

SUNCORP GROUP CCIQ PULSE SURVEY OF BUSINESS CONDITIONS

MARCH QUARTER 2019



SNAPSHOT

The Suncorp-CCIQ Pulse Business Confidence Survey for the March quarter 2019 shows that sentiment across Queensland's small and medium sized businesses reflects a mood of frustration around political and financial considerations weighing on the Queensland economy. Respondent data analysed by the Chamber of Commerce and Industry Queensland (CCIQ) showed that the outcome of the May Federal Election, coupled with state government frustrations amidst a backdrop of soft operating conditions are the key areas of focus for Queensland's small business sector. Policies put forward by both parties have done little to allay concerns around the prospect of a more punitive industrial relations framework compounding the effects of an operating environment dominated by elevated costs and tighter margins. Expectations involving the outlook for the Australian economy have remained unchanged since last quarter. In relative terms, the proportion of respondents expecting weaker conditions is substantially greater than it was twelve months ago while the outlook was marginally less pessimistic in Regional Queensland than in South-East Queensland (SEQ).

Business sentiment surrounding the outlook for the Queensland economy has also remained largely unmoved over the quarter. Over two in five respondents are expecting weaker economic conditions in the state economy over the next twelve months, which is a weaker outlook than it was a year ago with sentiment relatively consistent between Regional Queensland and SEQ. Dissatisfaction with state and local government inaction toward driving economic activity as well as the proliferation of red and green tape has been a key thematic throughout the responses received in the March quarter.

General business conditions in Queensland have continued to weaken since the December survey, with a greater proportion of small businesses recording weaker conditions across the state. Despite a slight moderation to increases in labour and operating costs, more businesses indicated that sales and revenues had decreased during the quarter. Small businesses over the state reported a further deterioration in profitability, with over half of Queensland's businesses revealing that their profitability had decreased over the March quarter. Moreover, the proportion of businesses reporting a decline in employment levels increased over the March quarter, as did the proportion indicating their intention to invest in new capital expenditures.

The disaggregated statistics for the March quarter indicated that the subdued general business conditions were comparably weak across the state. The proportion of respondents reporting a decline in profitability was relatively consistent between Regional Queensland and SEQ as were employment levels, capital expenditure intentions and operating costs more broadly. Albeit respondents from Regional Queensland reported modestly higher labour cost pressures as well as weaker sales and revenue.

The cost of insurance was also identified as a significant barrier to growth for Regional Queensland with energy costs, standard of infrastructure, direct wages and retention of staff as areas of concern. SEQ business owners cited red tape, business taxes and government charges and direct wages as impediments to expansion.

The forecast measurements for the June quarter, while far from elating, tend to reflect the expectation of less pessimistic business conditions across each of the forward indices.

SNAPSHOT

12-MONTH OUTLOOK

Queensland's small business confidence in the State and Australian economies has remained relatively unchanged since the last quarter. The Pulse Queensland Economic outlook Index rose by 1.6 points in the December quarter to 42.4 on a seasonally adjusted basis which is 3.3 points lower than 12 months earlier. The quarterly increase in the index is predominantly the result of the seasonal adjustment.

The Pulse National Economic Outlook Index level rose by 2.2 points over the quarter to 43.4 and is 6.9 points lower by annual comparison. Similarly, the statistics reflect negligible changes in the responses over the quarter with the rise in the index an implication of the seasonal adjustment.

GENERAL BUSINESS CONDITIONS

The results from the Pulse survey indicate a decline in general business conditions over the quarter and over the year. The proportion of businesses reporting weaker conditions increased by 5% to 42%, while the proportions reporting similar and stronger conditions each fell. Despite this fall, the General Business Conditions Index rose 2.3 points over the quarter to a level of 44.5 points on a seasonally adjusted basis, while it remains 3.6 points lower than at the March quarter last year. The Pulse Forecast Index indicates an increase of 0.6 points to a level of 45.1 on a seasonally adjusted basis for the June quarter.

LABOUR COSTS

There was a fall of 1.2 points in the Pulse Labour Costs Index with a seasonally adjusted reading to 59.2 points and is 1.0 points lower than twelve months ago. Most businesses reported steady payroll costs during the March quarter, however, there was a modest 3% increase in those reporting a decrease in labour costs while 5% less respondents reported an increase in costs. The Forecast Index reading for the June quarter provides a seasonally adjusted reading of 57.0, projecting a further easing in the rate of growth in payroll costs over the next quarter.

OPERATING COSTS

The Pulse Index reading for Other Operating Costs such as electricity, rent and insurance is down marginally by 0.6 points to 66.4 for March and is 2.2 points lower than this time last year. A reading above 50 indicates an increase in operating costs and 60% of businesses reported operating costs to have increased over the quarter. At an Index reading of 62.4, the Forecast Index suggests most businesses expect operating costs to remain steady and there are also less anticipating significant increases.

CAPITAL EXPENDITURE

Investment expenditure reportedly decreased during the March quarter, as 6% more businesses reported a decrease in CAPEX while at the same time 2% fewer businesses reported increasing it. Nevertheless, the Pulse Capital Expenditure Index is 1.1 points higher at 48.4 on a seasonally adjusted basis, which is 0.8 points below its level twelve months ago. The Forecast Index for the June quarter is lower at a seasonally adjusted 47.0 points, with the underlying statistics indicating capital expenditure is largely expected to remain the same.

PROFITABILITY

Roughly half (51%) of Queensland businesses reported declining profitability over the March quarter while at the same time fewer businesses (16%) reported better profitability. The March Profitability Index seasonally-adjusted reading of 41.6 continues to raise concerns for business performance and sustainability across the state. The Pulse Profitability Forecast Index reading for the June quarter is 46.1 points and suggests less businesses expect profitability levels to fall while more either expect their profits to stay the same or marginally improve over the next quarter.

SALES AND REVENUE

The Pulse Sales and Revenue Index edged up 1.0 points on a seasonally-adjusted basis to 49.4 points and is 2.3 points lower than a year ago with a reading below 50 points indicating that turnover continued to disappoint over the March quarter. Despite the uptick in the seasonally adjusted index reading, most businesses reported decreased turnover over the quarter. The statistics further show that an additional 5% of businesses reported decreased levels of sales while at the same time there was an 8% fall in the proportion of those reporting an increase. The Pulse Forecast Index sits at 52.4 points for the June quarter indicating most businesses project either the same or an improvement in sales and revenue conditions over the next quarter.

EMPLOYMENT LEVELS

Small business employment levels reportedly continued to edge lower over the March quarter. 4% more businesses reporting to have decreased employment levels while there was a 3% decrease in the number of businesses reporting to have increased it during the previous quarter. The Pulse Employment Levels Index is below neutral at a seasonally adjusted 48.3, which is 0.1 points lower for the quarter and 1.2 points lower than this time last year. The Pulse Forecast Index is only 0.5 points higher at 48.8 on a seasonally adjusted basis, indicating businesses do not anticipate making any substantial changes to employment levels over the June quarter.

