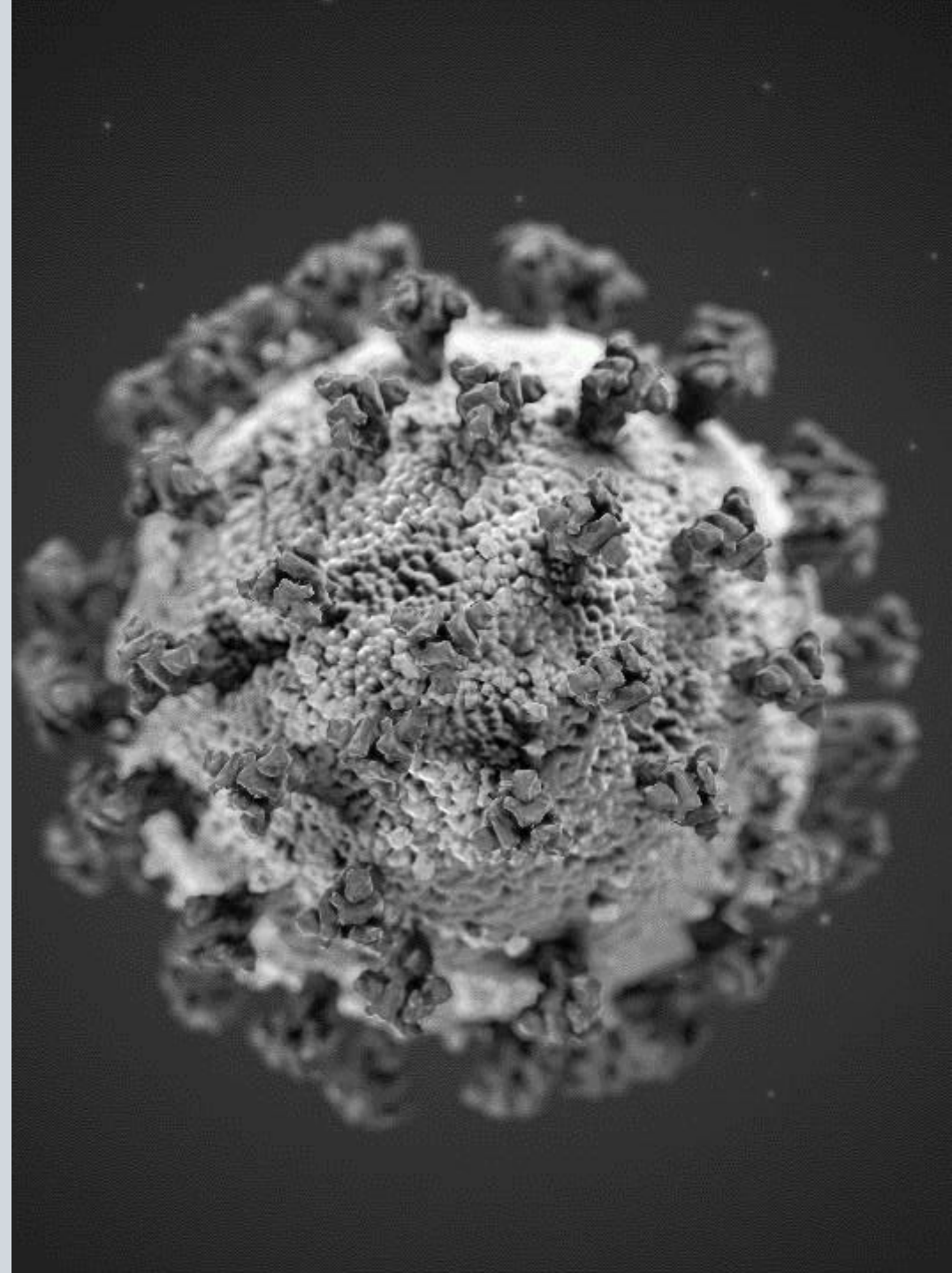


COVID-19 SMALL AND MEDIUM ENTERPRISE SENTIMENT TRACKER

– WAVE 11 –

1st July 2020



ABOUT US



ACA Research & Fifth Quadrant have worked closely with TEG Insights on business and consumer research projects for over a decade. Our strong partnership allowed us to collaborate on this new tracker aiming at understanding the impact of COVID-19 on SMEs during these unprecedented times.

Please do not hesitate to contact us should you have any questions!

TWO BRANDS OPERATING UNDER A SINGLE MANAGEMENT

ACA Research is a full-service market research consultancy, with a **strong focus on B2B projects.**

Our consultants provide strategic qualitative and quantitative research solutions to support business decision making.

Fifth Quadrant is our **specialist customer experience brand** providing industry analysis, benchmarking, research and consulting services.

Our consultants work on strategic and operational projects to help clients optimise CX delivery and reduce cost to serve.

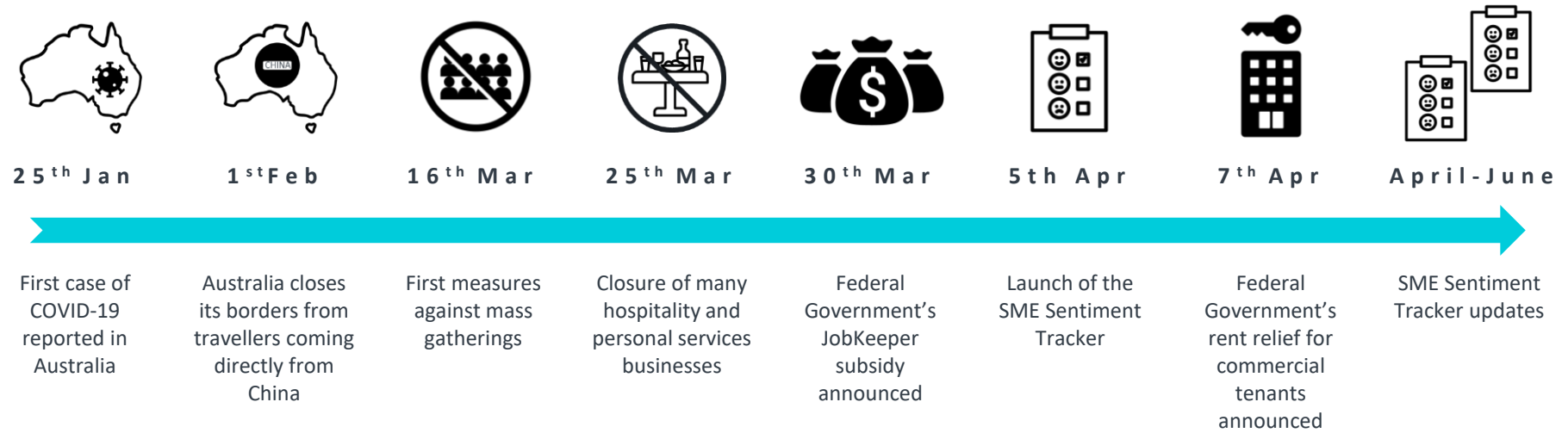
TEG Insights is committed to delivering quality data, analytics and online research services with access to **one of Australia's largest and most responsive online research panels.** Our wide reach includes professionals, from small business owners to executives, across a variety of industries.

Our continued success is based on integrity and passion to ensure the best outcomes for both our Clients and Members alike.

CURRENT STATE

As in other countries all around the world, COVID-19 has had a significant impact on Australia's economy, with travel bans, restrictions on outdoor and indoor gatherings, and hence the forced closure of business across a range of sectors. The tourism & hospitality sectors were the first to be affected worldwide.

To support the economy, businesses and employees that have been severely impacted by the strict measures & restrictions, the Australian State/ Territory & Federal Governments have introduced a range of stimulus measures.



NUMBER OF COVID-19 CASES IN AUSTRALIA	WAVE 1 5/Apr	WAVE 2 12/Apr	WAVE 3 19/Apr	WAVE 4 26/Apr	WAVE 5 3/May	WAVE 6 10/May	WAVE 7 17/May	WAVE 8 24/May	WAVE 9 31/May	WAVE 10 7/June	WAVE 11 21/June
TOTAL CASES	5,750	6,313	6,612	6,716	6,801	6,941	7,045	7,114	7,195	7,260	7,461
DAILY NEW CASES	200	10	26	15	20	14	17	3	10	5	25
CURRENTLY INFECTED	4,633	2,916	2,311	1,258	889	674	580	504	479	455	463

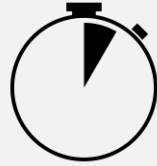
Source: <https://www.worldometers.info/coronavirus/>

METHODOLOGY

The COVID-19 Tracker was first launched w/e 5th April 2020.

In each wave we get minimum n=300 completed surveys.

TEG Insights ensures a consistent sample of financial decision makers and influencers at Small and Medium Size Businesses each wave.



5-minute questionnaire



All surveys completed **online**
(TEG Insights Business Panel)



All respondents are **financial decision makers/influencers** in Small and Medium Businesses with up to 500 employees



Respondents are from across Australia, including **metro and regional** areas



A wide selection of **industry sectors** are represented, allowing for deep dive analysis on a regular basis



Data is **weighted** by state and number of employees to reflect the national distribution of businesses across the country

KEY LEARNINGS



69% report declining revenues due to COVID-19 up from 66%.



49% of SMEs expect revenues to return to pre COVID-19 levels by October compared to 53%, two weeks earlier.



Satisfaction with the Government decreases to 64% from 69%.



Concerns about health and wellbeing falls slightly to 56% from 60%.

Despite easing restrictions, confidence amongst SMEs has declined with 69% now reporting lower revenues due to COVID-19. This is very concerning as we expected to see signs of recovery during June.

Looking forward expectations are also sluggish, with just over one third (37%) expecting increasing revenues over the next 4 weeks, compared to 39% two weeks earlier. Confidence amongst the hospitality and construction sectors has declined considerably, but we can report improving confidence in the retail sector.

The proportion of SMEs expecting revenues to return to pre-COVID levels by October has also declined from 53% to 49%. Accordingly three quarters of SME decision makers believe the current stimulus measures need to be extended until 2021 and believe bankruptcy protection should be introduced until business conditions and revenues recover.

As the pandemic lingers, we can report an increasing proportion of SMEs experiencing challenges across a range of issues including cashflow, employee retention and closed borders. With most SME decision makers believing the pandemic will have a medium to long-term impact on the global and Australian economy, it is not surprising that nearly half expect the number of staff they employ to be negatively impacted for at least 6 months. Business spending and investment plans are also on hold, with 65% suggesting lower expenditure until 2021.

In line with the negative tone in this wave of the research, satisfaction with the Federal Government has also declined. Not surprisingly, the uptick in new cases in VIC is having a negative impact on satisfaction, whereas greater clarity regarding the easing of border restrictions has reversed the downward trend in SA and WA. There has been a significant increase in dissatisfaction in QLD as the State Government remains very cautious regarding border restrictions.

The lower levels of confidence reported this week, has translated into much higher levels of concern regarding business survival with a jump from 57% to 69%. This is a key indicator that again suggests the removal of stimulus and support measures could prove fatal for many SMEs.

In summary the data reported this week is very disappointing with revenue projections decreasing. As most decision makers expect a medium to long-term impact, the outlook is not promising especially with the new outbreak in VIC hindering the recovery. With cashflow and employee retention becoming more challenging for many SMEs, it would appear more job losses and bankruptcies are inevitable and hence the extension of stimulus and support measures and the introduction of bankruptcy protection seem inevitable.

CONTENT

HOW IS THE
COVID-19 PANDEMIC
IMPACTING SMES
ACROSS THE
FOLLOWING AREAS:

