

# Henry Sole Trader Pulse

Australia

June 2023



# How the Henry Sole Trader Pulse was conducted

Henry commissioned Resolve Strategic to conduct polling to measure and regularly track the sentiment, views and experiences of sole traders in Australia and New Zealand. This report contains the results of the latest pulse in Australia, with methodology and topics as follows:

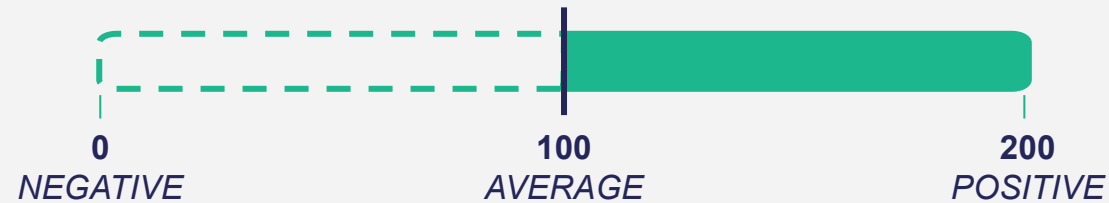
This Pulse was conducted between 19th - 25th June 2023.

- The survey polled 504 sole traders 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 pulse the poll also asked a series of ad hoc questions about the end of financial year, inflation and interest rates, the ability to secure funding, expenses, assistance with tax and financial affairs.

# How the Henry 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

# June 2023 Sole Trader Pulse Overview - AU

	TOTAL	INDUSTRY					BUSINESS TENURE			GENDER	
	Index Result	Tradie	Freelancer / Creative	Consultant	Health / Wellness	Others	< 2 years	3-10 years	11+ years	Males	Females
<b>Past Financial Performance</b>	120	115	116	123	130	122	106	124	124	123	121
Financial Performance - Last 12 Months	122	112	119	125	133	125	105	127	127	124	123
Financial Performance - Last Quarter	118	119	112	120	126	119	108	121	122	122	118
<b>Current / Future Financial Performance</b>	127	124	124	133	132	127	115	131	131	132	128
Financial Performance Right Now	123	118	119	128	129	123	105	128	128	127	120
Financial Performance Next Quarter	128	129	121	139	134	124	116	133	131	133	131
Financial Performance Next Year	131	125	132	134	132	135	125	131	134	136	131
<b>Business &amp; Economic Conditions</b>	100	105	94	106	94	102	97	110	95	103	101
Business Conditions Right Now	119	122	117	118	123	121	112	127	117	119	122
Health of the Economy Right Now	87	85	81	95	79	92	85	98	81	91	86
Health of the Economy in 6 Months	95	108	83	105	81	92	96	105	87	101	94
<b>Personal Factors</b>	151	137	147	165	149	152	131	153	160	154	151
Personal Satisfaction and Enjoyment	146	137	143	155	140	152	127	144	156	151	148
Wellbeing	143	129	138	153	145	145	131	141	151	145	141
Work-life balance	146	130	144	158	142	151	120	148	158	152	144
Degree of Freedom	165	151	159	182	161	161	143	169	172	165	169
<b>Total Index</b>	<b>128</b>	<b>123</b>	<b>124</b>	<b>136</b>	<b>129</b>	<b>129</b>	<b>116</b>	<b>132</b>	<b>132</b>	<b>132</b>	<b>129</b>

