

CENTRAL COAST (MACKAY) 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 on the Central Coast (Mackay) 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. The implications of the disaster have severely impacted the Central Coast (Mackay) region due to strong linkages between economic growth and the success of industries such as retail trade, the resource sector, tourism and more. With there still being little said about when 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 the Mackay region revealed the harrowing conditions as business owners are being left to endure severe financial and emotional distress.



More than two thirds (71%) of business respondents experienced weaker operating conditions during the March quarter with 65 per cent recording a decline in their sales and revenue. As a result 83 per cent expect the local economy to weaken over the next 12 months.



Businesses across the Mackay region fared similarly to the State average during the March quarter (2020). Despite this, business sentiment concerning the outlook for general business conditions during the June quarter was slightly more pessimistic.



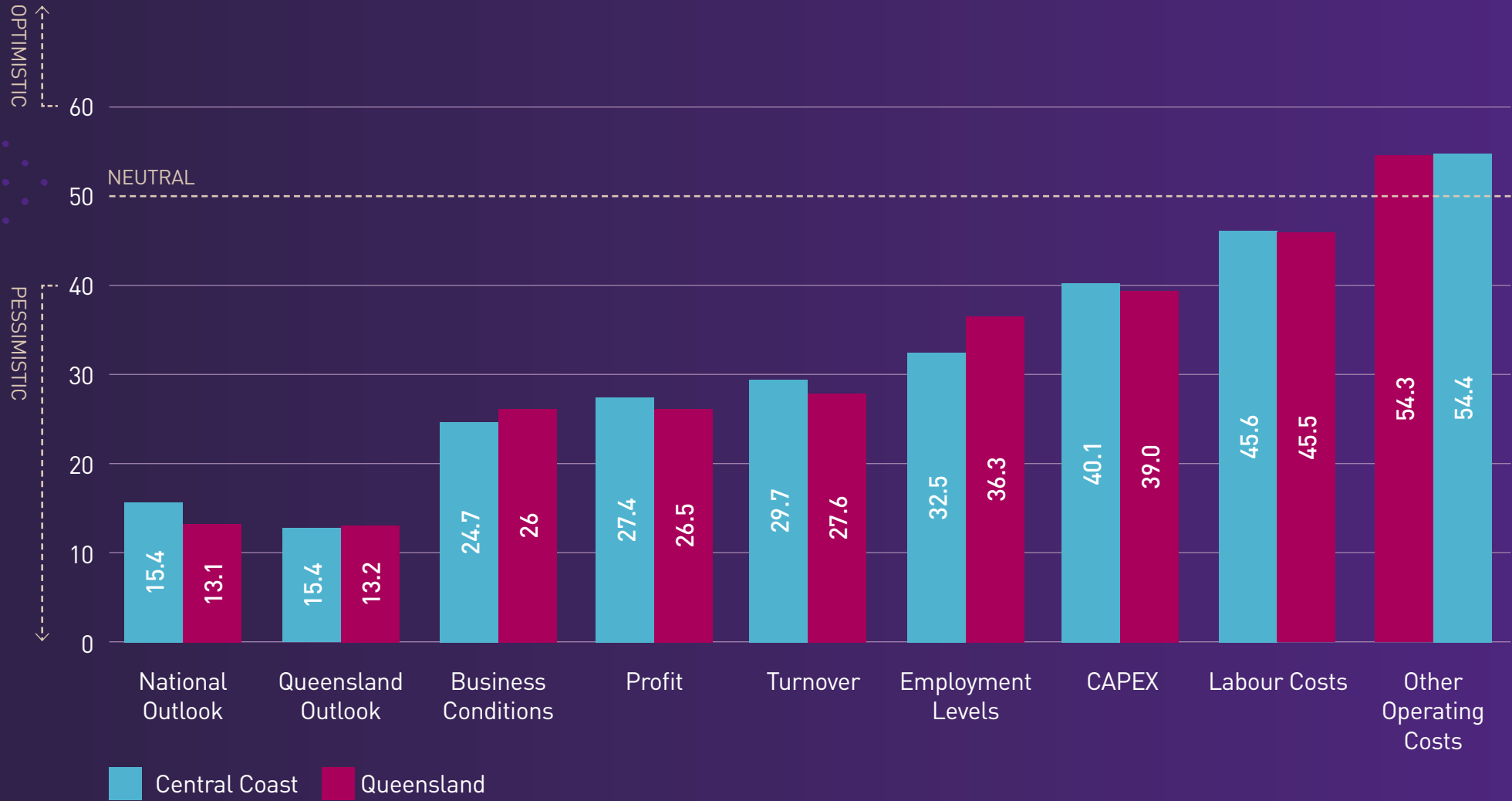
Analysis of the primary industries across Central Coast suggest that the implication of the COVID-19 pandemic will be felt through exporting sectors such as mining, manufacturing, and agriculture, not to mention 'non-essential' service providers across the region.



