



Hnry Sole Trader Pulse

Australia

June 2022



Key talking points

- Sole traders are a large part of the Australian economy who are **self-employed by choice**, with 63% noting that they made a conscious decision to become self-employed. Sole traders most value the **flexibility in how they do their work** and the **control over their business** that being a sole trader gives them
- Sole traders are **better off financially than at 6 months** ago after lockdowns eased, with 56% reporting higher income than the previous quarter. Tradies were the profession with the highest proportion of sole traders reporting higher income than the previous quarter, at 64%.
- However, they are **concerned about the economic outlook in the coming months**, reporting an 11% decline in their sentiment on future business and economic conditions. In response to this, 82% of sole traders reported that they were trying to avoid taking on any additional debt, while 72% reported that they were now paying more for supplies and services than they were three months ago, while most sole traders (68%) are actively seeking to cut business costs.
- There is a **strong desire for sole traders to grow** their businesses, with 65% reporting they want to grow their business in the next 1-2 years. Of all the factors limiting growth, government factors were rated the highest to be the most significant impacts to growth, with 34% noting this.
- As we move into the end of financial year, **tax and financial administration is still a key burden** for sole traders, as they are spending an average of 7 hrs and \$400 managing tax and financial admin every week. Cumulatively, this represents over 10 million hours lost every week on tax and financial admin, and **over \$28 billion in lost productivity for Australian sole traders every year**.



How the Hnry Sole Trader Pulse was conducted

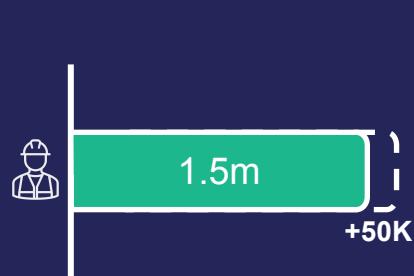
An independent poll was conducted by Resolve Strategic™ between 13th – 17th June 2022, just before the end of the financial year.

- The survey polled 505 sole traders (excluding those trading as companies) across Australia, with a maximum error margin of +/-4.4%.
- The poll was conducted online via reputable business and general population panels, with respondents screened to ensure they are sole traders (including contractors, consultants, freelancers, gig economy workers, tradies, etc.).
- A representative sample by age, sex, area and tenure when compared to known population parameters using minimum quotas and/or weighting where required.
- In this track the poll also asked a series of ad hoc questions about the change of government, inflation concerns and responses, inhibitors to growth and comfort with managing financial and tax affairs and preparation for EOFY, but is otherwise comparable with previous polling and results in AU



Sole traders are Australia's fastest growing segment

There are **1.5 million sole traders** in Australia, growing at **50,000 per year** making it the largest and fastest growing segment of the Australian economy



Sole Traders are a large and diverse group, comprising freelancers, contractors, tradies, gig workers and health and wellness professionals - **over 40%** of whom have **more than one job**



Sole traders **contribute over \$90B** to Australia's GDP¹ per annum

Sole traders are spending over **10 million hours every week** on tax and financial admin. That represents **\$28 billion in lost productivity every year**. As such they are turning to tools and services (such as Hnry) that help to ease that burden



Notes: (1) Based on the median earnings of owner managers of incorporated enterprises. Source: ABS: Counts of Australian Businesses, including Entries and Exits, June 2017 to June 2021, Characteristics of Employment, Australia, August 2020

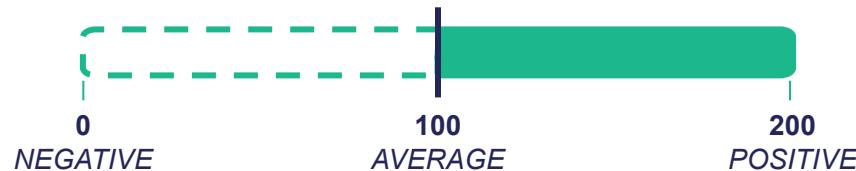
How the Hnry Sole Trader Pulse works

The questionnaire employs several core questions asked in every track, notably:

- A pulse figure of sole trader sentiment, with 100 being 'average', 0 'negative' and 200 'positive', that can be tracked over time and broken down by sole trader groups. It is calculated using 12 variables, each grouped into current / future business performance, personal factors, business / economic conditions, and past business performance (using an average weighted in descending order).
- A series of attributes, such as sex, age, area, tenure, turnover, industry and whether have another job.

