

SUNSHINE COAST PULSE SURVEY REPORT

JUNE QUARTER 2021



SUMMARY

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

The overall results are slightly 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 Sunshine Coast's economic recovery is far from assured.

Across the board performance for Sunshine 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

Sunshine Coast

49.7 Queensland
53.7

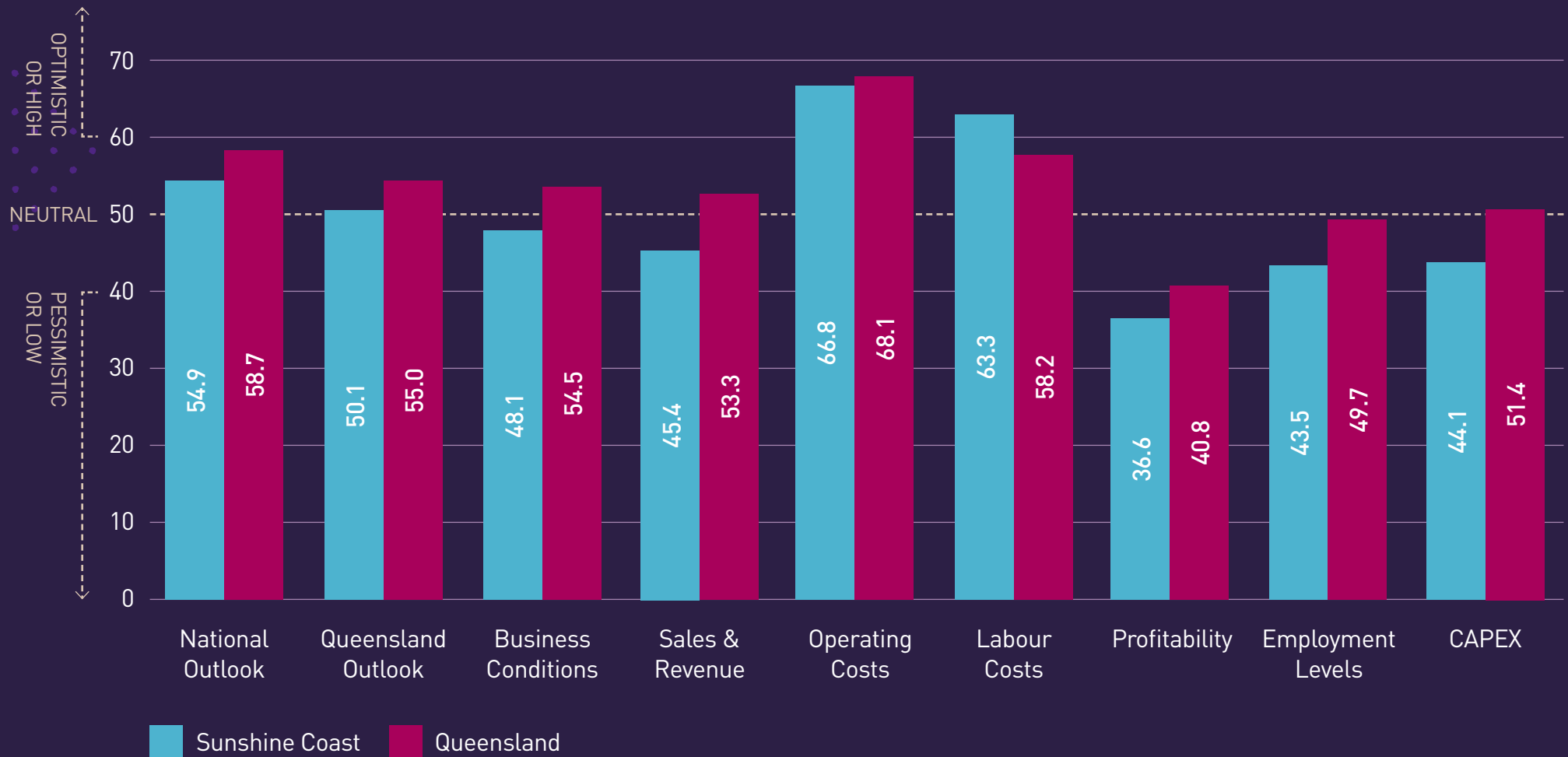
SEPTEMBER QUARTER FORECAST

Sunshine Coast

50.0 Queensland
53.6

SNAPSHOT DATA

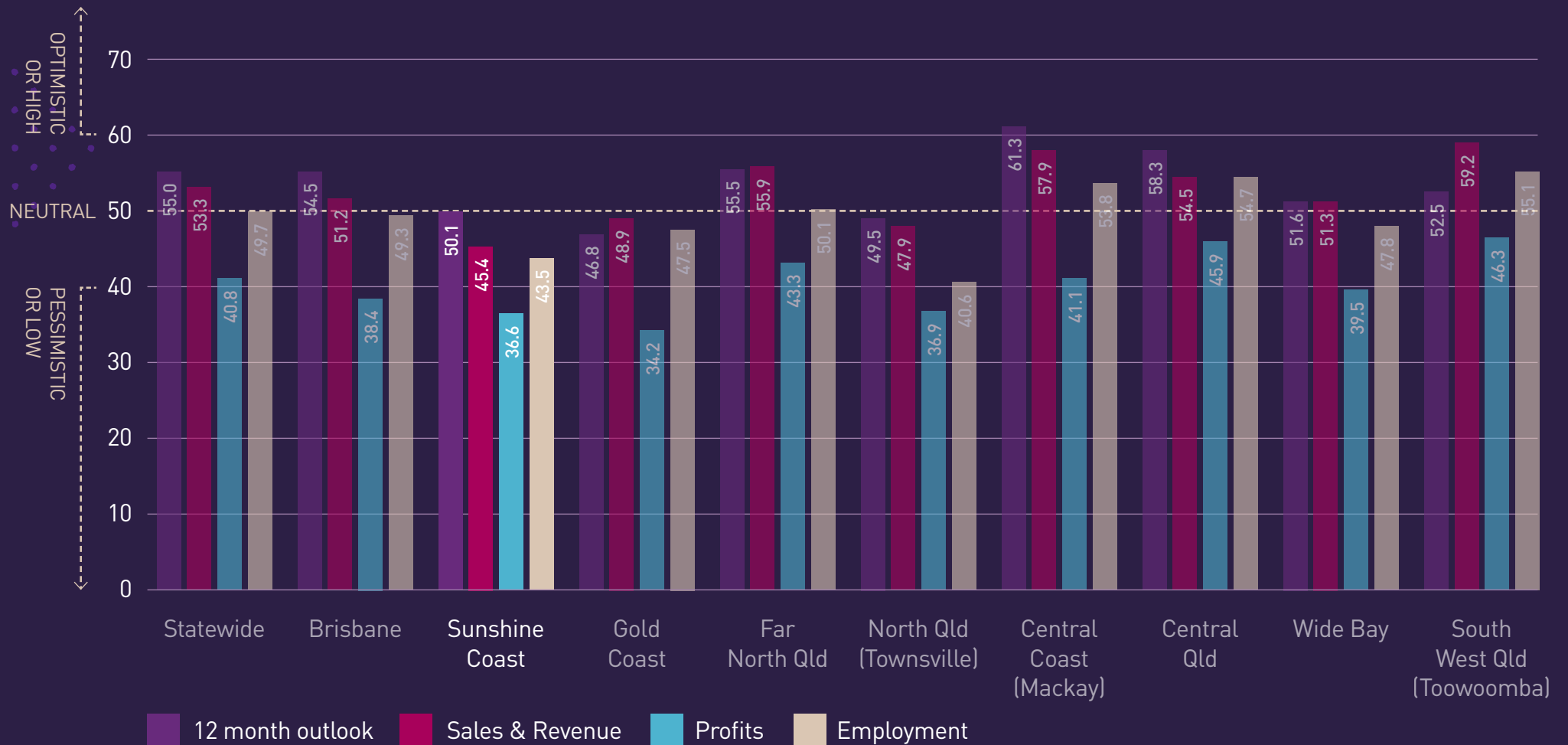
SUNSHINE COAST PULSE SURVEY INDEX* RATINGS JUNE 2021



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 = **50.1** (+0.2); Satisfactory
National Outlook = **54.9** (-1.1); Satisfactory

The 12 month outlook remains in the balance with the index hovering at 50.1 indicating unchanged economic growth over the next twelve months. The silver lining is that this index score remains considerably above this time last year (26.4). However Sunshine Coast businesses are less confident than the Queensland average (55.0). Furthermore Sunshine Coast businesses continue to believe the National economy (54.9) 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.

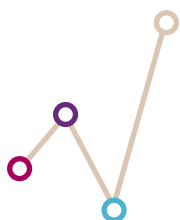


SALES AND REVENUE

PULSE SURVEY INDEX

June-21 = **45.4** (-10.9); Satisfactory
Sept-21 = **44.1** (-1.3); Satisfactory

The sales and revenue PBI of 45.4 is a considerable 10.9 index points down on the previous March quarter index of 56.3. 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 Sunshine Coast was also noticeably lower than the Statewide average (53.3). Total sales revenue is expected to remain below 50 in the September quarter easing another 1.3 index points to 44.1.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

June-21 = **48.1** (-10.0); Satisfactory
Sept-21 = **45.8** (-2.3); 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 48.1 sees quite a sizeable decline (-10.0) on the March quarter PBI of 58.1 but remains considerably above this time last year (30.1). Again Sunshine 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.

