Revenue and employment data paints cautious picture of recovery for small businesses in NZ

Xero compares New Zealand’s data with Australia and the UK

Wellington, New Zealand — July 30, 2020 — Today Xero, the global small business platform, released June’s Small Business Insights (SBI) showing small business revenue in New Zealand has rebounded to 2019 levels while employment figures have dropped slightly after an earlier recovery in May.

Xero SBI is based on anonymised and aggregated customer data released every month by Xero. The data also showed that, in terms of revenue and employment, New Zealand small businesses fared better than their Australian and UK counterparts.

New Zealand revenue recovered in June
Following a steep decline in year-on-year revenue in April, small business recovered to be 17% down in May. This revenue recovery continued through June, with June 2020 revenue on par with revenue in June 2019.
Craig Hudson, Managing Director for New Zealand and Pacific Islands at Xero, says while it’s too early to celebrate a lasting recovery, the data is promising.

“This revenue recovery shows what’s possible when New Zealanders spend locally. It’s also encouraging to see that, despite a sharp increase during the lockdown, the average time for businesses to be paid has fallen to 26.9 days - only a day higher than in February.

"It's important to note the data is an average across all small businesses. While some businesses are doing extremely well post-lockdown, which is helping drive revenue back to 2019 levels, others are still hurting and need as much support as possible," says Hudson.

This was particularly true for certain regions in New Zealand and while most major regions across the country have seen year-on-year revenue improvements in June, Queenstown is still lagging. Revenue growth in the popular tourist destination was down -6.4% compared to June 2019. However, this is a significant improvement compared to Queenstown’s -59.7% year-on-year drop in the month of April.

Small business revenue in Auckland was also down (-2.1%), but Canterbury (+3.9%), Northland (+2.8%), Wellington (+2.2%), Hawke’s Bay (+1.6%), and the Waikato (+1.1%) all saw average small business revenue grow year-on-year in June.

**New Zealand experiences early rebuild**

Compared to Australia and the United Kingdom, New Zealand has seen the strongest early rebuilding
phase so far, despite having the largest drop in small business revenue when lockdowns were introduced.

With New Zealand entering its strict lockdown in late March, small business revenue in April fell sharply to be 39% lower than a year ago. As restrictions eased, small business revenue quickly rebounded.

In contrast, Australia saw a far smaller fall in revenue in April, down 10% year-on-year. Unlike New Zealand, this only slightly improved in June, up two percentage points to -8%.

Meanwhile, in the United Kingdom, revenues bottomed out at 29% less year-on-year in May. Since then revenue has recovered, but is still 18% lower than June 2019.

**Employment figures correlate with wage subsidy changes**

After a modest recovery in the number of jobs in the small business sector post-lockdown, the number of jobs across Kiwi small businesses dropped by 2.2% between 10 June and the end of June.

“This drop in jobs in the latter half of the month coincides with the tightening of eligibility for the wage subsidy. Despite this fall in employment numbers over June, it’s a positive sign that small business employment numbers are tracking slightly higher than they were in April,” says Hudson.
New Zealand leads small business employment recovery
Compared to Australia and the United Kingdom, New Zealand small businesses have kept more people in employment.

At the end of June, the New Zealand small business sector had 3.6% fewer jobs than pre-crisis levels. This compares to 6.8% fewer jobs in the Australian small business sector and 8.5% in the UK.
“Small businesses are more than just numbers. They are about livelihoods and people. At the moment they are doing it tough. Losing a job can be devastating, so we need to do all we can to support them and help them through this incredibly challenging time.

“Although we are doing better than many expected, now is not the time for Kiwis to be complacent in supporting small businesses. For those who can, spending with locally-owned small businesses and paying your bills on time is vital,” concludes Hudson.

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Media Contact
Xero New Zealand
Natalie Benning
+64 (210) 2619604
natalie.benning@xero.com

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 program provides analysis of the sector’s health, with metrics based on anonymised, aggregated data drawn from hundreds of thousands of subscribers. The result is a picture of business conditions that’s more accurate than most private surveys, which have a far smaller sample size, and more frequently updated than other New Zealand data on small business. Xero is currently producing a series of specialised monthly metrics which analyse the impact of COVID-19 on the small business sector.

**Note to the editor**
Previous iterations of the Xero SBI data have listed snapshots of data from the time it was captured. Some of these historical data points change as bookkeepers and accountants finalise their clients’ accounts, which can impact the specifics of the percentages.