



Small & Medium Enterprise Sentiment Tracker

Wave 77 – July 2025



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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.



Weak Revenues and Soft Hiring Intentions Set the Tone for SMEs in FY26



Job vacancy rate falls from 15% in June to 10% in July



Growth expectations matched the 13-month average at 35% of SMEs



Short-Term NET revenue expectations dropped to 3% in July



Finance demand holds steady at 11% of SMEs

Labour Market Conditions Remain Weak

Hiring intent remains in very negative territory for the next three months. This reflects the broader softness in the labour market, as evidenced by the rise in the seasonally adjusted unemployment rate to 4.3% in June. The proportion of SMEs with current job vacancies also dropped sharply from 15% in June to 10% in July, the lowest level in over a year, suggesting further upward pressure on unemployment.

Vacancy levels among smaller SMEs (0 to 19 employees) fell to 7% in July, marking the lowest level this year, while vacancy activity among larger SMEs remains volatile amid broader economic uncertainty. Among those still hiring, businesses are reporting higher wage demands, reduced willingness among candidates to work required hours, and a limited pool of applicants. This may reflect not only hiring challenges but also a decline in workforce participation, as some individuals step away from the job market entirely.

Cost Pressures and Operational Challenges Persist

SMEs continue to rank cost pressures as their most significant challenge, followed by changing customer behaviours and regulatory demands. While some challenges have softened, others, such as regulatory compliance and supply chain efficiency have increased. These shifts are likely driven by persistent tariff-related issues.

Mixed Signals on Business Growth and Investment

Despite weak confidence in both domestic and global economies, growth expectations rebounded to 35% in July, recovering from June's dip. This suggests SMEs are entering FY2026 with renewed ambition. However, this optimism is not yet reflected in short-term trading indicators, with revenue expectations for the next four weeks falling to a NET 3%, the lowest since June 2024.

Similarly, capital expenditure and marketing spend intentions declined in July, contradicting the stated growth ambitions. That said, larger SMEs showed a positive rebound in capex intentions following a weak end to FY2025, hinting at selective investment confidence among more established businesses.

Finance Demand and Loan Stress Trends

Demand for finance softened across most sectors, with only Distribution, Hospitality, and Retail showing an increase. This underlines the need for additional working capital in consumer-facing sectors that are under pressure. Meanwhile, loan stress remained steady, with 9% of SMEs unsure whether they will be able to meet their repayment obligations over the next six months.

Rising unemployment, falling vacancy rates, and softening investment signal a bumpy start to FY2026. While SMEs remain ambitious about growth, subdued revenue expectations and persistent cost pressures suggest those plans may prove difficult to deliver. Conditions are expected to remain challenging over the next six months, particularly for consumer-facing sectors under financial strain.



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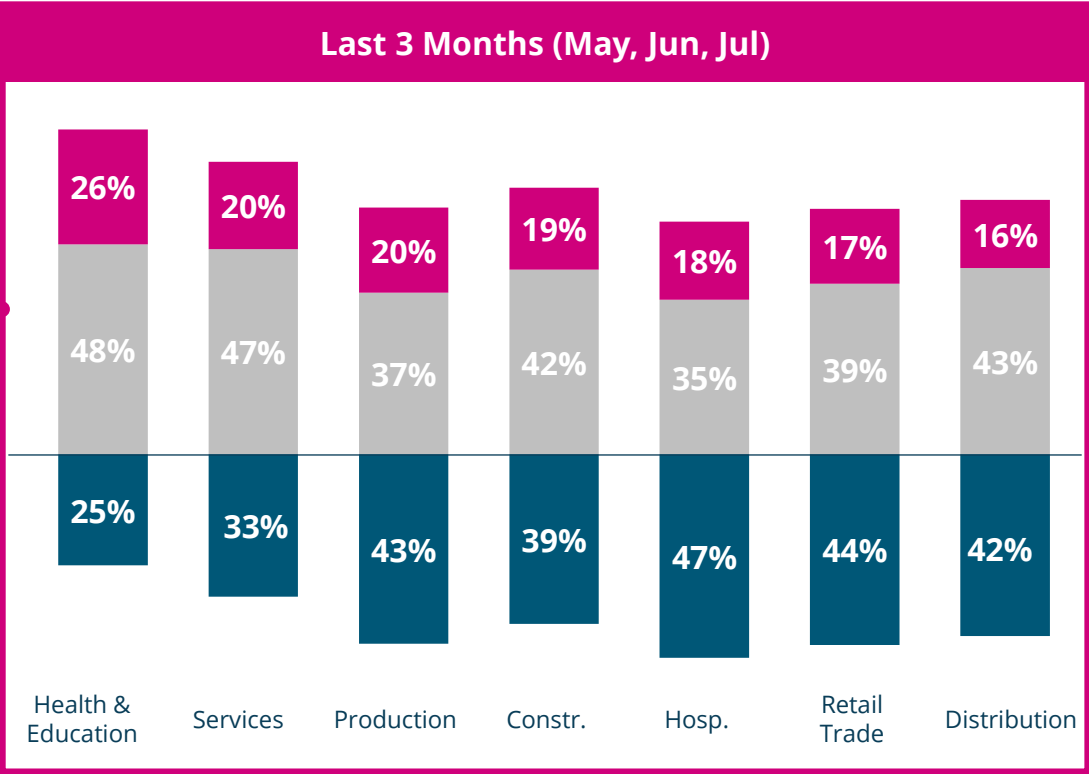
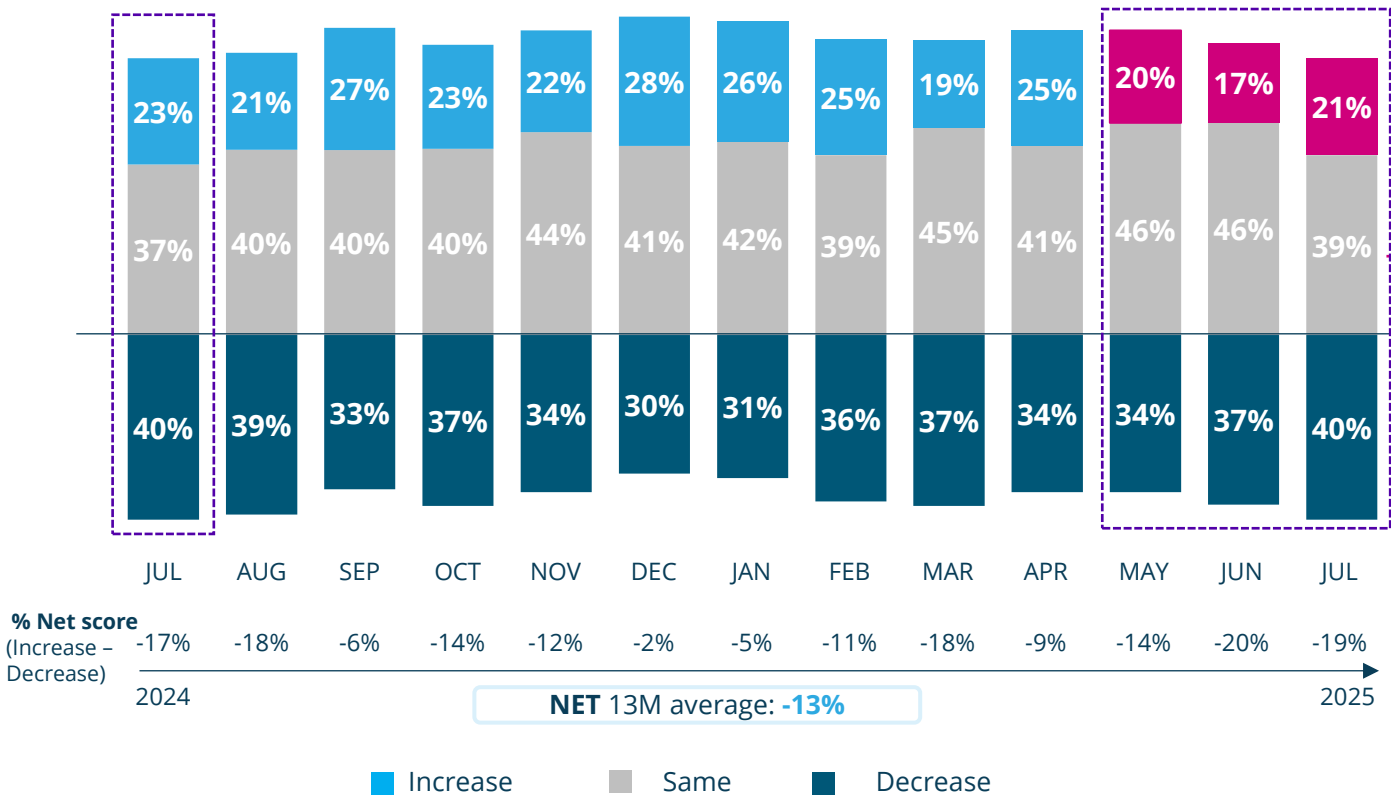
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Methodology & Sample

Key Performance Indicators | Revenue

SMEs entered FY26 with no sign of a revenue rebound. In July, just 21% of SMEs reported revenue growth, marking the third consecutive month with NET revenue below the 13M average. Sectors exposed to discretionary spending, including Retail, Hospitality, and Distribution, were hit hardest, reflecting ongoing cost-of-living pressures and cautious consumer behaviour.

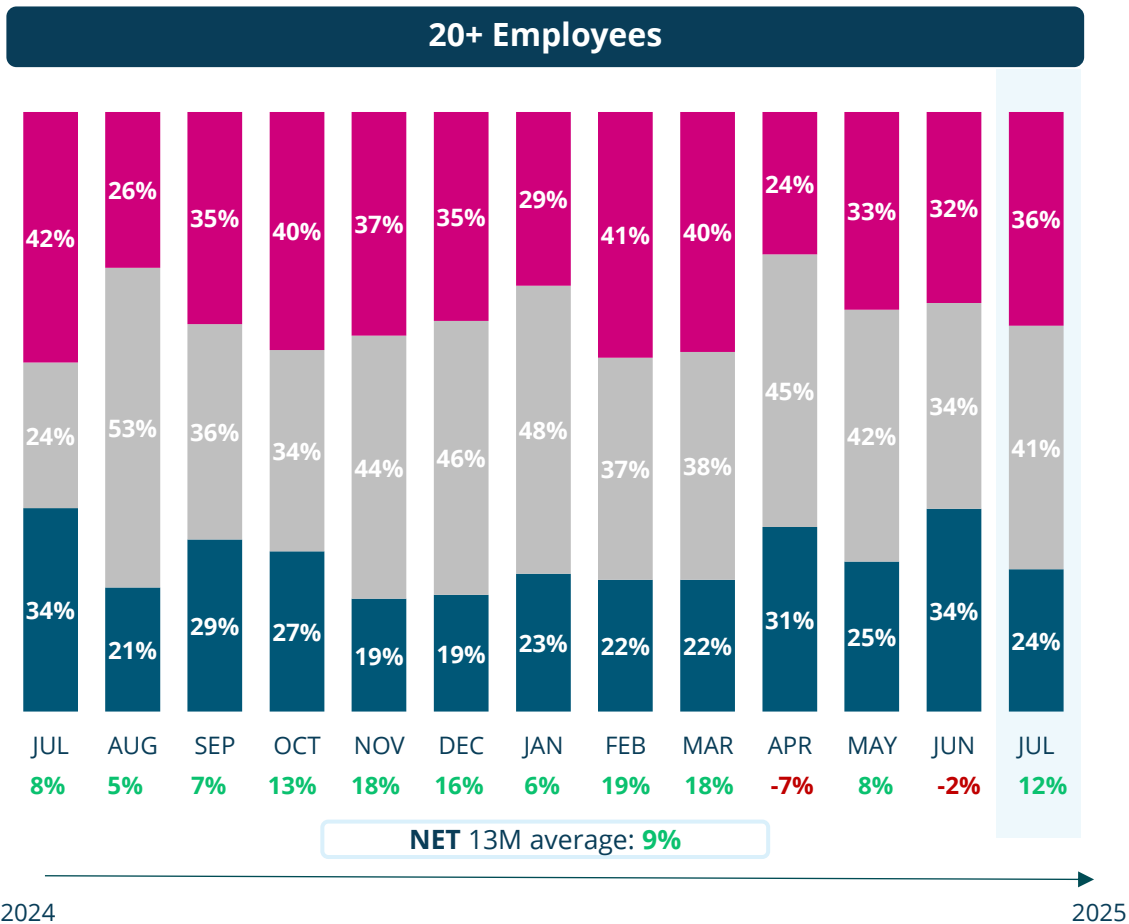
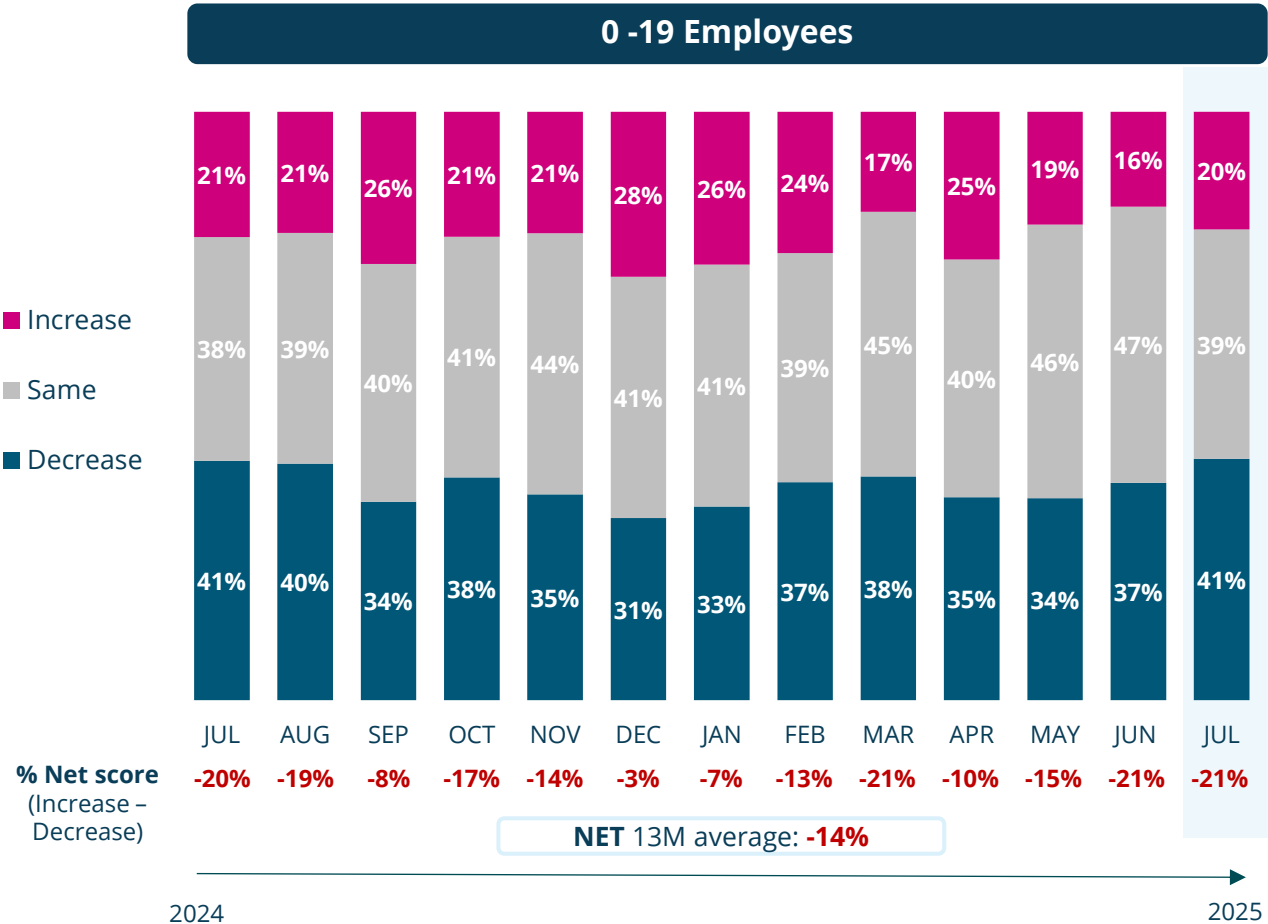
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue

