

pulse
QUEENSLAND

SUNCORP GROUP CCIQ PULSE SURVEY OF BUSINESS CONDITIONS

▼ JUNE QUARTER 2017

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The CCIQ Pulse Survey of Business

Conditions is the largest survey of Queensland businesses, providing critical insights into the sentiment of business owners across the State. It is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of Queensland business expectations and confidence and has been in operation for decades.

The survey period was from 7th July to 21st July 2017 and covers business sentiment through the June quarter 2017.

OVERVIEW

Confidence in the Queensland economy suffered a set-back during the June quarter, falling 2.3 points to 47.1 points.

With the index sitting below the neutral level of 50 points, Queensland's small business community is feeling pessimistic about the year ahead.

Rising business costs (particularly energy), red tape, a lack of investment in infrastructure along with uncertainty created by turmoil in global markets and in the domestic political system are recurring themes which continue to weigh down on sentiment.

The forward-looking indicators point to a weaker quarter ahead in September. The General Business Conditions Index forecast series points to another difficult quarter with profitability under pressure from rising operational costs.

GENERAL BUSINESS CONDITIONS

The Pulse General Business Conditions Index dropped by 7.9 percentage points in the June quarter to 44.7 points in seasonally adjusted terms.

The small business community is expecting a further deterioration in conditions over the next quarter with an index reading of 47.5, which is still below the neutral level.

12 MONTH OUTLOOK

The 12-month outlooks for the Australian (52.0) and the Queensland (47.1) economies have both retreated during the past quarter.

INTRODUCTION

Business confidence in the Queensland and Australian economy suffered a set-back during the June quarter.

Rising business costs (particularly energy), red tape, a lack of investment in infrastructure along with uncertainty created by turmoil in global markets and in the domestic political system are recurring themes which continue to weigh down on sentiment.

There were indications of optimism as businesses saw positive signs for key industry sectors. The approach of the Commonwealth Games is providing a boost for the tourism and construction industries, while the improvement in commodity prices and an increase in mining activity is expected to provide an injection to regional communities.

The business community's mixed perceptions of the economic outlook reflect recent data releases which have showed conditions are still a mixed bag. Indicators such as state final demand, retail sales and construction activity show private sector activity easing, however, other data releases show an improvement in labour market conditions and stronger population growth.

In the latest Pulse survey results, the broad range of performance indicators showed a considerable deterioration in the operating conditions businesses are facing.

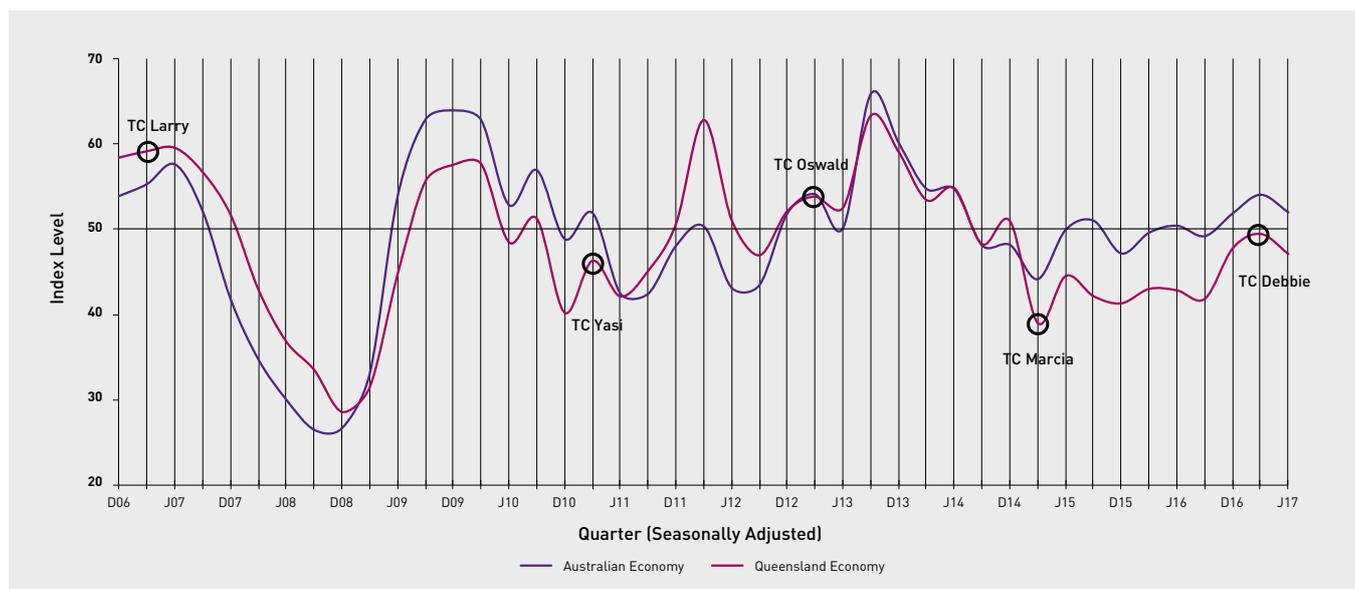
The General Business Conditions indicator fell to 44.7 points signifying operating conditions worsened during the June quarter. This result is supported by the business performance indicators which showed rising labour costs and other operating costs resulting in falling profits in the past quarter. On a positive note, sales and revenues improved along with the number of businesses hiring new staff, however, it is concerning to see businesses cut back on capital expenditure.

The forward looking indicators point to a weaker quarter ahead in September. The General Business Conditions Index forecast series points to another difficult quarter with profitability under pressure from rising operational costs.

There has been very little to cheer about. Small business is suffering.
– Survey Respondent, Brisbane

Although income has increased it has not kept up with operating costs, particularly electricity and government charges. In reality our business has gone backwards.
– Survey Respondent, Townsville

12 MONTH OUTLOOK: AUSTRALIAN & QUEENSLAND ECONOMIES



Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening. *Seasonally adjusted

	Queensland Outlook			Australian Outlook		
	Jun-16	Mar -17	Jun-17	Jun-16	Mar -17	Jun-17
Weaker (%)	43	33	35	27	21	22
Same (%)	42	40	41	49	51	53
Stronger (%)	15	27	24	24	28	25
Index (original)	41.1	47.9	45.2	48.6	51.5	50.1
Index (seasonally adjusted)	42.8	49.4	47.1	50.4	54.0	52.0

Confidence in the 12-month outlook for the Queensland economy suffered a set-back during the June quarter, falling 2.3 points to 47.1 points (seasonally adjusted). With the index sitting below the neutral level of 50 points, Queensland's small business community is feeling pessimistic about the year ahead.

