



COSBOA

COUNCIL OF

**SMALL BUSINESS  
ORGANISATIONS  
AUSTRALIA**



# **SMALL BUSINESS DATA REPORT**

MARCH 2023

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# SECTION ONE

## Introduction



# STATEMENT FROM THE CHAIR

It gives me great pleasure to present COSBOA's second Quarterly Small Business Data Report. As the peak body representing small businesses in Australia, COSBOA has been committed to providing evidence-based advocacy for over four decades.

Our mission is to bridge the gap between small business owners and policymakers, and to ensure that the voices of small businesses are heard and taken into account when policy decisions are made. We believe that access to accurate and up-to-date data is crucial in achieving this mission.

This quarter's report focuses on the small business outlook from Q4 2022 and into Q1 2023. We also explore the critical issue of workforce shortages, which has been a pressing concern for small businesses across the country for many months.

Based on data provided by Square, we aim to provide a comprehensive overview of the current situation and the potential outlook for small businesses in these uncertain times.

We understand that policymakers often rely heavily on macroeconomic data that may not accurately reflect the reality for small businesses on the ground. Therefore, this report serves as an additional perspective for policymakers to consider when making decisions that impact small businesses.

Our hope is that this report will provide valuable insights for industry bodies, small businesses, and policy makers alike. We would like to thank all those who have contributed to this report and look forward to continuing to provide data-driven advocacy for small businesses in Australia.

Sincerely,

**Matthew Addison, Chair, COSBOA**

# STATEMENT FROM OUR SPONSOR

Square builds tools to empower businesses and individuals to participate and thrive in the economy. Tools that help anyone, anywhere start, adapt, and grow their business.

While the world is beginning to look a little more normal, the macroeconomic environment is creating new challenges for businesses to overcome. Now more than ever businesses are turning to technology to do more with less, and build new revenue streams.

This is why we're partnering with the broader industry to provide a united, valuable resource to our businesses that can help them unlock growth and build resilience.

With the launch of our second report, we hope the COSBOA and Square Small and Micro Business Index will continue to serve as a resource for small businesses, policymakers and the broader community. We're proud to continue our partnership with COSBOA to advocate for Australia's essential small business sector.

Sincerely,

**Marco Lamantia**



# INTRODUCTION

This report provides an overview of the current state of Australian small businesses. While small business growth rates have returned to pre-pandemic levels after a significant drop in 2020 and a rebound in 2022, small businesses are facing several challenges such as rising inflation costs, risk of recession, and workforce availability constraints.

The impact of worker shortages on small businesses, in particular, continues to be significant. Although small businesses have shown resilience in overcoming the pandemic's impact, ongoing support and engagement are crucial to help them weather these ongoing challenges.

## Key findings

Small businesses have shown incredible resilience through the COVID-19 pandemic. Although 2022 showed some signs of recovery for the Australian small business community, they are poised to confront various challenges and uncertainty in 2023.

Key findings in this report include:

- Small businesses face a range of unique challenges in 2023, including workforce shortages, rising inflation, energy prices, and economic uncertainty.
- Micro, small, and medium-sized businesses are experiencing activity levels similar to those before the pandemic.
- High job vacancy rates persist, and worker shortages continue to significantly impact small businesses in Australia.
- Uncertainty continues to affect business confidence.

