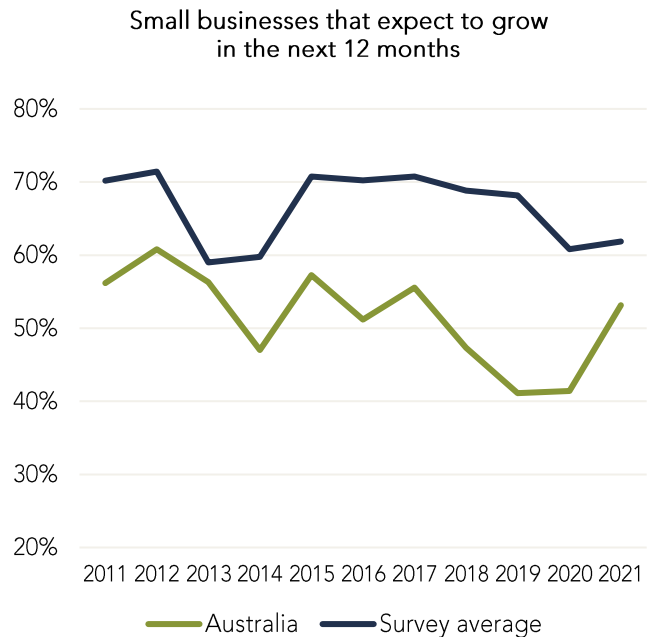
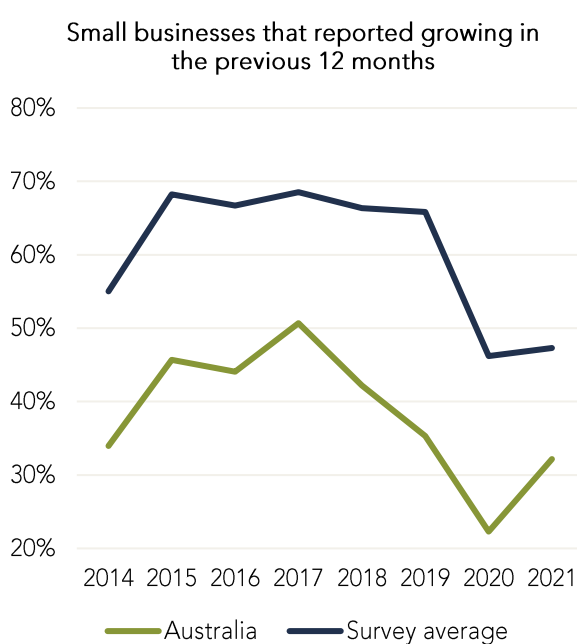


# CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2021-2022

AUSTRALIA MARKET SUMMARY

# Australia

## Business and economic conditions



	Australia 2021	Survey average 2021	Rank 2021	Australia 2020	Rank 2020	Australia 2019	Australia 2018	Australia 2017
Businesses that grew in the last 12 months	32.2%	47.3%	11/11	22.3%	10/11	35.3%	42.2%	50.7%
Businesses that expect to grow in the next 12 months	53.1%	61.9%	9/11	41.4%	10/11	41.1%	47.3%	55.6%
Businesses that expect the local economy to grow in the next 12 months	55.1%	60.6%	8/11	44.2%	9/11	29.3%	34.7%	42.3%

2021 was a stronger year for Australian small businesses than 2020. However, only 32.2 per cent of Australian small businesses grew last year, the lowest among the 11 markets surveyed.

2022 is expected to be a better year for Australia’s small businesses. However, Australia’s small business sector still looks likely to underperform compared to most of the Asia-Pacific region. 53.1 per cent of Australian businesses expect to grow, compared with the survey average of 61.9 per cent. The major contributors to the low anticipated growth rate include a weak and uncertain outlook, and the small percentage of Australia’s small businesses that invest in or undertake activities that characterise growing businesses, being:

- innovation
- e-commerce

- social media use
- exporting

## Impacts of COVID-19

	Australia 2021	Survey average 2021	Rank 2021	Australia 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	58.4%	51.0%	4/11	57.8%	6/11
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	7.8%	24.3%	11/11	5.9%	11/11

Similar to 2020, Australia's small businesses considered COVID-19 their biggest challenge in 2021. 58.4 per cent thought it had a negative impact on their business, well ahead of the next most selected reason, "increasing costs" (29.2 per cent).

