



# Small & Medium Enterprise Sentiment Tracker

Wave 84 – February 2026



# 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 inative 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 inative, which is essential for driving growth and ination.

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.





**Expectations for the global economy slightly improved in February, though sentiment remains deeply negative with a net score of -47%.**



**26% of SMEs expect revenues to improve over the next 4 weeks, up from 17% in January.**



**Only 28% are planning for growth over the next 12 months — the lowest level in the past 12 months**



**12% of SMEs currently have job vacancies, just below the 13-month average of 13%**

## SME Growth Hits 12-Month Low

### Australian SME Revenues Edge Higher but Weakness Persists

SME revenues improved slightly in February, with the net score recovering to -12% from -17% in January, although still below levels recorded at the same time last year. Weakness continues to be broad-based, but particularly across Distribution, Retail Trade, and Hospitality. Smaller businesses (0–19 employees) remain under pressure with a net score of -15%, while larger businesses (20+ employees) recorded a positive +17%.

Short-term revenue expectations also improved, with 26% of SMEs expecting higher revenues over the next four weeks, up from 17% in January. This rebound likely reflects seasonal demand following the holiday period, although expectations remain well below levels recorded in February over the past two years.

### Growth Ambitions at Their Lowest Level in 12 Months

Despite the modest improvement in short-term revenue expectations, longer-term growth ambitions remain subdued. Only 28% of SMEs plan to prioritise growth over the next 12 months, the lowest level recorded in the past year. Hiring intentions also remain cautious, with 12% of SMEs reporting job vacancies, slightly below the 13-month average.

### Loan Stress Edges Higher

Demand for additional finance has returned to the 13-month average, with funding primarily required to support cashflow and working capital rather than expansion. At the same time, demand for financing to support new market expansion and trade activity has declined, reflecting a more cautious approach to growth.

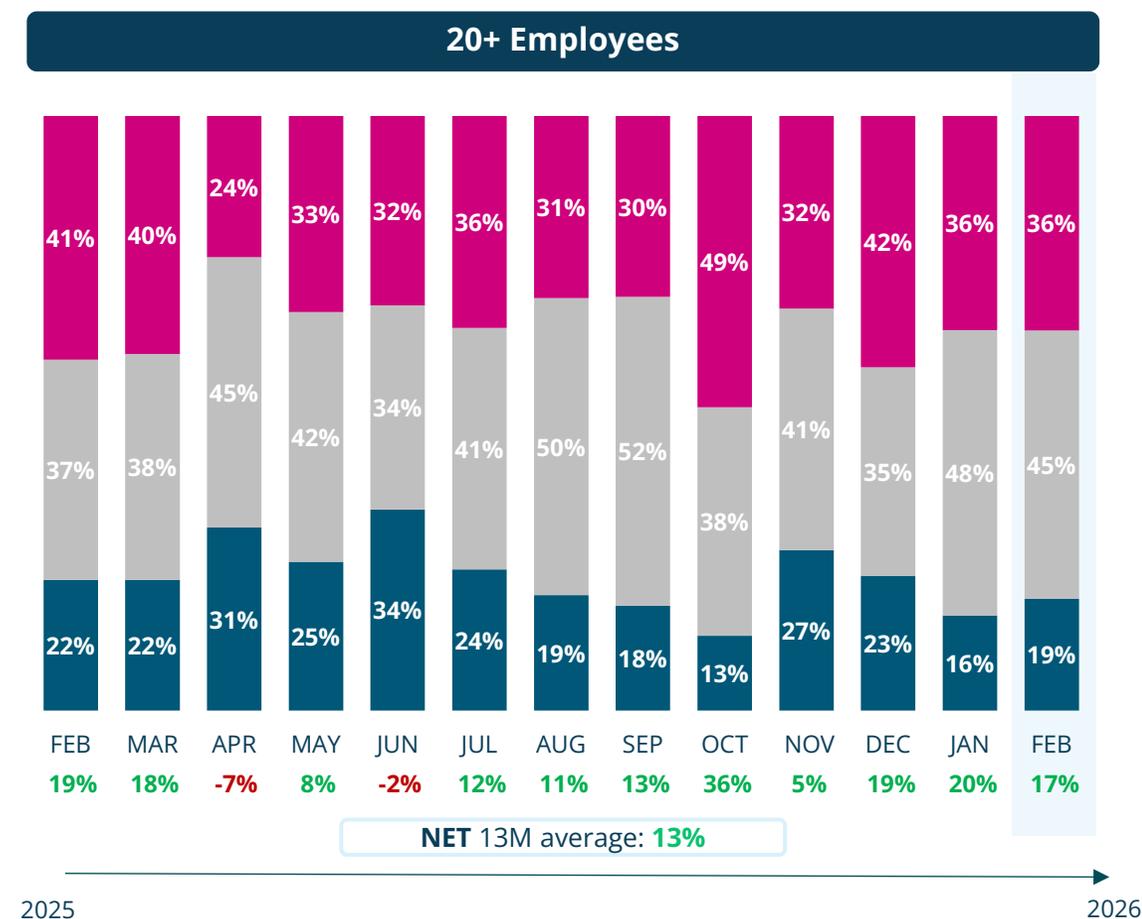
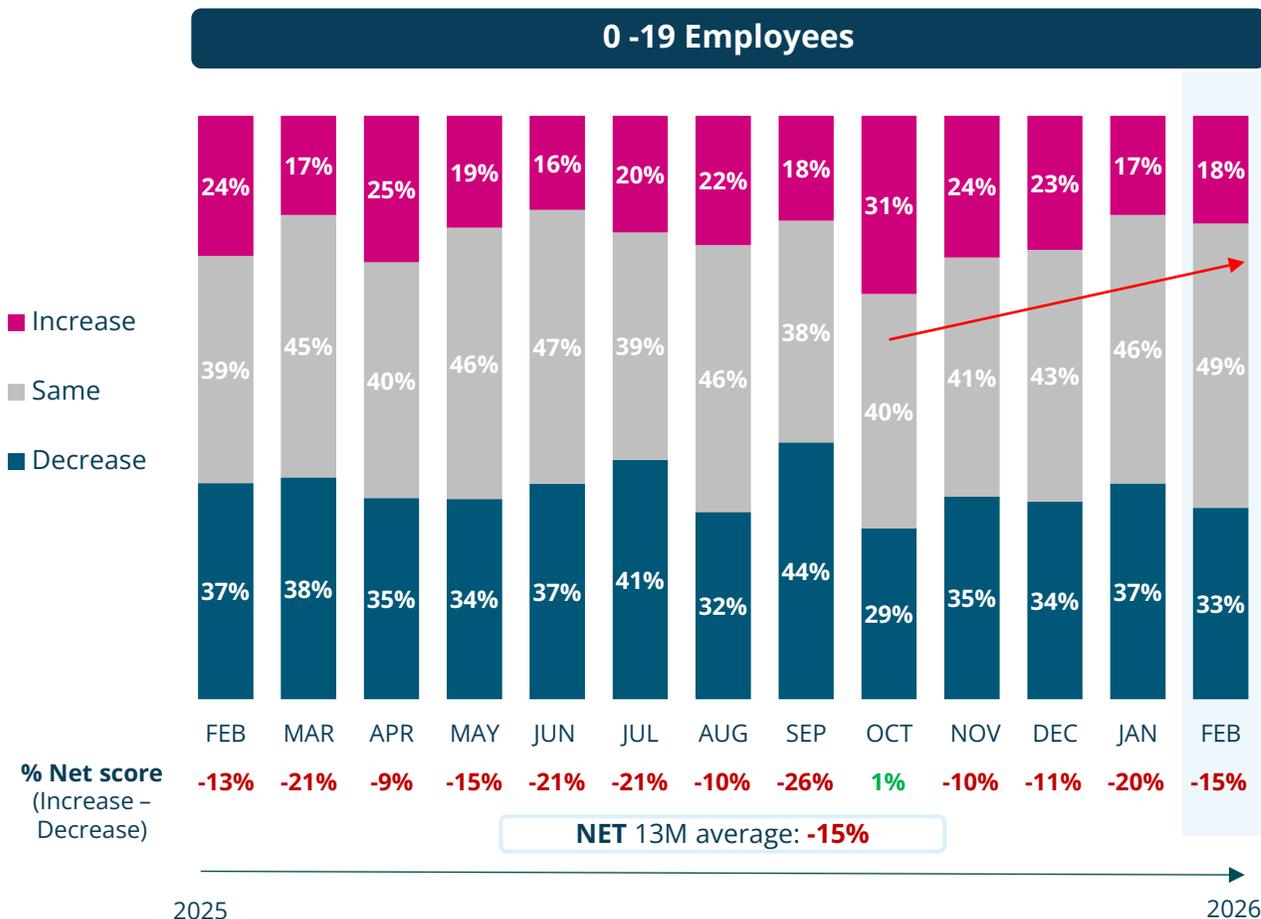
While the share of SMEs with outstanding debt fell to 58% in February, the lowest level since July, repayment pressures are increasing. The proportion expecting difficulty meeting loan repayments has risen from 7% in October to 10%, with pressures most evident among mid sized firms (20 to 99 employees), particularly in Distribution and Retail Trade.

In summary, February data reflects a mixed but broadly subdued picture for Australian SMEs. While revenue and short-term expectations have edged higher, profit has deteriorated and growth ambitions have reached a 12-month low. Businesses are responding to persistent cost pressures and economic uncertainty by prioritising efficiency and operational discipline over expansion, with the path to recovery remaining uncertain amid ongoing geopolitical and domestic headwinds.

# Key Performance Indicators | Revenue

Revenue among smaller businesses (0-19 employees) remains weak year-on-year, although conditions improved slightly in February with the net score rising to -15%. Larger businesses continue to outperform, despite a modest softening in February, with their net score easing to +17%.

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





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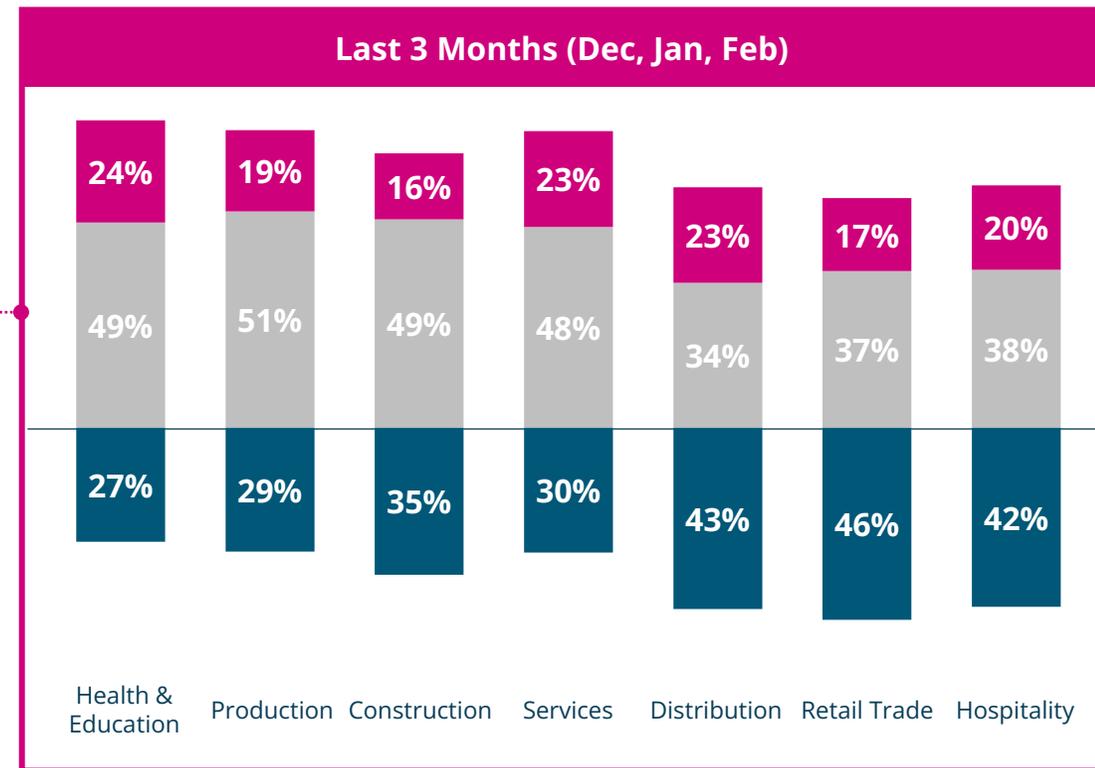
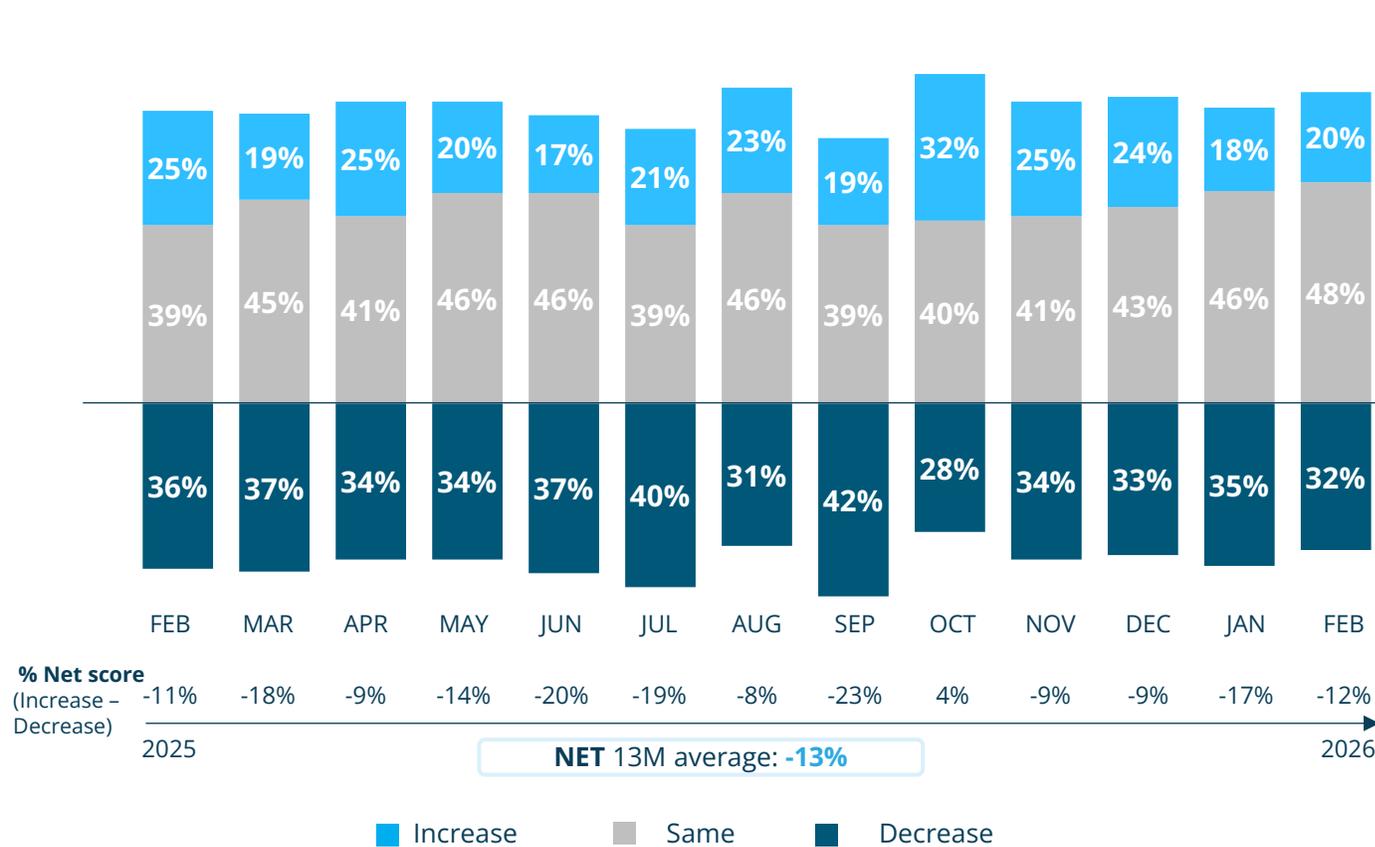
**05**

