



Small & Medium Enterprise Sentiment Tracker

Wave 68 – October 2024



who we are

We are a research consultancy that partners with major brands to execute strategic market research programs.

We are passionate about helping our clients make better decisions by providing them with actionable insights and well-informed recommendations.

Our culture is built on collaboration, curiosity, and open-mindedness. We believe that the best ideas come from working together, and we are always looking for new ways to challenge the status quo.



what we offer

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 and innovation.

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.





23% reported higher revenue compared to 12 months earlier



16% are actively recruiting, compared to 13% in June



Only 18% of SMEs plan to increase their marketing spend over the next 3 months compared to 22% last month



Only 32% are growth focused over the next 12 months compared to 35% last month

SME Sentiment Dips Amid Lack of Confidence in Economic Conditions

After showing signs of recovery over the past two months, the latest Fifth Quadrant data reveals another dip in sentiment as SMEs lack confidence in the Australian economy. Only 10% of SMEs expect the local economy to improve over the next three months, while 53% anticipate weaker conditions.

In contrast, sentiment regarding global economic conditions continues to strengthen, driven by declining interest rates in many countries. Consequently, support for the Australian government dipped in October, with only 30% of respondents expressing satisfaction with government policy.

All key financial indicators weakened, with 37% of SMEs reporting lower revenues compared to 12 months ago, and 22% reporting a financial loss in October. Additionally, 23% of SMEs have faced significant financial challenges over the past year, with increased competition (58%) and poor strategic decisions (36%) emerging as more prominent drivers of these difficulties. As a result, 11% of SMEs expect to struggle with loan repayments over the next six months, up from 8% in August.

Furthermore, growth expectations for the next 12 months have dipped, with only 32% of SMEs focusing on expansion, down from 35% the previous month. Consequently, capital investment and marketing spend intentions for the next three months have also declined. Currently, 16% of SMEs are hiring for new or existing roles, a figure significantly lower than 12 months ago but consistent with the 17% reported last month.

SME sentiment has weakened once again, with declining confidence in the Australian economy. Key financial indicators, including weaker revenues, rising financial losses, and increasing loan stress, have negatively impacted growth expectations, capital investment, and hiring intentions. In this environment, SMEs are likely to remain highly cautious as we move through the holiday period.



01 Key Performance Indicators

02 People

03 Business Sentiment

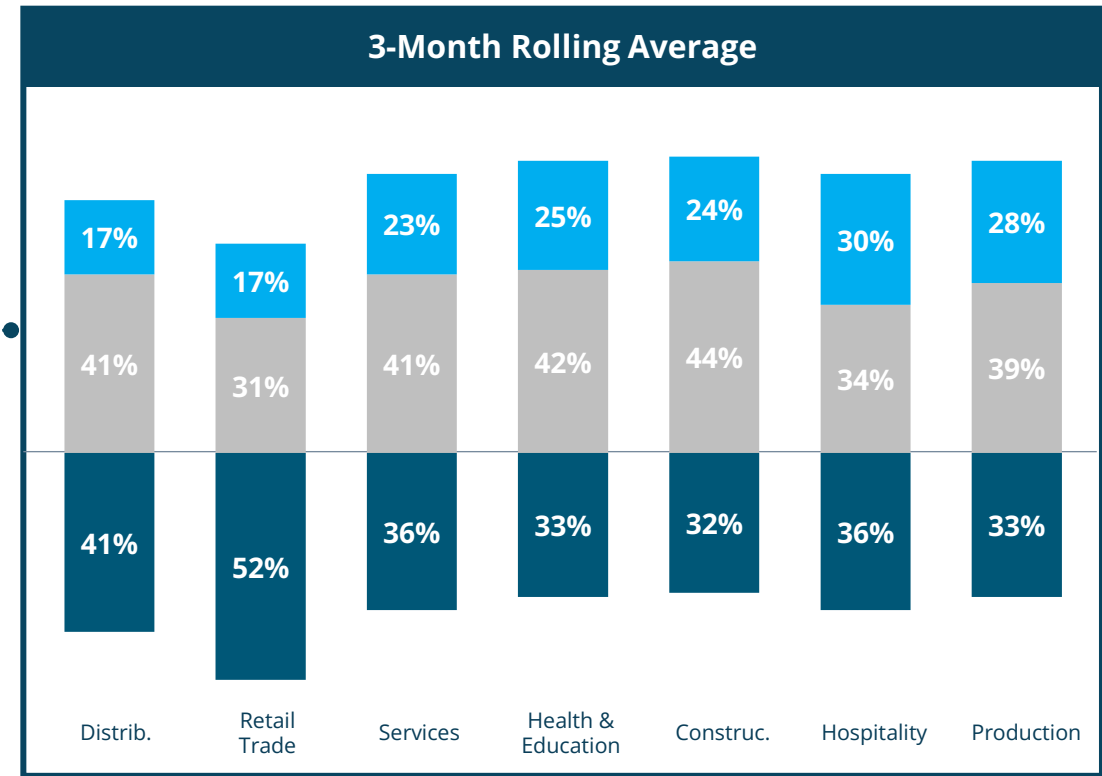
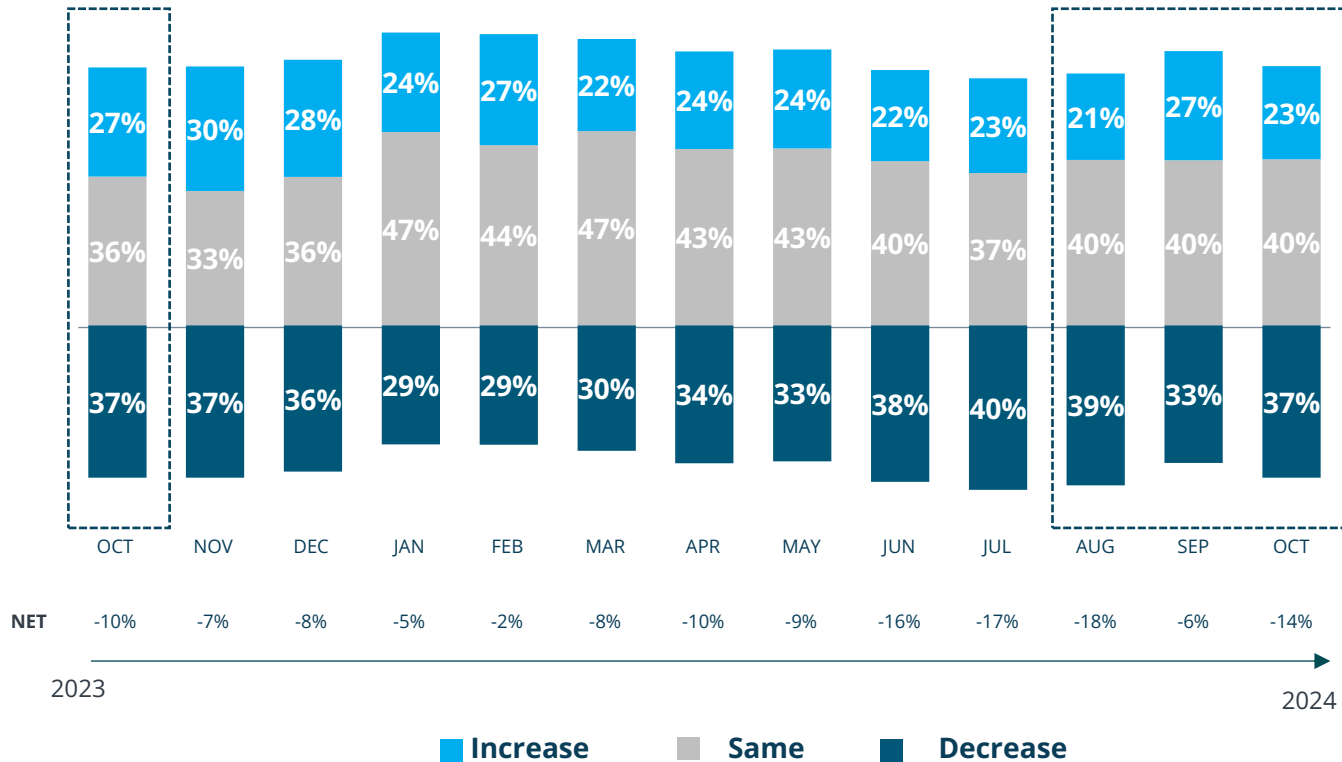
04 Business Investment

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Key Performance Indicators | Revenue

After more positive data reported in September, revenue has once again retreated this month with only 23% reporting higher revenue compared to 12 months earlier. The retail sector continues to report the weakest revenue data, reflecting the ongoing cost-of-living issues.

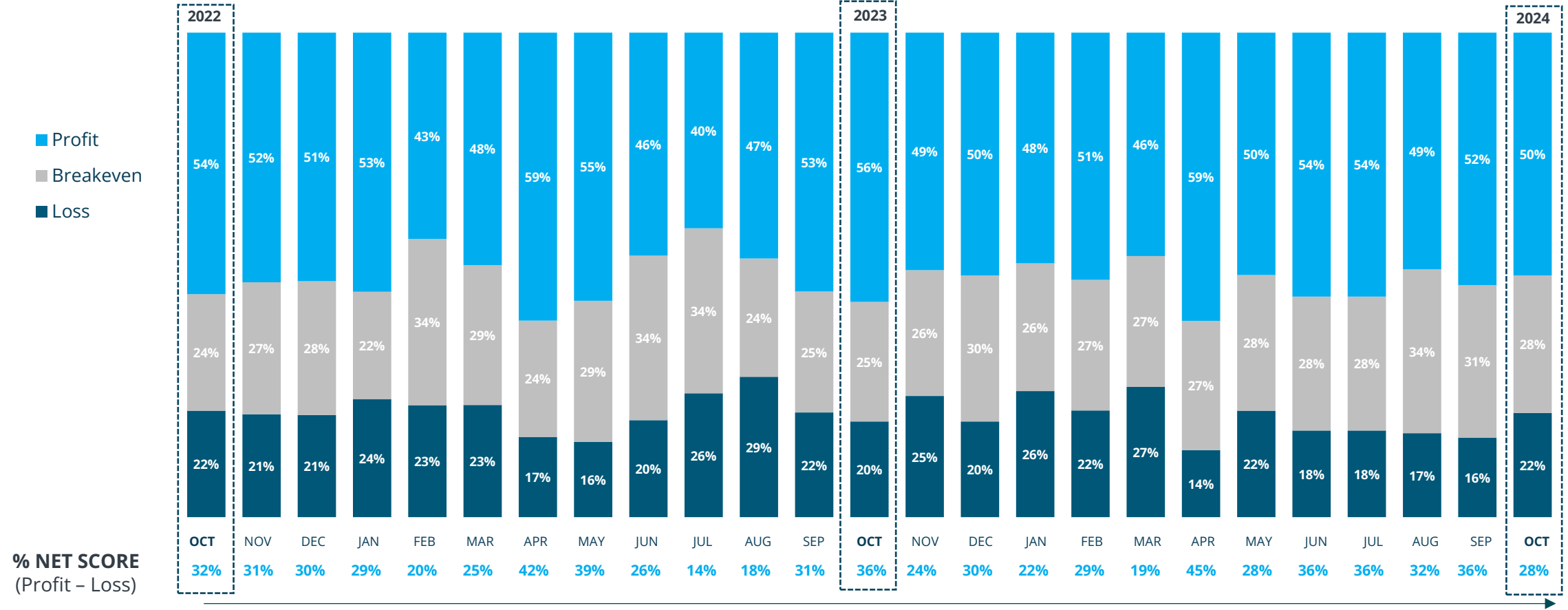
How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



Key Performance Indicators | Profit

Profitability has also decreased and remains weaker than the previous corresponding period in 2022 and 2023.

What Was Your Profit Margin Last Month



Key Performance Indicators | Cost Management

It is notable that SMEs are increasingly focusing on outsourcing non-essential functions, while placing less emphasis on staff productivity and product/service innovation as avenues for generating new revenue streams. This suggests that SMEs continue to streamline operations and cut costs rather than investing in internal capabilities for growth.

