

BUSINESS IMPACTS OF COVID-19

SUMMARY OF DATA ON THE IMPACTS OF COVID-19 ON AUSTRALIAN BUSINESSES

The Australian Bureau of Statistics (ABS) is releasing [additional data](#) to show the economic impact of COVID-19. For the second quarter of 2020, [Australia's Gross Domestic Product](#) contracted 7.0 per cent from March 2020 and contracted 6.3 per cent from June 2019. This represents the largest fall in quarterly GDP since records began in 1959.

Below is a summary of some of the key data from that work.

BUSINESS RESPONSE TO THE JOBKEEPER SCHEME

JobKeeper data

Treasury have [stated](#) that 962,643 organisations had their applications for JobKeeper processed in August, covering around 3.5 million individuals. This is up from 942,555 in July and 928,864 in June.

Businesses in the Construction industry and Professional, scientific and technical services sector made the most applications by total number, however businesses in the Accommodation and Food services industry were the most likely to apply for JobKeeper with over 50 per cent of businesses in that sector applying for JobKeeper.

The highest number of applications for JobKeeper has come from:

- Sydney CBD (11,091 at the end of August)
- Melbourne CBD (7534 at the end of August)
- Dandenong VIC (4327 at the end of August)
- Liverpool, Casula and Mt Pritchard NSW (4253 as at the end of August)
- Hoppers Crossing, Tarneit and Truganina VIC (4246 as at the end of August).

According to the [ABS](#), of the businesses that do not intend to register for JobKeeper, the most common reason was that the business did not meet the eligibility criteria (55 per cent). By business size, small businesses were most likely to report insufficient cash flow to continue paying staff before JobKeeper payments commence as a reason for not intending to register for the JobKeeper Payment scheme (8 per cent). Around 7 per cent of small businesses reported they do not intend to register because they have difficulty understanding eligibility criteria.

More than two in five businesses (44 per cent) reported that the announcement of the JobKeeper Payment scheme influenced their decision to continue to employ staff, especially small and medium-sized enterprises. Businesses in 'accommodation and food services' industry were the most likely to report the JobKeeper Payment scheme having influenced their employment decisions (67 per cent).

For the week ending [23 July 2020](#), the ABS reported that 42 per cent of businesses were currently accessing business support measures such as JobKeeper, deferring loan repayments or have renegotiated rent or lease arrangements (on [22 May 2020](#), the ABS reported that 55 per cent of businesses had accessed wage subsidies such as JobKeeper and apprenticeship wage subsidies).

Medium-sized businesses (those with 20 to 199 employees) were the most likely to report that they are currently accessing business support measures, as are businesses in the Accommodation and food services sector.

Business access to other support measures

In addition to wage subsidies, there are a range of other support measures available to businesses to assist them manage the business impacts of COVID-19. The ABS reports that access to other support is much lower. This includes:

- 19 per cent of businesses reported having renegotiated property rent or lease arrangements
- 16 per cent of businesses reported that they had deferred loan repayments
- 38 per cent of businesses reported that they had accessed other government support measures.

Interestingly, large businesses were more likely than small and medium-sized businesses to have renegotiated property rent or lease arrangements, despite the commercial rent relief policy being only available to small and medium-sized businesses.

Over one in ten Australian businesses (11 per cent) reported they had sought additional funds as a result of COVID-19.

APRA reports that as of 31 July 2020:

- Over 216,000 small business loans have been deferred. The Australian Bankers Association reported on 14 October 2020 that at least 82,000 small and medium-sized enterprises had resumed loan repayments.
- The total value of loans deferred by small business is \$55 billion as at 31 July 2020.

In October, the ABS reported that 7 per cent of businesses reported they were deferring loan repayment, with businesses in the Accommodation and food services sector being the most likely to report they were deferring loan repayments (31 per cent).

