



Small & Medium Enterprise Sentiment Tracker

Wave 79 – September 2025



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.





37% of SMEs are focused on growth over the next 12 months compared to 42% in August.



Only 10% of SMEs are trying to fill job vacancies



45% expect changing consumer behaviours and preferences to be the biggest challenge over the next 3 months



Only 19% of SMEs reported higher revenues over the past 12 months, compared to 23% in August.

SMEs Maintain Growth Focus Despite Weak September

After showing signs of improvement in August, **SME sentiment softened in September** as economic caution returned. Falling consumer confidence following the RBA's decision to hold rates steady at **3.6%** appears to have weighed on both household spending and business optimism. As a result, **revenue and profit sentiment weakened**, particularly among smaller SMEs, many of whom reported softer turnover and tighter margins.

Labour market conditions continued to cool, with hiring expectations easing and job vacancies declining in line with national data showing fewer job advertisements. However, **wage expectations lifted** ahead of the pre-holiday period, as competition for staff is expected to intensify.

Changing customer behaviour emerged as the leading challenge for SMEs in September, cited by **45%**, a sharp rise from August and the first time this year it has overtaken cost pressures. The shift highlights growing uncertainty around evolving demand patterns as businesses head into the critical Christmas trading period.

While **near-term trading sentiment** has weakened, confidence in **long-term growth** remains relatively steady. Around **one in three SMEs (37%)** continue to focus on expansion over the year ahead, underscoring a degree of optimism amid tougher conditions. **Investment intentions** also remain stable, with most SMEs maintaining planned spending on capital and marketing activity.

Loan stress increased to **11%** in September after three steady months at 9%. The share of SMEs with debt remains consistent at around two-thirds, following a temporary dip during the EOFY period when some businesses cleared or restructured loans.

Overall, September's results signal a shift back toward caution among Australia's SMEs. While demand volatility and cost pressures are weighing on short-term sentiment, many businesses continue to invest, plan for growth, and adapt to changing market dynamics. The balance between short-term caution and long-term confidence suggests that SMEs are bracing for a challenging finish to 2025 but are not losing sight of opportunities beyond the current headwinds.



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Key Performance Indicators

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Business Investment

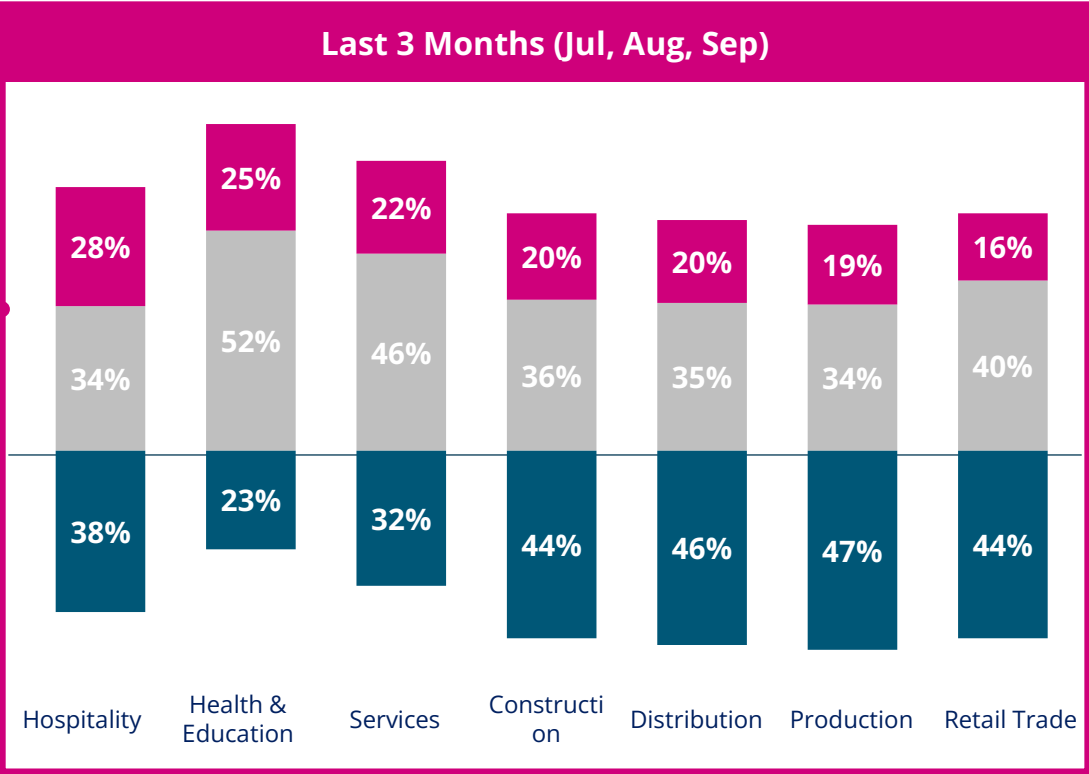
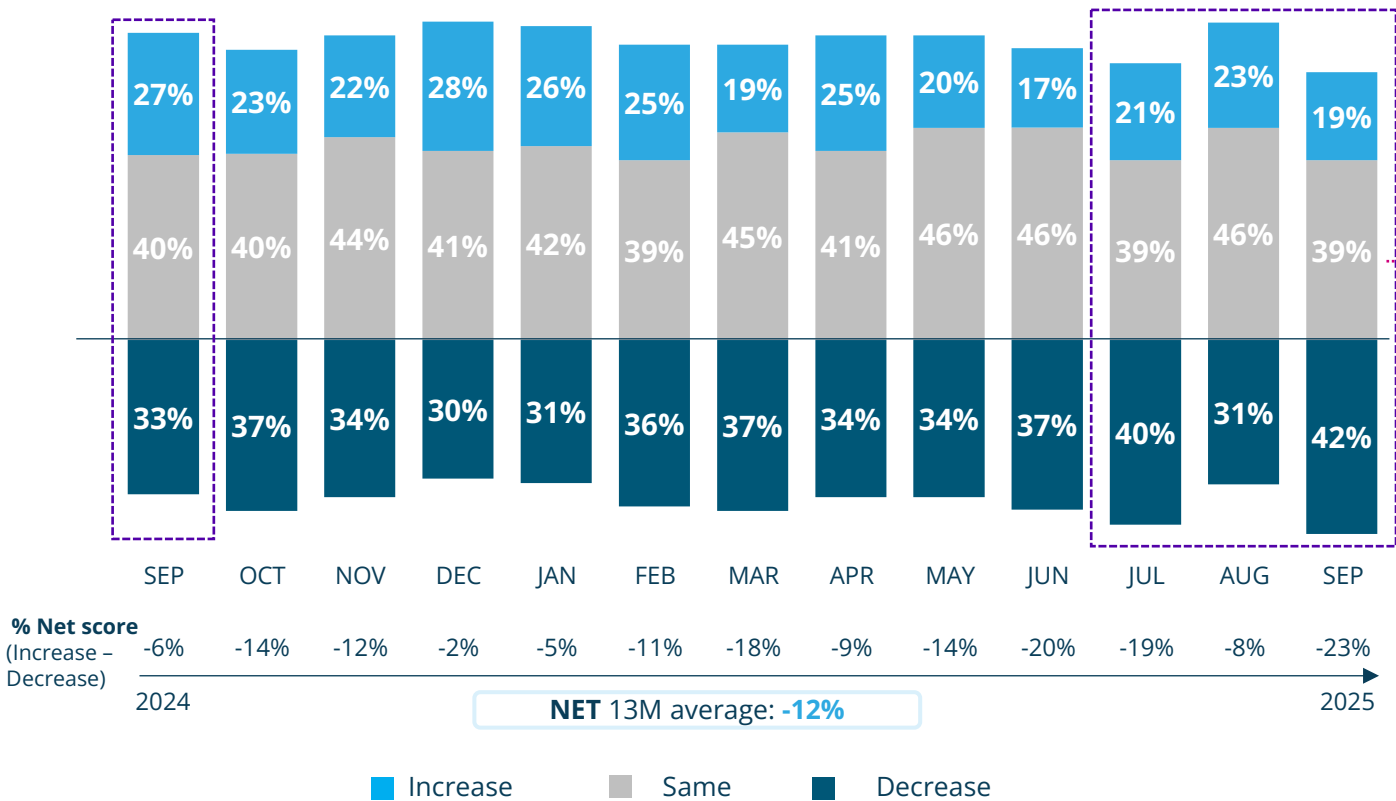
05

Methodology & Sample

Key Performance Indicators | Revenue

After a brief improvement in August, SME revenue sentiment weakened again in September. The net score fell sharply from -8% to -23%, the lowest since March. A growing number of businesses are reporting declining revenue compared to 12 months ago, suggesting that softer consumer spending and ongoing economic uncertainty are weighing on turnover.

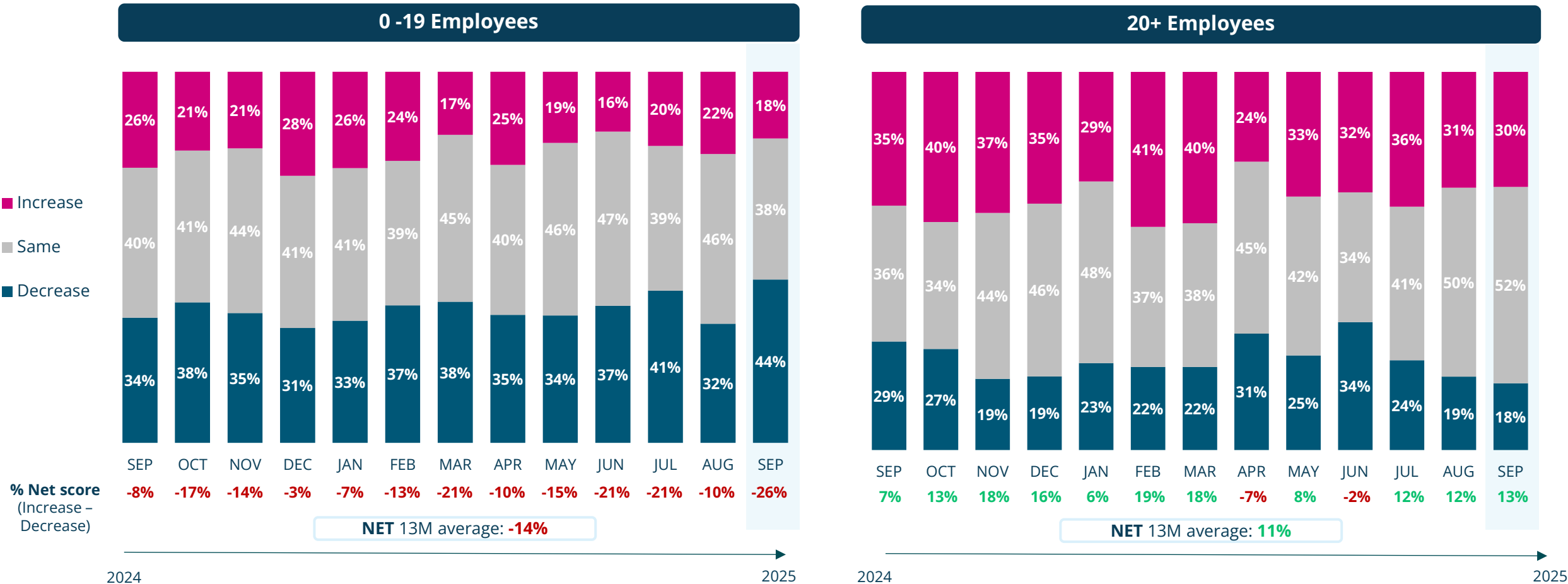
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Revenue

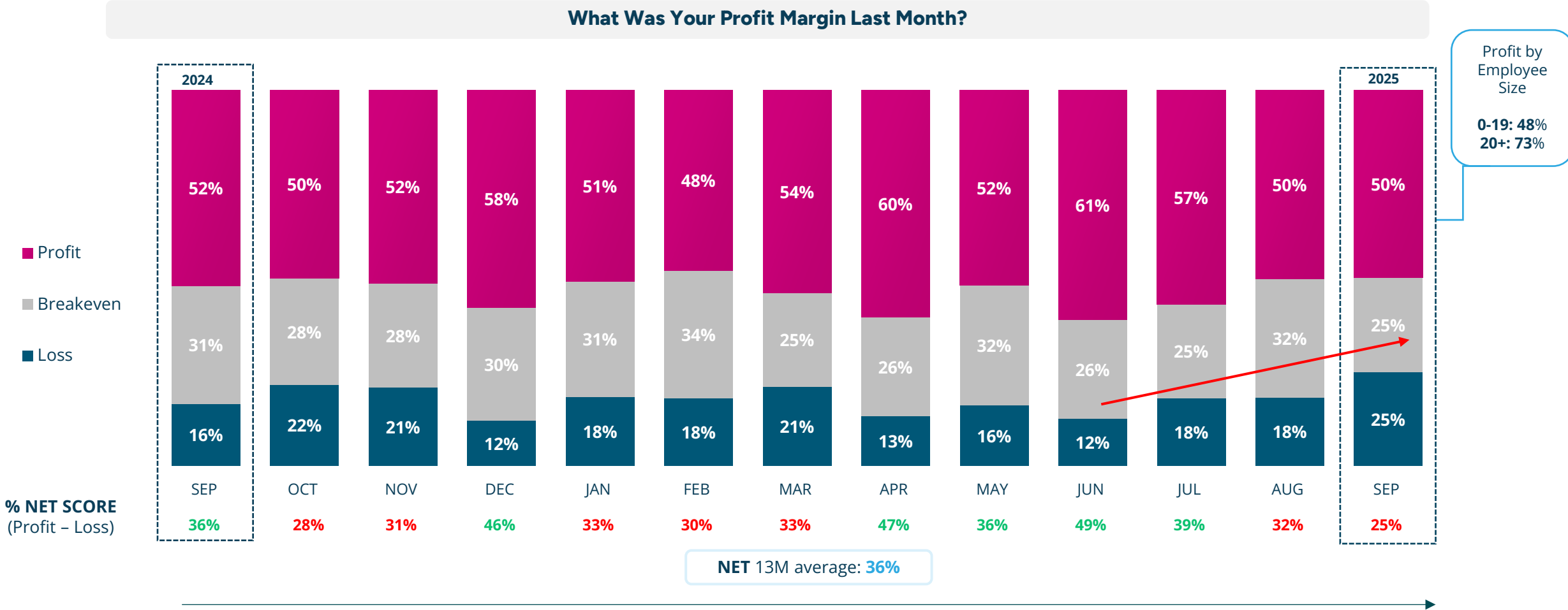
Smaller SMEs saw a sharp deterioration in September, with the net revenue score falling from -10% to -26%. This marks the weakest result since March, as more businesses reported declining revenue compared to a year ago.

