



Australian  
Chamber of Commerce  
and Industry



**COVID-19**

# **ACCI SME BUSINESS CONDITIONS SURVEY**

## **3RD EDITION**

# OVERVIEW

The Australian Chamber of Commerce and Industry, Australia's largest and most representative business network, continues to monitor the health of small and medium businesses during the COVID-19 crisis, through regular surveys of a broad cross section of our membership.

This third edition of the ACCI COVID-19 SME Business Conditions survey involved 158 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.

This survey examines the impact of social distancing and travel restrictions on businesses, and the pace in the easing these restrictions. It also seeks business' views on which Government support measures are of greatest benefit and how prepared they are for the winding back of this support.

It was intended that the survey view progress since the easing of restrictions in May and the preparations for the end of most Government support measures in September. Instead, it coincided with the second wave of infections and the move to Stage 4 restrictions in Victoria.

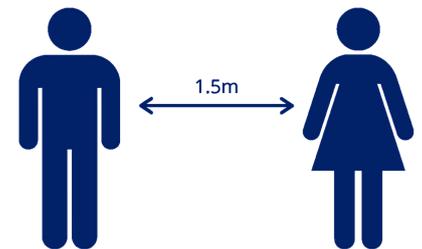


# SUMMARY

- **The second wave of infections in Victoria has been a huge setback** for the business community, with 66% of businesses concerned about their long-term viability and 67% concerned about their short-term liquidity, compared to 32% and 39%, respectively, in the May (second) edition.
- Despite the easing of social distancing and people movement restrictions in most states (with the exception of Victoria), **business revenue remains heavily impacted**, with 80% of businesses experiencing a notable decline in revenue of more than 25% relative to normal for this time of the year and over 35% of businesses experiencing a severe decline in revenue of greater than 80%.
- Of the social distancing requirements, **the 1.5 metre rule was having the greatest impact** on businesses' operations, followed by mass gathering restrictions and 4 square metre rule.
- **Interstate travel restrictions were having the greatest impact** on the ability of many businesses to get back to normal operations. While international travel restrictions were having a lesser impact on businesses overall, these are likely to have greater impact on exporters, tourism and education.
- **JobKeeper was the most important of the Government support measures** - accessed by almost 90% of surveyed businesses. The Cashflow Boost was also of benefit - received by almost 50% of businesses. The business investment incentives were of moderate benefit to business rebuilding following the shut-down and trading restrictions, with interest in the scheme weakened by the situation in Victoria.



**80%** of **business** are experiencing **>25%** decline in revenue

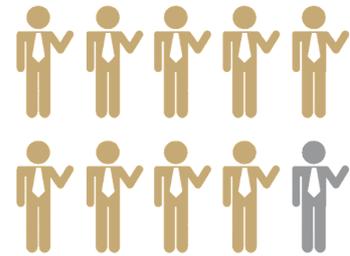


The **1.5m** rule is having the greatest impact on **business operations**

**50%** of business used Cashflow **Boost** 

# SUMMARY

- Although trading restrictions began to be eased in most states (except Victoria) in May, **33% of business indicated their overall situation was getting worse**, 21% indicated they had seen on change in sales, while the doors of a further 13% of business remaining shut.
- The announcement at the end of July that JobKeeper will be extended, but at a reducing rate, until the end of March 2021, came as much relief to many businesses. However, this has delayed the hard question hanging over many businesses of whether they were prepared and will be able to continue to operate without the Government support measures. **Only 60% of businesses indicated they were in a position to operate without Government support.**
- To enable businesses to return to full operational capacity, **72% of business considered an extension of JobKeeper was needed**, with targeted industry relief packages (49%), a third round of the Cashflow Boost (46%) and payroll tax relief (30%) also considered necessary.



90% of business surveyed used **JobKeeper**





# KEY FINDINGS

## BUSINESS CONDITIONS

The second wave of infections in Victoria and the return to extremely tight social distancing and trading restrictions in that state, has heightened anxiety in the business community in July.

Around two thirds of businesses were concerned about the long-term viability of their business, with a similar proportion of businesses concerned about their short-term liquidity. This is similar to the level of anxiety observed in April, when the initial trading restrictions were introduced.

Fears around the impact of COVID-19 on the broader economy increased further, with 85% of businesses concerned compared to 63% in May.

Business conditions remain bleak in July, with more than 80% of businesses indicating they had experienced a notable decrease in revenue of greater than 25% and 36% suffering a severe decrease in revenue of greater than 80%, relative to income from the same period last year.

# SOCIAL DISTANCING AND TRAVEL RESTRICTIONS

Almost three quarters of businesses indicated they had been impacted by the social distancing restrictions. The 1.5 metre rule was having the greatest impact for 27% of businesses. Mass gathering restrictions are affecting one quarter of businesses and the 4 square metre rule is interrupting 21% of businesses' activities.

Travel restrictions were impacting on the operation and trade of almost 60% of businesses, with interstate travel restrictions are having the biggest impact for 28% of businesses. International travel restrictions are having an impact on 16% businesses, particularly exporters, tourism and education businesses, while 14% of businesses were impacted by intrastate travel restrictions.



# GOVERNMENT SUPPORT MEASURES

JobKeeper was the most important of the Government support measures, with 90% of small businesses surveyed accessing JobKeeper. The Cashflow Boost was received by 50% of small businesses.

The increase in the instant asset write-off and accelerated depreciation deduction were accessed by 9% and 6% of small businesses, respectively.

