



Australian
Chamber of Commerce
and Industry



COVID-19

BUSINESS CONDITIONS SURVEY REPORT 2020

2ND EDITION

SUMMARY

The number of Australian **SMEs** reporting a greater than **80% reduction** in revenue has notably increased between April and May, a key finding in the **Australian Chamber of Commerce and Industry's** latest COVID-19 business conditions survey. Business experiencing a fall in revenue of **more than 25%** also climbed.

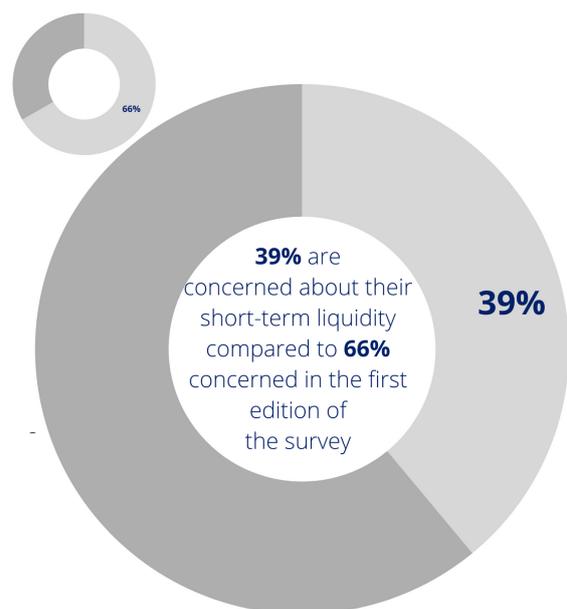
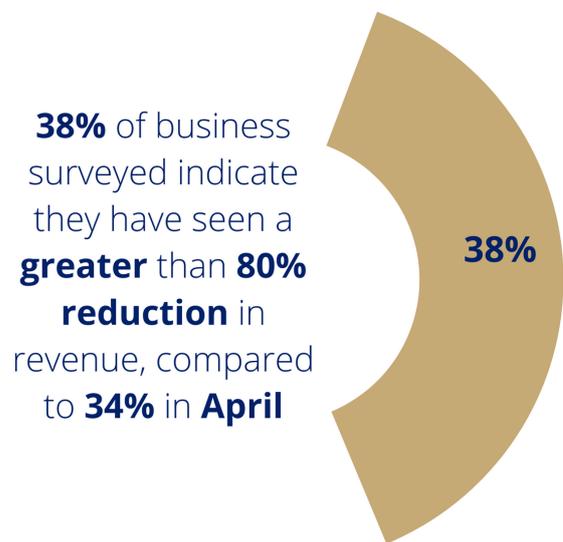
ACCI **surveyed** a broad cross-section of our membership to examine the benefit to business of **JobKeeper**, the effect of **social distancing** on business and the changes made to business operations to meet social distancing requirements.

The survey also found that SMEs were becoming **less concerned** about their business **viability**, as the Government **support measures** are rolled out.

This survey coincided with the **Commonwealth Government's** announcement of the **roadmap** for the easing of restrictions and the reduction of restriction in some states and territories was undertaken **between 9 May and 23 May 2020**, involving **350 businesses** across all states and territories.

We would like to **thank** our state and territory chambers of commerce and industry association members for their help in **developing the survey** and distributing it through their membership networks.

Landlords and **banks** were viewed as being more helpful in their support for businesses...





KEY FINDINGS

Business Conditions

By ACCI Chief Economist Ross Lambie

Since last month, business revenue has been increasingly impacted by the COVID-19 related health restrictions. The share of businesses reporting a greater than 80% reduction in revenue relative to what they would normally expect this time of the year increased from 33% in April to 38% in May. 81% of businesses experienced a fall in revenue of more than 25% compared to 75% in April.

The Government support and stimulus measures announced in March have gone some way to easing the impact of COVID-19 on businesses, with 32% concerned about their long-term viability and 39% concerned about their short-term liquidity compared to 66% concerned about their viability in the first survey in April.

Concern about the impact of COVID-19 on the broader economy remained high at 63% of businesses surveyed, but lower than the 77% reported in April.

Business revenue has been increasingly impacted by the social distancing and people movement restrictions, with almost 40% of businesses experiencing an 80% decline and over 80% experiencing a decline of over 25% relative to normal for this time of the year.

JobKeeper

The JobKeeper payment scheme has played a crucial role in enabling businesses to retain and/or remain connected with their employees at a time when they are under significant financial stress due to the COVID-19 social distancing, shut-down of non-essential services and trading restrictions. Of the businesses surveyed, JobKeeper payments enabled 23% to retain all employees during the crisis, 28% to retain permanent employees and 15% to retain casuals.

By lowering the wages bill and reducing the financial stress on businesses, JobKeeper enabled 23% of businesses to continue to operate when they would have otherwise been forced to close.

Even with the financial support provided by the JobKeeper payments, the COVID-19 restrictions have required changes to businesses' operations and their employee arrangements, with 32% of businesses reducing employee hours, 28% reducing the days of work, 19% changing the time of work and 18% changing the location of work.

In addition, one-quarter of employers have required employees to take on alternative duties as their previous work is no longer carried out.



Service Providers

To ease the pressure on costs during the crisis, businesses have attempted to enter into more accommodating payment arrangements with service providers.

38% of businesses reported that landlords helped provide support, either by renegotiating contracts or allowing delayed payment for rent owed.

Banks were also considered as being either very helpful or helpful in negotiating extensions to existing loans by 34% of businesses.

Energy retailers and telecommunications providers were considered to be either helpful or very helpful by 11% and 13% of businesses, respectively.

Government social distancing and people movement restrictions

In ranking the impact of the COVID-19 on business operations, international travel restrictions were viewed as having the greatest impact, followed by mass gathering restrictions and interstate travel restrictions.

Across the businesses surveyed, the 1.5 metre between people and one person per 4 square metres rules were viewed as having less impact.

Following the Government's announcement on 12 May the COVID-19 trading restrictions will begin to be eased, over half of businesses are changing operations to remain open or reopen by introducing procedures for cleaning and hygiene, training employees on COVID-19 hygiene practices, and/or putting up signage on social distancing requirements.

