

SUNSHINE COAST 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 Sunshine Coast 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 Sunshine Coast region due to a significant reliance on domestic and international 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 the Sunshine Coast region revealed the harrowing conditions as business owners continue to endure severe financial and emotional distress.



More than two thirds (68%) of business respondents experienced weaker operating conditions during the March quarter with 66 per cent reporting a decline in their sales and revenue. As a result 88% expect the local economy to weaken over the next 12 months.



Businesses across the Sunshine Coast fared relatively worse than the state for employment. This finding followed a higher proportion of businesses experiencing and expecting weaker employment levels during the March and June quarters, respectively.



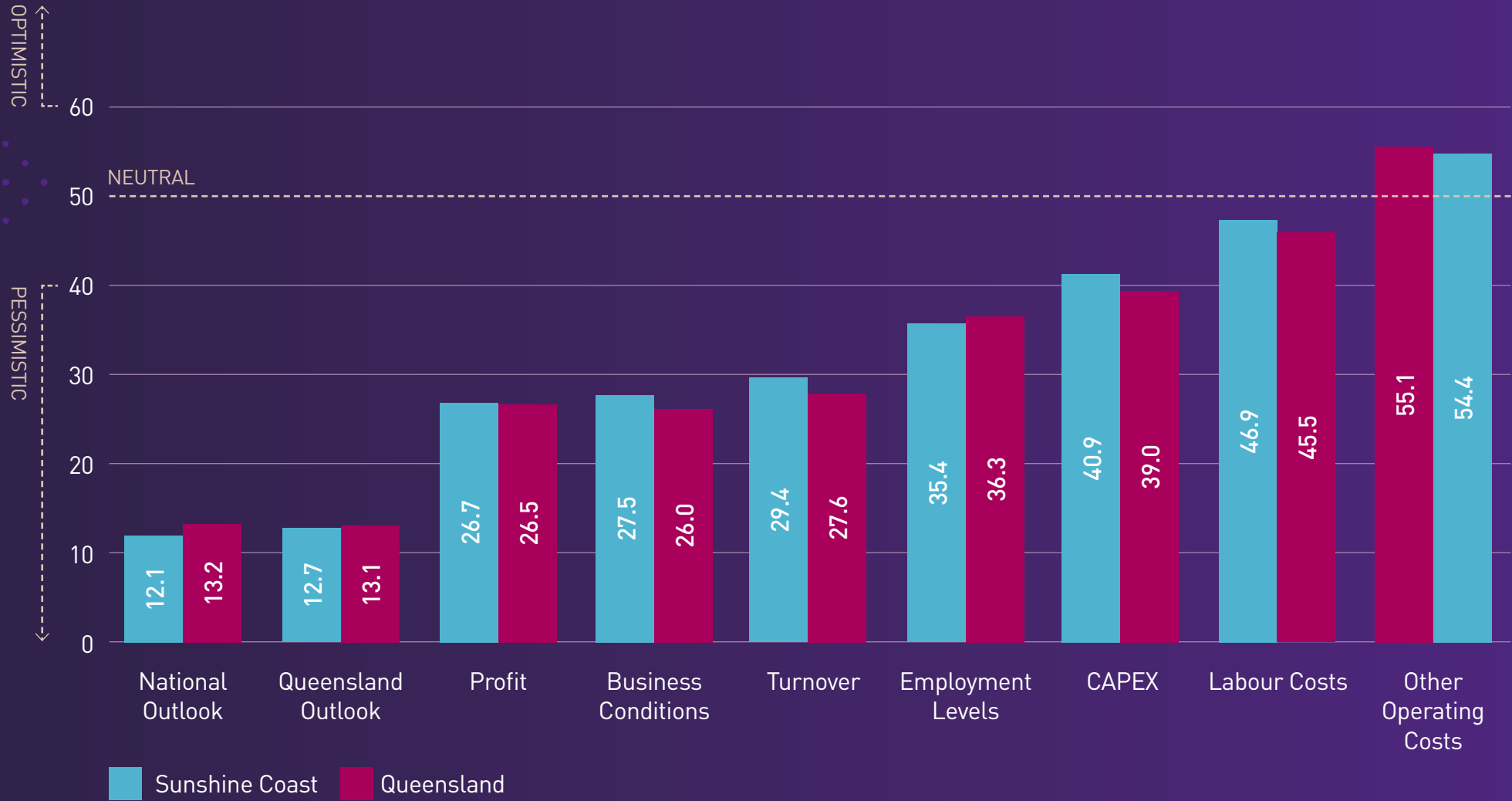
Feedback from with businesses on the Sunshine Coast suggests that the economic downturn will hit the exporting sectors such as tourism, education and manufacturing.