In addition to the Government support, one third of businesses benefited from landlords delaying rent payment and over one sixth benefited from banks providing delayed payments for loans.

# EASING OF TRADING RESTRICTIONS

The easing of trading restrictions has not improved conditions for almost 60% of businesses, with one third worse off, 20% seeing no change in sales and 13% remaining closed.

# WINDING BACK GOVERNMENT SUPPORT

Almost 60% of businesses indicated that they were prepared for the end of the Government support measures, with 16% able to return to normal operations and 43% able to continue but may need to scale back their operations and/or reduce staff numbers.

The remaining 40% of businesses were not prepared, with 7% facing an uncertain future, 27% not able to continue to operate without support and 6% would be forced to close their doors and unable to pay bills.

# FURTHER SUPPORT MEASURES

To get back to full operational capacity, 72% of businesses identified an extension of JobKeeper as necessary, while 46% sought a third instalment of the Cashflow Boost. A further 49% would like targeted industry relief packages, while 30% consider business investment incentives would help.

# 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
Your business's long-term viability	0%	5%	30%	34%	32%
Your business' short-term liquidity (cash flow)	1%	6%	27%	30%	37%
Broader economy	1%	2%	12%	37%	48%

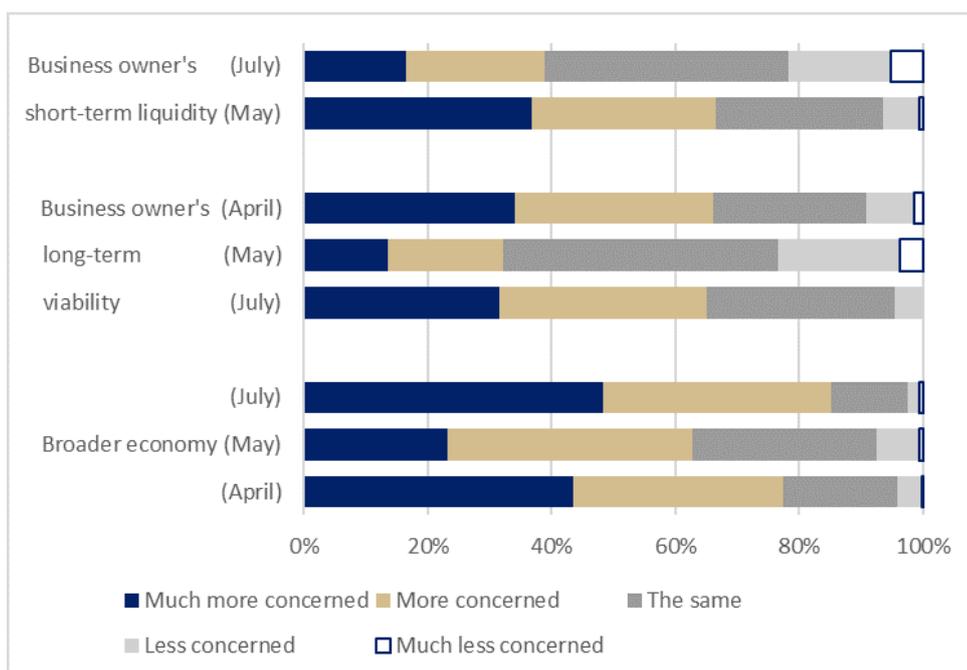
The second wave of infections in Victoria and the return to extremely tight social distancing and trading restrictions in that state, which has had a spill-over effect on consumer sentiment in other states, has heightened anxiety in the business community in July.

Around two thirds of businesses were concerned about the long-term viability of their business, with a similar proportion of businesses concerned about their short-term liquidity.

This is similar to the level of concern that was observed in the first edition of the survey in April when the social distancing and trading restrictions were first introduced.

However, July's results represent a dramatic retreat on the improving business sentiment observed in May. With trading restrictions beginning to be eased in May, around one third of businesses were concerned about their long-term viability and short-term liquidity. The increased uncertainty with the second wave of infections in Victoria and the extension of the Government support measures was also raising the level of concern about the impact of COVID-19 on the overall economy.

