

Visa Business and Economic Insights

Entrepreneurship and productivity in Australia's small businesses



Key Points:



Outer metro suburbs of capital cities are well poised to become future 'small business hubs'.



Australia's service sector offers more opportunities for small businesses compared with retail.

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Small businesses are important to the Australian economy. They contribute about a third of the nation's GDP¹ and play a key role in fostering jobs and innovation.

Small businesses have an important role to play in boosting Australia's productivity growth, which has become a key concern in recent times. Entry of new businesses boosts market competition, spurring growth and innovation, which in turn enables small enterprises to mature into large operations. This generates employment opportunities and drives private investment for the country.

Understanding the market entry and growth conditions for these business is crucial for governments and policymakers to be able to foster further business growth and confidence.

Using anonymised transaction data from VisaNet, we have studied the commercial landscape across Australia's 88 Statistical Area Level 4 (SA4) regions, to conclude that small businesses grew year on year in 2024 in both number and turnover. However, there appear to be disparities in their performance based on location and industry.

For this analysis, we have defined small businesses as those reporting between the first 0-10% of Visa transactions by aggregated payment volume. By tracking transaction volumes over a 12-month period, we assessed patterns of business activity around the country — from bustling inner-city districts to remote outback communities.

Location plays a big factor in the success of any business venture.

Proximity to a big commercial hub, a bustling city or a popular tourist destination can boost turnover, and access to skilled labour and established infrastructure can encourage entrepreneurship. In fact, 69%² of Australia's small businesses are in capital city areas, however, their economic importance is relatively higher in regional communities. This highlights the need to explore ways to boost opportunities for small businesses outside of the capital cities.

The vitality of small businesses is not uniform across the length and breadth of Australia. To better understand these geographic disparities, we have classified the 88 SA4 regions into four distinct quadrants based on two parameters:

