Small & Medium Enterprise Sentiment Tracker

Wave 88 – June 2026

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.

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.

Economic sentiment is normalising, with expectations continuing a four-month reversal and returning to near average levels.

Only 16% of SMEs expect revenues to improve over the next 4 weeks, compared to 23% in March.

Only 25% are planning for growth over the next 12 months, and 21% expect a decline/exit.

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

Growth Aspirations Plummet As SME Loan Stress Builds

SME sentiment toward both the Australian and global economy recovered in June, suggesting businesses are becoming slightly less pessimistic about the broader outlook. However, this improvement has not translated into stronger business ambition. Only 25% of SMEs are now focused on growth, while 21% expect to exit or downsize, leaving net growth intent at just 4%, the lowest result recorded over the past 12 months and well below the 18% average.

This is concerning at the start of a new financial year, when SMEs would typically be resetting plans and looking for growth opportunities. Instead, many appear to be entering FY27 defensively, prioritising stability, margin protection and cashflow over expansion.

Hiring data reinforces this caution. Only 9% of SMEs have current vacancies for the third month running, which is historically weak and well below the 13-month average of 12%. However, there is some relief in hiring difficulty, which eased in June after May's spike, suggesting softer labour demand may be reducing pressure in the recruitment market.

Financial pressure is also building. Loan stress rose to 10% in June after easing in May, while wage growth expectations jumped to a net score of +18%, the joint highest result in the past 13 months. This suggests SMEs are facing rising labour costs even as hiring demand remains subdued, adding pressure to margins and debt servicing capacity.

> Overall, June points to a widening gap between improving macro sentiment and weakening business confidence. SMEs may feel slightly less negative about the broader economy, but their own plans remain defensive, with growth intent at a 12-month low, hiring appetite historically weak, wage pressure rising and loan stress increasing. At the start of a new financial year, this suggests many SMEs are still feeling vulnerable in a fragile economic environment.

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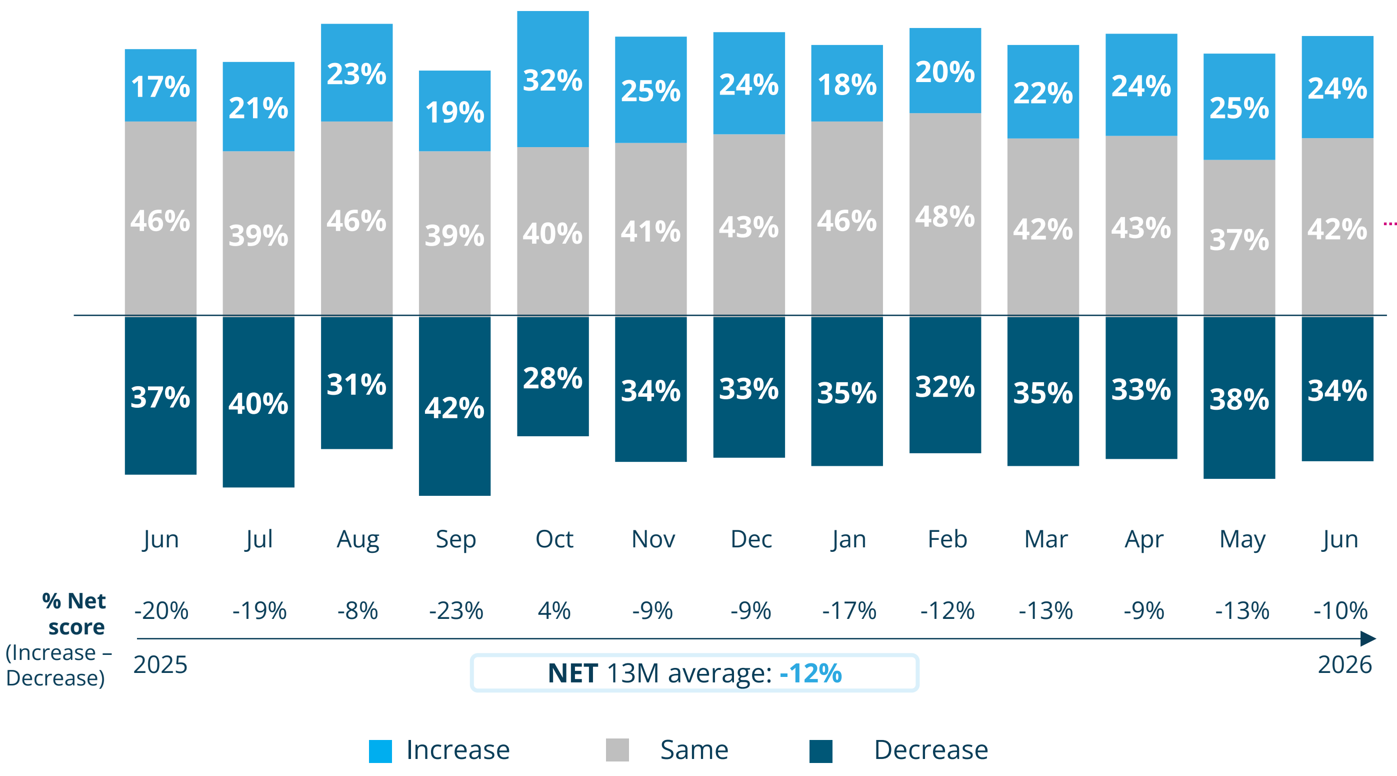
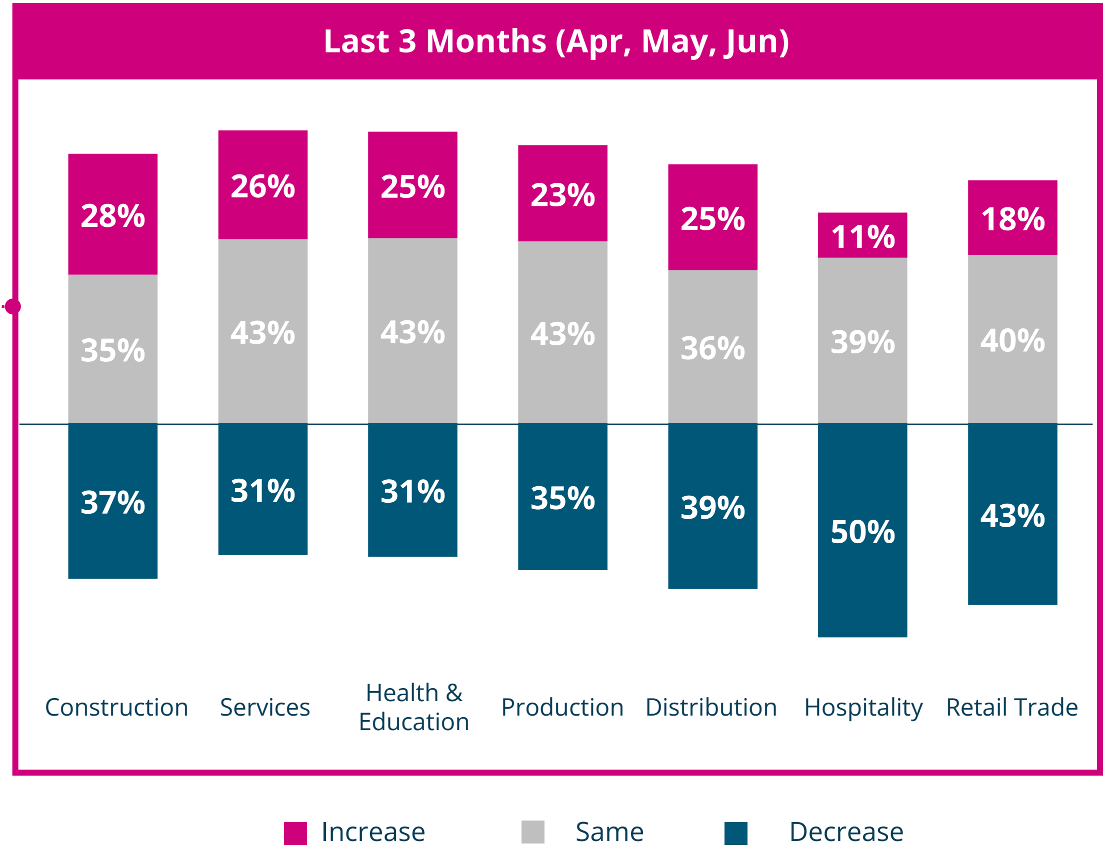
Key Performance Indicators | Revenue

Revenue remains under pressure but has steadied in June, with 24% reporting growth, 34% reporting decline and the net score improving to -10%. More SMEs are still going backwards than growing, but the latest result is less severe than the April decline.

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

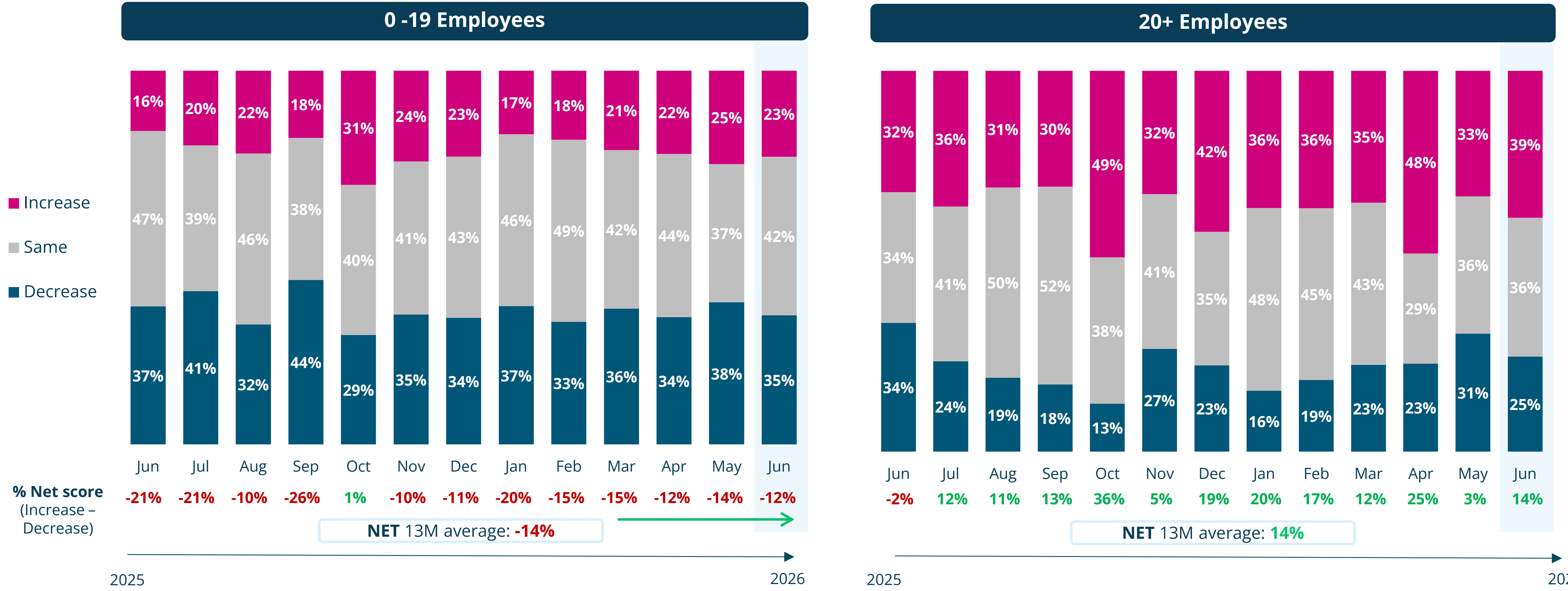




Key Performance Indicators | Revenue

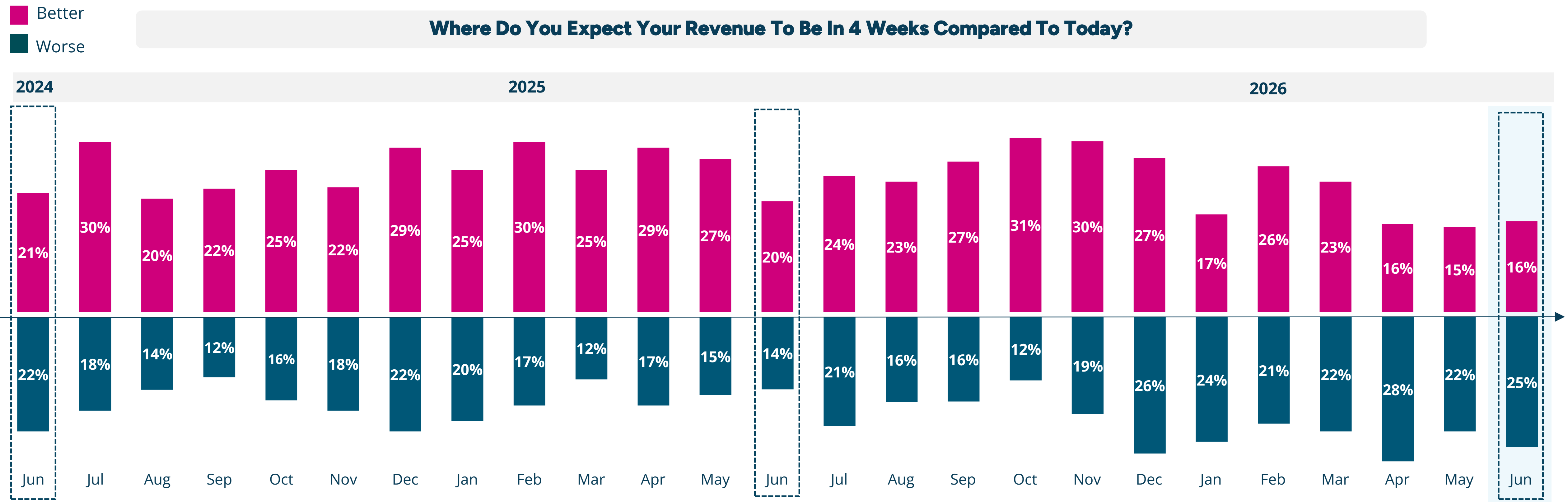
Revenue performance again diverged by business size. Smaller SMEs remained in negative territory at -12%, while larger SMEs rebounded to +14% in June, with 39% reporting higher revenue than 12 months ago.

