

IMPACT OF COVID-19 ON BUSINESSES IN AUSTRALIA

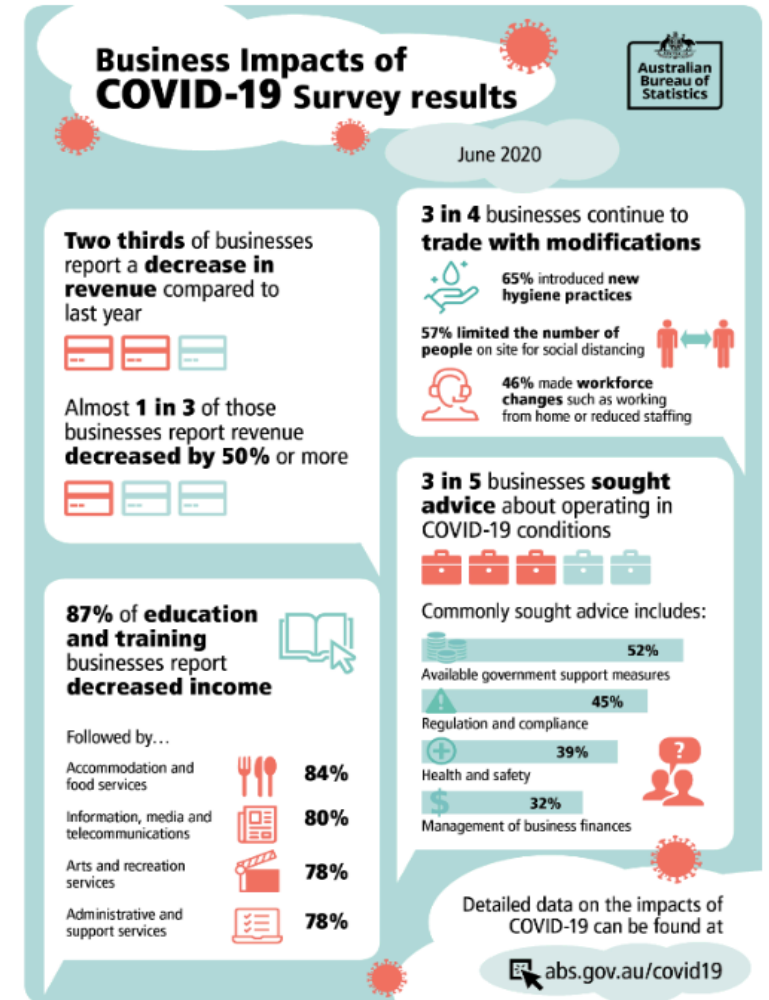
Fifth edition

ST.GEORGE ECONOMICS

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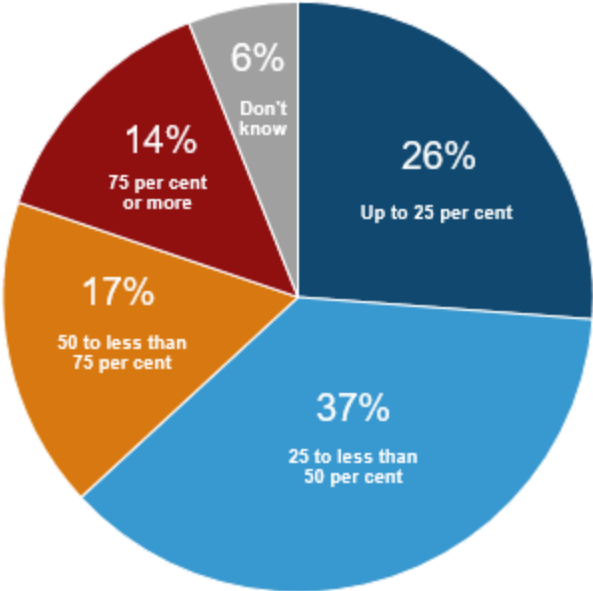


