%
Overcoming difficulties in securing necessary financing	10%	15%	12%	16%	16%	15%	10%
Implementing strategies to address sustainability issues and climate change impacts	9%	8%	12%	11%	11%	8%	9%
Prioritising investment in research and development to drive innovation	6%	8%	8%	7%	7%	9%	6%

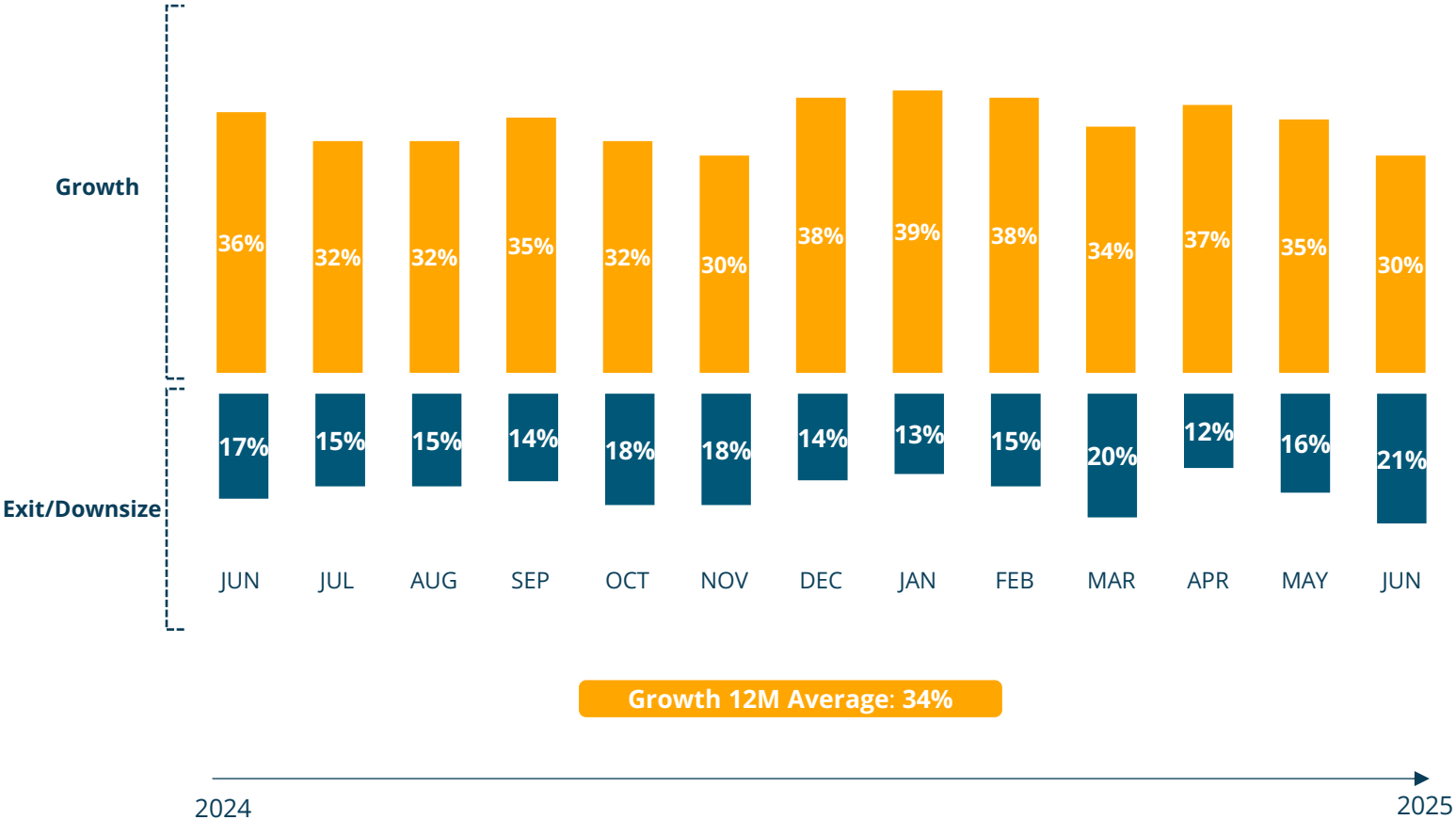
Business Sentiment | Growth Expectations (Next 12 months)

Growth intentions continued to soften in June, with just 30% of SMEs focused on expansion, the lowest since November. End of financial year planning may be contributing to a more cautious stance, but persistent cost pressures and economic headwinds appear to be prompting some businesses to actively scale back rather than simply pause their growth ambitions.

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



Exit/Downsize Maintain current revenue Concentrate on growth



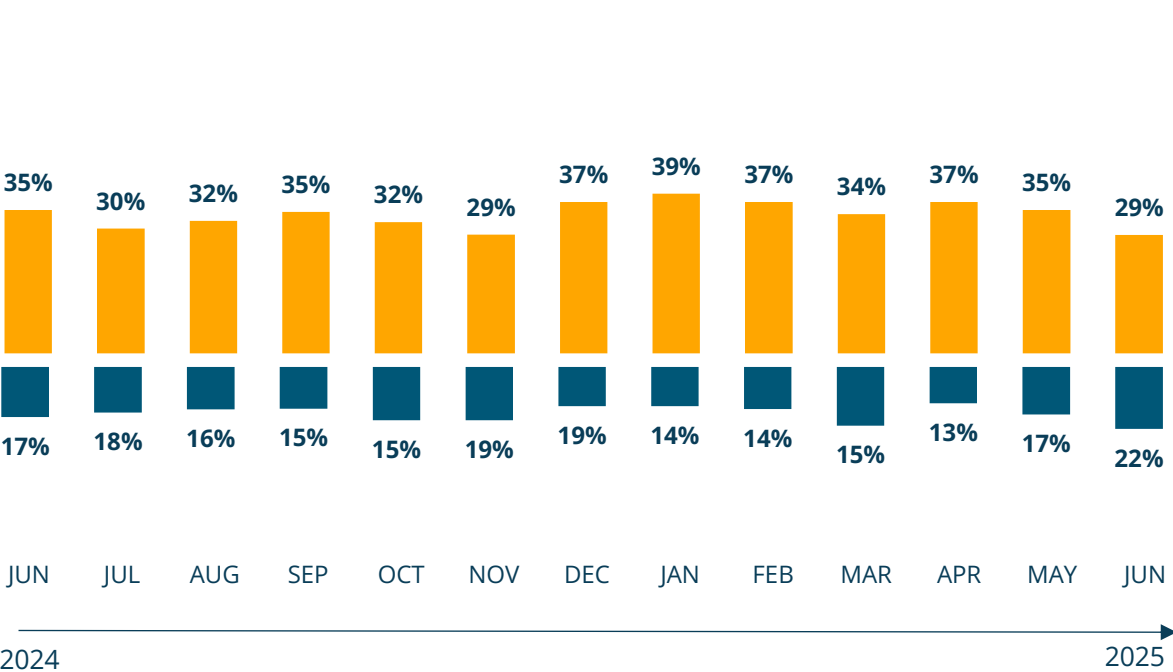
Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations dipped again among smaller SMEs (29%), continuing a downward trend over recent months. Among larger SMEs (20+ employees), growth sentiment rebounded slightly in June to 40% but remains well below the highs seen in December and February.