**Methodology & Sample**

# Key Performance Indicators | Revenue

SME revenue in February improved slightly on January and is broadly in line with the same period last year. However, over the past three months, revenue softness has been most evident in Distribution, Retail Trade and Hospitality, where a higher proportion of businesses report declining revenue.

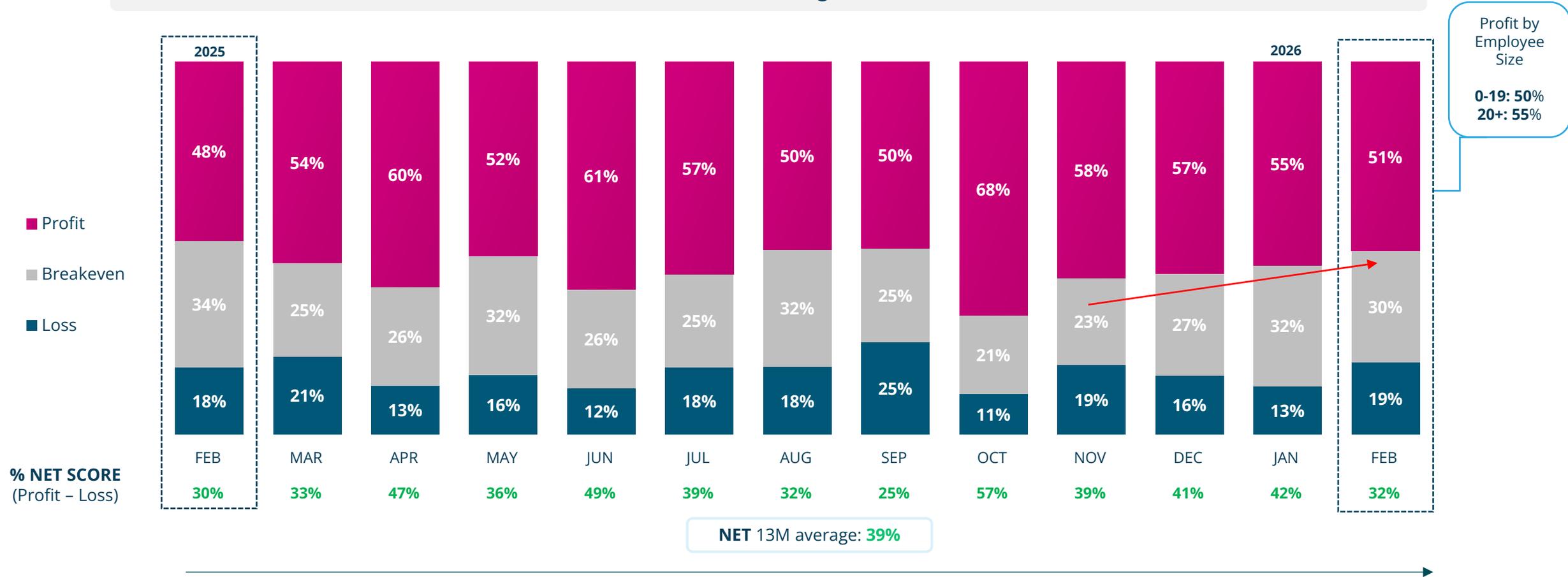
## How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



# Key Performance Indicators | Profit

Profitability softened in February as fluctuating revenue conditions continued to affect SMEs, with the net profit score declining to +32%.

## What Was Your Profit Margin Last Month?



# Key Performance Indicators | Responding To Challenges

SMEs continue to focus on cost management in response to inflation and rising costs, with efforts centred on improving operational efficiency and maximising staff productivity through training and optimisation.

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

	February	September	October	November	December	January	February
Enhancing efficiency by streamlining business operations	26%	22%	30%	18%	23%	25%	26%
Reassessing current projects and significant investments for viability and impact	22%	16%	19%	23%	21%	19%	22%
Discontinuing products/services that are not profitable	21%	29%	25%	26%	32%	31%	21%
Maximising staff productivity through better training and optimisation	21%	18%	22%	16%	18%	19%	21%
Adopting new technologies for increased automation and operational efficiency	19%	18%	18%	19%	20%	15%	19%
Renegotiating supplier contracts or seeking new supply sources	17%	23%	20%	20%	22%	24%	17%
Expanding the range of products/services to generate new revenue streams	17%	21%	21%	21%	22%	21%	17%
Undertaking debt restructuring to reduce financial burdens	12%	17%	8%	11%	10%	11%	12%
Refining inventory management practices for better efficiency	12%	18%	16%	12%	14%	9%	12%
Implementing workforce reductions, such as layoffs or hiring freezes	10%	10%	7%	8%	8%	8%	10%
Delegating non-essential functions to external providers	7%	9%	12%	8%	10%	9%	7%
Shifting towards the use of renewable energy sources	5%	9%	8%	11%	8%	9%	5%



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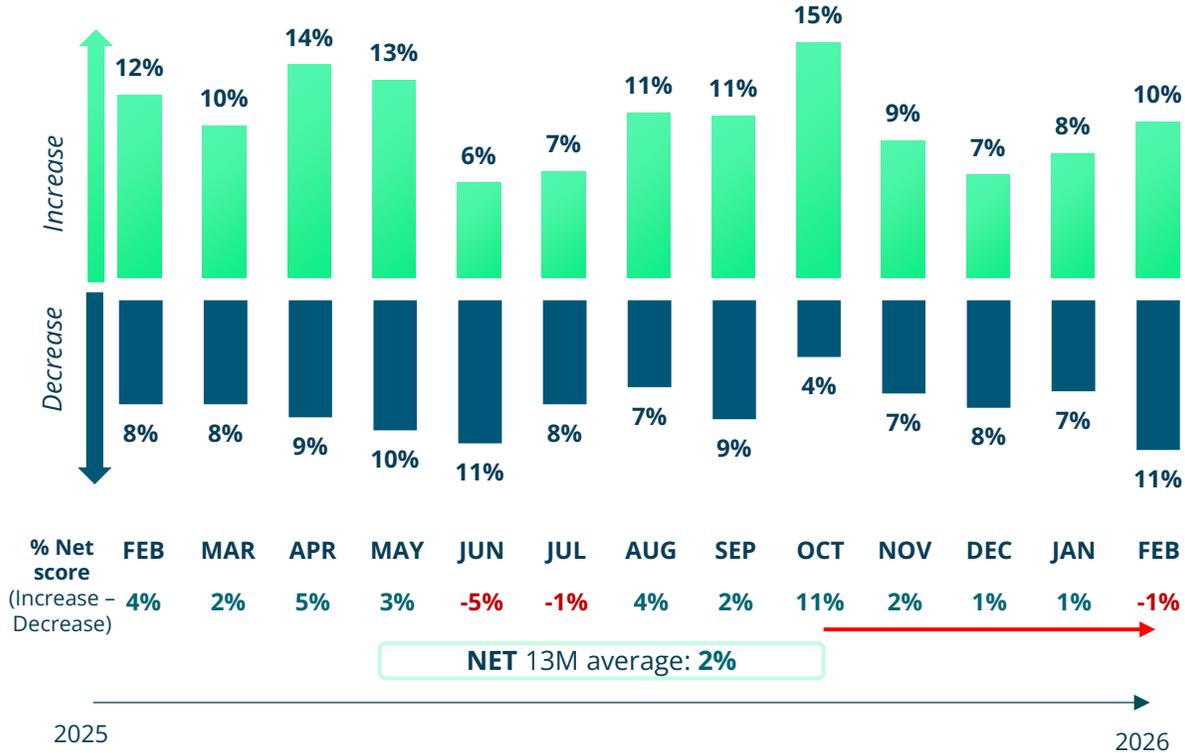
**Methodology & Sample**

# Key Performance Indicators | People

Staffing expectations have declined steadily since October, with the net score falling to -1% in February. While hiring intentions remain strongest among larger businesses, particularly in Health & Education, these gains are being offset by increasing expectations of workforce reductions elsewhere.

