

myob

Business Monitor Report

January 2022





Pictured - Alison Henry - Wild Tribe, Nowra NSW

Foreword

With widespread easing of restrictions across most of the country, Australian small and medium sized enterprises (SMEs) continue to plot a path among changing conditions as the country moves towards a COVID-normal operating environment, two years after the virus reached Australian shores.

The latest MYOB Business Monitor research of more than 1,000 small and medium sized enterprise (SME) owners and operators reveals when it comes to the economy, the level of optimism varies by industry. The research, conducted just as the Omicron variant emerged, found the finance and insurance sector is most likely (70%) to anticipate economic improvement over the next 12 months, and 68% of the transport, postal and warehousing services. In contrast, construction and trades declined to 41%, down from 56% last June.

Overall SMEs are not quite as confident about Australia's economic future as they were six months ago, with 53% anticipating improvement in the next 12 months, down from 57% in June 2021.

Despite this, revenue predictions for the coming year are holding steady, with 37% anticipating their revenue will be the same in 12 months' time, compared to 30% last June, though those expecting an increase has dropped from 48% to 43%.

For the first time since it began, the pandemic is not the only significant pressure facing Australian SMEs, with fuel pricing jumping into the top spot to cause 41% 'extreme' or 'quite a lot' of pressure. The pandemic is second on the list at 34%, followed by the cost of utilities at 31%, with both metrics roughly level with where they were in June 2021. While COVID remains a concern for SMEs, their focus may be shifting to some of the operational pressures that impact their business.

The pressure to perform is being felt by all, but mid-sized businesses appear to be coming from a position of relative stability, with 58% anticipating revenue will increase in 12 months' time compared to 43% of the national average response. Profitability is also positively reported by this group, with 64% anticipating an increase in the coming 12 months, though across the board business pressures have been felt more keenly by mid-sized businesses compared to smaller operators.

Following the challenges of the last 24 months, Australia's small business operators will need to remain resilient as they plan for the year ahead. A new year brings renewed hope for a period of stability that will enable SMEs to back their businesses, their revenue predictions and their growth plans, to ensure the success of a sector that makes up 95% of Australian businesses.



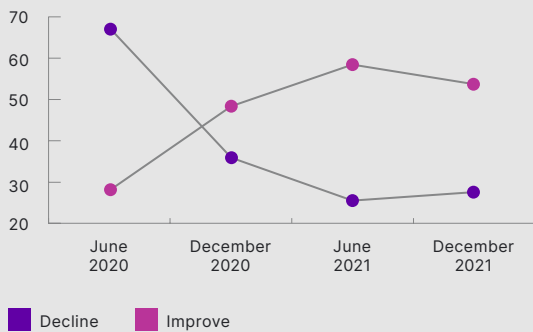
Emma Fawcett
General Manager SME, MYOB

The Economy

The research from December shows Australian SMEs are feeling slightly less optimistic about the trajectory of Australia's economy than they were six months ago, with 53% anticipating improvement in the next 12 months, down from 57% in the previous MYOB Business Monitor released in June 2021. However, this figure is still up five percentage points from December 2020, when 48% of SMEs believed the economy would improve.

Generation X (aged 40-54) business owners and operators are less positive about the future, with 47% believing the economy will improve, in contrast to 58% of Baby Boomers (aged 55-74). Women owners and operators are more pessimistic, with 46% anticipating improvement compared to 58% of men.

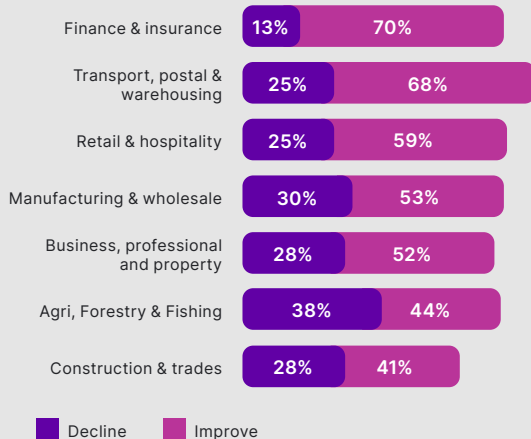
In the next 12 months, will Australia's economy decline or improve?



By Industry

The finance and insurance sector is most likely to anticipate economic improvement at 70%, while construction and trades has moved down to the bottom of the list, with only 41% expecting economic uplift, down from 56% in June. Sixty-eight per cent of transport, postal and warehousing believe the economy will improve, which could be due to the increased adoption of online shopping during COVID.

In the next 12 months, will Australia's economy decline or improve?



