

myob

MYOB Bi-Annual Business Monitor

January 2025



Foreword

Australian small and medium sized enterprises (SMEs) perform much of the heavy lifting for the local economy. Together these segments account for more than half of the nation's GDP and contribute over \$500 billion to the economy, while providing almost 70% of local employment.

SMEs bring a unique dynamism to our commercial sector, vital support to our communities – especially in smaller regional and rural areas – and greater choice to Australian consumers. There's no one-size-fits-all description of the great Aussie SME, but as a group, they represent many of the things that are best about our country.

Fortunately, one of the best descriptors of local SMEs is resilient. And without a doubt, the last half decade has been challenging for many businesses across Australia.

These trials – and the resilience SMEs maintain in the face of them – can be seen in the latest MYOB Bi-Annual Business Monitor. While the economic environment has been constrained, Australian business owners continue to rise to the challenge, thriving on their agility and creativity. Local SMEs are working hard to achieve growth, maintain efficiency and continue to provide rewarding employment opportunities in their communities.

There are green shoots on display in the data. While still at lower levels, economic optimism is slightly up, and profitability is marked as an area of possible improvement for 2025. SMEs are particularly hopeful for an interest rate cut early in the year, to reduce some pressure.

Businesses are also working hard in key areas to improve their own performance, such as digitisation. Local SMEs are adopting online tools and solutions at a steady rate, with over a fifth ramping up their digital tools implementation in 2025. This can lead to tangible benefits, from increased productivity and efficiency to better decision making and improved customer relationships.

But there's more that can be done in this space. As this report reveals, 39% of SMEs do not have a presence online. Assistance from government in the shape of incentives to adapt systems and processes to incorporate new technologies, along with a greater focus on education and support from sector and industry leaders, will assist small business owners and operators in realising the financial and productivity benefits of digitalisation.

Given the environment over the last half decade, 2025 will no doubt continue to challenge local business owners. However, we're also hoping to see an environment that values the contribution of local SME owners, celebrates their successes and reduces the barriers and costs of growth.

Because when the Australian SME succeeds, we all succeed as an economy, a community, and a nation.

Dean Chadwick
Chief Customer Officer, MYOB



The Economy

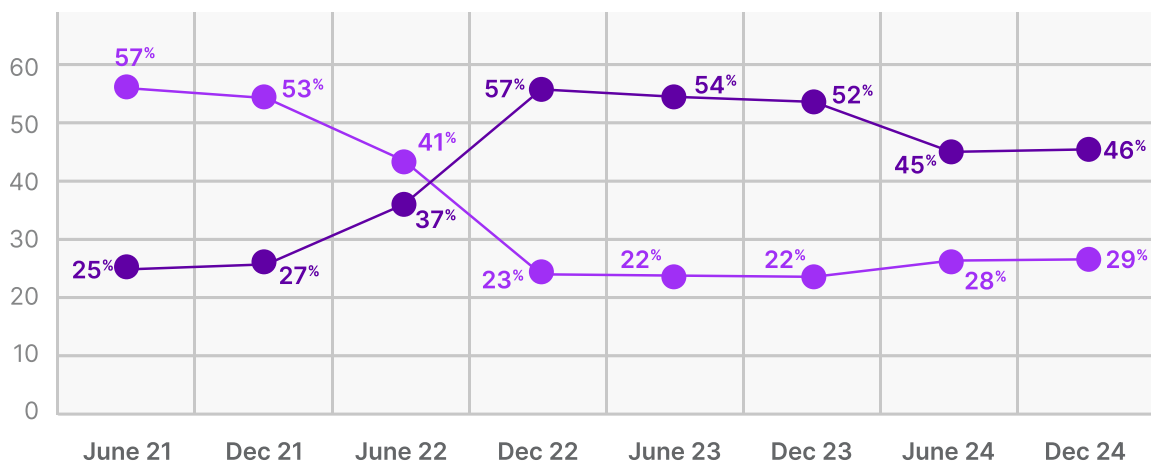
After a lift in optimism in mid-2024, the latest MYOB Bi-Annual Business Monitor suggests SME owners and operators have fairly conservative expectations for the economy in 2025. Twenty-nine per cent of respondents expect to see the economy improve in the coming 12 months, compared to 28% in June 2024 and 22% in December 2023. Though that positive sentiment is outweighed by those expecting economic conditions to tighten over the next 12 months, with almost half (46%) of respondents saying they expect the economy to decline.

Positive sentiment bounced back strongly in the post-COVID recovery period, reaching a high in June 2021 with 57% of respondents expecting the economy to improve. However, over the last two years the proportion of survey respondents who believed the economy would decline has outweighed those expecting improvement as inflation has increased.

That negativity may stem from a lower level of economic improvement businesses had hoped to see as the economy bounced back from the impacts of the pandemic. While over a third (35%) of respondents believe the current economic climate is better than when they were operating in COVID, a higher proportion (38%) say it is about the same, and 20% felt things were better during COVID.



Expectations for the economy in the next 12 months



● Improve ● Decline

The Economy

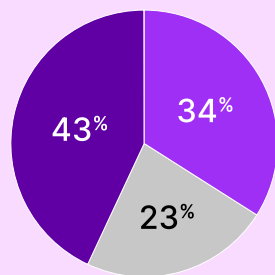
By industry

Across the industries, after a challenging few years, retail and hospitality is leading with optimistic expectations of economic growth, with 34% of businesses believing the economy will improve in 2025. Despite an improvement in sentiment, 43% anticipate the economy will decline in the coming 12 months.