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



Key Performance Indicators | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations remain weak, with 25% expecting further declines over the next four weeks.



% NET SCORE
(Better – Worse)

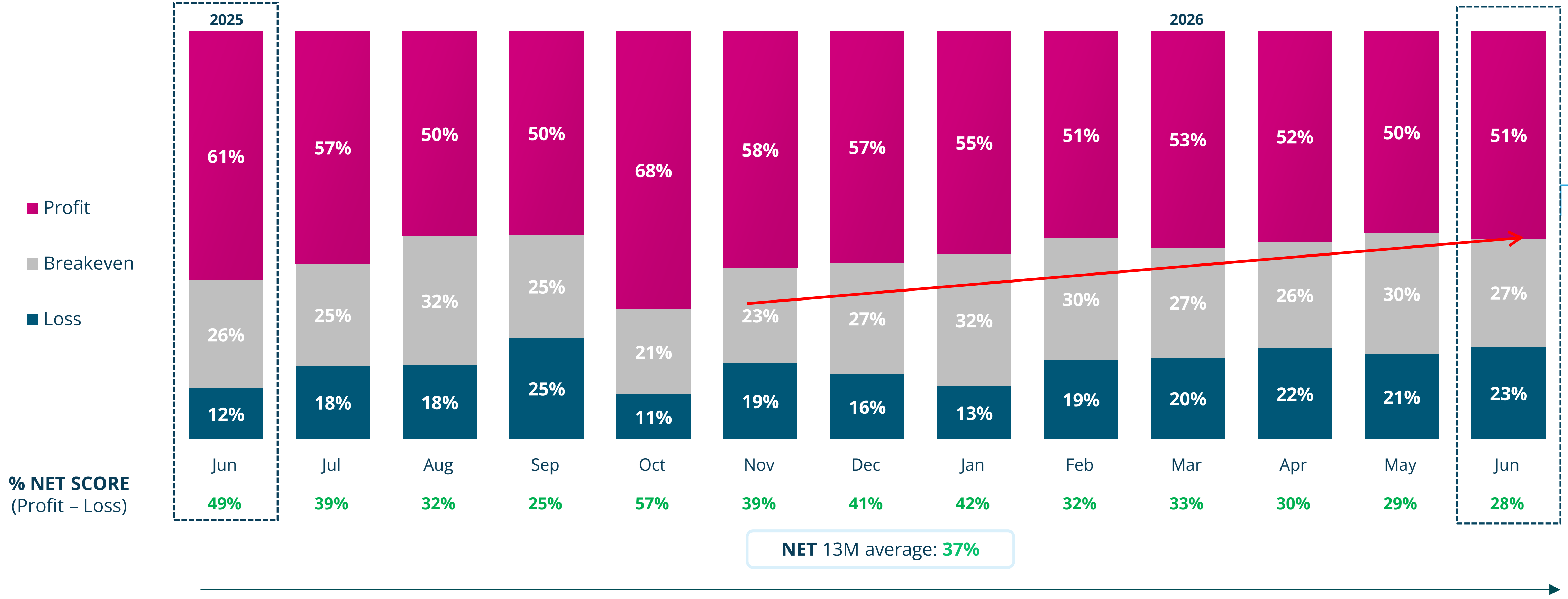
NET 25M average: **5%**

Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
-1%	12%	6%	10%	9%	4%	7%	5%	13%	13%	12%	12%	6%	3%	7%	10%	19%	11%	8%	-7%	5%	1%	-12%	-7%	-9%

Key Performance Indicators | Profit

Profitability remains under pressure, with 51% reporting a profit and 23% reporting a loss in June. The net score of +28% remains well below the 13-month average of +37%.

What Was Your Profit Margin Last Month?



Profitability by Employee Size

0-19: 50%
20+: 63%

Key Performance Indicators | Responding To Challenges

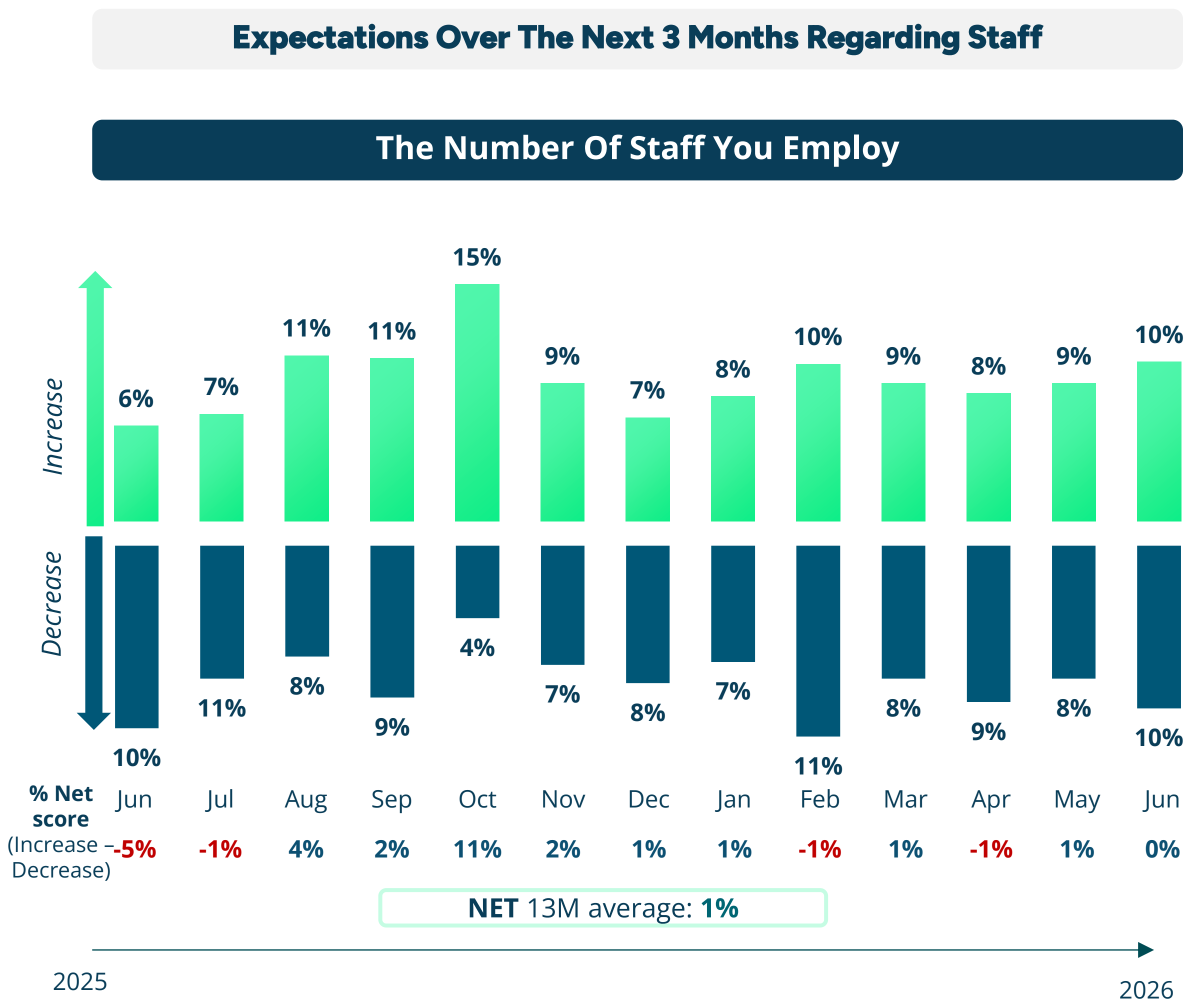
Efficiency and productivity measures continue to be prioritised in response to ongoing inflation and rising costs.

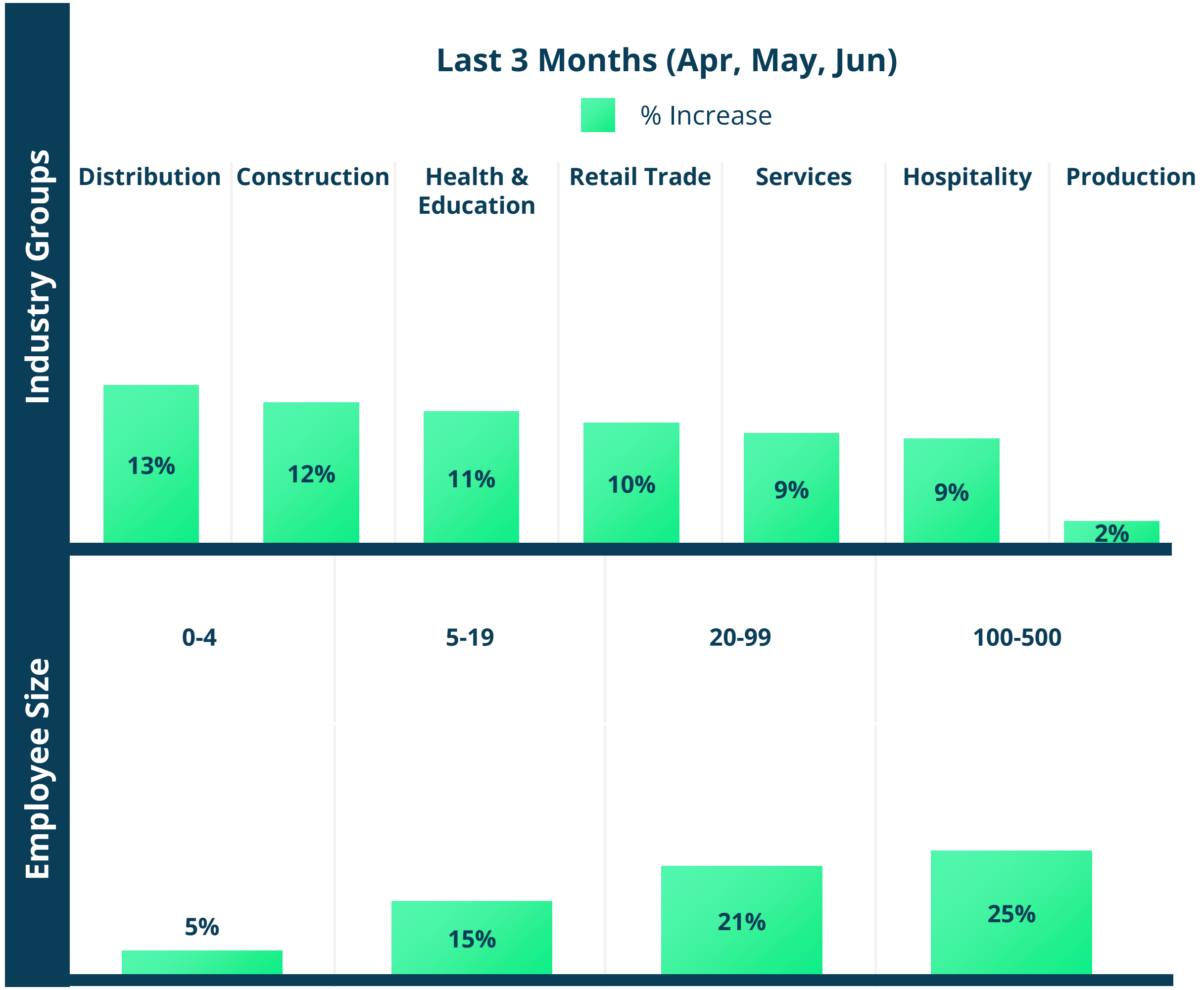
How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

	June	January	February	March	April	May	June
Enhancing efficiency by streamlining business operations.	30%	24%	26%	29%	26%	21%	30%
Discontinuing products/services that are not profitable.	27%	31%	21%	23%	22%	27%	27%
Maximising staff productivity through better training and optimisation.	20%	19%	21%	20%	22%	16%	20%
Reassessing current projects and significant investments for viability and impact.	18%	19%	22%	22%	22%	21%	18%
Renegotiating supplier contracts or seeking new supply sources.	18%	24%	17%	20%	18%	19%	18%
Adopting new technologies for increased automation and operational efficiency.	17%	16%	19%	19%	19%	17%	17%
Expanding the range of products/services to generate new revenue streams.	16%	20%	17%	21%	22%	16%	16%
Refining inventory management practices for better efficiency.	11%	9%	12%	13%	12%	12%	11%
Delegating non-essential functions to external providers.	10%	9%	7%	7%	7%	9%	10%
Undertaking debt restructuring to reduce financial burdens.	9%	10%	12%	9%	10%	10%	9%
Implementing workforce reductions, such as layoffs or hiring freezes.	9%	8%	10%	9%	9%	7%	9%
Shifting towards the use of renewable energy sources.	5%	9%	5%	6%	6%	4%	5%

