

NORTH QUEENSLAND PULSE SURVEY REPORT

JUNE QUARTER 2021



SUMMARY

Latest results for the Pulse Survey in the June Quarter indicate the Townsville and Northern Queensland business community continues to battle against poor economic conditions.

The overall results remain negative but represent small changes rather than large movements. In short the June quarter's results indicate that Townsville and Northern Queensland's economic recovery continues to be some distance away.

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

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 also discouraging 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.

Generally Townsville and Northern Queensland economic performance across key indicators in the June quarter is poorer than most geographical areas of Queensland.

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

North Queensland

52.3 Queensland
53.7

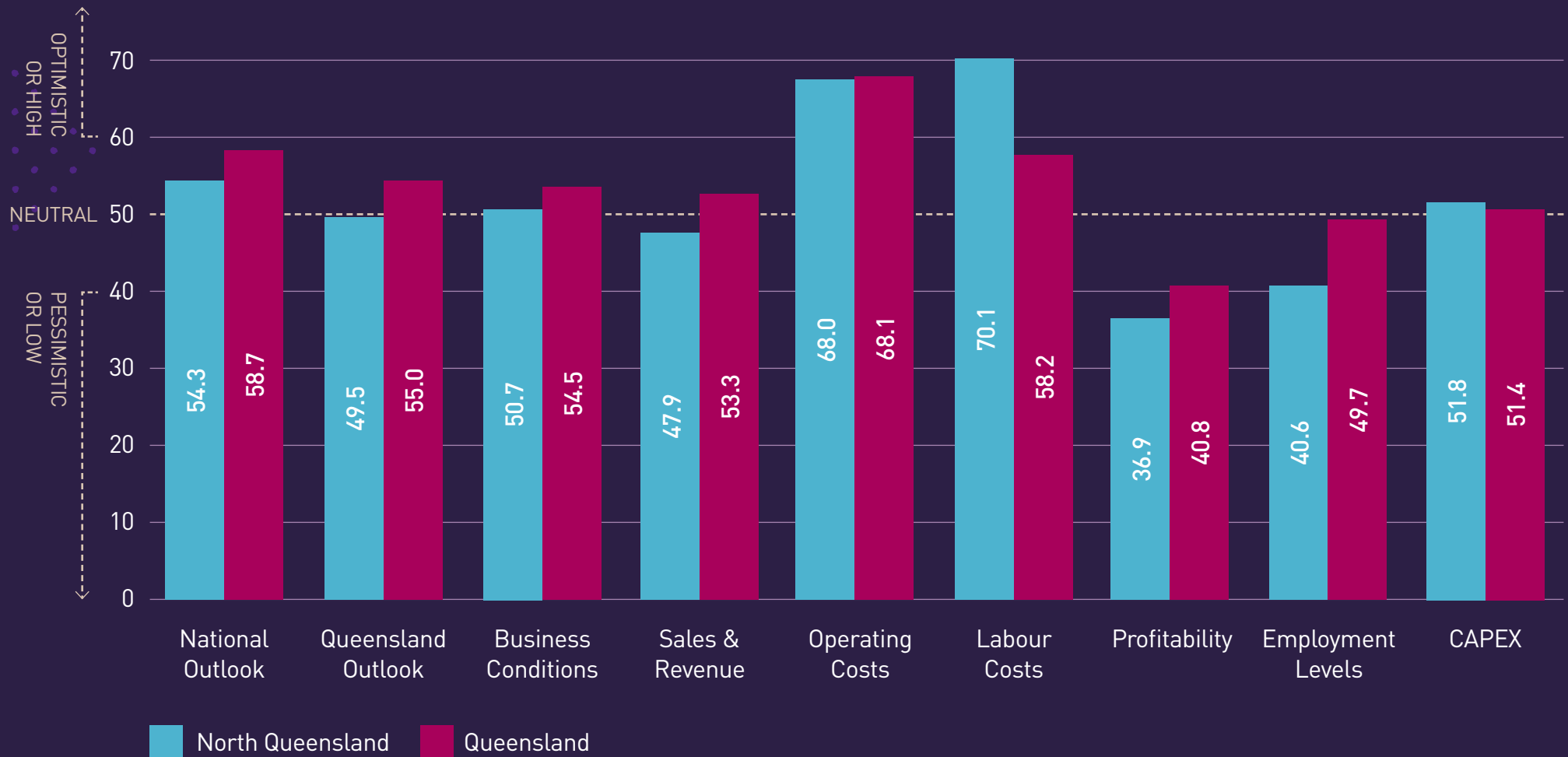
SEPTEMBER QUARTER FORECAST

North Queensland

50.1 Queensland
53.6

SNAPSHOT DATA

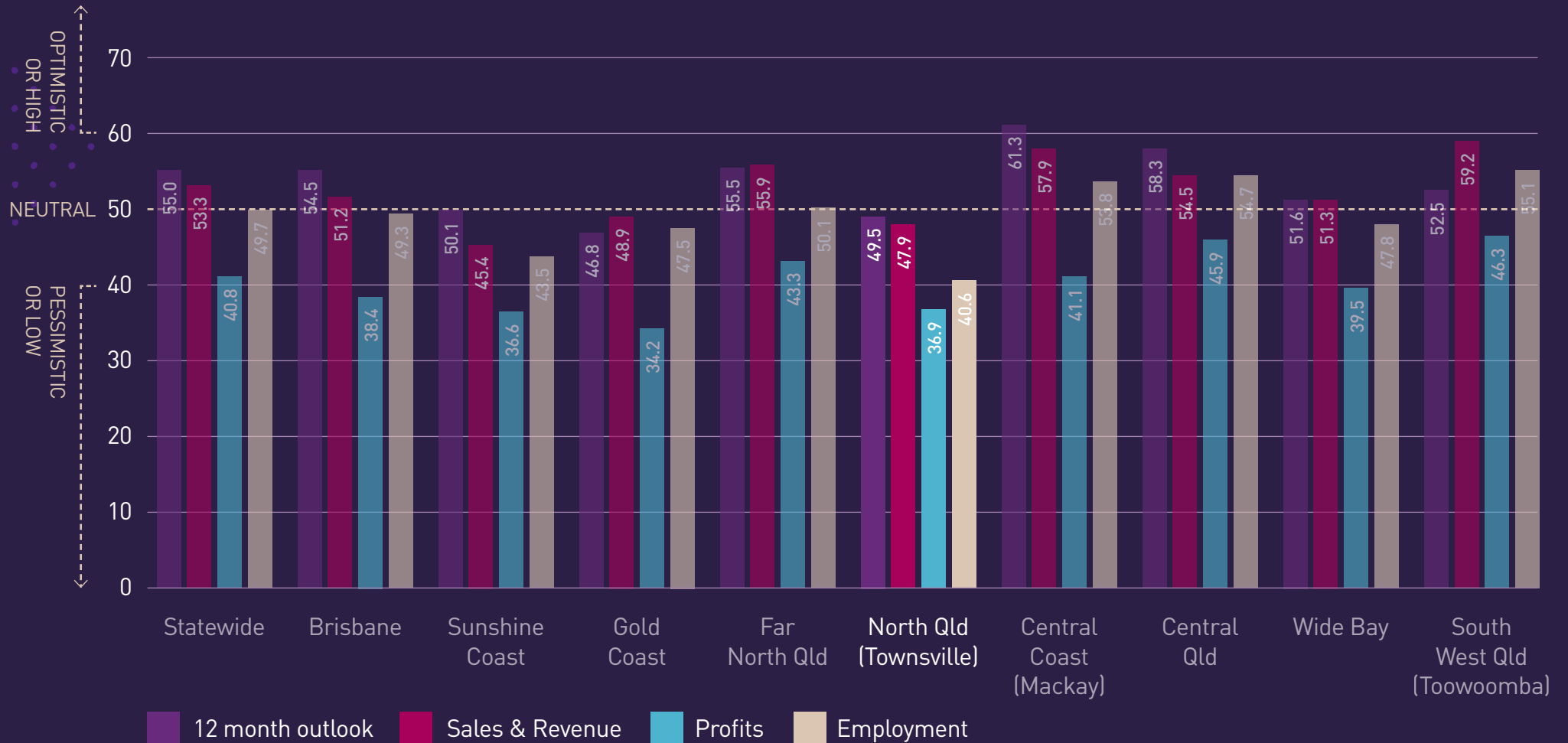
NORTH QUEENSLAND PULSE SURVEY INDEX* RATINGS JUNE 2021



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



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 = **49.5** (+2.5); Satisfactory
National Outlook = **54.3** (-4.4); Satisfactory

The 12 month outlook surprisingly increased with the index rising 2.5 points to 49.5 but continues to indicate 'weakening' growth prospects for Townsville and Northern Queensland and is noticeably lower than the Queensland average (55.0). The silver lining is business confidence remains considerably above this time last year (24.6). Townsville and Northern Queensland businesses continue to believe the National economy (54.3) will outperform the Queensland economy over the next twelve months.

