

**BUSINESS
NSW**

Covid-19 Business Impact Survey

July 2021



SPECIAL REPORT

Purpose

Following the resumption of COVID19 lockdown conditions in the Greater Sydney area on 26 June 2021, Business NSW surveyed NSW businesses to determine the impacts of restrictions.

This survey was conducted between 1 July to 12 July 2021.

Survey queries: Business NSW Economist,
Thian Thiumsak thian.thiumsak@businessnsw.com

Action

Preliminary findings of this survey were successfully used to advocate for the expanded business support from State and Federal governments, announced 13 July 2021.

Business NSW will continue to engage with business on the roll out of assistance and on the ongoing impact of the lockdown and other restrictions imposed on businesses.

A blurred photograph of a glass door with a sign that reads "WE ARE CLOSED TEMPORARILY." The text is in large, white, sans-serif capital letters. The background is out of focus, showing what appears to be an outdoor setting with some greenery and a building.

REVENUE

COMPARING THE TWO MAJOR NSW LOCKDOWNS

The July 2021 lockdown measures and restrictions on movement in NSW have caused significant adverse effects to businesses across the state.

Two weeks into this lockdown, businesses reported revenue to be 48 per cent lower than in pre-Covid conditions (Table 1). Two months into the first major lockdown in March 2020, revenues were reported to be 43 per cent lower than in pre-Covid conditions.



REVENUE DOWN
48%
Compared to normal business operations before lockdown

Table 1 - Average revenue impact, comparison with March 2020 lockdown

	Revenue impact (%)
2 weeks into March 20 lockdown (n=1,206)	-30%
2 months into March 20 lockdown (n=897)	-43%
2 weeks into July 21 lockdown (n=1,017)	-48%

Note: Calculated as average weighted losses based on questions about current revenue compared to revenue during normal business operation before the lockdown.

REVENUE

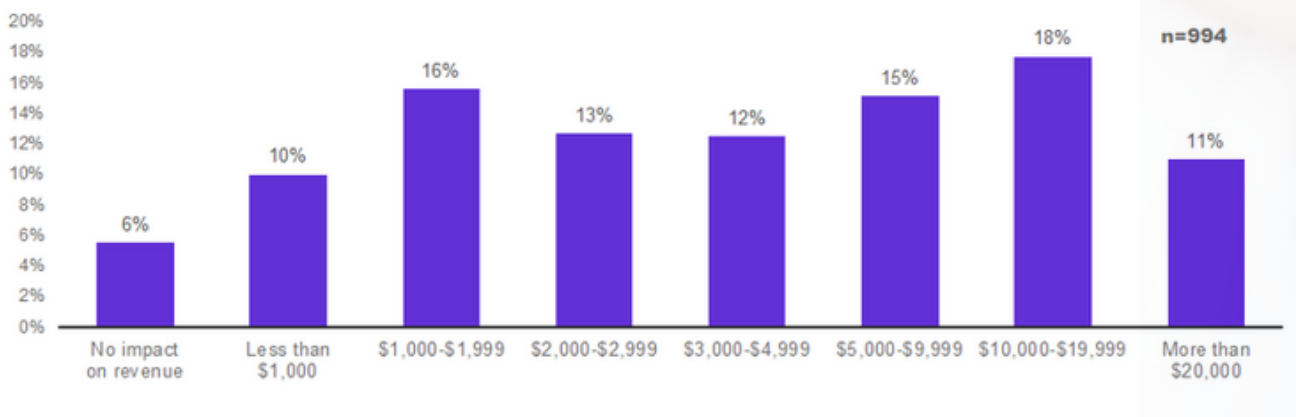
COMPARING THE TWO MAJOR NSW LOCKDOWNS

Many businesses were already finding trading conditions challenging due to international border closures. The outbreak of Covid-19 and consequent NSW lockdown measures have exacerbated the situation.



