



LOCKDOWN IN JULY 2021

ESTIMATING THE IMPACT OF
THE JULY 2021 LOCKDOWN
ON SOUTH AUSTRALIAN
BUSINESS



Business SA
Chamber of Commerce
and Industry South Australia



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Executive Summary

As South Australia's peak business body representing 17 industry sectors, Business SA has sought to better understand the impact of the 7-day lockdown in July. This report draws on both a recent Business SA survey of South Australian businesses and detailed consultations with our members, both during and after the lockdown.

For business owners and managers, this report seeks to provide a collective voice about how lockdowns impact business; not just financially but also in relation to the mental health of business operators. For instance, we found that 73 per cent of respondents experienced some level of mental health impact on their staff and/or themselves caused by the lockdown. Businesses, for the most part, support lockdowns and recognise their necessity, but Governments understanding how they impact business is crucial.

Lockdowns aim to halt the spread of the virus, but unfortunately do not halt the challenges owners and managers face every day in running a business. While revenue losses are important to measure, the direct and often unavoidable costs associated with wages, leases, utilities and finance are equally as important for business continuity.

From our analysis, Business SA estimates the economic loss from the lockdown fell between \$316m to \$446m, or 0.29 to 0.41 per cent of Gross State Product (GSP). This includes between \$67m to \$83m impact in Regional South Australia. Underlying this impact was the loss of revenue and costs incurred by business. We calculated that the median revenue losses and costs incurred per business at \$20,000 and \$6,000 respectively, while only 4 per cent of businesses indicated they expected to recover all of their lost revenue.

Business SA's raison d'être is 'to advocate for the economic prosperity of South Australia and help local businesses to succeed'. For the first time we have calculated, using data directly sourced from our members, the impact that a lockdown has on the South Australian economy.

Business SA welcomes the State Government support that to date has been made available to businesses and the speed with which it has been rolled out, but we know more will be needed if there is no other choice but to enter another lockdown. Unfortunately, a uniform support measure does not account for the variability of losses experienced by businesses across different industry sectors. This report aims to shed light on the scale of costs and revenue losses that different businesses have experienced from the July lockdown.



Survey Methodology

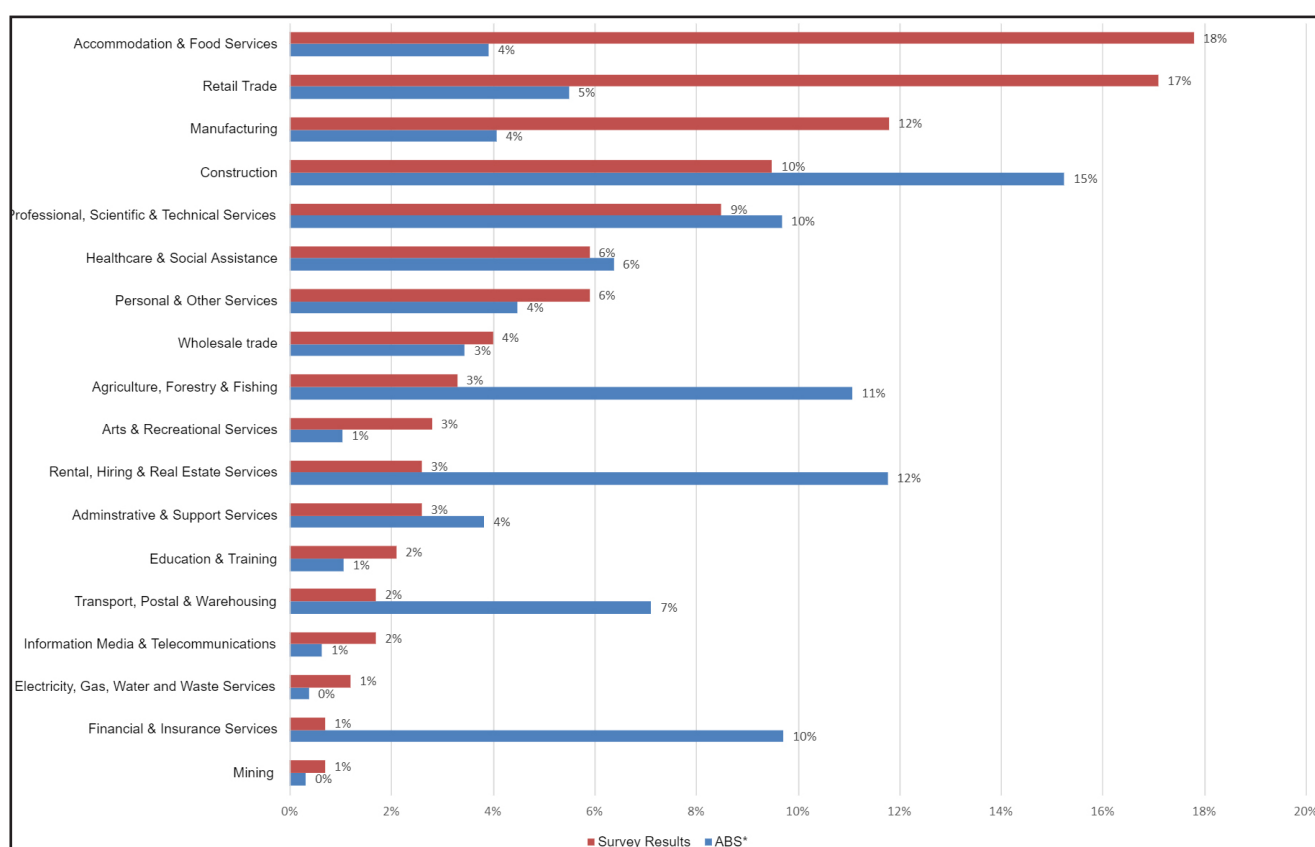
Business SA surveyed its South Australian members and the broader business community between 3 and 9 August 2021. The survey quickly garnered responses from 435 businesses, more than any other comparable business survey undertaken in South Australia. Of those respondents, 422 businesses were able to provide detailed data on their revenue losses and costs from the lockdown.

