

MYOB Bi-Annual Business Monitor: Federal Budget Edition

May 2026



Foreword

For 17 years, MYOB's Bi-Annual Business Monitor has tracked the confidence, concerns and core priorities of Australian small and mid-sized enterprises (SMEs).

This May 2026 edition, released ahead of the 2026/27 Australian Federal Budget, captures a sector navigating economic uncertainty and looking closely to policy settings for direction and support.

The forthcoming federal budget represents a critical moment for Australia's small and medium enterprise sector. At a time when business conditions are becoming more complex, the budget represents not only a key policy event but a powerful lever to influence confidence, unlock investment and shape the near-term growth trajectory of SMEs across the country.

Around half of SMEs indicate the federal budget will directly influence their decisions on investment and expansion, underscoring the weight it carries in shaping business behaviour. With many businesses traversing rising costs, global unpredictability and tighter financial conditions, clear and targeted policy settings have the potential to provide much-needed support and momentum.

At the same time, SMEs are feeling the impacts of rising costs. Fuel costs, utilities, interest rates and broader cost-of-living challenges are weighing-on businesses, particularly in regional areas and in sectors such as retail,

hospitality and agribusiness. These pressures are shaping sentiment and reinforcing the importance of a policy environment that supports business confidence and reduces operational strain.

The broader economic outlook reflected in this report is more cautious compared to late 2025. A growing proportion of SMEs expect conditions to soften over the next 12 months, reflecting the realities of increased operating costs and ongoing volatility.

Encouragingly, stability remains within reach for many businesses, and pockets of optimism persist. Younger operators, exporters and medium-sized businesses are more likely to anticipate improving conditions, demonstrating that growth opportunities continue to exist for those well-positioned to adapt. Across the board, SMEs are refining operations, managing costs and adjusting strategies to maintain performance.

Expectations around revenue and profitability have moderated, however current performance remains broadly steady and many businesses are taking a measured, pragmatic approach to the year ahead. This reflects a sector focused not just on growth, but on sustainability and resilience.

In this context, the federal budget presents a significant opportunity. SMEs have articulated clear priorities including easing cost-of-living pressures, reducing tax burdens, cutting red tape and supporting investment. Aligning policy settings with these needs can play a meaningful role in empowering and enabling businesses to move forward with greater certainty.

This report reflects a sector that remains adaptable, and while the operating environment is challenging, it is also manageable. With the right settings in place, the federal budget can help unlock that potential and support SMEs to continue driving Australia's economic future.

MYOB remains committed to standing alongside the SME community, providing the tools, insights and advocacy needed to help businesses navigate change and seize the opportunities ahead.



Paul Robson
Chief Executive Officer, MYOB

The Economy

Australian SMEs are continuing to acclimatise to a dynamic and evolving economic environment, with the latest findings highlighting a more cautious outlook compared to late 2025.

In the most recent MYOB Bi-Annual Business Monitor survey, 67% of SMEs expect economic conditions to soften over the next 12 months, up from 42% in November. While this reflects increased caution, it also underscores the sector's awareness and responsiveness to changing conditions. Meanwhile, 9% of respondents anticipate improvement, and a further 22% expect conditions to remain steady, indicating that stability is within reach for many businesses.

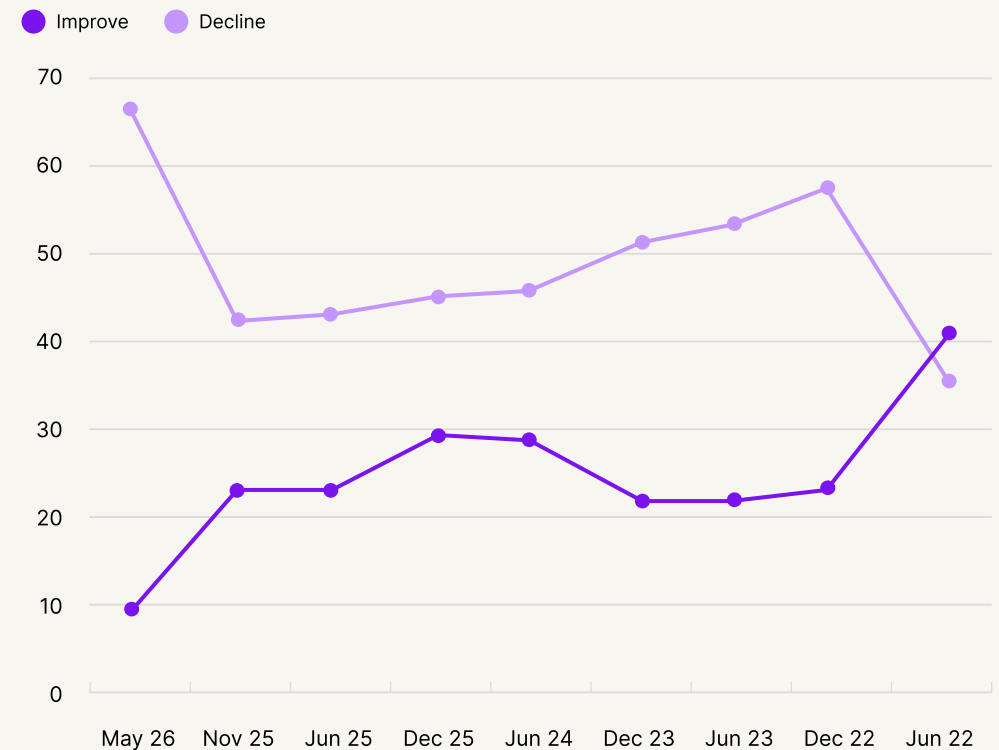
These findings reflect a period of adjustment as SMEs respond to rising operating costs, global uncertainty and tighter financial conditions.

