

BRISBANE PULSE SURVEY REPORT

MARCH QUARTER 2020



SUMMARY

The results from the latest Suncorp Pulse Survey for the March Quarter show that business confidence and conditions for Queensland and Brisbane are now at their lowest levels ever recorded with the worst not yet being realised. The collapse of the Pulse Index followed the unprecedented forced business closures and strict social distancing measures put in place by the Queensland state government in response to the COVID-19 pandemic. Businesses in Brisbane have been particularly impacted as a result of the strong linkage between service-based industries and tourism. With there still being little said about when 'non-essential' businesses can return to normal, small and medium-sized enterprises (SMEs) are pessimistic about the future performance of the state and national economy.

Responses from Brisbane reveal the harrowing conditions as business owners endure severe financial and emotional distress.



More than two thirds (70%) of businesses in Brisbane experienced weaker operating conditions during the March quarter with nearly the same (69%) proportion reporting a decline in their sales and revenue. As a result 93% expect the local economy to weaken over the next 12 months.



Businesses across Brisbane fared similarly to the state average across many of the indices. However, the region was more pessimistic concerning the forward economy outlook for the Queensland and Australia.



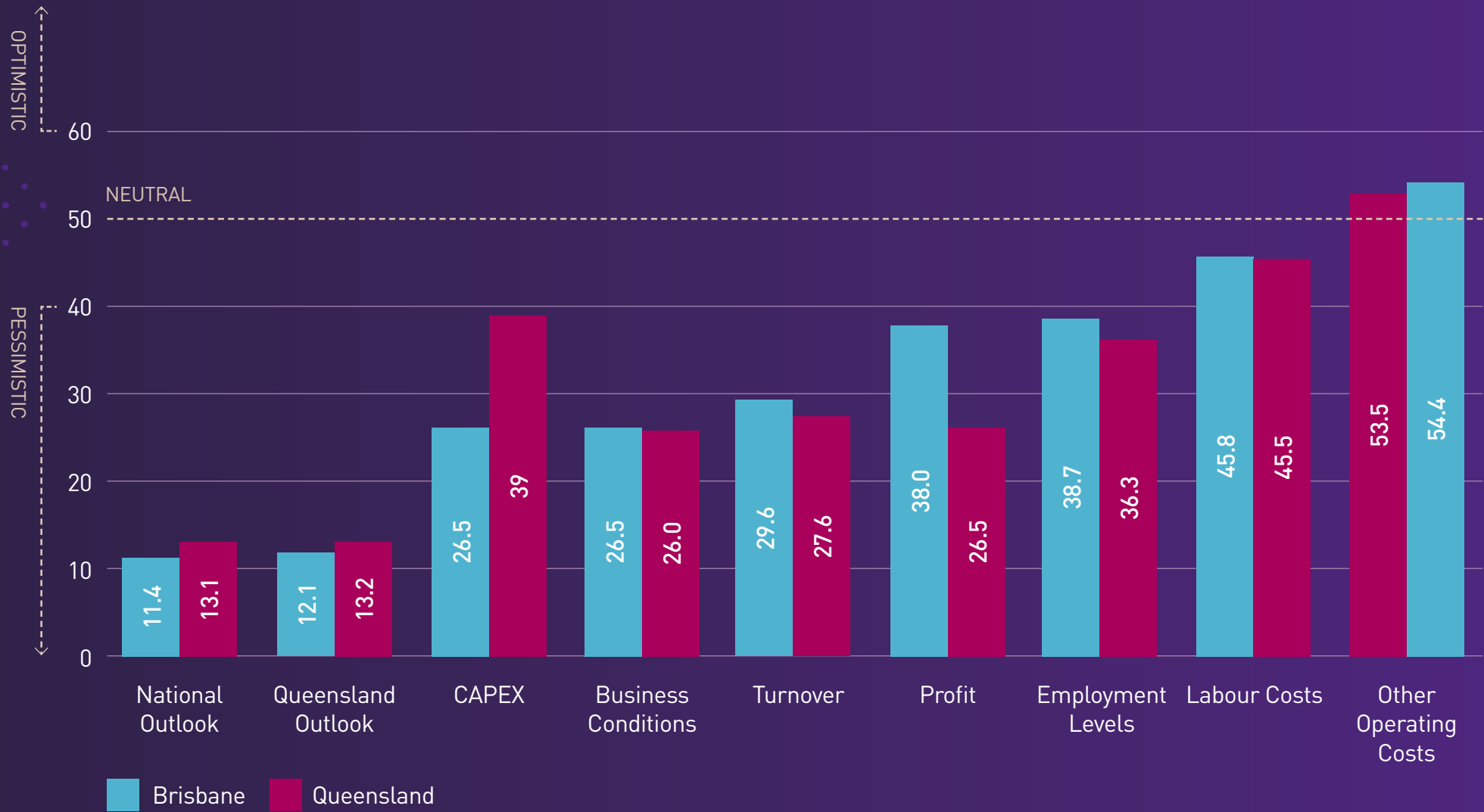
Discussions with Brisbane's business community suggests that the economic downturn is being felt sooner and more severely by the education industry, as well as those exposed to tourism and the 'non-essential' business sector (e.g. retail, hospitality and accommodation service providers).



