

CENTRAL COAST 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. Positively, business sentiment has improved across the board with all index readings improving to a satisfactory level above the state average. Supporting conditions in the Central Coast region continues to be the result of the dominant resources industry injecting significant cashflows into the region. Outside of mining, the improvements are masked by the acknowledgement that many businesses are still reliant on state and federal stimulus measures as well as there further action on border closures and social distancing restrictions. Entering the December quarter, businesses across the Central Coast 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 half** of businesses across the Central Coast predict that the national economy will contract further over the next 12 months, while fewer are anticipating the same for Queensland.
- 2 **More than three-quarters** of businesses reported that they had maintained or increased their capital expenditure to leverage investment incentives.
- 3 Despite the Index improving by 15.8 points, **more than one-third** of businesses still reported weaker profitability in the September quarter compared to the previous three months.
- 4 Following the strong recovery observed during the September quarter, the forecast index for sales and revenue, profitability and capital expenditure are expected to decline over the next three months.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

SEPTEMBER QUARTER SENTIMENT

Central Coast

48.4 Queensland
43.0

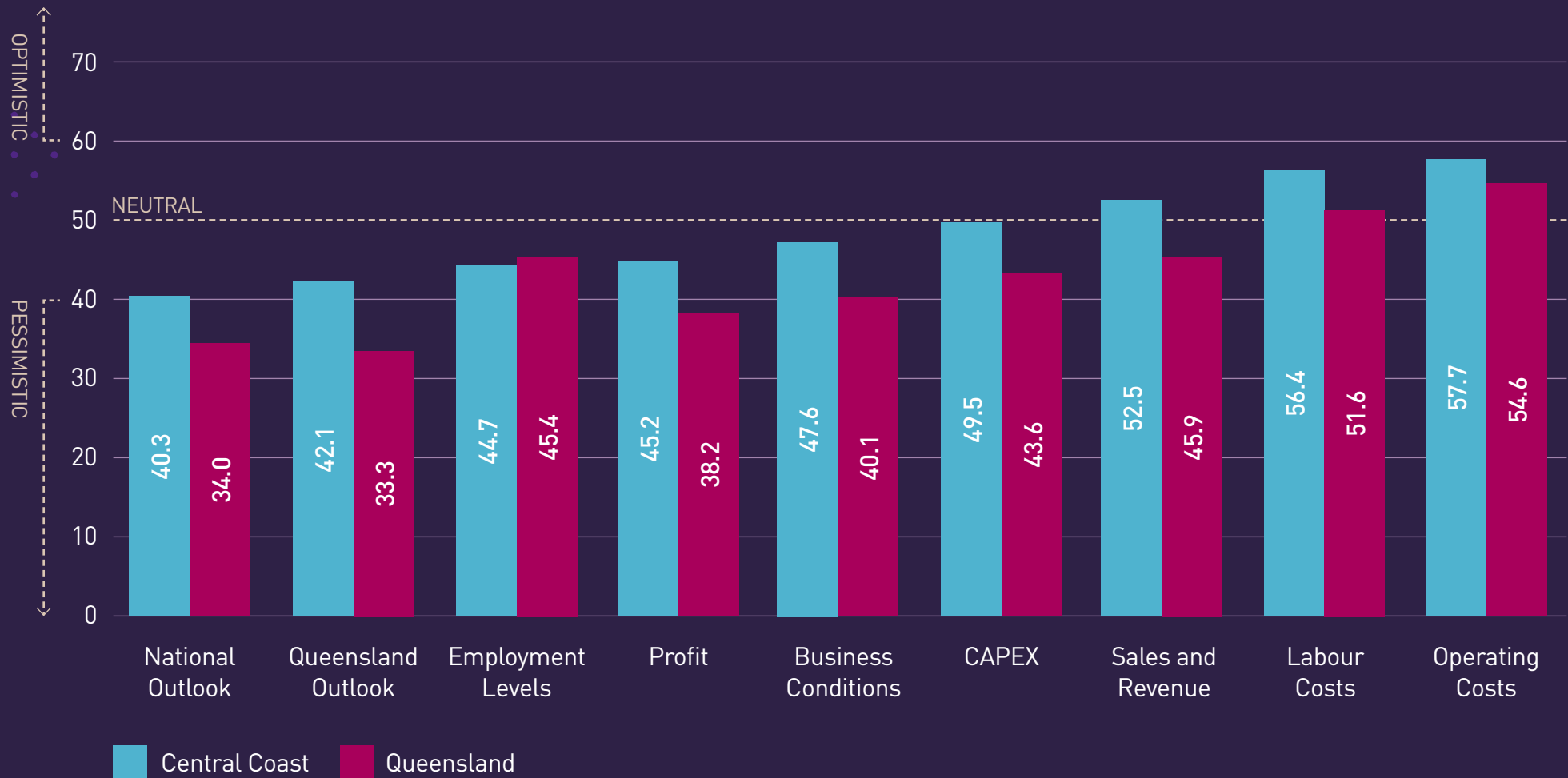
DECEMBER QUARTER FORECAST

Central Coast

52.1 Queensland
47.3

SNAPSHOT DATA

CENTRAL COAST 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

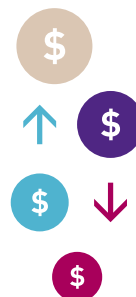


PULSE SURVEY INDEX

Queensland Outlook = **42.1** (+16.6); Satisfactory
National Outlook = **40.3** (+16.8); Satisfactory

Business sentiment surrounding the performance of the state and national economy improved significantly during the September quarter. More businesses across the Central Coast 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, the greater majority of businesses are still pessimistic about the future performance of the state and national economies 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

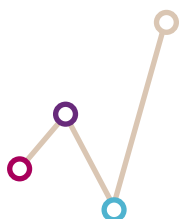


PULSE SURVEY INDEX

Sep-20 = **52.5** (+23.6); Satisfactory