18%
Businesses that expect weekly revenue loss of \$10,000 to \$19,999

Chart 1 - Expected weekly revenue loss due to lockdown



REVENUE

COMPARING THE TWO MAJOR NSW LOCKDOWNS

Table 2 - Average revenue impact by industry

	2 weeks into March 2020 lockdown	2 months into March 2020 lockdown	2 weeks into July 2021 lockdown
Transport, Postal, and Warehousing (n=7)	-23%	-47%	-37%
Arts and Recreation services (n=83)	-56%	-71%	-68%
Accommodation and Food services (n=192)	-52%	-65%	-61%
Other services (n=150)	-35%	-55%	-58%
Education and Training (n=38)	-26%	-51%	-41%
Information Media and Telecommunications (n=16)	-16%	-41%	-42%
Construction (n=25)	-25%	-30%	-23%
Health Care and Social Assistance (n=43)	-15%	-35%	-36%
Professional, Scientific and Technological services (n=62)	-18%	-36%	-24%
Wholesale Trade (n=21)	-20%	-43%	-27%
Retail Trade (n=151)	-31%	-45%	-51%
Public Administration and Safety (n=3)	-5%	-7%	-12%
Electricity, Gas, Water and Waste services (n=5)	-15%	-23%	-26%
Manufacturing (n=53)	-19%	-37%	-17%
Rental, Hiring and Real Estate services (n=23)	-28%	-39%	-34%
Agriculture, Forestry, and Fishing (n=20)	-31%	-45%	-29%
Financial and Insurance services (n=10)	-7%	-21%	-13%
Mining (n=3)	-24%	-23%	0%
Administrative and Support services (n=13)	-23%	-50%	-42%
All sectors	-30%	-43%	-48%

Note: Calculated as average weighted losses based on questions about current revenue compared to revenue during normal business operation before the lockdown. Sample size number refers to 2021 survey.

Resort, Mid-North Coast

We lost 60% of bookings on in the first week of lockdown, by the 30th we lost 90%. The 5 bookings that came on the 25th are now in lockdown here.

We have no work for any of our casuals from due to cancellation and permanent staff are required to use their annual leave. We are running on skeleton staff.

Cellar Door and Winery, Hunter Valley

Our business is medium sized. We've seen a reduction of >90% in extending to the fortnight after it is scheduled to finish as people are afraid of making plans. Walk-through traffic has decreased significantly, patronage from local areas not in lockdown is minimal.

Motel, New England

As soon as lockdown happened, 90 per cent of our reservations cancelled. After borders opened in October-November 2020 our business went back to its "normal" pre-COVID and pre-drought trade. Since this lockdown we are having a worse July than last because now even NSW residents aren't travelling.

Yoga studio, Sydney

I have had to close and revenue has dropped to \$0 because of the forced closure. I've since had 50% of my recurring revenue clients cancel their memberships in the last week. Without financial assistance I may not be able to reopen. I'd barely recovered from the 2020 lockdown, only in May '21 was my business back in the black.

LIQUIDITY

RESERVES ARE DEPLETED

2020 saw many businesses draw into their reserves as they contended with closures and restrictions. This has left businesses in NSW in a severely weakened state as this current lockdown begins.

Businesses which were closed 2 months into the 2020 lockdown had on average enough cash on hand to last them 6.5 months. They were also helped to stretch their reserves with support programs, particularly JobKeeper.

In contrast, entering the present lockdown, businesses which have closed have on average only enough funds to last 1.1 month.

While the 2020 lockdown was not followed by as large a wave of businesses ceasing operations as was initially feared, it still left many in a vulnerable state.

