

SUNCORP GROUP CCIQ PULSE SURVEY OF BUSINESS CONDITIONS

MARCH QUARTER 2020



12-MONTH OUTLOOK

Coming off the back of the drought and a disastrous bushfire season, the impact from the forced closures and strict social distancing measures put in place by the state government in response to the COVID-19 pandemic emerged as the dominant theme over the March quarter. Business confidence as measured by the outlook for the state and national economies over the next 12 months collapsed as declining operating conditions and uncertainty as to a resolution for the crisis took an enormous toll on Queensland's small business community. The Pulse Index measure for the national economy crashed by 28.4 points to 13.5 on a seasonally adjusted basis to a level 12.5 points lower than its historic low in September 2008 during the global financial crisis. Similarly, the sentiment measure for the Queensland economy fell by 25.1 points to 13.1, which is 14.8 points below its historic low in December 2008. The results for the state and national outlook suggest that confidence in the prospect of economic growth over the coming 12 months is very poor.

GENERAL BUSINESS CONDITIONS

The current crisis has exacerbated already soft operating conditions being reported by Queensland businesses. The Pulse Index measure for general business conditions fell by 11.4 points over the March quarter to 27.6 on a seasonally adjusted basis, with 70% of businesses reporting a decline in conditions. This reading is 17.9 points lower than the 10-year average of 45.5 and below the historic low over the previous December quarter. Alarming, 83% of businesses indicated that they anticipate operating conditions to deteriorate further over the June quarter with the forecast reading another 9.8 points lower at 17.8.

SALES AND REVENUE

The turnover of Queensland's businesses fell significantly during the quarter with the state being put into lockdown in the middle of March. The Pulse Index measure for sales and revenue fell by 15.8 points during the March quarter to 27.6 on a seasonally adjusted basis as 70% of respondents indicated that turnover had fallen. This reading is 19.3 points lower than the 10-year average of 48.7 and is 12.2 points below the historic low during the March quarter in 2009. 87% of businesses indicated that they are expecting sales activity to slow further during the June quarter as the full effects of the lockdown become more apparent with the forecast reading 14.0 points lower at 15.4.

OPERATING COSTS

Almost 70% of businesses indicated that their operating costs had not increased over the quarter. The Pulse Index measure for other operating costs such as rent, insurance, electricity and insurance fell by 11.8 points over the March quarter to 54.4 on a seasonally adjusted basis. Businesses indicated that they anticipate their running costs will ease further during the June quarter with the forecast reading 6.9 points lower at 47.5, with 30% of businesses anticipating that their costs will fall. If realised, this will be the first time operating costs have declined which is a reflection of widespread cost relief measures across government, utilities, and corporate Australia.

LABOUR COSTS

The Pulse Index measure for labour costs fell by 12.6 points over the March quarter to 46.3 on a seasonally adjusted basis, with 23% of businesses indicating wage costs had fallen. This reading is 9.3 points lower than the 10-year average of 55.6 and is 1.7 points below its historic low during the March quarter in 2009. 42% of businesses indicated that they anticipate a further decrease in their wage costs over the June quarter with the forecast reading 8.9 points lower at 37.4, suggesting either that they expect staff levels to further decline, or that the JobKeeper Payment and other wage support will start to take effect.

PROFITABILITY

70% of businesses indicated that their bottom lines had declined over the quarter. The Pulse Index measure for profitability fell by 9.5 points over the March quarter to 28.0 on a seasonally adjusted basis. This reading is 12.9 points lower than the 10-year average of 40.9 and is 9.2 points below its historic low during the December quarter in 2010. Businesses indicated that they expect profitability to slump even further during the June quarter with the forecast reading 11.2 points lower at 16.8.

EMPLOYMENT LEVELS

43% of businesses reported decreasing their employment levels over the quarter as they have had to respond to the crisis by reducing working hours and laying casual workers off. The Pulse Index measure for employment levels fell by 8.3 points over the March quarter to 37.0 on a seasonally adjusted basis. This reading is 9.6 points lower than the 10-year average of 46.6 and is 4.3 points below its historic low during the March quarter in 2009. 58% of businesses anticipate having to cut staffing levels further during the June quarter with the forecast reading 6.6 points lower at 30.4.

CAPITAL EXPENDITURE

The Pulse Index measure for Capital Expenditure fell by 5.2 points over the March quarter to 40.3 on a seasonally adjusted basis as 37% of businesses reported reducing their business investment. This reading is 4.2 points lower than the 10-year average of 44.5 and is 4.3 points below its historic low during the March quarter in 2009. 56% of businesses indicated that they anticipate having to reduce their capital expenditures further during the June quarter with the forecast reading 10.6 points lower at 29.7.

OVERVIEW

The Suncorp-CCIQ Pulse Survey of Business Conditions is the largest survey of the state's 457,000 small and medium size businesses (SME) and serves as a leading indicator of sentiment across Queensland's. Pulse is unique and aims to measure the sentiment of business owners and managers across the state, providing critical insights into current, planned business activity. It is Queensland's best barometer of optimism and concern regarding matters that are important to SMEs and provides enterprises and provides a medium for their collective voice to be heard.

The Pulse Survey for the March quarter recorded the lowest business conditions on record amidst the extraordinary forced closures and strict social distancing measures put in place by the state government in response to the COVID-19 pandemic. The 12-month outlook for the state and national economies collapsed to unprecedented levels as closure measures across the state led to significant declines in the bottom lines of businesses. Operating conditions, turnover, employment levels and business investment measures also that are important to SMEs and provides over the quarter as respondents expressed unprecedented concern for the outlook for the small business community and the ability of many to survive under current the circumstances. Concerningly, the forecast measures of business conditions indicate that businesses are anticipating conditions to further deteriorate over the June quarter.

Anecdotal responses from the survey reveal dreadful business conditions as owners and operators endure financial hardship and emotional distress whilst navigating the various stimulus measures being made available by all levels of government. The economic fallout from COVID-19 restrictions emerged as the critical issue affecting the sentiment of small business community with other key findings including:

- More than one half of respondents experienced a fall in turnover of over 50%
- One third reported a fall in turnover greater than 80%
- 4 in 10 businesses maintained only essential operations and staff
- 3 in 10 businesses encouraged their employees to work from home
- one quarter of the businesses adopted alternative working arrangements
- 4 in 10 businesses reduced their working hours
- one quarter of the businesses laid off their casual workers
- 20% of businesses asked their employees to take leave.

Businesses broadly welcomed the raft of stimulus measures being rolled out by governments at both levels to assist businesses to hibernate and maintain their staff. Small business community with other key findings including:

- 3 in 10 respondents indicated that the concessional loans will be helpful to support businesses
- 4 in 10 businesses indicated that payroll tax reimbursements will assist cash flows
- 33% of businesses reported that the 3-month freeze will assist with nearly 3 in 10 saying that the subsequent 6-month deferral will also
- two thirds of the respondents reported that the Federal Government's JobKeeper Payment will be helpful in retaining staffing levels
- 64% reported that cash flow assistance payments will help to support their operations
- 35% indicated that the increase in the instant asset write-off and accelerated depreciation will assist in supporting business investment

The disaggregated statistics showed that business sentiment across Queensland is relatively consistent between Southeast Queensland and regional Queensland for the March quarter as well as the forecasts for the June quarter. Given the relatively large response rate for the March survey, reports for each major region in the State will be released in conjunction with this report. The breakdown by business size indicates that sentiment is lower in many of the indicators within the small business sector consisting of sole operators and those employing less than 20 employees.



