Small & Medium Enterprise Sentiment Tracker

Wave 80 – September 2025

OVATION

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.

SME confidence surged to 104, surpassing consumer sentiment for the first time since May

68% of SMEs turned a profit in October, boosted by seasonal demand

40% of SMEs plan to expand in the next year, signalling sustained growth ambitions

Hiring expectations increased to 15%, the highest result in 2025

SME Confidence Up, But Will Inflation Dampen the Christmas Spirit?

SME confidence strengthened in October, rising above consumer confidence for the first time since May. Revenue and profit results were very positive, supported by seasonal demand. Larger SMEs continue to lead the improvement, contributing to a positive trend that has been building since the start of the financial year.

Growth aspirations remain elevated, with 40% of SMEs focused on expansion over the next 12 months, well above the long-term average. Encouragingly, this marks the third consecutive month where growth intentions have remained strong, signalling consistent optimism despite broader economic uncertainty.

SME job vacancies increased significantly in October, with 19% of businesses currently trying to fill roles, up from 10% in September and above the 13-month average of 14%. This is led by demand in Hospitality and Construction. However, recruitment challenges persist, particularly for smaller SMEs, with rising wage demands and a shortage of transient and migrant workers continuing to apply pressure.

Demand for additional finance remains stable, though funding for mergers and acquisitions has increased, indicating targeted, strategic investment activity. Encouragingly, only 7% of SMEs expect difficulty meeting loan repayments over the next six months, down from 11% a month earlier.

Satisfaction with federal government policies continued to improve for the third consecutive month, now at 34%. At the same time, negative sentiment toward the Trump administration eased, again reflecting reduced geopolitical risk and tariff concerns.

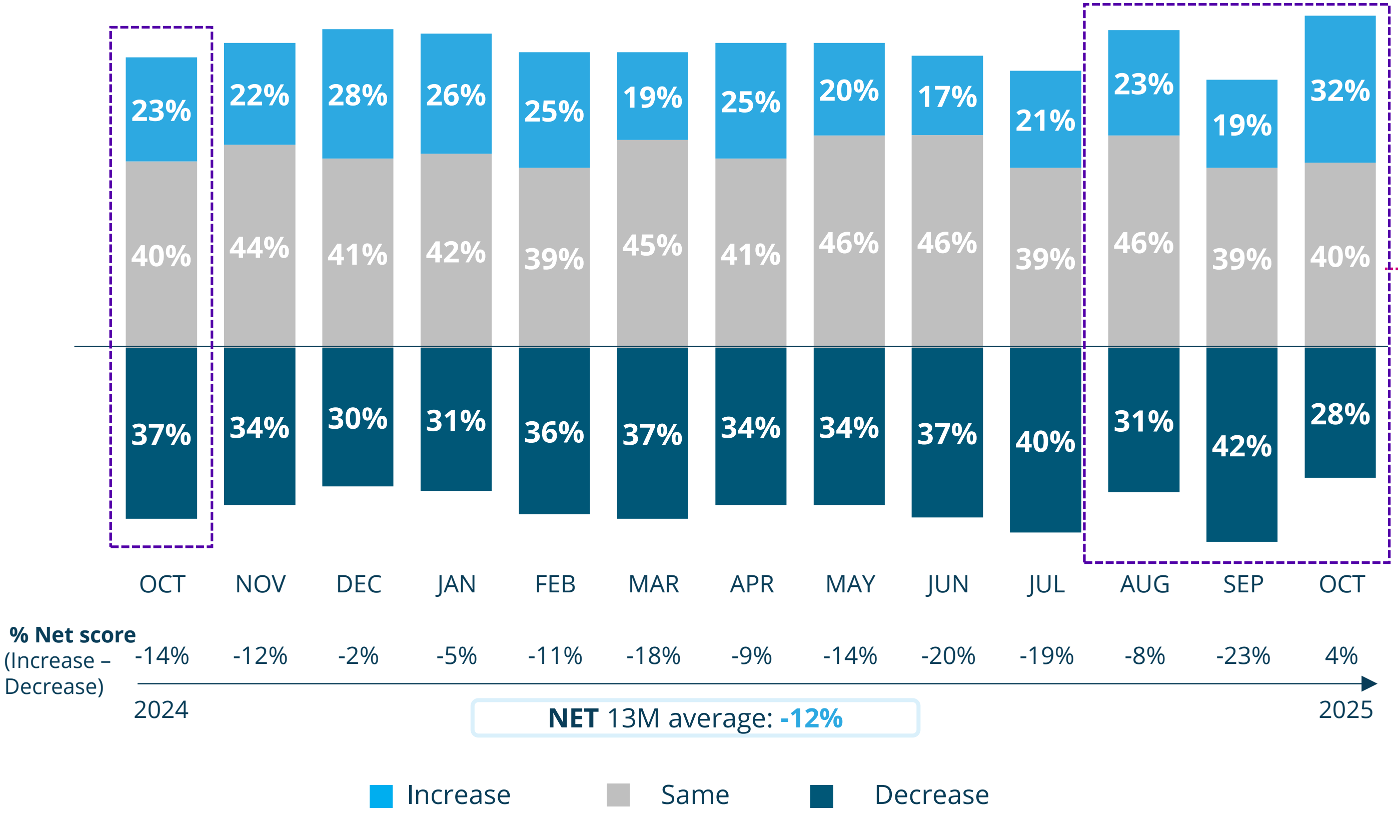
> In summary, October was a very positive month for SMEs, with seasonal demand lifting revenue, profit, and hiring intentions. While this strong outlook sets a solid platform for the rest of the year, stubborn inflation and the pause on interest rate cuts could stall momentum and temper confidence in the months ahead.

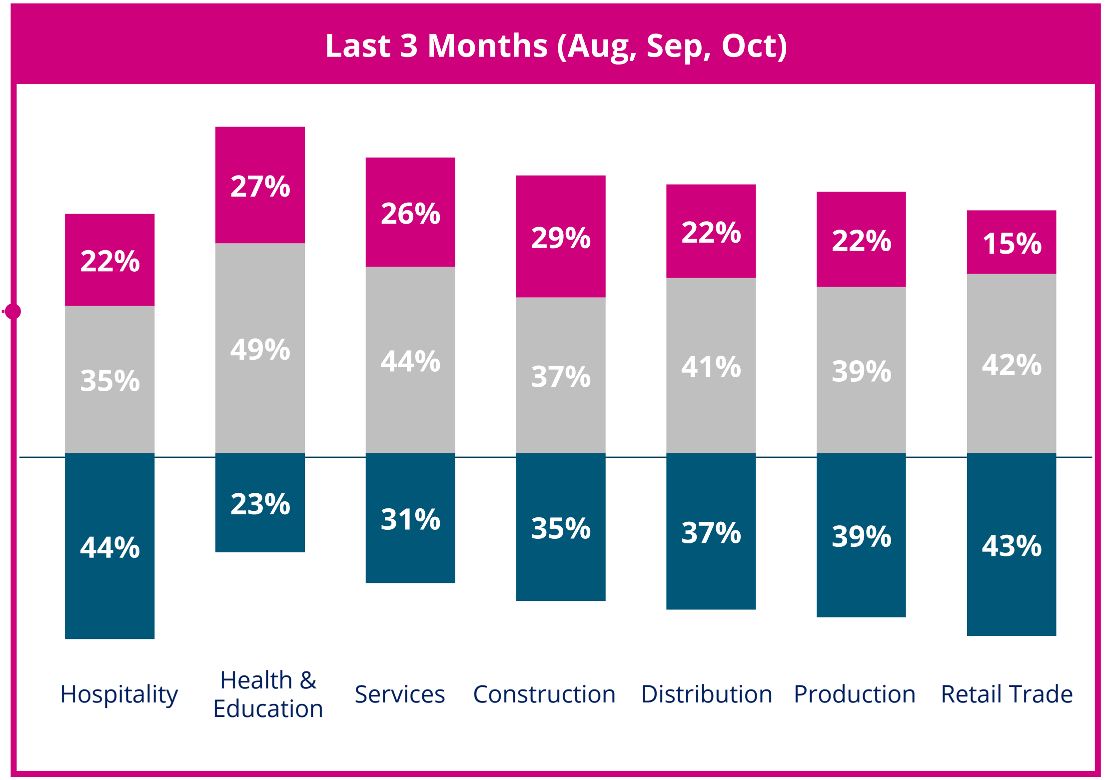
fifth quadrant

Key Performance Indicators | Revenue

Revenue results continue to fluctuate month to month, reflecting an uncertain trading environment. The strong improvement in October likely reflects short-term seasonal demand and may be short-lived given the recent uptick in inflation and the pause in interest rate cuts announced after this data was collected.

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

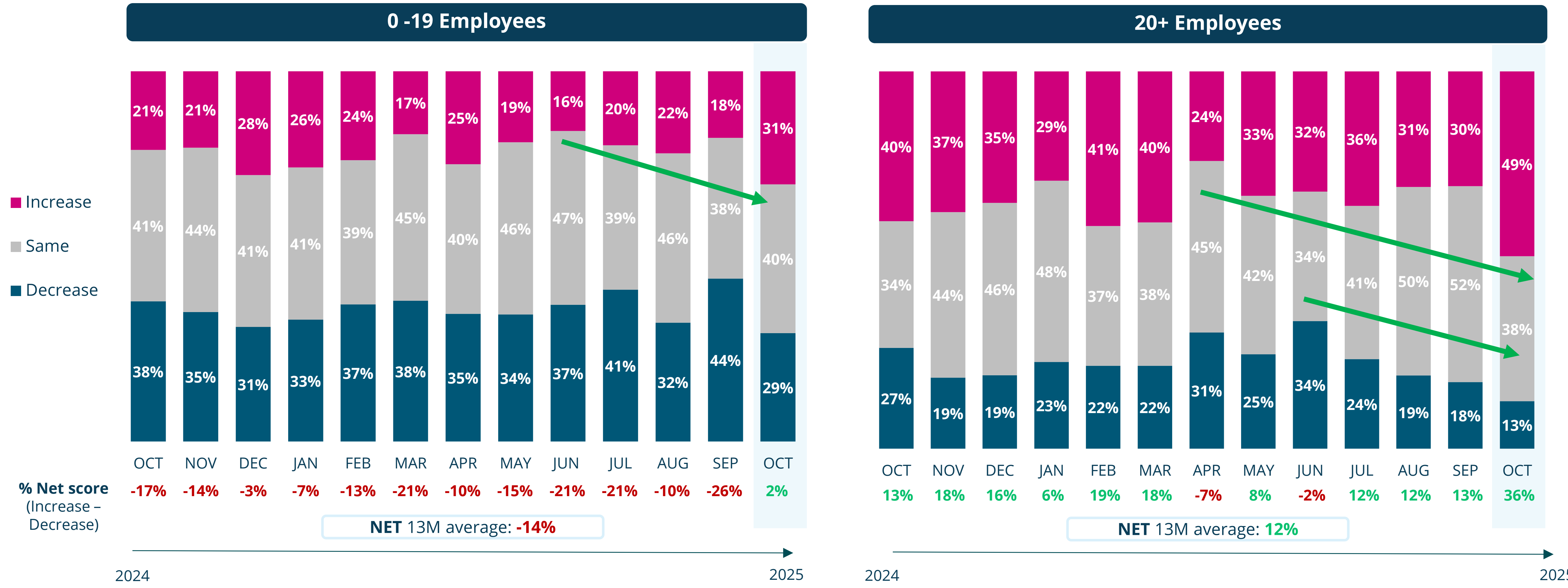




Key Performance Indicators | Revenue

Revenue growth was evident across both employee cohorts compared with September and the same period last year. Despite ongoing fluctuations, results have generally trended in a more positive direction since the start of the new financial year, particularly among larger SMEs.

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



0 -19 Employees

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
Increase	21%	21%	28%	26%	24%	17%	25%	19%	16%	20%	22%	18%	31%
Same	41%	44%	41%	41%	39%	45%	40%	46%	47%	39%	46%	38%	40%
Decrease	38%	35%	31%	33%	37%	38%	35%	34%	37%	41%	32%	44%	29%
% Net score (Increase – Decrease)	-17%	-14%	-3%	-7%	-13%	-21%	-10%	-15%	-21%	-21%	-10%	-26%	2%

NET 13M average: **-14%**

20+ Employees

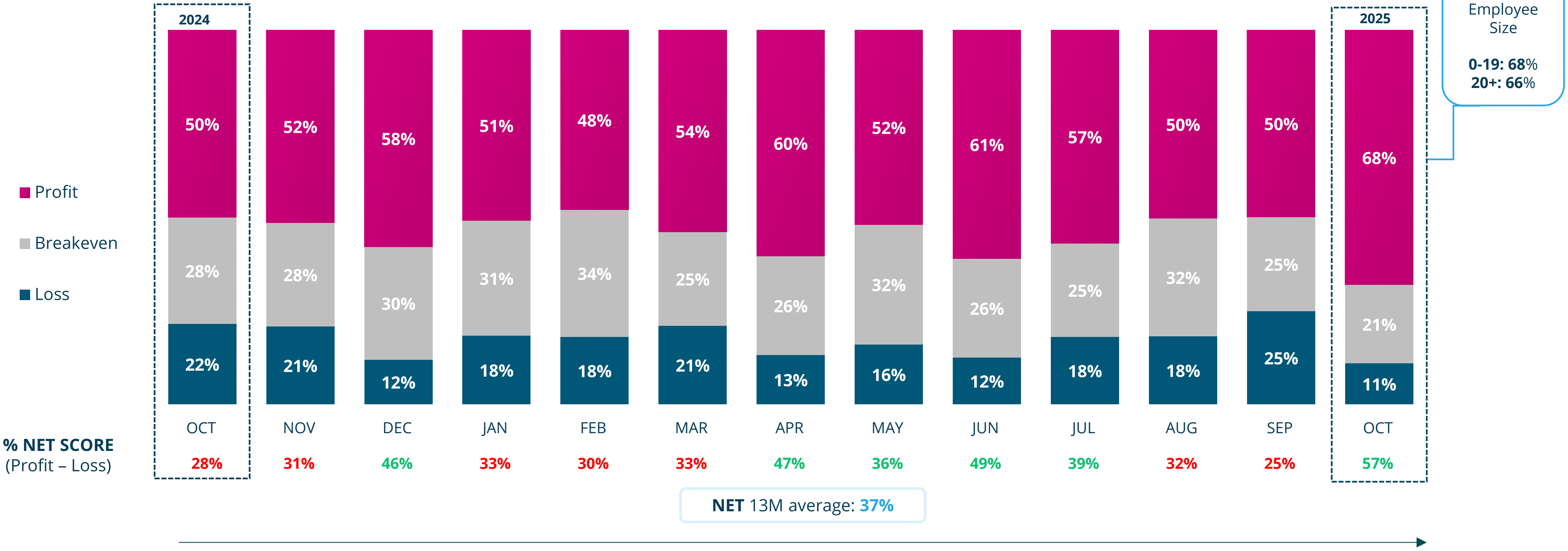
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
Increase	40%	37%	35%	29%	41%	40%	24%	33%	32%	36%	31%	30%	49%
Same	34%	44%	46%	48%	37%	38%	45%	42%	34%	41%	50%	52%	38%
Decrease	27%	19%	19%	23%	22%	22%	31%	25%	34%	24%	19%	18%	13%
% Net score (Increase – Decrease)	13%	18%	16%	6%	19%	18%	-7%	8%	-2%	12%	12%	13%	36%

NET 13M average: **12%**

Key Performance Indicators | Profit

In line with stronger revenue results, it's very positive to report a significant lift in profit figures in October. This represents the strongest profit data recorded over the past 12 months and marks a clear improvement in overall financial performance.

