

WIDE BAY BURNETT PULSE SURVEY REPORT

DECEMBER QUARTER 2020



SUMMARY

Business confidence across Wide Bay Burnett exceeded the State average with the community remaining far enough away from the impacts of COVID-19. Growing regional sentiment was primarily driven by an uptake in seasonal activity and positive construction activity during the December quarter. Businesses also benefited from the complete implementation of staged easings of restrictions and the announcement of a COVID-19 vaccine becoming available in the March quarter (2021). However, similar to the rest of Queensland, business vulnerability is indeed in a new normal. While business conditions have improved significantly since the downturn in March, COVID-19 uncertainty remains a limiting factor for a sustained recovery in the region.

Amid generally favourable index results, businesses' qualitative 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, attention has narrowed on the finalisation of stimulus support, despite public health orders remaining in place. Specifically, businesses forecast that a reduction of JobKeeper and JobSeeker support may dampen consumer demand in 2021. Otherwise, further Chinese trade restrictions are threatening dominant primary sector industries across the Wide Bay region.

KEY FINDINGS

- 1 Business sentiment in Wide Bay Burnett exceeded the state average during the December quarter (2020)
- 2 Two in five businesses reported an increase in total sales and revenue
- 3 For the second consecutive quarter, the Pulse Business Index (PBI) for employment levels remained at a perfectly neutral reading of 50.0
- 4 More than one in three businesses continue to experience declining profitability

