



Business Counts During COVID-19

ABS Release: Quarterly Counts of Australian Businesses, Experimental estimates, 2019 – 2020

Publication release date: 29 October 2020

Notes

The ABS has released a research paper *Quarterly Counts of Australian Businesses, Experimental Estimates (8160.0.55.005)* on 29 October to help jurisdictions understand the *Business Entries* and *Business Exits*. *Business Entries* include *Business Births*¹ and *Other Entries*², and *Business Exits* include *Business Cancellations*³ and *Other Exits*⁴.

This data has likely been influenced by Commonwealth and State Government support packages.

The ACT Treasury is requesting further information from the ABS and will provide more analysis once the data is received. The special request will include estimates of business counts by main state and territory (which will be of particular interest to the ACT), industry division and sub-division, employment size, and type of legal organisation.

Key points

State and territory / Australia

Chart 1: Percentage change in the number of businesses, May-August 2020, by main state, Original



- All jurisdictions recorded an increase in the number of businesses in the three months to August 2020. This is likely supported by the Commonwealth and State Government support packages, e.g. JobKeeper and other cashflow support for employers, which may lead to less *Business Exits* than in a normal year.
- In the three months to August, the number of businesses in the ACT increased by 1.8 per cent, the highest growth rate of any state or territory.
 - The ACT's outcome was driven by a high Business Entry rate of 5.7 per cent during this period.
- Victoria had the second largest increase in the number of businesses (up by 1.6 per cent), despite re-entering into lockdown in July 2020.
 - It should be noted that the data between May and August 2020 was extracted in early August. As such, the full impact of the lockdown may not be reflected in the data for Victoria.

¹ *Business Births* represent new business registrations, and on average, account for approximately 60% of Business Entries each quarter nationally.

² *Other Entries* include businesses that were: (1) previous cancelled and have re-activated ABN; (2) previous long-term non-remitters (LTNRs) that have become active again by remitting Goods and Services Tax through their Business Activity Statement (BAS); and (3) previously out-of-scope, such as those with a non-market sector industry classification, that have now become in-scope due to an Industry reclassification.

³ *Business Cancellations* represent businesses that have formally de-registered.

⁴ *Other Exits* include: (1) businesses defined as LTNRs as they have not lodged BAS data for 5 quarters (or 3 years for annual remitters); and (2) businesses that were previously in-scope of *Counts of Australian Businesses, including Entries and Exits* that have become out-of-scope, such as those moving to a non-market sector or industry classification.

Table 1: Count of Businesses, Entries and Exits, May and August 2020, Australia, Seasonally Adjusted

	Number of businesses		Change (%)	
	May 2020	Aug 2020	Feb to May 2020	May to Aug 2020
Total Businesses	2,419,033	2,436,923	0.7	0.7
Business Entries	101,397	103,766	0.3	2.3
Business Exits	82,874	83,812	-8.2	1.1

- The total number of businesses in Australia increased by 0.7 per cent in the three months to May 2020 and by a further 0.7 per cent in the three months to August 2020, bringing the number of businesses above the level in August 2019. This increase largely reflects a lower level of *Business Cancellations* and an increase in *Other Entries*.
- In the three months to May 2020, the increase in the number of businesses in Australia was largely driven by a sharp decline in *Business Exits* due to lower levels of *Business Cancellations* as *Other Exits* have remained consistent with the trends in previous years.
 - The lower levels of Business Cancellations were potentially influenced by:
 - The Commonwealth and State Government support packages;
 - Increase in demand and innovation in some industries;
 - Businesses pausing trading temporarily; and
 - Time taken to de-register a business and delays in reporting.
- Over the same period, *Business Entries* increased by 0.3 per cent. This was largely driven by a significant increase in *Other Entries* of 28.3 per cent, possibly due to increased demand and innovation, or government support packages made available to businesses.
 - The change in *Business Births* was relatively flat in the three months to May.
 - Overall, *Business Entries* were consistent with trends over the past three years.
- There was a compositional shift in the three months to May, with 66.9 per cent of the 80,159 surviving businesses moving to a smaller employment size range. The vast majority (94.9 per cent) of these businesses changed by only one employment size range during this period.
- In the three months to August 2020, the increase in the number of businesses was driven by a solid increase in *Business Entries*, partially offset by an increase in *Business Exits*. The increase in *Business Entries* was driven by both *Business Births* (due to the easing of restrictions in a number of states and territories) and *Other Entries*.
 - In the three months to May and the three months to August, the largest number of *Other Entries* were in the *Construction* industry.

Industry Impact

- Over the six months to August 2020, industries that were most affected by COVID-19 and the associated restrictions, such as *Retail Trade* and *Accommodation and Food Services*, made up a larger proportion of *Other Entries* and a smaller proportion of *Business Cancellations* compared to the same period previous year.
 - The largest contributor to growth in *Accommodation and Food Services* was Cafes and Restaurants. This was likely underpinned by the Commonwealth and State Government support packages which required these businesses to update their details with the ATO over this period.
 - Growth in *Retail Trade* was driven by *Non-store retailing*, including direct shopping businesses and retailers who only engage in e-commerce (i.e. online retailers).