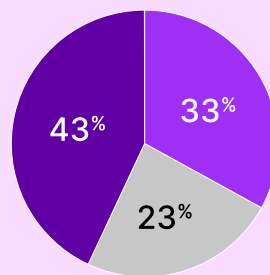
Those in the agribusiness sector remain the least optimistic about prospects for an improvement in economic activity in 2025. Sixty-five per cent of respondents in the industry believe the economy will decline in the next 12 months, down further from 59% in June 2024, while just 13% believe economic conditions will improve.

Expectations for the economy in the next 12 months

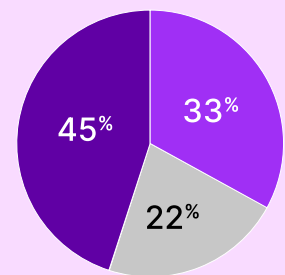
- Improve
- Decline
- Same



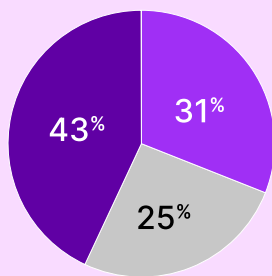
Retail & hospitality



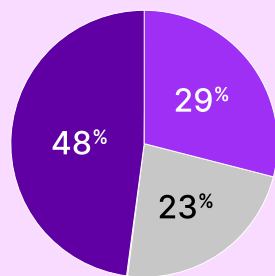
Business, professional and property services



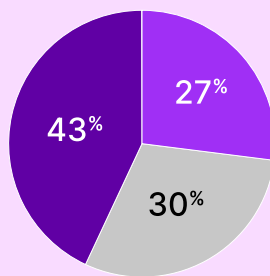
Transport & storage



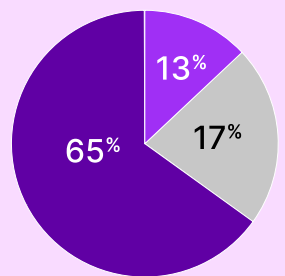
Construction & trades



Finance & insurance



Manufacturing & wholesale



Agribusiness

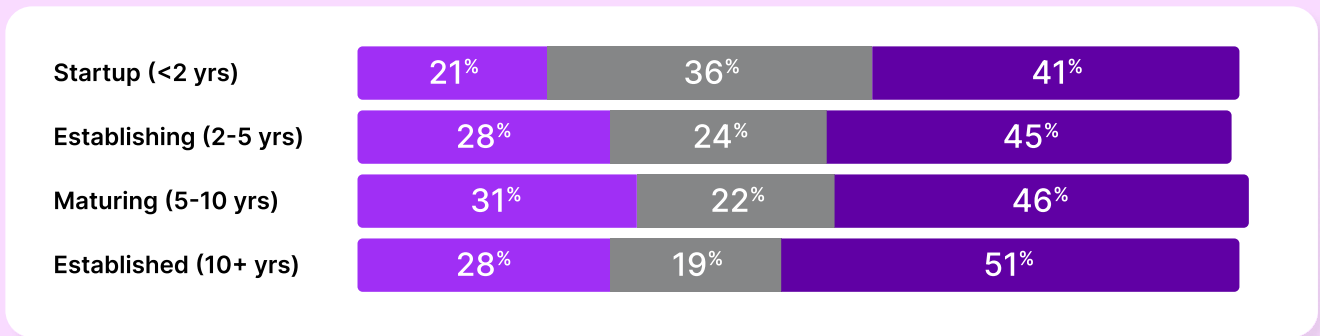
The Economy

By age of business

In a change to the trend seen in previous MYOB Bi-Annual Business Monitors, confidence amongst the start-up sector has fallen in the current survey. Twenty-one per cent of start-ups (<2 years in operation) and 28% of establishing businesses (2-5 years) expect the economy to improve over the next 12 months. That's in contrast to the June 2024 Business Monitor, when 31% of start-ups and

35% of establishing businesses expected to see an uplift in the economy.

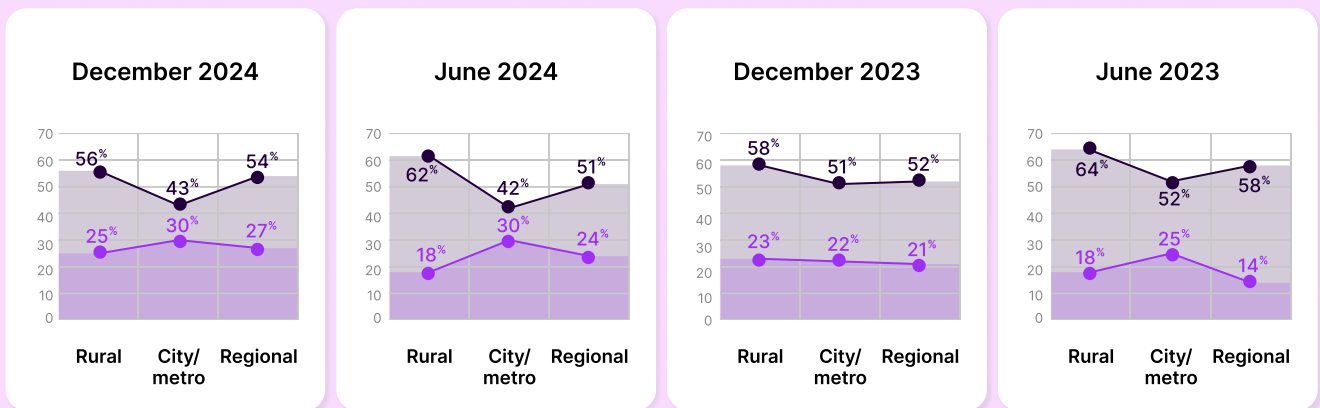
Despite this, newer businesses remain more optimistic than more mature businesses that the economic climate will remain steady. Forty-six per cent of maturing businesses (5-10 years) and 51% of established businesses (10+ years) expect the economy to decline.



