



Small & Medium Enterprise Sentiment Tracker

Wave 87 – May 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 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.

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 remained deeply negative at a net score of -68% despite coming off lows of -82% in March



Only 15% of SMEs expect revenues to improve over the next 4 weeks, compared to 23% in March.



33% are planning for growth over the next 12 months, but 20% expect a decline.



Only 9% of SMEs currently have job vacancies, down from 13% in March

SMEs Under Pressure From All Sides as Confidence Continues to Deteriorate

Revenue performance is becoming increasingly polarised, with 25% of SMEs reporting growth, the highest level since November, while 38% reported a decline, one of the highest levels recorded. This highlights a widening gap between businesses still finding growth and those under increasing pressure.

Short-term revenue expectations remain deeply negative, with only 15% expecting revenue to improve over the next four weeks. This reflects the combined impact of weaker confidence, cost-of-living pressures, higher interest rates and ongoing global uncertainty.

Profitability is also under pressure, with the proportion of SMEs making a profit continuing to trend down from its October high. As costs continue to erode margins, SMEs appear to have exhausted many efficiency levers and are increasingly focused on discontinuing unprofitable products and services.

Labour demand continues to soften, with job vacancies falling from 22% in FY24 to 11% in FY26. However, a serious mismatch remains, with critical sectors such as Health & Education and Construction still finding roles difficult to fill.

Business sentiment remains weak. Economic expectations are still near historic lows, negative sentiment toward the Trump Administration is entrenched, and satisfaction with the Federal Government has fallen to its lowest level in 13 months, confirming the Budget has missed the mark with SMEs.

Investment behaviour is increasingly tactical, while marketing spend has fallen to its lowest net score in the past 13 months. Demand for additional finance has also dropped to its lowest level in 13 months, confirming SMEs are pulling back from new borrowing as confidence weakens.

Overall, SMEs are being hit from all angles, with weaker revenue expectations, rising cost pressures, softer hiring demand, tighter margins and reduced appetite for borrowing. The Federal Budget has done little to address these pressures, with satisfaction falling to its lowest level in 13 months and reinforcing the view that SMEs are largely being left to navigate the current environment on their own.



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Key Performance Indicators

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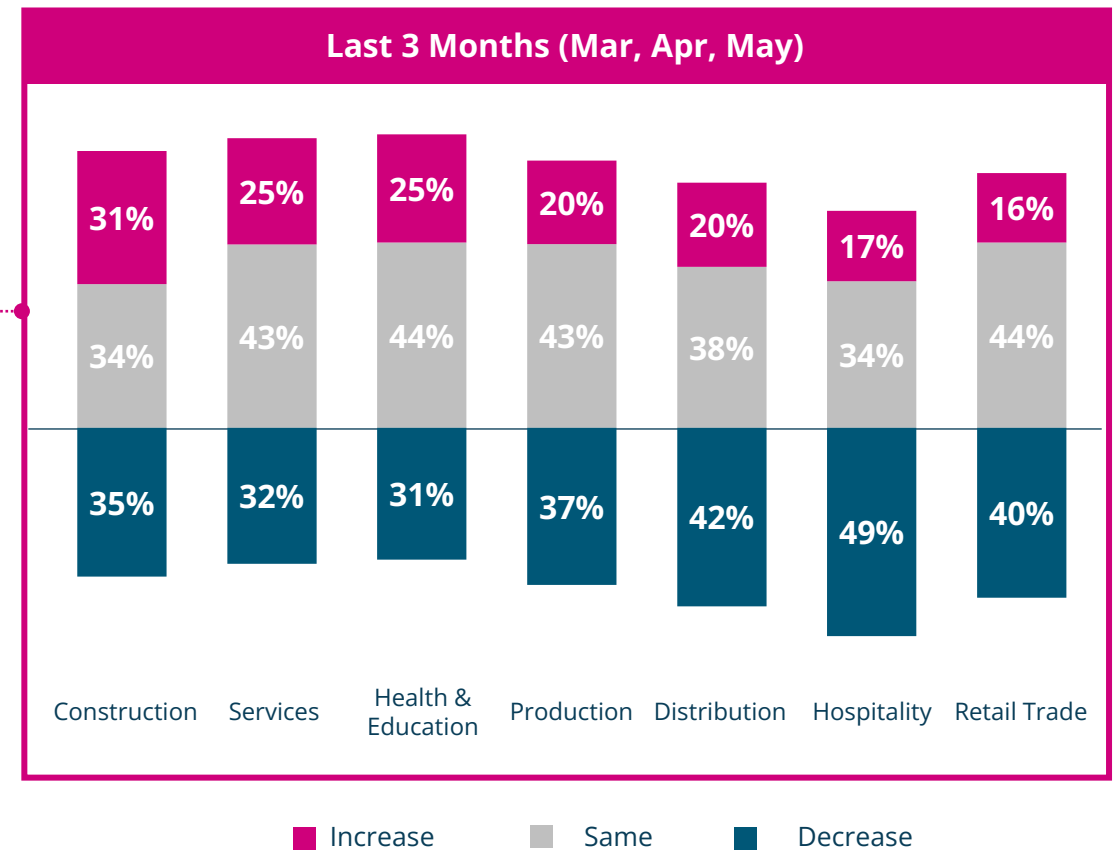
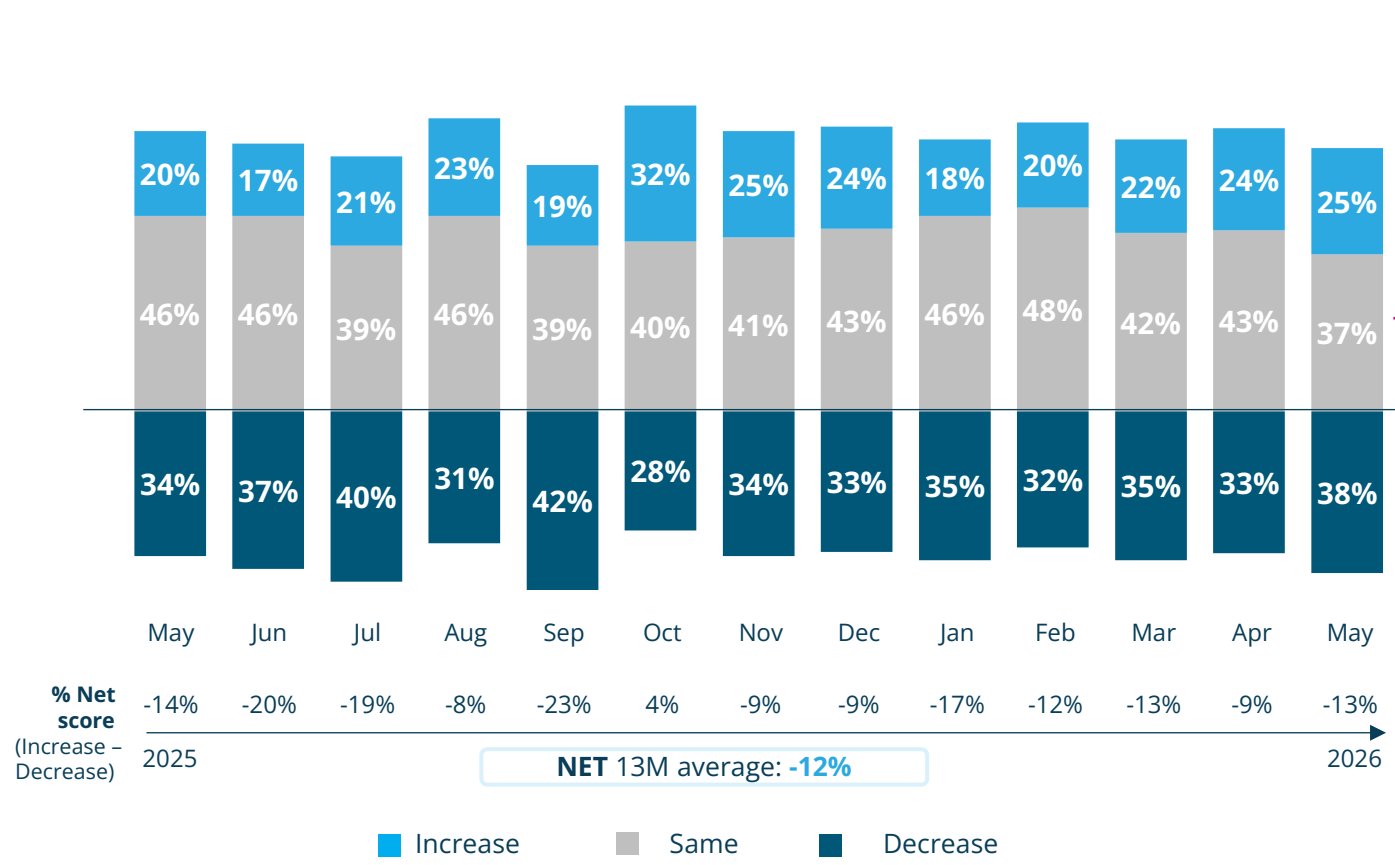
05

Methodology & Sample

Key Performance Indicators | Revenue

Revenue remains under pressure, with 38% of SMEs reporting a decline, one of the highest levels recorded. However, 25% reported revenue growth, the highest level since November, highlighting an increasingly polarised trading environment.

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

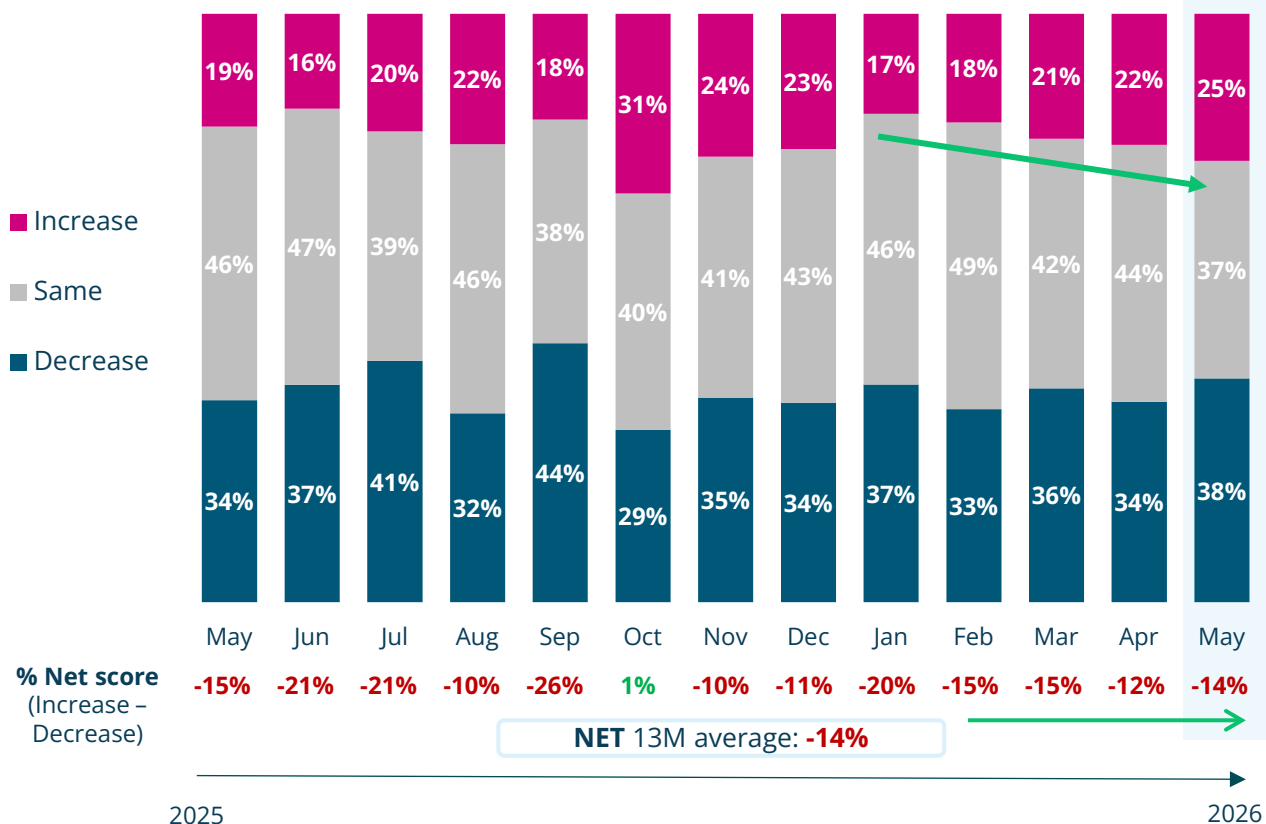


Key Performance Indicators | Revenue

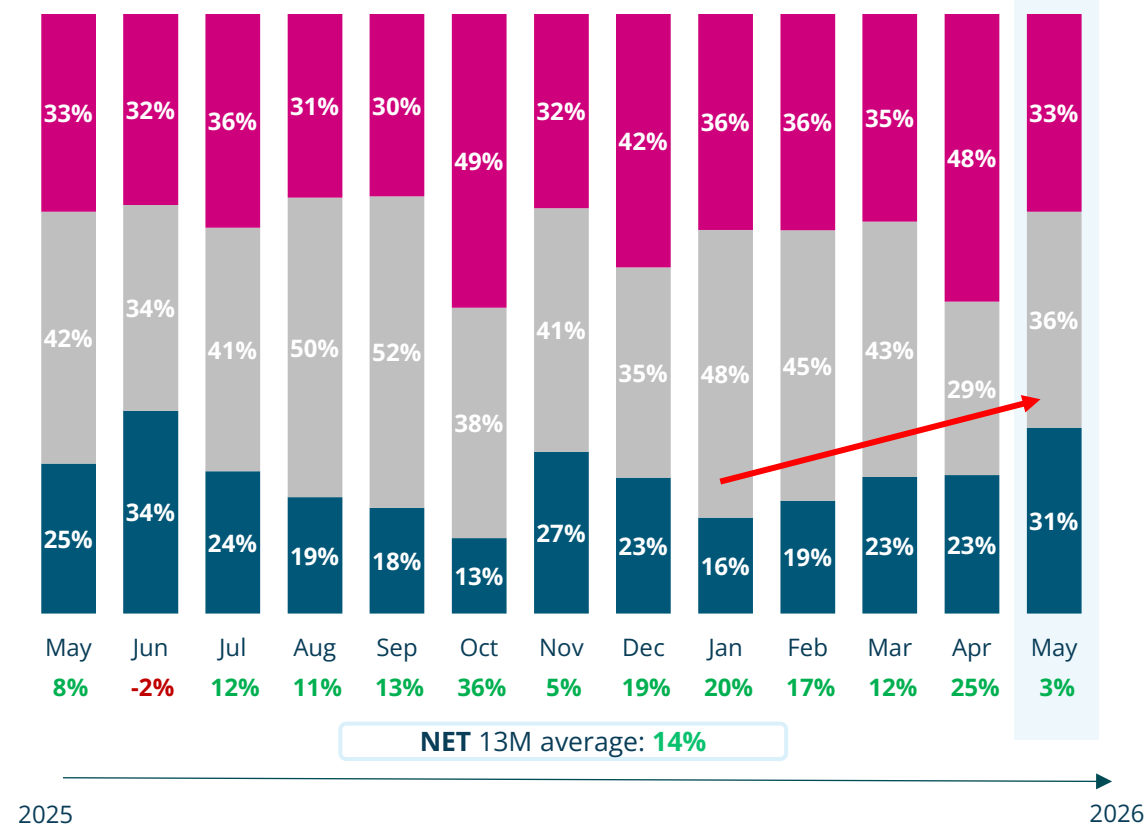
Since January, a growing share of smaller SMEs have reported higher revenue, while among larger SMEs the opposite trend is emerging, with an increasing share reporting revenue declines.

