



State of Small Business Data Report

August 2024 edition



Foreword

The Council of Small Business Organisations Australia (COSBOA) is the country's peak body exclusively representing the interests of small businesses. Square builds technology that helps businesses of all types and sizes to start, adapt and grow. Both COSBOA and Square are guided by a belief that small businesses are critical to the Australian economy. We have a shared interest in ensuring Australian small businesses are as strong as possible and have the tools, insights and policy supports they need to thrive.

COSBOA and Square are constantly talking to small businesses about their biggest opportunities and how they can be secured, along with their biggest challenges and how they can be addressed. This report builds on the previous three editions to provide an updated snapshot of how small businesses are faring today. It is an insight into the daily reality for small businesses — where they have come from and where they are going. It goes beyond the macro analysis and into the heart of what is actually happening across the country, and serves as a real-time resource for small businesses, elected representatives, officials, industry leaders and the broader community.



Luke Achterstraat
Chief Executive Officer, COSBOA
August 2024



Marco Lamantia
Executive Director, Square Australia
August 2024





Aussie small businesses by the numbers

There are

2.5 million

small businesses
in Australia¹

They represent

97.3%

of all businesses
in Australia²

They employ more than

5 million

people — 42% of private-
sector employment³

Contribute one-third of
Australia's annual GDP —

\$589,843

billion in 2022-23⁴

93%

have a turnover of
less than \$2 million⁵

34%

of small business owners
were born outside
of Australia⁶

Executive summary

As a cohort, small businesses are defined in different ways, depending on who is asked. Some Federal agencies look at the number of employees, though differing views among them mean thresholds can range widely, including 0-15, 0-19, 5-20, up to 50 or less than 100. Others look at annual turnover below certain thresholds, be it \$2 million, \$3 million, \$10 million, or \$25 million. But no matter which way the numbers are cut, there is broad agreement that small businesses are the beating heart of the country, their contribution is significant, and they must be encouraged to flourish.

Small businesses are not a monolith. Every small business owner faces a unique situation — a distinct set of challenges and opportunities, headwinds and tailwinds. This latest report from COSBOA and Square serves to highlight this reality.

Looking across the data, we see businesses growing at different rates, all dependent on where they operate from, which sector they operate in, and how big their business is.

The lesson for policymakers is clear: nuance is the name of the game. Policy supports must be tailored, targeted and timely if they are to foster productivity and sustainable growth among Australian small businesses. Indeed, policy prescriptions should reflect data-driven learnings gathered at the whole-of-economy level right the way through to what is observable in the many and varied cities, regions, communities and sectors of Australia. Beyond the national aggregate insights, the individual experiences and voices of small businesses should also be routinely sought out, heard in policy discussions, and reflected in initiatives coming from all levels of government.



Introduction

Small businesses have faced major headwinds in 2024. Australia's macroeconomic environment this year has been tough, characterised by slow economic growth, soft consumption and stubborn inflation. That last factor in particular has seen the Reserve Bank of Australia embark on a tightening cycle which has pushed interest rates to their highest level in a decade. This reality is pinching small business owners twice — first in their own hip pockets and then again when it comes to the level of non-essential spending available to their customers. With cost of living now entrenched as a top concern for voters⁷, the prospect of further increases to the cash rate hangs in the balance⁸ which would add yet further pressure to households and small business owners alike. Add to this picture a slew of other challenges being navigated by small business owners: a tight labour market, staff retention challenges, skills shortages, high borrowing costs, increases to award wages and compulsory employer superannuation contributions, and a range of operational costs which have steadily risen, including rents, utilities and insurance premiums.

A recent SME Performance Indicator from MYOB illuminates this challenging climate, with small business economic performance scored at -2.0 for May 2024 (calculated by the deviation between Gross Value Added and Gross Domestic Product).⁹ Recent COSBOA research found that 1 in 5 small businesses are struggling to pay their energy bills on time, with nearly half (45%) remaining concerned about their ability to pay future energy bills.¹⁰ Further, the number of businesses recruiting new staff in capital and regional cities declined sharply for June 2024 according to Jobs and Skills Australia, down 8% in the month to 39% — the lowest share since the second half of 2021.¹¹ While much can be absorbed, these conditions are clearly weighing on profit, with 43% of small businesses not making a profit according to the most recent data.¹²



Despite that challenging economic landscape, small businesses continue to demonstrate their resilience and adaptability, just as our last report in January 2024 showed. Where possible, some have navigated changing consumer preferences by tweaking their product and service offering, while others have adjusted their opening hours, built new and alternative revenue streams, or looked to find efficiencies in how they spend their time and money. Some have opened up new online sales or marketing channels, particularly by leveraging social media and search engine optimisation. And many have looked to harness new technologies to innovate across various parts of their operations, all in the name of reducing complexity, unlocking convenience, enabling growth, surfacing fresh business opportunities, and serving customers in new ways.

