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MYOB Business Monitor Report

June 2022





Pictured - Carina Merz - CM Poke, Perth WA

Foreword

The latest MYOB Business Monitor research, of 1,000 Australian small and medium sized enterprise (SME) owners and operators, comprises data from a period of relative stability in terms of the COVID-19 pandemic.

With widespread lockdowns seemingly behind us, and much of the population receiving multiple vaccinations, many hoped 2022 would begin a period of recovery for Australia's SMEs, which make up around 2.3 million businesses in total.

Some of the businesses that contributed to this research, specifically the start-ups (operating for less than two years), have only existed in the pandemic era, and are well versed in the additional uncertainty and complications SMEs have had to operate under.

However, despite acute pandemic-related disruptions easing in 2022, external factors continue to cause concern around the cost of living for consumers. In turn, SMEs are facing a 'cost of doing business' crisis. The severity of the challenges vary significantly depending on the size of the business and the demographics of the owner.

Fuel pricing is again the topmost pressure facing almost half (48%) of respondents, seven points higher than it was in January of this year. The cost of utilities is now at 35%, on par with the COVID-19 pandemic.

Confidence in the economy has dropped overall, with 41% of SMEs anticipating improvement compared to 53% six months ago.

Younger generations are particularly feeling the pinch, with Gen Y business owners (aged 25-39) generally feeling more pressure compared to Baby Boomers (aged 55-74). They are also less positive about the year ahead, with 39% of Gen Y respondents anticipating the economy will improve compared to 45% of Baby Boomers.

It's not all bad news though, with the investments SMEs plan to make in their business' encouraging. The top three are the prices and margins on products and services, the amount paid to employees and the variety of products and services offered, suggesting SMEs are looking to expand their offerings and margins, as well as having the confidence to pay their staff more.

Despite mid-sized businesses (with 20-199 employees) feeling less positive about the year ahead, with only 35% anticipating improvement in the economy, they fared better in terms of profitability. Forty-three per cent noted an uplift in profitability in the past 12 months, compared to a national average of 35%, and 50% anticipate an increase in profitability in the coming 12 months, up from the national average of 41%.

The findings indicate mid-sized businesses are primed for growth, looking to increase their spend on vital tools such as IT systems and processes. They are also looking to increase payments to employees, suggesting they're in a good place to invest in their growth and recovery.

While the pandemic-specific challenges subside, Australian SMEs continue to face challenging trading conditions and uncertainty.

Many are now used to operating in uncertain times, however they will be able to take the lessons learned, as well as the systems and processes implemented, to get them through any challenges that arise throughout the year.



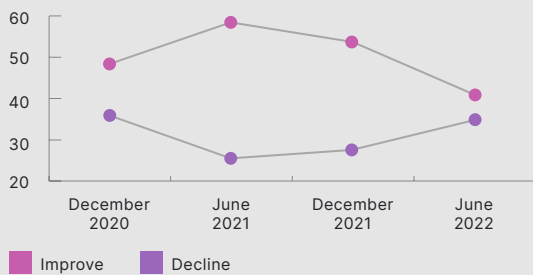
Emma Fawcett
General Manager SME, MYOB

The economy

The latest MYOB Business Monitor shows Australian small and medium sized enterprise (SME) owners and operators are feeling less confident about the economy in the coming year than they were six months ago. Forty-one per cent anticipate an improvement, compared to 53% in January, and 37% expect a decline, up 10 points from six months ago.

The current sentiment about the economy is similar to what we saw in December 2020, as the country was adjusting to COVID-19.

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



Responses within the small business community vary significantly depending on the size of the business and the demographics of the business owner.

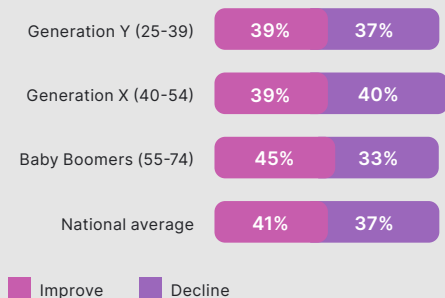
Differences can also be seen between genders. Forty-five per cent of men believe the economy will improve, nine points ahead of women, at 39%.

