

BRISBANE PULSE SURVEY REPORT

MARCH QUARTER 2022

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IMPROVED OUTLOOK ON THE HORIZON FOR BRISBANE BUSINESSES

Latest results from the CCIQ Pulse Survey March 2022 quarter show improved confidence for Brisbane business community about the future of both the state and national economies. However, it is important to note that this turnaround is from a low base from a challenging December quarter, as well as a tough start of the year with major flood events happened in the region in February 2022. As such, actual business performance still remains low.

The easing of COVID-19 restrictions in the March quarter was offset by the impacts of major flood events in Brisbane. 78% of Brisbane businesses respondents were impacted by inundation. The results also indicated that businesses did not have to be directly flooded to be impacted, with many experienced loss of trade cause by employee unavailability, disrupted supply and loss of power and customer demand. Further details of the flood impacts are available in the Queensland Pulse Report.

Confidence improved in the March quarter with Brisbane businesses anticipating a gradual strengthening in the national and Queensland economies over the next 12 months. Nevertheless, business performance during the March quarter, while improved, is yet to reflect actual growth.

General business conditions and total sales revenue improved during the quarter. At the same time, considerable increases in business operating costs coupled with rising labour costs offset this improvement. As a result business profitability only marginally improved and performance overall is not yet at profitable levels.

Actual growth is anticipated to occur in the June quarter, with expectations for general business conditions, sales and employment all registering PBIs strengthening to above 50 index points. Nevertheless, conversion of these factors into substantially improved profitability will take longer.

Overall, Brisbane businesses are reporting performance in the March and June quarters on par with that of the State-wide average.

In summary, this quarter's results, whilst reflecting volatility, are promising as they signal a consistent pathway towards an improved economic outlook for Queensland. The challenge will be Brisbane businesses' ability to navigate through a myriad of complex issues, including:

- Direct and indirect loss of trade, physical damage and disrupted supply chains from the South East Queensland floods;

- Uncertainty emerging from the upcoming Federal Election;
- The re-emergence of inflation and the expected rising interest rates that may impact consumer confidence and spending, as well as business costs and contracts;
- The labour shortage of skilled and non-skilled employees; exacerbated by ongoing housing and accommodation crisis;
- Continuing supply chain disruptions leading to stock and material shortages, compounded by geopolitical uncertainty especially in Russia and China;
- Rising fuel prices that are increasing business costs and also impacting customer budgets; and
- The lingering effects of COVID-19 on events tourism;

However there are also favourable influences such as:

- The large scale winding back of COVID-19 restrictions;
- The re-opening of interstate and international borders and the impact on tourism but also population growth and skill shortages;
- Favourable commodity prices for Queensland exports; and
- Emerging post COVID-19 positivity across businesses and the community.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