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

Wide Bay Burnett

54.5 Queensland
50.0

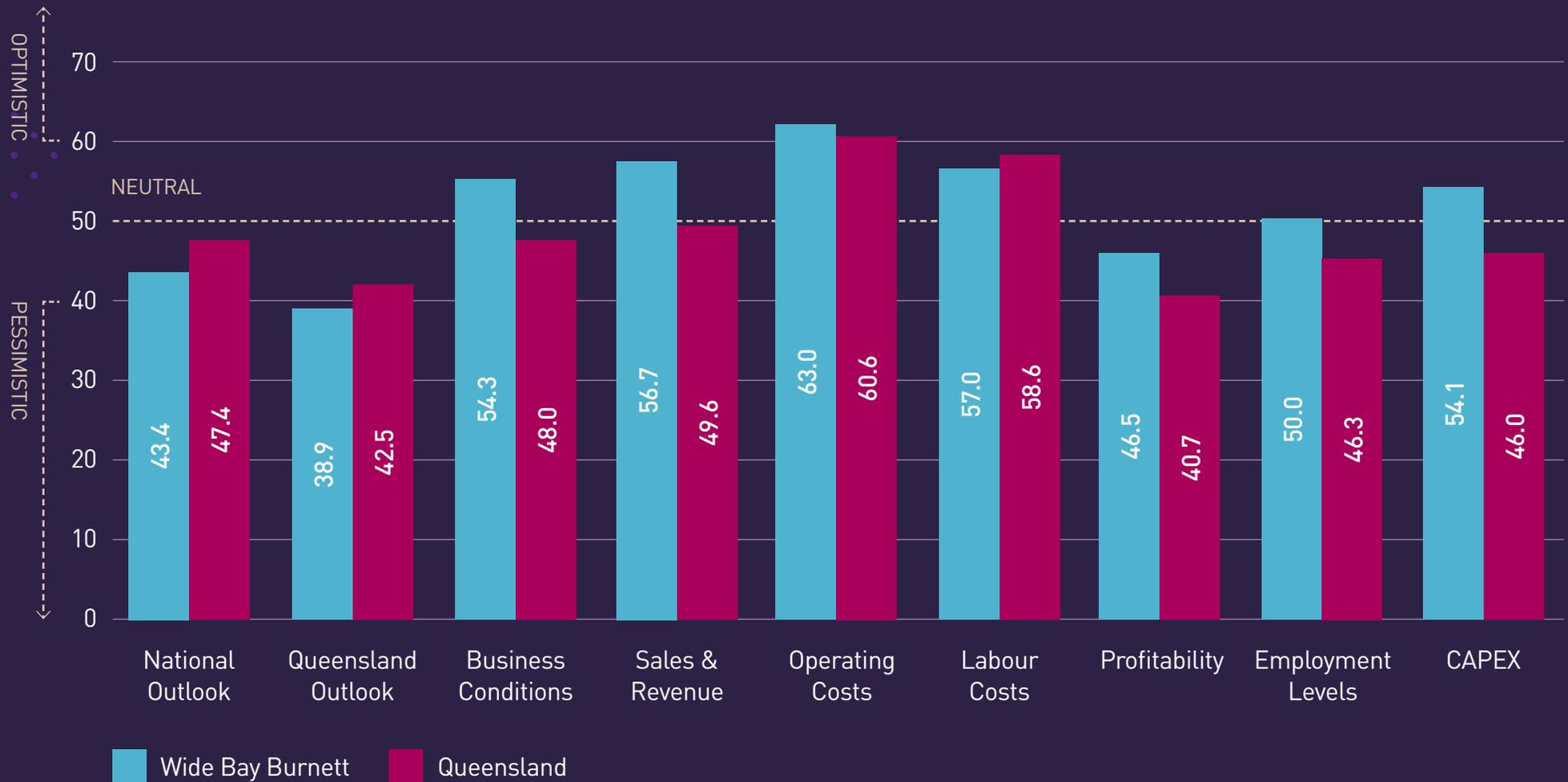
MARCH QUARTER FORECAST

Wide Bay Burnett

51.5 Queensland
50.3

SNAPSHOT DATA

WIDE BAY BURNETT 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 = **38.9** (+6.4); Poor
National Outlook = **43.4** (+10.4); Satisfactory

Business confidence in the economic outlook for Queensland and Australia improved again during the December quarter. Specifically, the PBI improved by 6.4 and 10.4 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 impact on small business when government support is withdrawn in 2021.

SALES AND REVENUE

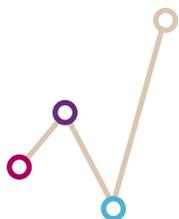


PULSE SURVEY INDEX

Dec-20 = **53.4** (+8.2); Satisfactory
Mar-21 = **49.4** (-4.0); 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 8.2 points to 53.4 to reflect successful pre-Christmas trade and greater foot traffic in the region. Regions across Queensland experienced similar turnover growth with qualitative evidence citing a shift in household and business consumption patterns in the absence of interstate and international travel. The PBI is forecast to fall by 4.0 points to 49.4 during the March quarter. Plateauing momentum reflects the consensus that trade will slow in the March quarter as stimulus support is tapered, and as spending patterns normalise.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Dec-20 = **54.3** (+9.1); Satisfactory
Mar-21 = **53.4** (-0.9); Satisfactory

Businesses across the Wide Bay region reported improved general business conditions during the December quarter. The PBI for operating conditions improved 9.1 points to 54.3, following the greater majority of businesses reporting a more productive operating environment (41%). Business sentiment was driven by the ability to leverage seasonal activity following the complete actioning of staged easings of restrictions in Queensland. General business conditions are expected to fall only slightly in the March quarter, with there being little announced on further adjustments to existing public health orders.

OPERATING COSTS

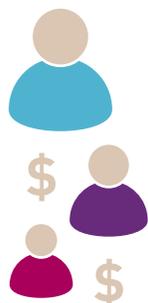


PULSE SURVEY INDEX

Dec-20 = **63.0** (+7.1); High
Mar-21 = **68.1** (+5.1); High

Businesses in the Wide Bay region reported higher operational costs such as rent, electricity and insurance premiums during the December quarter. The PBI grew by 7.1 points to 63.0, as nearly every business respondent reported equal or greater costs (95%). Qualitative evidence echoes the September quarter findings where operational cost burdens are growing while business support is being reworded. Additionally, regional businesses continue to emphasise mounting insurance premiums amid the growing unpredictability of seasonal climate conditions. Business costs are expected to continue rising in the March quarter as government support continues to fall.

LABOUR COSTS



PULSE SURVEY INDEX

Dec-20 = **60.4** (+5.6); High
Mar-21 = **63.7** (+3.3); 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 (38%), the PBI climbed 5.6 points to 60.4, indicating a return to high cost burdens. Given that employment levels improved only slightly across the Wide Bay 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 3.3 points in the New Year following the final revision to the JobKeeper payment coming into effect on the 4th of January, before concluding at the end of the March quarter (2021).

