Small & Medium Enterprise Sentiment Tracker

Wave 85 – March 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.

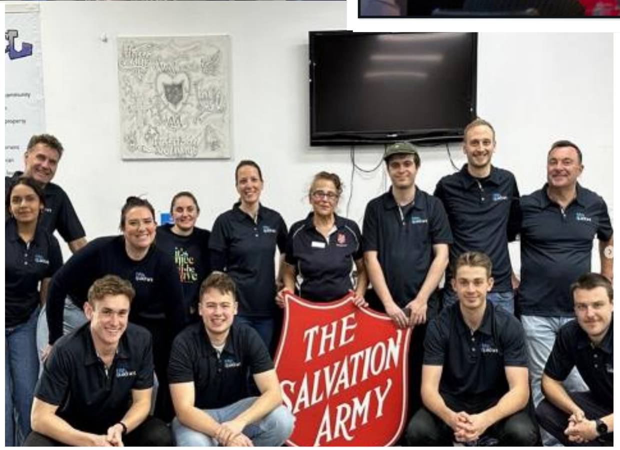
By combining inative methodologies, proven frameworks, and the latest AI-driven tools, we deliver deep, evidence-based insights that enable our clients to anticipate change, make smarter decisions, and drive sustainable growth.

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.



Key Learnings

Expectations for the global economy collapsed in March, with sentiment deeply negative at a net score of -82%

23% of SMEs expect revenues to improve over the next 4 weeks, broadly steady on February

36% are planning for growth over the next 12 months , up from February's 12-month low of 28%

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

SME Sentiment Collapses, But Growth Ambitions Remain

SME sentiment has weakened significantly, reflecting rising geopolitical uncertainty, cost pressures and a deteriorating near term outlook. However, growth ambitions and investment intentions remain resilient, highlighting a clear disconnect between current conditions and future expectations.

This divergence suggests SMEs are looking beyond short-term disruption and maintaining confidence in their longer-term prospects. That said, near term conditions are worsening. Revenue expectations are softening, cost pressures are increasing, and funding behaviour is becoming more defensive, indicating that further pressure is likely before any recovery materialises.

In response, SMEs are increasingly shifting toward an efficiency led growth model. Rather than expanding headcount, businesses are focused on doing more with less, streamlining operations and leveraging technology to improve workflows and productivity.

This is reflected in softer employment and wage expectations, alongside continued investment in IT and equipment. These investments are enabling growth without a corresponding increase in labour or fixed costs, allowing businesses to scale more efficiently. At the same time, ongoing investment in marketing signals a continued focus on demand generation and longer-term growth.

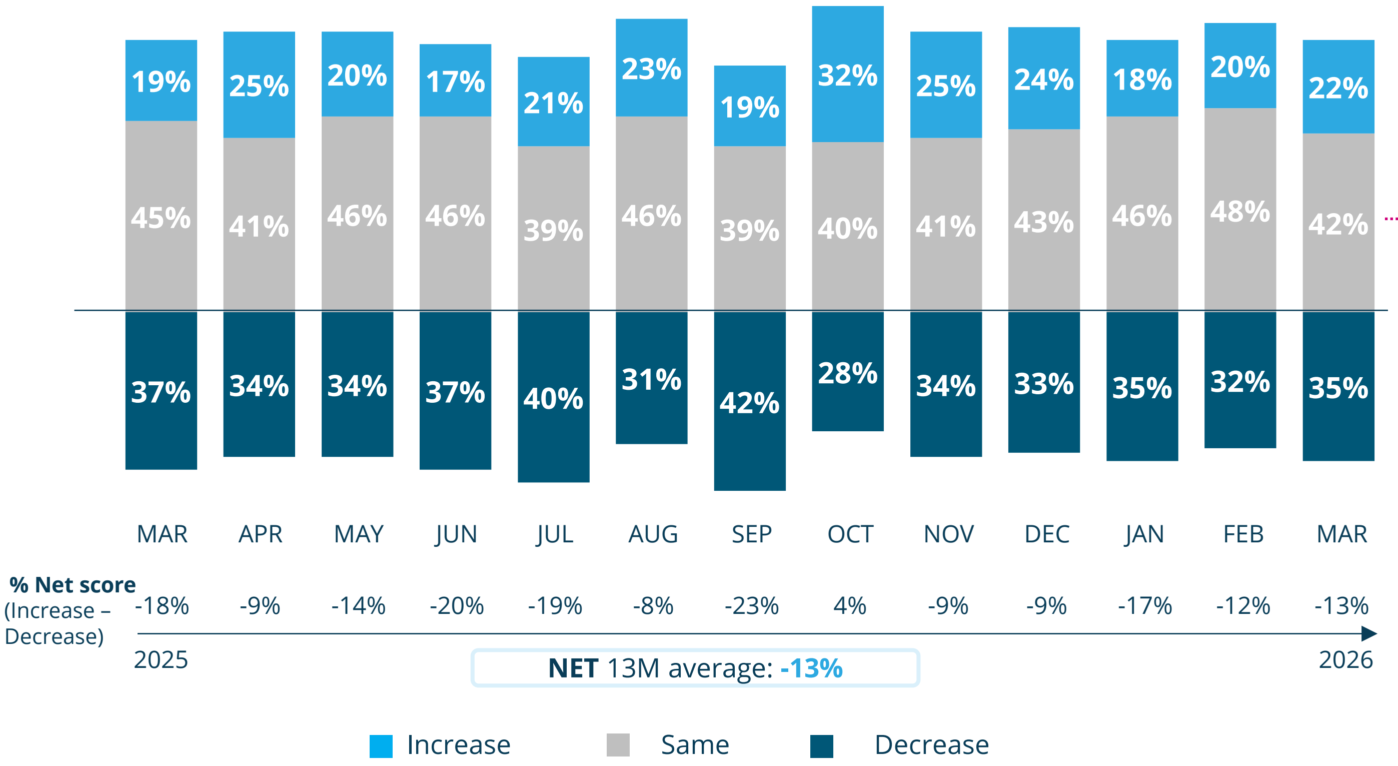
Overall, SMEs are not pulling back from growth, but are recalibrating how they achieve it, prioritising productivity, efficiency and capital light expansion to grow revenue while containing costs and limiting reliance on external funding.

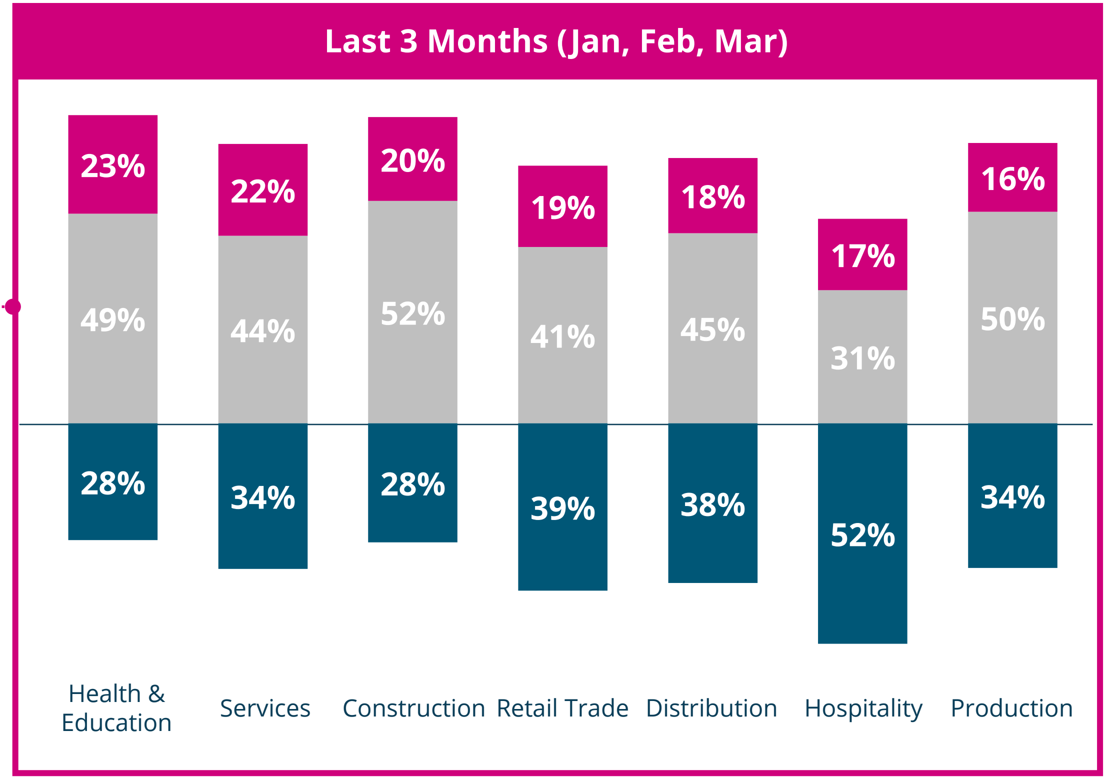
Overall, SMEs are navigating a more challenging near term environment, with weakening sentiment, softer revenue expectations and rising cost pressures. However, rather than pulling back, businesses are adapting by shifting toward a more efficient growth model. By focusing on productivity, targeted investment and disciplined cost management, SMEs are positioning themselves to sustain growth while managing risk, even as conditions are expected to remain pressured in the short term.

Key Performance Indicators | Revenue

SME revenue held steady in March, with the net score of -13% sitting exactly on the 13-month average. Revenue conditions remain broadly stable across the sector, with softness continuing to be most pronounced in Distribution, Retail Trade, and Hospitality.

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

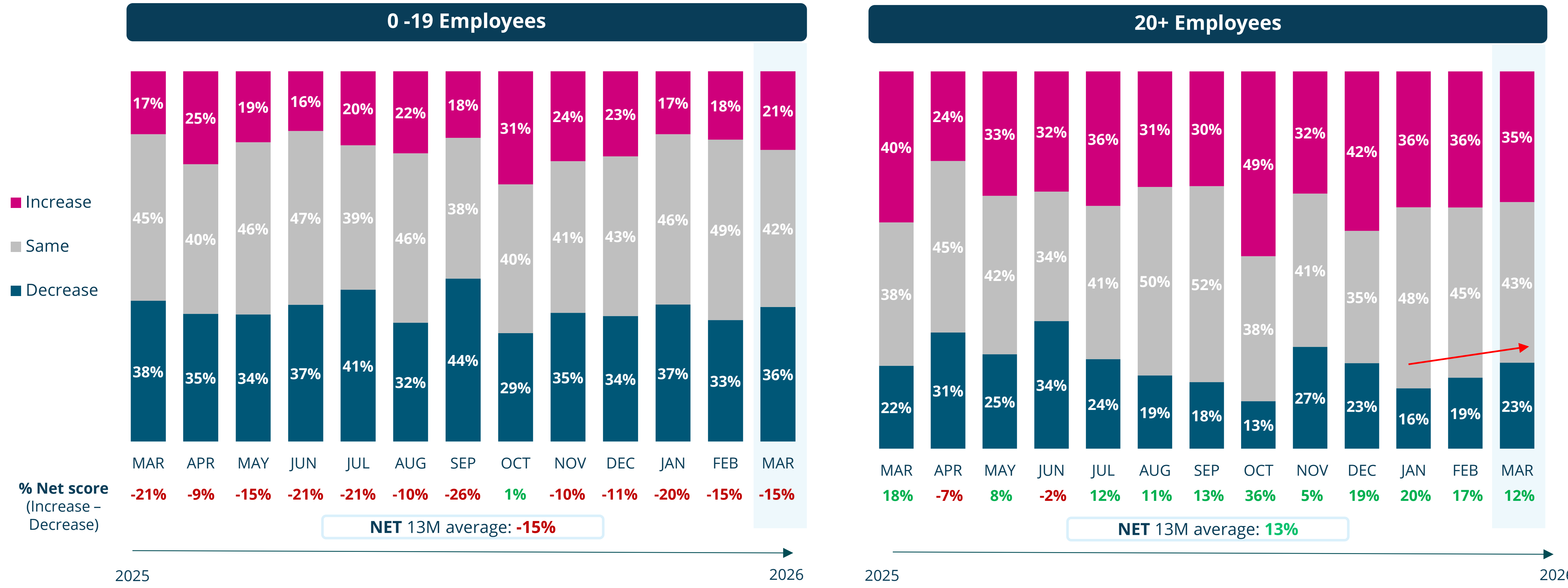




Key Performance Indicators | Revenue

In March, both SME employee cohorts aligned with their 13-month averages, while revenue declines among larger SMEs increased for the third consecutive month.

