

FAR NORTH QUEENSLAND 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 the Far North 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 FNQ region due to a significant reliance on domestic and overseas tourists. 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 the FNQ region revealed the harrowing conditions as business owners endure severe financial and emotional distress.



More than three quarters (77%) of FNQ businesses experienced weaker operating conditions during the March quarter with 72 per cent recording a decline in their sales and revenue. As a result 90 per cent expect the local economy to weaken over the next 12 months.



Businesses across FNQ fared relatively worse than the state in the areas of general business conditions and profitability. This statement follows a higher proportion of businesses experiencing weaker conditions in these areas during the March quarter.



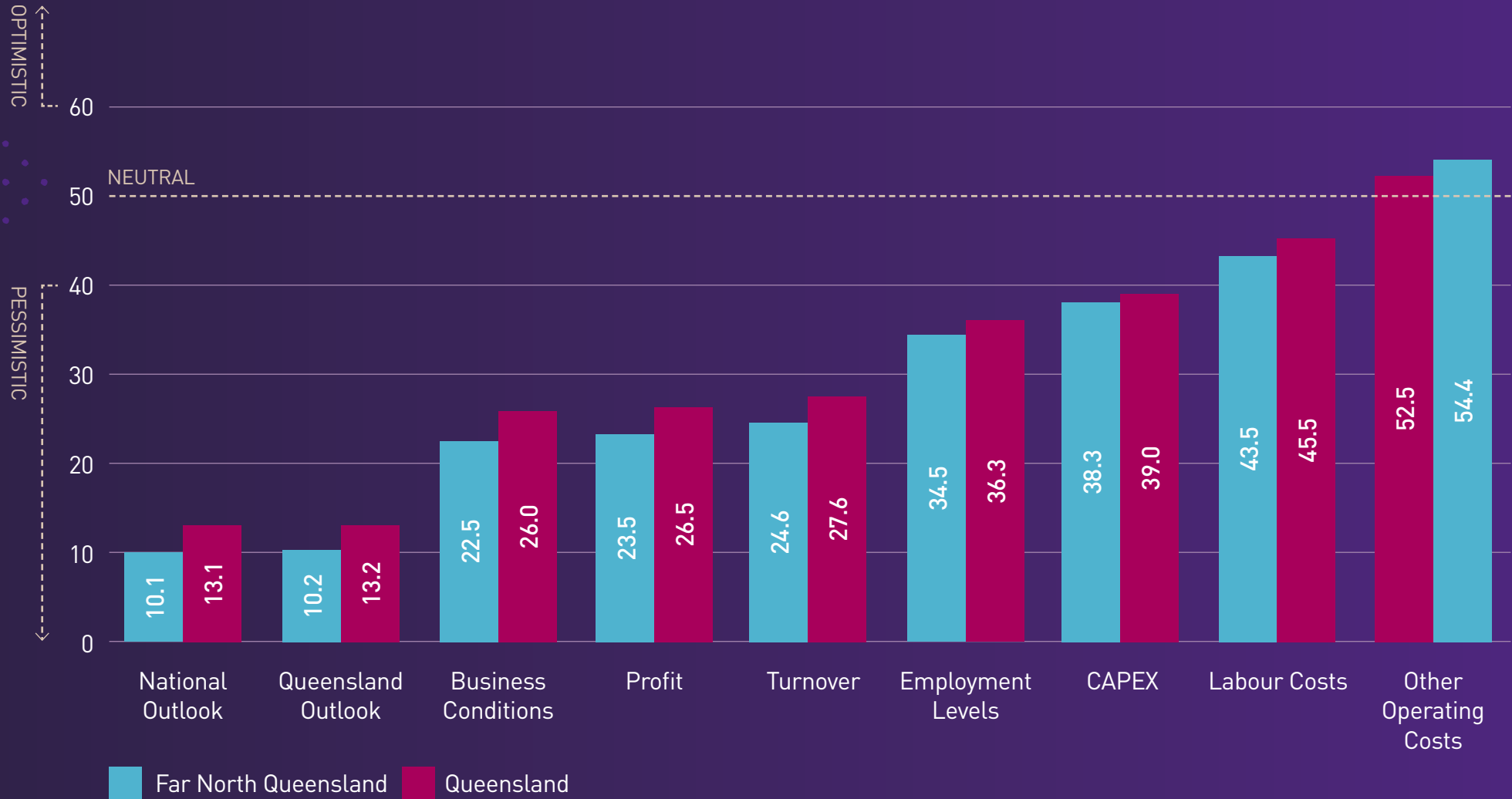
Discussions with the FNQ business community suggests that the economic downturn is being felt sooner and more severely to other regions due to the significant cash flows circulated by tourism.



