Year-on-year NZ small business revenue down slightly in July
Small business jobs recovered 0.8% in July, remain 1.7% down since the first lockdown

Wellington, New Zealand — August 31, 2020 — Xero, the global small business platform, today released its Small Business Insights (SBI) for July, which showed New Zealand small business revenue was down 1.8% compared to July 2019.

Encouragingly, small business employment continued to rise during the month (0.8%) to just 1.7% below the level pre-COVID and small business job numbers recovered 3% since its low point in April.

Craig Hudson, Xero managing director for New Zealand & Pacific Islands, believes these trends indicate the road to recovery will be bumpy, with upcoming August data set to reveal how small businesses cope with Auckland’s second lockdown.

“Since bottoming out during April’s Alert Level 4 lockdown, we saw a steady upward trend during May and June across both small business revenue and employment figures. Looking at the data from July, we’re starting to see the recovery level out and return close to the numbers from 2019,” says Hudson.

“These are promising signs but we know Auckland’s second lockdown in August will impact the small business economy.”
“It’s also important to remember these figures are an average representation. It’s clear that a number of businesses, industries and regions are still suffering from the economic impact of COVID-19,” says Hudson.

**Revenue figures show some industries up, while professional services take a hit**

During July, overall small business revenue dropped 1.8 percent below revenues for a year earlier.

Despite this, certain industries saw revenue up year-on-year. For example, revenues for both hospitality and retail were up 6% compared to a year ago, and the manufacturing sector recorded a 13% growth in revenue year-on-year.
“These results could reflect pent up spending demand as New Zealanders emerged from lockdown, as well as a returning level of confidence in getting out and spending locally in shops and restaurants as the country almost completely removed health restrictions,” says Hudson.

The exception was professional services, which includes accounting, marketing, legal and many office based professions. This sector experienced a 17% year-on-year drop in revenue during July.

“The majority of professional service firms are small businesses. July’s insights reflect an unwinding of the steady recovery in revenues seen in this sector during May and June, after revenues were 21% down on year ago levels in April,” says Hudson.

“Often there’s a lag for revenue declines in professional services, as they feel a delayed knock on effect from changes in other sectors,” says Hudson.

**Employment figures maintain growth**

Across the country, small business employment figures continued to rise and are now just 1.7% below the level pre-COVID. However, this figure is diverse across different industries as well.
Compared to the first week of March (pre-COVID), hospitality jobs were down 8.5% at the end of July. Furthermore, the real estate and professional services sector also saw falls during this period, dropping by 4% and 3.2% respectively.

Retail jobs increased 2.2% by the end of July, reflecting the need for more employees in stores as people begin to embrace their freedom from lockdown and start shopping locally again.

“Looking at these figures, it seems that while the hospitality industry has recorded some strong gains in revenue, this isn’t being reflected in the employment rates.

“This is also reflected in tourist hotspots, with employment figures in Queenstown still down significantly, recording a drop in jobs of 5.7% between the beginning of March and the end of July,” says Hudson.

During July, the ongoing closure of the international border to non-NZ residents continues to hit Queenstown hard. Year-on-year, small business revenue in the city during July was down 12.8%.

“Despite increased activity during the school holidays in July, the lack of international visitors to Queenstown and the wider Otago region are impacting the local businesses significantly,” says Hudson.
“Furthermore, the reintroduction of Alert Level 3 to the wider Auckland region and Alert Level 2 to the rest of Aotearoa in August is likely to have impacted small business owners and employees.

“Therefore it remains imperative to our nation’s economic recovery that those who can shop locally and pay their bills on time, in order to support their local community and the businesses within it. Keeping money circulating in our economy will help to keep more people employed and more shop fronts open for longer,” says Hudson.

For further information on the July metrics please refer to the Xero SBI Update (link is here).

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Media Contact
Xero New Zealand
Natalie Benning
+64 (0)21 026 19604
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.

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.