Mid-sized businesses with 20-199 employees are feeling less confident, with only 35% expecting an improvement in the economy, compared to 42% of sole traders, 42% of small businesses with 5-19 employees, and 40% of those with 1-4 employees.

By generation

Baby Boomers (aged 55-74) are feeling the most positive about the year ahead, with 45% anticipating the economy will improve, compared to 39% of Gen Y (25-39) and Gen X (40-54) business owners.

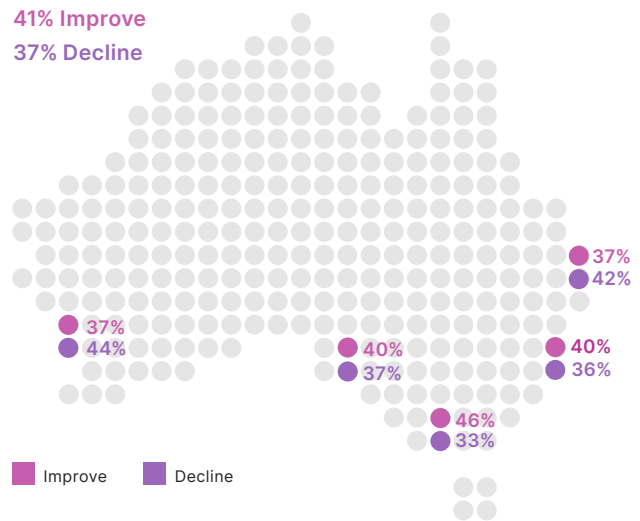
In the next 12 months, will Australia's economy decline or improve?



By state

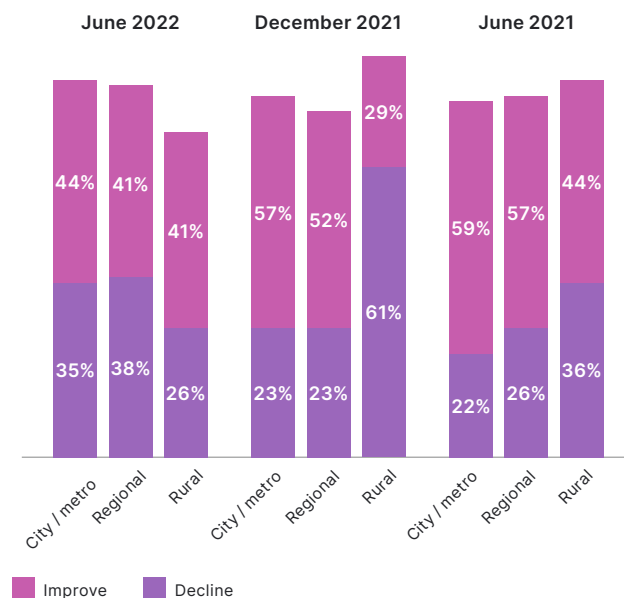
Victorian businesses are the most confident about the economy, with 46% believing it will improve, six points higher than New South Wales and South Australia, both at 40%. Queensland and Western Australia are a few points lower, each at 37%.

National average



By region

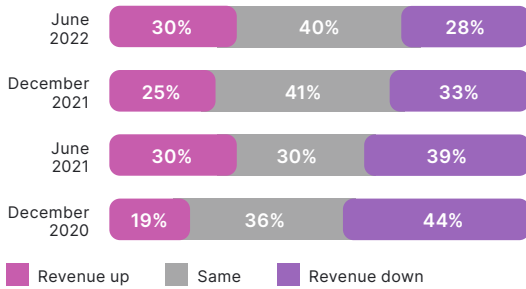
Rural businesses are feeling much less optimistic, with 26% expecting economic improvement compared to a national average of 41%. In comparison, 44% of city/metro-based and 38% of regional SMEs anticipate improvement. The contrast is less stark than it was in January 2022, where 61% of rural businesses predicted a decline.



Revenue

Overall SMEs are fairly evenly split between those that have seen an increase in revenue over the past 12 months, at 30%, compared to those whose revenue has decreased, at 28%. This is an improvement on the previous Business Monitor from six months ago, where 25% saw an increase and 33% a decrease.

Is your revenue up or down on a year ago?



Gen Y (25-39) are the most likely to have experienced a revenue increase over the past year at 39%, while Baby Boomers (55-74) are the least likely to have seen an increase, at 21%.

