

IMPACT OF COVID-19 ON BUSINESSES IN AUSTRALIA

ST.GEORGE ECONOMICS

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OVERVIEW

- The Australian Bureau of Statistics (ABS) today released a report highlighting the prevalence and nature of adverse impacts from COVID-19 experienced by businesses in mid March.
- The survey was conducted between 16 and 23 March and finalised on March 23. The Federal government's announcement of Stage 1 restrictions on social gatherings was announced 22 March, but there was some speculation of restrictions ahead of the announcement.
- This survey showed that a high number of businesses have been impacted by COVID-19 (49%) and more are expected to be impacted in coming months (86%).
- Businesses operating in accommodation & food services were the most adversely impacted, followed by arts & recreation services and both retail trade and wholesale trade.
- By contrast, businesses in professional, scientific & technical services, electricity, gas & water supply and mining were the least adversely impacted by COVID-19 in the previous two weeks.
- Accommodation & food services is expected to continue to experience an acute adverse impact in coming months. But in coming months, the survey indicates wholesale trade as the industry expected to be most adversely impacted.
- Industries in the top five of industries most adversely impacted by COVID-19 are also significant employers in Australia.
- A fall in local demand was the most common impact experienced by businesses. It is also the most common impact expected in coming months.
- Of impacted businesses, over a third had experienced staff shortages and 59% expected to experience staff shortages in coming months.
- The ABS also provided word clouds to illustrate additional impacts identified by businesses. Cash flow issues was one of the largest themes identified as an additional impact over the last two weeks, but the most prominent theme shifts to business closures for concerns around the future. Job losses was also a big theme for the future.
- This report highlights that businesses in the current environment are trying to preserve cash and mitigate costs to survive the crisis.
- Australia cannot avoid a recession and we now expect the recession to extend to the September quarter. The duration of the recession depends on the duration of this health crisis and how long it takes for the number of new daily infections to peak.

