Small & Medium Enterprise Sentiment Tracker

Wave 89 – July 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.

Key Learnings

Economic sentiment weakens again, with expectations falling back below 13-month averages.

Only 14% of SMEs expect revenues to improve over the next 4 weeks, compared to 26% in February

Only 24% are planning for growth over the next 12 months, down from 36% in March

13% of SMEs currently have job vacancies, up from 9% over the past 3 months.

Higher Wage Costs Another Blow For SMEs

SME confidence weakened again in July as renewed geopolitical tensions and ongoing cost pressures weighed on business sentiment. Expectations for both the Australian and global economies again deteriorated, while growth ambitions remained subdued, with only 24% planning to expand over the next 12 months

Trading conditions remain challenging despite some signs of resilience. Revenue performance and short-term revenue expectations remain negative, although profitability improved and recruitment activity rebounded. Larger SMEs continue to outperform smaller businesses on revenue, but their growth ambitions weakened noticeably during the month.

Labour market pressures intensified following the 1 July increase in award wages. Wage expectations rose to their highest level in the past 13 months, adding to cost pressures at a time when revenue and growth expectations remain weak. Hospitality appears particularly exposed given its reliance on casual and award-based employees, while recruitment activity and hiring difficulty both increased.

> Businesses remain financially cautious. Capital investment intentions weakened, demand for additional finance eased, and cashflow continues to be the primary reason for borrowing. While loan stress eased from June's increase, SMEs continue to prioritise cashflow management over expansion.

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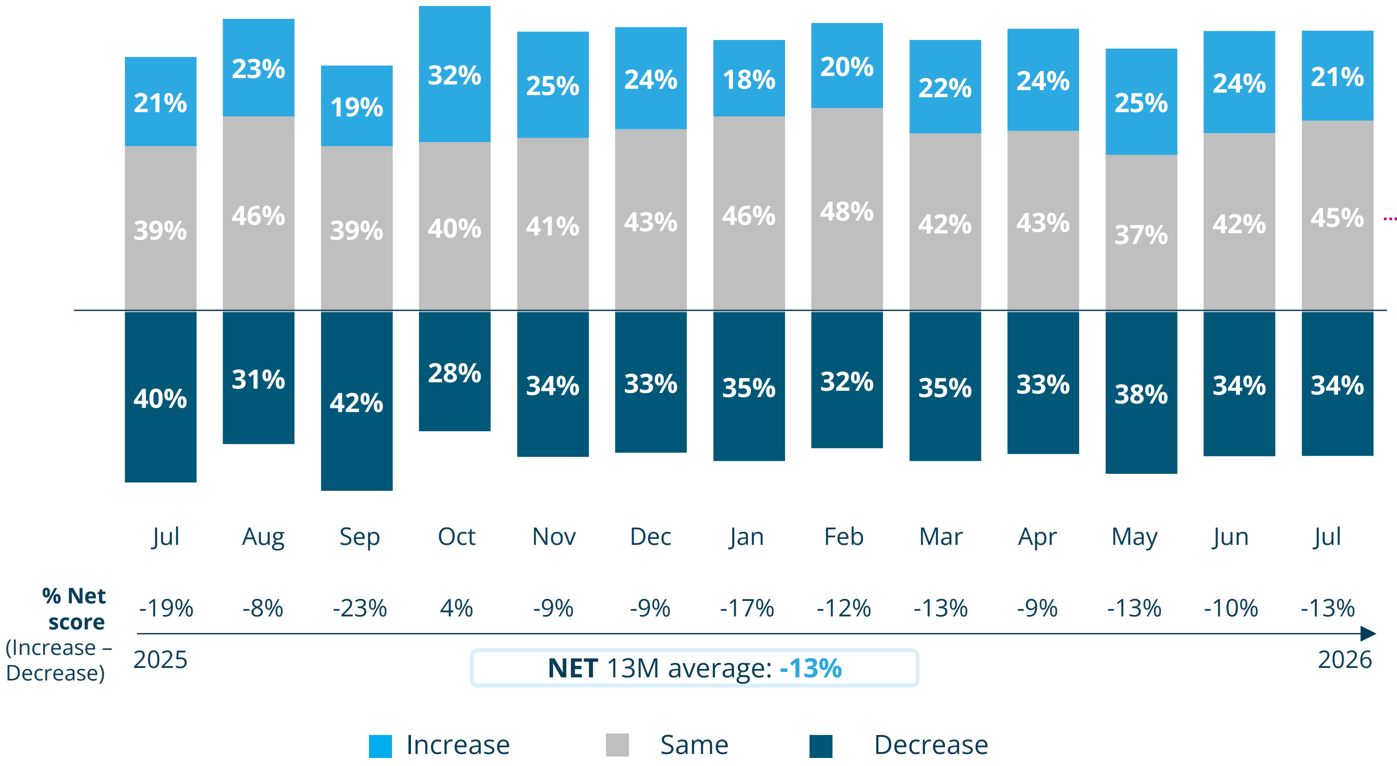
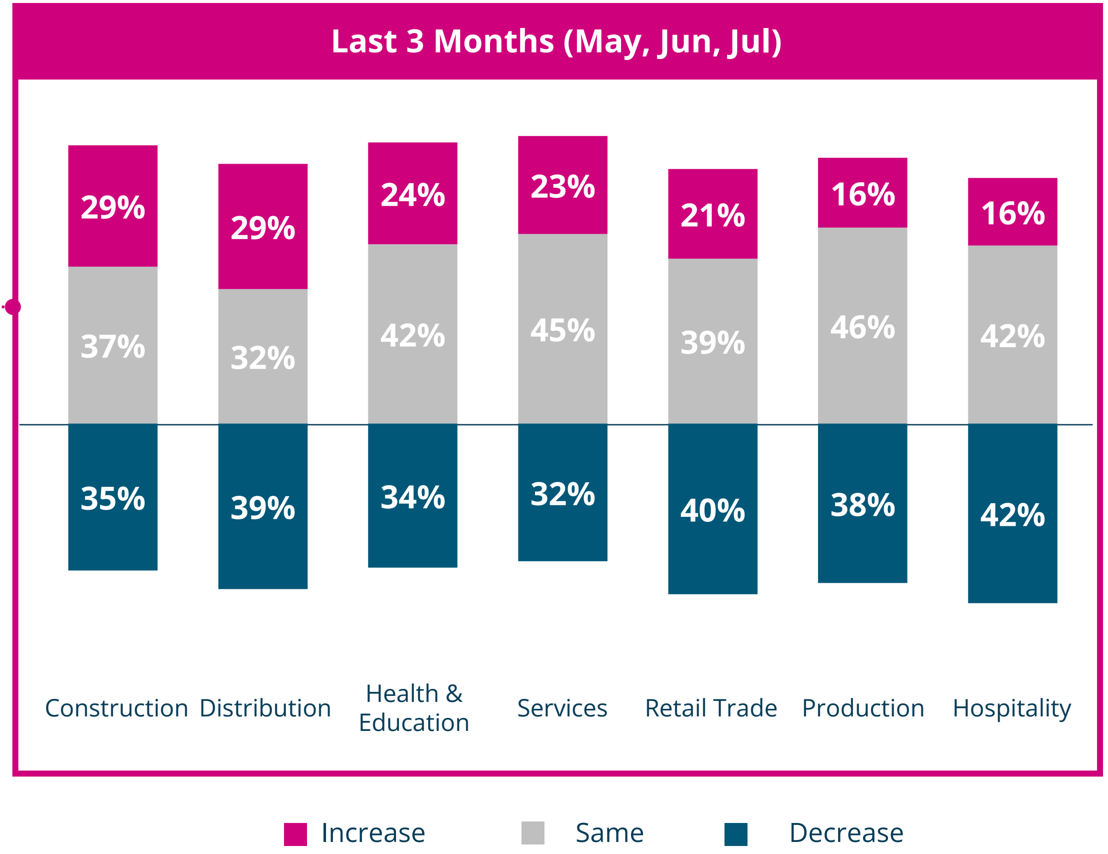
Key Performance Indicators | Revenue

Revenue remains under pressure, with the net score slipping back to -13% in July as 34% report lower revenue compared with 21% reporting growth. This returns revenue performance to its 13-month average and confirms that more SMEs continue to contract than expand.

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



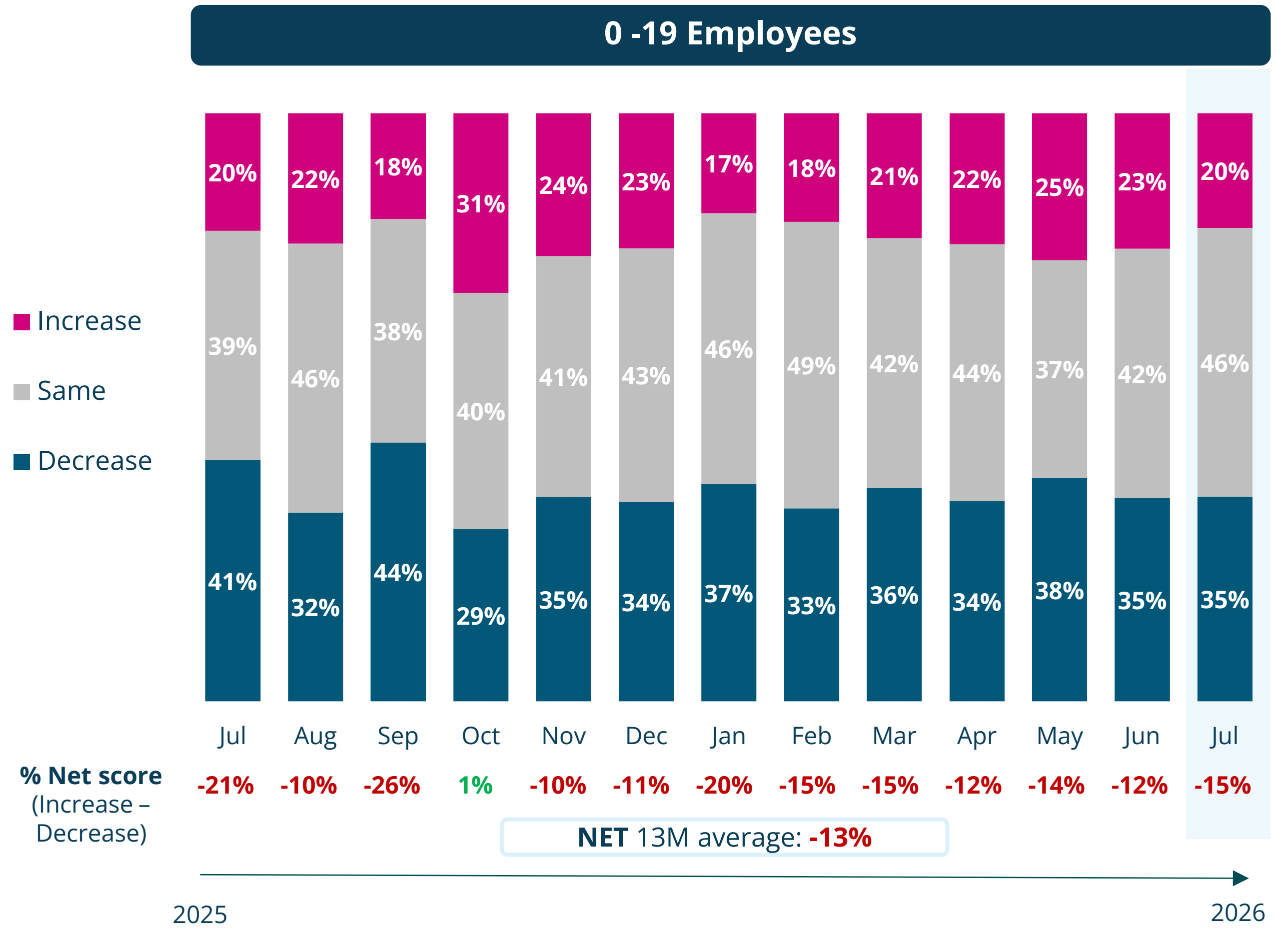
Last 3 Months (May, Jun, Jul)

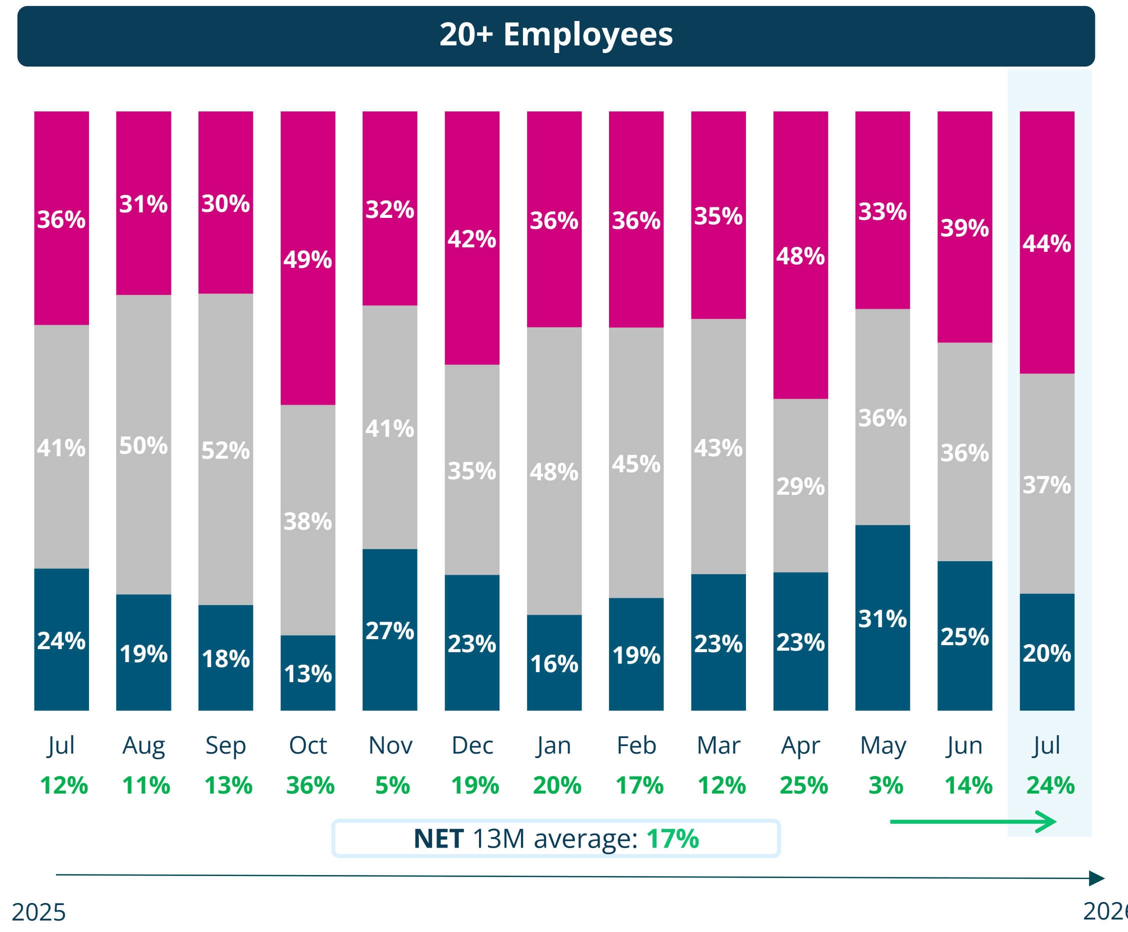


Key Performance Indicators | Revenue

The revenue divide between smaller and larger SMEs widened in July. Smaller SMEs remain firmly negative at -15%, while larger SMEs strengthened to +24%, with 44% reporting revenue growth compared with 20% reporting a decline.