# SECTION TWO

## GRAPHS AND COMMENTARY



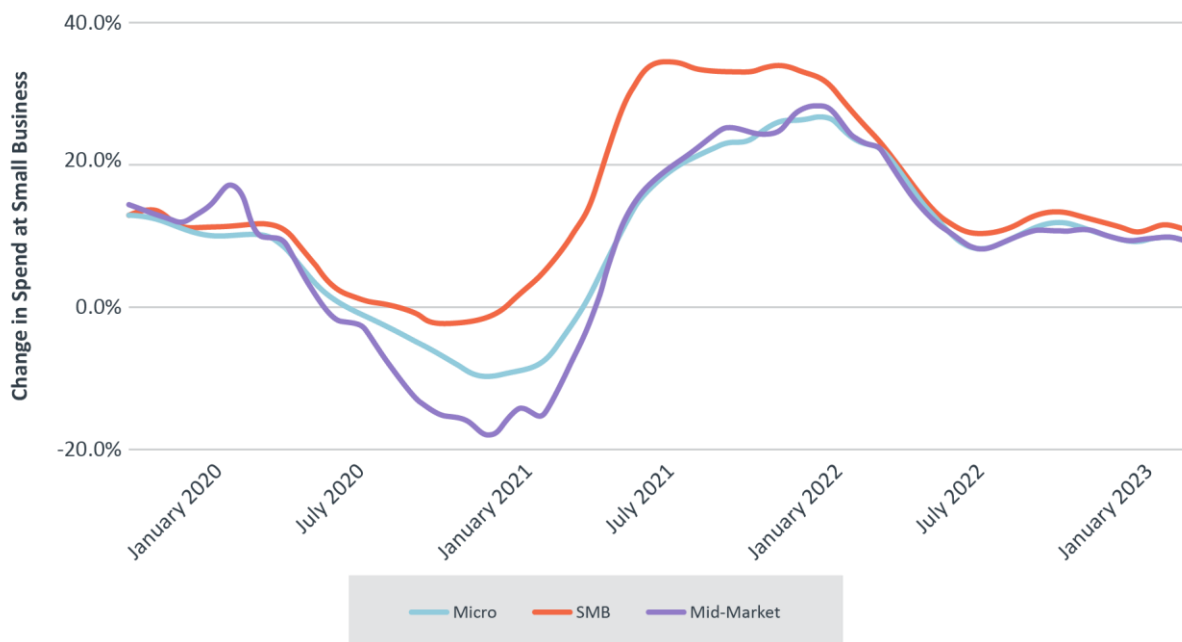
# GRAPHS AND COMMENTARY

## Square sales data

The following graphs and commentary provide further insights into the current state of Australian small businesses and the challenges they face.

### GRAPH 1 – Small Business Sales Growth 2022 to 2023

This graph illustrates the sales growth for small businesses in Australia from 2022 to 2023, highlighting a stabilizing trend in sales growth as businesses recover from the pandemic's impact.



SOURCE – SQUARE AUSTRALIA

In our previous report, we highlighted the significant impact of the COVID-19 pandemic on small and micro businesses. But now, as we see 2022 in review and move into an uncertain 2023, we see a mixed environment for small business. Throughout the pandemic, small businesses have demonstrated remarkable resilience by embracing new technologies, diversifying their income streams, and adapting quickly to constantly changing circumstances.

*“Despite facing challenges such as interest rate rises, energy costs, skills shortages, and other pressures, small businesses in Australia have displayed resilience and managed to make the best of the Holiday period.*

*However, as the data makes clear, the Australian small business community is operating in increasingly uncertain economic conditions. It is crucial to provide ongoing support and engagement to help small businesses weather these challenges.”*

**MATTHEW ADDISON, COSBOA**



Notably, micro, small, and medium-sized businesses sales growth appears to be stabilising, marking a significant change from the past two years. This suggests that smaller businesses have caught up to their larger counterparts in terms of recovering from the pandemic's impact.

- Micro business sales rose 9.3% YoY in January, using January CPIs as a proxy for prices this means sales volume rose 1.5%
- Small to Medium Business sales rose 10.6% YoY in January, using January CPIs as a proxy for prices this means sales volume rose 2.8%
- Mid-Market business sales rose 9.5% YoY in January, using January CPIs as a proxy for prices this means sales volume rose 1.7%

While sales growth appears to be stabilising, accounting for CPI indicates that growth is slowing heading into 2023.

