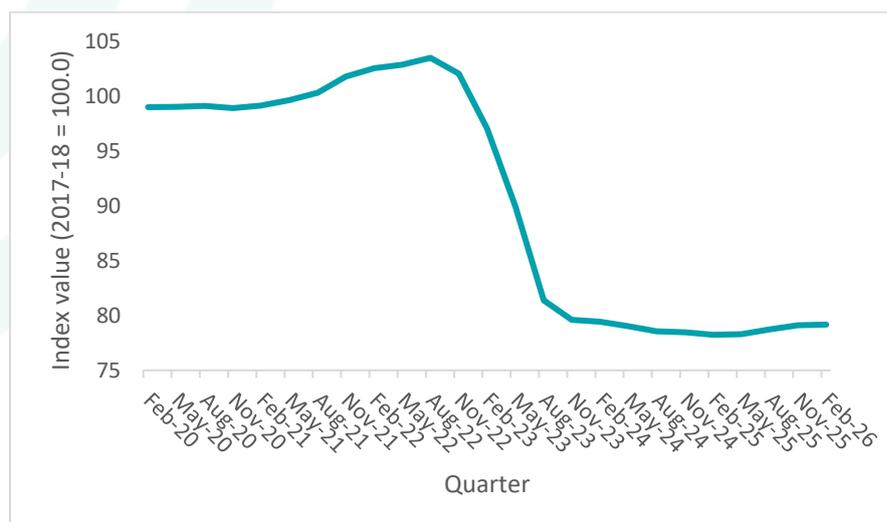


Resilience, realism and resolve shape the small business outlook

Key highlights: ASBFEO Small Business Pulse February 2026

- The ASBFEO Small Business Pulse increased by 0.1% in the three months to February 2026, marking the fourth consecutive quarterly increase, and is 1.2% higher than the same time last year.
- Small business owners are actively exploring growth and transformation opportunities, with strong interest in expanding offerings, improving customer reach, and considering new markets. Research into technology and artificial intelligence remains elevated, alongside demand for practical, hands-on support to turn ambition into action.
- Operating conditions remain demanding, with margin pressure, high business costs and regulatory complexity shaping cautious decision-making. Enquiries show sustained demand for tailored, practical, and in-person assistance, particularly on employing staff, contracts, compliance, and risk.
- Despite headwinds, small business owners continue to adapt and persist across the full business life cycle, from starting businesses through to succession, buying and selling, restructuring, and, for a growing cohort, seeking early guidance on financial stress and obligations.

ASBFEO Small Business Pulse

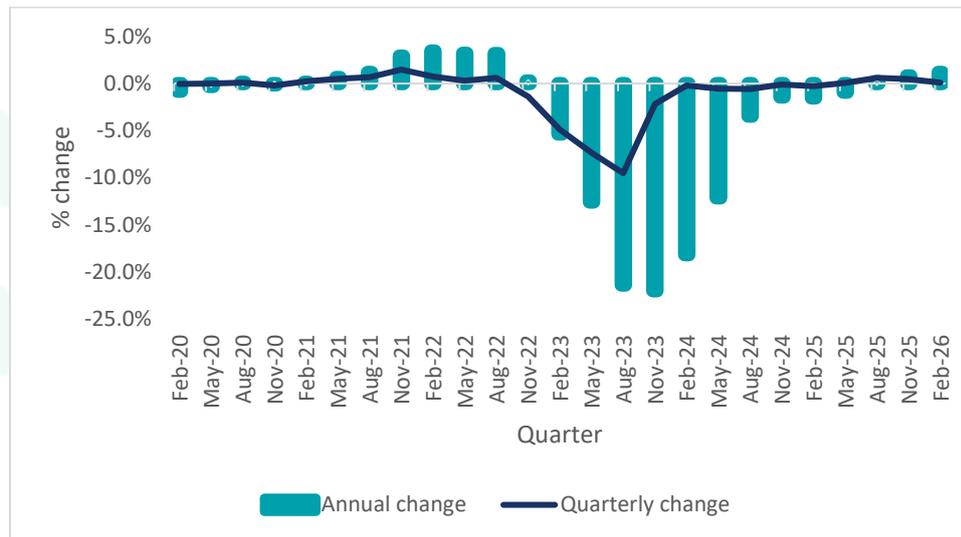


Note: Scale starts at 75.0.

