

BRISBANE PULSE SURVEY REPORT

DECEMBER QUARTER 2020



SUMMARY

The latest CCIQ Pulse Survey results have indicated another improvement building on the fragile recovery that is currently underway from the COVID-19 economic crisis. Improved trade conditions drove business success across the region during the Christmas/ New Year holidays as households across Australia shift expenditure toward discretionary sectors of the economy. Additionally, the staged easing of restrictions and announcement of a COVID-19 vaccine provided businesses with more confidence in leveraging activity during December and into the New Year.

However, business vulnerability under COVID-19 is continuing with hot spot border closures and restrictions remaining in place. For example, the three-day lockdown between the 9th and 11th of January in Brisbane impacted business confidence and reminded us how the economy continues to be exposed to COVID-19. The impact of the lockdown is estimated to have reduced March quarter forecasts for the business conditions (-2.2 points), total sales (-2.7 points) and profitability indexes (-1.6 points). Looking to the New Year, it has been made clear that a sustained recovery will largely depend upon the economy's true state following the removal of stimulus payments amid ongoing COVID-19 restrictions.

KEY FINDINGS

- 1 The Pulse Business Index (PBI) improved for the next 12 months and across all performance indicators
- 2 Two in five business respondents reported improved sales and revenue during the December quarter
- 3 A greater majority of businesses in Brisbane are still reporting weaker profitability levels
- 4 Nearly one-half of businesses anticipate no change to general business conditions in the New Year

KEY THEMES

- 1 Businesses are becoming more optimistic that the worst of the COVID-19 health crisis has passed
- 2 A COVID-19 vaccine will lead to more sustainable business conditions
- 3 A shift from interstate and overseas holiday spending to other areas is supporting economic activity
- 4 Further recovery is contingent upon keeping a lid on COVID-19 and border closures in 2021