INTRODUCTION

The CCIQ Suncorp Pulse Survey of Business Conditions is the largest survey of the state's 400,000 small and medium size businesses and serves as a leading indicator of business confidence across Queensland's diverse business community. Pulse is unique and aims to measure the sentiment of business owners and managers across the state, providing critical insights into current, planned and latent business activity. It is therefore a barometer of optimism and concern regarding key matters that are important to Queensland's small-to-medium size enterprises and provides a platform for their collective voice to be heard.

Sentiment measures for the March quarter, 2019 continue to portray a story of dismal business confidence in Queensland. The outlook for the economy at both the state and national level remain at their lowest levels since 2015. Anecdotal responses to the survey strongly suggest that political uncertainty and weak business conditions across the state economy continue to weigh on sentiment throughout the state's business community. Amidst campaigning for the upcoming Federal Election, small business remains concerned about a benign economic outlook, a punitive industrial relations environment and increased levels of red and green tape that will inhibit business growth.

It is especially discouraging that more than half of Queensland businesses reported declining profitability over the March quarter, while fewer businesses reported an increase. While there were indications that payroll pressures had eased somewhat over the quarter, it is important to note that this corresponded with an accompanying decrease to employment levels. Businesses were quite adamant regarding their concerns about the ramifications for employment conditions in the state if wage growth is not aligned to productivity growth.

Queensland's subdued business sentiment comes amidst a national backdrop where the state remains a laggard on key indicators such as unemployment; currently lagging the national benchmark by a full percentage point whilst private sector investment remains weak. In addition to waning job creation within the state, businesses also reported a fall in capital expenditure over the quarter.

Anecdotal responses resonate with the business community's dissatisfaction with politicians at state and federal levels. Many respondents were particularly dismayed by the sheer lack of political will to expedite the expansion of the resources sector in Central Queensland. Agitation was not only expressly apparent in responses from the regions - where economic conditions have been particularly tough for some time and the direct economic impacts would be most stark - but also from those located in SEQ.



At the state level, assuming the Adani mine does not get up, there is not much to boost the state coffers in the wings as drought has depressed agriculture, retail has slowed, and the spend on the public purse has been made much worse with the increased public service pay requirements and red tape.

Brisbane



We need to ensure that people are positive about the economy and will spend money to improve their businesses and employ more staff. A subsidy to assist employers would be good, and a removal of payroll tax would really assist.

Logan



The Cairns region has also been slammed by the southern media making out it is virtually a "no go zone", which has impacted greatly on the tourism sector. We need our tourism bodies to be proactive in telling our southern counterparts that the north is "open for business"

Cairns

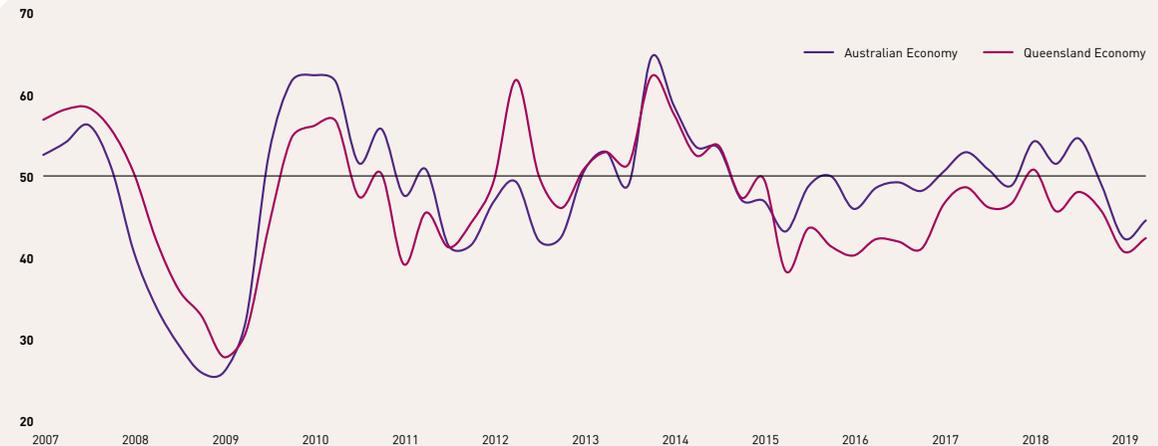
12 MONTH OUTLOOK: AUSTRALIAN & QUEENSLAND ECONOMIES

Queensland's small business confidence in the State and Australian economies has remained relatively unchanged since the last quarter, however, it is significantly lower than a year ago. The Pulse Index measure for the economic outlook for Queensland over the next twelve months rose by 1.6 points in the December quarter to 42.4 on a seasonally adjusted basis but remains 3.3 points lower than 12 months ago. The original statistics were effectively unchanged, with the quarterly rise in the index being the result of the seasonal adjustment factor. However, the difference between the average responses for this quarter and March 2018 is statistically significant at the 5% level, indicating sentiment around the Queensland economy has declined over the year.

Similarly, the Pulse Index measure for the national economic outlook level rose by 2.2 points over the quarter to 43.4 but is 6.9 points lower by annual comparison. The statistics show that there has been negligible change in the responses over the quarter, with the rise in the index again the result of the seasonal adjustment. The difference between the average responses for this quarter and March 2018 is statistically significant, indicating sentiment around the national economy is lower than at March last year.

Disaggregating the survey responses shows that that the outlook for economic conditions in Queensland is relatively consistent between businesses located in SEQ and those in Regional Queensland. The statistics further indicate that there is no statistically significant difference between the mean responses from each region with a 64% chance the difference occurred by chance alone.

The breakdown for the outlook for the national economy, however, shows that Regional Queensland appears to be less pessimistic than those in the SEQ corner whereby 4% fewer respondents reported a weaker outlook and 3% greater anticipating a stronger one. However, the statistics indicate that the observed difference between the mean scores is only statistically significant at the 17% level.



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

How do you expect the economy to perform over the next twelve months in comparison with the last twelve months?

	Queensland Outlook			Australian Outlook		
	Mar-18	Dec-18	Mar-19	Dec-18	Mar-19	Dec-18
Mean response ¹	3.20	3.33	3.34	3.26	3.26	3.26
Standard error ²	0.055	0.043	0.035	0.048	0.040	0.036
Significance ³ : prob =	3.48%	92.77%		0.00%	99.51%	
Weaker (%)	38	41	42	25	38	39
Same (%)	38	42	42	50	45	42
Stronger (%)	24	16	16	25	18	19
Index (original)	45.0	41.6	41.7	50.2	43.5	43.4
Index (seasonally adjusted)	45.7	40.8	42.4	51.5	42.4	44.6

	SEQ		Australian Outlook	
	SEQ	Regional QLD	SEQ	Regional QLD
Mean response ¹	3.36	3.32	3.32	3.22
Standard error ²	0.055	0.046	0.059	0.046
Significance ³ : prob =	64.35%		16.31%	
Weaker (%)	43	42	41	37
Same (%)	44	42	42	43
Stronger (%)	13	16	17	20
Index (original)	41.1	41.9	41.9	44.5

1 Coded 1 – 5: (1-Much stronger; 2-Somewhat stronger; 3-About the same; 4-Somewhat weaker; 5-Much weaker)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to March 2019. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

GENERAL BUSINESS CONDITIONS

A greater proportion of respondents reported that general business conditions were relatively weaker across the State for the March quarter and fewer noted that conditions had improved. While the raw Pulse General Business Conditions Index fell 2.7 points, the seasonally adjusted Index rose 2.3 points over the quarter to 44.5 points and is 3.6 points lower than during March last year. Readings below 50 points indicate that businesses are caliginous about operating conditions. The Pulse Forecast Index for the June quarter projects a quietly modest increase of 0.6 points to a level of 45.1 on a seasonally adjusted basis, suggesting businesses do not anticipate conditions improving substantially over the next quarter.

