AMP Bank GO Small Business Cost Pressure Index

August 2026

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Director, AMP Bank GO

Small businesses are walking a tightrope between rising costs and price-sensitive customers

Small businesses are part of the fabric of Australian life.

They are the café that knows your order, the local hairdresser, the tradie who turns up when something breaks, the independent retailer, the family-run service provider and the side hustle that becomes someone's livelihood.

They also sit at the centre of our economy. With more than 2.7 million small businesses in Australia, and close to one million of these providing jobs[1] – they create jobs, keep local communities moving, back households and bring competition, convenience and character to our suburbs and towns.

But small business owners are caught in the middle.

They face customers who are under cost-of-living pressures and understandably sensitive to price rises. At the same time, they are dealing with higher wages, rent, energy, insurance, fuel, supplies, finance, payments and compliance costs.

Small businesses want to keep their customers happy. But for many already walking a razor thin margin tightrope, the reality is that raising or holding prices can be the difference between survival or having to close their doors.

It's why AMP Bank GO has created the Small Business Cost Pressure Index.

We want to shine a light on the significant and often non-negotiable cost pressures small businesses are managing behind the scenes. To help everyday consumers better understand that behind each cost increase, whether it is a slightly dearer coffee, haircut, repair bill or call-out fee, is a business owner grappling with a growing cost stack.

This report tracks how those pressures have changed since the start of the COVID pandemic and highlights why Australia's small business community needs practical support and better tools to keep doing what they do best.

1. ASBFEO Small Business Data Portal, June 2025, https://www.asbfeo.gov.au/small-business-data-portal/number-small-businesses-australia

+24.6%

increase since the start of COVID

AMP Bank GO's Small Business Cost Pressure Index shows key small business costs have risen by almost 25 per cent since the start of COVID – and are forecast to rise further as pressures continue.

The headline index (cont.)

AMP Bank GO's inaugural **Small Business Cost Pressure Index** shows the weighted cost of keeping a small business open has risen sharply since the start of COVID.

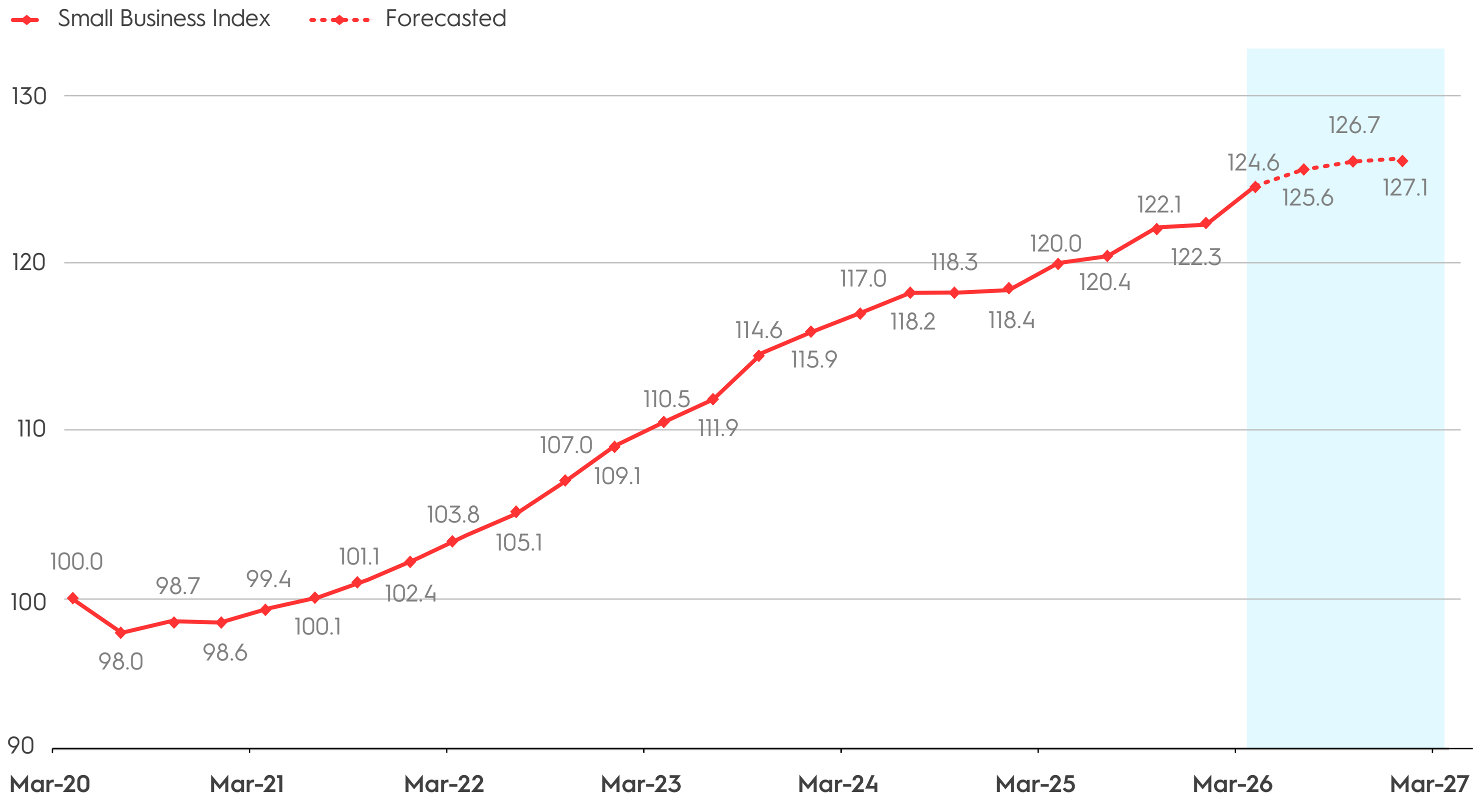
The Index is set at **100 in March quarter 2020**.