## Expectations Over The Next 3 Months Regarding Staff

### The Number Of Staff You Employ



## Last 3 Months (Dec, Jan, Feb)

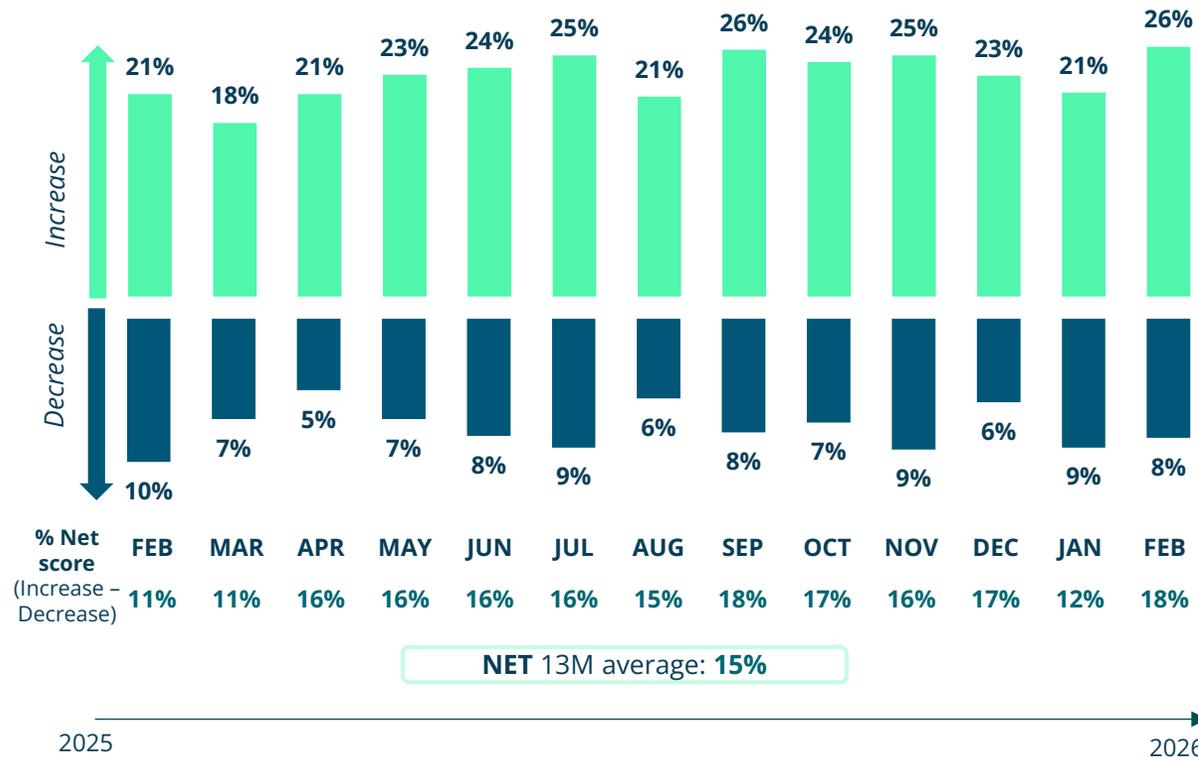


# Key Performance Indicators | People

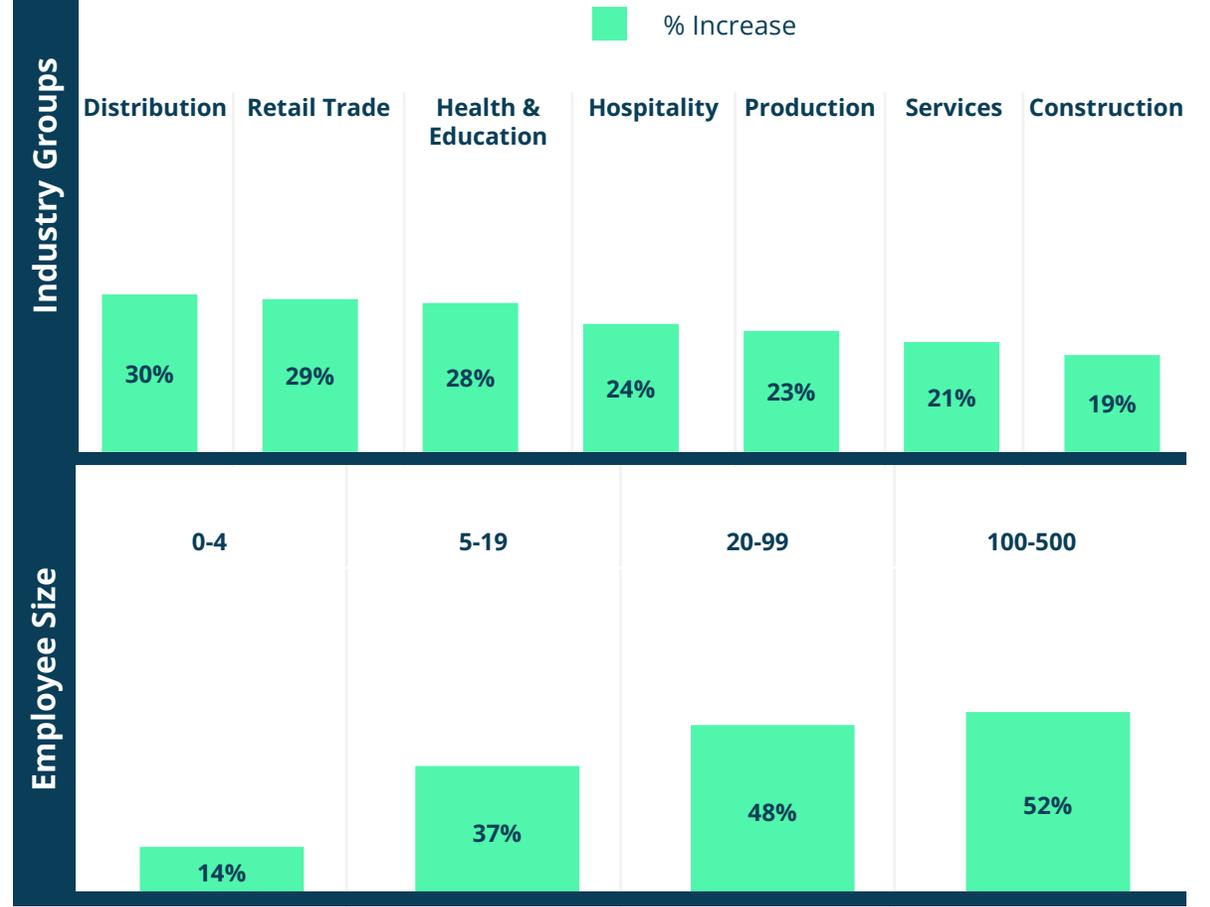
Wage increase expectations rose in February, breaking a five-month downward trend and adding further pressure on SME profitability. Increases are most evident in Distribution, Retail Trade and Health & Education.

## Expectations Over The Next 3 Months Regarding Wages

### The Wages You Pay



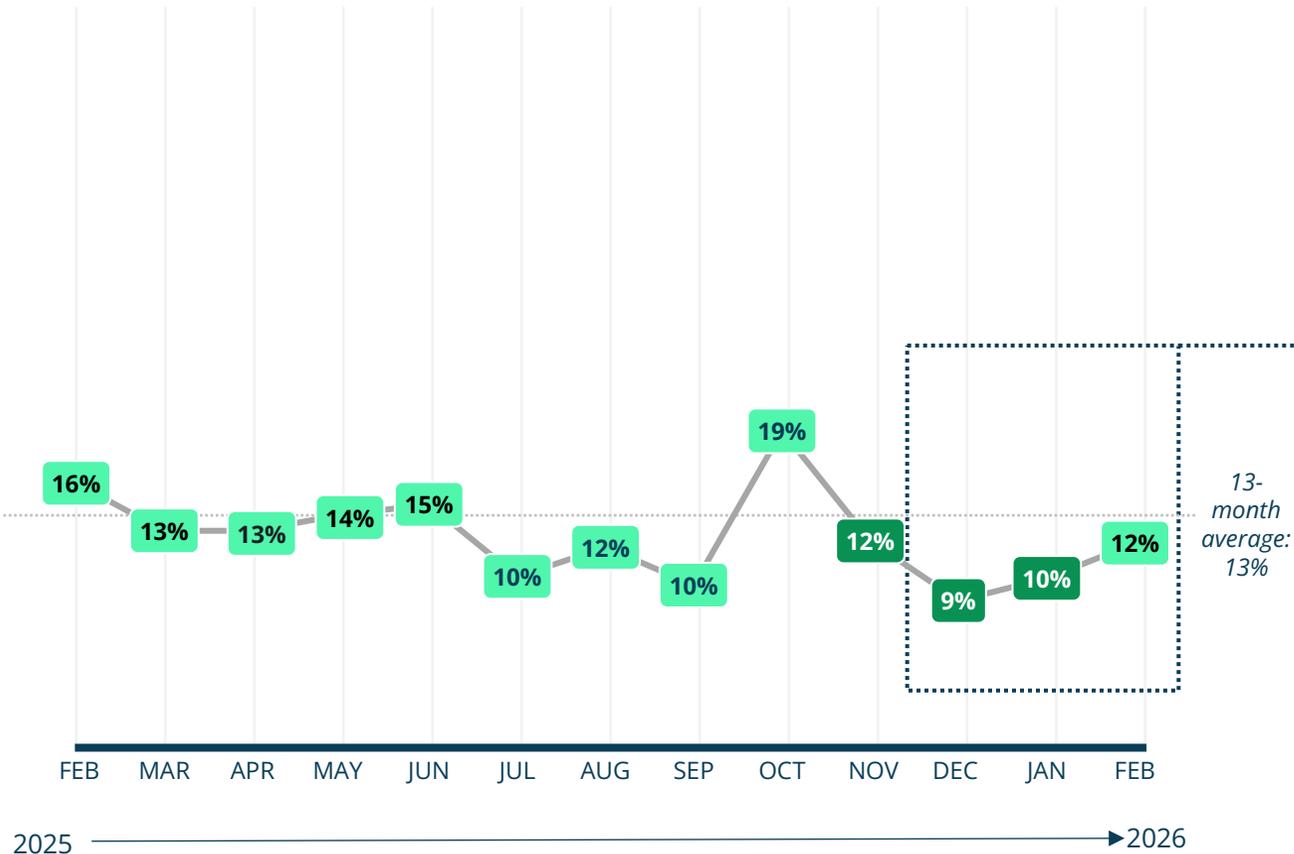
## Last 3 Months (Dec, Jan, Feb)



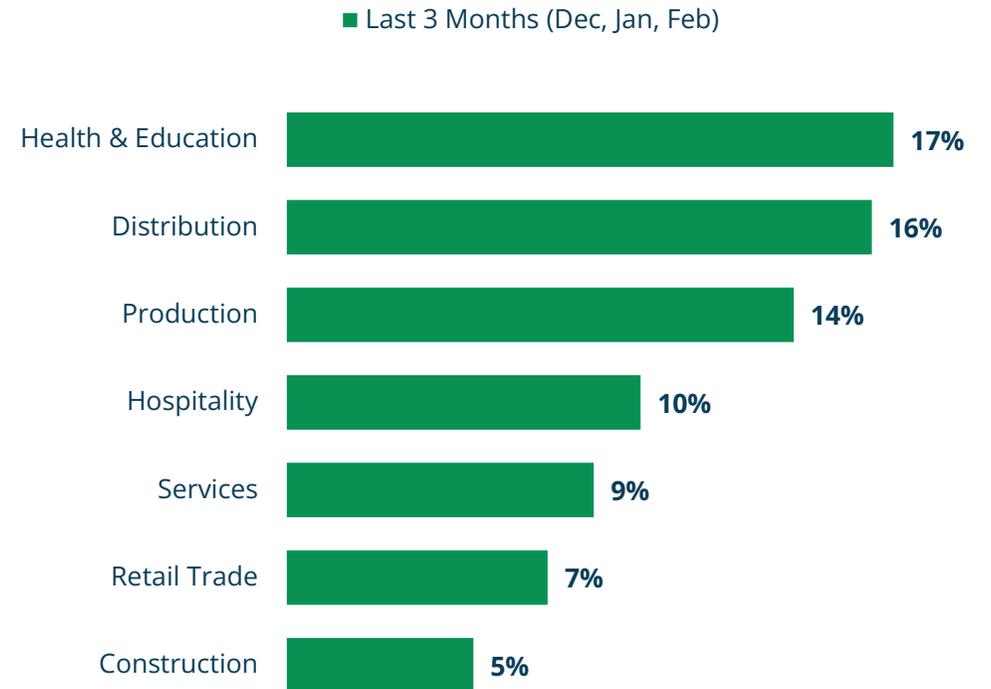
# Key Performance Indicators | People

Job vacancies also rose slightly but remain just below the 13-month average, with Health and Education and Distribution reporting the most vacancies over the past 3 months.

## SMEs That Currently Have Job Roles They Are Trying To Fill



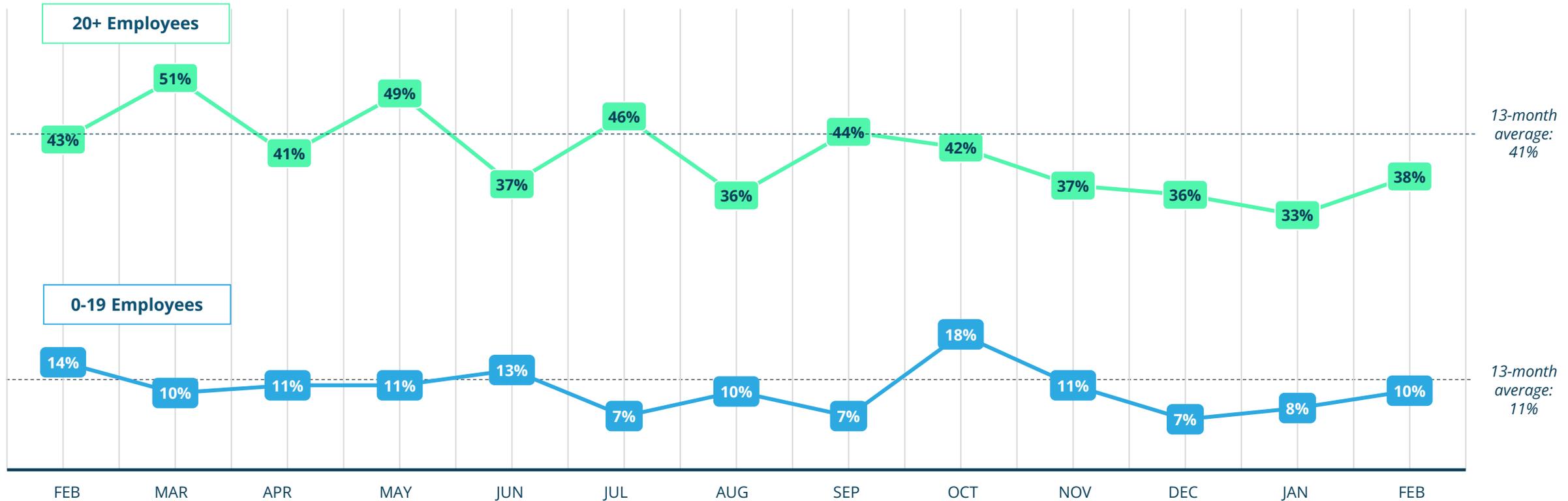
## Current Job Vacancies By Industry



# Key Performance Indicators | People

Job vacancies rose in February across SMEs. Smaller firms are approaching their long-term average, while larger firms continue to report lower vacancy levels.

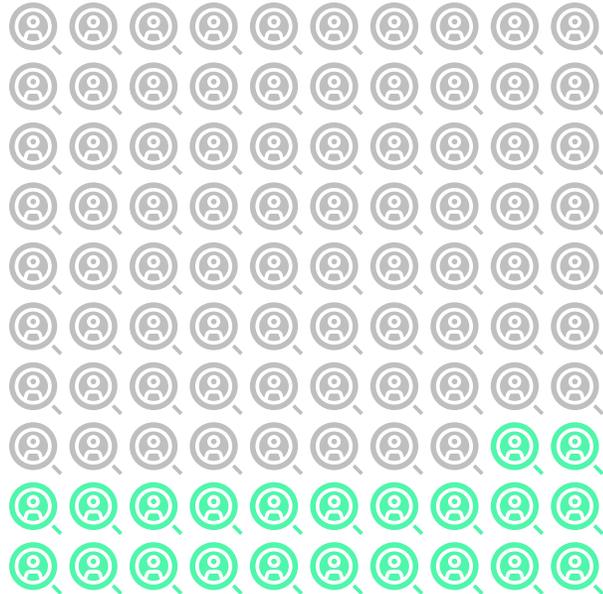
## SMEs That Currently Have Job Roles They Are Trying To Fill



Recruitment activity in FY26 continues to track well below the past two years, with only 12% of SMEs reporting job vacancies.

