MYOB Small and Medium Size Enterprise Performance Indicator

Q1 2026

myob everyone's business

MYOB SME Performance Indicator

The latest MYOB SME Performance Indicator shows that while Australia's small and medium sized enterprises (SMEs) continued to grow through the January to March 2026 quarter, momentum slowed and business conditions became increasingly uneven as economic uncertainty intensified.

The sector continued to expand but at a slower pace compared to the moderate recovery seen in late 2025. Many businesses were dealing with higher operating costs, weaker consumer spending and ongoing operational pressures, leading to more cautious business conditions during the quarter.

The broader economic backdrop remained mixed. Inflation eased gradually through early 2026 but remained above the Reserve Bank's target range, peaking at 4.6% in March[1]. Labour market conditions also remained relatively tight, with low unemployment and ongoing wage increases supporting household incomes.

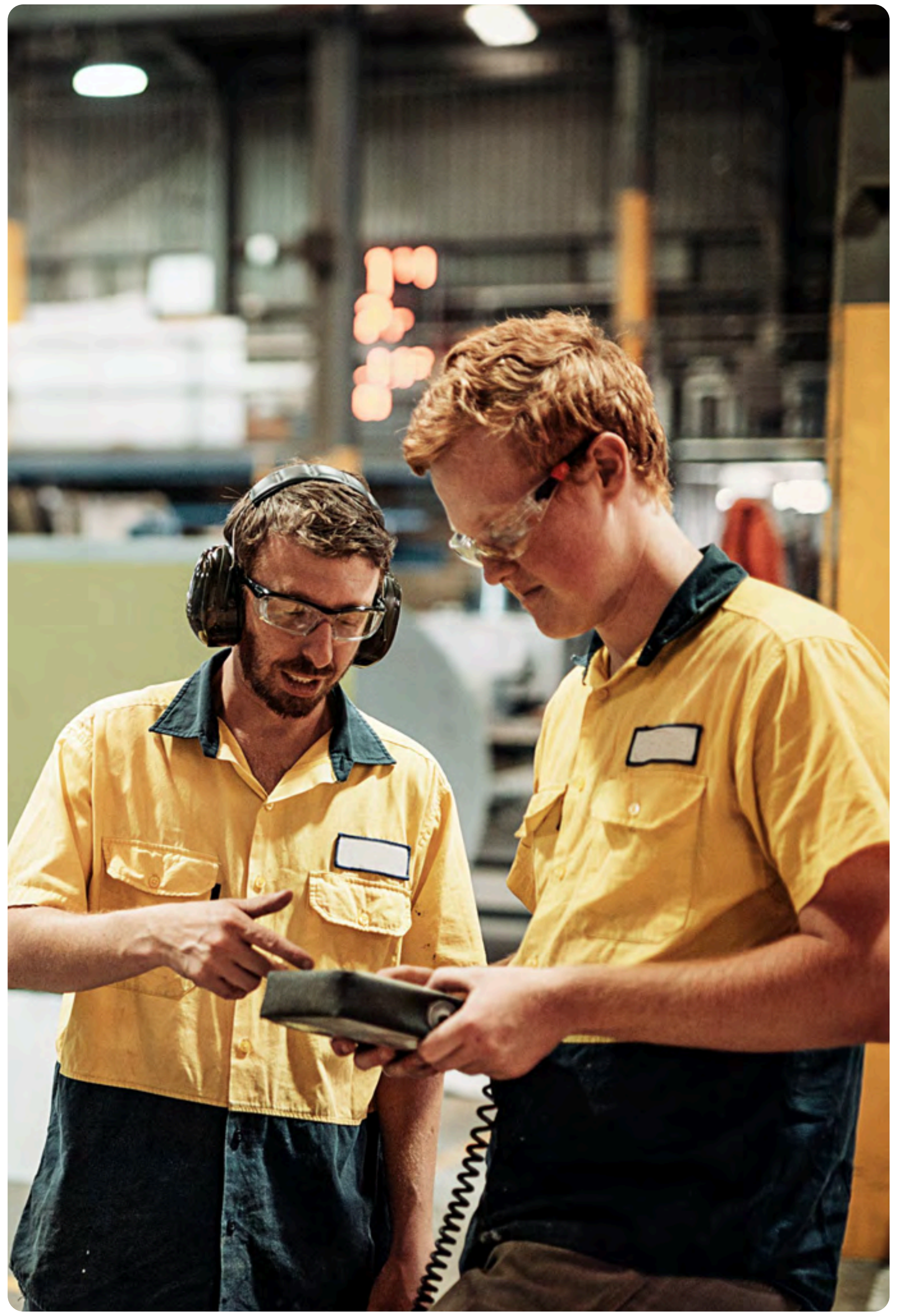
Importantly, the March quarter results should also be viewed in the context of heightened global uncertainty emerging toward the end of that period and into Q2 2026. Escalating geopolitical tensions contributed to renewed volatility in global energy markets, placing upward pressure on fuel prices and freight costs. These developments have added to local concerns around supply chain disruption, transport expenses and consumer confidence, particularly for consumer-facing SMEs operating under tighter margins.