Anecdotal responses suggested a degree of cautious optimism in some regions regarding the prospects of public expenditure projects getting off the ground and a resurgence in the mining sector in central Queensland. However, the statistics suggest that businesses will not be convinced of improved conditions until they experience it on the ground.



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

How has your business performed over the last three months compared with the previous three months?

General Business Conditions				
	Mar-18	Dec-18	Mar-19	Jun-19 (Forecast)
Mean response ¹	3.19	3.23	3.32	3.18
Standard error ²	0.051	0.045	0.038	0.035
Significance ³ : prob =	4.97%	12.75%		0.01%
Weaker (%)	34	37	42	33
Same (%)	46	44	41	49
Stronger (%)	21	19	17	18
Index (original)	45.2	44.5	41.8	44.9
Index (seasonally adjusted)	48.1	42.2	44.5	45.1

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

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3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

“ Announcement of major projects for the region has given confidence to the local economy

Townsville

“ There has not been many positive things at all being in a rural community ravaged by drought

South West Queensland

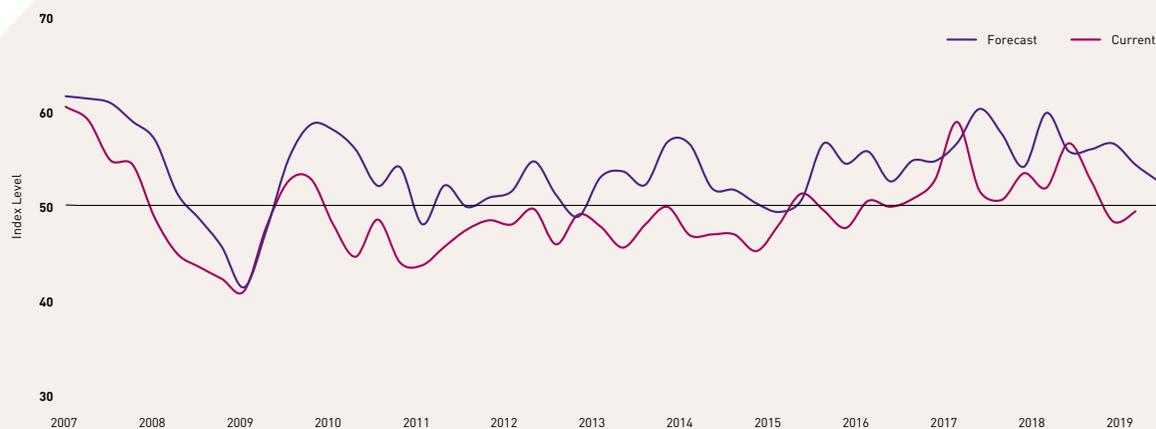
“ Growth in the mining sector has increased business confidence around the central Queensland region. Agriculture also having some success although regional variances in weather are a big factor

South West Queensland

SALES AND REVENUE

A greater proportion of businesses reported that their sales and revenue decreased and a smaller proportion that they had increased over the quarter. The Pulse Sales and Revenue Index fell 4.4 points while the seasonally adjusted Index rose 1.0 points over the quarter to 49.4 points, which is 2.3 points lower than during the same time last year. Readings below 50 points indicate that turnover was relatively weak over the quarter. The Pulse Forecast Index indicated, however, that most businesses were relatively confident about things picking up in the June quarter with the Index reading at 52.4 points. Anecdotal responses suggested that some accommodation businesses in the Townsville region experienced strong demand after the floods.

Others were hopeful that infrastructure spends and stronger conditions in the resource sector may have a positive effect on consumer demand across the state while some were expecting a pickup in activity after the federal election.



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

How has your business performed over the last three months compared with the previous three months?

Sales and Revenue				
	Mar-18	Dec-18	Mar-19	Jun-19
Mean response ¹	3.05	2.97	3.13	2.86
Standard error ²	0.058	0.054	0.045	0.037
Significance ³ : prob =	30.27%	2.44%		0.00%
Decreased (%)	31	33	38	24
Same (%)	36	29	33	40
Increased (%)	32	37	29	36
Index (original)	48.7	50.9	46.5	53.0
Index (seasonally adjusted)	51.7	48.4	49.4	52.4

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

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The most significant change has been the increase of sales in accommodation resulting from the recent flood disaster. We have been inundated with displaced residents requiring accommodation

Townsville



Housing construction is weakening, but investment in major infrastructure projects is strong and will continue, which should have a positive effect on consumer spending

Brisbane

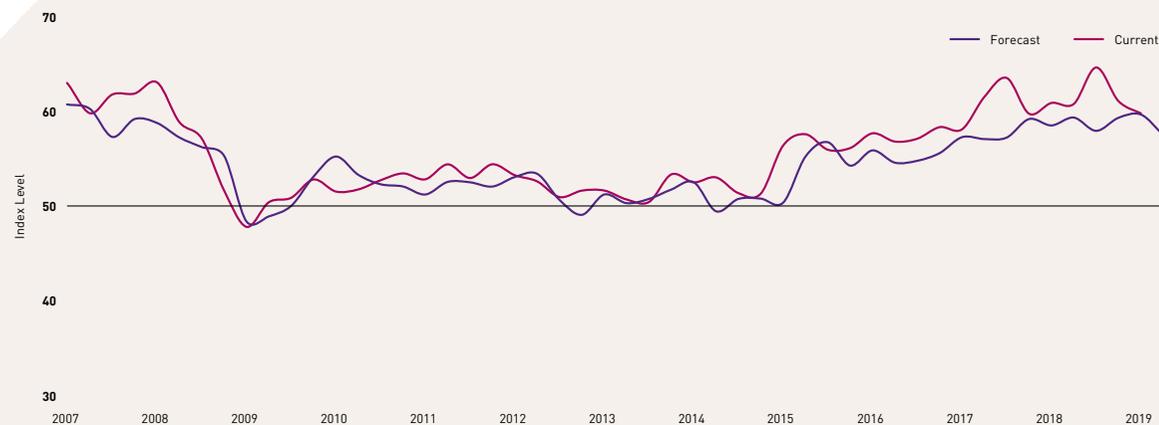


Usually after a general election orders are received for projects which have been shelved during the time of uncertainty

Brisbane

LABOUR COSTS

There was a minor easing in direct labour costs over the March quarter with the statistics showing a relatively smaller proportion of respondents reporting an increase and a greater proportion indicating that they have decreased. A possible explanation for why wage costs have moderated is due to the contraction in employment levels that was also reported by respondents over the quarter. The Pulse Labour Costs Index decreased by 1.6 points and the seasonally adjusted reading fell 1.2 points to 59.2, which is 1.0 points lower than it was in March last year. Readings above 50 points indicate increasing wage costs pressures over the quarter. The Forecast Index reading for the June quarter provides a seasonally adjusted reading of 57.0, projecting a further moderation in total payroll costs over the next quarter. Importantly, businesses noted their concerns about the ramifications for future employment conditions if wage growth is not aligned with productivity growth.



