

pulse survey 21.1

Impacts of COVID-19 on regions and regional business

2021

prepared by:



INTRODUCTION

This survey (21.1) is the third to be conducted on the current operating environment for regional businesses. The survey follows two completed in 2020 (20.1 and 20.2). This report contains the high-level findings from this year's survey.

The survey features two new sections, the first analysing the past 12 months compared to businesses expectations, and the second, analysing specific industry issues. Given the impact of COVID 19, the survey continues with a section assessing the specific impacts of COVID 19 on regional businesses.

More detailed analysis over time, at industry or geographical location is available, please contact SED to discuss your requirements.

Key points

- There are considerable differences in what were the actual impacts on businesses compared to expectations. Firms are slightly less confident now than expected, revenues did not decline as much as anticipated and the supply side of business (input costs, supply chains, export importing) have been more dramatically impacted than expected
- Compared to 2020, confidence levels have risen (although by less than expected 12 months ago), with many firms not as pessimistic as 12 months ago
- Revenues declined by an average of 9%, with the expectation of revenues to decline by a further 1% over the next 12 months. This is a significant improvement compared to 2020
- There has been changes in the major issues impacting on firms. The major issues that impacted firms over the past 12 months have been owners health, supply chains and input costs. In 2020 the top three issues impacting firms were new business development, revenue and cashflow.
- The major issues expected to impact businesses over the next 12 months are COVID-19, government regulation, labour costs and difficulties importing goods
- The nature of businesses strategic responses has changed quite dramatically over the past 12 months with utilising technology, cashflow management and skills development and training being considered by the largest number of firms. In 2020, researching ways to innovate, seeking government assistance and refinancing were the three most likely strategic responses

Limitations to use – statistical validity

Where sampling size indicates statistical validity to 90% confidence with 10% margin of error the sample is denoted #. Sampling has been calculated using 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2014 to June 2018 for both spatial regions and industries.

Care should be taken when analysing results where an acceptable level of statistical validity has not been reached, and where the sample is significant enough to determine confidence level and margin of error, analysis should be cognisant of the reliability of the sample.

Acknowledgements

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- Warrnambool City Council

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DASHBOARD

SURVEY RESPONSES

V20.2
145
Responses

V21.1
248
Responses

Major industry response

	V20.2	V21.1
Accom & food	24%	22%
Retail trade	6%	12%
Agriculture	16%	9%
Construction	8%	9%
Manufacturing	4%	9%

BUSINESS CONFIDENCE

- Business confidence levels have increased by 8% over the past 12 months

SURVEY REPRESENTATION

V20.2
\$3m
Average turnover

V21.1
\$7m

10.4 FTE
Average

20.7 FTE

% < \$5m

V20.2
93%

V21.1
77%

% < 5 FTE

V20.2
70%

V21.1
43%

EXPECTED REVENUE DECLINE

Over next
6 months

V20.2
32%

V21.1
4%

Over next
12 months

23%

1%

significant improvement

INDUSTRIES MOST IMPACTED

- Accommodation and food services
- Retail trade
- Manufacturing

Most significant issues being faced by industry:

- Covid-19
- Government policy and regulation
- Material costs
- Market demand
- Access to skills
- Material shortages

Strategies to be employed:

- Cashflow Management
- Actively grow revenues
- Close business
- Training/skills development
- Quality / process systems

PULSE SURVEY

WHAT HAS HAPPENED OVER THE PAST 12 MONTHS?

Overall firms are slightly less confident (5%) than they expected to be 12 months ago. There are 7% more firms that are not as confident or not at all confident now compared to expectations. The number of firms feeling very or extremely confident about the next 12 months was 29%, slightly above the 25% who feel that way now, a 4% decrease.

Less firms experienced revenue declines than expected (81% compared to 52%), a 29% improvement.

Revenues did not decline as much as expected (23% compared to 9%) a 59% improvement.

Businesses have been negatively impacted more significantly over the past 12 months than expected (around 24%). There were notable differences across different aspects of business operations.

