



# Small & Medium Enterprise Sentiment Tracker

Wave 72 – February 2025



**fifth**  
quadrant

# 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.





**Sharp rise in confidence in Australian economic conditions following interest rate cuts**



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



**26% increasing capital investment over the next 3 months**



**But 61% believe the Trump Administration will have a negative impact on the Australian economy**

## SME Confidence Grows Amid Political Uncertainty

Despite a slowdown in revenue and profitability in February, SME confidence in Australian economic conditions has surged, driven by falling interest rates. Accordingly, 38% of SMEs are expecting growth over the next 12 months. Short-term revenue expectations are also improving, with nearly one-third of SMEs anticipating month-on-month growth. Capital investment and marketing spend is also set to rise over the next three months.

Despite this positive outlook hiring intentions remain weak, with only 12% of SMEs planning to increase staff in the next quarter—down from 17% last year and 15% in December. While recruitment has picked up slightly to 16% after a quiet January, this is largely due to seasonal hiring in the Hospitality sector.

Looking ahead, the political landscape in both Australia and the US is likely to weigh on SME confidence. With the Australian election approaching, satisfaction with the Federal Government has dropped to 28%. Meanwhile, concerns over the Trump Administration's trade policies and unpredictable approach to global relations are growing. This month, 61% of SMEs believe Trump will have a negative impact on the Australian economy, a sharp increase from 49% in December before his inauguration.

While falling interest rates have strengthened SME confidence and growth expectations, hiring intentions remain subdued, reflecting ongoing caution in the labour market. Despite an improving revenue outlook and increased investment plans, political uncertainty—both domestically and internationally—poses a risk to business confidence in the months ahead.



**01**

**Key Performance Indicators**

**02**

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**Business Investment**

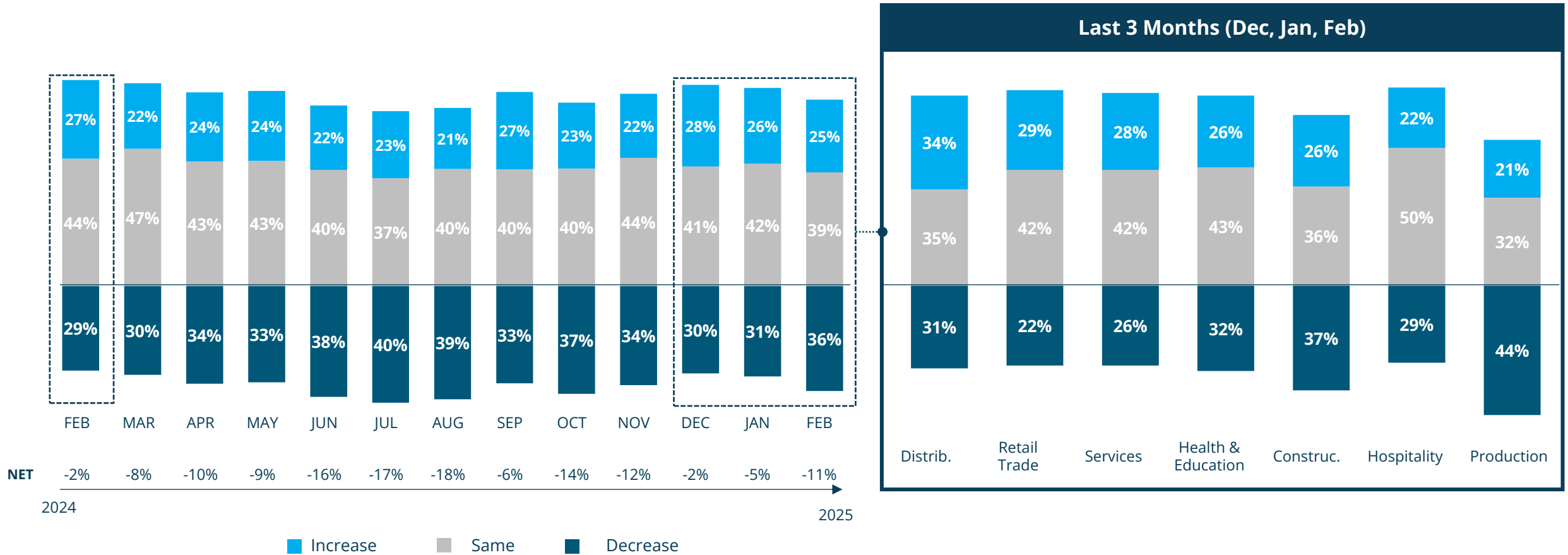
**05**

**Methodology & Sample**

# Key Performance Indicators | Revenue

After two months of positive revenue trends, February saw a slowdown, with only 25% of SMEs reporting higher revenues than last year.

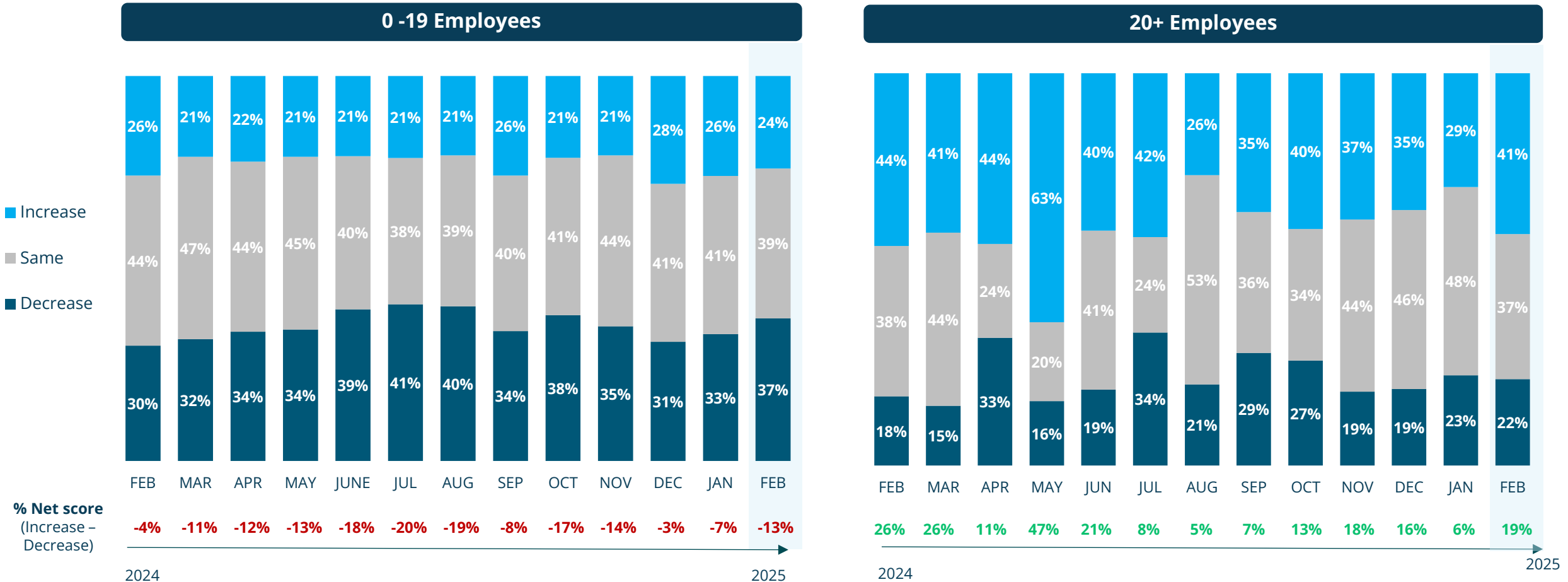
## How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



# Key Performance Indicators | Revenue

Smaller SMEs continue to experience declining revenue, while larger SMEs have reversed the downward trend observed since November.

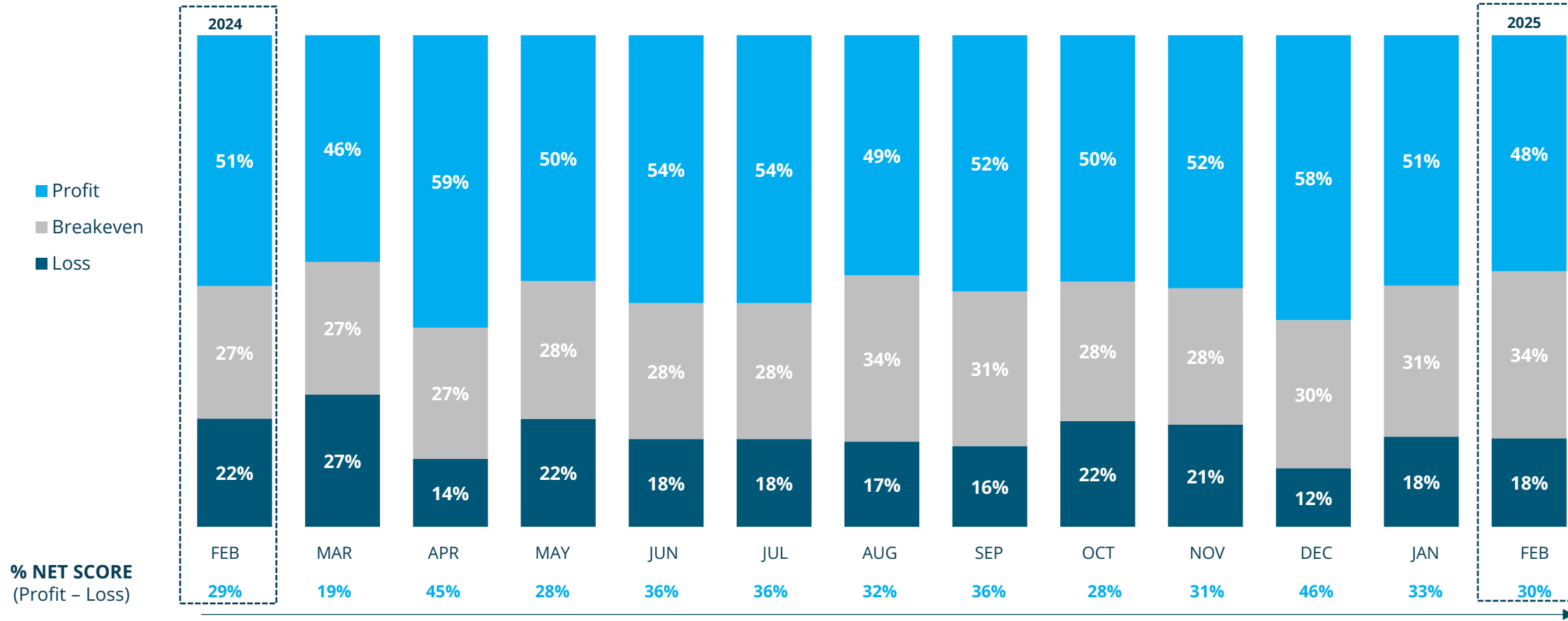
## How Does Your Current Monthly Revenue Compare To Your Monthly Revenue 12 Months Ago?



# Key Performance Indicators | Profit

The proportion of SMEs reporting a profit has also declined, falling from 58% in December to 48% this month.

## What Was Your Profit Margin Last Month?

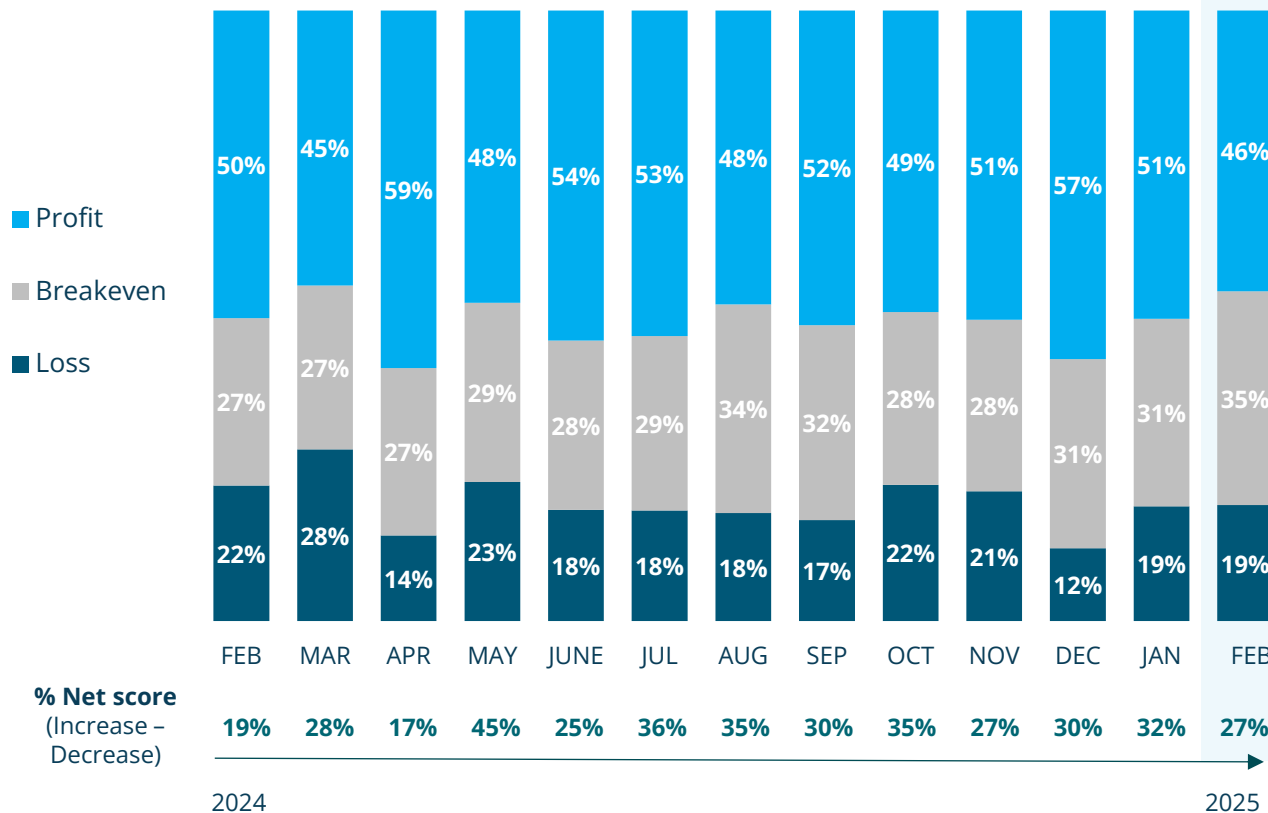


# Key Performance Indicators | Profit

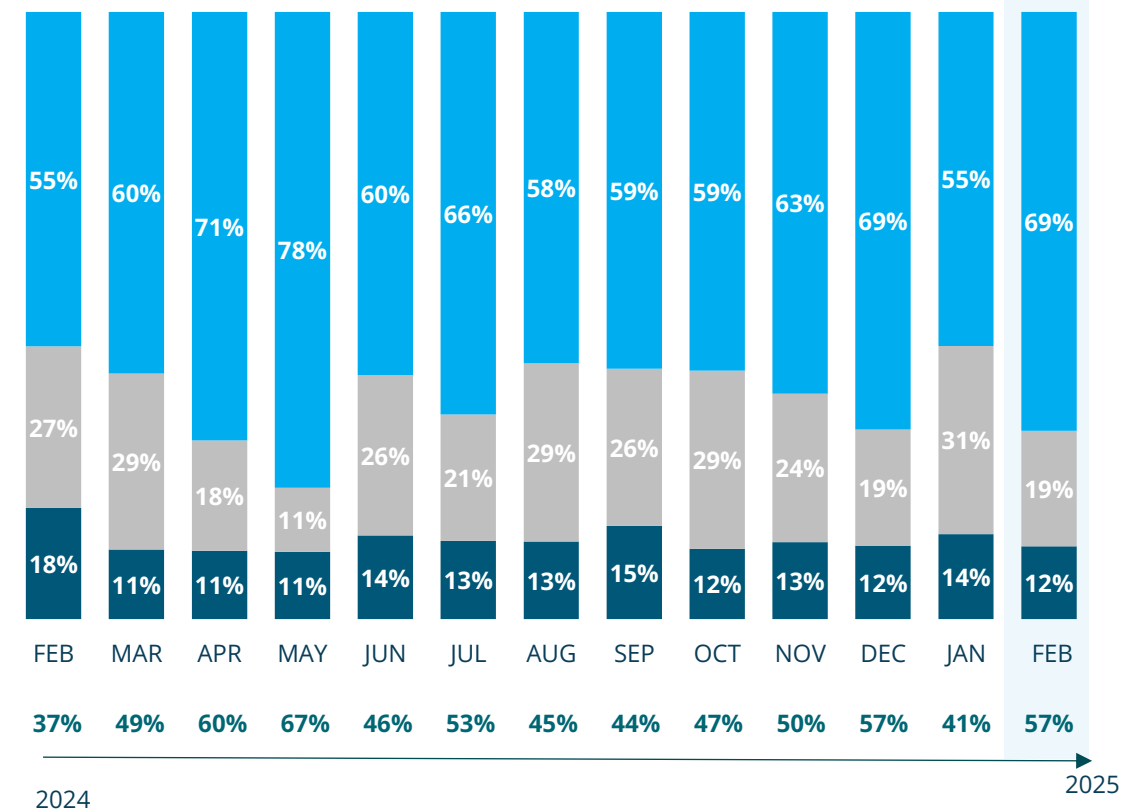
Profitability among smaller SMEs (0-19 employees) continued to decline, dropping to 46% in February, below the level recorded at the same time last year. In contrast, larger SMEs (20+ employees) experienced an improvement, with profitability rising to 69%.