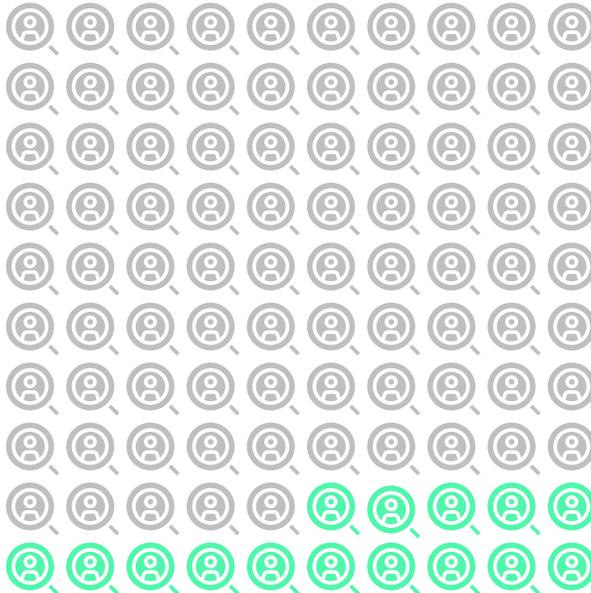
## SMEs That Currently Have Job Roles They Are Trying To Fill

**FY24**



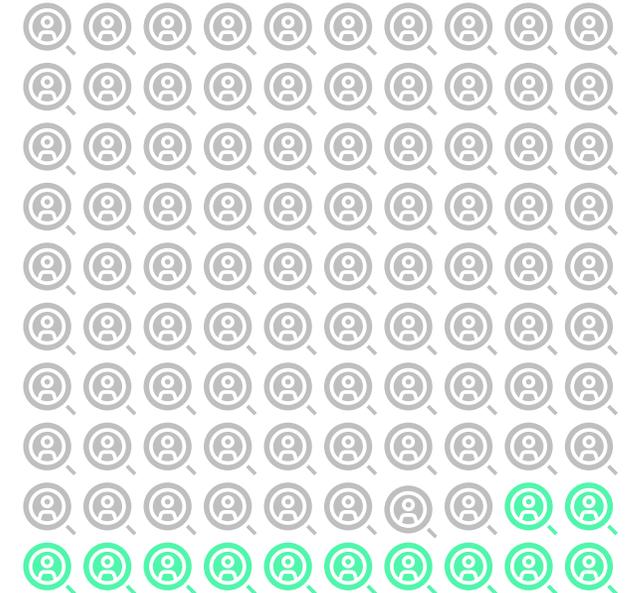
**22% with job vacancies**

**FY25**



**15% with job vacancies**

**FY26**



**12% with job vacancies**

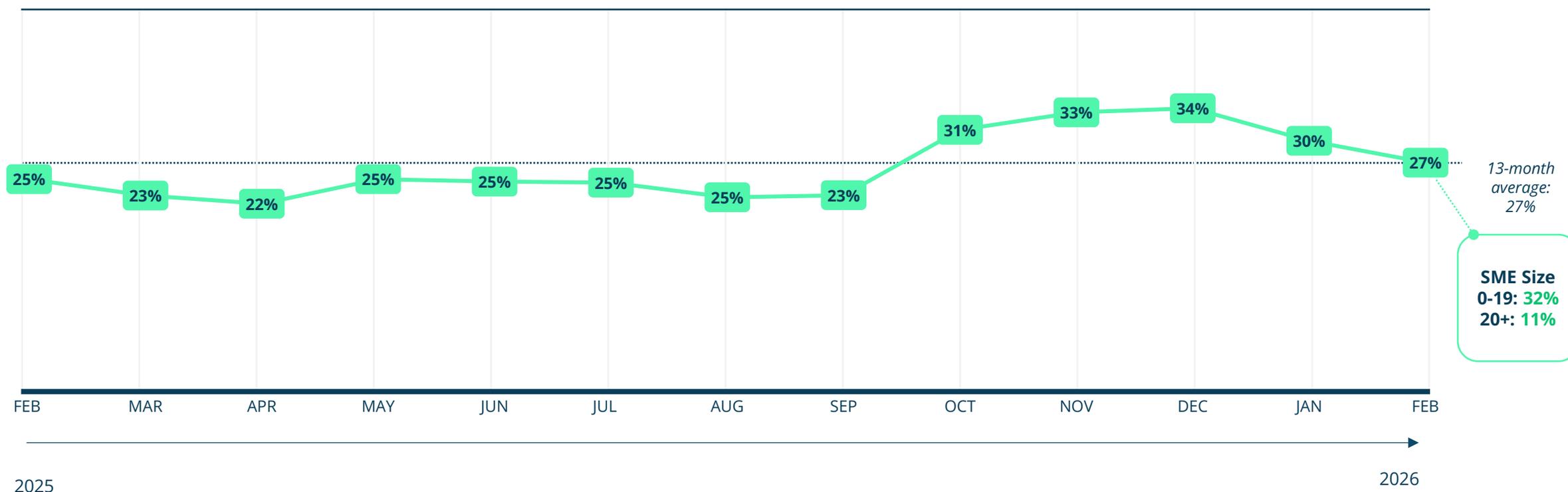
# Key Performance Indicators | People

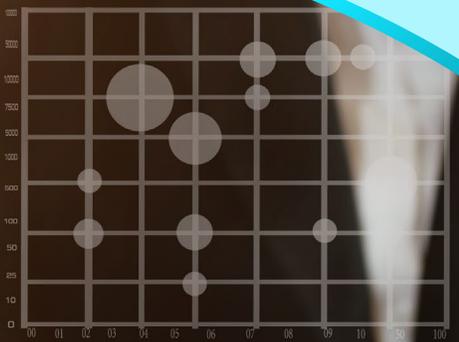
Hiring challenges eased in February, with the share of businesses reporting roles as very difficult to fill returning to the 13-month average. This suggests candidate availability may be improving, although recruitment challenges remain more pronounced for smaller businesses.

## How Difficult Is It To Fill These Roles?

Data displayed as last 3 months (Dec, Jan, Feb)

● Very Difficult





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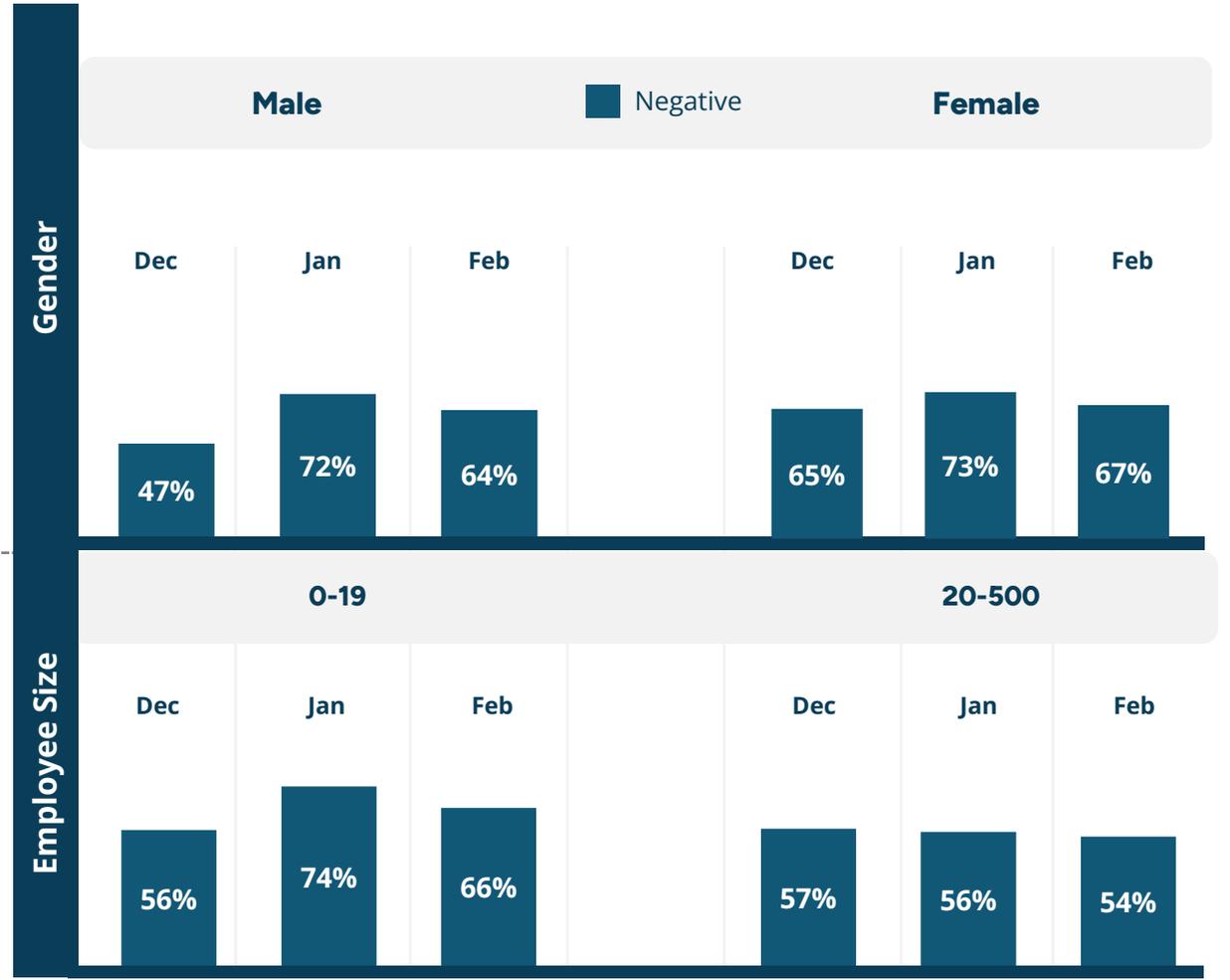
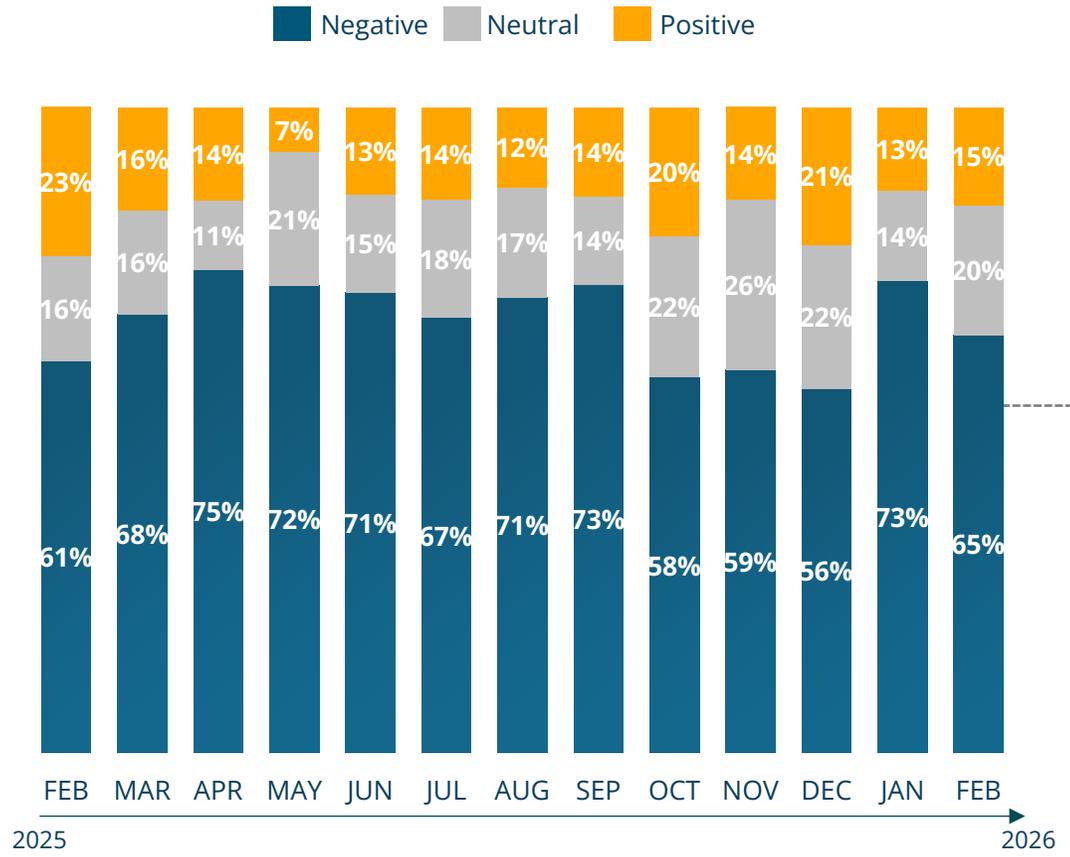
**05**

**Methodology & Sample**

# Business Sentiment | Expectations Regarding Economic Conditions

Sentiment toward the Trump Administration's impact on the Australian economy remains predominantly negative, although it eased slightly from January and remains higher than late 2025. Smaller SMEs continue to report greater concern about policy uncertainty. As this survey was conducted prior to the escalation of the Iran conflict, sentiment is likely to shift in the March results.