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



Key Performance Indicators | Profit

Profit margins also weakened in September, with the net profit score falling from 32% to 25%. Smaller SMEs remain under more pressure, with only 48% reporting a profit compared to 73% of larger firms.



Key Performance Indicators | Responding To Challenges

In September, more SMEs are taking action to protect margins, with nearly one in three (29%) discontinuing unprofitable products or services, the highest level since May. Debt restructuring also rose to 17%, suggesting growing pressure on cash flow amid ongoing cost challenges.

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

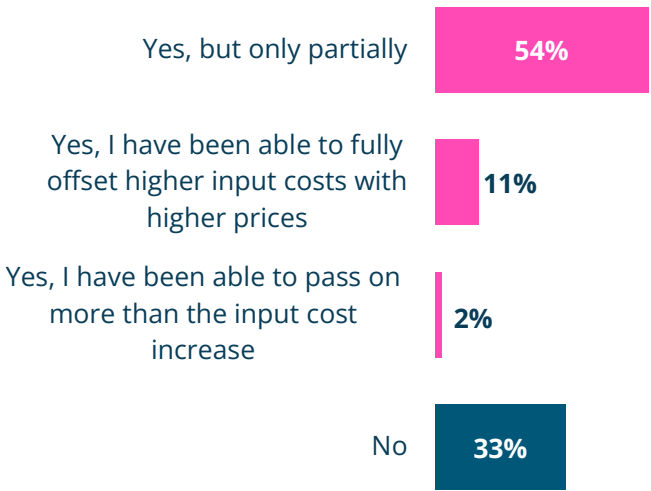
	September	May	June	July	August	September
Discontinuing products/services that are not profitable.	29%	24%	33%	26%	26%	29%
Renegotiating supplier contracts or seeking new supply sources.	23%	25%	15%	24%	20%	23%
Enhancing efficiency by streamlining business operations.	22%	25%	26%	25%	26%	22%
Expanding the range of products/services to generate new revenue streams.	21%	22%	18%	23%	27%	21%
Maximising staff productivity through better training and optimisation.	18%	20%	20%	19%	16%	18%
Adopting new technologies for increased automation and operational efficiency.	18%	17%	13%	15%	19%	18%
Refining inventory management practices for better efficiency.	18%	16%	15%	14%	18%	18%
Undertaking debt restructuring to reduce financial burdens.	17%	12%	10%	9%	14%	17%
Reassessing current projects and significant investments for viability and impact.	16%	20%	17%	23%	25%	16%
Implementing workforce reductions, such as layoffs or hiring freezes.	10%	9%	8%	11%	6%	10%
Delegating non-essential functions to external providers.	9%	10%	7%	9%	11%	9%
Shifting towards the use of renewable energy sources.	9%	8%	10%	7%	6%	9%

Key Performance Indicators | Cost Recovery

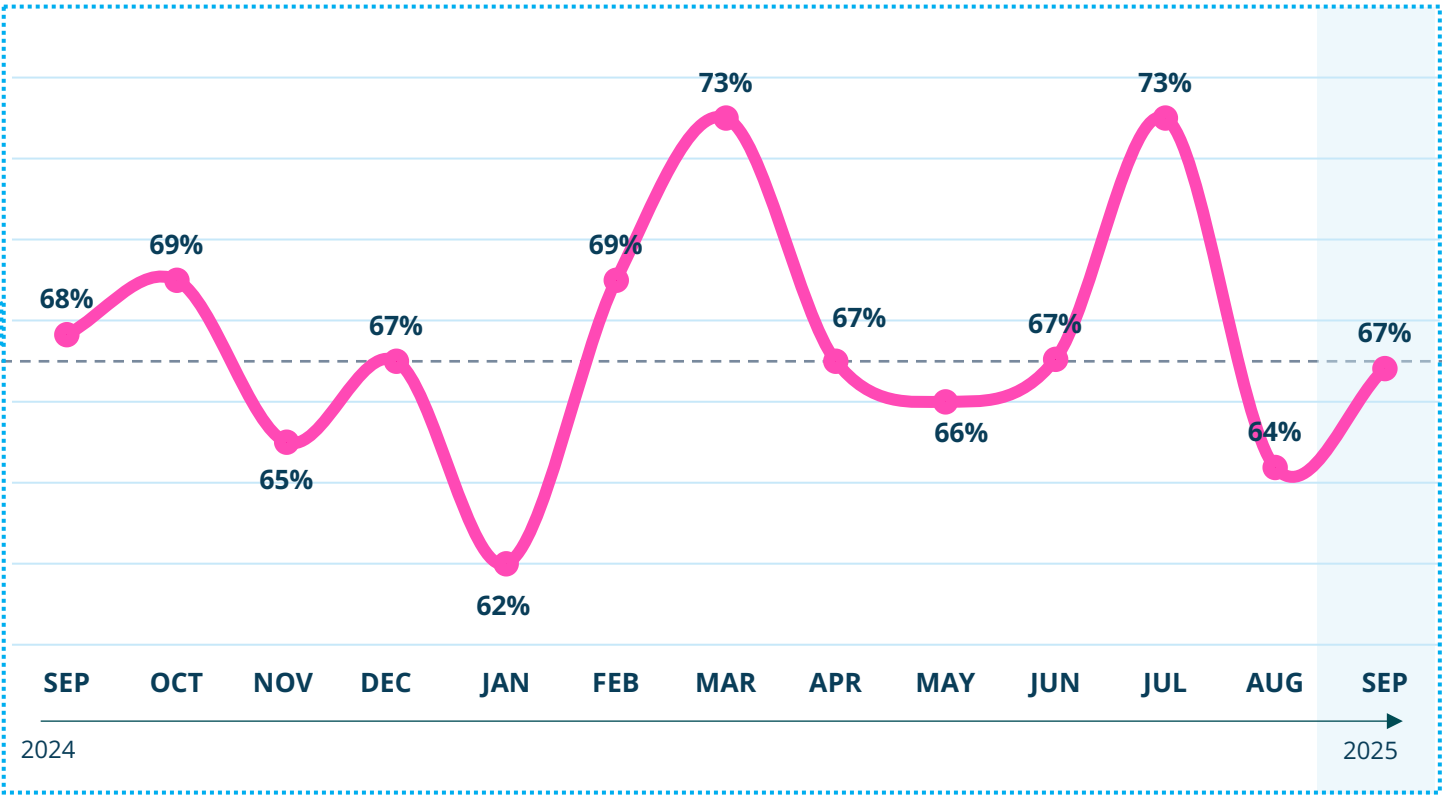
Cost recovery stabilised slightly in September, with 67% of SMEs able to pass on at least some of their higher input costs, up from 64% in August and in line with the 13-month average. However, most continue to recover costs only partially, highlighting limited pricing power and ongoing pressure on margins despite modest revenue gains.

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

September



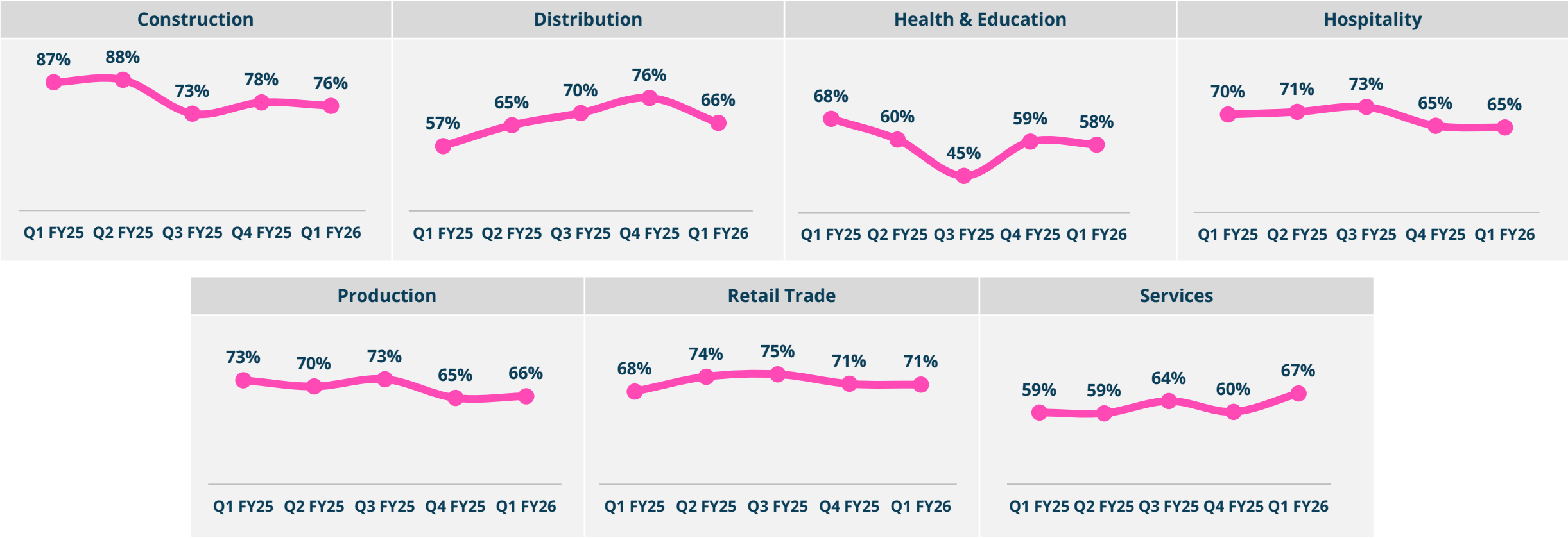
YES



13-month average: 67%

Cost recovery in the Services sector has continued to trend up over the past 3 months.

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





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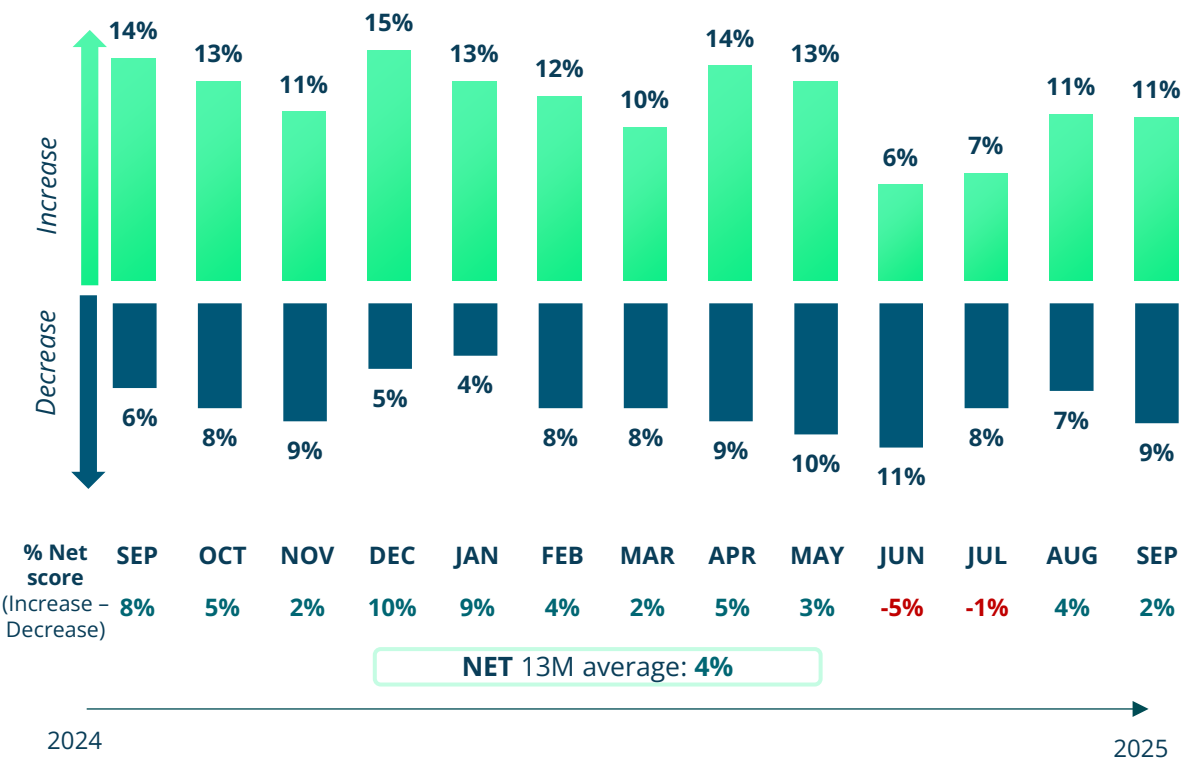
Methodology & Sample

