

BUSINESS CONDITIONS AND SENTIMENTS

Insights from a survey of businesses run by the Australian Bureau of Statistics over 9-16 June 2021

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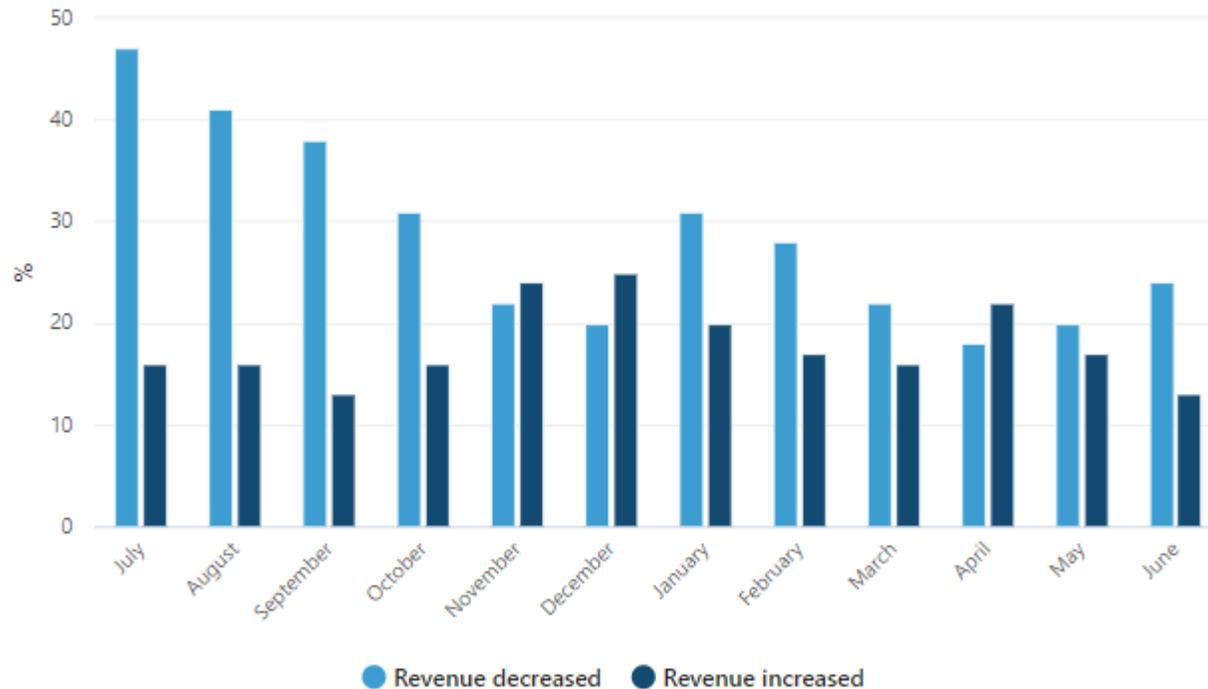
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SUMMARY

- More businesses have reported an improvement in revenues since the height of the pandemic, although the recent lockdown in Victoria caused some disruption in the June data.
- More businesses are also finding it easier to meet their financial commitments. Indeed, 41% of businesses expect it to be easy or very easy to meet their financial commitments over the next three months, which is a vast improvement from last year.
- The strength in revenues and improved ability to meet financial commitments reflects the rapid economic recovery, as well as elevated consumer and business confidence.
- The survey also suggests the jobs market will tighten further with 8% of businesses reporting a rise in the number of employees and 11% of businesses expecting to lift staffing levels next month.
- Reports of labour shortages and difficulties in finding suitable labour have also become louder. These reports echo what we are also hearing from many of our business customers.
- In June, 19% of employing businesses reported that they did not have enough employees based on current operations, up from 12% three months ago. There are also 27% of businesses in June reporting they were having difficulty finding suitable staff to fill jobs.
- A high share of businesses surveyed (74%) said there was a lack of job applicants.

