MEDIA RELEASE

New June data highlights small business conditions in Australia, NZ and the UK

Xero Small Business Insights provides a unique perspective on the pandemic’s impact on small businesses in Australia, New Zealand and the United Kingdom

Melbourne — July 30, 2020 — Xero, the global small business platform, has today released data for June on the health of small business in Australia, New Zealand and the United Kingdom. For the first time this allows for a cross-country comparison of the relative performance of small businesses during the pandemic period, based on anonymised and aggregated customer data analysed by Xero Small Business Insights (SBI) and AlphaBeta Australia (part of Accenture).

The variation in results across the countries reflect the different stages each nation has reached in its pandemic response. New Zealand has experienced the strongest early rebuilding phase of the three countries so far, despite having the largest drop in revenue when lockdowns were introduced.

Australia saw larger initial falls in small business jobs, but small businesses have begun re-employing and revenues are also above the low point. The United Kingdom, which started to ease restrictions later than the other two countries, is yet to hit the trough in employment outcomes but had some modest improvement in revenue in June.

"Xero’s international reach means we are in a unique position to provide cross-country analysis to help small businesses and governments understand how they are performing relative to other regions," said Trent Innes, Managing Director Australia and Asia, Xero.

Revenues respond to shifting lockdown restrictions

"The differing revenue patterns track the lockdown experiences of the three countries," continued Innes.

New Zealand recorded a sharp revenue fall in April to be 39% lower than a year ago, as the country entered level four lockdown in late March. As restrictions have eased, returning to level one by mid-June, revenues have rebounded strongly to now be similar to June 2019 levels.

In contrast, Australia saw the smallest fall of the three in revenue in April, although it was still down 10%. The subsequent rebound has also been less pronounced than New Zealand, despite also easing restrictions, with revenues 8% below year ago levels in June.

Meanwhile United Kingdom revenues bottomed out at 29% in May, falling between the New Zealand and Australian troughs. Since then revenue has recovered slightly but is still 18% lower than June 2019, reflecting that the United Kingdom was under stricter lockdown rules that month than Australia and New Zealand.
Rehiring underway in Australia and NZ but not UK

"Small businesses have also had very different experiences around being able to retain workers, in part due to different wage subsidy approaches," said Innes.

Australia experienced a 12.1% decline in jobs between mid-March and mid-May - the biggest decline to date of the three countries. On a positive note, firms started to rehire in June, as lockdowns eased, with jobs increasing 6% between mid-May and the end of June.

Initial job losses in the United Kingdom were less than Australia, down 4% between March and May. But since then the United Kingdom has continued its downward trajectory and lost more jobs to be 8.5% below pre-crisis levels at the end of June.

New Zealand did not have such a large initial employment impact, with a 4.6% decline in employment in the early months of the crisis. But by the end of May jobs were sitting just 1% below the pre-COVID-19 level in response to easing restrictions. However, jobs fell again in the last two weeks of June, following the ending of the first wage subsidy system, to finish the month 3.6% down on pre-crisis levels.
Staff returning to Australian small businesses

Looking in more detail at the Australian results, the latest Xero Small Business Insights data shows that conditions have improved since the national lockdown ended. However, both employment and revenue remain below pre-crisis levels. Small business jobs rose 6% between mid May and end of June amid easing trading restrictions across the country.

"It is encouraging to see small businesses continue to rehire in June, but there is still some way to go before jobs return to pre-COVID levels. This data also does not yet show the impact of Melbourne entering a second stage lockdown," said Innes.

Revenue was less responsive

Revenues of small businesses in Australia remain 8% lower than a year ago - little changed from the May result but an improvement on the 10% trough in April.

The industry breakdown of revenue shows considerable variation across sectors, with hospitality and arts and recreation still the hardest hit, as some businesses are able to return to pre-COVID trading conditions quicker than others.

"Hospitality and arts and recreation have shown some improvement from the disappointing results in April, but revenue remains 22% and 31% lower than a year ago respectively," continued Innes.

"The standout sector in June was manufacturing, where revenues were actually 9% higher than a year ago in June. This is great news for Australian manufacturers who will be hoping they can continue this recovery trend helped by a competitive sub-US $0.70 Australian dollar," said Innes.
"Looking ahead, the big question mark for Australia is around the impact of the return to lockdown in Melbourne and the tightening of some hospitality trading rules in NSW. These are the two biggest states and it is likely that we will see some negative impact on Australian small businesses performance next month as a result of an increase in local transmission COVID-19 cases," concluded Innes.

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About Xero
Xero provides a beautiful and easy-to-use cloud-based accounting software service for small businesses and their advisors around the world. Xero connects more than two million subscribers with an ecosystem of over 800 third-party apps and 200 plus connections to banks and financial service providers. The IDC MarketScape recognised Xero as a Leader in the Worldwide SaaS and Cloud-Enabled Small Business Finance and Accounting Applications 2020 Vendor Assessment. On the 2020 Financial Times High-Growth Companies Asia Pacific list, Xero was the largest company by revenue to come from New Zealand or Australia. Xero has also been included in the 2020 Bloomberg Gender-Equality Index and the FTSE4Good Australia 30 Index.

About Xero Small Business Insights
The Xero Small Business Insights (SBI) program provides analysis on the sector’s health, with its metrics based on anonymised, aggregated data drawn from hundreds of thousands of our subscribers. The result is a picture of business conditions that’s more accurate than most private surveys, which typically have a far smaller sample size, and more frequently updated than much of the data on small business. Xero is currently producing a series of specialised monthly metrics, providing a view of the impact of COVID-19.

About AlphaBeta Australia (part of Accenture)
AlphaBeta Australia (part of Accenture) is a research firm with offices in Sydney, Canberra and Melbourne. It specialises in combining advanced analytical techniques and innovative data to generate new insights and fresh perspectives on the challenges facing business and government.