This report offers a forward-looking perspective on 2024, with updated data and small business insights on current economic conditions, consumer preferences and business performance by size, sector and city.

Pigeon Whole Bakers

Jay Patey never intended to become a baker. He had no piece of paper and little experience baking, but that hasn't stopped him. Fast forward a few years and Pigeon Whole Bakers is fast becoming a household name in Tasmania.





“It all began with a tiny café in Goulburn Street, which we started from scratch in 2010. It soon grew into a bustling neighbourhood hub, with a constant hum and queues snaking out the door every Saturday morning. Whilst contemplating the next business move, I decided to explore my interest in baking, and began experimenting with sourdough, selling a few loaves at the café. It proved a popular addition to the offering, and we realised we had discovered our point of difference: making bread. It spiralled from there, and we went from baking 8 to 300 loaves a day; I was cooking in the café by day and baking bread by night.

Eventually, we moved into the Hobart CBD, and the team has now grown to 70 staff. We’ve also developed a new baking facility to accommodate the production of artisan sourdough bread, which we wholesale to hospitality and retail customers all over the island. It’s been a very organic growth path, and we’ve become well-known for our bread, as well as the pastries, sandwiches and coffee we make at our Argyle Street store.

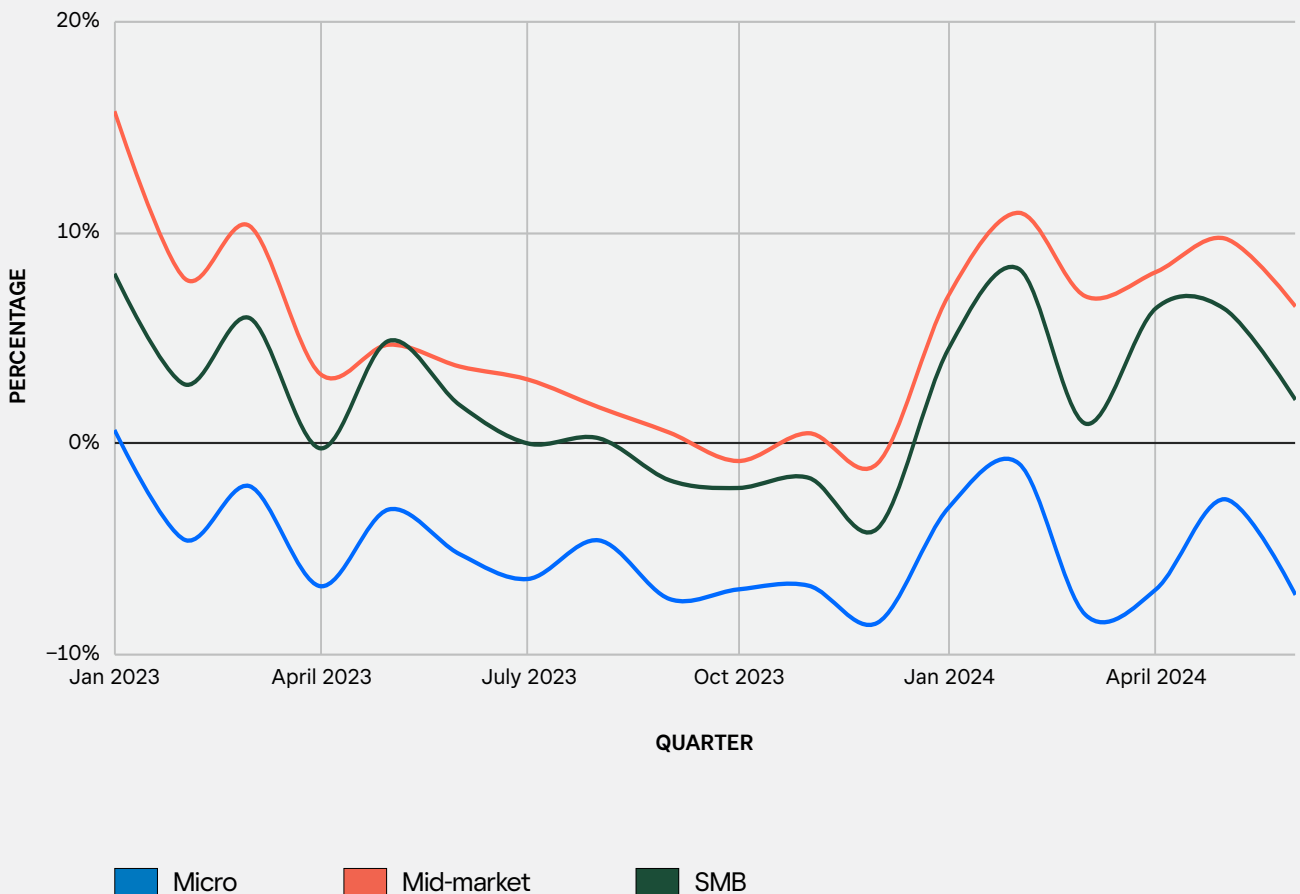
Starting out, I thought I had to wear all the hats that are required to lay the foundation of a great business. Nowadays, my responsibilities lie less with the tools and more with leading, directing and supporting the team.”

