

IMPACT OF COVID-19 ON BUSINESSES IN AUSTRALIA

Third edition

BANK OF MELBOURNE ECONOMICS

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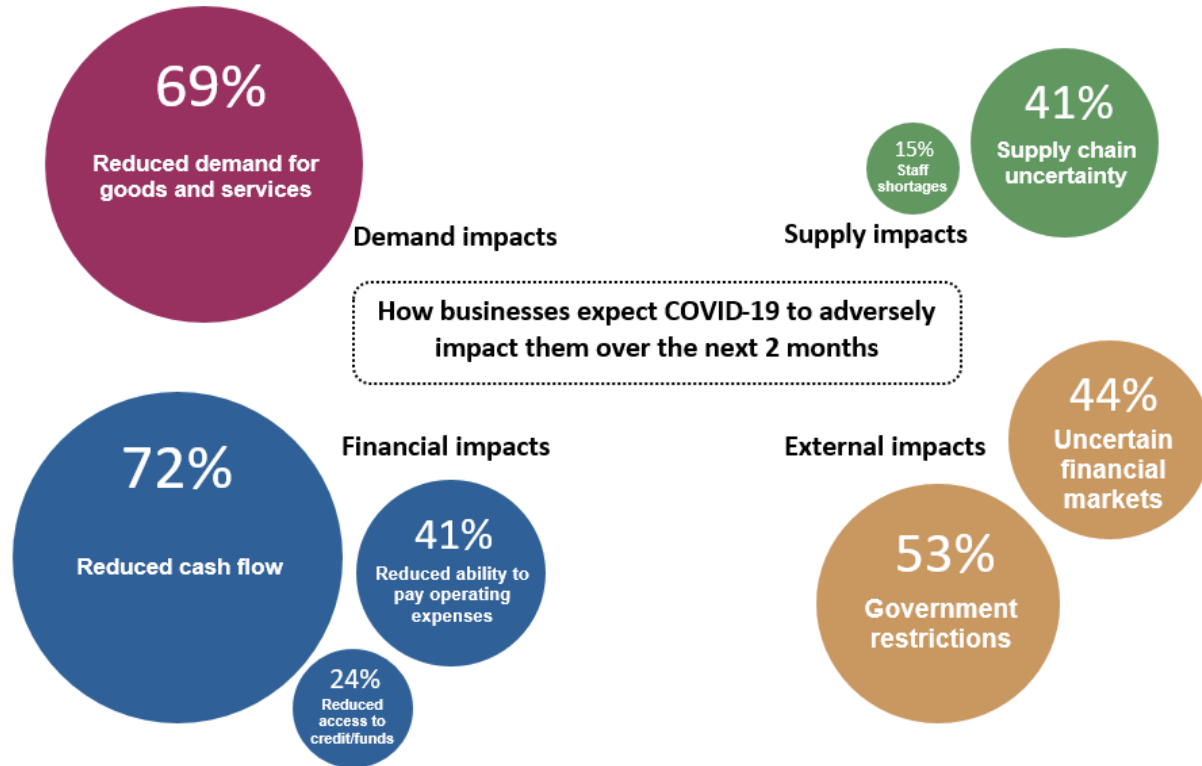
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OVERVIEW