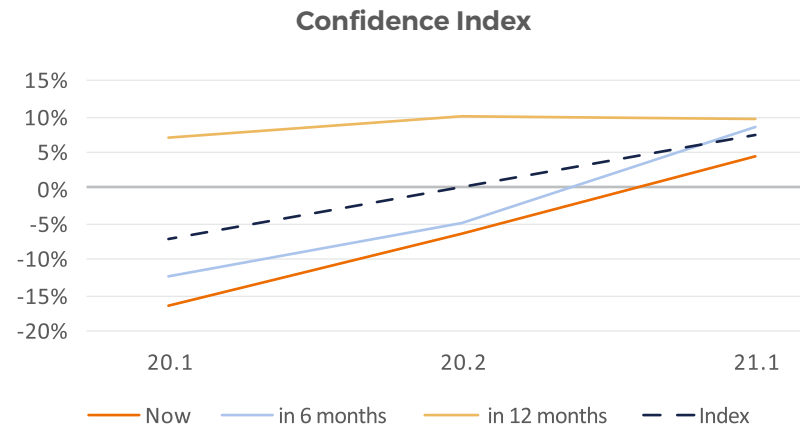
There has been significantly higher negative impact in the areas of supply chains (negative 103%), being able to access staff (negative 45%) and input costs (negative 55%). This is an interesting finding and points to the changing nature of supply chains where many of the factors impacting on supply, and cost are somewhat removed from day to day operations with more firms that are exposed to global supply chains, rather than domestic sources of supply.

	Movement compared to expectation
Confidence index	-5% ↓
Firms not confident, or not so confident	7% ↑
Firms expecting revenue decline	29% ↑
Firms feeling very or extremely confident	-4% ↓
Expected revenue decline	59% ↑
Overall impact	-24% ↓
Broken into:	
Revenue	7% ↑
New business development	10% ↑
Cashflow	-9% ↓
Supply chain	-103% ↓
Staff levels	-45% ↓
Input costs	-55% ↓
Export / import	-18% ↓

PULSE SURVEY

FUTURE BUSINESS CONFIDENCE

“Businesses are, on average 8% more confident now than 12 months ago about their future”



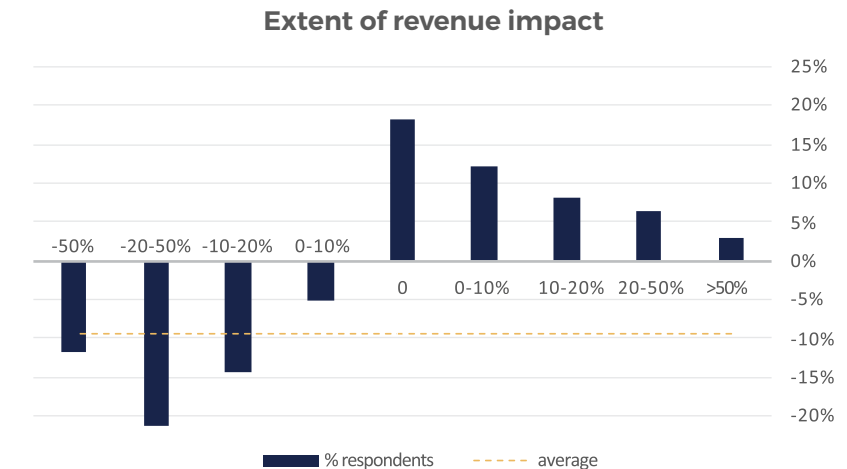
Confidence levels have increased by 8% over the past 12 months and are now positive. Confidence levels have increased now, 6 months and in 12-month time frames. There is a convergence over the time frames suggesting that businesses are perceiving a reduction in the volatility of the business environment.

Across all time frames, there has been considerable improvement in the percentage of firms who are not at all confident or not so confident, with those firms now declining from 45% to 30%.

Firms feeling very or extremely confident about business outlook over a 12 month period has increased slightly from 29% to 30%.

REVENUE IMPACTS

“Over the past 12 months revenues declined by an average of 9%. Over the next 12 months, the average revenue decline is expected to be 1%”



The expectation of firms in terms of revenue has improved quite dramatically with the percentage of firms expecting revenue declines over the next 12 months decreasing from 81% to 39% and firms expecting revenue increases over the next 12 months increasing from 10% to 45%. The expected revenue decline over the next 12 months across the survey sample is 1%, compared to 23%, 12 months ago.