By the **March quarter 2026**, the Index had risen to **124.6**.

A forecast scenario applying updated wage assumptions lifts the Index to **127.1 by December quarter 2026**.

> The Small Business Cost Pressure Index figure applies weightings determined by AMP's Economists to give a truer representation of how these costs may apply to a small business. Some inputs represent a larger share of an owner's cost base than others.
>
> The weightings are broadly indicative, recognising that different businesses will have different mixes of cost pressures.

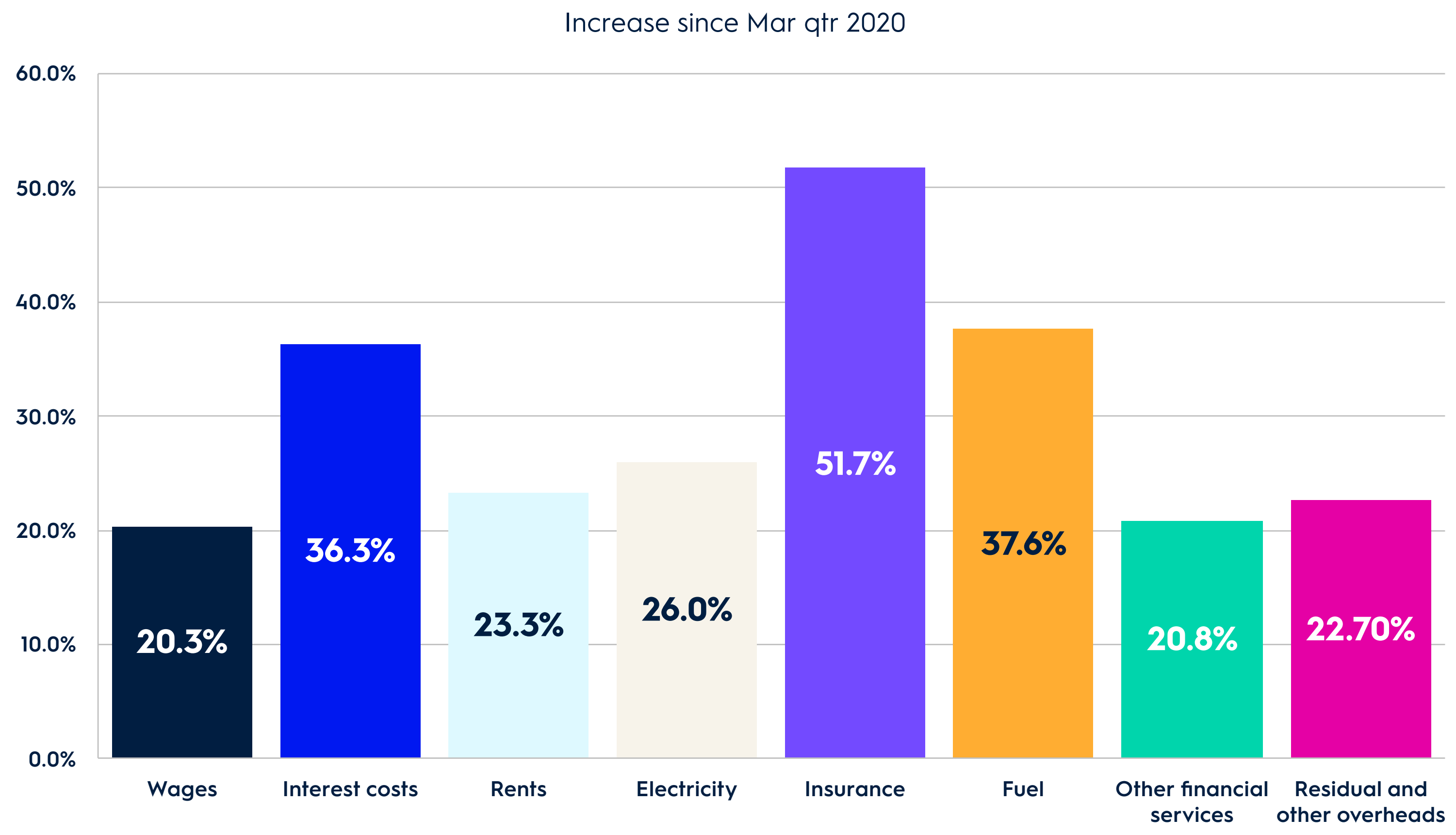
Key small business costs are up almost 25% since March 2020



Key cost drivers

Insurance, fuel and interest costs have led the post-COVID cost surge.

The figures across the eight cost categories in this graph are are displayed with equal weightings to show the real costs to each and how they have changed over time.



What the Index measures

The Index tracks major operating costs that matter to many Australian small businesses.

Small businesses do not spend equally on every cost.

For many small businesses, especially labour-reliant businesses such as cafés, salons, trades and services, wages are the largest single cost. That is why the Index applies the highest weight to wages.

It shows that even when fast-rising costs such as insurance and fuel are given more proportionate weights, the cost of running a small business has still risen materially since COVID.

> Wages account for 50% of the Index weighting – more than any other single cost.

Cost Weightings

Wages	50%
Interest	5%
Rents	11%
Electricity	5%
Insurance	5%
Fuel	7%
Other Financial Services	7%
Residual/Other overheads	11%

What the Index is – and what it is not

What it is	What it is not
The Small Business Cost Pressure Index is a directional measure of operating cost pressure across a representative basket of small business expenses.	The Index is not a complete picture of every small business.
It is designed to show how the cost of running a small business has changed since the start of COVID.	Industry specific – it does not assume all small businesses face the same cost profile. It does not capture administrative burden, staff shortages, regulatory complexity or the mental load of running a business.
It helps explain why small business owners may feel squeezed even when headline inflation moderates.	A measure of consumer inflation or a substitute for the Consumer Price Index (CPI).
It gives customers, policymakers and the broader community a way to understand what sits behind everyday price rises.	A recommendation that all costs should be passed on to customers.

