

SOUTH WEST 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 in South West Queensland (SWQ) 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 SWQ 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 the SWQ region revealed the harrowing conditions as business owners are being left to endure severe financial and emotional distress.



More than two thirds (68%) of business respondents experienced weaker operating conditions during the March quarter with a similar proportion (67%) recording a decline in their sales and revenue. As a result 87 per cent expect the local economy to weaken over the next 12 months.



Businesses across the SWQ region fared similarly to the State average during the March quarter (2020). Despite this, the outlook for the region for the months to June are slightly more pessimistic, especially regarding profitability.



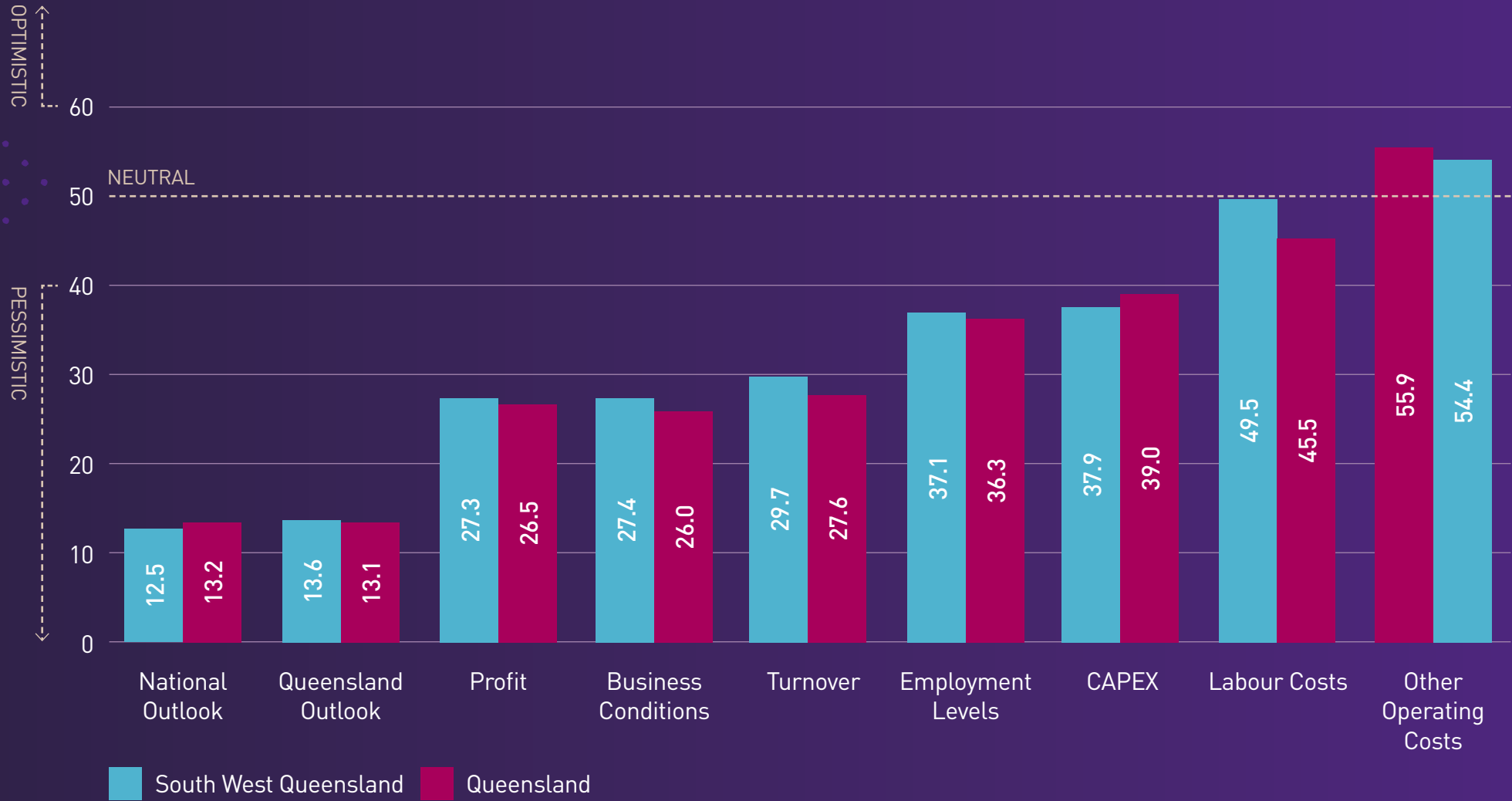
Analysis of the industrial composition of SWQ suggest that the implication of the COVID-19 pandemic will be felt more severely by exporting sectors such as agriculture and manufacturing, as well as the general retail and hospitality sectors.



