

# Australia's SMEs: A Snapshot

MYOB Research Analysis

# The Australian SME

With roughly 2.4 million small and medium sized enterprises (SMEs) in Australia, generating more than \$700 billion dollars for the economy<sup>1</sup>, the sector plays a crucial role in our economic growth and productivity. The sector is also increasingly dynamic, with a younger and more diverse range of business owners generating innovation and fresh perspectives.

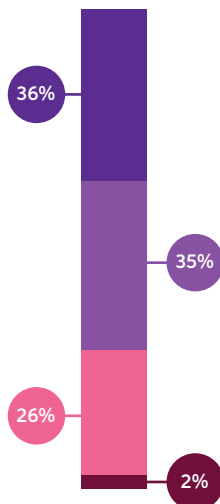
With that in mind, MYOB has combined its latest data – based on surveys of more than 1,000 SMEs across the country – as well as a range of MYOB and Government-owned data, to create this picture of the typical Australian SME.

This data highlights the dynamic and evolving nature of the SME sector.

<sup>1</sup> Productivity Commission, Small Business Access to Finance, September 2021

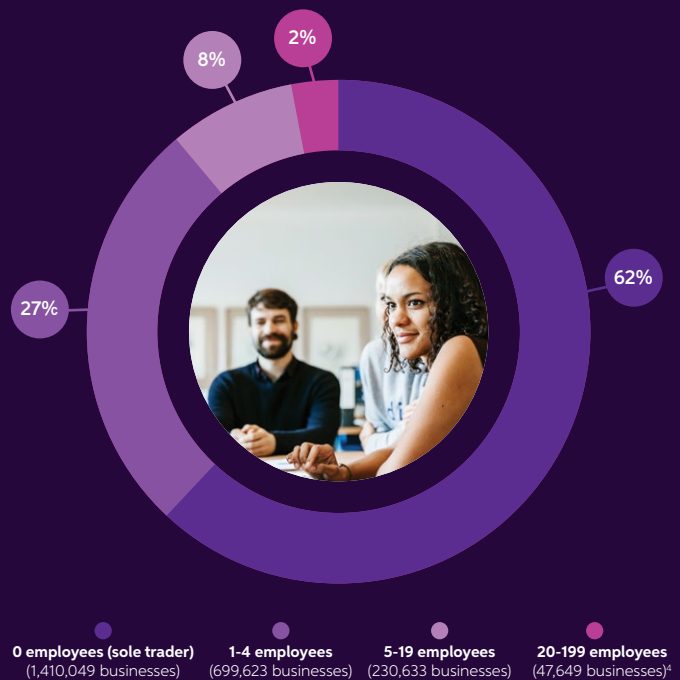
## Changing age demographics

The proportion of Gen X SME owners is coming close to that of Baby Boomers, who have dominated the market over the 12 years of the MYOB Business Monitor survey. Those born just ahead of the turn of the Century, the Millennial generation, are also starting to make their mark on the SME sector.



## Employee focus

In total, more than 7.4 million Australians are employed by SMEs<sup>3</sup>, making a major contribution to the employment market. However, sole-traders continue to dominate the sector, making up almost two-thirds of all SMEs.



<sup>3</sup> Productivity Commission, Small Business Access to Finance, September 2021

<sup>4</sup> Australian Bureau of Statistics, Counts of Australian Businesses

# Who is the typical SME owner or operator?

## Approaching gender parity

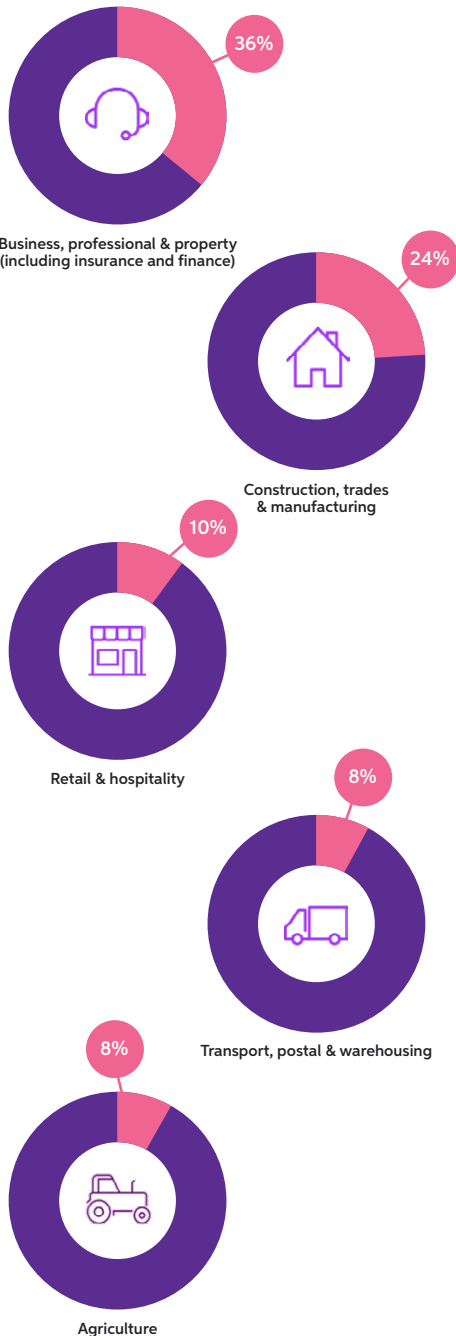
The Australian SME sector is seeing an increasing representation of women, with the proportion of female owners in the sector increasing from 40% over the last five years.