Pockets of optimism remain. Younger operators – particularly Gen Z and Gen Y – along with exporters and medium-sized businesses, are more likely to expect improving conditions (25% and 27% respectively). This highlights the opportunities available to SMEs that are well-positioned to respond to change.

Forward-looking sentiment suggests a mixed but manageable near-term outlook. While around one in four (27%) SMEs report a less in the sales pipeline over the next three months, one in five (20%) expect increased activity, and longer-term pipelines remain relatively stable. This points to the potential for momentum as conditions evolve.

Overall, the research reflects a SME sector that is forward-looking and is carefully navigating current challenges while continuing to identify opportunities in a changing economic landscape.

Expectations for the economy in the next 12 months



The Economy

By industry

Industry sentiment continues to show variation, with some sectors demonstrating resilience while others face increasing pressure.

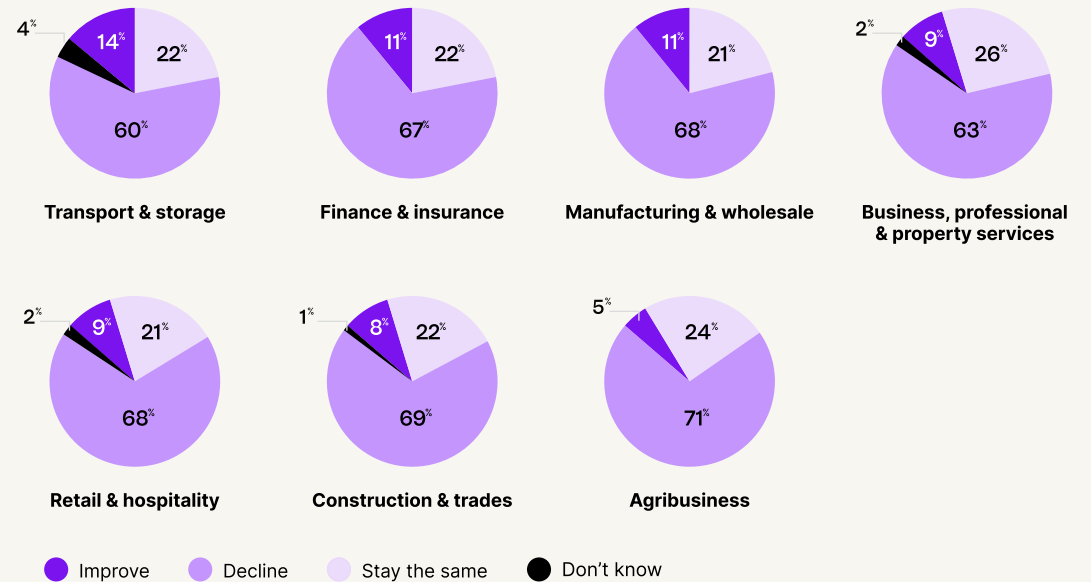
Perhaps surprisingly given the current fuel crisis, the transport and storage industry is also reporting a higher level of optimism towards the economy (14%), pointing to underlying resilience in trade and logistics-linked activity.

Retail and hospitality businesses, however, remain under pressure. Many operators in these sectors are focused on maintaining stability rather than pursuing growth, as they contend with softer consumer demand and rising costs. While conditions have not deteriorated significantly since late 2025, confidence remains subdued.

Agribusiness continues to face a challenging outlook. Despite periods of strong performance, sentiment remains constrained by high operating costs, environmental factors and external market uncertainty. This reflects a broader trend where strong performance does not always translate into positive sentiment due to underlying risk factors.

Across industries, the divergence in sentiment highlights the uneven impact of current economic conditions, with some sectors stating they are better positioned to navigate challenges than others.

Expectations for the economy in the next 12 months



By age of business

Differences in sentiment by business maturity remains an ongoing feature of the SME landscape.

Start-ups and establishing businesses continue to demonstrate the highest levels of optimism. These businesses are more likely to expect improvements in economic conditions, revenue and profitability, supported by stronger sales pipelines and a focus on growth opportunities.

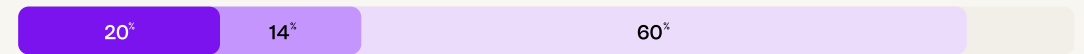
Younger operators, particularly Gen Z and Gen Y, also show higher confidence levels, reinforcing the link between business age, leadership demographics and outlook. These groups appear to be responding well to changing conditions.

In contrast, long-established businesses remain more cautious. With greater exposure to sustained cost pressures and more complex operating structures, these businesses are more likely to anticipate challenging conditions ahead. However, their experience and scale continue to support resilience in navigating uncertainty.

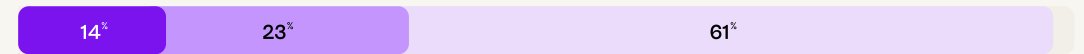
Overall, the data highlights a continued divide between growth-oriented newer businesses and more cautious, established operators.

Expectations for the economy in the next 12 months by age of business

Startup (<2yrs)



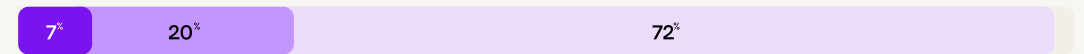
Establishing (2-5 yrs)



Maturing (5-10 yrs)



Established (10+ yrs)