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

0 -19 Employees

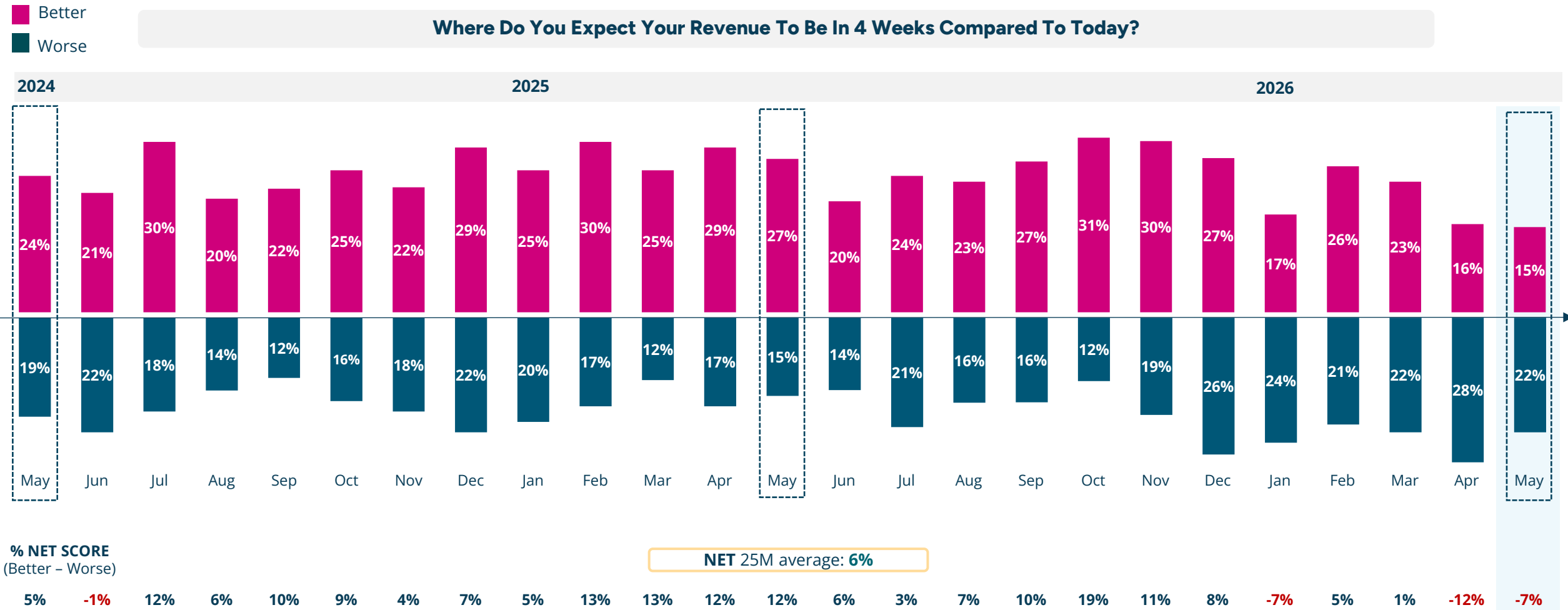


20+ Employees



Key Performance Indicators | Revenue Expectations (Next Four Weeks)

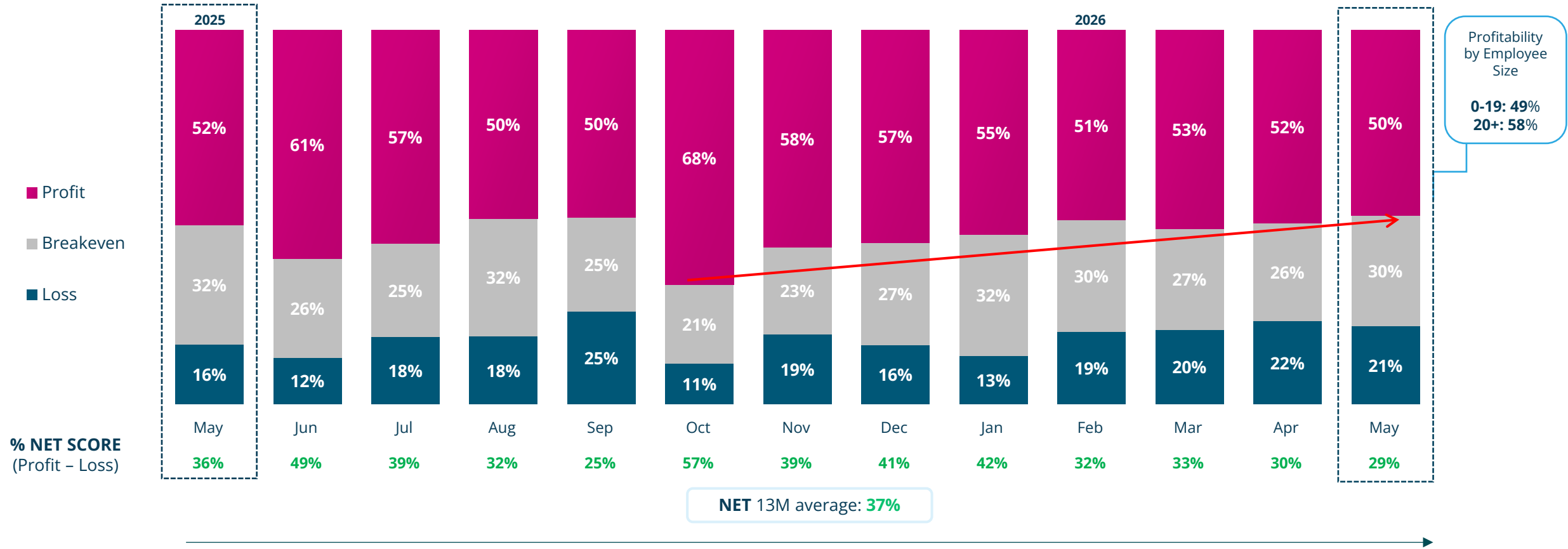
Short-term revenue expectations remain deeply negative despite a modest improvement in May, reflecting the continued impact of economic uncertainty and higher interest rates on business confidence.



Key Performance Indicators | Profit

The proportion of SMEs making a profit also continues to trend down from its October high, falling to 50% in May as rising costs continue to erode margins.

What Was Your Profit Margin Last Month?



Key Performance Indicators | Responding To Challenges

SMEs appear to have exhausted many efficiency levers, with most cost-pressure responses easing over the past three months while discontinuing unprofitable products and services has increased sharply, signalling a stronger focus on protecting margins.

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

	May	December	January	February	March	April	May
Discontinuing products/services that are not profitable.	27%	32%	31%	21%	23%	22%	27%
Reassessing current projects and significant investments for viability and impact.	21%	21%	19%	22%	22%	22%	21%
Enhancing efficiency by streamlining business operations.	21%	23%	24%	26%	29%	26%	21%
Renegotiating supplier contracts or seeking new supply sources.	19%	22%	24%	17%	20%	18%	19%
Adopting new technologies for increased automation and operational efficiency.	17%	20%	16%	19%	19%	19%	17%
Maximising staff productivity through better training and optimisation.	16%	18%	19%	21%	20%	22%	16%
Expanding the range of products/services to generate new revenue streams.	16%	22%	20%	17%	21%	22%	16%
Refining inventory management practices for better efficiency.	12%	14%	9%	12%	13%	12%	12%
Undertaking debt restructuring to reduce financial burdens.	10%	10%	10%	12%	9%	10%	10%
Delegating non-essential functions to external providers.	9%	10%	9%	7%	7%	7%	9%
Implementing workforce reductions, such as layoffs or hiring freezes.	7%	8%	8%	10%	9%	9%	7%
Shifting towards the use of renewable energy sources.	4%	8%	9%	5%	6%	6%	4%



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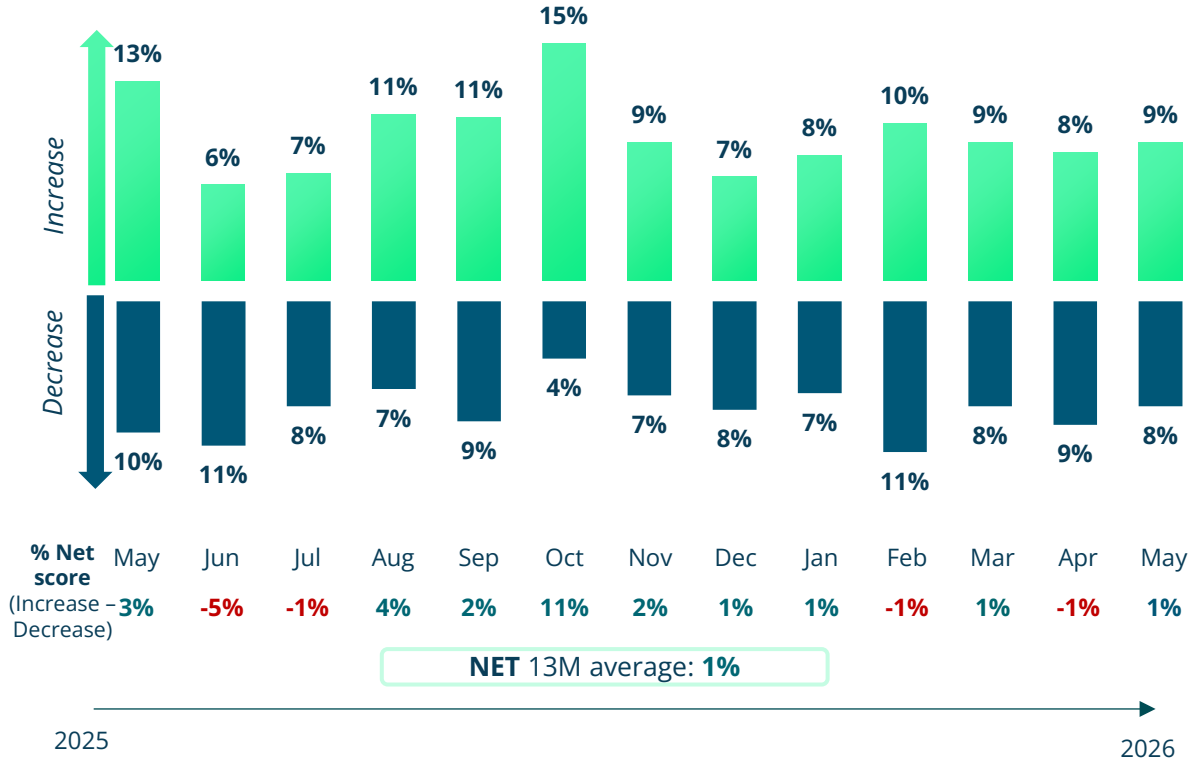
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Methodology & Sample