MARCH QUARTER SENTIMENT

Brisbane

44.7

Queensland

44.9

JUNE QUARTER FORECAST

Brisbane

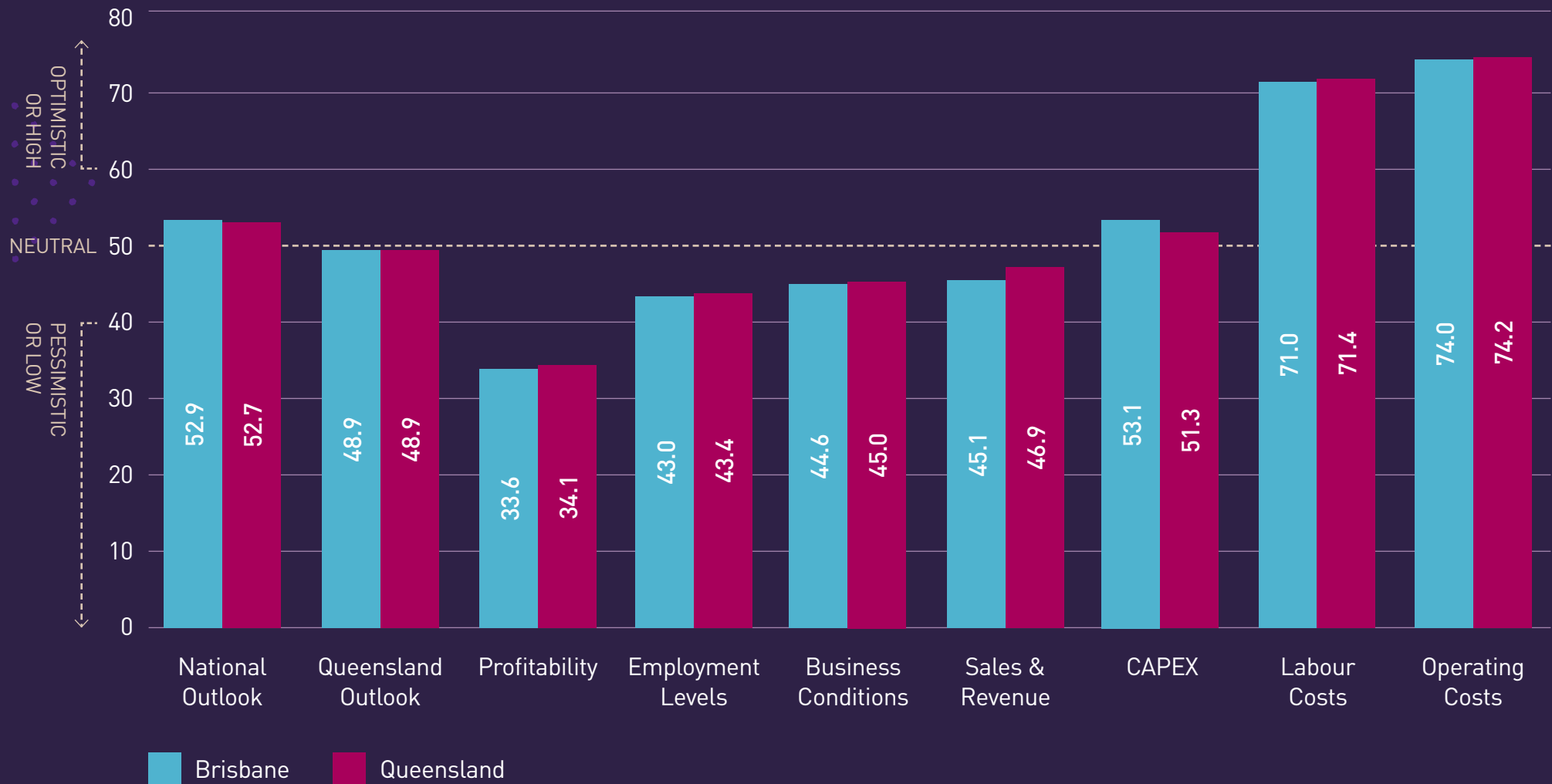
51.0

Queensland

51.0

SNAPSHOT DATA

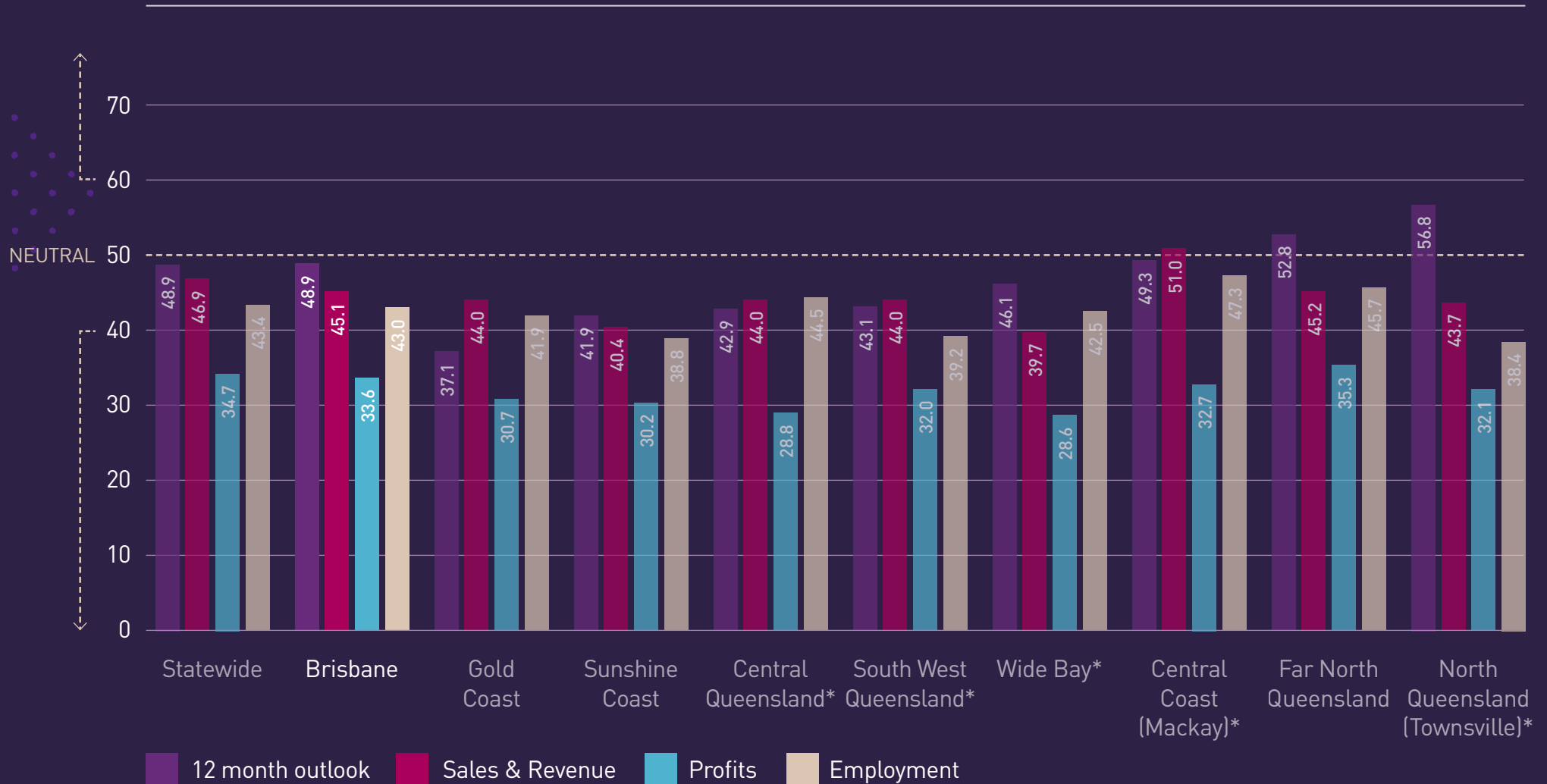
BRISBANE PULSE SURVEY INDEX* RATINGS MARCH 2022



