

BUSINESS CONDITIONS AND SENTIMENTS

Insights from a survey of businesses run by the Australian Bureau of Statistics on 10-17 February 2021

CONTENTS

	Pages
• Overview	3
• Factors Impacting Business	4-5
• Business Impacts by Industry	6
• Revenues	7
• Operating Expenses	8
• Cash on Hand	9-10
• Business Credit by Industry	11
• Business Credit – Outcome of Application	12
• Business Credit – Reasons for Not Seeking Funds	13
• Business Investment Plans	14-16
• Employment	17
• Survey Details	18
• Contacts	19
• Disclaimer	20

OVERVIEW

- The Australian Bureau of Statistics (ABS) in mid-February ran a survey of businesses on the impact of COVID-19.
- The survey revealed business conditions have continued to improve over recent months, although challenges remain.
- The primary factor affecting businesses in February was COVID-19 restrictions; 41% of businesses reported being significantly impacted by restrictions, down from 53% in April 2020. Businesses in the accommodation & food services industry were the most affected.
- The second key factor impacting businesses in February was reduced cash flow (30%). This has halved since April 2020 (72%).
- The share of businesses reporting reduced demand has also more than halved since April 2020 – 28% compared to 69%.
- The proportion of businesses expecting a decrease in revenues halved in February to 13% compared with 27% in the previous month. More businesses also lifted their revenue expectations – 27% compared to 22% in January.
- The share of businesses reporting an increase in operating expenses in February stayed the same as in January at 22%.
- In February, 41% of businesses reported their cash on hand could cover less than 3 months of business operations. This is up from 29% in October 2020. Small and medium businesses (42% and 40%) were more likely to have less than 3 months of cash on hand available compared with large businesses (24%).
- Over the past three months, 14% of businesses sought additional funds. Businesses in mining and arts and recreation were most likely to seek extra funds. Of those businesses that sought funds, 18% reported they were unsuccessful.
- Among businesses that did not seek additional funds, the number one reason given was that they had sufficient funds. Another key reason was they were unwilling to increase debt - 30% of medium-sized businesses and around 42% of small businesses.
- Over the next 3 months, 23% of businesses have business investment plans. Of these businesses, 52% reported that spending would be higher than usual for this time of year and 28% reported it would be the same as usual.
- Finally, in February, 8% of businesses surveyed increased their number of employees.

FACTORS IMPACTING BUSINESS

What is impacting businesses in February? (a)(b)