● Improve ● Same ● Decline

By region

Despite lower levels of confidence among agribusinesses, businesses in rural areas are more positive in the latest survey, with those anticipating improvement up from 18% in June 2024 to 25% in this latest survey. Regionally based businesses have also seen a slight increase in confidence, up to 27% from 24% in June 24, while optimism among businesses in metro areas has remained static on 30%.



● Improve ● Decline

Revenue

Across 2024, revenue trends remained consistent. Twenty-two per cent of respondents reported their revenue was up, in both the June and December 2024 surveys. This follows a drop from 26% of SMEs reporting a revenue improvement in 2023. Forty-four per cent of SMEs in the latest survey said their revenue was the same (compared to 43% in June).

For those businesses which reported a lift in revenue in the latest MYOB Business Monitor, 20% put their improved performance down to an increase in consumer demand, while 12% say developing better relationships with customers contributed to revenue growth.

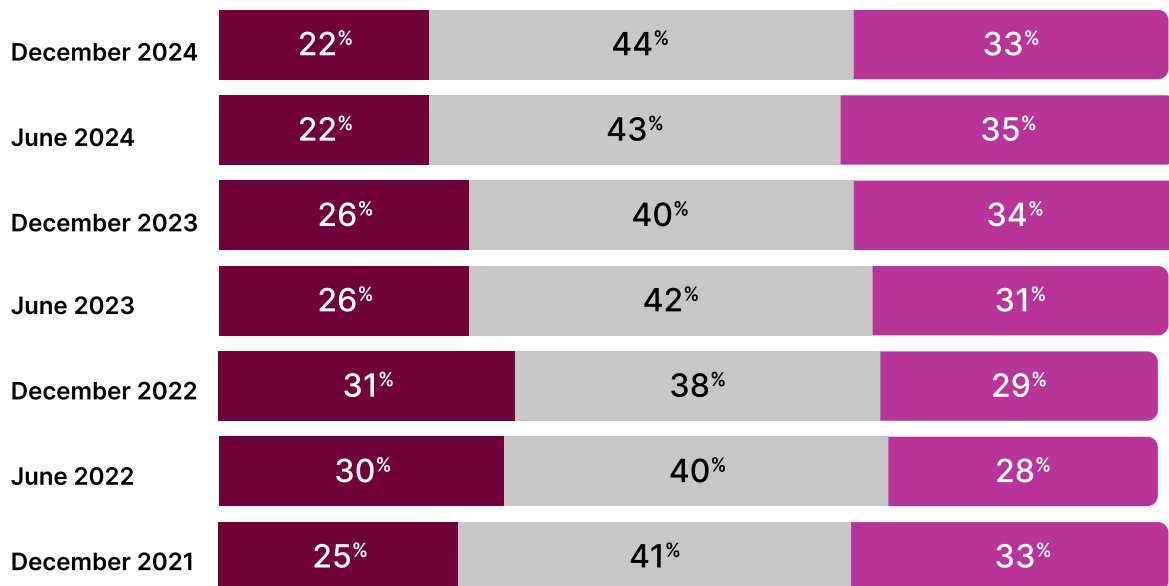
Increasing prices for products and services helped 11% of businesses improve their bottom line, and 10% attribute their revenue growth to improvements in their product or service offerings.

For the third of businesses (33%) that reported revenue falls in December 2024, a significant proportion (39%) attributed it to the current economic climate, while a fifth (20%) had seen a decrease in consumer demand.

With customers being at the centre of both improving and declining trends, it is becoming increasingly important for SMEs to understand what is driving customer demand and how they can best serve them in the current economic climate.



Revenue compared to 12 months ago



● Revenue up ● Same ● Revenue down

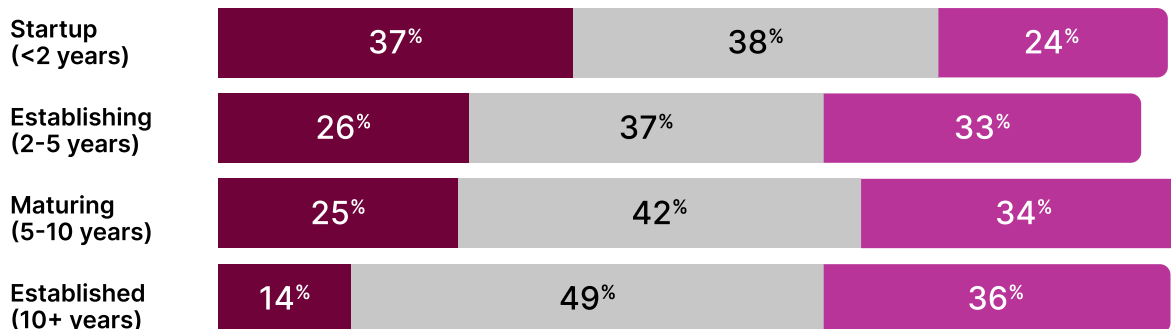
Revenue

Is your revenue up or down on a year ago?