The events behind the cost increases

2020

COVID shock and disruption

Lockdowns, trading restrictions and shifts in demand disrupted small business revenue and operations. Some cost lines softened temporarily, but many businesses faced volatile trading and uncertainty.

2021

Reopening pressures and supply-chain disruption

As the economy reopened, supply constraints, freight costs, skills shortages and changing consumer behaviour began feeding into business costs.

2022

Fuel, energy and global commodity shock

Russia's invasion of Ukraine contributed to global energy and fuel volatility and Australia's domestic supply challenges. For small businesses, this flowed through to transport, delivery, supplier and input costs.

2022-2023

Floods, natural disasters and insurance pressure

Major natural disasters, higher claims costs, reinsurance pressure, reconstruction costs and supply shortages contributed to a sharp rise in insurance premiums.

2023-2024

Rent, wages and energy pressure

A tight labour market, higher award wages, elevated energy costs and higher occupancy costs increased pressure on service-based businesses.

2025-2026

Sticky costs and renewed wage pressure

Some cost pressures moderated, but insurance, rent, fuel and energy remained elevated. From 1 July 2026, the 4.75% minimum and award wage increase adds a further cost pressure for many employers.

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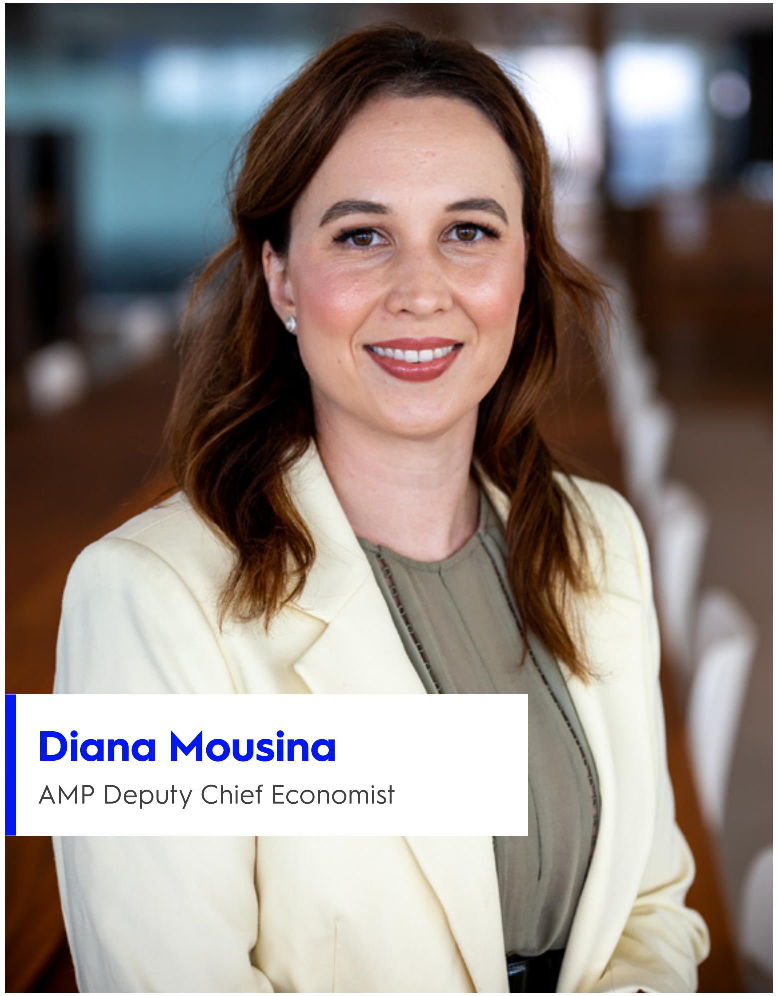

Diana Mousina

AMP Deputy Chief Economist

The success of our small businesses will be critical to meeting Australia's productivity challenge

The macroeconomic backdrop for small businesses is mixed in Australia.

There have already been numerous headwinds in 2026: high fuel prices due to tensions in the Middle East, a number of interest rate increases from the Reserve Bank of Australia, elevated across-the-board inflation and uneasiness over Labor's legislated tax changes.

Some of these issues will abate in the second half of the year – fuel prices have fallen a lot and the government announced additional small business tax carveouts around capital gains tax changes. Permanent instant asset write offs in the Federal Budget will also provide a boost for small business. Inflation is also slowing, but not fast enough which does mean a high chance of further interest rate increases this year which will keep consumer spending constrained.

Broadly speaking, the cost-of-living challenge for consumers looks better in 2026, with wages growth catching up to inflation. However, there is now some concern that slowing wealth from a moderation in home prices (from interest rate increases, expensive homes impacting affordability and reduced investor demand from the budget changes) will depress consumer spending and therefore demand for goods and services provided by small business.

Other parts of the economy look better – business investment, related to data centres, is strong, export growth is solid thanks to decent growth in our major trading partners and whilst government spending is slowing, it is still positive. The economy is diverse and weakness in one sector is able to be offset by growth in others.

Australia's biggest challenge in coming years will be to increase productivity growth, which has been very low in the last decade. A lift in productivity will help to lift living standards in Australia, increase real wages growth and allow the economy to grow without generating too much unwanted inflation. The success of our small businesses will be critical to meeting this productivity challenge.

“

The reality is that many cafés and restaurants are already operating on tight margins. Every additional cost matters. When you’re dealing with rising wages, utilities, and supplier costs all at the same time – every extra dollar is money that could help keep a local business growing and employing people.”

