

# **IMPACT OF COVID-19 ON BUSINESSES IN AUSTRALIA**

## **Second edition**

**ST.GEORGE ECONOMICS**

**7 April, 2020**

# CONTENTS

---

	<b>Pages</b>
• Overview	3
• Survey details	4
• Survey questions	5
• Impact on business operations	6-7
• Impact on business closures, including by employment	8-9
• Responses by businesses	10-12
• Contacts page	13
• Disclaimer	14

# OVERVIEW

---

- The Australian Bureau of Statistics (ABS) today released the results of the second edition of a survey highlighting the prevalence and nature of adverse impacts from COVID-19 experienced by businesses in late March/early April.
- The survey was conducted between 30 March and 3 April. The Federal government's announcement of its third and largest stimulus package to support businesses during COVID-19 on 30 March was the same day the survey collection began.
- 66% of surveyed businesses said that they experienced a reduction in cash flow or turnover in the previous 2 weeks. Businesses in the accommodation & food services sector were hardest hit. Almost all firms surveyed in this industry reported a reduction in cash flow or turnover.
- 64% of businesses reported a reduction in demand over the previous two weeks. The accommodation & food services industry and the construction industry reported the greatest proportion of firms experiencing a reduction in demand.
- Many businesses have also had to make changes to their workforce arrangements; indeed, 47% of surveyed firms said they had made changes to their workforce. The most common change was the temporary reduction to the working hours of employees.
- The JobKeeper payment policy was announced the same day as the survey began and may have had an impact on the decisions of businesses for changes to their workforces.
- 38% of businesses surveyed said they have changed how they deliver their products and services, including shifting their offerings online.
- 24% of businesses said they have deferred interest payments on their loans while 26% said they had brought forward investment.
- 38% of businesses said they had renegotiated their property rental agreements.
- 29% of businesses reported difficulty in sourcing stock or raw materials.
- And 48% reported that government measures to contain the virus, such as social distancing, have impacted their operations.
- This report highlights that businesses have already seen a substantial impact to their cash flows in the current environment. It also highlights that businesses are trying to adapt and innovate in this challenging environment.

# SURVEY DETAIL

---

- The Australian Bureau of Statistics (ABS) today released a publication giving further information on the prevalence and nature of adverse impacts from COVID-19 experienced by businesses operating in Australia in late March and early April.
- A sample of 3,000 businesses was selected for this survey. The response rate was 40%.
- These businesses form a sub-sample of those included in the March quarter 2020 business indicators survey, also published by the ABS.
- Data collection started on March 30 and was finalised on April 3.
- The Federal government's third and largest stimulus package with the JobKeeper payment policy at its centre was announced on 30 March.
- Response rates were significantly lower than typical ABS collections.
- 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 your business currently trading?

- Yes [Go to Question 2]
- No

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

- Yes [Go to Question 1(c)]
- No [End of survey]

## (c) Can you please give more information on what has happened with the trading of this business?

- Paused business trading due to the introduction of government measures
- Demand affected this businesses products/services
- Voluntary administration
- Made all employees redundant
- Temporarily stood down all employees
- Other (please specify)

## 2 (a) In the last two weeks, has this business made any change to its workforce as a result of COVID-19?

- Yes
- No [Go to Question 3]

## (b) Which of the following changes has the business made to its workforce? (select all that apply)

- Temporarily reduced staff work hours
- Temporarily increased staff work hours
- Staff placed on paid leave
- Staff placed on unpaid leave (including staff stood down)
- Forced redundancies
- Hired additional employees
- Changed staff work location (e.g. staff working from home)
- Other (please specify)