● Improve ● Stay the same ● Decline

*Remainder unsure

The Economy

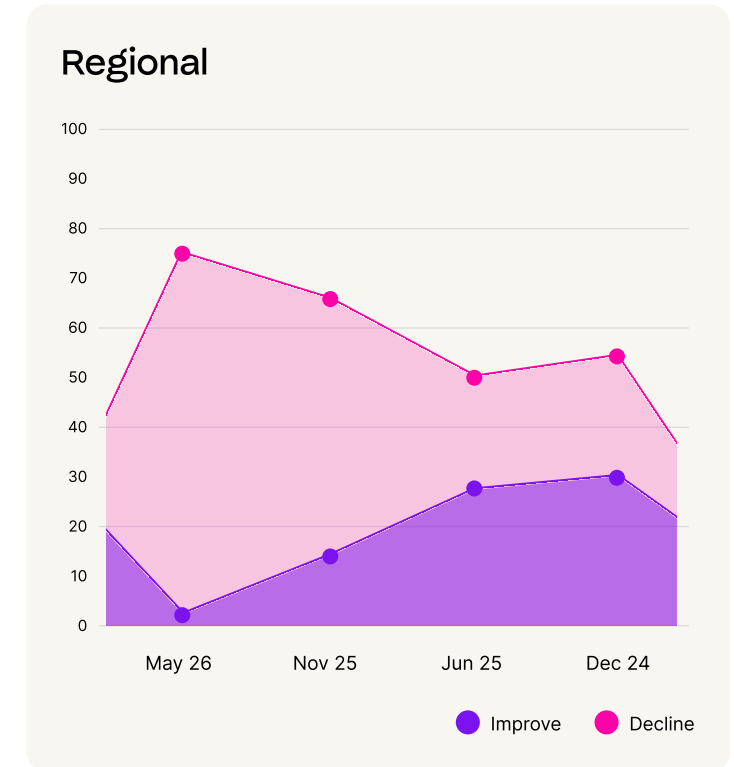
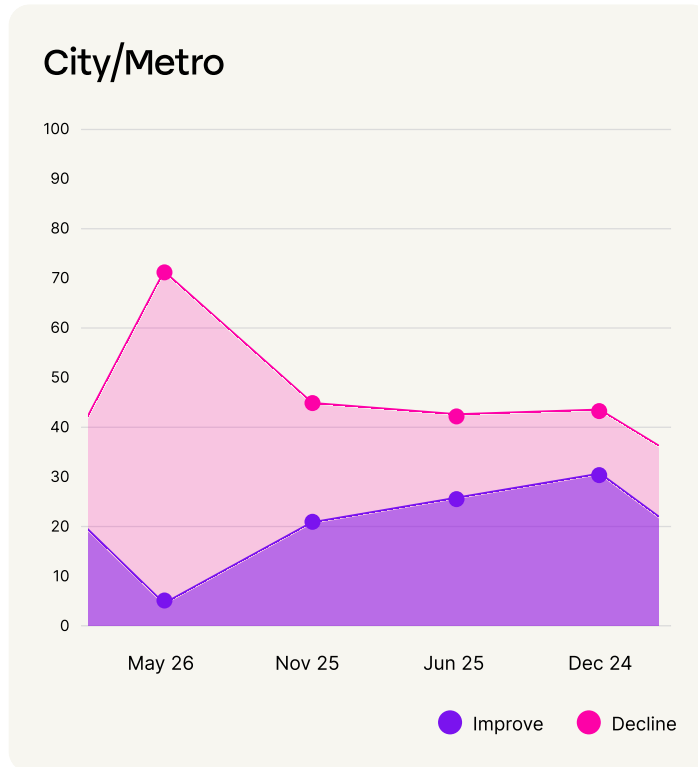
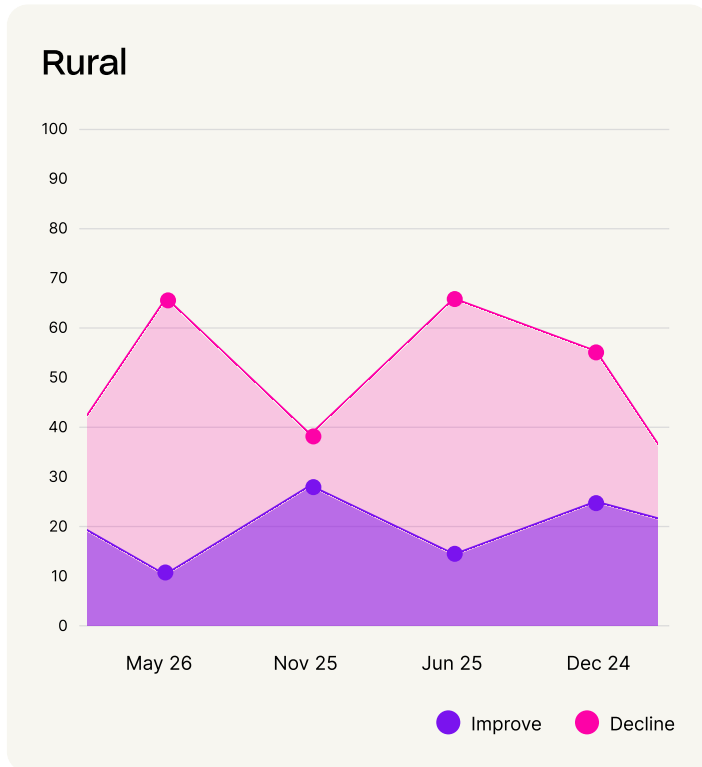
By region

Regional differences remain evident, with rural and regional SMEs facing more pronounced challenges.

Fuel costs and broader cost-of-living pressures are particularly acute for rural businesses, contributing to a more cautious outlook. These businesses are also more exposed to supply chain disruptions and external market factors, adding to the complexity of their operating environment.

City-based businesses continue to show relatively more stability, although sentiment has softened in line with broader trends. Access to larger markets, infrastructure and resources provides some buffer against economic pressures.

Differences across states persist, driven by variations in industry composition and local economic conditions. Overall, the data points to a widening gap between metropolitan and regional SMEs, highlighting where targeted support may be most needed.