**1.1**

Averaged number of months before businesses surveyed will have to close, based on their current cash reserves

LIQUIDITY

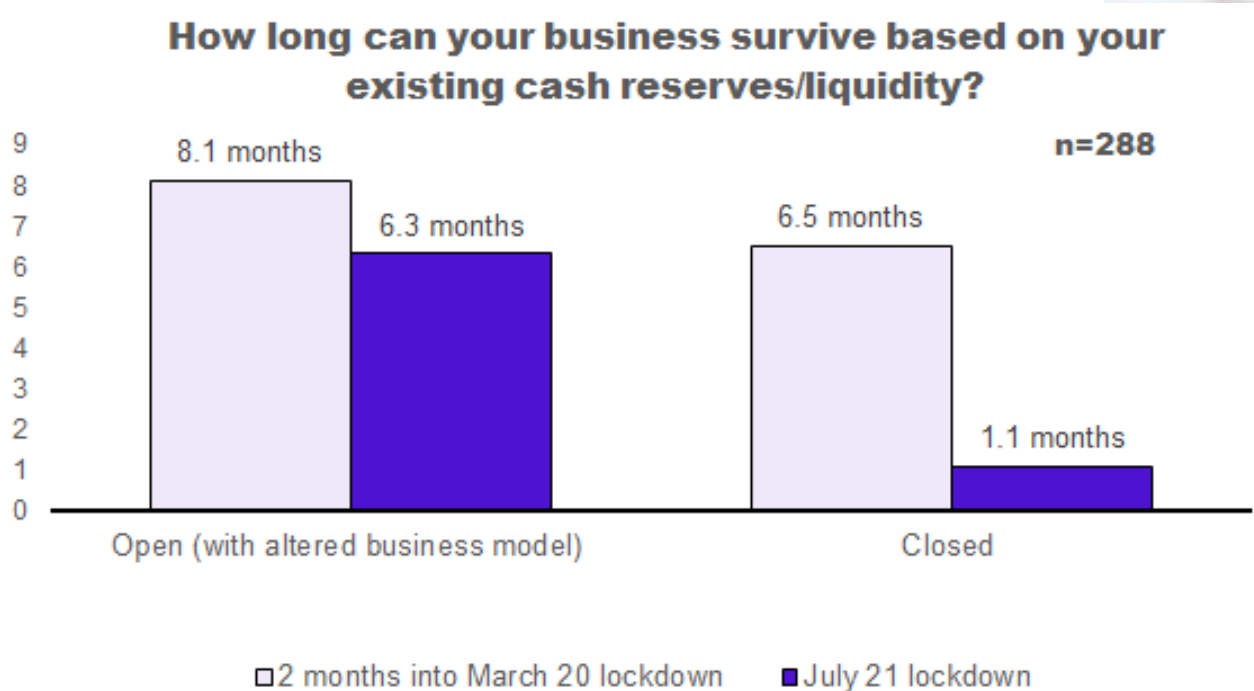
RESERVES ARE DEPLETED

This assessment of cash reserves does not take into account government supports announced on July 13 by the NSW and Commonwealth governments.

Those supports may help businesses stretch their reserves far enough to see them through the current lockdown, but that will depend how long it last and how severe the economic impacts end up being.