## What Was Your Profit Margin Last Month?

### 0 -19 Employees



### 20+ Employees





# Key Performance Indicators | Initiatives To Counter Cost Pressures

More SMEs (21%) are proactively reassessing current projects and investments, up significantly from 14% in October. Meanwhile, fewer SMEs (7%, down from 14% in October) are delegating non-essential functions to external providers, suggesting a shift toward internal resource optimisation and cost control.

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

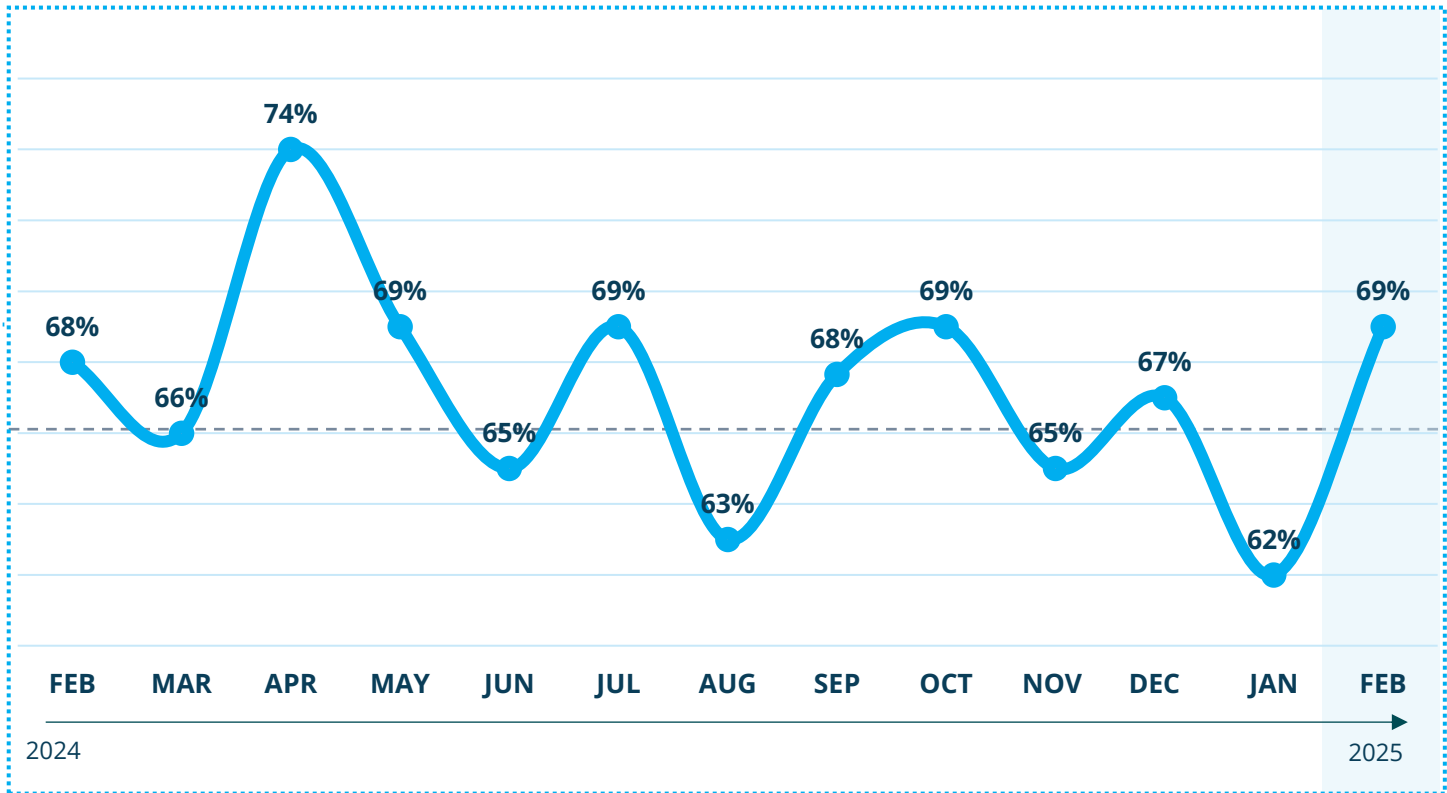
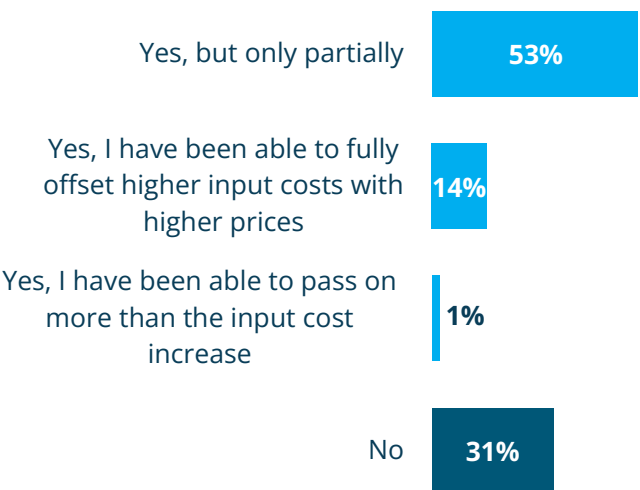
	February	October	November	December	January	February
Discontinuing products/services that are not profitable.	27%	24%	26%	31%	26%	27%
Enhancing efficiency by streamlining business operations.	25%	24%	23%	22%	27%	25%
Reassessing current projects and significant investments for viability and impact.	21%	14%	18%	17%	18%	21%
Renegotiating supplier contracts or seeking new supply sources.	20%	23%	20%	22%	17%	20%
Expanding the range of products/services to generate new revenue streams.	18%	14%	22%	22%	17%	18%
Maximising staff productivity through better training and optimisation.	16%	16%	20%	17%	22%	16%
Refining inventory management practices for better efficiency.	15%	12%	14%	15%	8%	15%
Adopting new technologies for increased automation and operational efficiency.	13%	15%	14%	16%	19%	13%
Undertaking debt restructuring to reduce financial burdens.	10%	8%	13%	12%	11%	10%
Implementing workforce reductions, such as layoffs or hiring freezes.	8%	9%	10%	9%	9%	8%
Delegating non-essential functions to external providers.	7%	14%	14%	11%	8%	7%
Shifting towards the use of renewable energy sources.	6%	8%	10%	7%	9%	6%
Consulting banks and/or financial counsellors about financial hardship	5%	6%	6%	9%	7%	5%

# Key Performance Indicators | Cost Recovery

In February, 69% of SMEs managed to pass on higher input costs to customers, recovering from a recent low of 62% in January and surpassing the 12-month average of 67%. However, most SMEs (53%) only partially offset these costs, highlighting ongoing margin pressures.

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

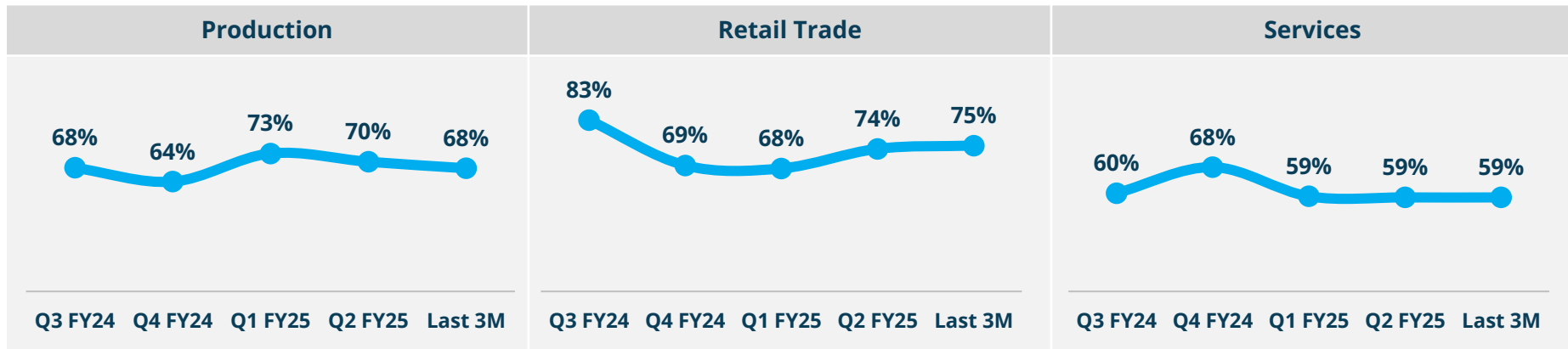
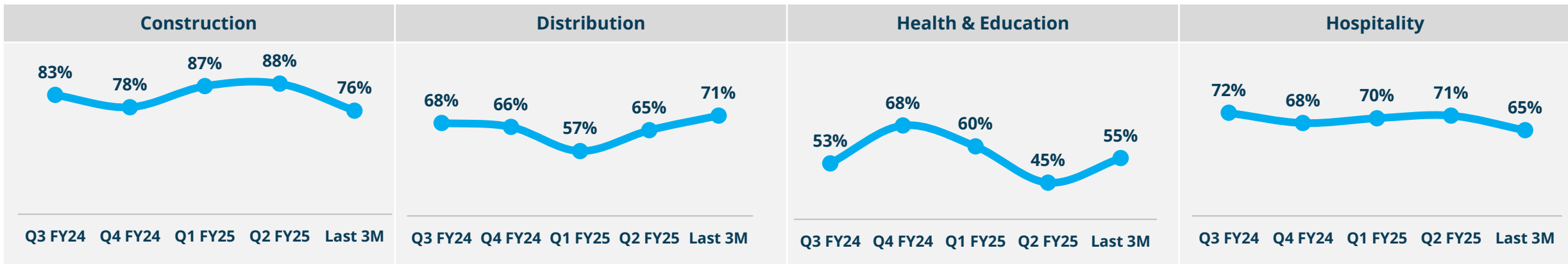
### February



# Key Performance Indicators | Cost Recovery

SMEs in Retail (75%) and Distribution (71%) sectors are the most successful at passing on higher input costs, with both sectors showing recent improvement.

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





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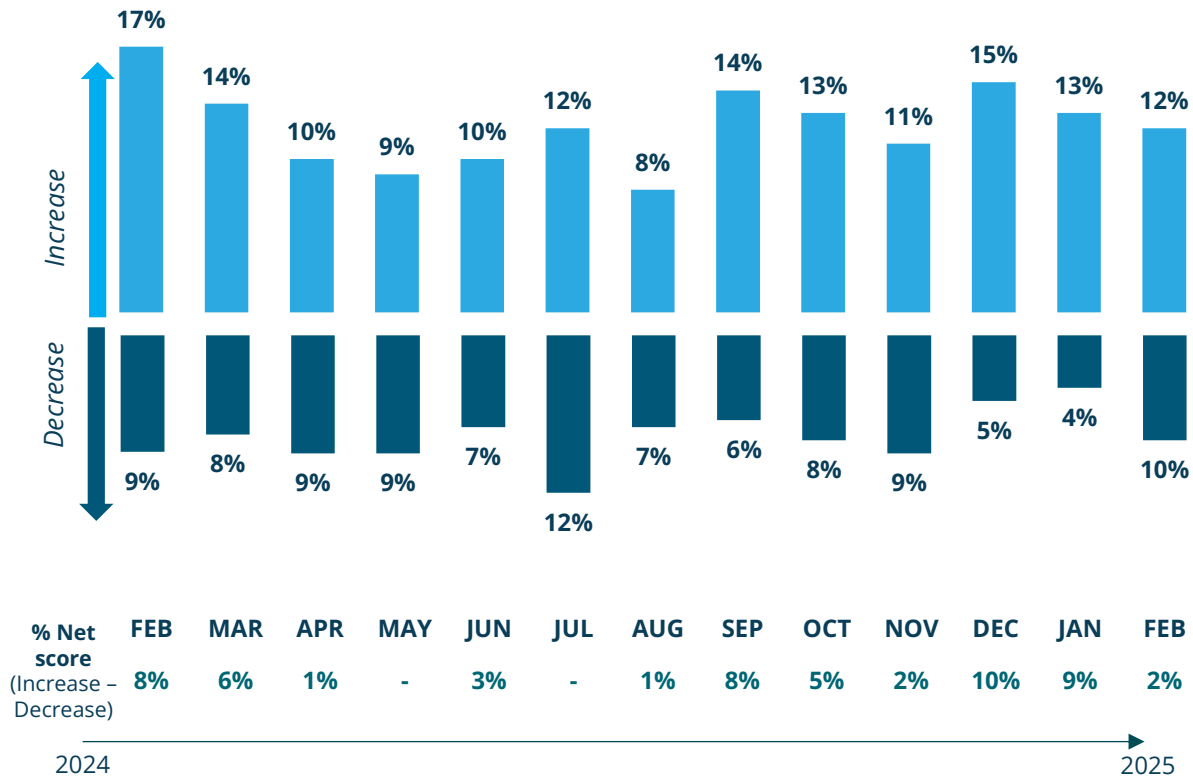
**Methodology & Sample**

# Key Performance Indicators | People

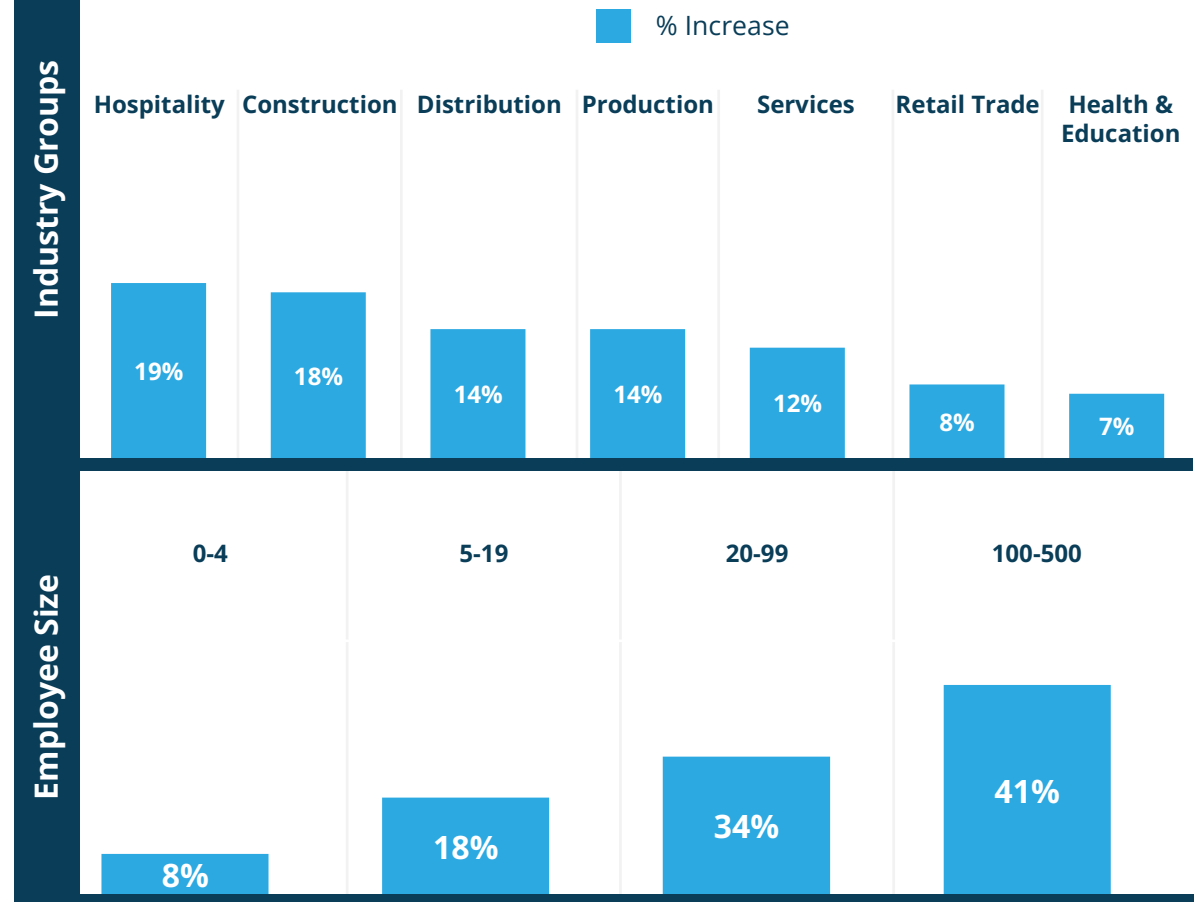
Hiring intentions continue to decline, with only 12% of SMEs expecting to increase staff in the next three months, down from 17% last year and 15% in December, while 10% now plan to reduce headcount.

