

MYOB Small and Medium Size Enterprise (SME) Performance Indicator

May 2025



MYOB SME Performance Indicator

The MYOB SME Performance Indicator is an aggregation of gross value added (GVA) for the Australian small business sector (1-19 employees).

The latest findings indicate that SME performance has remained stable over the three months to May 2025 as individual SMEs remain resilient despite the ongoing normalisation of pandemic-era changes to business structures.

The overall size of the Australian SME sector has eased over the last 12 months, reflecting changes in the broader business landscape post-pandemic. Between 2020 and 2022, SME employment grew and the number of SMEs rose sharply from 820,000 to 960,000, driven by the downsizing of larger firms into the SME category and a surge in new business formation. Since 2022, SME employment and business numbers have declined as firms exited the market or expanded beyond SME status into large businesses.

However, on a per employee basis, SME performance remains resilient. Profitability (measured as income minus expenses per employee) and productivity (measured as gross value added per employee) have held steady and payroll growth per employee has kept pace with the wider economy. This suggests that SME performance has remained robust at a firm-level and overall declines in the sector are less a function of firm-level performance and more the result of an ongoing structural adjustment as the economy normalises post-pandemic.

Similar trends can be observed across almost all sectors with employment declining but productivity remaining stable. The most substantial growth has occurred in sectors benefiting from significant price movements, predominately mining and agriculture, and sectors where SMEs have a relatively limited presence.

The outcome in the May quarter suggests that, despite these headwinds, momentum is beginning to build in the SME sector. Employment has stabilised, while strong payroll growth per employee is offsetting modest declines in income across most sectors. Broader economic conditions are also becoming more supportive. Inflation has eased and the RBA has delivered three rate cuts, lowering the cash rate from 4.35% to 3.60%. These economic conditions should provide relief for household budgets and promote spending, having positive effects demand for SME goods and services.

Chart 1: MYOB SME Performance Indicator

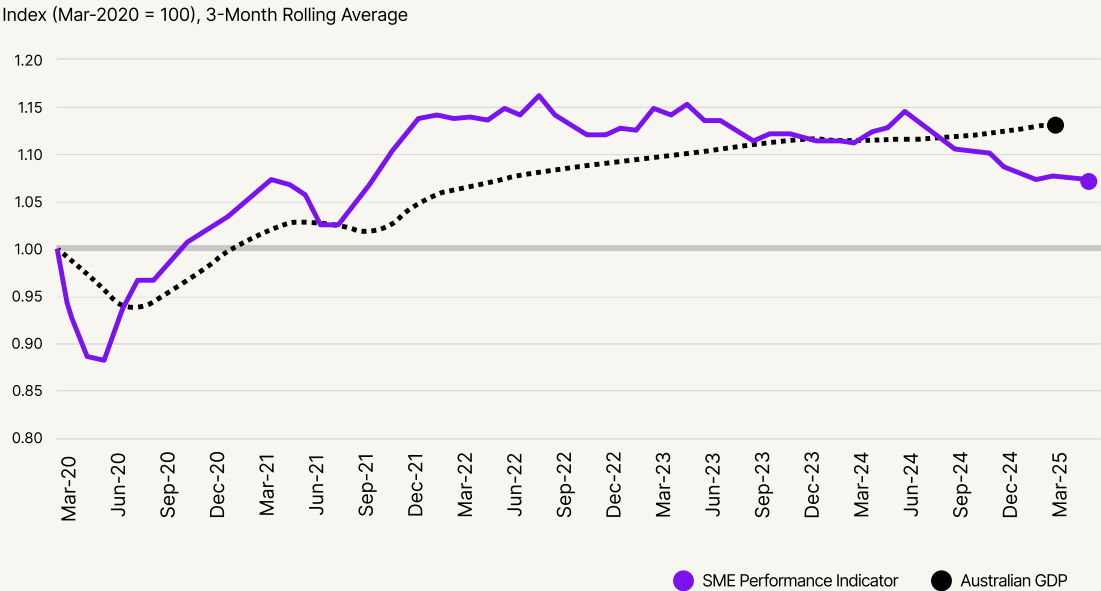
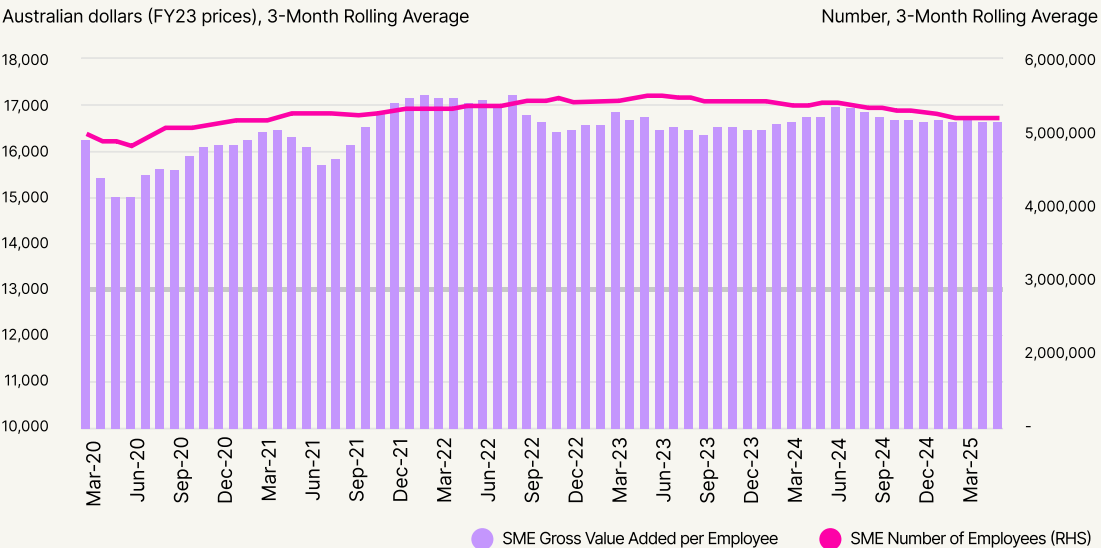


