

FAR NORTH QUEENSLAND PULSE SURVEY REPORT

SEPTEMBER QUARTER 2020



SUMMARY

The results of the latest CCIQ Pulse Survey have recorded an improvement which builds on the recovery from the COVID-19 Economic Crisis. While business sentiment has improved across the board, confidence in the outlook for the state and national recovery remain at poor index readings. Persistent pessimism across these indicators stems mostly from the significant reliance of many small businesses on state and federal stimulus measures and a lack of foreseeable action on social distancing restrictions. Entering into the December quarter, businesses across the Far North are being forced to adapt to the 'new norm' where economic activity is better than at the COVID-19 peak but well short of normal and sustainable business activity.

KEY FINDINGS

- 1 **More than two-thirds** of businesses across Far North Queensland predict that the national and state economy will contract further over the next 12 months.
- 2 **Nearly two in five** businesses are continuing to ensure their long term viability by reducing their levels of productive investments.
- 3 Unlike other regions that saw the index rise more sharply, profitability improved only slightly by 2.7 points. This finding follows **nearly half** of all businesses still experiencing a reduction in profitability.
- 4 Following the September quarter recovery, each forecast index, except for employment levels, are expected to fall again after December.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

SEPTEMBER QUARTER SENTIMENT

Far North Queensland

41.0 Queensland
43.0

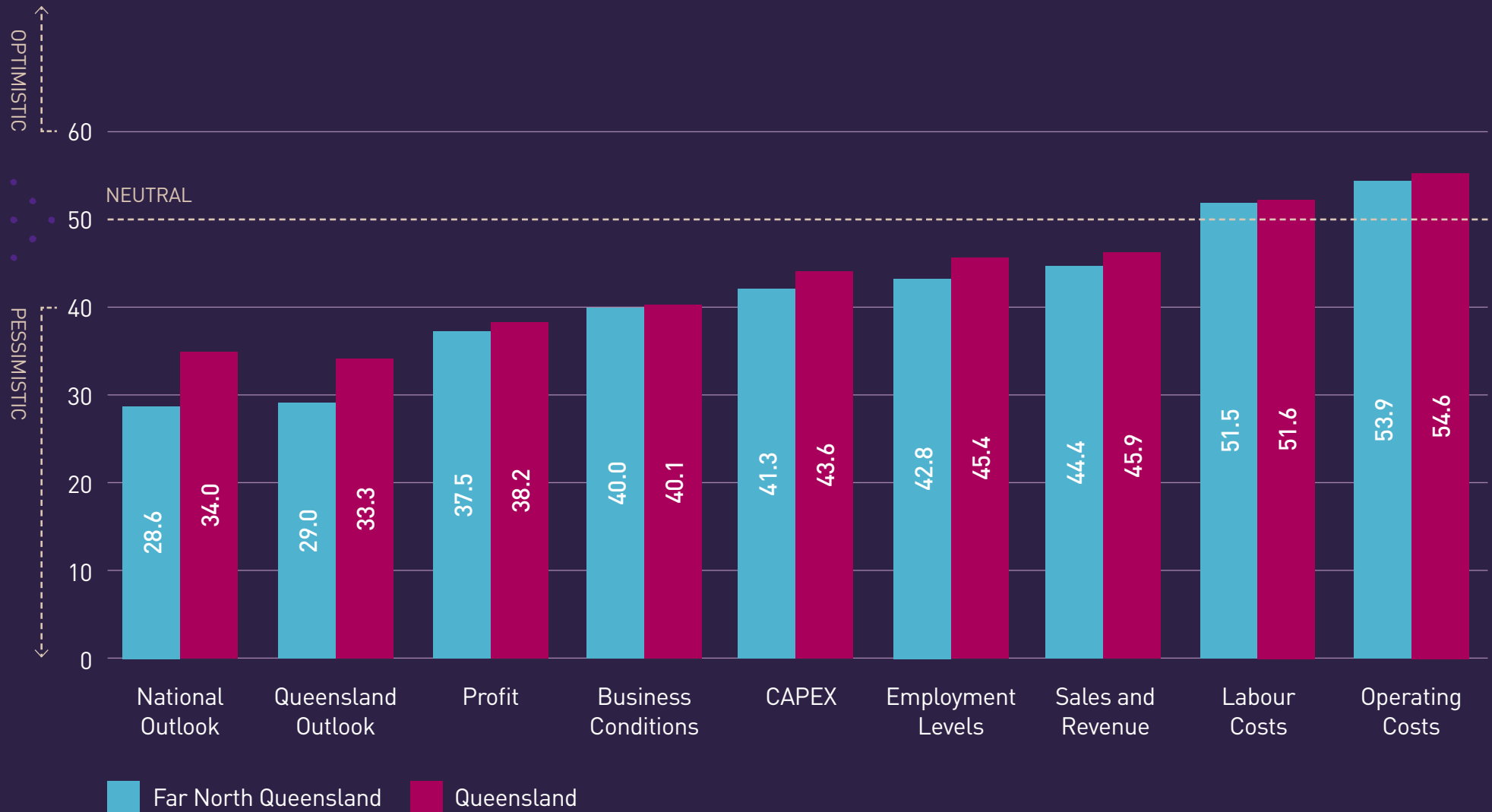
DECEMBER QUARTER FORECAST

Far North Queensland

43.0 Queensland
47.3

SNAPSHOT DATA

FAR NORTH QUEENSLAND PULSE SURVEY INDEX* RATINGS SEPTEMBER 2020



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

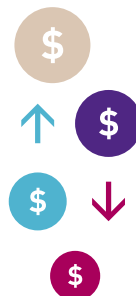


PULSE SURVEY INDEX

Queensland Outlook = **29.0** (+10.6); Poor
National Outlook = **28.6** (+5.8); Poor