Forecasts for the June quarter indicate that SWQ 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

SOUTH WEST 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

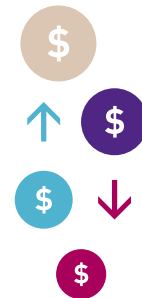


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **13.6** [-26.1]; Very poor
National Outlook = **12.5** [-34.3]; Very poor

The absolute majority of small businesses in SWQ anticipate weaker economic conditions over the near term. Confidence in the state economy has collapsed, with 87 per cent of business respondents expecting weaker economic performance during the following 12 months. Similar results were observed for the national economy, with 88 per cent reporting a negative outlook. The results observed across SWQ are nearly identical to the state average where 87 and 88 per cent of total respondents anticipated a weaker economic outlook for Australia and Queensland, respectively.

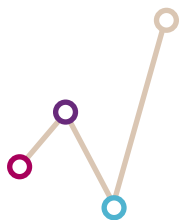


SALES AND REVENUE

PULSE SURVEY INDEX

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

More than two thirds (67%) of SWQ businesses reported weaker turnover during the March quarter. This finding compares to the lesser proportion (17%) who experiences stronger sales and revenues (largely related to pharmaceutical, grocery, alcohol and hardware retailing). Reflecting the weak outlook and sentiment levels was the fact that just eight per cent of businesses are expecting an uptake in turnover during the June quarter. This suggestion follows an overwhelming majority of businesses (84%) that are anticipating future downturns as the impact of the pandemic transpires.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

Business Conditions = **27.4** [-11.8]; Very poor

More than two thirds (68%) of the respondents experienced weaker operating conditions during the March quarter. Again, this finding is nearly identical to the state average where 70 per cent 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. This suggestion follows the observation where 83 per cent of businesses from the SWQ region were anticipating weaker trading conditions in the next three months. This poor outlook did not differ from to the state where the same proportion of businesses are expecting conditions to decline further.



OPERATING COSTS

PULSE SURVEY INDEX

Other Operating Costs = **55.9** [-10.7]; Satisfactory

More than two thirds (67%) of SWQ businesses indicated that their operating costs had not increased over the March quarter.

The findings from SWQ similar 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 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 = **49.5** [-7.9]; Poor

SWQ businesses have clearly sought to shore up their long term viability by reducing staffing levels and requesting cuts in salary. More than one half (57%) of the businesses reported no change to their payroll expenses during the March quarter (2020). 43 per cent of SWQ businesses indicated either unchanged or lower wage costs over the same period. It is likely that the implementation of the JobKeeper Payment and the Apprentice Wage Subsidy (amongst other stimulus measures) has aided businesses ability to continue paying their employees with 42 per cent anticipating eased payroll burdens over the June quarter.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Employment Levels = **37.1** [-7.4]; Poor

Unfortunately, 42 per cent of businesses reported decreasing their staffing levels across SWQ. Similar findings were observed across the state with 43 per cent having to lay off staff. Despite the introduction of various stimulus measures supporting payroll costs, 55 per cent of businesses in the SWQ region 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 SWQ's casual workforce.

PROFITABILITY



PULSE SURVEY INDEX

Capital Expenditure = **27.3** [-14.2]; 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 (2020) with more than two-thirds (69%) of SWQ businesses reporting weaker profitability. The results suggest that the SWQ private sector has fared no worse than surrounding regions, with the state average reporting a weaker bottom line for 70% of businesses in the state. Businesses do not anticipate any improvement in profitability during the June quarter with 87 per cent fearing that poorer profitability is still to come.



CAPITAL EXPENDITURE

PULSE SURVEY INDEX

Capital Expenditure = **37.9** [-9.4]; Poor

Business investment levels decreased over the March quarter. While one-half (50%) of the respondents 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 SWQ businesses either delaying or decreasing investment activities in the June quarter.

THE VOICE OF SOUTH WEST QUEENSLAND



There will be an increased impact on small businesses that are still operating but not eligible for any stimulus relief with income below 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, business as well as personal debt.



Businesses are challenged with critical skills shortages across many industries alongside a reduction in training and higher education. Businesses 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 spend sparingly.



