



Small & Medium Enterprise Sentiment Tracker

Wave 78 – August 2025



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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.





42% of SMEs are focused on growth over the next 12 months



11% of SMEs look to increase headcount, up from 6% in June



57% of SMEs expect Australia's economy to strengthen or remain stable in the next three months



42% of SMEs expect to increase spending on IT or Software in the next three months

SME Growth Expectations Surge as Rates Fall

Stronger Consumer Spending and Interest Rate Cuts Drive SME Sentiment

SME sentiment improved in August, supported by stronger consumer spending in July and further interest rate cuts in August. Revenue sentiment was the strongest since January, and growth expectations lifted sharply, with 42% of SMEs now focusing on expansion compared to 35% in July.

Small Business Momentum and Reduced Loan Stress

Smaller businesses in particular showed stronger momentum, while larger firms held steady. Loan stress also eased, with more SMEs confident they can meet repayment obligations, reflecting the combined impact of easing rates and firmer revenues.

Employment Expectations Rise Amid Recruitment Challenges

Employment expectations also ticked higher, with more SMEs planning to increase headcount after two weaker months. Recruitment difficulties continue to be increasingly shaped by wage demands and flexibility expectations, highlighting the ongoing tightness of the labour market.

Australian and Global Economic Outlook Strengthens

Expectations for the Australian economy strengthened to their most positive level since February, while global sentiment also continued to trend upward from the low point in March.

Technology and AI Adoption Shape Future Growth

Technology is becoming a defining theme, with IT and software investment trending upward and more businesses adopting digital tools to drive efficiency and innovation. This may include the early integration of AI and automation, which offer opportunities for productivity gains but also bring new compliance, governance, and data security challenges.

Growth is the standout theme in August, with SMEs showing a clear lift in confidence and intent to expand despite ongoing cost and compliance pressures. Rising revenue sentiment, stronger growth expectations, and renewed capital investment highlight a shift toward cautious optimism. With interest rates easing and business confidence holding firm, SMEs appear better positioned to pursue growth in the months ahead.



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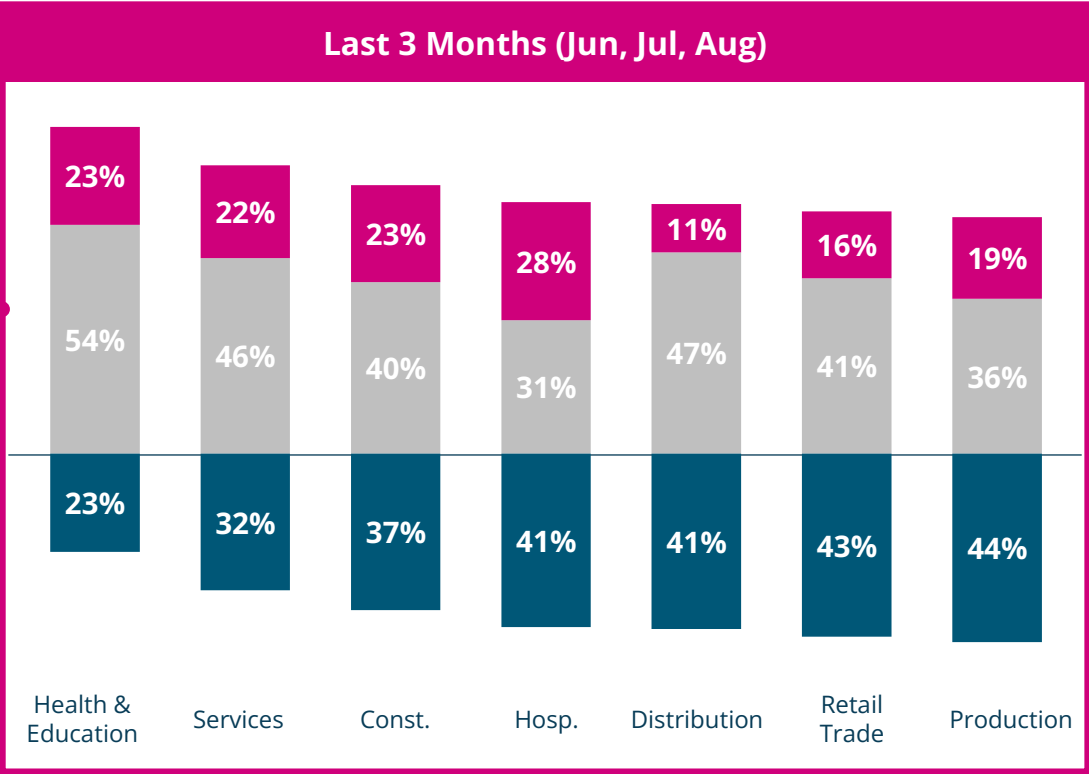
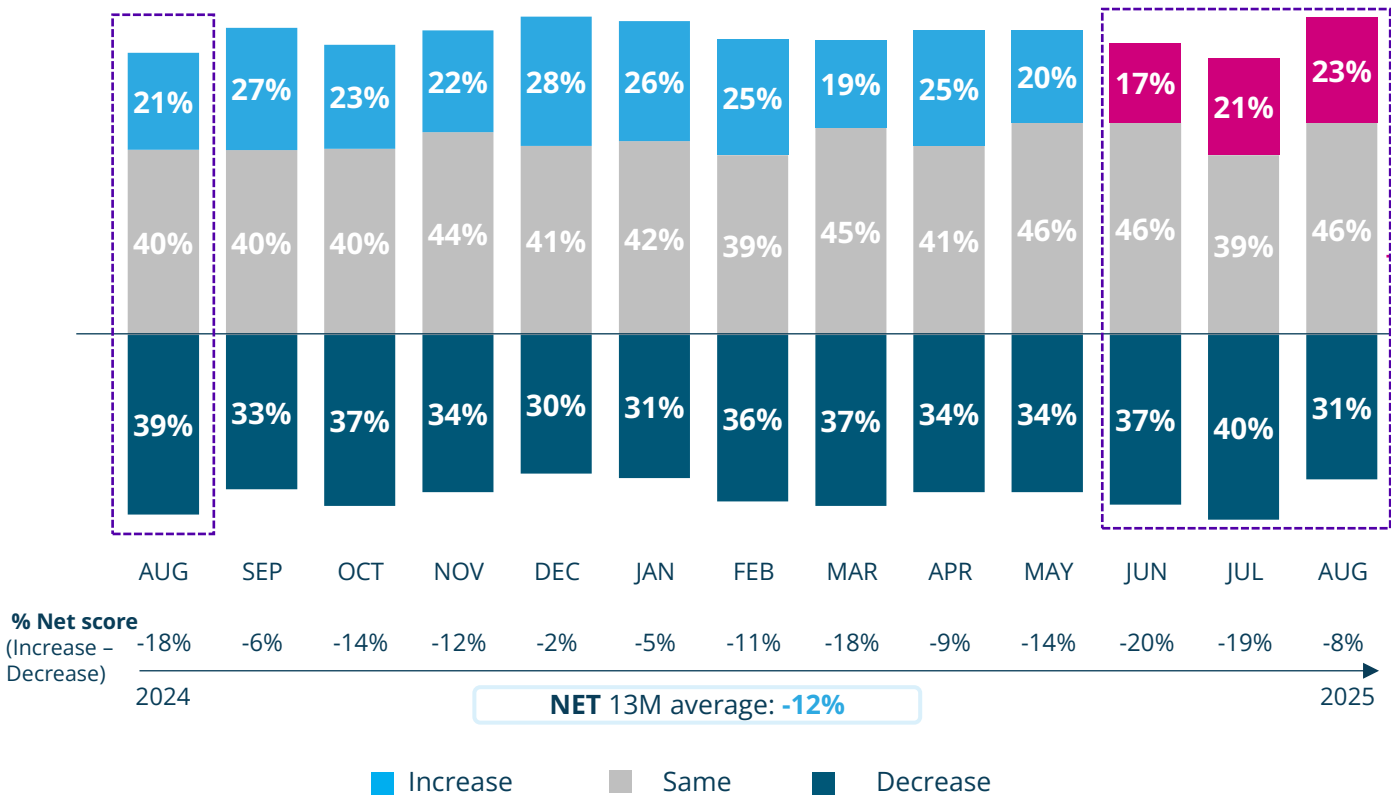
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Methodology & Sample

Key Performance Indicators | Revenue

Stronger consumer spending in July and further interest rate cuts in August are showing up with less negative revenue sentiment amongst SMEs. The net score lifted from -19% in July to -8% in August, the strongest month since January and well above the -18% recorded in August 2024.

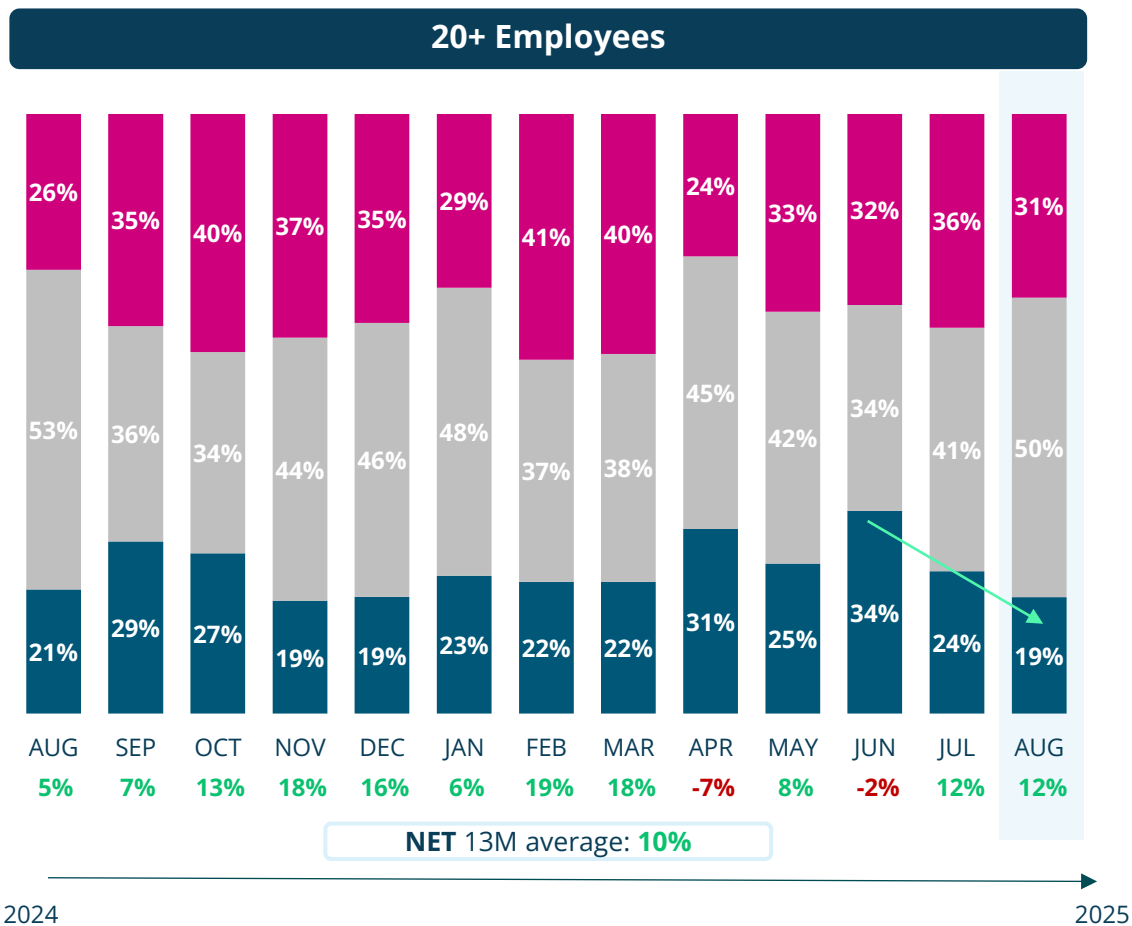
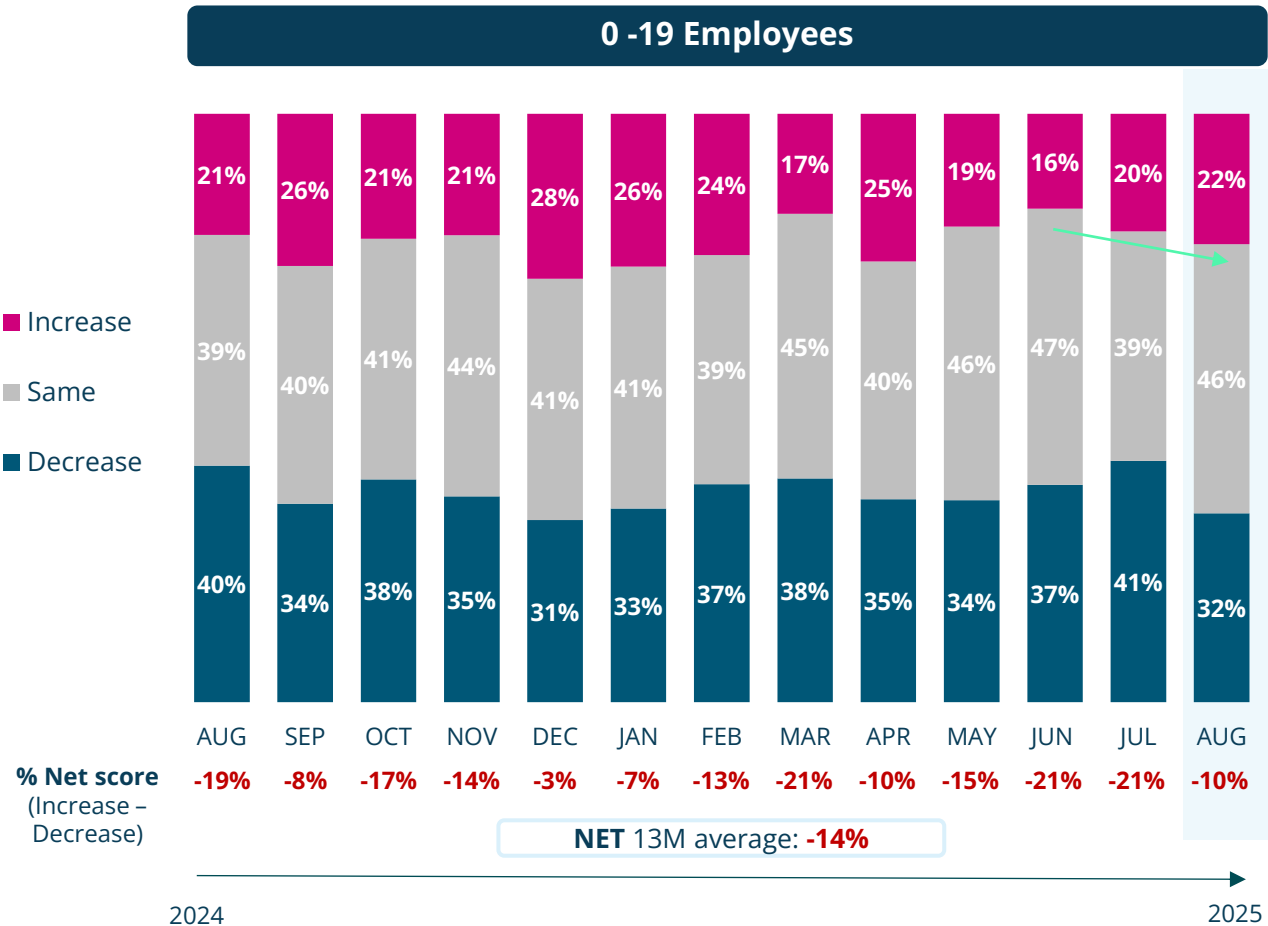
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue

Despite remaining in negative territory, August was a much more positive month for smaller SMEs, with the net revenue score improving from -21% in July to -10%. Larger SMEs (20+ employees) held steady at +12%, with the share reporting declining revenues continuing to fall.