Key Performance Indicators | People

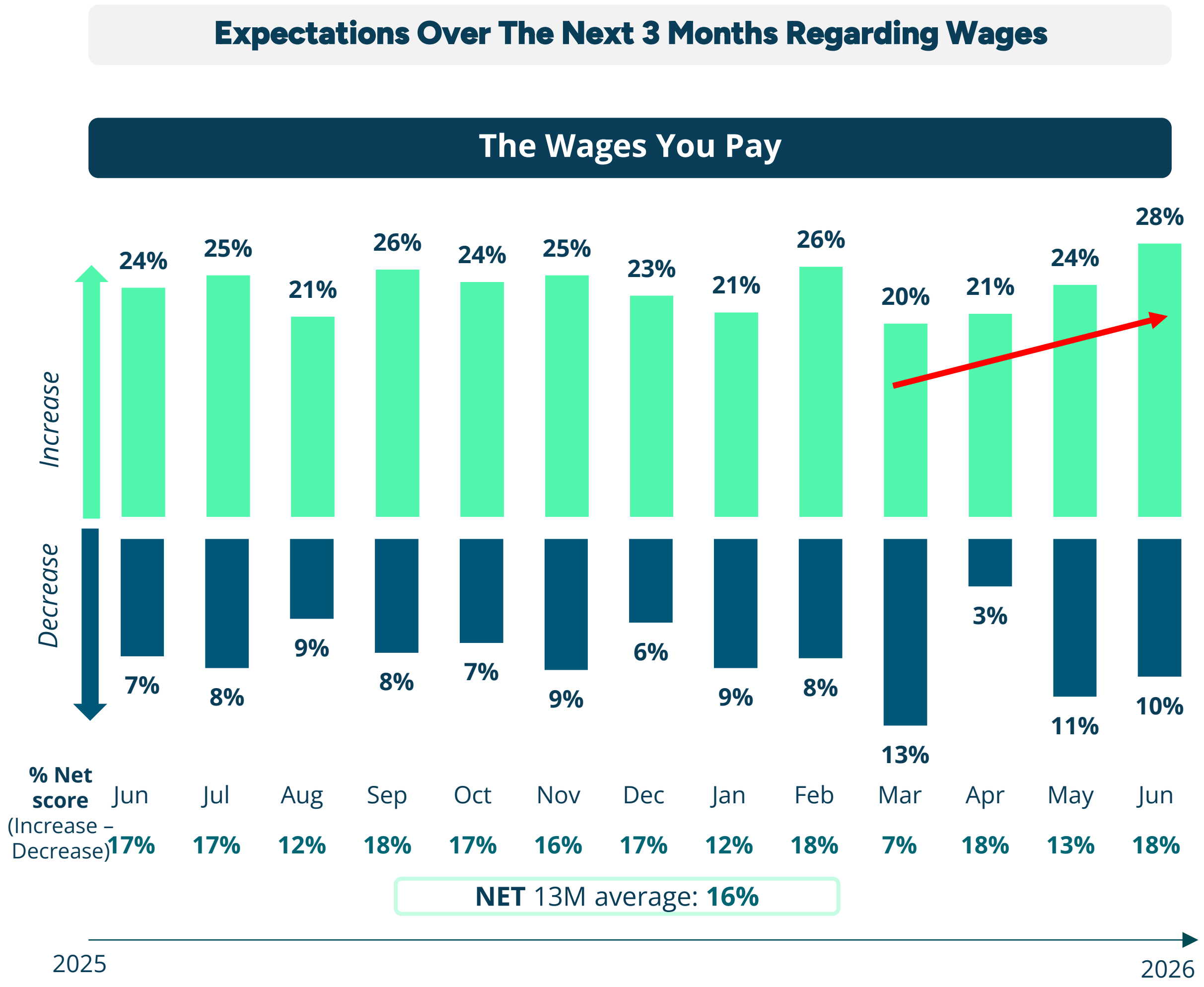
Hiring intentions remain subdued, especially in the production sector.

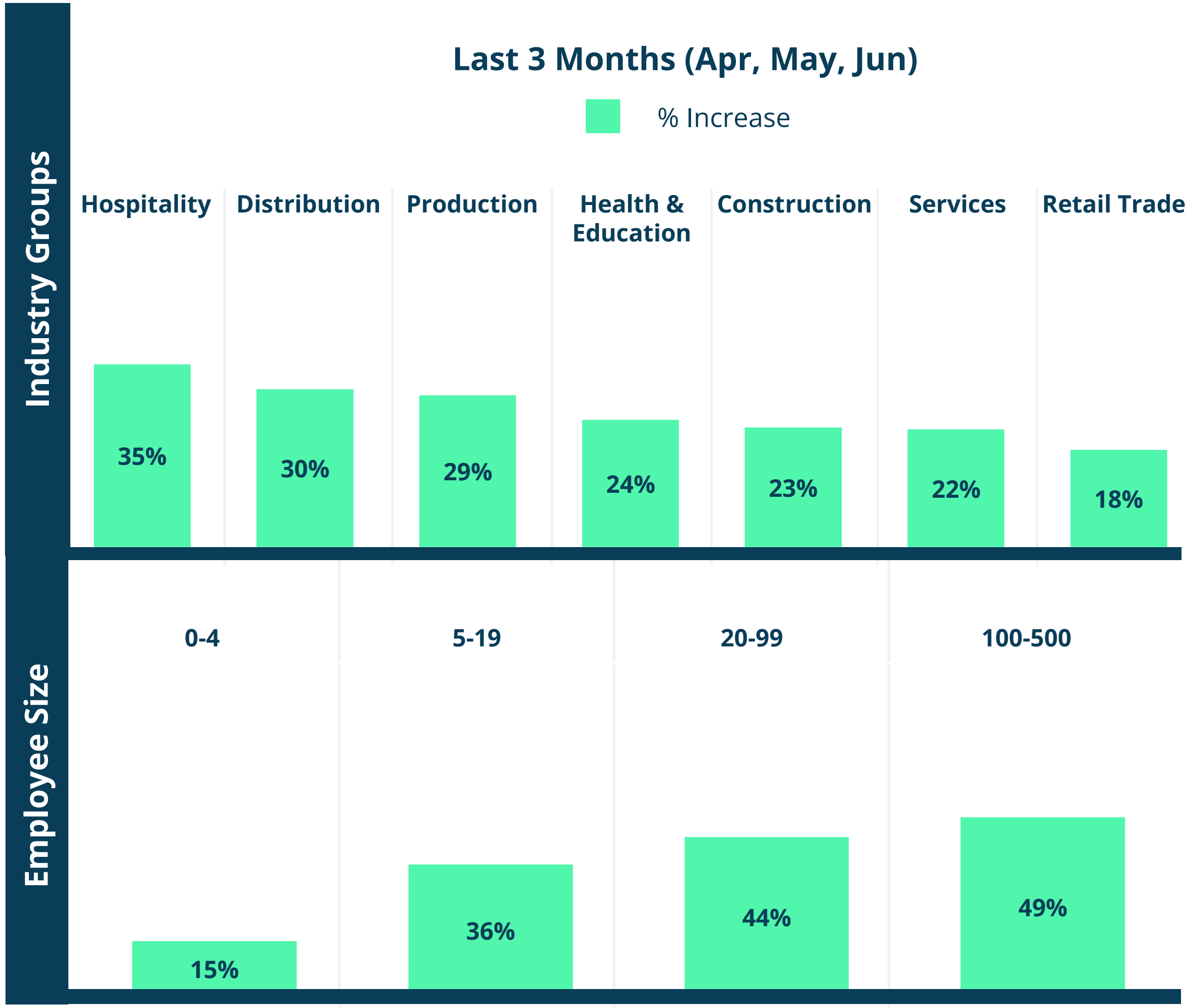




Key Performance Indicators | People

Despite weak hiring intentions, wage growth continues to place significant pressure on SMEs, with 28% expecting wages to increase over the next three months.

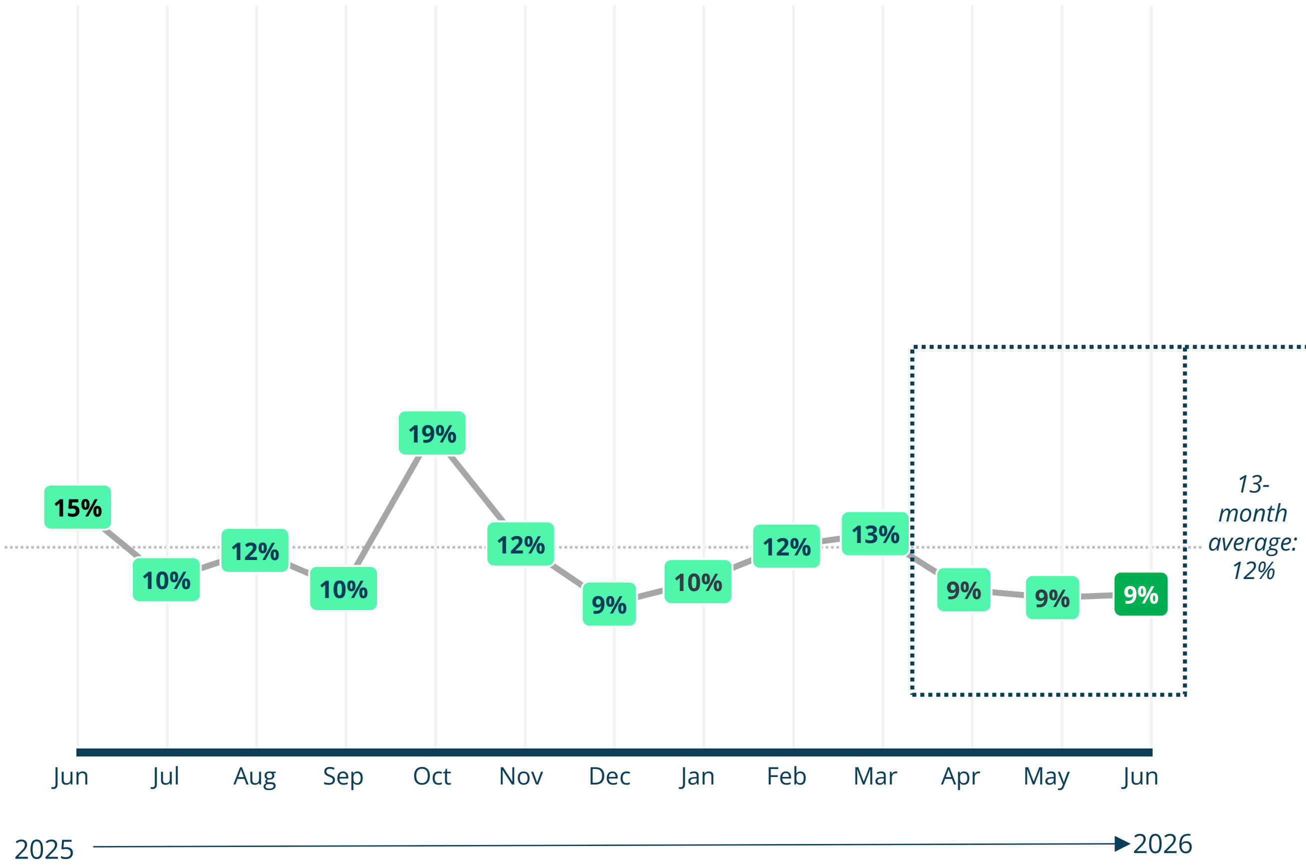




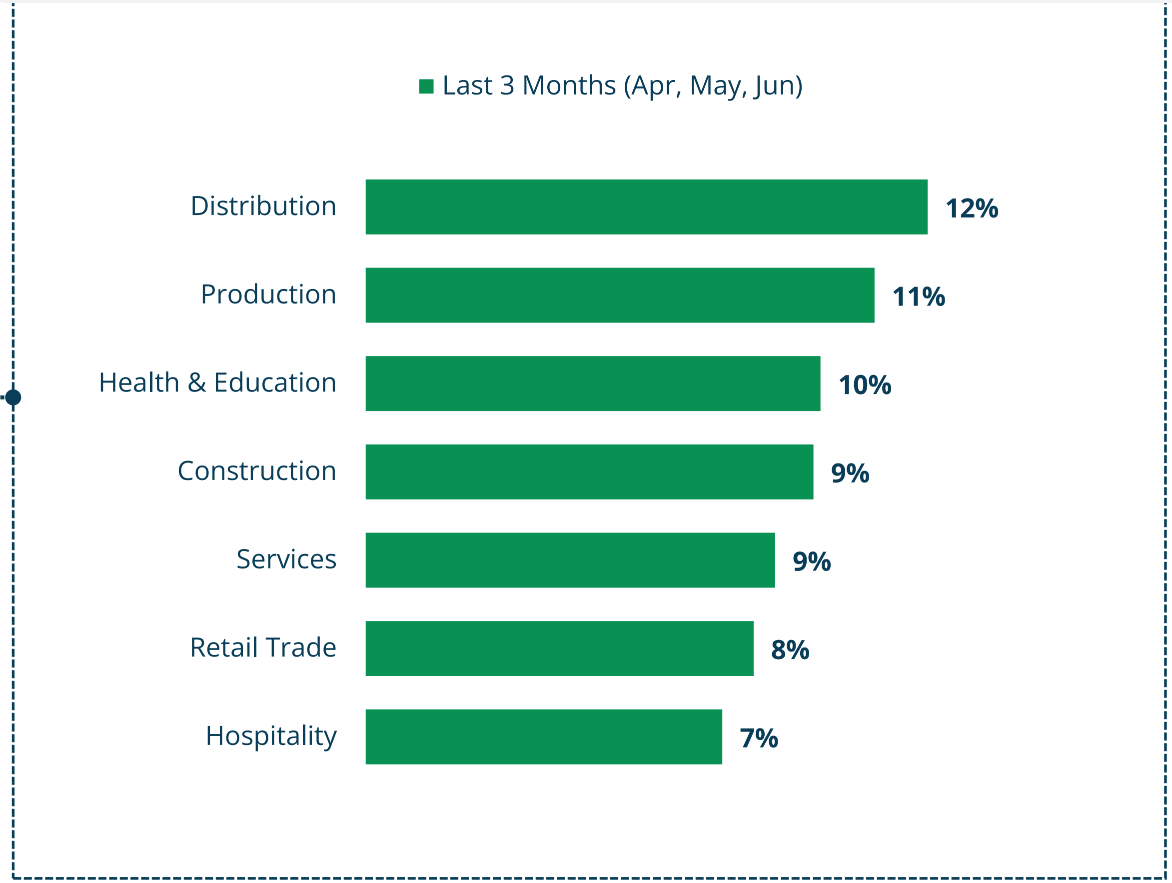
Key Performance Indicators | People

Overall vacancies also remain subdued at 9%, below the 13-month average of 12%. Demand is modest across industries, with Distribution and Production sitting slightly higher over the last three months.