## Expectations Over The Next 3 Months Regarding Staff

### The Number Of Staff You Employ



## Last 3 Months (Dec, Jan, Feb)

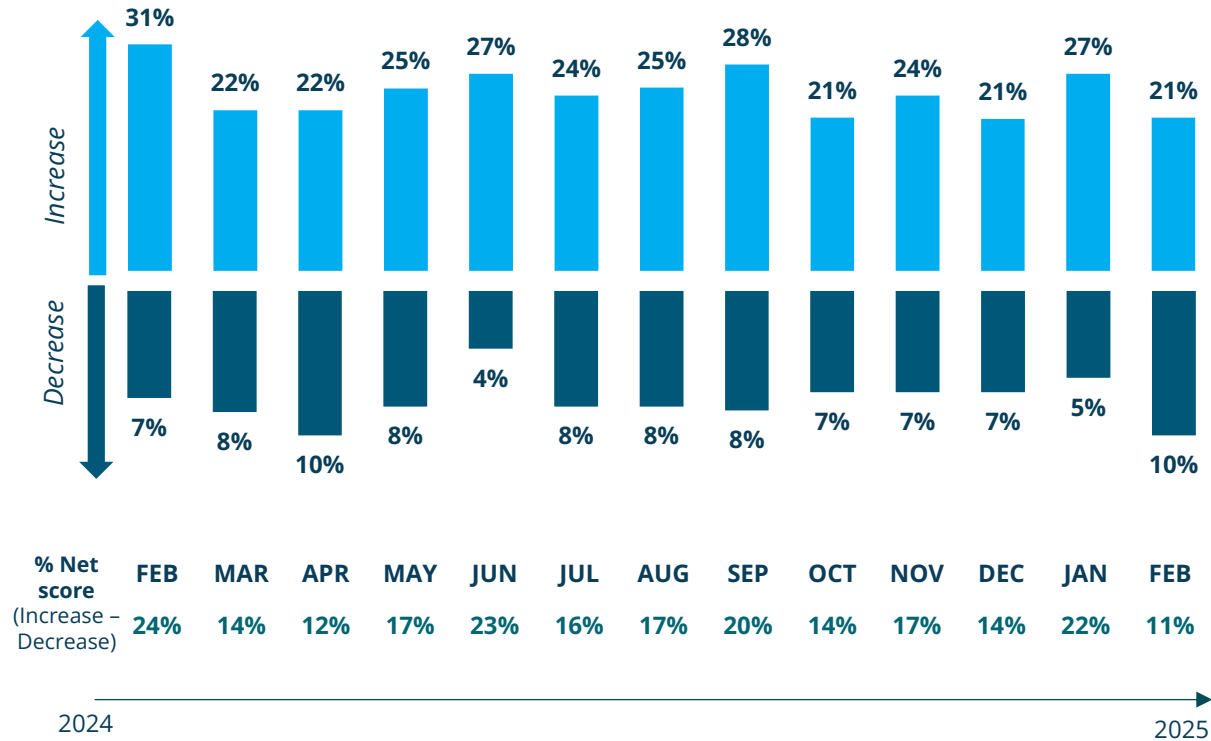


# Key Performance Indicators | People

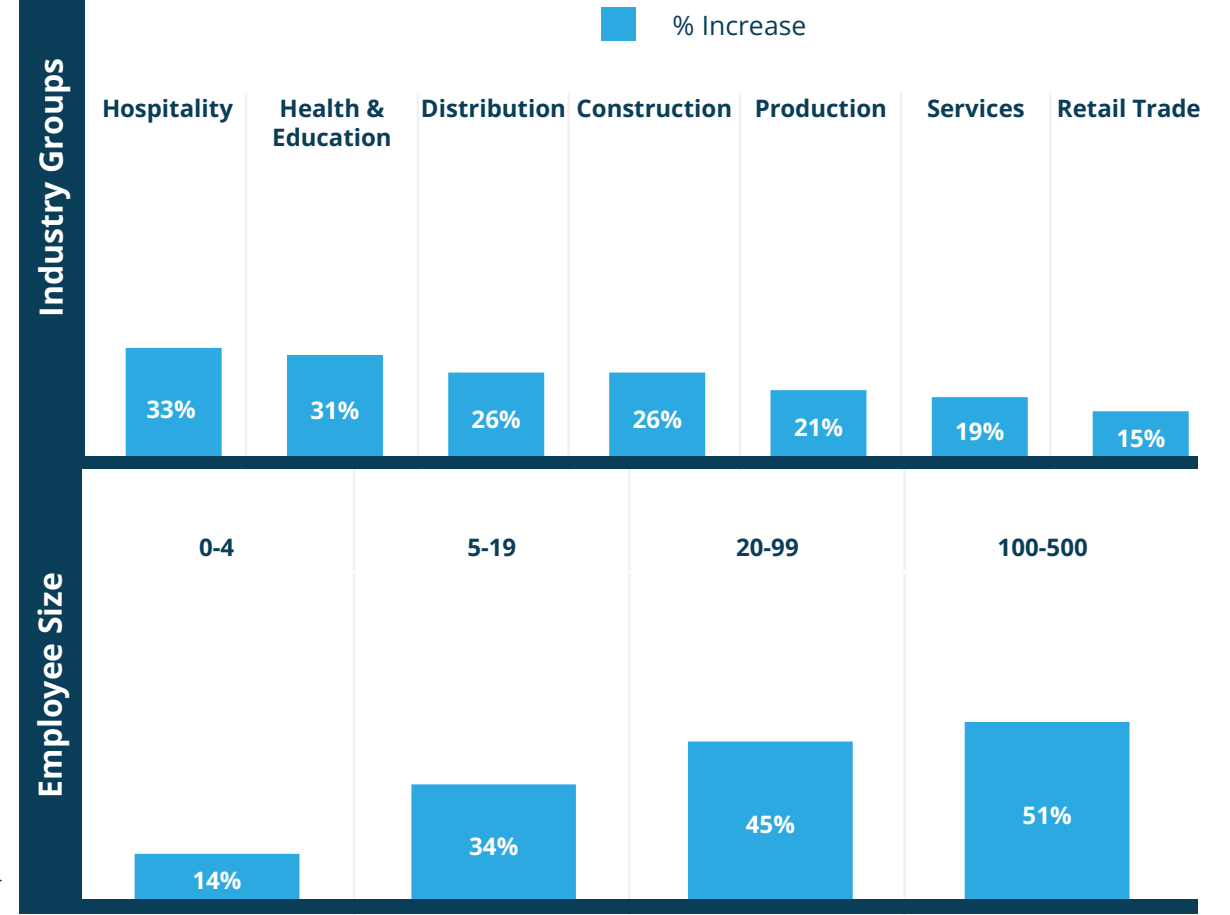
Wage pressures are also easing, with only 21% expecting increases over the next three months, while 10% anticipate a decline.

## Expectations Over The Next 3 Months Regarding Wages

### The Wages You Pay



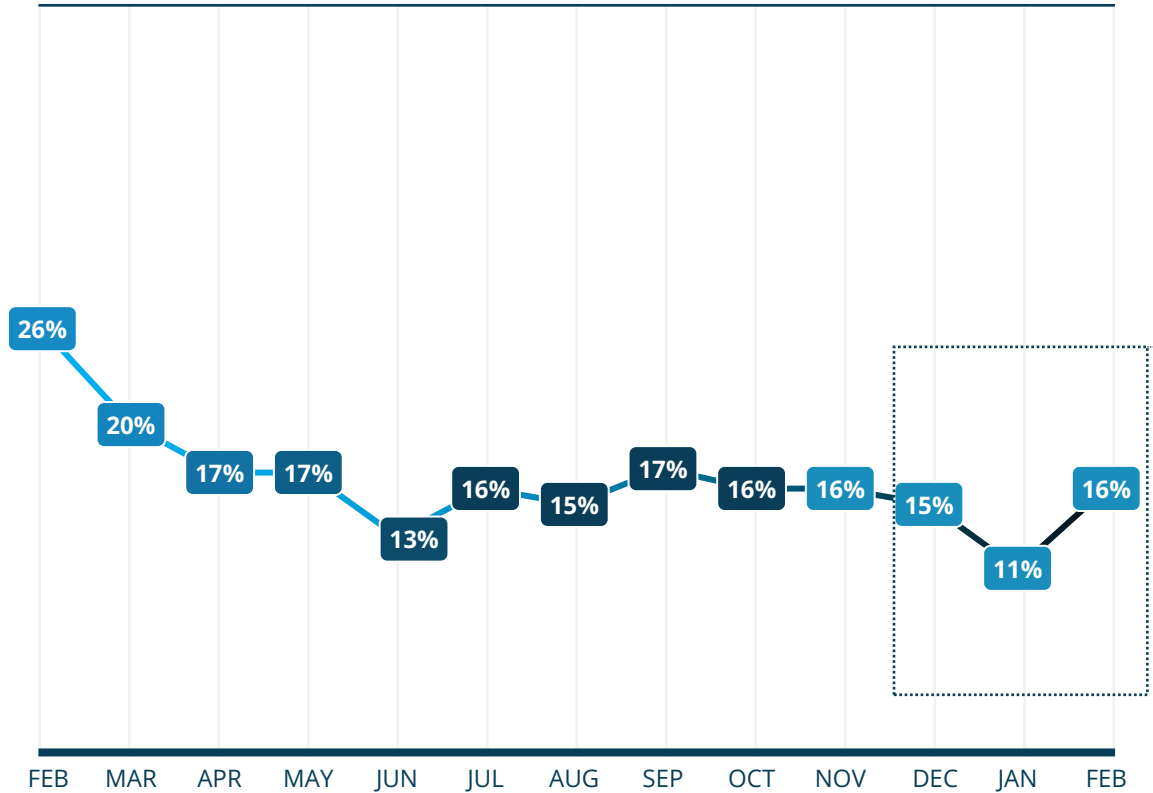
## Last 3 Months (Dec, Jan, Feb)



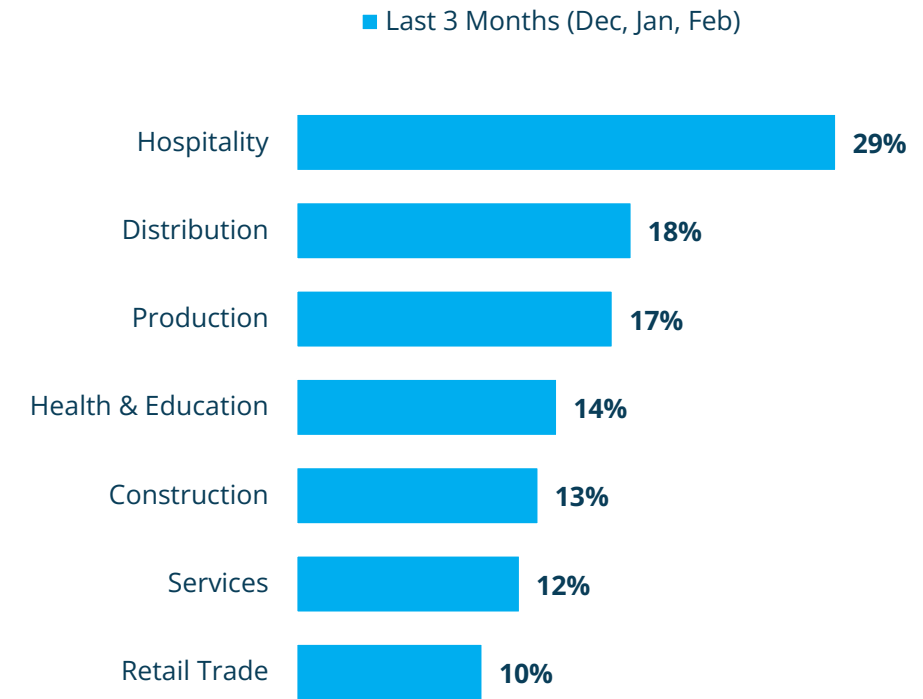
# Key Performance Indicators | People

Despite expectations of stable staff levels, recruitment has rebounded to 16% following a quiet January, but this is driven by the more transient Hospitality sector.

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



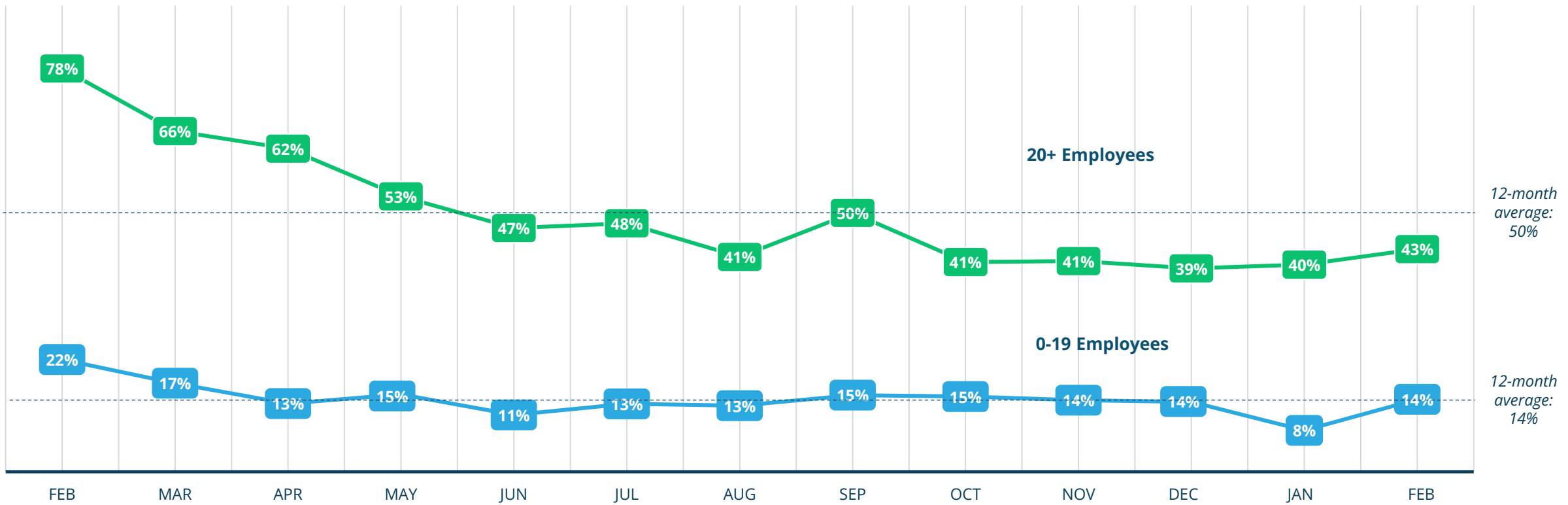
## Current Job Vacancies By Industry



2024 → 2025

Recruitment activity has rebounded across both employee size cohorts but remains well below February last year.

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



12-month average: 50%

12-month average: 14%

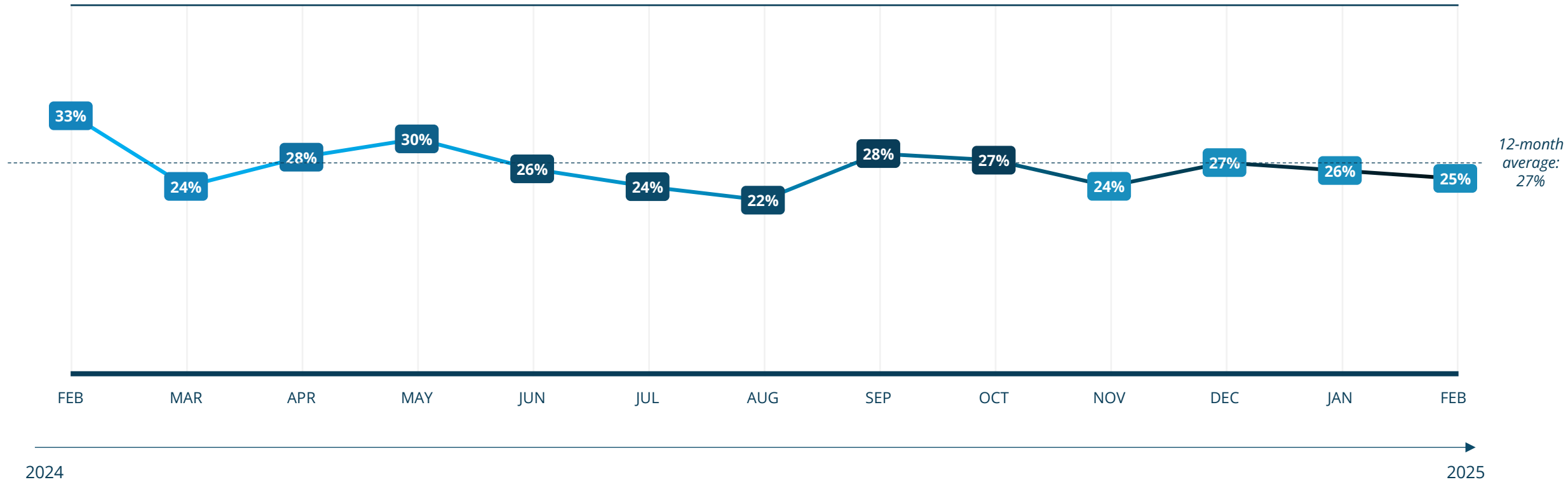


The share of businesses struggling to fill roles remains below the 12-month average, highlighting easing labor market pressures.