External factors



Government support

Supply and demand factors



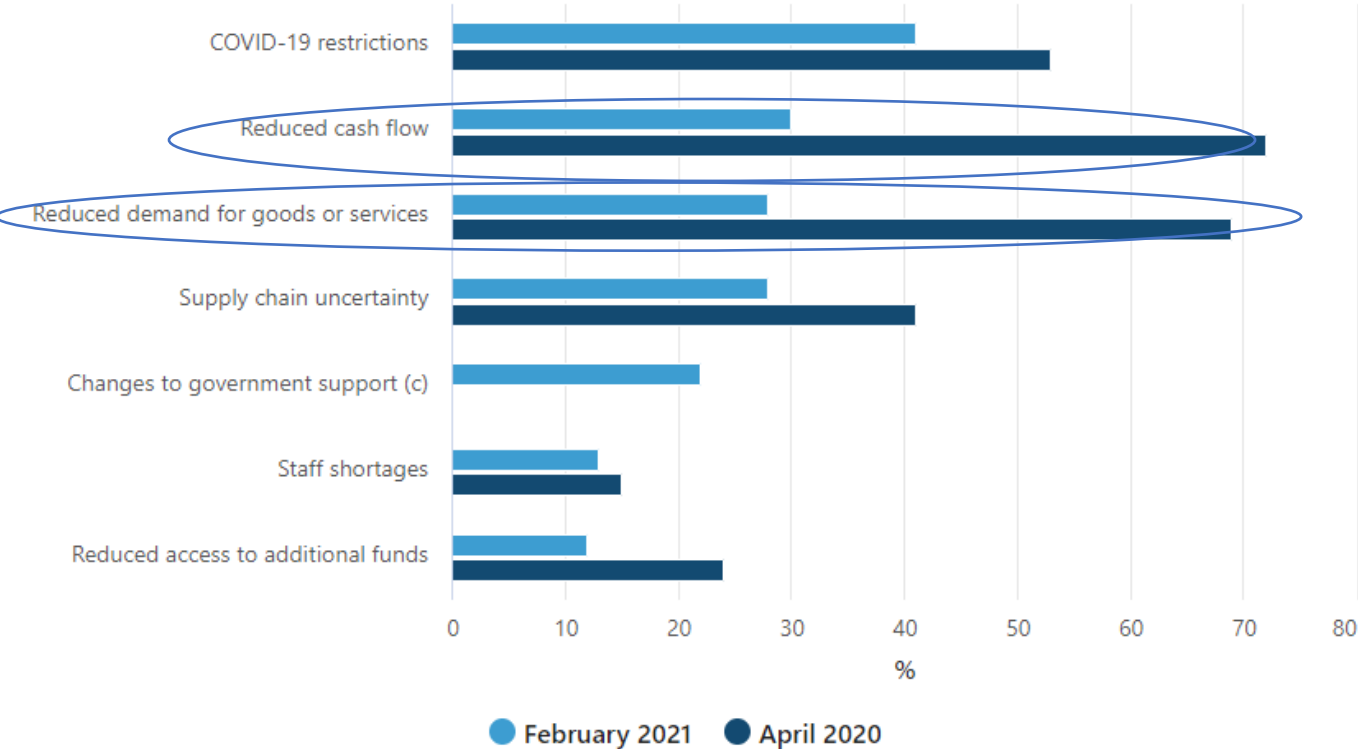
Financial factors



- COVID-19 restrictions were the most significant factor impacting businesses in February (41%). This is down from 53% of businesses in April 2020.
- Reduced cash flow was the second most common factor (30%), followed by reduced demand (28%).

(a) Proportions are of all businesses
(b) Businesses could provide more than one response to the question








FACTORS IMPACTING BUSINESS



- Every factor affecting business has improved in February 2021 compared with April 2020.
- The share of businesses impacted by reduced cash flow was 30% in February. This compares to over 70% in April 2020.
- There has also been a large decline in the share of businesses reporting reduced demand in February (28%) compared with April 2020 (69%).

(a) Proportions are of all businesses
 (b) In April 2020, businesses were asked about how they expected COVID-19 to adversely impact them over the next two months
 (c) Not included as a response option in April 2020

BUSINESS IMPACTS BY INDUSTRY

Factors impacting businesses	Top industries
 COVID-19 restrictions	80% Accommodation and food services 70% Arts and recreation services 69% Administrative and support services
 Reduced cash flow	53% Arts and recreation services 44% Manufacturing 43% Administrative and support services
 Reduced demand	59% Administrative and support services 41% Information media and telecommunications 38% Retail trade
 Supply chain uncertainty	62% Wholesale trade 61% Manufacturing 41% Information media and telecommunications
 Changes to government support measures	46% Manufacturing 41% Information media and telecommunications 39% Arts and recreation services
 Staff shortages	23% Other services(c) 21% Arts and recreation services 21% Health care and social assistance
 Reduced access to additional funds	23% Arts and recreation services 20% Administrative and support services 19% Information media and telecommunications

- COVID-19 restrictions are having the greatest impact on accommodation & food services (80% of businesses in this industry).
- Reduced cash flow is the most common factor affecting businesses in the arts & recreation services industry.

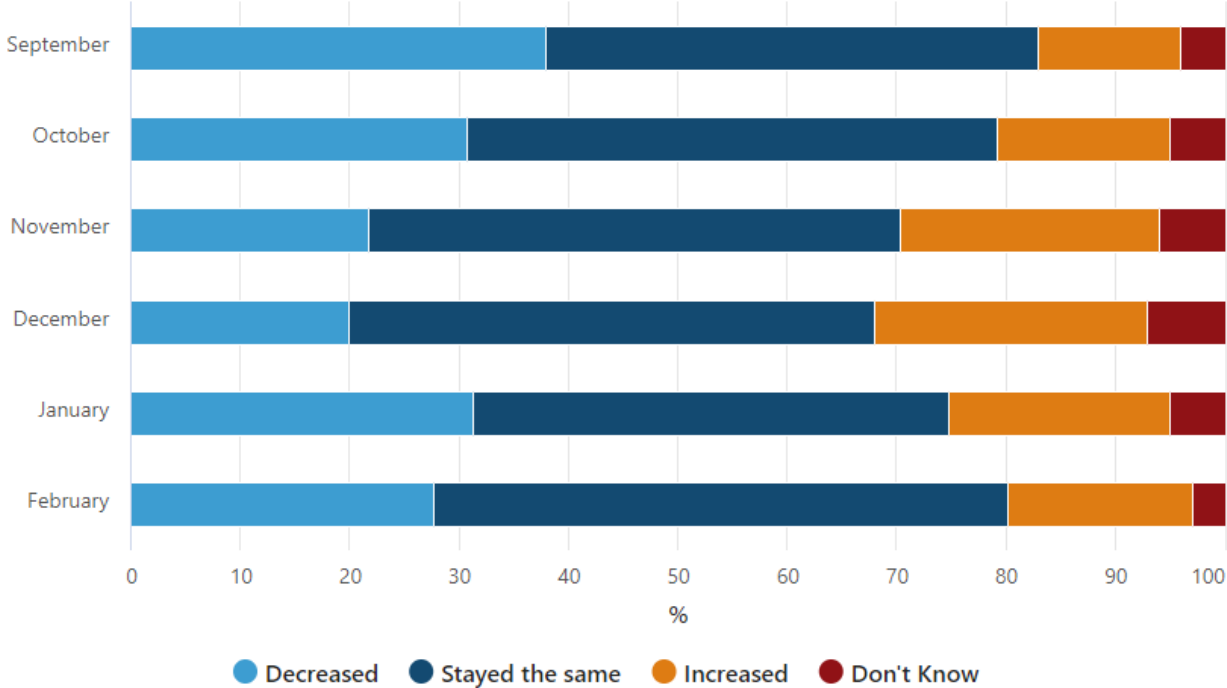
(a) Proportions are of all businesses

(b) Businesses could select more than one response

(c) Includes repair and maintenance, personal (e.g. hairdressers) and other services