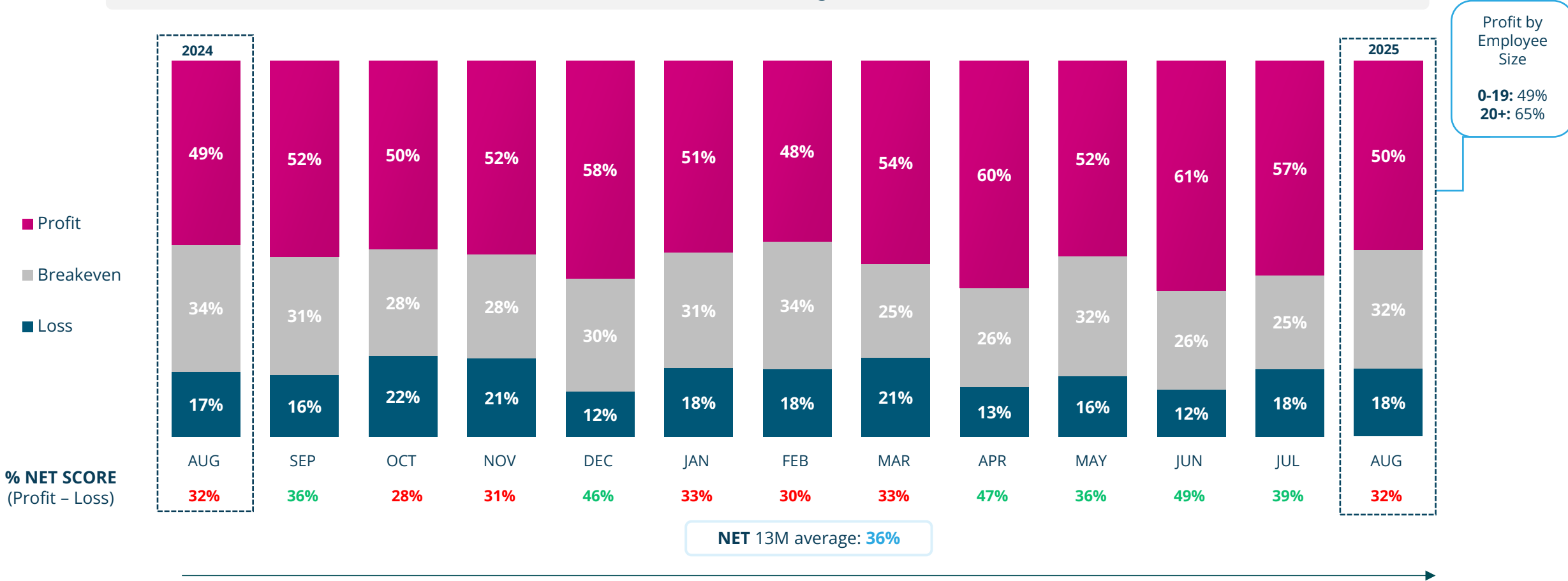
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Profit

Profit margins softened in August, with the net profit score easing back to 32% from 49% in June. This likely reflects higher business costs such as wage increases in July, combined with weak productivity growth, meaning stronger revenues are not fully translating into profits.

What Was Your Profit Margin Last Month?



Key Performance Indicators | Responding To Challenges

It is positive to see greater innovation in August, with more businesses focusing on expanding products and services (27%) and adopting new technologies (19%) to drive automation and operational efficiency. Interestingly, this appears to be offset by a downward trend in investment in staff training.

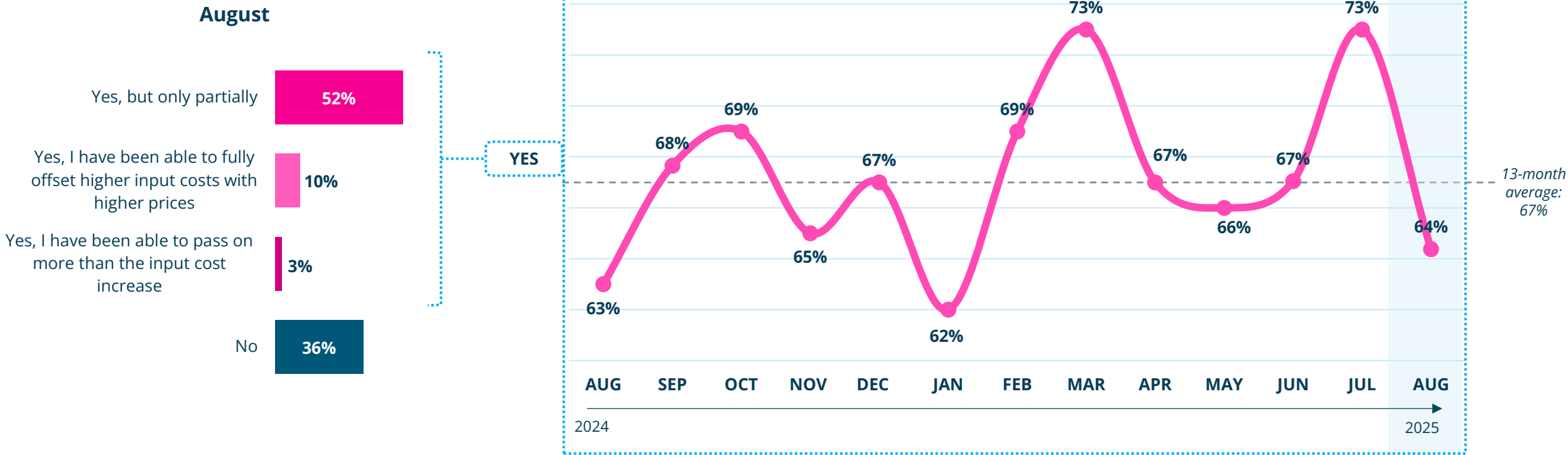
How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

	August	April	May	June	July	August
Expanding the range of products/services to generate new revenue streams.	27%	23%	22%	18%	23%	27%
Discontinuing products/services that are not profitable.	26%	30%	24%	33%	26%	26%
Enhancing efficiency by streamlining business operations.	26%	28%	25%	26%	25%	26%
Reassessing current projects and significant investments for viability and impact.	25%	23%	20%	17%	23%	25%
Renegotiating supplier contracts or seeking new supply sources.	20%	25%	25%	15%	24%	20%
Adopting new technologies for increased automation and operational efficiency.	19%	16%	17%	13%	15%	19%
Refining inventory management practices for better efficiency.	18%	14%	16%	15%	14%	18%
Maximising staff productivity through better training and optimisation.	16%	15%	20%	20%	19%	16%
Undertaking debt restructuring to reduce financial burdens.	14%	12%	12%	10%	9%	14%
Delegating non-essential functions to external providers.	11%	6%	10%	7%	9%	11%
Consulting banks and/or financial counsellors about financial hardship	8%	8%	6%	6%	8%	8%
Shifting towards the use of renewable energy sources.	6%	6%	8%	10%	7%	6%
Implementing workforce reductions, such as layoffs or hiring freezes.	6%	11%	9%	8%	11%	6%

Key Performance Indicators | Cost Recovery

Cost recovery weakened in August, with just 64% of SMEs able to pass on higher input costs, the lowest share since January, and most (52%) only managing a partial pass-through. This erosion in pricing power helps explain why profit margins have fallen back despite recent improvements in revenue sentiment.

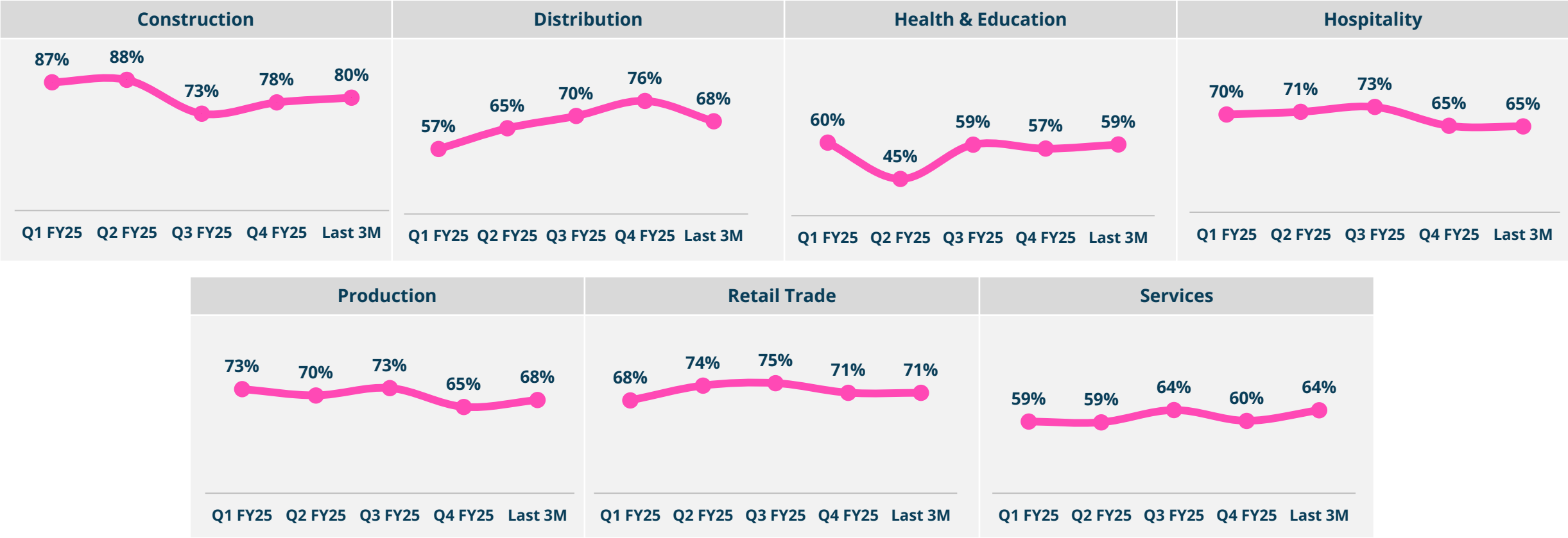
Have You Been Able To Pass On Higher Input Costs To Your Customers?



Key Performance Indicators | Cost Recovery

Cost recovery in the Distribution industry has reversed over the past 3 months.

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





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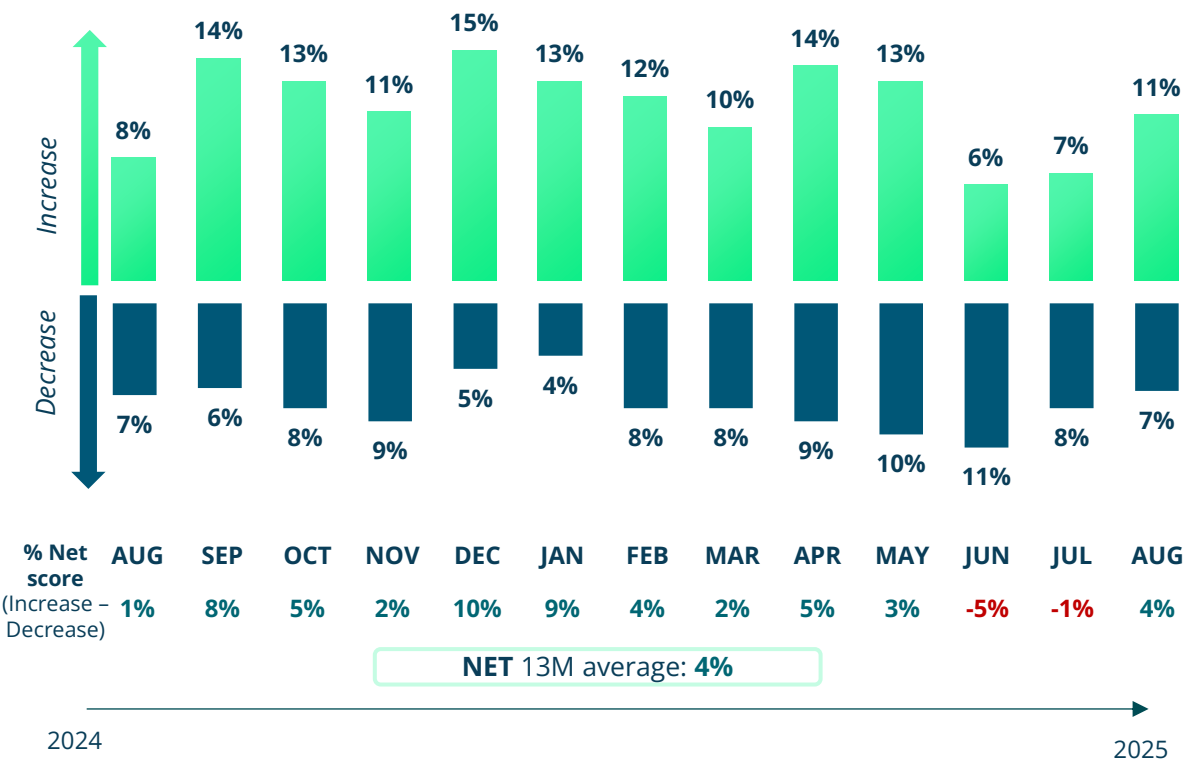
Methodology & Sample

Key Performance Indicators | People

After two soft months, staffing expectations improved slightly in August, with more SMEs (11%) looking to increase headcount. However, hiring intent remains cautious, reflecting ongoing cost pressures and persistently weak productivity.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



Last 3 Months (Jun, Jul, Aug)

