

GOLD COAST PULSE SURVEY REPORT

JUNE QUARTER 2021



SUMMARY

Latest results for the Pulse Survey in the June Quarter indicate the Gold Coast business community is not out of the woods yet and our recovery remains in the balance.

The overall results are negative but represent small changes rather than large movements and hopefully are a case of 'two steps forward with one step back' as opposed to 'one step forward with two steps back'. In short the June quarter's results indicate that Gold Coast's economic recovery is far from assured.

Across the board performance for Gold Coast businesses in the June quarter were below the Queensland average and expectations are also short of the statewide benchmark.

The 12 month outlook, general business conditions, total sales revenue and employment levels have all fallen in the June quarter compared to the March quarter. The silver lining is that their current levels are well above this time last year.

There are concerns around record increases in labour costs, high operational costs that have caused profitability to deteriorate to 'poor' levels.

Furthermore, expectations for the September quarter are fragile with most indicators further declining. There is re-emerging uncertainty associated with shut downs interstate associated with the delta variant of COVID-19 and slow vaccine roll out. These are undermining business confidence and in turn recovery.

The Pulse Survey was conducted during the period 7th to 16th July prior to the latest COVID-19 related shutdowns in SEQ. Whilst results for the June quarter are not impacted the general deterioration noted for the September quarter and reduction in business confidence for the Queensland economy across the next 12 months is now likely to be significantly more pronounced.

KEY FINDINGS AND THEMES

COVID-19 outbreaks and the ongoing uncertainty that it creates

Government responses to COVID-19 including lockdowns, business restrictions and both international and domestic border closures

Removal of Government business support and stimulus measures

Lack of consensus on above issues with wide variation in business views

Efficiency, effectiveness and accelerated roll-out of our National vaccination program

General erosion of business confidence in State and Federal Government

Supply chain disruptions and associated rising input costs

Deterioration in trade relationship with China

Both skilled and unskilled labour shortages.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

