MEDIA PRECINCT

Industry Trends: Pre-Election

Australian Consumer and Business Trends (2022–2025)

The Media Precinct
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Executive Summary

Australia's economy has traversed a tumultuous period from 2022 to 2025, marked by a strong post-pandemic consumer rebound that gave way to a sharp slowdown under rising inflation and interest rates. Consumer spending surged in 2022, with retail turnover hitting record levels (over $410 billion, +11.4% YoY) *(Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol).*

However, by 2023 growth had stalled – nominal retail sales rose only marginally (~3% YoY) and volumes fell as households tightened belts amid a cost-of-living squeeze. Consumer confidence plummeted to multi-decade lows in late 2022 (index ~78, the weakest since the early 1990s) *(Consumer confidence plunges below GFC lows and Christmas cut-backs planned - ABC News)* and remained deeply pessimistic through 2023.

Business confidence likewise turned negative by the end of 2022 *(Monthly Business Survey: November 2022 | Business Research and Insights)* despite strong trading conditions, reflecting widespread concern about the economic outlook. Business conditions stayed resilient for a time (supported by cashed-up consumers in2022), but by 2024 even retailers saw conditions weaken as discretionary demand softened.

> **Business insolvencies and closures have spiked back to or above pre-pandemic levels.**

In particular, small and medium enterprises (SMEs) in sectors like hospitality, retail, and construction have been hard hit by rising costs and waning demand. For example, nearly 9.3% of hospitality businesses closed in the year to early 2025, versus about 5.7% in retail and 5.6% in construction, as post-COVID supports tapered off and cost pressures intensified *(Hospitality sector suffering amid record business closures - Broker Daily) (Hospitality sector suffering amid record business closures - Broker Daily).*

There are notable regional disparities: states like Western Australia and Queensland outperformed in consumer spending growth during the rebound, while New South Wales and other areas lagged once interest rate impacts set in *(November marks 15 consecutive months growth in retail trade | Australian Retailers Association) (Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association).*

Metropolitan areas have recently outpaced regional Australia in spending growth, a reversal of earlier pandemic trends *(NAB Online Retail Sales Index: October 2023 | Business Research and Insights).* Such divergences underline that the economic pain – and any nascent recovery – have been unevenly distributed across the country.

Policy context:

The Labor government elected in 2022 has prioritised support for workers – backing robust minimum wage rises, expanding employee rights and offering cost-of-living relief to households – but provided comparatively fewer direct supports targeted at businesses. Business groups have noted that new industrial relations rules and rising wages (uplifted by 5.2–5.75% minimum wage increases in 2022–23) have added to cost pressures, while measures for SMEs (e.g. temporary tax incentives for digital upgrades and energy efficiency) have been modest *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia) (Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia).* As a result, confidence in the small business sector has been fragile, with insolvencies "skyrocketing" in 2023–24 *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia).*

The upcoming federal election thus arrives at a critical juncture. Economic sentiment – among consumers and businesses – will be a central issue. Voters face a choice between Labor's agenda of wage growth and social support, versus opposition promises of tax relief and regulatory ease for business. The trends analysed in this paper suggest that household budgets and small-business viability are under strain, heightening the stakes for policy offerings on cost-of-living, jobs, and business confidence in the lead-up to the election.

Introduction

This white paper provides a detailed analysis of Australian consumer and business trends from 2022 through early 2025, with a focus on the economic context shaping the upcoming federal election. Over these three years, Australia's economy transitioned from a post-pandemic boom – fueled by reopenings and pent-up consumer demand – to a phase of high inflation and rising interest rates, which sharply curtailed spending momentum. The period also saw significant shifts in consumer and business confidence and a notable increase in business closure rates as emergency supports were withdrawn and cost pressures mounted. Given that federal elections often hinge on economic management, understanding these trends is critical for policymakers, business and worker representatives, and economic stakeholders.

This paper examines:

1. national consumer spending patterns (including retail sales) by year, with state and metro vs regional breakdowns where available;
2. consumer and business confidence indices and the major inflection points underpinning them;
3. business closure and insolvency trends, especially among retailers and SMEs;
4. geographic and sectoral disparities in economic outcomes; and
5. the policy context, comparing the pro-worker policy tilt of the current Labor government against the relative lack of direct support targeted at businesses. Charts and tables are included to visualise key data. The paper concludes with an executive summary of findings and discusses the implications of these trends for the upcoming federal election – in particular, how economic conditions for consumers and businesses may influence electoral dynamics and policy debate.

Consumer Spending Trends (2022 - 2025)

2022 – Post-Lockdown Spending Boom:
Consumer spending rebounded strongly in 2022 as Australia emerged from COVID-19 lockdowns. Households, armed with high savings and eager to resume normal activities, spent liberally on both goods and services. In retail trade alone, Australians notched a record $353 billion in spending during 2022, up 9.2% on the previous year *(2023 Inside Australian Online Shopping).* (Broader measures put total retail sales even higher – the ABS reports $411.5 billion in retail turnover for 2022, +11.4% YoY *(Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol)* indicating inflation also boosted nominal sales.) This surge was broad-based: food and grocery, hospitality, and discretionary retail all saw significant growth. Department stores and clothing retailers, for instance, recorded ~7%+ year-on-year sales increases in late 2022 as shoppers returned *(November marks 15 consecutive months growth in retail trade | Australian Retailers Association).* Cafés and restaurants saw an especially large jump (+24.8% YoY in November 2022) as consumers enthusiastically dined out again. *(November marks 15 consecutive months growth in retail trade | Australian Retailers Association).*

> Every state and territory experienced retail sales growth in 2022, though patterns varied by region.

States that had endured lengthy 2021 lockdowns (like NSW and Victoria) saw sales rebound to more "normal" levels, while states that had been less affected by lockdown (Queensland, WA, SA) actually led growth as they benefited from interstate tourism and population shifts. For example, Queensland's retail turnover was up ~10.4% YoY in late 2022, leading the nation, followed by SA (+9.5%) and WA (+9.1%) *(November marks 15 consecutive months growth in retail trade | Australian Retailers Association).*

By contrast, growth in NSW and Victoria – which had already seen a jump when they reopened from Delta lockdowns in late 2021 – was positive but less dramatic by year's end 2022. Regional areas generally held up well during the COVID period and continued to see solid spending in 2022, while some central business districts lagged initially (e.g. slow office worker return meant city-centre retailers recovered more gradually).

Overall, 2022 was a year of robust consumer demand, with spending growth outpacing even the high inflation rate – indicative of strong volumes as well as higher prices *(Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol).*

2023 – Sharp Slowdown amid Inflation and Rate Hikes:
In 2023 consumer spending entered a markedly different phase. Soaring inflation, which peaked around 7–8% in late 2022, and the Reserve Bank's aggressive interest rate increases (taking the cash rate from 0.1% in April 2022 to around 4.1% by mid-2023) began to bite into household budgets.

By early 2023, signs of a spending slowdown were evident. Retail turnover growth, which had been running close to double-digits year-on-year in early 2022, decelerated to low single digits and by the end of 2023 was nearly flat in nominal terms. In December 2023, retail sales were up a mere 0.8% on a year prior (seasonally adjusted) (*Retail Trade, Australia, December 2023 | Australian Bureau of Statistics).* Adjusted for inflation, that implies a significant real decline in retail activity. Indeed, retail volumes fell: the ABS reported that the volume of retail trade in the December quarter 2023 was 1.0% lower than a year earlier *(Retail Trade, Australia, December 2023 | Australian Bureau of Statistics) (Retail Trade, Australia, December 2023 | Australian Bureau of Statistics),* confirming that consumers purchased fewer goods and services once higher prices are stripped out.