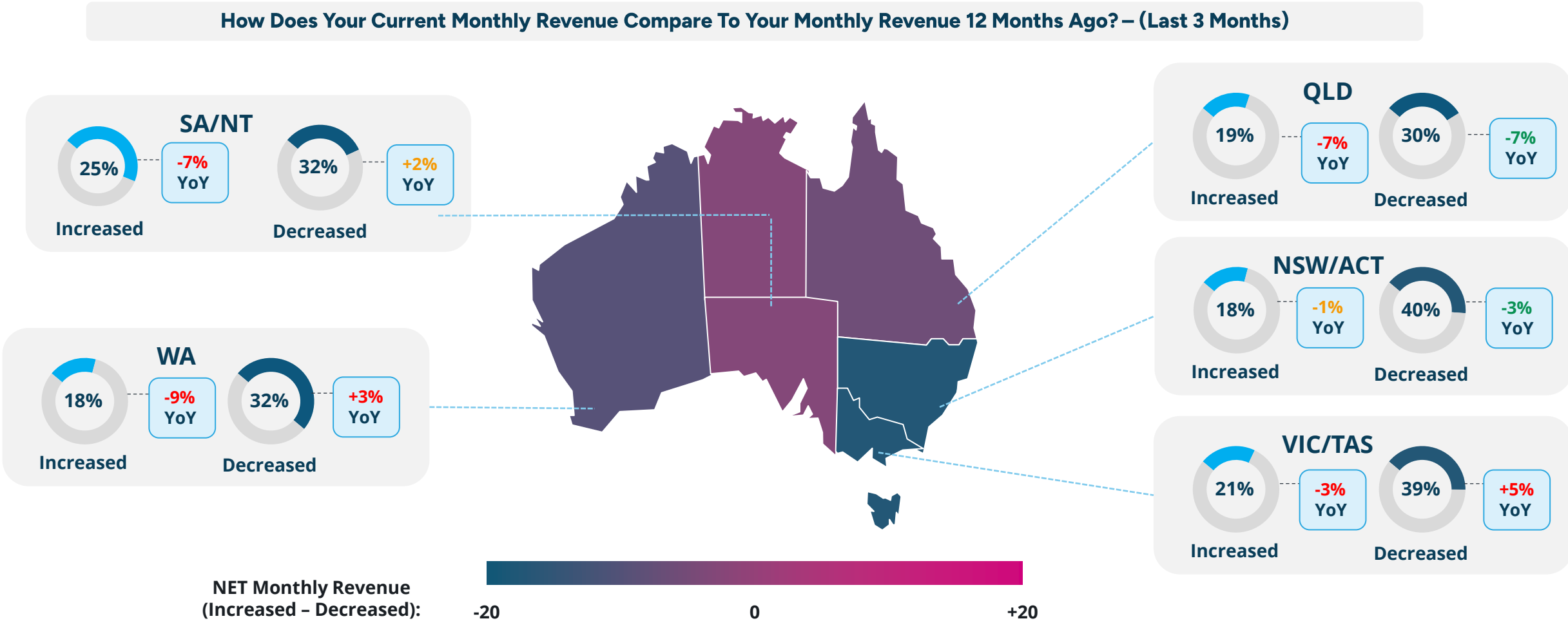
Larger SMEs continued to show tentative signs of revenue stabilisation in July. After dipping slightly into negative territory in June, net revenue bounced back to +12%.

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



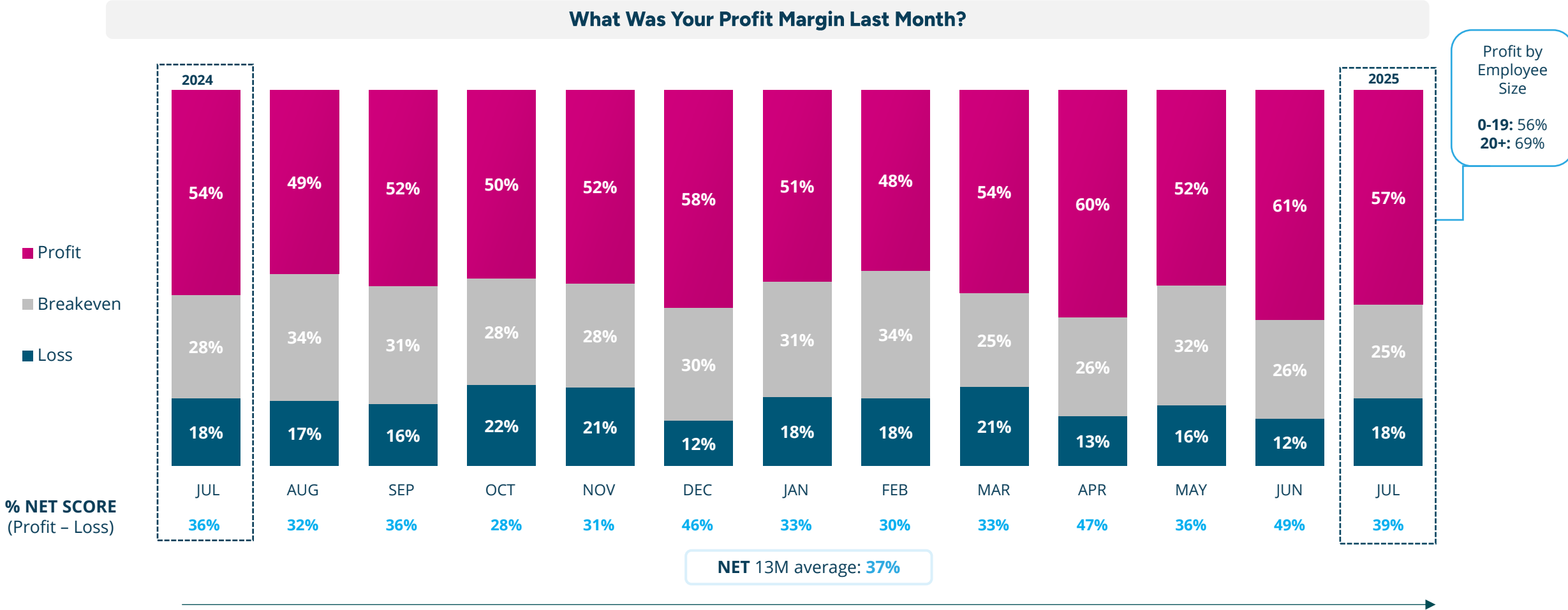
Key Performance Indicators | Revenue

While state-level revenue conditions remain soft, NSW has held relatively steady, with only a 1pt year-on-year drop in SMEs reporting increased revenue. In contrast, VIC and QLD have recorded more pronounced declines.



Key Performance Indicators | Profit

NET profitability eased to +39% in July, down 10 points from June. Despite the pullback, it remains broadly in line with the same period last year.



Key Performance Indicators | Responding To Challenges

The new financial year has seen an increase in internal cost management, with increases in supplier renegotiation, project reassessment, and efficiency improvements. Workforce reductions peaked in July, aligning with the latest unemployment data.

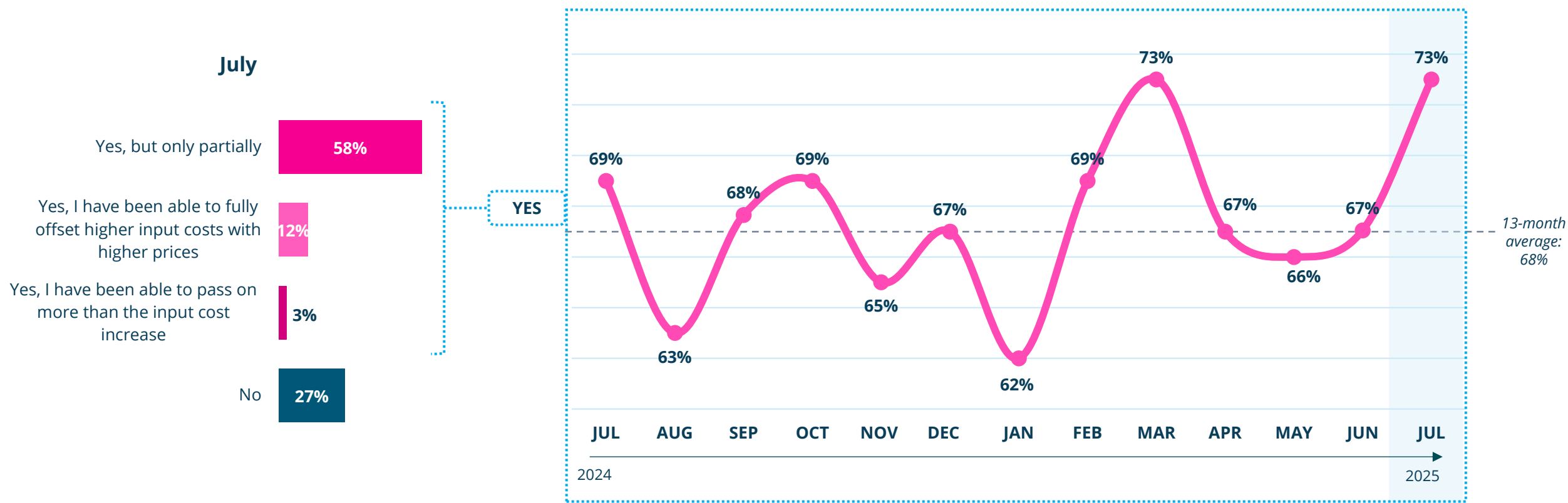
How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

	July	March	April	May	June	July
Discontinuing products/services that are not profitable.	26%	26%	30%	24%	33%	26%
Enhancing efficiency by streamlining business operations.	25%	16%	28%	25%	26%	25%
Renegotiating supplier contracts or seeking new supply sources.	24%	21%	25%	25%	15%	24%
Reassessing current projects and significant investments for viability and impact.	23%	21%	23%	20%	17%	23%
Expanding the range of products/services to generate new revenue streams.	23%	24%	23%	22%	18%	23%
Maximising staff productivity through better training and optimisation.	19%	19%	15%	20%	20%	19%
Adopting new technologies for increased automation and operational efficiency.	15%	15%	16%	17%	13%	15%
Refining inventory management practices for better efficiency.	14%	14%	14%	16%	15%	14%
Implementing workforce reductions, such as layoffs or hiring freezes.	11%	8%	11%	9%	8%	11%
Delegating non-essential functions to external providers.	9%	6%	6%	10%	7%	9%
Undertaking debt restructuring to reduce financial burdens.	9%	12%	12%	12%	10%	9%
Shifting towards the use of renewable energy sources.	7%	9%	6%	8%	10%	7%
Consulting banks and/or financial counsellors about financial hardship	6%	8%	8%	6%	6%	8%

Key Performance Indicators | Cost Recovery

With inflation easing, cost pass through strengthened in July, with 73% of SMEs able to offset at least some input cost increases, matching the highs seen in March. However, most continue to pass on only part of these costs.

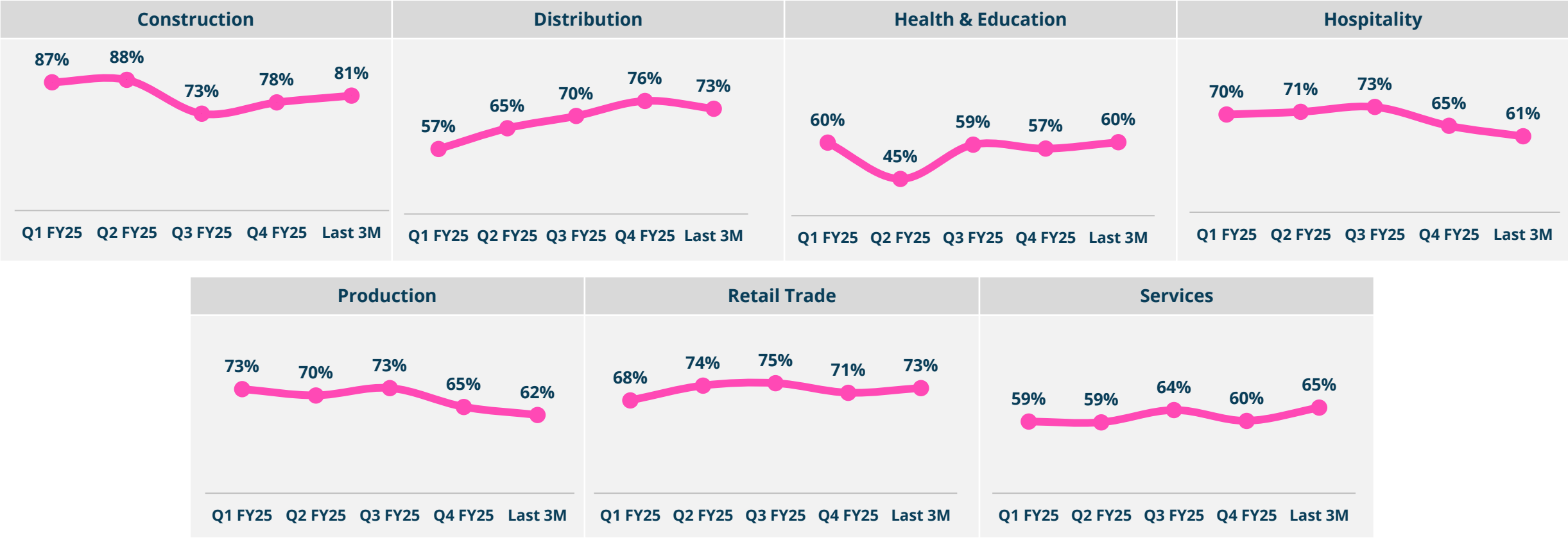
Have You Been Able To Pass On Higher Input Costs To Your Customers?



