ELIMININATING OVERSPENDING

The State of SME Spend in Australia 2025

The landscape of SME expenditure is rapidly shifting as business owners respond to rising costs, evolving digital demands, and government policy changes.

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A Budgetly Whitepaper

Introduction

Small and Medium Enterprises (SMEs) are the backbone of the Australian economy, making up 99.8% of businesses and employing 68% of the national workforce. In 2025, the landscape of SME expenditure is rapidly shifting as business owners respond to rising costs, evolving digital demands, and government policy changes.

Key Spending Trends for Australian SMEs

1. Non-Capital Operational Spending Surges

- 91% of SMEs are prioritising non-capital operational spending for FY2025–26, motivated by concerns around tight profit margins, cash flow constraints, and elevated energy costs. (cfotech)

- Top areas for operational investment:
  - Employee upskilling: 35%
  - Hiring new staff: 31%
  - Product/service development: 23%
  - Marketing & advertising: 22%
  - Customer experience improvement: 16% (cfotech)

35%

Operational investment on employee up-skilling (35%) and hiring new staff (31%)

Key Spending Trends (cont...)

2. Non-Capital Operational Spending Surges

- 59% of SMEs intended to invest in their businesses in the first half of 2025. (scotpac)

- However, the reduction and uncertainty of the $20,000 instant asset write-off has caused many plans to stall or be reassessed, with previous changes immediately impacting 61% of SMEs and causing 20% to delay investment by 6–12 months. (scotpac)

- Technology and IT hardware remain top capital priorities (38% plan to invest), followed by office furniture (28%). (cfotech)

3. Cost Pressures Are Rising

- 89% of SMEs report increased business costs in the past year. (commbank)

- Leading contributors to rising costs:
  - Utility bills (electricity, phone, internet): 66% of SMEs
  - Supplier costs: 47%
  - Marketing expenses: 29%
  - Staff costs: 26%
  - Accounting software: 25%

38%

Plan to invest in Technology and IT Hardware

- Average cost increase: 10%, with 40% experiencing hikes above 10%. (commbank)

- The federal government extended energy bill rebates, giving over one million eligible SMEs up to $150 in quarterly rebates through 2025. (myob)

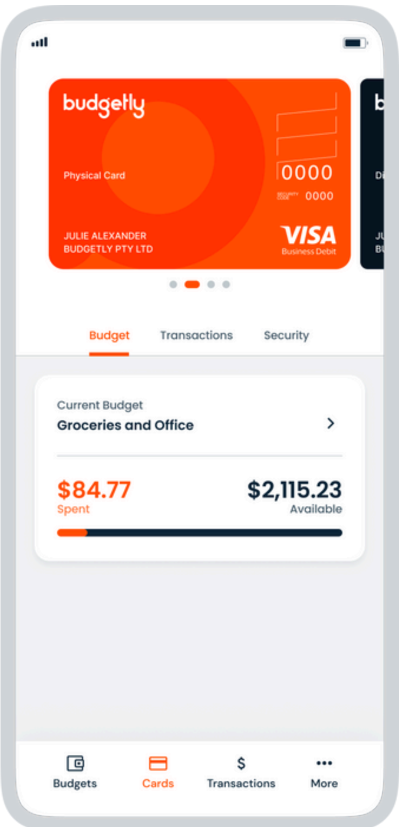
Key Spending Trends (cont...)

4. Digital Transformation & Sales Channels

- Only 56% of SMEs sell products/services online, with just 28% of revenue from online channels. (visa)
- Digital adoption remains a major opportunity and challenge, as online sales channels become increasingly important for growth and resilience.

Regional and Sector Highlights

- Sectors most affected by cost pressures: Production and Retail
- States experiencing the greatest impact: NSW/ACT and VIC/TAS report softening revenues and profitability, while WA continues to outperform. (fifthquadrant)
- Employment demand is easing, with job growth trends softening compared to last year, especially among smaller SMEs. (fifthquadrant)



Digital adoption remains a major opportunity and challenge, as online sales channels become increasingly important for growth and resilience.

What's Next for SME Spend?

SME sentiment is cautious but resilient.
Most owners are focused on stability, cost control, and non-capital investments to manage risk.

Capital investment is likely to remain subdued.
Unless policy supports (like instant asset write-offs) are extended or enhanced.

Energy rebates and targeted support programs are welcomed.
However, it may not offset broader cost-of-living increases.

SME Investment and Spending Priorities

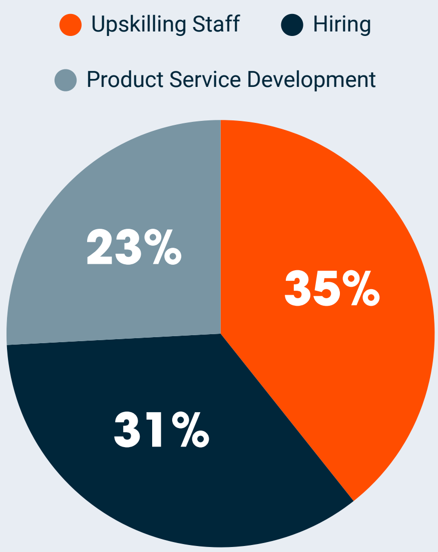
91% SMEs prioritising non-capital spending

59% SMEs planning business investment

10% average yearly cost increases

56% SMEs selling online

Top Non-Capital Spend Priorities



Conclusion

Australian SMEs are adapting quickly, shifting focus to operational resilience, workforce capability, and incremental innovation. Strategic spending in 2025—advantaged by government support and careful management—will determine which SMEs thrive amid rising costs and ongoing economic uncertainty.

All stats and insights in this eBook are backed by recent studies from Small Business Loans Australia, CommBank, ScotPac, MYOB, Treasury, and Visa.

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2. https://www.visa.com.au/dam/VCOM/regional/ap/australia/global-elements/Documents/digital-transformation-of-smes.pdf
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