



# Small & Medium Enterprise Sentiment Tracker

Wave 70 – December 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.



## Positive Momentum Builds as SMEs Eye Growth in 2025



**28% of SMEs report higher revenues compared to 12 months earlier**



**Rising from 30% in August 2023, 37% of SMEs are now debt-free**



**38% of SMEs are growth focused for the next 12 months**



**47% of SMEs view the economic outlook as a major challenge for the next three months**

SMEs have shown resilience as they transition from a challenging 2024 to a more optimistic outlook for 2025. Despite ongoing cost pressures, 38% of SMEs are prioritising growth in the coming year, aligning with levels seen last December and surpassing other months in 2024.

Revenue and profitability trends have improved, with 28% of SMEs reporting higher revenues compared to 12 months ago and 58% achieving positive earnings. However, confidence in the Australian and global economies for the next three months remain subdued, reflecting continued caution amidst economic uncertainty.

Cost pressures remain a significant challenge, but SMEs are responding by streamlining product offerings, discontinuing unprofitable services, and refreshing their customer value propositions.

In December, financial challenges for SMEs slightly eased, with many key issues affecting financial health declining compared to the previous month. Debt management has improved, with the proportion of SMEs carrying no outstanding debt rising from 30% in August to 37% in December. However, the share of SMEs unable to meet debt obligations in the next six months has also increased to 12%.

Demand for finance has shifted, with funding for growth in new markets, trade finance, and M&A activities declining, while domestic growth remains a priority.

After navigating a challenging year, SMEs are entering 2025 with renewed optimism and determination with rising revenues, profit and growth expectations boosting confidence. While obstacles and economic uncertainty remain, SMEs are well-positioned to enjoy a more prosperous year ahead.





**01** Key Performance Indicators

**02** People

**03** Business Sentiment

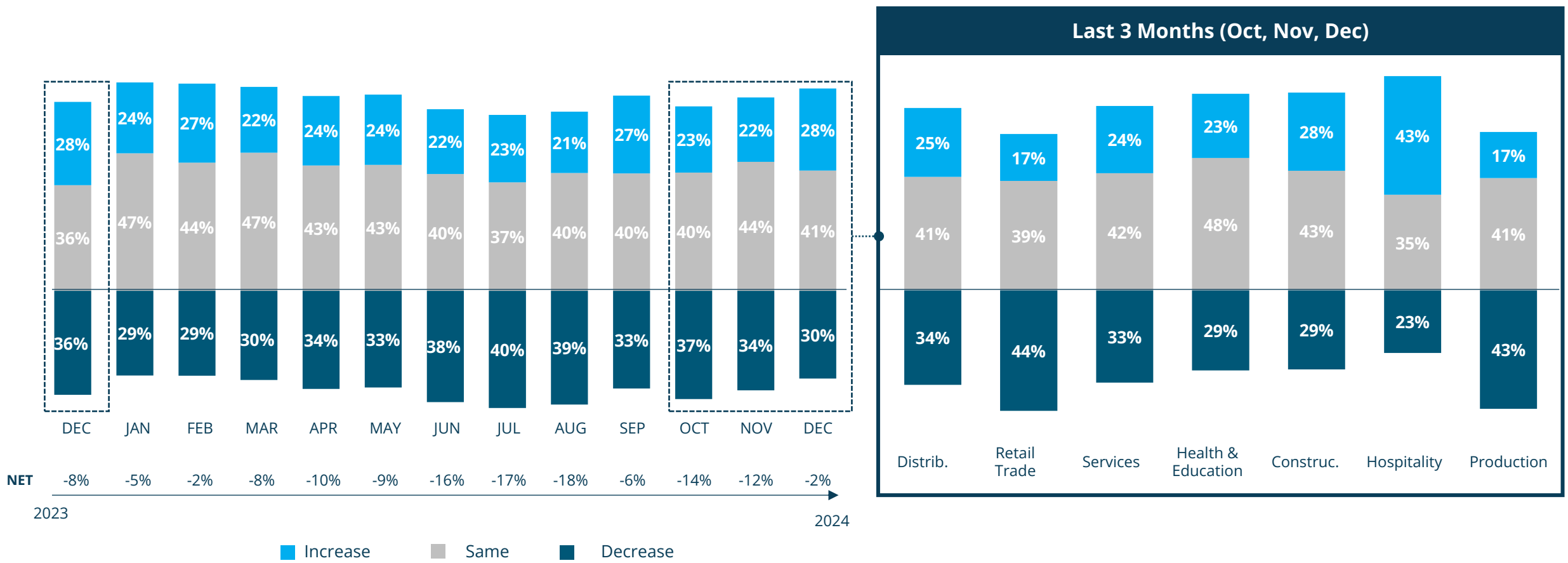
**04** Business Investment

**05** Methodology & Sample

# Key Performance Indicators | Revenue

SME revenue data shows continued improvement, with 28% reporting higher revenues compared to 12 months ago. This marks a more positive trend than seen over the past year, despite ongoing challenges in the Retail and Production sectors.

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

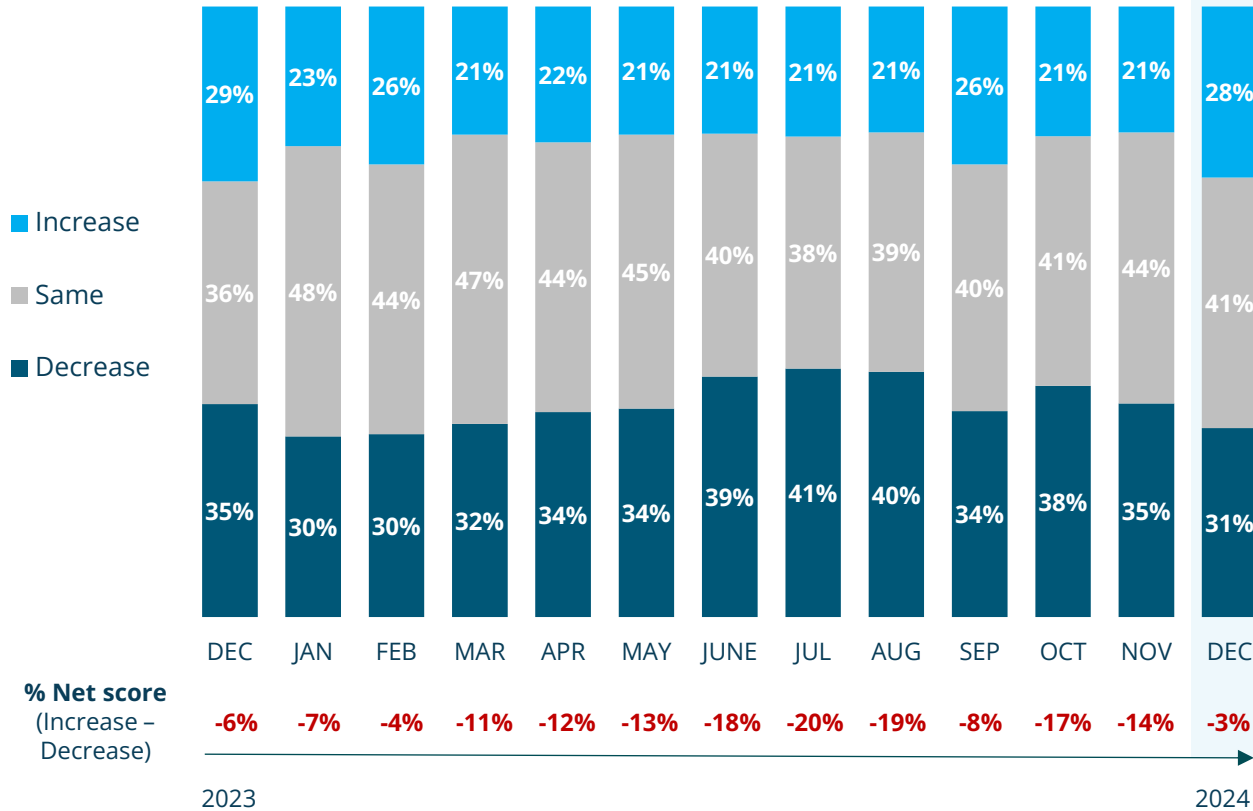


# Key Performance Indicators | Revenue

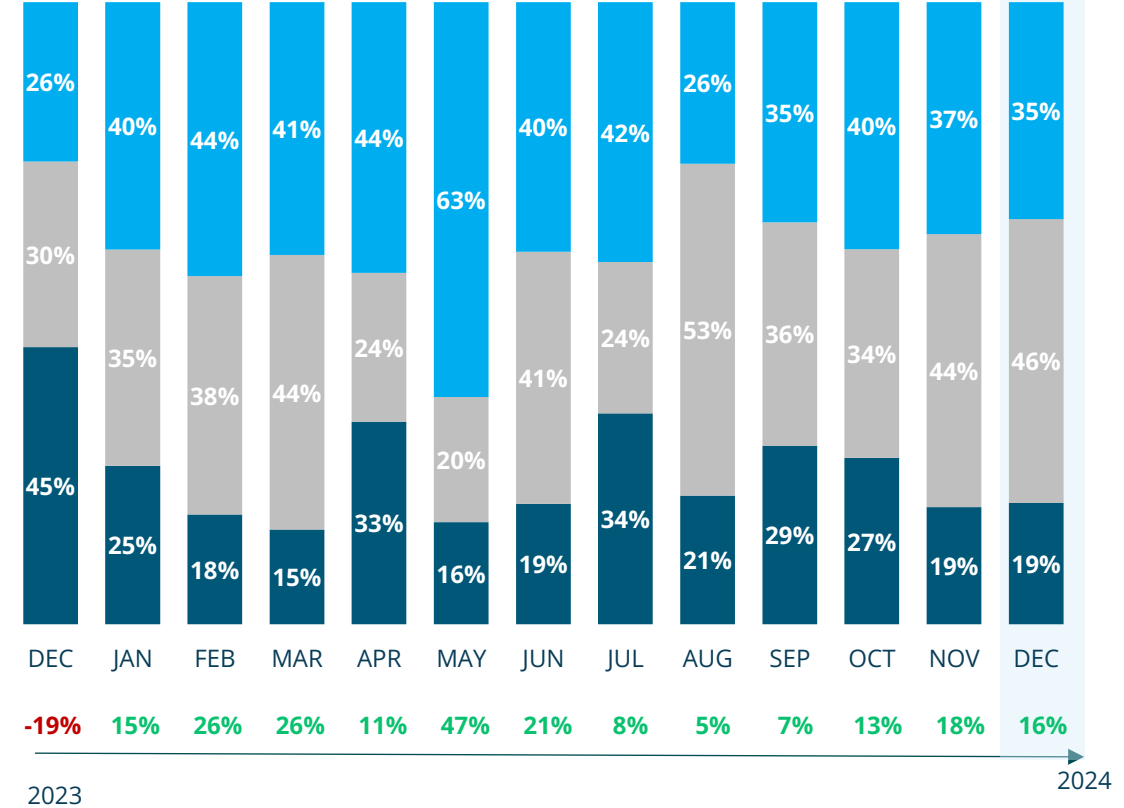
Notably, smaller SMEs demonstrated a significant improvement in NET revenue performance.

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

### 0 -19 Employees



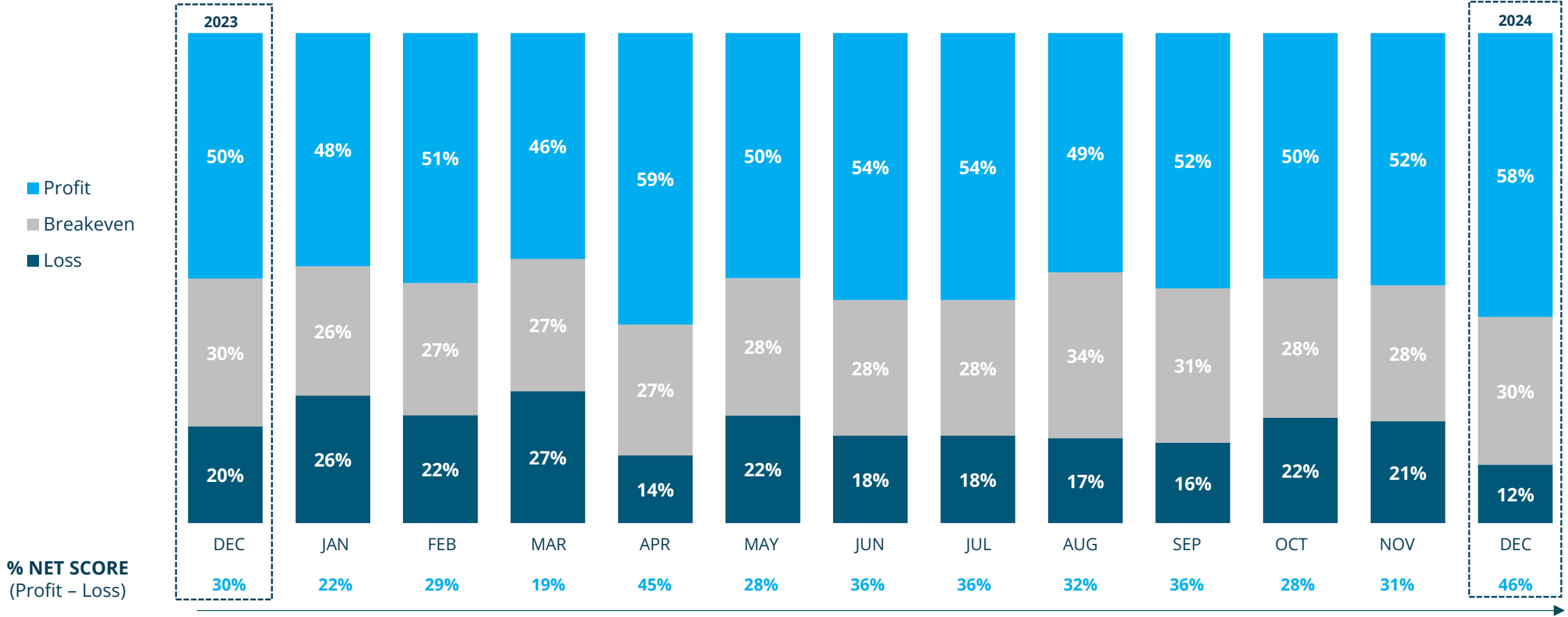
### 20+ Employees



# Key Performance Indicators | Profit

In line with stronger revenues, profitability trends are also encouraging, with 58% of SMEs reporting positive earnings. This surpasses figures from the corresponding period last year and outperforms most of 2024.

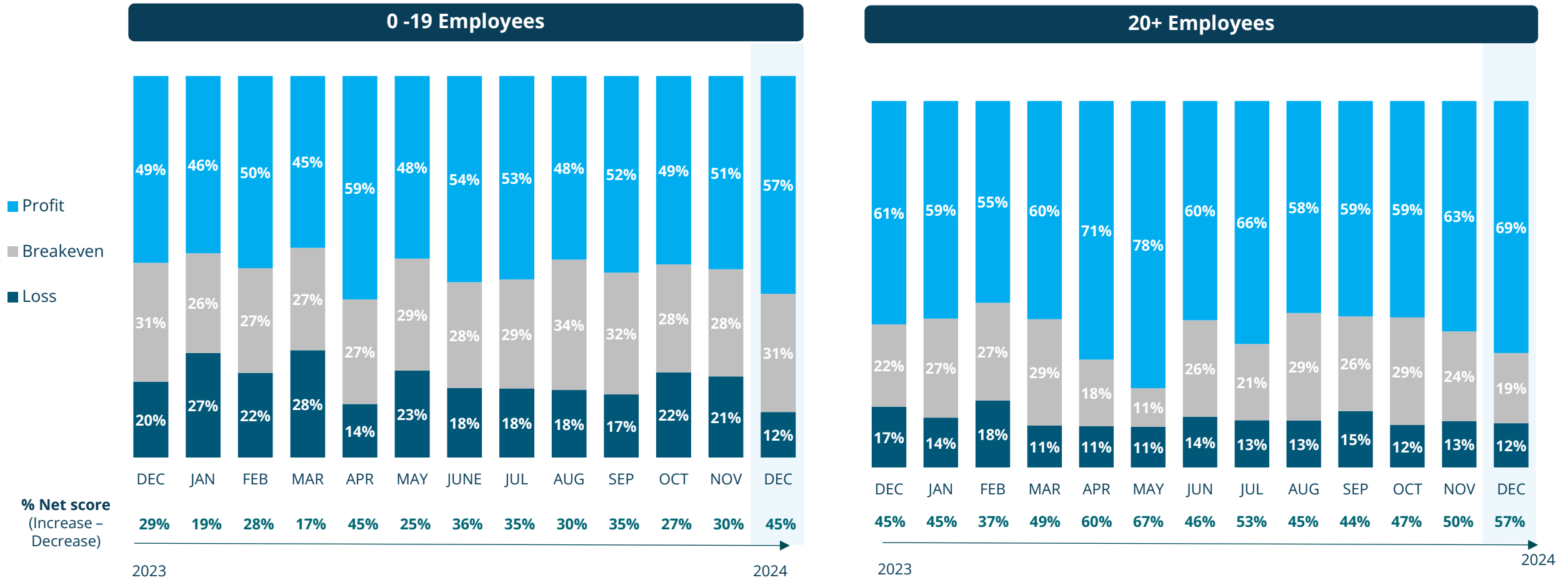
## What Was Your Profit Margin Last Month?



