

SUNCORP GROUP CCIQ PULSE SURVEY OF BUSINESS CONDITIONS

DECEMBER QUARTER 2018



SNAPSHOT

The Suncorp-CCIQ Pulse Business confidence survey shows that sentiment across Queensland's small and medium sized businesses has fallen to a four year low as economic conditions and political uncertainty weigh heavily on the state's private sector. A federal election slated for May and concerns around the Federal Opposition's policies were key themes in the December survey. The data analysed by the Chamber of Commerce and Industry Queensland (CCIQ) broadly indicates frustration around investment and increasingly environmental activism weighing on economic activity.

Respondents indicated a contraction in small business employment and capital expenditure on average for the three months to December quarter, with more businesses reporting a reduction in staffing levels and capital investment compared to the September quarter. A weaker Australian dollar following international tension scored positively for resource and export industries highlighting sentiment around the state's competitiveness. The Sales and Revenue Index measure suggests South-East Queensland businesses are cautiously optimistic with respect to increasing turnover over the next quarter, while those in Regional Queensland are not.

The disaggregated statistics between South-East Queensland and Regional Queensland over the December quarter showed the economic outlook for the Queensland economy to be broadly skewed to an outlook of weaker economic conditions. The quarterly responses of general business conditions indicated both regions reported weaker conditions, but less so for SEQ than Regional Queensland. The statistics for sales and revenue indicate a divergence in responses among businesses where SEQ reported increased turnover and Regional Queensland decreased turnover. Similarly, SEQ businesses reported increased employment levels on average, while Regional Queensland businesses reported decreasing their levels on average.

The responses regarding overall profitability are concerning with both regions reporting decreased profitability over the quarter, which was greater for SEQ businesses than those in Regional Queensland. Both regions reported increased labour and operating costs. Responses regarding capital expenditures over the quarter indicated that SEQ businesses reported no change on average whilst responses across Regional Queensland showed a marginal decrease. Importantly, the forecast values for the March quarter suggest that there is little difference between general expectations for business performance across the regions in the coming quarter.



SNAPSHOT

12-MONTH OUTLOOK

Business confidence in the Australian and Queensland economies has deteriorated since the last quarter.

The Pulse Queensland Economic outlook Index has fallen by 5.1 points in the December quarter on a seasonally adjusted basis and 10.3 points from 12 months earlier. The decrease was predominantly the result of a substantially greater proportion of respondents anticipating weaker economic conditions over the next 12 months and the Index is at its lowest level since the December quarter 2015.

The collapse in sentiment is even more apparent when considering the national outlook. The Pulse National Economic Outlook Index level has fallen 6.2 points since September and 12.2 points by annual comparison and has not been at this level since June 2012. Similarly, the statistics reflect a substantial increase in the percentage of respondents expecting weaker economic conditions over the next 12 months and fewer of those who are otherwise sanguine about the performance of the national economy.

GENERAL BUSINESS CONDITIONS

The results from the Pulse survey indicates a deterioration in the General Business Conditions Index since the September quarter and over the year. The Index has fallen 4.2 points to a level of 42.1 points on a seasonally adjusted basis over the quarter, which has not been observed at this level since March quarter 2015. Moreover, the index is 5.3 points lower than at the December quarter last year, which suggests a disappointing Christmas holiday trading season for Queensland businesses. The proportion of businesses reporting weaker conditions increased by 8% to 37%, while the proportions reporting similar and stronger conditions both fell.

LABOUR COSTS

There was a 3.5-point fall in the Pulse Labour Costs Index with a seasonally adjusted reading to 60.4 points. Most businesses reported steady payroll costs during the December quarter, while there was also a decrease in the number of respondents reporting increased labour costs. The Forecast Index reading for the March quarter provides a seasonally adjusted reading of 59.5, suggesting a further easing in the rate of growth in payroll costs over the next quarter.

OPERATING COSTS

The December Index reading for the Pulse Other Operating Costs such as electricity, rent and insurance is up marginally by 0.7 points to 67, indicating businesses continue to face strong operating cost increases. At an Index reading of 61.7, the Forecast Index shows most businesses expect operating costs to remain steady and there are also less anticipating significant increases.

CAPITAL EXPENDITURE

The Pulse Capital Expenditure Index showed a contraction in small business investment expenditure during the December quarter, with a fall of 3.9 points in the index reading into negative territory at 47.3 points on a seasonally adjusted basis. The Forecast Index points to a slowing in investment over the next quarter below the neutral level at a seasonally adjusted 46.7 points as capital expenditure is largely expected to remain the same or marginally decrease.

PROFITABILITY

Alarming, almost half (47%) of Queensland businesses reported declining profitability over the December quarter, while at the same time fewer businesses (19%) reported better profitability. The December Profitability Index seasonally-adjusted reading of 39.4 continues to present grave revelations of business performance and sustainability across the state. The Pulse Profitability Forecast Index fell 3.1 points to 46.6, and the statistics show most businesses expect profitability levels to either stay the same or marginally improve over the next quarter.

SALES AND REVENUE

The Pulse Sales and Revenue Index fell 4.1 points on a seasonally-adjusted basis to 48.4 points with a measure below 50 indicating that turnover was below expectations over the December quarter. Despite the seasonal uptick in activity in the lead up to the Christmas period, the statistics indicate less businesses reported higher levels of sales and more reported a decrease in turnover since last quarter. The Pulse Forecast Index fell 2.2 points also to 54 points on a seasonally-adjusted basis with most businesses projecting either the same or slightly increased sales and revenue conditions over the next quarter.