Household spending patterns shifted notably under this stress. Discretionary categories were the first to feel the pinch – by 2023, retailers of furniture, electronics and apparel saw sales growth stall or reverse. The Australian Retailers Association noted that by May 2024, categories like clothing and department stores had posted three consecutive months of year-on-year sales declines *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association).* In contrast, staple spending held up; food retailing continued to grow (~+3% YoY by May 2024) as consumers cannot easily cut essentials *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association),* though even there shoppers traded down to cheaper options. Overall retail turnover essentially plateaued through 2023 – monthly sales oscillated around the mid-$35 billion level (seasonally adjusted) with only marginal growth.

The "spending spree" was over as consumers grew cautious in the face of high petrol, grocery and mortgage costs.

As the ABS head of retail statistics observed in April 2024, "underlying retail spending continues to be weak… trend turnover has been flat as cautious consumers reduce their discretionary spending" *(Retail turnover weak, up only 0.1% | Australian Bureau of Statistics)* *(Retail turnover weak, up only 0.1% | Australian Bureau of Statistics).* In short, 2023 marked a significant inflection from boom to near-bust for consumer demand.

2024 – Stabilisation and Mixed Signals:

Entering 2024, there were tentative signs that consumer spending was stabilising, albeit at a subdued growth rate. Inflation began to ease from its peaks, and the RBA paused rate hikes for a time, which, together with robust employment, prevented a sharper contraction in spending. By mid-2024, retail turnover was inching up again in nominal terms – e.g. May 2024 sales were 1.7% higher than May 2023 *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association)* – though this remained below inflation, meaning volumes were still slightly down year-on-year. Certain discretionary categories showed a mild recovery as inflation pressures eased; for instance, by May 2024, household goods retail had crept back to marginal growth (+0.1% YoY) after five months of decline *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association).* Food and groceries continued a steady climb (+3% YoY), while cafés and restaurants managed modest growth (+0.9% YoY) *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association).* However, consumers still kept a tight rein on non-essentials – clothing and footwear spending was slightly down (-0.2% YoY) and department store sales remained in decline (-1.7% YoY) *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association).*

A notable development in 2024 was the divergence across states and regions. Areas less exposed to high mortgage costs and that benefited from strong population growth or commodity income saw relatively better consumer spending. For example, Tasmania recorded a robust +4.4% annual retail growth in May 2024, and Western Australia +3.5%, buoyed by steady mining sector income and lower housing pressures *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association).* Queensland (+2.6%) and the Northern Territory (+2.9%) also exceeded the national average, helped by migration and tourism.

In contrast, the largest state New South Wales – with a high concentration of mortgage-indebted households in Sydney – barely grew (+0.4% YoY) *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association)*, indicating virtually zero real growth. The chartbelow illustrates these state-by-state differences in consumer spending growth:

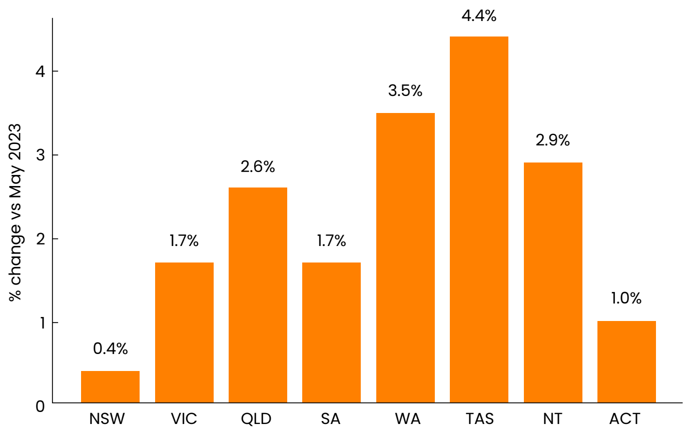


Figure: Retail spending year-on-year growth by state, May 2024. Consumer demand was weakest in NSW (only +0.4% YoY) and relatively stronger in resource-rich or smaller states like WA (+3.5%) and TAS (+4.4%) (Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association). Higher interest burdens in NSW likely constrained spending more, whereas states less affected by housing cost pressures or enjoying population gains saw better retail growth.

Another trend was the relative performance of metropolitan vs regional areas. During the initial COVID recovery, many regional areas (and suburban retail precincts) outperformed, as city centres were subdued by lingering work-from-home arrangements and domestic tourism flowed to regional destinations. By late 2023 and into 2024, this pattern began to reverse: major metros started to catch up as CBD offices repopulated and international tourism resumed, while some regional areas saw spending temper. According to NAB's retail data, metro area retail growth outpaced regional areas in late 2023, a convergence after the earlier period where regional sales held up better *(NAB Online Retail Sales Index: October 2023 | Business Research and Insights).* In other words, city consumers have recently been contributing relatively more to spending growth (albeit both metro and regional growth rates have been modest).

Looking forward into early 2025, there were hints of a mild improvement in consumer sentiment and spending, aided by the first RBA interest rate cut in February 2025 and continued easing of inflation. By January 2025, retail turnover was 3.8% higher than a year prior (seasonally adjusted) *(Retail Trade, Australia, January 2025 | Australian Bureau of Statistics)* – the fastest through-the-year growth in over 12 months – though this figure is flattered by comparison to a weak January 2024. In real terms, household consumption is still growing only sluggishly. Consumers remain far more value-conscious than during the free-spending days of 2022.

Overall, the trend from 2022 to 2025 is one of initial exuberance giving way to caution. The swing from booming consumption to virtual stagnation has been one of the defining economic developments of this parliamentary term, directly affecting retail businesses, government GST revenues, and the general economic mood.

Consumer & Business Confidence Indices

Consumer Confidence – From Record Highs to Lows: Consumer sentiment in Australia underwent a dramatic collapse over this period. In late 2021, as lockdowns ended, consumer confidence was relatively buoyant – the Westpac-Melbourne Institute Consumer Sentiment Index was around or above 100 (neutral) and even hit 104–110 during 2021's reopenings.

However, by mid-2022, sentiment had sharply reversed. Surging inflation (e.g. petrol over $2/L and spiking grocery bills) and the Reserve Bank's initial rate hikes in May–June 2022 delivered a major blow to household confidence. In June 2022, the Westpac index fell to 86.4 – down 19.5% from a year earlier, matching the low levels seen during the 2020 pandemic outbreak *(Australian consumers in a dark mood as inflation, rates bite | Reuters).* Notably, an ANZ survey that week showed confidence at its lowest since the early 1990s (outside the initial COVID shock) *(Australian consumers in a dark mood as inflation, rates bite | Reuters).* Consumers were increasingly pessimistic that their incomes could keep up with the rapidly rising cost of living.

