

CENTRAL 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 Central Queensland 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 **Two-thirds** of businesses across Central Queensland predict that the national economy will contract further over the next 12 months, while only slightly 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 11.9 points, **more than two in five** 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 Queensland

47.2 Queensland
43.0

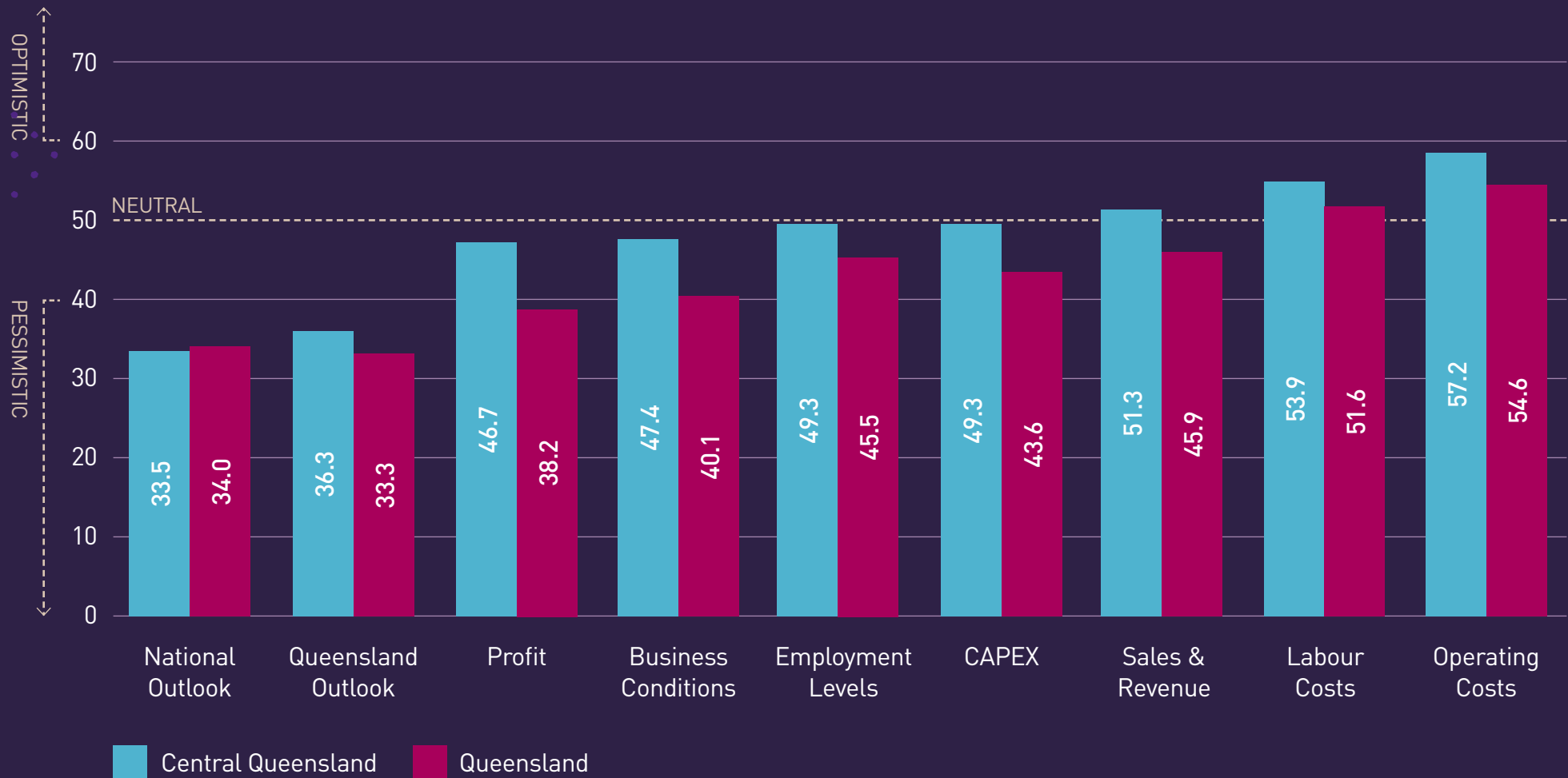
DECEMBER QUARTER FORECAST

Central Queensland

49.2 Queensland
47.3

SNAPSHOT DATA

CENTRAL 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



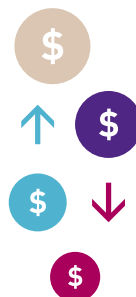
PULSE SURVEY INDEX

Queensland Outlook = **36.3** (+17.9); Poor

National Outlook = **33.5** (+10.7); Poor

Business sentiment surrounding the performance of the state and national economy improved significantly during the September quarter. More businesses across Central 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 stages 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