Chart 2 – Business cash reserves: Current mode of operation



Note: Average value calculated

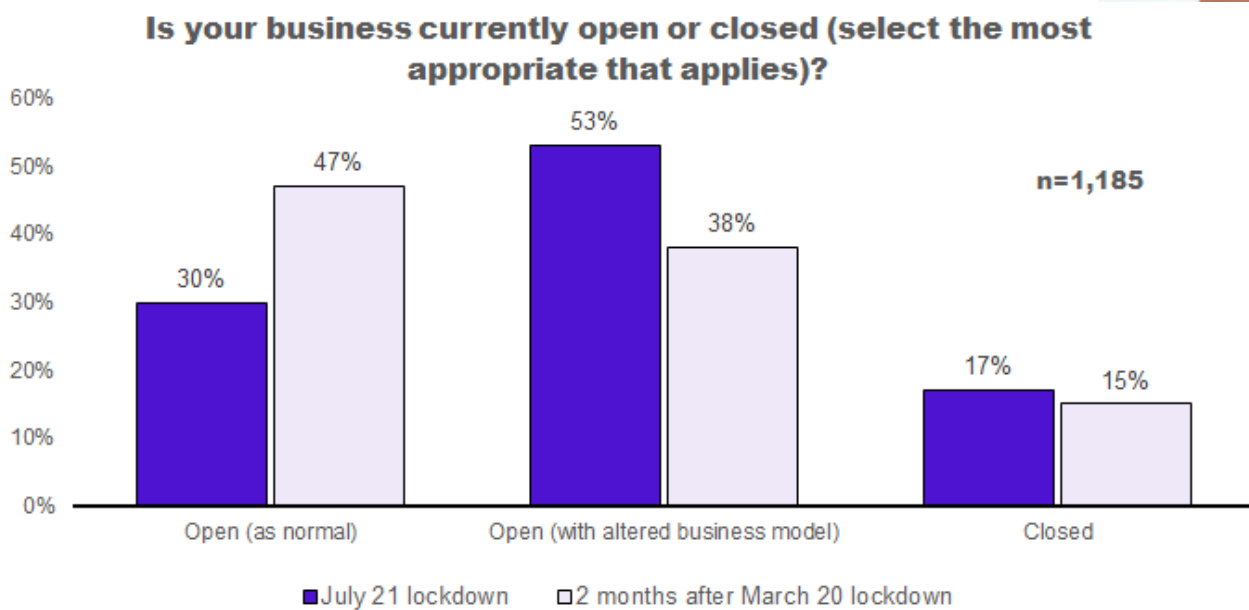
LIQUIDITY

RESPONDING TO LOCKDOWN

Of the businesses surveyed, 30 per cent of respondents reported no change to their business model and/or operations. 17 per cent of respondents have closed while 53 per cent have only remained open after altering their business model (Chart 3).

This compares to 47 per cent of respondents indicated no change to their business model and/or operations 2 months into the 2020 lockdown. 15 per cent of respondents closed their business while 38 per cent operated under altered business model during the first two months of major lockdown last year.

Chart 3 – Businesses open during 2020 and 2021 lockdown



LIQUIDITY

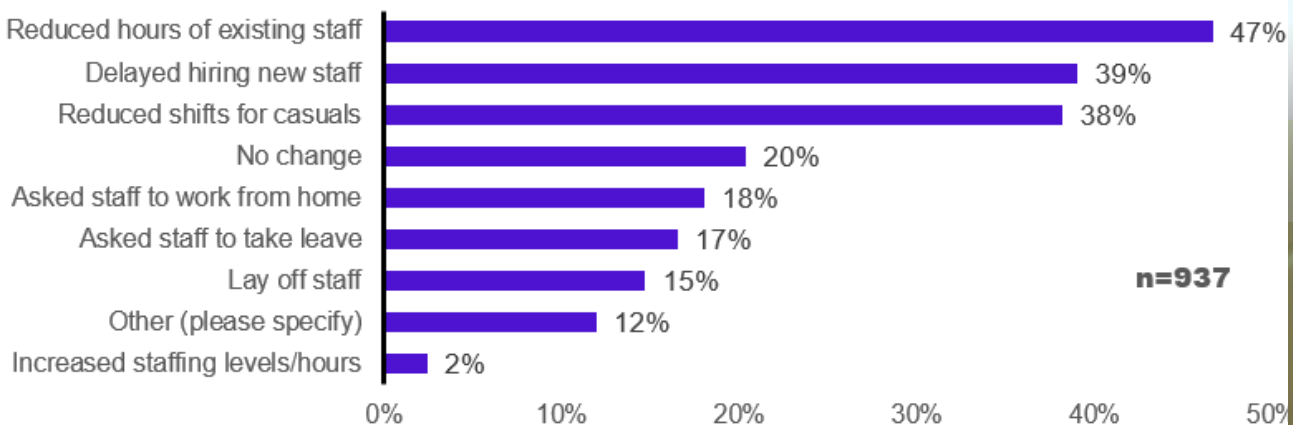
RESPONDING TO LOCKDOWN

For businesses reporting a loss of revenue, the most commonly cited initial response has been to reduce hours of existing staff (47 per cent). 15% have laid off staff (Chart 4). NSW entered the current lockdown with unemployment at historic lows and with many businesses struggling to recruit and retain staff. These responses show that circumstances change quickly.

