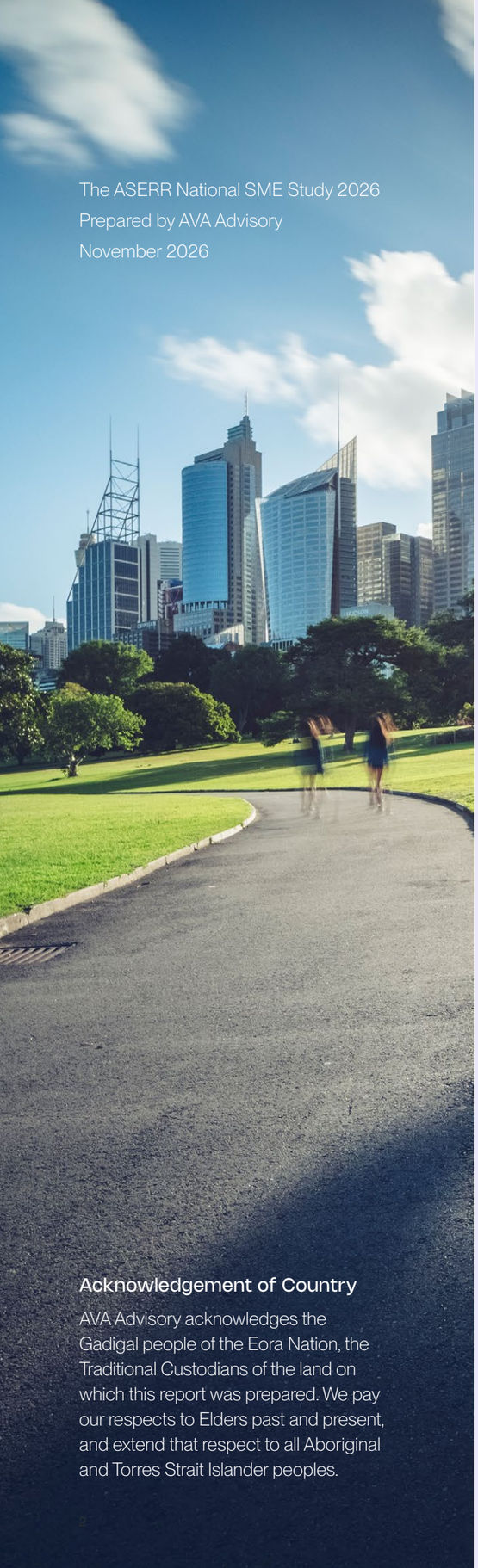
AVA
ADVISORY

The Australian Small & Medium Enterprise Resilience Radar (ASERR) Report 2026

INSIGHTS & STORIES FROM THE ASERR NATIONAL SME STUDY

An assessment of the financial, operational and trading health of Australian small and medium enterprises, and the priorities for strengthening their resilience.



The ASERR National SME Study 2026
Prepared by AVA Advisory
November 2026

Acknowledgement of Country

AVA Advisory acknowledges the Gadigal people of the Eora Nation, the Traditional Custodians of the land on which this report was prepared. We pay our respects to Elders past and present, and extend that respect to all Aboriginal and Torres Strait Islander peoples.

About the ASERR Report
Tracking the health of Australian SMEs

The Australian Small and Medium Enterprise Resilience Radar (ASERR) is a national study of the health and resilience of Australian small and medium enterprises (SMEs). It gives business owners, advisers and policymakers a clear, evidence-based view of how the sector is performing and where the pressure points are.

The ASERR study assesses the strengths, weaknesses and overall health of ten key SME sectors. The first edition was conducted in July 2024, as businesses were recovering from the COVID-19 pandemic. It set the benchmark for future studies.

Two years on

Since the first study, SMEs have been hit by forces from every direction. Overseas, US tariffs and a fuel supply shock pushed up costs. At home, there have been three interest rate rises (before the study period), property tax changes in the May Budget and new legislation, such as Payday Super.

This report examines how the same ten sectors are holding up under these pressures and, where possible, compares the results directly with 2024.

Capturing a moment in time

Since the survey closed in August, two more rate rises have taken the cash rate to 4.85 per cent, its highest level since the global financial crisis, and businesses can no longer add a surcharge to card payments. The full effect of these changes is not reflected in these findings.

A sharper focus for 2026

Like the 2024 study, the 2026 study was conducted online by YouGov. It surveyed SME owners and senior decision-makers aged 18 and older across Australia between July and August 2026. It included small businesses (0–19 employees), among them sole traders with no employees, and medium businesses (20–199 employees).

This year, we narrowed the study from 19 sectors to ten, and increased the sample to 1,065. That means more responses from every sector covered and deeper, more reliable insight into each one.

Results were weighted at a state and national level to reflect the true mix of Australian SMEs by size and sector, based on Australian Bureau of Statistics data. This means the findings represent the SME sector as a whole, not just the businesses that took part.

The analysis also uses AVA Advisory's Business Health Model, developed for the ASERR study. The model tracks ten warning signs that flag financial stress early, from cash flow difficulties and late tax payments to ATO Director Penalty Notices, while there's still time to act.

Sample sizes vary by sector, from 207 in Construction to 50 in Accommodation and Food Services. Results for sectors with fewer than 80 responses (marked †) should be read as a guide to direction rather than a precise measure.

1,065 SMEs across 10 sectors surveyed

775 small businesses (72.8%), including 434 sole traders | 290 medium businesses (27.2%)

SECTOR	WHO'S INCLUDED	RESPONDENTS
Construction	Builders, plumbers, electricians, carpenters and civil contractors	207
Professional, Scientific and Technical Services	Accountants, lawyers, engineers, architects, IT consultants and marketing agencies	176
Retail Trade	Shops, supermarkets, fuel retailers and online retailers	145
Health Care and Social Assistance	GPs, dentists, physios, allied health providers, aged care and disability services	109
Transport, Postal and Warehousing	Freight and trucking, couriers, storage and logistics	96
Education and Training†	Tutoring, pre-primary education, driving schools and private training providers	78
Information, Media and Telecommunications†	Publishers, broadcasters, internet and telco providers, cloud services and data centres	76
Manufacturing†	Food and beverage production, metal fabrication, printing and furniture making	75
Rental, Hiring and Real Estate Services†	Equipment and car hire, real estate agents and property managers	53
Accommodation and Food Services†	Cafes, restaurants, takeaway shops, pubs, hotels and motels	50

A message from the CEO
Stronger footing, but the storm isn't over

When we ran the first ASERR study in 2024, many businesses were still catching their breath after COVID-19. Few of us could have predicted how much would change in the two years since: soaring fuel prices, global tariffs, five interest rate rises and a steady stream of policy change.

What strikes me most about this year's results is how well so many businesses have adapted. Most SMEs are in a stronger position than they were two years ago, and nearly half are more profitable. They've built bigger buffers, found new ways of working and embraced new technology. That says a great deal about the entrepreneurial spirit that drives Australian small and medium-sized business.

But a survey is a snapshot, and a lot has changed since ours closed in August. Two more rate rises have taken the cash rate to its highest level since the global financial crisis. Businesses can no longer add a surcharge to most card payments, super is now due every payday and fuel excise relief has ended. Even long-established names aren't immune, with David Jones entering voluntary administration in November.

At AVA Advisory, we sit across the table from business owners when the numbers stop adding up. Financial pressure rarely arrives all at once. It builds quietly, through a late tax payment or a tight month, until it's no longer possible to ignore. Even before the latest rate rises, this study shows those early signs were becoming more common. Fewer businesses are free of warning signs than in 2024, and ATO Director Penalty Notices have nearly doubled.

That's why I see this as the calm before the storm. Many businesses won't feel the full impact of higher rates, card fees and Payday Super for another six to 12 months, as they work through their remaining cash runway.

There's a human cost too. More than half of all owners and managers have thought about leaving or closing their business. Behind that finding are people who have given years of their lives to building something.

The good news is that a storm is far easier to weather when you see it coming. ASIC's latest review of small business restructuring, released in November, found that when a restructuring plan is approved, the outcomes are generally positive. But fewer businesses are getting there. In two years, the share of restructurings that reach a plan has fallen from 87 per cent to 67 per cent, and the ATO now holds around 83 per cent of unsecured creditor claims[1]. Waiting too long can close doors. Owners who review their numbers, understand their pressure points and get advice early will have the most options. The resilience in these results gives me hope that many will do just that.

Some sectors are thriving and others are doing it tough, and the sector stories show why. I hope this report helps owners, advisers and policymakers see where support can make the biggest difference, and gives business owners and managers the insight to prepare for what comes next with confidence.

Andrew Quinn

Founder and CEO, AVA Advisory

[1] Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, 2026.





About AVA Advisory
Reshaping possibilities together

Founded in 2023, AVA Advisory is a Sydney-based financial advisory firm working with small and medium businesses across Australia. We help business owners find a way through financial difficulty and come out the other side stronger.

AVA was founded by a team of experienced financial specialists who saw a clear gap in the market. Small and medium businesses are the backbone of the Australian economy, yet many facing financial distress had limited access to advice that was tailored, practical and empathetic. We set out to change that.

We believe every business deserves the chance to recover and thrive, even in the toughest conditions. Our mission is to create financial lifelines for viable yet vulnerable businesses, reducing insolvency risk and helping prevent avoidable liquidation.

What we do

We guide businesses through complex financial situations with clear and actionable advice.

Trust, empathy, excellence and entrepreneurship shape how we work and the relationships we build, because we know financial distress is never just about the numbers. Behind every balance sheet is a business owner, a team and the people who depend on them.

Financial pressure can affect health, relationships and livelihoods, so we take a practical, human approach to helping businesses navigate difficult circumstances.

That same mindset drives our approach to innovation. The financial landscape is changing quickly, and so are the needs of Australian SMEs. We continually look for better tools, smarter ways of working and new approaches to restructuring, always with the aim of delivering better outcomes for the businesses we serve.

Our ambition is to become Australia's most trusted and innovative financial advisory firm for SMEs by 2029.

99.8% of Australian businesses are small and medium enterprises[2]

50–80% average debt reduction achieved through AVA Advisory restructuring plans

[2] Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, 2026.

Contents

How are SMEs performing?	10
Headwinds	12
Resilience and business health	18
AI adoption	22
Sector stories	24
The front-runners	26
Poised for growth	30
Holding their place	34
Ones to watch	40
Facing difficult times	44
The big picture	48
Conclusion	50







How are SMEs performing? Under pressure, but resilient

62%

of SME owners and managers say their business is better off in 2026 than in mid-2024.