Key Performance Indicators | Cost Recovery

SMEs in Distribution and Construction have maintained relatively strong cost recovery in recent months. In contrast, cost recovery in Hospitality has continued to fall, reaching its lowest level this year.

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





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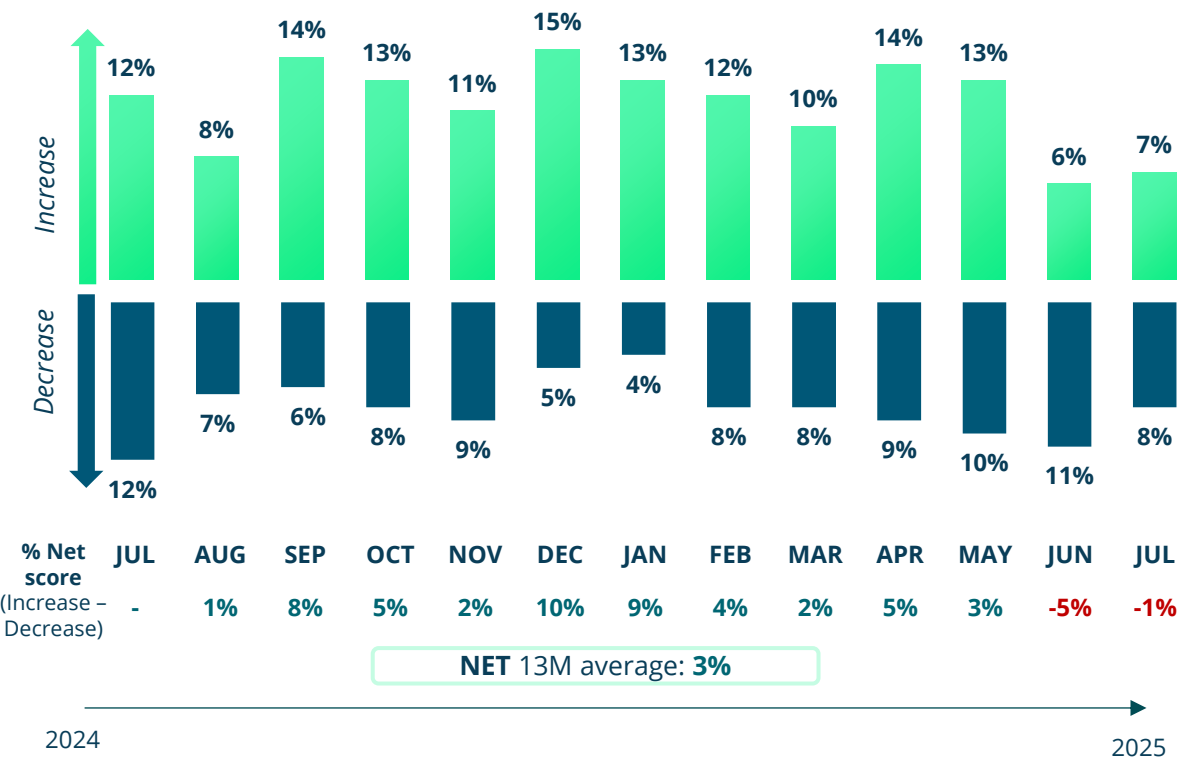
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Methodology & Sample

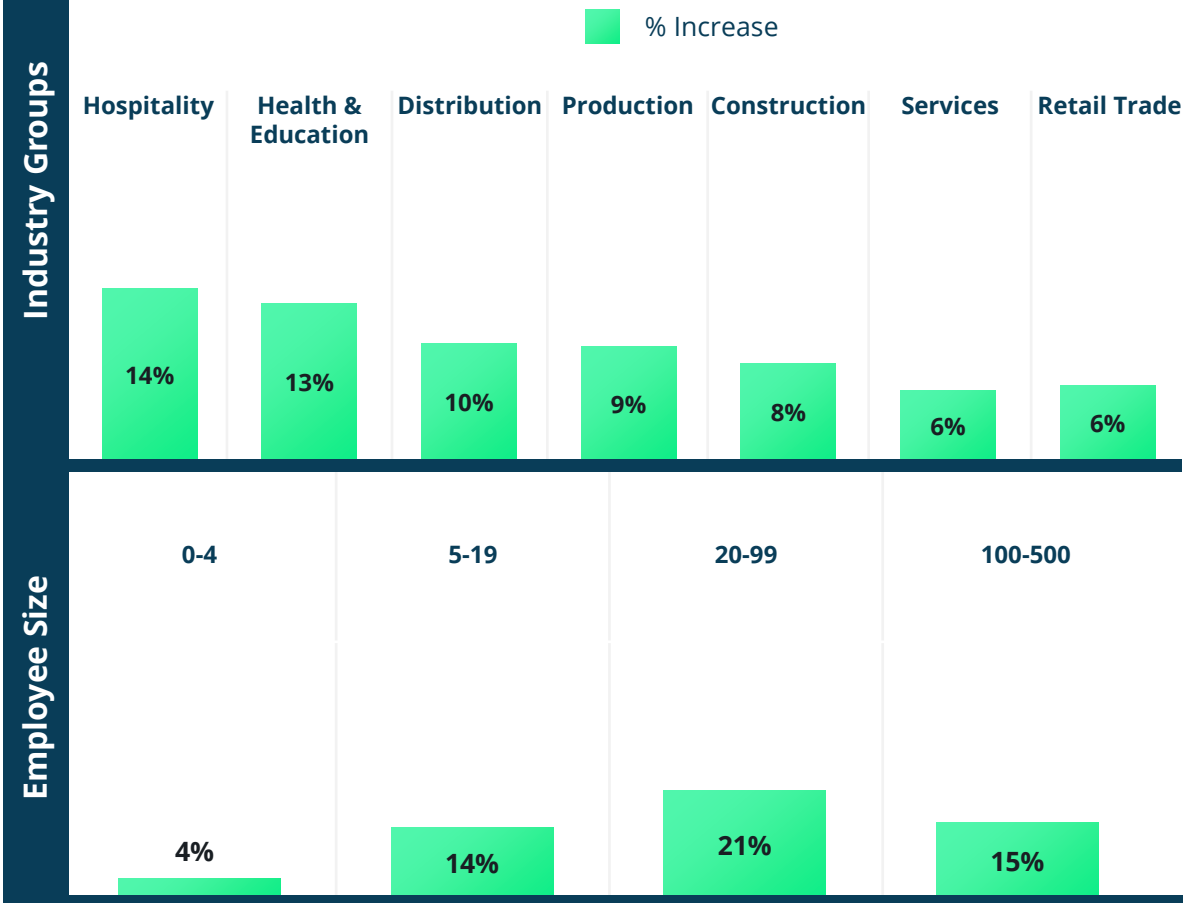
Hiring intent remains very negative for the next three months, again highlighting the weakness in the employment market.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



Last 3 Months (May, Jun, Jul)

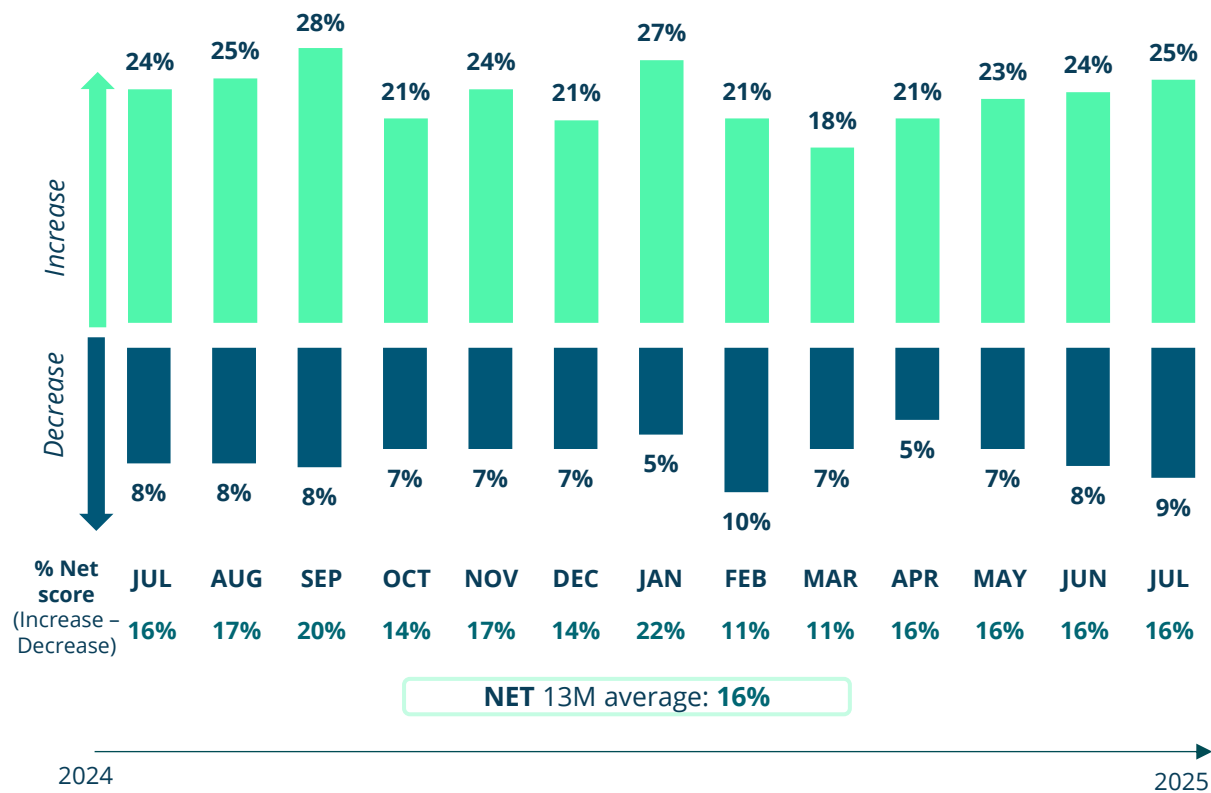


Key Performance Indicators | People

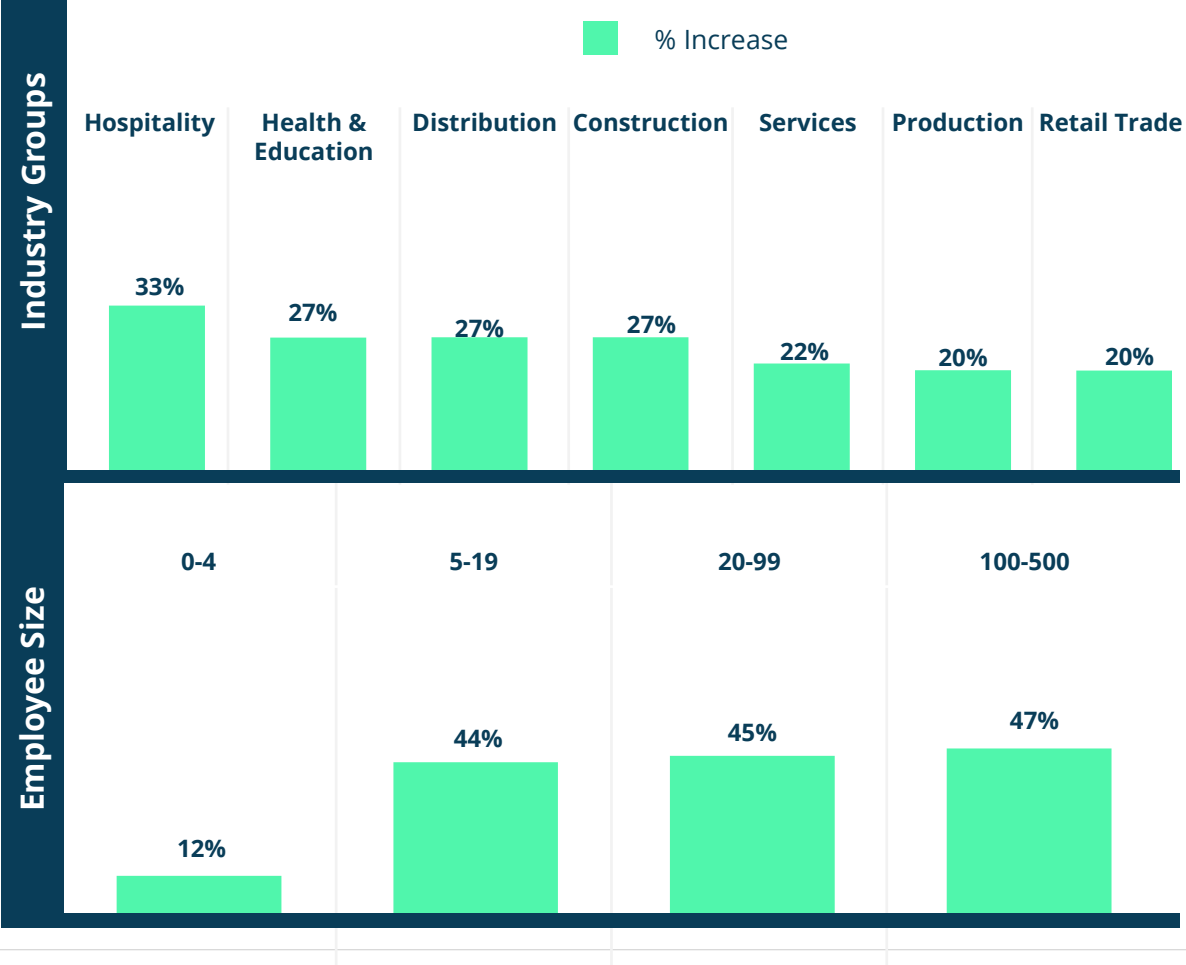
Wage expectations continued their steady climb in July, reflecting rising labour costs following the minimum wage and superannuation increases that took effect at the start of the month.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