Confidence deteriorated further as 2022 progressed and interest rates rose by unprecedented increments. By November 2022, the Westpac index had plunged to 78.0 *(Consumer confidence plunges below GFC lows and Christmas cut-backs planned - ABC News).* This reading was below the Global Financial Crisis trough (79.0 in 2008) and barely above the all-time low recorded when COVID-19 first hit (75.6 in April 2020) *(Consumer confidence plunges below GFC lows and Christmas cut-backs planned - ABC News).* In effect, aside from the initial pandemic shock, consumer confidence was at its weakest in ~30 years. Westpac's Chief Economist noted that such a low point was previously seen only during the "deep recession" of the early 1990s *(Consumer confidence plunges below GFC lows and Christmas cut-backs planned - ABC News).* The collapse in sentiment was driven by households' alarm over rising interest rates, high inflation, and a bleak economic outlook. Indeed, a record share of Australians in late 2022 said they planned to cut back Christmas spending – nearly 40% expected to spend less on gifts than the prior year *(Consumer confidence plunges below GFC lows and Christmas cut-backs planned - ABC News).*

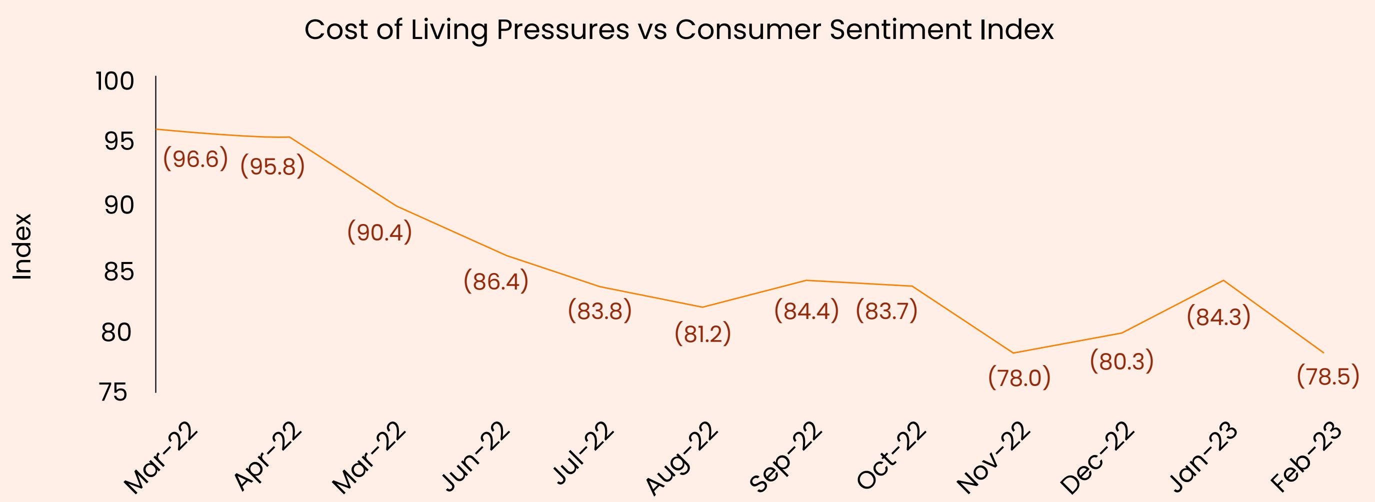


Image: (Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol) Consumer Sentiment Index (Westpac-Melbourne Institute), monthly, Mar 2022 – Feb 2023. The index (100 = neutral) plunged from the mid-90s in early 2022 to around 78 by late 2022 (Consumer confidence plunges below GFC lows and Christmas cut-backs planned - ABC News), indicating pessimists vastly outnumbered optimists. A brief uptick over Christmas was reversed by February 2023 (78.5) when the RBA resumed raising rates (Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol).

Sentiment remained extremely low throughout 2023.

The index oscillated in the 78–85 range, indicating entrenched pessimism. Every RBA rate hike tended to trigger a drop in confidence – for example, the index fell back to 78.5 in February 2023 after the RBA's rate increase that month *(Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol)*, returning close to the historic lows of late 2022. Westpac noted this "steep fall" erased the modest holiday uptick, and that the post-RBA survey responses were even more dire (index ~74.8) *(Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol).* Households were highly sensitive to interest costs: by early 2023, the sub-index on whether it was a good time to buy major household items had collapsed to just 78 – well below its long-run average of 126 *(Cost of living pressures cause sentiment to plummet: What it means for your business | Insights | McGrathNicol)*, reflecting people postponing big purchases.

Sentiment surveys throughout 2023 painted a picture of deep gloom. Consumers consistently reported feeling poorer than a year ago and wary of the year ahead.

For instance, in September 2024 (nearly two years into the downturn) the Westpac index was still only 84.6, with Westpac commenting that "the pessimism that has dominated for over two years now is still showing no signs of lifting" *(Consumer confidence remains subdued).* The reasons evolved slightly – by late 2024, outright fears of further rate rises had eased, but worries about the economic outlook and job security were rising *(Consumer confidence remains subdued)* – yet overall confidence stayed at recessionary levels.

It was not until early 2025 that consumer sentiment showed a meaningful recovery. With inflation finally coming down and the RBA cutting the cash rate in February 2025, households became less pessimistic. In March 2025, the Westpac-MI index jumped 4% to 95.9, a three-year high that brought it back within sight of neutral *(Consumer sentiment hits 3-year high on rate cut, easing inflation | Westpac) (Consumer sentiment hits 3-year high on rate cut, easing inflation | Westpac).*

Westpac noted the recovery in confidence had "regained momentum" thanks to the rate cut and easing cost-of-living pressures *(Consumer sentiment hits 3-year high on rate cut, easing inflation | Westpac).* While still below long-term averages, this resurgence in sentiment – the best reading since 2021 – suggests consumers are beginning to feel some relief. Even the sub-index on "time to buy a major household item" showed a big increase in March 2025 (+6.9%) *(Consumer sentiment hits 3-year high on rate cut, easing inflation | Westpac)*, hinting at pent-up demand re-emerging as the shock of inflation dissipates. In sum, consumer confidence crashed in 2022–23 to historic lows and only started a decisive recovery in 2025. This prolonged pessimism weighed on spending and is a key backdrop to voters' mindsets as the election approaches (though the recent improvement could slightly brighten the public mood).

Business Confidence – From Optimism to Caution: Business confidence followed a somewhat parallel trajectory to consumer sentiment, though with important nuances. In late 2021 and into early 2022, many businesses were optimistic: Australia's economic reopening and cashed-up consumers drove a surge in business conditions (actual sales, profitability and hiring). The NAB Monthly Business Survey showed conditions index readings in the high +15 to +20 range in Q3 2022 – indicating strong trading activity *(Monthly Business Survey: November 2022 | Business Research and Insights)* Confidence, however, began to waver even as conditions boomed. By late 2022, business confidence had fallen sharply, anticipating the squeeze on consumers and higher costs. In November 2022, the NAB confidence index dropped to –4 points (net negative) *(Monthly Business Survey: November 2022 | Business Research and Insights)*, the first negative reading since Dec 2021 *(Monthly Business Survey: November 2022 | Business Research and Insights) (Monthly Business Survey: November 2022 | Business Research and Insights).* Firms in retail, finance, property, recreation and transport all turned pessimistic about the outlook at that point *(Monthly Business Survey: November 2022 | Business Research and Insights).* Notably, this occurred while current business conditions were still very strong (+20) *(Monthly Business Survey: November 2022 | Business Research and Insights)*, resulting in a record gap between present conditions and future confidence *(Monthly Business Survey: November 2022 | Business Research and Insights) (Monthly Business Survey: November 2022 | Business Research and Insights).*

In effect, businesses enjoyed booming sales in 2022 but feared it would not last. Concerns cited included the impact of inflation and rising interest rates on consumers, and the risk of global recession *(Monthly Business Survey: November 2022 | Business Research and Insights) (NAB Quarterly Business Survey - December 2022 | Business Research and Insights).* The pessimism was prescient: it foreshadowed the spending slowdown that hit in 2023.