Several issues and themes were common amongst the businesses surveyed: rapidly rising operating costs, a weak pipeline of infrastructure investment and a lack of trust or faith in politicians to implement good policy, particularly in the lead up to a state election. While some businesses were impacted by the after effects of Tropical Cyclone Debbie, the issue was generally not considered a major factor for most businesses surveyed.

QUEENSLAND ECONOMY

- Business confidence remains pessimistic in Queensland with the Pulse Index measured at 47.1 points in June 2017 (seasonally adjusted).
- Confidence levels in the Queensland Outlook fell 2.3 points in the latest quarter, but has improved by 4.3 points in the past year.
- The proportion of businesses expecting improved conditions fell in the past quarter from 27 per cent to 24 per cent. However, compared to a year ago, the proportion of pessimists has dropped from 43 per cent of businesses to 35 per cent.

AUSTRALIAN ECONOMY

- Confidence in the national economy declined 2.0 points to 52.0 points (seasonally adjusted) during the June quarter. The national index indicates businesses overall are optimistic.
- The index is at a higher level than a year ago, with a smaller proportion of businesses holding negative expectations for the prospects of the Australian economy than in the past 12 months.

GENERAL BUSINESS CONDITIONS

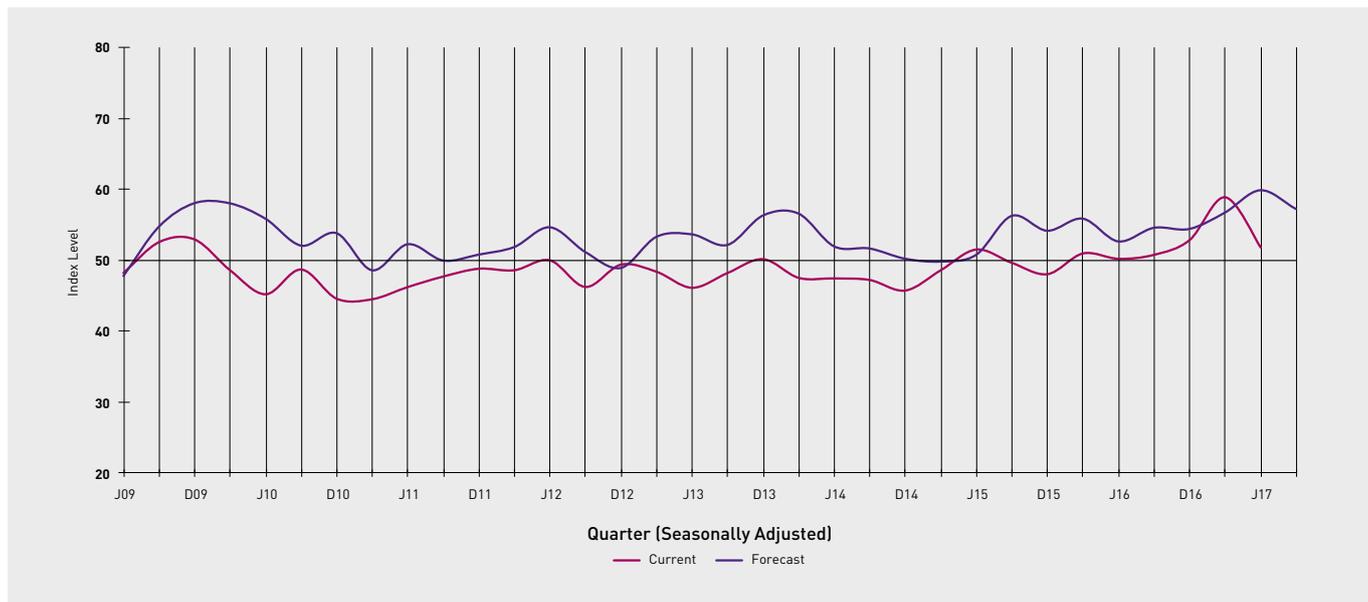


General Business Conditions				
	Dec -16	Mar-17	Jun-17	Sep-17
Weaker (%)	31	27	40	27
Same (%)	41	50	42	56
Stronger (%)	28	23	18	17
Index (original)	48.5	48.7	43.5	47.2
Index (seasonally adjusted)	46.2	52.6	44.7	47.5

- The Pulse General Business Conditions Index dropped by 7.9 percentage points in the June quarter to 44.7 points in seasonally adjusted terms.
- After achieving significant improvements during the March quarter, General Business Conditions quickly reversed course in the latest quarter.
- The proportion of businesses that found conditions weakened in the past quarter rose to 40 per cent. In contrast, less than one in five businesses perceived conditions had improved.
- The small business community is expecting a further deterioration in conditions over the next quarter with an index reading of 47.5, which is below the neutral level.

We have made decisions to limit our employment due to the restrictive and costly payroll tax requirements we would face by employing any further people – Survey Respondent, South West Queensland