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

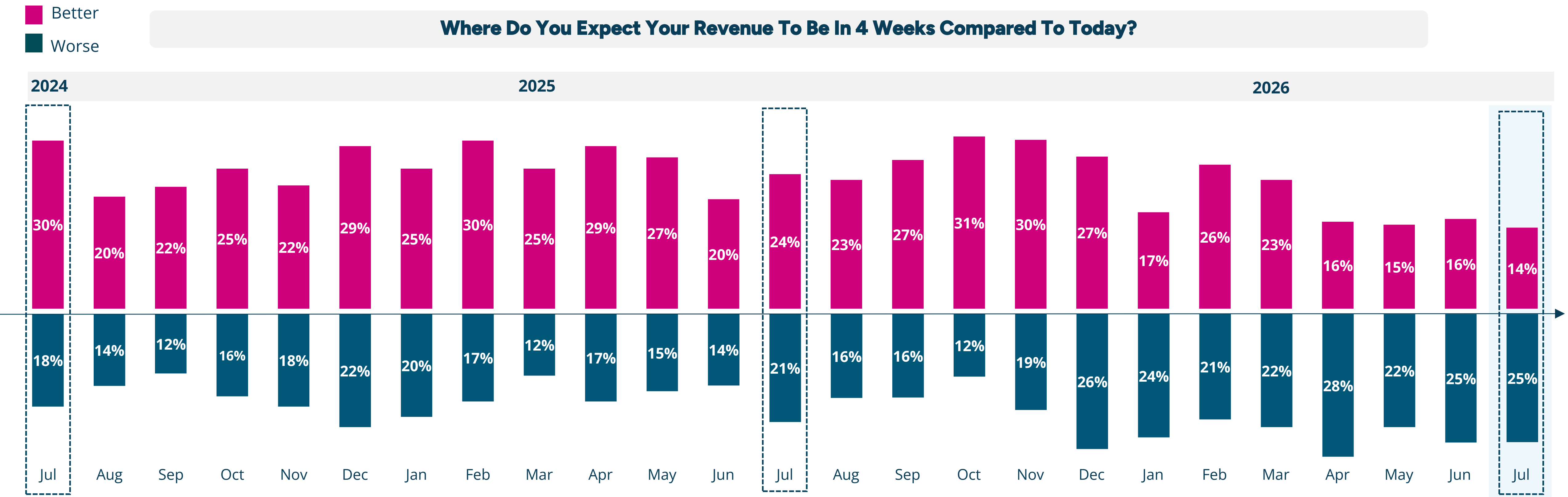




Key Performance Indicators | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations deteriorated further in July, with only 14% expecting revenue to improve over the next four weeks compared with 25% expecting a decline. The net score fell to -11%, its weakest level since April.

Where Do You Expect Your Revenue To Be In 4 Weeks Compared To Today?



% NET SCORE
(Better – Worse)

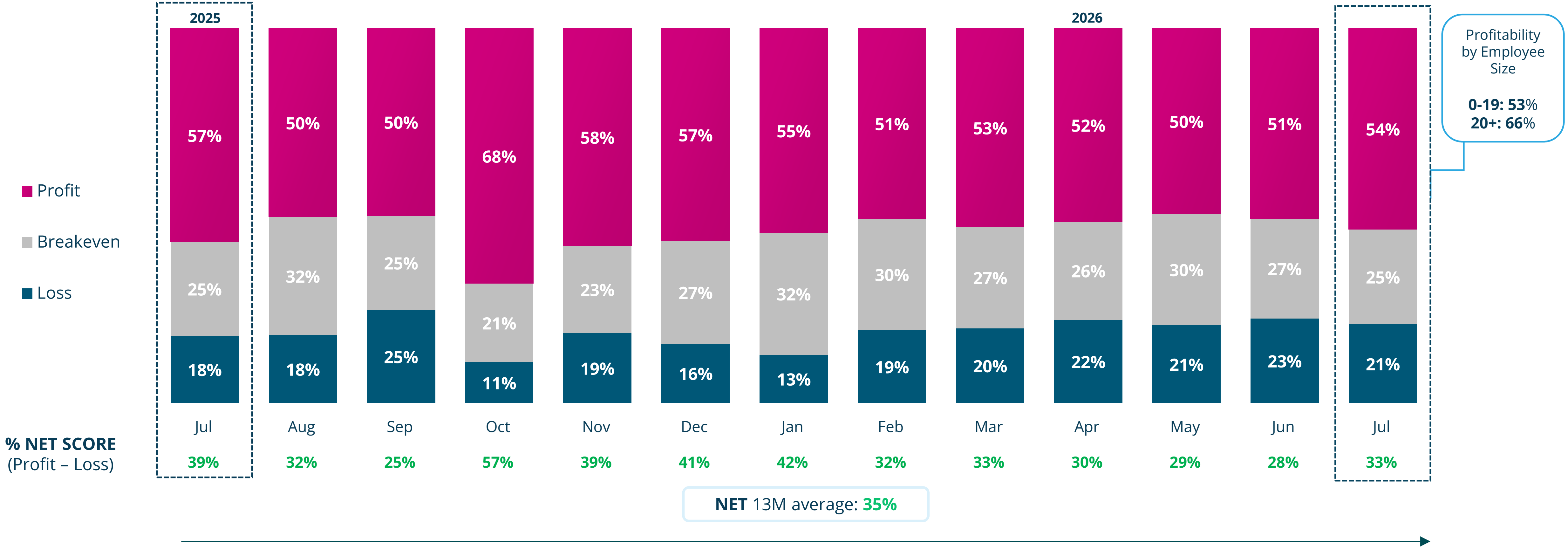
NET 25M average: **5%**

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

Key Performance Indicators | Profit

Despite revenue pressures, profitability improved in July, with 54% of SMEs reporting a profit and 21% reporting a loss. The net score increased from +28% to +33%, bringing profitability back towards its 13-month average of +35%.

What Was Your Profit Margin Last Month?



fifth quadrant

Key Performance Indicators | Responding To Challenges

SMEs remain focused on protecting margins and improving efficiency, with discontinuing unprofitable products and services (28%), streamlining operations (27%) and renegotiating supplier arrangements (22%) the most common responses to rising costs.

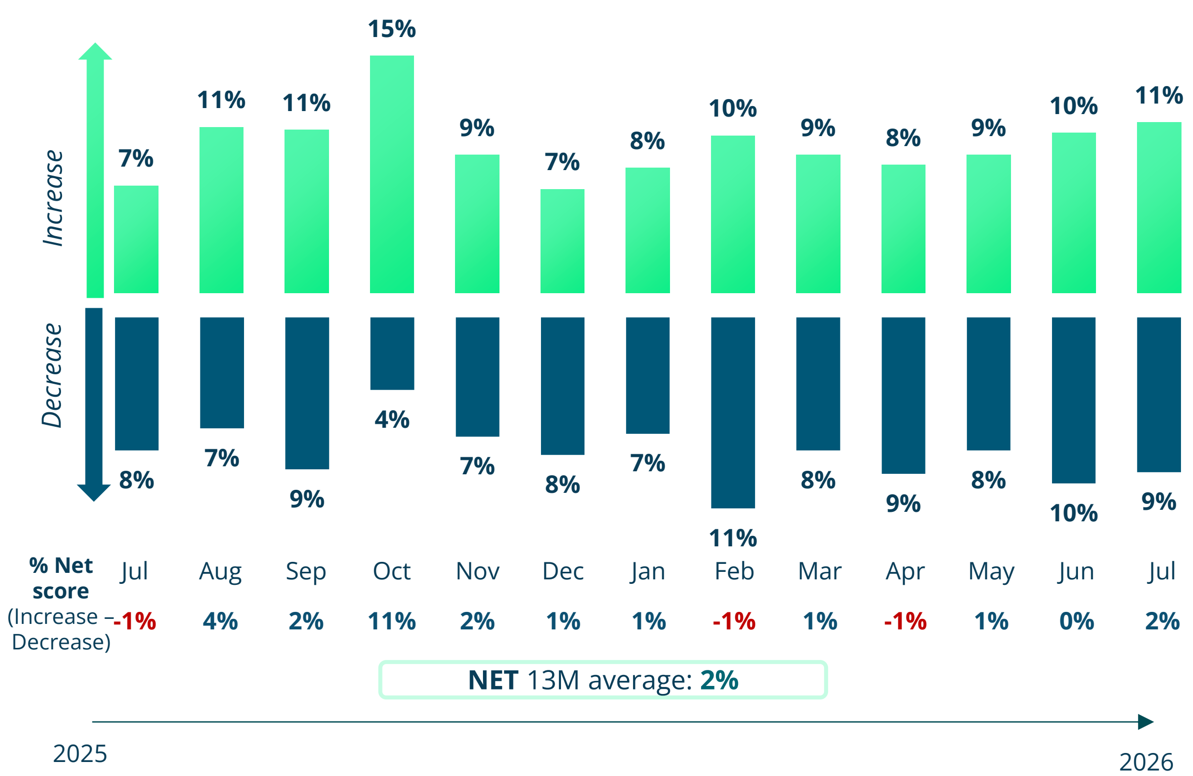
How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs?

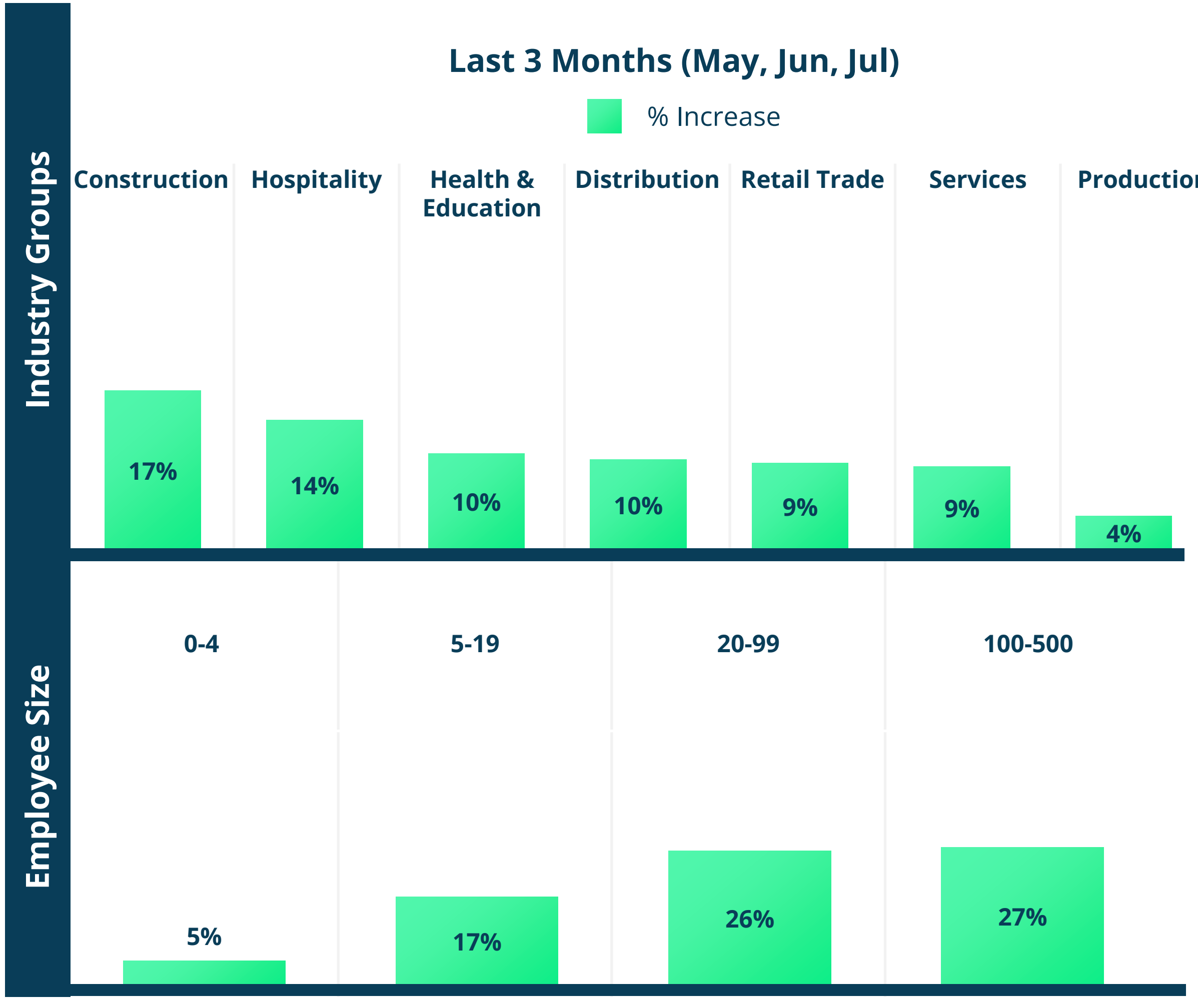
	July	January	February	March	April	May	June	July
Discontinuing products/services that are not profitable.	28%	31%	21%	23%	22%	27%	27%	28%
Enhancing efficiency by streamlining business operations.	27%	24%	26%	29%	26%	21%	30%	27%
Renegotiating supplier contracts or seeking new supply sources.	22%	24%	17%	20%	18%	19%	18%	22%
Expanding the range of products/services to generate new revenue streams.	19%	20%	17%	21%	22%	16%	16%	19%
Adopting new technologies for increased automation and operational efficiency.	19%	16%	19%	19%	19%	17%	17%	19%
Reassessing current projects and significant investments for viability and impact.	18%	19%	22%	22%	22%	21%	18%	18%
Maximising staff productivity through better training and optimisation.	18%	19%	21%	20%	22%	16%	20%	18%
Refining inventory management practices for better efficiency.	16%	9%	12%	13%	12%	12%	12%	16%
Undertaking debt restructuring to reduce financial burdens.	8%	10%	12%	9%	10%	10%	10%	8%
Delegating non-essential functions to external providers.	7%	9%	7%	7%	7%	9%	11%	7%
Implementing workforce reductions, such as layoffs or hiring freezes.	6%	8%	10%	9%	9%	7%	9%	6%
Shifting towards the use of renewable energy sources.	4%	9%	5%	6%	6%	4%	5%	4%

