



Business Monitor: Budget Edition

Greg Ellis - CEO, MYOB



Executive Summary:

- Over 60% of SMEs are satisfied with the Federal Government's handling of COVID-19 from both an economic (62%) and health perspective (65%).
- Around two in five SMEs surveyed accessed JobKeeper 1.0 and 38% expected to access the revised JobKeeper 2.0.
- Of those who received JobKeeper it has allowed and will allow around 82% of businesses to continue trading when there was at least some doubt as to whether this was possible.
- Three in five SMEs (61%) said it would be at least six months before they would recover to pre-COVID levels.
- 75% of businesses employing 100 people or more feel confident this Budget will deliver benefits. This drops to 28% for sole traders and 39% for micro businesses employing between 1-4 people.
- The top measures SMEs want to see in the Budget are a lowering of the company tax rate (31%), cutting red tape (26%), and more support for training and apprentices (24%).

Small and medium sized businesses (SMEs) are a significant employer of 4.7 million Australians (44%) and a major GDP contributor (57%), effectively making them Australia's largest private sector group.

We have undertaken this special Budget Edition of our Business Monitor research, surveying more than 1,000 Australian SMEs to highlight the issues of most importance to them ahead of the Federal Budget to be handed down next month. What we know is this is no ordinary Budget.

COVID-19 has been a cataclysmic event for Australian SMEs. For a small segment, mostly those with e-commerce or digital businesses, it has been a boom. But for the majority, it has been a bust, with invoicing predominantly in decline across most industries since the pandemic began; a decrease of 20% to baseline according to MYOB anonymised data from 9 September.

The Morrison Government's assistance to small businesses through JobKeeper and JobSeeker has provided a much-needed lifeline for many small businesses, with 42% of small businesses surveyed having accessed JobKeeper. Of those, 82% said their business was able to keep operating because of it.

Driving a post-COVID economic recovery presents a once in a generation opportunity for the Federal Government

- and all governments - to make changes that will significantly benefit Australia's SMEs.

This Budget must instill confidence for small business owners, many of whom believe recovery is still 6-12 months away. Confidence that there will be a COVIDSafe level of normal that they can predict so that they can reinvest in their businesses and make sound decisions for their own livelihoods.

Post-COVID, SME survival and success are economic imperatives for Australia. Future job creation does not sit with the largest companies. It sits with the small business that becomes medium-sized; with every two to five new employees a SME recruits. It is for this reason, that SMEs hold the key to Australia's job growth opportunity.

Greg Ellis - CEO, MYOB



Highlights

As they adapt to the pandemic, small businesses are looking for extra support

Steve Corcoran - Chief Economist, Nous Group

Small business has long been the engine room of Australia's economy, employing around 4.7 million people before COVID-19.

But when the pandemic struck, many of these businesses were particularly vulnerable to the economic downturn, so government policies including JobKeeper were vital to them staying afloat.

Six months after the pandemic took hold in Australia, the Business Monitor survey of 1,085 small businesses offers insight into how those businesses are performing.

The survey shows that some sectors like agribusinesses have remained relatively unaffected, while SMEs in other sectors are facing profound impacts. It is encouraging to see many small businesses fundamentally change their business model to continue trading amid social distancing, from the café that has embraced take-away to the gyms offering virtual personal training. Some 65 per cent of businesses surveyed were undertaking adaptive change.

The impact of COVID-19 on SMEs has been felt unequally across location and industry. Businesses in rural and remote areas were much less likely to have had their profitability affected by COVID-19 than were their peers in capital and major regional cities.

On the flip side a much higher proportion of city-based businesses have changed their practices and innovated in response to the recent disruptions. The most common changes include introducing more flexible ways of working and faster adoption of online services or e-commerce. SMEs in finance and insurance, manufacturing, and property were most likely to make these changes.

Through JobKeeper, the Federal Government committed more than [\\$101 billion](#) to support businesses to keep

people in work. The Business Monitor survey shows JobKeeper has been popular. Over 40 per cent of survey respondents had accessed JobKeeper, and of those who did access the scheme, 37 per cent indicated they would not be trading today without it.

But as most parts of Australia enter the recovery phase, the capacity for the government to fund ongoing stimulus measures will need to be wound back. It will be a challenge for the government to ease reliance on stimulus spending without endangering small businesses.