Against this backdrop, SME activity showed resilience rather than strong deceleration. The gap between SME performance and broader economic development narrowed further from mid-2025, but conditions became increasingly divergent across industries.

Growth this quarter was led by property services, professional services and mining, which were the three best performing sectors on a quarter-on-quarter basis. Property services in particular delivered strong results, rising 9.2%, while professional services and mining each grew by around 4%.

Profitability eased from 2025 highs and margin pressure continued to build across the business landscape. The latest results point to a SME sector that is still on the rise but at a more measured pace and with increasing sensitivity to both domestic and global economic shocks.

[1] www.abs.gov.au [March 2026 CPI Data]



MYOB SME Performance Indicator

Chart 1: March 2026 Quarterly Percentage Change by Gross Value Added (GVA) Components and Key Sectors

		Gross Value Added	Employment	Total Income per Employee	Total Expense per Employee	Payroll Expense per Employee
	Total SME Sector	1%	3%	-3%	-3%	1%
Top 3 Largest SME Sectors	Construction	1%	4%	-3%	-3%	0%
Top 3 Largest SME Sectors	Professional Services	4%	3%	-2%	-5%	-2%
Top 3 Largest SME Sectors	Health	-6%	3%	-5%	-2%	-4%
Top 3 Performers	Property Services	9%	1%	0%	-3%	15%
Top 3 Performers	Professional Services	4%	3%	-2%	-5%	-2%
Top 3 Performers	Mining	4%	8%	-2%	1%	-1%
Bottom 3 Performers	Public Admin	-9%	-1%	-8%	-5%	-1%
Bottom 3 Performers	Financial Services	-9%	1%	-7%	-3%	-1%
Bottom 3 Performers	Hospitality	-6%	0%	-6%	-4%	1%

myob

MYOB SME Performance Indicator

The MYOB SME Performance Indicator is based on anonymised data from more than 200,000 Australian businesses employing 1–19 people, drawing on millions of observations across the SME economy. The Indicator measures SME performance across key industries and provides insight into the sector's contribution to broader economic activity.

This quarter, performance varied significantly across industries. Property services recorded the strongest quarter-on-quarter growth, supported by continued resilience in rental and strata-related activity. Professional services also performed well as businesses maintained investment in advisory, technology and operational support services. Mining posted moderate growth, benefiting from relatively stable export demand.

Consumer-facing industries continued to tackle more difficult trading conditions. Retail trade, hospitality and health recorded the largest declines during the quarter as households remained focused on essential spending and businesses managed ongoing cost pressures.

Employment growth remained positive overall, despite a 0.2pps increase in unemployment in April[2]. However, rising wage costs and labour shortages continued to place pressure on margins in some industries. In response, many SMEs maintained a focus on efficiency, including investment in automation and digital systems.

While parts of the SME economy remained resilient, conditions softened toward the end of the quarter amid increasing uncertainty surrounding global economic conditions, energy markets and the interest rate outlook. As a result, the March quarter may represent an early transition toward slower and more uneven SME growth through 2026.