59%

Highest reported steady turnover: Education and Training

20%

Highest reported turnover decline: Accommodation and Food Services

71%

Highest reported turnover increase: Transport, Postal and Warehousing

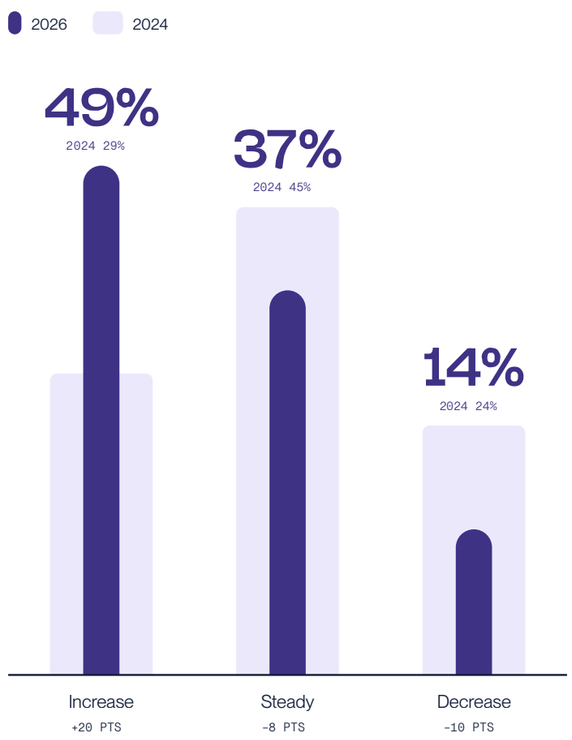
Most Australian SMEs are better off than they were in mid-2024. But with household budgets under pressure, the recovery isn't being felt evenly.

Turnover and profit are both on the rise

The recovery is showing up where it counts. On average across the ten sectors, 45 per cent of owners and managers report improved turnover in the last 12 months and only 12 per cent report a fall. Transport, Postal and Warehousing led the way, with 71 per cent recording increased turnover, followed by Manufacturing at 59 per cent.

Profit tells an even stronger story. Nearly half of all SMEs (49%) report higher profit than a year ago, a 20 percentage point jump from 29 per cent in 2024. Only 14 per cent say profit has declined.

PROFIT MOVEMENT (2024 VS 2026)



Share of all SMEs reporting profit increasing, steady or decreasing compared with 12 months earlier.

A tale of two economies

The leaders

Three sectors posted strong gains in both turnover and profit: Transport, Postal and Warehousing, Manufacturing, and Information, Media and Telecommunications. What they have in common is limited exposure to consumer discretionary spending. As households cut back due to rate rises and increasing fuel prices, these sectors were largely shielded.

SECTOR	TURNOVER +	PROFIT +	WHY
Transport, Postal and Warehousing	71%	72%	Supply chain disruption and higher fuel costs pushed up freight rates, and more businesses held extra stock, lifting demand for storage.
Manufacturing	59%	61%	Global shipping disruptions saw more businesses turn to local suppliers with secure stock.
Information, Media and Telecommunications	49%	59%	Much of this sector's income comes from contracts / subscriptions, which customers tend to keep paying when budgets tighten.

Accommodation and Food Services†

37% worse off than in 2024

20% turnover decreasing

35% profit decreasing

Retail trade

24% worse off than in 2024

19% turnover decreasing

22% profit decreasing

† Fewer than 80 responses. Read as a guide to direction.

The ones facing difficulties

At the other end of the scale, Accommodation and Food Services is the standout concern. More than a third of owners and managers (37%) say they're worse off than in 2024, and 35 per cent report falling profit, the highest of any sector. Retail Trade isn't far behind, with the lowest share of businesses better off (49%) and 22 per cent reporting a drop in profit.

Both sectors rely heavily on discretionary spending, the first thing households cut when budgets tighten.

Education and Training is another one to watch. Although it's the most steady sector, it also reported the lowest share of increasing turnover and profit in the last 12 months.

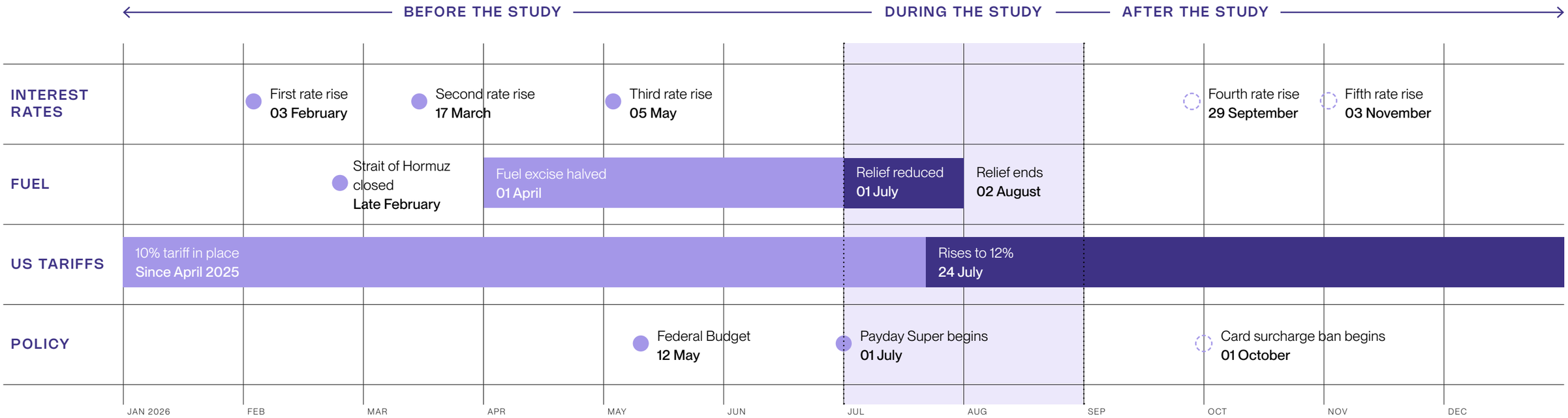
The bottom line

SMEs are in a much stronger position to weather tough market forces than they were in mid-2024, and most are trading with confidence. The caveat is consumer spending. If discretionary budgets keep tightening, hospitality and retail businesses could face a tougher year ahead.

What the leaders have in common is limited exposure to consumer discretionary spending.

Headwinds
Global and local impacts on Australian SMEs

2 major cost changes landed during the study: the tariff rise and the end of fuel excise relief.



Headwinds
Global and local impacts on Australian SMEs

Market conditions have shifted sharply since early 2025, as global events and local policy changes put pressure on SMEs and their customers.



Fuel and supply

The closure of the Strait of Hormuz pushed petrol prices up around 50 per cent in just over a month. Excise relief softened the blow from April, but by August petrol was above $2.00 a litre. Nearly half of SMEs (46%) say fuel disruption has hurt their business, and 37 per cent report wider supply or delivery problems.

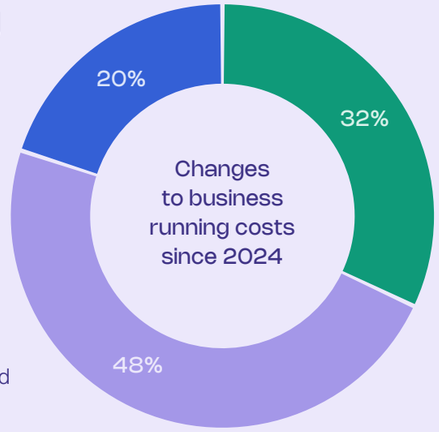
The Federal Budget

The May Budget announced changes to the capital gains tax discount, restricted negative gearing and slowed growth in NDIS spending. Overall, 27 per cent of SMEs say it hurt their business, while 20 per cent say it helped.

The rising cost of doing business

Four in five SMEs (80%) say their costs have risen since mid-2024. In Accommodation and Food Services, 59 per cent say costs have increased significantly.

Cost of doing business in Australia



32% significantly increased
48% slightly increased
20% no increase

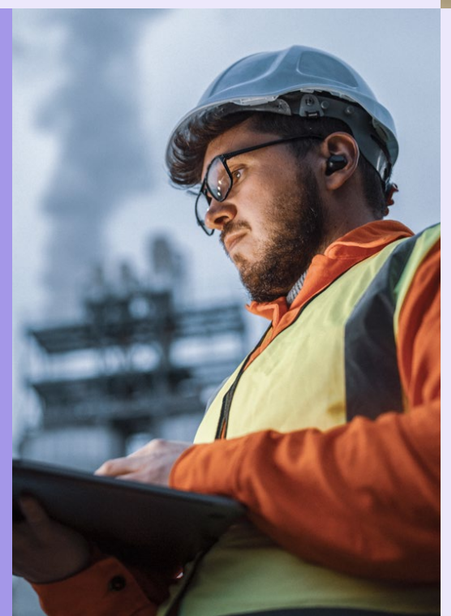


Caught in the middle

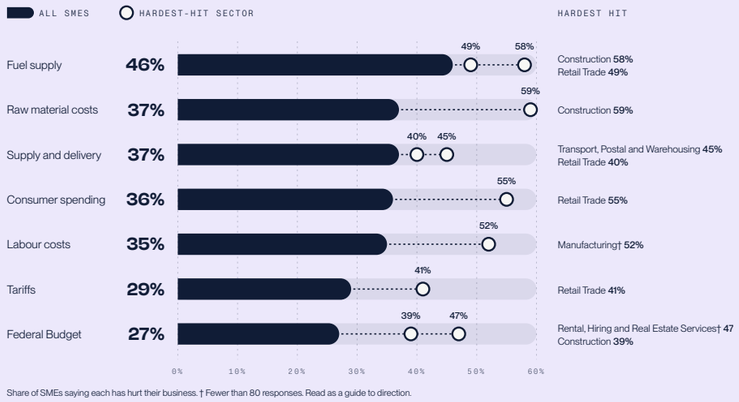
Retail Trade, and Accommodation and Food Services are under pressure on two fronts: costs are rising while customers cut back. In Accommodation and Food Services, 33 per cent now have fewer customers. Retail may be slightly better placed, with one in three (34%) operating from home, compared with 17 per cent in Accommodation and Food Services.

Interest rates

Three interest rate rises in early 2026 took the cash rate to 4.35 per cent. As mortgage holders cut back, household spending fell. Higher rates are one of the most commonly cited cost pressures, averaging 39 per cent across all sectors. This increases to 59 per cent in Accommodation and Food Services.



Pressures on business



Share of SMEs saying each has hurt their business. † Fewer than 80 responses. Read as a guide to direction.

Tariffs

The US baseline tariff on Australian goods, introduced in April 2025 despite our free trade agreement, rose to 12.5 per cent midway through this study. Almost three in ten SMEs (29%) say tariffs have hurt their business.



What to watch

Several pressures landed during or after the study period, including the tariff rise, the end of fuel excise relief, fourth and fifth interest rate rises and a ban on card surcharges. Their full impact may not yet show in these results.