Despite the impact COVID-19 had on Australian small businesses last year, 35.1 per cent of respondents made no major changes to their business in response to the pandemic, the highest percentage among the markets surveyed.

## Use of technology

	Australia 2021	Survey average 2021	Rank 2021	Australia 2020	Rank 2020	Australia 2019	Australia 2018	Australia 2017
Did not earn any revenue from online sales	44.7%	19.0%	1/11	51.3%	2/11	56.5%	59.8%	52.6%
Did not use social media for business purposes	36.7%	17.2%	2/11	42.4%	1/11	45.1%	44.8%	42.5%
Investment in technology by my business over the past 12 months has improved profitability	23.5%	53.6%	11/11	18.9%	10/11	18.8%	16.4%	26.7%
Technology my business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Website	N/A	Computer equipment	Computer equipment	N/A
Consider my business likely to be cyberattacked in next 12 months	18.4%	44.3%	11/11	17.8%	10/11	17.6%	15.8%	25.8%
Reviewed my business' cybersecurity protections in past six months	35.3%	46.7%	10/11	32.5%	11/11	35.3%	37.6%	N/A

More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	43.4%	64.9%	10/11	40.9%	9/11	37.1%	36.0%	33.3%
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While the use of technology has improved in 2021 compared to 2020, Australian small businesses continue to lag in comparison to their counterparts in Asia:

- Australia's small businesses were the second most likely not to use social media (36.7 per cent compared with just 2.2 per cent of Mainland Chinese small businesses).
- Australia's small businesses continue to be significantly less likely to earn revenue from online sales (44.7 per cent did not earn any revenue from online sales compared with 4.1 per cent of Mainland Chinese small businesses).
- Australia's small businesses were the least likely to have begun or increased their focus on online sales as a response to the COVID-19 pandemic (7.8 per cent compared with the survey average of 24.3 per cent).
- Australia's small businesses were the most likely not to make any investment in technology in 2021 (35.1 per cent compared to only four per cent of small businesses from India).
- Australia's small businesses are the most likely not to offer customers the choice of paying by new digital and payment technologies such as Apple Pay and Afterpay (39.4 per cent compared with just 0.1 per cent of Mainland Chinese small businesses).
- Australia's small businesses are relatively relaxed in relation to their cyber risk. Only 18.4 per cent believe an attack on their business is likely this year; compared with the survey average of 44.3 per cent. However, over a quarter (25.3 per cent) have reviewed their cybersecurity measures in the past six months.

One explanation for the low levels of investment in technology by Australian small businesses is the poor short-term returns they achieve from them. Of those businesses that invested in technology in 2021, only 23.5 per cent found that such investment improved their profitability. This compares to 81.9 per cent of small businesses from Vietnam.

## Business activity over the past 12 months

	Australia 2021	Survey average 2021	Rank 2021	Australia 2020	Rank 2020	Australia 2019	Australia 2018	Australia 2017
Increased employee numbers	7.1%	28.7%	11/11	8.3%	11/11	8.8%	10.1%	13.7%
Improved customer satisfaction had a major positive impact on my business	16.1%	23.0%	11/11	13.2%	9/11	19.4%	22.0%	20.7%
Increasing costs had a major negative impact on their business	24.9%	29.2%	10/11	17.8%	11/11	32.5%	35.0%	29.5%
Required funds from an external source	27.1%	60.2%	11/11	24.3%	11/11	22.6%	23.2%	31.7%
Sought external funds for business growth	25.4%	48.2%	10/11	29.3%	10/11	30.1%	31.6%	40.7%
Sought external funds for business survival	43.5%	49.0%	7/11	42.3%	7/11	27.4%	24.8%	19.1%
Found it easy or very easy to access external finance	37.0%	45.9%	6/11	49.6%	2/11	46.9%	47.0%	42.0%

A bank was my business' main source of external finance	44.2%	34.2%	2/11	38.2%	2/11	43.4%	54.7%	45.7%
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## Planned business activity over the next 12 months