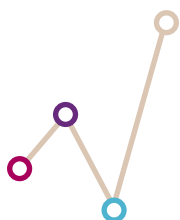


SALES AND REVENUE

PULSE SURVEY INDEX

June-21 = **47.9** (-7.1); Satisfactory
Sept-21 = **44.1** (-3.8); Satisfactory

The sales and revenue PBI of 47.9 is 7.1 index points down on the previous March quarter index of 55.0. The reduction in sales revenue during the quarter is consistent with the progressive easing of stimulus measures coupled with re-emerging uncertainty and a 3 day lockdown for Townsville. Sales in Townsville and Northern Queensland were lower than the Statewide average (53.3). Total sales revenue is expected to remain below 50 in the September quarter with a PBI of only 44.1.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

June-21 = **50.7** (-8.3); Satisfactory
Sept-21 = **44.7** (-6.0); 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 50.7 sees a decline (-8.3) on the March quarter PBI of 59.0 but remains considerably above this time last year (32.5). Again Townsville and Northern Queensland's result is below the Statewide average (54.4). General business conditions are expected to further ease in the September quarter (-6.0 points) with an expected PBI of 45.8.



OPERATING COSTS

PULSE SURVEY INDEX

June-21 = **68.0** (-2.8); High
Sept-21 = **69.0** (+1.0); High

Operating costs during the June quarter 2021 unexpectedly fell with the PBI decreasing by 2.8 index points from 70.8 in the March quarter to 68.0. 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 up 1 point to 69.0.