## How Difficult Is It To Fill These Roles?

Data displayed as a last 3 months (Dec, Jan, Feb)

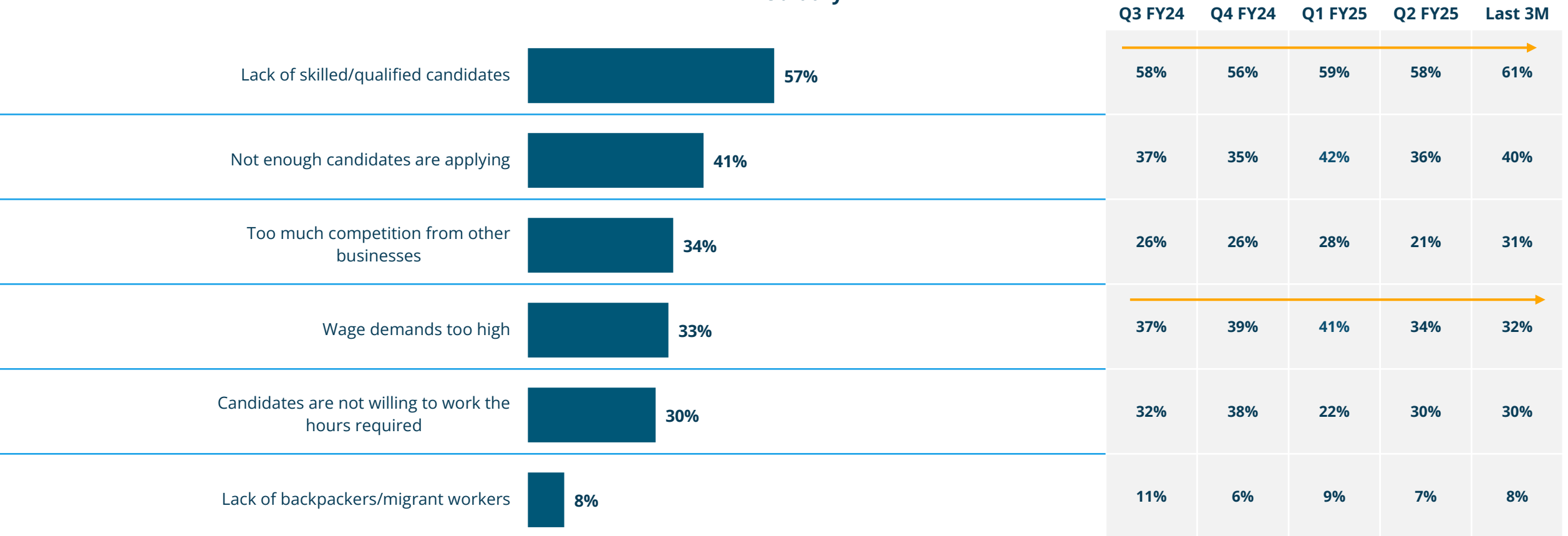
● Very Difficult



Despite moderating wage demands, the shortage of skilled candidates remains the biggest challenge for SMEs currently recruiting.

## Why Is It Difficult To Fill Job Roles?

February





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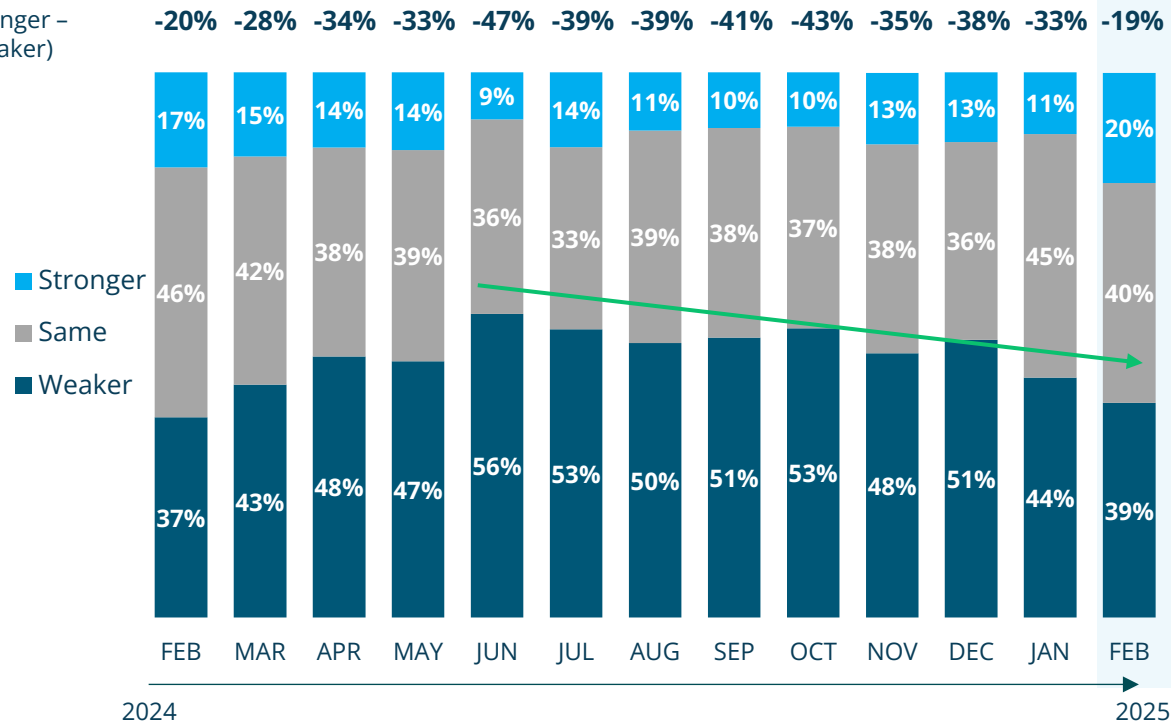
# Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

This month saw a sharp rise in confidence in Australian economic conditions following interest rate cuts, while global economic confidence continues to improve despite growing volatility.

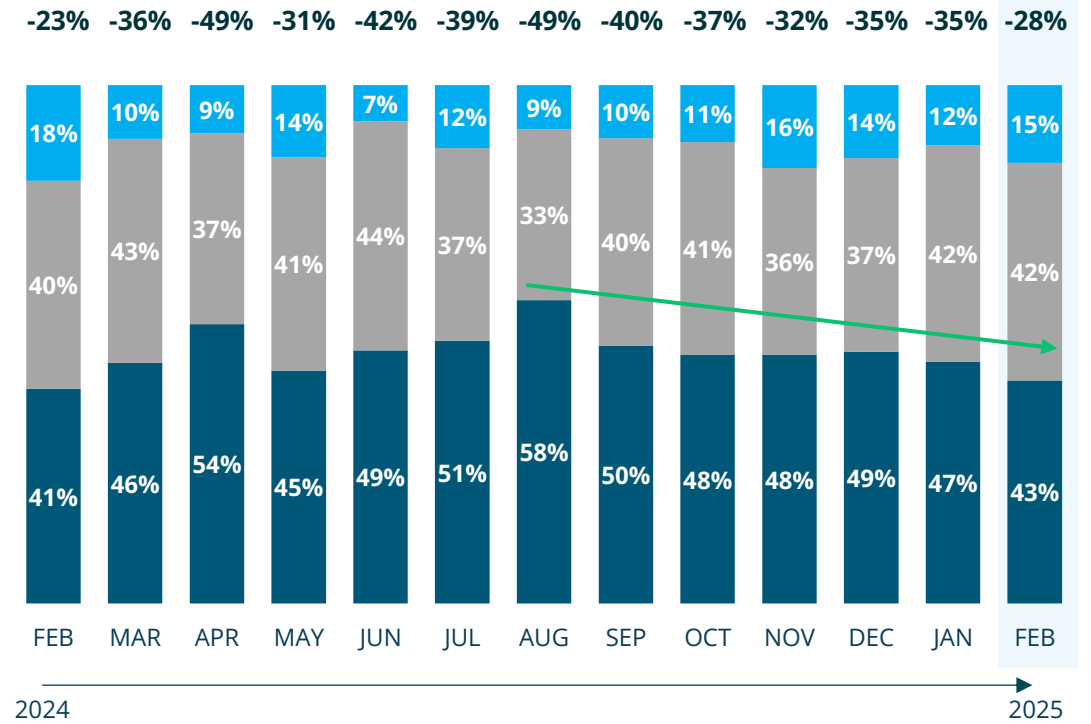
## Expectations Over The Next 3 Months Regarding Economic Conditions

### Australian Economy

% Net score  
(Stronger - Weaker)



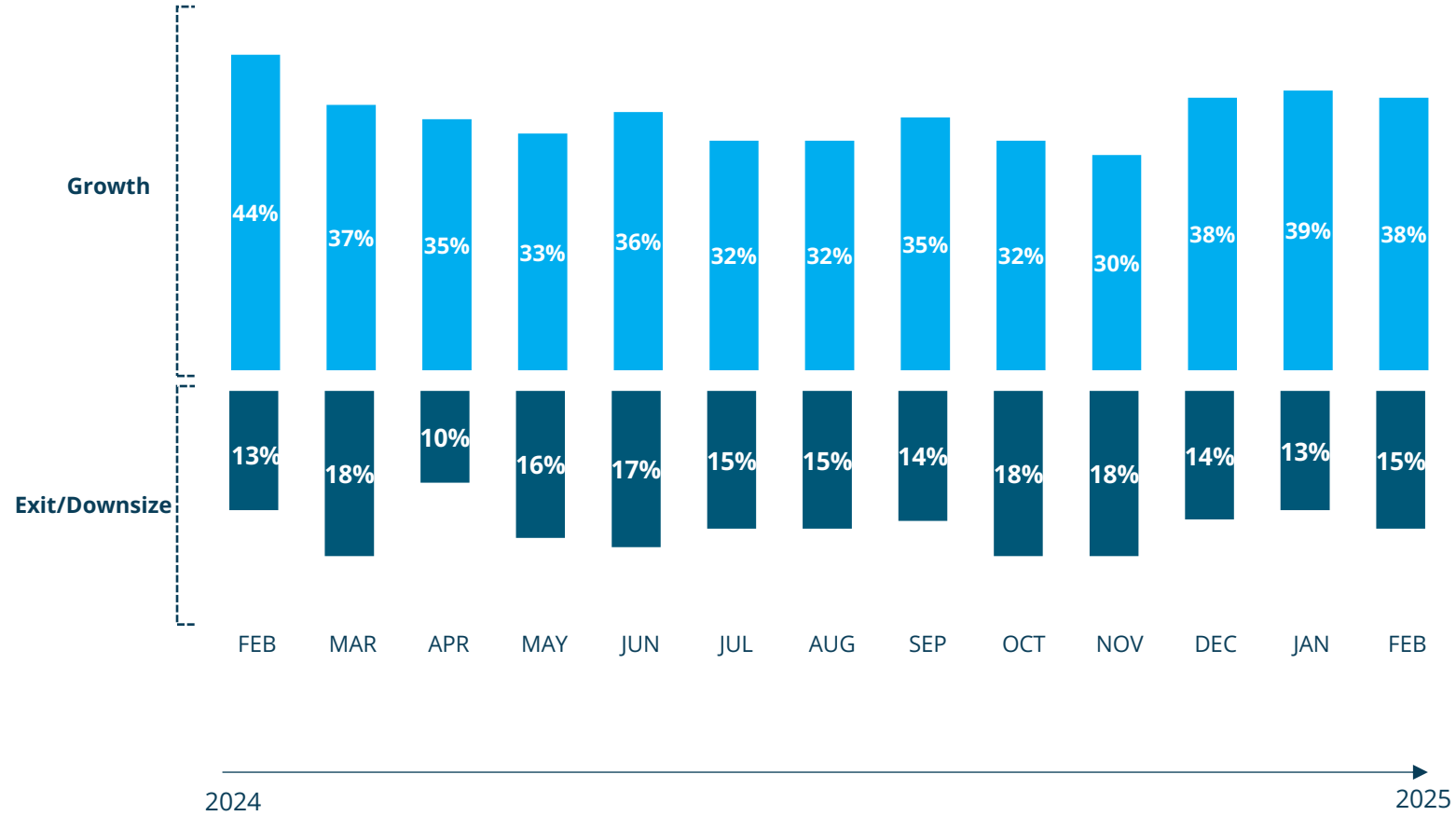
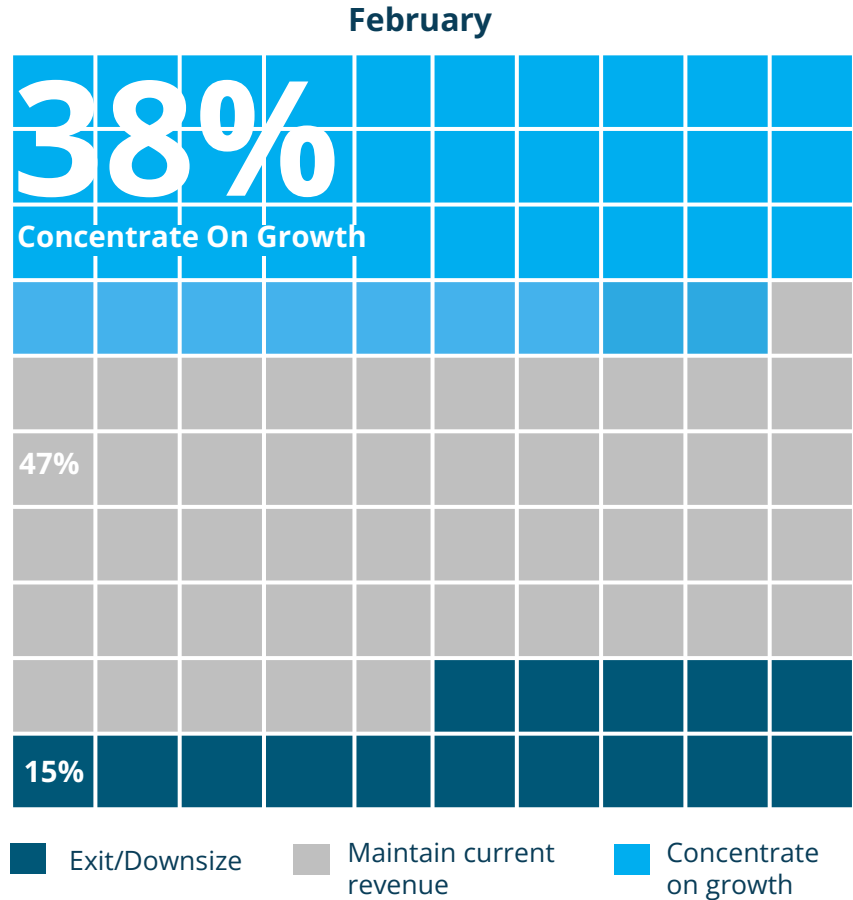
### Global Economy



# Business Sentiment | Growth Expectations (Next 12 months)

Accordingly, SME expectations for the next 12 months remain strong with 38% expecting growth.