### Concern about the impact of COVID-19 on:



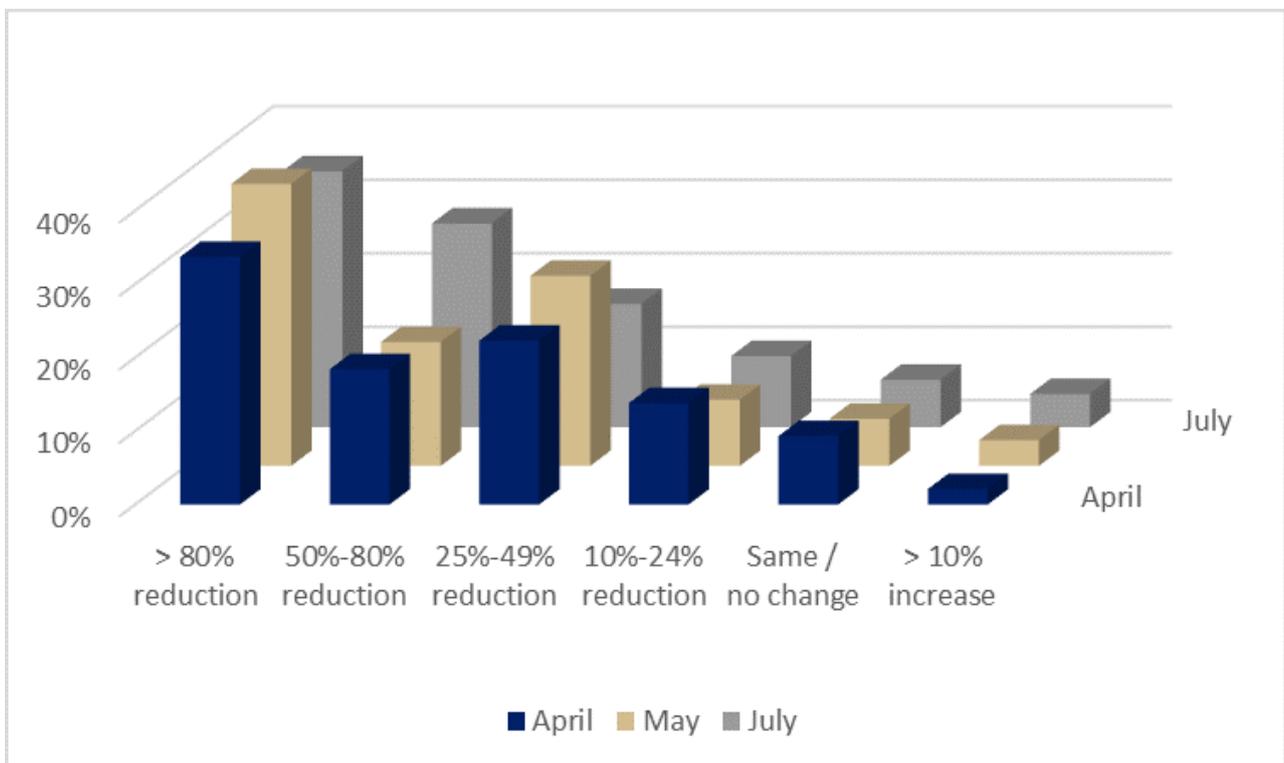
In July, 85% of businesses expressed concern about the impact of COVID-19 on the economy, this compares to 77% in April and 63% in May.

## Impact of COVID-19 trading 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 - July	35%	28%	17%	10%	6%	5%
Businesses affected - May	38%	17%	26%	9%	6%	3%
Businesses affected - April	34%	18%	22%	14%	9%	2%

Business conditions remain bleak in July, with a very high proportion of businesses experiencing declining revenue. More than 80% of businesses indicated they had experienced a notable decrease in revenue of greater than 25%, with 36% of businesses suffering a severe decrease in revenue of greater than 80%, relative to income from the same time last year. Despite the easing of restrictions in most states (with the exception of Victoria) since May, business conditions had changed little over the ensuing months. In May, 81% of businesses had experienced a greater than 25% decrease in revenue and 38% of businesses were suffering a greater than 80% decrease in revenue. This compares to April, when the social distancing and trading restrictions were first introduced, where around three quarters of businesses experienced a greater than 25% decrease in revenue and one third of businesses experienced more than 80% decrease in revenue.

### Impact on Business Revenue



# SOCIAL DISTANCING AND TRAVEL RESTRICTIONS

## Impact of Social Distancing

	Response
<b>Social distancing – 1.5 metre rule</b>	27%
<b>Social distancing restrictions have not affected my business</b>	27%
<b>Mass gathering restrictions</b>	25%
<b>Social distancing – 4 square metre density rule</b>	21%

Almost three quarters of businesses indicated they had been impacted by the social distancing restrictions.

The 1.5 metre rule was having the greatest impact on 27% of businesses. This was particularly the case for retailers, with one retailer indicating it was *“influencing browsing in store and significantly reducing impulse purchases”*. It was also impacting recreational activities, with one gym indicating *“class sizes were greatly reduced”*.

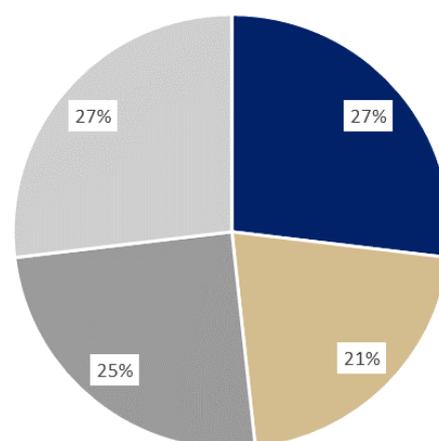
Mass gathering restrictions were having a significant impact on one quarter of businesses, with the doors remaining closed for one stage hire company, as there were *“no events happening large or small due to the restrictions”*. Another sporting goods retailer indicated reduced sales due to a *“lack of community sport and recreation”*.

The one person per 4 square metre rule was having the largest impact on 21% of businesses, with one restaurant owner stating that they have *“only half the seating capacity, so half the clients”*.

Another indicated that being restricted to table service only is limiting customer numbers and putting increased stress on their employees” that need to continually ask patrons to stay seated.