Dec-20 = **51.4** (-1.1); 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 sales and revenue index is forecast to fall slightly by 1.1 points.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Sep-20 = **47.6** (+19.8); Satisfactory
Dec-20 = **51.4** (+3.8); Satisfactory

Despite more than one-third of businesses (35%) reporting weaker general business conditions during the September quarter, the index grew 19.8 points to 47.6. This result represents the second-highest of all regions in Queensland with qualitative findings from the area praising the stimulus response by the state and federal government. Also supporting operating conditions was the transition to the third stage of eased restrictions allowing for more trade than was previously permitted. The index for the December quarter is forecast to see further recovery as more people adapt to ongoing business restrictions.

OPERATING COSTS



PULSE SURVEY INDEX

Sep-20 = **57.7** (+9.3); Satisfactory
Dec-20 = **56.3** (-1.4); Satisfactory

The index for business operating cost grew by 9.3 points, with the majority of businesses (98%) 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 Central Coast 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 made available in the September quarter compared to preceding quarters.

LABOUR COSTS



PULSE SURVEY INDEX

Sep-20 = **56.4** (+15.3); Satisfactory
Dec-20 = **60.1** (+3.7); Good

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 5.5 points below its pre-COVID-19 level in December 2019 (61.9), where direct wage costs ranked as the fourth 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 = **44.7** (+9.9); Satisfactory Mackay Unemployment = **6.5%**
Dec-20 = **52.4** (+7.7); Satisfactory Mackay Youth Unemployment = **14.3%**

The employment levels index improved 9.9 points to a satisfactory reading as fewer businesses reported decreased hiring intentions over the September quarter (33%). Improved employment levels are consistent with regional data which shows that 2,600 jobs have been recovered across the Central Coast 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 area since the COVID-19 shutdown, there remain 2,400 more people unemployed and 1.3 per cent less working-aged individuals (aged 15-64) participating in the workforce by actively working or seeking employment. Businesses are hopeful that the recovery will continue over the December quarter with the index forecasted to grow by another 7.7 points.

