

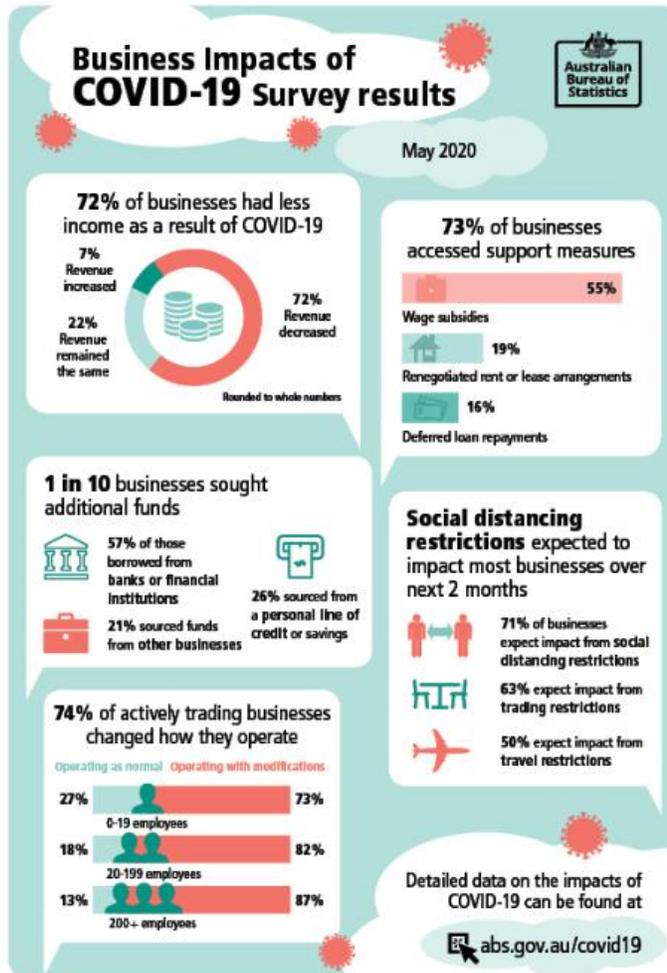
IMPACT OF COVID-19 ON BUSINESSES IN AUSTRALIA

Fourth edition

BANK OF MELBOURNE ECONOMICS

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INFOGRAPHIC & CONTENTS



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OVERVIEW

- The fourth edition of the Australian Bureau of Statistics (ABS)'s survey measuring the impact of COVID-19 on businesses was released today.
- It was conducted over the period 13 May – 22 May.
- The aim of the survey is to provide further information on the prevalence and nature of adverse impacts from COVID-19 experienced by Australian businesses.
- The survey has helped identify how businesses' operating conditions have changed in the wake of the COVID-19 pandemic.
- 74% of businesses said they had changed the way they operate and 72% said their revenue had declined as a result.
- More than half (55%) of businesses said they had received a wage subsidy and 38% said they had accessed other forms of government support.
- 16% of businesses in the survey said they had deferred loan repayments and 11% said they had sought additional funds due to COVID-19.
- A greater proportion of small businesses deferred loan payments (16%), but there was a smaller proportion receiving property rental deferrals (18% compared with 27% of medium sized businesses and 32% of large businesses).
- 71% of businesses said they expected social distancing measures to negatively impact their operations in some way over the next two months. 63% said trading restrictions would continue to have an impact and 50% said that travel restrictions would hamper their operations.
- Businesses were asked what would be required for business to return to pre-COVID-19 levels, aside from the relaxation of restrictions. 35% said it would require a revival in demand, highlighting the crucial role that confidence will play in the recovery.