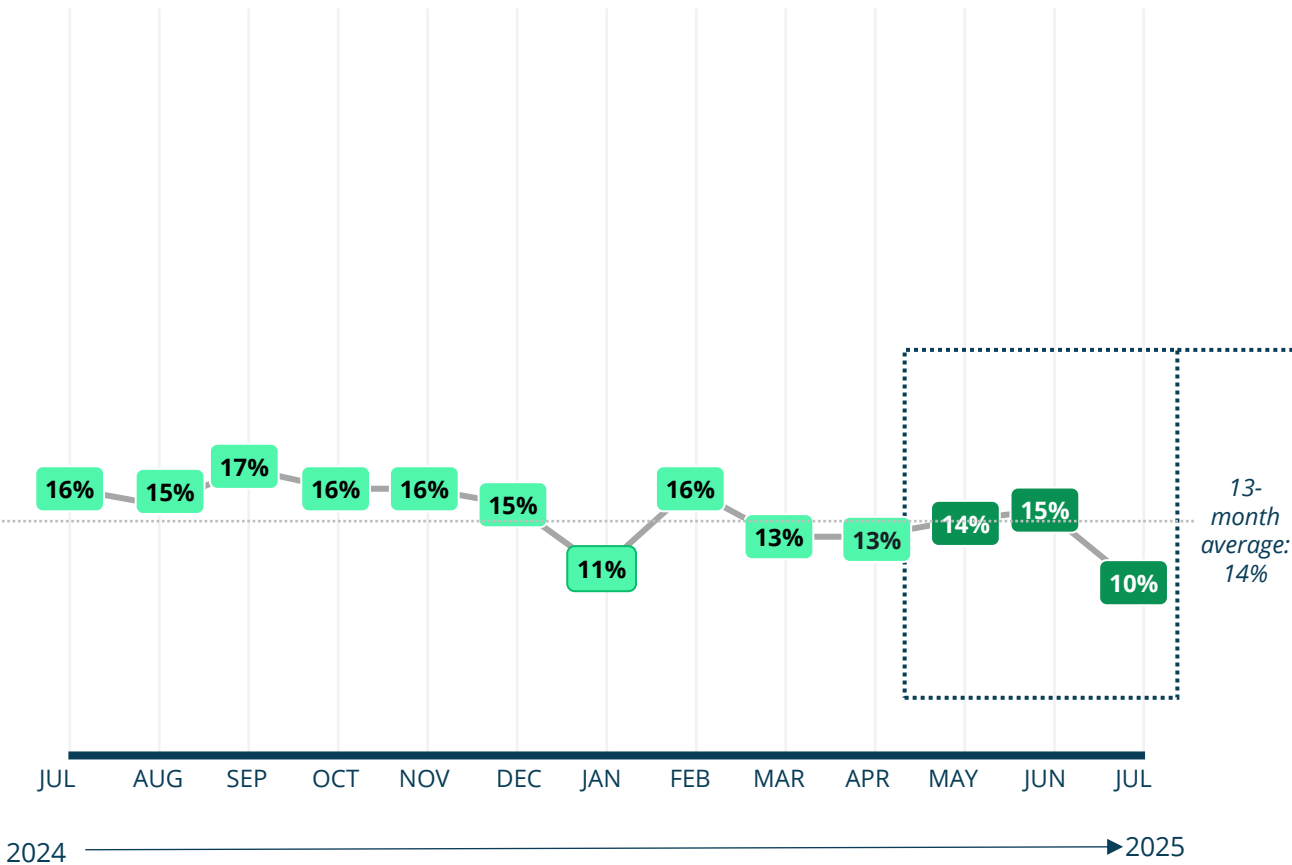
Last 3 Months (May, Jun, Jul)



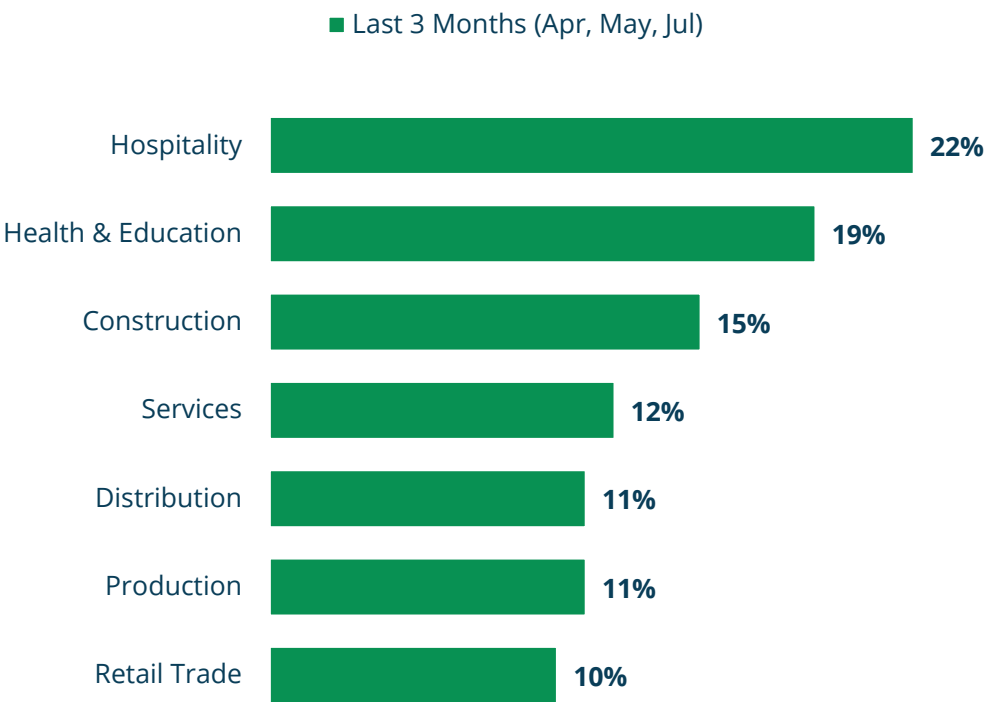
Key Performance Indicators | People

The share of SMEs with current job vacancies fell to 10% in July, the lowest level in over a year. This decline suggests the rise in unemployment reported in June may have further to run.

SMEs That Currently Have Job Roles They Are Trying To Fill



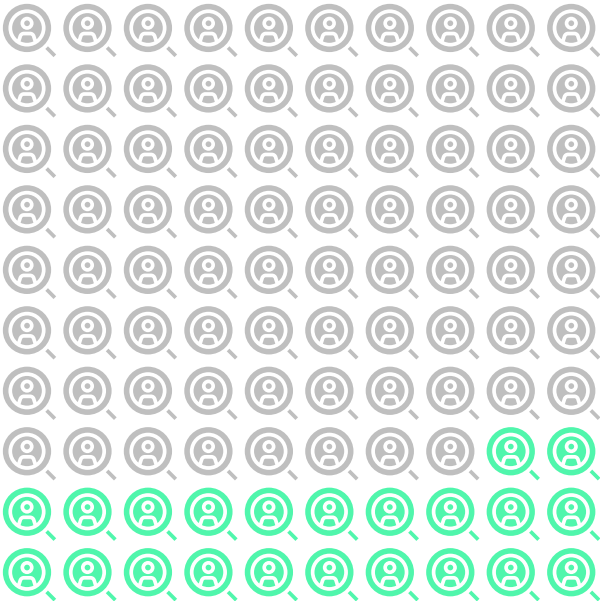
Current Job Vacancies By Industry



SME job vacancies have declined consistently over the past three financial years, with FY26 tracking much lower than previous years.

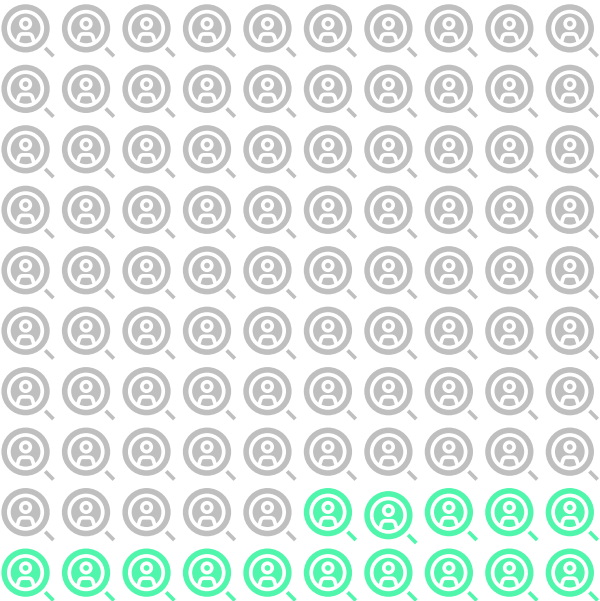
SMEs That Currently Have Job Roles They Are Trying To Fill

FY24



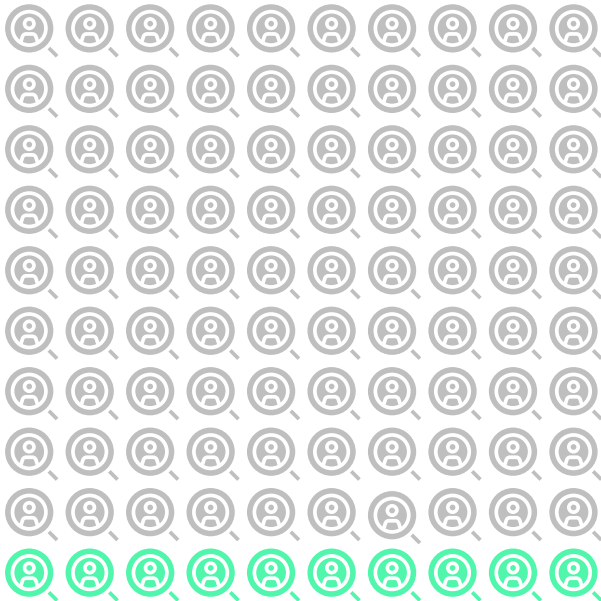
22% with job vacancies

FY25



15% with job vacancies

FY26

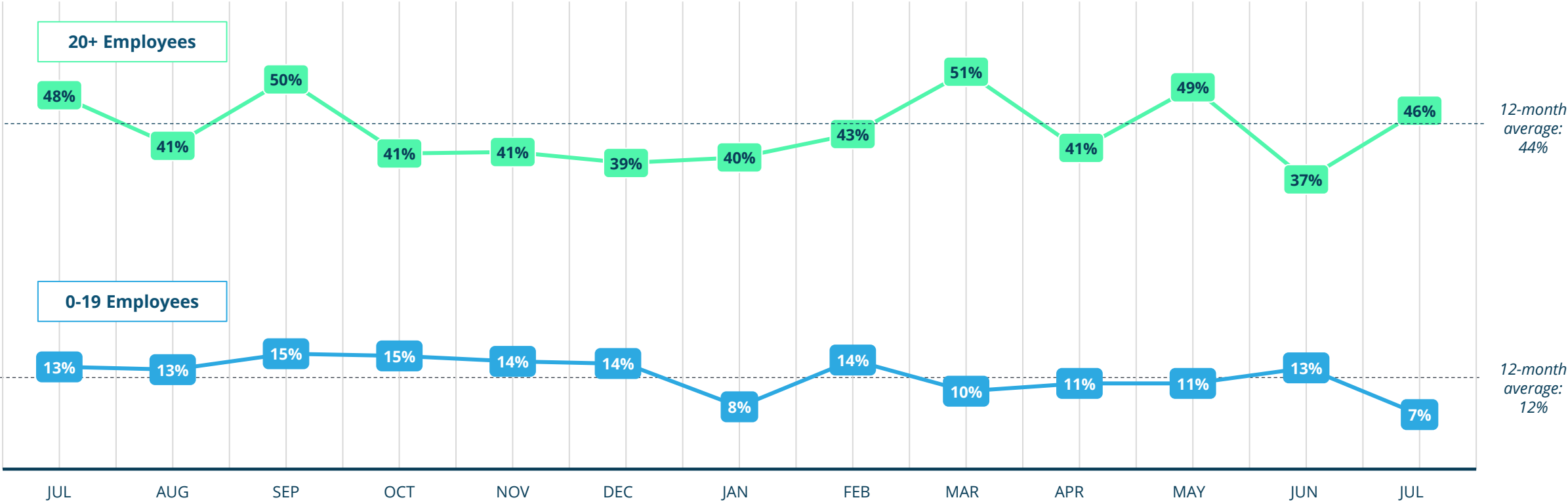


10% with job vacancies

Key Performance Indicators | People

Job vacancies among smaller SMEs (0–19 employees) fell to 7% in July, the lowest point this year, while activity among larger SMEs continues to fluctuate, reflecting uncertain economic conditions.

SMEs That Currently Have Job Roles They Are Trying To Fill



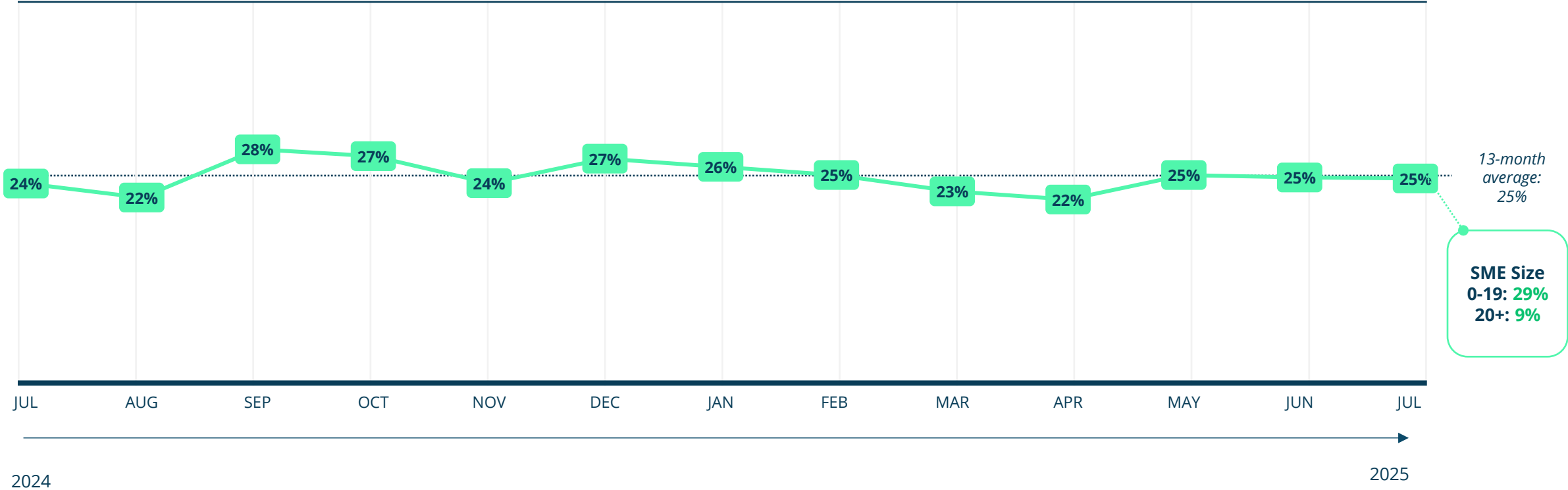
2024 → 2025

Despite less recruitment activity, hiring difficulty held steady in July, with one in four SMEs describing recruitment as “very difficult.”