In addition, over two-thirds of businesses are restricting the number of employees and customers allowed in the workplace or store at any one time, and/or changing their workplace or store arrangements to limit contact and protect employees and customers.

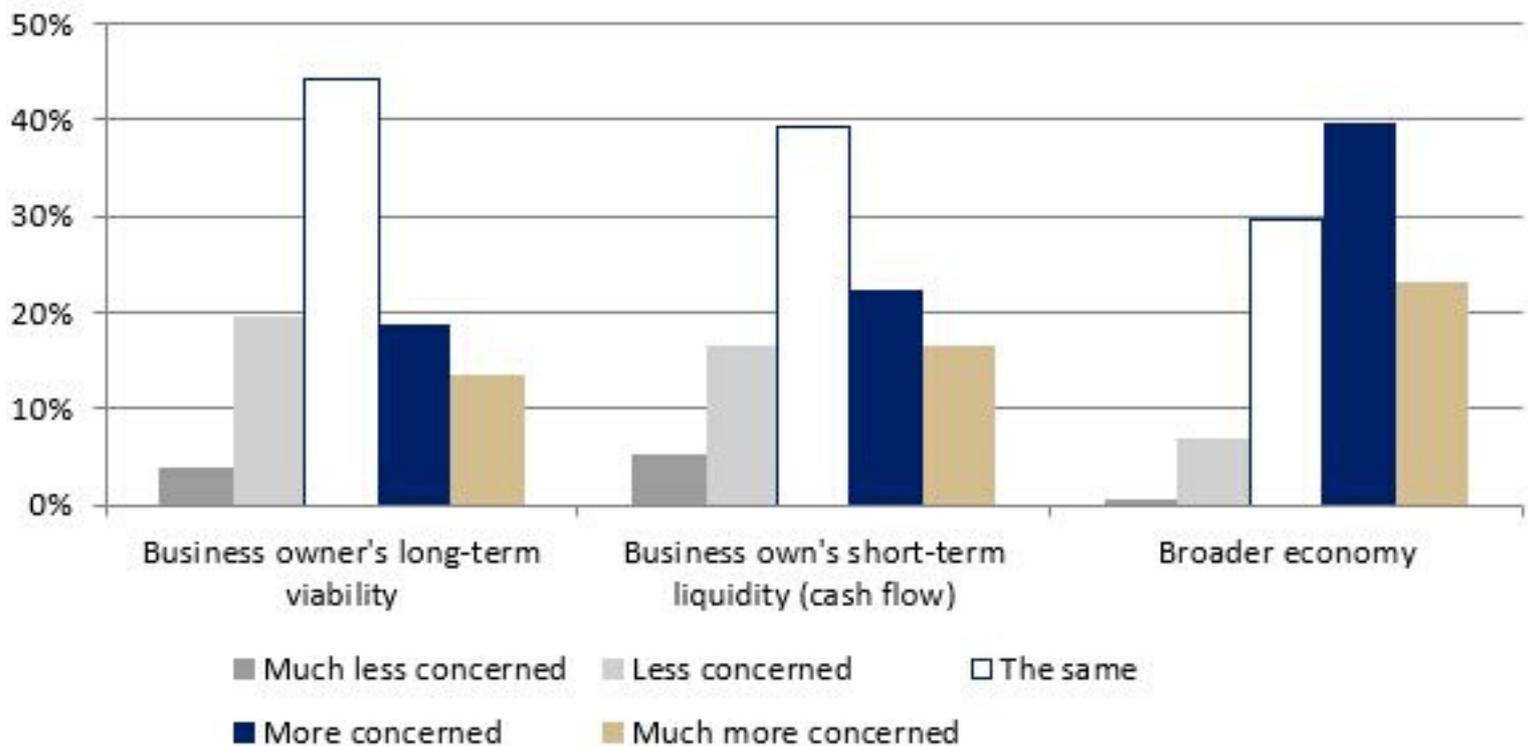
BUSINESS CONDITIONS

Concern about the impact of COVID-19 on business viability & the broader economy

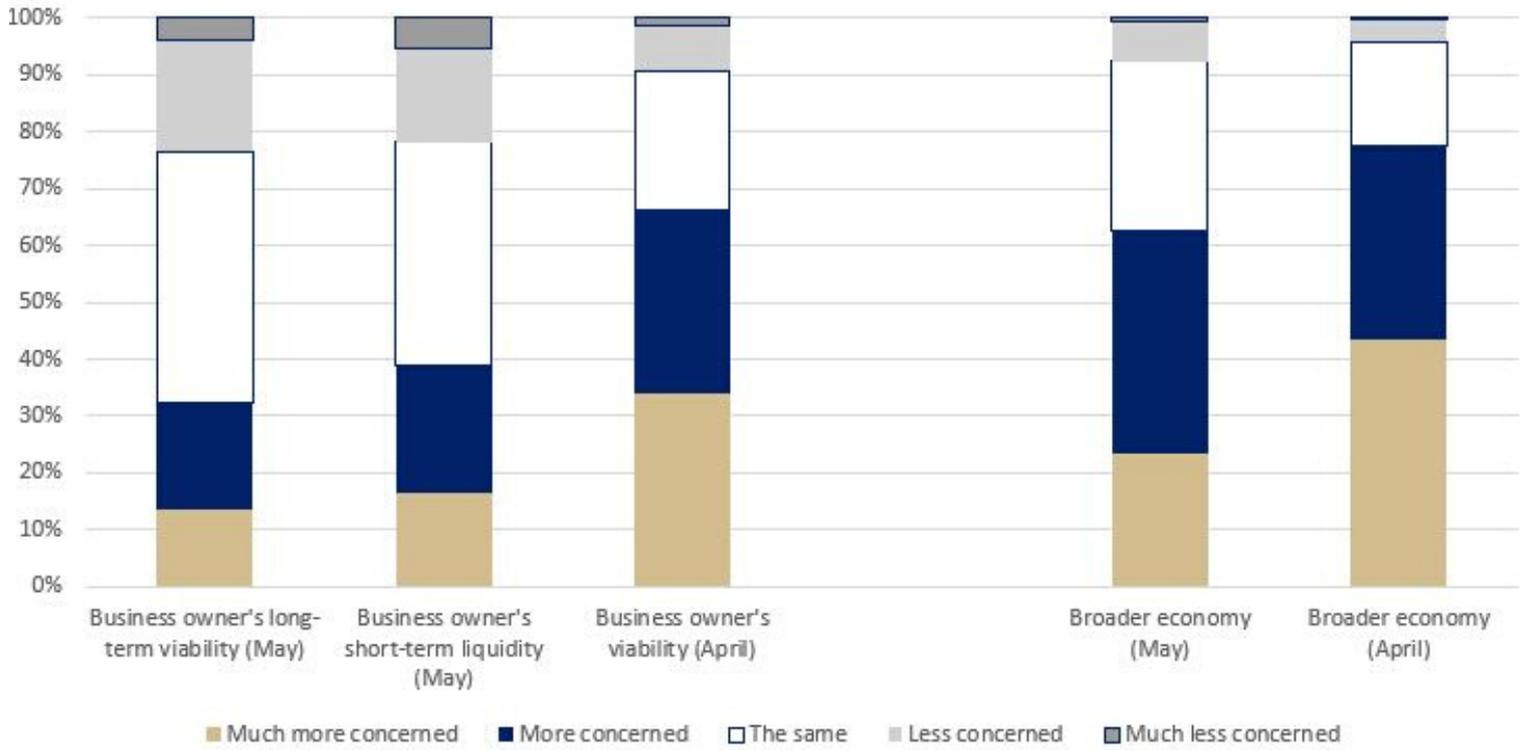
	Much less concerned	Less concerned	The same	More concerned	Much more concerned
Business owner's long-term viability	4%	20%	44%	19%	13%
Business own's short-term liquidity (cash flow)	5%	17%	39%	22%	17%
Broader economy	1%	7%	30%	40%	23%