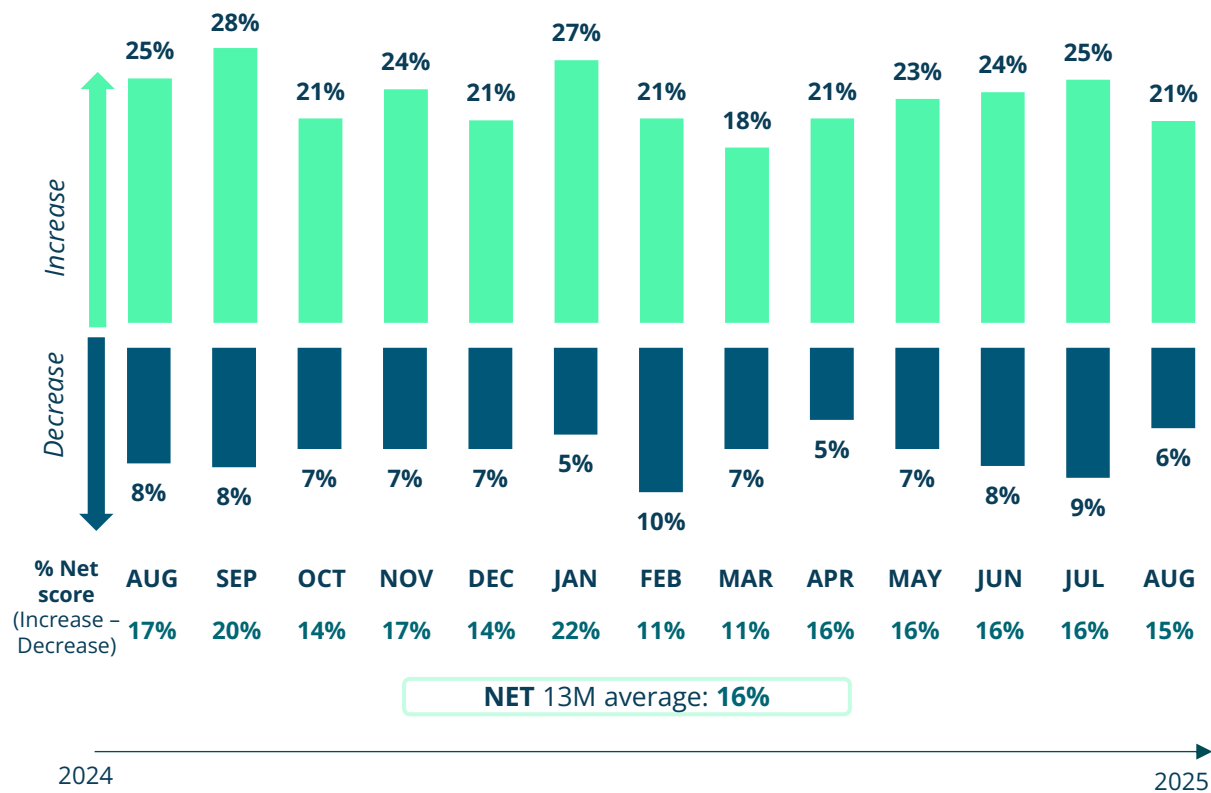


Key Performance Indicators | People

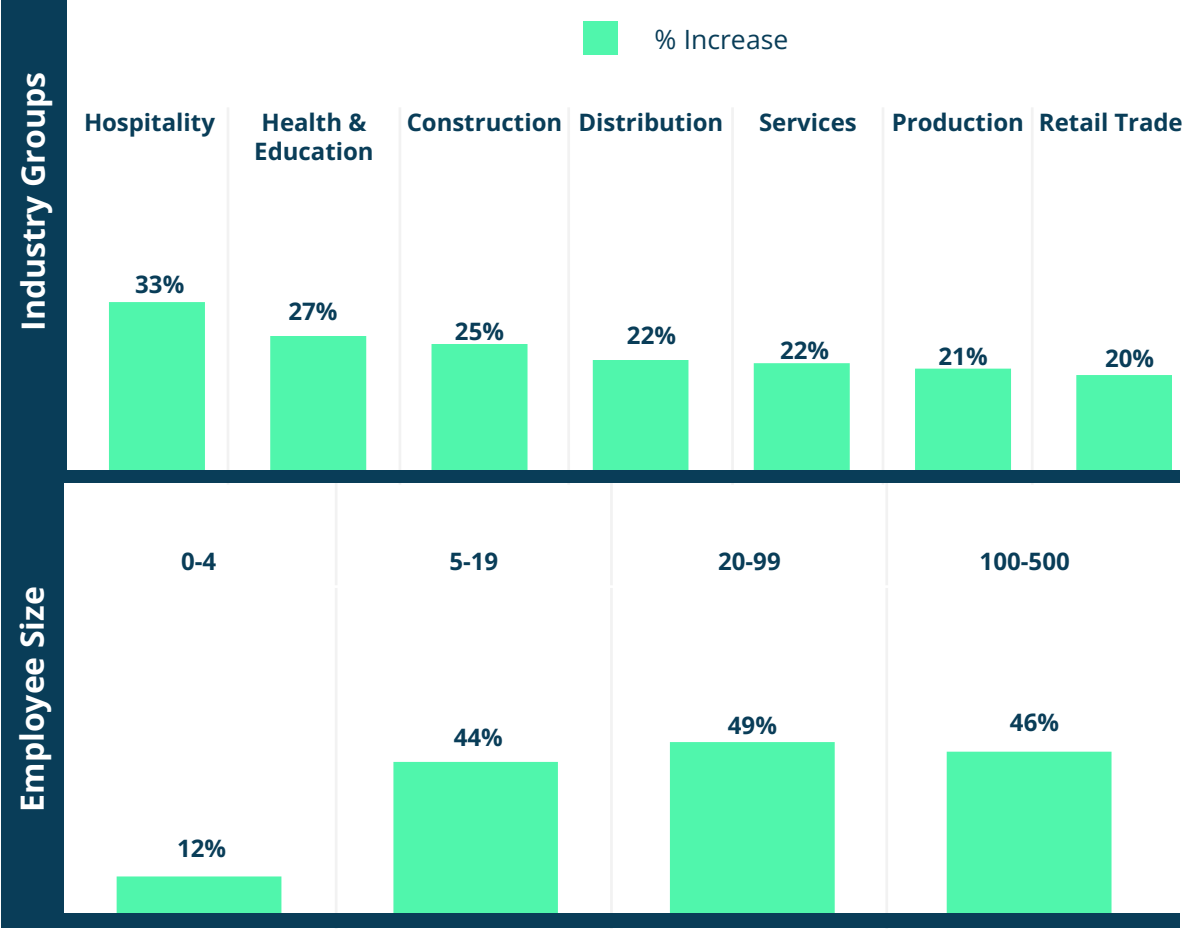
Wage expectations remain elevated but eased slightly in August, with 21% of SMEs anticipating increases over the next three months, down from 25% in July. This is the first decline since March, suggesting some moderation in cost pressures even as wages remain a consistent drag on profitability.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



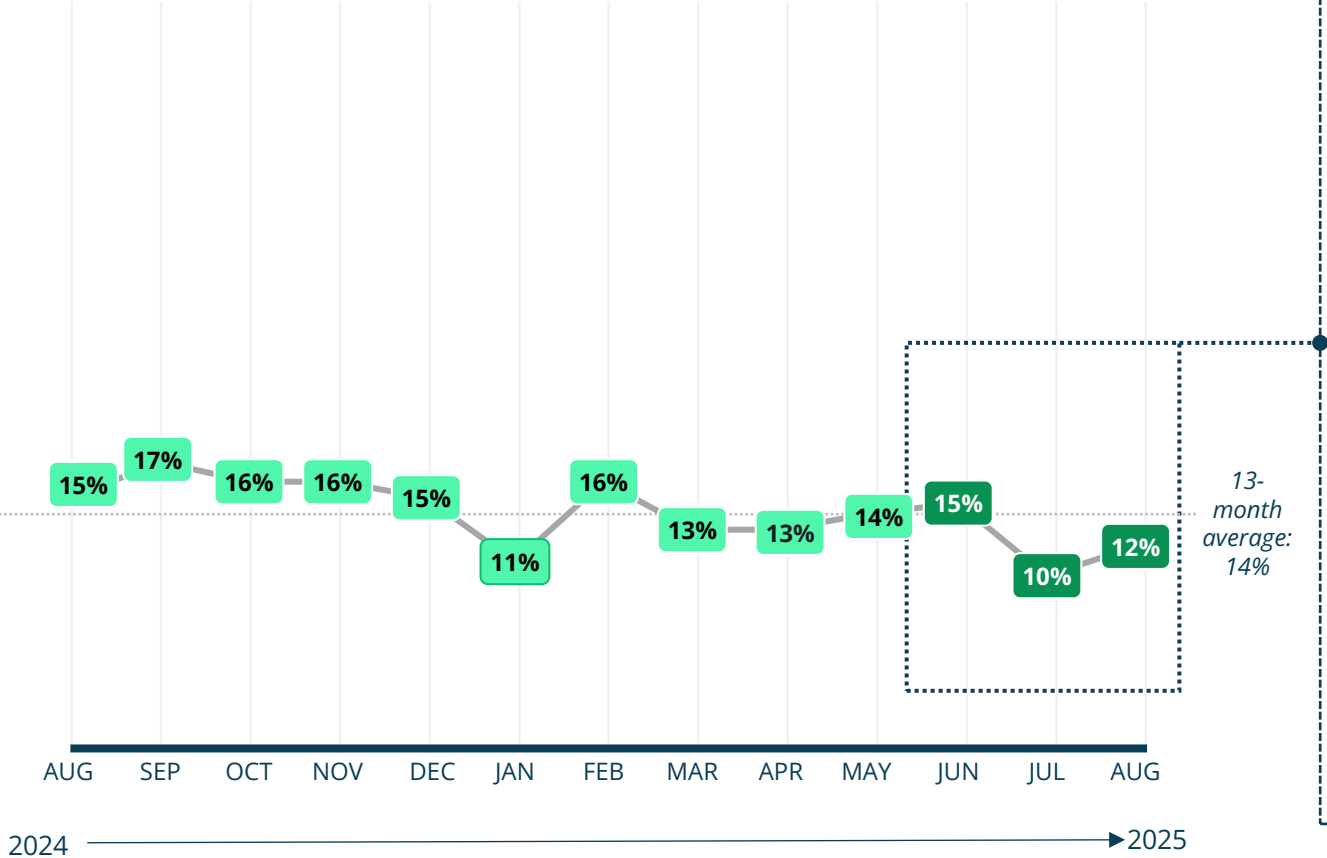
Last 3 Months (Jun, Jul, Aug)



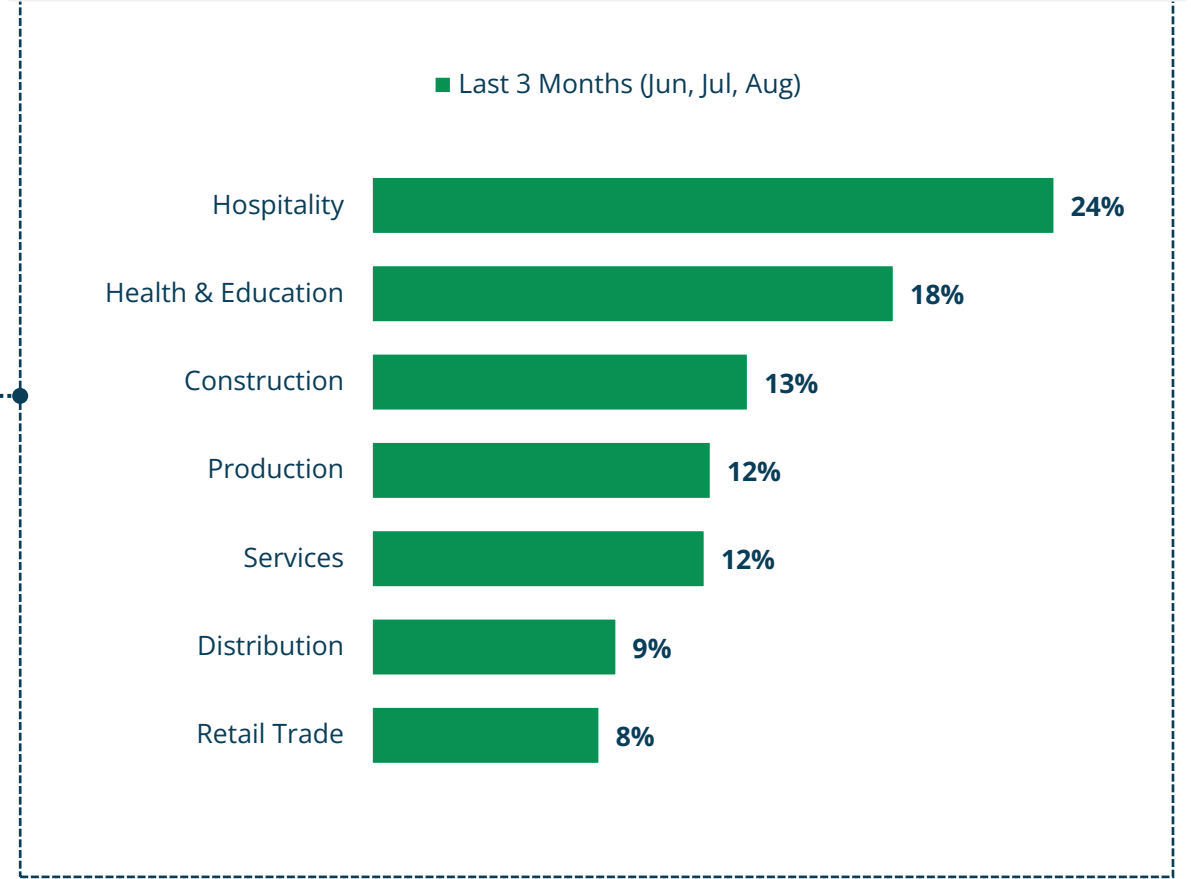
Key Performance Indicators | People

In line with the uplift in staffing expectations, 12% of SMEs currently have job roles they are trying to fill, up from 10% in July.

