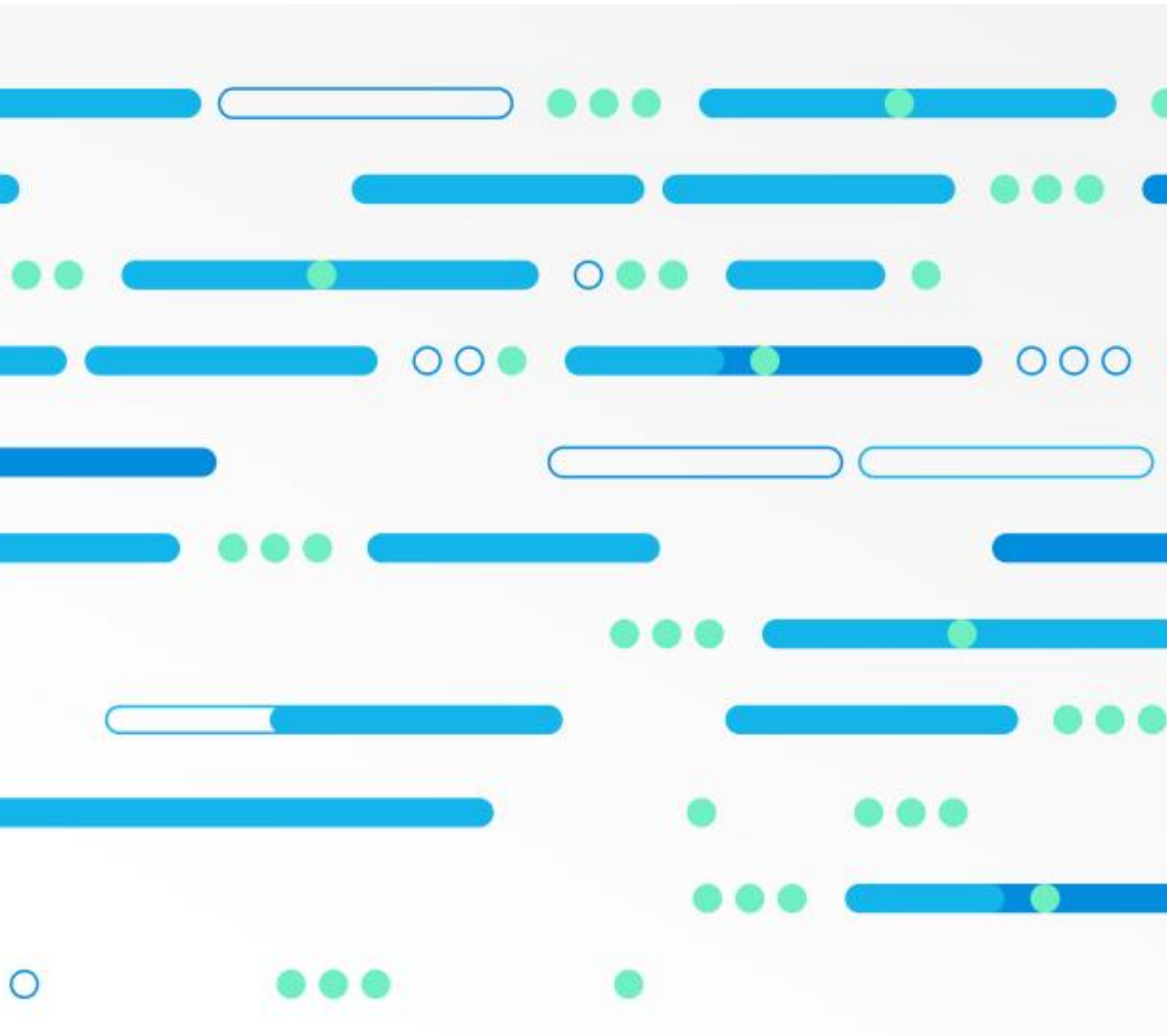


# Australia Monthly Update

## September 2020

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# Revenue and jobs rise as Victoria's impact eases

## Revenue growth fastest in 6 months

Small business revenue grew 5.2% year-on-year, the fastest pace since March 2020. This is just above pre-crisis average annual revenue growth of 4.6% (July 2019 to Feb 2020).

Victoria, where lockdowns continued in September, recorded a 0.4% year-on-year revenue rise, which was a significant turnaround from the 6% year-on-year decline recorded in August. Victorian health care (+10% y/y), manufacturers (+8% y/y), professional services (+9% y/y) and retail trade (+8% y/y) underpinned this year-on-year revenue growth result.

Revenue growth in Victoria is seen despite the business restrictions in place in Melbourne. There were also easings in regional Victoria (from 16 September) which allowed retail and some personal services to re-open and hospitality to allow outdoor dining. This would have made some contribution to the state-wide revenue growth.

Importantly, despite the rise in revenue in Victoria the State is still lagging the rest of Australia with revenue growth almost 5ppt lower than the nationwide outcome.