EMPLOYMENT LEVELS

Small business employment reportedly contracted over the December quarter, as the Pulse Employment Levels Index fell by 2.6 points to a below neutral seasonally adjusted 48.4 as more businesses reported a decrease to staffing levels than did those that reported an increase. The Pulse Forecast Index fell 1.1 points to 50 on a seasonally adjusted basis, indicating employment growth is expected to be relatively neutral over the March quarter.

INTRODUCTION

The CCIQ Suncorp Pulse Survey of Business Conditions is the largest survey of the state's 400,000 small and medium size businesses and serves as a leading indicator of business confidence across Queensland's diverse business community. Pulse is unique and aims to measure the sentiment of business owners and managers across the state, providing critical insights into current, planned and latent business activity. It is therefore a barometer of optimism and concern regarding key matters that are important to Queensland's small-to-medium size enterprises and provides a platform for their collective voice to be heard.

Sentiment measures for the December quarter paint a discouraging picture of business confidence in Queensland. The outlook for the economy at both the state and national level has fallen to its lowest level since 2015 following a collapse in commodity prices during that year. Economic conditions and political uncertainty continue to weigh on sentiment across the state's business community. A federal election set down for May has compounded negativity as a change of government presents the near-term challenge of what a Labor national government will mean for business in terms of capital investment as well as an industrial relations framework viewed as potentially hostile to business more broadly.

Anecdotal responses to the survey tend to suggest that policy-makers should heed the phrase 'the economy, stupid', once coined by famed political operator, James Carville during Bill Clinton's US presidential campaign in 1992. Recent announcements by the federal government includes lowering the corporate tax rate and creating a business securitisation fund to better facilitate finance origination and further improve access to credit. While both are positive initiatives for the business community, however, the overriding sentiment within the survey data is that the levels of dissatisfaction with politicians is generally high. Respondents expressed frustration particularly around a perceived preoccupation with first-world issues and lack of political will to expedite the expansion of the resources sector in Central Queensland.

The fall in business sentiment comes amidst a national backdrop where Queensland remains a laggard on key indicators of unemployment; currently the second worst jobless rate behind Western Australia as well as for private sector investment. Furthermore, job creation within the state has contracted according to the Pulse survey, which indicates both a contraction in small business hiring as well as a fall in capital expenditure.

The disaggregated statistics between South-East Queensland and Regional Queensland over the December quarter showed the economic outlook for the Queensland economy to be broadly skewed to an outlook of weaker economic conditions. The quarterly responses of general business conditions indicated both regions reported weaker conditions, but less so for SEQ than Regional Queensland. The statistics for sales and revenue indicate a divergence in responses among businesses, where SEQ reported increased turnover and Regional Queensland decreased turnover. Similarly, SEQ businesses reported increased employment levels on average, while Regional Queensland businesses reported decreasing their levels on average.

The responses regarding overall profitability are concerning with both regions reporting decreased profitability over the quarter, which was greater for SEQ businesses than those in Regional Queensland. Both regions reported increased labour and operating costs. Responses regarding capital expenditures over the quarter indicated that SEQ businesses reported no change on average whilst responses across Regional Queensland showed a marginal decrease. Importantly, the forecast values for the March quarter suggest that there is little difference between general expectations for business performance across the regions in the coming quarter. A weaker Australian dollar has helped underpin optimism for businesses in the resource and agriculture focused sectors highlighting an improvement in overall competitiveness.



Change of government and the expected budget changes that would bring can be unsettling. Queensland is very stagnant; and the only major project would be the Riverlink project. Unemployment remains high while the business community cannot feel confident to hire more staff or invest in capital. The Royal Banking Commission hasn't brought the good news we expected; on the contrary, it made conditions more difficult for loans to be approved.

Brisbane



Green politics is destroying our competitive advantage on a macro scale. We have seen a massive loss in terms of manufacturing and primary industry related business; this hits hard in retail, as not only do we have exorbitant energy costs, but also fewer people in stable jobs and those with money have less to spend. Banks supporting green politics are also a different sort of cancer in the finance system - they have bought the green message because they think only in short term gains based around government subsidies. Subsidies only last while people pay tax; if they are out of a job, it doesn't make sense.

South West Queensland

12 MONTH OUTLOOK: AUSTRALIAN & QUEENSLAND ECONOMIES

Movements in the December Pulse Economic Outlook Indices show that business confidence in the national and Queensland economies has deteriorated substantially since the last quarter. Following from the decline observed in business sentiment toward the Queensland economy in the previous September quarter 2018 report, the Queensland Index has fallen more significantly in the December quarter by 5.1 points on a seasonally adjusted basis and a concerning 10.3 points since December 2017. The data indicate that the decreases since the previous quarter and from last year are both statistically significant. Further, the decrease was predominantly the result of a substantially greater proportion of respondents anticipating weaker economic conditions over the next 12 months, and fewer expecting stronger conditions. Importantly, the Index has not been this low since the December quarter 2015.

The decline in sentiment regarding future economic conditions is even more stark when considering the national outlook. The Index level fell 6.2 points from the September quarter and 12.2 points from December 2017. Again, both these observations are highly statistically significant and the Index on the national economic outlook has not been at this level since June 2012. Similarly, the statistics reflect a substantial increase in the percentage of respondents expecting weaker economic conditions over the next 12 months and fewer of those who are otherwise sanguine about the performance of the national economy.

Disaggregating the survey responses shows that the sombre outlook of economic conditions is consistent between those businesses located in South East Queensland (SEQ) and regional Queensland. While the Index suggests that SEQ respondents hold a marginally more pessimistic attitude toward future economic conditions, the observed differences between the mean responses are not statistically significant from zero. Statistical analysis of the mean of the survey responses shows that there is a 53% chance that the difference in the outlook for the Australian economy, and a 72% chance the difference in outlook for the Queensland economy, occurred by chance alone.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

How do you expect the economy to perform over the next twelve months in comparison with the last twelve months?

