

BRISBANE 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 Brisbane 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 **Three in five** businesses across Brisbane predict that the state and national economy will contract further over the next 12 months.
- 2 **More than two-thirds** of businesses reported that they had maintained or increased their capital expenditure to leverage investment incentives.
- 3 Despite the Index improving by 6.6 points, **more than half** of all businesses still reported weaker profitability in the September quarter compared to the previous three months.
- 4 Brisbane businesses are forecasting further improvements across all indicators in the December quarter.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

SEPTEMBER QUARTER SENTIMENT

Brisbane

43.7

Queensland

43.0

DECEMBER QUARTER FORECAST

Brisbane

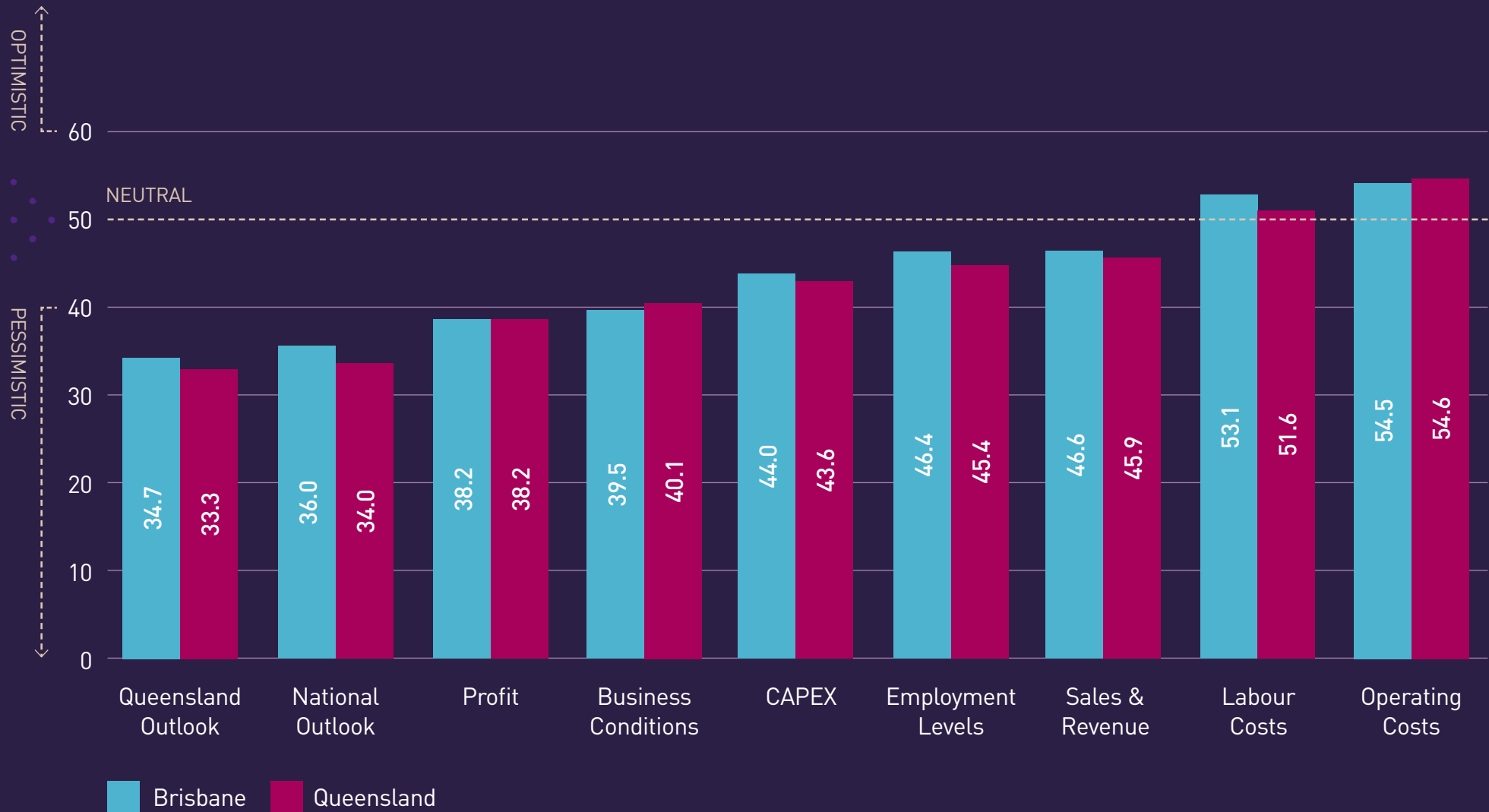
48.3

Queensland

47.3

SNAPSHOT DATA

BRISBANE 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



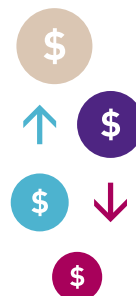
PULSE SURVEY INDEX

Queensland Outlook = **34.7** (+10.7); Poor

National Outlook = **36.0** (+11.4); Poor

Business sentiment surrounding the performance of the state and national economy improved significantly during the September quarter. More businesses in Brisbane are now hopeful that the worst of the COVID-19 economic crisis has passed. 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, a majority three in five (60%) businesses are still predicting that the performance of the state and national economies will perform weaker over the next 12 months. 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