SMEs That Currently Have Job Roles They Are Trying To Fill

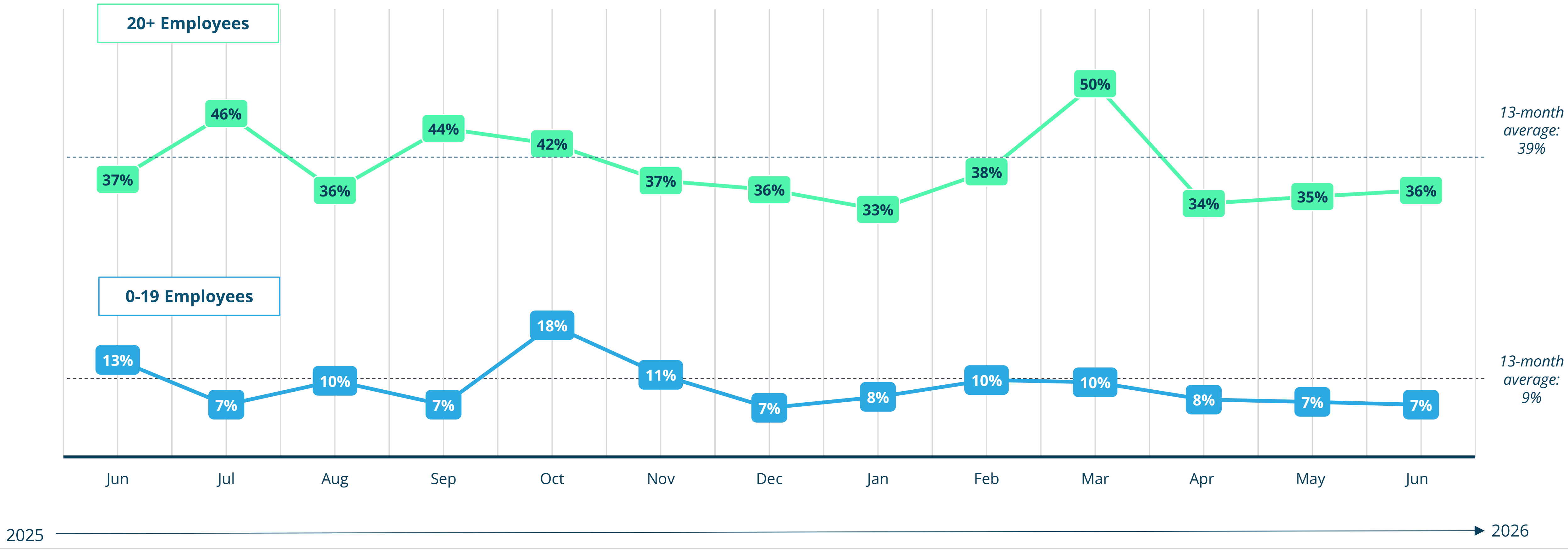


Current Job Vacancies By Industry



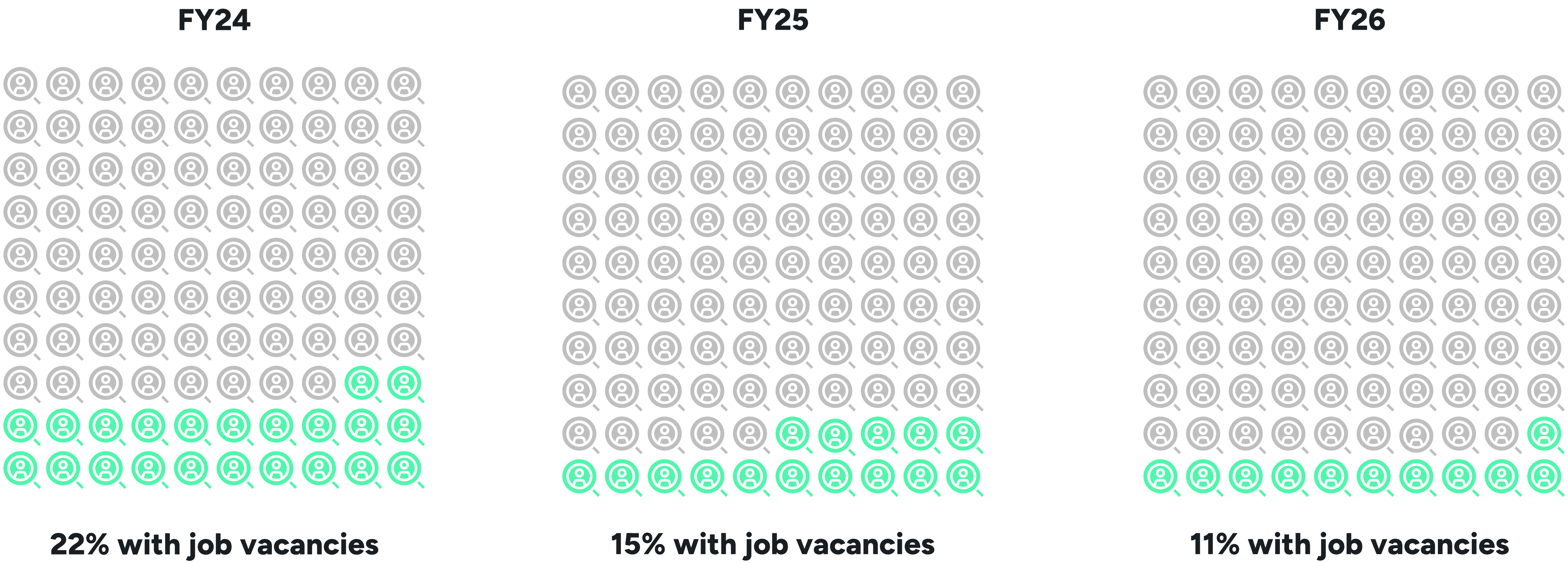
Hiring demand remains weak across both SME cohorts, but is ticking up among SMEs with 20+ employees.

SMEs That Currently Have Job Roles They Are Trying To Fill



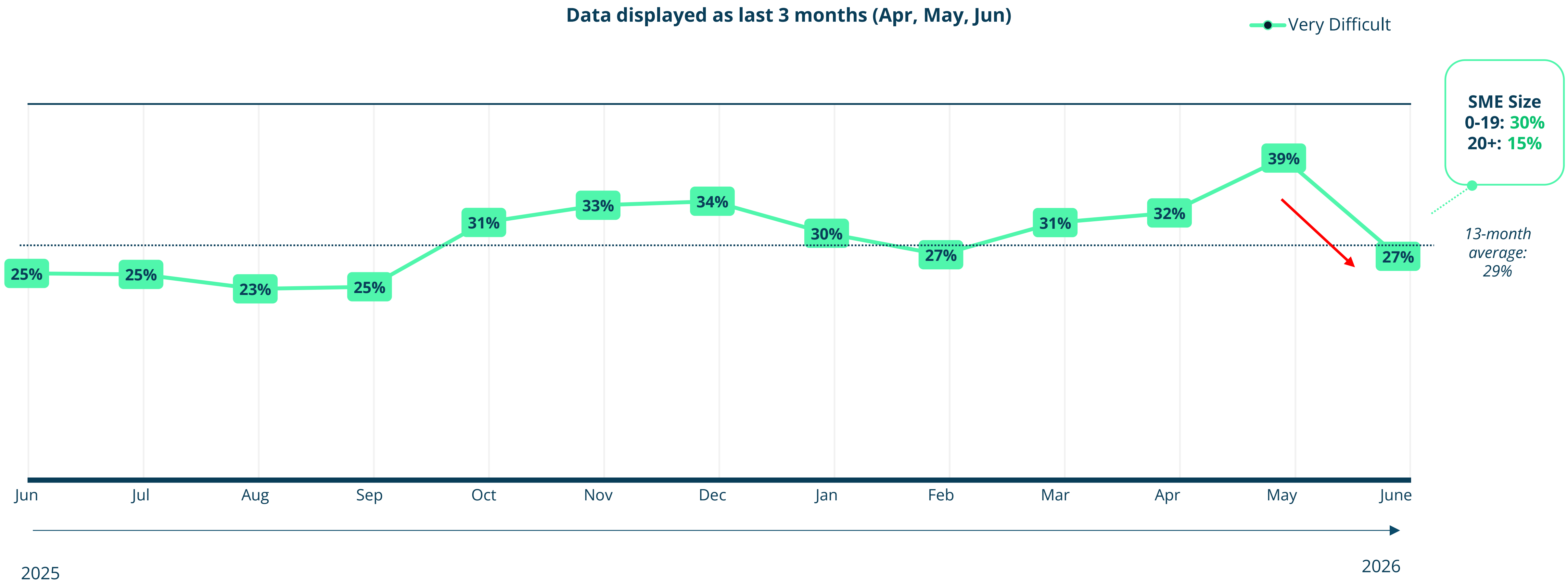
SME hiring demand has steadily softened over the past three years, with the share of businesses recruiting falling from 22% in FY24 to 11% in FY26.

SMEs That Currently Have Job Roles They Are Trying To Fill



Recruitment difficulty eased in June after May's spike, with 27% of hiring SMEs saying roles are very difficult to fill. Pressure remains more acute for smaller SMEs than larger businesses.

How Difficult Is It To Fill These Roles?



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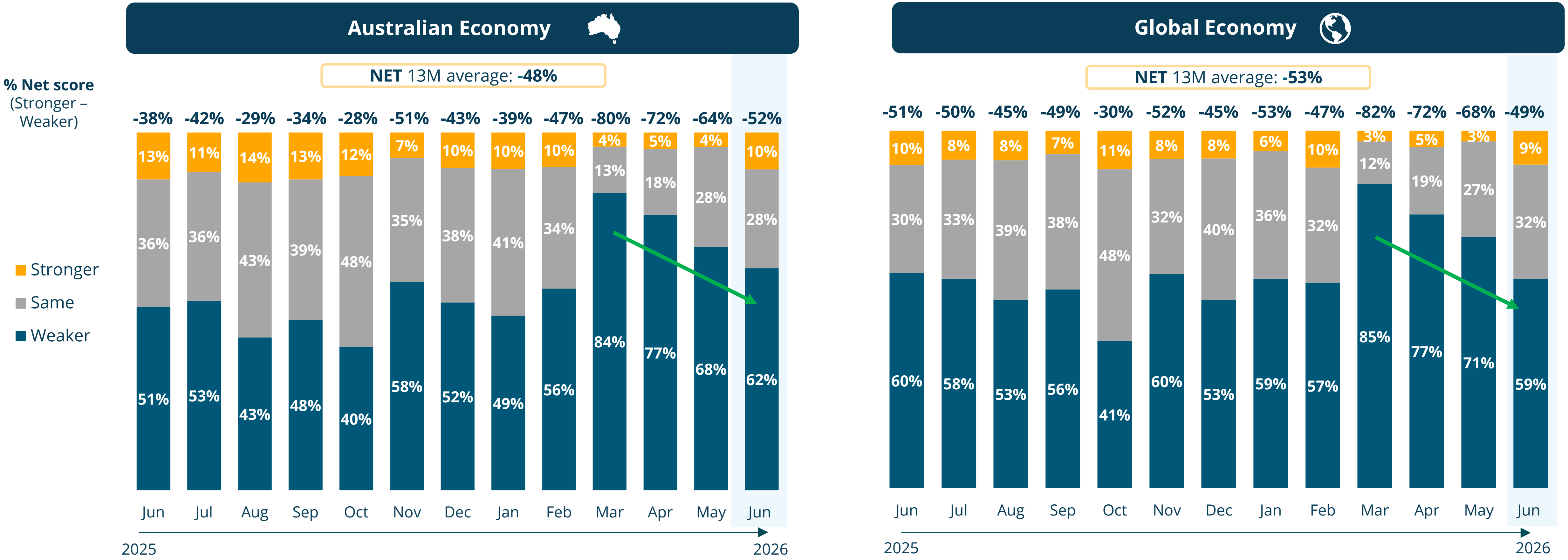
Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

Economic expectations are normalising, with both global and local expectations continuing a four-month reversal and returning to near average levels.