# Executive Summary (1/3)

- **For the first time since COVID, we are seeing a decline in total Sole Trader sentiment**
  - In the past Sole Trader Pulses, we saw total index scores improve after the lifting of the most serious COVID measures in early 2022 and, in general, continued to slowly and steadily improve until early 2023. However, in this latest pulse we find they have tended to drop back to levels last seen one year ago, i.e. EOFY 2021-22.
  - The largest drops for sole traders in this pulse relate to past and current financial performance of their business, as well as current economic conditions. This indicates that sole traders are assessing business performance at EOFY 2022-23 and finding it declining, with inflation and spending likely playing a part, and economic pessimism to a lesser degree at this stage.
- **Those new to sole trading are suffering most. Despite the impact of this on personal factors, there is no sign of a desire to cease self employment**
  - The variations among different industries have largely evened out in this pulse, instead it appears that younger sole trading businesses (some of which may be very new given a rise in the number of respondents putting themselves in this category) are suffering most. These businesses may simply be more vulnerable with more recent set-up investments, a less loyal clientele, etc.
  - Correspondingly, it is the younger sole trading businesses that report lower detailed performance and, critically, lower personal enjoyment and well-being ratings as a result. More established sole traders are the most positive on those same scores.
  - In another sign of sole traders' resilience and the personal fulfillment they seem to derive from being self-employed, a clear majority (75%) would rather remain as they are than work for someone else.
- **Sole trader QoQ earnings have continued to fall since they peaked in June 2022**
  - While there are more sole traders that have reported higher earnings in this quarter than those reporting lower earnings this quarter; 48% compared to 27%, we find that the proportion reporting greater earnings between this quarter and the last drops for the third pulse in row. For the first time since Oct 2021, fewer sole traders now report their turnover has increased in this latest quarter than remains the same or dropped.
  - Further, when we look at the raw figures these increases can sometimes be modest, even being below inflation, and with rising costs do not necessarily reflect increased profits.

# Executive Summary (2/3)

- **Inflation continues to be a significant impact on sole traders**
  - The lasting impact of inflation is also seen in this pulse, with the vast majority of sole traders reporting they are again being affected by higher prices and are taking action to try to cope.
  - Impacts and responses of note include: 82% of sole traders avoiding taking on additional debt, 75% are paying more for supplies and services and paying themselves more to cover living costs. These pressures and reactions are on the increase, perhaps indicating that the situation is worsening as interest rates and energy prices continue to climb.
- **Sole traders are exhausting responses to the impacts of inflation, resulting in a squeeze that is impacting their wellbeing**
  - Only a minority (28%) are able to tackle inflation by working more hours, winning more business or charging more. A majority (56%) did so a year ago, but since then only around a quarter of sole traders report they have such freedom in each subsequent pulse.
  - When a majority are cutting costs, making savings and eating into margins and savings, this is clear evidence that sole traders are being squeezed (despite higher turnover 'on paper').
  - Very similar numbers to the last pulse reported difficulties in securing funding, with 23% reporting this. Women are almost twice as likely to report having trouble securing credit and funds than their male counterparts; 33% compared to only 18% of males who said the same thing.
  - Sadly, almost half (43%) of all sole traders are reporting that their mental health has suffered as a result of all of these impacts.
- **Management of their tax and financial admin affairs is a significant cost and time burden for sole traders, particularly in the lead up to EOFY**
  - Sole traders now report spending an average of 8 hours a week and \$348 a month on their financial and tax affairs, with a modest increase in both since the March survey likely a result of the EOFY and the rising costs being charged for assistance with these affairs.
  - While the cost incurred in preparing for EOFY has slightly dropped, it is still three times that of the usual month cost for tax and financial affairs (\$894) and the time incurred equates to two full days labour, even with professional assistance.

# Executive Summary (3/3)

- **Adding to this burden is the amount of allowable expenses that sole traders leave unclaimed**
  - 62% of sole traders incur non-billable business expenses, with this being surprisingly consistent across industries and assistance used. Only 60% of this group claim all those expenses back at tax time. A third knowingly claim some but not all and a further 6% claim none at all.
  - Similar to the figure in the last pulse, the average amount left unclaimed is \$5,635, which is not an insignificant amount when considering the financial pressures many sole traders are already under.
  - While this is estimated to be 20-25% of total expenses incurred, the fact that confusion is a major barrier to claiming may well mean that even those who believe they are claiming all correctly are not.

# 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 35,000 self-employed people in both New Zealand and Australia. Hnry has continued to win awards and accolades, including 2022 & 2023 Finder.com.au Best B2B Innovation and 2022 & 2023 Finnies People Choice Fintech of the year.

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