The survey was conducted anonymously, using the online tool SurveyMonkey. Businesses were able to leave their contact details if they wished to provide further information to Business SA. The Policy and Advocacy Team subsequently made follow up calls to businesses to elicit a deeper understanding of the written responses provided.

Respondent Demographics

The survey reached businesses ranging from sole traders to large corporates operating across 18 industry sectors. Businesses operating in sectors that experienced the lockdown and subsequent restrictions were heavily represented. From Figure 1, we observe that some sectors are over-represented, with the majority of respondents in sectors more impacted by restrictions compared to businesses that were largely unimpacted. We have adjusted for this further on in the economic impact calculations.

Figure 1 – Respondents by industry sector compared to ABS business counts



*Australian Bureau of Statistics (February 2021), cat 8165.0, Counts of Australian Businesses, including Entries and Exits, June 2016 to June 2020

Figure 2 – Where respondents are based

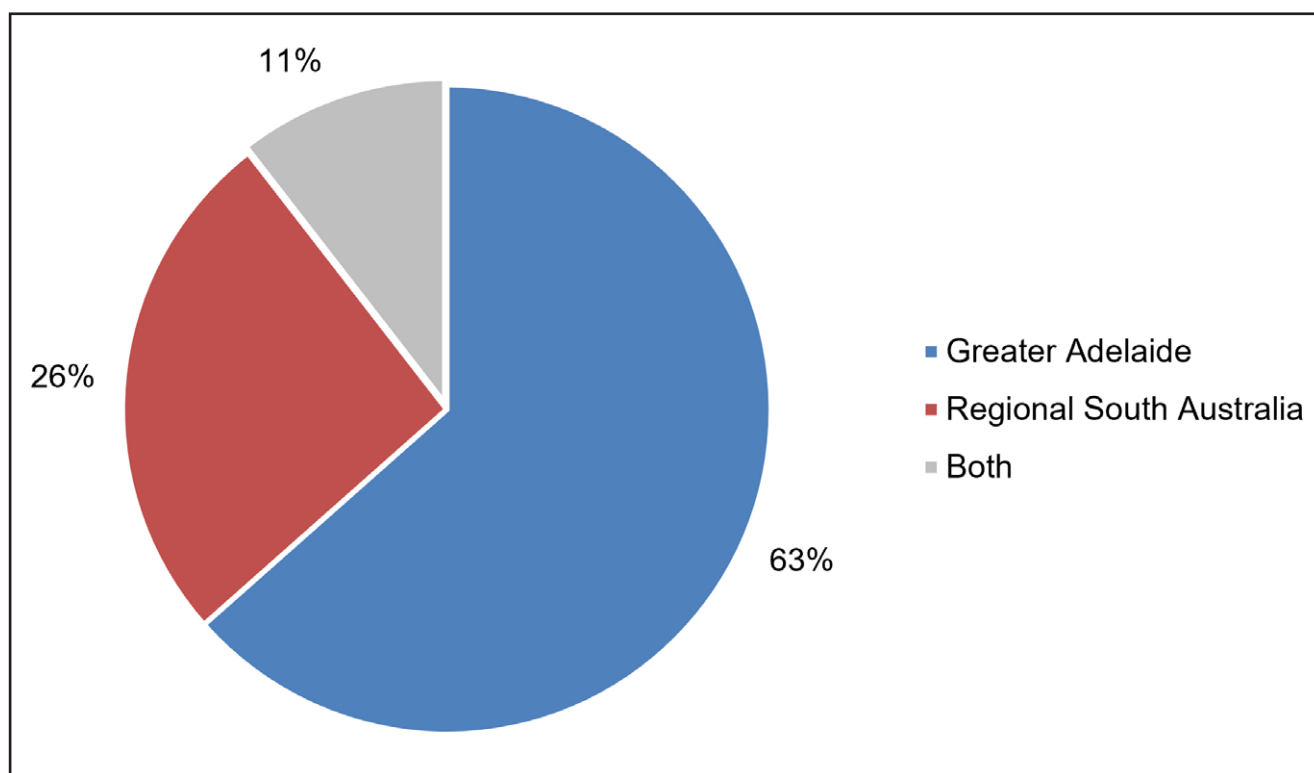


Table 1 - Respondents by business turnover

Business Turnover	Respondents	N*
<\$250k	19%	80
\$250k - \$1,000,000	29%	124
\$1,000,000 - \$2,000,000	16%	66
\$2,000,000 - \$5,000,000	17%	71
\$5,000,000 - \$10,000,000	9%	37
\$10,000,000+	6%	27
Total	-	405*

*Total n will differ from total in Table 2 as businesses chose not to report their turnover

Table 2 - Respondents by number of business employees

Business Employees	Respondents	N
0	6%	26
1 - 9	51%	215
10 - 19	21%	90
20 - 49	15%	63
50 - 99	4%	18
100 - 200	2%	7
200+	1%	3
Total	-	422

Revenue Lost and Recovery

Impact on revenue

Businesses that were not deemed essential and consequently unable to operate during the lockdown experienced the greatest revenue losses. Notwithstanding, businesses able to operate during the lockdown still reported instances of losses from missed opportunities and lower productivity. The extended state border closure further inhibited an already beleaguered tourism sector.