1 BUSINESS REVENUE

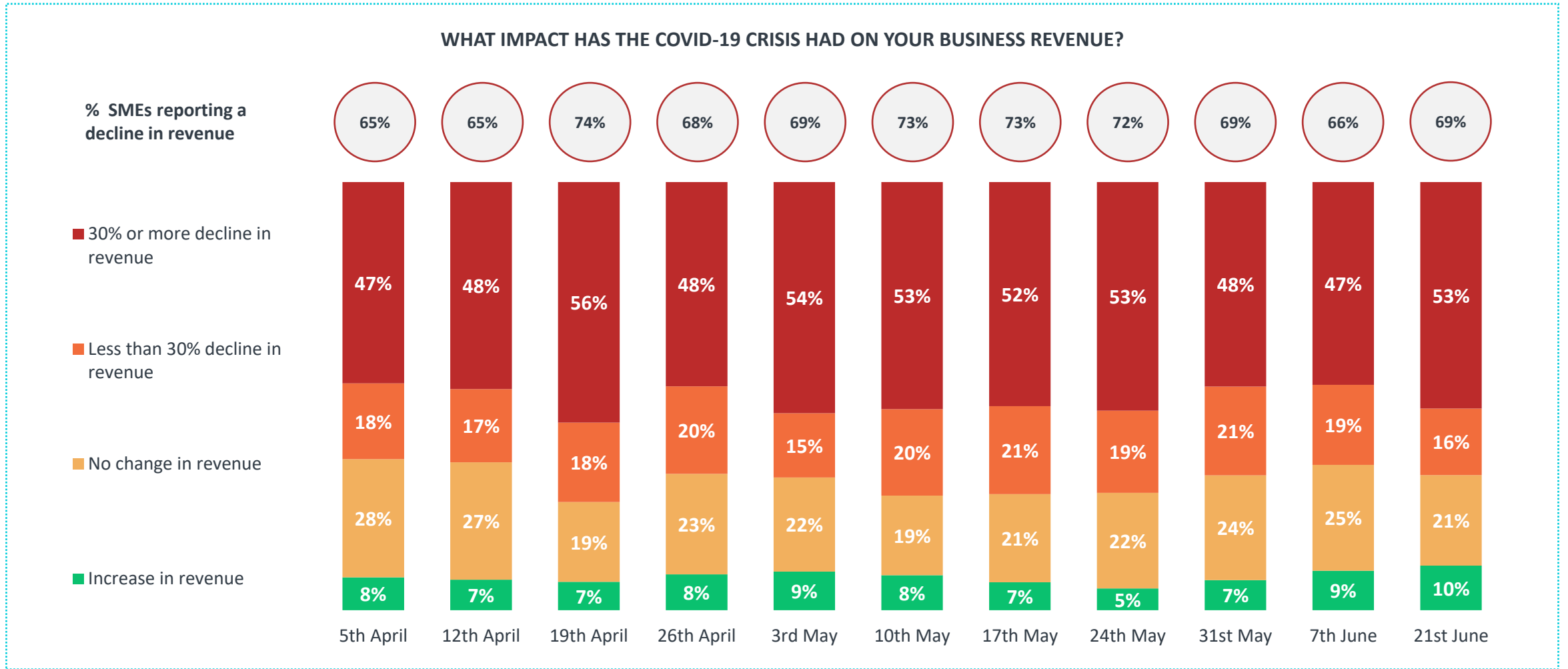
2 BUSINESS CHALLENGES

3 SATISFACTION WITH SUPPORT FROM GOVERNMENT &
BANKS

4 BUSINESS CONFIDENCE

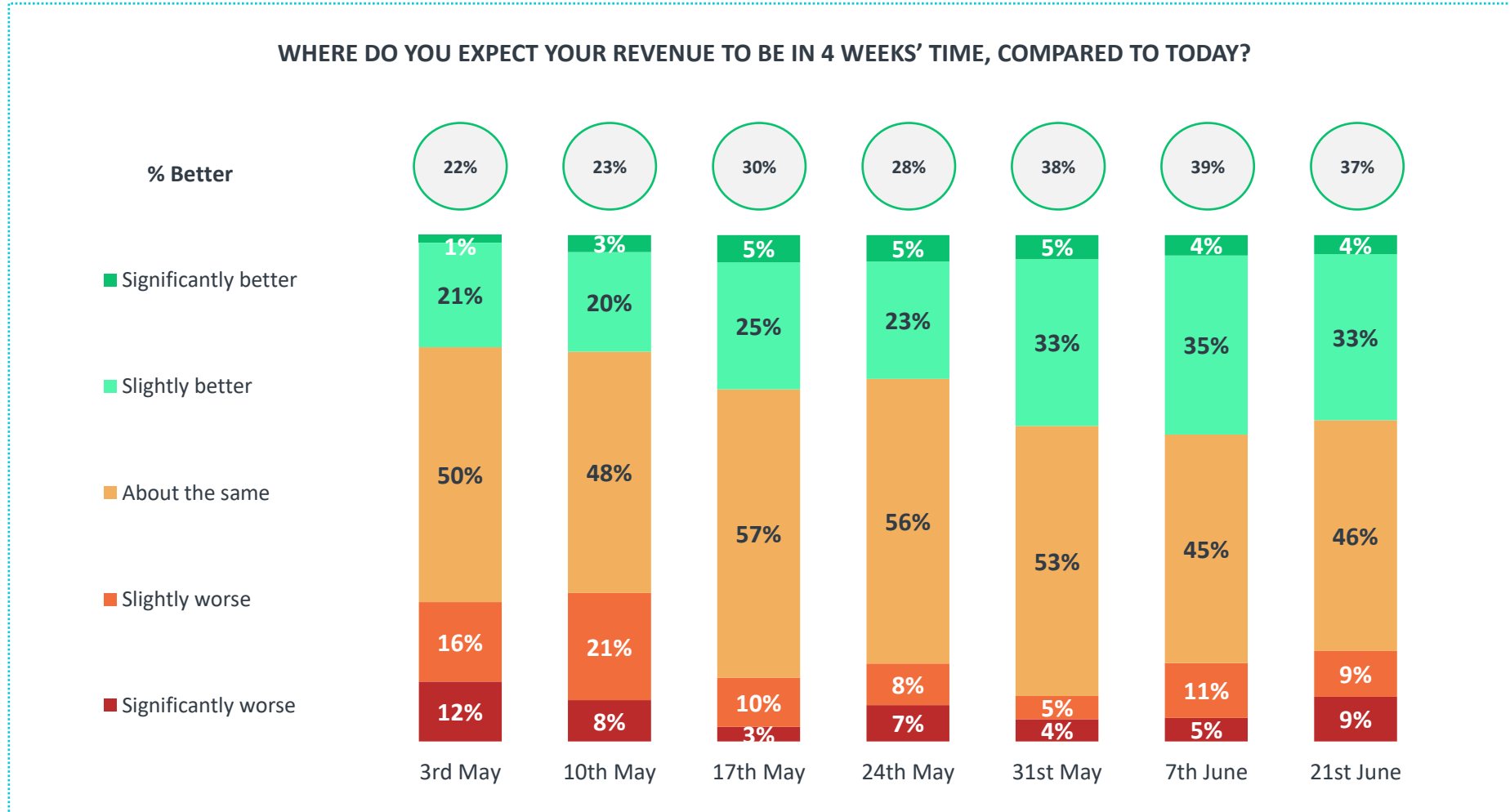
DECLINE IN REVENUE DUE TO COVID-19

Unfortunately the positive trend reported since mid-May has reversed with 69% of SMEs reporting declining revenue due to COVID-19.



FUTURE REVENUE EXPECTATIONS

Looking forward expectations are also sluggish, with just over one third expecting revenue increases over the next 4 weeks.

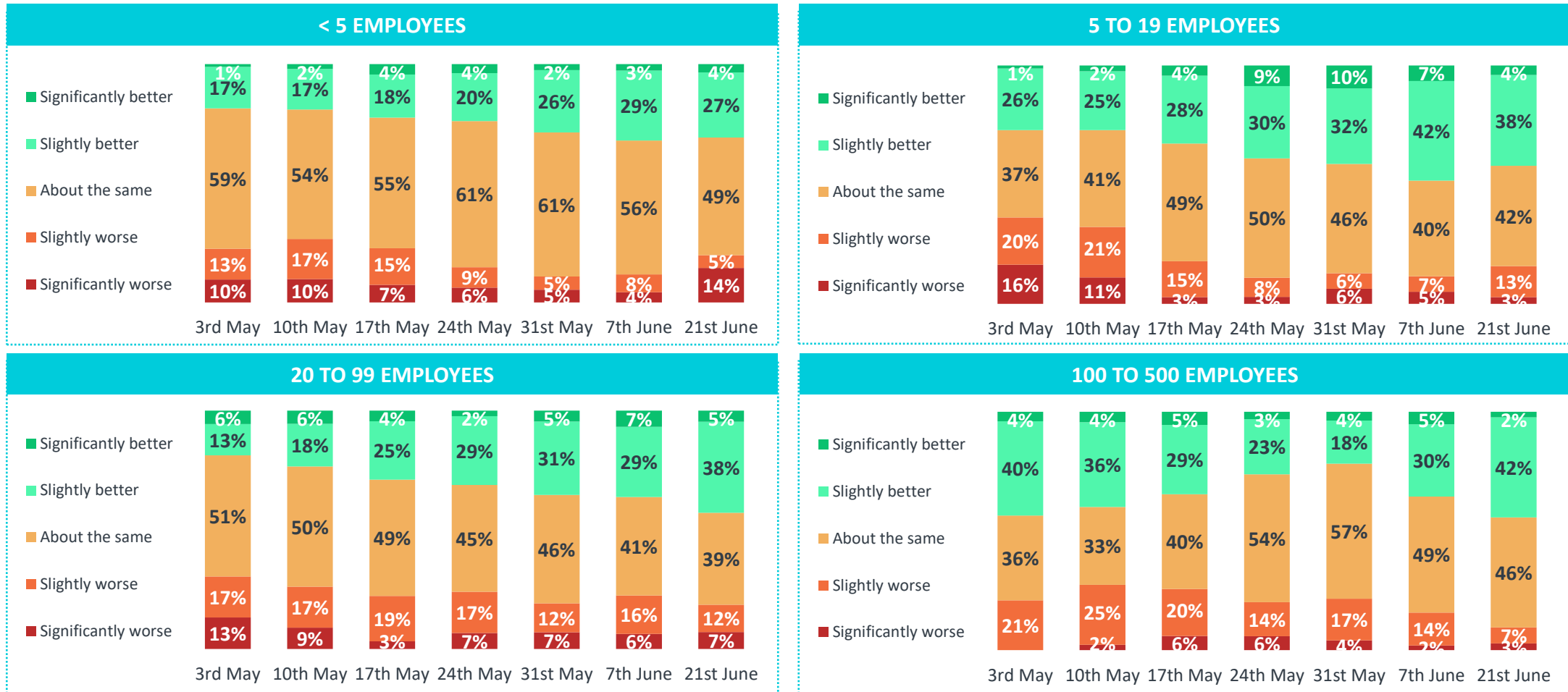


The proportion of businesses expecting declining revenues in 4 weeks time is also on the increase.

FUTURE REVENUE EXPECTATIONS

The negative trend is driven by businesses with less than 20 employees, where expectations of declining revenues over the next 4 weeks is tracking up.

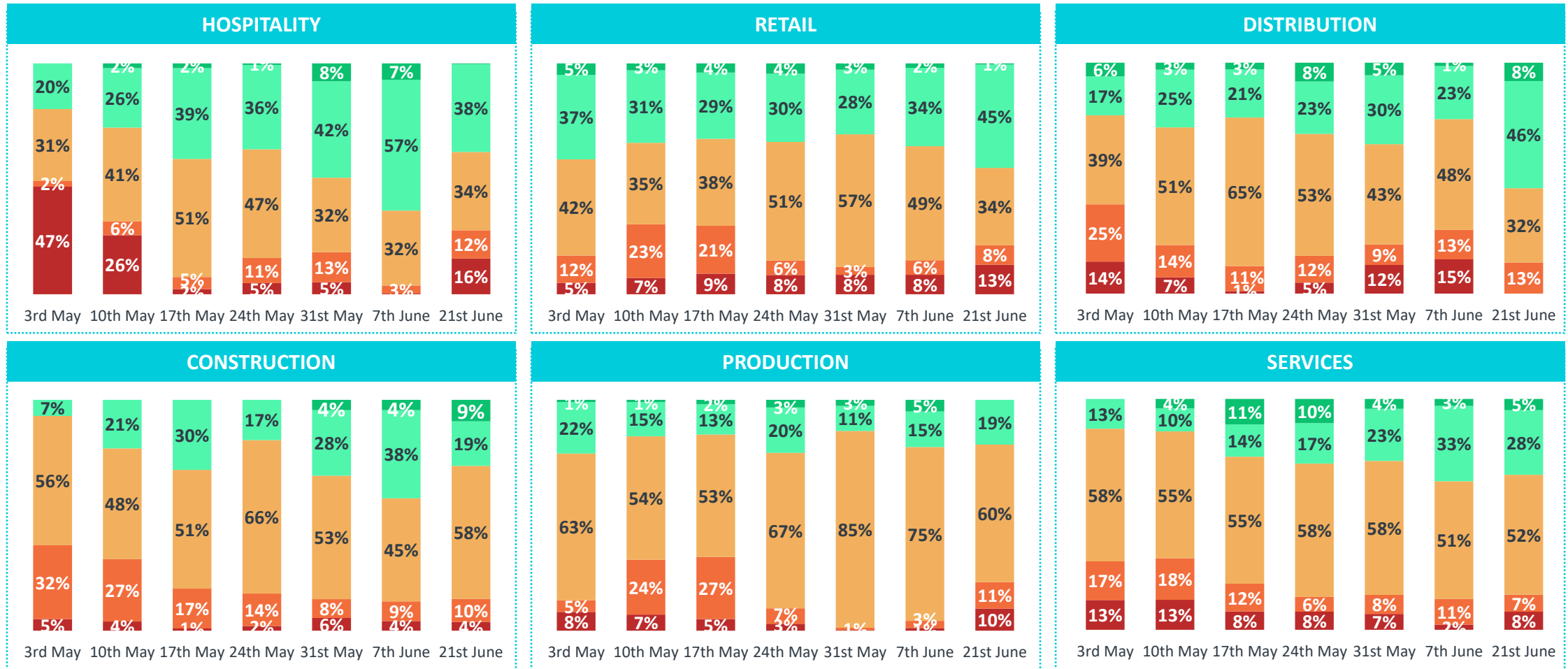
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS' TIME, COMPARED TO TODAY?



FUTURE REVENUE EXPECTATIONS

Confidence amongst the hospitality and construction sectors has declined considerably over the past 2 weeks.

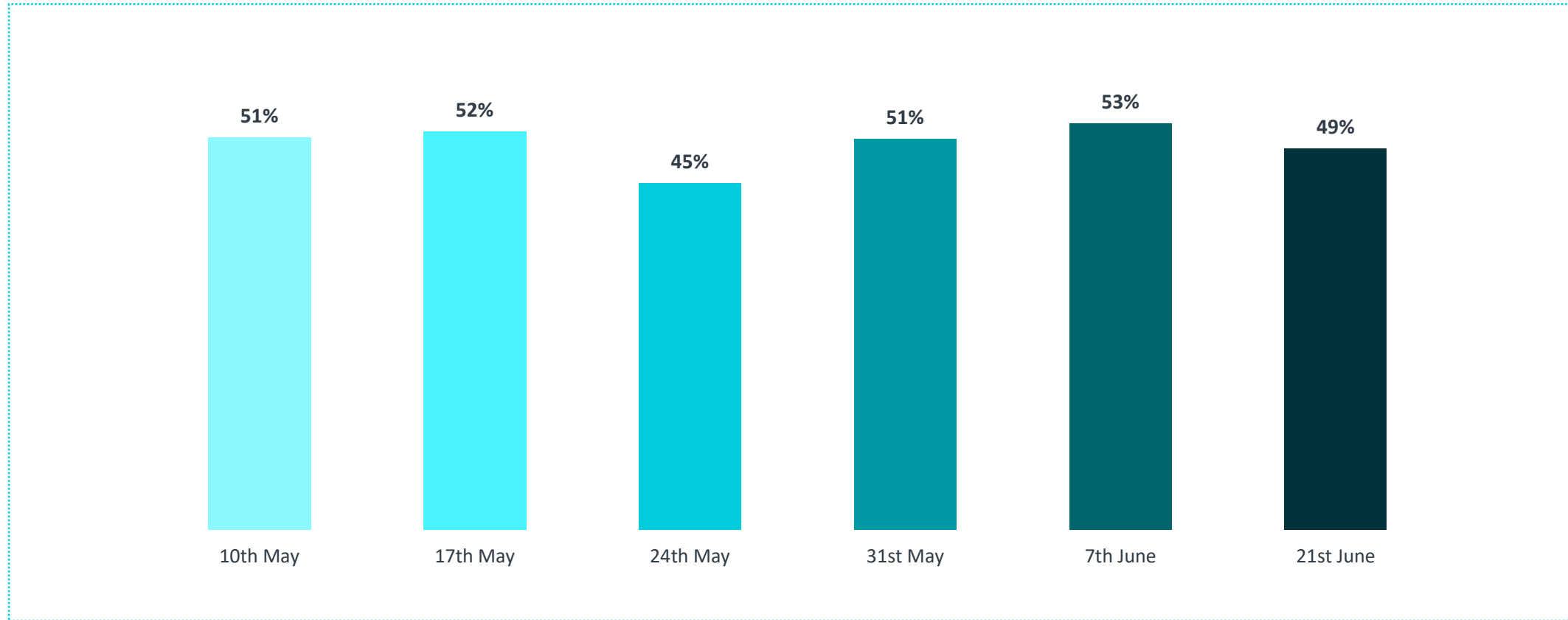
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS' TIME, COMPARED TO TODAY?



REVENUE RETURNING TO PRE-COVID LEVELS

In line with other data, the proportion of businesses expecting revenues to return to pre-COVID levels by October has declined to 49% since the last wave.