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

DECEMBER QUARTER SENTIMENT

Brisbane

50.7 Queensland
50.0

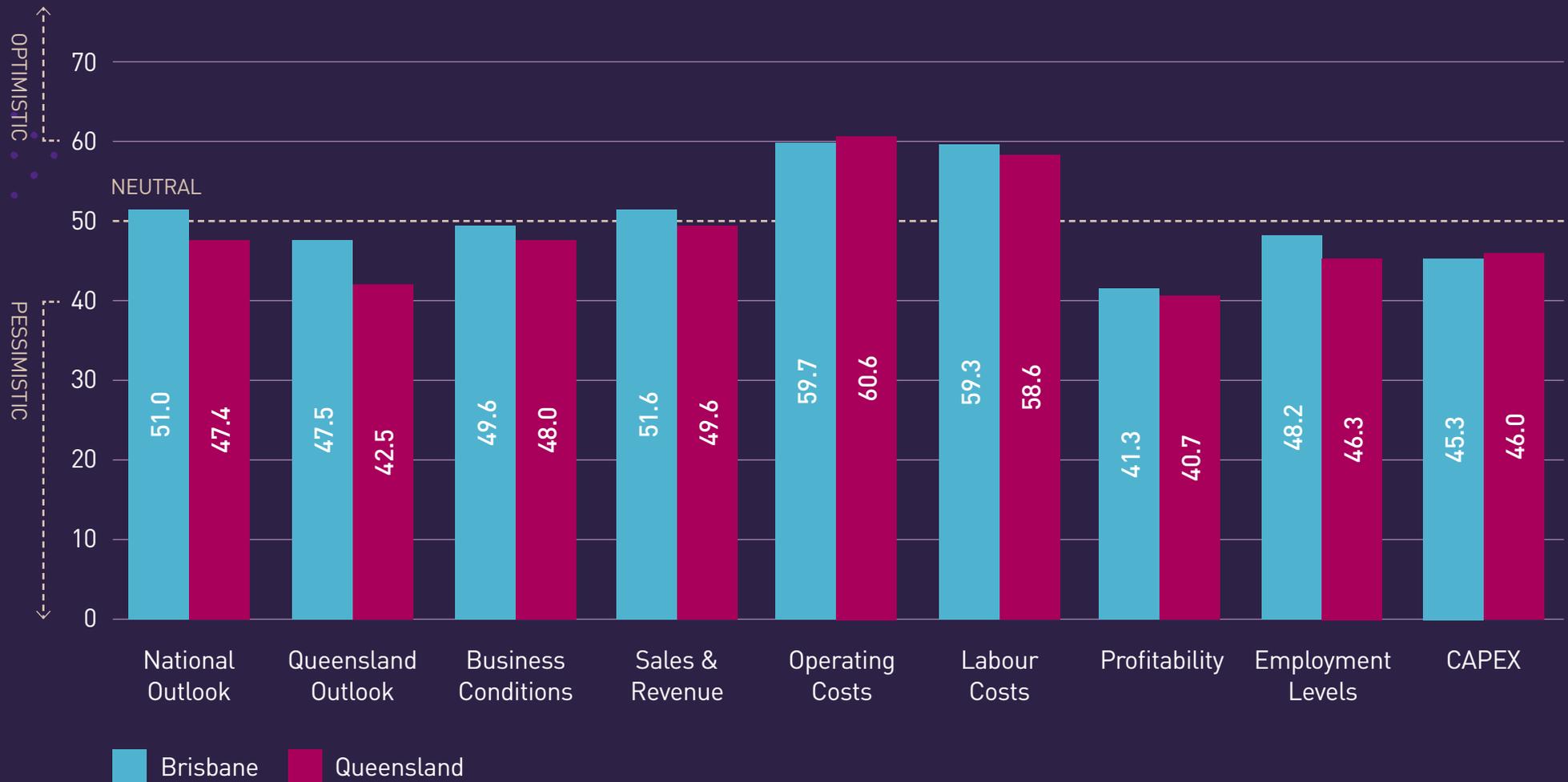
MARCH QUARTER FORECAST

Brisbane

50.8 Queensland
50.3

SNAPSHOT DATA

BRISBANE PULSE SURVEY INDEX* RATINGS DECEMBER 2020



Survey Index Ratings: Very Poor = 0-19 points / Poor = 20-39 points / Satisfactory = 40-59 points / Good = 60-79 points / Excellent = 80-100 points

12-MONTH OUTLOOK



PULSE SURVEY INDEX

Queensland Outlook = **47.5** (+12.8); Satisfactory
National Outlook = **51.0** (+15.0); Satisfactory

Business confidence in the Queensland and National economic outlooks rose sharply in the December quarter. The PBI improved by 12.8 and 15.0 points respectively for the Queensland and Australian economies. Both indexes are now reporting a satisfactory 12-month outlook. The growing level of optimism reflects further easings of social distancing restrictions and a shift in household consumption benefiting discretionary sectors of the economy. The positive outlook was also supported by the recently announced COVID-19 vaccine, which will become available during the March quarter (2021). Otherwise, businesses continue to be more confident in the future performance of the national economy, reflecting Queensland's exposure to ongoing disruptions to international tourism and global trade.

SALES AND REVENUE

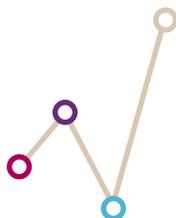


PULSE SURVEY INDEX

Dec-20 = **51.6** (+5.0); Satisfactory
Mar-21 = **52.3** (+0.7); Satisfactory

The trend of strengthening turnover continued in the December quarter following the index's collapse in early 2020. The PBI for sales and revenue gained an additional 5.0 points to 51.6 following a successful pre-Christmas and holiday trading period. This finding supports business feedback of a shift in regional travel and discretionary spending as international borders remain shut. The latest result is also the first time in 2020 that the index exceeded the neutral baseline (indicating improving conditions). Businesses anticipate a moderation in sales over the next three months with the PBI forecast to remain relatively flat (+0.7 points). This primarily reflects the consensus that trade will begin to normalise as stimulus support slows, and as seasonal spending patterns default to a more sustainable level.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Dec-20 = **49.6** (+10.1); Satisfactory
Mar-21 = **48.5** (-1.1); Satisfactory

General business conditions improved during the December quarter with respondents reporting positive seasonal activity. The PBI for operating conditions improved 10.1 points to a nearly perfectly neutral reading of 49.6. The latest result reflects the first satisfactory level in 2020 following the complete actioning of staged eased restrictions in Queensland. However, business conditions are forecast to fall in the March quarter (2021) reflecting the three-day lockdown in January, an end to the holiday period, and ongoing uncertainty concerning discontinued government support.

OPERATING COSTS

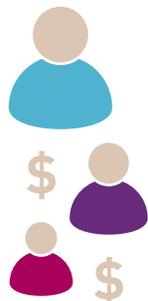


PULSE SURVEY INDEX

Dec-20 = **59.7** (+5.3); Satisfactory
Mar-21 = **59.7** (+0.0); Satisfactory

The PBI grew by 5.3 points to 59.7 after most businesses reported equal or greater operational costs such as insurance, rent and electricity. This result directly reflected the withdrawal of business cost relief measures and an ending of payment deferrals. The trend in growing costs is now on par with businesses elsewhere across the state. Entering into 2021, business costs are expected to remain unchanged in the March quarter, remaining 0.3 points below an index reading indicative of high business costs.