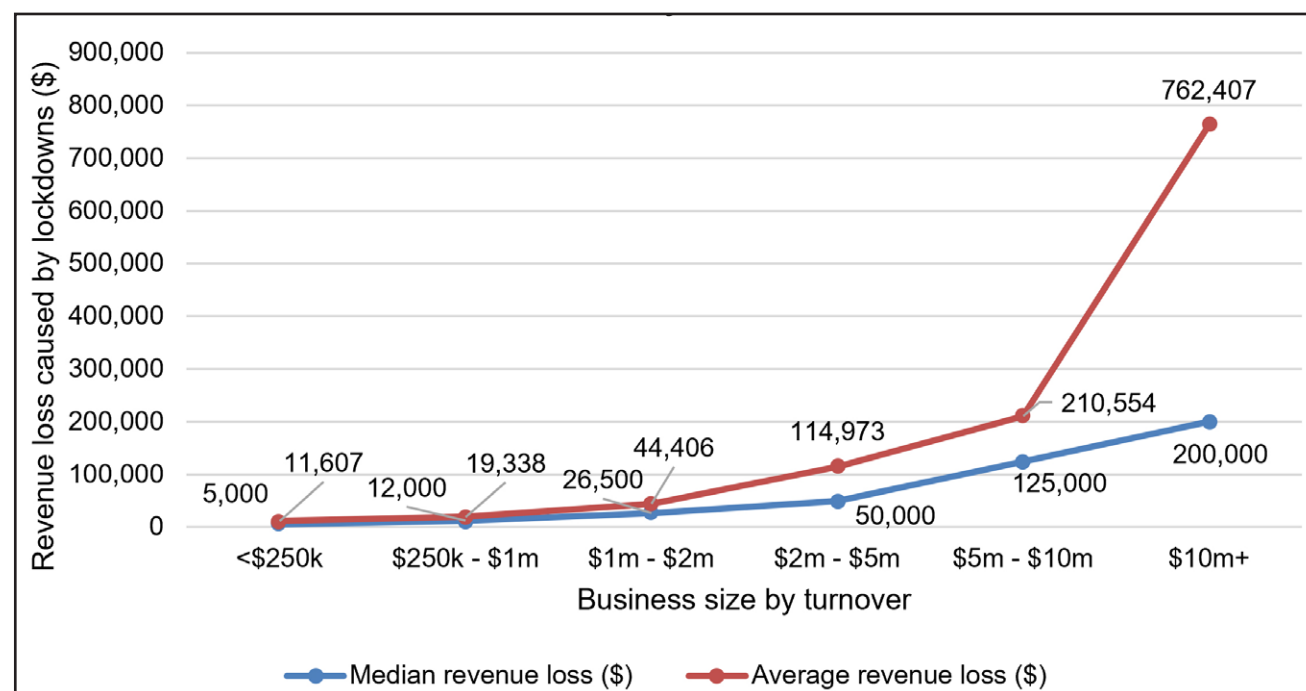
Unsurprisingly, revenue losses reported by businesses varied significantly, ranging from \$700 to \$4m. For 7 per cent of businesses, the lockdown had no effect on their revenue. Reported revenue loss was calculated to be \$103k on average, with a median of \$20k. Unfortunately, the impacts felt by the lockdown were not uniformly felt by all businesses. Table 3 demonstrates how significant the difference can be between different business sizes.

Table 3 - Revenue loss by business size above / below \$2m

Impact	Business Size - Turnover	Average (\$)	Median (\$)
Revenue	Below \$2m	\$24,381	\$11,000
	Over \$2m	\$314,512	\$72,000

However, a clearer insight for revenue loss is found when we calculate relative averages for different business sizes, as seen in Figure 3 below. As business turnover increased, the scale of losses grew dramatically, and for many medium-sized businesses, losses were in the tens of thousands.

Figure 3 - Revenue loss by business size



While the lockdown only lasted a week for most businesses, the impacts from continuing restrictions constrained the ability for businesses to recoup losses, especially in sectors impacted by capacity restrictions. The reintroduction of a general 25 per cent (12.5 per cent for gyms and fitness centres) capacity limit following the lockdown was consistently raised by businesses as a barrier to recovery, with many questioning the logic given the lack of community transmission at the time. Moreover, businesses reported the impact that lockdowns have on consumer confidence in the subsequent weeks as further inhibiting recovery.