The duration of the lockdown will determine how quickly labour market conditions revert to those seen in the early months of 2021.

Chart 4 - Actions taken by business with revenue losses

If you are an employer, has your business taken any of the below responses (select any/all that apply)?



Arts Business, Sydney

I am still trying to hold on from the past 16 months. I have depleted all savings and safety nets, I'm out of options and without any support (I earn too little to qualify for COVID support grants. I won't be able to afford my rent let alone keep on top of business expenses in a weeks' time. JobKeeper helped me keep afloat, but it still took all my savings to survive and keep paying my operational costs.

Grocery Store, Sydney

We're a retail speciality grocery store so we're officially allowed to stay open but sales are about half of normal. We have a Melbourne shop [as well as a Sydney store] and after the recent lockdowns there we were already struggling to pay the bills, now to lose another 2 weeks trading in Sydney pushes us over the edge. The government doesn't seem to understand that even though we're open, we're selling half but rent, electricity, wages are all still 100%. It's a fine balance at the best of times. Now for the first time in 20 years I'm facing the prospect of not being able to pay my bills and having to think about the possibility of going broke. We missed out on JobKeeper as we have an online store which meant we were only down 27% instead of 30% but I managed to hold on to my staff because they are like family but I've drained all my personal reserves now so I don't know what's going to happen. I have nothing left...

Construction Business, Western Sydney

Revenue is down about 60% since pre Covid. We pivoted our business model into new markets in early 2021 and we were just beginning to get good momentum until this lock down. Staff morale is much lower. Police presence in Western Sydney is impacting this too. Also, we do not have the resources of larger businesses to enable working from home for a lot of our office staff, so there is a lot of anxiety in the air generally among our workers.

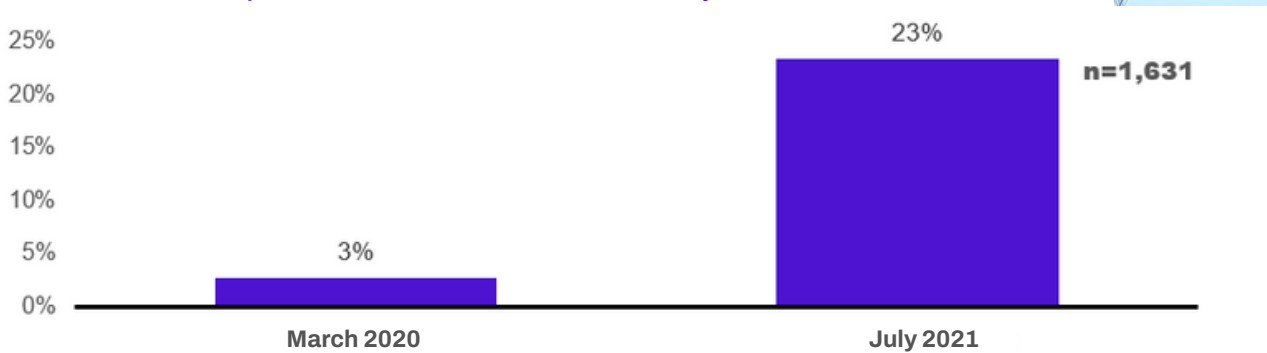
BUSINESS CONFIDENCE

Despite their vulnerabilities, businesses are more confident entering this lockdown than they were in 2020.

Businesses completing the July 2021 survey were more optimistic about the next three months compared to those which completed the survey in March 2020 (Chart 5).

