

MYOB Small and Medium Size Enterprise Performance Indicator

February 2026



MYOB SME Performance Indicator

The latest MYOB SME Performance Indicator shows small and medium businesses across Australia remain in a stable position and have started to steadily grow.

Based on anonymised small business performance data from October to December 2025, the Indicator rose by 1% over the quarter and 3% over the year. This points to consistent improvement and confirms a gradual upward trend since early 2025.

From a broader economic perspective, these results align with an economy that is seeing a marked tightening of capacity pressures¹, suggesting more excess demand through 2025 than expected. Inflation increased toward the end of 2025, with consumer prices rising 3.8% in December, keeping cost pressures above the Reserve Bank's target. At the same time, the labour market remained tight, with unemployment at 4.1%², supporting wages and household incomes but making it harder for some businesses to find skilled workers.

While SME performance is still behind the wider economy compared with pre-pandemic levels, the gap is narrowing. Australian small and medium-sized enterprises currently contribute approximately 32% of total GDP, indicating they operate at around 2 percentage points below their potential share relative to overall GDP in the current economic cycle. This represents an improvement since mid-2025, when SME performance indicators suggested a larger divergence from broader GDP-growth trends. This suggests small and medium businesses are steadily catching up as economic conditions continue to stabilise.

Growth this quarter was driven largely by construction and manufacturing, with construction playing a particularly important role. Construction accounts for roughly 25-30%³ of total SME economic activity and recorded 3% growth over the quarter. This strength helped offset softer conditions in consumer-facing industries, where higher living costs and interest rates have reduced household spending.

While construction remains central to SME economic health – accounting for 23% of SME GVA and driving 45% of total SME growth in 2025 – its size also means that any moderation in activity could have a meaningful impact on overall SME performance. If higher interest rates temper momentum in the sector, this may translate into a broader easing in SME growth. Accordingly, the February 2026 rate increase (from 3.60% to 3.85%) will be an important development to monitor, particularly in Q1-Q2 2026 data.

Employment across the SME sector has remained relatively stable. However, productivity has improved, meaning businesses are generating more output without significantly increasing staff numbers. This lift in output per employee has become a key contributor to overall SME performance.

Overall, small and medium businesses remain in good financial shape. Profitability is especially strong in major sectors such as construction, where demand remains solid and margins are still elevated. Taken together, the data suggests the SME sector is in a period of stabilisation and cautious recovery, marked more by resilience than stress.

¹ Statement on Monetary Policy – February 2026 Economic Conditions, [available here](#)

² Labour Force Survey, Australia, [available here](#)

³ MYOB Business Data, February 2026



MYOB SME Performance Indicator December 2025

Chart 1: December 2025 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%	0%	0%	-1%	1%
Top 3 Largest SME Sectors	Construction	3%	2%	0%	-2%	2%
	Professional Services	3%	1%	1%	-2%	-1%
	Retail Trade	-1%	-1%	0%	-1%	1%
Top 3 Performers	Public Admin	11%	6%	3%	0%	0%
	Manufacturing	3%	1%	1%	-1%	2%
	Construction	3%	2%	0%	-2%	2%
Bottom 3 Performers	Financial Services	-11%	-1%	-8%	-1%	3%
	Education	-7%	-1%	-3%	0%	-1%
	Hospitality	-5%	-4%	-1%	-1%	0%

MYOB SME Performance Indicator

The MYOB SME Performance Indicator is based on anonymised data from over 200,000 Australian businesses with 1-19 employees, drawing on millions of observations across the SME sector.

The Indicator can be viewed as a component of Australia's Gross Domestic Product (GDP), which measures overall economic activity.

The latest results indicate that the SME sector is entering a phase of greater stability with signs of renewed momentum. This is occurring at a time when the Reserve Bank has highlighted capacity pressures across the economy, particularly in the labour market. These conditions typically support steady, sustainable growth rather than rapid acceleration.

Construction continues to be one of the most important contributors to SME performance. The sector is benefiting from strong commercial and industrial demand, ongoing government infrastructure spending and housing supply constraints. At the same time, productivity improvements suggest many SMEs are finding ways to grow output without needing to expand headcount at the same pace.