# Key Performance Indicators | Profit

Profitability remained positive across both employee size cohorts, with SMEs in the 20+ employee segment continuing an upward trend that began in August.

## What Was Your Profit Margin Last Month?





# Key Performance Indicators | Initiatives To Counter Cost Pressures

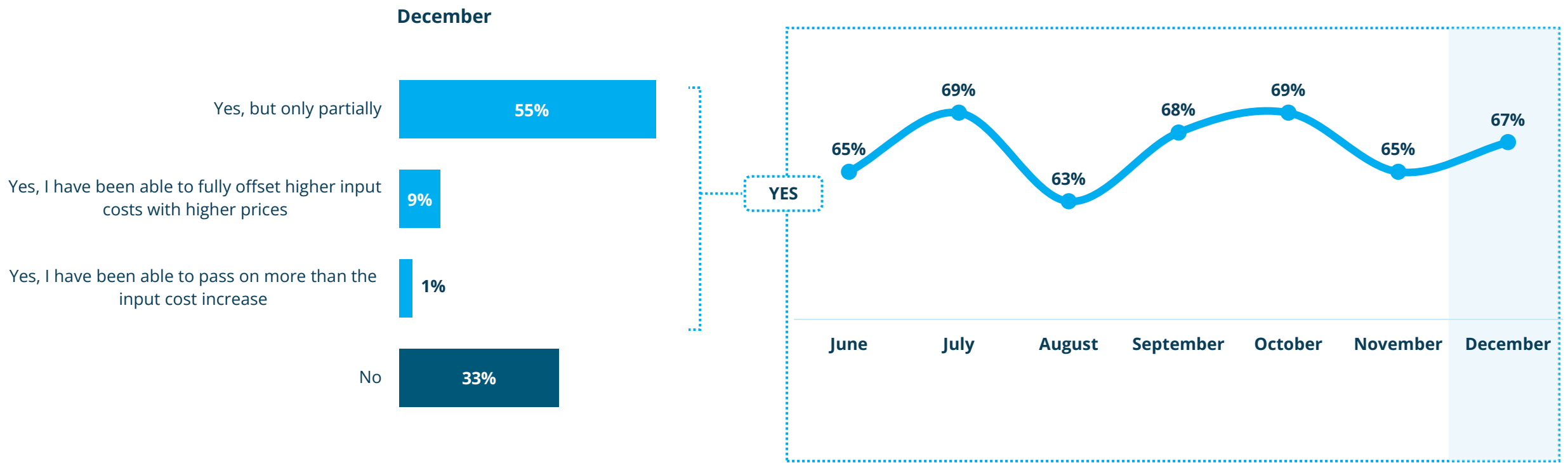
In December, SMEs demonstrated a strong focus on streamlining their product offerings, with an increased number discontinuing unprofitable products or services. This shift signals a refresh of the customer value proposition for many SMEs heading into 2025.

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

	December	August	September	October	November	December
Discontinuing products/services that are not profitable	31%	27%	24%	24%	26%	31%
Enhancing efficiency by streamlining business operations	22%	24%	29%	24%	23%	22%
Expanding the range of products/services to generate new revenue streams	22%	23%	24%	14%	22%	22%
Renegotiating supplier contracts or seeking new supply sources	22%	26%	21%	23%	20%	22%
Maximising staff productivity through better training and optimisation	17%	20%	17%	16%	20%	17%
Reassessing current projects and significant investments for viability and impact	17%	23%	24%	14%	18%	17%
Adopting new technologies for increased automation and operational efficiency	16%	16%	16%	15%	14%	16%
Refining inventory management practices for better efficiency	15%	14%	14%	12%	14%	15%
Delegating non-essential functions to external providers	11%	10%	10%	14%	14%	11%
Undertaking debt restructuring to reduce financial burdens	12%	12%	11%	8%	13%	12%
Implementing workforce reductions, such as layoffs or hiring freezes	9%	12%	13%	9%	10%	9%
Shifting towards the use of renewable energy sources	7%	10%	10%	8%	10%	7%
Consulting banks and/or financial counsellors about financial hardship	9%	9%	10%	6%	6%	9%

During December, the number of SMEs successfully passing on higher input costs rose to 67%.

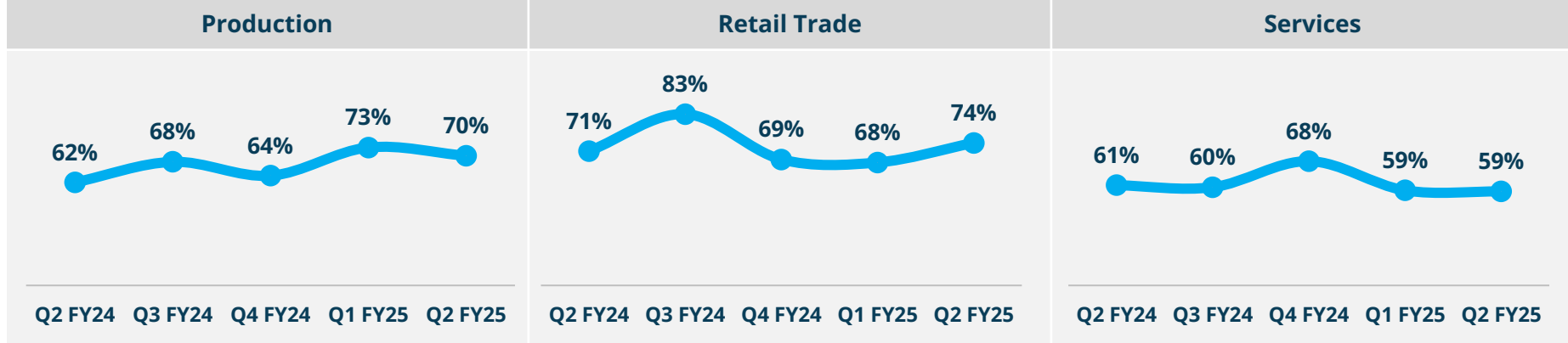
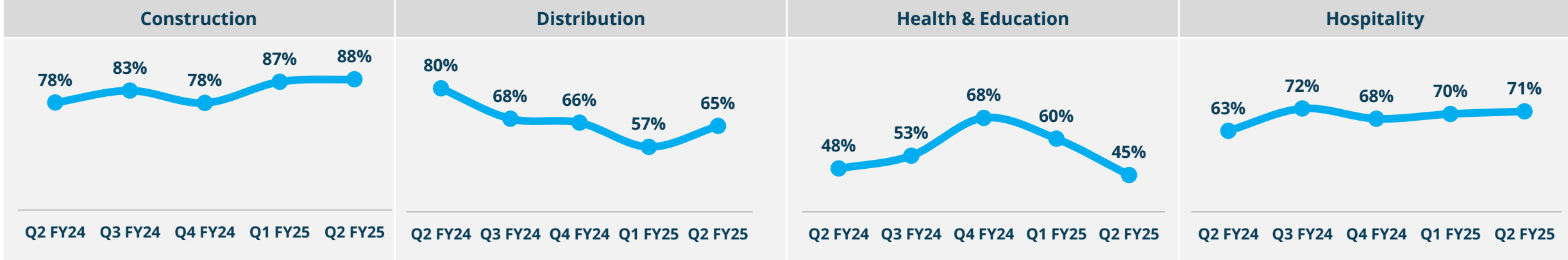
## Have You Been Able To Pass On Higher Input Costs To Your Customers?



# Key Performance Indicators | Cost Recovery

The Health & Education sector continues to face increasing challenges in passing on costs, with only 45% successfully doing so in December.

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





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**Key Performance Indicators**

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**Methodology & Sample**

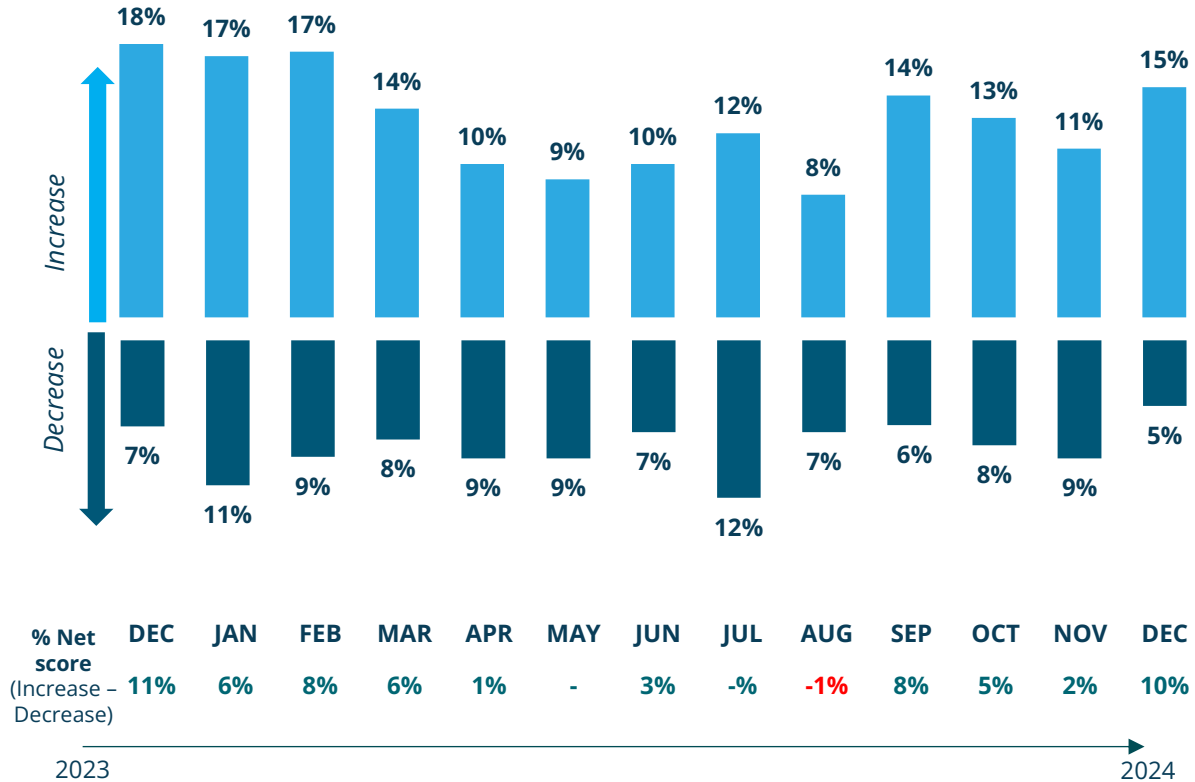


# Key Performance Indicators | People

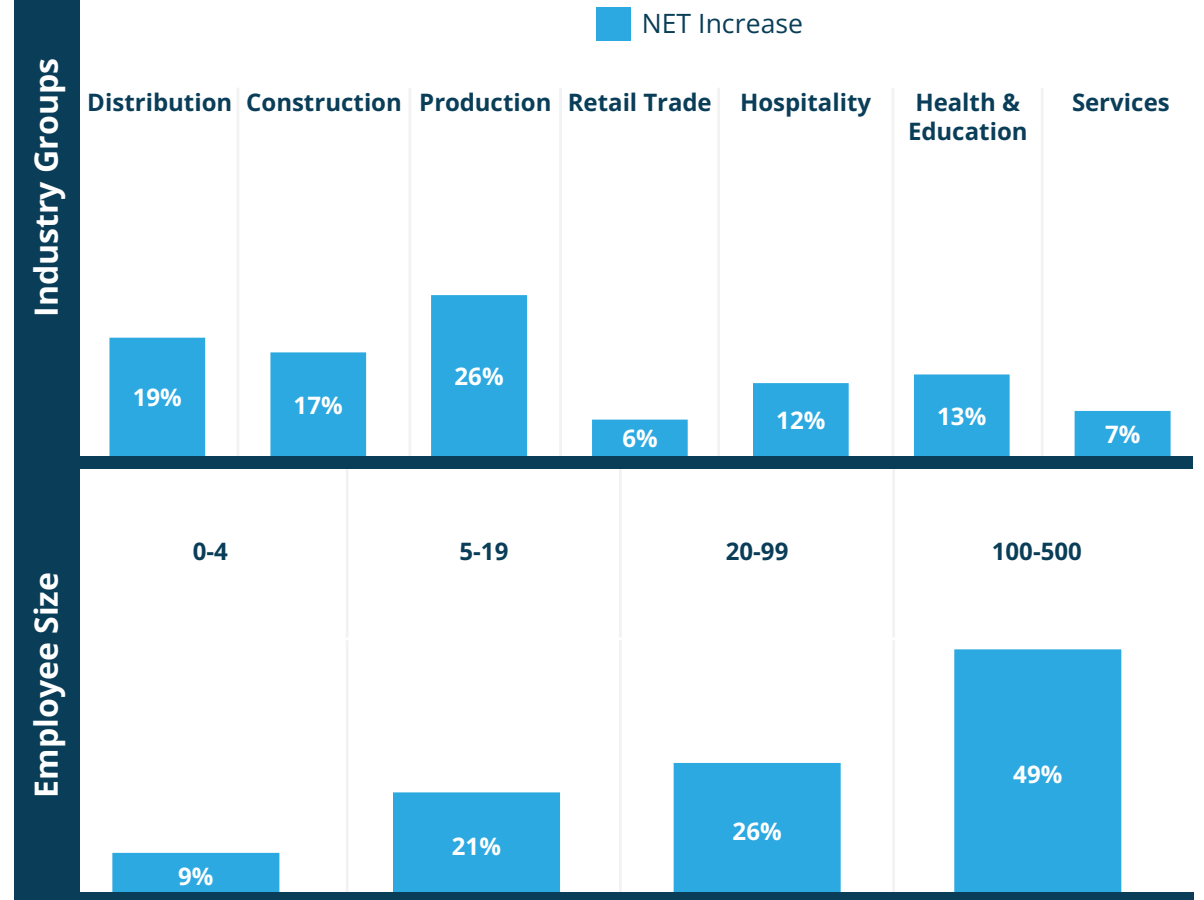
After a decline in employment expectations leading up to Christmas, SMEs have also become more optimistic about recruitment, especially in the production sector.