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

SNAPSHOT DATA

CENTRAL COAST (MACKAY) 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

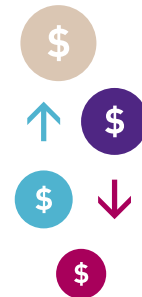


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **15.4** [-28.3]; Very poor
National Outlook = **15.4** [-25.2]; Very poor

The absolute majority of small businesses in Mackay anticipate weaker economic conditions over the near term. Confidence in the state economy has fallen steeply, with 83 per cent of businesses expecting economic performance to weaken over the coming 12 months. Similarly, 80 per cent of Mackay businesses are reporting a negative outlook for the national economy. While the results reflect tragically low sentiment, businesses are less pessimistic compared to the state average, where more are anticipating a reduction in economic performance across Australia (87%) and Queensland (88%).

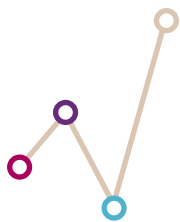


SALES AND REVENUE

PULSE SURVEY INDEX

Turnover = **29.7** [-16.0]; Very poor

Nearly two thirds (65%) of businesses in Mackay experienced a weaker turnover. This compares to the 14 per cent experiencing improved sales and revenue (largely related to pharmaceutical, grocery, alcohol and hardware retailing). Reflecting the pessimistic outlook and sentiment levels was the fact that a lowly five per cent of businesses are expecting an uptake in turnover during the June quarter. Conversely, an overwhelming majority of businesses (85%) anticipate a further slide in turnover as the impact from the pandemic transpires.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

Business Conditions = **24.7** [-15.5]; Very poor

Nearly three quarters (71%) of businesses in Mackay experienced weaker operating conditions during the March quarter. This finding is almost identical to the state average where 70 per cent of businesses reported a decline in trading conditions compared to the three months leading into January 2020.

The forecast for the June quarter highlights the fact that SMEs expect business conditions to worsen as a result of the lagged implications of COVID-19. An alarming number of businesses across Mackay (88%) foresee weaker trading conditions in the next three months. This finding suggests that more businesses in the region expect conditions to worsen with fewer (83%) anticipating the same negative outlook across the state average.



OPERATING COSTS

PULSE SURVEY INDEX

Other Operating Costs = **54.3** [-15.2]; Satisfactory

Nearly three quarters (72%) of Mackay businesses indicated that their operating costs had not increased over the March quarter. The findings from Mackay 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 86 per cent of businesses anticipating their costs to stay the same or 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 = **45.6** (-16.3); Poor

Businesses in Mackay have clearly sought to shore up their long term viability by reducing staffing levels and requesting cuts in salary. Just 17 per cent of Mackay businesses reported an increase in payroll expenses during the March quarter. This compares to the 83 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 measures) has aided businesses ability to continue paying their employees with 49 per cent anticipating eased payroll burdens over the June quarter.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Employment Levels = **32.5** (-11.8); Poor

Unfortunately, 53 per cent of businesses reported decreasing their staffing levels across the Mackay region. While the same proportion of businesses grew their labour force across the state average (6%), fewer reported layoffs (43%). Despite the introduction of various stimulus measures supporting payroll costs, even more (63%) businesses in Mackay 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 Mackay's casual workforce.

PROFITABILITY



PULSE SURVEY INDEX

Capital Expenditure = **27.4** (-5.2); 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 nearly two-thirds (63%) of businesses in Mackay reporting weaker profitability. The results suggest that the private sector in the Mackay region have fared relatively better off to surrounding regions, with the state average reporting a deterioration of profits for 70% of businesses. Businesses do not anticipate any improvement in profitability over the June quarter with 84 per cent fearing that poorer profitability is still to come.

CAPITAL EXPENDITURE



PULSE SURVEY INDEX

Capital Expenditure = **40.1** (+1.0); Poor

Business investment levels decreased over the March quarter. While more than one-half of businesses in Mackay (55%) reported the same level of investment, 35% reported falling capital expenditures over the quarter. The reduction in profitability and absence of cash reserves will lead to 62% of Central Coast businesses either delaying or decreasing investment activities in the June quarter.