Expectations Over The Next 3 Months Regarding Economic Conditions



Australian Economy (NET 13M average: -48%)

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
% Net score (Stronger – Weaker)	-38%	-42%	-29%	-34%	-28%	-51%	-43%	-39%	-47%	-80%	-72%	-64%	-52%
Stronger	13%	11%	14%	13%	12%	7%	10%	10%	10%	4%	5%	4%	10%
Same	36%	36%	43%	39%	48%	35%	38%	41%	34%	13%	18%	28%	28%
Weaker	51%	53%	43%	48%	40%	58%	52%	49%	56%	84%	77%	68%	62%

Global Economy (NET 13M average: -53%)

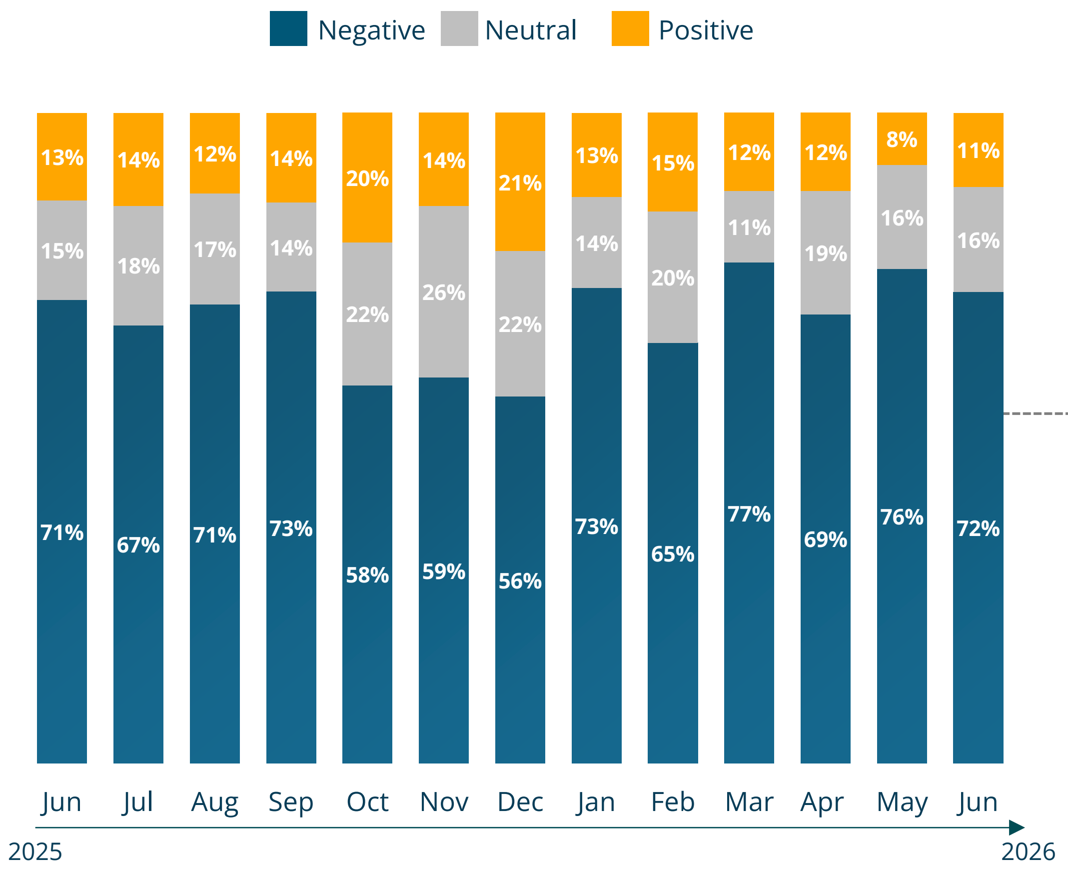
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
% Net score (Stronger – Weaker)	-51%	-50%	-45%	-49%	-30%	-52%	-45%	-53%	-47%	-82%	-72%	-68%	-49%
Stronger	10%	8%	8%	7%	11%	8%	8%	6%	10%	3%	5%	3%	9%
Same	30%	33%	39%	38%	48%	32%	40%	36%	32%	12%	19%	27%	32%
Weaker	60%	58%	53%	56%	41%	60%	53%	59%	57%	85%	77%	71%	59%

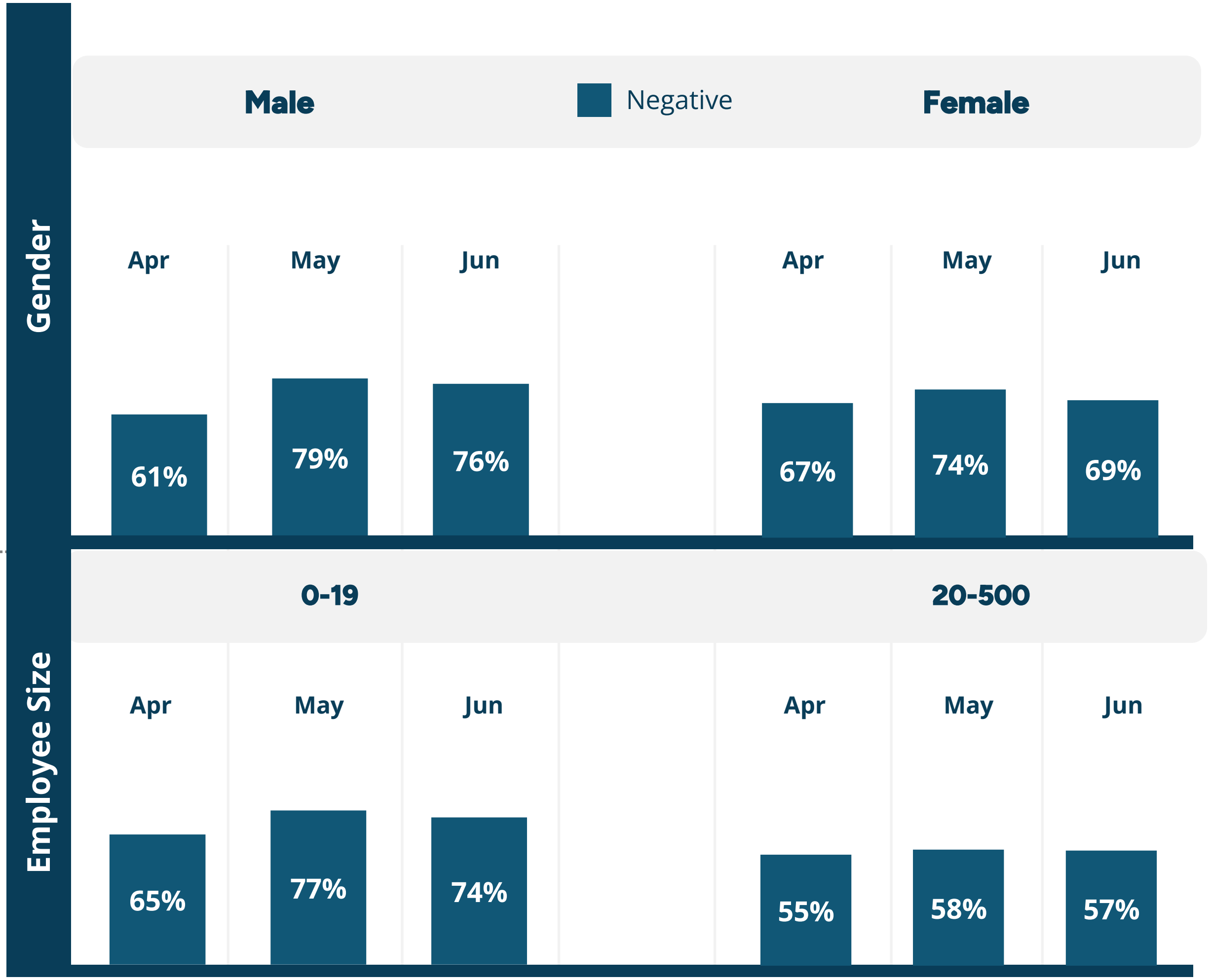
2025 → 2026

Business Sentiment | Expectations Regarding Economic Conditions

However, concerns about the Trump Administration remain deeply entrenched, with negative sentiment remaining high.

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

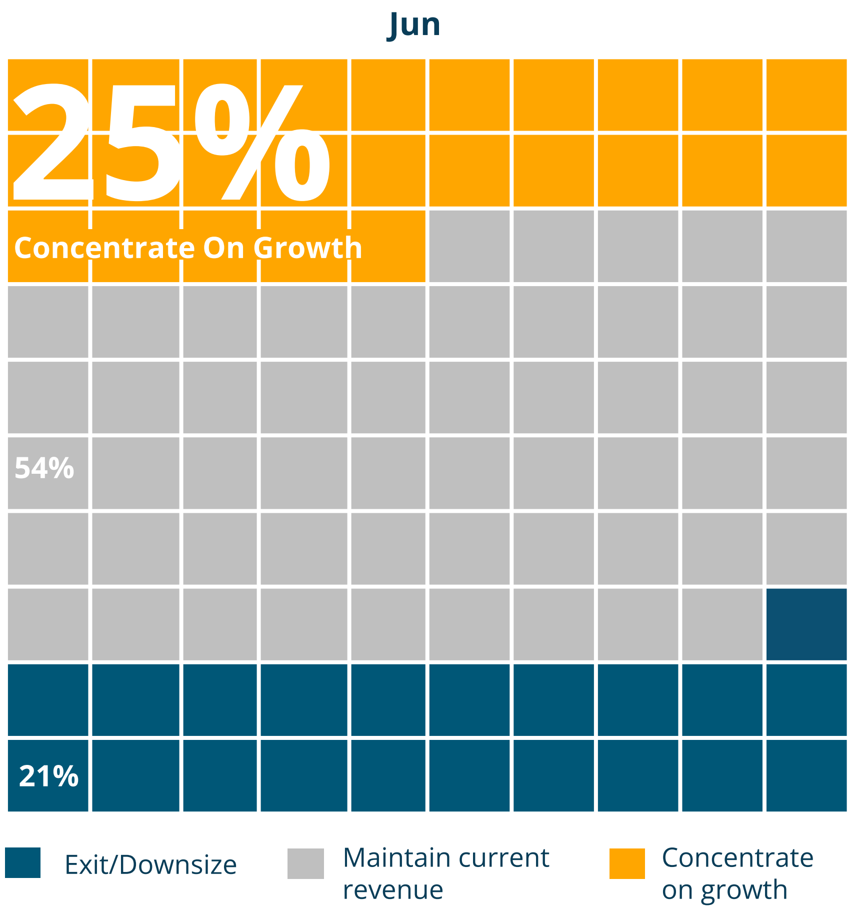




Business Sentiment | Growth Expectations (Next 12 months)

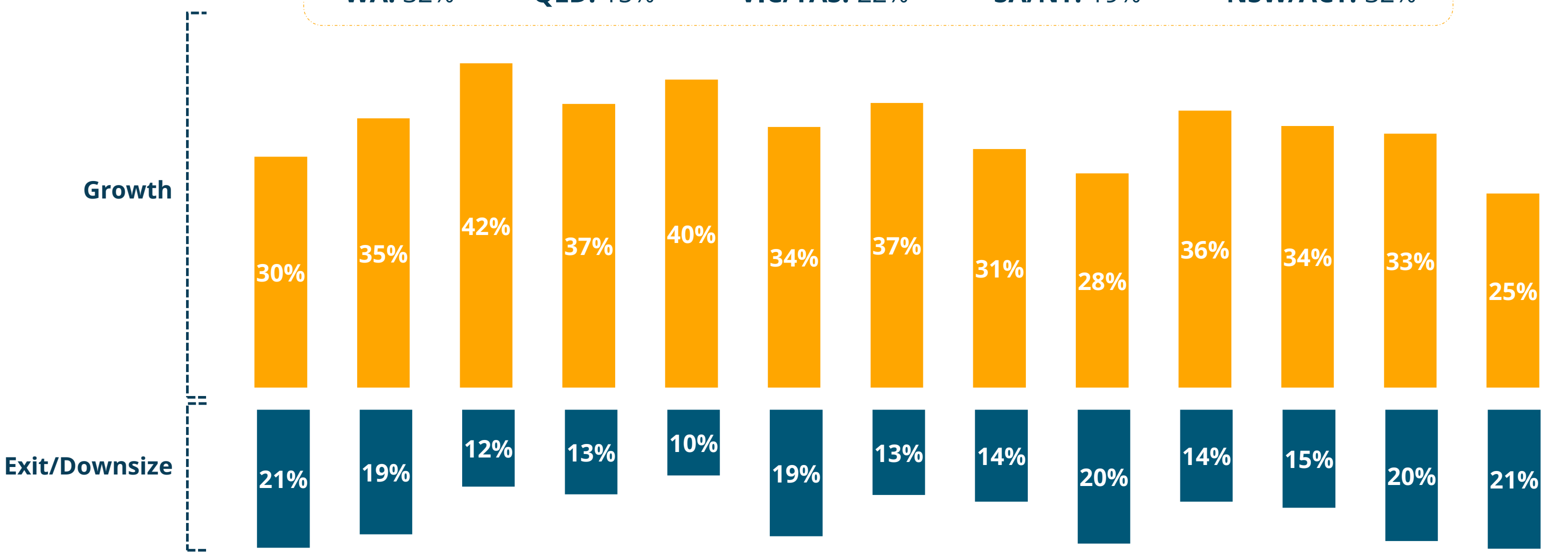
Despite improved sentiment around economic conditions, growth ambitions weakened sharply in June, with only 25% of SMEs now focused on growth and 21% expecting to exit or downsize. Growth expectations are particularly subdued in Queensland, at just 15%.