## Expectations Over The Next 3 Months Regarding Staff

### The Number Of Staff You Employ



## Last 3 Months (Oct, Nov, Dec)

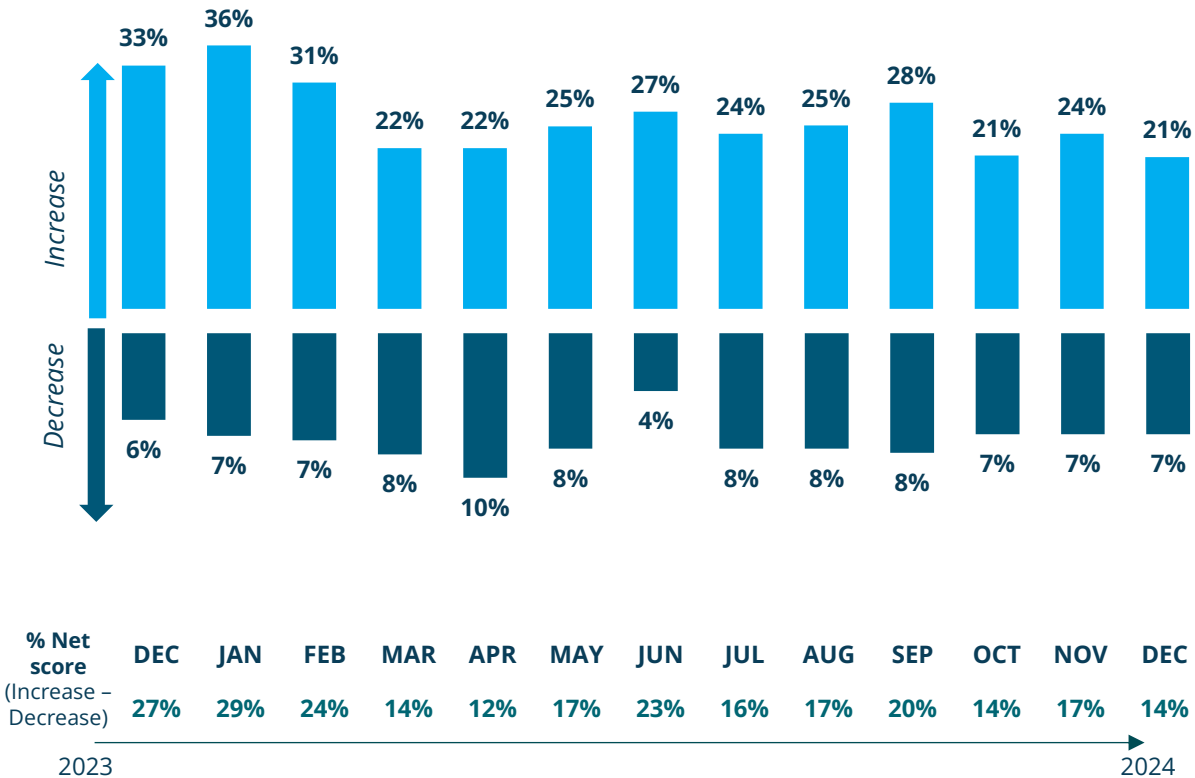


# Key Performance Indicators | People

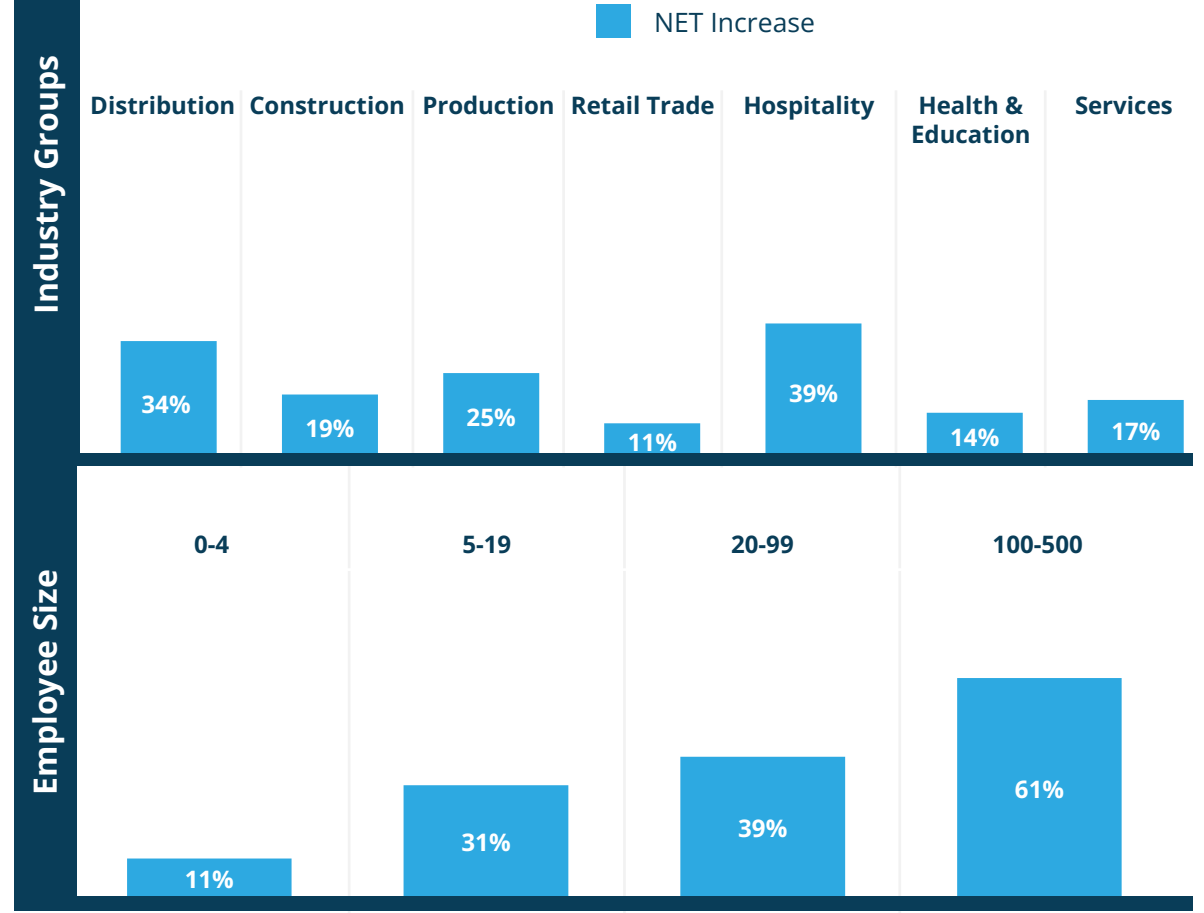
Wage increase expectations remain steady, indicating that most SMEs have been able to retain staff without increasing labour costs.

## Expectations Over The Next 3 Months Regarding Wages

### The Wages You Pay

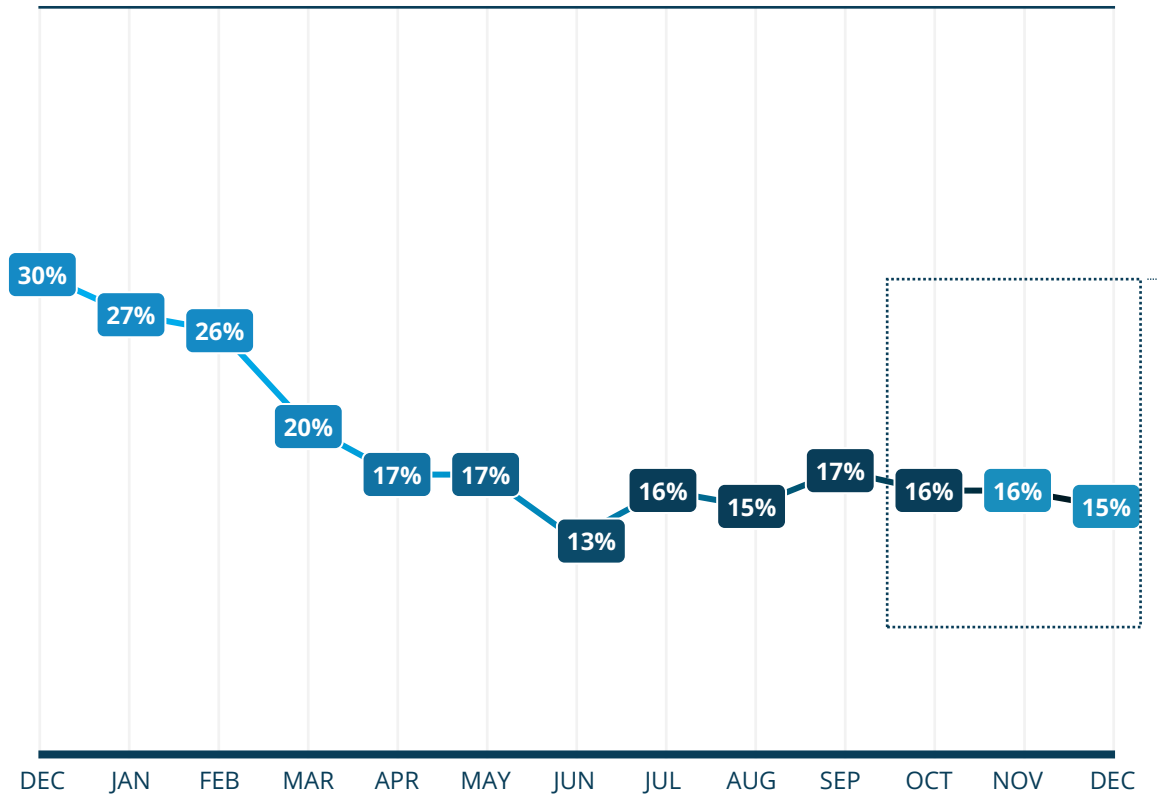


## Last 3 Months (Oct, Nov, Dec)



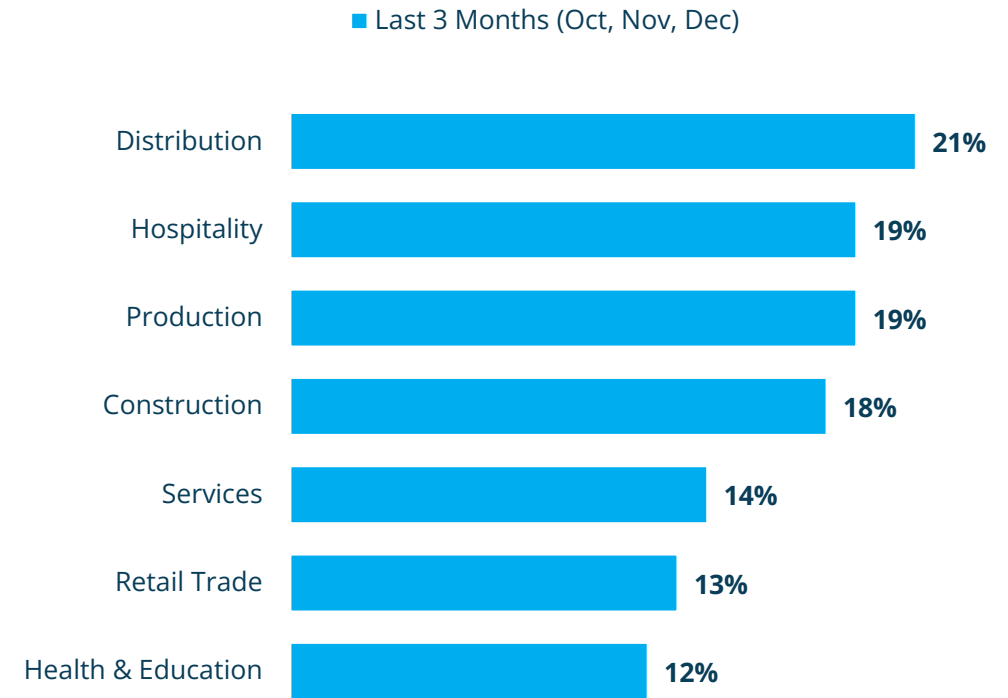
Consequently, the proportion of SMEs currently recruiting remains steady at 15%.

## SMEs That Currently Have Job Roles They Are Trying To Fill



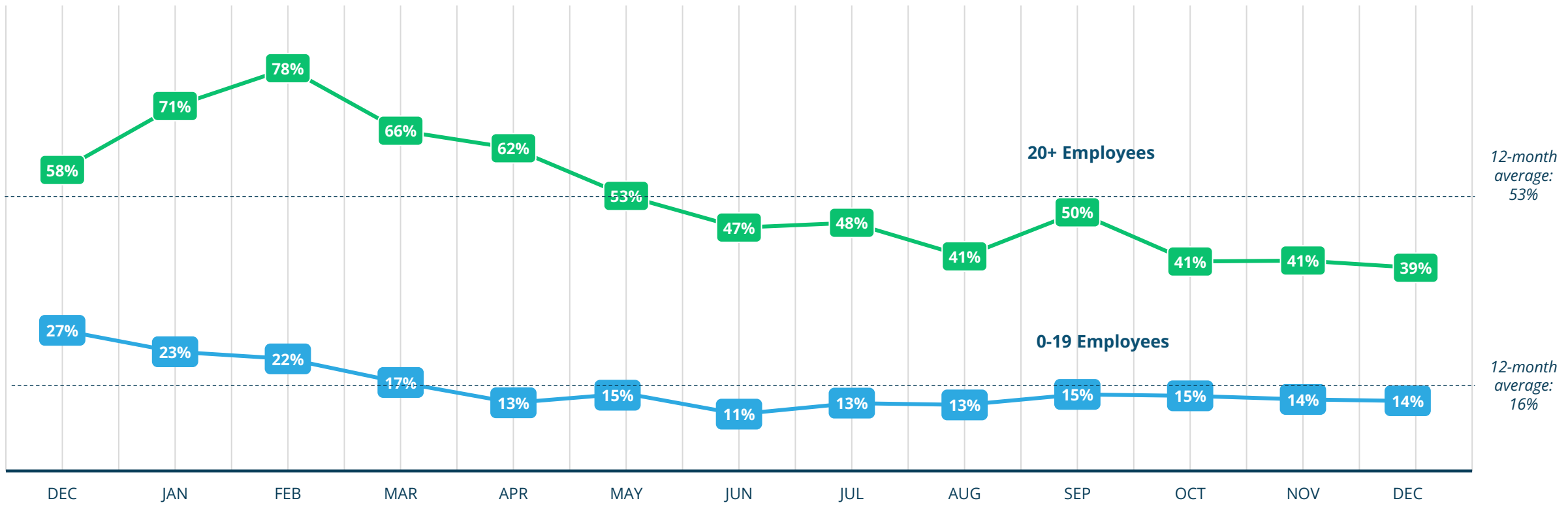
2023 → 2024

## Current Job Vacancies By Industry



Recruitment activity across both employee cohorts remains steady and below the 12-month average.

## SMEs That Currently Have Job Roles They Are Trying To Fill



12-month average: 53%

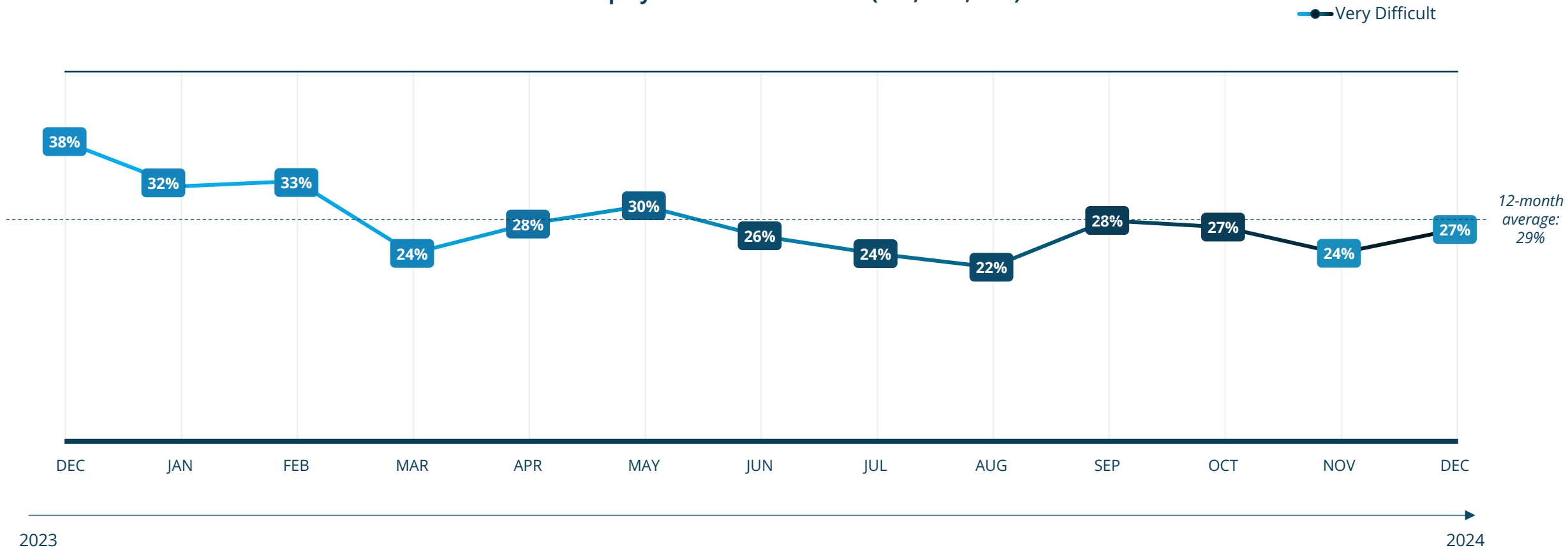
12-month average: 16%



Amongst all SMEs with job vacancies, difficulty filling these roles remains below the 12-month average.