Forecasts for the June quarter indicate that Brisbane businesses are anticipating conditions to deteriorate even further. Many businesses have expressed concern for their outlook and ability to survive under current circumstances.

SNAPSHOT DATA

BRISBANE PULSE SURVEY INDEX* RATINGS MARCH 2020



Survey Index Ratings: 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

SNAPSHOT

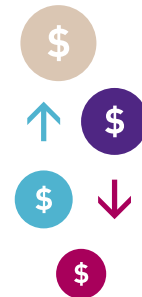


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **12.1** [-28.6]; Very poor
National Outlook = **11.4** [-26.8]; Very poor

The absolute majority of small businesses Brisbane anticipate weaker economic conditions over the near term. Confidence in the state economy collapsed, with 93 per cent of businesses expecting the economy to perform weaker during the following 12 months. Results surrounding the outlook for the national economy are very similar, with 92 per cent reporting a negative outlook. The business community in Brisbane were more pessimistic compared to the state average which saw fewer anticipating a weaker economic outlook for Australia (87%) and Queensland (88%).

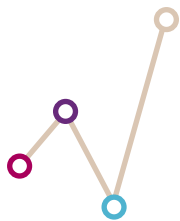


SALES AND REVENUE

PULSE SURVEY INDEX

Turnover = **29.6** [-21.3]; Very poor

More than two thirds (69%) of Brisbane businesses reported weaker turnover during the March quarter. This finding compares to the slim proportion (15%) who experienced stronger sales and revenues (largely related to pharmaceutical, grocery, alcohol and hardware retailing). Reflecting the uncertain outlook was the fact that only six per cent of businesses are forecasting an uptake in turnover during the June quarter. This result follows an overwhelming number of companies (85%) anticipating further downturns as the impact from the pandemic transpires.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

Business Conditions = **26.5** [-17.5]; Very poor

More than two thirds (70%) of businesses in Brisbane experienced weaker operating conditions during the March quarter. This finding is identical to the state average where the same proportion of businesses (70%) reported a slide in trading conditions.

The forecast for the June quarter highlights the fact that SMEs expect business conditions to worsen. Namely, 85 per cent of businesses from Brisbane foresee weaker trading conditions during the next three months as a result of the lagged implications of COVID-19. Again, this poor outlook is consistent with the state average where 83 per cent are anticipating business conditions to deteriorate further.



OPERATING COSTS

PULSE SURVEY INDEX

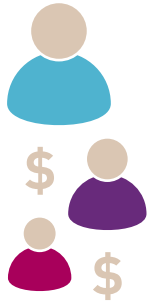
Other Operating Costs = **53.3** [-6.3]; Satisfactory

Nearly three quarters (73%) of Brisbane businesses indicated that their operating costs had not increased over the March quarter. The findings from Brisbane were nearly identical to the state average, which saw 70 per cent of businesses reporting unchanged operating costs in the area of electricity, insurances, rent and more.

Businesses indicated that they anticipate their running costs to ease further during the June quarter with 81 per cent of businesses anticipating their costs to stay the same of fall. This is largely a reflection of government, utility providers and corporate Australia providing relief measures to the business community.

SNAPSHOT

LABOUR COSTS



PULSE SURVEY INDEX

Labour Costs = **45.8** (-12.8); Poor

Brisbane businesses have clearly sought to shore up their long term viability by reducing staffing levels and requesting cuts in salary. Only 22 per cent of businesses in Brisbane reported easing payroll costs during the March quarter (2020). Conversely, 78 per cent indicated either unchanged or lower wage costs over the same period. It is likely that the implementation of the JobKeeper Payment and Apprentice Wage Subsidy (amongst other stimulus support) has aided businesses ability to continue paying their employees with 44 per cent anticipating eased payroll burdens over the June quarter.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Employment Levels = **38.7** (-22.9); Poor

Unfortunately, 41 per cent of businesses reported decreasing their staffing levels across Brisbane. Similar findings are observed across the state where 43 per cent had to lay off staff. Despite the introduction of various stimulus measures aiding payroll costs, 59 per cent of businesses in Brisbane anticipate employment to fall over the June quarter (2020). This finding is likely to be the result of weak business profitability and consumer demand, particularly impacting Brisbane's casual workforce.

PROFITABILITY



PULSE SURVEY INDEX

Capital Expenditure = **38.0** (-22.6); Very poor

An unprecedented reduction in sales and revenue coupled with only limited capacity to reduce business costs have resulted in profitability collapsing. Business profits fell steeply over the March quarter with more than two thirds (68%) of Brisbane businesses reporting weaker profitability. The results suggest that businesses in Brisbane have fared similarly to the state average, where more businesses experienced a thinner bottom line (70%). Businesses across the region do not expect there to be any improvement in profitability over the June quarter with 85 per cent of businesses fearing that poorer profitability is still to come.