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



Concentrating on Growth by State:

WA: 32% **QLD:** 15% **VIC/TAS:** 22% **SA/NT:** 19% **NSW/ACT:** 32%



% NET (Growth – Exit/Downsize)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
	9%	16%	30%	24%	30%	15%	24%	17%	8%	22%	19%	13%	4%

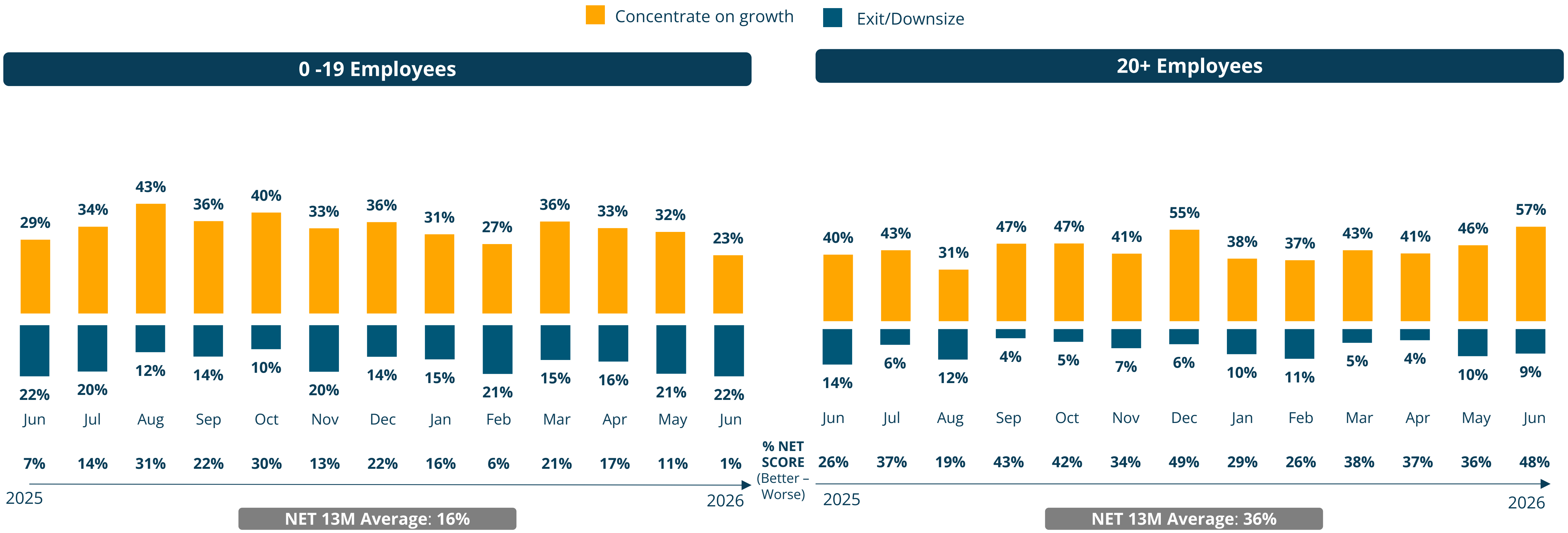
2025 — 2026

NET 13M Average: 18%

Business Sentiment | Growth Expectations (Next 12 months)

Larger SMEs remain strongly growth-focused, with a net score of +48%, while smaller SMEs are now almost evenly split between growth and exit or downsizing intentions. Growth ambition among smaller SMEs has weakened steadily over the past four months, falling from 36% to 23%.

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



Business Sentiment | Challenges

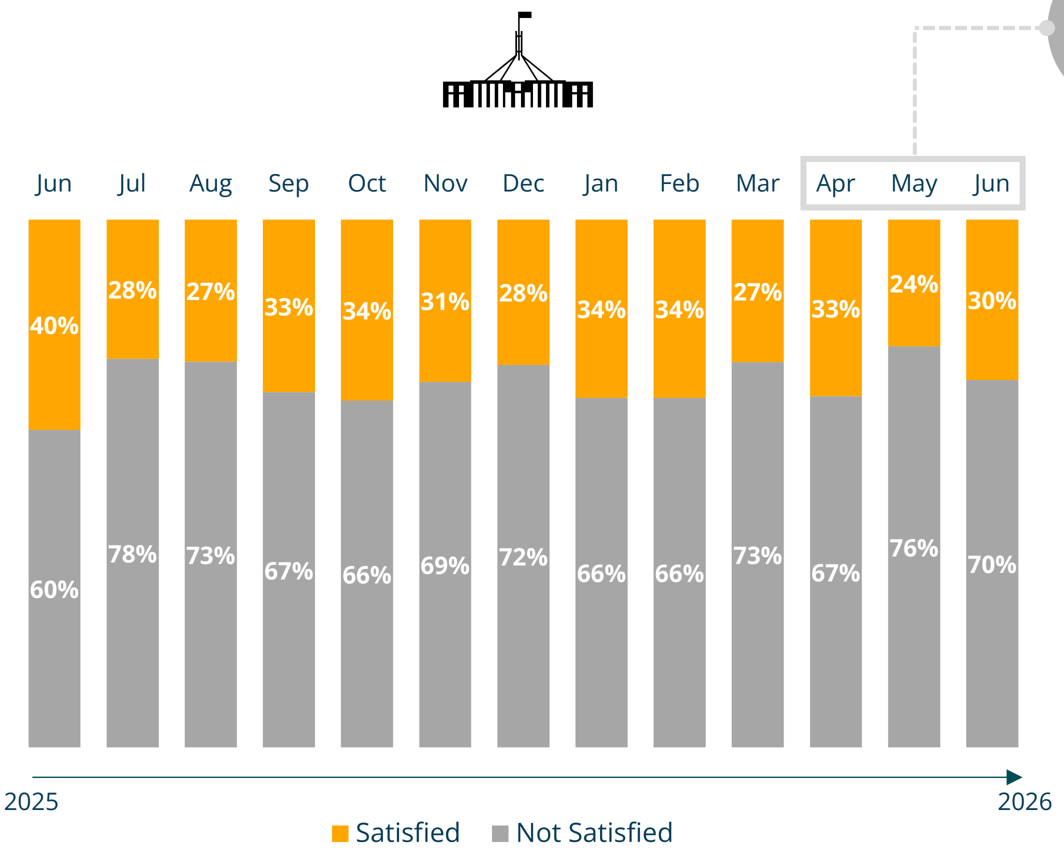
Cost pressures and concerns around changing customer behaviour remain persistent challenges, while geopolitical concerns and technology transformation issues have eased.

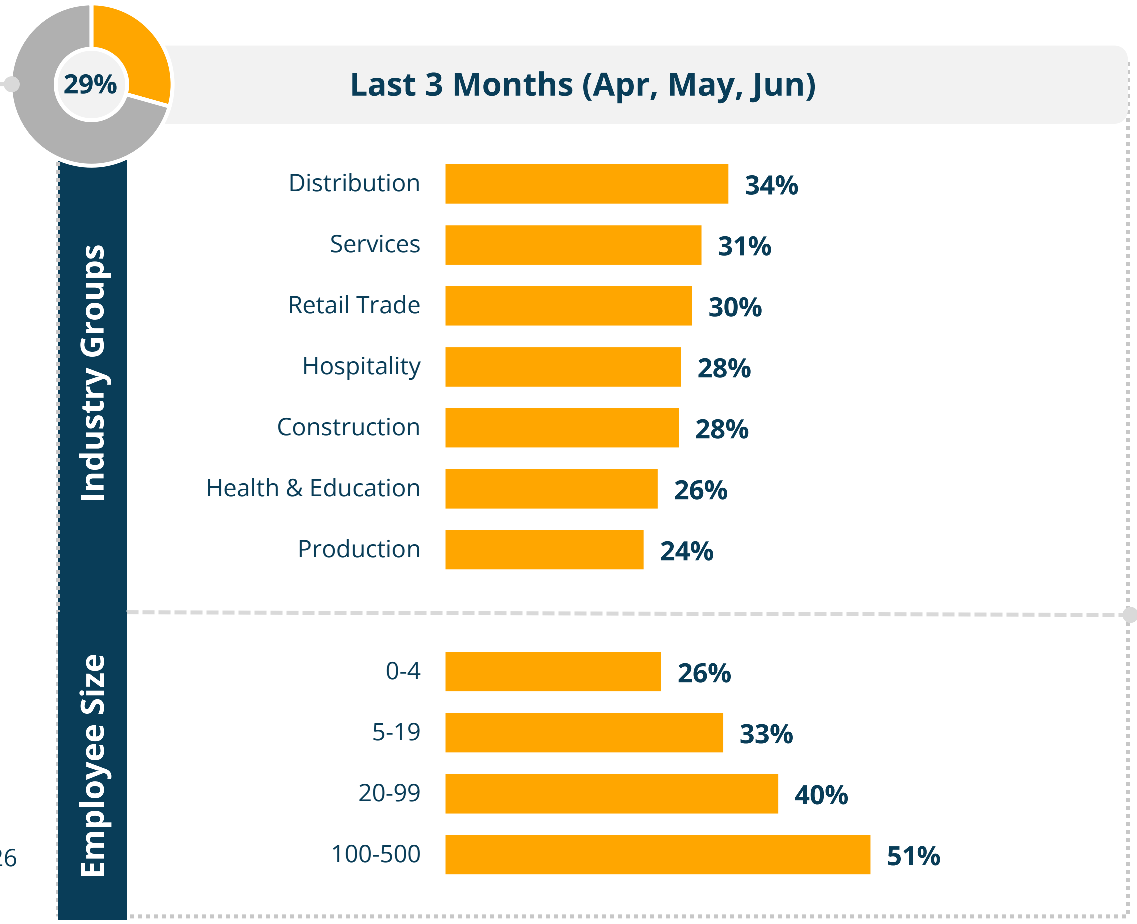
Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

	June	January	February	March	April	May	June
Addressing the difficult economic outlook and ongoing cost pressures.	50%	45%	45%	58%	54%	56%	50%
Keeping pace with changing customer behaviours and preferences.	40%	25%	25%	25%	31%	41%	40%
Navigating regulatory, compliance, and governance challenges.	25%	18%	18%	23%	20%	26%	25%
Identifying and implementing measures to boost workforce efficiency and productivity.	16%	18%	18%	15%	12%	17%	16%
Managing risks and uncertainties in the geopolitical landscape.	16%	39%	39%	28%	23%	19%	16%
Strengthening defences against cyber threats and ensuring data privacy.	14%	19%	19%	17%	11%	11%	14%
Managing the continuous adoption of new technologies and digital transformation processes.	14%	26%	26%	16%	15%	17%	14%
Acquiring, training, and upskilling talent in a competitive market.	13%	17%	17%	18%	13%	9%	13%
Overcoming difficulties in securing necessary financing.	11%	9%	9%	10%	15%	10%	11%
Strengthening supply chain operations for improved efficiency and resilience.	9%	14%	14%	14%	15%	10%	9%
Prioritising investment in research and development to drive innovation.	5%	4%	4%	6%	5%	4%	5%
Implementing strategies to address sustainability issues and climate change impacts.	3%	5%	5%	8%	8%	6%	3%

Satisfaction with Federal Government policy support recovered from May's trough to around 30% in June, but around seven in ten SMEs remain dissatisfied.