- The third edition of the Australian Bureau of Statistics (ABS)'s survey measuring the impact of COVID-19 on businesses was released today.
- Its aim is to provide further information on the prevalence and nature of adverse impacts from COVID-19 experienced by Australian businesses.
- There were 2,014 businesses that took part in this latest survey, with the response rate of 60% higher than in the recent survey releases.
- The key themes of the survey questions were around business responses to the JobKeeper payment scheme, anticipated adverse impacts of COVID-19 on businesses and the capital expenditure intentions of businesses.
- Responses indicate that the JobKeeper wage subsidy, announced on March 30, has influenced some businesses to retain staff. The survey found that 61% of businesses had registered or intended to register for the JobKeeper payment scheme and 44% of businesses said that the JobKeeper payment scheme had influenced them to retain staff.
- A word cloud suggested that businesses who have not applied for JobKeeper have not done so because their turnover hasn't been sufficiently reduced, rather than administrative or other hurdles.
- Registration for the scheme is less prominent among large businesses (45% versus around 60% for small and medium sized businesses).
- Businesses in accommodation & food services were the most likely to report the JobKeeper Payment scheme having influenced their employment decisions (67%) and construction-sector firms were the mostly likely to have registered for JobKeeper.
- Firms continued to expect operating pressures due to the COVID-19 pandemic. Indeed, 72% of businesses expected reduced cash flow in the coming two months while 69% anticipated reduced demand for their goods and/or services.
- Meanwhile, 53% of firms expected government-mandated restrictions to continue adversely affecting their business over the next two months.
- Preliminary data for capital expenditure intentions in the 2020-21 financial year were also released. This data revealed a likely scaling back of investment spending in 2020/21. In particular, 16% of surveyed firms revised down their intentions for spending over 2020-21 between the December quarter of 2019 and the March quarter of 2020.
- Responses across the three main themes suggest that firms in accommodation & food services sector remain the most affected while mining companies reported the least expected disruption due to COVID-19.

ANTICIPATED ADVERSE IMPACT DUE TO COVID-19



Source: ABS

- 72% of businesses reported that they expected reduced cash flow in the coming months.
- This compares with 66% of businesses who reported that they had experienced reduced cash flow in the survey conducted in late March/early April.
- 69% of businesses said that they expected reduced demand for their product in the next two months.
- Government restrictions were expected to continue hampering operations over the next two months, according to 53% of surveyed businesses.
- Supply chain uncertainty and financial market volatility adversely affected 41% and 44% of businesses, respectively.

ANTICIPATED ADVERSE IMPACTS BY INDUSTRY

| | Reduced demand for goods or services | Reduced cash flow |
|---|--------------------------------------|-------------------|
| | % | % |
| All Businesses | 69 | 72 |
| Mining | 38 | 38 |
| Manufacturing | 82 | 75 |
| Electricity, Gas, Water and Waste Services | 44 | 40 |
| Construction | 73 | 77 |
| Wholesale Trade | 81 | 69 |
| Retail Trade | 61 | 62 |
| Accommodation and Food Services | 84 | 88 |
| Transport, Postal and Warehousing | 69 | 69 |
| Information Media and Telecommunications | 78 | 67 |
| Financial and Insurance Services | 41 | 45 |
| Rental, Hiring and Real Estate Services | 66 | 63 |
| Professional, Scientific and Technical Services | 62 | 65 |
| Administrative and Support Services | 80 | 81 |
| Education and Training | 79 | 88 |
| Health Care and Social Assistance | 57 | 68 |
| Arts and Recreation Services | 83 | 84 |
| Other Services | 73 | 86 |

(a) Proportions are of all businesses.

