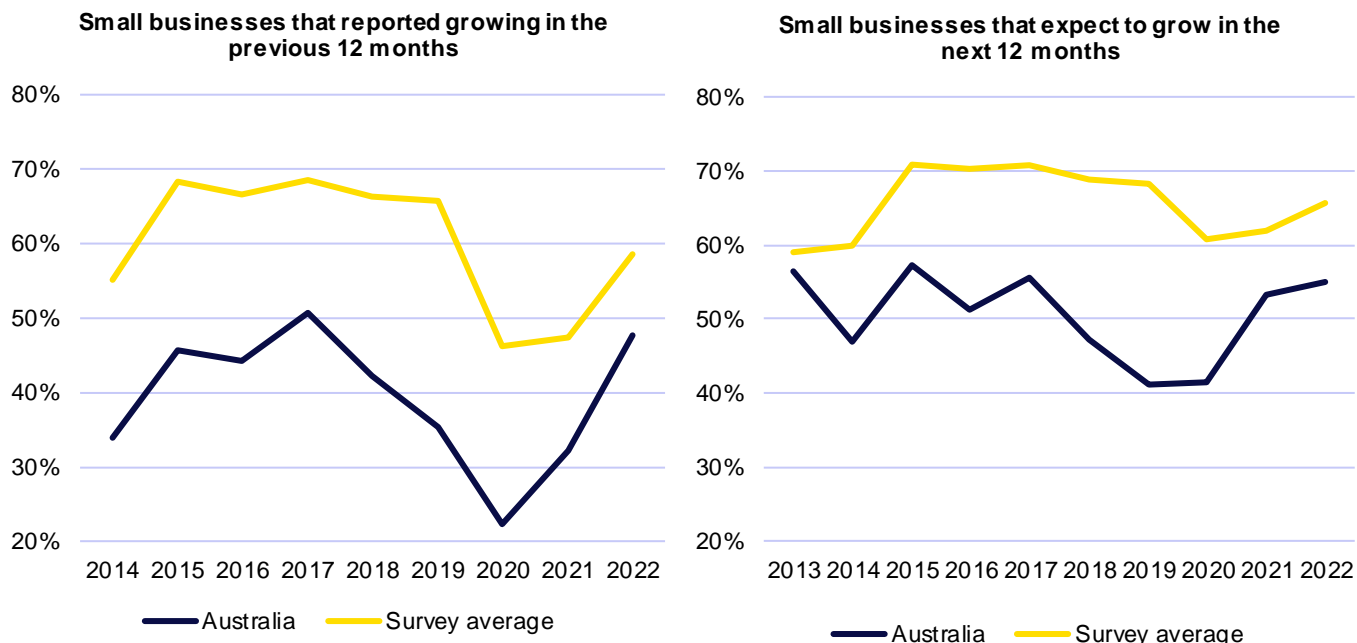


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

Australia market summary

Australia

Business and economic conditions



	Australia 2022	Survey average 2022	Rank 2022	Australia 2021	Rank 2021	Australia 2020	Australia 2019	Australia 2018
Businesses that grew in the last 12 months	47.6%	58.6%	9/11	32.2%	11/11	22.3%	35.3%	42.2%
Businesses that expect to grow in the next 12 months	55.1%	65.7%	9/11	53.1%	9/11	41.4%	41.1%	47.3%
Businesses that expect the local economy to grow in the next 12 months	43.3%	62.5%	9/11	55.1%	8/11	44.2%	29.3%	34.7%
Satisfied or very satisfied with the financial return of the business¹	50.8%	68.9%	10/11	N/A	N/A	N/A	N/A	N/A

¹ Limited to owner, director, CEO/managing director or principal.

2022 was the strongest year for Australian small businesses since 2017. 47.6 per cent of Australian small businesses grew last year, up 15.4 percentage points from 2021. However, this was the third lowest result among the 11 markets surveyed.

2023 is expected to be a better year for Australian small businesses. Yet Australia's small business sector is likely to underperform others in the Asia-Pacific region. 55.1 per cent of Australian small businesses expect to grow, lower than the survey average of 65.7 per cent.

A major contributor to the relatively low predicted growth is a fall in the number of Australian small businesses that expect the economy to grow this year. Another major contributor is the relatively low percentage of Australian small businesses that invest in or undertake activities that characterise growing businesses. These include:

- innovation
- e-commerce
- social media use
- export.

The comparatively low number of Australian small businesses that grew in 2022 is reflected in the lower satisfaction owners had with the financial return received from their business.