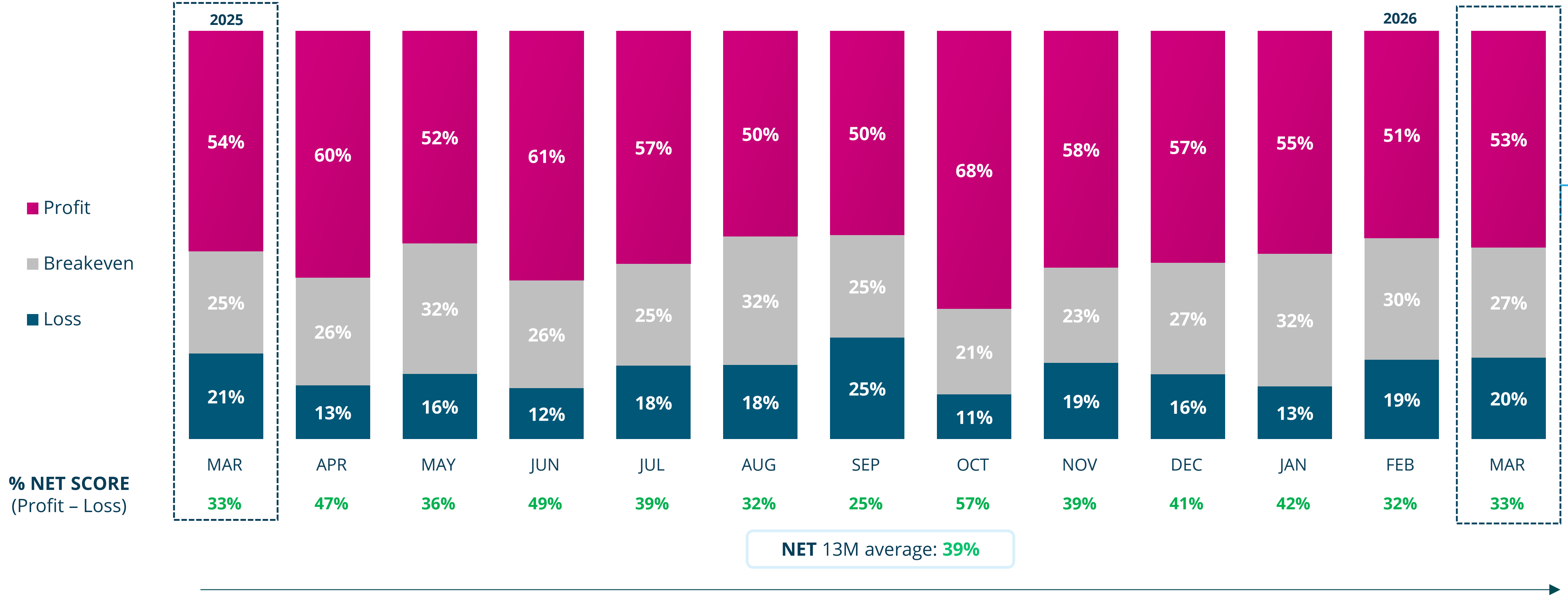
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Profit

Profitability holds vs. last year but tracks below average, with fuel cost pressures expected to continue weighing on margins.

What Was Your Profit Margin Last Month?



Profit by Employee Size

0-19: 50%
20+: 55%

Industry

Retail: 47%

Focus on efficiency continues to strengthen, with streamlining operations rising as the primary response to cost pressures

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

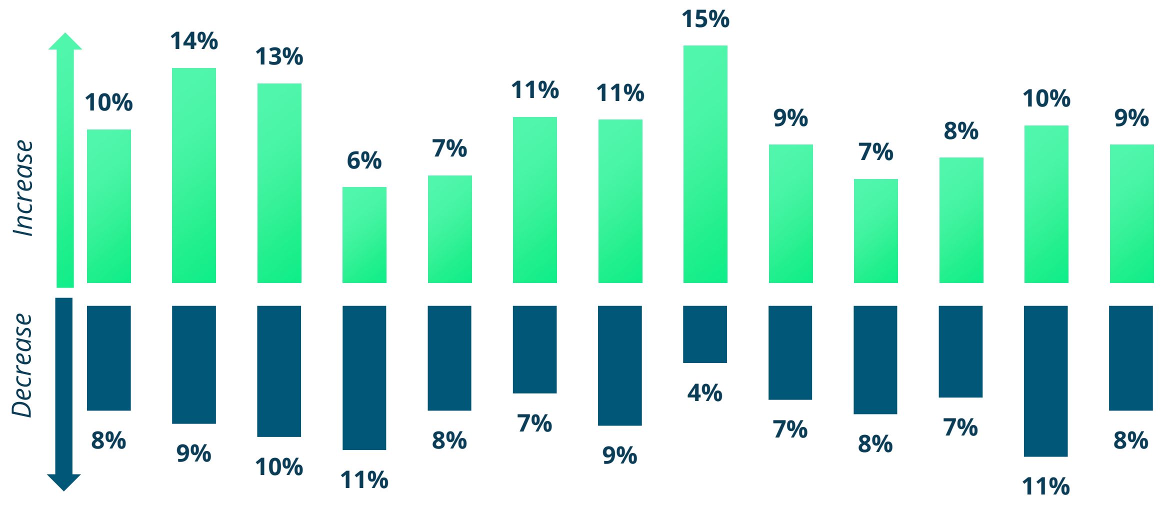
	March	October	November	December	January	February	March
Enhancing efficiency by streamlining business operations.	29%	30%	18%	23%	24%	26%	29%
Discontinuing products/services that are not profitable.	23%	25%	26%	32%	31%	21%	23%
Reassessing current projects and significant investments for viability and impact.	22%	19%	23%	21%	19%	22%	22%
Expanding the range of products/services to generate new revenue streams.	21%	21%	21%	22%	20%	17%	21%
Renegotiating supplier contracts or seeking new supply sources.	20%	20%	20%	22%	24%	17%	20%
Maximising staff productivity through better training and optimisation.	20%	22%	16%	18%	19%	21%	20%
Adopting new technologies for increased automation and operational efficiency.	19%	18%	19%	20%	16%	19%	19%
Refining inventory management practices for better efficiency.	13%	16%	12%	14%	9%	12%	13%
Undertaking debt restructuring to reduce financial burdens.	9%	8%	11%	10%	10%	12%	9%
Implementing workforce reductions, such as layoffs or hiring freezes.	9%	7%	8%	8%	8%	10%	9%
Delegating non-essential functions to external providers.	7%	12%	8%	10%	9%	7%	7%
Shifting towards the use of renewable energy sources.	6%	8%	11%	8%	9%	5%	6%

Key Performance Indicators | People

Hiring intentions remain broadly stable but subdued, with growth concentrated in larger SMEs.

Expectations Over The Next 3 Months Regarding Staff

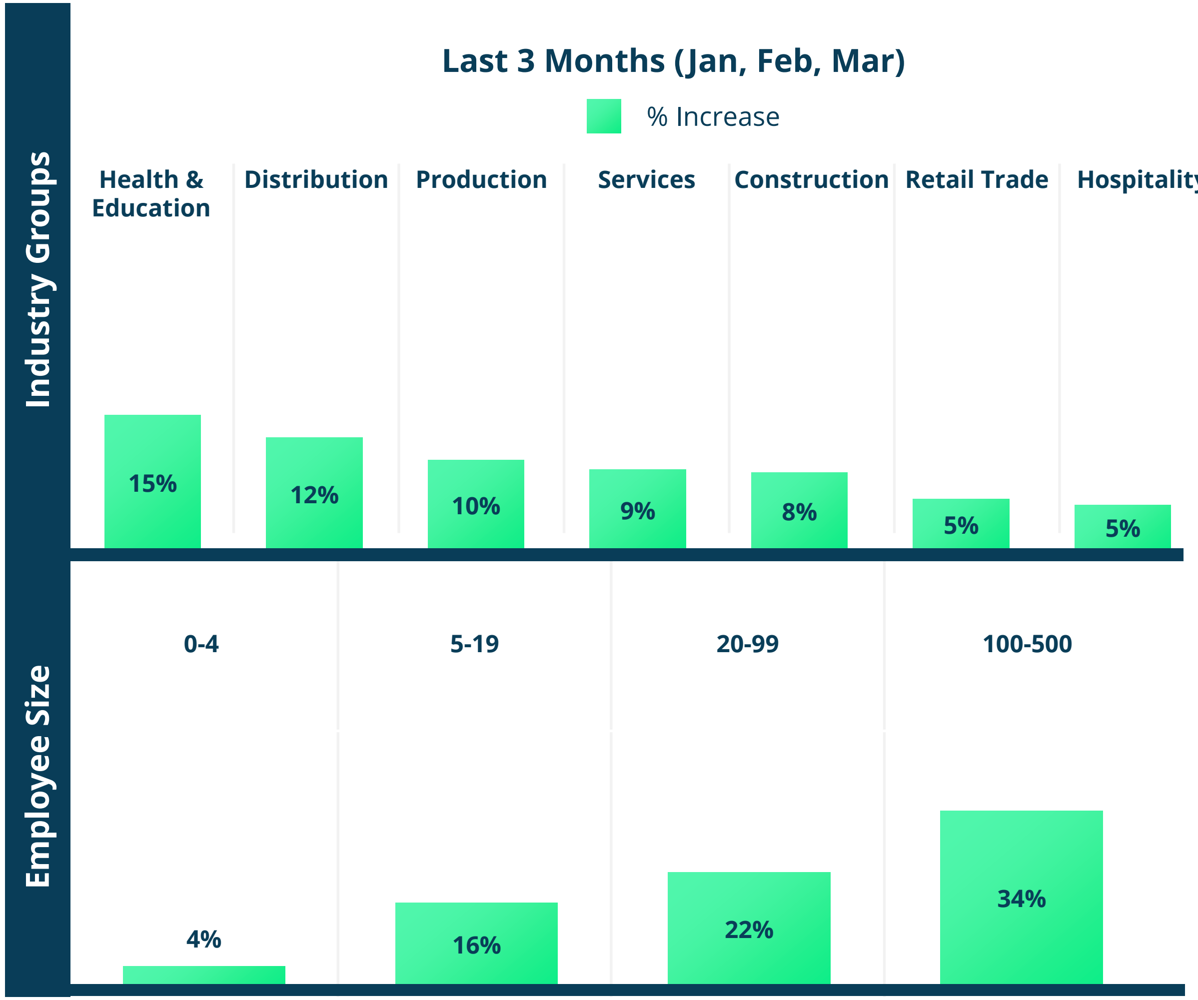
The Number Of Staff You Employ



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

NET 13M average: **2%**

2025 → 2026

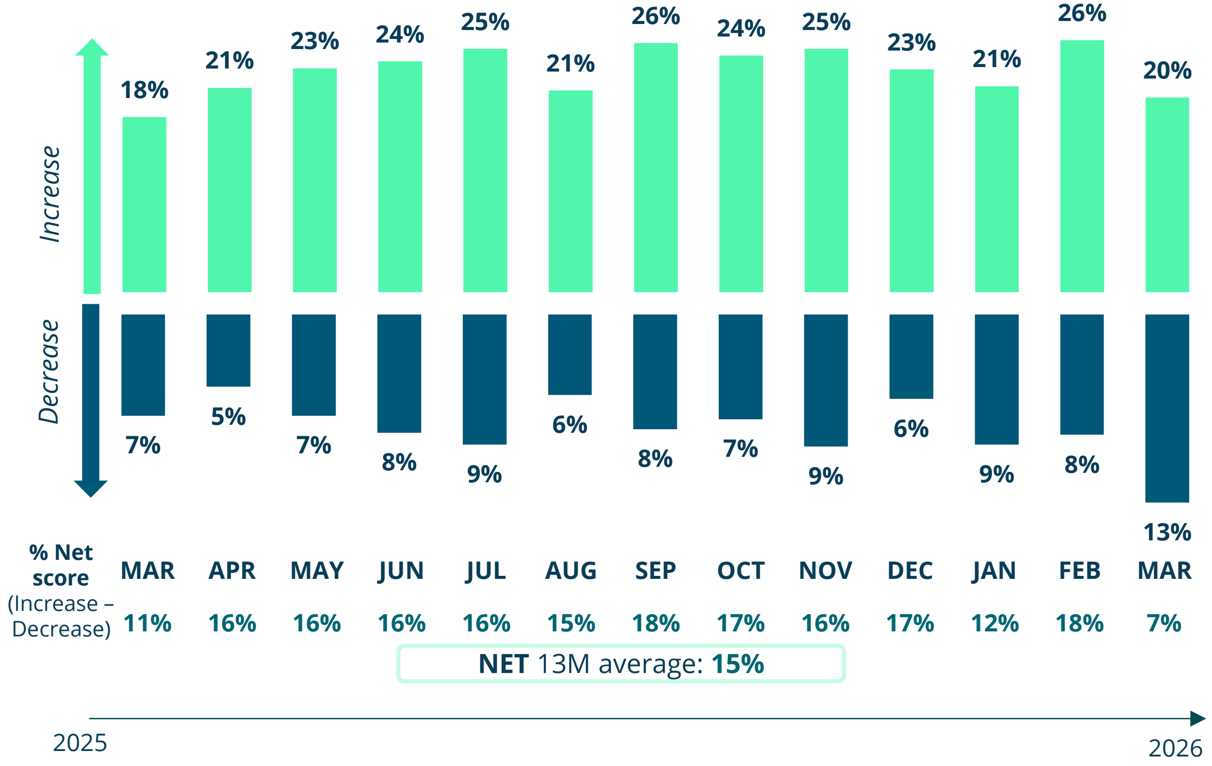


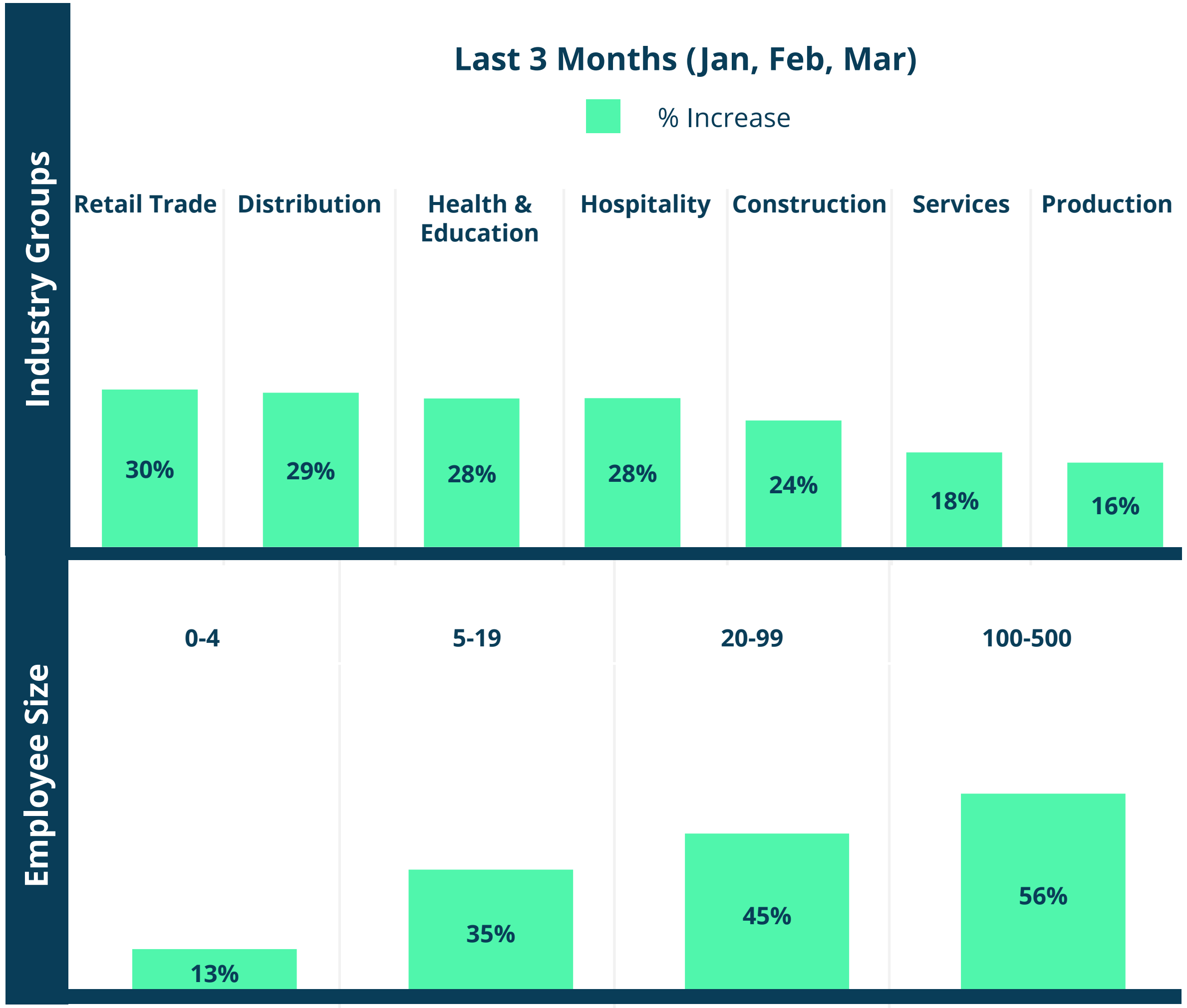
fifth quadrant

Wage growth expectations decline in March, indicating a softening labour market and reduced upward pressure on wages.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay

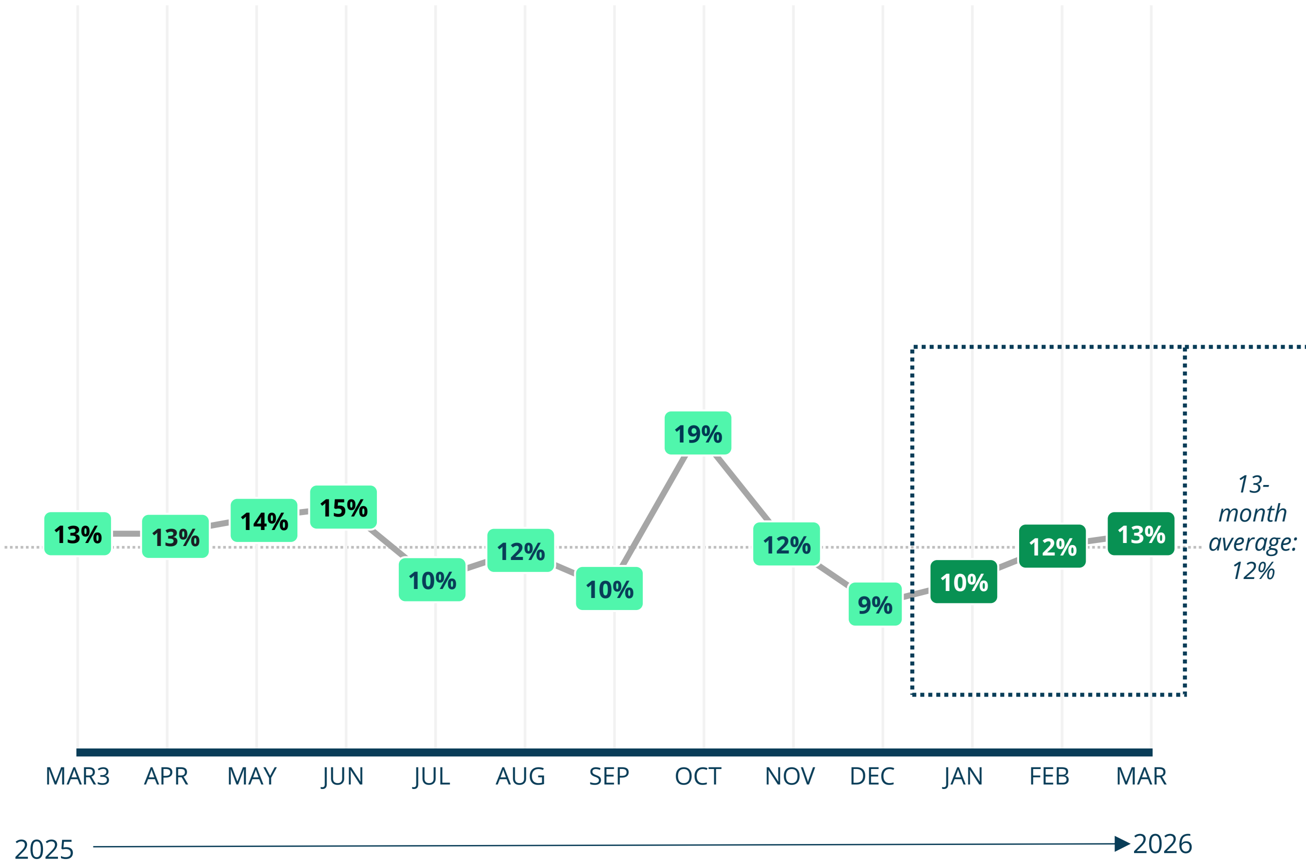




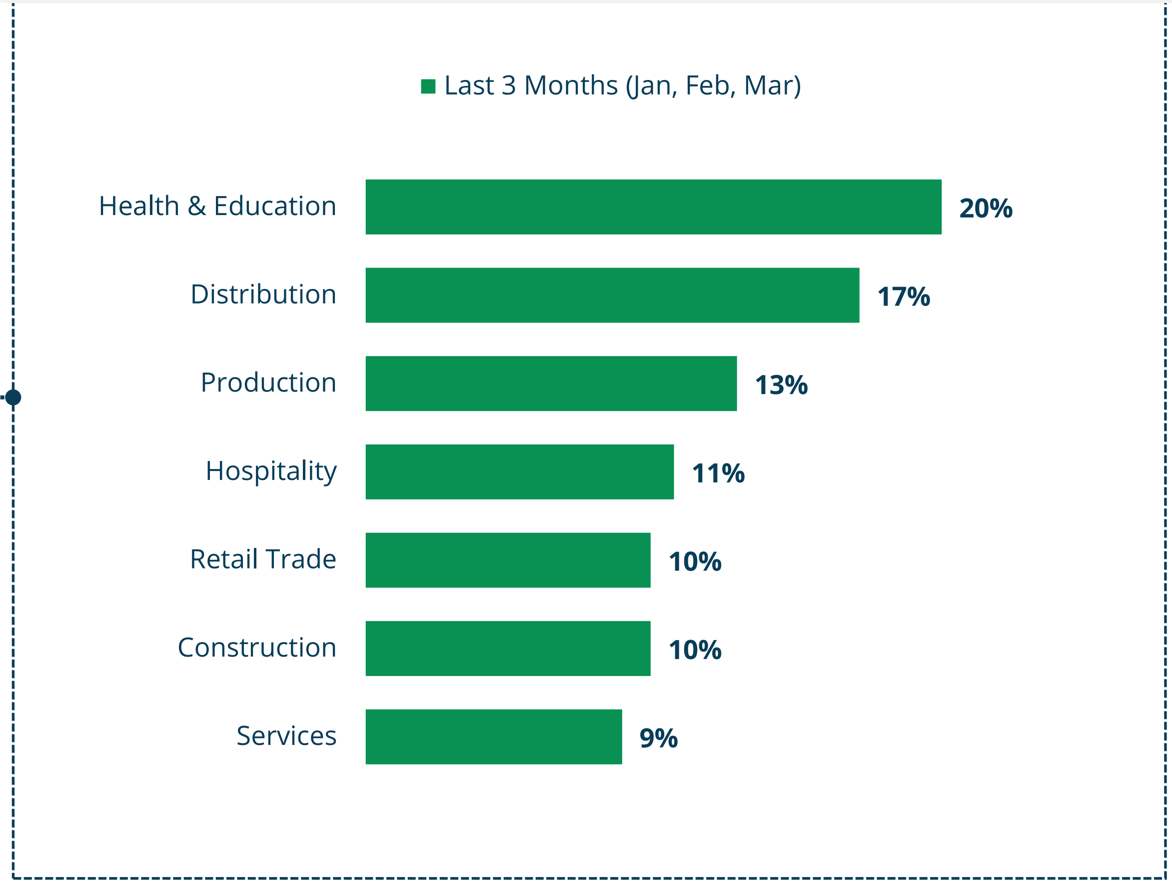
Key Performance Indicators | People

However, job vacancies held at 13% in March, just above the 13-month average of 12%. Health & Education and Distribution continue to report the highest vacancy rates over the past three months.

SMEs That Currently Have Job Roles They Are Trying To Fill

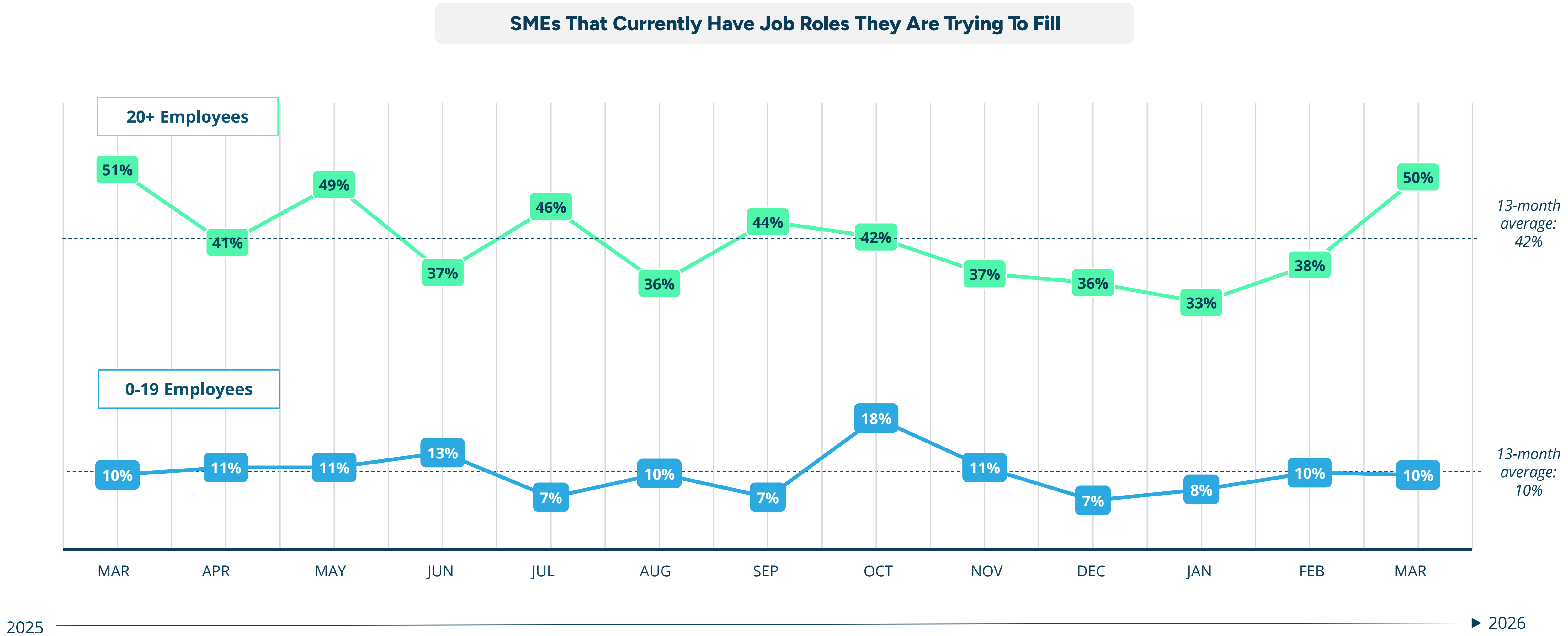


Current Job Vacancies By Industry



fifth quadrant

Hiring demand is accelerating among larger SMEs, while smaller businesses show little change.

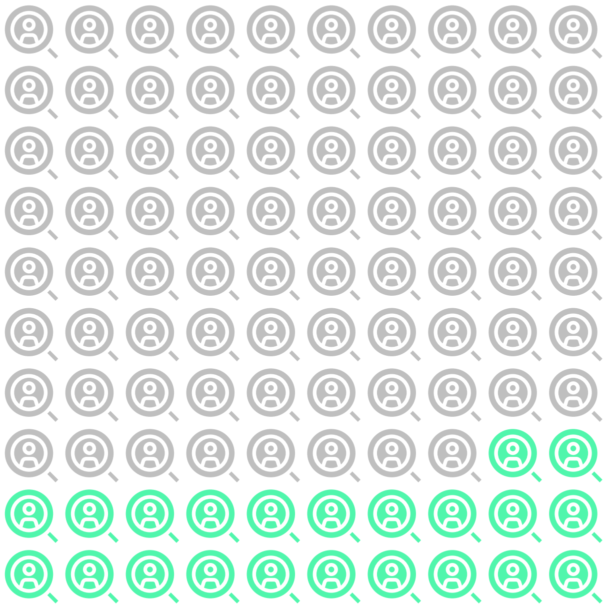


Key Performance Indicators | People

Year-on-year declines in job vacancies reflect softening hiring demand, consistent with a gradual rise in Australia's unemployment rate from ~3.7% to ~4.3% since 2024.