A key difference between the current period and the previous lockdown is that vaccines against Covid-19 now exist, whereas in mid-2020 vaccines were still in early stages of development.

Chart 5 - Difference in positive sentiment toward future economy



Note: Percentage of respondents who answered that the NSW economy will be either "much stronger" or "somewhat stronger" over the following three months than at the time of the survey

BUSINESS CONFIDENCE

However, it should be noted that expectations about the duration of the current lockdown have changed after this survey was completed.

These businesses may have expected that this current lockdown would only last for a few weeks – a circuit breaker lockdown – rather than the indefinite period that has emerged after the survey period.

The first major lockdown of 2020 was anticipated to be in place for months by the time that survey was carried out.

**3% v.
23%**

Then v Now. Businesses who believed the economy will be in a strong position three months from the time of taking the survey.

LOCKDOWN IMPACTS

BY REGION

The current lockdown covers Greater Sydney, Central Coast and Wollongong. Unsurprisingly, economic costs are higher for directly affected regions and nearby areas and less so for regions located farther from the lockdown zones.

Table 3 - Average revenue impact by region

	2 weeks into March 2020 lockdown	2 months into March 2020 lockdown	2 weeks into July 2021 lockdown
Capital Region (n=73)	-38%	-47%	-44%
Central Coast (n=39)	-23%	-47%	-45%
Central West (n=33)	-33%	-40%	-43%
Coffs Harbour – Grafton (n=21)	-24%	-36%	-37%
Far West and Orana (n=10)	-29%	-32%	-26%
Hunter Valley exc. Newcastle (n=40)	-41%	-47%	-44%
Illawarra (n=90)	-32%	-41%	-45%
Mid North Coast (n=34)	-32%	-42%	-44%
Murray (n=30)	-21%	-35%	-37%
New England and North West (n=84)	-31%	-44%	-37%
Newcastle and Lake Macquarie (n=37)	-24%	-40%	-39%
Richmond – Tweed (n=39)	-30%	-52%	-35%
Riverina (n=28)	-21%	-30%	-38%
Southern Highlands and Shoalhaven (n=61)	-34%	-47%	-56%
Sydney (n=286)	-28%	-44%	-54%
All sectors	-30%	-43%	-48%

Note: Calculated as average weighted losses based on questions about current revenue compared to revenue during normal business operation before the lockdown. Sample size number refers to 2021 survey.

LOCKDOWN IMPACTS

**BUSINESS
NSW**

BY REGION

Revenue losses for Sydney (54 per cent) and Southern Highlands and Shoalhaven (56 per cent) are the highest regions.

In addition, while most regions show a similar level of revenue impact between the last lockdown and the current one, these two regions demonstrate a significant increase of almost 10 percentage points compared with March 2020.

CENTRAL COAST

-45%

Average revenue impact in the first two weeks of lockdown

**SHOALHAVEN
STHN HIGHLANDS**

-56%

Average revenue impact in the first two weeks of lockdown

Accommodation Provider, New England Region

We have had to close our motel restaurant. We have had to drastically reduce the number of cleaners and their hours. From 5-6 cleaners per day doing 6 hour shifts to 2 cleaners doing 3-hour shifts. And reduced our office hours, affecting office staff remuneration

Personal Trainer, Sydney

I am a personal trainer who rents space in an existing gym. Closing down has meant that I no longer can earn a living. I have only just started my business 7 months ago and so therefore cannot even come close to earning \$75k ... the \$500 is merely not enough. My rent alone is over that.

Theatre, Regional NSW

We are regional and not in the lockdown area, but it affects our business as we have had our theatre capacity reduced to 50%. This is not viable, and many shows are postponing or cancelling as they are from Sydney or other states. There is a huge impact on the staff from a health and well-being perspective with the constant changes and rescheduling of events.

Retailer, Newcastle

To date there has not been one case of COVID in Regional NSW yet we have had the restrictions of 5 people only to your home and mask wearing imposed. These two restrictions have caused an immediate 80% decline in our revenue.

