



National
Australia
Bank

NAB SPECIAL REPORT ON SMALL BUSINESS FROM SURVIVAL TO SUCCESS

August 2021

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If small business grows, Australia grows.

Small businesses are the backbone of the economy. They employ two out of three working Australians, or nearly 5 million people, and contribute almost \$418 billion to GDP – equivalent to 32 per cent of the domestic economy¹.

Australia will only grow when small and medium businesses are growing and 7 in 10 businesses have ambitions to do so. But some of these businesses have been dealt a heavy blow by the COVID-19 pandemic, particularly those who rely on people being out and about.

As Australia's biggest business bank, NAB has undertaken this research to understand what can be done to support them through the crisis and to then achieve sustainable growth.

The impact of COVID

Recent and rolling lockdowns make running any business challenging and unpredictable. This is the number one issue holding small business owners and managers back from investing in their companies.

Critically, we now have a plan to move from restrictions to freedoms, in line with greater levels of vaccination, as set out by National Cabinet. It gives us all a light at the end of the tunnel, and the ability for businesses to plan for a more 'normal' future in 2022.

In the meantime, NAB's position remains that a good business before COVID will likely be a good business on the other side of this crisis. We are working with our customers individually, to ensure they have appropriate support in place.

Surviving versus thriving

Beyond COVID-19, there are barriers to small businesses developing new products, buying new equipment, expanding into new markets, and creating more jobs.

This research shows that, to boost investment and accelerate small business growth, they need:

1. Further tax relief or incentives.
2. Less regulation.
3. Support to hire, train and retain staff, including skilled workers.
4. Strategies to implement new technology.
5. Help with managing cash flow.

Coordinated action is needed

Twelve months ago, NAB released a report 'Supporting economic recovery: what we can do for small business'.

Since then, governments have progressed on many critical areas of reform including bringing forward tax cuts, boosting investment incentives and fast-tracking infrastructure spend.

We now have an opportunity to consider how we can work together to remove barriers facing small businesses, to help Australia bounce back fast from lockdowns, capitalise on opportunity and grow over the long term.



Ross McEwan,
Group CEO, NAB

1. Australian Small Business and Family Enterprise Ombudsman, 'Small Business Counts', December 2020

NAB BEHAVIOURAL & INDUSTRY ECONOMICS

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7 in 10 Australian businesses are planning to invest to grow in the next 12 months.

COVID-19 and most recently, lockdowns in Australia's two largest cities, highlights just how challenging and unpredictable the economic and business environment is at present. NAB, Australia's biggest business bank, commissioned a special survey of more than 550 Australian businesses to better understand the key issues on their minds and what their plans are for growth. The survey was taken between June 29-July 1.

KEY FINDINGS

- Around 7 in 10 Australian firms are planning to invest to grow their business in the next 12 months.
- The top reason preventing firms from growing is general uncertainty due to COVID.
- Almost 3 in 10 firms say greater certainty on COVID restrictions would encourage them to invest followed by 1 in 5 firms who said greater levels of COVID vaccinations would help.
- Almost 1 in 2 are planning to invest in new products or services, just over 4 in 10 in new technology or systems, to hire, retain and train staff or in new equipment.
- Around 3 in 10 are looking to expand into new geographical markets, 1 in 4 in bigger or additional premises and 16% to acquire other businesses.