[2] Labour Force, Australia, April 2026 | Australian Bureau of Statistics

Chart 2: SME Performance Indicator March 2026

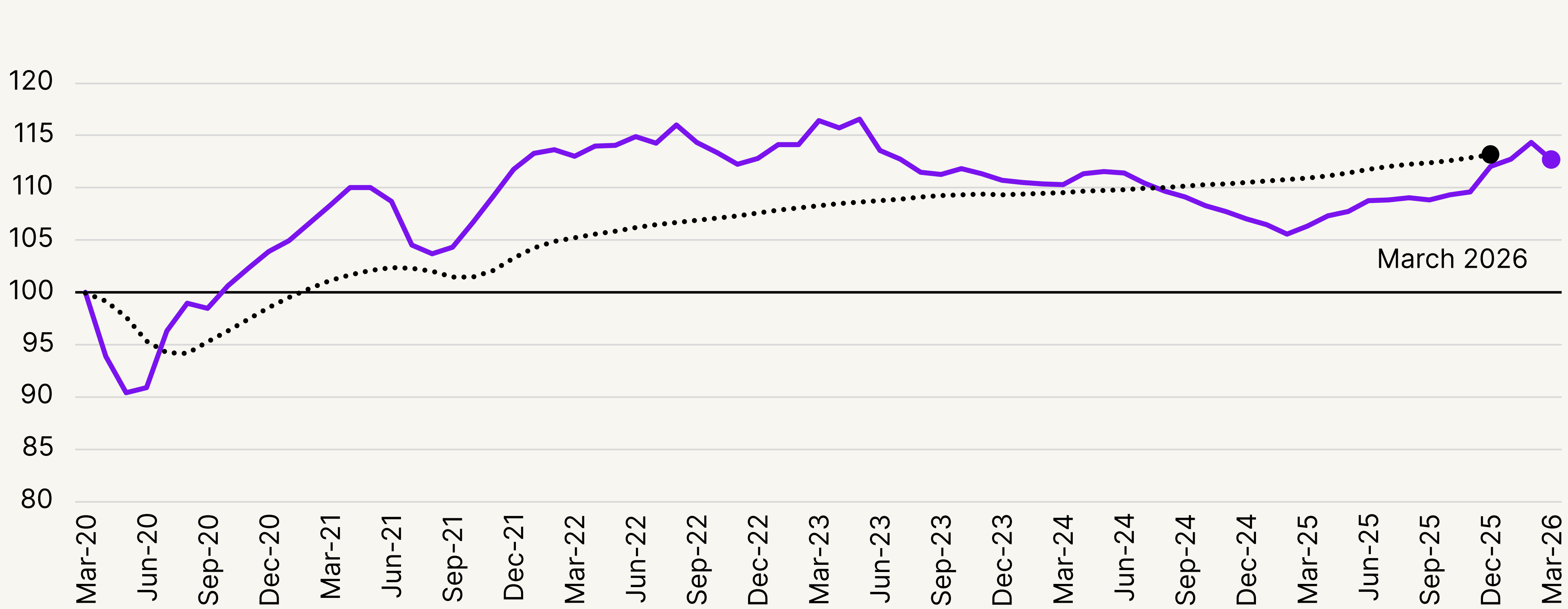
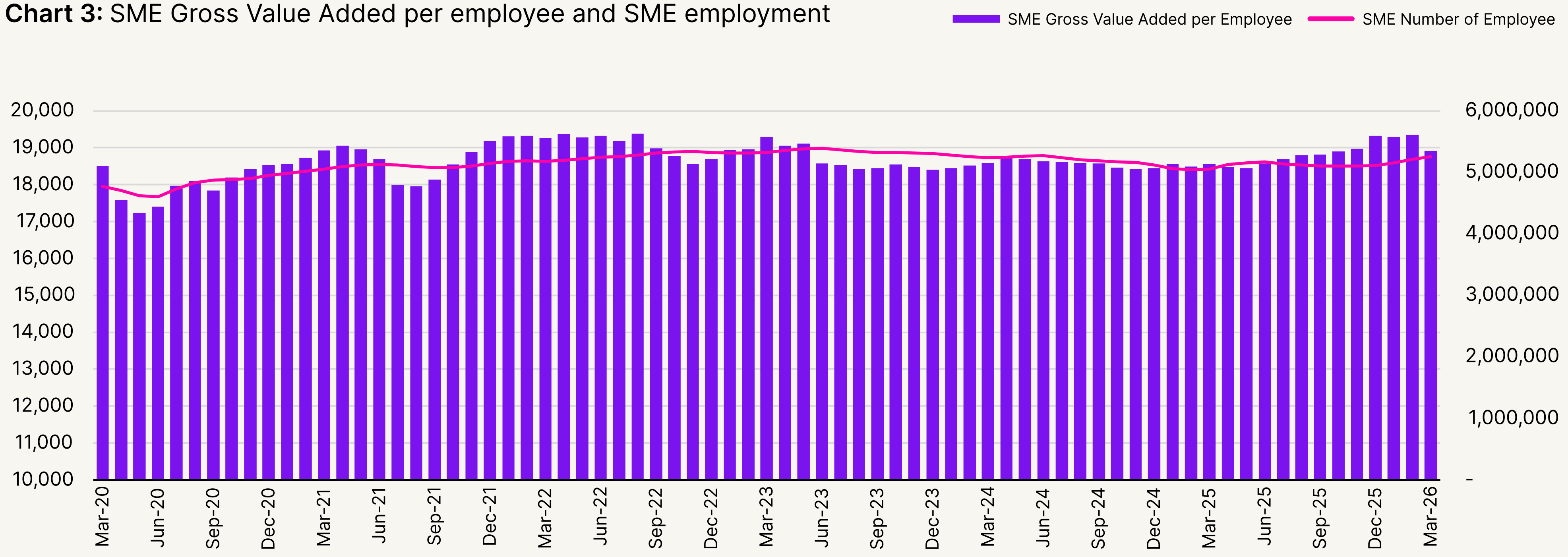