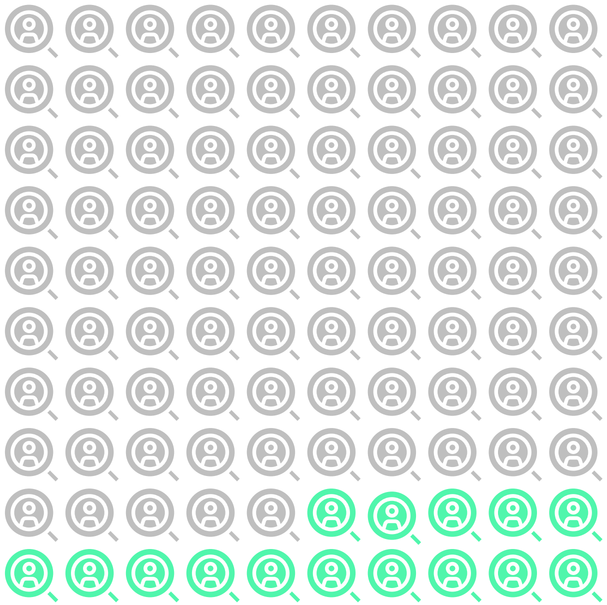
SMEs That Currently Have Job Roles They Are Trying To Fill

FY24



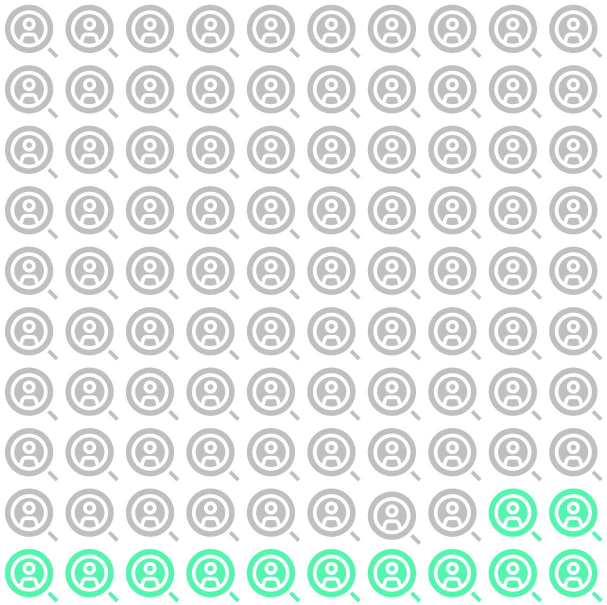
22% with job vacancies

FY25



15% with job vacancies

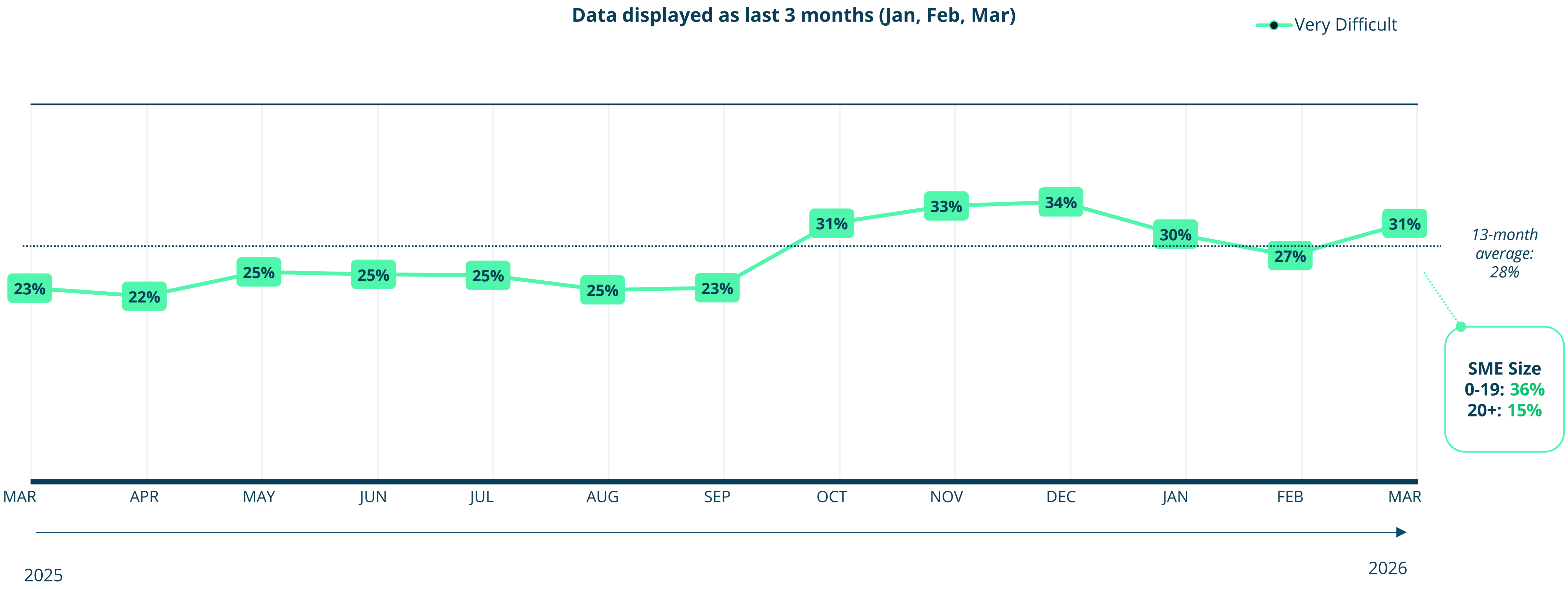
FY26



12% with job vacancies

Hiring difficulty edged back up in March 2026, with 31% of businesses reporting roles as very difficult to fill, above the 13-month average of 28% and reversing the easing seen in February.

How Difficult Is It To Fill These Roles?

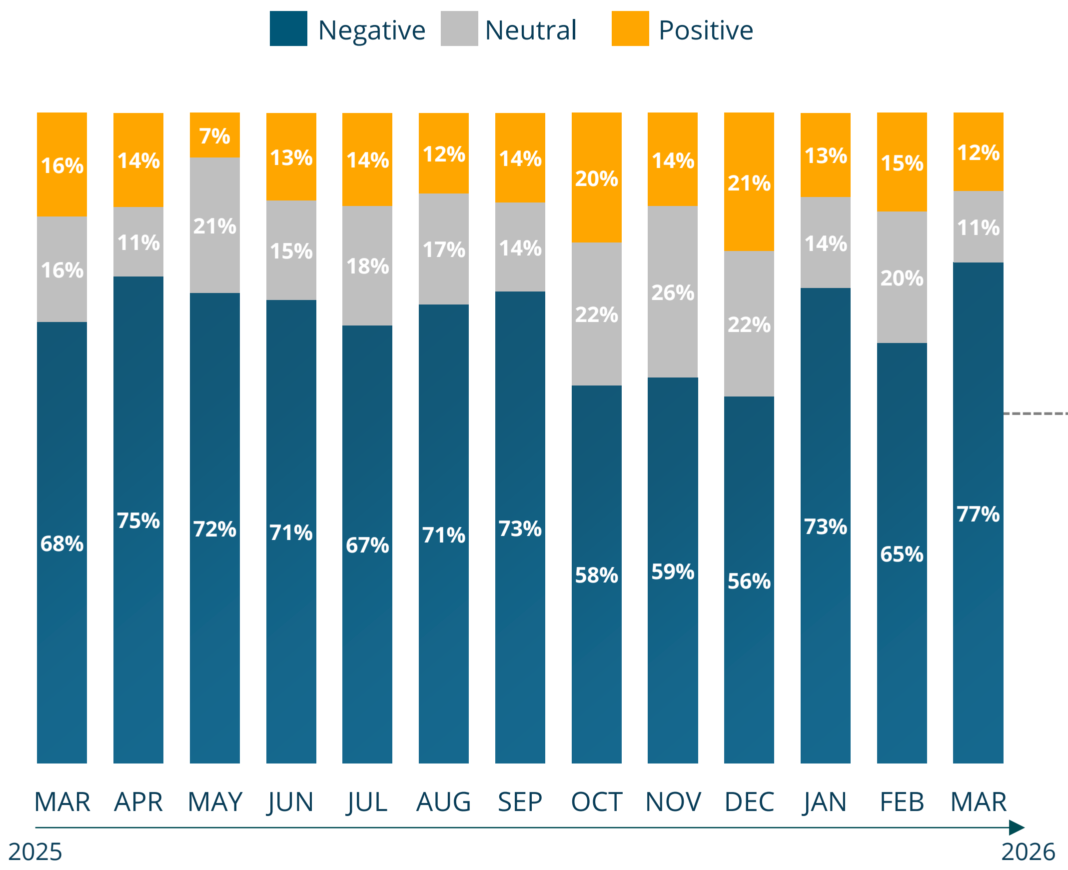


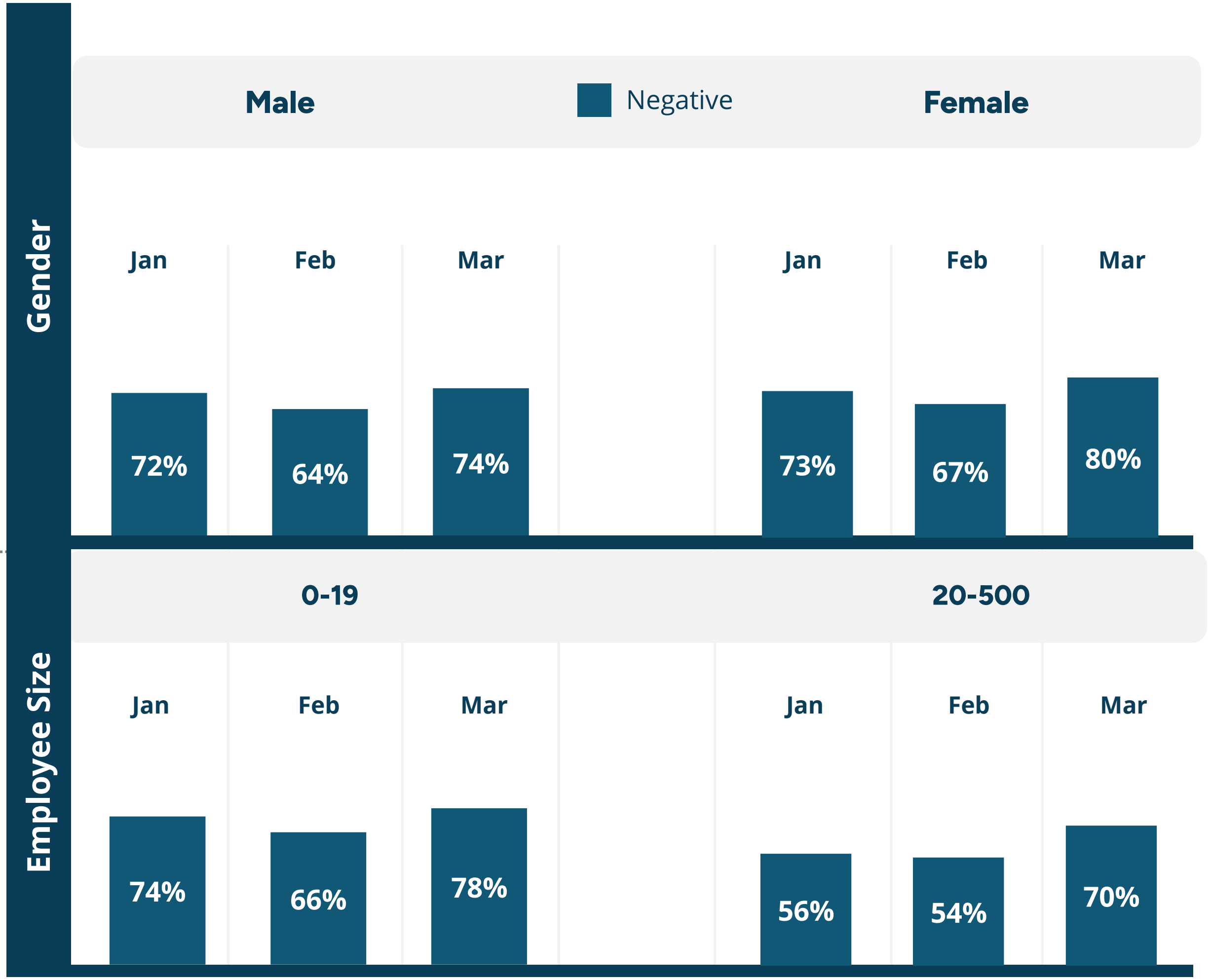

OPTIONS 01

Business Sentiment | Expectations Regarding Economic Conditions

Negativity toward the Trump Administration's impact on the Australian economy rose to 77% in March, the highest level in the past 12 months. This deterioration is driven by the Iran war tensions and associated trade and energy uncertainty, which are increasing cost and supply risks for businesses. Concern is most pronounced among smaller businesses (78%) and female respondents (80%).

