



Jon Manning - Economist, MYOB

Business Monitor: COVID-19 & JobKeeper Edition

June, 2020

Australia's economy recorded negative growth for the first time in almost three decades in the March 2020 quarter. Announcing the numbers, Treasurer Josh Frydenberg acknowledged that the June quarter would also show negative growth, suggesting that the Australian economy would meet the technical definition of a recession (two consecutive quarters of negative economic growth).

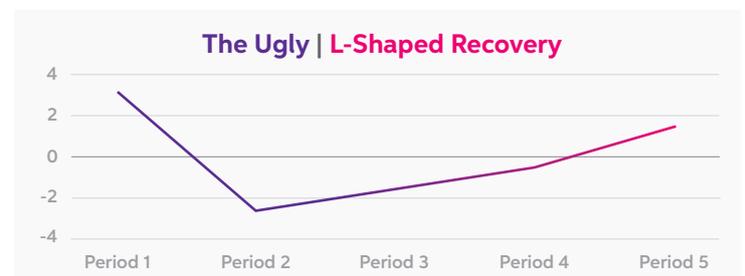
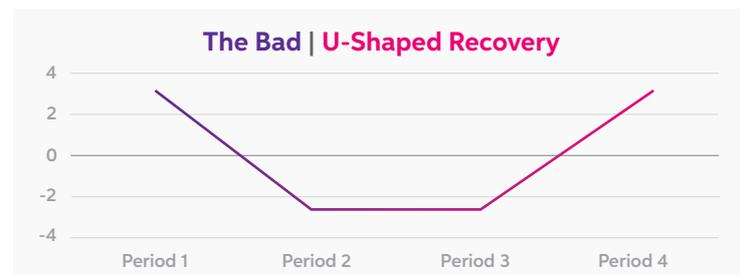
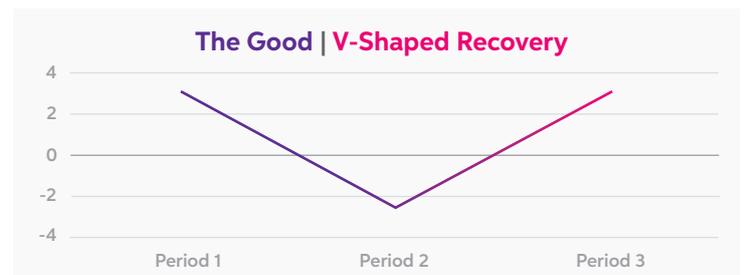
Australia's economy won't be alone. The World Bank has predicted that the global economy will shrink by 5.2% this year thanks to the COVID-19 pandemic, and wealthy countries will see their output (GDP) fall by around 7%. In June the UK announced a -20.4% contraction in GDP.

We also expect that the unemployment situation is going to get worse. Unemployment jumped by 1%, from 5.2% to 6.2% in April, a leap that would have been much higher without the JobKeeper program, who are excluded from the unemployment numbers.

And what about inflation? Surely there's no pressure on prices coming anytime soon?

Think again. During the Great Depression years of 1929 – 1932, the average level of prices fell by 30%. Why won't the same thing happen again this recession? The big difference is that the costs of doing business has changed significantly, thanks to social distancing, contactless payments and delivery and the additional costs associated with cleaning surfaces.

In this latest piece of research from MYOB conducted from 17 April and 22 May, we present some insights into how the small business sector (the engine room of the Australian economy) are faring, as well as some thoughts on the likely shape of the economic recovery.



As we'll see in our analysis below, different industries will recover differently. Some are already recovering as restrictions lift, others may expect a few months of low demand, before rebounding in a few months time – a U-shaped recovery. For other industries, recovery is going to be a much longer haul.