Throughout 2023, business confidence remained below its long-run average**,** fluctuating around zero or slightly negative in NAB's survey. There were brief improvements – for example, sentiment got a lift in early 2023 when it seemed the RBA might pause rate hikes, and again mid-year when inflation showed signs of slowing. NAB's index even rose into small positive territory in mid-2023 (around +2 to +5) for a couple of months *(Consumer confidence remains subdued).* However, these gains proved fragile. By August 2024, business confidence had dipped back into negative territory again (–1) *(Consumer confidence remains subdued).* According to NAB and AICD analyses, firms remained generally cautious: "confidence has been below average since early 2023" and continued to be so at the end of 2024 *(NAB Monthly Business Survey: December 2024 | Business Research and Insights) (NAB Monthly Business Survey: December 2024 | Business Research and Insights).* The persistent weakness in confidence reflected the same pressures squeezing consumers. Throughout 2023–24, businesses (especially small and medium ones) faced escalating input costs – wages, energy, rent – at the same time that demand was softening. This eroded profit margins and made firms wary about future trading conditions. By late 2024, corporate commentary noted that while the economy avoided a technical recession, many businesses felt as if they were in a downturn, especially those reliant on discretionary consumer spending or housing activity.

It is important to stress that business conditions (actual outcomes) stayed more buoyant than confidence for much of this period. The NAB business conditions index remained in positive double-digits through most of 2022 and only moderated to around +10 to +15 in 2023 *(Australian business conditions & confidence, April 2023 | Westpac IQ)* – still above average – before easing closer to +2 by late 2023 (its weakest since the pandemic lockdown) *(Australia business conditions worst since pandemic, NAB survey says).*

Strong labour market conditions and the consumer savings buffer helped many businesses sustain sales longer than they expected.

But as 2023 wore on, the gap between conditions and confidence closed: conditions finally deteriorated to a modest level, and confidence, while volatile, never recovered convincingly. By December 2024, NAB's business confidence was still at **–2** (a slight improvement from –4 in mid-2024) *(NAB Monthly Business Survey: December 2024 | Business Research and Insights)*, indicating a mildly negative outlook overall. Business surveys also showed forward orders falling and capacity utilisation coming off its highs *(NAB Monthly Business Survey: December 2024 | Business Research and Insights) (NAB Monthly Business Survey: December 2024 | Business Research and Insights)* – signs that businesses were indeed experiencing the long-anticipated slowdown.

In sectoral terms, confidence has been weakest in interest-sensitive industries. Retail trade confidence, for example, plunged in late 2023 (NAB reported a 16-point fall in retail confidence in November 2023) *(NAB Monthly Business Survey: November 2023)* amid poor sales expectations for Christmas. Construction sector sentiment has been hit by both higher financing costs and project delays/cancellations. In contrast, some service sectors (e.g. travel, tourism, hospitality) were more optimistic at times when post-pandemic demand was strong, though even they saw confidence wane as 2023 progressed. Small businesses have generally been less confident than large firms, as they often lack pricing power to offset higher costs. By early 2025, with interest rates finally starting to fall, there is hope that business confidence will lift in tandem with consumer sentiment. But at the eve of the election, the prevailing mood in the business community is one of cautious hope at best, after a prolonged period of anxiety

Business Closure Trends and SME Impacts

The challenging economic conditions since 2022 have led to **a marked increase in business closures and insolvencies,** especially affecting **small to medium enterprises (SMEs).** During the height of the pandemic, government support (such as JobKeeper wage subsidies, rent moratoriums, and loan deferrals) resulted in unusually low insolvency rates – many struggling businesses were kept afloat by emergency measures.

> However, as these supports were withdrawn and the economy normalised, a catch-up surge in business failures has occurred.

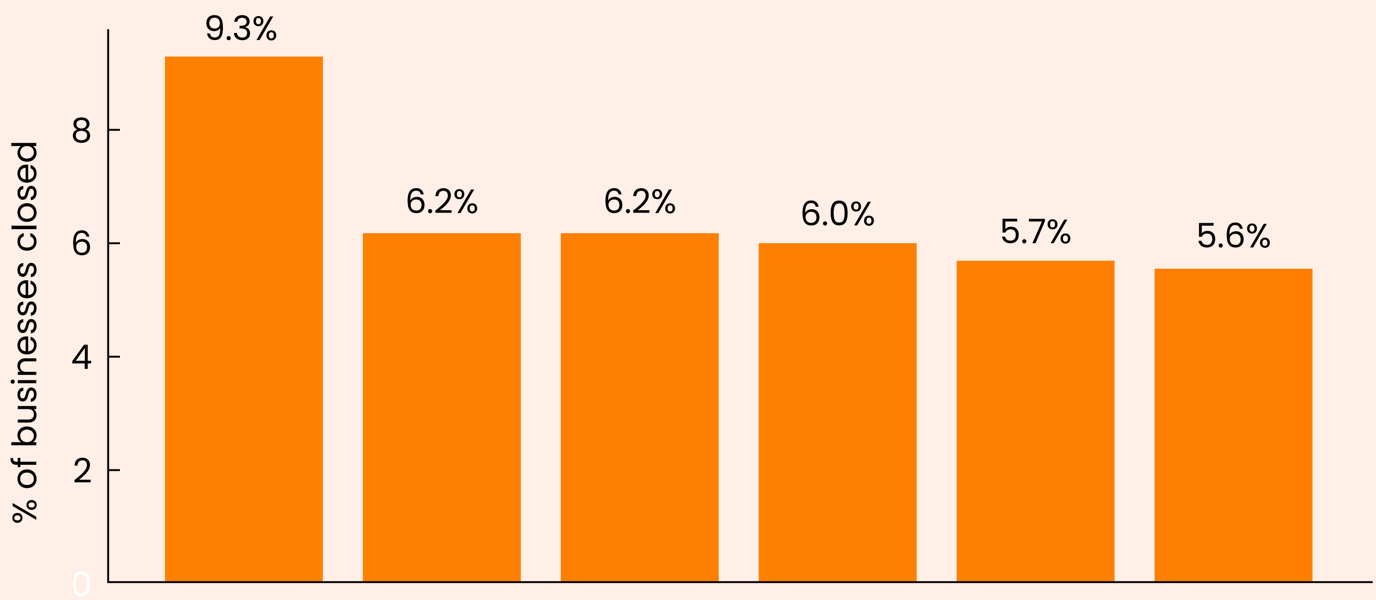
By 2023–24, the number of companies entering external administration had risen significantly, returning to or exceeding pre-COVID levels. CreditorWatch, a commercial credit bureau, reported that by late 2024 **business failures were at their highest rate since October 2020,** which was the tail end of the initial COVID shock *(Thousands of Australian businesses collapse during 2024 amid rising costs | news.com.au).* On average, about **5.0% of businesses were failing over a 12-month period in 2024,** up from around 4.0% a year earlier *(Thousands of Australian businesses collapse during 2024 amid rising costs | news.com.au).* Moreover, 40% more businesses filed for insolvency in 2024 than pre-pandemic norms *(Thousands of Australian businesses collapse during 2024 amid rising costs | news.com.au)* – a striking statistic illustrating the reversal from the artificially low failures in 2020–21 to an above-trend wave of collapses by 2024.