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

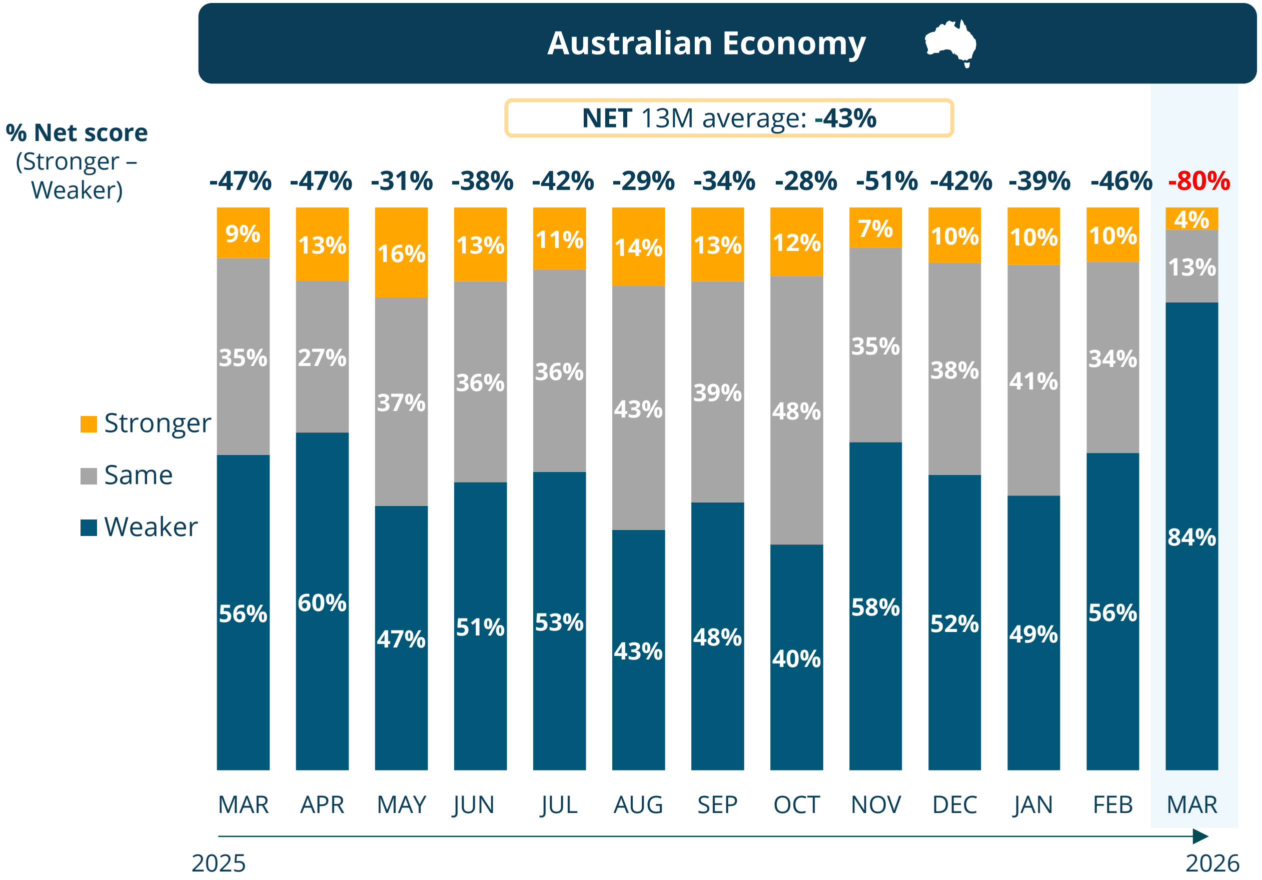


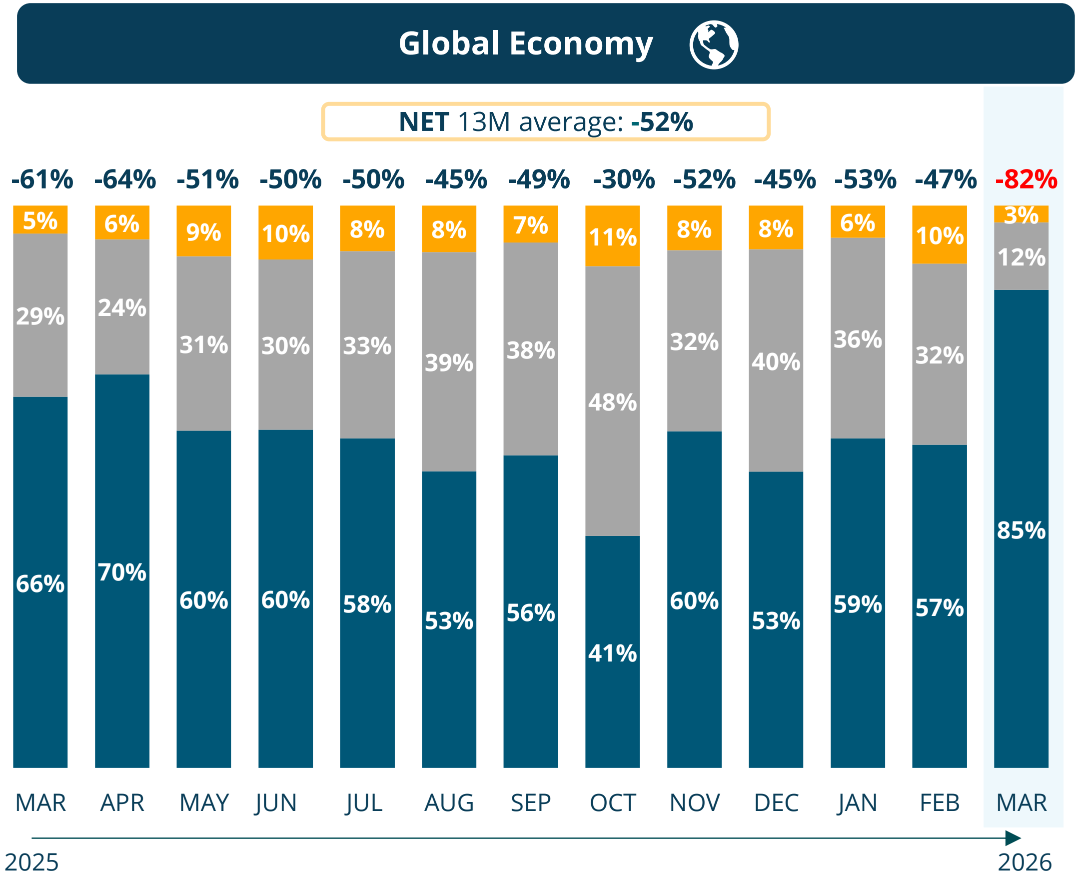


Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

Economic expectations collapsed in March, with sentiment toward both Australian (-80%) and global (-82%) conditions falling well below trend. The decline reflects heightened geopolitical and policy uncertainty, pointing to a significant erosion in near-term business confidence.

Expectations Over The Next 3 Months Regarding Economic Conditions

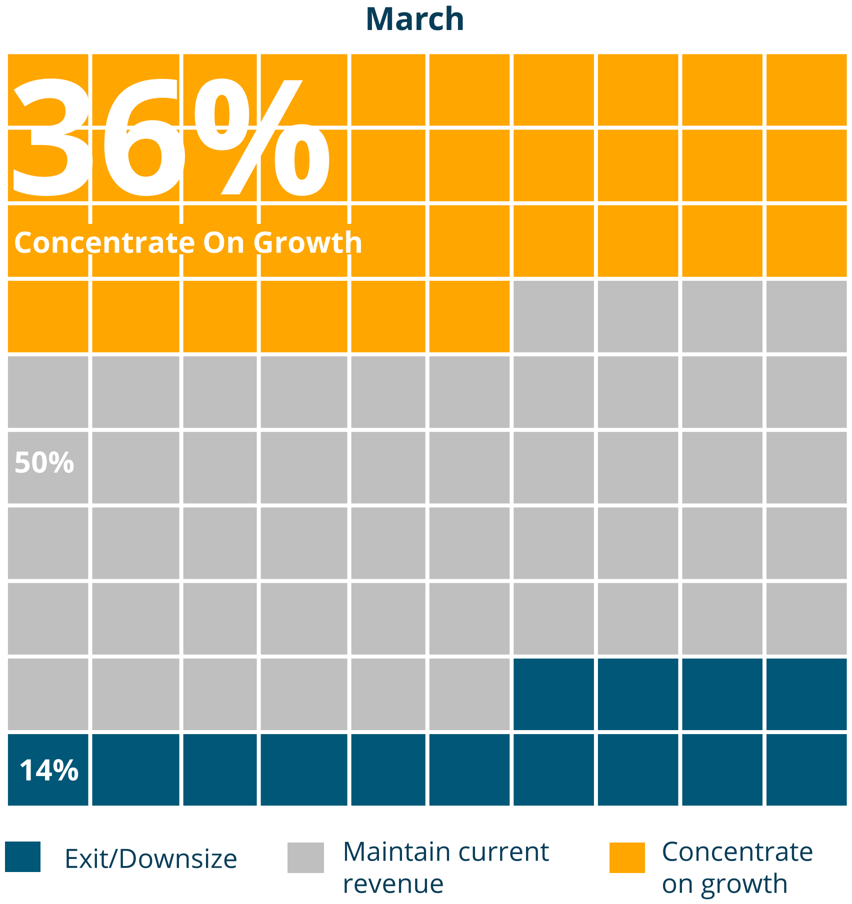


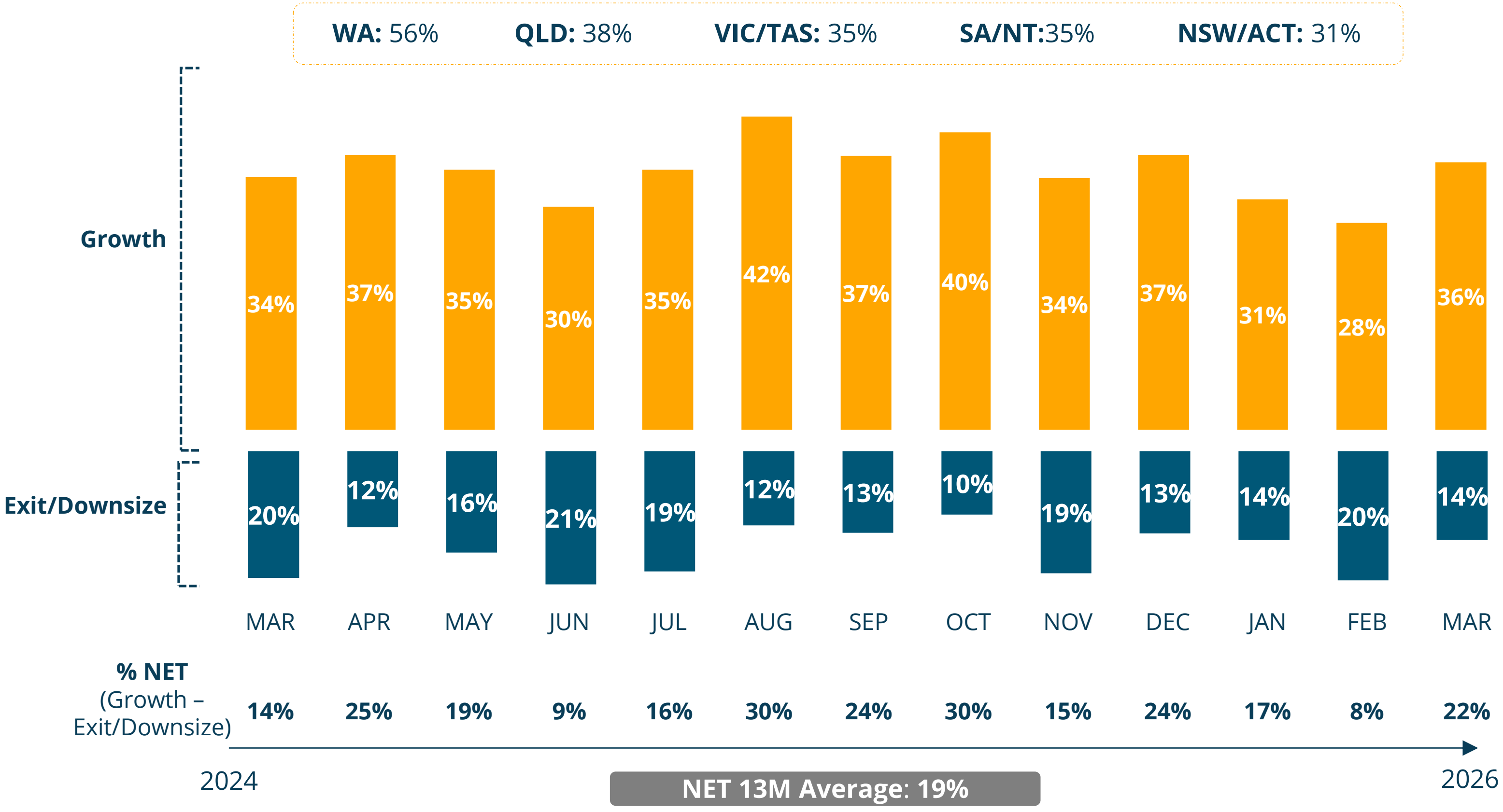


Business Sentiment | Growth Expectations (Next 12 months)

Despite a sharp deterioration in macroeconomic expectations, growth intentions rebounded in March, with 36% of SMEs prioritising growth over the next 12 months. This suggests businesses remain focused on expansion, even as economic conditions become more uncertain.

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

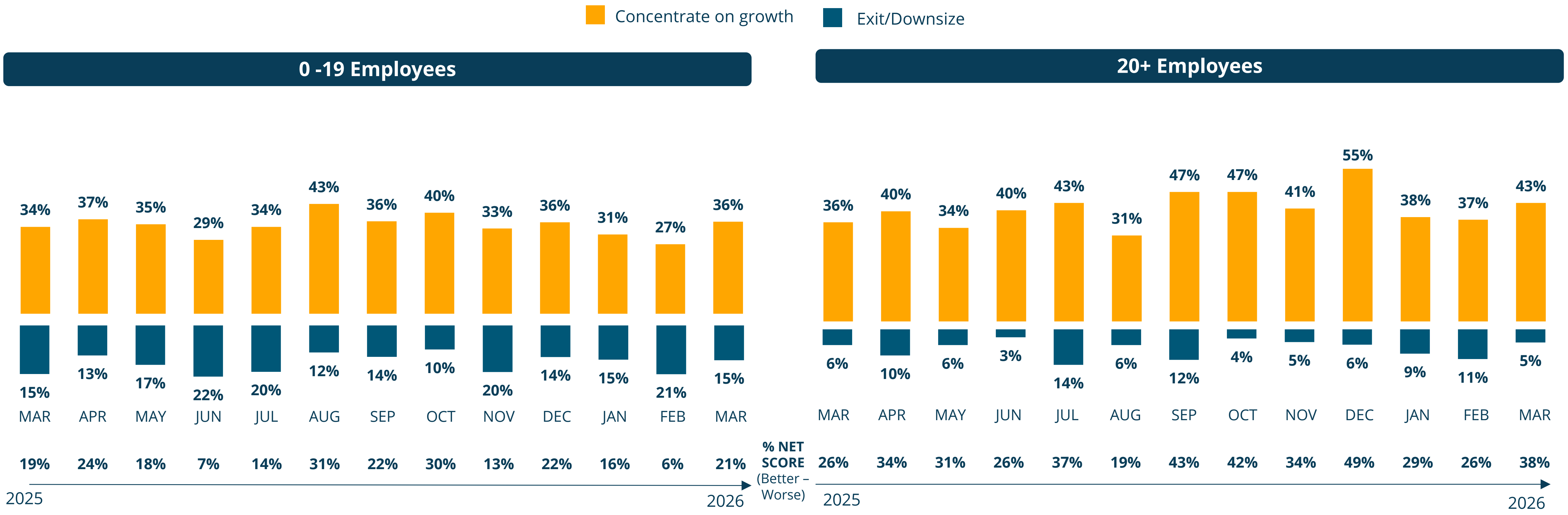




Business Sentiment | Growth Expectations (Next 12 months)

Growth ambitions recovered across both SME segments, suggesting businesses view the impacts of the Iran conflict as short-term and remain confident in their outlook.