As recently as July, the Australian Bureau of Statistics found that over 30 per cent of small businesses currently receiving support said they expect to reduce their workforce or defer investment if support ends. As many as 10 per cent of all small businesses with under 20 staff expect they would need to close under such circumstances.

Thankfully governments have other levers available to support small business, and by extension the wider economy, including regulatory and coordination powers. Many of the levers available to government, such as lowering the company tax rate and cutting red tape, were cited by Business Monitor survey respondents as measures they would most like to see in this year's Federal Budget. [The ABS Business Impacts of COVID-19 Survey](#) shows that government support is just as important as customer demand in influencing capital spending for small businesses.

Getting this balance right is critical for Australia's small businesses. There is no better time for governments at all levels to pull every lever to support small businesses and the wider economy.

Steve Corcoran - Chief Economist, Nous Group

Key Outtakes

Government Performance



Over 60% of SMEs were satisfied with the Federal Government's handling of COVID-19 from both an economic (62%) and health perspective (65%).



Satisfaction at a State Government level varied from state to state, with a high of 80% satisfaction with government economic response in Western Australians, to a low of 51% satisfaction with government economic response in Victoria.

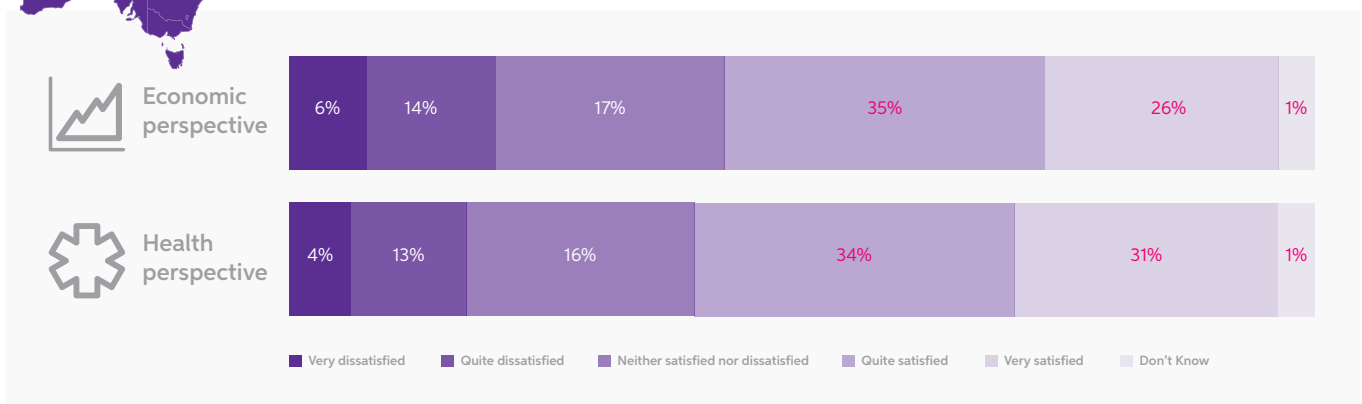


FEDERAL GOVERNMENT PERFORMANCE

Government's handling of COVID-19



FEDERAL



Operators aged 60+ were more likely to be satisfied with the Federal Government's handling of COVID-19 from an economic perspective (73%). In contrast only 49% of the under 30 age group was satisfied.

The transport and storage sector was the most dissatisfied with the Federal Government's handling of COVID-19 from an economic perspective (39%) while 68% of finance and insurance businesses were satisfied.

There was a lower level of satisfaction with the State Government's economic response (only 59% were satisfied and 23% dissatisfied).



