



# UNLOCKING AUSTRALIA'S AI POTENTIAL 2025

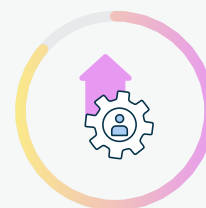
## Half of Australian businesses are harnessing AI's power

AI adoption in Australia is accelerating at an unprecedented pace, reshaping industries and redefining how businesses operate. Today, over 1.3 million businesses in Australia use AI, including over 180,000<sup>1</sup> businesses that adopted AI between 2024 and 2025.<sup>2</sup> The number of Australian businesses that have adopted AI is now **50%**, up from **43%** in 2024 – representing a year-on-year growth rate of **16%**. On average, this means one business adopts AI every three minutes, underscoring the momentum behind Australia's digital transformation.

AI is becoming increasingly mainstream across businesses' operations, with over half now using some form of AI. The impact is already being felt. As a result of their AI adoption, among businesses that have adopted AI,



**95%** report increased revenue,  
at an average increase of **34%**.

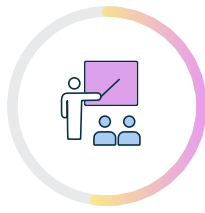


**86%** of adopters have already experienced  
productivity gains, with businesses that use AI estimating  
that they are saving 23 hours a week as a result.

These productivity gains are enabling businesses to focus more on:



Improving customer service and customer relationships (**68%**)



Employee training and development (**52%**)



Developing new products or services (**49%**)

Looking ahead, **87%** of AI adopters believe the technology will fuel their growth in the coming year, while **94%** anticipate cost savings in the next year as they continue to integrate AI more deeply into their operations – expecting an average of **38%** in cost savings.

The Australian government has recognised AI's strategic importance and the current momentum behind AI, setting out to release a [National AI Capability Plan](#) by the end of 2025. The plan will aim to establish a path to harness AI to grow the economy, support local industry, and create a more prosperous future for all Australians. It presents an opportunity to ensure that Australia not only keeps pace with global AI leaders but also carves out a competitive edge of its own. By fostering innovation, addressing regulatory clarity, and investing in skills and infrastructure, the National AI Capability Plan intends to lay the foundation for responsible and transformative AI adoption across the nation.

This research provides a comprehensive analysis of Australia's AI adoption, highlighting both its strengths and areas for further development. Findings reveal that Australia is emerging as a key innovation hub, with startups playing a pivotal role in AI integration.

To fully unlock AI's potential, Australia must address challenges and ensure that AI adoption moves beyond surface-level implementation to drive real, long-term impact across industries.

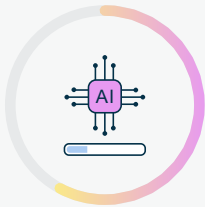


## Key findings from this study:

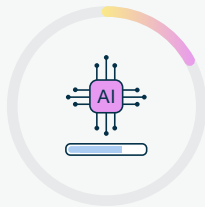
- **95%** of businesses which have adopted AI report increased revenue, at an average **34%** increase thanks to the adoption of AI.
- Over 1.3 million businesses in Australia have now adopted AI, representing **50%** of all businesses.
- Startups<sup>3</sup> are emerging as leaders in Australia – **42%** are developing new AI-driven products and services, and **39%** are harnessing AI for its most advanced uses.
- Large enterprises<sup>4</sup> however, are focused on scalable, incremental implementations. For **61%**, their AI adoption remains at basic levels, where they are focused on incremental gains, such as driving efficiencies and streamlining processes.
- Barriers continue to prevent Australian businesses from adopting AI or expanding their AI use: **39%** say they are held back by the digital skills gap. Furthermore, the regulatory landscape remains unclear for many: only **24%** of businesses say they are familiar with the consultation by the Australian government to implement AI regulation.