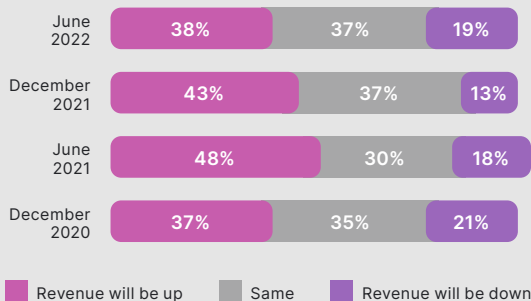
For those who saw a revenue increase, the top reasons given were increased consumer demand (27%), current economic climate (16%) and impact of COVID-19 (13%).

In the instance of those who reported a decline in revenue over the past 12 months, the top reason was the impact of COVID-19 (41%), followed by decreased consumer demand (13%) and the current economic climate (12%).

Looking ahead to the coming 12 months, the data indicates the outlook isn't quite so bright for SMEs overall. Thirty-eight per cent predict an uplift in revenue in the coming year, down 5 percentage points from the January Business Monitor. However, the higher percentage in January may have been due to SMEs still feeling the effects of the Omicron variant and hoping for more stability in 2022.

This most recent research shows the states feeling a similar way about revenue expectations over the coming year, suggesting the turbulence of state specific COVID restrictions may have ceased.

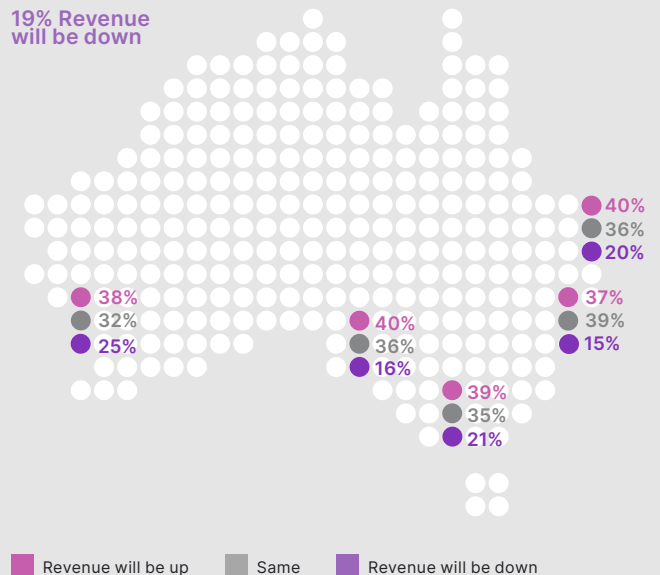
How do you expect revenue to perform in 12 months' time compared to now?



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

National average

38% Revenue will be up
 37% Revenue will be about the same
 19% Revenue will be down



Newer businesses are feeling more hopeful for the year ahead, with 55% of startups (in operation less than two years) anticipating their revenue will be up in the coming year, compared to 53% of established businesses (2-5 years), 34% of maturing businesses (5-10) years and 27% of businesses that have been operating more than 10 years.

Profitability

Six months ago, 46% of businesses expected to see an increase in their profitability. However, when the latest data was collected the actual profitability percentages barely differ from January's Business Monitor.

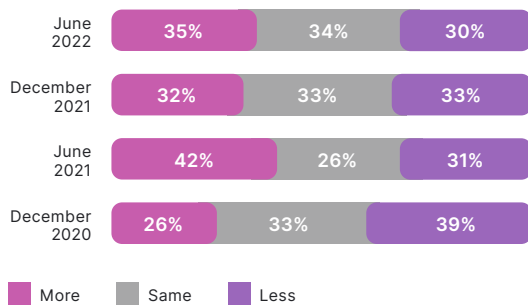
Nationally 35% of SMEs say their profitability has increased, 30% have seen a decrease and for 34% it's stayed the same.

Mid-sized businesses have fared slightly better, with 43% of those with 20-199 employees noting an improvement, compared to the national average of 35%.

Victorian businesses are seven points higher than the national average, with 42% reporting an increase in profitability over the last 12 months. By contrast, 30% in both New South Wales and South Australia said their profitability is up.