SALES AND REVENUE

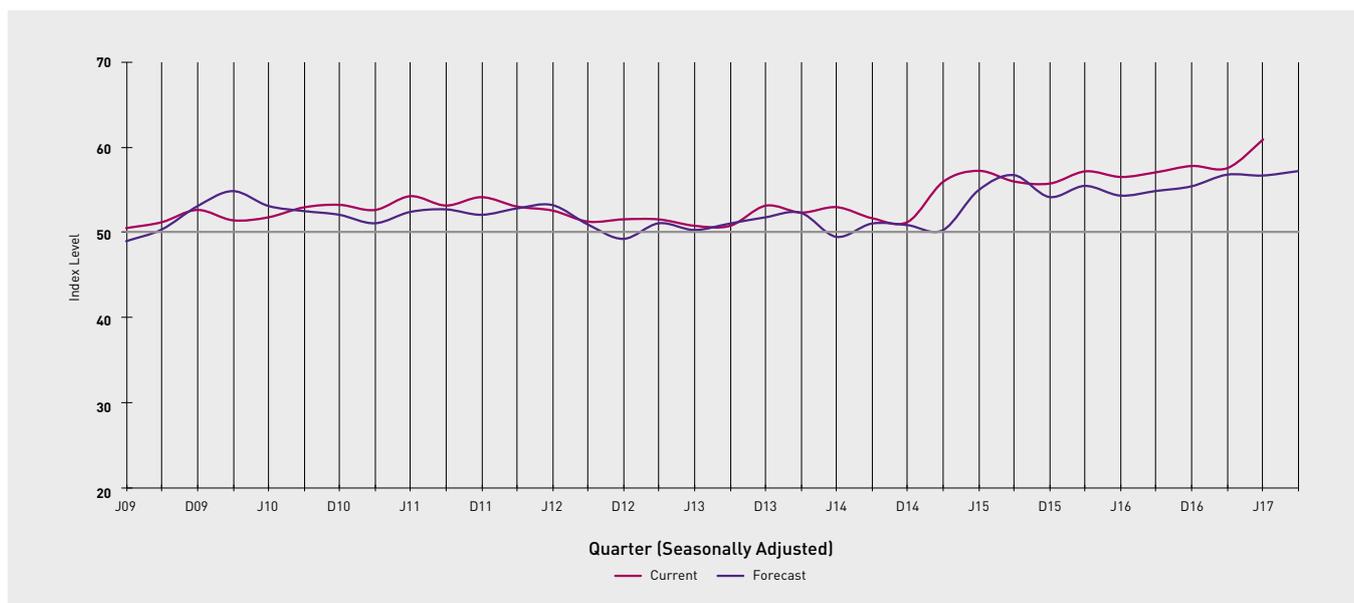


Sales & Revenue				
	Dec -16	Mar-17	Jun-17	Sep-17
Decreased (%)	25	25	29	14
Same (%)	31	32	37	45
Increased (%)	44	44	34	40
Index (original)	55.2	54.9	51.1	57.3
Index (seasonally adjusted)	52.9	58.9	51.8	57.2

- The Pulse Sales and Revenue Index retreated 7.1 points during the June quarter to 51.8.
- The index indicates sales activity expanded once more during the past quarter, however expansion was comparatively slower as there was a rise in the proportion of businesses that indicated sales had fallen in the past quarter.
- Over the next quarter, businesses expect further improvements in sales and revenue activity with the Pulse Sales and Revenue Index forecast series at a level of 57.2 for the September quarter.

Increased costs of services, and yet unable to increase prices due to competition from larger sized businesses – Survey Respondent, Sunshine Coast

LABOUR COSTS



Labour Costs				
	Dec -16	Mar-17	Jun-17	Sep-17
Decreased (%)	7	7	7	4
Same (%)	57	59	46	59
Increased (%)	36	34	47	37
Index (original)	57.5	56.8	61.0	58.5
Index (seasonally adjusted)	57.8	57.5	60.9	57.2

- The Pulse Labour Costs Index rose a further 3.4 points to 60.9 in June.
- The pace of growth in labour costs accelerated during the past quarter with the index rising to decade highs. Almost half of the businesses surveyed indicated labour costs had increased over the survey period.
- The upward pressure on payroll is expected to continue into the September quarter with the Pulse Labour Costs Index forecast series at 57.2 points.

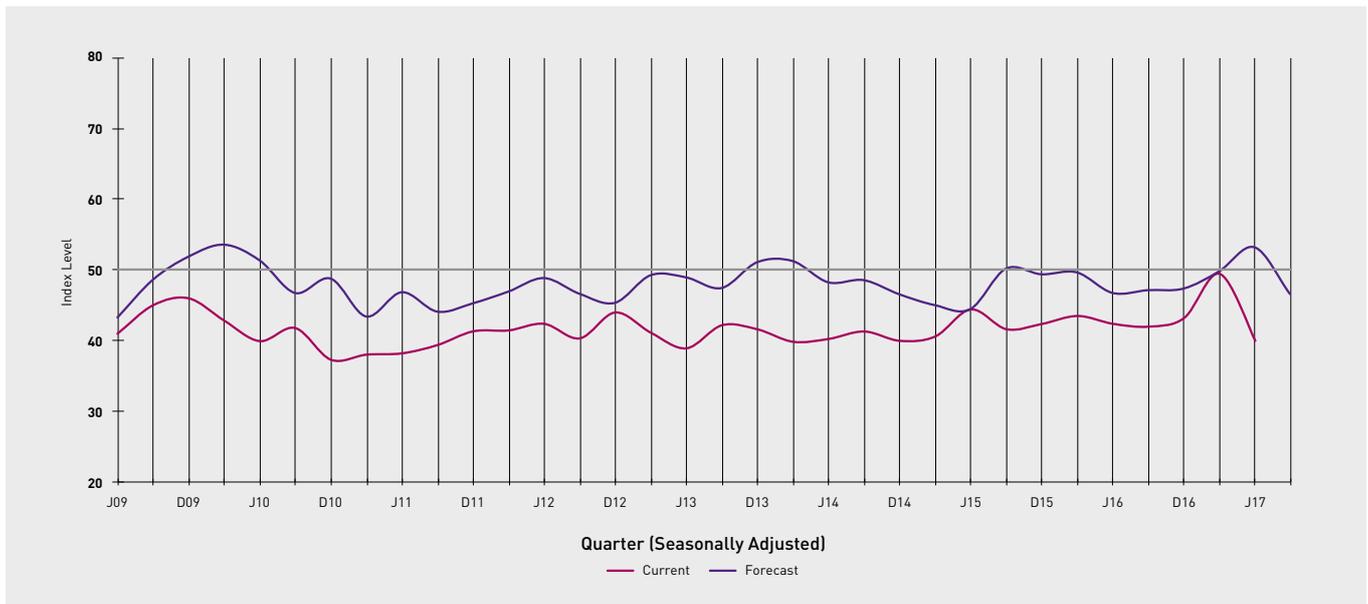
OPERATING COSTS

The Pulse Survey introduced a new indicator of Other Operating Costs in the March quarter 2015, to provide additional insights into the costs of doing business. While an Index for Other Operating Costs has now been developed, only original estimates are currently available, with a seasonally adjusted index being made available in the future.

Other Operating Costs				
	Dec -16	Mar-17	Jun-17	Sep-17
Decreased (%)	1	1	2	2
Same (%)	41	40	20	45
Increased (%)	58	59	78	73
Index (original)	65.4	66.2	75.0	71.2

- The Pulse Other Operating Costs Index reached 75.0 in June (in original terms), rising 9.1 index points from the year prior. This is an extremely worrying result which highlights the difficulties facing Queensland's small business community.
- Almost 80 per cent of businesses reported increased costs during the past quarter. Throughout the survey, businesses cited rising costs for electricity and utilities as the biggest operating issues they faced.
- The Pulse Other Operating Costs forecast series indicates there is an expectation amongst small business that costs will continue to increase. With 73 per cent of businesses expecting rising costs over the next quarter, the index is at a level of 71.2; 8.1 points higher than the September 2016 reading.