Jay Patey
Co-owner, Pigeon Whole Bakers

Tracking cohorts as their experiences diverge

Square data shows that after a period through 2023 where business growth rates broadly tracked in unison, micro and small businesses are not faring as well as their mid-market peers¹³ in the first half of 2024.¹⁴ Mid-market businesses dipped slightly into negative territory in quarters three and four before recovering to positive growth. Conversely, SMBs navigated a longer and deeper period of negative growth. While Square data shows that micro sellers have not yet seen positive growth rates for over 18 months, this is a large and diverse category typically comprised of sellers who are not using their business as their primary income source.

Business growth rates by size of operation





Frankie's Gelato

Less than 100 metres from Byron's Main Beach, Frankie's Gelato is the brainchild of Franco Giordano. His shop maintains a focus on fusing Italian artisanship using Australian flavours and ingredients.



"I dreamed of owning a business that represented my sentimentality for the Italy of old. Frankie's was born out of the desire to bring one-of-a-kind gelato flavours to life, which could only be done with the rich and vibrant produce available to us here in Byron Bay."

Franco Giordano
Co-owner



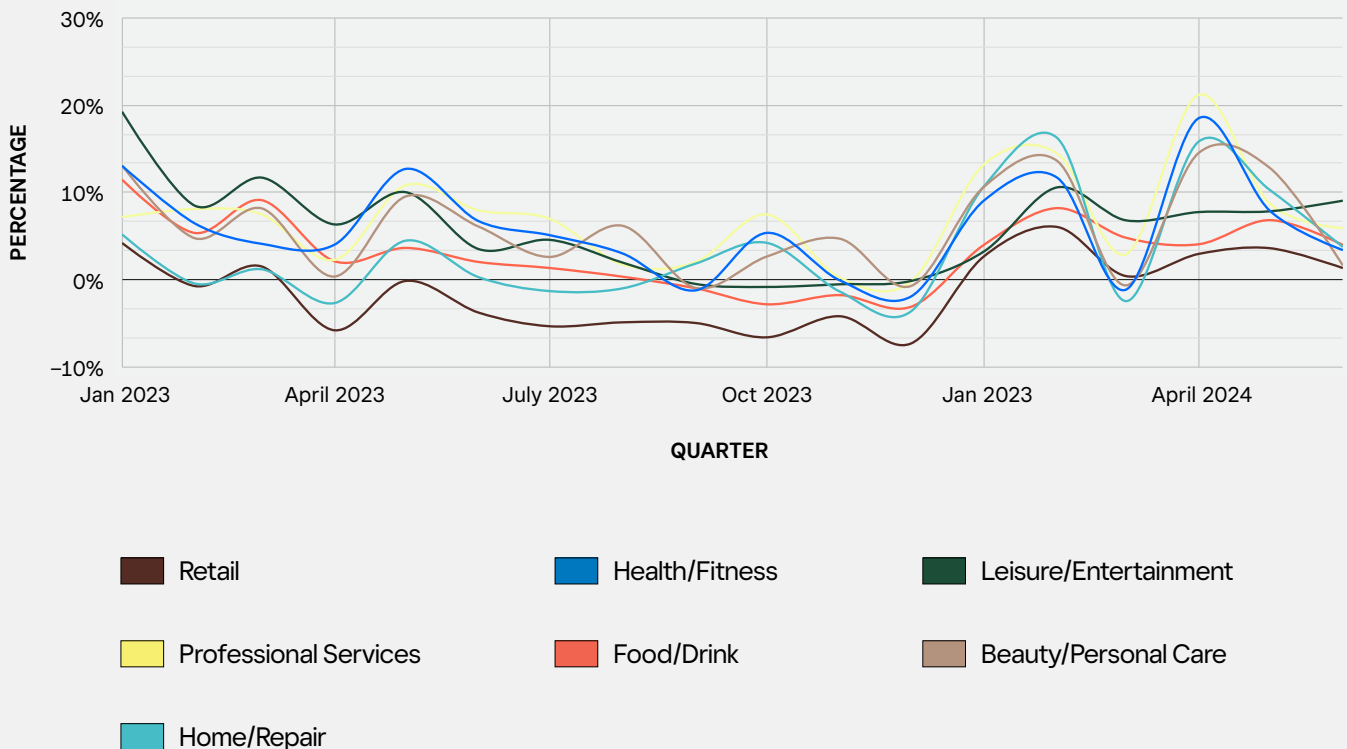
Square data insights

Different sectors, different stories

Square data¹⁵ shows fluctuations in spending across all industries aligned with shifting consumer behaviors, with most industries experiencing a decline in spending at the beginning of 2023 and a recovery through the 2023-24 Christmas and New Year period. Small retailers as a cohort recovered into positive growth after spending the majority of 2023 in negative territory. Beauty and professional services showed some marked variability in spending through the period, while health care and fitness exhibited steadier spending patterns.

The hospitality sector showed a steady increase in spending across the period, peaking around April 2024. This observation of relative strength among hospitality businesses using Square technology runs somewhat counter to the prevailing view of broad weakness in the sector, borne out most recently in CreditorWatch's Business Risk Index which forecasts that one in 11 hospitality businesses (9.1%) may fail over the coming year — well above the 5.1% average forecast for all industries and the highest proportion of any sector tracked.¹⁶