Businesses' concerns about the impact of COVID19 on their business viability and the economy have eased since April, with 32% of businesses concerned about the long-term viability of their business and 39% concerned about their short-term liquidity. This compared to the first survey, where 66% of businesses were concerned about the impact on their business viability. While concern about the broader economy remains high at 63%, it is notably less than the concern expressed by businesses in the first survey, at 77%.

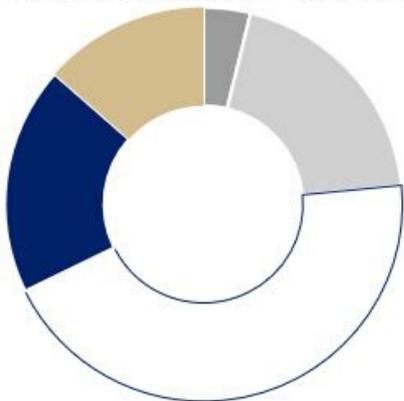
Concern about the impact of COVID-19 on:



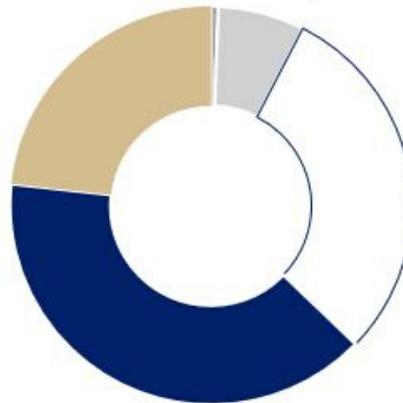
Concern about the impact of COVID-19 on:



■ Much more concerned ■ More concerned □ The same ■ Less concerned ■ Much less concerned

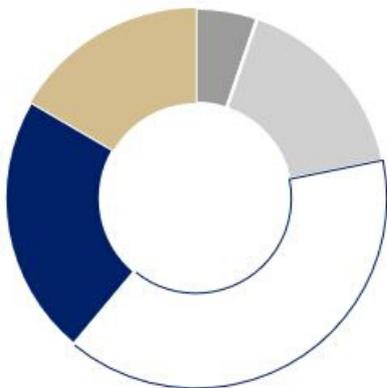


Business owner's long-term viability



Broader Economy

■ Much less concerned ■ Less concerned
 □ The same ■ More concerned
 ■ Much more concerned