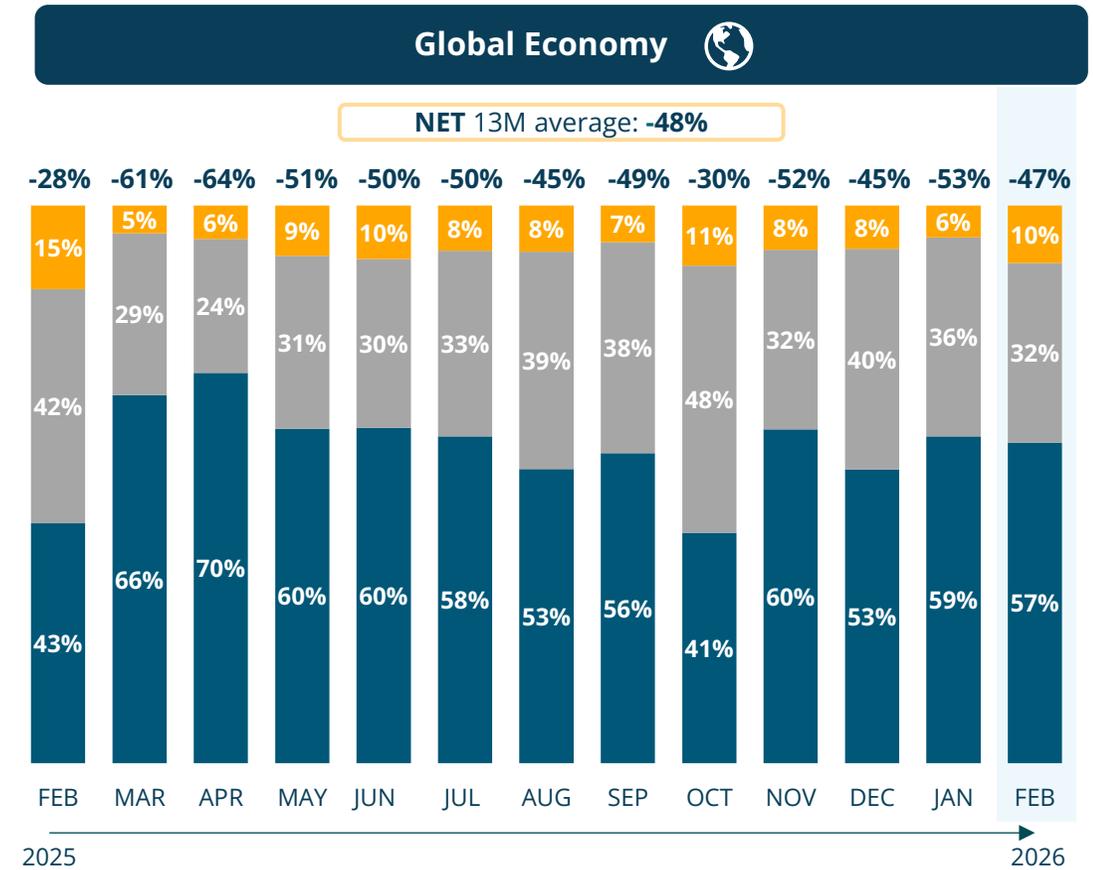
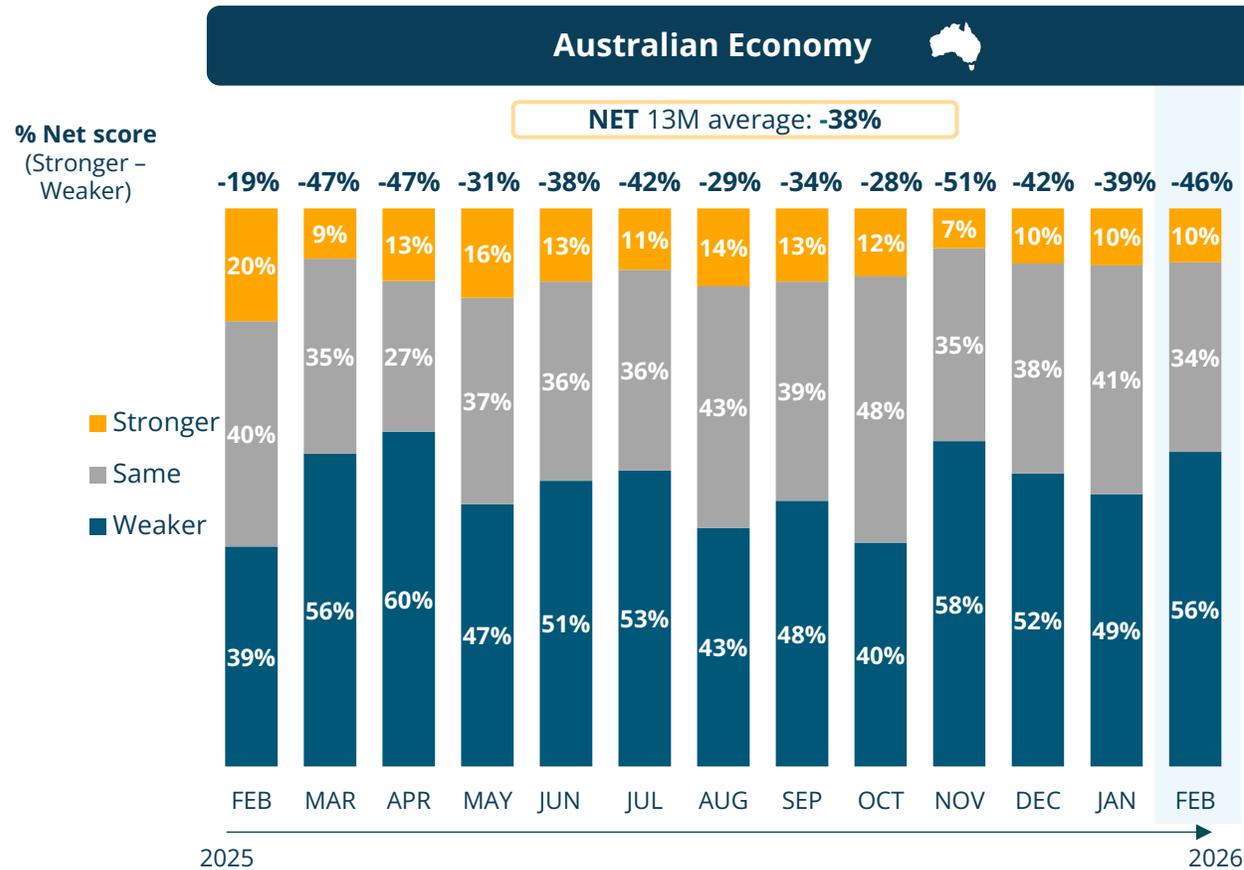
## What impact will the Trump Administration have on the Australian economy?



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

Expectations for the Australian economy weakened in February, while sentiment toward the global economy improved slightly. However, expectations are likely to fluctuate significantly in the coming months as the economic implications of the Iran conflict unfold.

## Expectations Over The Next 3 Months Regarding Economic Conditions



The economic outlook and ongoing cost pressures remain the most significant challenge for SMEs, followed by keeping pace with changing customer behaviours. While concerns around geopolitical risks eased in February, they are likely to increase again as global tensions escalate.

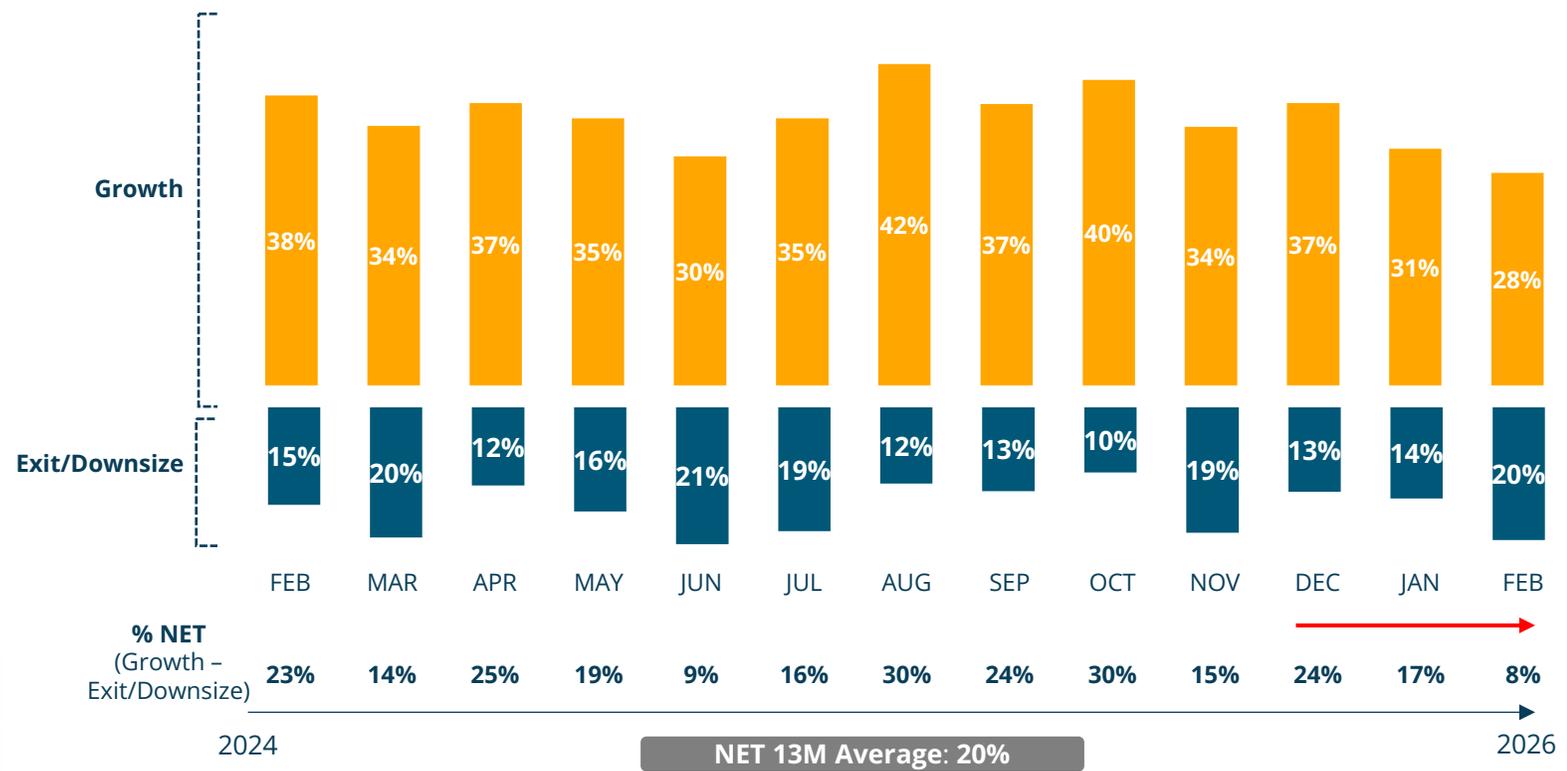
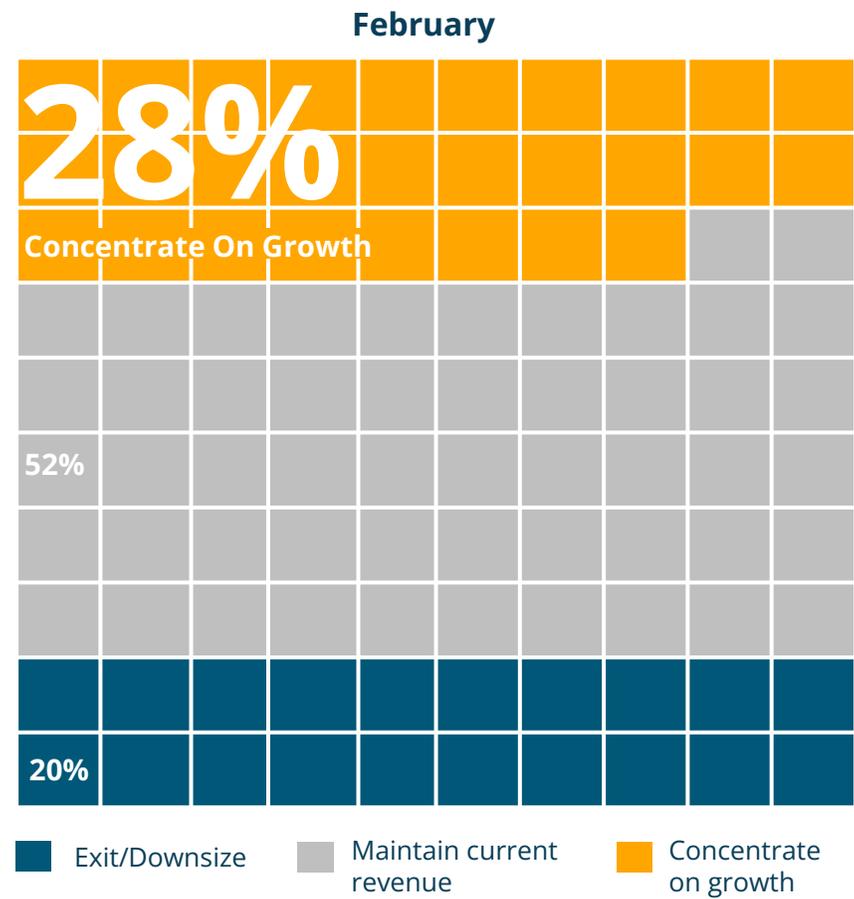
## Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

	February	September	October	November	December	January	February
Addressing the difficult economic outlook and ongoing cost pressures	45%	44%	43%	42%	47%	45%	45%
Keeping pace with changing customer behaviours and preferences	39%	45%	45%	42%	47%	39%	39%
Navigating regulatory, compliance, and governance challenges	24%	22%	24%	21%	26%	25%	24%
Managing the continuous adoption of new technologies and digital transformation processes	22%	23%	18%	21%	18%	18%	22%
Acquiring, training, and upskilling talent in a competitive market	20%	19%	19%	15%	15%	17%	20%
Managing risks and uncertainties in the geopolitical landscape	16%	15%	12%	14%	14%	19%	16%
Strengthening defences against cyber threats and ensuring data privacy	16%	21%	17%	22%	21%	26%	16%
Identifying and implementing measures to boost workforce efficiency and productivity	15%	16%	18%	17%	20%	18%	15%
Strengthening supply chain operations for improved efficiency and resilience	14%	15%	12%	15%	15%	14%	14%
Overcoming difficulties in securing necessary financing	13%	15%	14%	14%	16%	9%	13%
Implementing strategies to address sustainability issues and climate change impacts	7%	11%	13%	8%	8%	5%	7%
Prioritising investment in research and development to drive innovation	5%	9%	9%	10%	7%	4%	5%

# Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations declined again in February, falling to 28%, the lowest level in the past 12 months and well below the 38% recorded at the same time last year.