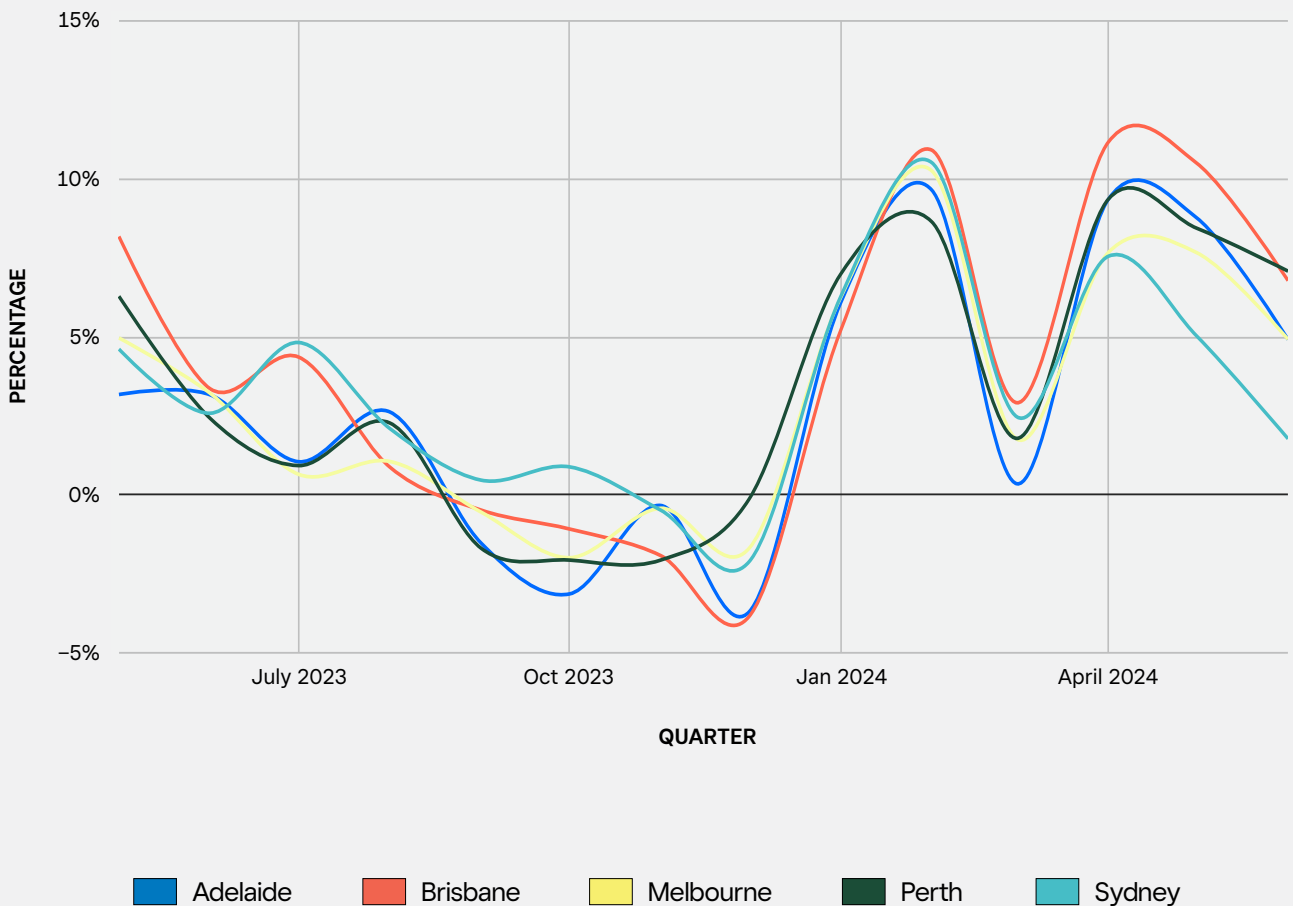
Median change in spend by industry



A tale of five cities

Looking into business performance across select capital cities illuminates an interesting story for small businesses in the first half of 2024.¹⁷ The data below shows a familiar rise in spending in the lead up to Christmas and into the New Year. For many in Australia, this period is filled with gift-buying, festive celebrations and school holidays. As summer down-time comes to an end and Australians go back to work and school from late January, there is an observable dip in the monthly growth rate in unison across the cities captured in this review. Interestingly, in this data, we see a ~5% delta between the strongest performing city (Brisbane, 10.49% YOY at 1 May) and the softest one (Sydney, 5.03% YOY).

Business growth rates by location



Fricken Fried Chicken



In a few short years Fricken has grown from one food truck to three, along with two permanent brick and mortar venues, and will soon launch their own range of sauces.

“We prioritise building a base of loyal customers by actively engaging with our community online. Through social media, we share behind-the-scenes moments, special promotions, and encourage user-generated content. Our top-performing content has been behind-the-scene videos, which garner the highest engagement levels online. What might seem mundane to us is fascinating to some of our customers.

“To strengthen our community bonds, we also participate in local events with our food truck and support various initiatives. This fosters a strong sense of place and connection. Thanks to our engaged community, we’ve built a loyal fan base that has been instrumental in our resilience during challenging times.”

Mo Saad
Co-owner, Fricken Fried Chicken



Ogee

Matt Breen was only 26 years old when he opened what is now one of Tasmania's most sought after restaurants, Templo, which became an institution in the Hobart dining scene and set the stage for his next trick: the intimate Ogee.



"It's the staff you employ that make a business successful. The teams that I've managed to secure for both venues are some of the brightest, kindest and most hospitable people I know. If you treat them well and nurture them, they will return that in spades.

Our primary focus is on hospitality and cooking beautiful in-season produce sourced locally.

Focusing on these two things as the core of the businesses makes it really easy to deliver a fun and memorable experience.

Intimate is nice. It allows us to provide a really beautiful level of hospitality to the customer. It can feel like you're dining in my kitchen at home. Small is also a lot easier to manage."

