

CENTRAL QUEENSLAND PULSE SURVEY REPORT

DECEMBER QUARTER 2020



SUMMARY

Business confidence across Central Queensland exceeded the state average with the community remaining far enough away from the impacts of COVID-19. An uptake in regional activity chiefly drove regional optimism during a period of traditionally low seasonal activity. Businesses also benefited from the complete implementation of the staged easings of restrictions and the announcement of a COVID-19 vaccine becoming available in the March quarter (2021). However, business vulnerability in the region is indeed in a new normal. Not only do restrictions still exist, but businesses are also continuing to report difficulties filling job vacancies for critical regional industries.

Amid generally favourable index results, qualitative survey responses continue to provide a balanced perspective on operating conditions and economic recovery in the region. Specifically, while relative business sentiment and performance is trending upward, the latest quarter has introduced new hurdles to be overcome in 2021. Once again, businesses' attention is narrowing on the finalisation of government support measures, particularly wage subsidies. While businesses remain concerned about the economic impact of JobKeeper and JobSeeker ending, they hope it will increase the supply of low skilled employees. Otherwise, further Chinese trade restrictions are threatening dominant primary sector industries across Central Queensland.

KEY FINDINGS

- 1 Business sentiment in Central Queensland exceeded the state average during the December quarter (2020)
- 2 Nearly half of all businesses reported an increase in total sales and revenue
- 3 The PBI for labour costs experienced significant growth, reflecting revisions to the JobKeeper payment
- 4 Central Queensland reported the strongest general business conditions in Queensland

KEY THEMES

- 1 Potential trade restrictions with China threaten regional supply chains
- 2 Business benefits from stronger than expected seasonal trade
- 3 Dominant industries report challenges in filling job vacancies
- 4 COVID-19 vaccine sparks hope, but businesses remain vigilant