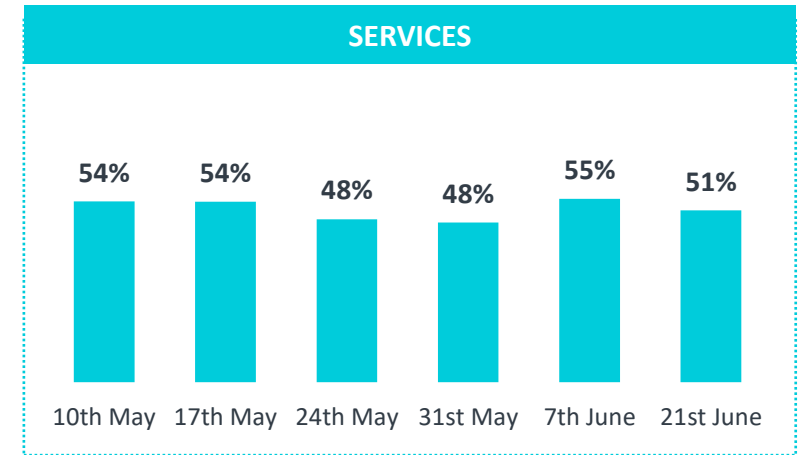
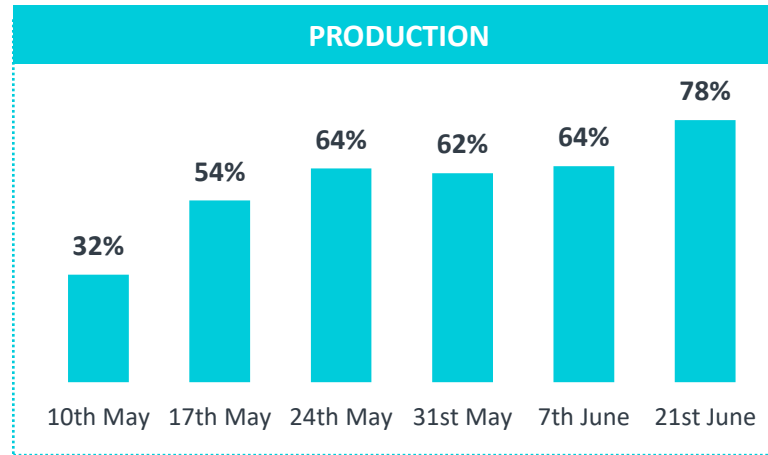
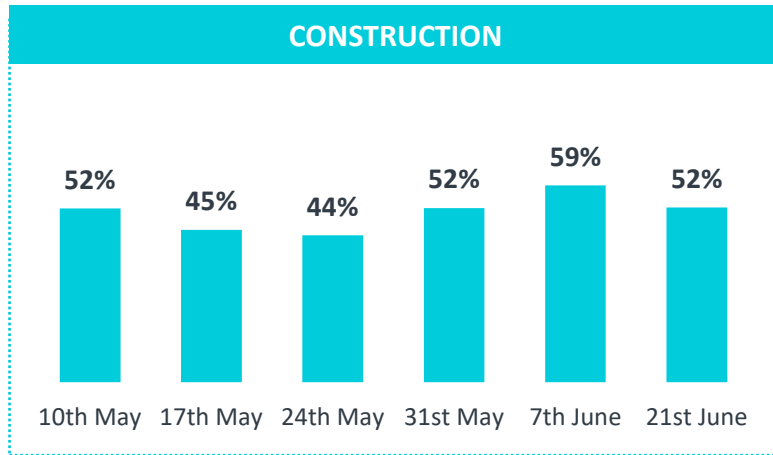
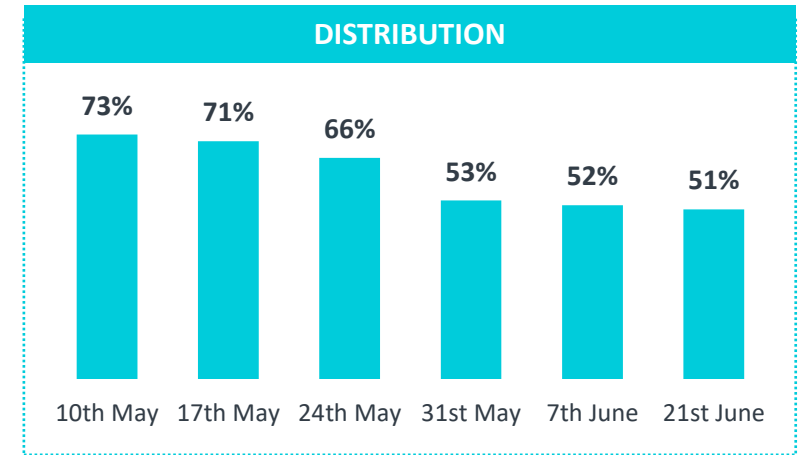
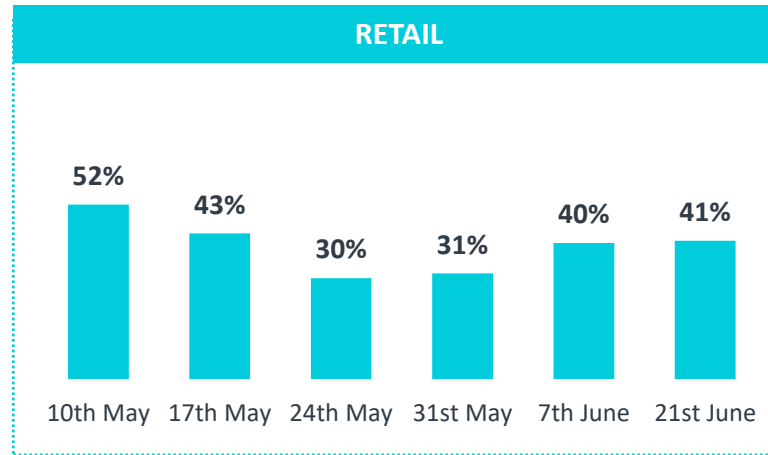
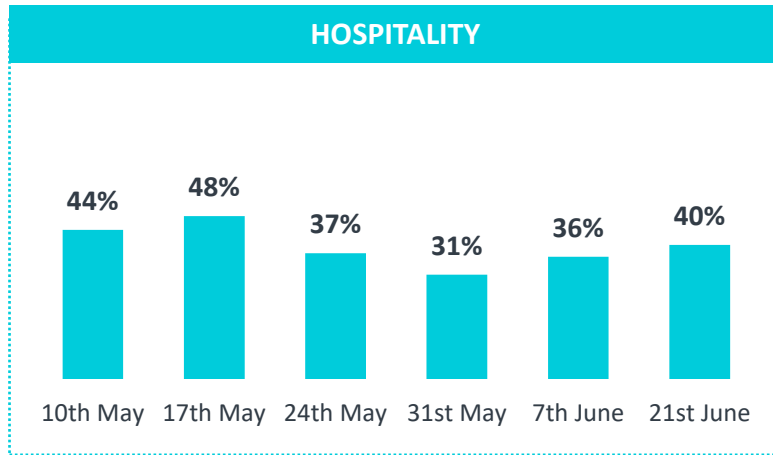
% BELIEVE THEIR BUSINESS REVENUE WILL RETURN TO PRE-COVID-19 LEVELS BY OCTOBER 2020



FUTURE REVENUE EXPECTATIONS

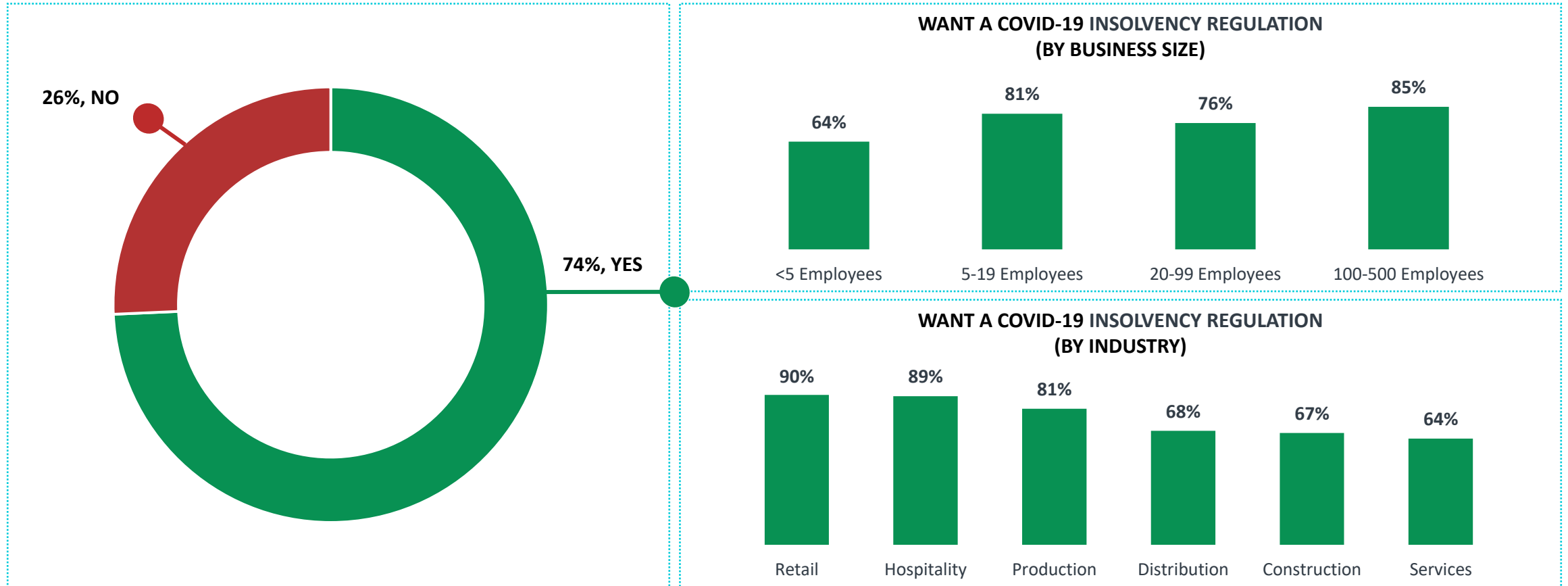
Positive data reported in the production sector (manufacturing, agri, mining) is diluted by the ongoing struggles in hospitality and retail.

% BELIEVE BUSINESS REVENUE WILL RETURN TO PRE-COVID-19 LEVELS BY OCTOBER 2020



Not surprisingly, three quarters of SME decision makers would like to see the introduction of bankruptcy protection until business conditions and revenues recover.

WOULD YOU LIKE TO SEE THE INTRODUCTION OF A COVID-19 INSOLVENCY REGULATION TO PROTECT YOUR BUSINESS FROM BANKRUPTCY UNTIL BUSINESS CONDITIONS AND REVENUES RECOVER?



CONTENT

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1 BUSINESS REVENUE

2 BUSINESS CHALLENGES

3 SATISFACTION WITH SUPPORT FROM GOVERNMENT &
BANKS

4 BUSINESS CONFIDENCE

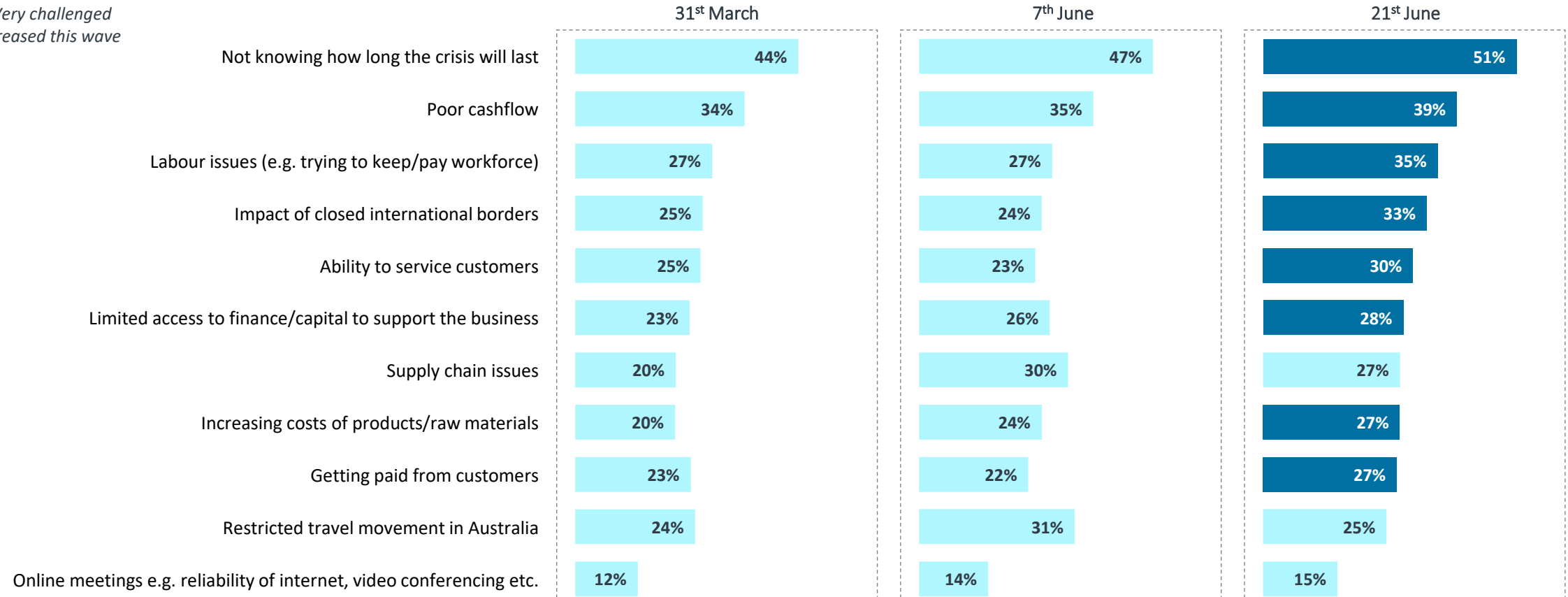
BUSINESS CHALLENGES

As the pandemic lingers, we can report an increasing proportion of SMEs experiencing challenges across a range of issues including cashflow, workforce and closed borders.

HOW CHALLENGING ARE THE FOLLOWING ISSUES AS A RESULT OF COVID-19 AND THE CURRENT MARKET CONDITIONS?