SURVEY DETAIL

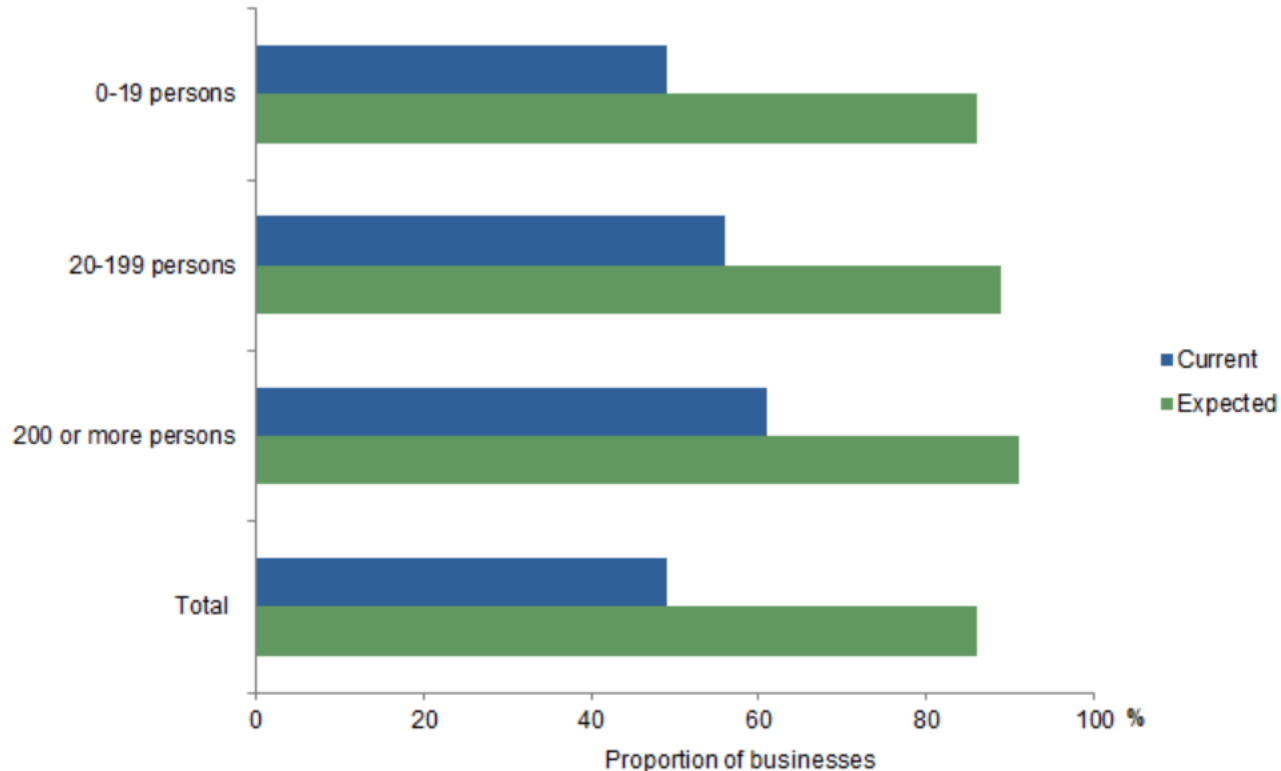
- The Australian Bureau of Statistics (ABS) today released a publication giving information on the prevalence and nature of adverse impacts from COVID-19 experienced by businesses operating in Australia in mid March.
- A sample of 3,000 businesses was selected for this survey. The response rate was 41%.
- The data in this survey was collected from 1,217 businesses through a telephone-based survey.
- These businesses form a sub-sample of those included in the March quarter 2020 business indicators survey, also published by the ABS.
- Data collection started on March 16 and was finalised on March 23.
- This survey was conducted mostly before the Federal government's 22 March announcement of Stage 1 restrictions on social gatherings, but there was some speculation of restrictions ahead of the announcement.
- Response rates were significantly lower than typical ABS collections (41%).
- 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) In the last two weeks, was your business adversely impacted by Coronavirus (COVID-19)?
- Yes
 - No
- (b) **How** has Coronavirus (COVID-19) adversely impact your business? *(select all that apply)*
- Reduced local customer demand
 - Reduced international customer demand (either overseas based customers or visiting international tourists)
 - Reduced stock or raw materials (such as material inputs)
 - Increased costs of stock or raw materials (such as material inputs)
 - Staff shortages due to COVID-19 related illness, quarantine measures, school closures or transport interruptions
 - Other (please specify)
- 2 (a) Do you expect Coronavirus (COVID-19) to adversely impact your business in coming months?
- Yes
 - No
- (b) **How** do you expect Coronavirus (COVID-19) to adversely impact your business, for example? *(select all that apply)*
- Reduced local customer demand
 - Reduced international customer demand (either overseas based customers or visiting international tourists)
 - Reduced stock or raw materials (such as material inputs)
 - Increased costs of stock or raw materials (such as material inputs)
 - Staff shortages due to COVID-19 related illness, quarantine measures, school closures or transport interruptions
 - Other (please specify)

- These were the questions asked in the survey conducted by the ABS.

BUSINESSES IMPACTED BY EMPLOYMENT SIZE



- A high number of businesses said they were impacted by COVID-19.
- The survey showed 49% of businesses surveyed had experienced an adverse impact as a result of COVID-19 during the previous two weeks and 86% of businesses expected to be impacted in future months.
- Businesses with more staff were impacted more deeply, however, the impact was broad-based.
- All businesses expect the impact to deepen significantly in the future (as reflected in the green bars on the chart on the left).

MANY INDUSTRIES IMPACTED ARE LARGE EMPLOYERS

Top 5 Industries currently experiencing an adverse impact from COVID-19

	Currently adversely impacted by COVID-19 (% reporting yes)	% Employed of Total
Accommodation & Food Services	78	7.2
Arts & Recreation	73	1.9
Wholesale Trade	70	3.0
Retail Trade	69	9.7
Healthcare & Social Assistance	68	13.8