THE VOICE OF THE CENTRAL COAST

“ The economy will be affected by the ability of travellers to enter the country, how much manufacturing can be brought back into Australia, as well as the fear of people to spend until COVID-19 vaccine is created due to possibility of another series of shutdowns

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

“ The Corona virus will continue to affect the economy until there is a vaccine as I can see us becoming complacent with our flattening of the curve, which could lead to another outbreak. This would cause more lock downs, forcing more businesses to close and putting more strain on our economy

“ 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

“ Handing money out to people that already don't work and take more money from the hard-working people is a joke

“ Provide business models to entrepreneurs and business owners relating to local produce to value add to local produce and product manufacture. Banning live animal exports to bring back and create industry to process and manufacture livestock and food goods from Australian produce for sale nationally and to export internationally

“ 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

“ Business will struggle to pick up the pieces once the COVID 19 restrictions have been lifted. There is also the concern that future generations may inherit the onerous task of reducing our significant state and national deficit

“ There will be ongoing mental & physical health issues amongst the business community and workforce. Not only will this result in a downturn in work, productivity and morale, it will also require a significant amount of resources to resolve.

MAJOR CONSTRAINTS ON BUSINESS GROWTH

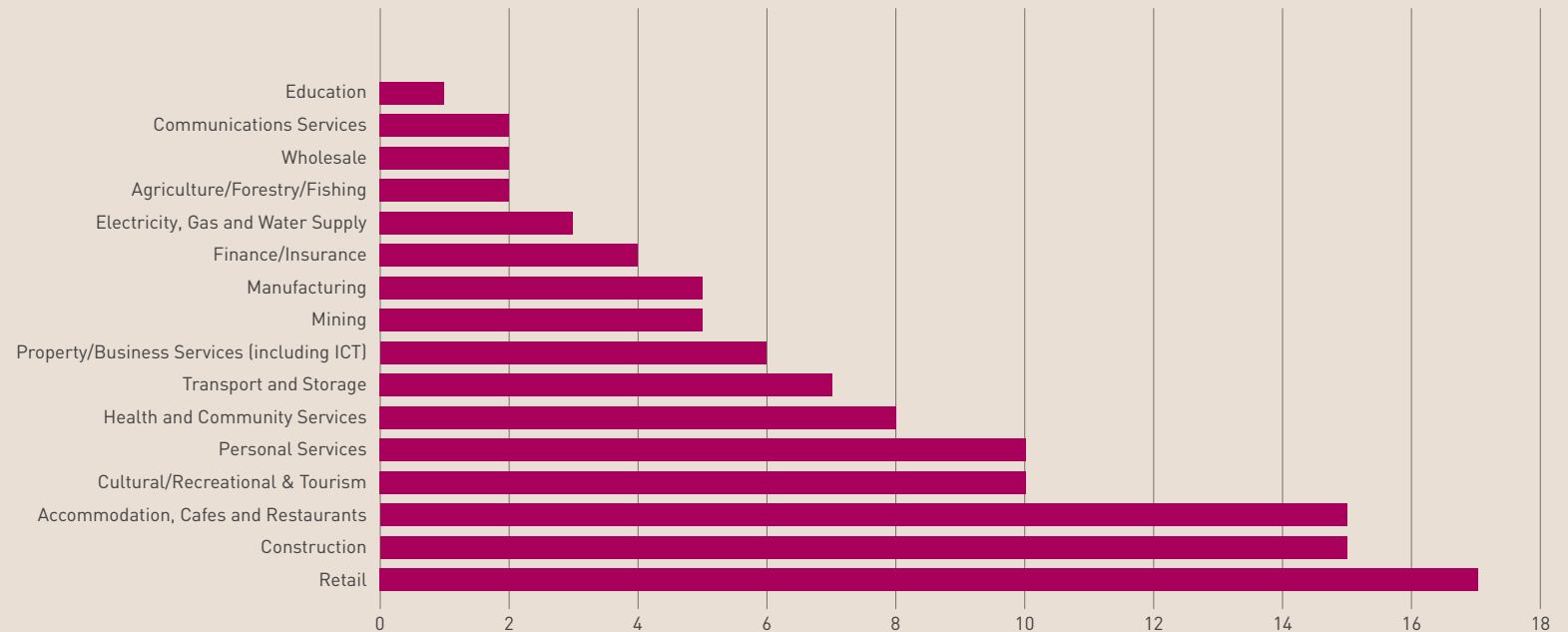
Rank	Constraints	Index Level ¹
1	Level of demand/economic activity	76.8
2	Insurance premium costs	58.8
3	Political and economic stability	56.3
4	Level of business taxes and government charges (Federal)	55.7
5	Level of business taxes and government charges (State and Local)	55.4
6	Retaining and recruiting suitably qualified employees	50.9
7	Direct wage costs	49.4
8	Indirect wage costs (Superannuation, Workers Compensation etc)	49.1
9	Compliance and complexity of business taxes and government charges	48.8
10	Energy costs and standard of infrastructure	48.5

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 112 from the Mackay region (5%).

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

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

www.cciq.com.au