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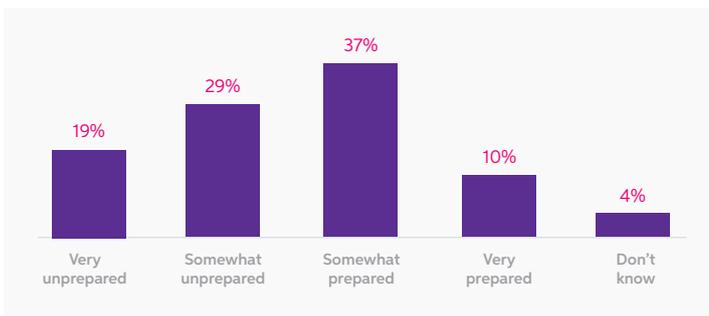
MYOB surveyed more than 1000 small businesses from around Australia to find out how their business has been impacted by COVID-19.

This is what we found.

COVID-19

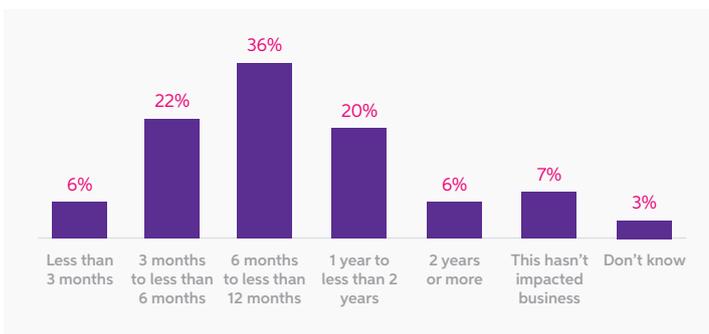
The impact on small businesses...

How prepared was your business for a disruption like the COVID-19 pandemic?



- **Less than 50%** were very prepared or somewhat prepared for a COVID-19 -like disruption
- A similar % of respondents were somewhat or very unprepared
- The **most unprepared were Traditionalists (+70yrs)** and the **most prepared were companies with \$5mill+ turnover** (at that level of turnover, they probably have the resources and the plans to prepare for a disruption)

For how long do you think this disruption will impact your business?



- **36% of respondents say the pandemic and its economic effects will last for 6-12mths**, and another **26% say it will have an impact for another year or two**, possibly longer

60% say their revenue is down compared to 12 months ago.

68% say their revenue is down due to the impact from the COVID-19 pandemic.

93%

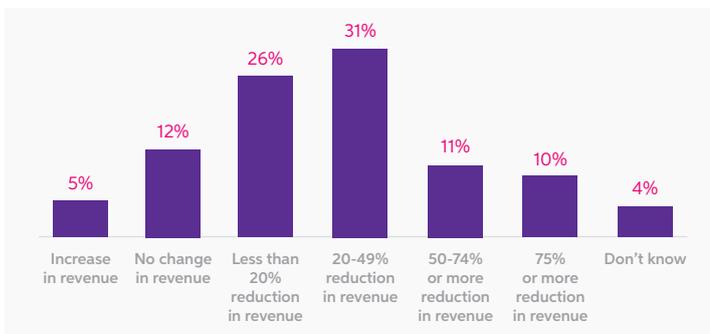
of respondents say their reduction in work is due to the pandemic.



When it comes to thinking about future revenue, business owners are split.

By industry we see...

What impact do you estimate the COVID-19 pandemic will have on your revenue over the next 3-6 months?



- 5% expect revenue to increase and 12% expect no change in revenue
- 26% expect less than a 20% reduction in revenue...
- 52% (over half) expect a revenue reduction of 20% or more

How long will it impact your business?

Sample size average of 125 business across all industries shown



- Less than 3 months
- 3 months to less than 6 months
- 6 months to less than 12 months
- 1 year to less than 2 years
- 2 years or more
- This hasn't impacted business
- Don't know

Here we can see which industries expect the pandemic to have a longer impact on their business – 24% of Bus/Prof/Prop & Retail & Hospitality expect a 1-2 year impact, while 10% of Finance & Insurance companies and 9% of Transport/Postal/Warehouse expect an impact for 2 years or more.