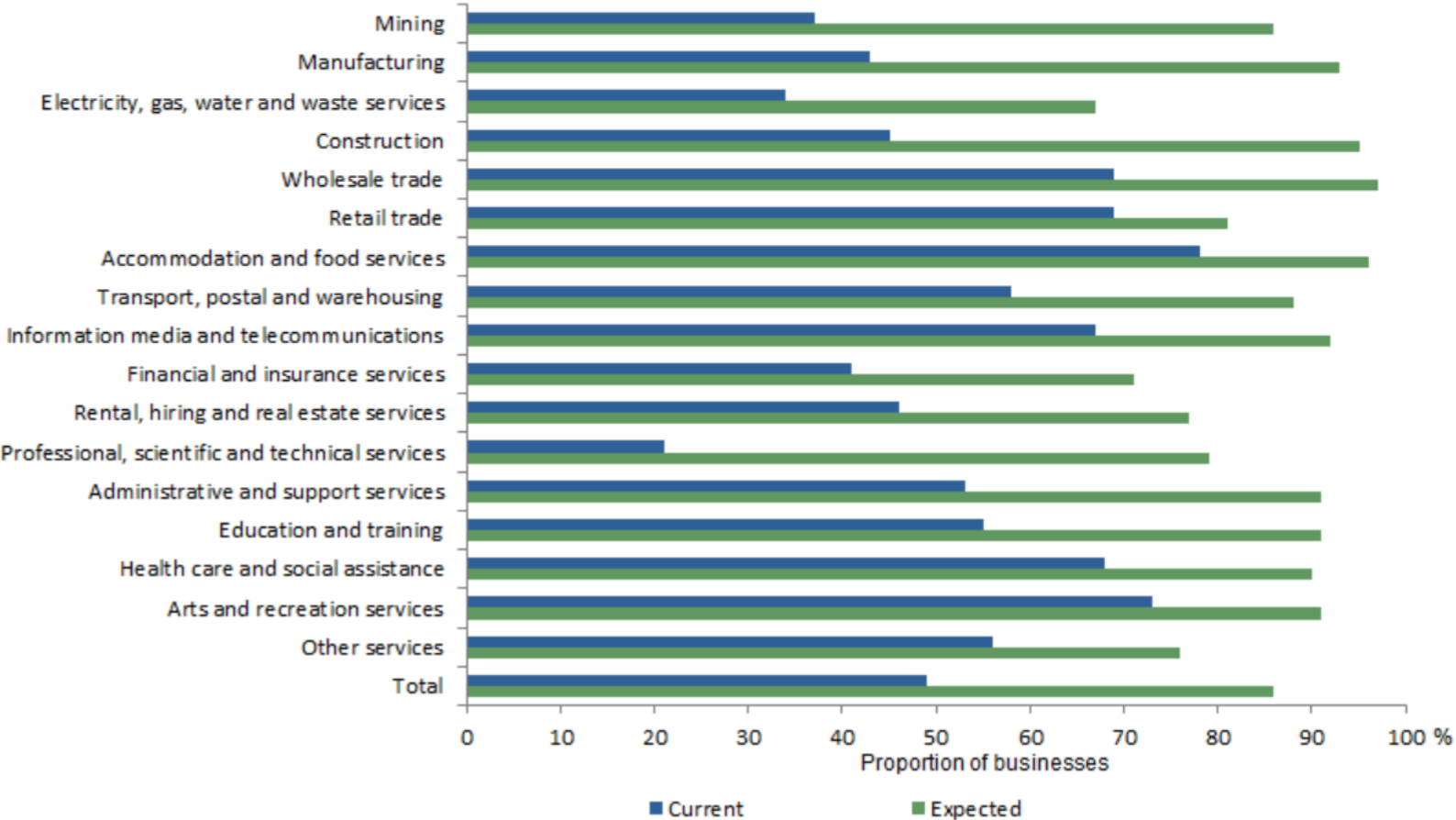
Top 5 Industries expecting an adverse impact from COVID-19

	Expected to have an adverse impact by COVID-19 (% reporting yes)	% Employed of Total
Wholesale Trade	97	3.0
Accommodation & Food Services	96	7.2
Construction	95	9.1
Arts & Recreation	93	1.9
Manufacturing	92	7.0

% reporting yes are estimates based on eyeballing the chart data provided by the ABS