Survey Index Ratings: Very Poor = 0-19 points / Poor = 20-39 points / Satisfactory = 40-59 points / Good = 60-79 points / Excellent = 80-100 points

SNAPSHOT DATA

PULSE SURVEY INDEX* RATINGS MARCH 2022



*Care should be exercised due to the low sample size for this region

Survey Index Ratings: Very Poor = 0-19 points / Poor = 20-39 points / Satisfactory = 40-59 points / Good = 60-79 points / Excellent = 80-100 points

SNAPSHOT

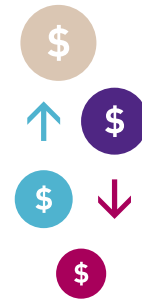


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **48.9** (+4.5); Satisfactory
National Outlook = **52.9** (+4.2); Satisfactory

Brisbane business confidence for the performance of the national and Queensland economies over the next twelve months has greatly improved, after a sharp contraction in the December quarter attributable to the emergence of the COVID-19 Omicron strain. Confidence in the Australian economy for the next twelve months improved 4.2 points to 52.9, indicating a positive outlook on the national economy over the next 12 months. The Queensland index also increased 4.5 points to 48.9, just slightly under a score of 50, suggesting that there exists weakening growth prospects for the state economy over the forthcoming 12 months. The latest Index scores continue the trend of the national index indicating better growth prospects over the coming 12 months compared to the Queensland index.

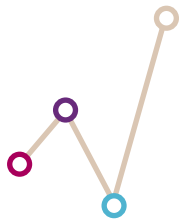


SALES AND REVENUE

PULSE SURVEY INDEX

March -22 = **45.1** (+5.1); Satisfactory
June -22 = **55.8** (+10.7); Satisfactory

Total sales revenue in the March quarter greatly improved, yet remain lower than 50, indicate continuing weakened sales conditions. The sales and revenue PBI of 45.1 is up (5.1) compared to the December quarter index of 41.0, continuing the directional volatility between quarters that has occurred over the past twelve months. Total sales revenue appears to have been influenced favourably by the progressive relaxation of COVID-19 restrictions and interstate and international border openings. At the same time, sales and revenues have been negatively impacted by staff shortages, floods and continuing supply chain disruption resulted in lower stock availability. Going forward, total sales revenue are expected to strengthen significantly in the June quarter with the PBI increasing 10.7 index points to 55.8.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

March -22 = **44.6** (+2.5); Satisfactory
June -22 = **52.7** (+8.1); Satisfactory

General business conditions improved in the March quarter as a consequence of better sales leading to partly improved business profitability. However, overall conditions remain subdued, noting the complex array of issues listed earlier. The March quarter index of 44.6 is up 2.5 points from the December quarter PBI of 42.1. Compared to the last quarter, there are fewer Brisbane businesses in the March quarter expecting weaker business conditions, as more are expecting conditions to either remain unchanged or improve to be stronger. Going forward, general business conditions in the June quarter are anticipated to improve strongly, with forecast PBI expected to reach 52.7.