PROFITABILITY



Profitability				
	Dec -16	Mar-17	Jun-17	Sep-17
Decreased (%)	38	34	54	33
Same (%)	39	45	30	47
Increased (%)	23	21	16	20
Index (original)	45.2	46.1	39.1	46.0
Index (seasonally adjusted)	43.2	49.5	40.0	46.5

- The Pulse Profitability Index slumped by 9.5 points in the June quarter to 40.0.
- More than half the businesses surveyed indicated their profitability levels had dropped during the June quarter, while only 16 per cent of businesses managed to increase profitability.
- These profitability results can be explained by the rising levels of costs faced by businesses, especially with the Sales and Revenue Index expanding over the past quarter.
- The forecast for the September quarter indicates expectations of further falls to profitability levels with an index reading of 46.5. While 20 per cent of businesses expect profitability to improve during the September quarter, a larger share of businesses (33 per cent) expect profitability to fall further.

Ever increasing overhead/operating costs is making it hard for business to continue operating at a sustainable profit margin – Survey Respondent, Sunshine Coast

EMPLOYMENT LEVELS



Employment levels				
	Dec -16	Mar-17	Jun-17	Sep-17
Decreased (%)	19	19	22	15
Same (%)	63	60	60	68
Increased (%)	19	21	18	17
Index (original)	49.8	50.6	48.6	50.3
Index (seasonally adjusted)	48.9	51.7	49.2	50.7

- The Pulse Employment Levels Index fell 2.6 points to a below neutral reading of 49.2 points in the June quarter.
- 60 per cent of businesses kept employment levels steady during the past quarter. However, the proportion of businesses that reduced employment levels increased 3 percentage points to 22 per cent of surveyed businesses.
- The September quarter forecast of 50.7 indicates a slight improvement in labour market conditions during the next quarter.

If the State Government continues to increase the size of the public service instead of awarding contracts to private enterprise, then there will be no incentive for small business to invest in extra employees – Survey Respondent, Brisbane

CAPITAL EXPENDITURE



Capital Expenditure				
	Dec -16	Mar-17	Jun-17	Sep-17
Decreased (%)	26	21	27	26
Same (%)	53	54	47	56
Increased (%)	21	25	25	17
Index (original)	47.8	50.0	48.1	46.2
Index (seasonally adjusted)	46.8	52.2	49.3	46.9

- The Pulse Capital Expenditure Index slipped back during the June quarter to 49.3 points, indicating a slight decline in capital expenditure.
- Further declines in capital expenditure are expected in the next three months, with the Capital Expenditure Index expected to remain below neutral at 46.9 points for the September quarter.
- This appears to be related to the falling levels of profitability as only 17 per cent of businesses indicated they are expecting an increase in capital expenditure in the next quarter.

I have had to tighten my belt and delay investments in my business. It's a catch twenty-two, I want to invest in my business to drive my bills down and revenues up but rising costs prevent me from obtaining enough capital to do so – Survey Respondent, Townsville

REGIONAL ANALYSIS

The diverse sample of the CCIQ Pulse Survey identifies differences in economic conditions across Queensland. Although businesses in regional Queensland are generally more optimistic on the prospects of the Queensland economy overall, they have also reported lower levels of sentiment across most indicators of business activity.

Current – June 2017 (Original)	Queensland	South-East Queensland	Regional Queensland
Queensland Economy	45.2	44.8	46.3
General Business Conditions	43.5	45.2	42.0
Sales & Revenue	51.1	51.4	51.0
Profitability	39.1	41.6	36.7
Labour costs (Avg. Wage)	61.0	61.1	61.9
Employment Levels	48.6	49.1	49.2
Other Operating Costs	75.0	72.1	79.5

REGIONAL BUSINESS CONFIDENCE:

- Businesses in regional Queensland (46.3) continue to be more optimistic about the outlook for the Queensland economy than businesses in South-East Queensland (44.8).
- While businesses in regional Queensland are more optimistic about the prospects for the state economy, the business conditions they face are more difficult than their South-East Queensland counterparts.
- The largest divergence in indicators is within the Other Operating Costs and Profitability Indices. While both indicators reported poor results across the state in the last quarter, small businesses in regional Queensland (79.5) reported significantly higher increases in business costs than businesses in South-East Queensland (72.1).
- The increase in Other Operating Costs is reflected in the profitability indicator for both regions. Small businesses in regional Queensland (36.7) reported larger declines in profitability than businesses in South-East Queensland (41.6).
- On the positive side, the Sales & Revenue Index indicated revenues for businesses across the entire state continued to expand for the third quarter in a row. Both metropolitan and regional businesses are anticipating further revenue growth in the September quarter.
- The forecasts provided by the survey participants indicate that businesses operating in South-East Queensland will face more favourable business conditions relative to regional Queensland over the next quarter.

Forecast – September 2017 (Original)	Queensland	South-East Queensland	Regional Queensland
General Business Conditions	47.2	48.1	46.7
Sales & Revenue	57.3	59.7	53.9
Profitability	46.0	48.8	42.7
Labour costs (Avg. Wage)	58.5	58.9	58.7
Employment Levels	50.3	51.2	49.6
Other Operating Costs	71.2	69.0	74.4

Business overheads are at an all-time high – Survey Respondent, Mackay

MAJOR CONSTRAINTS ON BUSINESS GROWTH

Rank	Constraint	Jun-16	Mar-17	Jun-17	Quarterly Change
1	Energy costs	48.4	48.7	60.5	↑
2	Political and economic stability	63.5	56.6	58.9	=
3	Insurance premium costs	50.0	50.0	54.9	=
4	Level of demand/economic activity	63.5	59.8	54.9	↓
5	Level of business taxes and government charges (State and Local)	52.8	49.8	53.5	↓
6	Level of business taxes and government charges (Federal)	49.4	47.5	53.4	↑
7	Direct wage costs	51.0	47.4	52.5	↑
8	Compliance and complexity of business taxes and government charges	50.0	48.6	50.7	↓
9	Indirect wage costs (Superannuation, Workers Compensation etc)	48.9	44.7	48.6	↑
10	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	44.3	44.9	47.6	↓

↑ Rank order improved from previous quarter; = unchanged from previous quarter; ↓ worsened from previous quarter.

