

SOUTH WEST 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 South West 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 **More than half** of businesses across South West Queensland predict that the state economy will contract further over the next 12 months, while only slightly fewer are anticipating the same for the nation.
- 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 9.9 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, each index, with the exception for employment levels, are forecast to fall again before the new year.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

SEPTEMBER QUARTER SENTIMENT

South West Queensland

45.8 Queensland
43.0

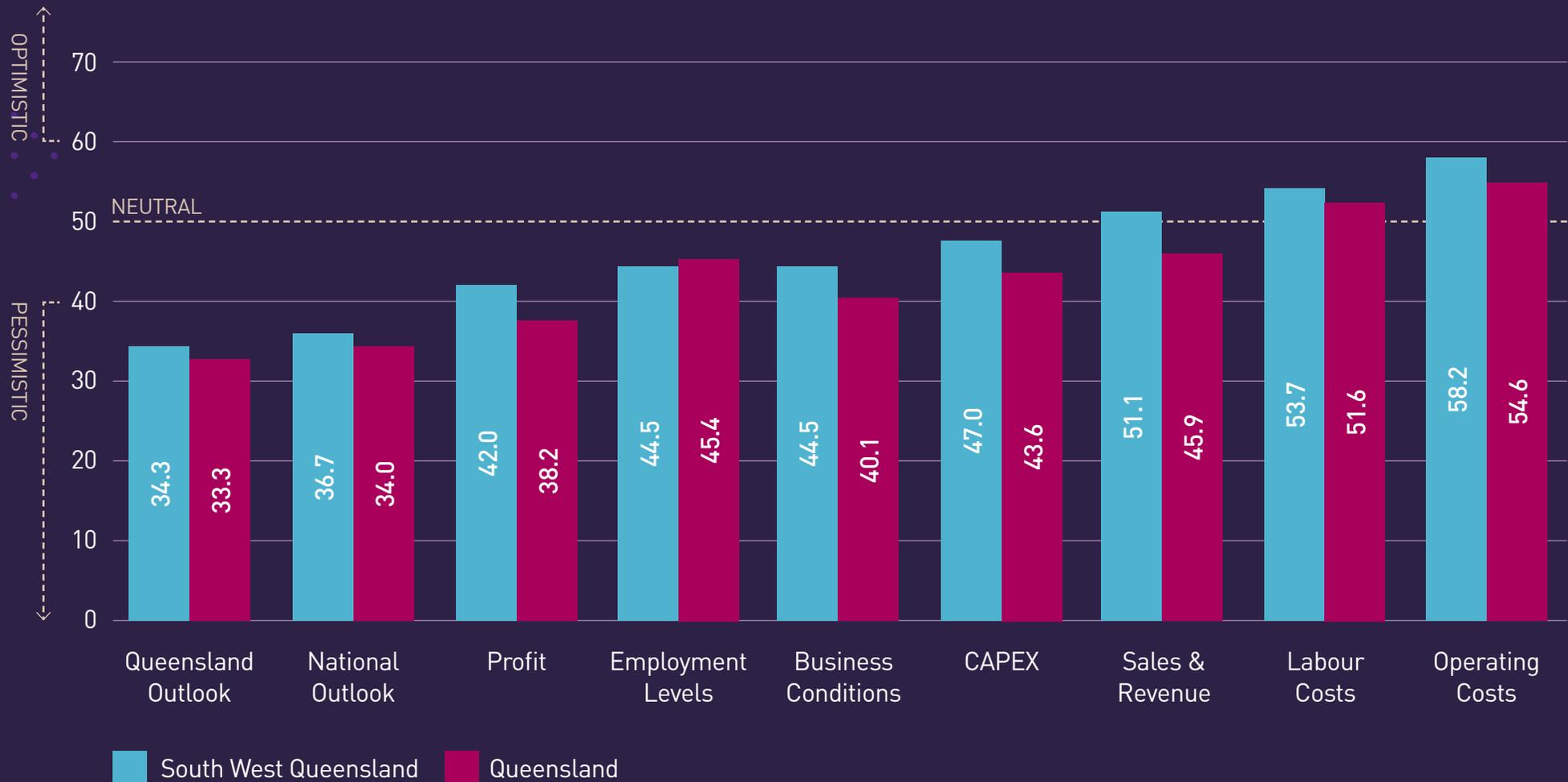
DECEMBER QUARTER FORECAST

South West Queensland

48.0 Queensland
47.3

SNAPSHOT DATA

SOUTH WEST 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

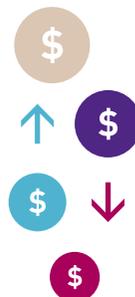


PULSE SURVEY INDEX

Queensland Outlook = **34.3** (+4.9); Poor
National Outlook = **36.7** (+6.3); Poor