Hiring intentions remain modest but have slightly improved over the past 4 months, with the net employment outlook rising to +2%, in line with the 13-month average. Production remains particularly subdued, while hiring intentions are strongest in Construction.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ

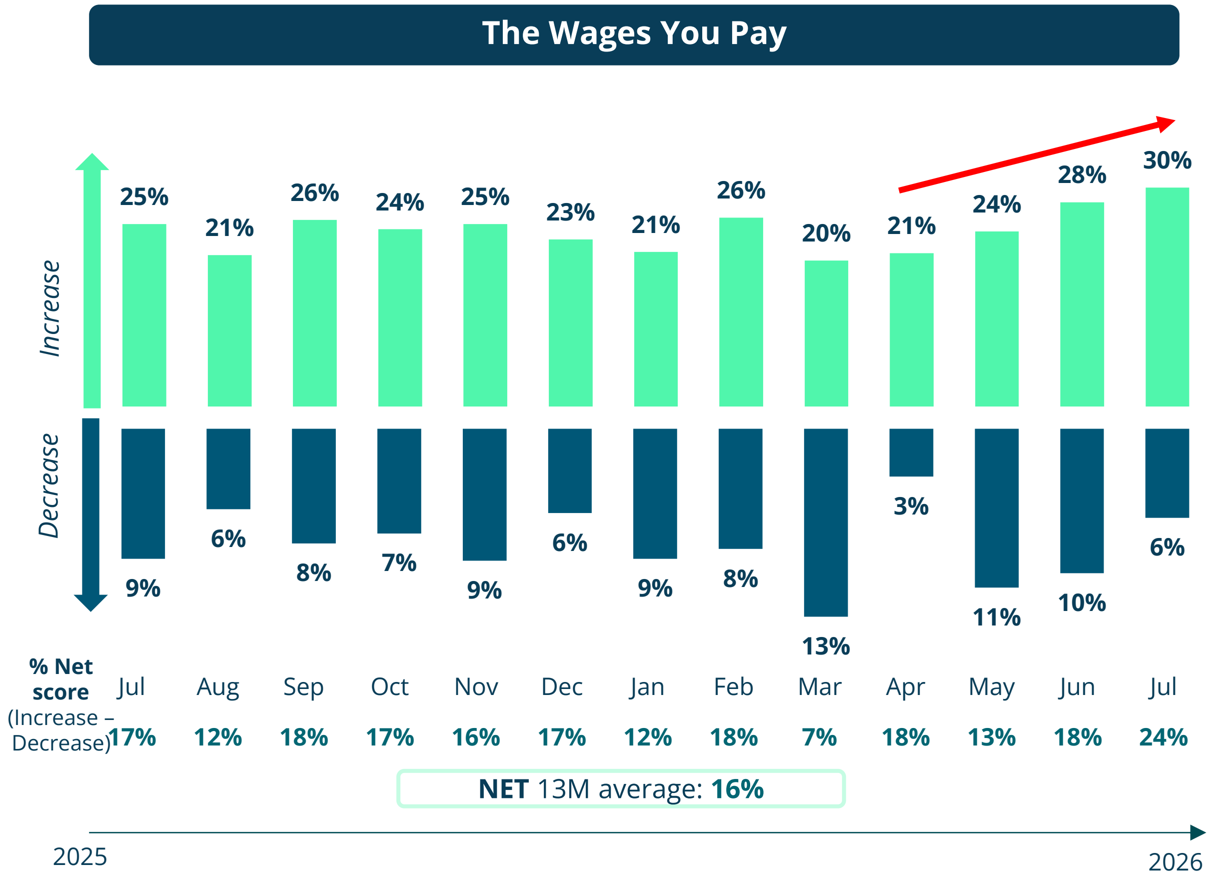


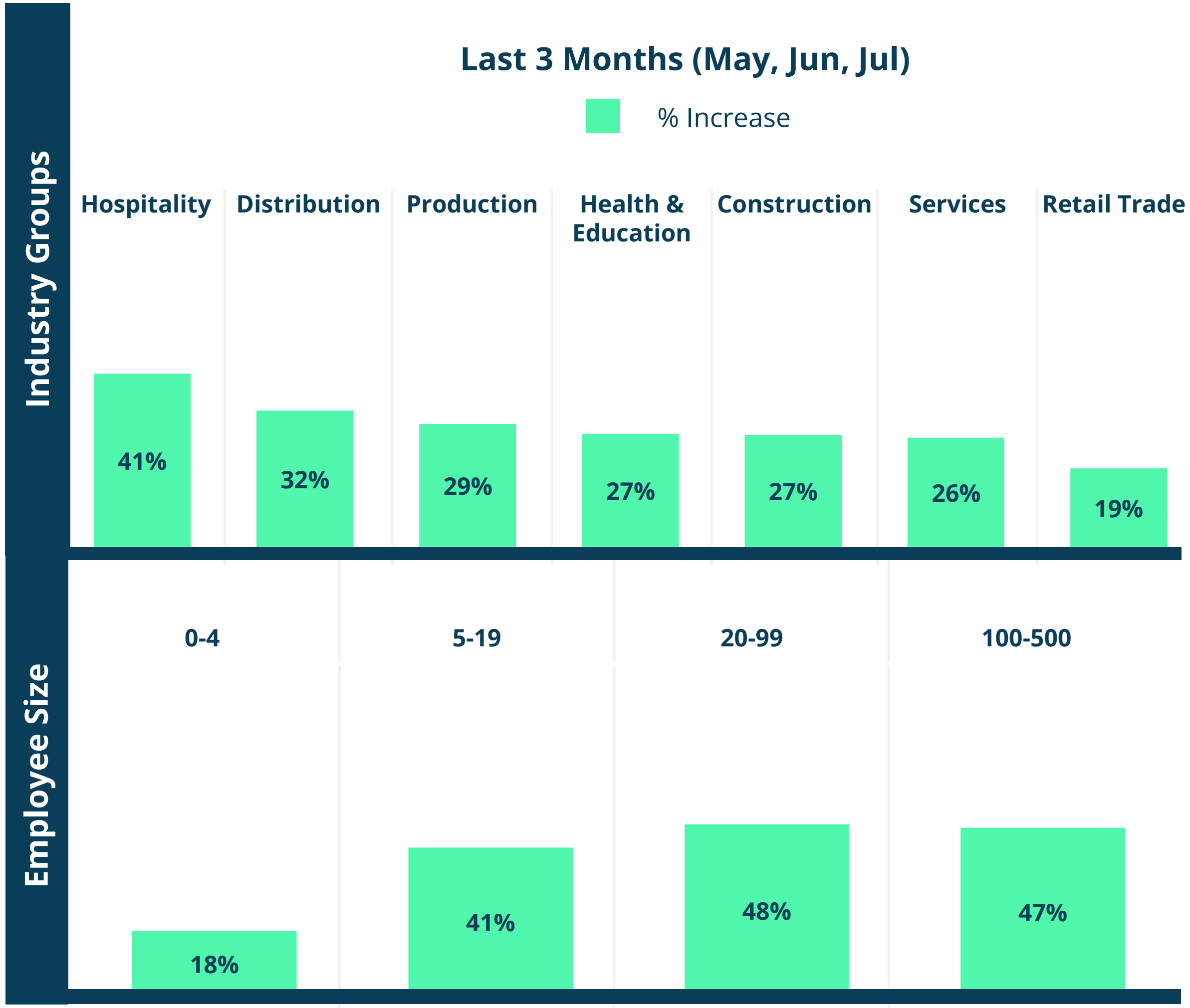


Key Performance Indicators | People

Wage pressures intensified sharply in July following the 4.75% increase in minimum award wages from 1 July. The net wage expectation climbed to +24%, the highest level recorded over the past 13 months, adding further cost pressure at a time when SME revenue and growth expectations remain weak. Hospitality is likely to be most affected, with 41% of businesses expecting wages to increase over the next three months.

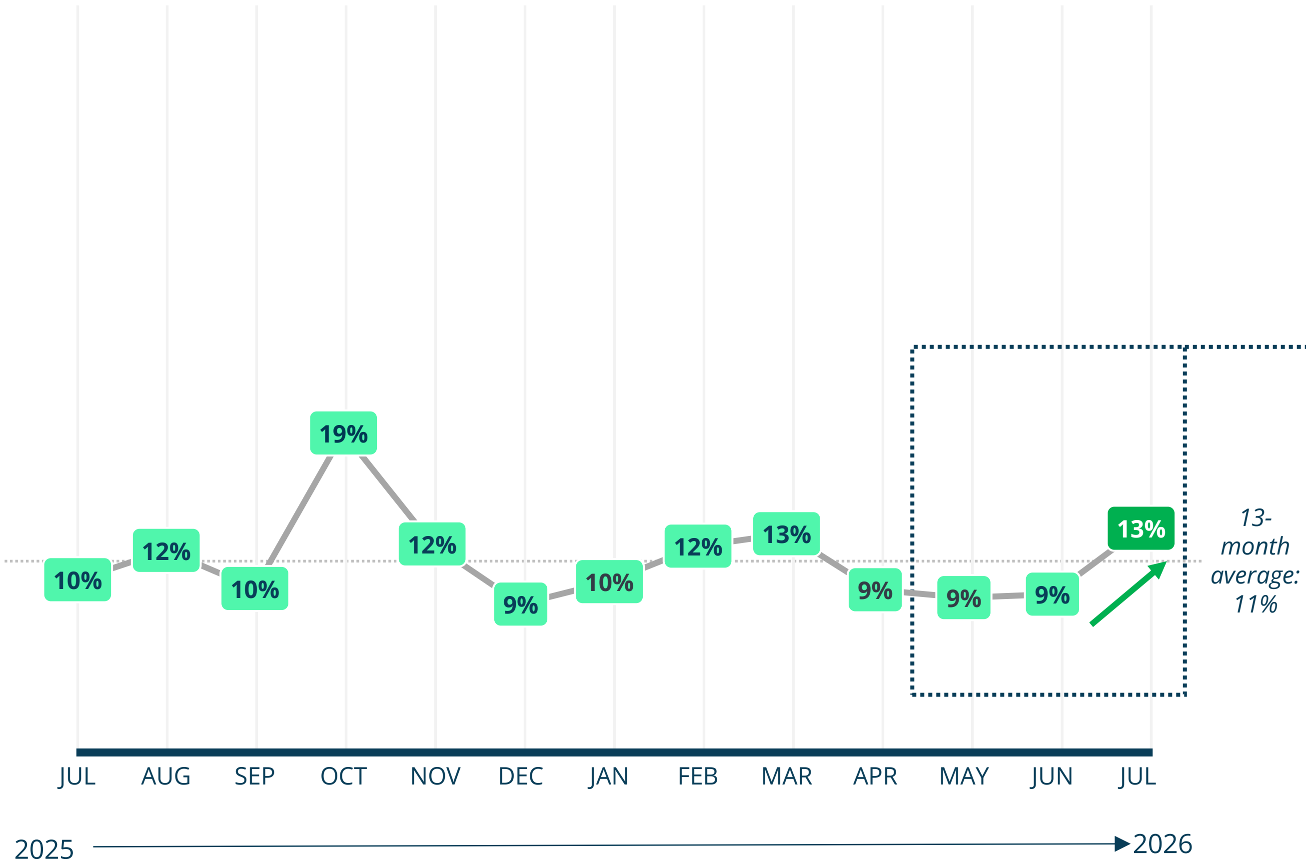
Expectations Over The Next 3 Months Regarding Wages



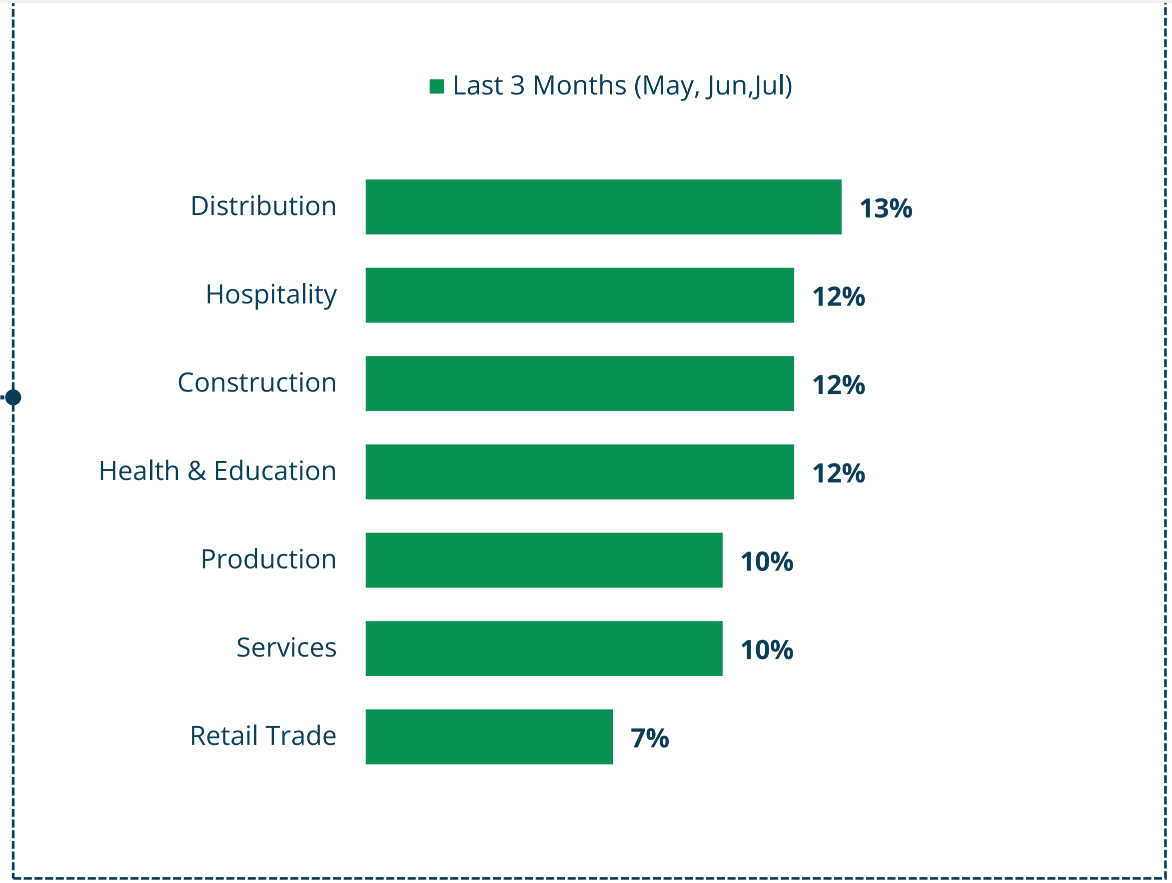


Despite higher wage costs following the 1 July award wage increase, SME hiring demand rebounded in July, with 13% currently trying to fill roles. Distribution continues to lead recruitment activity.

