

GOLD 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. 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 Gold 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 **Two-thirds** of businesses across the Gold Coast 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 one-third** of businesses reported that they had decreased their capital expenditure despite the various investment incentives being made available by the state and the federal government.
- 3 Despite the index improving by 8.9 points, **nearly one-half** of businesses still reported weaker profitability in the September quarter compared to the previous three months.
- 4 Businesses across the Gold Coast are optimistic that business conditions will improve over the December quarter with each index forecasted to increase further.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

SEPTEMBER QUARTER SENTIMENT

Gold Coast

40.4 Queensland
43.0

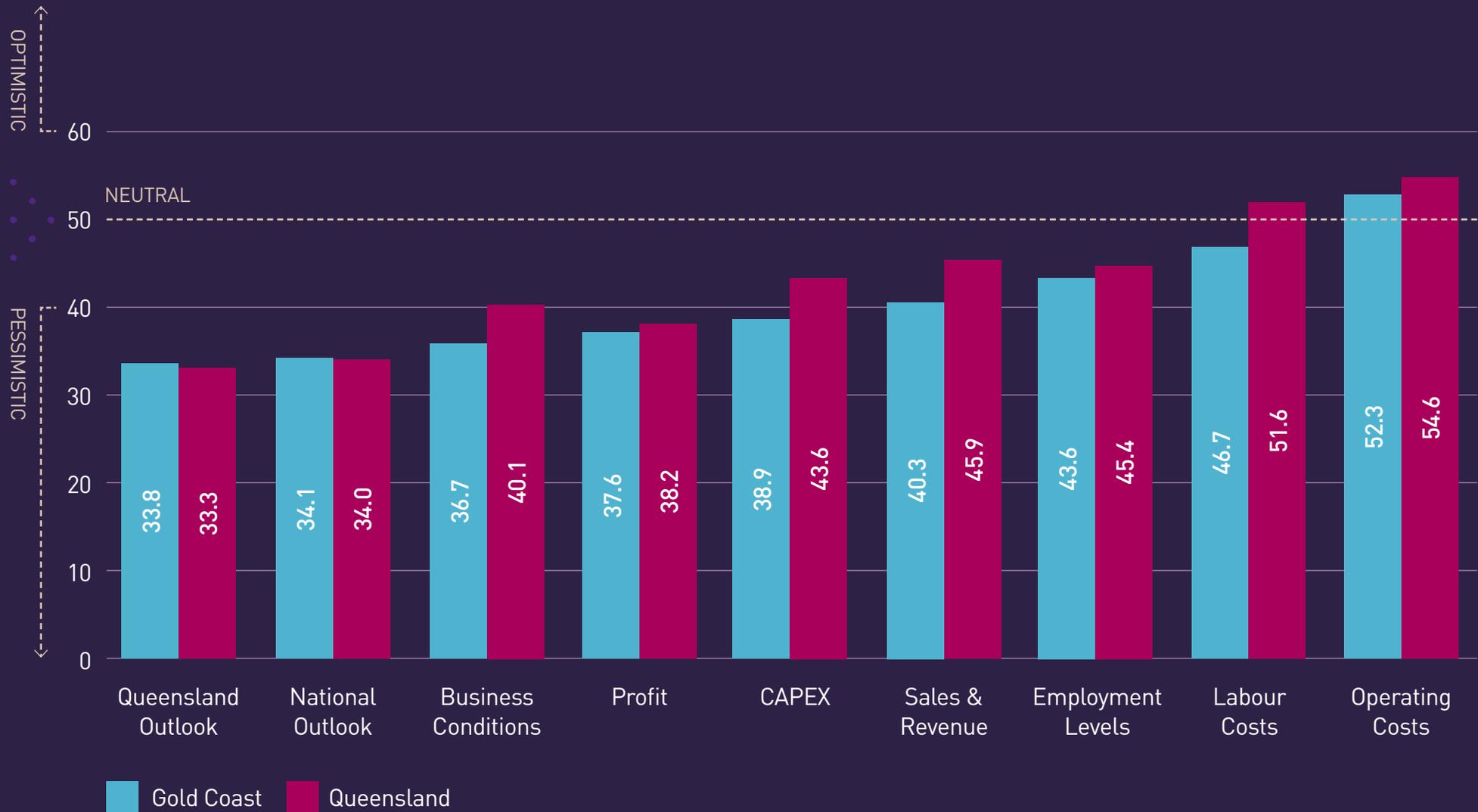
DECEMBER QUARTER FORECAST

Gold Coast

48.6 Queensland
47.3

SNAPSHOT DATA

GOLD 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



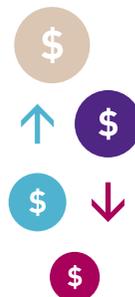
PULSE SURVEY INDEX

Queensland Outlook = **33.8** (+5.7); Poor

National Outlook = **34.1** (+5.6); Poor

Business sentiment surrounding the performance of the state and national economy improved during the September quarter. More businesses across the Gold Coast 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. This finding is mostly the result of persistent uncertainty surrounding border closures and business viability when stimulus support ends in the latter half of the 2021 financial year.

SALES AND REVENUE



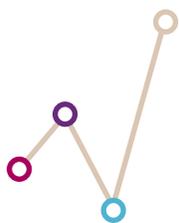
PULSE SURVEY INDEX

Sep-20 = **40.3** (+13.4); Satisfactory

Dec-20 = **49.5** (+9.3); 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. Even with the value of JobKeeper beginning to taper off in the December quarter, the index is still forecast to grow by an additional 9.3 points.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Sep-20 = **36.7** (+8.5); Poor

Dec-20 = **46.1** (+9.4); Satisfactory

Despite more than one-half of businesses (53%) reporting weaker general business conditions during the September quarter, the index grew 8.5 points to 36.7. 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 rise more sharply by 9.4 points as more people adapt to the new way of doing business to leverage Christmas and New Year trade.