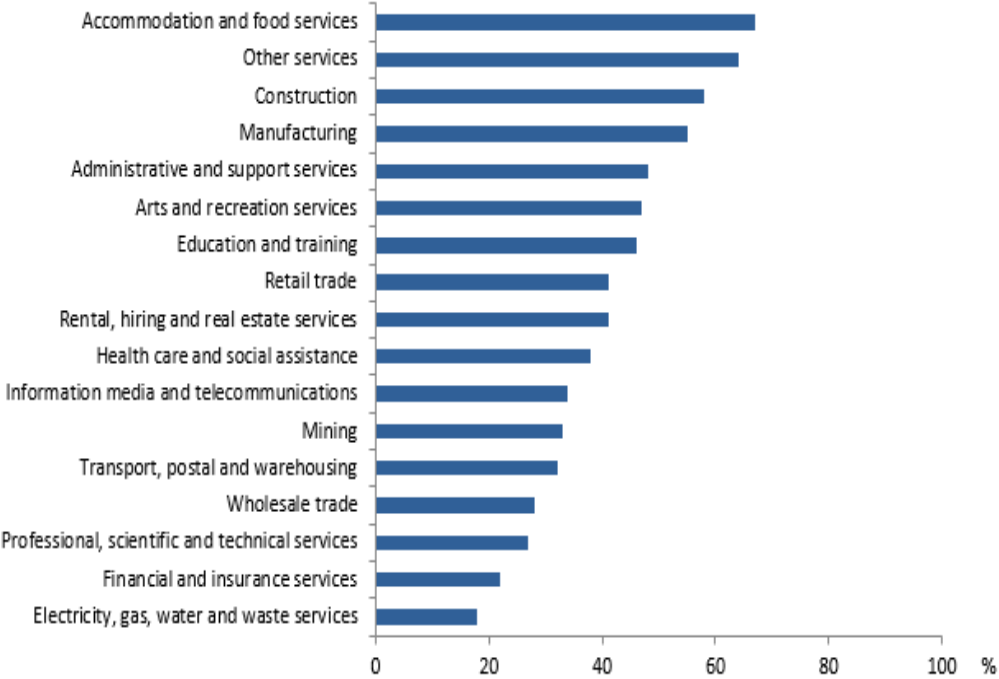
(b) Businesses could select more than one option.

Source: ABS

- Businesses most affected by social distancing measures were also more likely to report expectations for reduced cash flow and reduced demand for their goods and services.
- 84% of accommodation & food services businesses expected reduced demand for their goods and services in the coming months, closely followed by arts & recreation services.
- Manufacturers also expect to be relatively hard-hit, with 82% reporting that they expected to face reduced demand and 75% expecting cash flow to reduce.
- Mining companies reported the less anticipated adverse impact on demand, with 38% of respondents expecting a decline.
- 61% of retail companies forecasted turnover to reduce in the coming two months.
- Retailing includes groceries and food retailing. Results may have varied between discretionary and non-discretionary outlets..

RESPONSE TO JOBKEEPER

Employment decisions influenced by the JobKeeper Payment scheme, proportion of businesses by industry^(a)