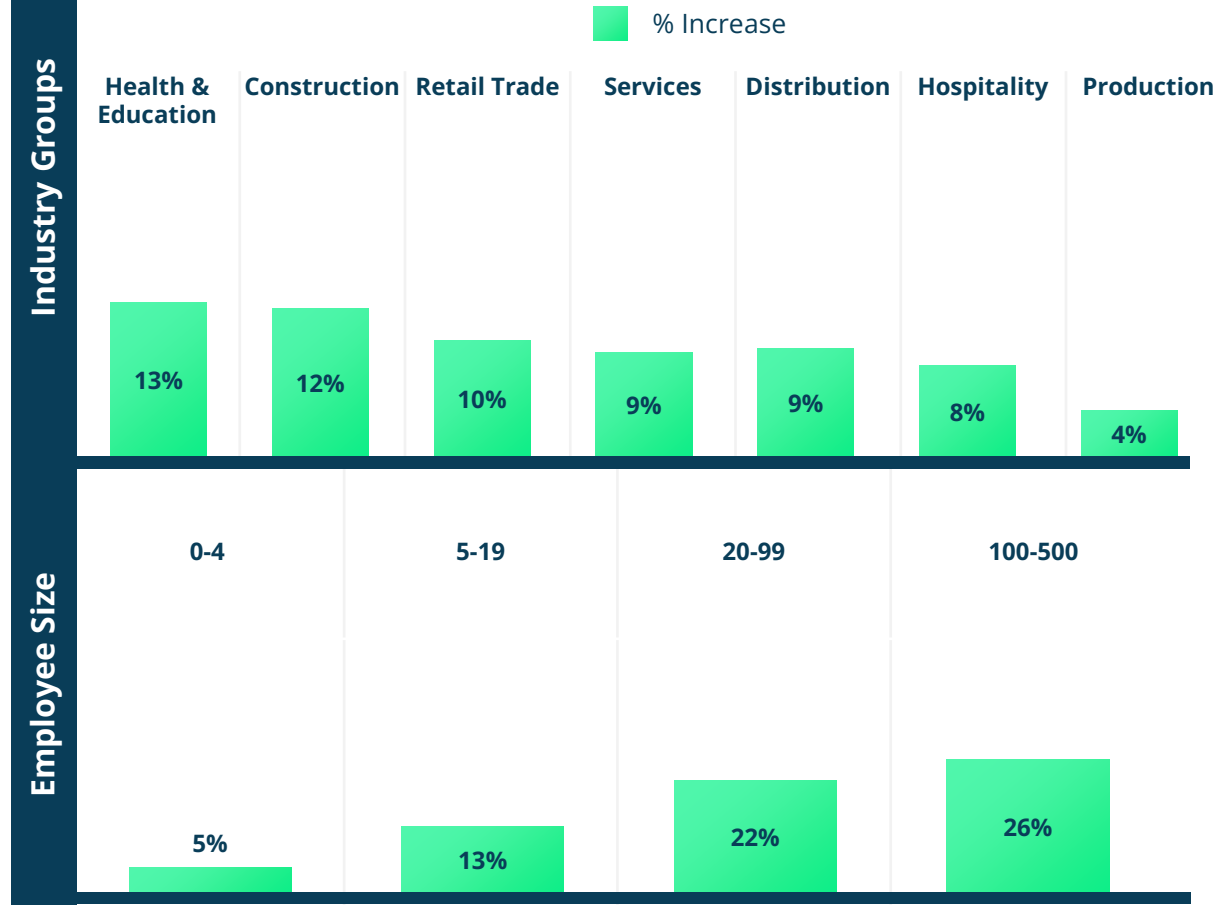
Despite a slight improvement in May, hiring intentions remain subdued and continue to reflect the cautious outlook among SMEs.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



Last 3 Months (Mar, Apr, May)

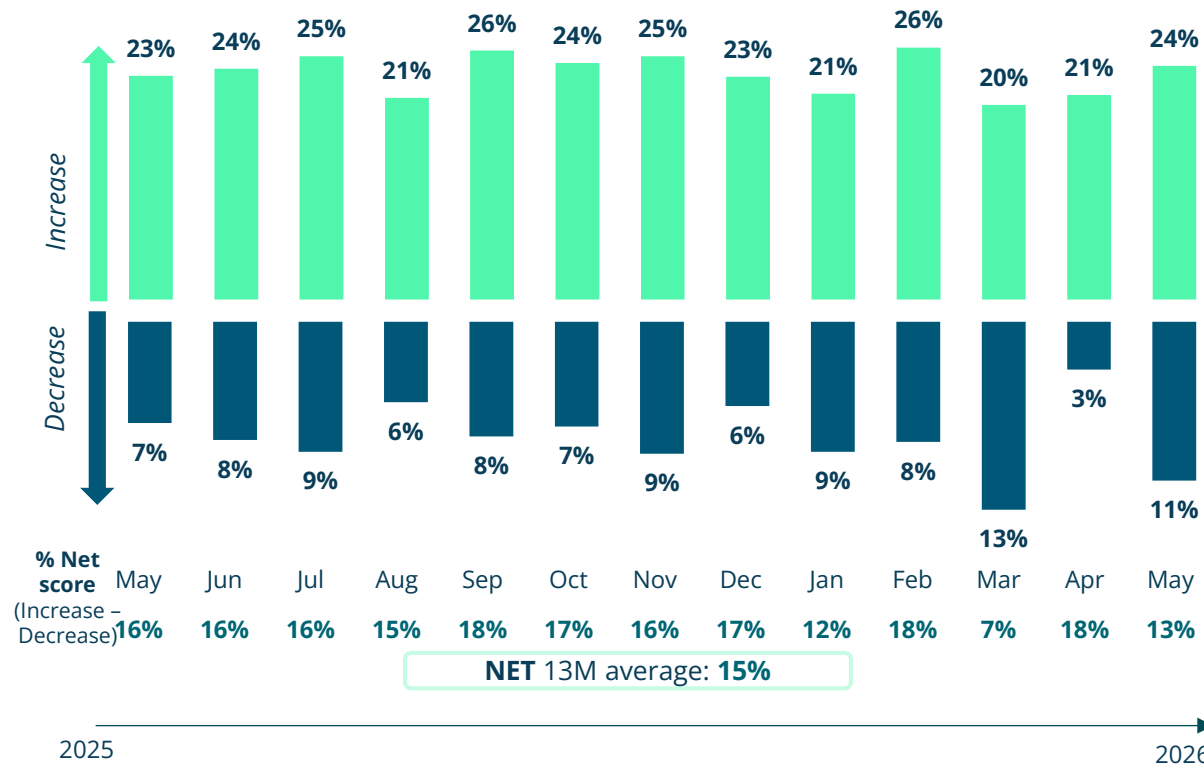


Key Performance Indicators | People

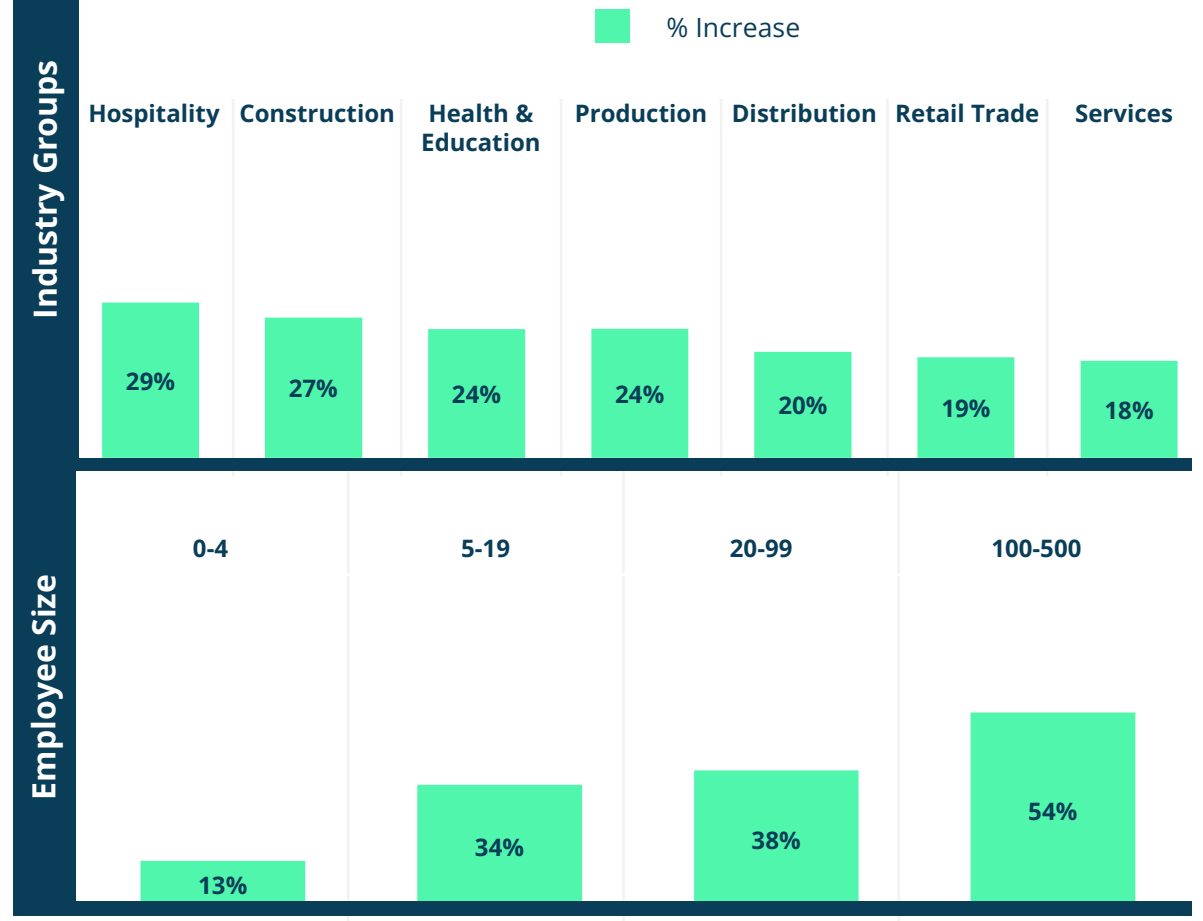
Wage growth expectations remain elevated despite weak hiring demand, reflecting the impact of annual pay reviews and ongoing labour cost pressures.

Expectations Over The Next 3 Months Regarding Wages

The Wages You Pay



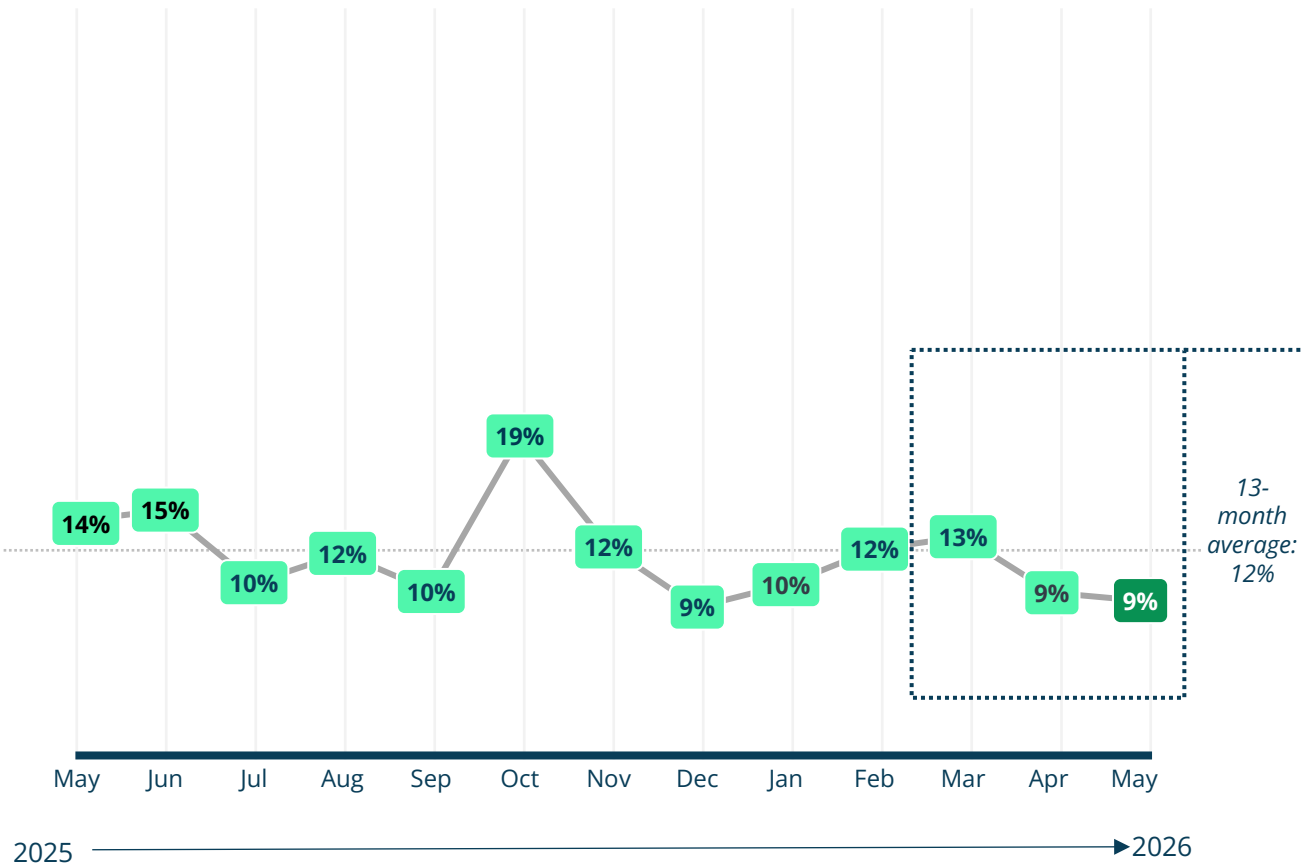
Last 3 Months (Mar, Apr, May)



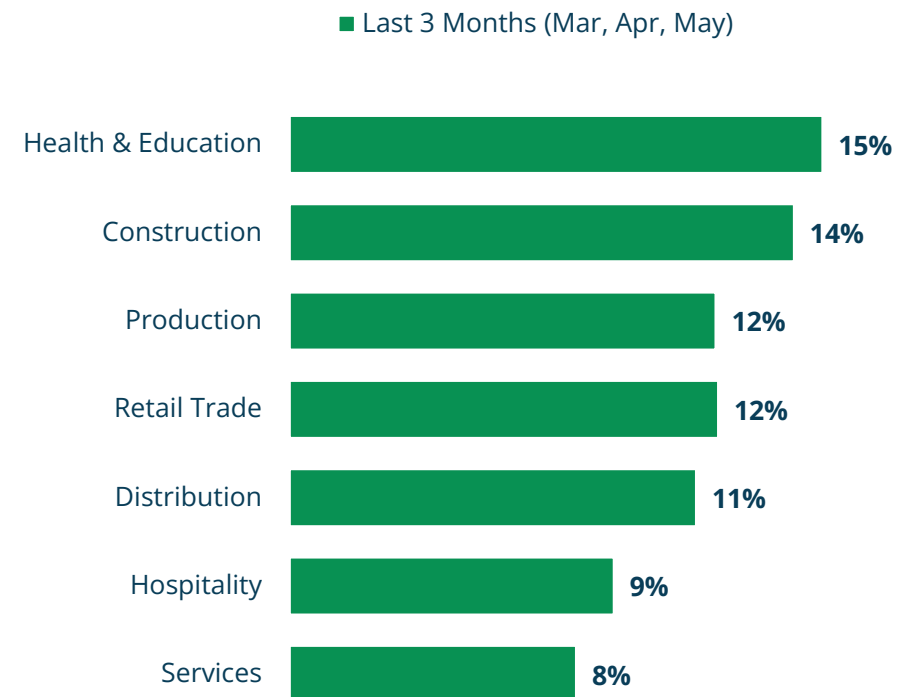
Key Performance Indicators | People

While overall vacancies remain subdued, demand is concentrated in Health & Education and Construction, where structural skills shortages persist. In contrast, low vacancy levels in Services may reflect weaker demand and productivity gains from AI.