SMEs in the finance and insurance sector are the most likely to have increased profitability, at 59%, followed by 43% of those in manufacturing and wholesale, and 37% in agriculture, forestry & fishing.

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



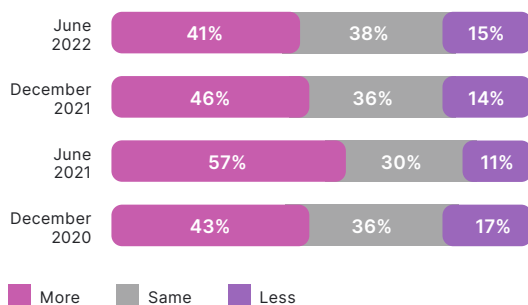
Looking to the year ahead, 41% of SMEs predict higher profitability, compared to 15% anticipating less. This has dropped a few points from the January Business Monitor, when 46% expected more and 14% less.

Mid-sized businesses are more likely to see additional profits this year, with 50% of businesses with 5-19 employees, and 20-199 employees, expecting an increase, nine points higher than sole operators (42%) and businesses with 1-4 employees (36%).

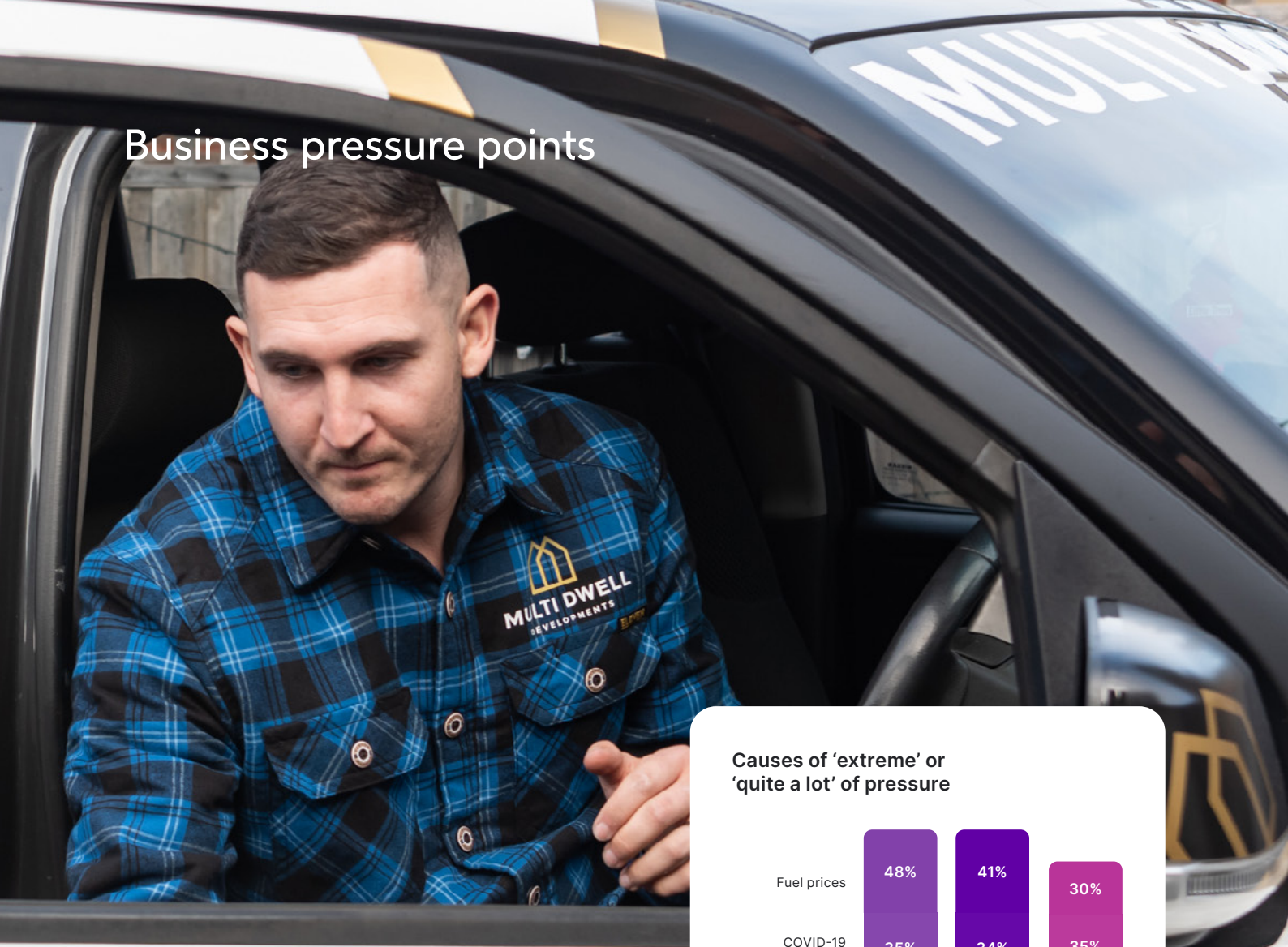
Victorian SMEs are most confident about the year ahead, with 43% anticipating an increase, followed by Western Australia and New South Wales, both at 41%, then Queensland and South Australia at 40%.