SMEs That Currently Have Job Roles They Are Trying To Fill

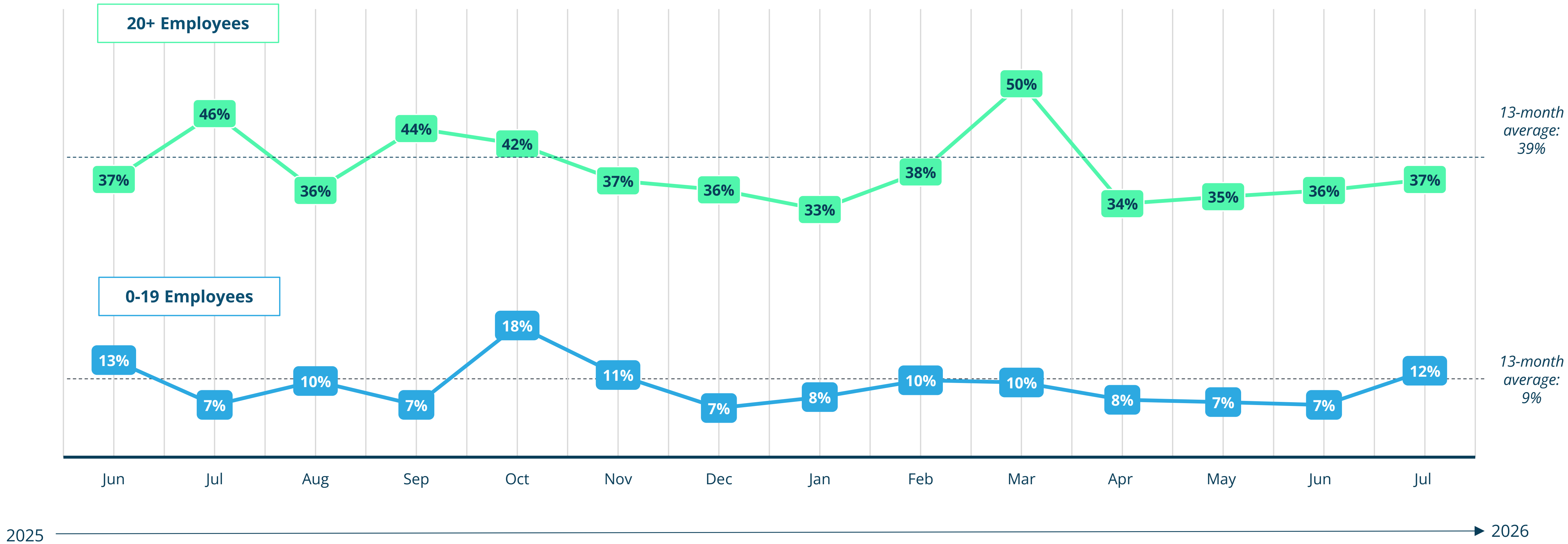


Current Job Vacancies By Industry



Hiring demand increased across both SME cohorts in July. Vacancies among smaller SMEs rose from 7% to 12%, while 37% of SMEs with 20+ employees are recruiting up from 34% in April.

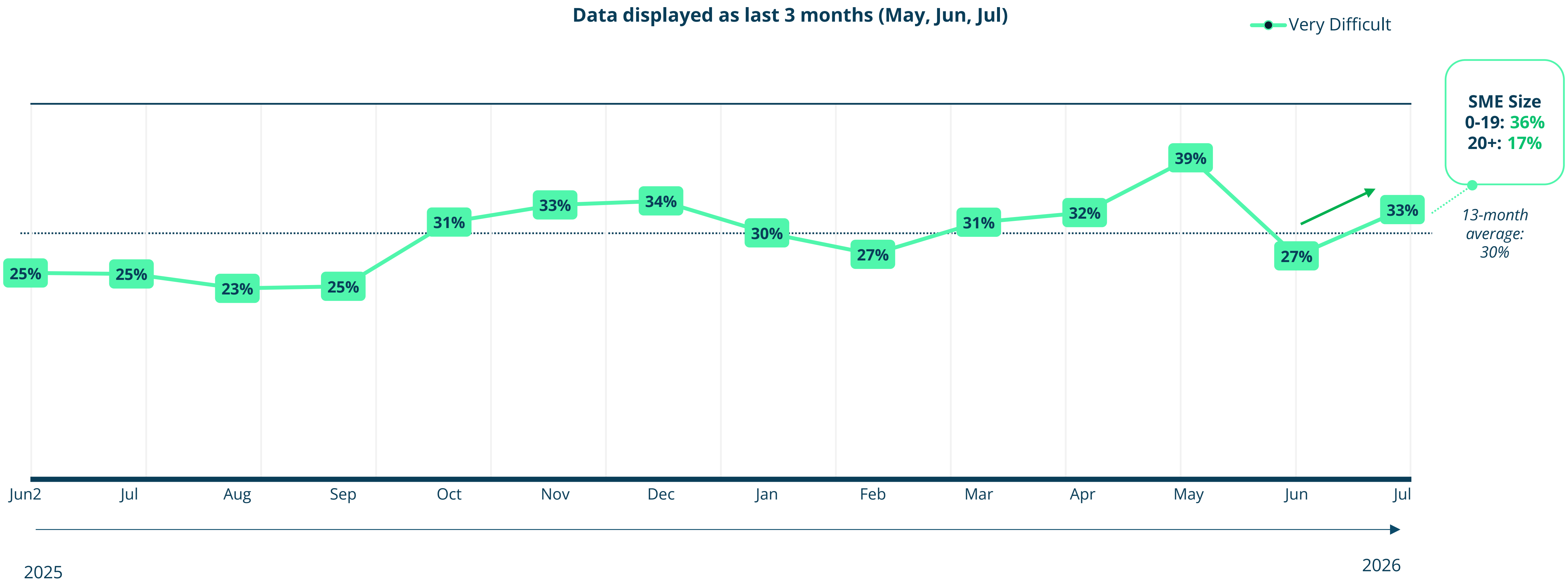
SMEs That Currently Have Job Roles They Are Trying To Fill



Key Performance Indicators | People

With recruitment activity picking up in July, recruitment difficulty also increased, with 33% of hiring SMEs describing vacancies as very difficult to fill, up from 27% in June and above the 13-month average. Recruitment pressures remain considerably greater for smaller SMEs than larger businesses.

How Difficult Is It To Fill These Roles?

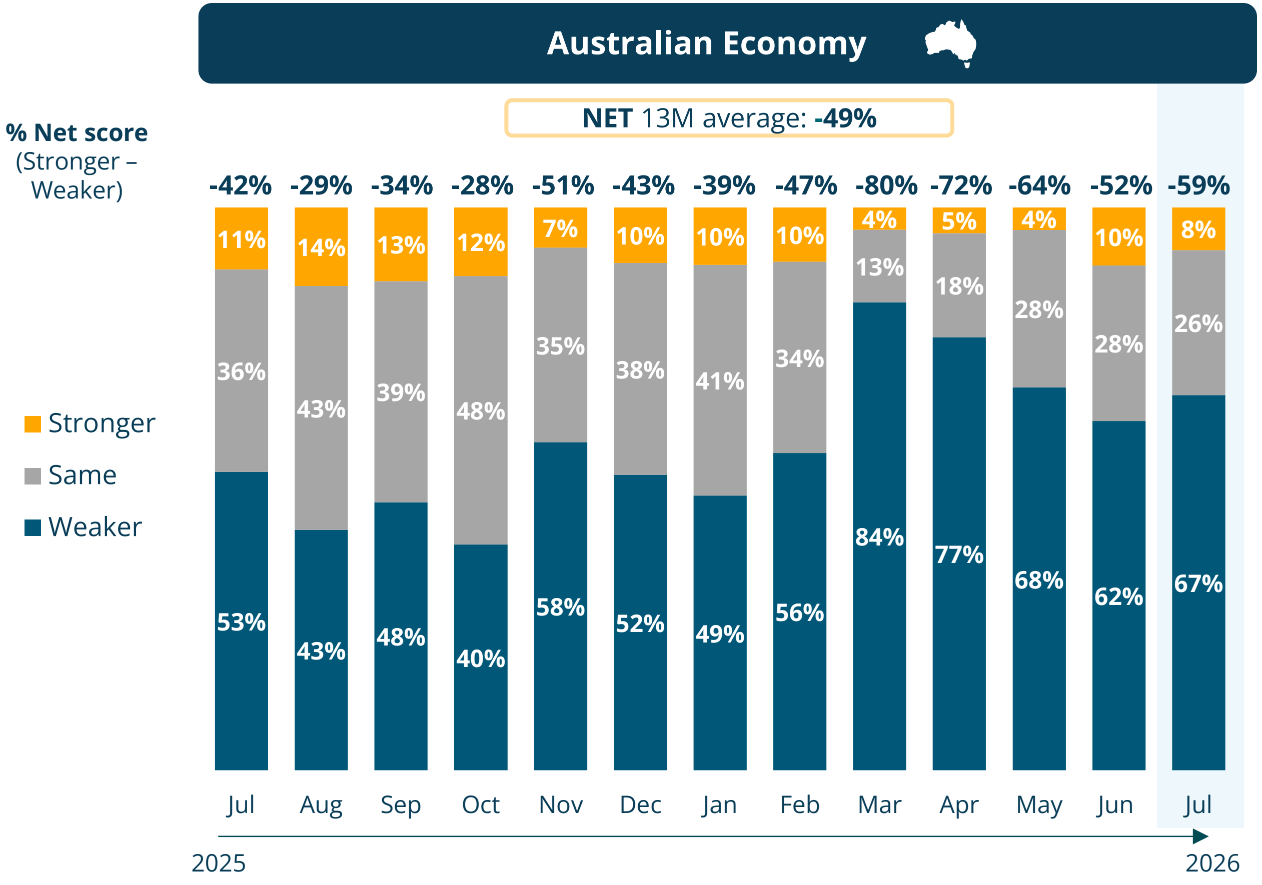


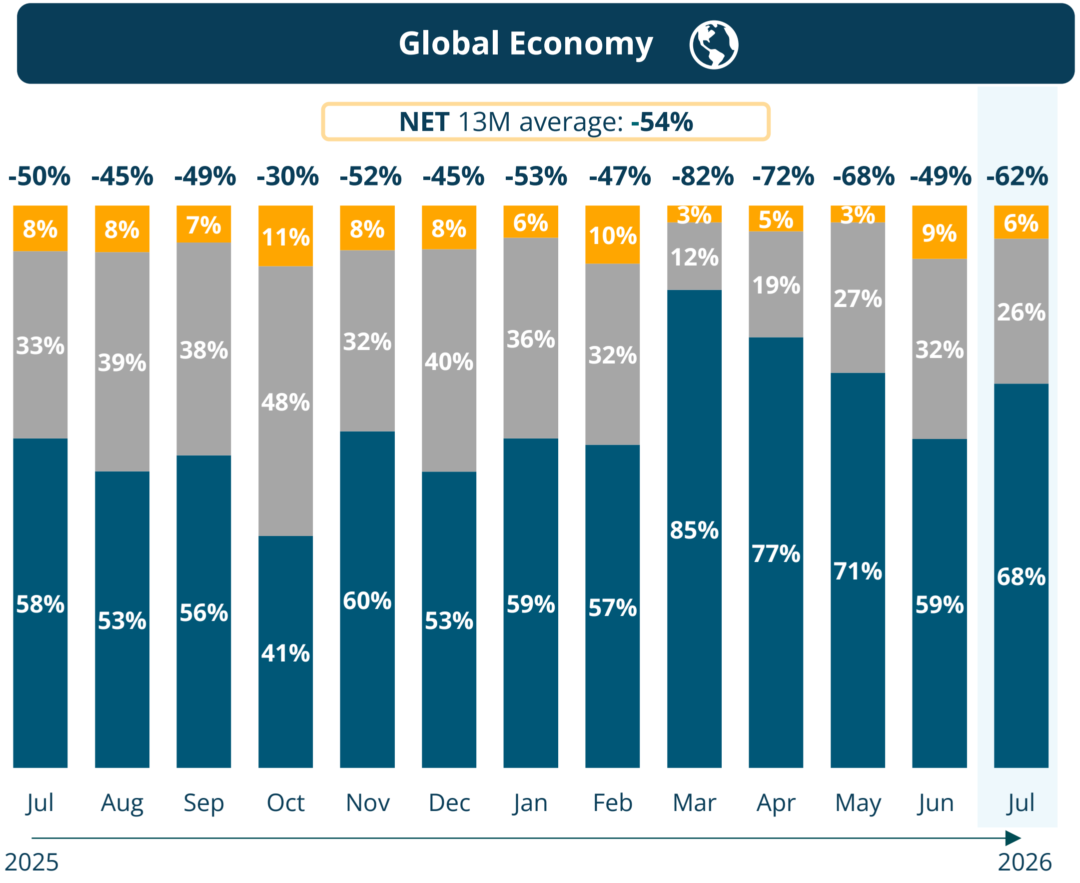

OPTIONS 01

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

Economic sentiment deteriorated again in July, reversing the modest improvement seen over the previous three months. Renewed geopolitical tensions, including the escalation of the Iran conflict, are likely to have weighed on business confidence, with Australian economic sentiment falling to -59% and global sentiment to -62%.