## Social distancing restrictions impacting on business

- Social distancing – 1.5 metre rule
- Social distancing – 4 square metre density rule
- Mass gathering restrictions
- Social distancing restrictions not affecting business



## Impact of Travel Restrictions

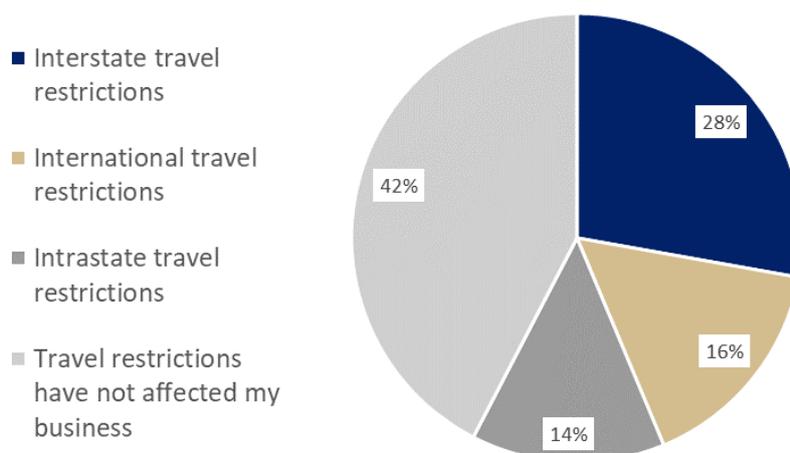
	Response
<b>Interstate travel restrictions</b>	28%
<b>International travel restrictions</b>	16%
<b>Intrastate travel restrictions</b>	14%
<b>Travel restrictions have not affected my business</b>	42%

Travel restrictions were impacting on the operation and trade of almost 60% of businesses.

Interstate travel restrictions are having the biggest impact, with 28% of businesses surveyed indicating that interstate travel restrictions were having the greatest impact on their business. This has been exacerbated by NSW and South Australia closing their borders with Victoria following the recent outbreak of infections, as well as Queensland again pulling down the shutters on NSW and the ACT only a few weeks after its border had reopened. Western Australia, South Australia, Tasmania and Northern Territory also maintain controls on people arriving from interstate, particularly from Victoria and NSW.

International travel restrictions are continuing to impact on many businesses, particularly importers/exporters and businesses in the tourism and education sectors, with 16% of businesses indicating that international travel restrictions were having the greatest impact on their business.

### Travel restrictions impacting on business



A further 14% of businesses indicated that they were being impacted by intrastate travel restrictions. These are likely to be mainly Victorian businesses, where Stage 4 restrictions are being applied, which included limiting travel to less than 5 kilometres from place of residence. To a much lesser extent, it may also include NSW following the outbreaks in Sydney.

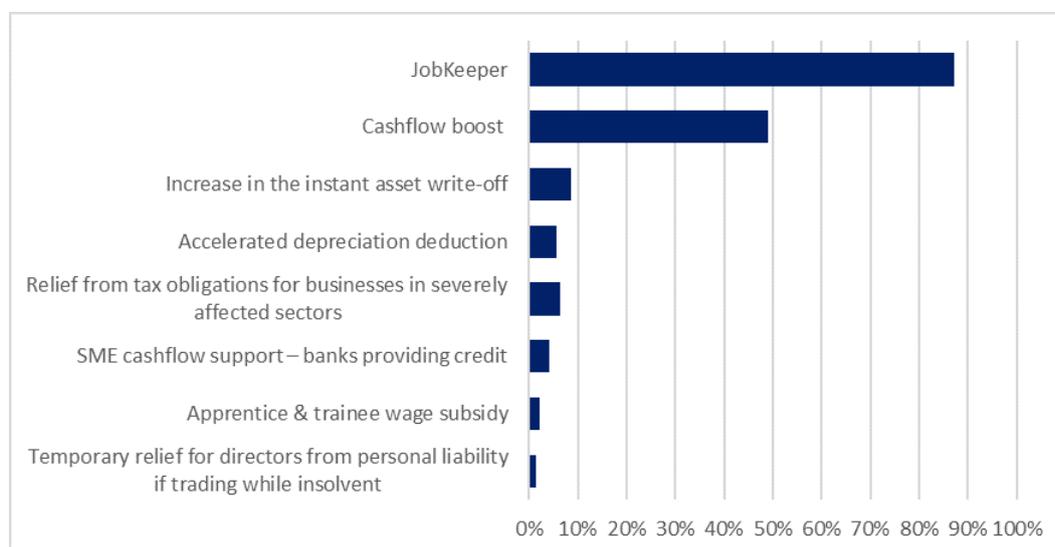
# GOVERNMENT SUPPORT MEASURES

	Response
<b>JobKeeper</b>	<b>87%</b>
<b>Cashflow boost</b>	<b>49%</b>
<b>Increase in the instant asset write-off</b>	<b>9%</b>
<b>Accelerated depreciation deduction</b>	<b>6%</b>
<b>Relief from tax obligations for businesses in severely affected sectors</b>	<b>6%</b>
<b>SME cashflow support – banks providing credit</b>	<b>4%</b>
<b>Apprentice &amp; trainee wage subsidy</b>	<b>2%</b>
<b>Temporary relief for directors from personal liability if trading while insolvent</b>	<b>1%</b>

JobKeeper was the most important of the Government support measures for small businesses, with almost 90% of those surveyed indicating they had received JobKeeper.

The Cashflow Boost was also of benefit to small business, with almost 50% of respondents receiving the cashflow boost. The increase in the instant asset write-off and accelerated depreciation deduction were also of benefit to small businesses, with 9% and 6% of businesses, respectively, accessing these investment incentives. It appears that businesses were beginning to access these incentives with the easing of restrictions and to coincide with the end of the financial year, but interest has been weakened by the uncertainty created by the new infections in Victoria. While the apprentice and trainee wage subsidy were accessed by few businesses, it is likely that in most cases eligible businesses could also access JobKeeper. JobKeeper provides greater benefit to the employer and employee, as the apprentice and trainee wage subsidy requires the employer is to cover half of the wage and JobKeeper is greater than the apprentice’s/trainee’s normal wage.