REVENUES RECOVERY CONTINUES BUT STUMBLES ON VIC LOCKDOWN

Changes in revenue, July 2020 to June 2021 (a)(b)



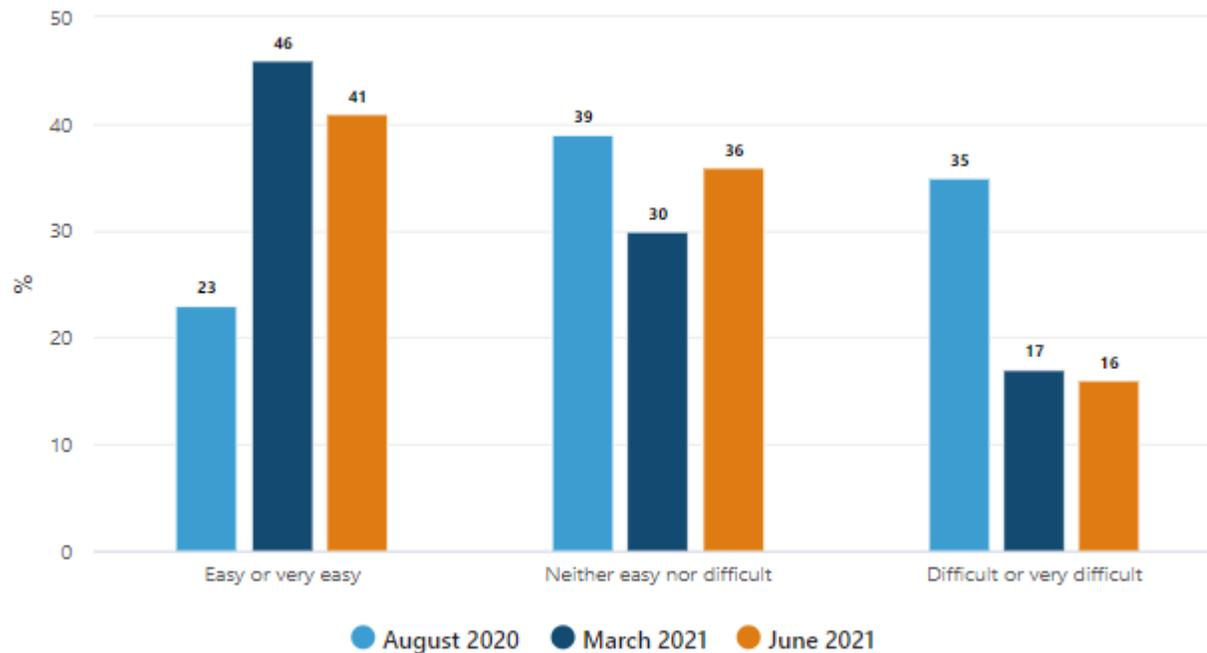
(a) Proportions are of all businesses.

(b) Businesses reported changes over the last month.

- Conditions for revenue have continued to improve in the latest survey of businesses.
- The improvement reflects the continued economic recovery.
- In June 2020, 24% of businesses reported a fall in revenue compared with nearly half of businesses in July 2020.
- However, monthly revenue data shows weakness between May and June 2021; a higher proportion of businesses reported decreased revenue and a lower proportion reported increased revenue. The Victorian lockdown impacted Victorian businesses and businesses in other states.

BUSINESSES FINDING IT EASIER TO MEET FINANCING COMMITMENTS

Business ability to meet financial commitments over the next three months, August 2020, March 2021 and June 2021 (a)(b)



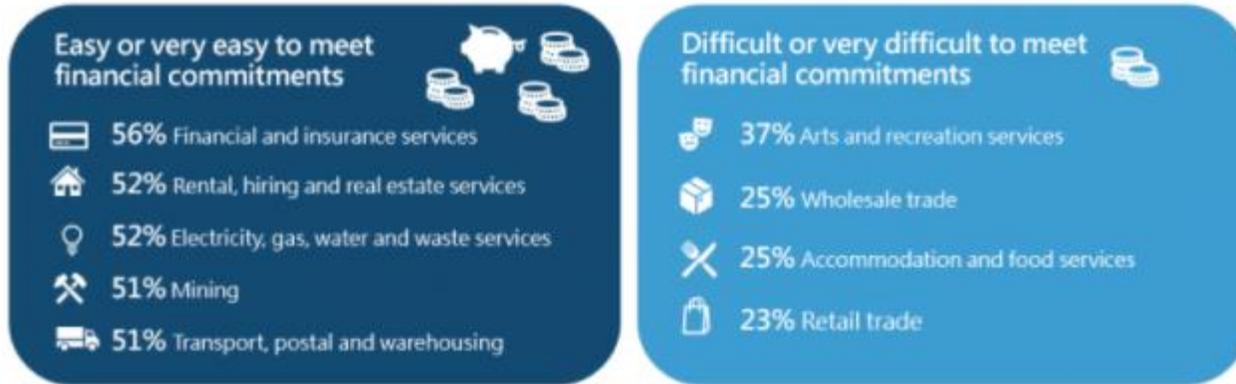
(a) Proportions are of all businesses.

