

BUSINESS CONDITIONS AND SENTIMENTS

Insights from a survey of businesses run by the Australian Bureau of Statistics on 14-21 April 2021

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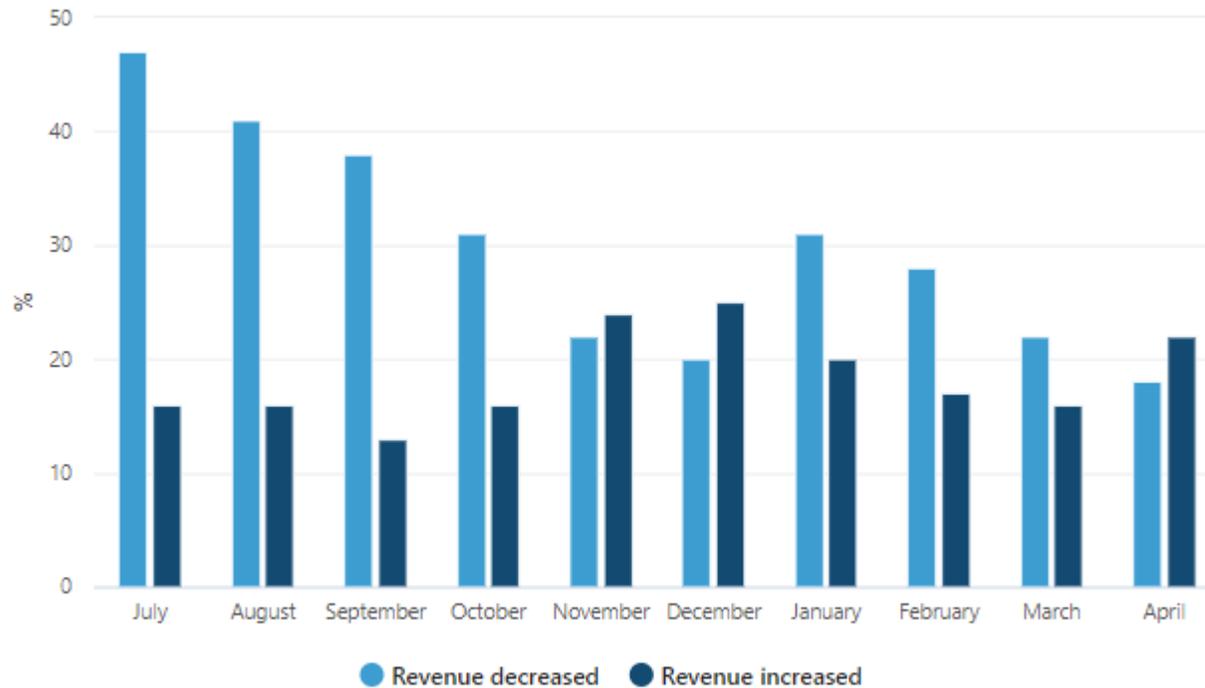
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SUMMARY

- The Australian Bureau of Statistics (ABS) ran a survey of businesses in mid April. Encouragingly, the survey showed that operating conditions for businesses have continued to recover.
- Business revenues improved further in April. Only 18% of businesses reported a drop in revenues – the lowest share since the pandemic began. The share of businesses reporting higher revenues was also the best result this year.
- This survey gives us some early insights around employment after JobKeeper's expiry last month. Nine per cent of businesses reported a lift in employment in April, the same share of businesses as in March. In addition, 10% of respondents expect to increase employment next month. These results are consistent with JobKeeper's expiry resembling more of a speed hump than a fiscal cliff.
- A big issue for businesses, especially small businesses, are supply-chain disruptions. A high share of businesses surveyed (30%) are experiencing these disruptions and 37% of these businesses are impacted significantly. The primary impacts include major delays, uncertain delivery times and variability to revenues.
- The four industries that are most heavily impacted by supply chain disruptions are manufacturing (55%), other services such as hairdressers and repairs (54%), retail trade (52%) and wholesale trade (50%).
- Businesses are adapting to deal with these disruptions; 87% of businesses impacted by these disruptions have made at least one modification to their operations. The most common change was to the ordering process (62%). Notably, 34% of business raised prices.
- Ongoing COVID safe controls were adversely impacting 64% of businesses surveyed. The most adverse impact was the requirement around extra cleaning & disinfecting. The most heavily affected industry was accommodation & food services.