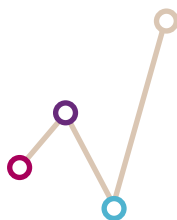
PULSE SURVEY INDEX

Sep-20 = **51.3** (+18.0); Satisfactory

Dec-20 = **47.4** (-3.9); 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 by 3.9 points.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Sep-20 = **47.4** (+12.5); Satisfactory

Dec-20 = **44.7** (-2.6); Satisfactory

Despite more than one-third of businesses (37%) reporting weaker general business conditions during the September quarter, the index grew 12.5 points to 47.4. 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 by 2.6 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 = **57.2** (+7.2); Satisfactory

Dec-20 = **54.6** (-2.6); Satisfactory

The index for business operating costs grew by 7.2 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 Queensland 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 = **53.9** (+11.5); Satisfactory
Dec-20 = **56.1** (+2.1); 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 (90%). The index reading is currently only 4.8 points below its pre-COVID-19 level in December 2019 (58.7), where direct wage costs ranked as the eighth 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 = **49.3** (+11.5); Satisfactory Central Qld Unemployment = **6.4%**
Dec-20 = **50.0** (+0.7); Satisfactory Central Qld Youth Unemployment = **13.0%**

The Employment Levels index improved 11.5 points to a satisfactory reading as fewer businesses reported decreased hiring intentions over the September quarter (16%). Improved employment levels are consistent with regional data which shows that 2,800 jobs have been recovered in Central Queensland between the months of May and August 2020 (Conus Industry Employment Trend). While improved employment data provide evidence of the recovery being experienced in the region since the COVID-19 shutdown, there remain 7,800 fewer people employed, 1,700 more unemployed and three 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 forecast to grow, albeit at a much slower rate (+0.7).

PROFITABILITY



PULSE SURVEY INDEX

Sep-20 = **46.7** (+11.9); Satisfactory
Dec-20 = **43.4** (-3.3); Satisfactory

For the first time since March 2019, the profitability index improved despite the proportion of businesses reporting stronger profitability remaining the minority (26%). Regardless, the steep increase of the index was the result of 77 per cent more businesses reporting stronger profitability and 14 per cent fewer reporting the opposite during the September quarter. 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 2021.

CAPITAL EXPENDITURE



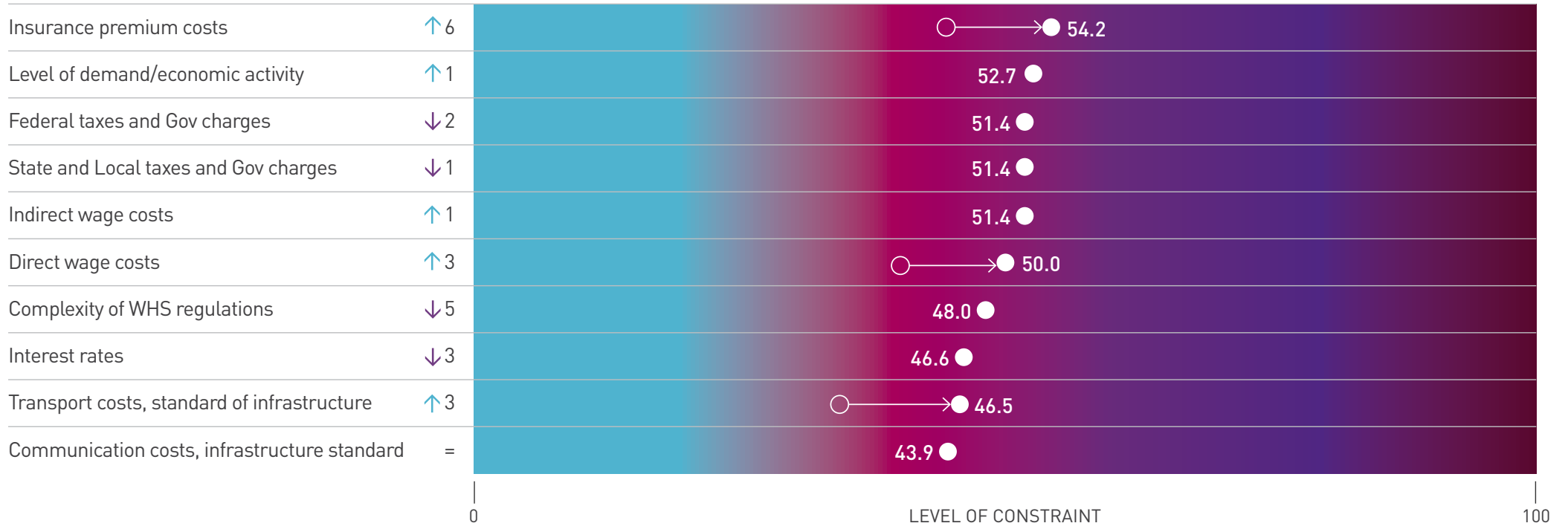
PULSE SURVEY INDEX

Sep-20 = **49.3** (+9.2); Satisfactory
Dec-20 = **48.0** (-1.3); Satisfactory

The capital expenditure index rose by 9.2 points to 49.3 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. This momentum is expected to have been carried forward by Central Queensland with more than one-quarter of businesses (26%) reporting stronger investment compared to the preceding three months. Capital investment is expected to slow slightly over the December quarter as more than half of Central Queensland businesses (55%) 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 has had a catastrophic impact on small businesses. However the longer term impact of the pandemic will be the creation of jobs. We must look to develop new industries and projects that will provide long term employment for generations to come.



