

NAB SME BUSHFIRE IMPACT SURVEY - PART 1

Impact of bushfires on business to date and potential to impact going forward.



NAB Behavioural & Industry Economics

February 2020

Last year was the warmest and driest year on record in Australia, contributing to one of the worst bushfire seasons ever. The southeast has been most severely affected, but fires have hit every state and territory. The bushfires have burned through more than an estimated 11 million hectares (an area the size of England), destroyed thousands of homes and taken many lives.

In Part 1 of this report, NAB explores the business impact of the bushfires through the eyes of over 500 Australian SMEs. Around 2 in 3 SMEs indicated their businesses have been directly or indirectly impacted by the bushfires, with 7% impacted 'significantly'.

The Survey was conducted between 30 January and 11 February 2020.

KEY FINDINGS

- The impact of the bushfires has been widespread - with around 2 in 3 SMEs indicating their businesses have been directly or indirectly impacted. But the impact has been much greater for some than others - around 7% said the fires had a 'significant' impact. Not surprisingly, more SMEs located in areas vulnerable to bushfire risk were impacted (9 in 10) than in non-vulnerable areas (5 in 10), as were businesses located in rural towns, in NSW, SA and VIC.
- While bushfire conditions have now improved, around 7 in 10 SMEs expect the fires to continue impacting their business in some way in the next 3 months (and just over 6 in 10 in the next 12 months). But these numbers are significantly higher for SMEs in vulnerable bushfire areas.
- By industry, the highest number who expect to be 'significantly' impacted in the next 3 months are in Transport/Storage, Utilities and Construction, but Manufacturing (14%) and Agriculture (11%) firms expect to be hardest hit in 12 months' time.
- The survey reveals almost 1 in 2 SMEs impacted by bushfires have suffered temporary disruptions, with the next most common impact coming from higher costs such as insurance, lower customer confidence and disruption to travel or tourism. Around 17% of firms closed their business, but this reached 24% in vulnerable bushfire areas. The most 'significant' impact on their business was a reduction in cashflows, loss of customers and disruption to suppliers, according to around 3 in 10 SMEs.
- The survey finds that 1 in 4 impacted SMEs said they were planning to take up the Government's \$500,000 loan offer, although 1 in 4 are unsure at this stage. Take up is expected to be much higher in vulnerable bushfire areas, in NSW and in major capital cities. By industry, take up is expected to be highest in Mining, Telecoms and Accommodation, Cafes, Restaurants & Clubs.
- Interestingly, around 3 in 4 SMEs believe the loan could help their business offset some of the bushfire impacts.
- When asked what Governments should do to most help businesses impacted by the bushfires, around 6 in 10 said cash grants would help most, and 5 in 10 interest free or reduced rate loans for the life of the loan, and greater investment in infrastructure and other community assets.



EXTENT BUSHFIRES HAVE IMPACTED SME BUSINESSES

The impact of the Australian bushfires has been widespread, with around 2 in 3 SMEs (66%) indicating their businesses have been directly or indirectly impacted.