Rural businesses are less optimistic about the next 12 months, only 23% believe they'll see an increase in profitability, compared to 44% of regional and 43% of city/metro-based SMEs.

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



Business pressure points



The cost of fuel is causing even more pressure than it was six months ago, with almost half (48%) of SMEs feeling 'extreme' or 'quite a lot' of pressure from the rising costs.

The fuel excise, introduced in this year's Federal Budget, came into effect at the beginning of the period this research was collected. However, fuel is still seven points higher than it was six months ago, and remains a greater concern for SMEs than COVID-19.

As the cost of living increasingly concerns consumers across the country, the cost of doing business is causing pressure for SMEs nationally.

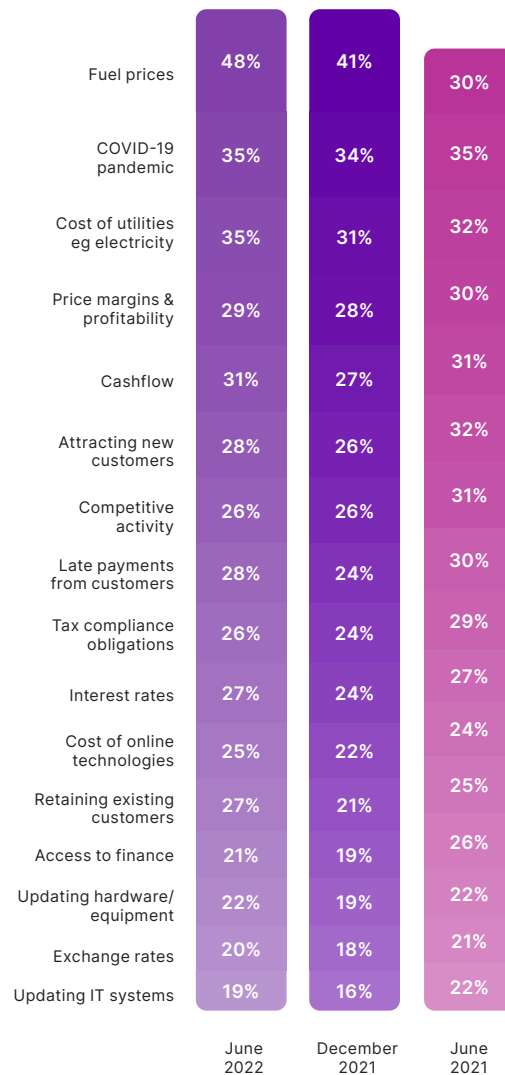
Across the board, pressures are slightly higher than they were six months ago. Other than fuel prices, retaining existing customers has seen the biggest jump in concern, facing 27% of SMEs in this report compared to 21% in January.

There are significant differences between the pressures felt generationally. Overall, Gen Y SME owners and operators (aged 25-39) felt more 'extreme' or 'quite a lot' of pressure compared to Baby Boomers (aged 55-74).

The largest discrepancy was in late payments, a pressure for 42% of Gen Y compared to 16% of Baby Boomers.

Pressures associated with the cost of online technology and competitive activity each faced 40% of Gen Y businesses, more than double the 21% of Baby Boomer respondents.

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



Business investment

As with January's MYOB Business Monitor, pricing is the top priority for additional business investment this year at 31%.