What Was Your Profit Margin Last Month?

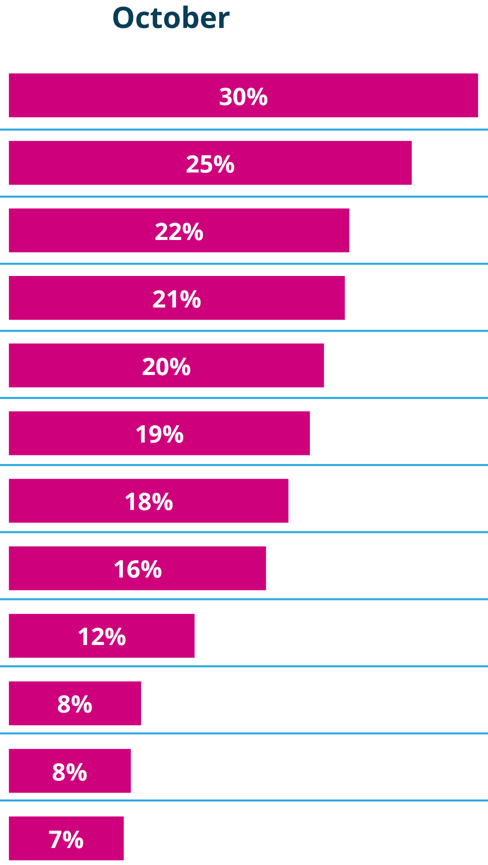


NET 13M average: 37%

Key Performance Indicators | Responding To Challenges

Reflecting stronger profit results, SMEs have shown a greater focus on business efficiency and staff productivity over the past three months.

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

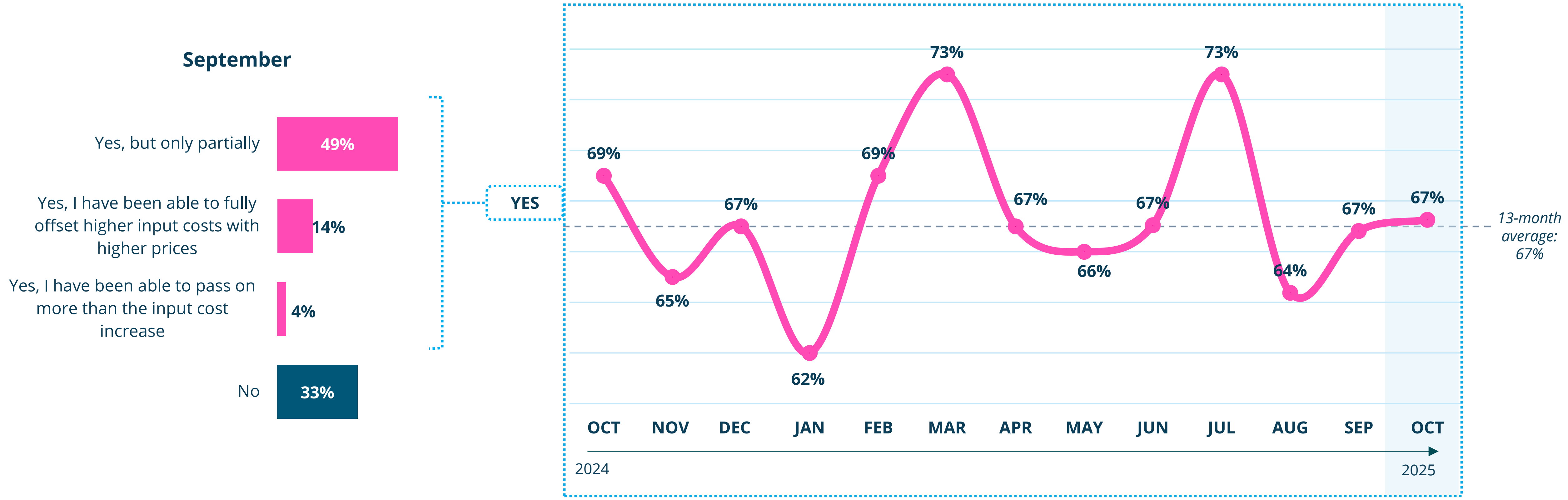


	June	July	August	September	October
Enhancing efficiency by streamlining business operations.	26%	25%	26%	22%	30%
Discontinuing products/services that are not profitable.	33%	26%	26%	29%	25%
Maximising staff productivity through better training and optimisation.	20%	19%	16%	18%	22%
Expanding the range of products/services to generate new revenue streams.	18%	23%	27%	21%	21%
Renegotiating supplier contracts or seeking new supply sources.	15%	24%	20%	23%	20%
Reassessing current projects and significant investments for viability and impact.	17%	23%	25%	16%	19%
Adopting new technologies for increased automation and operational efficiency.	13%	15%	19%	18%	18%
Refining inventory management practices for better efficiency.	15%	14%	18%	18%	16%
Delegating non-essential functions to external providers.	7%	9%	11%	9%	12%
Undertaking debt restructuring to reduce financial burdens.	10%	9%	14%	17%	8%
Shifting towards the use of renewable energy sources.	10%	7%	6%	9%	8%
Implementing workforce reductions, such as layoffs or hiring freezes.	8%	11%	6%	10%	7%

Key Performance Indicators | Cost Recovery

Cost recovery remained stable in October, with 67% of SMEs able to pass on at least some of their higher input costs, unchanged from September and in line with the 13-month average. While this suggests some consistency, most SMEs continue to recover costs only partially, reflecting ongoing margin pressure and limited pricing power despite stronger revenue and profit trends.

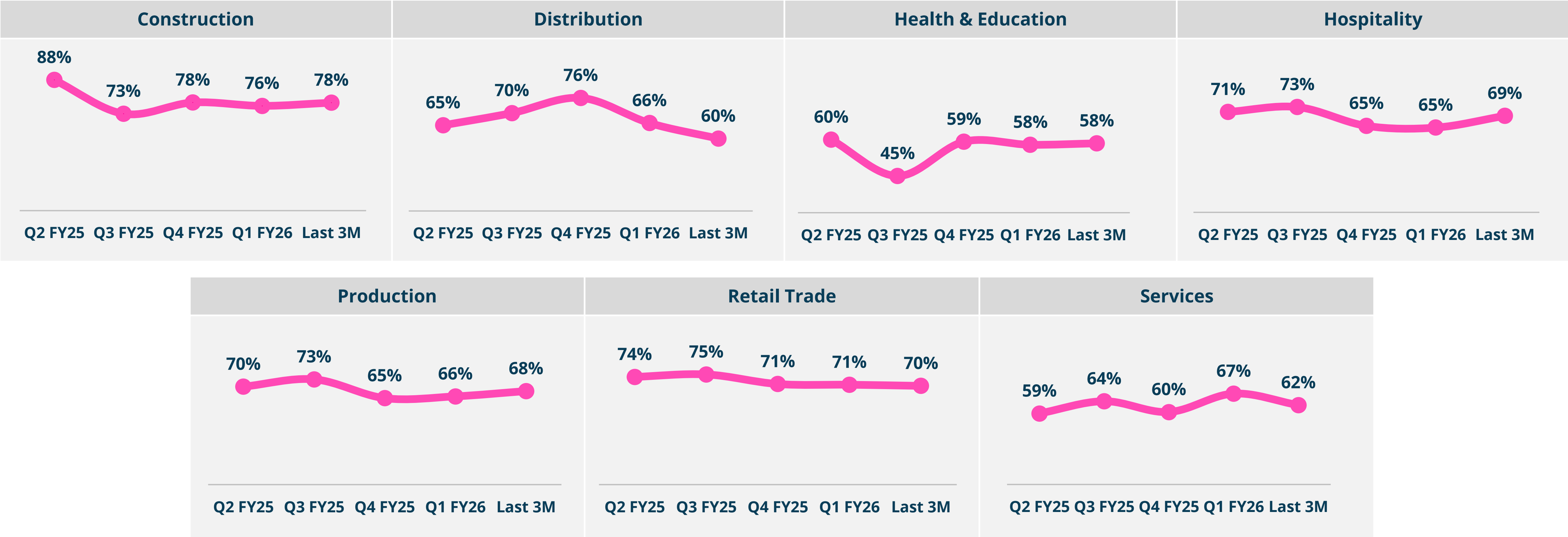
Have You Been Able To Pass On Higher Input Costs To Your Customers?



Key Performance Indicators | Cost Recovery

Cost recovery in the Distribution sector has fallen back to levels below those recorded in the same period last year.

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

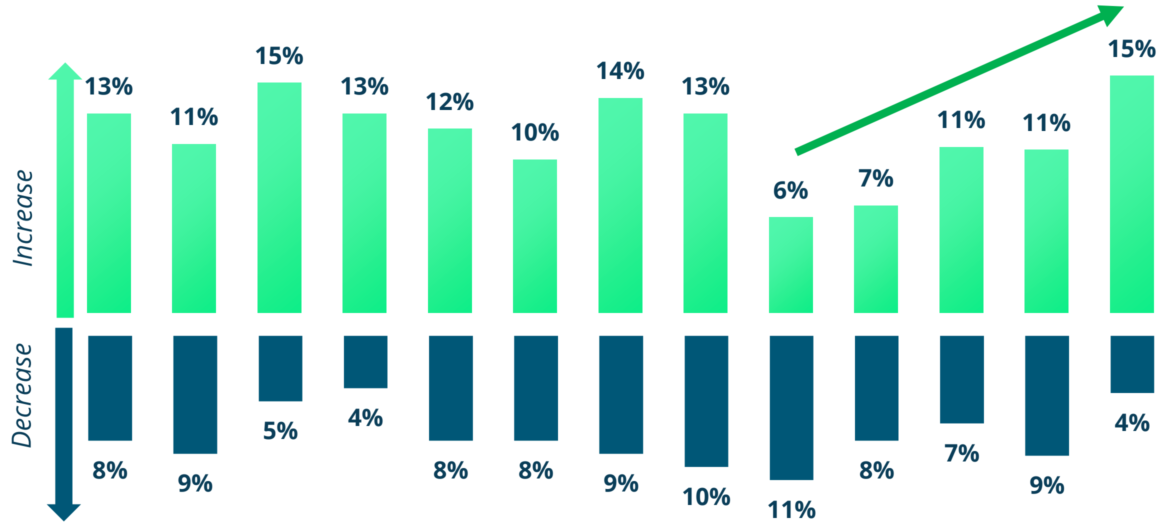


Key Performance Indicators | People

Hiring expectations strengthened in October, with the net staffing outlook rising from 2% to 11%. The lift appears to be driven by seasonal demand in Hospitality and project activity ramping up in Construction as firms push to complete work before the end of the calendar year.

Expectations Over The Next 3 Months Regarding Staff

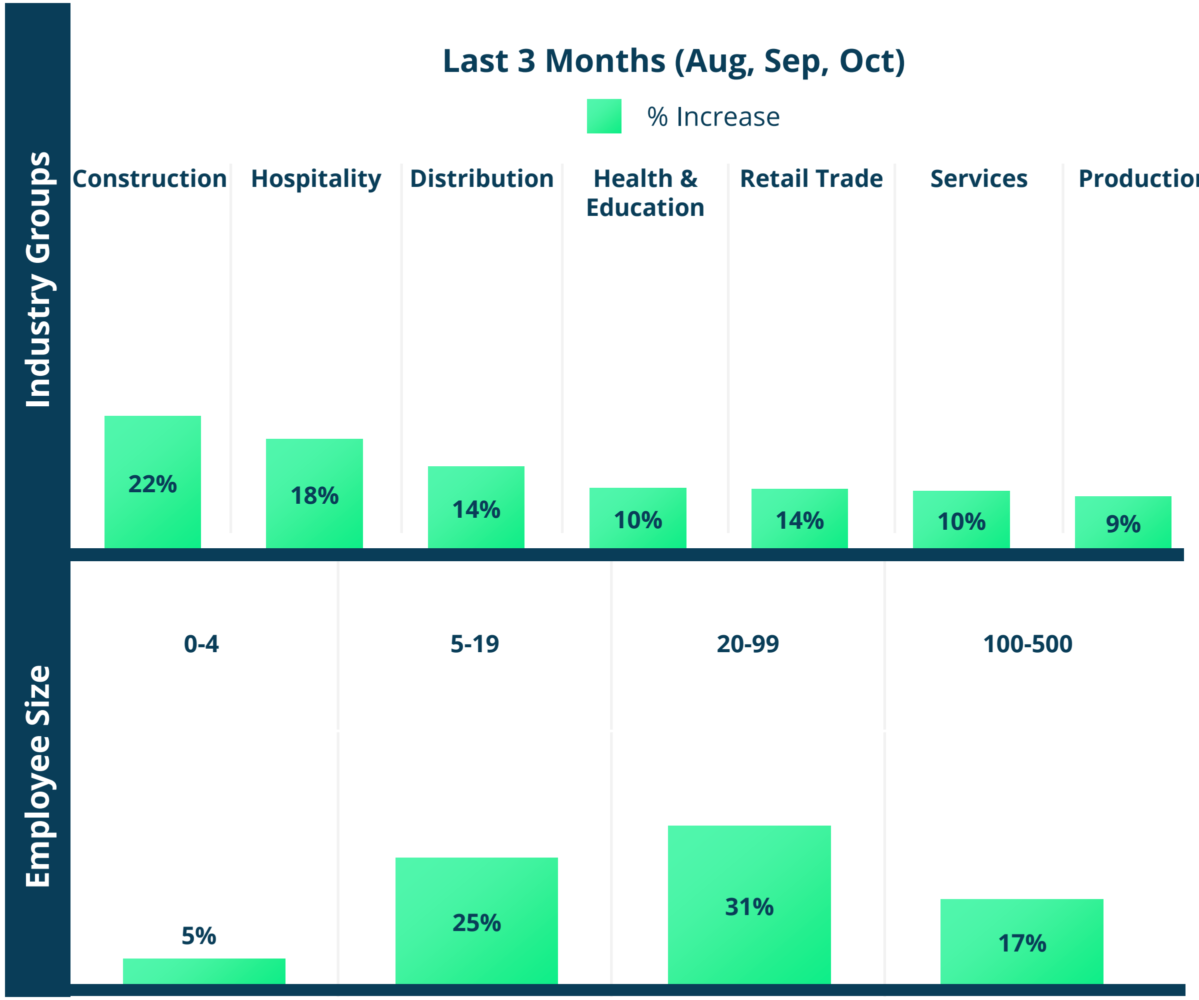
The Number Of Staff You Employ



% Net score (Increase – Decrease)	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
	5%	2%	10%	9%	4%	2%	5%	3%	-5%	-1%	4%	2%	11%