OPERATING COSTS

PULSE SURVEY INDEX

March -22 = **74.0** (+4.7); High
June -22 = **75.4** (+1.4); High

Operating costs during the March quarter continued to rise with the PBI increasing by 4.7 index points to 74.0, from an existing high level of 69.3 in the December quarter. Close to seven in ten businesses indicated an increase in their operating costs during the quarter. Global supply chain disruption combined with rising fuel prices have led to significant price rises for business inputs. Furthermore, there are more pressures from other rising operational costs such as rents and insurance. The significant escalation in operating costs is not expected to temper anytime soon, with PBI in the June quarter anticipated to increase by a further 1.4 index points to 75.4.

SNAPSHOT



LABOUR COSTS

PULSE SURVEY INDEX

March -22 = **71.0** (+2.6); High
June -22 = **72.9** (+1.9); High

Labour costs in the March quarter 2022 increased significantly to reach a record high of 71.0. The result reflects widespread staff and skill shortages, prompted by lag effects from international and interstate border closures. Furthermore, businesses struggling to keep up with new demand of the post pandemic recovery, and are continuously pressured by higher wages required to retain staff and attract new employees. More than half of all Brisbane businesses reported higher labour costs during the March quarter. Yet, the labour costs PBI is expected to increase even further in the June quarter, to rise another 1.9 points to reach 72.9.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

March -22 = **43.0** (-0.7); Satisfactory
June -22 = **51.2** (+8.2); Satisfactory

Employment levels remained relatively unchanged in the March quarter for Brisbane businesses, with the PBI slightly dropped by 0.7 point to 43.0. This result continues to reflect the existing skill and labour shortages across several industry sectors in the region. However, businesses are expecting employment levels to pick up going forward, as the employment PBI expected to be up 8.2 points to 51.2 in the June quarter.



PROFITABILITY

PULSE SURVEY INDEX

March -22 = **33.6** (+1.2); Poor
June -22 = **41.8** (+8.3); Satisfactory

Higher sales have caused profitability to partly improve during the March quarter. At the same time, both rising operational and labour costs have acted as a drag to temper this greater improvement. The profitability PBI increased by 1.4 points to 33.6 in March, from 32.4 in the December quarter. However more than one in every two businesses indicated their profitability fell during the quarter and overall levels are considered 'poor'. Nevertheless, Brisbane businesses are expecting greater improvement in their profitability to come in the June quarter, with the index forecast to grow by 8.3 points up to 41.8. Even then, this indicator with a score below 50 continues to indicate profitability is not back to positive levels. For meaningful improvements in profitability, both a combined improvement in sales and also a moderation in business costs may be required.