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



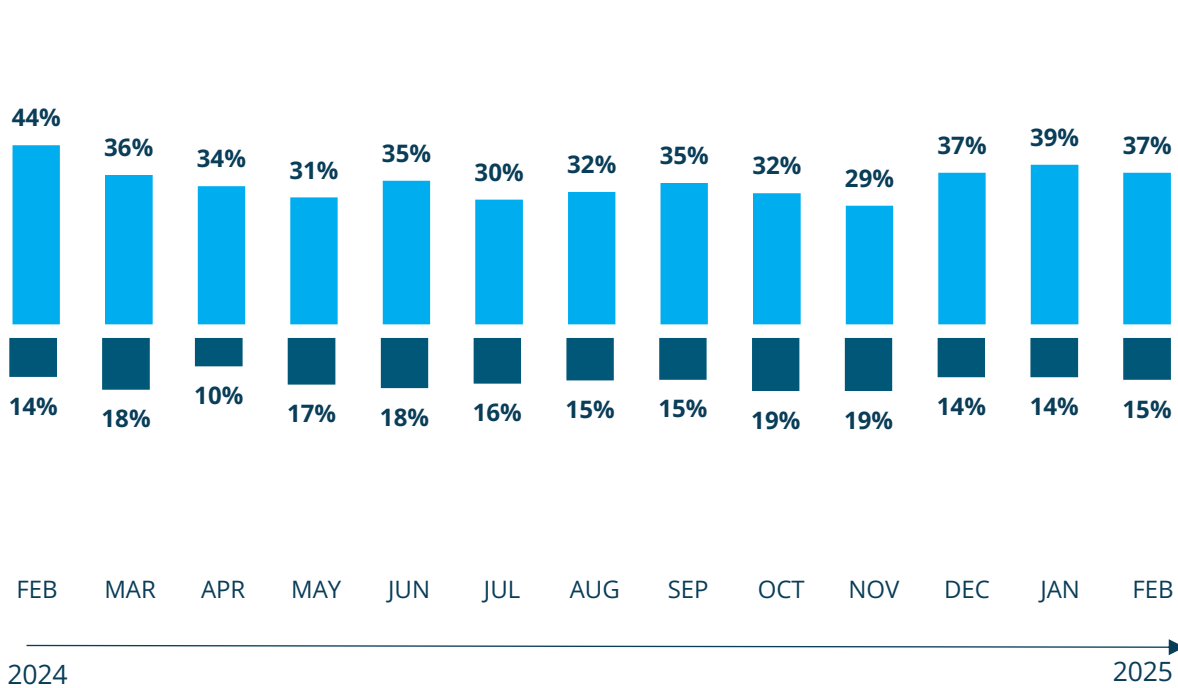
# Business Sentiment | Growth Expectations (Next 12 months)

Growth expectations amongst larger SMEs rebounded strongly in February.

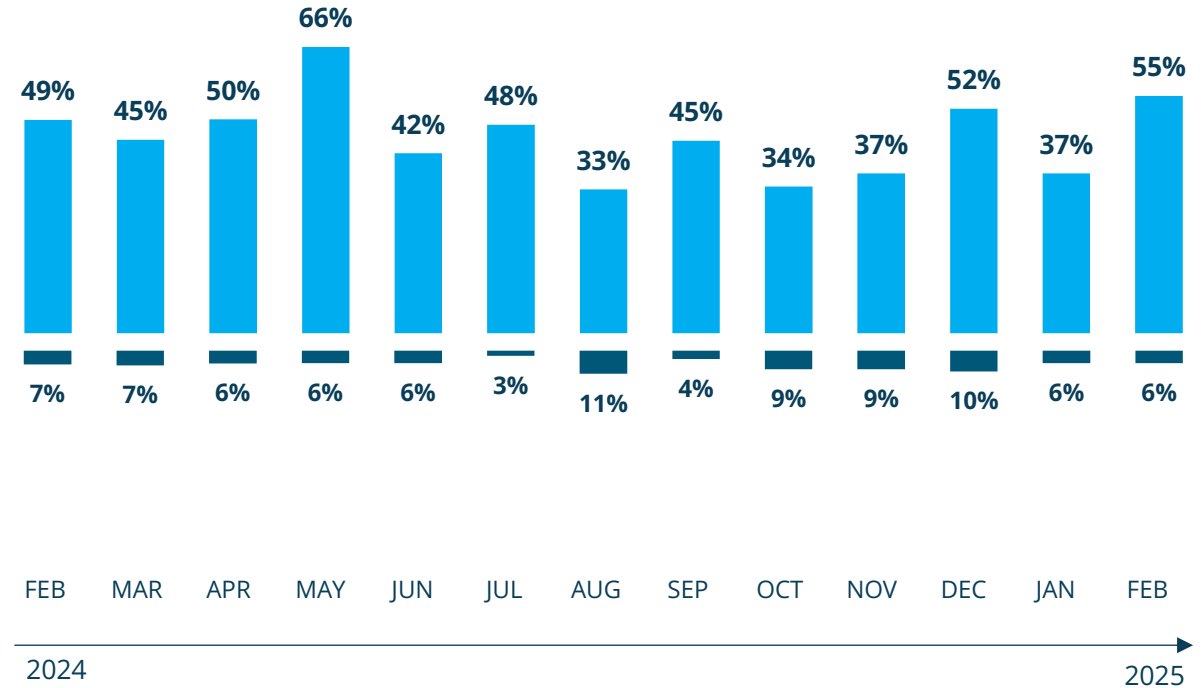
## Overall, What Best Describes Your Approach To Business Over The Next 12 Months?

■ Concentrate on growth
 ■ Exit/Downsize

### 0 -19 Employees



### 20+ Employees



# Business Sentiment | Challenges

Adding to the more positive outlook, SMEs are increasingly confident in managing cost pressures and shifting consumer preferences. Notably, concerns around cyber threats, access to finance, and talent acquisition have also eased.

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

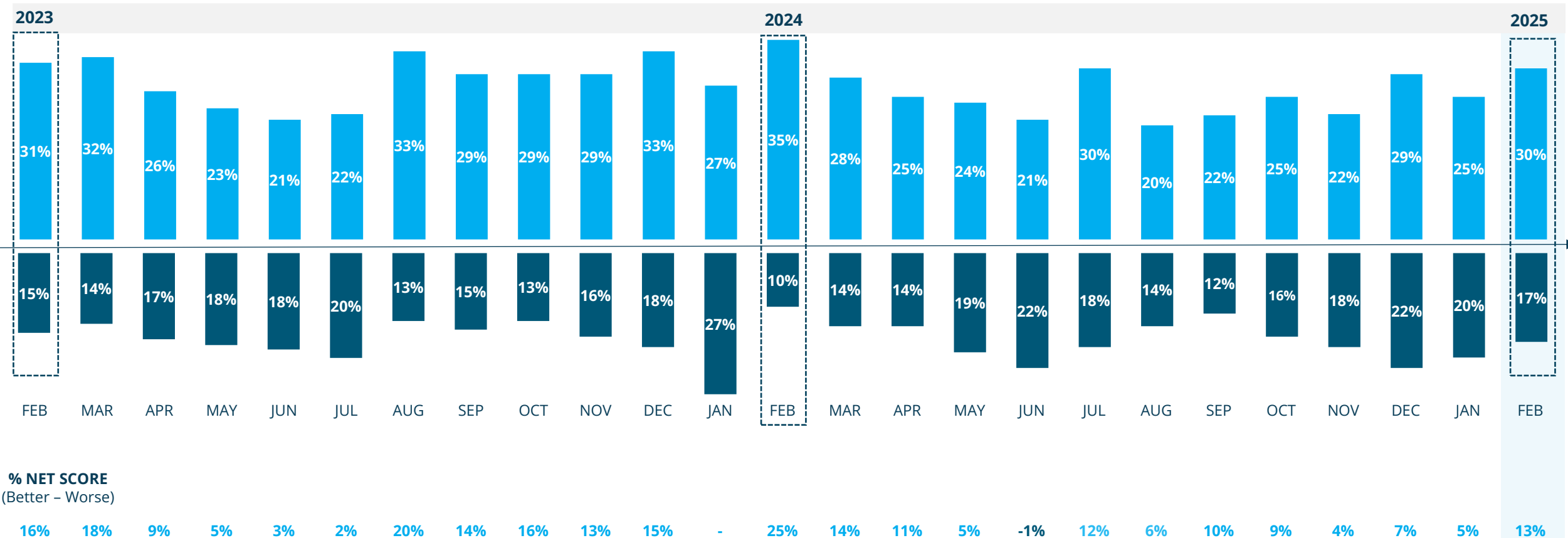
	February	September	October	November	December	January	February
Addressing the difficult economic outlook and ongoing cost pressures.	42%	43%	46%	45%	47%	44%	42%
Keeping pace with changing customer behaviours and preferences.	38%	40%	33%	35%	42%	32%	38%
Managing the continuous adoption of new technologies and digital transformation processes.	22%	18%	17%	19%	21%	18%	22%
Navigating regulatory, compliance, and governance challenges.	20%	25%	16%	20%	22%	20%	20%
Identifying and implementing measures to boost workforce efficiency and productivity.	14%	24%	15%	18%	18%	20%	14%
Strengthening defences against cyber threats and ensuring data privacy.	14%	22%	19%	20%	20%	20%	14%
Strengthening supply chain operations for improved efficiency and resilience.	13%	19%	14%	18%	15%	17%	13%
Managing risks and uncertainties in the geopolitical landscape.	13%	15%	11%	16%	17%	14%	13%
Overcoming difficulties in securing necessary financing.	12%	15%	16%	15%	17%	15%	12%
Acquiring, training, and upskilling talent in a competitive market.	12%	14%	17%	13%	19%	14%	12%
Implementing strategies to address sustainability issues and climate change impacts.	12%	8%	9%	8%	10%	8%	12%
Prioritising investment in research and development to drive innovation.	8%	8%	6%	8%	7%	8%	8%

# Business Sentiment | Revenue Expectations (Next Four Weeks)

Short-term revenue expectations are also improving, with nearly a third of SMEs anticipating month-on-month revenue growth, although figures remain slightly weaker than in 2023 and 2024.

■ Better  
■ Worse

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



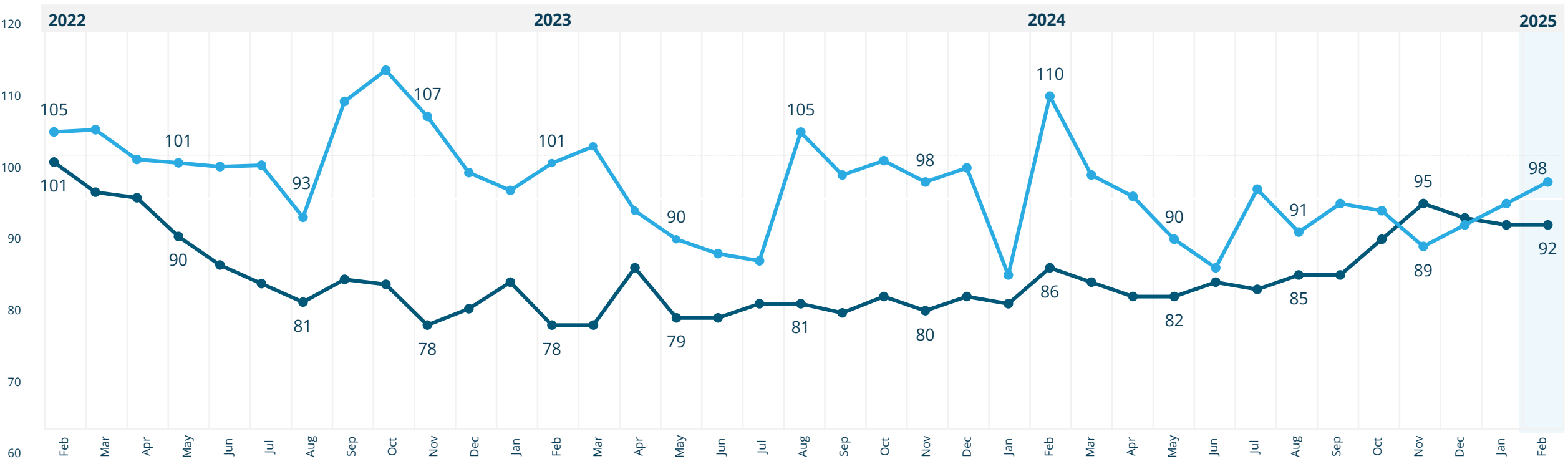


# Business Sentiment | Sentiment Index

The Fifth Quadrant SME Business Sentiment index remains above consumer sentiment increasing for a third consecutive month.

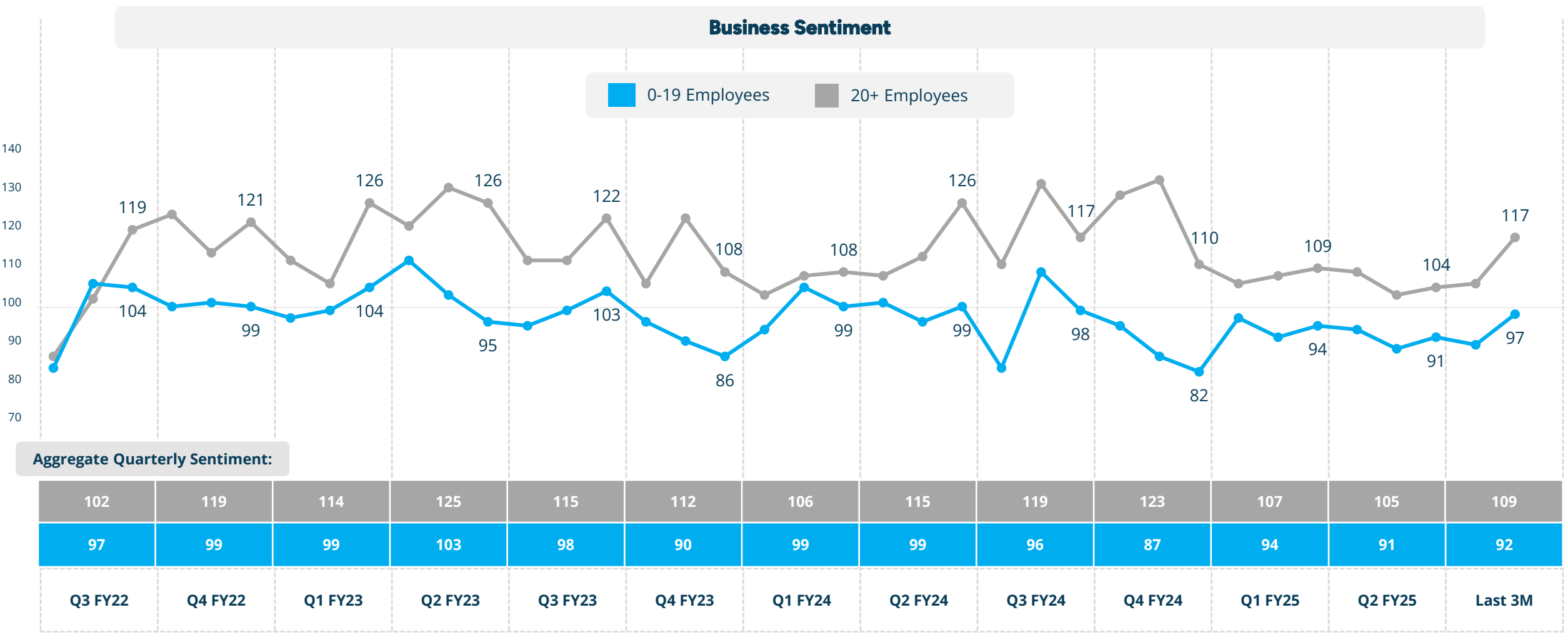
## Business And Consumer Sentiment

Westpac-Melbourne Institute Consumer Sentiment Index      FQ Business Sentiment



# Business Sentiment | Sentiment Index

Sentiment has strengthened across both employee size cohorts.