LABOUR COSTS



PULSE SURVEY INDEX

Dec-20 = **59.3** (+6.2); Satisfactory
Mar-21 = **60.1** (+0.8); High

Labour costs rose again during the December quarter for Brisbane businesses as restrictions eased and labour recovery continued. Driven by the growing proportion of businesses reporting stronger wages, the PBI climbed 6.2 points to 59.3. The increase in labour costs coincides with improved employment levels, and reduced JobKeeper payments commenced on the 28th of September (2020). Moving forward, businesses expect labour costs to increase only slightly to 60.1 points which is indicative of a high-cost burden. This almost certainly reflects the final revision to JobKeeper payments coming into effect on the 4th of January, before concluding in March (2021).



EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Dec-20 = **48.2** (+1.8); Satisfactory
Mar-21 = **50.7** (+2.5); Satisfactory
Brisbane unemployment (Dec-20) = **7.9%**

The Pulse Index for employment increased, reflecting seasonal employment and the continuing trend of businesses re-engaging stood down workers. The PBI grew by 1.8 points to 48.2, which is above the statewide average of 46.3 and is consistent with the regions falling unemployment rate of 7.9% (CONUS Staff Selection Unemployment). Businesses anticipate further improvements during the March quarter with the index expected to increase by another 2.5 points to 50.7. Qualitative evidence from businesses suggests that the PBI for employment levels will be challenged in the New Year following the conclusion of JobKeeper stimulus payments. Specifically, rising employment levels and a lower unemployment rate will only be possible if businesses continue to experience stronger sales and greater profitability.



PROFITABILITY



PULSE SURVEY INDEX

Dec-20 = **41.3** (+3.1); Satisfactory
Mar-21 = **43.3** (+2.0); Satisfactory

Profitability improved during the December quarter despite a greater majority of respondents still reporting weaker levels. The PBI jumped 3.1 points to 41.3, which is the first satisfactory result for 2020. Businesses said that a strong trading period, and support for the region during December was the primary reason why profits outperformed the Statewide results. The momentum of growing profitability is expected to continue with the PBI forecast improve to 43.3 in the New Year. It is worth noting that the forecast improvement for the March quarter fell following the three-day lockdown occurring during the survey period.



CAPITAL EXPENDITURE



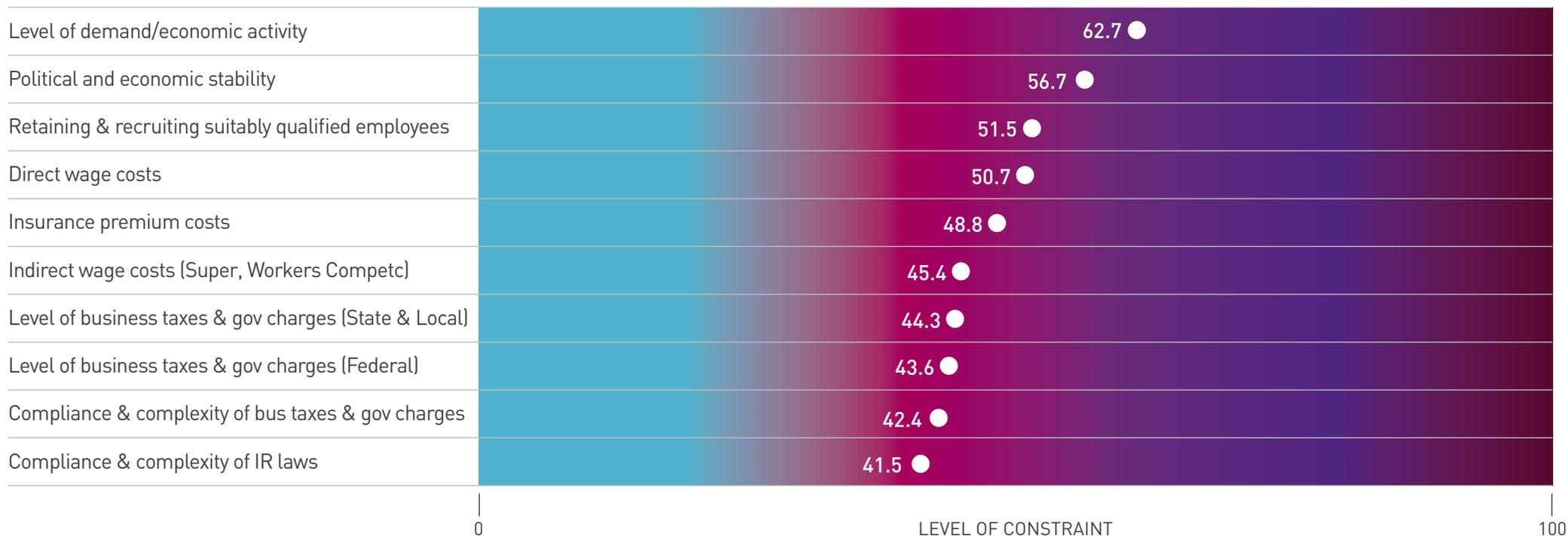
PULSE SURVEY INDEX

Dec-20 = **45.3** (+1.3); Satisfactory
Mar-21 = **44.2** (-1.1); Satisfactory

The trend of businesses deferring capital expenditure in the wake of the COVID-19 crisis eased during the December quarter. Instead, the PBI grew 1.3 points to 45.3 and indicated increasing capital expenditure by businesses across Brisbane. Encouraging capital investment is the historically low borrowing costs of 4.58% for outstanding small business finance and diversification efforts as the COVID-19 crisis transpires. Unfortunately, business investment is forecast to decrease in the March quarter. This finding reflects the ongoing vulnerability of the region to the impacts of COVID-19 as businesses focus on cost management efforts.