Table 4 - Revenue loss by non-employing/employing by selected sectors

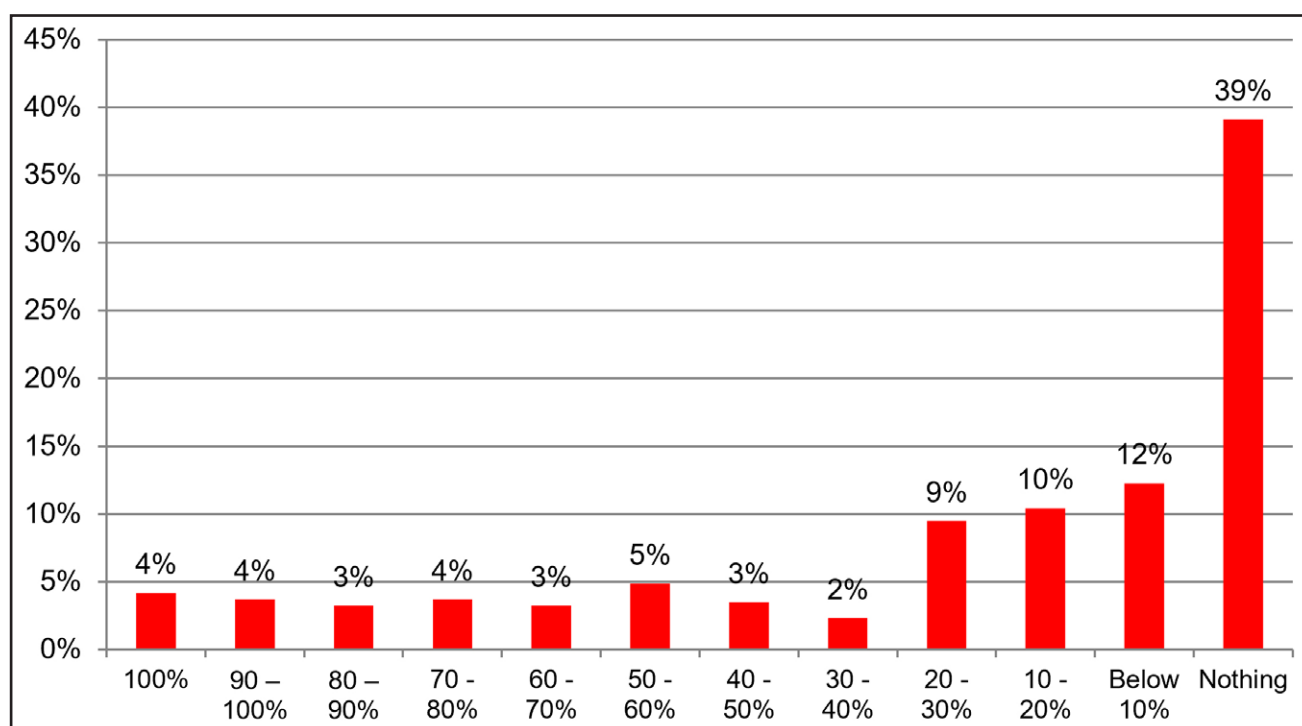
Industry	Non-Employing/ Employing	Median Revenue Loss (\$)	Average Revenue Loss (\$)
Accommodation & Food Services	Non-employing	3,200	5,533
	Employers	25,000	78,591
Retail Trade	Non-employing	5,000	4,250
	Employers	25,000	108,305
Manufacturing	Non-employing	1,750	1,750
	Employers	32,500	278,219
Construction	Non-employing	6,000	6,000
	Employers	45,000	129,292
Administrative & Support Services	Non-employing	-	-
	Employers	6,500	20,036
Personal & Other Services	Non-employing	1,750	2,375
	Employers	12,000	26,119
Wholesale Trade	Non-employing	5,000	5,000
	Employers	20,000	70,919
Cultural & Recreational Services	Non-employing	6,000	6,000
	Employers	10,000	205,818
Education & Training	Non-employing	8,000	8,000
	Employers	21,250	166,813

"Please report that the interstate lockdowns cost us business here, not just a lockdown in SA. The continued reporting of how business bounces back and how we are all so resilient is upsetting. Tourism and travel agencies need specific govt support and a bit of recognition of their continued plight beyond a 7-day lockdown and "reopening" and bouncing back. It's the first industry to be affected by COVID and will be the last to recover." – **Tourism, 1-19 employees, \$500k - \$1m turnover**

Expected recovery of lost revenue

For a small proportion of businesses, the July lockdown was expected to have a modest impact on their revenue. However, for the majority, the lockdown provided very little opportunity to recover losses. In Figure 4 below, nearly 40 per cent of businesses expected to recover nothing post lockdown and only 4 per cent to recover all losses post lockdown.

Figure 4 - Expected recovery of losses caused by the lockdown



This disparity is driven by several factors, including whether businesses were still impacted by post-lockdown restrictions, the ability for staff to work from home, whether they employ staff, and which industry sector they belong to.

For example, employers in the construction sector were more likely to bounce back after the lockdown than most, with the median expected revenue recovery calculated at 30 per cent. Businesses in this sector were predominantly unhampered by restrictions post-lockdown. However, when we compare this to employers operating in the accommodation & food services sector, the median expected revenue recovery calculated was zero.

Businesses also told us of the difficulty of restrictions post lockdown and the impact lockdowns have on consumer and business confidence:

“After every lockdown and heightened restrictions, I have to start my business from scratch. It’s exhausting and there is ZERO support for those in the events industry, NONE! Considering events bring a lot of economic benefits to the state, more support needs to be given.” – **Professional, Scientific and Technical Services, Sole Trader, <\$75k turnover**

“All these density restrictions impact us and have caused the few that want to re book to hold off! Especially the home gatherings and limits to private events and dancing at private events. These all impact us. We do lots of cocktail events and they can’t go ahead with current restricts either. Events and catering; we are the first to feel the impacts of border closures and the slightest internal restrictions with no support this time round! Border closures impact milestone events and weddings obviously and they are the first to cancel and we have already done so many hours of planning with no return.” – **Events, 1-9 employees, \$500k - \$1m turnover**

“People are scared and avoiding going out - once a lockdown lifts, there is a continued downturn for weeks to come as people rebuild confidence in being out and about. We are still only running at 50% of what we would normally be for this time of year. Many people rescheduling treatment wanting to ‘wait one more week’” – **Health & Community, 1-9 employees, \$250k - \$500k turnover**