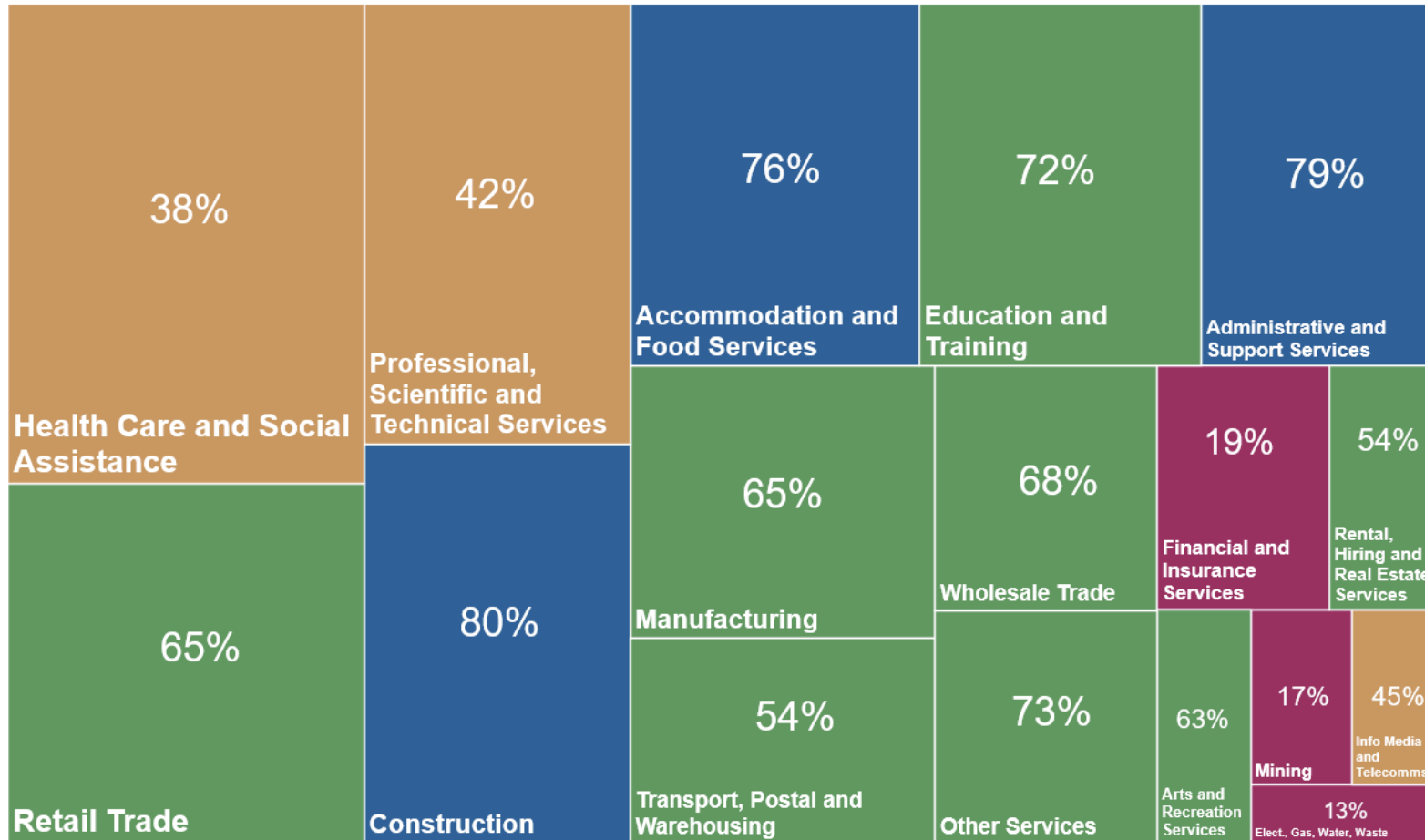
(a) Proportions are of all businesses.

Source: ABS

- 44% of businesses said that the JobKeeper wage subsidy, announced on March 30, influenced their decision to retain staff.
- The survey found that registration for the scheme is less prominent among large businesses (45% versus around 60% for small and medium sized businesses).
- Firms in the accommodation & food services industry were the most influenced by the scheme, followed by “other services” (a diverse range of services, including personal services such as hair care and beauty, and religious services).
- On May 1, the Federal government said more than 650,000 businesses have registered to access the JobKeeper payment scheme.

JOBKEEPER INTENTIONS

Industry share of total jobs^(a) and the proportion of businesses that registered or are intending to register for the JobKeeper Payment scheme^(b)



■ Less than 25% registered or intend to register
■ 50% to 74% registered or intend to register
■ 25% to 49% registered or intend to register
■ 75% or more registered or intend to register