OVERVIEW

- The Australian Bureau of Statistics (ABS) released the fifth edition of its survey measuring the impact of COVID-19 on businesses in Australia. The survey was conducted from 10 to 17 June, covering 2,000 businesses of which 72% responded.
- The key findings include 66% of businesses reported a decline in revenues compared with a year ago. In contrast, 8% said their revenues had increased. These results suggest businesses continue to face challenging conditions, despite some reopening of the economy around the time of the survey.
- Of the businesses reporting lower revenue, 14% reported a huge drop of more than 75%, 17% reported a large fall of 50-75%, 37% a decline between 25-50% and 26% saw a fall of up to 25%.
- A more severe impact on revenues has been experienced by larger firms (those employing more than 200 staff).
- By industry, businesses in education & training were the most likely to report a reduction in revenue (87%) and mining firms were the least likely (31%). The hospitality industry had the highest share of businesses reporting a revenue hit of over 50%. Firms who are impacted more greatly by social distancing were more likely to report a higher reduction in revenue.
- Other responses also suggested businesses are in a deteriorated operating position due to COVID-19. Only 36% of business said that their current cash on hand could sustain operations for more than 6 months in the current environment.
- One of the more worrying aspects of this survey was that 8% of businesses said their operations could not be supported by current available cash on hand for more than a month and another 21% of businesses said operations could only be supported by cash on hand for 1-3 months. The JobKeeper scheme is due to end on 27 September, around the same time as some other stimulus measures. These results highlight that the end of the September quarter is shaping up to be a financial hurdle (and possibly a cliff) for some businesses.
- Based on current conditions, smaller businesses are under the most cash flow pressure with 30% able to continue operating for only up to 3 months (versus 12% for large businesses).
- 73% of all businesses surveyed said they had modified their operations in response to COVID-19, up from 70% in May. Companies who changed their business operating conditions were more likely to report a higher decline in revenue.
- There was a large variation in the type of operational modification by industry. Accommodation & food services businesses were the most likely to have introduced innovation. As businesses changed the way they operated, 60% of businesses sought external advice, including from the banking industry.

COVID-19 HAS HIT REVENUE

Magnitude of revenue decrease compared to same time last year^(a)



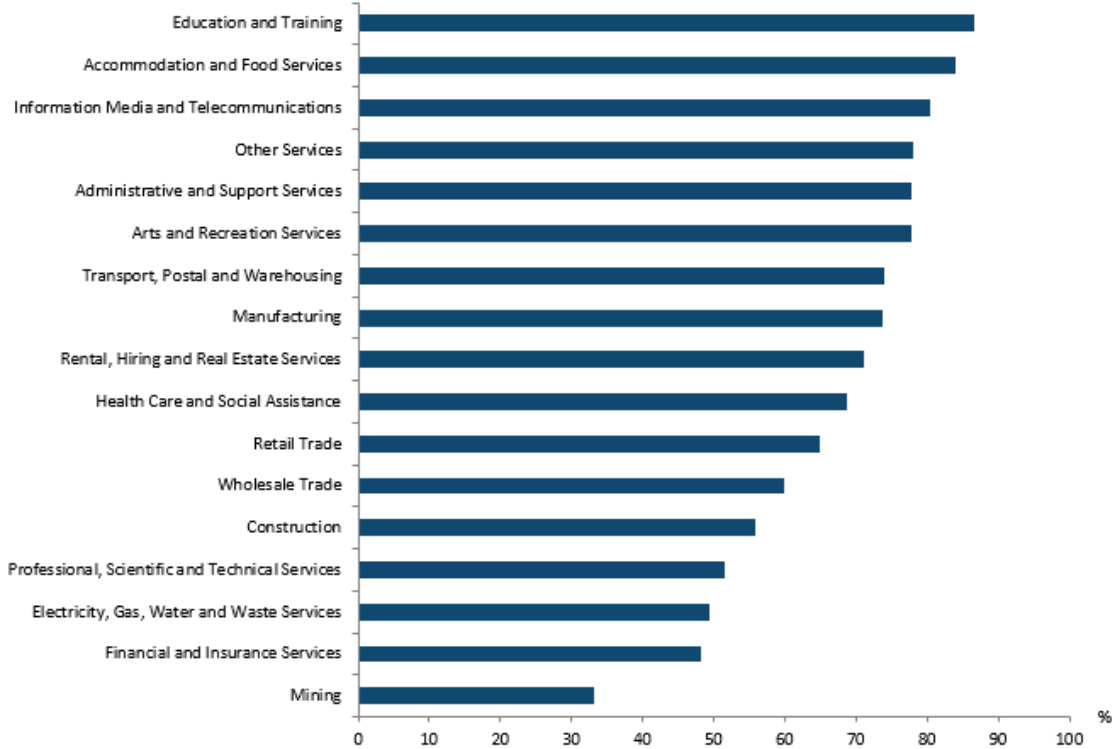
(a) Proportions are of businesses that reported a decrease in revenue compared to the same period last year.