Small businesses have been particularly vulnerable in this environment. Many entered 2022 heavily in debt (after borrowing to survive lockdowns) and with depleted cash reserves. The rapid rise in operating costs in 2022–2023 – from wages to utilities to wholesale input prices – put severe stress on thin SME profit margins. Business surveys indicate SMEs were more likely to be under financial stress than large firms during this period, and credit ratings agencies noted a rise in payment defaults by small enterprises. One major credit agency in 2023 warned that 20% more small businesses were at risk of collapse than a year prior, linking it to shrinking cash buffers and higher interest expenses *(Australian insolvency appointments surge in six months to ...).*

In terms of industries, those reliant on discretionary consumer spending or those with fixed-cost pressures saw the highest closure rates. Hospitality (food and beverage services) has unfortunately led the distress rankings. The year to February 2025 saw an estimated 9.3% of hospitality businesses close – nearly one in every 11 establishments *(Hospitality sector suffering amid record business closures - Broker Daily).* This is a record high attrition rate for that sector, which jumped from an already elevated 7.4% closure rate the year before *(Hospitality sector suffering amid record business closures - Broker Daily).* Restaurants, cafés and caterers have faced a perfect storm of rising ingredient costs (food price inflation), rising energy and rent bills, acute staff shortages (and higher award wages), all while customers trimmed dining-out frequency. Many iconic eateries and small bars have shut their doors as a result.

Retailers have also struggled, especially smaller brick-and-mortar stores. By early 2024, there was a litany of retail collapses – from boutique fashion chains to specialty furniture stores – unable to withstand falling sales and rising supplier costs. The retail trade sector's closure rate reached about 5.7% over the year to Feb 2025 *(Hospitality sector suffering amid record business closures - Broker Daily),* significantly above the historical average. Well-known chains like Rivers (a longstanding clothing retailer) announced the shutdown of all stores in 2024, citing unsustainable trading losses *(Closure of Australian retail chain Rivers points to a deepening ...).* **Construction industry** failures also spiked – roughly **5.6%** of construction firms closed in the year to early 2025 *(Hospitality sector suffering amid record business closures - Broker Daily)* – driven by a series of high-profile building company collapses as material costs overshot contract prices. Other sectors with elevated failure rates included administrative and support services (6.2%), arts and recreation (6.2%), and transport & warehousing (6.0%) *(Hospitality sector suffering amid record business closures - Broker Daily),* each facing their own demand and cost challenges (e.g. reduced consumer leisure spending affecting recreation, or fuel costs hitting transport operators). By contrast, some sectors like finance and mining have seen comparatively low business failure rates in this period, reflecting more robust profit margins or ongoing demand.

Business Closure Rates by Industry (Year to Feb 2025)



*(image) Figure: Business closure rates by industry (percent of businesses closing in the year to Feb 2025). The hospitality sector experienced the highest attrition – **9.3%** of food & beverage service businesses shut down – far above the economy-wide average. Retail (5.7%) and construction (5.6%) also saw elevated closure rates (Hospitality sector suffering amid record business closures – Broker Daily) (Hospitality sector suffering amid record business closures – Broker Daily). This surge in SME failures coincides with the withdrawal of COVID supports and the pressure of rising costs.*

Geographically, states and regions with higher concentrations of vulnerable industries have seen more business exits. For instance, Victoria and New South Wales, with large retail and hospitality sectors in Melbourne and Sydney, recorded a high number of insolvencies once government support ended *(NAB Quarterly Business Survey - December 2022 | Business Research and Insights)*. In 2022, NAB's business survey noted confidence turned negative first in VIC and QLD, and hit zero in NSW and WA, as firms in those states braced for a downturn *(NAB Quarterly Business Survey - December 2022 | Business Research and Insights)*. By 2023–24, external administration data indicated that New South Wales consistently had the most insolvency appointments (in absolute terms), while Queensland and Victoria saw significant rises as well – not surprising given these states have the largest business populations. Regions dependent on tourism (like parts of Queensland) or on residential construction (such as outer-suburban growth corridors) also saw clusters of business failures when those activities slowed. Conversely, areas with mining activity (e.g. WA's Pilbara or QLD's coal regions) benefited from high commodity prices and saw relatively fewer business collapses outside of construction.

It is worth noting that many closures in 2022–23 were "deferred" failures from the pandemic. Zombie companies kept alive by leniency in 2020–21 finally had to face reality once creditors resumed normal collections. This partly explains the sharp 40% uptick in insolvencies from pre-pandemic levels *(Thousands of Australian businesses collapse during 2024 amid rising costs | news.com.au)*. Going into 2025, the trend of business closures may start to abate if economic conditions improve (e.g. lower interest rates will relieve some financial stress).

However, as of the pre-election period, the legacy is clear: Australia's small business sector has been thinned out. Thousands of businesses that "survived a once-in-a-century pandemic under the Coalition are now going to the wall because of the [subsequent] economic crisis", as one opposition critique put it *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*. While that statement carries political intent, it underscores a real phenomenon – the past year saw a wave of business failures that is politically salient, both as a human story of lost livelihoods and as an economic indicator of distress in the SME community.

State and Regional Differences

Australia's economic fortunes from 2022 to 2025 have been uneven across states and between metro and regional areas, reflecting different industry mixes and local impacts. Here we highlight some of the key geographical disparities:

- **State-by-State Performance:**
  During the initial rebound of 2022, Queensland emerged as a standout with consumer spending surging (retail up ~10% YoY in late 2022) *(November marks 15 consecutive months growth in retail trade | Australian Retailers Association),* aided by population inflows and minimal lockdown disruption in 2021. Western Australia and South Australia also saw above-average retail growth in 2022 (around 9% YoY) *(November marks 15 consecutive months growth in retail trade | Australian Retailers Association),* supported by strong mining royalties (WA) and a post-COVID tourism uptick (SA). New South Wales and Victoria, while enjoying robust absolute spending levels, had a more tempered growth rate by end-2022 since much of their catch-up from lockdowns occurred earlier.

  Moving into the slowdown of 2023–24, state dynamics shifted. Tasmania and WA showed relatively resilient spending – Tasmania led retail growth by May 2024 at +4.4% *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association)*, perhaps bolstered by a strong jobs market and housing demand in the state. NSW, however, consistently lagged; by 2024 it had the weakest retail growth (+0.4%) *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association)*, reflecting Sydney's high mortgage debt levels and sensitivity to rate hikes. Victoria was also on the lower end (+1.7%) *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association)*. Queensland and NT were in the middle of the pack (~2.5–3% YoY) *(Soft May retail sales as Australians grapple with cost-of-living crunch | Australian Retailers Association)*. These differences indicate that household budget pressure has been most acute in the big eastern states (NSW/Vic), whereas smaller states or those with unique economic drivers (resources, agriculture, tourism) managed slightly better growth.