## AI adoption is widespread but masks a growing digital divide

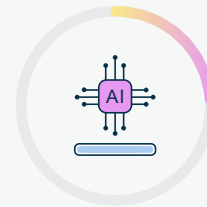
While half of Australian businesses have adopted AI, celebrating adoption figures alone risks masking an underlying trend: when looking more deeply into how businesses are implementing AI — from initial experimentation to full transformation — most Australian organisations remain at basic levels of AI adoption. At this stage, businesses are missing out on potential productivity, efficiency, innovation, and economic gains.



**58%** of Australian businesses who have adopted AI remain focused primarily on more basic uses of AI and on incremental gains (e.g., driving efficiencies and streamlining processes), rather than innovation (e.g., developing new products or disrupting their industries). These businesses are using publicly available chatbots for routine tasks, such as scheduling assistants and purchasing ready-made AI solutions.



**17%** have advanced to the intermediate stage of AI adoption. These companies are moving beyond isolated applications and integrating AI across various business functions, resulting in efficiency improvements and more innovative approaches to customer experience.



Only **24%** of Australian businesses have reached the most transformative stage of AI integration, where they are using AI for its most advanced purposes. These organisations are combining multiple AI tools or models for complex tasks, and creating custom AI systems, transforming their operations.

## Startups are leveraging AI for innovation and transformation

Startups aren't just using AI – they're building entirely new products and business models around it that would have been impossible just years ago. **81%** of startups say they are leveraging AI in some way throughout their business, and the majority of them are realising the benefits of AI adoption and leading in Australia for leveraging the technology's most advanced purposes.



Of the startups who have adopted AI, **98%** are seeing productivity gains thanks to this adoption.



**42%** of startup adopters are using the technology to develop new AI-driven products and services and **39%** are leveraging AI for the third and most advanced stage of adoption.



Over half (**53%**) of Australian startups employ AI-specific talent.

Now, over half (**53%**) of startups have integrated AI at the core of their business proposition and operations, with many making plans to expand their adoption. **60%** say that they have a comprehensive AI strategy in place, a roadmap that outlines how an organisation will leverage AI. This is much higher than the average business in Australia (**47%**).

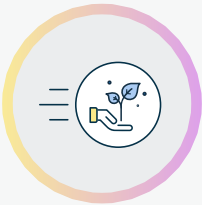
A substantial majority (**90%**) of Australian businesses believe that the nation is competitive as a global hub for innovative startups, and cite the key reasons as strong legal protections for data privacy and security (**55%**) and access to a large and diverse consumer market (**52%**).

This combination of internal ambition and external support is driving a forward-looking mindset. Nine-in-ten (**90%**) of startups believe AI will transform their industry in the next five years, making Australia's fast-moving startups key to the country's innovation and competitiveness.

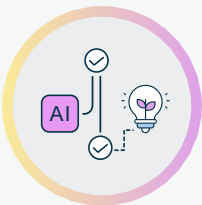
However, this momentum is not without its challenges. Startups continue to face significant barriers to AI adoption, including access to a sufficient level of, Digital skills (**40%**) and Regulatory issues (**36%**). Further to this, a third (**33%**) of startups say that regulatory uncertainty around new technologies, including AI, has significantly delayed or altered their business's decisions around AI adoption.



AWS is committed to supporting Australian startups at all points in their digital and cloud journey. To help propel the nation forward and realise the full economic and productivity potential of AI, AWS is establishing a new flagship program called [AI Spring Australia](#), offering a range of programs to help customers and partners across different sectors and industries build AI capability, and accelerate and deepen the adoption of AI and generative AI into their business. Through AI Spring Australia, AWS will leverage infrastructure, industry-leading and trusted AI tools and services, built-in security and guardrails, and deep AI expertise to help customers and partners begin and accelerate their generative AI journey.



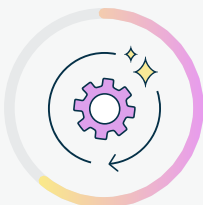
The AI Spring Australia programmes support startup organisations on the [AWS Generative AI Accelerator](#) programme. This programme helps generative AI startups turbocharge their growth with both technical and business programming, including mentorship and the opportunity to receive up to US\$1 million in AWS credits. Five Australian startups have gone through the global program, including Leonardo AI in 2023, and Contact Harald, Marqo, Relevance AI, and Splash Music in 2024.