Source: ABS

- Social distancing measures have caused a majority of businesses to see a reduction in revenue compared with the same period a year earlier.
- Businesses were asked about their revenue compared with the same period a year ago.
- 66% of businesses surveyed said their revenue had fallen compared with the same period last year.
- 8% of businesses said their revenue had increased compared to the comparable period a year earlier.
- Most companies reporting a decline in revenue (37%), reported declines of between 25-50%.
- 14% of companies saw a decline in revenue of more than 75% compared with a year ago.
- Companies who had their business operating conditions changed were more likely to report a higher decline in revenue.

FORTUNES VARY BY INDUSTRY

Businesses that reported decreased revenue compared to the same time last year, by industry^(a)



(a) Proportions are of all businesses.

Source: ABS

- By industry, education & training businesses were the most likely to report a reduction in revenue (87%).
- There was also a high share of firms reporting a decline in revenue among accommodation & food services (84%) and information, media & telecommunications firms (78%).
- Mining sector companies were the least likely to see a reduction in revenue, with 31% reporting a reduction compared with a year ago.
- Firms who faced tighter social-distancing restrictions were more likely to report a higher reduction in revenue.
- 63% of firms in the accommodation & food services sector and 60% of firms in the arts & recreation sector reported a decline in revenue of more than 50%.

BUSINESSES HAVE ADAPTED

Modifications to business operations, by type of modification and employment size^{(a)(b)}

	Limitations to the number of people on site	Introduced new hygiene protocols and practices	Changed the types and range of products or services offered	Changed the way products or services are provided to customers	Changed operating hours	Changed payment methods	Changed suppliers or supply chain	Changed staff roles or duties	Other workforce changes ^(c)
	%	%	%	%	%	%	%	%	%
Small (0-19 persons)	56	64	22	39	31	16	9	25	44
Medium (20-199 persons)	76	80	28	49	35	18	11	38	72
Large (200 or more persons)	87	88	32	54	37	19	15	46	84
All businesses	57	65	22	40	31	16	9	25	46

Source: ABS

(a) Proportions are of all businesses.

(b) Businesses could provide more than one response to the question.

(c) For example, staff working from home or operating with a reduced workforce.

- Businesses have continued to adapt in the face of COVID-19.
- 73% of all businesses surveyed said they had modified their operations in the latest survey, up from 70% in May.
- The most common type of modification was enhanced hygiene protocols, with 65% of businesses introducing new practices in this area. Density modifications were also common, with 57% of companies introducing people limits.

ADAPTATIONS VARY BY INDUSTRY

Modifications to business operations, top four industries (a)



(a) Businesses could provide more than one response to the question.

(b) Proportions are of all businesses that reported they limited the number of people on site or introduced new hygiene protocols and practices.

(c) Proportions are of all businesses that reported they changed operating hours, payment methods or suppliers.