At a time when many cafés are struggling to stay viable, greater transparency and competition would make a real difference.”

Gerard Barios – Don Adán Coffee

“

For the first time since we launched, our business has seen a decline in sales. Not because we’re working less or trying less, but because Australians are hurting and watching every dollar they spend.”

At the same time, our costs keep rising. Wages, super, freight, insurance, electricity and payment processing fees are all going up, while customers have less money to spend. Small businesses aren’t asking for special treatment – we’re asking for a fair chance to compete.”

**Abby Wilson –
Dust and Bullets Western**

"

Being a small business owner is one of the most rewarding things I've ever done, but it's also one of the hardest.

The challenge isn't one big cost increase – it's that everything keeps going up at once. Insurance, utilities, stock, council rates, permits, licence renewals and merchant fees. Every year there seems to be another bill getting more expensive.

For a long time, I resisted raising prices because I didn't want to lose customers, but eventually we had no choice. It was a dollar here and a dollar there, simply to keep pace with rising costs.

We're a family business and every spare dollar goes back into keeping the doors open. There have been many moments where I've wondered how much more we can take. There have been times where I've stopped paying myself super because cash flow simply wouldn't allow it. That's the reality for many small business owners trying to stay afloat in the current environment.

Julia Perri – La Pizzeria Italiana

“Wages, insurance and operating costs continue to rise, but in a small coastal town there’s only so much you can charge before customers start looking elsewhere. Small businesses are being squeezed from both directions – our costs keep increasing, but our ability to pass those costs on is limited.

A decade ago, salon retail was a meaningful part of the business. Selling three to six products a day was normal. Today, you’re lucky to sell that in a week because more customers are buying online or through discounted major retailers.

We’re facing rising costs at the same time as growing competition for every dollar consumers spend. That’s making it harder for small businesses to maintain profitability, even when demand for our services remains strong.”

Stephanie Weel –
Bonnni and Clyde hair salon

“I’ve been building on the Northern Beaches for 30 years and I cannot remember it ever being this bad. I hired a first-year apprentice earlier this year, within weeks the jobs were cancelled, and I had to let him go almost straight away. In three decades, I’ve never had to do that.”

Stef van den Berg – Builder

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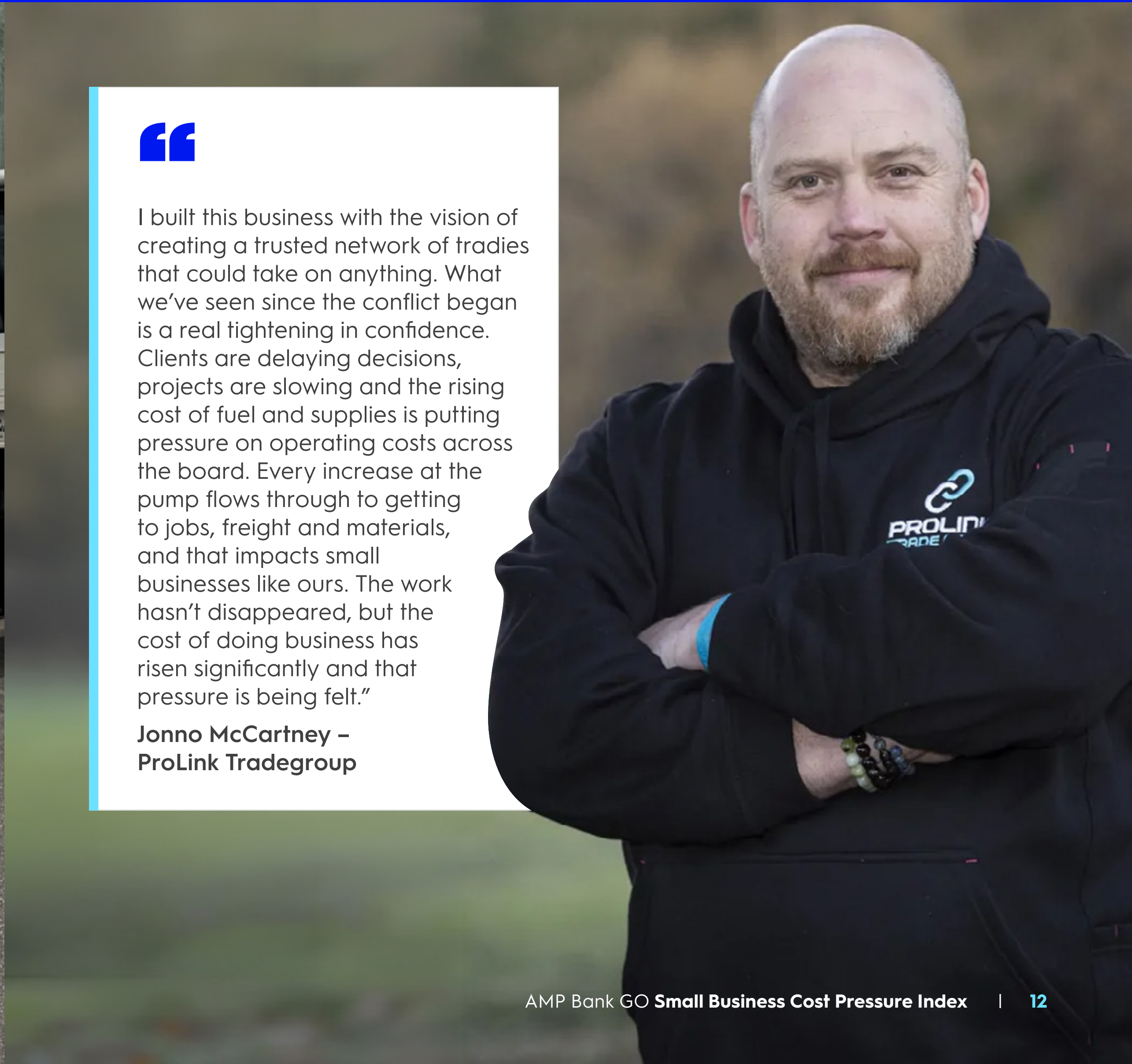
> I took on a second apprentice in January because I had the work. Since then, four of my five big jobs have been shelved. Now I'm surviving on whatever's left - the small jobs with no profit - while fuel costs and two interest rate rises have hit at the same time. It's only going to get worse."
>
> **Justin Bartlett – Quick Plumbing Solutions**