The headline measures include:

- Past financial performance: A combination of sole traders' financial performance in the last 12 months and the last quarter
- Current/future financial performance: A combination of sole traders' financial performance right now and expectations for financial performance in the next quarter and the next year
- Economic conditions: A combination of sole traders' perspective on business conditions right now, economic conditions right now and expected economic conditions in 6 months
- Personal conditions: A combination of sole traders' personal satisfaction, mental well-being, work life balance and degree of freedom

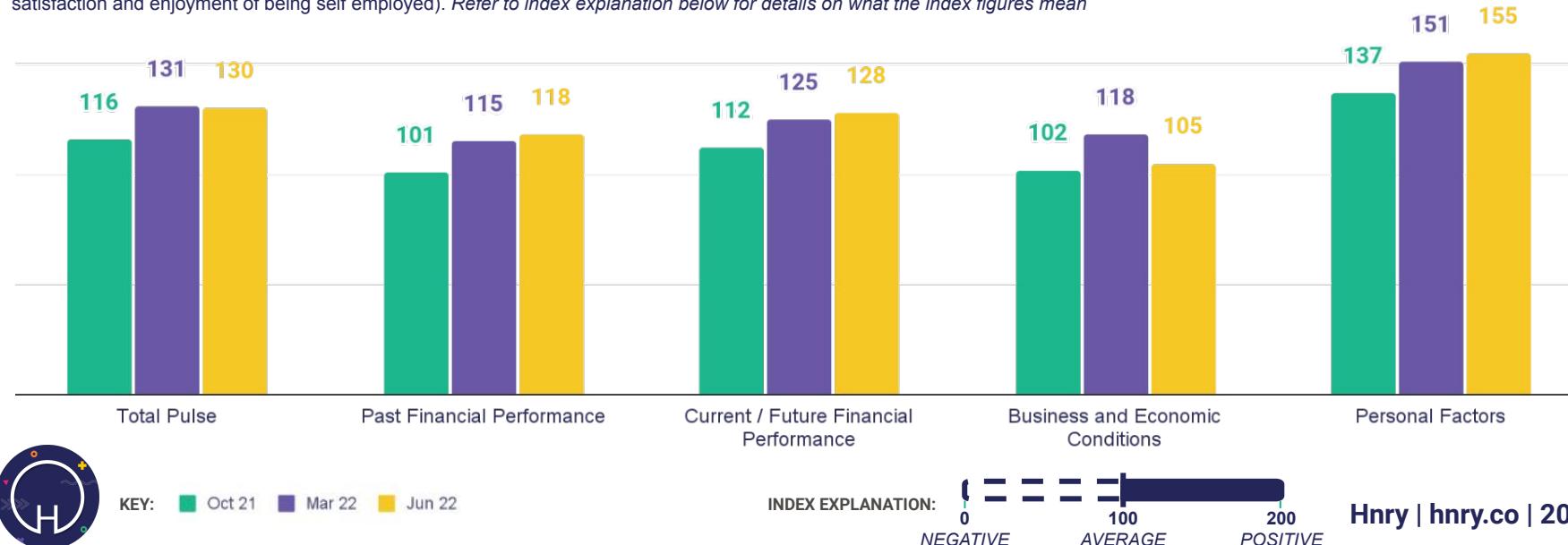


Overview of Hnry Sole Trader Pulse results

In March 2022 we found significant improvements in sole sentiment in many areas, reflecting the easing of COVID restrictions. This has resulted in improved financial performance ratings for June 2022, however, confidence in business and economic conditions has waned (likely due to inflation, interest rates and market conditions such as supply chain issues). Positively, this has yet to impact personal factors or the overall index

Sole Trader Sentiment: Overall Index

Chart: Sole trader sentiment towards financial performance, economic conditions and personal factors (including wellbeing, work-life balance and personal satisfaction and enjoyment of being self employed). Refer to *index explanation below* for details on what the index figures mean