It is all well and good to announce help, but too late and too many hoops as usual with government. They really do not know what it is like to hurt so much as it does in business

Gold Coast Queensland



There will be winners and losers from COVID-19. Losers will be anyone reliant on tourism, overseas students and hospitality. Winners will be the agricultural sector, infrastructure providers, telcos, data centres and B2B service providers

Brisbane



The social distancing will hamper people's general wellbeing by increased stress and mental health due to limited social interactions and support networks. This will flow on to the performance of key staff in business and government alike.

Cairns



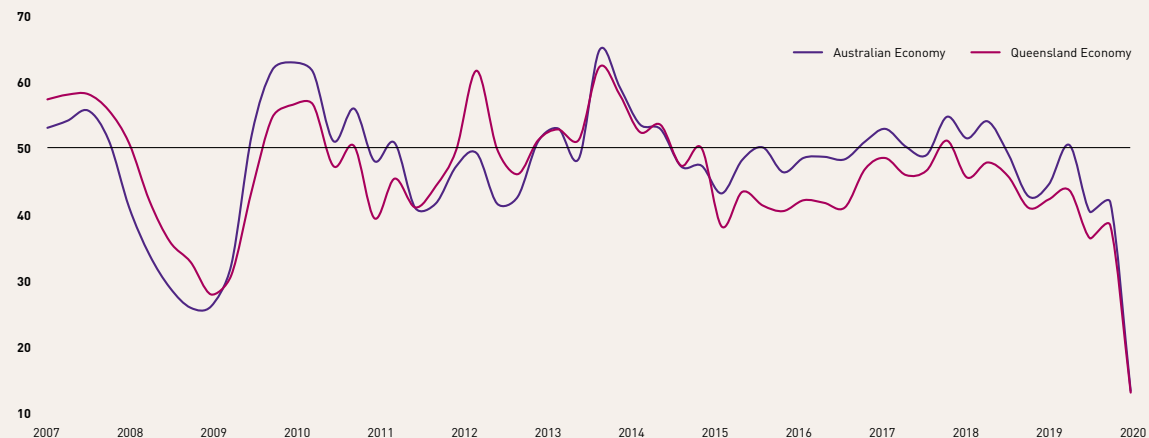
The JobKeeper payment is a great initiative, but the Government expecting the businesses to pay their staff and then be reimbursed is counterintuitive as the business is not earning any money to pay their staff

Sunshine Coast

12 MONTH OUTLOOK: AUSTRALIAN & QUEENSLAND ECONOMIES

The Pulse Index measure for the **Economic Outlook for the National Economy** for the next 12 months crashed by 28.4 points over the March quarter to 13.5 on a seasonally adjusted basis. This reading is 34.4 points lower than the 10-year average of 47.9 and is 12.5 points lower than its previous low in September 2008 during the global financial crisis indicating that confidence in the prospect of economic growth is very poor. This result follows 87 per cent of businesses believing that the national economy will deteriorate over the next 12 months. The statistics further show there is no discernible difference in the national outlook between respondents from South East Queensland and those from regional Queensland.

The **Economic Outlook for Queensland** over the next 12 months fell by 25.1 points to 13.3, which is 32.7 points lower than the 10-year average of 45.9 and is 14.8 points below its previous low in December 2008. A similar proportion of businesses (88%) believe that the Queensland economy will weaken over the next 12 months. It is also worth noting that there is no discernible difference in the national outlook between respondents from South East Queensland and those from regional Queensland.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



For business not directly impacted by closures/cancellations, many of their customers or customers' customers are impacted, projects/ engagement is being cancelled or put on hold, access to cashflow is strained and invoice payments are being delayed.

Brisbane



Many businesses that have been forced to close are going to be opening their door to a mountain of debt. The costs of loans, electricity, gas and insurances that have been deferred are and will be expected to be paid in 6 months.

Sunshine Coast



International and domestic tourism is currently dead and will stay that way for months, maybe years to come, and construction as the barometer of the economy will see a rapid slow down as people feel the effects of COVID-19.

Gold Coast

How do you expect the economy to perform over the next twelve months in comparison to the last twelve months?

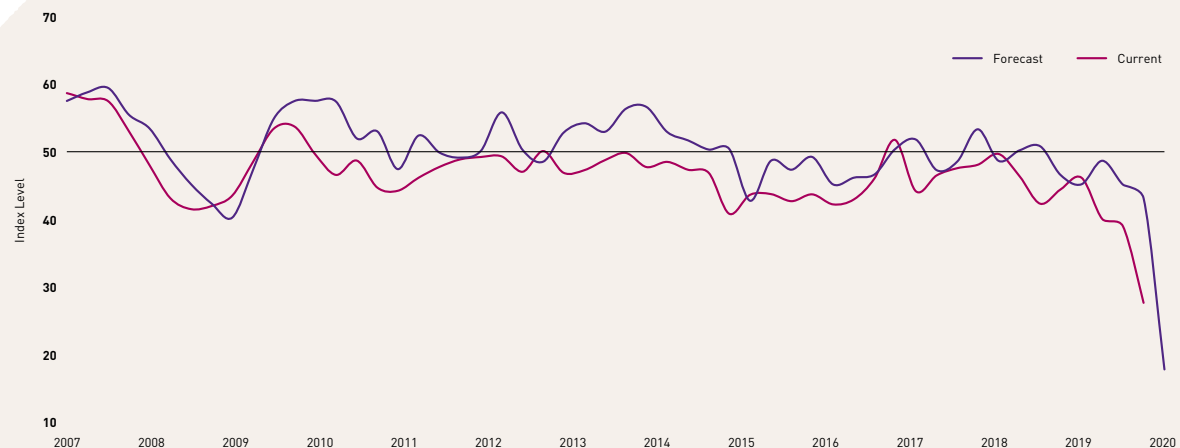
N=2,419 March 2020	Queensland Outlook			Australian Outlook		
	Mar-19	Dec-19	Mar-20	Mar-19	Dec-19	Mar-20
Weaker (%)	42	49	88	39	41	87
Same (%)	42	39	10	42	42	9
Stronger (%)	16	12	3	19	17	3
Index (original)	41.7	38.9	13.1	43.4	42.6	13.2
Index (seasonally adjusted)	42.3	38.3	13.3	44.5	41.8	13.5

N=2,419 March 2020	Queensland Outlook		Australian Outlook	
	SEQ	Regional QLD	SEQ	Regional QLD
Weaker (%)	88	87	88	87
Same (%)	9	10	9	9
Stronger (%)	3	3	3	4
Index (original)	12.9	12.8	13.0	13.1

Excludes responses that did not report their postcode.