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

How has your business performed over the last three months compared with the previous three months?

Labour Costs				
	Mar-18	Dec-18	Mar-19	Jun-19
Mean response ¹	2.63	2.59	2.68	2.73
Standard error ²	0.044	0.035	0.031	0.027
Significance ³ : prob =	32.13%	5.28%		20.88%
Decreased (%)	8	4	7	7
Same (%)	50	54	55	59
Increased (%)	42	42	38	33
Index (original)	59.4	60.0	58.4	56.7
Index (seasonally adjusted)	60.2	60.4	59.2	57.0

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.



Inflicting higher wages in return for no productivity improvements is ludicrous - we already pay the highest minimum wage in the world; and with a high percentage of the population paying no net tax, who is going to pay? ... business as always

Cairns



If the wages go up in Australia, there will be a definite downturn regarding small business

Logan



Higher minimum wages will lead to less jobs (lost to automation, outsourcing, etcetera)

Brisbane

OPERATING COSTS

The Pulse Survey started monitoring the Other Operating Costs indicator recently in the March Quarter, 2015. While an Index for Other Operating Costs has been developed, only original estimates are presented with a seasonally adjusted index to be made available in the future once a sufficiently large number of observations have been collected.

While businesses continue to face strong operating cost pressures for items such as electricity, rent and insurance, with 60% of businesses having reported increases over the March quarter. Nevertheless, the Pulse Index reading for Other Operating Costs eased by 0.6 points to 66.4 and is 2.2 points lower than this time last year. Readings above 50 points indicate increasing operating costs pressures over the quarter. At an Index reading of 62.4, the Forecast Index for the June quarter suggests most businesses expect operating costs to remain steady while there are fewer anticipating increases. Insurance and energy costs were rated highly as major constraints on business growth chiefly by regional businesses.

“ The cost of power is killing us, our manufacturing costs have blown out, and we can't get a price increase

Brisbane

“ I expect to see more major companies moving offshore because of increasing power prices along with base load power becoming a problem due to coal being shut down

Brisbane

“ Slowing sales due to high unemployment, runaway energy costs and government neglect of the collapse of law and order

Townsville

How has your business performed over the last three months compared with the previous three months?

Other Operating Costs				
	Mar-18	Dec-18	Mar-19	Jun-19
Mean response ¹	2.25	2.32	2.34	2.51
Standard error ²	0.042	0.036	0.030	0.026
Significance ³ : prob =	10.83%	70.64%		0.00%
Decreased (%)	3	3	3	2
Same (%)	30	36	38	49
Increased (%)	67	62	60	49
Index (original)	68.6	67.0	66.4	62.4

¹ Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

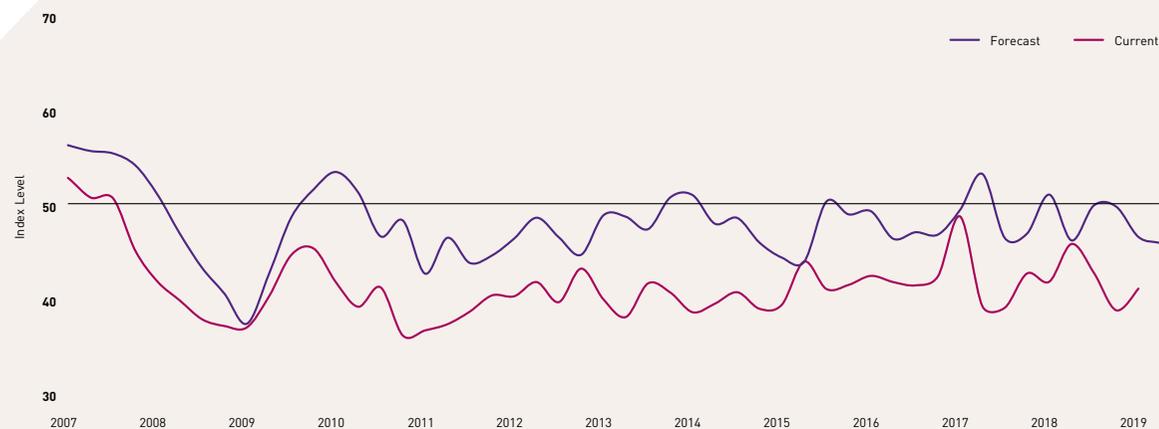
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³ Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.



PROFITABILITY

Over half (51%) of Queensland's small to medium size businesses reported that their profitability had declined over the March quarter, continuing to raise concerns for business performance and sustainability across the state. The March Profitability Index fell 2.3 points as a greater proportion of businesses reported decreased profitability and small proportion indicating that it has increased. On a seasonally-adjusted basis however the Index rose by 2.3 points to 41.6, which is 0.7 points below the reading at this time last year. The Pulse Profitability Forecast Index reading for June is at 46.1 points suggesting relatively fewer businesses expect profitability levels to fall over the quarter while more either expect their profits to remain unchanged or marginally improve over the next quarter.



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

How has your business performed over the last three months compared with the previous three months?

Profitability				
	Mar-18	Dec-18	Mar-19	Jun-19
Mean response ¹	3.40	3.34	3.41	3.13
Standard error ²	0.051	0.046	0.040	0.038
Significance ³ : prob =	88.38%	25.96%		0.00%
Decreased (%)	45	47	51	35
Same (%)	41	34	33	43
Increased (%)	14	19	16	23
Index (original)	40.0	41.6	39.3	46.4
Index (seasonally adjusted)	42.3	39.4	41.6	46.1

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Letting go of some staff has helped our profitability

Brisbane



As far as I can tell business is becoming increasingly difficult. I have been in business for 15 years and it is worse than ever. Increasing costs of operation and not the same increase in prices