Interest rates	The November rise to 4.85 per cent will put more strain on household budgets and business borrowing.
Payday Super	From 1 July 2026, super must be paid within seven business days of each payday, instead of quarterly, adding pressure to SME cash flow.
Consumer spending	Whether households keep cutting back will largely determine how hospitality and retail fare.
Fuel	With excise relief gone from August 2026, Construction, and Transport, Postal and Warehousing face ongoing cost pressure.
Property	Budget changes to capital gains tax and negative gearing could slow investor activity in Rental, Hiring and Real Estate Services, and Construction.
Card surcharges	Since 1 October 2026, businesses can no longer add a surcharge to eftpos, Mastercard or Visa payments. Lower card fees will soften the impact, but SMEs that relied on surcharges will need to absorb the cost or build it into their prices.

Resilience and business health

How well placed are SMEs to ride out tough times?

Beyond the survey questions, the ASERR study uses two measures to reveal the financial stability of SMEs.

1. **The Business Runway:** their long-term viability
2. **The Business Health Model:** what warning signs are showing now

What is the Business Runway?

Think of a plane on a runway: the longer the runway, the more room to take off or stop safely. The Business Runway* measures how many months an owner can keep the business operational before it runs out of money. The longer the runway, the more resilient the business.

Runways are getting longer

Despite tough conditions, just 15 per cent of SMEs now have less than three months of runway, down from 31 per cent in 2024. Nearly half (47%) can see 10 months or more ahead, up from 28 per cent, when many were still recovering after COVID-19.

A sector of two halves

Interestingly, the Education and Training sector is divided. Almost half (49%) have a runway of 10 months or more. But 20 per cent have less than three months, and 12 per cent are already experiencing cash flow issues. Analysis shows the pressure sits with businesses of 2–19 employees, not sole traders.

75%

ATO DPNs are up 75% in the two years since 2024.

15%

of SMEs have less than three months of runway, down from 31% in 2024.

47%

can keep going for 10 months or more, up from 28% in 2024.

28%

of retailers have less than three months of runway, almost double the ten-sector average (15%).

*The ASERR Business Runway and ASERR Business Health model are proprietary frameworks developed by AVA Advisory. © 2024 AVA Advisory. All rights reserved. No part of these models may be reproduced or used without written permission.

Business health: how far along the runway?

If the Business Runway shows how long a business can last, the Business Health Model shows how far along that runway the business already is. It tracks real financial warning signs, from difficulty securing credit to ATO penalty notices, and can pinpoint issues for a whole sector or a single business. Cash flow problems rarely fix themselves, and extra funding alone won't solve the problem. The earlier you spot warning signs, the easier it is to address the cause.

Developed by AVA Advisory for the ASERR study, the Business Health Model* tracks ten specific signs of financial stress. They range from early warning signs, such as cash flow problems or difficulty accessing credit, to more serious issues. These can include falling behind on rent or receiving an ATO Director Penalty Notice (DPN), which can make directors personally liable for unpaid tax.

What the data shows

Cash flow difficulties remain the most common issue, affecting just over a quarter of SMEs (27%), the same as in 2024. But almost every other warning sign has increased, and fewer businesses are free of issues altogether (38%, down from 44% in 2024).

Rent issues, difficulty accessing credit and overdue tax payments have all climbed. ATO DPNs have nearly doubled.

WARNING SIGN	2024	2026	SECTOR MOST AFFECTED
LEVEL 1: EARLY WARNING SIGNS			
Cash flow difficulties	25%	27%	Rental, Hiring and Real Estate Services (33%)
Difficulty accessing new credit	11%	15%	Accommodation and Food Services (24%)
Personal debt to fund the business	New°	14%	Information, Media and Telecommunications (23%)
Late tax lodgements	13%	14%	Information, Media and Telecommunications (21%)
LEVEL 2: SERIOUS WARNING SIGNS			
Late tax payments	14%	16%	Rental, Hiring and Real Estate Services (20%)
Overdue tax payments	11%	15%	Construction (20%)
Rent issues	9%	15%	Retail Trade (23%) Accommodation and Food Services (22%)
Deferred super or wages	New°	11%	Information, Media and Telecommunications (13%)
Claim against the business	5%	7%	Information, Media and Telecommunications (12%)
ATO DPN	4%	7%	Health Care and Social Assistance (11%)
No issues	44%	38%	Across all sectors

°Measure added in 2026.

Benchmarking in action
Accommodation and Food Services

The Business Health Model doesn't just show the overall picture. It can be used to benchmark any sector, or any individual business against the wider SME market.

In this example, the Accommodation and Food Services sector sits well above average on rent issues, access to credit and late tax lodgements. That pinpoints exactly where pressure is building and where support will make the biggest difference.

WARNING SIGN	2024 AVERAGE	2026 AVERAGE	ACCOMMODATION & FOOD SERVICES
Rent issues	9%	15%	22%
Difficulty accessing new credit	11%	15%	24%
Late tax lodgements	13%	14%	18%
Cash flow difficulties	25%	27%	28%
No issues	44%	38%	34%

23% of businesses in Retail Trade have rent issues, closely followed by Accommodation and Food Services (22%). The ten-sector average is 15%.



Feeling the pressure?

Financial stress can take a toll. If it's affecting you or someone you know, support is available.

Beyond Blue 1300 22 4636
Lifeline 13 11 14

AI adoption
AI moves from experiment to everyday

In just two years, AI has gone from a novelty to a necessary business tool. More than two in three SMEs now use it, and the heaviest users are among the strongest performers.

How SMEs are using AI

Most SMEs are using AI for specific tasks rather than across the business. Content creation is the most common use (47%), but one in five (20%) have already embedded AI more broadly.

MORE ADOPTION ↑

20% INTEGRATED
use AI or automation widely in their business

34% OPERATIONAL
use automation tools, including for rostering

47% APPLIED
use AI tools, including for content creation

13% EXPLORING
use AI only informally, for searches or writing

18% OPTING OUT
say they don't need it

Respondents could choose more than one option.

AI and performance go hand in hand

The two heaviest users of AI and automation are also among the strongest-performing SMEs. Information, Media and Telecommunications (86%) and Transport, Postal and Warehousing (79%) both rank in the top three for turnover and profit growth. AI isn't the only factor, but the link is hard to ignore.

Size matters in hospitality

Accommodation and Food Services has the lowest rate of AI use, at 57 per cent. Among the medium-sized businesses surveyed (20–199 employees), usage was higher, at 75 per cent, though the sample is small. Across the sector, 26 per cent say they don't need AI.

One to watch: Manufacturing has the highest share of informal AI users (28%). Many are experimenting with AI tools like ChatGPT, but not yet building them into the business.

69%

of all SMEs actively use AI or automation in their business.

28%

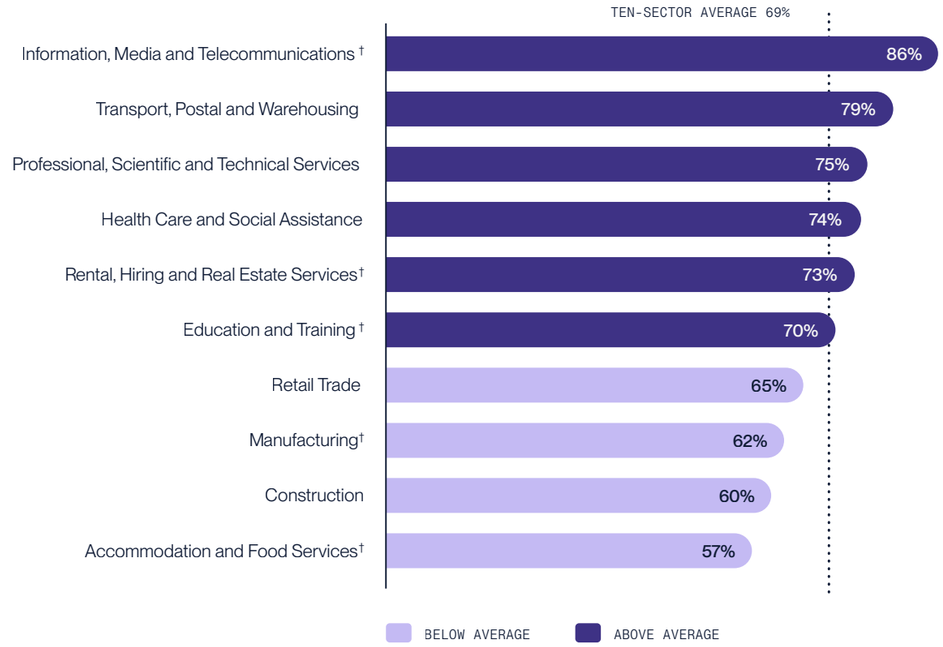
of Manufacturing businesses use AI (informally), the highest of any sector.

26%

of businesses in Accommodation and Food Services say they don't need AI.

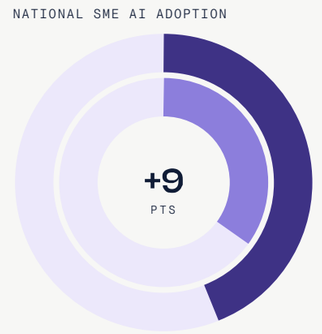
ACTIVELY USING AI OR AUTOMATION

Share of SME owners and managers, by sector



Share of SME owners and managers actively using AI or automation.
† Fewer than 80 responses. Read as a guide to direction.

The bigger picture



Nationally, AI use among SMEs is climbing. The National AI Centre's tracker shows adoption rising from 35 per cent in mid-2024 to 44 per cent in early 2026. More businesses are also moving from one-off use to using AI across their operations. Figures vary depending on how AI use is defined, but every measure is tracking upwards.

The ASERR study shows that 69% of SMEs are actively using AI or automation in 2026, well above the national rate.

What's holding businesses back?

For SMEs not using AI or automation, trust is the biggest hurdle. Almost two in three (65%) don't trust AI to make decisions, and more than half (54%) don't see how it's relevant to the business.[5]

This mirrors the ASERR findings, with one in four Construction (27%) and Accommodation and Food Services (26%) businesses saying they don't need AI.

[3] Fifth Quadrant for the National AI Centre. Australian SMEs: AI adoption trends, 2024. [4] National AI Centre. AI adoption insights: December 2025 to February 2026. [5] Ibid.

Ten sectors, five stories

Every SME has faced the same pressures over the past 12 months: rising fuel costs, higher interest rates and tariffs. But the impact has been anything but even.

These sector stories explore what sets the front-runners apart, where the pressure is greatest and the opportunities still within reach.