OPERATING COSTS



PULSE SURVEY INDEX

Sep-20 = **52.3** (+4.2); Satisfactory

Dec-20 = **58.1** (+5.8); Satisfactory

The index for business operating costs grew by 4.2 points, with the majority of businesses (92%) 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 Gold 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.

LABOUR COSTS



PULSE SURVEY INDEX

Sep-20 = **46.7** (+6.3); Satisfactory
Dec-20 = **53.3** (+6.6); 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 (75%). The index reading is currently 12.7 points below its pre-COVID-19 level in December 2019 (59.4), where direct wage costs ranked as the ninth greatest constraint on business growth. The gap between these two periods is underpinned not only by the challenges still facing tourism reliant employers but also the support being offered to businesses through the JobKeeper and cashflow support payments. The forecasted index is expected to improve over the December quarter which is likely a reflection of the revised JobKeeper payment and potential rehiring over the Christmas trading period.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Sep-20 = **43.6** (+7.6); Satisfactory Gold Coast Unemployment = **7.5%**
Dec-20 = **47.2** (+3.7); Satisfactory Gold Coast Youth Unemployment = **14.6%**

The employment levels index improved 7.6 points to a satisfactory reading as fewer businesses reported decreased hiring intentions over the September quarter (28%). Improved employment levels are consistent with regional data which shows that 14,600 jobs have been recovered in the region between the months of May and August 2020 [Conus Industry Employment Trend]. While improved employment data provide evidence of the recovery being experienced across the Gold Coast since the COVID-19 shut down, there remain 11,700 fewer people employed and 7,700 more unemployed. Businesses are hopeful that the recovery will continue over the December quarter with the index forecast to grow by a further 3.7 points.

PROFITABILITY



PULSE SURVEY INDEX

Sep-20 = **37.6** (+8.9); Poor
Dec-20 = **41.8** (+4.2); Satisfactory

The profitability index continued its recovery despite the proportion of businesses reporting stronger profits remaining the minority (22%). Regardless, the recovery of the index was the result of 27 per cent more businesses reporting stronger profitability and 29 per cent fewer reporting the opposite 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 2021.

