

NORTH QUEENSLAND (TOWNSVILLE) 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 in North Queensland (NQ) 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 has severely impacted the NQ region due to the strong linkage between industry and overseas trade. With there still being little said about when trade borders and '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 NQ revealed the harrowing conditions as business owners are left to endure severe financial and emotional distress.



Nearly three quarters (74%) of business in NQ experienced weaker operating conditions during the March quarter with 72 per cent recording a decline in their sales and revenue. As a result 80 per cent expect the local economy to weaken over the next 12 months.



Businesses across NQ region fared similarly to the State average during the March quarter (2020). However, a greater proportion of businesses are still battling with high operating and labour costs compared to the state.



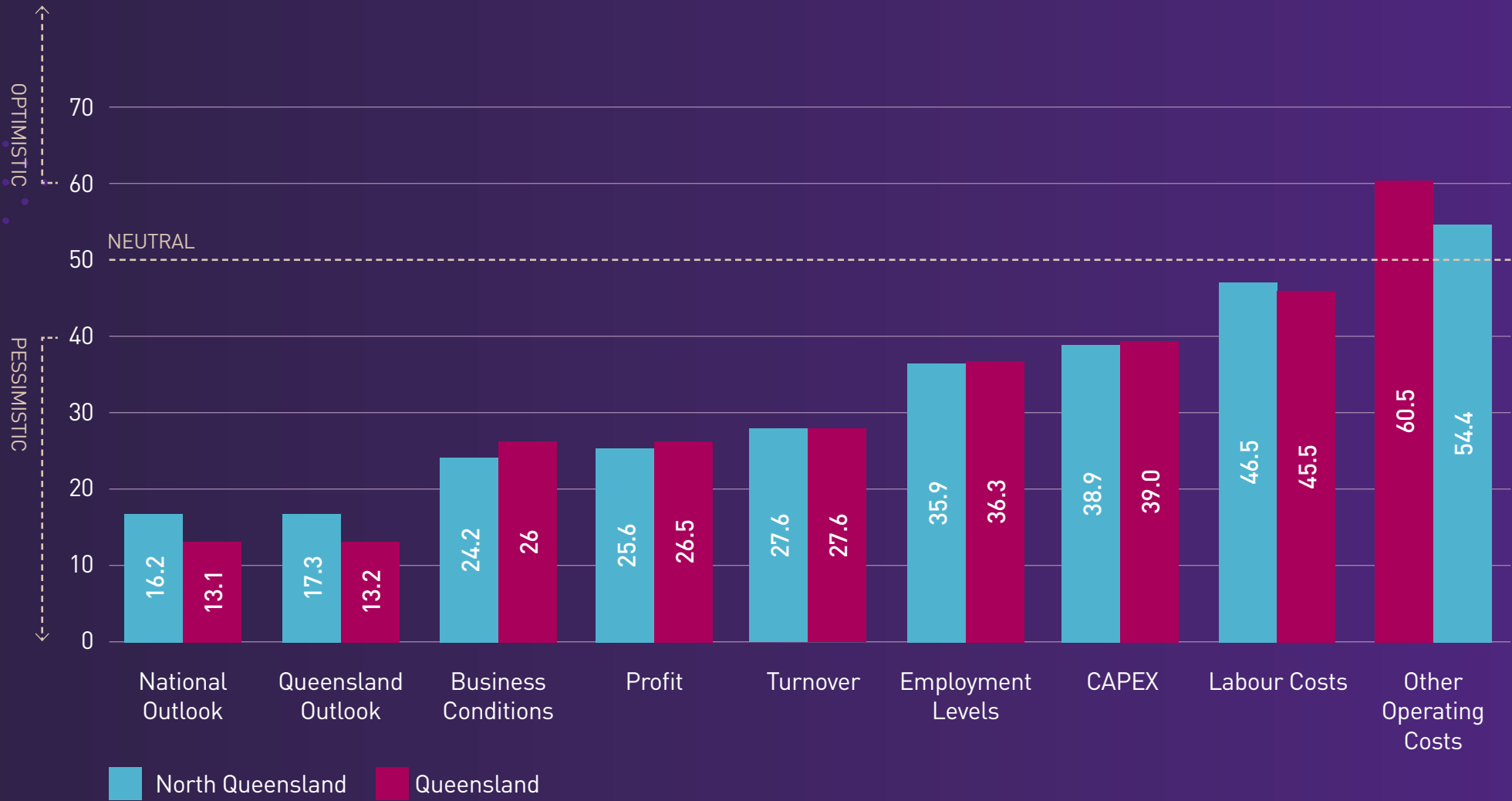
Analysis of the industrial composition of NQ suggest that the implication of the COVID-19 pandemic will be felt more severely by the education sectors, as well as the general retail and hospitality sectors which are strongly reliant upon tourism.