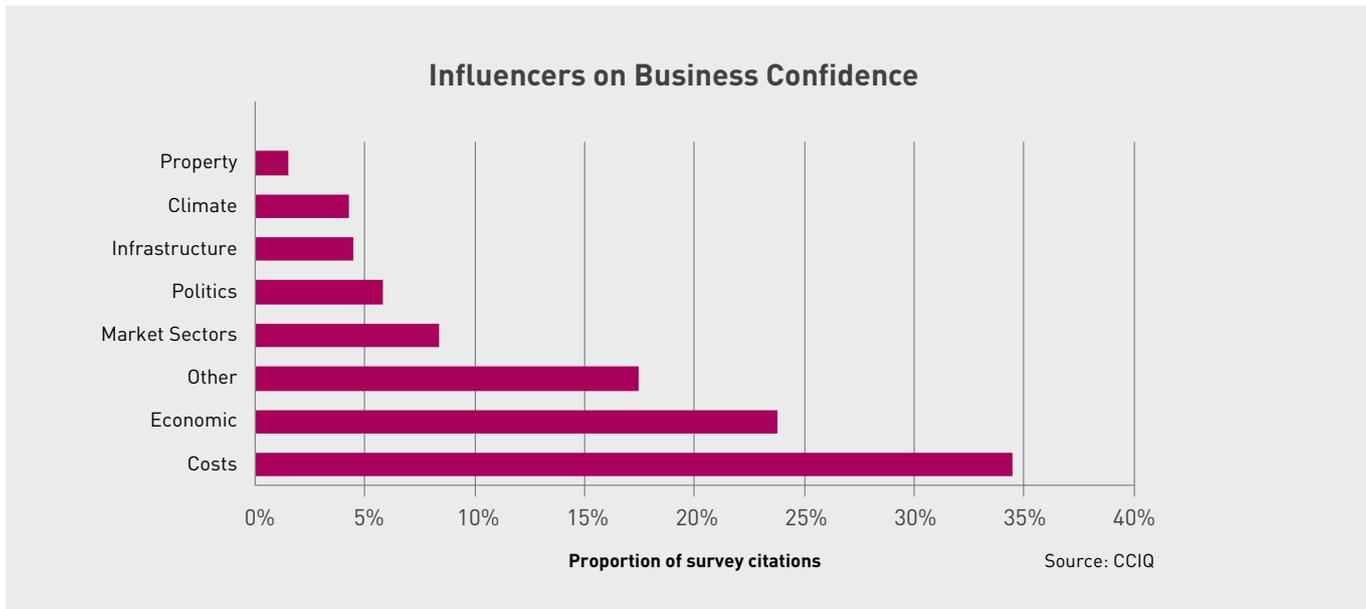
- Energy costs have risen to become the leading issue constraining small business growth. The issue of energy costs has risen swiftly as a key concern for small businesses in the past year. In the June 2016 edition of the Pulse Survey, energy was considered the 9th biggest constraint on Queensland small businesses. The degree of constraint has significantly increased in the past year, rising from 48.4 to 60.5 index points.
- Businesses are indicating that operational costs are the key factors constraining their business. These costs include energy, insurance, taxes and charges (at the federal, state and local levels) and employment costs.
- This is the first period in almost a decade that the level of demand and economic activity was not considered one of the top two issues constraining business growth. The degree of constraint has also eased in recent quarters although it is still considered a large impediment to business growth.
- Red tape is another key concern amongst business with compliance activities related to tax and industrial relations all increasing constraint in the past 12 months.
- It is also important to note that eight of the top ten constraints are graded at over 50.0 in terms of degree of constraint, indicating these are all important issues impacting small businesses.

One issue which the government actually has a huge degree of control over is electricity prices which impact all businesses. Australia has the best supply of resources for power generation (coal, gas, nuclear, renewable sources) and yet some of the world's most expensive power. This is ridiculous and is very harmful to the Australian economy – Survey Respondent, South West Queensland

INFLUENCERS ON BUSINESS CONFIDENCE

Business confidence in the Queensland and Australian economy fell during the June quarter. This section investigates the influences and factors behind the current levels of business confidence.

Analysis of qualitative data extracted from the Suncorp Group CCIQ Pulse Survey has revealed a number of factors are having both a positive and negative impact on the sentiment of Queensland small businesses. The data has been grouped into several themes consistently raised in survey responses: Economic Issues, Global Markets, Domestic Politics, Property Markets, Climate, Market Sectors, Infrastructure and Other. The chart below illustrates the distribution of these cited influences on business confidence in the March quarter.



BUSINESS COSTS

The single biggest issue facing Queensland’s small business community is the rise in the cost of doing business. This is particularly evident as the data results show costs are rising faster than business revenues.

Electricity pricing is a critical concern with many business owners believing prices are spiralling out of control to the detriment of local industry and jobs. The Fair Work Commission’s decision to raise the minimum wage by 3.3 per cent was another factor that businesses cited will critically impact their operations with strong concerns also expressed about the increasing cost of insurance premiums, utilities, taxes and local council charges.

Bills, bills, bills. Every time I believe my business might be able to get ahead the government changes the rules and raises the prices – Survey Respondent, Sunshine Coast

ECONOMIC ISSUES

Queensland small businesses flagged a number of concerns which could adversely impact demand for business services and revenues. International geopolitical issues continue to create uncertainty for businesses as the potential for an escalation in global conflict could extend to reduced trade.

At the local level, current settings for interest rates and the Australian dollar are stimulating demand, however, businesses remain wary that when the interest rate cycle turns, households and businesses will be vulnerable given the high levels of debt that have built up across the economy. Weak levels of consumer and business confidence are believed to be contributing to sluggish private sector demand.

Finance is becoming much tighter. Tighter lending standards have reduced borrowing capacity and will therefore reduce spending and slow the economy – Survey Respondent, Gold Coast

OTHER

Issues concerning staffing were a big concern for businesses in the latest survey. Small businesses reported trouble filling vacancies with suitable staff, while changes to 457 visas could exacerbate problems associated with skilling shortages. In some cases, businesses have had to invest in skills training and adapt to the growing pains that come with the learning curves of new employees.

There were also several other positive and negative factors influencing business confidence and activities. The disruptive potential of new technologies and international entrants to markets such as Amazon and Uber was seen as a threat, while opportunities were noted for regionally located businesses to benefit from increased spending on defence industry contracts and major projects such as the Adani coal mine. Another key factor constraining business activity was stricter bank lending practices which are impacting businesses accessing new finance for investment or restructuring existing loans.