(b) The sum of the component items does not equal 100% because businesses could respond 'Don't know' or 'Not applicable'.

- In June, 41% of businesses expect it to be easy or very easy to meet their financial commitments over the next three months. This is a vast improvement from 23% recorded in August 2020.
- The survey also reveals that a greater share of small businesses are finding financing commitments easier (compared to medium and larger sized businesses).

FINANCING CONDITIONS BY INDUSTRY

Business ability to meet financial commitments over the next three months, by top industries (a)

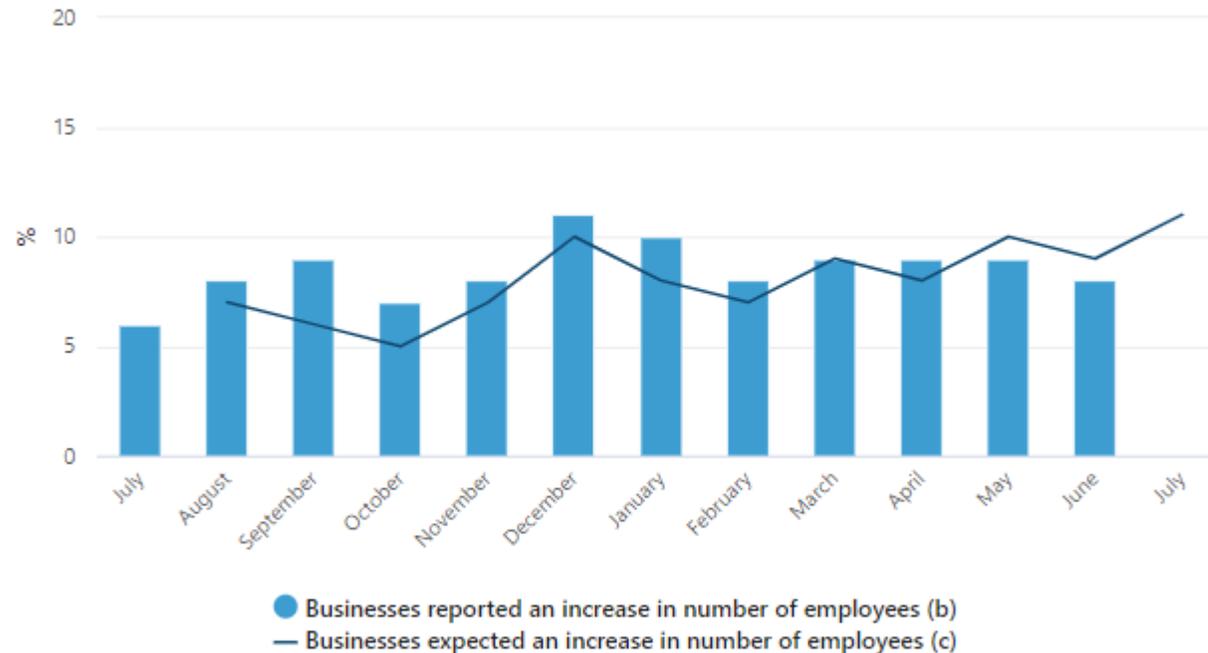


(a) Proportions are of all businesses.

- Those businesses that found it easier to meet financial commitments over the next three months are in financial & insurance services (56% of all businesses) whilst the industry that was likely to find it hardest was arts & recreation services (37%).
- Indeed, the industry breakdown reflects economic activity across industries. Those industries finding it harder are also most impacted by the closure of international borders and virus-related restrictions.

