

SUNSHINE COAST PULSE SURVEY REPORT

MARCH QUARTER 2021

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IMPROVED OUTLOOK ON THE HORIZON FOR SUNSHINE COAST BUSINESSES

Latest results from the CCIQ Pulse Survey for the March 2022 quarter indicated that the Sunshine Coast businesses showed improved confidence for the future of the state and national economies. However, it is important to note that the turnaround is off a low base and actual business performance is reported to remain low.

Confidence improved in the March quarter with Sunshine Coast businesses anticipating a gradual strengthening in the national and Queensland economies over the next 12 months. However, 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. Consequently, business profitability only marginally improved and 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 expected to be strengthened to PBIs above 50 index points. Nevertheless, substantially improved profitability will take longer as Sunshine Coast businesses are reporting poorer performance in the March and June quarters than the State-wide average.

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

- Uncertainty emerging from the upcoming Federal Election;
- Direct and indirect loss of trade, physical damage and disrupted supply chains from the South East Queensland floods;
- 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.

A better economic outlook is supported in these results with greater improvement in confidence of achieving business goals and the easing of many business constraints, particularly around economic demand and activity.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

MARCH QUARTER SENTIMENT

Sunshine Coast

39.4 Queensland
44.9

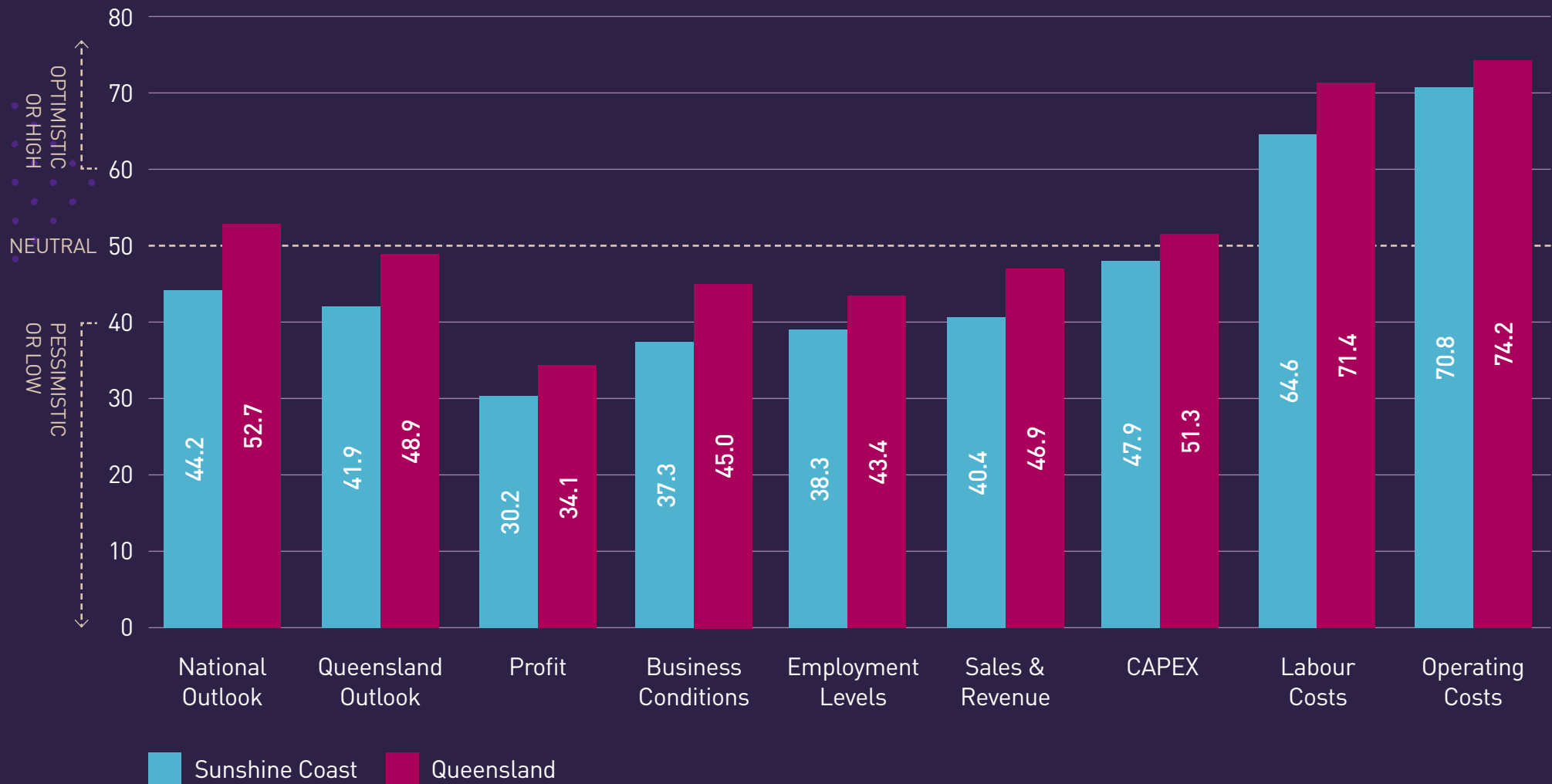
JUNE QUARTER FORECAST

Sunshine Coast

46.5 Queensland
51.0

SNAPSHOT DATA

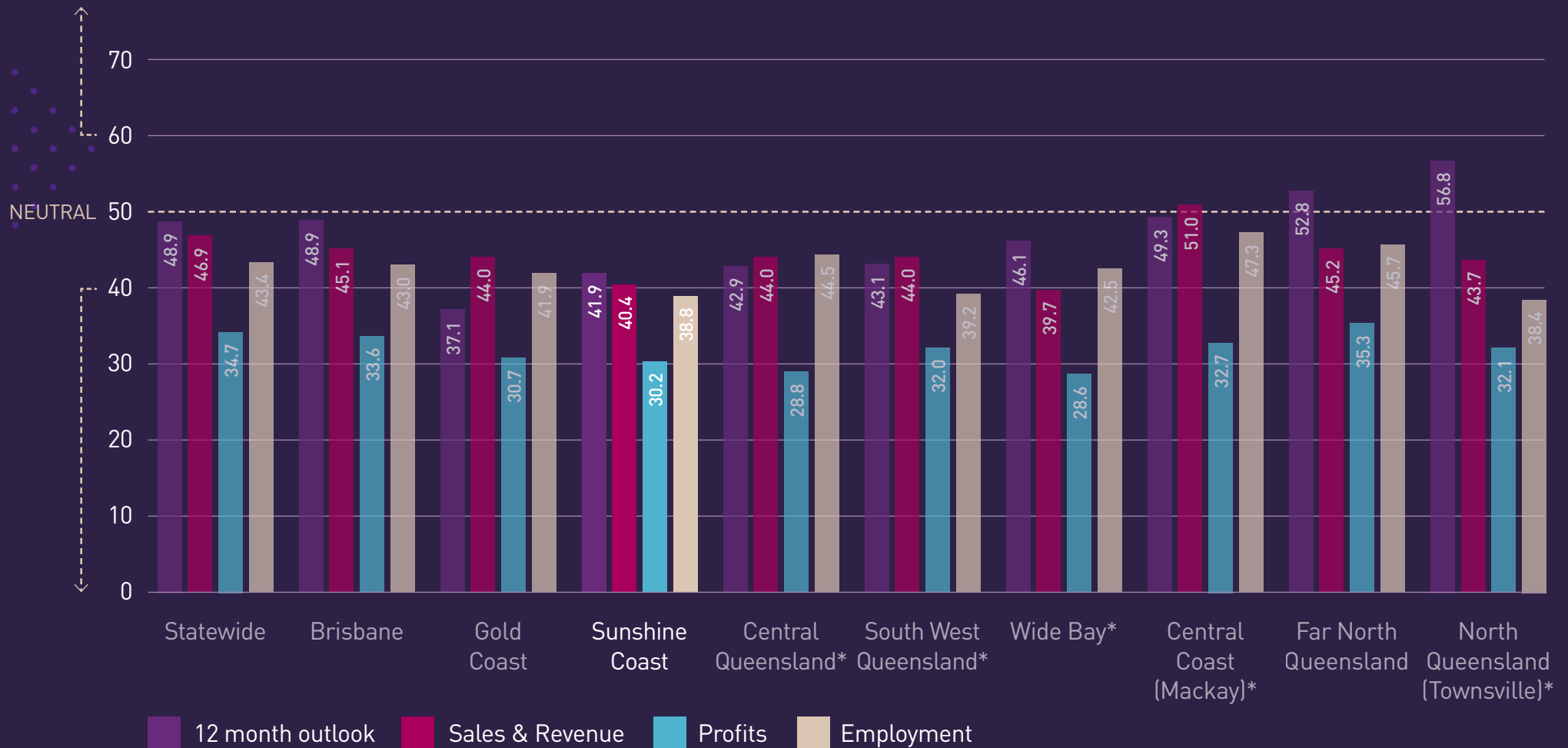
SUNSHINE COAST PULSE SURVEY INDEX* RATINGS MARCH 2022



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 = **41.9** (+4.3); Satisfactory
National Outlook = **44.2** (+4.6); Satisfactory

Sunshine Coast business confidence for the performance of the national and Queensland economies over the next twelve months has improved, after a sharp contraction in the December quarter associated with the concerns and outbreaks around the COVID-19 Omicron strain. Confidence in the Australian economy for the next twelve months improved 4.6 points to 44.2. The Queensland index also increased 4.3 points to 41.9. Both indexes while improved, still remained below 50 and continued to indicate weakening growth prospects 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 than for the Queensland index.