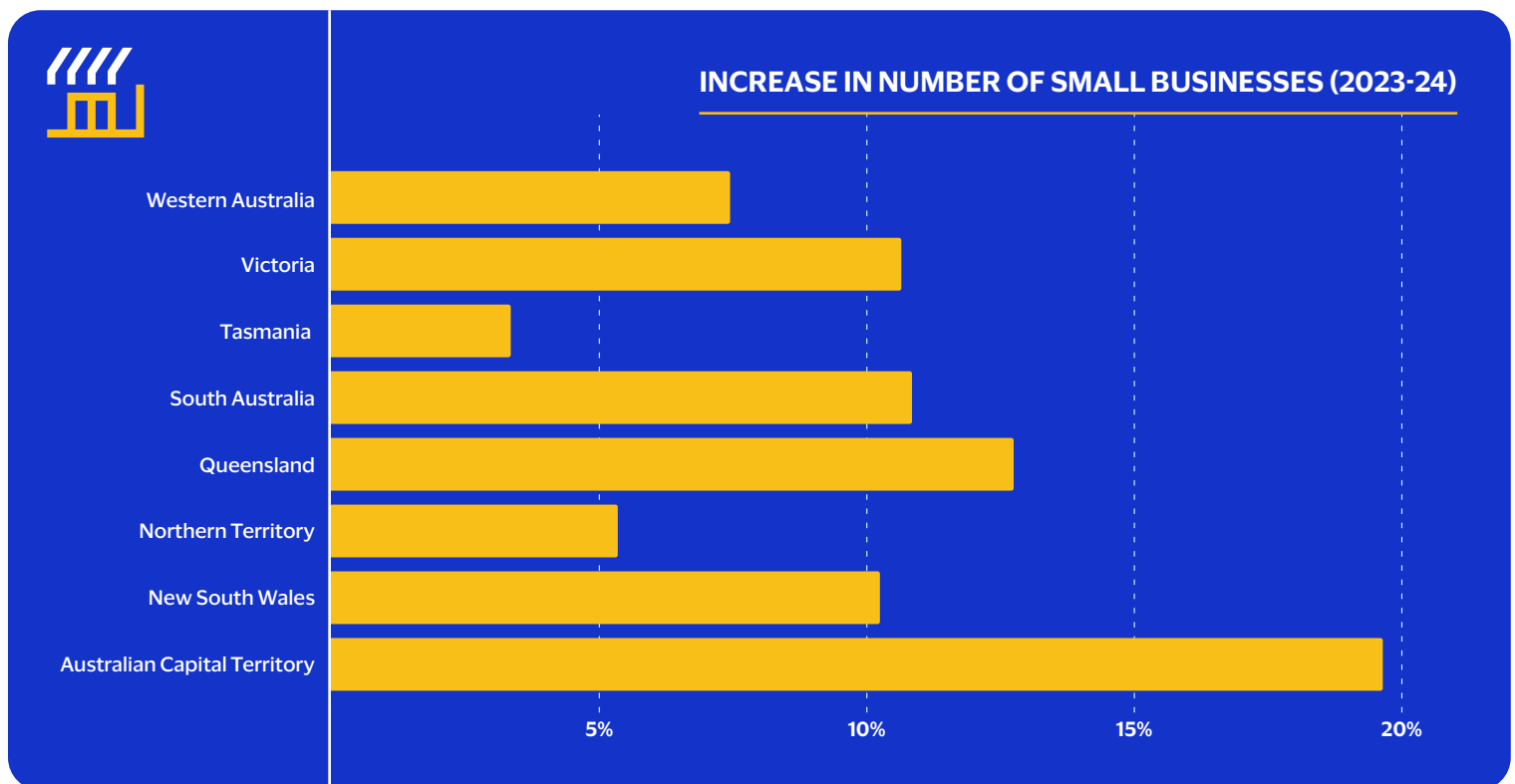
**Business growth:**

A measure of current business opportunity and economic momentum, calculated as the percentage change in payment volumes over a 12-month period.

**Level of entrepreneurship:**

A measure of the ease of doing business, calculated as the share of newly created small businesses relative to the existing base over a 12-month period.

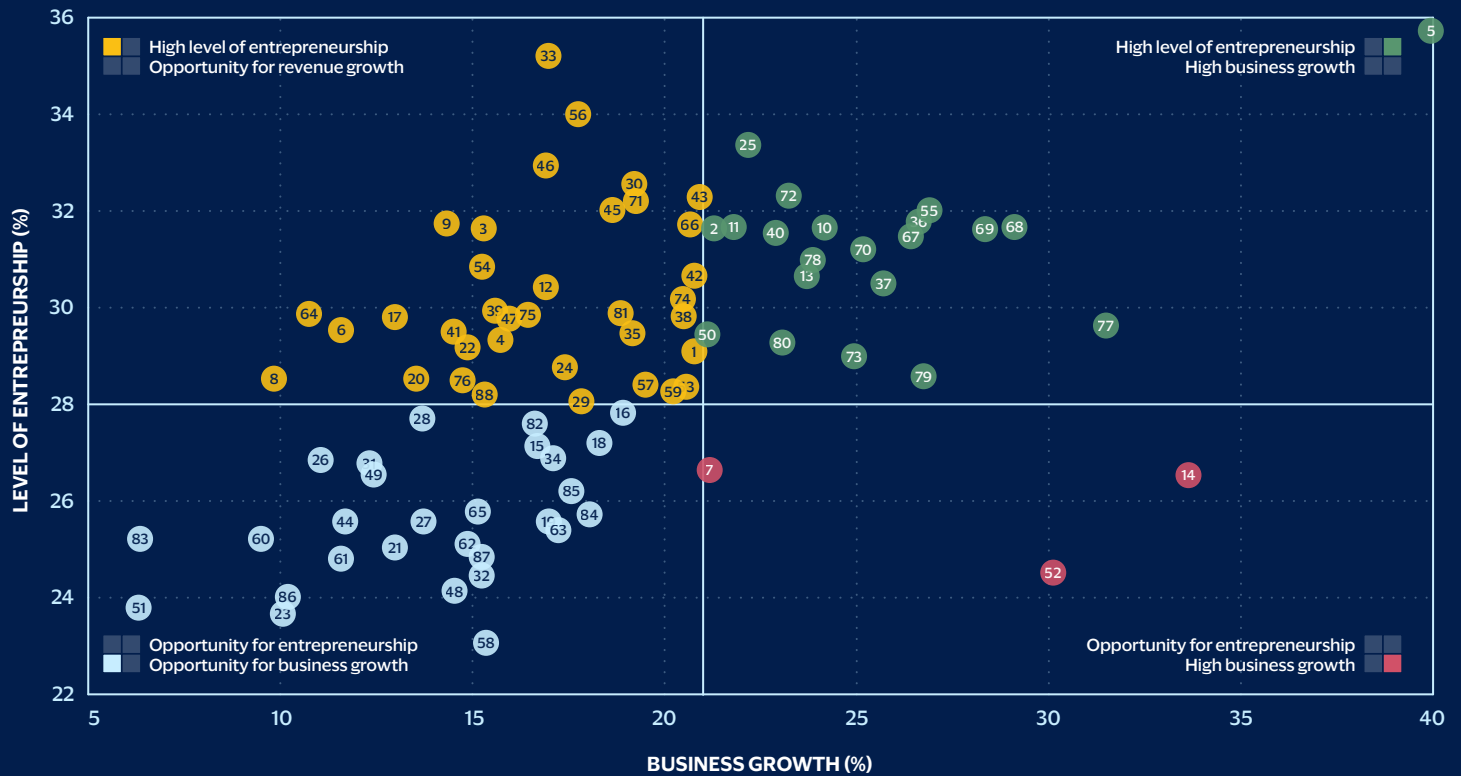
Fig. 1: How Australian states stack up on business opportunities