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



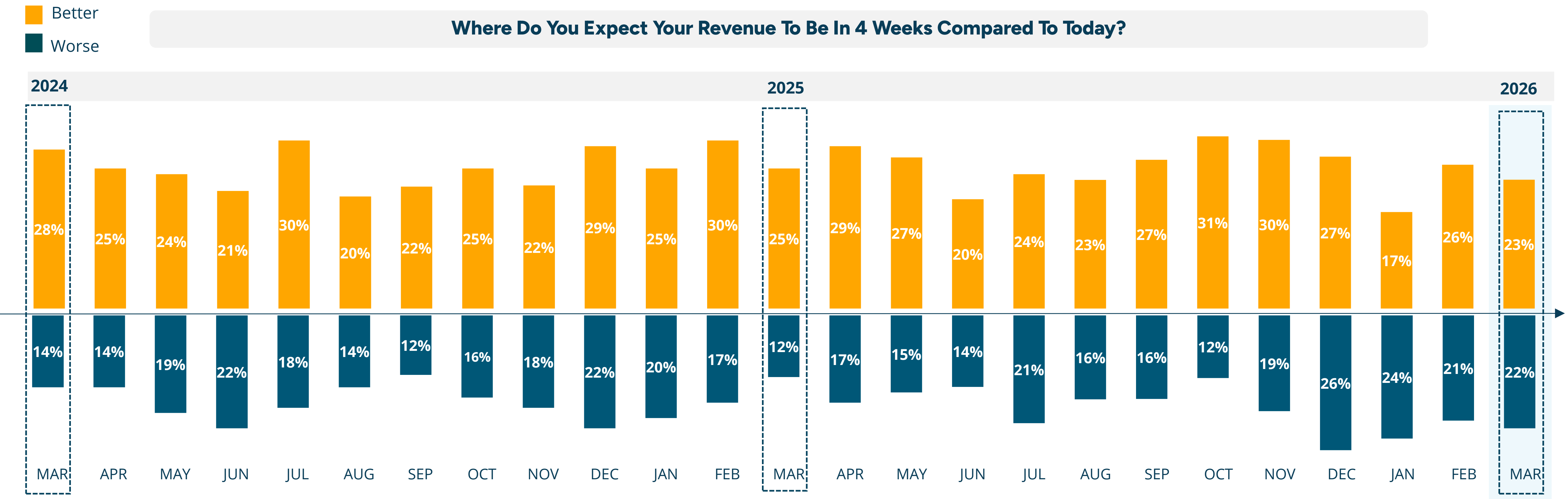
Cost pressures surge while geopolitical risks rise sharply, reflecting increasing external pressures on SMEs.

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

	March	October	November	December	January	February	March
Addressing the difficult economic outlook and ongoing cost pressures.	58%	43%	42%	47%	46%	45%	58%
Managing risks and uncertainties in the geopolitical landscape.	28%	12%	14%	14%	19%	16%	28%
Keeping pace with changing customer behaviours and preferences.	25%	45%	42%	47%	39%	39%	25%
Navigating regulatory, compliance, and governance challenges.	23%	24%	21%	26%	25%	24%	23%
Acquiring, training, and upskilling talent in a competitive market.	18%	19%	15%	15%	16%	20%	18%
Strengthening defences against cyber threats and ensuring data privacy.	17%	17%	22%	21%	26%	16%	17%
Managing the continuous adoption of new technologies and digital transformation processes.	16%	18%	21%	18%	18%	22%	16%
Identifying and implementing measures to boost workforce efficiency and productivity.	15%	18%	17%	20%	18%	15%	15%
Strengthening supply chain operations for improved efficiency and resilience.	14%	12%	15%	15%	14%	14%	14%
Overcoming difficulties in securing necessary financing.	10%	14%	14%	16%	9%	13%	10%
Implementing strategies to address sustainability issues and climate change impacts.	8%	13%	8%	8%	5%	7%	8%
Prioritising investment in research and development to drive innovation.	6%	9%	10%	7%	4%	5%	6%

Business Sentiment | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations deteriorate, reinforcing the disconnect between immediate trading pressures and sustained growth ambitions



% NET SCORE
(Better – Worse)

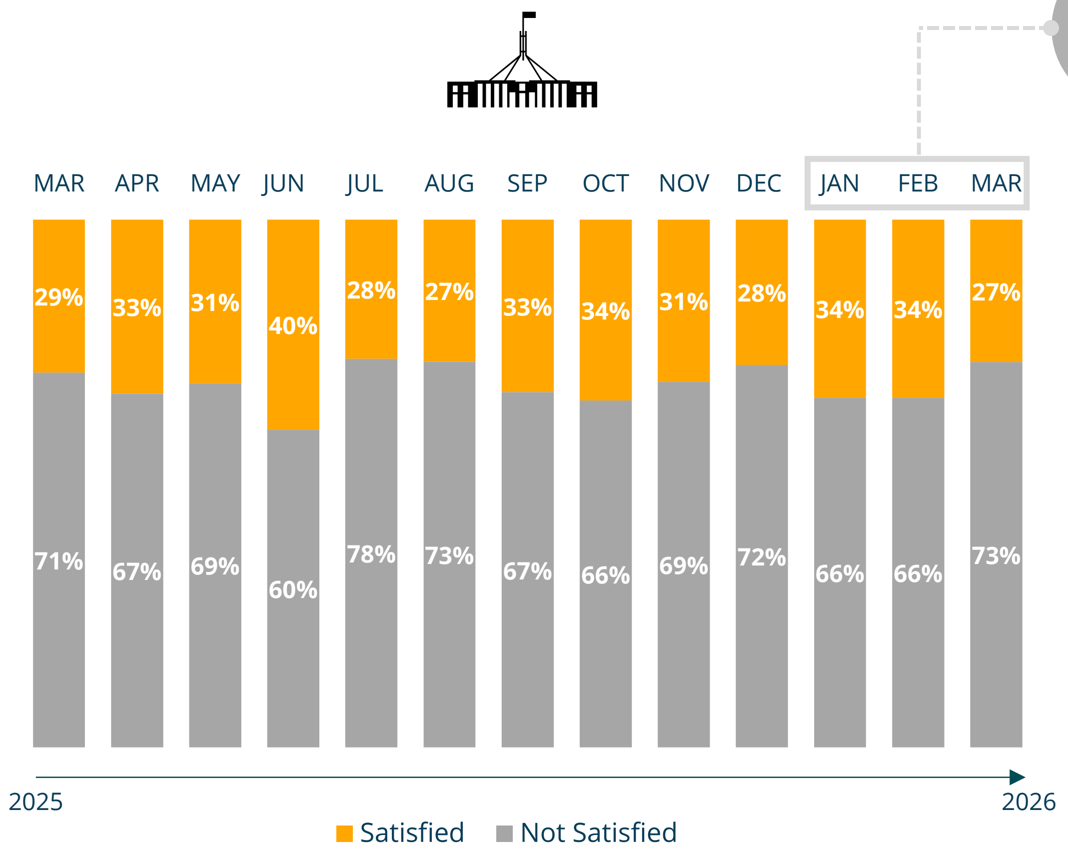
NET 25M average: **9%**

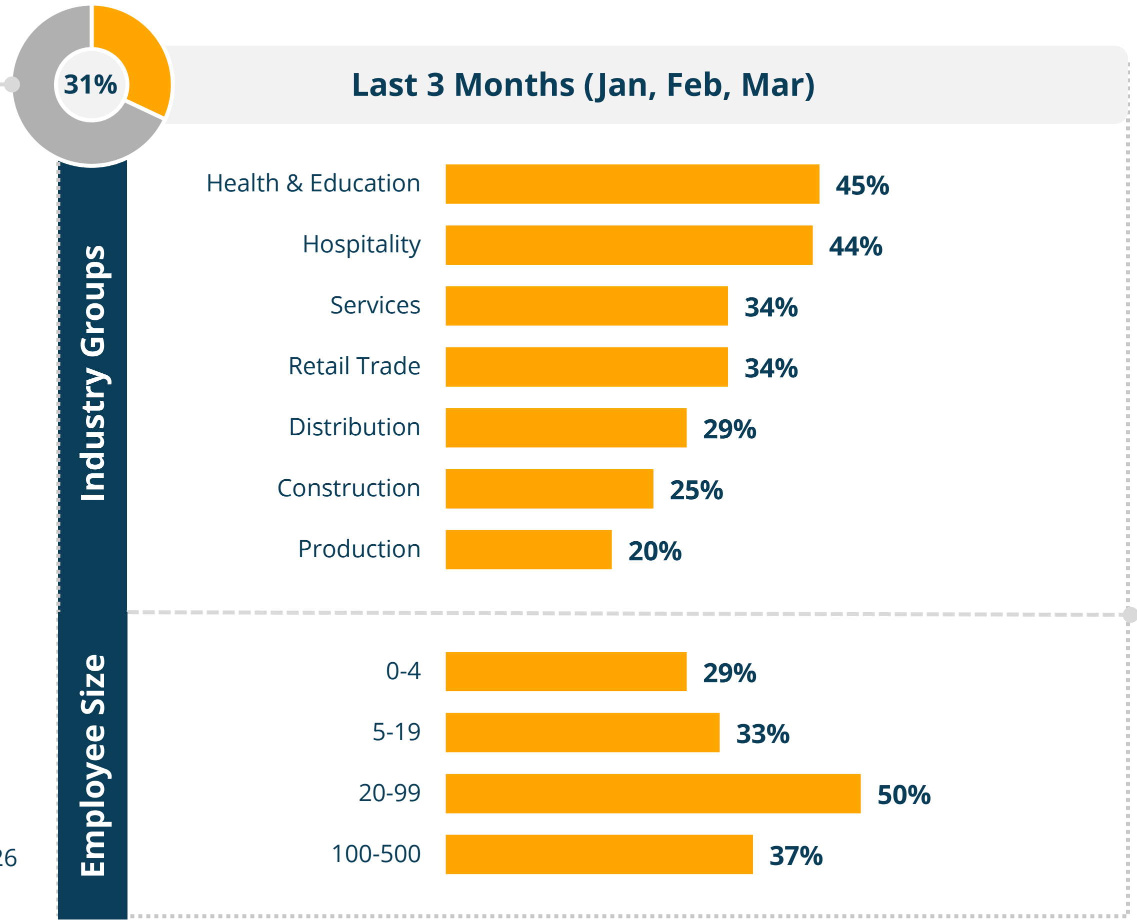
MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
14%	11%	5%	-1%	12%	6%	10%	9%	4%	7%	5%	13%	13%	12%	12%	6%	3%	7%	10%	19%	11%	8%	-7%	5%	1%

Business Sentiment | Government Policy

Satisfaction with Federal Government policy declined in March to 27%, down from 34% in both January and February. Satisfaction varies considerably by industry, with Health & Education (45%) and Hospitality (44%) the most positive sectors, while Production businesses are the least satisfied at just 20%.