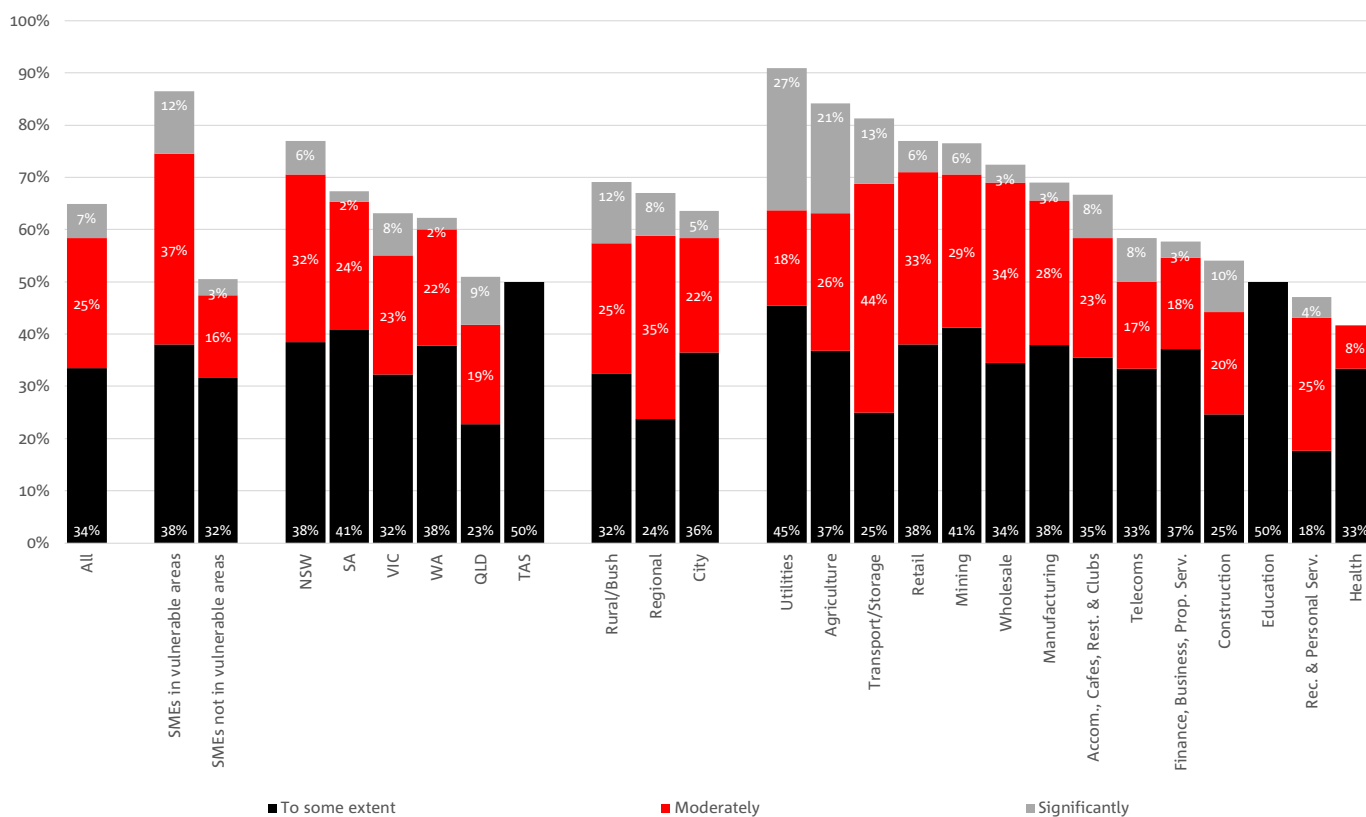
However, the impact has been greater for some SMEs than others.

Overall, 7% of SMEs said the bushfires have impacted their businesses ‘significantly’, 25% ‘moderately’ and 34% ‘to some extent’. Only 1 in 3 (34%) said they had no impact.

Not surprisingly, more SMEs located in areas vulnerable to bushfire risk (39% of all firms in the Survey) were impacted (87%), than SMEs that weren’t located in vulnerable areas (51%).

In vulnerable areas, 12% of SMEs were impacted ‘significantly’, 37% ‘moderately’ and 38% ‘to some extent’. This compared to just 3% impacted ‘significantly’, 16% ‘moderately’ and 32% ‘to some extent’ of firms that weren’t located in vulnerable bushfire areas.

EXTENT BUSHFIRES HAVE DIRECTLY OR INDIRECTLY IMPACTED BUSINESS



By state, the highest number of SMEs that were impacted in total were in NSW (76%), followed by SA (67%), VIC (63%) and WA (62%).

But if we focus on SMEs who said they were ‘moderately’ or ‘significantly’ impacted, the highest number were in NSW (38%), VIC (31%) and QLD (38%). It is important to note that responses from TAS should be treated with some caution because of smaller sample size.

By region, the highest number of firms that were impacted in total were located in a rural town or the bush (69%), but the highest number of firms that were ‘moderately’ or ‘significantly’ impacted were located within a major regional city (43%).

By industry, the total number of SMEs that were impacted in total ranged from 91% in Utilities to 42% in Health.

However, SMEs that were impacted hardest operated in the Utilities and Agriculture sectors, where 27% and 21% of SMEs respectively said they have been impacted ‘significantly’. SMEs operating in the Health sector have been least impacted (41% overall, 8% ‘moderately’ impacted and none ‘significantly’).

