



Monthly commentary Angus Capel

# Green shoots emerge amid COVID-19 in May's data



Although it's clear that small businesses' challenges amid COVID-19 are far from over, an analysis of May data shows that certain measures of small business health improved. While national business conditions were weaker than a year earlier, revenue and sales for May increased from their April lows, based on anonymised and aggregated Xero customer data analysed by AlphaBeta Australia.

For all small businesses, revenue in May fell an average 8% from a year earlier, improving from the 12% decline recorded in April. Weekly sales likewise showed improvement in May, recovering 6% from their April low though remaining in negative territory.

## Most improved sectors



When broken out by industry, some sectors saw a notable improvement in May. Hospitality revenue, which dropped an annual 59% in April, improved to be 36% lower than a year earlier. Arts and recreation saw turnover fall 41% in May, improving from a 55% decline in April. Retail trade, which was down 9% in April, saw revenue slide 4% in May.

While the Xero SBI data offered positive news on revenue, it also showed payment times to small businesses had worsened. Between February and May, the average wait for an invoice to be paid rose by about a day, to 26.5 days. This seemingly small increase – one day – generates a form of trade credit to customers that becomes substantial when multiplied across Australia's millions of small businesses.

## Under pressure

AlphaBeta analysed the volume of outstanding invoices to estimate that the one-day increase in payment times equates to an extra \$600 million in trade credit extended by small businesses. This trade credit can quickly create cash flow and financing pressure for small businesses that are already contending with a recession.

While there were some green shoots in the May data, it's imperative that we pay small businesses quickly. This especially goes for businesses struggling amid COVID-19 restrictions. Whether it's cafes, gyms or hair salons, many owners are struggling to pay their own bills and their employees, all while coping with reduced revenue.

New technologies, such as e-invoicing, will soon play a role in helping small businesses get paid faster. But in the meantime, it's up to the government and customers to keep in mind the difficult time small businesses are facing, and support them through extended relief measures and prompt payments.