REVENUES

Changes in revenue, September 2020 to February 2021 (a)(b)



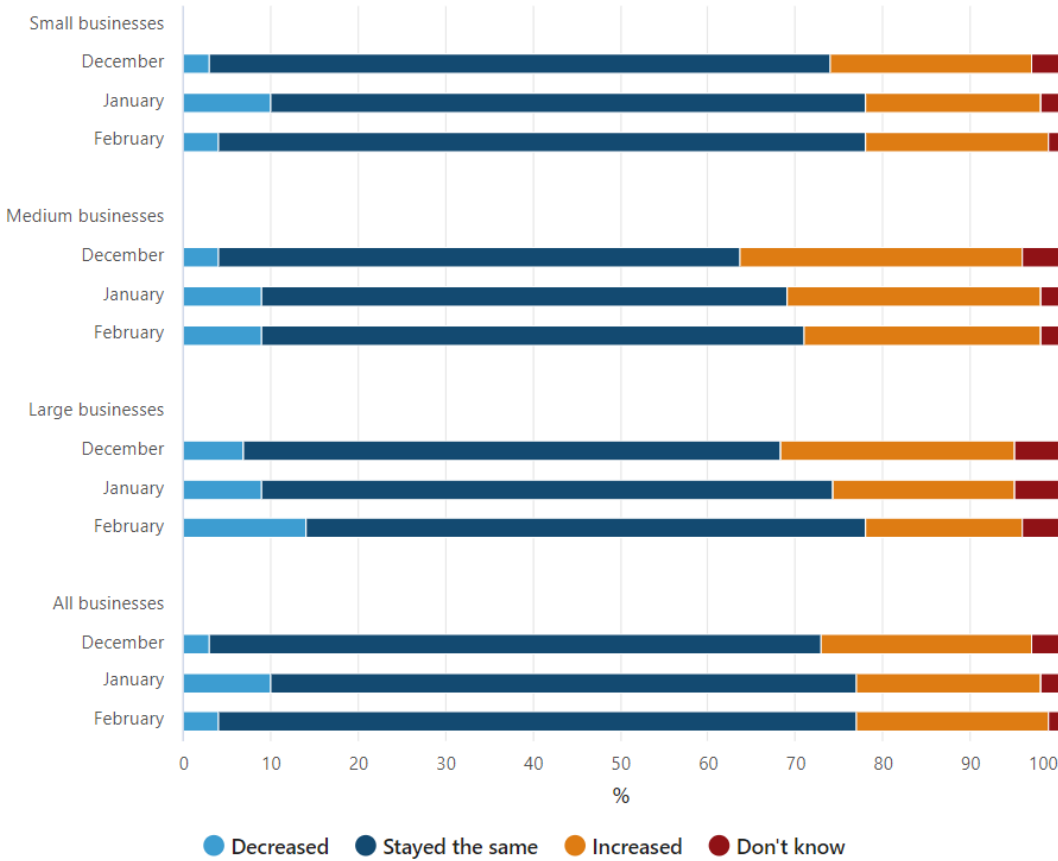
- In February, 28% of businesses reported a decline in revenue compared with 38% in September.
- Separately, revenue expectations for February, reported in January, showed the proportion of businesses expecting a decrease halving (13% compared to 27% expected for January) and a larger proportion expecting an increase (27% compared to 22%).

(a) Proportions are of all businesses

(b) Businesses were asked to report changes over the last month

OPERATING EXPENSES

Changes in operating expenses in December, January and February, by employment size (a)(b)