> I built this business with the vision of creating a trusted network of tradies that could take on anything. What we've seen since the conflict began is a real tightening in confidence. Clients are delaying decisions, projects are slowing and the rising cost of fuel and supplies is putting pressure on operating costs across the board. Every increase at the pump flows through to getting to jobs, freight and materials, and that impacts small businesses like ours. The work hasn't disappeared, but the cost of doing business has risen significantly and that pressure is being felt."
>
> **Jonno McCartney – ProLink Tradegroup**

The small business reality

“Retail is just so tough at the moment. Overhead costs are bigger than they've ever been. Rent, staff, super, importing. The exchange rate alone has made buying product genuinely painful.

And all of that's happening while foot traffic is unpredictable and customers are being careful with their spending, which is completely understandable but hard to absorb when your fixed costs don't move.

Running an independent homewares store in a regional town like Yass means you don't have the safety net of foot traffic from a shopping centre. Every sale matters. You're also competing with online, which doesn't carry any of the same costs. It's not all doom. There's real loyalty here and people who genuinely want to shop local. But the margins are tight and the pressure is constant.”

Margot Shannon – Merchant Campbell

The small business reality

AMP Bank GO

> “Like many small businesses, we’ve seen a steady increase in wages, super, insurance and compliance costs over recent years. The challenge is that those costs continue to rise while the rates many tradespeople can charge haven’t kept pace.
>
> Wages, superannuation, insurance, WorkCover and compliance costs have all increased significantly, but many trades are still under pressure to keep rates low. It’s becoming harder for quality operators to make the numbers stack up.
>
> One of the biggest challenges facing bricklaying businesses right now is the growing gap between what it costs to run a professional trade business and what the market is prepared to pay for skilled workmanship.
>
> What concerns me most is the number of experienced tradespeople leaving the industry. They’re not walking away because they don’t enjoy the work – they’re leaving because the financial rewards no longer match the risks and responsibilities of running a business.”
>
> **Tara Amuso – DA Bricklaying, DAT Tools & Team Amuso**

The small business reality

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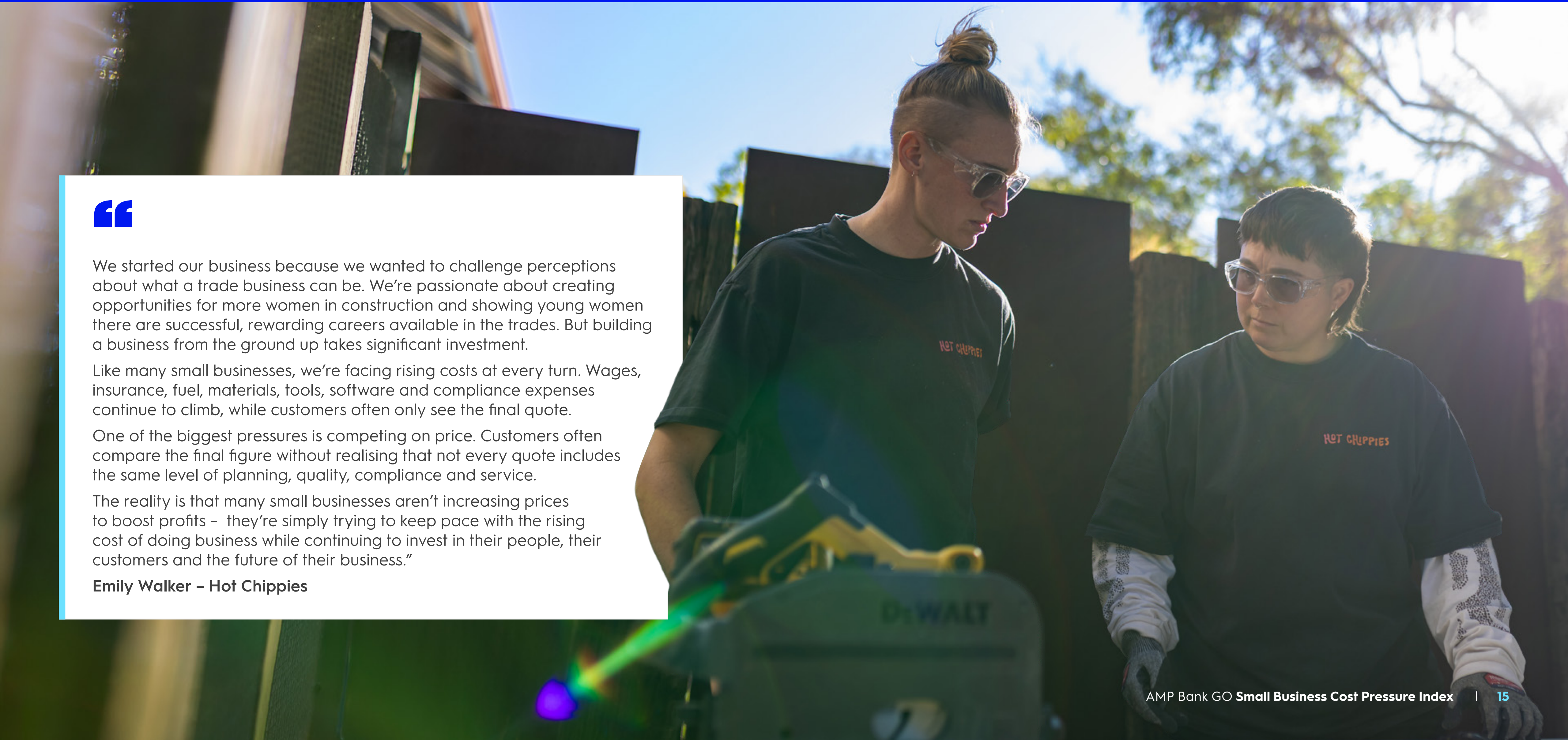