REVENUE – IMPROVEMENT CONTINUES

Reported increase and decrease in revenue, July 2020 to April 2021 (a)(b)



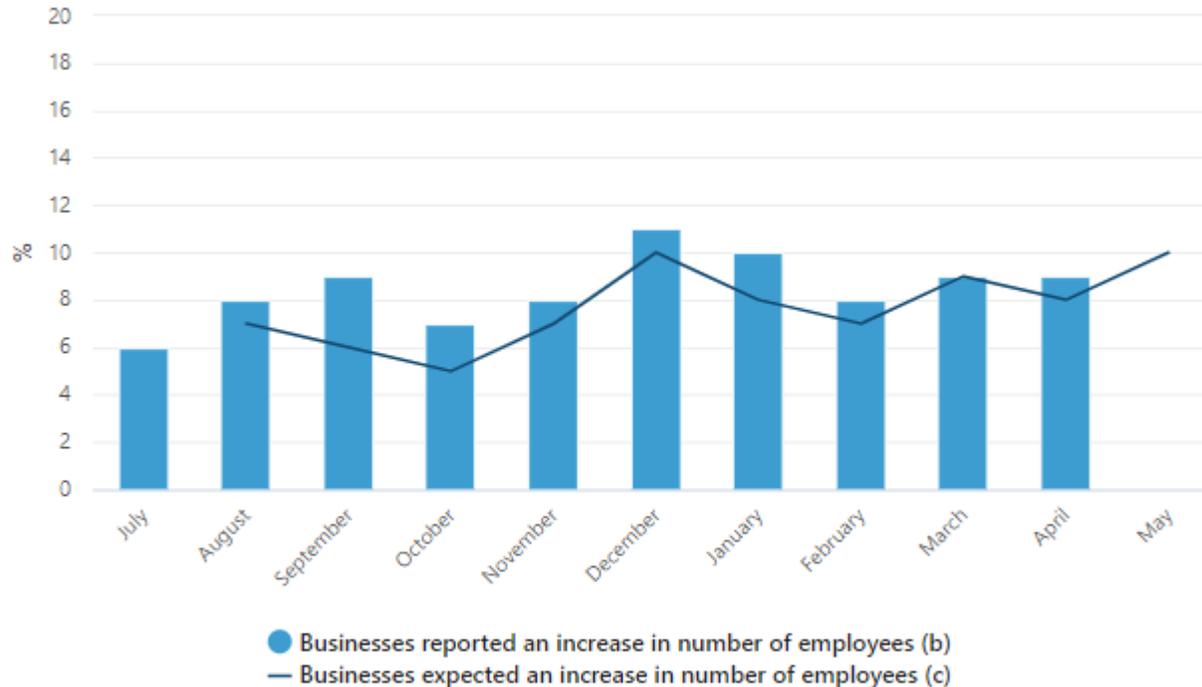
(a) Proportions are of all businesses

(b) Businesses reported changes over the last month

- Conditions for revenue have continued to improve in the latest survey of businesses.
- The improvement reflects the faster economic recovery and the loosening of COVID-19-related restrictions.
- 18% of businesses reported a decrease in revenues in April – the lowest share since this data started being collected in April 2020.
- 22% of businesses reported higher revenues, up from 16% in March.
- The share of businesses reported higher revenues in April is the best outcome this year.

EMPLOYMENT RESILIENCE

Reported and expected increase in number of employees, July 2020 to May 2021 (a)