How Difficult Is It To Fill These Roles?

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

Very Difficult



Key Performance Indicators | People

Among those still recruiting, employers report higher wage demands, reluctance to work required hours, and fewer applicants. With fewer companies hiring overall, this may reflect more people stepping away from active job search.

Why Is It Difficult To Fill Job Roles?

July		Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Last 3M
Wage demands too high	59%	41%	34%	40%	47%	54%
Candidates are not willing to work the hours required	51%	22%	30%	29%	32%	43%
Lack of skilled/qualified candidates	48%	59%	58%	58%	55%	52%
Not enough candidates are applying	47%	42%	36%	42%	47%	55%
Too much competition from other businesses	23%	28%	21%	28%	18%	19%
Lack of backpackers/migrant workers	8%	9%	7%	6%	7%	5%



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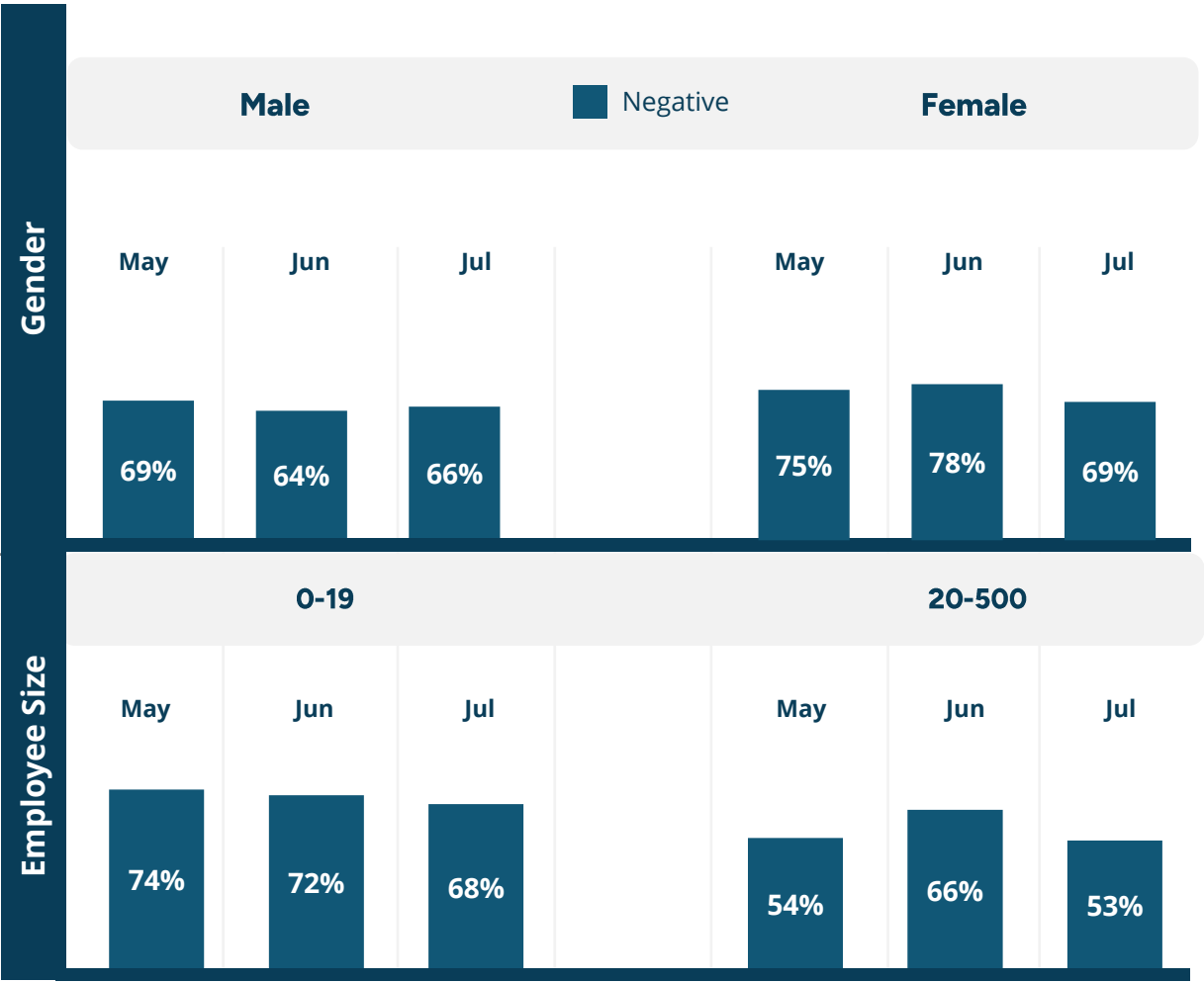
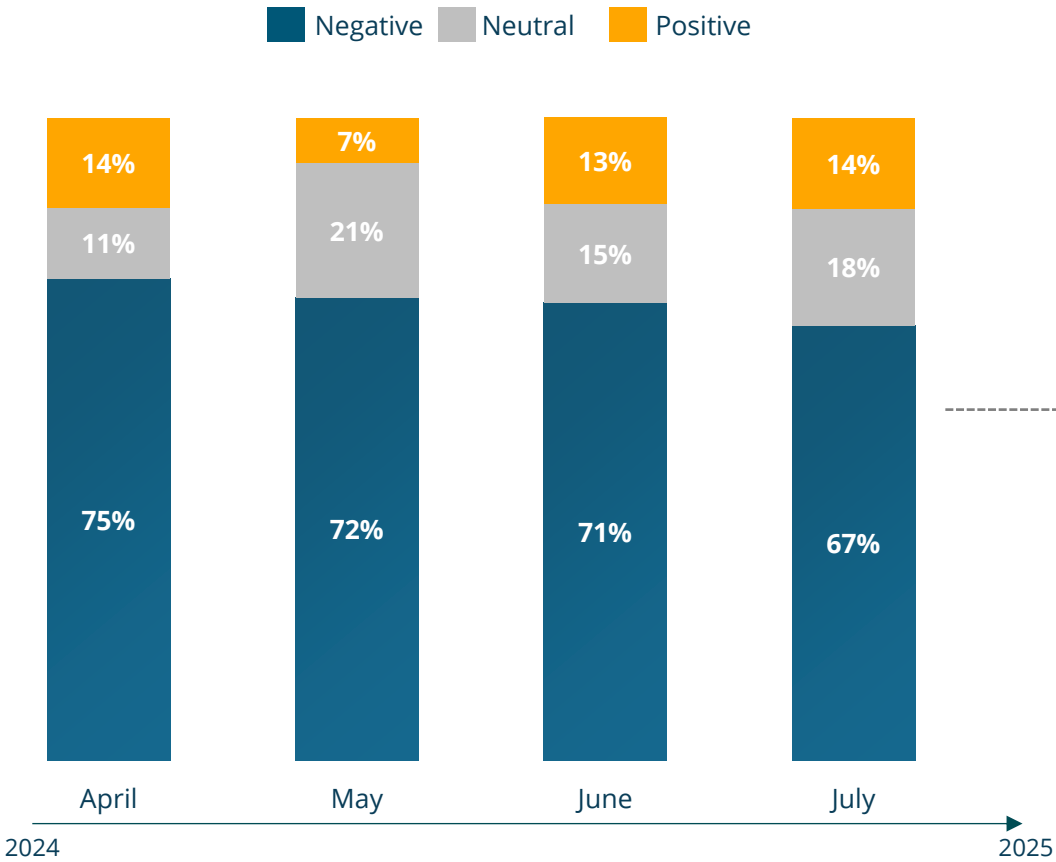
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Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions

Negative sentiment toward the Trump administration remains the majority view (67%). However, the slight improvement from previous months likely reflects easing tariff concerns and greater clarity on U.S. trade policy.

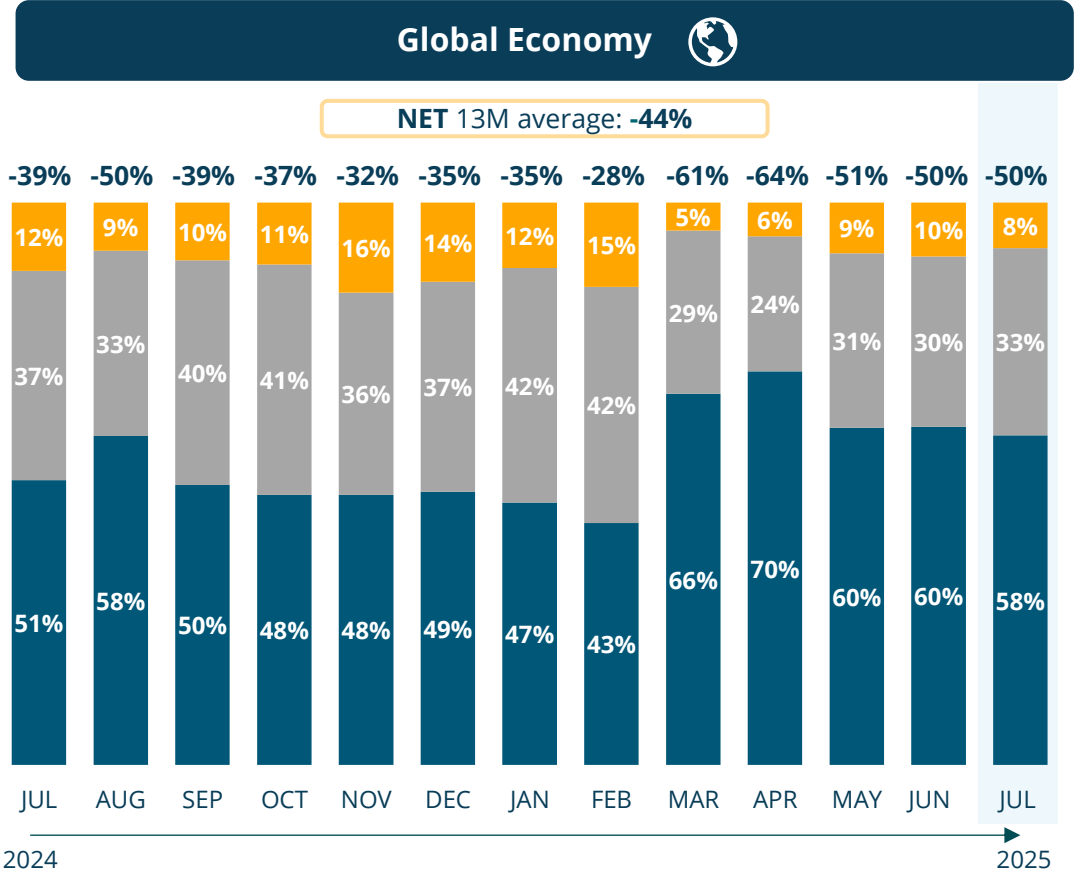
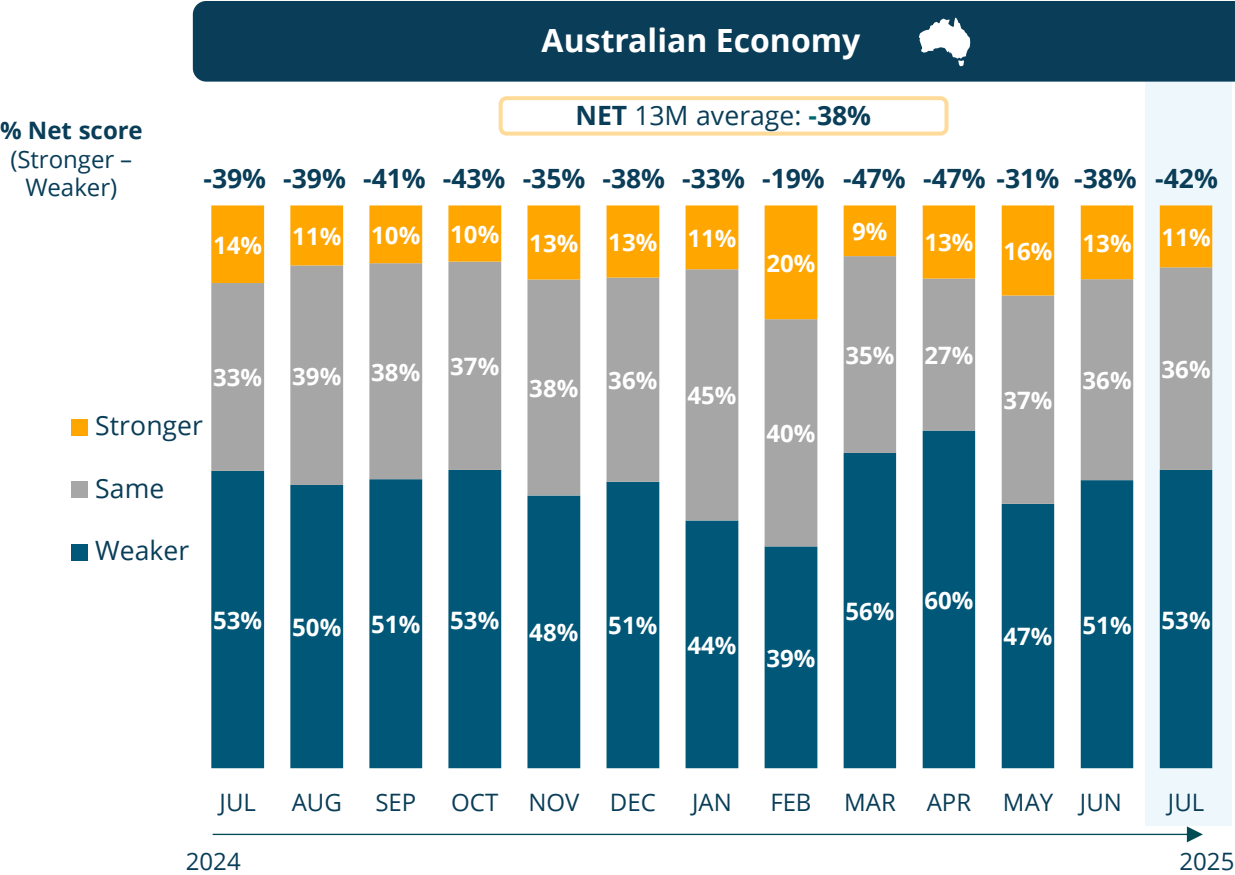
What impact will the Trump Administration have on the Australian economy?