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

SNAPSHOT DATA

NORTH QUEENSLAND (TOWNSVILLE) 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

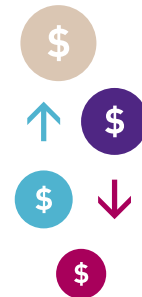


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **16.2** [-27.3]; Very poor
National Outlook = **17.3** [-31.6]; Very poor

The absolute majority of small businesses in NQ anticipate weaker economic conditions over the near term. Confidence in the state and national economy has collapsed, with 80 per cent of business respondents expecting the economy to weaken over the following 12 months. While the results are a reflection of drastically low confidence, there were slightly more businesses hopeful of a fruitful recovery period when compared to the state average. Across Queensland, there was a higher proportion of businesses forecasting worsening conditions for the state (87%) and nation (88%).

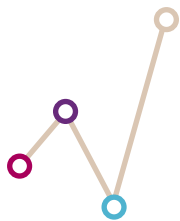


SALES AND REVENUE

PULSE SURVEY INDEX

Turnover = **27.6** [-26.9]; Very poor

Nearly three quarters (72%) of businesses reported weaker turnover over the March quarter. This compares with the significant minority (12%) experiencing higher sales and revenues (largely related to pharmaceutical, grocery, alcohol and hardware retailing). Making matters worse is the fact that just three per cent of businesses are hopeful for uptake in turnover during the June quarter. This follows an overwhelming majority of businesses (89%) anticipating future downturns as the impact of the pandemic transpires.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

Business Conditions = **24.2** [-24.7]; Very poor

Nearly three quarters (74%) of NQ businesses experienced weaker operating conditions during the March quarter. This finding is slightly more pessimistic to the state average, where fewer businesses (70%) reported a slide in trading conditions.

The forecast for the June quarter (2020) highlights the fact that SMEs expect business conditions to worsen as a result of the lagged implications of COVID-19. Namely, 86 per cent of businesses from NQ are anticipating weaker trading conditions during the June quarter. This poor outlook did not differ from the state where 83 per cent of businesses were expecting conditions to deteriorate further.



OPERATING COSTS

PULSE SURVEY INDEX

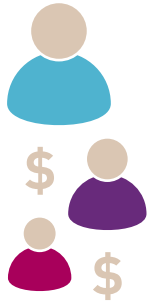
Other Operating Costs = **60.5** [-10.0]; Satisfactory

More than a half (60%) of businesses in NQ indicated that their operating costs had not increased over the March quarter. The findings from NQ were below to the state average, which saw more (70%) reporting unchanged operating costs in the area of electricity, insurances, rent and more. A significant source of frustration from the NQ business community continues to be insurance premiums following recent natural disasters.

Businesses indicated that they anticipate their running costs to remain the same during the June quarter with 63 per cent of businesses anticipating their costs remain unchanged or fall. This highlights the struggles facing NQ with significantly more businesses across the state average (87%) anticipating the same.

SNAPSHOT

LABOUR COSTS



PULSE SURVEY INDEX

Labour Costs = **46.5** (-13.0); Satisfactory

NQ businesses have clearly sought to shore up their long term viability by reducing staffing levels and requesting cuts in salary. 21 per cent of businesses reported a higher payroll during the March quarter. This compares to the 79 per cent of NQ businesses indicating either unchanged or lower wage costs over the same period.