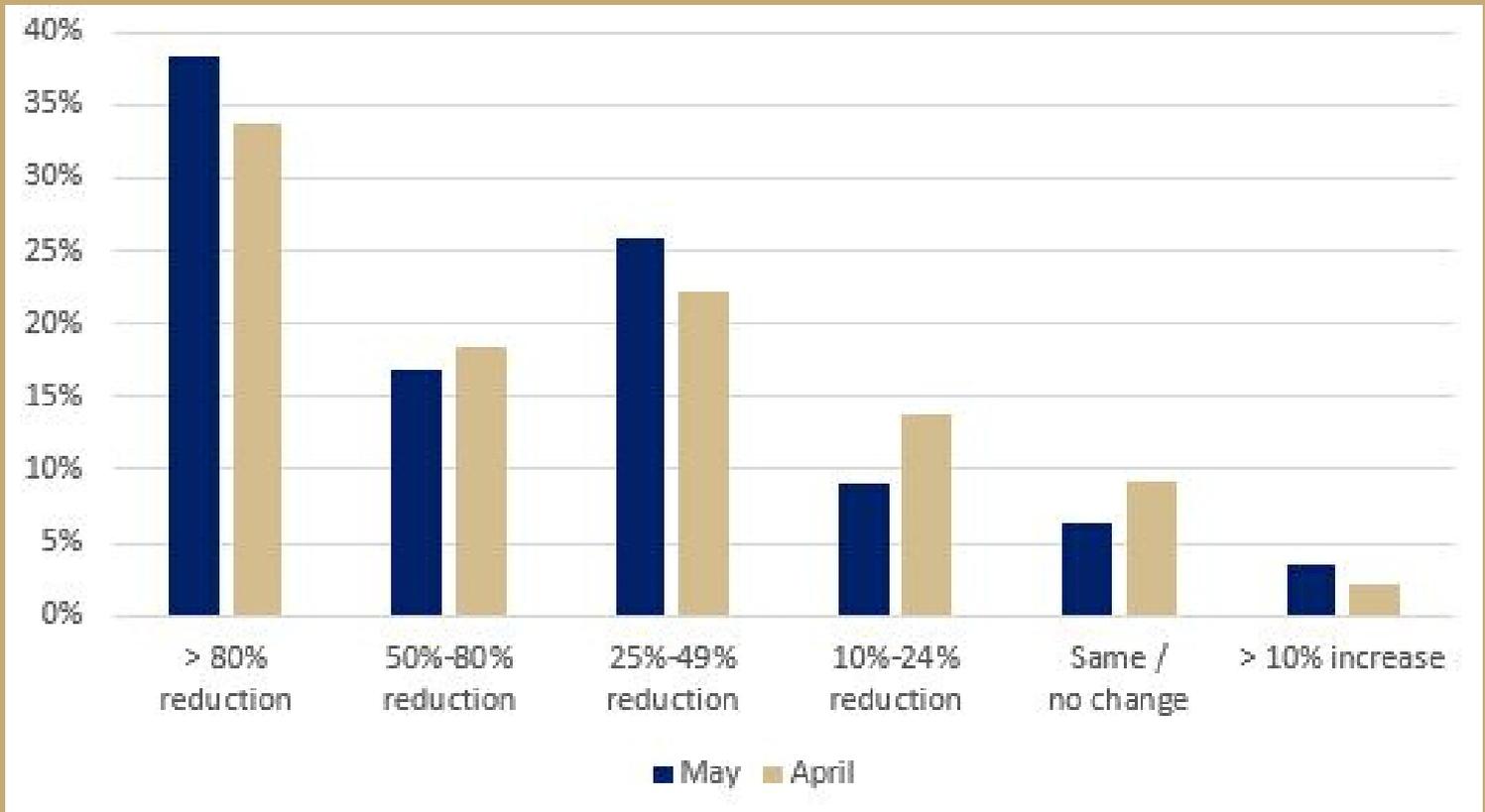
Business owner's short-term liquidity

Impact of restrictions on business revenue

Impact on business revenue	> 80% reduction	50%-80% reduction	25%-49% reduction	10%-24% reduction	Same / no change	> 10% increase
Businesses affected - May	38%	17%	26%	9%	6%	3%
Businesses affected - April	34%	18%	22%	14%	9%	2%

There was a notable increase in the impact of COVID-19 restrictions on business revenue, with 38% of businesses surveyed indicating that they have seen a greater than 80% reduction in revenue relative to what they would normally expect this time of the year, 55% experiencing a reduction of revenue of over 50% and 81% experiencing fall in revenue of greater than 25%.

This compares with the first survey in April, where one-third of businesses experienced a decline in revenue of greater than 80%, and a little less than three-quarters experienced an impact greater than 25%.



JOBKEEPER

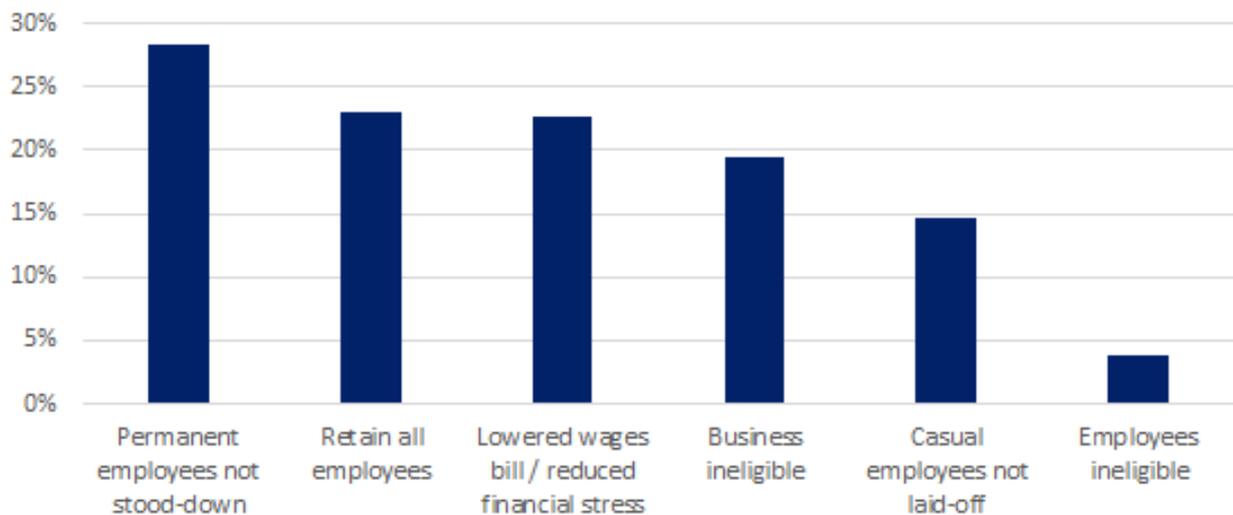
Benefit of JobKeeper to business

	Businesses responding
Permanent employees not stood-down	28.3%
Retain all employees	23.0%
Lowered wages bill / reduced financial stress	22.7%
Business ineligible	19.5%
Casual employees not laid-off	14.6%
Employees ineligible	3.8%

The JobKeeper payment scheme enabled 23% of businesses to retain all their employees during the crisis.

In regard to the JobKeeper payment, a further 28% of businesses indicated they were able to retain full-time and part-time permanent employees that they would have been forced to stand-down and 15% indicated that they were able to retain casual employees that they would have been forced to lay-off. JobKeeper was also shown to lower the wages bill and reduce financial stress in 23% of businesses. Less than one-quarter of businesses indicated they were ineligible for JobKeeper.