MAJOR CONSTRAINTS ON BUSINESS GROWTH



Degree of constraint index ratings guide: No constraint: **0-20** / Slight constraint: **21-40** / Moderate constraint: **41-60** / Large constraint: **61-80** / Critical constraint: **81-100**



Confidence has risen on the understanding that there will be a COVID-19 vaccine in the near future. This will allow greater movement and less lockdown, and assist all sectors, in particular the tourist and hospitality sectors. However, these will still have up and down movements in actual cash in the door opportunities.



When Job Keeper stops and the basic safety net for self and community stops, we will see a major retraction in cash flow that will slow the economy. There is also the possibility of continued outbreaks that will have an impact as well.



The performance of the economy will depend on the ongoing impact of COVID-19 outbreaks, border closures and the speed of the vaccine rollout. There is also the impact of global and national economic recovery efforts, debt levels and stimulus.

ABOUT PULSE

The Pulse Survey has measured Queensland business confidence and expectations for over 25 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of Queensland business sentiment, providing critical insights into the opinions of business owners across the state. The survey contains data from a sample covering the entire breadth of the business community.

The survey period was from the 1st to 22nd of January 2021 and examined business sentiment and activity throughout the December quarter (2020). There were 1,450 respondents to the survey consisting of 351 from Brisbane (24%).

To find out more about Pulse, please contact CCIQ on 1300 731 988 or at ciqadvocacy@cciq.com.au.

Pulse Business Index

The analysis undertaken by CCIQ in preparing this Pulse Survey Report is based on survey responses from Queensland business. The report uses the PBI as well as (base) statistical data provided from the survey responses to effectively measure respondent's views as to how current or future activity (eg. three months ahead) compares with the previous quarter.

The following guide is useful in interpreting the PBI results into broad indicative performance classifications.

Pulse Business Index

Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

The Pulse Business Constraints Index (BCI) measures the level of key impediments on business growth. The following guide is used in interpreting the BCI results.

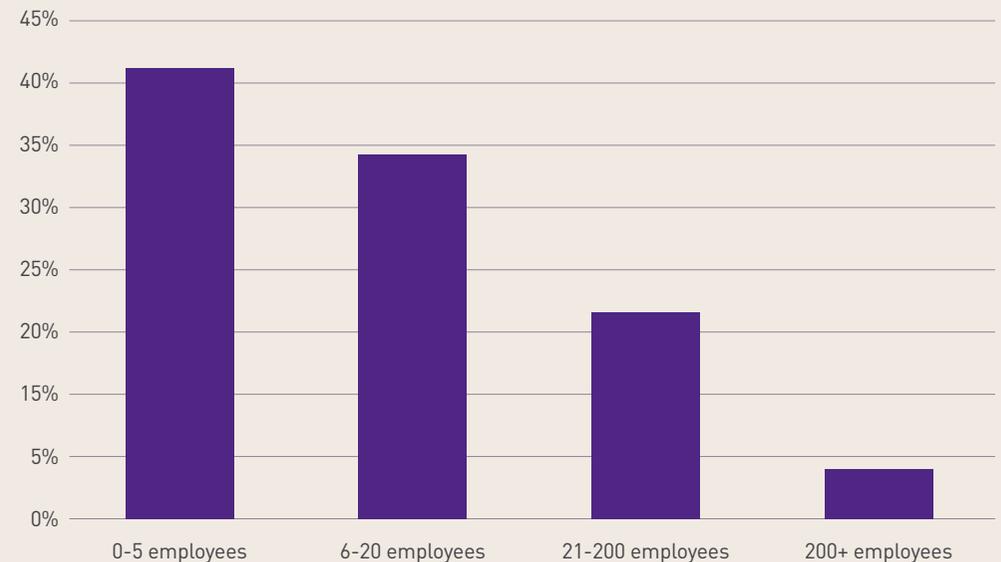
Degree of Constraint Index

No Constraint:	0-20
Slight Constraint:	21 - 40
Moderate Constraint:	41 - 60
Large Constraint:	61 - 80
Critical Constraint:	81 - 100

INDUSTRY REPRESENTATION



SIZE OF ORGANISATION



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