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

DECEMBER QUARTER SENTIMENT

Central Queensland

57.9 Queensland
50.0

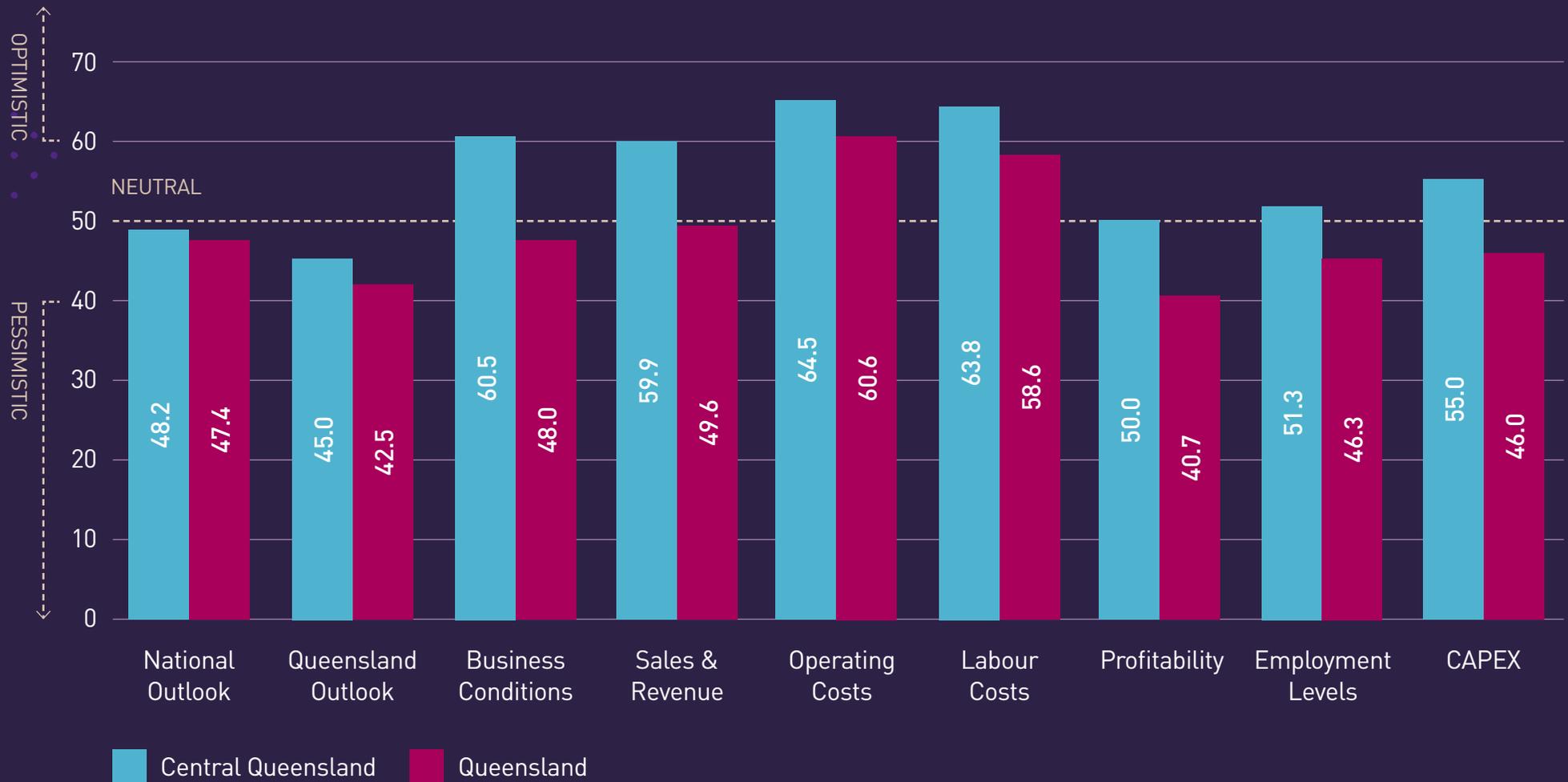
MARCH QUARTER FORECAST

Central Queensland

55.8 Queensland
50.3

SNAPSHOT DATA

CENTRAL QUEENSLAND 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 = **45.0** (+8.7); Satisfactory
National Outlook = **48.2** (+14.7); Satisfactory

Business confidence in the Queensland and national economic outlook improved again in the December quarter. Specifically, the PBI improved by 8.7 and 14.7 points for Queensland and Australia, respectively. The latest results indicate that forward sentiment has returned to a 'satisfactory' reading following the March quarter downturn. Growing optimism for this indicator reflects further easings of social distancing restrictions and a shift in consumer spending, which has benefited regional economies. Confidence will likely improve to neutral levels over subsequent quarters as the COVID-19 vaccine is rolled out in Queensland and worldwide.

SALES AND REVENUE

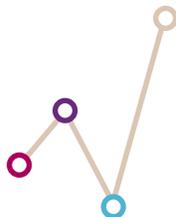


PULSE SURVEY INDEX

Dec-20 = **59.0** (+7.7); Satisfactory
Mar-21 = **57.6** (-1.4); Satisfactory

The trend of strengthening turnover continued in the December quarter following a shift in consumer spending patterns across Queensland. The PBI for sales and revenue gained an additional 7.7 points to 59.0 to reflect the successful pre-Christmas trade and greater foot traffic within the region. Regions across Queensland experienced similar turnover growth, with retail spending continuing to be dominated by discretionary sectors. The PBI is forecast to fall by 1.4 points to 57.6 during the March quarter. Plateauing momentum reflects the consensus that trade will slow following the holiday period and as stimulus support is reduced.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Dec-20 = **58.9** (+11.5); Satisfactory
Mar-21 = **58.4** (-0.5); Satisfactory

Central Queensland businesses reported the strongest general business conditions in Queensland. The PBI for operating conditions improved 11.5 points to 58.9, which is 23 per cent higher than the statewide average. Business sentiment was encouraged by the demand for local goods and services, which exceeded expectations for the hot and humid months in the December quarter. Allowing for this level of trade was the complete actioning of staged restrictions in Queensland during the pre-Christmas period. General business conditions are expected to fall only slightly in the March quarter, as most businesses expect conditions to remain steady.

OPERATING COSTS

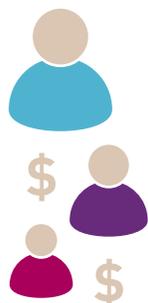


PULSE SURVEY INDEX

Dec-20 = **64.5** (+7.3); High
Mar-21 = **65.8** (+1.3); High

Businesses in Central Queensland reported higher operational costs such as rent, electricity and insurance premiums during the December quarter. The PBI grew by 7.3 points to 64.5, as nearly every business respondent reported equal or greater costs (99%). Qualitative evidence echoes previous quarters' findings where operational cost burdens are growing while business support is being reworded. Additionally, regional businesses continue to emphasise issues surrounding mounting insurance premiums amid the growing unpredictability of seasonal weather events. These costs are expected to grow in significance in the March quarter as business support continues to be withdrawn.