Source: ASBFEO, 2026.

Note: The ASBFEO Small Business Pulse did not reflect a COVID-related fall in 2020 as government support measures outweighed other economic impacts. As economic activity, including insolvencies, have returned to trend levels, the Pulse has reflected these shifts.

ASBFEO Small Business Pulse movements



Source: ASBFEO, 2026.

Spotlight on recent movements



Note: Scale starts at 77.6.

Source: ASBFEO, 2026.

The ASBFEO Small Business Pulse increased by 0.1% in the three months to February 2026, marking the fourth consecutive quarterly increase. It increased 1.2% compared to the same time last year.

The Australian Small Business and Family Enterprise Ombudsman, Bruce Billson, said this modest rise reflects self-initiated ambitions of enterprising women and men, as small business owners continue to adapt, prioritise and make deliberate choices to create their own opportunities.



“It’s not a large uplift but it is a sign that small business owners are making progress through their own decisions and effort. Small business owners continue to show strong intent to build and transform – exploring new products, new customer segments, and additional income streams. There is strong interest in improving reach through marketing and advertising, particularly online and social media, alongside sustained interest in harnessing technology and artificial intelligence to increase productivity and unlock new waves of growth,” Mr Billson said.

“While appetite for opportunities remains high, many small business owners are grappling with how to turn ambition into action. There is enthusiasm to invest and innovate, but also bewilderment about how to operationalise these ideas. Requests reflect a clear need for side-by-side, practical guidance on deployment and best-of-breed digital tools – particularly in industries such as construction, where margins are tight and the cost of getting it wrong is high.

“Demand for tailored, practical assistance remains elevated. Enquiries increasingly seek customised support, including business coaching and mentoring, rather than general information¹. Nearly half of small business owners report that an in-person meeting is the most effective way to receive information on business management. This reflects a strong desire to get things right – not just to comply, but to build confidence in decision-making²,” Mr Billson said.

The Small Business Pulse is a health check of objective vital signs for small business while also taking into account the ‘animal spirits’ that drive decision-making.

“Research into innovation and growth sits alongside caution about cost pressures and ongoing margin squeeze. Concerns about business durability exist at the same time as strong growth ambitions and a desire to improve profitability. In industries reliant on discretionary spending – such as retail and hospitality – and those exposed to weather variability, survival is prompting research into diversification and broader customer bases³. At the same time, the trading environment has become less forgiving.

Inefficiencies and missteps are more punishing than they once were. That reality can constrain productivity and growth, because innovation often requires both investment and risk. Small business owners are acutely aware of this and are seeking ways to minimise risk through avenues such as intellectual property protection, joint finance for innovation and careful scaling, particularly in manufacturing⁴,” Mr Billson said.

“Regulatory complexity remains a persistent concern. Small business owners are actively searching for clarity on what’s expected of them at a time of changing and elevated demands. This includes new and upcoming changes to seafood labelling in the hospitality industry and country of origin labelling requirements, branded text messages requirements and import obligations.

“Navigating government information remains difficult, with many small business owners finding the information confusing and difficult to apply to individual circumstances. Differences in state-

¹ Department of Industry, Science and Resources Contact Centre Operational Data (December 2025 – January 2026).

² ASBFEO, 2022. This survey was in the field in June 2022, with 1040 respondents.

³ Department of Industry, Science and Resources Contact Centre Operational Data (June 2025 – January 2026).

⁴ At 31 December 2025. Based on Reserve Bank of Australia, Statistical Tables, Table D14: Lending to Business – Business Finance Outstanding by Business Size and Interest Rate Type. Accessed 19 February 2026.



based licensing regimes, payroll tax obligations and cross-border employment arrangements are especially difficult to navigate⁵.

“Enquiries about pausing, closing, and selling businesses are elevated, particularly from seasoned business operators. These enquiries are particularly prevalent from industries that rely on discretionary spending such as hospitality, retail and arts and recreation. Queries about transferring businesses to family members also remain elevated⁶. There has also been a slight uptick in small businesses experiencing financial stress seeking early guidance, and a growing cohort showing signs of more advanced distress, including increased enquiries about insolvency pathways and business closure from businesses seeking clarity on obligations and next steps.