Forecasts for the June quarter indicate that FNQ 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

FAR NORTH QUEENSLAND 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

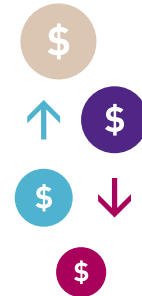


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **10.1** [-27.4]; Very poor
National Outlook = **10.2** [-27.9]; Very poor

The absolute majority of small businesses in FNQ anticipate weaker economic conditions over the near term. Confidence in the state economy collapsed with 90 per cent of businesses voicing their expectation for a weaker economic outlook over the following 12 months. Results surrounding the national economy yielded a similar degree of pessimism, with 91 per cent reporting a negative outlook. The sample results from FNQ were slightly worse than the state average where 87 and 88 per cent of total respondents anticipated a weaker economic outlook for Australia and Queensland, respectively.

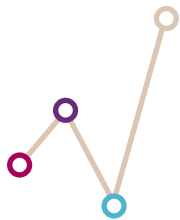


SALES AND REVENUE

PULSE SURVEY INDEX

Turnover = **24.6** [-18.2]; Very poor

Nearly three quarters (72%) of FNQ businesses reported weaker turnover during the March quarter. This result compares with just 12 per cent that realised stronger sales and revenues (largely related to pharmaceutical, grocery, alcohol and hardware retailing). Reflecting the weak outlook and sentiment of the business community was the fact that even more businesses (85%) anticipate future downturns in business turnover over the June quarter. This is a concerning finding for the region with confidence in future revenues underpinning the investment and employment intentions of SMEs.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

Business Conditions = **22.5** [-12.3]; Very poor

More than three quarters (77%) of FNQ businesses experienced weaker operating conditions during the March quarter. This finding suggests that businesses in the FNQ region have fared worse than the state average, where fewer (70%) reported a slide in trading conditions.

When queried on expectations for the June quarter (2020), SMEs largely expected business conditions to worsen as a result of the lagged implications of COVID-19. Alarming, 85 per cent of businesses from FNQ foresee weaker trading conditions in the proceeding quarter. Such low levels of sentiment were nearly identical to the state where 83 per cent were also expecting business conditions to decline further.



OPERATING COSTS

PULSE SURVEY INDEX

Other Operating Costs = **52.4** [-14.8]; Satisfactory

Two thirds (66%) of FNQ businesses indicated that their operating costs had not increased over the March quarter.

The findings from FNQ were similar to the state average, where slightly more businesses (70%) reported 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 87 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 = **43.5** (-16.0); Poor

FNQ businesses have clearly sought to shore up their long term viability by reducing staffing levels and requesting cuts in salary. Only 13 per cent of businesses reported a higher payroll during the March quarter (2020). 87 per cent of FNQ businesses 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 41 per cent anticipating eased payroll burdens over the June quarter.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Employment Levels = **34.5** (-8.5); Poor

Sadly, 45 per cent of businesses reported decreasing their staffing levels across FNQ. Similar results were observed across the state with having to lay off staff. Despite the introduction of various stimulus measures supporting payroll costs, 54 per cent of businesses in FNQ anticipate employment to fall during the June quarter (2020). This finding is likely to be the result of weak business profitability and consumer demand, particularly impacting FNQ's casual workforce.