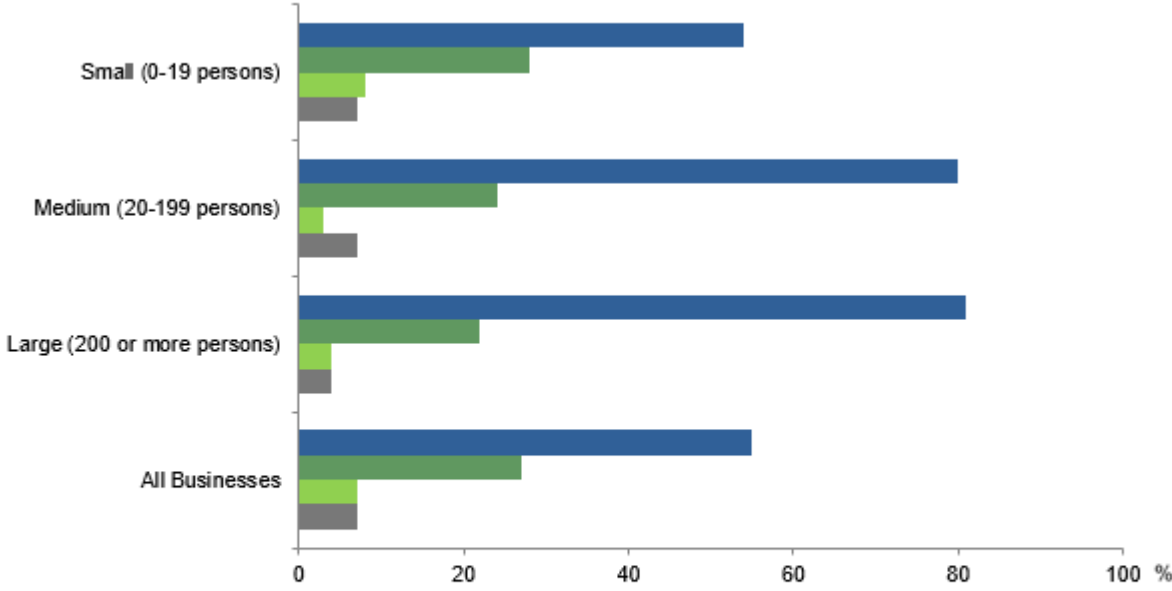
Source: ABS

- This survey showed 61% of businesses intended to register for the Jobkeeper Payment Scheme.
- Construction-sector firms were the mostly likely to have registered for JobKeeper, with 80% of firms registering. Construction is a relatively large employer in Australia.
- Employment size is illustrated by the size of the box in the figure.
- The largest sector by employment, health care & social assistance, recorded a lower share of applications, with 38%.
- By industry, registration is lowest amongst: finance (19%); mining (17%) and utilities (13%). This is consistent with these 3 industries being less impacted by a reduction in demand.
- Registration was below 50% in health care; professional, scientific & technical services; and information, media & technology.

(a) ABS Cat. No. 6150.0.55.003 - Labour Account Australia, Quarterly Estimates, December.

REASONS FOR NOT APPLYING FOR JOBKEEPER

Reasons for not registering for the JobKeeper Payment scheme, by employment size^{(a)(b)}