	Queensland Outlook			Australian Outlook		
	Dec -17	Sep-18	Dec-18	Dec-17	Sep-18	Dec-18
Mean response ¹	2.93	3.13	3.33	2.78	3.01	3.26
Standard error ²	0.030	0.053	0.043	0.026	0.052	0.040
Significance ³ : prob =	0.49%	0.00%		0.00%	0.02%	
Standard error ³				0.026	0.052	0.040
Weaker (%)	21	29	41	14	24	38
Same (%)	48	53	42	51	52	45
Stronger (%)	30	18	16	36	24	18
Index (original)	51.8	46.6	41.6	55.7	49.7	43.5
Index (seasonally adjusted)	51.0	45.8	40.7	54.4	49.0	42.4

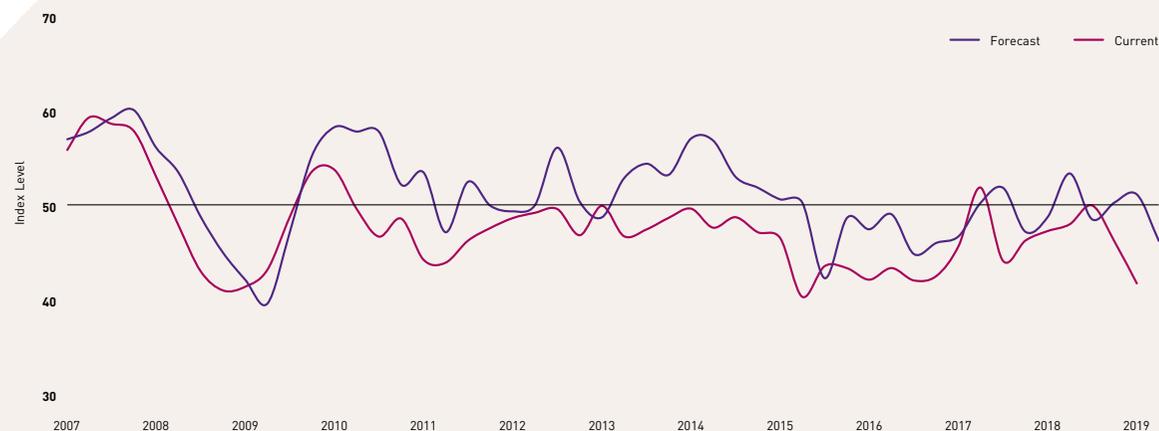
	SEQ		Australian Outlook	
	SEQ	Regional QLD	SEQ	Regional QLD
Mean response ¹	3.35	3.32	3.27	3.22
Standard error ²	0.056	0.077	0.051	0.07
Significance ³ : prob =		72.06%		53.44%
Weaker (%)	42	40	39	36
Same (%)	42	40	45	43
Stronger (%)	15	19	16	21
Index (original)	41.2	42.1	43.1	44.5

1 Coded 1 – 5: [1-Much stronger; 2-Somewhat stronger; 3-About the same; 4-Somewhat weaker; 5-Much weaker]. 2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score. 3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

GENERAL BUSINESS CONDITIONS

The results from the Pulse survey indicates a deterioration in the General Business Conditions Index since the September quarter and over the year. The Index has fallen 4.2 points to a level of 42.1 points on a seasonally adjusted basis over the quarter, which has not been observed at this level since March quarter 2015. Moreover, the index is 5.3 points lower than at the December quarter last year. Accordingly, the results suggest that Queensland businesses did not have a good trading period over the Christmas holiday season. Statistics showed that the proportion of businesses reporting weaker conditions increased by 8% to 37%, while the proportions reporting similar and stronger conditions both fell.

On a positive note, the Pulse Forecast Index suggests that businesses are mostly expecting similar business conditions for March with a reading of 46.4. However, statistical analysis indicates that the difference in the means of the survey responses for the March and December quarters is not significantly different from zero.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

How has your business performed over the last three months compared with the previous three months?

General Business Conditions				
	Dec-17	Sep-18	Dec-18	Mar-19 (Forecast)
Mean response ¹	3.00	3.09	3.23	3.14
Standard error ²	0.029	0.056	0.045	0.040
Significance ³ : prob =	0.00%	6.55%		14.70%
Weaker (%)	22	29	37	31
Same (%)	54	47	44	49
Stronger (%)	24	23	19	20
Index (original)	50.0	47.7	44.5	46.5
Index (seasonally adjusted)	47.4	46.3	42.1	46.4

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

SALES AND REVENUE

Despite a rather neutral mean response score in the December quarter, the Pulse Sales and Revenue Index fell 4.1 points on a seasonally-adjusted basis to 48.4 points and down into negative territory. This reading indicates that turnover was below expectations over the December quarter notwithstanding the seasonal boost to activity in the lead up to the Christmas period. The statistics further indicate there was a marginally smaller proportion of businesses reporting higher levels of sales and more reporting decreased turnover since last quarter – although the difference in the means of responses between quarters is not statistically significant. The Pulse Forecast Index fell 2.2 points also to 54 points on a seasonally-adjusted basis with most businesses projecting either the same or increased sales and revenue conditions over the next quarter. Similarly, the difference between the means in responses between December and March is not statistically significant either.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

How has your business performed over the last three months compared with the previous three months?