Source: Visa Business and Economic Insights analysis of VisaNet data

Note: We have defined small businesses as those reporting between the first 0-10% of Visa's transactions by aggregated payment volume

Fig. 2: Small businesses thrive in capital cities and tourist hubs, while metro suburbs hold maximum potential for growth



- | | | | |
|--------------------------------|--------------------------------|---|---|
| 1 Adelaide - Central and Hills | 24 Geelong | 47 Mornington Peninsula | 69 Sydney - City and Inner South |
| 2 Adelaide - North | 25 Gold Coast | 48 Murray | 70 Sydney - Eastern Suburbs |
| 3 Adelaide - South | 26 Hobart | 49 New England and North West | 71 Sydney - Inner South West |
| 4 Adelaide - West | 27 Hume | 50 Newcastle and Lake Macquarie | 72 Sydney - Inner West |
| 5 Australian Capital Territory | 28 Hunter Valley exc Newcastle | 51 North West | 73 Sydney - North Sydney and Hornsby |
| 6 Ballarat | 29 Illawarra | 52 Northern Territory - Outback | 74 Sydney - Northern Beaches |
| 7 Barossa - Yorke - Mid North | 30 Ipswich | 53 Perth - Inner | 75 Sydney - Outer South West |
| 8 Bendigo | 31 Latrobe - Gippsland | 54 Perth - North East | 76 Sydney - Outer West and Blue Mountains |
| 9 Brisbane - East | 32 Launceston and North East | 55 Perth - North West | 77 Sydney - Parramatta |
| 10 Brisbane - North | 33 Logan - Beaudesert | 56 Perth - South East | 78 Sydney - Ryde |
| 11 Brisbane - South | 34 Mackay - Isaac - Whitsunday | 57 Perth - South West | 79 Sydney - South West |
| 12 Brisbane - West | 35 Mandurah | 58 Queensland - Outback | 80 Sydney - Sutherland |
| 13 Brisbane Inner City | 36 Melbourne - Inner | 59 Richmond - Tweed | 81 Toowoomba |
| 14 Bunbury | 37 Melbourne - Inner East | 60 Riverina | 82 Townsville |
| 15 Cairns | 38 Melbourne - Inner South | 61 Shepparton | 83 Warrnambool and South West |
| 16 Capital Region | 39 Melbourne - North East | 62 South Australia - Outback | 84 West and North West |
| 17 Central Coast | 40 Melbourne - North West | 63 South Australia - South East | 85 Western Australia - Outback (North) |
| 18 Central Queensland | 41 Melbourne - Outer East | 64 South East | 86 Western Australia - Outback (South) |
| 19 Central West | 42 Melbourne - South East | 65 Southern Highlands and Shoalhaven | 87 Western Australia - Wheat Belt |
| 20 Coffs Harbour - Grafton | 43 Melbourne - West | 66 Sunshine Coast | 88 Wide Bay |
| 21 Darling Downs - Maranoa | 44 Mid North Coast | 67 Sydney - Baulkham Hills and Hawkesbury | |
| 22 Darwin | 45 Moreton Bay - North | 68 Sydney - Blacktown | |
| 23 Far West and Orana | 46 Moreton Bay - South | | |