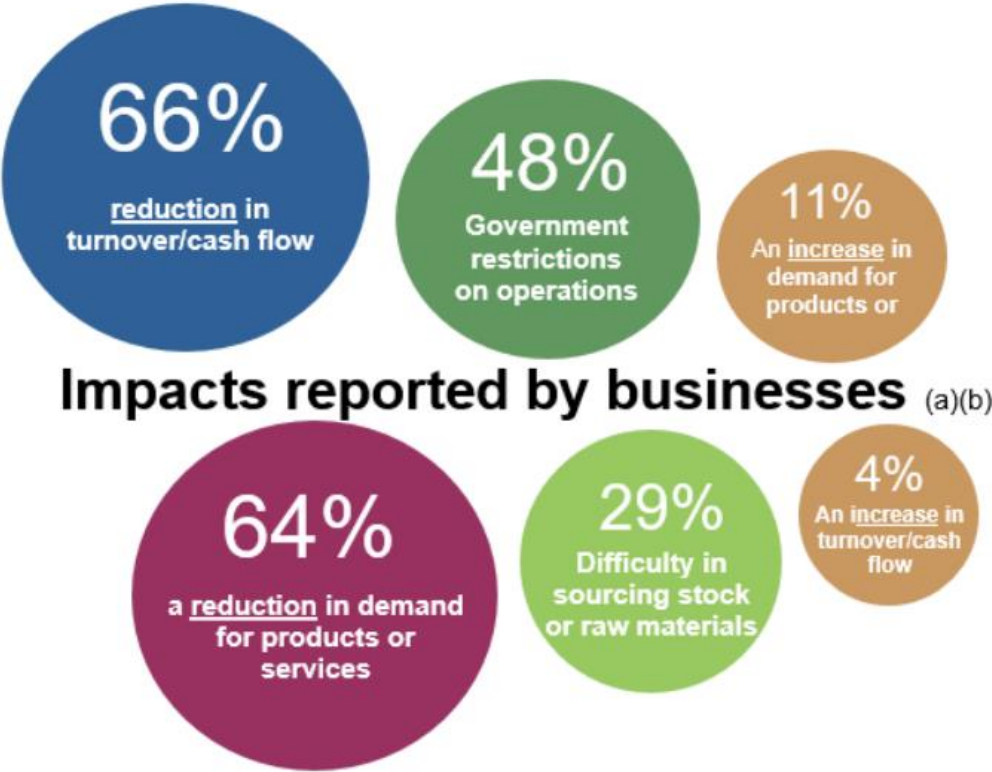
## 3 What have been the largest impacts on this business as a result of COVID-19? (select all that apply)

- Reduction in turnover/cash flow
- Increase in turnover/cash flow
- Reduction in demand for products or services
- Increase in demand for products or services
- Difficulty in sourcing stock or raw materials
- Government restrictions on operations
- Other (please specify)

## 4 How has this business responded to the impacts of COVID-19? (select all that apply)

- Introduced new products
- Changed the method of delivery of products or services; including shifting to online services
- Deferred loan repayments
- Deferred or cancelled investment plans
- Brought forward investment plans
- Renegotiated property rent/lease arrangements
- Changed quantity of orders of inputs (e.g. stock, raw materials)
- Changed payment terms with customers
- Changed payment terms with suppliers
- Other (please specify)