Given the age and stage of the business, in recent MYOB Bi-Annual Business Monitors start-ups (<2 years) have consistently demonstrated higher revenue growth than their more established counterparts. In the latest findings, 37% of these newer SMEs reported increased earnings, compared to 29% who had stated revenue was up in June 2024.



Revenue compared to 12 months ago



● Revenue up ● Same ● Revenue down



While more established businesses are less likely to see significant revenue growth, with 25% of those aged 5–10 years and just 14% of those over 10 years experiencing revenue increases, they are more likely to have stable revenue. This was especially true among established businesses, where almost half (49%) say their revenue remained the same in the year to December 2024.

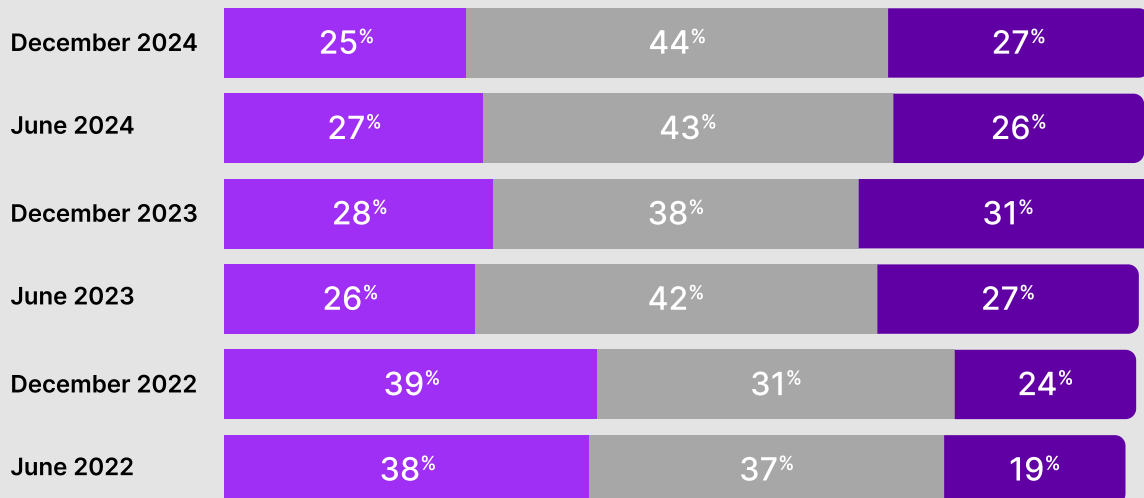
Revenue Expectations

Expectations for revenue growth are fairly evenly balanced for the 2025 year. Slightly more than a quarter of SME respondents (27%) say they expect their revenue to decline in the next 12 months, just ahead of the 25% who believe their revenue will improve in 2025. Forty-four per cent expect their revenue levels will remain the same in 2025.

Although not signalling significant growth for the year ahead, in the face of a range of economic headwinds, such as sharpening inflationary pressures and a reduction in discretionary spend from consumers, local businesses have once again proven themselves to be resilient. Over the 12 months to December 2024, the proportion of businesses expecting their revenue to fall has trended down from 31% in December 2023, signalling improved efficiency and greater cost control as businesses respond to a changing market.



Revenue expectations for next 12 months



● Revenue will be up ● Same ● Revenue will be down

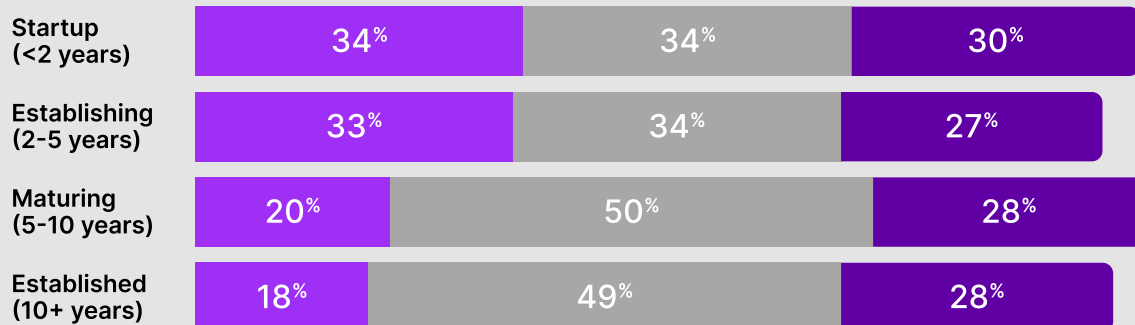
Revenue Expectations

Expectations of revenue growth in the coming 12 months within the start-up sector remain buoyant compared to more mature businesses. Just over a third (34%) of start-ups expect their revenue to grow in 2025, however this is down from a 57% forecast of 12-month revenue improvement from June 2024.

This brings them roughly into line with businesses in their next stage of development, with 33% of establishing SMEs (2-5 years) predicting increased revenue over the coming 12 months. More mature businesses are likely to see consistent revenue patterns in 2025, with around half of businesses over five years old saying they expect revenue levels to be the same in the year ahead.



Revenue expectations for next 12 months



● Revenue will be up ● Same ● Revenue will be down

Profitability

Reflecting revenue trends, as well as the pressures on growth, profitability levels overall remained reasonably consistent across 2024. Over a quarter (26%) of local businesses saw their profitability improve in the latest Bi-Annual Business Monitor – the same as in June – while 41% said their level of profitability remained the same.