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We started our business because we wanted to challenge perceptions about what a trade business can be. We’re passionate about creating opportunities for more women in construction and showing young women there are successful, rewarding careers available in the trades. But building a business from the ground up takes significant investment.

Like many small businesses, we’re facing rising costs at every turn. Wages, insurance, fuel, materials, tools, software and compliance expenses continue to climb, while customers often only see the final quote.

One of the biggest pressures is competing on price. Customers often compare the final figure without realising that not every quote includes the same level of planning, quality, compliance and service.

The reality is that many small businesses aren’t increasing prices to boost profits – they’re simply trying to keep pace with the rising cost of doing business while continuing to invest in their people, their customers and the future of their business.”

Emily Walker – Hot Chippies

What small business can do now

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Know your true cost to serve

Break down the real cost of providing each product or service. Include labour time, materials, energy, rent allocation, payment costs, insurance and admin.

This helps identify which products or services are profitable and which are quietly eroding margin.

Review prices more regularly

Many small businesses delay price reviews because they do not want to upset customers.

But small, regular adjustments are often easier than large, sudden increases. Consider reviewing prices quarterly or whenever major supplier costs change.

Check supplier contracts

Review energy, insurance, phone, software, payment, fuel and supplier arrangements at least annually.

Small changes across several suppliers can add up.

Reduce avoidable payment and banking costs – ensure you're not leaving money on the table

Regularly check merchant fees, account charges, and payment terms to keep costs low. High-volume, low-margin businesses risk cash flow loss from hidden payment costs.

Make sure your banking partners offer the best rates and benefits. Shopping around can help you get better value.

Build a cash-flow buffer

Higher wages, super, rent and supplier bills can create short-term cash-flow pressure even when sales are steady.

Forecast major payment dates and set aside cash early where possible.

Use technology to reduce admin time

Digital invoicing, expense tracking, automated reconciliation, payroll tools and payment reminders can help reduce time spent on administration and improve visibility.

Communicate with customers

Customers are more likely to understand price changes when the explanation is clear and honest.

Framing increases around quality, service, wage fairness and rising supplier costs can help protect trust.

Seek advice early

Accountants, bookkeepers, business advisers and industry associations can help identify tax, cash-flow, pricing and cost-control options before pressure becomes acute.

Additional helpful resources include the ATO's online resources, for example information on invectives and CGT concessions.

AMP Bank GO launched in February 2025 with the aim of helping Australian small business owners run their businesses.

The AMP Bank GO Small Business Cost Pressure Index is designed to shine a light on the pressures small businesses face – and support a more informed conversation about what they need to keep growing.

Small businesses are not just economic units. They are employers, neighbours, innovators and community builders.

Supporting them starts with understanding the pressures they are carrying.

Appendix

Have small business passed on the full cost?

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The AMP Bank GO Small Business Cost Pressure Index has risen from 100 to

124.6

in the past six years, from March quarter 2020 - 2026.

Small businesses are often blamed when consumer prices rise.

But the data suggests the story is more nuanced.

The AMP Bank GO Small Business Cost Pressure Index has risen from 100 to 124.6 in the past six years, from March quarter 2020 - 2026.

Over a similar period, some everyday service prices have risen by a similar amount or more, while others have risen by less.

The more important point is that consumer-facing small businesses do not have unlimited pricing power.

Many owners are trying to recover rising costs from customers who are also under financial pressure, which is where the tension lies.

Small businesses are not simply pushing costs onto customers.

In many cases, they are making difficult choices about how much of the cost to absorb and how much to pass on.

That is particularly important for labour-intensive services. Hairdressers, barbers, cafés, tradies and local service providers are often highly exposed to wages, rent, insurance, fuel and electricity.

But they also face customers who may cut back, delay spending or shop around when prices rise.

> “Small businesses are walking a tight rope between rising costs and price-sensitive customers.

Headline cost weightings

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Wages

50%

Wages are the biggest part of the Index since many small businesses rely heavily on labor.

For cafés, salons, retailers, trades, and local services, labor costs affect nearly every sale. This includes staff hours, penalty rates, wage increases, training, scheduling, and unpaid owner work to reduce costs.

When wages rise, small businesses often support better pay but must still find the funds to cover it.

Borrowing and interest

5%

Borrowing and interest costs matter for businesses using loans, overdrafts, credit cards, equipment finance, vehicle finance or working capital facilities.

Higher interest costs can affect cash flow even when sales are stable. For a small operator, the impact can show up in equipment repayments, fit-out finance, vehicle loans or the cost of carrying inventory.

Rents

11%

Rent is one of the biggest fixed costs for many customer-facing businesses.

Cafés, retailers, salons, clinics and workshops often need a physical location close to customers. Even when trading conditions soften, rent usually remains due.

This makes rent a major source of pressure for businesses with tight margins.

Electricity

5%

Electricity is essential for many small businesses.

It powers refrigeration, ovens, coffee machines, lighting, heating, cooling, tools, computers and equipment. For cafés, grocers, salons, workshops and clinics, energy is not optional.