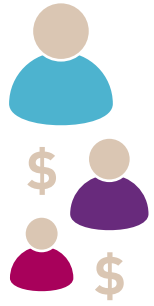


OPERATING COSTS

PULSE SURVEY INDEX

June-21 = **66.8** (+1.0); High
Sept-21 = **67.4** (+0.6); High

Operating costs during the June quarter 2021 continued to rise with the PBI increasing by 1.0 index points from 65.8 in the March quarter to 66.8. 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 be even higher in the September quarter up another 0.6 point to 67.4.



LABOUR COSTS

PULSE SURVEY INDEX

June-21 = **63.3** (-1.9); High

Sept-21 = **63.3** (-); High

Labour costs in the June quarter 2021 surprisingly moderated against the statewide trend with a PBI of 63.3. This result is 1.9 index points below the preceding March quarter (65.2) but remains well above this time last year (46.2). The continuing high level of labour costs reflects a catch up following pay freezes and reduced pay but also emerging skill and labour shortages. Labour costs whilst unchanged will remain high 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 = **43.5** (-6.3); Satisfactory

Sept-21 = **45.3** (+1.8); Satisfactory

Employment levels declined in the June quarter 2021 with the PBI remaining below 50. The employment PBI reduced by 6.3 index point from 49.8 in the March quarter to 43.5 in the quarter. The PBI does however remain a marginal 1.7 index points above this time last year (41.8) but sits just below the state average of 49.7. Employment levels are anticipated to slightly improve in the September quarter with the employment PBI expected to increase by 1.8 index points to 45.3.



PROFITABILITY

PULSE SURVEY INDEX

June-21 = **36.6** (-9.3); Poor

Sept-21 = **36.1** (-0.5); 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 9.3 points from 45.9 in the March quarter to 36.6 and is now regarded as being at a poor level. Sunshine Coast business profitability is also generally poorer than the Statewide average (40.8). Sunshine Coast businesses anticipate a further deterioration in their profitability in the September quarter, with the Index forecast to fall by another 0.5 points to 36.1.