(d) Proportions are of all businesses that reported they changed the types and range of products and services offered or the way they are delivered to customers.

(e) Proportions are of all businesses that reported they changed staff roles or duties or other workforce changes.





Source: ABS

- There was a significant variation in the type of operational modification by industry.
- Accommodation & food services businesses were the most likely to have introduced innovation, with 78% of companies changing or augmenting their product offering. This most likely reflected the introduction of delivery and takeaway services.
- Companies in the accommodation & food services sector were also the most likely to change their operating hours, payment methods or suppliers, with 74% reporting changes in these areas.
- The health care & social assistance sector saw widespread changes in physical distancing and hygiene requirements as additional precautions became necessary to slow the spread of COVID-19.
- Workforce changes were also most prevalent among health & social assistance companies.

ADVICE HAS BEEN CRUCIAL

Most commonly reported subjects and sources of external advice sought by businesses ^{(a),(b)}

Top subjects of advice

-  52% Government support measures available to the business
-  45% Regulation and compliance
-  39% Health and safety
-  32% Management of business finances

Top advice sources



- 49% Private organisations ^(c)
- 38% Federal government agency
- 35% State government agency
- 21% Customers

(a) Proportions are of all businesses.

(b) Businesses could provide more than one response to the question.

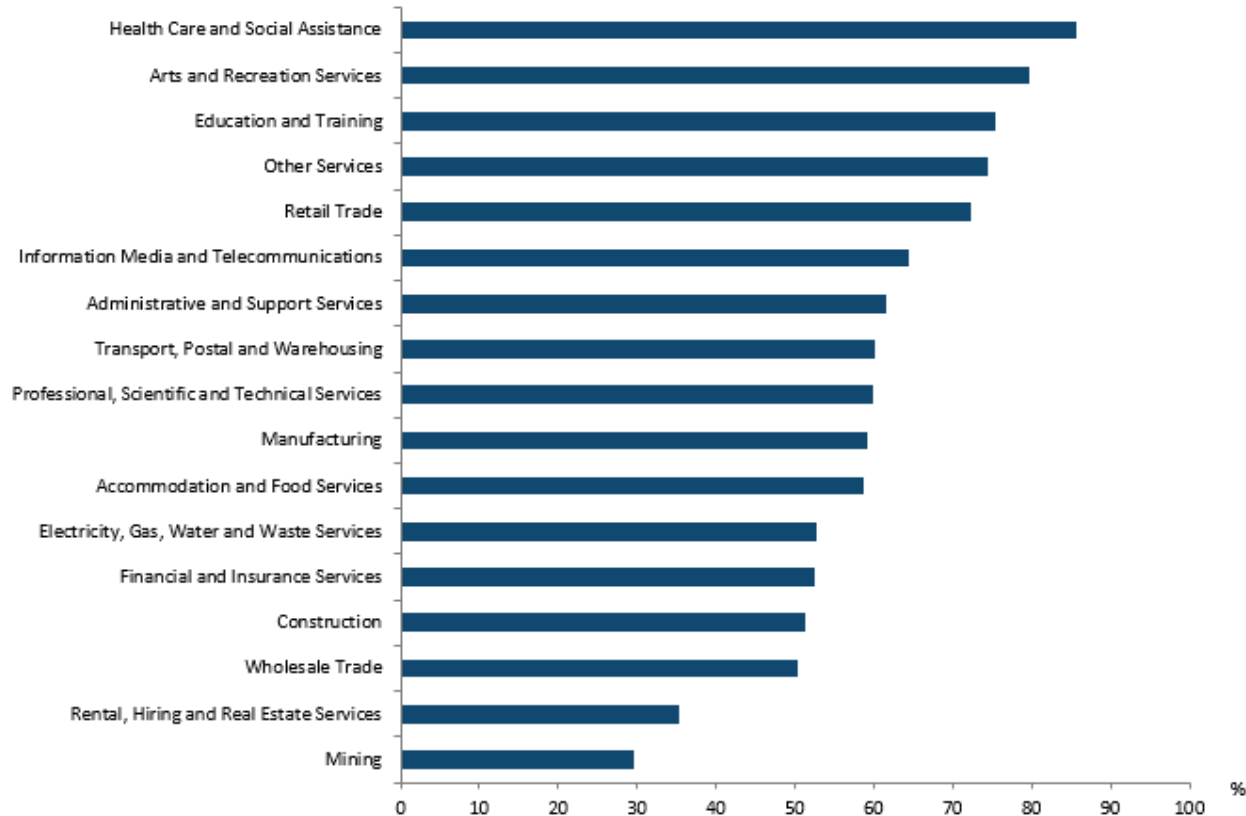
(c) For example, bank, lawyer, accountant

