

GOLD COAST PULSE SURVEY REPORT

DECEMBER QUARTER 2021

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GOLD COAST BUSINESSES TO BE LEFT REELING FROM OMICRON STRAIN

Latest results for the Pulse Survey indicate that the Gold Coast business community fared well when compared elsewhere in Queensland but the Omicron COVID-19 variant is expected to wreak havoc in the March quarter. Many Gold Coast businesses indicated that the Omicron strain is expected to cause just as much economic harm to their business as the original emergence of COVID-19 in the first half of 2020.

This quarter's key finding is Gold Coast business performance held in the December quarter as borders opened but confidence is expected to plummet due to the compounding impact of labour shortages, supply chain disruption and considerably lower consumer spend associated with the Omicron wave.

Overall conditions range from 'poor' to 'satisfactory' with general business conditions, sales/revenue, profitability and capital expenditure all expected to fall. At the same time business operating costs and wage levels will continue to remain high. As a result, Gold Coast businesses are now increasingly uncertain about 2022 and their business viability.

The silver lining is that Gold Coast businesses are reporting partially better performance in the December quarter than the Statewide average. It appears the border reopening has helped Gold Coast businesses weather the COVID-19

storm better than businesses elsewhere in Queensland. However the anticipated deterioration in the March quarter for Gold Coast businesses is expected to be on par with the deterioration Statewide.

Feedback as part of the Pulse Survey has indicated the Omicron strain has and will impact on Gold Coast businesses in a number of serious ways including:

- The creation of significant uncertainty leading to the erosion of consumer and business confidence and in turn spend in the economy;
- Staff shortages through either getting COVID-19 or the requirement for self-isolation as a close contact in tandem with previous international and interstate border restrictions preventing new stock of employees;
- Material shortages and supply chain disruptions that are leading to higher business input costs caused by staff shortages and also the shortage of 'AdBlue';
- Discontent with political leadership as a result of failing to plan properly (absence of available testing capacity) and inconsistent and anti-business health restrictions that have eroded certainty and a capacity to plan;
- Absence of financial support for small businesses and the cessation of support for many households;

- Lagging impact of interstate and international border restrictions on Queensland's tourism industry and also embedded fear of travel;
- Restrictions as a result of vaccination status for both employees and customers; and
- Knock on effects such as employees working from home and steering clear of CBDs and shopping centres.

There are also other serious economic problems compounding the impact of Omicron including:

- Continuing trade restrictions with China;
- Rising insurance, fuel and other business input prices;
- Fear of rising inflation and the impact on future spending through rising interest rates; and
- The forthcoming Federal Election and the impact this will have on delaying government spending, infrastructure planning and decision making;

All of these negative influencers have and will combine to create a bitter cocktail for Gold Coast businesses in the December and more significantly in the March quarter.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