Around 69% of all SMEs expect the bushfires will continue to impact their business in some way in the next 3 months and 63% in the next 12 months. Moreover, 29% expect to be impacted ‘moderately’ or ‘significantly’ over the next 3 months and 26% over the next 12 months.

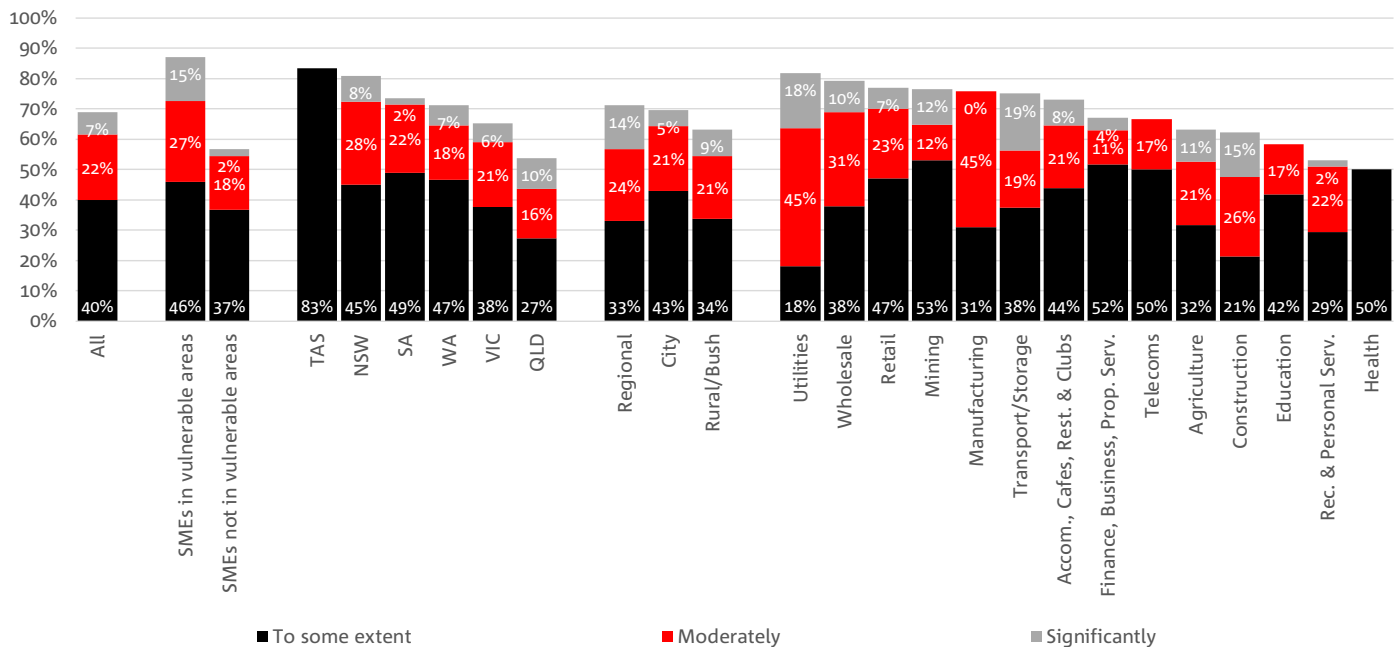
But significantly more SMEs overall located in vulnerable bushfire areas (87%) expect to be impacted in the next 3 months, with 27% ‘moderately’ impacted and 15% ‘significantly’ impacted. Around 81% overall still expect their businesses to be impacted in the next 12 months, and 26% ‘moderately’ and 11% ‘significantly’.

By state, the highest number of SMEs expecting to be impacted in the next 3 months are in TAS (83%) and NSW (81%). The highest number expecting to be impacted ‘moderately’ or ‘significantly’ are however in NSW (36%) and VIC (27%), but the highest number expecting to be ‘significantly’ impacted are in QLD (10%).

