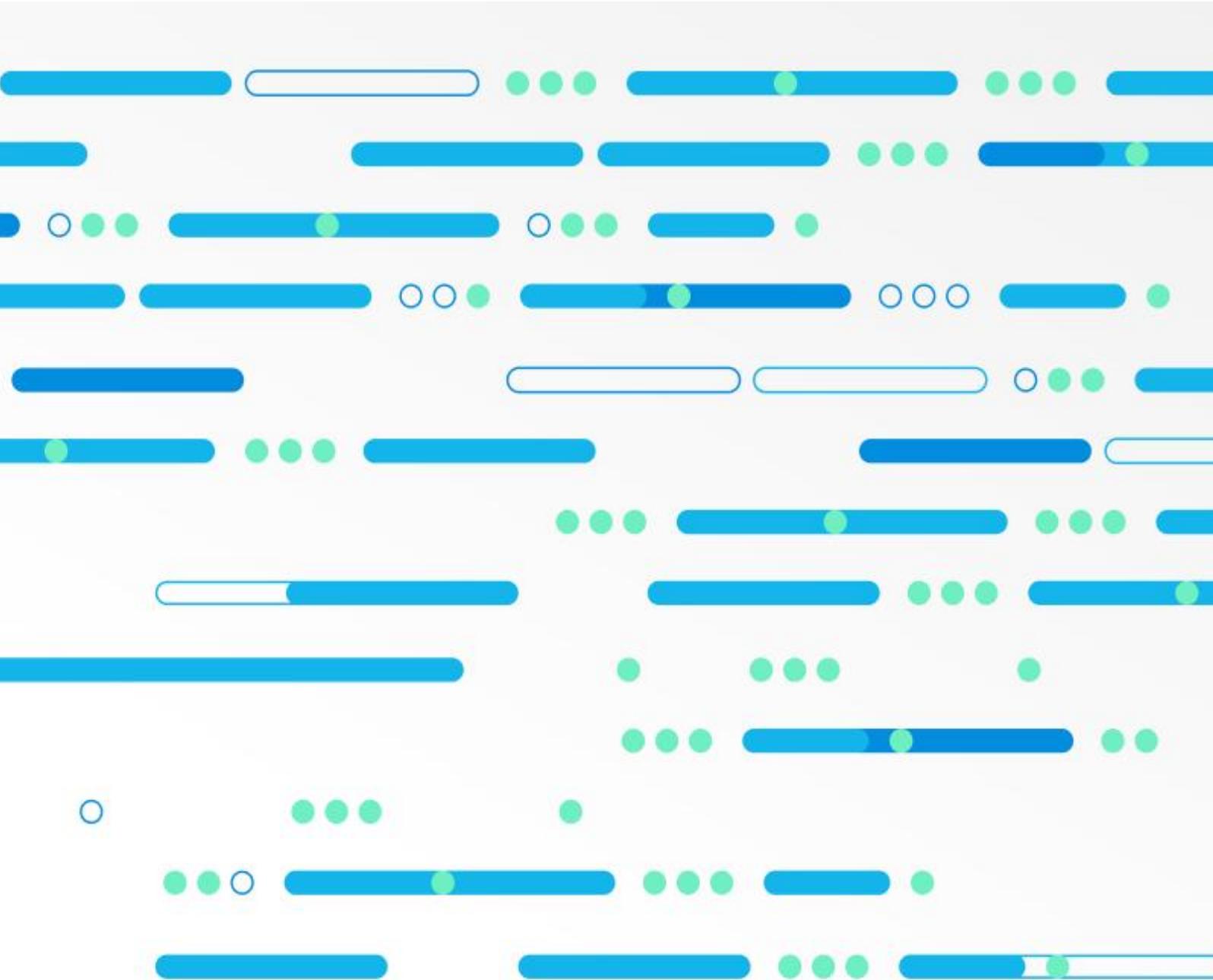


# Australia Monthly Update

## November 2020

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# Small business recovery continues to build

The differing experiences of Victoria and South Australia during November highlight the impact shifting restrictions appear to have on small businesses. Victorian small businesses have almost returned to national revenue growth rates as Melbourne continues to open up. In contrast an unexpected shutdown in South Australia coincided with a fall in revenue.

## Jobs return to pre-Covid levels

Small business jobs rose 1.5% in November and have now returned to pre-pandemic levels. This positive result comes despite the tapering of the JobKeeper wage subsidy. In November there were 2 million fewer people receiving JobKeeper than at the end of September.<sup>1</sup>

The ongoing easing of restrictions in Melbourne coincide with small businesses continue to add jobs in Victoria. Jobs have risen 9.6% since the second lockdown trough in August.

In contrast South Australia saw jobs fall 5.9% in late November after a cluster emerged and restrictions re-tightened (including a 3-day lockdown). The large decline reflects, in part, that it is a small state. But it also likely points to the negative impact on confidence that the return of restrictions immediately have.

## Sixth month of revenue growth

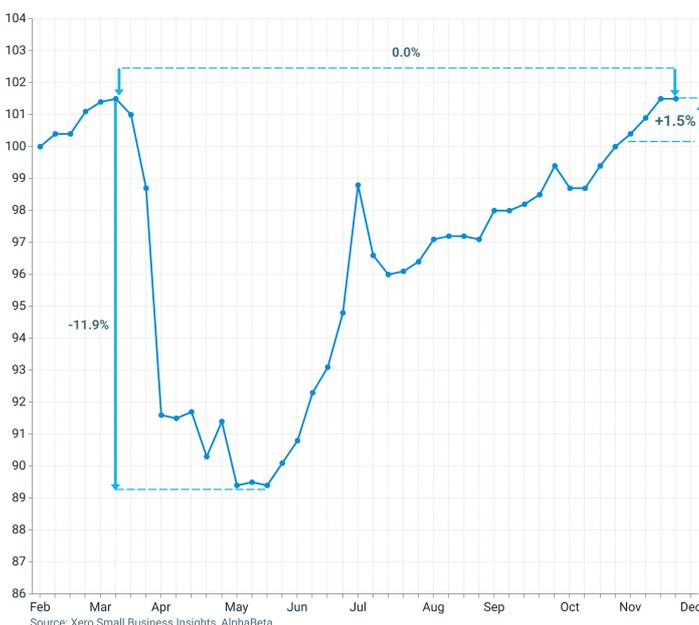
Small business revenue rose 1.7% in the 12 months to November. This is the sixth consecutive month of positive revenue growth (October revised to +1.4% from -0.5% y/y). In recent months our data suggests the effect of the winding down of government support has been offset by the ongoing easing of restrictions across most states.

Victoria's revenue growth (+1.3% y/y) is now only just below the national result. This suggests small businesses do rebound once restrictions are eased. In contrast, revenue in South Australia fell 3.1% y/y amid a tightening of restrictions. These have since eased again and it is hoped the State will be largely back to operating as it was prior to this latest cluster by mid-December.

Not all industries have fully recovered. Revenues remain below year-ago levels for small business in the hospitality (-12%) and arts & recreation (-15%) industries. On a positive note the approaching summer holiday period, combined with ongoing reopening of state borders, should support these industries in the coming months.

### Number of jobs in small businesses

Indexed levels, week ending 2 February 2020 = 100; not seasonally adjusted; observations are for week ending that Sunday



### Small business revenue growth

% year-on-year, monthly



Notes: For weekly estimates, we restrict analysis to weekly payslips (which account for ~54% of employees in Xero). Payslips 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.

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.

<sup>1</sup> AFR (30 Nov 2020) *Plunge in JobKeeper demand signals speedier recovery: Treasurer*

# 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.