

SNAPSHOT

AUSTRALIAN BUSINESSES

JUN/JUL 2025

TRENDS, RISKS & DRIVERS

5,189 large
68,214 medium
2,589,595 small

200+ employees
20-199 employees
0-19 employees (98%)



↑ 2.8% INCREASE (73,125 more than previous year)

(Source: ABS)

91.6% of businesses had turnover of less than \$2m (an increase of 6.4%)

(Source: ABS)

SME SNAPSHOT

> 1.5m people employed by SMEs

~50% of Small Businesses operating at a loss

61% of SMEs work > 39 hrs/wk

75% of Small Business owners earn less than average yearly wage

(Source: ASBFEO; Institute of Public Accountants 2025)



New Business Growth continues, despite challenging environment.

Largest increases:

1. NSW + 24,488

2. VIC + 18,503

(Source: ABS)

OPERATING COSTS



- ↑ Wages +2.9%
- ↑ Super +12% on 1 July 25
- ↑ Productivity +1.1% (doesn't counter 3.4% decline of previous year)
- ↑ Raw materials +3.6%
- ↓ Skilled labour shortage -33%

High interest rates, persistent inflation, rising input and energy costs, labour shortages, soft consumer demand, and global tariff uncertainty are combining to squeeze margins and test the resilience of SMEs across sectors.

(Source: Xero, ABS, SaCSA)

TOP 3 GROWTH INDUSTRIES

Industries with consistently high growth include:



- ↑ Transport, Postal & Warehousing - 8.5%
- ↑ Health Care and Social Assistance - 7.7%
- ↑ Financial and Insurance Services - 4.8%

- ↓ Agriculture, Forestry & Fishing - 1.3%
- ↓ Retail Trade - 0.2%

(Source: ABS)

| ANNUAL TURNOVER | | % OF BUSINESSES |
|-----------------|-------|-----------------|
| Over \$10m | | 1.0% |
| \$5m - \$10m | | 1.5% |
| \$2m - \$5m | | 5.9% |
| \$50k - \$2m | | 67.4% |
| Zero - \$50k | SME's | 16.9% |

(Source: ABS)

PAYMENT DELAYS & INSOLVENCIES



- Payment days + 22.1 on 30 days
- B2B Defaults + 42% YOY
- Court actions remain elevated as the ATO maintains its ramped-up debt recovery efforts
- External Administration XAD + 39%
- Insolvencies plateaued at + 46% YOY

(Construction & Hospitality account for 40% of insolvencies)
(Source: CreditorWatch/Australian Institute of Credit Management/ASIC)

DRIVING FACTORS



- "cost of doing business crisis"
- ATO, big 4 banks, and credit-initiated actions
- Increase in Small Businesses re-structures
- 60% of new businesses failing in first 3 years
- Average business failure rate rose to 6%
- From 1 July 2025, interest paid to the ATO will no longer be tax-deductible

(Sources: CreditorWatch/ asbfeo)

DEBT PREVENTION DEBT MANAGEMENT DEBT RECOVERY

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WHAT CAN YOU DO?



BUILD SOLID FOUNDATIONS

- **Begin with clear terms** – Define policies, Ts & Cs, and procedures from the outset.
- **Prevent issues early** – A proactive approach reduces disputes and delays.
- **Know your customers well** – Understand their structure, stability, and payment patterns.
- **Set firm, fair terms** – Be clear on payment timelines and when to say 'no'.
- **Assign roles wisely** – Ensure the right people manage credit and collections.
- **Stay contract-aware** – Understand Nov 2023 changes on late fees and fairness.

EMBRACE OPERATIONAL EFFICIENCIES

- **Define your risk appetite** – Set clear boundaries based on your business goals and cash flow needs.
- **Align with industry and customer base** – Tailor your approach to reflect sector norms and customer behaviours.
- **Profile customers by payment performance** – Track margins across the invoice-to-payment cycle to spot risk.
- **Turn losses into lessons** – Analyse past write-offs to prevent repeat scenarios.

ASSESS RISK APPETITES & BEST PRACTICE

- **Define your risk threshold** – Be clear on how much risk your business can realistically carry.
- **Match to industry and clients** – Align your risk settings with sector norms and client behaviours.
- **Track payment behaviours** – Monitor invoice-to-payment trends to assess margin and exposure.
- **Ask key credit questions** – Check if customers are prioritising payments to others before you.
- **Learn from past losses** – Review previous defaults to tighten future credit practices.

| | ANSWER | STOP | START | CONTINUE |
|--|--------|------|-------|----------|
| Do you offer payment terms? If yes, what are they? | | | | |
| Have you needed to chase a customer more than once for payment? | | | | |
| Do you use a process or criteria to assess new customers before offering credit? | | | | |
| Have you agreed to unfavourable payment terms just to win a customer? | | | | |
| What concerns you most about getting paid on time? | | | | |