Expectations Over The Next 3 Months Regarding Economic Conditions

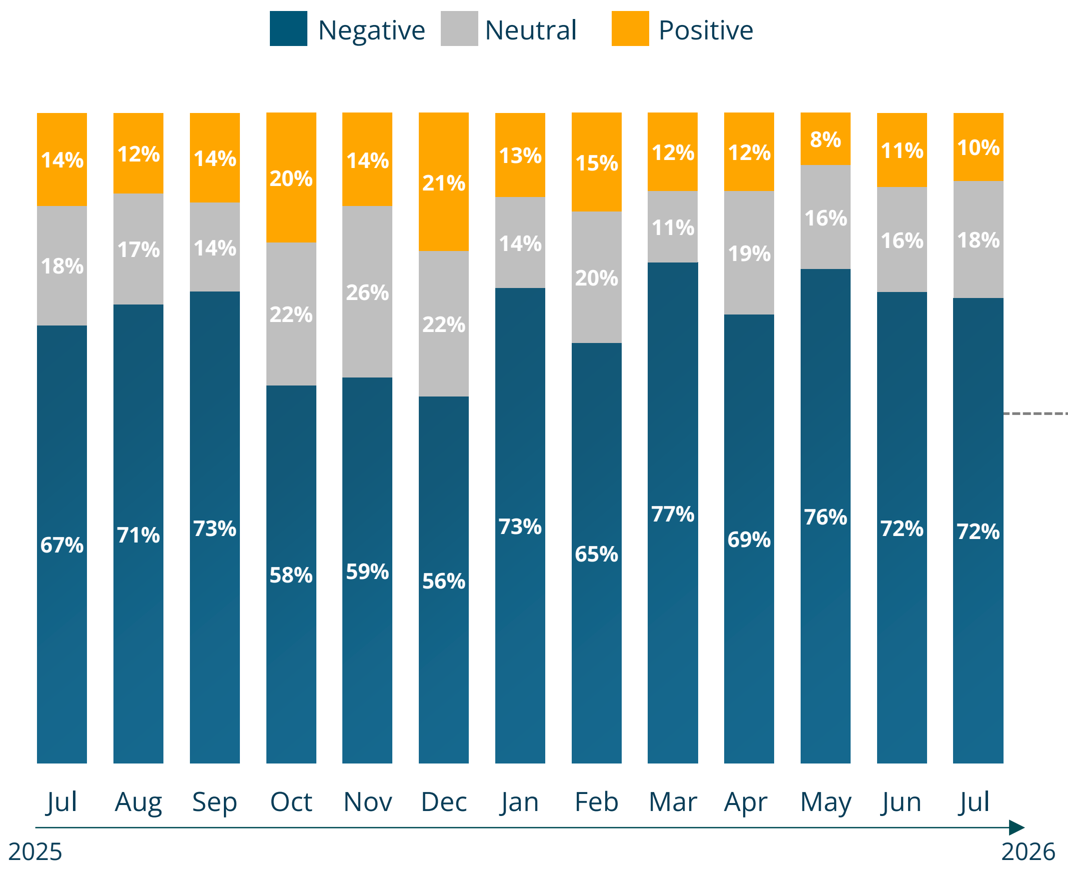




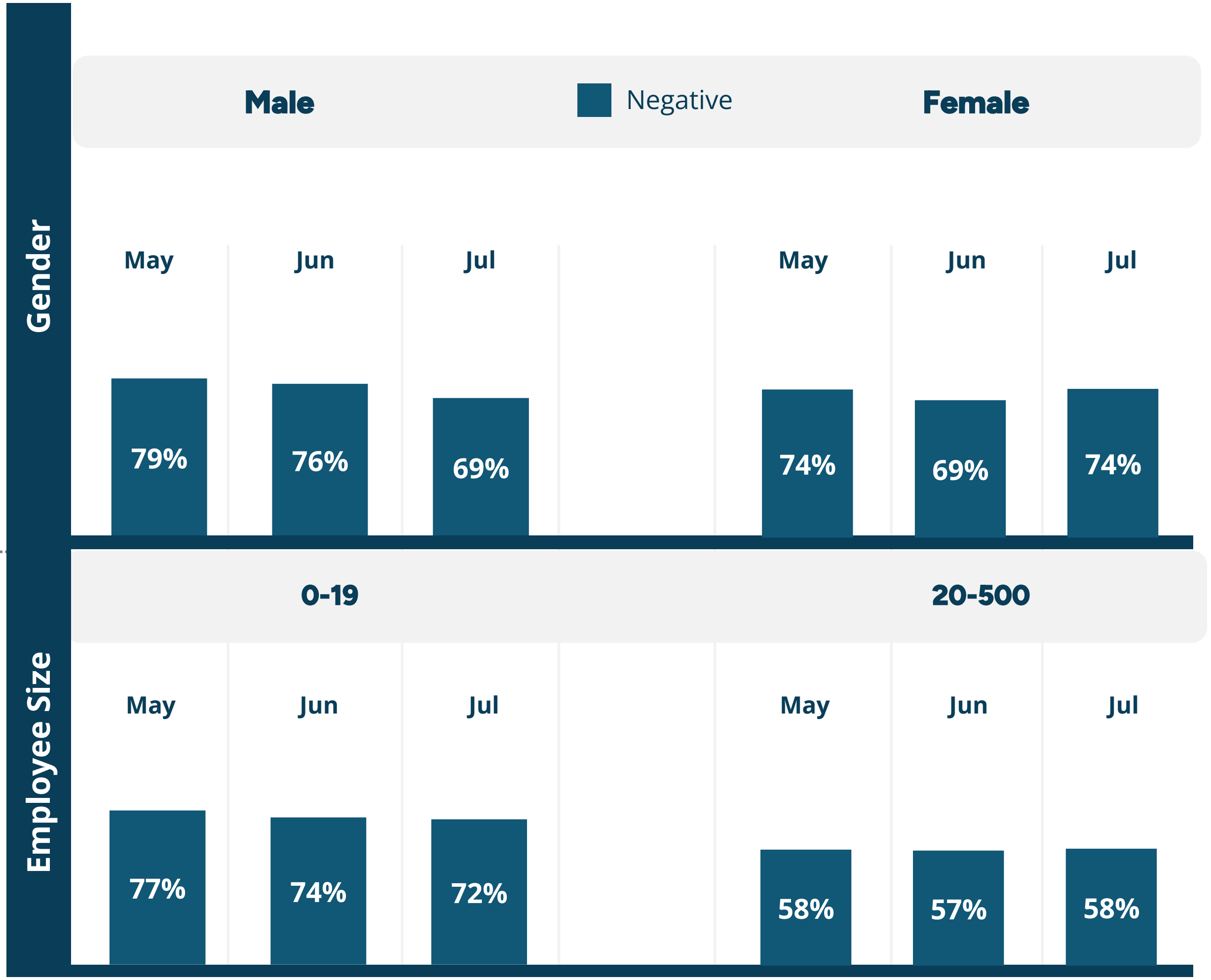
Business Sentiment | Expectations Regarding Economic Conditions

Concerns about the impact of the Trump Administration remain deeply entrenched, with 72% expecting a negative impact on the Australian economy.

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



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Positive	14%	12%	14%	20%	14%	21%	13%	15%	12%	12%	8%	11%	10%
Neutral	18%	17%	14%	22%	26%	22%	14%	20%	11%	19%	16%	16%	18%
Negative	67%	71%	73%	58%	59%	56%	73%	65%	77%	69%	76%	72%	72%



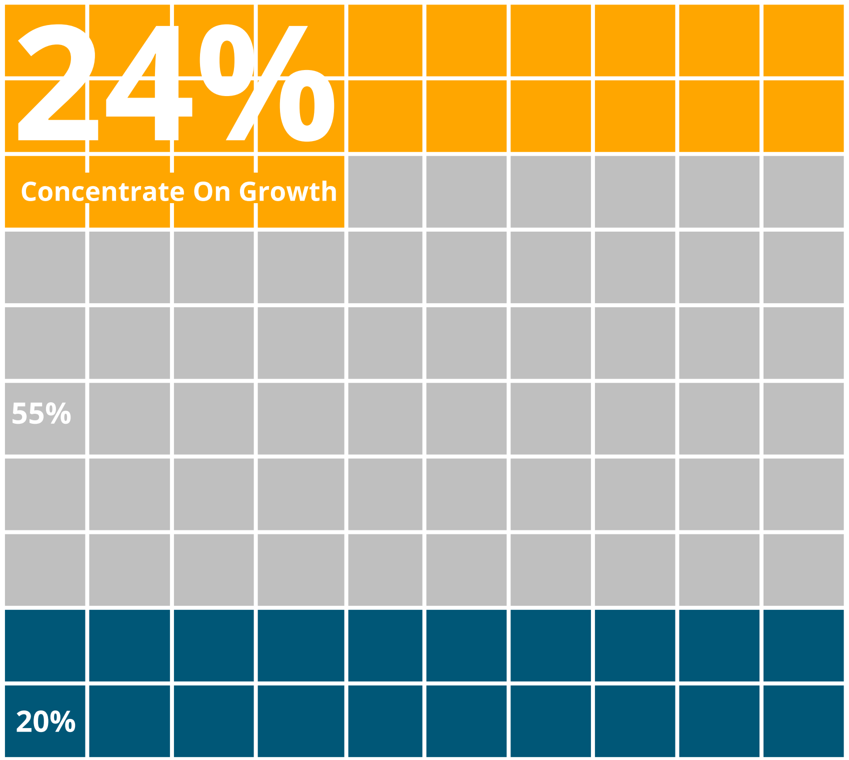
	May	Jun	Jul
Male	79%	76%	69%
Female	74%	69%	74%
0-19	77%	74%	72%
20-500	58%	57%	58%

Business Sentiment | Growth Expectations (Next 12 months)

Accordingly, SME growth ambition remains at a 12-month low, with just 24% focused on growth compared with 20% expecting to exit or downsize. Net growth intent remains at only +4% for the second consecutive month, well below the 13-month average of +17%.

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

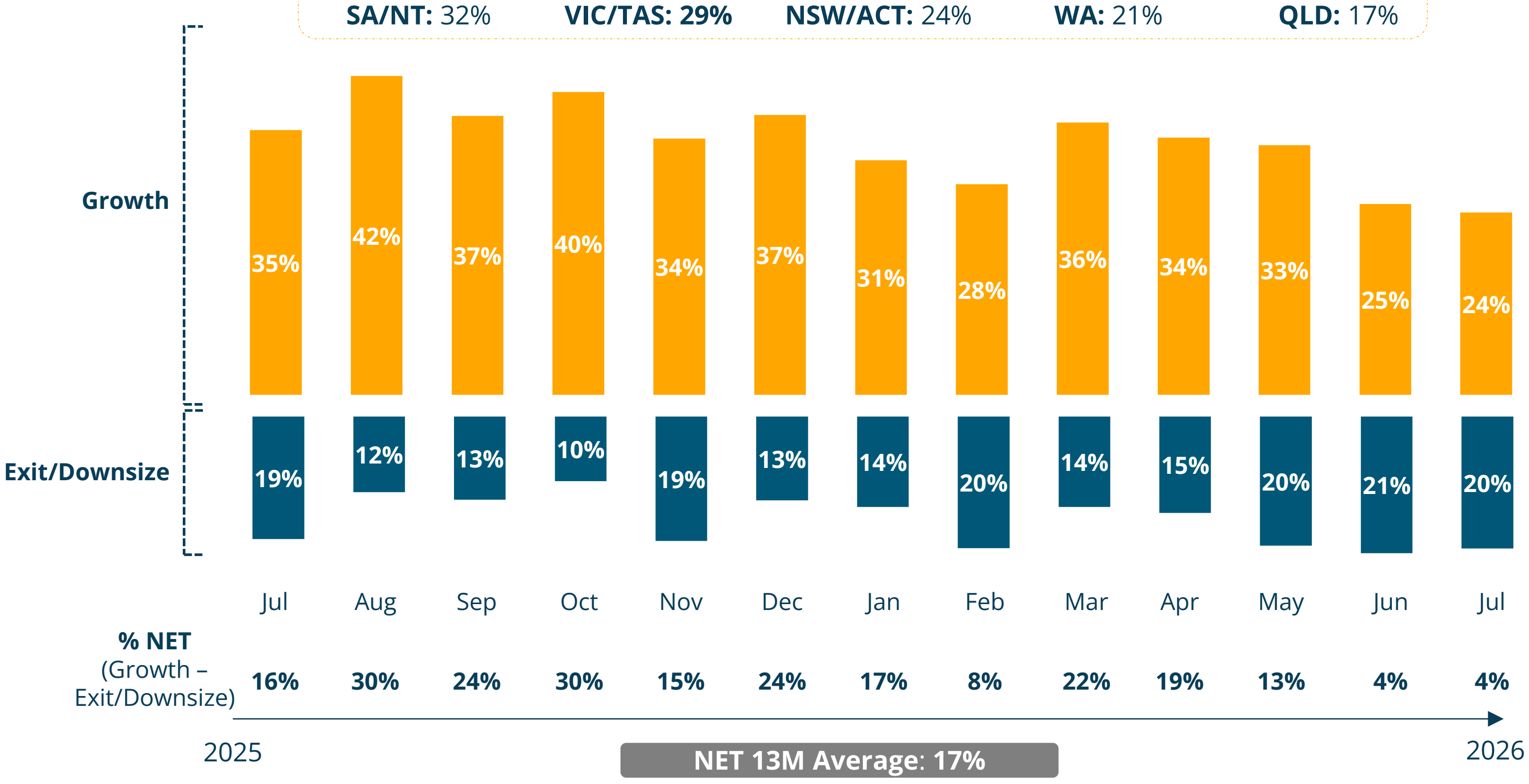
July



Exit/Downsize | Maintain current revenue | Concentrate on growth

Concentrating on Growth by State:

SA/NT: 32% **VIC/TAS: 29%** **NSW/ACT:** 24% **WA:** 21% **QLD:** 17%



fifth quadrant

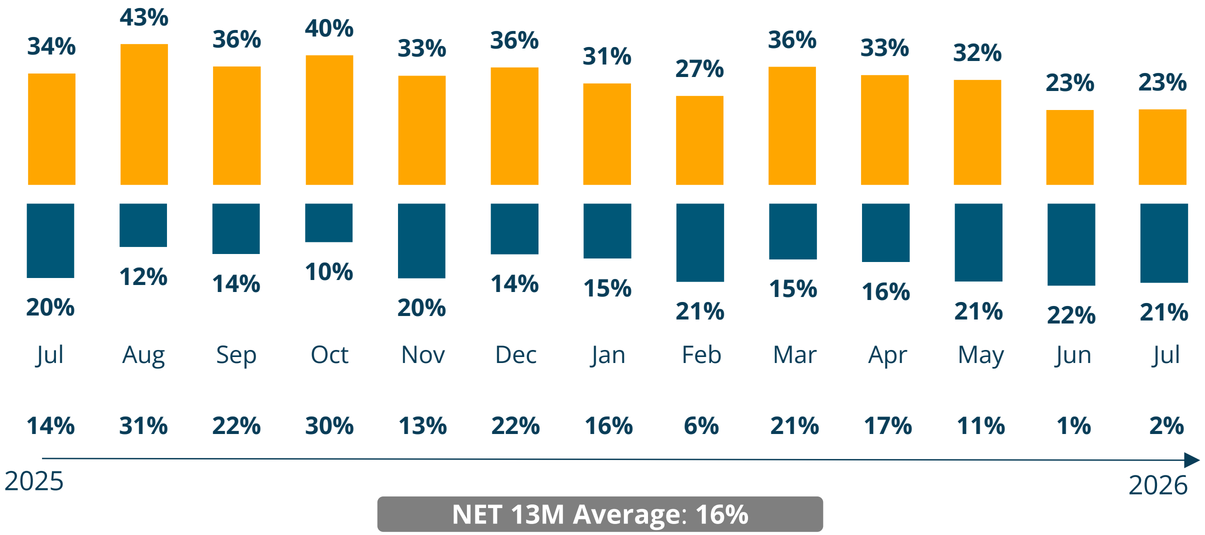
Business Sentiment | Growth Expectations (Next 12 months)

Despite stronger revenue performance, larger SMEs became noticeably more cautious about growth in July, with net growth intent falling from +48% to +30%. Growth ambitions among smaller SMEs remain subdued at just +2%, highlighting the persistent confidence gap between the two segments.

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

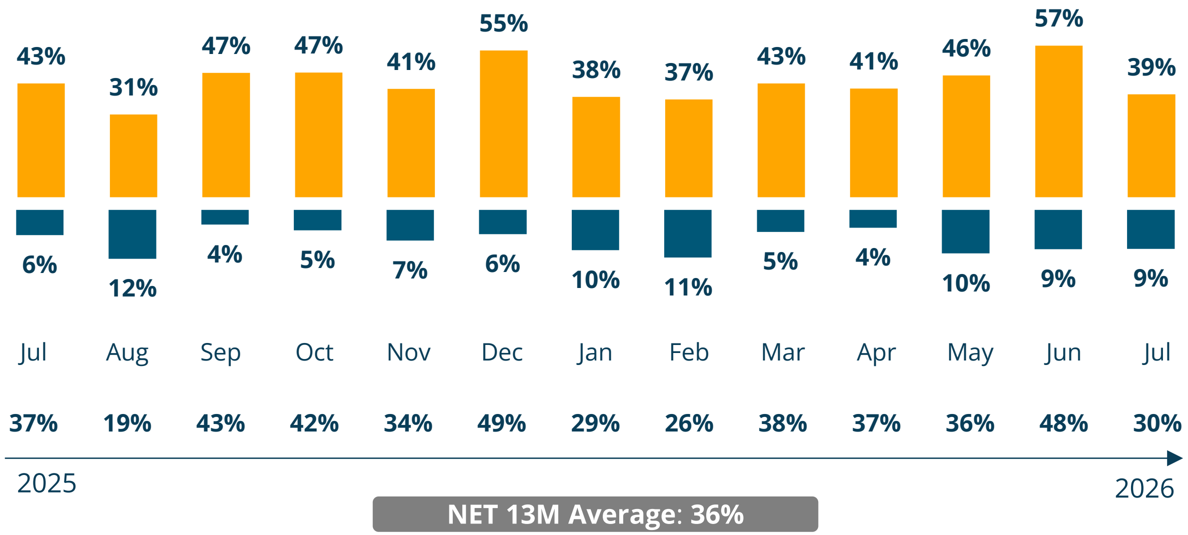
Concentrate on growth
Exit/Downsize

0 -19 Employees



% NET SCORE (Better – Worse)

20+ Employees



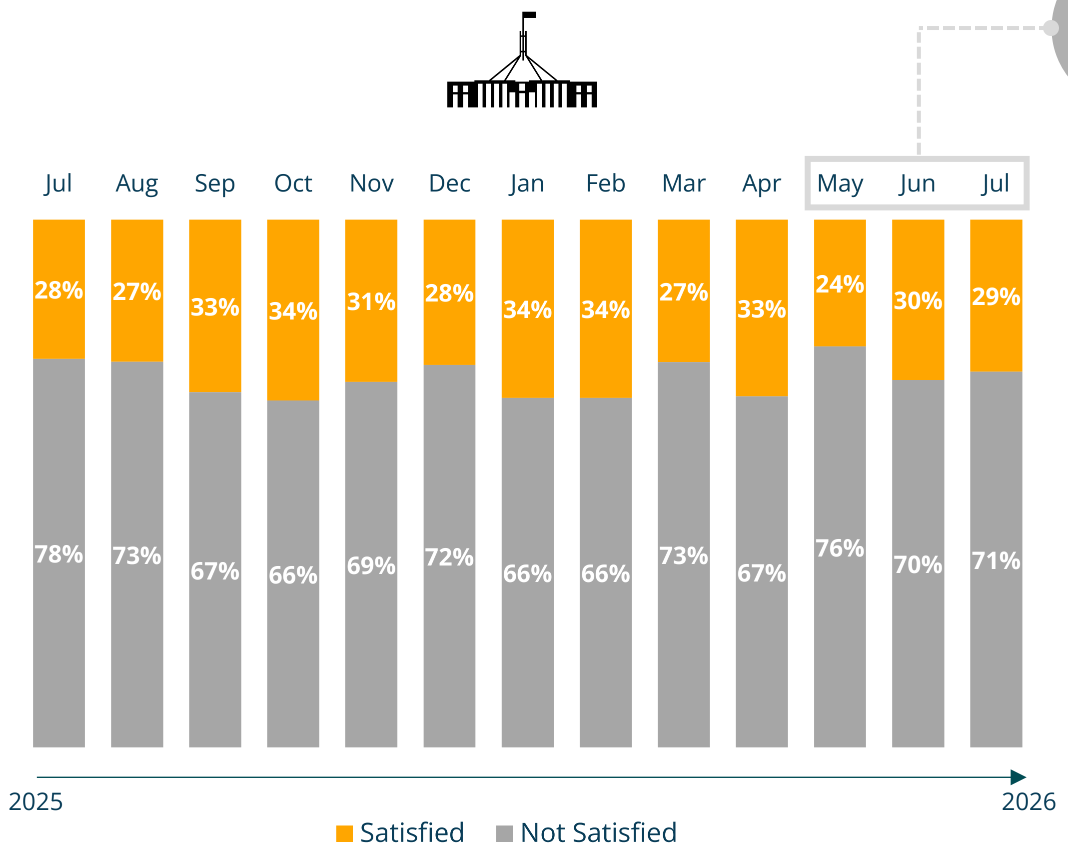
Cost pressures remain the dominant challenge facing SMEs, increasing to 53% in July. Changing customer behaviour remains the second most significant challenge at 32%, although this has eased, while renewed geopolitical tensions have heightened concerns around global uncertainty and supply chain resilience.

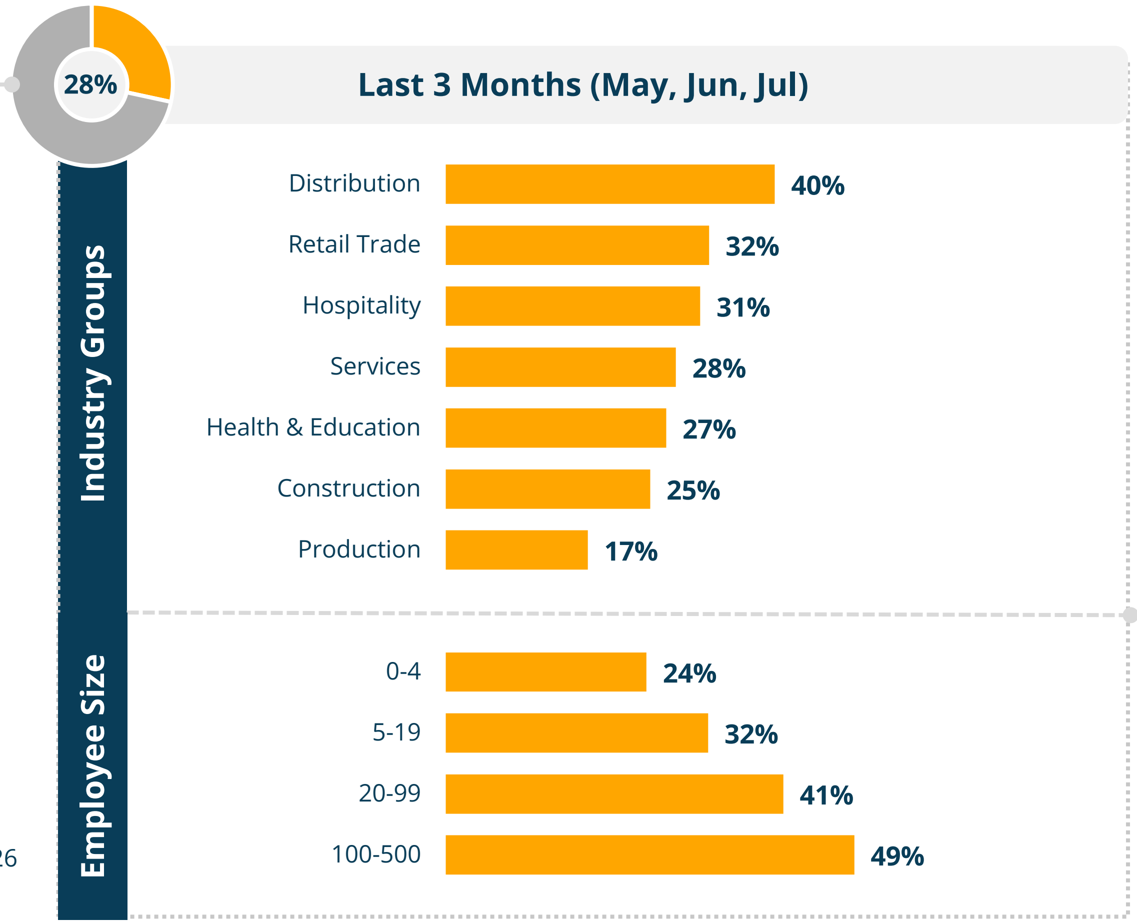
Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

	July	January	February	March	April	May	June	July
Addressing the difficult economic outlook and ongoing cost pressures.	53%	45%	45%	58%	54%	56%	50%	53%
Keeping pace with changing customer behaviours and preferences.	32%	25%	25%	25%	31%	41%	40%	32%
Navigating regulatory, compliance, and governance challenges.	26%	18%	18%	23%	20%	26%	25%	26%
Managing risks and uncertainties in the geopolitical landscape.	21%	39%	39%	28%	23%	19%	16%	21%
Strengthening defences against cyber threats and ensuring data privacy.	16%	19%	19%	17%	11%	11%	14%	16%
Managing the continuous adoption of new technologies and digital transformation processes.	16%	26%	26%	16%	15%	17%	14%	16%
Strengthening supply chain operations for improved efficiency and resilience.	14%	14%	14%	14%	15%	10%	9%	14%
Identifying and implementing measures to boost workforce efficiency and productivity.	13%	18%	18%	15%	12%	17%	16%	13%
Acquiring, training, and upskilling talent in a competitive market.	13%	17%	17%	18%	13%	9%	13%	13%
Overcoming difficulties in securing necessary financing.	7%	9%	9%	10%	15%	10%	11%	7%
Prioritising investment in research and development to drive innovation.	5%	4%	4%	6%	5%	4%	5%	5%
Implementing strategies to address sustainability issues and climate change impacts.	4%	5%	5%	8%	8%	6%	3%	4%

Satisfaction with Federal Government support slipped back to 29% in July after June's improvement, leaving more than seven in ten SMEs dissatisfied. Satisfaction remains considerably stronger among larger SMEs than micro businesses.