# IMPACT ON BUSINESS OPERATIONS

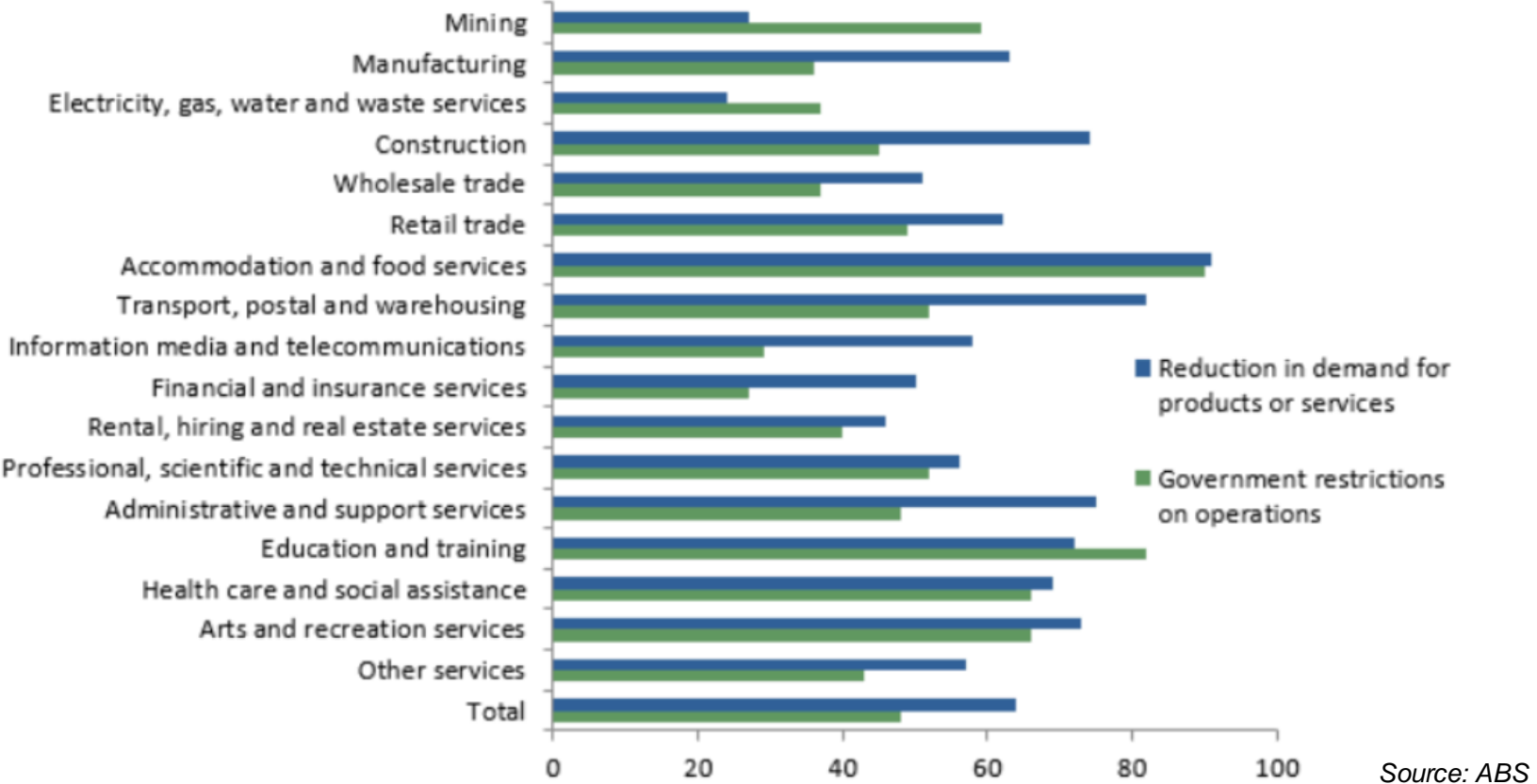


- Two-thirds of businesses surveyed reported that their cash flow or turnover had reduced in the past two weeks.
- Despite an overall reduction in cash flow/turnover, the ABS said a number of businesses reported an increase in their online sales/turnover.
- Also of note, 64% of businesses reported a reduction in the demand for their products or services.
- Accommodation & food services was the industry reporting the largest reduction in turnover, with almost all businesses reporting a decline.

Source: ABS

(a) Proportions are of businesses currently trading.  
(b) Businesses could select more than one option.