There was also a slight improvement in the proportion of businesses that said their business was less profitable, falling from 33% in June to 31% in December.

Medium-sized businesses (employing between 20–199 people) saw a major improvement in profitability over the period, with 55% reporting their profitability was up in the 12 months to December 2024.

For the start-up sector, profitability was more constrained in the latest Bi-Annual Business Monitor, with 28% experiencing increased profitability, compared to 46% in June.

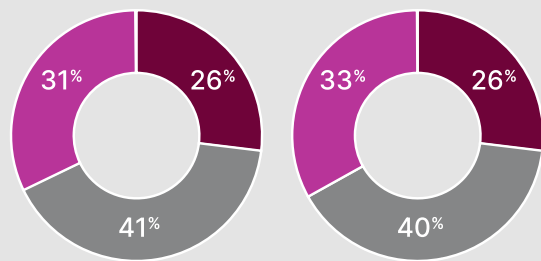
Among the sectors, the finance and insurance (31%), retail and hospitality (31%) and transport and storage (31%) industries were most profitable over the course of 2024. Profitability was limited in the agribusiness sector, with just 20% reporting an increase.

Looking ahead to 2025, there's a slight bump in expectation of profitability improvements. Thirty per cent of respondents say they'll be in a better position in 12 months' time, compared to the 28% of survey participants who had expected this in June.

Coupled with a corresponding fall in those expecting to see profitability decrease (25%, down from 28%) and consistent levels of those expecting their profitability to remain the same, there appear to be some green shoots emerging in the SME economy in 2025.



Revenue compared to 12 months ago



Dec 2024

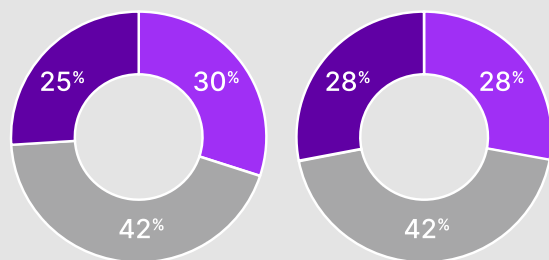
June 2024

How has the profitability of your business changed over the past 12 months?

More Same Less



Revenue expectations for next 12 months



Dec 2024

June 2024

How do you expect the profitability of your business to change over the next 12 months?

More Same Less

Business Pressure Points




Businesses have experienced some relief from the high price of fuel over the past six months, with fuel costs creating pressure for 33% of businesses in December 2024, down from 41% in June. As these outgoings reduce, however, utility costs, including electricity and telephone, have now become the leading cause of pressure (35%) for local SMEs.

Maintaining price margins is also having a significant impact (27%), underscoring declines in profitability seen in the sector.

With the Reserve Bank of Australia (RBA) announcing its decision at the close of 2024 to maintain the cash rate at the same level it has been all year, pressure from interest rates

has reduced somewhat over the six months to December. This pressure is now sitting at 25% for respondents, down from 30% in June. Businesses will also have noted that the RBA has softened its line on possible rate reductions – potentially coming as early as February 2025 – with 41% saying an interest rate cut would have a positive effect on their business.

Other key pressures include attracting new customers (24%), facing competitive activity (24%) and maintaining cashflow (24%). Over a fifth (22%) of businesses are still under pressure from late payments from customers, consistent with increased levels seen in June. Also sitting on 22%, the compliance burden has increased somewhat over the course of the year – up from 20% in June.

Causes of 'extreme' or 'quite a lot' of pressure	Total pressure		
	Dec 2024	June 2024	Dec 2023
 Cost of utilities such as electricity, gas, water, telephone	35%	38%	32%
 Fuel prices	33%	41%	33%
 Price margins & profitability	27%	27%	23%
Interest rates	25%	30%	27%
Attracting new customers	24%	24%	21%
Competitive activity	24%	25%	18%
Cashflow	24%	24%	22%
Late payments from customers	22%	22%	19%
Cost of online technologies (e.g. cost of broadband, mobile phones, tablets, etc.)	22%	20%	17%
Time spent meeting your tax compliance obligations	22%	20%	16%
Retaining existing customers	21%	20%	16%
Access to finance/funding/overdraft	16%	14%	13%
Upgrading/updating hardware or other equipment	15%	17%	12%
Exchange rates	15%	15%	13%
Upgrading/updating IT software, systems or processes	14%	13%	11%
Retaining existing employees	14%	12%	10%
Attracting new employees	13%	12%	10%

Business Investment

Almost a third (29%) of businesses plan to increase prices over the next 12 months, likely as part of a focus on maintaining or improving profitability. The majority (53%), however, plan to maintain prices at current levels, while 13% plan to cut prices in 2025.

Casual and part-time employment levels among SMEs will remain mostly at current levels (staying the same for 73%), with 10% planning to increase their investment, while 11% will reduce it. Full time employment opportunities should increase though, as almost double the number of businesses plan to increase their full-time headcount in 2025 (12%), compared to the proportion of those planning to reduce full-time employees (7%).

In good news for Australian workers, over a fifth (22%) of respondents plan to increase wages and salaries in 2025. With 67% of the local workforce employed by SMEs¹, this could also result in a significant boost to the local economy.