SMEs That Currently Have Job Roles They Are Trying To Fill



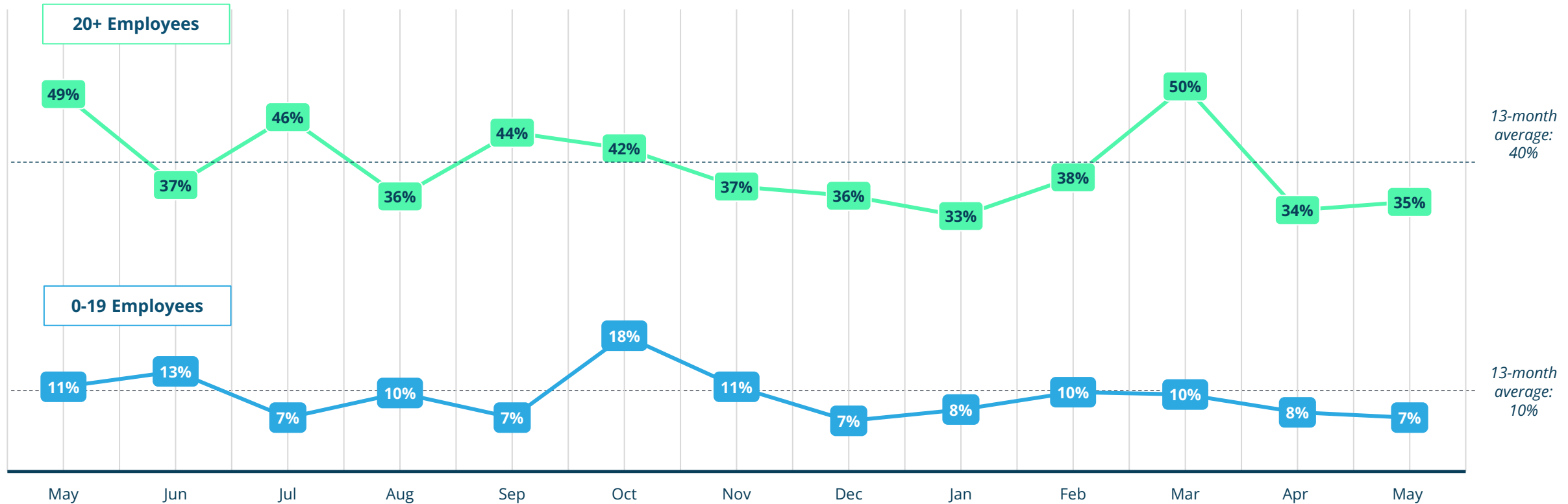
Current Job Vacancies By Industry



Key Performance Indicators | People

Hiring demand has weakened across both SME cohorts compared with this time last year, with larger SMEs falling from 49% to 35% and smaller businesses declining from 11% to 7%.

SMEs That Currently Have Job Roles They Are Trying To Fill



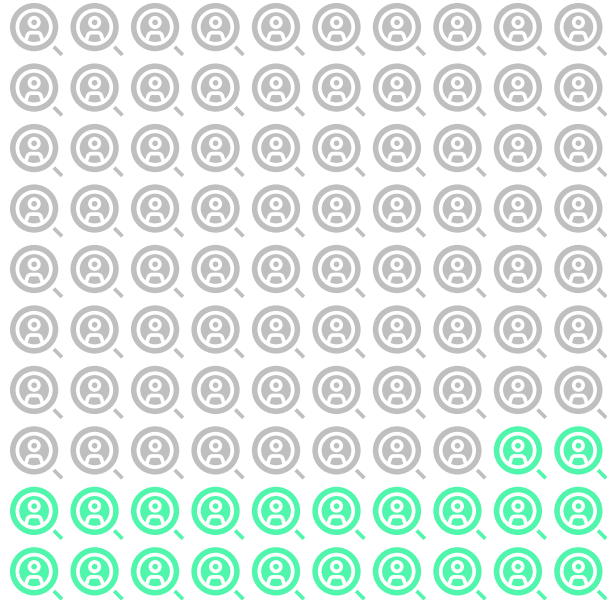
2025

2026

SME hiring demand has steadily softened over the past three years, with the share of businesses recruiting falling from 22% in FY24 to 11% in FY26.

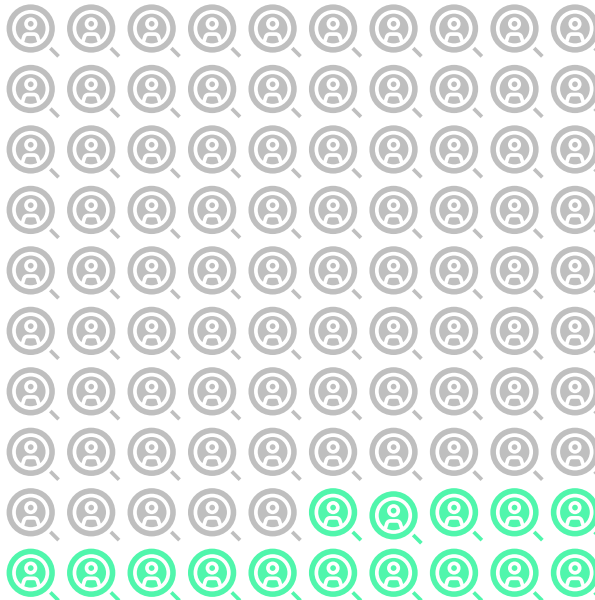
SMEs That Currently Have Job Roles They Are Trying To Fill

FY24



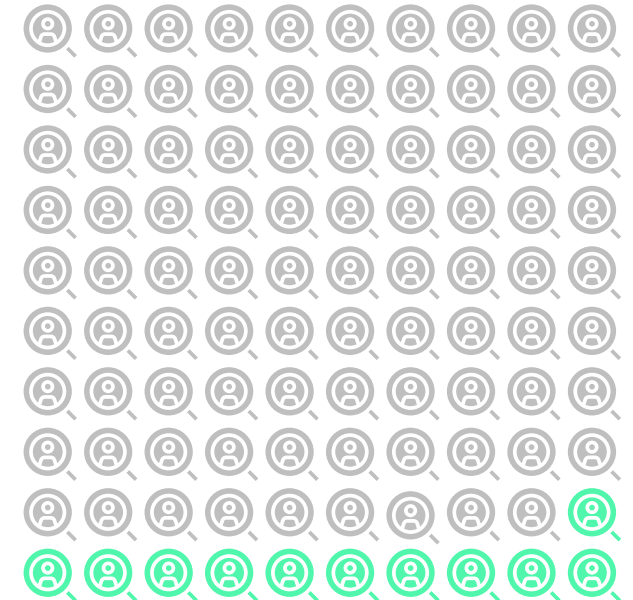
22% with job vacancies

FY25



15% with job vacancies

FY26

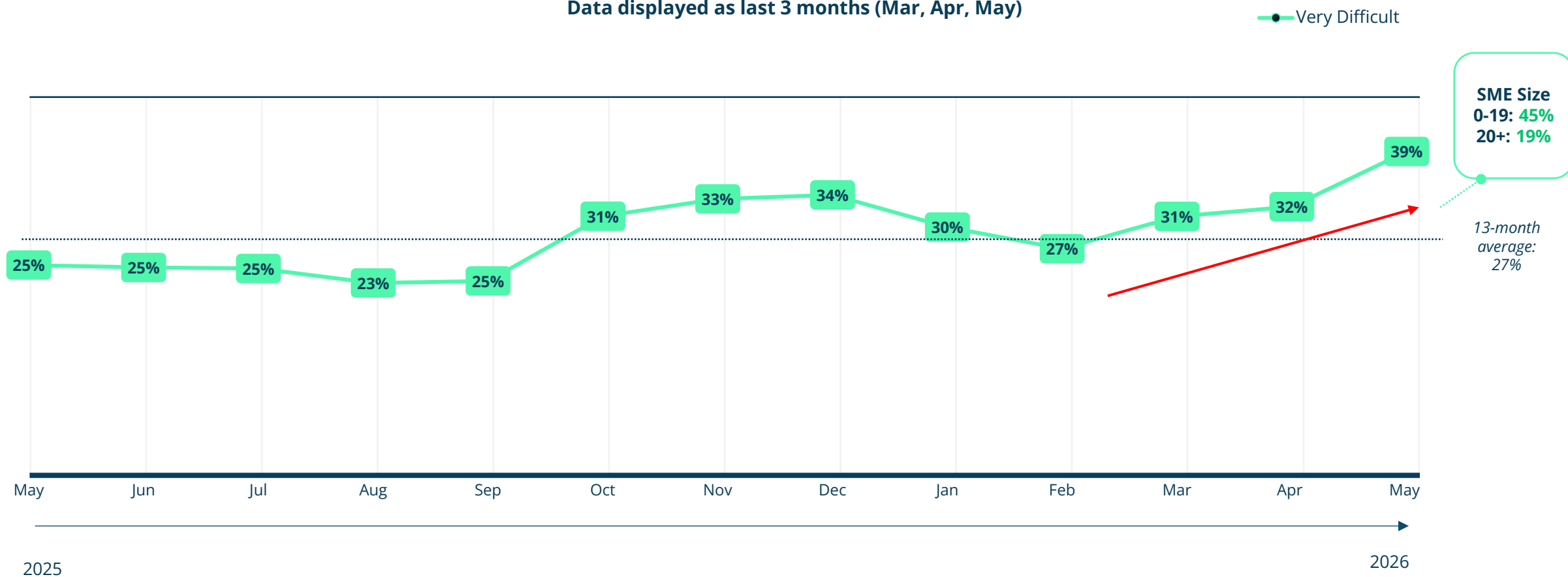


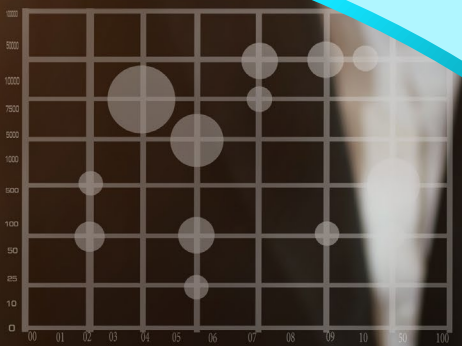
11% with job vacancies

A serious labour market mismatch is emerging, with overall hiring demand falling while critical sectors such as Health & Education and Construction face worsening recruitment difficulty.

How Difficult Is It To Fill These Roles?

Data displayed as last 3 months (Mar, Apr, May)





OPTIONS 01
Info graphics, or Info Challenge the graphics.
Other display of information or knowledge.
designed to read and easy to understand.
Info graphics commonly used for it is
type of data is complex.