By State

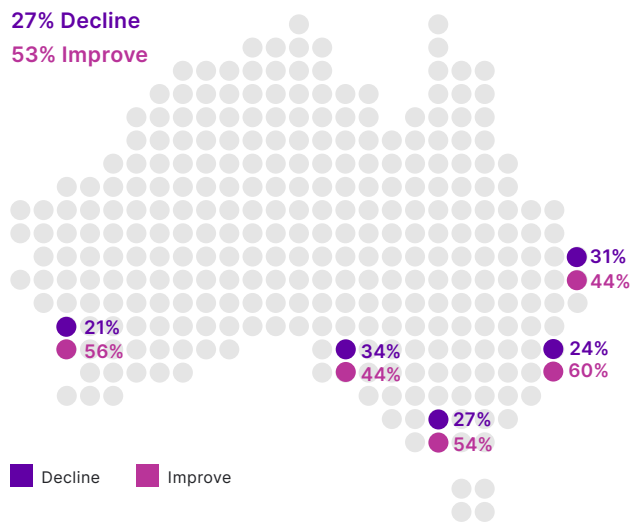
New South Wales is the state most confident of economic improvement following their lockdown in 2021, with 60% anticipating an uplift in the economy in the coming year.

The states that were less impacted by lockdowns were also less optimistic for economic growth, with 44% of Queensland and South Australian SMEs expecting an improvement.

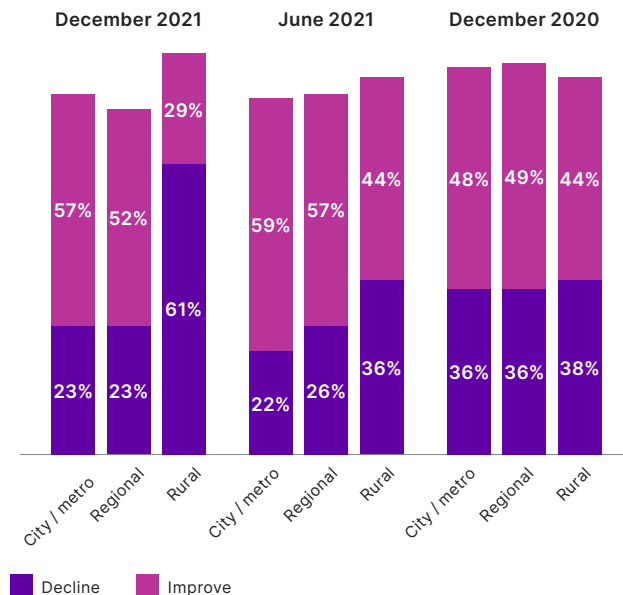
Queensland in particular saw a significant drop in confidence compared to six months ago. In June, 60% anticipated an improvement in the economy. This may have been due to SMEs hopeful for an uplift as interstate lockdowns interrupted travel plans, keeping tourists out of the sunshine state.

National average

27% Decline
53% Improve



The latest research shows a stark divide between the optimism of city and metro-based businesses and those in rural areas, with 57% of the former anticipating an improvement in the economy, compared to only 29% of those in rural Australia. Sixty-one per cent of rural business owners believe the economy will decline, more than double the 23% of their city and metro counterparts.

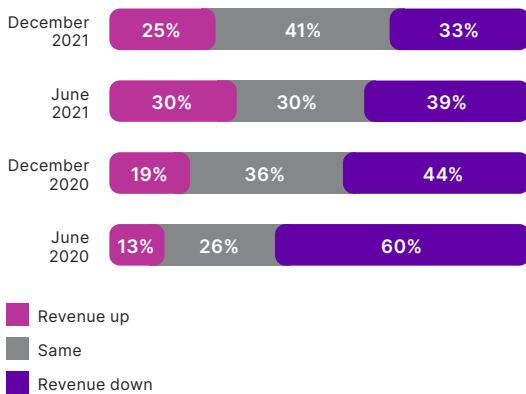


Revenue

The latest research shows revenue has remained steady for more SMEs than reported in June, with 41% saying it is the same as it was a year ago, up from 30% of respondents who stated their revenue had maintained six months prior.

Less respondents saw their revenue increase, at 25% compared to 30% last June. Revenue was also down for fewer, at 33% compared to 39% in June. For those who did experience a decline, the COVID-19 pandemic was the main driver with 66% saying it caused their revenue decrease.

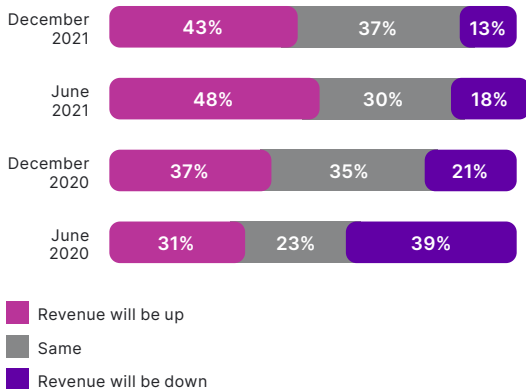
Is your revenue up or down on a year ago?



While the last 12 months have been challenging, the future looks slightly brighter for SMEs. Forty-three per cent expect revenue to increase and 37% of respondents anticipate revenue to be the same in 12 months' time. Increased consumer demand accounts for 29% of those expecting an increase, and for 19%, their expected increase is due to the COVID-19 pandemic.