- **Metro vs Regional:**
  The pandemic temporarily flipped the usual script of capital cities leading growth – in 2020–21, many regional areas outperformed as city dwellers moved out or spent locally. By 2022–2023, this began normalising. Major metropolitan areas (Sydney, Melbourne, Brisbane, etc.) in 2022 saw huge pent-up demand releases – for example, inner-city restaurants and events boomed once restrictions lifted – narrowing the gap with regional growth rates. In late 2023, data suggests metro retail sales growth overtook regional areas *(NAB Online Retail Sales Index: October 2023 | Business Research and Insights)*. NAB's online retail index showed that by Oct 2023, metro areas recorded stronger year-on-year growth than regional, after a period in which regional spending had been more robust *(NAB Online Retail Sales Index: October 2023 | Business Research and Insights)*. Part of this is due to base effects: a year earlier (late 2022), metro consumers were in a "post-lockdown slump" whereas regional consumers were steadier *(NAB Online Retail Sales Index: October 2023 | Business Research and Insights)*.

  With 2023's normalization, the two converged. Additionally, CBDs recovered in 2023–24 as international students returned and tourism picked up, boosting city retailers, hotels and service businesses. However, not all regions are equal – some coastal and mining regions remained buoyant through 2023, whereas certain inland or rural communities faced drought-related stress or lower population growth, weighing on local spending.

- **Areas of Special Hardship:**
  Certain communities experienced compounded difficulties. In early 2022, devastating floods in northern New South Wales and southeast Queensland wiped out hundreds of businesses (for instance, the town of Lismore saw its CBD inundated). The recovery for these areas has been slow – many affected small businesses never reopened, and those that did faced the double burden of rebuilding costs and the subsequent downturn. Similarly, parts of regional Victoria that rely on tourism suffered first from bushfires (2020), then COVID, and then the consumer downturn, leading to a protracted slump for some local economies.

- Outer suburban areas of cities – like Western Sydney or Melbourne's growth corridors – were also pinch points: they host many mortgage-bearing families and small businesses (e.g. retail, construction trades). These locales felt the full force of rate rises and reduced consumer spending, and saw a number of home-building firms and retailers collapse in 2023. The resources-rich regions, on the other hand, generally fared well due to high commodity prices. Queensland's and WA's mining towns saw low unemployment and strong wage growth, which helped insulate them from the worst of the consumer retrenchment (though they are not immune to interest rates either).

In summary, while the broad theme nationally was one of a boom-to-bust swing in consumer conditions, the pain not been evenly shared.

> **Areas with concentrations of working-class households carrying big mortgages (e.g. Sydney's west, Melbourne's fringe) or small businesses in discretionary sectors have been particularly hard-hit.**

Regions buoyed by mining, government spending or certain demographics (e.g. a wave of interstate movers to Queensland and WA) have outperformed. This patchwork of experiences is likely to play into political narratives: each side will point to the regions that underscore their policy arguments (be it cost-of-living in the suburbs for Labor, or the plight of small towns and small businesses for the Coalition). Policymakers face the challenge of addressing these divergent regional needs – one-size-fits-all solutions may not suffice given the differing conditions on the ground.

Policy Context:
Labor's Worker Focus vs Business Support

Economic policy over 2022–2025 has been shaped by the Labor government's priorities, which have generally emphasised support for workers and households (through wage policies and social spending) more than direct assistance to businesses. This approach has important implications for the business community and is a point of contest as the election approaches.

Upon coming to power in 2022, the Albanese Labor government moved quickly on its pledge to "get wages moving" after a decade of sluggish pay growth.

It urged and welcomed the Fair Work Commission's decisions to implement substantial minimum wage increases – 5.2% in 2022 (which slightly exceeded inflation at the time) and 5.75% in 2023, lifting the base pay for the lowest-paid workers *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*. It also supported wage rises for specific sectors (notably a 15% award wage increase for aged-care workers). More broadly, Labor enacted industrial relations reforms under the Secure Jobs, Better Pay Act 2022, aimed at strengthening employees' bargaining power. This legislation enabled options like multi-employer collective bargaining, made it easier for workers to negotiate pay increases across companies, limited the use of fixed-term contracts, and bolstered job security provisions. The intent was clearly to drive higher earnings for workers after a long period where real wages barely budged. Indeed, by late 2023 there were signs this was taking effect – overall wage growth had picked up to around 3.5–4%, the fastest since 2012, partly due to these policy influences.

Labor also framed itself as addressing the cost-of-living crisis for households. Federal budgets in October 2022 and May 2023 included relief measures such as expanded childcare subsidies (to reduce costs for working families), energy rebates for vulnerable households, and increased welfare payments (e.g. a higher JobSeeker unemployment benefit for older long-term unemployed). These policies were targeted at easing pressures on individuals and workers rather than businesses. The rationale was that helping households cope would indirectly help the economy (maintaining consumption, etc.), but there were few business-specific grants or stimulus programs beyond the tail end of pandemic schemes already in train.

Meanwhile, direct support for the business sector – especially SMEs – was limited.

Unlike some prior governments, Labor did not introduce new broad-based business tax cuts or cash subsidies. Some measures were offered, but on a small scale or with delays that blunted their impact. For example, the government announced a "Small Business Energy Incentive" – a tax deduction bonus of up to $20,000 for investments in energy-efficient equipment by SMEs *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*.

However, due to a slow legislative process, this incentive only became law in June 2024, leaving literally only a few days before financial year-end for businesses to utilise it *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*. As CPA Australia remarked, it mostly benefited firms who "coincidentally" already made upgrades, rather than spurring new investment as intended *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*. Similarly, the previous Coalition government's generous instant asset write-off / full expensing scheme (which allowed businesses to immediately deduct capital investments) was allowed to expire in mid-2023. Labor eventually legislated a smaller replacement (a $20k capped write-off) but resisted calls for a broader extension *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*. In fact, the opposition claims Labor "voted eight times against more generous tax cuts to small businesses" during parliamentary debates *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*. While partisan, this highlights a perception that Labor has been reluctant to extend large-scale tax relief to businesses, prioritising fiscal restraint and other spending priorities.

The business community's response to Labor's agenda has been mixed. On one hand, businesses benefit from consumers having more money in their pockets (via wage increases or welfare boosts). Indeed, during 2022's boom, strong wage growth didn't immediately dent profits because consumer demand was robust. On the other hand, many employers – especially small businesses – have felt that Labor's workplace reforms and wage hikes raise their costs and compliance burden without providing offsetting support.

For instance, higher minimum wages and award increases directly raise payroll expenses for retail, hospitality and care sector SMEs. New industrial relations rules, like multi-employer bargaining, introduced complexity and the risk of higher wage outcomes for businesses that had been used to modest enterprise agreements. Small businesses (under 15 employees) were exempted from some of the IR changes (e.g. certain unfair dismissal provisions), but groups like the Australian Chamber of Commerce and Industry (ACCI) argued that the changes still created an uncertain environment for employers.

Surveys showed rising labour costs were a top concern for SMEs in 2023 *(Small-Business Labor Crisis Report 2023 - Ramsey Solutions)* (with some 44% of small businesses reporting pressure from wage increases). At the same time, input cost relief from government was minimal – unlike households, businesses did not receive energy rebates, for example, although some indirect relief came from the government's actions to cap gas and coal prices (which helped moderate wholesale energy costs).