OPERATING CONDITIONS HAVE CHANGED

Operating status of businesses, by industry^(a)

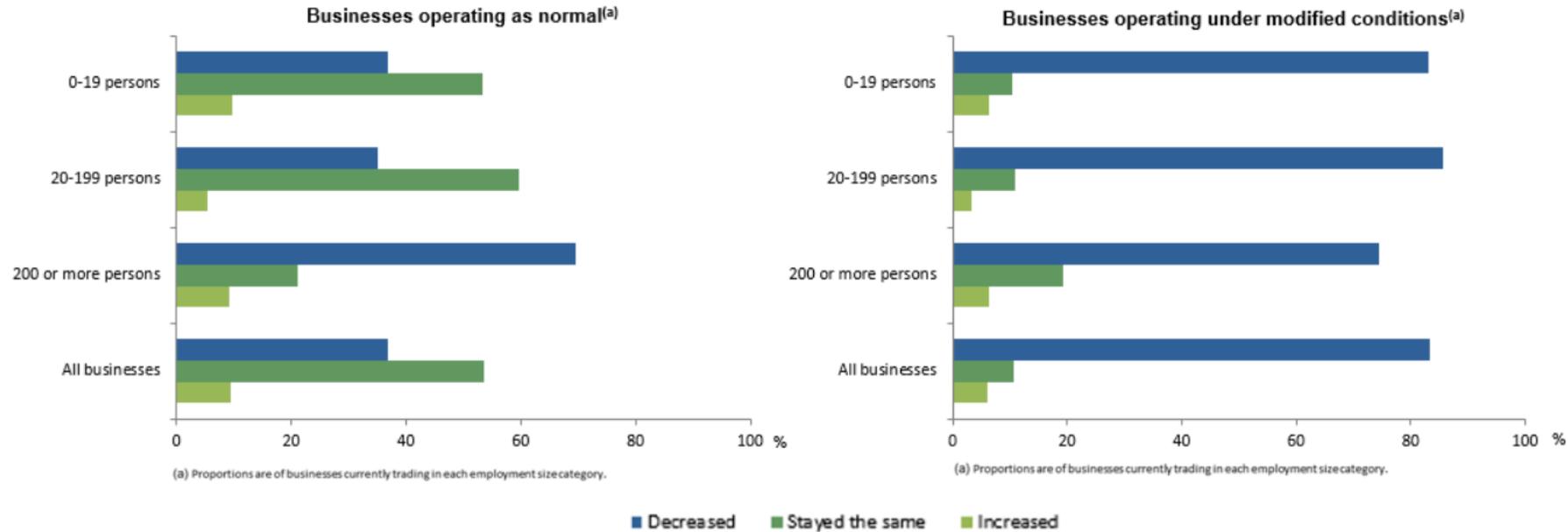


Source: ABS

- 74% of businesses surveyed said they had changed the way they operate in the wake of COVID-19.
- No sector has been immune to the impact of containment measures; more than 50% of firms in all industries reported changes to the way they operate.
- Sectors relying on physical patronage reported the most widespread incidence of operational change.
- Information media & telecommunications saw the most changes, with 96% of businesses having to adapt. Other notable sectors included healthcare & social assistance (93%), accommodation & food services (92%), education & training (91%) and arts & recreation (89%).
- 73% of small businesses said they had made changes to their operations compared with 87% of large businesses.
- 53% of businesses said they had reduced the hours their employees worked and 24% said they had fewer employees working for their business.

REVENUE HAS DECLINED

Changes in business revenue, by operational status^(a)