Source: ABS

- As movement restrictions were ramped up and businesses changed the way they operated, businesses sought advice from a variety of sources on a range of topics.
- 60% of businesses sought external advice in response to COVID-19.
- The ABS included external advice as: obtaining information online or in print, such as regulatory information or guidelines, or paid or unpaid direct consultation with individuals or organisations external to the business.
- Medium sized businesses (20-199 employees) were most likely to have sought advice, with 72% obtaining advice.
- 66% of large businesses said they sought advice while small businesses were most likely to go it alone, with 59% obtaining external advice.
- The most common subject of advice was the availability of government support measures (52%), followed by regulation and compliance (45%).
- Private organisations were the most common source of advice, with 49% seeking advice from private organisations such as their bank, lawyer or accountant.

ADVICE BY INDUSTRY

Businesses that sought external advice, by industry^(a)



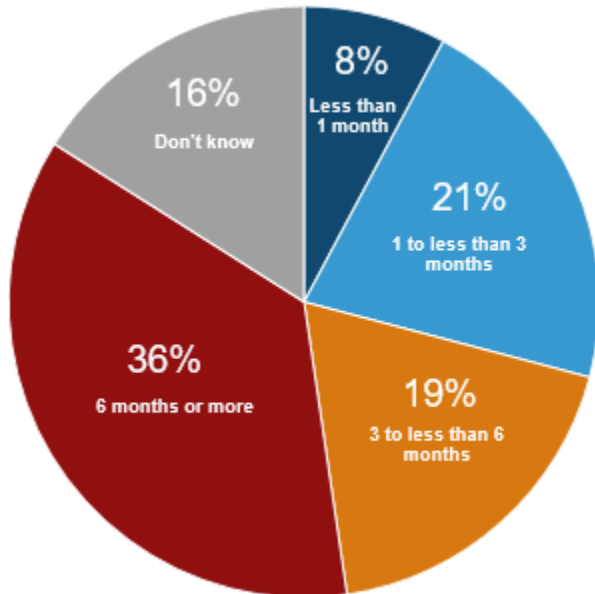
(a) Proportions are of all businesses.

Source: ABS

- Advice was more commonly sought by businesses whose operations had been most affected.
- Businesses in health care & social assistance (86%), arts and recreational services (80%) and education & training (75%) were the most likely to have sought external advice in response to COVID-19.
- The type of advice sought also differed by business.
- Health care & social assistance companies were highly likely to seek advice on the type of government assistance available (85%), as were companies in the arts & recreation sector (78%).
- Education & training companies reported high rates of advice sought on regulatory requirements (88%). As such, they were highly likely to approach government agencies for advice (81%).
- Although they were less likely to report a negative impact on revenue, a high proportion of retail trade businesses sought advice on government support measures, at 89%. This likely reflects the concerns over the impact of social distancing on retail trade.