In response to competitive pressures and the need to attract more customers, around a fifth of businesses surveyed expect to increase investment in customer retention (20%) or acquisition (19%) strategies. That approach will also see local SMEs ramping up their online marketing and advertising activity in 2025, with 19% planning to increase their marketing spend in the digital space.

Which of the following do you expect to increase, or to decrease, or to stay the same over the next 12 months?

	Will decrease	Will stay the same	Will increase
The \$ value of spending on marketing and advertising your business offline (e.g. radio, newspapers, leaflets, catalogues, mail, posters)	16%	63%	16%
The \$ value of spending on marketing and advertising your business on the Internet/online including on social media platforms	14%	62%	19%
Your prices and margins on products/services sold	13%	53%	29%
Business financing	12%	69%	13%
The number of part time or casual employees in your business	11%	73%	10%
Investment in IT systems & processes	10%	66%	18%
The sale of products/services offline	10%	66%	17%
Working with business advisers (e.g. accountant) to enhance your business	9%	71%	14%
The sale of products/services online	8%	63%	20%
The number of full-time employees in your business	7%	75%	12%
Customer acquisition strategies	7%	67%	19%
The amount you pay the employees in your business	6%	65%	22%
The number or variety of products or services offered by your business	6%	70%	21%
Customer retention strategies	5%	69%	20%

¹ <https://www.asbfeo.gov.au/small-business-data-portal/contribution-australian-employment>

Digital Adoption

Current state of digital adoption

Digital adoption is steady, with 22% of businesses saying they have increased the number of online tools used in their operation in the last 12 months, compared to 21% in June.

Respondents have experienced significant benefits from digitising more of their business. These include helping the business be more productive (44%), enabling remote working and collaboration (35%), getting more work (35%), becoming more profitable (31%) and getting paid faster (30%).

The youngest generation now in business, 'digital native' Gen Z (aged 18–29), are predictably more likely to adopt digital solutions. More than half (56%) of Gen Z business owners increased the number of online tools they use in the last 12 months. The findings highlight a marked generational divide in digital adoption, with just 20% of Gen X (aged 44–59) and 10% of Baby Boomers (aged 60–78) increasing their business' digitisation over the last 12 months.

Key business management processes are the focus of digitisation amongst the SME sector, with over half (51%) having adopted solutions for accounting and 47% keeping track of finances through cloud-based software. Management decision making is also increasingly supported digitally, with 31% using project management tools, 29% applying cloud solutions to employee management, and 24% using sales and CRM solutions.

Do you use digital cloud-based software in this business for any of the following?

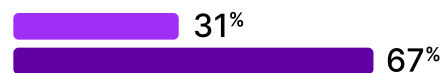
Accounting e.g. calculating and paying tax, bank reconciliation, expense tracking, single touch payroll



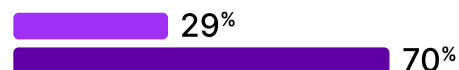
Finances e.g. Receiving and making payments, budgeting, business loans, online payments platforms



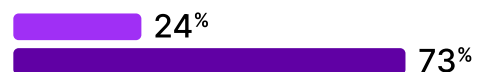
Project Management e.g. quotes and invoices, timesheets, project planning, productivity tools



Employee management e.g. onboarding, payroll, workforce management, recruitment



Sales and marketing e.g. CRM, online marketing, SEO



Supply management e.g. inventory management, logistics, distribution

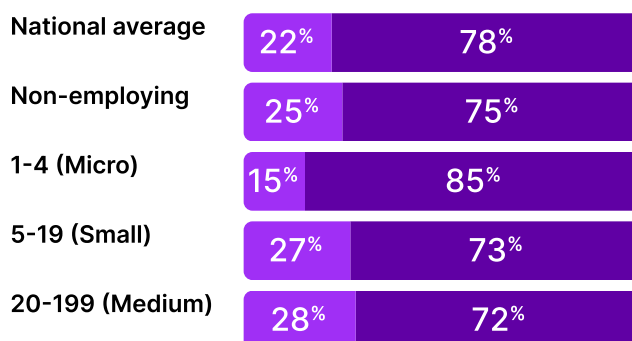


● Yes ● No

Digital Adoption

Larger businesses appear to be more focused and better resourced for digitisation, with 28% of medium-businesses (20–199 employees) and 27% of businesses with 5–19 employees adopting more digital tools and solutions in 2024.

In the last 12 months, have you increased the number of online tools used in your business?



● Yes ● No



Digital Adoption

Barriers to digital adoption

Cost continues to be the leading barrier to digital adoption in Australia, with 22% of respondents saying digital tools are too expensive. Seventeen per cent of respondents are also concerned about the time it takes to set up online tools, and the same proportion (17%) find them too confusing to establish.

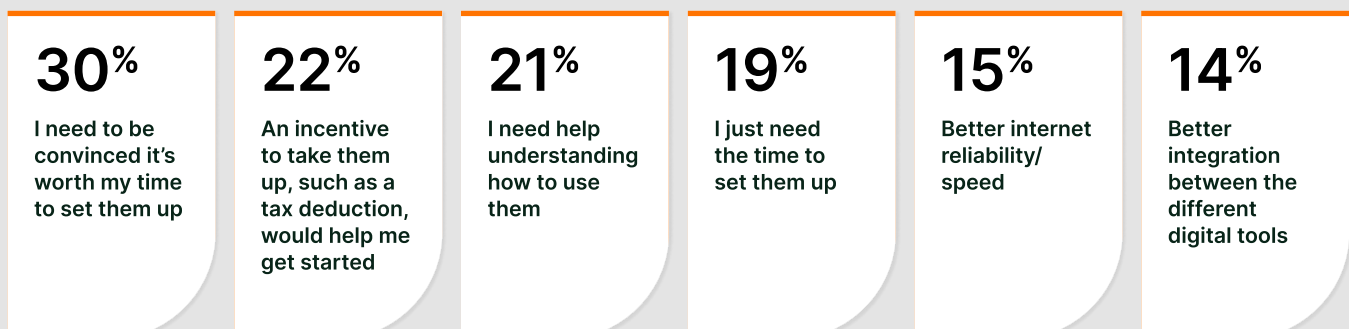
To help break down those barriers, business owners need to be convinced there's an ROI on the time required to set them up (30%). Over a fifth (21%) also say they need more help understanding how to use them.