While consumer-facing industries continue to face challenges, the strength of large SME sectors such as construction is helping support overall performance and provides a solid base for a cautious recovery as businesses move into 2026.

Chart 2: SME Performance Indicator December 2025

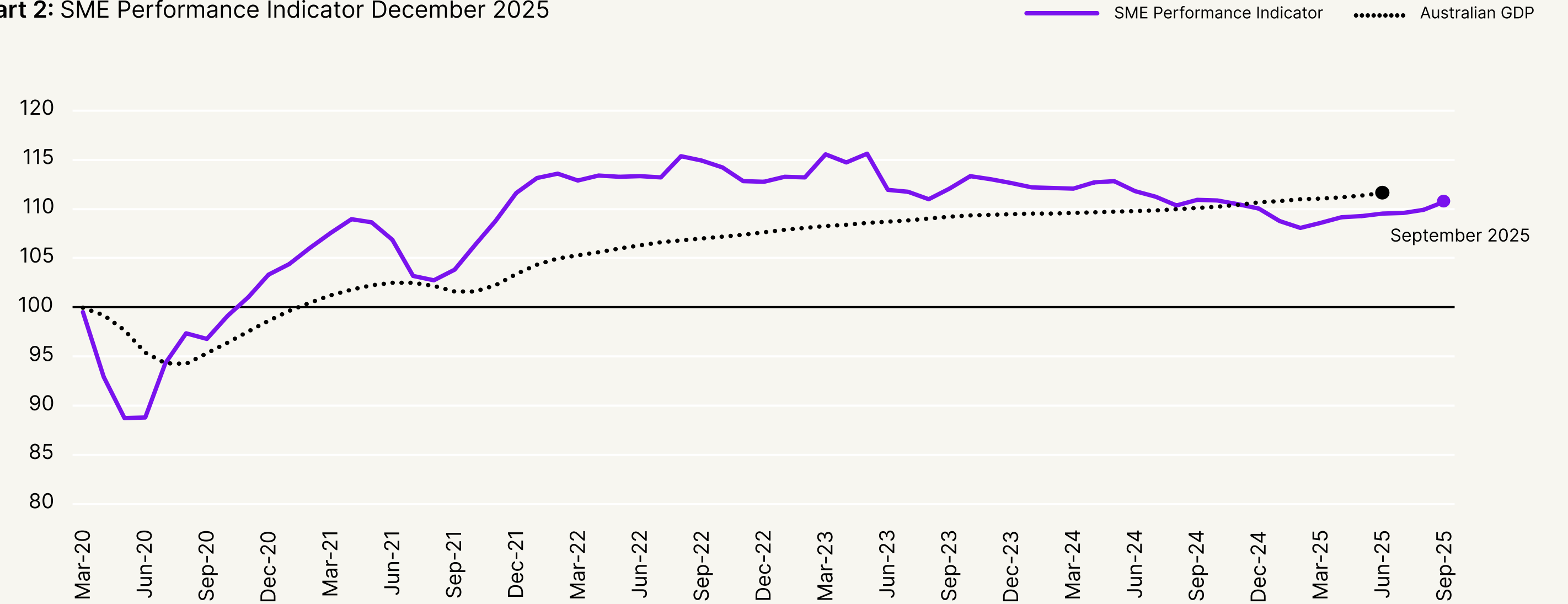
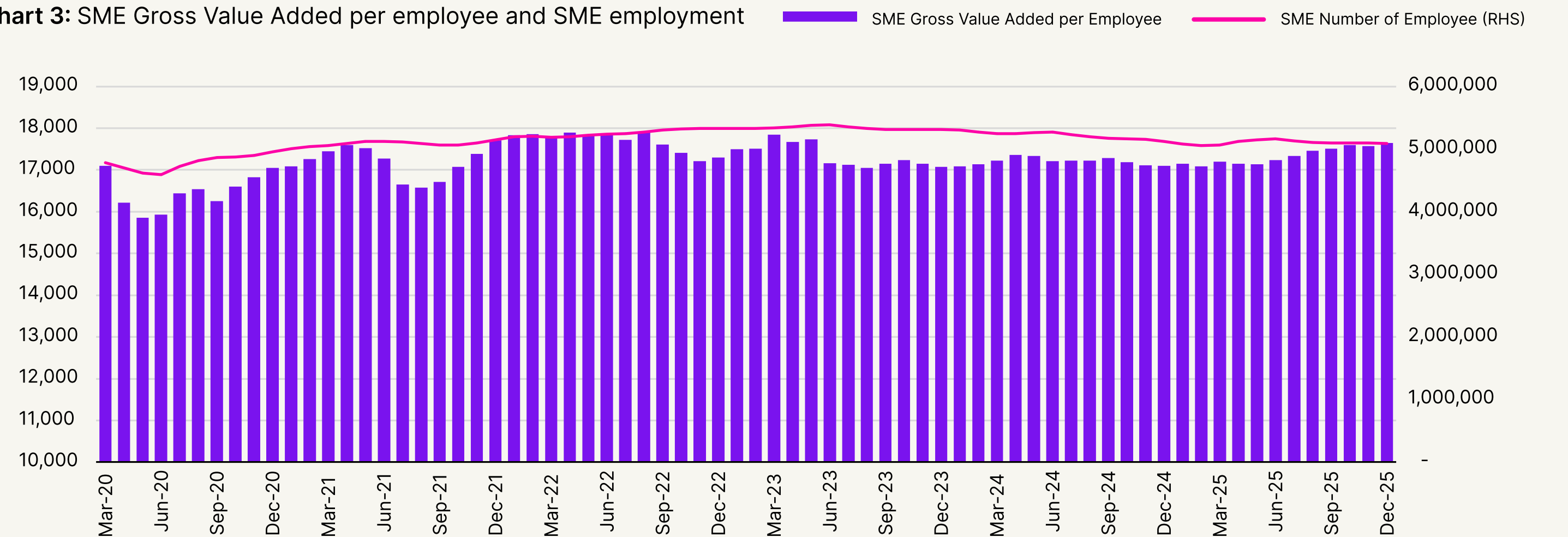