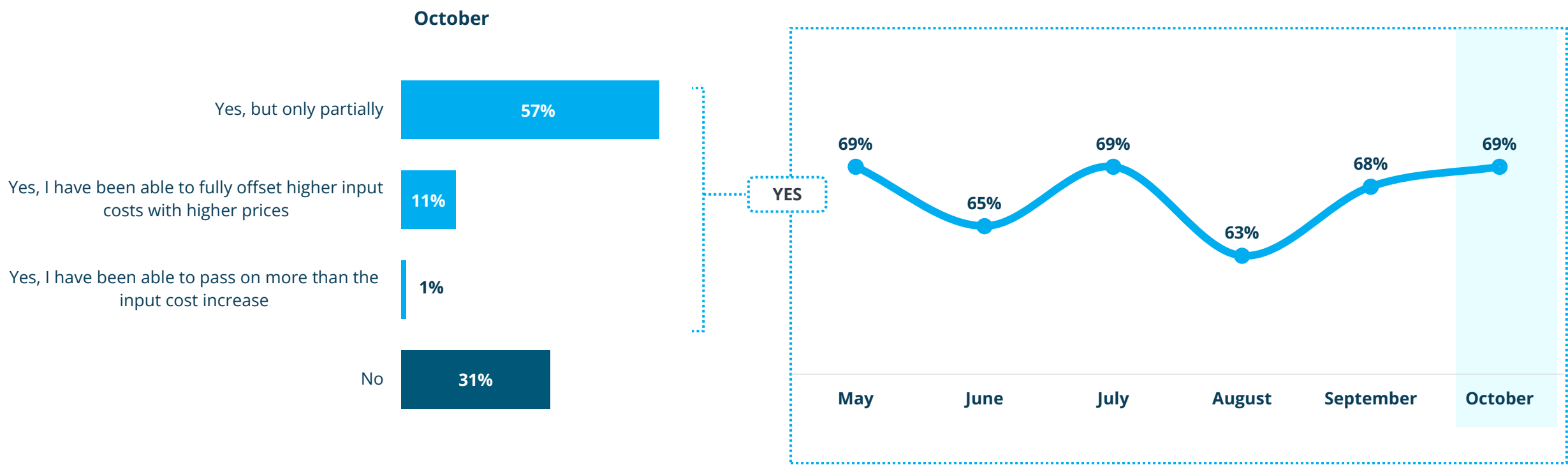
How Is Your Business Responding To The Challenges Posed By Ongoing Inflation And Increasing Costs

+5% highlighted from previous month

	October	June	July	August	September	October
Enhancing efficiency by streamlining business operations.	24%	29%	29%	24%	29%	24%
Discontinuing products/services that are not profitable.	24%	26%	27%	27%	24%	24%
Renegotiating supplier contracts or seeking new supply sources.	23%	22%	17%	26%	21%	23%
Reassessing current projects and significant investments for viability and impact.	19%	20%	18%	23%	22%	19%
Maximising staff productivity through better training and optimisation.	16%	19%	19%	20%	17%	16%
Adopting new technologies for increased automation and operational efficiency.	15%	16%	15%	16%	16%	15%
Expanding the range of products/services to generate new revenue streams.	14%	22%	19%	23%	24%	14%
Delegating non-essential functions to external providers.	14%	8%	8%	10%	10%	14%
Refining inventory management practices for better efficiency.	12%	9%	16%	14%	14%	12%
Implementing workforce reductions, such as layoffs or hiring freezes.	9%	9%	14%	12%	13%	9%
Shifting towards the use of renewable energy sources.	8%	9%	8%	10%	10%	8%
Undertaking debt restructuring to reduce financial burdens.	8%	11%	11%	12%	11%	8%
Consulting banks and/or financial counsellors about financial hardship.	6%	6%	6%	9%	10%	6%

A greater number of SMEs (69%) successfully passed on costs to customers over the past month.

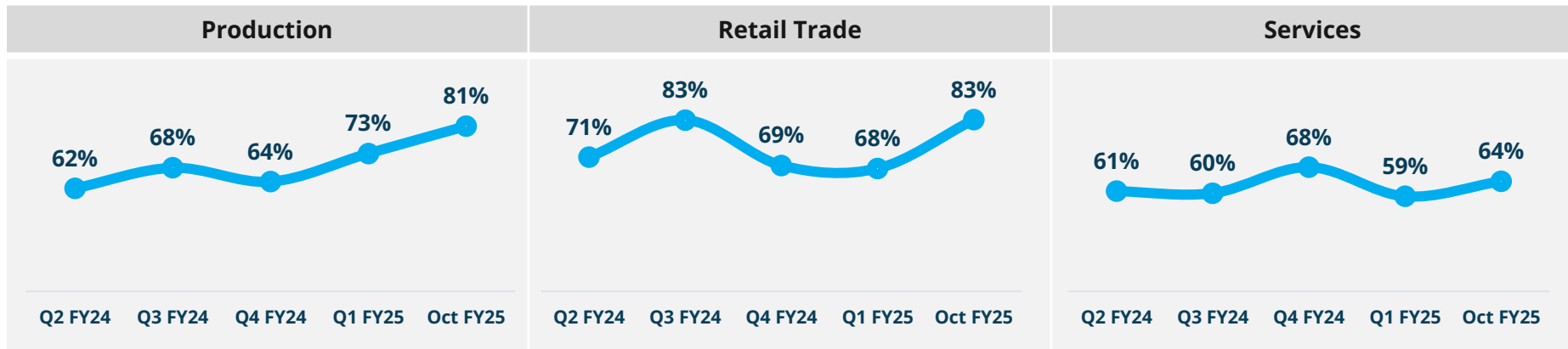
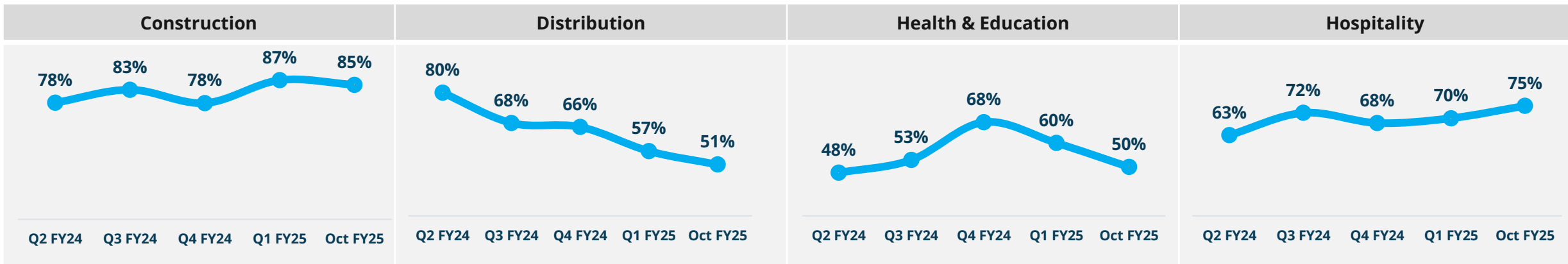
Have You Been Able To Pass On Higher Input Costs To Your Customers?



Key Performance Indicators | Cost Recovery

The distribution sector continues to struggle with passing on higher input costs, which is having a significant impact on profit margins in this historically low-margin industry.

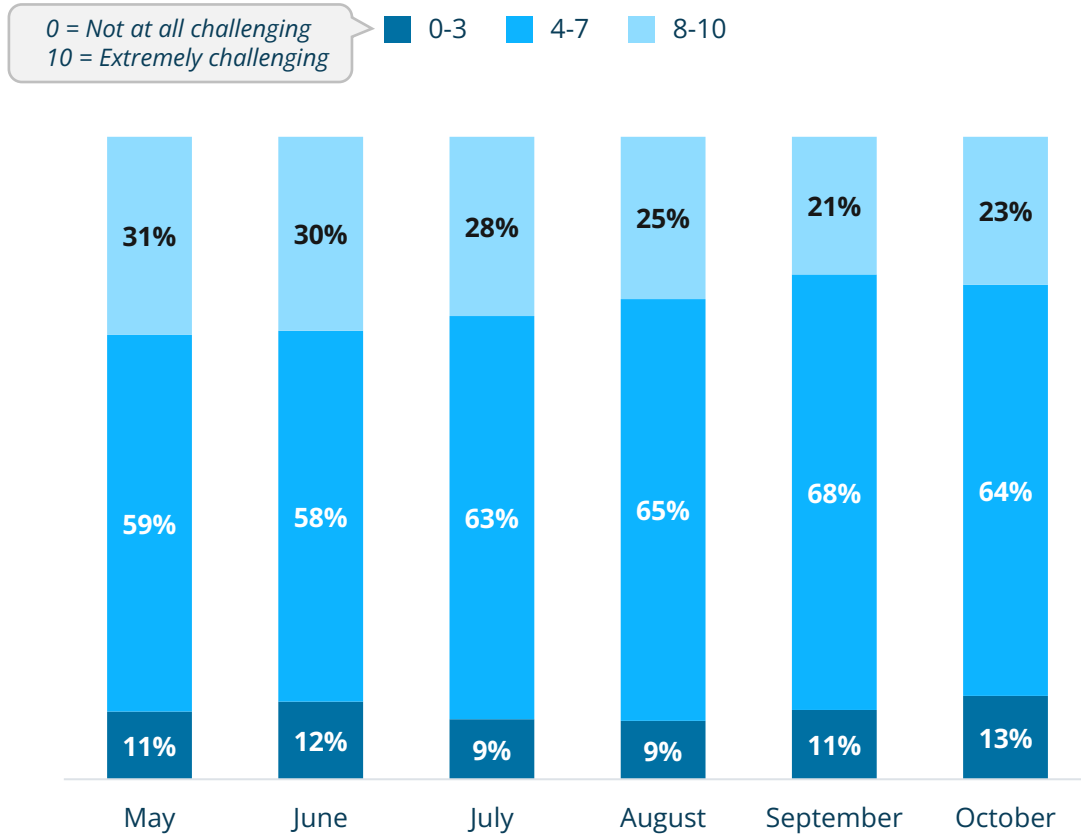
Have You Been Able To Pass On Higher Input Costs To Your Customers? (Yes)



Key Performance Indicators | Financial Hardship

The proportion of SMEs facing financial challenges has risen in October, in line with declining revenue and profit data. Increased competition and poor strategic decisions are becoming more significant drivers of these financial difficulties.

How Would You Rate The Severity Of Your Financial Challenges Over The Past 12 Months?



What Impact Have The Following Issues Had On The Financial Health Of Your Business Over The Past 12m?

Medium/High Impact
+5% highlighted from previous month

	July	August	September	October
Increased operational and supplier costs	65%	64%	68%	68%
Weak economic conditions	65%	68%	64%	68%
Increased competition	50%	50%	54%	58%
Reduced customer demand	59%	54%	58%	55%
Personal issues	46%	45%	51%	51%
Poor cashflow management	38%	37%	40%	39%
Inability to access suitable staff or the loss of key employees	36%	37%	43%	38%
High levels of debt leading and/or tax liabilities	40%	40%	44%	37%
Poor strategic decisions, inadequate planning, or ineffective management	29%	30%	32%	36%
Inability to keep up with technological change digital disruption	34%	34%	38%	35%



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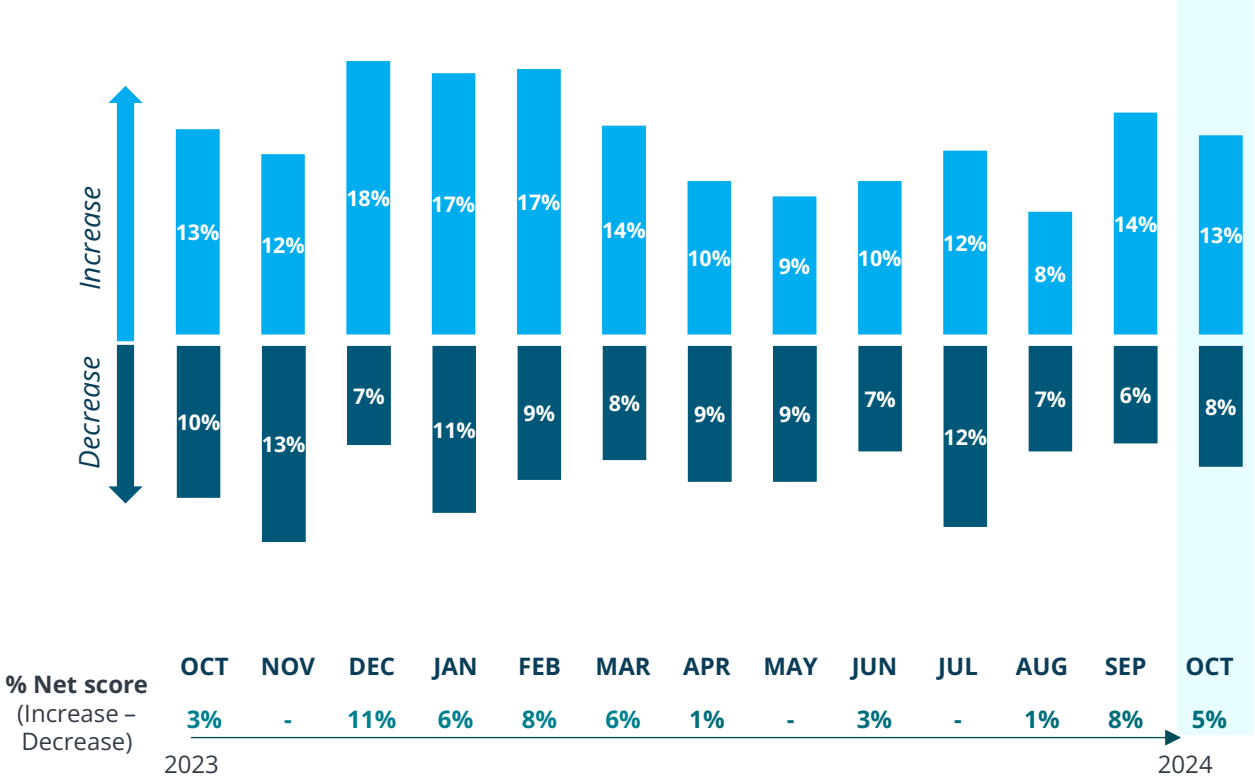
**Methodology &
Sample**