Larger SMEs are feeling more confident, with 58% of mid-sized businesses (20-199 employees) expecting their revenue will be up and 53% of those with 5-19, compared to 45% of micro employers (1-4 employees) and 40% of sole operators.

How do you expect revenue to perform in 12 months' time compared to now?



By State - How do you expect revenue to perform in 12 months' time compared to now?

WA is showing signs of stability, with 50% of SMEs anticipating revenue will be about the same in 12 months' time, 13 points above the national average.

Businesses in NSW are expecting a better year out of the 2021 lockdown, with 50% anticipating revenue will be up – the strongest favourable response – and 31% expecting it to be the same.

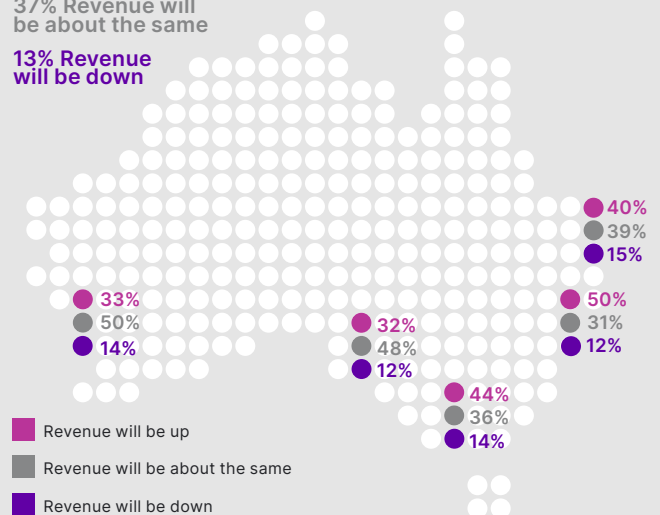
After a second year of lockdowns, Victorian SMEs recorded the second most favourable response with 44% anticipating revenue will be up next year.

National average

43% Revenue will be up

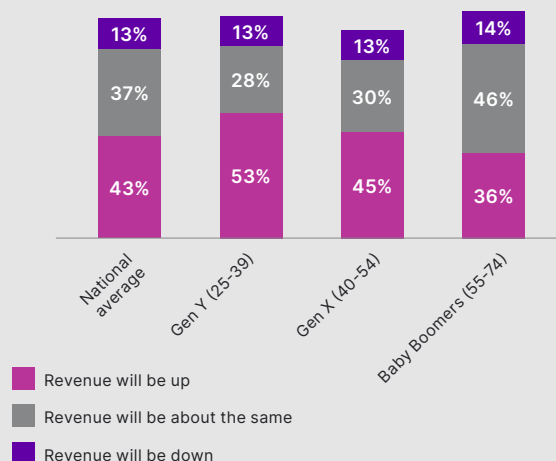
37% Revenue will be about the same

13% Revenue will be down



By Age - How do you expect revenue to perform in 12 months' time compared to now?

As has been an ongoing trend in recent MYOB Business Monitors, Gen Y (25-39) is the generation most optimistic about the future, with 53% anticipating their revenue will be up in 12 months' time. Baby Boomers (aged 55-74) are the least likely to expect their revenue to increase, but most likely to anticipate revenue will be about the same – at 46% compared to a national average of 37%.



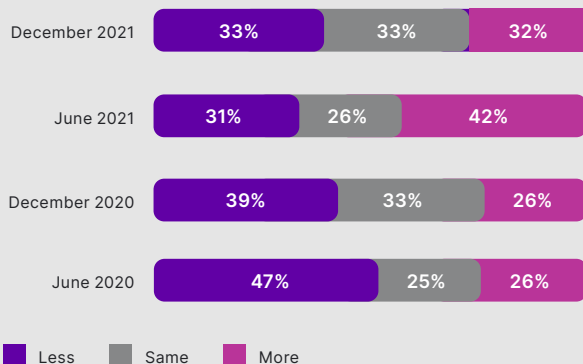
Profitability

Nationally, the likelihood of increased profits for Australia's SMEs during the last 12 months has declined 10 percentage points from 42% in June 2021 to 32% in December 2021. However, compared to 12 months ago (reporting 26% in December 2020), SMEs are in a stronger position.

Despite lockdowns, 38% of New South Wales SMEs said their profitability has increased in the last 12 months, taking them above the national average. This is higher than the 34% of SMEs responding they had increased profitability in WA, 32% in Victoria, 25% Queensland and 22% in South Australia.

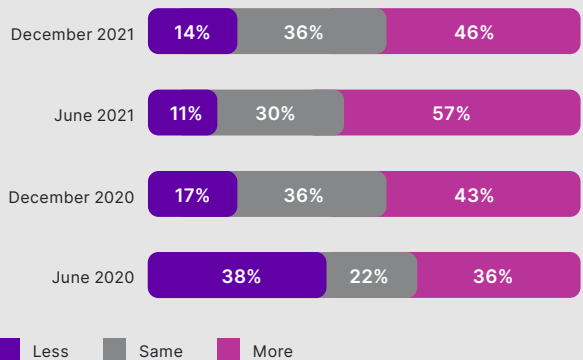
Businesses with a website are more likely to have increased profitability, at 38%, compared to those with no website, at 28%. Likewise, 40% of those with a social media site said they had increased profitability, while 28% of those with no social media site responded the same.