Benefits of JobKeeper to business



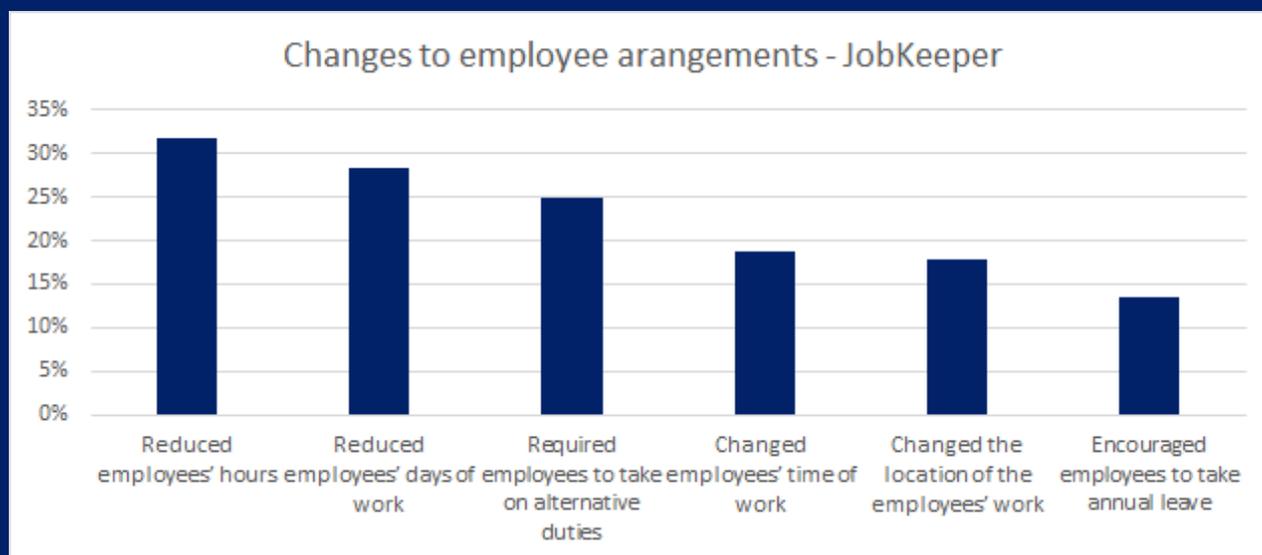
Changes to employee arrangement due to JobKeeper

Even though the financial support provided by the JobKeeper payments has enabled many businesses to retain employees that they would have been forced to stand-down or lay-off, the COVID-19 social distancing, shut-down of non-essential services and trading restrictions have led to major changes to the operation of many businesses, requiring changes to their employee arrangements.

Reduced employees' hours	32%
Reduced employees' days of work	28%
Required employees to take on alternative duties	25%
Changed employees' time of work	19%
Changed the location of the employees' work	18%
Encouraged employees to take annual leave	14%

For example, a restaurant previously providing table service, may now only be able to serve take-away, requiring back of house staff in the kitchen, but fewer front of house staff (waiters, etc.) to serve customers. Under the JobKeeper enabling provisions, these front of house staff could be asked to work fewer hours, fewer days, at different locations, be rostered on at different times and/or take on alternative duties to continue their employment and receive the JobKeeper payment. Also, for employees previously earning more than the \$1,500 JobKeeper payment, the employer and employee may negotiate reduced hours, fewer days of work and/or change the time they work to reduce their wage, based on their previous hourly rate, to the \$1,500 JobKeeper amount.

Many businesses have made changes to their employee arrangements as a result of JobKeeper, with 32% indicating they have reduced employee hours, 28% have reduced the days of work, 19% have changed the time of work and 18% have changed the location of work. One-quarter of employers have requested their employees to take on alternative duties as the work they previously did such as serving customers, is no longer carried out. A further 14% have asked their employees to take annual leave.



SERVICE PROVIDERS

Support from service providers

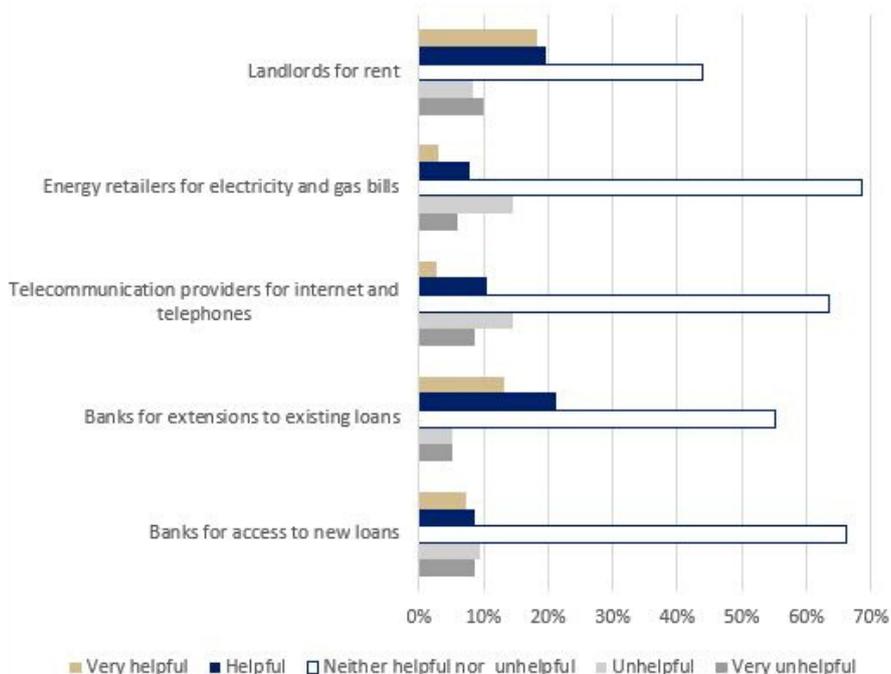
Businesses were asked to rate how helpful service providers had been in assisting them if they had been forced to shut-down or to remain partially open under the tight trading restrictions, including renegotiating contracts, accepting delayed payments, providing credit, or new loans.

