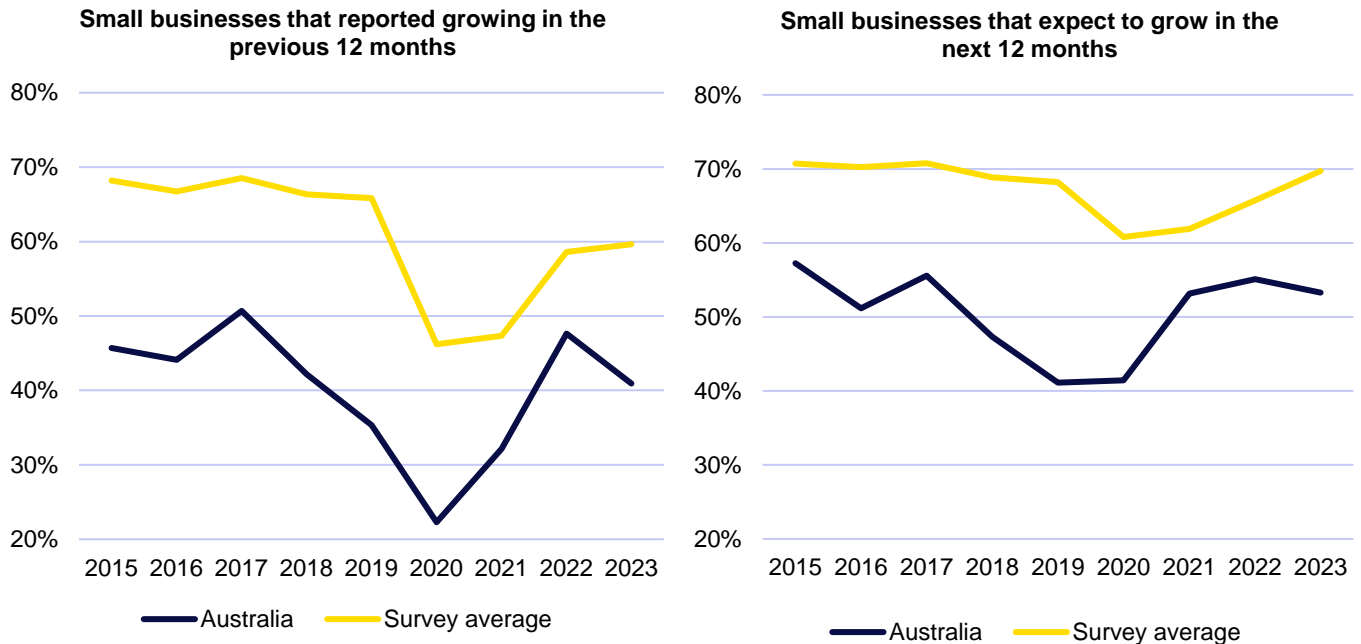


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2023-2024

Australia market summary

Australia

Business and economic conditions



	Australia 2023	Survey average 2023	Rank 2023	Australia 2022	Rank 2022	Australia 2021	Australia 2020	Australia 2019
Businesses that grew in the last 12 months	40.9%	59.6%	11/11	47.6%	9/11	32.2%	22.3%	35.3%
Businesses that expect to grow in the next 12 months	53.3%	69.7%	11/11	55.1%	9/11	53.1%	41.4%	41.1%
Businesses that expect the local economy to grow in the next 12 months	29.5%	65.0%	11/11	43.3%	9/11	55.1%	44.2%	29.3%
Satisfied or very satisfied with the financial return of the business¹	50.2%	65.3%	10/11	50.8%	10/11	N/A	N/A	N/A

¹ Limited to owner, director, CEO/managing director or principal.

2023 was a weaker year for Australian small businesses than 2022, and it was weaker than expected. 41 per cent of Australian small businesses told us they grew last year, down seven percentage points from 2022. It was also 14 percentage points lower than expected. This was the lowest result of the 11 markets surveyed. However, despite the decline, the result was still better compared to pre-Covid year.

2024 is expected to be a better year for Australian small businesses. Yet even this more optimistic outlook is the lowest in the Asia-Pacific region. 53 per cent of Australian small businesses expect to grow, much lower than the survey average of 70 per cent.

Major contributors to the relatively low number of Australian small businesses that forecast they will grow this year is the expected weakness in the Australian economy (more small businesses expect the economy to shrink (45 per cent) than grow (30 per cent) and the low percentage of Australian small businesses that invest in or undertake activities that characterise growing businesses, being:

- innovation
- e-commerce
- social media use
- export.

Another contributing factor is the older age profile of small business owners in Australia. 55 per cent of Australian small business owners that responded to our survey were aged 50 or over, compared with the survey average of 28 per cent. Our survey data shows that older owners are much less likely to run businesses that are growing, and using technology such as e-commerce and social media in their business. They are also much less likely to innovate or export and are more risk averse than younger owners.

The comparatively low number of Australian small businesses that grew in 2023 is reflected in the relatively low satisfaction owners had with the financial return they received from their business.