Business sentiment surrounding the performance of the state and national economy improved significantly during the September quarter. More businesses across Far North Queensland are now hopeful that the worst of the COVID-19 economic crisis has passed in Queensland, with southern states facing a longer recovery. Aiding this sentiment has been the complete implementation of the phase 1-3 easings of restrictions and the announcement for further phases leading up to December; regardless of their marginal benefits for restricted businesses. Unfortunately, the greater majority of businesses are still pessimistic about the future performance of the state and national economies over the next 12 months. In Queensland, this finding is mostly the result of persistent uncertainty surrounding business viability when stimulus support ends in the latter half of the 2021 financial year.

SALES AND REVENUE

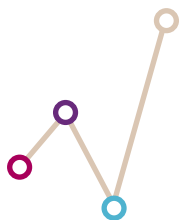


PULSE SURVEY INDEX

Sep-20 = **44.4** (+11.1); Satisfactory
Dec-20 = **42.6** (-1.8); Satisfactory

The sales and revenue index improved sharply over the September quarter and is now the first satisfactory result since the December quarter last year. Improved sentiment for business sales is consistent with economic data released by the Australian Bureau of Statistics (ABS) which saw retail turnover in August (2020) rebound by 21 per cent from the downturn in April. Retail sales across Queensland are now 15 per cent higher than at the same time last year (August 2019). Such a sharp recovery is linked to the JobKeeper payment which delivered much-needed stimulus for consumer confidence and spending. However, with the value of JobKeeper beginning to taper off in the December quarter, the index is forecast to fall 1.8 points.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Sep-20 = **40.0** (+5.1); Satisfactory
Dec-20 = **38.2** (-1.7); Poor

Despite nearly half of all businesses (46%) reporting weaker general business conditions during the September quarter, the index grew 5.1 points to 40.0. This result was largely underpinned by the transition to the third stage of eased restrictions which allowed for more trade than was previously permitted. The index for the December quarter is forecast to fall again by 1.7 points with little being announced to assure businesses that they will be able to operate more viably before the new year.