Help from the Government could make a significant difference to digitisation in the local economy. Twenty-two per cent of respondents say a tax break or other incentive would help convince them to get started on the digitisation process.

Main barriers to digital adoption



What would help you use more digital tools in your business?



Online Presence

Despite the ubiquity of internet tools and usage among consumers, online presence for SMEs appears to have remained steady. Over the last year, the number of businesses with both a website and social media presence has remained low at 21%.

Those businesses that are online report a range of benefits, largely focused on customer acquisition and satisfaction. Online SMEs say that their business website generated more customer enquiries (41%), allowed more interaction with customers (37%), made it easier for customers to do business with them (37%), increased their customer appeal (37%) and enabled their business to have a more professional brand image (34%).

Similar impacts were reported in response to social media use, with more customer interaction the greatest perceived benefit (41%), followed by increased customer appeal (40%).

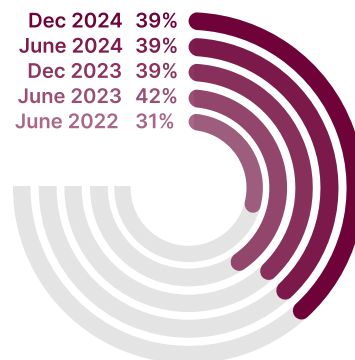
Of those businesses using social media, Facebook is still the leading site, although its use is more common among more established business, sitting at 76% for those operating for 10 years or more, and 73% of those aged between 5–10 years. The use of Instagram is more prevalent among more recently established businesses, with 56% of those aged between 2–5 years and 55% of start-ups (under 2 years) using the platform.

Facebook still dominates across the sectors for customer interaction, with 88% of retail and hospitality businesses and 84% of manufacturing and wholesales businesses using it as their social media platform of choice. The finance and insurance industry (49%) and those in the business, professional and property sector (46%) are most likely to use LinkedIn to connect with customers.

Which best describes your business' online presence?

Do not have an online presence

Dec 2024	39%
June 2024	39%
Dec 2023	39%
June 2023	42%
June 2022	31%



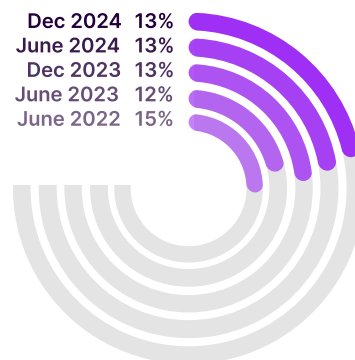
Only have a business website

Dec 2024	22%
June 2024	23%
Dec 2023	24%
June 2023	22%
June 2022	26%



Only have social media

Dec 2024	13%
June 2024	13%
Dec 2023	13%
June 2023	12%
June 2022	15%



Have both website and social media

Dec 2024	21%
June 2024	20%
Dec 2023	20%
June 2023	21%
June 2022	22%

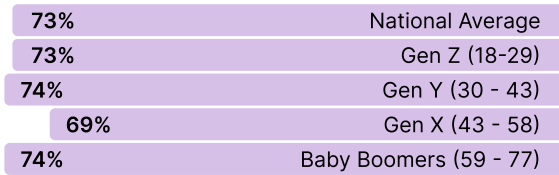


Online Presence

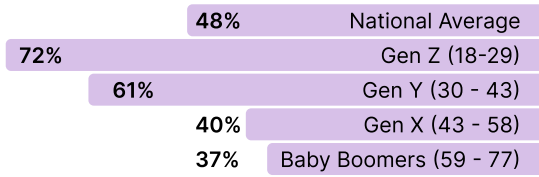
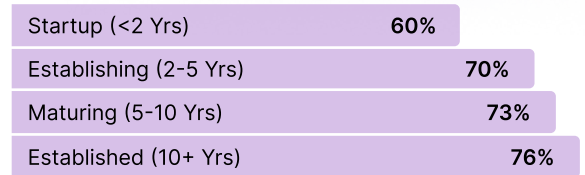
Which social media sites do you currently use to connect to your customers?

by generation

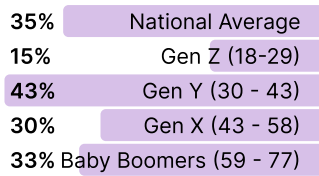
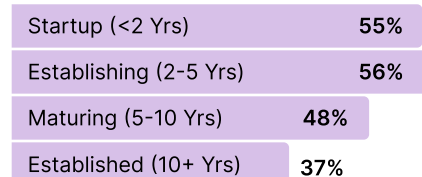
by business age