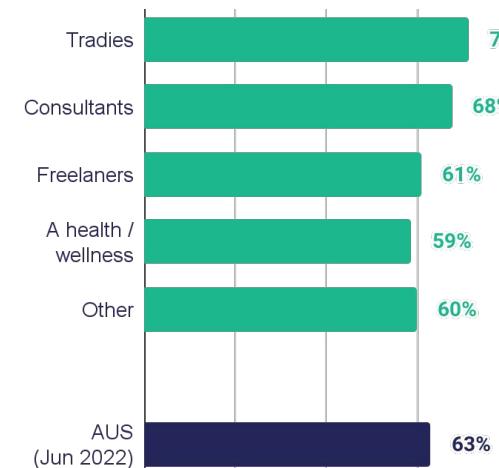


Australians love the benefits of self employment

Almost two thirds (63%) of sole traders report that it was a conscious decision to avoid larger companies and organisations when they started their sole trader business. Sole traders most value the flexibility in how they do their work and the control over their business that being a sole trader gives them

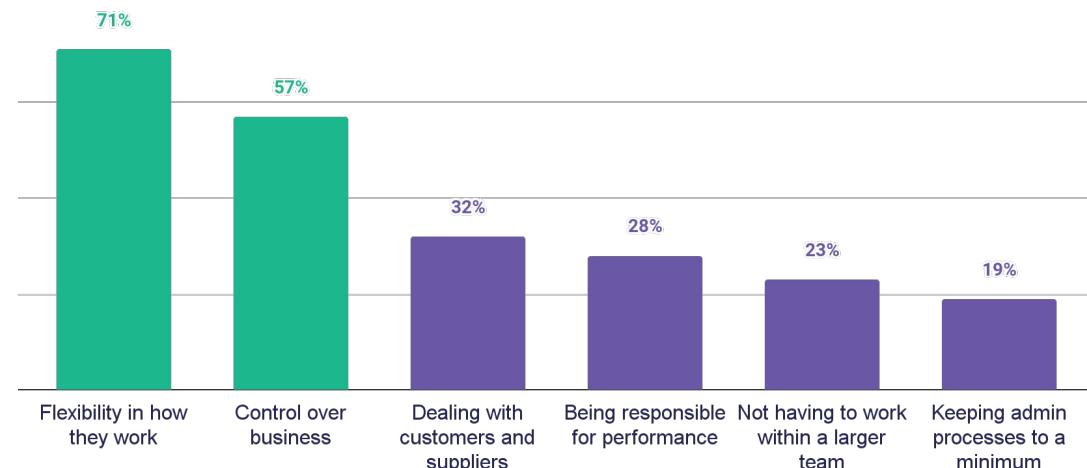
Self Employment Preference Among Sole Traders

Chart: Proportion of sole traders that reported that they had made a conscious decision to be self employed and avoid a larger company



Value Aspects of Being Sole Traders

Chart: Proportion of sole traders that reported that the following aspects were what they value most about being a sole trader over working for a larger organisation

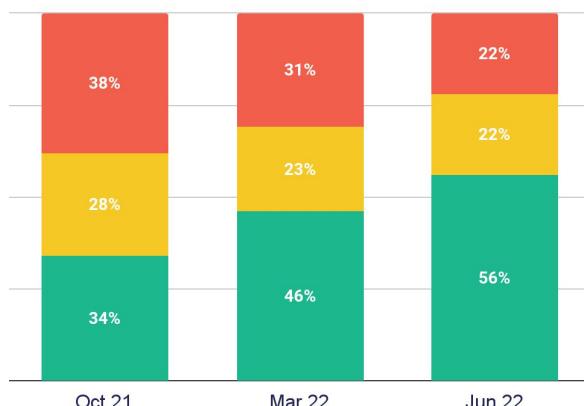


Financial performance has continued to improve

On average, sole traders are better off financially than at 6 months ago after lockdowns eased, with 56% reporting higher income than the previous quarter, compared to 46% in March 2022 and only 34% in October 2021. Tradies were the profession with the highest proportion of sole traders reporting increased income compared with the previous quarter, with 64% noting that their income was higher than that of the previous quarter

Financial Performance: Quarterly Income Change

Chart: Proportion of sole traders that noted income was 'higher' 'lower' or 'about the same' as the previous quarter