% VERY CHALLENGED

■ % Very challenged increased this wave



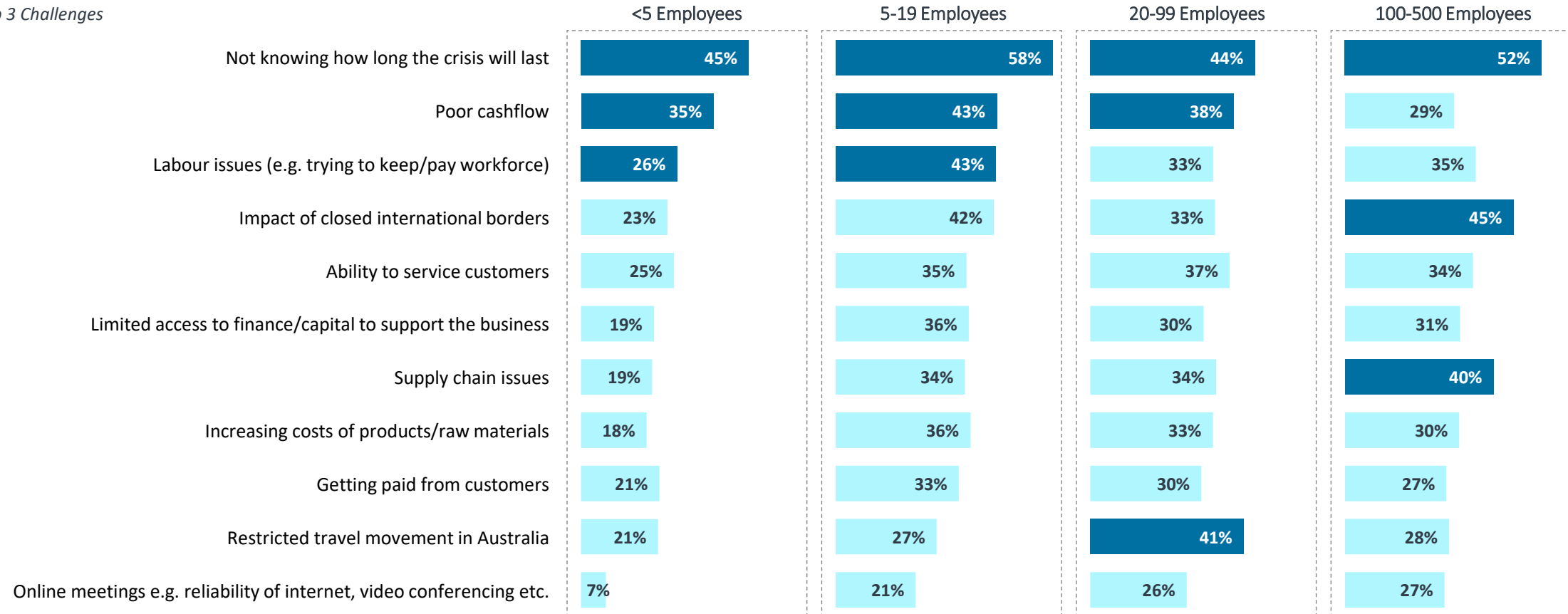
BUSINESS CHALLENGES BY BUSINESS SIZE

Cashflow and labour issues are impacting SMEs with less than 20 employees, whereas larger businesses are more likely to nominate closed borders as a significant challenge.

HOW CHALLENGING ARE THE FOLLOWING ISSUES AS A RESULT OF COVID-19 AND THE CURRENT MARKET CONDITIONS?

% VERY CHALLENGED, (W/E 21ST JUNE)

■ Top 3 Challenges

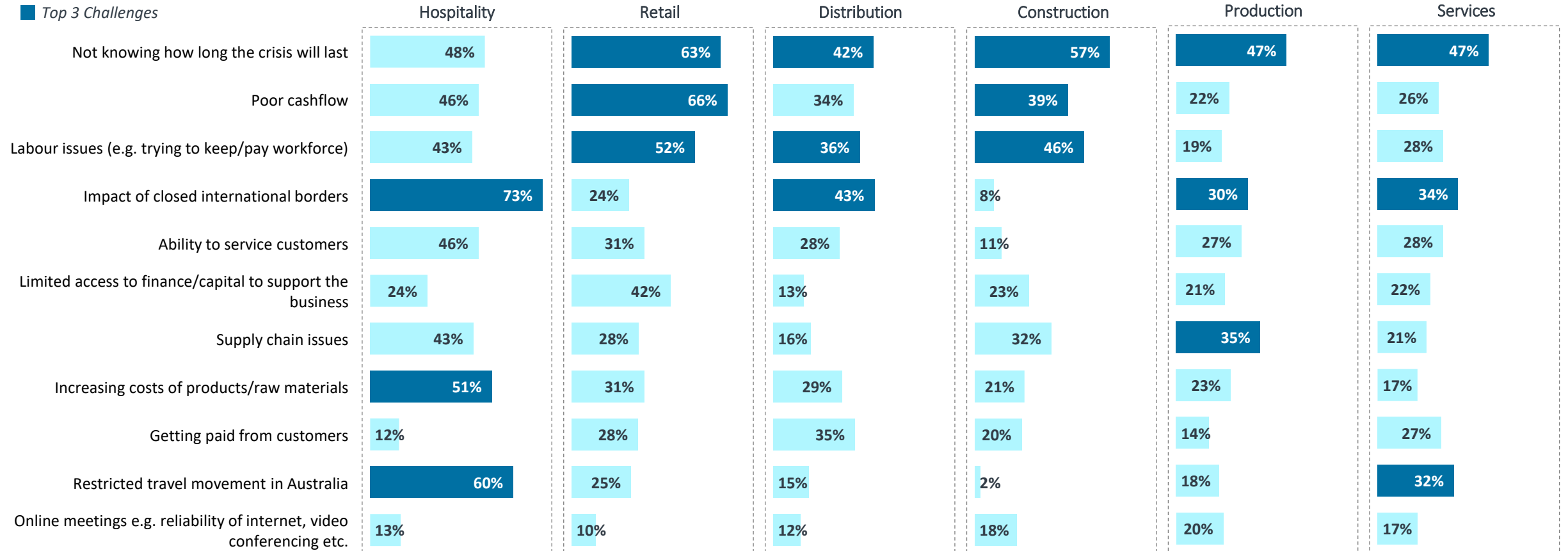


BUSINESS CHALLENGES BY INDUSTRY

Challenges vary by industry, but clearly the hospitality sector need open borders as soon as possible.

HOW CHALLENGING ARE THE FOLLOWING ISSUES AS A RESULT OF COVID-19 AND THE CURRENT MARKET CONDITIONS?

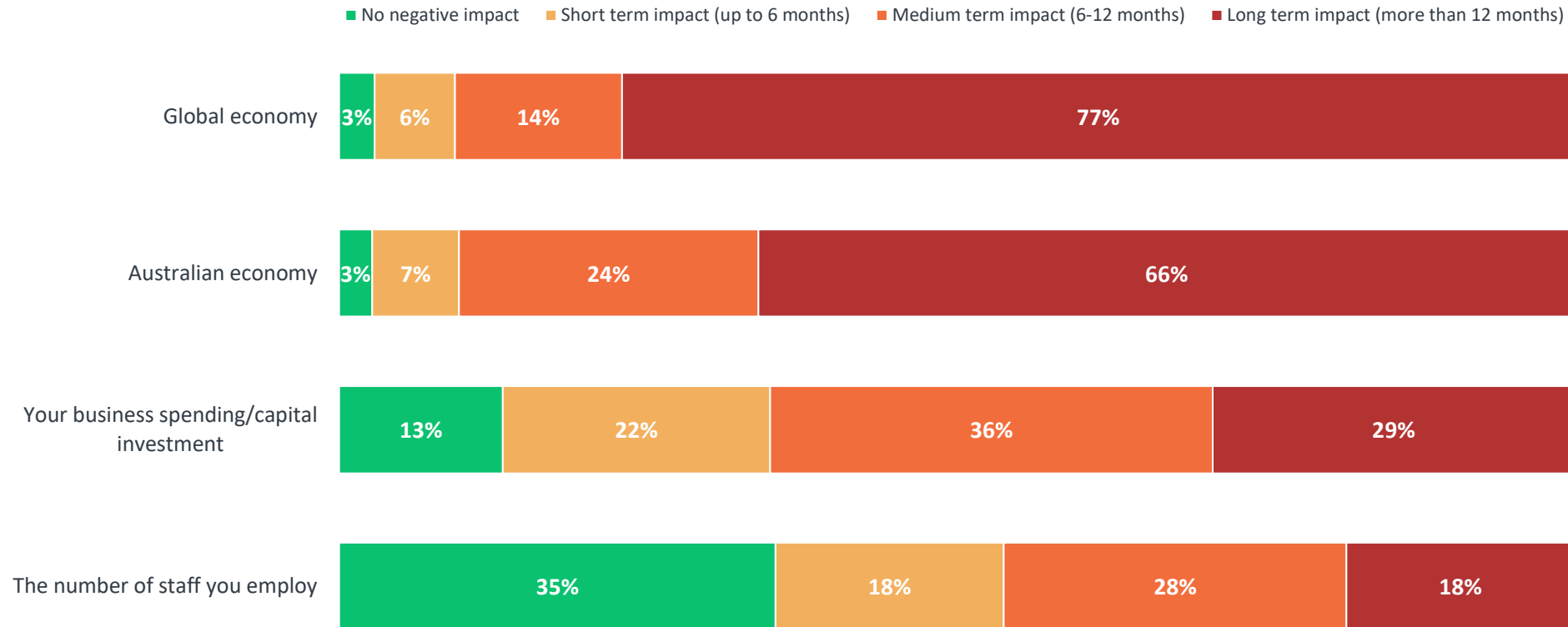
% VERY CHALLENGED, (W/E 21ST JUNE)



NEGATIVE IMPACT OF COVID-19

The majority of SME decision makers believe the pandemic will have a long-term impact (more than 12 months) on the global and Australian economy.

WHAT NEGATIVE IMPACT DO YOU THINK THE COVID-19 SITUATION WILL HAVE ON THE FOLLOWING?



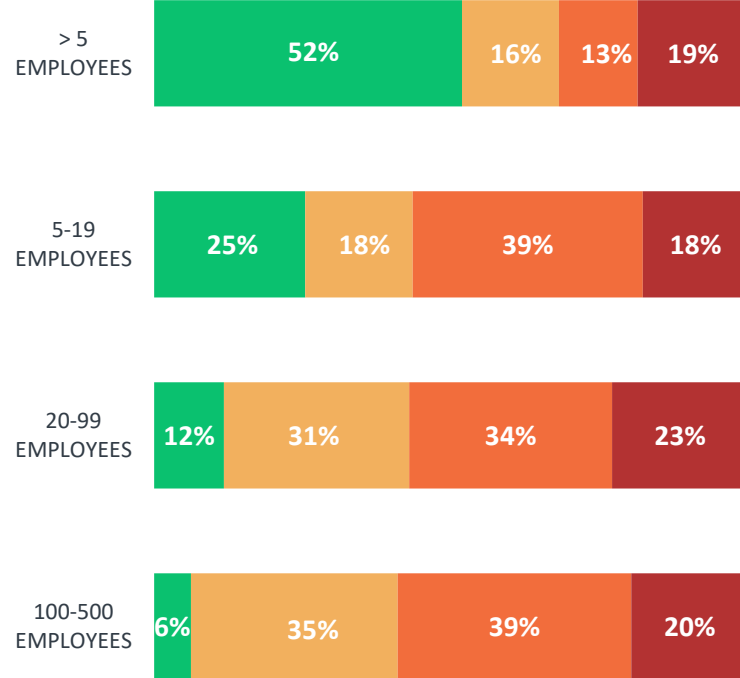
NEGATIVE IMPACT OF COVID-19

The impact on staff levels will be felt across all subgroups, with distribution of particular concern if international borders remain closed for an extended period.

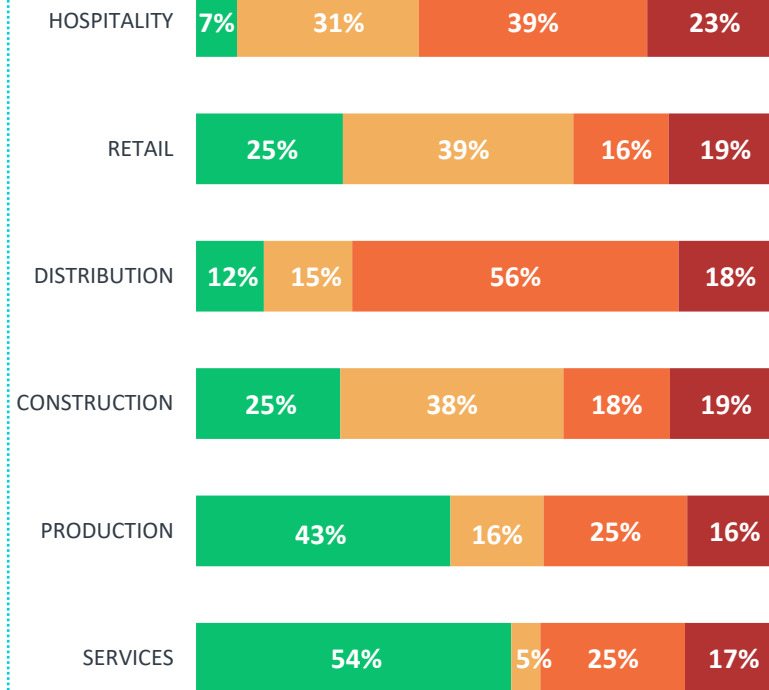
WHAT NEGATIVE IMPACT DO YOU THINK THE COVID-19 SITUATION WILL HAVE ON THE FOLLOWING? THE NUMBER OF STAFF YOU EMPLOY

■ No negative impact ■ Short term impact (up to 6 months) ■ Medium term impact (6-12 months) ■ Long term impact (more than 12 months)

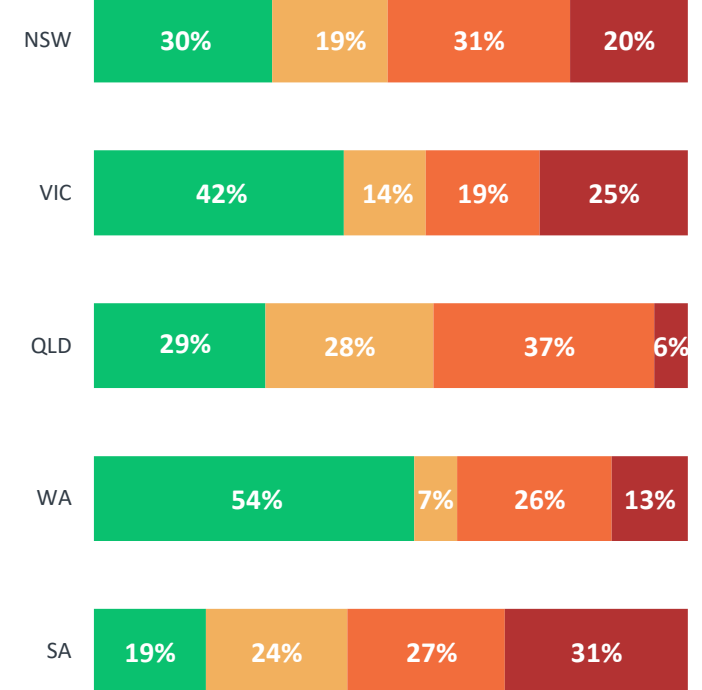
BUSINESS SIZE



INDUSTRY



STATE



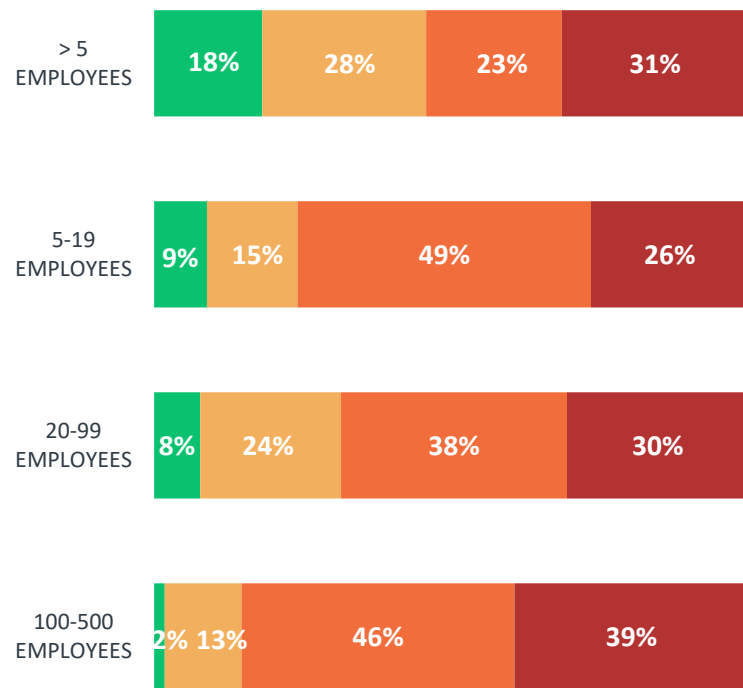
NEGATIVE IMPACT OF COVID-19

The impact on business spending/capital investment is broad based and likely to extend for at least 6 months.