Business sentiment surrounding the performance of the state and national economy improved during the September quarter. More businesses across South West 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

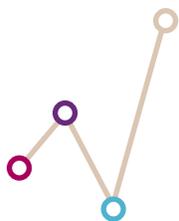


PULSE SURVEY INDEX

Sep-20 = **51.1** (+15.6); Satisfactory
Dec-20 = **48.3** (-2.8); 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 by 2.8 points.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Sep-20 = **44.5** (+8.7); Satisfactory
Dec-20 = **43.6** (-0.9); satisfactory

Despite more than one-third of businesses (34%) reporting weaker general business conditions during the September quarter, the index grew 8.7 points to 44.5. 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 plateau during the December quarter with little being announced to assure businesses that they will be able to operate more viably before the new year.

OPERATING COSTS

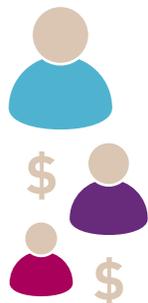


PULSE SURVEY INDEX

Sep-20 = **58.2** (+6.0); Satisfactory
Dec-20 = **56.7** (-1.6); Satisfactory

The index for business operating cost grew by 6.0 points, with the majority of businesses (96%) 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 South West 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 = **53.7** (+7.8); Satisfactory
Dec-20 = **55.9** (+2.2); 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 (86%). The index reading is currently only 3.7 points below its pre-COVID-19 level in December 2019 (57.4), where direct wage costs ranked as the third 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 = **44.5** (+2.5); Satisfactory Toowoomba Unemployment = **6.8%**
Dec-20 = **48.1** (+3.6); Satisfactory Toowoomba Youth Unemployment = **21.1%**

The employment levels index improved slightly by 2.5 points to a satisfactory reading as fewer businesses reported decreased hiring intentions over the September quarter (29%). Improved employment levels are consistent with regional data which shows that 3,500 jobs have been recovered in South West Queensland between the months of May and August 2020 (Conus Industry Employment Trend). Unlike other regions, employment conditions across South West Queensland improved amidst the COVID-19 pandemic. Namely, since March, there are now 1,200 additional people employed, with just 200 additional unemployed workers; noting that more unemployment is offset by an improved participation rate. Businesses are hopeful that the recovery will continue over the December quarter with the index forecast to grow a further 3.6 points.



PROFITABILITY



PULSE SURVEY INDEX

Sep-20 = **42.0** (+9.9); Satisfactory
Dec-20 = **41.9** (-0.1); Satisfactory

The profitability index improved despite the proportion of businesses reporting stronger profitability remaining the minority (23%). Regardless, the steep increase of the index was the result of 35 per cent more businesses reporting stronger profitability and 42 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 the new year.



CAPITAL EXPENDITURE



PULSE SURVEY INDEX

Sep-20 = **47.0** (+3.0); Satisfactory
Dec-20 = **41.4** (-5.6); Satisfactory

The capital expenditure index rose by 3.0 points to 47.0 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 has been carried forward by the South West Queensland region with more than one-quarter of businesses (26%) reporting stronger investment compared to the preceding three months. Capital investment is expected to slow over the December quarter as more than four in five businesses (83%) opt to save money by decreasing or maintaining the same levels of investment as in the most recent three months.



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**

“ Performance will be mostly impacted by whether or not Governments, Unions, Banks and Business Organisations embrace the opportunity to seriously work together to kick start industry in Australia again, particularly quality manufacturing.

“ Since July, I have had new guests who wanted to come to the country to spend money in our economy. In the downtime of the previous 3 months, I spent money on upgrading my websites. I believe this has had a good impact on my accommodation business.

