

SOUTH WEST QUEENSLAND PULSE SURVEY REPORT

DECEMBER QUARTER 2020



SUMMARY

Business confidence across South West QLD improved again despite ongoing and widespread uncertainty. Primary industries within the region continue to cite growing input costs amid a trend of falling activity following the conclusion of major infrastructure projects. Businesses suggest that this trend will continue until global supply shortages and overseas trade tensions normalise. Business activity is also contingent on the state government providing a pipeline of major infrastructure projects to limit skilled labour leakage. Otherwise, while eased social distancing restrictions were a welcome relief during the December quarter, businesses continue to remain exposed to hot spot closures to surrounding regions and States/ Territories.

Businesses' qualitative responses continue to contextualise the challenges playing out across South West QLD. Specifically, while relative business sentiment and performance is still trending upward, the latest quarter has introduced new hurdles to be overcome in 2021. Once again, attention is narrowed on the finalisation of stimulus support despite public health orders remaining entrenched across the state. Businesses forecast that a reduction of JobKeeper and JobSeeker support may dampen consumer demand in the New Year. Additionally, businesses relying on international supply chains are now turning their attention to the potential Chinese trade tensions. This has been cited to threaten productive industries across the region.

KEY FINDINGS

- 1 South West QLD reported the lowest level of business sentiment in QLD for the December quarter
- 2 Less than one in four businesses reported improved general business conditions
- 3 Nearly every business respondent reported equal or greater operating costs during the December quarter
- 4 More than one-half of business respondents reported weaker profitability

KEY THEMES

- 1 COVID-19 vaccine sparks hope for the return to business as (un)usual
- 2 Businesses speculate the reality of recovery in 2021
- 3 Christmas border closures and snap lockdowns pummel business confidence
- 4 Global uncertainty peaks at the close of 2020