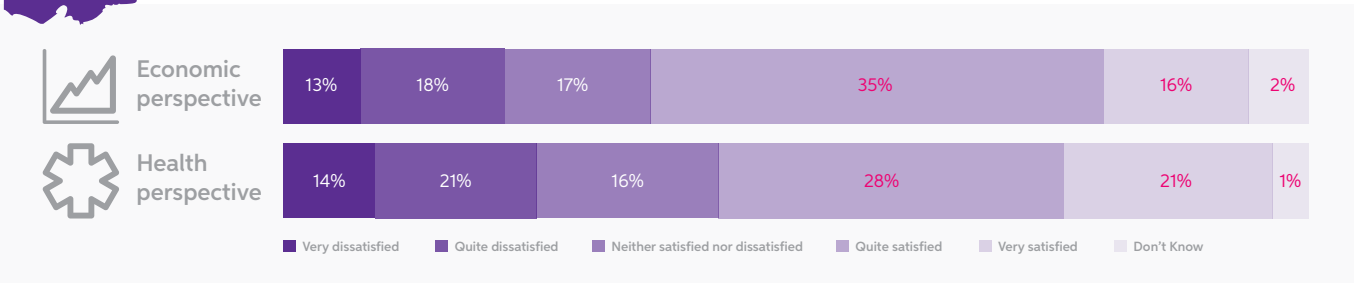
STATE GOVERNMENT PERFORMANCE

State Government's handling of COVID-19



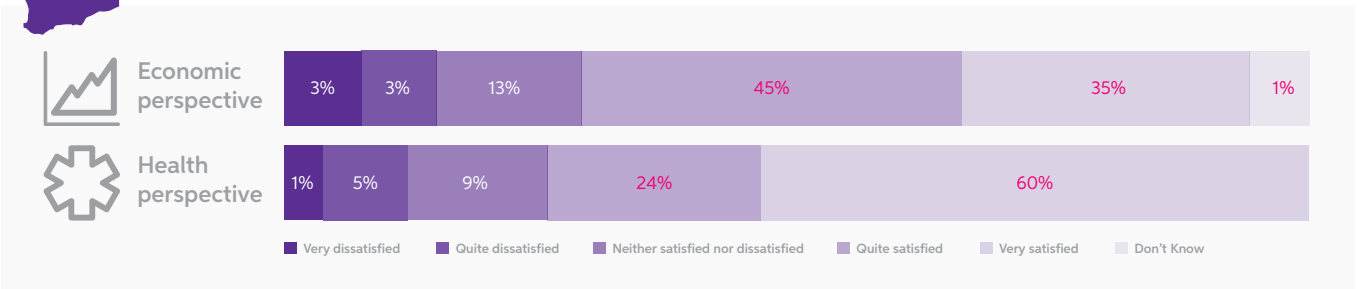
VICTORIA

Victorian based operators were less satisfied with their State's health response (only 49% were satisfied).

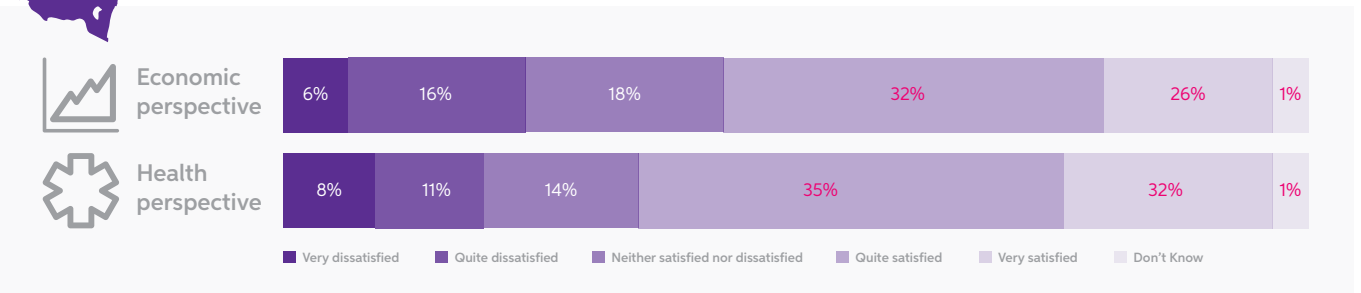


WESTERN AUSTRALIA

WA based operators were more satisfied with their State's economic and health responses (80% and 84% respectively).



NEW SOUTH WALES & ACT





TASMANIA



Economic perspective



Health perspective



■ Very dissatisfied ■ Quite dissatisfied ■ Neither satisfied nor dissatisfied ■ Quite satisfied ■ Very satisfied ■ Don't Know



QUEENSLAND



Economic perspective



Health perspective



■ Very dissatisfied ■ Quite dissatisfied ■ Neither satisfied nor dissatisfied ■ Quite satisfied ■ Very satisfied ■ Don't Know

Spotlight:

Sole traders and micro businesses



Micro businesses with 2-4 staff have found it harder to garner benefits brought by COVID than bigger or younger businesses.