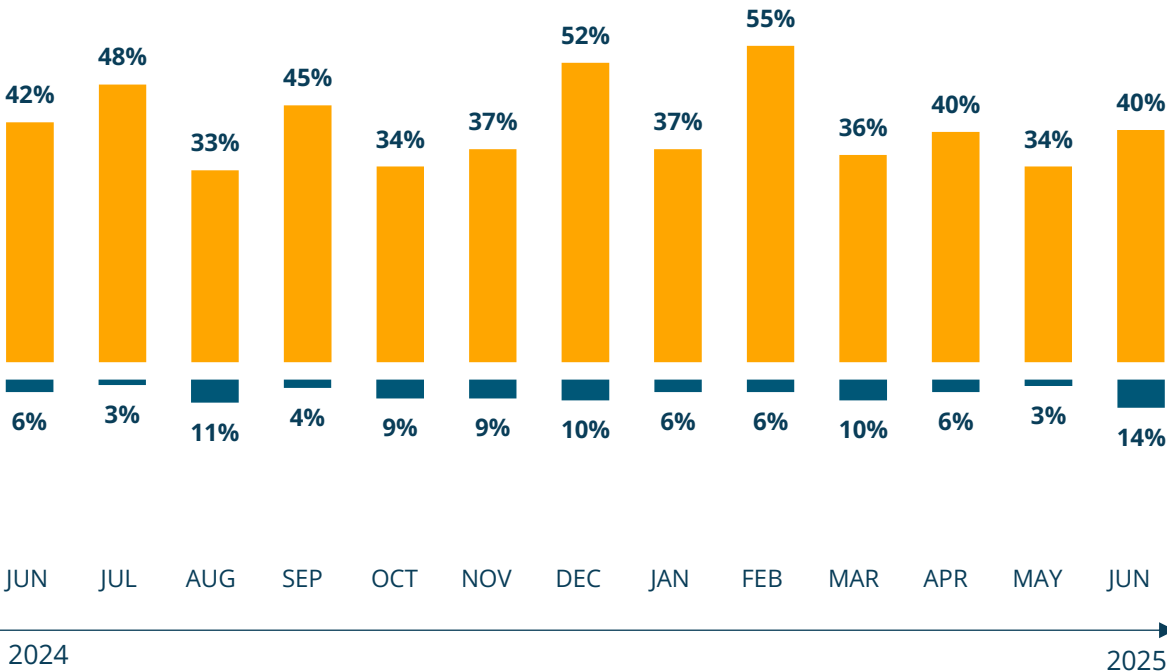
Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