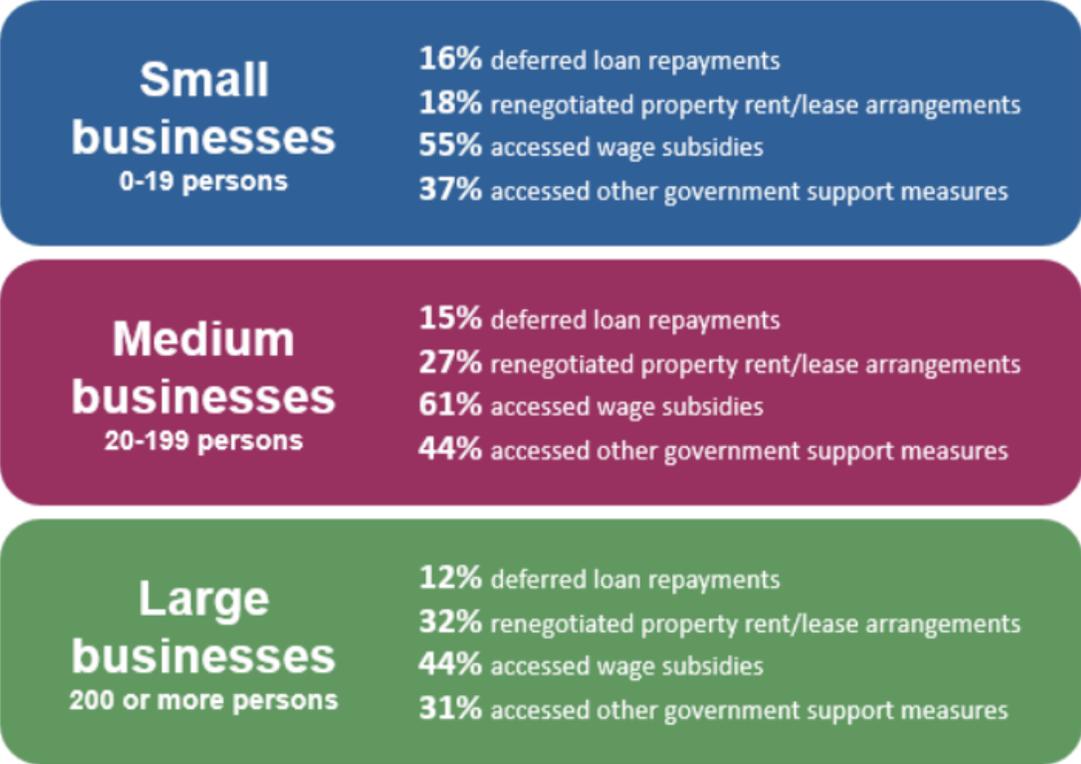


Source: ABS

- Despite taking measures to adapt to containment measures, revenue across most businesses has declined.
- 72% of all firms said their revenue had decreased due to COVID-19. 71% of small businesses reported a negative impact, compared with 78% and 73% of medium and large businesses, respectively.
- A total of 83% of businesses that were operating under modified conditions reported a decline in revenue, compared with 37% who did not modify their operations.

BUSINESSES HAVE SOUGHT SUPPORT

Business access to support measures, by employment size^(a)



(a) Proportions are of all businesses.

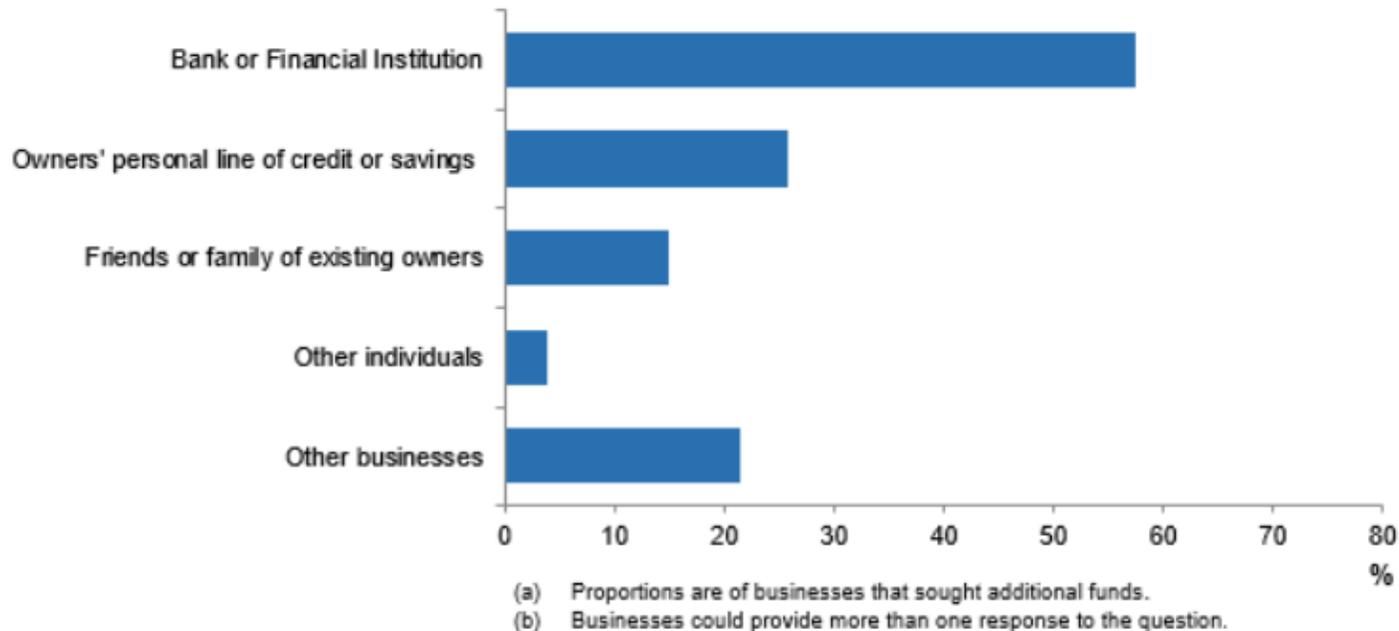
(b) Businesses could provide more than one response to the question.