<sup>2</sup> MYOB Business Monitor, 2022-2018

## Growing SME industries

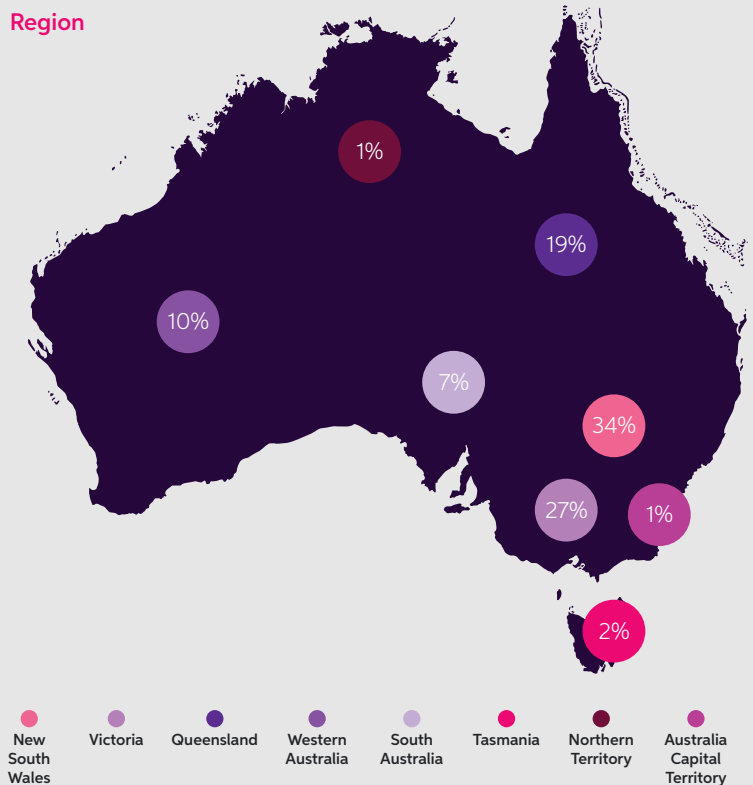
While the business, professional and property sector makes up the largest proportion of SME businesses in Australia, construction, trades and manufacturing operations also account for close to a quarter of all smaller enterprises in the market.



## Location, location, location

SME owners tend to be based in the cities of our most populous territories, with a much smaller representation in the regions, and in rural Australia in particular.

### Region



### Location



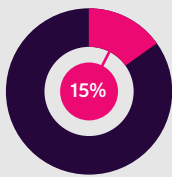
<sup>5</sup> MYOB Business Monitor, June 2022

# Productivity and Resilience

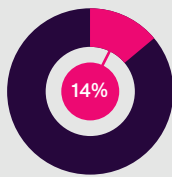
Getting paid and paying the bills, investing in staff and using technology – many of the day-to-day activities undertaken by Australian SMEs provide a useful insight into their ongoing health and resilience.

## Investing in Employees

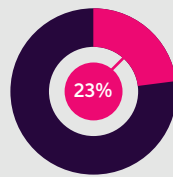
As the Productivity Commission notes, investment in human capital (employees) is a key indicator of productivity growth. Employees are typically the major investment undertaken by SMEs, who are preparing to hire more people and increase pay rates in the near future. Our research shows:



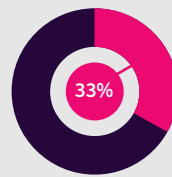
Will increase the number of part-time or casual employees in the next 12 months



Will increase the number of full-time employees in the next 12 months



Had given themselves or their staff a pay rise in the last three months (from Q1 2022)



Expect to give their staff or themselves a pay rise in the next 6-12 months

However, staff shortages are beginning to bite for SMEs, with 20% (Q1 2022) experiencing staff shortages. Of those businesses, they are short by just under 40% of the required workforce (mean proportion), posing significant challenges to their operations.