(a) Proportions are of all businesses

(b) Businesses reported changes over the last month

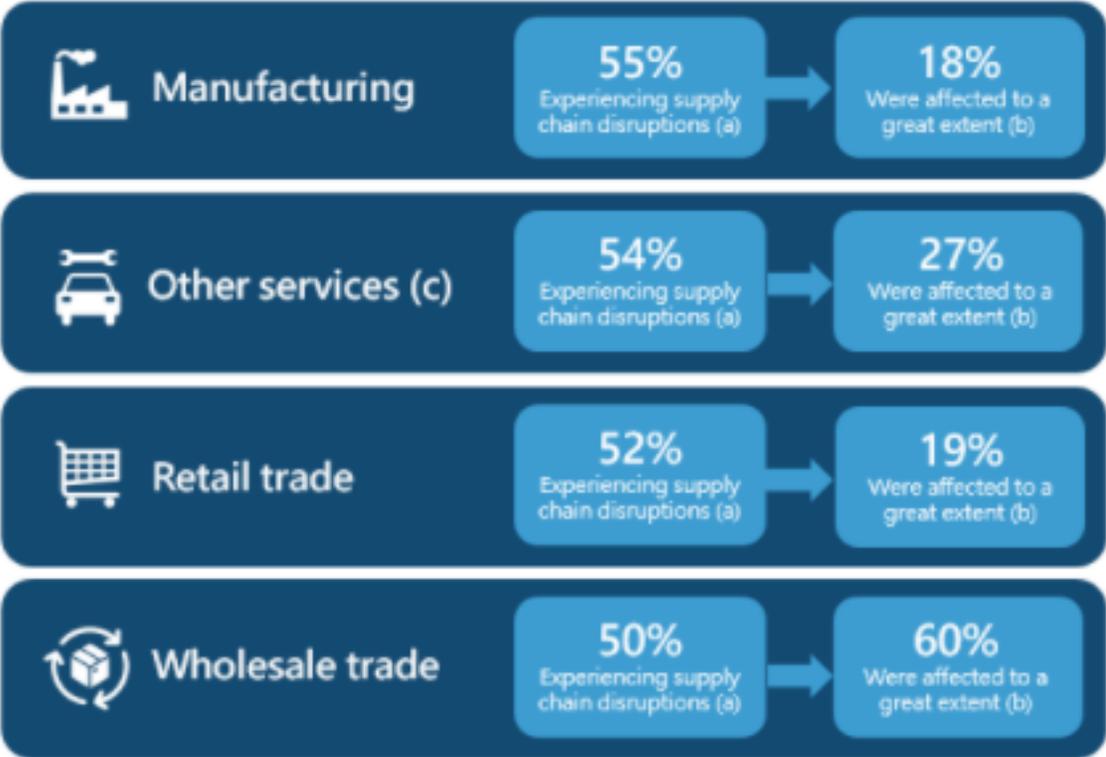
(c) Expectations for the indicated month as reported by businesses in the previous month of collection

Source: ABS

- JobKeeper ended in March. This survey gives us some early insights around employment after the wage subsidy scheme's expiry.
- 9% of businesses reported an increase in employment in April, the same proportion of businesses as in March. It is encouraging that the share did not decline after JobKeeper's expiry.
- Moreover, for next month 10% of businesses expect to lift employment.
- This data is consistent with JobKeeper's expiry resembling more of speed hump than a fiscal cliff.
- We anticipate the unemployment rate will end this year at 5.0%. It currently stands at 5.6%.

SUPPLY CHAINS DISRUPTIONS – A BIG ISSUE

Top industries experiencing supply chain disruptions



(a) Proportions are of all businesses
(b) Proportions are of businesses experiencing supply chain disruptions
(c) Includes repair and maintenance, personal (e.g. hairdressers) and other services

Source: ABS

- Global supply chains began to break down in 2020 as countries went into lockdown, leaving many businesses short on essential supplies. There have been other additional challenges.
- In April, 30% of businesses are reported experiencing supply-chain disruptions. Small businesses were more likely to be affected.
- Of these businesses, 37% of businesses “to a great extent”.
- This category captures major delays, uncertain delivery times and variability to revenues.
- Meanwhile, 57% of businesses reporting supply-chain disruptions were affected to a “small extent” (i.e. some delays but little impact on revenue).

REINVENTION, INNOVATION AND ADAPTATION

Changes made by businesses in response to supply chain disruptions, by employment size (a)

| | Small businesses | Medium businesses | Large businesses | All businesses |
|--|------------------|-------------------|------------------|----------------|
| | % | % | % | % |
| Changed ordering processes (b) | 63 | 61 | 55 | 62 |
| Changed the way products or services are provided to customers (c) | 41 | 29 | 27 | 41 |
| Changed suppliers | 39 | 33 | 21 | 39 |
| Changed type and range of products or services | 38 | 27 | 20 | 37 |
| Increased number of suppliers | 36 | 34 | 32 | 36 |
| Increased price of goods or services | 34 | 24 | 14 | 34 |
| Changed operational processes (d) | 32 | 25 | 34 | 32 |
| Changed mode of freight | 20 | 18 | 17 | 19 |
| Other modifications | 3 | 6 | 9 | 4 |