Chart 2: SME Gross Value Added per employee and SME employment



Small and Medium Size Enterprise Performance Indicator

The MYOB SME Performance Indicator draws on millions of observations from over 200,000 businesses (with 1-19 employees) at an anonymised level, aggregated for the whole Australian small business sector. The Indicator can be interpreted as a component of Australia's Gross Domestic Product (or GDP), which is the primary measure of the overall level of economic activity for the Australian economy.

SMEs have maintained solid performance even as pandemic-era business creation continues to unwind.

The MYOB SME Performance Indicator remained stable in the May 2025 quarter **(0%)** but has reduced over the last 12 months **(-5%)**

Best Performing Sectors over the last 3 months

- 1. Mining
- 2. Public Administration
- 3. Agriculture

Lower Performing Sectors over the last 3 months

- 1. Utilities
- 2. Hospitality
- 3. Arts & Recreation

Table 1: May 2025 Annual Percentage Change by Gross Value Added (GVA) Components and Key Sectors

		Gross Value Added		Employment		Total Income per Employee		Total Expense per Employee		Payroll Expense per Employee	
Top 3 largest SME Sectors	Total SME Sector	-0%		-1%		0%		-1%		0%	
	Construction	0%		1%		-1%		-1%		0%	
	Retail Trade	-1%		-1%		-1%		-1%		2%	
	Professional Services	-2%		0%		-1%		-1%		-6%	
Top 3 Performers	Mining	14%		0%		0%		-10%		3%	
	Public Administration	8%		1%		1%		-7%		1%	
	Agriculture	5%		-1%		3%		0%		3%	
Bottom 3 Performers	Utilities	-6%		-1%		-3%		1%		1%	
	Hospitality	-4%		-3%		-1%		-1%		1%	
	Arts & Recreation	-3%		1%		-4%		-2%		1%	

Sector Spotlight Agriculture

The Agriculture SME Performance Indicator rose 5% over the three months to May 2025, building on earlier momentum to sit 13% higher than this time last year.

Growth has been driven by strong increases in wages and salaries, well ahead of broader economy wage rises, and rapid income gains outpacing expenses, suggesting improved profitability.

Agricultural SME performance has been underpinned by strong agricultural commodity prices both domestically and in export markets, alongside robust overseas demand. This result also comes despite several significant flood events which caused localised disruption to the sector, suggesting the national headline result smooths over more varied regional outcomes.

Despite increasing productivity, profitability and wages, agriculture SME employment has continued to decline. Employment now sits just above 300,000, down from 360,000 four years ago. This reflects a long-term trend across the broader agriculture sector where falling labour inputs have been offset by greater capital intensity, technology adoption and digitisation, enabling productivity gains even as headcount declines. As the penetration of transformative agriculture technology such as no-till cropping reaches a saturation point, digitisation and adoption of information and communication technology will be important to drive continued productivity growth.¹

Agriculture SME performance closely mirrors the broader agriculture sector. Larger operators maintain higher activity levels relative to their pre-pandemic base. This gap opened in 2021 when SMEs were relatively more exposed to shocks including harsh weather events and acute labour shortages. Since then, SMEs and the broader sector have followed similar growth paths.