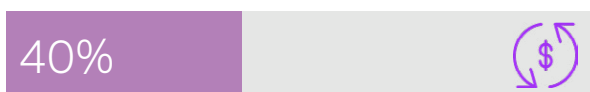
## Investments in intangible assets

Investments in intangible assets is also flagged by the Productivity Commission as being an indicator of SME productivity. We have seen businesses increasingly shift their available capital towards investing in intangible assets, such as tech. Almost two-thirds (64%) of SME owners believe it is important to adopt digital tools for their business to operate in today's environment. This has seen SMEs invest in a range of digital cloud-based software, with 35% digitising more of their business in the last 12 months.

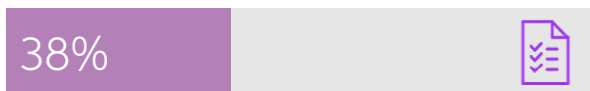
## Areas of focus for SME tech investment



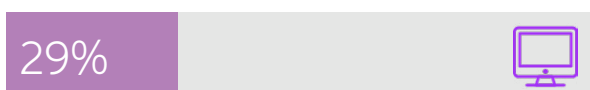
Tax (e.g. BAS lodgement)



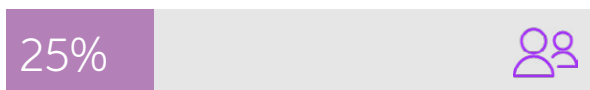
Cashflow (e.g. invoicing, online payments platforms)



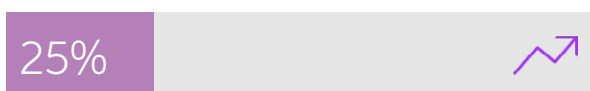
Compliance (e.g. single touch payroll, employee awards)



Work in progress (e.g. productivity, project management tools, inventory management)



Managing people (e.g. workforce management, time and attendance, recruitment)



Growth (e.g. online marketing, SEO)

## Invoicing as an indicator of business health

The median number of invoices sent and received per month – an indicator of the scale of business activity – are both down over the last five years. Since 2017, the number of monthly invoices sent and received by SMEs has fallen by around 30%.

Invoices sent per month

8

Median number of bills sent

Invoices received per month

20

Median number of bills received

Payment times have improved, however, reducing by two days in the last five years.

Invoice payment times – AU average

25

Days in 2022

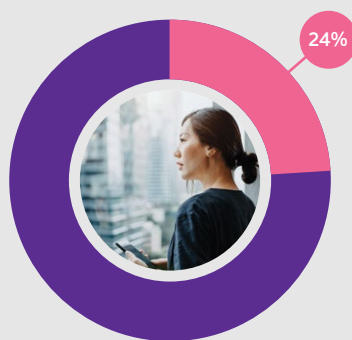


# SMEs: Changing their ways of doing business

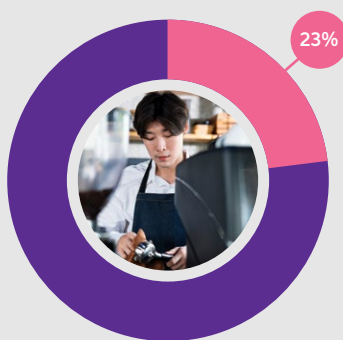
Despite being extremely challenged by COVID-19 over the last two years and continuing to grapple with rising inflation and disrupted supply chains, 41% of SMEs say they expect their profitability to improve over the year ahead.

## Business investment priorities

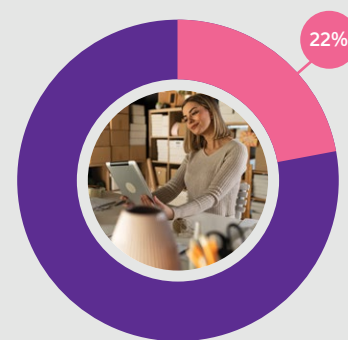
To offset the effects of inflation, 31% of Australian SMEs are planning to increase their own prices this year. In terms of areas of investment, businesses plan to focus on their people, diversifying their product or service range and online selling. Over the 12 months from Q1 2022:



Said the amount they pay the employees in their business will increase



Said the number or variety of products or services offered by their business will increase