LABOUR COSTS



PULSE SURVEY INDEX

Dec-20 = **66.7** (+12.8); High
Mar-21 = **68.2** (+1.5); High

Labour costs rose during the December quarter to reflect eased restrictions and labour force recovery. Driven by more than half of respondents reporting higher wages (53%), the PBI climbed 12.8 points to 66.7. This was one of the strongest growth areas and represented a return to 'high' wage cost significance. Given that employment levels have remained steady across Central Queensland, the latest index reading is almost certainly a reflection of revised JobKeeper payments that commenced on the 28th of September (2020). Businesses expect wage cost burdens to grow further in 2021 following the final revision to the JobKeeper payment on the 4th of January, before concluding in the March quarter (2021).

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Dec-20 = **51.3** (+2.0); Satisfactory
Mar-21 = **53.5** (+2.2); Satisfactory
Central Qld Unemployment (Dec-20) = **6.3%**

The Pulse Index for employment levels increased slightly to reflect positive employment data during the December quarter. The PBI grew by 2.0 points to 51.3 following a further 1,900 people finding employment since September (CONUS Staff Selection Employment). The latest labour force data places the region on par with results from the same period in 2019 and indicates that most misplaced workers have regained employment. Employment levels are forecast to grow similarly in March (2021) despite the end of JobKeeper support. This finding demonstrates evidence from the business community concerning the difficulty filling job vacancies amid JobKeeper and JobSeeker support.

PROFITABILITY



PULSE SURVEY INDEX

Dec-20 = **50.0** (+3.3); Satisfactory
Mar-21 = **51.3** (+1.3); Satisfactory

Profitability improved slightly during the December quarter to exceed results observed across the statewide average. The PBI grew by 3.3 points to a perfectly neutral score of 50.0 with one in three business reporting stronger profitability. The PBI is expected to grow at a similar rate during the March quarter (2021) with a similar proportion of Queensland businesses anticipating equal or greater profits. However, with the reality of recovery not expected to be known until stimulus support is removed, it is feared that profitability may soon face the challenges that were playing out before the COVID-19 downturn.

CAPITAL EXPENDITURE

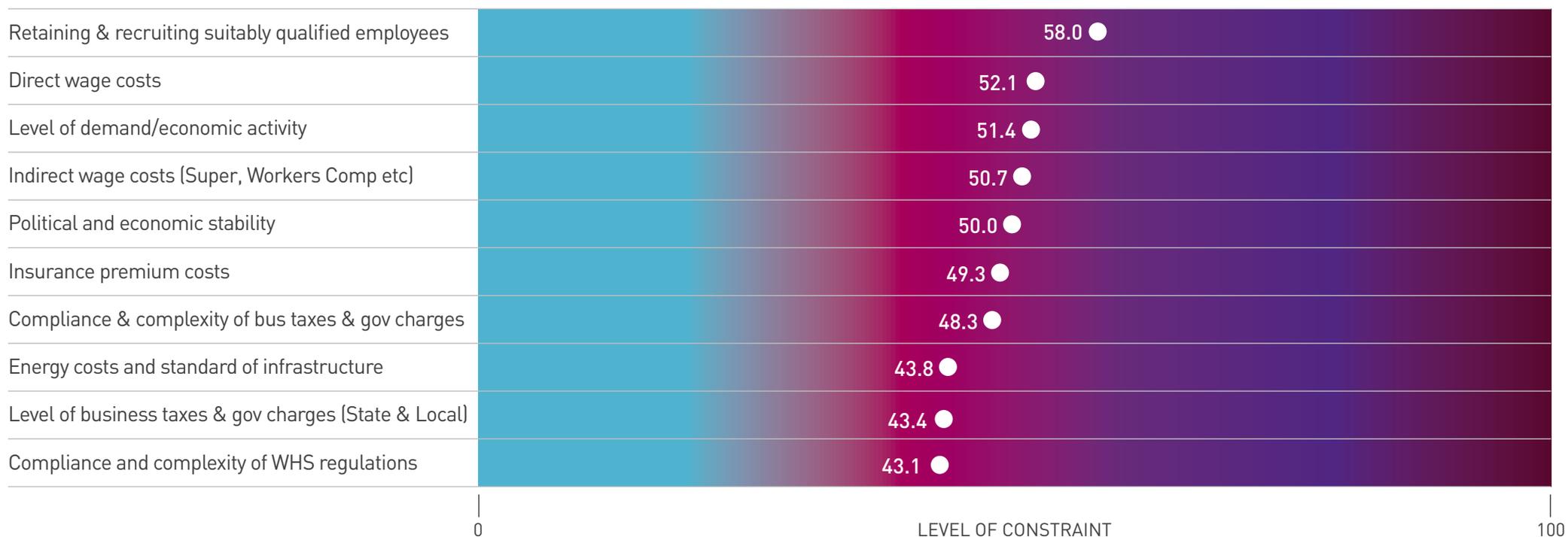


PULSE SURVEY INDEX

Dec-20 = **55.0** (+5.7); Satisfactory
Mar-21 = **54.3** (-0.7); 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 5.7 points to 55.0 and indicated increasing capital expenditure by businesses across Central Queensland. 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. However, with the purchase of new assets remaining a lever for cost management, businesses are mainly budgeting for a constant investment expenditures.

