NZ small business revenues up, jobs down in August

Wellington, New Zealand — September 28, 2020 — Xero, the global small business platform, today released its Small Business Insights (XSBI) for August, which showed New Zealand small business revenue grew despite the Auckland lockdown, but employment figures fell.

Revenue for New Zealand small businesses was 4% higher in August 2020 compared to the same time last year. This marks the third consecutive month of positive revenue growth for the small business sector. However, small business jobs fell 1.4% in August compared to July and are now 2.9% below their pre-crisis level.

In Auckland, the second Alert Level 3 lockdown resulted in small business revenue falling by -4.4% year-on-year and employment figures dropped to -4.3% below pre-crisis figures.

Small business revenue growth

% year on year

Craig Hudson, Xero managing director for New Zealand & Pacific Islands, says these trends indicate the road to recovery will be bumpy, with upcoming September data set to reveal how small
businesses nationwide coped in the wake of Auckland’s second lockdown and the end of the wage subsidy.

“Compared to our international counterparts, New Zealand has seen an encouraging recovery in small business revenue over the last few months. But the second lockdown in Auckland has shown how quickly things can change,” says Hudson.

“We won’t know the full impact until September’s SBI data, but it’s a reminder that during these uncertain times we need to remember to continue buying locally and paying bills on time to help keep money circulating in our economy.”

Encouragingly, after increasing sharply during the initial part of the crisis, the average time for small businesses to be paid was 25.1 days in August - 0.8 days faster than pre-crisis.

**Small business revenue remains steady, hospitality down**

Overall, revenue growth was stable across most industries with the exception of hospitality, which deteriorated in August, to be 9% lower year-on-year.

Additionally, some industries saw significant revenue growth year-on-year in August including rental and real estate (11%), manufacturing (11%) and construction (9%).

**Small business revenue growth, by industry**

% year-on-year, monthly

Most regions saw an improved revenue figure year-on-year with the exception of Queenstown (down 10.8%) and Auckland (down 4.4%).
“The second lockdown in Auckland coupled with the ongoing challenges facing Queenstown as a result of border closures, have contributed to the hospitality sector’s revenue being impacted,” says Hudson.

“It is encouraging though to see overall small business revenue increase across New Zealand, with the regions and their lower Alert Level allowing for relatively unaffected day-to-day trading.

“It’s also pleasing to see New Zealand small business revenue compared to Australia and the United Kingdom. While Australian revenues have also recovered, they are yet to reach pre-crisis levels while the United Kingdom small business revenue figures continue to experience negative year-on-year growth.”

**Small business jobs down nationwide**

However, jobs remain down on pre-crisis levels across the country. Small business jobs fell 1.4% across August and are now 2.9% below their pre-crisis level.

Furthermore, jobs in hospitality small businesses are down 13.3% on pre-crisis levels, having declined 5% during August.

**Number of jobs in small businesses**

Indexed levels, week ending 2 February = 100; not seasonally adjusted; observations are for week ending that Sunday

Regionally, Queenstown recorded the largest drop in employment figures from pre-crisis, with jobs down -9% at the end of August.
Waikato (-4.9%), Northland (-4.4%), Auckland (-4.3%), Bay of Plenty (-3%) and Hawke’s Bay (-2%) also recorded reduced job figures between March and August.

However, Wellington has seen jobs return to the March 2020 level while the Canterbury region saw a 2.3% increase in job figures since the start of the crisis.

“It’s interesting to note the relative stability of revenue in the small business sector compared to job figures, which suggests small business owners may be running leaner businesses and working more hours themselves or positioning their business to cope with any future uncertainties,” says Hudson.

“There is a learning curve that looks different from other crises. Things like adopting new technology, understanding their numbers and income, and leaning into a new, post-COVID way of operating suggests small business owners know their businesses better than they ever have.

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About Xero
Xero is a cloud-based accounting software platform for small businesses with 2.38 million subscribers globally. Through Xero, small business owners and their advisors have access to real-time financial data any time, anywhere and on any device. Xero offers an ecosystem of over 800 third-party apps and 200 plus connections to banks and other financial partners. In 2020, Xero was included in the Bloomberg Gender-Equality Index and recognised by IDC MarketScape as a leader in its worldwide SaaS and cloud-enabled small business finance and accounting applications vendor assessment.

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 in partnership with AlphaBeta Australia (part of Accenture). 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.

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

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.