CASH ON HAND

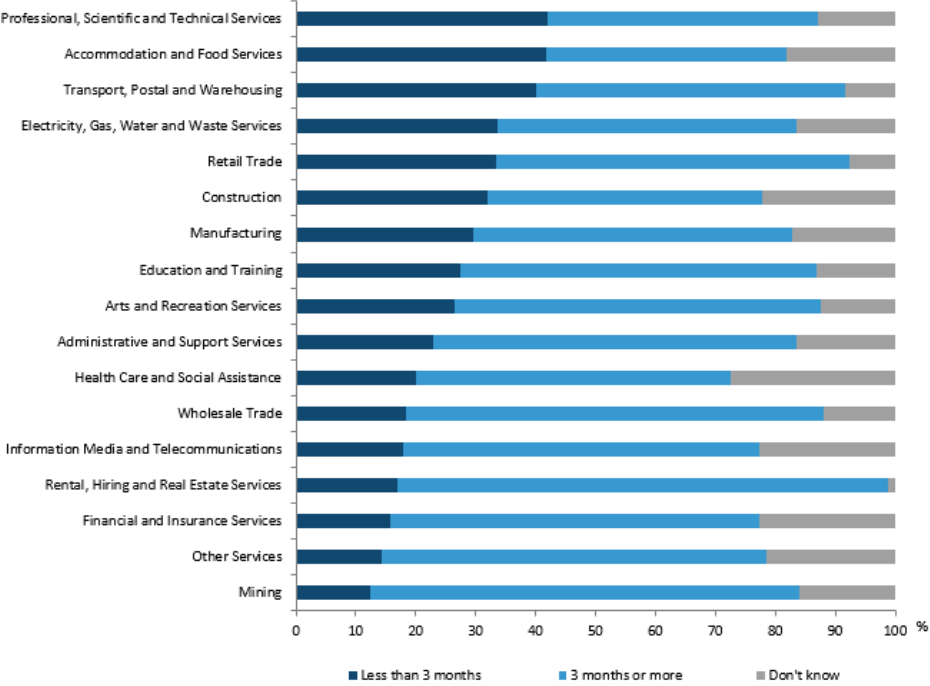
Length of time operations could be supported by currently available cash on hand



- In the 5th edition of *Business Impacts of COVID-19 on Businesses*, the ABS asked a question to gauge the sustainability of business in the current climate.
- Surveyed businesses were asked to estimate the length of time that, under current conditions, operations could be supported by the currently available cash on hand.
- The ABS notes that these are point-in-time estimates, which were likely to be impacted by changes in government policy during the survey period. For example, a further easing of restrictions was announced on 12 June, which fell within the survey period of between 10 June – 17 June.
- Only 36% of business said that their current cash on hand could sustain operations for more than 6 months in the current environment.
- One of the more worrying aspects of this survey was that 29% of businesses said their operations could only be supported by current available cash on hand for 3 months or less: 8% said less than 1 month and 21% for 1-3 months. The JobKeeper scheme is due to end on 27 September, together with some other stimulus measures. These results highlight that the end of the September quarter is shaping up to be a financial hurdle for some businesses.
- Several businesses said that existing cash on hand would not be sufficient to maintain current operations if it were not for government-support measures.

CASH ON HAND BY INDUSTRY

Business sentiments on length of time operations could be supported by currently available cash on hand, by industry^(a)



(a) Proportions are of all businesses.

- The industries with the largest proportion of businesses that reported their currently available cash on hand would support less than 3 months of operations were not necessarily the same as those who reported the largest decline in revenue compared with a year ago.
- Professional, scientific and technical services were the mostly likely to report that their current cash on hand was not sufficient to maintain operations for more than 3 months (42%).
- Accommodation and food services (who have been heavily impacted by social distancing measures) also reported a relatively high proportion of firms who did not expect current cash on hand to support more than 3 months of operations under current conditions.