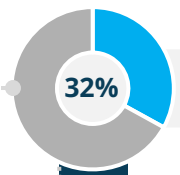
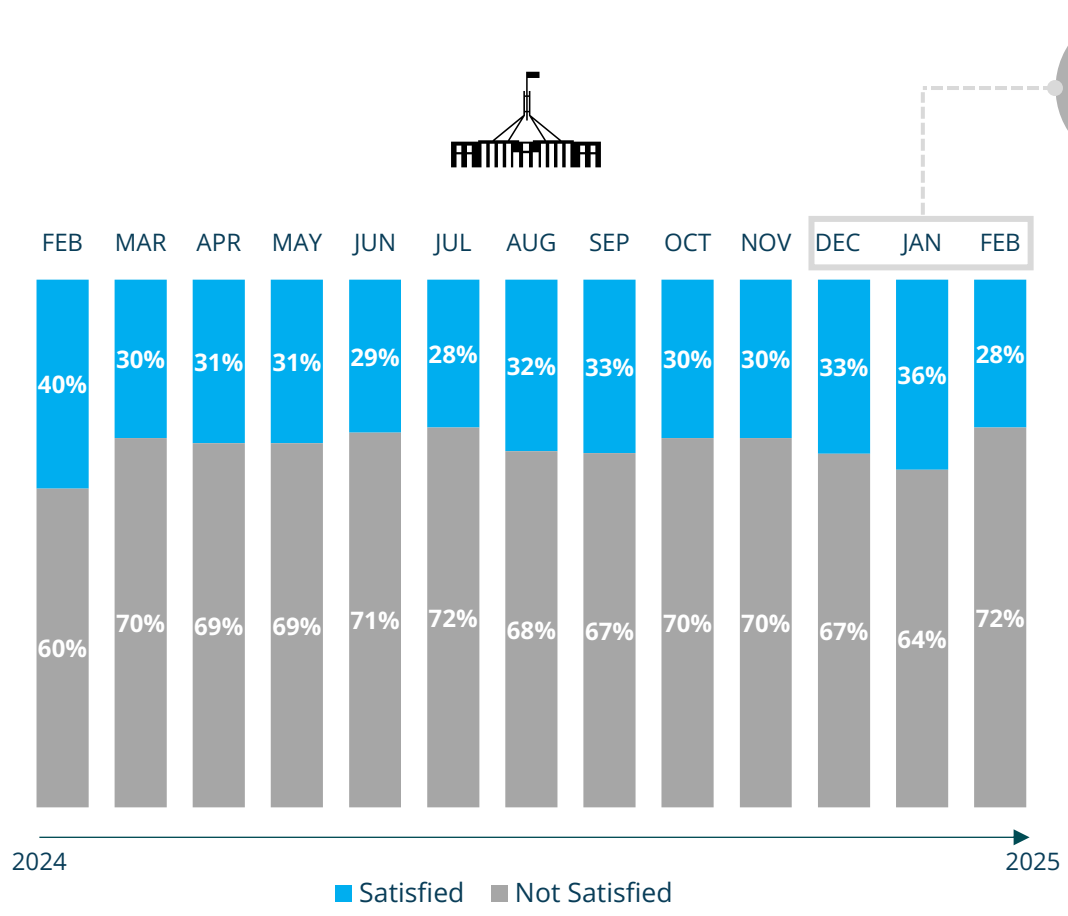
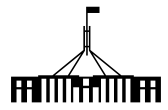


Aggregate Quarterly Sentiment:

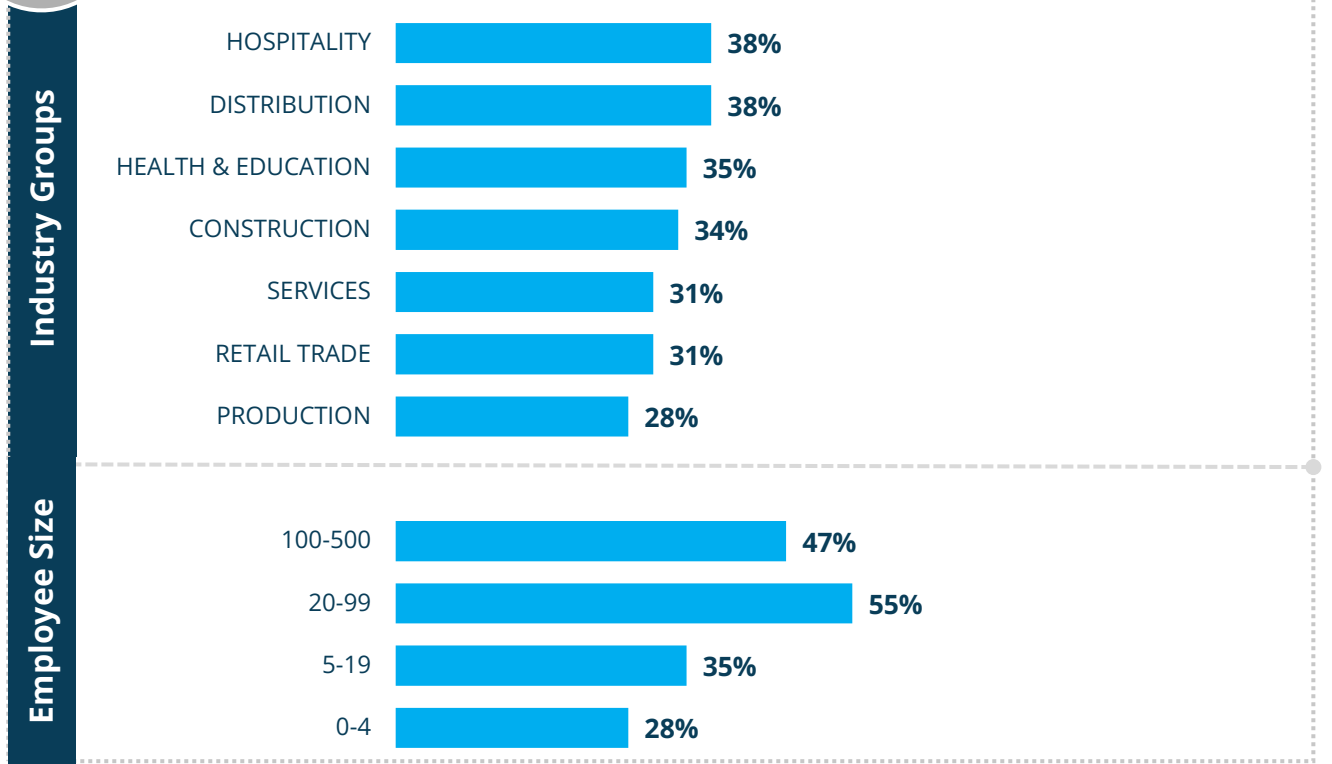
102	119	114	125	115	112	106	115	119	123	107	105	109
97	99	99	103	98	90	99	99	96	87	94	91	92
Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Last 3M

After a recent upward trend, support for the Federal Government has reversed, with only 28% of SMEs satisfied, reflecting a decline in sentiment that aligns with recent consumer polls.

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



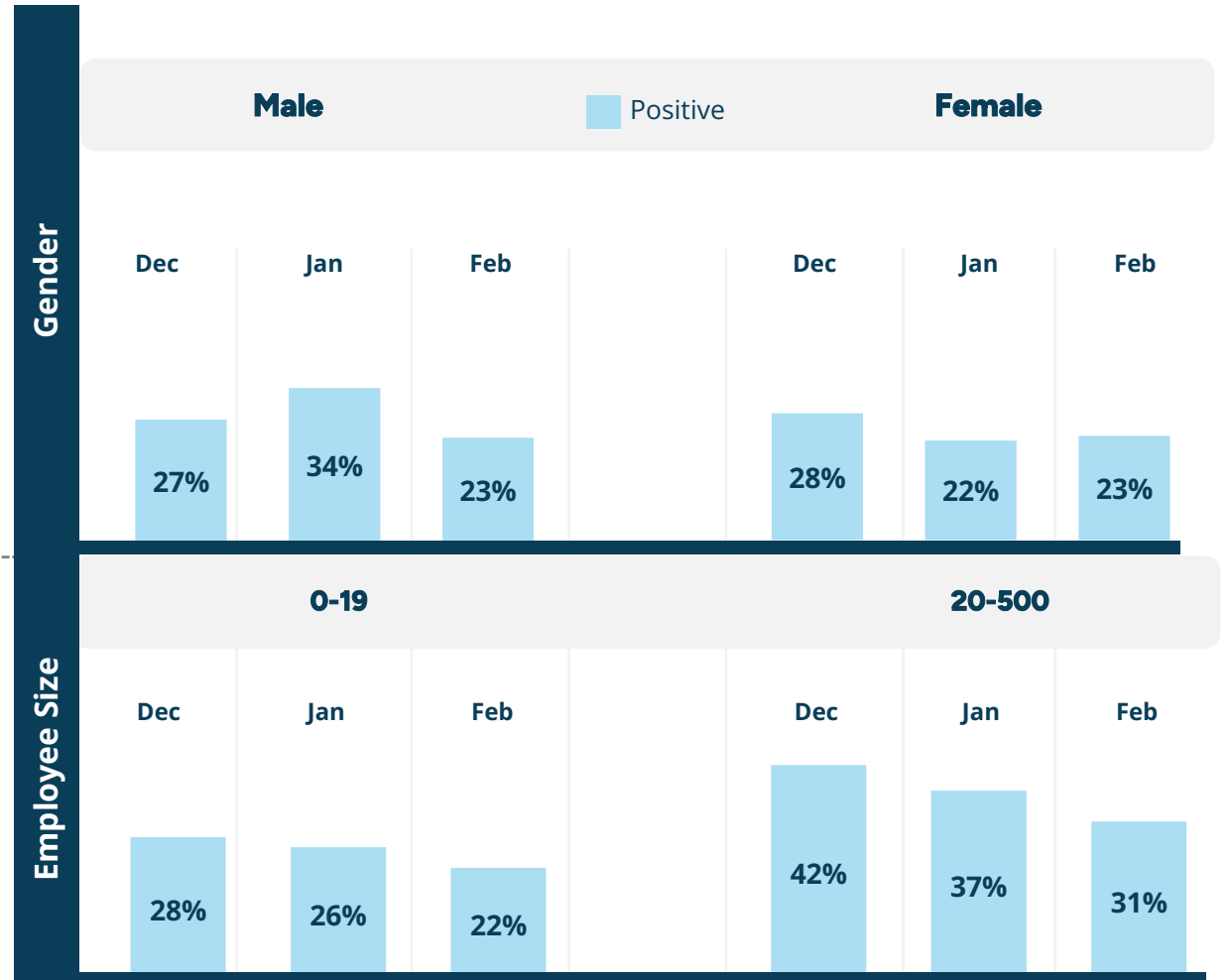
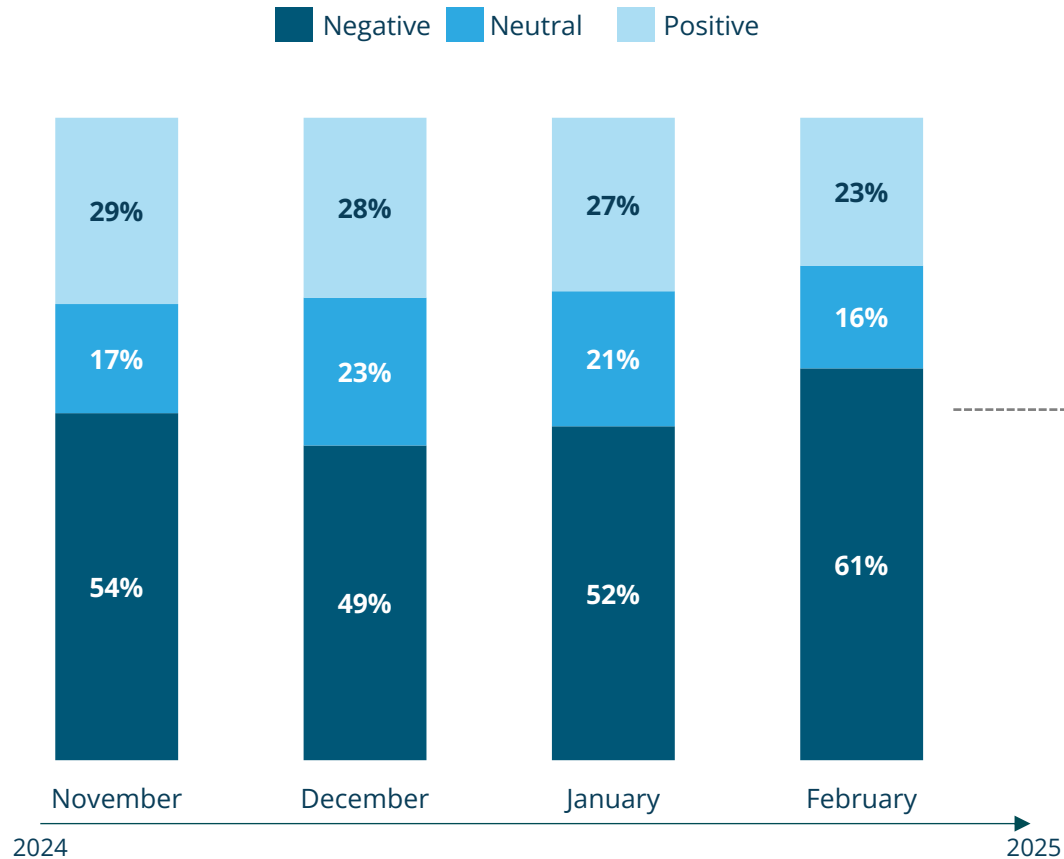
### Last 3 Months (Dec, Jan, Feb)



# Business Sentiment | Government Policy

Negativity towards the Trump Administration is rising among Australian SMEs, presumably fueled by concerns over the President's tariff policies. Interestingly, male sentiment has turned significantly more negative this month, aligning more closely with female sentiment.

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





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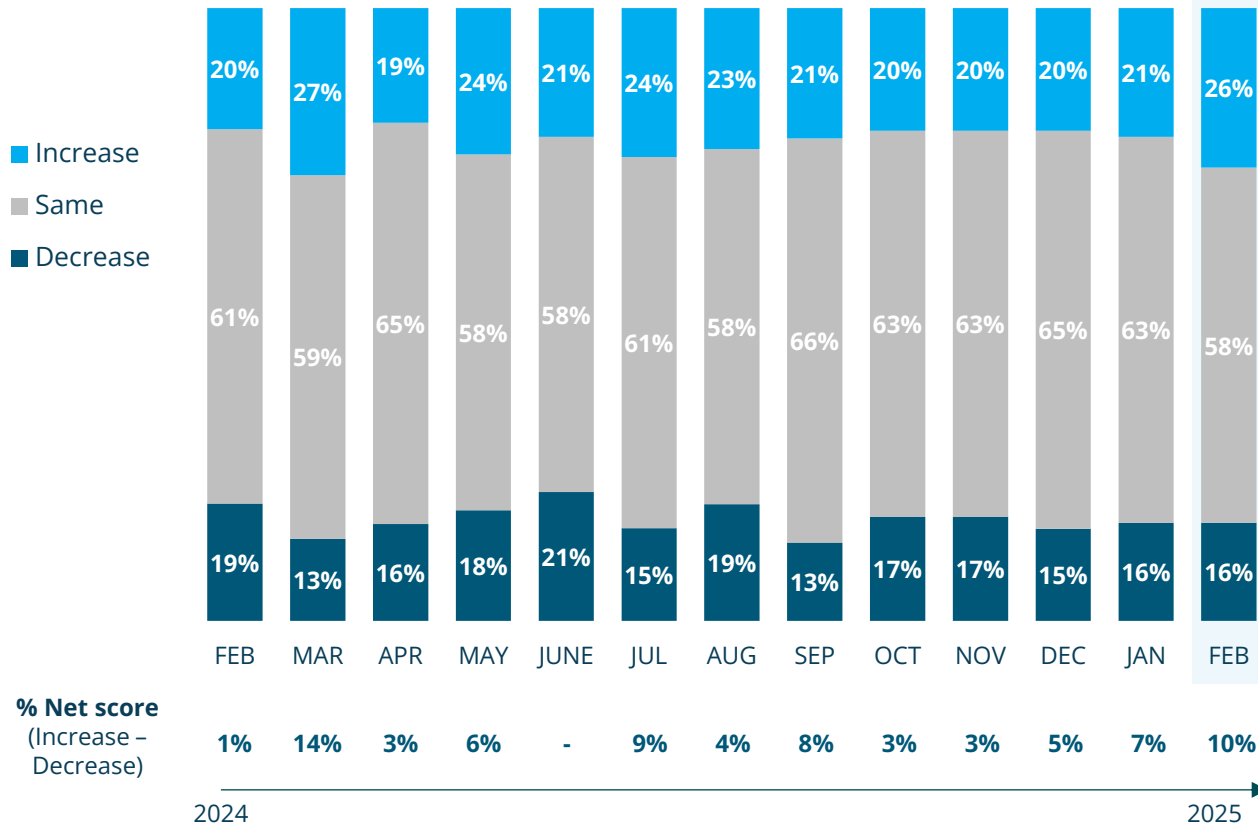
**Methodology & Sample**

# Business Investment | Next Three Months

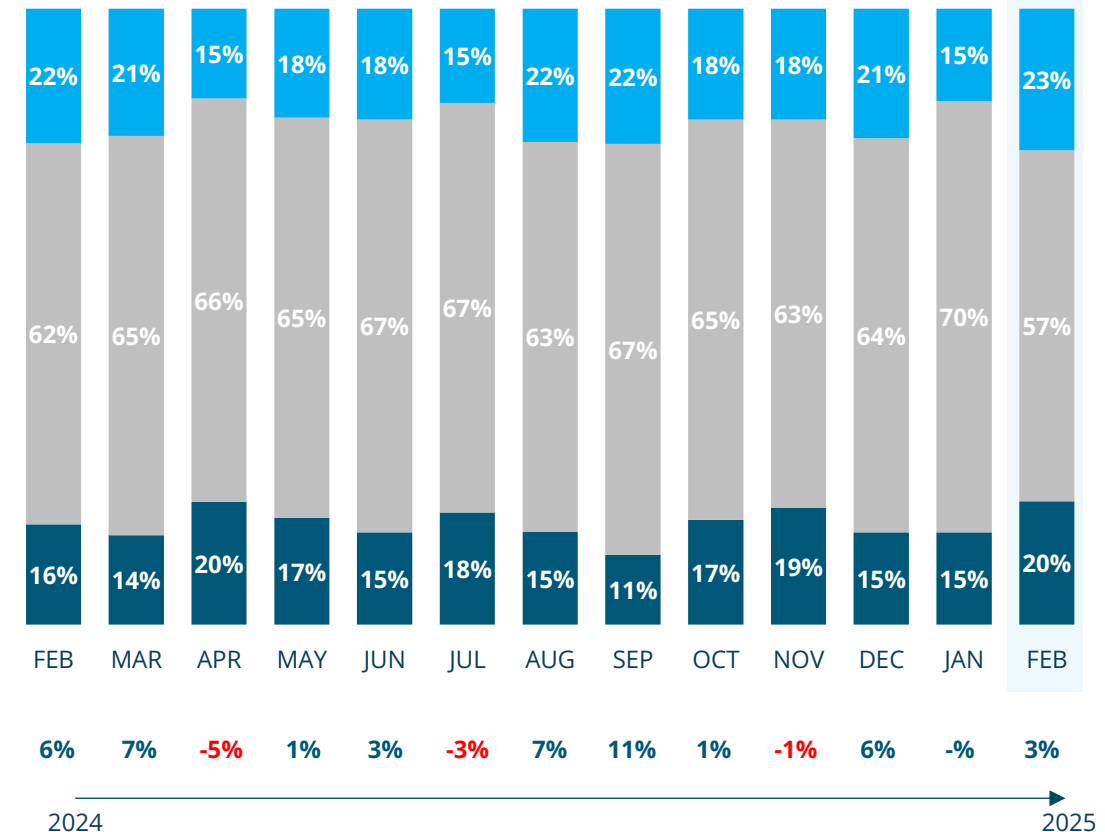
With interest rates falling, it's encouraging to see more SMEs planning to increase capital investment and marketing spend over the next 3 months.