Sales and Revenue				
	Dec-17	Sep-18	Dec-18	Mar-19
Mean response ¹	2.76	2.86	2.97	2.87
Standard error ²	0.035	0.069	0.054	0.045
Significance ³ : prob =	0.08%	19.83%		17.25%
Decreased (%)	21	29	33	23
Same (%)	36	29	29	41
Increased (%)	43	42	37	35
Index (original)	55.9	53.6	50.9	53.2
Index (seasonally adjusted)	53.2	52.5	48.4	54.0

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

LABOUR COSTS

Despite the mean of responses indicating a rise in labour costs over the December quarter, the Pulse Labour Costs Index fell 3.5 points to a seasonally adjusted reading of 60.4 points. The December breakdowns indicate businesses reported a moderation in the growth of payroll costs during the quarter, where there was quite a substantial decrease in the number of respondents reporting increases to their labour costs. Compared to December 2017 sentiment reading, the difference in the mean responses is only statistically significant at the 16% level. The Forecast Index reading of 59.5 on a seasonally adjusted basis predicts a further easing in the growth in payroll costs during the March quarter.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

How has your business performed over the last three months compared with the previous three months?

Labour Costs				
	Dec-17	Sep-18	Dec-18	Mar-19
Mean response ¹	2.65	2.43	2.59	2.67
Standard error ²	0.027	0.047	0.035	0.031
Significance ³ : prob =	16.08%	0.80%		8.51%
Decreased (%)	6	3	4	4
Same (%)	57	40	54	61
Increased (%)	37	57	42	35
Index (original)	58.8	64.9	60.0	58.0
Index (seasonally adjusted)	59.1	63.9	60.4	59.5

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

OPERATING COSTS

The Pulse Survey introduced a new indicator to measure Other Operating Costs in the March Quarter, 2015. While an Index for Other Operating Costs has now been developed, only original estimates are currently available, with a seasonally adjusted index to be made available in the future.

Businesses continue to face strong operating cost increases, such as electricity, rent and insurance. The December reading of the Pulse Other Operating Costs Index is up marginally by 0.7 points to 67. The high probability ratings indicate that there are no statistically significant differences between the mean responses since last quarter or the December quarter 2017. However, there is a statistically significant difference in the means of responses between the December reading and the Forecast Index reading for March. At an Index reading of 61.7, most businesses indicated that they expect operating costs to continue to remain steady, while there are relatively less anticipating these costs to increase.

How has your business performed over the last three months compared with the previous three months?

Other Operating Costs				
	Dec-17	Sep-18	Dec-18	Mar-19
Mean response ¹	2.32	2.37	2.32	2.52
Standard error ²	0.027	0.049	0.036	0.031
Significance ³ : prob =	94.73%	41.88%		0.00%
Decreased (%)	2	3	3	3
Same (%)	36	38	36	51
Increased (%)	62	59	62	47
Index (original)	67.1	66.3	67.0	61.7

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.



PROFITABILITY

The December Profitability Index seasonally-adjusted reading of 39.4 was the category where respondents indicated their greatest level of concern regarding business performance and sustainability across the state. Almost half (47%) of Queensland businesses reported declining profitability over the December quarter, while at the same time fewer businesses (19%) reported better profitability and the difference between the means by annual comparison is highly significant. The Pulse Profitability Forecast Index fell 3.1 points to 46.6 on a seasonally adjusted basis, however the statistics show most businesses expect profitability levels to either stay the same or improve over the next quarter.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

How has your business performed over the last three months compared with the previous three months?

Profitability				
	Dec-17	Sep-18	Dec-18	Mar-19
Mean response ¹	3.18	3.23	3.34	3.14
Standard error ²	0.033	0.062	0.046	0.041
Significance ³ : prob =	0.40%	12.67%		0.10%
Decreased (%)	38	43	47	34
Same (%)	39	34	34	43
Increased (%)	23	22	19	23
Index (original)	45.5	44.2	41.6	46.8
Index (seasonally adjusted)	43.1	43.2	39.4	46.6

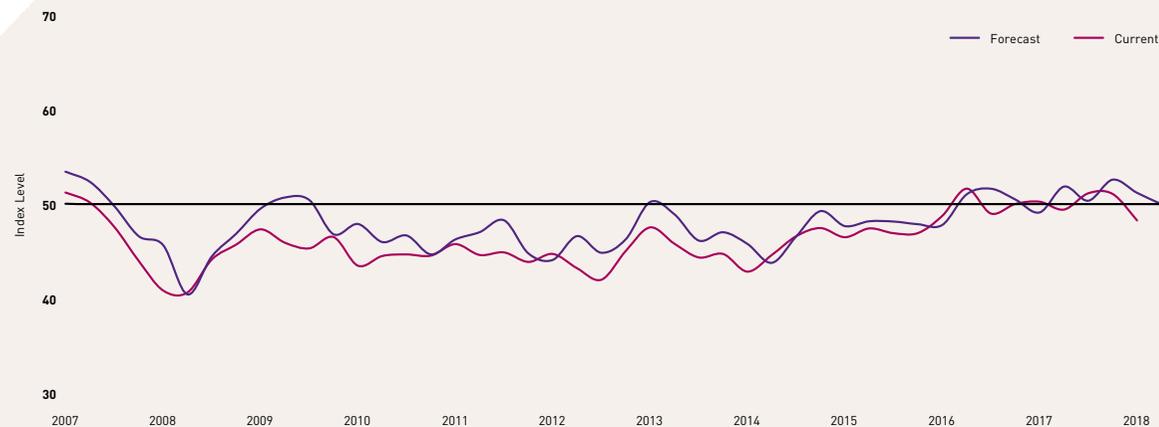
1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

EMPLOYMENT LEVELS

The Pulse Employment Levels Index fell by 2.6 points to a seasonally adjusted 48.4 and below neutral during the December quarter, indicating a contraction in jobs creation by small businesses during the quarter. As a matter of concern, while most businesses maintained their staffing levels over the quarter, more business reported a decrease in staffing levels than did those that reported an increase in the last quarter and since December 2017. The Pulse Forecast Index fell 1.1 points to 50 on a seasonally adjusted basis, with the statistics indicating employment growth is expected to be relatively neutral over the March quarter.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

How has your business performed over the last three months compared with the previous three months?

