

# **Xero Small Business Insights**

## **Australia Update**

October 2024 - June 2025

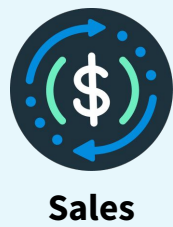
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# Sales softer in June quarter

Quarterly average sales growth - since September 2024 release



**Dec Quarter 2024**  
+4.5% y/y

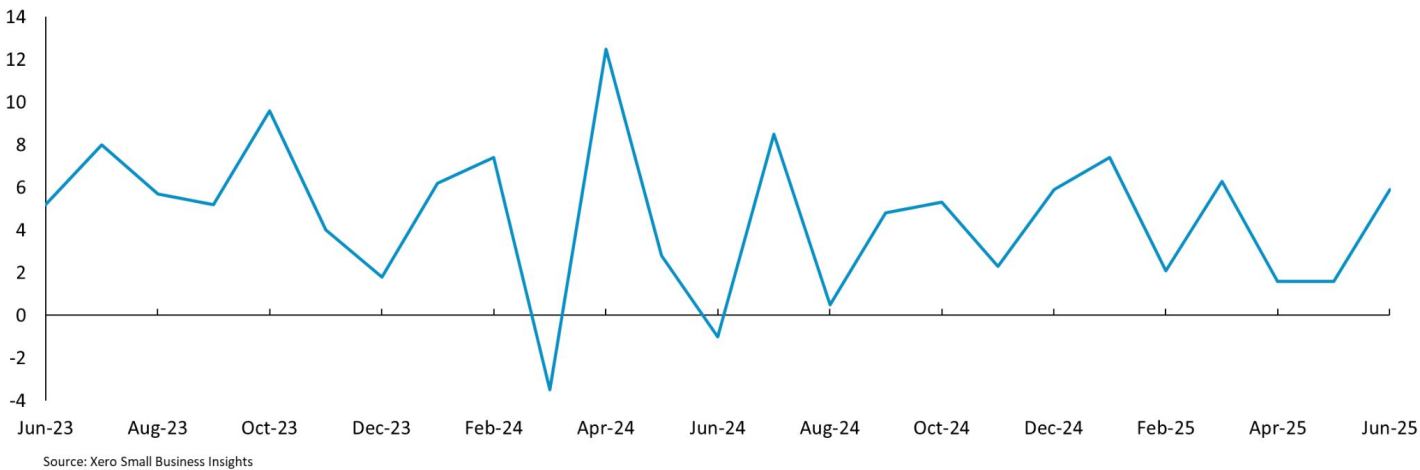
**Mar Quarter 2025**  
+5.3% y/y

**Jun Quarter 2025**  
+3.0% y/y

Xero Small Business Insights (XSBI) data for Australia shows sales growth was around 4-5% year-on-year in the second half of 2024 and in early 2025 but then slowed to just 3% y/y in the June quarter. While disappointing, sales have continued to grow despite elevated levels of uncertainty around the global and Australian economies.

**Sales in small businesses grew 3.0% year-on-year (y/y) in the June quarter, a slowdown from the 5.3% y/y growth in the March quarter and the 4.5% y/y growth in the December quarter 2024.** The June result is the smallest quarterly growth since 2020. The long term average growth rate for this series is 7.8% y/y, meaning even the earlier quarterly results were not strong by historical standards. After a solid start to the year in January (+7.4% y/y), sales only rose 2.1% y/y in February but were up 6.3% in March. This was possibly an initial response to the decision by the Reserve Bank of Australia (RBA) to start cutting the official interest rate in February. Sales were particularly soft again in April and May, growing only 1.6% y/y in each month, before picking up again in June (+5.9% y/y), a month after another interest rate cut by the RBA.