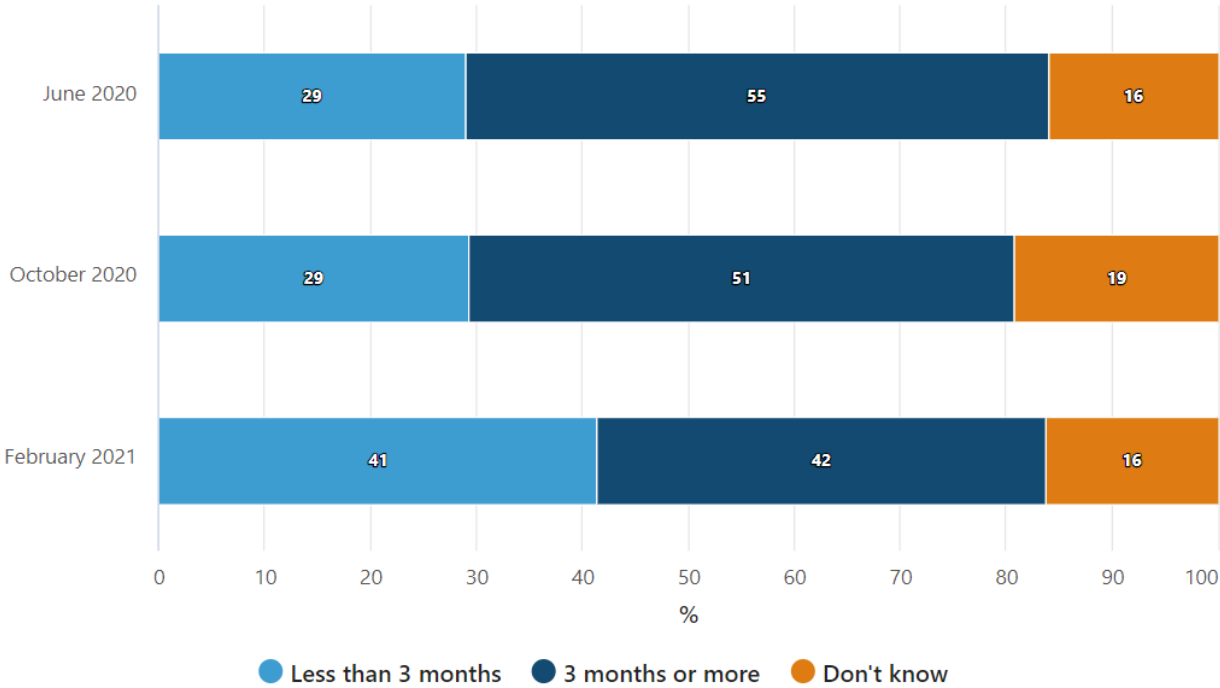
- One in five (22%) businesses reported an increase in operating expenses in February, consistent with January.
- Medium businesses were more likely than small and large businesses to report an increase in operating expenses in December, January and February.

(a) Proportions are of all businesses

(b) Businesses were asked to report changes over the last month

CASH ON HAND

Length of time cash on hand could cover business operations, June, October & February (a)

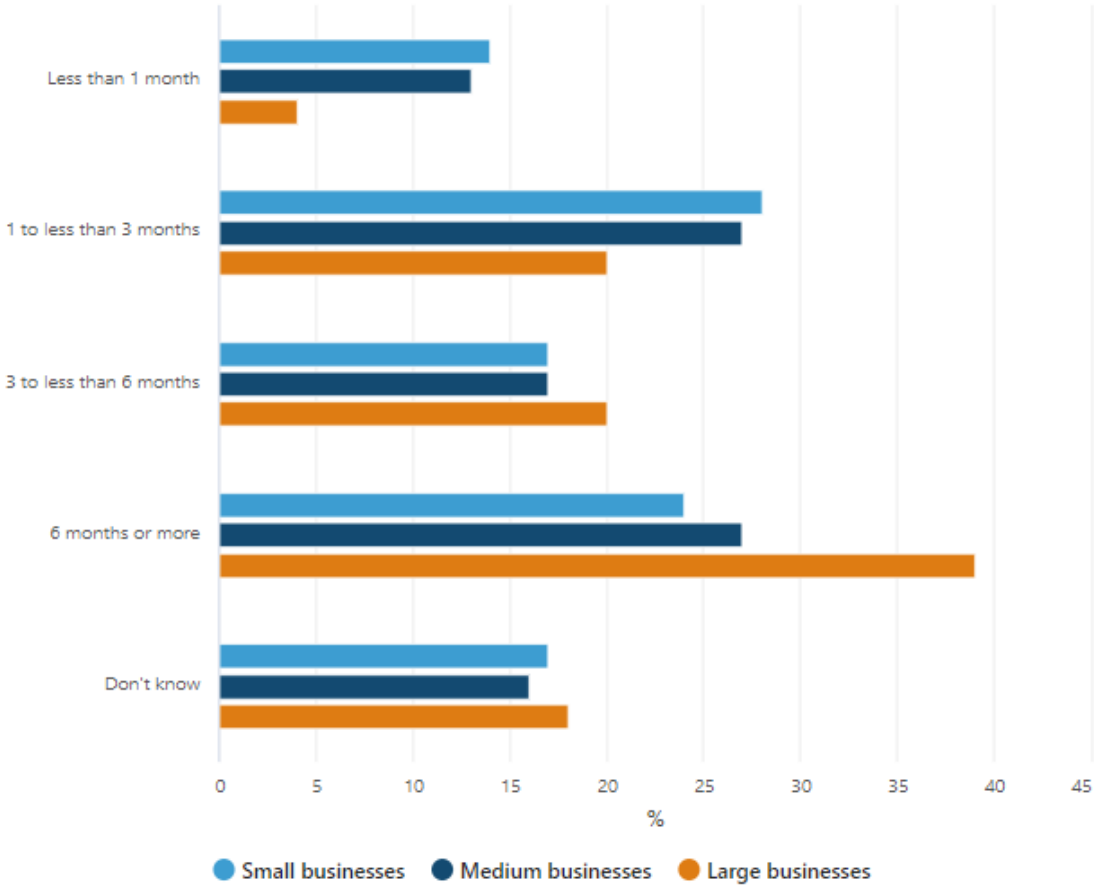


(a) Proportions are of all businesses

- Cash on hand includes savings and assets that can easily be sold, as well as unused credit facilities.
- In February, 41% of businesses did not have enough cash on hand to cover less than three months of business operations. This compares to 29% in October and 29% in June.