PROFITABILITY



PULSE SURVEY INDEX

Sep-20 = **45.2** (15.8); Satisfactory
Dec-20 = **44.7** (-0.5); Satisfactory

For the first time since March 2019, the profitability index improved despite the proportion of businesses reporting stronger profitability remaining the minority (21%). Instead, the steep increase of the index was the result of 66 per cent fewer businesses reporting weaker profitability during the September quarter, compared to June. Moving forward, the future of business viability in the region will rely on a strong recovery in profitability over the Christmas and New Year season. This is especially true for businesses reliant on stimulus support due to cease in forward quarters.

CAPITAL EXPENDITURE



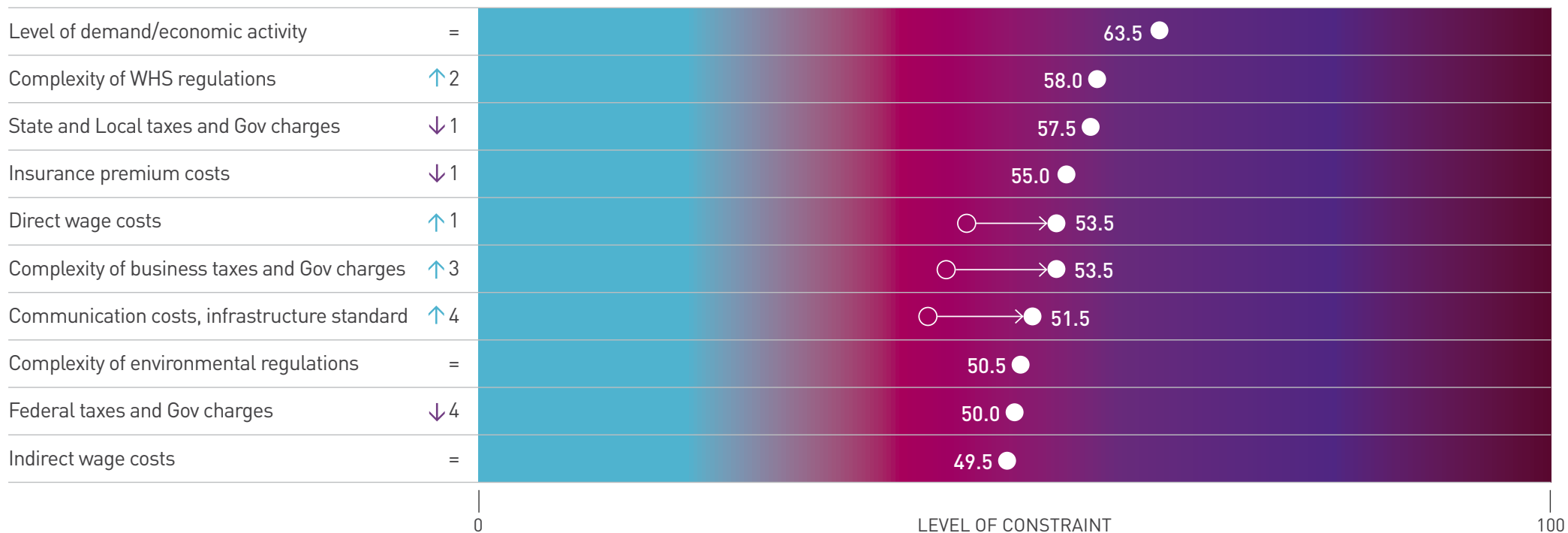
PULSE SURVEY INDEX

Sep-20 = **49.5** (+15.8); Satisfactory
Dec-20 = **48.6** (-0.9); Satisfactory

The capital expenditure index rose sharply by 15.8 points to 49.5 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 total investments recovered by 17.1 per cent, representing \$835 million in additional investment. This momentum is expected to have been carried forward across the Central Coast region with nearly one-third of businesses reporting stronger investment levels compared to the preceding three months. Capital investment is expected to slow slightly over the December quarter as more than half of Central Coast businesses (58%) 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**



COVID-19 continues to gravely impact the ability of people to be out and about, travelling and generally spending money. Many have lost employment altogether, and businesses have either had to close temporarily/permanently, suspend trade, reduce the hours of trade and/or reduce staff hours.



The JobKeeper payments and additional government assistance have allowed us to continue paying our employees during the uncertainties of COVID-19. The support has also allowed us to upgrade and improve our facilities.