Concentrate on growth Exit/Downsize

0 -19 Employees

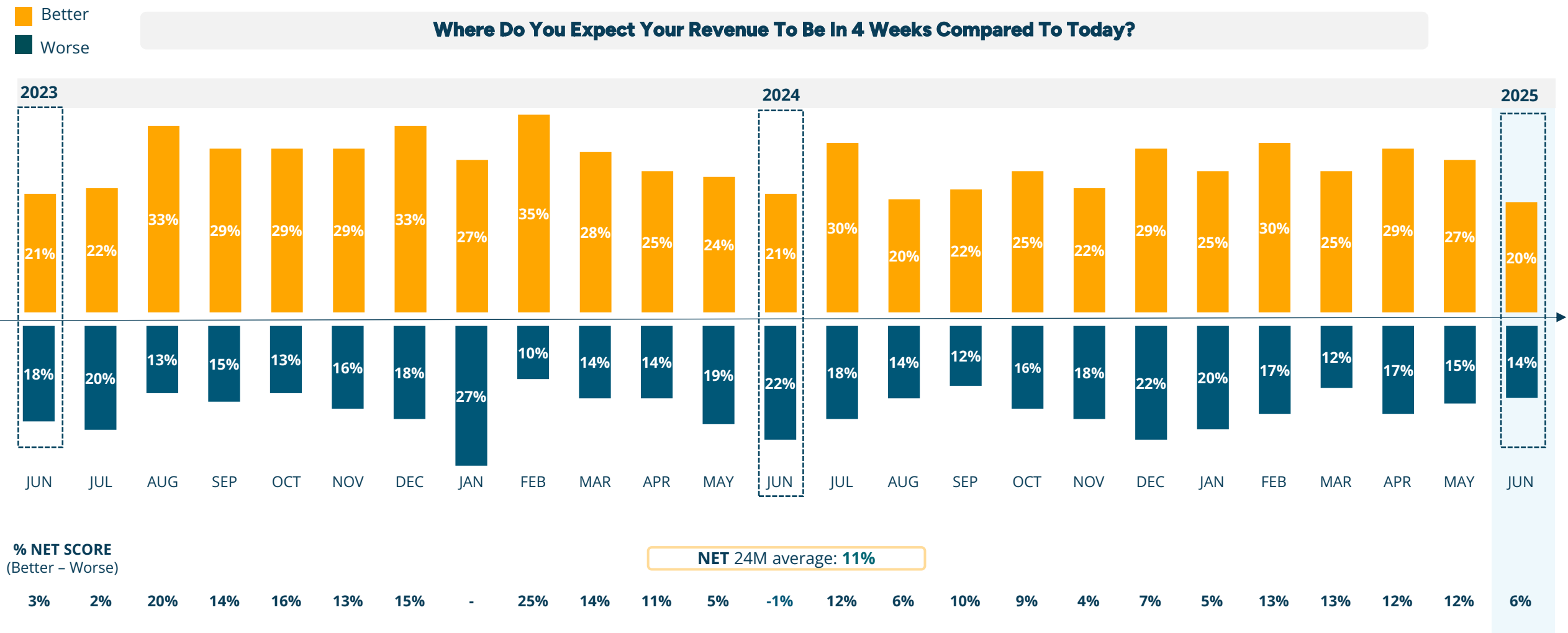


20+ Employees



Business Sentiment | Revenue Expectations (Next Four Weeks)

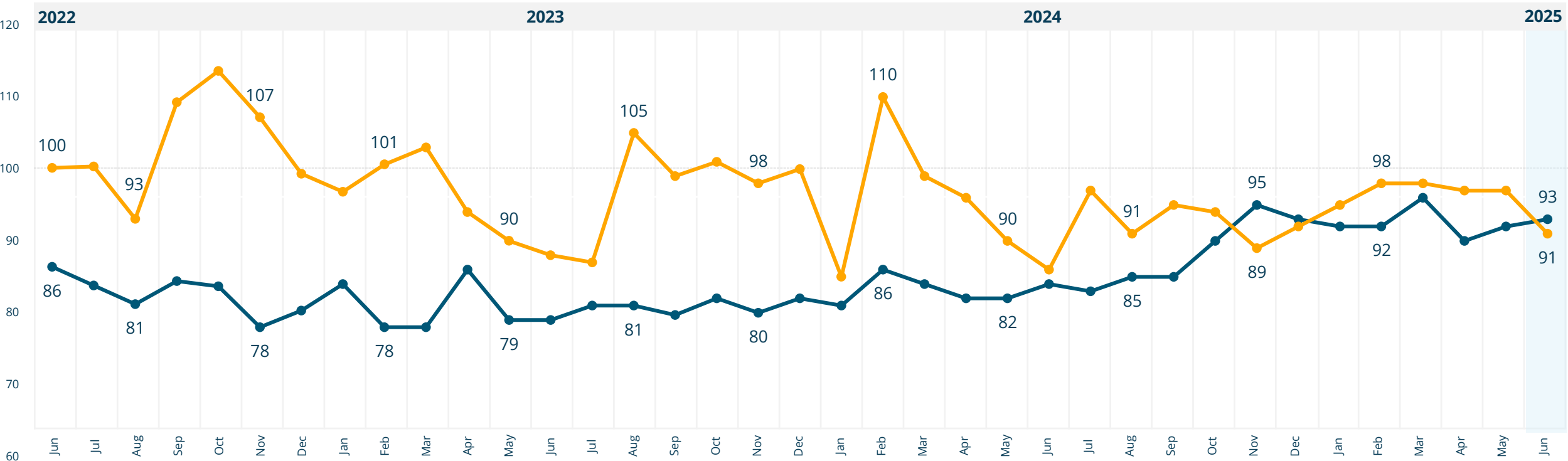
Short-term revenue expectations dipped slightly to a net score of +6% in June, continuing a trend of stable but subdued sentiment. The similarity to June 2023 and June 2024 figures suggests seasonal caution around the end of the financial year, with many SMEs likely focused on closing off FY25 rather than forecasting near-term growth.



With the decline in short-term revenue expectations, the SME Confidence Index has fallen below consumer confidence for only the second time in three years.

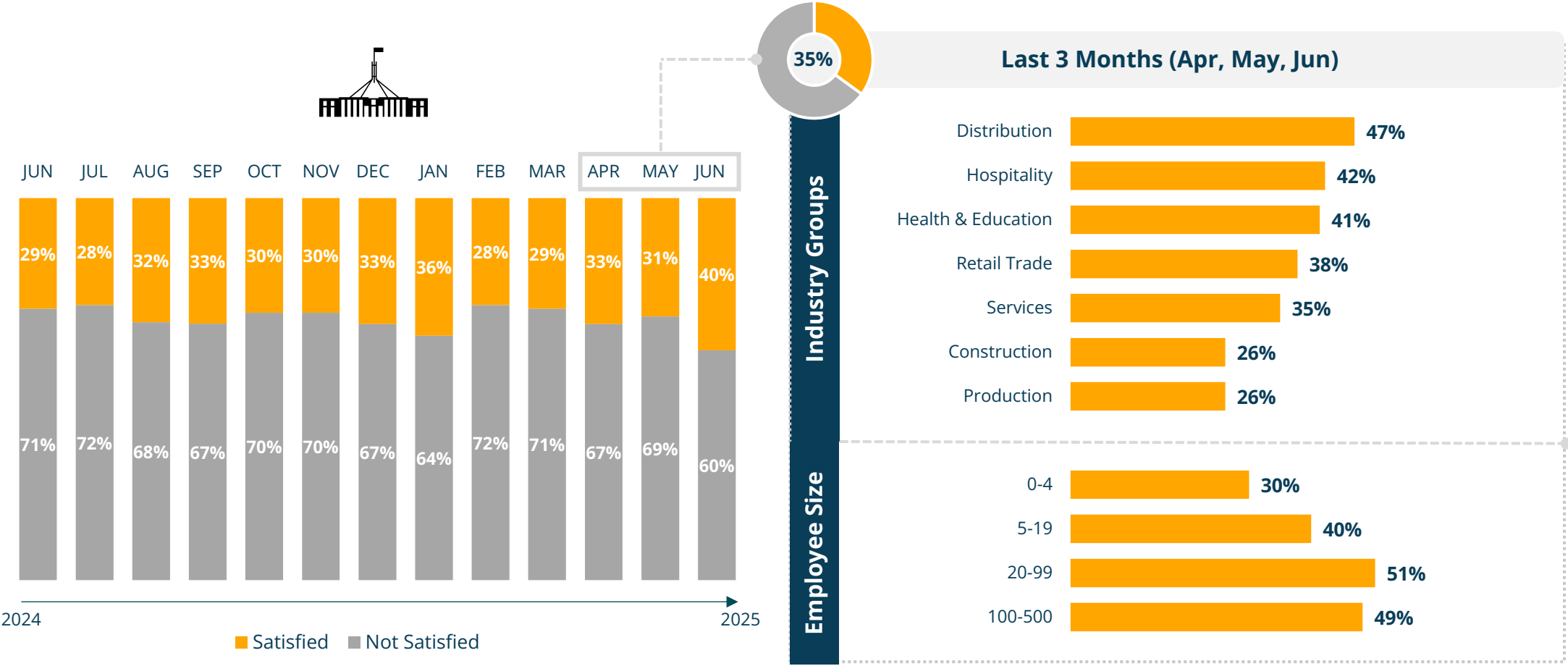
Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index FQ Business Sentiment