Source: ABS

- 55% of all businesses surveyed said they had accessed a wage subsidy. The JobKeeper wage subsidy is the largest available program, however, there are other subsidies available, including for apprentices.
- The ABS reported that the highest prevalence of wage subsidies was in the education & training (67%) and arts & recreation (57%) sectors.
- The previous edition of this survey showed that 61% of all businesses surveyed had applied for JobKeeper.
- 16% of businesses said they had accessed support via loan deferrals offered by major financial institutions.
- 19% of businesses reported having re-negotiated their property rental arrangements.
- 38% of surveyed businesses said they had received other government support measures. These include temporary payments to support cash flow, instant tax write-offs, and credit and loan support.

ADDITIONAL FUNDS

Source of additional funds for businesses^{(a)(b)}



Source: ABS

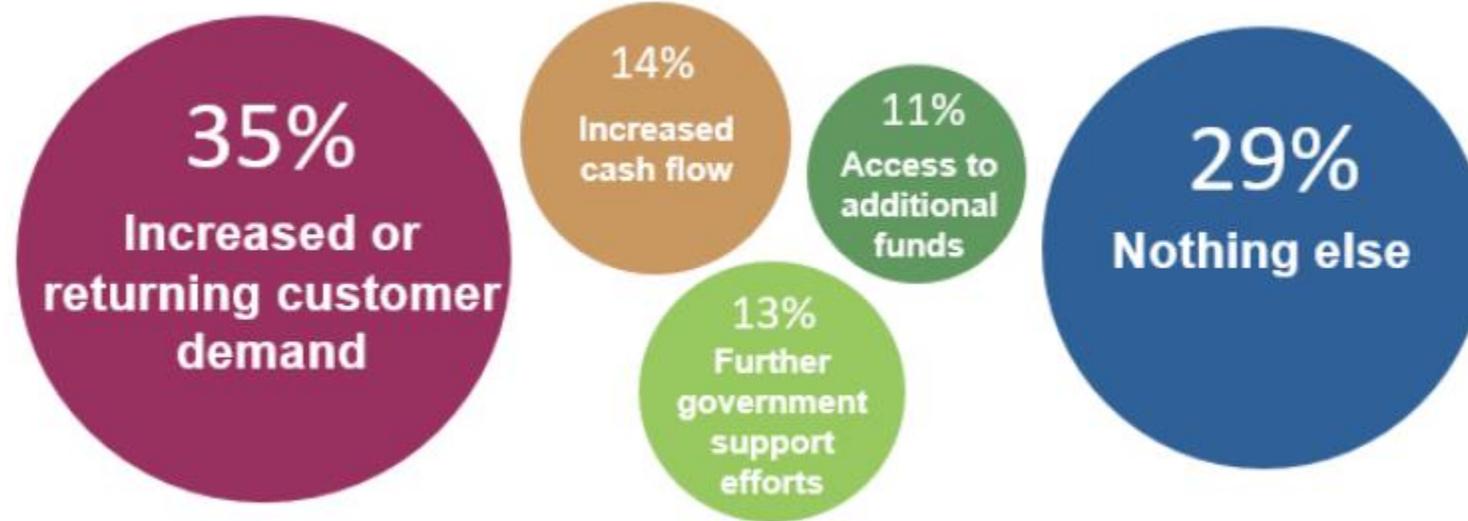
- 11% of businesses in the most recent survey said they had sought additional funding.
- Most businesses who boosted their liquidity did so via a bank or financial institution (57%).
- The Reserve Bank (RBA) established a \$90 billion lending facility to small and medium sized businesses to ensure that low cost funding would be available. Major banks and financial institutions pledged to continue lending through the crisis.
- 26% of businesses who obtained additional funds did so through the owners' personal line of credit or savings.