CAPITAL EXPENDITURE



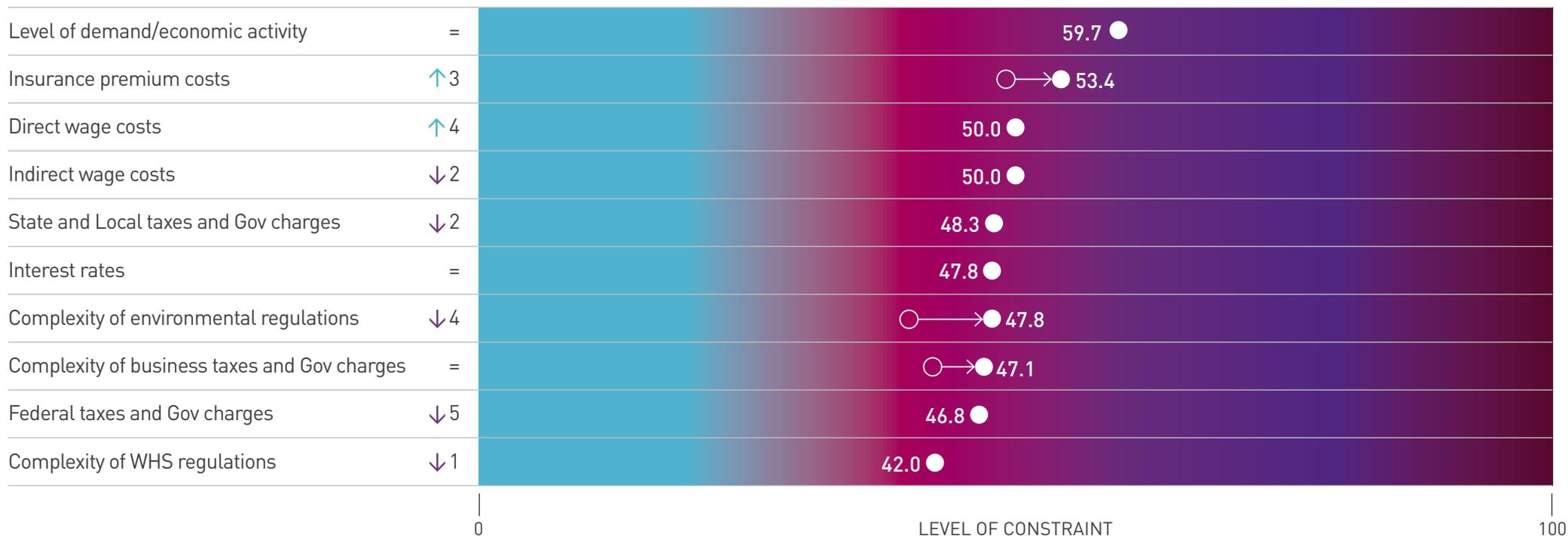
PULSE SURVEY INDEX

Sep-20 = **38.9** (-1.3); Poor
Dec-20 = **44.2** (+5.3); Satisfactory

The capital expenditure index fell by 1.3 points to 38.9 to reflect the fact that fewer businesses invested productively within the economy. Lagged economic data released by the ABS for capital expenditures in the June quarter show that total investments recovered by 17.1 per cent, representing \$835 million in additional investment. This momentum is not expected to be carried forward by the Gold Coast region with nearly two in five businesses (39%) reporting weaker investment compared to the preceding three months. Capital investment is expected to improve slightly over the December quarter, albeit from a low base, as the majority of businesses seek to maintain the same level 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**



A lack of migration into Australia will impact rental property demand, as well as the construction of new housing and critical infrastructure projects. It will also cripple the Tourism, Retail and International Student sectors which help make up the top 10 of industries across the Gold Coast.



During COVID-19 there has been a large growth in online sales and consumer engagement via digital presence and effective marketing. Jobkeeper and other subsidies have also helped to maintain a positive staff culture which helps the business be agile in overcoming the hurdles of 2020.