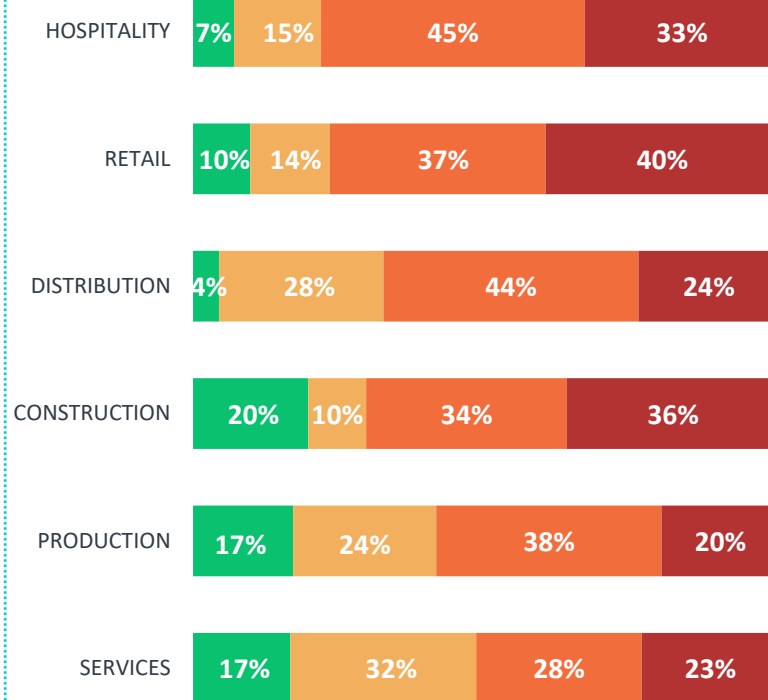
WHAT NEGATIVE IMPACT DO YOU THINK THE COVID-19 SITUATION WILL HAVE ON THE FOLLOWING? YOUR BUSINESS SPENDING/ CAPITAL INVESTMENT

■ No negative impact ■ Short term impact (up to 6 months) ■ Medium term impact (6-12 months) ■ Long term impact (more than 12 months)

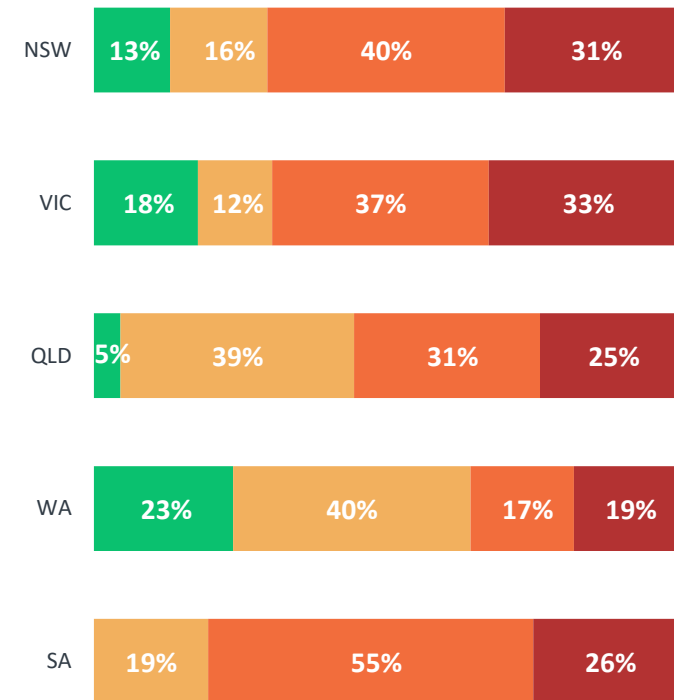
BUSINESS SIZE



INDUSTRY



STATE



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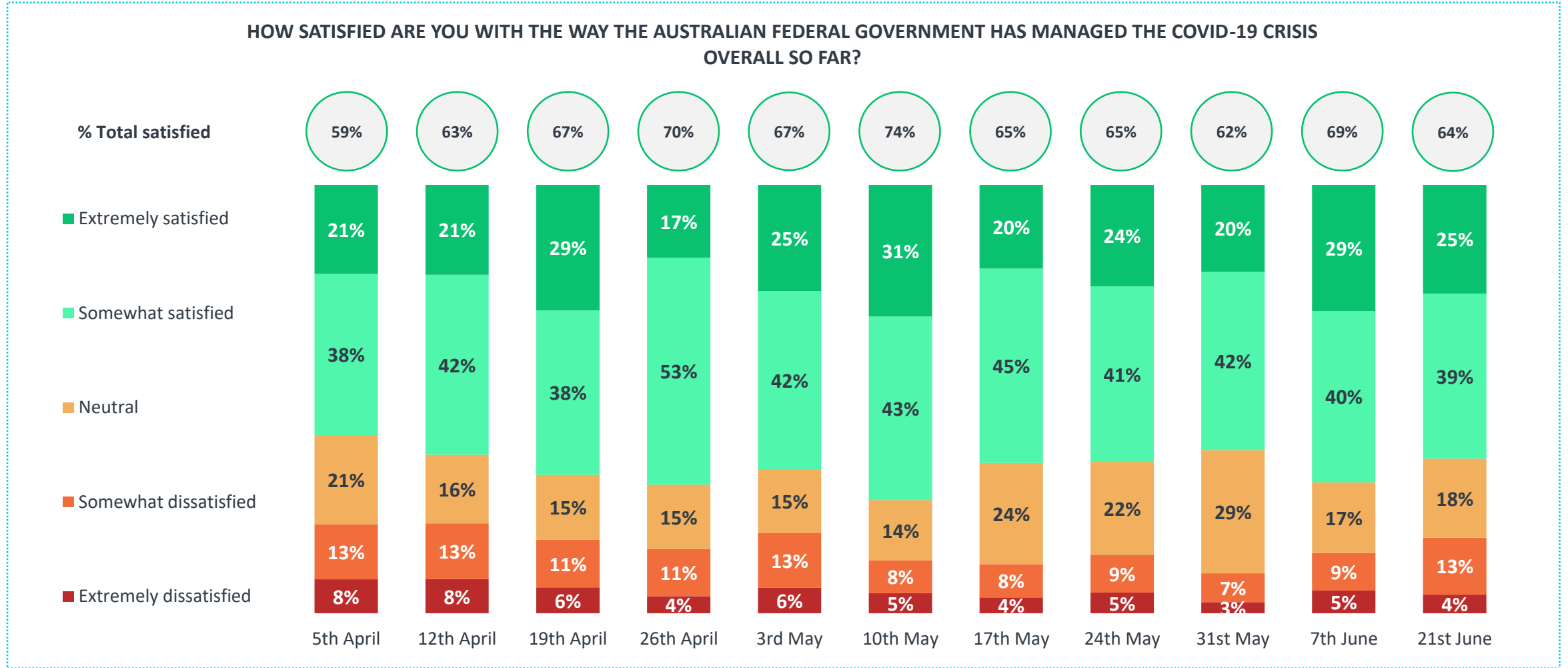
2 BUSINESS CHALLENGES

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4 BUSINESS CONFIDENCE

SATISFACTION WITH THE GOVERNMENT'S RESPONSE

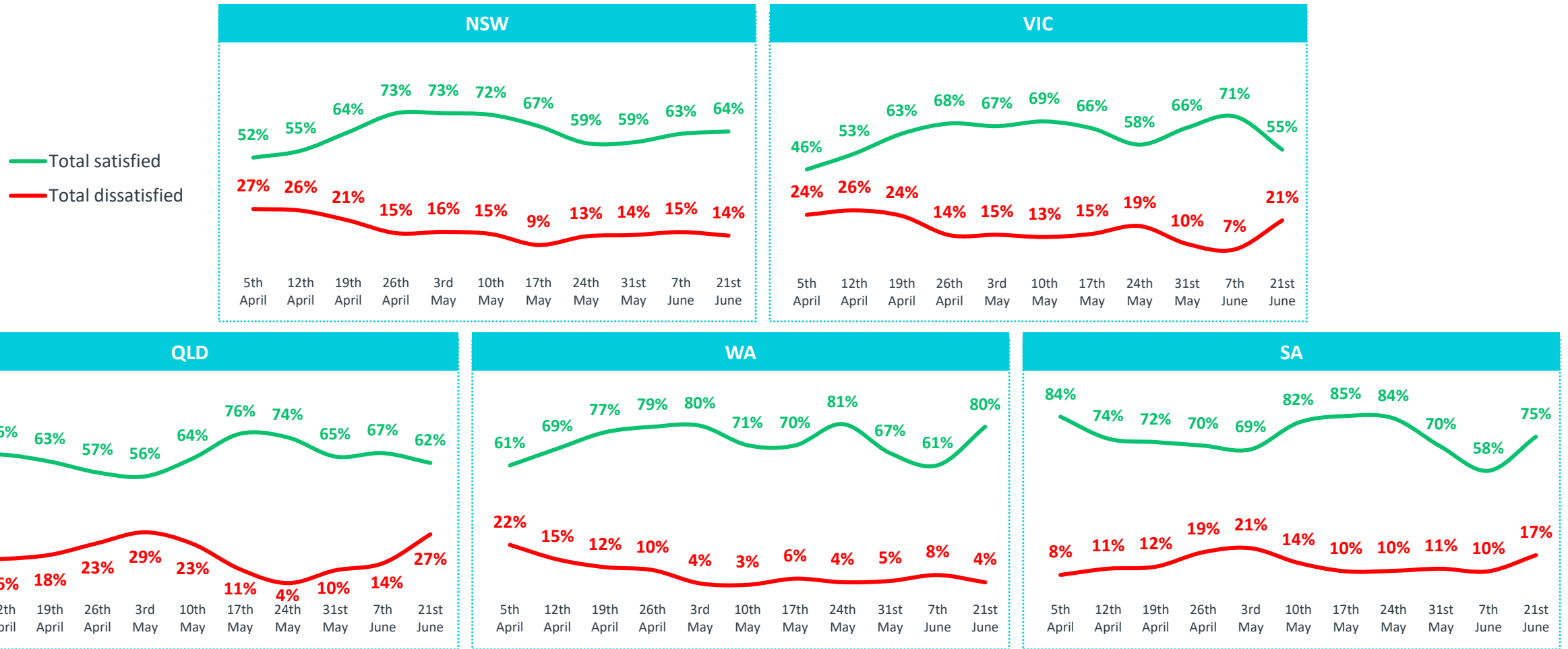
In line with the negative tone in this wave, satisfaction with the Federal Government has also declined over the past 2 weeks, coinciding with an increase in cases in VIC.



SATISFACTION WITH THE GOVERNMENT'S RESPONSE

Not surprisingly, the uptick in new cases in VIC is having a negative impact on satisfaction, whereas greater clarity regarding the easing of border restrictions has reversed the downward trend in SA and WA.

% SATISFIED WITH THE GOVERNMENT'S MANAGEMENT OF THE COVID-19 CRISIS OVERALL SO FAR

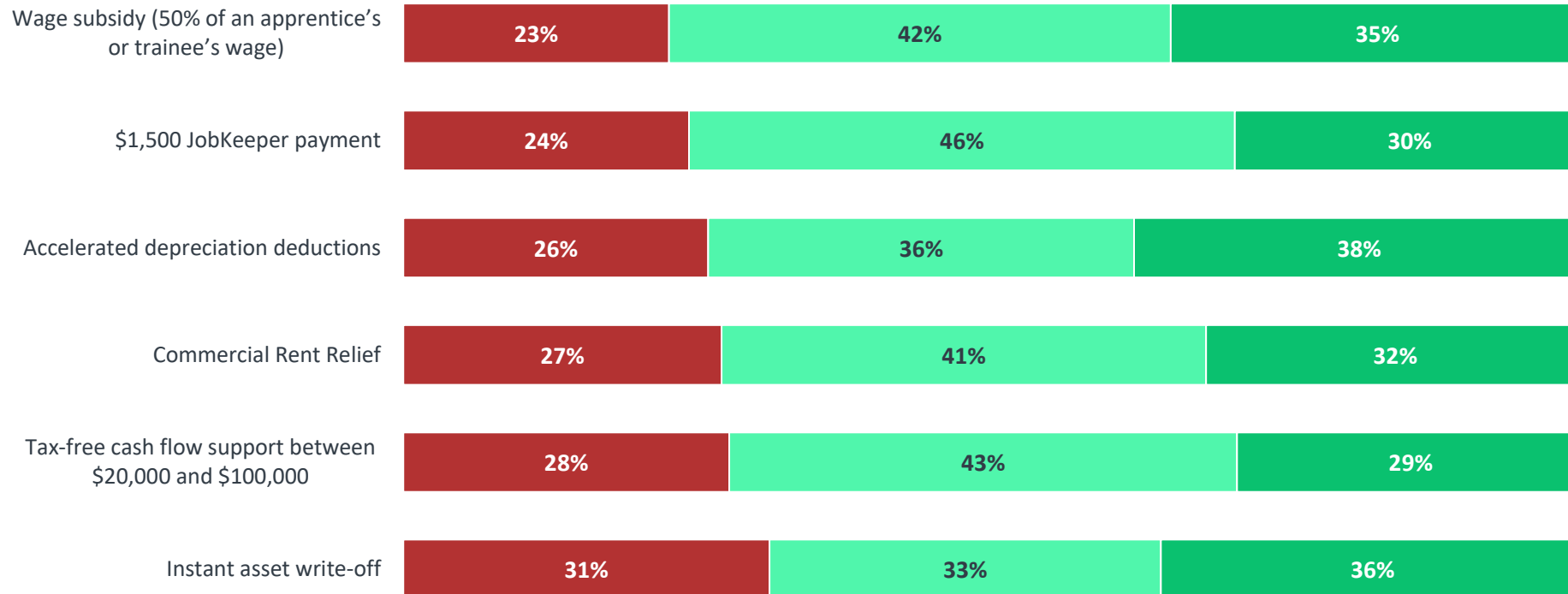


GOVERNMENT STIMULUS & SUPPORT MEASURES

Three quarters of SME decision makers believe the current stimulus measures need to be extended until 2021 to help those businesses that require ongoing support.

DO YOU THINK THE FOLLOWING GOVERNMENT STIMULUS AND SUPPORT MEASURES SHOULD BE EXTENDED UNTIL 2021?