In this section

THE FRONT-RUNNERS

↑ Transport, Postal and Warehousing, and Manufacturing

POISED FOR GROWTH

↗ Information, Media and Telecommunications, and Professional, Scientific and Technical Services

HOLDING THEIR PLACE

→ Rental, Hiring and Real Estate Services, and Construction

ONES TO WATCH

↘ Health Care and Social Assistance, and Education and Training

FACING DIFFICULT TIMES

↓ Accommodation and Food Services, and Retail Trade

The scorecard

How the ten sectors compare

The scorecard shows how each sector is performing on four key measures from the 2026 ASERR study.

What's measured

- **Better off than in 2024:** the share of owners and managers who say their business is in a better position now than in 2024.
- **Turnover increasing:** the share reporting higher turnover than 12 months ago.
- **Profit increasing:** the share reporting higher profit than 12 months ago.
- **Actively using AI:** the share using AI or automation tools in their business, beyond occasional use.

At a glance

- Two sectors are above average on all four measures: Transport, Postal and Warehousing, and Information, Media and Telecommunications.
- Manufacturing, Health Care and Social Assistance, and Rental, Hiring and Real Estate Services are above average on three out of four measures.
- Retail Trade, Accommodation and Food Services, and Construction sit below average on every measure.

SECTOR	BETTER OFF THAN IN 2024	TURNOVER INCREASING	PROFIT INCREASING	ACTIVELY USING AI
THE FRONT-RUNNERS				
Transport, Postal and Warehousing	76% ▲	71% ▲	72% ▲	79% ▲
Manufacturing†	76% ▲	59% ▲	61% ▲	62% ▼
POISED FOR GROWTH				
Information, Media and Telecommunications†	72% ▲	49% ▲	59% ▲	86% ▲
Professional, Scientific and Technical Services	60% ▼	39% ▼	47% ▼	75% ▲
HOLDING THEIR PLACE				
Rental, Hiring and Real Estate Services†	64% ▲	48% ▲	48% ▼	73% ▲
Construction	55% ▼	41% ▼	42% ▼	60% ▼
ONES TO WATCH				
Health Care and Social Assistance	69% ▲	42% ▼	52% ▲	74% ▲
Education and Training†	59% ▼	33% ▼	37% ▼	70% ▲
FACING DIFFICULT TIMES				
Accommodation and Food Services†	54% ▼	38% ▼	46% ▼	57% ▼
Retail Trade	49% ▼	39% ▼	41% ▼	65% ▼
TEN-SECTOR AVERAGE	**62%**	**45%**	**49%**	**69%**

Key: ▲ above / ▼ below ten-sector average

† Fewer than 80 responses. Read as a guide to direction (see page 3)

01

The front-runners
Strong, steady and built for tough times

Transport, Postal and Warehousing, and Manufacturing are the top two sectors for both turnover and profit growth. While they span diverse industries and businesses, they share a clear purpose, sound finances and little reliance on consumer spending. Because they make and move the things other businesses need, demand has held up even as households cut back.

Transport leads every sector on profit growth, and Manufacturing isn't far behind, with 61 per cent of businesses reporting higher profit. Both sectors are also more confident than most. Three in four businesses in each (76%) say they are better off than in 2024, well above the ten-sector average of 62 per cent.



85%

in Transport, Postal and Warehousing, and 80% in Manufacturing, rate their trading as good or very good in 2026, versus the ten-sector average of 68%.



61%

of Manufacturing businesses report increased profit, and 59% report increased turnover, between 2024 and 2026.



Transport, Postal and Warehousing

Manufacturing†

BETTER OFF THAN IN 2024

76%

BOTH SECTORS

AVG 62%

RANK FOR TURNOVER AND PROFIT GROWTH

#1 **#2**

OUT OF TEN SECTORS

REPORT NO BUSINESS HEALTH ISSUES

56% **49%**

AVG 38%

Sample: Transport, Postal and Warehousing 96 | Manufacturing 75 †. Average is the ten-sector average. † Fewer than 80 responses.

Why they're ahead

These sectors make and move the things other businesses need. That has largely shielded them from the drop in consumer spending hitting hospitality and retail.

85% in Transport, Postal and Warehousing, and 80% in Manufacturing rate their trading as good or very good (ten-sector average 68%).

Four things set these sectors apart this year: two strengths they share and two unexpected upsides to headwinds.

01 — Essential, not optional

Other businesses rely on what they make and move, so demand has held up even as households cut back.

02 — An upside to fuel disruption

Fuel disruption hurt nearly half of all SMEs (46%), yet almost one in four transport businesses (23%) say it helped them.

03 — Sound finances

With far fewer financial warning signs than other SMEs, both are well placed to absorb shocks and invest when opportunities arise.

04 — An upside to tariffs

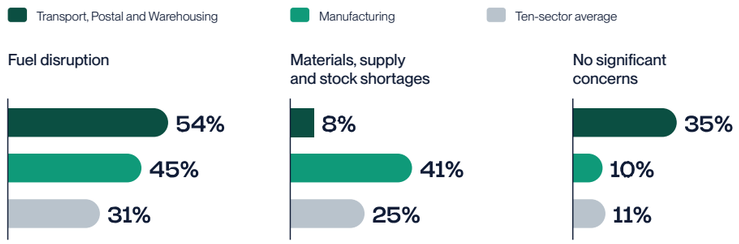
Tariffs hurt 29% of SMEs, but 23% of manufacturers say they gained, possibly by filling gaps left by overseas suppliers.households cut back.

Same results, different pressures

Their results may look alike, but these sectors face very different pressures.

Transport, Postal and Warehousing is most exposed to fuel disruption, with 54 per cent naming it a significant concern (ten-sector average 31%). Manufacturing shares some of that fuel exposure (45%), but stands out on materials, supply and stock shortages, a significant concern for 41 per cent (ten-sector average 25%). And while more than a third of transport businesses (35%) have no significant concerns at all, manufacturers are keeping a closer eye on their supply chains.

Different sectors, same formula: clear purpose, sound finances and little reliance on discretionary spending.



Share of SMEs reporting each concern.

Sector snapshots

Transport, Postal and Warehousing

Setting the pace

This is the standout sector of 2026, with the strongest turnover and profit growth of all ten sectors.

It's also a technology leader, with the highest use of automation tools (51%) and of AI for project planning and quoting (55%) of any sector. Its long runway gives it room to keep investing, with nearly two in five businesses able to continue for a year or more before running out of cash.

Business Runway

Manufacturing

Adapting for growth

Almost one in three manufacturers (32%) rate trading as very good, compared with the 20 per cent ten-sector average, and very few are short on cash.

The opportunity is AI. Turning experimentation into everyday use could help this sector stay ahead.

Business Runway



† Fewer than 80 responses. Read as a guide to direction.

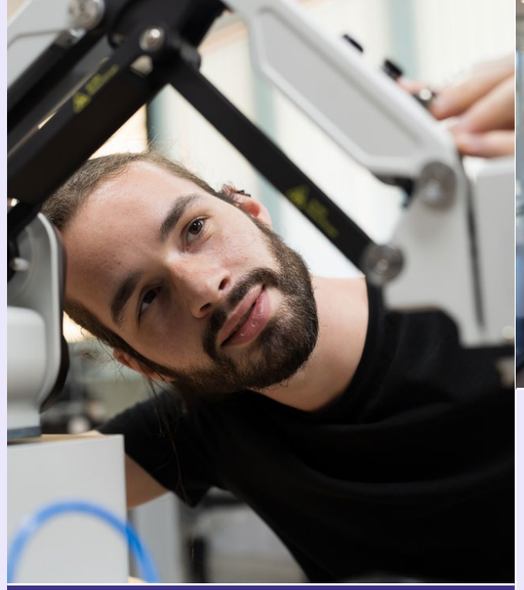


02

Poised for growth
On the cusp of transition

Professional, Scientific and Technical Services, and Information, Media and Telecommunications both trade in knowledge and information, which puts them at the centre of the AI shift. Professional services firms are putting AI to work in their everyday tasks, from research and drafting to analysis. Information, Media and Telecommunications businesses are helping to build the tools, platforms and networks that make that possible.

Both sectors are trading well in 2026, but change this fast has a cost. Businesses must keep investing in new technology and skills just to keep pace. When clients expect AI to make work quicker and cheaper, it gets harder to hold onto the value of expertise. The businesses that come out ahead will be the ones that make AI part of how they work and how they price, rather than treating it as an add-on.





Both sectors are among the strongest adopters of AI. What once took a team of junior staff days, AI can now do in minutes. Few sectors are feeling that change more than these two.



Information, Media and Telecommunications Professional, Scientific and Technical Services

ACTIVELY USE AI

86% 75%

AVG 69%

BETTER OFF THAN IN 2024

72% 60%

AVG 62%

TRADING GOOD OR VERY GOOD

78% 69%

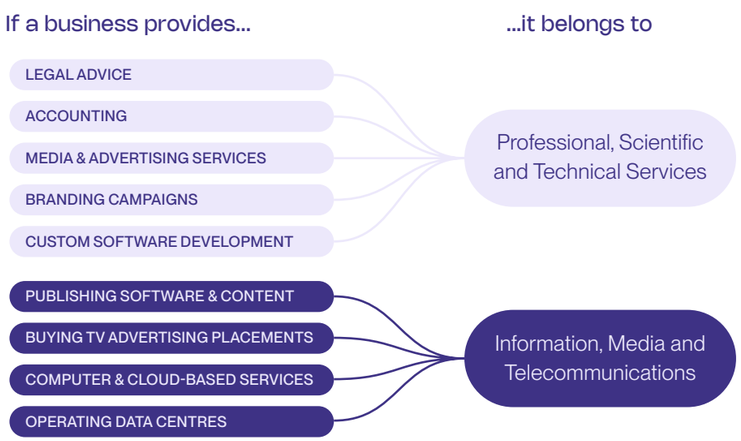
AVG 68%

Sample: Information, Media and Telecommunications 76 † | Professional, Scientific and Technical Services 176. Average is the ten-sector average.

† Australian Bureau of Statistics, Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 (Revision 2.0)

Who's who, and why they belong together

These two sectors are easy to mix up, especially when it comes to IT and media. Businesses in Professional, Scientific and Technical Services sell expertise and knowledge. Businesses in Information, Media and Telecommunications publish, store, process and share information.



See page 3 for the full list of businesses in each sector. Sector definitions are based on the Australian and New Zealand Standard Industrial Classification (ANZSIC).[6]

Two sides of the AI shift

AI is changing how knowledge-based work gets done, and these two sectors are at the centre of the shift, but coming at it from opposite sides.

For Professional, Scientific and Technical Services, the change is in how the work itself is delivered. Preparing for a court case used to mean teams of junior staff working through boxes of documents. Now, AI can review the same material in minutes. Accountants are seeing a similar shift, with AI handling more of the routine processing behind bookkeeping, tax and reporting. Investing in AI is fast becoming essential for this sector, and the reward is a leaner, more profitable way of working.