Matt Breen
Owner, Ogee

Square data insights

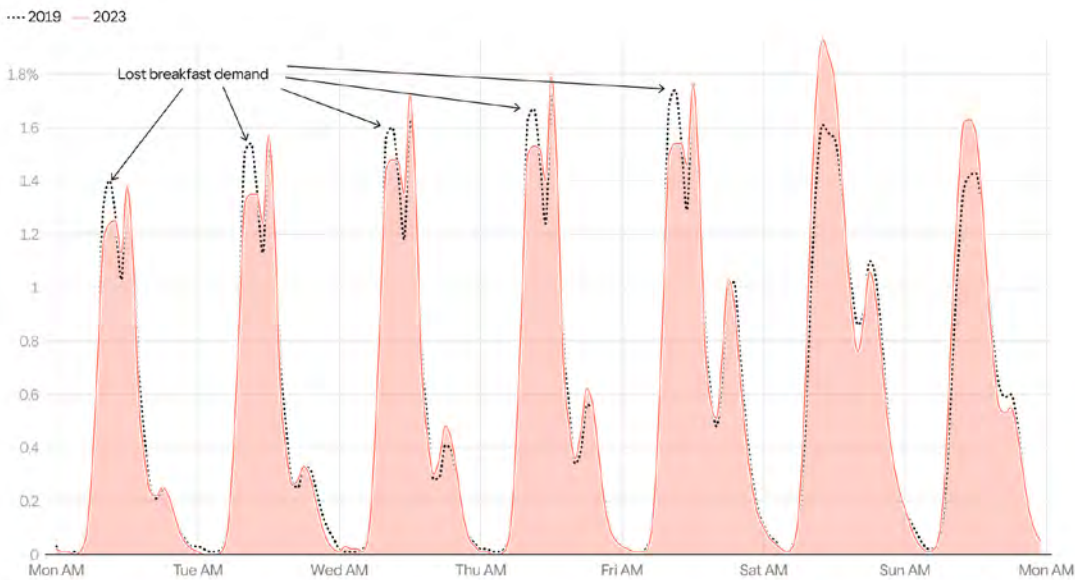
Changing consumer behaviors

Square data gives some insight into how consumer preferences and behaviors are changing, with a significant decline in weekday purchases at hospitality establishments between 7am and 11am.¹⁸ This is particularly the case in Melbourne, Sydney, and Brisbane, where weekday spend has fallen below pre-pandemic levels. In contrast, transaction

volumes during weekend brunch hours have increased, suggesting Australians are shifting their weekday spending to the weekend.¹⁹ While weekend brunch spending in Melbourne is up by 4% in 2024, weekday spend is down by 5%. In Sydney, weekend brunch transactions are up by 1.6% while the weekday spend is down 2.4%.

Australians stopped going to breakfast

Hourly share of in-person transactions at food and drink establishments in Australia



Australians stopped going to breakfast

Percentage point change in weekly share of transactions from 2019 to 2023

Significant Urban Area	Weekday Breakfast 7am-11am	Weekday Lunch 11am-2pm	Weekend Brunch 9am-3pm
National	-1.8%	0.8%	2.1%
Not SUA	1.7%	2.1%	-0.1%
Adelaide	1.7%	1.5%	3.2%
Brisbane	-1.9%	2.9%	1.4%
Canberra - Queanbeyan	8.3%	3.9%	1%
Geelong	-0.9%	4.6%	3.1%
Gold Coast - Tweed Heads	-0.5%	-0.4%	-0.5%
Hobart	-1.1%	5.1%	-1.4%
Melbourne	-5.3%	0.4%	4%
Newcastle - Maitland	-4.2%	2.4%	1%
Perth	-0.2%	4.3%	2.4%
Sunshine Coast	2.9%	1.2%	-0.4%
Sydney	-2.4%	-1.3%	1.6%



Latest macro measures in Australia

1%

rise in the Consumer Price Index in the June 2024 quarter, up by 3.8% over the preceding 12 months.²⁰

4.1%

unemployment rate as of June 2024 (seasonally adjusted).²¹

352,600

job vacancies in the three months to May 2024 — a decrease of 2.7% from February 2024 but 54.8% higher than recorded in February 2020.²²

15.8%

business entry rate with 406,365 new businesses entering the market in 2022-23.²³

14%

business exit rate with 356,216 businesses exiting in 2022-23.²⁴

Bread and Butter

Bread and Butter is one of the most recognisable bakeries in Tasmania, with a team of 50 working across three locations, including a cafe, bakery and bakeshop.