Cairns

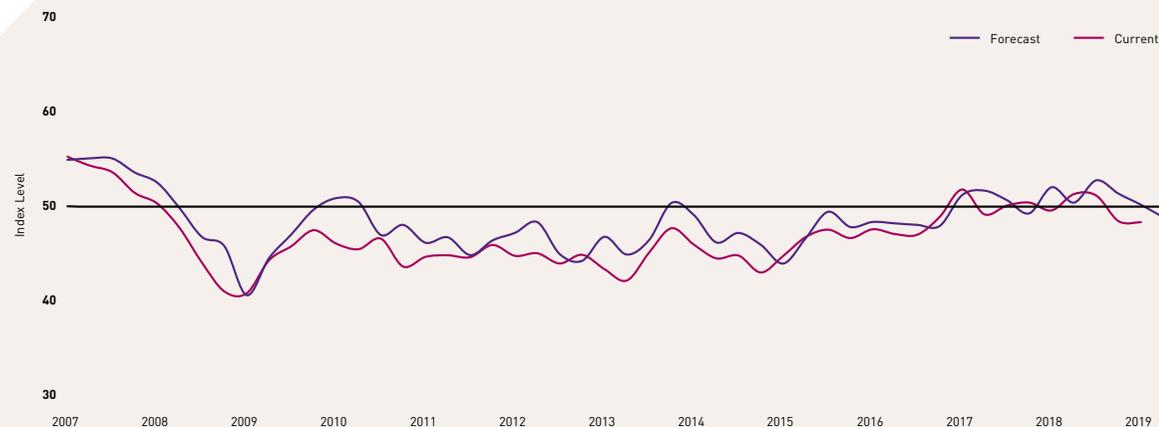


Honestly, I feel like I am hanging on by a thread as are many other businesses

Cairns

EMPLOYMENT LEVELS

Job creation declined over the March quarter with a larger proportion of businesses reporting to have decreased employment levels and a smaller proportion reporting to have increased levels. The Pulse Employment Levels Index fell 1.9 points for the quarter while the seasonally adjusted reading declined 0.1 points to 48.3, which is 1.2 points lower than this time last year. The Pulse Forecast Index is only 0.5 points higher at 48.8 on a seasonally adjusted basis, indicating businesses do not anticipate making any substantial changes to employment levels over the June quarter. Businesses were unanimous in acknowledging that the tough business conditions were having an adverse effect on job creation across the state.



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



Being a small business owner and employer times are always tougher under Labor, and has included laying off employees in the past

Gold Coast



The mining sector is picking up and there seems to be more job vacancies advertised

Brisbane



Businesses do not have any confidence to invest in growth nor increase employment opportunities while all governments are interested in is infighting and back stabbing behaviour. The north Queensland region has had a tough 6 to 12 months, with disasters/weather events causing major costs/losses to businesses

Cairns

How has your business performed over the last three months compared with the previous three months?

Employment levels				
	Mar-18	Dec-18	Mar-19	Jun-19
Mean response ¹	3.06	3.03	3.11	3.07
Standard error ²	0.046	0.036	0.031	0.28
Significance ³ : prob =	38.07%	8.93%		40.61%
Decreased (%)	26	19	23	21
Same (%)	52	64	62	64
Increased (%)	22	18	15	15
Index (original)	48.5	49.3	47.4	48.3
Index (seasonally adjusted)	49.5	48.4	48.3	48.8

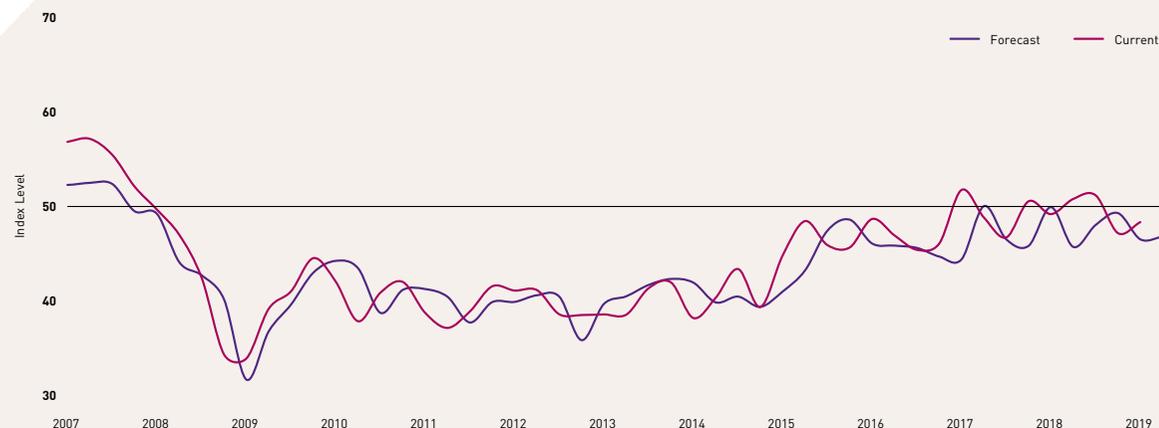
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3 Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

CAPITAL EXPENDITURE

A greater proportion of small businesses reported to have decreased investment expenditure over the quarter while less reported increasing it. The Pulse Capital Expenditure Index fell 2.0 points over the quarter while the seasonally adjusted Index is 1.1 points higher at 48.4 and is 0.8 points below its level twelve months ago. The Forecast Index for the June quarter is lower at a seasonally adjusted 47.0 points, with the underlying statistics indicating capital expenditure is largely expected to remain the same.



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

How has your business performed over the last three months compared with the previous three months?

Capital Expenditure				
	Mar-18	Dec-18	Mar-19	Jun-19
Mean response ¹	3.09	3.04	3.13	3.14
Standard error ²	0.053	0.047	0.040	0.035
Significance ³ : prob =	63.57%	17.23%		72.60%
Decreased [%]	28	25	31	26
Same [%]	49	51	47	57
Increased [%]	23	24	22	17
Index (original)	47.7	48.9	46.9	46.4
Index (seasonally adjusted)	49.2	47.3	48.4	47.0

¹ Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

² There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

³ Difference in mean response scores relative to December 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.



A likely change in Government would constrain spending because of the promised increase in taxes on mum and dad investors, retirees unsure of earnings, increases in wages restricting business owners from investing in new equipment etcetera

Gold Coast



Capital expenditure has only increased because of replacement and repairs due to Townsville floods, otherwise it would be the same level

Townsville

REGIONAL ANALYSIS

REGIONAL BUSINESS CONFIDENCE:

Responses for SEQ and Regional Queensland together indicate that businesses throughout the state are experiencing tough operating conditions and generally hold a despondent outlook for future economic conditions. The breakdown of the statistics for general business conditions indicated that there was not a significant difference between the distributions of responses over the March quarter. Mean scores for sales and revenue indicated that both regions reported weaker turnover for the quarter and the statistics showed that Regional Queensland reported the greatest declines although the difference between the mean scores was found not to be statistically different from zero.

The statistics around the profitability of small businesses in the state continues to be a serious cause for concern as over half of all businesses in each region reported a decrease to their bottom lines. Moreover, there was no statistically significant difference between the mean scores. Both regions reported increased labour costs and, while the responses tend to indicate stronger increases in Regional Queensland, the difference between the mean scores is only significant at the 12% level. Similarly, both regions reported increases in operating costs with no statistical difference in the mean scores.

While a statistical difference in the mean scores was found for employment levels in the previous December quarter (SEQ businesses reported increased levels in contrast to Regional Queensland who reported decreased levels), however, there was no statistical difference found in the mean responses for the March quarter. Disaggregating the responses for capital expenditure over the quarter indicated that investment levels fell in both regions with no difference in the mean scores. The forecast values for the June quarter suggest that there are statistically significant differences in levels of sentiment surrounding business confidence and profitability where Regional Queensland, while still pessimistic, tend to be less so.