Source: Visa Business and Economic Insights analysis of VisaNet data

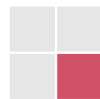


Mapping each region against these two dimensions — business growth and level of entrepreneurship — enables us to pinpoint where business ecosystems are thriving and where they are under pressure. Based on this approach, we came up with **four categories**:



Quadrant 1: High level of entrepreneurship High business growth

These are Australia's small business hotspots, characterised by both a thriving business community and a high level of new venture creation. These regions predominantly include capital cities and their suburbs, such as Sydney City & Inner South, Parramatta, Brisbane Inner City and Perth North West. This quadrant also includes major tourist hubs, such as the Gold Coast and Sunshine Coast (Queensland), where small businesses primarily offer a variety of retail services and goods. Notably, Queensland, which houses some of the country's most popular tourist hubs, also boasts the second-highest share in this category, following New South Wales (NSW). NSW's position as the financial and professional services hub and tourist destination provides ample economic opportunities.



Quadrant 2: Opportunity for entrepreneurship High business growth

This includes regions in predominantly agricultural, farm and mining belts, such as Bunbury in Western Australia and the Northern Territory Outback. High market concentration bodes well for revenue growth, especially in sectors like food and grocery stores, healthcare services and restaurants. However, overall low population density, remote locations and lack of a diversified economy create barriers to entrepreneurship which, if unlocked, could generate a more dynamic and thriving business ecosystem.



Quadrant 3:

High level of entrepreneurship Opportunity for revenue growth

In this quadrant, which includes many regions in outer metropolitan suburbs of capital cities like Sydney, Adelaide, Perth and Melbourne, a lot of new businesses are formed but they grow at rates lower than the national average, suggesting there are opportunities for broad-based acceleration in growth if success factors can be implemented.

The high rate of new business creation in these areas is likely driven by several factors. The presence of a large number of professional services companies among the small businesses in these regions underlines the benefit of proximity to Australia's commercial hubs. Access to a skilled workforce and a diverse consumer base are further contributors. These are the regions that we assess to hold the most opportunity for further growth in business productivity and should be a key focus for policymakers. Innovation incubators, where not already in place, or availability of best-practice training for new entrepreneurs could help transform these regions into the top performers of the future.