Key Performance Indicators | People

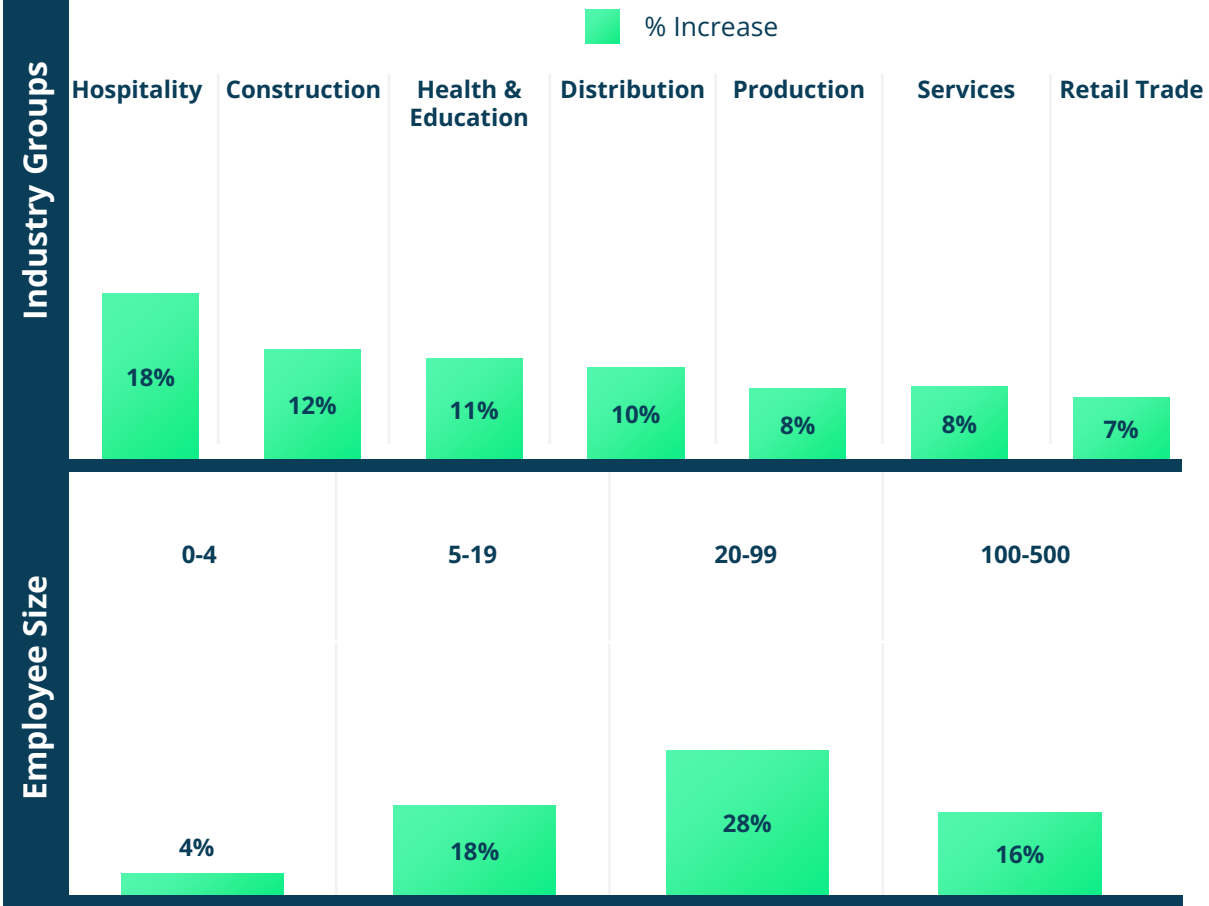
Hiring expectations softened in September, with the net staffing outlook slipping from 4% to 2%. Most SMEs are holding steady on headcount as weaker revenues and profits limit confidence.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



Last 3 Months (Jul, Aug, Sep)

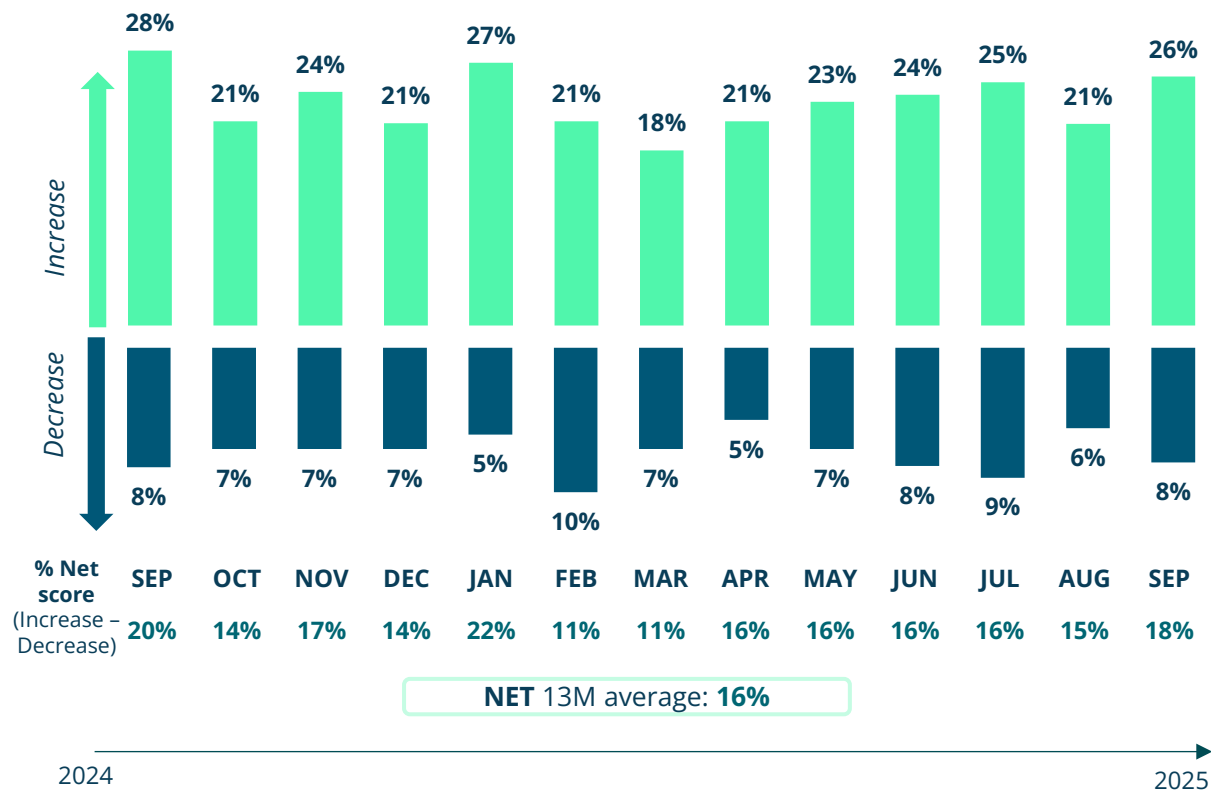


Key Performance Indicators | People

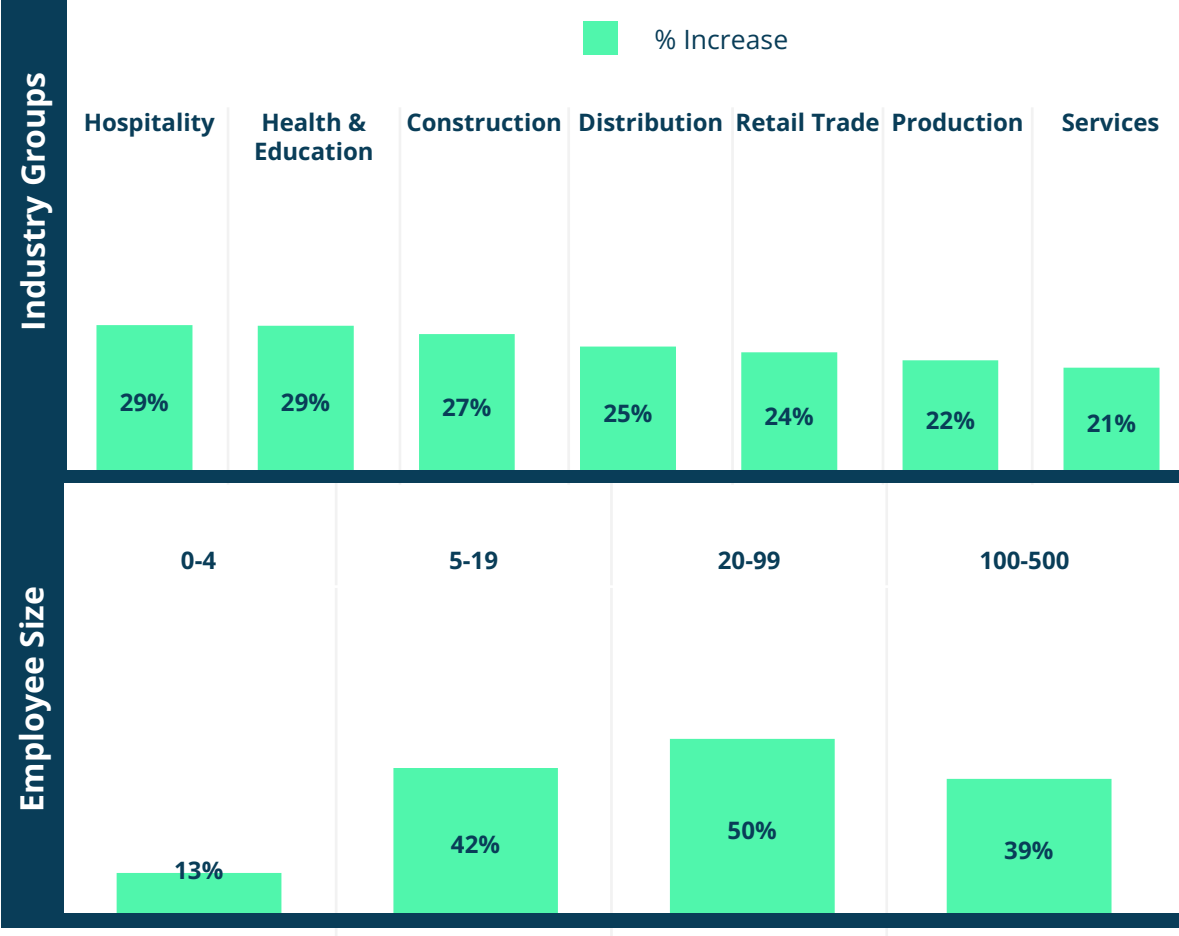
Wage expectations edged higher in September, with 26% of SMEs anticipating pay increases over the next three months, up slightly from 21% in August. The lift likely reflects seasonal pressures ahead of the pre-holiday period, as businesses look to retain staff and manage higher workloads while continuing to balance labour costs with profitability.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



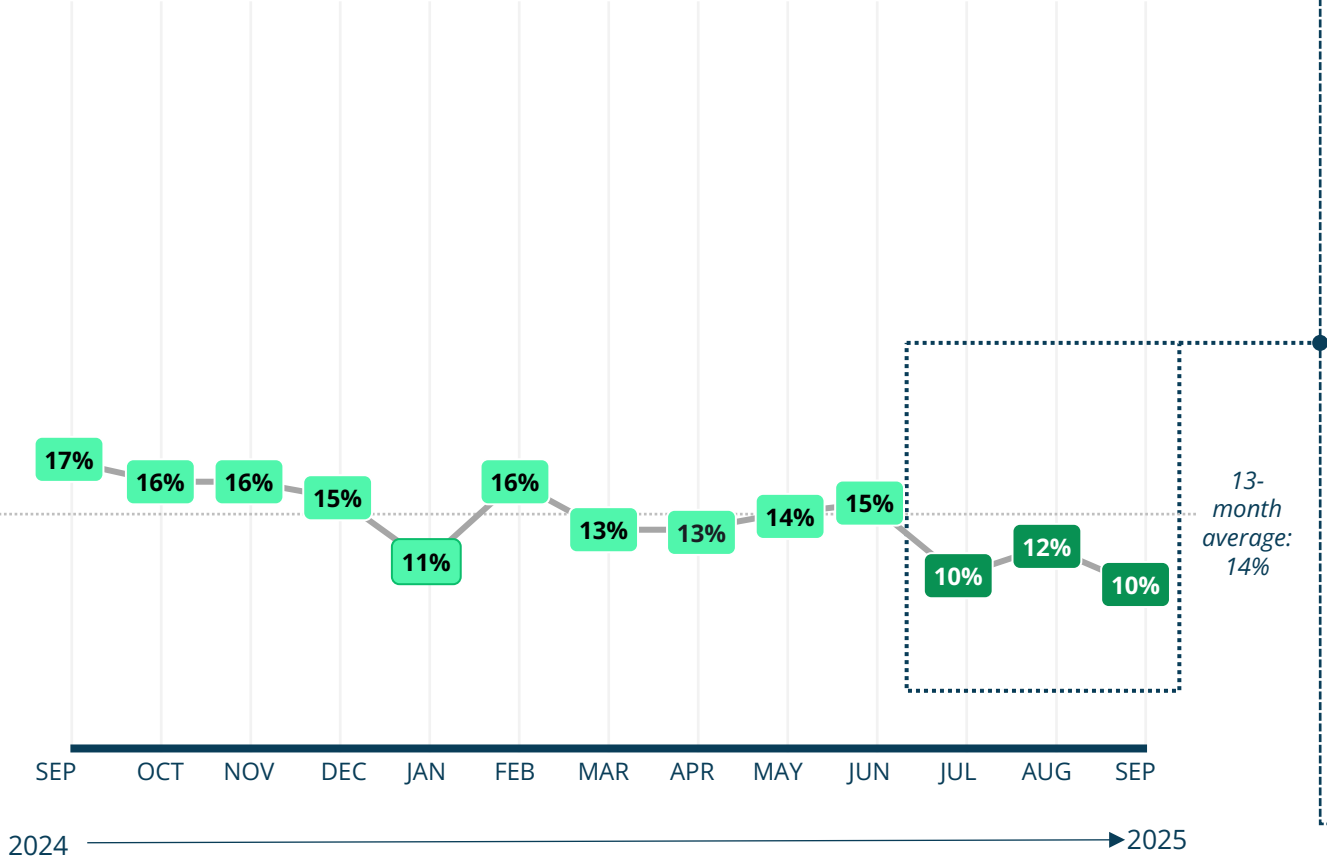
Last 3 Months (Jul, Aug, Sep)