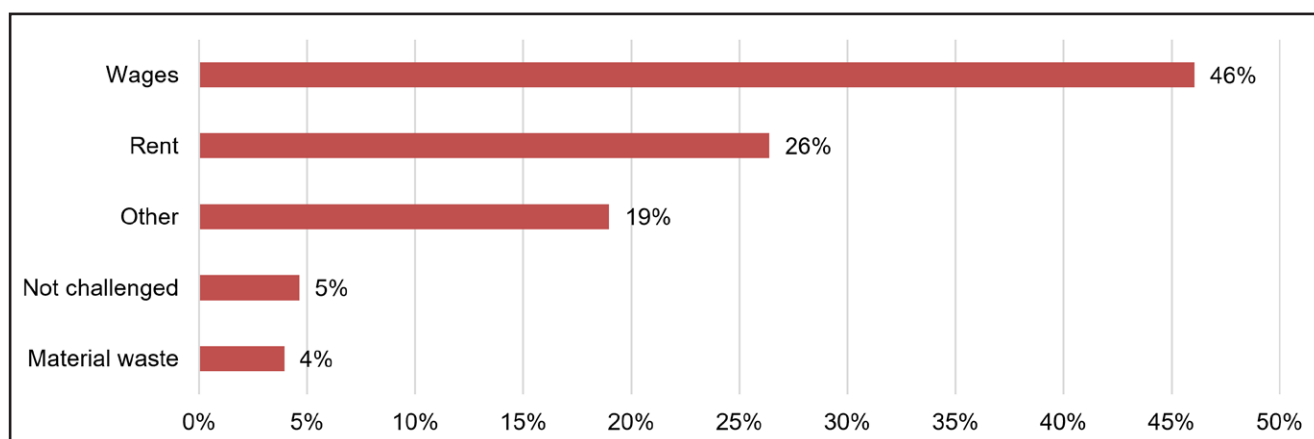
Direct Costs

While many businesses experienced losses in revenue, they were still beholden to the everyday costs of running a business. In the survey, Business SA asked the value of those direct unavoidable costs business incurred during the lockdown and what were the most challenging. We found for 49 per cent of businesses, wages were their most challenging cost, followed by 27 per cent identifying rent as their most challenging cost. Conversely, only 5 per cent of businesses indicated no challenge related to direct costs incurred during the lockdown.

Businesses highlighted several other challenges faced during the lockdown, including:

- sales & cashflow
- business and consumer confidence
- refunds & rescheduling
- finance & insurance
- lost productivity

Figure 5 - Most challenging cost faced by business during lockdown



Some industries felt the impacts more than others. In particular, we found that for 3 in 5 businesses across the hospitality, retail and personal care services nominated rent as their most challenging cost, all sectors with relatively high occupancy costs. After further consultation with businesses operating in these sectors, Business SA discovered many found it difficult to approach landlords for support or consideration for the lockdown.

"I actually believe that the lockdown was necessary and support it and the measures enforced. My anger is that this time the pain is not equally spread. There is no instruction from the government to landlords or banks, In the last 3 weeks all three of us who share a tenancy have received 5% rent increases and eviction threat letters for being 2 weeks behind in rent." – **Retail Trader, 1-9 employees, \$500k - \$1m turnover**

Again, the difference in the scale of costs incurred were apparent when we compared the direct costs incurred by businesses above and below \$2m in turnover.

Table 5 - Direct costs incurred by businesses above/below \$2m

Impact	Business Size - Turnover	Average (\$)	Median (\$)
Direct Costs	Below \$2m	7,321	3,500
	Over \$2m	50,141	25,000