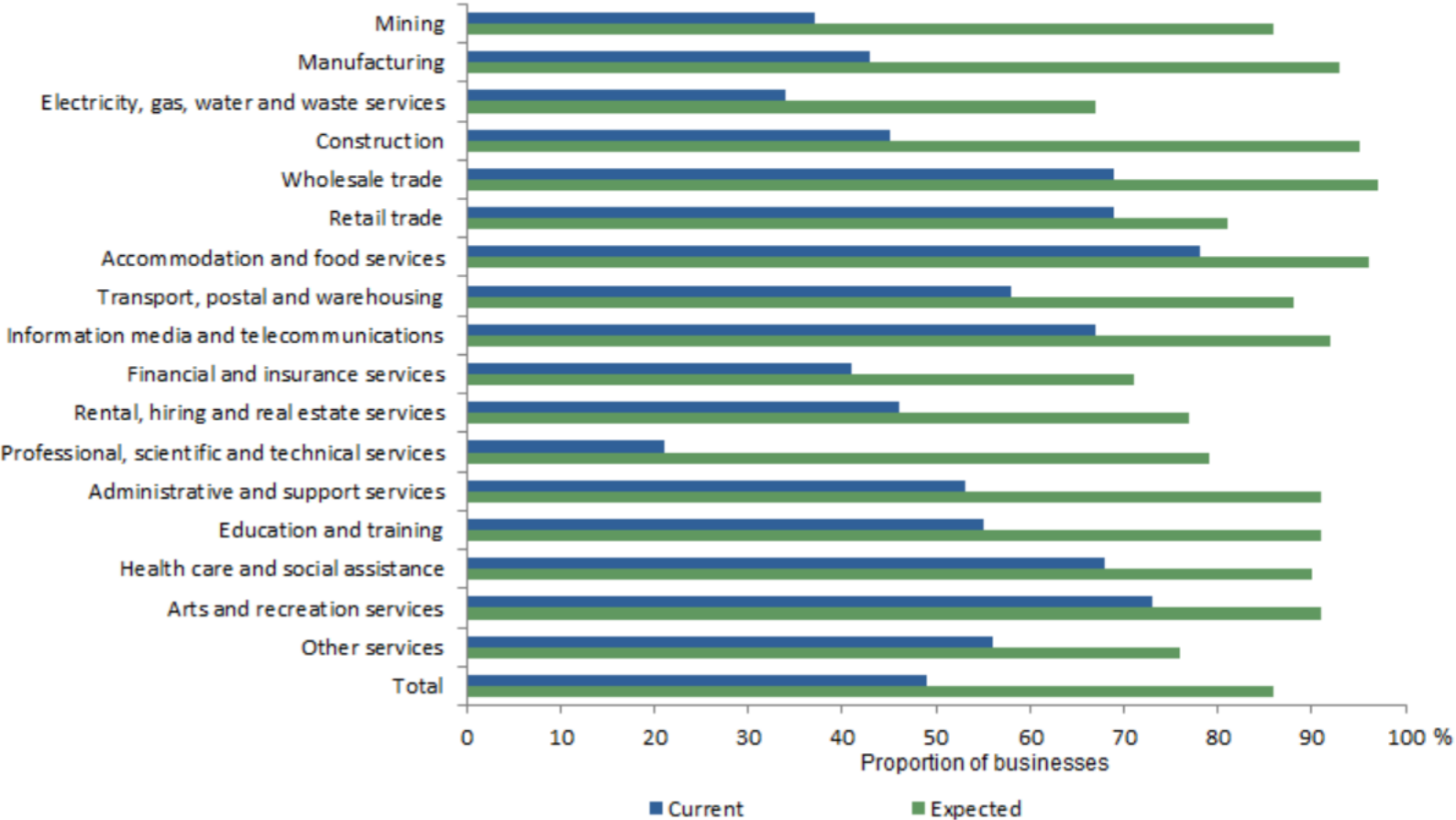
- Three of the industries in the top 5 of industries experiencing the most adverse impact are significant employers in Australia. These are accommodation & food services, retail trade and healthcare & social assistance.
- Construction and manufacturing are also large employers and a high proportion of firms in these industries are expecting an adverse impact from COVID-19.