Key Performance Indicators | People

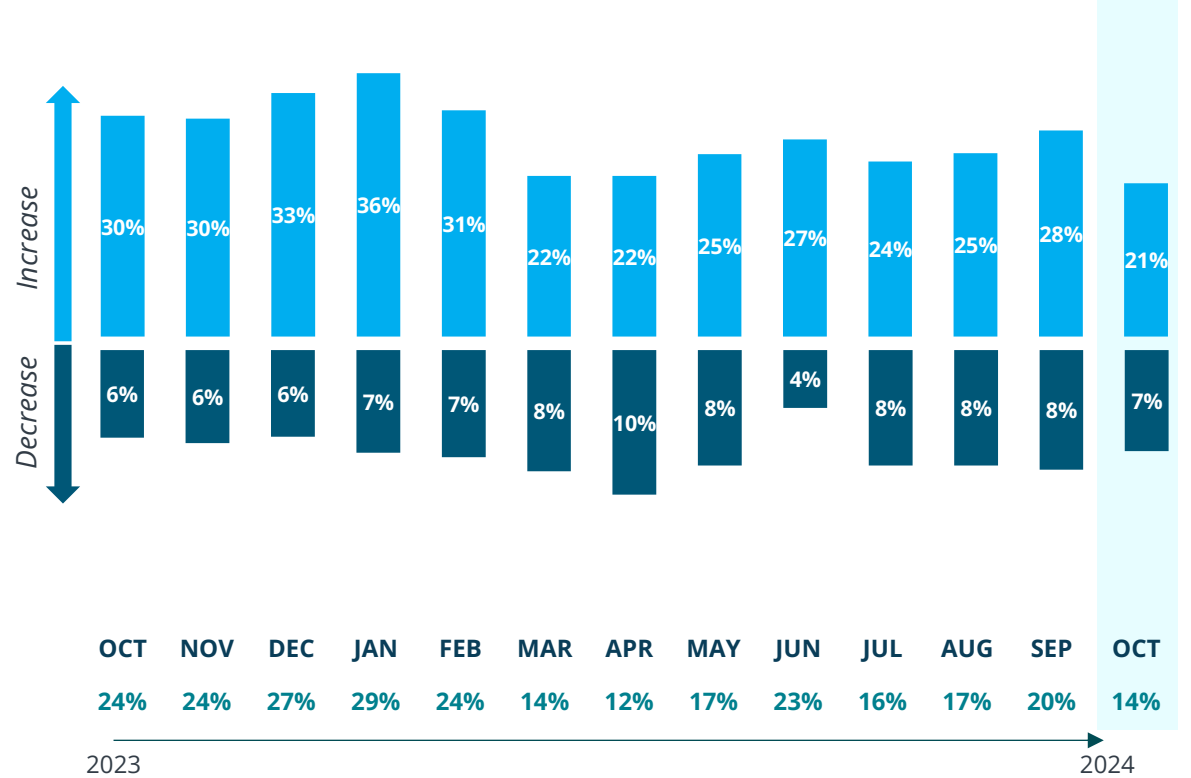
After last month's spike, expectations for employee growth over the next three months have slightly declined. Notably, anticipated wage growth for the upcoming quarter is at its lowest point in the past 12 months.

Expectations Over The Next 3 Months Regarding Staff

The Number Of Staff You Employ



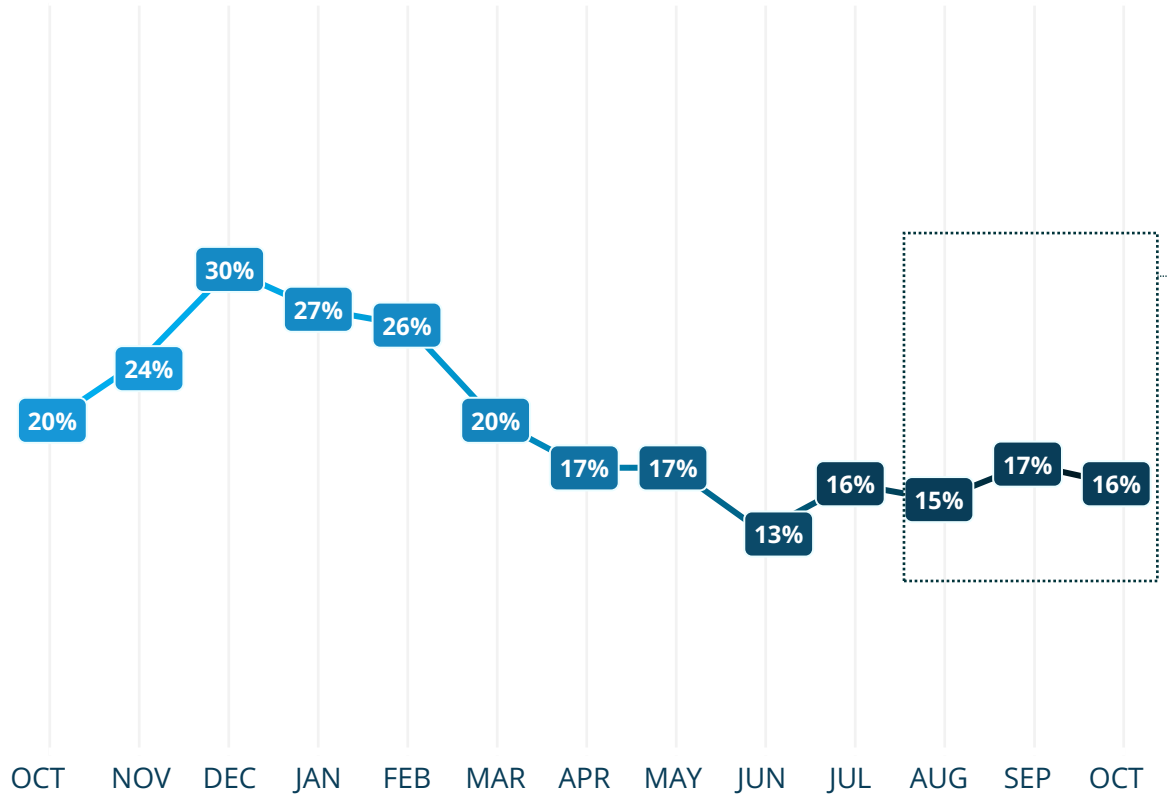
The Wages You Pay



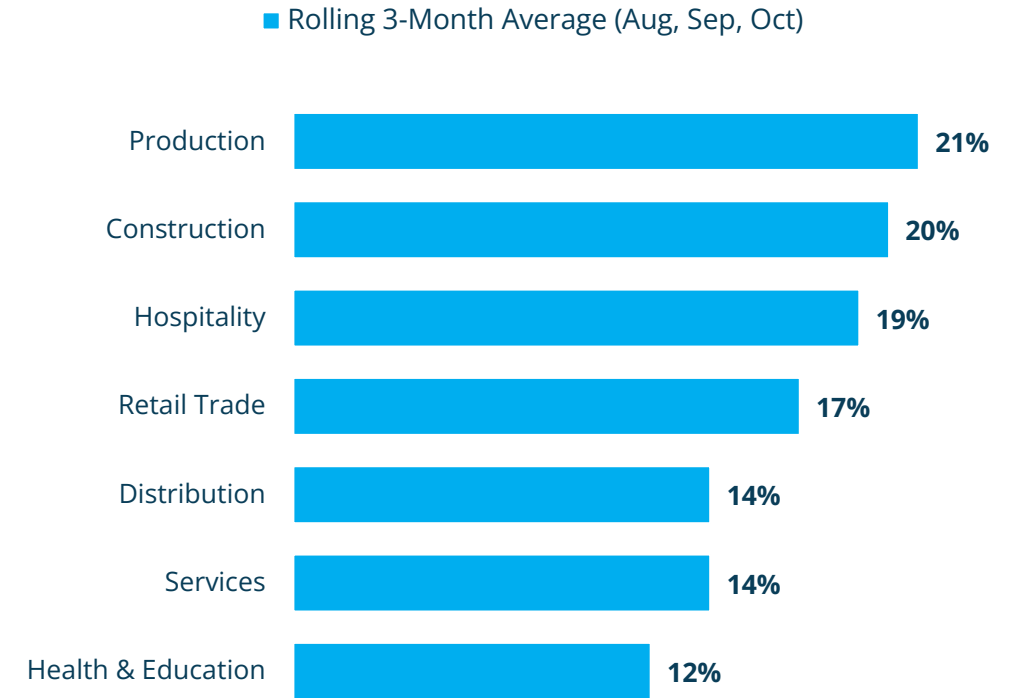
Key Performance Indicators | People

The proportion of SMEs currently trying to fill job roles remains steady, with the production sector being the most active over the past three months.

SMEs That Currently Have Job Roles They Are Trying To Fill



Current Job Vacancies By Industry



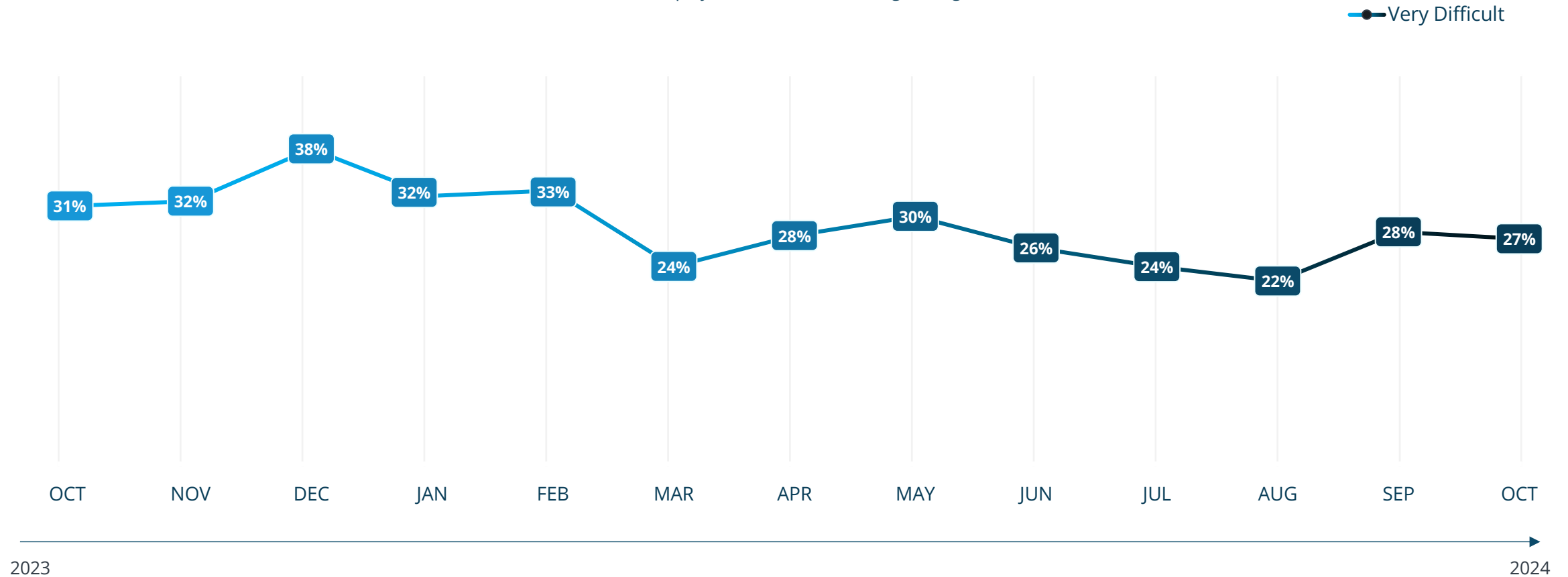
2023 → 2024

Key Performance Indicators | People

Recruitment is noticeably easier compared to the same period in 2023, though over a quarter of businesses currently recruiting are still finding the process very challenging.

How Difficult Is It To Fill These Roles?

Data displayed as a 3-month rolling average



Key Performance Indicators | People

Challenges such as the lack of skilled candidates, wage demands, and competition from other SMEs have lessened. However, a spike in candidates unwilling to work the required hours has emerged, indicating that businesses in production, construction, and hospitality may continue to struggle to attract the necessary team members.

Why Is It Difficult To Fill These Roles?