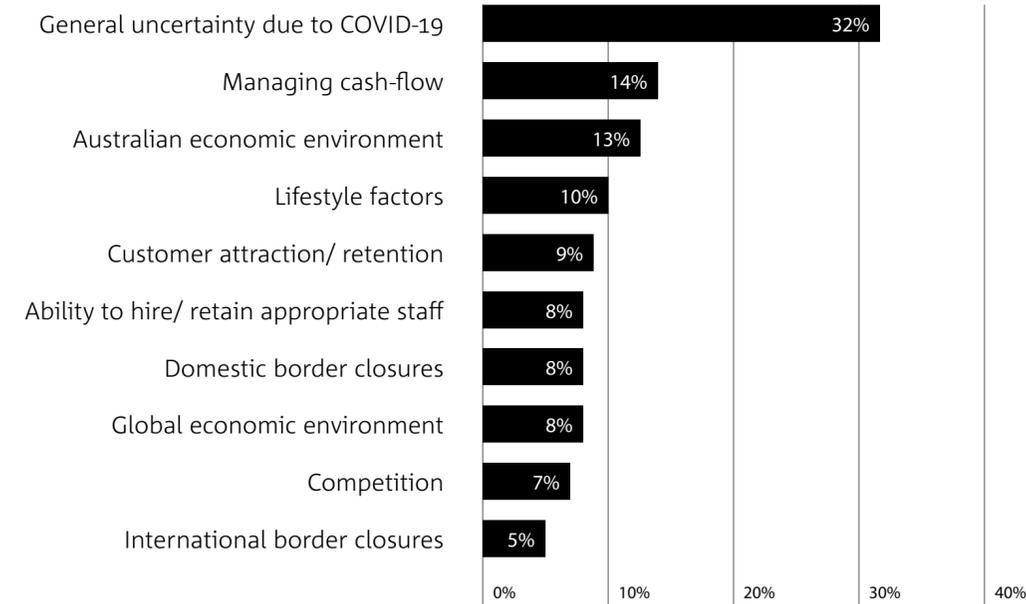
Do Australian business plan to invest to grow in the next 12 months?

Around 7 in 10 (69%) said yes. In Wholesale Trade almost 9 in 10 (85%) said yes, followed by Telecoms (81%), Transport/Storage (78%), Retail (77%) and Manufacturing (76%). Over 9 in 10 (91%) large firms (employing over 200 people) plan to invest to grow, along with almost 9 in 10 (85%) medium-sized firms (20-199 people), 7 in 10 (70%) small (5-19 people) and almost half (45%) of all micro firms (employing fewer than 5 people). Almost 1 in 2 (47%) businesses are planning to invest in new products or services, just over 4 in 10 in new technology or systems (43%), hiring, retaining, and training staff (43%) or in new equipment (42%). Around 3 in 10 (30%) plan to invest in new geographical markets, 1 in 4 (24%) in bigger or additional premises and 16% to acquire other businesses.

What's holding back those businesses that did not plan to invest?

Outside of not being interested in growing the business (35%), the top reason is general uncertainty due to COVID (32%), followed by managing cash flow (14%), and the Australian economic environment (13%). By size, 1 in 2 small and large firms cited general uncertainty due to COVID as their key reason, while managing cash flow was the main impediment for medium-sized firms (36%).

Why aren't you looking to invest to grow your business?



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What would encourage those businesses that don't plan to invest to do so?

The top response from almost 3 in 10 (29%) firms was greater certainty on COVID restrictions, followed by greater levels of COVID vaccinations (21%), tax incentives (21%), less regulation (14%), incentives to hire and train staff (8%), more certainty around state borders (8%), government policy (8%) and availability of skilled workers (8%). Almost 1 in 2 (46%) businesses indicated incentives were irrelevant as they were not interested in growing their business.

By size, 3 in 4 (75%) large firms pointed to greater certainty around COVID restrictions, as did nearly 1 in 2 (46%) small firms and 36% medium-sized firms. Around 1 in 4 large firms also cited tax incentives, government policy, greater certainty around state borders and strategies to implement technology as key incentives. Among micro firms, around 1 in 5 (21%) said tax incentives. More than 1 in 3 small (36%) and medium-sized (36%) firms believe greater levels of COVID vaccination would help. Small firms also pointed to incentives to hire and train staff (25%) and availability of skilled labour (21%), while a large number of medium-sized firms said they would also be motivated by less regulation (36%) and more certainty around state borders (18%).