Higher electricity costs can be difficult to avoid without reducing trading hours, changing equipment or investing in efficiency.

Insuarance

5%

Insurance has risen sharply since the start of COVID and is often non-negotiable.

Small businesses may need public liability, property, contents, workers compensation, vehicle, tool, cyber or business interruption insurance.

Even when insurance is a smaller share of total costs than wages or rent, sharp increases can be painful because owners have limited ability to operate without cover.

Fuel

7%

Fuel matters well beyond 'transport' businesses.

It affects tradies, mobile service providers, delivery, supplier costs and freight. When fuel rises, the cost of getting to the customer, moving goods and receiving supplies can all increase.

For a tradie, the job often starts before arriving on site.

Other financial services

7%

Other financial services include payment costs, merchant fees, account fees, transaction charges and related financial service expenses.

These costs can be small on each transaction but material for high-volume, low-margin businesses such as cafés, takeaway shops, convenience stores and retailers.

For many small businesses, every basis point matters.

Residual and other overheads

11%

This category captures the broad range of other costs needed to keep a business operating.

It can include software, subscriptions, repairs, cleaning, uniforms, tools, professional services, bookkeeping, accounting, administration, maintenance, fit-out costs and general overheads.

These are often the quiet costs that do not appear in the price of a coffee or repair bill, but still need to be paid. every basis point matters.

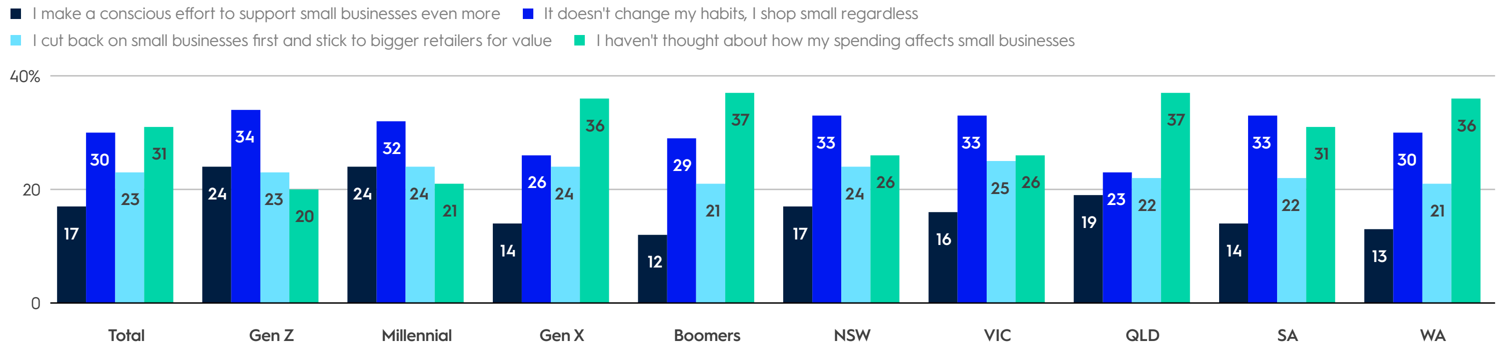
The consumer lens

Rise of the 'If I can afford it' shopper

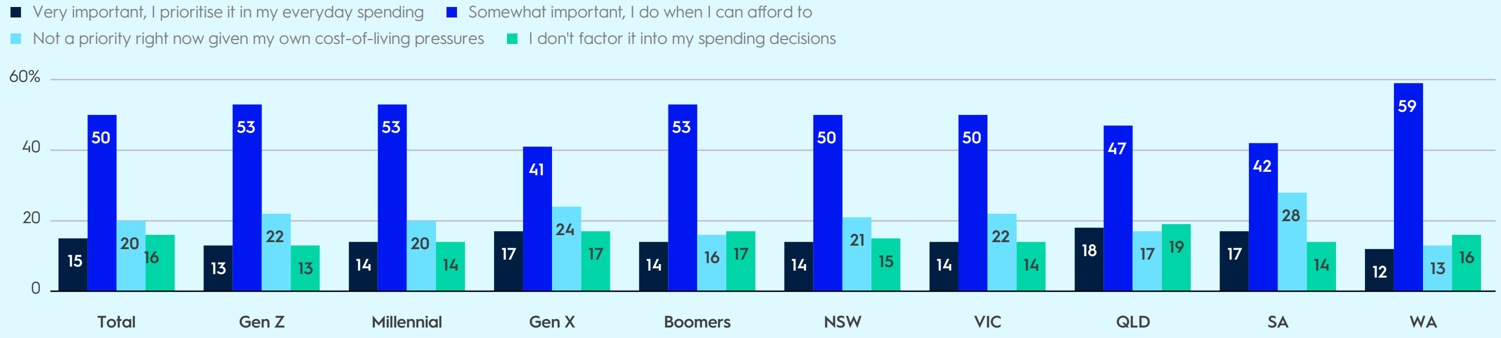
National research by Money.com.au evidences this dynamic. Australians want to support small businesses, but when push comes to shove, they seek value.

This is the effect of cost-of-living pressures being felt right across the community.

When you're feeling financially stretched, how does it affect your spending at small or local businesses?



How important is it to you to actively support small and local businesses in your community?



Source: Money.com.au commissioned the survey from Pureprofile in May 2026, with a nationally representative sample of more than 1,000 Australians by gender, age, and location. Statistically relevant subsets included (e.g. generations).

Small business churn

Pressure beneath the surface

The cost pressure story is also visible in business churn.

Australia continues to see large numbers of people starting businesses, but also large numbers exiting.

In 2024–25, there were 437,150 business entries and 370,500 exits.

That means more than 800,000 businesses either entered or exited the market in a single year.