Information, Media and Telecommunications sits on the other side of that shift. Its businesses build, host and run much of the technology that makes AI possible. The large data centres under construction across Australia are far beyond SME scale, but the software, infrastructure and services that support them create real opportunities for smaller players.

69% 75% 86%

50% TEN-SECTOR AVG HIGHEST OF ALL TEN 100%

Info, Media and Telecommunications † Professional, Scientific and Technical Services

Two sectors, two speeds

Both sectors are trading well, and like almost every other sector, most say their costs have risen (78% in each, close to the 80% average). But look at their financial health and two very different stories emerge.

Professional, Scientific and Technical Services

Steady and secure

This sector is in sound financial shape. Turnover and profit are tracking slightly below average, but its finances are stronger than most. Fewer businesses are short on cash or behind on tax, and fewer than three in ten (27%) have less than six months of runway. That gives the sector a solid base from which to invest in new technology. As AI takes on more routine work, there's real potential to lift margins.

How the sector's finances compare with the ten-sector average:

10%
have less than three months of runway
AVG 15%
5 PTS BELOW AVERAGE

8%
have entered a tax debt repayment plan
AVG 21%
13 PTS BELOW AVERAGE

24%
have had cash flow difficulties
AVG 27%
3 PTS BELOW AVERAGE

Information, Media and Telecommunications

Growing pains

This is one of the better-performing sectors, with 59 per cent reporting higher profit, and it's largely shielded from fuel and tariff pressures (26% even say fuel disruption helped). But moving fast to seize new opportunities is straining its finances. Almost half (45%) say AI and technology disruption has driven up costs, compared with 25 per cent across all sectors. Several warning signs sit well above average, pointing to weaker business health. The priority now is to put its finances on a footing that matches its pace of growth.

How the sector's finances compare with the ten-sector average:

31%
have entered a tax debt repayment plan
AVG 21%
10 PTS ABOVE AVERAGE

24%
name accounting difficulties as a significant concern
AVG 13%
11 PTS ABOVE AVERAGE

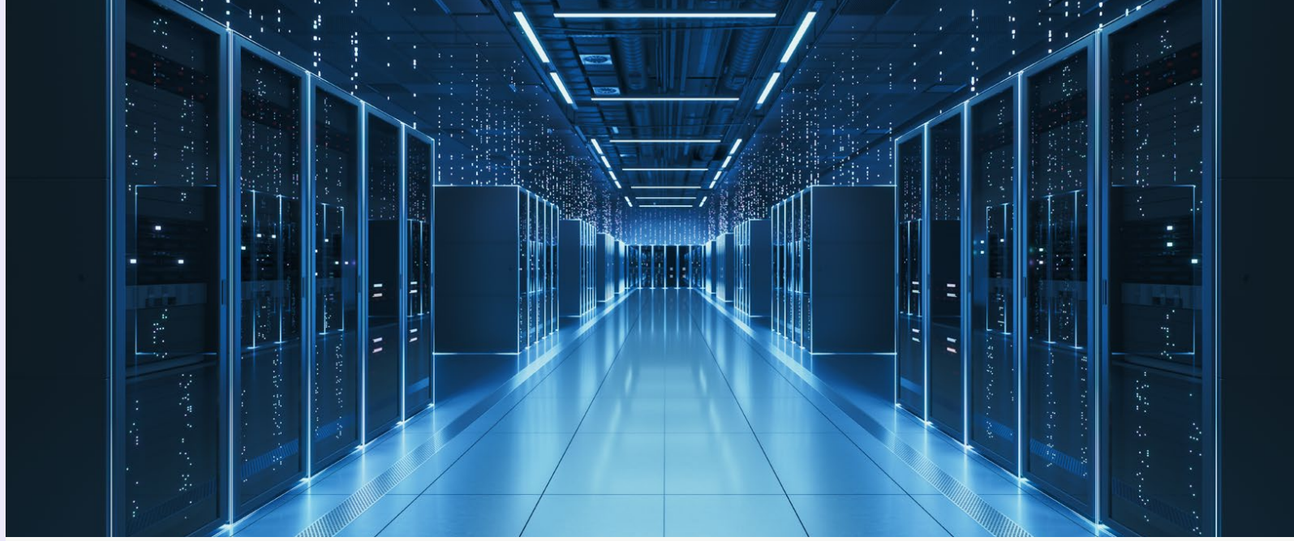
23%
have taken on personal debt to fund the business
AVG 14%
9 PTS ABOVE AVERAGE

The human side of change

Rapid change can take a personal toll. More than half (59%) of owners and managers in Information, Media and Telecommunications say they have considered leaving or closing their business. One in four (25%) say they need a break for health reasons.

Looking after yourself matters as much as looking after the books.

Beyond Blue 1300 22 4636 | Lifeline 13 11 14



From experiment to everyday advantage



The ASERR 2026 findings show the sectors using AI most heavily are among the strongest performers. But is AI driving that success, or are businesses that are already doing well simply better placed to invest in it? Jefferson Bross, principal solution architect, explains.

"Businesses with an established IT function are probably the ones turning AI into a driver of growth. They already have the people, systems and data to build AI into a service or improve what they offer customers."

For businesses without that capability, Jefferson says AI gains are operational.

"AI can help them get the same work done with less manual effort, which brings operating costs down. That improves margins."

AI adoption doesn't depend on IT prowess

"AI-assisted coding and design make it possible to build small services businesses might never have considered before," Jefferson continues. "A business could use these to give customers a better way to submit enquiries or give staff a clearer view of where orders are getting held up. Once the whole team uses it, the business starts to build a capability it can keep improving."

Casual AI use still has value, Jefferson says, but the benefits are limited if employees work in isolation.

"An individual gets better at asking AI for what they need, but if everyone keeps doing the same work in their own chats, what they learn only stays with them."

Keeping pace and planning ahead

For owners in hospitality and construction who say they don't need AI, Jefferson suggests starting with everyday tasks.

"Look at where AI would help you deal with suppliers, identify recurring issues from customer feedback or turn voice notes into job updates and action lists," he says.

"AI can also help owners compare scenarios, such as how much cash runway they'd have if a large invoice came in two weeks late, or what they'd save by changing how often they order stock."

His key advice for those still holding back: "You don't need to be a trailblazer. The risk of waiting is that a faster response or a smoother experience becomes the standard in your industry while your team is still spending hours on work competitors have simplified."

03

Holding their place
Steady ground, shifting foundations

Rental, Hiring and Real Estate Services, and Construction both rely on property, and both have remained resilient through a testing 12 months. Five interest rate rises in 2026, Budget changes to property tax and higher fuel prices have all impacted these sectors. But each feels the pressure differently. For Construction, it's rising costs. For Rental, Hiring and Real Estate Services, it's government policy and red tape.

Demand hasn't stopped. Homes still need to be built, repaired and managed, and both sectors can see work further ahead than most. Construction has had a hard run since the 2021 building boom, when builders locked in fixed-price contracts just before costs and interest rates soared. However, in 2025–26, construction insolvencies fell for the first time in five years, an early sign that conditions are improving.





38%

of construction businesses want help paying tax debt.

53%

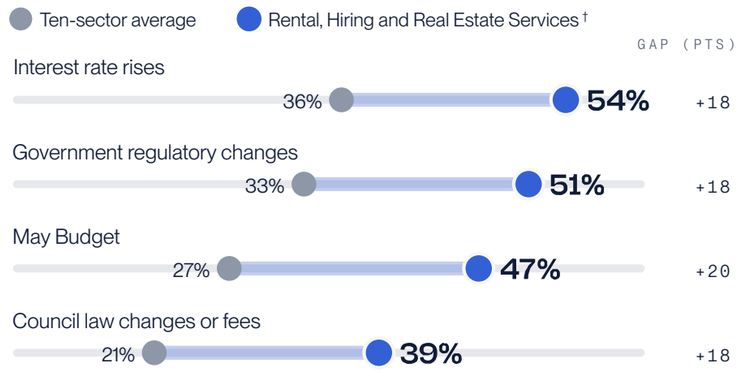
of Rental, Hiring and Real Estate Services businesses have 10 months or more of runway (ten-sector average 47%). Only 8% have less than three months, about half the ten-sector average (15%). Only Transport, Postal and Warehousing, and Manufacturing have longer runways.



Sample: Rental, Hiring and Real Estate Services 53† | Construction 207. Average is the ten-sector average.

Rental, Hiring and Real Estate Services

On every policy measure, this sector feels it more than most



Share saying each has hurt their business. † Fewer than 80 responses.

Steady despite the red tape: a sector held back by policy, not demand

Rental, Hiring and Real Estate Services was improving into 2026. Almost half of businesses (48%) report rising profit, and only 15 per cent report a fall. Close to two in three (64%) say they're better off than in 2024, slightly ahead of the ten-sector average (62%).

Policy is the pressure point

This sector's biggest challenges come from government decisions. Half of businesses (51%) say regulatory changes have hurt them, compared with a third (33%) across all ten sectors.

More than half (54%) feel the impact of the three interest rate rises (before the study period), and almost half (47%) say the May Budget has had a negative effect (ten-sector average 27%). Councils are adding to costs too. Of businesses whose costs have risen, 39 per cent name council law changes or fee increases as a reason (ten-sector average 21%).

Demand doesn't switch off

Higher rates and fuel prices are squeezing mortgage holders and property buyers. But this sector, which includes self-storage rental and hire centres, is less exposed than most. People still need to rent, store and hire, and properties still need repair and maintenance. However, the hire side suffers when construction slows, because builders are among its customers.



Construction

Building through the headwinds: steady work, rising costs and a squeeze on cash

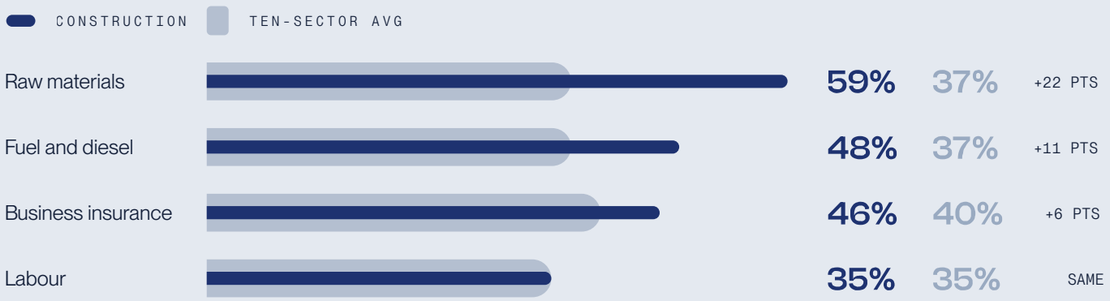
Construction remains steady in mid-2026, despite strong headwinds. Half of businesses (49%) report steady turnover and 44 per cent report steady profit, both above the ten-sector averages (43% and 37%). Growth is slower, but 42 per cent still report rising profit.