Employment levels				
	Dec-17	Sep-18	Dec-18	Mar-19
Mean response ¹	2.95	2.94	3.03	2.97
Standard error ²	0.026	0.052	0.036	0.033
Significance ³ : prob =	9.67%	20.31%		24.17%
Decreased (%)	16	20	19	16
Same (%)	63	54	64	65
Increased (%)	21	26	18	19
Index (original)	51.2	51.4	49.3	50.6
Index (seasonally adjusted)	50.2	51.0	48.4	50.0

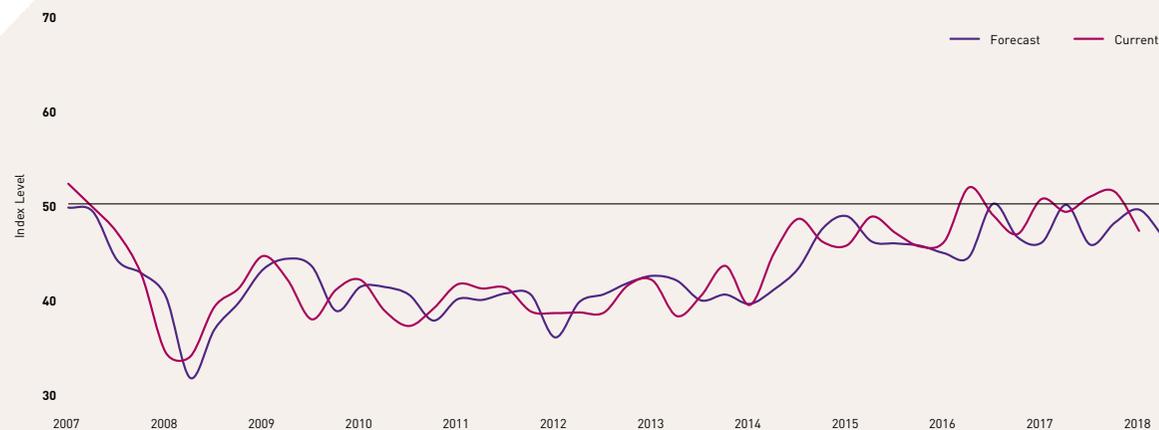
1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

CAPITAL EXPENDITURE

The Pulse Capital Expenditure Index showed a contraction in small business investment expenditure during the December quarter, with a fall of 3.9 points in the index reading into negative territory at 47.3 points on a seasonally adjusted basis. Similar to employment levels, the statistics show that more businesses indicated that they had decreased capital expenditure over the quarter as well as since December 2017. The Forecast Index points to a slowing in investment over the next quarter with a fall of 2.7 points to a seasonally adjusted 46.7 and further below the neutral level. Most businesses indicated that capital expenditure is expected to remain the same, however, more businesses reported that they intend to decrease capital investment than those reporting that they intend to increase it.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

How has your business performed over the last three months compared with the previous three months?

Capital Expenditure				
	Dec-17	Sep-18	Dec-18	Mar-19
Mean response ¹	2.91	2.89	3.04	3.10
Standard error ²	0.030	0.059	0.047	0.043
Significance ³ : prob =	1.82%	5.21%		36.91%
Decreased (%)	18	21	25	25
Same (%)	55	48	51	56
Increased (%)	27	31	24	19
Index (original)	52.1	52.1	48.9	47.4
Index (seasonally adjusted)	50.5	51.2	47.3	46.7

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

REGIONAL ANALYSIS

REGIONAL BUSINESS CONFIDENCE:

The diversity in geographical sampling of the CCIQ Pulse Survey allows for a disaggregation of data to identify differences between economic conditions in various regions across Queensland. The previous September Pulse report noted that throughout 2018 the various Index measures showed SEQ businesses to be often more optimistic about business conditions than those located within Regional Queensland, a reversal of what was observed in these values during the previous year in 2017.

The statistics for the economic outlook for the Queensland economy indicate the mean responses were skewed to an outlook of weaker economic conditions – and there is no statistical difference between the mean scores. The quarterly responses of general business conditions indicated that, while both regions reported weaker conditions, the mean response for SEQ was less than that of Regional Queensland, which is statistically significant at the 10% confidence level. The mean scores for sales and revenue over the December quarter did indicate a divergence in responses among regions. SEQ reported increased turnover while Regional Queensland reported decreased sales and revenue, which is statistically significant at the 6% confidence level.

The responses regarding profitability are concerning, with both regions reporting decreased profitability over the quarter – and the mean response was greater for SEQ businesses than those in Regional Queensland, which is significant at the 12% confidence level. Both regions reported increased labour costs, and there is no statistical difference between the mean scores. Similarly, both regions reported increases in operating costs, and there is no statistical difference in the mean scores.

There is a statistical difference in the mean scores for employment levels, where SEQ businesses reported increased levels, which contrasts businesses in Regional Queensland who reported decreased levels. Responses regarding capital expenditures over the quarter indicated that SEQ businesses reported zero change on average, while the mean response in Regional Queensland showed a marginal decrease – but the difference in the mean scores is not significantly different from zero. Importantly, the forecast values for the March quarter suggest that there is little difference between general expectations for business performance across the regions over the next quarter.