SMEs That Currently Have Job Roles They Are Trying To Fill



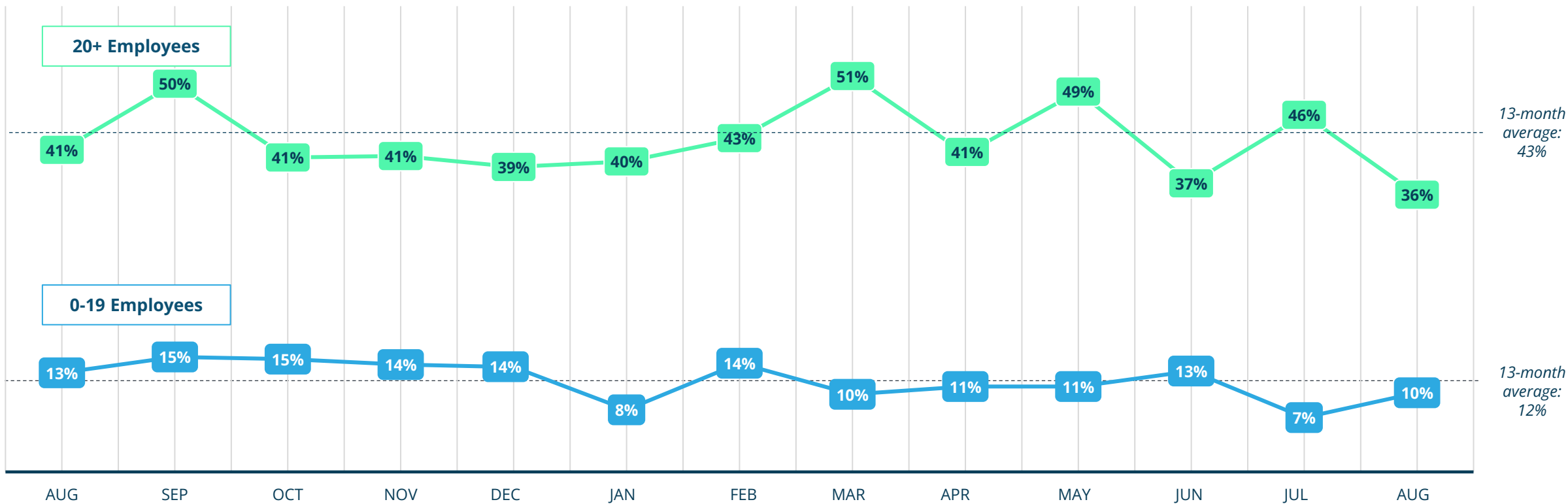
Current Job Vacancies By Industry



Key Performance Indicators | People

Job vacancies among larger SMEs have continued to fluctuate, with open roles falling to their lowest level in 13 months, while smaller SMEs are more active this month.

SMEs That Currently Have Job Roles They Are Trying To Fill

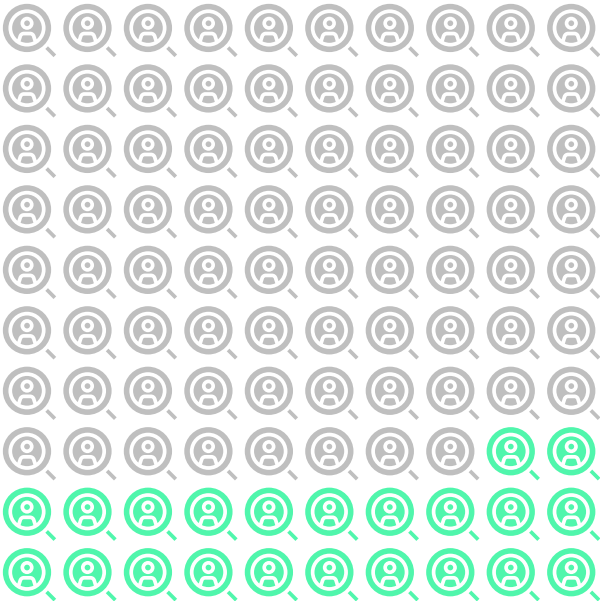


2024 → 2025

SME job vacancies have declined steadily across the past three financial years, with FY26 to date reflecting the lowest levels.

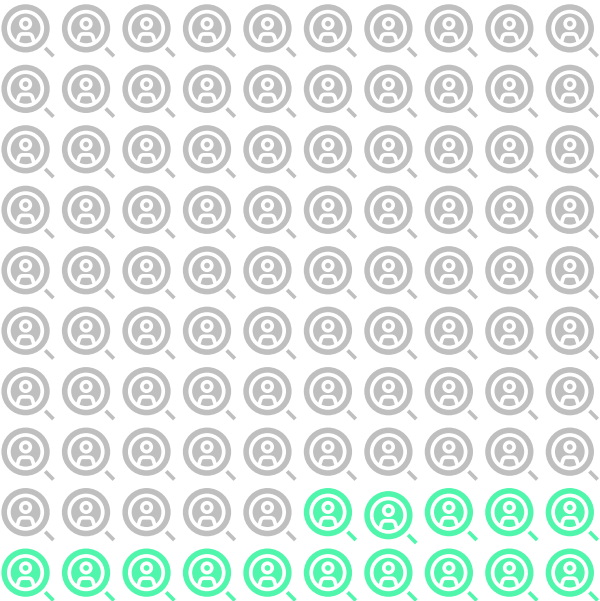
SMEs That Currently Have Job Roles They Are Trying To Fill

FY24



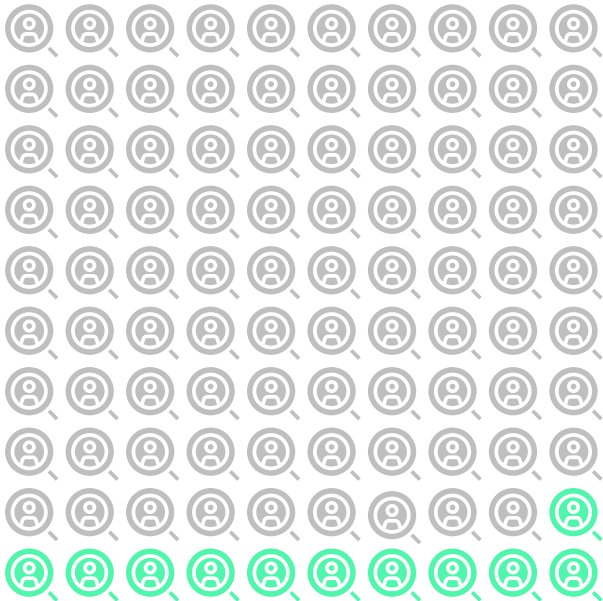
22% with job vacancies

FY25



15% with job vacancies

FY26



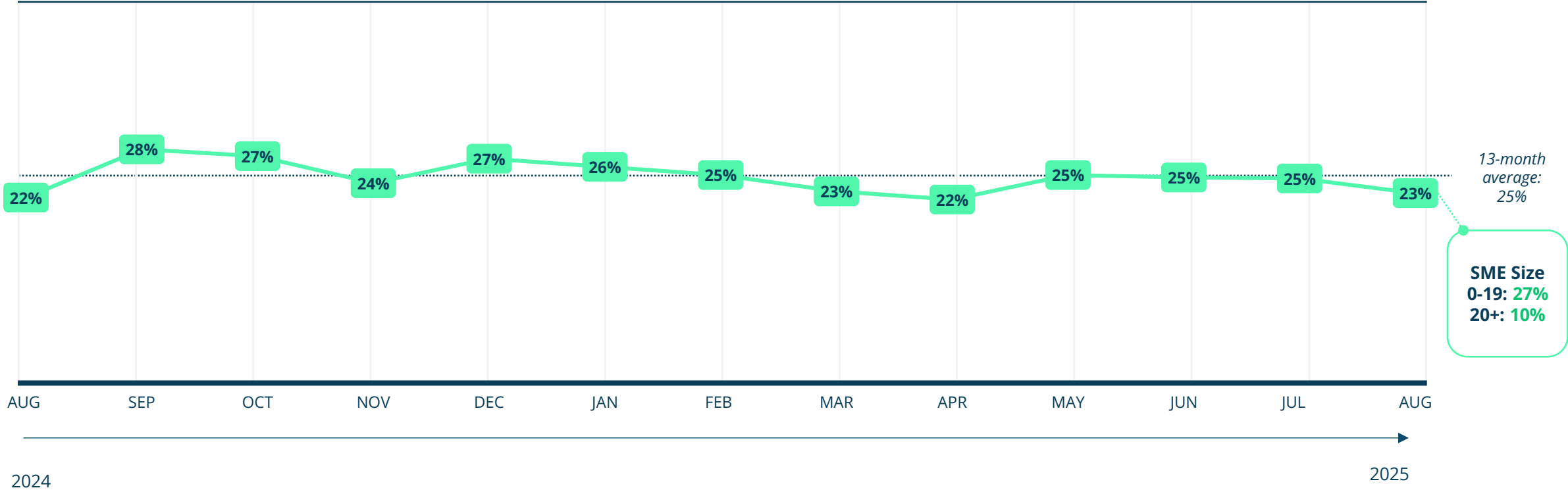
11% with job vacancies

Recruitment conditions eased slightly in August, with 23% of SMEs describing filling roles as ‘very difficult’, down from 25% in July and just below the 13-month average of 25%. Smaller SMEs, however, continue to face the greatest challenges.

How Difficult Is It To Fill These Roles?

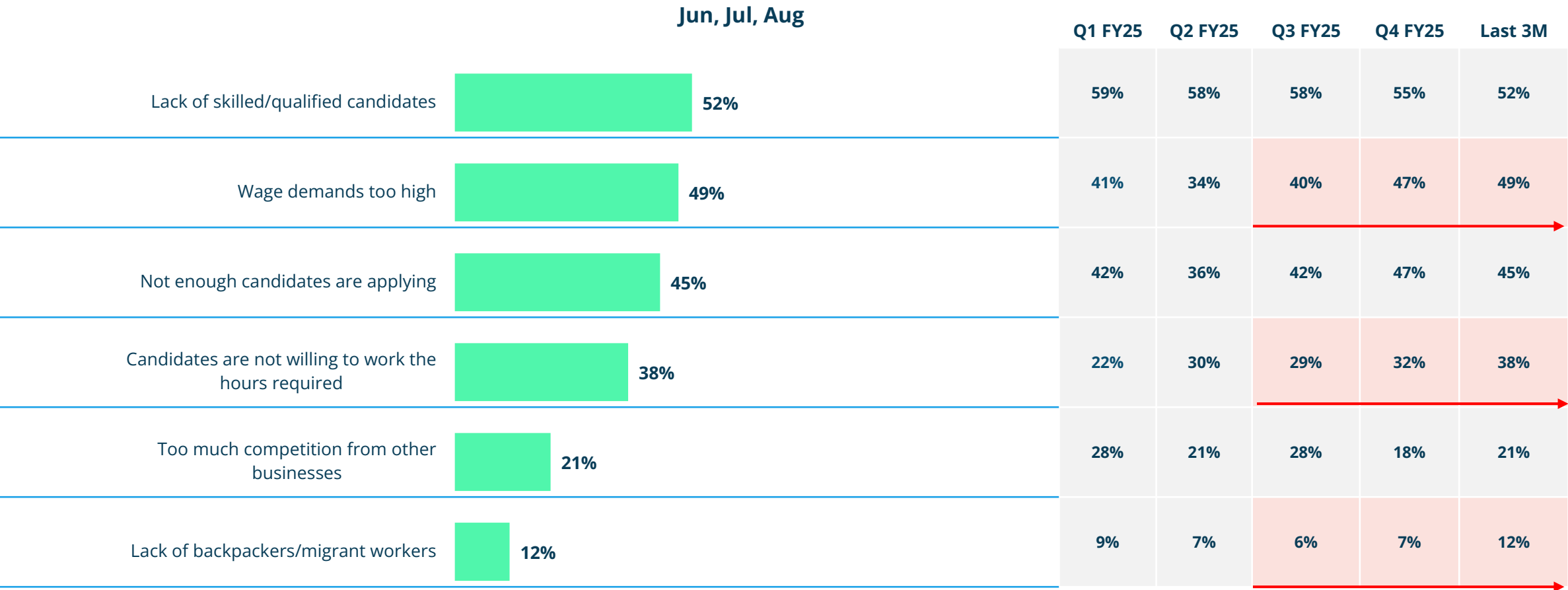
Data displayed as last 3 months (Jun, Jul, Aug)

Very Difficult



Among SMEs finding recruitment difficult, wage demands (49%) and unwillingness to work required hours (38%) are both trending higher

Why Is It Difficult To Fill Job Roles?