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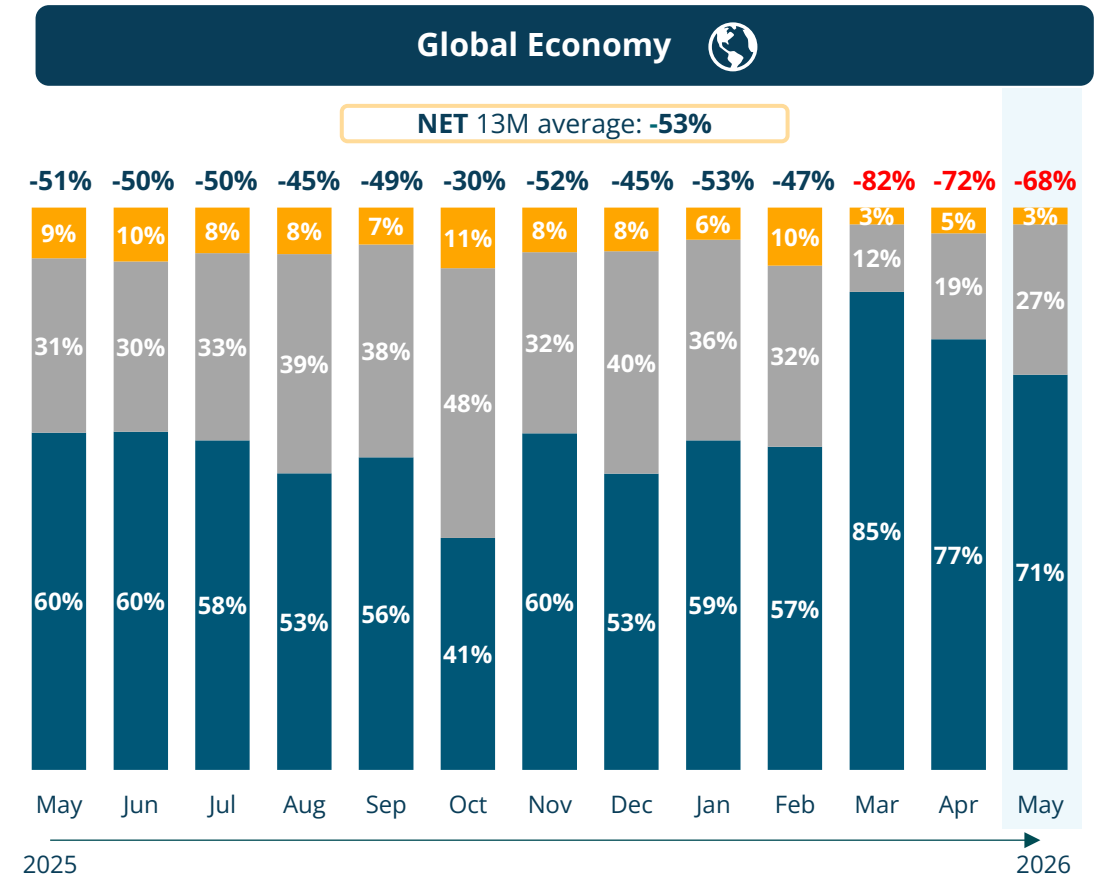
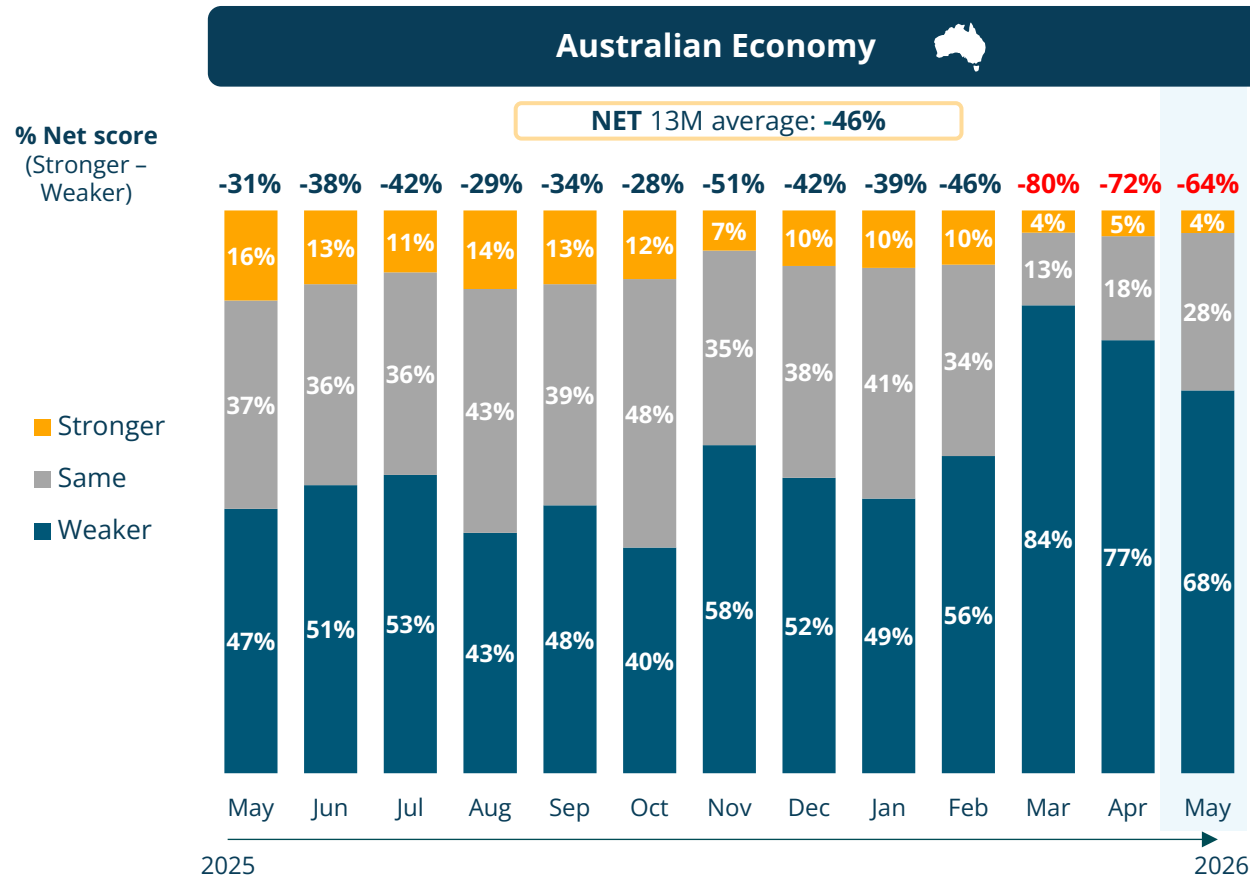
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Methodology & Sample

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

SMEs remain overwhelmingly pessimistic about the economic outlook, with expectations for both the Australian and global economy still sitting near historic lows despite a slight rebound since March.

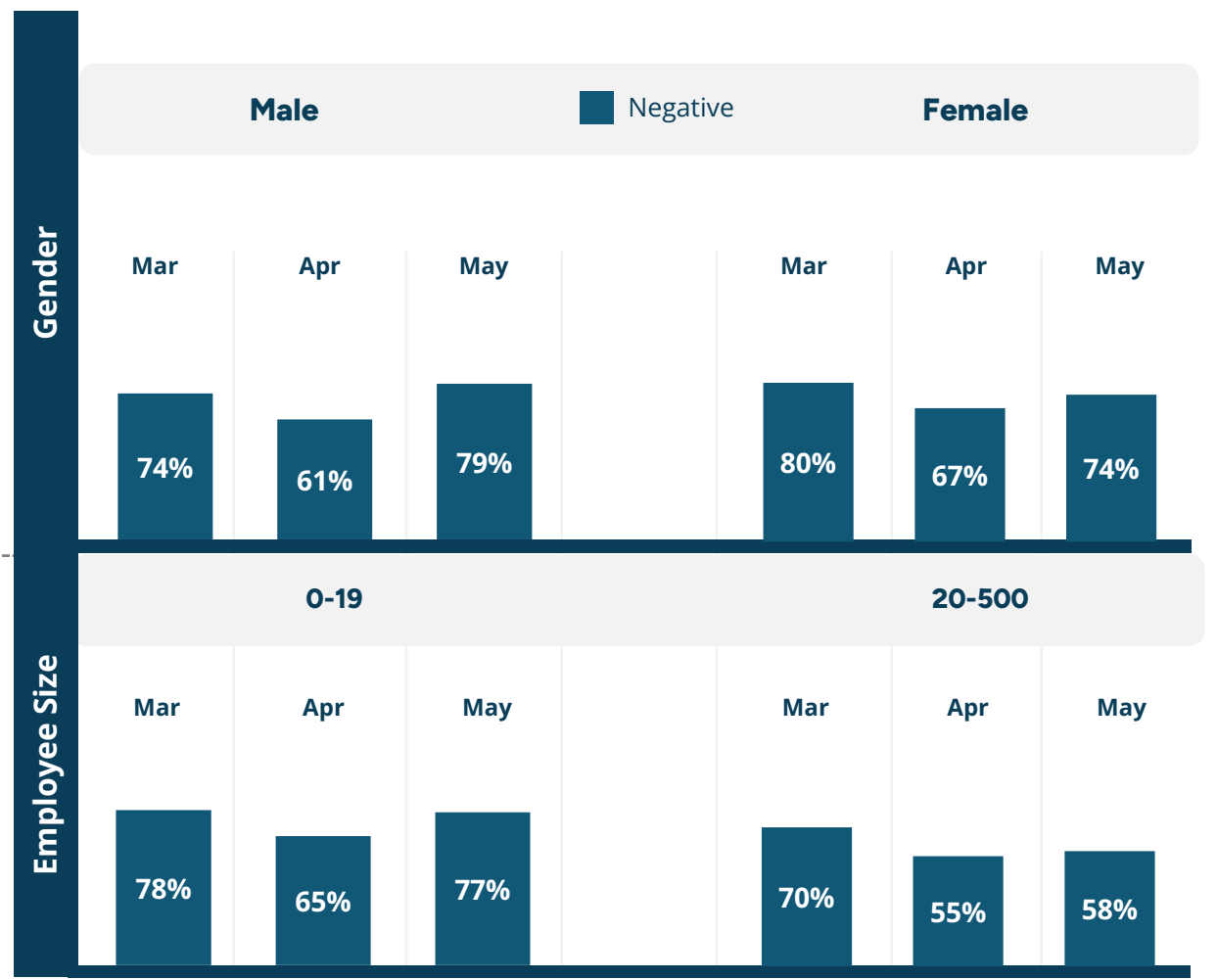
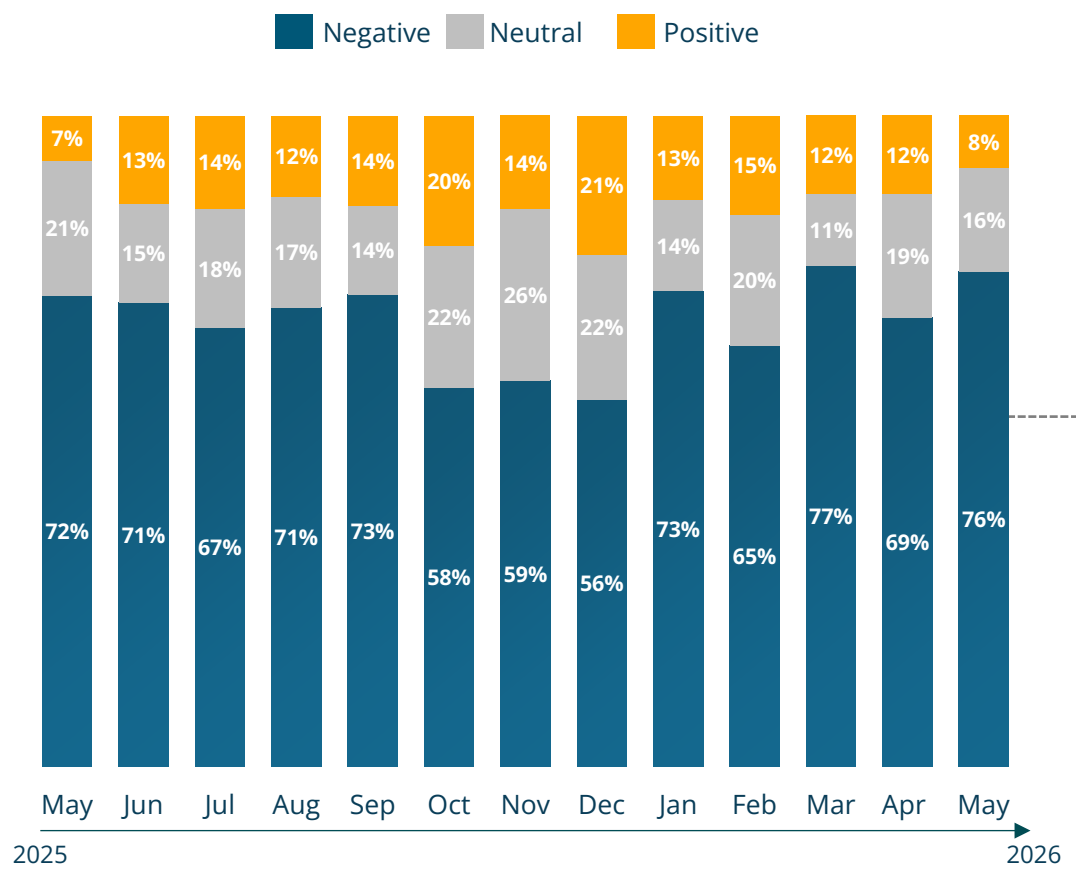
Expectations Over The Next 3 Months Regarding Economic Conditions



Business Sentiment | Expectations Regarding Economic Conditions

Concerns about the Trump Administration remain deeply entrenched, with negative sentiment rebounding to 76% in May and approaching record highs.