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

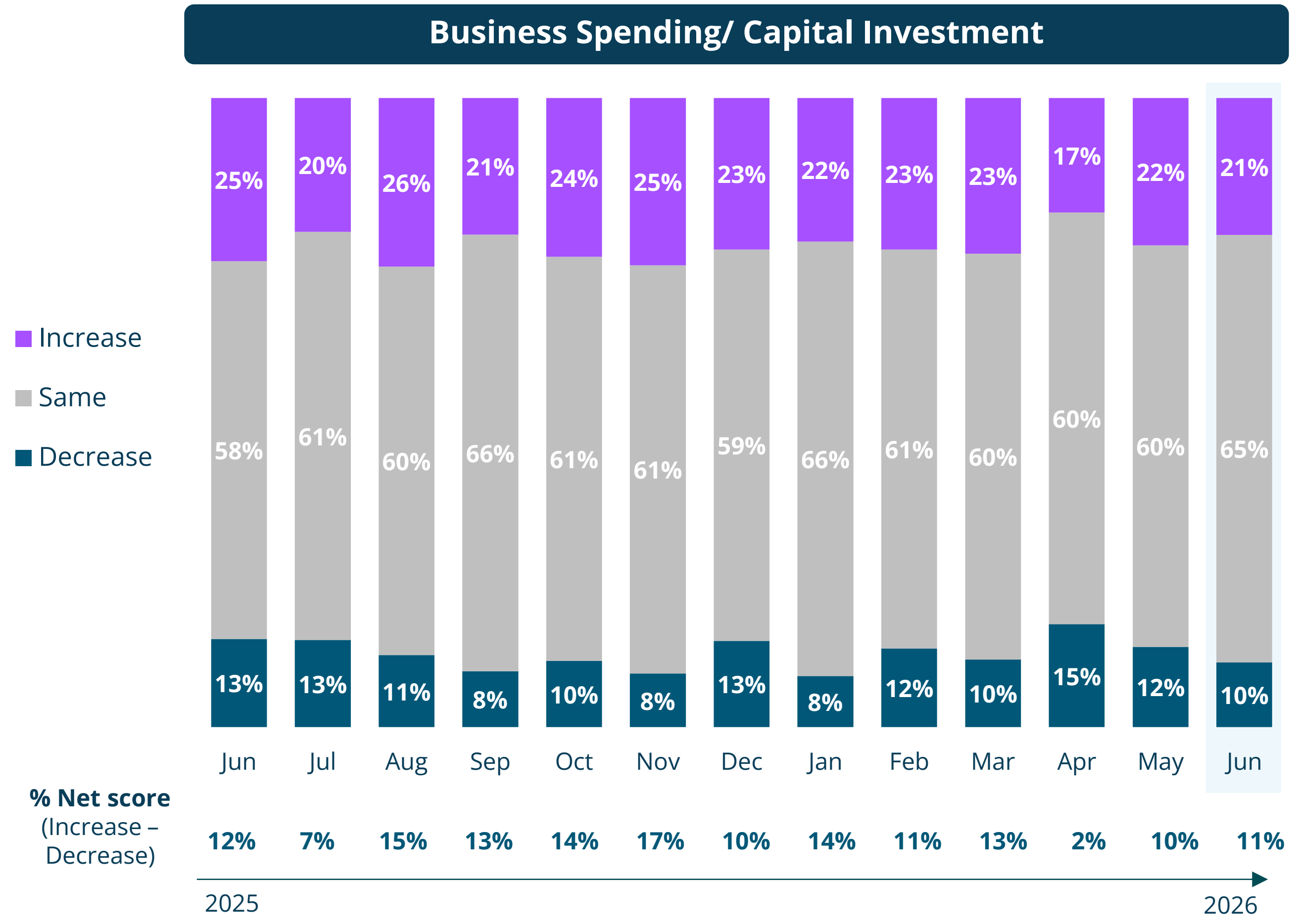


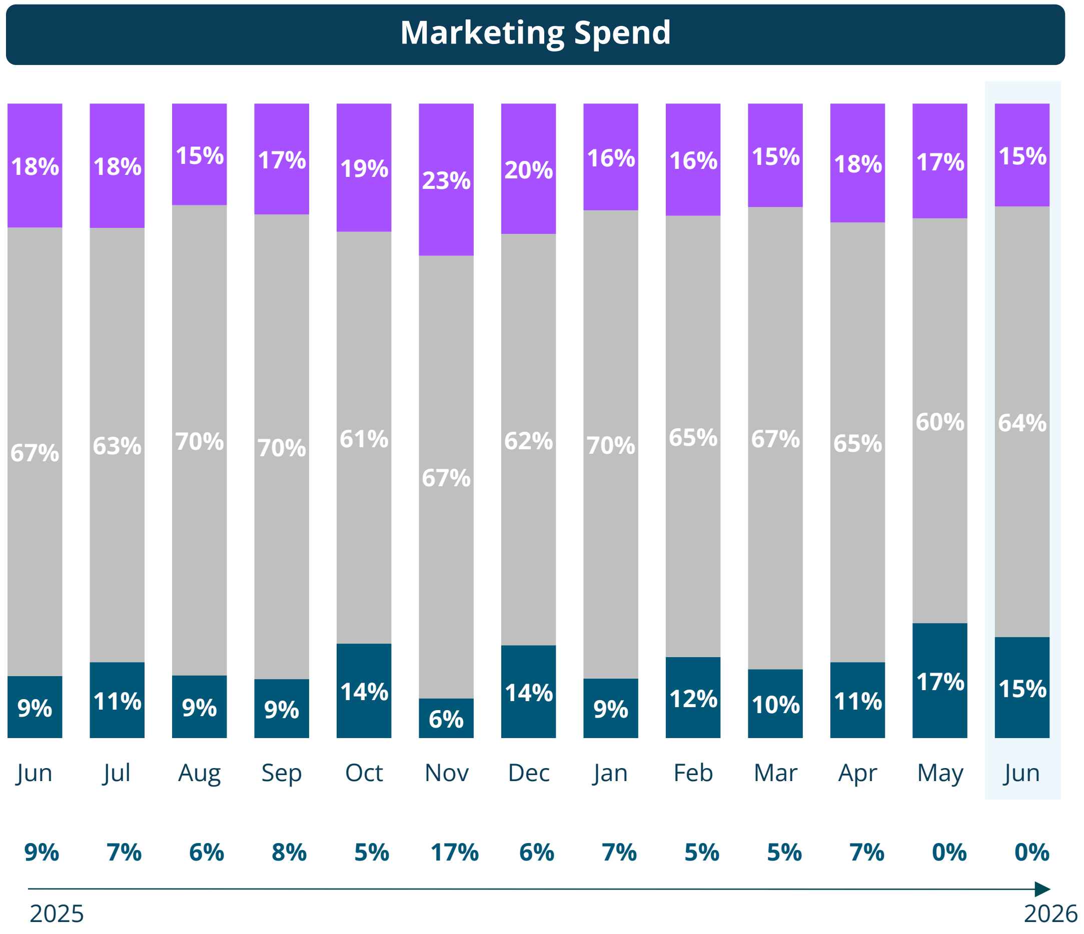


Business Investment | Next Three Months

Capital investment intentions held steady at a net score of +11% in June, while marketing spend remained flat at 0%, indicating ongoing caution.

Expectations Over The Next 3 Months Regarding Business Investment



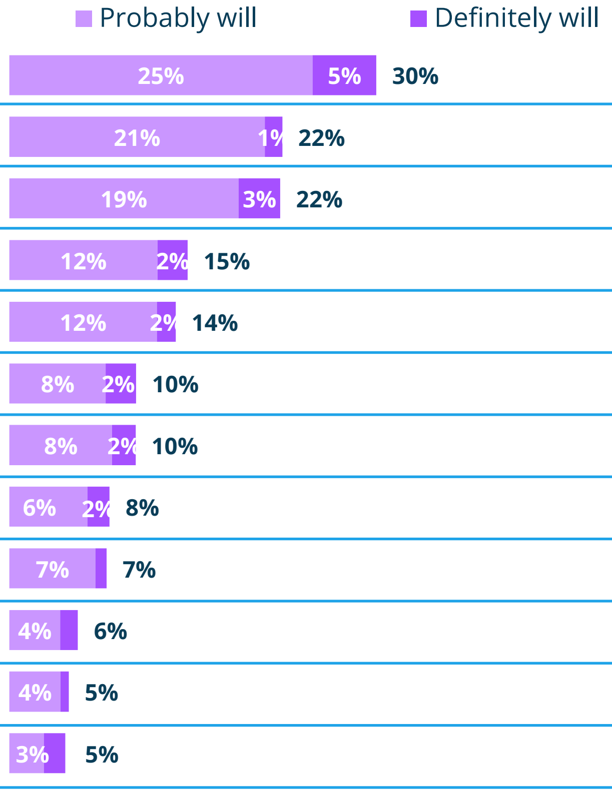


Business Investment | Capital Expenditure

As expected, purchase intentions rebounded in the final month of the financial year, as businesses took advantage of instant asset write-off incentives.

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

Jun



	12m Avg	Apr	May	Jun
Refresh or replacement of computer hardware and office technology	(Introduced in June)	(Introduced in June)	(Introduced in June)	30%
Investment in digital transformation and customer experience initiatives	(Introduced in June)	(Introduced in June)	(Introduced in June)	22%
Investment in or replacement of business software, cloud and AI solutions	(Introduced in June)	(Introduced in June)	(Introduced in June)	22%
Equipment, machinery or plant	19%	23%	13%	15%
Passenger vehicle(s) including SUVs	12%	14%	8%	14%
Light commercial vehicle(s) including utes, vans, and minibuses	11%	14%	7%	10%
Electric vehicle(s), including Hybrid	10%	13%	8%	10%
Commercial real estate including buildings or land	8%	13%	5%	8%
Agricultural, construction or earthmoving vehicle(s)/equipment	8%	10%	7%	8%
Truck(s) more than 4.5 tonnes	5%	4%	2%	6%
Truck(s) less than 4.5 tonnes	5%	8%	4%	5%
Medium and large bus(es)	5%	5%	3%	5%

Business Investment | Capital Expenditure

Purchase intentions have increased across both cohorts.

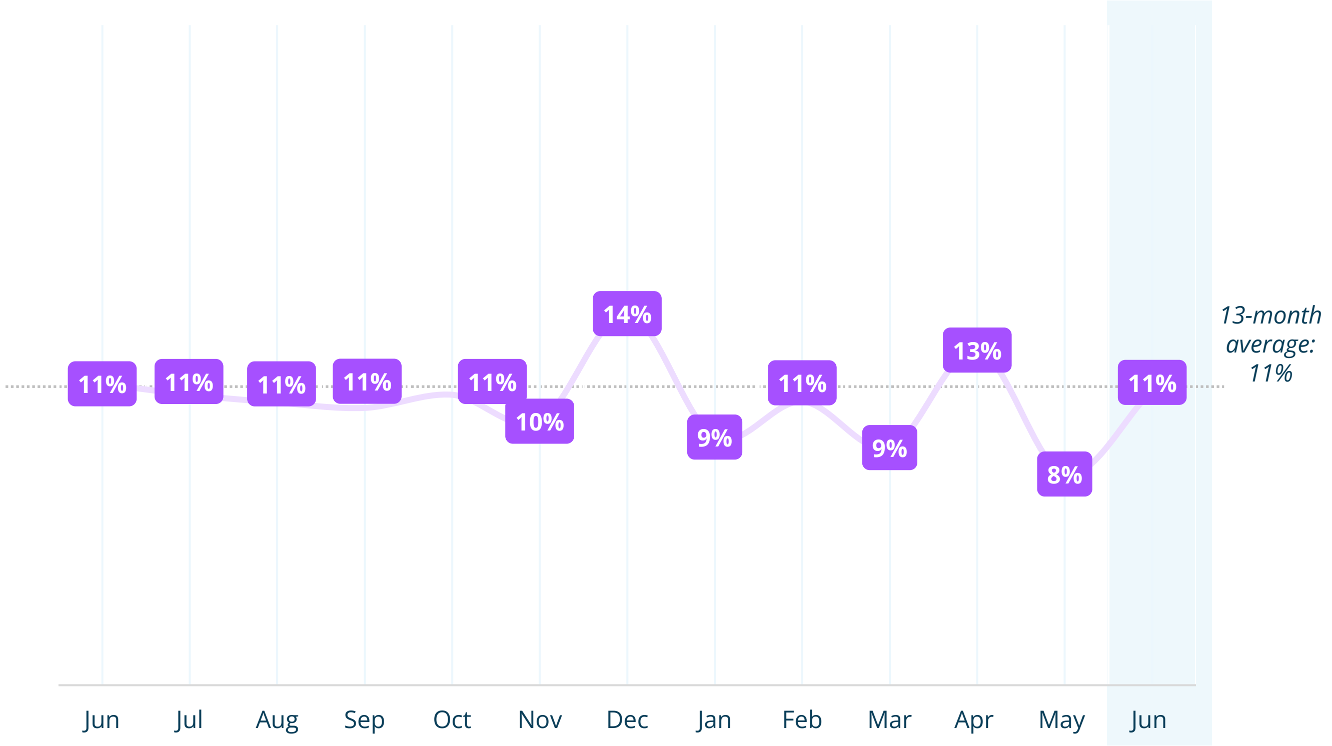
Which Of The Following Will You Purchase For Your Business Over The Next 3 Months? (Probably Will + Definitely Will)

	0-19 Employees			20+ Employees		
	Apr	May	Jun	Apr	May	Jun
Refresh or replacement of computer hardware and office technology	(Introduced in June)	(Introduced in June)	28%	(Introduced in June)	(Introduced in June)	53%
Investment in digital transformation and customer experience initiatives	(Introduced in June)	(Introduced in June)	21%	(Introduced in June)	(Introduced in June)	45%
Investment in or replacement of business software, cloud and AI solutions	(Introduced in June)	(Introduced in June)	20%	(Introduced in June)	(Introduced in June)	50%
Equipment, machinery or plant	22%	12%	13%	40%	26%	32%
Passenger vehicle(s) including SUVs	12%	7%	13%	31%	25%	27%
Light commercial vehicle(s)	13%	7%	9%	31%	24%	27%
Electric vehicle(s), including Hybrid	13%	6%	9%	27%	19%	28%
Commercial real estate	9%	6%	7%	22%	18%	22%
Agricultural, construction or earthmoving vehicle(s)/equipment	12%	4%	7%	19%	13%	17%
Truck(s) less than 4.5 tonnes	7%	3%	4%	24%	20%	11%
Medium and large bus(es)	5%	2%	4%	15%	18%	12%
Truck(s) more than 4.5 tonnes	3%	1%	5%	23%	20%	12%

Business Investment | Finance Needs (Next 3 months)

In line with increased purchase intentions, demand for additional finance rebounded from recent lows to reach 11%.

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
Cashflow/ working capital	62%	57%	61%	74%	59%
Purchase plant, machinery or equipment	23%	25%	22%	24%	17%
Fund growth into new markets	17%	15%	21%	11%	16%
Fund growth in Australia	16%	16%	15%	19%	17%
Trade finance to fund import/export activity	12%	15%	8%	4%	5%
Fund merger/acquisition	8%	7%	9%	7%	5%

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 15% over the past three months.