## Government support measures accessed by businesses

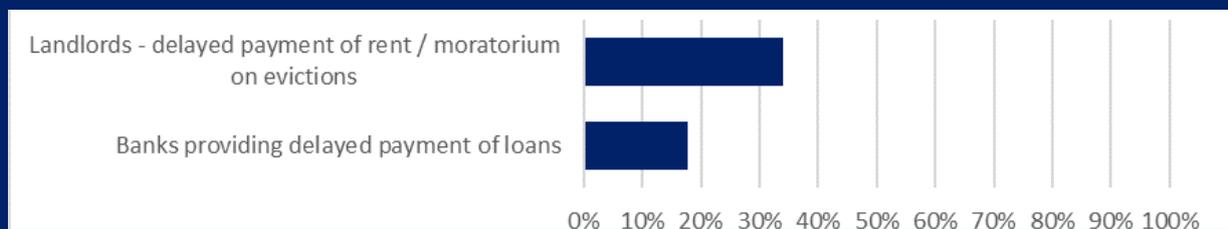


## Non-Government support measures

In addition to the Government support programs, landlords and banks were shown to be accommodating in renegotiating contracts or delaying rent and interest for many businesses. One third of businesses benefited from landlords delaying rent payment or the 6-month moratorium on evictions, while over one sixth of businesses benefited from banks providing delayed payments for loans.

## Non-Government support measures accessed by businesses

	Response
<b>Landlords - delayed payment of rent / moratorium on evictions</b>	34%
<b>Banks providing delayed payment of loans</b>	18%



# EASING OF TRADING RESTRICTIONS

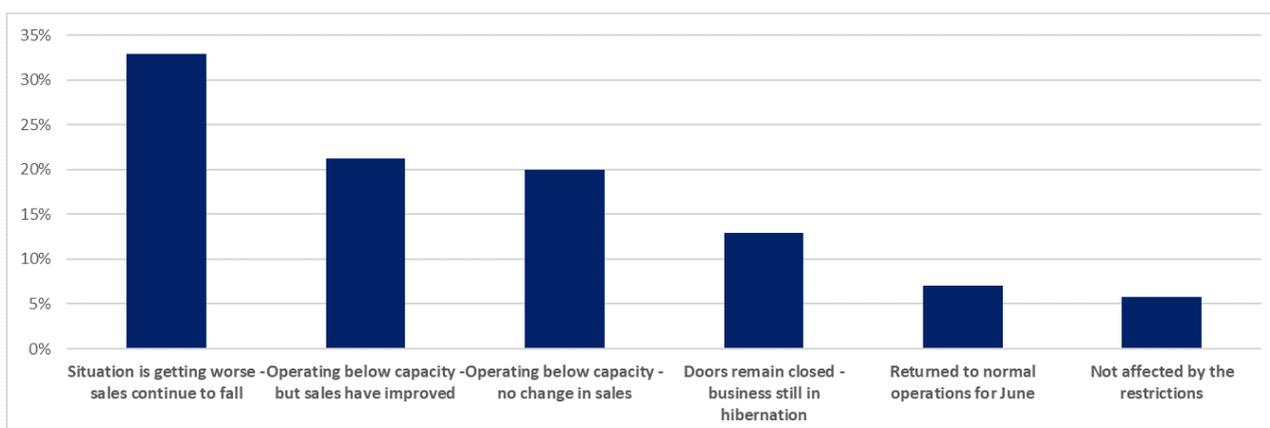
## Changes in business situation following the easing of restrictions in May

With the Government announcing a 3-stage approach to the easing of trading restrictions in May, businesses were asked whether they had noticed a change in business conditions between the start of May and end of June.

	Response
<b>Situation is getting worse - sales continue to fall</b>	33%
<b>Operating below capacity - but sales have improved</b>	21%
<b>Operating below capacity - no change in sales</b>	20%
<b>Doors remain closed - business still in hibernation</b>	13%
<b>Returned to normal operations for June</b>	7%
<b>Not affected by the restrictions</b>	6%

The trading conditions for one third of businesses became worse between May and June, with sales continuing to fall. A further 20% of businesses indicated they continued to operate below capacity and there had been no change in sales over the past two months. The doors of 13% of businesses remain closed and they are not able to trade in the current environment. The majority of businesses are likely to be from Victoria, following the move to Stage 4 restrictions in that State. There was a glimmer of hope for 21% of businesses. Although they were operating below capacity, these businesses had seen their sales improve between May and June. These businesses are mainly in States, other than Victoria, where restrictions have been eased since May. Only 7% of businesses had returned to normal operations for June, while a further 6% of businesses had not been affected by the trading restrictions.