LABOUR COSTS

PULSE SURVEY INDEX

June-21 = **70.1** (+0.3); High
Sept-21 = **69.8** (-0.2); High

Labour costs in the June quarter 2021 increased fractionally and are at a historic high with a PBI of 70.1. This result is 0.3 index points above the preceding March quarter (69.8) and well above this time last year (44.8). This result reflects a catch up following pay freezes and reduced pay levels but also emerging skill and labour shortages. Labour costs will remain high following an 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 = **40.6** (-7.1); Satisfactory
Sept-21 = **39.7** (-0.9); Poor

Employment levels declined in the June quarter 2021 with the PBI remaining below 50. The employment PBI reduced by 7.1 index points from 47.7 in the March quarter to 40.6 in the June quarter. The PBI is actually now 2.4 index points below this time last year (43.0) and noticeably 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 0.9 index points to 39.7.



PROFITABILITY

PULSE SURVEY INDEX

June-21 = **36.9** (-7.6); Poor
Sept-21 = **36.9** (-); 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 7.6 points from 44.5 in the March quarter to 36.9 and is now regarded as being at a poor level. Townsville and Northern Queensland business profitability is also generally poorer than the Statewide average (40.8). Townsville and Northern Queensland businesses anticipate little change in their profitability in the September quarter, with the Index forecast to remain at a poor 36.9.