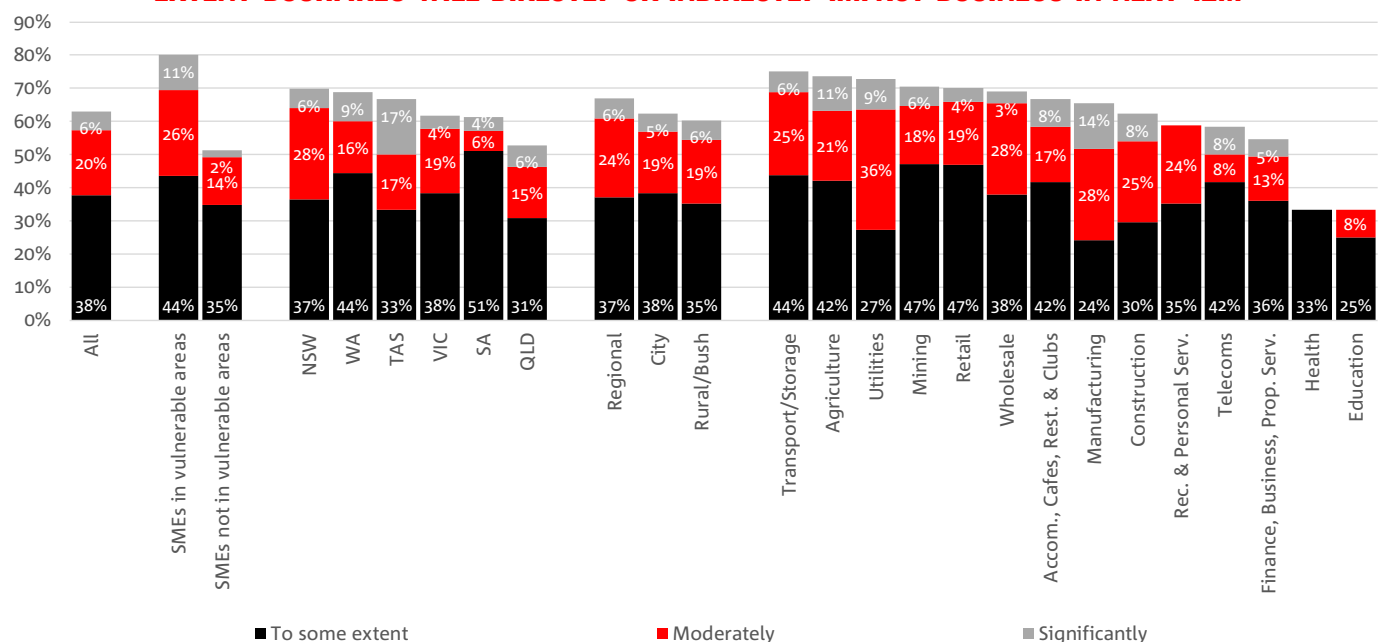
Overall, SMEs in NSW (70%) and WA (69%) are the least optimistic in 12 months’ time. The highest number expecting to be impacted ‘moderately’ or ‘significantly’ are located in NSW (34%) and TAS (34%), with 17% of SMEs in TAS expecting to be ‘significantly’ impacted.

By region, the highest number of SMEs expecting to be impacted in the next 3 (71%) and 12 (67%) months are in major regional cities. But the number expecting to be impacted ‘moderately’ or ‘significantly’ falls from 38% in the next 3 months to 30% in the next 12 months.

EXTENT BUSHFIRES WILL DIRECTLY OR INDIRECTLY IMPACT BUSINESS IN NEXT 3M



EXTENT BUSHFIRES WILL DIRECTLY OR INDIRECTLY IMPACT BUSINESS IN NEXT 12M

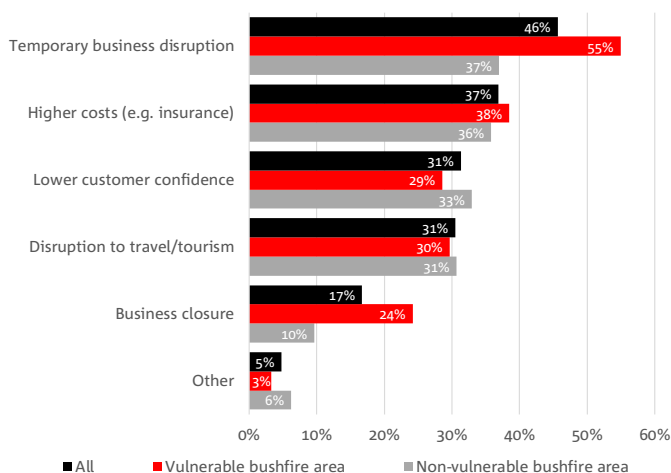


By industry, the highest number of SMEs overall who expect their businesses to continue being impacted by the bushfires in the next 3 months operate in Utilities (81%) and Wholesale Trade (79%). But firms operating in Transport/Storage (75%), Agriculture (74%) lead the way in 12 months' time.