Use of technology

	Australia 2022	Survey average 2022	Rank 2022	Australia 2021	Rank 2021	Australia 2020	Australia 2019	Australia 2018
More than 10 per cent of revenue came from online sales	46.3%	67.9%	10/11	37.3%	11/11	31.6%	26.7%	24.6%
Did not use social media for business purposes	30.4%	15.4%	2/11	36.7%	2/11	42.4%	45.1%	44.8%
Investment in technology by the business over the past 12 months has improved profitability	32.2%	55.2%	11/11	23.5%	11/11	18.9%	18.8%	16.4%
Technology the business invested in most heavily over the past 12 months	Website	Computer equipment	N/A	Computer equipment	N/A	Website	Computer equipment	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	26.7%	47.2%	11/11	18.4%	11/11	17.8%	17.6%	15.8%
Reviewed the business' cybersecurity protections in past six months	44.3%	46.0%	8/11	35.3%	10/11	32.5%	35.3%	37.6%
More than 10 per cent of sales is received through digital payment options such as PayPal, Apple Pay, Google Pay, Alipay, WeChat Pay	55.2%	73.7%	9/11	43.4%	10/11	40.9%	37.1%	36.0%
Sought advice from IT consultants/specialists	18.8%	28.6%	8/11	9.6%	11/11	9.1%	N/A	N/A

Business operation is frequently or very frequently affected by internet connectivity issues

20.4%	30.5%	8/11	N/A	N/A	N/A	N/A	N/A
-------	-------	------	-----	-----	-----	-----	-----

While technology use improved in 2022 compared to 2021, Australian small businesses continue to be much less likely to use technology than their counterparts in Asia. The survey data shows:

- Australia’s small businesses continue to be significantly less likely to earn revenue from online sales (46.3 per cent earned more than 10 per cent of revenue from online sales compared with 89.1 per cent of Mainland Chinese small businesses).
- COVID-19 has encouraged more Australian small businesses to focus on online sales, however the pandemic had a greater influence on online sales in most other markets (14.5 per cent began or increased their focus on online sales in response to COVID-19 compared with the survey average of 24.8 per cent).
- Australia’s small businesses were second most likely *not* to use social media for business purposes (30.4 per cent compared with just 2.1 per cent of Mainland Chinese small businesses).
- Australia’s small businesses were ranked second last in receiving more than 10 per cent of sales through new digital and payment technologies such as PayPal and Apple Pay (55.2 per cent compared to 94.1 per cent of Mainland Chinese small businesses).
- Most Australian small businesses don’t expect to be cyberattacked this year. Only 26.7 per cent expect such an attack compared with the survey average of 47.2 per cent. Despite this, 44.3 per cent reviewed their cybersecurity measures in the past six months.

One possible explanation for the low levels of investment in technology by Australian small businesses is the poor short-term returns they achieve. Only 32.2 per cent found their investment in technology last year improved their profitability. This is the lowest result of the markets surveyed and compares to 82.7 per cent for Indian small businesses.

Business activity over the past 12 months

	Australia 2022	Survey average 2022	Rank 2022	Australia 2021	Rank 2021	Australia 2020	Australia 2019	Australia 2018
Increased employee numbers	21.6%	35.0%	9/11	7.1%	11/11	8.3%	8.8%	10.1%
Improved customer satisfaction had a major positive impact on the business	18.4%	27.0%	10/11	16.1%	11/11	13.2%	19.4%	22.0%
Improved business management had a major positive impact on the business	14.5%	22.0%	11/11	9.2%	11/11	7.3%	8.2%	8.3%
Increasing costs had a major negative impact on the business	38.0%	31.1%	2/11	24.9%	10/11	17.8%	32.5%	35.0%
Required funds from an external source	35.7%	62.5%	11/11	27.1%	11/11	24.3%	22.6%	23.2%
Sought external funds for business growth	41.8%	52.1%	10/11	25.4%	10/11	29.3%	30.1%	31.6%
Sought external funds for business survival	28.0%	44.3%	10/11	43.5%	7/11	42.3%	27.4%	24.8%
Found it easy or very easy to access external finance	40.1%	45.9%	6/11	37.0%	6/11	49.6%	46.9%	47.0%
A bank was the business' main source of external finance	30.8%	38.2%	7/11	44.2%	2/11	38.2%	43.4%	54.7%
Did not spend any time and resources on ESG practices	44.3%	21.4%	1/11	N/A	N/A	N/A	N/A	N/A

Impacts of COVID-19

	Australia 2022	Survey average 2022	Rank 2022	Australia 2021	Rank 2021	Australia 2020
COVID-19 had a major negative impact on the business in the past 12 months	39.4%	36.7%	6/11	58.4%	4/11	57.8%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	14.5%	24.8%	10/11	7.8%	11/11	5.9%
My business' major reaction to COVID-19 was to increase investment in technology	11.2%	19.1%	10/11	9.6%	10/11	6.1%