It will be challenging to recover from the downturn of business due to the reduction of work and trying to regain 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.



Government support policies do not include self-employed using non-salaried remuneration, which is many millions of Australian SME's, predominantly across service and building/construction sectors. The only access for most self-employed to cover welfare support will be to liquidate your business and join the dole queue. This will initiate the next significant wave of business destruction.



Giving apprentices a pay rise was a complete waste of funds. Also, the money paid to keep childcare places open was a good idea, but now they are saying they cannot manage to stay open even with the subsidy

MAJOR CONSTRAINTS ON BUSINESS

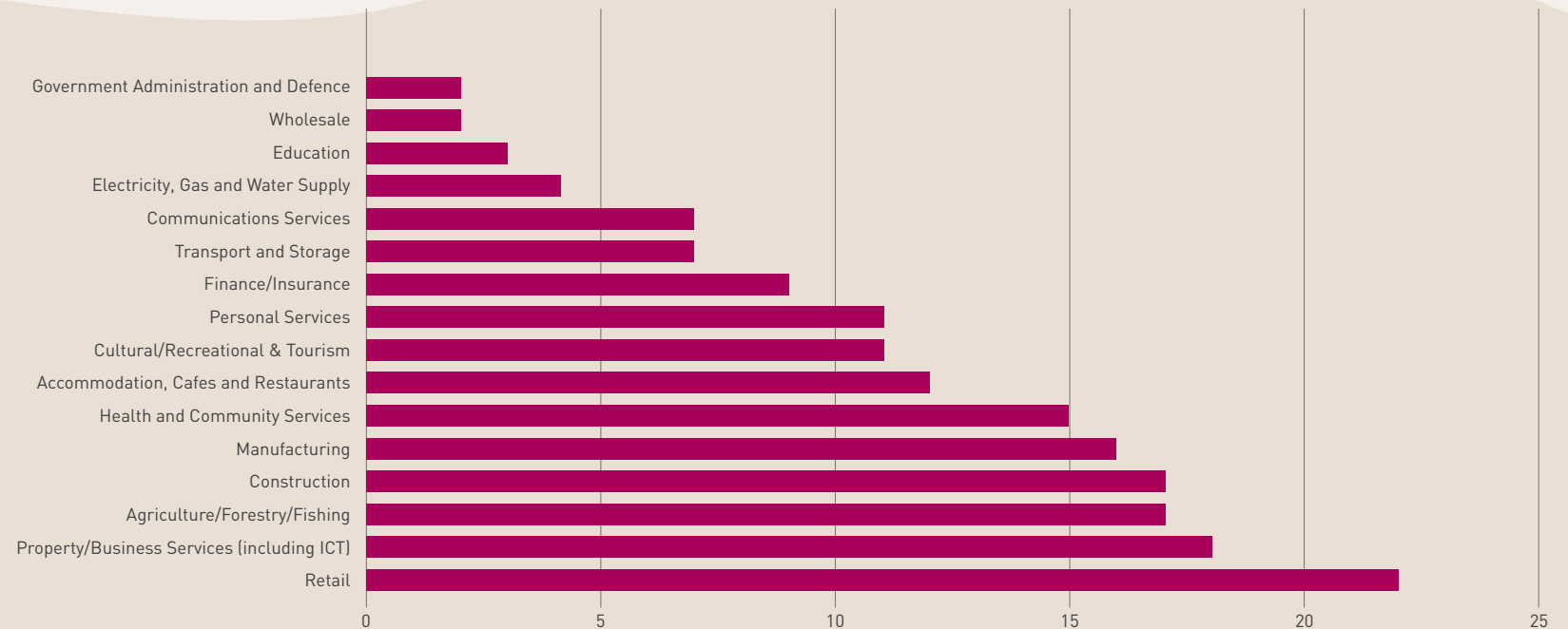
Rank	Constraints	Index Level ¹
1	Level of demand/economic activity	74.1
2	Political and economic stability	61.4
3	Insurance premium costs	56.3
4	Climatic conditions (drought, flooding, storm etc)	55.0
5	Compliance and complexity of business taxes and government charges	53.1
6	Level of business taxes and government charges (Federal)	51.9
7	Level of business taxes and government charges (State and Local)	50.6
8	Direct wage costs	49.8
9	Energy costs and standard of infrastructure	47.2
10	Compliance and complexity of WHS regulations	47.2

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 173 from the SWQ region (7%).

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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