DECEMBER QUARTER SENTIMENT

Gold Coast

40.0 Queensland
38.6

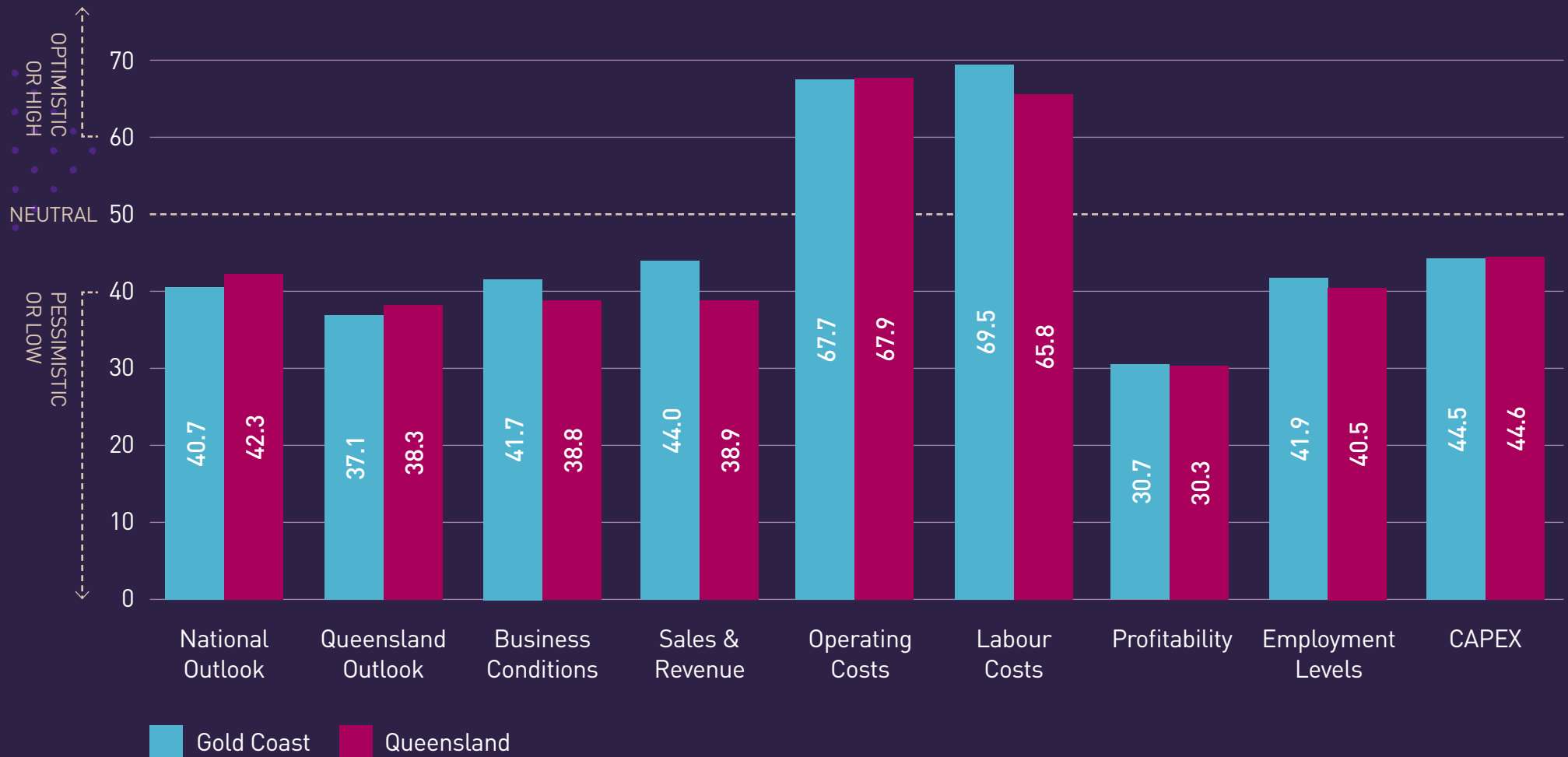
MARCH QUARTER FORECAST

Gold Coast

38.6 Queensland
36.5

SNAPSHOT DATA

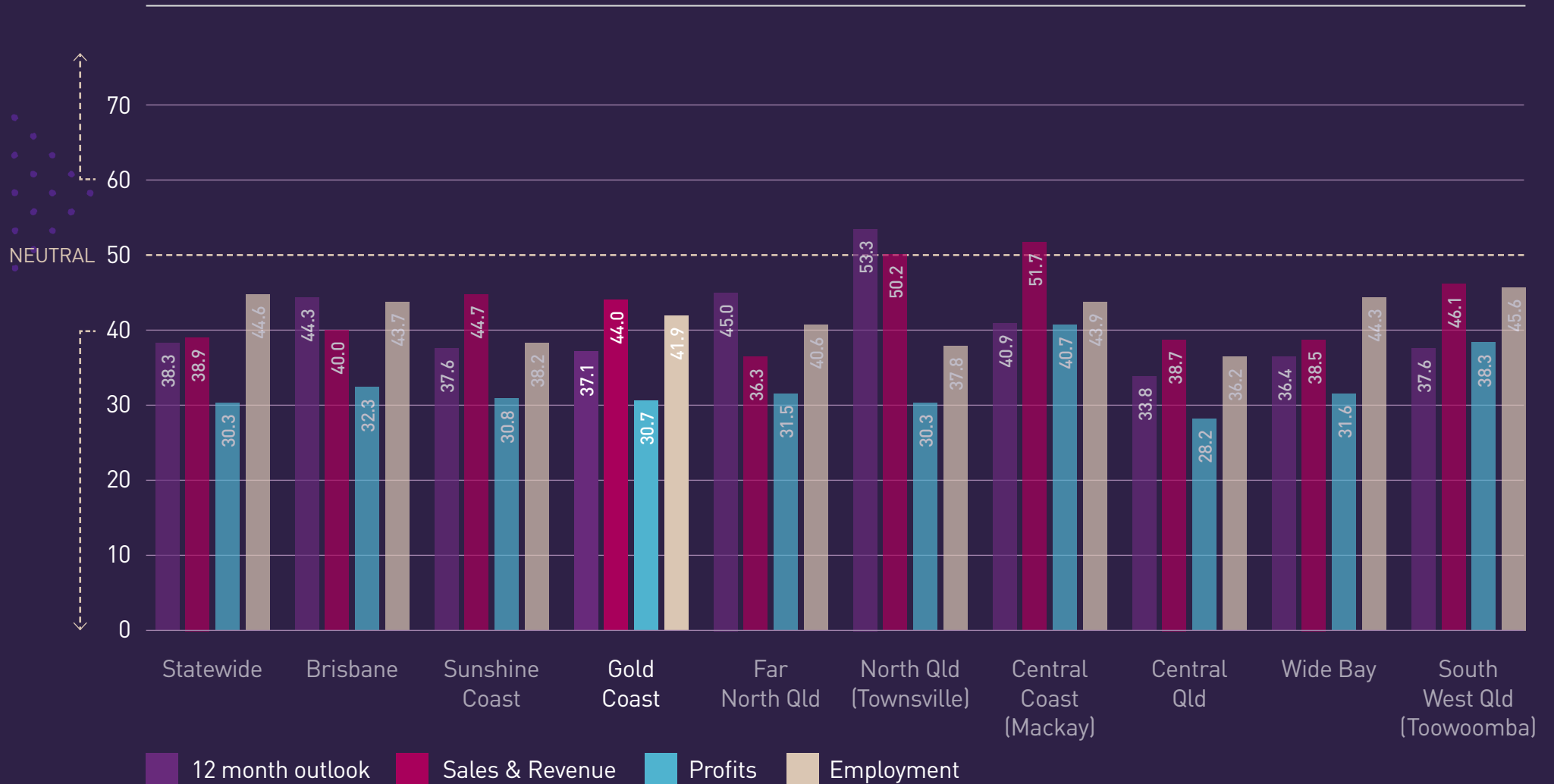
GOLD COAST PULSE SURVEY INDEX* RATINGS DECEMBER 2021



Survey Index Ratings: Very Poor = 0-19 points / Poor = 20-39 points / Satisfactory = 40-59 points / Good = 60-79 points / Excellent = 80-100 points

SNAPSHOT DATA

PULSE SURVEY INDEX * RATINGS DECEMBER 2021



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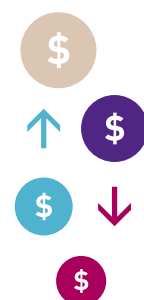


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **37.1** (-11.0); Poor
National Outlook = **40.7** (-10.8); Satisfactory

Business confidence measured by expectations for the performance of the National and Queensland economies over the next twelve months has fallen dramatically in the December quarter. Gold Coast business confidence in the Australian economy for the next twelve months decreased by 10.8 points to 40.7. The Queensland Index also decreased significantly by 11.0 points to 37.1 with both now indicating weakening growth prospects over the forthcoming 12 months. Both Indexes moved in unison with each other, however the decline recorded for the Queensland economy was slightly higher than Nationally. Gold Coast businesses are less confident about the Queensland economy over the next twelve months than the National economy.

