

SUNSHINE COAST PULSE SURVEY REPORT

DECEMBER QUARTER 2020



SUMMARY

The latest CCIQ Pulse Survey indicated an improvement for businesses on the Sunshine Coast where optimism is performing considerably better than the statewide average. Better trade conditions drove business success 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. The Sunshine Coast 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. Unfortunately, much of the gains in the December quarter are forecast to be unwound in the March quarter (2021). 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 One-half of business respondents reported stronger general business conditions
- 3 One-half of business respondents reported stronger sales and revenue during the December quarter
- 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 A COVID-19 vaccine will lead to more sustainable business conditions
- 3 Inter and Intrastate visitors to the Sunshine Coast are supporting economic activity
- 4 Further recovery is contingent upon keeping a lid on COVID-19 and border closure in 2021



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

DECEMBER QUARTER SENTIMENT

Sunshine Coast

55.2 Queensland
50.0

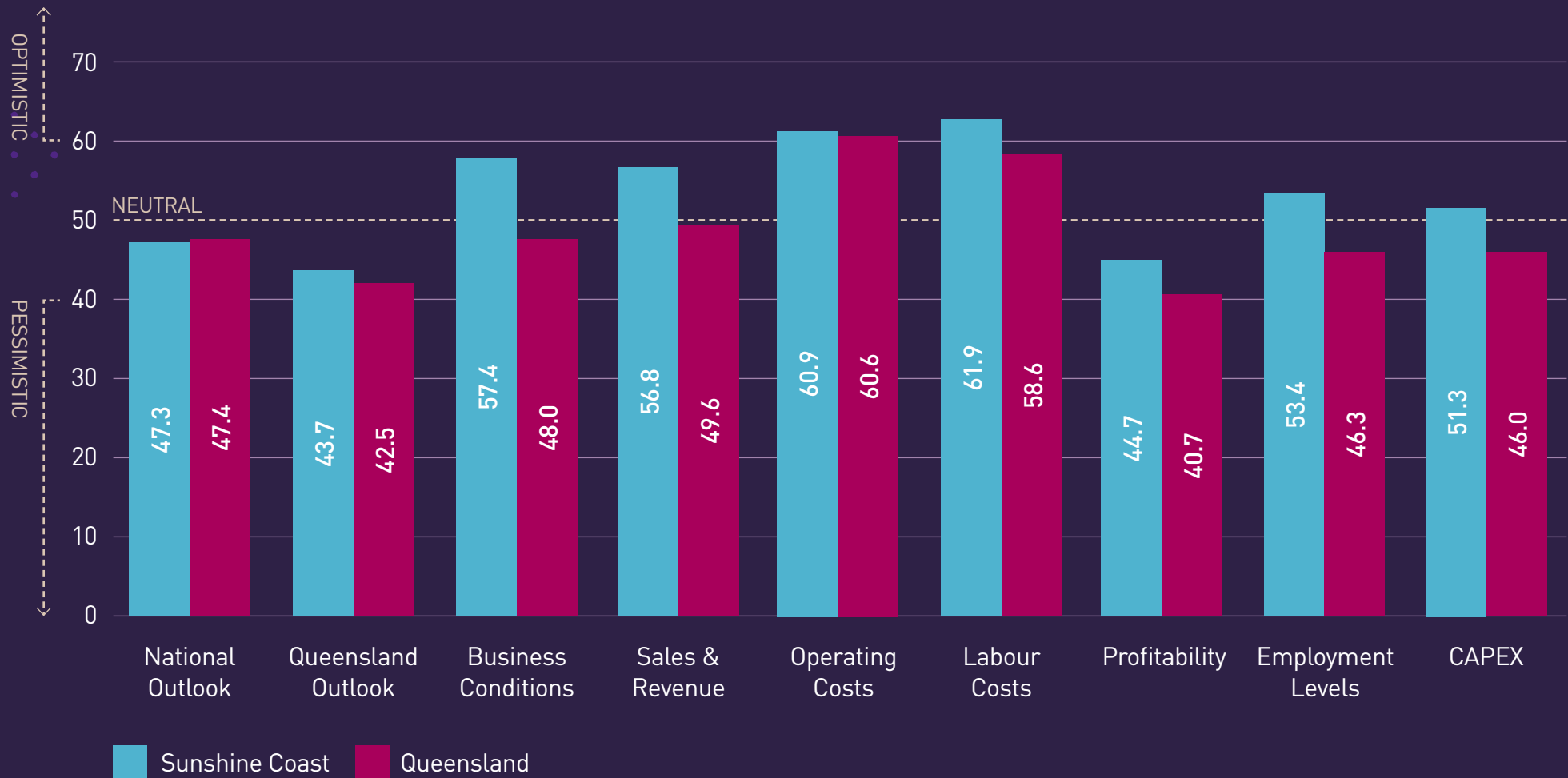
MARCH QUARTER FORECAST

Sunshine Coast

49.3 Queensland
50.3

SNAPSHOT DATA

SUNSHINE COAST 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



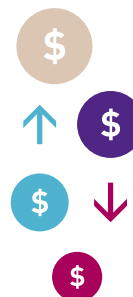
PULSE SURVEY INDEX

Queensland Outlook = **43.7** (+7.1); Satisfactory
National Outlook = **47.3** (+12.3); Satisfactory

Sunshine Coast business confidence in the Queensland and National economic outlooks rose sharply in the December quarter. The PBI improved by 7.1 and 12.3 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 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



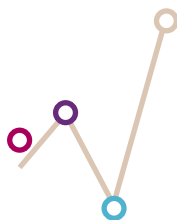
PULSE SURVEY INDEX

Dec-20 = **56.8** (+7.0); Satisfactory
Mar-21 = **49.2** (-7.6); 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 7.0 points to 56.8, 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. 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 7.6 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 = **57.4** (+13.0); Satisfactory