CASH ON HAND BY EMPLOYMENT SIZE

Length of time cash on hand could cover business operations, by employment size, February (a)

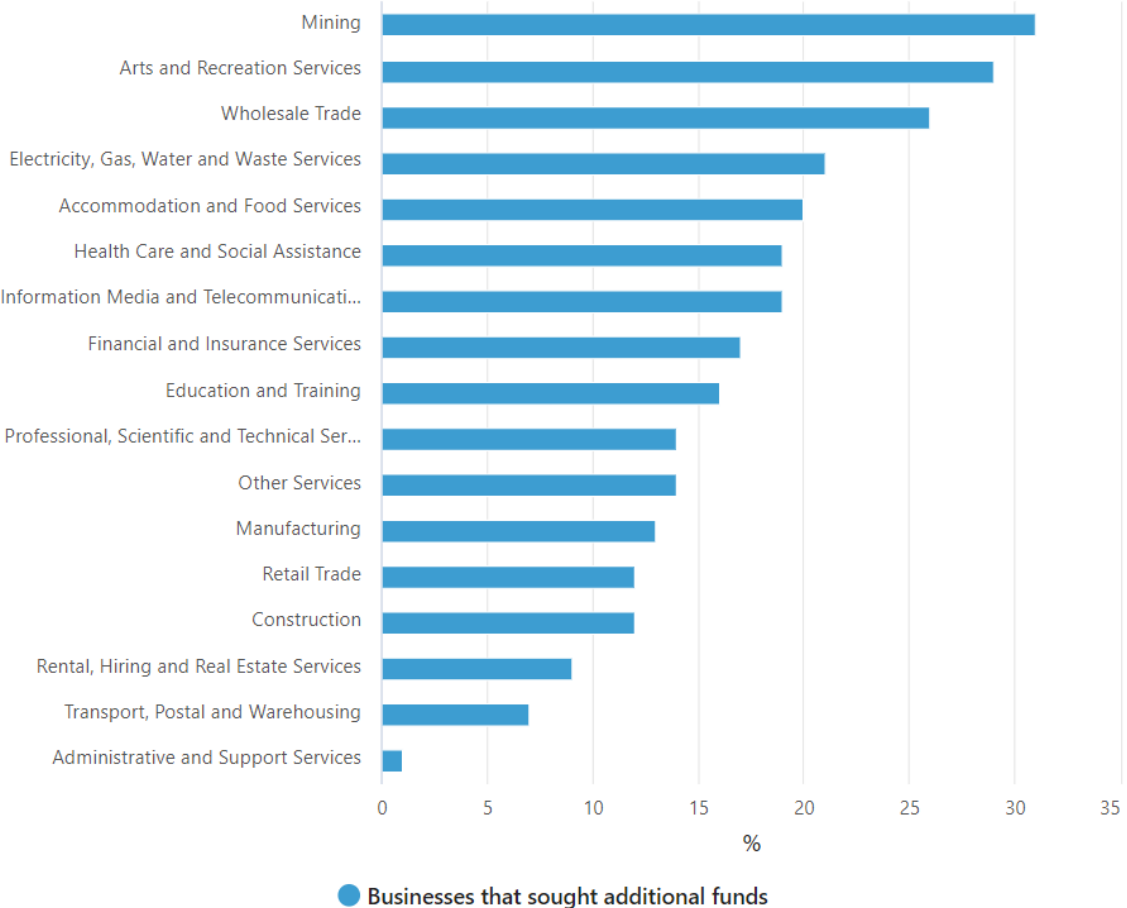


- Small and medium businesses (42% and 40%) were more likely to have less than 3 months of cash on hand available compared with large businesses (24%).
- Large businesses were the most likely to report having six months or more cash in hand available; 39%, compared to 27% of medium businesses and 24% of small businesses.

(a) Proportions are of all businesses

BUSINESS CREDIT BY INDUSTRY

Businesses that sought additional funds, by industry (a)



- Over the past three months, 14% of businesses sought additional funds.
- Businesses in mining (31%) and arts and recreation (29%) were most likely to seek funds.
- Businesses in the administrative and support services sector (1%) were the least likely to seek funds.

