

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 928,864 organisations had their applications for JobKeeper processed in June, covering around 3.5 million individuals.

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 (10,948 as at the end of June)
- Melbourne CBD (7165 as at the end of June)
- Liverpool, Casula and Mt Pritchard NSW (4293 as at the end of June)
- Hoppers Crossing, Tarneit and Truganina VIC (4942 as at the end of June)
- Cairns QLD (3830 as at the end of June).

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.

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 AND SALARY

Weekly payroll jobs and wages data

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

- payroll jobs in Australia decreased by 4.1 per cent
- total wages paid in Australia decreased by 2.9 per cent.

Between the weeks ending 5 September and 19 September:

- total payroll jobs in Australia increased 0.3 per cent
- total wages paid in Australia increased 0.8 per cent

In Victoria, payroll jobs increased by 0.4 per cent over that period. From 14 March, payroll jobs have declined 8.0 per cent in that state, the largest decrease of all states and territories.

The hardest hit industries are Accommodation and food services, where between 14 March and 19 September, payroll jobs fell by 17.2 per cent (an improvement on the 21.9 per cent decrease for the period ending 5 September) and Arts and recreation services, which decreased by 12.7 per cent (an improvement on the 14.1 per cent decrease for the period ending 5 September). Businesses in the Financial and insurance services sector (up 2.3 per cent), Public administration and safety (up 2.7 per cent), Electricity, gas, water and waste services (up 2.4 per cent) and Health care and social assistance (up 0.8 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 12.3 per cent drop from 14 March to 19 September, while total wages paid in the Arts and recreation services sector fell 5.7 per cent and fell 10.9 per cent in the Transport, postal and warehousing sector. Total wages paid in the Information, media and communications have risen 8.2 per cent, and have risen 7.4 per cent in the Electricity, gas, water and waste services sector, indicating more shifts and overtime in those industries.

Men are more likely to have lost their job since the beginning of COVID-19 pandemic, with the change in men in payroll jobs falling 4.8 per cent from 14 March to 19 September, while for women the decrease was 4.1 per cent. Men were also more likely to experience a fall in income, with total wages paid to men falling 5.2 per cent over the same period, compared to an increase of 0.2 per cent for women.

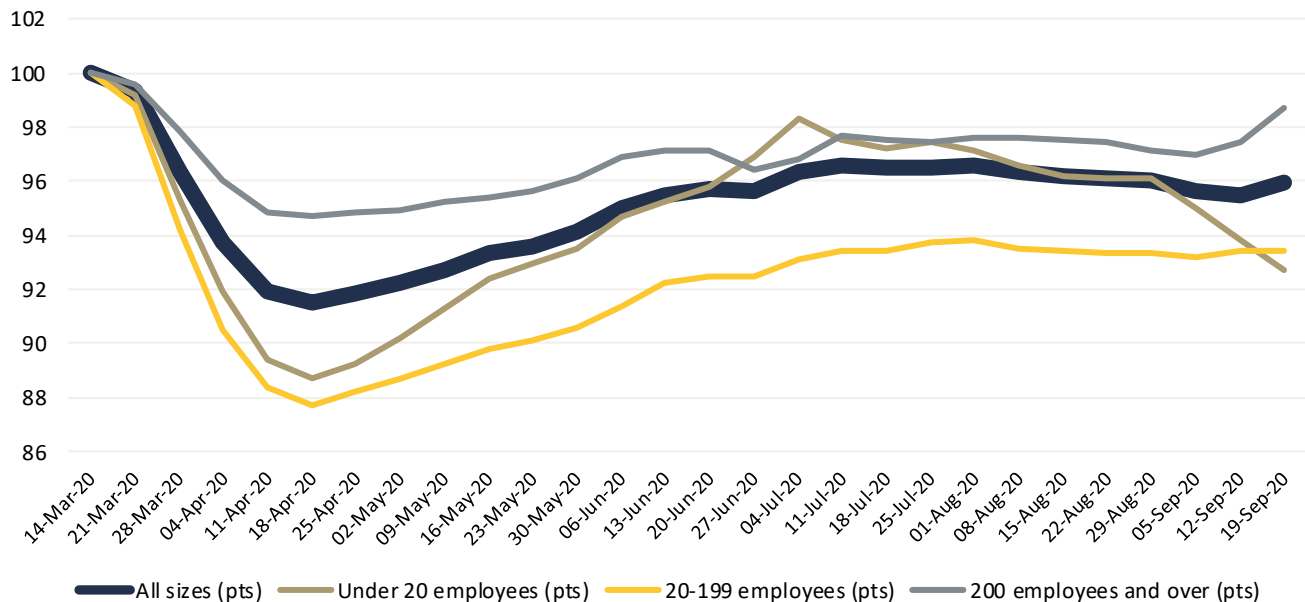
By region, the areas that reported the highest fall in payroll jobs between 14 March and 5 September were all in Victoria:

- Inner Melbourne (down 9.8 per cent)
- North West Melbourne (down 9.3 per cent)
- North West Victoria (down 8.8 per cent)
- West of Melbourne (down 8.7 per cent)
- Mornington Peninsula, Victoria (down 8.5 per cent)

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 7.3 per cent decline in payroll jobs from 14 March to 19 September, while businesses with 20 to 199 employees recorded a 6.6 per cent decline and business with 200 plus employees recorded a 1.3 per cent decline.

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



Interestingly, over the period from 14 March to 19 September, payroll jobs considered main jobs decreased by 2.9 per cent and secondary jobs decreased by 23.0 per cent. With the JobKeeper Payment only going to one employer, this may help explain this gap.

Unemployment rate

Australia's unemployment rate for September was 6.9 per cent, up from 6.8 per cent in August. The number of Australians in employment fell by 29,500 in September from August (full time employment fell by 20,100 and part time employment fell by 9400). The number of hours worked increased 0.5 per cent over the same period. The youth unemployment rate stood at 14.5 per cent in September.

The number of Australians in employment has fallen 2.8 per cent in 2020 to September, while the number of hours worked has fallen 5.0 per cent over the same period.

The unemployment rate is highest in Queensland (7.7 per cent) and lowest in the ACT (3.8 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 September 2020, 31 per cent of people with a job reported that they worked from home most days compared with 12 per cent before March. In Victoria, 52 per cent of employed people worked from home one or more times in the last four weeks, compared with 50 per cent for NSW.

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 16 September, 82 per cent of businesses reported that the number of their employees had remained the same, with 9 per cent reporting a decrease. Accommodation and food services businesses were the most likely to report a decrease (18 per cent), while Manufacturing businesses were the most likely to report an increase (22 per cent).

For the month from 16 September, 5 per cent of businesses expect to decrease employee numbers, while 5 per cent expect to increase employee numbers. Education and training businesses are the most likely to expect to increase employee numbers over the coming month (17 per cent), followed by Mining businesses (15 per cent).

For October, 34 per cent of businesses expect to increase the number of hours worked by staff, while only 2 per cent expect a decrease. Accommodation and food services businesses are the most likely to expect to increase hours worked (58 per cent), followed by Retail trade businesses and Arts and recreation services businesses (both on 44 per cent).

Impacts on revenue/cash flow

As of 16 September 2020, 38 per cent of businesses reported that revenue had decreased in the previous month, an improvement from the 41 per cent decline in August and a 47 per cent decrease in July. The industry most likely to report a decrease in revenue was Transport, postal and warehousing, with 58 per cent of businesses reporting a decrease in revenue. Wholesale trade businesses were the most likely to report an increase in revenue (28 per cent).

The expectation for October is that 14 per cent expect their revenue to decrease, with 14 per cent expecting an increase. Businesses in the Manufacturing, Wholesale trade and Other services are the most likely to expect a decrease in revenue. Wholesale trade businesses were the most likely to expect an increase in revenue as well.