PROFITABILITY



PULSE SURVEY INDEX

Capital Expenditure = **23.5** (-9.1); 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 (2020) with three quarters (75%) of FNQ businesses reporting a weaker bottom line. Results suggest that a higher proportion of enterprises within FNQ have been impacted by the disaster, with fewer experiencing a decline in profitability across the state (70%). Businesses do not anticipate any improvement over the June quarter with the same proportion of respondents across FNQ and the state (85%) fearing that poorer profitability is still to come.



CAPITAL EXPENDITURE

PULSE SURVEY INDEX

Capital Expenditure = **38.3** (-15.1); Poor

Business investment levels decreased over the March quarter. While just over half of the respondents (52%) reported the same level of investment, 38 per cent reported falling capital expenditures. The reduction in profitability and absence of cash reserves will lead to 56 per cent of FNQ businesses either delaying or decreasing investment activities in the June quarter.

THE VOICE OF 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 businesses this will mean re-focussing on local suppliers and manufacturers and improving the standards of industry to meet international standards (like ISO). This will allow us to supply and tender for work and export our products. No international visitors will lead to a domino effect where there is less demand from consumers for luxury goods and services. We will see the closure of these businesses.



Government policies in Australia are favouring the wealthiest Australians and the biggest corporations leaving 99% of the population behind.



The fear about travelling will place Cairns in a very precarious position as travellers will be wary.



While the effects of the bushfires are devastating to many communities, it is necessary to consciously market Australia as 'still open for business' and advertise those areas luckily unaffected to counteract all the negative news reporting.



With the temporarily or permanently closing down of businesses, even if it is temporarily the impact is tremendous.



Obviously there has been terrible trading during the lockdown, but, once this is over, I expect a strong period of growth in the short term. Undoubtedly, some businesses will not reopen, but a reduction in competition may result in better trade for those that do survive.



For us, it will probably be the fact that we have a limited income and are ineligible for government handouts.



People will be reluctant to spend as jobs will not be secure, and there will be a lot of unemployment. I feel that many businesses will not recover from this event.



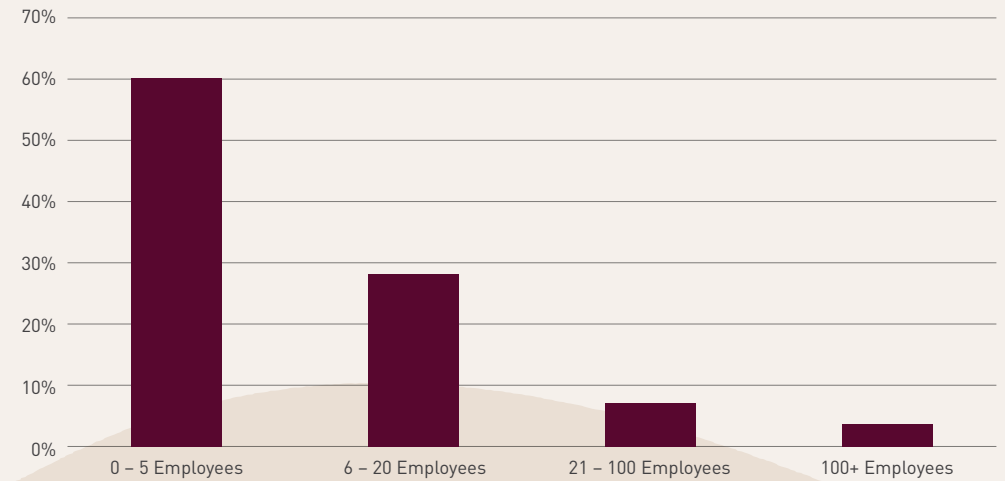
Too much media hype has many people scared, and they will hold on to their money for essentials.