## How Difficult Is It To Fill These Roles?

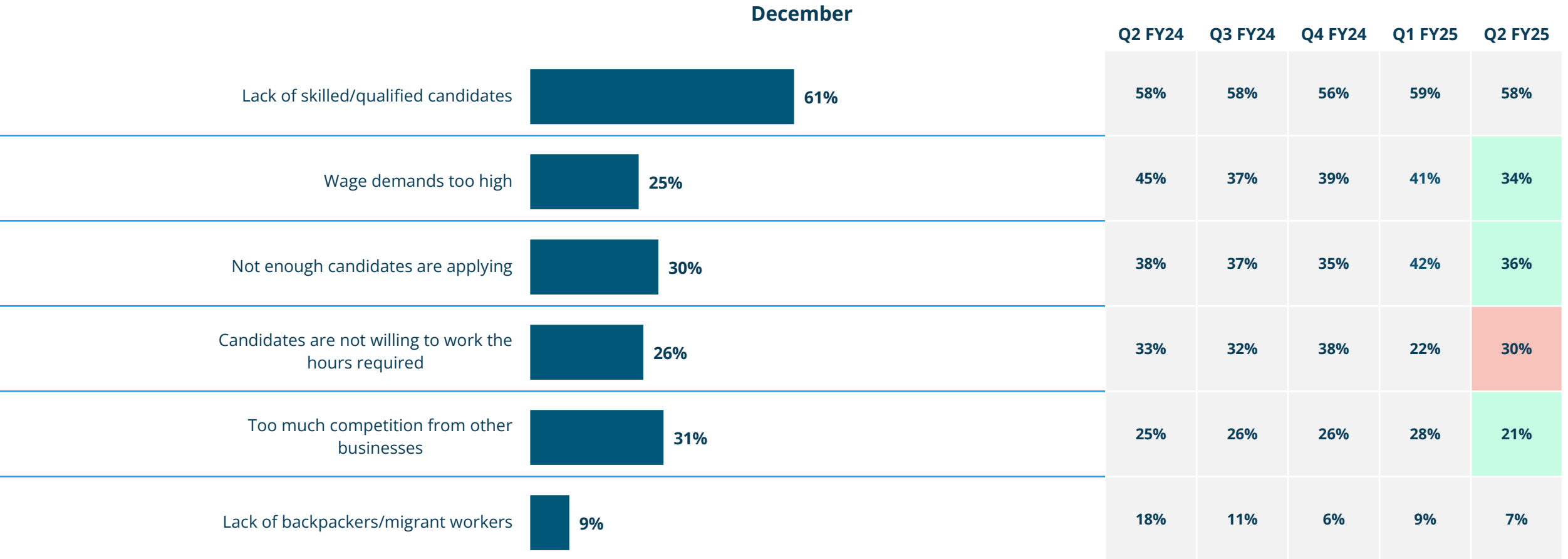
Data displayed as a last 3 months (Oct, Nov, Dec)



# Key Performance Indicators | People

The shortage of skilled candidates remained the primary challenge for those recruiting in December. However, as previously noted, high wage demands continue to trend downward.

## Why Is It Difficult To Fill These Roles?





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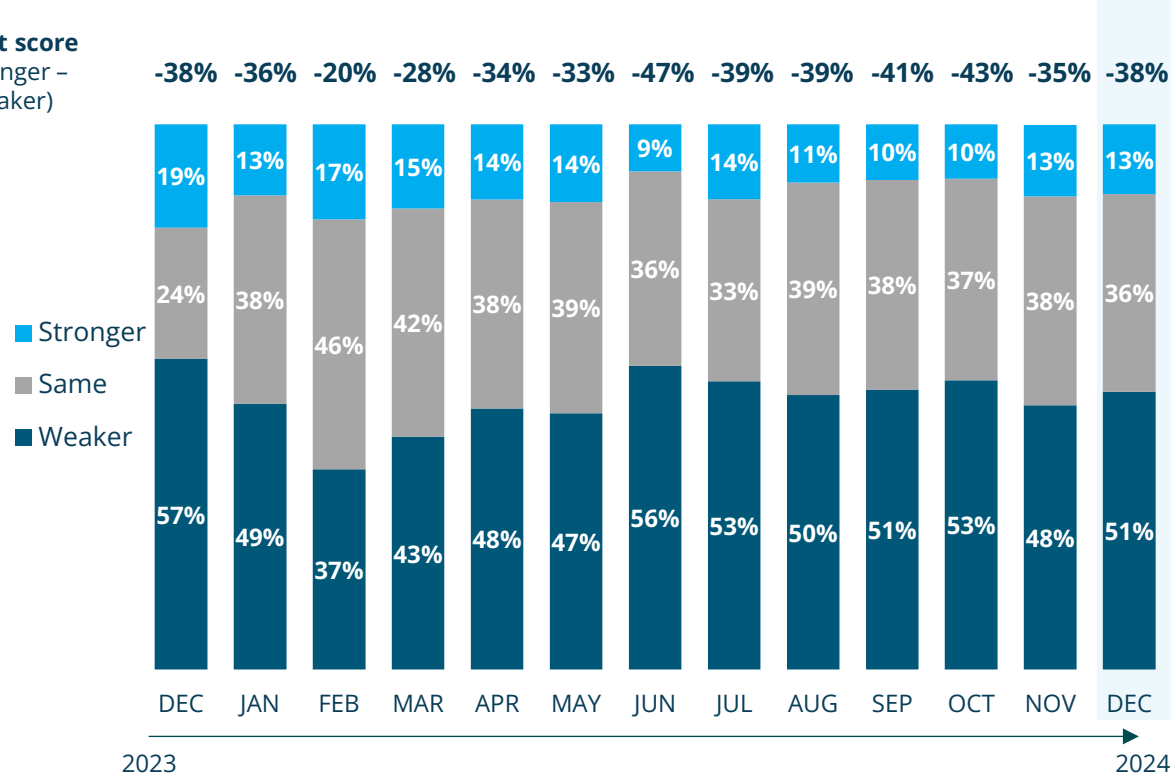
# Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

Despite improved revenue and profit figures, confidence in both the Australian and global economies for the next three months remains subdued.

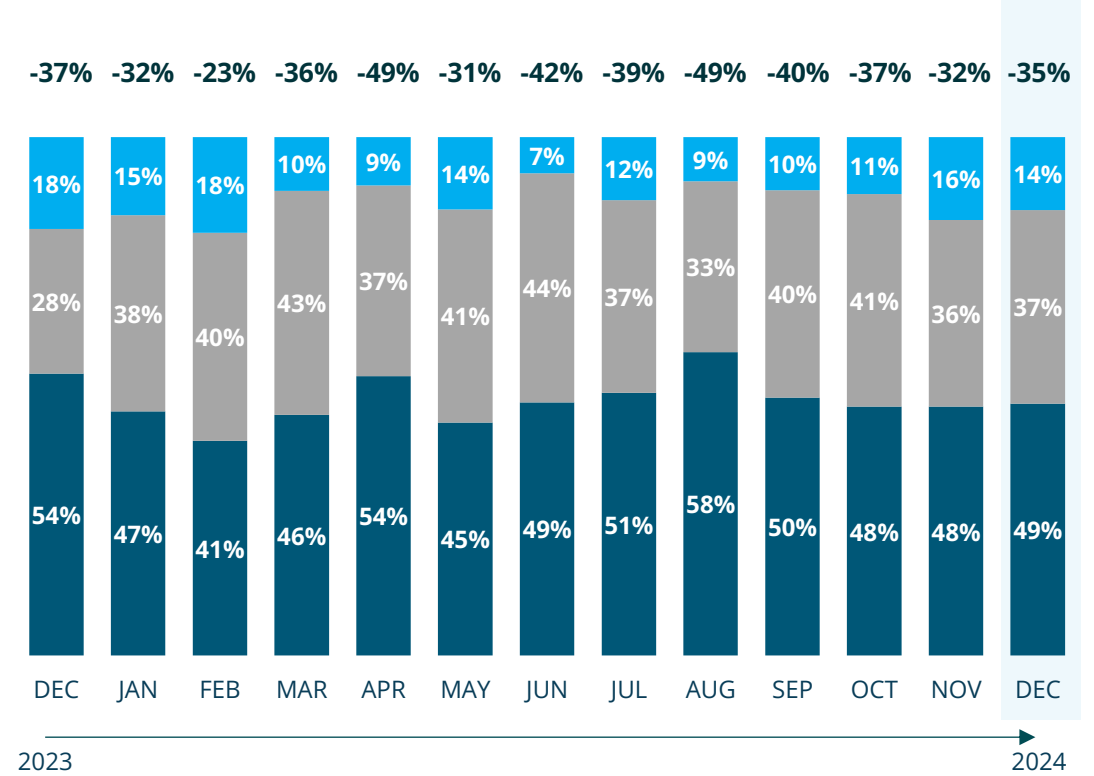
## Expectations Over The Next 3 Months Regarding Economic Conditions

### Australian Economy

% Net score  
(Stronger – Weaker)



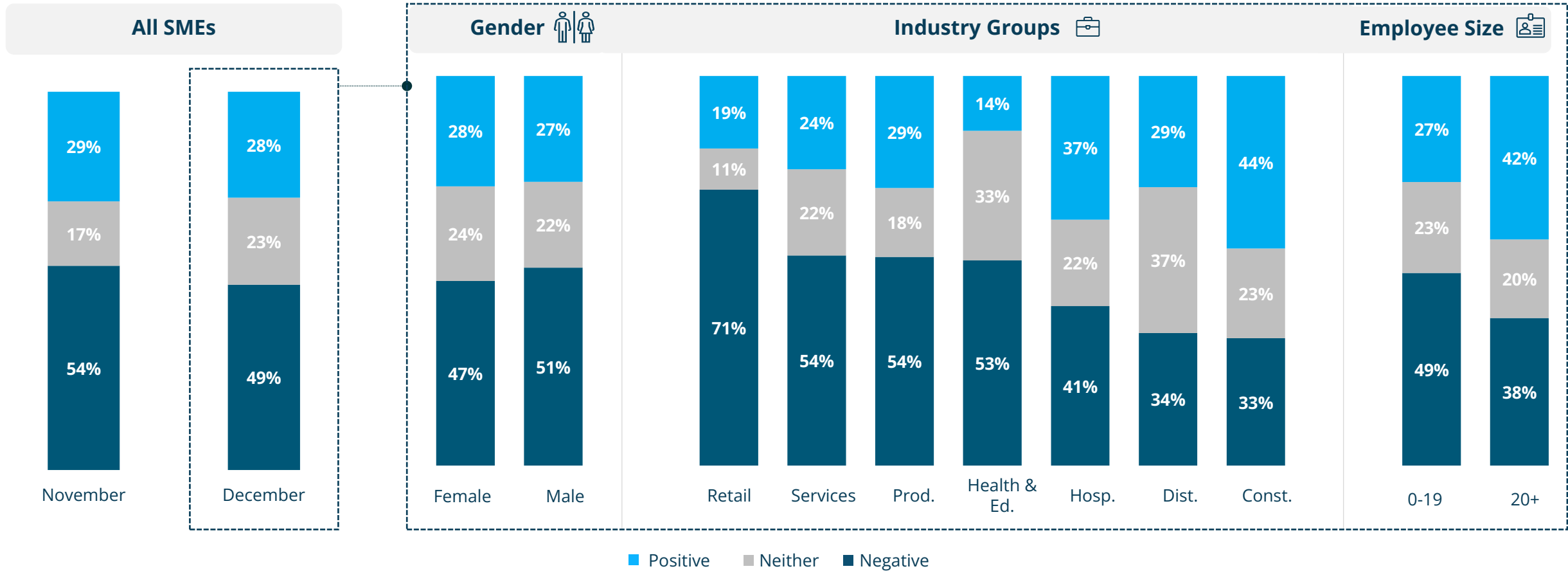
### Global Economy





Australian decision makers remain cautious regarding the Trump Administration although negativity has declined slightly since November.

## What will the impact of the Trump Administration be on the Australian Economy?



Ongoing cost pressures remain a significant challenge; however, the upward trend in changing customer behaviors and preferences is notable. This suggests that SMEs must remain highly agile, continuously adapting their strategies and value propositions to align with evolving demands.

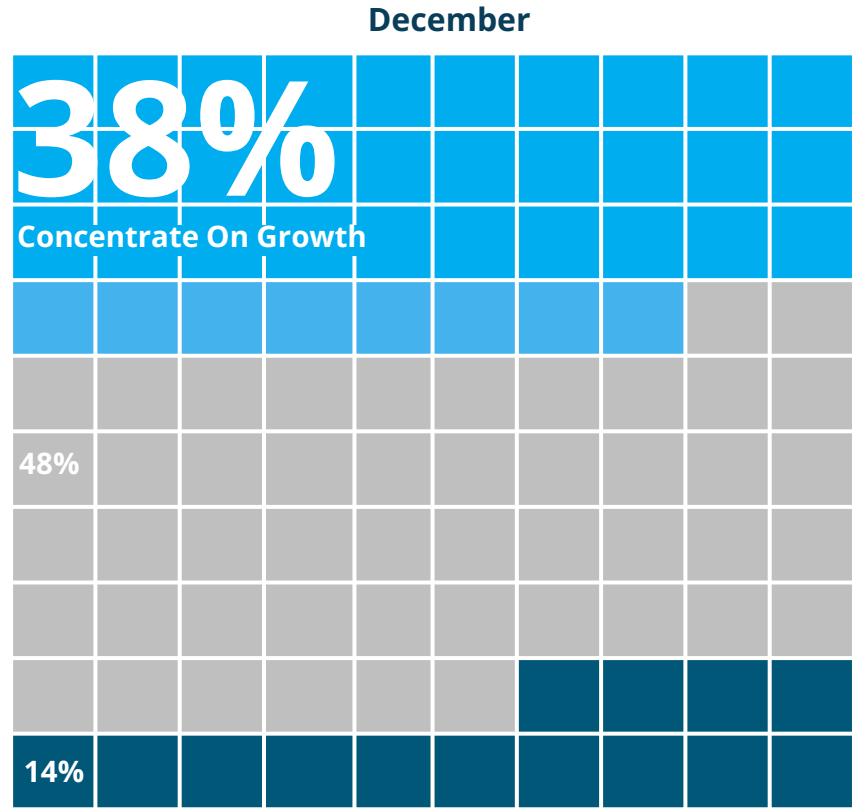
## Which Of These Issues Do You Anticipate Will Pose The Most Significant Challenges To Your Business Over Next 3 Months

	December	July	August	September	October	November	December
Addressing the difficult economic outlook and ongoing cost pressures.	47%	50%	50%	43%	46%	45%	47%
Keeping pace with changing customer behaviours and preferences.	42%	36%	37%	40%	33%	35%	42%
Strengthening defences against cyber threats and ensuring data privacy.	20%	19%	24%	22%	19%	20%	20%
Navigating regulatory, compliance, and governance challenges.	22%	21%	24%	25%	16%	20%	22%
Managing the continuous adoption of new technologies and digital transformation processes.	21%	22%	19%	18%	17%	19%	21%
Strengthening supply chain operations for improved efficiency and resilience.	15%	15%	15%	19%	14%	18%	15%
Identifying and implementing measures to boost workforce efficiency and productivity.	18%	16%	22%	24%	15%	18%	18%
Managing risks and uncertainties in the geopolitical landscape.	17%	15%	20%	15%	11%	16%	17%
Overcoming difficulties in securing necessary financing.	17%	15%	16%	15%	16%	15%	17%
Acquiring, training, and upskilling talent in a competitive market.	19%	15%	19%	14%	17%	13%	19%
Prioritising investment in research and development to drive innovation.	7%	8%	7%	8%	6%	8%	7%
Implementing strategies to address sustainability issues and climate change impacts.	10%	9%	11%	8%	9%	8%	10%