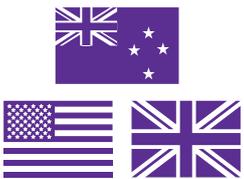
31% say revenue will be up in 12 months.

39% say revenue will be down in 12 months.



Gen Y are the most negative in terms of outlook, **44%** believe revenue will be down, compared to:

- **36%** of Gen Z believe revenue will be down
- **34%** of Gen X believe revenue will be down
- **36%** of Baby Boomers believe revenue will be down
- **34%** of Traditionalists believe revenue will be down



One quarter of respondents think the Australian government responded better to the pandemic than New Zealand and most respondents think Australia responded better than the **USA (71%)** and the **United Kingdom (68%)**.



This rose to **84% for baby boomers & 90% for traditionalists** in the case of the USA, and **80% & 90% for Baby Boomers and traditionalists (respectively)** for the UK.



Gen Y amongst the most satisfied with the Federal Government's response to COVID-19 (**48%** quite satisfied), compared to:

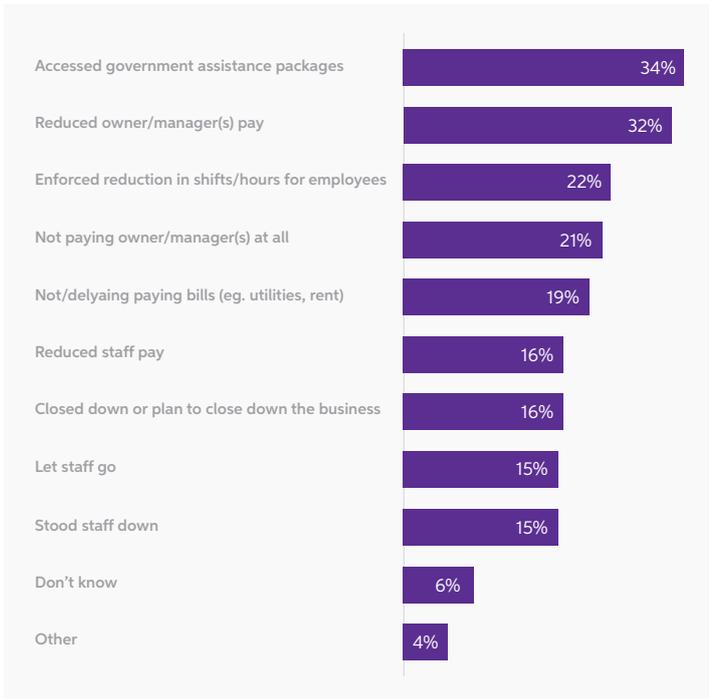
- **38%** of Gen X are quite satisfied
- **35%** of Baby Boomers are quite satisfied



JOBKEEPER

The graph below illustrates that most businesses opted for survival...

In what ways has this business reacted to the COVID-19 pandemic?



- They accessed **Government assistance packages first**, and then pursued a list of initiatives such as reducing owner/managers pay, reducing shifts, not paying owners/managers and delaying or not paying bills, before starting to think about plans to close down the business

84% of businesses say JobKeeper will allow their business to continue to operate.