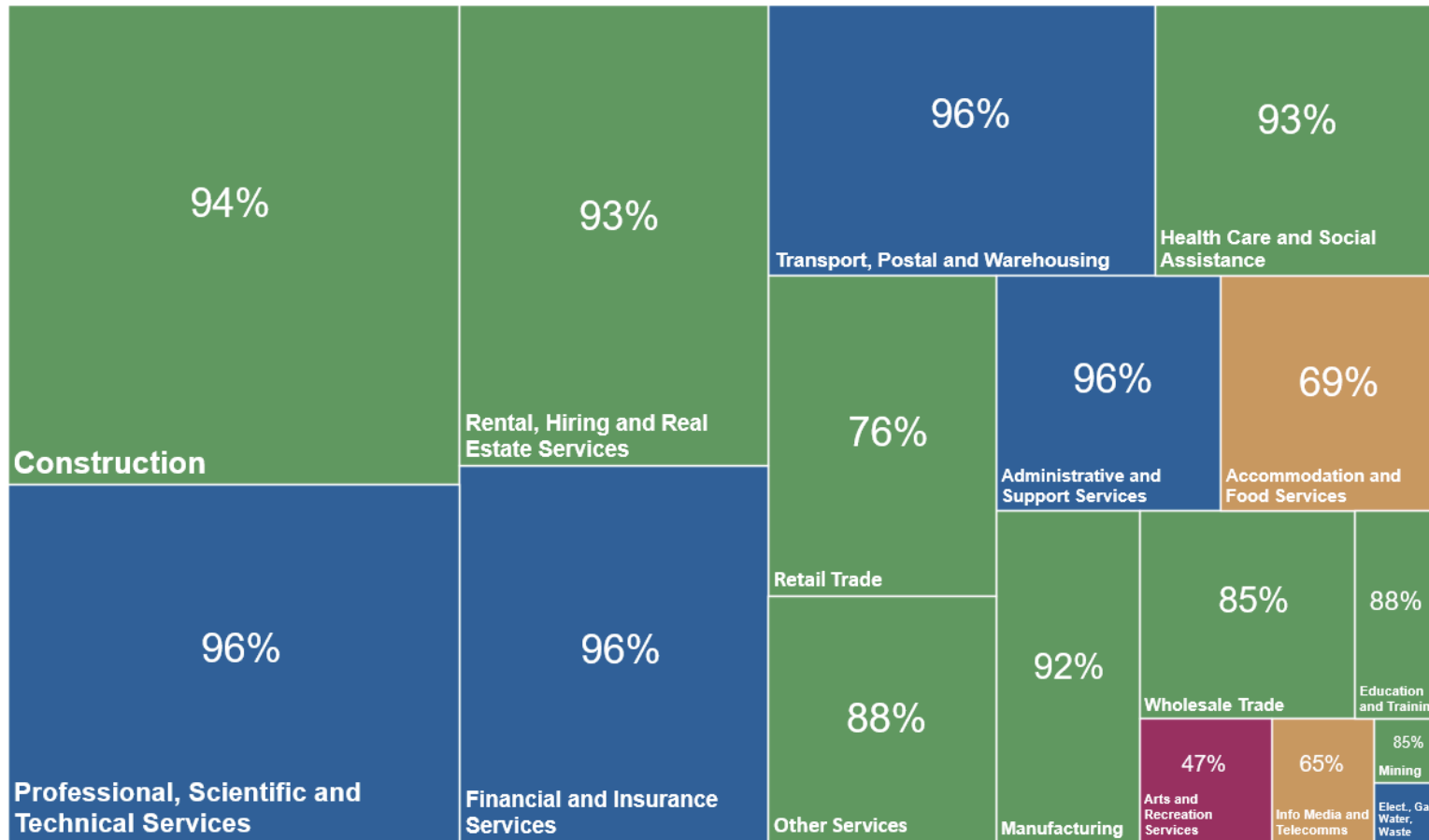
# IMPACT ON BUSINESS OPERATIONS BY SECTOR



- Accommodation & food services reported the biggest proportion of currently trading firms who experienced a reduction in demand. There was also a large share of transport, postal & warehousing firms who experienced a decline in demand.
- All industries reported large reductions in demand of greater than 50% except for 3 industries: electricity, gas, water & waste services; mining; and rental, hiring & real estate services.

# IMPACT ON BUSINESS CLOSURES

Share of each Industry in the Australian Business Population<sup>(a)</sup> and the Proportion of businesses that are currently operating<sup>(b)</sup>



- The survey showed 90% of businesses surveyed were still operating during the survey period.
- Of companies who ceased trading, 70% said it was due to the impact of COVID-19 on their operations.
- Businesses in arts & recreation, information, media & telecommunications and accommodation & food services reported the highest number of closures.
- 84% of businesses not trading said it was due to the introduction of containment measures.

(a) ABS cat no. 8165.0 Counts of Australian Businesses as at June 2019, including Entries and Exits, June 2015 to June 2019.