NET 13M average: **4%**

2024 2025

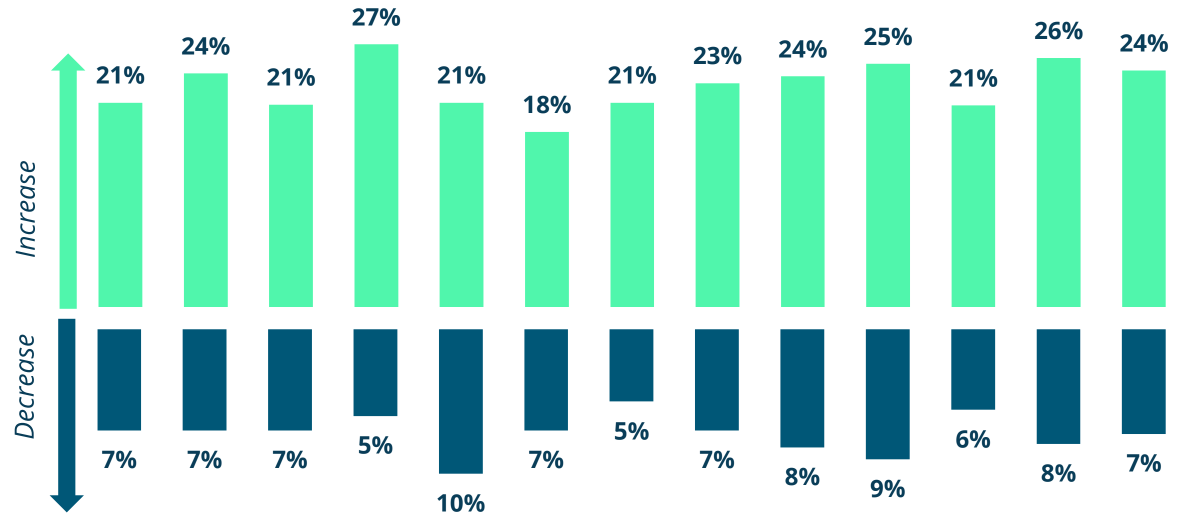


Key Performance Indicators | People

Expectations regarding wage increases over the next 3 months eased slightly in October, with 24% of SMEs anticipating pay increases over the next three months, down from 26% in September.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



% Net score (Increase – Decrease)	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
	14%	17%	14%	22%	11%	11%	16%	16%	16%	16%	15%	18%	17%

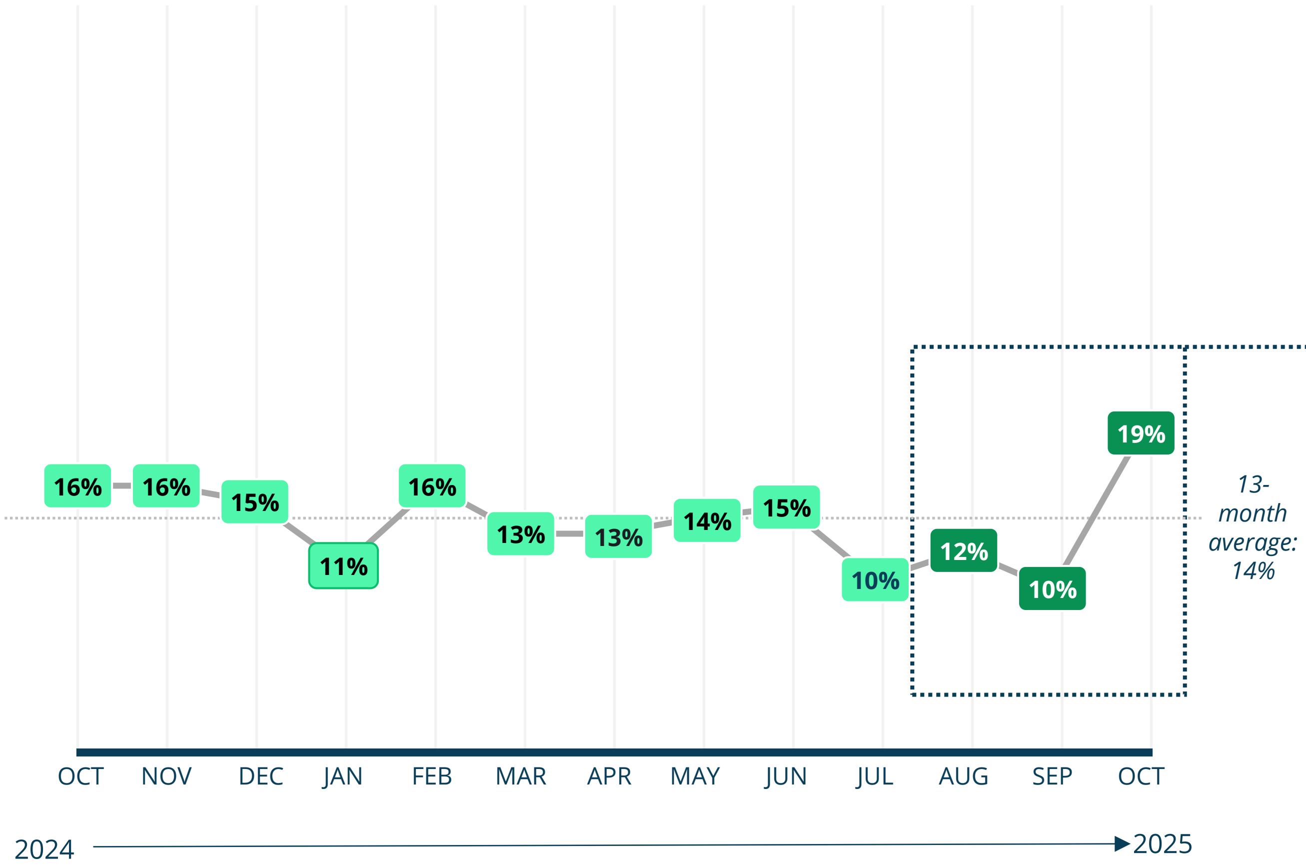
NET 13M average: **16%**

2024 → 2025

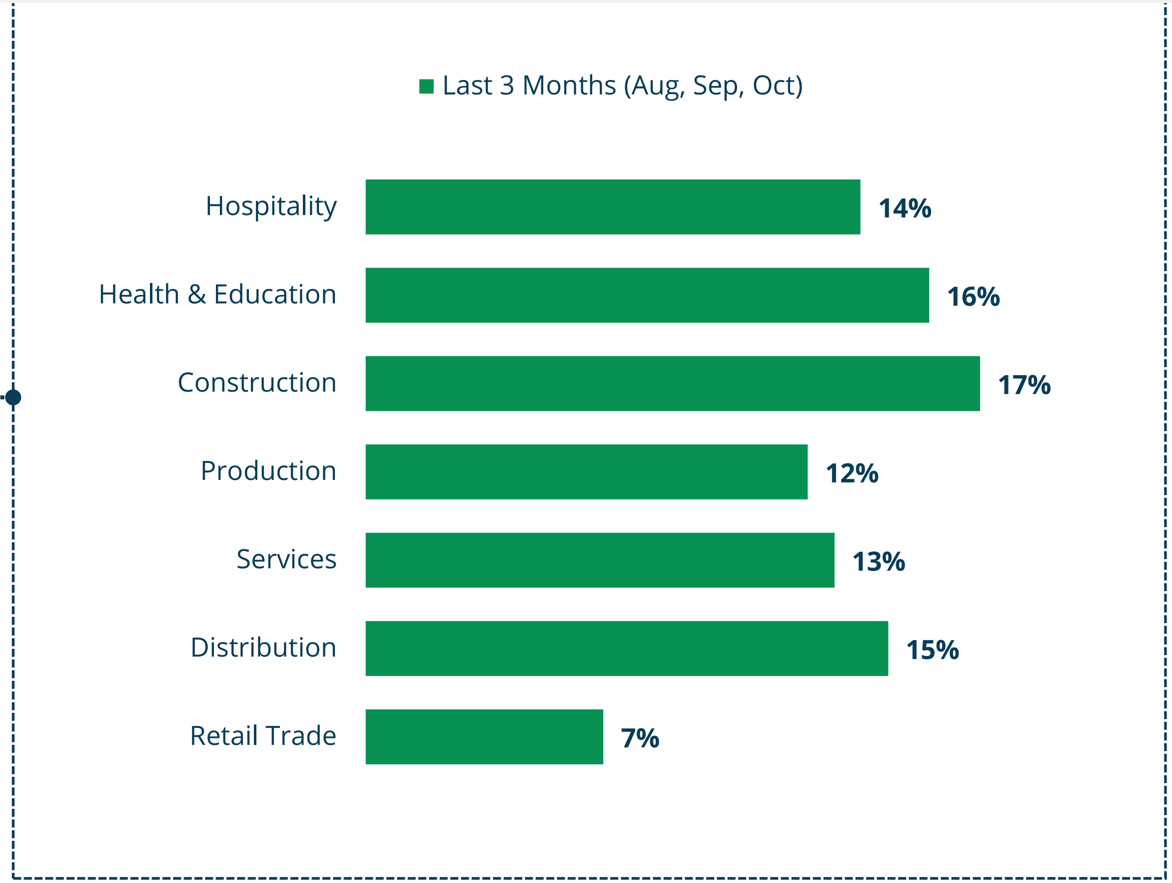
Key Performance Indicators | People

SME job vacancies increased significantly in October, with 19% of businesses currently trying to fill roles, up from 10% in September and above the 13-month average of 14%.

SMEs That Currently Have Job Roles They Are Trying To Fill

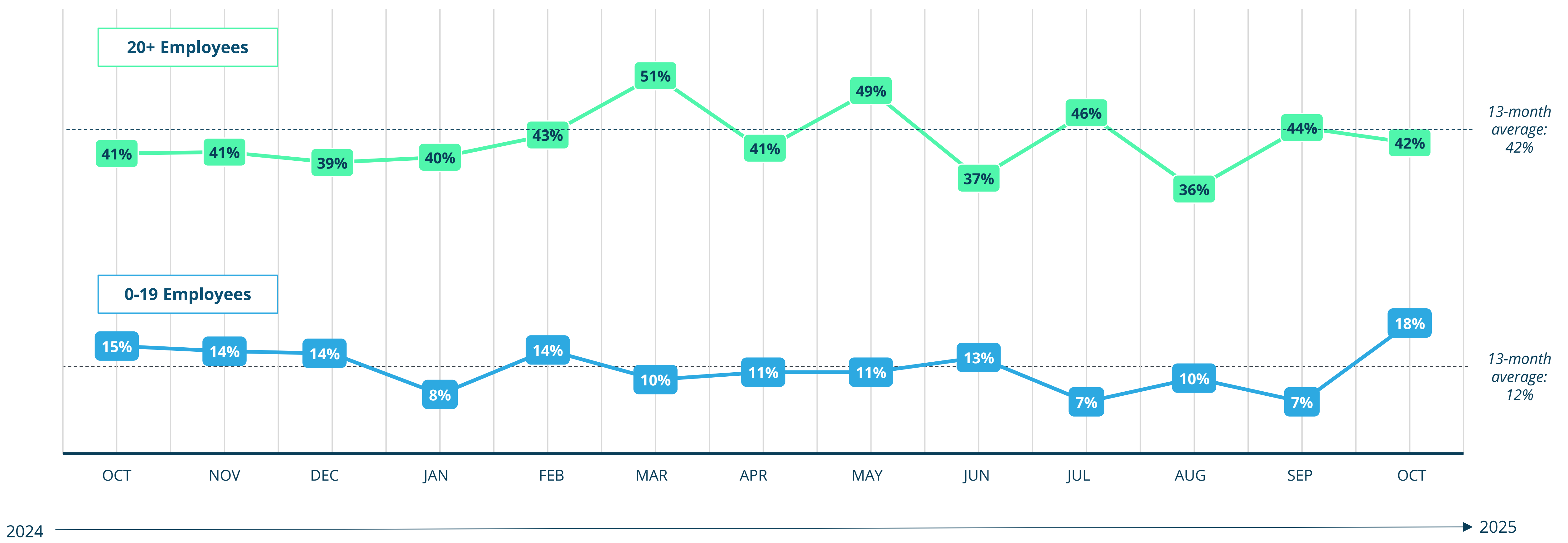


Current Job Vacancies By Industry



Job vacancies rose sharply among smaller SMEs in October, with 18% now reporting open roles, up from 7% in September and above the 13-month average of 12%. Among larger SMEs, vacancy levels remained relatively stable, though hiring activity continues to fluctuate month to month.