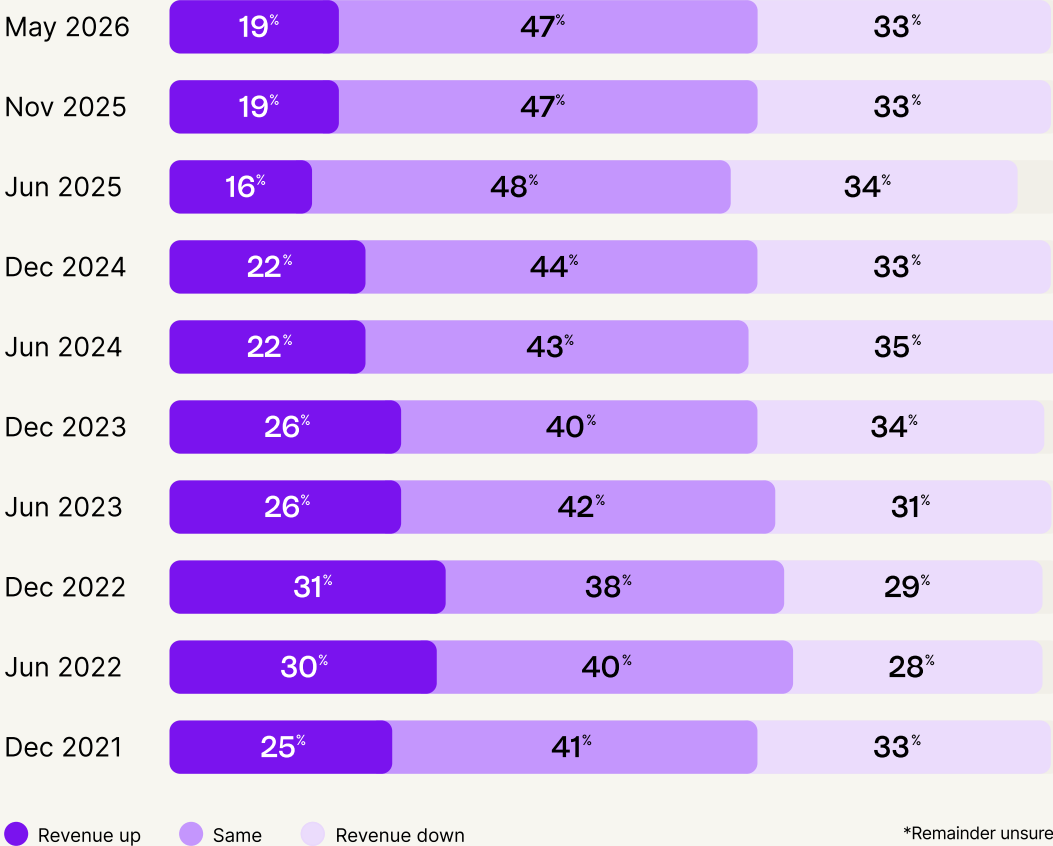
Revenue

In May 2026, 19% of SMEs reported their revenue had increased over the past 12 months, unchanged from November 2025. One in three (33%) reported a decline, while the majority (47%) indicated revenue stayed the same.

Increased consumer demand remains the primary driver of revenue growth. The current economic climate continues to be the most significant factor contributing to declining revenue, reflecting ongoing challenges in the wider operating environment.

Performance varies across segments. Younger operators, start-ups and exporters are more likely to report revenue increases, supported by stronger demand.

Revenue compared to 12 months ago



Revenue

Looking ahead

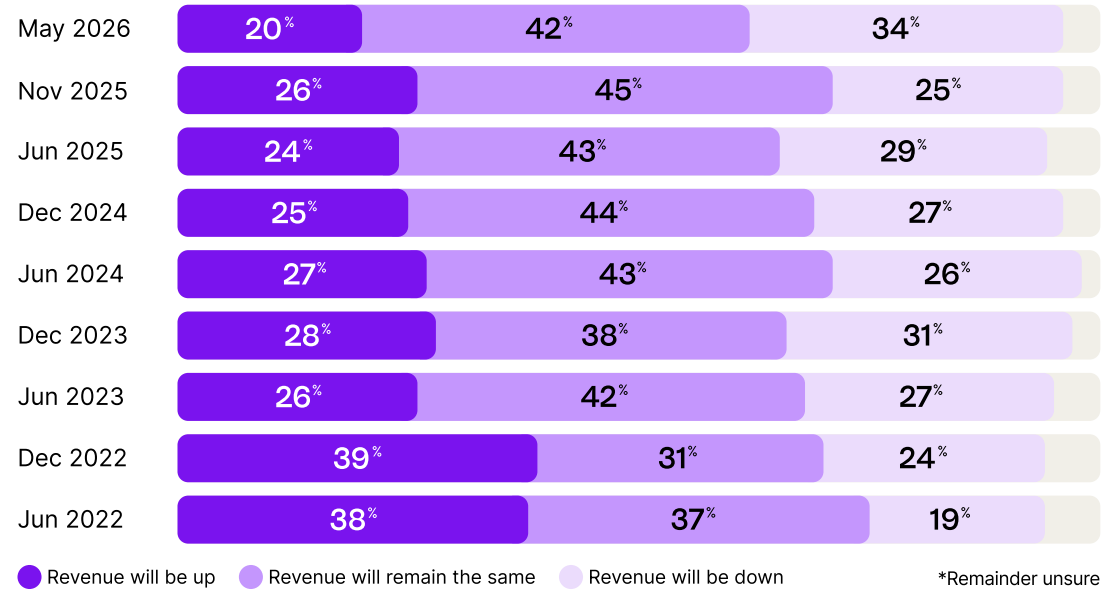
Manufacturing and wholesale businesses remain relatively well-positioned, supported by strong forward pipelines and export activity, with continued investment and exposure to external markets underpinning confidence. Finance and insurance businesses also stand out for their stronger revenue growth expectations, reflecting both steady demand and lower exposure to some cost pressures.