Labor's focus on workers also extends to regulatory initiatives like the proposed "Same Job, Same Pay" laws, intended to ensure labour hire workers are paid the same as direct employees. Business groups have lobbied against these changes, arguing they reduce flexibility and add to expenses, particularly for industries like mining and logistics that use labour hire. The government, sensitive to backlash, delayed or pared back some of these plans (e.g. deferring a contentious small business exemption review for IR reforms until after the election) *(Labor delays small business industrial relations review until after Australian federal election)*. Nonetheless, the perception remains that the current government's policy tilt is toward labour's interests (wages, job security) more than capital's (profits, investment incentives).

It is worth noting that Labor did implement some helpful measures for businesses: for example, extensions of small business tax concessions on skills training and technology investment (initially introduced by the previous government) were passed in 2023, and the company tax rate for small companies remains at a slightly reduced 25%. Additionally, throughout the pandemic recovery Labor continued programs like SME Recovery Loans for a time and provided grants to industries particularly hit by COVID (like travel agents and arts venues). But these were largely carry-overs or one-offs. By and large, Labor's economic narrative has centered on "helping families" (through cheaper childcare, higher wages, fee-free TAFE education, etc.) rather than explicit "pro-business" language.

This contrasts with the previous government's approach, which heavily emphasized tax cuts, deregulation, and direct industry support.

As the election nears, the policy contrast between the incumbent Labor and the opposition Coalition on business issues is coming into focus. The Coalition (Liberals/Nationals), now in opposition, has signalled that if elected it would unwind or rethink some of Labor's workplace reforms and institute more small-business-friendly measures. For instance, opposition leaders have promised to make the instant asset write-off permanent and introduce bigger tax cuts for small firms *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia).* They frame Labor's record as one of neglecting small business, pointing to the surge in insolvencies and saying Labor "failed to prioritise" small employers while "caving to unions." Labor, for its part, will argue that its policies have delivered low unemployment, stronger wage growth, and relief for working families – outcomes that ultimately create a healthier consumer base for businesses. The truth lies in nuance: the economy did add many jobs under Labor (unemployment hovered around record lows of 3.5–4.0% through 2022–24), and business revenues were robust in 2022; however, profitability for SMEs was squeezed thereafter and many felt left out of Labor's direct generosity.

In summary, the policy environment has seen workers' incomes lifted and households assisted, while businesses faced higher costs and normalised competition without extraordinary government aid.

This dynamic sets up an election debate over whether the country now needs a re-balancing. Will further wage growth and public services investment (Labor's platform) indirectly benefit all, or is targeted relief for entrepreneurs and businesses (Coalition's stance) needed to revive investment and confidence? The answer may depend on voters' own experiences – employees might credit Labor for pay rises, whereas small business owners may blame it for their thinner margins. The election outcome could significantly influence the direction of policy (e.g. industrial relations settings, tax policy, energy costs) that affects the business climate in the next term.

Outlook and Election Implications

As Australia heads into a federal election, the economic backdrop is both pivotal and complex. The trends from 2022 to 2025 carry mixed implications for the incumbent government and the opposition, influencing campaign narratives and voter priorities:

- **Cost of Living and Consumer Angst**:
  The dramatic squeeze on household finances in 2023–24 – with inflation far outpacing wage growth until recently – has made cost of living the top political issue. Voters have endured a significant decline in real incomes and have had to rein in spending. This tends to create headwinds for the incumbent (Labor), as governments often get blamed for economic pain. However, Labor will point to its actions in easing cost pressures (cheaper childcare, energy rebates, etc.) and the recent fall in inflation as evidence it is tackling the issue.

  The opposition will argue that Labor's spending and industrial policies fuelled inflation or at least did too little to prevent it, and that a change of government is needed to restore economic stability. How voters assign responsibility – to global factors vs. domestic policy – will be crucial. The return of modestly improving consumer sentiment in early 2025 *(Consumer sentiment hits 3-year high on rate cut, easing inflation | Westpac)* could slightly bolster the government's standing, as people may be feeling a bit more optimistic by election day than they were a year prior. Still, the memory of bill shocks and mortgage stress is fresh and will be a battleground in campaign rhetoric.

- **Employment and Wages:**
  Historically, low unemployment is a positive for any government. The fact that Australia's jobless rate has stayed around 50-year lows (3.5–4%) throughout Labor's term is a strong talking point for the government. It implies job security for many and robust job creation (which Labor credits to its economic management and investment in skills). Additionally, wage growth has finally accelerated after years of stagnation – a development the government will highlight as a success (partly attributing it to their policies). The opposition, however, might caution that rising wages coupled with productivity not keeping up could stoke inflation or hurt businesses, trying to shift the narrative to one of risk.

  Nonetheless, most workers vote and relatively few are business owners, so tangible wage rises, and plentiful jobs can translate to voter contentment. If Labor can convince voters that a continuation of its government means further gains in pay (without runaway inflation), that could be a deciding factor for many working and middle-class Australians.

- **Small Business Sentiment:**
  Small business owners and those employed by SMEs constitute an influential voting bloc (often courted in marginal suburban and regional seats). The analysis above shows small businesses have had a tough time – many have gone under, and others face slim profits. Business confidence surveys and commentary from chambers of commerce suggest a degree of frustration or disillusionment with the current government's lack of direct engagement with their challenges *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)* *(Labor's failure to prioritise small businesses kills confidence and short circuits electrification - Liberal Party of Australia)*.

  The Coalition will aim to capitalise on this by positioning itself as the champion of small businesses (promising tax cuts, reducing "red tape" from Labor's IR laws, etc.). Labor will need to address this constituency – perhaps by spruiking the secondary benefits to SMEs of its policies (e.g. consumer spending supported by higher wages, or skills programs supplying needed labour). It may also outline new measures (in its campaign platform) to assist small businesses, such as grants for digitalisation or extended tax write-offs, to neutralise criticism. The political importance of perception here is key: if small business owners largely feel Labor has been indifferent to their plight, their votes may swing to the opposition in large numbers. Conversely, if they feel the worst is over and the economy is picking up, they might stick with the status quo.

- **Regional Dynamics:**
  As noted, different regions are experiencing the economy differently – and this will reflect in regional campaigning. For example, in Western Australia, the economy remains relatively strong (low unemployment, high mining royalties); Labor will try to hold onto its gains there by emphasising its support for mining jobs and record investments in WA infrastructure, while the Liberals may focus on rising living costs in Perth and any discontent with federal interventions (like industrial relations changes in mining). In mortgage-belt suburbs of Sydney and Melbourne, the Coalition will relentlessly hammer the message of interest rate rises (noting that rates are at their highest since 2012, even if set by the independent RBA) and argue they would better manage inflation. Labor might counter by reminding voters that wages are finally up, and unemployment is low, asking for patience as interest rates start to come down. In regions like Queensland and Tasmania which have done comparatively well, Labor will highlight its role in supporting growth (perhaps crediting its tourism support or energy policies), whereas the Coalition will warn against complacency and any future shock from Labor's "big spending ways". Targeted policies (such as specific industry support or regional development funds) may be offered by both sides to win over key states.