CAPITAL EXPENDITURE

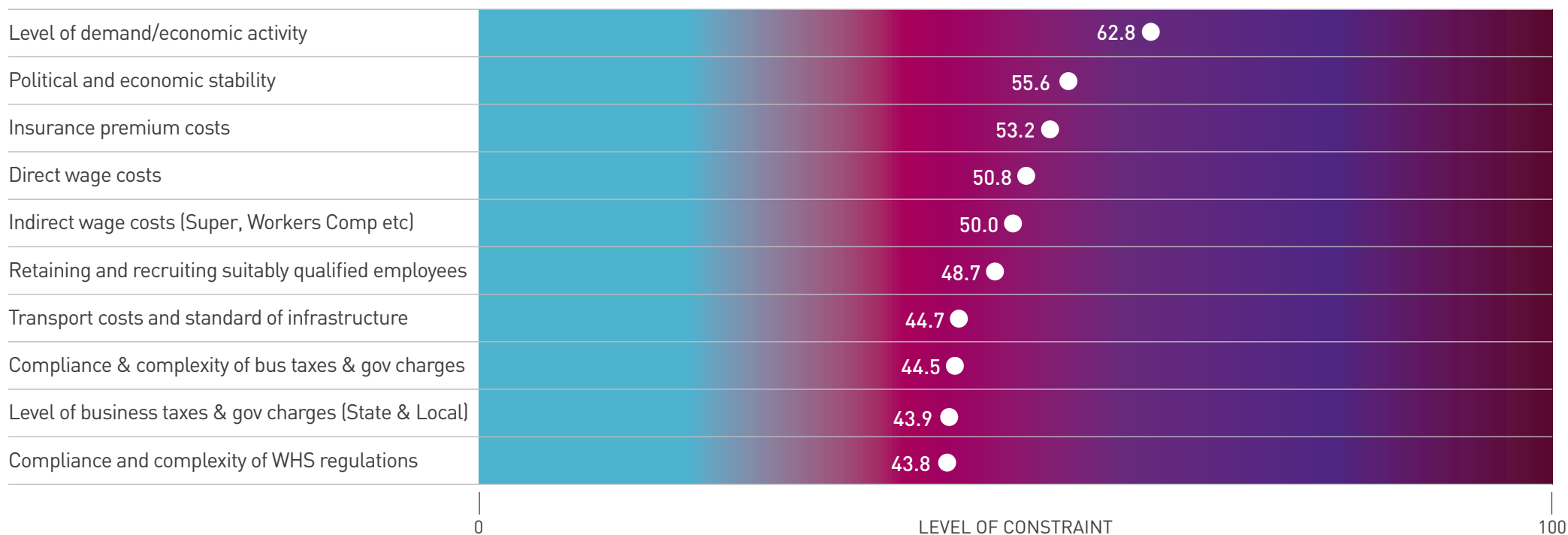
PULSE SURVEY INDEX

June-21 = **44.1** (-5.1); Satisfactory

Sept-21 = **42.6** (-1.5); Satisfactory

The capital expenditure PBI in the June quarter fell by 5.1 index points from 49.2 in the March quarter to 44.1 indicating weaker investment. This deterioration sees Sunshine Coast business capital expenditure levels remain below the statewide average of 51.4. Further reductions in capital expenditure are expected with the PBI anticipated to fall another 1.5 points to 42.6 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**



People are reluctant to book any travel due to the fear of sudden border closures. This is preventing them from booking holidays which affects all businesses associated with this. Once more people are vaccinated this may positively affect people's willingness to travel.



In construction supply & cost of materials is making it difficult for trades to make a profit on previously quoted work which will have a flow on with loss of smaller trades and subcontractor jobs. it will increase business failure. The continual increase in cost of housing is going to put pressure on wages growth so employees will see further reduction is number of hours available.



Due to COVID confidence will remain low. Despite the political spin, business is not in a good space at the moment. It will take to Christmas for it too, get better. Provided that there are no further, lockdowns and related matters

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). 108 Sunshine 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

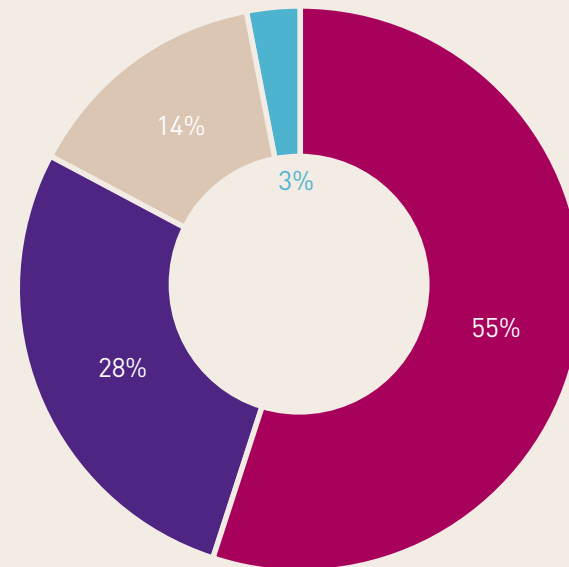
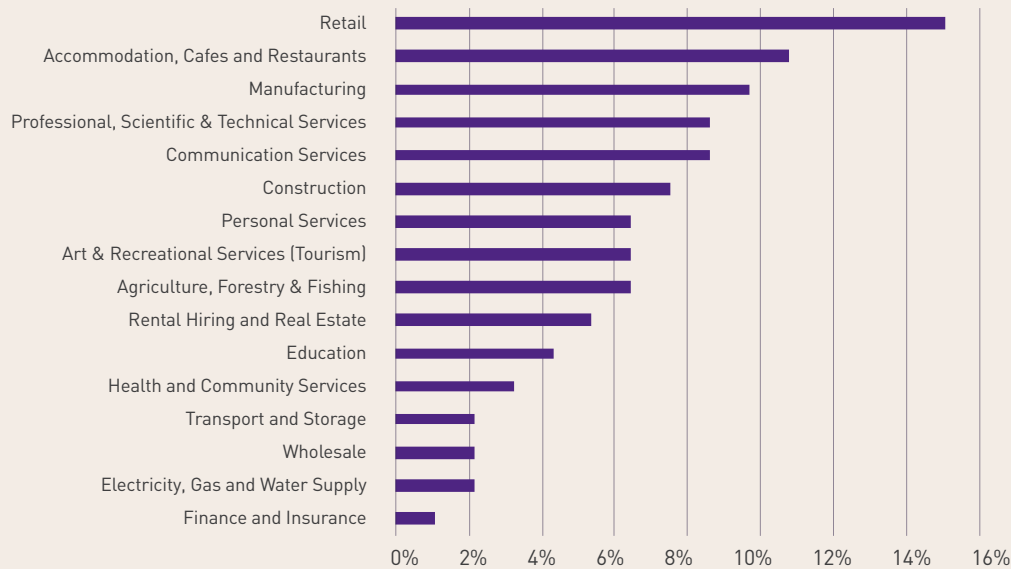
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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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