EMPLOYMENT

Proportion of businesses that reported an actual and expected increase in number of employees, July 2020 to June 2021 (a)



(a) Proportions are of all businesses.

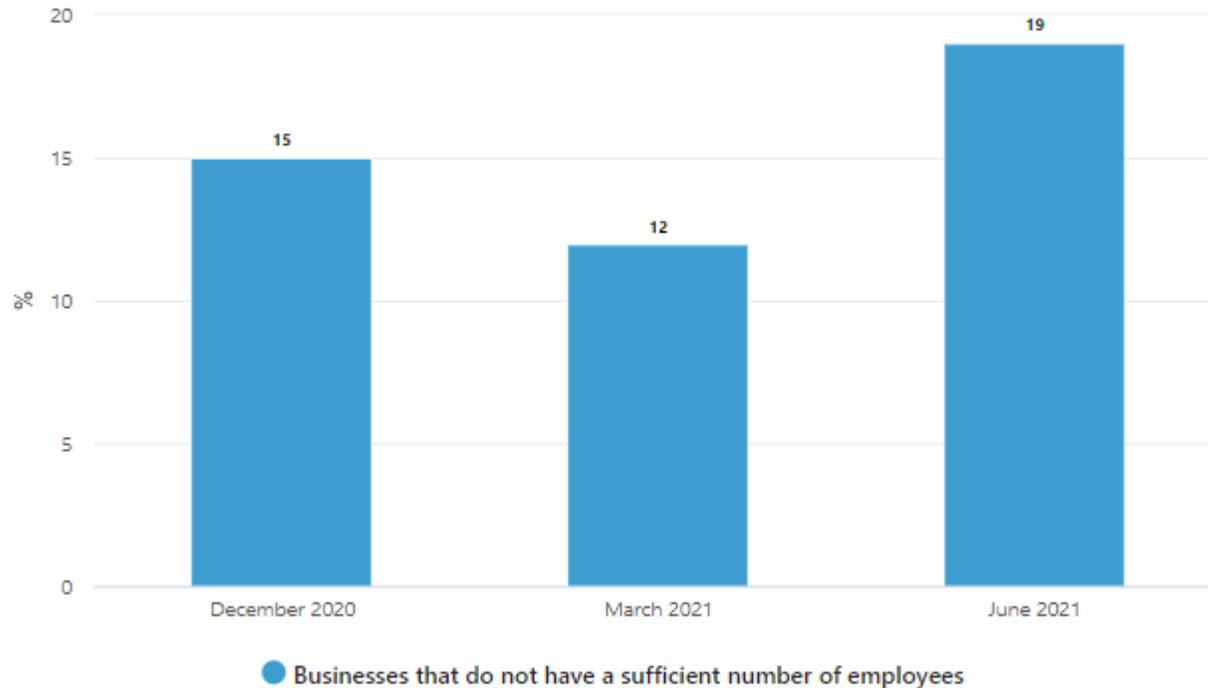
(b) Businesses reported changes over the last month.

(c) Expectations for the indicated month as reported by businesses in the previous month of collection.

- In June, 8% of businesses reported an increase in their number of employees.
- Furthermore, 11% of businesses are expecting an increase in their number of employees in July.
- Separate data from the Australian Bureau of Statistics showed that jobs grew by a 115.2k in May and the unemployment rate fell to its pre-pandemic level of 5.1%.
- We expect the unemployment rate is likely to have a '4' in front this year and that full employment will be reached faster than the Reserve Bank has forecast.

REPORTS OF STAFF SHORTAGES GETTING LOUDER

Businesses that do not have a sufficient number of employees (a)