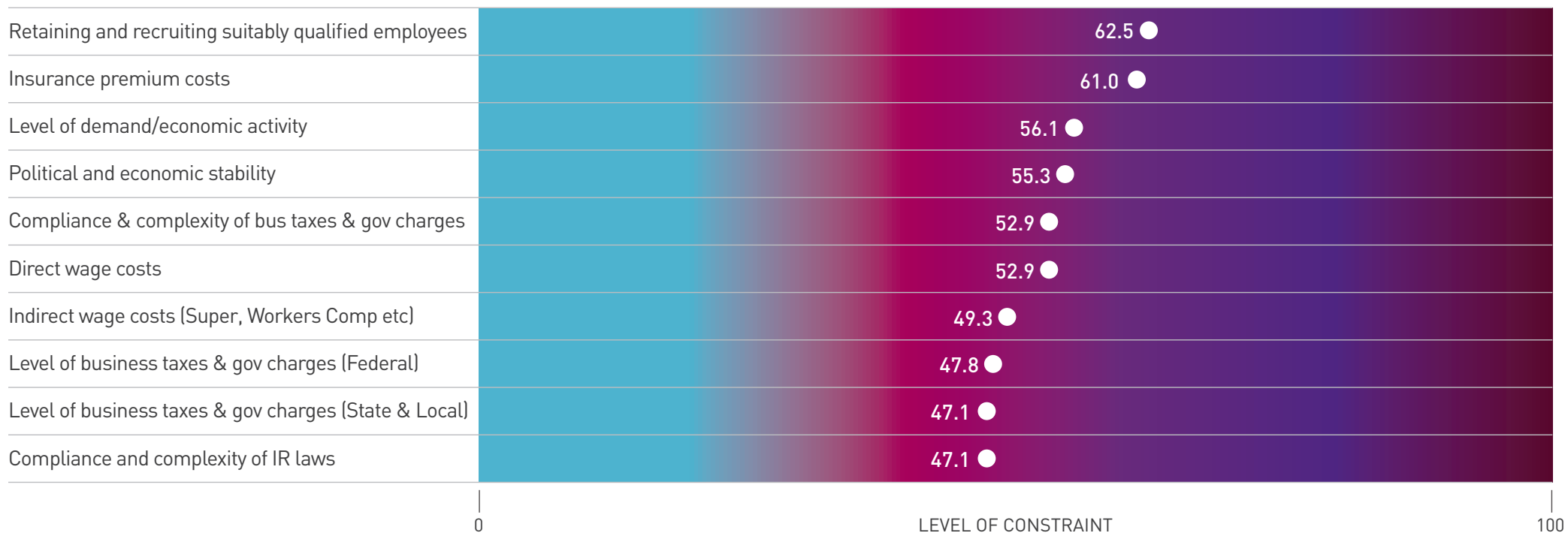
CAPITAL EXPENDITURE

PULSE SURVEY INDEX

June-21 = **51.8** (-6.3); Satisfactory
Sept-21 = **42.6** (-9.2); Satisfactory

The capital expenditure PBI in the June quarter decreased by 6.3 index points from 58.1 in the March quarter to 51.8 which indicates relatively unchanged investment. This change sees Townsville and Northern Queensland business capital expenditure move into alignment with the statewide average of 51.4. However capital expenditure is expected to fall by another 9.2 points to 42.6 in the September quarter which will see it slip below the statewide average.

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**



A lack of confidence in both state and federal governments. Are they listening to (and hearing) what the people are saying. Few will take chances in business if feeling insecure about the future.



Continued impacts of COVID-19. If we are unable to effectively rollout this vaccine resulting in continuous lockdown periods we will continue to be impacted. Short term snap lockdowns will have a better impact on the long term economy than delayed long lockdowns.



Skills shortages mean Queensland businesses can't get back to pre-COVID productivity. There is a lack of snap lockdown financial support from Queensland State Government.