GENERAL BUSINESS CONDITIONS

The Pulse Index measure for **General Business Conditions** fell by 11.3 points over the March quarter to 27.6 on a seasonally adjusted basis. This reading is 17.9 points lower than the 10-year average of 45.5 and is 11.3 points below its historic low over the previous December quarter indicating that growth prospects are very weak. Concerningly, businesses indicated that they are expecting operating conditions to deteriorate further during the June quarter with the forecast reading 9.8 points lower at 17.8. The statistics show that the forecast reading for June is also significantly different from the March quarter.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Currently confidence appears to be at an all-time low. Customers are holding onto cash and not wanting to pay bills. This is an uncertainty in the economy is at an all-time low and people prefer to hold onto cash for confidence

Rockhampton



Many businesses will not have the finances to restart or the will to rebuild in an unstable environment. Business support takes a long time to build and people have lost confidence in everything and do not have the money to spend

Gold Coast



After the virus pandemic resolves itself, probably tourism and associated industries and maybe retail will be slow to recover

Townsville



Allowing the economy to “hibernate” for too long will take decades to recover. No business large or small can survive to maintain the current situation for an extended period of time. No government will have deep enough pockets to fund this

Brisbane

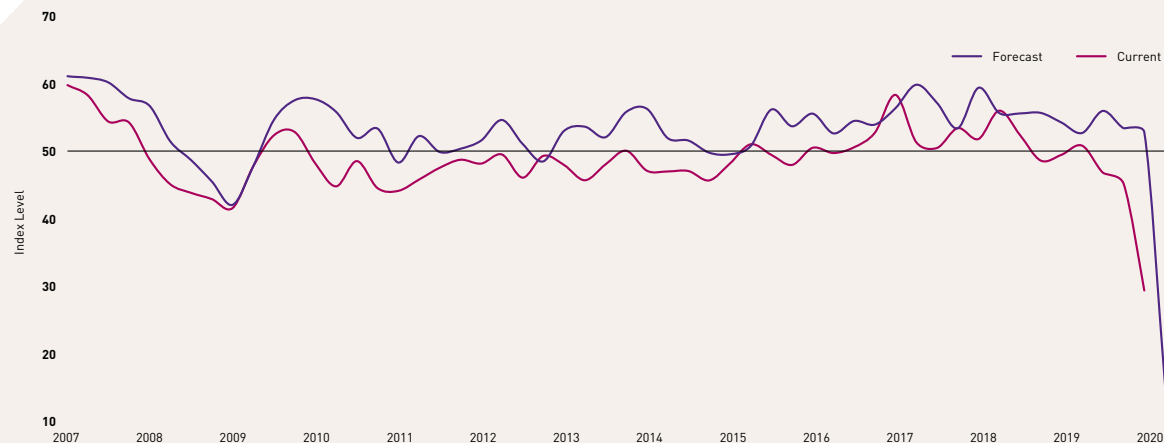
How has your business performed over the last three months compared with the previous three months?

General Business Conditions				
N=2,419 March 2020	Mar-19	Dec-19	Mar-20	Jun-20 (Forecast)
Weaker (%)	42	43	70	83
Same (%)	41	42	22	14
Stronger (%)	17	15	8	3
Index (original)	41.8	41.0	26.0	17.7
Index (seasonally adjusted)	44.4	39.0	27.6	17.8

1. Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)
2. There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.
3. Difference in mean response scores relative to March 2020. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

SALES AND REVENUE

The Pulse Index measure for **Sales and Revenue** fell by 15.8 points over the March quarter to 29.4 on a seasonally adjusted basis. This reading is 19.3 points lower than the 10-year average of 48.7 and is 12.2 points below its historic low during the March quarter in 2009. Businesses indicated that they are expecting sales to slow further during the June quarter with the forecast reading 14.0 points lower at 15.4. Whilst the majority of businesses clearly indicated a reduction in sales and revenue, a small proportion recorded increases and were mainly in pharmaceutical, grocery, alcohol and hardware retailing.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Cash flow will be a big obstacle for small businesses (less than 50 employees), while bad debts also will have a strong impact on business

Brisbane



The economy will be affected by a lack of financial security for a large portion of the population leading to reduced demand for services and goods

Sunshine Coast



We were already struggling and now nobody is spending any money with the coronavirus

Wide Bay



I see little improvement in the sales market over the next twelve months as people will have little money available to spend on anything other than essentials. It will take a long time for the money to start moving in the circles required to encourage economic growth

Gold Coast

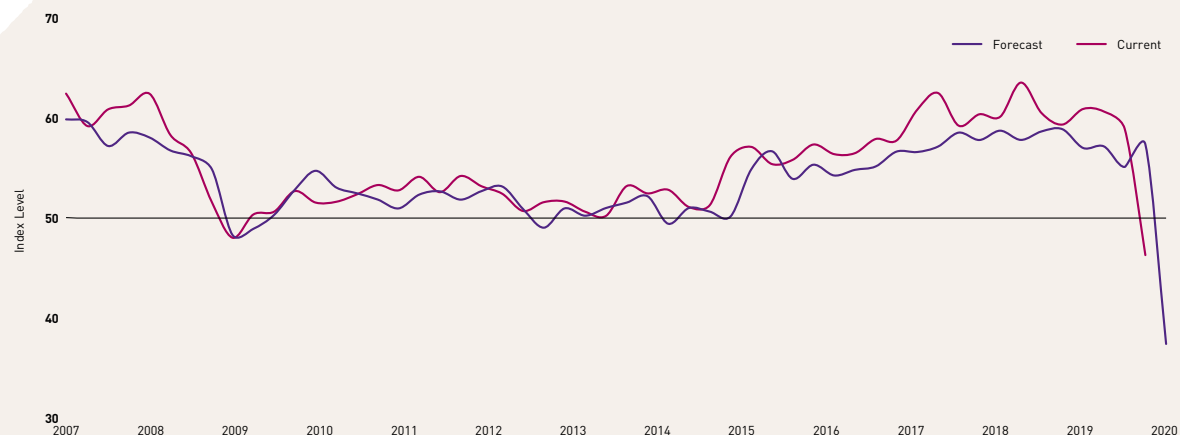
How has your business performed over the last three months compared with the previous three months?

Sales and Revenue				
N=2,419 March 2020	Mar-19	Dec-19	Mar-20	Jun-20 (Forecast)
Decreased (%)	38	37	70	87
Same (%)	33	33	17	8
Increased (%)	29	30	13	5
Index (original)	46.5	47.3	27.6	15.5
Index (seasonally adjusted)	49.4	45.2	29.4	15.4

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LABOUR COSTS

Queensland businesses have clearly sought to sure up their long term viability by reducing staffing levels and requesting cuts in salary. The Pulse Index measure for **Labour Costs** fell by 13.0 points over the March quarter to 45.5 on a seasonally adjusted basis. This reading is 9.3 points lower than the 10-year average of 55.6 and is 1.7 points below its historic low during the March quarter in Queensland businesses have clearly sought to sure up their long term viability by reducing staffing levels and requesting cuts in salary. The Pulse Index.. Businesses indicated that they anticipate their staffing costs to ease further during the June quarter with the forecast reading 8.9 points lower at 37.4. This forecast reading relates either to the fact that businesses are anticipating further reductions to their labour force in the subsequent quarter, or that the stimulus measures targeting wage costs are expected to start taking effect (most notably the JobKeeper Payment and the Apprentice Wage Subsidy).



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Lack of materials, as far too much is imported due to wages in Australia being too high to manufacture

Brisbane



We will put off at least 10 staff and drop back to a small business. With payroll tax, redundancy to pay if you have over 14 employees, makes it not worthwhile

Mackay



There will be debt-fuelled non-productive asset speculation, particularly our over-valued real estate, and portions of the share market. Real estate prices are a major cost component in the running of a business whether they are through rent or mortgages. Wages have to be higher to allow for the purchase of bloated real estate. These costs affect everyone

Gold Coast

How has your business performed over the last three months compared with the previous three months?