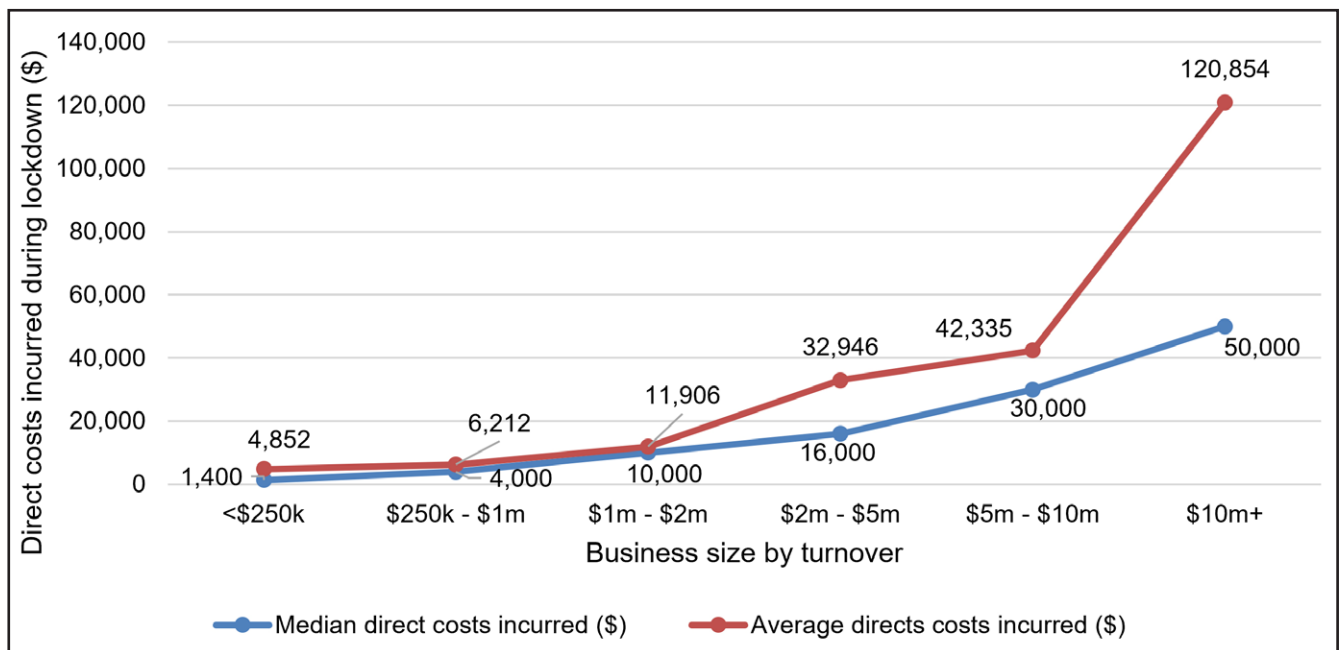


"Lost productivity - already a challenge with no labour being available, existing staff already doing overtime and slightly behind in production. The lost week cannot be made up. When we have orders out until November 2022 having this happen often can make a dramatic change to our lead times" – **Manufacturer, 20-49 employees, \$5m - \$10m turnover**

"Most of my costs are tech related and don't change month to month - they are minimised. What it cost me were opportunities. Customers that were about to sign up that decided to 'wait and see what the government is doing' etc."
- Professional, Scientific and Technical Services, Sole Trader, <\$75k turnover

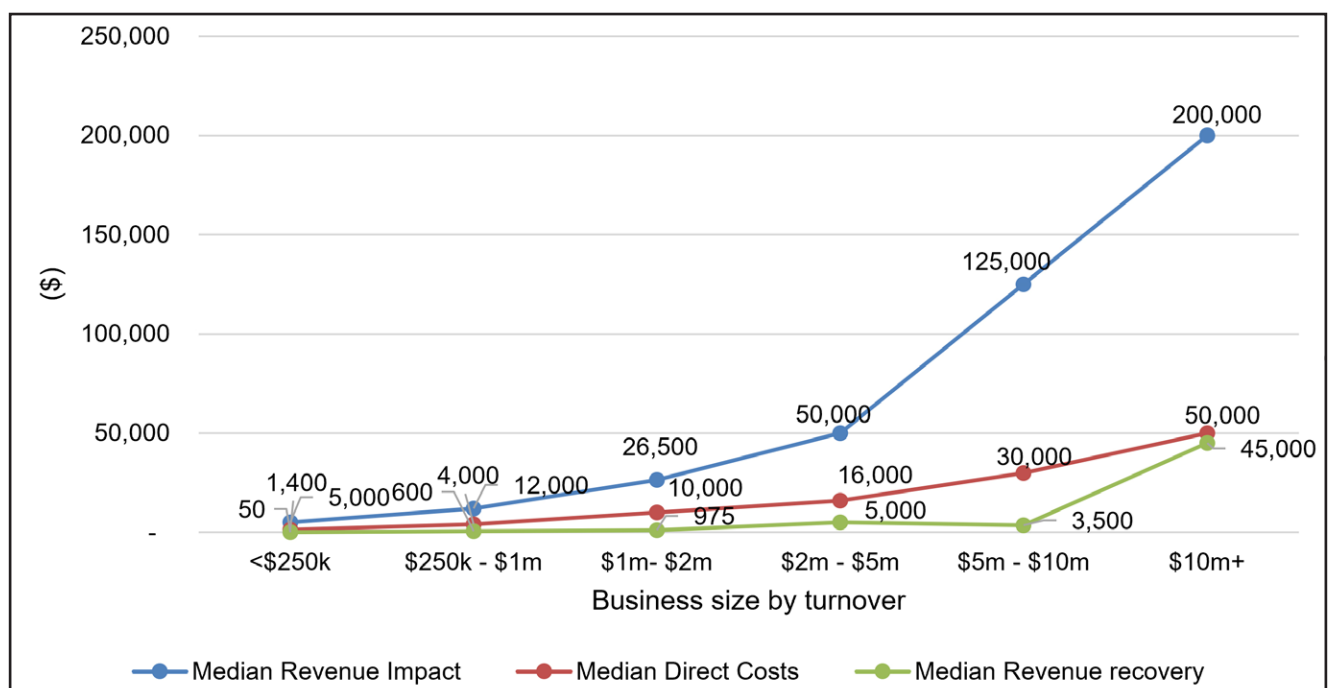
As we observed in revenue losses, the median direct costs incurred proportionally increase by turnover size, shown in Figure 6. For all respondents, the median direct cost was \$6,000 and the average \$22,300.

Figure 6 - Direct costs incurred by business during the lockdown



To summarise the lockdown had on businesses financially, figure 7 demonstrates that for businesses of every size, revenue expected to be recovered doesn't even cover the costs incurred from the lockdown.

Figure 7 - Summary of median revenue losses and recovering direct costs



Economic Impact

Using the data collected in our lockdown survey, Business SA has calculated the impact a 7-day lockdown had on the South Australian economy. Using REMPLAN's input-output economic modelling, Business SA estimates that economic impact for all of South Australia of the July lockdown ranges from \$316m to \$466m or 0.29 to 0.41 per cent of GSP. For regional South Australia, Business SA estimates the impact fell between \$67m to \$83m.

The lower bound of estimate represents the direct effect that loss of revenue on value added had on the most impacted sectors. The upper bound of the estimate takes into account the additional supply chain effect for sectors that were still able to operate during the lockdown but supplied sectors unable to operate.

Business SA has adopted the median revenue impacts for non-employing and employing businesses for different industry sectors and ABS business counts to measure the total revenue losses on industry sectors. The impact calculated has also been tempered by businesses' expected revenue recovery from the 7-day lockdown.