Retail trade fell in August, down 4.0 per cent from July, after increasing 3.2 per cent in July. Victoria led the fall, down 12.6 per cent. Excluding Victoria, retail sales in the rest of Australia fell 1.5 per cent. All retail industries recorded a fall in sales, led by falls in clothing, footwear and personal accessory retailing.

Impacts on operating expenses

For the month to 16 September 2020, 24 per cent of businesses reported an increase in operating expenses, with 63 per cent saying it had remained the same. Businesses in the Arts and recreation services and Administrative and support services were the most likely to report an increase in operating expenses (39 per cent for both), while businesses in the Financial and insurance services sector were the least likely (10 per cent).

For October, 17 per cent of businesses expect their operating expenses to increase, while 75 per cent expect them to stay the same. Wholesale trade businesses are the most likely to expect an increase in operating expenses (33 per cent).

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).

ANTICIPATED IMPACTS OF COVID-19

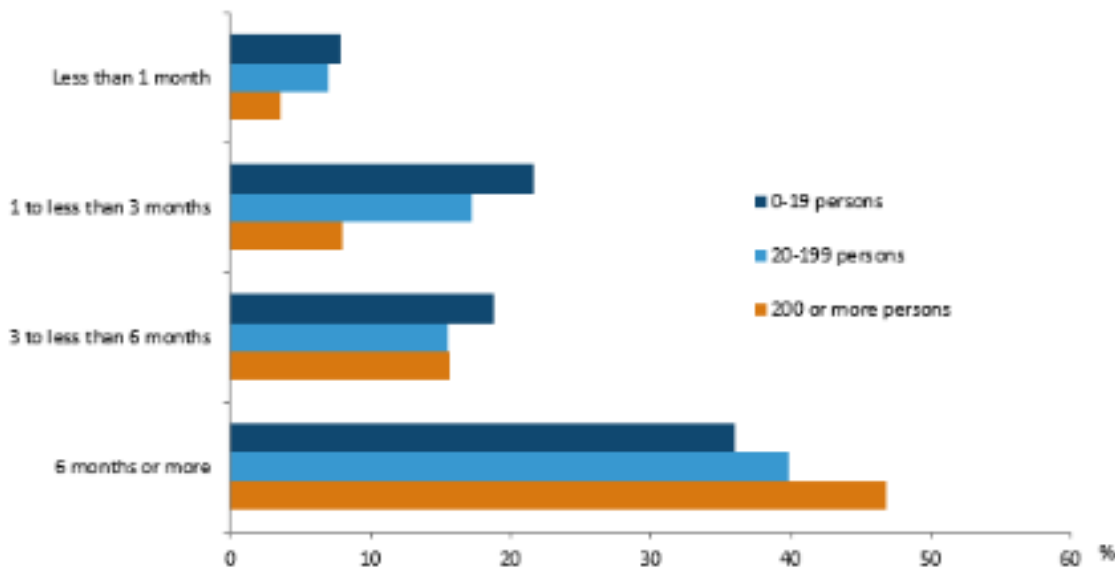
Business solvency

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 week ending [17 June 2020](#), the ABS asked businesses to estimate the length of time that their operations, under current conditions, could be supported by currently available cash on hand. The results were:



Source - ABS

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 Professional, scientific and technical services (42 per cent), Accommodation and food services (42 per cent) and Transport postal and warehousing (40 per cent).

The ABS noted that several businesses commented that existing cash on hand would not be sufficient to maintain operations if not for government support measures.

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 August, 28 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). IT and other equipment or machinery are the most popular types of asset business intended to invest in, with businesses in the Financial and insurance sector being the most likely to expect to invest in IT.

HOUSEHOLD IMPACTS OF COVID-19

The ABS reported that for the period ending 21 September 2020 that:

-
- 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 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 17 October 2020