KEY: ■ Lower ■ About the Same ■ Higher

Financial Performance: By Profession

Chart: Proportion of sole traders that noted income was 'higher' than the previous quarter, by profession



However, sole traders are concerned about the future

Sole traders are concerned about Australia's economic outlook and their growth prospects, which are being inhibited by factors such as rising costs and supply chain issues, government and other external inhibitors of growth and the amount of time and money they're spending on tax & financial admin



Inflation concerns

82% of sole traders reported that they were trying to avoid taking on any additional debt, while 72% reported that they were now paying more for supplies and services



External factors inhibiting growth

34% of sole traders reported that government factors (e.g. regulation) were inhibiting growth, while 27% said that supply chain issues were inhibiting their growth



Tax and financial admin burden

Sole traders are spending an average of 7 hrs managing tax and financial admin. This represents over \$28 billion in lost productivity for Australian sole traders every year¹



Notes: (1) Based on average sole trader income data from Sole Trader Pulse. Assumes 45 hour working week.

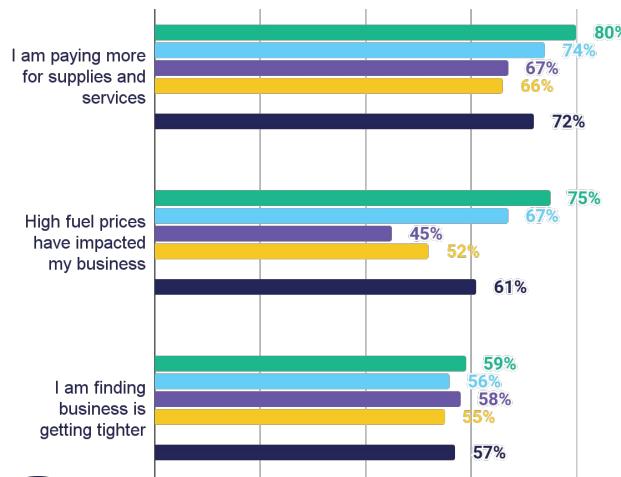


Inflation is a key concern for sole traders

Sole traders are being very concerned about inflationary pressures and are experiencing significant impacts and responding accordingly. Their key areas of impact are higher costs for supplies and services, higher fuel prices and tightening business conditions, while they are responding by avoiding taking on debt, paying themselves more, cutting costs and increasing their prices

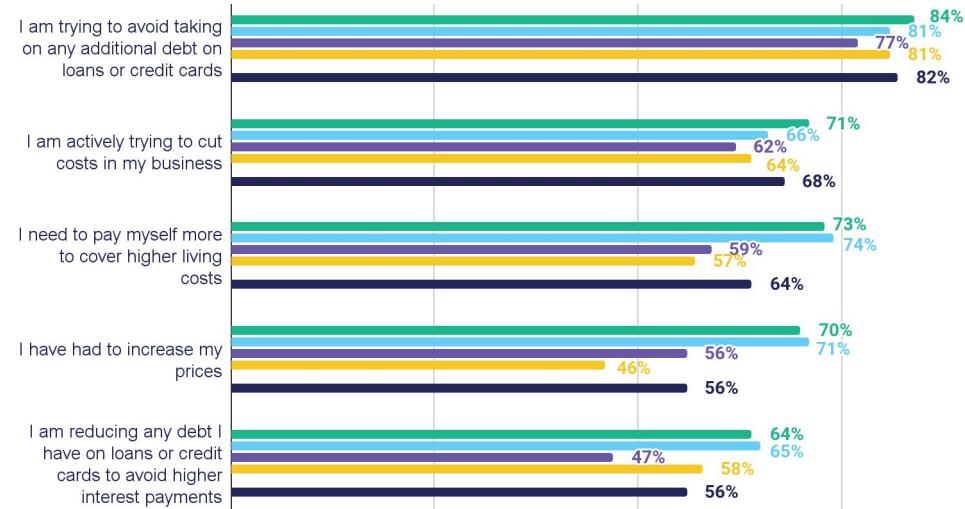
Inflation Impacts on Sole Traders

Chart: Proportion of sole traders that said 'yes' to being affected to effects of inflation



Inflation Responses by Sole Traders

Chart: Proportion of sole traders that said 'yes' to undertaking the following actions in response to inflationary pressures