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Dec-20 = **50.0** (=); Satisfactory
Mar-21 = **51.4** (+1.4); Satisfactory
Wide Bay Unemployment (Dec-20) = **9.6%**

The Pulse Index for employment levels remained unchanged during the December quarter. While employment levels remained at a perfectly neutral reading of 50.0, trended regional employment data evidenced a five per cent growth in the number of employed people since September (CONUS Staff Selection Employment). Interestingly, employment across Wide Bay is performing better now than before the COVID-19 crisis. 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 measures.

PROFITABILITY



PULSE SURVEY INDEX

Dec-20 = **46.5** (+4.5); Satisfactory
Mar-21 = **42.9** (-3.6); Satisfactory

Profitability improved slightly during the December quarter. The PBI grew by 4.5 points to 46.5 following nearly one-third (32%) of businesses reporting stronger profitability. Business expect the momentum of growing profits to be shortlived, with the index forecast to fall by 3.6 points in the New Year. This follows shared sentiment across Queensland regarding the uncertainty around sustained economic recovery when government support is removed.

CAPITAL EXPENDITURE

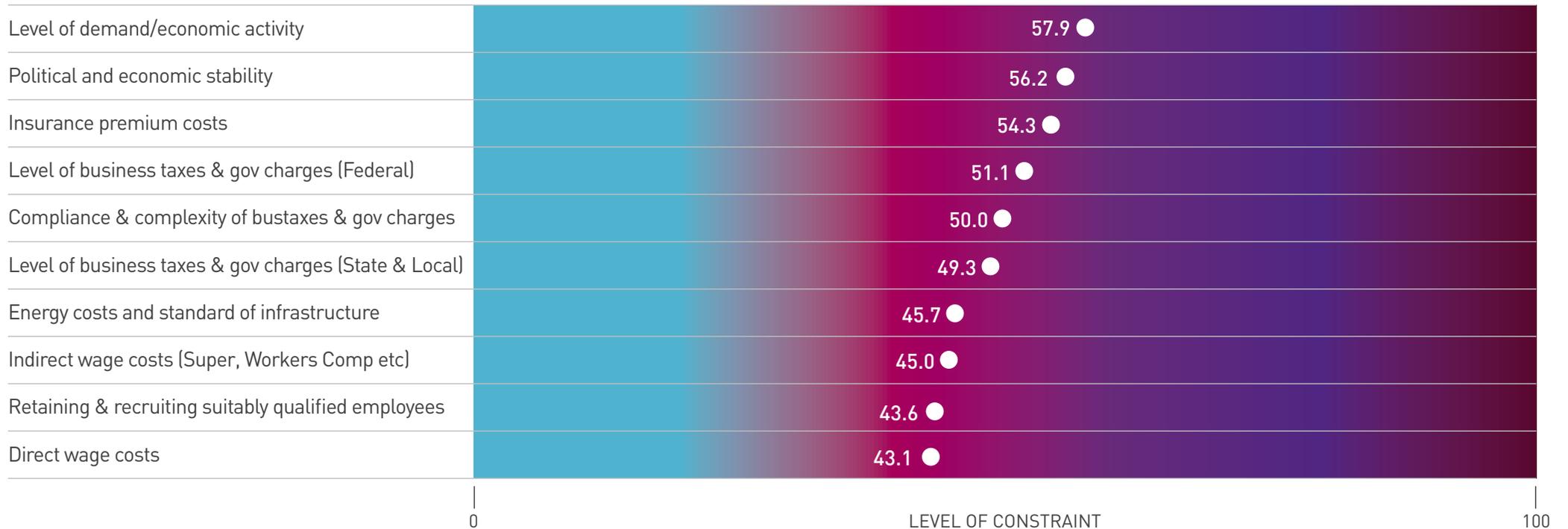


PULSE SURVEY INDEX

Dec-20 = **54.1** (+5.7); Satisfactory
Mar-21 = **52.5** (-1.6); 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 54.1 and indicated increasing capital expenditure by businesses across Wide Bay Burnett. 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 expect new investment purchases to fall slightly in the New Year.

