Sensis Business Index
Australia’s Leading Small and Medium Business Outlook & Confidence Survey
March Quarter 2020
How Australia’s small businesses are coping with Bushfires & COVID-19
Introduction

The Sensis Business Index is based on 1,015 online interviews conducted between 4 and 28 March 2020 with small and medium business proprietors or managers employing up to 199 people. This sample is drawn from metropolitan and major non-metropolitan regions throughout Australia with targets set for location and industry on page 23. Glow is responsible for fieldwork and Dynata for sampling.

The Index is a survey of Australia’s small and medium businesses (SMBs) which commenced in 1993 to measure and track:

- SMB business activity over the last three months
- Expectations for the current quarter
- Overall confidence among SMBs

The Index samples SMBs nationally, enabling broad scrutiny of this sector and relevant trends and issues. It examines differences by location, business size and industry. The aim is to reflect the attitudes and behaviour of SMBs, which comprise some 98%* of Australian businesses and make up 67%* of the country’s GDP (*Deloitte).
Executive Summary

Even before the COVID-19 pandemic, Australia’s small businesses were feeling stressed by the bushfire devastation and every day cost pressures.

The Sensis Business Index shows a massive drop in confidence in just two weeks as the reality of Coronavirus hit Australia. Confidence fell from positive 40 on 10 March to negative 13 on 24 March.

Australia’s small businesses were feeling the squeeze before the impact of the Coronavirus hit. But the massive fall in confidence in just a matter of 14 days, while not a surprise, was the fastest drop in the 25 year history of the survey.

The first survey respondents were in early March but as time progressed the stark reality of COVID-19 hit Australia’s small businesses quickly with sentiment changing mid-survey. At the start of March, 29.7% of SMBs had seen no impact on their business with 35.6% expecting to see an impact in the coming months.

By the third week of March, 32% had seen a severe impact, 35% had seen some impact and 26% were expecting an impact. The extraordinary speed of the change in confidence is not something we’ve ever witnessed before, it was as if a speed train had hit the majority of small-medium businesses in Australia with 47% surveyed now worried about the future.

Despite the realities of lockdown, more than one-third (34%) of small businesses were showing resilience and still confident about the future, suggesting they are hopeful about a quick bounce back post lockdown.

In terms of the state and territory economies, 57% of SMBs believe their state economy is shrinking, and 35% believe it is at stand still. South Australian SMBs were most pessimistic with 67% feeling the SA economy was shrinking. ACT small businesses were the most confident (47.3% were confident) while South Australian SMBs were the most pessimistic (52.3% not confident).

In the March quarter nearly one-third (30%) of SMBs saw the value of their goods or services decline and 44% reported that the prices they pay for goods and services they use increased during the quarter.

It will be interesting to see if this has continued when we survey SMBs again in July. Australia’s SMB’s are extremely resilient bunch and I’m optimistic of them bouncing back from COVID:19, our next report in July will capture their sentiment towards recovery.
SMB confidence
SMBs confidence crashes

SMB Confidence

- Confident
- Worried
- *Net Balance
SMBs confidence crashes

• There was a massive drop in confidence in just two weeks as the reality of Coronavirus hit Australia. Confidence fell from positive 40 on 10 March to negative 13 on 24 March. The fall in confidence in just a matter of 14 days, while not a surprise, was the fastest drop in the 25 year history of the survey.

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Confidence by state and territory
SMBs not thinking of a rapid recovery

Confidence for the coming 12 months

Confident | Worried
Impact of Coronavirus

- The reality of the Coronavirus lockdown hit small businesses during the sampling period. At the start of March only 7% of respondents said that the Coronavirus was having a severe impact on their business.
- Just two weeks later, this had risen to 32%.

How is COVID-19 impacting your business?

- We are seeing delays in manufacturing...
- Our sales have reduced significantly
- Our export markets are impacted
- We are experiencing delays in...
- Supply chain issues are impacting our...
- We are seeing reduced visitor numbers
- Our sales have reduced slightly

What impact, if any, is the coronavirus having on your business?

- No impact at all
- None yet but we expect it to
- Some impact
- Severe impact
- Other
Factors underpinning confidence

- 44% of SMBs reported a rise in what they paid for goods and services. This figure is a significant rise on previous quarters.
- 24% of SMBs reported increasing their prices to compensate for rising costs and falling profitability (31% reported a fall in profitability).
- There was a net decrease in all types of workers employed by small businesses except casuals which was net neutral. Full-time staff decreased by 15%.
What is driving the changes in workforce?

- South Australia and Tasmania reported the biggest rises in casual workers (36%).
- The largest drop in full time workers was reported in Queensland (18%) while ACT reported the biggest rise in full time workers (16%).
- NSW reported the largest reduction in workforce due to economic conditions (23.7%) followed by Queensland (21.8%). Tasmania (14.7%) and Victoria (15.3%) reported the smallest rises.
- Surprisingly, 31.1% of ACT SMBs reported staff leaving for other jobs; significantly above the national average (17.2%) suggesting a healthier ACT labour market.

### Future plans

- 39%: We are actively seeking significant expansion
- 12%: We expect to grow moderately
- 5%: We want to stay the same size
- 6%: We would like to become smaller
- 5%: None of these
Confidence in the economy
SMBs confidence in the economy continues to drop

- Small business confidence in the state of the economy was poor last quarter, but the first survey of 2020 has seen confidence in the economy fall off a cliff.
- SMB confidence in the Australian economy dropped significantly this quarter. 64% of SMB owners believe the economy is at a declining and 3% believe it is at a standstill. Only 17% of SMBs believe the economy will be better in a year’s time.
- This is the worse result in recent years.
- Victorian SMBs are the most pessimistic about the future of the nation’s economy, with a massive 70% believing the economy is shrinking and less than 4% believing the nation’s economy is growing.
- South Australian businesses are the most pessimistic for the coming year with 68% believing the economy will be in a worse place next year.
SMBs State and Territory economies

- Across the country, SMB owners were not positive in terms of how the state and territories are performing. Tasmania again was seen as the best performing economy while South Australian businesses were the most pessimistic about their economy.