Mar-21 = **48.0** (-9.4); Satisfactory

General business conditions improved during the December quarter with respondents reporting positive seasonal activity. The PBI for operating conditions improved 13.0 points to 57.4, indicating the first time the index exceeded the neutral baseline in 2020. 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. 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



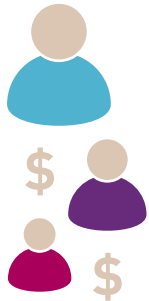
PULSE SURVEY INDEX

Dec-20 = **60.9** (+5.3); High
Mar-21 = **60.0** (-0.9); High

The PBI grew by 5.3 points to 60.9 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 ease marginally in the March quarter, falling to the lower boundary of high levels.



LABOUR COSTS



PULSE SURVEY INDEX

Dec-20 = **61.9** (+7.0); High
Mar-21 = **61.4** (-0.5); High

Labour costs rose again during the December quarter for Sunshine Coast businesses as restrictions eased and labour recovery continued. Driven by the growing proportion of businesses reporting stronger wages, the PBI climbed 7.0 points to 61.9. 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 at high levels 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 = **53.4** (+4.3); Satisfactory
Mar-21 = **49.3** (-4.1); Satisfactory
Sunshine Coast unemployment (Dec-20) = **8.0%**

The Pulse Index for employment increased, reflecting seasonal employment and the continuing trend of businesses re-engaging stood down workers. The PBI grew by 4.3 points to a satisfactory 53.4 and sat higher than the statewide average of 46.3. The PBI in the first half of 2021 will be challenged by the tapering of JobKeeper payments. Accordingly, the March quarter results are forecast to decrease by 4.1 points to 49.3 and is consistent with the regions relatively high unemployment rate of 8.0% at the end of December (CONUS Staff Selection Unemployment). Hence, rising employment levels and a lower unemployment rate will only be possible if businesses continue to experience stronger sales and improve their profitability levels.