## Expectations Over The Next 3 Months Regarding Business Investment

### Business Spending/ Capital Investment



### Marketing Spend



While investment in plant and equipment is positive, expectations for electric and commercial vehicle purchases remain subdued.

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

February

■ Probably will ■ Definitely will

	Probably will	Definitely will	Total	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Last 3M
IT / Office equipment, including hardware & software	37%	7%	44%	44%	46%	43%	45%	47%	45%
Equipment, machinery or plant	19%	4%	23%	23%	26%	20%	24%	20%	23%
Passenger vehicle(s) including SUVs	10%	3%	13%	11%	10%	10%	9%	9%	13%
Electric vehicle(s), including Hybrid	9%	2%	11%	14%	14%	12%	11%	10%	10%
Light commercial vehicle(s) including utes, vans, and minibuses	8%	2%	10%	16%	15%	15%	14%	16%	12%
Agricultural, construction or earthmoving vehicle(s)/equipment	7%	2%	9%	11%	10%	10%	10%	8%	8%
Truck(s) less than 4.5 tonnes	7%	1%	8%	11%	12%	10%	12%	10%	7%
Commercial real estate including buildings or land	6%	2%	8%	11%	10%	8%	6%	6%	8%
Truck(s) more than 4.5 tonnes	6%	2%	8%	11%	10%	10%	9%	9%	6%
Medium and large bus(es)	5%	2%	7%	8%	9%	8%	6%	5%	6%

Demand for passenger and light commercial vehicles remains weak among SMEs with 0-19 employees, while IT spending and demand for heavy equipment and large trucks is rising among businesses with 20-500 employees.

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

### 0-19 Employees

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

Nov	Dec	Jan	Feb
49%	48%	40%	42%
22%	20%	25%	22%
17%	10%	12%	11%
8%	9%	8%	10%
19%	15%	11%	8%
10%	5%	6%	8%
6%	6%	5%	7%
8%	9%	6%	6%
6%	5%	4%	6%
3%	4%	5%	6%

### 20+ Employees

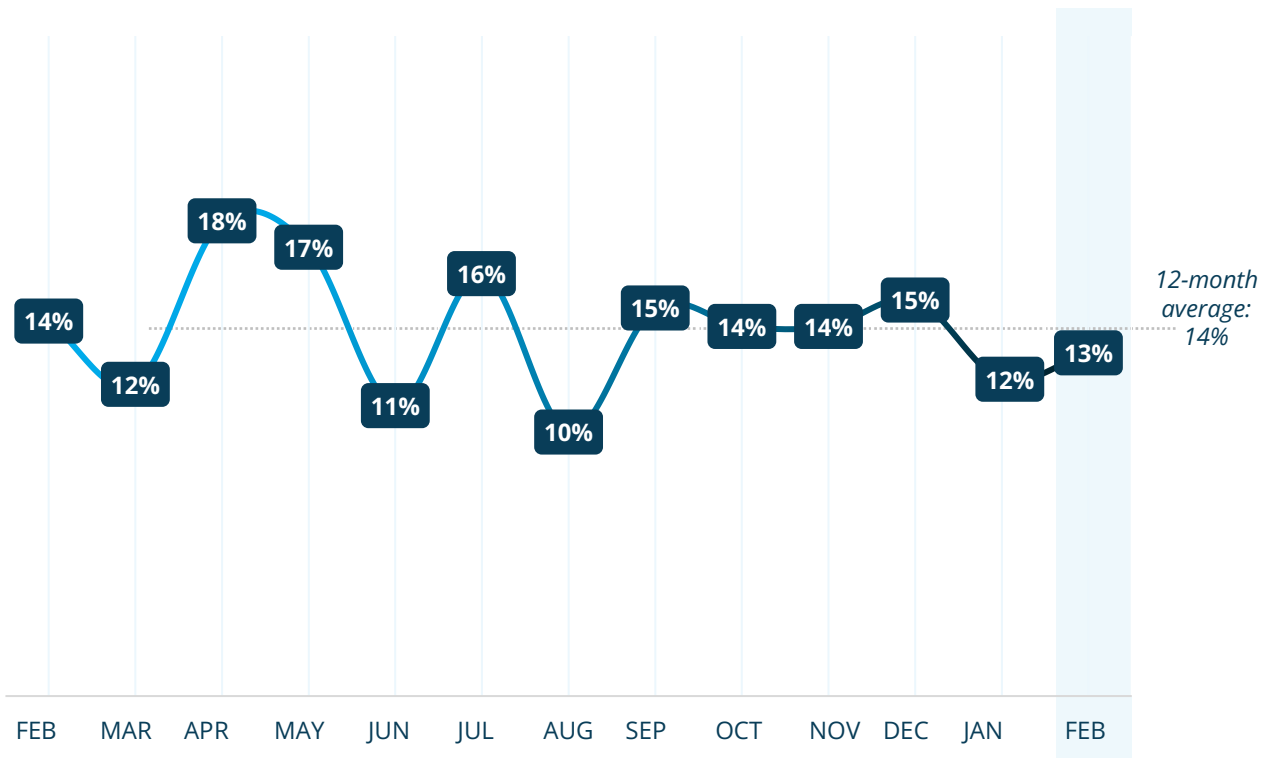
Nov	Dec	Jan	Feb
57%	58%	66%	66%
34%	43%	40%	35%
30%	25%	33%	32%
26%	21%	34%	30%
32%	30%	28%	30%
15%	18%	28%	28%
25%	19%	19%	20%
30%	17%	27%	31%
15%	20%	26%	27%
25%	20%	22%	25%



# Business Investment | Finance Needs (Next 3 months)

Demand for additional finance remains relatively flat but is expected to rise with lower interest rates. Given the weaker Australian dollar, it not surprising that additional finance is being used to support cashflow and domestic growth rather than expansion into new markets, trade activity, or M&A.

## SMEs That Will Require Additional Finance Over The Next 3 Months



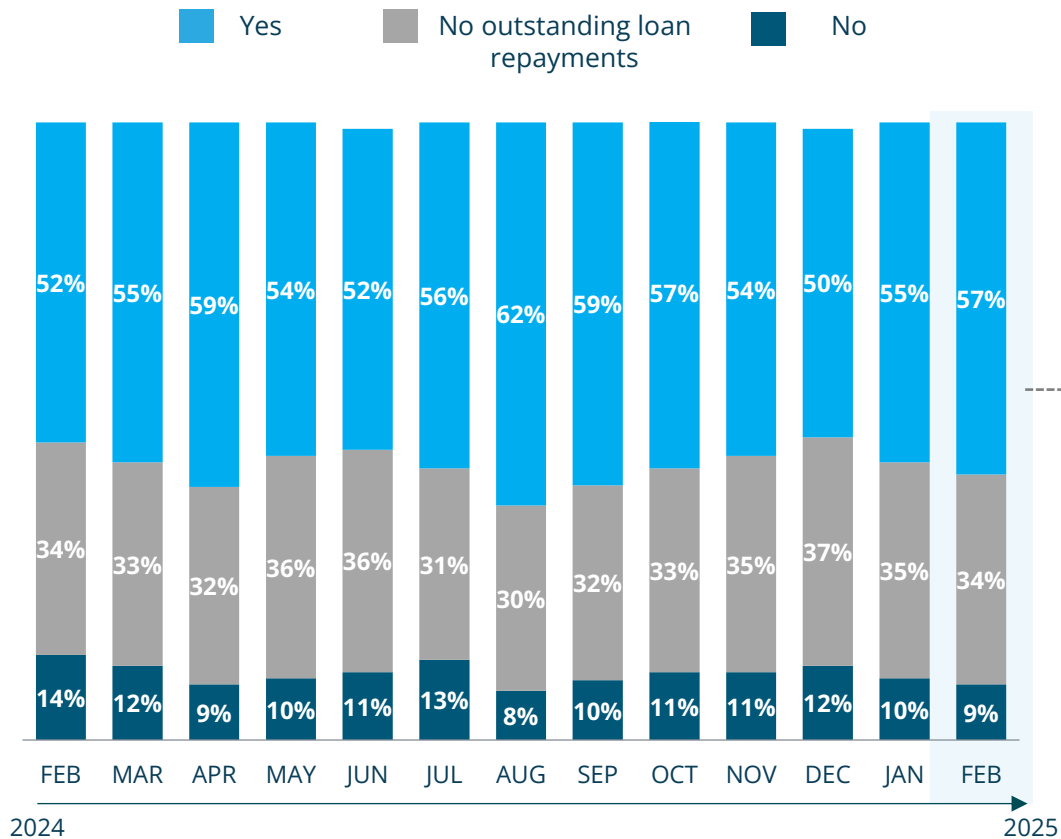
## And What Is The Purpose Of This Finance?

	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Last 3M
Cashflow/ working capital	57%	50%	62%	61%	60%	63%
Fund growth in Australia	23%	29%	20%	16%	23%	30%
Purchase plant, machinery or equipment	31%	25%	26%	23%	26%	21%
Fund growth into new markets	25%	24%	25%	22%	13%	12%
Trade finance to fund import/export activity	19%	17%	12%	13%	9%	11%
Fund merger/acquisition	13%	10%	10%	14%	7%	6%

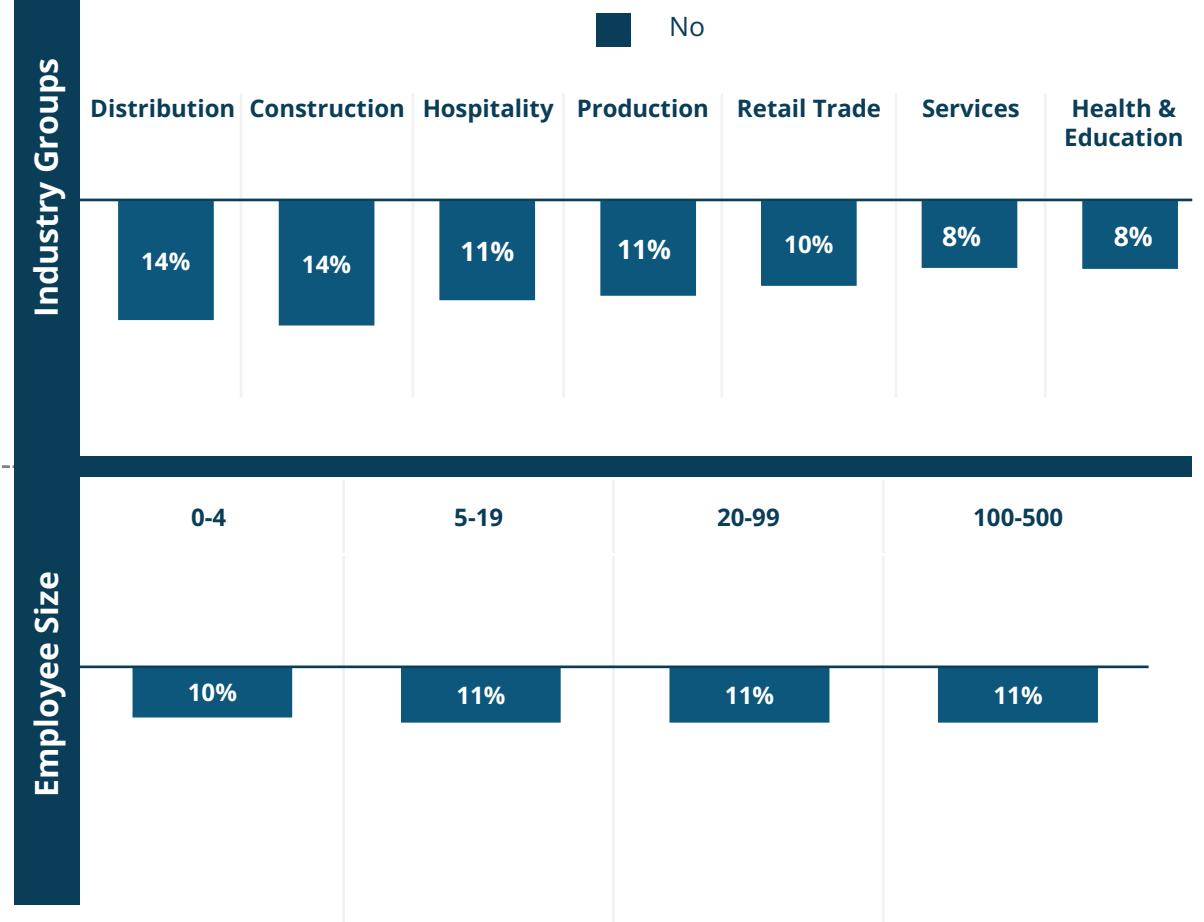
# Business Investment | Loan Stress

It is positive that loan stress is low at 9%, although the distribution and construction sectors remain vulnerable.

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



## Last 3 Months (Dec, Jan, Feb)



Notable increase in demand for additional finance in the retail sector over the past three months.

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

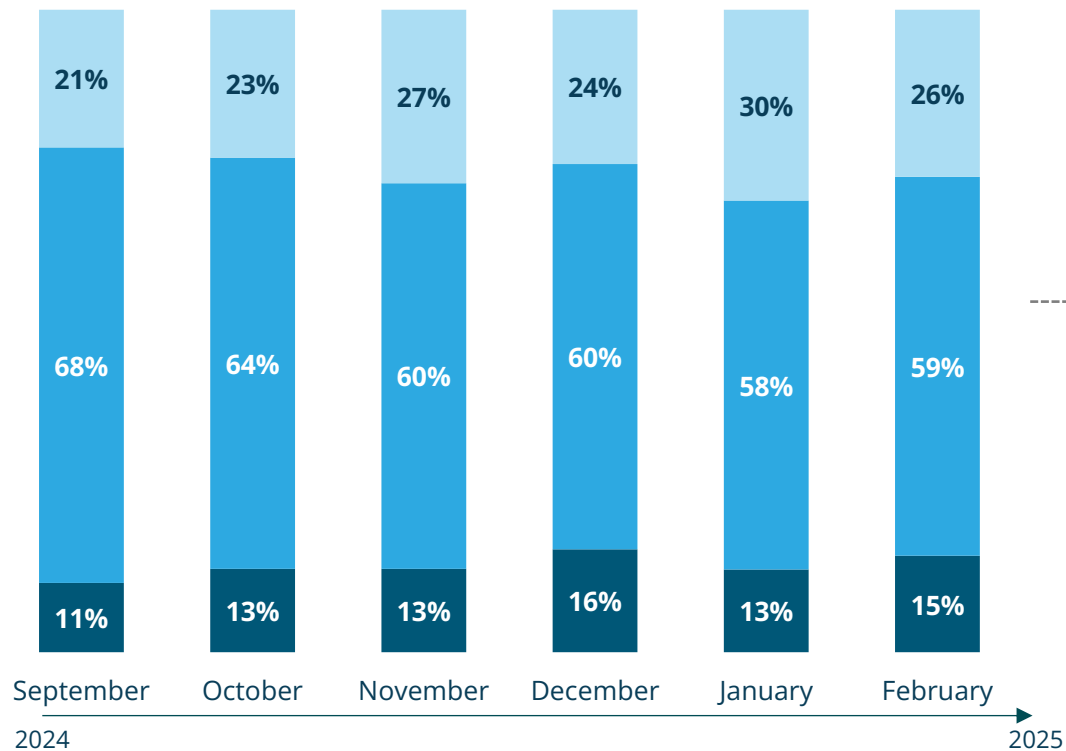
	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Last 3M
<b>0-19 Employees</b>	15%	13%	14%	13%	14%	12%
<b>20+ Employees</b>	28%	28%	35%	26%	21%	24%
<b>Construction</b>	19%	13%	17%	14%	19%	15%
<b>Distribution</b>	12%	19%	13%	19%	16%	9%
<b>Health &amp; Education</b>	20%	13%	17%	8%	8%	9%
<b>Hospitality</b>	25%	27%	29%	14%	17%	15%
<b>Production</b>	21%	17%	22%	16%	14%	16%
<b>Retail Trade</b>	15%	8%	11%	9%	9%	15%
<b>Services</b>	12%	12%	13%	13%	13%	13%

Aligned with the increased demand for finance, SMEs in the retail sector have been the most likely to experience financial hardship over the past 12 months.