Said they will increase the sale of products or services online

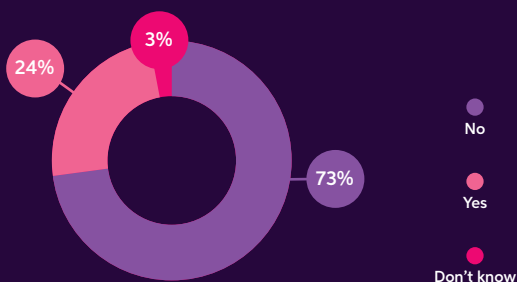
The number of businesses planning to diversify their range represents a marginal increase from the latest (8 July 2022) data from the Australian Bureau of Statistics, showing that between 2019-2021, 22% reported introducing a new good or service. Of these businesses who were able to invest in their businesses' innovation, 41% reported an increase in revenue, and 39% saw increased productivity, and 45% reported improved customer service<sup>6</sup>. Supporting businesses to invest in their processes and offerings creates a positive return on investment.

<sup>6</sup> Australian Bureau of Statistics, *Innovation in Australian Business*, 8 July 2022

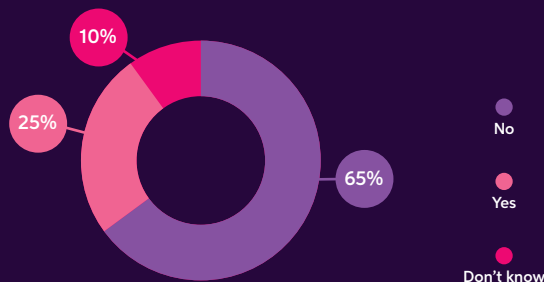
## Access to finance

Despite recent economic pressures, most SMEs are largely self-funded, with under a quarter (24%) accessing finance in the last 12 months, and around the same number planning to do so in the year ahead.

Have you accessed finance in the last 12 months?



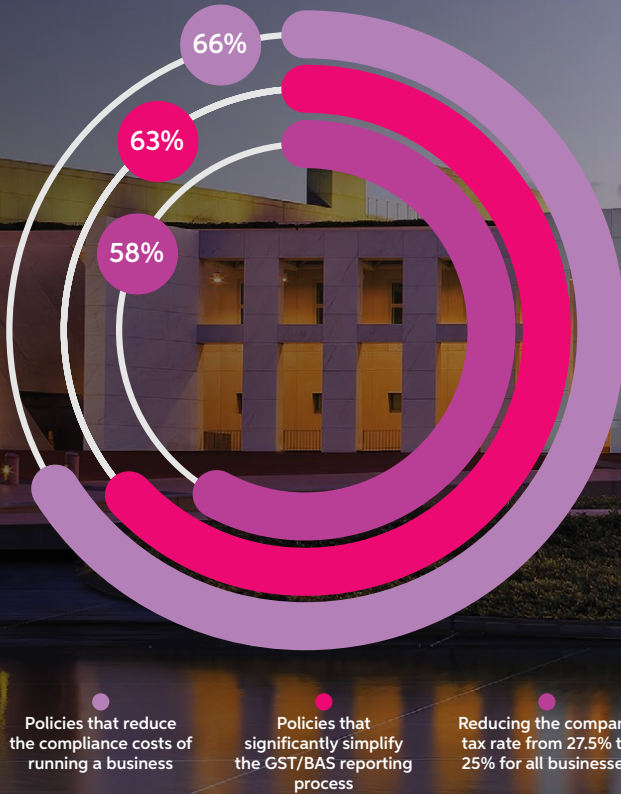
Do you plan to access finance in the next 12 months?



However, many SMEs believe the current financial system is not responsive enough for their needs. Two thirds (66%) said it takes too long for a business to access the funding it needs, with over half (54%) reporting their cashflow issues are solved by the time funding is approved.

## Government policy opportunities

Although a tax reduction would be welcomed by SMEs, in terms of policies they would support, SME owners are more interested in a reduction of compliance costs and complexity.



### Current operational challenges

Inflationary pressures – especially at the fuel pump – will be the key challenges faced by SMEs in 2022. Our data shows SME owners and operators also remain concerned around the lingering impacts of COVID-19, which 44% of businesses say has had a negative impact on their operation. However, a third (33%) say they expect to emerge from the pandemic stronger, compared to 16% who say their business will be weaker.

## Supporting local SMEs

Wherever they are across the country, and whatever their type of business, SMEs are the backbone of the Australian economy.

They provide jobs, greater investment, more choices and new opportunities for our communities, in every city and state.

The last few years have been particularly tough for SMEs. Understanding their needs has never been more important – and backing them has never been more vital. At MYOB, we are committed to helping businesses start, survive and succeed. Sharing this information is an important part of building greater understanding and recognition for Australian SMEs.



## The MYOB Business Monitor

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 22 to April 21, 2022. 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).

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