BUSINESSES IMPACTED BY INDUSTRY – CURRENT CONDITIONS



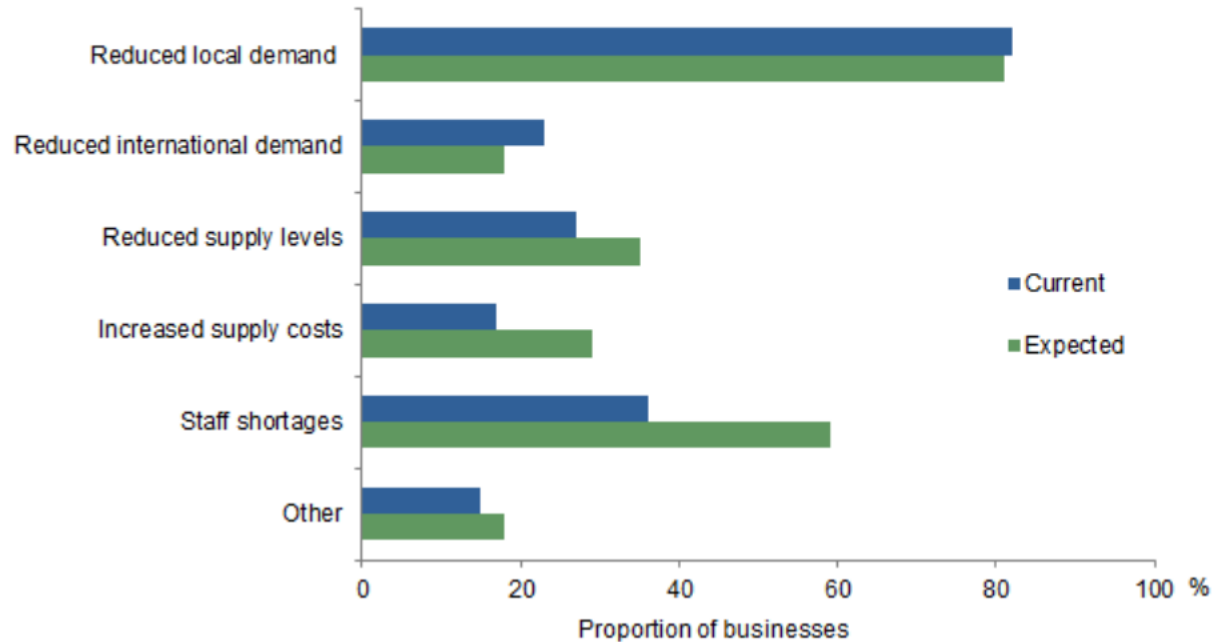
- Accommodation & food services experienced the most adverse business impacts in the previous 2 weeks (at 78%).
- It was followed by arts & recreation services and both retail trade and wholesale trade.
- By contrast, businesses in professional, scientific & technical services (21%), electricity, gas & water supply (34%) and mining (37%) were the least likely to have been adversely impacted by COVID-19 in the previous two weeks.

BUSINESSES IMPACTED BY INDUSTRY – FUTURE CONDITIONS



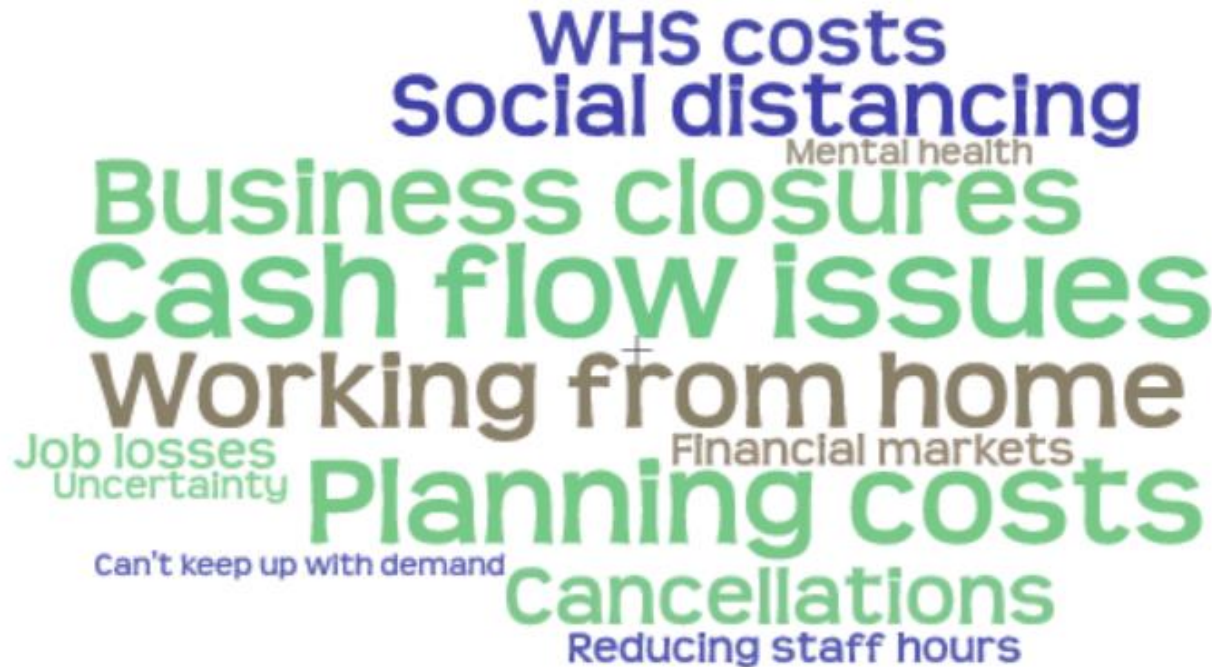
- Accommodation & food services (78%) is expected to continue to experience an acute adverse impact in coming months (rising from 78% of businesses impacted to nearly 100%).
- Wholesale trade is the industry expected to have the biggest impact in the future, just pipping accommodation & food services at the post.