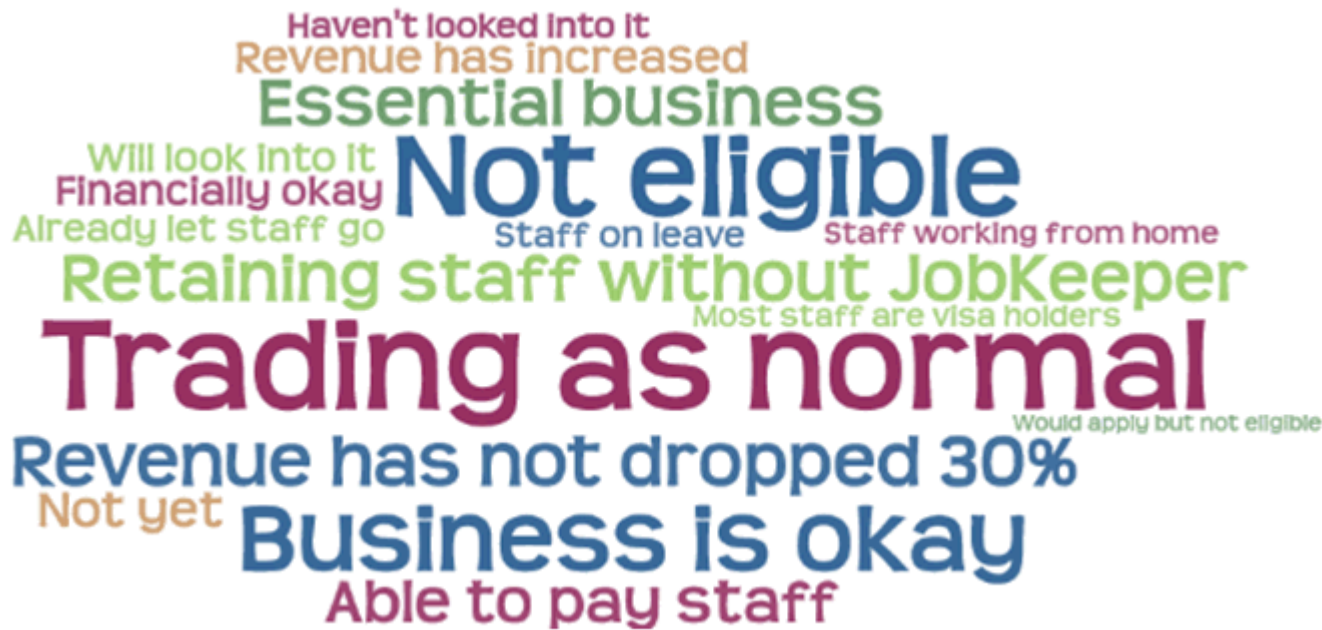


(a) Proportions are of businesses who do not intend to register for JobKeeper.
 (b) Businesses could select more than one option.

- Business does not meet eligibility criteria
- None of the employees meet the eligibility criteria
- Do not have sufficient cash flow to continue paying staff before JobKeeper payments commence
- Difficulty understanding eligibility criteria

- Of the 33% of companies who said they did not apply for JobKeeper, 55% said they did not fit the criteria.
- Large businesses (81%) were much less likely to meet the criteria. To qualify for JobKeeper, larger businesses must report a reduction in turnover of 50% or greater due to COVID-19 on a year ago compared with 30% or more for small to medium sized businesses.
- 8% of small businesses said they did not apply because they did not have the cash flow to pay their employees before the JobKeeper payments were processed.