■ No ■ Yes, but with stricter/ revised eligibility criteria ■ Yes, for all currently eligible businesses

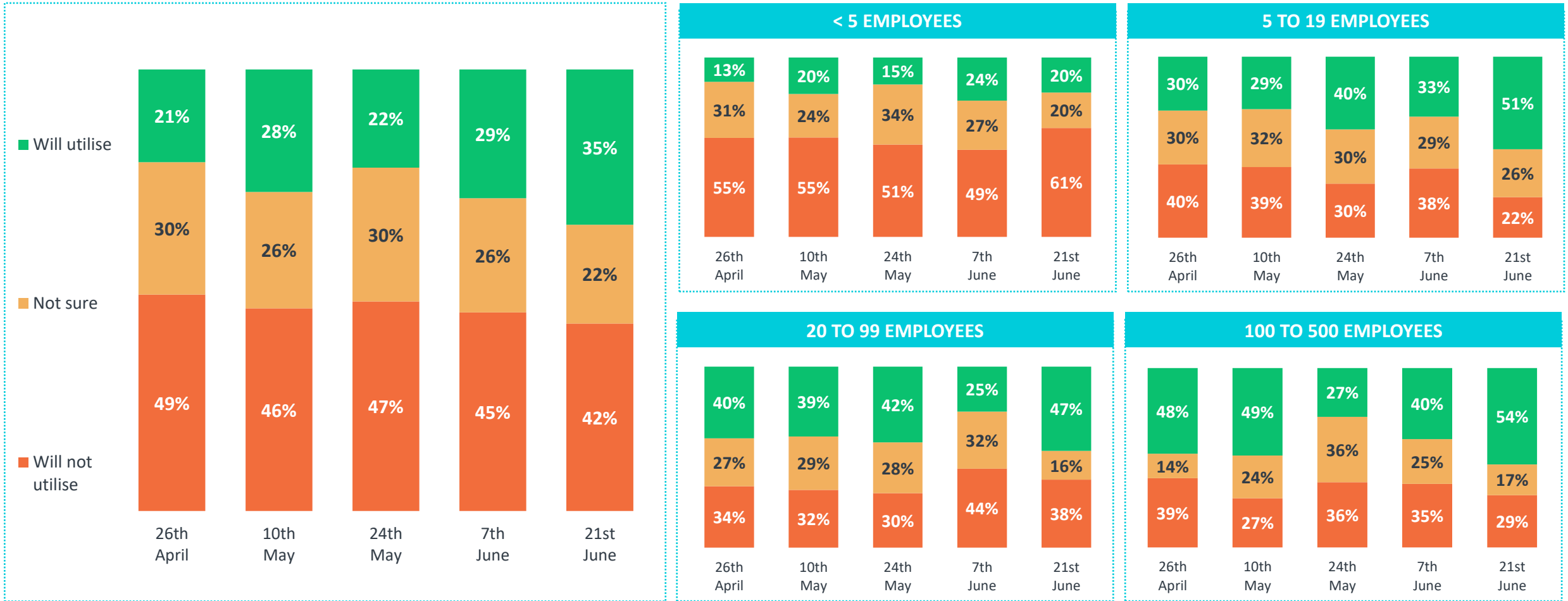


% Yes	% Yes, amongst those using each stimulus
77%	92%
76%	87%
74%	86%
73%	93%
72%	88%
69%	84%

GOVERNMENT STIMULUS & SUPPORT MEASURES

The recently announced extension to the instant asset write-off stimulus has created a positive response from the SME sector, with more than one third of businesses intending to use this program. This underpins the need to review and extend other support measures to stimulate activity.

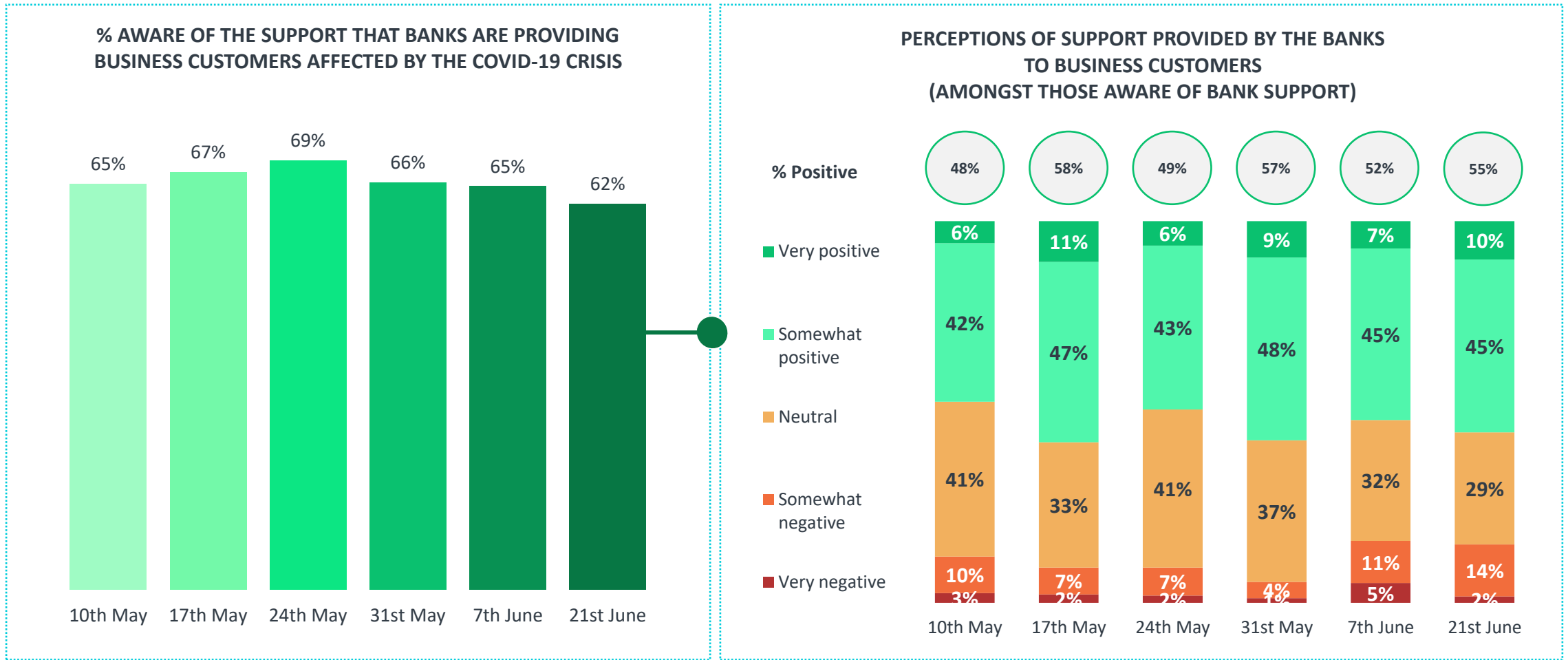
GOVERNMENT STIMULUS AND SUPPORT MEASURES TO BE USED BY THE BUSINESS: INSTANT ASSET WRITE-OFF



The majority of larger businesses with >5 employees intend to use the instant asset write-off stimulus.

SUPPORT FROM THE BANKS

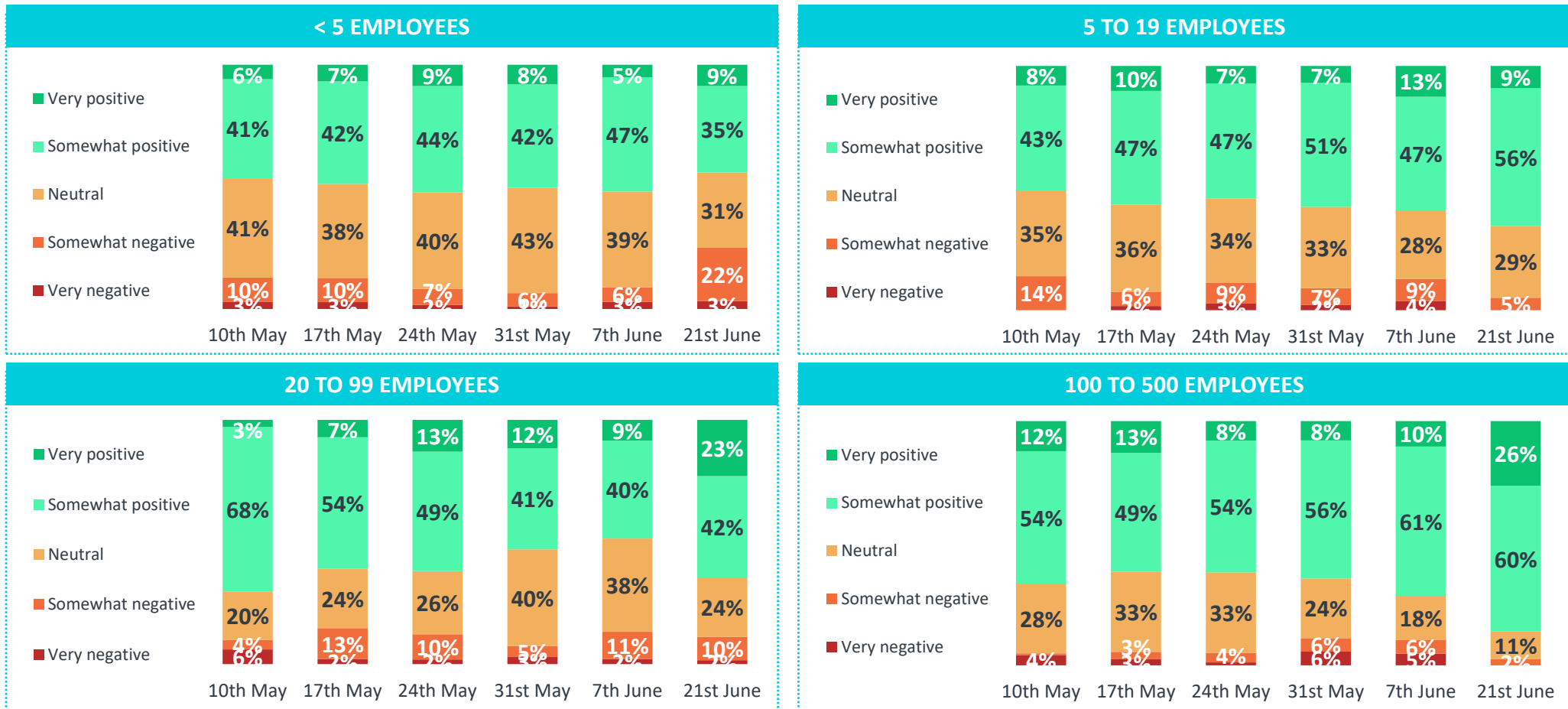
Awareness of bank support for SMEs during COVID-19 has slightly declined, but sentiment towards the banks remains generally positive.



SUPPORT FROM THE BANKS

Positive sentiment towards the banks has increased significantly amongst larger businesses with more than 20 employees, whereas negativity is on the rise amongst the micro businesses of less than 5 employees.

**PERCEPTIONS OF SUPPORT PROVIDED BY THE BANKS TO BUSINESS CUSTOMERS
(AMONGST THOSE AWARE OF BANK SUPPORT, BY BUSINESS SIZE)**



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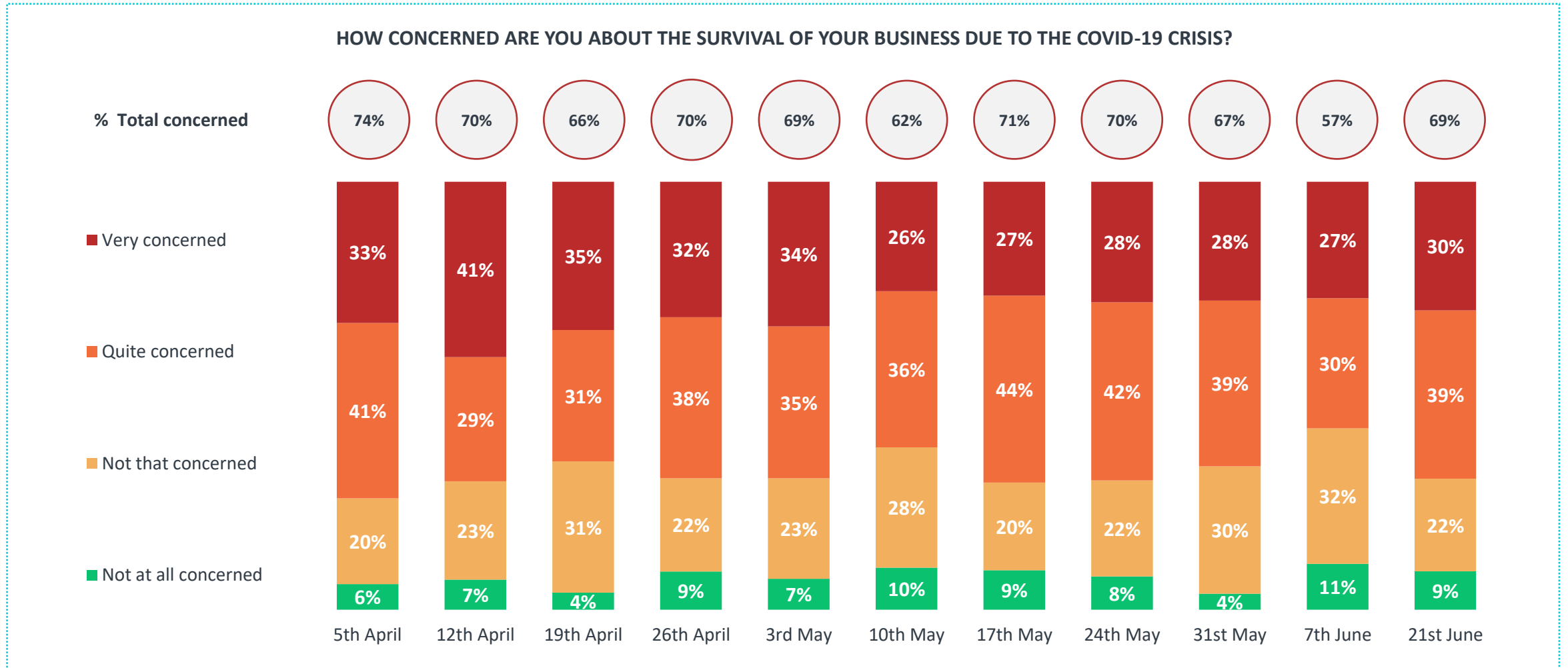
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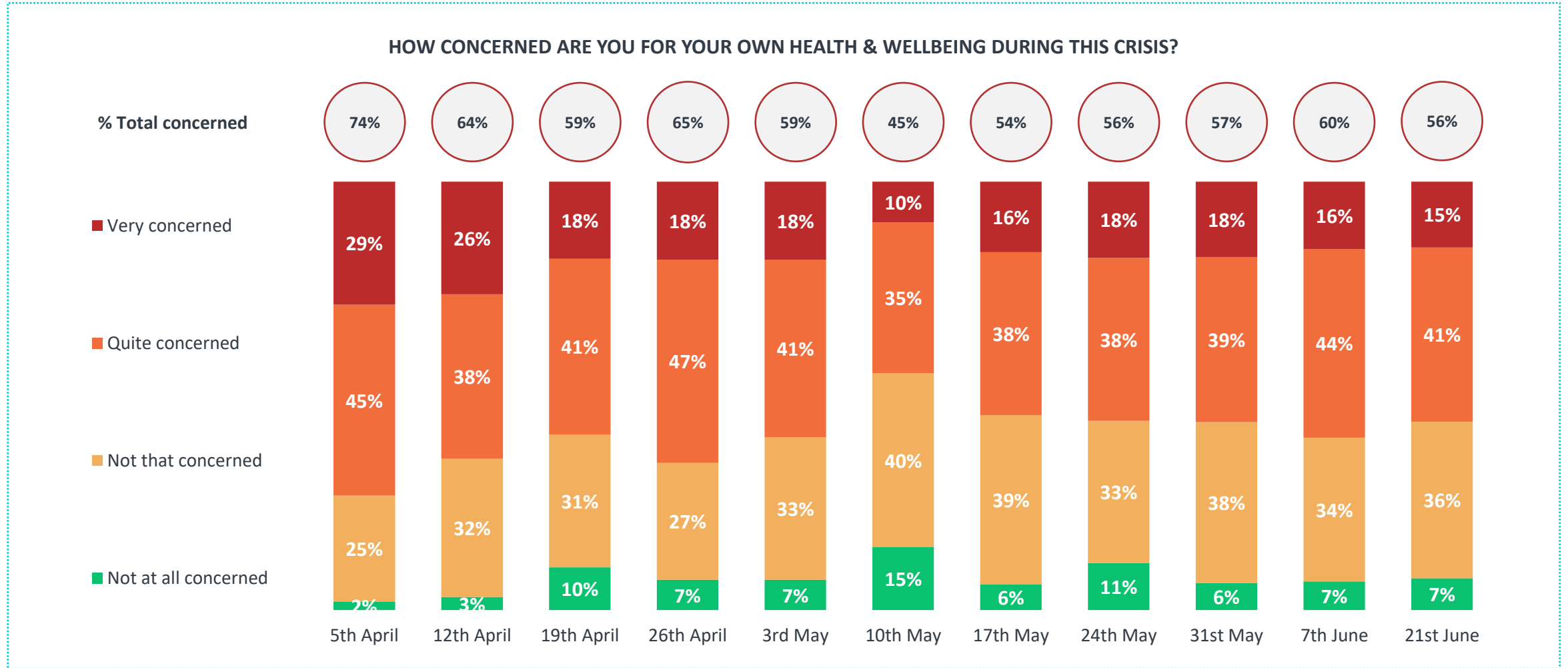
LEVEL OF CONCERN ABOUT BUSINESS SURVIVAL