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

DECEMBER QUARTER SENTIMENT

South West Queensland

48.6 Queensland
50.0

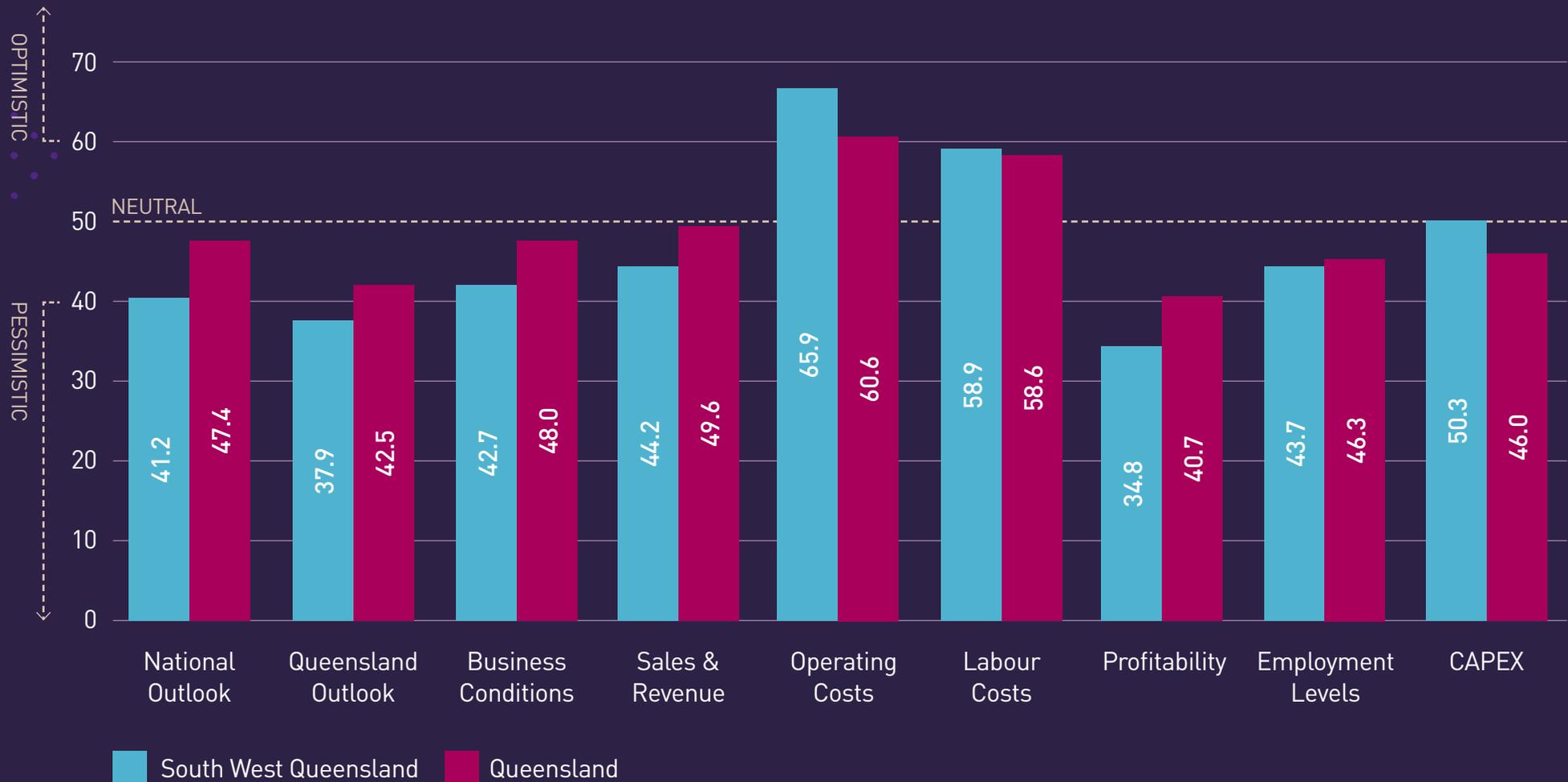
MARCH QUARTER FORECAST

South West Queensland

48.7 Queensland
50.3

SNAPSHOT DATA

SOUTH WEST 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 = **37.9** (+3.6); Poor
National Outlook = **41.2** (+4.5); Satisfactory

Business confidence in the economic outlook for Queensland and Australia improved again during the December quarter. Specifically, the PBI improved by 3.6 and 4.5 points for Queensland and Australia, respectively. The latest results indicate that while sentiment for the national outlook has returned to a 'satisfactory' reading, businesses continue to share a pessimistic outlook for the state economy. This follows qualitative evidence from business respondents surrounding ongoing COVID-19 uncertainty and the predicted impact on small businesses when government support is withdrawn in 2021.

SALES AND REVENUE

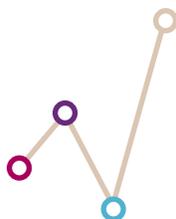


PULSE SURVEY INDEX

Dec-20 = **44.2** (-6.9); Satisfactory
Mar-21 = **46.1** (+1.9); Satisfactory

Regardless of seasonal retail spending, businesses reported a fall in total sales and revenue during the December quarter. The PBI for sales and revenue fell by 6.9 points to a below neutral reading of 44.2. According to business respondents, optimism stemming from successful pre-Christmas retail trade was not shared by the more dominant industries in the region which largely reported equal or weaker turnover (71%). Evidence from qualitative responses suggested that the downturn stemmed from a period of drought and input constraints, which limited the supply of saleable products. Additionally, Accommodation and Hospitality providers also cited the loss of budgeted revenues following the hot spot closures before and after Christmas. Businesses are slightly more hopeful for normalised trade in the New Year following localised rain and seeking alternative supply chains.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Dec-20 = **42.7** (-1.8); Satisfactory
Mar-21 = **46.2** (+3.5); Satisfactory

The momentum of strengthening business conditions ended in the December quarter. The PBI for operating conditions fell by 1.8 points to 42.7, with more businesses now reporting a weaker environment (36%) compared to the previous quarter. However, business sentiment did manage to remain at a satisfactory level thanks to the complete actioning of staged easing of restrictions in Queensland. Interestingly, general business conditions are forecast to grow in the March quarter (2021), following positive weather expectations and the hopeful reopening of hot spot regions.

OPERATING COSTS

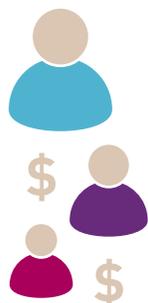


PULSE SURVEY INDEX

Dec-20 = **65.9** (+7.7); High
Mar-21 = **69.0** (+3.1); High

Businesses across South West QLD reported the second-highest operational cost burdens during the December quarter. The PBI grew by 7.7 points to 65.9, as nearly every business respondent reported equal or greater costs such as rent, electricity and insurance premiums (99%). Dissimilar to surrounding regions, growing cost burdens in South West QLD are more reflective of inflated input prices such as raw materials, made worse by business support being rewound. Businesses anticipate that operational costs will continue to grow in 2021 as the previously identified challenges persist.