(a) Proportions are of all businesses

BUSINESS CREDIT – OUTCOME OF FUNDING APPLICATION

Outcome of funding sought by businesses, by employment size (a)(b)

	Small businesses	Medium businesses	Large businesses	All businesses
	%	%	%	%
Business was successful in obtaining funds	61	80	86	62
Funding application still in progress	15	10	21	15
Business was not successful in obtaining funds	18	6	1	17
Don't know	5	6	3	5

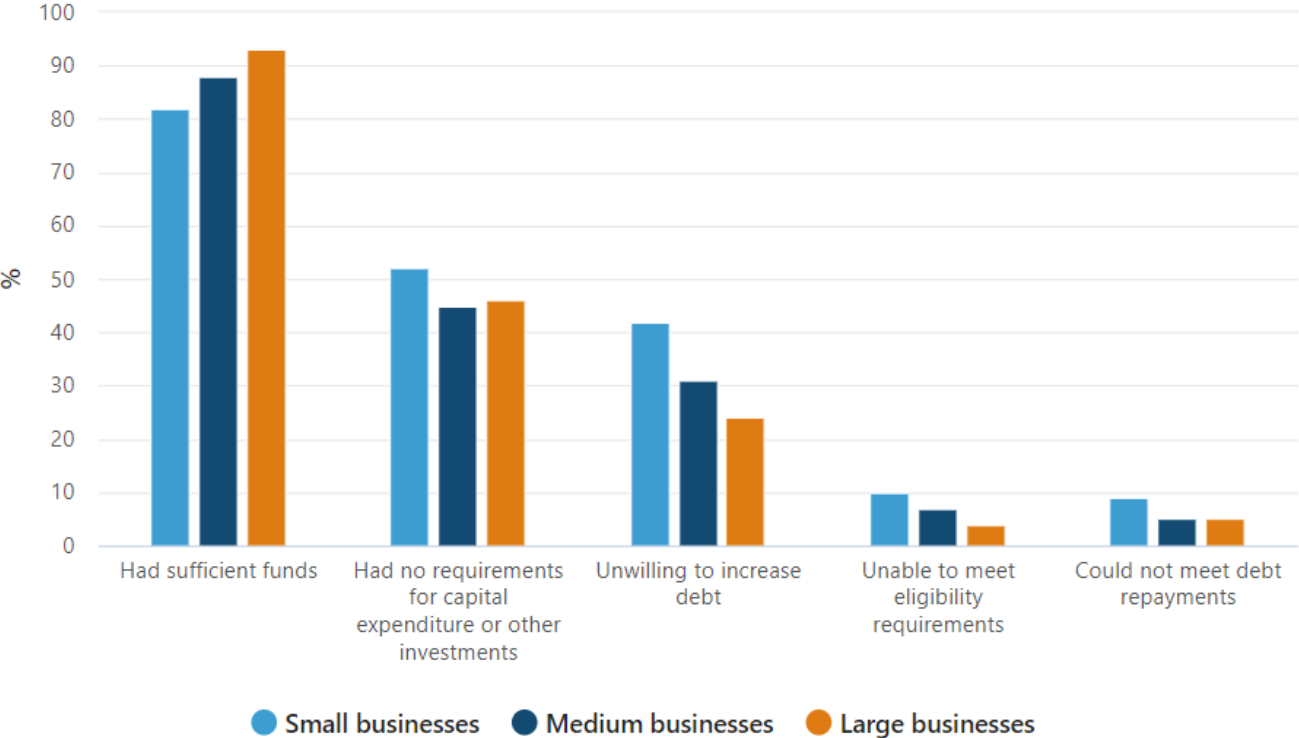
(a) Proportions are of businesses that sought additional funds in the last three months

(b) Businesses could provide more than one response

- Businesses that sought additional funds reported whether they were successful in obtaining those funds.
- Almost one in five small businesses (18%) that had sought additional funds reported they were unsuccessful.
- Medium and large businesses had better outcomes when applying for funds. Only 6% of medium businesses and 1% of large businesses were unsuccessful in obtaining funds.

BUSINESS CREDIT – REASONS FOR NOT SEEKING FUNDS

Reasons for not seeking additional funds, by employment size (a)(b)



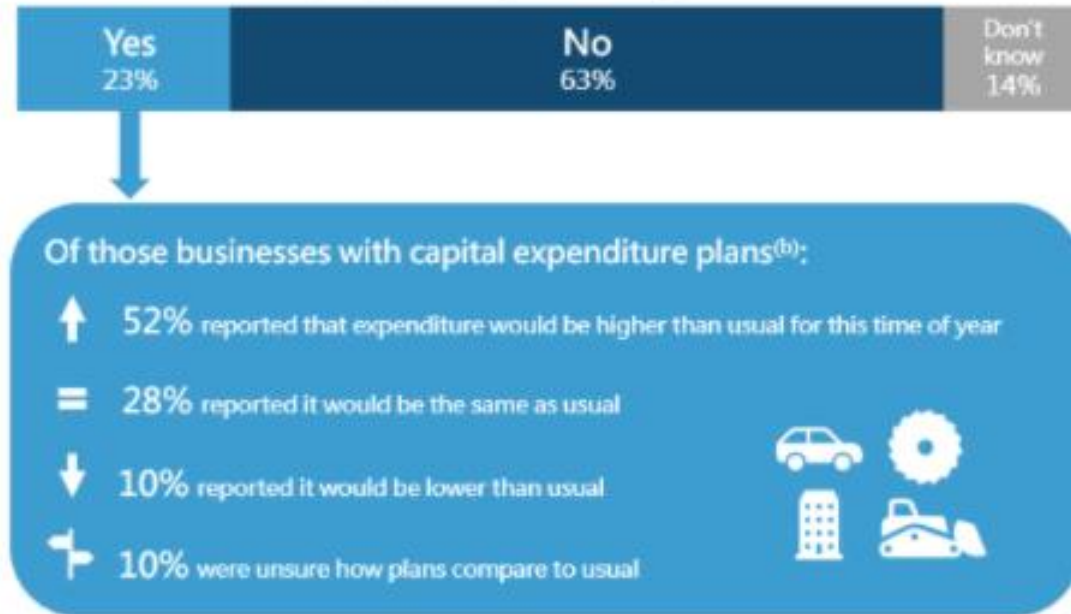
- Of businesses that did not seek additional funding, over 80% said this was because they already had sufficient funds.
- Another key reason was they were unwilling to increase debt – 30% of medium-sized businesses and around 42% of small businesses.