Forecasts for the June quarter indicate that Sunshine Coast 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

SUNSHINE COAST 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



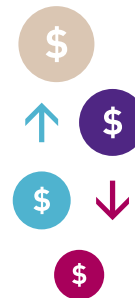
PULSE SURVEY INDEX

Queensland Outlook = **12.7** [-27.0]; Very poor
National Outlook = **12.1** [-31.5]; Very poor

The absolute majority of businesses on the Sunshine Coast anticipate weaker economic conditions over the near term. Business sentiment has collapsed with 88 per cent of respondents planning for the weaker performance of the state and national economy. The sample results from the Sunshine Coast were 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



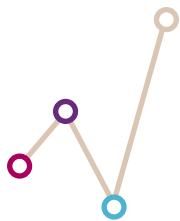
PULSE SURVEY INDEX

Turnover = **29.4** [-16.3]; Very poor

Two thirds (66%) of Sunshine Coast businesses reported softer turnover during the March quarter. This result compares to the lowly 17 per cent experiencing improvements to sales and revenues revenues (largely related to pharmaceutical, grocery, alcohol and hardware retailing). 90 per cent of businesses anticipate further reductions in turnover during the June quarter. This finding highlights the more pessimistic outlook of the Sunshine Coast community with slightly fewer businesses across the state (87%) expecting their turnover to worsen.



GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Business Conditions = **27.5** [-13.3]; Very poor

More than two thirds (68%) of Sunshine Coast businesses experienced weaker operating conditions during the March quarter. This finding suggests that businesses in the Sunshine Coast region fared similarly to the rest of the state where only slightly more (70%) reported a slide in trading conditions.

The forecast for the June quarter (2020) highlights that SMEs expect business conditions to worsen as a result of the lagged implications of COVID-19. 84 per cent of businesses from the Sunshine Coast expect trading conditions to deteriorate in the next three months. The low sentiment of the region is nearly identical to the state where 83 per cent expect business conditions to slide.



OPERATING COSTS



PULSE SURVEY INDEX

Other Operating Costs = **55.1** [-12.6]; Satisfactory

More than two thirds (67%) of Sunshine Coast businesses indicated that their operating costs had not increased over the March quarter. The findings from the Sunshine Coast 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 83 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 = **46.9** (-12.3); Poor

Sunshine Coast businesses have clearly sought to shore up their long term viability by reducing staffing levels and requesting cuts in salary. Only 14 per cent of businesses reported higher payroll costs during the March quarter (2020). 86 per cent of Sunshine Coast 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 (among other stimulus measures) are aiding 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 = **35.4** (-10.4); Poor

Nearly one half (46%) of all businesses reported decreasing their staffing levels across the Sunshine Coast. Similar findings were observed across the state with 43 per cent having to lay off staff. Despite the introduction of various stimulus support measures aiding payroll costs, 62 per cent of businesses across the Sunshine Coast anticipate employment to fall over the June quarter (2020). This finding is worse than the state average where 58 per cent are predicting additional layoffs and is likely the result of weak business profitability and consumer demand, particularly impacting Sunshine Coast's casual workforce.

PROFITABILITY



PULSE SURVEY INDEX

Capital Expenditure = **40.9** (-6.0); 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 70 per cent of Sunshine Coast businesses reporting deteriorated bottom lines. Businesses are not optimistic about the prospect of improved profitability during the June quarter. This follows findings where even more (86%) respondents expect that the worst concerning company profits is still to come as a result of COVID-19 impacts.



CAPITAL EXPENDITURE

PULSE SURVEY INDEX

Capital Expenditure = **40.9** (-6.0); Poor

Business investment levels decreased over the March quarter. While just over half of businesses (51%) reported the same level of investment, 35 per cent reported fewer capital expenditures. The reduction in profitability and absence of cash reserves will lead to 57 per cent of Sunshine Coast businesses either delaying or decreasing investment activities in the June quarter.

THE VOICE OF THE SUNSHINE COAST

“ The economy will be affected by a fall in demand from export markets coupled with a dramatic fall in domestic consumption, which is exacerbated by an unserviceable debt burden.

“ Many small businesses will not recover from this disaster.

“ There will be a decrease in retail and hospitality businesses while new construction may also decrease due to a property decline.

“ Small businesses need cash now, not on the 28th of April, nor as a refund for paying JobKeeper payments at the end of May. No one has the cash flow to pay their staff up to the end of May.