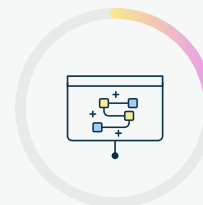
In addition, the [AWS Melbourne Builder Studio](#) supports businesses to connect with AWS technologists on-site to build and experiment with working prototypes that enable them to validate and test ideas before they spend valuable resources on real-world production. Spanning 350 square metres, the AWS Builder Studio is the second facility of its kind globally. The studio gives customers across the region hands-on experience with the latest and emerging technologies while leveraging Amazon's culture of innovation methodology to bring possibilities to life with the cloud.

## Large enterprises remain at the most basic level of adoption

While many large enterprises have adopted AI technologies, most are currently not using the technology for its most advanced purposes, resulting in an emerging two-tier economy between startups and large enterprises.



For **61%** of large enterprises, their AI adoption remains at the most basic level, focused on incremental gains, such as driving efficiencies and streamlining processes.



Only **22%** have a comprehensive AI strategy, and fewer than one-in-five **18%** are delivering a new AI-driven product or service by harnessing AI's deeper potential.

As with startups, large enterprises reported that the lack of skilled personnel is the primary barrier preventing their adoption or expanded use of AI technologies, acting as a handbrake to their potential for innovation.

If unaddressed, this 'two-tier' AI economy – with tech-driven startups outpacing larger, established enterprises in AI innovation – could have a lasting impact on Australia's AI-driven growth and innovation.



## Key barriers are preventing Australian businesses from fully leveraging AI

Three key challenges are holding Australia businesses of all sizes and sectors back from adopting AI. If left unaddressed, these obstacles risk slowing Australia's progress.

### Skills

Businesses across Australia identify the skills gap as a crucial challenge to their AI adoption. A lack of digital skills was the highest reported barrier, with **39%** of businesses reporting it prevents them from adopting or expanding their AI use. AI literacy is expected to be important for **51%** of businesses when hiring in the future, and only **37%** of businesses feel prepared with their current skillset.

- Approximately **43%** of employees in Australia have participated in digital training or upskilling in the past year.
- The digital skills gap is creating significant hiring challenges for Australian businesses. Over one-third (**38%**) report difficulty attracting local talent with the necessary digital capabilities. In response, businesses are prepared to take proactive measures, and report a willingness to increase salary offers by an average of **45%** for candidates who demonstrate strong digital skills.

### Funding

**72%** of businesses cite government support, including tax incentives or grants, as important to encourage their decision to adopt AI.

- Meanwhile, startups say more pathways to access venture capital (**65%**) is critical to support their scaling. Without consistent and accessible funding pathways, such as angel investor networks, seed funding, and targeted VC programs, many innovative ideas risk stalling before reaching their full potential.

## Regulation

A clear, streamlined regulatory landscape is necessary to give businesses the confidence they need to adopt and invest in emerging technologies. As it stands, only **24%** of Australian businesses say they are familiar with the consultation by the Australian government to implement AI regulation. Businesses are clear about what they would like this regulation to deliver:

- Businesses believe that regulation in Australia should aim to ensure AI is used ethically and responsibly (**72%**), protect user privacy and data security (**68%**) and prevent bias and discrimination in AI systems (**51%**).
- On the other hand, businesses believe that regulation should avoid creating excessive barriers that slow down AI innovation (**78%**) or impose unnecessary costs on businesses and startups (**75%**).
- Businesses estimate that they spend **30%** of their IT budget on compliance-related costs. Whilst this is lower than the **40%** of tech spend on compliance in Europe, **73%** of Australian businesses expect this figure to increase. Australian businesses estimate that this compliance spend is on data privacy and protection compliance (**53%**), legal consultations (**48%**) and cybersecurity measures (**43%**). More clarity around regulations is critical.