	Very helpful	Helpful	Neither helpful nor unhelpful	Unhelpful	Very unhelpful
Landlords for rent	18%	20%	44%	8%	10%
Energy retailers for electricity and gas bills	3%	8%	69%	15%	6%
Telecommunication providers for internet and telephones	3%	10%	64%	15%	9%
Banks for extensions to existing loans	13%	21%	55%	5%	5%
Banks for access to new loans	7%	9%	66%	9%	9%

Of the businesses surveyed, 38% reported that landlords were to some extent helpful in providing support, either by renegotiating contracts or allowing delayed payment for rent owed.

Banks were also considered as being either very helpful or helpful in negotiating extensions to existing loans by 34% of businesses. Only 16% of businesses considered banks to be helpful or very helpful in providing access to new loans, yet over two thirds of businesses considered the banks to be neither helpful or unhelpful. This would suggest fewer businesses are seeking loans at this time.

Support from service providers



Similarly, the majority of businesses considered energy retailers and telecommunication providers as neither helpful or unhelpful, suggesting many businesses may not have approached these service providers for support. However only 11% and 13% of businesses, respectively, did indicate their energy retailers and telecommunications providers were either helpful or very helpful.

GOVERNMENT SOCIAL DISTANCING & PEOPLE MOVEMENT RESTRICTIONS

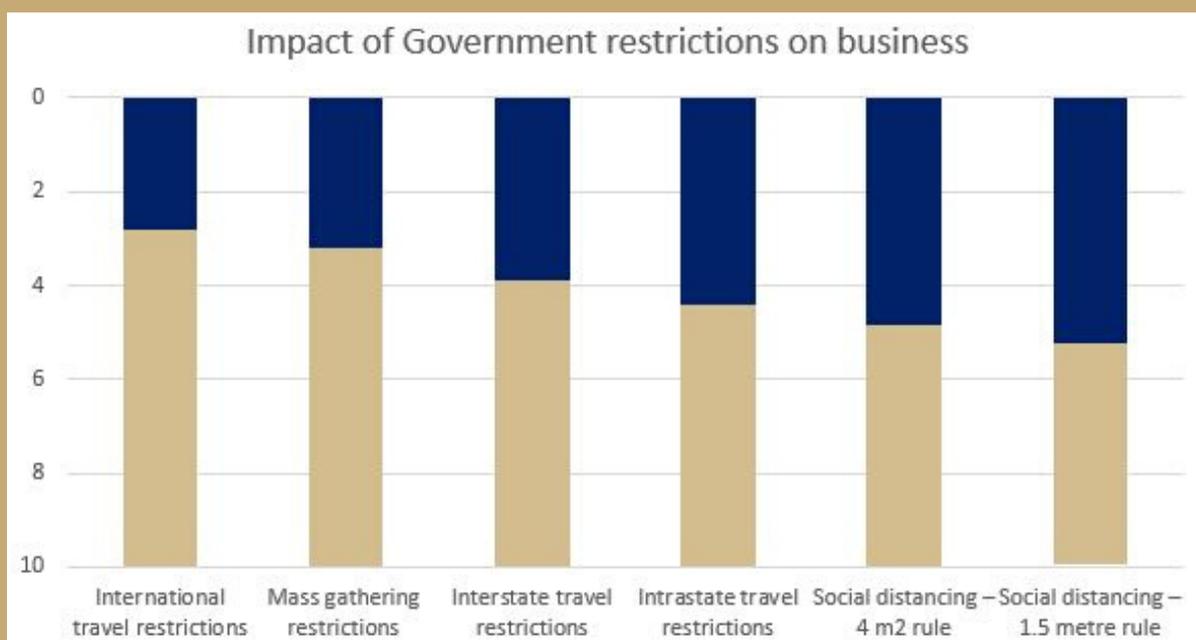
Impact of Government social distancing and people movement restrictions on business

Businesses were asked to rank the impact of Government social distancing and people movement restrictions on their business operations from 1, having the greatest impact, to 10, having the least impact. The results have then been summed and averaged to provide an overall score of the impact.

Average ranking of impact (1 = most impact)

International travel restrictions	2.8
Mass gathering restrictions	3.2
Interstate travel restrictions	3.9
Intrastate travel restrictions	4.4
Social distancing – 4 m² rule	4.8
Social distancing – 1.5 metre rule	5.3

International travel restrictions were viewed by businesses as having the greatest impact on their business operations, with an aggregate ranking of 2.8. This was followed by mass gathering restrictions with a score of 3.2. Interstate travel restrictions with a ranking of 3.9, were also viewed as having a noticeable impact on business operations. Social distancing requirements, including the 1.5 metre and 4 square metre rules were considered to have less of an impact on business operations, with aggregate ranking of 5.3 and 4.8, respectively.



Changes to business operations to meet social distancing requirements & limit the risk of transmission

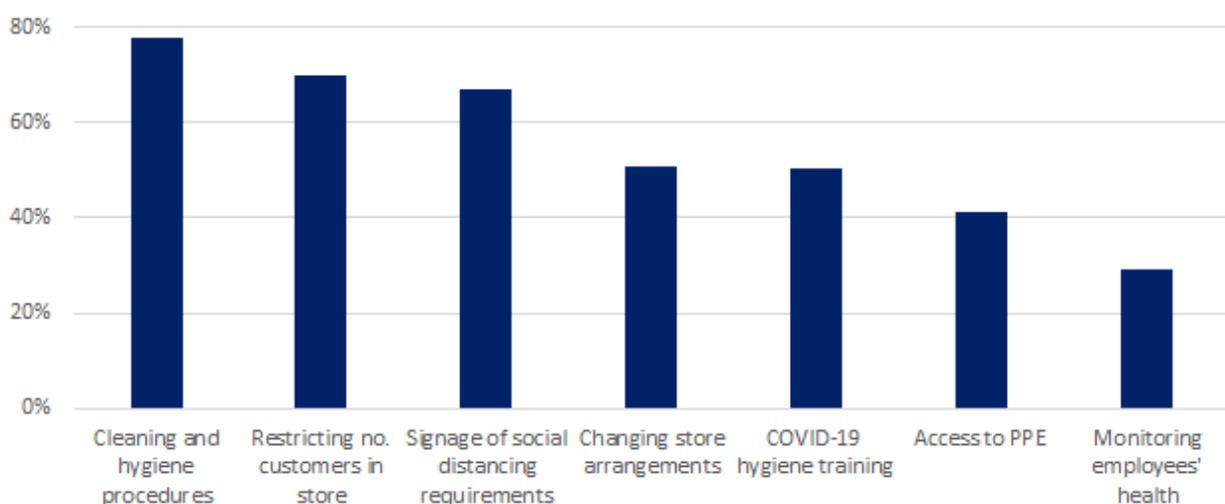
Following the Commonwealth Government’s announcement on 8 May that it will ease COVID-19 trading restrictions through a three-step Roadmap process over the next three months, businesses are changing their operations to enable them to remain open or reopen after the lockdown.