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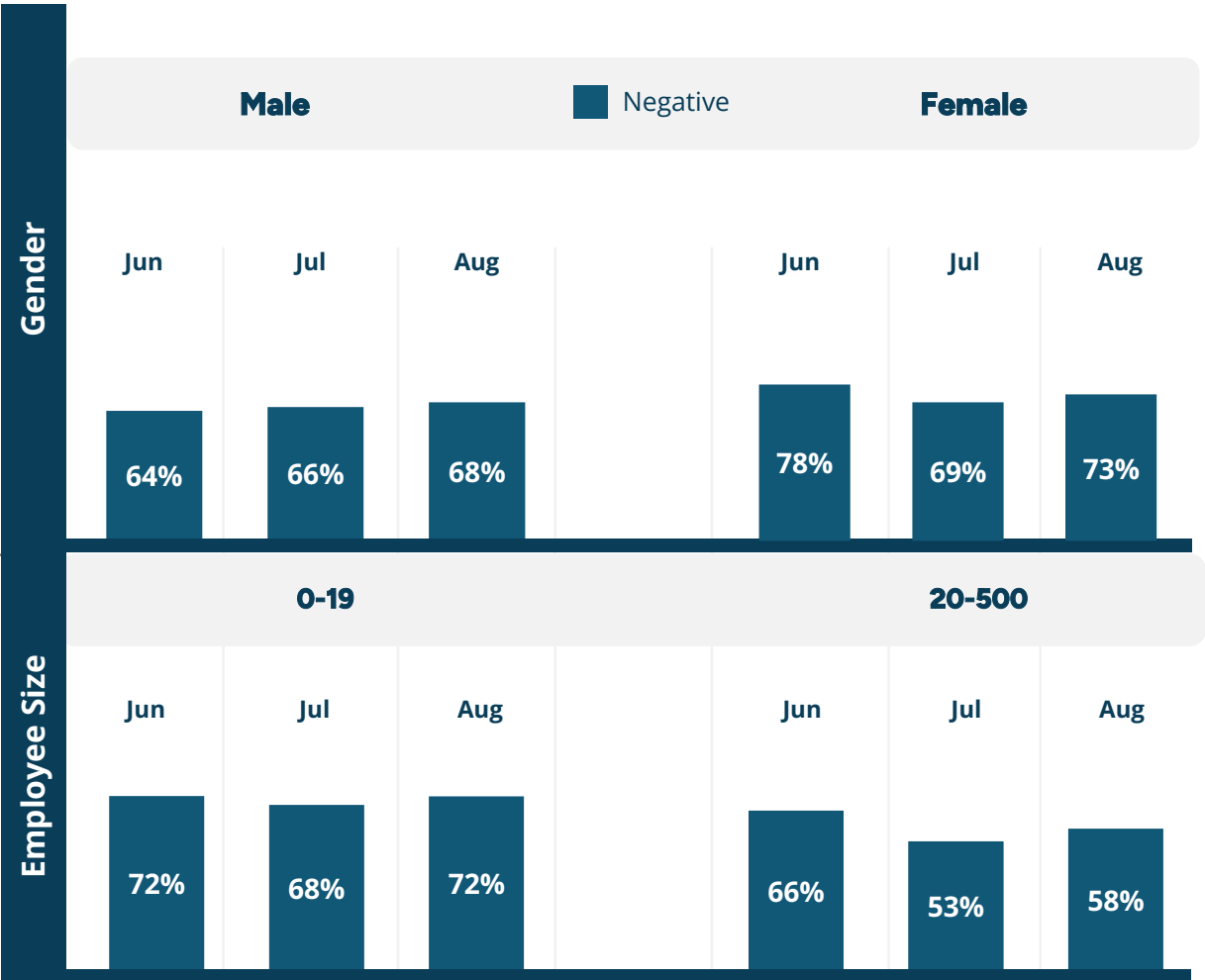
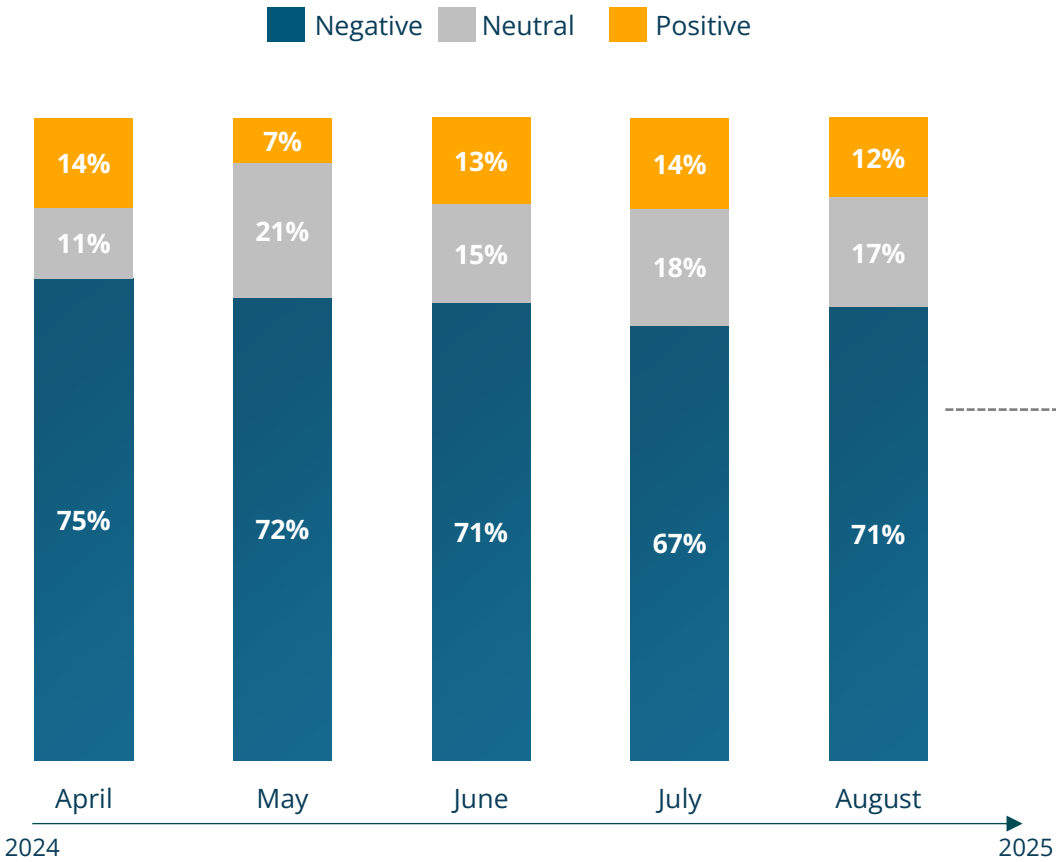
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Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions

Negative sentiment toward the Trump administration remains widespread (71%), with nearly three-quarters of smaller SMEs expressing pessimism compared to just over half of larger firms.

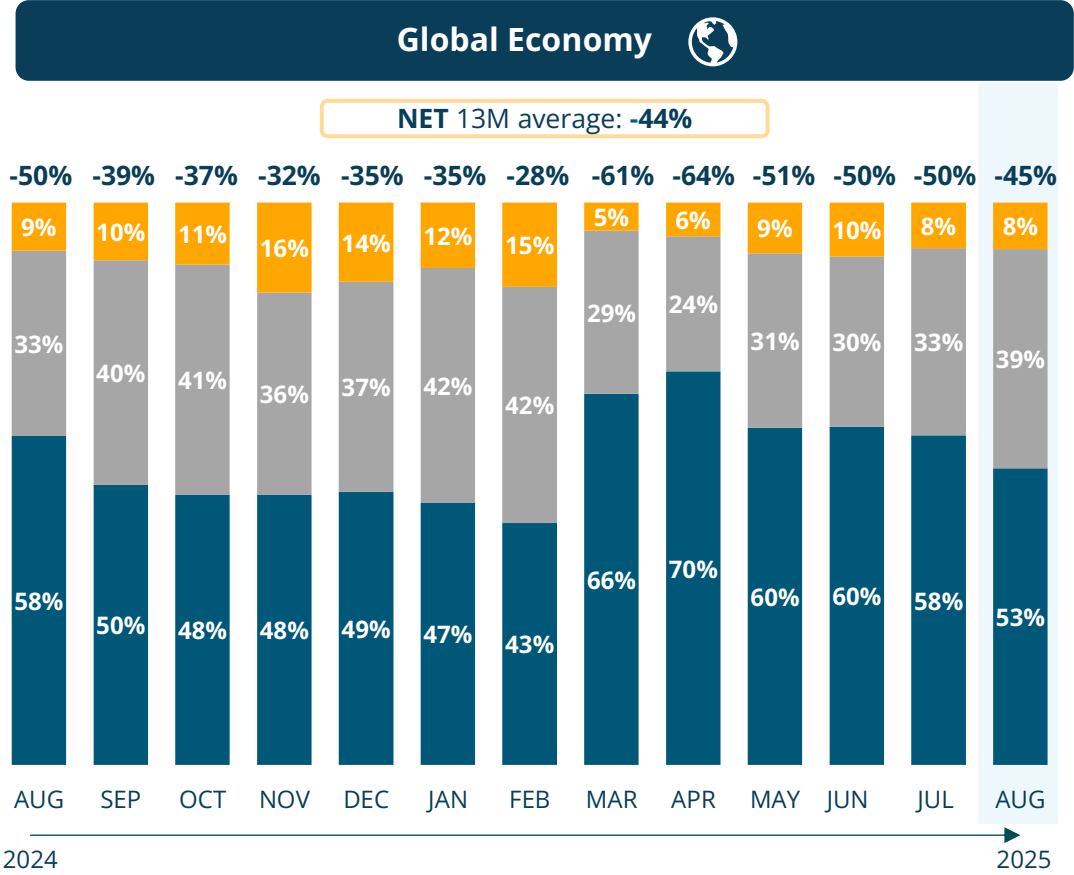
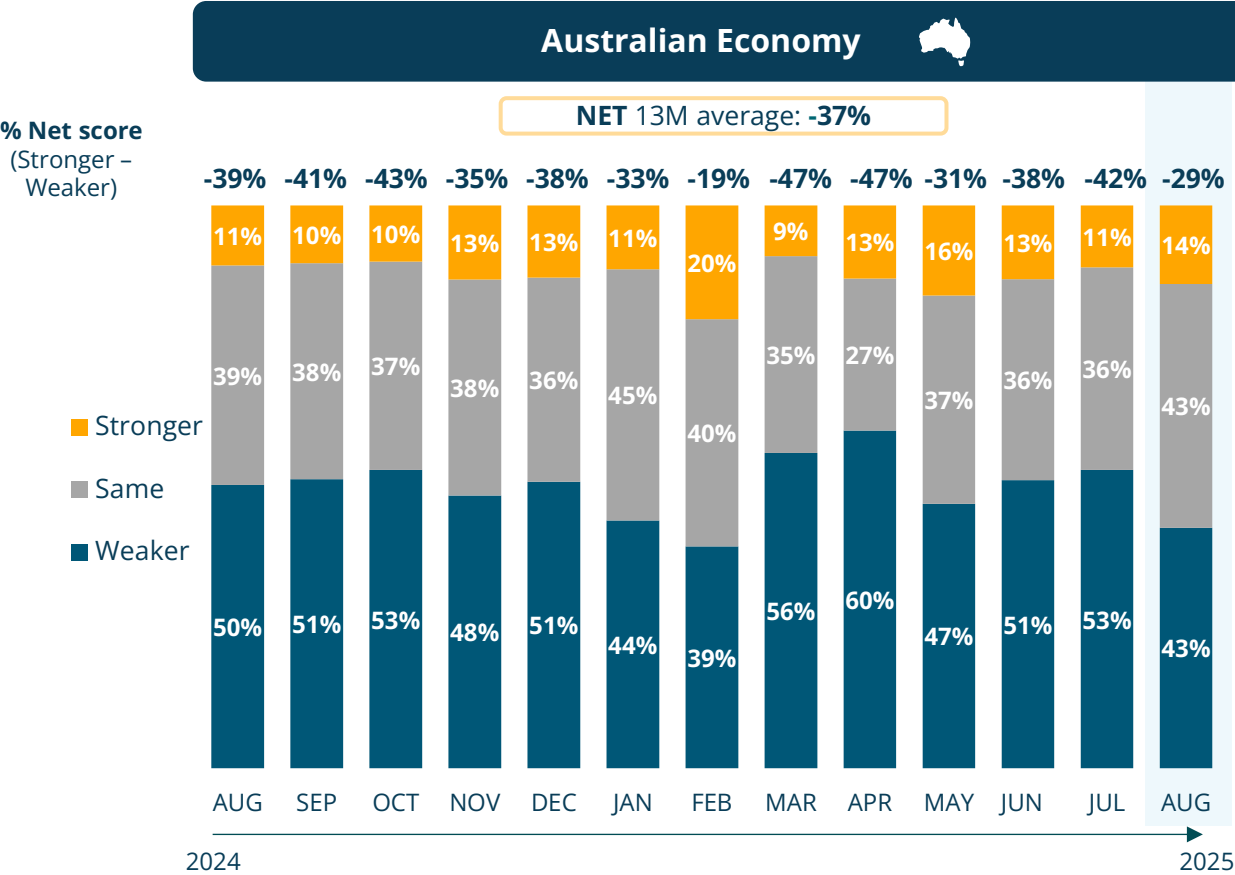
What impact will the Trump Administration have on the Australian economy?



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

SME expectations for the Australian economy improved in August, with the net score rising to -29% from -42% in July, the strongest result since February and likely supported by recent interest rate cuts. Global sentiment, while still negative, also continued its upward trend, lifting to -45% in August from a low of -61% in March.

Expectations Over The Next 3 Months Regarding Economic Conditions



Business Sentiment | Challenges

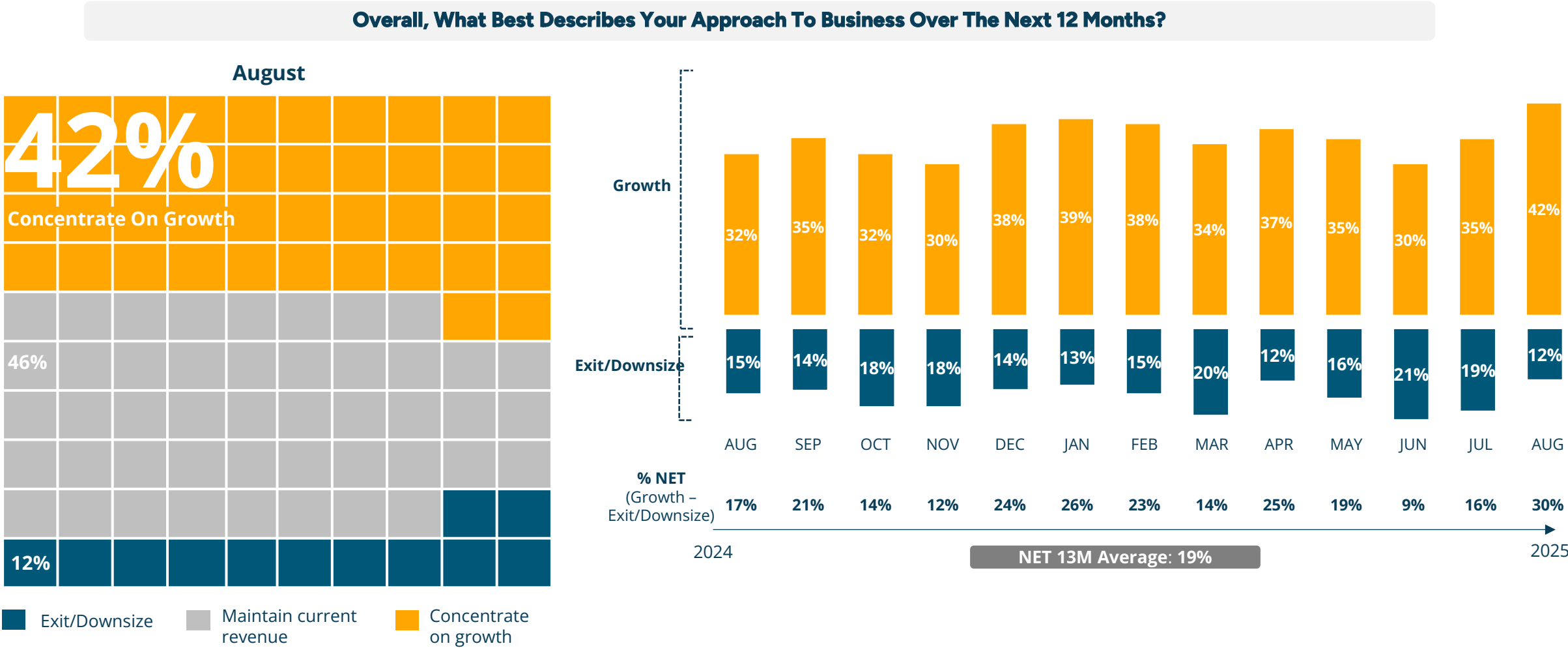
The rise in technology challenges likely reflects the rapid adoption of AI tools, automation, and digital platforms. At the same time, SMEs are reporting higher regulatory and compliance pressures, which may be linked to the governance, data security, and responsible use frameworks that come with embedding AI into business processes.