“Across all stages of the business life cycle, the call is consistent: practical help matters. Many enquiries are not about strategy; they are about the business of running the business under pressure – and doing so without a compliance misstep. Contracts and invoicing remain key areas of enquiry, particularly arrangements for contractors and subcontractors. Employers with limited experience engaging staff are seeking clarity around employment obligations⁷. Uncertainty around obligations and costs can slow decision-making and constrain growth. Small business owners consistently want to ‘do the right thing’. Enquiries consistently seek best-practice guidance that is practical, proportionate, and tailored to real-world operations – because the consequences of getting it wrong can be severe.

“Despite these pressures, many small businesses continue to see starting a business as worthwhile – even when it is hard. The perpetual optimism of enterprising women and men continues to power the economy. Around seven in ten self-employed Australians believe this is a good place to start a business, citing opportunity, community support, and confidence in Australia’s legal system. However, many acknowledge that it is getting harder, particularly due to regulatory complexity and cash flow pressures⁸.

“The message from small business owners is consistent. Enterprising women and men are ambitious and prepared to adapt – but practical support is required: clear information, workable tools and guidance that can be applied to an individual business, not a textbook example.

The Pulse shows that progress is being built the way small businesses build most things – step by step, through effort, judgement, and persistence. When we reduce unnecessary friction and it becomes easier to do the right thing, enterprising Australians don’t just cope: they create, employ, serve their communities and find a way forward.

Small business owners show practical resolve, not performative optimism. That effort continues to keep the economy moving,” Mr Billson said.

MEDIA CONTACT: 0448 467 178 / www.asbfeo.gov.au

⁵ Department of Industry, Science and Resources Contact Centre Operational Data (December 2025).

⁶ Where age of business could be identified. Department of Industry, Science and Resources Contact Centre Operational Data (December 2025 – January 2026) and ASBFEO, 2026.

⁷ Where age of business could be identified. Department of Industry, Science and Resources Contact Centre Operational Data (December 2025 – January 2026).

⁸ Australian Survey of Social Attitudes 2024 Waves 1,2,3, 4 and 5, Version 3, Accessed 27 November 2025.



Methodology

The ASBFEO Small Business Pulse is a health check of objective vital signs for small business while also taking into account the ‘animal spirits’ that drive decision-making by the enterprising Australians.

The Small Business Pulse is a world-leading combination of non-traditional and traditional data to produce an indicator of small business health. There is growing research on the value of harvesting alternative data such as internet searches to complement traditional sources of information such as official statistics. These alternative sources can provide the early indicators of changes in the environment and ambition when combined with traditional data and interpreted with subject matter expertise. This is particularly important when conditions are changing rapidly, which traditional sources of information and point-in-time surveys often miss.

The Pulse was constructed in line with the OECD Handbook on Constructing Composite Indicators. This aimed to develop a simple model that has flexibility to adjust to changing conditions and new datasets as they become available while maintaining a reliable time series. The ASBFEO Small Business Pulse is a composite indicator divided into three branches:

Sentiment: the human emotions and instincts that drive behaviour. This includes people considering starting a business, existing business owners considering closing their business and existing sentiment survey measures.

Business transformation: measuring variables such as queries about engaging staff, innovation, coaching and mentoring, marketing, advertising, capital investment, and funding.

Business operation: The business of running a business such as complying with regulations, business entries and exits (including insolvencies), demand, economic performance, business costs, levels of debt and general economic conditions including disputes.

Variables are normalised prior to aggregation because they have different measurement units. The Pulse assigns each variable to one of these three branches and weights them to calculate a branch score. Some variables such as funding could sit in multiple branches but have been assigned to a single branch based on ASBFEO analysis of small business queries. Each branch has equal weight in the overall index. The branch weights reflect conceptual expectations and small business contribution to macroeconomic indicators. For example, staffing variables such as the underutilisation rate (a measure of spare capacity in the labour market) has a reduced weight as over 60% of small businesses do not have additional employees. Variables such as non-performing loans which suggest a deterioration in the business environment are multiplied by -1.

This approach provides flexibility to adjust for the changing data environment. ASBFEO splices in new datasets as they become available. This involves calculating the movement excluding the new data, then adjusting this for the new data.