JUNE QUARTER SENTIMENT

Gold Coast

52.4 Queensland
53.7

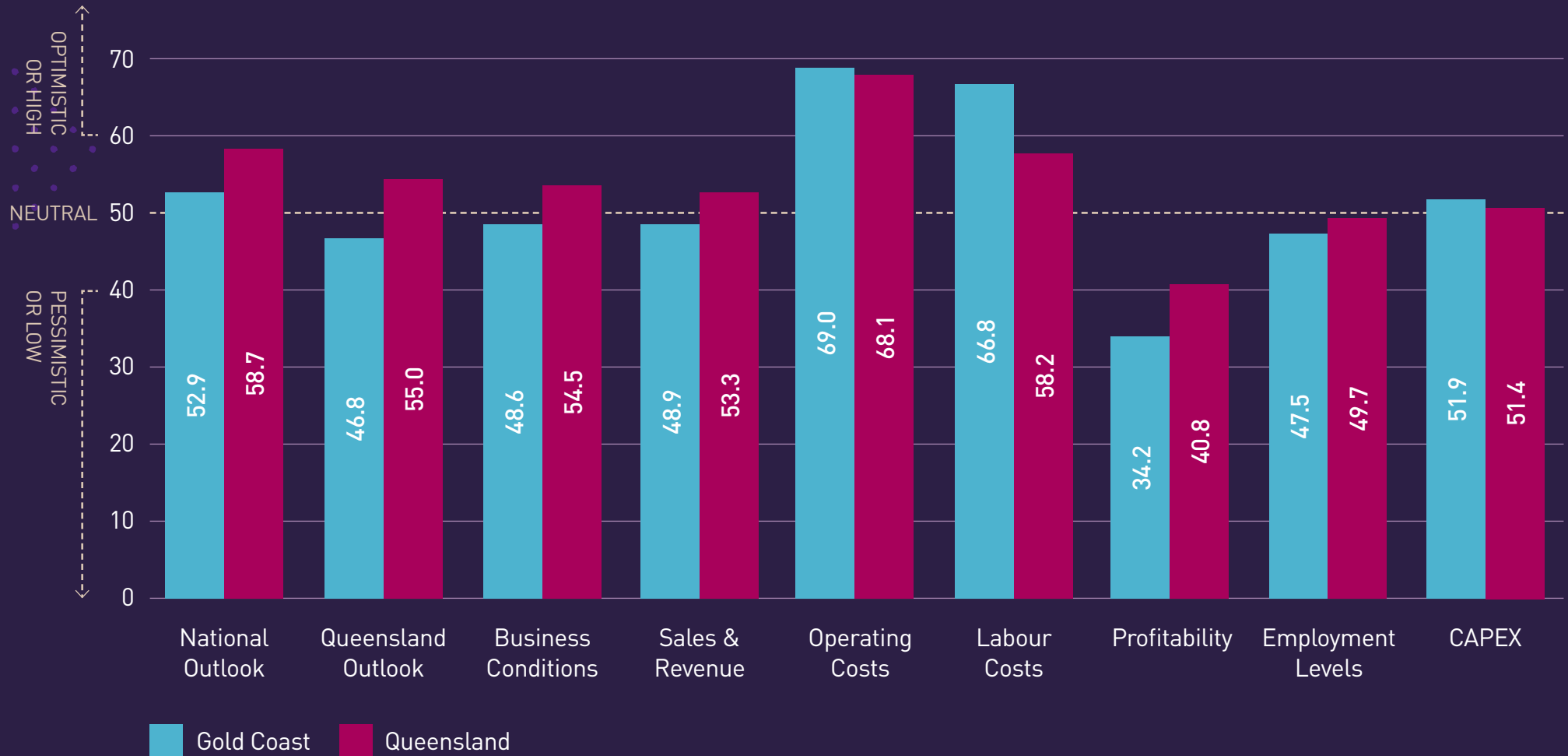
SEPTEMBER QUARTER FORECAST

Gold Coast

50.5 Queensland
53.6

SNAPSHOT DATA

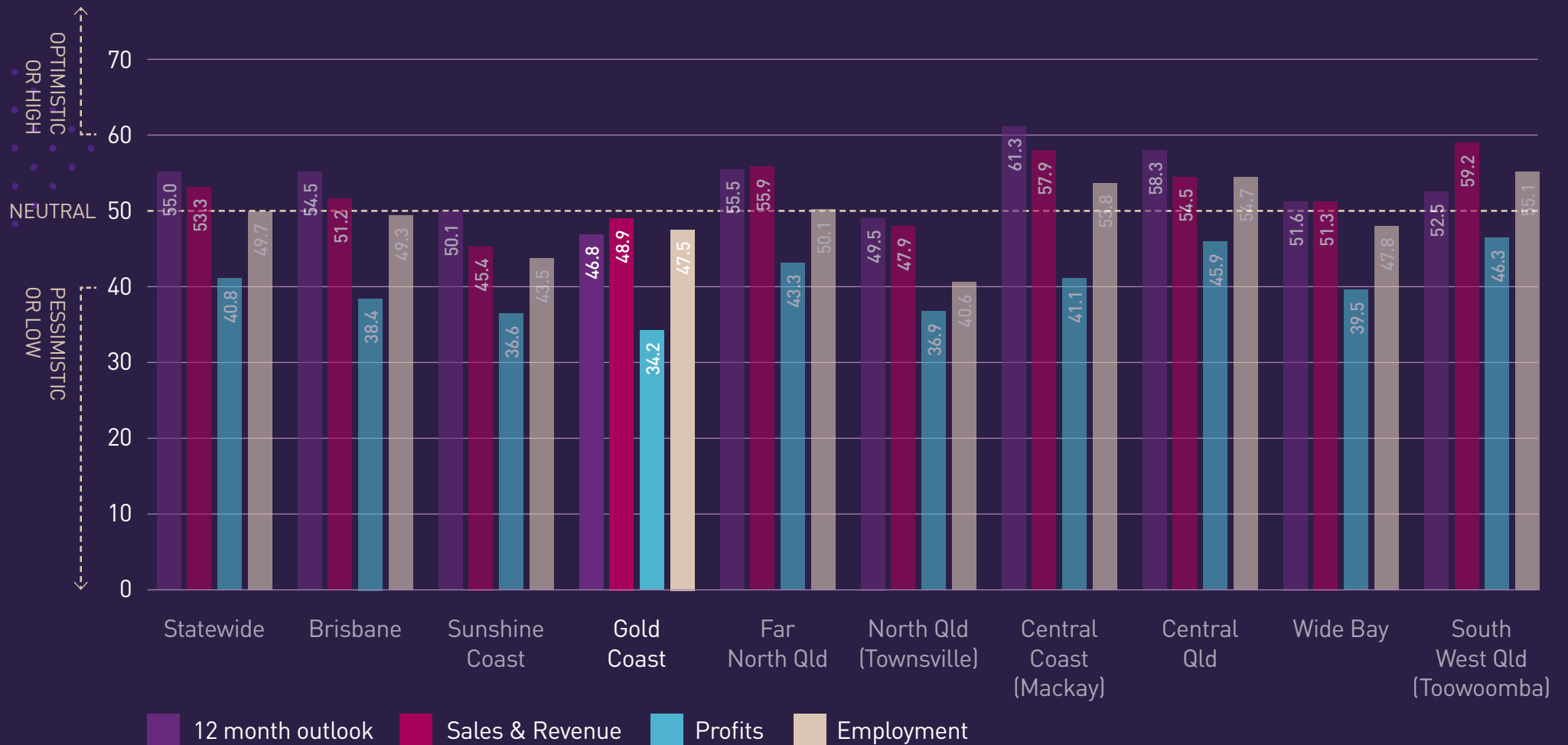
GOLD COAST PULSE SURVEY INDEX* RATINGS JUNE 2021