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

	August	March	April	May	June	July	August
Addressing the difficult economic outlook and ongoing cost pressures.	43%	46%	44%	45%	49%	43%	43%
Keeping pace with changing customer behaviours and preferences.	39%	40%	38%	42%	42%	37%	39%
Managing the continuous adoption of new technologies and digital transformation processes.	27%	22%	25%	24%	19%	18%	27%
Navigating regulatory, compliance, and governance challenges.	27%	20%	21%	20%	21%	24%	27%
Strengthening defences against cyber threats and ensuring data privacy.	19%	17%	22%	20%	17%	17%	19%
Identifying and implementing measures to boost workforce efficiency and productivity.	19%	16%	22%	19%	21%	20%	19%
Managing risks and uncertainties in the geopolitical landscape.	17%	18%	20%	17%	16%	18%	17%
Acquiring, training, and upskilling talent in a competitive market.	15%	15%	20%	14%	15%	19%	15%
Overcoming difficulties in securing necessary financing.	14%	16%	16%	15%	10%	13%	14%
Strengthening supply chain operations for improved efficiency and resilience.	14%	18%	14%	15%	11%	17%	14%
Implementing strategies to address sustainability issues and climate change impacts.	8%	11%	11%	8%	9%	8%	8%
Prioritising investment in research and development to drive innovation.	7%	7%	7%	9%	6%	6%	7%

Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations jumped sharply in August, with 42% of SMEs now concentrating on growth compared to 35% in July. The net growth score lifted to 30%, marking a clear rise in confidence despite the uncertain economic environment.



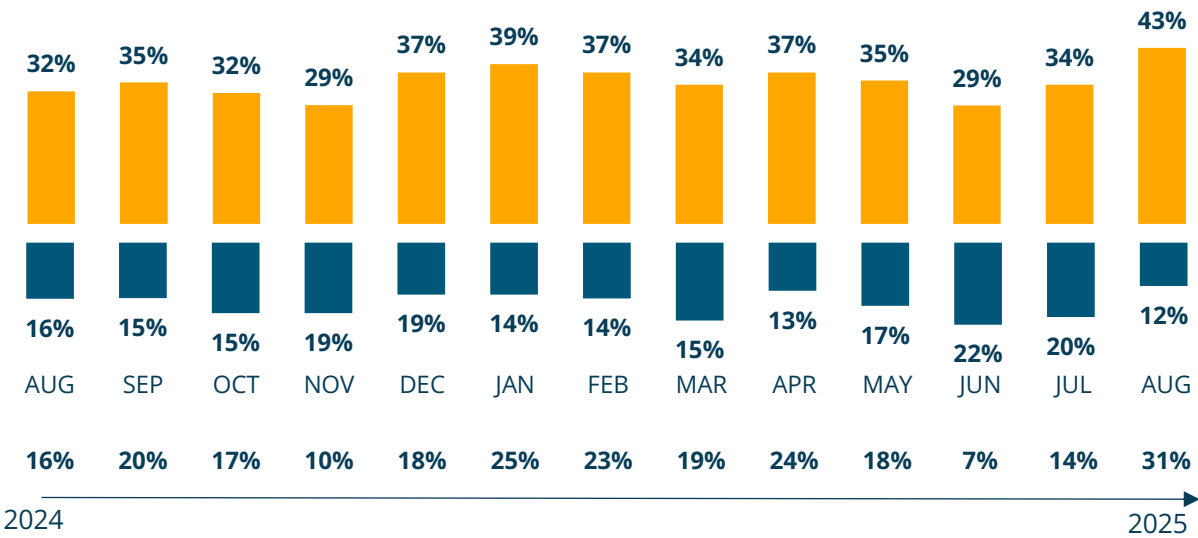
Business Sentiment | Growth Expectations (Next 12 months)

The jump in growth expectations in August was driven by smaller SMEs, with the net growth score lifting sharply to 31% from just 14% in July. This marks their strongest result in over a year.

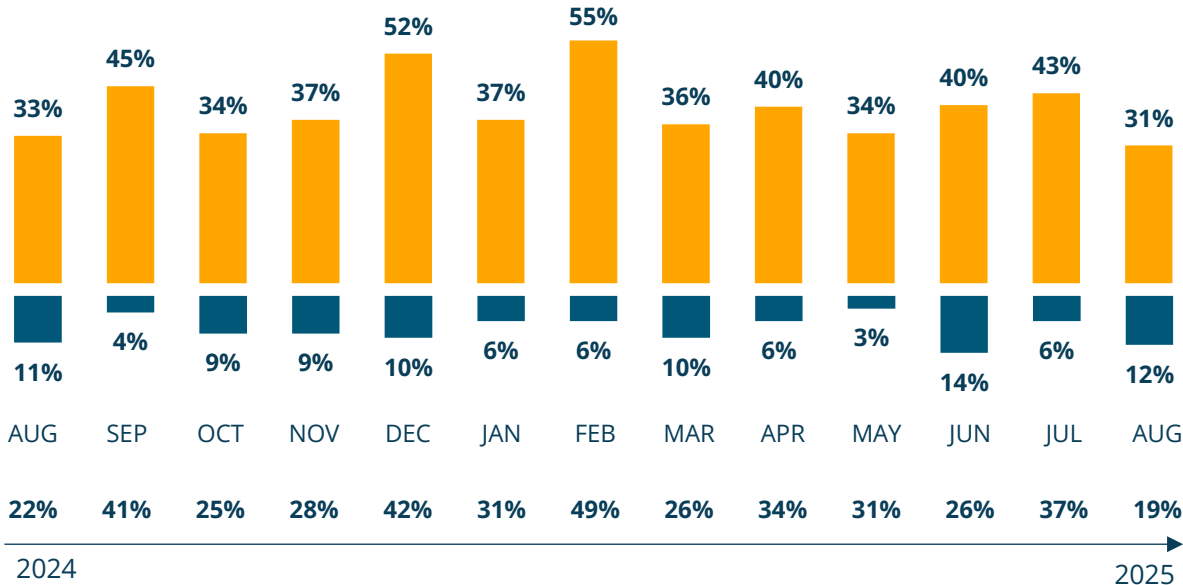
Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

Concentrate on growth Exit/Downsize

0 -19 Employees

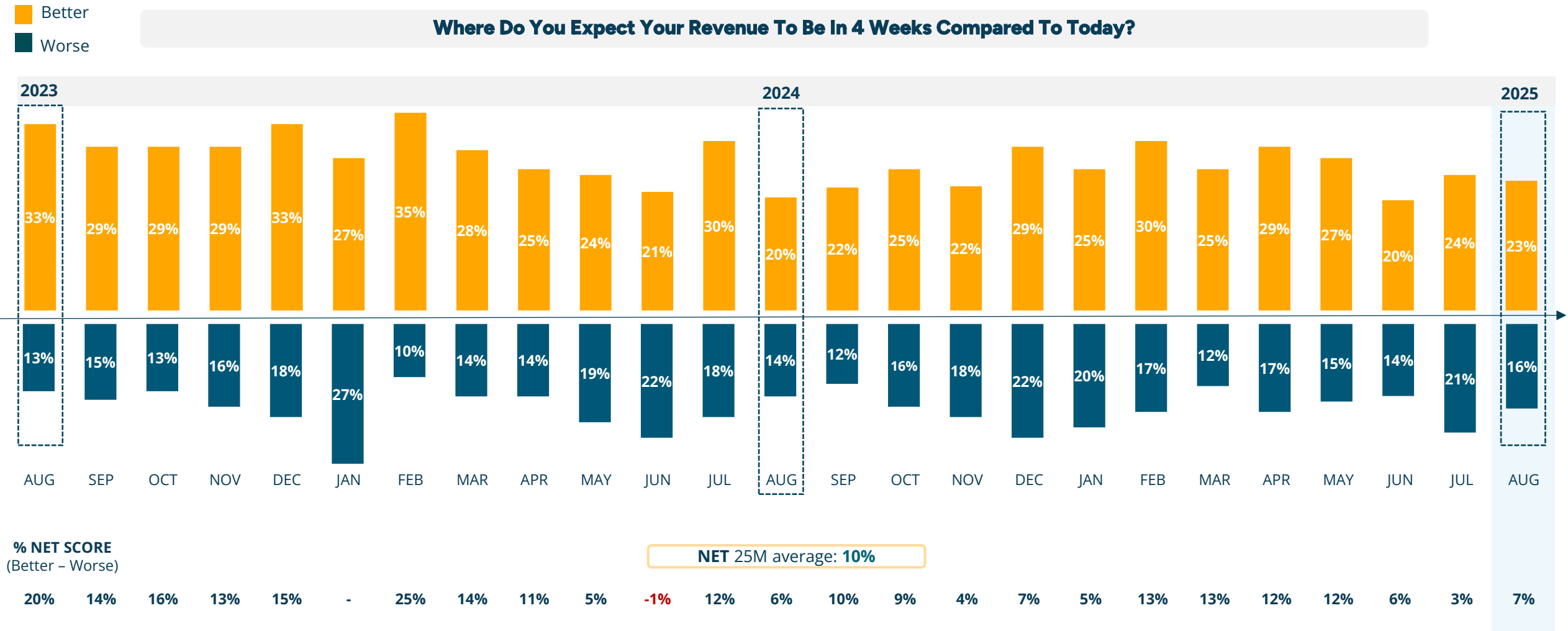


20+ Employees



Business Sentiment | Revenue Expectations (Next Four Weeks)

While long-term growth expectations lifted sharply in August, short-term revenue expectations remain relatively subdued with a net score of 7%. This apparent contradiction suggests SMEs are confident about the year ahead but cautious about immediate trading conditions, likely influenced by ongoing volatility in the global economy.

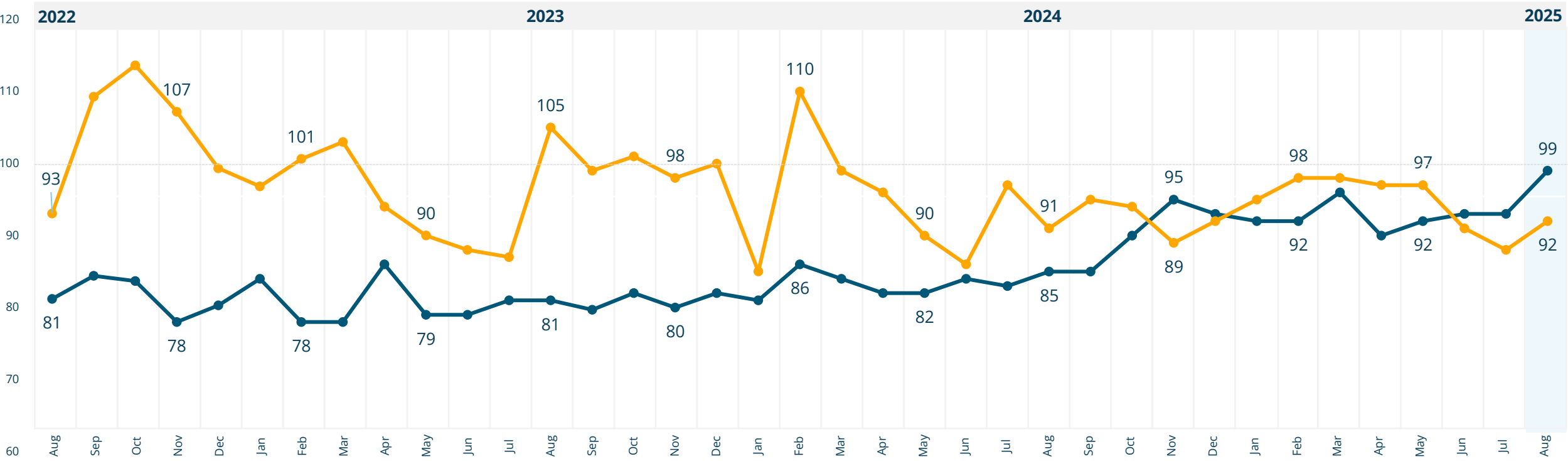


Business Sentiment | Sentiment Index

The SME Confidence Index edged up to 92 in August but continues to trail consumer confidence levels.

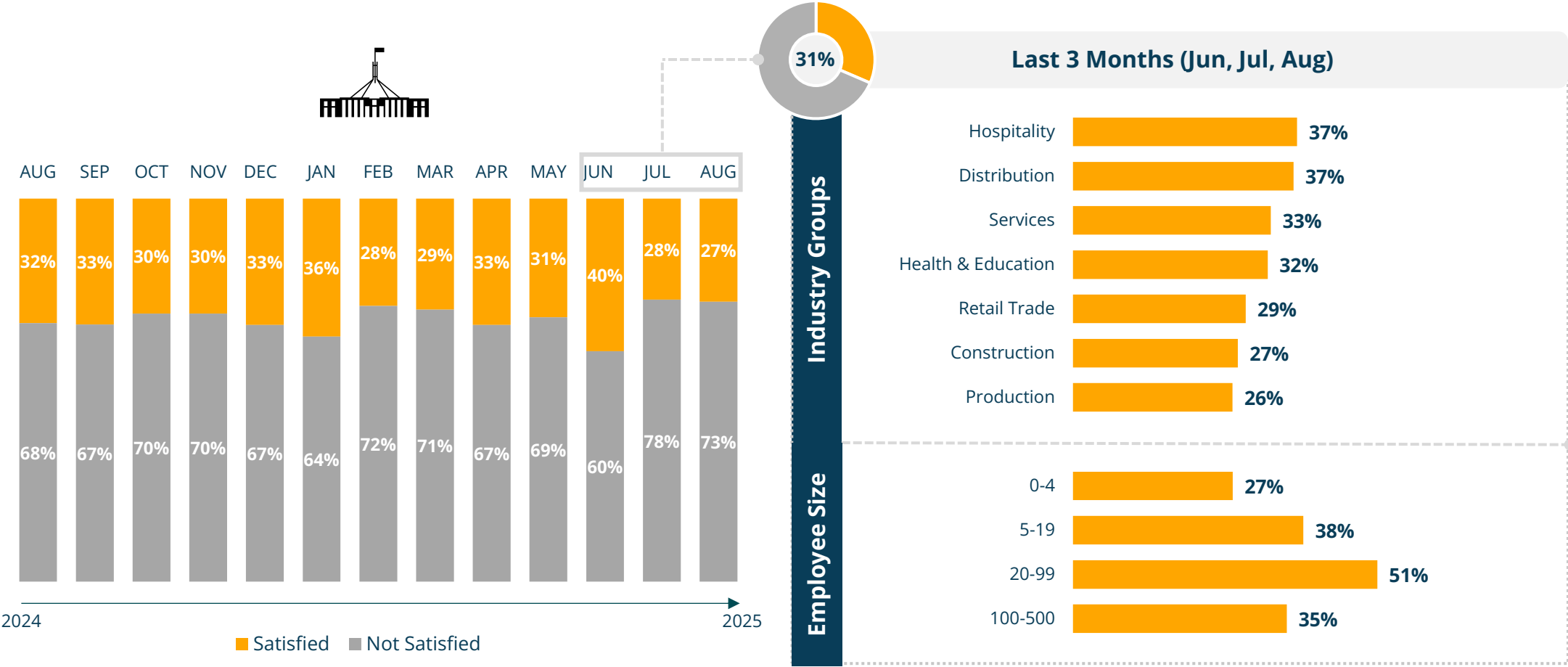
Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index FQ Business Sentiment



Satisfaction with the federal government remains low at 27%, with views differing significantly across employee groups.