Current December 2018 (Original)	QLD	South-East QLD	Mean response ¹	Standard error ²	Regional QLD	Mean response	Standard error	Significance ³ prob=
Queensland Economy	41.6	41.2	3.35	0.056	42.1	3.32	0.077	69.89%
General business conditions	44.5	46.0	3.16	0.060	42.0	3.32	0.074	10.00%
Sales & revenue	50.9	52.7	2.89	0.071	47.2	3.11	0.090	5.74%
Profitability	41.6	43.2	3.27	0.062	38.4	3.13	0.063	11.46%
Labour costs	60.0	60.8	2.57	0.044	60.5	2.58	0.062	87.37%
Employment Levels	49.3	51.1	2.96	0.048	46.9	3.13	0.063	3.02%
Other operating costs	67.0	66.4	2.35	0.047	67.8	2.29	0.060	44.31%
Capital expenditure	48.9	50.0	3.00	0.063	47.6	3.10	0.080	34.96%

Forecast March 2019 (Original)	QLD	South-East QLD	Mean response ¹	Standard error ²	Regional QLD	Mean response	Standard error	Significance ³ prob=
General business conditions	46.5	47.9	3.08	0.053	44.7	3.21	0.069	12.82%
Sales & revenue	53.2	56.3	2.75	0.060	47.6	3.10	0.071	0.02%
Profitability	46.8	48.9	3.04	0.058	42.6	3.29	0.063	0.46%
Labour costs	58.0	58.5	2.66	0.042	58.4	2.66	0.051	97.10%
Employment Levels	50.6	51.2	2.95	0.046	49.6	3.02	0.053	36.90%
Other operating costs	61.7	61.7	2.53	0.043	62.3	2.51	0.049	68.68%
Capital expenditure	46.7	48.2	3.07	0.056	46.7	3.13	0.075	51.25%

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

REGIONAL ANALYSIS

THE VOICE OF THE CITY - KEY RESPONSES FROM ACROSS SOUTH-EAST QUEENSLAND

FACTORS AFFECTING THE OF THE AUSTRALIAN AND QUEENSLAND ECONOMIES...

On the federal level, there is an election coming up that looks like causing a change of Government. There is always a slow down before an election as no-one really knows the outcomes. If Labour are elected, which seems likely, the country debt levels will increase; and this will cause a general slowing as the population, already with high debt at all levels, is starting to wake up to the fact there are limits. With State, the adding of \$1B additional to public service wages over 4 years will start to bite - when are they ever going to learn that private business is the wealth generator? The economy will retract

Brisbane

Manufacturing down, employment down, cost of living up, cost of housing down; but council rates, electricity and water up. Actual growth in the economy down, even banks are becoming more automated, so less jobs

Sunshine Coast

Change of government, US stock markets, change in interest rates, negative change in tax rebates as proposed by labour government that will affect franking credits, negative gearing and will reduce earning capabilities

Brisbane

The problem is NOT the economy; it is State Government operating costs. They are taxing and price gouging and in effect stealing from the People. It cost us \$50,000 to buy and sell a house excluding agency commissions! We cannot afford the Queensland Government, executives on huge indexed wages and entitlements which is sending us broke... and no-one listens!

Brisbane

Property downturn leading to a decline in confidence and spending

Gold Coast

Exchange Rate fluctuations are leading to increased prices already and may reduce demand due to higher prices. Local industries are not driving demand which means that new demand is still mostly imports so fewer real jobs. Housing prices are still having too much influence on the rest of the economy, so as housing prices move, the flow-on to the rest of the consumer economy is pronounced and with the expected move being down, this will slow the economy for many areas

Sunshine Coast

THE VOICE OF THE REGIONS - KEY RESPONSES FROM ACROSS THE REGIONAL QUEENSLAND

Townsville has struggled economically for around 5 years now

Townsville

The remote area and farmers have their hands tied with tree clearing laws

Rockhampton

Mining will be the driving factor for Queensland and for Australia

Mackay

The impact of the drought continuing to affect longer term, ... the impending federal election, and the instability of solid leadership of the nation (are key concerns). The Royal Commission into banking seems to have scared the banking sector into inaction

South West Queensland

Change of national leadership and state government instability and inconsistency regarding Northern development and investment. The State leader is allowing herself to become influenced by the political bias of developers and irrelevant attempts to try to appease the Greens

Townsville

Small town means less customers; and the government doesn't spend any money here to get jobs here and they don't use local suppliers

Wide Bay

We have a limited amount of resources to make money, plus (there is a) lack of quality internet connection in the regions

South West Queensland

Regional Queensland are being left behind in the government focus on infrastructure, job creation and economic development. There's plenty of "ideas" and "plans", but nothing is being approved or built - unless you're in the South East of the State, that is

Rockhampton

Job opportunities have been more available in the last months. The pork-barrelling has started just prior to the Federal election period

Townsville

Lack of funds for growth in business and housing is likely to reduce house prices; and that lack of funding for business to manage opportunities and cashflow will cause business with lots of solid opportunity to fail

Mackay

MAJOR CONSTRAINTS ON BUSINESS GROWTH

Politics and the economy top the list of major constraints reportedly facing business performance within Queensland's private sector. While recruiting and retaining staff was top of the list last quarter, this has now fallen four places to fifth, which is not surprising given the indicative contraction to employment levels and capital expenditures over the quarter. Insurance costs lifted six places to fourth, indicating that it is has become a significant issue affecting business growth since the September quarter. Direct wage costs fell three places to sixth, indirect costs fell to eleventh from sixth, while energy costs and standard of infrastructure moved up from eleventh place to ninth. Municipal taxes and charges fell from fifth to seventh and federal taxes and charges moved up one place to eighth. Compliance and complexity around industrial relations fell from eight to tenth on the list.