How has the profitability of your business changed over the last 12 months?



Just over a third (36%) of respondents expect their profitability to remain the same over the next 12 months, and only 14% expect it to decline. Bigger businesses are more likely to anticipate an increase in profit in the coming year, those with 5-19 employees and 20-199 employees are both at 64%, compared to 45% of micro businesses with 1-4 employees and 44% of sole traders.

How do you expect profitability to change in the next 12 months?



Business Pressure Points

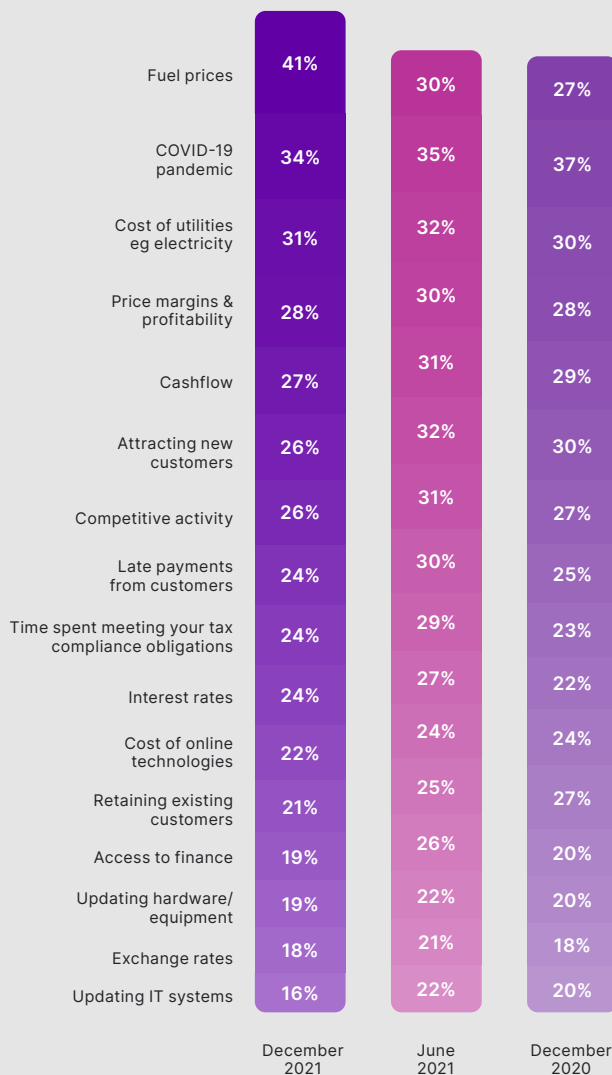
For the first time since COVID-19 hit Australian shores, the pandemic is not the foremost pressure facing SMEs, with fuel prices returning to the top spot, causing 41% of respondents 'extreme' or 'quite a lot' of pressure.

The pandemic is second on the list at 34%, followed by the cost of utilities at 31%, with both metrics level with where they were in June 2021.

The biggest decrease in pressure is access to finance, which has dropped from 26% in June 2021 to 19% in December. This could be a sign of increased stability following a turbulent year. Cashflow has dropped five points since June 2021 from 32% to 27%, as has late payments from customers, now 24% compared to 28% six months ago.

Pressure from attracting new customers has decreased five percentage points since June 2021, from 31% to 26%. Retaining existing customers has also dropped five points, now at 21% from 26% in June.

Causes of 'extreme' or 'quite a lot' of pressure



Pictured - Jeremy Blancher - Angels House, Fremantle WA

Business Investment

Almost a third (30%) of SMEs are looking to increase prices and margins on products and services sold, and a quarter (25%) are looking to increase the number of products and services sold online.

Some of the other top investments are the variety of products and services offered, as well as customer acquisition and retention.

Larger SMEs are more inclined to grow their teams, with 29% of those with 5-19 employees and 23% of those with 20-199 employees looking to increase the number of full-time employees, compared to a national average of 13%.

Businesses this size are also the most likely to increase the amount they pay employees, 39% with 20-199 employees, and 37% of 5-19 employees looking to increase the amount they pay their employees, compared to a national average of 22%.

How do you expect these investments to change in the coming 12 months?