3-month rolling average (Aug, Sep, Oct)

		Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Oct FY25
Lack of skilled/qualified candidates	61%	58%	58%	56%	59%	48%
Wage demands too high	41%	45%	37%	39%	41%	36%
Not enough candidates are applying	40%	38%	37%	35%	42%	37%
Candidates are not willing to work the hours required	27%	33%	32%	38%	22%	39%
Too much competition from other businesses	24%	25%	26%	26%	28%	17%
Lack of backpackers/migrant workers	10%	18%	11%	6%	9%	10%



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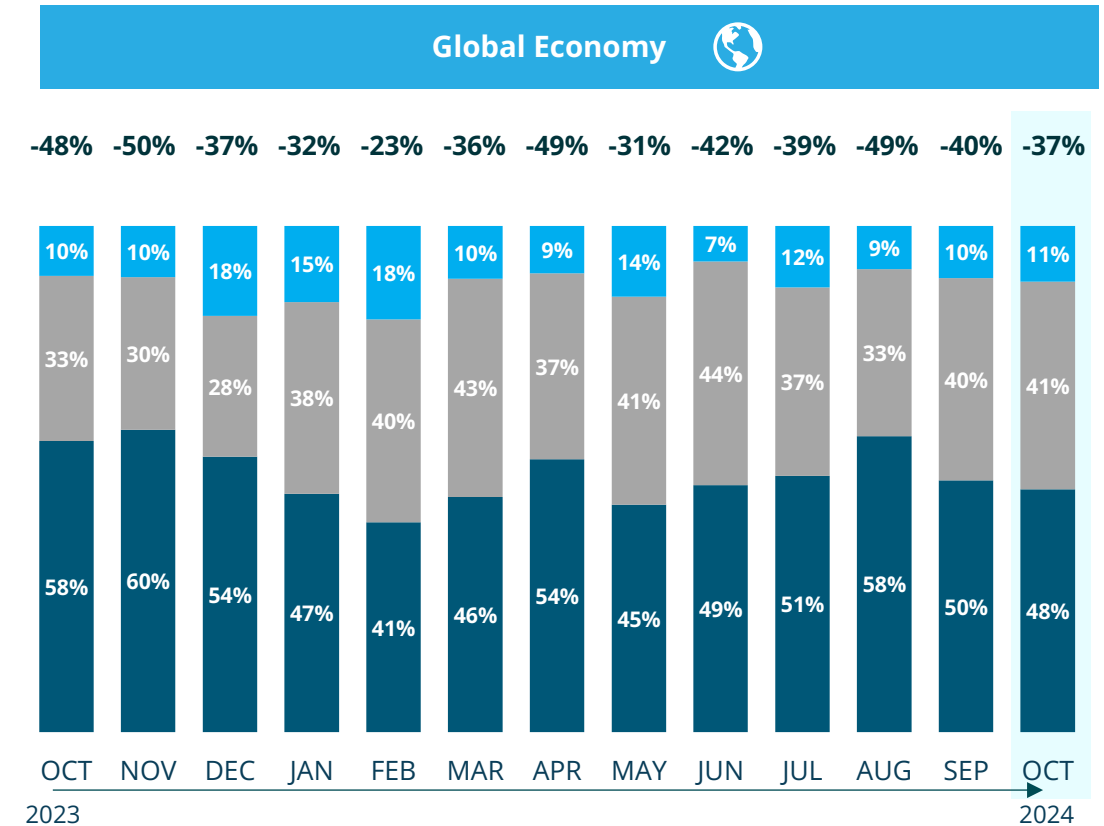
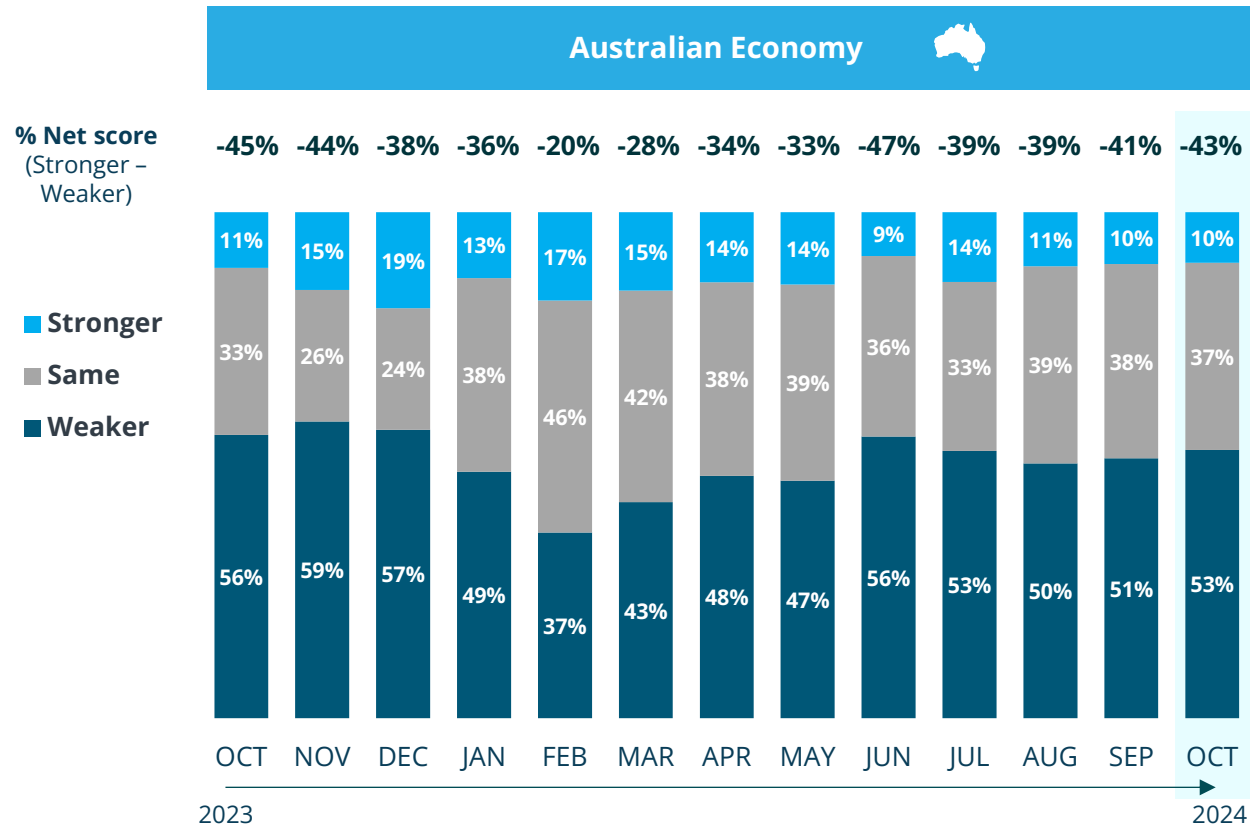
05

Methodology & Sample

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

Expectations for the Australian economy continue to decline, but SMEs are showing increased confidence in the global economy as interest rates in many developed countries ease.

Expectations Over The Next 3 Months Regarding Economic Conditions



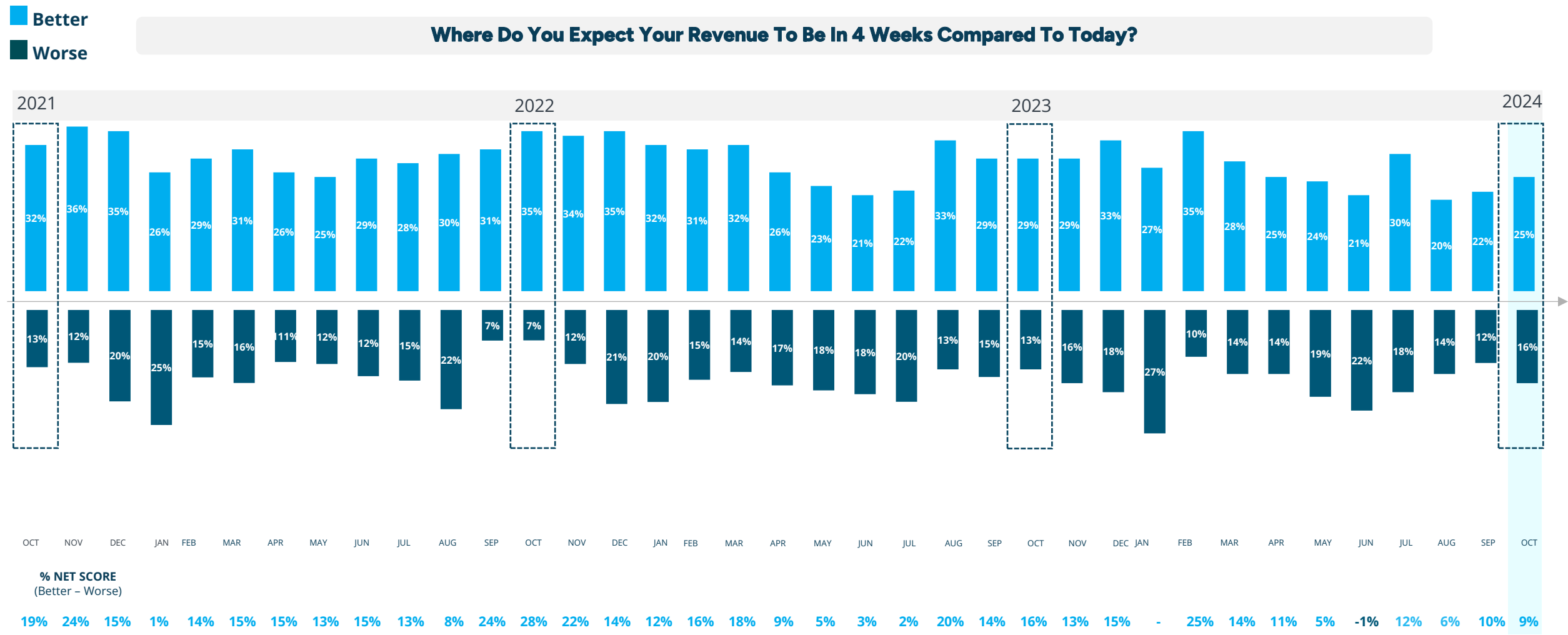
The difficult economic outlook and ongoing cost pressures remains to be the key concern for SMEs.

Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business In 2024?

	October	May	June	July	August	September	October
Addressing the difficult economic outlook and ongoing cost pressures.	46%	45%	53%	50%	50%	43%	46%
Keeping pace with changing customer behaviours and preferences.	33%	32%	40%	36%	37%	40%	33%
Strengthening defences against cyber threats and ensuring data privacy.	19%	19%	23%	19%	24%	22%	19%
Acquiring, training, and upskilling talent in a competitive market.	17%	20%	18%	15%	19%	14%	17%
Managing the continuous adoption of new technologies and digital transformation processes.	17%	21%	19%	22%	19%	18%	17%
Navigating regulatory, compliance, and governance challenges.	16%	21%	20%	21%	24%	25%	16%
Overcoming difficulties in securing necessary financing.	16%	15%	14%	15%	16%	15%	16%
Identifying and implementing measures to boost workforce efficiency and productivity.	15%	20%	16%	16%	22%	24%	15%
Strengthening supply chain operations for improved efficiency and resilience.	14%	15%	15%	15%	15%	19%	14%
Managing risks and uncertainties in the geopolitical landscape.	11%	19%	14%	15%	20%	15%	11%
Implementing strategies to address sustainability issues and climate change impacts.	9%	12%	11%	9%	11%	8%	9%
Prioritising investment in research and development to drive innovation.	6%	8%	7%	8%	7%	8%	6%

Business Sentiment | Revenue Expectations (Next Four Weeks)

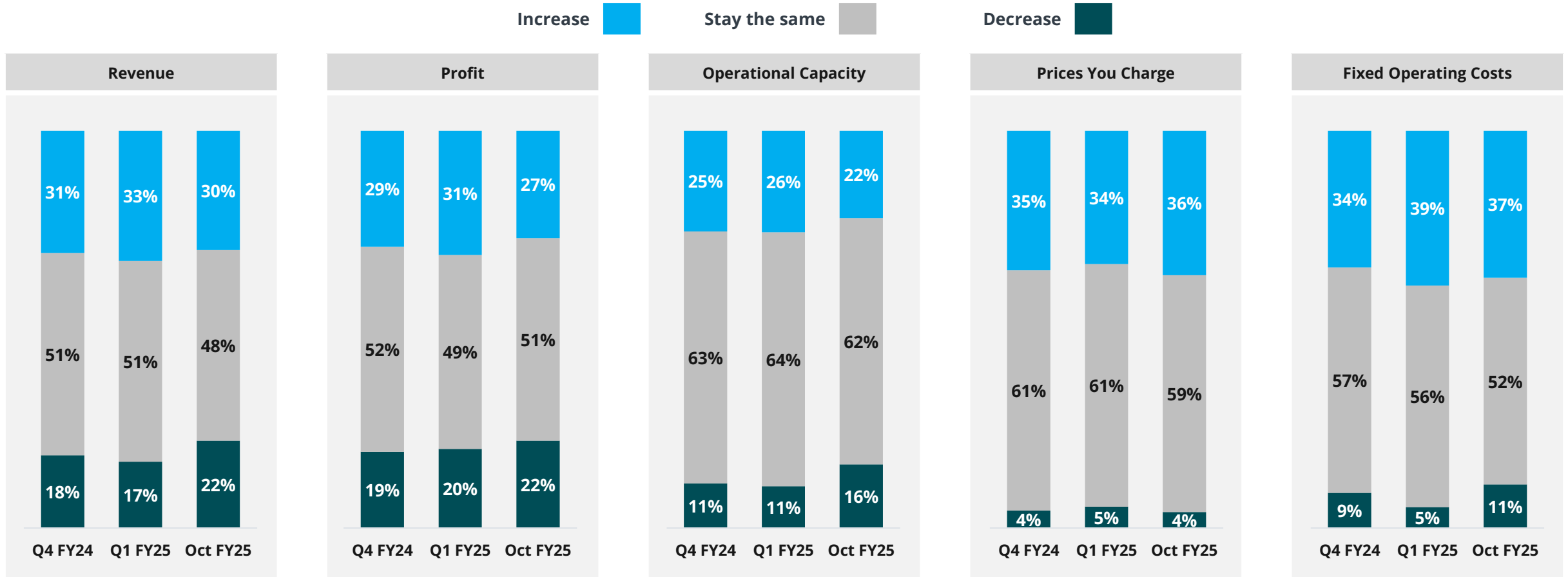
Short-term revenue expectations are consistent with last month, but the October figures represent the weakest results for this period in the past three years.