LABOUR COSTS



PULSE SURVEY INDEX

Dec-20 = **58.9** (+5.2); Satisfactory
Mar-21 = **64.0** (+5.1); High

Labour costs rose again during the December quarter as restrictions eased and labour recovery continued. Driven by more than one in three respondents reporting higher wages (35%), the PBI climbed 5.2 points to 58.9. Given that employment levels improved only slightly across the region, 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 an additional 5.1 points in the New Year following the final revision to the JobKeeper payment coming into effect on the 4th of January, before concluding in March (2021).

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Dec-20 = **43.7** (-0.8); Satisfactory Toowoomba unemployment = **3.5%**
Mar-21 = **47.3** (+3.6); Satisfactory Darling Downs Maranoa unemployment = **3.2%**

Employment levels remained steady during December quarter to reflect regional labour force data. The PBI fell only slightly by 0.8 points to 43.7 despite trended regional employment data evidencing a two per cent growth in employed people across the region since September (CONUS Staff Selection Employment). Employment levels are forecast to grow slightly in March (2021) despite the end of JobKeeper support. This finding demonstrates evidence from the business community concerning the difficulty of filling job vacancies amid JobKeeper and JobSeeker support.

PROFITABILITY



PULSE SURVEY INDEX

Dec-20 = **34.8** (-7.2); Poor
Mar-21 = **37.6** (+2.8); Poor

Profitability returned to a poor index reading during the December quarter. Specifically, the PBI slipped by 7.2 points to 34.8 with more than one-half of businesses reporting weaker profitability. The latest results place South West QLD at the bottom of the state and reflects the weak turnover and inflated operational costs identified during the quarter. While businesses are hopeful that profitability will improve slightly in the March quarter (2021), results are still expected to remain at a poor level. This expectation is the shared consensus across Queensland with businesses remaining uncertain about sustained economic recovery when government support is removed.

CAPITAL EXPENDITURE



PULSE SURVEY INDEX

Dec-20 = **50.3** (+3.3); Satisfactory
Mar-21 = **48.7** (-1.6); Satisfactory

The trend of businesses deferring capital expenditure in the wake of the COVID-19 crisis slowed again during the December quarter. Due to fewer businesses reporting low investment, the PBI grew 3.3 points to 50.3. 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 region's ongoing vulnerability 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**



We are starting to see more people coming out now that COVID-19 distancing restrictions have eased significantly. I am hopeful that things will improve with more people getting on with business and life more generally.



Being in accommodation, the cancellations are killing us. Because of COVID restrictions, customers are often forced to cancel their bookings on short notice. In December, the closure came so close to Christmas that we didn't get a chance to take in new bookings. The uncertainty is the biggest problem



The region needs more investment in infrastructure supplied by regional businesses. This investment leads to more construction jobs and business efficiencies, which then leads to further private sector investment down the track.

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 80 from South West QLD (6%).

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.

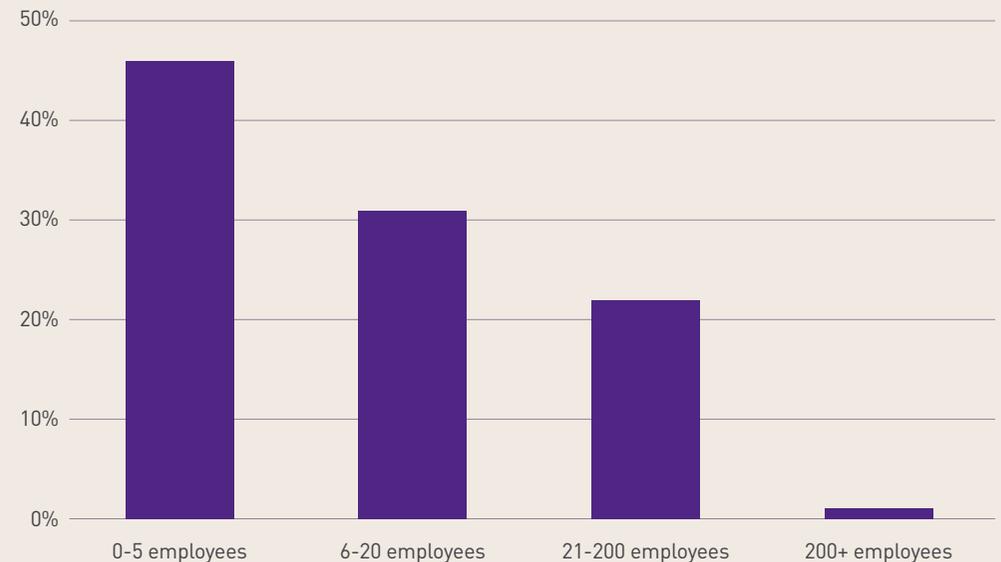
Degree of Constraint Index

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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