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



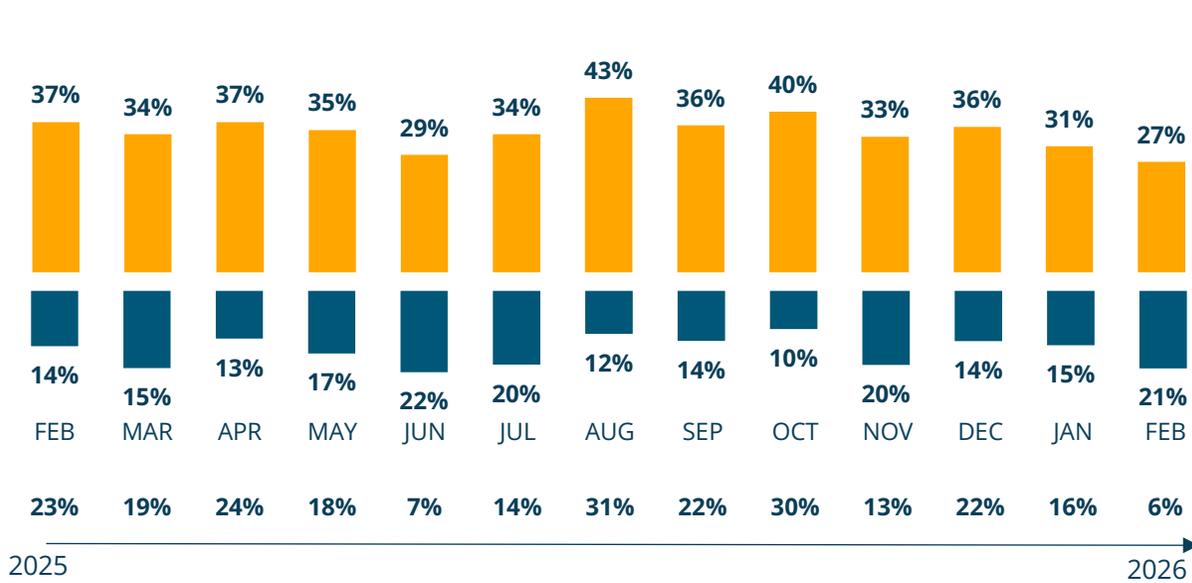
# Business Sentiment | Growth Expectations (Next 12 months)

Growth sentiment softened across both business sizes in February, driven primarily by smaller SMEs where expectations to concentrate on growth declined and downsizing intentions increased. Larger businesses remain more optimistic, although growth expectations have also moderated.

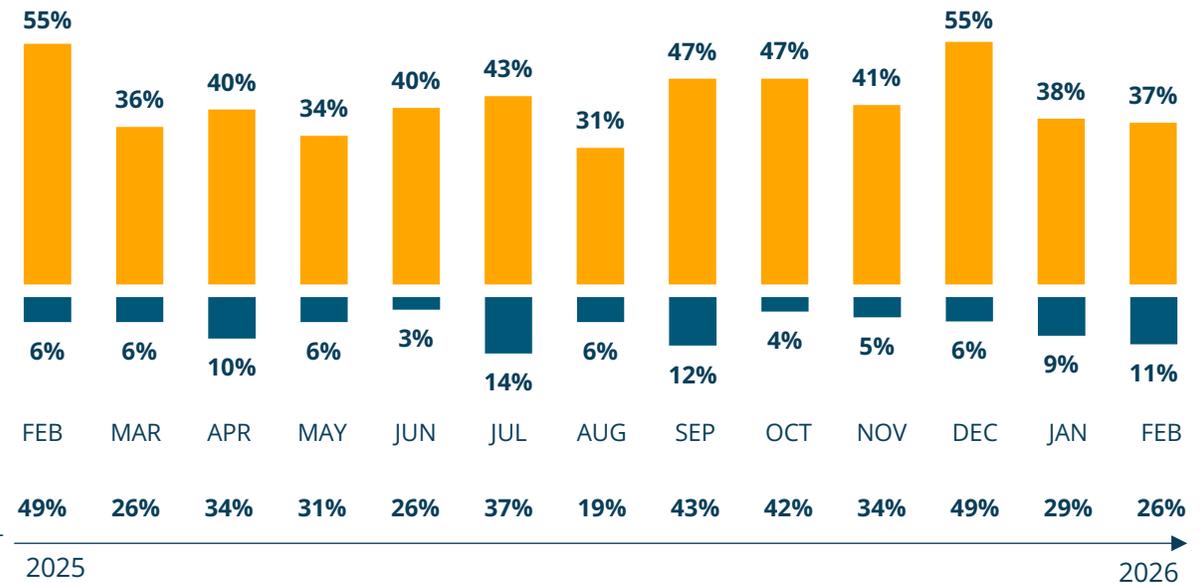
## Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

■ Concentrate on growth
 ■ Exit/Downsize

### 0 -19 Employees

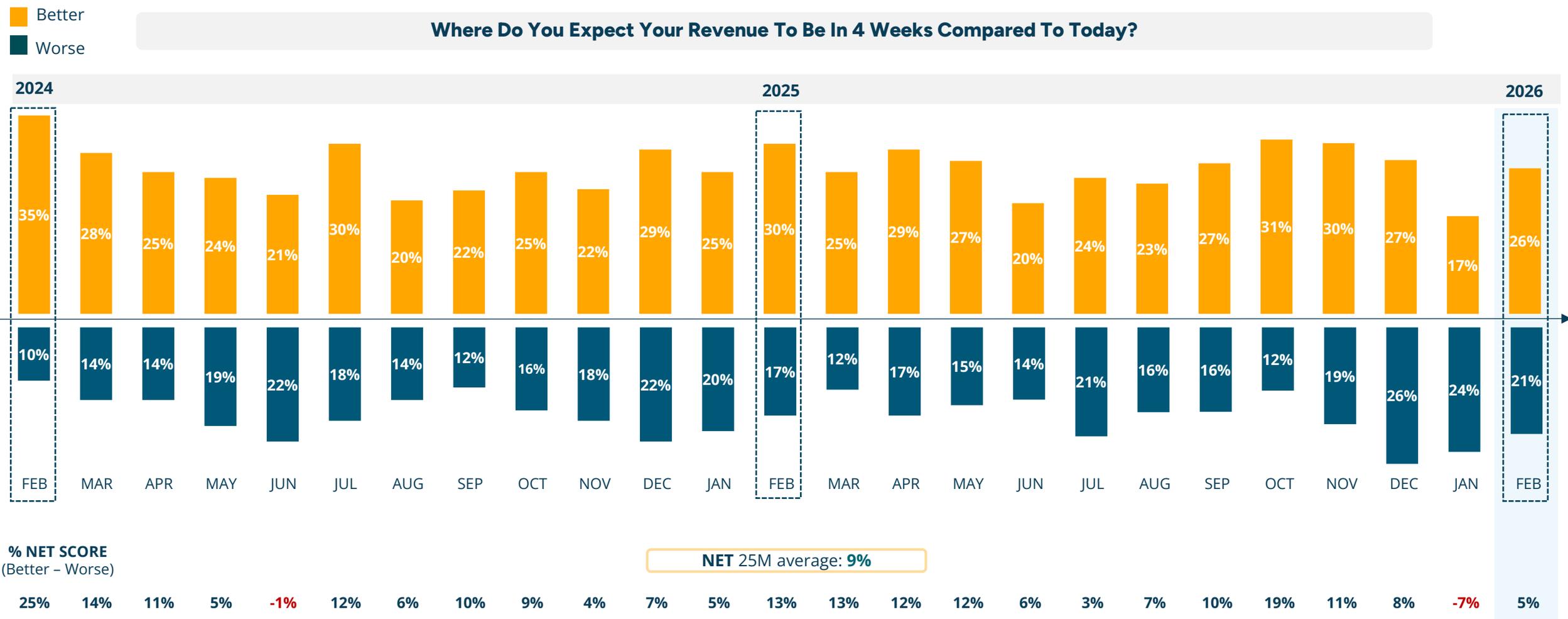


### 20+ Employees



# Business Sentiment | Revenue Expectations (Next Four Weeks)

Despite softer growth expectations, short-term revenue expectations improved in February, likely reflecting a seasonal rebound in demand following the holiday period. However, the rebound remains well below levels recorded in February over the past 2 years.

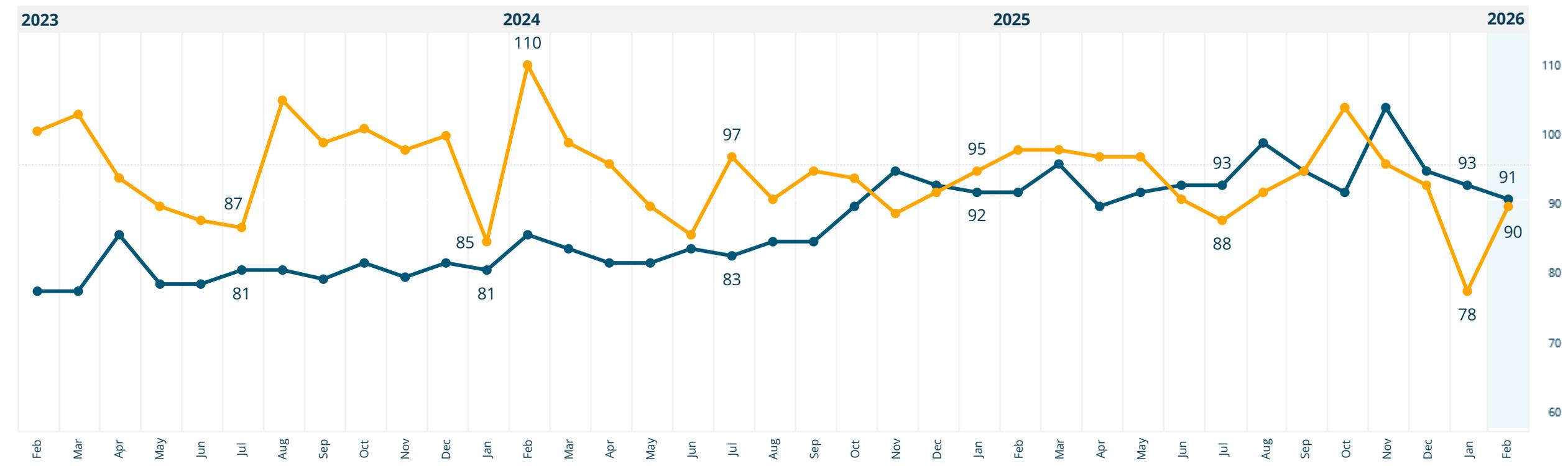


# Business Sentiment | Sentiment Index

Short-term business confidence has recovered from its January low, with FQ Business Sentiment rebounding from 78 to 90 in February, now closely aligned with consumer confidence at 91.

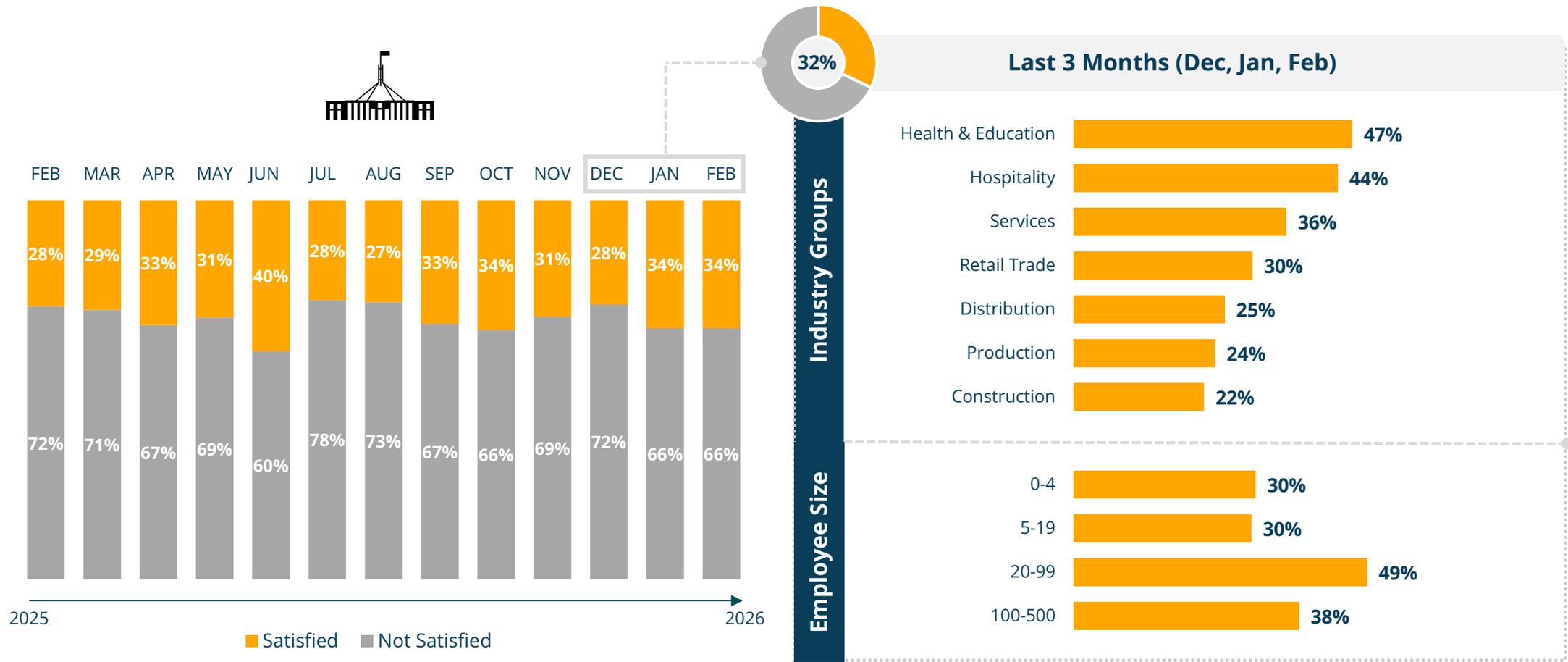
## Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index      FQ Business Sentiment



Satisfaction with Federal Government remained steady in February, with around one-third of SMEs satisfied. Satisfaction is higher among Health & Education and Hospitality businesses and among larger SMEs.