The second most likely increase in investment will be in employee wages, at 24%.

Employment remains steady with 69% planning to keep the number of full-time employees the same, and 64% keeping the same number of part-time or casual employees.

With wages on the increase for almost a quarter of respondents, and only 14-15% looking to increase the size of their teams, it appears that SMEs are expecting to pay their existing employees more.

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	31%	48%	12%
The amount you pay the employees in your business	24%	56%	9%
The number or variety of products or services offered by your business	23%	62%	8%
The sale of products/services online	22%	56%	7%
Customer retention strategies	21%	59%	8%
The sales of products/services offline	21%	58%	8%
The \$ value of spending on marketing and advertising your business on the Internet / online	21%	59%	8%
Customer acquisition strategies	20%	56%	8%
Investment in IT systems & processes	20%	59%	9%
Working with business advisers (e.g. Accountant) to enhance your business	19%	59%	9%
Business financing	18%	58%	12%
The \$ value of spending on marketing and advertising your business offline	17%	60%	10%
The number of part-time or casual employees in your business	15%	64%	8%
The number of full-time employees in your business	14%	69%	7%



Digital adoption

The latest research shows slightly higher adoption of cloud-based software to run a business compared to the January MYOB Business Monitor. Fifty-one per cent are using these solutions for tax, compared to 48% in January, and 40% for cashflow, compared to 34% at the start of the year.

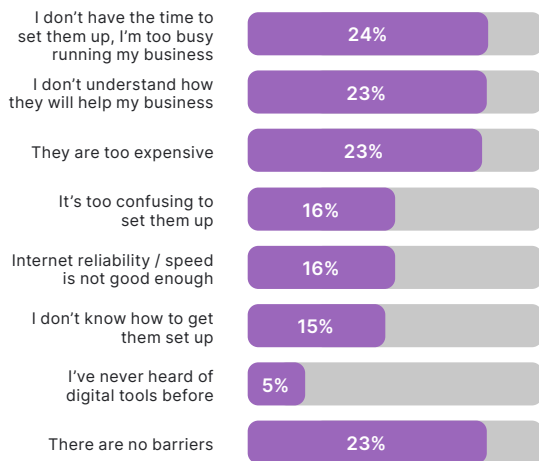
The main barriers to digital adoption remain time (24%), understanding of the benefit (23%), and cost (23%), the same top three as six months ago.

Twenty-nine per cent of businesses said an incentive, such as a tax deduction, would help them digitise. These businesses will be primed to take advantage of the Technology Investment Boost announced in the 2022 Federal Budget, to help undigitised SMEs get started.

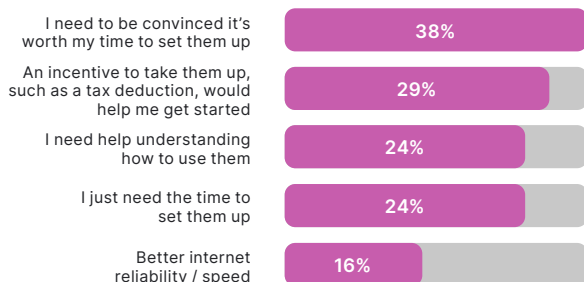
Of those currently taking advantage of digital solutions, 35% said they digitised more of their business in the last 12 months, and of those who did, 69% said it helped their business stay afloat. 64% agreed it's important to adopt digital tools to operate in today's business environment.

The biggest benefits of digitisation reported by respondents are helping the business be more productive (43%), followed by helping get work (32%) and making the business more profitable (29%).

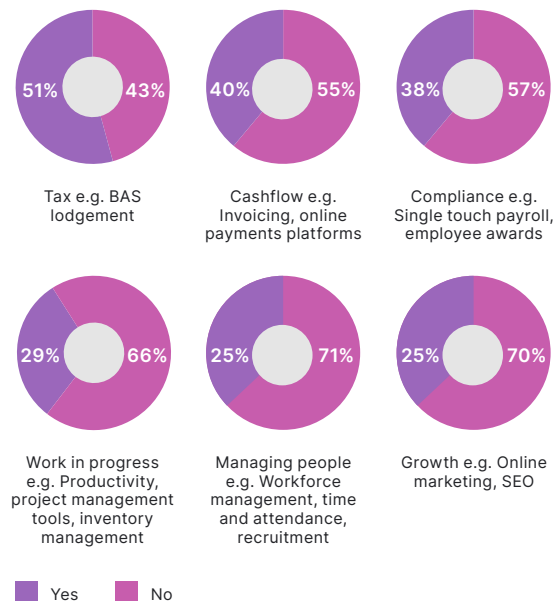
What are the main barriers to your business using more digital tools?