**Small business sales**  
%, year-on-year, monthly

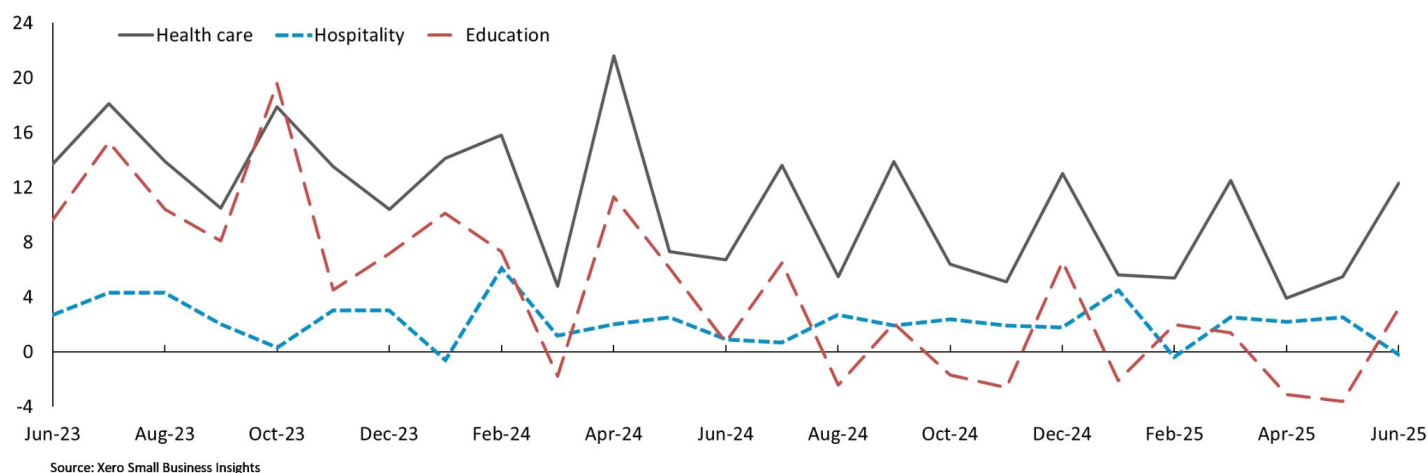


The **state-based results** show all States and Territories had a slowdown in sales growth in the June quarter, compared to the previous two quarters. This was particularly pronounced in Western Australia, where sales were 4.6% y/y in the June quarter compared to 7.5% y/y and 7.4% y/y in the previous two quarters respectively. Despite this cooling, Western Australia was still the strongest performing state in the June quarter, followed by Queensland (+4.2% y/y) and South Australia (+3.4% y/y). Sales growth in Victoria (+1.8% y/y), Tasmania (+1.4% y/y) and the Australian Capital Territory (+1.0% y/y) was below the national average in the June quarter.

The **industry results** highlight that those small businesses most closely linked to government spending continue to do well. Health care and social assistance grew at 7-8% y/y for the past three quarters and public administration recorded 7.9% y/y sales growth in the June quarter after double digit growth in the previous two quarters. In contrast, those sectors that are more dependent on household discretionary spending had a softer sales performance. Hospitality sales grew only 1.5% y/y in the June quarter, after only around 2% y/y in the previous two quarters. Agriculture (+1.9% y/y), manufacturing (+2.1% y/y) and transport (+2.2% y/y) all recorded sales performances below the national average in the June quarter. These sectors all have some exposure to international supply-chains and trade, which are currently facing elevated levels of uncertainty, which could have been a contributing factor to the below-national-average performance. Education (-1.2% y/y) was the softest sector likely due to ongoing declines in international students attending tertiary education in Australia.

### Small business sales by selected industry

%, year-on-year, monthly



### Uncertainty makes small business planning challenging

For small business owners, this data shows that recent months have been a little more challenging than they were in late 2024 and early 2025. In such circumstances it is more important than ever for small business owners to stay on top of cash flow, ensure they get paid as quickly as possible and keep an eye on costs.

A Xero commissioned poll<sup>1</sup> in June of 306 Australian small businesses suggests they are feeling reasonably positive about the future of their business, despite the current headwinds. Four in five of the businesses surveyed in June said they were positive about the future of their business. This was similar to the May survey results. When asked why they were feeling positive, the key reasons given were having more work available (38%), making more sales (34%) and having better cash flow (28%).

The outlook for Australian small businesses remains uncertain and business planning is difficult. On the one hand, the unemployment rate remains low and inflation is now within the RBA's 2-3% target band - making further interest rate cuts likely later this year. All these factors should support consumer spending in the period ahead and reduce loan repayments for small business owners. On the other hand, global economic growth expectations have been downgraded since the start of the year in response to changes in US trade policy. Direct impacts from US tariff policy on Australia are expected to be limited. The risk for Australia is what these tariffs do to the global economy, especially China. Any slowdown in global growth is likely to flow through the domestic economy and impact small businesses, even those not directly involved in exporting.

<sup>1</sup> All figures, unless otherwise stated, are from an online survey commissioned by Xero in June 2025. Responses are among small businesses in Australia (306), New Zealand (152), UK (600) and US (321). Options have been edited for readability.

# Additional details about Xero Small Business Insights

## About Xero

[Xero](#) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world.

## About Xero Small Business Insights

The aim of Xero Small Business Insights is to create insights to help inform decision makers in support of the small business economy as a whole. The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero is a responsible custodian of our customers sensitive data and does not release any data that could identify individual businesses. The data used is aggregated and anonymised to ensure the privacy of Xero subscribers, and their counterparts.

As part of the program, we publish regular blogs and research notes and deep-dive special reports on specific small business topics. These can all be found at [xero.com/xerosbi](https://xero.com/xerosbi).

## Methodology

Changes were made to the XSBI methodology in July 2025. This includes changing the definition used for a small business and the way we identify regional-based businesses. Full details of the new methodology used to construct Xero Small Business Insights can be found [here](#).

## Disclaimer

This report was prepared using Xero Small Business Insights data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used was anonymised and aggregated to ensure individual businesses can not be identified.