### Changes in business situation



# WINDING BACK GOVERNMENT SUPPORT MEASURES

## Ability to operate without Government support

	Response
<b>Prepared - but will need to scale back operations</b>	43%
<b>Unprepared - cannot continue operations without support</b>	27%
<b>Prepared - will be able to operate as normal</b>	16%
<b>Unprepared - future of business uncertain</b>	7%
<b>Business will be forced to close, unable to pay bills</b>	6%

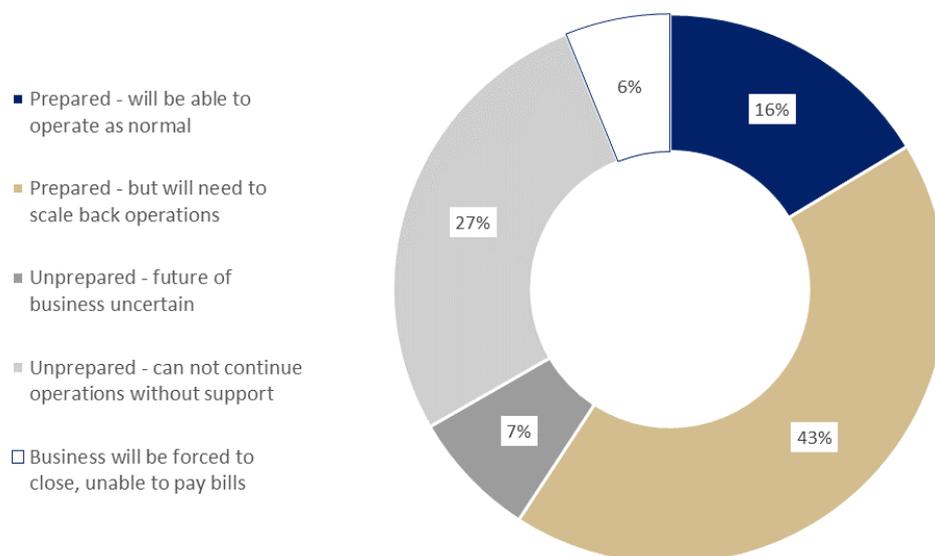
The announcement at the end of July that JobKeeper will be extended, but at a reducing rate, until the end of March 2021, came as much relief to many businesses.

However, this has delayed the hard question hanging over many businesses of whether they were prepared and will be able to continue to operate without the Government support measures.

Almost 60% of businesses indicated that they were prepared for the end of the Government support measures. While 16% said they would be able to return to normal operations without Government support, 43% indicated they will be able to continue to operate without Government support but may need to scale back their operations and/or reduce staff numbers.

The remaining 40% of businesses were not prepared to operate without Government support, with 7% indicating their business faced an uncertain future without the support measures and 27% indicating that they could not continue to operate if the Government support was withdrawn. Similarly, 6% of businesses indicated that when the Government support was withdrawn, they would be forced to close their doors and would be unable to pay their outstanding bills, including wages, rent, utilities, suppliers, interest on loans and/or tax liabilities.

## Ability to operate without Government support



# FURTHER SUPPORT MEASURES

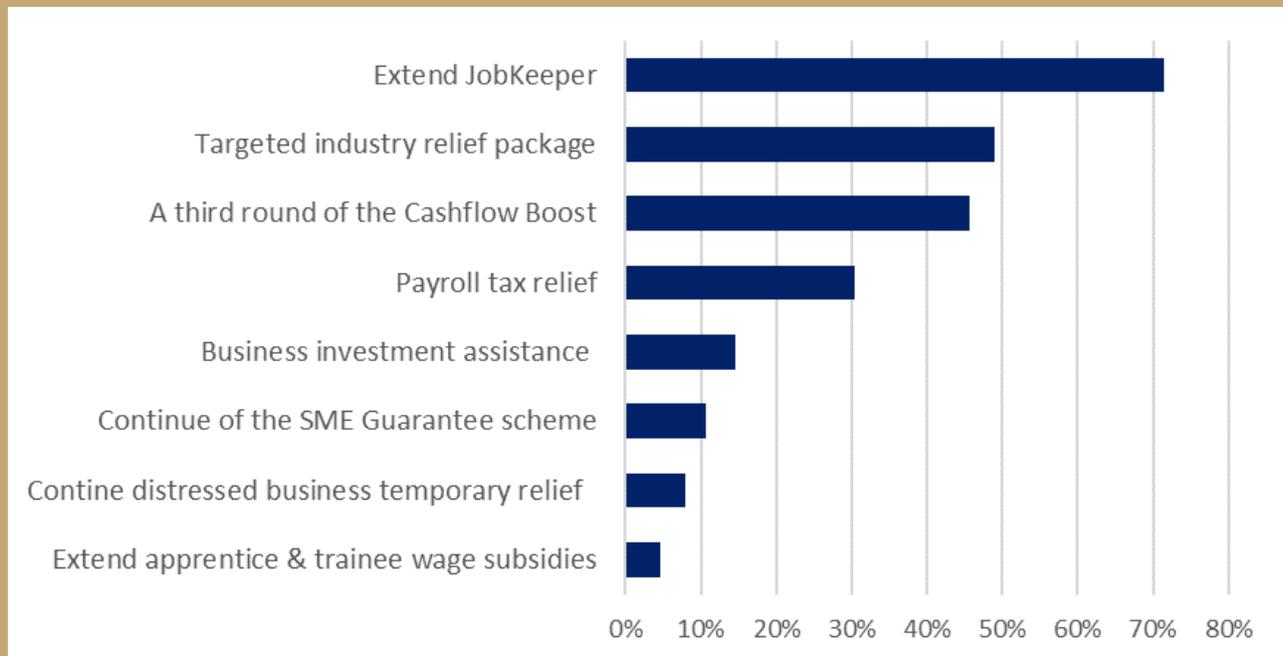
## To get business back to full operational capacity

To get back to full operational capacity and position businesses to grow strongly through the recovery phase over the next 2-3 years, 72% of businesses identified an extension of JobKeeper as necessary to assist their business, while 46% of businesses considered a third instalment of the Cashflow Boost would help to kick-start their business.