Chart 3: SME Gross Value Added per employee and SME employment



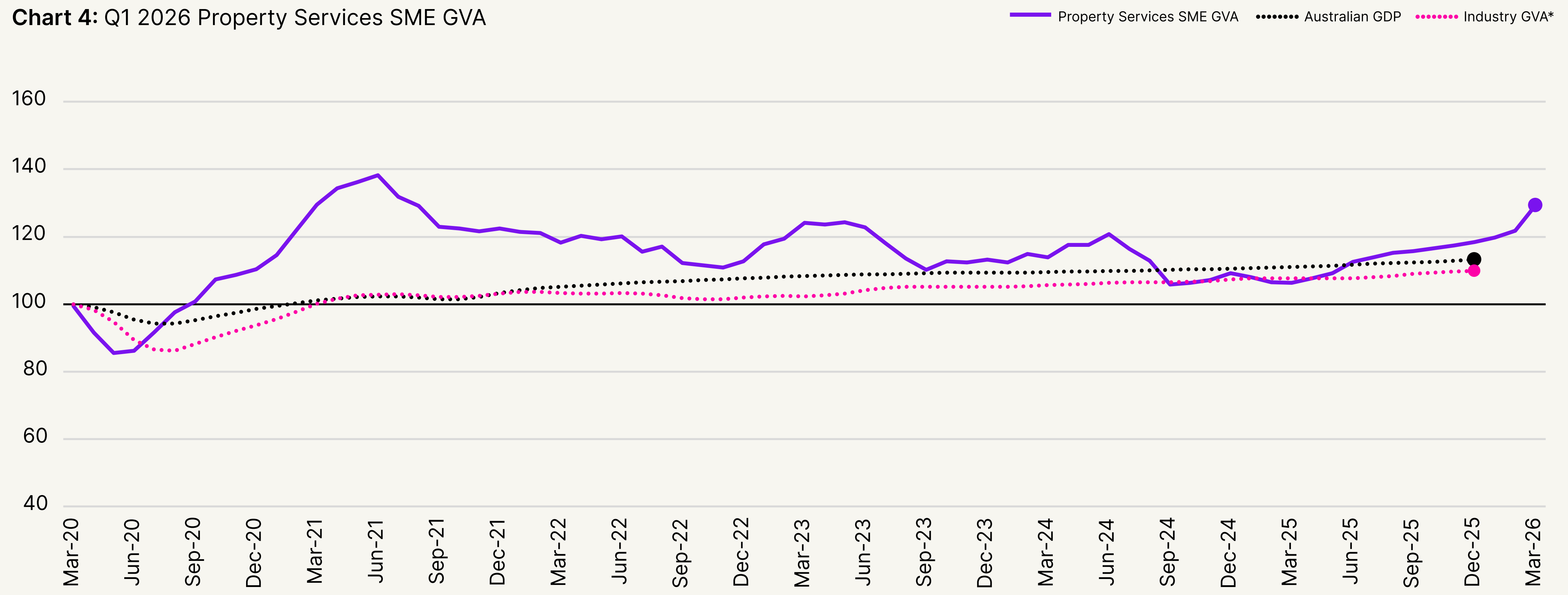
Spotlight – Property Services

The SME property services industry was the strongest-performing sector in the March 2026 quarter, ranking first in the MYOB SME Performance Indicator with GVA rising 9.2%. The result built on momentum from late 2025 and was supported by stronger property transaction activity earlier in the quarter, alongside stable recurring income from rental and strata management services.

The sector benefited from improved market conditions flowing from the RBA rate cuts delivered through 2025 and the expansion of the Home Guarantee Scheme in October 2025, which supported buyer activity and property listings entering early 2026. Auction volumes rose 17.2% year on year in the first week of February, while clearance rates reached 69.7% (compared to 67.4% in the same week last year), lifting commission income for real estate agency SMEs before conditions softened, with clearance rates dropping to just under 57% at the end of March[3].

Recurring income streams also remained supportive. National rents increased 5.7% annually and vacancy rates fell to 1.6%[4], helping strengthen rental management revenue. Increased investor activity through late 2025 further expanded the number of properties under management, supporting ongoing fee income across the industry. Strata management also continued to contribute positively as apartment living and compliance requirements increased demand for specialist services.

Chart 4: Q1 2026 Property Services SME GVA



Conditions weakened toward the end of the quarter following RBA rate increases in February and March 2026, which lifted the cash rate to 4.10% and contributed to softer buyer sentiment and lower housing market activity. Auction clearance rates fell to 52.7% by late March, particularly in Sydney and Melbourne, while rising fuel prices and broader economic uncertainty added to more cautious market conditions.

Despite decreasing momentum later in the quarter, strong activity through January and February, combined with resilient recurring revenue streams, helped property services remain the top-performing SME industry in Q1 2026.

[3] https://www.cotality.com/au
[4] https://www.cotality.com/au/insights

Looking Ahead

The next MYOB SME Performance Indicator in mid-2026 is likely to show slower and more uneven growth through Q2, with fewer sectors driving expansion and broader signs that momentum may slow. However, moderate Q1 growth means SMEs are well positioned to bear what the next quarter brings.