- **Fiscal and Economic Credibility:**
  The election will also be a referendum on who has the better economic plan moving forward. Labor's stewardship has seen a rapid post-COVID recovery but then high inflation –they will claim credit for the former and mitigation of the latter. The opposition will highlight the inflation, and rate rises as evidence of mismanagement (even if global factors are largely to blame, politically it's effective to point to households paying more under Labor). Debates around the budget deficit and debt might also enter: Labor's budgets have been relatively restrained (the deficit narrowed in 2022–23 due to revenue windfalls), but the opposition could still frame any new spending promises as irresponsible given high inflation.

- Conversely, Labor will scrutinise Coalition promises for cuts to services or favouritism toward big business at the expense of workers. Essentially, the competing visions are Labor's high-wage, active-government approach vs. the Coalition's low-tax, private-sector-led growth approach. Voter views on the economy's trajectory – whether it needs continuity or change – will likely swing marginal seats.

In conclusion, the economic trends of 2022–2025 present a Janus-faced picture to voters. On one face, jobs are plentiful, and wages are rising, outcomes that traditionally favour incumbents. On the other, living costs have spiked and many small businesses and consumers have struggled, which can fuel desire for change. The recent improvement in inflation and sentiment could strengthen Labor's hand, allowing it to campaign on having "weathered the storm" and now moving to safer waters. The Coalition, meanwhile, will contend that Labor's storm was of its own making and that only a new government can truly restore prosperity without pain.

> **Given that elections are often decided on the question "am I better off than I was before?", voters will be reflecting on their personal experience since 2022.**

For some – those who gained pay rises or found secure jobs – the answer may be yes. For others – those whose mortgage doubled or whose business closed – the answer is no. This white paper's analysis suggests the outcome will hinge on which economic narrative resonates more and whether Australians believe the current green shoots of recovery are sustainable under Labor's policies or require a course correction. Either way, economic management will be front and centre in the 2025 federal election, making the data and trends discussed above not just abstract statistics, but the lived experience of the electorate.

Conclusion

From a period of exuberant post-pandemic spending to one of tightened belts and cautious optimism, Australia's consumer and business landscape has transformed markedly in the lead-up to the federal election.

> **The national trends tell a story of initial economic strength – high spending growth and job creation – giving way to the challenges of inflation, interest rate rises, and faltering confidence.**

Australians enjoyed freedoms and spending sprees in 2022, then were squeezed by 2023 and largely hunkered down, only now starting to see light at the end of the tunnel as cost pressures ease. Businesses, especially small ones, rode the wave of strong demand only to confront a profitability crunch that led many to shut their doors, even as those surviving look toward a potential rebound. The economy's fundamentals (low unemployment, improving inflation) are relatively healthy going into 2025, but the distribution of economic pain and gain has been uneven – between workers and businesses, between regions, and between different industries.

This uneven impact sets the stage for robust policy debate. The incumbent government has leaned into worker-centric policies, aiming to create a high-wage economy and support households through tough times. This has delivered some clear wins (e.g. record low jobless rate, rising median incomes) but also drawn criticism for sidelining the immediate needs of entrepreneurs and employers. The opposition is making the case for a rebalancing, arguing that empowering the business sector – through tax relief and lighter regulation – will ultimately benefit everyone by driving investment and containing inflation. Voters are essentially asked to choose which path they believe will secure both their own prosperity and the nation's economic health.

The analysis in this white paper suggests that whichever party can more convincingly address the twin anxieties of Australian voters – the cost-of-living crisis and the vitality of the job market – is likely to earn the public's mandate. Importantly, consumers and businesses are two sides of the same coin in the economy: healthy consumer spending underpins business success, and vibrant businesses create jobs and income.

Effective economic stewardship requires threading the needle to support both. As Australia stands at this crossroads, the experiences of 2022–2025 offer salient lessons. Policies must account for macro stability (taming inflation) while also providing micro-level support (to those bearing the brunt of change). The next government will inherit an economy that is past the acute phase of crisis but still in recovery mode – it will need to consolidate the gains (in confidence and incomes) and further alleviate the strains (on SMEs and family budgets).

In summary, Australia's recent consumer and business trends highlight resilience but also reveal vulnerabilities that policymakers cannot ignore. The lead-up to the federal election finds the nation's households and enterprises cautiously hopeful yet seeking assurance. The election outcome will determine which policy mix is applied to cement the recovery and distribute its fruits more evenly. Stakeholders in the economy – from corporate boards to small shop owners, from wage earners to job seekers – should closely examine the data and policy proposals, as outlined in this paper, to inform their expectations and decisions. The choices made at the ballot box will have real consequences for whether the Australian economy of the next three years deepens the gains of the last three or struggles with the same headwinds.

> **The imperative for whichever government is elected will be to foster an environment where consumers are confident, businesses (large and small) can thrive, and growth is inclusive.**

This, ultimately, is the litmus test that the trends from 2022–2025 have set for Australia's leaders – a test that begins with the judgment of voters in the upcoming federal election.

Here's a summary of the top five political parties in Australia, highlighting their key focus areas and which Australian voter segments they best serve:

Party	Key Policies & Focus	Best For	Australian Voting Segments Most Likely to Support
Labor Party (ALP)	Higher wages, worker protections, social services Cost-of-living relief (e.g. childcare subsidies, welfare increases) Climate action (renewables, net-zero by 2050) Industrial relations reform (pro-union, job security) Investment in healthcare & education	Workers (particularly in union-heavy industries) Low to middle-income families Young voters (progressive stance on social issues) Public sector employees	Working-class & middle-class Australians Inner-city & suburban voters Union members Multicultural communities University-educated professionals
Liberal Party (LNP - Coalition with Nationals)	Tax cuts for individuals & businesses Small business incentives & deregulation Tougher border security & national defence Focus on economic growth via private sector Energy policy favouring traditional industries	Small & medium business owners High-income earners Homeowners & retirees Rural voters (through National Party coalition)	White-collar professionals Suburban & regional conservatives Older Australians (retirees, self-funded) Farmers & rural industries
Greens	Strong climate action & environmental policies Free higher education & increased welfare support Renters' rights & affordable housing Higher corporate taxes to fund public services Social justice (LGBTQ+ rights, Indigenous recognition)	Young progressives University students & graduates Environmental activists Renters & low-income earners	Millennials & Gen Z Inner-city voters Activists & social progressives Ethical business supporters

Party	Key Policies & Focus	Best For	Australian Voting Segments Most Likely to Support
One Nation (PHON)	Anti-immigration & border security focus Opposition to "woke" culture & climate policies More support for traditional Australian industries (mining, agriculture) Scepticism of big government & globalisation Tougher crime laws & national security	Rural & regional Australians Older conservatives Blue-collar workers sceptical of globalisation Anti-mandate & freedom-focused voters	Queensland & regional voters Nationalist & conservative segments Disaffected working-class voters People concerned about political correctness
Teal Independents (Climate-Centrist Liberals)	Climate action with business-friendly approach Greater integrity & transparency in politics Gender equality & social progressivism Moderate economic policies (not extreme left or right) Stronger accountability for big corporations	Wealthy but socially progressive professionals Women in leadership & gender equality advocates Climate-conscious voters dissatisfied with major parties	White-collar professionals Suburban & regional conservatives Older Australians (retirees, self-funded) Farmers & rural industries

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