CAPITAL EXPENDITURE

PULSE SURVEY INDEX

Capital Expenditure = **26.5** (-36.1); Poor

Business investment levels decreased over the March quarter. While just over half of the respondents (53%) reported the same level of investment, 37 per cent of businesses said their capital expenditures had fallen. The reduction in profitability and absence of cash reserves will lead to 59% of Brisbane businesses either delaying or decreasing investment activities in the June quarter.

THE VOICE OF 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

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

“ 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

“ Lockdowns are necessary though will more than likely squeeze smaller operators out that may never return, while construction will pay the price for being dependent on Imported products as our dollar falls

“ 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

“ With business closure and loss of productivity there is an inability to support businesses who could pivot and perform in lock down conditions

MAJOR CONSTRAINTS ON BUSINESS GROWTH

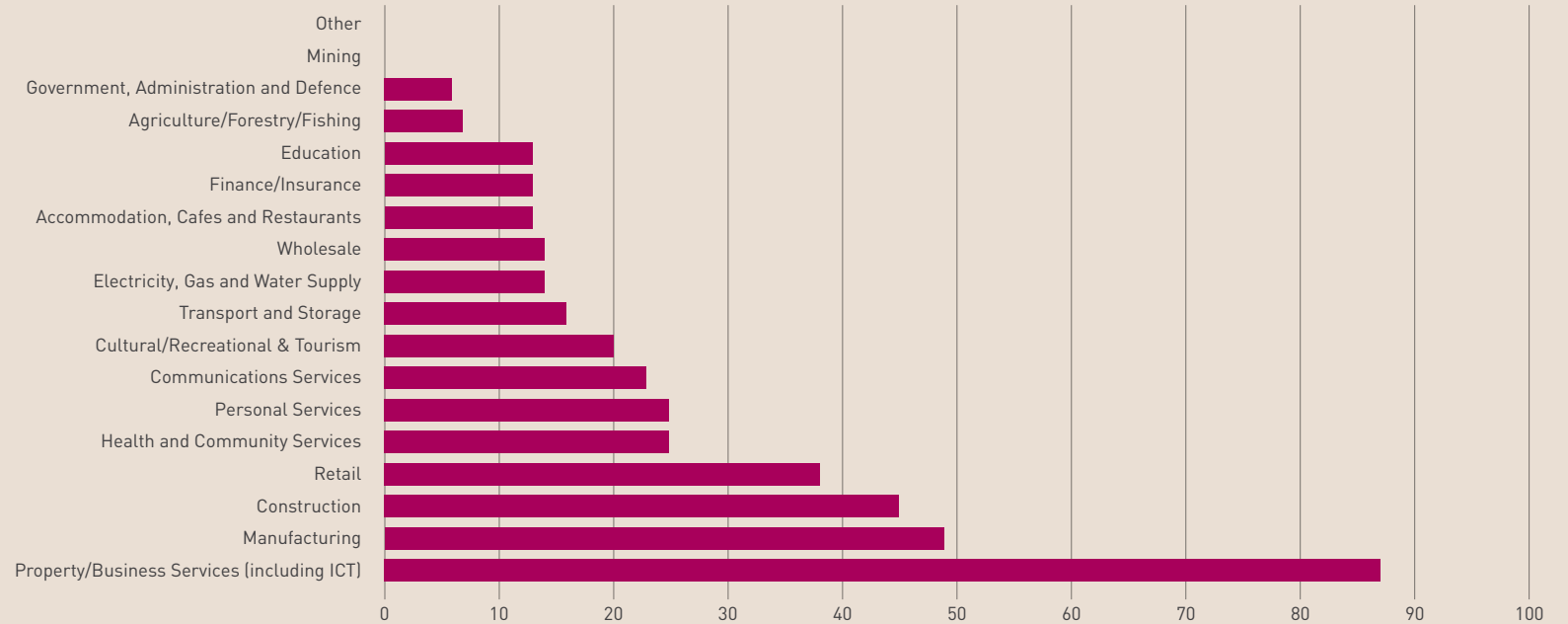
Rank	Constraints	Index Level ¹
1	Level of demand/economic activity	75.5
2	Political and economic stability	63.2
3	Direct wage costs	54.1
4	Compliance and complexity of business taxes and government charges	51.0
5	Insurance premium costs	50.7
6	Level of business taxes and government charges (Federal)	50.4
7	Level of business taxes and government charges (State and Local)	49.5
8	Indirect wage costs (Superannuation, Workers Compensation etc)	48.5
9	Retaining and recruiting suitably qualified employees	40.9
10	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	40.0

¹ Degree of constraint index ratings guide: 100 – 70 Critical; 69.99 – 50 Large; 49.99 – 40 Moderate; 39.99 – 30 Slight; 29.99 – 0 No constraint

SIZE OF ORGANISATION



INDUSTRY REPRESENTATION



ABOUT THE PULSE BUSINESS SURVEY

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 3rd to the 17th of April 2020 and examined business sentiment throughout the March Quarter 2020. There were 2,419 respondents to the survey consisting of 414 from Brisbane (17%).

To find out more about the Pulse survey, please contact Chamber of Commerce and Industry Queensland (CCIQ) on 1300 731 988. 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.

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 – 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

Chamber of Commerce & Industry Queensland

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