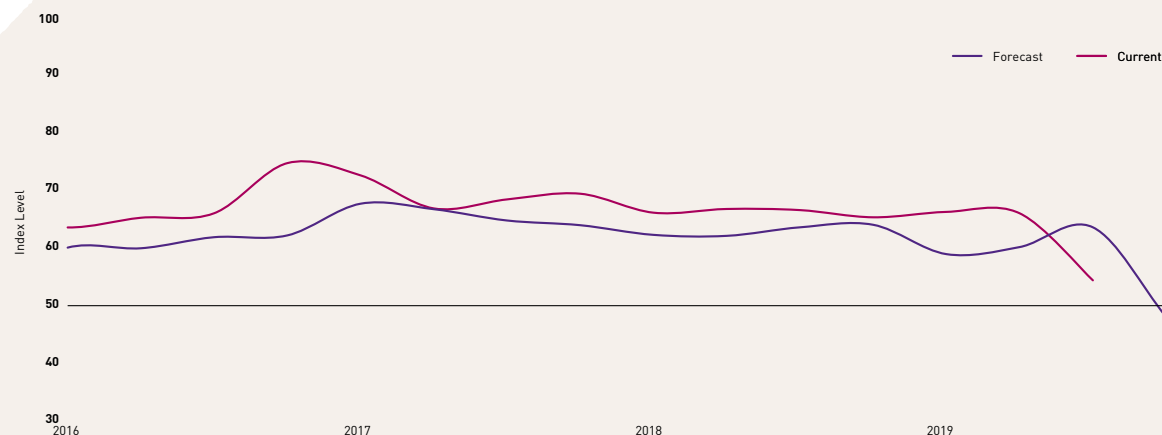
Labour Costs				
N=2,419 March 2020	Mar-19	Dec-19	Mar-20	Jun-20 (Forecast)
Decreased (%)	7	9	23	42
Same (%)	55	52	63	52
Increased (%)	38	39	14	7
Index (original)	58.4	58.5	45.5	37.2
Index (seasonally adjusted)	59.3	58.9	46.3	37.4

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OPERATING COSTS

The Pulse Survey started monitoring the **Other Operating Costs** indicator in the March quarter, 2015. While an Index has been developed, only original estimates are presented with a seasonally adjusted index to be made available in the future once a sufficiently large number of observations has been collected.

The Pulse Index measure for Other Operating Costs such as rent, electricity and insurance fell by 11.8 points over the March quarter to 54.4. Businesses indicated that they anticipate their running costs to ease further during the June quarter with the forecast reading 6.9 points lower at 47.5. If realised this will be the first time operating costs have reduced and is a reflection of efforts by Government, utilities and corporate Australia to provide relief to the business community.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Those that closed also put off their employees and will get no assistance but will be required to fund their overhead costs and loans while closed. I believe half of businesses that were closed as a result of government regulation to stop socialising will not reopen

Gold Coast



This year however we are looking at 3 negative cash periods in a row and with no peak season in the middle to provide a financial cushion, many will collapse under the strain and pressures of rents that increase every year, power bills and insurance that has almost doubled in less than 12 months

South West Queensland



In our industry and others involving commercial tenancy, much will depend on how the landlord/tenant relationship goes. Being asked to pay rent for somewhere that is completely, or close to empty, is going to push people to close up

Brisbane

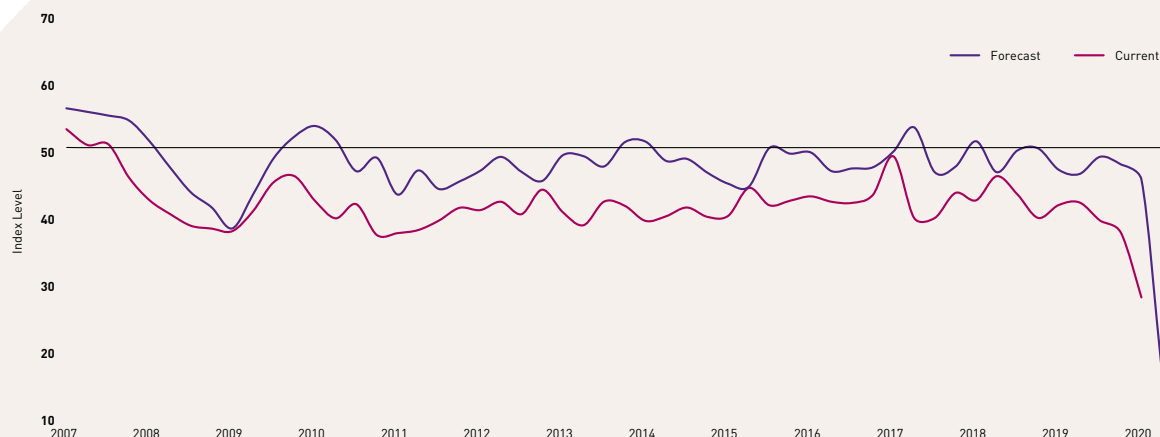
How has your business performed over the last three months compared with the previous three months?

Other Operating Costs				
N=2,419 March 2020	Mar-19	Dec-19	Mar-20	Jun-20 (Forecast)
Decreased (%)	3	1	8	20
Same (%)	38	41	68	67
Increased (%)	60	58	24	13
Index (original)	66.8	66.2	54.4	47.5

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PROFITABILITY

An unprecedented reduction in sales and revenue, coupled with only limited capacity to reduce business costs, has resulted in profitability collapsing to its lowest levels on record. The Pulse Index measure for **Profitability** fell by 9.5 points over the March quarter to 28.0 on a seasonally adjusted basis. This reading is 12.9 points lower than the 10-year average of 40.9 and is 9.2 points below its historic low during the December quarter in 2010. Businesses are anticipating that their profitability will further decline during the June quarter with the forecast reading 11.2 points lower at 16.8. The steep decline in the current and forecast index is a clear indication that confidence is severely lacking around the prospect for profitability growth.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Little to no tourism is putting thousands of related industries (retail, leisure, food) out of business, or at rock bottom. Those businesses and employees who are still working will be at the point of exhaustion, trying to 'pivot' and keep going, and desperately compete for the money being spent

Brisbane



Forced closures mean everything is going to stop and small businesses will struggle with ongoing obligations, especially to the ATO

Gold Coast



Many businesses like ours will spend the next year trying to get out of the debt the coronavirus has caused

Sunshine Coast



Many businesses were already struggling with high costs and decreased margins and rather than re-open by taking on increased debt, they may choose to remain closed or even fold completely

Sunshine Coast

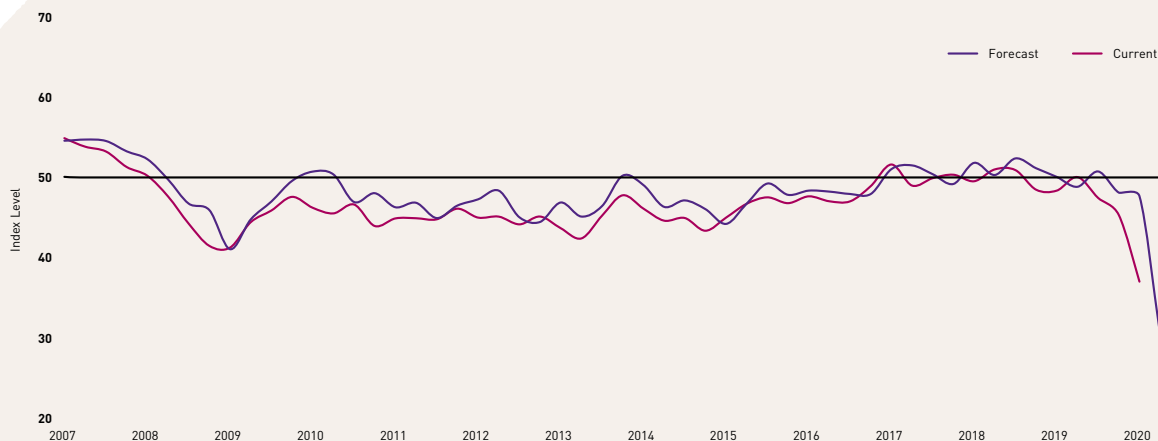
How has your business performed over the last three months compared with the previous three months?