Satisfaction with the federal government’s support for SMEs lifted to 40% in June, the highest level recorded over the past year. While it’s too early to determine if this marks a sustained shift in sentiment, the recent federal election result may have contributed to a short-term boost in confidence among SMEs.

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





01

Key Performance Indicators

02

People

03

Business Sentiment

04

Business Investment

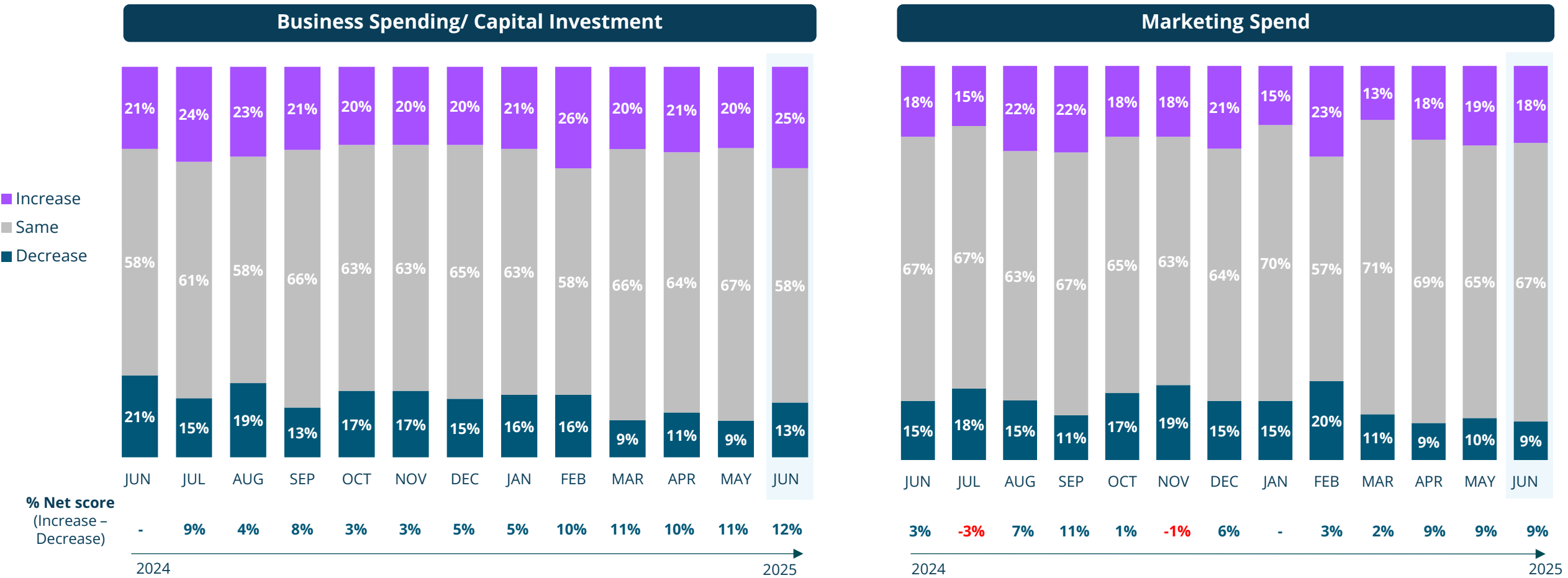
05

Methodology & Sample

Business Investment | Next Three Months

Business investment intentions lifted modestly in June, with capital expenditure now sitting at a net score of +12% and marketing spend at +9%. The slight uplift in capital expenditure may reflect EOFY-related opportunities, as some SMEs move to finalise purchases or campaigns before closing their books.

Expectations Over The Next 3 Months Regarding Business Investment



Capital investment across all categories remains cautious, with interest in major asset categories like vehicles and machinery continuing to soften. This aligns with earlier findings showing a short-term focus on revenue and growth hesitation.

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

June

	Probably will	Definitely will		Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
IT / Office equipment, including hardware & software	35%	7%	41%	46%	45%	45%	47%	44%	43%
Equipment, machinery or plant	15%	3%	17%	26%	24%	24%	20%	25%	18%
Passenger vehicle(s) including SUVs	9%	2%	11%	16%	15%	15%	15%	14%	12%
Electric vehicle(s), including Hybrid	7%	3%	10%	14%	12%	11%	10%	11%	10%
Light commercial vehicle(s)	7%	2%	8%	15%	14%	14%	16%	11%	11%
Agricultural, construction or earthmoving vehicle(s)/equipment	5%	2%	7%	13%	10%	10%	8%	9%	7%
Medium and large bus(es)	5%	1%	6%	9%	6%	6%	5%	6%	6%
Commercial real estate including buildings or land	3%	2%	5%	12%	9%	12%	10%	9%	7%
Truck(s) less than 4.5 tonnes	4%	1%	4%	10%	9%	9%	9%	7%	7%
Truck(s) more than 4.5 tonnes	2%	2%	4%	10%	8%	6%	6%	6%	5%

Business Investment | Capital Expenditure

Larger SMEs are pulling back on capital investment across nearly all categories, with notable declines in expected purchases of equipment, vehicles, and real estate. In contrast, smaller SMEs have held more stable, with a modest rise in equipment investment, suggesting more selective or opportunistic EOFY purchasing.