Despite some improvement in the proportion of businesses (29%) expecting labour costs to ease over the June quarter, there were significantly fewer than the state average (42%). This would suggest either that forward employment intentions are lower in NQ than across the state, or that the implementation of the JobKeeper Payment and the Apprentice Wage Subsidy has been received less favourably.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Employment Levels = **35.9** (-15.3); Poor

Unfortunately, 41 per cent of businesses reported decreasing their staffing levels across the region. Similar findings were observed across the state with 43 per cent of respondents having to lay off staff. Despite the introduction of various stimulus measures supporting payroll costs, 54 per cent of businesses in NQ anticipate employment to fall further over the June quarter (2020). This finding is likely to be the result of weak business profitability and consumer demand, particularly impacting NQ's casual workforce.

PROFITABILITY



PULSE SURVEY INDEX

Capital Expenditure = **25.6** (-17.6); 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 (2020) with nearly three quarters (72%) of businesses in NQ reporting weaker profitability. The results suggest that the regional private sector has fared similarly to surrounding regions, with the state average reporting a thinner bottom line for 70% of businesses. Companies are not optimistic in there being any improvement in profitability during the June quarter with 85 per cent fearing that the worst is still to come.

CAPITAL EXPENDITURE



PULSE SURVEY INDEX

Capital Expenditure = **38.9** (-11.1); Poor

Business investment levels decreased over the March quarter. While just under one half (49%) of NQ businesses reported the same level of investment, 39 per cent reported falling capital expenditures over the quarter. The reduction in profitability and absence of cash reserves will lead to 53% of NQ businesses either delaying or decreasing investment activities in the June quarter.

THE VOICE OF THE NORTH QUEENSLAND



The legislation surrounding COVID-19 will impact all levels of business, particularly the forced closure of small businesses that will not reopen once removed.



Confidence is going to be a big factor in the rebound post COVID-19. If the public are living in fear, then consumer confidence and demand will fall.



As a country, we need to be much longer-term in our thinking and move to make Australia more resilient from global issues in the future.



The economy will be impacted by the effects of COVID-19 with the lack of tourism, and the fact that we can only operate as a takeaway venue.



Many small businesses will go to the wall leaving unemployment as a major problem. With higher unemployment, crime is likely to continue being an ongoing issue.



There will be many bankruptcies as businesses are being forced to shut by COVID-19 regulations.



I think there will be a decline in work completed on job sites for the next few months, followed by a hopeful rise. As we have not had our winter yet and there is no vaccine, I am very concerned as we enter influenza season.



For our industry, we will feel the effect in about five months after everyone has stopped buying houses.



This virus will have a lasting effect on confidence and will take those businesses hardest hit a long time to recover. Whether or not they will be able to recover will depend on when they can restart again.



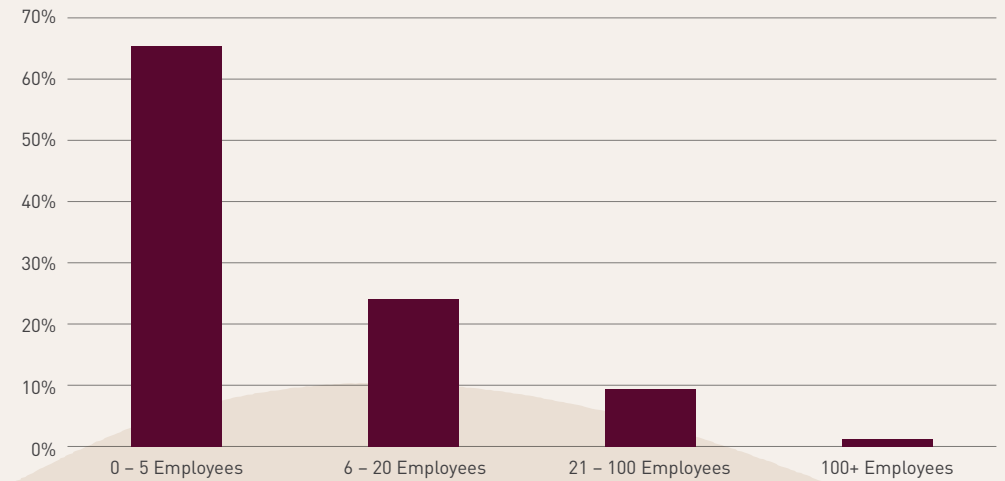
The impact of the virus is dangerously widespread. There will be a long-lasting state and federal debt, employment is likely to increase, the share markets will take a hit, and there will be a significant downturn in productive capital expenditures by big businesses.