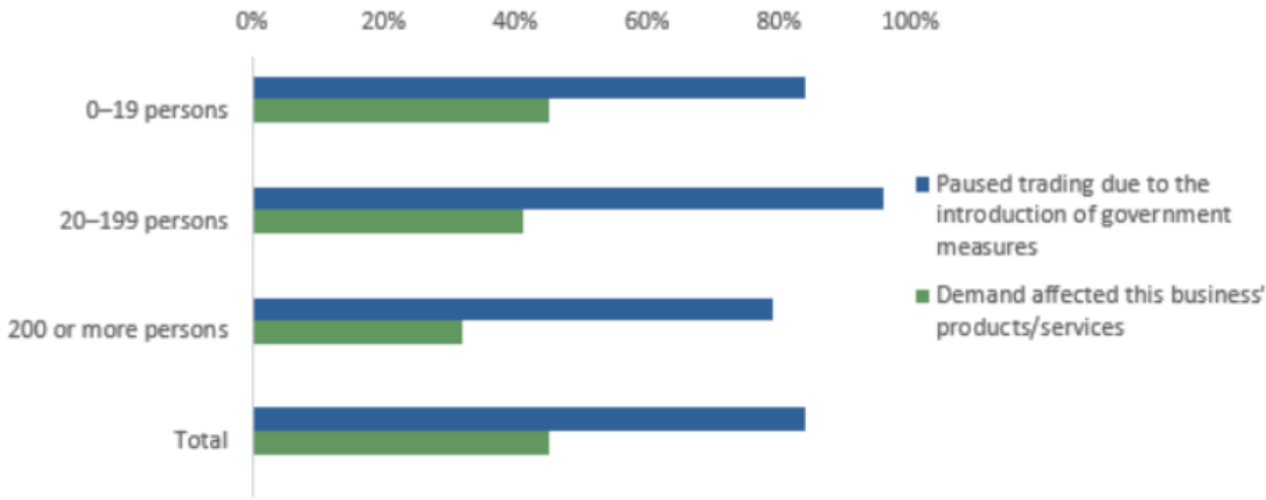
(b) Proportion of businesses operating was collected via the COVID-19 Survey.

Source: ABS



# IMPACT ON BUSINESS CLOSURES BY EMPLOYMENT SIZE

Selected Reasons for having paused trading as a result of COVID-19<sup>(a)(b)</sup>, by employment size



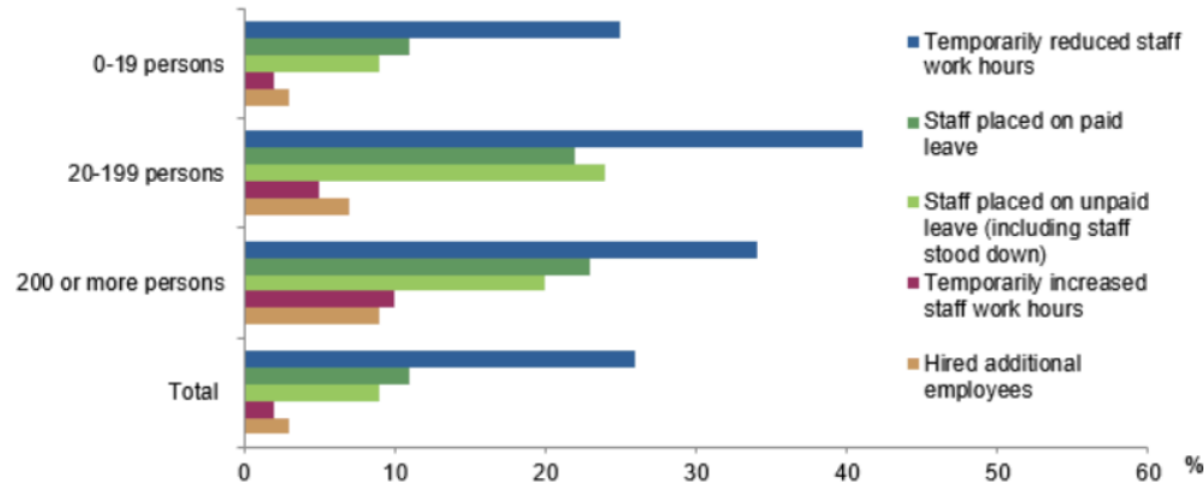
(a) Proportions are of businesses who reported having paused trading as a result of COVID-19.  
(b) Businesses could select more than one option.

- Firms employing between 20-199 people were the most affected by the introduction of COVID-19-related restrictions, such as social distancing. But the effect was broad based across employers.
- 43% of firms that had paused trading said that reduced demand was affecting their products and services.
- By size, 10% of small businesses, 7% of medium-sized businesses and 5% of large businesses had paused trading during the period.
- Small businesses make up the vast majority of the number of total businesses in Australia.