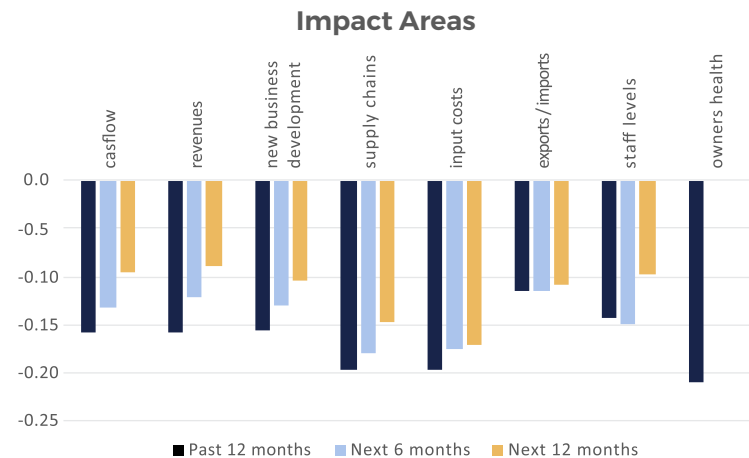
Improved revenue outlook is one of the key reasons for the improvement in confidence levels.

Firms have over estimated revenue declines both in terms of number of firms impacted as well as the extent of the decline.

PULSE SURVEY

BUSINESS IMPACTS

“Supply related issues is where firms have been and expect to be the most impacted in the next 6 – 12 months.”



Respondents were asked to rank the impacts on their businesses of certain key criteria, from highly negative to highly positive, now and in terms of their expectations for the next 6 and 12 month periods¹.

As much as firms overestimated revenue impacts, they have underestimated supply and cost impacts.

In all areas, firms have been negatively impacted (0 equals no impact), while there is an overall expectation that things will improve by around 28%, compared to 12 months ago, the outlook remains negative.

Firm supply chains and input costs are expected to be the most impacted areas in the future. Owner's health was the the highest impacted area over the past 12 months.

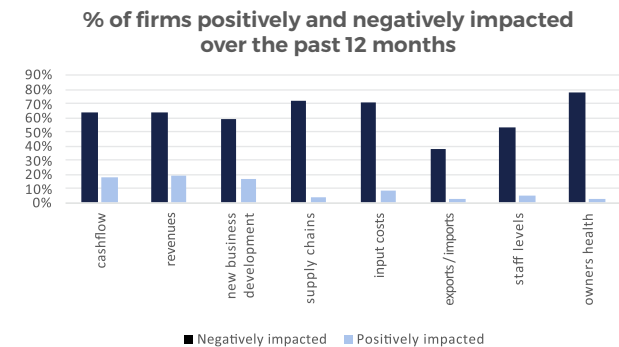
12 months ago, it was demand side issues that firms expected to be the most significantly impacted (revenue, new business development and cashflow), where, in 2021 it has been supply side issues (supply chains, input costs and cashflow) that have been the most dramatically impacted. This represents a significant difference in actual compared to expectation.

¹Except for owners health where it is not possible to have expectation categories

For demand side issues, such as revenue, there are large numbers of firms negatively impacted (+60%), however there are also a relatively larger numbers of firms that have been positively impacted (around 20%).

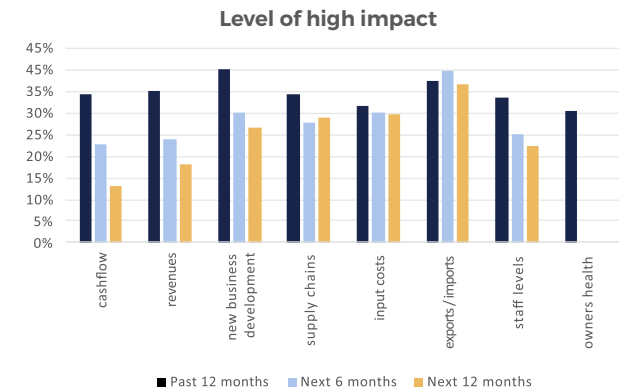
On the supply side not only have large numbers been negatively impacted, with supply chains and input costs negatively impacting around 70% of firms, there are very few firms who have had positive impacts in these areas of their business (around 5%).

This pattern is consistent across the 6 month and 12-month expectation periods.



Over 77% of business owners have had negative health impacts over the past 12 months.

