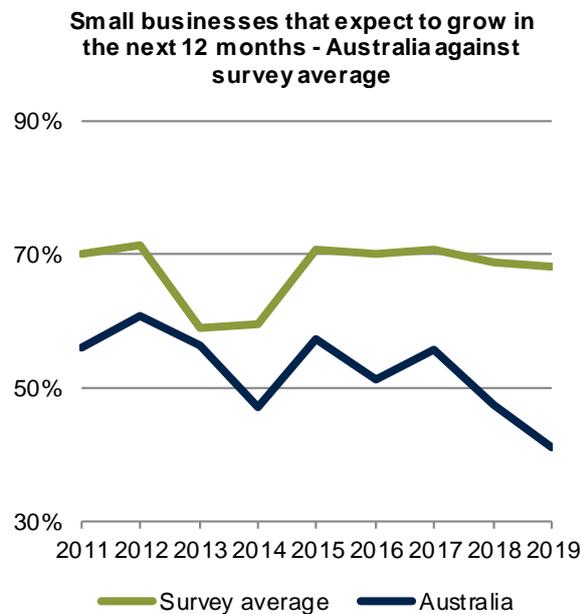
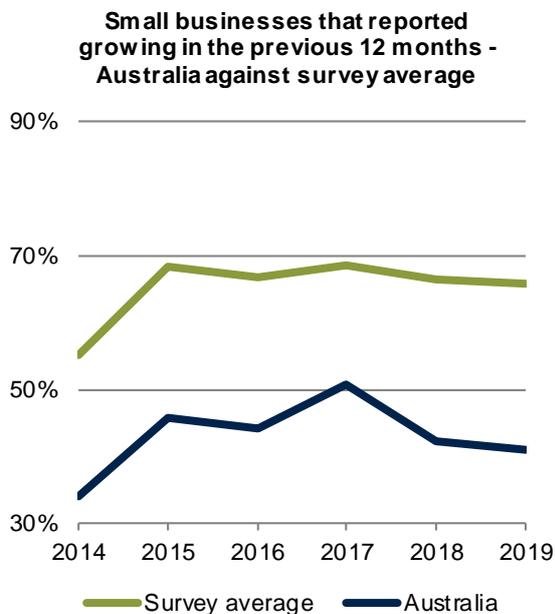


Australia market summary

Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Businesses that grew in the last 12 months	35.3%	65.8%	11/11	42.2%	10/10	50.7%	44.1%	45.7%
Businesses that expect to grow in the next 12 months	41.1%	68.2%	10/11	47.3%	9/10	55.6%	51.2%	57.3%
Businesses that expect the local economy to grow in the next 12 months	29.3%	59.1%	10/11	34.7%	9/10	42.3%	38.4%	43.5%

Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Increased employee numbers	8.8%	32.5%	11/11	10.1%	10/10	13.7%	11.2%	11.8%
Improved business management had a major positive impact on their business	8.2%	17.6%	11/11	8.3%	10/10	11.7%	9.4%	10.4%
Increasing costs had a major negative impact on their business	32.5%	33.8%	8/11	35.0%	8/10	29.5%	28.1%	32.4%
Required funds from an external source	22.6%	52.2%	11/11	23.2%	10/10	31.7%	20.3%	27.1%
Sought external funds for business growth	30.1%	54.0%	11/11	31.6%	10/10	40.7%	33.0%	31.9%
Found it easy or very easy to access external finance	46.9%	31.6%	2/11	47.0%	2/10	42.0%	42.7%	54.4%
A bank was the business's main source of external finance	43.4%	36.2%	3/11	54.7%	2/10	45.7%	50.5%	52.2%

Planned business activity over the next 12 months

	2020	Survey average	Rank	2019	Rank 2019	2018	2017	2016
Expect to increase employee numbers	10.6%	42.7%	11/11	14.5%	10/10	18.8%	15.9%	16.7%
Will introduce a new product, service or process unique to their market or the world	6.4%	25.8%	11/11	6.7%	10/10	7.4%	4.7%	5.1%
Expect revenue from overseas markets to grow strongly	4.8%	17.1%	11/11	4.6%	10/10	6.7%	3.1%	6.1%
Will seek external funds	6.0%	23.3%	11/11	6.9%	9/10	11.4%	8.5%	9.0%
Expect easy to very easy access to finance	35.6%	27.4%	2/11	26.5%	5/10	25.5%	30.7%	38.4%

Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Did NOT earn any revenue from online sales	56.5%	26.2%	1/11	59.8%	1/10	52.6%	60.2%	64.3%
Did NOT use social media for business purposes	45.1%	18.9%	1/11	44.8%	1/10	42.5%	50.6%	46.5%
Investment in technology by the business over the past 12 months has improved profitability	18.8%	48.9%	11/11	16.4%	10/10	26.7%	N/A	N/A
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
Consider your business likely to be cyberattacked in next 12 months	17.6%	37.5%	11/11	15.8%	10/10	25.8%	N/A	N/A
Reviewed your business's cybersecurity protections in last six months	35.3%	45.9%	8/11	37.6%	8/10	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	37.1%	60.1%	10/11	36.0%	9/10	33.3%	N/A	N/A

Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Good staff	Good staff
Cost control	Improved customer satisfaction
Improved customer satisfaction	Cost control

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Poor overall economic environment	Increasing competition
Increasing competition	Poor overall economic environment
Tax	Tax

Impacts of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	23.2%	33.1%	10/11	21.6%	9/10

Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	38.1%	65.4%	11/11	43.2%	10/10	44.0%	41.3%	50.0%
Respondent is aged under 40	17.6%	54.7%	11/11	20.8%	10/10	22.3%	11.4%	15.5%
Respondent is the business owner	69.9%	42.5%	1/11	66.7%	1/10	60.7%	67.5%	61.0%
Business has 10 to 19 employees	9.6%	34.6%	11/11	10.3%	10/10	18.8%	10.6%	12.2%

Summary

2019 was a weaker year for Australian small businesses than 2018, with 35.3 per cent of businesses stating that they grew – the lowest percentage since 2014 and the lowest of the markets surveyed.

Australia's small businesses remain significantly less likely to have grown in 2019 than the survey leaders of Vietnam, Indonesia and the Philippines (all recording over 80 per cent of businesses that grew in 2019).

The relatively small number of Australian small businesses that experienced growth in 2019 is reflected in the small number that created new jobs, with only 8.8 per cent adding to their employee numbers in 2019 – the lowest result of the markets surveyed.

The long-term growth prospects of Australia's small business sector do not appear strong, with the survey results showing that only a comparatively small percentage of Australia's small businesses are undertaking activities and investments that characterise growing businesses – innovation, e-commerce, using social media and exporting.

While there are many areas in which Australia's small businesses lag their competitors from Asia, the use of technology stands out as an area of most concern. For example:

- Australia's small businesses continue to be significantly less likely to use social media for business purposes, compared with businesses from Asia, with 45.1 per cent stating that they do NOT use social media for business purposes (compared with just 1.7 per cent from Mainland China).
- Australia's small businesses continue to be significantly less likely to earn revenue from online sales, with 56.5 per cent stating that they do NOT earn any revenue from online sales (compared with 2.1 per cent in Mainland China).
- Australia's small businesses were the most likely to state that they did NOT make any investment in technology in 2019, with 34.7 per cent stating that they did not invest in technology (compared to only 3.0 per cent of respondents from Vietnam).

- When Australia's small businesses do invest in technology, they are significantly less likely than small businesses from Asia to have found the investment increased their profitability in the short-term, with 18.8 per cent stating their investment in technology in 2019 improved their profitability, compared with 88.0 per cent of small businesses from Vietnam.
- While Australia's small businesses are the second most likely to not receive any payments in cash (39.5 per cent), this is not translating through to the adoption of new digital payment technologies, such as Apple Pay and Alipay, with Australia's small businesses the least likely to make such payment technologies available to their customers. 45.8 per cent of Australia's small businesses do not allow customers to pay via new digital/online payment technologies, whereas only 0.8 per cent of small businesses from Mainland China do not accept payment through such technology.
- Australia's small businesses seem somewhat relaxed in their assessment of the likelihood of their business experiencing a cyberattack in the next 12 months with only 17.6 per cent stating that an attack is likely; compared to the survey average of 37.5 per cent.
- While most of Australia's small businesses believe a cyberattack on their business is not likely in 2019, many (35.3 per cent) have reviewed their cybersecurity measures in the past six months.

For policymakers and others seeking to promote stronger growth in Australia's small business sector, improving the digital capability of small business is a must. With most Australian small businesses having less than five employees, professional advisers such as accountants will play a critical role in building such capability.

Small businesses in Australia remain significantly less likely to expect to invest in innovation than small businesses from the Asian markets surveyed. This may be impacting the growth of many Australian small businesses, with the survey results showing that businesses that state they will introduce a new product, process or service that is unique to their market or the world in 2020 are significantly more likely to expect to grow their business.

Australian small businesses also remain much less likely to expect to be focused on growing their revenue from exporting than their peers from Asia. With small business confidence in the Australian economy relatively low, seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. The survey results show that businesses that are expecting to grow their revenue from overseas sales are significantly more likely to be growing.

Australian small businesses continue to remain significantly less likely to have sourced funds from an external source than small businesses from Asia. This can be explained by low growth expectations and the limited need for finance to fund asset purchases or invest in innovation or market expansion. Difficulty accessing finance cannot explain this as Australia remains one of the easiest markets in which to access finance in the Asia Pacific. Where Australian small businesses access external finance, banks continue to be the most popular source of finance.

With a significant proportion of Australian small business owners close to or at retirement age, their lack of focus on digital technologies, innovation and exporting should make their recovery from COVID-19 difficult and long for many.