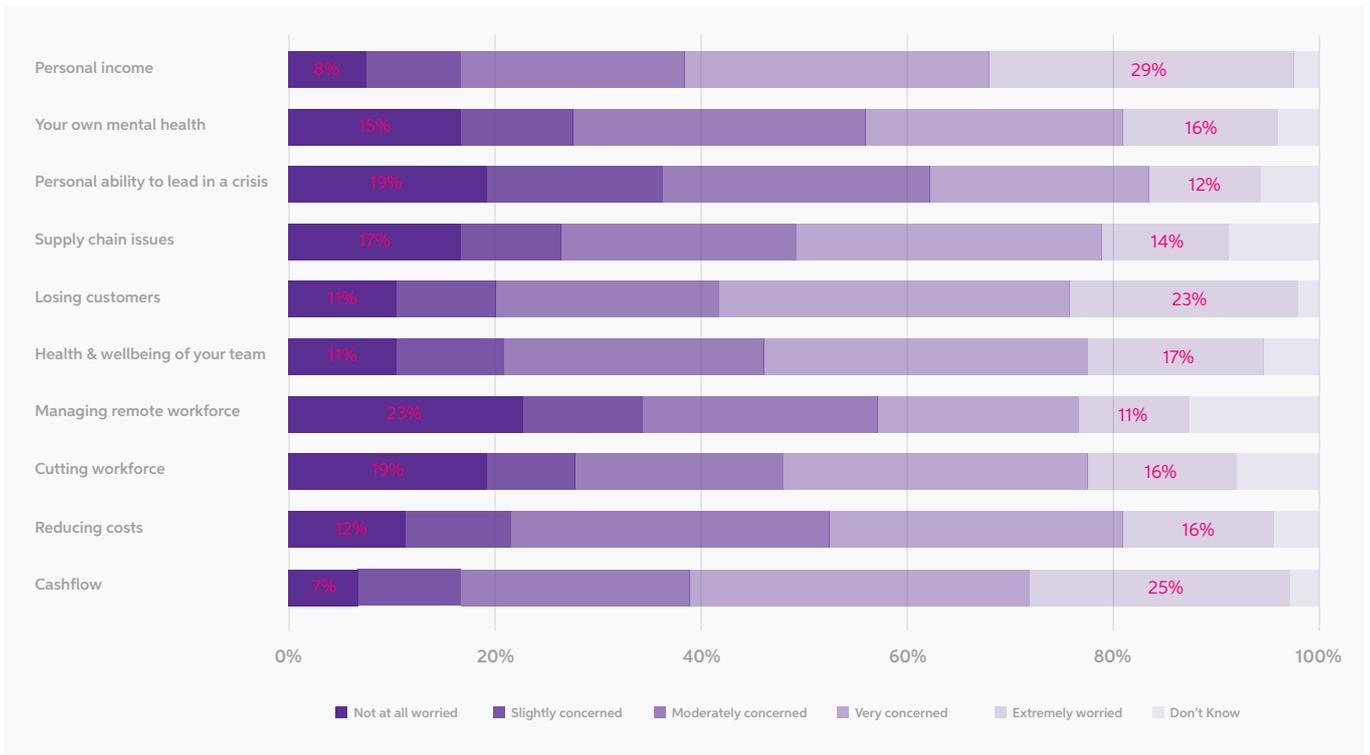
24% say their business will have to permanently close.



SUMMARY

With everything going on this is what people are most concerned about...

How concerned are you about each of the following issues with respect to the COV-19 pandemic?



The biggest concerns business owners have are personal income and cash flow



Issues of least concern are managing remote workforce and a personal ability to lead in a crisis as well as cutting the workforce

About the MYOB Business Monitor Special Edition

The MYOB Business Monitor dissects key factors affecting small business. Topics include financial stability, business pressure points and online engagement. This report presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of 1004 business owners, managers and directors (operators), conducted from 17 April to 22 May 2020. The businesses participating in the online survey were both non-employing and employing businesses. All data has been weighted by industry type, location and number of employees, which are in line with the Australian Bureau of Statistics (ABS - Counts of Australian businesses, including entries and exits - 8165.0). This research report was prepared by Gundabluey Research, and fieldwork was completed by Colmar Brunton (a Millward Brown Company) for Collette Betts, Public Relations & Corporate Communications Manager – Australia, MYOB Australia (collette.betts@myob.com | <http://myob.com.au>)

About MYOB

MYOB is a leading business platform with a core purpose of helping more businesses in Australia and New Zealand start, survive and succeed. At the heart of MYOB is a customer base of 1.2 million businesses and a network of more than 40,000 accountants, bookkeepers and consultants, for whom MYOB delivers end-to-end business and accounting solutions. MYOB operates across four key segments: Small and Medium Enterprises (SME), Enterprise, Financial Services and Practice. For more information visit myob.com or follow @MYOB on Twitter.



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Further information:

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