Profitability				
N=2,419 March 2020	Mar-19	Dec-19	Mar-20	Jun-20 (Forecast)
Decreased (%)	51	52	70	86
Same (%)	33	32	22	11
Increased (%)	16	16	8	3
Index (original)	39.3	39.4	26.5	16.9
Index (seasonally adjusted)	41.6	37.5	28.0	16.8

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EMPLOYMENT LEVELS

The Pulse Index measure for **Employment Levels** fell by 8.3 points over the March quarter to 37.0 on a seasonally adjusted basis. This reading is 9.6 points lower than the 10-year average of 46.6 and is 4.3 points below its historic low during the March quarter in 2009. Businesses anticipate having to cut employment levels further during the June quarter with the forecast reading 6.6 points lower at 30.4. Notwithstanding the sobering outlook, this indicator has not recorded the same level of deterioration as other indicators and is no doubt a reflection of the Federal Government's JobKeeper Payment and Apprentice Wage Subsidy schemes.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



The general population are getting normalised by the reduction of working hours or days, which will be hard to reinstate once the restriction is lifted

Brisbane



I worked so hard to build a great business then bam. I now need to start from scratch with no employees and go from there

Cairns



It will take time for businesses to be ready for employees again and people getting back into the work force even when things are back to normal. Everything takes time

Rockhampton

How has your business performed over the last three months compared with the previous three months?

Employment levels				
N=2,419 March 2020	Mar-19	Dec-19	Mar-20	Jun-20 (Forecast)
Decreased (%)	31	27	43	58
Same (%)	47	58	51	40
Increased (%)	22	15	6	3
Index (original)	46.9	46.1	36.6	30.0
Index (seasonally adjusted)	48.4	45.3	37.0	30.4

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CAPITAL EXPENDITURE

The reduction in profitability and absence of cash reserves has caused Queensland business capital expenditure to collapse in the March quarter. The Pulse Index measure for **Capital Expenditure** fell by 5.2 points over the March quarter to 40.3 on a seasonally adjusted basis. This reading is 4.2 points lower than the 10-year average of 44.5 and is 4.3 points below its historic low during the March quarter in 2009. Businesses indicated that they anticipate having to cut capital expenditures further over the June quarter with the forecast reading 10.6 points lower at 29.7.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Non-essential closures will mean less money in the kitty and no capital expenditure

Brisbane



The economy was weak before, but now is pitiful. A major effect is the lack of tourism and the lack of capital expenditure

Gold Coast



Business owners are delaying/postponing even smaller projects such as new office equipment, motor vehicles, shop fit-outs due to reduced income/profits and a lack of confidence in consumer spending

Brisbane

How has your business performed over the last three months compared with the previous three months?

Capital Expenditure				
N=2,419 March 2020	Mar-19	Dec-19	Mar-20	Jun-20 (Forecast)
Decreased (%)	42	27	37	56
Same (%)	41	51	52	38
Increased (%)	17	22	11	6
Index (original)	41.8	46.8	39.0	29.3
Index (seasonally adjusted)	48.4	45.5	40.3	29.7

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ANALYSIS BY BUSINESS SIZE

Medium to large businesses, whilst also being decimated by the COVID-19 economic crisis, appear to be weathering the storm slightly better than small businesses who have been particularly vulnerable. The disaggregated statistics by business size show that medium and large businesses employing greater than 20 staff reported better turnover and general business conditions compared to small businesses that employ less than 20 staff. Larger businesses also reported stronger employment levels as well as labour costs over the quarter.

Mar 2020 (Original)	Small <20 (Index)	Weaker (%)	Same (%)	Stronger (%)	Medium & large >20 (Index)	Weaker (%)	Same (%)	Stronger (%)
National economy	13.2	87	10	3	13.6	90	7	3
Queensland economy	13.2	87	10	3	10.9	93	5	2
General business conditions	25.4	71	21	8	30.7	63	28	9
Sales & revenue	26.6	71	16	13	35.4	54	29	17
Profitability	25.7	71	22	7	29.2	67	24	9
Labour costs	44.9	24	64	12	51.6	18	55	27
Other operating costs	54.3	8	68	24	55.7	6	68	26
Employment Levels	35.8	43	53	4	40.0	39	49	12
Capital expenditure	39.2	36	53	11	36.9	44	42	14

Mar 2020 (Original)	QLD (Index)	Small <20 (Index)	Mean response ¹	Standard error ²	Medium & large >20 (Index)	Mean response ¹	Standard error ²	Significance ³ prob=
National economy	13.2	13.2	4.47	0.02	13.6	4.46	0.07	85%
Queensland economy	13.1	13.2	4.47	0.02	10.9	4.56	0.06	21%
General business conditions	26.0	25.4	3.99	0.02	30.7	3.77	0.09	2%
Sales & revenue	27.6	26.6	3.93	0.03	35.4	3.58	0.10	0%
Profitability	26.5	25.7	3.97	0.02	29.2	3.83	0.09	13%
Labour costs	45.5	44.9	3.20	0.02	51.6	2.93	0.08	0%
Other operating costs	54.4	54.3	2.83	0.02	55.7	2.77	0.05	39%
Employment Levels	36.3	35.8	3.57	0.02	40.0	3.40	0.09	5%
Capital expenditure	39.0	39.2	3.43	0.02	36.9	3.52	0.09	34%

1. Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2. There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3. Difference in mean response scores relative to March 2020. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

REGIONAL ANALYSIS

The disaggregated statistics show that businesses across the state experienced very similar operating conditions over the quarter, with the statistics indicating that regional Queensland were anticipating relatively stronger increases in operating costs while at the same time smaller reductions to employment levels over the June quarter.