Expected business actions when support measures are no longer available

For the week ending 23 July 2020, the ABS survey found that of the businesses currently accessing business support measures such as JobKeeper, they expect to take the following actions when the support measures are withdrawn:

- | | | |
|--|---|--------------------|
| • Defer or cancel investment plans | - | 16 per cent |
| • Change quantity of orders of inputs | - | 14 per cent |
| • Reduce their workforce | - | 13 per cent |
| • Change product or services options | - | 12 per cent |
| • Seek additional funds | - | 11 per cent |
| • Close the business | - | 10 per cent |
| • Change payment terms with customers or suppliers | - | 10 per cent |
| • Increase prices | - | 8 per cent |

Businesses in the Accommodation and food services sector are the most likely to expect to cut the size of their workforce or close after business support measures are withdrawn.

CHANGES IN JOBS, SALARY AND COUNTS OF BUSINESSES

Weekly payroll jobs and wages data

Between the weeks ending 14 March 2020 and 31 October 2020 (14th March was the day which Australia recorded its 100th COVID-19 case):

- payroll jobs in Australia decreased by 3.0 per cent
- total wages paid in Australia decreased by 4.3 per cent.

Between the weeks ending 17 October and 31 October:

- total payroll jobs in Australia increased by 0.5 per cent
- total wages paid in Australia increased by 0.1 per cent

In Victoria, from 14 March, payroll jobs have declined 6.0 per cent, the largest decrease of all states and territories, however in the period from 17 October to 31 October, total payroll jobs increased by 1.0 per cent, the largest increase of any state.

The hardest hit industries are Accommodation and food services, where between 14 March and 31 October, payroll jobs fell by 15.5 per cent (down from the 18.0 per cent decrease for the period ending 17 October) and Arts and recreation services, which decreased by 12.8 per cent (also down from the 15.0 per cent decrease for the period ending 17 October). Businesses in the Financial and insurance services sector (payroll jobs up 3.4 per cent), Public administration and safety (payroll jobs up 3.0 per cent), and Health care and social assistance (payroll jobs up 1.3 per cent) were the only sectors to report an increase in jobs over the same period.

Total wages paid in the Accommodation and food services sector recorded a 15.5 per cent drop from 14 March to 31 October, while total wages paid in the Arts and recreation services sector fell 12.1 per cent and fell 18.2 per cent in the Mining sector. Total wages paid in the Health care and social services have risen 3.8 per cent.

Men are more likely to have lost their job since the beginning of COVID-19 pandemic, with the change in men in payroll jobs down 4.2 per cent from 14 March to 31 October, while for women the decrease was 3.2 per cent. Men were also more likely to experience a fall in income, with total wages paid to men falling 6.4 per cent over the same period, compared to a fall of 1.8 per cent for women.