	Increase	Stay the same	Decrease
Your prices and margins on products/services sold	30%	53%	9%
The sale of products/services online	25%	54%	7%
Customer retention strategies	22%	60%	5%
Customer acquisition strategies	22%	52%	6%
The amount you pay the employees in your business	22%	60%	5%
The number or variety of products or services offered by your business	22%	63%	6%
The sales of products/services offline	21%	58%	8%
Investment in IT systems & processes	21%	59%	7%
The \$ value of spending on marketing and advertising your business on the Internet / online	20%	59%	10%
The \$ value of spending on marketing and advertising your business offline	17%	60%	11%
Working with business advisers (e.g. Accountant) to enhance your business	16%	63%	8%
The number of full-time employees in your business	13%	72%	5%
The number of part-time or casual employees in your business	13%	67%	6%



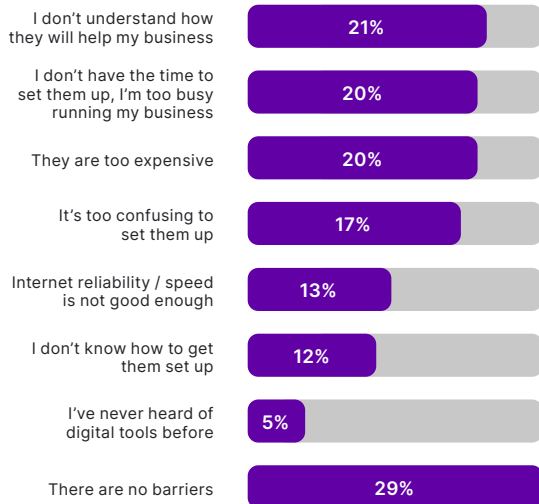
Digital Adoption

Responses indicate an overall decline in the adoption of cloud-based software compared to June when this category was introduced in the MYOB Business Monitor. Just under half (48%) of respondents are using cloud-based software for tax, down from 52% in June, and a third for cashflow (34%), down from 50% in June. Thirty-three per cent are using cloud based software for cashflow, down from 46% in June.

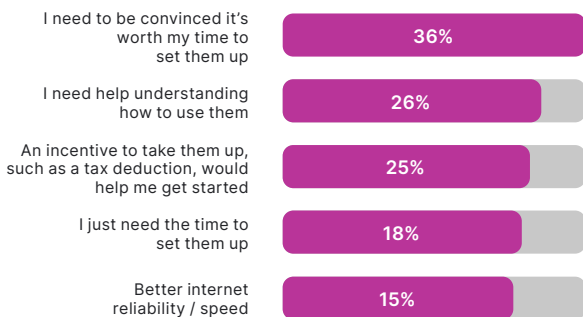
However, the benefit of embracing digital technology is clear. Forty-three per cent of those who have moved more of their business online since the onset of COVID-19 said the main effect was their business continued getting work. Thirty-eight per cent said moving online allowed them to continue doing business during lockdown, and 30% said it helped them work remotely and collaborate.

On the other hand, one in five (21%) of the national average are still unclear of the benefits of digital tools. The top barrier for medium sized businesses (20-199 employees) is finding them too confusing to set up (31%). For small businesses (5-19 employees) it's cost, with 28% saying digital tools are too expensive. Micro businesses (1-4 employees) don't have the time, with 25% responding they're too busy running their business. For sole operators it's both not understanding how they'll help their business (19%) and cost (19%).

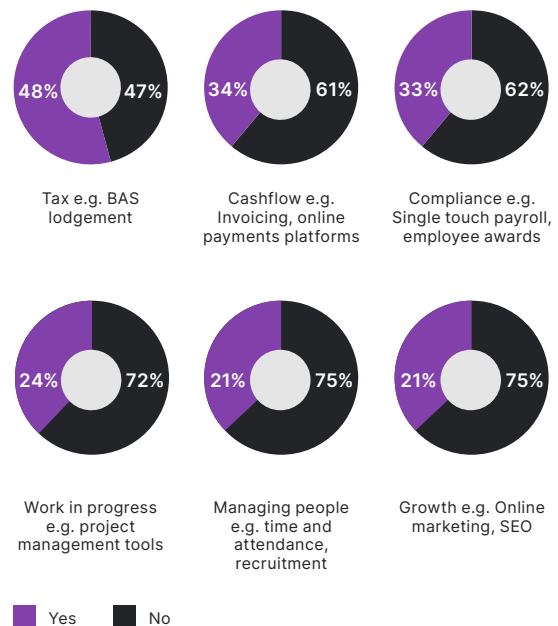
What are the main barriers to your business using more digital tools?



Which of the following would help you to use more digital tools in the business?



Do you use digital cloud-based software in this business for any of the following?



Online Presence

The number of respondents who do not have an online presence took a jump from 25% in June 2021 to 37% in this report. Last December the national average was at 34%.

Younger business owners are more likely to have an online presence, with 20% of Gen Y (25-39) and 34% of Gen X (40-54) not online, compared to 47% of Baby Boomers (55-74), the latter ten points higher than the national average.

Which best describes your business' online presence?