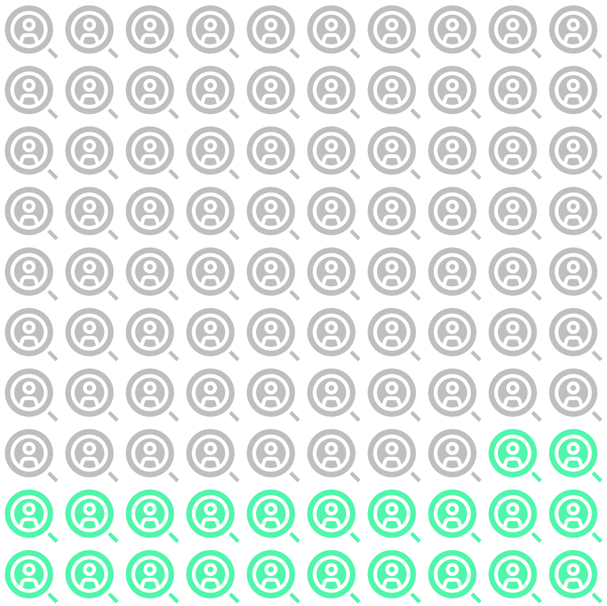
SMEs That Currently Have Job Roles They Are Trying To Fill



Despite stronger results in October, FY26 remains relatively weak in terms of SME job vacancies, aligning with the recent slowdown in broader employment data.

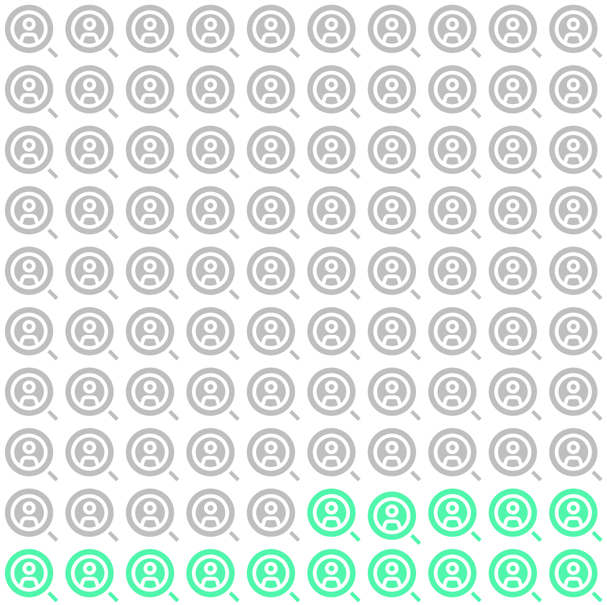
SMEs That Currently Have Job Roles They Are Trying To Fill

FY24



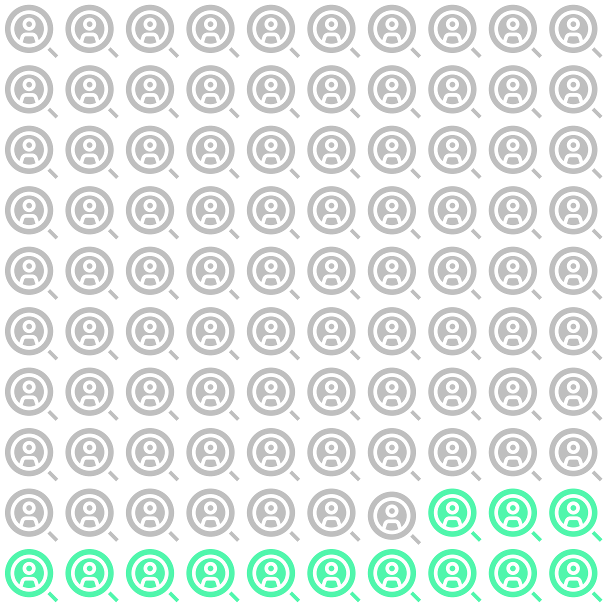
22% with job vacancies

FY25



15% with job vacancies

FY26

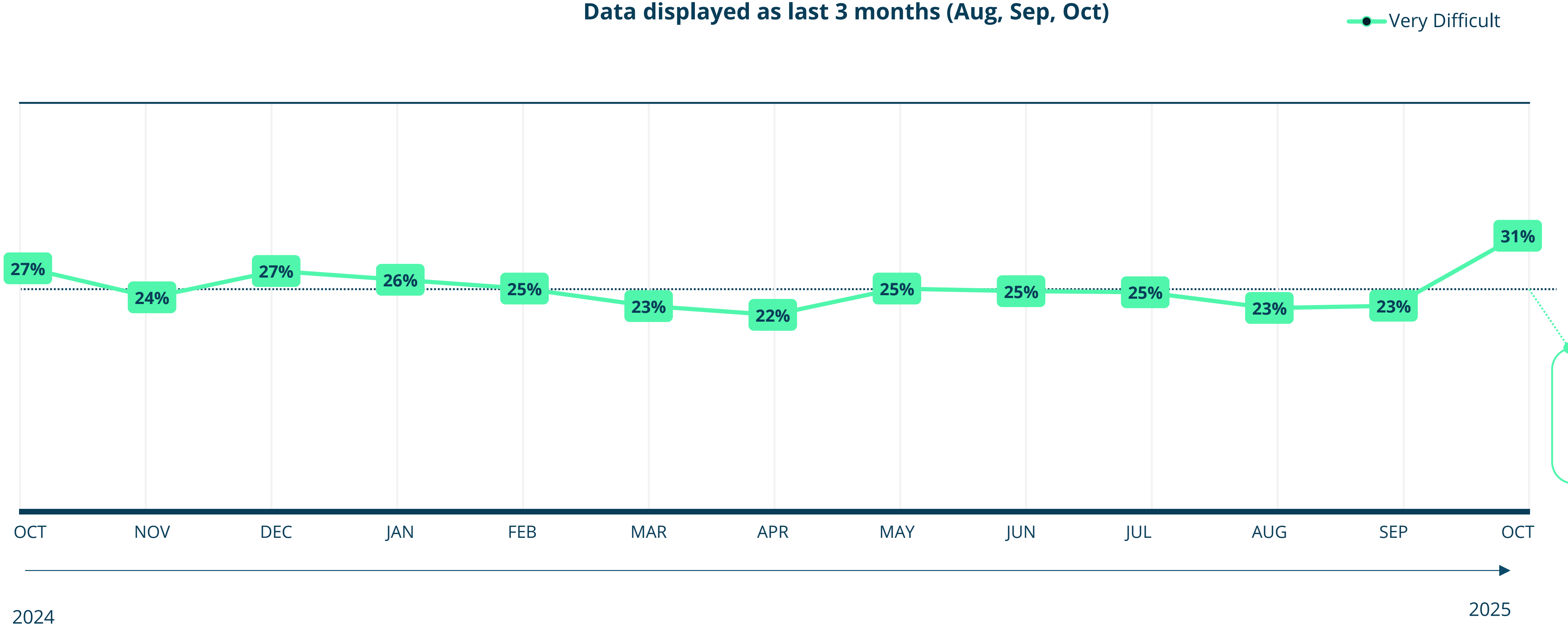


13% with job vacancies

With recruitment activity increasing in October, it's not surprising that more SMEs are finding it difficult to fill roles. Overall, 31% now describe recruitment as very difficult, up from 23% in September and above the 13-month average of 25%. Smaller SMEs continue to face the greatest challenges attracting staff.

How Difficult Is It To Fill These Roles?

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



SME Size
0-19: 36%
20+: 13%

Among SMEs finding recruitment difficult, wage demands and the lack of migrant workers have both trended upward, reflecting increased competition for transient labour as seasonal demand peaks.

Why Is It Difficult To Fill Job Roles?

	Aug, Sep, Oct	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Lack of skilled/qualified candidates	59%	59%	58%	58%	55%	54%
Wage demands too high	42%	41%	34%	40%	47%	48%
Not enough candidates are applying	32%	42%	36%	42%	47%	34%
Too much competition from other businesses	21%	28%	21%	28%	18%	26%
Candidates are not willing to work the hours required	17%	22%	30%	29%	32%	26%
Lack of backpackers/migrant workers	14%	9%	7%	6%	7%	14%

01 Key Performance Indicators

02 People

03 Business Sentiment

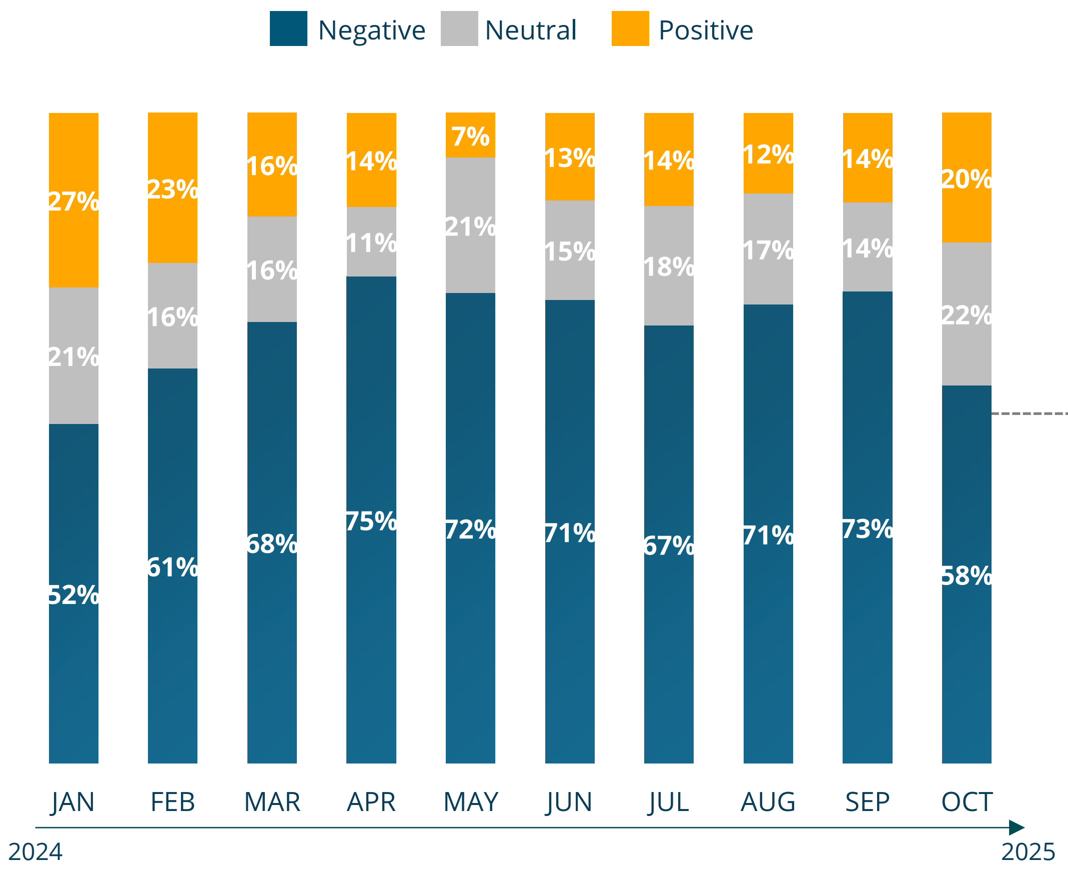
04 Business Investment

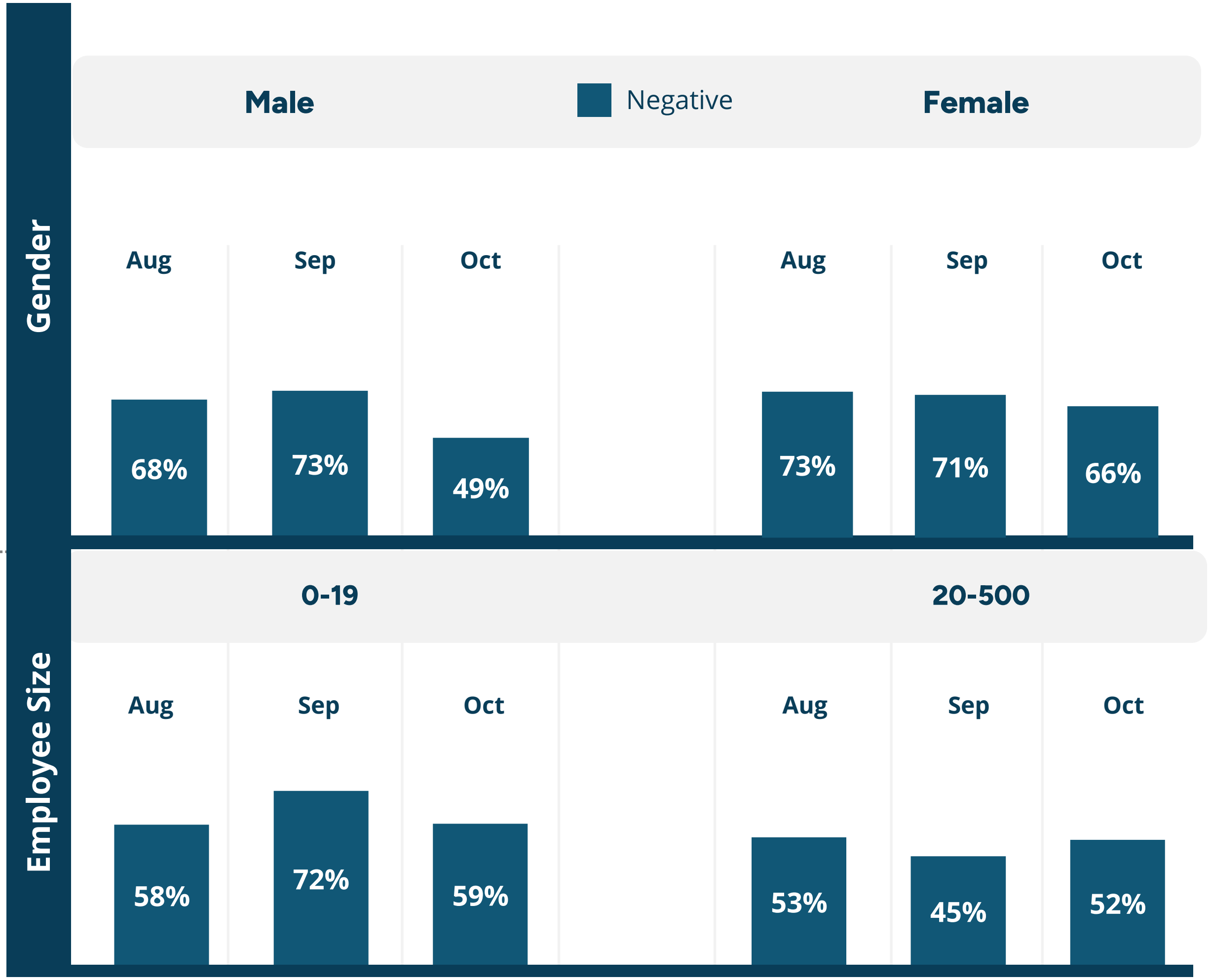
05 Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions

Negative sentiment toward the Trump administration remains elevated at 58%, though it has eased from 73% in September. The improvement likely reflects reduced geopolitical tension following the Middle East ceasefire and greater optimism around recent tariff developments.