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





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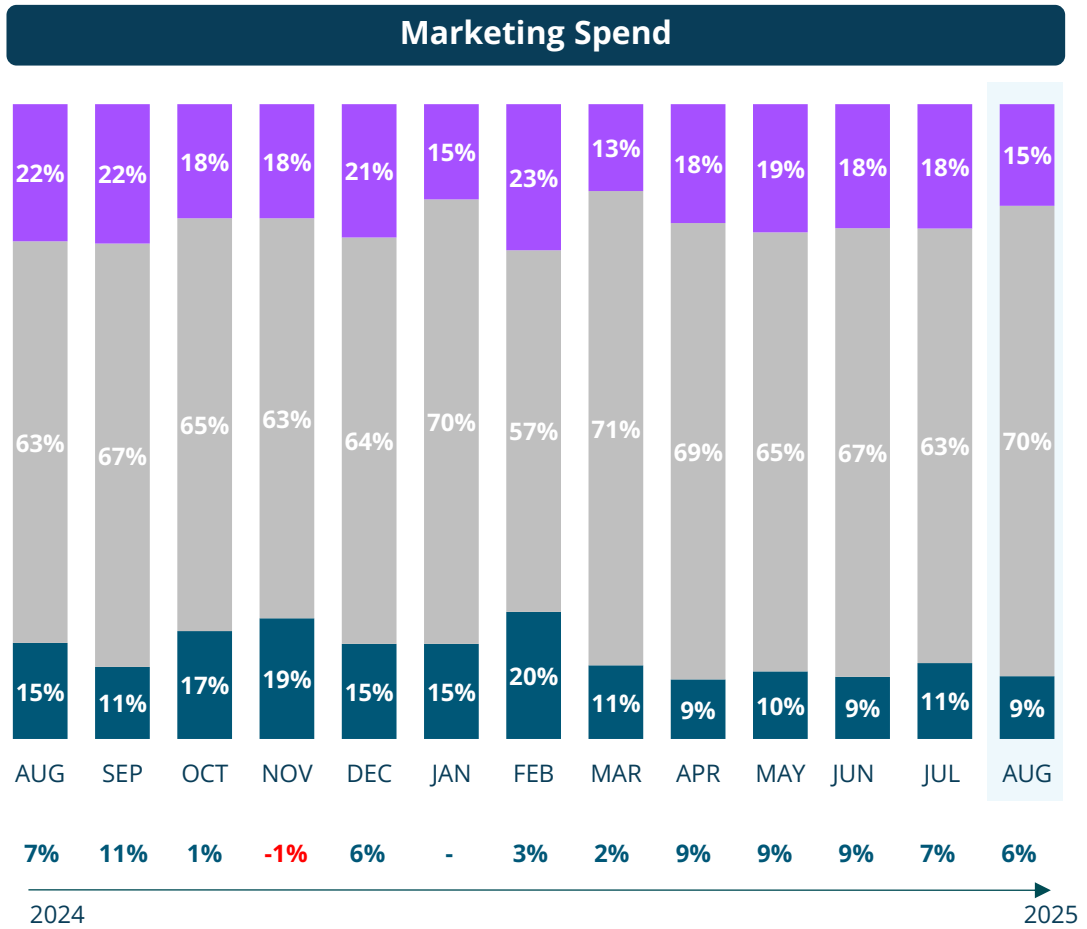
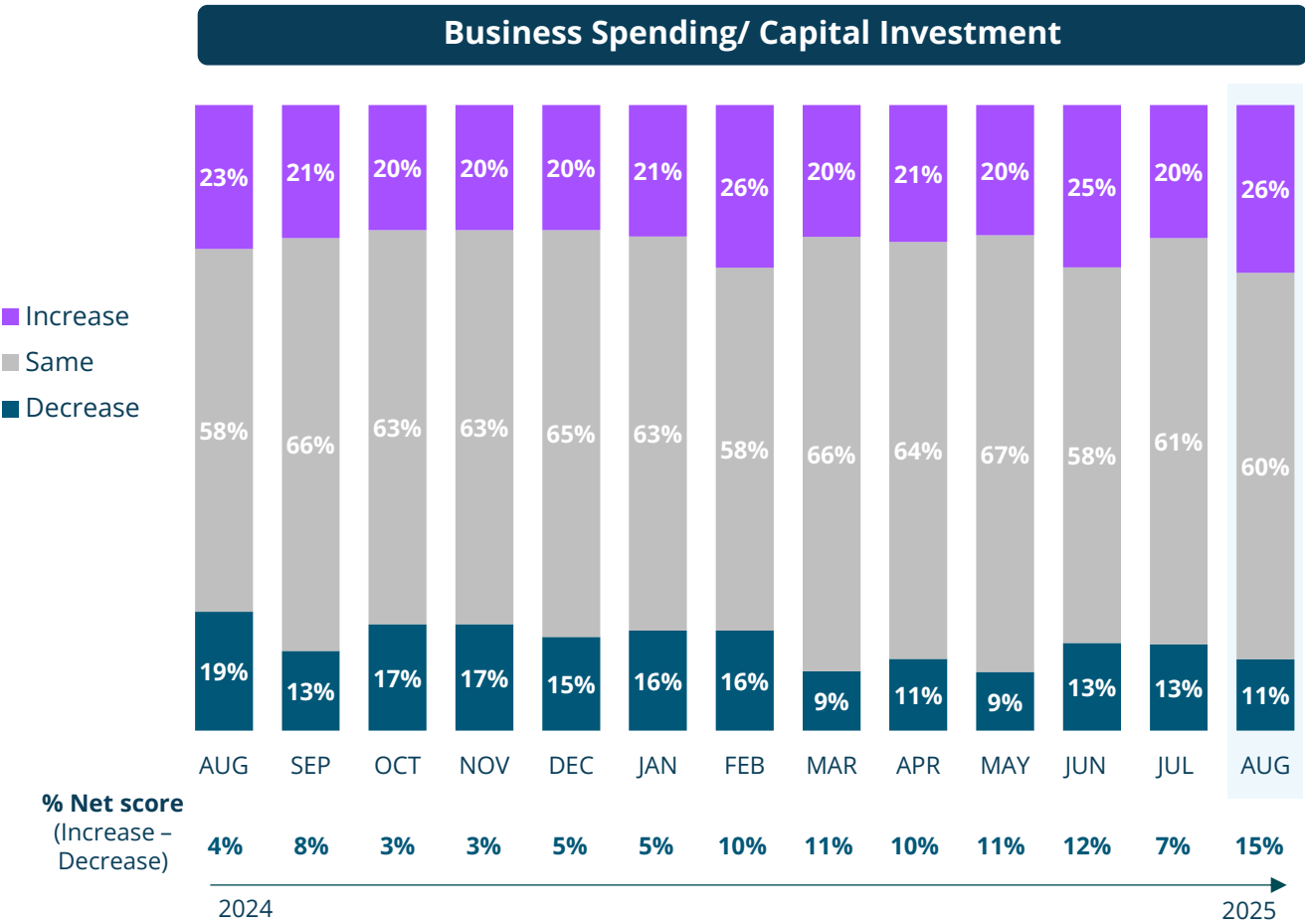
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Methodology & Sample

Business Investment | Next Three Months

Capital investment expectations strengthened in August with a net score of 15%, the highest in over a year, reflecting improved business confidence. Marketing spend, however, remains subdued.

Expectations Over The Next 3 Months Regarding Business Investment



While the breakdown of capex categories remains steady, we would expect the 3-month capex data to lift if interest rates continue to fall and business confidence stays buoyant.

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

		August								
		Probably will	Definitely will	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Last 3M	
IT / Office equipment, including hardware & software		35%	7%	42%	45%	45%	47%	44%	43%	41%
Equipment, machinery or plant		20%	4%	24%	24%	20%	25%	18%	20%	
Passenger vehicle(s) including SUVs		12%	1%	13%	15%	15%	15%	14%	12%	12%
Light commercial vehicle(s)		11%	1%	12%	14%	14%	16%	11%	11%	11%
Electric vehicle(s), including Hybrid		9%	1%	11%	12%	11%	10%	11%	10%	10%
Commercial real estate including buildings or land		7%	2%	9%	9%	12%	10%	9%	7%	7%
Agricultural, construction or earthmoving vehicle(s)/equipment		7%	2%	9%	10%	10%	8%	9%	7%	9%
Truck(s) less than 4.5 tonnes		5%	2%	7%	9%	9%	9%	7%	7%	6%
Truck(s) more than 4.5 tonnes		5%	2%	6%	9%	12%	10%	9%	7%	5%
Medium and large bus(es)		5%	1%	5%	6%	6%	5%	6%	6%	6%

Business Investment | Capital Expenditure

In August, smaller SMEs increased their capex across a range of equipment and vehicle categories, while larger businesses pulled back slightly after more active investment in July. Notably, IT investment among larger SMEs continues to trend upward, reflecting the earlier findings on innovation and technology adoption.

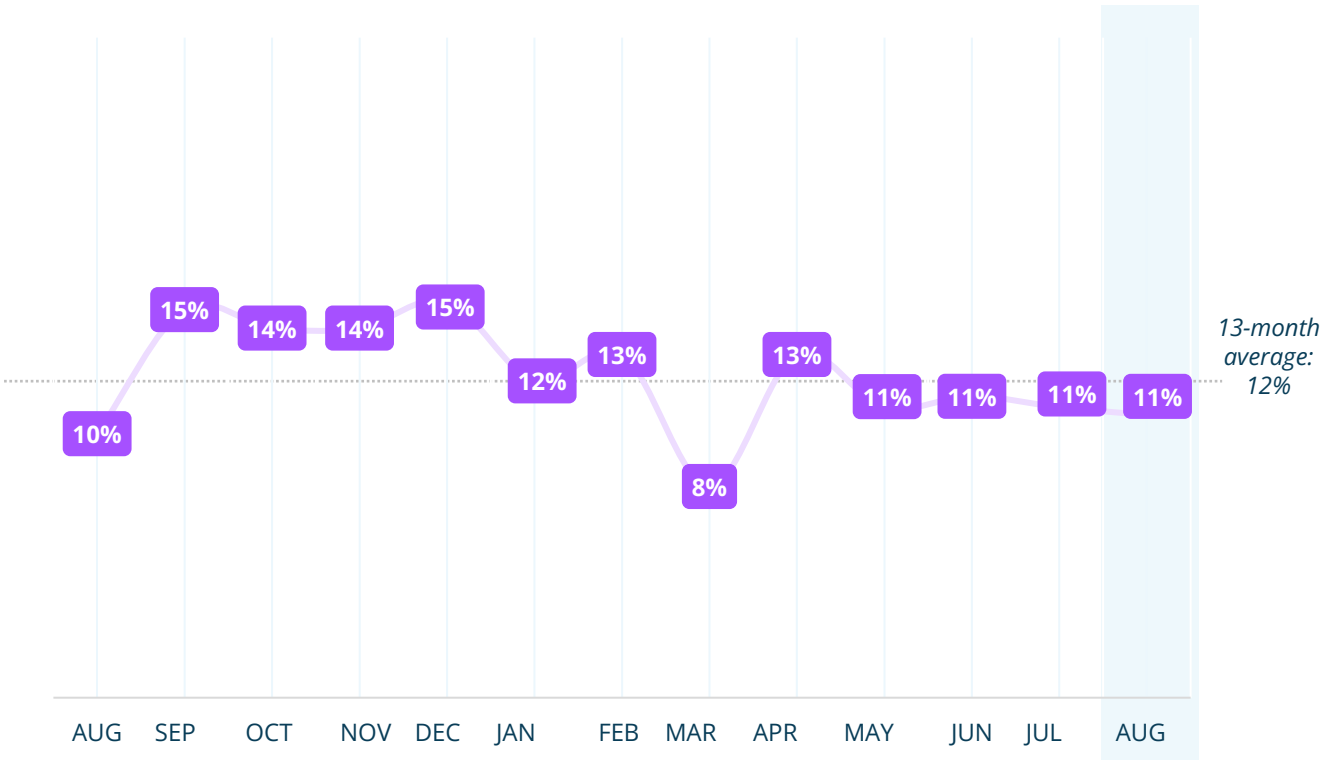
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	June	July	Aug	June	July	Aug
IT / Office equipment, including hardware & software	40%	39%	40%	57%	66%	69%
Equipment, machinery or plant	17%	17%	23%	24%	37%	43%
Passenger vehicle(s) including SUVs	10%	9%	12%	21%	30%	25%
Light commercial vehicle(s)	7%	12%	11%	19%	26%	24%
Electric vehicle(s), including Hybrid	9%	7%	10%	20%	33%	27%
Commercial real estate including buildings or land	4%	5%	8%	19%	24%	24%
Agricultural, construction or earthmoving vehicle(s)/equipment	7%	9%	8%	13%	22%	12%
Truck(s) less than 4.5 tonnes	4%	5%	6%	10%	21%	15%
Truck(s) more than 4.5 tonnes	3%	4%	5%	15%	25%	18%
Medium and large bus(es)	5%	5%	4%	18%	16%	17%

Business Investment | Finance Needs (Next 3 months)

Although capital investment intentions have strengthened, the proportion of SMEs expecting to seek additional finance has remained steady at 11%, reflecting a cautious approach. However, the data supports earlier findings with an upward trend in plant, machinery and equipment investment.