The lower levels of confidence reported this week, has translated into much higher levels of concern regarding business survival.



LEVEL OF CONCERN ABOUT PERSONAL WELLBEING

The proportion of SME decision makers who remain very concerned about their health and wellbeing continues to trend slightly down, but still more than half are at least quite concerned.



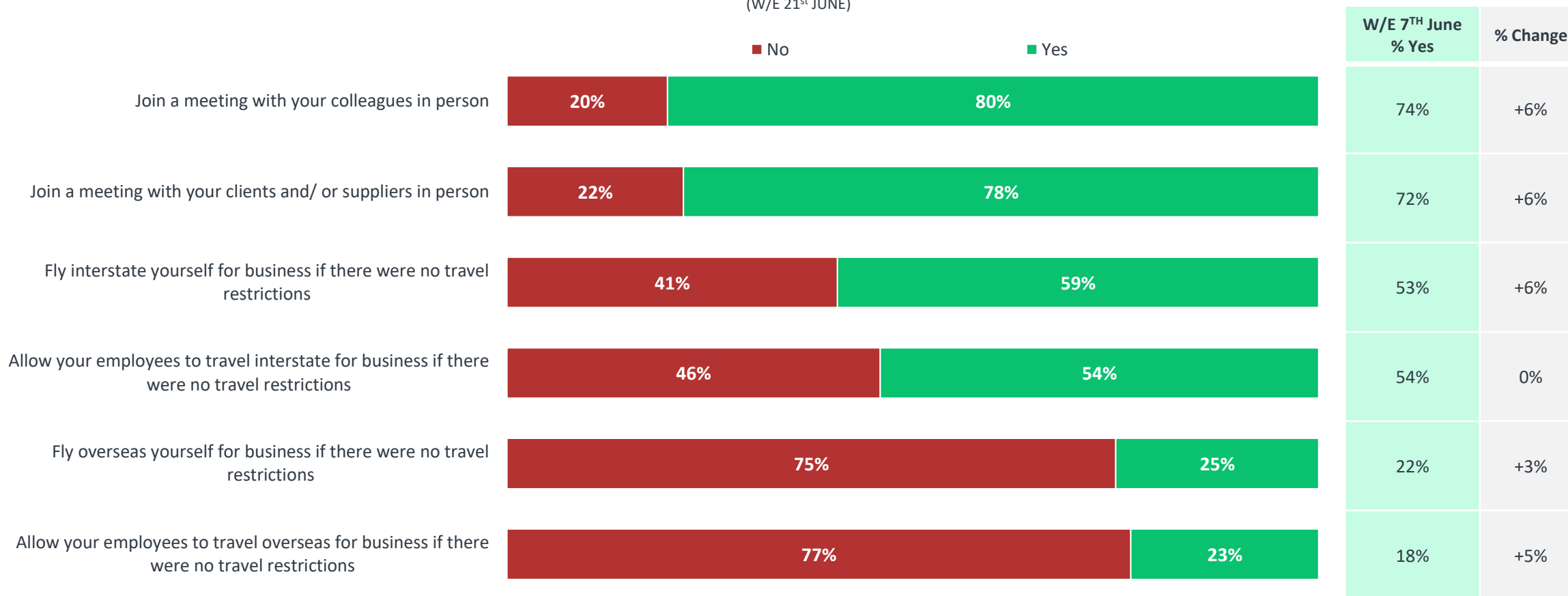
BUSINESS CHALLENGES

Positive that the level of comfort with in person meetings and travel are all increasing, except for interstate travel for employees.

WOULD YOU BE COMFORTABLE DOING THE FOLLOWING ACTIVITIES IN THE CURRENT ENVIRONMENT?

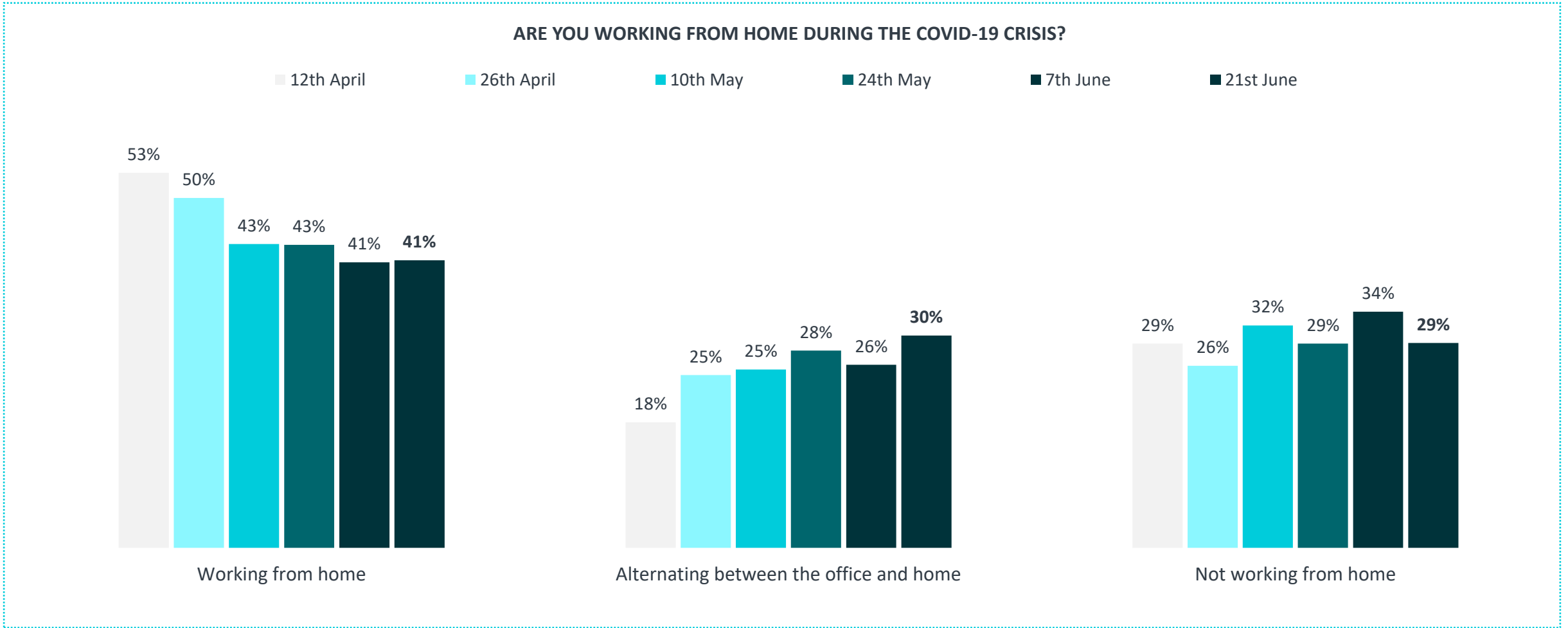
(W/E 21ST JUNE)

■ No ■ Yes



WORKING FROM HOME

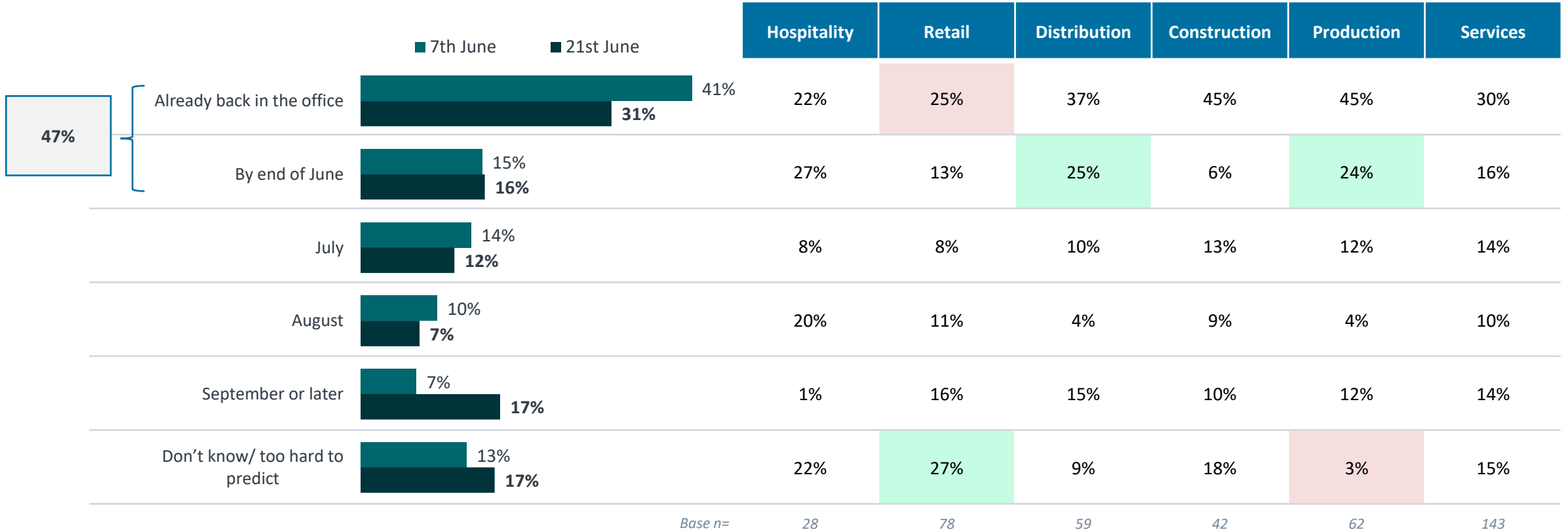
Despite a downward trend in the number of decision makers working from home, the transition back to the office is likely to take a few months and will be restrained if outbreaks continue.



WORKING FROM HOME

The timeline for employees returning to the workplace has slipped over the past fortnight. Again, this reflects the level of caution regarding the potential of a 2nd wave.

WHEN WILL THE MAJORITY OF YOUR STAFF BE BACK IN THE OFFICE/WORKPLACE? (AMONGST THOSE WHO EMPLOY STAFF)



Sig higher than total at 90% CI

Sig lower than total at 90% CI

CONTENT

APPENDIX:

1 METHODOLOGY & SAMPLE

2 ABOUT ACA RESEARCH & FIFTH QUADRANT

METHODOLOGY

The COVID-19 Tracker was first launched w/e 5th April 2020.

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5-minute questionnaire



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All respondents are **financial decision makers/influencers** in Small and Medium Businesses with up to 500 employees



Respondents are from across Australia, including **metro and regional** areas



A wide selection of **industry sectors** are represented, allowing for deep dive analysis on a regular basis

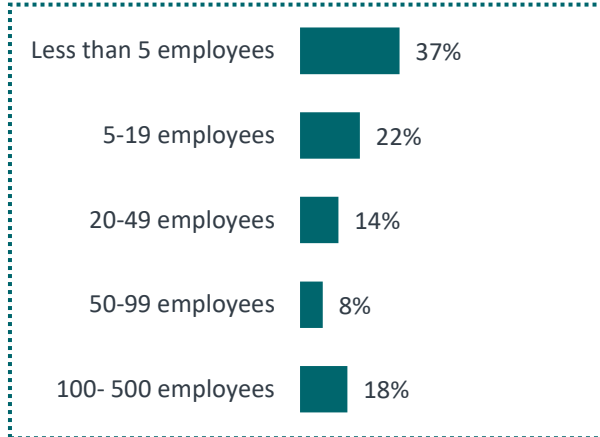


Data is **weighted** by state and number of employees to reflect the national distribution of businesses across the country

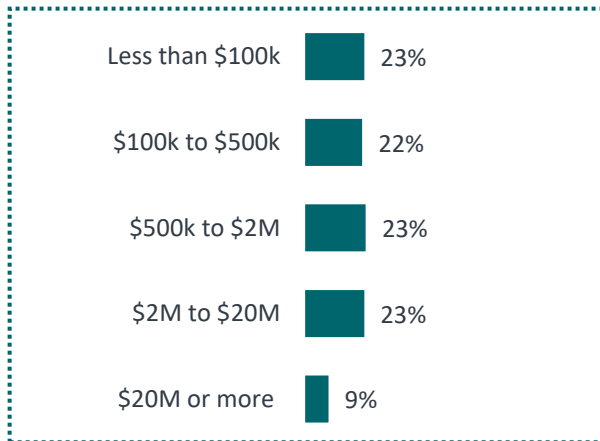
OUR SAMPLE

We targeted SMEs across all sizes and industry sectors.