In determining the economic impact, Business SA focused its efforts on sectors which were, for the most part, completely shut down for the lockdown. Businesses in these sectors typically cannot have staff work from home and for the first time, included the construction sector. While some Government construction projects were allowed to resume work for the last two days of lockdown, we find this level of activity to be negligible in mitigating the impacts for the broader construction sector.



Mental Health Impact

Lockdowns do not just have a financial impact, but also have a significant impact on the mental health of business owners, managers and staff. The combination of reduced revenue, the pressure of ongoing costs and anxiety about the future plays heavily on the minds of business owners. In our survey of 435 business owners and managers, 73 per cent experienced a mental health impact from the lockdown on their staff and/or themselves.

For many business owners and staff, this is not the first time their mental health has been impacted during COVID. In our September Quarter 2020 Survey of Business Expectations, Business SA found 1 in 3 businesses had been moderately or heavily impacted by mental health issues.

As per Table 6, mental health impact by business size, we found SMEs were the most impacted, with 4 out of 5 of businesses with turnover under \$250k, and 3 out of 4 businesses between \$250k and \$1m turnover represented. Worryingly, businesses with turnover between \$250k and \$1m felt the brunt of the lockdown more than others with an average impact score of 2.18. For context low equals 1, moderate equals 2 and heavily equals 3.

Table 6 - Mental health impact on business owners and staff by business staff

Turnover Size	Mental Health Impact on Owner / Staff	Extent of Mental Health Impact average score (Low = 1, Moderate =2, Heavy =3)
<\$250k	81%	2.09
\$250k - \$1,000,000	74%	2.18
\$1,000,000 - \$5,000,000	69%	2.11
\$5,000,000 - \$10,000,000	68%	2.00
\$10,000,000+	67%	1.67
All businesses	73%	2.09

While SMEs certainly felt the impact on their mental health, businesses in certain sectors were also more impacted than others. As shown in Table 7 below, there were 4 sectors where business owners and staff experienced mental health impact rates above 80 per cent.

Table 7 - Mental health impact on business owners by selected industry sector

Industry	Mental Health Impact on Owner / Staff	Extent of Mental Health Impact average score (Low = 1, Moderate =2, Heavy =3)
Accommodation & Food Services	81%	2.3
Administrative & Support Services	82%	2.2
Cultural & Recreational Services	92%	2.0
Health & Community	80%	2.0

While these figures themselves paint one aspect of the story, a selection of survey quotes from businesses can be found in Appendix A to further illustrate the qualitative impact on businesses.



Conclusion

As the peak business body in the state, Business SA will always seek to understand and voice the concerns of the business community. The impact of lockdowns on business and the economy cannot be ignored. From our surveying and discussions with businesses, Business SA estimates the July lockdown negatively impacted the economy between \$316m to \$446m, or 0.29 to 0.41 per cent of GSP.

There is no doubt that while most businesses support lockdown measures to control the spread of COVID-19, the cost of these lockdowns weighs heavily on business. These impacts are not just experienced financially but also affect the mental health of owners, managers, and staff.

While both the State and Federal Governments have responded with support measures for both businesses and employees, more needs to be done in future to deliver scalability. A uniform approach for delivering financial support fails to address the needs of the most heavily impacted businesses. A more nuanced approach is required to ensure that support is delivered to businesses that are most in need. The most recent delivery of tourism and hospitality grants demonstrated this more nuanced approach. Not all businesses are the same, and the differences in size and sector should be taken into account when deciding on how to best support businesses.

While South Australia has done relatively well compared to the eastern states during the pandemic period to date, the risk of another COVID outbreak or variant is ever present. With the vaccine rollout not expected to reach optimal levels until November or December, South Australian businesses need to be confident that if another lockdown occurs, they will be adequately supported no matter what their industry or size.

Business SA's South Australian Business Confidence index experienced its first decline in 12 months for the June Quarter 2021, and continued recovery will rely on businesses remaining confident about the future.



Appendix A:

Mental Health Impacts Comments from Business

"Mental health issues are experienced by our staff for various reasons, none are the same. For some it was the stress of dealing with Centrelink, SA health etc and the difficulties it presented getting access to information and entitlements. Some staff didn't even want to claim the \$600. Misinformation added to the stress for some as they were told we should pay them sick leave when we closed during the lockdown - now they feel we have done the wrong thing. Some have Covid information overload and are struggling with the constant changes both in the workplace and outside world." -

Professional, Scientific and Technical Services, 1-9 employees, Greater Adelaide

"The logic of it we understand, but when there are no reserves left financially, emotionally or physically there is little motivation. We get knocked down again and yet we are here to help ourselves get back up again. It's exhausting with no end in sight." -

Events, 1-9 employees, Greater Adelaide

"Financial stress, frustration, loss of enthusiasm, no motivation to plan ahead, General apathy. Lethargy, as nothing to work toward or look forward to on the weekend etc." -

Retail Trade, 10-19 employees, Regional South Australia

"Every lockdown or increase in restrictions brings on an extended period of cancellation of jobs due to uncertainty. It is very taxing dealing with emotional people who can no longer have their wedding or function." -

Rental, Hiring & Real Estate Services, 10-19 employees, Regional South Australia

"The uncertainty has created anxiety that was not there prior. The additional restrictions as a result impacting further industries will then have a trickledown effect on all businesses. The anxiety is definitely significant." -