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

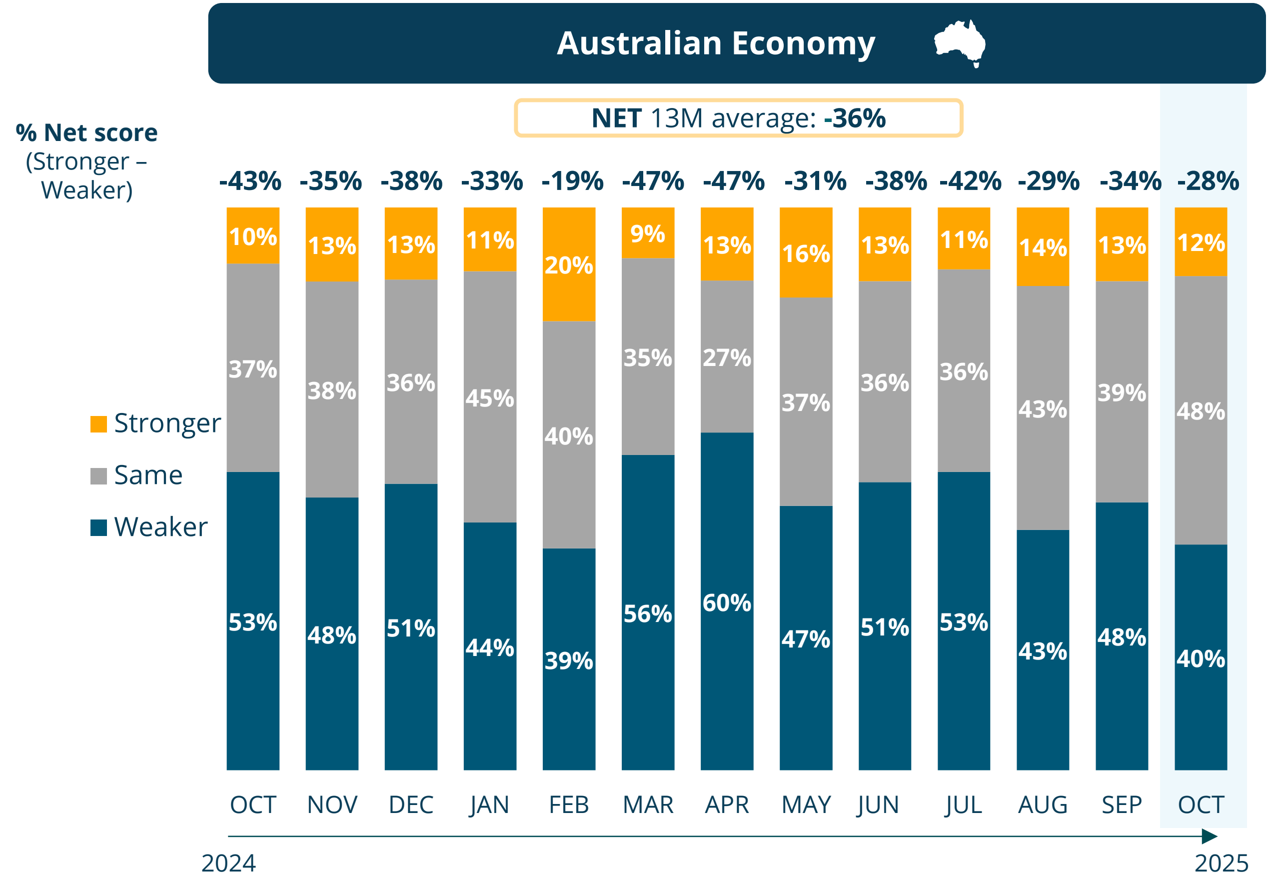


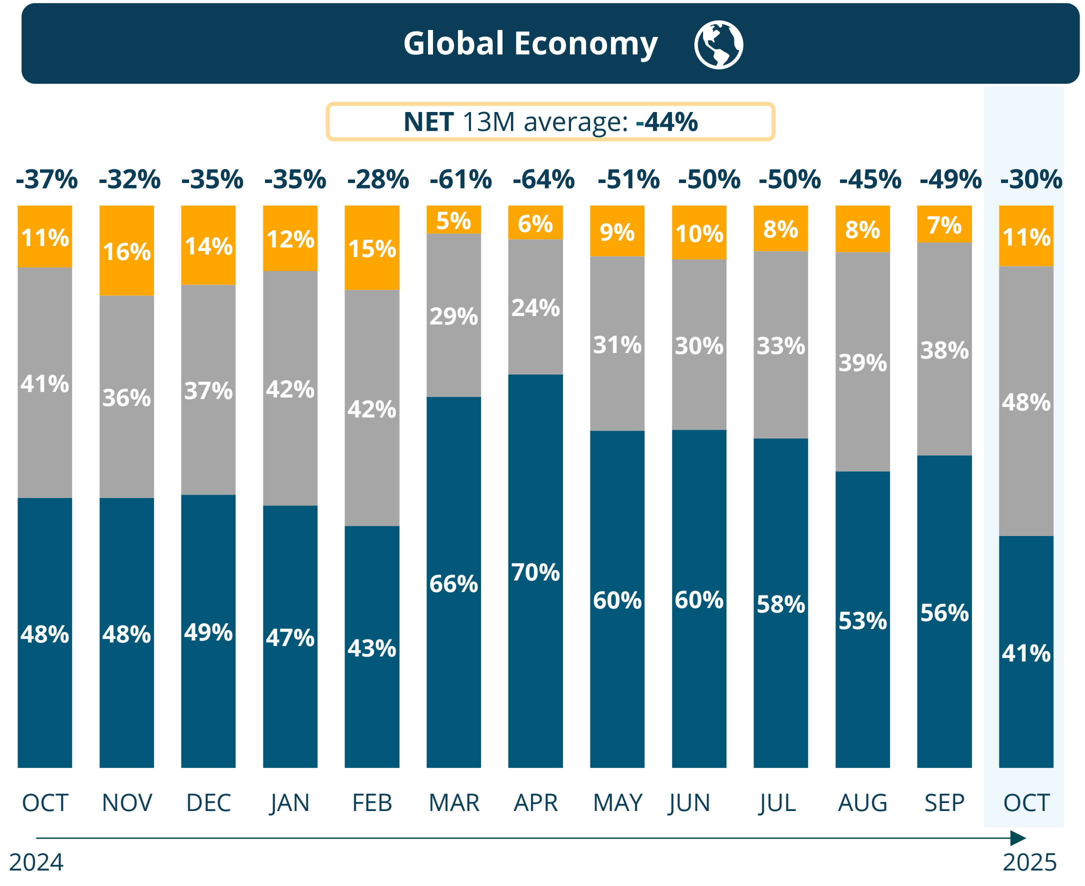


Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

SME confidence in the Australian economy improved slightly in October, with the net score lifting from –34% to –28%. Confidence in the global economy also strengthened, rising from –49% to –30%, supported by reduced geopolitical tensions.

Expectations Over The Next 3 Months Regarding Economic Conditions





Business Sentiment | Challenges

Keeping pace with changing customer behaviours remains the top challenge for SMEs in October, cited by 45%, reflecting ongoing uncertainty around shifting demand patterns and consumer spending as businesses head into the Christmas trading period. While economic pressures remain elevated, it's encouraging to see sustainability strategies trending upward and both geopolitical risk and supply chain pressures easing.

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

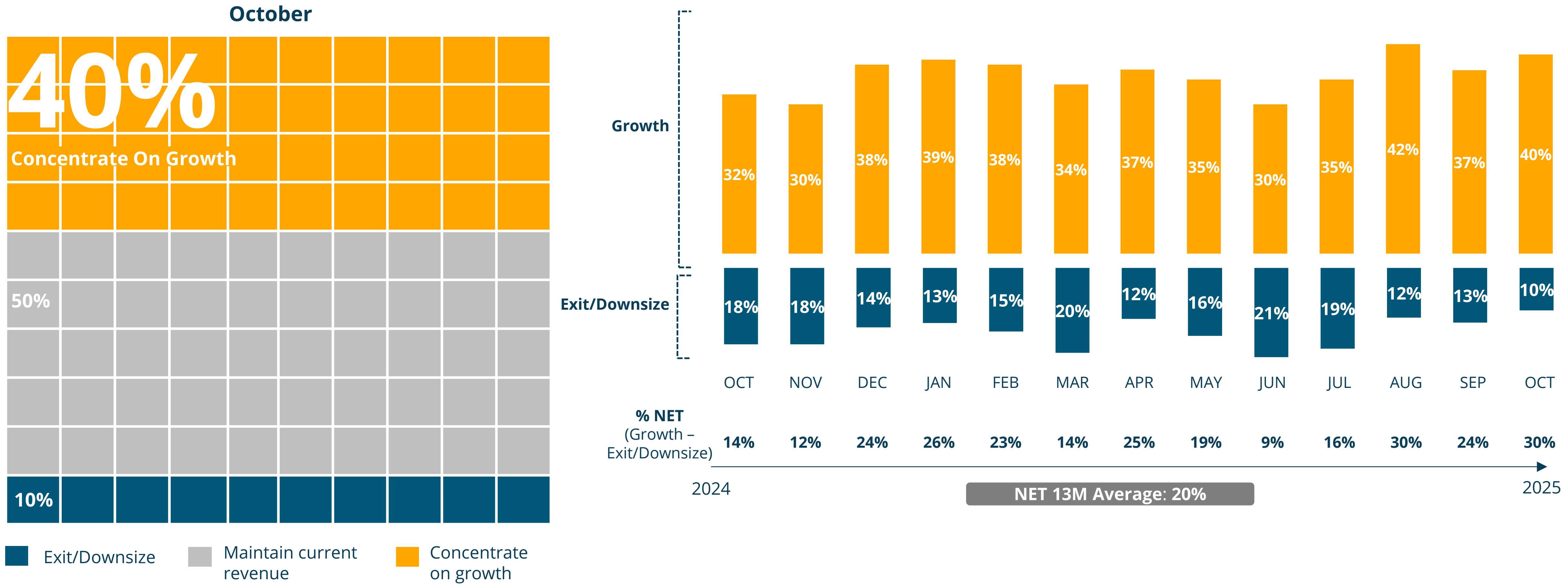
	October	May	June	July	August	September	October
Keeping pace with changing customer behaviours and preferences.	45%	42%	42%	37%	39%	45%	45%
Addressing the difficult economic outlook and ongoing cost pressures.	43%	45%	49%	43%	43%	44%	43%
Navigating regulatory, compliance, and governance challenges.	24%	20%	21%	24%	27%	22%	24%
Acquiring, training, and upskilling talent in a competitive market.	19%	14%	15%	19%	15%	19%	19%
Identifying and implementing measures to boost workforce efficiency and productivity.	18%	19%	21%	20%	19%	16%	18%
Managing the continuous adoption of new technologies and digital transformation processes.	18%	24%	19%	18%	27%	23%	18%
Strengthening defences against cyber threats and ensuring data privacy.	17%	20%	17%	17%	19%	21%	17%
Overcoming difficulties in securing necessary financing.	14%	15%	10%	13%	14%	15%	14%
Implementing strategies to address sustainability issues and climate change impacts.	13%	8%	9%	8%	8%	11%	13%
Managing risks and uncertainties in the geopolitical landscape.	12%	17%	16%	18%	17%	15%	12%
Strengthening supply chain operations for improved efficiency and resilience.	12%	15%	11%	17%	14%	15%	12%
Prioritising investment in research and development to drive innovation.	9%	9%	6%	6%	7%	9%	9%

fifth quadrant

Business Sentiment | Growth Expectations (Next 12 months)

SME growth aspirations remained strong in October, with 40% of businesses focused on expansion, similar to August levels and well above the 13-month average. It's encouraging that growth intentions have held steady over the past three months, suggesting sustained confidence despite ongoing economic uncertainty.

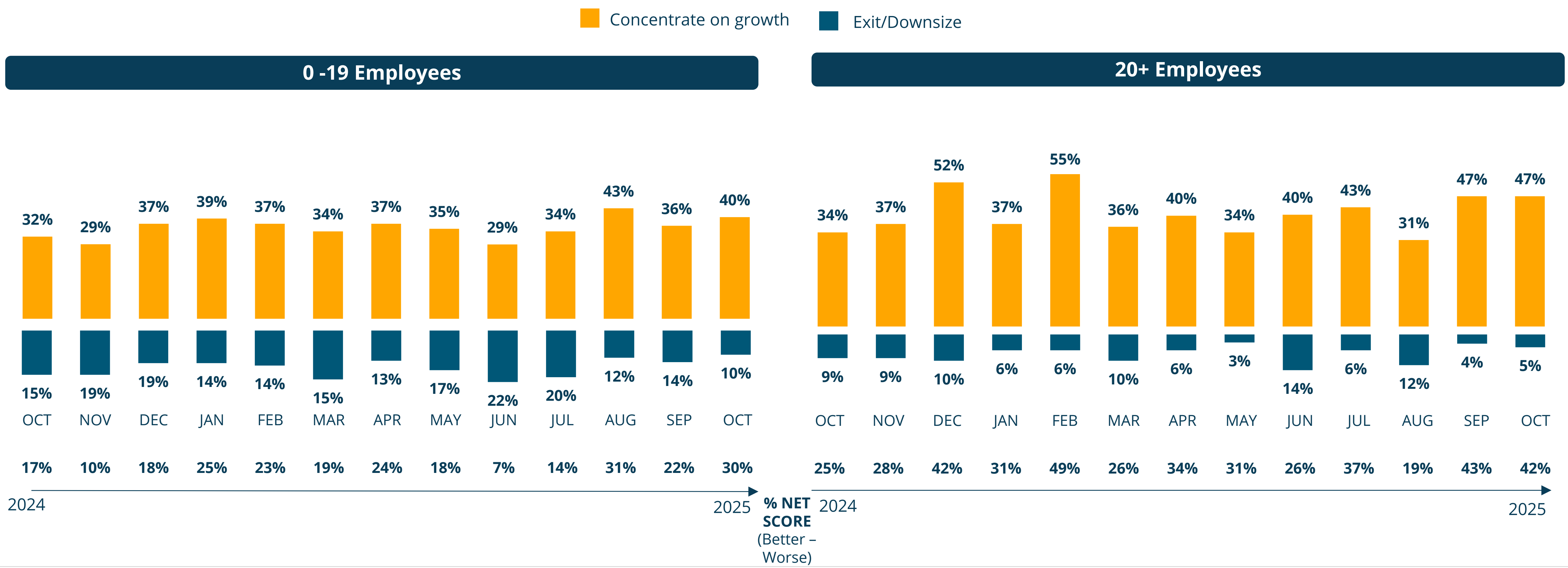
Overall, What Best Describes Your Approach To Business Over The Next 12 Months?



