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 third quarter of 2020, Australia’s Gross Domestic Product rose 3.3 per cent from June 2020 and contracted 3.8 per cent from September 2019. This represents a turnaround from the 7.0 per cent contraction in the June quarter.

Below is a summary of some of the key ABS data.

BUSINESS RESPONSE TO THE JOBKEEPER SCHEME

JobKeeper data

The Treasurer announced that following the re-test of the eligibility for the JobKeeper scheme from September 28, for the two JobKeeper fortnights in October, around 500,000 entities have had the applications processed covering more than 1.5 million employees and eligible business participants.

Since Treasury stated that 962,643 organisations had their applications for JobKeeper processed in August, covering around 3.5 million individuals, this indicates that over 450,000 fewer entities and 2 million fewer employees qualified for JobKeeper in October than September. Under JobKeeper Extension, 86 per cent of workers qualified for the $1200 per fortnight payment, with the remainder on $750.

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

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, 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 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.

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 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 were 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 28 November 2020 (14th March was the day which Australia recorded its 100th COVID-19 case):

- payroll jobs in Australia decreased by 2.0 per cent
- total wages paid in Australia decreased by 2.6 per cent.

Between the weeks ending 14 November and 28 November:

- total payroll jobs in Australia increased by 0.4 per cent
- total wages paid in Australia increased by 0.7 per cent

In Victoria, from 14 March, payroll jobs have declined 4.3 per cent, the largest decrease of all states and territories, however in the period from 14 November to 28 November, total payroll jobs increased by 0.4 per cent.

The hardest hit industries are Accommodation and food services, where between 14 March and 28 November, payroll jobs fell by 12.8 per cent (down from the 14.4 per cent decrease for the period ending 14 November) and Information, media and telecommunications, which decreased by 11.6 per cent. Businesses in the Financial and insurance services sector (payroll jobs up 4.5 per cent), Public administration and safety (payroll jobs up 3.1 per cent), Health care and social assistance (payroll jobs up 1.6 per cent), Electricity, gas, water and waste services (payroll jobs up 1.0 per cent) and Retail trade (payroll jobs up 2.1 per cent) reported an increase in jobs over the same period.

Total wages paid in the Accommodation and food services sector recorded an 11.3 per cent drop from 14 March to 28 November, while total wages paid in the Transport, postal and warehousing fell 9.2 per cent and fell 19.6 per cent in the Mining sector. Total wages paid in the Health care and social services rose 3.1 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 3.8 per cent from 14 March to 28 November, while for women the decrease was 2.2 per cent. Men were also more likely to experience a fall in income, with total wages paid to men falling 4.9 per cent over the same period, compared to a fall of 0.1 per cent for women.

By region, the areas that reported the highest fall in payroll jobs between 14 March and 28 November were:

- North West Victoria (down 7.8 per cent)
- Latrobe – Gippsland, Victoria (down 6.8 per cent)
- Inner Melbourne (down 6.8 per cent)
- South East Tasmania (down 6.6 per cent)
- Sydney City and Inner South Sydney (down 6.4 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 3.7 per cent decline in payroll jobs from 14 March to 28 November, while businesses with 20 to 199 employees recorded a 4.0 per cent decline and business with 200 plus employees recorded a 0.3 per cent decline.
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 November was 6.8 per cent, down from 7.0 per cent in October. The number of Australians in employment increased by 90,000 in November from October (full time employment increased by 84,200 and part time employment increased by 5800). The number of hours worked increased 2.5 per cent over the same period. The youth unemployment rate stood at 15.6 per cent in November, the same as October.

The number of Australians in employment decreased 0.6 per cent over the 12 months to November 2020, while the number of hours worked has fallen 1.2 per cent.

The unemployment rate is highest in Tasmania (7.9 per cent) and lowest in the ACT (4.0 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 weeks. 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

Number of employees

For the month ending 9 December 2020, 82 per cent of businesses reported that the number of their employees had remained the same from the previous month, with 6 per cent reporting a decrease. Construction businesses were the most likely to report a decrease (13 per cent), while Manufacturing businesses were the most likely to report an increase (20 per cent).

For the month from 9 December 2020, only 3 per cent of businesses expect to decrease employee numbers compared with the previous month, while 8 per cent expect to increase employee numbers. Arts and recreation services businesses are the most likely to expect to increase employee numbers over the coming month (31 per cent). Businesses with less than 20 staff are far less likely to expect to increase staff numbers in December (7 per cent) than businesses with 20 to 199 employees (24 per cent) and businesses with 200 or more employees (19 per cent).