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





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**Methodology & Sample**

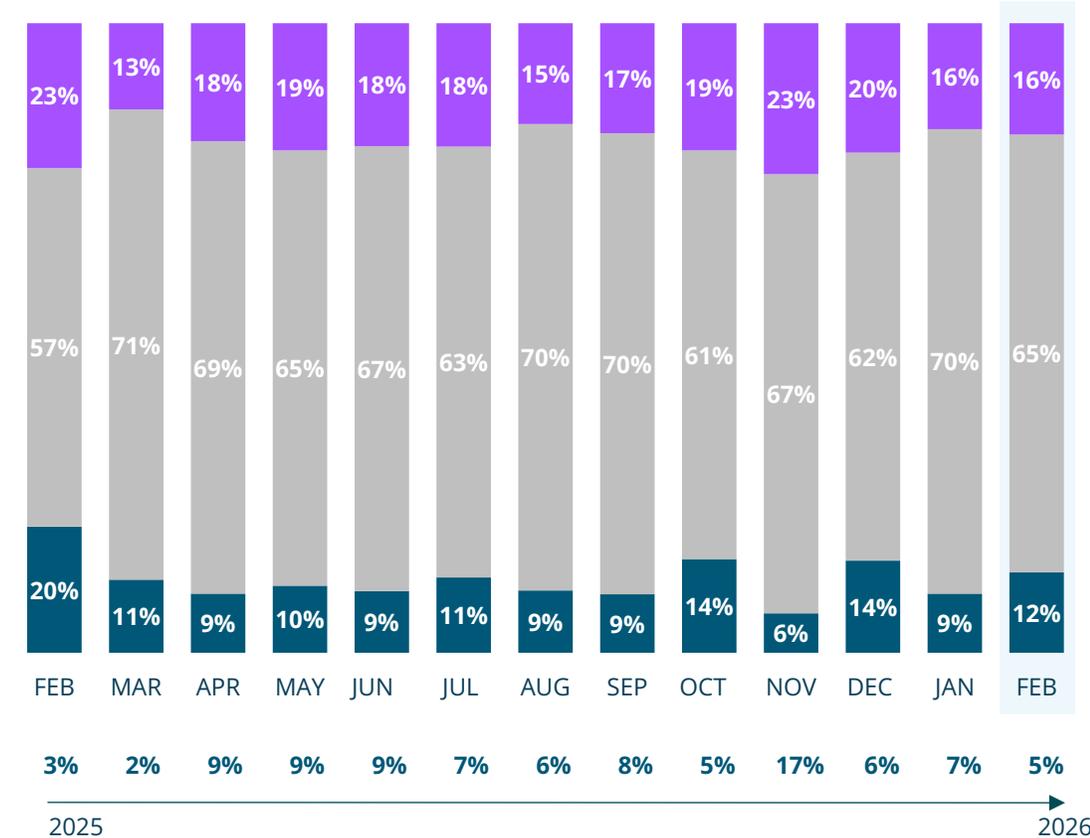
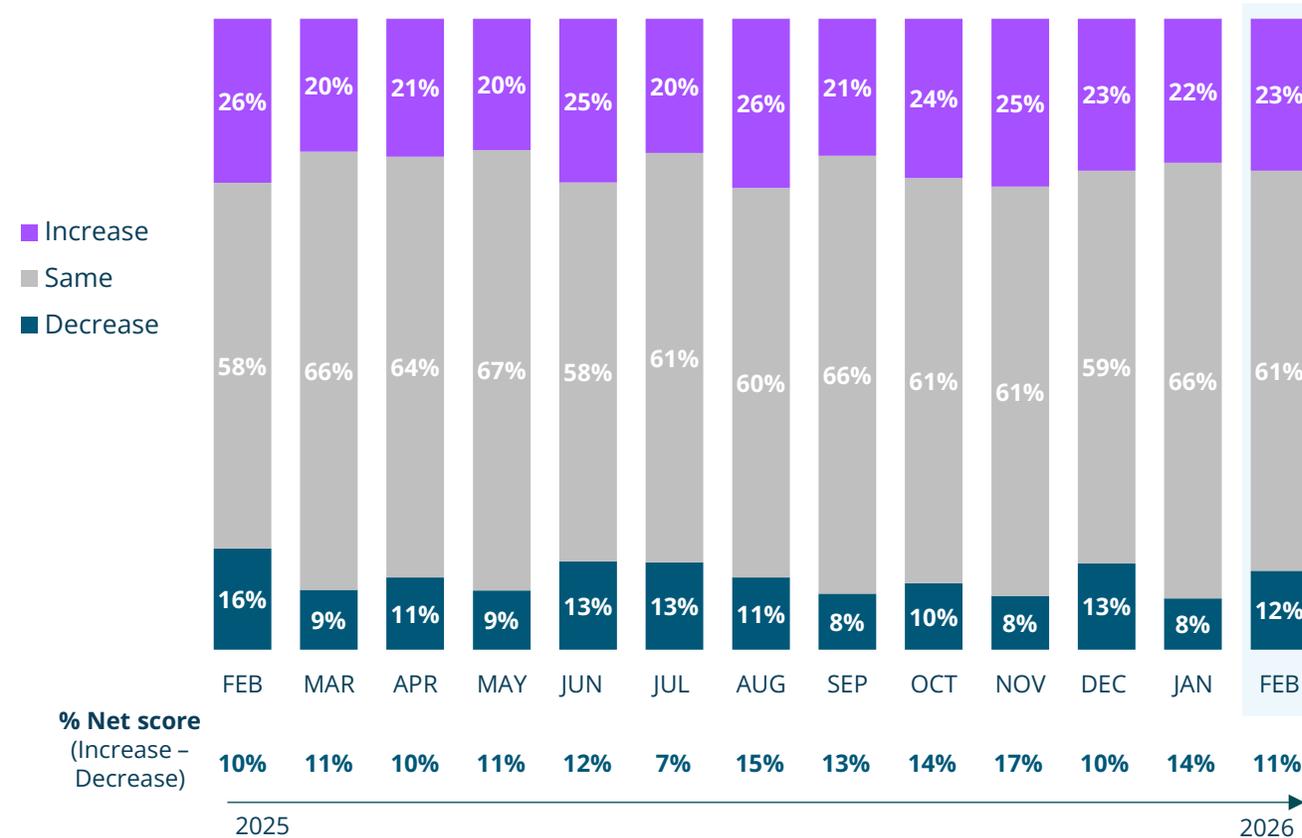
# Business Investment | Next Three Months

As business sentiment and growth expectations remain subdued, investment intentions have softened slightly, with both capital investment and marketing spend expected to decline modestly over the next three months.

## Expectations Over The Next 3 Months Regarding Business Investment

### Business Spending/ Capital Investment

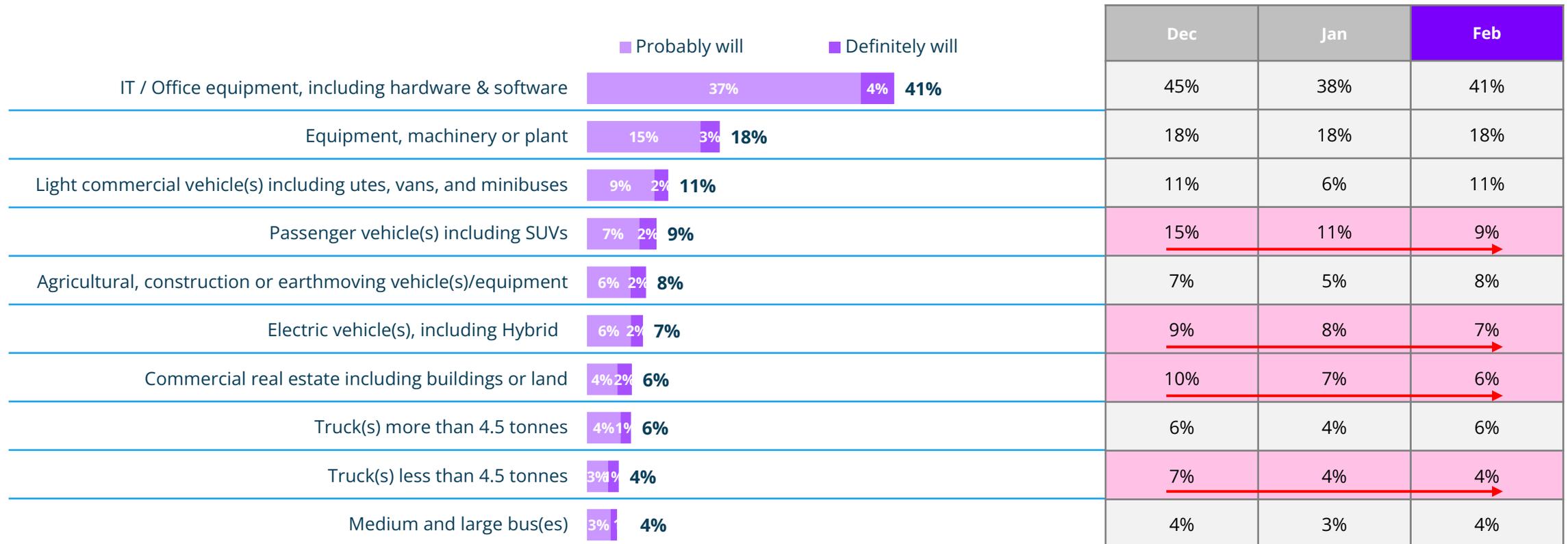
### Marketing Spend



Capital expenditure intentions have declined over the past three months for passenger vehicles, electric vehicles, commercial real estate, and smaller trucks.

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

February



Capital expenditure intentions softened in several categories, especially passenger vehicles among smaller businesses (0-19 employees) and electric vehicles among larger firms (20+ employees).

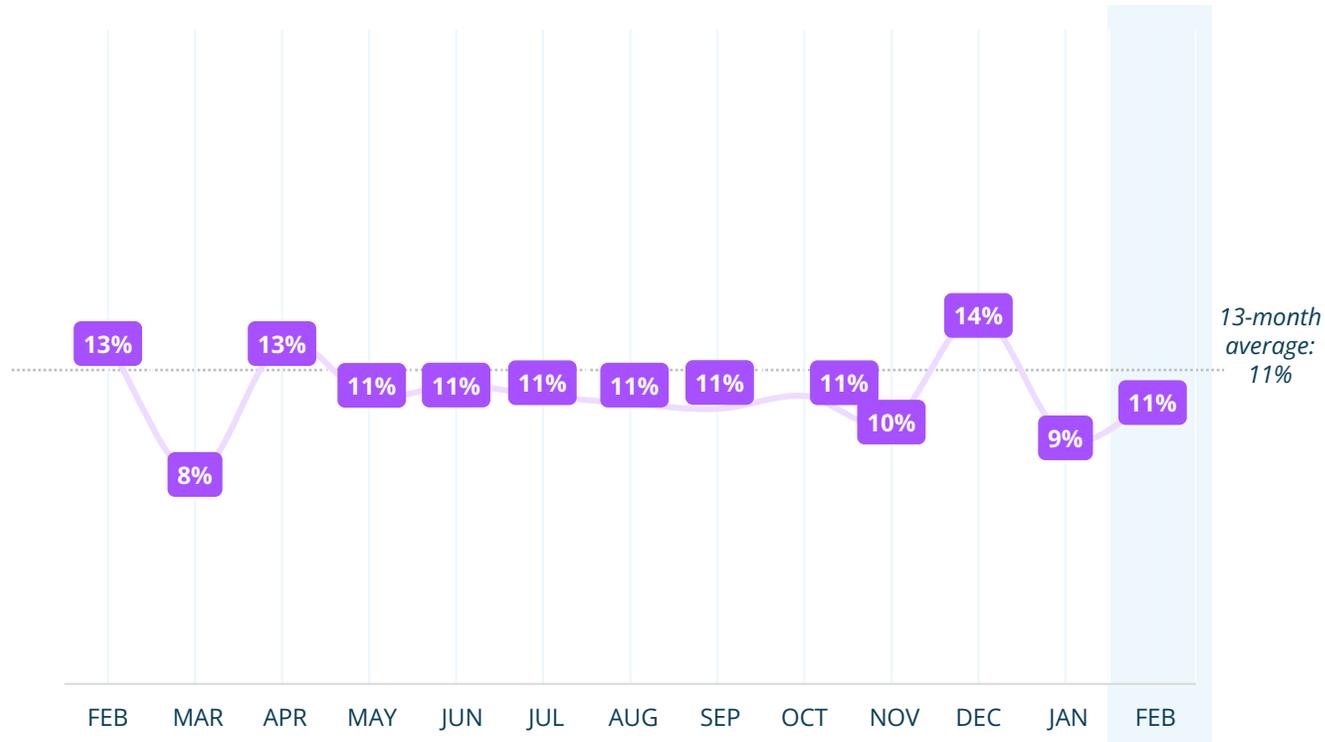
## Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Dec	Jan	Feb	Dec	Jan	Feb
IT / Office equipment, including hardware & software	43%	36%	39%	68%	64%	63%
Equipment, machinery or plant	16%	16%	17%	42%	46%	33%
Light commercial vehicle(s) including utes, vans, and minibuses	9%	5%	10%	28%	23%	23%
Passenger vehicle(s) including SUVs	14%	10%	8%	29%	27%	26%
Agricultural, construction or earthmoving vehicle(s)/equipment	6%	4%	7%	13%	10%	17%
Electric vehicle(s), including Hybrid	7%	7%	7%	28%	22%	17%
Truck(s) more than 4.5 tonnes	5%	3%	5%	16%	15%	14%
Commercial real estate including buildings or land	9%	5%	5%	22%	24%	21%
Truck(s) less than 4.5 tonnes	6%	3%	3%	18%	17%	15%
Medium and large bus(es)	4%	1%	3%	8%	16%	12%

# Business Investment | Finance Needs (Next 3 months)

The proportion of SMEs expecting to seek additional finance increased in February, returning to the 13-month average. Over the past 3 months funding is primarily required to support cashflow and working capital, reflecting the need to manage day-to-day operating liquidity, while demand for finance to support new market expansion and trade activity has declined.

## SMEs That Will Require Additional Finance Over The Next 3 Months



## And What Is The Purpose Of This Finance?

	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Last 3M
Cashflow/ working capital	60%	54%	62%	57%	61%	68%
Purchase plant, machinery or equipment	26%	18%	23%	25%	22%	22%
Fund growth into new markets	13%	13%	17%	15%	21%	15%
Fund growth in Australia	23%	26%	16%	16%	15%	17%
Trade finance to fund import/export activity	9%	17%	12%	15%	8%	6%
Fund merger/acquisition	7%	7%	8%	7%	9%	6%

## Business Investment | Finance Needs (Next 3 months)

Over the past three months, demand for additional finance has remained relatively steady among smaller businesses while continuing to decline among larger firms. By industry, financing requirements have increased in the production sector, while demand has softened in distribution and hospitality.