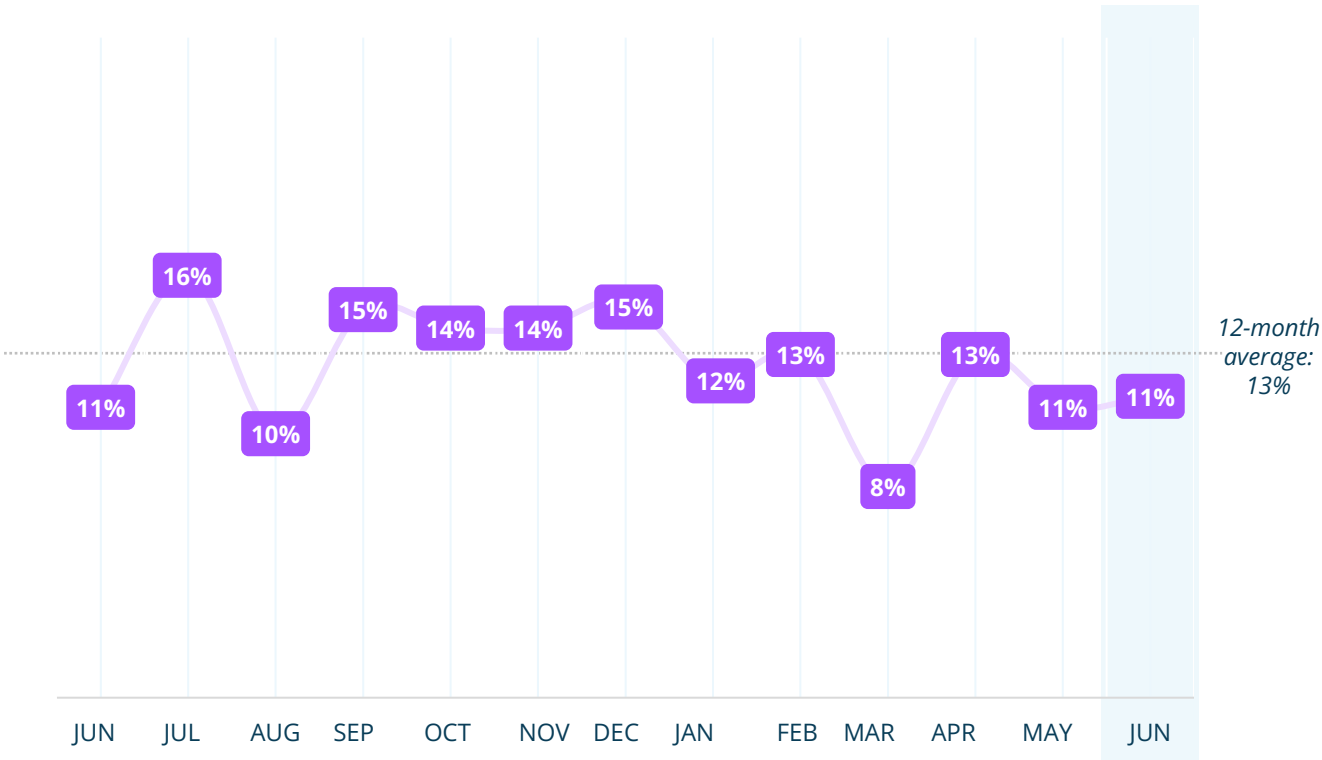
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	April	May	June	April	May	June
IT / Office equipment, including hardware & software	39%	46%	40%	62%	64%	57%
Equipment, machinery or plant	19%	13%	17%	37%	39%	24%
Passenger vehicle(s) including SUVs	13%	10%	10%	36%	32%	21%
Light commercial vehicle(s)	10%	11%	7%	31%	37%	19%
Electric vehicle(s), including Hybrid	9%	9%	9%	30%	26%	20%
Commercial real estate including buildings or land	6%	7%	4%	26%	23%	19%
Truck(s) less than 4.5 tonnes	8%	6%	4%	26%	17%	10%
Agricultural, construction or earthmoving vehicle(s)/equipment	7%	3%	7%	21%	27%	13%
Medium and large bus(es)	4%	5%	5%	18%	18%	18%
Truck(s) more than 4.5 tonnes	7%	4%	3%	16%	22%	15%

Business Investment | Finance Needs (Next 3 months)

Finance demand remained subdued in June, with cashflow the main driver for SMEs seeking finance. Interest in funding domestic growth has eased, while financing for new market expansion has picked up, hinting at a cautious shift toward diversification.

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	Q4 FY25
Cashflow/ working capital	50%	62%	61%	60%	54%	62%
Purchase plant, machinery or equipment	25%	26%	23%	26%	18%	23%
Fund growth into new markets	24%	25%	22%	13%	13%	17%
Fund growth in Australia	29%	20%	16%	23%	26%	16%
Trade finance to fund import/export activity	17%	12%	13%	9%	17%	12%
Fund merger/acquisition	10%	10%	14%	7%	7%	8%

Business Investment | Finance Needs (Next 3 months)