SIZE OF BUSINESS: EMPLOYEES

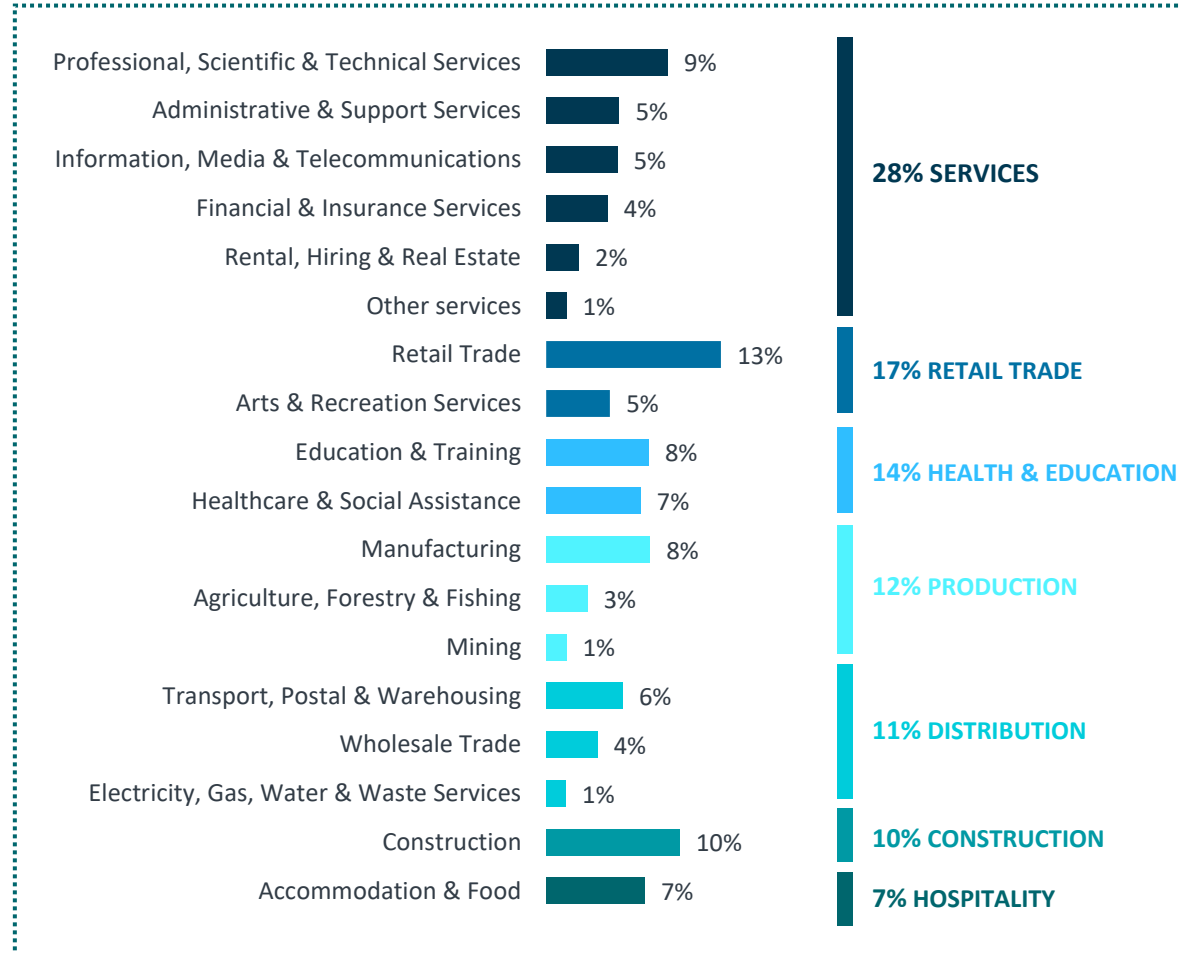


SIZE OF BUSINESS: TURNOVER



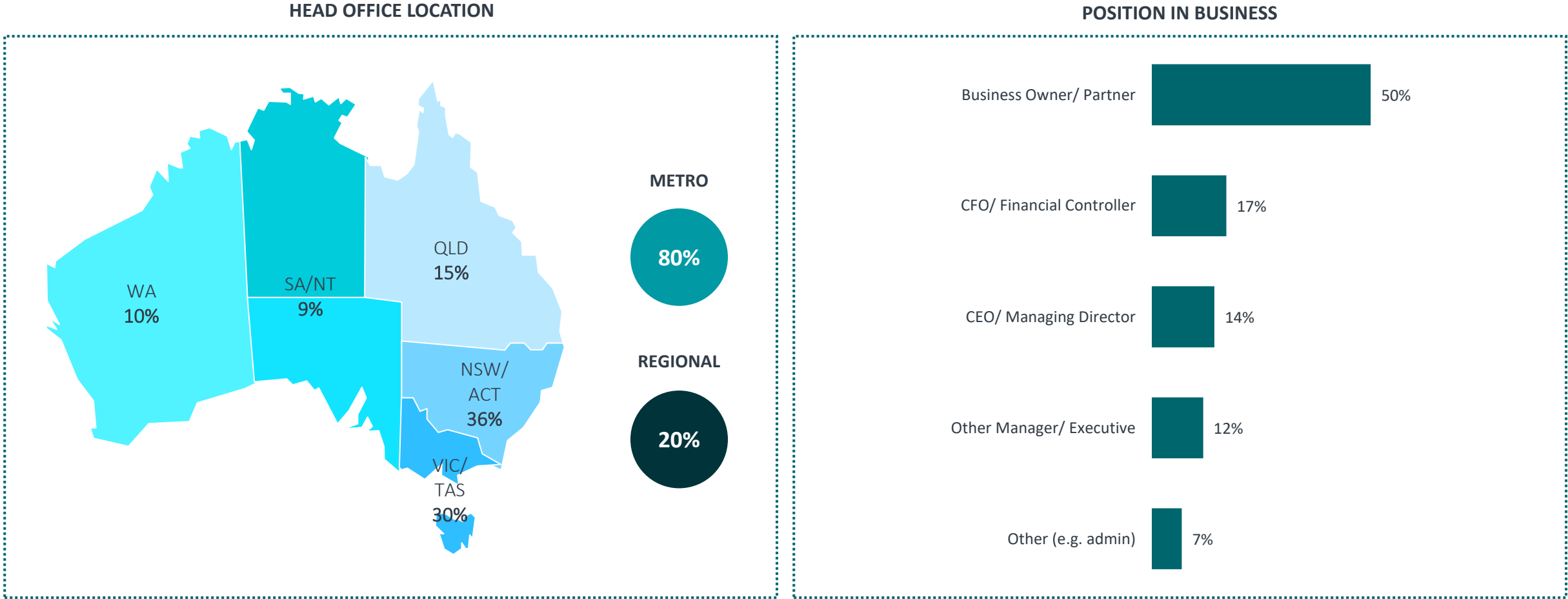
NOTE: CHARTS SHOW UNWEIGHTED DATA

INDUSTRY SECTOR



OUR SAMPLE

Key decision makers and influencers at SMEs across all states and territories responded to the survey, including metro and regional areas.



NOTE: CHARTS SHOW UNWEIGHTED DATA

CONTENT

APPENDIX:

1 METHODOLOGY & SAMPLE

2 ABOUT ACA RESEARCH & FIFTH QUADRANT

OUR PROMISE TO CLIENTS

WE HELP OUR CLIENTS
MAKE INFORMED
BUSINESS DECISIONS

Providing meaningful insight to allow you to make informed business decisions that drive growth, competitive advantage and productivity

BY LEVERAGING OUR
SPECIALIST
CAPABILITIES

Leveraging our deep industry expertise and customer experience specialisation to drive better outcomes for your business, customers, employees, business partners, shareholders and the community

TO EXECUTE
CUSTOMISED RESEARCH
AND CONSULTING
PROGRAMS

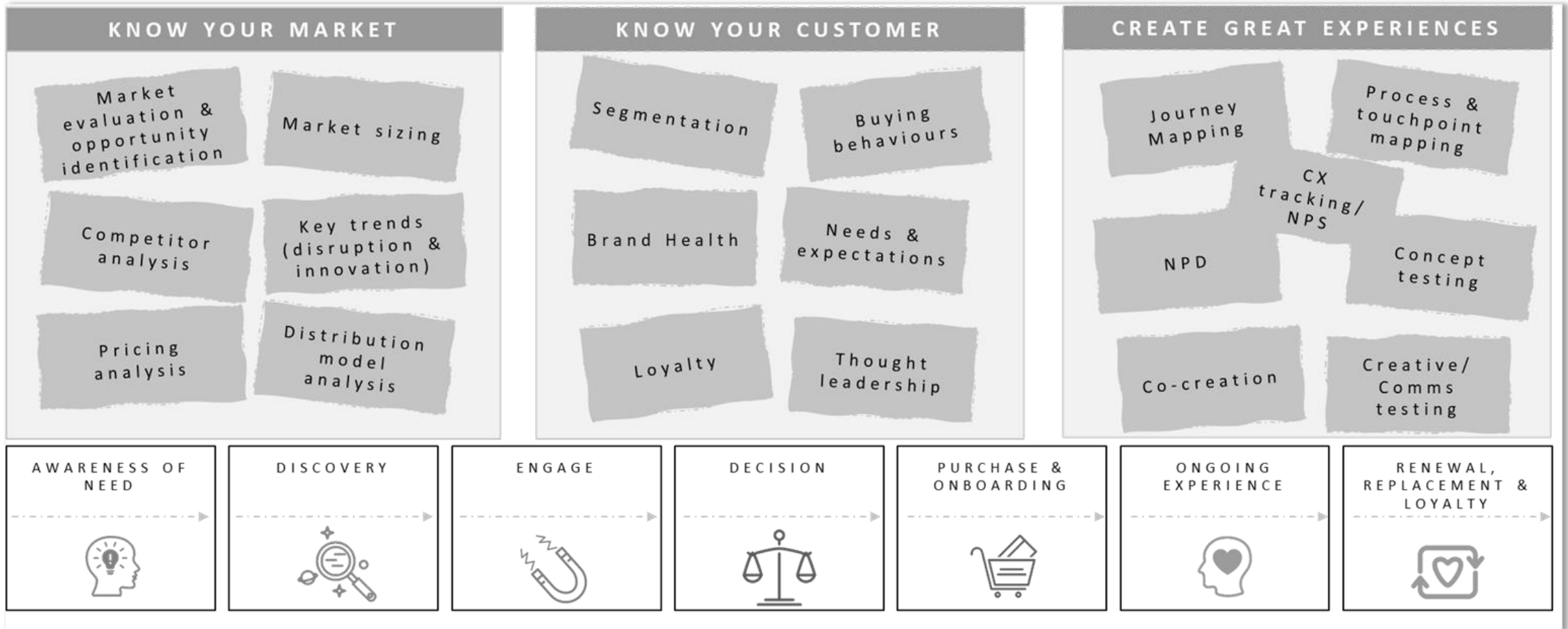
Working in partnership with you to design and deliver research & consulting programs aligned to your individual needs

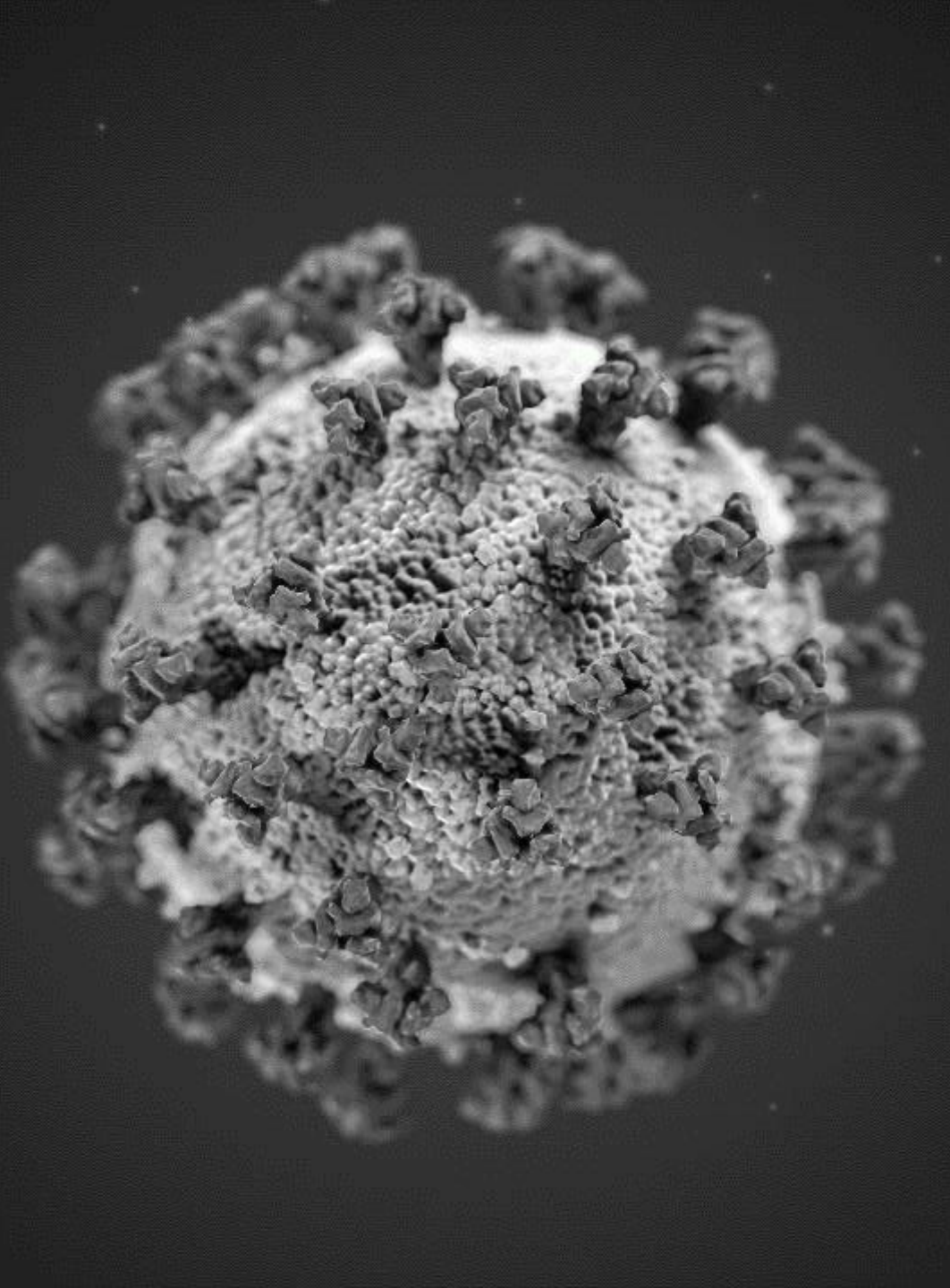
TO DELIVER
ACTIONABLE
RECOMMENDATIONS
AND ADVICE

Helping you achieve your goals by delivering pragmatic, actionable recommendations and strategic advice

OUR RESEARCH FRAMEWORK

We deliver insights throughout the customer journey enabling you to...





THANK YOU!

FOR FURTHER INFORMATION, PLEASE CONTACT:

JAMES ORGAN, MANAGING DIRECTOR
ACA RESEARCH & FIFTH QUADRANT
E: jorgan@acaresearch.com.au

LISA SALAS, HEAD OF COMMERCIAL
TEG INSIGHTS
E: lisa.salas@teginights.com