Note: small sample size for ACT & NT
Impacts of bushfires and other issues
Impact of bushfires on SMBs

- 23% of respondents have been negatively impacted by the bushfires. Interestingly 7% of SMBs reported being positively impacted by the bushfires.
- 23% of those impacted reported being directly impacted and 77% reported indirect impacts.

What impacts did you face?

- Decreased sales
- Loss of income
- Decreased visitor numbers
- Cancellations
- Losses through outages
- Assets/stock burnt
- Other

Recovery timeline:
- It will take years to recover
- It will take 12 months to get back to 2019 levels
- It will take 6 months to get back to 2019 levels
- It will take 3 months to get back to 2019 levels
- We have recovered to pre December 2019 levels

* Note: small sample size ACT & NT
SMB support for state and territory governments
Access to finance

- In this quarter, 32% of SMBs said it was hard to access finance compared to 35% last quarter. Regional businesses find it harder to access finance than metropolitan SMBs.

- SA and Queensland small businesses found it hardest to access finance.

- On a more positive note, 21% of NSW SMBs reported it was easier to access finance, up from 14% 3 months ago.

Note: small sample size for ACT & NT
Methods of finance

- Access to finance still troubling SMBs
- Small business owners were still finding it difficult to access finance during the March quarter. 31.9% felt it was harder than six months previous to get finance and just 14.1% felt it was easier.
- Of the 16% who did apply for finance in the past six months, 63% were successful meaning 37% were knocked back.
SMBs and exports

- 17% of SMBs reported exporting as an important part of their business.
- NSW leads the way with 20% of SMBs reporting they export, followed by Victoria (18%). South Australia had the smallest number of SMBs reporting that they export (8%).
- Over the last three months, 18% reported they had increased their exports while 23% were exporting less. Victorian exporters have been hardest hit with 32% reporting that they are exporting less.
Sensis Business Index
About the survey
Welcome to the latest edition of the ‘new’ Sensis Business Index. At Sensis we’ve been surveying small-medium businesses and their confidence levels for over 25 years and the index is regarded as one of the leading surveys of its type. Over the past months we’ve been talking to small businesses, industry, government and the media about how we can improve the Index. All of that feedback culminates in this ‘new’ Index. The key change is in the methodology used, moving from telephone-based interviews to a digital online survey – a preference now of the majority of small-medium businesses and how they interact, plus it provides the benefit of faster turnaround times from survey to publication, a larger sample size and a range of new questions. The data can be provided to partners via our new digital portal – so they gain a deeper understanding on the confidence and opinions of Australia’s small-medium businesses. As future surveys are published, we’ll be able to compare the data v’s previous surveys. This report compares this quarter to the last (November 2019). We don’t recommend comparing prior to July due to the methodology change.
About the survey

Which of the following age groups do you fall into?

- 30 years old or under: 24%
- 31 to 40 years old: 8%
- 41 to 45 years old: 26%
- 46 to 50 years old: 19%
- 51 to 60 years old: 11%
- Over 60 years old: 12%

Years of operation

- 1 to 2 years: 9%
- 3 to 5 years: 18%
- 6 to 10 years: 17%
- Over 10 years: 56%

How many business locations do you operate from?

- 1: 74%
- 2: 11%
- 3: 7%
- 4: 3%
- 5 to 9: 1%
- 10 plus: 4%

What is the approximate annual revenue of your business?

- Under $10,000: 1%
- $10,000 to $30,000: 2%
- $31,000 to $50,000: 4%
- $51,000 to $100,000: 7%
- $101,000 to $500,000: 12%
- $501,000 to $1 million: 20%
- $1.1 million to $2 million: 25%
- $2.1 million to $6 million: 15%
- $6.1 million to $10 million: 10%
- $10.1 million to $20 million: 5%
- Over $20 million: 0%
- Don’t know / Can’t say: 18%
About the survey

Breakdown of small and medium businesses surveyed

- Cultural and Recreational and Other Services
- Accommodation, Cafes and Restaurants
- Health and Community Services
- Finance and Insurance
- Communication, Property and Business Services
- Transport/Storage
- Manufacturing
- Retail Trade
- Wholesale
- Construction/Building

Location

- Regional NT
- Darwin
- Regional ACT
- Canberra
- Regional WA
- Perth
- Regional TAS
- Hobart
- Regional SA
- Adelaide
- Regional QLD
- Brisbane
- Regional NSW
- Sydney
- Regional VIC
- Melbourne
About the survey

Which of the following ranges best describes the number of FULL TIME employees in your business?

- 1 to 2 employees: 30%
- 3 to 4 employees: 5%
- 5 to 9 employees: 10%
- 10 to 19 employees: 15%
- 20 to 49 employees: 20%
- 50 to 99 employees: 25%
- 100 to 200 employees: 30%

If a Federal election was held tomorrow and thinking about the prospects for your business, who are you most likely to support?

- Liberal: 35%
- Nationals: 5%
- Labor: 25%
- Greens: 10%
- One Nation: 10%
- United Australia Party: 5%
- An Independent: 5%
- Another minor party: 5%
- Can't say: 0%
Full access to the Sensis SMB Business Index data is available. Access includes full data analysis, state and industry based filtering.

For details, please contact Will Clarke, Head of Corporate Communications on 0488 34 54 64 or will.clarke@sensis.com.au
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