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**



A retail business is typically in survival mode during the hot and humid season. COVID-19 made Queenslanders in big cities explore the outback. Usually, the town didn't see caravans around this time of the year, but we see them now, and they have Queensland number plates!



I am no longer concerned about the Australian or the State economies. I am more concerned about our local economies and the viability of Agriculture, Mining, Retail, Hospitality etc. It has become very difficult to fill job vacancies, and I fear that this will continue.



Our citizens will need to keep adjusting their behaviours due to COVID-19 restrictions. With that being said, we hope to return to some form of normality depending on how quickly the immunisation rollout can happen overseas and how effective it proves to be. For our local economy, we will also be dependent on how the

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 97 from Central Queensland (7%).

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

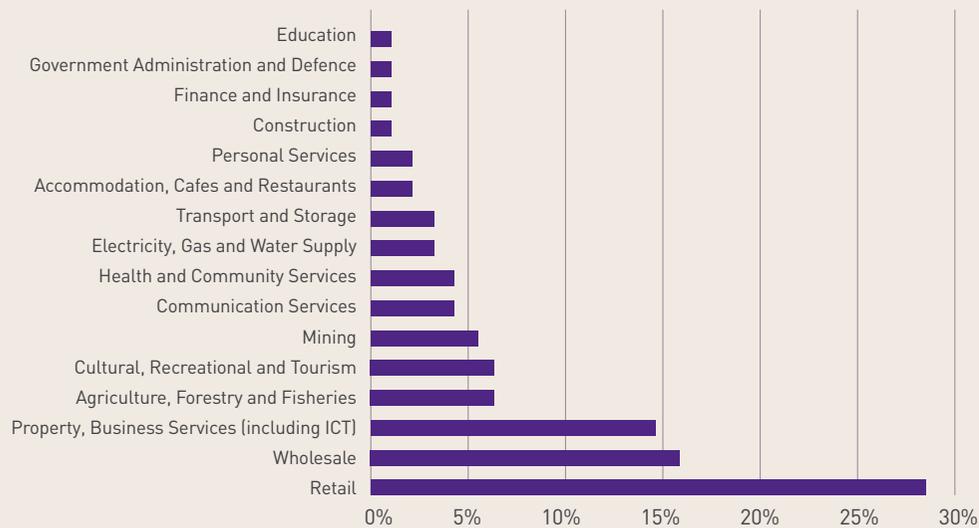
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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.

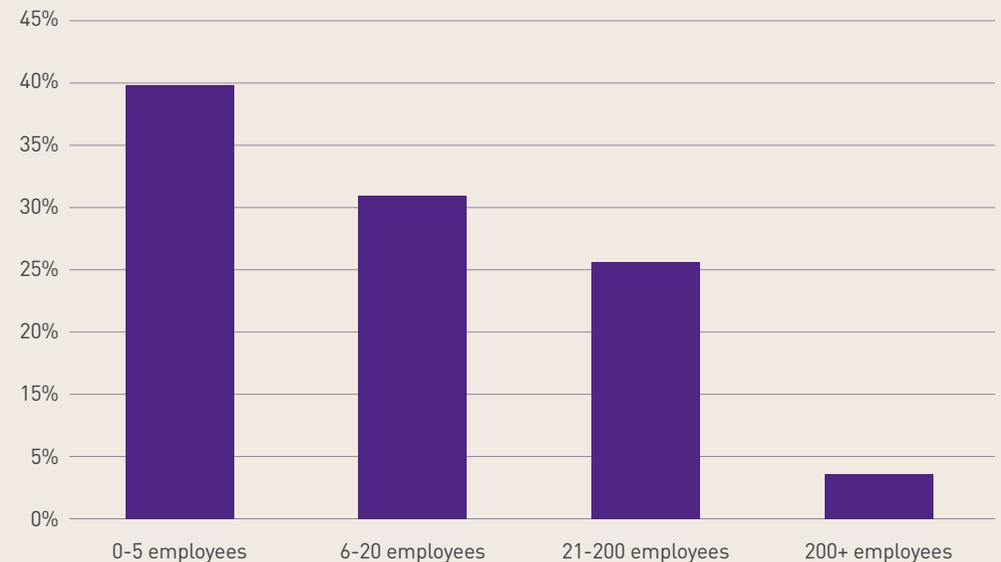
Degree of Constraint Index

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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