TYPES OF IMPACTS ON BUSINESSES



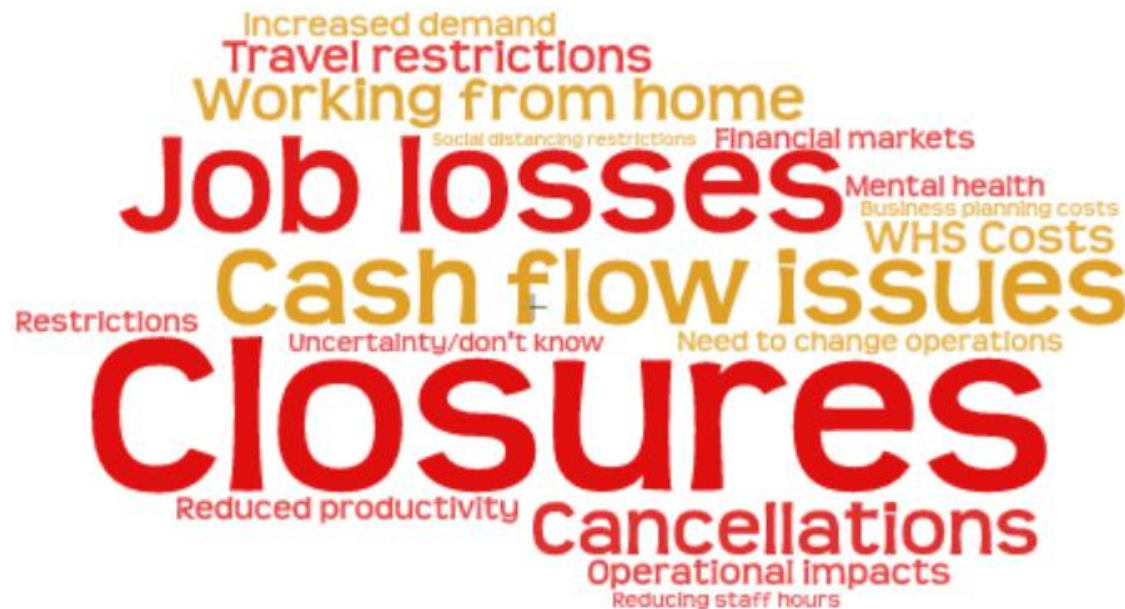
- The types of impacts reported by businesses surveyed included reductions in local demand, reductions in international demand, reduced supply levels, increased supply costs and staff shortages.
- A reduction in local demand, which was the most common impact experienced by businesses – 82% of businesses reported this impact.
- It is also the most common impact expected in coming months (81%).
- Of impacted businesses, over a third had experienced staff shortages (36%) and 59% expected to experience staff shortages in coming months.

WORD CLOUD – IMPACTS OF LAST TWO WEEKS



- A word cloud is a collection words depicted in different sizes.
- The bigger and bolder words reflect the more common themes identified by businesses as an additional impact due to COVID-19.
- Cash flow issues was one of the key themes identified as an additional impact due to COVID-19 over the last two weeks.
- Planning costs was also a major theme.

WORD CLOUD – FUTURE IMPACTS



- Closures is the largest theme identified as an additional impact due to COVID-19 coming weeks.
- Job losses was the next biggest theme.
- Cash flow issues are the third largest theme for coming weeks compared with the biggest theme in the past two weeks.

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