When looking at SMEs who expect to be 'moderately' or 'significantly' impacted in the next 3 months, the highest number operate in the Utilities (63%), Manufacturing (45%), Wholesale Trade (41%) and Construction (41%) industries. In the next 12 months, they are in the Utilities (45%) and Manufacturing (42%) sectors.

The highest number of SMEs who expect to be 'significantly' impacted in the next 3 months are in the Transport/Storage (19%), Utilities (18%), Construction (15%) and Mining (12%) industries. In 12 months' time, the hardest hit are expected to be in Manufacturing (14%) and Agriculture (11%).

HOW HAVE OR WILL THE BUSHFIRES IMPACT YOUR BUSINESS?



Almost 1 in 2 (46%) SMEs impacted by the bushfires said their business suffered temporary disruptions, although this impacted far more SMEs located in vulnerable bushfire areas (55%) than in non-vulnerable areas (37%).

The next most common impact was from higher costs such as insurance (37%), lower customer confidence (31%) and disruption to travel or tourism (31%). These impacts were identified by a broadly similar number of SMEs in vulnerable and non-vulnerable bushfire areas.

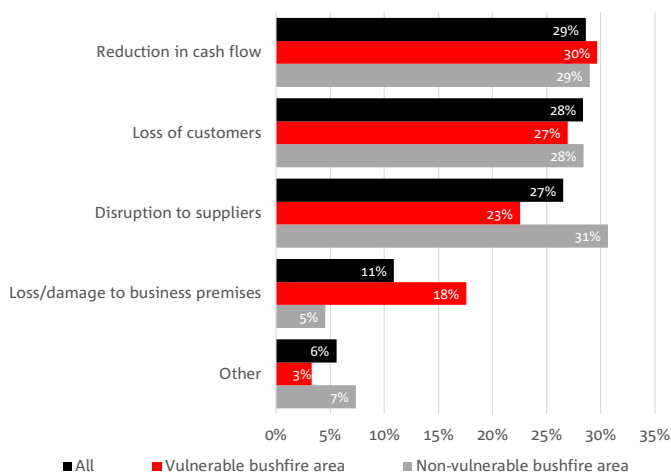
Around 17% of SMEs overall closed their business, but this number climbed to 24% of SMEs located in vulnerable bushfire areas, compared to just 10% in non-vulnerable areas.

The table below shows how businesses were impacted by state, region and industry.

BUSINESS IMPACTS BY STATE, REGION & INDUSTRY

	Temporary business disruption	Higher costs (e.g. insurance)	Lower customer confidence	Disruption to travel/tourism	Business closure	Other
All	46%	37%	31%	31%	17%	5%
Vulnerable bushfire area	55%	38%	29%	30%	24%	3%
Non-vulnerable bushfire area	37%	36%	33%	31%	10%	6%
NSW	51%	43%	31%	33%	15%	5%
VIC	42%	33%	31%	29%	20%	3%
QLD	45%	30%	28%	30%	19%	8%
SA	42%	37%	39%	37%	11%	5%
WA	47%	32%	26%	24%	21%	6%
TAS	20%	80%	40%	0%	0%	0%
City	45%	35%	30%	31%	16%	5%
Regional	47%	39%	33%	32%	24%	1%
Rural/Bush	47%	40%	34%	23%	9%	9%
Agriculture	50%	36%	36%	36%	21%	0%
Mining	64%	43%	29%	7%	21%	0%
Manufacturing	45%	14%	27%	9%	14%	23%
Construction	40%	38%	33%	14%	24%	0%
Retail	43%	40%	38%	39%	11%	6%
Wholesale	54%	63%	25%	29%	29%	0%
Transport/Storage	33%	33%	0%	50%	17%	0%
Finance, Business & Prop. Serv.	51%	42%	36%	20%	16%	7%
Recreation & Personal Serv.	45%	32%	29%	45%	10%	0%
Acoma., Cafes, Rest. & Clubs	35%	27%	30%	57%	14%	3%
Utilities	78%	22%	22%	44%	22%	0%
Telecoms	38%	38%	38%	25%	13%	25%
Health	50%	33%	33%	0%	17%	0%
Education	29%	29%	14%	14%	29%	0%

WHAT HAS HAD THE MOST SIGNIFICANT IMPACT ON YOUR BUSINESS FROM THE BUSHFIRES?