	Response
<b>Extend JobKeeper</b>	72%
<b>Targeted industry relief package</b>	49%
<b>A third round of the Cashflow Boost</b>	46%
<b>Payroll tax relief</b>	30%
<b>Business investment assistance</b>	15%
<b>Continue of the SME Guarantee scheme</b>	11%
<b>Continue distressed business temporary relief</b>	8%
<b>Extend apprentice &amp; trainee wage subsidies</b>	5%

A further 49% considered targeted industry relief packages were necessary to support businesses through the recovery phase. Business investment incentives, such as the instant asset write-off and accelerated depreciation deductions were also viewed by 30% of businesses as necessary to help businesses to growth over the next 2-3 years.

## Further support measures needed

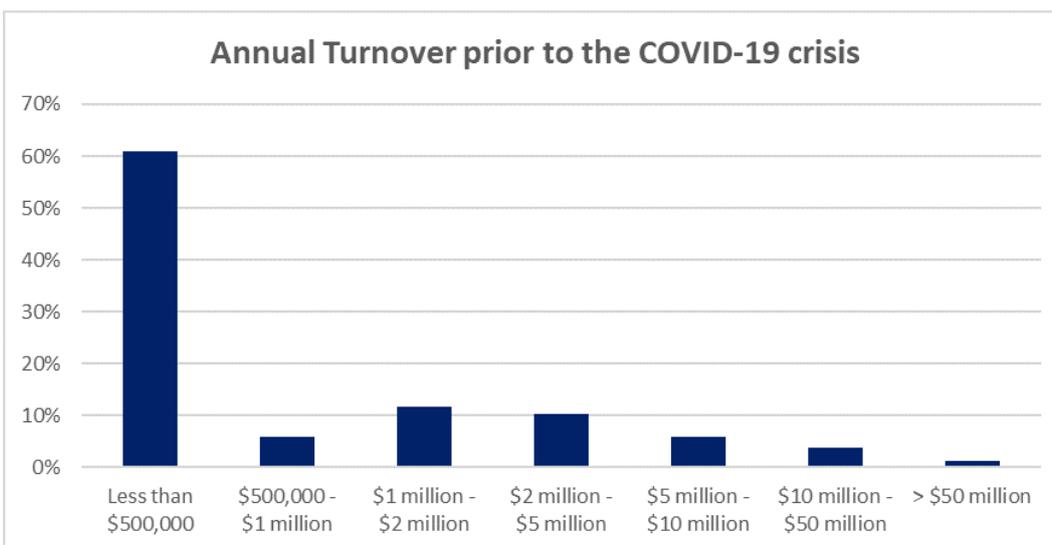
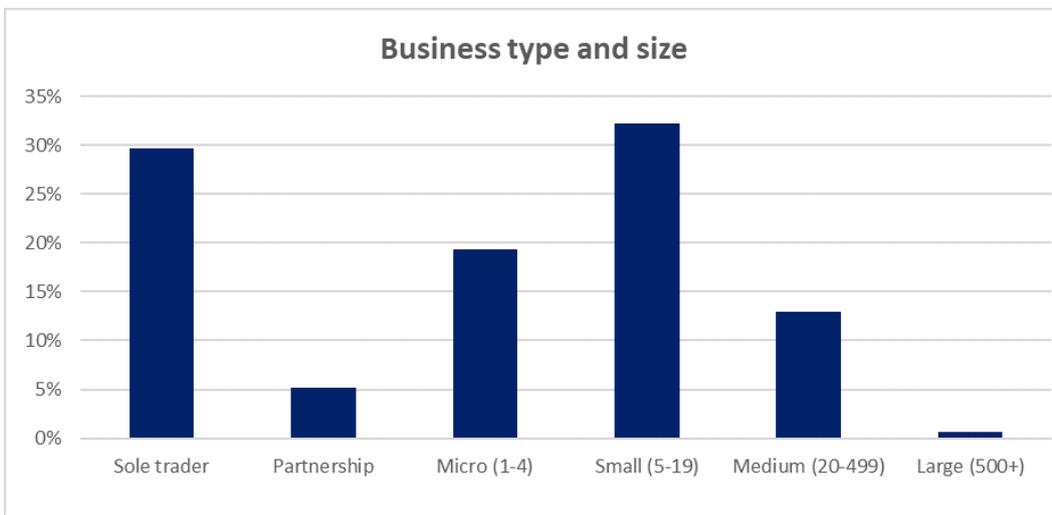