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

ABOUT PULSE

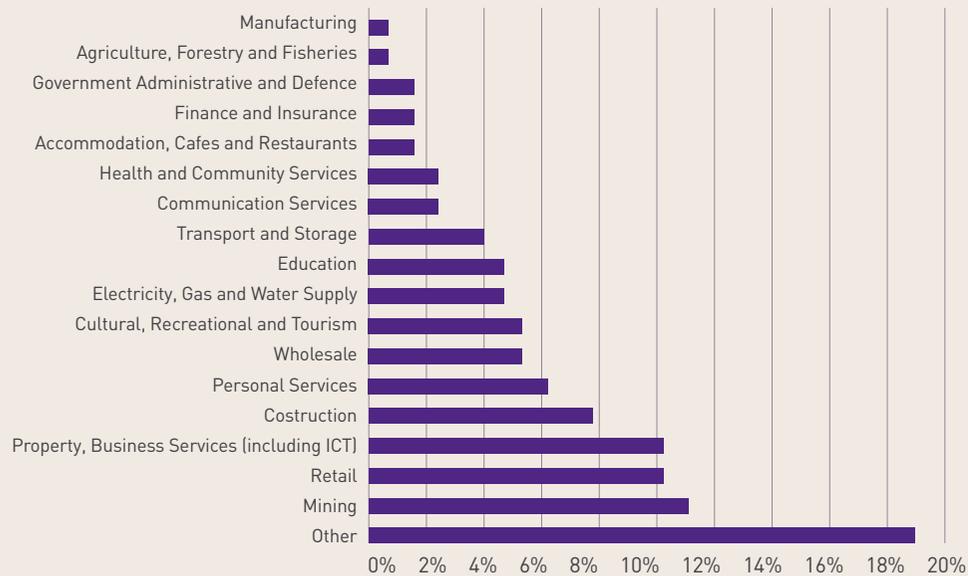
The Pulse Survey has measured Queensland business confidence and expectations for over 20 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of 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 140 from the Gold Coast (11%).

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.

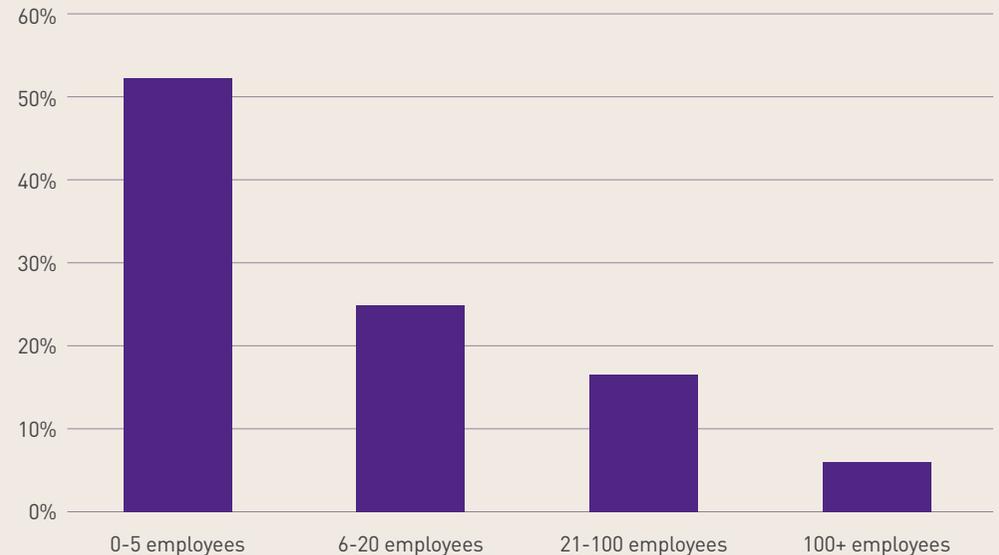
A Pulse Index reading greater than 50 indicates that conditions have improved over the previous quarter. A reading of 50 indicates that conditions have remained the same, while less than 50 indicates conditions have deteriorated. The following guide is useful in interpreting the PBI results into broad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