MARCH QUARTER 2019

Current March 2019 (Original)	South-East QLD			Regional QLD		
	Weaker (%)	Same (%)	Stronger (%)	Weaker (%)	Same (%)	Stronger (%)
National economy	41	42	17	37	43	20
Queensland economy	43	44	13	42	42	16
General business conditions	42	41	17	41	42	17
Sales & revenue	35	33	31	40	32	28
Profitability	51	33	17	50	33	17
Labour costs	11	54	36	6	55	40
Employment Levels	23	64	14	23	61	16
Other operating costs	3	36	61	2	39	59
Capital expenditure	29	51	19	32	44	24

Forecast March 2019 (Original)	QLD	South-East QLD (Index)	Mean response ¹	Standard error ²	Regional QLD (Index)	Mean response ¹	Standard error ²	Significance ³ prob=
National economy	43.4	41.9	3.33	0.060	44.5	3.22	0.046	16.31%
Queensland economy	41.7	41.1	3.36	0.055	41.9	3.32	0.046	64.35%
General business conditions	41.8	42.3	3.31	0.058	41.8	3.33	0.052	83.08%
Sales & revenue	46.5	48.0	3.08	0.071	45.8	3.17	0.059	33.93%
Profitability	39.3	39.6	3.41	0.063	39.5	3.42	0.052	93.01%
Labour costs	58.4	56.7	2.73	0.053	59.3	2.63	0.039	11.18%
Employment Levels	47.4	46.8	3.13	0.048	47.5	3.10	0.040	61.19%
Other operating costs	66.4	65.8	2.37	0.047	67.0	2.32	0.040	44.21%
Capital expenditure	46.9	46.6	3.13	0.060	46.6	3.13	0.053	99.54%

¹ Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

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³ Difference in mean response scores relative to March 2018. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

FORECAST JUNE QUARTER 2019

Current June 2019 (Original)	South-East QLD			Regional QLD		
	Weaker (%)	Same (%)	Stronger (%)	Weaker (%)	Same (%)	Stronger (%)
General business conditions	38	49	13	27	50	22
Sales & revenue	25	42	33	21	40	39
Profitability	39	40	21	31	44	25
Labour costs	9	59	32	6	60	34
Employment Levels	25	61	14	18	67	16
Other operating costs	1	47	52	3	49	48
Capital expenditure	27	56	18	24	59	17

Forecast June 2019 (Original)	QLD	South- East QLD (Index)	Mean response ¹	Standard error ²	Regional QLD (Index)	Mean response ¹	Standard error ²	Significance ³ prob=
General business conditions	44.9	42.7	3.29	0.053	47.7	3.09	0.045	0.49%
Sales & revenue	53.0	51.5	2.94	0.057	54.8	2.81	0.049	8.12%
Profitability	46.4	44.4	3.23	0.059	48.6	3.06	0.049	2.92%
Labour costs	56.7	55.9	2.76	0.045	57.3	2.71	0.034	34.48%
Employment Levels	48.3	46.9	3.13	0.047	49.2	3.03	0.035	10.24%
Other operating costs	62.4	63.4	2.46	0.039	61.9	2.52	0.035	27.68%
Capital expenditure	46.4	46.1	3.16	0.058	46.8	3.13	0.044	69.18%

¹ Coded 1 – 5: [1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease]

² There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

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THE VOICE OF QUEENSLAND'S BUSINESS COMMUNITY

THE VOICE OF THE CITY – KEY RESPONSES FROM SOUTH-EAST QUEENSLAND

“ The biggest problem to local manufacturers is the high cost to manufacture in both wages and materials

Sunshine Coast

“ The Australian economy seems well placed to get stronger due to the past; but the state economy is just stagnating due to the lack of direction of the present government

Brisbane

“ Our governments are effectively inept when it comes to supporting or legislating for the small to medium size businesses

Logan

“ Energy policy or lack thereof at a federal level is holding back potential investment. The state economy is too reliant on mining revenue and needs boosting in diverse areas, but that is unlikely to occur due to risk-averse mentality from governments

Sunshine Coast

“ I think that we will see more small businesses go broke and unemployment rise; conditions are already bad enough and the Queensland Government is a mess

Brisbane

“ It seems that Australia is hell bent on digging holes and supplying raw material with no added value rather than supplying value added goods

Sunshine Coast

“ Our economy will obviously continue to grow in 2019, though business investment has weakened through major drought, flood and cyclone events

Logan

“ I expect to see more major companies moving offshore as the result of increasing power prices along with base load power becoming a problem due to coal being shut down

Brisbane

THE VOICE OF THE REGIONS – KEY RESPONSES FROM REGIONAL QUEENSLAND

“ A Labor Government, believing that increasing wages is the answer to people being able to afford property in big cities, will have a drastic effect on small business in the regional areas of Australia that cannot afford the increase. That effect will be people either losing their jobs or being cut in how many hours the business can afford to pay them; they might have an hourly increase, but over a week will earn less, which also means that levels of service will decrease

Cairns

“ Although generally dry conditions still prevail, this season's local crops are looking good because there is plenty of irrigation water and sufficient rain

Wide Bay

“ FNQ is hanging out for starts by Adani and other developments to stimulate the local economy. Nationally, a coalition win with the budget surplus in place should allow confidence to remain in the economy

Townsville

“ If the Australian economy, especially in regional areas, is to improve we need infrastructure projects to proceed rather than just rhetoric and good fiscal management

Rockhampton

“ Labor's proposed changes will impact on retirees, property investment and the building industry not to mention the impact this may have on small business with increased wages and intrusion of the unions

Cairns

“ The state needs to invest in regional and rural communities and give a fair share of the royalties they are milking from (the regions) ... this will be a big boost to the regional economy

Wide Bay

MAJOR CONSTRAINTS ON BUSINESS GROWTH

Queensland

Rank	Constraints	Mar18	Dec18	Mar19	Quarterly Change
1	Political and economic stability	60.2	63.0	69.3	=
2	Level of demand/economic activity	59.5	62.7	64.5	=
3	Insurance premium costs	53.9	52.6	55.9	↑ 1
=4	Direct wage costs	54.8	51.6	54.4	↑ 2
=4	Compliance and complexity of business taxes and government charges	56.5	52.7	54.4	↓ 1
6	Level of business taxes and government charges (State and Local)	56.1	51.4	54.1	↑ 1
7	Level of business taxes and government charges (Federal)	54.6	50.5	53.5	↑ 1
8	Energy costs and standard of infrastructure	56.3	49.5	53.4	↑ 2
9	Indirect wage costs (Superannuation, Workers Compensation etc)	50.4	48.4	51.5	↑ 2
10	Retaining and recruiting suitably qualified employees	52.3	52.2	50.7	↓ 5

↑ Rank order rose from previous quarter; = unchanged from previous quarter; ↓ decreased from previous quarter.