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

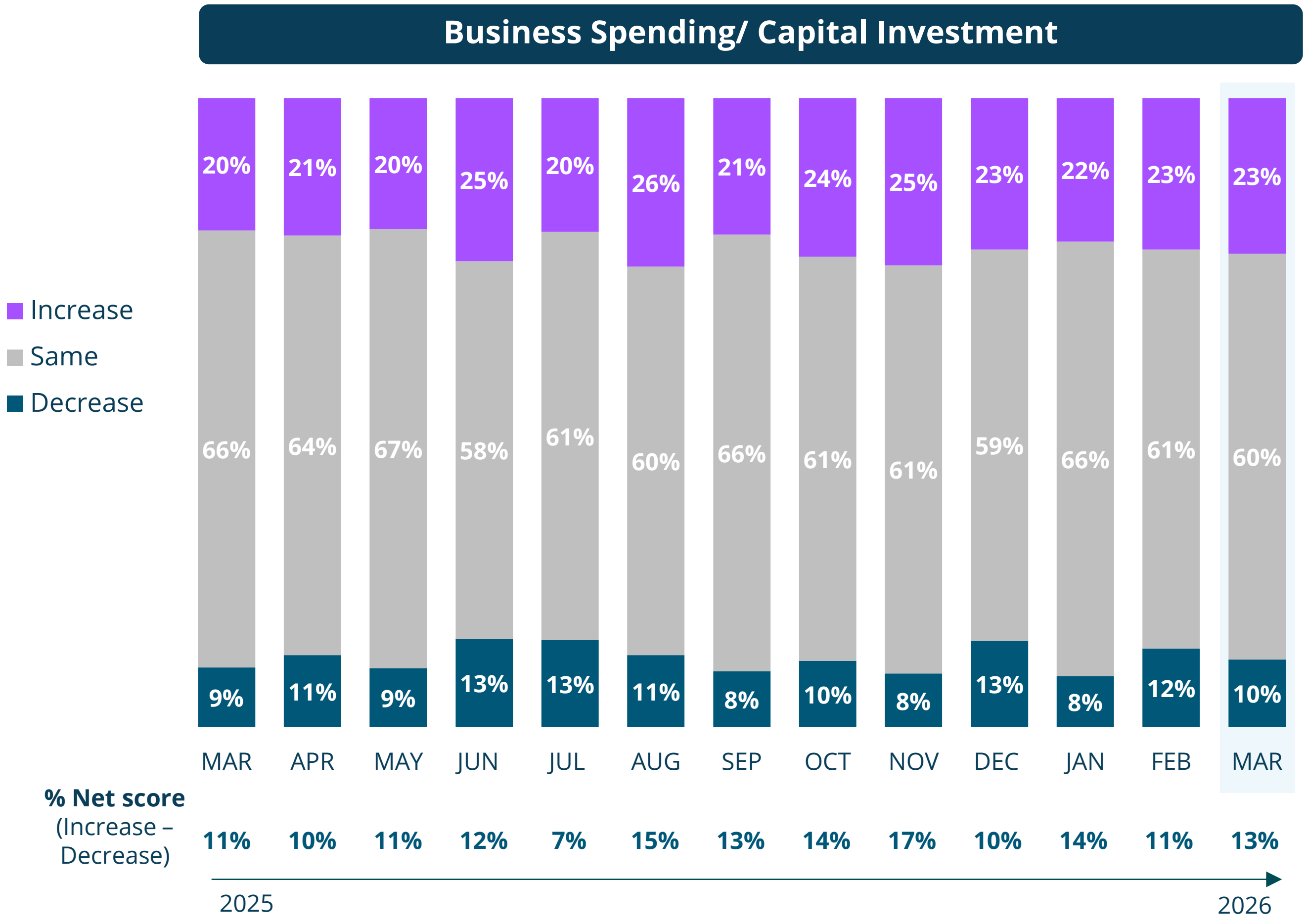


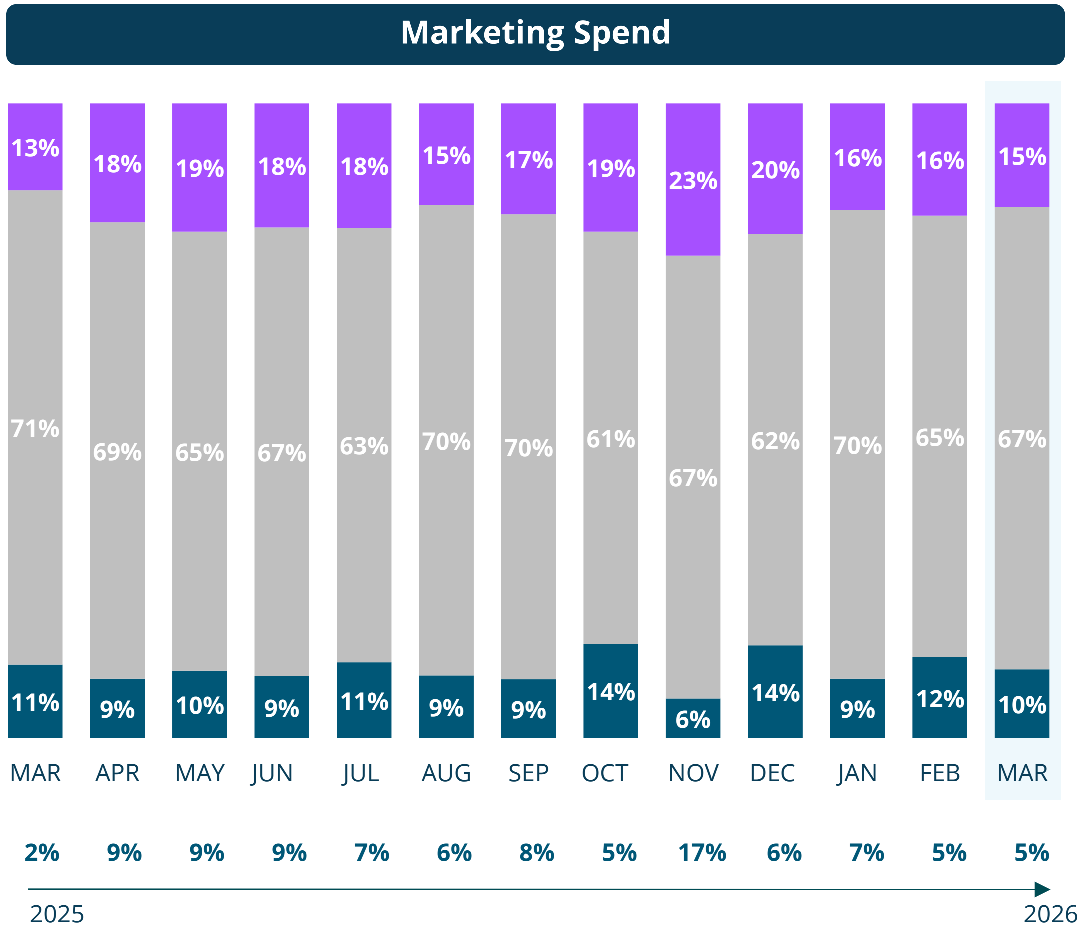


Business Investment | Next Three Months

Investment holds steady despite short-term pressures, reinforcing the gap between near-term caution and longer-term growth intent.

Expectations Over The Next 3 Months Regarding Business Investment

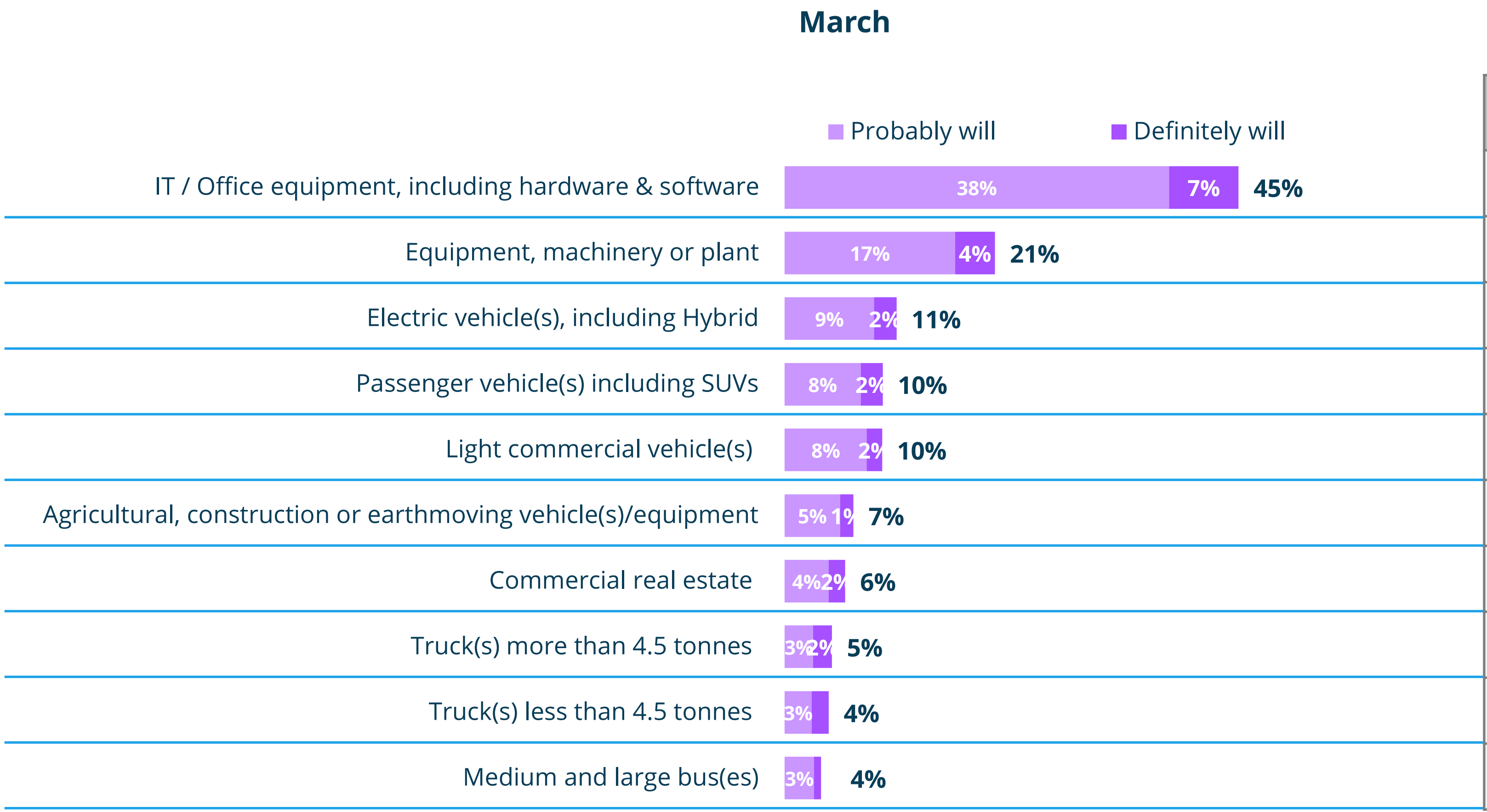




fifth quadrant

Investment in IT, machinery and EVs is trending upward as SMEs enter the final quarter of FY26.

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



	Jan	Feb	Mar
IT / Office equipment, including hardware & software	38%	41%	45%
Equipment, machinery or plant	18%	18%	21%
Electric vehicle(s), including Hybrid	8%	7%	11%
Passenger vehicle(s) including SUVs	11%	9%	10%
Light commercial vehicle(s)	6%	11%	10%
Agricultural, construction or earthmoving vehicle(s)/equipment	5%	8%	7%
Commercial real estate	7%	6%	6%
Truck(s) more than 4.5 tonnes	4%	6%	5%
Truck(s) less than 4.5 tonnes	4%	4%	4%
Medium and large bus(es)	3%	4%	4%

Investment intentions diverge by size, with smaller SMEs increasing spend on IT, equipment and EVs, while larger businesses show signs of moderation across several asset categories.

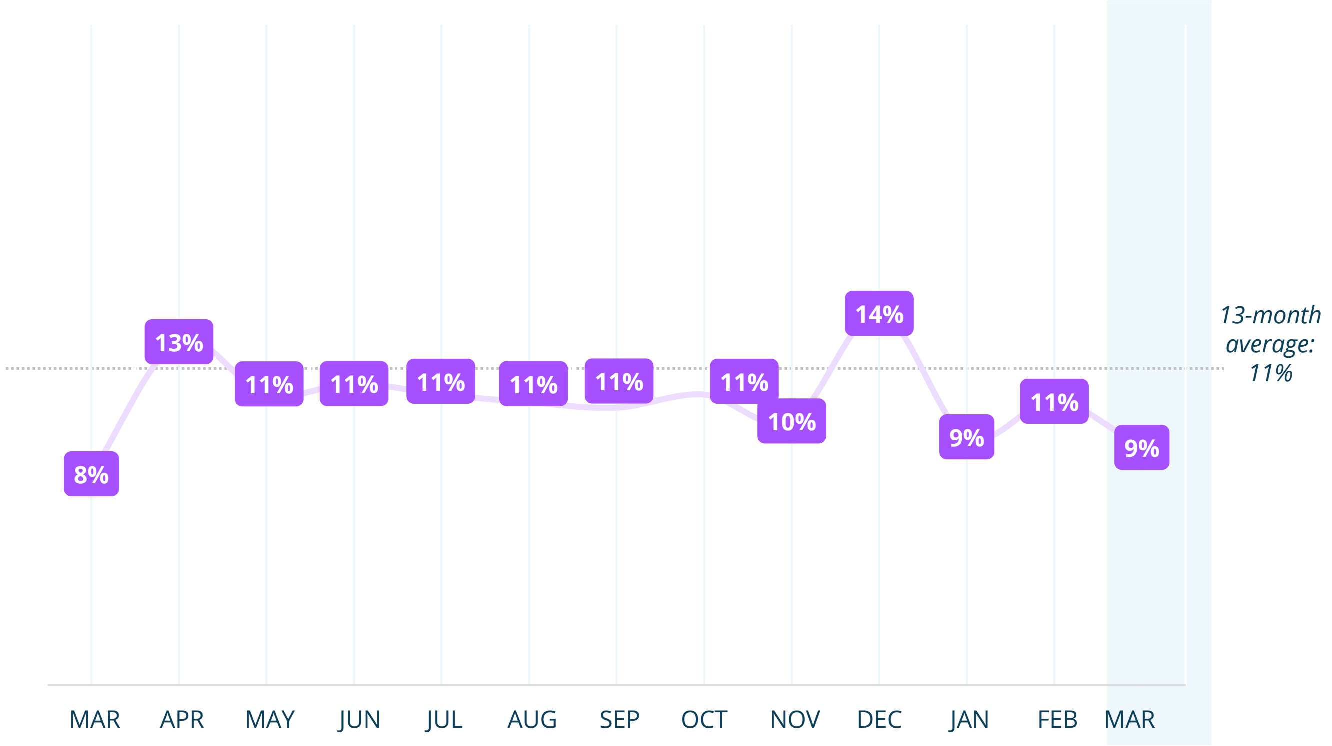
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Jan	Feb	Mar	Jan	Feb	Mar
IT / Office equipment, including hardware & software	36%	39%	44%	65%	63%	60%
Equipment, machinery or plant	16%	17%	20%	48%	33%	36%
Electric vehicle(s), including Hybrid	7%	7%	10%	22%	17%	21%
Passenger vehicle(s) including SUVs	10%	8%	8%	27%	26%	30%
Light commercial vehicle(s)	5%	10%	9%	24%	23%	20%
Agricultural, construction or earthmoving vehicle(s)/equipment	4%	7%	6%	11%	17%	12%
Commercial real estate	5%	5%	5%	24%	21%	20%
Truck(s) more than 4.5 tonnes	3%	5%	4%	15%	14%	16%
Truck(s) less than 4.5 tonnes	3%	3%	4%	17%	15%	13%
Medium and large bus(es)	1%	3%	3%	17%	12%	9%

Business Investment | Finance Needs (Next 3 months)

Finance needs remain weak, with demand shifting toward cashflow support as geopolitical uncertainty weighs on new market growth and trade finance.