Three interest rate rises before the study period, a fourth in September 2026 and a fifth in November 2026, could shift the housing market in the near term. The May Budget's property tax changes sparked a short-term rush in property, which may bring builders extra work. But the longer-term outlook is less certain. Almost four in ten Construction businesses (39%) say the May Budget has hurt them, well above the ten-sector average (27%).

Costs are the pressure point

Construction feels rising costs more than most sectors. Six in ten businesses (59%) say raw material prices have pushed up their costs (ten-sector average 37%), and almost half (48%) point to fuel and diesel (ten-sector average 37%). International tariffs have disrupted supplies, and fuel shortages could continue. Consumers watching their budgets are reluctant to accept price rises, but the sector has a healthy mix of business clients. Only about a quarter (26%) rely mainly on consumers, compared with the ten-sector average of 32 per cent.

Materials and fuel, not wages, are driving costs up



Share of Construction businesses naming each as a driver of rising costs.

Work in sight, cash in short supply

Construction owners and managers can see work coming. Only 13 per cent have less than three months' runway, which is better than the ten-sector average (15%). Cash is where the pressure shows. Three in ten (30%) have had cash flow difficulties (ten-sector average 27%), and more than one in three (35%) are already on a tax debt repayment plan, well above the ten-sector average (21%). Long projects and slow payments mean money can be tied up for months before businesses are paid.

38% of Construction businesses want help paying tax debt. That's twice the rate of Rental, Hiring and Real Estate Services (19%), and well above the ten-sector average (26%).

The two-year wait

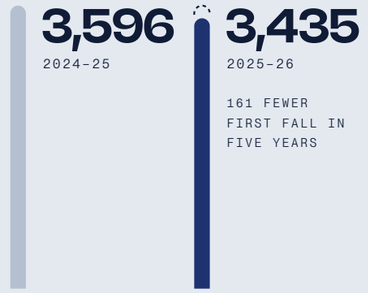
On greenfield housing developments, sewerage, water, electricity and roads have to go in before building can start. That can take up to two years. The demand is there, so projects will go ahead, but builders have to wait for the groundwork to be finished.



Bending, not breaking

Construction was again the hardest-hit industry for company insolvencies in 2025–26, with more than 3,400 businesses entering insolvency (one in four of all company insolvencies). But for the first time in five years, the number fell, down from 3,596 in 2024–25. The sector isn't out of the woods yet, but the businesses left standing are holding their place.[7]

CONSTRUCTION COMPANIES ENTERING EXTERNAL ADMINISTRATION



[7]ASIC insolvency statistics, 2024–25 and 2025–26, as reported by The Good Builder (July 2026) and Accountants Daily.

Side by side

Same market, different pressures

Rental, Hiring and Real Estate Services sits mid-table among the ten on turnover and profit. Construction trails the average on growth, but leads on stability.

MEASURE	CONSTRUCTION	RENTAL, HIRING & REAL ESTATE SERVICES	TEN-SECTOR AVERAGE
Rising turnover	41%	48%	45%
Rising profit	42%	48%	49%
Better off than in 2024	55%	64%	62%
Less than three months' runway	13%	8%	15%
Cash flow difficulties	30%	33%	27%
Want help paying tax debt	38%	19%	26%
On a tax debt repayment plan	35%	21%	21%

Ripples through the market

Since this study was completed, more building companies have run into financial trouble. When builders fail, the effects spread: subcontractors and suppliers go unpaid, lenders get more cautious and finance gets harder to secure for property buyers and the trades that depend on them. This is one issue to watch closely in the year ahead.



Pricing it right in a waiting market

At JK Agency in Woollahra, NSW, Principal and Licensed Real Estate Agent Michael Minogue has watched confidence, not demand, shape the property market this year. With rate rises, conflict overseas and higher fuel prices, many buyers are holding back.



"Buyers with less confidence look for reasons not to buy," he says. "They sit on their hands, then miss the jump when the market goes up.

"We recently had a property sell under the hammer about four per cent below early expectations, but we're seeing drops of 10 to 15 per cent elsewhere."

Clear advice through the changes

The May Budget's changes to capital gains tax and negative gearing have prompted some investors to sell before the new rules apply. But Michael says the impact is less dramatic than many expected.

"People still need somewhere to live, and properties are still selling," he says. "The tax is a cost, and you factor that in. It's not as bad as people think."

Michael's approach is to give clients a clear, balanced view of the market. Red tape adds to the workload, but as rate rises separate owners who want to sell from those who have to, being upfront matters more than ever.

"Vendors are not always going to like what I tell them," he continues. "But if you price a property right, it will sell."

Experience counts

Michael puts his boutique agency's edge down to knowledge and care. He sets the strategy from the start and guides clients through every decision.

"People get looked after," he says. "The focus is always on selling the property."

And now, Michael's passing that experience on to newer agents who haven't worked through a market like this, teaching them to listen, prospect and help buyers and vendors decide with confidence as conditions keep shifting.

"Listen to experienced agents. Things take time now," he says. "It's not where you start, it's where you finish."

04

Ones to watch
Steady on the surface, strain beneath

As essential community services, Health Care and Social Assistance, and Education and Training are largely shielded from the cuts in consumer spending that are hurting other industries. People still need care, support and learning when budgets tighten, so demand in both sectors has held up and the headline numbers look steady.

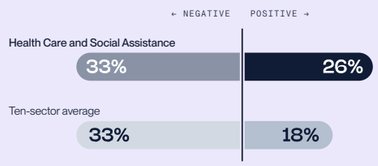
Look a little closer, though, and some pressure points are worth watching. In Health Care and Social Assistance, the strain is falling on the people running the businesses, with owners and managers feeling the weight of the workload. In Education and Training, the concern is cash: one in five businesses has a short runway, leaving them little room to absorb an unexpected cost or a slow month.

30%

of Health Care and Social Assistance owners and managers report burnout or health issues. Across all ten sectors, the figure is 18%.



Impact of government regulatory changes



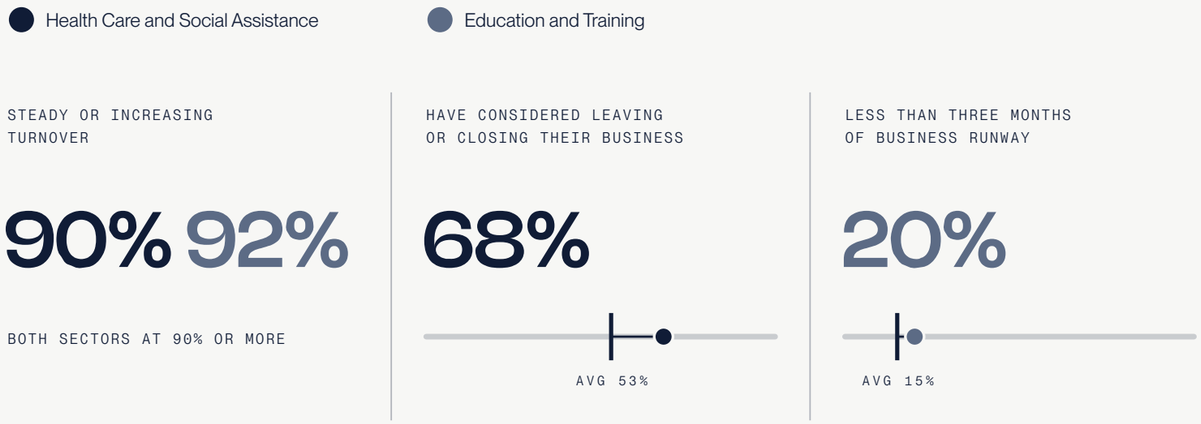
Share of owners and managers rating the impact of government regulatory changes.

48%

Nearly half of businesses in both sectors have mainly consumer clients. The ten-sector average is 32%.

25%

of Health Care and Social Assistance SMEs say NDIS pricing changes are affecting their revenue, a concern almost unique to this sector.

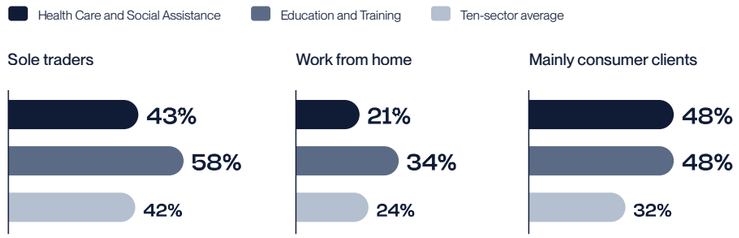


Average is the ten-sector average. Leaving or closing figure is for owners and managers.

Two sectors sheltered from the storm

Health Care and Social Assistance, and Education and Training are made up mostly of small service businesses. Tariffs, fuel prices and supply chains have little direct effect on them.

Education and Training is largely a sector of sole traders (58%) – from tutors and drama teachers to driving instructors and corporate trainers – and many work from home.



Share of businesses in each sector.

Health Care and Social Assistance

Better off than in 2024

The sector has improved since the last ASERR study. Seven in ten (69%) owners and managers say they are better off than in mid-2024 (ten-sector average 62%), and eight in ten (80%) say trading is good or very good. More than half (52%) say profit is increasing (ten-sector average 49%), though 22 per cent say it's falling (ten-sector average 14%).

NDIS changes: a mixed result

The NDIS changes in the May 2026 Federal Budget land on a sector that is already more divided on regulation than most. Asked about government regulatory changes in general, just over a quarter (26%) of Health Care and Social Assistance owners and managers say the impact has been positive (ten-sector average 18%). A third (33%) say it has been negative, matching the ten-sector average (33%).

Cash flow and the human cost

The sector's Business Runway is about average, with 14 per cent having less than three months (ten-sector average 15%). But there are pressure points: 15 per cent have deferred super or wage payments (ten-sector average 11%), 21 per cent have had rent issues (ten-sector average 15%) and 37 per cent want more support to meet payment obligations.

The card surcharge ban (which began after this study was completed) could also add pressure. GP clinics, dental surgeries and allied health providers that added a fee for card payments can no longer pass that cost on to patients.

The bigger story is the people. Almost seven in ten (68%) owners and managers have considered leaving or closing their business (ten-sector average 53%), and a quarter (25%) say they need a change of lifestyle (ten-sector average 16%).

Education and Training

Holding steady

Over the past 12 months, Education and Training has held steady. Six in ten businesses (59%) report steady turnover and half (49%) report steady profit, well above the ten-sector averages (43% and 37%). But fewer are growing, with only 37 per cent reporting rising profit (ten-sector average 49%). Sole traders who coach or tutor have limited room to grow, but many seem content where they are.