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

Confidence in both the global and Australian economies declined in July, continuing a three-month downward trend. NET sentiment towards the global economy dropped to -50%, while the Australian outlook fell 4pts to -42%, its lowest since April. Sentiment across both measures remains well below the 13-month average.

Expectations Over The Next 3 Months Regarding Economic Conditions



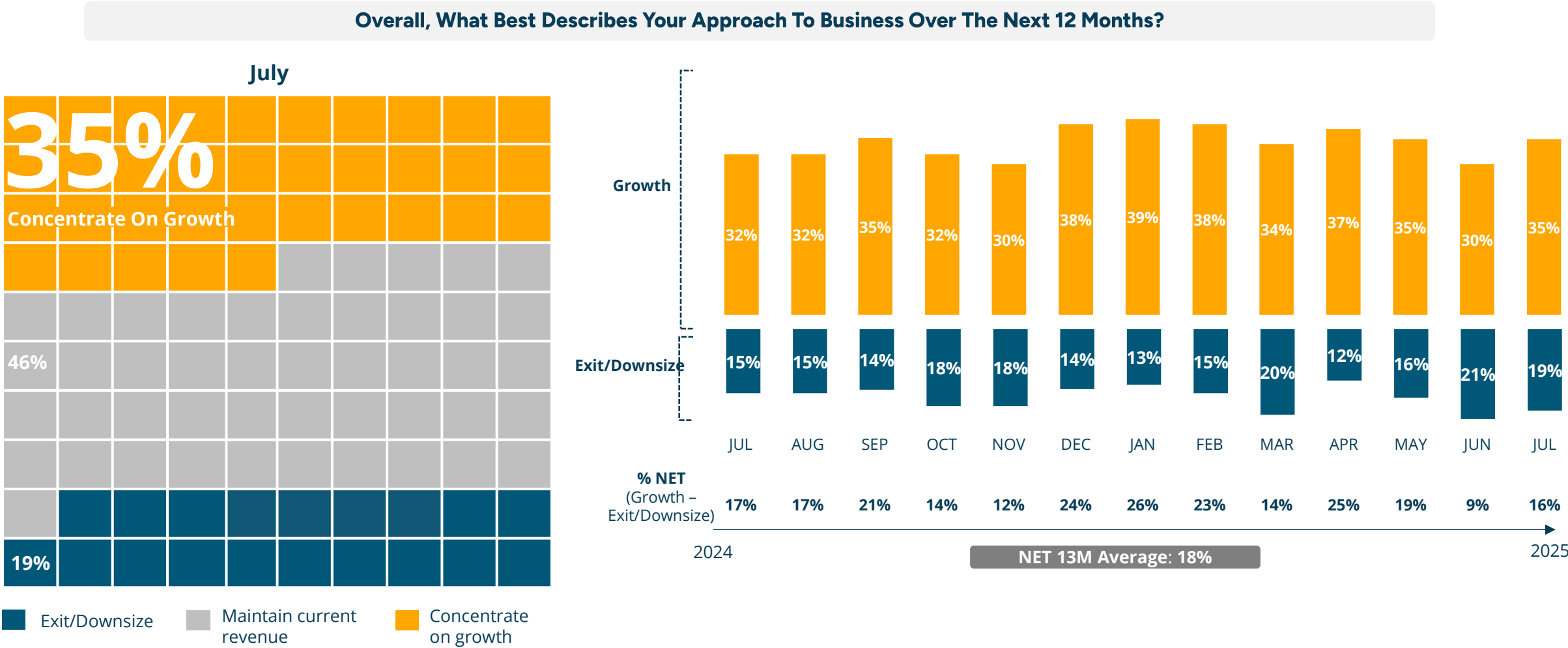
Notably, regulatory compliance and supply chain efficiency continue to rise as significant challenges, driven by ongoing tariff issues.

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

	July	February	March	April	May	June	July
Addressing the difficult economic outlook and ongoing cost pressures.	43%	42%	46%	44%	45%	49%	43%
Keeping pace with changing customer behaviours and preferences.	37%	38%	40%	38%	42%	42%	37%
Navigating regulatory, compliance, and governance challenges.	24%	20%	20%	21%	20%	21%	24%
Identifying and implementing measures to boost workforce efficiency and productivity.	20%	14%	16%	22%	19%	21%	20%
Acquiring, training, and upskilling talent in a competitive market.	19%	12%	15%	20%	14%	15%	19%
Managing the continuous adoption of new technologies and digital transformation processes.	18%	22%	22%	25%	24%	19%	18%
Managing risks and uncertainties in the geopolitical landscape.	18%	13%	18%	20%	17%	16%	18%
Strengthening defences against cyber threats and ensuring data privacy.	17%	14%	17%	22%	20%	17%	17%
Strengthening supply chain operations for improved efficiency and resilience.	17%	13%	18%	14%	15%	11%	17%
Overcoming difficulties in securing necessary financing.	13%	12%	16%	16%	15%	10%	13%
Implementing strategies to address sustainability issues and climate change impacts.	8%	12%	11%	11%	8%	9%	8%
Prioritising investment in research and development to drive innovation.	6%	8%	7%	7%	9%	6%	6%

Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations rose to 35% in July, rebounding from June's dip, despite weaker confidence in both the Australian and global economies. This suggests SMEs have set more ambitious plans for the 2026 financial year, despite the difficult trading environment.



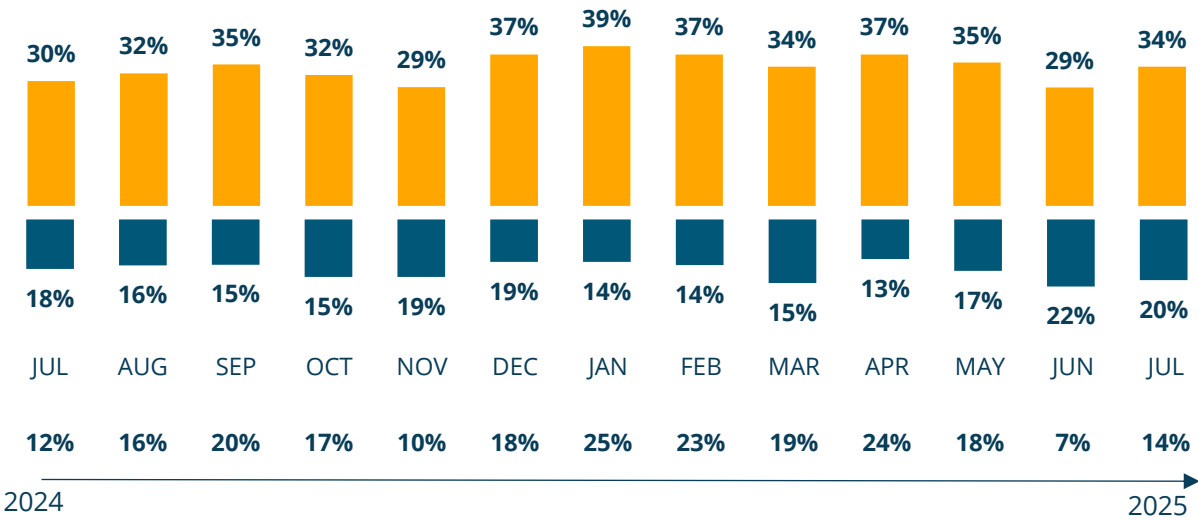
Business Sentiment | Growth Expectations (Next 12 months)

Growth intentions grew across both employee cohorts.

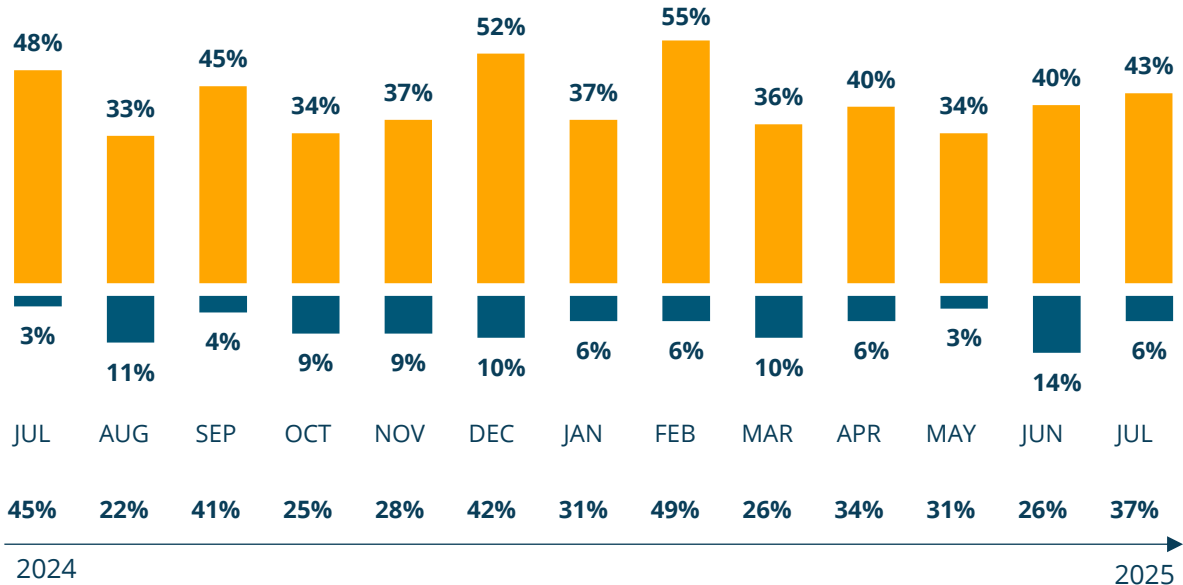
Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

Concentrate on growth Exit/Downsize

0 -19 Employees

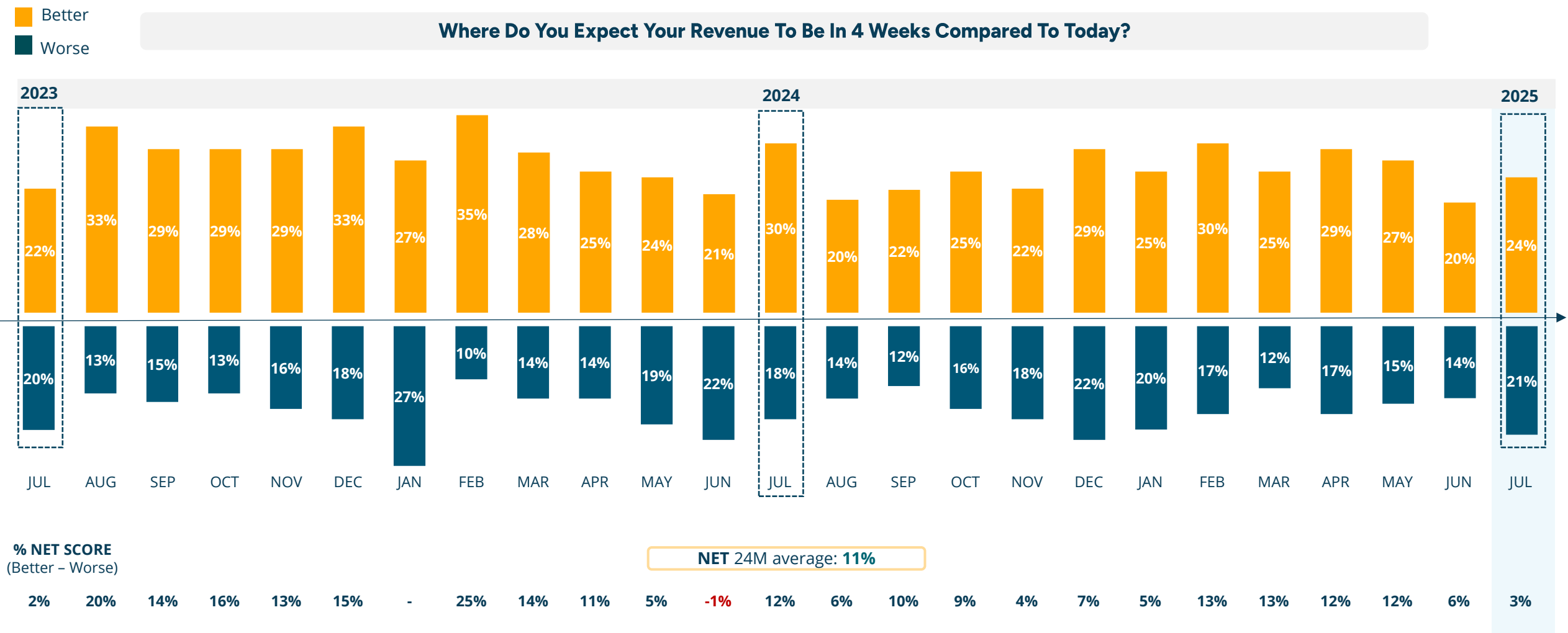


20+ Employees



Business Sentiment | Revenue Expectations (Next Four Weeks)

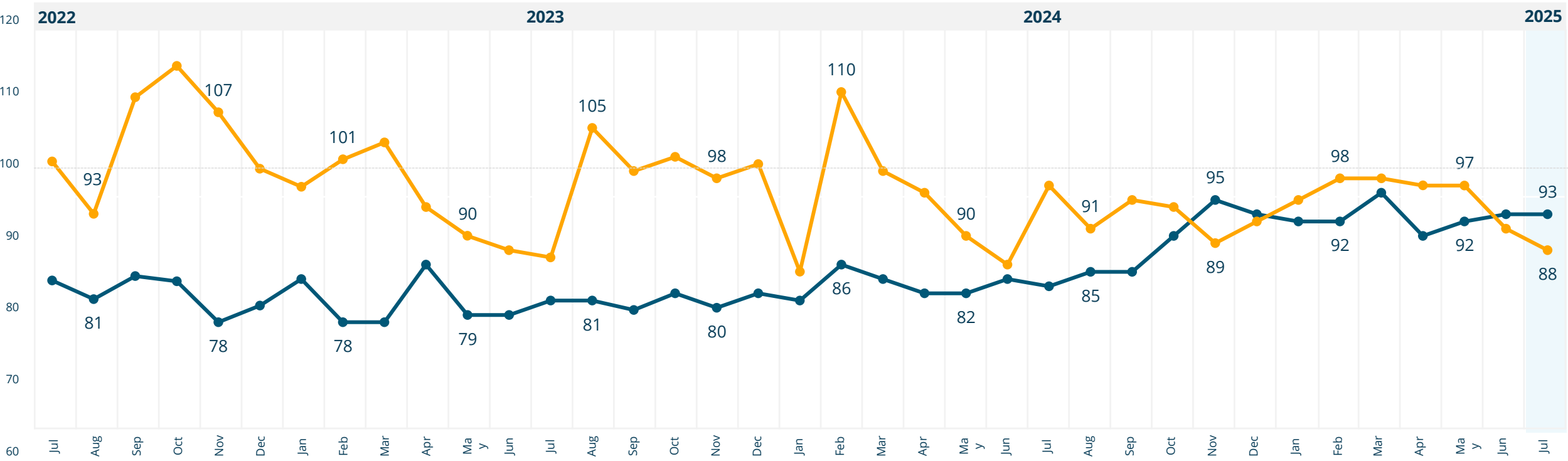
Despite these growth aspirations, short-term revenue expectations eased further to a NET of 3%, their lowest point in 2025 and much lower than July 2024



Aligning with declining NET short-term revenue expectations, the SME Confidence Index has fallen to 88.