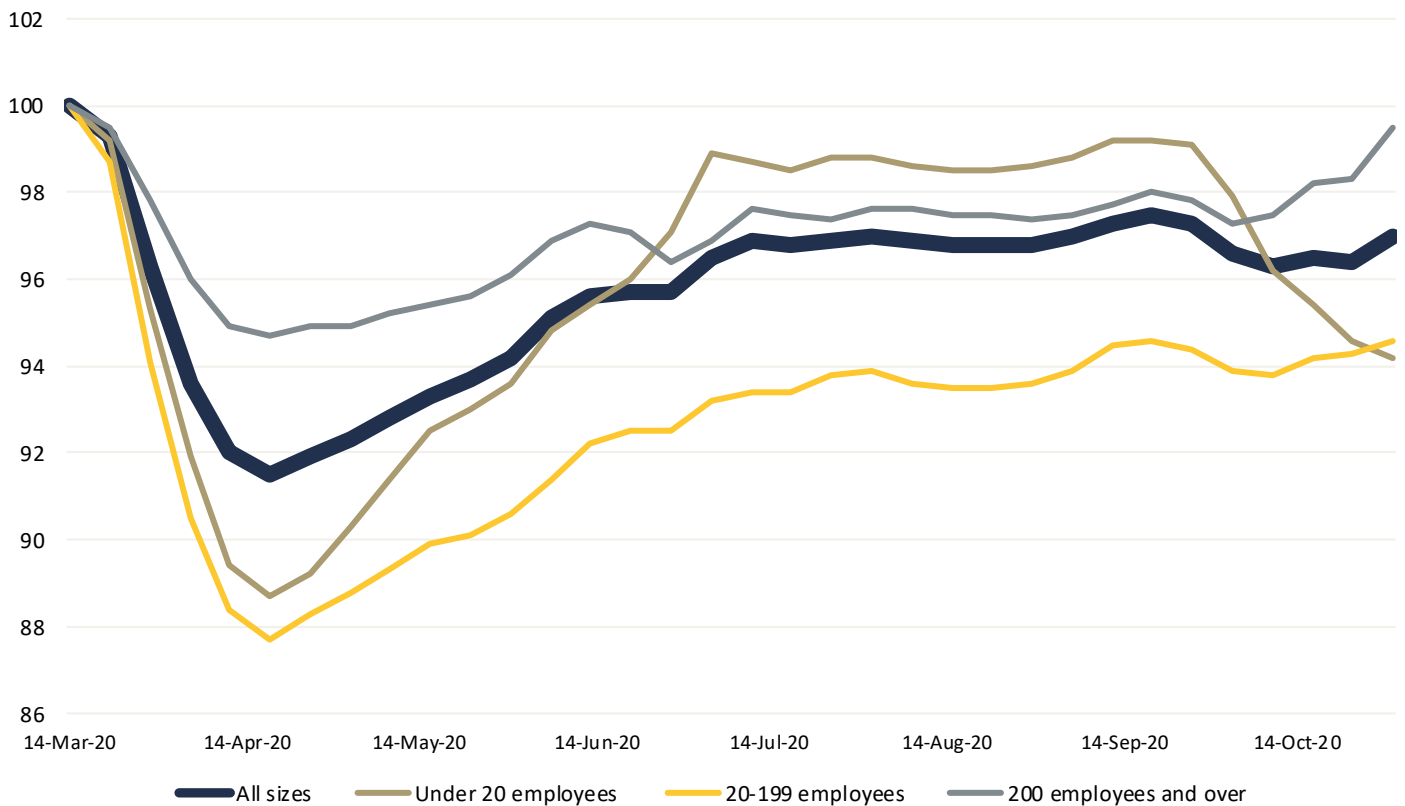
By region, the areas that reported the highest fall in payroll jobs between 14 March and 31 October across the nation were all in Victoria:

- Inner Melbourne (down 8.5 per cent)
- North West Victoria (down 8.1 per cent)
- Latrobe – Gippsland, Victoria (down 6.9 per cent)
- North West Melbourne (down 6.8 per cent)
- South East Melbourne (down 6.7 per cent)
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No region in Australia reported an increase in payroll jobs over that period.

By number of employees, businesses with under 20 employees have recorded a 5.8 per cent decline in payroll jobs from 14 March to 31 October, while businesses with 20 to 199 employees recorded a 5.4 per cent decline and business with 200 plus employees recorded a 0.5 per cent decline.

Payroll jobs by employment size, indexed to the week ending 14 March 2020



Interestingly, over the period from 14 March to 17 October, payroll jobs considered main jobs decreased by 3.5 per cent and secondary jobs decreased by 20.0 per cent. With the JobKeeper Payment only going to one employer, this may help explain this gap.

For [December](#), 10 per cent of businesses expect to increase employee numbers, especially businesses with more than 19 employees. Businesses in the Accommodation and food services sector are by far the most likely to expect to add staff in December.

Unemployment rate

Australia's unemployment rate for [October](#) was 7.0 per cent, up from 6.9 per cent in September. The number of Australians in employment increased by 178,800 in October from September (full time employment increased by 97,000 and part time employment increased by 81,800). The number of hours worked increased 1.2 per cent over the same period. The youth unemployment rate stood at 15.6 per cent in October, up from 14.5 per cent in September.