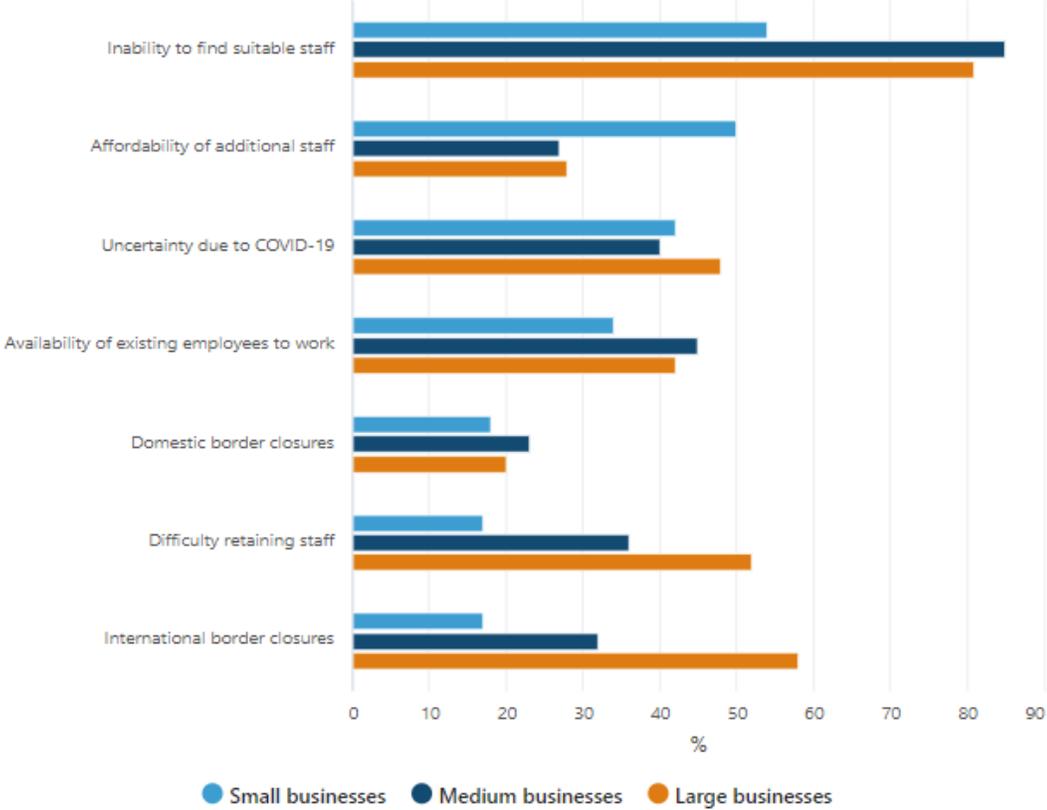


(a) Proportions are of employing businesses.

- In June, 19% of employing businesses reported that they did not have enough employees based on current operations.
- This share has is higher than the 12% recorded in March 2021 and the 15% in December 2020.
- Businesses in construction (29%) and retailing (27%) were the most likely to report staff shortages.
- Closed international borders are one of the factors exacerbating the difficulty in finding labour and the right type of labour.

FACTORS DRIVING THE LABOUR SQUEEZE

Factors influencing number of employees for businesses with insufficient staff, by employment size (a)(b)