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

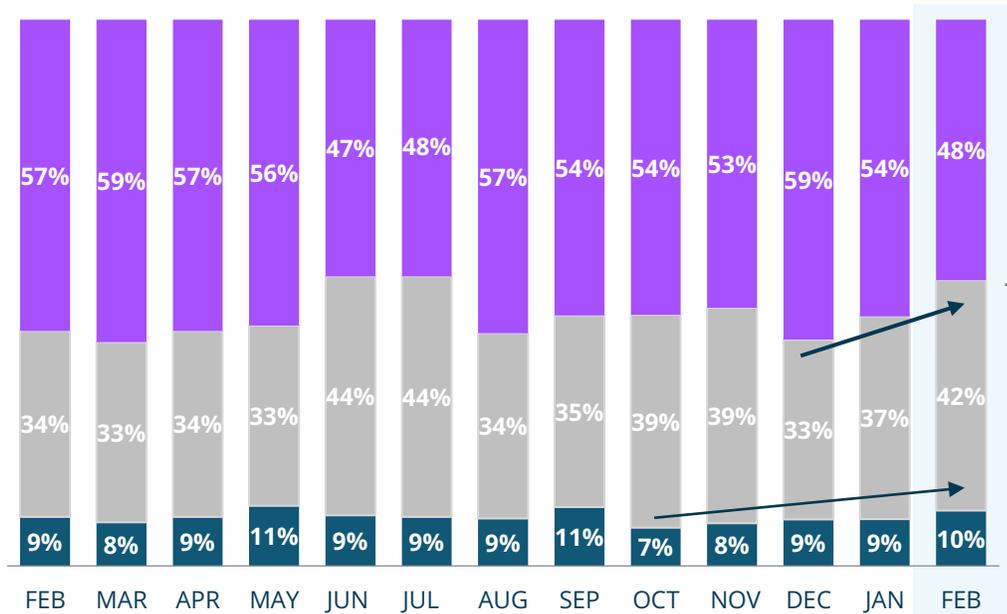
	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26	Last 3M
<b>0-19 Employees</b>	14%	10%	11%	10%	11%	11%
<b>20+ Employees</b>	21%	24%	18%	17%	17%	14%
<b>Construction</b>	19%	9%	10%	11%	16%	14%
<b>Distribution</b>	16%	6%	21%	12%	18%	11%
<b>Health &amp; Education</b>	8%	11%	11%	11%	10%	11%
<b>Hospitality</b>	17%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

# Business Investment | Loan Stress

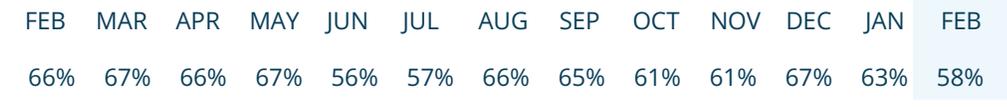
The proportion of SMEs with outstanding debt declined to 58% in February, the lowest level since July. However, the share of businesses expecting difficulty meeting loan repayments has increased from 7% in October to 10% in February, highlighting growing repayment pressures. These pressures are most evident among mid-sized firms (20–99 employees), particularly in Distribution and Retail Trade.

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

■ Yes    
 ■ No outstanding loan repayments    
 ■ No



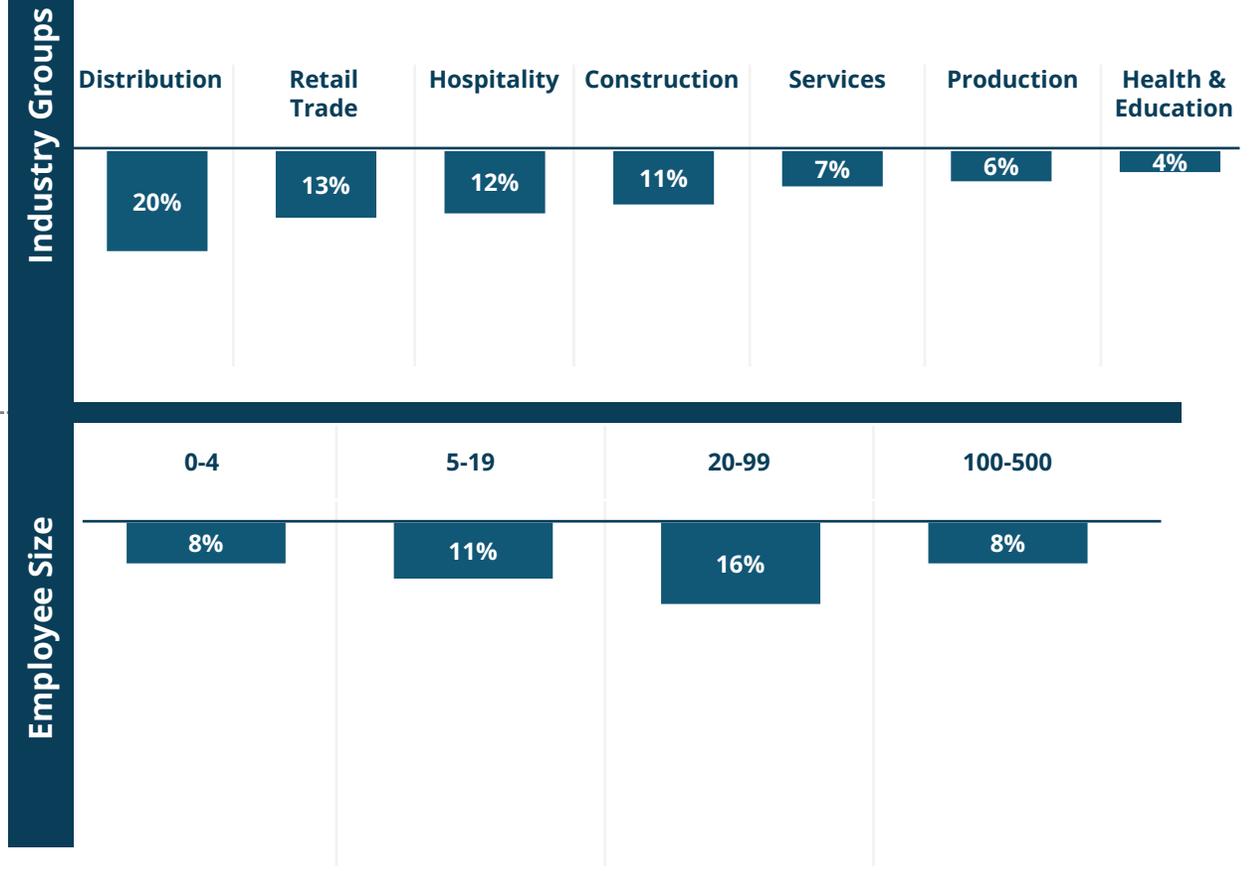
% of SMEs with debt:



2025 → 2026

## Last 3 Months (Dec, Jan, Feb)

■ 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

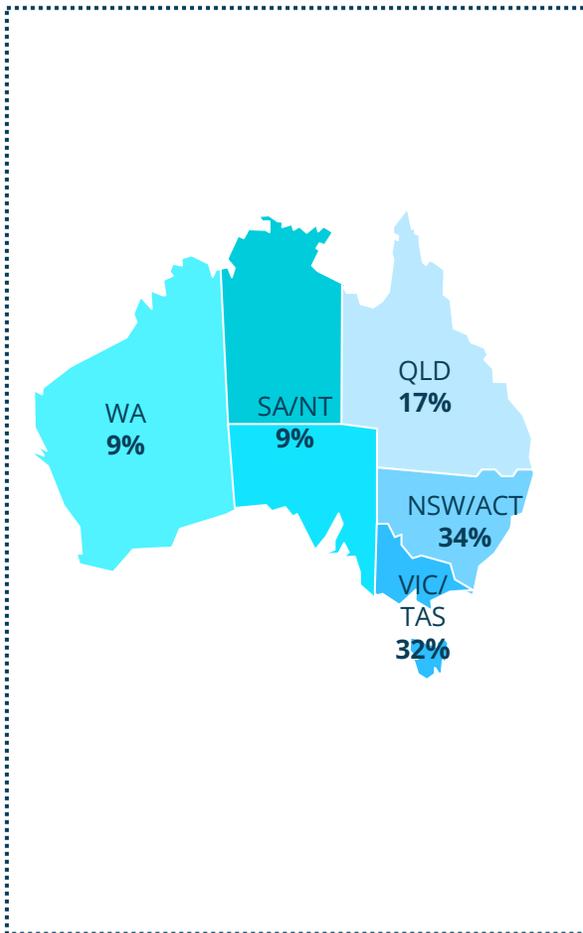


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

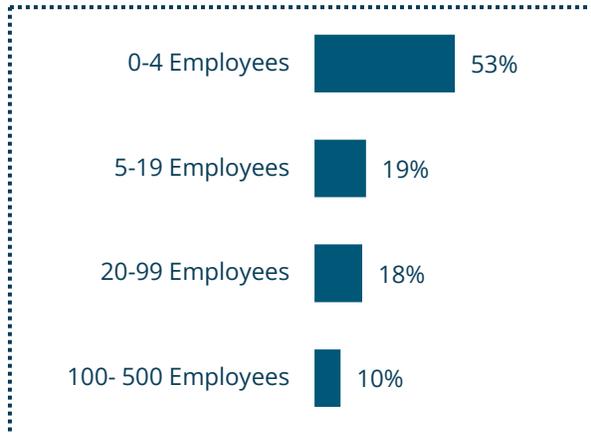
# Our Sample

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.

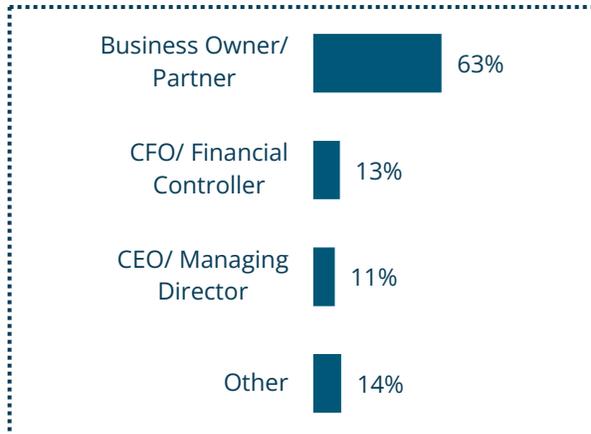
## Head Office Location



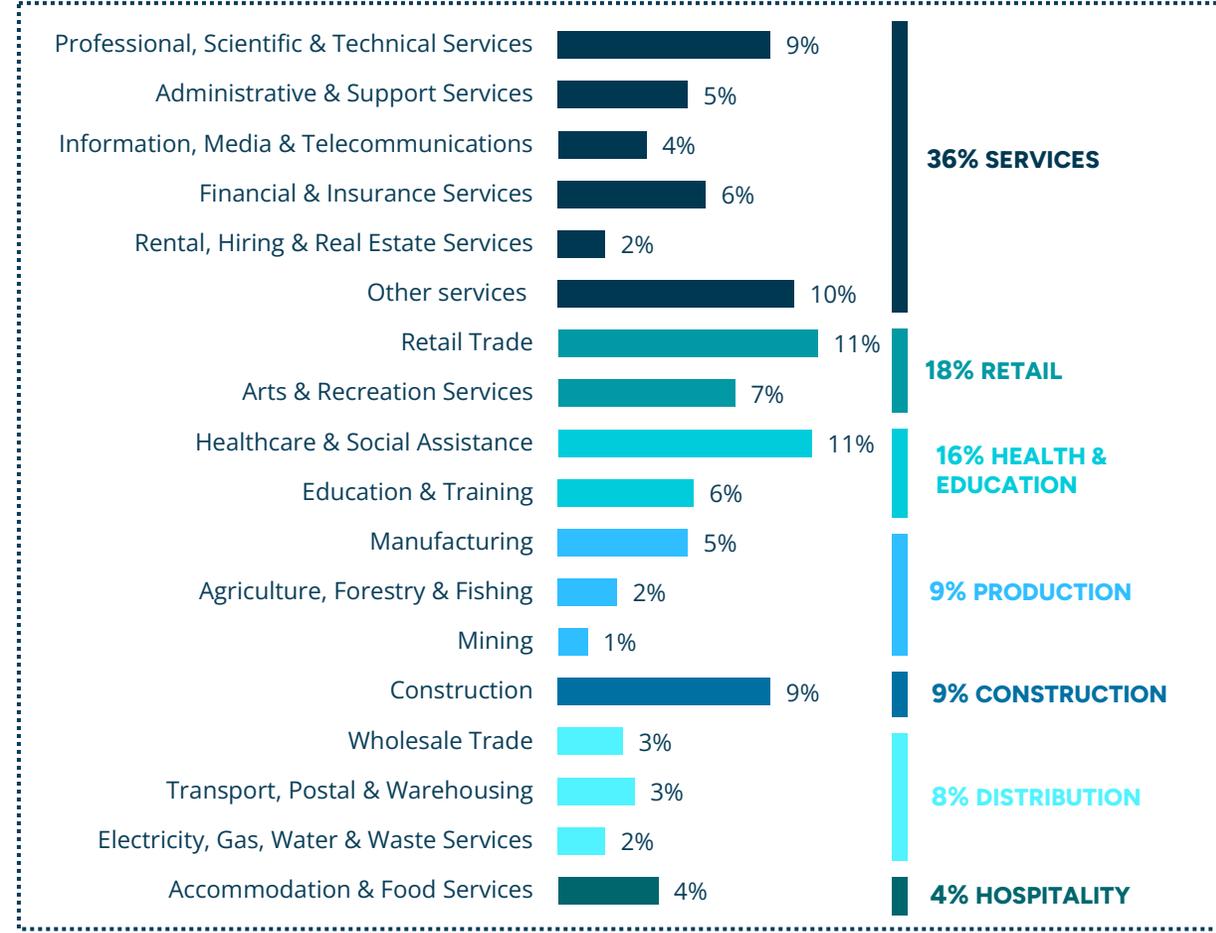
## Size Of Business: Employees



## Position In Business



## Industry Sector



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## Thank You

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