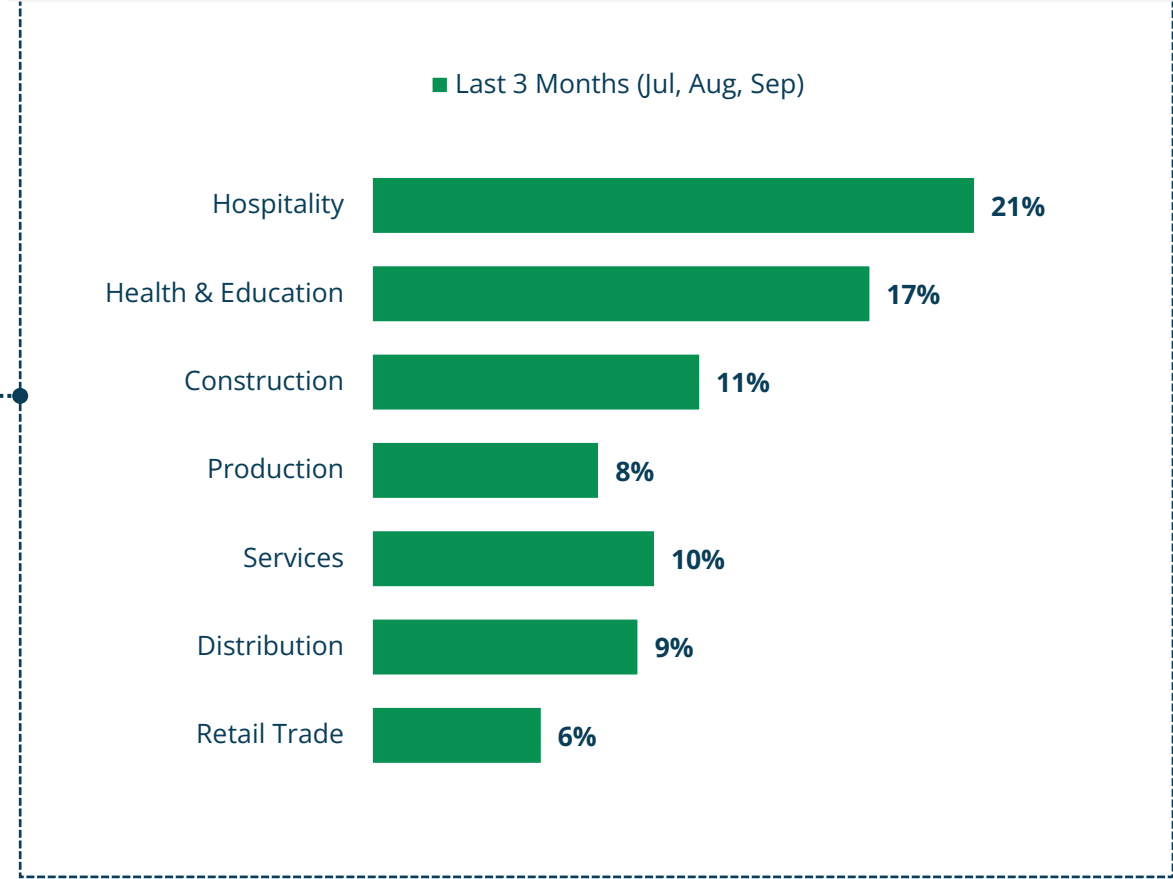
Key Performance Indicators | People

SME job vacancies eased in September, with 10% of businesses currently trying to fill roles, down from 12% in August. This aligns with broader labour market data showing job advertisements at their lowest level since February, indicating cooling hiring conditions across the economy.

SMEs That Currently Have Job Roles They Are Trying To Fill



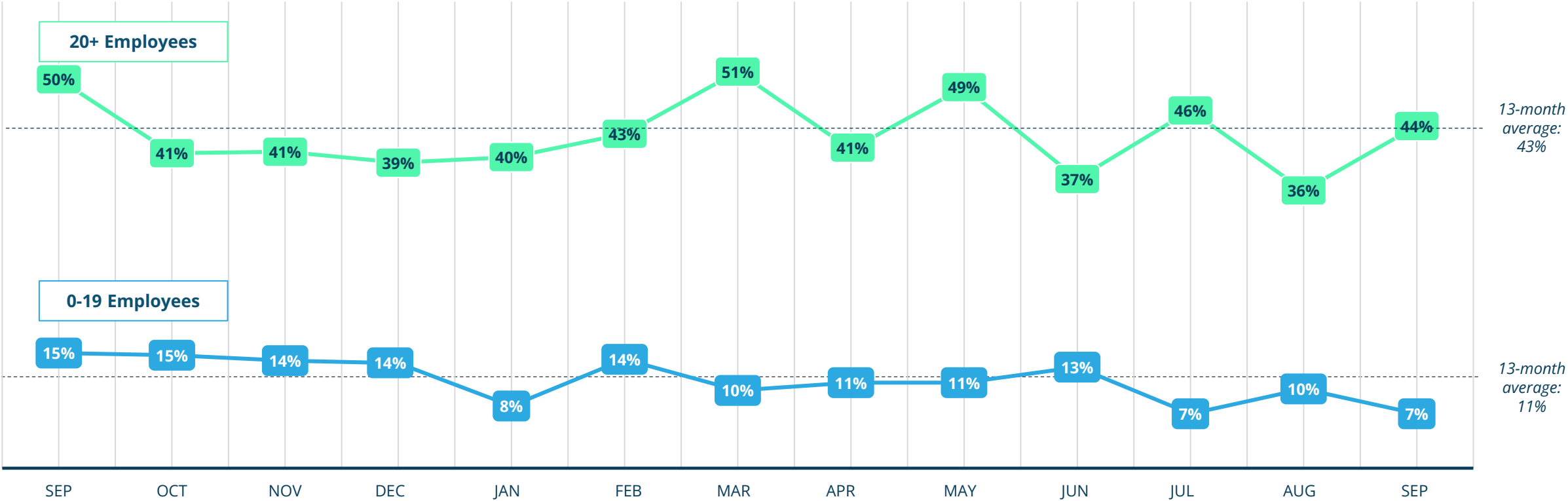
Current Job Vacancies By Industry



Key Performance Indicators | People

Job vacancies among smaller SMEs fell back to a 13-month low in September, with only 7% reporting open roles. In contrast, hiring activity among larger SMEs continues to fluctuate month to month.

SMEs That Currently Have Job Roles They Are Trying To Fill

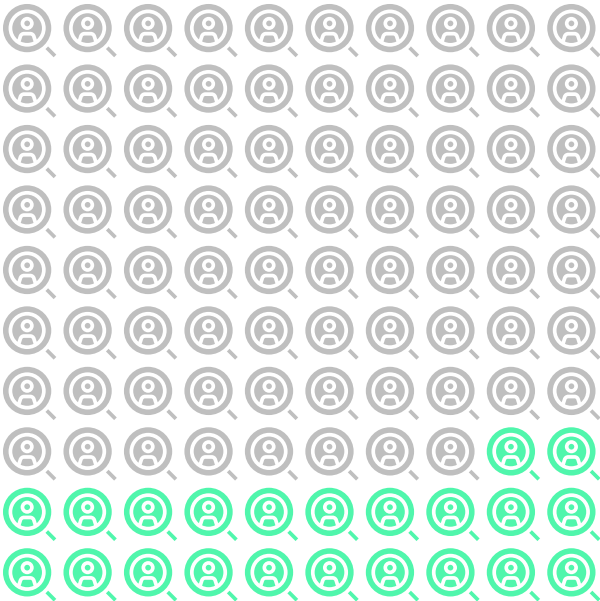


2024 → 2025

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

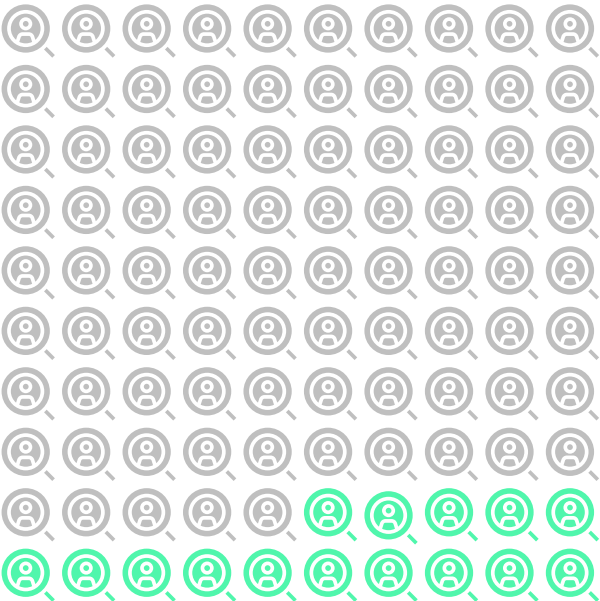
SMEs That Currently Have Job Roles They Are Trying To Fill

FY24



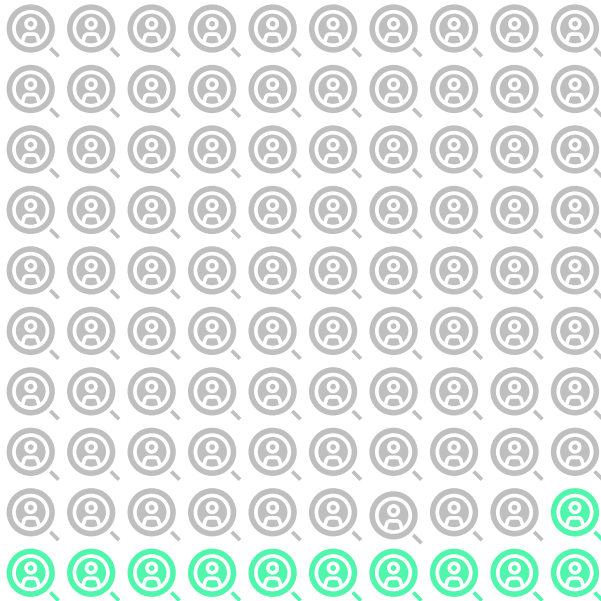
22% with job vacancies

FY25



15% with job vacancies

FY26



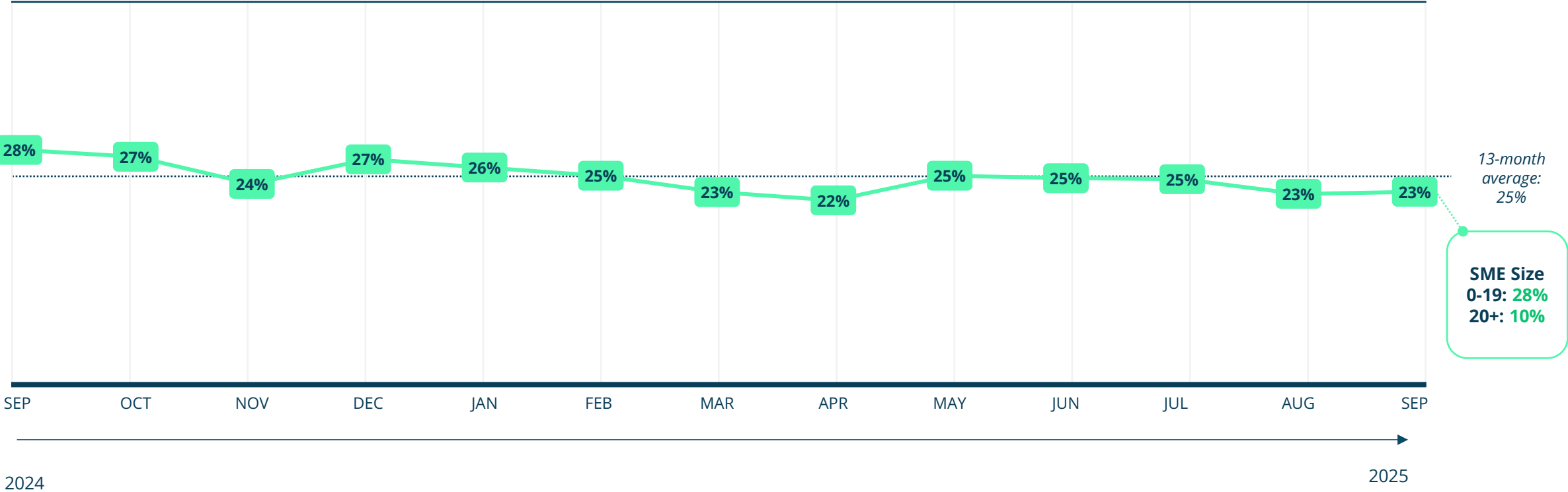
11% with job vacancies

Recruitment conditions remain steady, with 23% of SMEs describing filling roles as very difficult. Smaller SMEs, continue to face the greatest challenges when attracting staff.

How Difficult Is It To Fill These Roles?

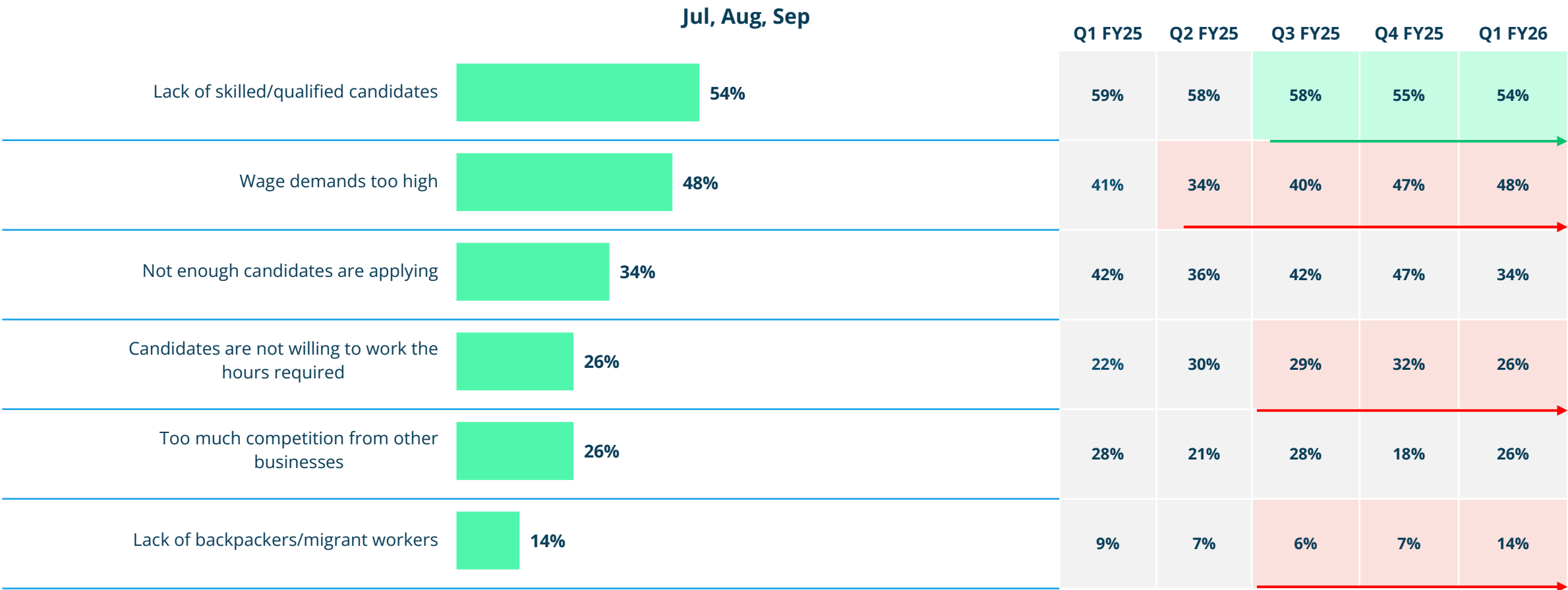
Data displayed as last 3 months (Jul, Aug, Sep)

Very Difficult



Among SMEs finding recruitment difficult, wage demands (48%) and unwillingness to work required hours (26%) are both trending higher

Why Is It Difficult To Fill Job Roles?