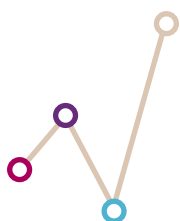


SALES AND REVENUE

PULSE SURVEY INDEX

December-21 = **44.0** (+5.7); Satisfactory
March-22 = **40.4** (-3.7); Satisfactory

Total sales revenue in the December quarter increased. The sales and revenue PBI of 44.7 is up (5.7 points) on the previous September quarter index. The PBI indicates stronger sales and revenue during the December quarter and is certainly consistent with stronger tourism and hospitality. Whilst domestic border closures and other restrictions across the Queensland economy eased during the quarter, new obstacles are emerging including staff shortages and considerable supply chain disruption that will compound already soft consumer confidence. Accordingly total sales revenue are expected to fall in the March quarter down 3.7 points to 40.4.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

December-21 = **41.7** (+1.6); Satisfactory
March-22 = **37.8** (-4.0); Poor

General business conditions held in the December quarter as a consequence of slightly strengthening sales (as a result of boarder openings) but high labour and operational costs caused a continuation of relatively poor business profitability. The December quarter index score of 41.7 represents a slight increase of 1.6 points from the September quarter. General business conditions in the March quarter are anticipated to weaken as the Omicron wave peaks with the PBI is expected to fall 4.0 points to 37.8.