“ COVID-19 Rules are not uniform and not managed by the government departments properly. Each person has a different interpretation of the rules and should be trained on best practice, not slapped with a fine that they can't afford to repay. A restaurant is treated differently to a Hotel but do the same job.

ABOUT PULSE

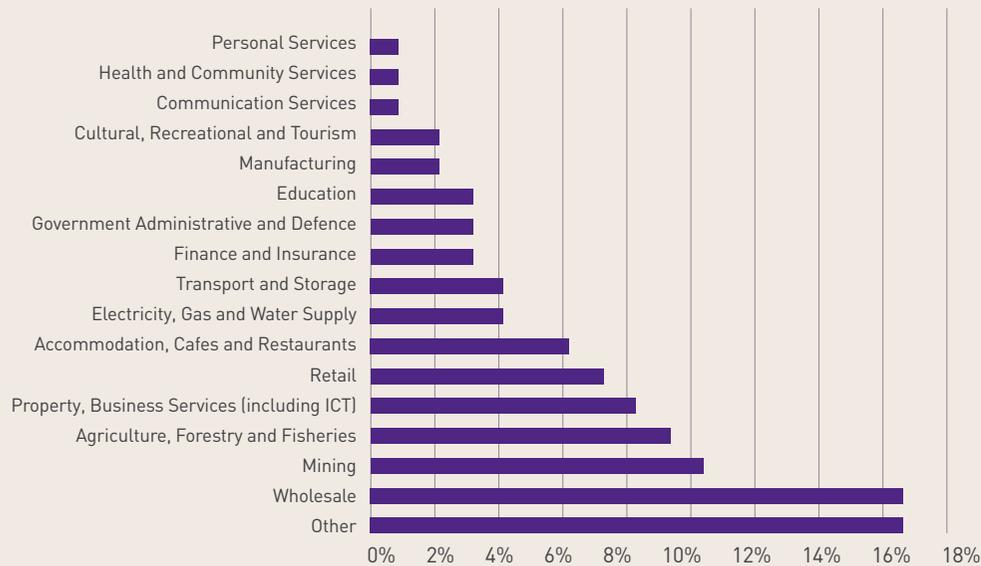
The Pulse Survey has measured Queensland business confidence and expectations for over 20 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of 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 113 from South West Queensland (9%).

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

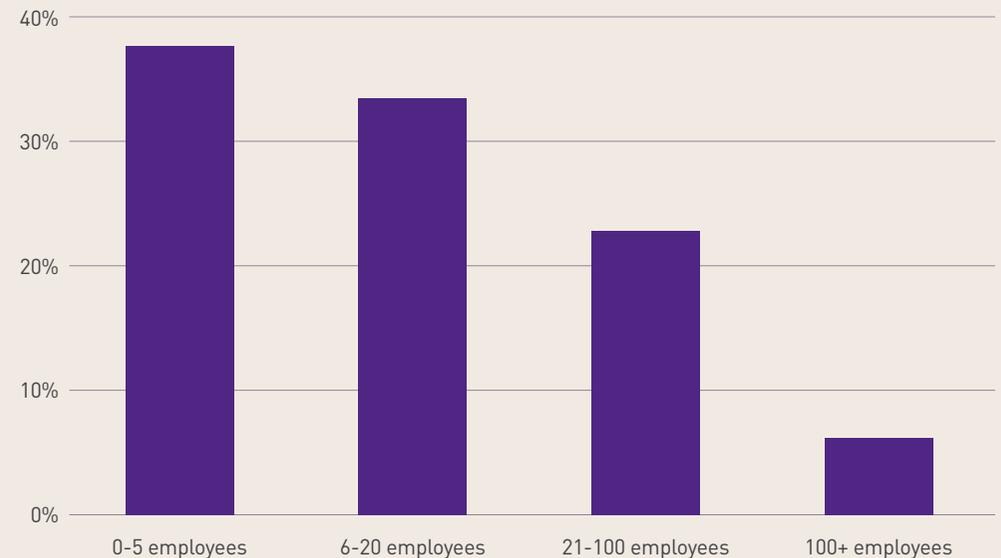
greater than 50 indicates that conditions have improved over the previous quarter. A reading of 50 indicates that conditions have remained the same, while less than 50 indicates conditions have deteriorated. The following guide is useful in interpreting the PBI results into broad indicative performance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