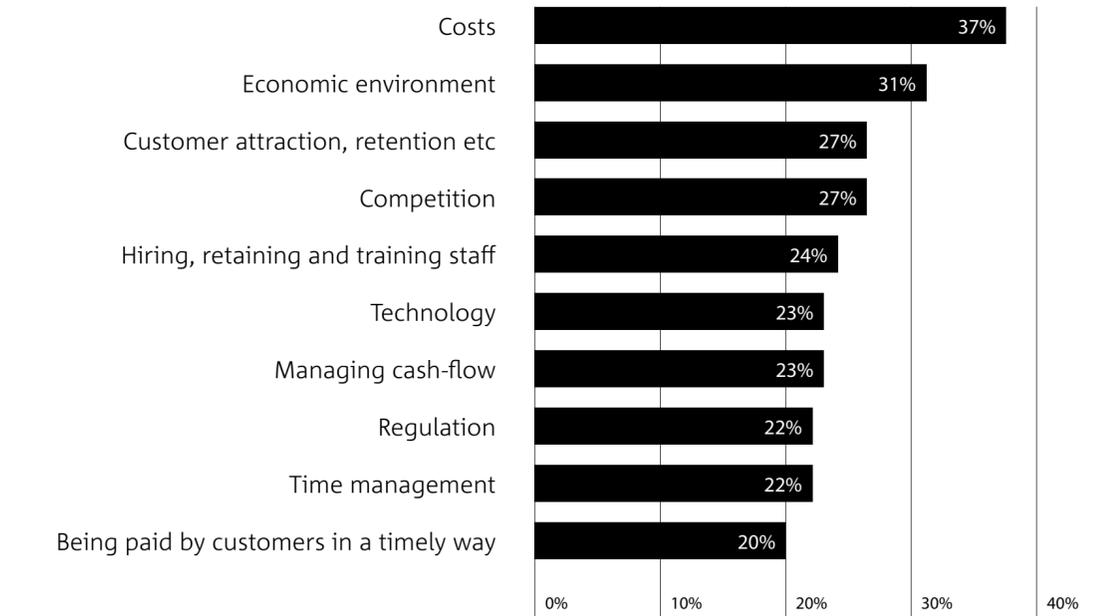
What would encourage you to invest and grow your business in the next 12 months?



What are the hiring intentions of business if their growth ambitions are realised?

Almost 8 in 10 (77%) said they would hire more people, and on average around 24 more employees. Hiring intentions were strongest among those in the Accommodation, Cafes & Restaurants sector with over 9 in 10 (92%) firms hiring (42 staff on average), followed by Finance, Business & Property Services (37) and Arts, Recreation & Personal Services (32). Hiring intentions were broadly similar for small (87%), large (86%) and medium-sized (85%) firms, and somewhat lower in micro firms (58%).

What are the biggest challenges for you in the running of your business?



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What are the biggest challenges facing business?

Around 4 in 10 (37%) Australian firms cited costs, followed by the economic environment (31%), customer attraction and retention (27%) and competition (27%). Around 1 in 4 nominated hiring, retaining and retraining staff (24%), technology (23%), managing cash flow (23%), regulation (22%) and time management (22%). A further 1 in 5 pointed to timely customer payments (20%), stress and anxiety (19%) and balancing work and family time (18%).

What would help business manage these challenges?

Most pointed to strategies for customer attraction and retention (31%), hiring and retraining staff (28%), to combat opposition (57%), for dealing with staff wellbeing (26%), government policies (24%), regulation (24%) and time management (24%). Only 1 in 10 (9%) firms said they did not need help in any of these areas. By business size, most micro firms need expert help with strategies for customer attraction and retention (25%), regulation (23%) and government policies (23%). Among small firms, help was most needed for strategies for customer attraction and retention (34%), hiring and retraining staff (34%), combating competition (29%) and staff wellbeing (25%).

Can banks help to relieve these business pain points?

Most firms - over 1 in 3 or 36% said lower fees and interest rates would help. Many would also welcome help around strategies, particularly for managing costs (26%), planning growth (22%), managing cash flow (20%), tax (18%) and payroll and payments (16%). More information would also be considered helpful, with 17% pointing to more customer and market research, 15% to advice on the state of the economy and 14% insights on their business finances to help them with decision making. Reducing bureaucracy was also widely touted, with almost 1 in 4 firms (23%) indicating they would welcome less paperwork, and 14% an acceleration in the credit decision making process. Just over 1 in 10 (12%) said more support for business owners' mental health.

What actions could Government take?

Almost 1 in 3 businesses (32%) said cut regulation. Around 1 in 4 said improved state business conditions (26%) and better access to capital (25%), while around 1 in 5 firms want more loans and grant programs for entrepreneurs (22%), more procurement opportunities for small business (21%), making it easier to hire new workers (21%), more "buy Australian" and "buy local" campaigns (20%), more business advisory services (20%), help to uplift small business management capability (20%), implement digital tools (19%) and making sure business gets paid faster (19%). Only 6% said there was nothing Government can do.

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