The total number of actively trading businesses still increased, but the level of churn remains substantial.

Key churn figures:

Market Volume

2.73 million

Actively trading businesses

Workforce

994,178

Employing businesses

Expansion

437,150

Business entries

Closure

370,500

Business exits

Growth

+66,650

Net increase in businesses

Opportunity

16.40%

Entry rate (percentage of base)

Churn

13.90%

Exit rate (percentage of base)

Micro-businesses

688,870

Businesses with 1–4 employees

Segment shift

-4,688

Change in 1–4 employee businesses

Source: Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, July 2021–June 2025. Employment-size analysis derived from ABS business counts by employment range. Released 26 August 2025.

Small business churn (cont.)

The small employer squeeze

The most telling figure is the fall in businesses with one to four employees.

These are the kinds of businesses that sit closest to the AMP Bank GO target market: small employing businesses, local service providers, tradies, beauticians, hair salons, small consultancies, cafés, retailers, and family-run operators.

In 2024–25, the number of businesses with 1–4 employees fell by 4,688, despite the total number of businesses increasing overall.

This suggests the smallest employing businesses remain under pressure.

It's important to remember:

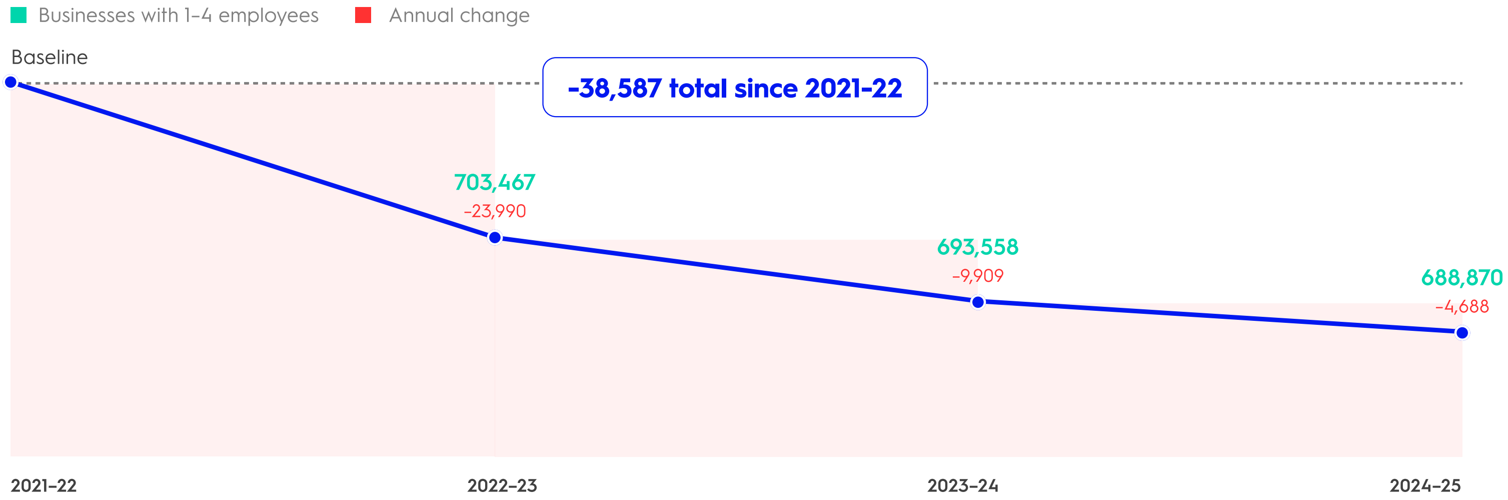
Some may be closing. Some may be reducing headcount. Some may be shifting back to owner-operator or non-employing models.

Meanwhile, some might have become more successful, and employ more people.

The data alone doesn't tell the full story.

Longer-term comparison

The pressure on the smallest employing businesses has been building for several years.



Since 2021–22, the number of businesses with 1–4 employees has fallen by 38,587. At the same time, the number of non-employing businesses has continued to grow.

This does not mean all exits are failures. Some owners retire, sell, restructure, merge, change business model or close for personal reasons.

But it does show a clear pressure point: the smallest employing businesses are finding it harder to keep employing.

Source: ABS, Counts of Australian Businesses, including Entries and Exits, July 2021–June 2025; ASBFEO calculations based on ABS Table 13, August 2025.

Important Information

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Data analysis by AMP's Economists

- The wage line is based on the ABS Wage Price Index
- Interest costs are RBA outstanding small business lending rates.
- Rents, Electricity, Insurance, Fuel, Other financial services are based on ABS CPI data
- Residual and other overheads use the Producer Price Index

The below costs are indicatively taken to capture small businesses costs

Wages	Wage Price Index published by the ABS which measures changes in the price of labour, unaffected by compositional shifts in the labour force, hours worked or employee characteristics
Interest costs	Outstanding small business lending rates published by the RBA
Rents	Rentals actually paid to private or government landlords, including housing authorities,by tenants or subtenants occupying unfurnished or furnished premises as their main residence (as a proxy, as commercial data isn't publicly available)
Electricity	Utilities include household electricity bills, usage and supply charges, government rebates/subsidies
Insurance	Comprehensive insurance for dwellings, home contents and motor vehicles, compulsory third party motor vehicle insurance services
Fuel	Unleaded petrol, premium unleaded, ethanol blended, diesel and LPG
Other financial services	Deposit and loan facilities (direct charges): actual charges for the financial services of banks and similar financial institutions; includes transaction fees, account keeping fees. Other financial services: commissions or fees charged by stockbrokers and real estate agents; taxes on transfers for real estate; fees for legal services; fees for accounting services
Residual and other overheads	Catch-all bucket to capture cost of inputs into the business, using the Producer Price Index as the proxy

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