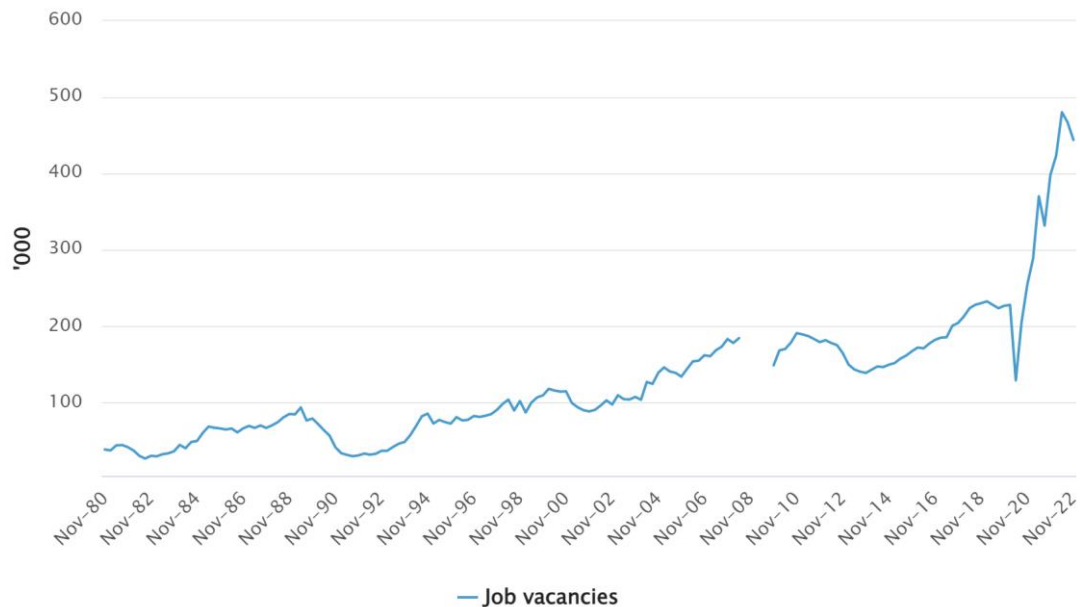
Both qualitative and quantitative data provide warning signs of several challenges small businesses are likely to face going into 2023. Rising inflation costs, the risk of a recession, and other economic uncertainties continue to pose a significant threat to the small business community.

As COSBOA has highlighted in recent media appearances and discussions, small businesses are currently grappling with a 25-30% increase in power costs. These challenges are contributing to already existing limitations on workforce availability, higher costs, and changes in consumer behaviour.

# Job vacancies and businesses reporting vacancies

## GRAPH 2 - Job vacancies, seasonally adjusted

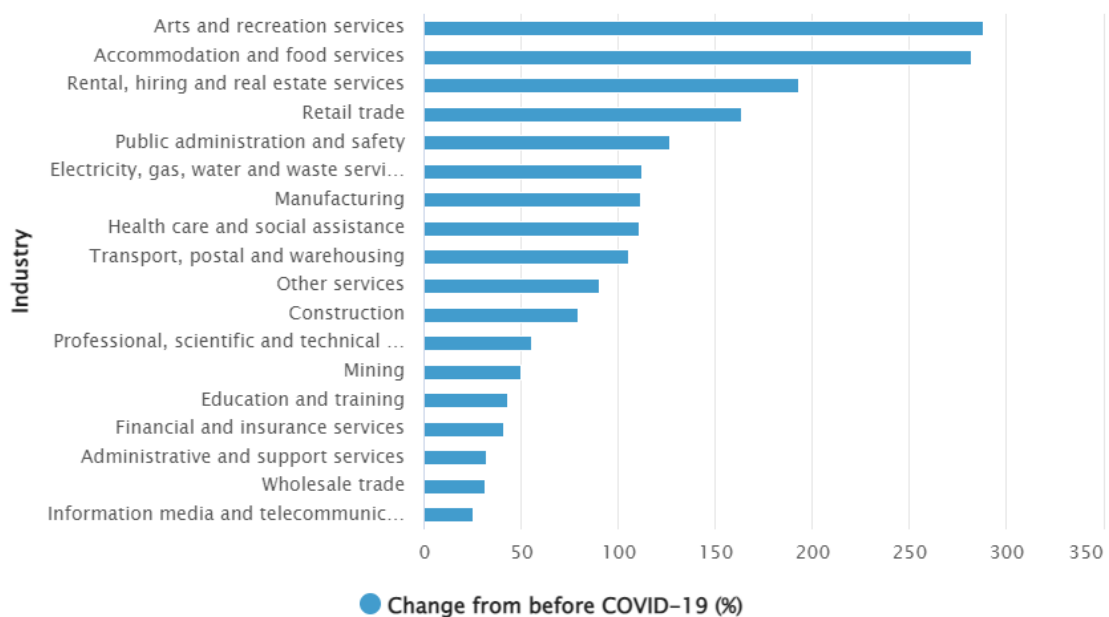
This graph presents the seasonally adjusted job vacancy rates in Australia, showing a high level of job vacancies despite a slight decline in Q3 and Q4 2022.