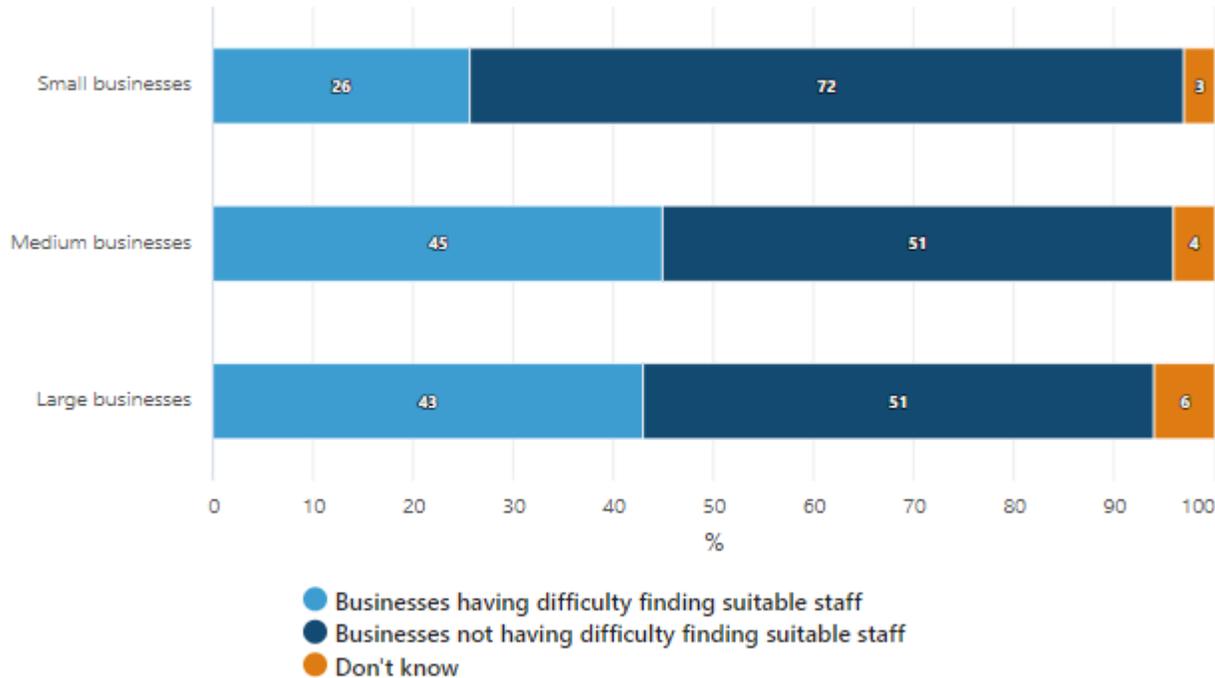


- The 19% of businesses that are experiencing labour shortages provided the top reasons for these shortages. They were:
 - inability to find suitable staff (57%);
 - affordability of additional staff (48%);
 - uncertainty due to COVID-19 (42%);
 - availability of existing employees to work (34%);
 - domestic border closures (19%);
 - difficulty retaining staff (19%); and
 - international border closures (18%).

(a) Proportions are of employing businesses with an insufficient number of employees.
 (b) Businesses could select more than one response.

DIFFICULTIES IN FINDING THE 'RIGHT' TYPE OF LABOUR

Whether businesses were having difficulty finding suitable staff, by employment size (a)(b)



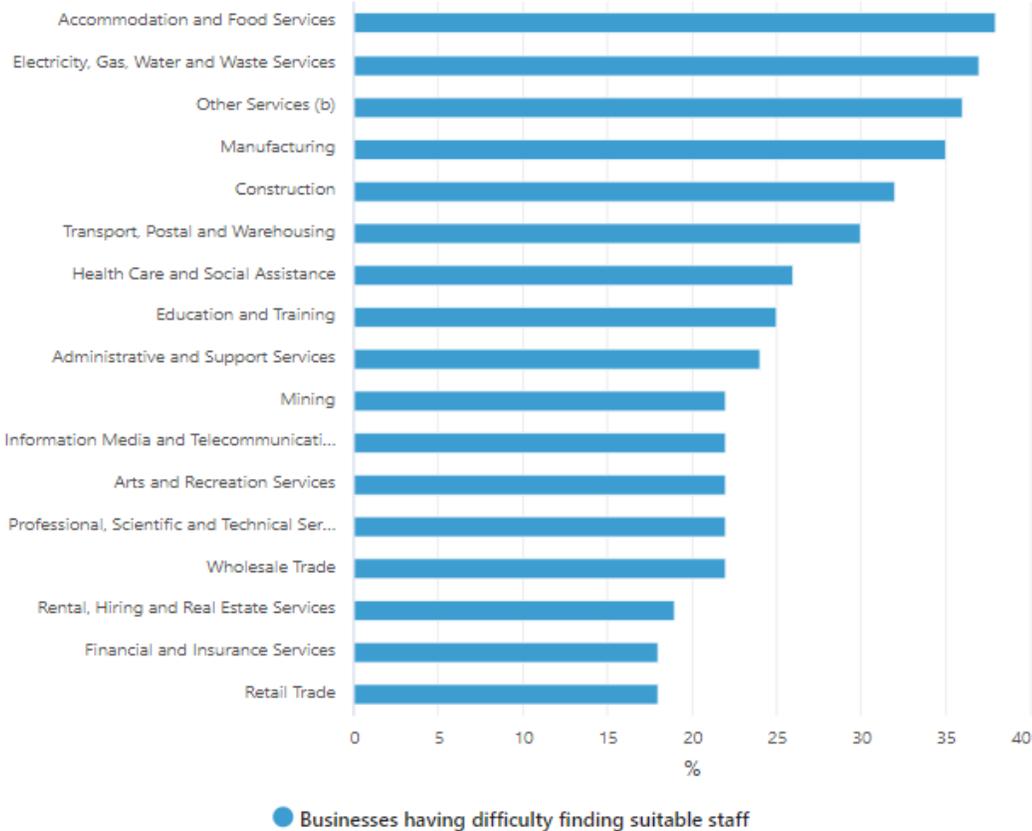
(a) Proportions are of employing businesses.