My workers are waiting for their visas overseas to start work and I'm helpless – Survey Respondent

MARKET SECTORS

The performance of Queensland's key industries is seen as a positive influence on business activity although a downturn in the construction sector is viewed as a key risk. The upcoming Commonwealth Games event is seen as a major boost for businesses in the SEQ region with the event expected to deliver a strong increase to tourism numbers following the current lift in activity associated with the preparation for the event. Rising commodity prices, particularly for coal, are leading to some improvement in confidence for regional communities exposed to mining, while activity in the construction sector is still viewed as strong although potentially high vacancy rates remain a risk.

Tourism is doing well in Queensland however skill shortages and changes to 457 will have an impact – Survey Respondent, Gold Coast

POLITICS

Queensland small businesses continue to express disappointment with the political inertia afflicting local politics and the lack of certainty and stability of policy. This extends to both Federal and State politics where businesses rue a lack of leadership, decisive decision making and poor management. Governments were criticised for a lack of action and the perception that they act in their own self-interest rather than for the benefit of their constituents. With the looming Queensland election, business owners are apprehensive about policy uncertainty.

Poor government decisions reflect on my vote of no confidence in the local, state and federal governments – Survey Respondent, Cairns

INFRASTRUCTURE

Infrastructure spend is an issue that varies across regions. Where infrastructure projects have been awarded businesses have reported a boost of opportunities to quote and tender. However, there were many businesses critical of the government in relation to the lack of 'nation building' projects in regional areas. Respondents continued to be concerned by the patchwork coverage of infrastructure projects and spending across the state with some regions missing out.

State governments misguided focus on infrastructure projects has seen regions in need of a local economy booster missing out – Survey Respondent, Brisbane

CLIMATE

The responses identified a mixed bag of effects with weather impacts felt differently across industries and regions. Among the negative impacts, Tropical Cyclone Debbie produced disruption for businesses along the Queensland coast. The rebuild and recovery following the destruction and flooding along with lost customers and trading days impacted businesses, particularly on the Central Coast near Mackay. Weather conditions have also been a positive for other businesses with drier weather conditions allowing construction activity to outperform schedules, while some hospitality operators are indicating a pick-up in sales revenues.

Dry weather has allowed projects to be completed – Survey Respondent, Brisbane

PROPERTY

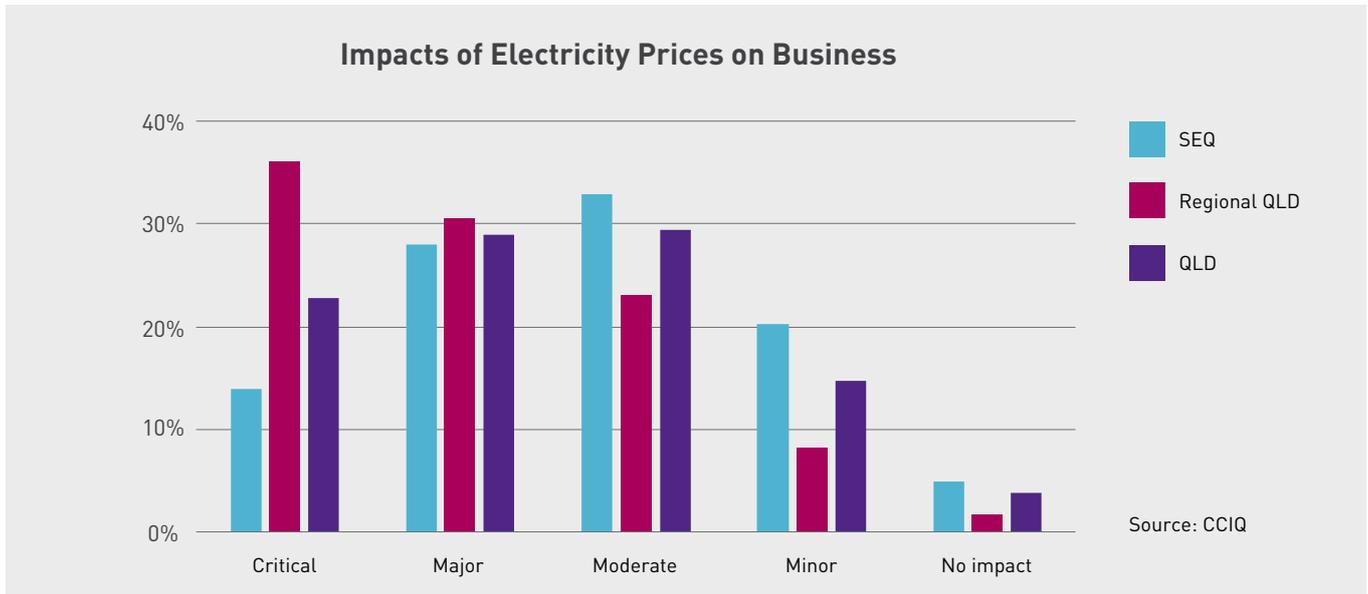
A slowing in the property market is considered a risk to the businesses directly related to the housing industry. There are also concerns for the wider implications of a downturn in the housing market which could puncture consumer confidence and depress spending across the state economy.

The property market affects national and state economies. The prospect of a softening housing market is already shaking up consumer confidence and hitting my bottom line – Survey Respondent, South-West Queensland