	Australia 2021	Survey average 2021	Rank 2021	Australia 2020	Rank 2020	Australia 2019	Australia 2018	Australia 2017
Expect to increase employee numbers	19.2%	39.9%	11/11	13.0%	9/11	10.6%	14.5%	18.8%
Will introduce a new product, service or process unique to their market or the world	5.9%	27.0%	11/11	6.7%	11/11	6.4%	6.7%	7.4%
Expect revenue from overseas markets to grow strongly	5.1%	19.3%	11/11	6.3%	9/11	4.8%	4.6%	6.7%
Will seek external funds	5.7%	27.3%	11/11	8.3%	11/11	6.0%	6.9%	11.4%
Expect easy to very easy access to finance	35.1%	40.6%	6/11	31.1%	3/11	35.6%	26.5%	25.5%

### Employee growth

While more Australian small businesses experienced growth in 2021 than in 2020, only a small number created new jobs. Only 7.1 per cent increased employee numbers last year. This is the lowest result of the markets surveyed and the lowest percentage recorded in the history of this survey.

The small proportion of Australia's small businesses forecasting that they will grow in 2022 is reflected in the low percentage (19.2 per cent) expecting to increase employee numbers this year. This is the lowest result of the markets surveyed.

### Innovation

Small businesses in Australia remain highly unlikely to be innovative. Only 5.9 per cent will introduce a new product, process or service that is unique to their market or the world in 2022, compared with the survey average of 27 per cent. This may impact the growth of many Australian small businesses, as the survey results show that there is a relationship between innovation and business growth.

### Access to finance

Australian small businesses continue to remain significantly less likely to source funds from an external source than small businesses from Asia. It should be noted that fewer Australian smaller businesses found accessing external finance easy or very easy in 2021 compared to 2020.

Other possible reasons for the low demand for external finance include the limited number of Australian small businesses that recorded:

- growing
- purchasing capital assets
- innovating
- expanding into new markets

## Exports

Australian small businesses are the least likely to expect to increase their revenue from overseas sales in 2022. Seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. Exporting also exposes businesses to more competition and new ideas. It's therefore not surprising that the results show that businesses that expect to grow their revenue from exporting are significantly more likely to experience growth.

### Factors that had positive and negative influences on business

Top four factors that had a positive influence on Australian small business in 2021	Top four factors that had a positive influence Australian on small business in 2020	Top four factors that had a positive influence on Australian small business in 2019
Customer loyalty	Customer loyalty	Customer loyalty
COVID-19	Good staff	Good staff
Good staff	COVID-19	Cost control
Cost control	Cost control	Improved customer satisfaction

Top four factors that had a negative impact on Australian small business in 2021	Top four factors that had a negative impact on Australian small business in 2020	Top four factors that had a negative impact on Australian small business in 2019
COVID-19	COVID-19	Increasing costs
Increasing costs	Poor overall economic environment	Poor overall economic environment
Poor overall economic environment	Increasing costs	Increasing competition
Cash flow difficulties	Cash flow difficulties	Tax

Small businesses in Australia found that "increasing costs" was the second most likely barrier to growth in 2021. "Utility" and "fuel for vehicles, machinery etc." were the costs that caused them the most detriment last year.

## Demographics

	Australia 2021	Survey average 2021	Rank 2021	Australia 2020	Rank 2020	Australia 2019	Australia 2018	Australia 2017
Respondent aged under 40	28.0%	45.2%	10/11	18.5%	11/11	17.6%	20.8%	22.3%
Business established for less than 11 years	50.6%	62.8%	11/11	44.4%	11/11	38.1%	43.2%	44.0%
Respondent is the business owner	70.4%	39.0%	1/11	66.3%	2/11	69.9%	66.7%	60.7%
Business has 10 to 19 employees	12.9%	30.1%	11/11	13.6%	10/11	9.6%	10.3%	18.8%

Australia is the market with the highest percentage of respondents aged 50 and over. This may contribute to lower levels of digital capability than other surveyed markets. The survey results show that the use of digital technologies falls for respondents aged 50 and over, and even more sharply for respondents aged 60 and over, regardless of market.

***Policy recommendations***

For policymakers seeking to help Australia’s economic recovery and promote jobs creation, investing in increasing the ability and resilience of small businesses to withstand uncertainty and shocks is essential. This includes funding for programs that assist Australian small businesses to improve their capability and capacity to digitally transform. With most Australian small businesses having fewer than five employees and being time poor, external advisers will play a critical role in helping them improve such capability.