Some 23 per cent of businesses reported that their number of employees was less on 9 December 2020 than 9 December 2019, while 21 per cent said they had increased their employee numbers over the same period. Businesses in the Information, media and telecommunications sector were the most likely to have reduced their headcount over the 12-month period (37 per cent), while businesses in the Administrative and support services sector were the most likely to have increased their headcount (41 per cent). Businesses with 20 or more staff were more likely to both have reduced their staff numbers and increased their staff numbers over the 12 months than those with less than 20 staff.

More than a third of businesses (36 per cent) reported that they plan to employ new staff in the three months from 9 December 2020, with 65 per cent of businesses with 20 or more staff planning to employ new staff. Accommodation and food services businesses are the most likely to expect to take on new staff (62 per cent), while only 7 per cent of Transport, postal and warehousing businesses plan to employ new staff. It should be noted the ‘employ new staff’ does not necessarily mean increasing staff numbers – it could also cover employing staff to replace exiting staff.

On 9 December 2020, 15 per cent of businesses reported that they did not have sufficient staff numbers, with Arts and recreation services businesses the most likely to say they had a shortage (28 per cent) and Transport, postal and warehousing the least likely (1 per cent). By business size, businesses with 20 to 199 staff were the most likely to report a staff shortage (23 per cent).

Of those businesses that did not have sufficient staff, the main factor for this shortage was reported as the ‘inability to find suitable staff’ (60 per cent). Quite a large proportion of businesses attributed this issue to government wage subsidies (39 per cent) – it should however be noted that employers were not given the option of insufficient funds as a factor influencing their staff short age.

On 9 December 2020, 21 per cent of businesses reported they were having difficulty finding suitably skilled or qualified staff for jobs, with Accommodation and food services businesses and Other services providers the most likely to report a skills shortage (33 per cent each). Retail businesses were the least likely to report a skills shortage (7 per cent). By business size, businesses with 20 to 199 staff were the most likely to report a skills shortage (41 per cent).

Impacts on revenue

As of 9 December 2020, 20 per cent of businesses reported that revenue had decreased in the previous month, an improvement from 22 per cent in November, 31 per cent in October, 38 per cent in September and 41 per cent decline in August. Businesses were also slightly more likely to report an increase in revenue, with 25 per cent reporting an increase in revenue in December, compared with 24 per cent in November and 16 per cent in October.

The industries most likely to have experienced an increase in revenue last month were Accommodation and food services (47 per cent), Retail trade (40 per cent), and Administrative and support services (37 per cent). Businesses with less than 20 employees were somewhat less likely to have reported an increase in revenue in the last month (24 per cent), compared with 30 per cent for businesses with 20 or more employees.

For the next month (December/January), 27 per cent of businesses expect their revenue to decrease (which is up significantly from the 10 per cent in November), with 22 per cent expecting an increase. Businesses in the Retail sector are the most likely to expect their revenue to increase in December/January (40 per cent), while Health care and social assistance businesses are the most likely to expect their revenue to decrease (43 per cent).
Retail trade rose 1.4 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 7.1 per cent. Victoria led the monthly increase, with retail sales up 5.1 per cent.

Clothing, footwear and personal accessory retailing was the fastest growing retail sector in October, with monthly turnover up 6.8 per cent, followed by Cafes, restaurants and takeaway food services, which rose 5.4 per cent.

Total online sales rose 0.2 per cent in October from September. From October 2019, online sales rose 70.8 per cent and now make up 10.4 per cent of total sales, up from 6.6 per cent in October 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 9 December 2020, 24 per cent of businesses reported an increase in operating expenses, compared with 18 per cent in the previous month. Businesses in the Arts and recreation services were the most likely to report an increase in operating expenses (47 per cent), while Transport, postal and warehousing were the most likely to report a decrease in operating expenses (9 per cent).

For December/January, 16 per cent of businesses expect their operating expenses to increase, while 68 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 (38 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 was 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. 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

<table>
<thead>
<tr>
<th></th>
<th>June</th>
<th>October</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one month</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>One month to less than three months</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Three months to less than six months</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Six months or more</td>
<td>36%</td>
<td>38%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>16%</td>
<td>19%</td>
</tr>
</tbody>
</table>

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) were 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 from 13 November to 23 November 2020 that:

• 33 per cent of Australians prefer to do more shopping online than before the start of COVID-19, with Victorians recording the largest shift (43 per cent), and women also being more likely to have changed their preference (42 per cent to 25 per cent for men)
• 87 per cent of respondents are comfortable to shop at a local or corner store while 59 per cent of respondents are comfortable shopping at a large complex or mall with many stores
• 21 per cent of respondents experienced high or very high levels of psychological distresses in November 2020, with women somewhat more likely to have experienced such distress (25 per cent compared with 16 per cent for men). Respondents under 35 were also more likely to experience high or very high levels of psychological distress
• Fewer Australians reported feelings that had adverse impacts on their emotional and mental wellbeing in November 2020 than in August.

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
• 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.


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 18 December 2020