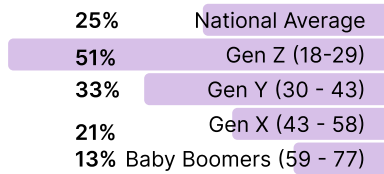
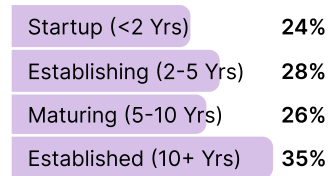
Facebook



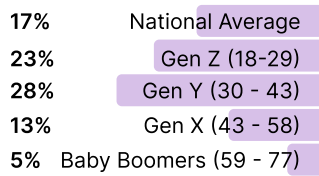
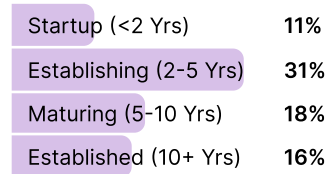
Instagram



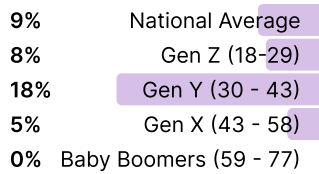
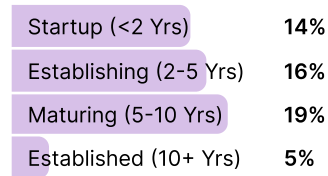
LinkedIn



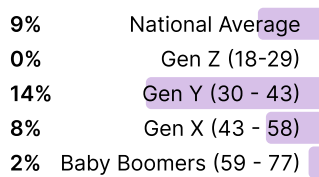
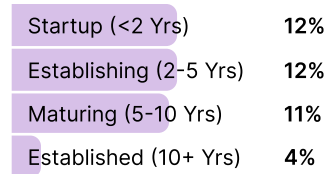
YouTube



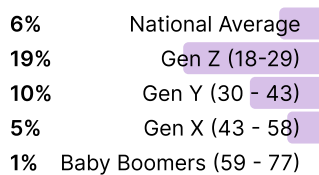
X
(formerly Twitter)



TikTok



Pinterest



Snapchat



Spotlight: Federal Election

In the first half of 2025, Australians will take to the polls to cast their vote on who should form the next Australian Government. Ahead of this critical moment, and with the owners and employees of Australia's 2.5 million SMEs representing a significant cohort of the voting community, the MYOB Bi-Annual Business Monitor surveyed policy initiatives most likely to gain their support at the upcoming federal election.

In line with an enhanced focus on profitability, respondents will support measures which result in more money in the back pockets for SME owners and operators. Sixty-six per cent of respondents would vote for a reduction in the company tax rate to 20% for small businesses,

while 58% would like to see the Instant Asset Write Off measure made permanent.

Measures to simplify compliance reporting processes would also be favourably viewed, with 59% saying they would vote for policies that simplify GST and BAS reporting.

Cyber safety remains a vital matter for SMEs and one they continue to require support with, with 48% stating they would appreciate assistance in the form of alerts and guidelines to help manage cyber security risks and events. However, SMEs are keen to see Australia continue to push into new technologies and innovative territories, with 47% seeking an increase in government funding for innovation, research and development by Australian businesses.

	Vote for	Vote against	Would not affect my vote
 Reducing the company tax rate to 20% for small businesses	66%	8%	26%
 Policies that significantly simplify the GST/BAS reporting process	59%	8%	33%
 Make the Instant Asset Tax Write-Off permanent	58%	9%	33%
Providing assistance in the form of alerts and guidelines to help small businesses manage cybersecurity risks	48%	8%	45%
Increasing Government funding for innovation, research and development by Australian businesses	47%	10%	43%
Providing financial support, training and incentives to help SMEs identify and prevent scams	46%	8%	46%
Providing financial support to improve the mental health of SME owners	41%	11%	49%
SME sector-specific stimulus to counteract the effects of inflation	40%	12%	48%
Further investment in digital skills for small business	39%	10%	51%
Introducing a tax incentive for adoption of cloud-based software (such as software as a service subscriptions)	35%	15%	50%
Assistance and incentives for my business to become more carbon neutral	29%	16%	55%
Mandating e-invoicing	17%	30%	53%

Key Takeouts

Steady yet optimistic

The performance of the SME sector marked a steady continuation of trends seen over 2024, with revenue and profitability fairly constrained. Some positive notes are emerging though, with slight improvements in confidence in the economy and expectations of improved profitability for 2025.

Start-up sector under pressure

Usually our most confident sector, the key growth indicators among the start-up community are somewhat subdued in the latest MYOB Bi-Annual Business Monitor. With this group of businesses the engine for new economic growth and innovation, it's a signal business leaders and sector representatives should pay attention to.

More opportunities in digitisation

Investment in online tools showed more encouraging growth this year, as more businesses took advantage of the opportunity to streamline their operations, increase their responsiveness and gain greater insights into their business – all vital advantages in a challenging economic environment. However, many Australian businesses are missing from the online sphere, and that's potentially costing them opportunities to build more valuable relationships with their customer base.





About the MYOB Business Monitor Report

The MYOB Business Monitor researches business performance and attitudes regarding areas such as profitability, cash flow, pipeline work, technology usage and the government. This report presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of 1,024 business owners, managers and directors (operators), conducted from October 28 to December 4, 2024. The businesses participating in the online survey were both non-employing and employing businesses. All data has been weighted by industry type, location and number of employees, which are in line with the Australian Bureau of Statistics (ABS - Counts of Australian businesses, including entries & exits - 8165.0).