42% of businesses with 5-9 employees believe it will take more than 12 months to recover. Sole traders are the most likely to have been unaffected by COVID at 26%.



66% of sole traders said the COVID-19 pandemic hasn't given them any benefits like more flexible working, new revenue streams or increased revenue streams.

49%

of micro businesses with 2-4 employees said the COVID-19 pandemic hasn't given them any benefits like more flexible working, new revenue streams or increased revenue streams.

63%

of micro business owners said they haven't accessed JobKeeper while 81% of sole traders said they haven't accessed JobKeeper.

45%

of micro businesses are not confident the budget will deliver benefits for their business while 50% of sole traders are not confident.

Key Outtakes

Policy Priorities 2020



Just on half the SMEs surveyed were at least quite confident that the Budget would deliver benefits for their business, however this decreased markedly for sole traders and micro businesses

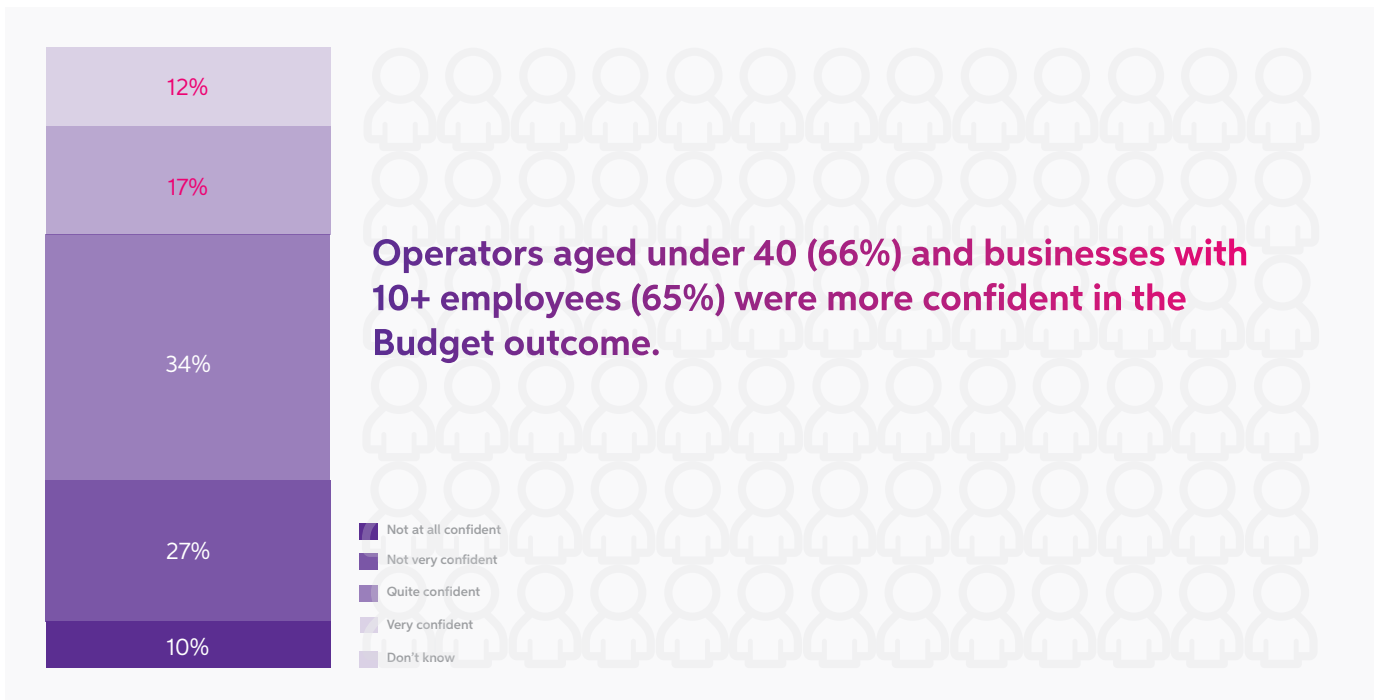


Lowering of the company tax rate, cutting red tape and more support for training and apprentices were the most popular policies.