The number of Australians in employment has fallen 1.0 per cent over the year to October 2020 to September, while the number of hours worked has fallen 3.4 per cent.

The unemployment rate is highest in Tasmania (8.2 per cent) and lowest in the ACT (3.9 per cent).

Workforce changes by Australian businesses

The percentage of businesses with employees working from home or teleworking (partially or wholly), has increased from 28 per cent prior to COVID-19 to 43 per cent as of 16 September. Large businesses are almost twice as likely to have staff teleworking (80 per cent) than small business (42 per cent). In the future, the data points to a return to pre-COVID-19 teleworking arrangements, with 30 per cent of businesses expecting their staff to work partially or wholly from home.

In October 2020, 41 per cent of people with a job reported that they worked from home one or more times in the preceding four week. In Victoria, 50 per cent of employed people worked from home one or more times in the past four weeks, compared with 44 per cent for NSW.

Counts of Australian businesses

The total number of Australian businesses in the three months to August was 2,436,923, up 0.7 per cent from May. The number of business entries was up 2.3 per cent and the number of business exits was up 1.1 per cent.

Business entries is a combination of new businesses and businesses reactivating cancelled Australian Business Numbers (ABN) and long-term non-remitters recommencing BAS lodgment. The numbers of reactivated ABNs and long-term remitters recommencing BAS lodgments were higher in the May and August quarters than in any previous quarter over the past three years. This is most likely due to qualification for government business support such as JobKeeper requiring business being up to date with BAS lodgments. The Construction industry recorded the highest increase in these type of business entries.

Business exits are down somewhat in May and August from February. This is most likely due to JobKeeper encouraging those who might otherwise cancel their ABNs to keep them active to receive JobKeeper. Business exits typically peak in November each year. It is likely that business exits will remain muted in November due to government support.

BUSINESS OPERATIONAL IMPACTS

Modifications to business operations

For the month ending 16 September, 64 per cent of businesses reported that they were operating under modified conditions due to COVID-19, compared with 73 per cent in June. The change to the way their product or service are provided was the most common modification. This is especially so for Education and training businesses, where 69 per cent reported that they have changed the way their products and services are provided, followed by Accommodation and food services businesses, where 62 per cent reported a change.

In the long term, 37 per cent of Health care and social assistance businesses expect to change the way their product or services are provided, followed by 36 per cent of Accommodation and food services businesses and 31 per cent of Education and training businesses.

For the month ending 15 October 2020, 89 per cent of businesses reported that the number of their employees had remained the same, with 7 per cent reported a decrease. Accommodation and food services businesses were the most likely to report a decrease (13 per cent of businesses in that sector), while Mining businesses were the most likely to report an increase (14 per cent of businesses in that sector).

For the month from 15 October 2020, only 2 per cent of businesses expect to decrease employee numbers, while 7 per cent expect to increase employee numbers. Accommodation and food services (17 per cent) and Arts and recreation services (16 per cent) are the most likely to expect to increase employee numbers over the coming month. Businesses with less than 20 staff are far less likely to expect to increase staff numbers in November (6 per cent) than businesses with 20 to 199 employees (20 per cent) and businesses with 200 or more employees (24 per cent).

Impacts on revenue/cash flow

As of 11 November 2020, 22 per cent of businesses reported that revenue had decreased in the previous month, an improvement from the 31 per cent in October, 38 per cent in September and 41 per cent decline in August. Businesses were also more likely to report an increase in revenue, with 24 per cent reporting an increase in revenue in November, compared with 16 per cent in October.

The industries most likely to have experienced an increase in revenue in November were Retail trade (45 per cent), Wholesale trade (38 per cent) and Education and training (33 per cent). There was very little difference in the percentage of businesses that reported their revenue increased in November by number of employees.

For December, 10 per cent of businesses expect their revenue to decrease, with 25 per cent expecting an increase. Businesses in the Accommodation and food services are the most likely to expect their revenue to increase in December (49 per cent), followed by Electricity, gas, water and waste services (36 per cent) and retail trade (32 per cent).