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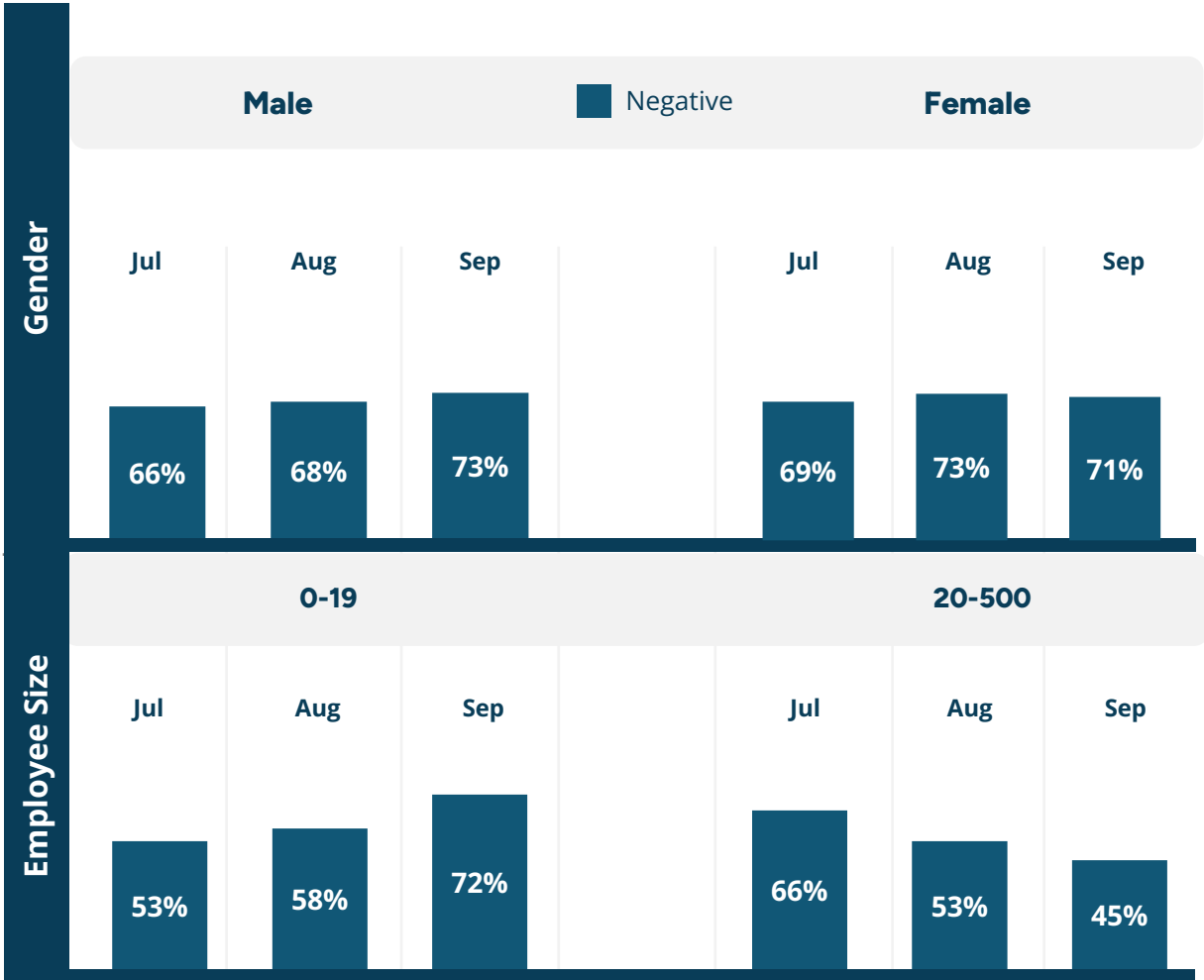
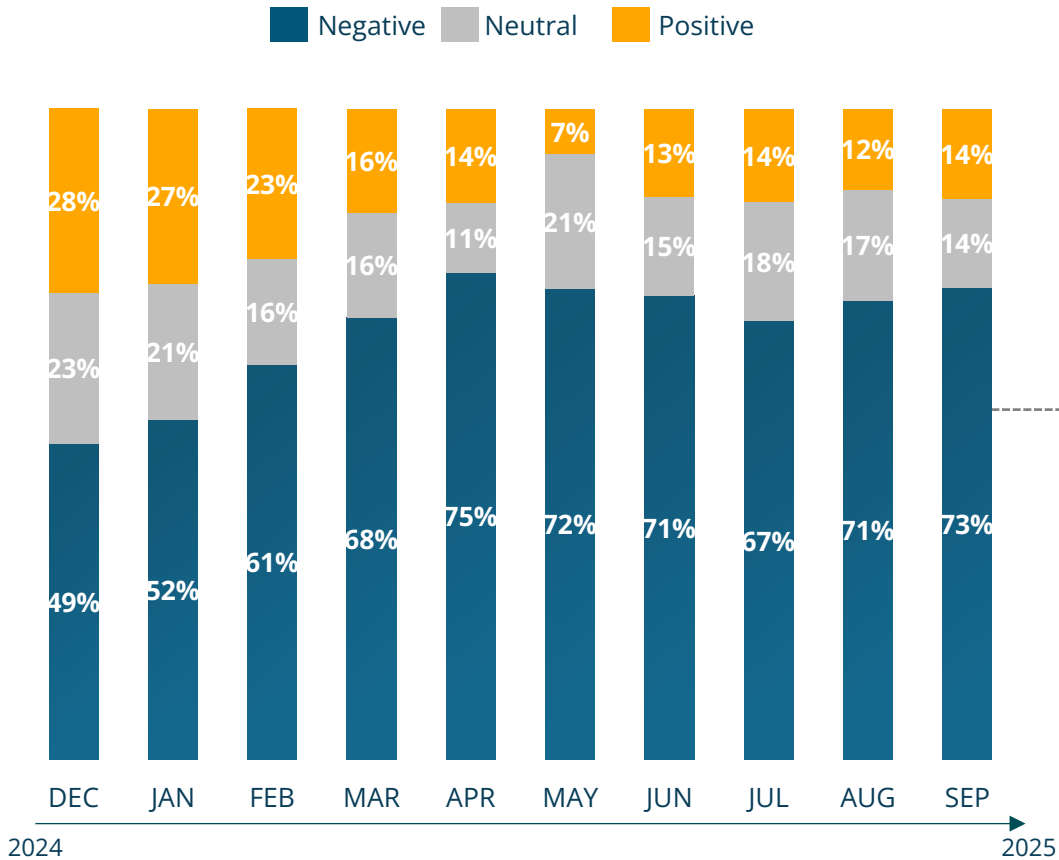
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Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions

Negative sentiment toward the Trump administration remains widespread (71%) but has held relatively steady since June.

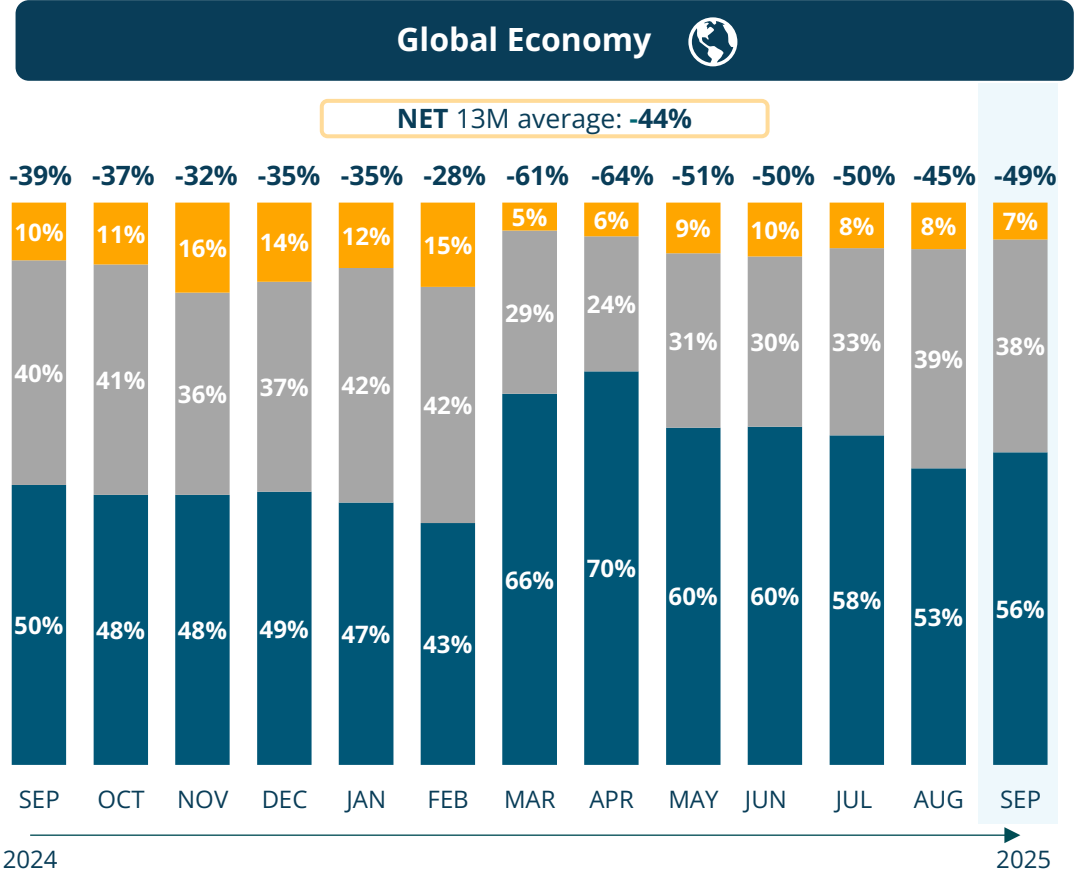
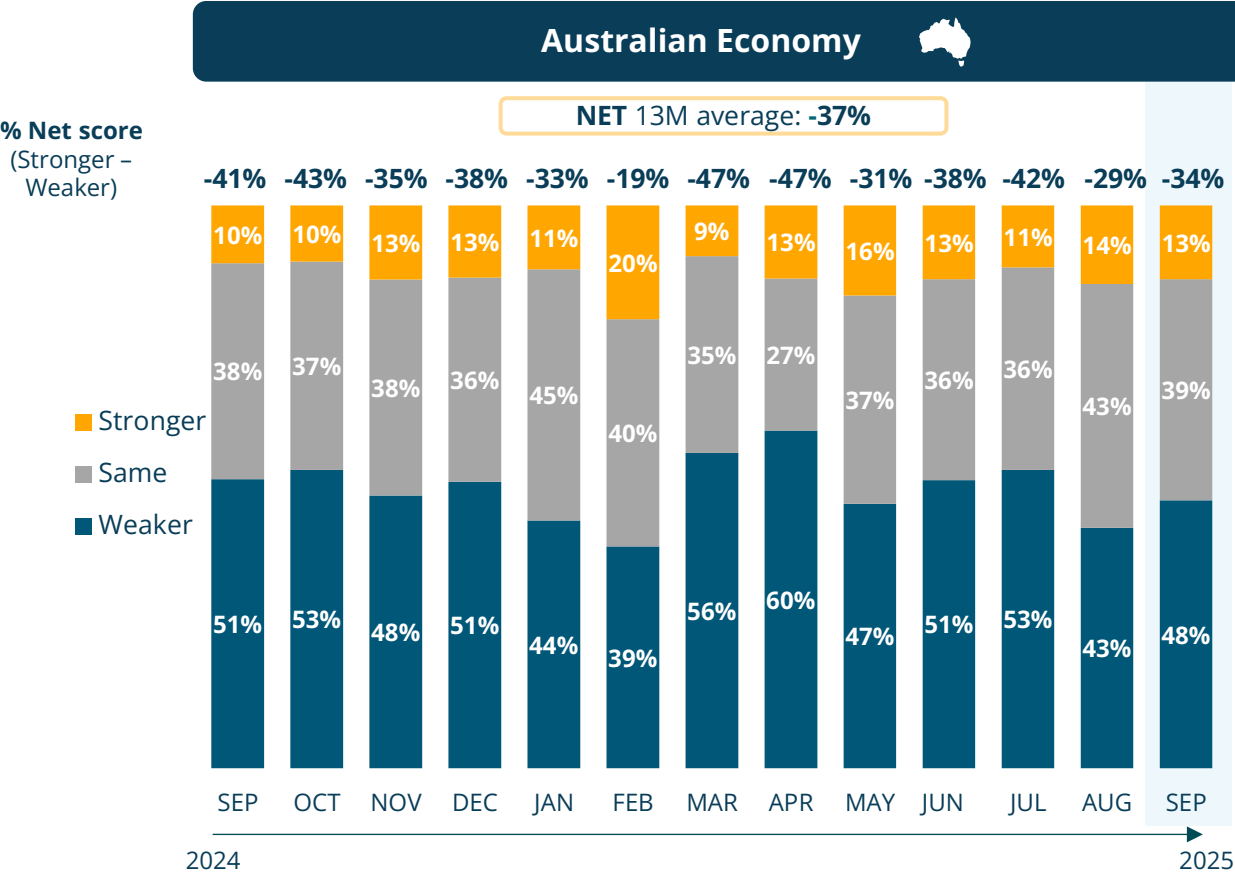
What impact will the Trump Administration have on the Australian economy?