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

Just under a third (31%) of respondents don't have an online presence, such as a business website or social media.

For those that have a website, the top benefits are a more professional brand image (39%), more customer enquiries or leads (37%) and making it easier for customers to do business with them (34%).

For social media, the top gains are more interaction with customers (46%), generating customer leads (39%), making it easier for customers to do business (29%) and increasing appeal to younger customers (also 29%).

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



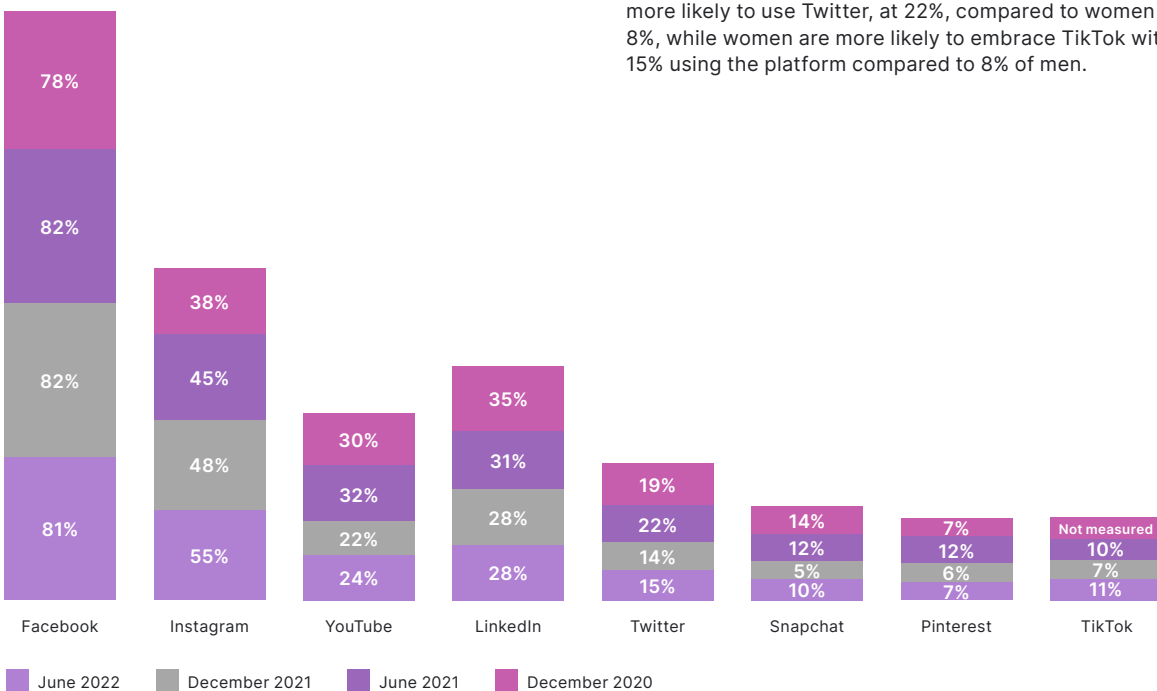
Legend: June 2022 (purple), December 2021 (grey), June 2021 (dark purple), December 2020 (pink)

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

The research indicates a rise in visual platforms to connect with customers. Instagram is up seven points to 55%, compared to 48% in January's report and TikTok continues to creep up the list of social media platforms for SMEs at 11%, up from 7% in six months ago.

Instagram and TikTok are the favoured platforms for younger SME owners and operators, the former used by 73% of Gen Y businesses compared to a national average of 55%, and the latter used by 17% compared to a national average of 11%.

This research shows male SME owners are significantly more likely to use Twitter, at 22%, compared to women at 8%, while women are more likely to embrace TikTok with 15% using the platform compared to 8% of men.