Against this backdrop, the broader outlook for SME revenue over the next 12 months reflects a more measured and calibrated perspective. In May 2026, 20% of SMEs expect their revenue to increase, while a larger share (42%) anticipate stable performance. Although 34% foresee a decline, up from 25% previously, this shift suggests businesses are actively adjusting expectations in response to evolving conditions, rather than signalling a loss of confidence. Pockets of strength across manufacturing, wholesale and transport are helping to anchor this outlook, even as broader uncertainty persists.

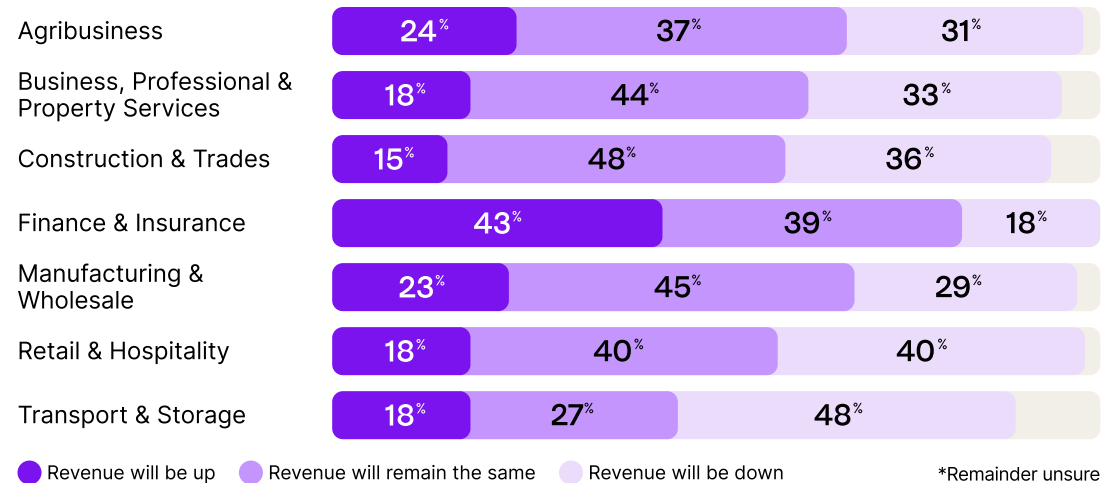
This more cautious stance highlights how SMEs are responding pragmatically to softer demand, rising costs and ongoing economic volatility. At the same time, it underscores the sector's ability to pivot strategies, particularly among businesses with diversified income streams or exposure to international markets.

Overall, SMEs are approaching the year ahead with a balanced and forward-looking mindset, tempering expectations where needed, while remaining focused on stability, responsiveness and targeted growth.

Revenue expectations for next 12 months



Revenue expectations by Industry:



Profitability

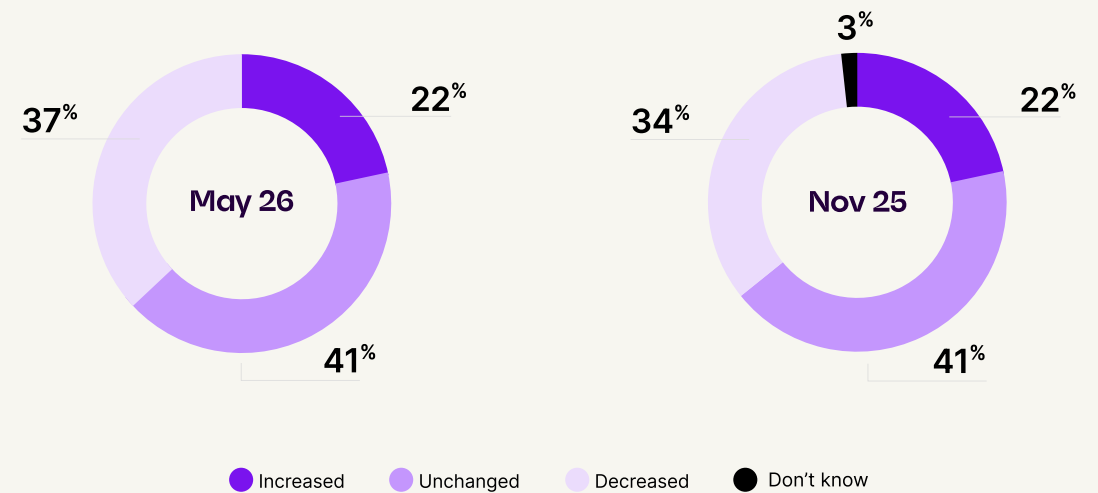
Profitability across the SME sector continues to reflect a period of adjustment, with performance broadly stable compared to recent trends.

In May 2026, 22% of SMEs reported an increase in profitability over the past 12 months, consistent with previous results, while many others have maintained steady outcomes. Although 37% reported a decline 41% said profitability stayed the same, underscoring widespread focus on managing costs and protecting margins in a challenging environment.

Higher operating costs remain, however many businesses are responding proactively through pricing strategies, efficiency improvements and operational adjustments to help offset these pressures and sustain performance.

Stronger results are emerging among start-ups, exporters and younger operators, who may benefit from more flexible cost structures.