“ There is an expectation that everyone will have to take a haircut on their salary, but no mention of our elected officials or public servants.

“ Many businesses that have been forced to close are going to be opening their door to a mountain of debt. The costs of loans, electricity, gas and insurances that have been deferred are and will be expected to be paid in 6 months.

“ The general population is concerned about the virus, but the biggest fear is job security as whole industries seem to be closing.

“ Current closures will be crippling, however, I believe when we come back, we will come back strong.

“ Already this quarter has our business with no income and most in the tourism industry are in a similar position. Only those with back up money will have the ability to recover.

MAJOR CONSTRAINTS ON BUSINESS GROWTH

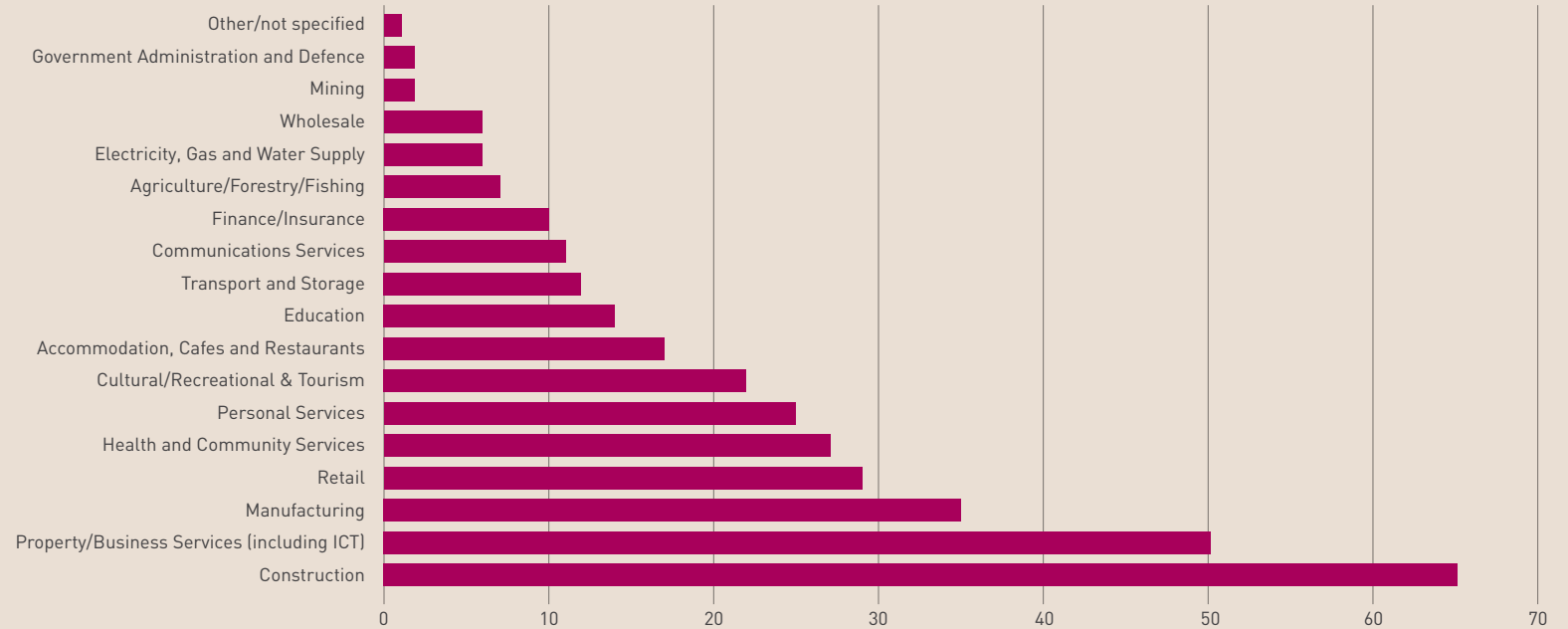
Rank	Constraints	Index Level ¹
1	Level of demand/economic activity	75.3
2	Political and economic stability	66.0
3	Insurance premium costs	53.2
4	Level of business taxes and government charges (Federal)	51.5
5	Level of business taxes and government charges (State and Local)	50.5
6	Direct wage costs	50.1
7	Compliance and complexity of business taxes and government charges	48.8
8	Indirect wage costs (Superannuation, Workers Compensation etc)	46.3
9	Communication costs and standard of infrastructure	41.7
10	Energy costs and standard of infrastructure	41.2

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 341 from the Sunshine Coast (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

Chamber of Commerce & Industry Queensland

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