## Jobs growth after 2 month pause

Small business jobs rose 0.8% in the month in September. This comes after largely flat results in July and August. Small business jobs have now recovered around two-thirds of the losses experienced when the crisis hit.

As with revenue, the national result was helped by Victoria, where jobs rose 0.9% in the month after falling 3.6% between end June and end August.

Despite the rise in small business jobs in September, the Victorian labour market situation is by far the most challenging across Australia. Victorian jobs are 10.9% lower than they were prior to the pandemic. This situation is reflected in recent comments from the Federal Treasurer that under JobKeeper II almost 60% of the supported jobs are expected to be located in Victoria. Over a third of JobSeeker (unemployment benefits) recipients are also currently in Victoria.

The most positive news around jobs in September was the rise in the two hardest hit sectors so far - hospitality (+3.2% m/m) and arts and recreation (+2.5% m/m). Although both of these sectors are still well below pre-crisis jobs levels, at -12% and -15% respectively.

### Small Business Revenue Growth

% year on year, monthly



Source: Xero SBI, AlphaBeta analysis.  
Note: Revenue growth for most recent month is adjusted based on historical revisions to adjust for reporting lag. Government stimulus payments (e.g. wage subsidy) may be included in revenue numbers if firms have classified these payments as revenue. Pre-crisis average from July 2019 to February 2020

### Number of jobs in small businesses

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



Source: Xero SBI, AlphaBeta analysis.  
Note: For weekly estimates, we restrict analysis to weekly paystips (which account for ~54% of employees in Xero). Paystips are assigned to weeks (which run from Monday to Sunday) based on when the pay period ends. Our method abstracts from firm entry and exit; this means that changes in Xero's subscriber base do not directly affect estimates of jobs growth.

## Casual jobs led the downturn but are now leading the rebuild

When the Jobkeeper Scheme wage subsidy was launched, in March 2020, there were a number of eligibility criteria for employees. One of these was that an employee had to be a long-term casual employee (i.e. employed on a regular and systematic basis during the 12 month period that ended 1 July). Casual employees that did not meet this criteria were not eligible.

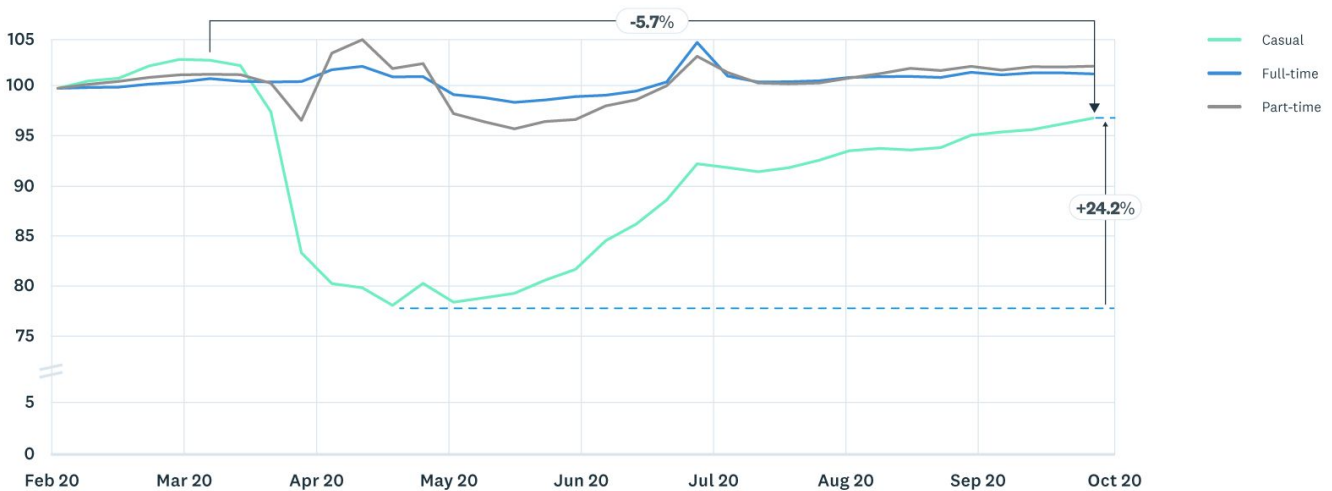
XSBI data shows that casual employees were hard hit by the onset of the pandemic, when small business casual jobs fell 25% in late March/early April.

As the economy was restarted, from June, casual workers began to be rehired and employment of casuals has risen by 24% since the trough of late April.

There is still some way to go, however, to return to pre-pandemic small business casual employment levels which remain 5.7% below pre-crisis levels. This is a bigger shortfall than the overall job situation, which has small business jobs 3.9% lower than pre-crisis levels.

### Number of jobs in small businesses

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



Source: Xero SBI, AlphaBeta analysis.

Note: We use the same methodology as for the aggregate employment growth metric, but restrict the sample to the relevant type of employee.

