

# FAR NORTH QUEENSLAND PULSE SURVEY REPORT

DECEMBER QUARTER 2020



## SUMMARY

The latest CCIQ Pulse Survey results have indicated an improvement for Far North Queensland businesses building on the fragile recovery currently underway. Better trade conditions drove business optimism across the region during the Christmas / New Year holidays as Australians chose to holiday in Queensland instead of abroad. Additionally, the staged easing of restrictions provided businesses with a greater ability to leverage this seasonal improvement.

However, business vulnerability under COVID-19 is continuing with hot spot border closures and some restrictions remaining in place. Far North Queensland continues to adapt to this 'new normal' where economic activity is better than most of 2020 but only starting to build towards more sustainable activity levels. However, with stimulus support scheduled to conclude in the New Year, much of the gains in the present quarter are expected to be unwound. This suggests that a meaningful recovery will be dependent upon the economy's performance when JobKeeper payments conclude in March (2021) and the ability to keep the Queensland border open to interstate tourism markets.

## KEY FINDINGS

- 1 The Pulse Business Index (PBI) improved for the next 12 months and across all performance indicators
- 2 Nearly half of business respondents reported an increase in sales and revenue during the December quarter (45%)
- 3 The greater majority of businesses reported weaker profits during the December quarter (37%)
- 4 Business sentiment is expected to decline in the March quarter 2021 when stimulus support ends

## KEY THEMES

- 1 Businesses are becoming more optimistic that the worst of the COVID-19 health crisis has passed
- 2 Australian visitors to Far North Queensland are supporting economic activity
- 3 Tourism operators are calling for an extension of JobKeeper payments
- 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