COVID-19 and widespread misuse of the JobKeeper and JobSeeker funding is impacting businesses wanting to retain or hire more staff. I personally know of three businesses who lost staff that refused to work so that they didn't lose their fortnightly payment.



The massive infrastructure road development happening in Rockhampton is helping inject funds. This has had a massive boost to our region, and we need to see more projects being delivered through the pipeline.

ABOUT PULSE

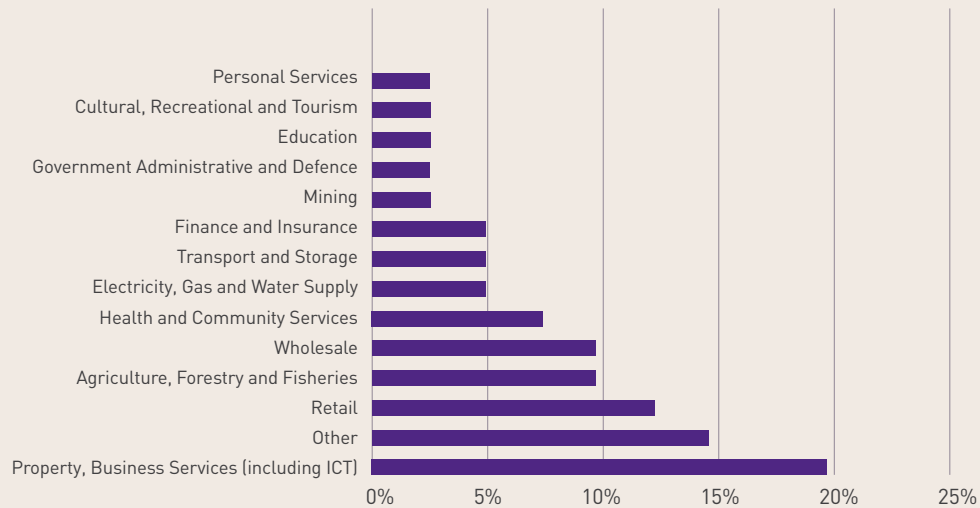
The Pulse Survey has measured Queensland business confidence and expectations for over 20 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of 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 60 from Central Queensland (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.

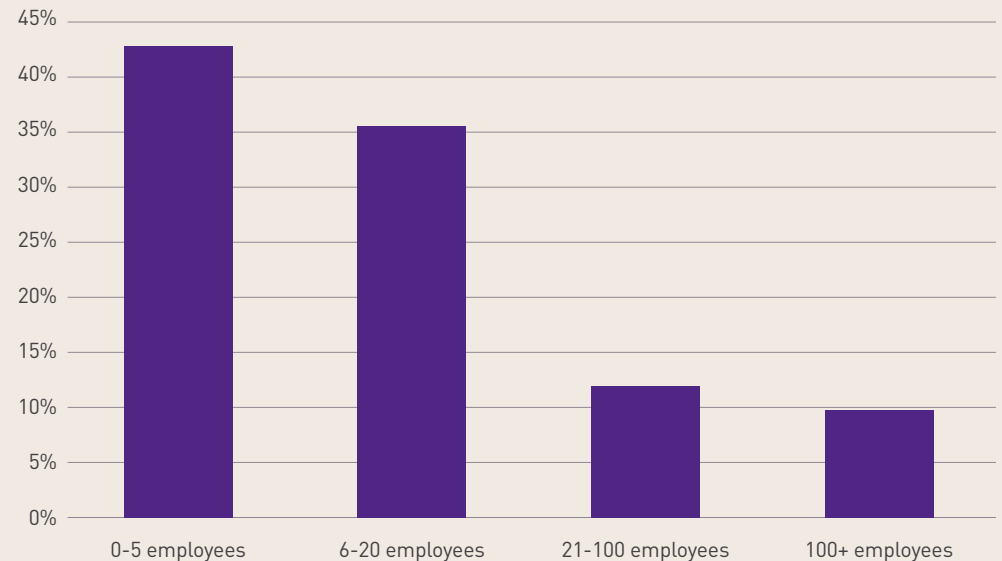
A Pulse Index reading greater than 50 indicates that conditions have improved over the previous quarter. A reading of 50 indicates that conditions have remained the same, while less than 50 indicates conditions have deteriorated. The following guide is useful in interpreting the PBI results into broad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

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

INDUSTRY REPRESENTATION



SIZE OF ORGANISATION



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