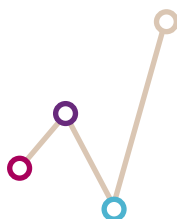
PULSE SURVEY INDEX

Sep-20 = **46.6** (+15.2); Satisfactory

Dec-20 = **51.4** (+4.8); 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 recovery is forecast to continue albeit at a much slower rate.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Sep-20 = **39.5** (+9.4); Poor

Dec-20 = **43.3** (+3.8); Satisfactory

Despite nearly one-half of businesses (49%) reporting weaker general business conditions during the September quarter, the index grew 9.4 points to 39.5. This result was primarily 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 grow again by 3.8 points as more people are forced to adapt to ongoing business restrictions.

OPERATING COSTS



PULSE SURVEY INDEX

Sep-20 = **54.4** (+7.4); Satisfactory

Dec-20 = **55.0** (+0.6); Satisfactory

The index for business operating cost grew by 7.4 points, with the majority of businesses (93%) 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 in Brisbane 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 the preceding months.

LABOUR COSTS



PULSE SURVEY INDEX

Sep-20 = **53.1** (+7.7); Satisfactory

Dec-20 = **54.7** (+1.6); 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 (88%). The index reading is currently only 6.0 points below its pre-COVID-19 level in December 2019 (59.1), where direct wage costs ranked as the seventh greatest constraint on business growth. Hence, this finding evidences the 'new norm' where labour costs are higher than at the peak of the COVID-19 Economic Crisis but well short of what was previous considered as high levels.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Sep-20 = **46.4** (+6.2); Satisfactory BNE Unemployment = **7.4%**

Dec-20 = **47.8** (+1.4); Satisfactory BNE Youth Unemployment = **16.2%**

The employment levels index improved 6.2 points to a satisfactory reading as fewer businesses reported decreased hiring intentions over the September quarter (25%). Improved employment levels are consistent with regional data which shows that 48,700 jobs have been recovered in Brisbane between the months of May and August 2020 (Conus Industry Employment Trend). While improved employment data provide evidence of the recovery being experienced in Brisbane since the COVID-19 shutdown, there remains 53,800 fewer people employed, 21,200 more unemployed, and 3.2 per cent less working-aged individuals (aged 15-64) participating in the workforce by actively working or seeking employment. Hence, while the index is only 0.7 points below its reading in the December quarter (2019), there remains a long road to recovery ahead for the Brisbane region.

PROFITABILITY



PULSE SURVEY INDEX

Sep-20 = **38.2** (+6.6); Poor

Dec-20 = **42.0** (+3.8); Satisfactory

For the first time since March 2019, the Profitability index improved despite the proportion of businesses reporting stronger profitability remaining the minority (18%). The ongoing poor results for business profits is not an issue in isolation to Brisbane. Only slightly fewer businesses (50%) reported weaker profitability across Queensland in the September quarter compared to the prior three months. 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 due to end in 2021.