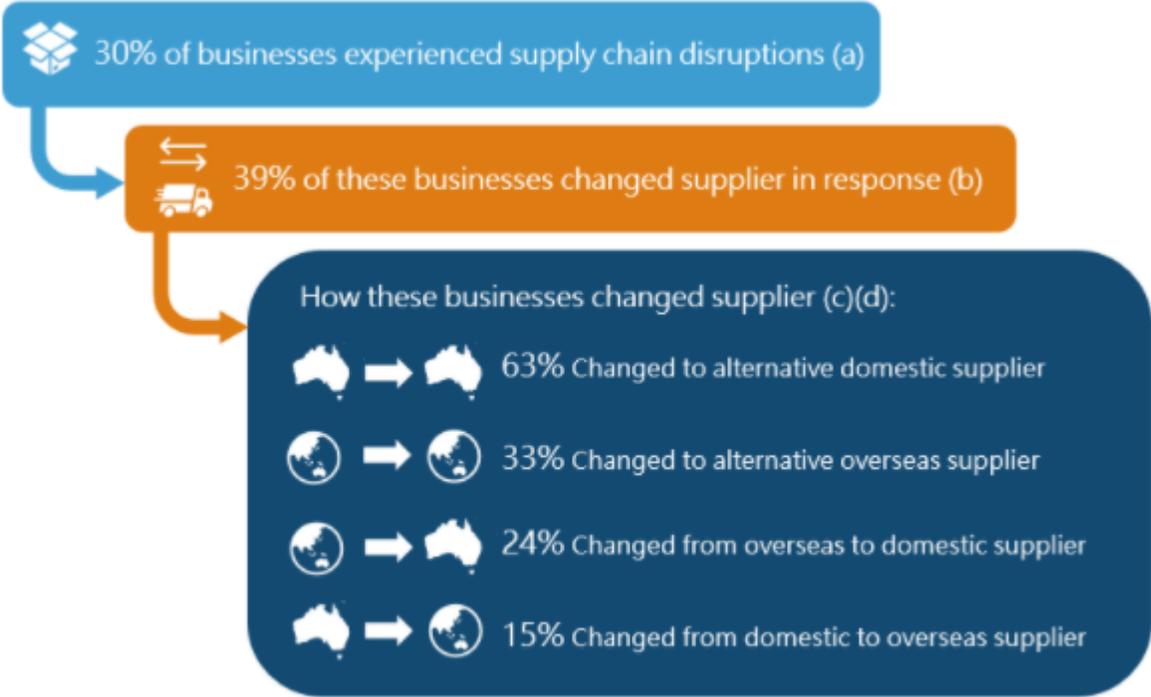
(a) Proportions are of businesses experiencing supply chain disruptions
 (b) e.g. ordering earlier or ordering more
 (c) e.g. adjusted customer allocations, adjusted order processing timeframe, shifted more operations online
 (d) e.g. changed methods of producing goods or services

Source: ABS

- Small businesses were more likely to report being impacted by supply-chain disruptions to a “great extent”.
- Businesses are adapting and reinventing themselves to deal with these disruptions.
- 87% of businesses impacted by supply-chain disruptions in response made at least one modification to their operations.
 - The most common change was a change in the ordering process (62%).
 - Notably, 34% of these businesses raised prices.

MAKING SUPPLY CHAINS STRONGER

Changes to supplier in response to supply chain disruptions



(a) Proportions are of all businesses
(b) Proportions are of businesses experiencing supply chain disruptions
(c) Proportions are of businesses that changed supplier in response to supply chain disruptions
(d) Businesses could select more than one response

- Businesses are changing supply chains to become more resilient, collaborative and networked with customers, suppliers and other stakeholders.
- 39% of businesses experiencing supply-chain disruptions have adapted by changing suppliers. Indeed, 63% changed to a different domestic supplier.

IMPACT OF ONGOING COVID-19 RESTRICTIONS

Top industries adversely impacted by COVID safe controls (a)(b)

| COVID safe controls | Top industries adversely impacted |
|---|--|
|  <p>Additional cleaning and disinfecting requirements</p> | <p>78% Accommodation and food services 74% Arts and recreation services 62% Health care and social assistance</p> |
|  <p>Physical distancing of customers or clients and/or venue capacity limits</p> | <p>61% Education and training 61% Accommodation and food services 58% Arts and recreation services</p> |
|  <p>Providing Personal Protective Equipment (PPE) to staff</p> | <p>60% Transport, postal and warehousing 53% Accommodation and food services 46% Administrative and support services</p> |
|  <p>Physical distancing of employees</p> | <p>38% Education and training 30% Transport, postal and warehousing 27% Arts and recreation services</p> |

(a) Proportions are of all businesses
 (b) Businesses could select more than one response

Source: ABS

- Businesses reported on the extent to which COVID safe controls were adversely impacting their business.
- 64% of businesses reported that they were being adversely impacted by COVID safe controls.
- 21% are being impacted by these controls to a great extent.
- The most onerous impact was additional cleaning & disinfecting. The most heavily impacted industry was accommodation & food services (78% of businesses).

SURVEY DETAIL

- 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 14 and 21 April 2021.
- 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 1,275 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.

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