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



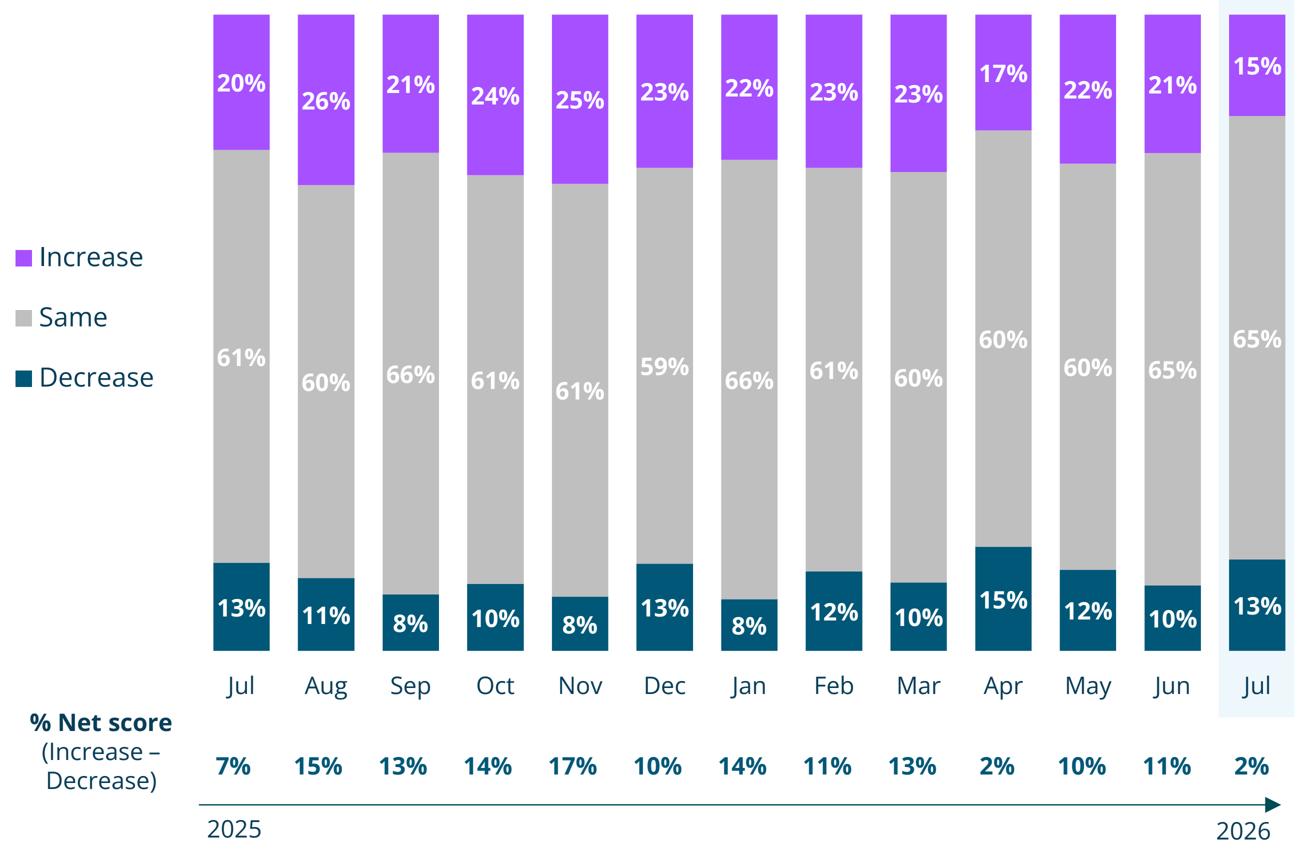


Business Investment | Next Three Months

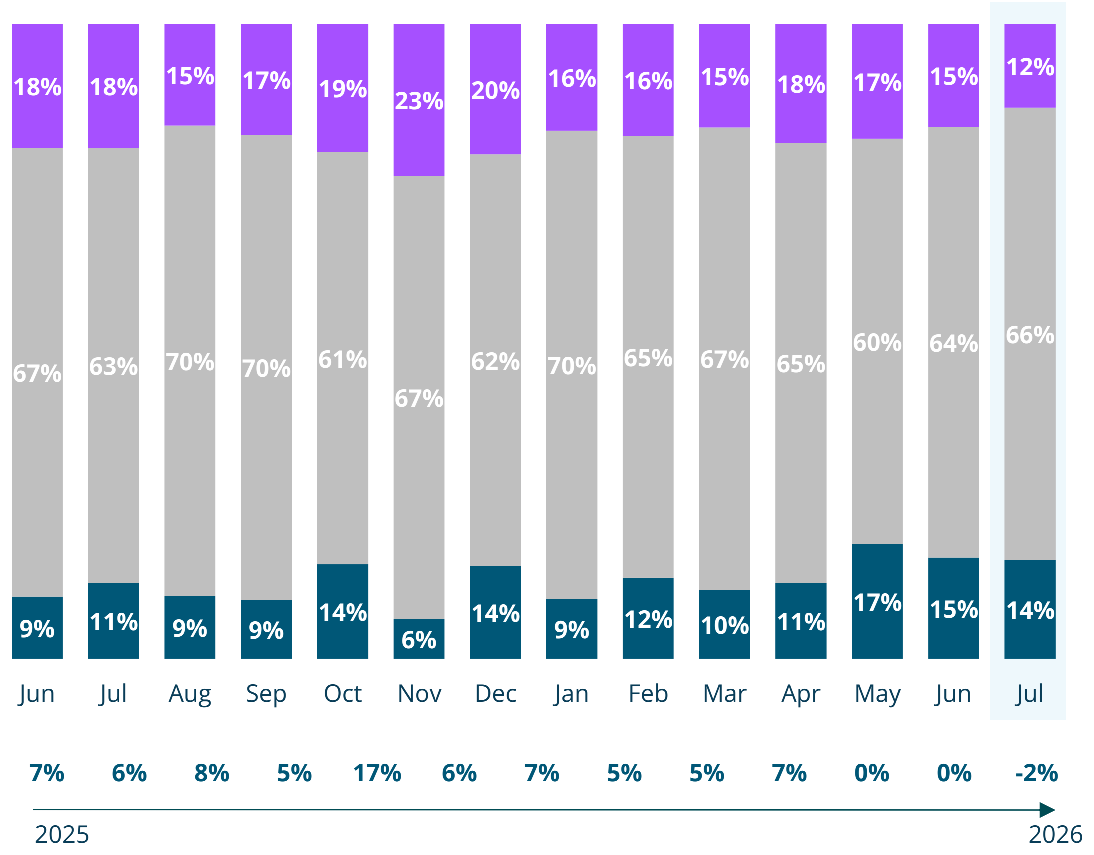
Investment intentions weakened considerably in July, with the net capital investment score falling from +11% to +2%. Marketing intentions also weakened, slipping to -2%, with both measures indicating SMEs remain highly cautious about discretionary spending.

Expectations Over The Next 3 Months Regarding Business Investment

Business Spending/ Capital Investment



Marketing Spend

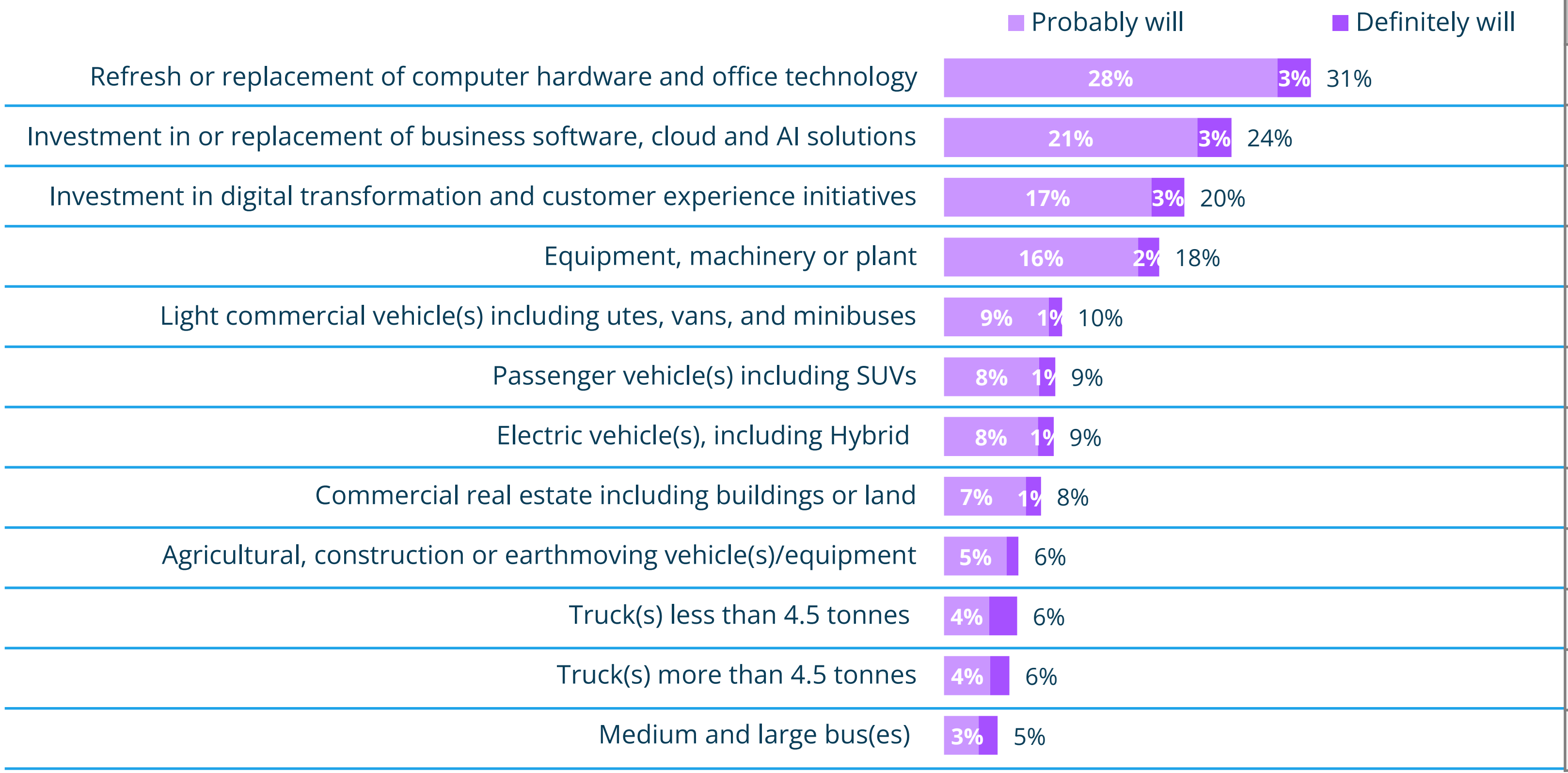


Business Investment | Capital Expenditure

Technology continues to dominate SME investment priorities, with 31% planning hardware purchases, 24% investing in software, cloud or AI solutions and 20% in digital transformation. Equipment and machinery intentions also strengthened to 18% while investment in passenger vehicles eased.

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

July



12m Avg	May	June	July
(Introduced in June)	(Introduced in June)	30%	31%
(Introduced in June)	(Introduced in June)	22%	24%
(Introduced in June)	(Introduced in June)	22%	20%
19%	13%	15%	18%
11%	7%	10%	10%
12%	8%	14%	9%
10%	8%	10%	9%
8%	5%	8%	8%
8%	7%	8%	6%
5%	4%	5%	6%
6%	2%	6%	6%
5%	3%	5%	5%

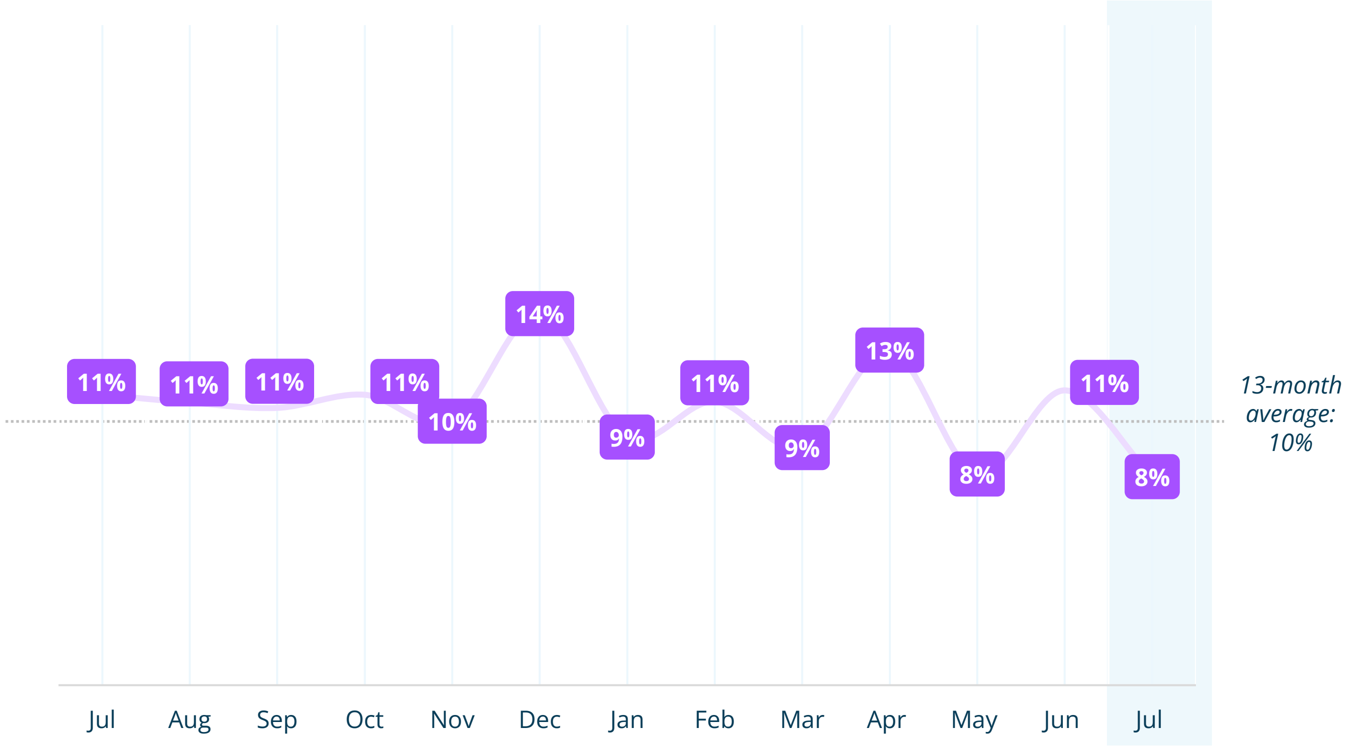
The investment gap between SME segments widened substantially in July. Larger SMEs reported particularly strong intentions around hardware (67%), software/cloud/AI (66%) and digital transformation (54%), while investment intentions among smaller SMEs remains relatively consistent with June data.

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

	0-19 Employees			20+ Employees		
	May	Jun	Jul	May	Jun	Jul
Refresh or replacement of computer hardware and office technology	(Introduced in June)	28%	28%	(Introduced in June)	53%	67%
Investment in or replacement of business software, cloud and AI solutions	(Introduced in June)	20%	21%	(Introduced in June)	50%	66%
Investment in digital transformation and customer experience initiatives	(Introduced in June)	21%	18%	(Introduced in June)	45%	54%
Equipment, machinery or plant	12%	13%	17%	26%	32%	39%
Light commercial vehicle(s)	7%	9%	8%	24%	27%	30%
Passenger vehicle(s) including SUVs	7%	13%	9%	25%	27%	19%
Electric vehicle(s), including Hybrid	6%	9%	8%	19%	28%	19%
Commercial real estate	6%	7%	7%	18%	22%	21%
Agricultural, construction or earthmoving vehicle(s)/equipment	4%	7%	6%	13%	17%	15%
Truck(s) less than 4.5 tonnes	3%	4%	5%	20%	11%	22%
Truck(s) more than 4.5 tonnes	1%	5%	5%	20%	12%	19%
Medium and large bus(es)	2%	4%	4%	18%	12%	16%

Demand for additional finance fell back to just 8% in July, below the 13-month average of 10%. Where finance is required, cashflow and working capital remain the dominant need, accounting for 63% of requirements over the past three months.