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**



Each month there seems to be progress in the process of dealing with COVID-19 and attempts to return the country to a new form of normality. However, I firmly believe that immediate attention needs to be given to returning hope for a stable future with nationally consistent control procedures.



COVID-19 has forced people to evaluate new and smarter ways of doing business. This includes implementing new IT systems to aid in diversification and marketing.



The COVID-19 crisis remains a real threat to the region. Further lockdowns and restrictions will hamper any positive financial performance and recovery of small businesses. I am also nervous to see what effect on business following reduced stimulus and less money circulating around the economy.

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 90 from Wide Bay Burnett (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

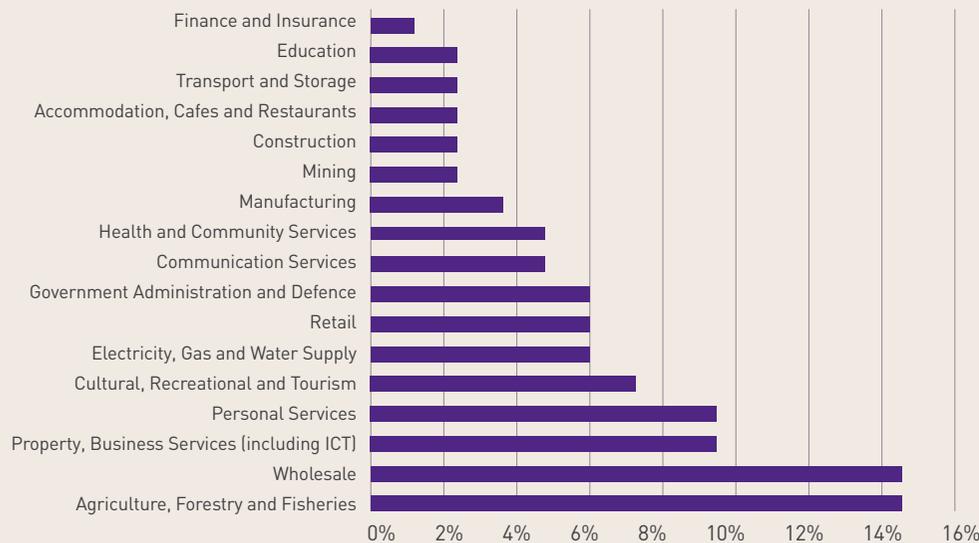
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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.

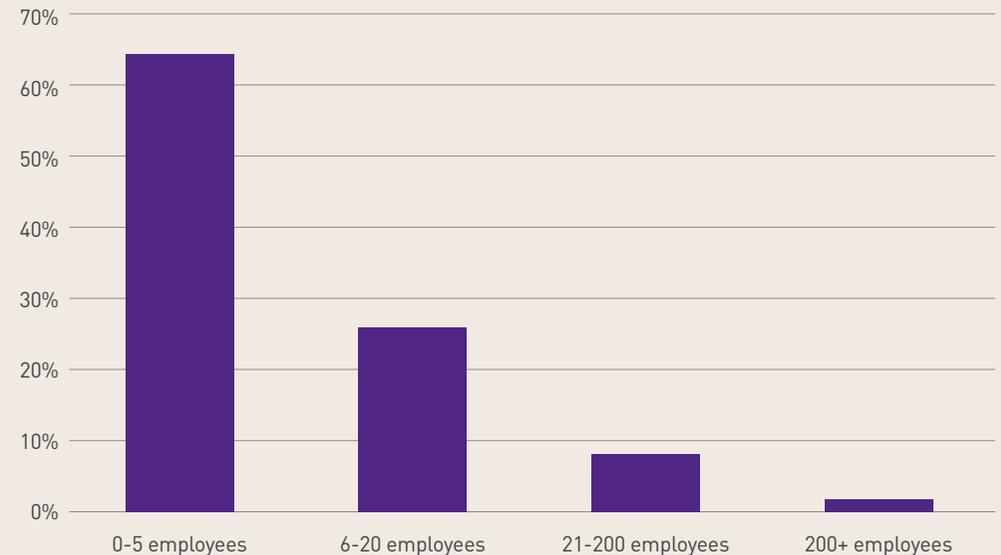
Degree of Constraint Index

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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