## Case Study: AI innovation in the public sector: Australian Epilepsy Project



AWS is helping the Australian Epilepsy Project (AEP) revolutionise epilepsy diagnosis and treatment by powering the world's largest connected epilepsy dataset with secure cloud computing and AI capabilities. AEP analyses complex multimodal data (including MRI scans, genetic tests, medical histories, and surveys) that can detect patterns, correlate genetic similarities, and create predictive models that could reduce the diagnosis-to-treatment journey by up to 15 years while providing neurologists with user-friendly access to comprehensive patient information. Their work has resulted in **8-10%** improvement in quality of life, higher detection of brain lesions, reduction in seizure rates. Their work is saving \$300 million over 10 years across the economy, and will open up even more understanding of dementia, concussion, and mental health.

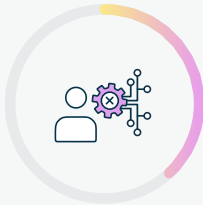
Read more about their work [here](#).

## Unlock the full potential of AI through three crucial actions

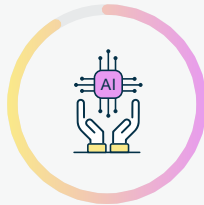
Australia has the right tools and ambition to lead in AI. AWS is encouraging policymakers and industry leaders to take action to unlock AI's full potential across both start-ups and larger enterprises:

### 1. Accelerate private sector digital adoption through skills efforts

A key barrier to AI adoption is not ambition, it's capability.



Over one-third (**38%**) of businesses report difficulty attracting local talent with the necessary digital capabilities.



**91%** of businesses view AI-related skills as essential.



Only **37%** feel their workforce is currently prepared.

This gap highlights an urgent need for industry-specific digital skills programs, certifications, and practical training pathways that align with real-world business applications. To close this gap, government and industry should expand partnerships on targeted, practical AI training aligned to workforce needs. Policymakers can also embed digital and AI literacy more systematically into school and university curricula, and broaden access to cloud and AI skills programs – particularly for SMEs and underrepresented groups – to ensure everyone can benefit from Australia's AI-driven growth. Dedicated support for SMEs — alongside efforts to equip the broader workforce with applied AI skills — is critical.

AWS is committed to providing people of varying backgrounds and experiences with the technology skills they need to prepare for the technologically-skilled, high-paying, and in-demand jobs of the future. AWS has trained more than 400,000 people in Australia on cloud skills since 2017 and offers a variety of training programs to meet learners where they are.

AWS is also committed to closing the skills gap through its global initiatives, including [AWS Educate](#). AWS Educate is designed specifically for the curious, new-to-cloud learner, AWS Educate provides simple, barrier-free access for learners to learn, practice, and evaluate cloud skills without creating an Amazon or AWS account. It offers hundreds of hours of free, self-paced online training resources and the opportunity for hands-on practice on the AWS Management Console. It also includes the previous AWS Spark, real-world problem solving unit.

[AWS Academy](#) is providing higher education institutions with free, ready-to-teach cloud computing curriculum aligned to industry-recognized certifications and in-demand cloud jobs. AWS Academy's curriculum helps educators at secondary and post-secondary institutions equip students with the skills they need to compete in one of the fastest-growing industries and become the builders of tomorrow. Finally, the [AWS Skill Builder](#) provides an online learning centre for building in-demand cloud and AI skill.

### 2. Create a clear picture for Australia's pro-growth regulation

A regulatory environment that fosters experimentation and provides certainty will be key to enabling AI adoption across all sectors. Without it, the current uncertainty risks delaying investment, stalling innovation, and slowing Australia's progress toward becoming a regional and global AI leader. Ensuring that AI regulation is predictable and innovation-friendly – and maintains a lower-cost compliance model – will be critical to maintaining and strengthening Australia's position as a global leader in AI-driven growth.

Furthermore, regulation should remain risk-based and proportionate, focused on addressing high-risk use cases while avoiding overly broad or prescriptive obligations that could deter innovation. Policymakers should also clearly distinguish the roles and responsibilities of AI developers and deployers, ensuring accountability rests with those best placed to manage specific risks.

Finally, aligning with international standards such as ISO 42001 or the NIST AI Risk Management Framework, and promoting interoperable data-sharing standards, can help reduce fragmentation and promote global interoperability, freeing space for Australian businesses to compete and innovate.