Business Sentiment | Expectations (Next 3 Months)

Noticeable decline in expectations regarding operational capacity over the next 3 months.

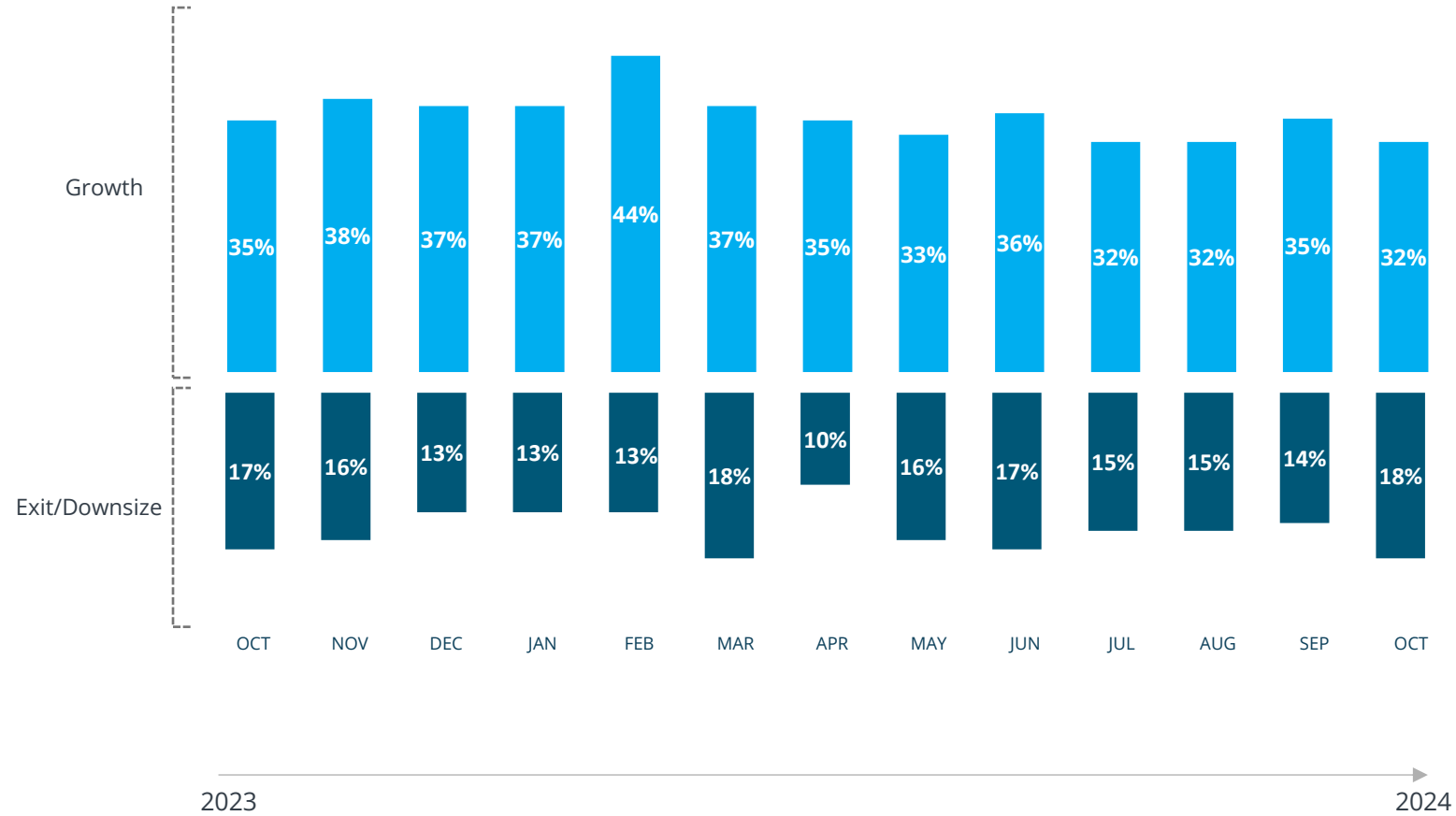
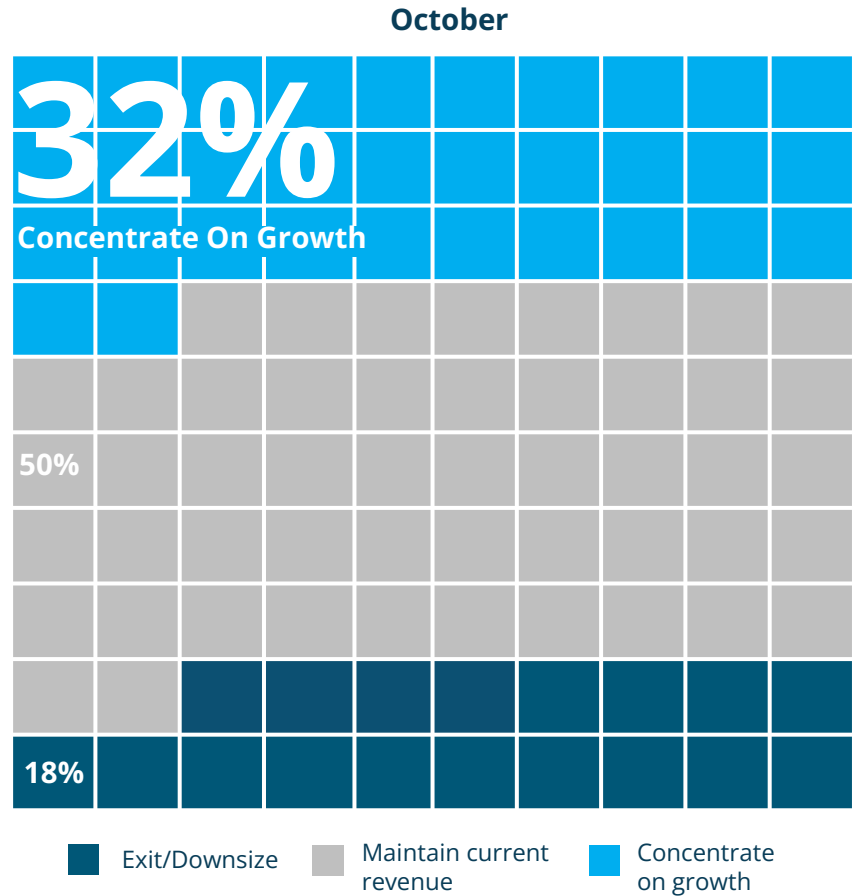
What Are Your Expectations For The Next 3 Months On These Key Indicators?



Business Sentiment | Growth Expectations (Next 12 months)

One in three (32%) are concentrating on growth over the next 12 months, but the percentage of SMEs looking to exit/downsize has increased to 18%.

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



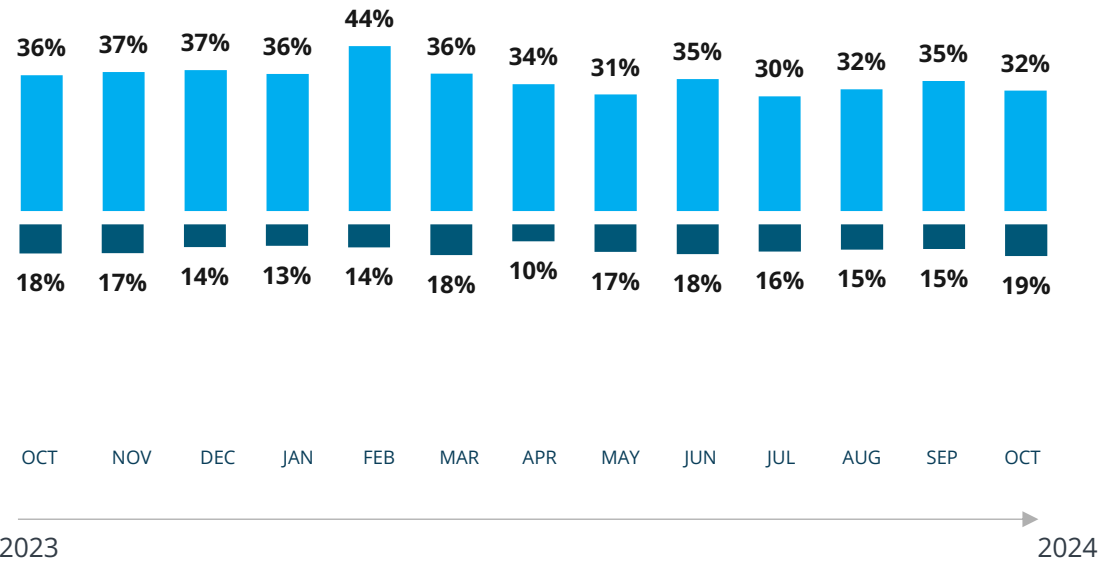
Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations have declined this month across both small (0-19 employees) and medium (20+ employees) cohorts, with sentiment among medium-sized businesses continuing to fluctuate significantly.

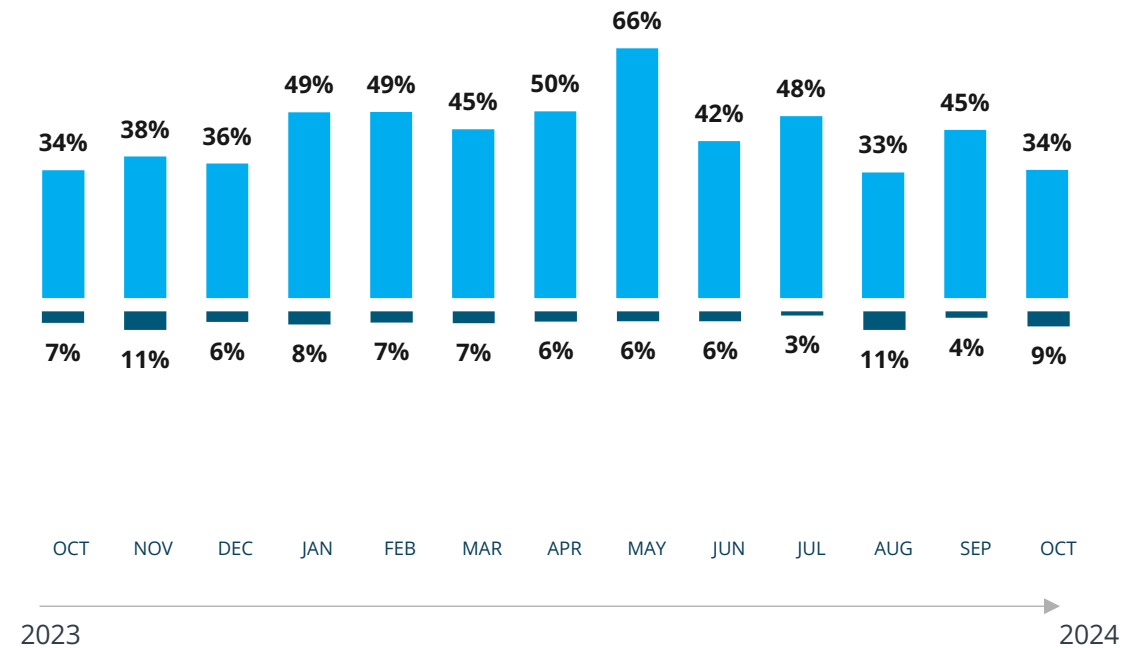
Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

Exit/Downsize Concentrate on growth

0-19 Employees



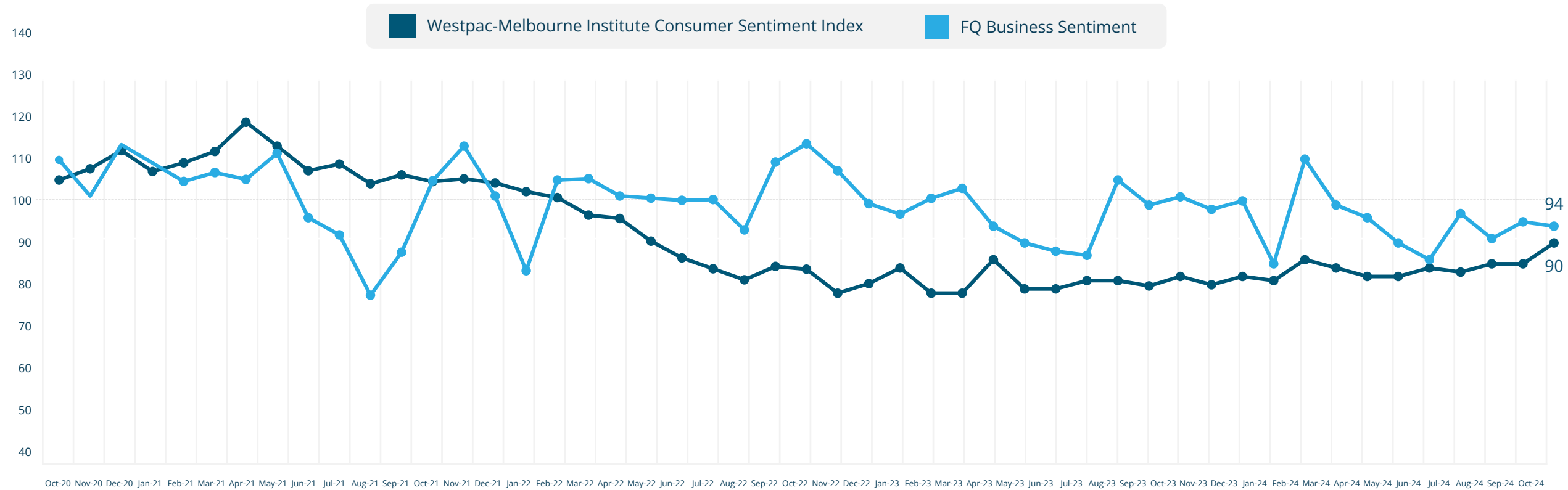
20+ Employees



Business Sentiment | Sentiment 2020-2023

The consumer and business sentiment trend lines are once again converging, with business sentiment at 94 and consumer sentiment rising to 90.