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

SME confidence in the Australian economy softened in September, with the net score easing from -29% to -34%. The RBA’s decision to hold interest rates steady at 3.6% appeared to dampen consumer confidence, which in turn contributed to a decline in business sentiment. Confidence in the global economy also dropped.

Expectations Over The Next 3 Months Regarding Economic Conditions



Keeping pace with changing customer behaviours has emerged as the top challenge for SMEs in September, cited by 45%. This marks a sharp rise from August and highlights growing uncertainty around shifting demand patterns as we approach the Christmas trading period.

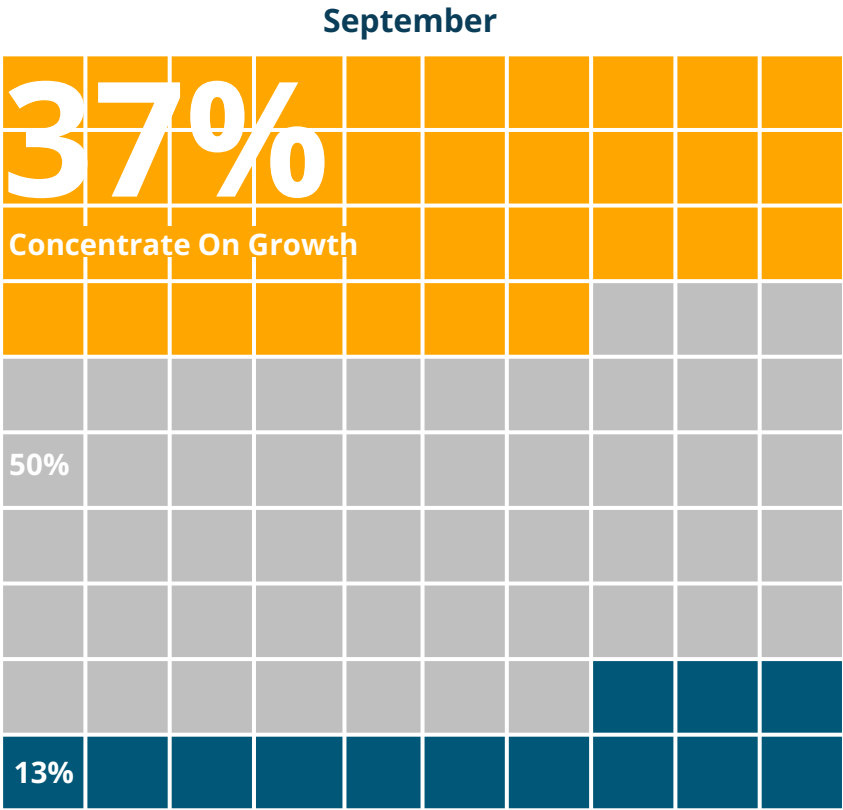
Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

September		April	May	June	July	August	September
Keeping pace with changing customer behaviours and preferences.	45%	38%	42%	42%	37%	39%	45%
Addressing the difficult economic outlook and ongoing cost pressures.	44%	44%	45%	49%	43%	43%	44%
Managing the continuous adoption of new technologies and digital transformation processes.	23%	25%	24%	19%	18%	27%	23%
Navigating regulatory, compliance, and governance challenges.	22%	21%	20%	21%	24%	27%	22%
Strengthening defences against cyber threats and ensuring data privacy.	21%	22%	20%	17%	17%	19%	21%
Acquiring, training, and upskilling talent in a competitive market.	19%	20%	14%	15%	19%	15%	19%
Identifying and implementing measures to boost workforce efficiency and productivity.	16%	22%	19%	21%	20%	19%	16%
Overcoming difficulties in securing necessary financing.	15%	16%	15%	10%	13%	14%	15%
Strengthening supply chain operations for improved efficiency and resilience.	15%	14%	15%	11%	17%	14%	15%
Managing risks and uncertainties in the geopolitical landscape.	15%	20%	17%	16%	18%	17%	15%
Implementing strategies to address sustainability issues and climate change impacts.	11%	11%	8%	9%	8%	8%	11%
Prioritising investment in research and development to drive innovation.	9%	7%	9%	6%	6%	7%	9%

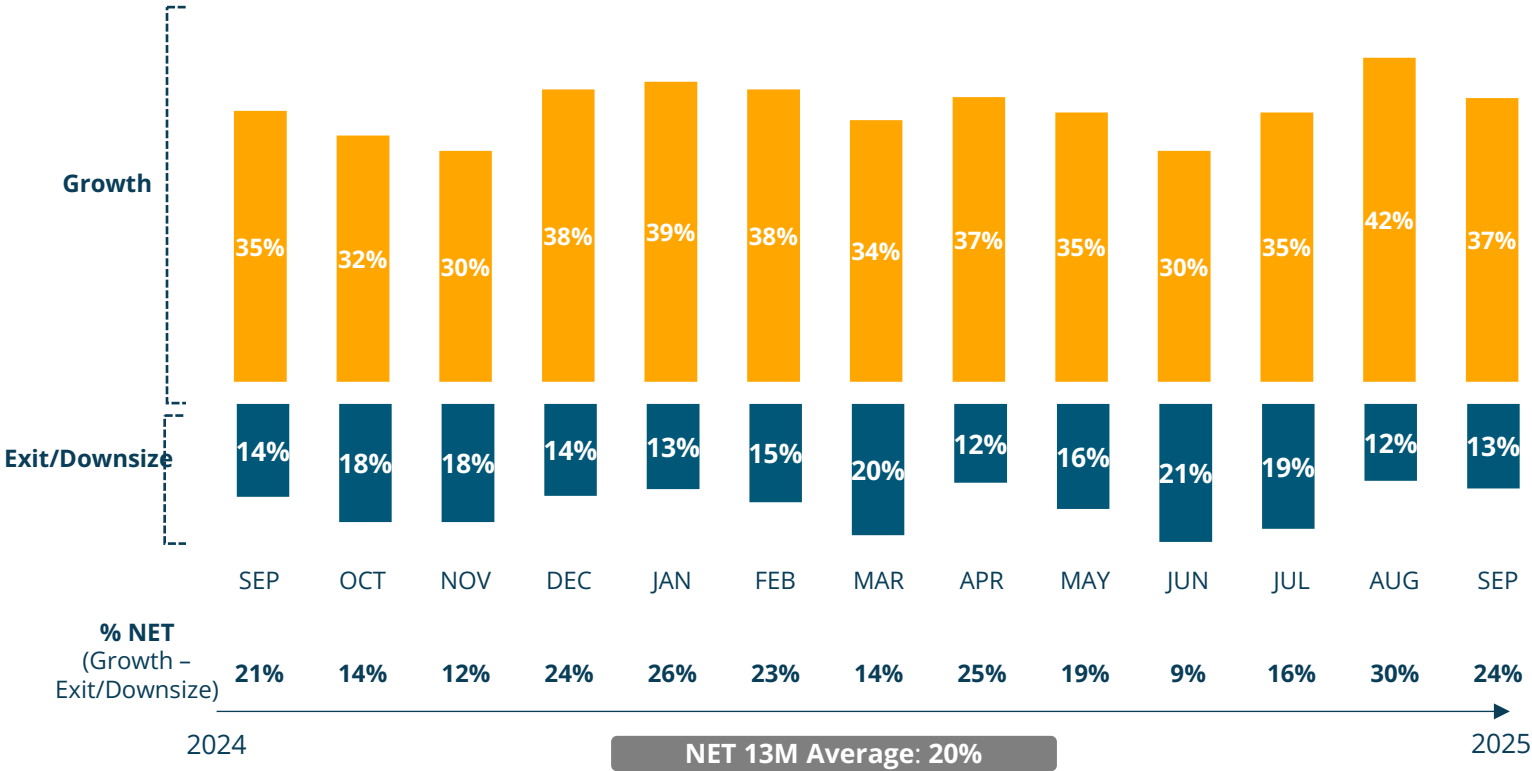
Business Sentiment | Growth Expectations (Next 12 months)

Despite softer revenue and profit results, SME growth aspirations remain relatively buoyant. Over one in three SMEs (37%) are focused on growth in the year ahead, only slightly below August's high. This suggests that many businesses continue to seek opportunities to expand and strengthen their position despite uncertain conditions.

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)

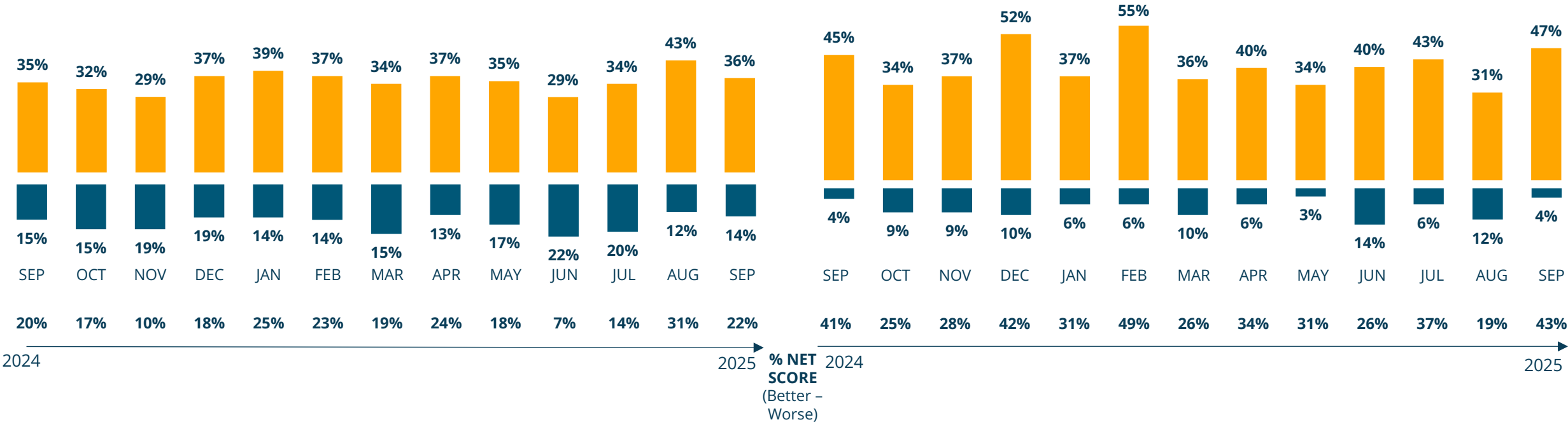
Growth sentiment among larger SMEs has rebounded strongly from August, while smaller SME sentiment has eased but remains above June and July levels.

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

Concentrate on growth Exit/Downsize

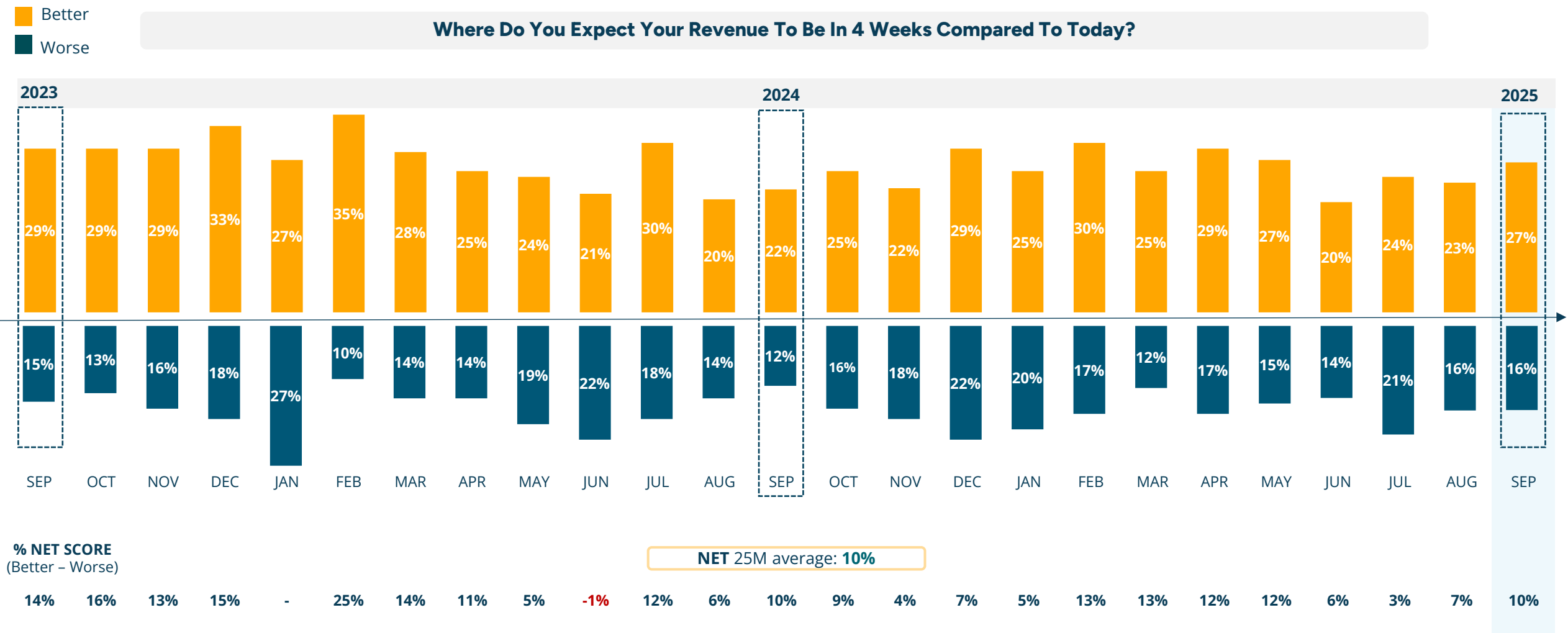
0 -19 Employees

20+ Employees



Business Sentiment | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations trended upward in September, reaching a net score of 10%, the strongest result since May. The lift aligns with broader growth expectations, suggesting SMEs some improvement in near-term trading conditions.