“We moved to Tasmania to start a family. It was a chance to step out of the chaos. After my daughter Minnie was born, I looked for something I could do to satisfy my urge to be in business and create something great — it was butter. I could work during the week at any time I liked and sell what I had made at the market and in restaurants. My butter became popular. People started to seek it out.

I added another person to production to keep up. Her background was in baking. After many hours in the butter dungeon, we decided to get out of there and open a bakery coexisting with a new butter factory. At the time, no one produced cultured butter and used it directly for their croissants. It was and still is a very special thing.”

Olivia and Rob Morrison
Owners, Bread and Butter



The world according to (some) small businesses

Square and COSBOA conducted a survey of small business owners across the country²⁵ to understand how they are currently thinking about where they have come from and where they are going, as well as their views on the economy and on government policy.

53%

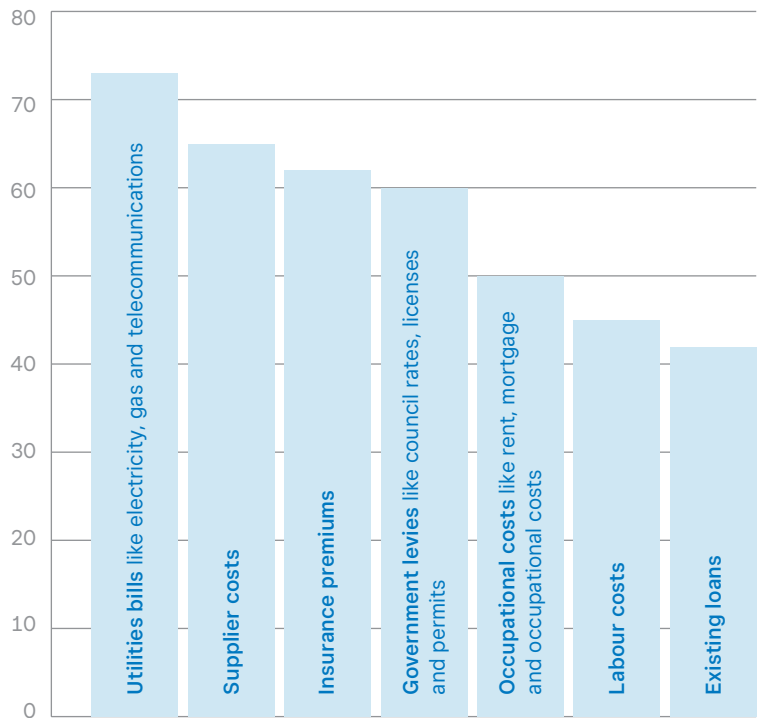
of small business owners say they are **just as optimistic about their operations** today as they were 12 months ago.

- 22% say they are more optimistic
- 25% say they are less optimistic

49%

of small business owners say they are feeling **less optimistic about the Australian economy** in the next 12 months.

What costs are weighing more heavily today than 12 months ago? (% of small business owners who agree or strongly agree):



In order to cope, over the last 12 months:

46%

small business owners have increased prices.

1 in 5

small business owners have **streamlined operational processes**.

1 in 5

small business owners have **changed their approach to marketing or social media**.

To make running their businesses easier:

46%

of small business owners want certainty around the **future of the Instant Asset Write Off**.

44%

of small business owners want access to **low-interest loans** and grants which support sustainability and innovation.

42%

of small business owners want to see more **incentives to encourage technology adoption** to support their efforts in areas including artificial intelligence, eInvoicing, digital payments and cyber security.

No Bones

The team behind the plant-based fine dining destination have well and truly made their mark in the local community and are leading the way in sourcing local and sustainable produce.



"No Bones was created from a desire to do better for our world.

The plant-based movement is a new and exciting development in the food industry. A few years ago the word 'vegan' was rarely associated with fine dining. Plant-based dining has become an exciting new challenge for some of the best chefs around the world and as more people make a conscious effort to decrease their weekly meat consumption, plant-based food is becoming ever more popular.