(a) Proportions are of businesses that did not seek additional funds

(b) Businesses could provide more than one response

BUSINESS INVESTMENT PLANS

Businesses with any capital expenditure plans over the next three months (a)






(a) Proportions are of all businesses

(b) Proportions are of businesses with capital expenditure plans over the next three months

- 23% of businesses have capital expenditure plans over the next three months.
- Of these businesses, 52% reported that spending would be higher than usual for this time of year and 28% reported it would be the same as usual.
- The most common factors influencing capex plans were uncertainty over the economic outlook (30%) and COVID-19 restrictions (28%).

BUSINESS INVESTMENT PLANS BY BUSINESS SIZE

Capital expenditure plans over the next three months, by employment size

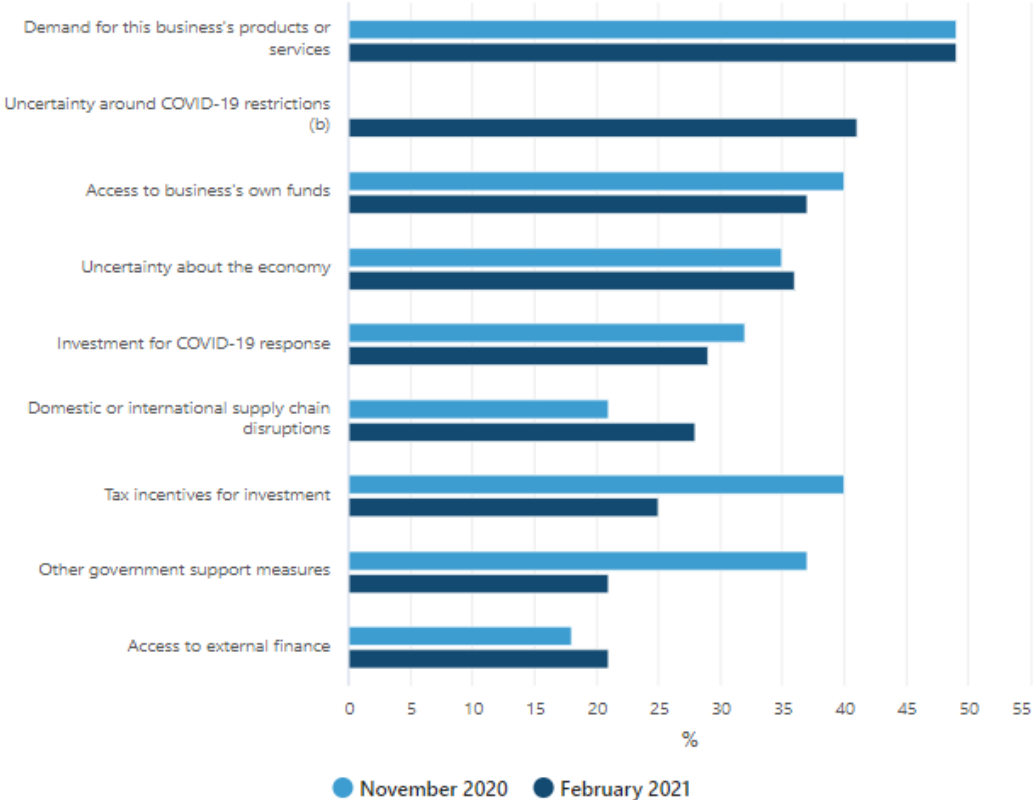
Proportion of businesses with capital expenditure plans	How capital expenditure plans compare to what is usual this time of year(a)(b):			
	Higher than usual	Same as usual	Lower than usual	Don't know
 Small businesses 22% have capital expenditure plans (c)	53%	27%	10%	10%
 Medium businesses 36% have capital expenditure plans (c)	50%	35%	4%	11%
 Large businesses 57% have capital expenditure plans (c)	21%	56%	12%	11%

(a) Proportions are of businesses with capital expenditure plans over the next three months
 (b) The sum of the component items do not equal 100% due to rounding
 (c) Proportions are of all businesses

- Small businesses were more likely to report that their capex plans were higher than usual at this time of year (53%).
- However, small businesses had the lowest share of capex plans (22%) compared with 36% for medium businesses and 57% for large businesses.