### 3. Modernise public sector technology

By prioritising digital transformation in critical areas like healthcare and education, the government can demonstrate the real-world benefits of AI to citizens, build public trust, and stimulate broader demand for innovative solutions. One powerful lever is public procurement—using the government’s purchasing power to support AI solutions and incentivise confident investment in emerging technologies. **86%** of businesses say they are more likely to adopt AI when the public sector leads, and **48%** of startups say that increased public sector adoption of new technologies is crucial to their ability to scale.

The government should also leverage regulatory sandboxes and public-sector testbeds to safely experiment with innovative AI applications in sensitive areas. Embedding cloud-based, scalable AI solutions in public services can serve as a model for private-sector adoption and innovation. Furthermore, using government procurement policy as a catalyst to support innovative, responsible AI solutions developed locally will strengthen the domestic AI ecosystem.

AI adoption in Australia is moving fast, and the benefits are undeniable, from revenue growth and productivity gains to innovation and job creation. To truly capitalise on this momentum, Australian businesses must look beyond surface-level adoption. Startups are setting the standard in Australia, leveraging AI for deep transformation and new business models. In contrast, many larger businesses remain at the most basic stage of adoption. Bridging this gap, by addressing barriers in skills, funding, and regulation, will be essential. If policymakers, businesses, and industries work together, Australia has the opportunity to lead in AI-powered growth. But it will take bold, coordinated action to unlock AI’s full transformative potential.



# Appendix

## Methodology

The fieldwork for this study was undertaken by Strand Partners' research team for AWS. This research has followed the guidance set forth by the UK Market Research Society and ESOMAR. For the purposes of this study, business leaders are defined as founders, CEOs, or members of the C-suite in organisations.

'Citizens' are nationally representative members of the public based on the latest available census.

For inquiries regarding our methodology, please direct your questions to: [polling@strandpartners.com](mailto:polling@strandpartners.com).

## In Australia:

- We surveyed 1,000 members of the Australian public, ensuring representation based on age and gender.
- Additionally, we surveyed 1,000 businesses, representative by their business size and sector.

## Sampling:

Our sampling process used a mix of online panels that are recognised for their validity and reliability. These panels are carefully curated to ensure diverse representation across various demographics. For the business leaders, the panels are selected with a consideration for organisational size, sector, and position within the company. Our objective with the sampling strategy is to achieve an optimal mix that mirrors the actual distribution of our target populations in the respective markets.

## Weighting Techniques:

Post-data collection, we applied iterative proportional weight to correct any discrepancies or over-representations in the sample.

## Survey:

- Usage Patterns: This survey gauges the evolving patterns of digital technology usage. We are particularly interested in examining the adoption and implementation levels of technologies, focusing on cloud computing and artificial intelligence.
- Perceptions and Attitudes: The survey seeks to unearth the prevailing perceptions and attitudes towards digital technologies, understanding the perceived benefits, challenges, and potential ramifications of both present and emerging tech solutions.
- Barriers and Opportunities: The survey scrutinises the predicted challenges and potential avenues that both businesses and individuals anticipate on their digital trajectory. This involves pinpointing challenges, from skill deficits to regulatory complications, and recognising opportunities for growth, innovation, and market development.
- 'Size of the Prize': The survey shed light on the economic repercussions and growth prospects linked with digital transformation. By elucidating the 'size of the prize', we aspire to stress the importance of digital transformation and foster further investments and technology adoption.

## References

1. Calculated based on the total estimated number of registered businesses in Australia, which was 2.6 million in 2024. Source: <https://www.abs.gov.au/statistics/economy/business-indicators>
2. "Adopted AI" or "consistently use AI": a business that consistently uses at least one AI tool. This would not include businesses that experimented with AI once or twice, or ran a temporary pilot programme, for instance.
3. A startup is a business founded in the last 2 years which provides a new product/service or innovation and is aiming for rapid growth in terms of employees and turnover.
4. A large enterprise is a business with 500 or more employees, founded 10 years ago or more.