Business Sentiment | Growth Expectations (Next 12 months)

Growth sentiment among larger SMEs remained strong in October, holding steady at 47%. Smaller SME sentiment also improved slightly to 40%, maintaining the positive momentum observed over the past three months.

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



0 -19 Employees

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
Concentrate on growth	32%	29%	37%	39%	37%	34%	37%	35%	29%	34%	43%	36%	40%
Exit/Downsize	15%	19%	19%	14%	14%	15%	13%	17%	22%	20%	12%	14%	10%
% NET SCORE (Better – Worse)	17%	10%	18%	25%	23%	19%	24%	18%	7%	14%	31%	22%	30%

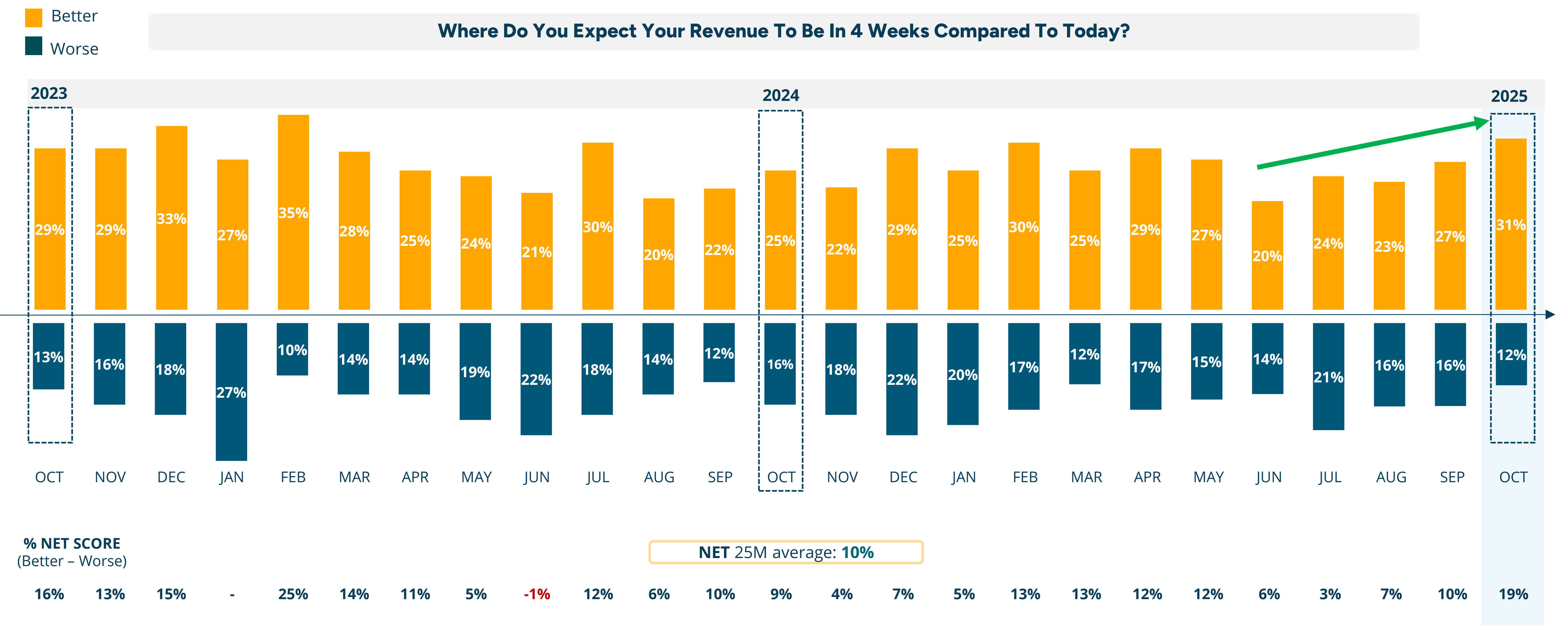
20+ Employees

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
Concentrate on growth	34%	37%	52%	37%	55%	36%	40%	34%	40%	43%	31%	47%	47%
Exit/Downsize	9%	9%	10%	6%	6%	10%	6%	3%	14%	6%	12%	4%	5%
% NET SCORE (Better – Worse)	25%	28%	42%	31%	49%	26%	34%	31%	26%	37%	19%	43%	42%

2024 → 2025

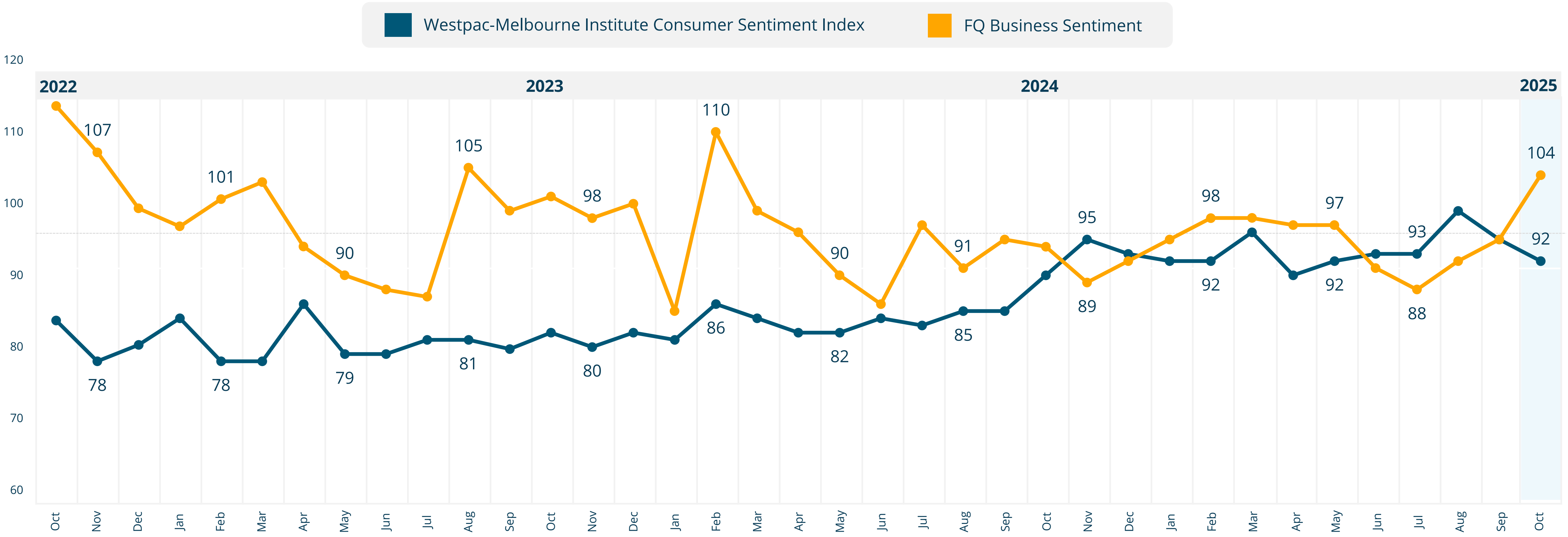
Business Sentiment | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations strengthened further in October, with a net score of 19%, the highest since early 2024. The improvement aligns with stronger profit and growth sentiment, confirming SMEs are anticipating solid trading conditions heading into the peak end-of-year period.



For the first time since May, SME sentiment has outstripped consumer confidence, rising to 104 compared with 92. However, a continued decline in consumer confidence could pose a challenge for SMEs, as weaker household sentiment is likely to impact spending in the months ahead.

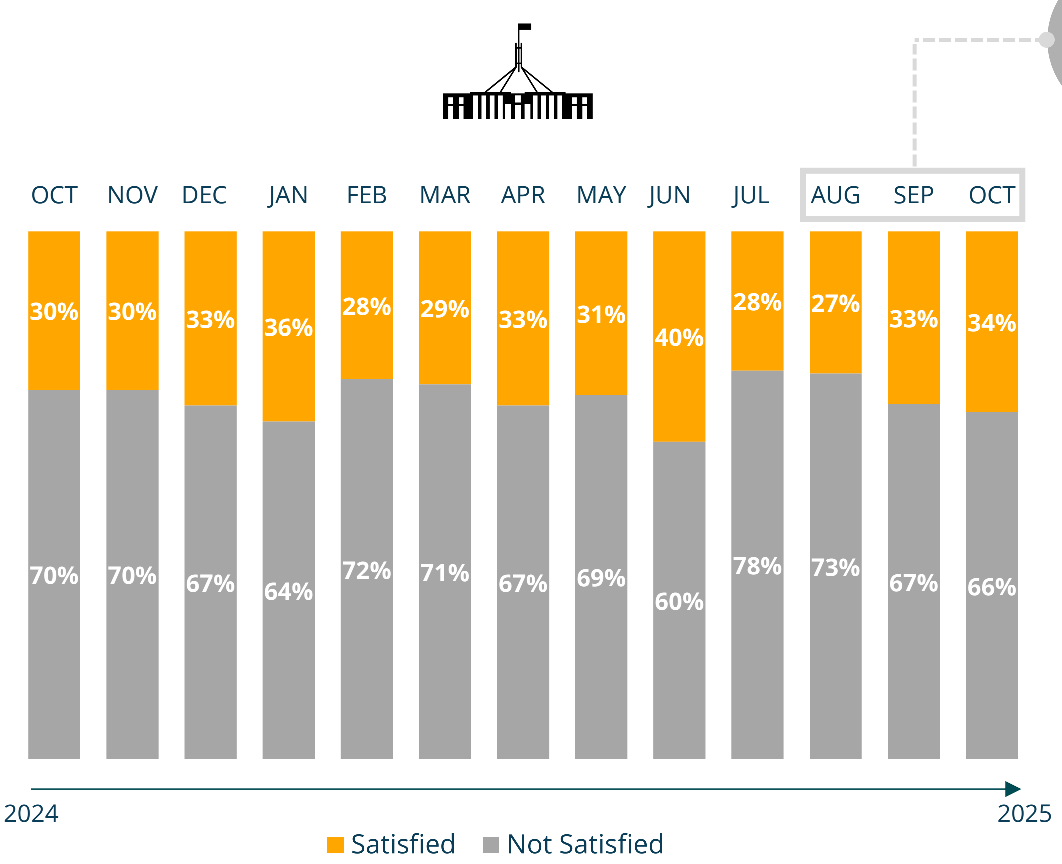
Business And Consumer Sentiment

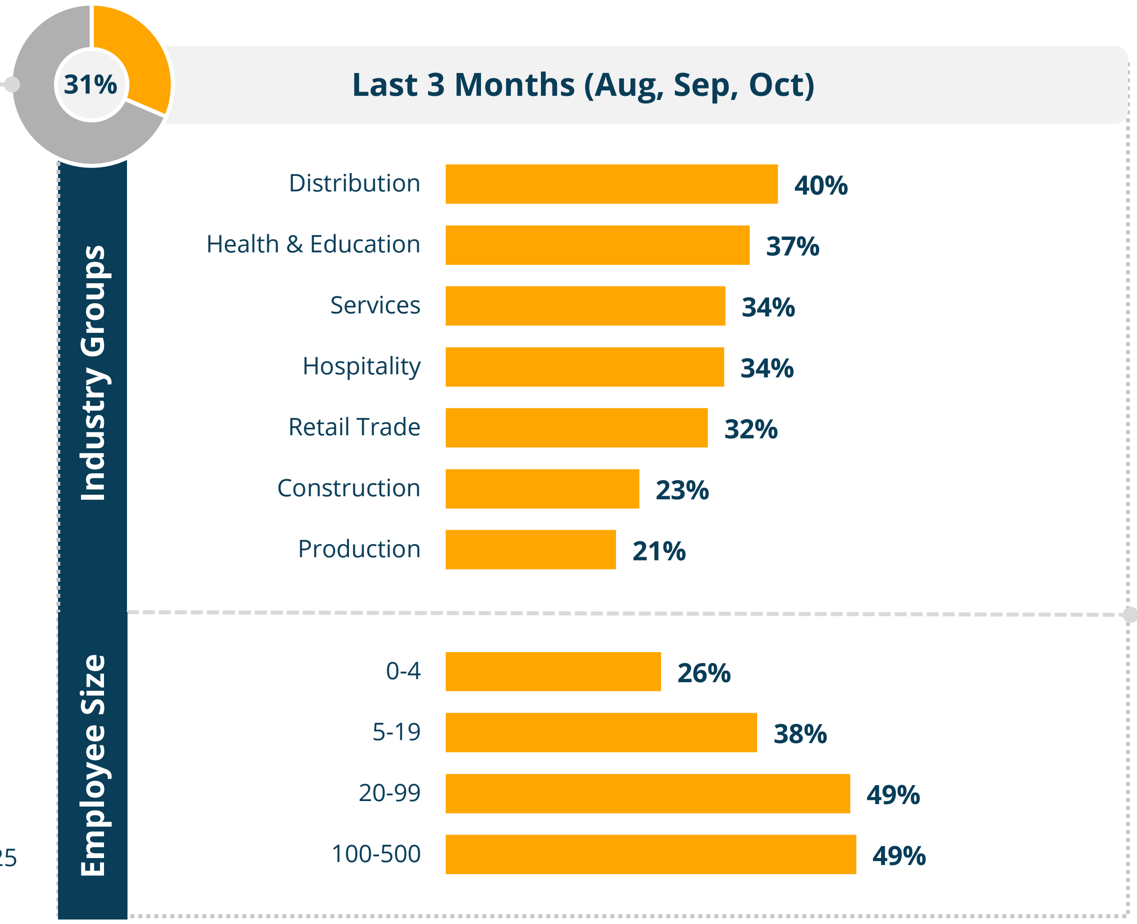


Business Sentiment | Government Policy

Satisfaction with the Federal Government continues to trend upward, with 34% of SMEs satisfied with current policies. This marks the third consecutive month of improvement.