It also worth considering the extent of the impact. While exports and imports are impacting the smallest number of firms, with only 38% of firms impacted in the past year, (when a firm is impacted by an export / import issue), it is likely to be impacting them in a highly negative manner, with 37% of firms impacted by export and imports being highly negatively impacted.



High impact areas for business in the next 6 months are expected to be export and imports (40%), business development (30%), input costs (30%) and supply chains (28%).

PULSE SURVEY

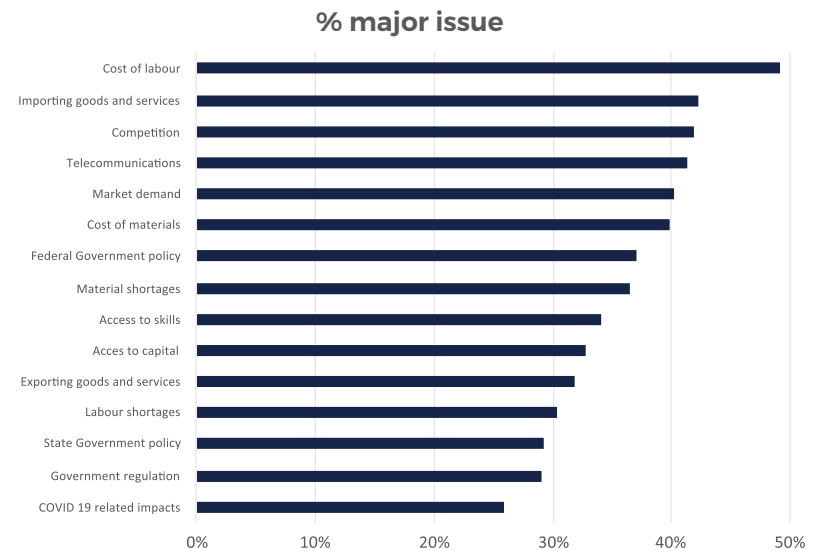
MAJOR ISSUES FACING BUSINESS OVER THE NEXT 12 MONTHS

The issues expected to impact the highest number of firms over the next 12 months are COVID 19 and State government policy, both expecting to impact 92% of firms, followed by Federal government policy and government regulations, both impacting 88% of firms.



This is an interesting result and reflects the degree that government policy and regulation are currently impacting on firms, more than 'traditional' issues such as material costs (85%), market demand (82%), access to skills (83%), material shortages 80% and labour costs (80%).

In terms of the significance of the issues, the cost of labour is a major issue for 49% of firms that have a cost of labour issue, the degree of competition (45%), importing of goods / services (42%), competition (42%) and telecommunications (41%).

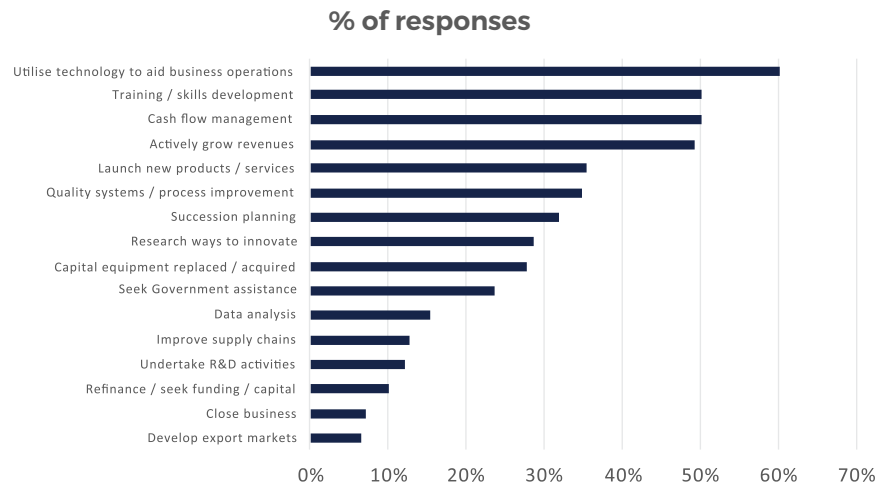


Interestingly, COVID 19 and State Government policy, issues that are impacting the largest number of firms, are not expected to be high impact areas over the next 12 months, suggesting firms expect COVID related issues to dissipate over the next 12 months and more traditional operating conditions resume, albeit with supply related constraints. Difficulties importing are more significant than exporting.