Profitability changes over the last 12 months



Profitability

Looking ahead

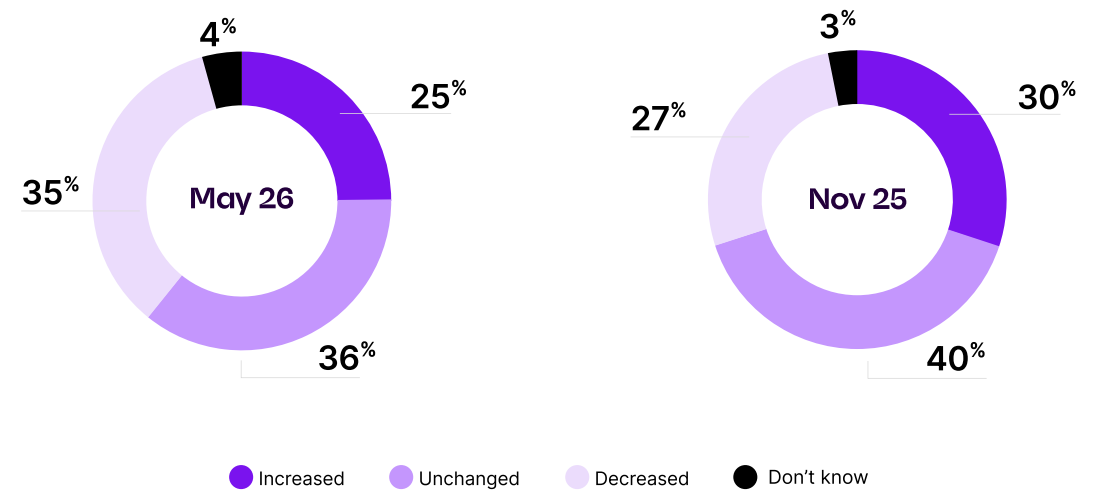
Profitability expectations have tempered compared to late 2025.

In the latest results, 25% of SMEs expect profitability to improve over the next 12 months, down slightly from 30% in November. Meanwhile, 35% anticipate a decline, up from 27% previously. 36% expect the same year on year, down from 40% in November.

Start-ups, establishing businesses, younger operators and exporters are more likely to expect improvements, mirroring their stronger growth outlook.

The relatively even distribution of responses highlights the sector's underlying resilience, with many businesses anticipating stability, not significant deterioration.

Profitability expectations for the next 12 months



Business Pressure Points

Specific business pressures increased significantly in May 2026.

Fuel costs are now the most significant pressure, cited by 51% of SMEs compared to 25% in November 2025, followed by the cost of utilities (44%) and interest rates (37%). Concerns around price margins and profitability and global political issues have also risen sharply, each affecting around one-third of businesses.

These increases represent an escalation in cost-related pressures in line with global realities.

Cost-of-living pressures are also intensifying, with 63% of SMEs indicating these factors are increasing the risk to their business of staying afloat over the next 12 months. On average, businesses report cost increases of around 18% over the past year.

While pressures are widespread, they are more acute for certain segments. Rural businesses face greater pressure from fuel costs (54%), while exporters and manufacturing businesses are more exposed to global political issues (42%).

Profitability changes over the last 12 months

	May 2026	Nov 2025	Jun 2025
Fuel prices 	51%	25%	22%
Cost of utilities such as electricity, gas, water, telephone 	44%	30%	28%
Interest rates 	37%	19%	22%
Price margins & profitability	33%	25%	23%
Global political issues	33%	14%	-
Cashflow	27%	21%	21%
Attracting new customers	26%	21%	20%
Time spent meeting your tax compliance obligations	26%	18%	17%
Cost of online technologies (e.g. cost of broadband, mobile phones, tablets, etc.)	24%	17%	17%
Late payments from customers	24%	18%	18%
Competitive activity	23%	21%	22%
Retaining existing customers	20%	14%	16%
Upgrading/updating hardware or other equipment	17%	11%	13%
Upgrading/updating IT software, systems or processes	16%	10%	12%
Access to finance/funding/overdraft	14%	11%	11%
Attracting new employees	14%	11%	10%
Exchange rates	14%	11%	14%
Retaining existing employees	12%	11%	10%
US Tariffs	12%	8%	-

Australian 2026/2027 Federal Budget

Confidence and decision-making

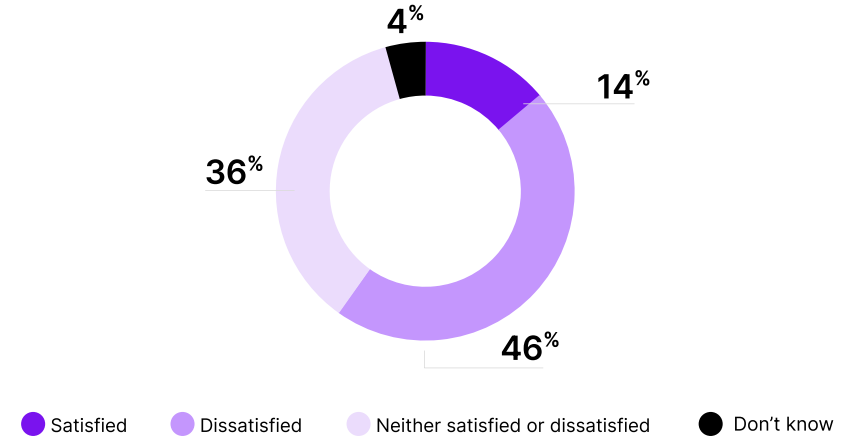
The May 2026 MYOB Business Monitor highlights the growing importance of the federal budget in shaping SME confidence and decision-making. Responses point to a widening gap between what businesses need from policy and what they feel is currently being delivered.

Perceptions of current support from Canberra highlight an opportunity to further strengthen engagement with the SME sector. While around 14% of SMEs report being satisfied with current Federal Government support, a significant proportion remain neutral (36%), suggesting many businesses are open to clearer signals and targeted initiatives. Younger operators and medium-sized businesses are more positive, particularly among Gen Z, Gen Y and firms with 20–199 employees, indicating where existing settings are gaining traction.