To limit the risk of transmission and protect employees, 78% of businesses are implementing clear procedures for employees on cleaning and hygiene, 50% are training employees on COVID-19 hygiene practices, 41% are providing access to adequate personal protective equipment for employees and customers, and 29% are established procedures to monitor the health of their employees, such as regular health checks.

Clear procedures on cleaning and hygiene	78%
Training for employees on COVID-19 hygiene practices	50%
Procedures for monitoring the health of employees	29%
Access to adequate PPE for employees and customers	41%
Signage and communication for social distancing	67%
Restricting customer no. in store at any one time	70%
Changing workplace/store arrangements to limit contact	51%

To meet the new social distancing requirements, 70% of businesses are restricting the number of employees and/or customers allowed in the workplace or store at any one time, 67% of businesses are putting up signage and introducing other communication of social distancing requirements in the workplace or store, and 51% of businesses are changing their workplace or store arrangements to limit contact and protect employees and customers. Measures including clear marking of appropriate social distancing, screens/barriers between employees/customers, and payment by card only.

Changes to business operations to meet the social distancing requirements and limit transmission

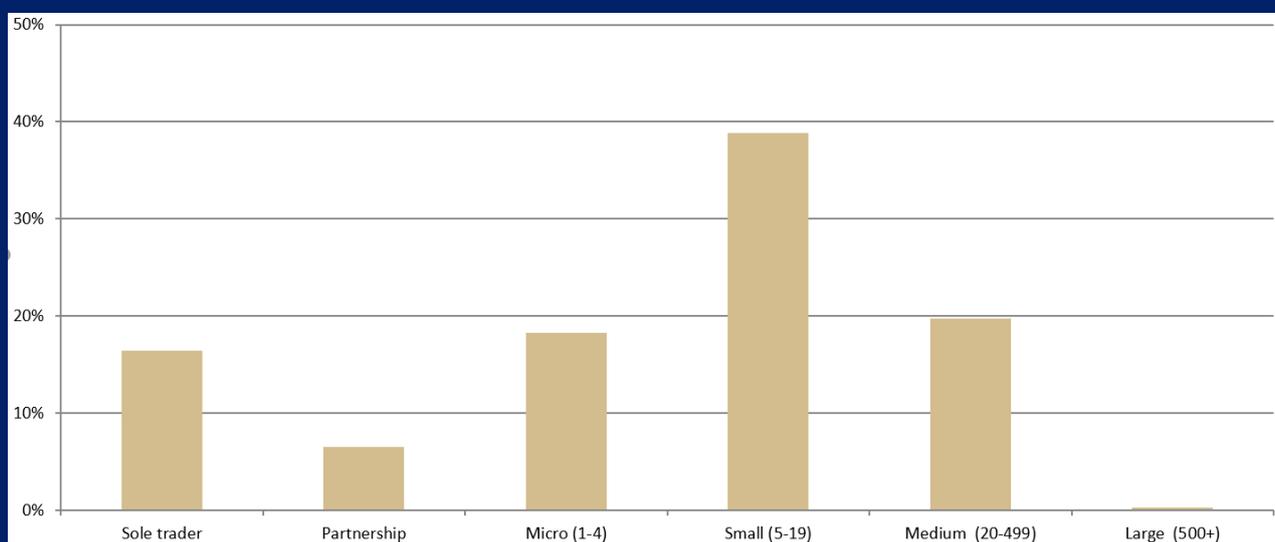


SURVEY DEMOGRAPHICS

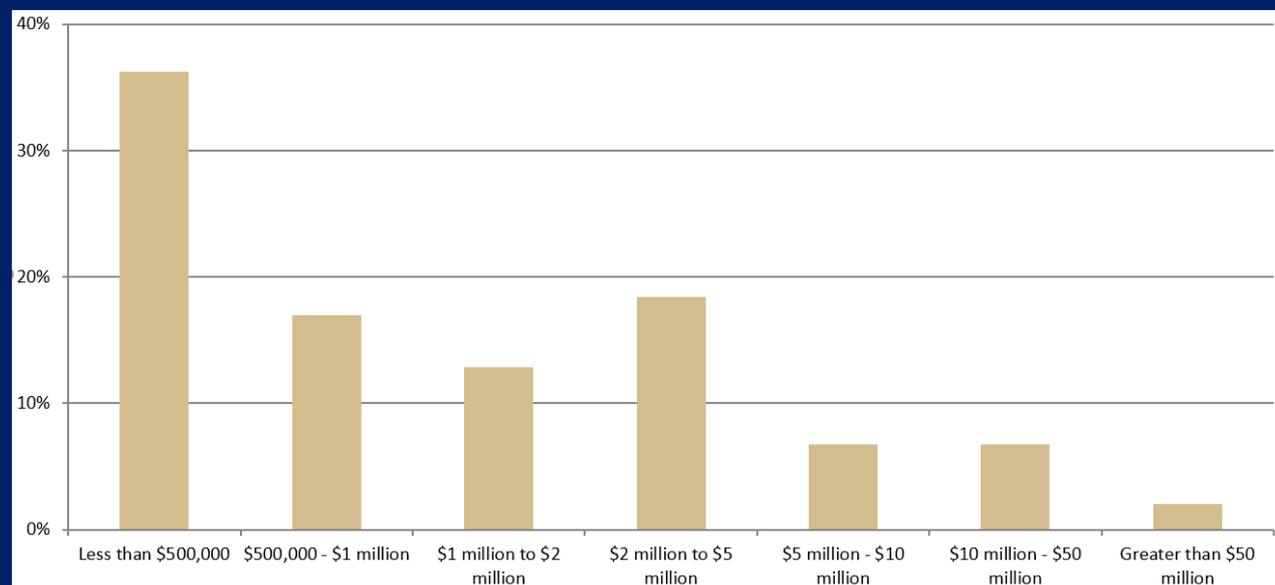
The Australian Chamber of Commerce and Industry is Australia's largest and most representative business network. Our members are state and territory chambers of commerce, national industry associations and business leaders from individual enterprises. Small and medium-sized businesses, across all sectors of the economy, and from every corner of our country.