Source: ABS

# BUSINESSES HAVE RESPONDED BY REDUCING HOURS...

Proportion of businesses trading that made changes to workforce arrangements<sup>(a)</sup> in the last two weeks as a result of COVID-19, by employment size<sup>(b)(c)</sup>

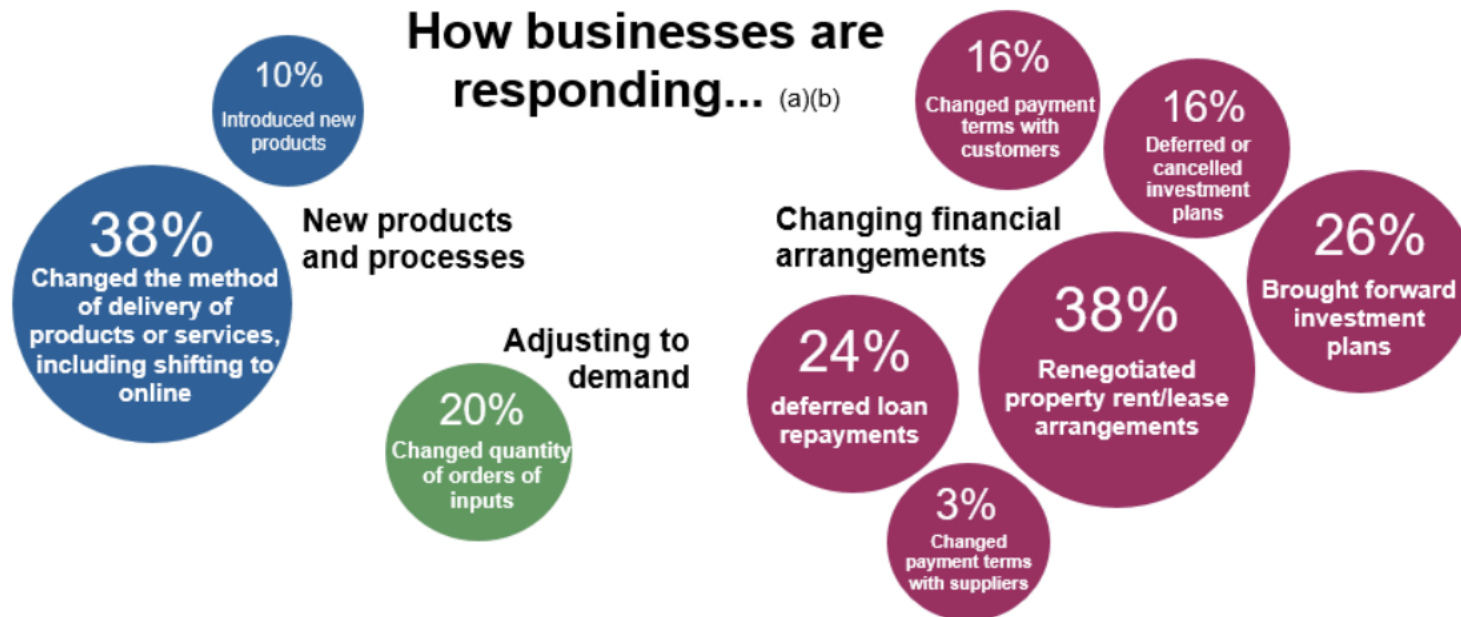


(a) Graph presents selected workforce arrangements.  
(b) Proportions are of businesses currently trading.  
(c) Businesses could select more than one option.

Source: ABS

- Almost half of businesses surveyed have temporarily reduced the working hours of their employees.
- By industry, accommodation & food services reported the biggest changes to the working hours of their staff; 78% of businesses in this sector made changes to the workforce, including 43% of businesses placing staff on unpaid leave, 29% putting staff on paid leave and 70% of businesses reducing working hours. The Federal government's JobKeeper package was announced on 30 March, the same day the survey began and may have influenced these results.

# ...AND HAVE ADAPTED IN OTHER WAYS



(a) Proportions are of businesses currently trading.