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





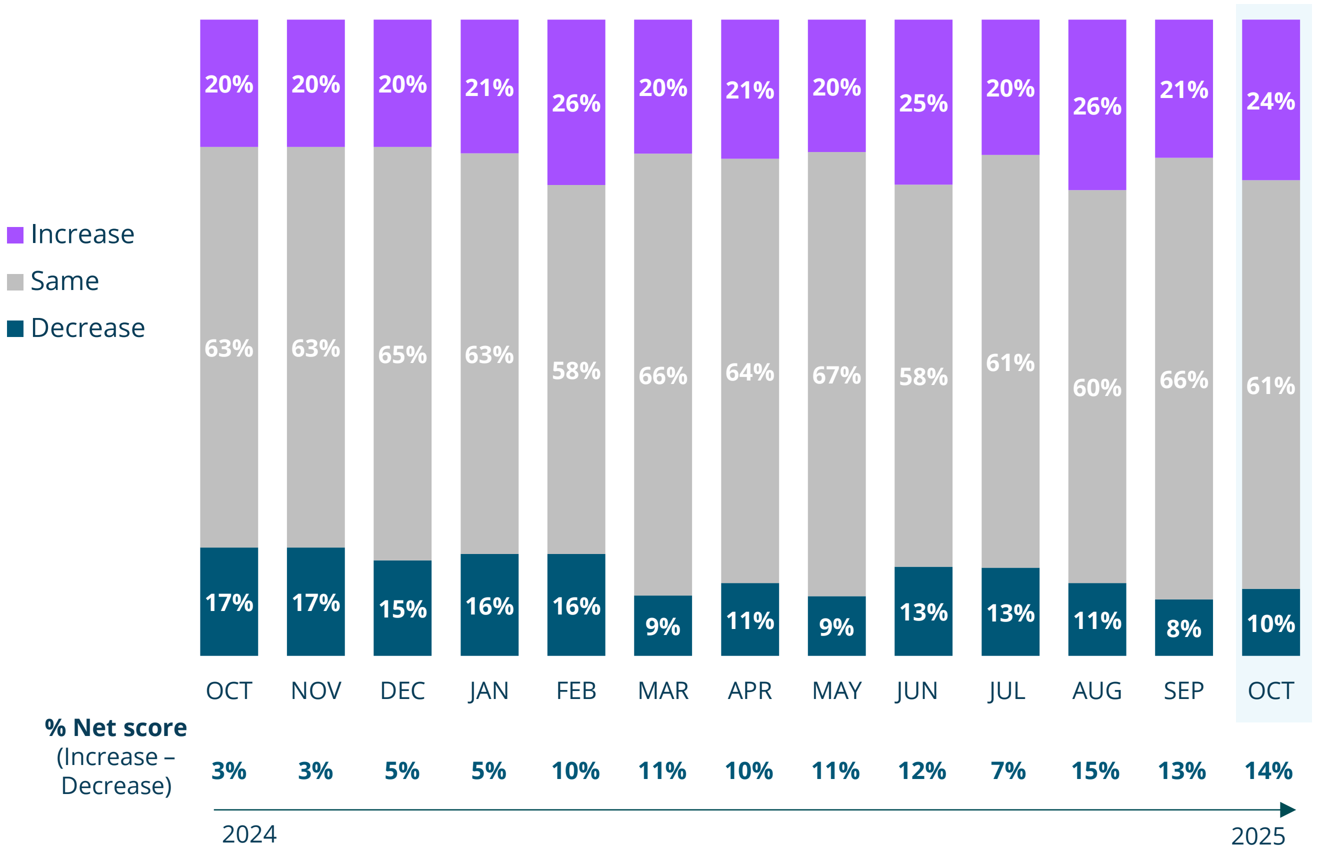
fifth quadrant

Business Investment | Next Three Months

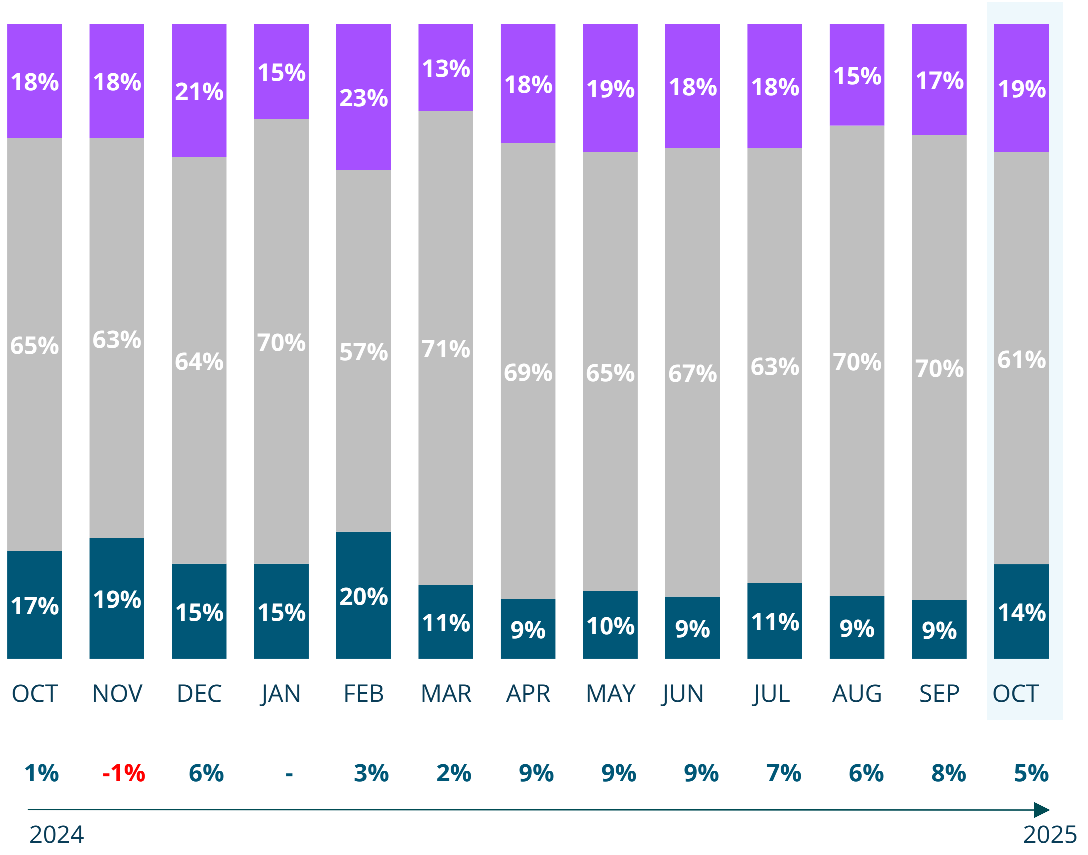
Most SMEs are maintaining steady levels of capital investment and marketing spend, with only a small proportion planning to scale back activity over the next three months, which includes the post-Christmas period when spending typically eases following the earlier seasonal uplift.

Expectations Over The Next 3 Months Regarding Business Investment

Business Spending/ Capital Investment



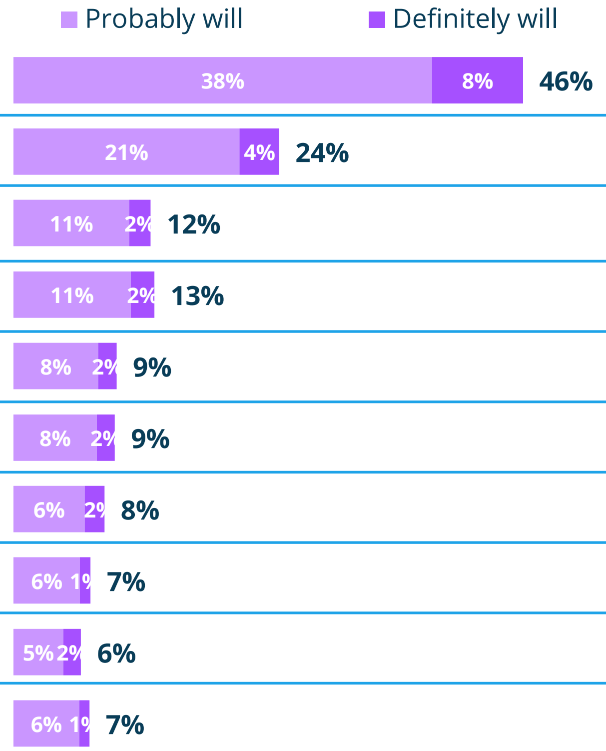
Marketing Spend



Investment intentions in EVs/Hybrids has declined this month.

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

October



	Aug	Sep	Oct
IT / Office equipment, including hardware & software	42%	51%	46%
Equipment, machinery or plant	24%	18%	24%
Passenger vehicle(s) including SUVs	13%	16%	12%
Light commercial vehicle(s)	12%	12%	13%
Electric vehicle(s), including Hybrid	11%	12%	9%
Commercial real estate including buildings or land	9%	9%	9%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	10%	8%
Truck(s) less than 4.5 tonnes	7%	6%	7%
Truck(s) more than 4.5 tonnes	6%	5%	6%
Medium and large bus(es)	5%	5%	7%

Business Investment | Capital Expenditure

Interestingly, interest in electric vehicles is trending down among smaller SMEs, while larger businesses continue to show a stronger inclination to invest.

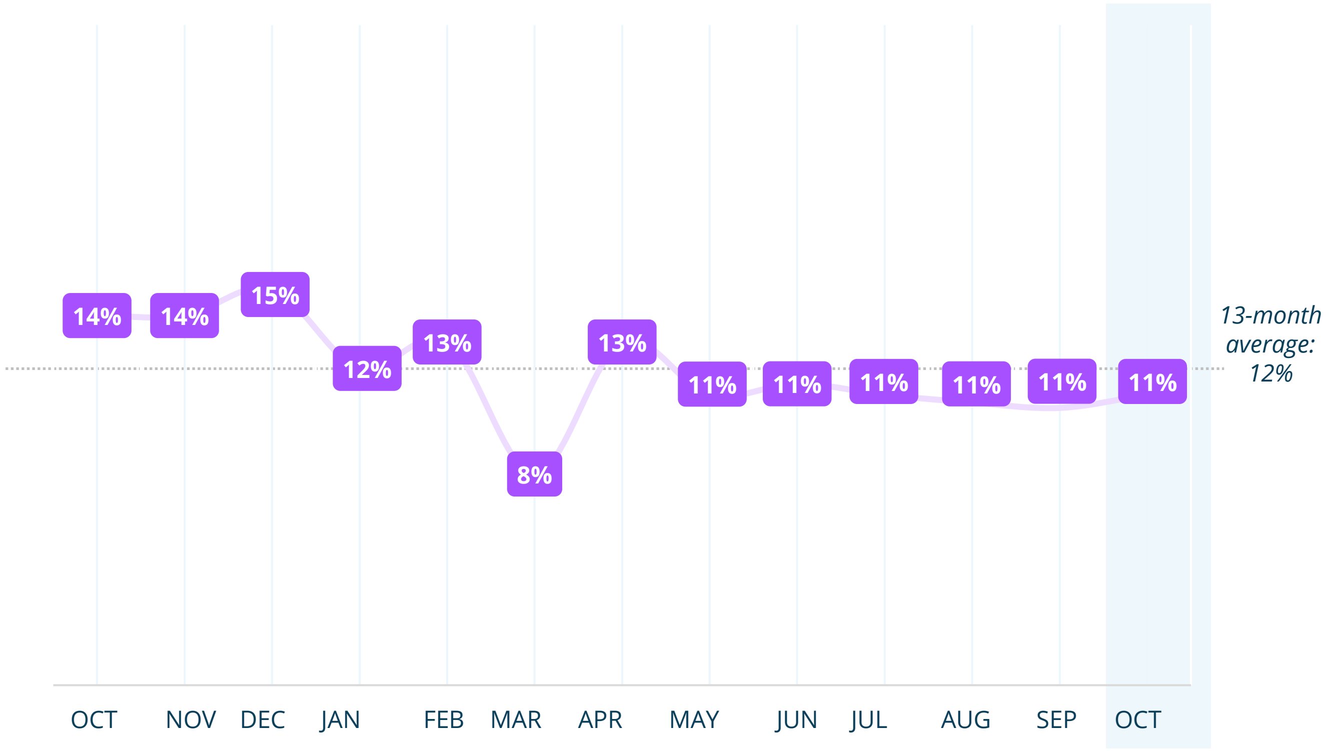
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Aug	Sep	Oct	Aug	Sep	Oct
IT / Office equipment, including hardware & software	40%	49%	45%	69%	68%	72%
Equipment, machinery or plant	23%	17%	24%	43%	30%	30%
Passenger vehicle(s) including SUVs	12%	15%	11%	25%	38%	30%
Light commercial vehicle(s)	11%	10%	12%	24%	34%	22%
Electric vehicle(s), including Hybrid	10%	11%	8%	27%	29%	30%
Commercial real estate including buildings or land	8%	7%	8%	24%	32%	21%
Agricultural, construction or earthmoving vehicle(s)/equipment	8%	9%	8%	12%	26%	18%
Truck(s) less than 4.5 tonnes	6%	4%	6%	15%	29%	24%
Truck(s) more than 4.5 tonnes	5%	3%	6%	18%	34%	14%
Medium and large bus(es)	4%	4%	6%	17%	21%	13%

Business Investment | Finance Needs (Next 3 months)

Demand for additional finance over the next three months remains steady at 11%, consistent with recent months and close to the long-term average. While most SMEs continue to seek funding for cashflow and working capital, there has been a notable rise in finance to support mergers and acquisitions (up to 11%), indicating renewed interest in strategic growth opportunities.