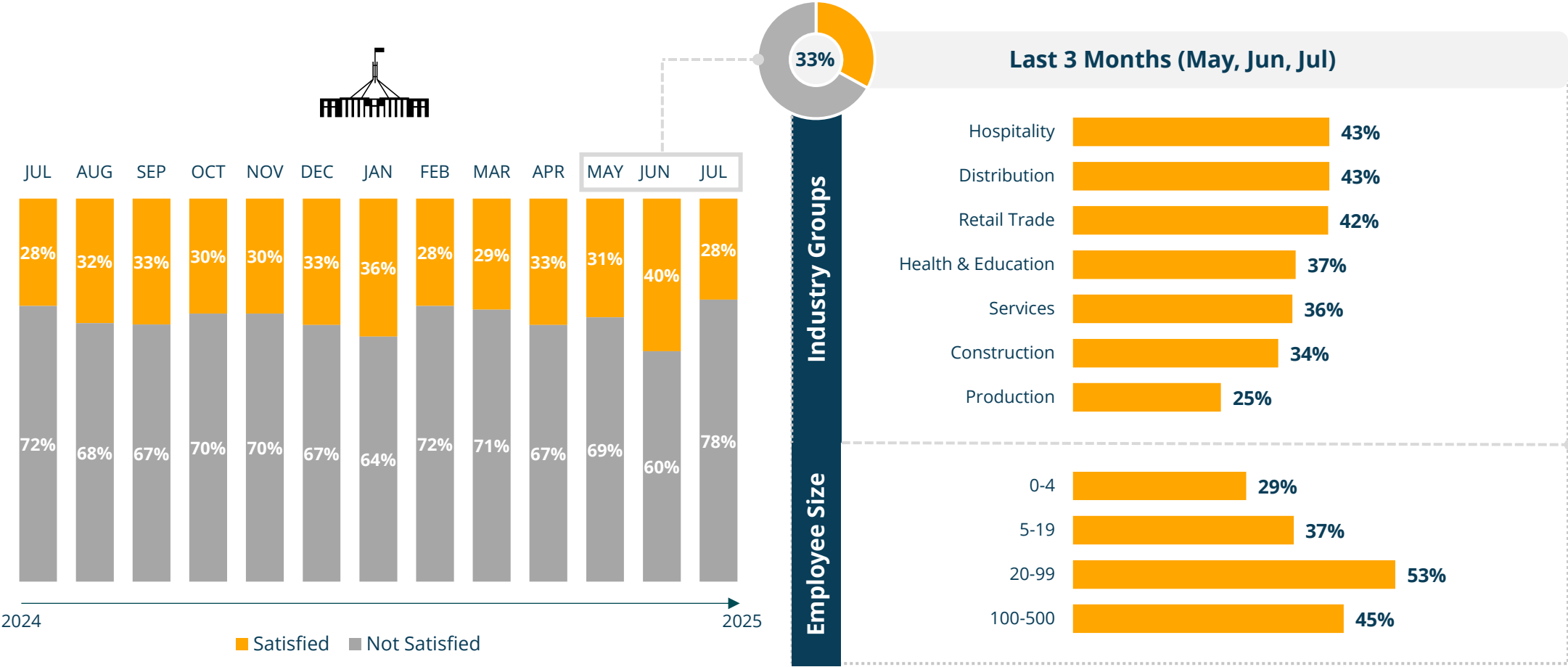
Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index FQ Business Sentiment



Satisfaction with the federal government dropped sharply in July, down 12pts to 28%, reversing the June election-related uplift. This suggests that the bounce in sentiment was short-lived, as SMEs reassess their expectations amid ongoing policy and economic pressures.

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





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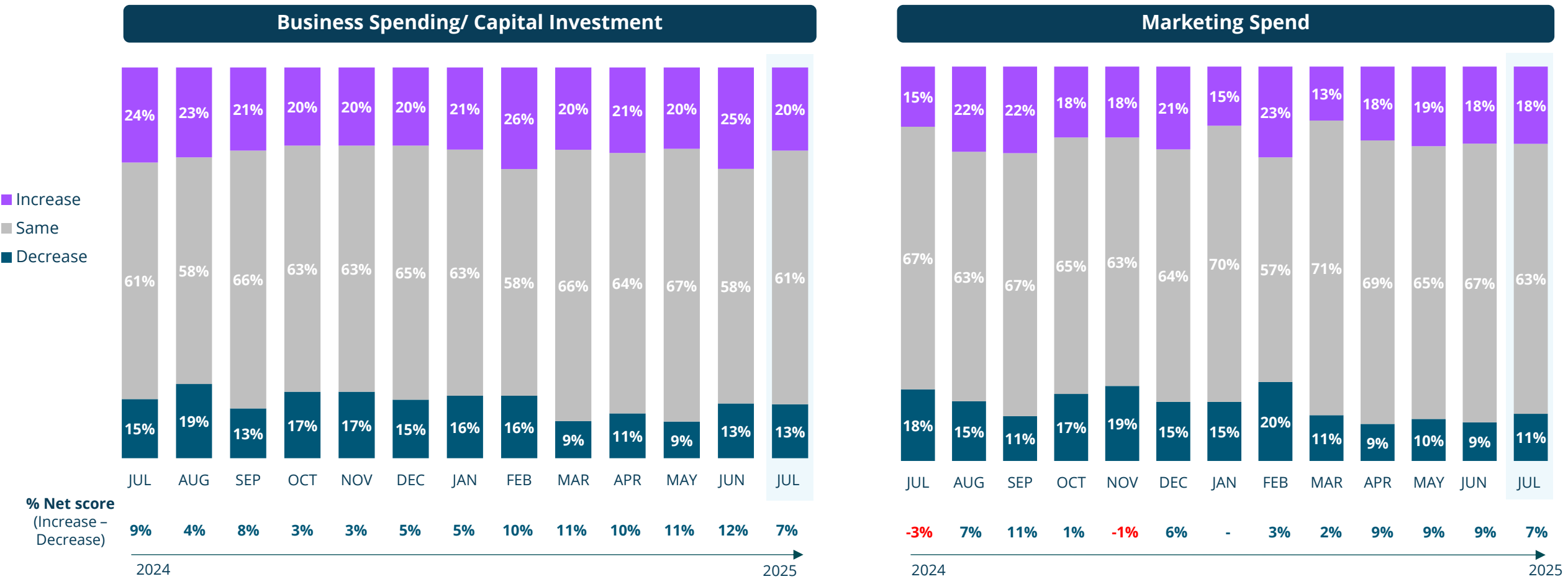
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Methodology & Sample

Business Investment | Next Three Months

Capital expenditure and marketing spend intentions both declined in July, once again running counter to the stronger growth ambitions reported earlier.

Expectations Over The Next 3 Months Regarding Business Investment



Capital expenditure across all categories remains weak.

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

July

	Probably will	Definitely will	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Last 3M
IT / Office equipment, including hardware & software	34%	7%	41%	45%	45%	47%	44%	43%
Equipment, machinery or plant	16%	2%	19%	24%	24%	20%	25%	18%
Light commercial vehicle(s)	11%	2%	13%	14%	14%	16%	11%	11%
Passenger vehicle(s) including SUVs	9%	2%	11%	15%	15%	15%	14%	12%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	0%	10%	10%	10%	8%	9%	7%
Electric vehicle(s), including Hybrid	8%	1%	9%	12%	11%	10%	11%	10%
Truck(s) less than 4.5 tonnes	6%	1%	7%	9%	9%	9%	7%	7%
Commercial real estate including buildings or land	5%	1%	6%	9%	12%	10%	9%	7%
Truck(s) more than 4.5 tonnes	5%	1%	6%	9%	12%	10%	9%	7%
Medium and large bus(es)	5%	1%	6%	6%	6%	5%	6%	6%

Business Investment | Capital Expenditure

Capital expenditure intentions among the larger SME cohort have rebounded after a subdued end to FY25. This is a positive development, as budgets within this group are significantly higher

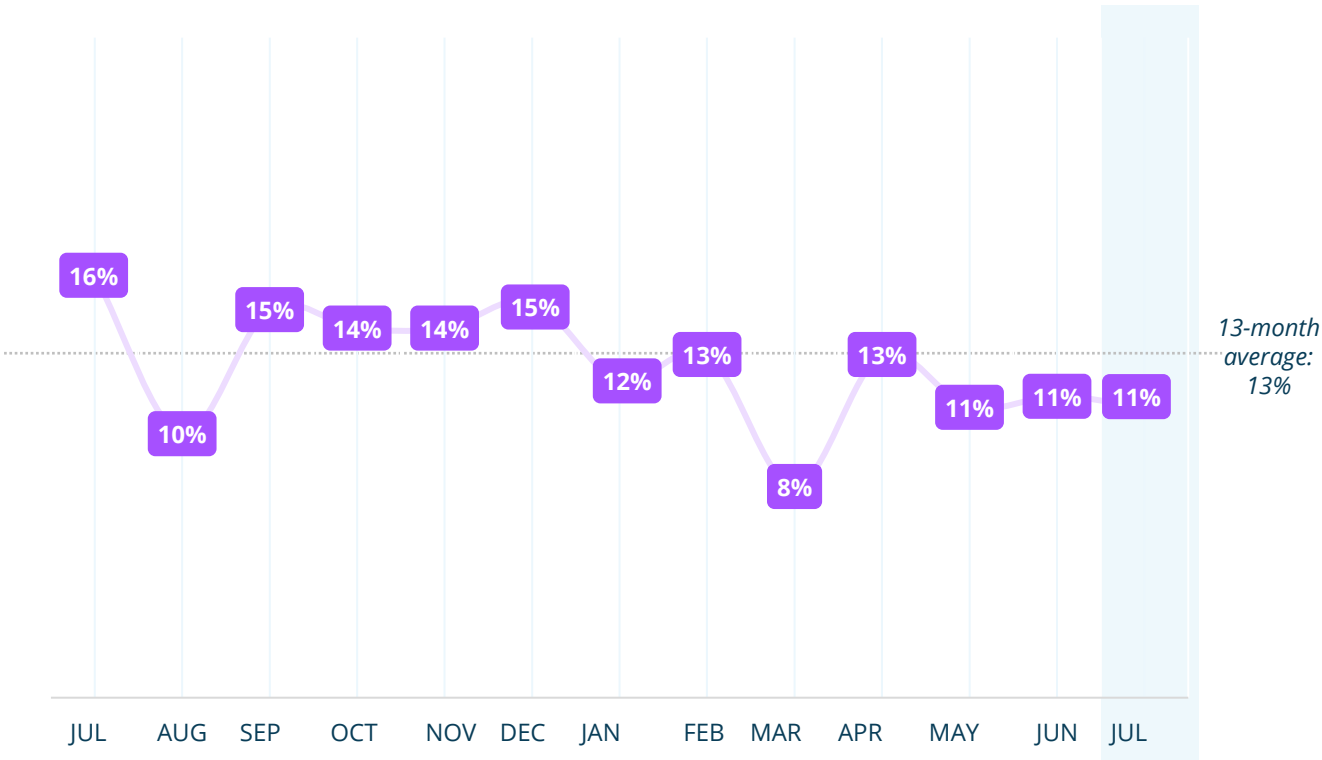
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	May	June	July	May	June	July
IT / Office equipment, including hardware & software	46%	40%	39%	64%	57%	66%
Equipment, machinery or plant	13%	17%	17%	39%	24%	37%
Passenger vehicle(s) including SUVs	10%	10%	9%	32%	21%	30%
Light commercial vehicle(s)	11%	7%	12%	37%	19%	26%
Electric vehicle(s), including Hybrid	9%	9%	7%	26%	20%	33%
Commercial real estate including buildings or land	7%	4%	5%	23%	19%	24%
Truck(s) less than 4.5 tonnes	6%	4%	5%	17%	10%	21%
Agricultural, construction or earthmoving vehicle(s)/equipment	3%	7%	9%	27%	13%	22%
Medium and large bus(es)	5%	5%	5%	18%	18%	16%
Truck(s) more than 4.5 tonnes	4%	3%	4%	22%	15%	25%

Business Investment | Finance Needs (Next 3 months)

Finance demand held steady in July, with only 11% of SMEs expecting a need for additional funding. The majority of this demand, at 68%, continues to be driven by working capital requirements, which often reflect financial strain or short-term cash flow gaps. In contrast, demand for growth-related funding, typically a sign of business confidence and forward momentum, has softened.

SMEs That Will Require Additional Finance Over The Next 3 Months



And What Is The Purpose Of This Finance?