PROFITABILITY



PULSE SURVEY INDEX

Dec-20 = **44.7** (+7.7); Satisfactory
Mar-21 = **42.0** (-2.7); Satisfactory

Profitability improved during the December quarter despite a greater majority of respondents still reporting weaker levels. The PBI jumped 7.7 points to 44.7, 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 not expected to continue with the PBI forecast fall in the New Year. This suggestion follows businesses being unaware of the reality of prolonged recovery until stimulus support is removed, and COVID-19 restrictions are eliminated worldwide.



CAPITAL EXPENDITURE



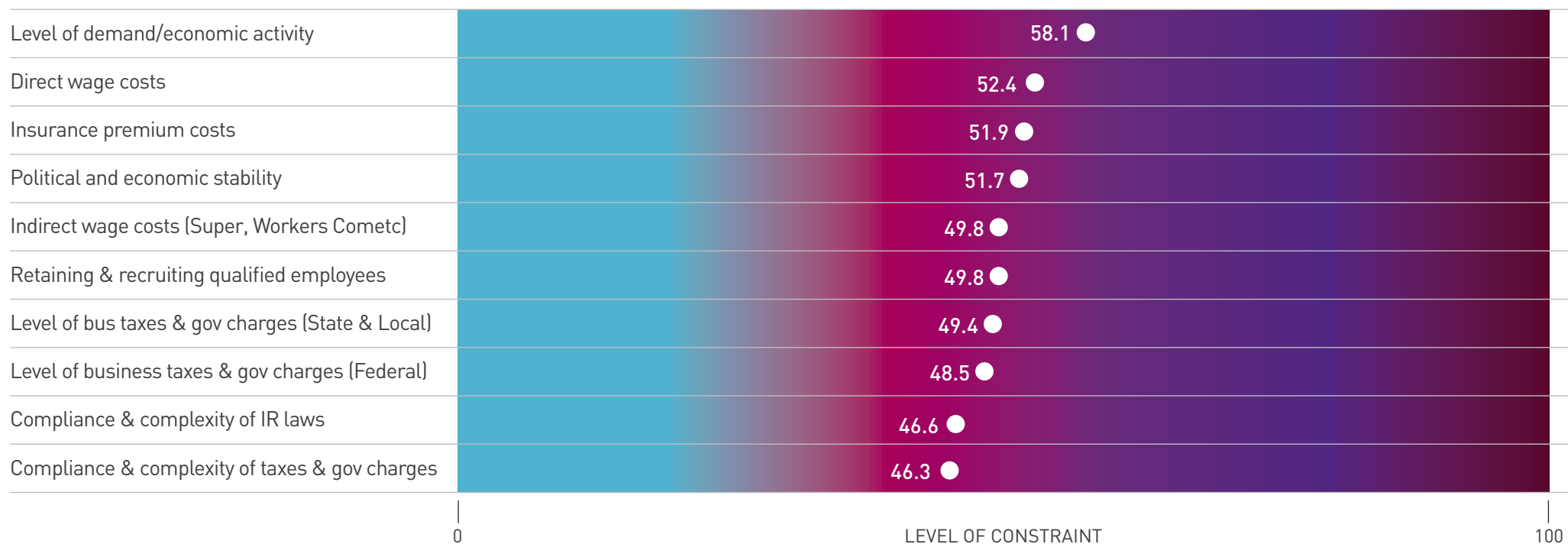
PULSE SURVEY INDEX

Dec-20 = **51.3** (+3.8); Satisfactory
Mar-21 = **43.2** (-8.1); 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 3.8 points to 51.3 and indicated increasing capital expenditure by businesses in the Sunshine Coast. 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 satisfactory 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**



I have owned my business for 36 years. Even though Mooloolaba has been incredibly busy this season, especially traffic on the streets, my business hasn't been as busy as previous years. I can't help but assume that consumer demand is lower now because of COVID-19.



My business is still suffering instability due to ongoing uncertainty. The end of JobKeeper must surely impact the day to day economy. Also, the different approaches to COVID-19 planning by state and territory government has led to even more uncertainty in knowing if borders are open or closed?