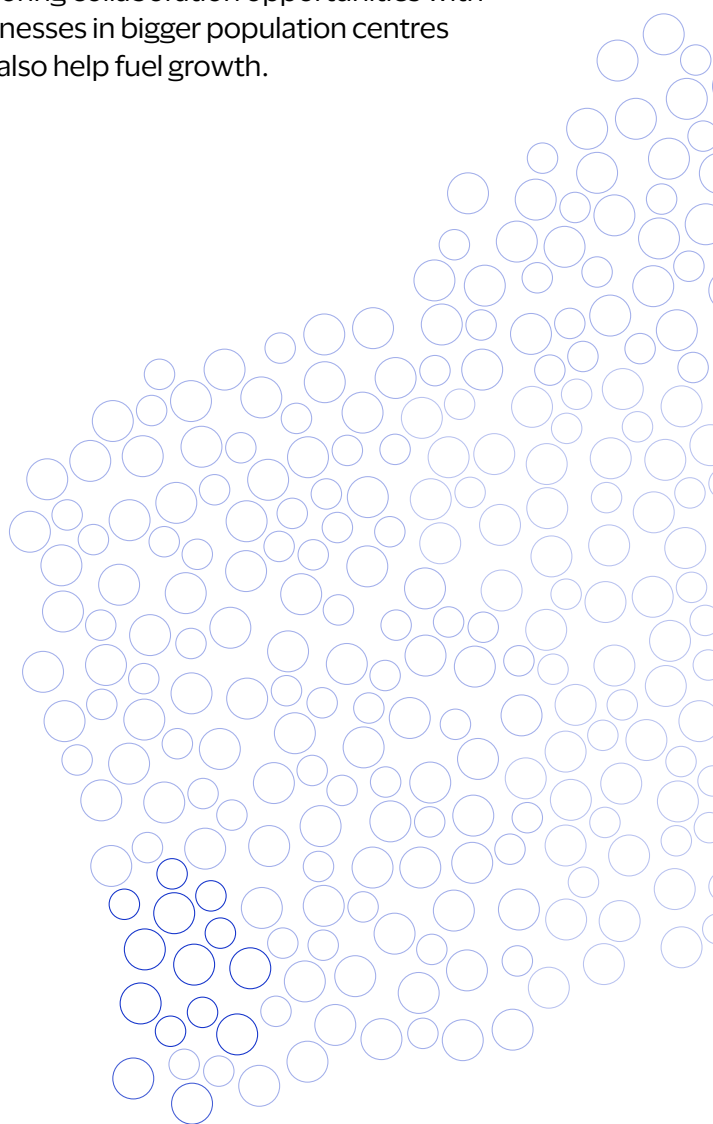


Quadrant 4:

Opportunity for entrepreneurship Opportunity for business growth

This category mostly includes smaller regional hubs, such as Hobart and large sections of Australia's outback territories. These are primarily remote and sparsely-populated areas, with agriculture-dependent regional economies that often lack diverse consumer bases.

In these areas, focusing on technology to drive market access and innovation, with a focus on e-commerce, could boost opportunities. Exploring collaboration opportunities with businesses in bigger population centres can also help fuel growth.





Small businesses face competition from market leaders in retail, but thrive in the service industry

Beyond geography, business opportunities are heavily influenced by industry structure.

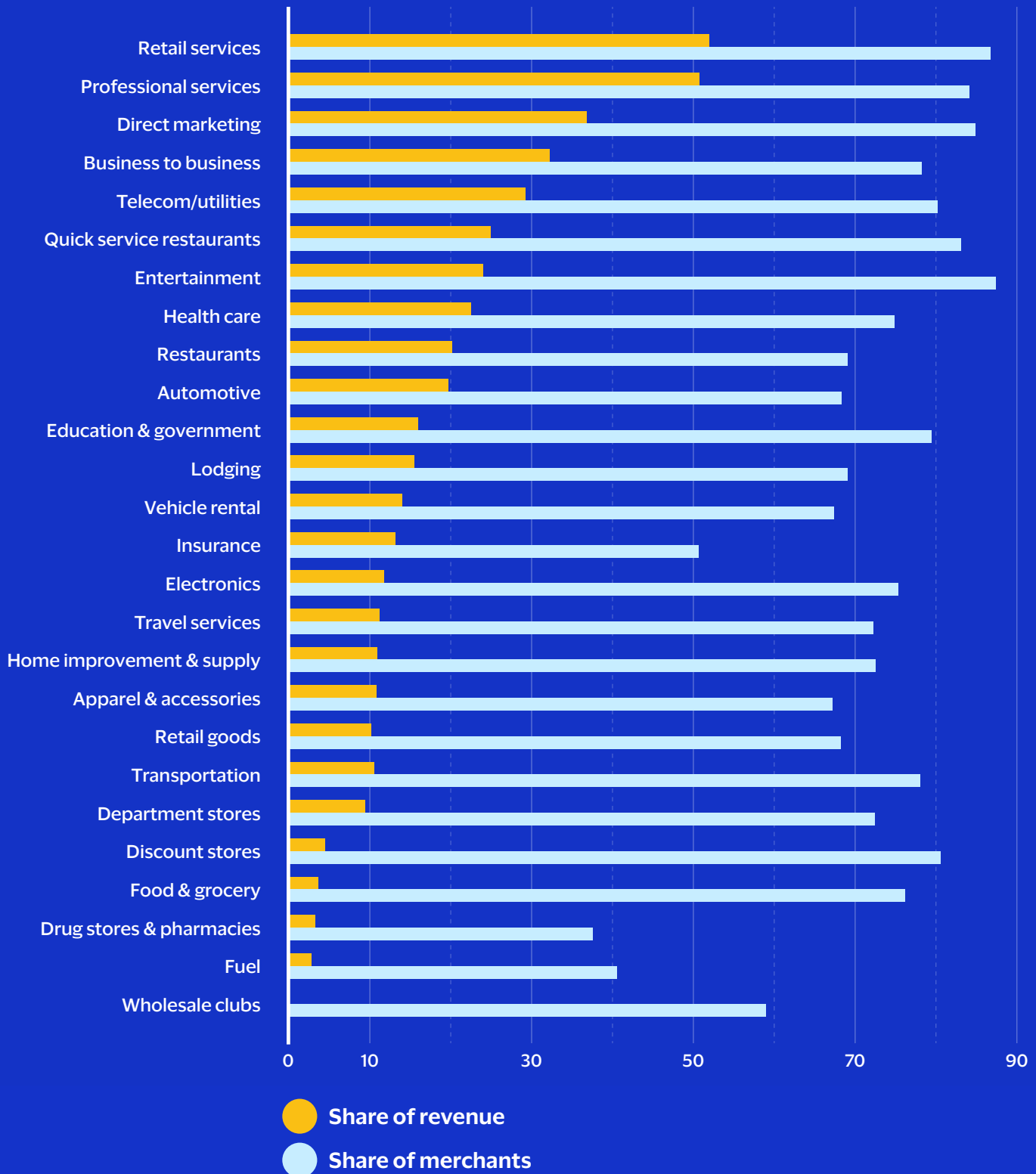
Visa's research reveals some clear patterns when studying the sectoral breakdown of these businesses. Small businesses dominate certain sectors, not only in terms of number, but also share of industry revenue.