# SURVEY DEMOGRAPHICS

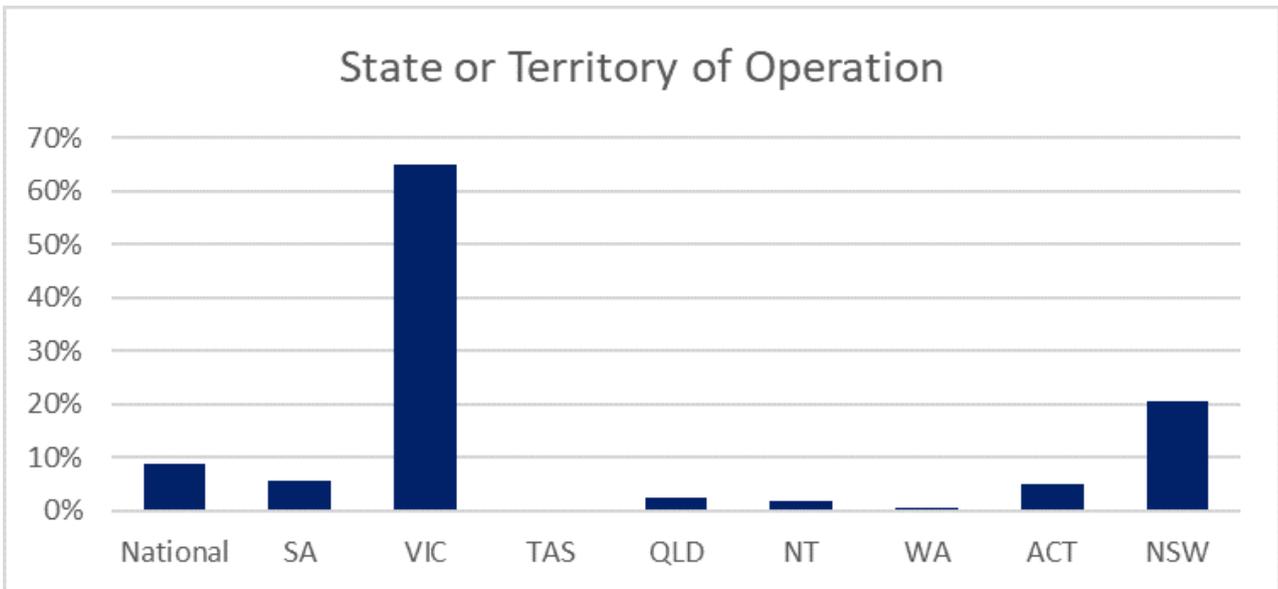
The Australian Chamber of Commerce and Industry is Australia’s largest and most representative business network. Our network includes state and territory chambers of commerce and industry; national and state industry associations; and business leaders from individual enterprises. Together, we represent Australian businesses of all shapes and sizes, particularly SMEs, across all sectors of the economy and in every corner of our country.

This third survey polled 158 businesses between 6 July and 7 August 2020, from ACCI’s network of small and medium-sized businesses.

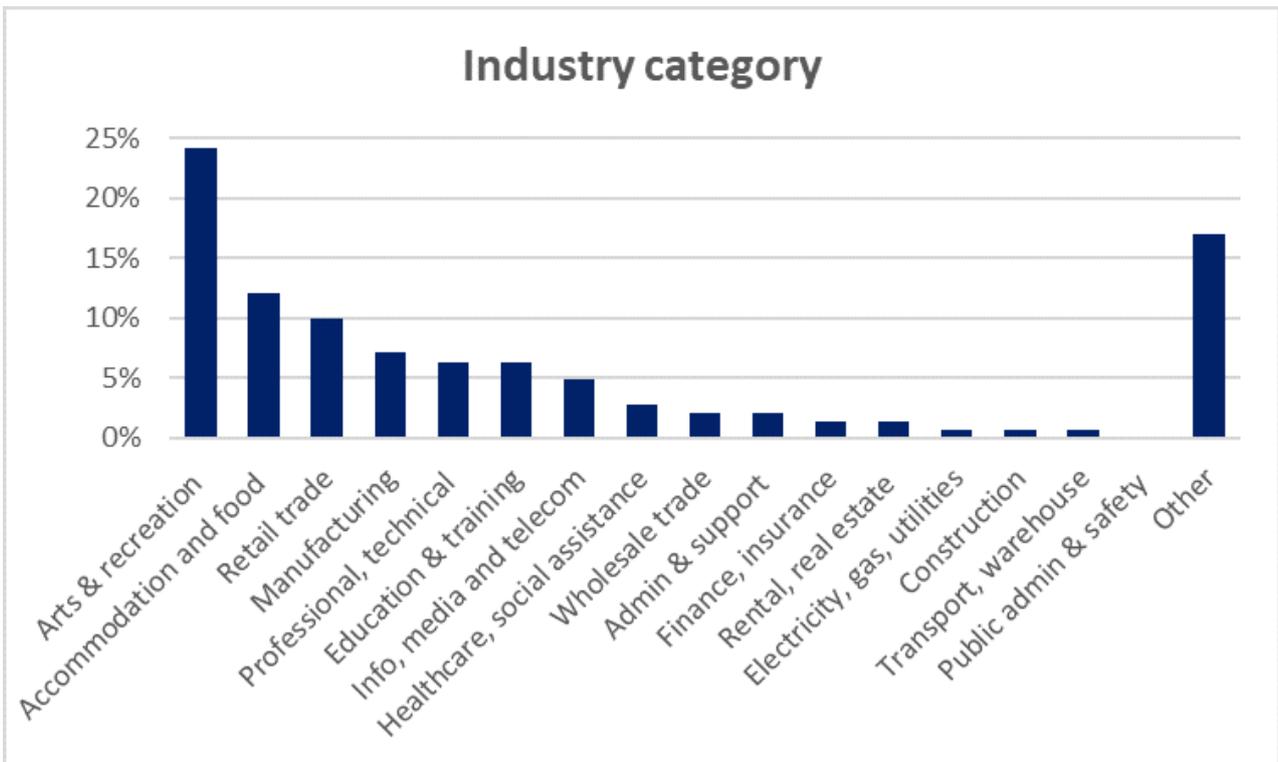
The survey included micro businesses (19%), small business (32%), medium businesses (13%), and sole traders (30%). The majority of businesses (89%) had a turnover of less than \$5 million per year, with over three fifths having a turnover of less than \$500,000 per year.



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 – arts and recreational services (24%), accommodation and food services (12%), retail trade (10%), manufacturing (7%), professional, scientific and technical services (6%), education and training (6%), information, media and telecommunications (5%), and other (17%).



ACCI 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.