Business And Consumer Sentiment

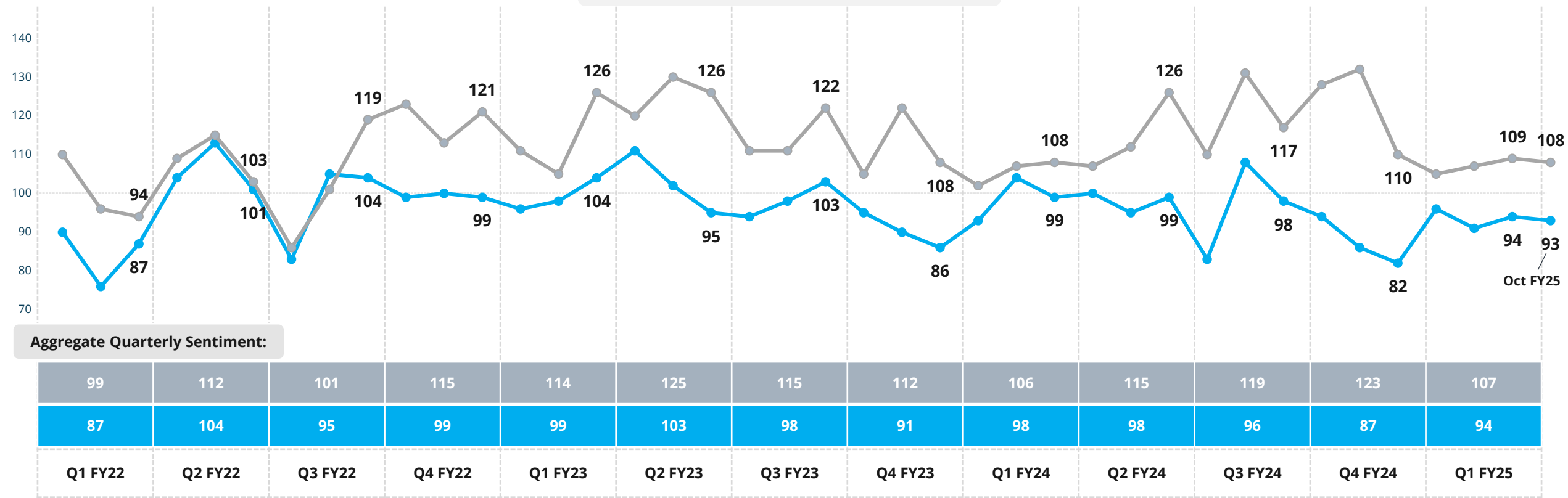


Business Sentiment | Sentiment 2022-2025

In the last quarter, sentiment for both small (0-19 employees) and medium-sized (20+ employees) businesses has shown modest improvement, with October data holding steady across both cohorts.

Business Sentiment

0-19 Employees 20+ Employees





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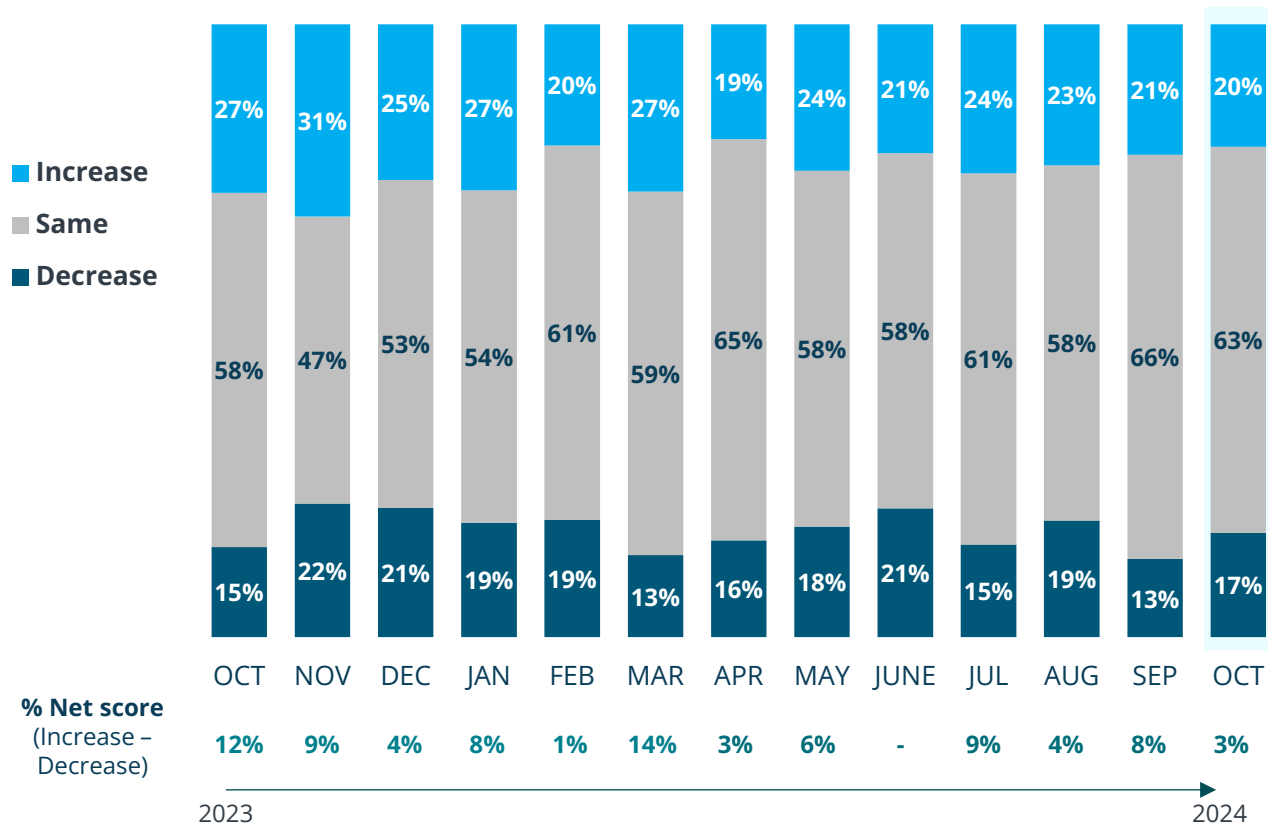
**Methodology &
Sample**

Business Investment | Next Three Months

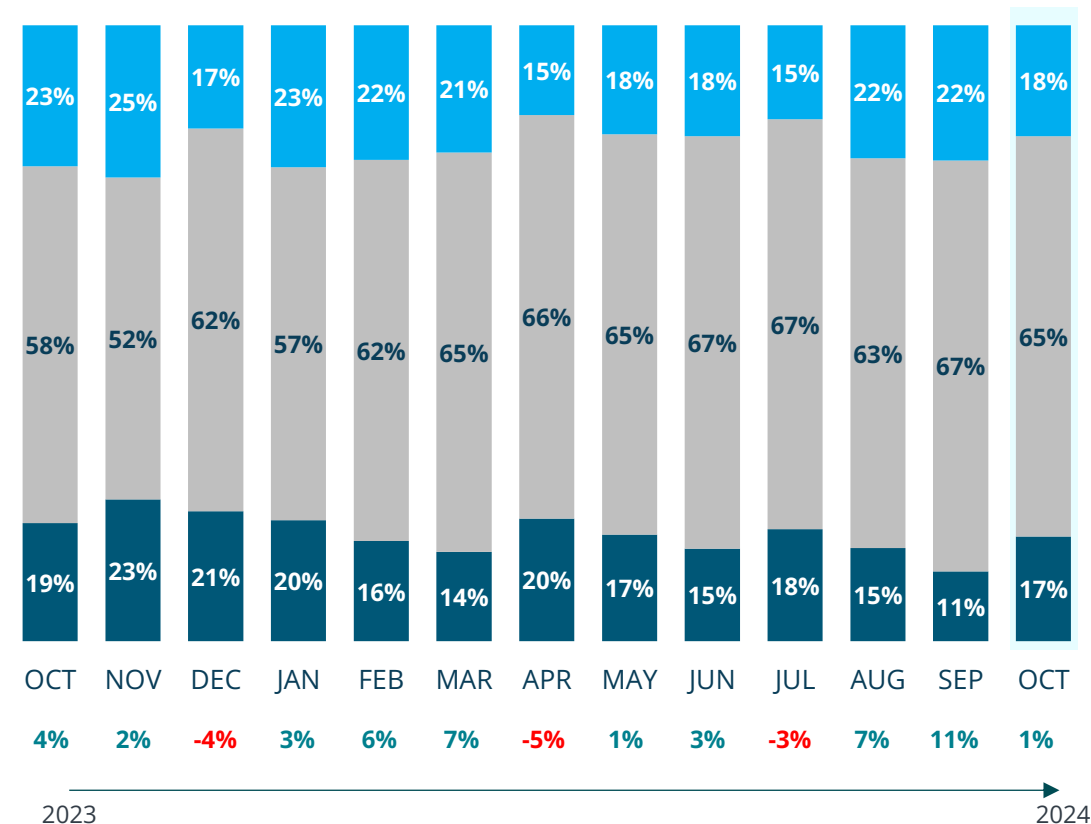
Capital investment over the next 3 months continues to trend down and marketing intentions have also dipped after stronger data in August & September.

Expectations Over The Next 3 Months Regarding Business Investment

Business Spending/ Capital Investment



Marketing Spend



As a result, business investment in most equipment categories remains relatively weak.

Which Of The Following Will You Purchase For Your Business Over The Next 3 Months?

October

■ Probably will ■ Definitely will

		Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Oct FY25
IT / Office equipment, including hardware & software	37% 5% 42%	44%	44%	46%	43%	45%	42%
Equipment, machinery or plant	16% 2% 18%	18%	23%	26%	20%	24%	18%
Passenger vehicle(s) including SUVs	13% 3% 16%	13%	17%	16%	15%	15%	16%
Light commercial vehicle(s) including utes, vans, and minibuses	11% 1% 11%	13%	16%	15%	15%	14%	11%
Truck(s) less than 4.5 tonnes	9% 2% 11%	8%	11%	10%	10%	9%	11%
Electric vehicle(s), including Hybrid	8% 3% 11%	12%	14%	14%	12%	11%	11%
Commercial real estate including buildings or land	8% 2% 11%	7%	11%	12%	10%	12%	11%
Agricultural, construction or earthmoving vehicle(s)/equipment	7% 1% 8%	8%	11%	10%	10%	10%	8%
Truck(s) more than 4.5 tonnes	6% 1% 7%	7%	11%	10%	8%	6%	7%
Medium and large bus(es)	6% 0% 6%	5%	8%	9%	8%	6%	6%

Medium-sized businesses are showing increased demand for passenger vehicles over the next three months, while demand for smaller trucks (under 4.5 tonnes) has risen among small businesses.

Which Of The Following Will You Purchase For Your Business Over The Next 3 Months?