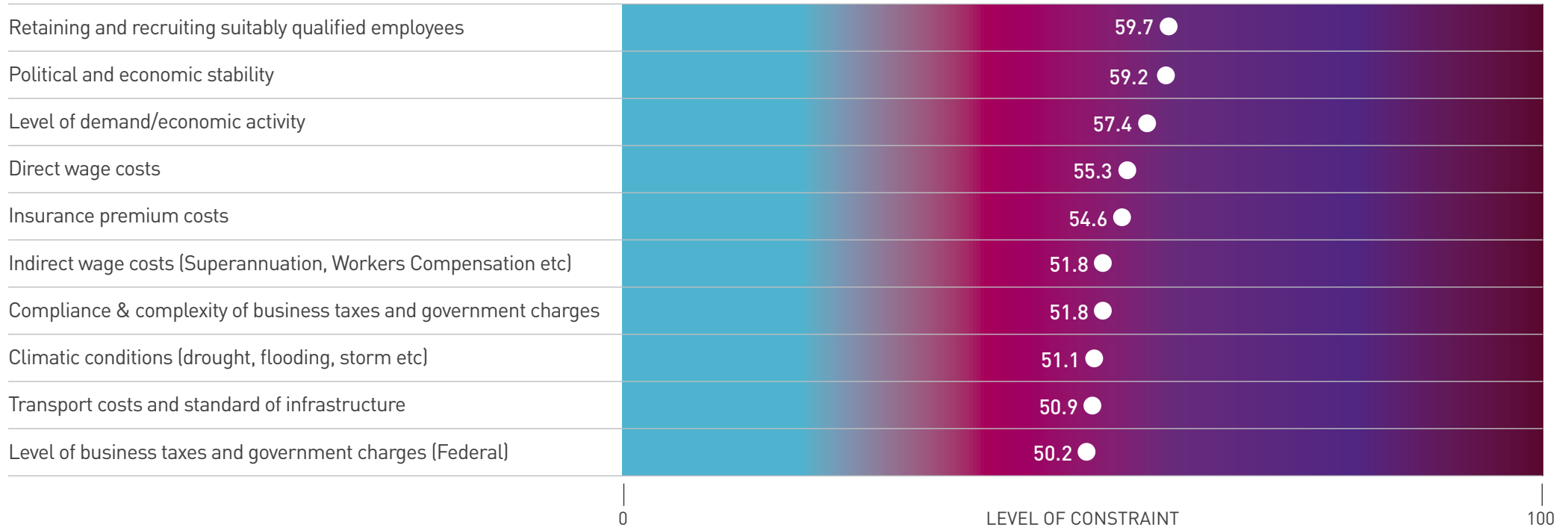
CAPITAL EXPENDITURE

PULSE SURVEY INDEX

March -22 = **53.1** (+4.1); Satisfactory
June -22 = **55.8** (+2.7); Satisfactory

After an extensive period of under-investment among Brisbane businesses, there are early signs that a directional change in outlook is emerging. The capital expenditure PBI in the March quarter increased by 4.1 index points to 53.1, from 49.0 in the December quarter. Three in every ten Brisbane businesses increased their capital expenditure during the quarter. Capital expenditure is expected to remain above 50 in the June quarter with the PBI up another 2.7 points to 55.8.

MAJOR CONSTRAINTS ON BUSINESS GROWTH



Degree of constraint index ratings guide: No constraint: **0-20** / Slight constraint: **21-40** / Moderate constraint: **41-60** / Large constraint: **61-80** / Critical constraint: **81-100**



The Australian economy is already performing much better than expected after COVID, even with many people still not working and housing and rental prices continually rising. The Queensland situation is affected by the recent floods, where the full effect has not yet been felt in the economy. – Brisbane



Increased sales as COVID-19 restrictions reduce and closures due to COVID-19 infections fall. – Brisbane



Consumer reluctance... with all the weather, covid, border closures, vax status etc our clients/customers are still very reluctant to Book events. I usually am booked out for the months ahead but yet I am still fielding calls and sending quotes with clients not wanting to commit to anything just in case the government changes the status/vax etc. With the floods we had a few of our events cancel and not able to move facilities due to the late notice. – Brisbane



Staffing levels can't get staff ,price increases in raw materials ,wages higher had to build up 6 months supply of raw materials as major shortages this has impacted on cash flow. – Brisbane



International tourism is yet to recover and La Nina weather events closing operations, leading to revenues still running at only 45% of pre-COVID revenues. – Brisbane

ABOUT PULSE

The Pulse Survey has measured Queensland business confidence and expectations for over 25 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.

The survey period was from the 4th to the 27th of April 2022 and examined business sentiment and activity throughout the March quarter (2022). 171 businesses responded to the survey.

Pulse Business Index

The analysis undertaken by CCIQ in preparing this Pulse Survey Report is based on survey responses from Queensland business. The report uses the PBI as well as (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.

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

The following guide is useful in interpreting the PBI results into broad indicative performance classifications.

Pulse Business Index

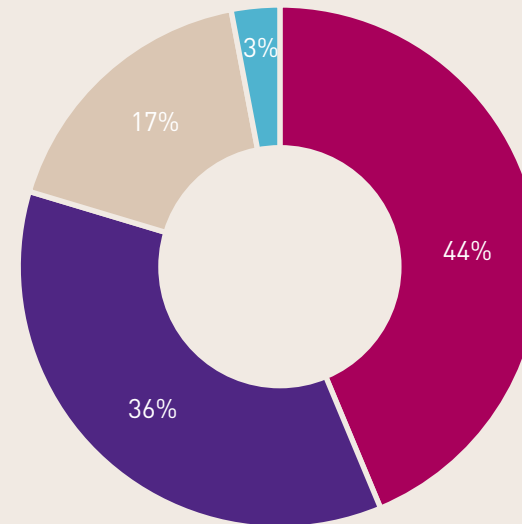
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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

No Constraint:	0-20
Slight Constraint:	21 – 40
Moderate Constraint:	41 – 60
Large Constraint:	61 – 80
Critical Constraint:	81 - 100

INDUSTRY REPRESENTATION



SIZE OF ORGANISATION

- 0-5
- 6-20
- 21-200
- 200+

Chamber of Commerce & Industry Queensland

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