



Monthly commentary Trent Innes 4

Xero data uncovers COVID impact on small businesses as recession lands



As Australia emerges from COVID-19 lockdown and enters its first recession in three decades, many observers are asking how a particularly crucial part of the economy has fared: small businesses. There are some 2.3 million small businesses, which employ nearly half of all workers. If Australia is to recover quickly, it will surely require power from this economic engine.

With that question in mind, [Xero Small Business Insights](#) (SBI) and AlphaBeta economics consultancy set out to understand the health of small businesses since lockdown began. We have produced a new set of specialised metrics that enable us to take a precise, week by week, view of the fast-moving situation.

We have initially examined two key indicators: employment and revenue, to be followed shortly by payment times and cash flow. It's our hope that the findings, to be updated every month, will help inform policymakers as recovery efforts begin in earnest.



We found that small business employment was indeed hit hard in recent months – twice as hard as businesses overall. We also discovered that relief efforts like JobKeeper likely helped soften the blow. That's an encouraging sign, and one that suggests small businesses may benefit from further targeted relief. The sector has traditionally generated a fifth of GDP; we would like to see it recover to that share or even higher.

Arresting the fall

Drilling down into the data, Xero SBI shows that 13% of jobs in small business were lost between the start of March and the end of April. But the announcement of JobKeeper on 30 March appears to have arrested further declines. Before JobKeeper was announced, small business jobs fell by 10.5%; once JobKeeper was announced, job losses stabilised, with declines of less than 3% in the following weeks.

The first data available on the impact by employment type for small business reveals that, with the announcement of JobKeeper, only 2% of full-time workers and 5% of part-time workers lost their jobs between the beginning of March and end of April. Casual employees, on the other hand, saw 25% of jobs disappear.

The Xero SBI data also found that the small business sector was twice as badly affected as businesses overall with regard to job losses. The worst affected sectors have been hospitality (a fall of 40% in employment) and arts and recreation (a decline of 29%). The most resilient were construction (a fall of 1%), transport (a fall of 3%), and professional services (a fall of 4%).

Revenue impact

Focusing on revenue, the Xero SBI data found an 11% decline on average for Australian small businesses in April compared to a year ago. Hospitality (51% revenue fall), and arts and recreation (49% revenue fall) were most badly hit, with construction (1% revenue fall) and rental, hiring and real estate (-4% revenue fall) the least affected. A renewed focus on small business

COVID-19 is an economic shock that keeps shifting shape, and attention is now focused on recovery. This unique data shows that small businesses have been hit twice as badly by job losses as businesses overall – but it also suggests smartly conceived measures like JobKeeper can make a big difference.

Today we are calling on the government to focus on small business when considering its policy responses. Small businesses are too important to be lumped in with big businesses, as they have a direct impact on so many



Australian families and communities. If we can help small businesses – sometimes called the engine room of the economy – recover, all Australians will be better for it.

About Xero SBI's COVID-19 analysis

Xero SBI is responding to the COVID-19 event by producing a specialised set of monthly metrics drawn from our anonymised and aggregated customer data. We have released employment and revenue data for March and April, which provides a week-by-week view of the COVID-19 impact on the small business economy. We are also going on to produce data on invoicing and payment times.

As well as releasing this data we are working collaboratively with the government to provide initial guidance on the impact on small businesses, the effect of the economic stimulus packages and the shape of the recovery.

As a result of the work on the new COVID-19 analysis, we have taken the decision to pause on the publication of our usual monthly metrics as they were primarily designed to give a long term trend-line analysis.