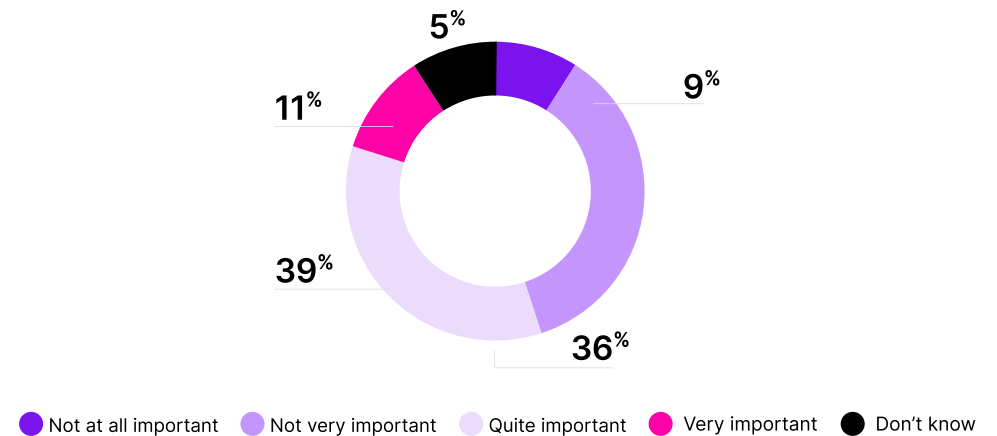
Confidence in the upcoming federal budget is still building, with around 19% of SMEs expressing confidence in positive outcomes. Notably, optimism is considerably stronger among key growth segments: two in five (40%) Gen Z operators, around one in three (32%) Gen Y operators, roughly two in five (40%) medium-sized businesses and close to half of exporters (47%) are confident in the federal budget.

The federal budget remains a highly influential milestone for the SME community. Around half (50%) of businesses say it is important to their investment and expansion decisions, rising to around two thirds among Gen Z operators. This strong level of engagement underscores the federal budget's role in shaping confidence, providing direction and unlocking future growth opportunities.

How satisfied are you with the federal government's current level of support for businesses like yours?



How important is the upcoming federal budget to your business's decisions on investment or expansion?



Policy priorities

When asked which measures SMEs would most like to see announced in this year's federal budget, the top responses were cost-of-living reduction (53%), a lower company tax rate (36%) and cutting red tape or bureaucratic processes (35%), followed by new energy rebates and grants.

When pushed to nominate the single measure that would make the biggest difference to their business right now, tax cuts or offsets are the standout choice, selected by around 30% of SMEs. This is well ahead of the next most impactful options – a reduction in interest rates (18%), regulatory simplification (10%) and re-introducing the Energy Bill Relief Fund (9%) – reinforcing the priority placed on immediate tax relief.

Recent initiatives have delivered targeted help. Over the past 12 months, around a quarter (24%) of SMEs say they have been supported by the instant asset write-off, and one in five (22%) point to the Energy Bill Relief Fund as having helped their business. Smaller sets of respondents cite tax offsets or concessions, grants and incentives, skills/training or wage subsidies, or sector-specific measures such as incentives for housing apprenticeships or superannuation and payroll-related changes.

Which measures would you most like to see announced in the federal budget this year to support businesses like yours?

Support to reduce the cost of living	53%
A lowering of the company tax rate	36%
Cutting of red tape / removal of bureaucratic processes	35%
New rebates and grants for energy usage	25%
Reduction to payroll tax	22%
Changes to superannuation contributions	16%
Support for consumer rent relief and affordable housing	15%
Support for businesses to assist with cybersecurity, including training	14%
Investment in national security measures	13%
Support for businesses to hire more staff	11%
Mentoring support for business owners	11%
Training for businesses to adopt AI technologies	10%
Subsidies for sustainability measures	10%
Targeted support for female-owned and culturally diverse businesses	9%
Investment in environmental protection policies	9%
Targeted grants for further digitisation of business processes and transactions	7%
Funding for SME mental health support	7%
Increased childcare rebates	6%

Which single measure would make the biggest difference to your business right now?

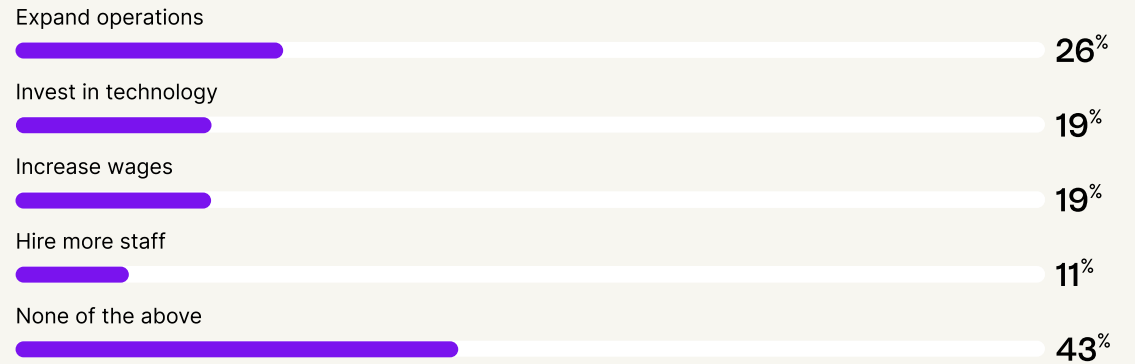
Tax cuts or offsets	30%
Reduction in interest rates	18%
Regulatory simplification	10%
Re-introduction of the Energy Bill Relief Fund	9%
Grants or incentives	7%
Removal of overseas tariffs	3%
Superannuation or payroll support	3%
Wage or training subsidies	2%
New global trade agreements	2%

Impact on business behaviours

The potential impact of federal budget outcomes on business behaviour not insignificant. If meaningful new measures were introduced, about 26% of SMEs say they would expand operations, around 19% would invest in technology, and a similar share would increase wages, while around 11% would hire more staff.