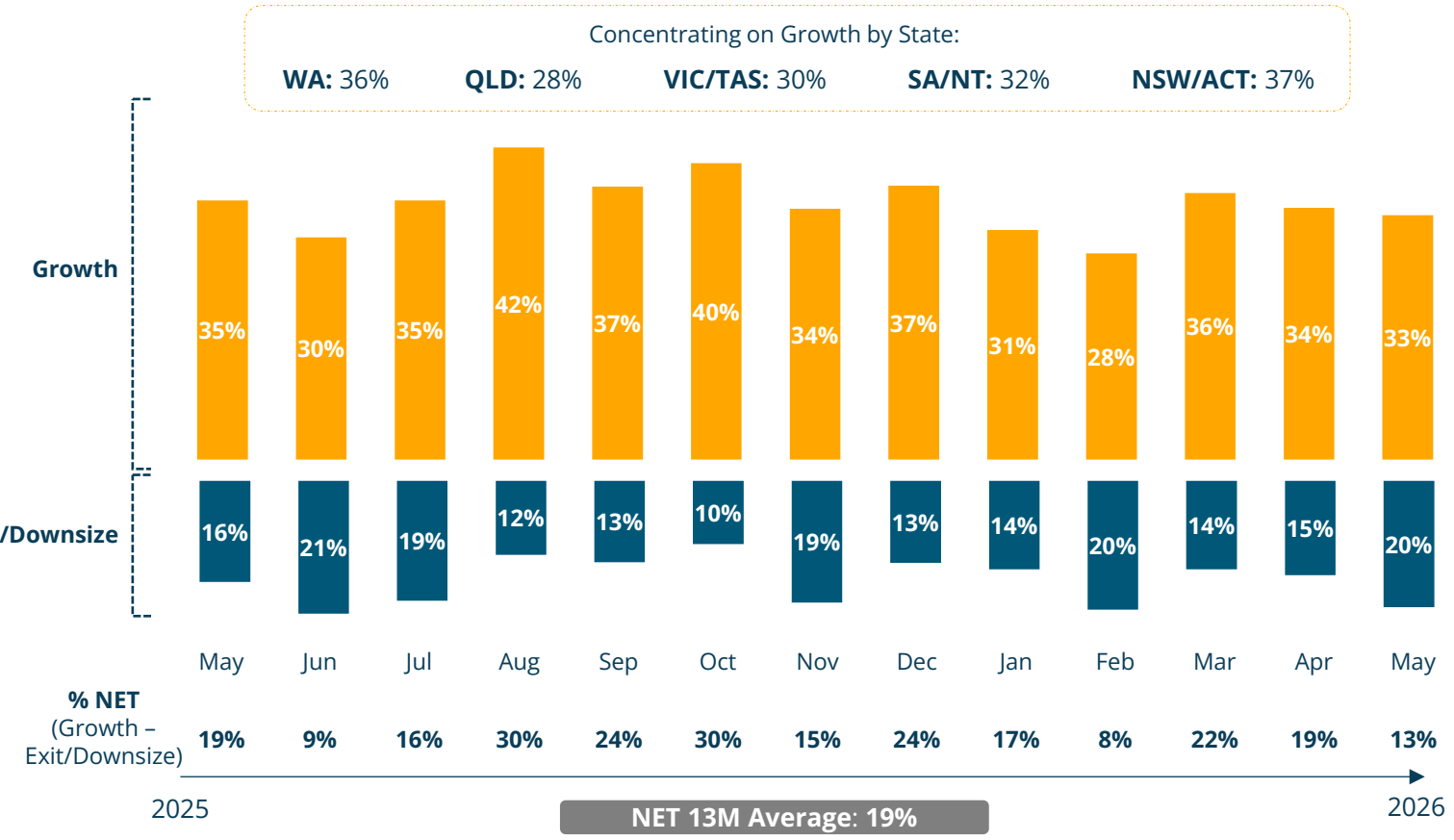
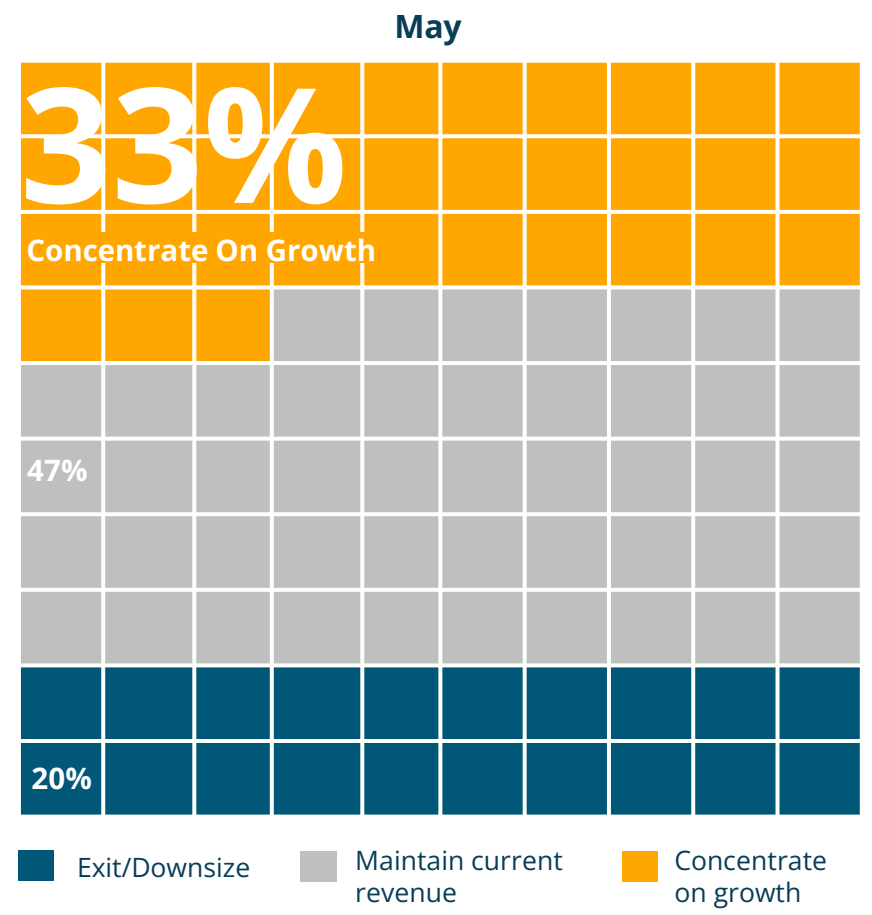
What impact will the Trump Administration have on the Australian economy?



Business Sentiment | Growth Expectations (Next 12 months)

Growth ambitions have softened since March, with the share of SMEs focused on growth falling from 36% to 33% and exit/downsize intentions rising to 20%. Growth ambitions also vary by geography, with NSW/ACT and WA showing the strongest growth focus, while Queensland & VIC/TAS are more subdued.

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



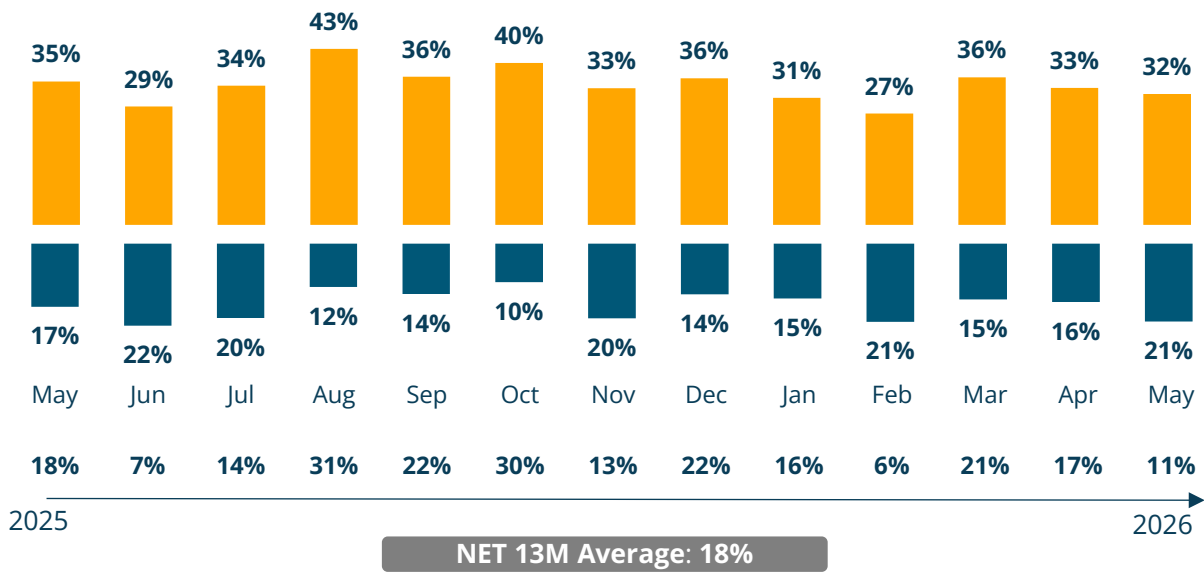
Business Sentiment | Growth Expectations (Next 12 months)

Larger SMEs remain more growth-focused, but smaller businesses have softened, falling below the 13-month average and well below August 2025 levels.

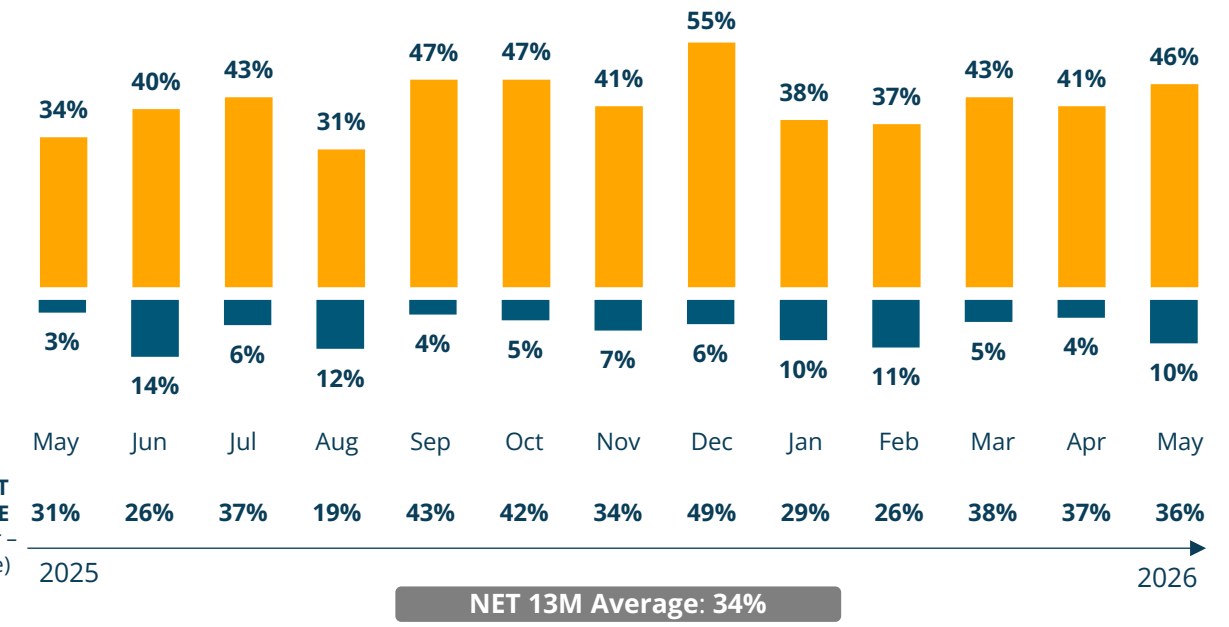
Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

■ Concentrate on growth
 ■ Exit/Downsize

0 -19 Employees



20+ Employees



Business Sentiment | Challenges

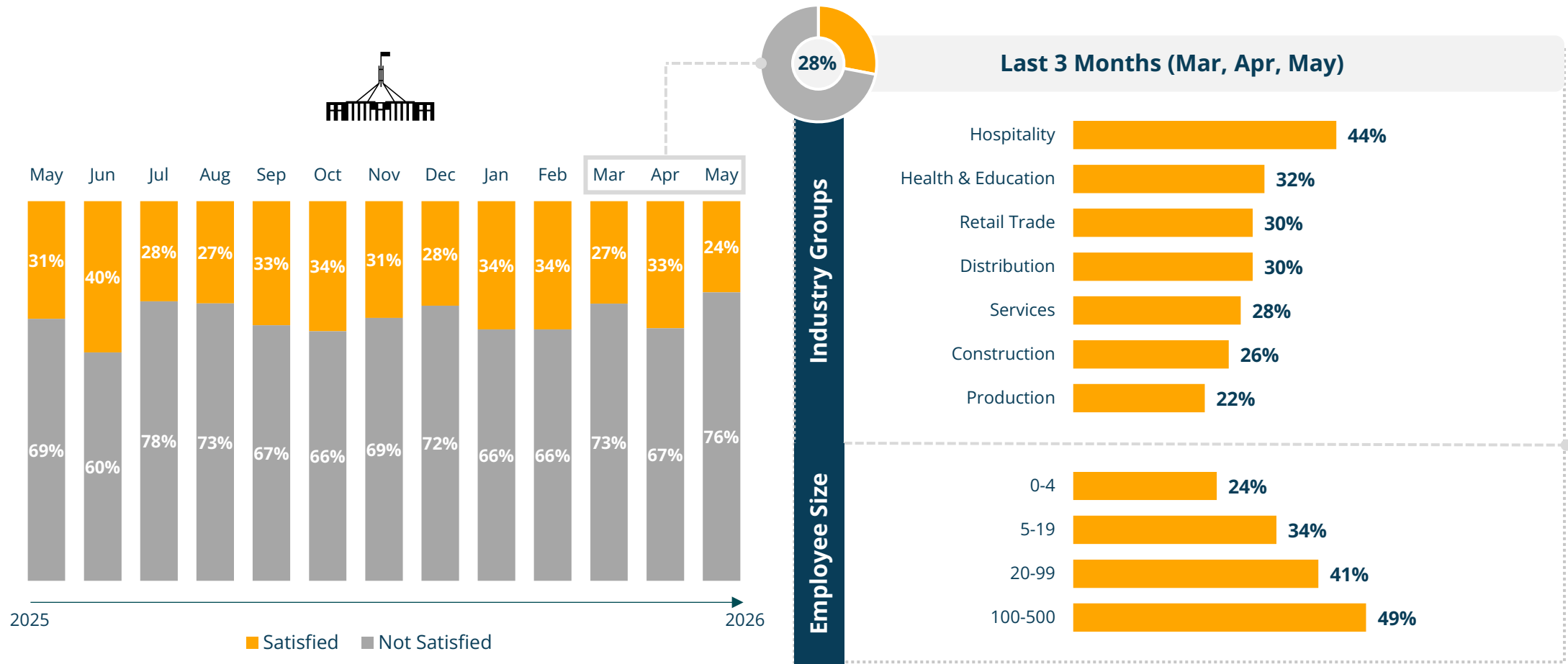
Cost pressures remain the dominant challenge, while concern around changing customer behaviours has surged, suggesting cost-of-living pressures are reshaping purchasing decisions and creating greater demand uncertainty. At the same time, geopolitical concerns have eased as SMEs appear to be normalising ongoing instability, while the declining focus on talent, reflects weaker hiring data.