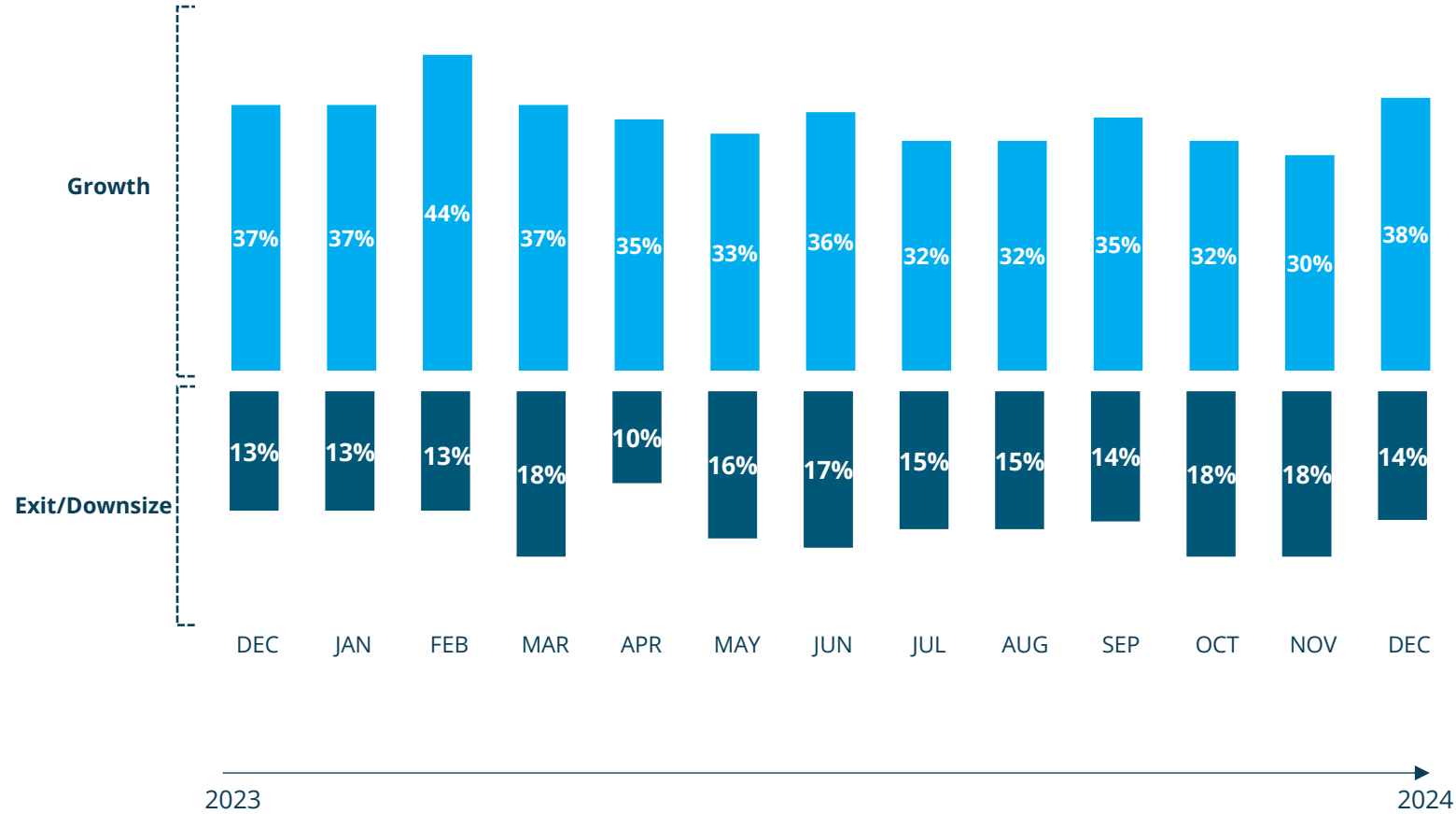
# Business Sentiment | Growth Expectations (Next 12 months)

Transitioning from a challenging 2024, 38% of SMEs are prioritising growth over the next 12 months, signaling a more optimistic outlook for 2025. This aligns with levels seen last December but is notably higher than most other months throughout the year.

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



■ Exit/Downsize   
 ■ Maintain current revenue   
 ■ Concentrate on growth



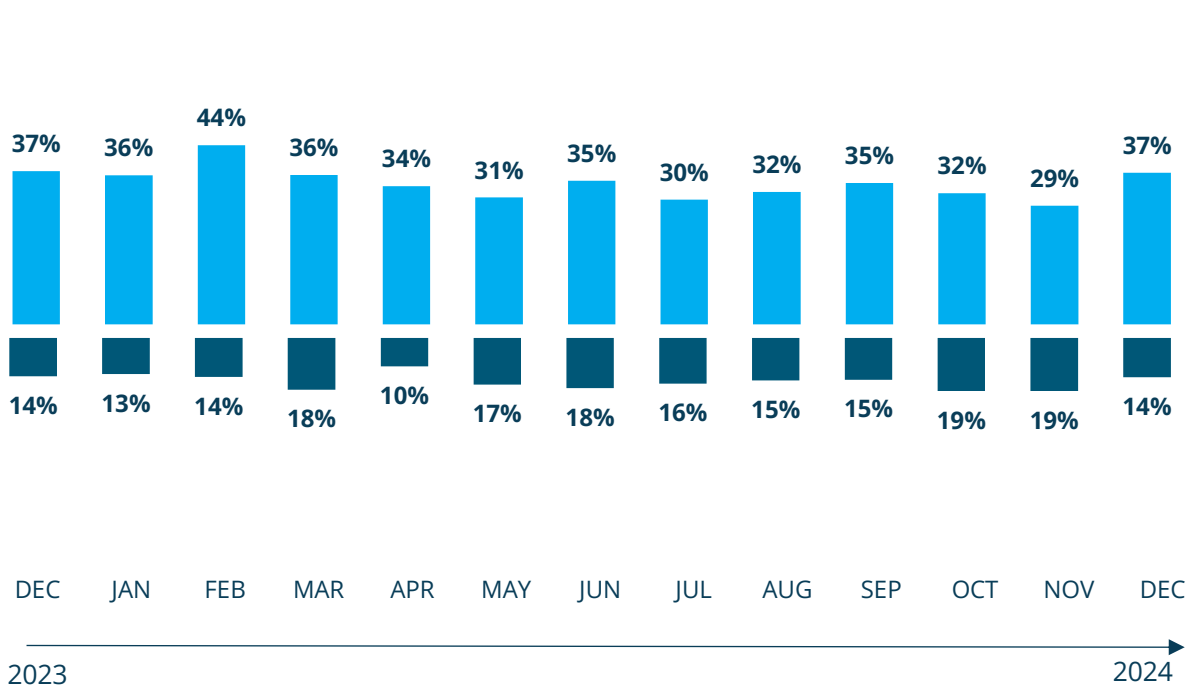
# Business Sentiment | Growth Expectations (Next 12 months)

Both employee cohorts are more optimistic about their growth prospects over the next 12 months.

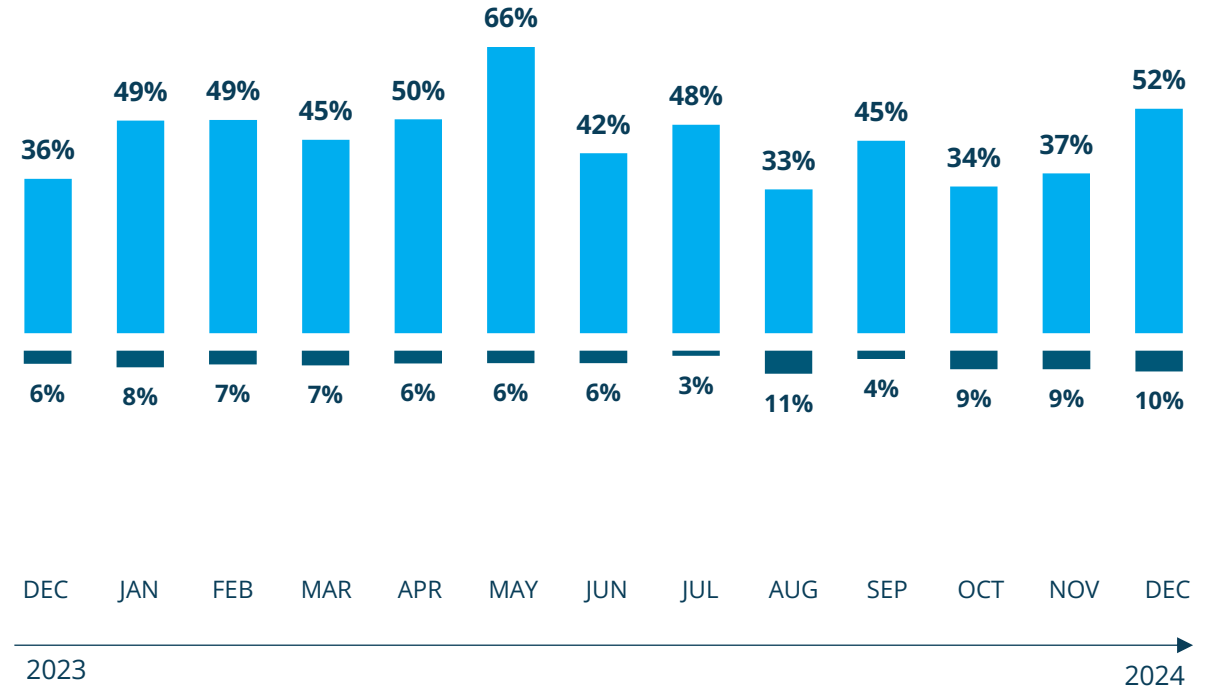
## Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

■ Concentrate on growth
 ■ Exit/Downsize

### 0 -19 Employees



### 20+ Employees

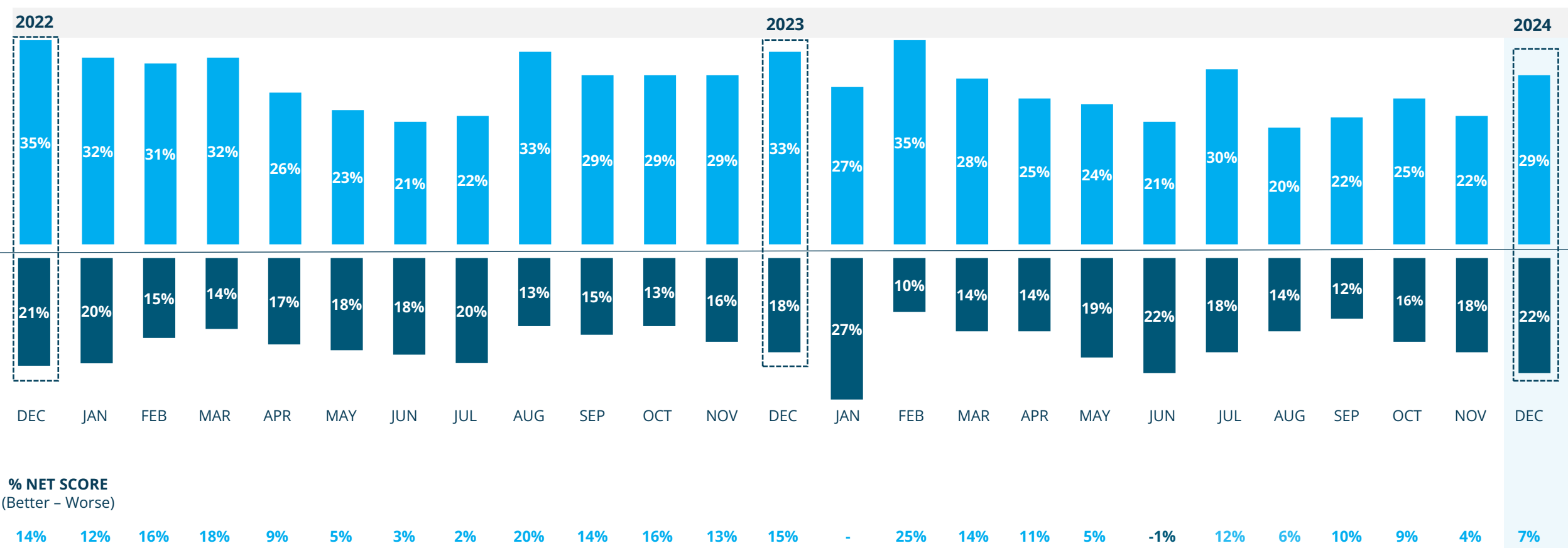


# Business Sentiment | Revenue Expectations (Next Four Weeks)

Consistent with previous years, short-term revenue expectations are polarised. While many SMEs anticipate a rebound in revenues following a quiet December, others are preparing for the typical slowdown in January.

■ Better  
■ Worse

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

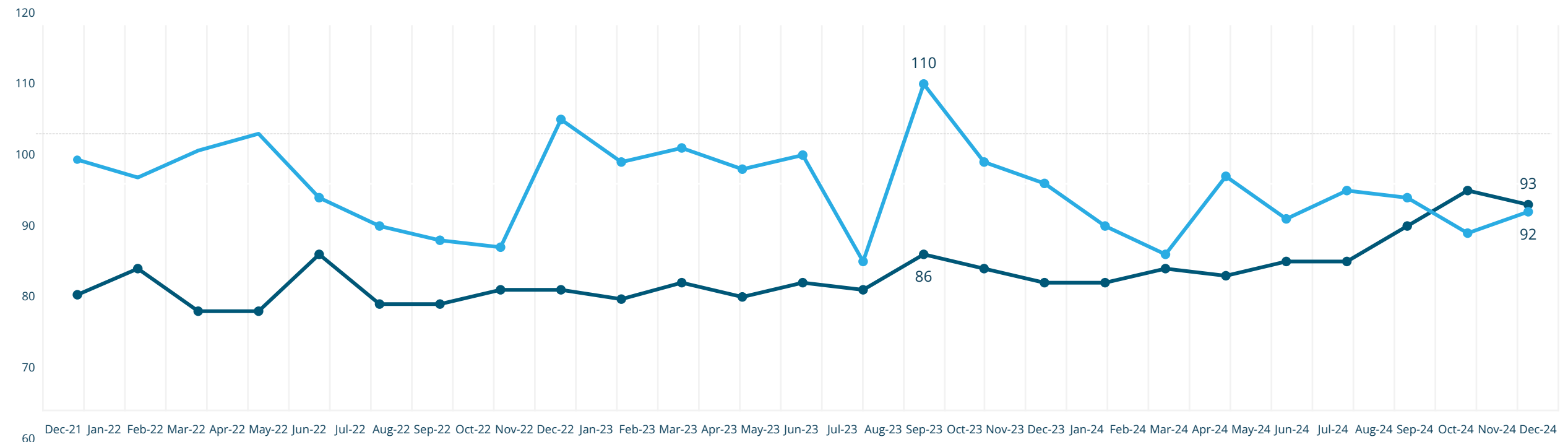


# Business Sentiment | Sentiment Index

With the increased focus on growth amongst SMEs in the past month, the consumer and business sentiment trend lines are once again converging.