(b) The sum of the components may not equal 100% due to rounding.

- Whilst 19% of businesses are reporting labour shortages, there are also 27% of businesses reporting they were having difficulty finding suitable staff to fill jobs.
- Medium (45%) and large businesses (43%) were more likely to report they were having difficulty finding suitable staff, compared to small businesses (26%).

DIFFICULTY FINDING SUITABLE STAFF BY INDUSTRY

Businesses having difficulty finding suitable staff, by industry (a)(b)



- Businesses in accommodation and food services (38%) were the most likely to report they were having difficulty finding suitable staff to fill jobs.
- At the other end of the spectrum, retailing finds it easier to find the right type or suitable type of labour.

(a) Proportions are of employing businesses.
 (b) Includes repair and maintenance, personal (e.g. hairdressers) and other services.

DIFFICULTIES IN FINDING THE 'RIGHT' TYPE OF LABOUR



- The 27% of employing businesses that reported they were having difficulty finding suitable staff provided comments on the types of jobs they were having difficulty filling.
- The following word cloud presents the types of jobs reported by these businesses.
- The more common responses are bigger and bolder. These included hospitality workers, salespersons, drivers and managers.

FACTORS IMPACTING BUSINESSES FINDING SUITABLE STAFF

Factors impacting ability to find suitable staff (a)(b)



(a) Proportions are of employing businesses that are having difficulty finding suitable staff to fill jobs.
 (b) Businesses could select more than one response.
 (c) For example, permanent, temporary, casual, full-time, part-time.
 (d) For example, working conditions of the job, leave entitlements, flexible working arrangements, superannuation.

Factors impacting ability to find suitable staff, by employment size (a)(b)

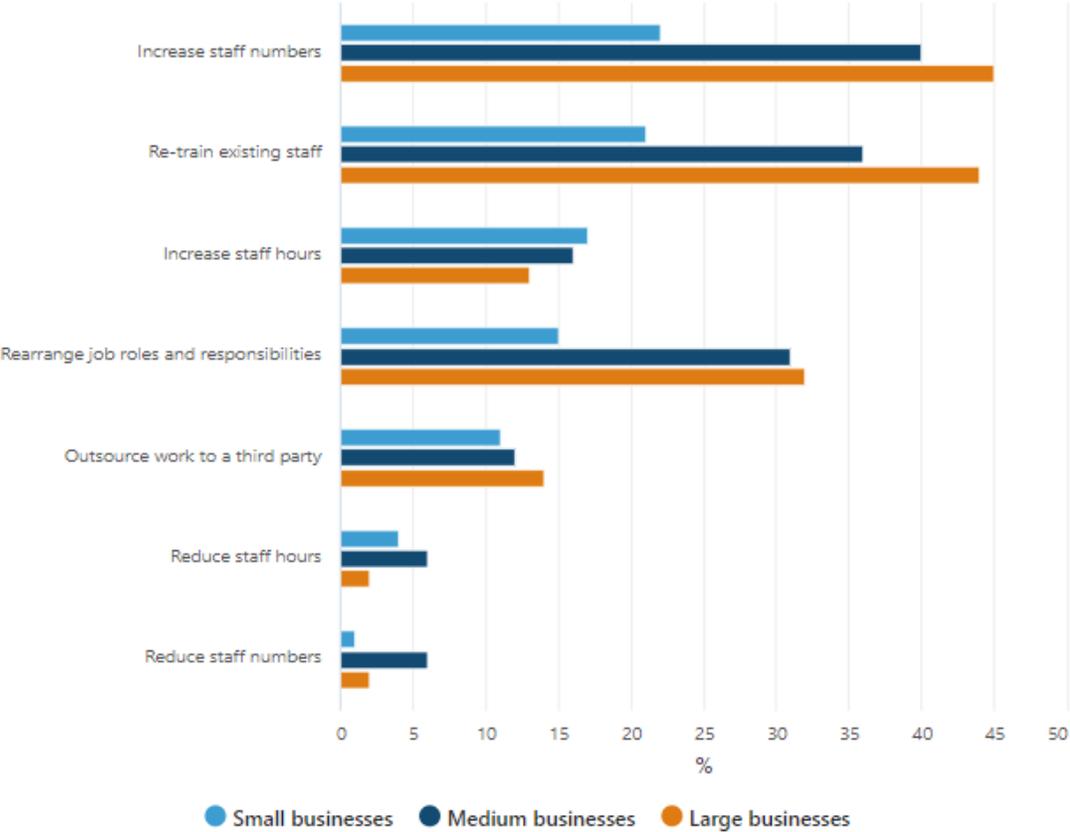
	Small businesses	Medium businesses	Large businesses	All businesses
	%	%	%	%
Lack of applicants for job(s)	73	83	76	74
Applicants don't have the skills or qualifications required for job(s)	66	73	59	66
International border closures limiting recruitment pool	31	38	51	32
Location of the job(s)	30	21	28	29
Types of employment offered (c)	23	18	17	23
Uncertain economic conditions	21	25	27	22
Pay conditions of job(s)	17	26	29	18
Working days or hours of job(s)	12	24	17	13
Other employment or working conditions (d)	12	5	9	11