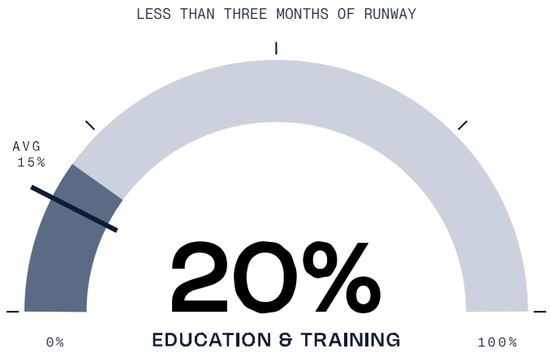
Costs up, concerns down

Costs are the main pressure, and one is unusual. One in three (34%) name cyber security costs or incidents as a reason their costs have gone up (ten-sector average 18%). Business insurance is another (47%, ten-sector average 40%).

Otherwise, owners and managers have fewer worries than most. Almost one in five (19%) have no significant business concerns (ten-sector average 11%), half (51%) report no business health issues (ten-sector average 38%) and six in ten (62%) say global supply problems have had little or no impact (ten-sector average 46%).

Cash flow: an early warning sign

The soft spot is cash. One in five (20%) have less than three months of runway (ten-sector average 15%). With nearly half relying on consumer clients, this could be an early sign that demand is softening.



5 points above the ten-sector average (15%)

Working hard against the wind

Both sectors sit a little outside the forces squeezing other industries, but neither has escaped pressure. Health Care and Social Assistance is doing well on paper while its people are under strain. Education and Training is stable and careful, watching cash flow as consumers cut back on spending.



Raising the bar in disability support

Health Care and Social Assistance owners and managers are more divided on regulation than most. A third (33%) say regulatory changes have hurt their business, while just over a quarter (26%) say they've helped. For registered NDIS provider My Voice, both are true.

"The NDIS has been a dynamic and challenging landscape for business, and no more so than in the last two to four years," says My Voice CEO, Deborah Frith.

An uneven playing field

My Voice has been a registered provider since 2017.

"We take quality and safeguards in care seriously, gradually and progressively improving our delivery standards," says Deb. "In our last two audits, we were fully compliant in every area of service delivery with recognition of our achievements in complex and culturally safe care."

However, registered providers make up fewer than one in ten NDIS providers (4–8%)[8], sharing the market with more than 250,000 unregistered providers[9].

"Unregistered providers aren't accountable to the standards body, and haven't had to employ staff in line with the SCHADS Award," continues Deb. "That creates an undue advantage and an uneven playing field." As competition from this part of the market grows, so do fraud, corruption and negligent practices. For a provider doing things properly, the impact has been significant.

Reform on the horizon

Despite the ongoing strain and an ever-evolving regulatory landscape, Deb says her business gives her a sense of purpose: "Our strength is in our team and the incredible commitment they give to people with disability."

With mandatory regulation, greater accountability and a clearer focus on the people who need support the most, Deb says she sees the latest changes as positive.

"Once the recent reforms are fully implemented, they will give confidence back to the sector," she continues. "It'll sow the seeds for better practices, innovation and investment."

If you or someone you know needs support, contact Beyond Blue on 1300 22 4636 or Lifeline on 13 11 14.

[8] Parliament of Australia, Joint Standing Committee on the National Disability Insurance Scheme, Integrity of the Natuonla Disability Insurance Scheme, Chapter 5: Provider and worker registration and market oversight, 2026. [9] NDIS Quality and Safeguards Commission, NDIS Commission puts unregistered providers on notice, 2026.

05

Facing difficult times
Rising costs, shrinking spend

When households tighten their belts, meals out and entertainment are often the first things to go. The Accommodation and Food Services, and Retail sectors are under pressure from both directions: their own costs are climbing, while their customers are spending less and pushing back on price rises.

In Accommodation and Food Services, interest rates are the biggest driver of rising costs, well above the ten-sector average. Raw materials (53%) and labour (47%) are also significant pressures, while energy (43%) is closer to the ten-sector average of 39 per cent.



59%

of Accommodation and Food Services owners and managers say interest rates are driving up costs (ten-sector average 39%).

17%

of Accommodation and Food Services businesses say they can't make a profitable income.

37%

of Accommodation and Food Services businesses say they are worse off than in mid-2024. The ten-sector average is 20%.



● Accommodation and Food Services* ● Retail Trade

PROFIT IS DECREASING

35%

Accommodation and Food Services

AVG 14%

CUSTOMERS ARE RESISTING PRICE INCREASES

HIGHEST OF ALL TEN SECTORS

55%

Retail Trade

AVG 36%

LESS THAN THREE MONTHS OF BUSINESS RUNWAY

28%

Retail Trade

AVG 15%

Sample: Accommodation and Food Services 50 | Retail Trade 145. * Small sample. Average is the ten-sector average.*

Squeezed from both sides

On the cost side, interest rates, fuel, food and wages are all rising. On the customer side, households are facing the same strain. Interest rates are up and fuel is expensive, so people are cutting back on what they don't need.

Across all ten sectors, Retail Trade, and Accommodation and Food Services are among the weakest for growth in turnover and profit over the past year. They're also the most likely to say they are worse off than in mid-2024.

Accommodation and Food Services

A perfect storm

This sector is feeling the pressure more than any other. Six in ten (59%) owners and managers say the cost of doing business has risen significantly since 2024, almost double the ten-sector average (32%).

Rising fuel prices make it worse. They push up food and delivery costs, leaving customers with less discretionary income.

Profit under pressure

More than a third (35%) say profit is decreasing, two and a half times the ten-sector average (14%), and the highest of any sector. Another 17 per cent say they can't make a profitable income.

And the strain is showing, with two in three (66%) owners and managers thinking about leaving or closing their business in the past 12 months.

From experience to price

On the other side of the counter, customers are pulling back. Almost half (45%) of businesses say customers are resisting price increases, and a third (33%) say there are simply too few customers now.

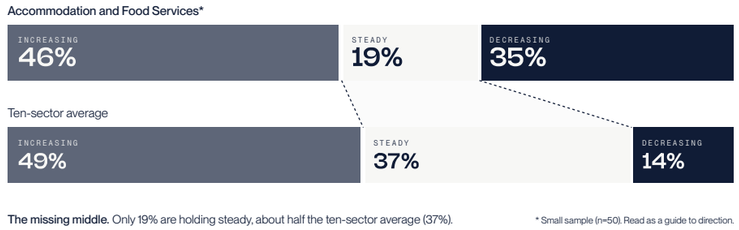
Customers are starting to weigh experience against cost. That leaves businesses in a bind. They need to keep prices competitive while their own costs are also rising.

Cash and credit

Most are managing their books and ATO obligations reasonably well, but there are warning signs.

Almost one in five (19%) have less than three months of runway (ten-sector average 15%), 22 per cent have had rent issues (ten-sector average 15%) and 24 per cent are finding it hard to access new credit (ten-sector average 15%).

2026 profit vs. 12 months ago



The missing middle. Only 19% are holding steady, about half the ten-sector average (37%).

* Small sample (n=50). Read as a guide to direction.

Retail Trade

Customers pushing back

Retail is facing the same headwinds. More than half (55%) of retailers say customers are resisting price increases, the highest of all ten sectors (ten-sector average 36%). Turnover and profit are both below average, and one in five (22%) say profit is decreasing (ten-sector average 14%).

Tariffs and fuel add to the load

Global trade is hitting retailers too. Four in ten (41%) say international tariff changes have had a negative impact (ten-sector average 29%). Fuel and delivery costs (40%) are their biggest concern (ten-sector average 31%), followed by staff costs (33%) and materials and supplies (32%).

Retailers are caught between rising costs they can't control and customers who won't pay more.

Some shelter, but a short runway

Many retailers have found ways to cut costs. A third (34%) work mainly from home, which means they don't pay rent on premises, and 44 per cent use AI tools for tasks such as content creation.

Even so, cash is tight. More than one in four (28%) have less than three months of Business Runway, which is almost double the ten-sector average (15%). Almost a quarter (23%) have had rent issues (ten-sector average 15%).

Bracing for more

With households still under pressure, both sectors could weaken further if discretionary spending keeps falling. The card surcharge ban, which began after this study, adds another cost that's hard to pass on when customers are already resisting price rises. For now, these businesses are holding on by keeping a close eye on costs and finding new ways to deliver value.

LESS THAN THREE MONTHS OF BUSINESS RUNWAY

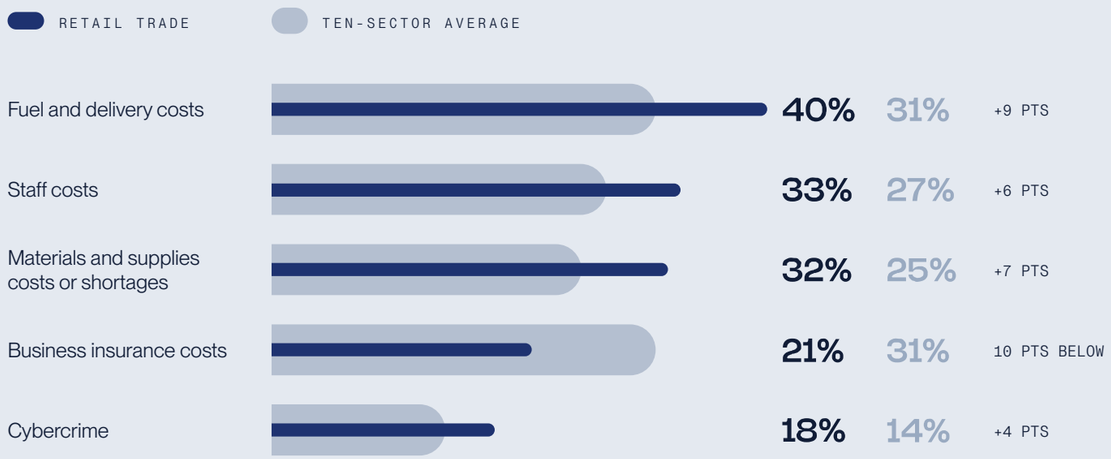


28% Retail Trade
13 PTS ABOVE AVERAGE

19% Accommodation and Food Services*
4 PTS ABOVE AVERAGE

*Outer ring: Retail Trade. Inner ring: Accommodation and Food Services. * Small sample (n=50).*

Retail's top concerns



Share of businesses naming each as a significant concern.

Smaller plates, same welcome



At Bootsdarling in Darlinghurst, NSW, the brunch crowd looks a little different these days. Seeing his customers rein in their spending, owner Tendes decided to work with the shift instead of against it, adding smaller-bite options alongside the cafe's signature items.