Far North Queensland

**50.1** Queensland  
50.0

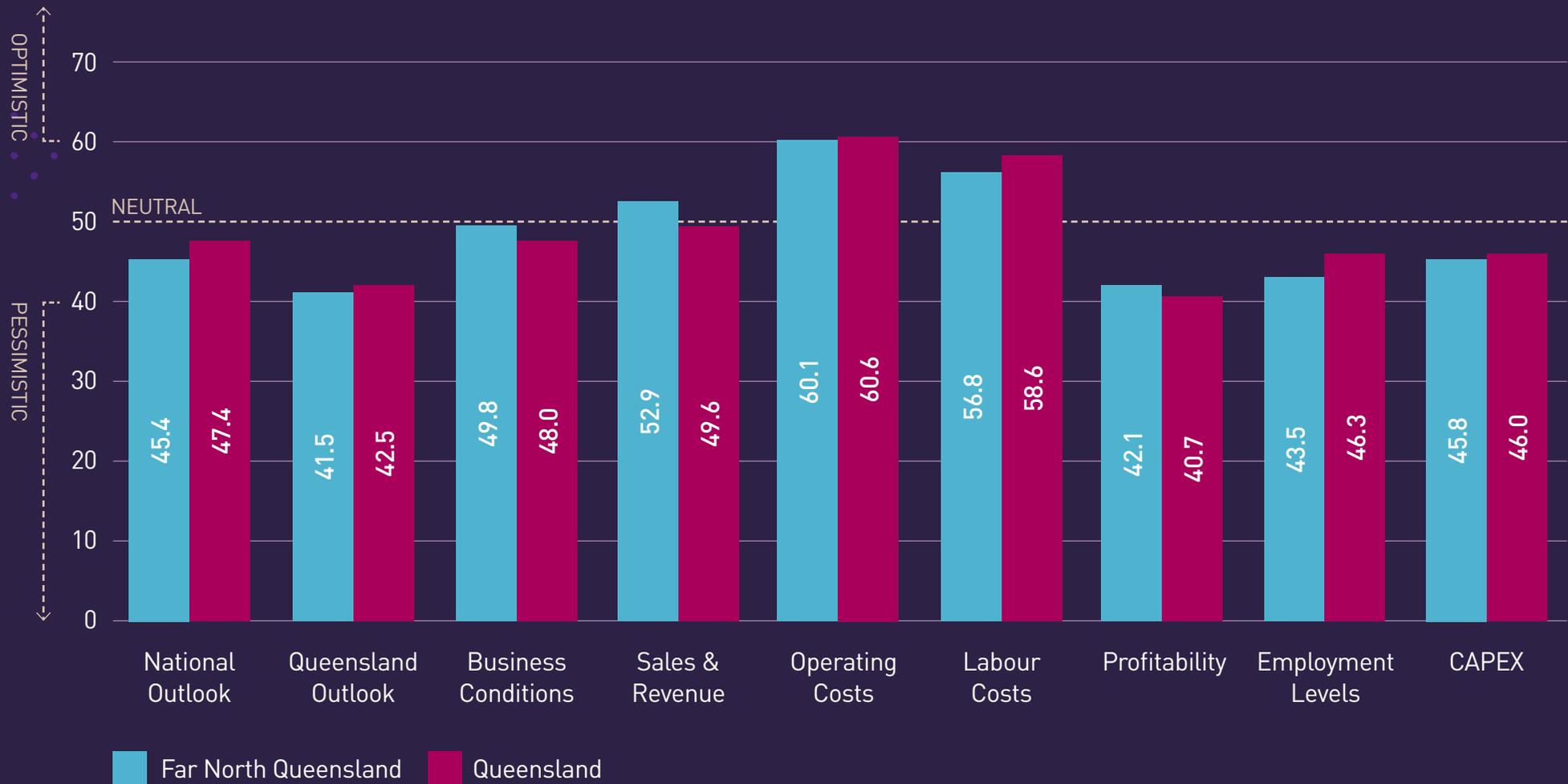
### MARCH QUARTER FORECAST

Far North Queensland

**45.0** Queensland  
50.3

# SNAPSHOT DATA

## FAR NORTH 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 = **41.5** (+12.5); Satisfactory  
National Outlook = **45.4** (+16.8); Satisfactory

Far North Queensland business confidence in the Queensland and National economic outlooks rose sharply in the December quarter. The PBI improved by 12.5 and 16.8 points respectively for the Queensland and Australian economies. Both indexes are now reporting a satisfactory and relatively steady 12-month outlook. The growing level of optimism reflects further easing of social distancing restrictions and inter and intrastate tourism expenditure as Australians choose to holiday in Queensland. 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 the region's exposure to ongoing disruptions to international tourism and global trade.

## SALES AND REVENUE

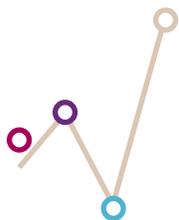


### PULSE SURVEY INDEX

Dec-20 = **52.9** (+8.5); Satisfactory  
Mar-21 = **43.8** (-9.1); 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 8.5 points to 52.9, reflecting a successful pre-Christmas and holiday trading period. This finding also supports business feedback of a shift in regional travel and discretionary spending as international borders remain shut. Again businesses based in the Far North recorded a stronger performance in the December quarter than the Statewide average (3.3 points higher). This result is the first time in 2020 that the index was above the neutral baseline (indicating improving conditions). Unfortunately, businesses anticipate a moderation in sales over the next three months with the PBI forecast to fall by 9.1 points. This decline primarily reflects the consensus that trade will fall as stimulus support slows, and as seasonal spending patterns default to a more sustainable level.

## GENERAL BUSINESS CONDITIONS



### PULSE SURVEY INDEX

Dec-20 = **49.8** (+9.8); Satisfactory  
Mar-21 = **41.1** (-8.7); Satisfactory

General business conditions improved during the December quarter with respondents reporting positive seasonal activity. The PBI for operating conditions improved 9.8 points to 49.8, indicating stable and satisfactory business conditions. This result came when the Palaszczuk government actioned all of the staged eased restrictions, allowing for significantly more trade by businesses, particularly during the peak demand period before Christmas. Far North Queensland businesses indicated marginally better conditions (higher by +1.8 points) than those Statewide. However, conditions are forecast to fall in the March quarter (2021) reflecting an end to the holiday period and ongoing uncertainty concerning discontinued government support.