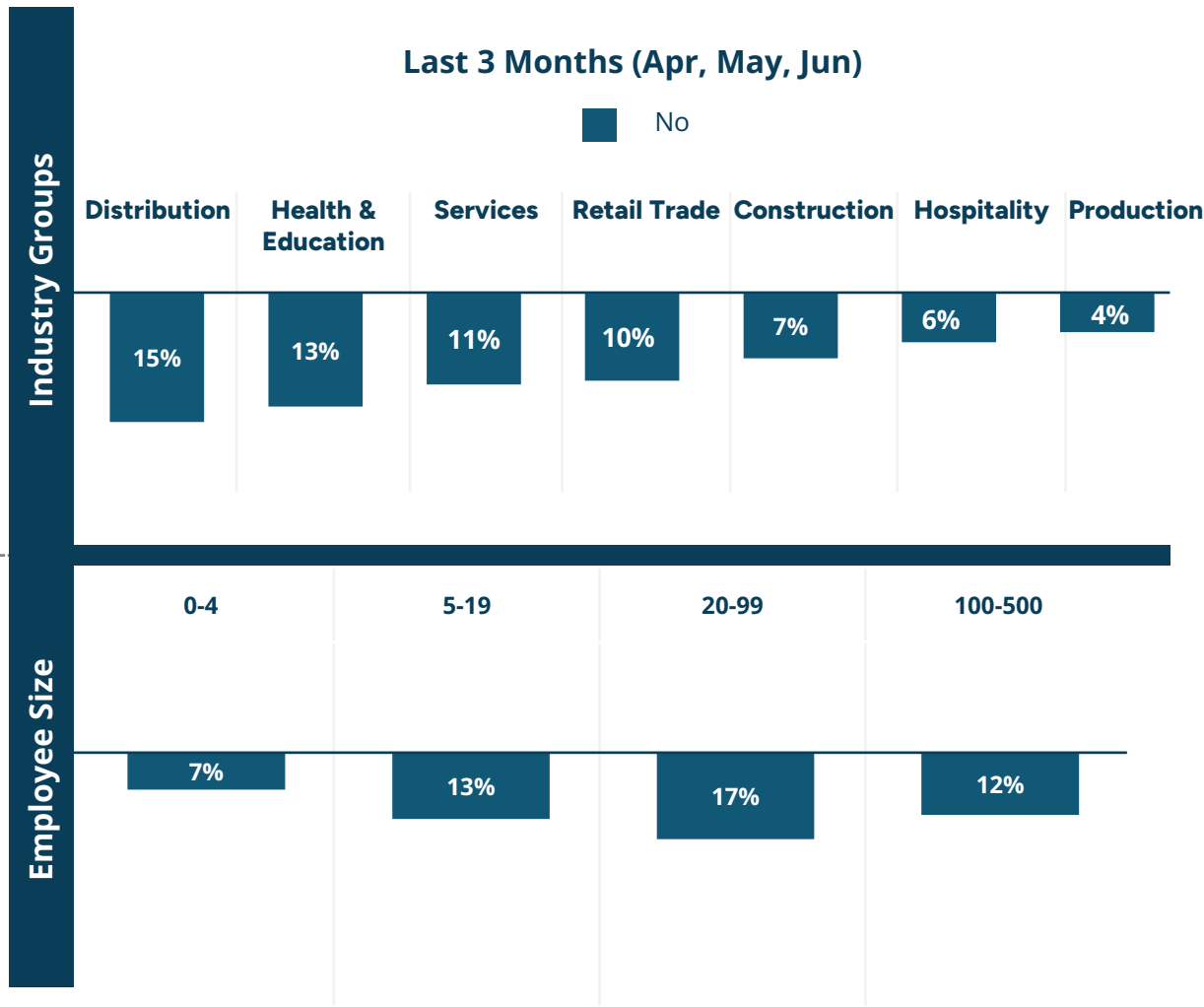
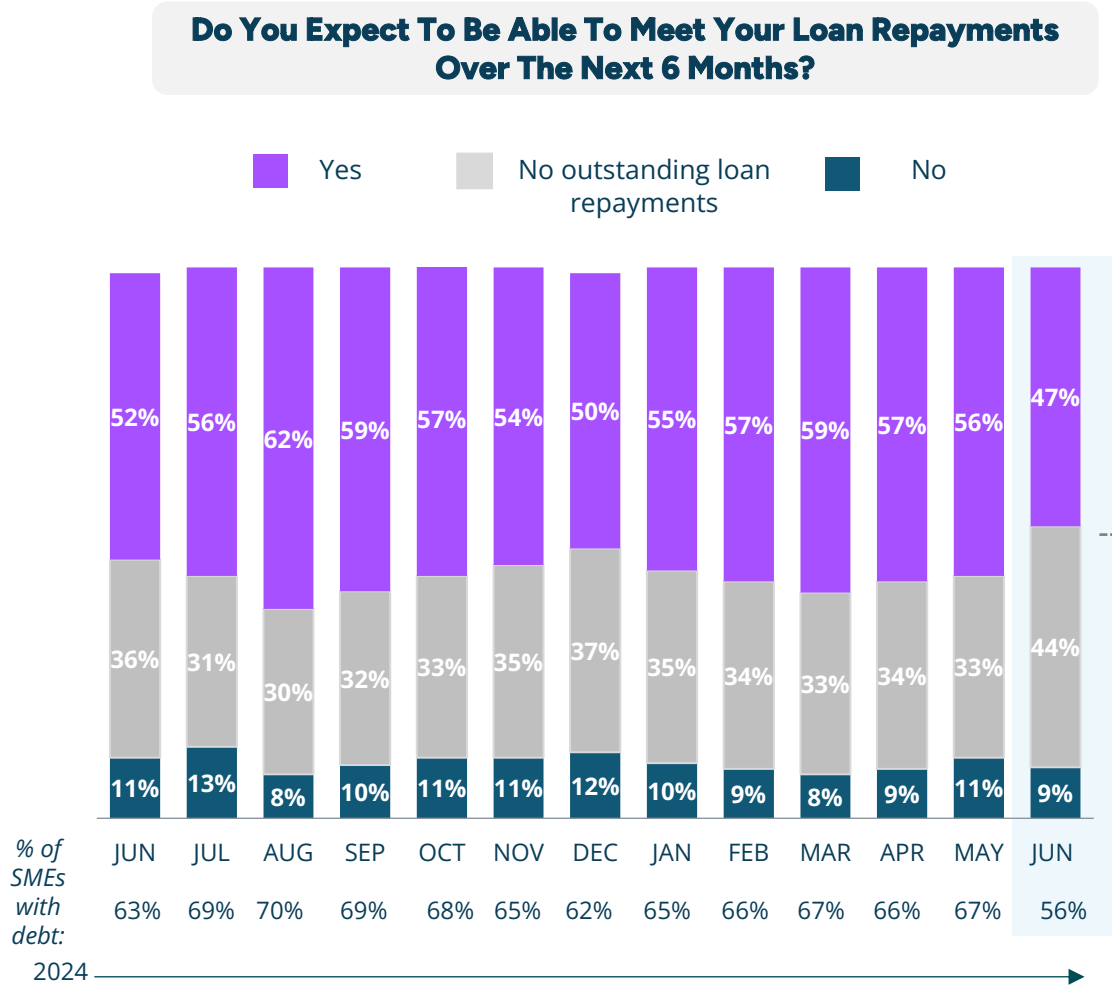
Among larger SMEs, the share seeking additional finance has continued to fall, reaching just 20% in Q4 FY25, well below levels seen a year ago. Construction, Hospitality and Services all recorded further declines, while Health & Education was the only sector to buck the trend.