The March quarter showed a pattern of measured growth rather than acceleration, with the Indicator lifting modestly, unemployment continuing to rise, and output per worker softening. That combination suggests the next quarter is likely to reveal a sector still expanding in aggregate, but under greater pressure at the industry level and with reduced underlying productivity.

Consumer-facing industries are likely to remain the most exposed. MYOB's Q1 data showed Retail Trade, Hospitality and Health as the sectors with the least quarter-on-quarter improvement, and those sectors are expected to stay under pressure as households manage high mortgage repayments and broader living expenses.

Construction-related SMEs could see slower activity as financing costs become a consideration on new residential and commercial projects. Property Services is also likely to cool from the pace seen in the first quarter. Recurring rental and strata income should continue to provide a stabilising base, but the next MYOB data set is unlikely to show the same pace of transaction-led growth seen at the start of 2026.

Mining and export-focused industries may continue to benefit from firm commodity demand and higher energy prices, although fuel volatility may continue to increase operating costs and market uncertainty.

Professional Services may remain one of the more resilient parts of the SME economy, particularly where demand is tied to business operations, compliance, advisory and digital support. Even so, growth is likely to moderate if clients become more cautious with discretionary business spending and investment timing, especially as broader economic uncertainty increases.

Cost pressures are likely to become more visible in the Q2 data. MYOB research[5] from across the business shows SMEs remain highly sensitive to fuel, utilities and interest rates, with average business costs up around 18% over the past year, while 67% expect economic conditions to soften over the next 12 months. That caution aligns with internal SME Indicator work pointing to renewed geopolitical volatility, higher fuel prices and freight costs, and growing concern about supply chain disruption and margin pressure through Q2.

[5] MYOB Bi-Annual Business Monitor, May 2026





Key Takeaways Q1 2026

SME activity growth

Through the March 2026 quarter, although growth slowed and business conditions became increasingly uneven across industries.