MAJOR CONSTRAINTS ON BUSINESS GROWTH

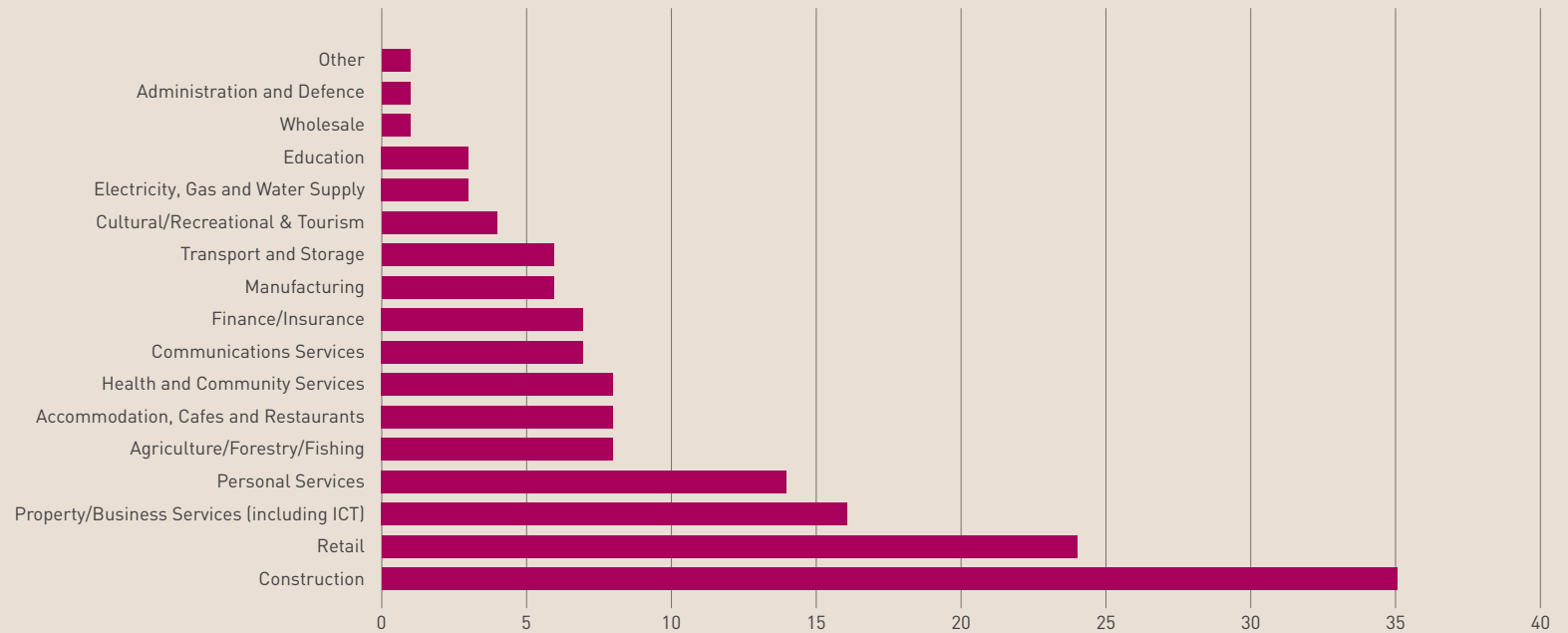
Rank	Constraints	Index Level ¹
1	Level of demand/economic activity	75.2
2	Political and economic stability	63.0
3	Insurance premium costs	63.0
4	Level of business taxes and government charges (State and Local)	58.0
5	Compliance and complexity of business taxes and government charges	56.6
6	Level of business taxes and government charges (Federal)	55.0
7	Energy costs and standard of infrastructure	52.3
8	Climatic conditions (drought, flooding, storm etc)	51.6
9	Compliance and complexity of WHS regulations	51.6
10	Compliance and complexity of environmental regulations	48.4

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 152 from the NQ region (6%).

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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