## Business And Consumer Sentiment

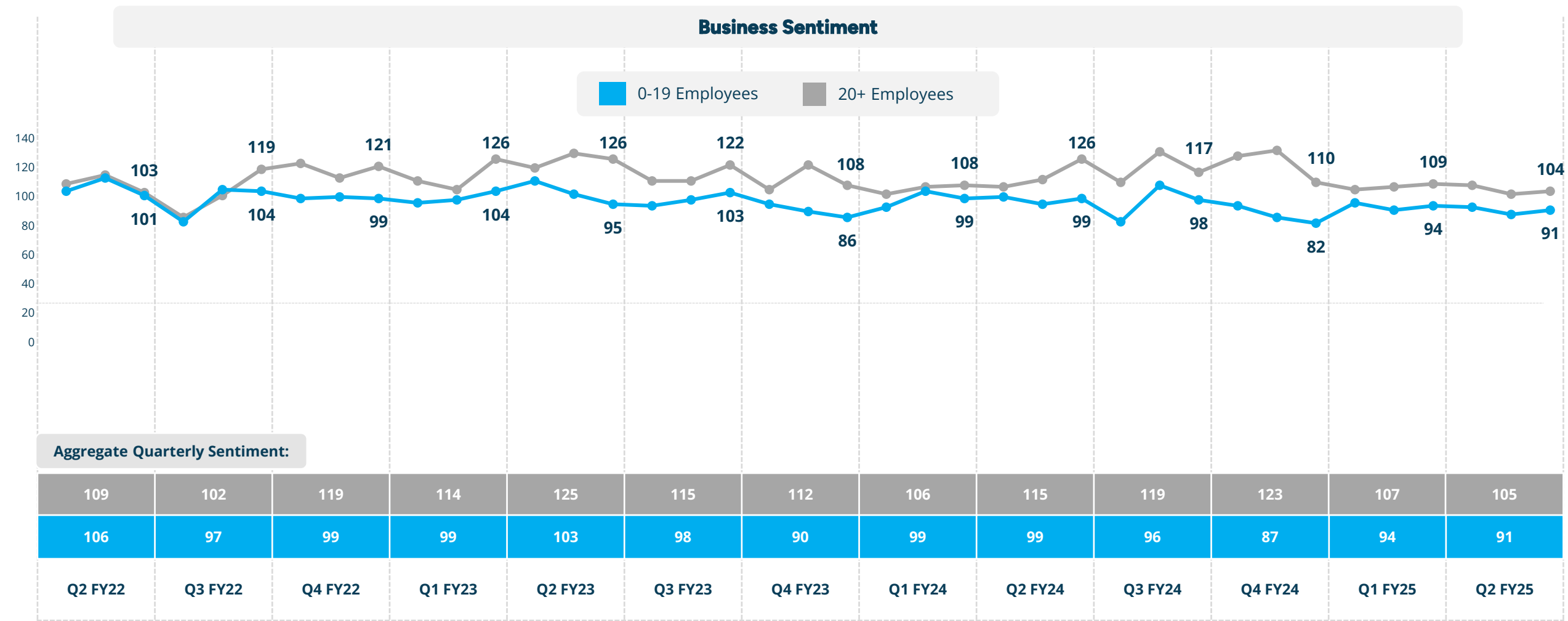
Westpac-Melbourne Institute Consumer Sentiment Index      FQ Business Sentiment





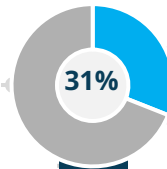
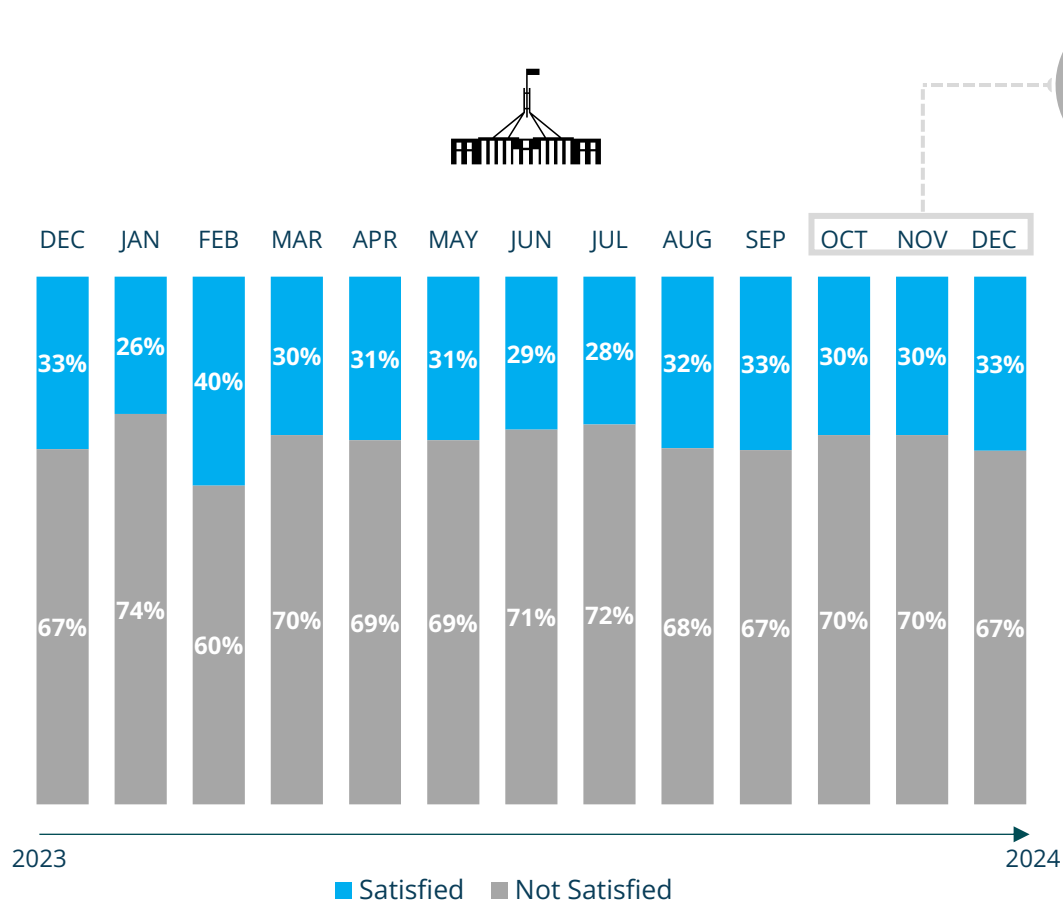
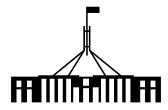
# Business Sentiment | Sentiment Index

Sentiment for larger SMEs (20+ employees) continues to track ahead of their smaller counterparts.

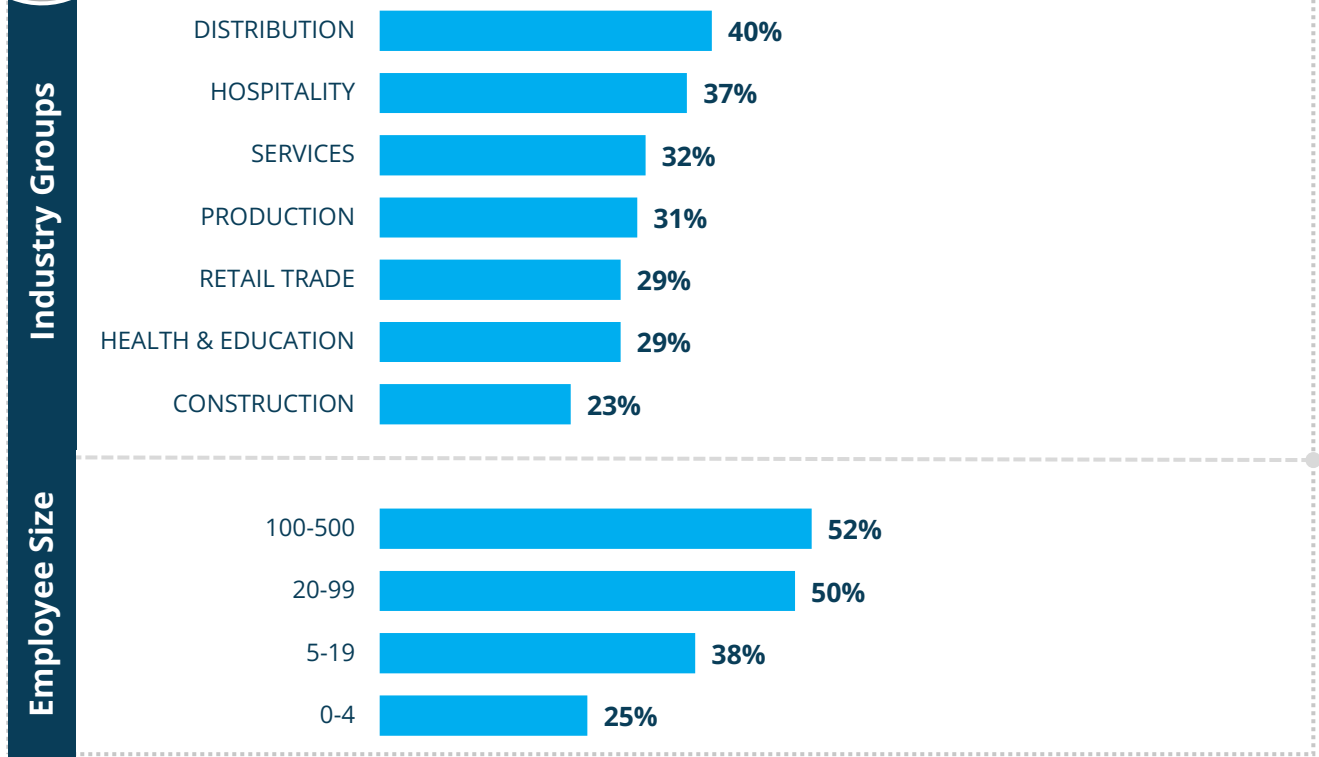


Satisfaction with the Federal Government has seen a slight uptick as we head into an election year.

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



### Last 3 Months (Oct, Nov, Dec)





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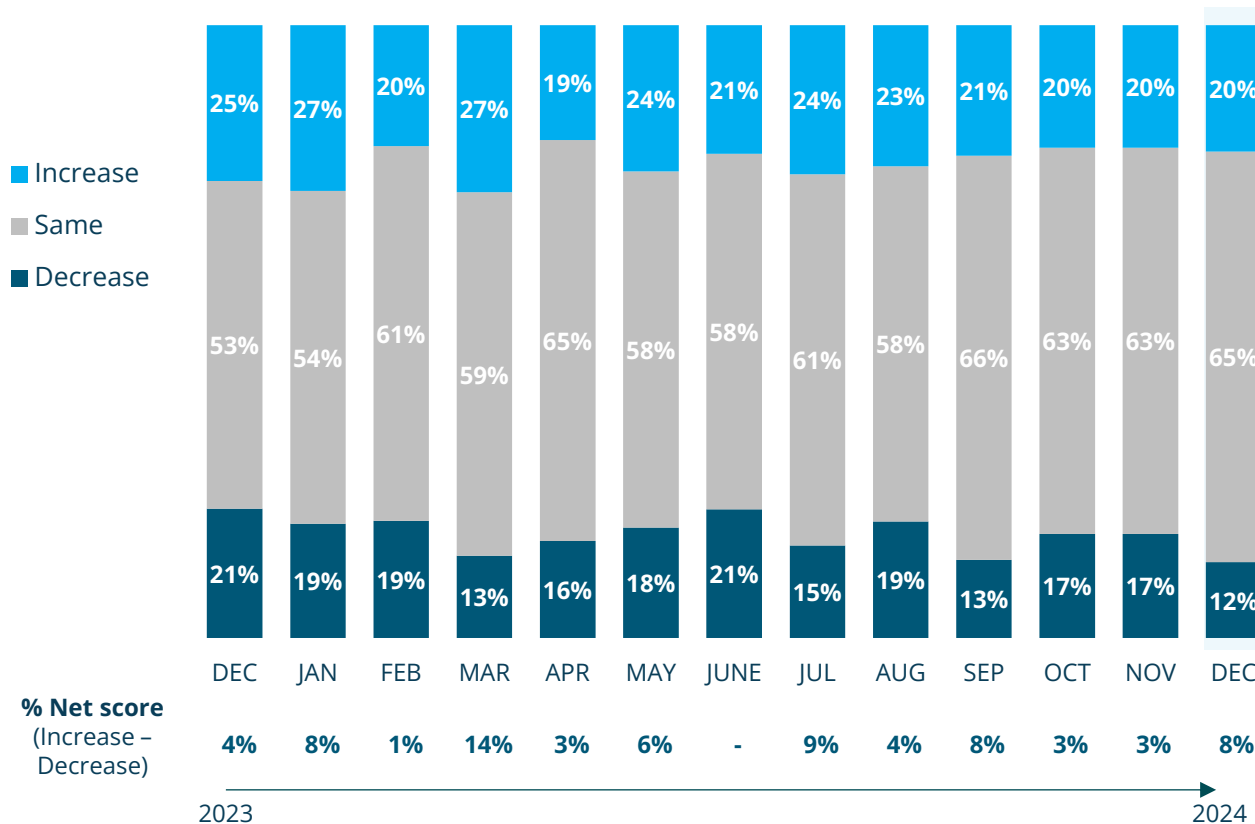
**Methodology & Sample**

# Business Investment | Next Three Months

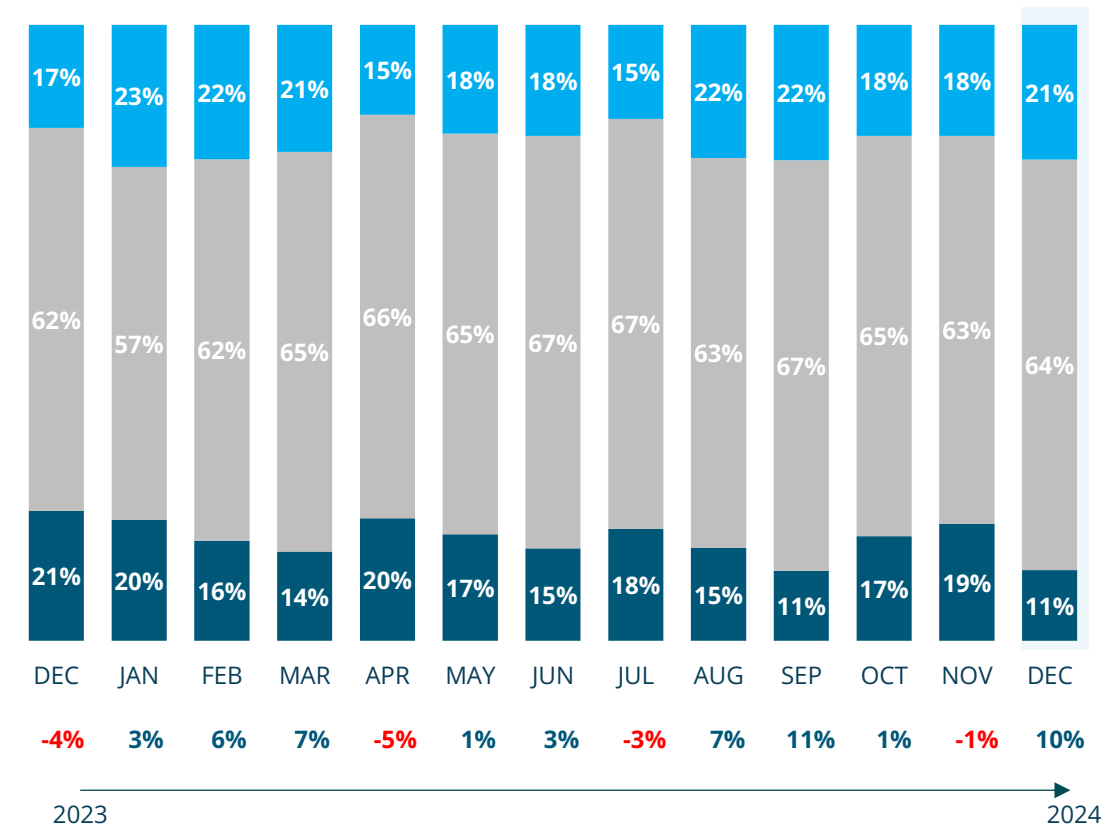
In alignment with anticipated growth, SMEs are expecting to increase investments in marketing spend over the next 3 months. Similarly, less SMEs are intending to decrease their business spending/capital investments.

## Expectations Over The Next 3 Months Regarding Business Investment

### Business Spending/ Capital Investment

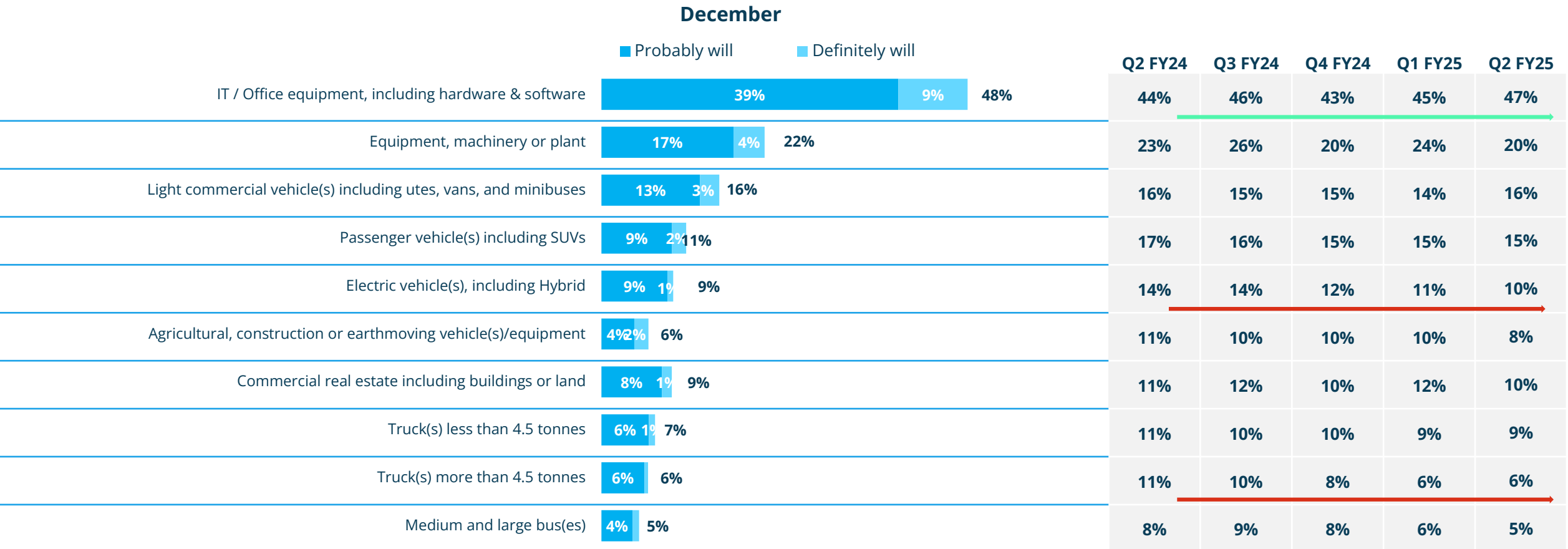


### Marketing Spend



Anticipated purchasing of IT/Office equipment has increased over the last year, while anticipated investment in Electric Vehicles and medium/large trucks has decreased.