Nothing is worse than it was three months ago but obviously, access across the border to northern NSW clients still provides some challenges. Interstate transport can be tough to obtain at a reasonable price at short notice, meaning that some inputs are still in short supply or facing large delays.

ABOUT PULSE

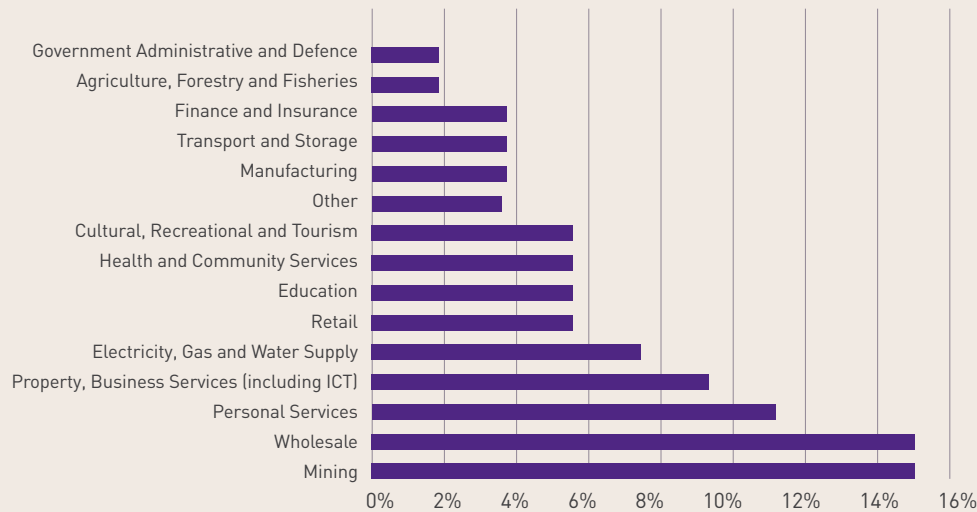
The Pulse Survey has measured Queensland business confidence and expectations for over 20 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of 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 61 from the Central Coast (5%).

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.

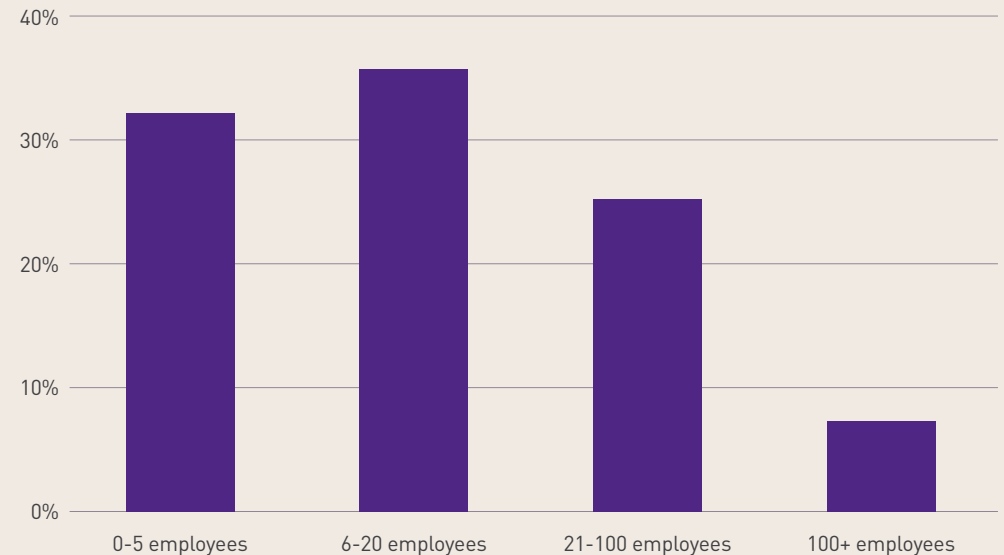
A Pulse Index reading greater than 50 indicates that conditions have improved over the previous quarter. A reading of 50 indicates that conditions have remained the same, while less than 50 indicates conditions have deteriorated. The following guide is useful in interpreting the PBI results into broad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