## Budget looks to business to led recovery

On October 6 the Australian Government handed down the delayed 2020/21 Federal Budget. The Treasurer used the Budget to outline the recovery vision of the Government. This response has a focus on encouraging the private sector to drive the rebound. Income tax cuts, faster asset depreciation, wage supplements for younger workers and new investments in technology capability were just some of the new policies announced.

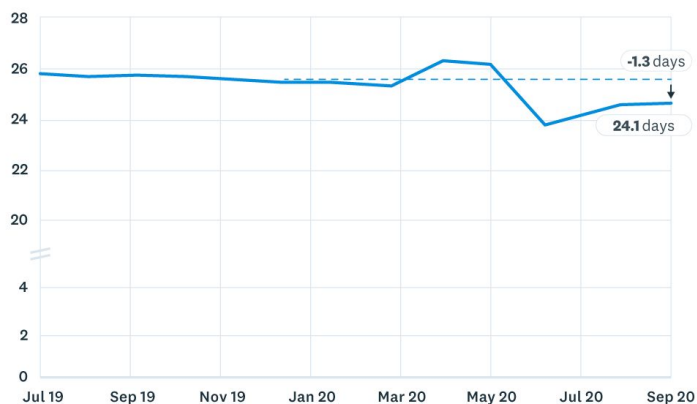
## Payment times remain faster than pre-crisis level

One of the surprising trends of this pandemic has been how average small business payment times have responded. In April and May average payment times rose slightly. That is, on average small businesses needed to wait 1 day longer in April to be paid than the 25.4 days they waited in February.

But in June this trend reversed and by September small businesses reported that average payment times were 24.1 days or 1.3 days faster than before the pandemic crisis.

### Average days to be paid

Days, seasonally adjusted



Source: Xero SBI, AlphaBeta analysis

## Support starts to wind down

October is a critical month for small businesses and their employees as various government support measures either end or are adjusted. The XSBI data will provide early indications of how small businesses are adjusting to the new policy settings.

JobKeeper ended in late September and Treasury estimates suggest that the number of people qualifying for the payment is expected to fall from 3.5 million to 2.24 million in October and again to 1.75 million by the start of 2021, before the scheme ends completely in March 2021. JobKeeper payments are also lower - \$1200/fortnight for full-time employees and \$750/fortnight for part-time employees, down from a flat rate of \$1,500/fortnight.

The Cashflow Boost program, which was targeted at employing small businesses, also ended in late September with most final payments expected to flow in October.

Some small business customers will also have less disposable income with the Coronavirus Supplement payment falling from \$550 to \$250/fortnight. This payment is made to various welfare recipients, including JobSeeker.

These changes will leave many businesses operating with reduced, or no, government assistance going forward.

Over the coming months the XSBI data will provide important early indications of how small businesses are adjusting to the withdrawal of government support.

# Methodology

## 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 AlphaBeta (part of Accenture)

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

## About Xero Small Business Insights (XSBI)

The aim of Xero SBI is to create insights to help inform decision makers in support of the small business economy as a whole. These insights were produced by Xero and AlphaBeta Australia (part of Accenture) for Xero SBI.

The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero are responsible custodians of our customers sensitive data and do not release any data that could identify individual businesses. The data used is aggregated and anonymised to ensure the privacy of Xero subscribers, and their counterparts.

## Job statistics

We measure jobs based on the number of unique employees paid by a firm in the relevant period. We only include employees who received non-zero payment for the relevant period. Xero data is firm-side, not household-side which means that, in aggregate, we measure 'jobs' (the number of filled positions) not employment – (the number of people who have a job). We're-weight the Xero sample to match the population distribution of firms by employment size, using official national data on the counts of small businesses by size.

## Revenue statistics

We use a stable set of firms to reduce the impact of sample changes. Revenue reported by Xero firms for the month is taken from the Xero "general ledger" – reconciled, accounting measure of revenue Xero data. Government stimulus payments (e.g. wage subsidy) may be included in revenue numbers if firms have classified these payments as revenue.

We exclude firms who do not have an advisor linked to their account (e.g. accountant or bookkeeper), trusts, clubs & societies and other unclassified organization classifications and firms that have not reported non-zero revenue in all of the past 12 months.

We calculate month-to-month growth in total revenue based on a set of firms that report in both current and previous month to prevent changes in sample composition having first order effects on growth. Our estimates focus on a sample of small businesses that have traded continuously for the last year. This is because we want to be able to show actual changes in revenue from operating businesses, rather than reflect changes in the composition of the sample due to businesses failing. Estimates are unweighted, but are robust to alternative sample weighting schemes. Revenue growth for the most recent month is adjusted based on historical revisions to adjust for reporting lag.

## Payment time statistics

We measure the average time to be paid for invoices on trade credit for Xero subscribers. We calculate the average time to be paid, weighted by (1) invoice value (2) firm-level sample weights. We include only invoices that are fully paid and measure the time between issue and full payment.

## Disclaimer

This report was prepared using Xero SBI data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used were anonymised and aggregated to ensure individual businesses can not be identified.