(a) Proportions are of employing businesses that are having difficulty finding suitable staff to fill jobs.
 (b) Businesses could select more than one response.
 (c) For example, permanent, temporary, casual, full-time, part-time.
 (d) For example, working conditions of the job, leave entitlements, flexible working arrangements, superannuation.

- A high share of businesses surveyed (74%) said there was a lack of job applicants.

PLANS BY BUSINESSES TO ADDRESS STAFFING ISSUES

Workforce actions businesses plan to take over the next three months, by employment size (a)
(b)



- The most common action planned to address staffing issues is increasing staff numbers.
- Retraining existing staff also features highly.
- Medium and large businesses were more likely than small businesses to expect to increase staff numbers over the next three months.

(a) Proportions are of employing businesses.
(b) Businesses could select more than one response.

TOP WORKFORCE ACTIONS BY INDUSTRY

Top workforce actions, by top industries (a)(b)

Top workforce actions	Top industries
 Increase staff numbers	32% Electricity, gas, water and waste services 29% Mining 28% Professional, scientific and technical services
 Re-train existing staff	42% Retail trade 38% Education and training 37% Other services (c)
 Increase staff hours	28% Transport, postal and warehousing 26% Arts and recreation services 23% Accommodation and food services

- (a) Proportions are of employing businesses.
 (b) Businesses could select more than one response.
 (c) Includes repair and maintenance, personal (e.g. hairdressers) and other services.



- (a) Proportions are of employing businesses.
 (b) Proportions are of businesses that plan to increase staff numbers over the next three months.
 (c) The sum of the component items do not equal 100% as businesses could respond 'Don't know'.
 (d) The proportion of businesses that reported 'Large' was rounded to 0%.
 (e) Businesses could select more than one response.

- Businesses in the electricity, gas, water & waste services industry were the most likely to lift staffing numbers.
- Of all businesses planning to lift employment over the next 3 months, the lift is mostly expected to be small and for permanent staff.

SURVEY DETAIL

- In responding to the survey, businesses are asked to provide a best estimate only, without accessing records or reports.
- The survey was conducted through a telephone based survey between 9 and 16 June 2021.
- The survey is based on a random sample of approximately 2,000 units stratified by industry and employment size.
- The final response rate was 64% (or 1,275 responding businesses).
- The survey sample is re-weighted to adjust for non-responses.
- Businesses who did not respond might not have done so because they are adversely impacted by COVID-19. If this were the case there is potential for systematic bias in these estimates. That would mean that the responses in this survey would underestimate the impact of COVID-19 on businesses.

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