POLICY PRIORITIES 2020

Confidence in budget outcomes



Measures SMEs would like to see announced

A lowering of the company tax rate	31%
Cutting of red tape / removal of bureaucratic processes	26%
More support for training and apprentices	24%
Subsidies for businesses employing young Australians looking for work	22%
Conversion of the current \$20k instant tax write-off guaranteed to be a permanent policy	20%
More flexible industrial relations system	18%
Making it easier to access Government procurement	15%
Incentives for further digitisation of business processes and transactions	15%
Policies and programs to encourage small business super contributions	14%
Easier access to childcare	14%

*Respondants were asked to pick up to three

Key Outtakes

JobKeeper



Of those who received JobKeeper it has allowed and will allow around 80% of businesses to continue trading when there was at least some doubt as to whether this was possible.



Manufacturing and Victorian based businesses were more likely to access JobKeeper 2.0.



JOBKEEPER

Accessed JobKeeper 1.0 **42%**

Will access JobKeeper 2.0 **38%**

Impact of JobKeeper on the business	JobKeeper 1.0	JobKeeper 2.0
Can continue trading; otherwise would have closed	37%	32%
Can continue trading; without it, otherwise might have closed	46%	47%
JobKeeper offset some of my losses, but the business is unprofitable	16%	19%
JobKeeper was of no benefit; we are closing the business	0%	1%

Businesses more likely to have accessed JobKeeper 1.0 included:



Businesses with 5+ employees (55% compared to 18% of sole traders)



Metropolitan based businesses (45% compared to 30% of rural/remote businesses)



Operators aged under 40 years (54%) and Non English Speaking Background operators (55%)

Spotlight:

Gen Y business owners (under 30)

70% of business owners under the age of 30 are confident that the budget will deliver benefits for them, this is the highest in any demographic.

53% of business owners under the age of 30 expect to apply for JobKeeper 2.0 and 56% of Gen Y businesses have accessed JobKeeper to date.

46% of businesses with an owner under 30 has applied for funding help, 22% of those borrowed between \$20,001-\$25,000



Almost one fifth of Gen Y business owners believe their business will bounce back between 4 - 5 months.



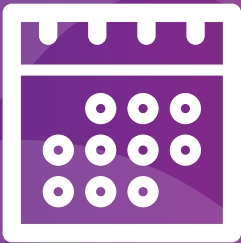
The two top things owner's between 31 -39 years old want easier access to government procurement (21%) and incentives to further digitise business (21%).



Access to child care (24%) ranked onylslightly behind a lowering of the company tax rate (27%) when it comes to what business owners under 30 want to see announced in the Federal Budget.

Key Outtakes

Outlook to recovery



Over three in five SMEs needed at least six months before they would recover to pre-COVID levels.



Positively, over half of the operators felt confident running their business through COVID.



While 35% of operators could not identify any benefits from COVID, a third felt they had found more flexible ways of working.



OUTLOOK TO RECOVERY

Time to recovery	Metro	Regional
0 – 3 months	6%	5%
4 – 5 months	11%	12%
6 – 12 months	28%	31%
More than 12 months	34%	33%
Business not impacted	12%	11%
Will not recover to pre COVID levels	5%	4%

26%

Sole operators were more likely to state they had not been impacted by COVID

Level of confidence in running a business



Businesses with 10+ employees were more likely to have seen a range of benefits, while sole operators (66%) and those with 2 – 4 employees (49%) were not likely to have seen any benefits.

Benefits of COVID-19 to the business	Metro	Regional
More flexible ways of working	35%	31%
Reduced staffing costs	25%	20%
Faster adoption of online services / ecommerce	20%	24%
Increased use of local suppliers	18%	15%
Increased productivity of staff working from home	17%	18%
New revenue streams	15%	15%
None of the above	32%	33%

About the MYOB Snapshot Report

The MYOB Snapshot survey was conducted using Quality Online Research's business panel. In total, 1,085 SME decision makers were surveyed. The survey was conducted online from August 12th – 19th, 2020.

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.



Business Monitor: Business Edition

Further information:

Collette Betts, Australia PR and Corporate Communications Manager
Collette.Betts@myob.com