FACTORS AFFECTING BUSINESS INVESTMENT PLANS

Factors influencing businesses with future capital expenditure plans, November 2020 and February 2021 (a)



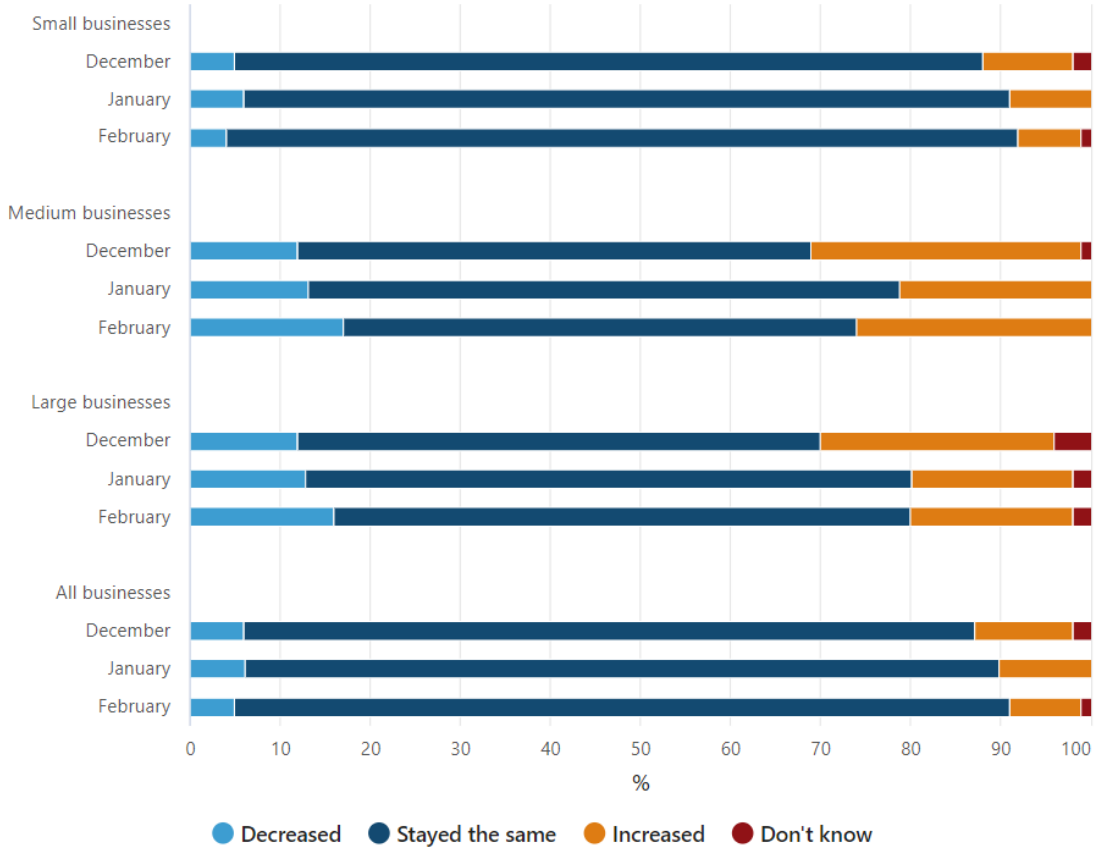
- For those businesses with planned capital expenditure, the most common factor influencing expenditure plans was demand for products or services (49% in November 2020 and February 2021).
- Tax incentives for investment and other government support measures fell in importance between November 2020 and February 2021.

(a) Proportions are of businesses with capital expenditure plans

(b) Not provided as a response option in November

EMPLOYMENT

Changes in number of employees in December, January and February, by employment size (a)
(b)



- In February 8% of businesses increased their number of employees, broadly in line with January (10%) and December (11%).
- Meanwhile, 5% of businesses reported a decline in employees in February.

SURVEY DETAIL

- The ABS renamed this survey to Business Conditions and Sentiments. It was previously called Business Indicators, Business Impacts of COVID-19.
- In responding to the survey, businesses are asked to provide a best estimate only, without accessing records or reports.
- The survey was conducted through a telephone based survey between 10 and 17 February.
- The survey is based on a random sample of approximately 2,000 units stratified by industry and employment size.
- The final response rate was 64% (or 1,281 responding businesses).
- The survey sample is re-weighted to adjust for non-responses.
- 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.

CONTACTS

Chief Economist

Besa Deda

dedab@stgeorge.com.au

(02) 8254 3251

Senior Economist

Hans Kunnen

hans.kunnen@stgeorge.com.au

(02) 8254 1316

Economist

Matthew Bunny

matthew.bunny@stgeorge.com.au

(02) 8254 0023

DISCLAIMER

"The information contained in this report (the Information) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George's agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St. George products and details are available. St.George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St.George owns copyright in the Information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George. "