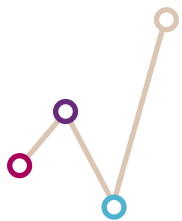


SALES AND REVENUE

PULSE SURVEY INDEX

March -22 = **40.4** (-4.3); Satisfactory
June -22 = **49.5** (+9.1); Satisfactory

Total sales revenue in the March quarter continued to indicate weakening sales. The sales and revenue PBI of 40.4 is down (4.3) on the previous December quarter index of 44.7. Total sales revenue appears to have greatly benefited from the progressive relaxation of COVID-19 restrictions, as well as the easing on interstate and international border restrictions. At the same time, sales have been negatively impacted by staff shortages, floods and continuing supply chain disruption resulting in low stock availability. Total sales revenue are expected to recover significantly in the June quarter with the PBI increasing 9.1 index points to 49.5.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

March -22 = **37.3** (-6.0); Poor
June -22 = **46.2** (+8.9); Satisfactory

General business conditions failed to improve in the March quarter with overall conditions remaining 'Poor' due the complex array of issues discussed above. The March quarter index of 37.3 is down 6.0 points from the December quarter PBI of 43.3. General business conditions in the June quarter are anticipated to improve strongly (up 8.9 points) reaching closer to satisfactory levels, towards an expected PBI of 46.2.



OPERATING COSTS

PULSE SURVEY INDEX

March -22 = **70.8** (+4.0); High
June -22 = **73.1** (+2.3); High

Operating costs during the March quarter continued to rise with the PBI increasing by 4.0 index points to 70.8 from the level of 66.8 in the December quarter. Three in five 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. These increases are combined with other business operational costs increases such as rents and insurance. The significant escalation in operating costs is not expected to temper in the June quarter with the PBI anticipated to increase by a further 2.3 index points to 73.1.

SNAPSHOT



LABOUR COSTS

PULSE SURVEY INDEX

March -22 = **64.6** (+1.8); High
June -22 = **67.6** (+3.0); High

Labour costs in the March quarter 2022 increased to a new high, reflected through a PBI of 64.6. The result reflects widespread staff and skill shortages associated with the continuing impacts of both international and interstate border closure, compounded with pressures from greater economic activity in the post pandemic recovery. As such, businesses are struggling to meet new demand and are continuously pressured to keep up with of higher wages to retain staff and attract new employees. Nearly one in two businesses reported higher labour costs during the March quarter. The labour costs PBI is expected to increase even further in the June quarter, up 3.0 points to 67.6.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

March -22 = **38.8** (+0.6); Poor
June -22 = **49.2** (+10.4); Satisfactory

Employment levels remained relatively unchanged in the March quarter with the PBI slightly increased to 38.8 from the level of 38.2 in the December quarter. The slow progress for this indicator reflects skill and labour shortages across many industry sectors, creating challenges in filling vacant positions. As a result any net progress increasing employment is only occurring in small increments. However, an improvement in this indicator is expected with the employment PBI expected to be up 10.4 points to 49.2 in the June quarter.



PROFITABILITY

PULSE SURVEY INDEX

March -22 = **30.2** (-0.7); Poor
June -22 = **39.1** (+8.9); Poor

Poorer sales, combined with both rising operational and labour costs have acted as a drag on profitability. The profitability PBI decreased by 0.7 points from 30.9 in the December quarter to 30.2. More than one in two businesses indicated their profitability fell during the quarter and overall levels are considered 'poor'. Still, Sunshine Coast businesses do expect significant improvements in their profitability in the June quarter, with the index forecast to grow by 8.9 points up to 39.8. Even then, this indicator will still be below 50, indicate profitability sentiment is not positive just yet. For profitability to pick up greatly, it will take both a combined improvement in sales and also a moderation in business costs to occur.