MAJOR CONSTRAINTS ON BUSINESS

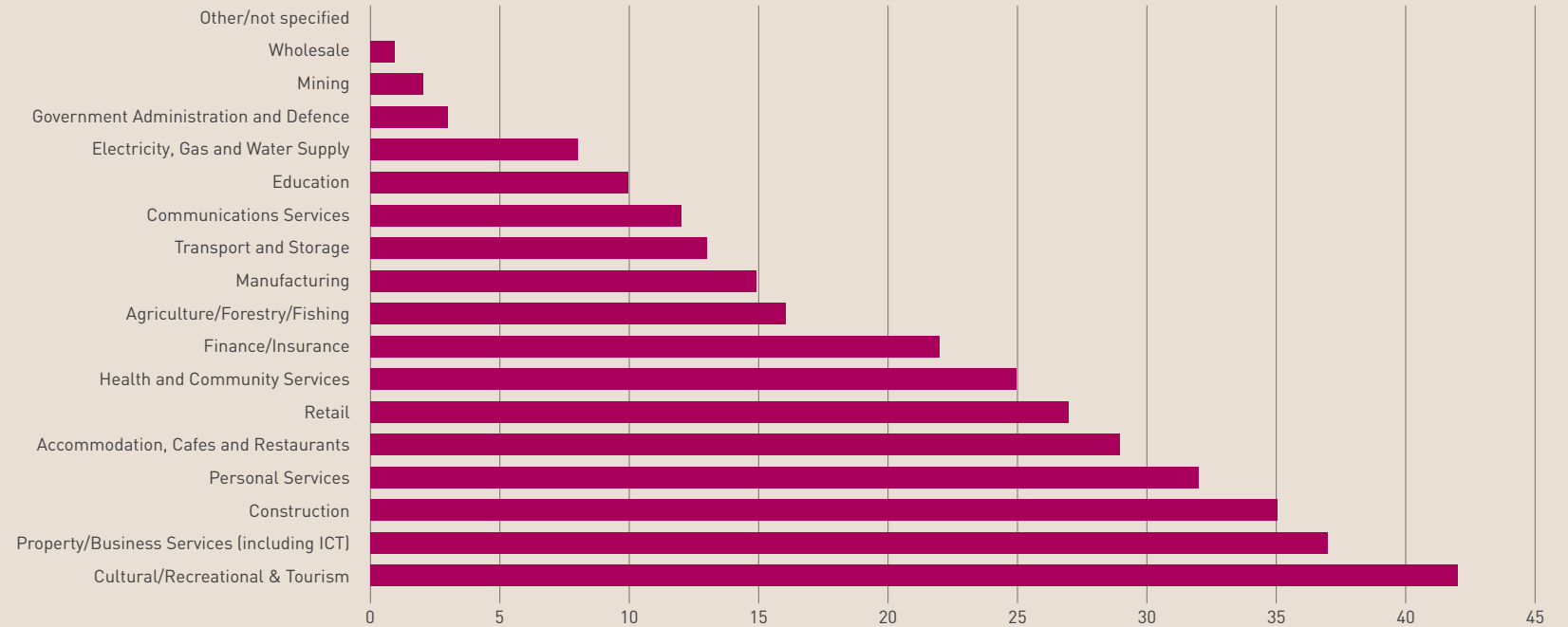
Rank	Constraints	Index Level ¹
1	Level of demand/economic activity	75.6
2	Political and economic stability	63.4
3	Insurance premium costs	58.6
4	Direct wage costs	50.8
5	Level of business taxes and government charges (State and Local)	49.1
6	Level of business taxes and government charges (Federal)	48.8
7	Compliance and complexity of business taxes and government charges	48.4
8	Indirect wage costs (Superannuation, Workers Compensation etc)	47.1
9	Compliance and complexity of WHS regulations	44.3
10	Retaining and recruiting suitably qualified employees	44.1

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 337 from FNQ (14%).

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



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