Looking ahead, momentum remains positive, though there are some risks to watch. The continuation of US tariffs in August poses a potential headwind, with the US accounting for 24% of beef shipments in 2024. However, Australian exporters have demonstrated flexibility in redirecting volumes to alternative markets in the past, most notably during pandemic-era trade restrictions with China, leaving the sector well placed to adjust.

1. Australian Journal of Agricultural and Resource Economics, Exploring the relationship between information and communication technology (ICT) and productivity. Available [here](#)

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

Chart 3: MYOB Agriculture SME Performance Indicator

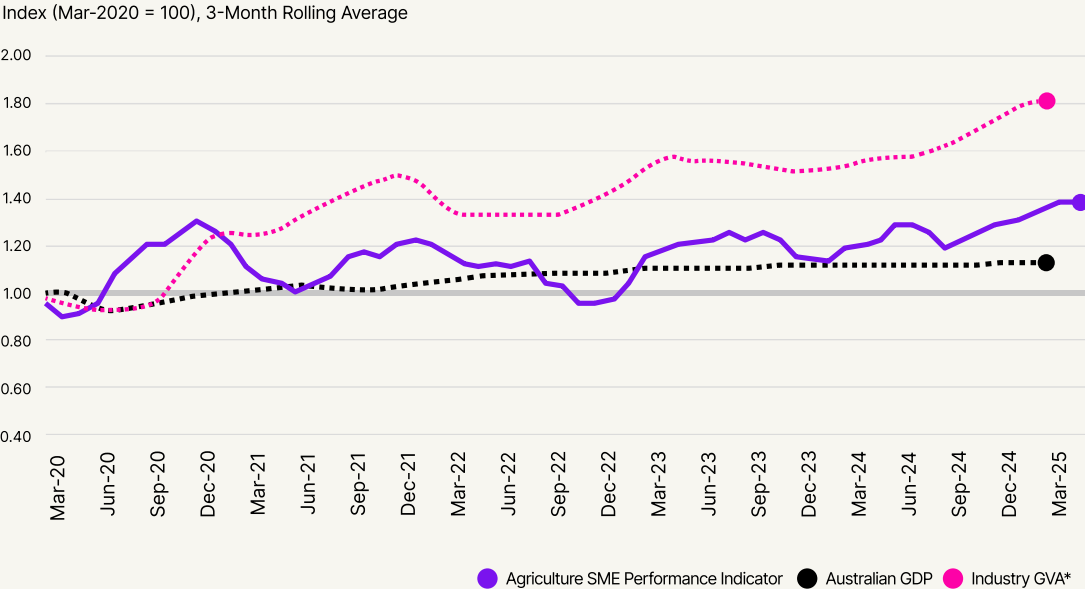
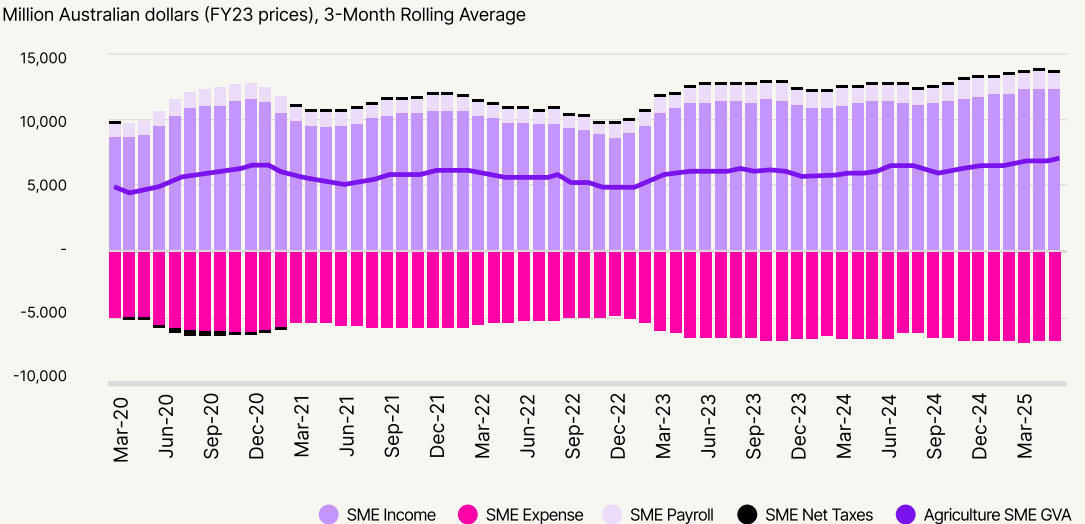


Chart 4: Agriculture SME Gross Value Added by Component



Key Terms & Methodology

Key Terms

Compensation of employees

Total remuneration paid by an enterprise to employees for work performed during the accounting period, including wages, salaries, benefits in kind, and employers' social contributions.