MARCH QUARTER 2020

Mar 2020 (Original)	South-East QLD				Regional QLD			
	SEQ	Weaker	Same (%)	Stronger (%)	Regional QLD	Weaker (%)	Same (%)	Stronger (%)
National economy	13.0	88	9	3	13.1	87	9	4
Queensland economy	12.9	88	9	3	12.8	87	10	3
General business conditions	26.4	70	21	9	25.3	71	22	7
Sales & revenue	27.7	70	16	14	27.6	70	17	13
Profitability	26.6	71	22	7	26.3	70	22	8
Labour costs	45.5	23	64	13	45.9	24	60	16
Other operating costs	53.9	8	70	22	55.3	8	66	26
Employment Levels	36.8	43	51	6	35.7	43	51	6
Capital expenditure	39.6	36	52	12	38.4	38	51	11

FORECAST JUNE QUARTER 2020

Forecast June 2020 (Original)	South-East QLD				Regional QLD			
	South-East QLD	Weaker (%)	Same (%)	Stronger (%)	Regional QLD	Weaker (%)	Same (%)	Stronger (%)
General business conditions	17.5	84	14	3	17.6	84	13	3
Sales & revenue	15.1	87	9	4	15.7	86	9	5
Profitability	16.5	86	11	3	17.2	85	12	3
Labour costs	36.5	43	52	5	38.2	18	66	16
Other operating costs	46.4	22	67	11	48.8	18	66	16
Employment Levels	29.2	60	38	2	31.3	55	42	3
Capital expenditure	29.5	56	37	7	29.0	55	38	7

THE VOICE OF QUEENSLAND'S BUSINESS COMMUNITY

KEY RESPONSES FROM BRISBANE

- “ Currently everyone is holding their cash and not paying bills or suppliers, so businesses do not have it to pay employees and fixed costs that have not been deferred
- “ Taxation will probably rise much higher than present in order to compensate for the huge stimulus packages, which are helpful, but will come at a cost
- “ People's spending habits are going to change. Some sectors will experience growth, though a lot of small businesses will not survive the economic impacts of COVID-19 as they are in financial distress already
- “ Governments, both and state and federal, have not consulted with landlords regarding the moratorium on tenancies especially commercial before establishing the code of industry. Both the federal and state governments should bear the litigation costs which will be inevitable between landlords and tenants
- “ The Media has a lot to answer for in talking down our economy, so they should be asked to look more on the positive side, that way individual confidence will grow and expenditure will grow also
- “ I hope that people will see their own country and invest at home as so many lives depend on it. If we do not invest in our own events and tourism, we will have larger problems than expected – Brisbane
- “ In the food sector, customers will be still afraid to return to eating and dining in restaurants, as well as visiting events out in the community

KEY RESPONSES FROM THE SUNSHINE COAST

- “ The economy will be affected by a fall in demand from export markets coupled with dramatic fall in domestic consumption, which is exacerbated by an unserviceable debt burden
- “ There will be a decrease in retail and hospitality while new construction may decrease also due to a property decline
- “ The government is using small businesses to deliver very poorly thought out policies. Small businesses need cash now, not on the 28th of April, nor as a refund for paying JobKeeper payments at the end of May. We do not have the funds to act as a short-term bank loan for the federal

government and no one has the cash flow to pay their staff up to the end of May

- “ There is an expectation of everyone to take a haircut on their salary, but no mention of our elected officials or public servants
- “ The income flow of Australian's drying up - with the focus being on every day needs and finding work. This seriously limits where finances are flowing. Consumer confidence in a prosperous future is wavering
- “ The general population is concerned about the virus, but the biggest fear is job security as whole industries seem to be closing

KEY RESPONSES FROM THE GOLD COAST

- “ The longer the restrictions last the greater will be the percentage of businesses that will not re-start and the greater will be the unemployment rate. It will take over 10 years to recover just like the aftermath of the early 1990s and the GFC
- “ No industries are working and there is no money flowing. The shutdown will cripple Australia and it won't come back to the same just because lock down is lifted; it will not be the same for years if not decades
- “ The financial and mental effect this COVID-19 has on people will be telling in the months after the country begins to return to normal with house repossessions and suicides most likely rising dramatically
- “ I do not believe the economy will bounce back as some predict. Major retail companies in particular will use the COVID 19 crisis to do what they have planned to do and slash retail outlet numbers and go to a greater online presence, which could change the retail landscape in Australia forever
- “ Small businesses keep many families in work and that is often not recorded as employees, and the micro businesses especially are undervalued. The loss of these businesses will impact communities greatly
- “ For many businesses to adapt to the new ways of working, to be able to carry over the gains of a remote working force into the re-opened world as we will come to know it, a lot more team trust will be required

- “ The ability of companies to start up again after COVID-19 and a willingness to do so. It has taken a lot of personal time and money over 27 years of business and I do not want to see it all go down the drain

KEY RESPONSES FROM FAR NORTH QUEENSLAND

- “ The performance of our economies will be very slow as it re-organises to adapt to, and recover from, the covid-19 virus. For smaller and local business this will mean re-focussing on local suppliers and manufacturing and improving standards of business to meet international standards (like ISO) to allow us to supply and tender for work and export our products internationally on a smaller scale
- “ No international visitors will lead to a domino effect where there is less demand from consumers such as for luxury goods and services. We will see a closure of these business
- “ The fear about travelling will place Cairns in a very precarious position as travellers will be wary
- “ Obviously there is terrible trading during lockdown & closures with the virus but, once this is over, I expect a strong period of growth in the short term. Undoubtedly some businesses will not reopen, but reduction in competition may result in better trade for those that do survive
- “ Too much media hype has so many people scared, and they will hold on to their money for essentials

KEY RESPONSES FROM NORTH QUEENSLAND

- “ The COVID legislation will impact on all levels of business, particularly the forced closure of small businesses that will not reopen when the forced closure is removed
- “ Confidence is going to be a big factor the rebound post COVID-19 will be key as if the public are living in fear then we will go into hole
- “ Many small businesses will go to the wall leaving unemployment a major problem inciting crime to increase
- “ Many bankruptcies with businesses being forced to shut by COVID-19 regulations that should not have had to

THE VOICE OF QUEENSLAND'S BUSINESS COMMUNITY

“ I think there will be a decline in works on job sites for the next few months then we hopefully will see a rise. As we have not had our winter yet and there is no vaccine, I am very concerned

“ For our industry, we will feel the affect in about five months as everyone has stopped buying houses

KEY RESPONSES FROM THE CENTRAL COAST

“ Our low dollar value is not doing us any favours either as importers are already increasing the pricing on their goods

“ People who have lost their jobs and put payments such as mortgages on hold will have to catch up, so there will be less money to spend on luxuries such as dining out and holidays

“ With more business closures, more unemployed, more bankruptcies and more taxes imposed on those with jobs the outlook is very bleak

“ Based on the level of isolation we are experiencing today, over the next twelve months the majority of businesses and people will restrict their spend to what they perceive as absolute necessary, this behaviour whilst valid under the circumstances will have a substantial impact across all sectors of business.