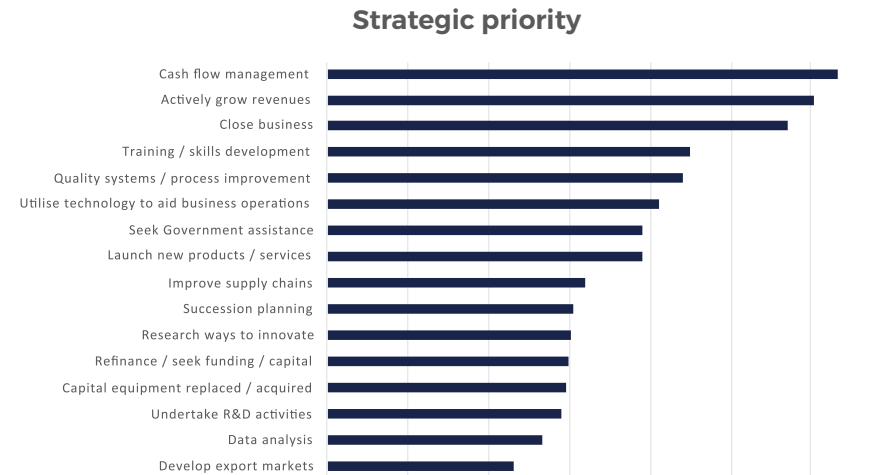
PULSE SURVEY

STRATEGIES OF FIRMS FOR THE NEXT 12 MONTHS

In terms of strategy, utilising technology is expected to be implemented by 60% of respondents, followed by cashflow management 52%, skills development and training (51%), growing revenues (49%) and launching new products / services (35%).



When identified as an issue, cashflow management, actively seeking to grow revenues, business closure, training / skills development and quality systems and process improvement are the strategies being afforded the highest priority.



Compared to 12 months ago, businesses are responding to changed operating conditions through planning different strategies.

Planned Strategic Activities

NOW

COMPARED TO →

12 MONTHS AGO

1. Cashflow management
2. Actively grow revenues
3. Close business
4. Training / skills development
5. Quality / process systems

1. Researching ways to innovate
2. Seeking government assistance
3. Refinancing
4. Utilise technology to aid business
5. Cost reduction

PULSE SURVEY

INDUSTRY ANALYSIS

	Accommodation & food services	Retail Trade	Manufacturing	Agriculture	Construction
% Survey	22%	12%	9%	9%	9%
Ave Size (\$m)	\$3.9m	\$3.3m	\$11.2m	\$3.2m	\$3.8m
Ave Employees (inc S/T)	19	11	33	11	14
Overall confidence level (0 = baseline)	-0.24	-0.08	0.13	0.08	0.08
% of firms not at all or not so confident					
Now	43%	41%	19%	15%	10%
In 12 months	27%	20%	9%	5%	26%
% of firms very or extremely confident					
Now	17%	17%	41%	30%	31%
In 12 months	25%	17%	41%	30%	37%
% of firms experiencing revenue decline					
Over the past 12 months	92%	55%	45%	44%	35%
Expected over the next 12 months	74%	48%	32%	30%	31%
Revenue impact					
Over the past 12 months	-30%	-8%	-3%	-6%	+3%
Expected over the next 12 months	-17%	-2%	+3%	+4%	+2%
Overall impact (-5 to +5)	-2.82	-1.94	-1.42	-0.7	-0.81
Most significant impact					
1	Staff levels	Input costs	Supply chains	Exports/ imports	Input costs
2	Supply chains	Supply chains	Input costs	Supply chains	Supply chains
3	Revenues	New business development	Exports / imports	Cashflow	Exports / imports
Major issues next 12 months					
1	COVID 19	COVID 19	Material shortages	Labour shortages	Cost of materials
2	Access to skills	Access to capital	Cost of materials	Competition	Material shortages
3	Labour shortages	State govt policy	State govt policy	Cost of materials	State Govt Policy
Top 3 Strategies					
1	Launch new product / service	Close business	Cashflow management	Cashflow management	Improve supply chains
2	Cashflow management	Develop export markets	Data analysis	Quality / process improvement	Data analysis
3	Refinance	Actively grow revenues	Actively grow revenues	Actively grow revenues	Cashflow management