KEY: Tradies Health & Wellness Freelancers Consultants AUS (Jun 2022)

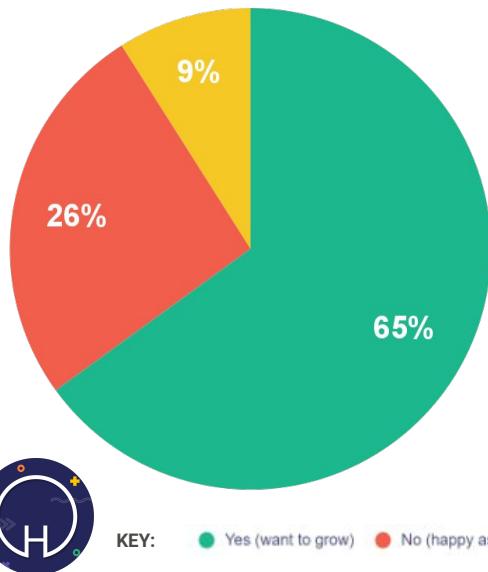


Government limitations have also impeded growth

There is a strong desire for sole traders to grow themselves. 65% of sole traders reported that they want to grow their business in the next 1-2 years. Of all the factors limiting growth, government impacts were rated to be the most significant impacts to growth across sole traders, with 34% noting that government impacts were key inhibitors to growth, followed by supply chain issues, at 27%

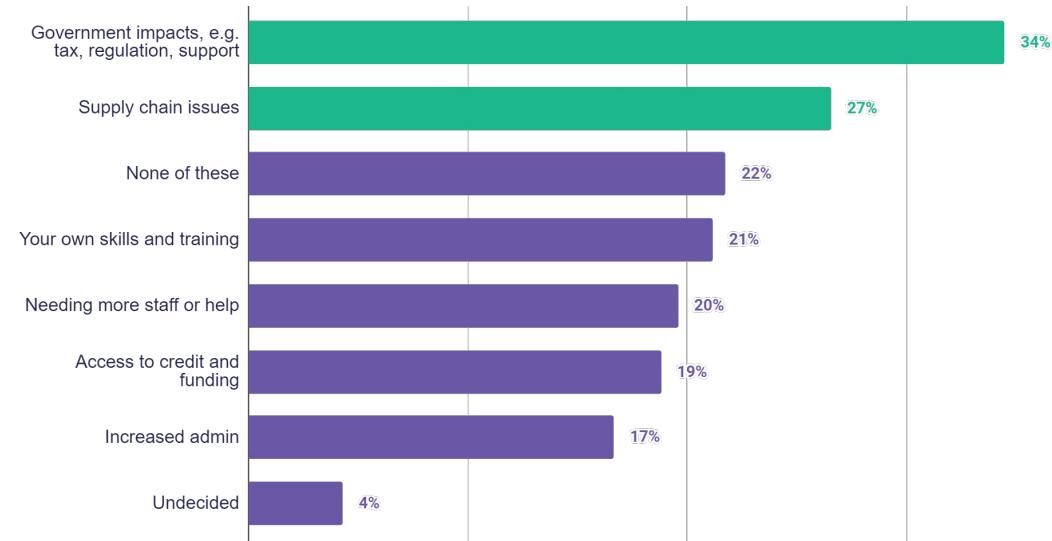
Sole Trader Desire for Growth

Chart: Proportion of sole traders that noted they want to either grow, or not grow their business in the next 1-2 years



Factors Limiting Growth for Sole Traders

Chart: Proportion of sole traders that replied 'yes' to being affected to the following growth limitations



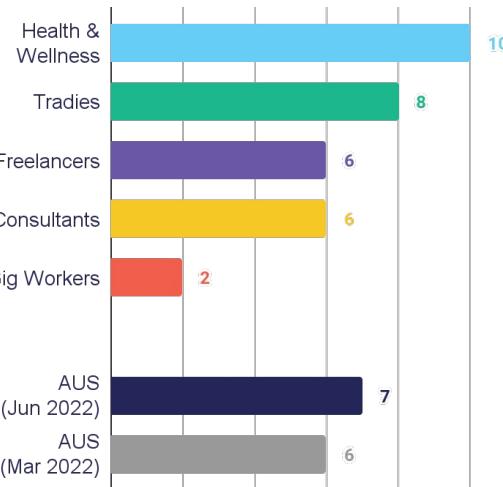


Tax and financial admin is still a significant time burden...