SOURCE - AUSTRALIAN BUREAU OF STATISTICS 2023  
[HTTPS://WWW.ABS.GOV.AU/STATISTICS/LABOUR/JOBS/JOB-VACANCIES-AUSTRALIA/LATEST-RELEASE](https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release)

## GRAPH 3 - Job vacancies, change from February 2020 to Nov 2022 by industry

This graph displays the change in job vacancy rates across various industries from February 2020 to November 2022, emphasizing the significant worker shortages in specific industries.



SOURCE - AUSTRALIAN BUREAU OF STATISTICS 2023,  
[HTTPS://WWW.ABS.GOV.AU/STATISTICS/LABOUR/JOBS/JOB-VACANCIES-AUSTRALIA/LATEST-RELEASE](https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release)

According to the Australian Bureau of Statistics, while there was a slight decline in job vacancy rates in Q3 and Q4 2022 (primarily driven by a drop in vacancies in the Health Care and social assistance sector), 2022 had the four highest job vacancy rates on record. Despite a decrease of 4.9% in the three months to November 2022 (seasonally adjusted), vacancies remained extremely elevated, at 194.9% of pre-pandemic rates. This ongoing high level of job vacancies reflects what we are hearing from the small business community. To truly return to pre-COVID levels, the current job vacancy rate would need to be nearly halved.

The impact of worker shortages on small businesses in Australia, particularly in regional areas, is significant and far-reaching. The arts and recreation, as well as the accommodation and food industries have recorded worker vacancies more than 250% of pre-pandemic rates.

The worker shortage in Australia can be attributed to a number of factors, including the closure of international borders due to the pandemic, which has resulted in a reduction in the number of skilled migrants entering the country. Additionally, the pandemic has also led to a shift in the way people work, with many opting to work from home, resulting in a reduction in the number of people willing to commute to regional areas for work.

*“Small rural businesses are facing significant challenges that are impacting their operations. These challenges include a decrease in migration, a loss of backpackers, changes in the horticultural code, and economic uncertainty.*

*These issues have contributed to higher job vacancy rates, which create additional obstacles for small businesses trying to recover from the pandemic.”*

**ELIZABETH SKIRVING, RURAL BUSINESS TASMANIA**

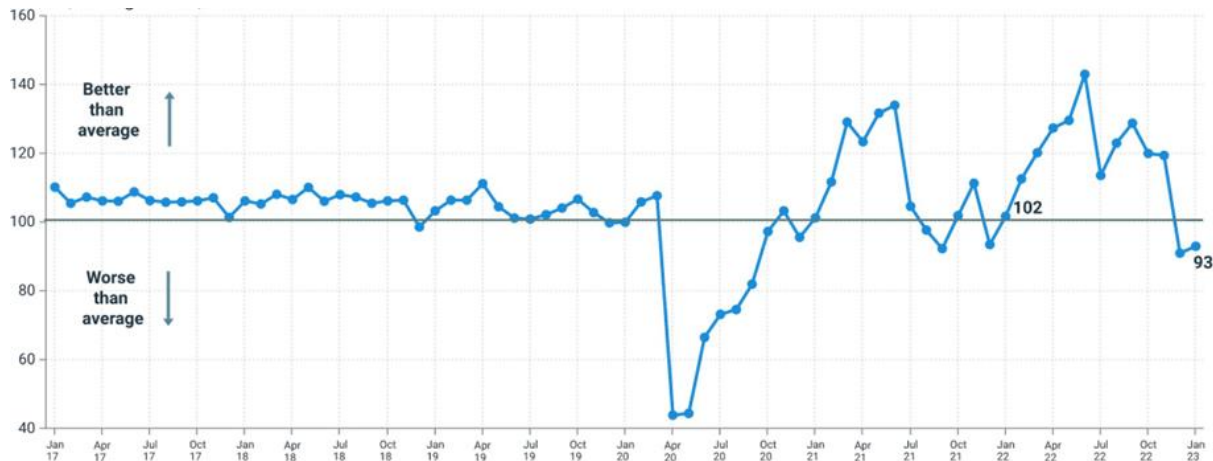
In this environment, it is impossible for small businesses to realise their full potential. Many are forced to reduce their operating hours, and scale back services and products. We continue to receive reports from many small business owners who have had to turn down work due to their lack of staff.