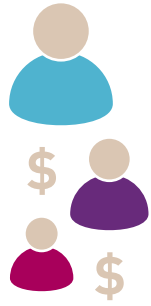


OPERATING COSTS

PULSE SURVEY INDEX

December-21 = **67.7** (-0.3); High
March-22 = **68.3** (+0.6); High

Operating costs during the December quarter remained at a high level with the PBI of 67.7. Global supply chain shortages and bottlenecks have fuelled significant price rises for business inputs as overseas suppliers increase prices to reflect supply issues but also as switching occurs to more expensive domestic suppliers. At the same time supply for many business inputs has decreased considerably with prices increasing to reflect shortages. High operating costs are expected to further increase slightly in the March quarter up 0.6 index points to 68.3.



LABOUR COSTS

PULSE SURVEY INDEX

December-21 = **69.5** (5.3); High

March-22 = **69.7** (+0.2); High

Labour costs in the December quarter remain at a 'high' level with a PBI of 69.5. This result reflects skill and labour shortages across a number of industry sectors as Gold Coast businesses attempt to offset a reduction in overseas and interstate workers through attracting Queenslanders with higher earnings. As the Omicron strain of COVID-19 bites, many businesses are also indicating unavailability of existing workers and unsurprisingly the labour costs PBI is expected to remain high with a PBI of 69.7.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

December-21 = **41.9** (-0.5); Satisfactory

March-22 = **44.4** (+2.5); Satisfactory

Employment levels again declined with the PBI falling 0.5 index points in the December quarter to 41.9. This result reflects attempts to maintain business viability through cost minimisation. However it also reflects significant feedback of skill and labour shortages across a number of industry sectors due to the unavailability of interstate and overseas workers. A modest improvement in employment is expected in the March quarter with the PBI increasing 2.5 index points to 44.4.



PROFITABILITY

PULSE SURVEY INDEX

December-21 = **30.7** (+1.9); Poor

March-22 = **30.8** (+0.1); Poor

The profitability PBI marginally improved by 1.9 points in the December quarter to 30.7. Higher sales were not enough to materially offset high levels of operating and labour costs causing profitability to remain at a poor level for Gold Coast businesses. Gold Coast businesses expect no really improvement in their profitability in the March quarter, with the Index forecast to rise just 0.1 point to 30.8. Survey respondent feedback indicates the essential importance of restoring sales revenue to sure up their financial profitability.