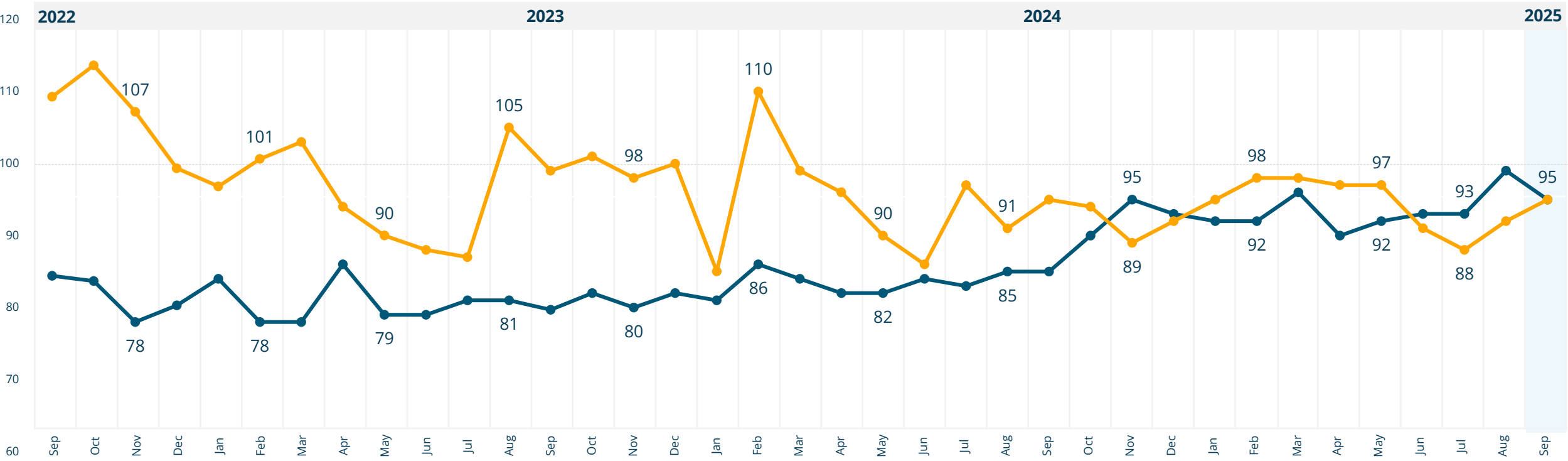


Business Sentiment | Sentiment Index

For the first time since tracking began, the SME and consumer sentiment are aligned at 95.

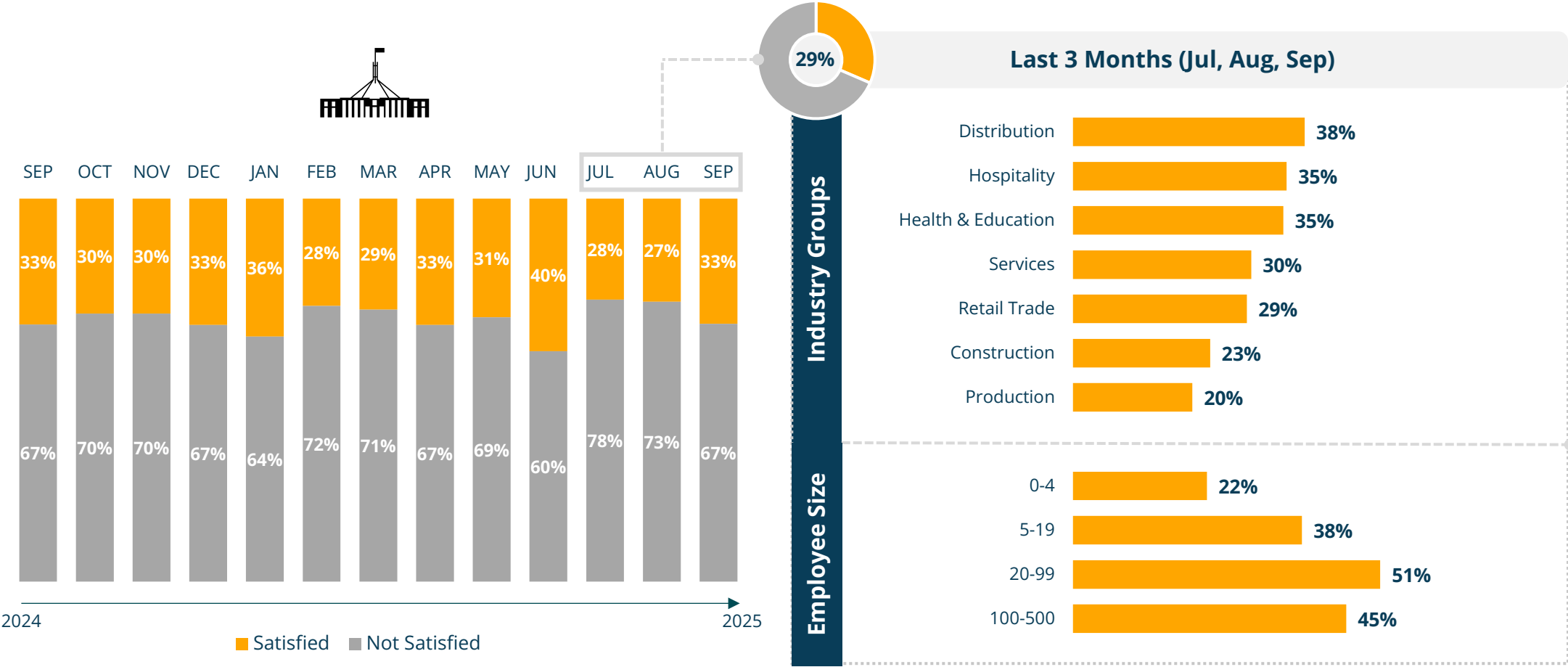
Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index FQ Business Sentiment



Satisfaction with the federal government continues to trend up with 33% satisfied with policies compared to 28% in July.

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





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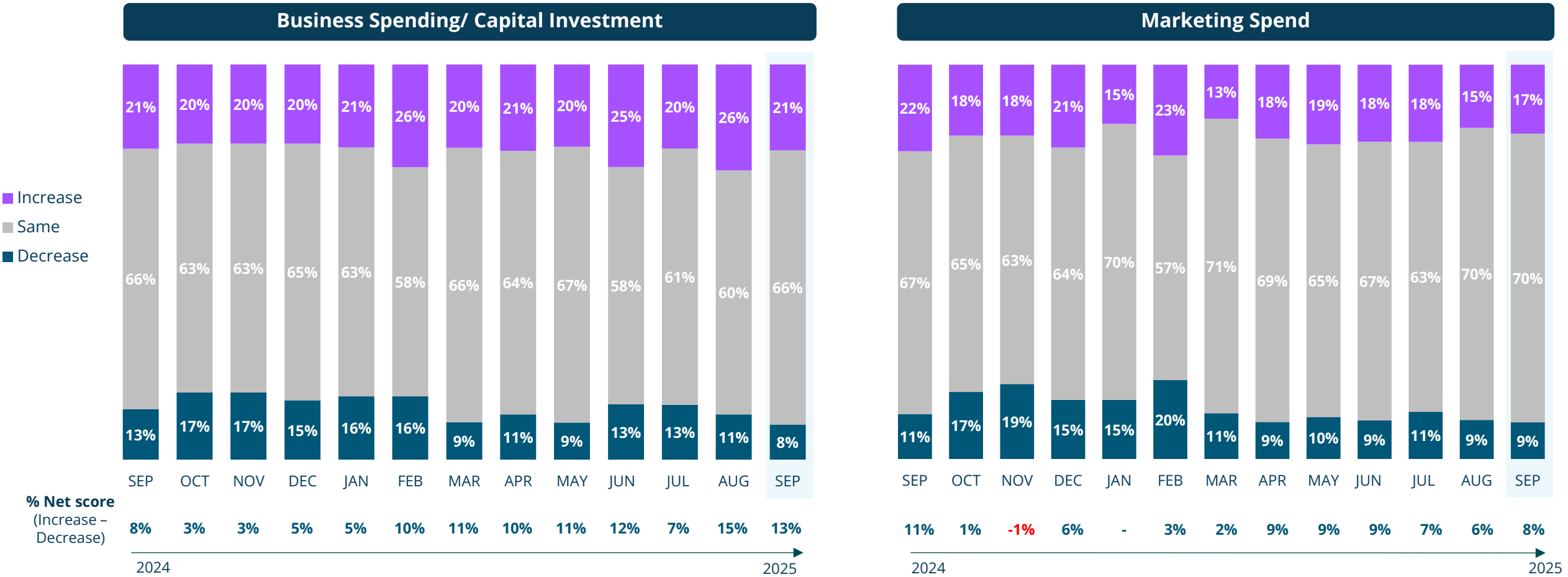
05

Methodology & Sample

Business Investment | Next Three Months

Most SMEs are holding steady on capital investment and marketing spend, with very few planning to reduce activity over the next three months.

Expectations Over The Next 3 Months Regarding Business Investment



Investment intentions over the next 3 months are trending up in technology, passenger vehicles and EVs/Hybrids.

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

	July	Aug	Sep
IT / Office equipment, including hardware & software	41%	42%	51%
Equipment, machinery or plant	19%	24%	18%
Passenger vehicle(s) including SUVs	11%	13%	16%
Electric vehicle(s), including Hybrid	9%	11%	12%
Light commercial vehicle(s)	13%	12%	12%
Agricultural, construction or earthmoving vehicle(s)/equipment	10%	9%	10%
Commercial real estate including buildings or land	6%	9%	9%
Truck(s) less than 4.5 tonnes	7%	7%	6%
Medium and large bus(es)	6%	5%	5%
Truck(s) more than 4.5 tonnes	6%	6%	5%

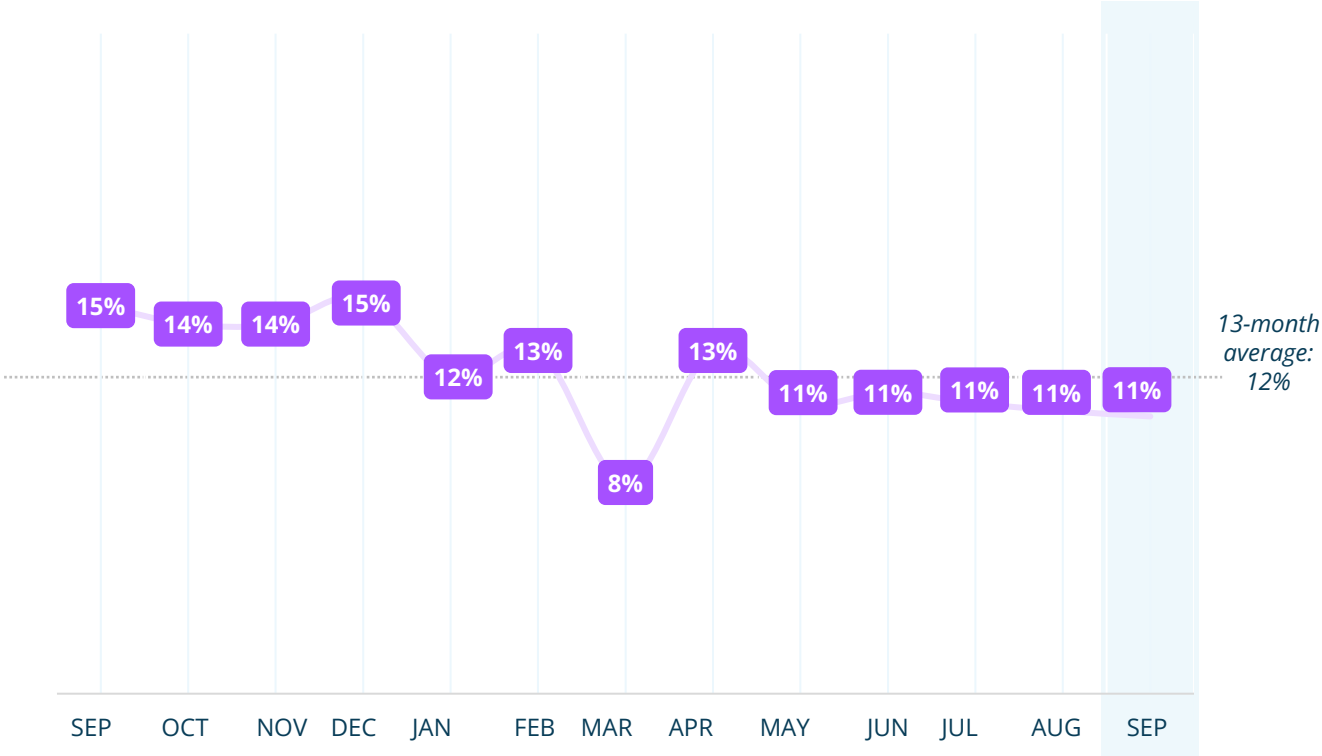
Among larger SMEs, investment intentions for the next three months have rebounded across multiple categories following a subdued August.

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

	0-19 Employees			20+ Employees		
	July	Aug	Sep	July	Aug	Sep
IT / Office equipment, including hardware & software	39%	40%	49%	66%	69%	68%
Equipment, machinery or plant	17%	23%	17%	37%	43%	30%
Passenger vehicle(s) including SUVs	9%	12%	15%	30%	25%	38%
Light commercial vehicle(s)	12%	11%	10%	26%	24%	34%
Electric vehicle(s), including Hybrid	7%	10%	11%	33%	27%	29%
Commercial real estate including buildings or land	5%	8%	7%	24%	24%	32%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	8%	9%	22%	12%	26%
Truck(s) less than 4.5 tonnes	5%	6%	4%	21%	15%	29%
Truck(s) more than 4.5 tonnes	4%	5%	3%	25%	18%	34%
Medium and large bus(es)	5%	4%	4%	16%	17%	21%

Demand for additional finance over the next 3 months remains flat at 11%.

SMEs That Will Require Additional Finance Over The Next 3 Months



And What Is The Purpose Of This Finance?