LOCKDOWN IMPACTS

OTHER ASPECTS

The impact of COVID lockdown for individuals is more varied, nuanced and extensive than any survey or snapshot of conditions can gauge.

Member engagement through comment in this survey has been extensive. Almost all of the comments were lengthy, with each revealing a valuable story that tells more than the raw numbers presented above.

Of the approximately 1,000 comments, the recurring issues were

- Initial \$75,000 cut off for business assistance (which has subsequently been addressed)
- the impact of 'snap' state / internal border closures
- a lack of liquidity due to cash reserves having been exhausted during 2020
- the timing of the lockdown and the impact on revenue during a period of expected high revenue (i.e. school holidays)
- ongoing lack of confidence from customers (particularly affecting weddings, events, arts and accommodation)
- length of recovery time post-lockdown, with many businesses reporting it will take months to recover from even a two-week lockdown.

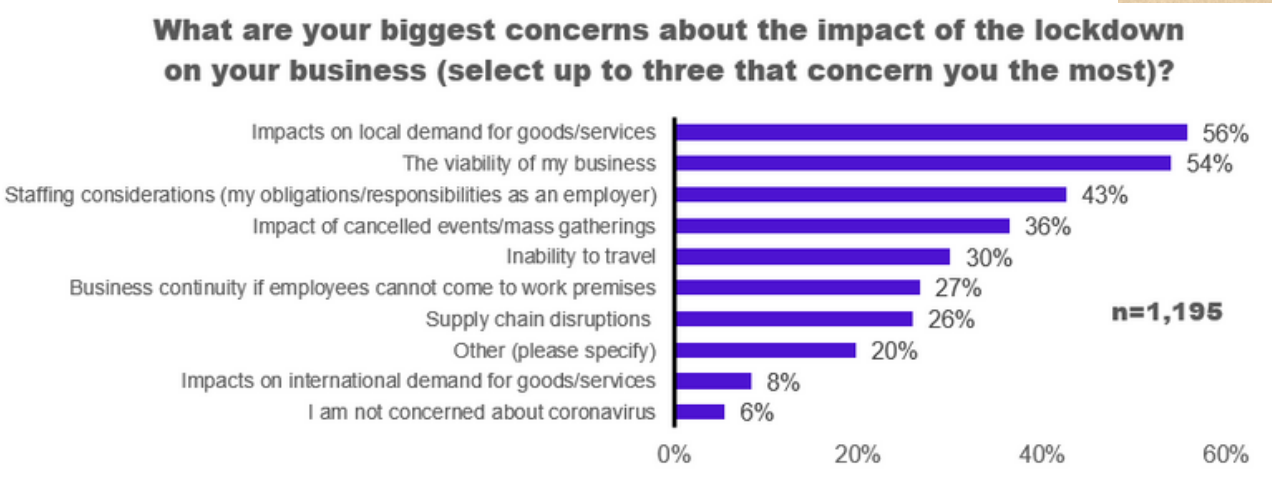
LOCKDOWN IMPACTS

OTHER ASPECTS

Regional NSW reported impacts well beyond the Greater Sydney Lockdown

- Regional NSW being hit hard because of drop in Sydney demand compounded by a lack of local consumer confidence and (potential) border closures with Victoria and Queensland
- Regional NSW being affected by restrictions that they don't feel relevant due to zero cases.

Chart 6 - Business concerns from lockdown impacts



Close to the edge

Many Businesses report being “close to the edge” financially and emotionally. Mental Health issues are of particular concern.

Behind many businesses under financial pressure are individual business owners, managers, employees, suppliers and their families and communities under considerable stress.

This has only added urgency to Business NSW efforts working closely with both the State and Federal Governments throughout the survey period on a package of support for business.

Survey contact: Business NSW Economist, Thian Thiumsak | thian.thiumsak@businessnsw.com



**COVID-19
VACCINATION
CLINIC**