HOT TOPIC: ELECTRICITY

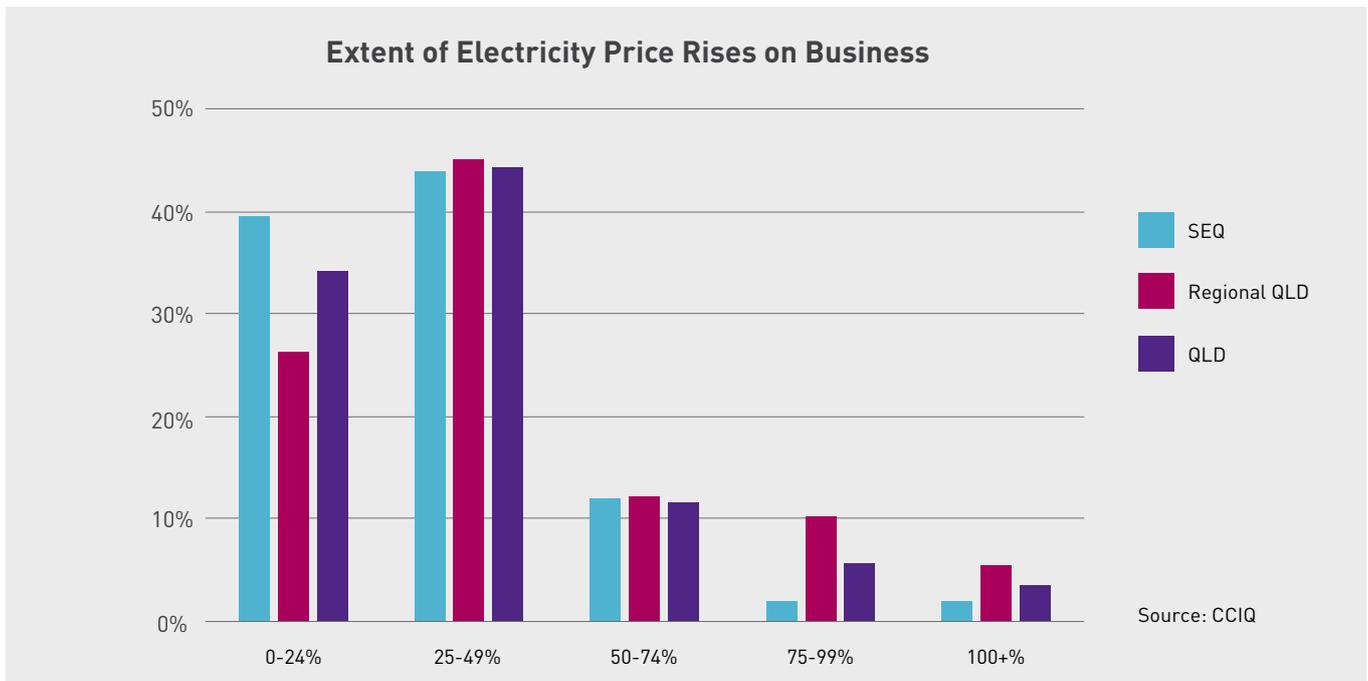
In the June quarter Pulse, respondents were asked a series of questions outlining the impacts that rising electricity costs are having on their business. The data showed the impacts of rising electricity prices were being felt in every region across the state in both the regulated and unregulated retail markets.

IMPACT:



- 52 per cent of respondents considered rising costs to be having a critical to major impact on small business.
- Small businesses in the regulated distribution area reported a higher critical impact compared to the deregulated market in South East Queensland.
- 65 per cent of agriculture and 25 per cent of retail respondents indicated price rises were of a critical impact.

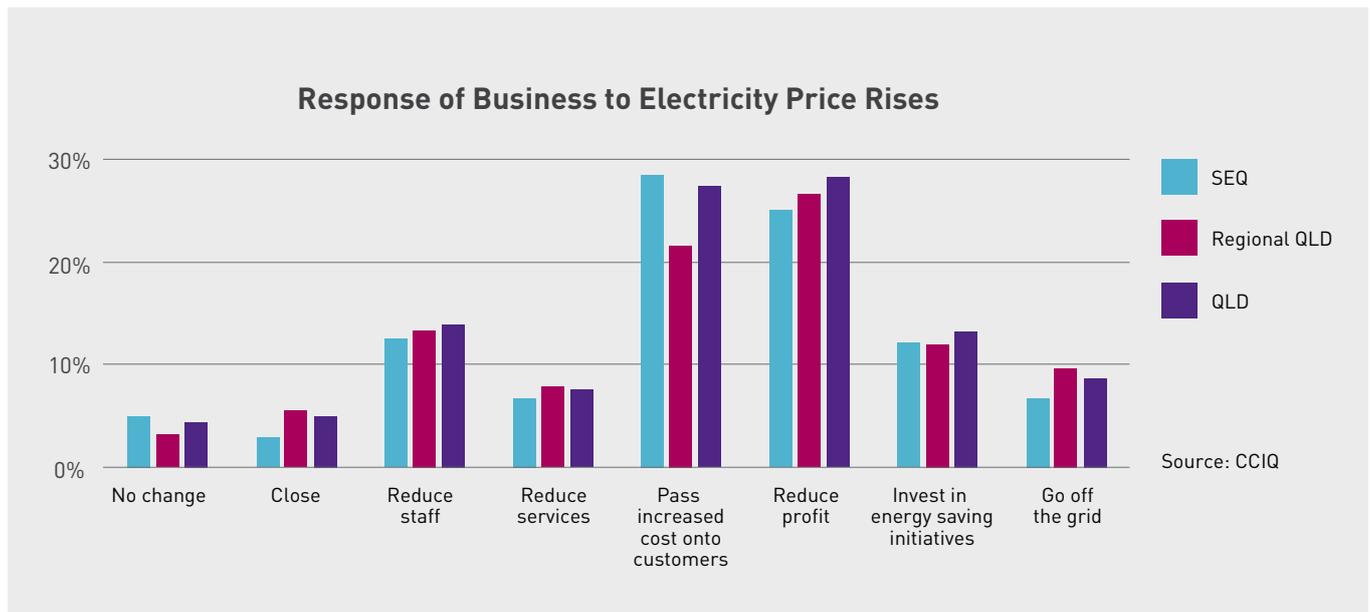
PRICE RISE:



- 78 per cent of small businesses have experienced price rises of 0-49 per cent in the past two years.
- Consumers in the regulated market experienced greater rises in the past two years compared to the deregulated market.
- Agriculture has experienced the worst price rises with 41 per cent of respondents indicating increases of 75 to over 100 per cent in the past two years.

BUSINESS RESPONSE:

With prices continuing to increase, small businesses have indicated there will be consequences for jobs and the economy moving forward.



- 14 per cent of Queensland small businesses will reduce jobs.
- 19 per cent of respondents in the retail sector indicated they will shed jobs as a direct consequence of rising electricity prices.
- 27 per cent of businesses will pass the rising costs onto customers.
- 38 per cent of transport industries in comparison to the agriculture sector (7 per cent) indicated they will pass prices onto consumers.
- 5 per cent of Queensland small businesses will close their doors.
- 28 per cent of respondents said they will absorb costs.
- Agriculture and mining were the sectors most likely to go off-grid as a result of electricity price rises.