	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Last 3M
Cashflow/ working capital	62%	61%	60%	54%	62%	68%
Purchase plant, machinery or equipment	26%	23%	26%	18%	23%	25%
Fund growth into new markets	25%	22%	13%	13%	17%	15%
Fund growth in Australia	20%	16%	23%	26%	16%	14%
Trade finance to fund import/export activity	12%	13%	9%	17%	12%	10%
Fund merger/acquisition	10%	14%	7%	7%	8%	8%

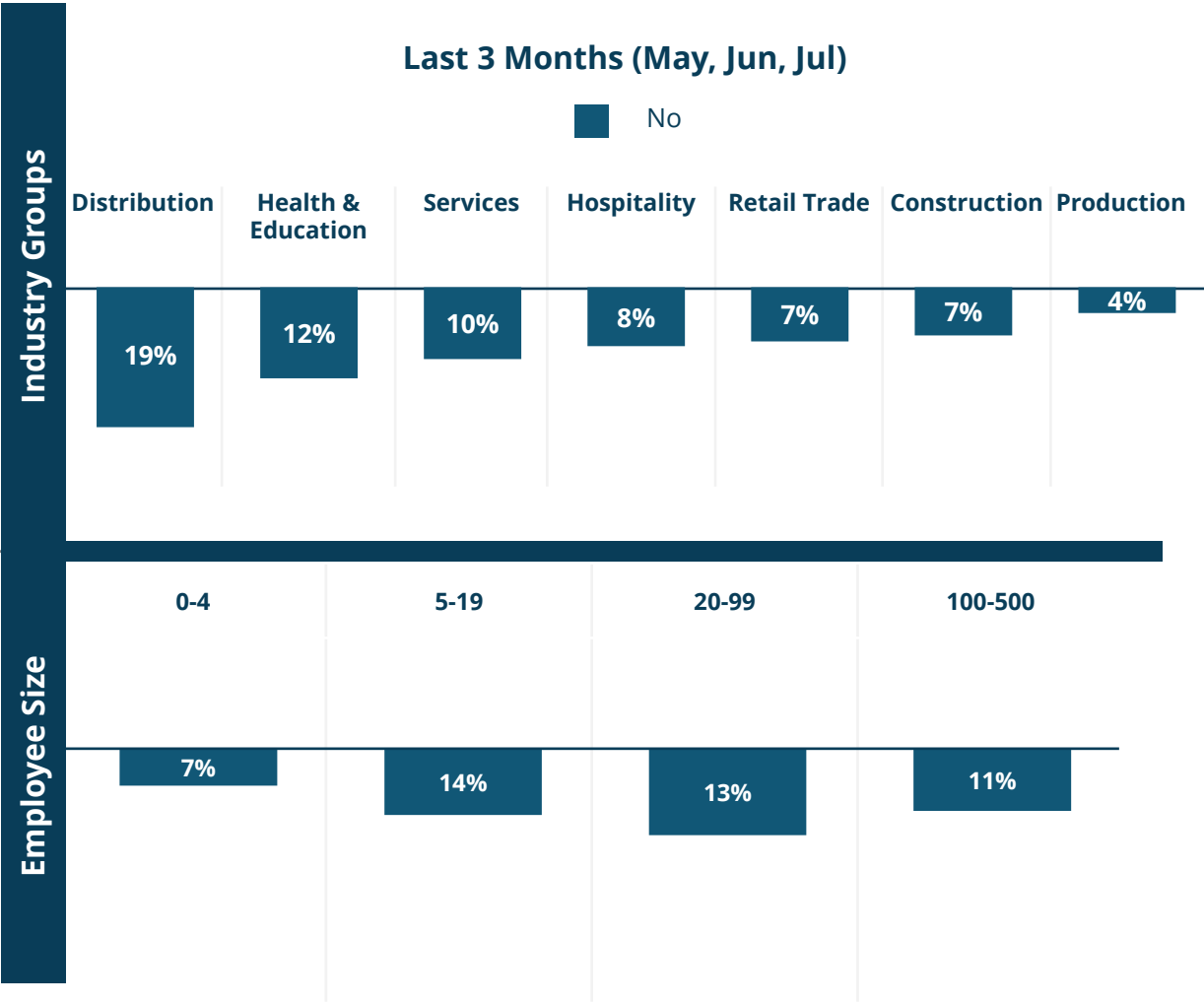
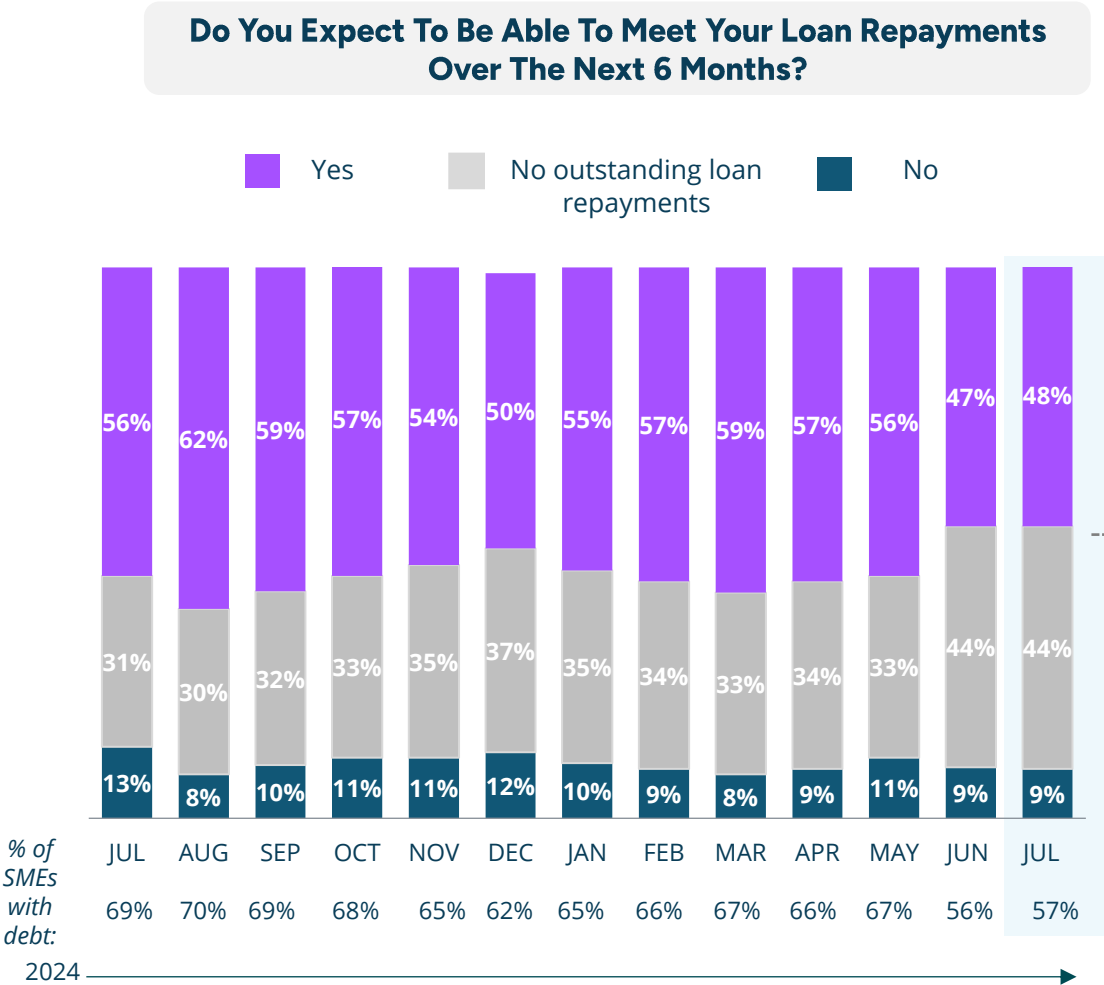
Business Investment | Finance Needs (Next 3 months)

Most sectors saw a softening in their demand for finance, with only Distribution, Hospitality, and Retail recording an increase. This suggests that consumer-facing sectors, which are currently under pressure, are seeking additional working capital to manage ongoing operational challenges.

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

	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Last 3M
0-19 Employees	14%	13%	14%	10%	11%	10%
20+ Employees	35%	26%	21%	24%	18%	19%
Construction	17%	14%	19%	9%	10%	11%
Distribution	13%	19%	16%	6%	21%	25%
Health & Education	17%	8%	8%	11%	11%	5%
Hospitality	29%	14%	17%	25%	10%	18%
Production	22%	16%	14%	12%	12%	6%
Retail Trade	11%	9%	9%	14%	12%	15%
Services	13%	13%	13%	11%	10%	8%

Loan stress remained steady in July, with 9% of SMEs uncertain about their ability to meet repayments over the next six months.





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**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

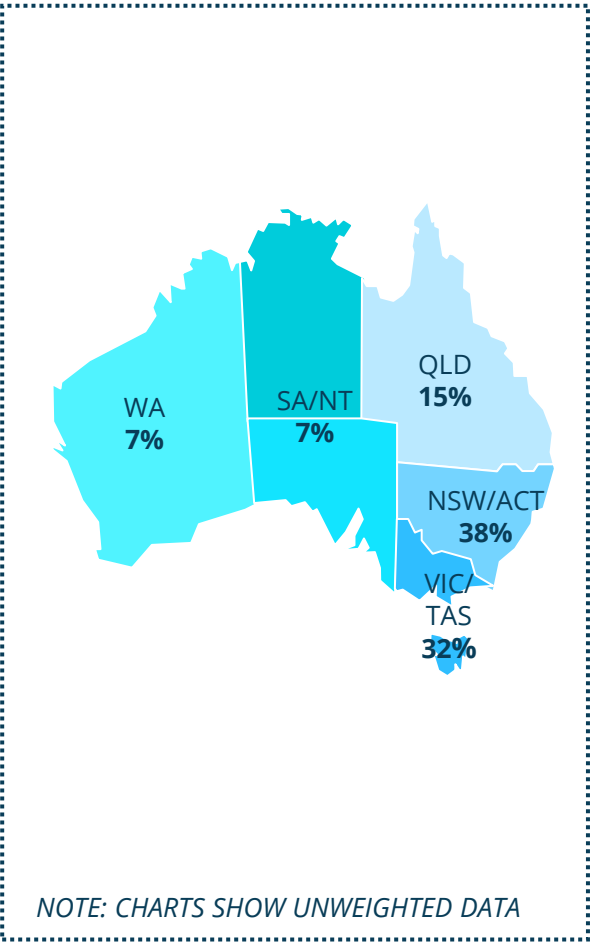


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

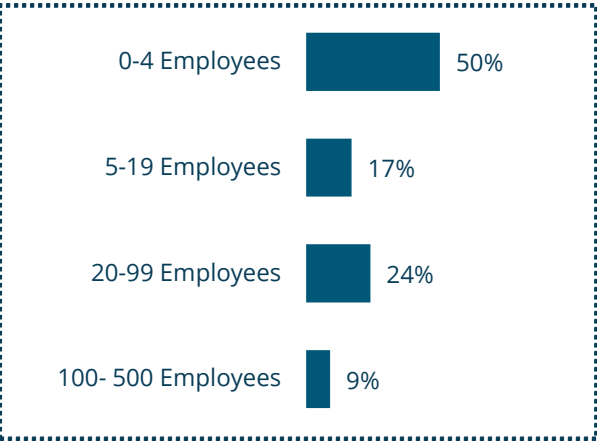
Our Sample

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.

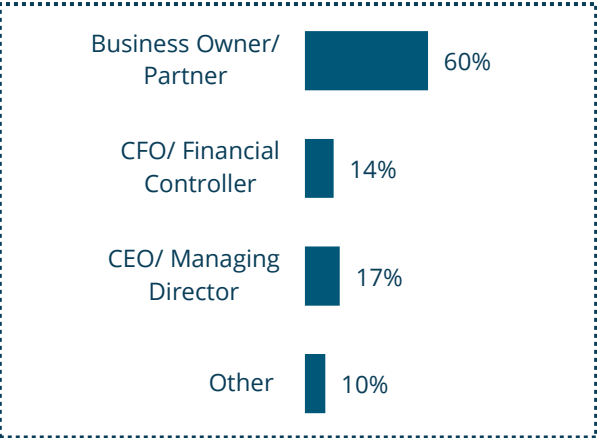
Head Office Location



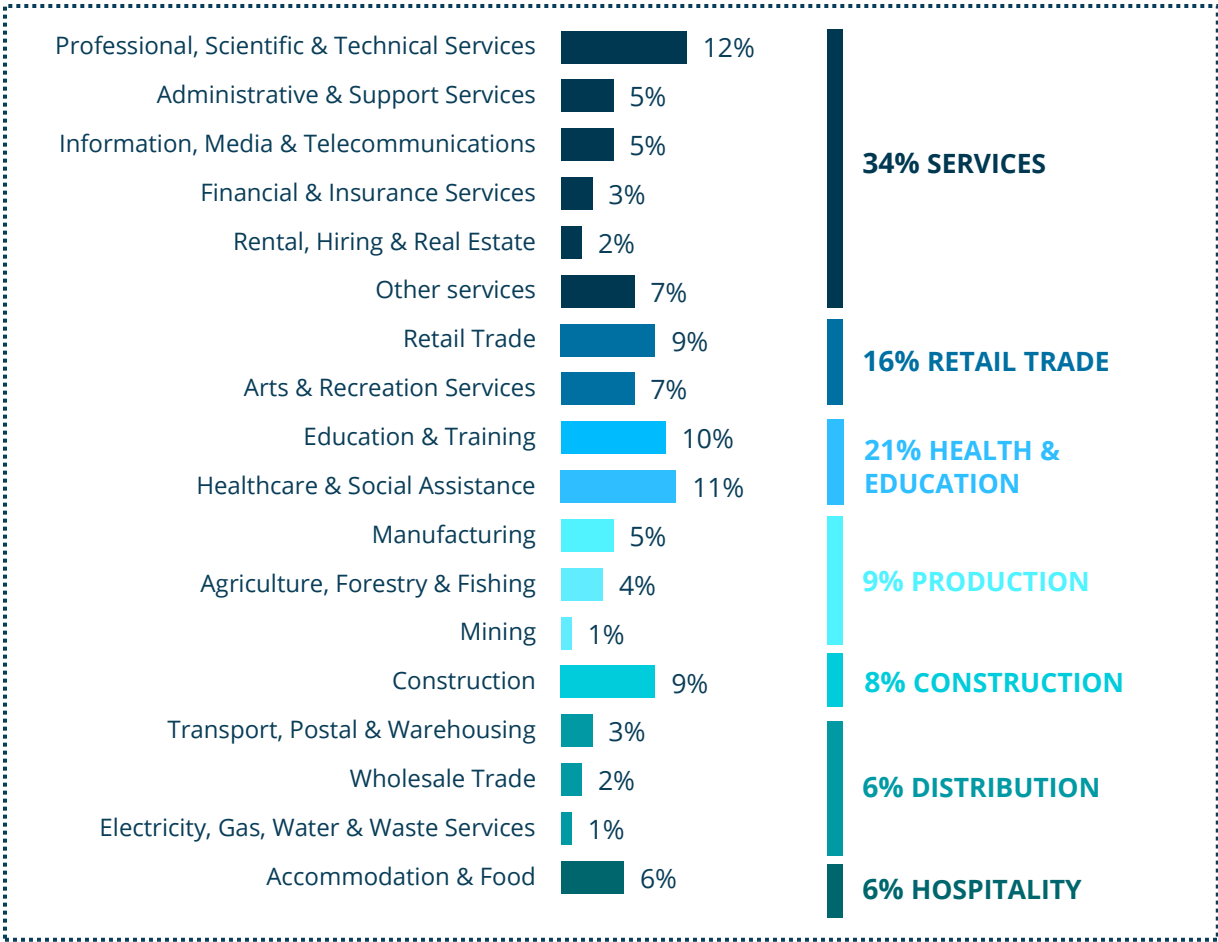
Size Of Business: Employees



Position In Business



Industry Sector



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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



Thank You

For further information, please contact:

James Organ

Managing Director

E: james@fifthquadrant.com.au

Creating Tomorrow Today