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	Q3 FY26
Cashflow/ working capital	60%	54%	62%	57%	61%	74%
Purchase plant, machinery or equipment	26%	18%	23%	25%	22%	24%
Fund growth into new markets	13%	13%	17%	15%	21%	11%
Fund growth in Australia	23%	26%	16%	16%	15%	19%
Trade finance to fund import/export activity	9%	17%	12%	15%	8%	4%
Fund merger/acquisition	7%	7%	8%	7%	9%	7%

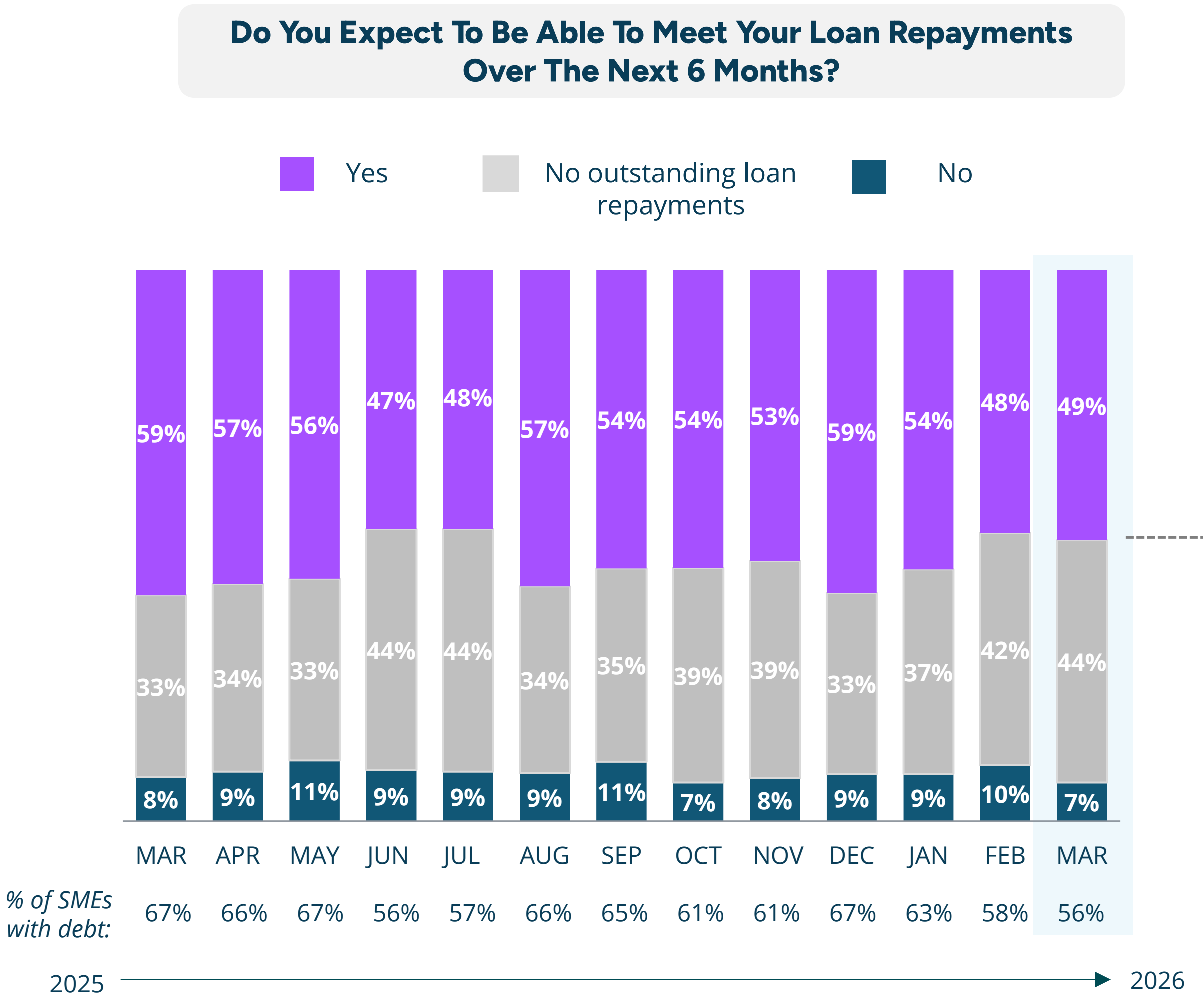
Business Investment | Finance Needs (Next 3 months)

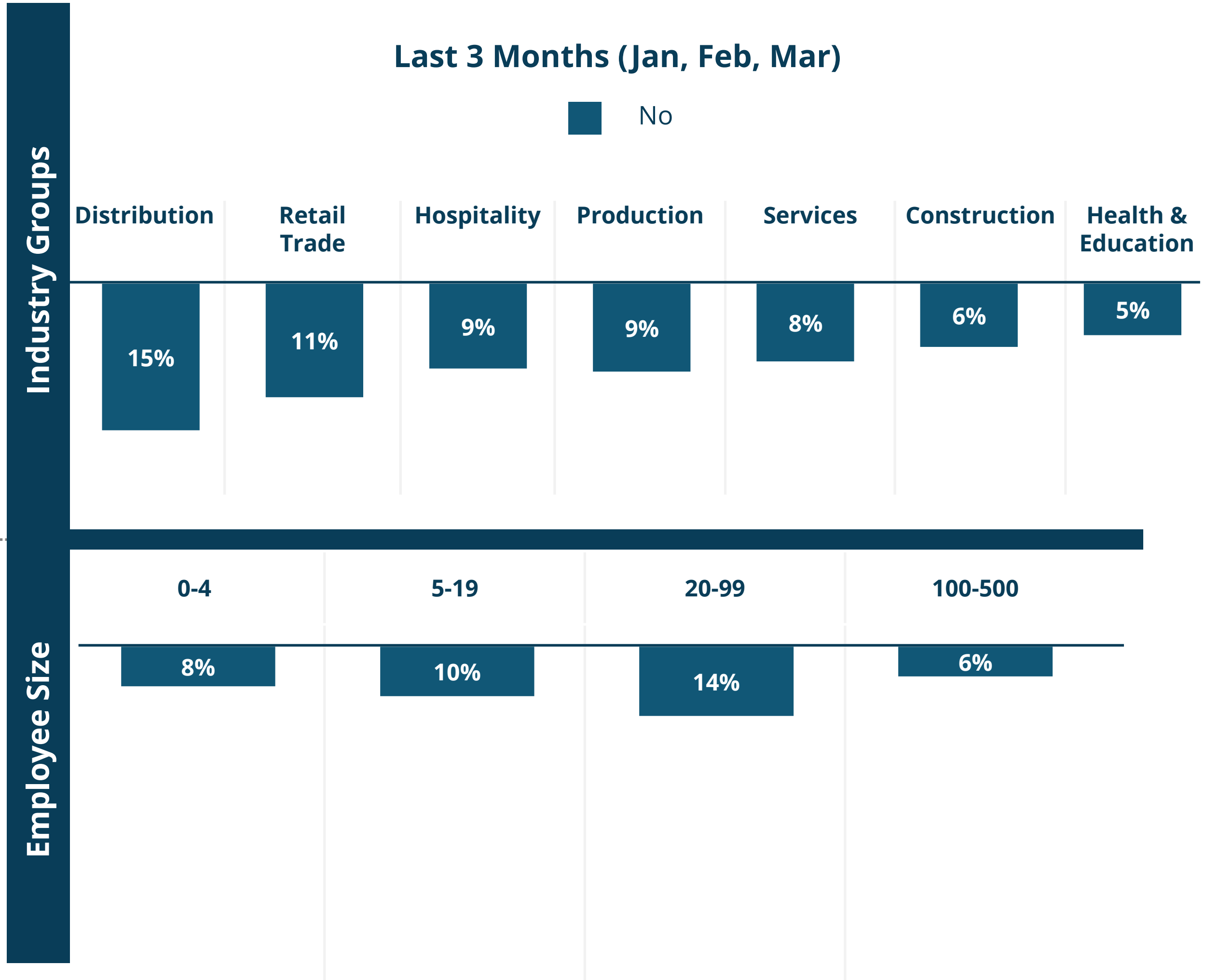
Short-term finance needs have declined across various segments, indicating reduced reliance on external funding amid limited visibility on the geopolitical and economic outlook.

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

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

Lower debt exposure keeps loan stress manageable, but pressure in distribution is likely to be amplified by high fuel costs.





01 Key Performance Indicators

02 People

03 Business Sentiment

04 Business Investment

05 Methodology & Sample

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

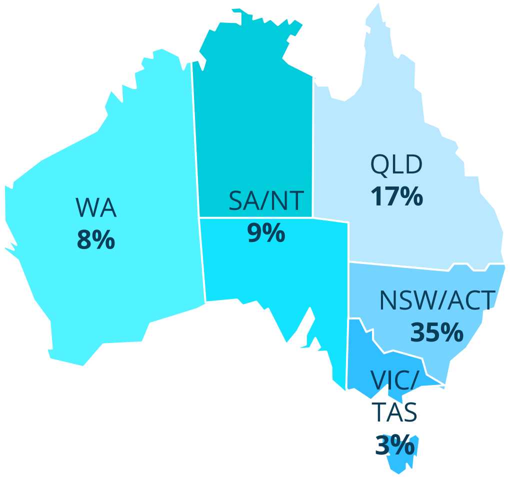
All **industry sectors** are represented, allowing for subgroup analysis

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

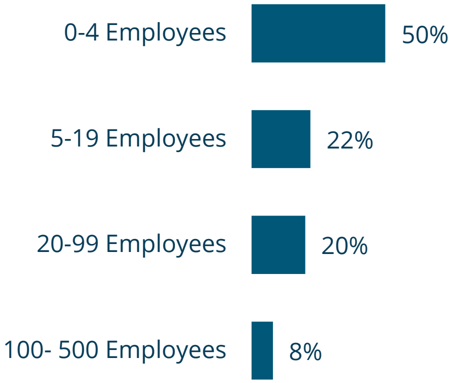
Our Sample

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.

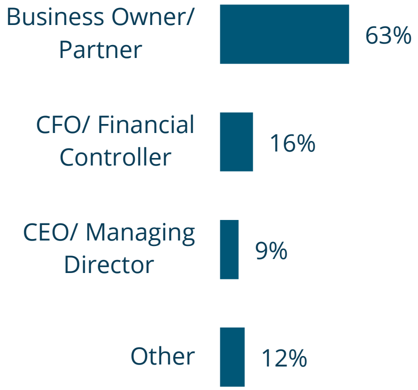
Head Office Location



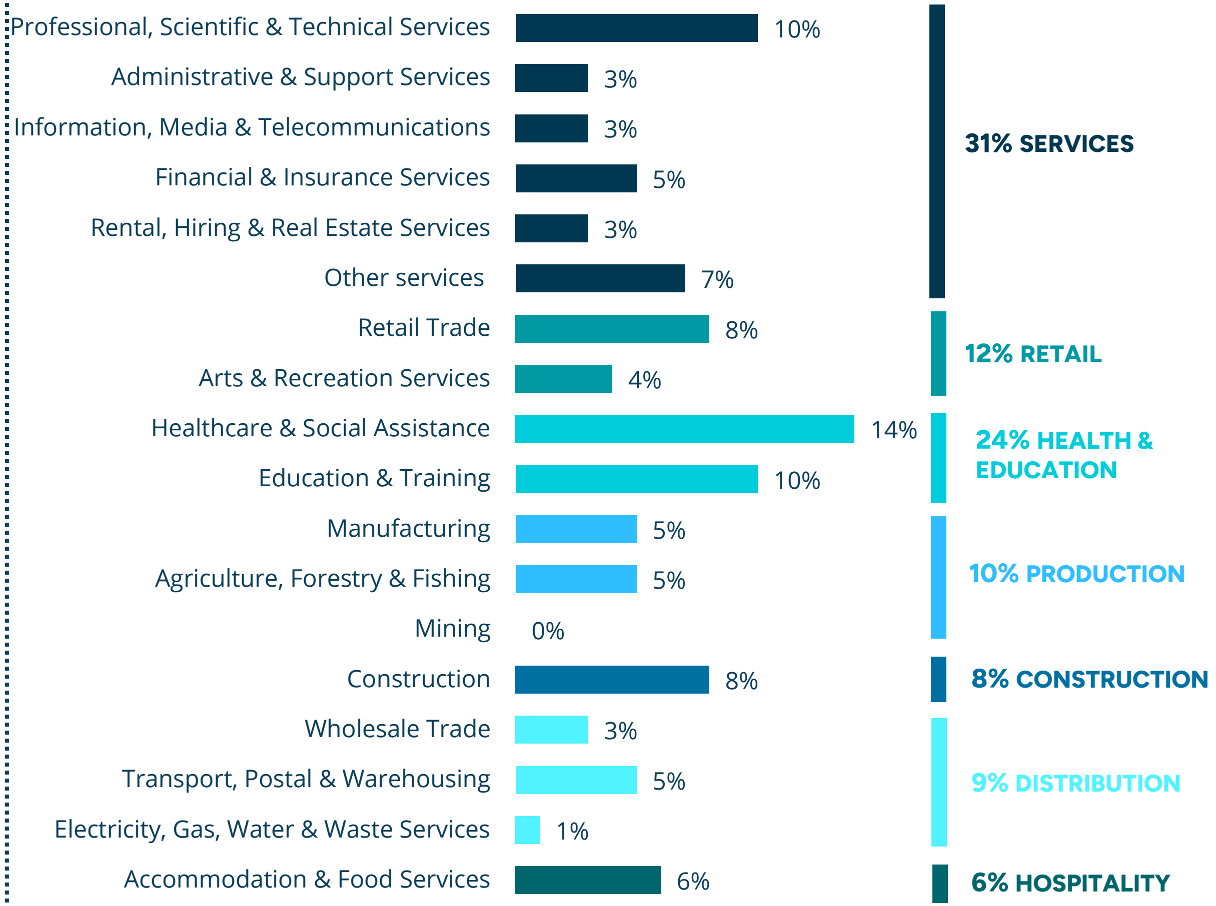
Size Of Business: Employees



Position In Business



Industry Sector



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Thank You

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