REASONS FOR NOT APPLYING FOR JOBKEEPER – WORD CLOUD

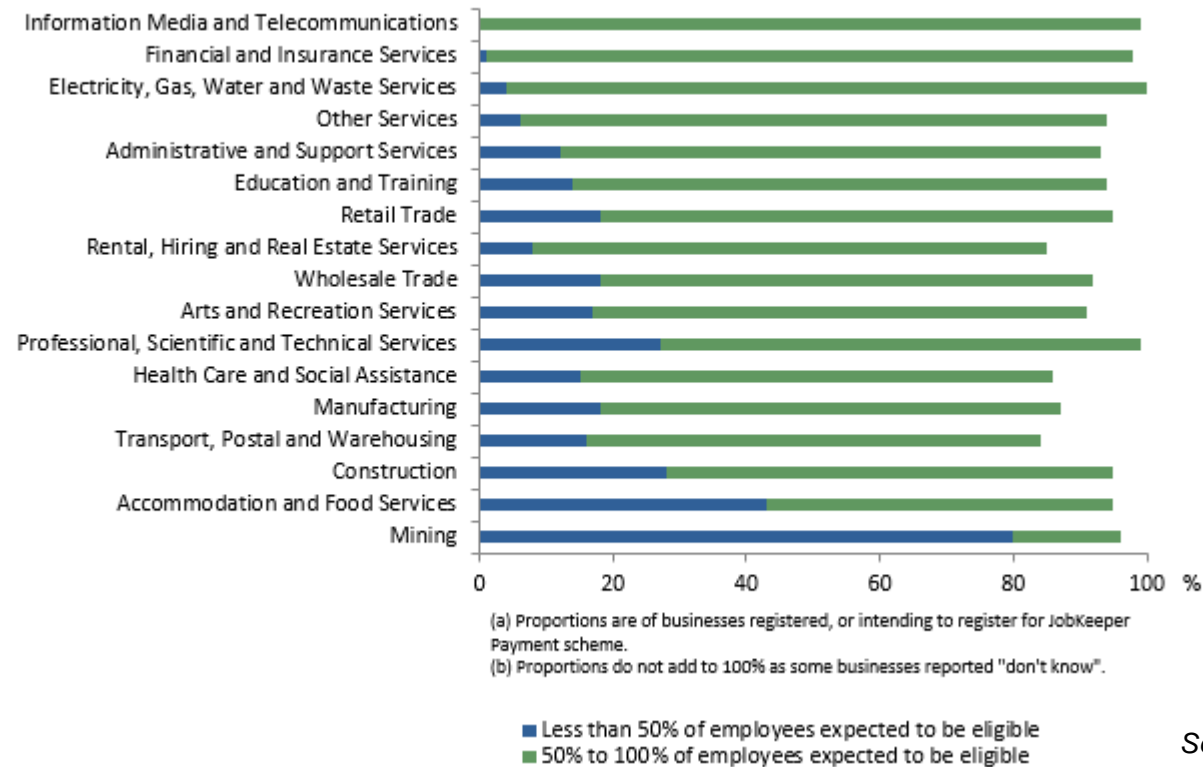


Source: ABS

- The ABS provided a word cloud highlighting the main themes for businesses not applying for JobKeeper.
- The key themes were that trading was unaffected by the restrictions to stop the spread of COVID-19 or that the business was exploring other ways to retain staff.
- It suggests that businesses who have not applied have not done so because their turnover hasn't been sufficiently reduced, rather than administrative or other hurdles.

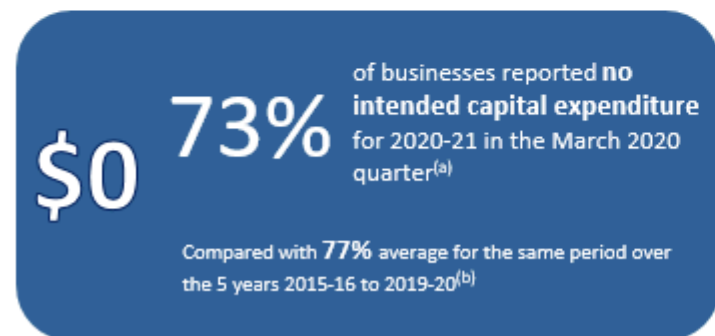
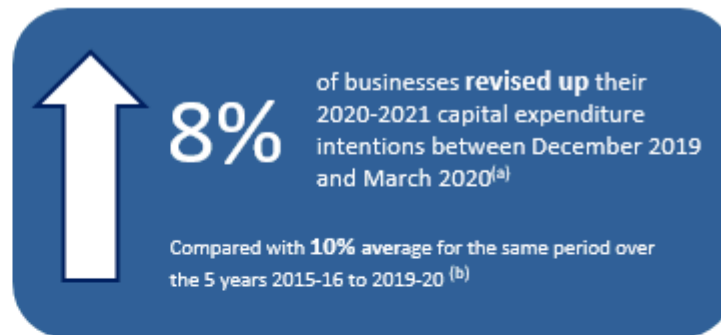
JOBKEEPER EMPLOYEE ELIGIBILITY

Proportion of business' employees expected to be eligible for the JobKeeper Payment scheme, by industry^{(a)(b)}



- Aside from eligibility criteria for businesses (including turnover reduction due to COVID-19 compared with a relevant period in the previous year), employees must meet certain criteria. Most notably, these include being employed as of March 1 as a permanent employee or a casual employee of more than one year.
- Mining and accommodation & food services firms were the least likely to have more than 50% of their workforce eligible for the scheme.

CAPITAL EXPENDITURE INTENTIONS



Source: ABS

- The Business Impacts of COVID-19 survey sample was taken from a larger sample used to produce the New Private Capital Expenditure Survey for the March quarter of 2020.
- The responses of these firms were used to provide a preliminary estimate of firms' new capital expenditure intentions for 2020-21.
- The data revealed that 16% of firms had revised lower their expenditure plans for 2020-21 between the December quarter of 2019 and the March quarter of 2020.
- Of firms that revised lower their capital expenditure plans, 54% reported a reduced ability to pay operating expenses and 72% reported decreased cash flow

(a) The intended capital expenditure change was calculated using businesses in the Business Impacts of COVID-19 survey sample which were selected in both the December 2019 and March 2020 quarters of the New Capital Expenditure Survey.