This second survey polled 350 businesses between 9 May and 23 May 2020, from ACCI's network of small and medium-sized businesses. The survey included small businesses (39%), medium businesses (20%), micro-businesses (18%), and sole traders (17%). The majority of businesses (85%) had a turnover of less than \$5 million per year, with over a third having a turnover of less than \$500,000 per year.

SMES Business Types

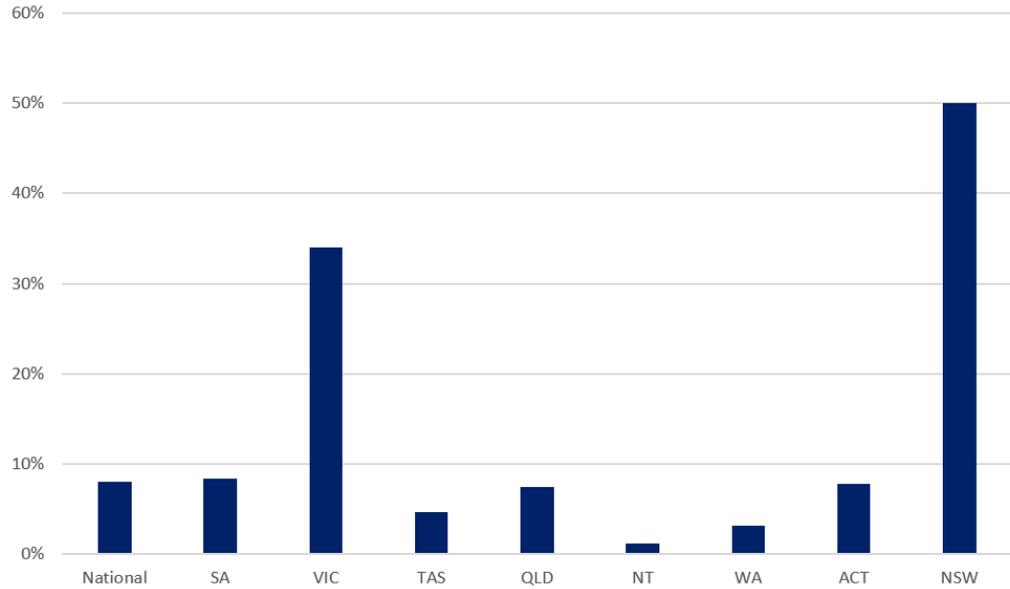


Annual Turnover Prior to the COVID-19 Crisis



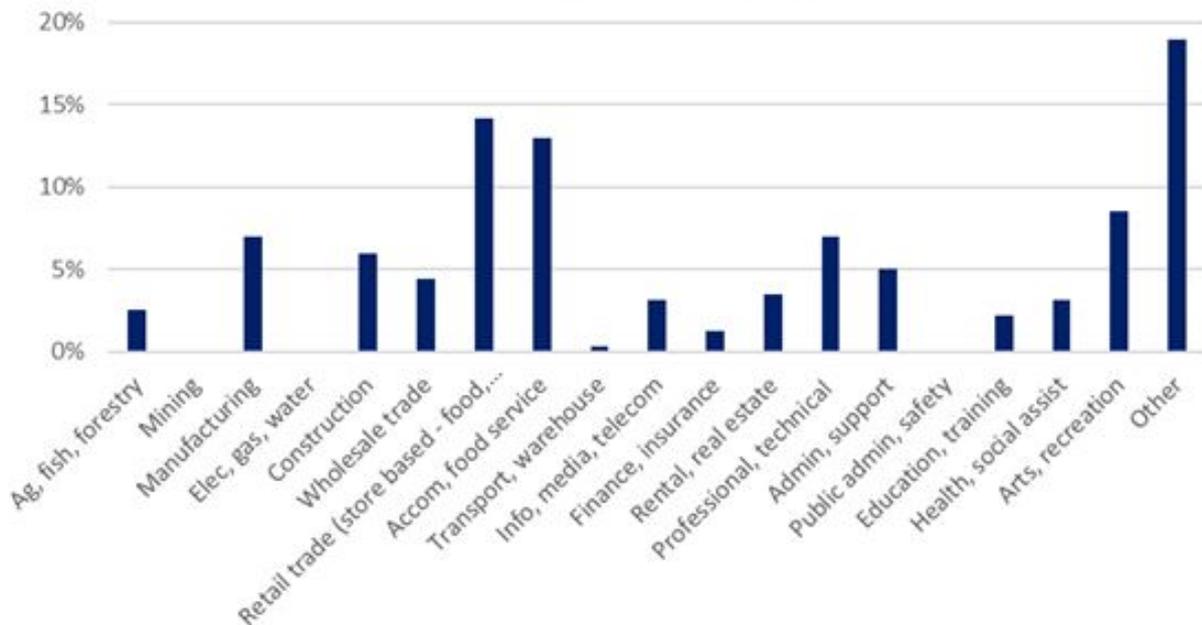
State or Territory of operation

The survey covered all states and territories, with many businesses operating at the national level or across several states.



The survey covered all industry sectors, including those most impacted by social distancing and people movement restrictions – retail trade (14%), accommodation and food services (13%), arts and recreational services (9%), manufacturing (7%), construction (6%), administration and support services (5%), and other (19%).

Industry Category



ACCI will continue to survey conditions for business in our network. The next Business Conditions Survey is planned for 3 July 2020.