CAPITAL EXPENDITURE



PULSE SURVEY INDEX

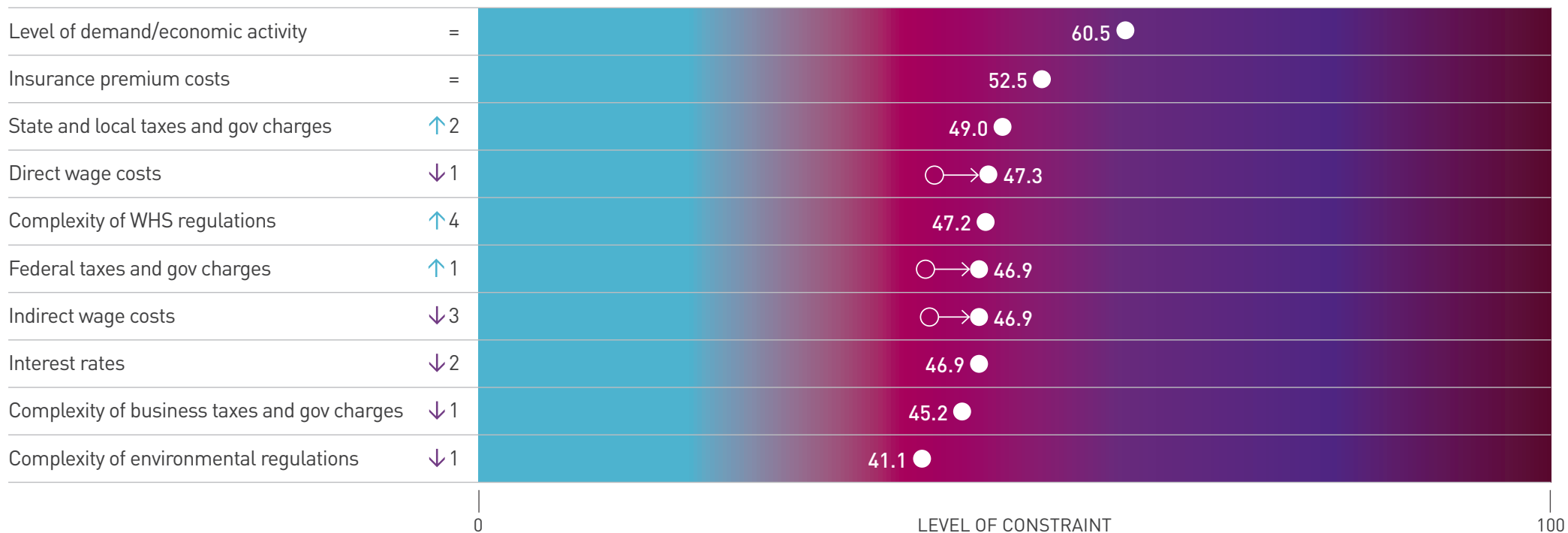
Sep-20 = **44.0** (+3.4); Satisfactory

Dec-20 = **44.2** (+0.2); Satisfactory

The Capital Expenditure Index crept upwards by 3.4 points to 44.0 to reflect the fact that more businesses invested productively within the economy. Lagged economic data from the ABS for capital expenditures across the state in the June quarter show that at the same time the index rebounded sharply, total investments recovered by 17.1 per cent, representing \$835 million in additional investment. Unfortunately, however, Queensland is still 12.6 per cent (\$826 million) below pre-COVID-19 levels raising concerns for the long-term recovery as the index growth grinds to a halt in forecast estimates. Namely, the index is expected to grow sluggishly over the December by less than one point as more than half of Brisbane businesses (57%) opt to save money by maintaining the same levels of investment.

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**



The performance of businesses in Brisbane will depend on how well they transition off JobKeeper and whether consumer confidence will nosedive if impending job cuts are realised.



The future of my business depends on COVID-19 and the restrictions currently in place – not to mention the possibility for more in the future. If these restrictions are not taken seriously by the general public and regularly reviewed by the government, then the economy will not improve any time soon.



Many businesses have utilised the COVID-19 pandemic to reinvigorate their brand by bringing the focus back to local suppliers. With fewer businesses being able to rely on supply chains from China and other countries, sales have improved.

ABOUT PULSE

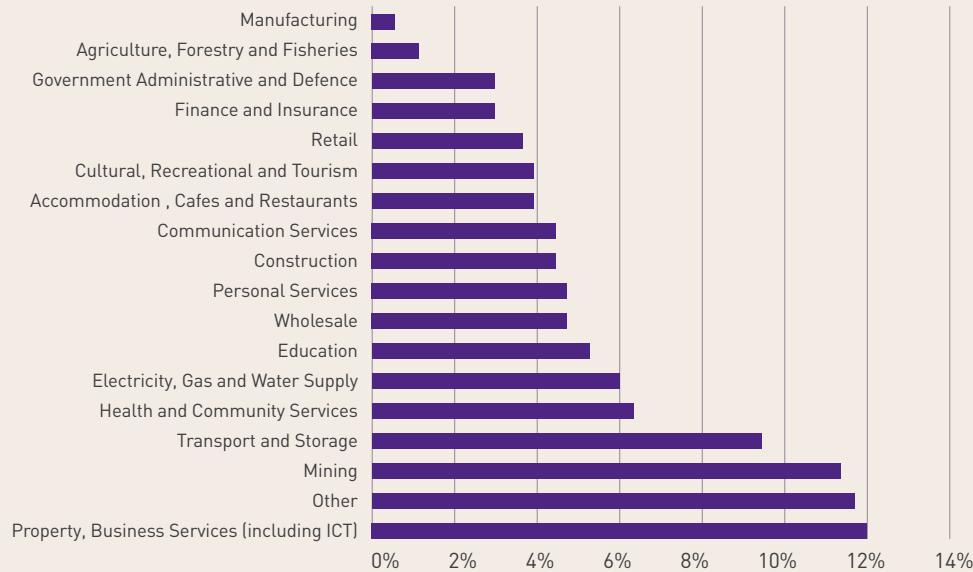
The Pulse Survey has measured Queensland business confidence and expectations for over 20 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of 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 435 from Brisbane (33%).

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

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