South East Queensland

Rank	Constraints	Index
1	Political and economic stability	70.9
2	Level of demand/economic activity	65.1
3	Compliance and complexity of business taxes and government charges	56.0
4	Level of business taxes and government charges (State and Local)	55.6
5	Direct wage costs	55.5
6	Level of business taxes and government charges (Federal)	54.2
7	Indirect wage costs (Superannuation, Workers Compensation etc)	54.1
8	Insurance premium costs	53.4
9	Energy costs and standard of infrastructure	52.5
10	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	49.2

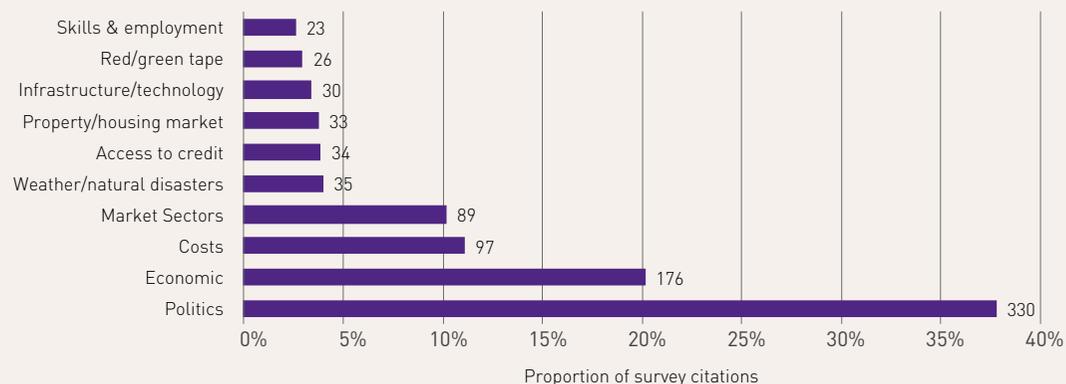
Regional Queensland

Rank	Constraints	Index
1	Political and economic stability	66.9
2	Level of demand/economic activity	63.8
3	Insurance premium costs	56.8
4	Energy costs and standard of infrastructure	54.0
5	Direct wage costs	53.7
6	Retaining and recruiting suitably qualified employees	53.1
=7	Compliance and complexity of business taxes and government charges	52.8
=7	Level of business taxes and government charges (State and Local)	52.8
9	Level of business taxes and government charges (Federal)	52.7
10	Climatic conditions (drought, flooding, storm etc)	51.3

INFLUENCES ON BUSINESS CONFIDENCE

Open-ended qualitative questions within the Suncorp CCIQ Pulse Survey enable small businesses to provide commentary about issues and matters specific to their own businesses. The key factor influencing sentiment within the Queensland small business community during the March quarter was emphatically the trepidation of a change in the Federal Government.

Key Influencers on Business Confidence



FEDERAL POLITICS

Political issues were emphatically the most cited influences affecting business confidence across the state. Respondents noted concern about the outcome of the upcoming federal election, particularly the uncertainty associated with the prospect of a change of government.

Key business doubt about the federal election is a possible government at the national level that is not as focussed on business as the incumbent government.

Cairns

If Labor get in, business will go backwards with extra costs imposed from wages to electricity; I have no doubt it will cost jobs and slow business.

Brisbane

To me, the threat of a Labor government is having a negative effect on spending. The uncertainty surrounding Adani and coal mining in general is not helping with positivity. Farmers are being hit now with eco-terrorism and restrictive practices on use of land

South West Queensland

STATE AND LOCAL POLITICS

The business community continue to vent dissatisfaction in the performance of the State as well as Local Governments; especially their lack of ticker to get things done and progress critical new resource developments. Again, regional respondents expressed the view that regional Queensland continues to be left behind in infrastructure and influence and that politicians based in inner-city Brisbane hold an apathetic view toward regional development issues and concerns.

There is poor local government and lack of prosperity in the north Queensland regional areas

Townsville

There is limited expenditure in the region by the Queensland State Government

Mackay

Politicians are more worried about themselves, not what is best for the regions as well as state and national interests

Cairns

INFLUENCES ON BUSINESS CONFIDENCE

ECONOMIC ISSUES

Economics issues were the second largest cited influence on business confidence, changing from first place in the December quarter. The small business community commented on issues including international tensions, particularly around trade, the Chinese and US economy, and Brexit. They continue to be upbeat about the prospects for greater demand for domestic exports emanating from a more competitive Australian Dollar. However, respondents were more acutely uneasy about the mooted changes to the taxation system and how this may affect investment within the economy as well as local consumer confidence and demand. Respondents were also concerned about the implications for an ongoing slowdown in housing construction affecting general business conditions.

There is a continuing fixation of imposing costs on the Australian community in the name of “global warming” (which has) the potential to wreck Australia’s economy with looney policies such as banning coal exports

Gold Coast

Our economy has gone many years without a recession, but there are growing risks

Logan

Brexit, the US and China’s economic slide

Brisbane

BUSINESS COSTS

The mooted introduction of a “living wage” without consultation has angered an already disgruntled business community, with many noting they this will invariably reduce employment and the ability of businesses to invest in new capital expenditures as well as having an adverse impact on general business conditions. While electricity costs continue to be a further source of frustration and concern, costs of insurance were identified as a significant problem by respondents from Regional Queensland.

We are currently supplying a Chinese market with our Australian-made goods and are currently setting up a three-year contract, but our costs to supply are posing to be an increasingly difficult hurdle to overcome

Sunshine Coast

The potential wage hikes, negative gearing changes and taxation changes to investments as promised by Labor will, in our opinion, drive us into recession. Our business alone could not withstand the added pressures of Labor’s promised \$40.00 a week raise in the minimum wage. That alone would represent a \$200,000.00 plus a year jump in our wage bill. We cannot overcome such a lift. It would mean either reducing staff or closing the doors - it’s that critical

Brisbane

MARKET SECTORS

Given its critical importance to the Queensland economy, comments about issues surrounding the resources/mining sector are commonly made by respondents. Regional businesses particularly expressed their disillusionment with government procrastination in getting resource projects moving in the Galilee Basin to spur economic development across central and northern Queensland to alleviate the economic downturn. Unsurprisingly, tourism was a key issue for Far North Queensland respondents with some reporting an apparent slowdown. Businesses were also concerned about the implications that changes to negative gearing will have on the construction activity and how a housing downturn will likely decrease household spending levels in the economy.

If Labor is elected and introduces their negative gearing policy the construction industry will decline

Sunshine Coast

The slowdown in the construction and mining sectors will continue to have a knock-on effect on the broader economy

Gold Coast

Hopefully a change of government with clear policies and a commitment to working with all parties on a non-partisan basis for a stable emissions reduction program will boost certainty and deliver confidence for investment in renewables for the next quarter century

Sunshine Coast

WEATHER AND NATURAL DISASTERS

Respondents from North Queensland noted that the February floods in Townsville caused significant disruption to the local economy, which was already experiencing challenging business conditions. Others discussed the impacts of drought and its effect on agricultural activity and rural communities, particularly for South West Queensland. Many respondents expressed concerns regarding how these impacts may indeed drag on economic conditions across the state more broadly.