“ I believe that we need to start to ease back on restrictions particularly beauticians, retail, opening up beaches and allowing people to have some outing without being silly as well as cafe's being allowed to sit people whilst still observing the social distancing rules

“ Disposable cash is presently tight and people are holding to it, but people will be eager to travel, explore and engage with people once limitations are relaxed and this will predominantly be local travel which Queensland will benefit from

“ The community has very little confidence at present with the economy and how they will survive and move forward. All my clients are now too scared to spend money even though they acknowledge they still need the service I provide. I now am giving my time for free as I can see their mental wellbeing is dwindling and I'm hoping to be able to bring them out to the other side with less anxiety

“ Many businesses, particularly smaller ones will not survive the current loss due to the downturn and isolations etcetera

“ Government fails to accept that the lock out laws have totally destroyed the small business owner as well as the tenants in large shopping complexes. Accommodation owners are practically non-performing due to the government regulations

“ I believe people will hold onto their money for a time until their confidence returns. I do not think people will start new projects or borrow for renovations until they know there is a successful way to treat this virus

KEY RESPONSES FROM WIDE BAY

“ To give tax incentives is great and the JobKeeper idea is great as well but with people not wanting to spend money we still have rent, electricity, gas plus if we go down the JobKeeper line we have to come up with the taxable component and super

“ Support packages from both the state and federal government reserves will mean that the usual amount of budgeted surplus will not be available. We are probably looking at higher taxes and other revenue streams needed to try and restore the bottom line

“ The limited travellers coming into the country affecting many industries from tourism to education

“ Money was handed out to early and to the wrong people a lot of business have plenty of work and are still applying for the stimulus packages which they do not need

“ Lack of constructive leadership aimed at building both consumer and business confidence, the important key will be driving confidence upwards with positive sighs of constant recovery

“ Some businesses will come out of this in a much stronger position as they will have had the time to work on their business rather than in the business. Many will now know the value of digital marketing to grow and promote their businesses as more and more people will be searching online for products and services whilst they are in lockdown

KEY RESPONSES FROM SOUTH WEST QUEENSLAND

“ Increased impact on small businesses still operating but not eligible for any stimulus relief with income loss under the 30% requirement

“ Increased household debt and business debt, lower business turnover, high unemployment, all leading to lower tax revenue. In attempting to remain open, small business will have lost important team members, increased business as well as personal debt

“ Being challenged with critical skills shortages across many industries alongside a reduction in training and higher education, business will struggle to regain pre-covid-19 operations for a lengthy period

“ Businesses struggling to survive through a difficult trading period due to lack of demand from cash strapped customers/clients

“ Even after it becomes just a memory most customers will take months before they are prepared to spend on anything but the absolute essentials

“ Business owners or people who retain employment will hold on to their money and will spend sparingly

“ Trying to recoup from the downturn of business due to the reduction of work and trying to get back valued employees that have moved on due to the crisis

“ The performance of our economy will be affected by the ability within businesses to rebound after they have been forced to shut down. For many to start from scratch again will be a jump too far

MAJOR CONSTRAINTS ON BUSINESS GROWTH

Queensland

Rank	Constraints	Mar 19	Dec 19	Mar 20	Quarterly Change
1	Level of demand/economic activity	64.5	63.7	74.6	=
2	Political and economic stability	69.3	60.1	62.2	=
3	Insurance premium costs	55.9	57.6	54.4	=
4	Direct wage costs	54.4	53.6	51.7	↑ 1
5	Level of business taxes and government charges (Federal)	53.5	52.9	50.9	↑ 3
6	Level of business taxes and government charges (State and Local)	54.1	54.6	50.2	↓ 1
7	Compliance and complexity of business taxes and government charges	54.4	55.1	50.1	↓ 3
8	Indirect wage costs (Superannuation, Workers Compensation etc)	51.5	51.0	47.1	↑ 1
9	Compliance and complexity of WHS regulations	46.6	45.9	42.2	↑ 4
10	Retaining and recruiting suitably qualified employees	50.7	49.7	41.5	=

↑ Rank order rose from previous quarter; = unchanged from previous quarter; ↓ decreased from previous quarter.

The rise in the level of demand/economic activity index level from 63.7 in December 2019 to 74.6 in March 2020 is a reflection of the COVID-19 economic crisis.

South East Queensland

Rank	Constraints	Dec 19	Mar 20	Quarterly Change
1	Level of demand/economic activity	61.8	75.0	=
2	Political and economic stability	60.6	63.7	=
3	Indirect wage costs (Superannuation, Workers Compensation etc)	50.4	53.1	↑ 5
4	Compliance and complexity of business taxes and government charges	55.3	51.8	↓ 1
5	Direct wage costs	52.1	51.2	↑ 2
6	Retaining and recruiting suitably qualified employees	48.6	50.1	↑ 3
7	Level of business taxes and government charges (State and Local)	53.3	49.8	↓ 2
8	Compliance and complexity of WHS regulations	44.3	47.1	↑ 4
9	Interest rates	31.1	40.9	↑ 10
10	Exchange rate and commodity prices	35.0	40.2	↑ 7

Regional Queensland

Rank	Constraints	Dec 19	Mar 20	Quarterly Change
1	Level of demand/economic activity	66.1	74.2	=
2	Political and economic stability	59.5	60.7	↑ 2
3	Insurance premium costs	61.2	57.9	↓ 1
4	Level of business taxes and government charges (State and Local)	55.9	51.0	↑ 2
5	Level of business taxes and government charges (Federal)	53.6	50.8	↑ 2
6	Compliance and complexity of business taxes and government charges	54.8	50.3	↑ 2
7	Direct wage costs	55.6	49.9	↓ 1
8	Indirect wage costs (Superannuation, Workers Compensation etc)	51.8	46.9	↑ 1
9	Energy costs and standard of infrastructure	49.7	46.3	↑ 2
10	Compliance and complexity of WHS regulations	47.8	45.2	↑ 2

MAJOR CONSTRAINTS ON BUSINESS GROWTH BY BUSINESS SIZE

The ranking of constraints for small business is consistent with the overall survey's ranking with the level of demand and economic activity, as well as political and economic stability being the top two constraints. However, for medium and large businesses, direct wage costs are the second largest constraint

Small Businesses <20 employees

Rank	Constraints	Dec 19	Mar 20	Quarterly Change
1	Level of demand/economic activity	63.5	75.0	=
2	Political and economic stability	60.0	62.7	=
3	Insurance premium costs	57.3	54.2	=
4	Direct wage costs	50.8	50.1	↑4
5	Level of business taxes and government charges (Federal)	52.3	50.1	↑1
6	Compliance and complexity of business taxes and government charges	55.7	49.4	↓2
7	Level of business taxes and government charges (State and Local)	53.4	49.1	↓2
8	Indirect wage costs (Superannuation, Workers Compensation etc)	49.6	45.6	=
9	Energy costs and standard of infrastructure	47.6	42.9	↑1
10	Communication costs and standard of infrastructure	44.7	41.4	↑2

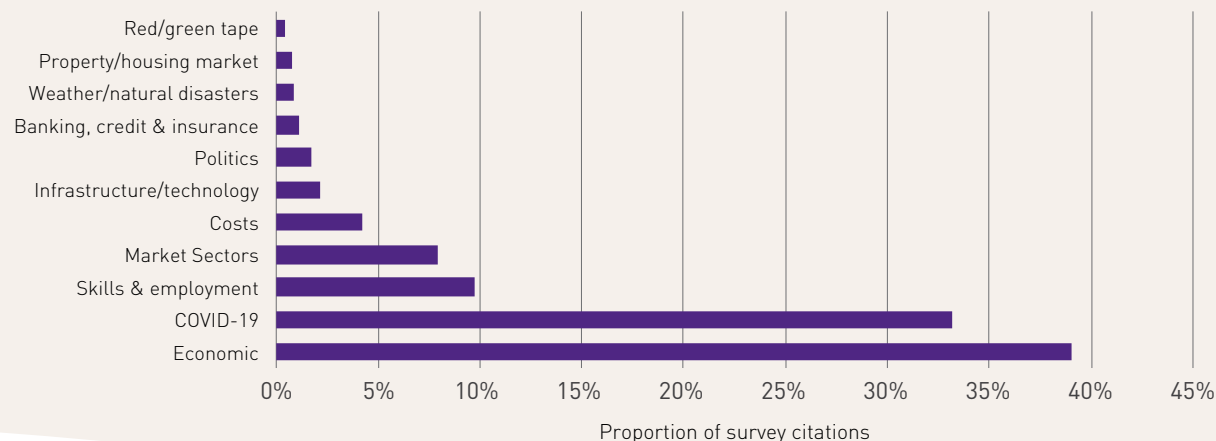
Medium and Large Businesses >20 employees