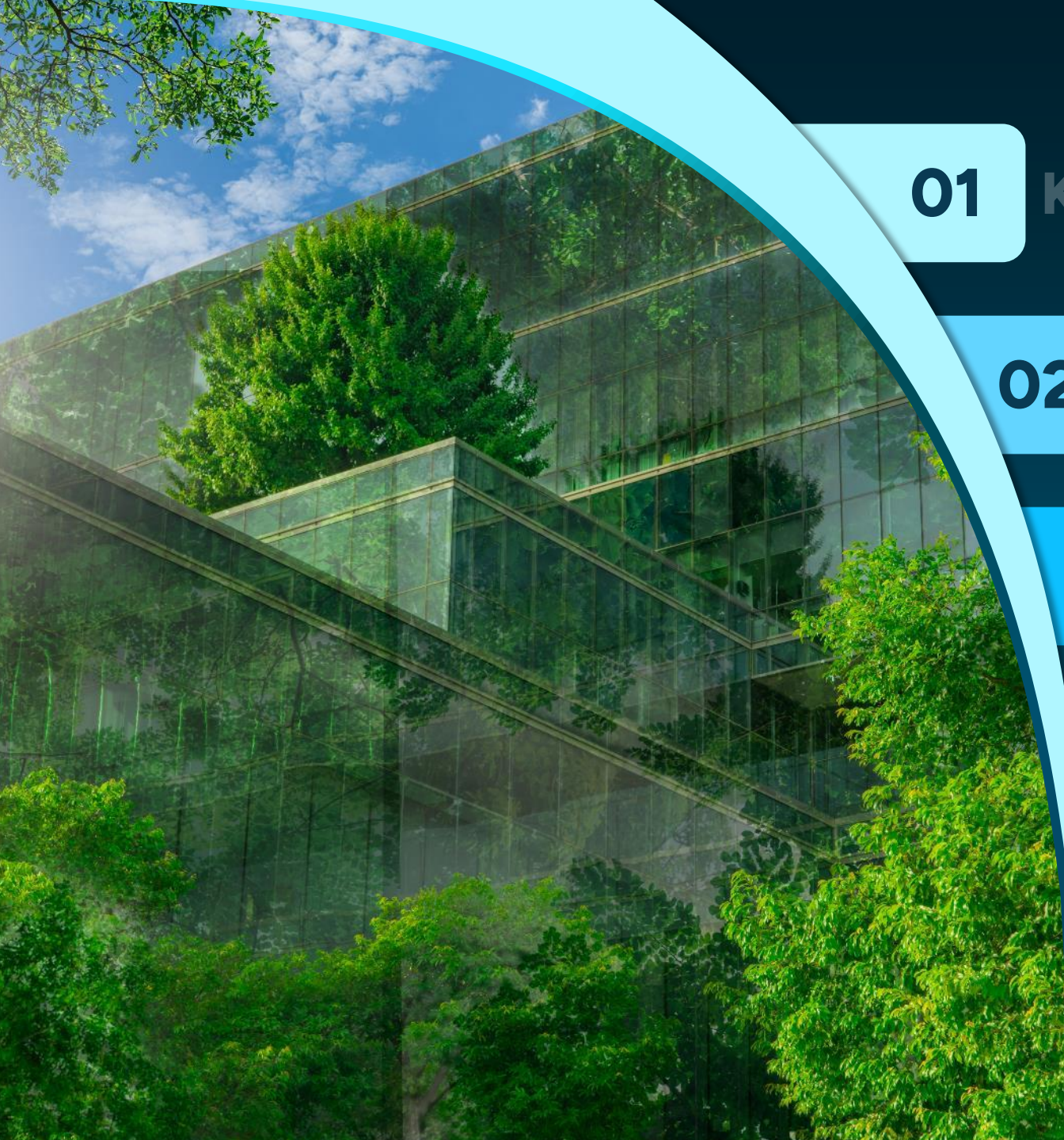
Will You Require Any Additional Finance Over The Next 3 Months? (Yes)

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

Business Investment | Loan Stress

The share of SMEs with outstanding loan repayments fell to 56% in June, the lowest point in the past year. This aligns with a broader shift in sentiment, as confidence wanes, investment slows, and fewer SMEs pursue growth. While some may be actively reducing debt, the trend also suggests fewer are willing to take on new loans in the current climate.