SURVEY DETAIL

- The survey is the fifth edition of the Australian Bureau of Statistics (ABS)'s survey measuring the impact of COVID-19 on businesses.
- Its aim is to provide further information on the prevalence and nature of adverse impacts from COVID-19 experienced by businesses operating in Australia.
- A sample of 2,000 businesses was selected for this survey. The response rate was 72%, with 1,431 businesses taking part in the survey.
- This survey continued the theme of business experiences under COVID-19, but focussed more on whether businesses had sought advice and how long current cash reserves could sustain operations for.
- Firms were also asked about changes to their operating conditions, their revenue situation, whether they had sought advice and about the sustainability of their operations under current conditions.
- Data collection started on 10 June, 2020 and was finalised on 17 June, 2020.
- As has been the case for all editions of this survey, businesses who did not respond might not have done so because they are adversely impacted by COVID-19. If this were the case there is potential for systematic bias in these estimates. That would mean that the responses in this survey would underestimate the impact of COVID-19 on businesses.

SURVEY QUESTIONS

1 (a) Is this business currently trading?

- Yes [Go to Question 2a]
- No [Go to Question 1b]

(b) Is the halt in business trading a result of COVID-19?

- Yes [Go to Question 3a]
- No [End of survey]

2 (a) Since the start of March, has this business made changes to its operations, as a result of COVID-19?

- None, continued trading as normal [Go to Question 3a]
- Continued operating under modified conditions [Go to Question 2b]

(b) Thinking of those modified conditions can you tell me if the business has made any of the following modifications to its operations: (select all that apply)

- Limiting the number of people on site based on physical distancing requirements
- Introduced new hygiene protocols and practices (e.g. supply of cleaning and sanitiser products)
- Changed the types and range of products and services offered by the business
- Changed the way products or services are provided to customers (e.g. shifted more operations online, offering home delivery, no face to face contact with customers)
- Changed operating hours including opening by appointment only
- Changed payment methods (e.g. contactless, cash-free)
- Changed suppliers or supply chain
- Changed staff roles or duties
- Other workforce changes (e.g. working from home, reduced workforce)
- Other modifications (please specify)

3 (a) In response to COVID-19 conditions, has the business sought any external advice?

[Note: External advice can include obtaining information online or in print, such as regulatory information or guidelines or paid or unpaid direct consultation with individuals external to this business]

- Yes [Go to Question 3b]
- No [Go to Question 4a]
- Don't know [Go to Question 4a]

(b) Was the advice related to any of the following: (select all that apply)

- Government support measures available to the business (e.g. Jobkeeper, Boosting cash flow for employers payment, loan guarantee scheme, increasing the instant asset write-off)
- Regulation and compliance (e.g. COVIDSafe plan, health and safety, tax reporting obligations)
- Management of business finances (e.g. seeking additional funds, loan arrangements, financial reporting and planning)
- Workforce management
- Business continuity/contingency planning
- Health and safety
- Marketing, advertising or promotion
- Supply chain management (e.g. logistics, distribution, purchasing)
- Information and communications technology

(c) From which of the following sources did the business get this advice? (select all that apply)

- Federal Government agency
- State Government agency
- Private institution (including bank, lawyer, accountant)
- Not-for-profit institution (including industry body or associations)
- Friends or family
- Suppliers
- Customers
- Other sources (please specify)

4 (a) To the best of your knowledge, what impact has the COVID-19 pandemic had on the revenue of this business compared to this time last year?

- Decreased [Go to Question 4b]
- Increased [Go to Question 5]
- Remained the same [Go to Question 5]
- Don't know [Go to Question 5]

(b) What is your best estimate of how much revenue has decreased compared to this time last year?

- Up to 25 per cent lower
- 25 to less than 50 per cent lower
- 50 to less than 75 per cent lower
- 75 to 100 per cent lower
- Don't know

5 Based on current conditions, what is your best estimate of the length of time that this business's operations could be supported by its currently available cash on hand?

[Note: Cash on hand includes savings, assets that can easily be sold, and unused credit facilities]

- Less than 1 month of business operations
- 1 to less than 3 months
- 3 to less than 6 months
- More than 6 months
- Don't know

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