Rank	Constraints	Dec 19	Mar 20	Quarterly Change
1	Level of demand/economic activity	64.0	73.0	=
2	Direct wage costs	63.6	61.0	=
3	Insurance premium costs	58.7	60.0	↑2
4	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	57.7	59.0	↑3
5	Level of business taxes and government charges (State and Local)	58.9	57.1	↓1
6	Indirect wage costs (Superannuation, Workers Compensation etc)	55.9	57.1	↑2
7	Political and economic stability	60.9	57.0	↓4
8	Level of business taxes and government charges (Federal)	55.1	55.4	↑1
9	Retaining and recruiting suitably qualified employees	58.1	54.5	↓3
10	Compliance and complexity of business taxes and government charges	53.7	54.4	=

KEY INFLUENCES ON BUSINESS CONFIDENCE AND ISSUES AFFECTING THE PERFORMANCE OF THE NATIONAL AND STATE ECONOMIES OVER THE NEXT 12 MONTHS

Open-ended qualitative questions within the Suncorp CCIQ Pulse Survey enable small businesses to provide commentary about issues and matters specific to their own businesses as well as factors they consider will affect economic activity over the next 12 months. The COVID-19 crisis and the far-reaching economic implications from the lockdown and social distancing measures were by far the most salient factors affecting business confidence in the economy during the March quarter. Businesses expressed serious concerns about business closures particularly within the tourism and hospitality and retail industries, and whether small businesses can come back from this. More broadly they were also concerned about the impact on employment in the economy and how that will flow on to consumer spending activity in the future.

Key Influencers on Business Confidence in the Economy



ECONOMIC ISSUES

“ The shutdown of so many businesses for an indefinite time due to COVID-19 will have a huge impact on the Australian and state economies – **Gold Coast** ”

“ There is generally not much in the way of incentives for small business to grow and macro policy is not stimulating business confidence to invest for the mid- to long-term – **Brisbane** ”

“ While the stimulus packages have been great, the reality is that the country is going to be up to its eyeballs in debt for a considerable length of time in order to facilitate these assistance packages – **South West Queensland** ”

“ As long as our ports are still functioning exports and imports economy should tick over moderately – **Cairns** ”

“ With Australia (and many other countries) carrying debts that did not exist prior to the pandemic, it will take a generation to repair – **Brisbane** ”

“ Taxes and charges will have to rise to pay for the money now being handed out – **Rockhampton** ”

“ A lack of effective taxation of the top ten trading companies is not allowing government revenues to benefit from their profitability – **Gold Coast** ”

“ We need a vaccine asap, more money going into SMEs to support and help flourish, government support for larger multinationals to be reined in and tax to be recouped from large multi-nationals that operate accounts offshore, and rates and government charges to be reduced as much as possible to reduce further stress on families and allow more money to recirculate into the economy – **Brisbane** ”

COVID-19

“ People and businesses need to return to work and get on with the job of living life with simply ensuring taking more care of themselves physically and mentally and if sick seek medical attention and stay home. The fact that there will be far graver and devastating consequences such as increased rates of mental health, suicides, relationship and family issues and bust ups, domestic violence to name but a few as a consequence or effect of such measures due to the COVID outbreak – **Brisbane** ”

“ Rolling outbreaks of the virus will see us opening and closing our borders for a lot longer than 12 months unless a genuine vaccine is found – **Sunshine Coast** ”

“ When we get through the other side it will be excellent as I think people may have a little more respect for their job and the services they provide and their health – **Cairns** ”

ABOUT PULSE

The Pulse Survey has been measuring 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 contains data from a sample covering the entire breadth of the business community.

The survey period was from 1st April to 15th April 2020 and examines business sentiment and activity throughout the March quarter, 2020. 2,419 participants provided responses to the survey.

To find out more about Pulse, please contact Chamber of Commerce and Industry Queensland on 1300 731 988 or at cciqadvocacy@cciq.com.au.

PULSE BUSINESS INDEX

The analysis undertaken by CCIQ in the preparation of this Pulse Survey Report is based on survey responses from Queensland business.

The report uses the Pulse Business Index (PBI) as well as the (base) statistical data provided from the survey responses to effectively measure respondent's views as to how current or future activity (eg. three months ahead) compares with the previous quarter.

A Pulse Index reading of above 50 indicates conditions have improved over the previous quarter. A reading of 50 indicates conditions have remained the same and 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 – 29.99 Points
Poor	30 – 49.99 Points
Satisfactory	50 – 64.99 Points
Good	65 – 74.99 Points
Very Good	75 – 84.99 Points
Excellent	85 – 100 Points

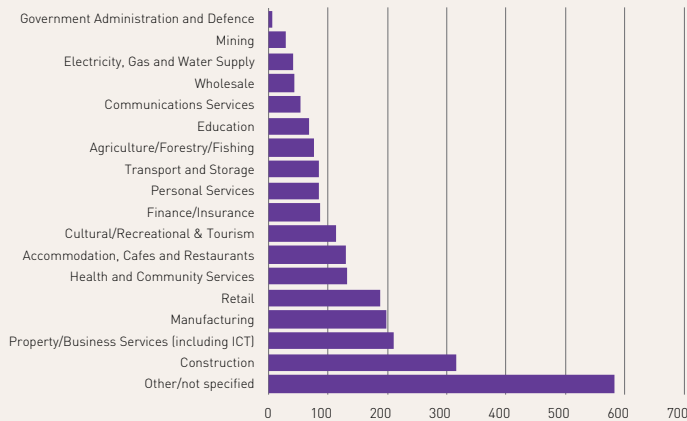
The state-wide PBI results have been seasonally adjusted.

The Pulse Business Constraints Index (BCI) measures the level of key impediments on business growth. The following guide is used in interpreting the BCI results.

DEGREE OF CONSTRAINT INDEX

Critical	70 – 100
Large	50 – 69.99
Moderate	40 – 49.99
Slight	30 – 39.99
No Constraint	0 – 29.99

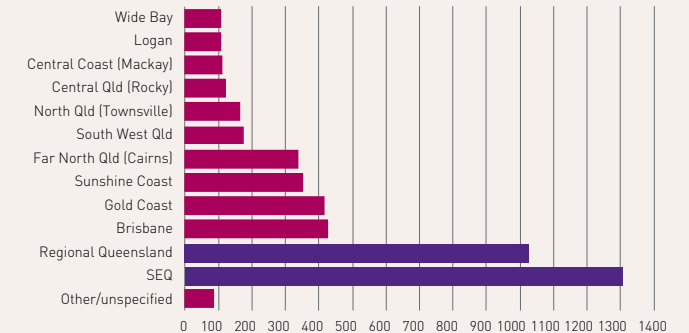
Industry Representation



Size of Organisation



Regional Representation



Chamber of Commerce & Industry Queensland

Industry House, 375 Wickham Terrace, Spring Hill, Qld 4000
Telephone 1300 731 988

www.cciq.com.au