Technology uptake

	Australia 2023	Survey average 2023	Rank 2023	Australia 2022	Rank 2022	Australia 2021	Australia 2020	Australia 2019
More than 10 per cent of revenue came from online sales	38.7%	62.2%	10/11	46.3%	10/11	37.3%	31.6%	26.7%
Did <u>not</u> use social media for business purposes	30.3%	15.4%	2/11	30.4%	2/11	36.7%	42.4%	45.1%
Investment in technology by the business over the past 12 months has improved profitability	26.5%	52.8%	10/11	32.2%	11/11	23.5%	18.9%	18.8%
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Website	N/A	Computer equipment	Website	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	21.6%	44.2%	10/11	26.7%	11/11	18.4%	17.8%	17.6%

Reviewed the business' cybersecurity protections in past six months	39.9%	49.5%	10/11	44.3%	8/11	35.3%	32.5%	35.3%
Lost time and/or money due to a cybersecurity incident in the past 12 months	13.6%	40.7%	10/11	N/A	N/A	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Apple Pay, Google Pay, Alipay, WeChat Pay	48.1%	70.8%	10/11	55.2%	9/11	43.4%	40.9%	37.1%
Sought advice from IT consultants/specialists	16.8%	25.8%	11/11	18.8%	8/11	9.6%	9.1%	N/A

Australian small businesses continue to be much less likely to use technology than their counterparts in Asia. The survey data shows:

- Australia's small businesses continue to be significantly less likely to earn revenue from online sales (39 per cent earned more than 10 per cent of revenue from online sales compared with 81 per cent of Hong Kong small businesses).
- Australia's small businesses were the second most likely *not* to use social media for business purposes (30 per cent compared with just 5 per cent of Indonesian small businesses).
- Australia's small businesses were ranked second last in receiving more than 10 per cent of sales through new digital and payment technologies such as PayPal and Apple Pay (48 per cent compared to 90 per cent of Mainland Chinese small businesses).
- Most Australian small businesses are optimistic they won't be subject to a cyberattack this year, with only 22 per cent expecting an attack, compared to the survey average of 44 per cent. Helping to explain this result is that only 14 per cent experienced any loss due to a cybersecurity incident last year. However, despite this, 40 per cent of businesses took the initiative to review their cybersecurity measures within the past six months.

One possible explanation for the low levels of investment in technology by Australian small businesses is the poor short-term returns they achieve. Only 27 per cent found their investment in technology last year improved their profitability. This is the second-lowest result of the markets surveyed and compares to 76 per cent for Vietnamese small businesses.

The older age profile of Australian small business owners is skewing their results. The survey data shows that overall, business owners over 50 (and especially over 60) are much less likely to be investing in technology or using technology such as e-commerce in their business.

Business activity over the past 12 months

	Australia 2023	Survey average 2023	Rank 2023	Australia 2022	Rank 2022	Australia 2021	Australia 2020	Australia 2019
Increased employee numbers	12.8%	32.0%	11/11	21.6%	9/11	7.1%	8.3%	8.8%
Improved customer satisfaction had a major positive impact on the business	20.0%	28.6%	10/11	18.4%	10/11	16.1%	13.2%	19.4%
Improved business management had a major positive impact on the business	11.6%	23.5%	10/11	14.5%	11/11	9.2%	7.3%	8.2%
Increasing costs had a major negative impact on the business	50.3%	39.7%	2/11	38.0%	2/11	24.9%	17.8%	32.5%
Required funds from an external source	25.3%	62.7%	11/11	35.7%	11/11	27.1%	24.3%	22.6%
Sought external funds for business growth	36.2%	52.6%	11/11	41.8%	10/11	25.4%	29.3%	30.1%
Sought external funds for business survival	28.3%	39.7%	8/11	28.0%	10/11	43.5%	42.3%	27.4%
Found it easy or very easy to access external finance	33.9%	43.3%	6/11	40.1%	6/11	37.0%	49.6%	46.9%
A bank was the business' main source of external finance	41.7%	40.2%	4/11	30.8%	7/11	44.2%	38.2%	43.4%
Did not spend any time and resources on ESG practices	55.1%	19.9%	1/11	44.3%	1/11	N/A	N/A	N/A

Planned business activity over the next 12 months

	Australia 2024	Survey average 2024	Rank 2024	Australia 2023	Rank 2023	Australia 2022	Australia 2021	Australia 2020
Expect to increase employee numbers	18.2%	43.1%	10/11	27.8%	10/11	19.2%	13.0%	10.6%
Will introduce a new product, service or process unique to their market or the world	8.2%	28.7%	10/11	14.3%	11/11	5.9%	6.7%	6.4%
Expect revenue from overseas markets to grow strongly	6.8%	18.9%	11/11	10.4%	11/11	5.1%	6.3%	4.8%
Will seek external funds	8.0%	28.7%	10/11	14.5%	11/11	5.7%	8.3%	6.0%
Expect easy to very easy access to finance	25.3%	40.3%	10/11	33.6%	7/11	35.1%	31.1%	35.6%

Employment

The weaker growth of Australia's small businesses last year is reflected in a decrease in the number of small businesses that created new jobs. 13 per cent increased employee numbers last year, down from 22 per cent in 2022. This the lowest of the markets surveyed.