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

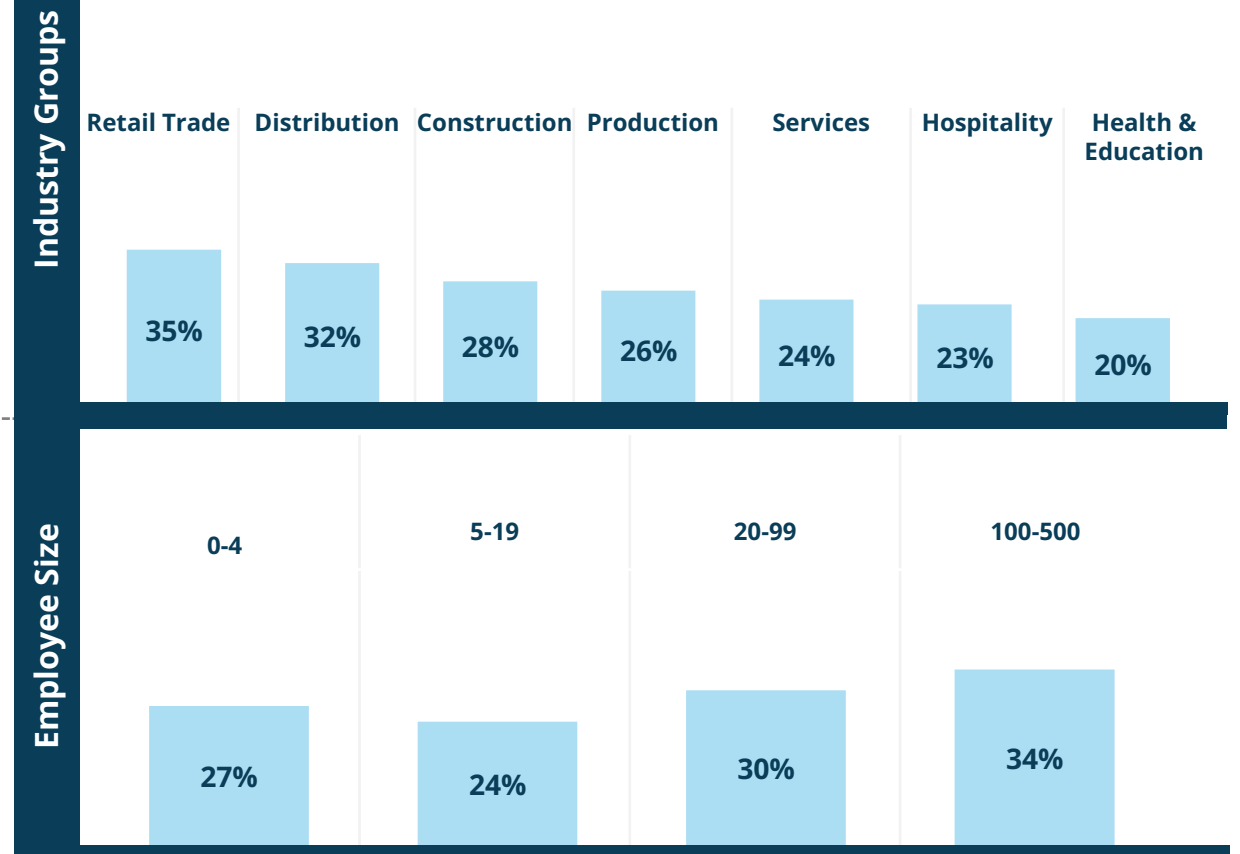
0 = Not at all challenging  
10 = Extremely challenging

0-3 4-7 8-10



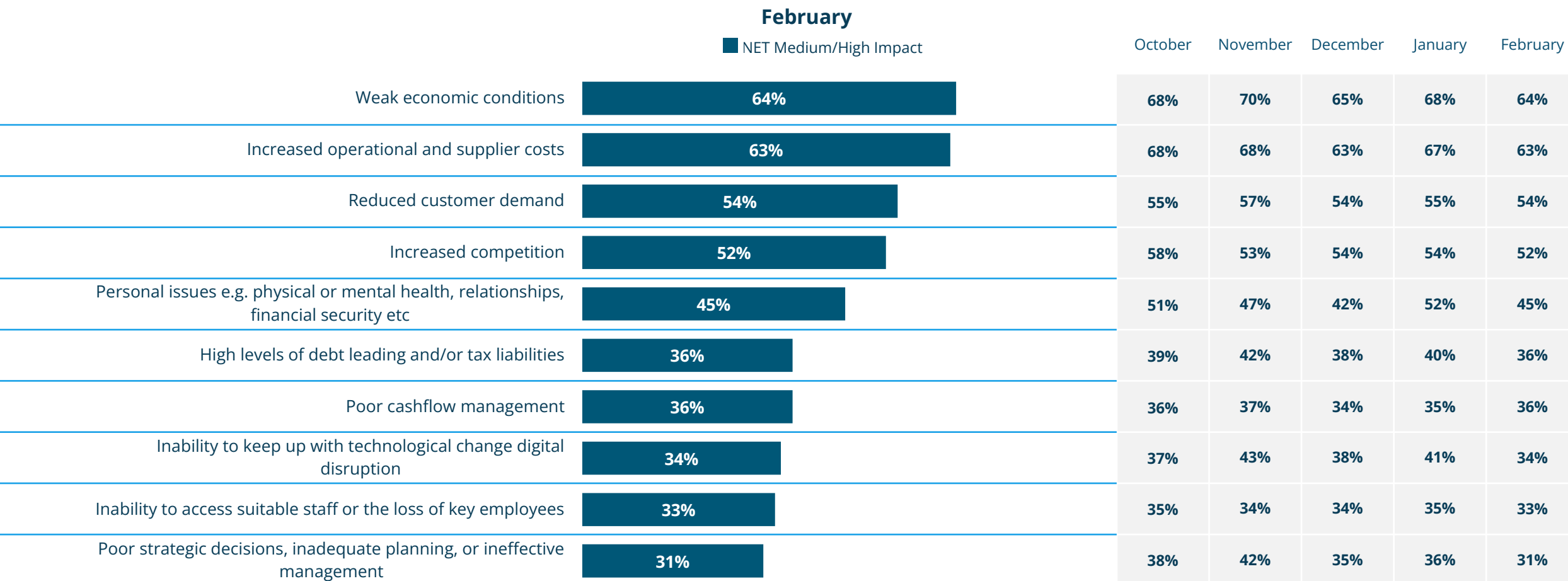
## Last 3 Months (Dec, Jan, Feb)

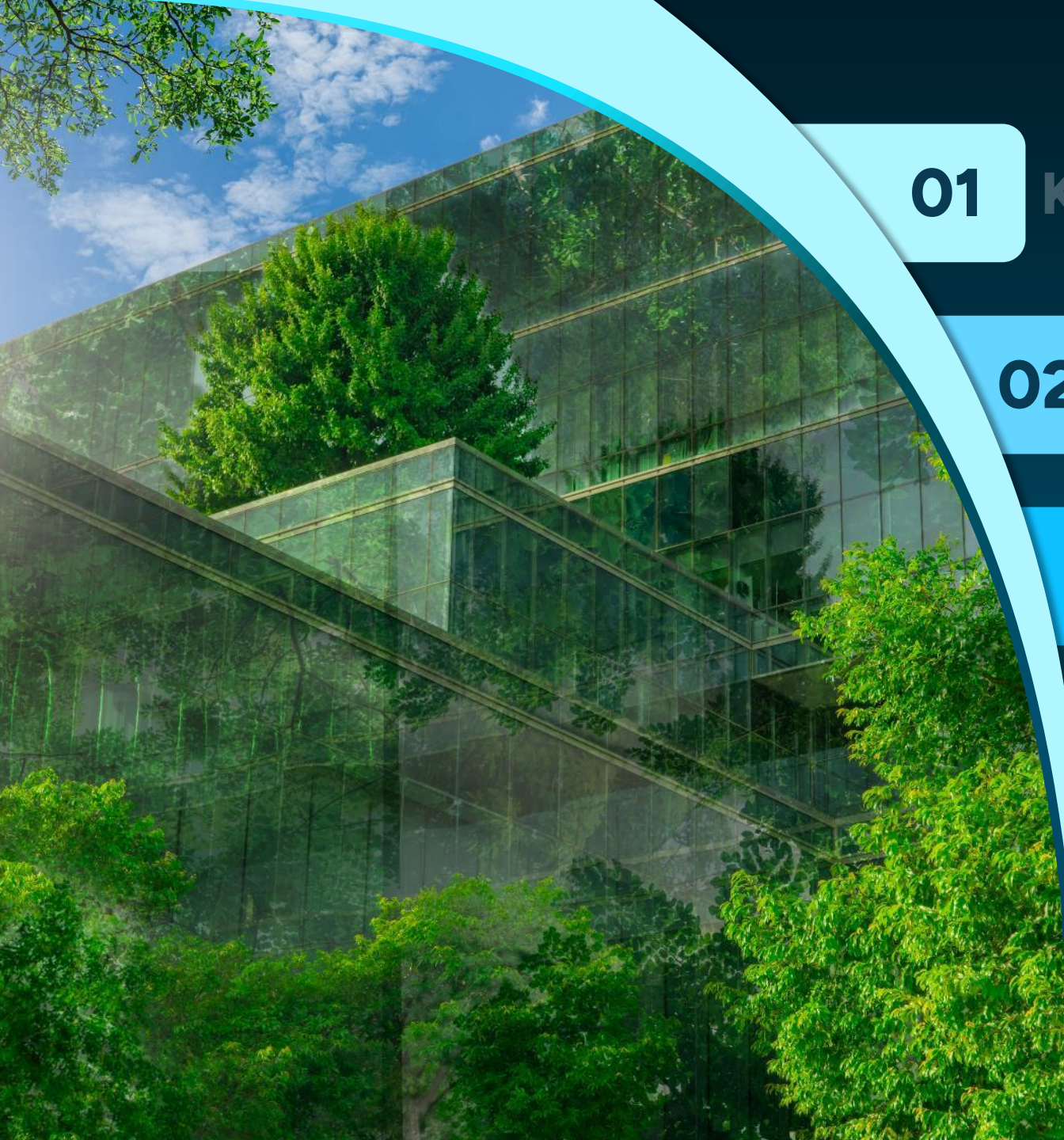
8-10 (Extremely Challenging)



Weak economic conditions and rising operational costs remain the biggest pressures on financial health, though most challenges have eased slightly.

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





**01**

**Key Performance Indicators**

**02**

**People**

**03**

**Business Sentiment**

**04**

**Business Investment**

**05**

**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

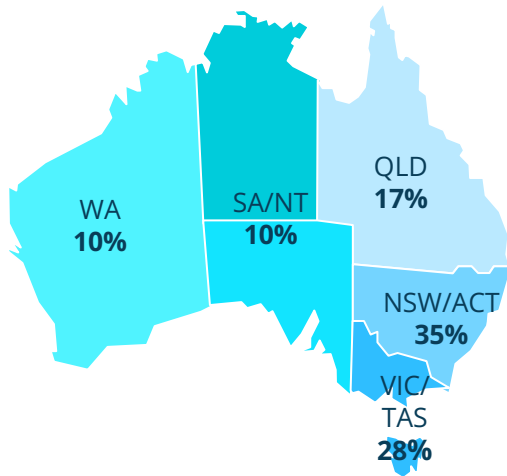


Data is **weighted** by industry, state and  
number of employees to reflect the  
national distribution of businesses across  
the country

# Our Sample

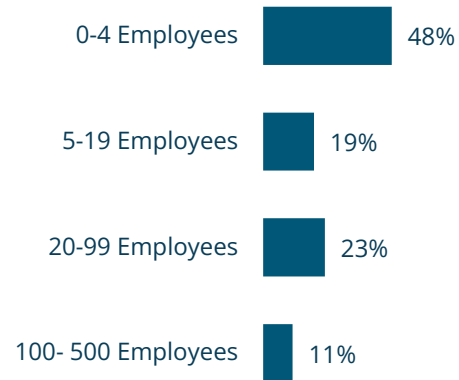
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

## Head Office Location

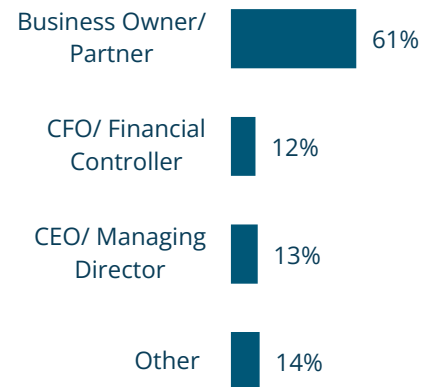


NOTE: CHARTS SHOW UNWEIGHTED DATA

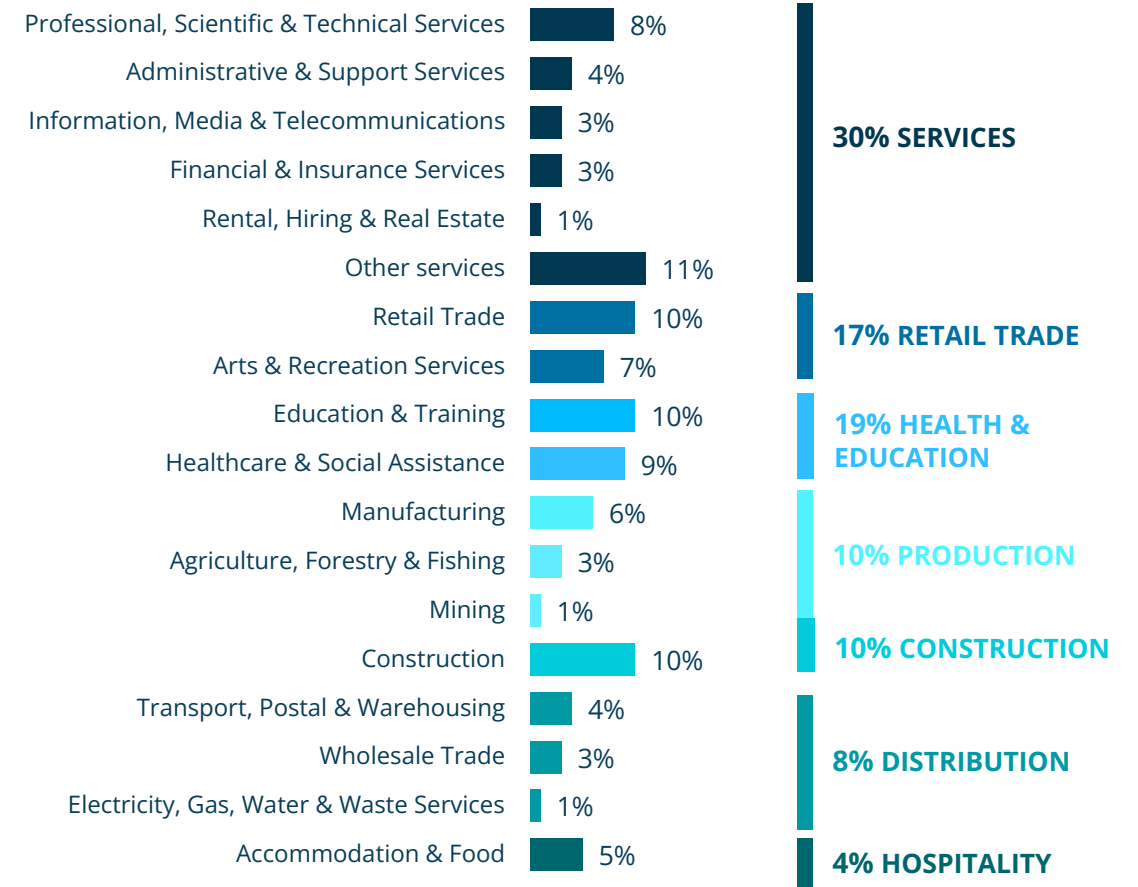
## Size Of Business: Employees



## Position In Business



## Industry Sector





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