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

	May	December	January	February	March	April	May
Addressing the difficult economic outlook and ongoing cost pressures.	56%	47%	46%	45%	58%	54%	56%
Keeping pace with changing customer behaviours and preferences.	41%	47%	39%	39%	25%	31%	41%
Navigating regulatory, compliance, and governance challenges.	26%	26%	25%	24%	23%	20%	26%
Managing risks and uncertainties in the geopolitical landscape.	19%	14%	19%	16%	28%	23%	19%
Managing the continuous adoption of new technologies and digital transformation processes.	17%	18%	18%	22%	16%	15%	17%
Identifying and implementing measures to boost workforce efficiency and productivity.	17%	20%	18%	15%	15%	12%	17%
Strengthening defences against cyber threats and ensuring data privacy.	11%	21%	26%	16%	17%	11%	11%
Strengthening supply chain operations for improved efficiency and resilience.	10%	15%	14%	14%	14%	15%	10%
Overcoming difficulties in securing necessary financing.	10%	16%	9%	13%	10%	15%	10%
Acquiring, training, and upskilling talent in a competitive market.	9%	15%	16%	20%	18%	13%	9%
Implementing strategies to address sustainability issues and climate change impacts.	6%	8%	5%	7%	8%	8%	6%
Prioritising investment in research and development to drive innovation.	4%	7%	4%	5%	6%	5%	4%

Satisfaction with the Federal Government has fallen to its lowest level in the past 13 months, confirming the recent Budget has negatively impacted SME perceptions of policy support and its ability to address business challenges.

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





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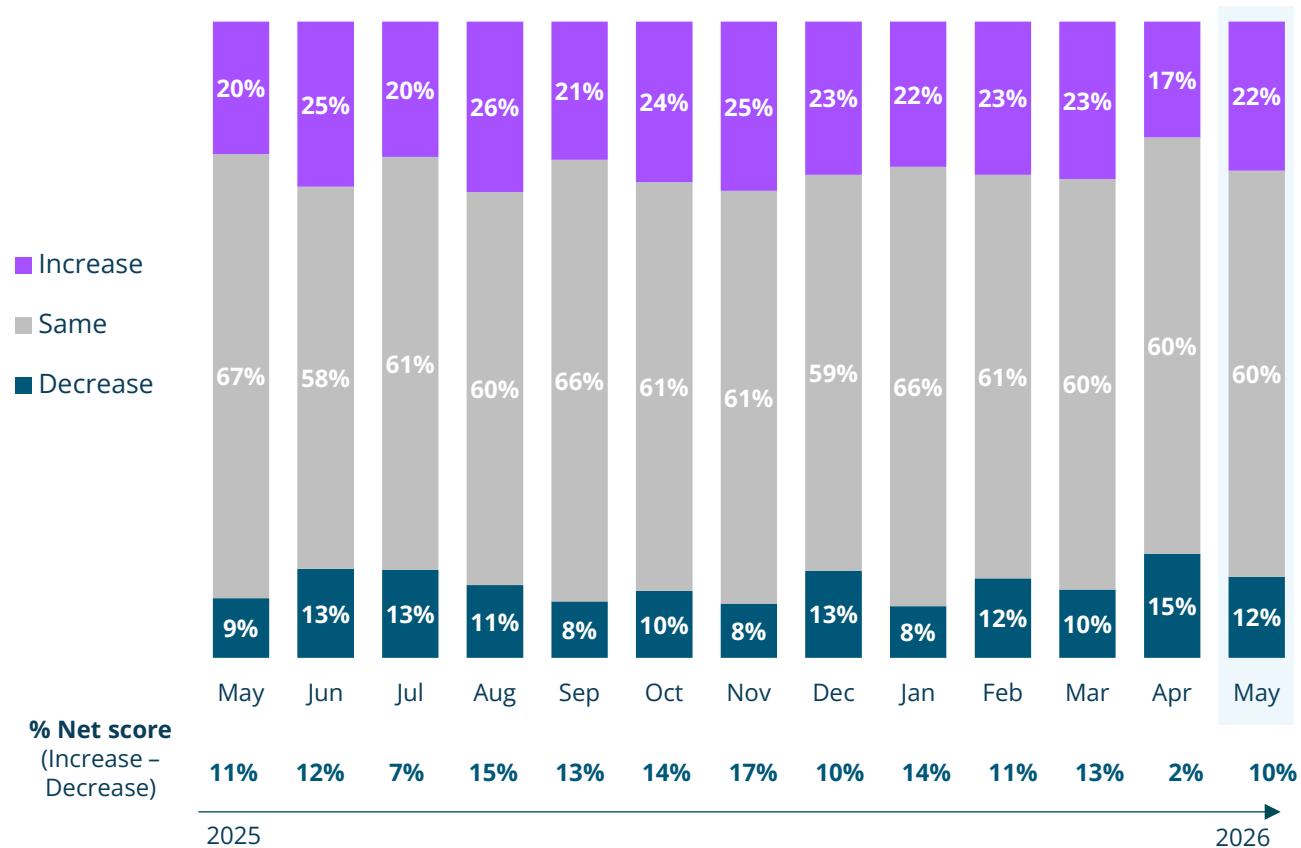
Methodology & Sample

Business Investment | Next Three Months

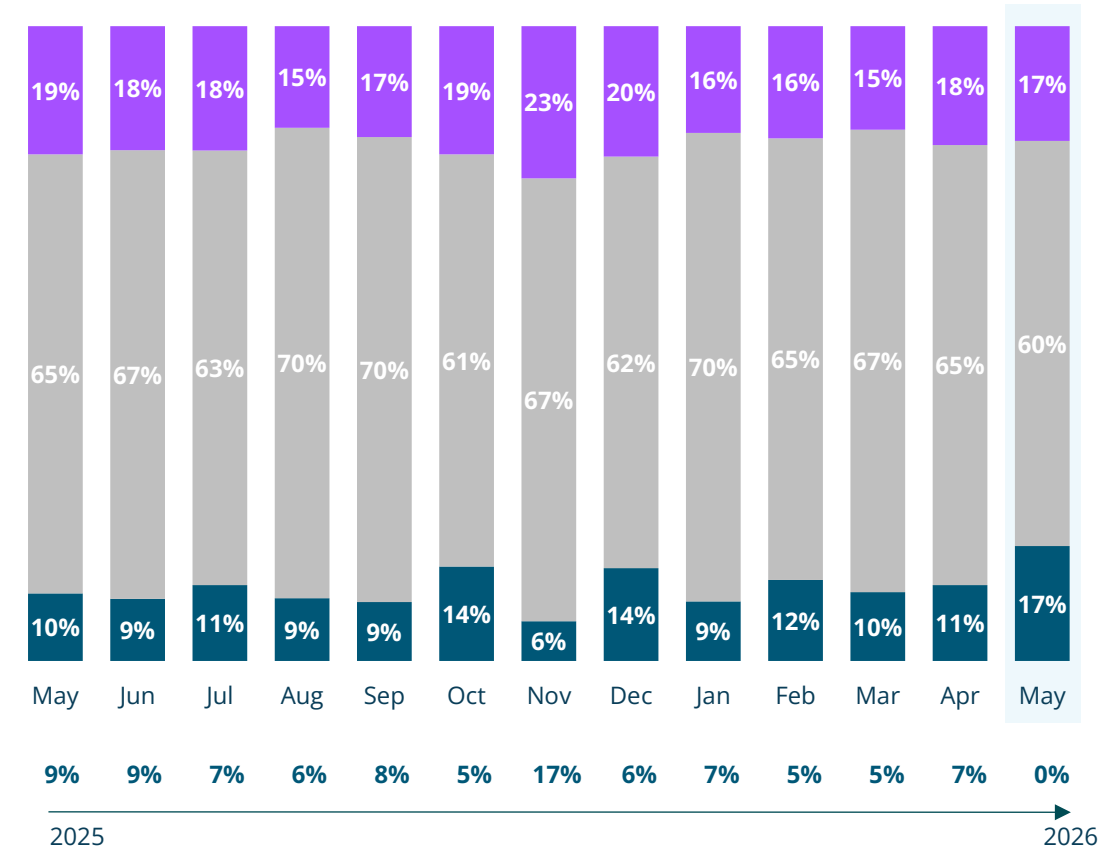
The May rebound in capital investment appears driven by EOFY purchasing activity rather than improving business confidence, with SMEs bringing forward investment decisions while continuing to pull back on marketing, which recorded its lowest net score in the past 13 months.

Expectations Over The Next 3 Months Regarding Business Investment

Business Spending/ Capital Investment

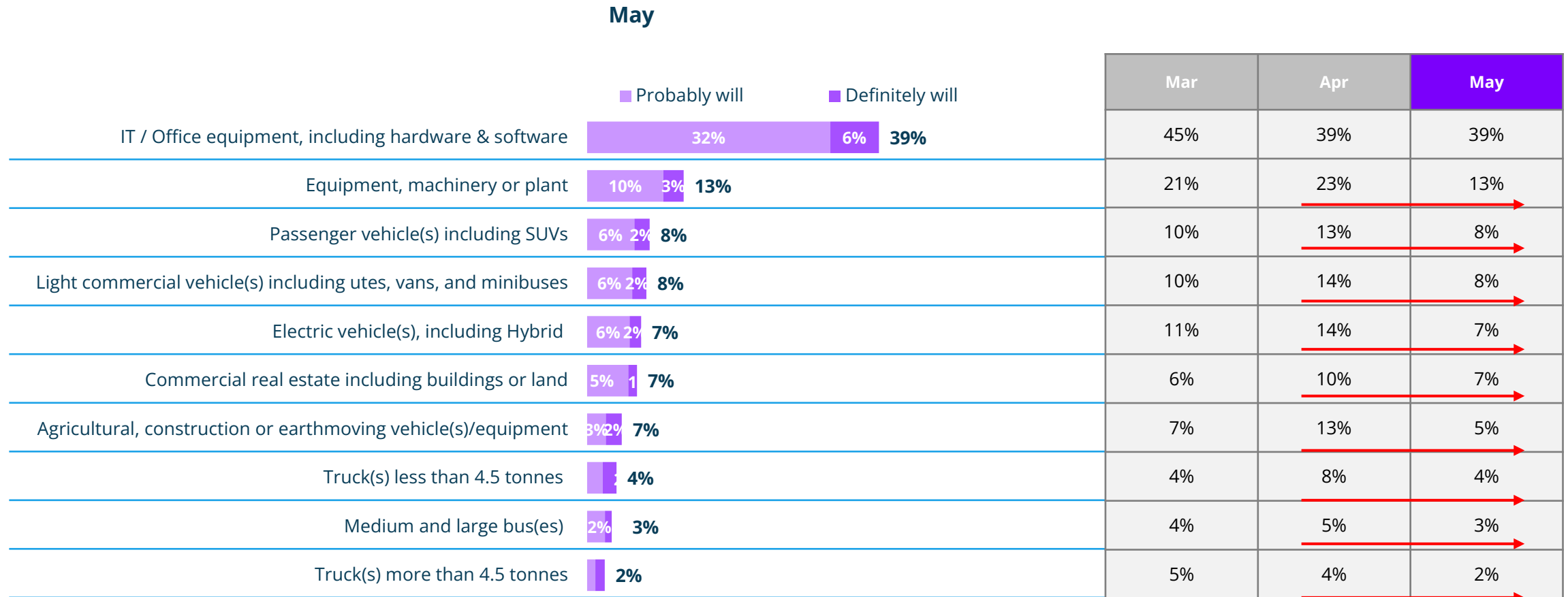


Marketing Spend



Capital investment intentions have rebounded, but purchase intentions have softened across most asset categories, suggesting the uplift is being driven by fewer, more targeted EOFY investment decisions rather than broad-based spending.

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



Purchase intentions have decreased across both cohorts.

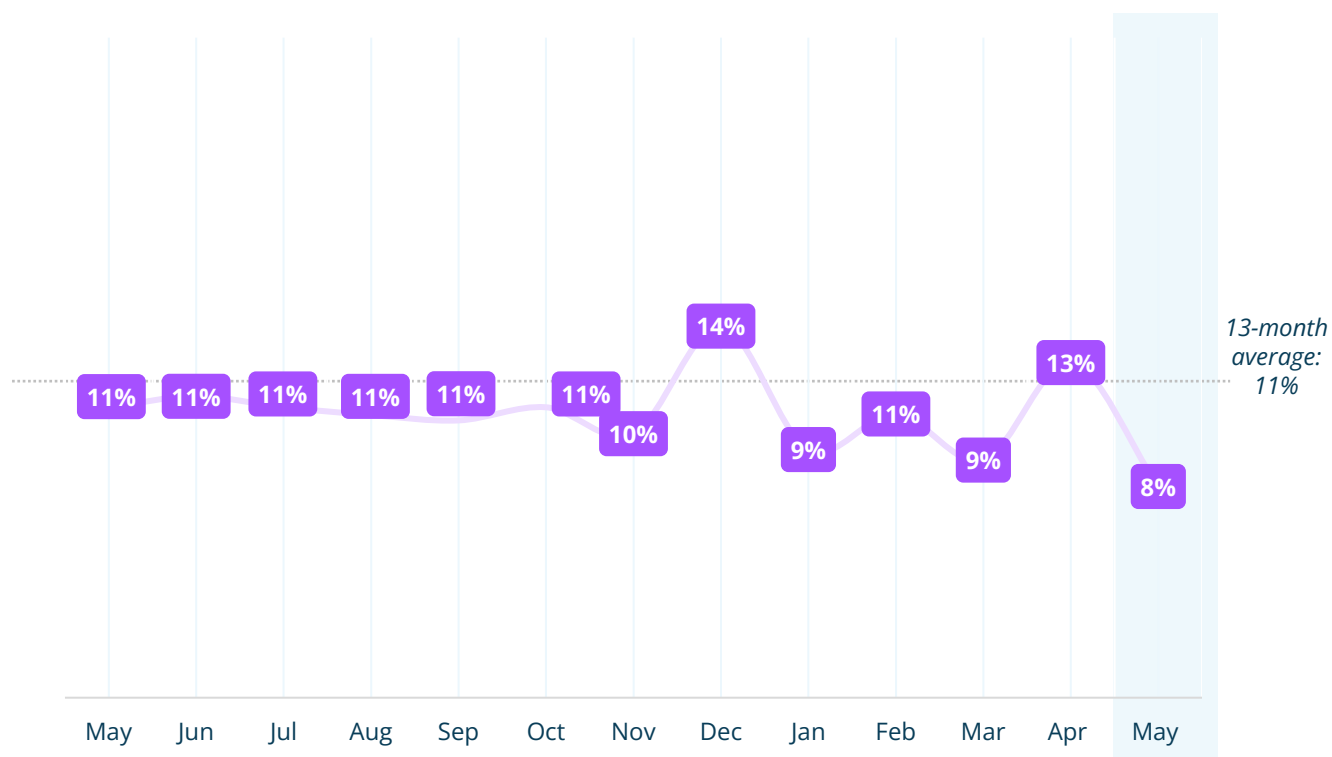
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Mar	Apr	May	Mar	Apr	May
IT / Office equipment, including hardware & software	44%	37%	38%	60%	63%	54%
Equipment, machinery or plant	20%	22%	12%	36%	40%	26%
Passenger vehicle(s) including SUVs	8%	12%	7%	30%	31%	25%
Light commercial vehicle(s)	9%	13%	7%	20%	31%	24%
Electric vehicle(s), including Hybrid	10%	13%	6%	21%	27%	19%
Commercial real estate	5%	9%	6%	20%	22%	18%
Agricultural, construction or earthmoving vehicle(s)/equipment	6%	12%	4%	12%	19%	13%
Truck(s) less than 4.5 tonnes	4%	7%	3%	13%	24%	20%
Medium and large bus(es)	3%	5%	2%	9%	15%	18%
Truck(s) more than 4.5 tonnes	4%	3%	1%	16%	23%	20%

Business Investment | Finance Needs (Next 3 months)

Demand for additional finance has fallen sharply in May to its lowest level in the past 13 months, confirming that SMEs are pulling back from new borrowing as confidence weakens.