The slightly lower proportion of Australia's small businesses forecasting that they will grow in 2024 is reflected in the low percentage (18 per cent) expecting to increase employee numbers this year. This result is the second lowest of the markets surveyed.

Innovation

Small businesses in Australia remain highly unlikely to innovate. Only 8 per cent state they will introduce a new product, process or service that is unique to their market or the world in 2024. This is the second-lowest result of the markets surveyed and is significantly below the survey average of 29 per cent. This may affect the growth of many Australian small businesses, as the survey results over many years show a correlation between innovation and business growth.

Access to finance

25 per cent of Australian small businesses sourced funds from an external source, down from 36 per cent in 2022. Fewer Australian smaller businesses found accessing external finance easy in 2023 compared to 2022. However, the survey data does not indicate that difficulty accessing finance impacts demand for external finance. If small businesses need external finance, they will usually find ways of accessing the required finance; even if they find the process difficult.

Possible reasons for the low proportion of Australian small businesses that demanded external finance last year include that many are not growing, innovating or expanding into new markets. As such, they don't need to access funding to boost working capital or purchase assets.

Exports

Australian small businesses are the least likely to expect their revenue from overseas sales to increase in 2024. Seeking alternative markets is one way of growing and diversifying business in difficult conditions. Exporting also exposes businesses to more competition and ideas. It's therefore unsurprising that there is a correlation between business growth and increasing revenue through exporting.

Environmental, social, and governance (ESG)

Australian small businesses were the least likely to undertake activities linked to ESG. The ESG activities they were most likely to undertake were:

- staff health and safety (17 per cent)
- energy and water use monitoring (12 per cent)
- supply chain sustainability (12 per cent).

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Australian small business in 2023	Top four factors that had a positive influence Australian on small business in 2022	Top four factors that had a positive influence on Australian small business in 2021
Customer loyalty	Customer loyalty	Customer loyalty
Good staff	Good staff	COVID-19
Cost control	Cost control	Good staff
Improved customer satisfaction	Improved business strategy	Cost control

Top four factors that had a negative impact on Australian small business in 2023	Top four factors that had a negative impact on Australian small business in 2022	Top four factors that had a negative impact on Australian small business in 2021
Increasing costs	COVID-19	COVID-19
Poor overall economic environment	Increasing costs	Increasing costs
Rising interest rates	Supply disruptions	Poor overall economic environment
Cash flow difficulties	Rising interest rates	Cash flow difficulties

Like previous years, Australian small businesses found that 'customer loyalty' had the most positive influence on their business in 2023. However, improving customer satisfaction is a strategy more closely linked to high growth businesses.

Increasing costs was the strongest negative factor facing Australian small businesses in 2023, with the number of businesses that chose this concern significantly up from 33 per cent in 2019 and 38 per cent in 2022 to 50 per cent last year. Small businesses identified 'fuel for vehicles, machinery, etc.' and 'utility costs' as the most detrimental expenses last year.

Demographics

	Australia 2024	Survey average 2024	Rank 2024	Australia 2023	Rank 2023	Australia 2022	Australia 2021	Australia 2020
Respondent aged under 40	30.1%	46.0%	11/11	39.2%	9/11	28.0%	18.5%	17.6%
Business established for less than 11 years	52.9%	61.1%	8/11	58.8%	7/11	50.6%	44.4%	38.1%
Respondent is the business owner	67.5%	37.4%	1/11	53.9%	4/11	70.4%	66.3%	69.9%
Business has 10 to 19 employees	10.8%	38.3%	11/11	18.8%	10/11	12.9%	13.6%	9.6%

Australia has the highest percentage of respondents aged 50 and over. Data collected over the lifespan of this survey series shows a strong correlation between this and lower levels of digital uptake by small business. That is, the use of digital technologies in small businesses falls for respondents aged 50 and over, and falls sharply for respondents aged 60 and over, regardless of market. The survey data also shows that respondents aged 50 or over are less likely to own or work in a growing business.

Entrepreneurship

Australia 2023	
Primary reason for starting their business	Be your own boss / independence
Biggest concern when first started a business	Irregular income / cashflow
Most common attitude and approach to managing business risk of owner	Risk averse

When starting their businesses, Australian small business owners are, like owners in all of the other surveyed markets, most likely to be motivated by a desire to be their own boss. Their biggest concern they had when starting their business was irregular income and cashflow.

The greater propensity for Australian small business owners to be risk averse may help explain their relatively lower inclination to adopt innovative technologies in comparison to small businesses from other countries in the region.

Policy suggestions

For policymakers looking to support Australia's economy and increase its competitiveness, significantly increasing the proportion of small businesses that incorporate technology into their business is essential. Given that most Australian small businesses have fewer than five employees and are time-poor, external advisers will play a critical role in assisting them with such transformation. Policymakers should also consider implementing policies that promote small business ownership among younger Australians.