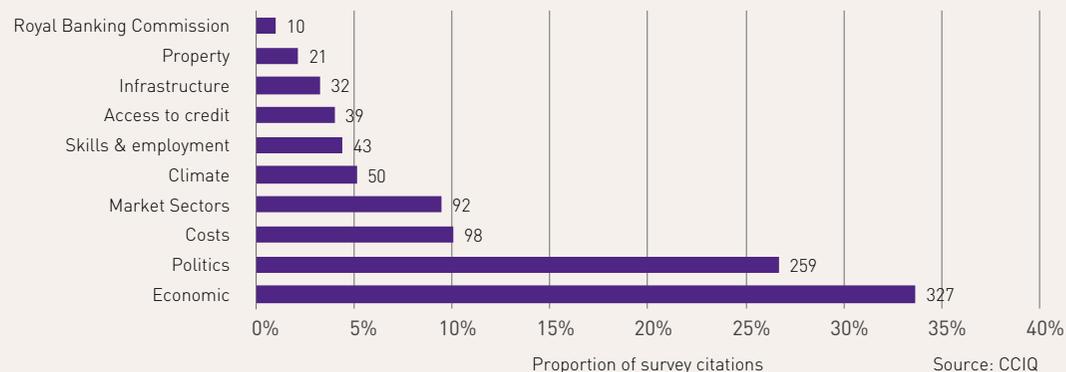
Rank	Constraint	Dec-17	Sep-18	Dec-18	Quarterly Change
1	Political and economic stability	55.0	56.7	63.0	↑
2	Level of demand/economic activity	58.1	58.3	62.7	=
3	Compliance and complexity of business taxes and government charges	47.3	53.3	52.7	↑
4	Insurance premium costs	48.2	51.4	52.6	↑
5	Retaining and recruiting suitably qualified employees	49.6	65.2	52.2	↓
6	Direct wage costs	49.8	57.7	51.6	↓
7	Level of business taxes and government charges (State and Local)	48.4	54.3	51.4	↓
8	Level of business taxes and government charges (Federal)	46.8	51.8	50.5	↑
9	Energy costs and standard of infrastructure	49.3	49.2	49.5	↑
10	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	40.9	52.6	48.6	↓

↑ Rank order rose from previous quarter; = unchanged from previous quarter; ↓ decreased from previous quarter,

INFLUENCES ON BUSINESS CONFIDENCE

Open-ended qualitative questions within the Suncorp CCIQ Pulse Survey enable small businesses to provide commentary about issues and matters specific to their own businesses. The key factors influencing sentiment within the Queensland small business community during the December quarter were overwhelmingly centred around concerns about the economic conditions, both globally and domestically, followed by politics and then business costs.

Key Influencers on Business Confidence



ECONOMIC ISSUES

Global economic conditions, the Australian exchange rate and issues around trade continue to dominate respondent's views of macroeconomic factors likely to affect economic performance. Domestic issues raised included rising business costs and tax policy, especially regarding the proposed changes to negative gearing, as well as access to credit and potential implications from the Royal Banking Commission.



China, Brexit, Europe, USA, Banking Royal Commission, NSW Election, Federal Election, World Money Supply (M1), Capital Markets, Immigration, Consumer Confidence, Household Savings near record lows.

Sunshine Coast



Change of government; US stock markets; change in interest rates; negative change in tax rebates as proposed by labour government that will affect franking credits and negative gearing and will reduce earning capabilities.

Brisbane



Queensland will perform better despite government because of mineral demand and the weaker dollar, which will bring in tourists. Government effect will be banning mining, which will devastate areas of the state!

Townsville

POLITICS

Respondents expressed concern about the uncertainty of the outcome of the upcoming federal election and the prospect of a change in government and continue to vent frustration and disappointment in politicians more generally. Again, state and federal politicians continue to attract the ire of the business community due to a perceived lack of coherent policy development and delivery and lack-lustre performance. The city-regional divide is a common issue raised among regional respondents. Accordingly, some respondents are convinced that regional Queensland is being left behind in infrastructure and influence and that politicians hold an apathetic view toward regional issues and their concerns.



The big tough decisions are not being made, only the small ones, the easy ones. There is far too much attention being paid to the big cities, where all the votes are, but where the food isn't. The regional areas grow the food but feel more and more forgotten as the numbers in the cities continues to grow at an uncontrollable rate. Who will supply our food in 50 years?

Survey Respondent



Next elections and politicians worrying about their backs rather than running the country. Trying to be "politically correct" for minor groups and being popular rather than making hard decisions that will strengthen economy in the long run.

Wide Bay

INFLUENCES ON BUSINESS CONFIDENCE

BUSINESS COSTS

Following the previous September quarterly survey, costs to business was oft-cited as a factor that is detrimentally affecting business performance. Power/energy/electricity costs were again high on the agenda, as was the cost of insurance and finance. On the other hand, concern about high or rising fuel prices has waned since the previous quarter along with the general easing of petrol prices at the pump.



Cost of finance - 15% on overdraft and vendor finance. Unable to secure growth capital.

Brisbane



Increased costs, operating costs, staff wages, travel, fuel, insurance and reduced sales income from a highly competitive international market.

Mackay



Costs of labor have increased heavily due to a fair work industry change.

Gold Coast

ACCESS TO CREDIT AND ROYAL BANKING COMMISSION

The business community had much to say about the financiers and the financial sector more broadly. While there were some responses talking around interest rate rises the most significant concern was around business credit and lending. One can expect to see this issue to continue into the following quarter's Pulse survey and until the Royal Commission into the banking sector concludes.



Government regulation for its sake - not for the good of business and just creating more complexity; issues with obtaining debt and finance for business generally, particularly small businesses.