## OPERATING COSTS

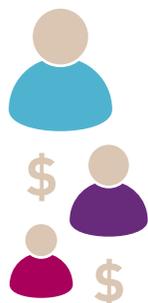


### PULSE SURVEY INDEX

Dec-20 = **60.1** (+6.2); High  
Mar-21 = **58.0** (-2.1); Satisfactory

The PBI grew by 6.2 points to 60.1 after most businesses reported equal or greater operational costs such as insurance, rent and electricity. This results directly reflected the withdrawal of business cost relief measures and an ending of payment deferrals. Additionally, businesses continue to emphasise issues surrounding mounting insurance premiums amidst more volatile weather events. This trend is on par with businesses elsewhere across the state. Thankfully, business costs are expected to ease marginally in the March quarter, falling from a 'high' to 'satisfactory' level.

## LABOUR COSTS



### PULSE SURVEY INDEX

Dec-20 = **56.8** (+5.3); Satisfactory  
 Mar-21 = **54.7** (-2.1); Satisfactory

Labour costs rose again during the December quarter for Far North Queensland businesses as restrictions eased and labour recovery continued. Driven by the growing proportion of businesses reporting stronger wages, the PBI climbed 5.3 points to 56.8. 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 remain above the neutral reading during the March quarter 2021. 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 = **43.5** (+0.7); Satisfactory  
 Mar-21 = **43.9** (+0.4); Satisfactory  
 Cairns Unemployment (Dec-20) = **5.7%**

The Pulse Index for employment increased, reflecting seasonal employment and the continuing trend of businesses re-engaging stood down workers. The PBI grew by 0.7 points to 43.5 but remained below the Statewide result of 46.3. This finding is broadly consistent with the region's unemployment rate of 5.7% relative to the decade average (CONUS Staff Selection Employment). The tapering of the JobKeeper stimulus will challenge the PBI in the first half of 2021. Accordingly, the March quarter results are forecast to increase by only 0.4 points to 43.9. It is anticipated that rising employment levels and a lower unemployment rate will only be possible if businesses continue to experience stronger sales and improved profitability levels.



## PROFITABILITY



### PULSE SURVEY INDEX

Dec-20 = **42.1** (+4.6); Satisfactory  
 Mar-21 = **38.0** (-4.1); Poor

Profitability improved during the December quarter despite a greater majority of respondents still reporting weaker levels. The PBI jumped 4.6 points to 42.1, 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 (1.4 points higher). Unfortunately, satisfactory profits are not likely to continue with the PBI forecast to return to a poor level in the New Year. This follows businesses being unaware of the reality of prolonged recovery until stimulus support is removed, and COVID-19 restriction are eliminated worldwide.