Overall, around 3 in 10 of all SMEs said the most significant impact on their business from the bushfires was a reduction in cashflows (29%) and loss of customers (28%). They were also identified as having impacted by a broadly similar number of affected SMEs located in both vulnerable and non-vulnerable bushfire areas.

Disruption to suppliers had a significant impact on business according to 27% of SMEs overall. But disruption to supply chains was an issue for noticeably more bushfire impacted SMEs located in non-vulnerable bushfire areas (31%) than in vulnerable areas (23%).

Around 1 in 10 (11%) SMEs overall said they were significantly impacted by loss or damage to their business premises. However, this number climbed to almost 2 in 10 (18%) for SMEs located in vulnerable bushfire areas.

The table below shows how businesses were impacted by state, region and industry.

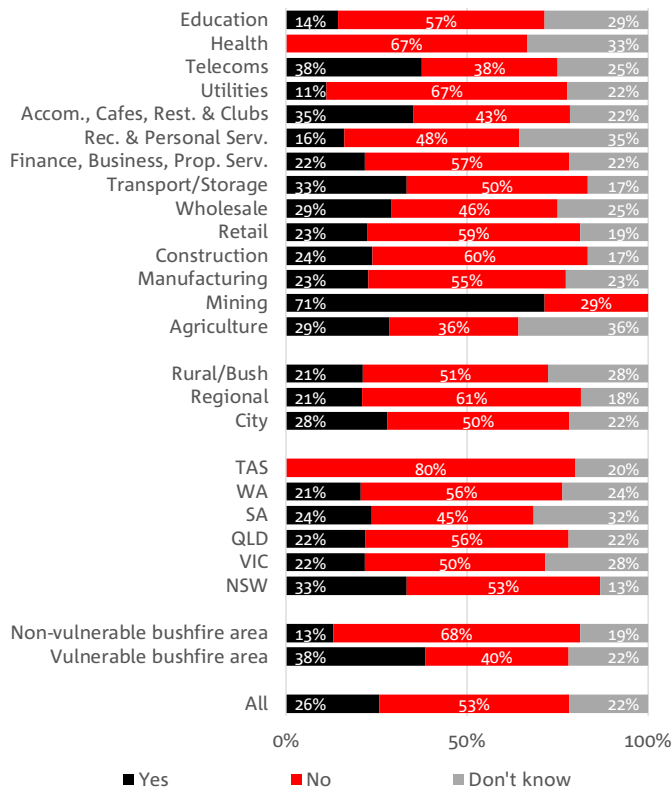
MOST SIGNIFICANT BUSINESS IMPACT BY STATE, REGION & INDUSTRY

	Reduction in cash flow	Loss of customers	Disruption to suppliers	Loss/damage to business premises	Other
All	29%	28%	27%	11%	6%
Vulnerable bushfire area	30%	27%	23%	18%	3%
Non-vulnerable bushfire area	29%	28%	31%	5%	7%
NSW	29%	26%	29%	6%	9%
VIC	25%	33%	23%	13%	6%
QLD	30%	31%	25%	13%	2%
SA	32%	21%	32%	13%	3%
WA	26%	26%	24%	18%	6%
TAS	40%	20%	40%	0%	0%
City	26%	27%	29%	12%	6%
Regional	26%	37%	28%	7%	3%
Rural/Bush	45%	23%	13%	13%	6%
Agriculture	7%	43%	21%	29%	0%
Mining	29%	21%	29%	14%	7%
Manufacturing	18%	18%	36%	14%	14%
Construction	33%	12%	38%	12%	5%
Retail	34%	25%	29%	10%	3%
Wholesale	33%	33%	29%	4%	0%
Transport/Storage	25%	25%	33%	17%	0%
Finance, Business & Property Services	30%	29%	22%	9%	10%
Recreation & Personal Services	26%	48%	13%	3%	10%
Accommodation, Cafes, Rest. & Clubs	30%	41%	14%	14%	3%
Utilities	22%	44%	22%	11%	0%
Telecoms	50%	0%	13%	13%	25%
Health	0%	17%	83%	0%	0%
Education	14%	14%	43%	29%	0%