Don't have an online presence



Only have a business website



Only have social media

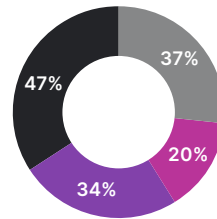


Have both a website and social media

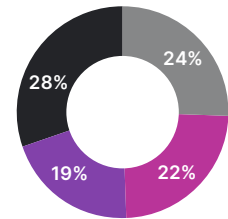


■ December 2021 ■ June 2021 ■ December 2020

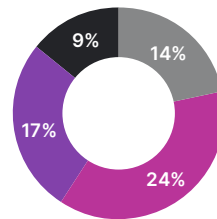
By Generation - Which best describes your business' online presence?



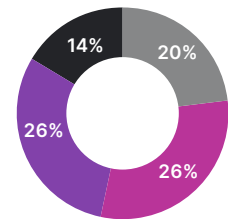
Don't have an online presence



Only have a business website



Only have social media



Have both a website and social media

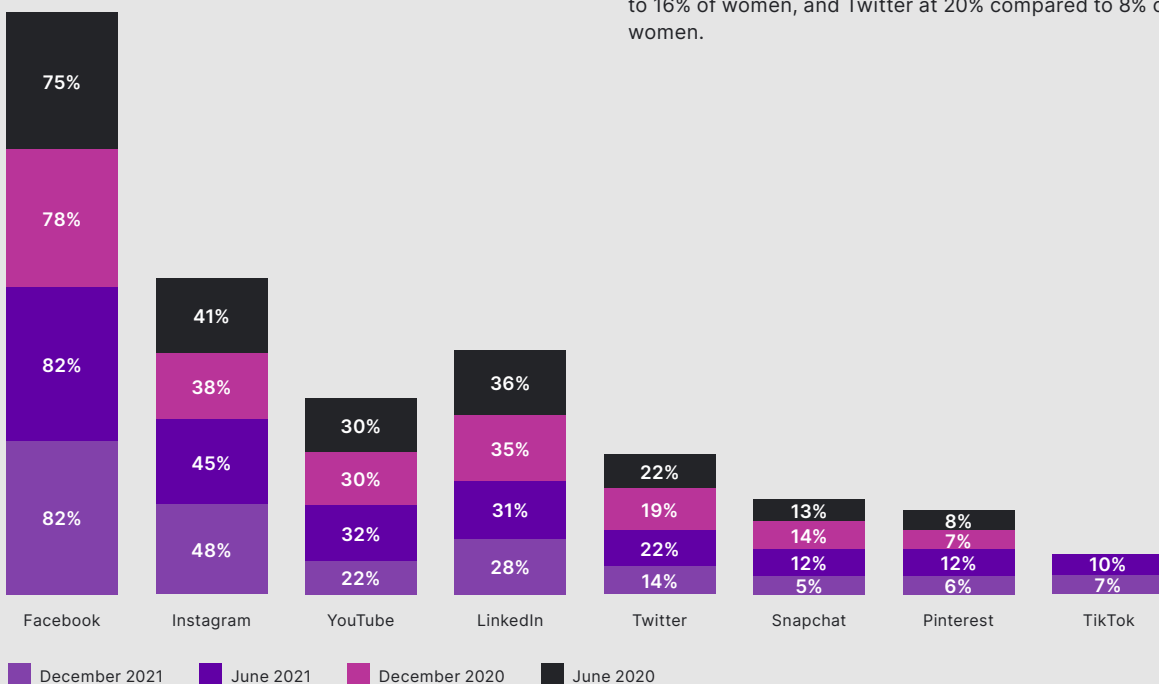
■ Nat. Average ■ Gen Y (25-39)
■ Gen X (40-54) ■ Baby Boomers (55-74)

Which social media sites do you use to connect with your customers?

Facebook and Instagram have held steady since June in terms of sites SMEs use to connect with their customers. Gen Y (aged 25-39) is more likely to use Instagram than older generations at 65%, but for this demographic, Facebook is still the most popular social media site to connect with customers at 81%.

Women are more likely to use Instagram, at 56% versus to 39% of men. Likewise 89% of women use Facebook, compared to 76% of men, and 10% of women respondents use TikTok, more than three times their male counterparts (3%).

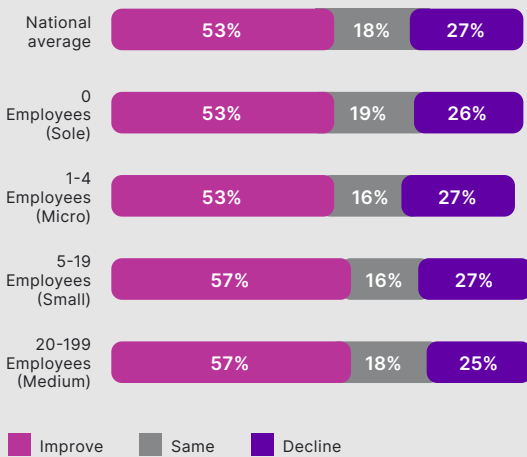
Men are more likely to use YouTube at 27%, in contrast to 16% of women, and Twitter at 20% compared to 8% of women.