Top performing sectors

The top three performing sectors this quarter were Property Services, Professional Services and Mining, with Property Services the standout performer.

Consumer-facing sectors

Consumer-facing sectors remained under pressure, with Retail Trade, Hospitality and Health recording the least quarter-on-quarter improvement as discretionary household spending softened.

Employment growth

Employment growth remained positive, although labour shortages, elevated payroll costs and weaker productivity growth continued to reinforce the importance of automation, operational efficiency and technology investment.

Economic conditions

Economic uncertainty increased late in the quarter, with geopolitical tensions and rising fuel prices adding further pressure to operating costs, supply chains and business confidence.

2026 outlook

The outlook for 2026 remains cautious. While segments of the SME sector continue to demonstrate resilience, growth is becoming increasingly uneven, and businesses are likely to remain highly sensitive to interest rates, consumer demand and broader global economic conditions. That said, the sector enters this period from a position of moderate growth sustained over the past three quarters, providing a solid foundation for continued resilience.

Key terms & Methodology

Key Terms

- **Gross value added (GVA)** – The value of output at basic prices less the value of intermediate consumption at purchasers' prices. It measures the net economic contribution of enterprises to the economy.
- **MYOB SME Performance Indicator** – An index of total SME GVA, benchmarked to January 2020.
- **Per employee basis** – Measures metrics such as GVA, income, expenses, or payroll relative to the number of employees.
- **Productivity** – Output per employee or per unit of input, calculated as the ratio of GVA to the number of employees.
- **Profitability** – Measured as income minus expenses per employee.
- **Sectors** – Classified according to the ABS's ANZSIC framework. Some sector names may be shortened in reports for practical purposes.
- **SME** – Businesses employing 1-19 employees.

Methodology

The methodology for computing SME Gross Value Added (GVA) follows the National Accounts income approach framework. SME GVA is derived as the sum of gross operating surplus, compensation of employees, and taxes less subsidies on production. Data is sourced from MYOB anonymised monthly data, supplemented with data from the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA).

Note: There may be fluctuations in historical estimation as the MYOB and ABS data is revised and new data from the ABS becomes available. The calculation of SME GVA estimates involves two key elements - SME GVA per employee and employment. These elements are estimated individually by sector and multiplied to produce GVA per sector. These sector GVA estimates are then summed to produce total SME GVA. The MYOB Performance Indicator is then created by converting total SME GVA into an indexed time series.

Number of employees

SME employee numbers for each sector are estimated using ABS Australian Industry data, which provides annual data for June on employment in businesses with 1- 19 employees. The ABS does not disclose this data for the financial services sector, so its SME employment is calculated by estimating the share of total financial services employment in businesses with 1-19 employees from the ABS Counts of Australian Businesses data and applying this to total finance sector employment figures.

The total SME employment is then interpolated between this June benchmark to monthly frequency using ABS Weekly Payroll Growth rates. For individual sectors, monthly movements interpolated using MYOB employment growth data and then normalised to the total SME employment estimated outlined above for each month. These employment estimates are then seasonally adjusted.

Given the two-month lag in official ABS Weekly Payroll data, latest employment figures are forecasted by sector using flexible least squares regression of the ABS series on the MYOB employment.

Gross value added (GVA) per employee

From the MYOB dataset, anonymised business – level data is extracted for income, expenses, payroll, and number of employees. Individual business data is aggregated by sector based on the ABS ANZ SI Classification. Income, expenses and payroll components are converted to a per – employee basis and seasonally adjusted.

Seasonally adjusted taxes less subsidies on production and imports data is sourced from ABS National Accounts for each sector. The data is converted from quarterly to monthly by distributing equally across months in each quarter. To convert to per – employee terms, total sector employment data from ABS Australian Industry statistics (annual) is used as a June benchmark for each year, with monthly movements between these benchmarks estimated using ABS Weekly Payroll data.

Given the one-quarter lag in ABS taxes less subsidies data, the latest quarter is estimated using the stable historic ratio of taxes less subsidies to gross operating surplus.

All GVA components are then converted to real terms using sector – specific deflators computed as the ratio of current to constant prices from ABS National Accounts. The data lags one quarter, so the next quarter is forecast using RBA inflation rates. Quarterly deflators are converted to monthly using linear interpolation.

myob everyone’s business