Retail trade rose 1.6 per cent in October from September, after declining 1.1 per cent in September and 4.0 per cent in August. For the 12 months to October 2020, total retail sales are up 7.3 per cent, however excluding Victoria, sales are up 11.9 per cent. Victoria led the monthly increase, with retail sales up 5.2 per cent in October from September, although it is 5.7 per cent below October 2019. WA led the rise in annual terms, with retail turnover 15.1 per cent higher than October 2019.

Total online sales fell 1.3 per cent in September from August, however from September 2019, online sales rose 74.5 per cent and now make up 10.6 per cent of total sales, up from 6.6 per cent in September 2019. The proportion of online sales received by small business has however dropped from 22.5 per cent in January 2020 to 18.3 per cent in September 2020.

Impacts on operating expenses

For the month to 11 November 2020, 18 per cent of businesses reported an increase in operating expenses, with 75 per cent saying it had remained the same. Businesses in the Accommodation and food services were the most likely to report an increase in operating expenses (36 per cent), while Administrative and support services were the most likely to report a decrease in operating expenses (15 per cent).

For December, 21 per cent of businesses expect their operating expenses to increase, while 72 per cent expect them to stay the same. Businesses in the Accommodation and food services sectors are the most likely to expect an increase in operating expenses (46 per cent each).

Sources of advice

According to the [ABS](#), 60 per cent of businesses have sought external advice in response to COVID-19. Unfortunately, the term 'external advice' was broadly defined to include obtaining information online as well as all consultation with people external to the business.

Businesses were most likely to have sourced advice from:

- A private organisation such as accountant, bank or lawyer (49 per cent)
- A federal government agency (38 per cent)
- A state government agency (35 per cent).

The most popular subjects' businesses sought external advice on were:

- Government support measures available to business (52 per cent)
- Regulation and compliance (45 per cent)
- Health and safety (39 per cent)
- Management of business finances (32 per cent).

Sourcing external finance

As of [15 October 2020](#), 21 per cent of businesses reported that they sought additional funds over the past six months. Businesses in the Accommodation and food services sector were the most likely to have sought additional funds (35 per cent), while businesses in the Arts and recreation services sector were the least likely (7 per cent).

Of the businesses that sought funds, businesses were most likely to have sourced those funds to cover business operating expenses (72 per cent), followed by capital expenditure (33 per cent). Administrative and support services businesses were the most likely to require additional funds for capital expenditure (89 per cent).

Of those businesses that did not seek additional finance, the main reasons given were that they had sufficient funds (83 per cent), followed by 'Did not want to increase debt' (49 per cent) and 'Had no capital expenditure requirements' (47 per cent).

ANTICIPATED IMPACTS OF COVID-19

Business solvency

For the week ending [8 August 2020](#), 35 per cent of businesses stated that they expect it will be difficult (28 per cent) or very difficult (7 per cent) to meet their financial commitments over the next three months. Businesses in the Accommodation and food services sector were the most likely to report expected difficulty in meeting their financial commitments (71 per cent, including 28 per cent that said it would be very difficult). This was followed by businesses in the Transport, postal and warehousing sector (56 per cent) and businesses in the Arts and recreation services (48 per cent).

In CPA Australia's [Asia Pacific Small Business Survey](#) ran in November 2019, 14 per cent of Australian small businesses stated that they thought it will be difficult or very difficult to pay their debts in 2020. While the question is slightly rephrased, with 35 per cent of Australian small businesses now expressing difficulty in meeting their financial obligations, this represents a major jump in solvency concerns in Australia.

With the [latest ABS data](#) showing that there are nearly 2.4 million businesses in Australia as at June 2019, this ABS result indicates that approximately 830,000 Australian businesses face solvency issues in the next three months, and of that number, 166,000 are facing significant solvency challenges.