SMEs That Will Require Additional Finance Over The Next 3 Months



And What Is The Purpose Of This Finance?

	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Last 3M
Cashflow/ working capital	62%	57%	61%	74%	54%	62%
Purchase plant, machinery or equipment	23%	25%	22%	24%	29%	21%
Fund growth into new markets	17%	15%	21%	11%	22%	13%
Fund growth in Australia	16%	16%	15%	19%	14%	15%
Trade finance to fund import/export activity	12%	15%	8%	4%	9%	6%
Fund merger/acquisition	8%	7%	9%	7%	2%	4%

Business Investment | Finance Needs (Next 3 months)

Additional finance requirements among larger SMEs have continued to trend down, falling from 18% in Q4 FY25 to 14% over the past three months, reinforcing evidence that larger businesses are becoming increasingly cautious about taking on new debt.

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

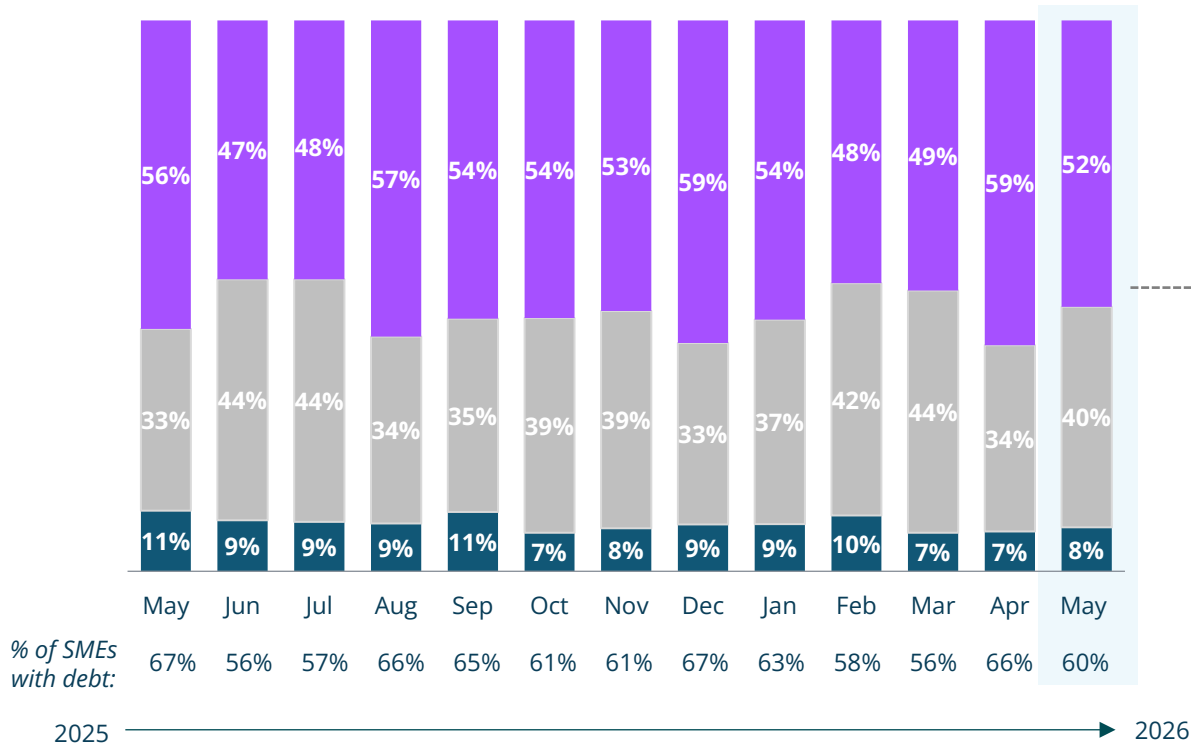
	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Last 3M
0-19 Employees	11%	10%	11%	9%	12%	10%
20+ Employees	18%	17%	17%	16%	16%	14%
Construction	10%	11%	16%	8%	12%	10%
Distribution	21%	12%	18%	10%	18%	10%
Health & Education	11%	11%	10%	11%	8%	10%
Hospitality	10%	15%	18%	8%	15%	12%
Production	12%	11%	8%	10%	22%	10%
Retail Trade	12%	14%	13%	15%	8%	11%
Services	10%	9%	8%	9%	10%	10%

Business Investment | Loan Stress

Loan stress remains broadly stable at 8%, but pressure is more concentrated among consumer-facing sectors, with Retail Trade and Hospitality the most exposed.

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 (Mar, Apr, May)





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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

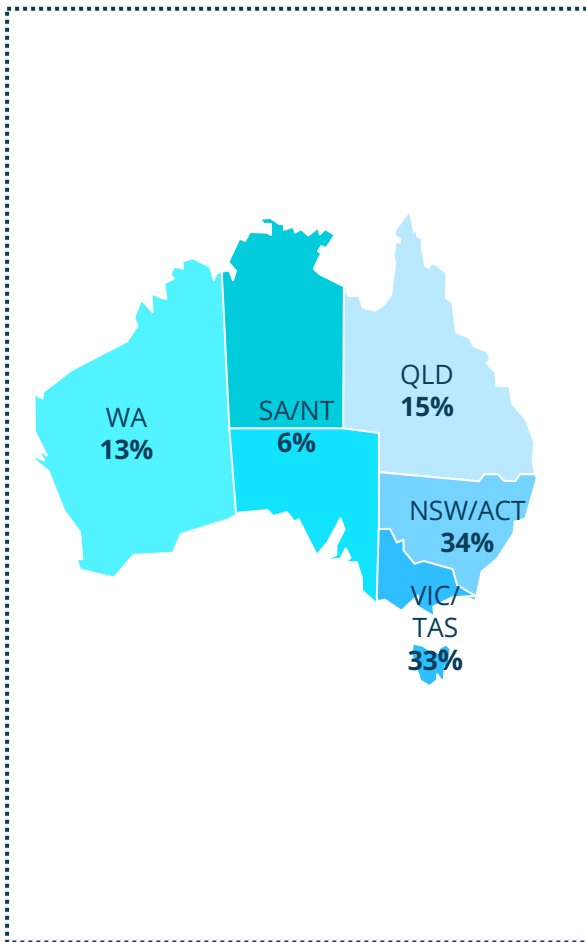


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

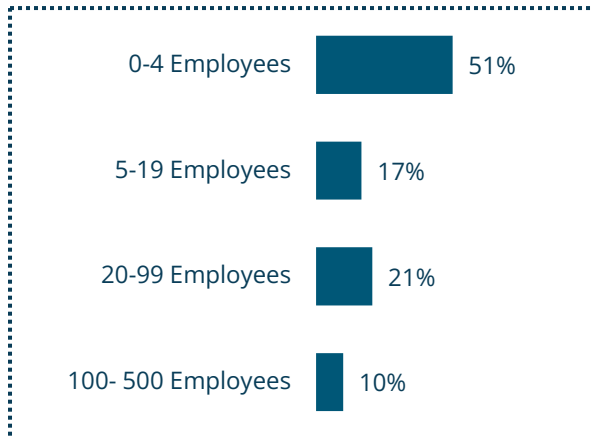
Our Sample

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.

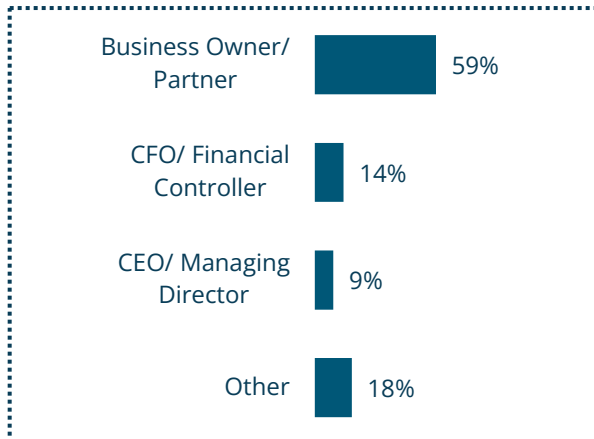
Head Office Location



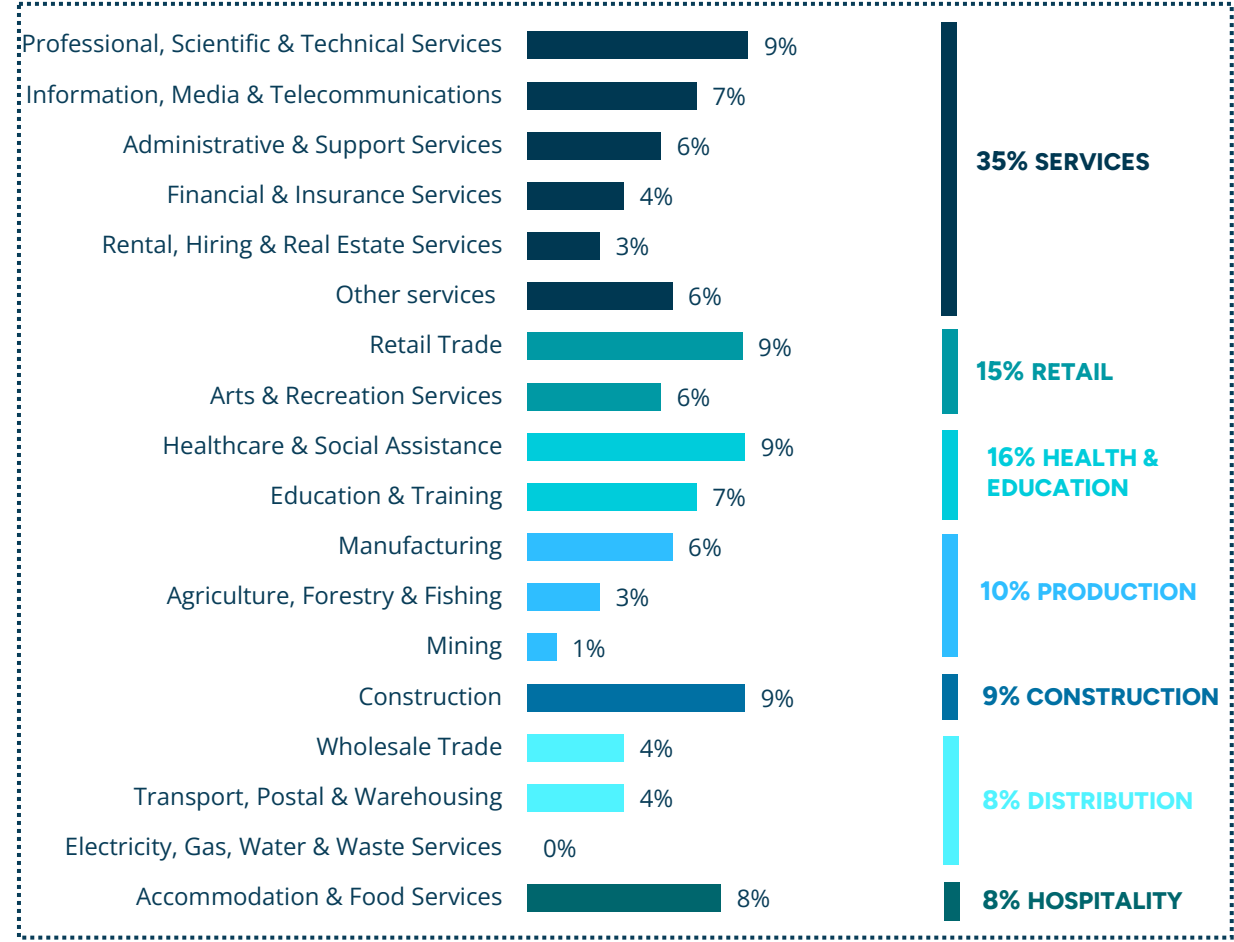
Size Of Business: Employees



Position In Business



Industry Sector



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Thank You

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Creating Tomorrow Today