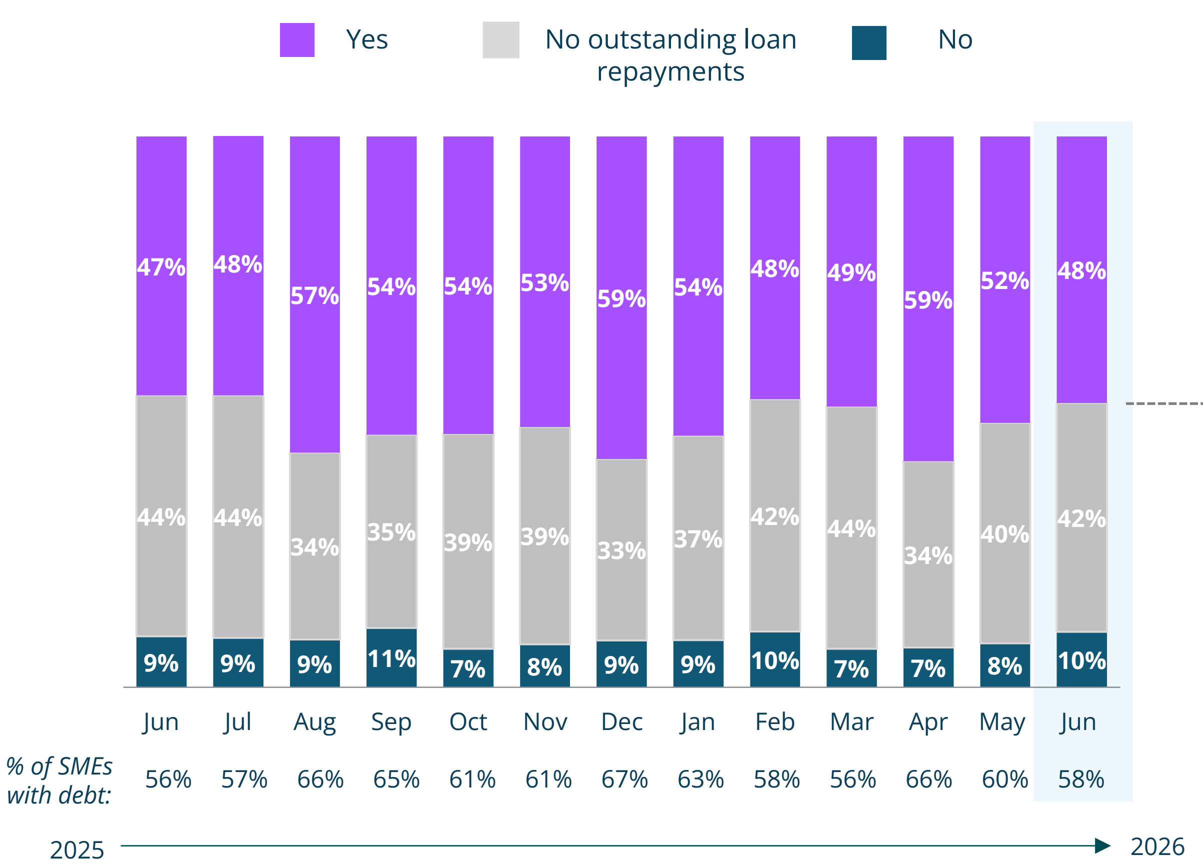
Will You Require Any Additional Finance Over The Next 3 Months? (Yes)

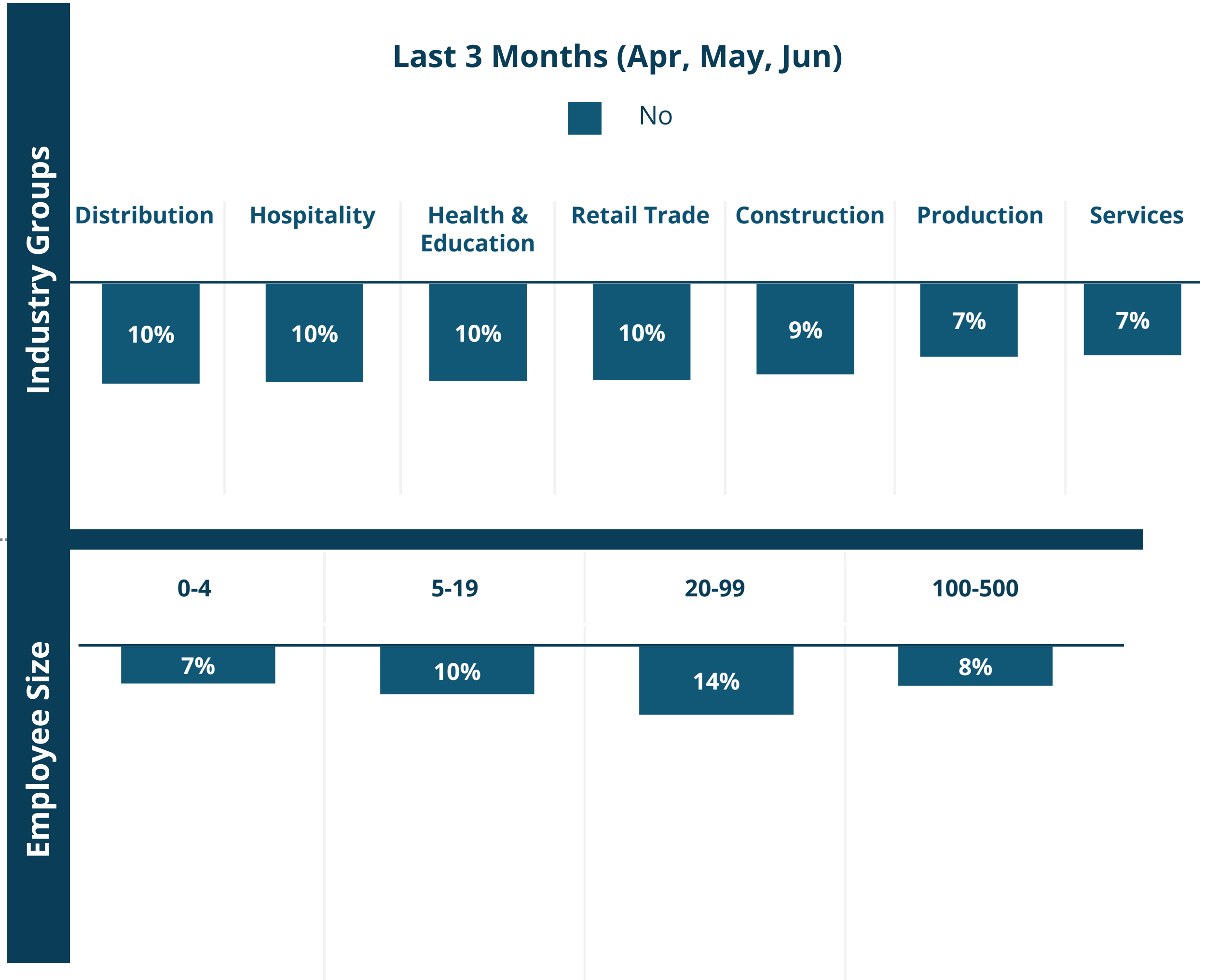
	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Last 3M
0-19 Employees	11%	10%	11%	9%	10%	10%
20+ Employees	18%	17%	17%	16%	15%	15%
Construction	10%	11%	16%	8%	11%	11%
Distribution	21%	12%	18%	10%	15%	15%
Health & Education	11%	11%	10%	11%	7%	7%
Hospitality	10%	15%	18%	8%	10%	10%
Production	12%	11%	8%	10%	11%	11%
Retail Trade	12%	14%	13%	15%	7%	7%
Services	10%	9%	8%	9%	11%	11%

Business Investment | Loan Stress

Loan stress is starting to edge higher, with 10% of SMEs now expecting difficulty meeting loan repayments over the next six months, up from recent lows. Stress is most elevated among 20–99 employee SMEs at 14%, but is also broadly distributed across most industry sectors.

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





fifth quadrant

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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

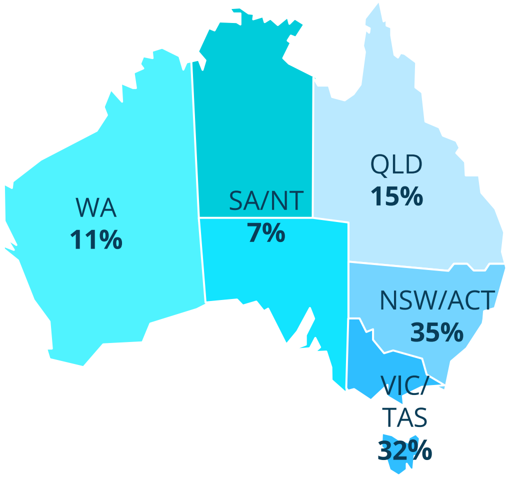
All **industry sectors** are represented, allowing for subgroup analysis

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

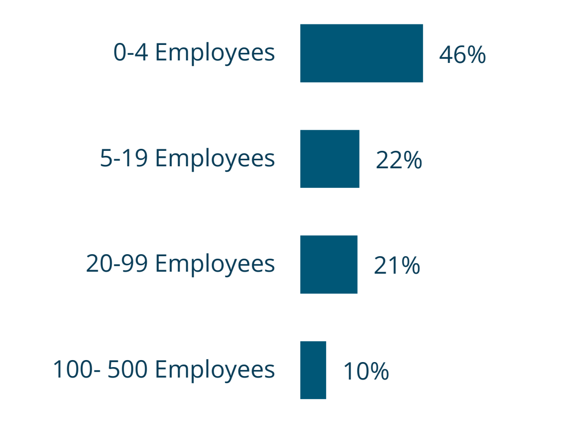
Our Sample

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.

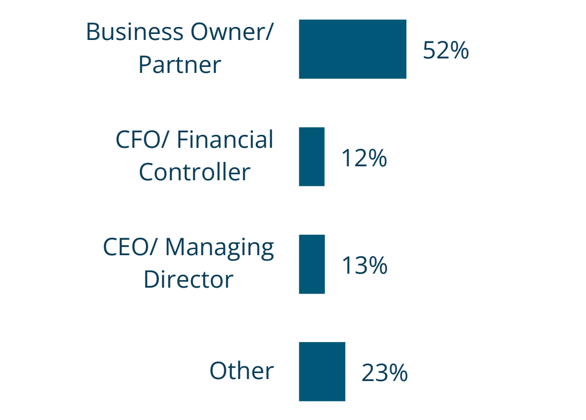
Head Office Location



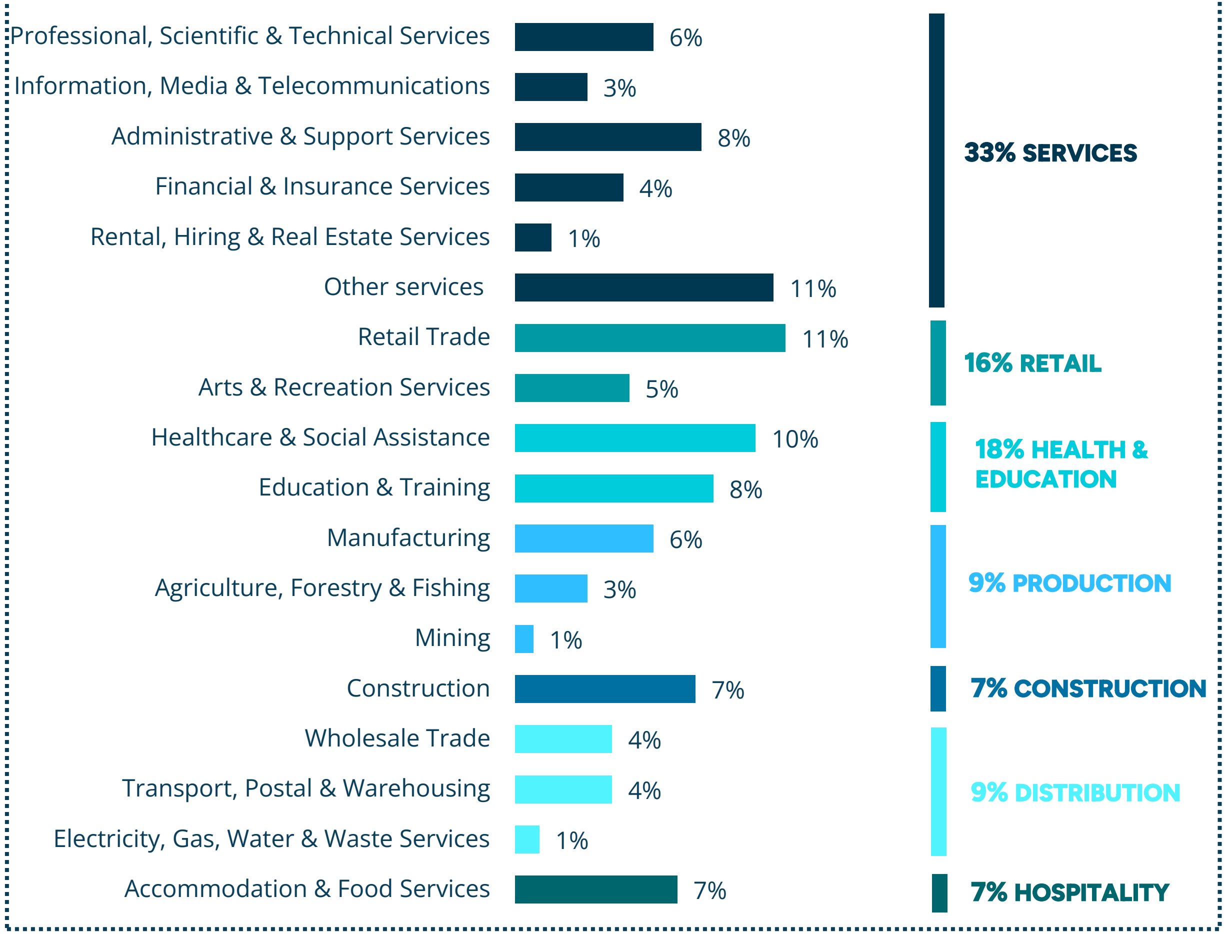
Size Of Business: Employees



Position In Business



Industry Sector



Fifth Quadrant Pty Ltd
ABN: 53 088 072 940 | ACN: 088 072 940

Level 6, 54 Miller Street
North Sydney, NSW, 2060, Australia

E: james@fifthquadrant.com.au

fifth quadrant

Thank You

For further information, please contact:

James Organ
Managing Director
E: james@fifthquadrant.com.au

Creating Tomorrow Today