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 JUNE 2021



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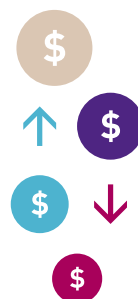


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **46.8** (-5.4); Satisfactory
National Outlook = **52.9** (-4.7); Satisfactory

The 12 month outlook deteriorated with the index falling 5.4 points to 46.8 and now indicates 'weakening' growth prospects for the Gold Coast and is lower than the Queensland average (55.0). However business confidence remains considerably above this time last year (28.1). Surprisingly Gold Coast businesses continue to believe the National economy will outperform the Queensland economy over the next twelve months. This is no doubt a reflection of the SEQ's vulnerability to COVID-19 flare-ups and border and business restrictions.

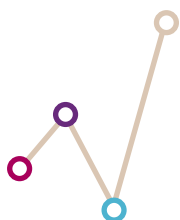


SALES AND REVENUE

PULSE SURVEY INDEX

June-21 = **48.9** (-6.0); Satisfactory
Sept-21 = **47.4** (-1.5); Satisfactory

The sales and revenue PBI of 48.9 is 6.0 index points down on the previous March quarter index of 54.9. The reduction in sales revenue during the quarter is consistent with the progressive easing of stimulus measures coupled with re-emerging uncertainty and another 3 day lockdown in SEQ. Sales in Gold Coast was lower than the Statewide average (53.3). Total sales revenue is expected to remain below 50 in the September quarter with a PBI of 47.4.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

June-21 = **48.6** (-4.4); Satisfactory
Sept-21 = **45.8** (-2.8); Satisfactory

The recent improvement in business conditions stalled in the June quarter largely as a consequence of sales tapering, rapidly increasing labour and operational costs squeezing business profitability. The latest index score of 48.6 sees a decline (-4.4) on the March quarter PBI of 53.0 but remains considerably above this time last year (28.1). Again Gold Coast's result is below the Statewide average (54.4). General business conditions are expected to further ease in the September quarter with an expected PBI of 45.8.

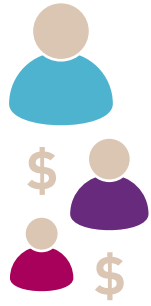


OPERATING COSTS

PULSE SURVEY INDEX

June-21 = **69.0** (+4.0); High
Sept-21 = **69.3** (+0.3); High

Operating costs during the June quarter 2021 continued to rise with the PBI increasing by 4.0 index points from 65.0 in the March quarter to 69. Rent, utility and insurance costs have started to rise as a result of a cessation of assistance relief coupled with global supply chain shortages fuelling business input price rises as switching occurs to more expensive domestic suppliers but also as overseas suppliers increase prices to reflect supply issues. Operating costs are expected to remain high in the September quarter (69.3).



LABOUR COSTS

PULSE SURVEY INDEX

June-21 = **66.8** (+3.4); High
Sept-21 = **66.9** (+0.1); High

Labour costs in the June quarter 2021 increased and are now at a historic high with a PBI of 66.8. This result is 3.4 index points above the preceding March quarter (63.4) and well above this time last year (40.4). This result reflects a catch up following pay freezes and reduced pay levels but also emerging skill and labour shortages. Labour costs will further increase in the September quarter (66.9) as a result of the Fair Work Commission's 2.5 per cent wage increase to modern awards and an increase in employer super to 10 per cent.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

June-21 = **47.5** (-1.3); Satisfactory
Sept-21 = **45.2** (-2.3); Satisfactory

Employment levels declined in the June quarter 2021 with the PBI remaining below 50. The employment PBI reduced by 1.3 index point from 48.8 in the March quarter to 47.5 in the quarter. The PBI does however remain 11.6 index points above this time last year (35.9) but sits just below the state average of 49.7. Employment levels are expected to further reduce in the September quarter with the employment PBI expected to fall by 2.3 index points to 45.2.