CAPITAL EXPENDITURE

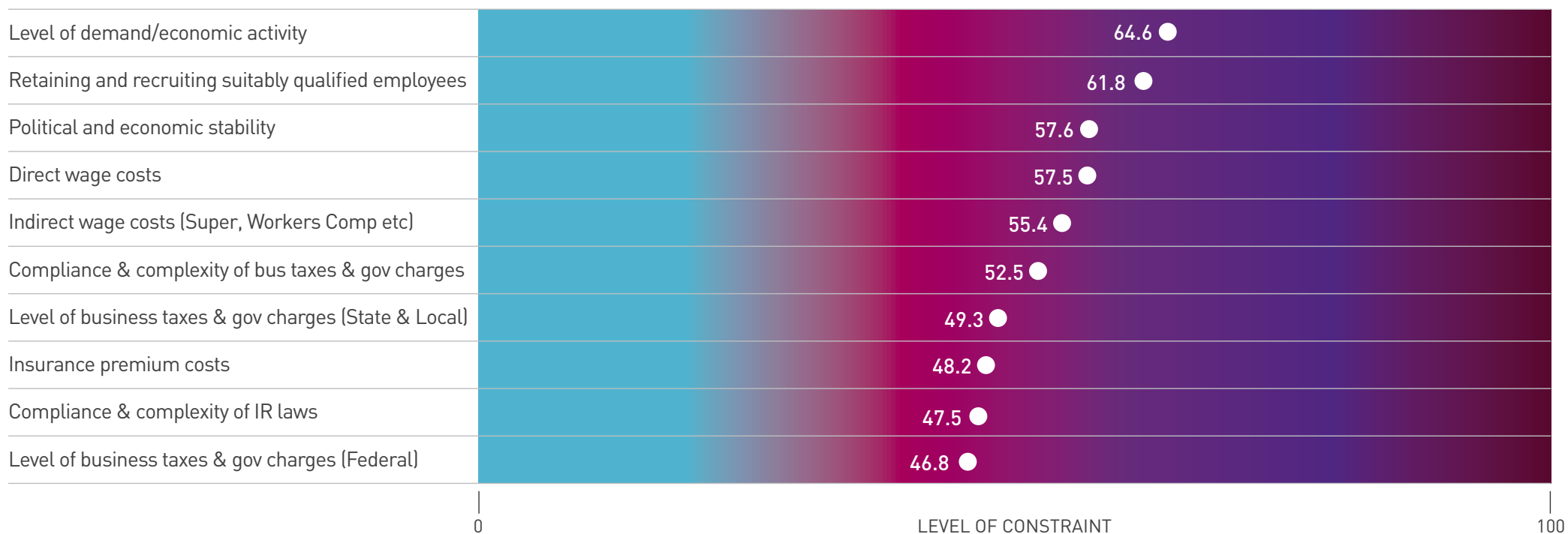
PULSE SURVEY INDEX

December-21 = **44.5** (-1.6); Satisfactory

March-22 = **41.2** (-3.3); Satisfactory

Prevailing weak profit levels, lower sales revenue and uncertainty continue to weigh down future business plans and capital expenditure with PBI in the December quarter falling 1.6 points to 44.5. Business investment is expected to further weaken in the March quarter with the capital expenditure PBI down another 3.3 points to 41.2. There is continuing fear that the underinvestment evident across the past two years could hinder future growth.

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**

“ Half of our workforce was away sick. There was little we could do to mitigate this, and mass cancelations ensued.

“ Ability of the state and federal governments to collaborate and act in the best interest of the community ahead of political motives.

“ COVID rules and indecisive government and even contradictory governing. We lost three (of our best) staff because of the vaccination rules. Not only a drama to them (now on Centrelink) but as a company it is a great setback to lose an investment (human capital).

“ With even higher levels of trading and staffing uncertainty we are not currently willing to commit to any new capital investments or new staff, especially given the cost of recruiting, training and on-boarding.

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 10th to the 25th of January 2022 and examined business sentiment and activity throughout the December quarter (2021). 78 Gold Coast businesses responded to the survey.

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.

To find out more about Pulse, please contact CCIQ on 1300 731 988 or at cciqadvocacy@cciq.com.au.

The following guide is useful in interpreting the PBI results into broad indicative performance classifications.

Pulse Business Index

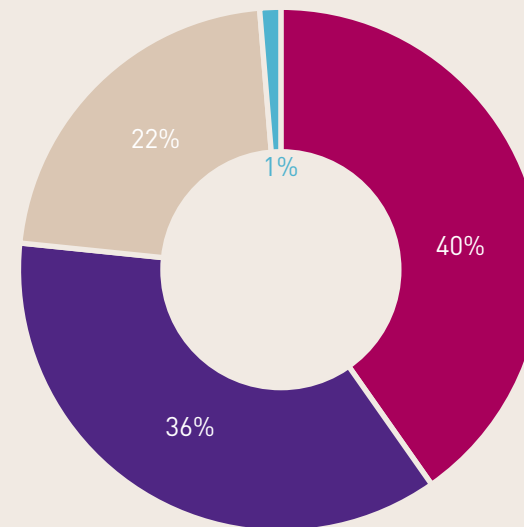
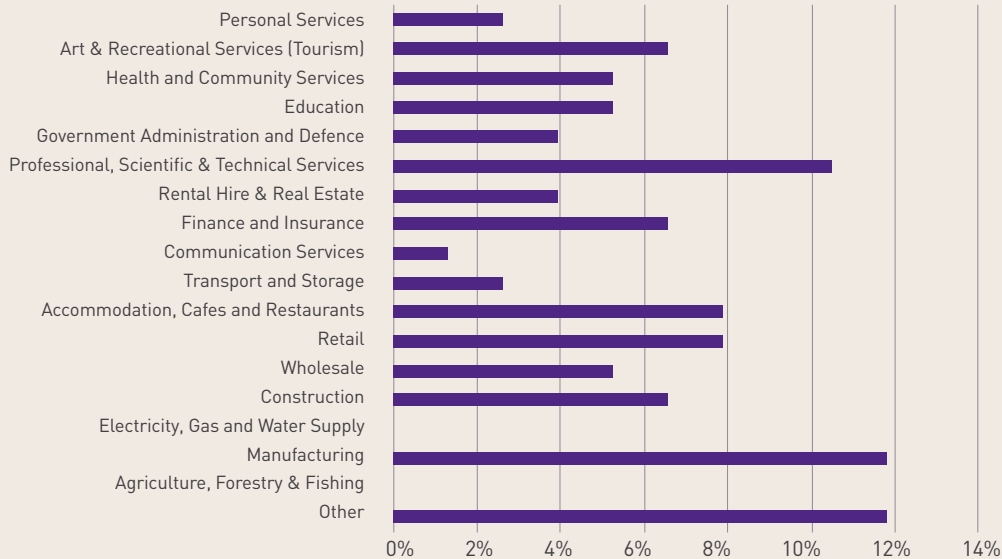
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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

- 0-5
- 6-20
- 21-200
- 200+

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