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



Demand for capital equipment continues to decline among larger SMEs, while smaller SMEs have shown increased demand for IT equipment and light commercial vehicles over the past 6 months.

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

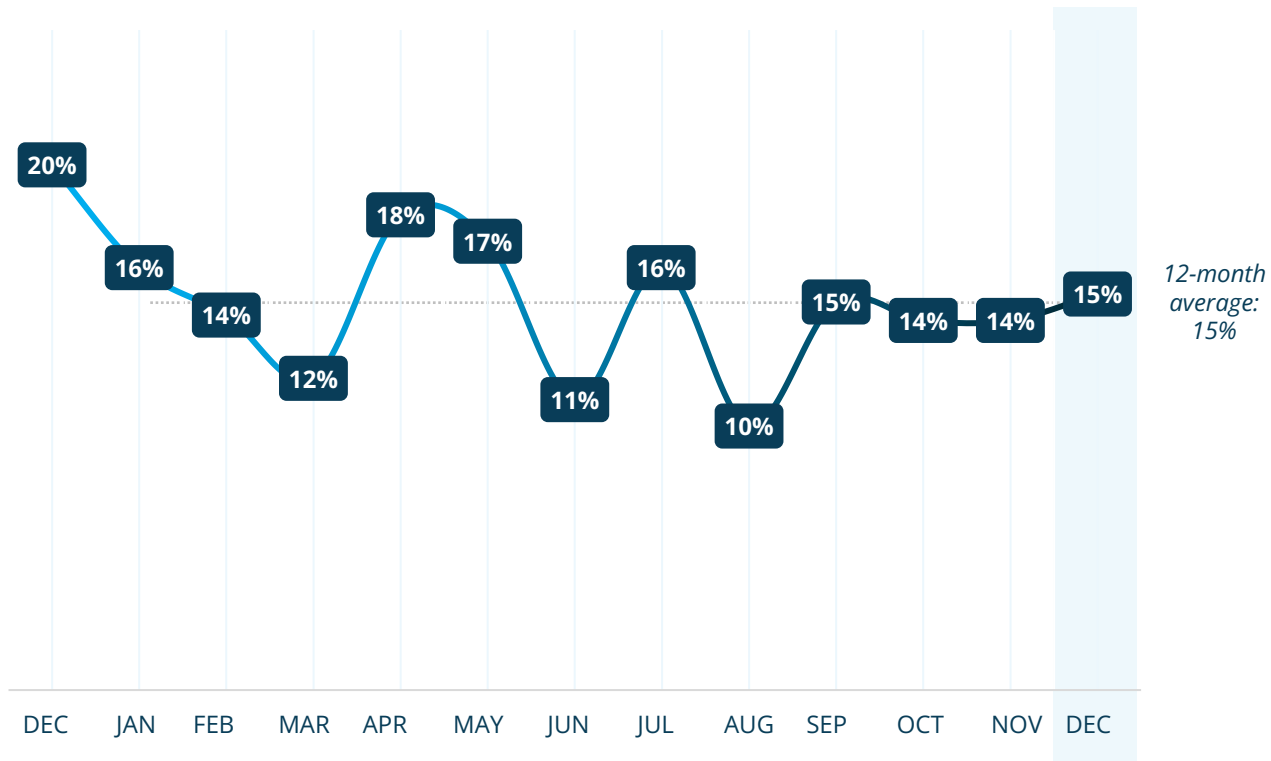
	0-19 Employees			20+ Employees		
	Q3 FY24	Q1 FY25	Q2 FY25	Q3 FY24	Q1 FY25	Q2 FY25
IT / Office equipment, including hardware & software	41%	43%	46%	72%	71%	61%
Equipment, machinery or plant	18%	22%	19%	50%	42%	40%
Light commercial vehicle(s) including utes, vans, and minibuses	13%	12%	14%	42%	32%	33%
Passenger vehicle(s) including SUVs	13%	14%	14%	47%	35%	33%
Electric vehicle(s), including Hybrid	10%	10%	9%	39%	31%	28%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	8%	8%	36%	28%	20%
Commercial real estate including buildings or land	7%	10%	9%	39%	32%	26%
Truck(s) less than 4.5 tonnes	8%	7%	7%	36%	26%	23%
Truck(s) more than 4.5 tonnes	7%	5%	5%	33%	23%	21%
Medium and large bus(es) with more than 12 seats	6%	4%	4%	34%	24%	24%



# Business Investment | Finance Needs (Next 3 months)

Demand for additional finance has risen to align with the 12-month average, with a stronger emphasis on funding domestic growth in Australia. However, funding for growth in new markets, trade finance, and M&A activities has notably declined over the past year.

## 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	Q2 FY25
Cashflow/ working capital	57%	50%	62%	61%	60%
Purchase plant, machinery or equipment	31%	25%	26%	23%	26%
Fund growth in Australia	23%	29%	20%	16%	23%
Fund growth into new markets	25%	24%	25%	22%	13%
Trade finance to fund import/export activity	19%	17%	12%	13%	9%
Fund merger/acquisition	13%	10%	10%	14%	7%

## Business Investment | Finance Needs (Next 3 months)

Demand for finance has declined among larger SMEs and within the health & education, hospitality, and production sectors, suggesting that higher revenues and associated profits are being utilised to finance expansion and purchases.

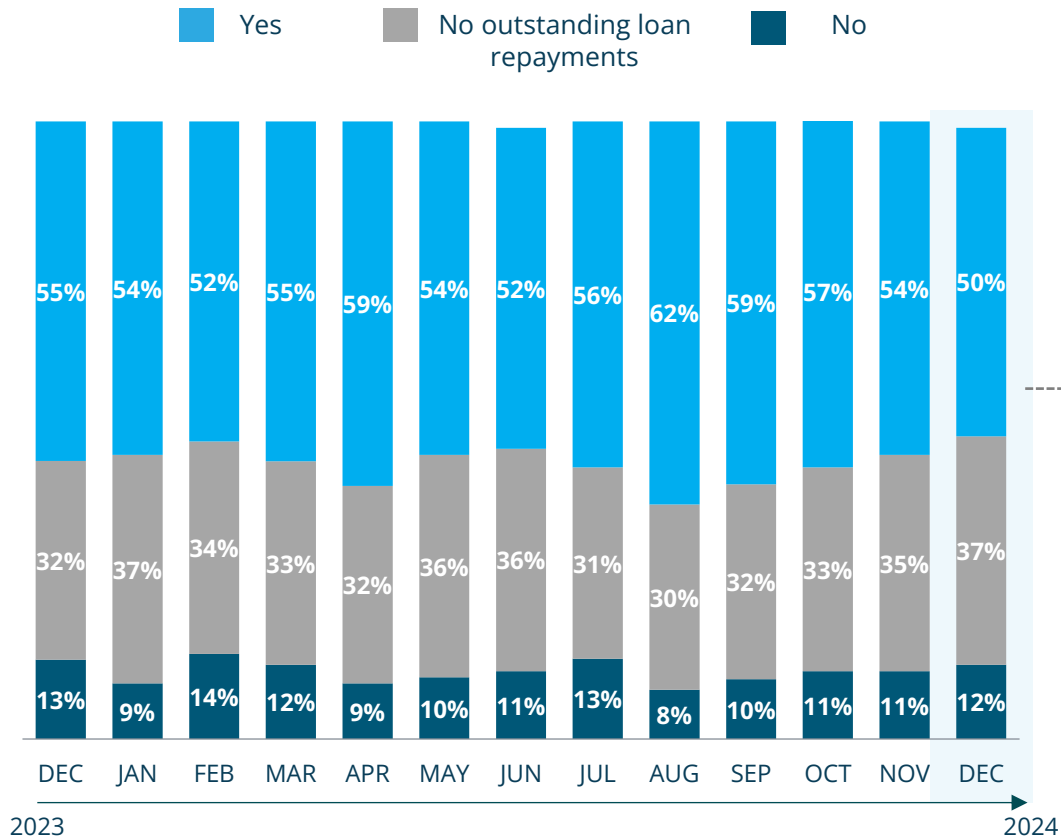
### Will You Require Any Additional Finance Over The Next 3 Months? (Yes)

	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
0-19 Employees	15%	13%	14%	13%	14%
20+ Employees	28%	28%	35%	26%	21%
Construction	19%	13%	17%	14%	19%
Distribution	12%	19%	13%	19%	16%
Health & Education	20%	13%	17%	8%	8%
Hospitality	25%	27%	29%	14%	17%
Production	21%	17%	22%	16%	14%
Retail Trade	15%	8%	11%	9%	9%
Services	12%	12%	13%	13%	13%

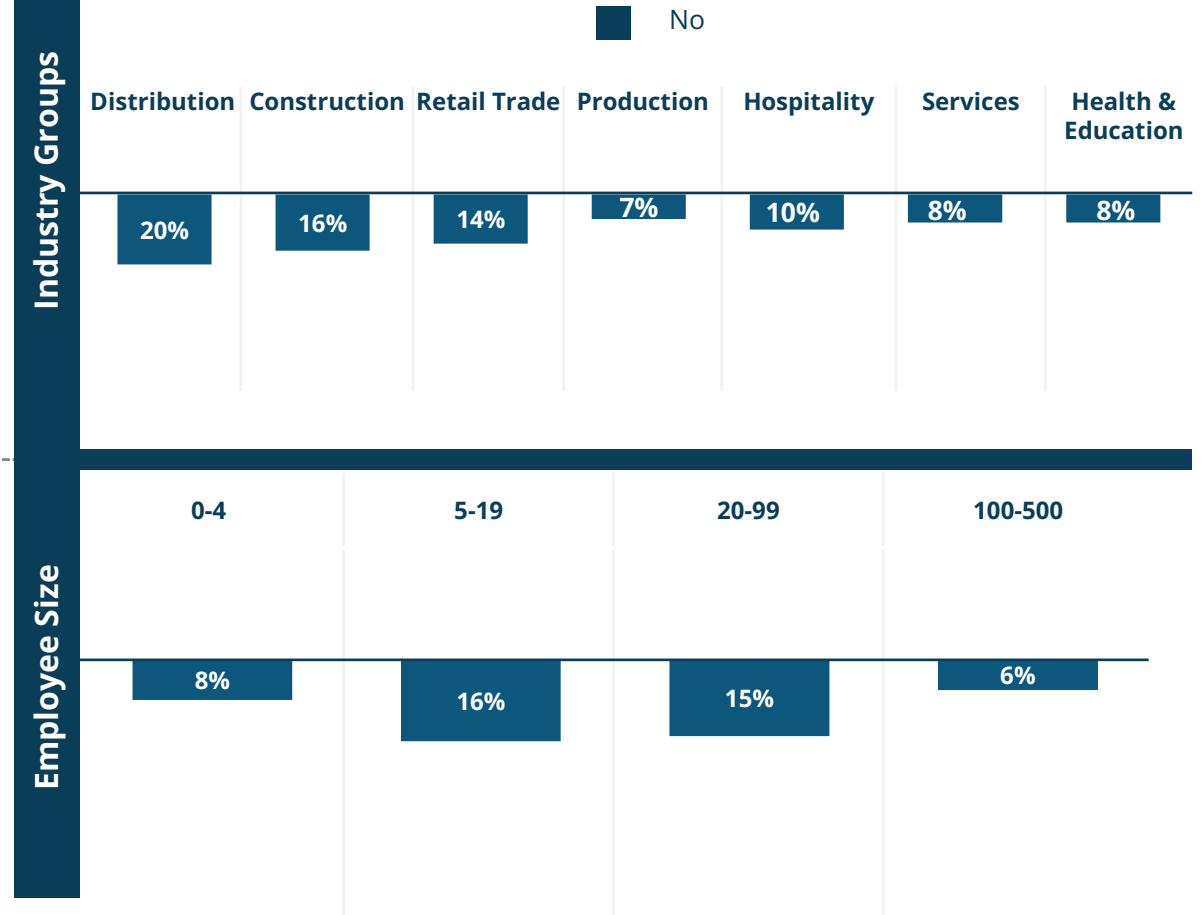
# Business Investment | Loan Stress

The proportion of SMEs with no outstanding debt has risen from 30% in August to 37% in December, reflecting a growing focus on cost and debt management in recent months. However, the share of SMEs anticipating difficulty in meeting their debt obligations over the next six months has also increased to 12%.

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



## Last 3 Months (Oct, Nov, Dec)



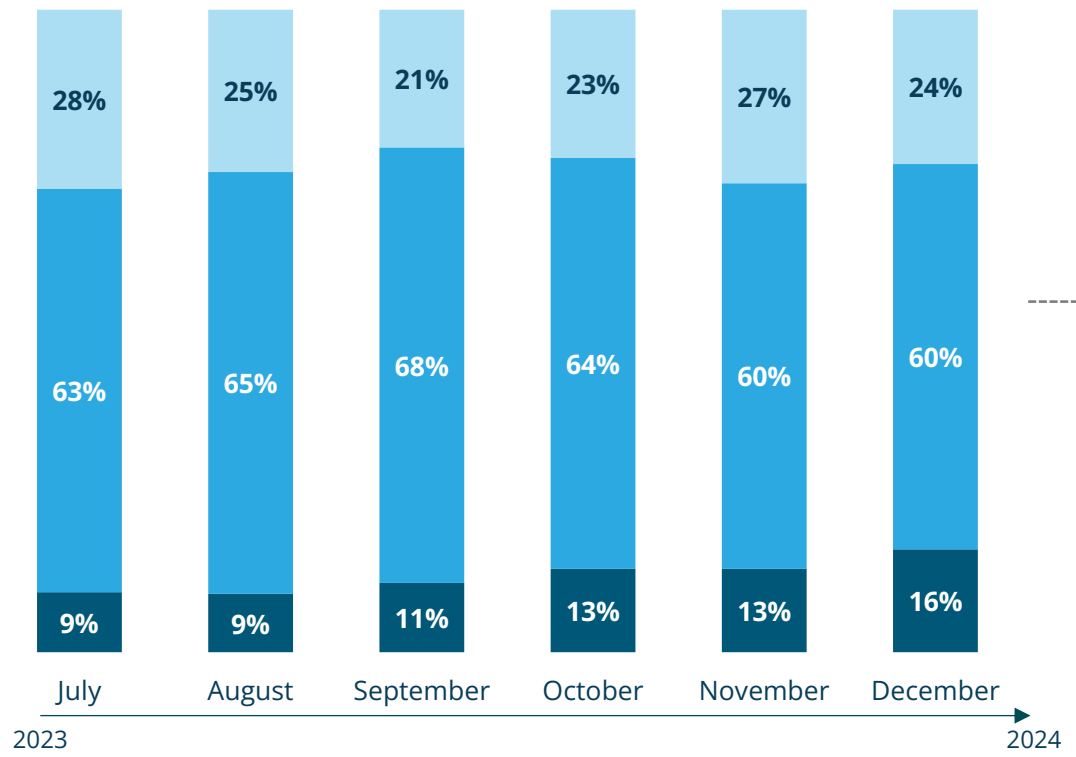
# Business Investment | Financial Hardship

Aligned with improved debt management, the proportion of SMEs experiencing financial challenges has slightly declined after peaking in November. However, SMEs in the Distribution sector and larger businesses were more likely to face financial difficulties throughout 2024.