OPERATING COSTS



PULSE SURVEY INDEX

Sep-20 = **53.9** (+3.9); Satisfactory
Dec-20 = **52.7** (-1.2); Satisfactory

The index for business operating cost grew only slightly by 3.9 points, with the majority of businesses (89%) experiencing equal or greater outgoings. While rising operating costs would not typically be viewed as a positive finding, it does support qualitative responses from the September Survey where more businesses across the Far North chose to reopen their doors for trade. On the flip side, the reduction of businesses experiencing weaker outgoings also coincides with less cashflow support being offered to businesses in the September quarter compared to preceding quarters.

LABOUR COSTS



PULSE SURVEY INDEX

Sep-20 = **51.5** (+9.1); Satisfactory
Dec-20 = **49.8** (-1.7); Satisfactory

The labour cost index continued its recovery to pre-COVID-19 levels reflecting the growing proportion of businesses operating with equal or stronger employment expenditures (80%). The index reading is currently only 8.1 points below its pre-COVID-19 level in December 2019 (59.6), where direct wage costs ranked as the third greatest constraint on business growth. Interestingly, the forecast index is expected to fall during the December quarter despite the JobKeeper payment being reduced. This outlook perhaps hints at a reduction in working hours by some businesses before the new year.



EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Sep-20 = **42.8** (+4.9); Satisfactory Cairns Unemployment = **6.7%**
Dec-20 = **45.0** (+2.2); Satisfactory Cairns Youth Unemployment = **14.4%**

The employment levels index improved 4.9 points to a satisfactory reading as fewer businesses reported decreased hiring intentions over the September quarter (27%). Improved employment levels are consistent with regional data which shows that 1,400 jobs have been recovered in Far North Queensland between the months of May and August 2020 (Conus Industry Employment Trend). While improved employment data provides evidence of the recovery being experienced by the region since the COVID-19 shutdown, there remain 11,300 fewer people employed, 1,500 more unemployed and 4.7 per cent less working-aged individuals (aged 15-64) participating in the workforce by actively working or seeking employment. Businesses are not optimistic for the December quarter, with more than two-thirds anticipating that their employment intentions will reach a plateau (68%).



PROFITABILITY



PULSE SURVEY INDEX

Sep-20 = **37.5** (+2.7); Poor
Dec-20 = **37.3** (-0.2); Poor

For the first time since March 2019, the profitability index improved despite the proportion of businesses reporting stronger profitability remaining the minority (20%). Regardless, the slight recovery was the result of 33 per cent more businesses reporting stronger profitability during the September quarter compared to June. Moving forward, the future of business viability in the region will rely on a strong recovery for profitability over the Christmas and New Year season. This is especially true for businesses reliant on stimulus support which is due to conclude in the new year.