Cairns



Outcomes from royal banking commission limiting access to funds for both individuals and companies,

Brisbane

MARKET SECTORS

Given its critical importance to the Queensland economy, commentary around the resources/mining sector is very common across responses. Drought and adverse implications from environmental legislation on agricultural enterprise was also mentioned.



Downturn in disposable cash for the majority of our clients has seen a town turn in both the public sector and the clubs and bars patronage in our industry.

Brisbane



Drought and poor export prices especially sugar as well as difficulty in obtaining bank loans.

Townsville



Solid resources demand for coking coal and lower AUD. Strong project demand in coal. Gas market returning from slow capital expenditures.

Brisbane

CLIMATE

With much of the state in drought, comments often reflect on effects on the agriculture industry. Respondents also commented on weather events and expressed concerns about related insurance costs.



Weather patterns; Queensland has had some rain in places, but we are the driest we have been in six years.

Logan



Drought. Government policy on environmental issues like fodder harvesting and water availability.

South West Queensland

INFRASTRUCTURE

Respondents commented on various issues around local, state and federal infrastructure.



Uncertainty of water supply, poor government - lack of leadership by local, state and federal governments - from all sides of politics.

Townsville



A change of federal government meaning the fuelling of investment in public infrastructure, health and transport.

Brisbane



Quote: Too much spending on the wrong business and no infrastructure to boost the economy.

Rockhampton

PROPERTY

Concern was expressed regarding a potential contagion from the weakening property markets in southern states and how this may affect state property market and, in turn, consumer confidence and demand.



Property downturn leading to a decline in confidence and spending.

Gold Coast



Lower property activity with flow on for stamp duty receipts, building company revenue etcetera.

Respondent

ABOUT PULSE

The Pulse Survey has been measuring Queensland business confidence and expectations for over 20 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 is for 1st January to 15th January 2019 and examines business sentiment through the December Quarter 2018. 496 businesses provided responses to the survey.

To find out more about Pulse, please contact Dr Marcus Smith, Chief Economist, on 1300 731 988 or at cciqadvocacy@cciq.com.au.

PULSE BUSINESS INDEX

The analysis undertaken by CCIQ in the preparation of this Pulse Survey Report is based on survey responses from Queensland business.

The report uses the Pulse Business Index (PBI) as well as the (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.

A Pulse Index reading of above 50 indicates conditions have improved over the previous quarter. A reading of 50 indicates conditions have remained the same and less than 50 indicates conditions have deteriorated.

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

Very Poor	0 – 29.99 Points
Poor	30 – 49.99 Points
Satisfactory	50 – 64.99 Points
Good	65 – 74.99 Points
Very Good	75 – 84.99 Points
Excellent	85 – 100 Points

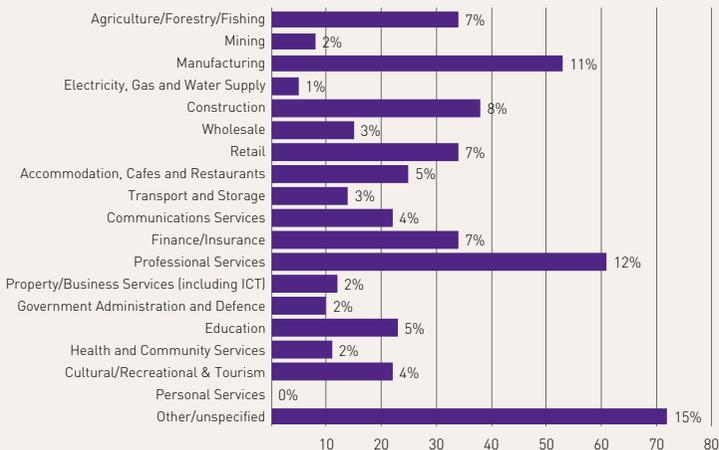
The state-wide PBI results have been seasonally adjusted.

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.

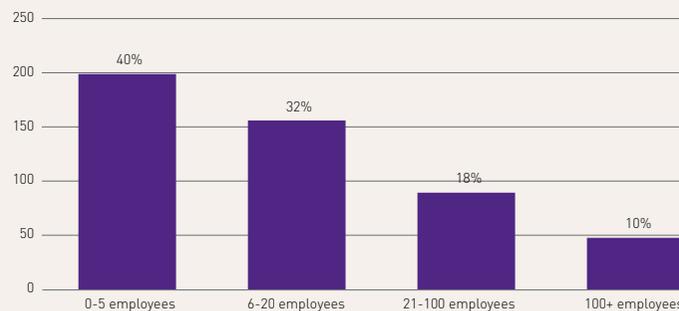
DEGREE OF CONSTRAINT INDEX

Critical	70 – 100
Large	50 – 69.99
Moderate	40 – 49.99
Slight	30 – 39.99
No Constraint	0 – 29.99

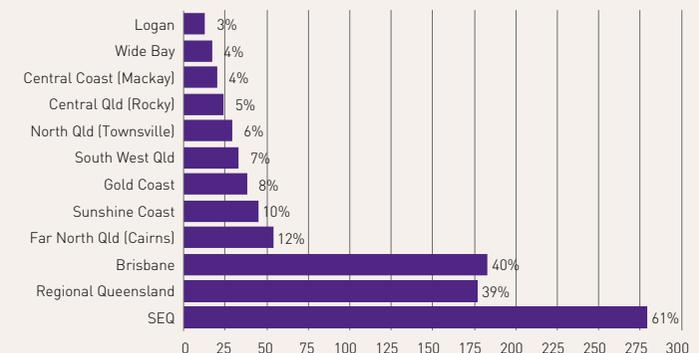
Industry Representation (%)



Size of Organisation (%)



Regional Representation (%)



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