PROFITABILITY

PULSE SURVEY INDEX

June-21 = **34.2** (-7.3); Poor
Sept-21 = **33.3** (-0.9); Poor

A reduction of sales coupled with compounding increases in operating and labour costs have seen profitability deteriorate in the June quarter 2021. The profitability PBI fell by a significant 7.3 points from 41.5 in the March quarter to 34.2 and is now regarded as being at a poor level. Gold Coast business profitability is also generally poorer than the Statewide average (40.8). Gold Coast businesses anticipate a further deterioration in their profitability in the September quarter, with the Index forecast to fall by another 0.9 points to 33.3.



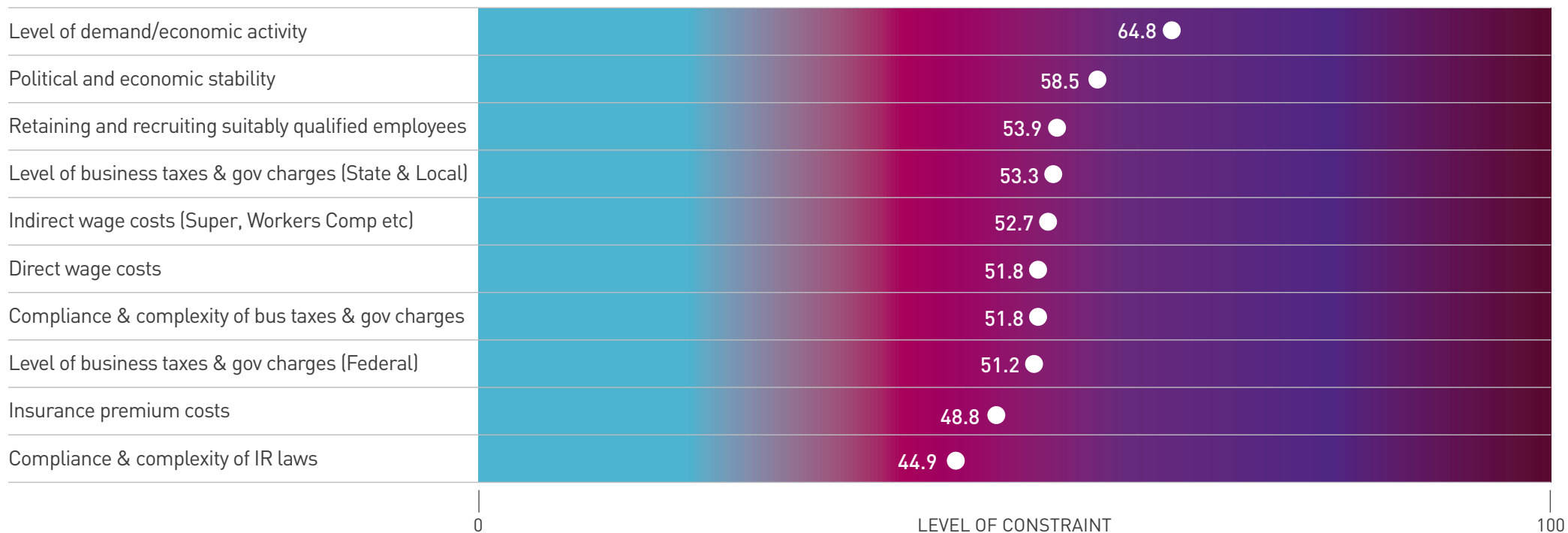
CAPITAL EXPENDITURE

PULSE SURVEY INDEX

June-21 = **51.9** (+6.3); Satisfactory
Sept-21 = **46.4** (-5.5); Satisfactory

The capital expenditure PBI in the June quarter surprisingly increased by 6.3 index points from 45.6 in the March quarter to 51.9 which indicates relatively unchanged investment. This improvement sees Gold Coast business capital expenditure move into alignment with the statewide average of 51.4. However this improvement is not expected to hold as capital expenditure is expected to fall by 5.5 points to 46.4 in the September quarter.