In other key take outs, noticeably more SMEs in rural town were impacted by a reduction in cash flows (45%), and SMEs in major cities (29%) and regional cities (28%) by supply disruptions. A lot more SMEs in the Telecoms industry (50%) were impacted reduced cash flows, and SMEs in Recreation & Personal Services (48%), Utilities (44%), Agriculture (43%) and Accommodation, Cafes, Restaurants & Clubs (41%) by loss of customers. SMEs in Agriculture (29%) and Education (29%) were the most impacted by loss or damaged premises, and Health (83%), Construction (38%) and Manufacturing (36%) firms by supply disruptions.

PART 2: GOVERNMENT ASSISTANCE

DO YOU PLAN TO TAKE UP GOVERNMENT LOAN OFFER?



The Government has announced loans of up to 10 years of \$500,000 for businesses that have suffered significant asset loss or significant loss of revenue because of the bushfires.

At this stage, 1 in 4 (26%) surveyed SMEs who indicated that the bushfires had impacted their business plan to take up this loan offer. But there is considerable uncertainty at this stage, with 22% who don't know.

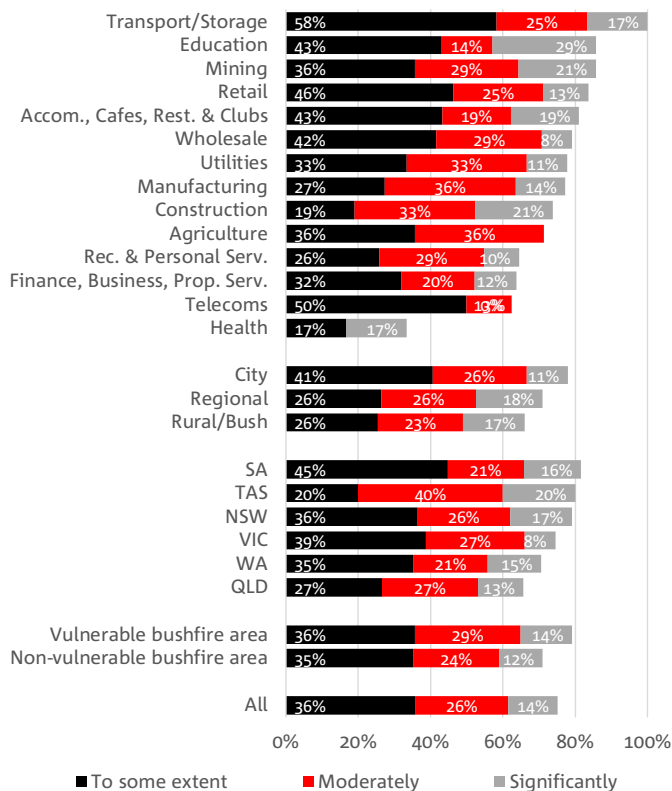
Take up is expected to be much higher in vulnerable bushfire areas, with almost 4 in 10 (38%) impacted SMEs indicating they would do so.

By state and region, take up is expected to be highest in NSW (33%), and by SMEs located in major capital cities (28%).

By industry, over 7 in 10 (71%) impacted SMEs in the Mining industry plan to take up the loan offer, followed by firms in the Telecoms (38%) and Accommodation, Cafes, Restaurants & Clubs (35%) industries.

SMEs operating in the Health sector, were the least inclined to take up the loan offer (0%), followed by firms in the Utilities (11%) and Recreation & Personal Services (16%). industries.

EXTENT GOVERNMENT LOAN COULD HELP BUSINESS OFFSET BUSHFIRE IMPACTS?



The survey reveals that 3 in 4 (74%) SMEs believe this loan could help their business offset some of the impacts of the bushfires, with 14% thinking they will help "significantly".

SMEs in vulnerable bushfire areas are somewhat more positive overall (79%) than those not located in these areas (71%).