ANTICIPATED ADVERSE IMPACTS

- Businesses expected the impact of containment measures to continue over the coming two months.
- 71% of businesses said that social distancing restrictions would impact their operations in some way over the next two months and 63% said that trading restrictions would have an impact.
- The arts & recreation and accommodation & food services industries were the most sensitive to social distancing restrictions, with 68% and 50%, respectively, in each industry reporting that restrictions would impact them greatly.
- Travel restrictions were expected to have a negative impact by 50% of surveyed firms.

RECOVERY REQUIREMENTS

Aside from relaxing government restrictions, what is needed for businesses to return to pre-COVID-19 trading conditions?



(a) Proportions are of all businesses.

Source: ABS

- In the latest survey, businesses were asked what would be required for business to return to normal, aside from the relaxation of containment measures.
- 35% highlighted a return in demand, indicating that a return of confidence is a key issue for businesses.
- 29% said nothing else aside from the relaxation of containment measures was required for businesses to return to normal.

SURVEY DETAIL

- The survey is the fourth edition of the Australian Bureau of Statistics (ABS)'s survey measuring the impact of COVID-19 on businesses.
- 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 2,564 businesses was selected for this survey. The response rate was 56%, with 1,430 businesses taking 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 how businesses operating conditions have changed in the wake of the COVID-19 pandemic.
- Firms were also asked about changes to their operating conditions, their revenue situation, whether they had sought support and about their views on future business impacts.
- Data collection started on 13 May, 2020 and was finalised on 22 May, 2020.
- As has been the case for all editions of this survey, 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 this 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 3]
- No [End of survey]

2 Since the start of March, what changes has this business made to its operations, as a result of COVID-19?

- None, continued trading as normal
- Continued operating under modified conditions (such as shifting more operations online, or trading with a reduced workforce)

3 How has COVID-19 impacted has the revenue of this business?

- Decreased
- Increased
- Remained the same

4 Has this business accessed any of the following support measures as a result of COVID-19? (Yes / No / Don't know)

- Deferred loan repayments
- Renegotiated property rent/lease arrangements
- Wage subsidies (e.g. JobKeeper, apprenticeship wage subsidies)
- Other government support measures
- Other support measures (please specify)

5 Has this business sought any additional funds as a result of COVID-19?

- No
- Yes [Go to Question 5a]

(a) From which of the following has this business sought additional funds? (select all that apply)

- Business sought additional funds from bank or financial institution
- Owners' personal line of credit or savings (e.g. redraw facility on an existing loan)
- Friends or family of existing owner(s)
- Other individual(s)
- Other businesses
- Other sources (please specify)

6 Has this business made any of the following changes to its workforce in response to COVID-19: (Yes / No / Don't know)

- Reduced the total number of employees working for this business
- Reduced the number of hours worked by staff currently employed
- Reduced the hourly rate of pay for any employees
- Applied a wage freeze for any employees
- Placed staff on paid leave
- Placed staff on unpaid leave

7 (a) To what extent do you expect the following government restrictions to impact this business in the next 2 months?

Restrictions on trading such as forced closures or restrictions to on-site operations? (select one only)

- Not at all
- To a small extent
- To a moderate extent
- To a great extent

Social distancing restrictions? (select one only)

- Not at all
- To a small extent
- To a moderate extent
- To a great extent

Travel restrictions (including state, interstate and international travel)? (select one only)

- Not at all
- To a small extent
- To a moderate extent
- To a great extent

(b) Aside from relaxing government restrictions, what is needed for this business to return to its pre-COVID-19 trading conditions?

(interviewer coded response)

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