We note this primarily in services-focused sectors, such as restaurants, lodging, retail services and professional services. Small businesses dominate in both sheer numbers and their collective share of industry revenue. For example, for retail and professional services, small businesses account for about 50% of total revenue, and over 80% of the total number of businesses. Their success in these fields could be driven by localised service differentiation, enabled by building personal, long-term relationships with customers, that larger companies would struggle to replicate.

The dominance of small businesses in the services sector is in line with the wider economy, with services accounting for nearly 70% of Australia's GDP, but a minor share of its exports³. This also partly explains why the country's small businesses do not enjoy a big share of cross-border trade.

In contrast, retail sectors, such as apparel, automotive, food, and grocery, as well as healthcare feature many small businesses that collectively command only a small portion of the industry's revenue. For example, they account for less than 4% of the food and grocery market, despite accounting for over 75% of total businesses.

Fig. 3: Small businesses have higher market dominance in the services sector



Australian small businesses are in line with APAC peers in e-commerce adoption, but behind in exploiting international sales

This contrasts with Australia's regional neighbours, where grocery, department stores, and other retail formats often account for a bigger share of small business revenue. In these sectors in Australia, small businesses are more likely to focus on niche areas or specialised offerings to avoid direct price competition with chain stores.

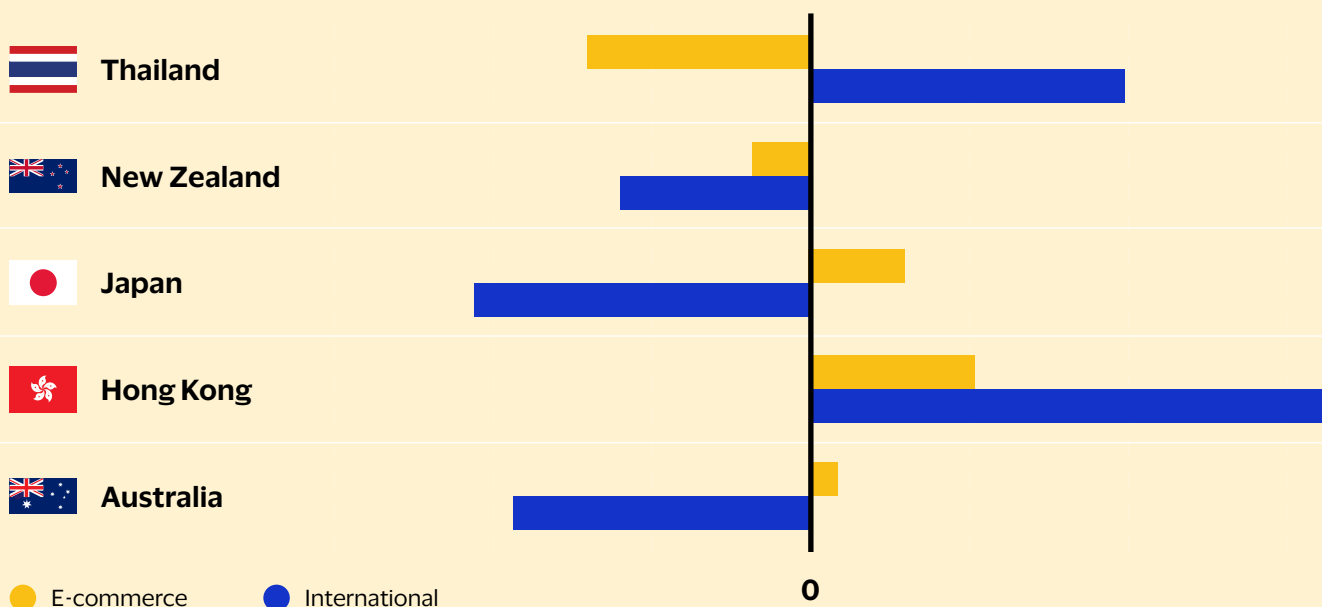
Small businesses are often champions of technological adoption. That holds true for Australia, with the sector having benefited from digital adoption to generate e-commerce revenue.