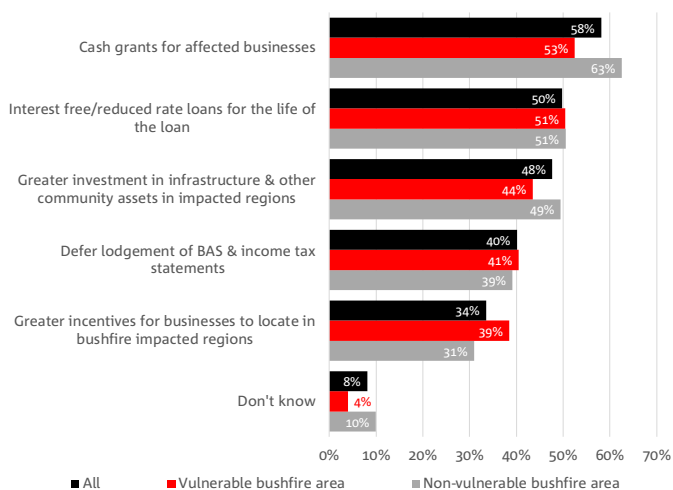
By region, SMEs located in major capital cities are the most positive overall (78%) that the loans will help them, and those in rural areas the least optimistic (66%).

By state, SMEs in SA are the most optimistic overall (82%) and those in QLD the least optimistic (65%). It is also apparent far fewer SMEs located in VIC (8%) said these loans would help 'significantly' than in any other state.

By industry, SMEs in Transport/Storage were the most positive overall (100%), followed by Education (86%), Mining (86%), and Retail (84%). Businesses in the Health sector (34%) were by far the least positive.

SMEs in the Education (29%), Construction (21%) and Mining (21%) were the most positive that this loan would 'significantly' help their business offset some of the impacts of the bushfires.

WHICH SHOULD THE GOVERNMENT DO TO MOST HELP BUSHFIRE IMPACTED BUSINESSES?



We asked SMEs what they thought Governments should do that would most help businesses impacted by the bushfires.

Almost 6 in 10 (58%) said cash grants for affected businesses would help most, although more SMEs in non-vulnerable bushfire areas (63%) thought so than in vulnerable areas (53%).

Around 1 in 2 businesses said interest free or reduced rate loans for the life of the loan (50%) or greater investment in infrastructure and other community assets (48%) would help most, and 4 in 10 (40%) deferred BAS and income tax statements. SMEs in vulnerable and non-vulnerable bushfire areas were in broad agreement.

Greater incentives for businesses to locate in bushfire impacted areas were highlighted by 34% of all SMEs, but by 39% of SMEs in bushfire vulnerable areas, compared to 31% in non-vulnerable areas.

The table below shows responses by state, region and industry and highlights key areas of difference.

WHAT SHOULD GOVERNMENTS DO TO HELP BUSINESS BY STATE, REGION & INDUSTRY

	Interest free/reduced rate loans for the life of the loan	Defer lodgement of BAS & income tax statements	Greater investment in infrastructure & other community assets in impacted regions	Cash grants for affected businesses	Greater incentives for businesses to locate in bushfire impacted regions
All	50%	40%	48%	58%	34%
Vulnerable bushfire area	51%	41%	44%	53%	39%
Non-vulnerable bushfire area	51%	39%	49%	63%	31%
NSW	52%	38%	51%	56%	36%
VIC	45%	37%	42%	62%	28%
QLD	45%	45%	52%	60%	32%
SA	51%	43%	37%	49%	35%
WA	62%	47%	56%	53%	44%
TAS	83%	17%	50%	100%	50%
City	46%	37%	47%	53%	34%
Regional	59%	44%	47%	69%	35%
Rural/Bush	57%	49%	50%	71%	29%
Agriculture	58%	26%	42%	68%	37%
Mining	65%	41%	35%	35%	41%
Manufacturing	55%	41%	59%	38%	31%
Construction	44%	41%	44%	56%	44%
Retail	60%	41%	43%	64%	41%
Wholesale	52%	38%	31%	52%	38%
Transport/Storage	56%	38%	31%	63%	25%
Finance, Business, Prop. Serv.	36%	39%	59%	58%	27%
Rec. & Personal Serv.	55%	39%	53%	67%	14%
Accom., Cafes, Rest. & Clubs	54%	42%	50%	67%	29%
Utilities	27%	45%	64%	45%	36%
Telecoms	25%	25%	50%	50%	25%
Health	33%	33%	67%	42%	67%
Education	58%	67%	17%	67%	33%

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