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	Last 3M
Cashflow/ working capital	61%	60%	54%	62%	57%	52%
Purchase plant, machinery or equipment	23%	26%	18%	23%	25%	25%
Fund growth into new markets	22%	13%	13%	17%	15%	19%
Fund growth in Australia	16%	23%	26%	16%	16%	15%
Trade finance to fund import/export activity	13%	9%	17%	12%	15%	14%
Fund merger/acquisition	14%	7%	7%	8%	7%	11%

Business Investment | Finance Needs (Next 3 months)

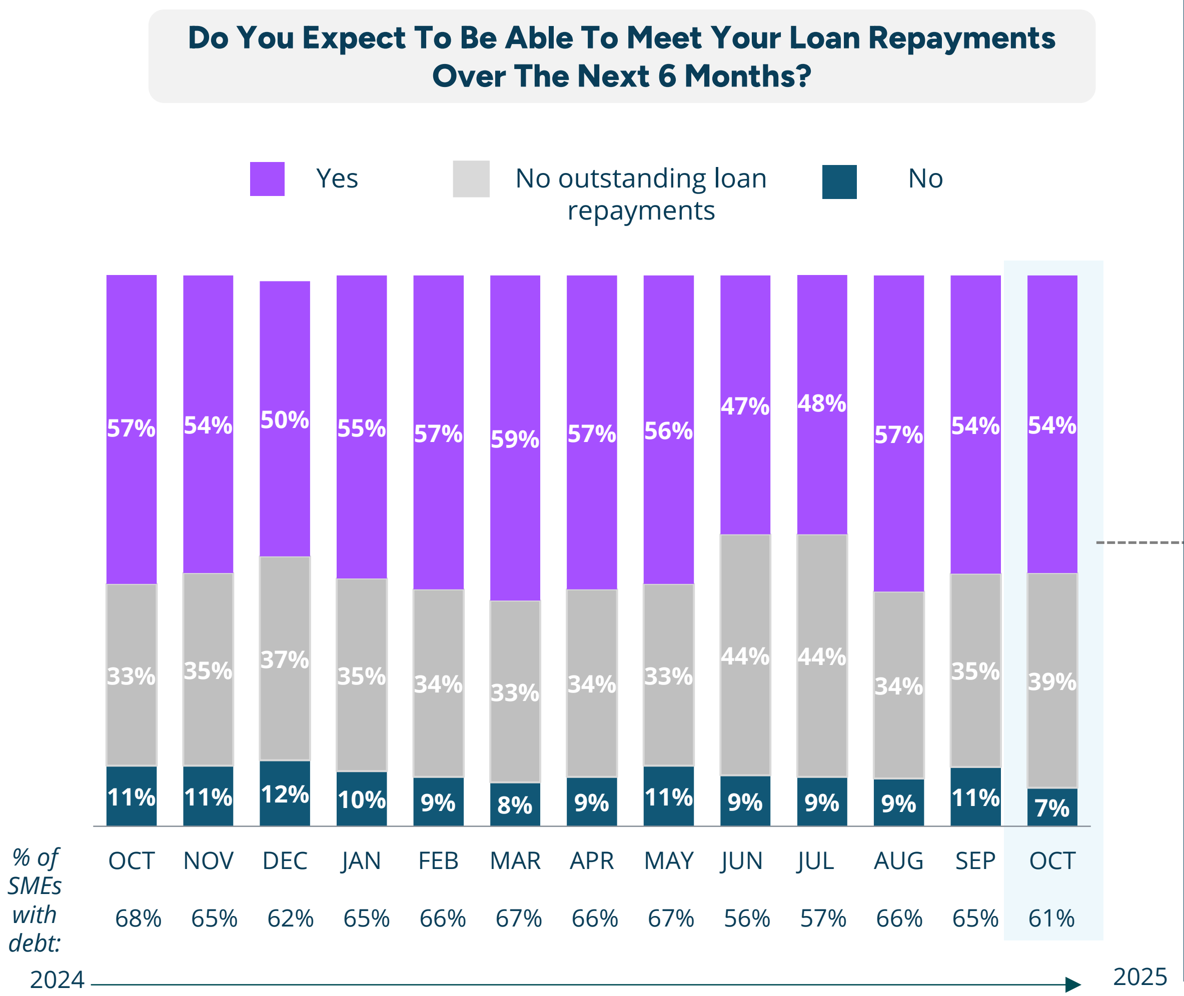
Demand for additional finance has been steady among smaller SMEs, holding at 10% over the past three months. Larger SMEs, however, have eased back, with demand falling from 24% in Q3 FY25 to 17% in the latest quarter.

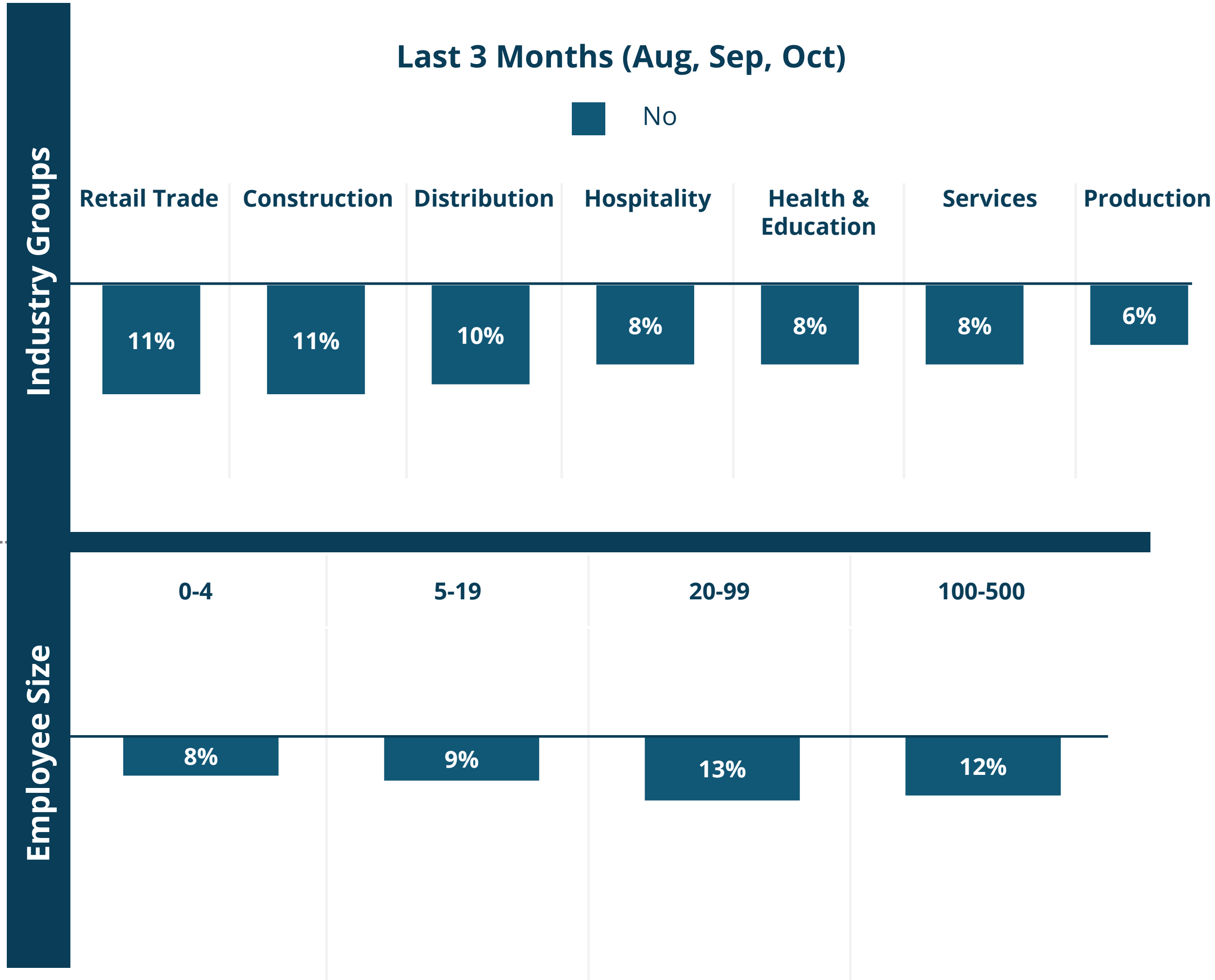
Will You Require Any Additional Finance Over The Next 3 Months? (Yes)

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Last 3M
0-19 Employees	13%	14%	10%	11%	10%	10%
20+ Employees	26%	21%	24%	18%	17%	17%
Construction	14%	19%	9%	10%	11%	13%
Distribution	19%	16%	6%	21%	12%	11%
Health & Education	8%	8%	11%	11%	11%	11%
Hospitality	14%	17%	25%	10%	15%	19%
Production	16%	14%	12%	12%	11%	12%
Retail Trade	9%	9%	14%	12%	14%	11%
Services	13%	13%	11%	10%	9%	9%

Business Investment | Loan Stress

It's very positive that only 7% of respondents do not expect to be able to meet loan repayments over the next six months, down from 11% last month and the same period last year.






ONE WAY
THE 8
RUN FOR THOSE WHO CAN'T
NO MATTER WHERE YOU ARE

Methodology

- 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

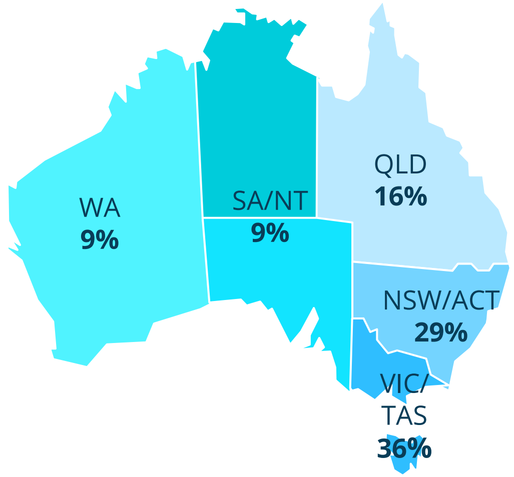
All **industry sectors** are represented, allowing for subgroup analysis

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

Our Sample

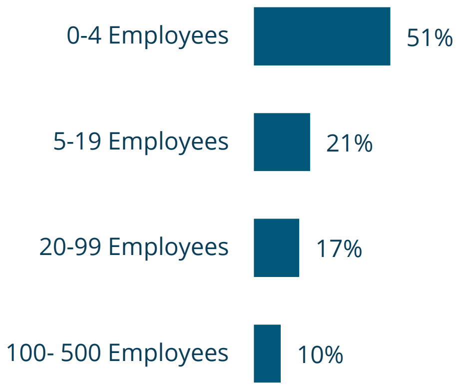
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

Head Office Location

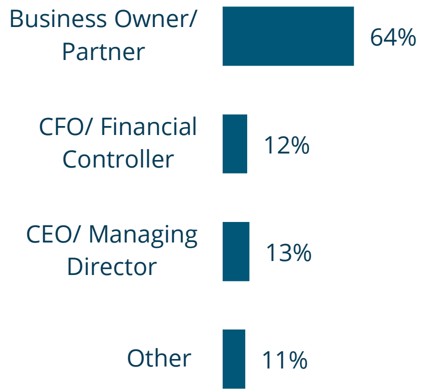


NOTE: CHARTS SHOW UNWEIGHTED DATA

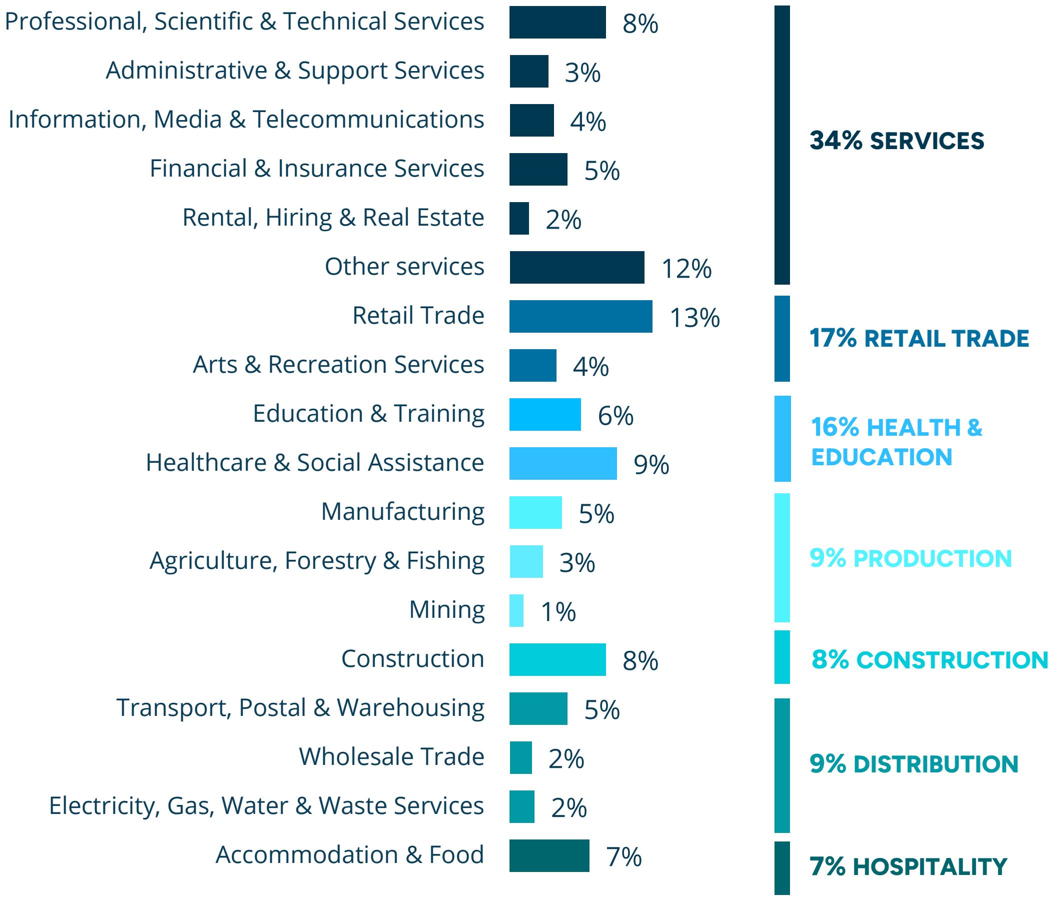
Size Of Business: Employees



Position In Business



Industry Sector



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Thank You

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Creating Tomorrow Today