Deflator

A factor used to convert nominal values into real terms by adjusting for price changes.

Gross operating surplus (GOS)

Surplus value of production after accounting for expenses, compensation of employees and government taxes and subsidies.

Gross value added (GVA)

The value of output at basic prices less the value of intermediate consumption at purchasers' prices. It measures the net economic contribution of enterprises to the economy.

MYOB SME Performance Indicator

An index of total SME GVA, benchmarked to January 2020.

Per employee basis

Measures metrics such as GVA, income, expenses, or payroll relative to the number of employees.

Productivity

Output per employee or per unit of input, calculated as the ratio of GVA to the number of employees.

Profitability

Measured as income minus expenses per employee.

Sectors

Classified according to the ABS's ANZSIC framework. Some sector names may be shortened in reports for practical purposes.

SME

Businesses employing 1-19 employees.

Taxes less subsidies on production and imports

Taxes on products produced, delivered, sold, or imported, minus subsidies paid by government to producers or importers.

Methodology

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

Note: There may be fluctuations in historical estimation as the MYOB and ABS data is revised and new data from the ABS becomes available.

The calculation of SME GVA estimates involves two key elements - SME GVA per employee and employment. These elements are estimated individually by sector and multiplied to produce GVA per sector. These sector GVA estimates are then summed to produce total SME GVA. The MYOB Performance Indicator is then created by converting total SME GVA into an indexed time series.

Number of Employees

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

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

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

Gross value added (GVA) per employee

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

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

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

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

Appendix 1:

Quarterly Performance of All SME Sectors

Table 2: May 2025 Quarterly Percentage Change by Gross Value Added (GVA) Components and All Sectors

	Gross Value Added		Employment		Total Income per Employee		Total Expense per Employee		Payroll Expense per Employee	
Total SME Sector	0%		-1%		0%		-1%		0%	
Construction	0%		1%		-1%		-1%		0%	
Retail Trade	-1%		-1%		-1%		-1%		2%	
Professional Services	-2%		0%		-1%		-1%		-6%	
Wholesale Trade	-2%		-1%		-1%		-2%		1%	
Agriculture	5%		-1%		3%		0%		3%	
Transport	-1%		0%		-2%		-1%		3%	
Manufacturing	-3%		0%		-4%		-4%		-2%	
Other Services	1%		-1%		1%		1%		2%	
Property Services	1%		-1%		-1%		-3%		-1%	
Hospitality	-4%		-3%		-1%		-1%		1%	
Health	0%		0%		-1%		-2%		0%	
Administrative	-2%		-2%		1%		2%		1%	
Financial Services	-3%		0%		-2%		-1%		0%	
Information Media	6%		3%		1%		-1%		1%	
Education	2%		0%		1%		0%		1%	
Mining	14%		0%		0%		-10%		3%	
Arts & Recreation	-3%		1%		-4%		-2%		1%	
Utilities	-6%		-1%		-3%		1%		1%	
Public Administration	8%		1%		1%		-7%		1%	

Appendix 2: Annual Performance of All SME Sectors

Table 3: May 2025 Annual Percentage Change by Gross Value Added (GVA) Components and All Sectors

	Gross Value Added		Employment		Total Income per Employee		Total Expense per Employee		Payroll Expense per Employee	
Total SME Sector	-5%		-5%		0%		0%		-2%	
Construction	-4%		-1%		-3%		-2%		2%	
Retail Trade	-7%		-4%		-3%		-1%		5%	
Professional Services	-12%		-1%		-4%		-6%		-25%	
Wholesale Trade	-8%		-6%		-2%		-2%		2%	
Agriculture	13%		-6%		15%		10%		9%	
Transport	-2%		-1%		-1%		-1%		3%	
Manufacturing	-7%		-2%		-6%		-5%		-1%	
Other Services	-7%		-6%		-2%		-2%		2%	
Property Services	-7%		-7%		-3%		-3%		3%	
Hospitality	-15%		-12%		-3%		-4%		-5%	
Health	-7%		-5%		-4%		-5%		-1%	
Administrative	-7%		-9%		3%		5%		4%	
Financial Services	-4%		-2%		-2%		1%		3%	
Information Media	1%		-1%		0%		-1%		5%	
Education	-6%		-6%		-1%		1%		4%	
Mining	15%		-6%		21%		18%		17%	
Arts & Recreation	-11%		-4%		-8%		-7%		-3%	
Utilities	2%		-5%		10%		11%		5%	
Public Administration	8%		3%		1%		-2%		7%	



myob everyone's
business