Chart 3: SME Gross Value Added per employee and SME employment



Sector Spotlight: Construction

The SME construction sector continued to underpin overall SME performance, rising 3% over the three months to December 2025 and delivering 5.3% annual growth, its strongest result in three years.

Construction remains one of the most important sectors in the SME economy and is a key driver for a positive total SME output this quarter, despite softness across some consumer-facing industries. As one of the 'Big Five' SME sectors, construction's stability has an outsized impact on overall SME economic health.

This performance reflects a powerful alignment of structural tailwinds. While residential construction has been uneven, activity strengthened sharply late in 2025 as housing policy initiatives gained traction. Government programs supporting housing supply, including the National Housing Accord target of 1.2 million homes by 2029³, helped drive a surge in residential building and renovation work, particularly in the December quarter.

Beyond housing, strong demand across commercial, industrial, and public infrastructure projects continues to support construction SMEs, including significant government investment (\$242 billion) committed to the Major Public Infrastructure Pipeline over five years⁴ (FY 2024-25 to FY 2028-29). Major investment in transport, utilities, healthcare, education, and data infrastructure has flowed through to subcontractors, providing pipeline certainty and supporting hiring and capital investment decisions.

Construction added nearly 8,000 workers (+0.99%) as total SME employment declined. Despite ongoing labour shortages, the sector has continued to lift efficiency: output per employee rose 0.94%, well above the 0.34% SME average. Over the year, employment grew 2.6% while non-payroll expenses fell 6.7%, reinforcing pricing power, improving productivity, and supporting profit margins of around 62% – among the strongest across SME sectors.

Productivity gains are becoming increasingly evident, with GVA growth (+3%) outpacing employment growth (+2%). Greater adoption of digital tools, such as project management software, prefabrication, and data-driven cost control, is enabling construction SMEs to do more with fewer resources⁵.