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). 46 North Queensland 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

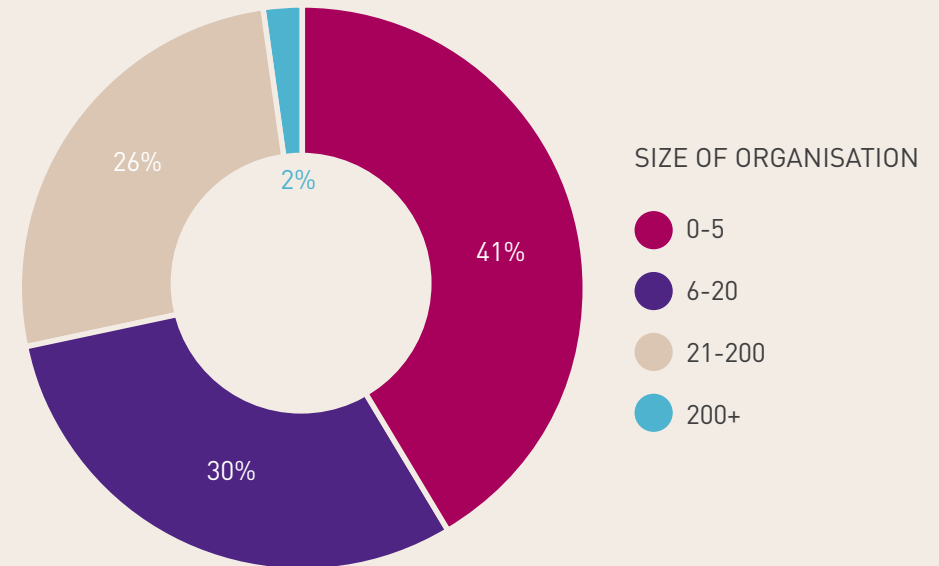
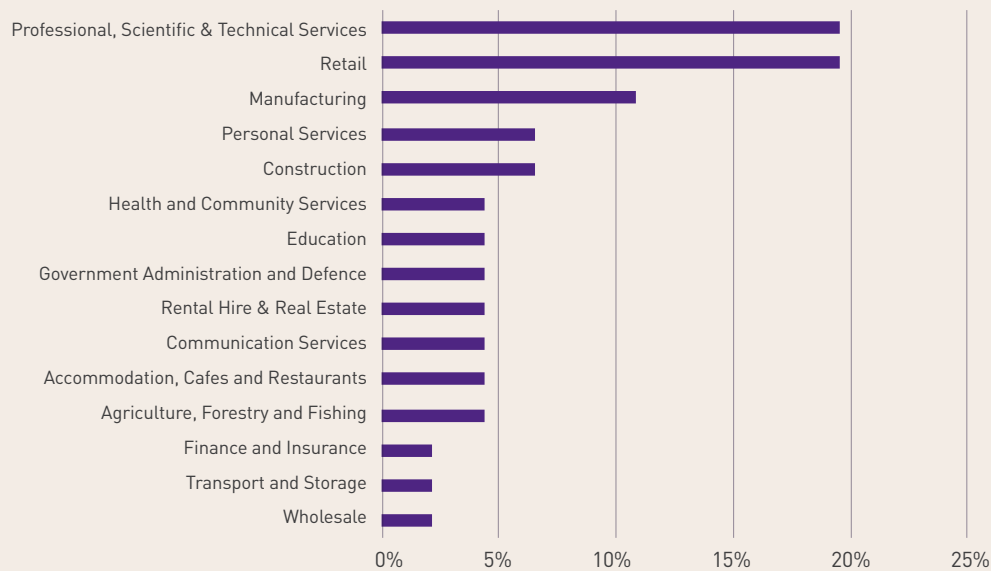
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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



Chamber of Commerce & Industry Queensland

Industry House, 375 Wickham Terrace, Spring Hill, Qld 4000
 Telephone 1300 731 988
www.cciq.com.au