"Diners who used to sit down for a full brunch with multiple sides are now opting for simpler orders, or grabbing a quick takeaway coffee and a small pastry instead," he says. "Our menu is now more flexible so customers can still enjoy the cafe experience without feeling like they have to commit to a major expense."

But behind the counter, the pressure is also building.

Doing more with less

"With inflation affecting everything from milk to electricity, we had to take a hard look at our operating efficiencies," Tendes continues.

Optimising staff scheduling and menu preparation to minimise waste, and consolidating deliveries with local suppliers, have all helped bring down freight costs and food spoilage.

Across the Accommodation and Food Services sector, rent is a major cost, and annual CPI rent reviews compound the pressure when revenue is already stretched thin.

"For independent hospitality venues, rigid rent increases create an immense amount of pressure, making it difficult to balance fair staff wages with stable menu pricing," says Tendes.

"What gives me confidence for the year ahead is our resilience," he adds. "Navigating these industry-wide cost pressures has forced us to become smarter, leaner and more adaptable operators."

Community comes first

The cafe's customers are as important to Tendes as good working conditions and great food.

"When people tighten their belts, consistency and community matter more than ever," he says. "We focus heavily on personal connection: knowing our regulars by name, remembering their coffee orders and making sure every single cup we serve is perfect."

For Tendes, the goal is simple. "We want our cafe to be a reliable, welcoming ritual in people's day."

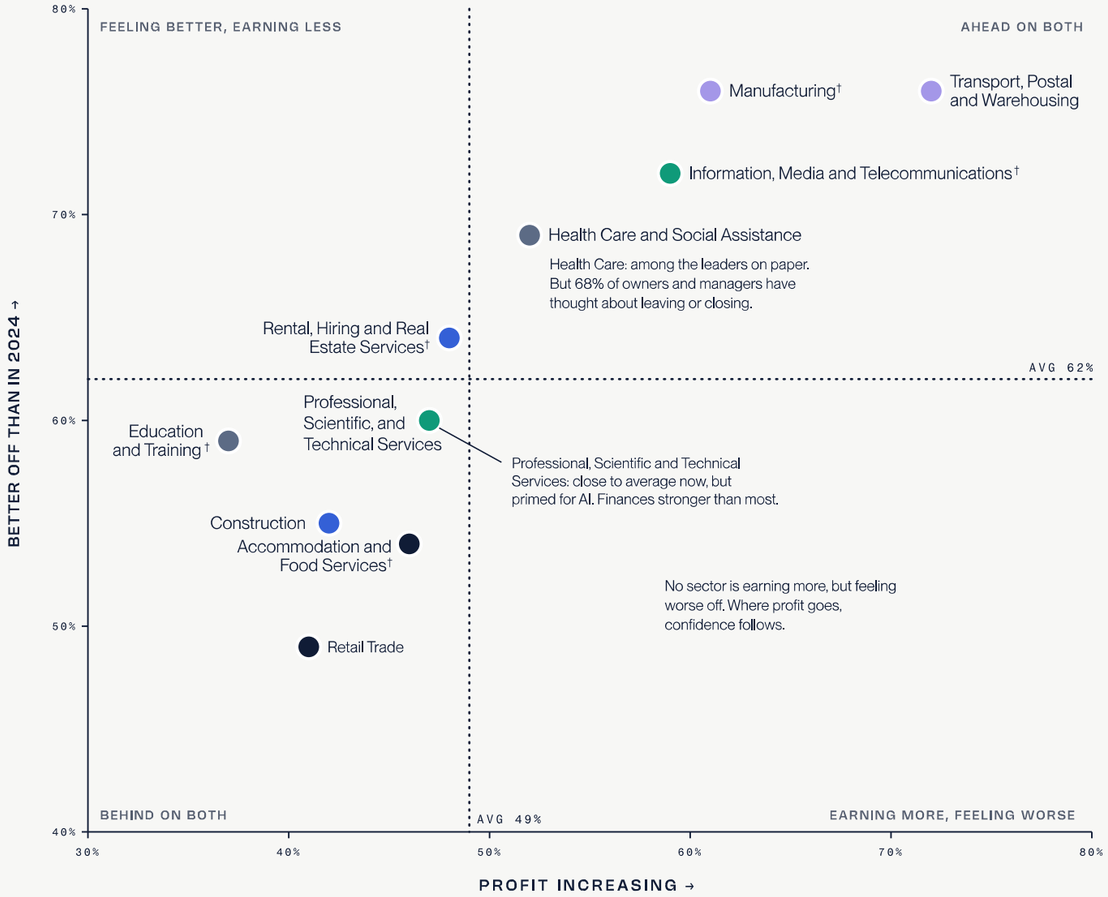
It's also what he loves most about the job. "There's nothing better than seeing the cafe filled with the buzz of happy customers, familiar faces and a passionate team."

Those familiar faces are why he's confident the cafe is well positioned to thrive as economic conditions stabilise. "Providing exceptional value through quality and warm hospitality is what keeps our community loyal, even when times are tough."

If you or someone you know needs support, contact Beyond Blue on 1300 22 4636 or Lifeline on 13 11 14.

The big picture
Ten sectors at a glance

Every sector has its own story. Here's how they compare: where each sector stands, what's working and what to watch.



Axes start at 30% and 40% to show the differences between sectors.

Rising costs are the most common pressure for businesses, but not the only one. Policy, customers and the pace of change weigh just as heavily on some sectors. Figures in brackets are ten-sector averages. † Fewer than 80 responses. Read as a guide to direction (see page 1).

Strengths, strains and what to watch

Key: ▲ Strength ● Biggest strain ▼ Watch
Strain tags: costs, customers, policy, change

POISED FOR GROWTH

Information, Media and Telecommunications†

Fast growth, stretched finances

- ▲ 78% rate trading good or very good (68%)
- ● **45% say AI and technology have pushed up costs (25%) [Costs]**
- ▼ 59% have considered leaving or closing (53%)

Professional, Scientific and Technical Services

Secure and ready to invest

- ▲ Only 8% are on a tax debt repayment plan (21%)
- ● **AI is changing how the work gets done [Change]**
- ▼ Turning strong finances into AI investment

HOLDING THEIR PLACE

Rental, Hiring and Real Estate Services†

Steady despite the red tape

- ▲ 53% have 10 months or more of runway (47%)
- ● **51% say regulatory changes have hurt them (33%) [Policy]**
- ▼ Budget changes to capital gains tax and negative gearing

Construction

Ongoing work, tight on cash

- ▲ 49% report steady turnover (43%)
- ● **59% say raw material prices have pushed up costs (37%) [Costs]**
- ▼ 35% are on a tax debt repayment plan (21%)

ONES TO WATCH

Health Care and Social Assistance

Strong on paper, strained people

- ▲ 80% rate trading good or very good (68%)
- ● **25% say NDIS pricing changes are affecting revenue (3%) [Policy]**
- ▼ 30% report burnout or health issues (18%)

Education and Training†

Stable, but watching cash

- ▲ 51% report no business health issues (38%)
- ● **34% say cyber security has pushed up costs (18%) [Costs]**
- ▼ 20% have less than three months of runway (15%)

THE FRONT-RUNNERS

Transport, Postal and Warehousing

The standout of 2026

- ▲ 85% rate trading good or very good (68%)
- ● **54% name fuel disruption as a significant concern (31%) [Costs]**
- ▼ Fuel costs now that excise relief has ended

Manufacturing†

Made here, in demand

- ▲ 32% rate trading very good (20%)
- ● **41% name materials and supply as a significant concern (25%) [Costs]**
- ▼ Turning informal AI use into everyday use

FACING DIFFICULT TIMES

Accommodation and Food Services†

Under the most pressure

- ▲ 46% still report rising profit (49%)
- ● **59% say costs have risen significantly (32%) [Costs]**
- ▼ 66% have considered leaving or closing (53%)

Retail Trade

Customers pushing back

- ▲ 34% work mainly from home, avoiding rent (24%)
- ● **55% say customers are resisting price rises (36%) [Customers]**
- ▼ 28% have less than three months of runway (15%)

Conclusion
Building resilience from here

The 2026 ASERR study shows how far Australian SMEs have come in two years. Most are trading with more confidence, earning more and carrying bigger cash buffers than they were in 2024. That's no small achievement after a year and a half of rising costs, global disruption and higher interest rates.

But resilience isn't fixed. Financial warning signs are creeping up, and several headwinds arrived during or after the study: fourth and fifth rate rises, the end of fuel excise relief, Payday Super and the card surcharge ban. The next 12 months will test how deep the recovery really runs.

Long-term stability is built in the good times, not the hard ones. Many SMEs have stronger foundations now than they did two years ago, and this is the moment to make them last: know your numbers, act on the early signs and ask for help before the situation becomes urgent.

The 2027 ASERR study will show which businesses used this window well. Until then, AVA Advisory will continue to help business owners make decisions today that support long-term business health.



Supporting long-term stability

For owners and managers	Know your runway, watch for early warning signs and plan for cash flow changes such as Payday Super.
For advisors	Start conversations early, before warning signs become a crisis and options become more limited.
For policymakers	Target support where pressure is greatest, including consumer-facing businesses and those carrying tax debt.

Standout themes

Who your customers are matters.	The businesses doing best rely least on household spending. Those that depend on households feel every rate rise and every jump in fuel prices.
Early signs are the ones to act on.	Cash flow pressure, late tax payments and rent issues rarely resolve on their own. The sooner they're spotted, the more options a business has.
People are the real runway.	A business can only keep going as long as the person running it can. With so many owners and managers thinking about walking away, wellbeing is a business issue, not just a personal one.

MEDIA

Enquiries

Hannah Issa
Head of Creative, AVA Advisory
h.issa@avaadvisory.com.au

Amelia Beale
Senior Account Manager, Honner / Finn Partners
amelia.beale@finnpartners.com

Citation

AVA Advisory (2026), The Australian Small and Medium Enterprise Resilience Radar (ASERR) Report 2026, Sydney.

AVA Advisory Group Pty Ltd | ACN 672 192 228
AFCA member 103087 | Australian Credit Licence 554289
avaadvisory.com.au

Disclaimer The information in this report is general in nature and does not constitute financial, legal or professional advice. It has been prepared without taking into account the objectives, financial situation or needs of any individual or business. Readers should seek independent professional advice before acting on any information in this report. While every effort has been made to ensure the accuracy of the information in this report at the time of publication, AVA Advisory makes no representation or warranty as to its accuracy, completeness or currency and accepts no liability for any loss arising from reliance on it.

Copyright © AVA Advisory 2026. All rights reserved. The ASERR National SME Study data and findings are the property of AVA Advisory. No part of this report may be reproduced without prior written permission, except for brief extracts used for media, research or educational purposes with appropriate attribution.