This is in line with what we see in other regional like Thailand and Hong Kong. However, Australian businesses enjoy a much smaller share of international revenue compared with Thailand and Hong Kong, which are big tourist hubs, although higher than Japan.

This highlights an untapped opportunity for Australian businesses to expand their reach and access new international markets.

Fig. 4: How Australian businesses compare with regional peers

Share of international and e-commerce revenue above or below five-country average (percentage points)



Source: Visa Business and Economic Insights analysis of VisaNet data

Australia's small businesses are vital engines of productivity and employment, with outer metro suburbs showcasing significant potential for growth.

Where not already in place, prioritising targeted investments in infrastructure, digital connectivity and entrepreneurship training as well as industry collaboration and cross-border commerce can help maximise opportunities.

Footnotes

1. Small Business Matters (June 2023), Australian Small Business and Family Enterprise Ombudsman.
Derived from <https://www.asbfeo.gov.au/sites/default/files/2025-08/Small%20Business%20Matters.pdf>
2. Location of Australia's small businesses (2024), Australian Small Business and Family Enterprise Ombudsman
Derived from <https://tinyurl.com/ys9whdsb>
3. Experimental Gross Regional Product estimates, Australian Government (2024).
Derived from <https://my.oxfordeconomics.com/reports/b108a4A1Ae354C6E989078/AustraliaActivityise?searchHighlight=Australia#b108a4A1Ae354C6E989078:AustraliaActivityise:Background:Economicdevelopment>

Accessibility notes

Fig. 1: This horizontal bar chart compares the percentage increase in the number of small businesses across eight Australian states and territories for the period 2023–24. Each state and territory is represented by a yellow bar, with the length of the bar corresponding to the percentage increase. The states and territories included, from top to bottom, are: Western Australia, Victoria, Tasmania, South Australia, Queensland, Northern Territory, New South Wales, and Australian Capital Territory. The chart highlights uneven business opportunities across the states and territories.

Fig. 2: This scatter plot categorises Australian regions based on two dimensions: new business creation (y-axis) and revenue growth (x-axis) for small businesses. Each region is represented by a coloured data point, with the colour indicating its quadrant classification: green : high small business formation and high revenue growth; yellow : high business formation but low revenue growth; red : low business formation but high revenue growth; and blue : low business formation and low revenue growth.

Fig. 3: This bar chart compares the share of revenue and share of businesses across 26 service and retail sectors in Australia, highlighting the strength or weakness of small businesses across different industries. Each sector is represented by clustered bars : one for revenue share and one for business share. The chart also uses dark blue icons to distinguish sectors with high number of businesses and either high or low revenue shares.

Fig. 4: This bar chart compares the performance of small businesses in five countries — Australia, Hong Kong, Japan, New Zealand, and Thailand—on two metrics: share of cross-border revenue and share of e-commerce revenue, relative to the five-country average. Each country is represented by two bars, which indicate how far above or below the average each country ranks, measured in percentage points.

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