CAPITAL EXPENDITURE



PULSE SURVEY INDEX

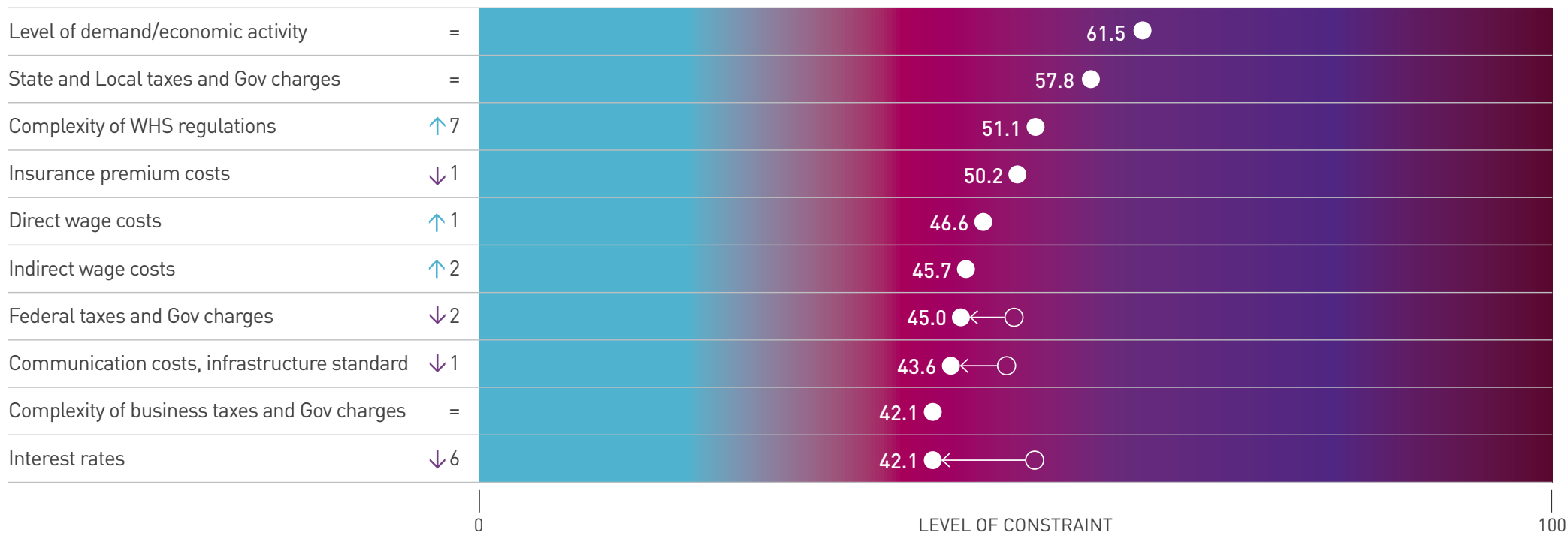
Sep-20 = **41.3** (+1.2); Satisfactory
Dec-20 = **37.8** (-3.5); Poor

The capital expenditure index rose marginally by 1.2 points to 41.3 to reflect the fact that more businesses invested productively within the economy. Lagged economic data for capital expenditures across the state in the June quarter show that total investments recovered by 17.1 per cent, representing \$835 million in additional investment. The momentum of the state is not expected to be carried forward by businesses in Far North Queensland with nearly three-quarters of businesses reducing or maintaining the same level of investment as in the previous quarter. Capital expenditure is forecast to return to poor levels in the December quarter as the proportion of businesses reducing or keeping investments unchanged increase to 90 per cent.



MAJOR CONSTRAINTS ON BUSINESS GROWTH

LEGEND: ↑ 2 QUARTERLY CHANGE ● CURRENT ○ PREVIOUS



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**



COVID-19 will have an impact on the economy at a local, state and federal level. While Queensland has faced these types of issues before with widespread weather events, the difference with COVID-19 is the fact that there is no foreseeable end date. I imagine businesses able to withstand closures would not cope with ongoing closures and a reduction in trade due to household financial hardship.



There is a domino effect taking place due to a lack of tourism and an inability to sell marine products (fish/ prawns etc.). The flow-on impact makes all smaller businesses in the supply chain suffer, especially when payments become slower at the top end of town.



More small businesses will close, and we are powerless to control the health response of the government. The impact on everyone is far deeper than economic. Government actions have changed our society in such a way that it will take a very long time for us to return to normal. While we are in survival mode, we aren't considering the deeper impact on unemployment and bankruptcies.