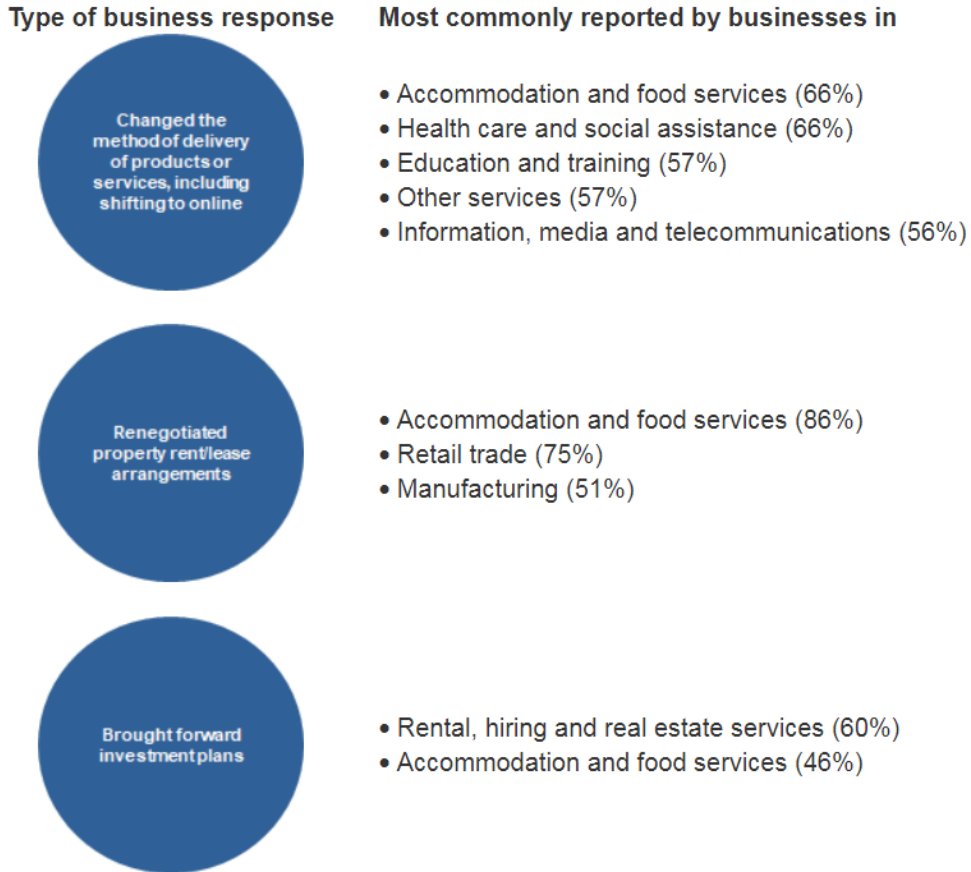
(b) Businesses could select more than one option.

Source: ABS

- Many firms surveyed said they were introducing new channels for their business operations and some businesses have also introduced new products.
- 38% of businesses said they have renegotiated their property rental arrangements.
- Just under one-quarter said they have deferred loan payments.

# RESPONSES HAVE VARIED BY INDUSTRY

Top 3 reported business responses, by type of response, by selected industry<sup>(a)(b)</sup>



- Businesses that reported the highest share of impact from the introduction of social distancing measures typically reported the highest share of adaptation in product delivery.
- 66% of firms in accommodation & food as well as in healthcare & social assistance said they had changed the delivery method of their products and/or services.
- 86% of accommodation & food companies and 75% of retail trade firms said they had renegotiated the property rental agreements.
- Businesses that reported a bring-forward of investment plans are most commonly found in the real estate services industry (60%) and accommodation & food services (46%).

(a) Proportions are of businesses currently trading.  
 (b) Businesses could select more than one option.

Source: ABS

# CONTACTS

---

## **Chief Economist**

Besa Deda

[dedab@stgeorge.com.au](mailto:dedab@stgeorge.com.au)

(02) 8254 3251

## **Senior Economist**

Janu Chan

[chanj@stgeorge.com.au](mailto:chanj@stgeorge.com.au)

(02) 8253 0898

## **Economist**

Nelson Aston

[nelson.aston@stgeorge.com.au](mailto:nelson.aston@stgeorge.com.au)

(02) 8254 1316

# DISCLAIMER

---

"The information contained in this report (the Information) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George's agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St. George products and details are available. St.George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St.George owns copyright in the Information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George. "