Sole traders are spending an average of 7 hrs managing tax and financial admin every week. This represents over \$28 billion in lost productivity for Australian sole traders every year. In the lead up to EOFY, they are spending upwards of 13 hours preparing for the end of financial year. Tradies spent the most amount of time preparing for EOFY, 23 hours, almost double that of the time spent by sole traders of other professions

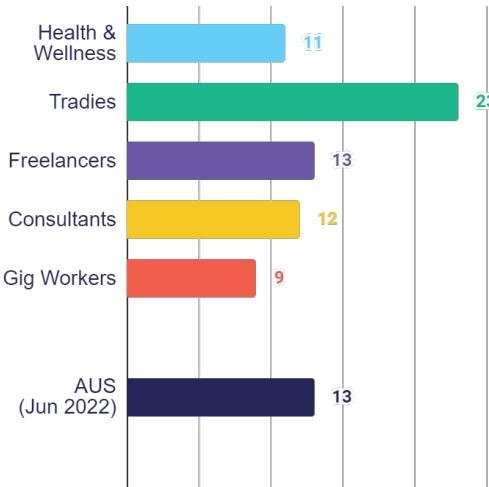
Time spent managing tax and financial admin

Chart: Hours spent on tax & financial admin per week



Time spent preparing for EOFY

Chart: Hours spent on preparing for EOFY



Over \$28B

In lost economy productivity as a result of time spent by sole traders managing their tax and financial administration¹



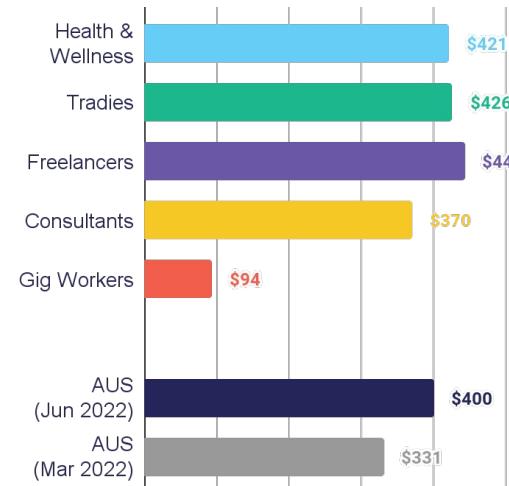


... and increasingly still expensive

Sole traders are spending an average of \$400 managing tax and financial admin every month, a significant increase from the previous Sole Trader Pulse conducted in March this year, in which the figure was \$331 per week. In the lead up to EOFY, sole traders are spending over \$1,000 on average to prepare their tax and other financial admin

Cost of managing tax and financial admin

Chart: Amount (\$) spent on tax & financial admin per week



Cost of preparing for EOFY

Chart: Amount (\$) spent on preparing for EOFY



About Hnry



Pictured [L to R]: **Karan Anand** (Managing Director, Australia), **James Fuller** (CEO) and **Claire Fuller** (COO)

Hnry provides an all-in-one digital accounting service for contractors, freelancers, sole traders and the self-employed, allowing them to focus on getting the job done and never having to think about tax and compliance again. As Australasia's fastest-growing accountancy, Hnry takes care of invoicing, expenses, payments, taxes and filings in an affordable, pay-as-you-go model, as well as providing expert, on-demand support.

Founded in Wellington in 2017, Hnry has experienced record growth and now helps more than 15,000 self-employed people in both New Zealand and Australia. Hnry has continued to win awards and accolades, including 'Emerging Service of the Year' at the 2019 Wellington Gold Awards, being named a finalist for 'Hi-Tech Service of the Year' at the 2019 NZ Hi-Tech Awards, and winning 'Supporting Gold' at the 2020 Wellington Gold Awards. The company is currently a finalist for 'Hi-Tech Service of the Year' at the 2022 NZ Hi-Tech Awards, as well as winners of the People's Choice Award for 'Fintech Organisation of the Year' at the 2022 FinTech Australia 'Finnies' Awards.

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