The future performance of the region's economy will depend on how well we continue to respond to COVID-19 and how well the vaccine works.

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 157 from the Sunshine Coast (11%).

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

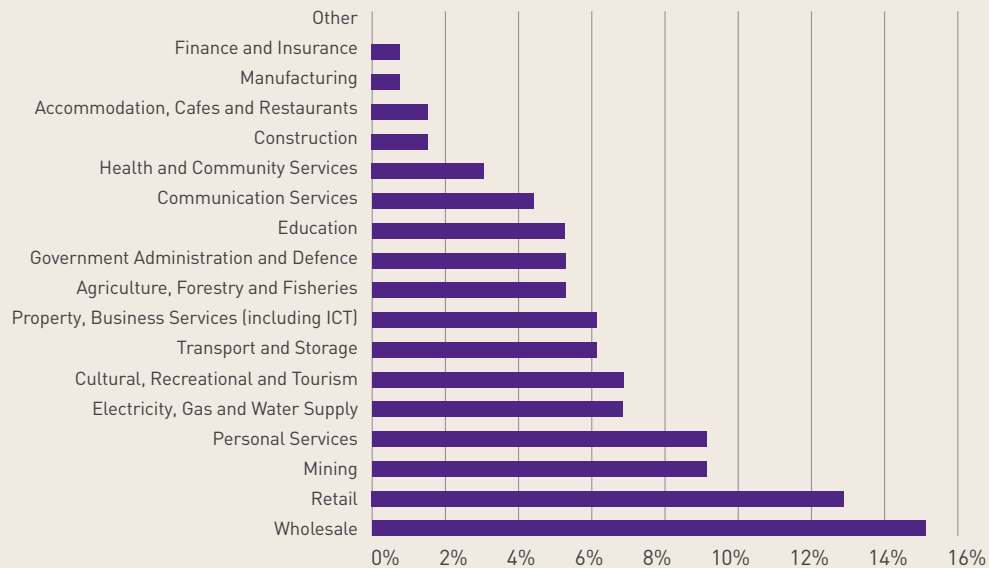
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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.

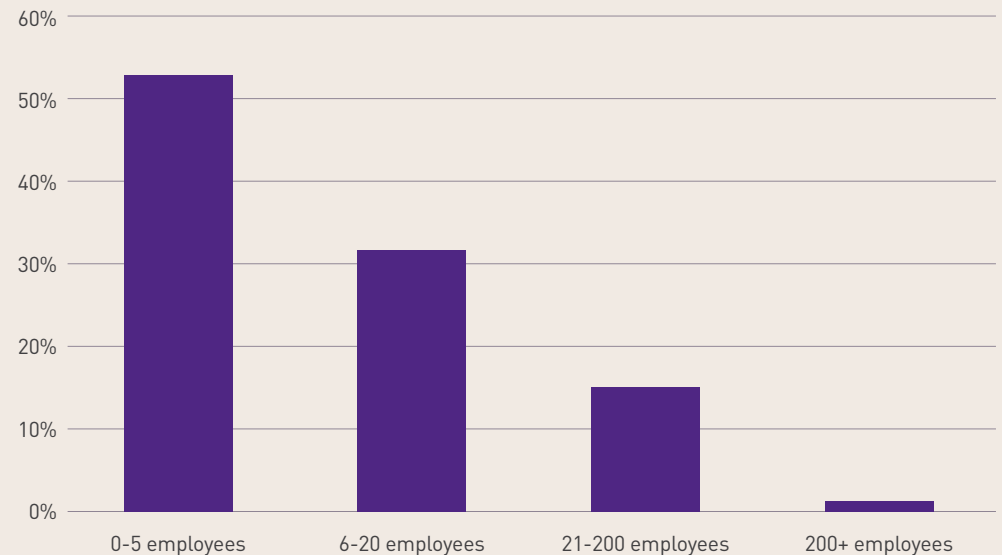
Degree of Constraint Index

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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