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%	59%
Purchase plant, machinery or equipment	26%	23%	26%	18%	23%	27%
Fund growth into new markets	25%	22%	13%	13%	17%	16%
Fund growth in Australia	20%	16%	23%	26%	16%	15%
Trade finance to fund import/export activity	12%	13%	9%	17%	12%	14%
Fund merger/acquisition	10%	14%	7%	7%	8%	10%

Business Investment | Finance Needs (Next 3 months)

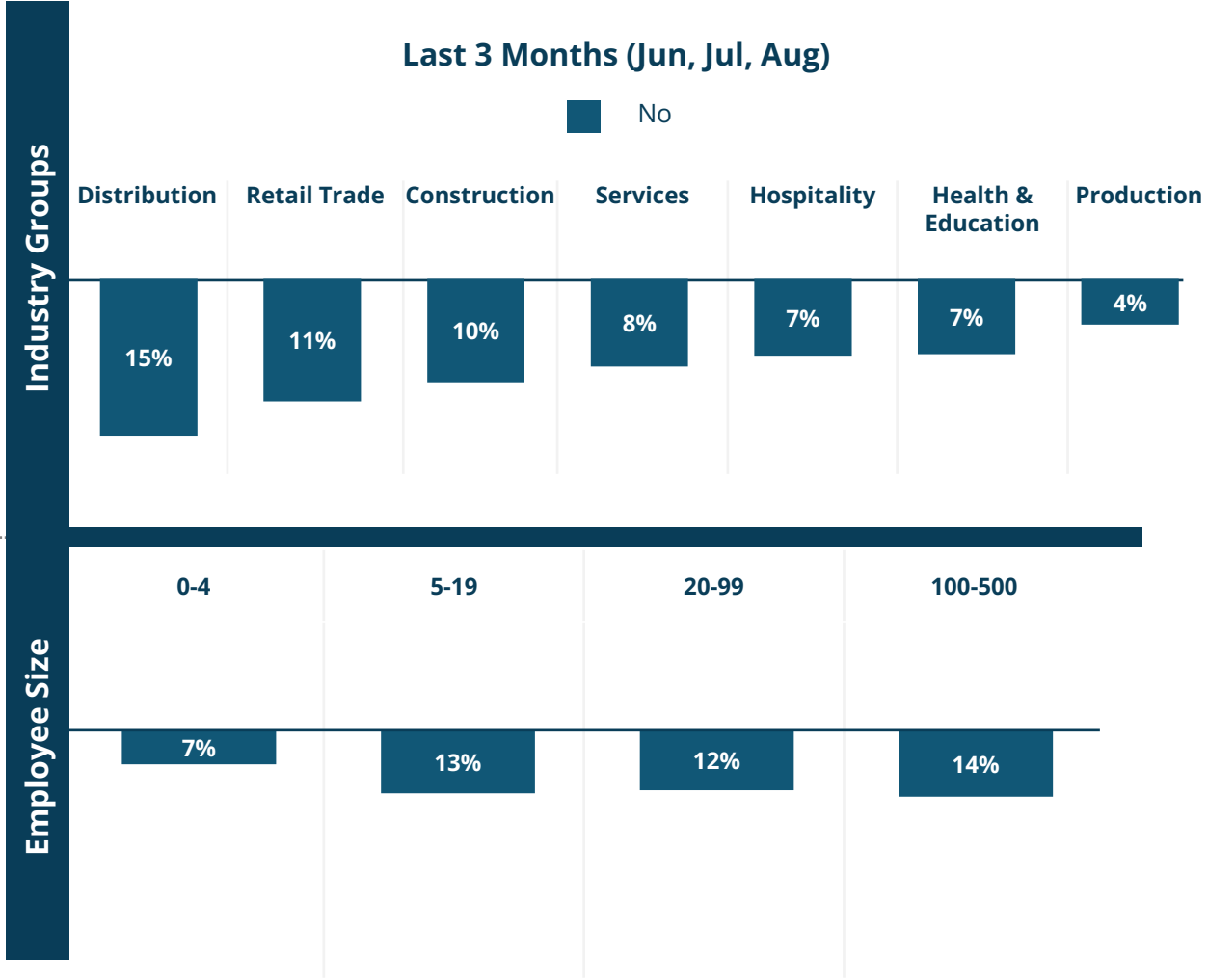
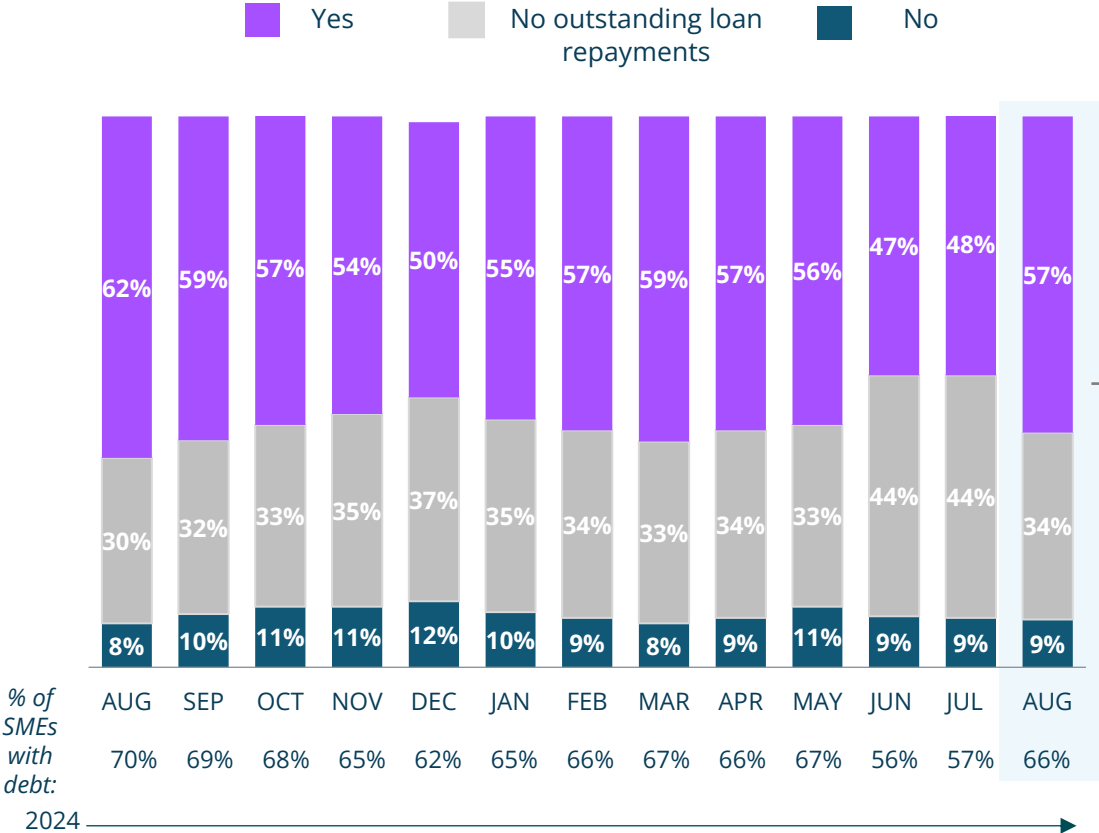
Demand for additional finance has been steady among smaller SMEs, holding at 11% over the past three months. Larger SMEs, however, have eased back, with demand falling from 24% in Q3 FY25 to 17% in the latest quarter.

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%	11%
20+ Employees	35%	26%	21%	24%	18%	17%
Construction	17%	14%	19%	9%	10%	11%
Distribution	13%	19%	16%	6%	21%	17%
Health & Education	17%	8%	8%	11%	11%	8%
Hospitality	29%	14%	17%	25%	10%	11%
Production	22%	16%	14%	12%	12%	9%
Retail Trade	11%	9%	9%	14%	12%	13%
Services	13%	13%	13%	11%	10%	10%

Loan stress eased in August, with 57% of SMEs confident they can meet repayments, up from 48% in July. This improvement likely reflects the boost from recent interest rate cuts combined with stronger revenue sentiment.

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





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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

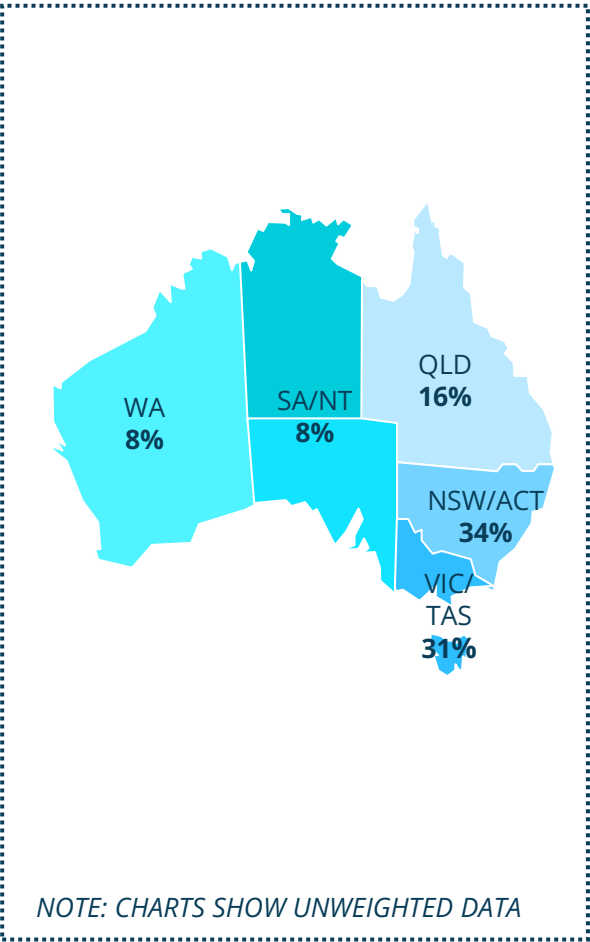


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

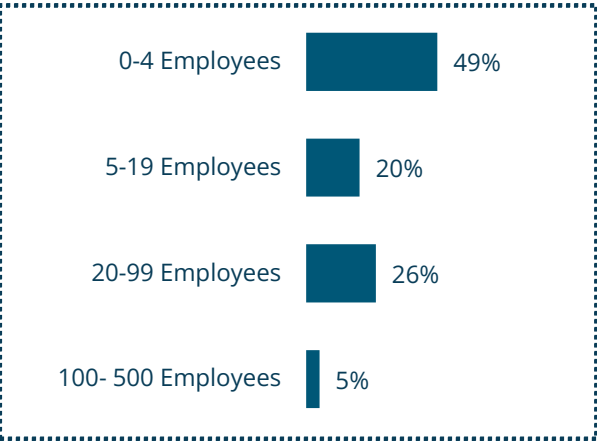
Our Sample

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.

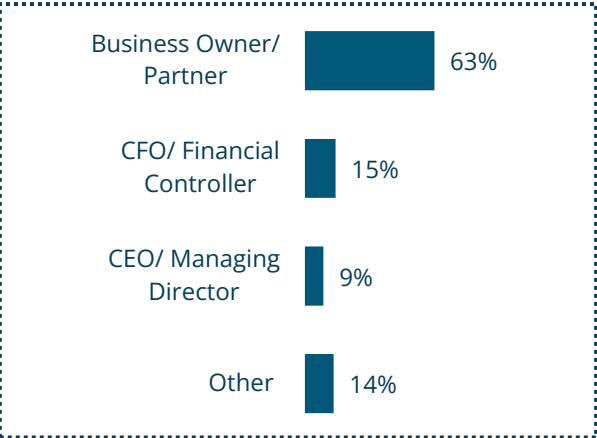
Head Office Location



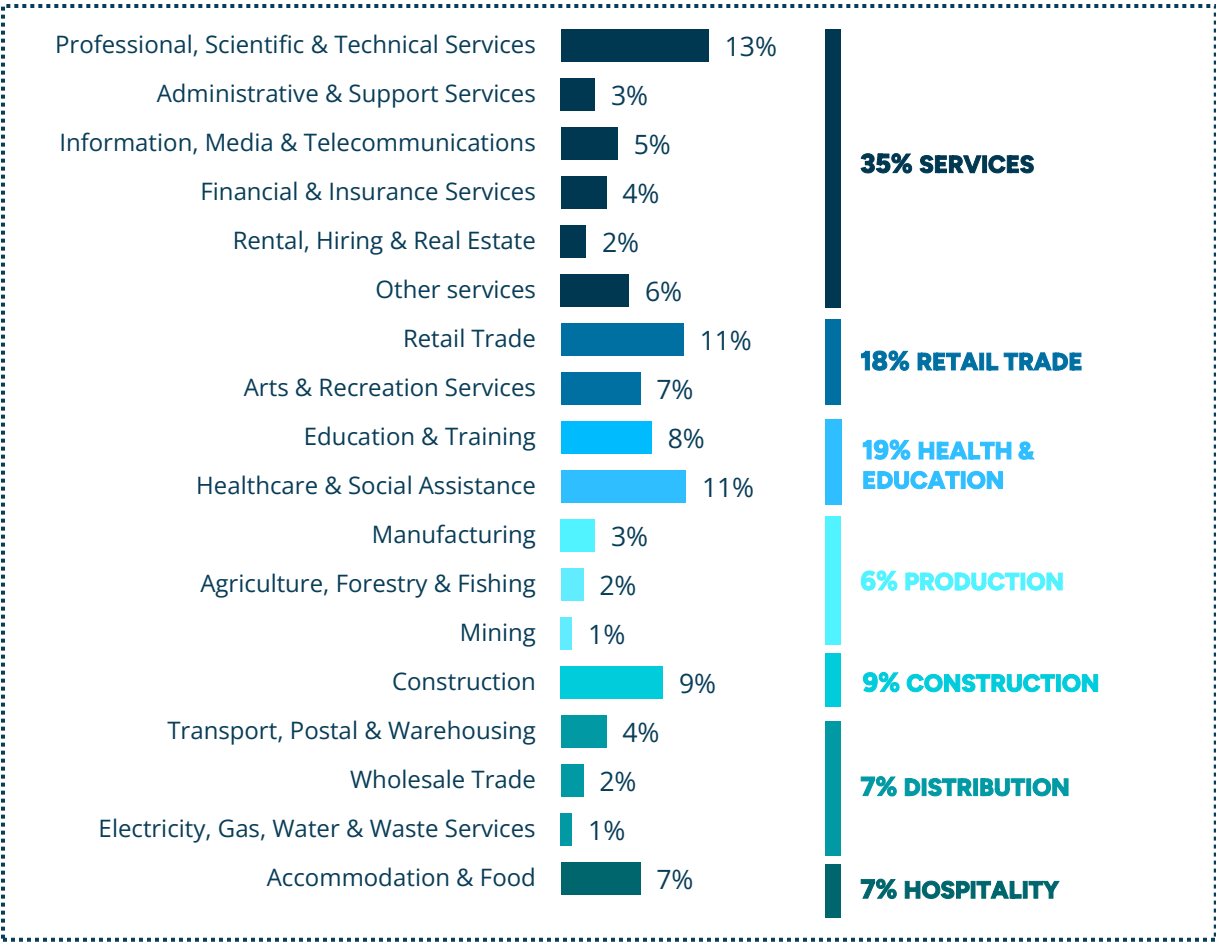
Size Of Business: Employees



Position In Business



Industry Sector



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Thank You

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