ABOUT PULSE

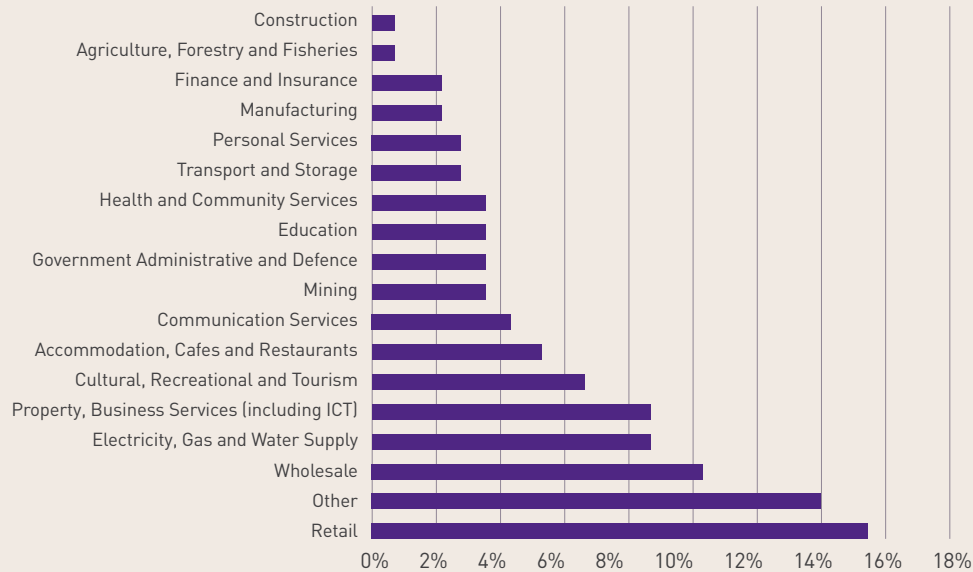
The Pulse Survey has measured Queensland business confidence and expectations for over 20 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of Queensland business sentiment, providing critical insights into the opinions of business owners across the state. The survey period was open from the 22nd of September to the 5th of October 2020 and examined business sentiment throughout the September Quarter 2020. There were 1,307 respondents to the survey consisting of 199 from Far North Queensland (15%).

CCIQ undertakes the analysis, incorporating the Pulse Business Index (PBI) as well as (base) statistical data provided from the survey responses. This allows for an effective measurement of the responses from businesses across the state about business conditions and their operational activity over the previous quarter. To find out more about the Pulse survey, please contact Chamber of Commerce and Industry Queensland (CCIQ) on 1300 731 988.

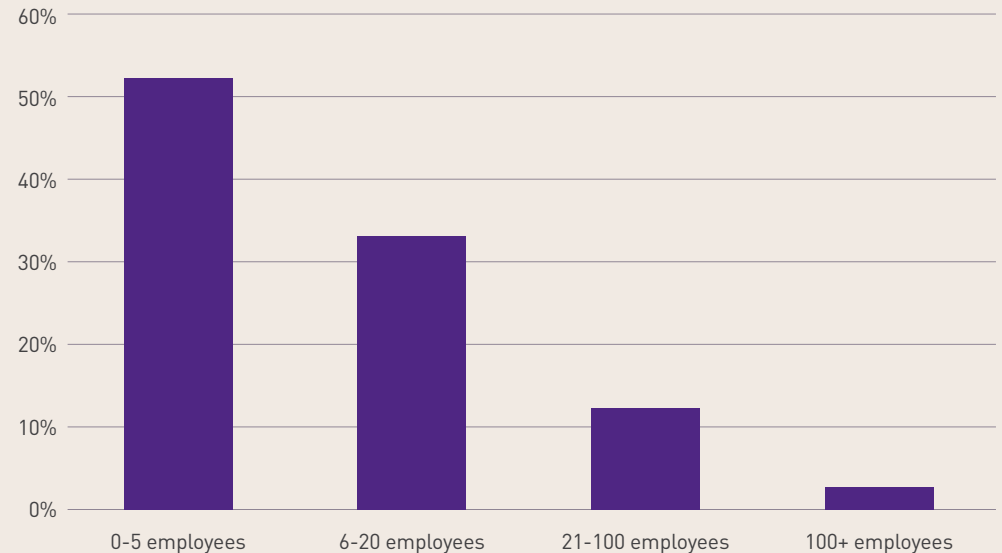
A Pulse Index reading greater than 50 indicates that conditions have improved over the previous quarter. A reading of 50 indicates that conditions have remained the same, while less than 50 indicates conditions have deteriorated. The following guide is useful in interpreting the PBI results into broad indicative performance classifications:

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

INDUSTRY REPRESENTATION



SIZE OF ORGANISATION



Chamber of Commerce & Industry Queensland

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