## CAPITAL EXPENDITURE



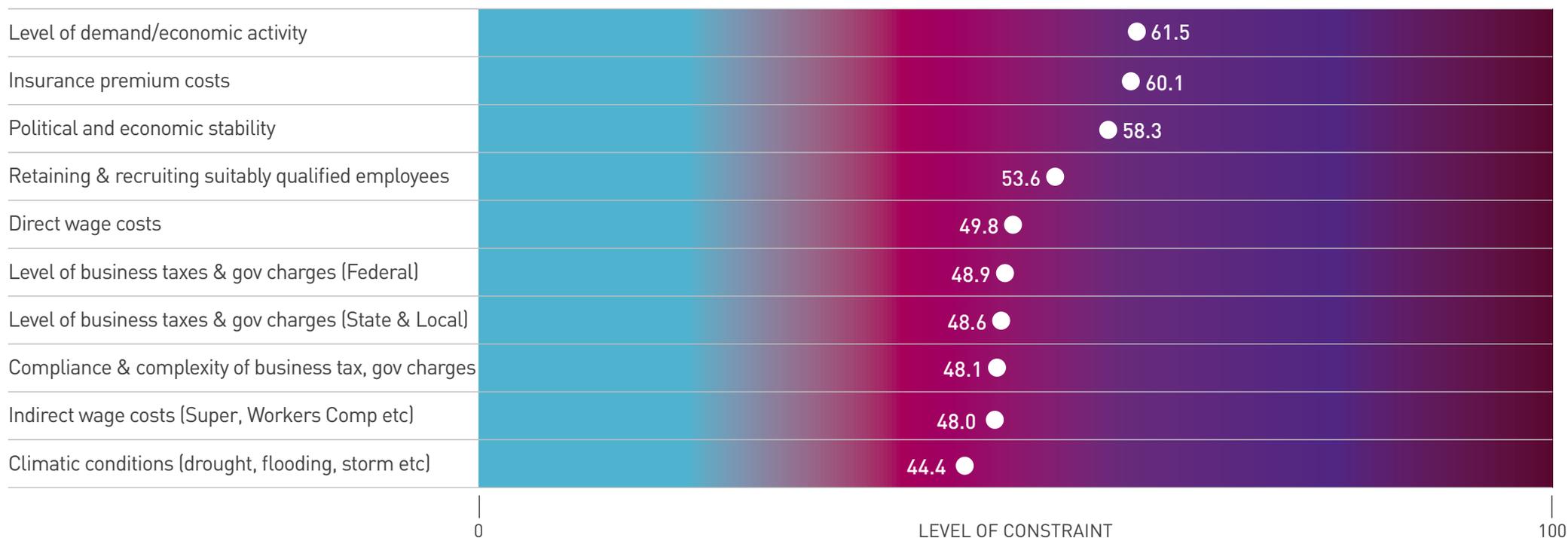
### PULSE SURVEY INDEX

Dec-20 = **45.8** (+4.5); Satisfactory  
 Mar-21 = **39.0** (-6.9); 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 4.5 points to 45.8 and indicated increasing capital expenditure by businesses in Far North 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. Unfortunately, business investment is forecast to decrease in the March quarter, returning to a 'poor' rating. 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**



The arbitrary opening and closing of state borders, with the exception of NSW, has a massive effect on business confidence and business performance. In our case, it adds stress to running our business in Far North Queensland.



JobKeeper ending will affect mainly small business and will flow-on to impact other businesses and employment opportunities. Blocking the State borders and closing down businesses is also causing industries to have no confidence in the future capability to gain cash flow or capacity building.



The Australian economy should benefit from business and employee confidence derived from the vaccine program, and perhaps some international travel resumption. The Qld economy will experience increased pressure from adjustments to coal exports and lack of confidence in inbound tourism.

# 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 386 from Far North Queensland (27%).

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

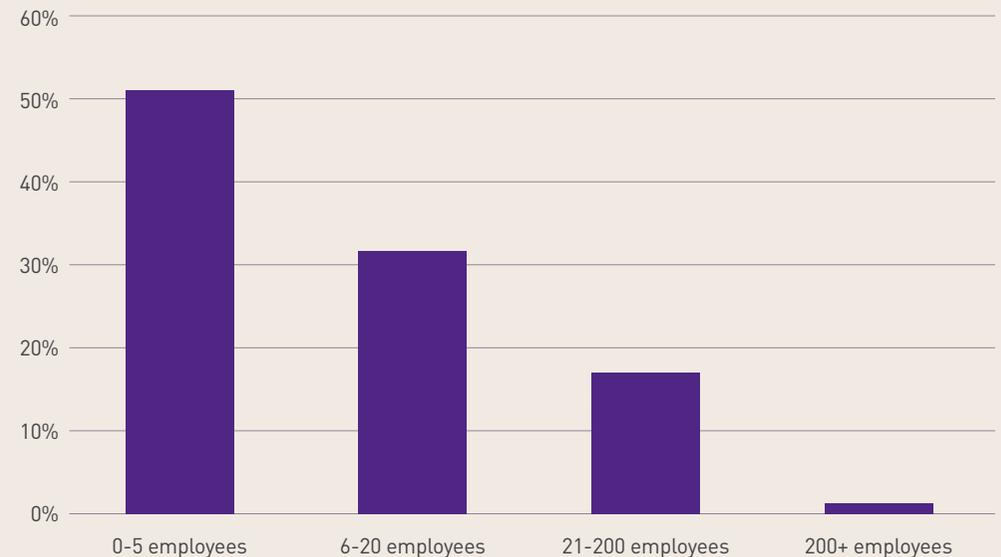
### Degree of Constraint Index

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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