Highest in row highlighted

IT / Office equipment, including hardware & software
Equipment, machinery or plant
Passenger vehicle(s) including SUVs
Light commercial vehicle(s) including utes, vans, and minibuses
Commercial real estate including buildings or land
Electric vehicle(s), including Hybrid
Agricultural, construction or earthmoving vehicle(s)/equipment
Truck(s) less than 4.5 tonnes
Truck(s) more than 4.5 tonnes
Medium and large bus(es) with more than 12 seats

0-19 Employees

Jul	Aug	Sep	Q1 FY25	Oct 2025
47%	40%	43%	43%	40%
24%	20%	23%	22%	16%
14%	13%	15%	14%	13%
12%	13%	12%	12%	9%
10%	8%	12%	10%	9%
9%	9%	10%	10%	9%
6%	9%	10%	8%	7%
8%	5%	8%	7%	10%
6%	5%	4%	5%	5%
5%	4%	4%	4%	5%

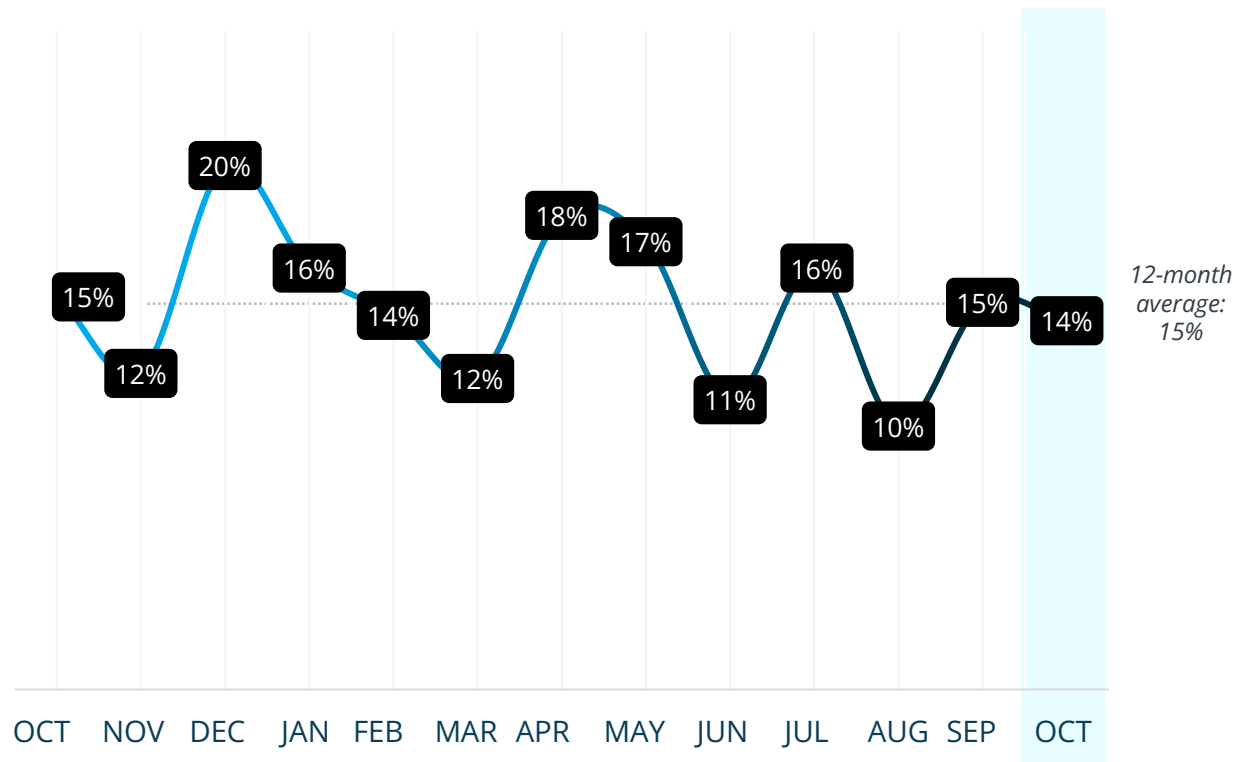
20+ Employees

Jul	Aug	Sep	Q1 FY25	Oct 2025
75%	68%	71%	71%	70%
48%	32%	46%	42%	44%
30%	36%	38%	35%	44%
31%	26%	39%	32%	37%
31%	30%	35%	32%	32%
29%	30%	36%	31%	36%
26%	24%	36%	28%	27%
26%	23%	29%	26%	25%
19%	21%	29%	23%	27%
23%	20%	29%	24%	27%

Business Investment | Finance Needs (Next 3 months)

Demand for additional finance remained steady in October, consistent with the levels reported 12 months ago.

SMEs That Will Require Additional Finance Over The Next 3 Months



And What Is The Purpose Of This Finance?

	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Oct FY25
Cashflow/ working capital	57%	50%	62%	61%	45%
Purchase plant, machinery or equipment	31%	25%	26%	23%	36%
Fund growth into new markets	25%	24%	25%	22%	17%
Fund growth in Australia	23%	29%	20%	16%	17%
Trade Finance to fund import/export activity	19%	17%	12%	13%	15%
Fund merger/acquisition	13%	10%	10%	14%	6%

Business Investment | Finance Needs (Next 3 months)

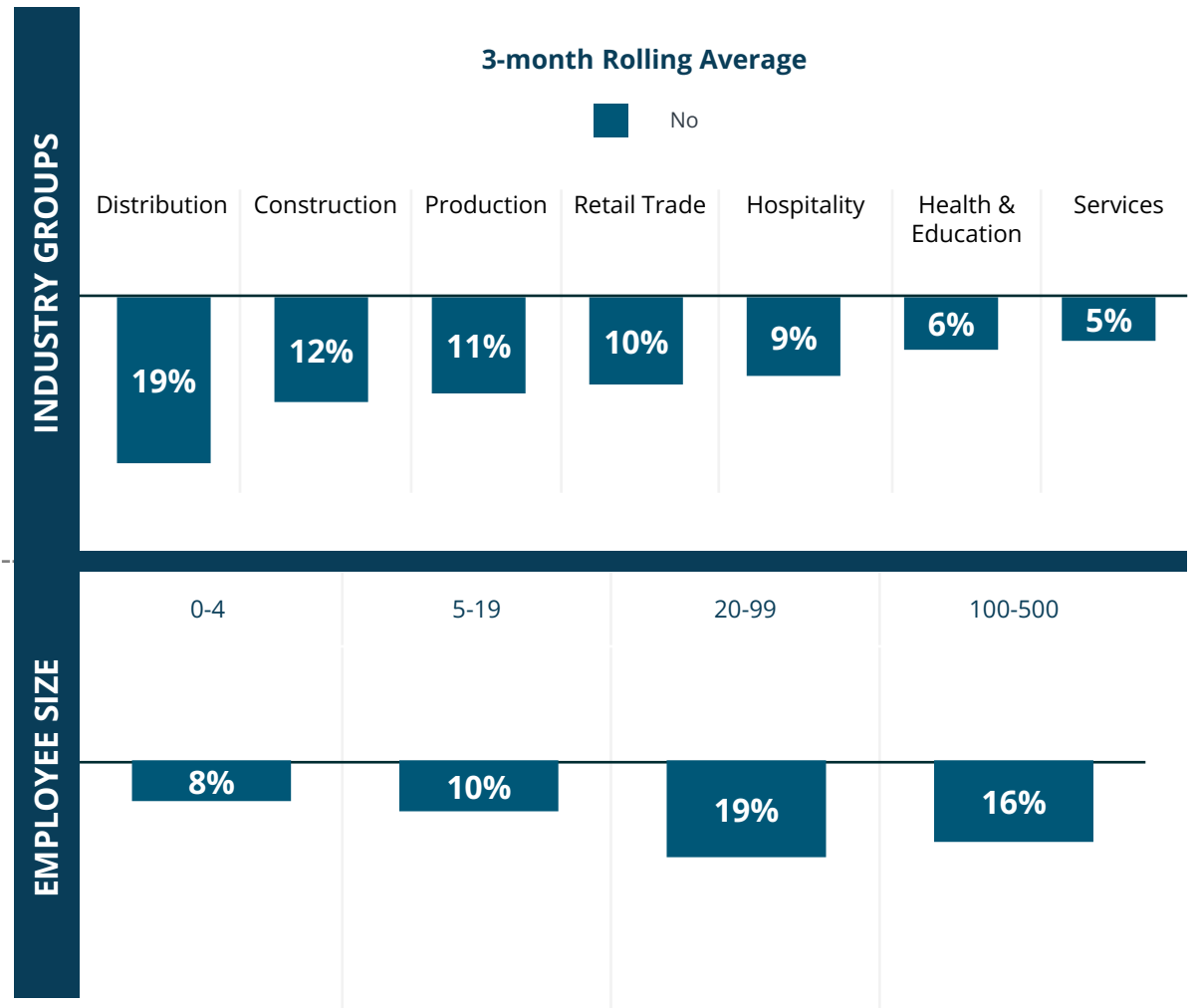
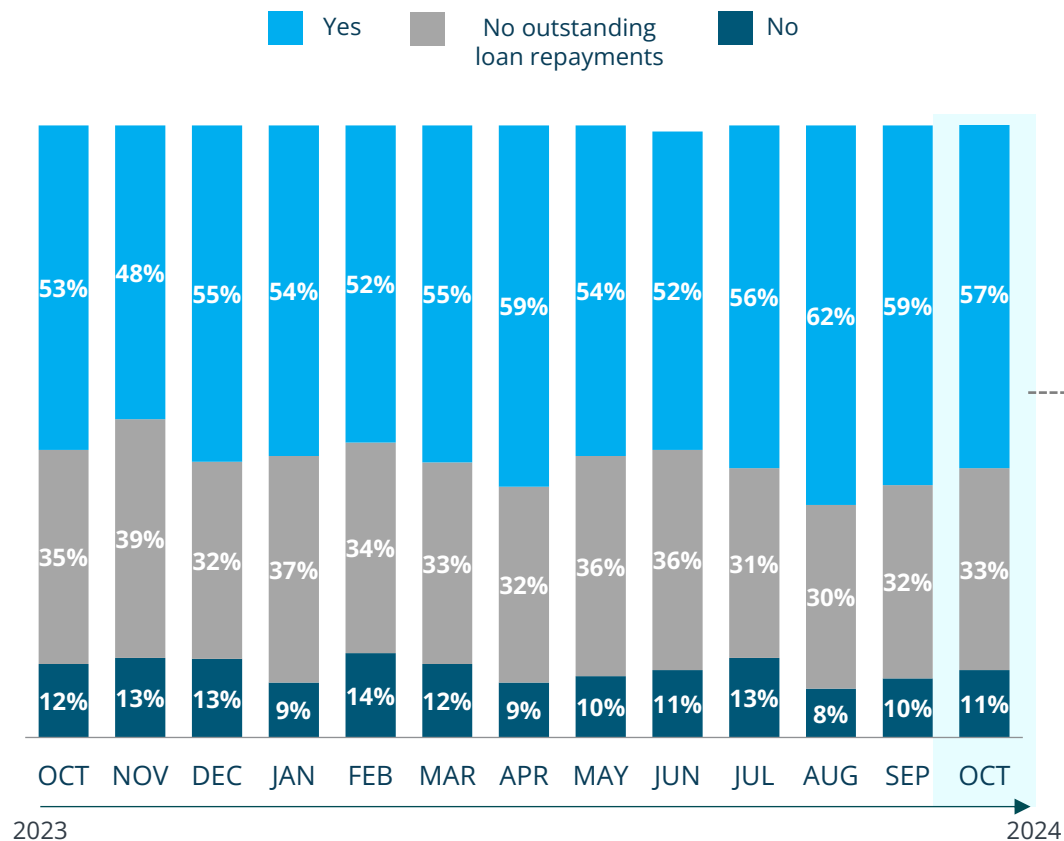
Demand for finance is strongest in the construction and hospitality sectors, but is trending downward among larger SMEs and those in the distribution, health, and education sectors.