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Cashflow/ working capital	61%	60%	54%	62%	57%
Purchase plant, machinery or equipment	23%	26%	18%	23%	25%
Fund growth into new markets	22%	13%	13%	17%	15%
Fund growth in Australia	16%	23%	26%	16%	16%
Trade finance to fund import/export activity	13%	9%	17%	12%	15%
Fund merger/acquisition	14%	7%	7%	8%	7%

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)

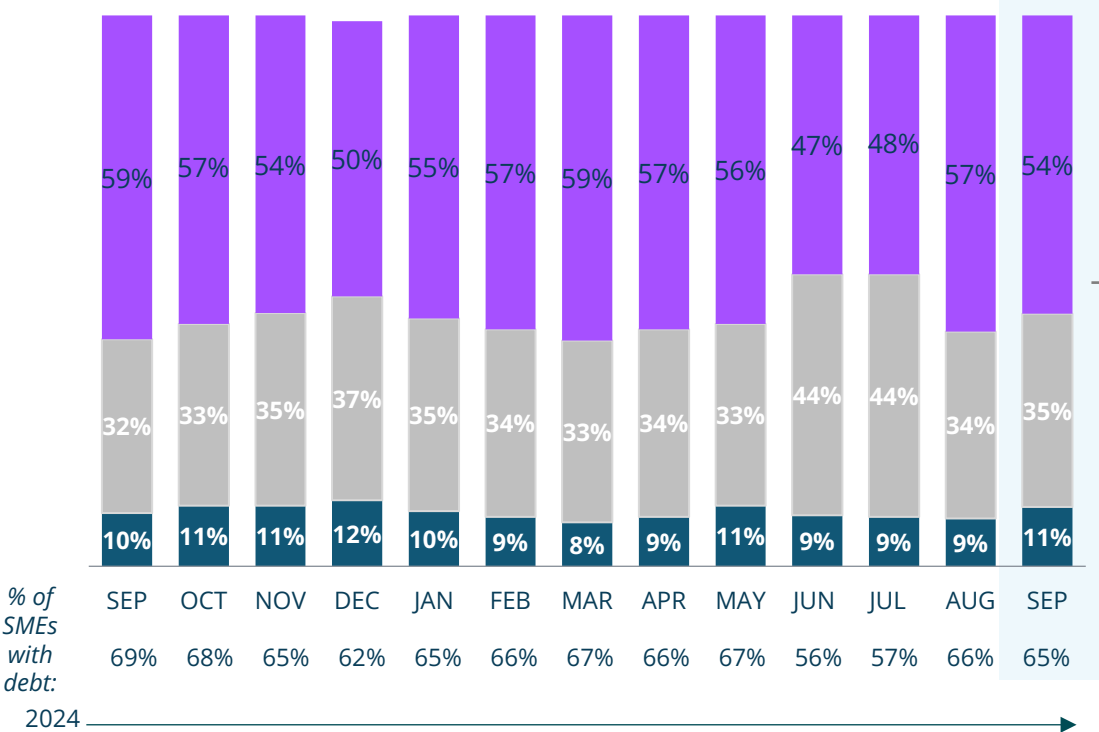
	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
0-19 Employees	13%	14%	10%	11%	10%
20+ Employees	26%	21%	24%	18%	17%
Construction	14%	19%	9%	10%	11%
Distribution	19%	16%	6%	21%	12%
Health & Education	8%	8%	11%	11%	11%
Hospitality	14%	17%	25%	10%	15%
Production	16%	14%	12%	12%	11%
Retail Trade	9%	9%	14%	12%	14%
Services	13%	13%	11%	10%	9%

Business Investment | Loan Stress

Loan stress increased to 11% in September after three steady months at 9%. The share of SMEs with debt remains consistent at around two-thirds, following a temporary dip during the EOFY period when some businesses clear or restructure loans.

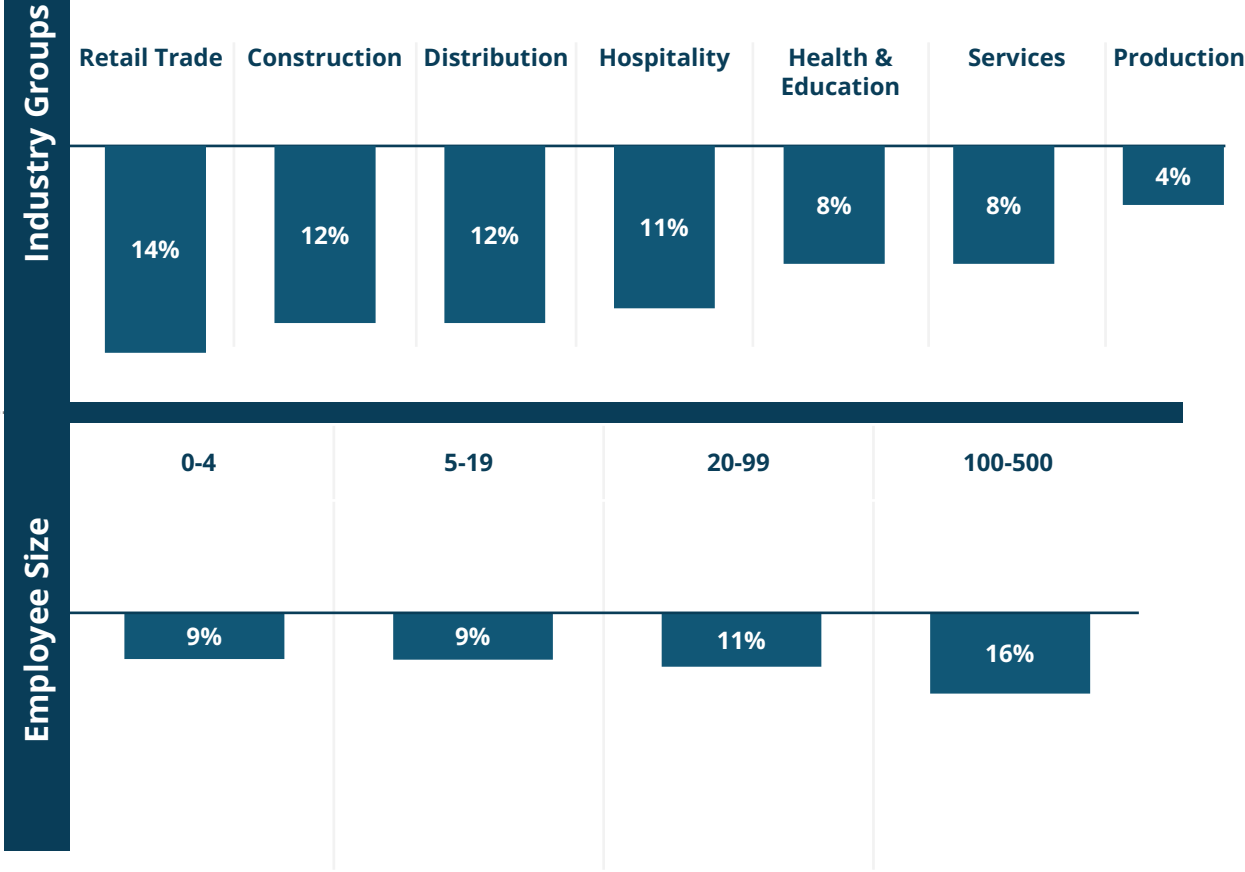
Do You Expect To Be Able To Meet Your Loan Repayments Over The Next 6 Months?

Yes No outstanding loan repayments No



Last 3 Months (Jul, Aug, Sep)

No





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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

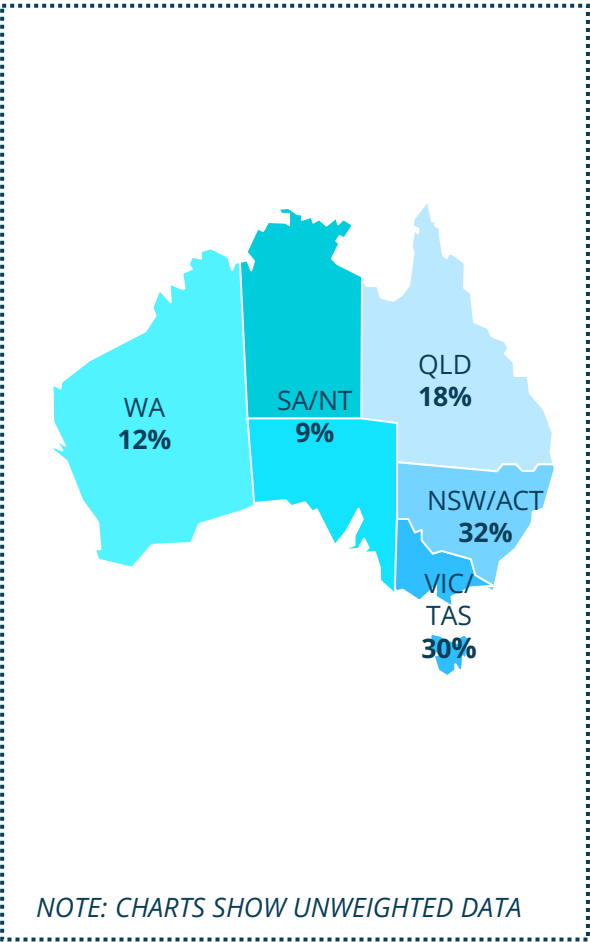


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

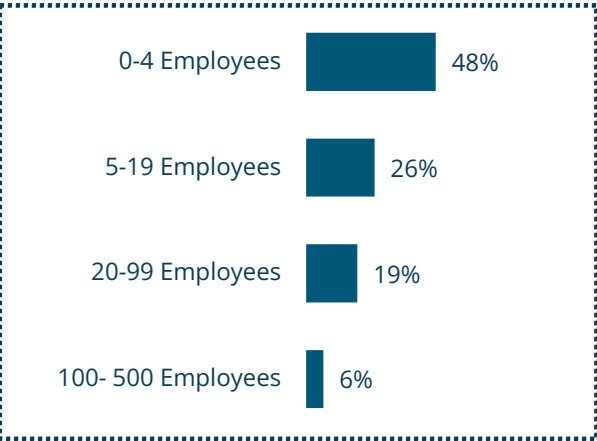
Our Sample

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.

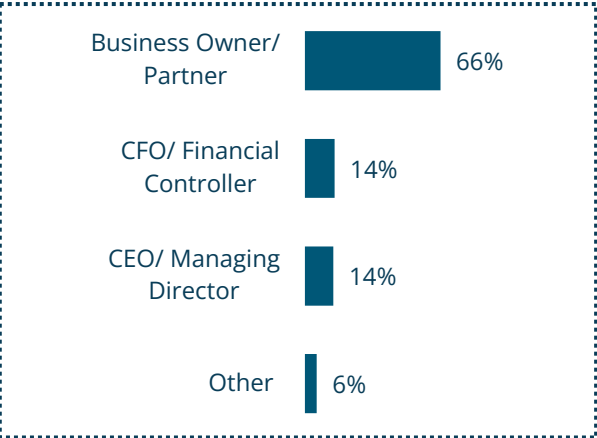
Head Office Location



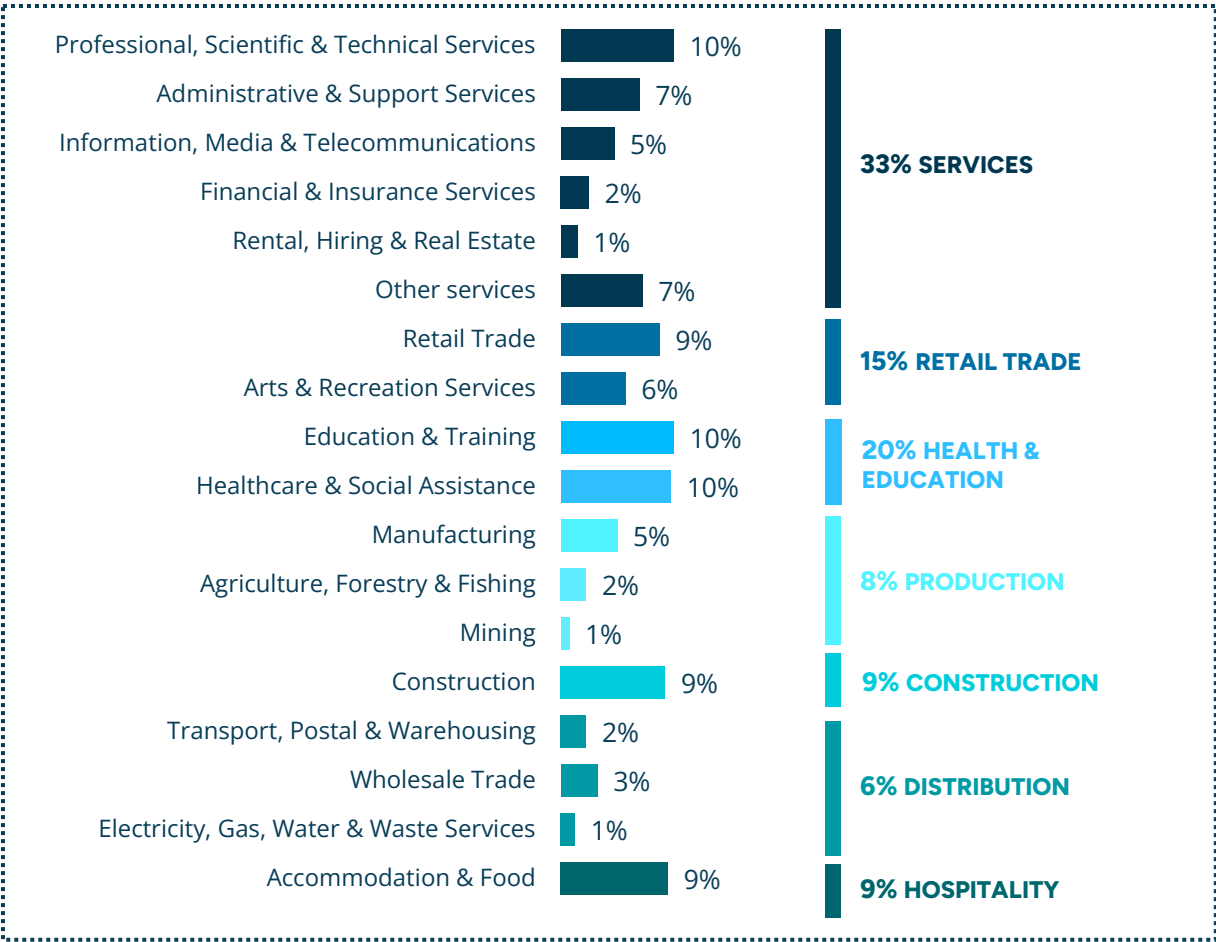
Size Of Business: Employees



Position In Business



Industry Sector



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