MYOB Business Monitor spotlight: Mid-sized enterprises

Of the respondents of the latest MYOB Business Monitor report, mid-sized enterprises with 20-199 employees are feeling confident about the year ahead. Fifty-eight per cent anticipate revenue will be up in 12 months' time compared to 43% of the national average of small to medium sized enterprises (SMEs). For 33% of those expecting an increase the reason is increased consumer demand.

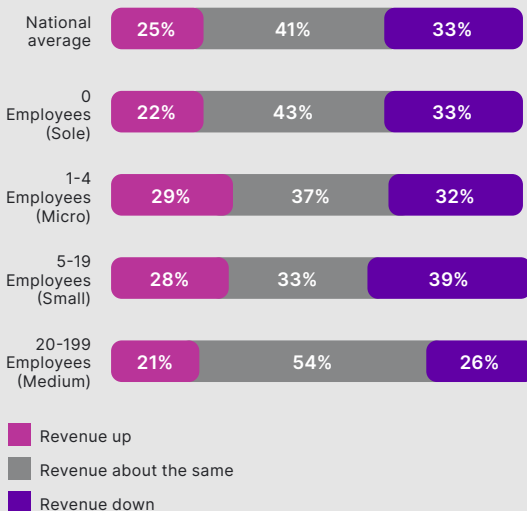
In the next 12 months, do you believe Australia's economy will?



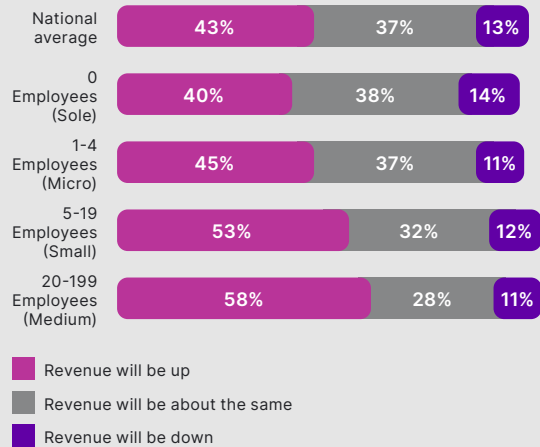
At the present time, is your revenue up or down on a year ago?

Mid-size enterprises were most likely to maintain the same revenue from 12 months ago. The main reason for a revenue increase for mid-size enterprises has been positive effects of the COVID-19 pandemic, at 47%, followed by increased prices of products/services at 18%.

The different ways COVID-19 effects businesses is evident, with the pandemic also cited as the main cause by 58% of those who experienced a revenue decline, followed by the current economic climate at 20%.

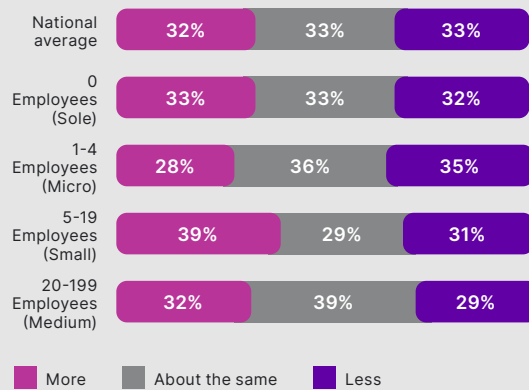


How do you expect your business revenue (or gross turnover or sales) in 12 months' time to compare with your business revenue at the present time?

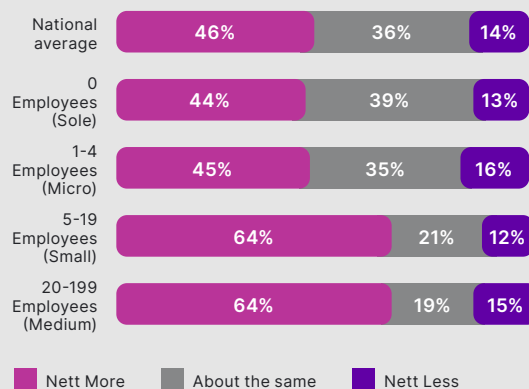


Mid-sized enterprises performed well throughout 2021, with 39% attaining the same level of profitability over the last 12 months and 32% experiencing more. Furthermore, 64% expect to see more profitability over the coming year.

How has the profitability of your business changed over the last 12 months?



How do you expect the profitability of your business to change over the next 12 months?