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%	59%	63%
Purchase plant, machinery or equipment	23%	25%	22%	24%	17%	12%
Fund growth into new markets	17%	15%	21%	11%	16%	15%
Fund growth in Australia	16%	16%	15%	19%	17%	18%
Trade finance to fund import/export activity	12%	15%	8%	4%	5%	5%
Fund merger/acquisition	8%	7%	9%	7%	5%	7%

Business Investment | Finance Needs (Next 3 months)

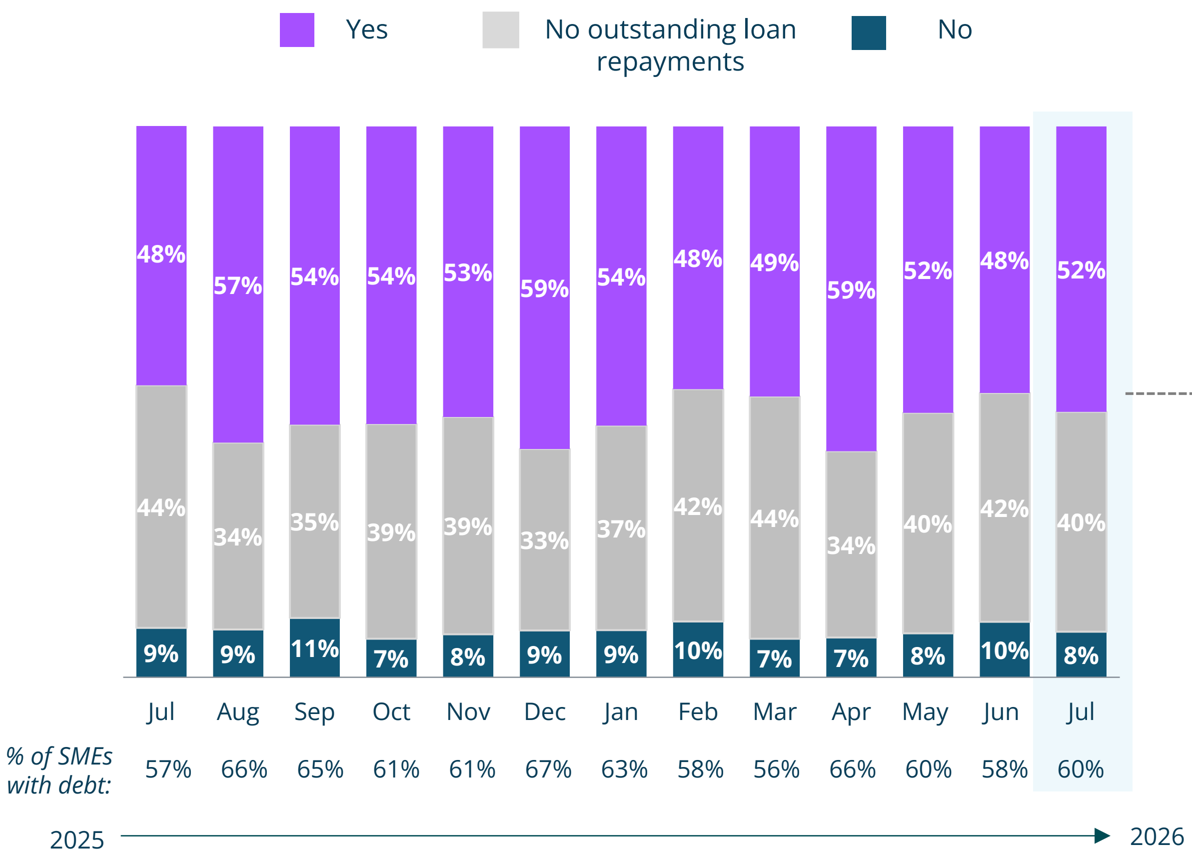
Additional finance requirements remain significantly higher among larger SMEs, with 17% of businesses employing 20+ people requiring finance compared with 9% of smaller SMEs. Distribution and Construction currently show the highest financing requirements by industry.

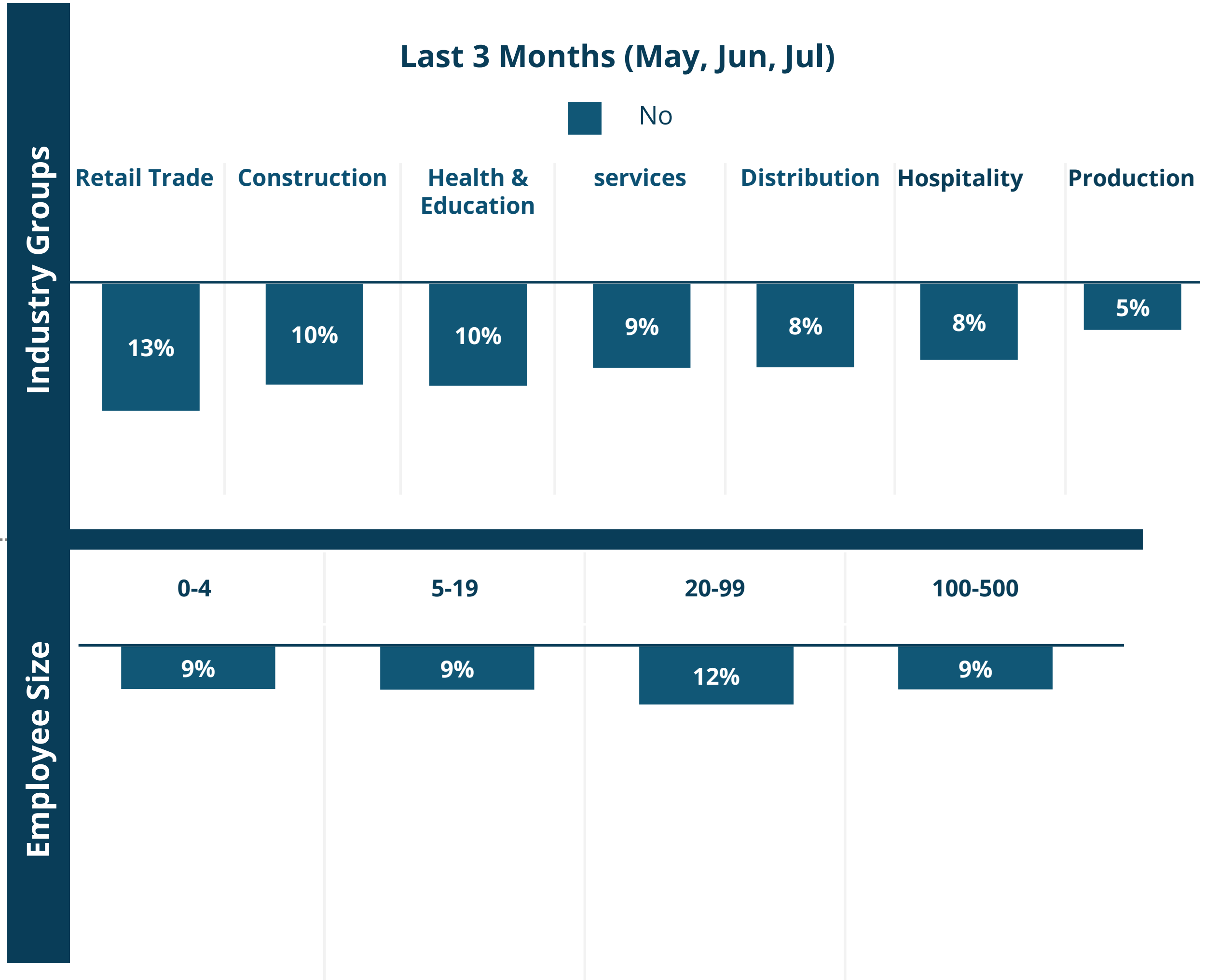
Will You Require Any Additional Finance Over The Next 3 Months? (Yes)

	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Last 3M
0-19 Employees	11%	10%	11%	9%	10%	9%
20+ Employees	18%	17%	17%	16%	15%	17%
Construction	10%	11%	16%	8%	11%	10%
Distribution	21%	12%	18%	10%	15%	11%
Health & Education	11%	11%	10%	11%	7%	6%
Hospitality	10%	15%	18%	8%	10%	8%
Production	12%	11%	8%	10%	11%	8%
Retail Trade	12%	14%	13%	15%	7%	7%
Services	10%	9%	8%	9%	11%	9%

Loan stress eased slightly in July, with 8% of SMEs now expecting difficulty meeting loan repayments over the next six months, down from June's 10%. Stress remains most elevated among 20–99 employee SMEs at 12%, 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?





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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

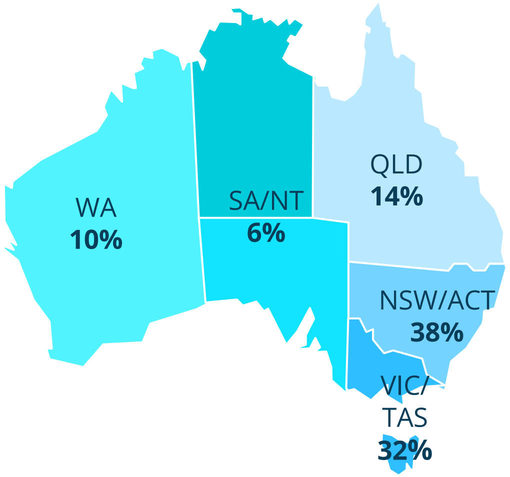
All **industry sectors** are represented, allowing for subgroup analysis

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

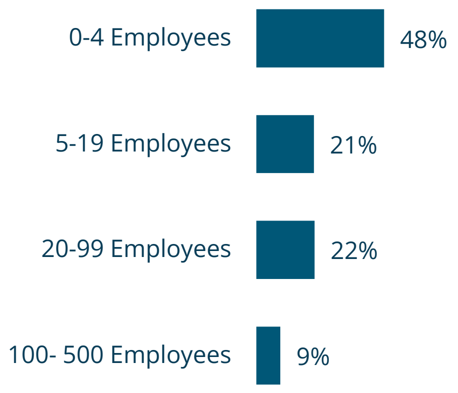
Our Sample

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.

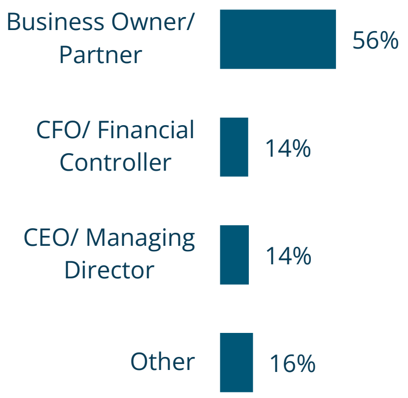
Head Office Location



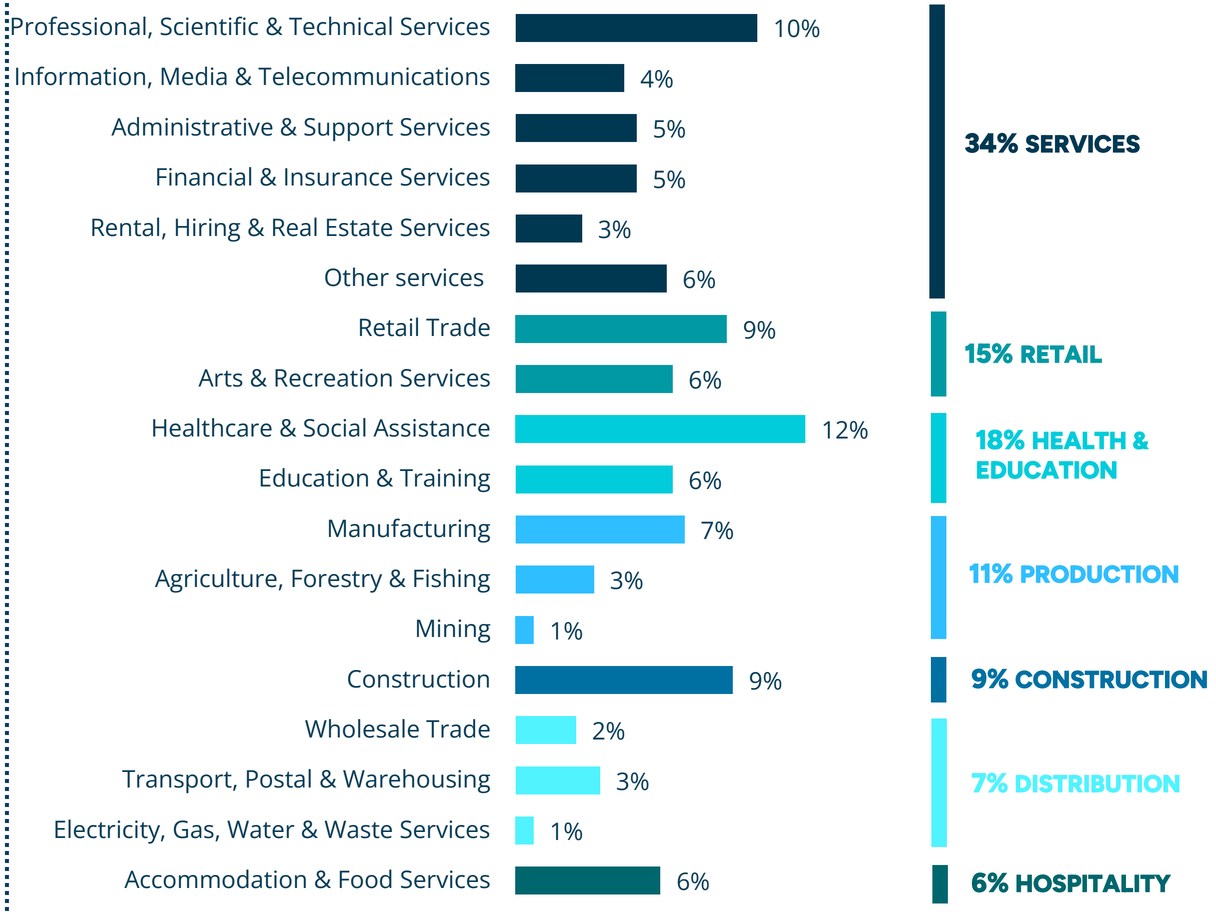
Size Of Business: Employees



Position In Business



Industry Sector



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Thank You

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Creating Tomorrow Today