By contrast, if this federal budget fails to address their key concerns, a clear majority expect to pull back. Around 65% of SMEs say they are likely to delay investment or hiring, with the likelihood increasing among younger operators, medium-sized businesses and exporters – currently Australia's biggest growth driving sectors.

Would the introduction of these budget measures influence your business to do any of the following?



Key Takeaways

Economic sentiment reflects a more measured and responsive outlook

SMEs are approaching the economic outlook with greater caution, demonstrating a clear awareness of changing conditions. While uncertainty has increased, pockets of optimism remain, highlighting that many businesses are actively identifying opportunities even in a more complex environment.

Revenue and profitability remain resilient, with expectations recalibrating

Current performance across revenue and profitability remain steady. While expectations have softened, this reflects a prudent and forward-looking approach as SMEs plan for sustainable performance in the year ahead.

Businesses are actively adapting to a more complex cost environment

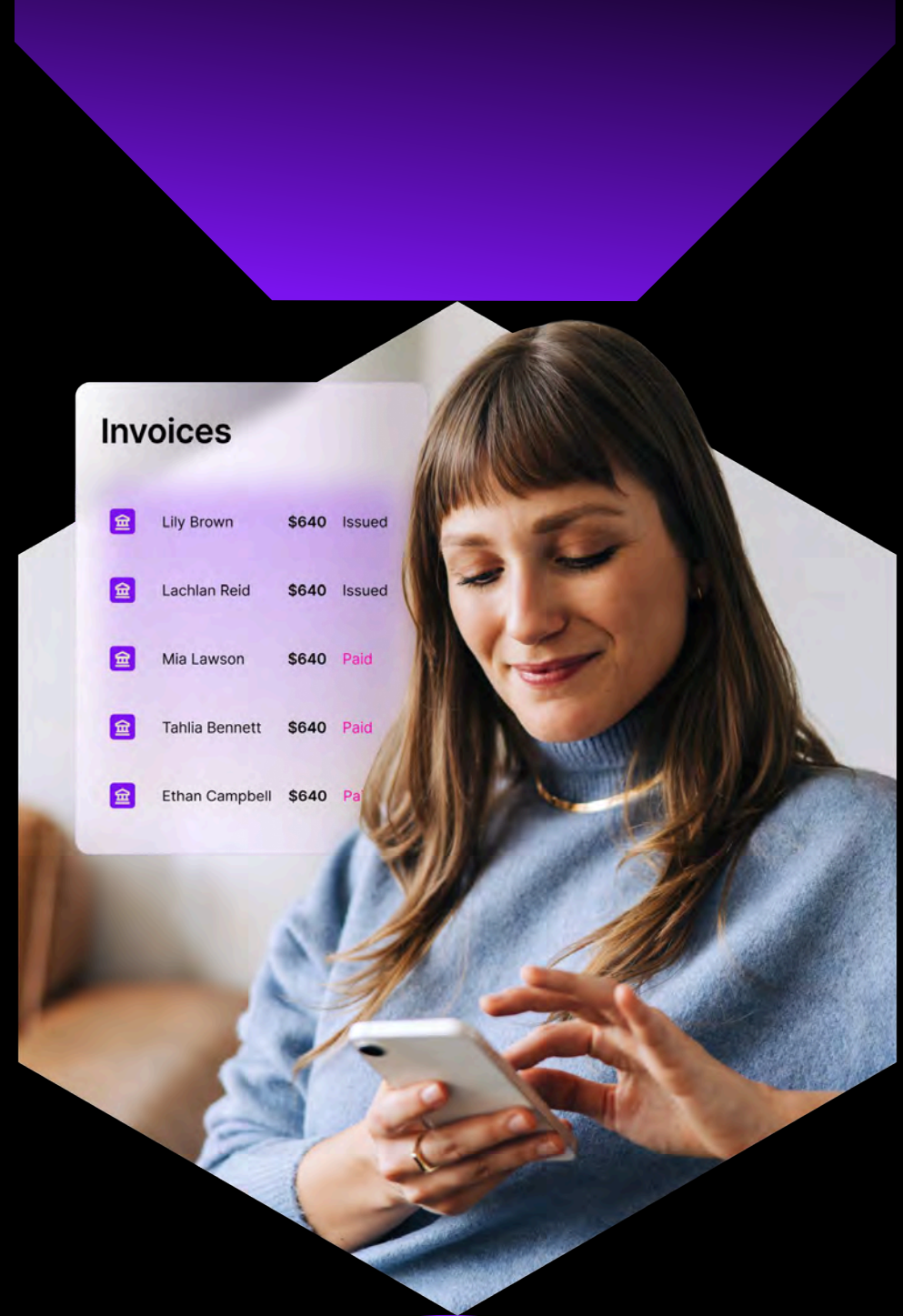
Rising fuel, utilities, interest rates and cost-of-living pressures are being met with proactive responses from SMEs. Many are refining operations, improving efficiency and exploring new strategies to manage costs and maintain stability.

Opportunities exist to strengthen alignment between SMEs and government support






Feedback on federal government support highlights a valuable opportunity to better align policy with SME needs. Encouragingly, some segments are already responding positively, pointing to areas where engagement and targeted initiatives can further build confidence across the sector.

The federal budget presents a key opportunity to unlock SME growth

The upcoming federal budget is a major decision point, with around half of SMEs indicating it will influence investment and expansion. This underscores potential to boost confidence, support hiring and accelerate growth if this key point in the calendar addresses key business priorities, making it a powerful lever for positive momentum across the sector.



Invoices

	Lily Brown	\$640	Issued
	Lachlan Reid	\$640	Issued
	Mia Lawson	\$640	Paid
	Tahlia Bennett	\$640	Paid
	Ethan Campbell	\$640	Pa