We are incredibly privileged in Byron Bay to have a plethora of local growers around us. By opting to source as many of our ingredients as possible locally we decrease our carbon footprint associated with travel all while supporting our local community."

Yasmina Cross
Co-owner, No Bones



Eighty/Twenty



Aakash Shah, a finalist in the Australian Small Business Champion Awards, is on a mission to make healthier food accessible to more people through his expanding network of eight locations in Canberra.

“Despite my background as an engineer, I’ve always had a passion for food and a desire to broaden the culinary landscape. Our menu features meals ranging from \$10 to \$35, all free from artificial colors, flavors, and additives.

Since launching our first cafe, we have grown a dedicated team of over 50 staff members, including 13 chefs, 10 baristas and over 30

cafe all rounders. 95% of our staff members are permanent employees — it has been so gratifying to be able to offer that to the team which is bringing our vision to life. They are totally committed to providing quality, nutritious food to our customers and are the beating heart of our operations!”

Aakash Shah
Owner, Eighty/Twenty

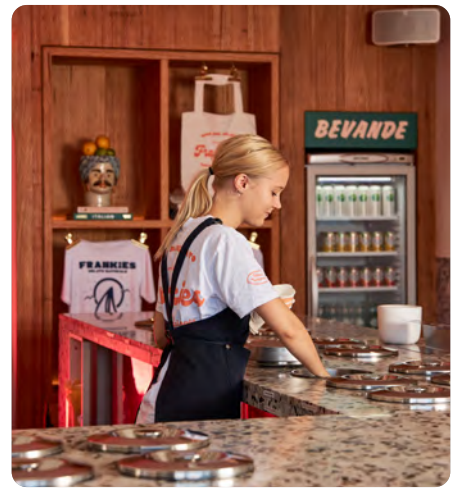


Conclusion

Conditions are tough out there for Australia's small businesses. Cost pressures remain elevated, while business confidence continues to chart a negative course.²⁶ And just like in the broader economy, there are patches of light and dark and many shades of grey — all depending on what sort of business you are operating, where you are based and how big or small your operation is.

Australian small businesses have identified areas where government policy can help to support them, but the clear message coming from Square data, macro-economic measures and survey responses is that Australia's small businesses have been struggling to keep their footing through the broader economic slowdown. While there is optimism among individual operators, metrics around insolvencies reaching record highs²⁷ should spur elected representatives, officials, industry leaders and the broader community to reflect on what more can be done to make a practical difference to the prospects of small businesses across the country.





References

Methodology

The data used by Square is aggregated and anonymised to ensure the privacy of sellers. To estimate business growth rates, Square used a longitudinally-linked panel of Square sellers. Seller revenues were observed and matched to the current month and 12 months earlier using anonymized identifiers. A growth rate is calculated for each business in the sample. We report the median of growth rates across businesses.

Sources

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- ¹² Australian Small Business and Family Enterprise Ombudsman. "Small Business Matters."
- ¹³ Square's methodology classes the micro segment as Square sellers with an annual revenue under \$125,000, the SMB segment as having an annual revenue between \$125,000 and \$500,000, and the mid-market segment as having an annual revenue between \$500,000 and \$50 million. The enterprise segment has been excluded from this analysis.
- ¹⁴ Square analysed nationwide transaction data cut by mid-market, SMB and micro categories between January 2023 and June 2024.
- ¹⁵ Square analysed nationwide transaction data by sector between January 2023 and June 2024.
- ¹⁶ CreditorWatch. "Business Insolvencies Surge to Record High, Rate Increases 38% on Average Across All Industries." *CreditorWatch*, www.creditorwatch.com.au/blog/business-insolvencies-surge-to-record-high-rate-increases-38-on-average-across-all-industries-2/. Accessed 17 July 2024.
- ¹⁷ Square analysed nationwide transaction data in selected capital cities between January 2023 and June 2024.
- ¹⁸ Square analysed the hourly share of in-person transactions at food and drink establishments in Australia between 2019 and 2023.
- ¹⁹ Square analysed the share of weekly transactions at food and drink establishments in selected capital cities and calculated the percentage point change between 2019 and 2023.
- ²⁰ Australian Bureau of Statistics. "Consumer Price Index, Australia." *Australian Bureau of Statistics*, www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release. Accessed 31 July 2024.
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