Planned business activity over the next 12 months

	Australia 2023	Survey average 2023	Rank 2023	Australia 2022	Rank 2022	Australia 2021	Australia 2020	Australia 2019
Expect to increase employee numbers	27.8%	44.9%	10/11	19.2%	11/11	13.0%	10.6%	14.5%
Will introduce a new product, service or process unique to their market or the world	14.3%	34.4%	11/11	5.9%	11/11	6.7%	6.4%	6.7%
Expect revenue from overseas markets to grow strongly	10.4%	23.7%	11/11	5.1%	11/11	6.3%	4.8%	4.6%
Will seek external funds	14.5%	33.6%	11/11	5.7%	11/11	8.3%	6.0%	6.9%
Expect easy to very easy access to finance	33.6%	42.3%	7/11	35.1%	6/11	31.1%	35.6%	26.5%

COVID-19

As in 2021, Australia's small businesses considered COVID-19 their biggest challenge in 2022. Yet its negative impacts on businesses eased considerably. 39.4 per cent reported the pandemic had a negative impact on their business, down from 58.4 per cent in 2021.

Despite the impact COVID-19 had on Australian small businesses last year, 27.1 per cent made no major changes to their business in response to the pandemic. This was the second-highest percentage among the markets surveyed.

Employment

The stronger growth of Australia's small businesses last year is reflected in an increase in the number of small businesses creating new jobs. 21.6 per cent increased employee numbers last year, up from 7.1 per cent in 2021. However, this is the third lowest of the markets surveyed.

The slightly higher proportion of Australia's small businesses forecasting that they will grow in 2023 is reflected in the higher percentage (27.8 per cent) expecting to increase employee numbers this year. However, this result is the second lowest of the markets surveyed.

Innovation

Small businesses in Australia remain highly unlikely to innovate. Only 14.3 per cent state they will introduce a new product, process or service that is unique to their market or the world in 2023. This is the lowest result of the markets surveyed and is significantly below the survey average of 34.4 per cent. This may affect the growth of many Australian small businesses, as the survey results have shown over many years a correlation between innovation and business growth.

Access to finance

35.7 per cent of Australian small businesses sourced funds from an external source, up from 27.1 per cent in 2021. Slightly more Australian smaller businesses found accessing external finance easy or very easy in 2022 compared to 2021.

However, they continue to remain significantly less inclined to source funds from an external source than small businesses from Asia.

Possible reasons for the low demand for external finance include the relatively lower proportion of Australian small businesses that said they were:

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

Exports

Australian small businesses ranked the second lowest in expecting to increase their revenue from overseas sales in 2023. Seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. Exporting also exposes businesses to more competition and innovative ideas. It's therefore unsurprising that businesses experiencing growth are much more likely to expect to increase their revenue from exporting.

Environmental, social, and governance (ESG)

Australian small businesses could do more on ESG. 44.3 per cent did not spend any time or resources on ESG practices, the highest among the 11 surveyed markets.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Australian small business in 2022	Top four factors that had a positive influence Australian on small business in 2021	Top four factors that had a positive influence on Australian small business in 2020
Customer loyalty	Customer loyalty	Customer loyalty
Good staff	COVID-19	Good staff
Cost control	Good staff	COVID-19
Improved business strategy	Cost control	Cost control

Top four factors that had a negative impact on Australian small business in 2022	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
COVID-19	COVID-19	COVID-19
Increasing costs	Increasing costs	Poor overall economic environment
Supply disruptions	Poor overall economic environment	Increasing costs
Rising interest rates	Cash flow difficulties	Cash flow difficulties

Like previous years, Australian small businesses found that ‘customer loyalty’ had the most positive influence on their business in 2022. However, the survey data shows that ‘improving customer satisfaction’ and ‘improving business management’ are more strongly associated with high growth businesses.

While ‘increasing costs’ was the second strongest negative factor in 2022, the number of businesses that chose this concern was up significantly – from 24.9 per cent in 2021 to 38 per cent last year. Small businesses chose ‘fuel for vehicles, machinery etc’ and ‘utility costs’ as the costs that were most detrimental last year.

Demographics

	Australia 2022	Survey average 2022	Rank 2022	Australia 2021	Rank 2021	Australia 2020	Australia 2019	Australia 2018
Respondent aged under 40	39.2%	47.6%	9/11	28.0%	10/11	18.5%	17.6%	20.8%
Business established for less than 11 years	58.8%	61.1%	7/11	50.6%	11/11	44.4%	38.1%	43.2%
Respondent is the business owner	53.9%	36.9%	4/11	70.4%	1/11	66.3%	69.9%	66.7%
Business has 10 to 19 employees	18.8%	37.1%	10/11	12.9%	11/11	13.6%	9.6%	10.3%

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. The survey data also shows that respondents aged 50 or over are less likely to own or work in a business that is growing.

Policy suggestions

For policymakers looking to support Australia’s economy and increase its competitiveness, supporting small business digital transformation is essential. With most Australian small businesses having fewer than five employees and being time poor, external advisers play a critical role in helping them improve such capability. Another policy question is how to encourage more young Australians to start or buy their own small businesses.