Construction, 1-9 employees, Greater Adelaide

"As a business owner (sole trader/partnership) not knowing how long the restrictions and lockdown will last has a huge impact on our mental health and income. All lockdowns and restrictions scare clients away. The \$1,000 grant payment for sole traders do not cover the cost of being closed and as a sole trader we are not permitted to claim the covid disaster relief payment of \$600. This is something I would like to see you advocating to change. When a couple (husband & wife) are the sole earners and we are unable to receive assistance to pay the outgoings for our own home and business premises because we have been closed by the government, life becomes very depressing. If the government are closing businesses, then they need to fully support sole traders, we have the same outgoings as if we were a Company. Last year we were closed for 3 months, as a sole trader we received zero support towards our business outgoings in those 3 months. Unfortunately, the government will be responsible for many small businesses ceasing to trade and close their doors. It's unfair that larger company's and the AFL receive preferential treatment. And I hate to say it but suicide rates among small business operators will increase." -

Health & Community, Sole Trader/Partnership, Greater Adelaide

"The stress of closing beauty salons and then having to reschedule clients creates so much extra work and stress. We then need to work twice as hard to make up for the closures but don't make as much money. We lose clients as their incomes are lost too and it weighs heavily on a business to try gain new clients and keep them. The beauty industry gets left so far behind too, yet we have the highest women workers and sole traders/small businesses in this industry. We're still paying back losses from last year, our supply costs have gone up, wages & super have gone up - but we are falling far behind each time a closure happens" -

Personal & Other Services, 1-9 employees, Greater Adelaide

"We are all burned out, trying to negotiate stand down, no money, uncertainty." -

Hospitality, 20-49 employees, Regional South Australia

"I'm under a huge amount of stress to pay for new season stock that is being invoiced with a big loss of cashflow for a week's lost sales plus the massive drop in sales due to events being cancelled and loss of consumer confidence. Haven't been able to pay myself so I have personal bills piling up. Don't want to cut staff hours as they rely on them." -

Retail Trade, 10-19 employees, Regional South Australia

"Every day I wake up and am unsure as to whether to open the cafe and continue struggling, or just shut permanently. I don't sleep very well, and the overall uncertainty is impacting my ability to make decisions in every facet of my life." -

Hospitality, 1-9 employees, Greater Adelaide



"Staff on reduced hours and stress of not being able to pay rent to the landlord and no legislation to cover us. Even after the lockdown of finished no one can come here from interstate and when you are in the hotel business this is devastating" - **Accommodation & Food Services, 20-49 employees, Greater Adelaide**

"I am at my end. I'm ready to close the doors and walk away. I'm on the verge of giving up." - **Hospitality, 20-49 employees, Greater Adelaide**

"It is unfathomable to have your entire year's work outlawed just 4 days from fruition. Sadness, depression, anger, emptiness and hopelessness don't even scratch the surface." - **Cultural & Recreational Services, 20-49 employees, Greater Adelaide**

"Both of my FT staff are on mental health assistance medication. I owned a wine business during the wine glut and the drought and now for the first time in my working life I am on anti-anxiety/antidepressant medication." - **Wholesale Trade, 1-9 employees, Greater Adelaide**

Mental health has been massively impacted due to financial stress as people have used up all leave entitlements and now owe wages to the business. - **Wholesale Trade, 1-9 employees, Greater Adelaide**

"Just too stressful for words. I am in the Bridal Industry. This stress is causing me to become ill and starting to lose my hair." - **Manufacturing, Sole Trader, Greater Adelaide**

"The impact on mental health is medium to long term; it has been extremely difficult to find momentum again; severe lack of concentration; worry about the future." - **Professional, Scientific and Technical Services, 1-9 employees, Greater Adelaide**

"This lockdown was far worse for me and my team. Much harder to look at the positives when all we are dealing with is cancellations. Clients are not re booking fast as they are all weary of organising again some for the third time only to be let down! The financial stress has really impacted our ability to be positive at this time." - **Accommodation & Food Services, 1-9 employees, Greater Adelaide**

"One of my staff attempted suicide she was admitted to hospital on the Monday night after the announcement that we were closing at midnight." - **Health & Community, 20-49 employees, operate State-wide**

"Working in the event industry, every lockdown effectively closes my business, as a sole trader, I no longer have the confidence that I can do my job and feel high anxiety around managing events which never existed prior to COVID this is a direct reflection of the implementation of restrictions and lockdowns. The government have effectively said my skills are not needed in this new normal." - **Professional, Scientific and Technical Services, Sole Trader, Greater Adelaide**

"All office crew had to work from home. Resulted in domestic violence with one staff member and mental health issues for others due to trying to balance home schooling and work. Lost productivity as a result. Staff had to access paid personal leave. Subcontractor tradesman had significant impact on income, classified as sole traders and limited government support." - **Construction, 1-9 employees, Greater Adelaide**

"Husband broke down in tears at the table in front of our children - it feels like we are back at the start again." - **Tourism, 1-9 employees, Regional South Australia**

"I believe that I was the most affected, I suffered some anxiety and mild panic as I confronted the reality of potentially losing my business and the effect of that on my staff." - **Manufacturing, 1-9 employees, Greater Adelaide**

Many of my staff live from week to week. So having to lend them money from my own personal savings through this was added stress I didn't need. My staff and most clients are showing signs of emotional stress and some trauma in relation to covid and the restrictions, constant rule changes which are inconsistent and illogical. People are angry and have had enough. Every client is talking about it, and it is not in a positive light at all! No one believes lockdowns are necessary compared to the real increased risk of people not having income and adding more stress to them financially. They would rather take their chance on covid than keep locking down." - **Retail Trade, 10-19 employees, Greater Adelaide**



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