(b) 5 year averages are calculated based on responses to December and March quarter, New Capital Expenditure Survey for each year 2015-16 to 2019-20.

SURVEY DETAIL

- The third edition of the Australian Bureau of Statistics (ABS)'s survey measuring the impact of COVID-19 on businesses was released today.
- Its aim is to provide further information on the prevalence and nature of adverse impacts from COVID-19 experienced by businesses operating in Australia.
- A sample of 3,000 businesses was selected for this survey. The response rate was 60%, which is an improvement from 40% in the previous survey. 2,014 businesses took part in the survey.
- Sample selection was based on the March quarter 2020 new capital expenditure indicators survey, also published by the ABS.
- One of the main themes of this survey was JobKeeper and how it has affected employment decisions.
- Firms were also asked about any anticipated adverse impact due to COVID-19, as per previous editions of the survey.
- The businesses selected for this survey were a sub-sample of those surveyed for the March quarter 2020 new capital expenditure survey. As a result, preliminary data about capital spending intentions in the 2020-21 financial year has been released.
- Data collection started on 22 April, 2020 and was finalised on 28 April, 2020.
- Businesses who did not respond might not have done so because they are adversely impacted by COVID-19. If this were the case there is potential for systematic bias in these estimates. That would mean that the responses in this survey would underestimate the impact of COVID-19 on businesses.

SURVEY QUESTIONS

1 (a) Is your business currently trading?

- Yes [Go to Question 2]
- No [Go to Question 1b]

(b) Is the halt in business trading a result of COVID-19?

- Yes [Go to Question 2]
- No [Go to Question 2]

Note: At the end of March, the Australian Government announced the JobKeeper Payment scheme, which allows businesses impacted by COVID-19 to access a subsidy, to keep paying their employees.

2 Has the announcement of the JobKeeper Payment scheme influenced this business's decision to continue employing staff?

- Yes
- No
- Don't know

3 (a) Has this business registered for the JobKeeper Payment?

- Yes [Go to Question 4]
- No [Go to Question 3b]
- Don't know [Go to Question 3b]

(b) Does this business intend to register for the JobKeeper Payment?

- Yes [Go to Question 4]
- No [Go to Question 3c]
- Don't know [Go to Question 4]

(c) You indicated that this business does not intend to register for the JobKeeper Payment. Is that due to any of the following reasons? (select all that apply)

- Business does not meet eligibility criteria (e.g. turnover threshold)
- All employees do not meet the eligibility criteria (e.g. casual staff not employed on a regular basis for more than 12 months)
- Do not have sufficient cash flow to continue paying staff before JobKeeper payments commence
- Difficulty understanding eligibility criteria
- Other (please specify)

[Go to Question 5]

4 To the best of your knowledge, what proportion of employees are expected to be eligible for the JobKeeper Payment?

- Less than 25%
- 25% to less than 50%
- 50% to less than 75%
- 75% or more, but not all
- All employees
- Don't know

5 How do you expect Coronavirus (COVID-19) to adversely impact your business over the next 2 months: (select all that apply)

- Reduced demand for goods or services
- Supply chain uncertainty (e.g. unable to source stock or raw materials, increasing cost of inputs)
- Staff shortages (e.g. due to COVID-19 related illness, quarantine measures, school closures or transport interruptions)
- Reduced cash flow
- Reduced access to credit or additional funds
- Reduced ability to pay operating expenses (e.g. rent, loan repayments, wages etc.)
- Government restrictions
- Uncertain financial markets (e.g. \$AUD, interest rates, stock market)

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