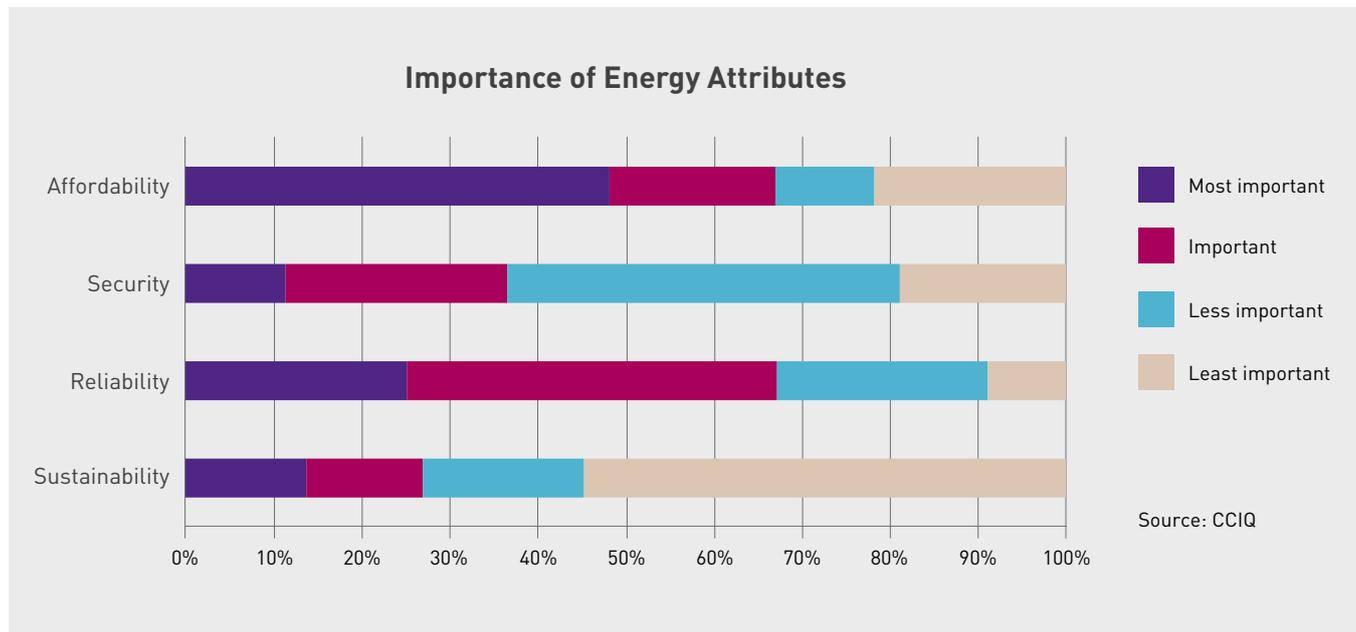
The Queensland Government is responsible for price rises as they use energy assets as revenue sources to prop up the budget – Survey Respondent, Brisbane

Uncertainty over energy policy has and is driving up prices and created a market unwilling to invest in critical infrastructure – Survey Respondent, South West Queensland

With the way things are I have been forced to take my manufacturing business offshore – Survey Respondent, Gold Coast

AFFORDABILITY, RELIABILITY, SECURITY AND SUSTAINABILITY:

Small business want governments to make affordability the foundation of future policy decisions. Small businesses ranked their preferences of policy drivers, with affordability and reliability being key concerns. Sustainability was ranked last, demonstrating a clear message to federal and state governments that businesses need to see price relief immediately.



- Sustainability was ranked the last priority for governments moving forward with policy development with over 55 per cent of respondents ranking it as least important.
- 67 per cent ranked reliability and affordability as the most important and important.
- 43 per cent of SEQ respondents indicated affordability as the most important, while 55 per cent of regional Queensland respondents indicated it was the most important.

Due to my power bill, I am no longer in a position to expand or improve my services for customers in an already competitive market – Survey Respondent, Rockhampton

The focus on renewable energy and inefficient government operators has driven my business bills up and up – Survey Respondent, Brisbane

SALES AND REVENUE

The Pulse Sales and Revenue Index retreated 7.1 points during the June quarter to 51.8.

The index indicates sales activity expanded further during the past quarter, although an area of concern is the rise in the proportion of businesses that indicated sales had fallen in the past quarter.

LABOUR COSTS

The Pulse Labour Costs Index rose a further 3.4 points to 60.9 in June.

The pace of growth in labour costs accelerated during the past quarter with the index rising to decade highs. Almost half of the businesses surveyed indicated labour costs had increased over the survey period.

PROFITABILITY

The Pulse Profitability Index slumped by 9.5 points in the June quarter to 40.0.

These profitability results can be explained by the rising levels of costs faced by businesses, especially with the Sales and Revenue Index expanding over the past quarter.

CAPITAL EXPENDITURE

The Pulse Capital Expenditure Index slipped back during the June quarter to 49.3 points, indicating a small fall in capital expenditure.

EMPLOYMENT LEVELS

The Pulse Employment Levels Index fell 2.6 points to a below neutral reading of 49.2 points in the June quarter.

The September quarter forecast of 50.7 indicates a slight improvement in labour market conditions during the next quarter.

ABOUT PULSE

The Pulse Survey has been measuring Queensland business confidence and expectations for over 20 years and is conducted in conjunction with the Australian Chamber of Commerce and Industry's National Survey of Business Expectations. The survey publishes quarterly the results from key questions put to the Queensland business community on National, State and individual economic performances.

The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of Queensland business sentiment.

The survey contains data from the largest firms in Queensland through to the smallest, and provides a sample covering the entire business community.

To find out more about Pulse, please contact Steven Gosarevski, Economist, on 1300 731 988 or at cciqadvocacy@cciq.com.au

PULSE BUSINESS INDEX

The analysis undertaken by CCIQ in the preparation of this Pulse Survey Report is based on survey responses from Queensland business.

The report uses the Pulse Business Index (PBI) as well as the (base) statistical data provided from the survey responses to effectively measure respondent's views as to how current or future activity (eg. three months ahead) compares with the previous quarter.

A Pulse Index reading of above 50 indicates conditions have improved over the previous quarter. A reading of 50 indicates conditions have remained the same and 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

The state-wide PBI results have been seasonally adjusted.

The Pulse Business Constraints Index (BCI) measures the level of key impediments on business growth. The following guide is used in interpreting the BCI results.

DEGREE OF CONSTRAINT INDEX

Critical	70 – 100
Large	50 – 69.99
Moderate	40 – 49.99
Slight	30 – 39.99
No Constraint	0 – 29.99



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