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

	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Oct FY25
0-4	12%	11%	11%	11%	10%
5-19	22%	19%	20%	17%	19%
20-99	26%	27%	32%	28%	27%
100-500	32%	31%	46%	21%	19%
Construction	18%	13%	17%	14%	21%
Distribution	16%	19%	13%	19%	3%
Health & Education	21%	13%	17%	8%	7%
Hospitality	28%	27%	29%	14%	21%
Production	23%	17%	22%	16%	17%
Retail Trade	16%	8%	11%	9%	12%
Services	12%	12%	13%	13%	14%

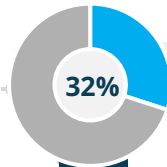
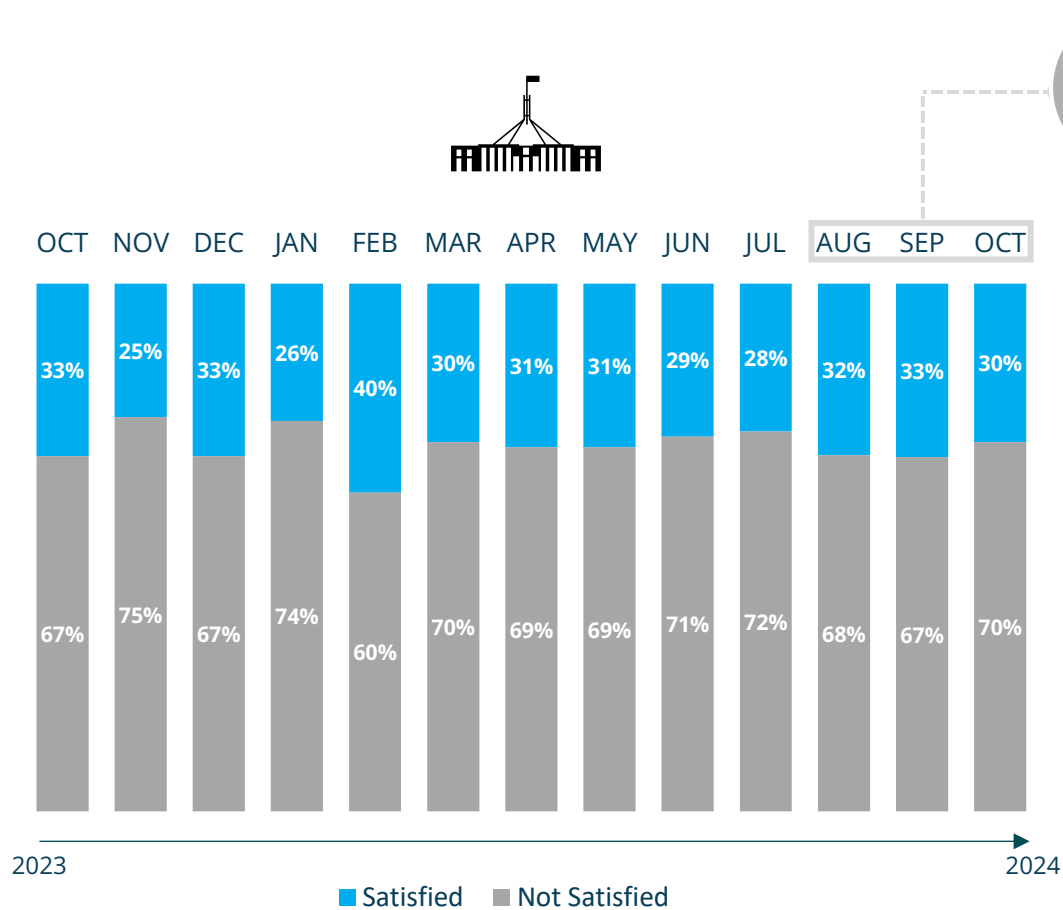
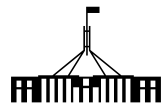
Loan stress continues to rise, with the distribution sector experiencing the most difficulty in meeting loan repayments over the next six months.

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



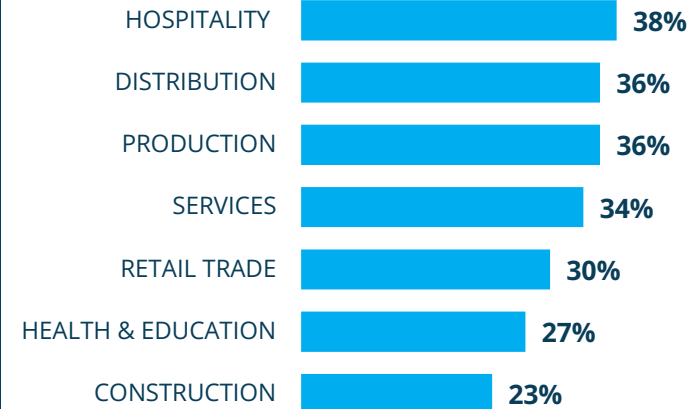
Satisfaction with the Federal Government dipped in October, likely a response to interest rates remaining on hold and the lack of confidence in economic conditions in Australia.

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

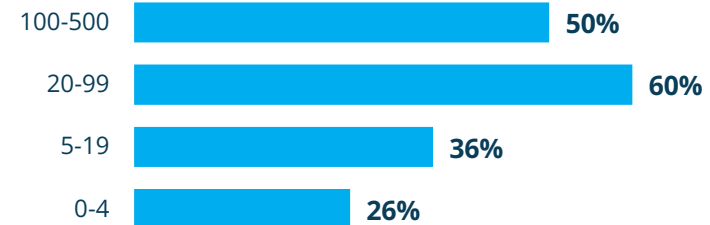


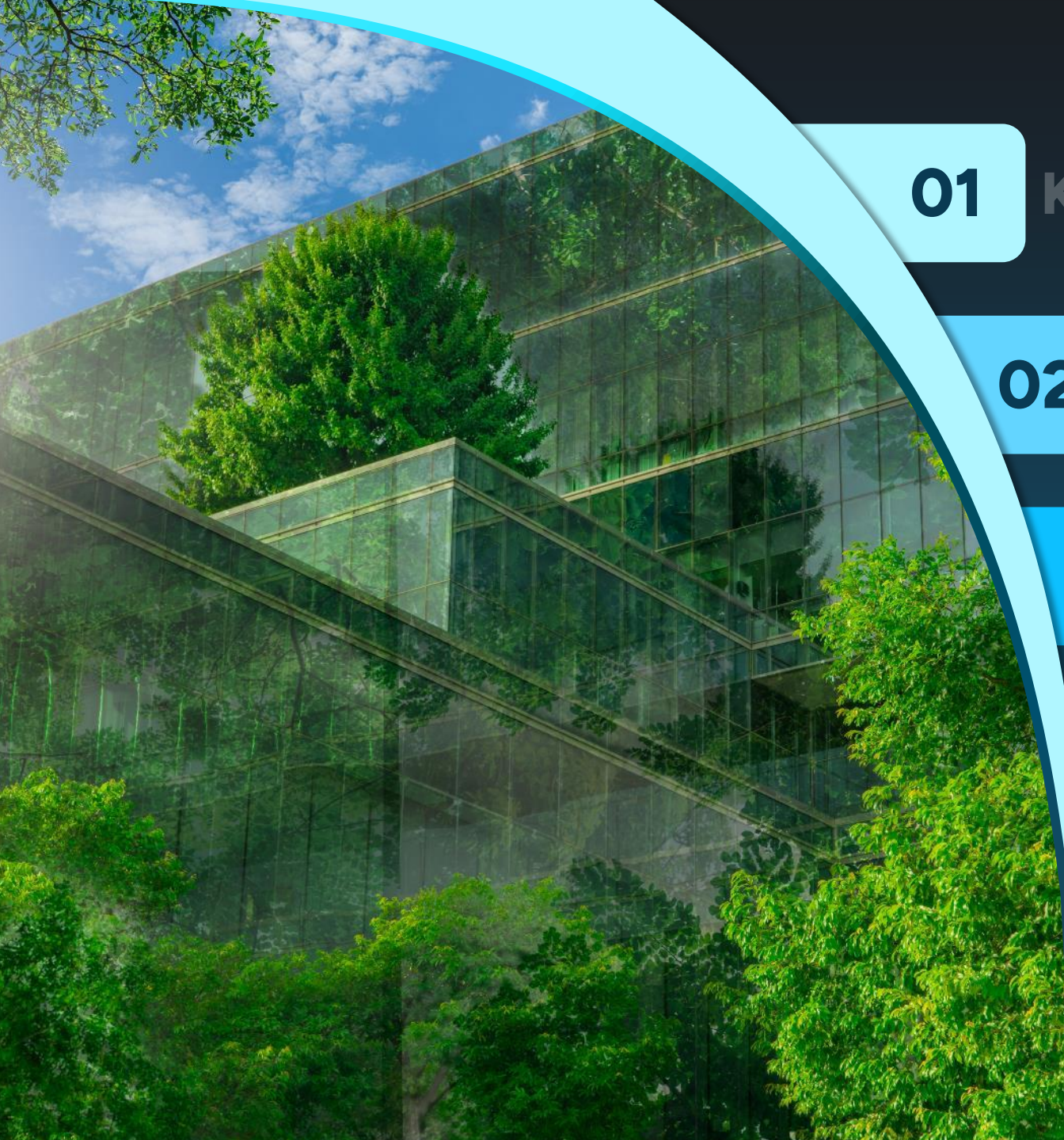
3-Month Rolling Average

INDUSTRY GROUPS



EMPLOYEE SIZE





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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

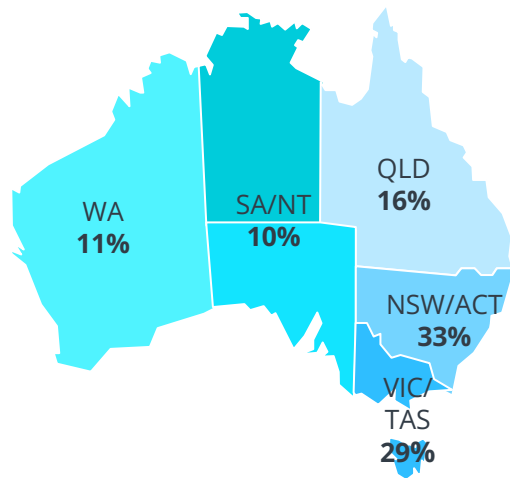


Data is **weighted** by industry, state and
number of employees to reflect the
national distribution of businesses across
the country

Our Sample

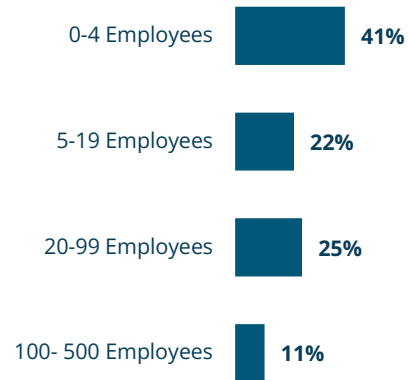
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

Head Office Location

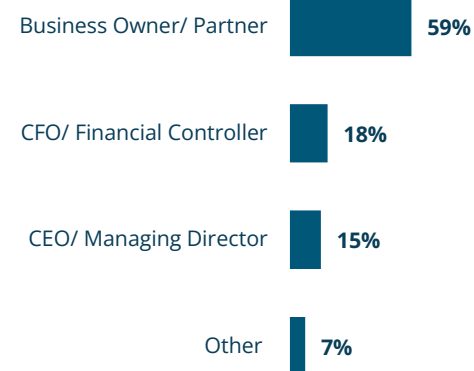


NOTE: CHARTS SHOW UNWEIGHTED DATA

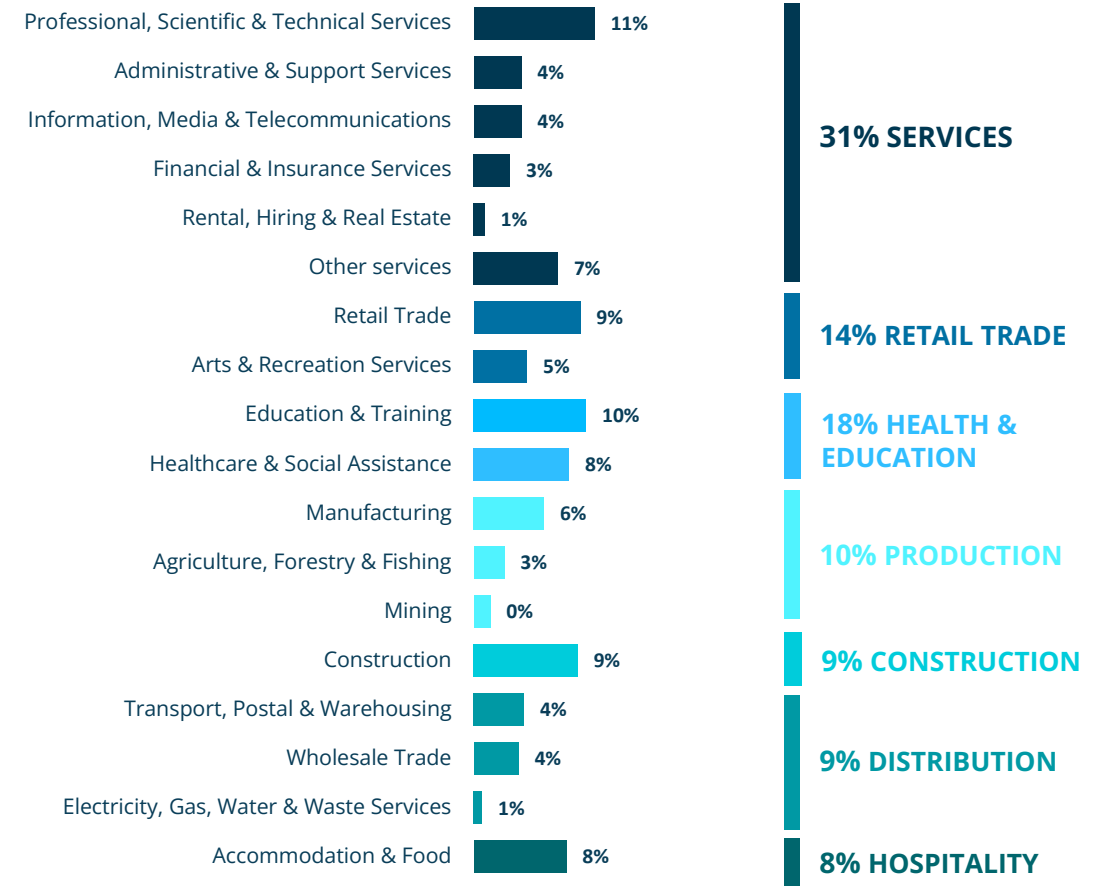
Size Of Business: Employees



Position In Business



Industry Sector



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