The amount of wet weather we’ve had has made it impossible for us to create a continuous work stream

Townsville

Drought and the agricultural sector will be the driver of the economy

South West Queensland

Weather conditions such as drought (and) heavy rains will impact primary production more than other sectors, but all sectors will be subject to the flow-on effects from primary industry as well as direct impacts from infrastructure dislocations resulting from road closures due to floods, etcetera

Mackay

INFLUENCES ON BUSINESS CONFIDENCE

ACCESS TO CREDIT

Many businesses raised issues associated with obtaining loans and credit, noting that finance has become more difficult to access and it was affecting their ability to grow. Others noted that their businesses have been indirectly affected by clients unable to obtain loans for property.



Terrible, mainly because the banks are not lending
Brisbane



An already slow property market, tighter bank lending following the Royal Commission and increased uncertainty with an upcoming election have had a significant impact on the regional property market
Rockhampton



How the banks react will be a big factor. At present many of our potential clients are having trouble raising funds to buy properties. This has resulted in our turnover being lower than for the same months in previous years
Gold Coast

PROPERTY AND THE HOUSING MARKET

Respondents were concerned about a slump in housing markets filtering through the broader economic activity and most notably stemming construction activity and stifling consumer demand. Again, the potential implications from mooted taxation reforms making an already bad situation worse figured in the minds of the business community.



The proposed changes to capital gains tax and negative gearing by Labor will have a negative impact on the property industry. This will reduce the number of investors/buyers in the market, reducing demand and in turn values, which will have a negative impact on existing homeowner's equity with potentially serious impacts for many property owners in an already struggling property market for much of Australia
Rockhampton



A slow-down in the housing market is likely to have significant ripple effects in communities like the Sunshine Coast, which economically rely on the construction sector

Sunshine Coast



Changes to personal credit availability will have a knock-on effect on local factors such as housing and capital item purchases
Cairns

INFRASTRUCTURE AND TECHNOLOGY

Businesses were adamant about the need for both the State and Federal Government to increase infrastructure spending to stimulate jobs creation and economic activity, particularly in Regional Queensland.



The state government is not supporting enough growth in Queensland through infrastructure
Sunshine Coast



Confidence is secured through leadership and delivery of policies that support small business, particularly in regional areas across the country. Nationally, we require a 10-year road map (rolling) of infrastructure improvements that support local content, giving confidence for business to invest in new technologies and the workforce
Rockhampton



If governments are concentrating on hard infrastructure while neglecting soft infrastructure, we may expect to see a negative impact on innovation and entrepreneurialism, which seems to be crucial now and more than ever in keeping up with global advancements and creating new business
Cairns

RED/GREEN TAPE

Businesses reported that red and green tape were making it increasingly difficult to do business in the state. Some noted that these had a direct effect on their business performance and planning over the quarter and were impediments on their businesses more generally. Council fees and the complexity of local government bureaucratic procedures were mentioned while others were frustrated by sources of State Government regulation hindering critical infrastructure, agricultural and mining activities across the state.



There are bad political decisions blocking infrastructure projects; examples include the Reef 2050 'save the reef' funding, Sustainable Ports Development Act, Vegetation Management Act, but no crocodile management plan for 'safer waterways'
Cairns



Ongoing green tape is holding up major regional developments and there is a lack of vision in regional catalytic infrastructure
Townsville

SKILLS AND EMPLOYMENT

Reporting of issues pertaining to skills and training were relatively less prevalent for the March quarter than in trailing surveys, and it appeared to be a more significant issue for businesses located in Regional Queensland than for those in SEQ.



The lack of skilled, trade-qualified employees will be the biggest challenge, especially in the smaller population centres
South West Queensland



Lack of skilled Australians for certain jobs and difficulty in getting sponsorship for skilled staff and time frames
Gold Coast

ABOUT PULSE

The Pulse Survey has been measuring 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 contains data from a sample covering the entire breadth of the business community.

This month there was a substantially increased number of responses received from the Cairns region. Consideration was given to whether the boost to the number of sample

of responses from Regional Queensland may have disproportionately affected the levels of sentiment indicators across the whole sample. On this point, it is worth noting that the differences between the mean of the responses for each indicator presented in the regional analysis section were found not to be statistically different from zero.

The survey period is for 1st April to 15th April 2019 and examines business sentiment through the March Quarter 2019. 708 businesses provided responses to the survey.

To find out more about Pulse, please contact Dr Marcus Smith, Chief 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

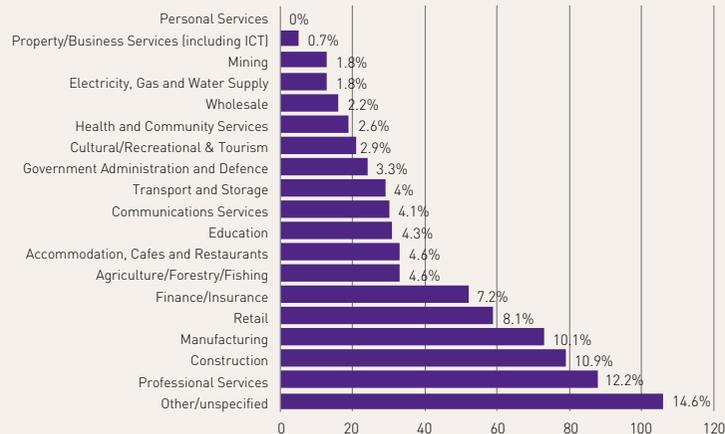
The state-wide PBI results have been seasonally adjusted.

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.

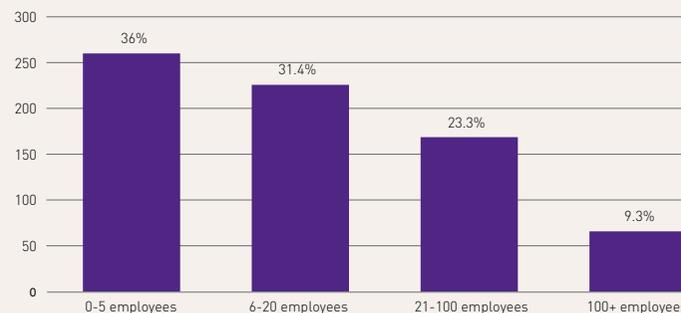
DEGREE OF CONSTRAINT INDEX

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

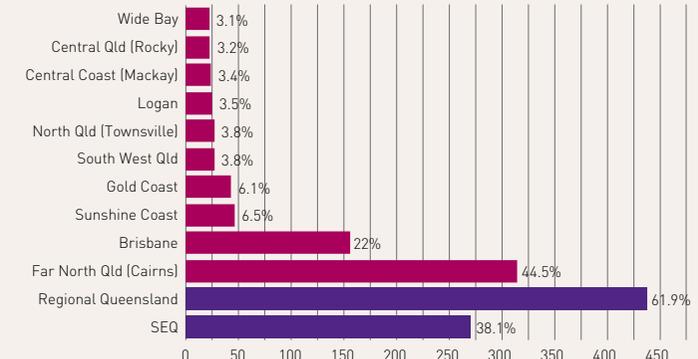
Industry Representation (%)



Size of Organisation (%)



Regional Representation (%)



Chamber of Commerce & Industry Queensland

Industry House, 375 Wickham Terrace, Spring Hill, Qld 4000
Telephone 1300 731 988

www.cciq.com.au