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

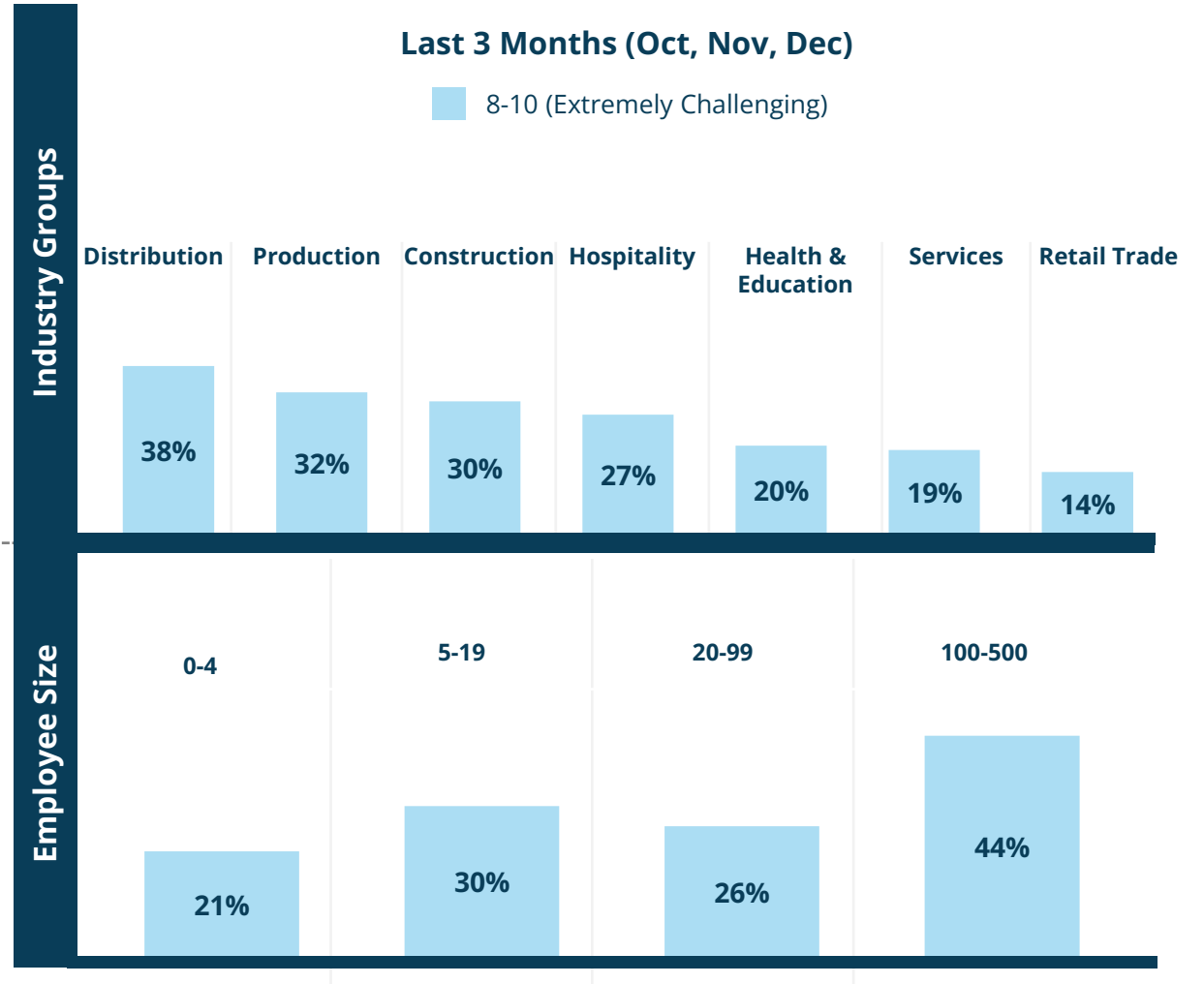
0 = Not at all challenging  
10 = Extremely challenging

0-3 4-7 8-10



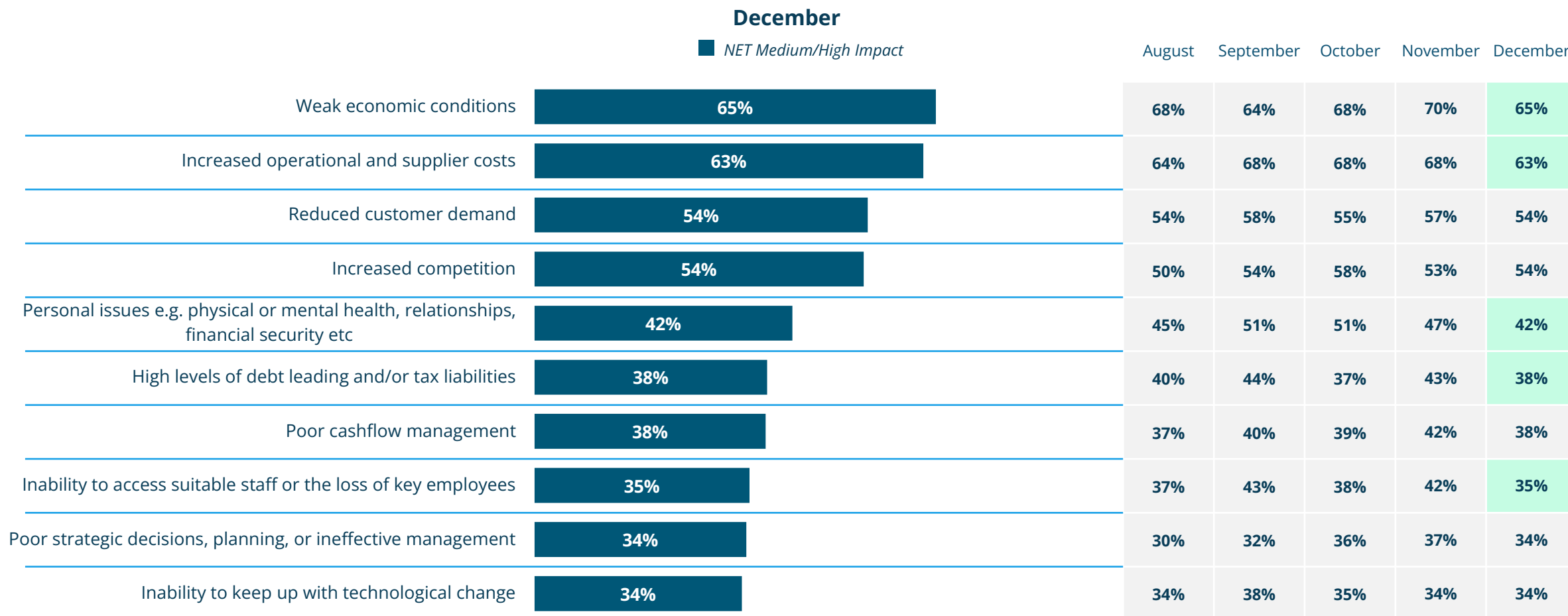
## Last 3 Months (Oct, Nov, Dec)

8-10 (Extremely Challenging)

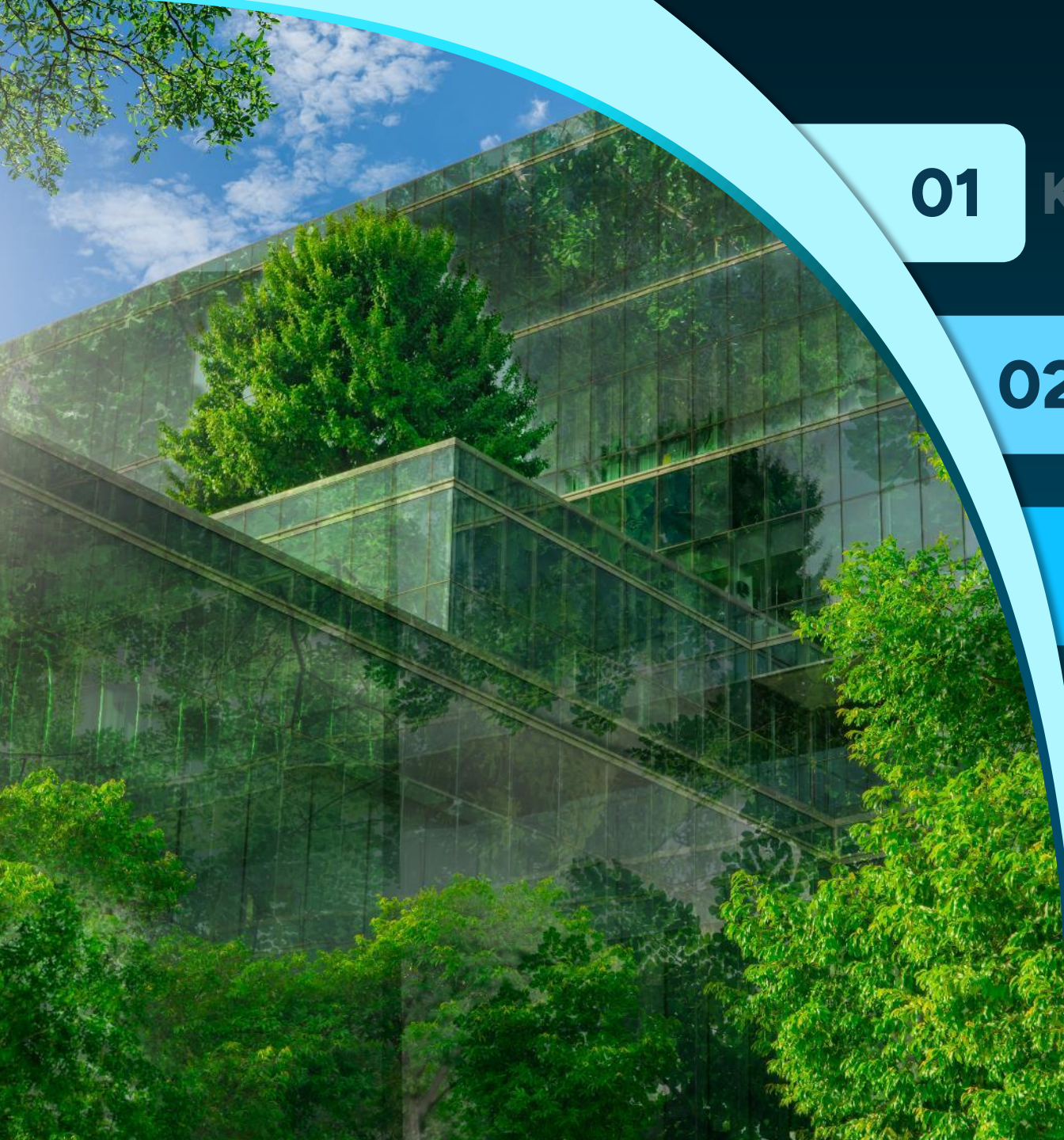


In line with easing financial challenges, December saw a decline across many issues affecting SME financial health compared to the previous month.

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







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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

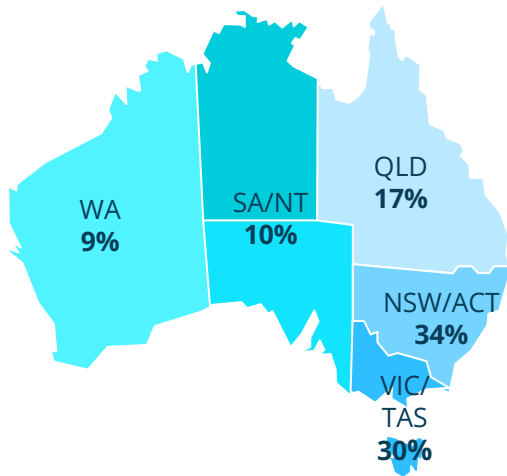


Data is **weighted** by industry, state and  
number of employees to reflect the  
national distribution of businesses across  
the country

# Our Sample

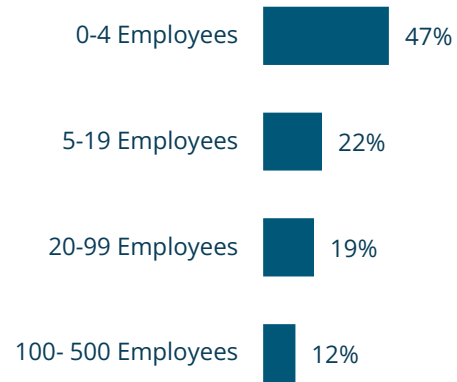
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

## Head Office Location

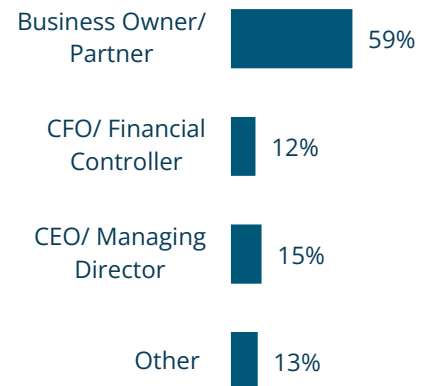


NOTE: CHARTS SHOW UNWEIGHTED DATA

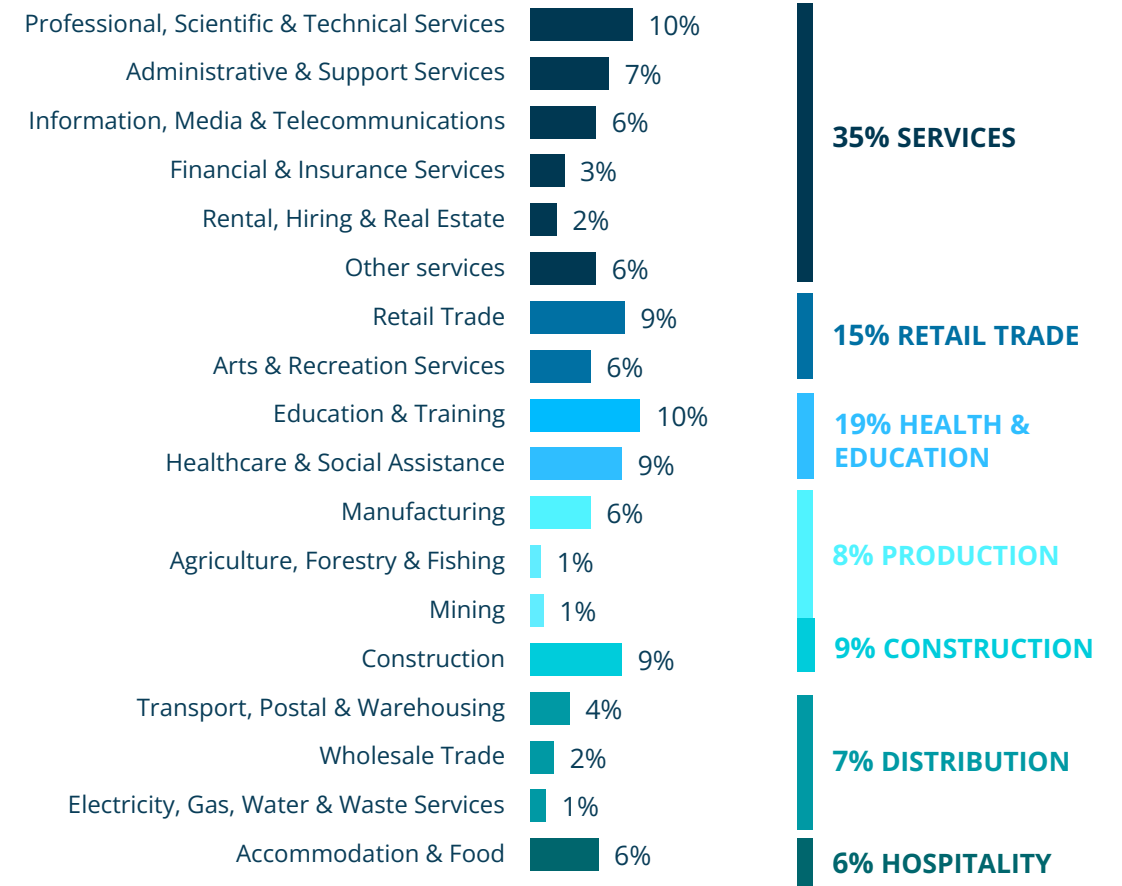
## Size Of Business: Employees



## Position In Business



## Industry Sector



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**Thank You**

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