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 impact of covid 19 is still the biggest threat on the state and national economy. Our industry, building and construction (homes) has been lucky to receive government stimulus and strong buyer demand. However others have not. The impact however has caused supply shortages and now super inflation across our markets. We expect hyper inflationary scenarios across the globe over the coming 12-24-36 months.



The lockdowns will continue to be the largest impact on Queensland, and National economies. Per our experience, it takes, on average, 6-10 days for the local customer confidence to bounce back after a lockdown; this causes a significant drain on cash-flow.



Lock downs that do not seem to follow a set of guidelines . 2021 lockdowns occurred for our customer for every holiday period in the last 9 months has eroded their confidence of spending for new equipment. We are a supplier to the entertainment sector.

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 7th to the 16th of July 2021 and examined business sentiment and activity throughout the June quarter (2021). 105 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

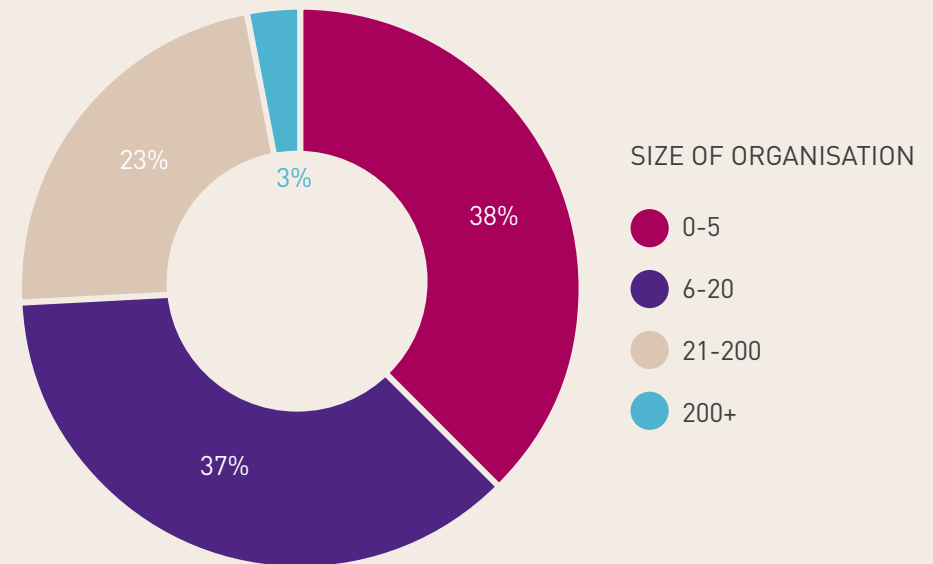
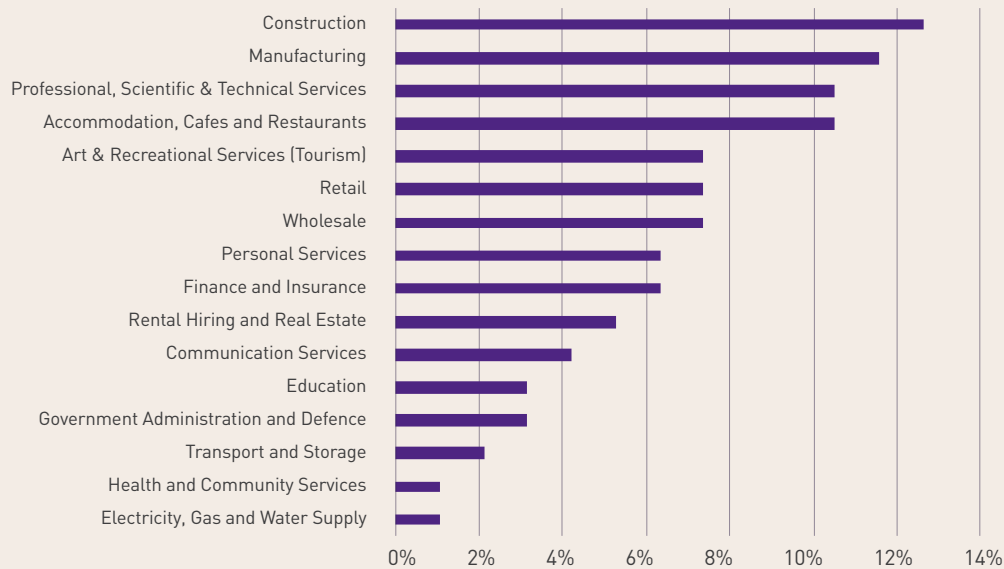
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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



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