This is further exacerbated by higher interest rates and energy prices, both domestically and internationally. Without clear guidance from government or national economic data on when these pressures might ease, planning and growth become difficult for small businesses. We believe this uncertainty is having widespread impacts on the Australian small business community.

# Xero Small Business Insights

## GRAPH 4 – Australia Small Business Index

This graph showcases the Xero Australian Small Business Index, which has fallen by 26 points since November 2022 to 93 points in January 2023, indicating a weakening small business sector.



SOURCE – XERO SMALL BUSINESS INSIGHTS JANUARY 2023

Recent data from Xero’s Small Business Insights further highlights the challenging environment small businesses find themselves operating in. Xero’s Australian Small Business Index has fallen by 26 points since November 2022, to 93 points in January 2023, signalling a weakening in the small business sector. Key findings from the report include:

- Sales rose 7.2% YoY in January, using January CPIs as a proxy for prices this means sales volume fell 0.6%
- Time to be paid rose to 23.8 days, the highest since September 2020, impacting small businesses' cash flow and ability to manage expenses.
- Wages rose by only 2.9% YoY in January, the smallest rise since December 2021, with the hospitality industry being the only sector recording wage growth.

*“The skills shortage across all trades, including hairdressing, is critical and we need a solution. Amidst the uncertainty of rising inflation, cost of living, and energy prices, we need greater assurance and direction on the way forward from the Commonwealth.*

*The future isn't about constantly seeking assistance, but there's no doubt we need additional support in specific areas to enable our businesses to grow, prosper, and recover.”*

**SANDY CHONG, AUSTRALIAN HAIRDRESSING COUNCIL**

These findings emphasize the importance of ongoing support and engagement for small businesses in Australia, as they continue to face challenges such as workforce shortages, rising costs, and economic uncertainty.

**SECTION THREE**  
**CONCLUSION**



# CONCLUSION

While 2022 brought some semblance of normalcy to the small business landscape, Australian small businesses now brace for a multitude of challenges and an unpredictable journey ahead in 2023.

The small business community has shown remarkable resilience in recovering from the pandemic's impact, with signs of stabilising sales growth through the past year. However, they now face a wide and diverse range of challenges, including rising inflation costs, the risk of a recession, and workforce availability limitations.

To ensure the long-term success and growth of small businesses, it is crucial for policymakers, industry leaders, and small business owners to collaborate and develop innovative solutions to address these challenges. By closely monitoring economic indicators and taking proactive steps to support small businesses, we can help to foster a more stable and prosperous business landscape in Australia.

At the same time, all Australians can make a significant impact in supporting small businesses by choosing to shop locally and cultivating robust relationships within the small business community. Through a combination of government support, industry collaboration, and consumer engagement, we can empower small businesses to navigate these uncertain times and ensure a thriving ecosystem for future growth and success.

## About COSBOA

*“Small businesses are the heartbeat of Australia's economy and local communities, contributing significantly to growth, innovation, and job creation. It's vital to understand the challenges they face and foster collaboration among governments, industry bodies, and consumers to create a supportive ecosystem.*

*At COSBOA, we're committed to advocating for policies that empower Australia's small business community to thrive and ensuring their voices are heard.”*

**WILLIAM HARRIS, COSBOA**

Established in 1979, The Council of Small Business Organisations of Australia (COSBOA) is a member based not-for-profit organisation exclusively representing the interests of small businesses. The capability, representation, and reach of COSBOA are defined by a mix of over 50 national and state-based members. COSBOA's strength is its capacity to harness its members' views and advance consensus across policy areas common to many.

Our member organisations work with the COSBOA team to assist us with policy development and guide our advocacy - not just for small businesses but also for the benefit of the Australians they employ. In this capacity, COSBOA makes submissions and representations to the government, including its agencies, on issues affecting small businesses and to pursue good policy.



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