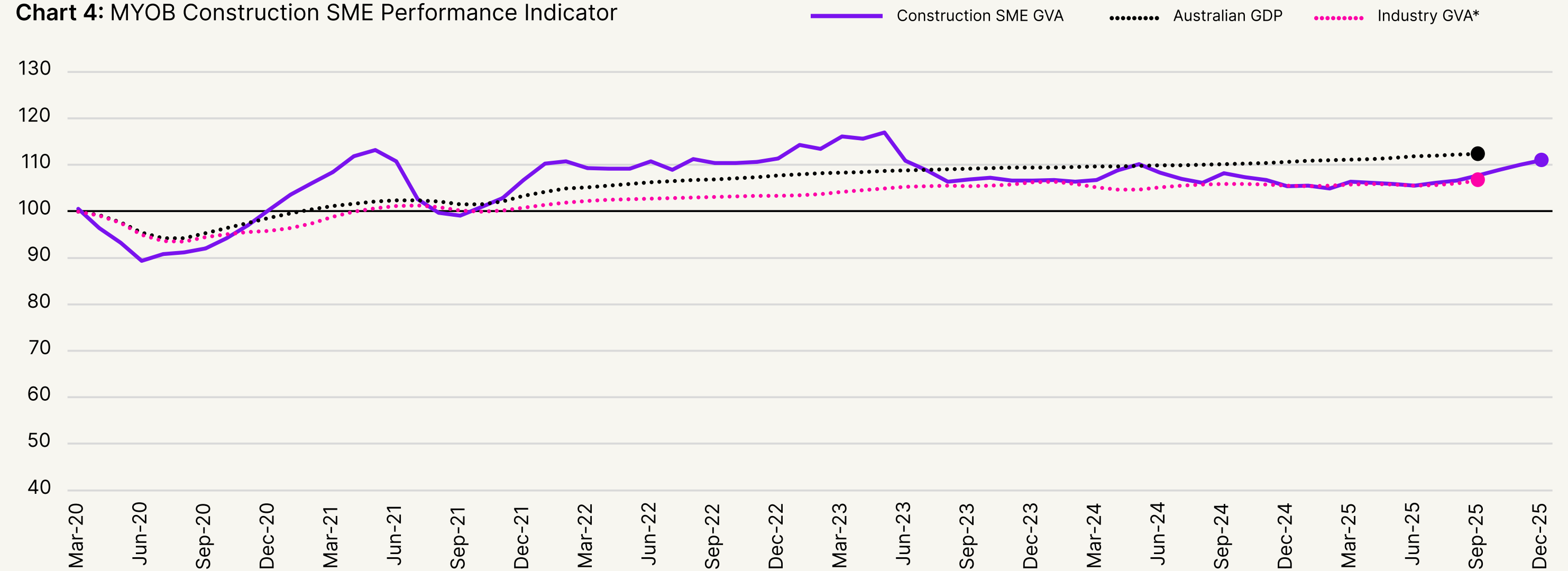
Looking ahead, construction SMEs are uniquely positioned at the intersection of government infrastructure investment, housing supply reform, and the energy transition. If these priorities remain in place – as expected through the end of the decade – the sector is likely to continue benefiting from strong demand, resilient margins, and structurally supported growth, making construction a cornerstone of SME performance into 2026 and beyond.

³ Budget 2025-26, Housing, [available here](#)

⁴ 2025 Infrastructure Market Capacity Report, [available here](#)

⁵ The slow slide of housing productivity in Australia, [available here](#)

Chart 4: MYOB Construction SME Performance Indicator



*Industry GVA refers to the ABS Gross Value added for the Agriculture, Forestry and Fishing Industry

Key takeaways: Q4 2025

01 SME activity continues to expand, indicating underlying demand remains resilient even as higher interest rates weigh on discretionary spending.

02 Growth is being driven by the “investment economy” rather than the “consumer economy”, with construction and industrial activity offsetting softness in retail and hospitality-linked sectors.

03 Productivity is improving, with output rising faster than headcount – an encouraging signal that SMEs are adapting through technology adoption, better capital deployment, and tighter cost control.

04 Construction is acting as the stabilising anchor of the SME sector, supported by infrastructure pipelines, commercial demand (including data centres and logistics), and structural drivers such as housing supply reform and the energy transition.

05 The outlook for 2026 is cautiously positive, but uneven: sectors exposed to household budgets may remain constrained, while investment-linked SMEs are better positioned for sustained growth.



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.



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