Spotlight: Mid-sized businesses

There are more than 56,000 mid-sized businesses (employing 20-199 full-time equivalent roles) in Australia, equating to around 17% of all employing businesses in the country.

The latest Business Monitor shows that while only 35% of mid-sized businesses expect improvement in the economy in the coming 12 months, compared to national average of 41%, they're performing strongly and gunning for growth.

Mid-sized businesses are more likely to anticipate an increase in profitability in the coming year, with 50% expecting it to be higher than the previous 12 months. This is compared to 41% of SME respondents overall.

The revenue expectations from the mid-market ahead also look promising, with 44% believing they'll see an increase, six points higher than the national average of 38%.

Further indication that mid-sized businesses are primed for progress can be seen in their forecast for the year ahead, as they look to outlay more than smaller businesses on the investments that will facilitate their growth.

Fifty-one per cent of mid-sized businesses will increase their spend on IT systems and processes, compared to 20% national average, and 47% plan to increase the amount employees are paid, almost double the 24% national average.

In addition to an uplift in their operational spend, mid-sized businesses will also increase the variety and cost of the goods and services they offer, further future-proofing their business for the year ahead.

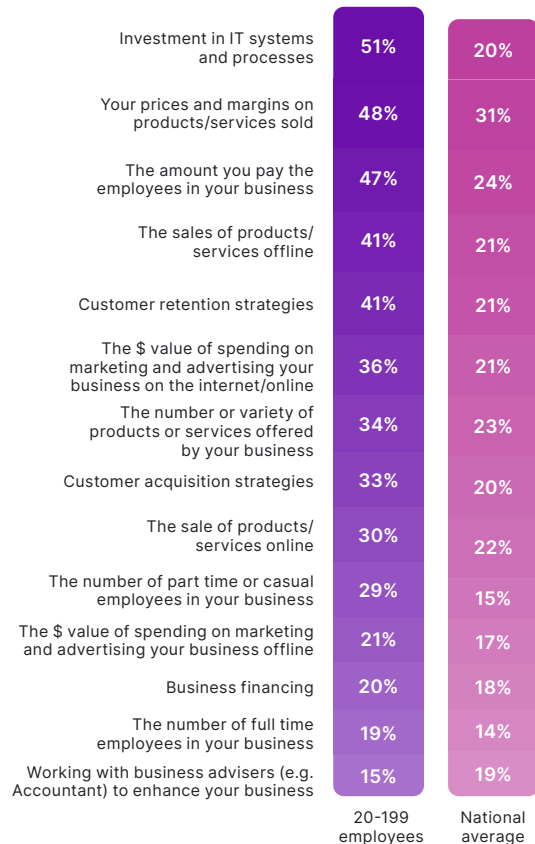
Thirty-four per cent are looking to increase the number or variety of products or services offered, in contrast to 23% of SME respondents overall and 48% will increase prices and margins on products/services sold, compared to 31%.

Despite caution about the economy overall, the research indicates mid-sized businesses are performing strongly, feeling confident in their own operations, and are looking to make strong investments to solidify their growth and realise their ambitions in the year ahead.



Kim Clarke
General Manager Enterprise, MYOB

What do you expect to increase over the next 12 months?



Key takeouts

Cost of living effects

Fuel pricing continues to be the foremost pressure for almost half the respondents, with the cost of utilities ranked a close second and on par with the pressures brought on by the pandemic. The cost of living is a concern for businesses and consumers alike, and poses a threat to the recovery of the country's SMEs, who make up a significant contribution to the nation's economy.

Caution about the year ahead

SMEs are feeling less confident about the economy over the coming 12 months, and many are not expecting the same level of revenue growth they were at the start of the year. However, more have seen their revenue increase over the past 12 months and the same percentage has stayed stable, suggesting that while they may not experience significant growth, stability could be on the horizon.

Mid-sized businesses primed for growth

The mid-market is looking to make strong investments over the coming year in critical functions to help their business grow, and, encouragingly, in the amount they pay their employees. Despite feeling less confident in the economy overall, assurance in their own operations suggest mid-sized businesses are in a good place, poised for success in 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 1,000 business owners, managers and directors (operators), conducted from March 22nd to April 21st, 2022. The businesses participating in the online survey were both non-employed 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).

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