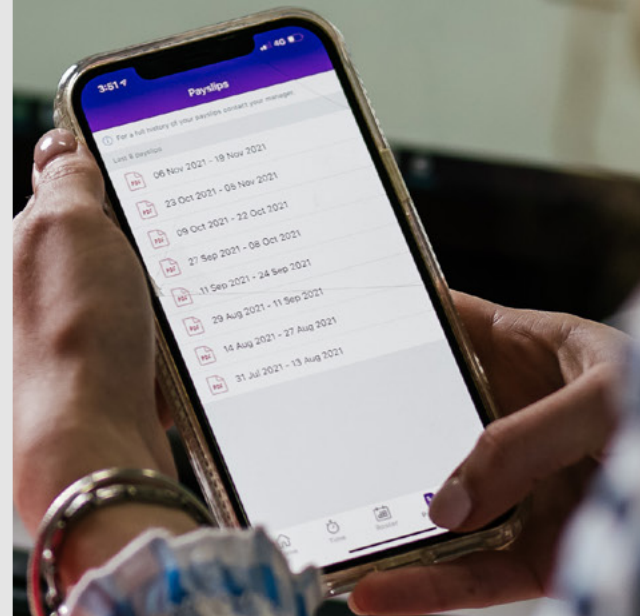
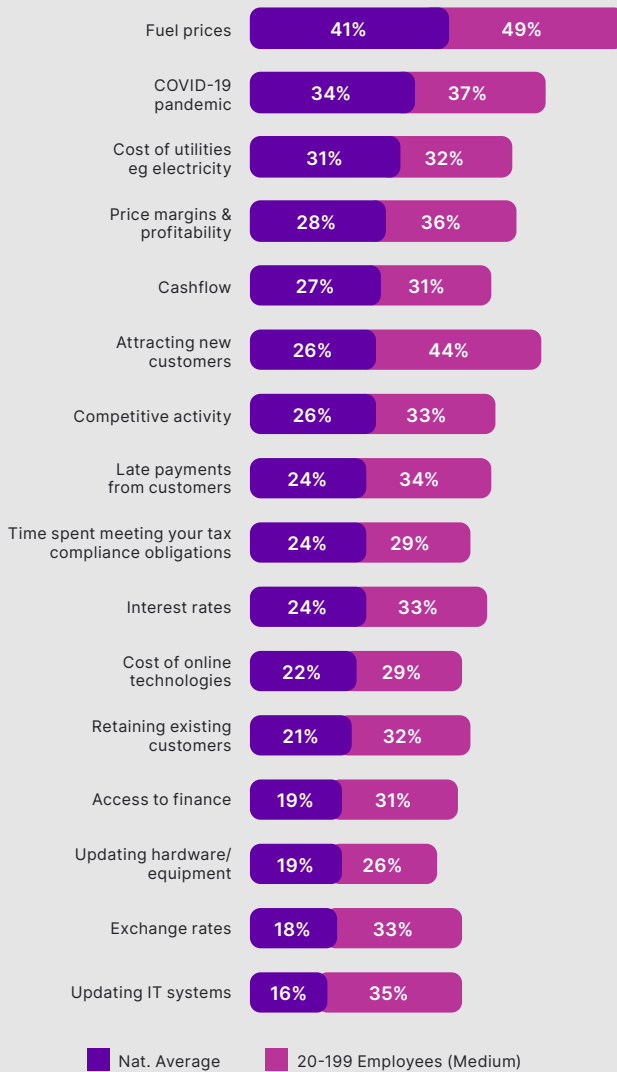
Business Pressure Points: Mid-sized enterprises

How much pressure will these likely put on your business over the next 12 months?

Across the board more mid-sized SMEs felt 'extreme' or 'quite a lot of pressure' from the common business concerns overall, compared to the national average.

While SMEs are generally concerned with fuel prices and utilities, the most notable differences in pressures facing medium enterprises are attracting new customers at 44% compared to a national average of 26%, upgrading IT software and systems at 35% compared to the 16% national average, and exchange rates concerning 33% compared to a national average of 18%.

Causes of 'extreme' or 'quite a lot' of pressure



Key Takeouts

SMEs navigate COVID-normal

In our third year of COVID-19, Australian SMEs have experienced previously unimaginable interruptions to business. While their overall optimism toward the economy is waning, predictions about revenue across the coming 12 months sees businesses feeling reasonably stable. Seeing fuel costs rise above the pressure faced by COVID-19 suggests operational concerns are creeping back as businesses learn to live with COVID.

Mid-market positivity

Mid-sized businesses with 20-199 employees are feeling positive about the year ahead, both in terms of revenue and profitability outlook. Having larger teams may enable employers of this size to better prepare for COVID-19 interruptions, or ensure additional resourcing to adapt as required. Mid-sized SMEs aren't without challenge, however, with businesses of this size feeling more pressure across the board compared to smaller SMEs.

Future planning

The last two years have tested the resilience of SMEs more than ever. As the country enters its third year of the pandemic, SMEs know they need to prepare accordingly. When the data was collected, as Omicron began to take hold, the two main focuses for SME investment were on increasing prices and margins on products/ services sold and the sale of products online. With most looking to hold steady on the number of employees in their business, it appears SMEs have learned lessons from the past two years and are looking to hold onto staff, increase their margins and ensure their offering is available online where possible, to prime for the coming year.



Emma Fawcett
General Manager SME, MYOB

About the MYOB Business Monitor Report

The MYOB Business Monitor researches business performance and attitudes regarding areas such as profitability, cash flow, pipeline work, technology usage and the government. This report presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of 1,004 business owners, managers and directors (operators), conducted from November 10 to December 7 2021. 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 & exits - 8165.0).

myob.com

myob