For the month ending [15 October 2020](#), the ABS asked businesses to estimate the length of time that their operations could be sustained by currently available cash on hand. It was a repeat of the same question asked [in June](#). Below is a comparison of the results from June and October:

Business sentiment on length of time operations could be supported by currently available cash

	June	October
Less than one month	8%	8%
One month to less than three months	21%	21%
Three months to less than six months	19%	13%
Six months or more	36%	38%
Don't know	16%	19%

The industries with the largest proportion of businesses that reported their currently available cash on hand would support less than three months of operations were Accommodation and food services (50 per cent) and Arts and recreation services (46 per cent).

Expected impact on business

In relation to [business capital expenditure](#), for the week ending 19 August 2020, 12 per cent of businesses had decreased actual and planned capital expenditure compared with three months earlier, 11 per cent had cancelled such expenditure and 12 per cent had increased such expenditure. Large employers (those with 200 plus employees) are more likely to have decreased capital expenditure, while businesses in the Information, media and telecommunications were the most likely to have decreased such

expenditure. Future expected customer demand for the business's products or services is the most popular reason for making capital expenditure.

Over the three months from November, 22 per cent of businesses have an intention to undertake capital expenditure, with large employers being far more likely to intend to undertake capital expenditure (55 per cent). Businesses in the Retail trade sector are the most likely to have capital expenditure plans (41 per cent). Businesses in the Manufacturing sector (27 per cent) and the Retail trade sector are the most likely to have capital expenditure plans that are higher than usual. Other equipment or machinery are the most popular asset business intended to invest in over the next three months. The factors significantly influencing capital expenditure plans for all businesses are future economic uncertainty and demand for their product or services.

HOUSEHOLD IMPACTS OF COVID-19

The ABS reported that for the period ending 26 October 2020 that:

- 46 per cent of people intend to travel between November to February, compared with 77 per cent who usually travel, and of those intending to travel, most intend to travel within their state or territory
- 38 per cent of Australians reported experiencing one or more personal stressors due to COVID-19 in October compared to 24 per cent in June. Loneliness was the personal stressor most likely selected, followed by problems maintaining a healthy lifestyle. These stressors were particularly acute in Victoria.
- In September, 16 per cent of households reported their finances worsened in the preceding four weeks, while 12 per cent said their finances improved
- 22 per cent of persons aged 18 or over had increased their savings since March while 7 per cent had reduced debt
- 15 per cent of Victorian respondents reported having a job and not working paid hours compared to 5 per cent for the rest of Australia
- During September 2020, 39.3 per cent of Victorians received home deliveries, including groceries and household products compared with the average for the rest of Australia of 12.6 per cent.
- the number of marriages recorded from January to June 2020 was down 31.9 per cent compared with the average number of marriages for the same period in the past five years. For the April to June quarter, marriages were down 62.2 per cent.

The ABS reported on 24 August 2020, that in June 2020:

- people in Victoria were the most likely to feel concerned or very concerned about their personal health due to the spread of COVID-19, while people in Queensland were the least concerned.
- people born outside of Australia were more likely to feel concerned or very concerned about their health due to COVID-19 compared to people born in Australia.
- 35.5 per cent of Australians had received a personal stimulus payment from the Government (up from 32 per cent in June).
- the most commonly reported uses of personal stimulus payments were paying household bills (42.5 per cent).

Expected future spending

In September 2020, the ABS reported the following expected changes in future spending:

- eating out at cafés, restaurants, pubs or bars – 9.1 per cent expect to increase spending while 26.8 per cent expect to decrease
- recreation or leisure activities (e.g. going to cinemas, playing sports, gym) – 9.2 per cent expect to increase spending while 26.9 per cent expect to decrease
- public transport – 5.4 per cent expect to increase spending while 29.8 per cent expect to decrease
- personal care (e.g. hairdressers, barbers, beauty services and products) – 4.4 per cent expect to increase spending while 20.4 per cent expect to decrease
- clothing and footwear – 6.3 per cent expect to increase spending while 22.4 per cent expect to decrease
- take-away or delivered meals – 5.4 per cent expect to increase spending while 16.6 per cent expect to decrease.

Current as at 28 November 2020