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

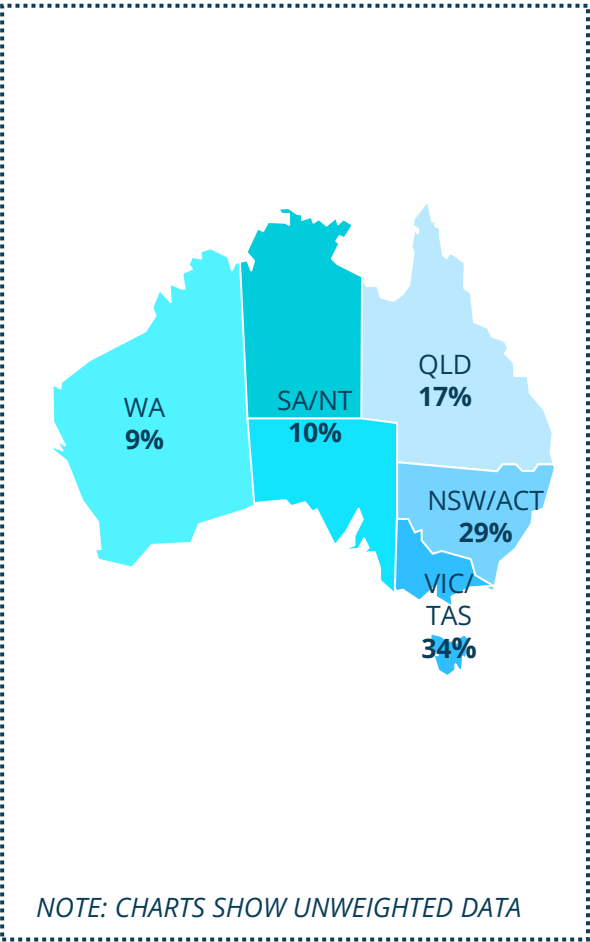


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

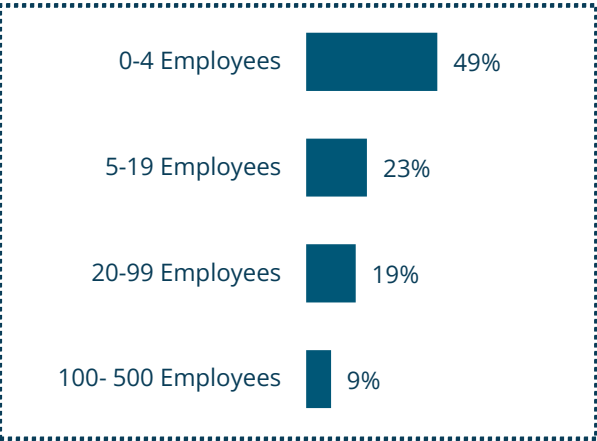
Our Sample

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.

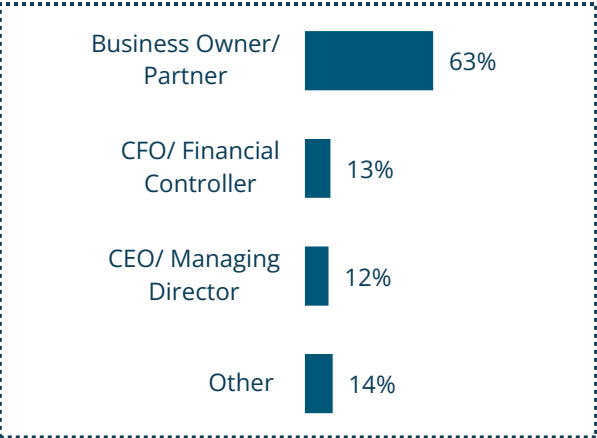
Head Office Location



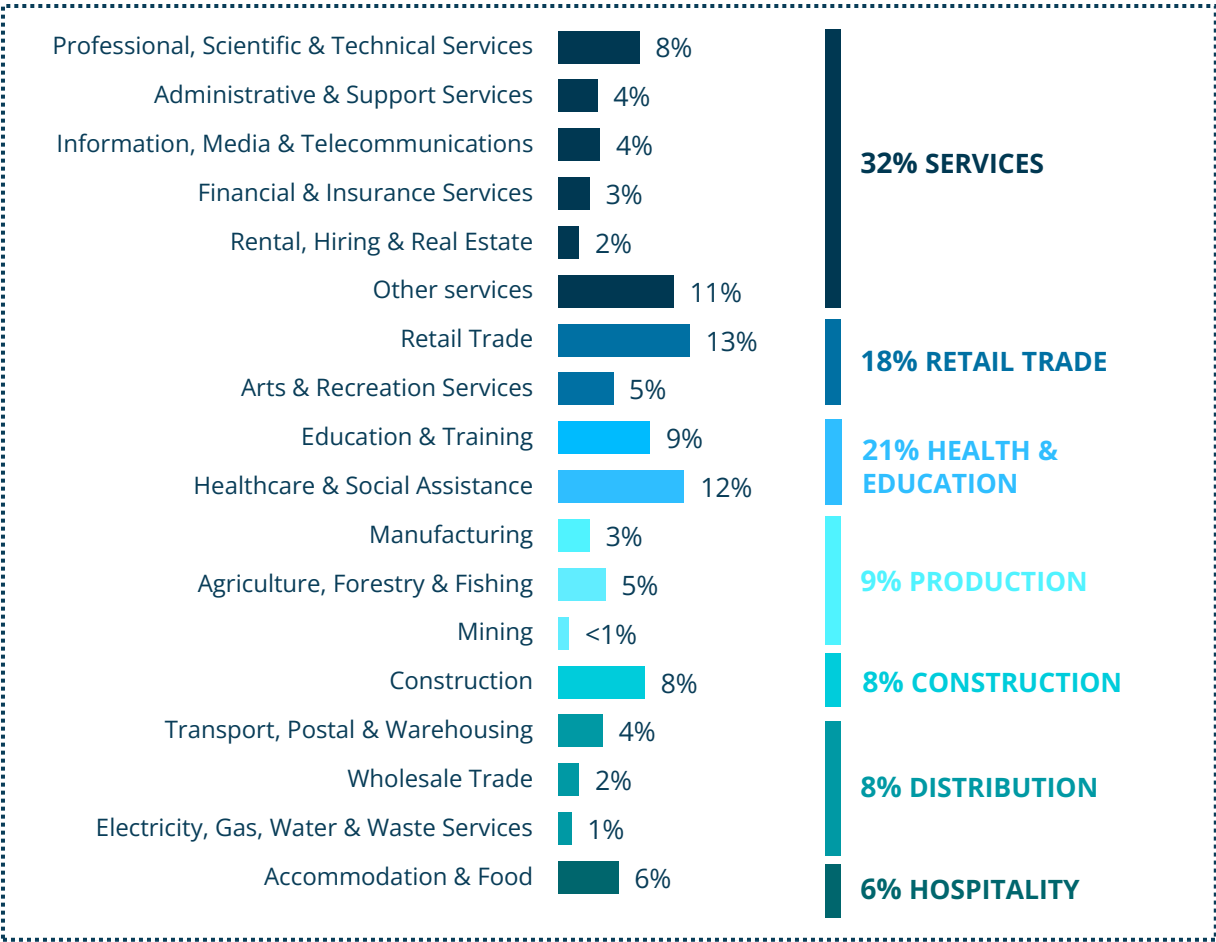
Size Of Business: Employees



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