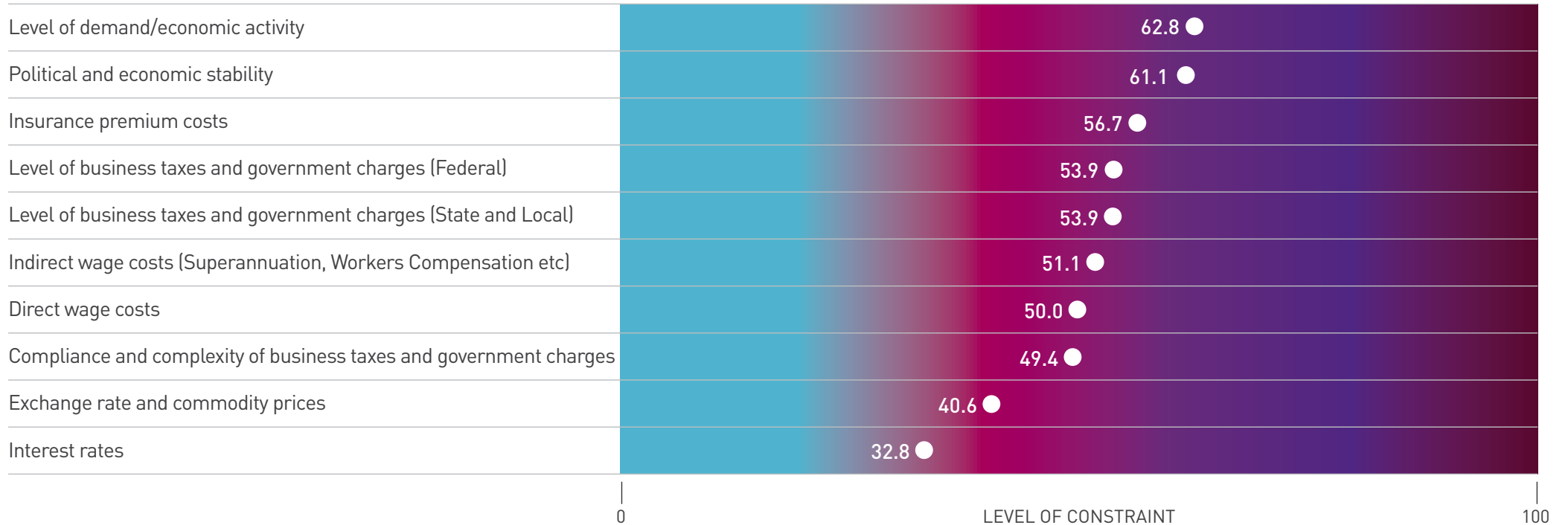
CAPITAL EXPENDITURE

PULSE SURVEY INDEX

March -22 = **47.9** (+6.2); Satisfactory
June -22 = **53.0** (+5.1); Satisfactory

After an extensive period of under-investment among Sunshine Coast businesses, a directional change in outlook is emerging. The capital expenditure PBI in the March quarter increased by 6.2 index points from 41.7 in the December quarter to 47.9. One in every three businesses in the region increased their capital expenditure during the quarter. Capital expenditure is expected to rise above 50 in the June quarter, with the PBI increase another 5.1 points to 53.0.

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 floods have both positively and negatively impacted our performance with a lot of local support for our business due to being in the floods. Covid restrictions have positively impacted our business in the way that people spend their money. People are spending more on luxuries and gifts which is the industry our florist business is in. – Sunshine Coast



The Floods have impacted the last part of this quarter and we are going to feel the impact to our business for some time. – Sunshine Coast



A change in government on May 21, it always has, small business confidence always evaporates when the government changes. – Sunshine Coast



Election will impact on economy as it always does - people don't like to spend when election due. – Sunshine Coast



Extreme weather event loss of income for >week but as not damaged no insurance or Govt income. – Sunshine Coast



High cost of living resulting in low retail and related spending. – Sunshine Coast

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). 61 Sunshine Coast 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

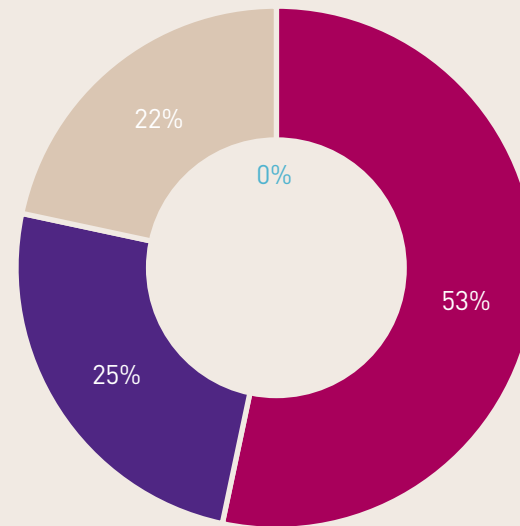
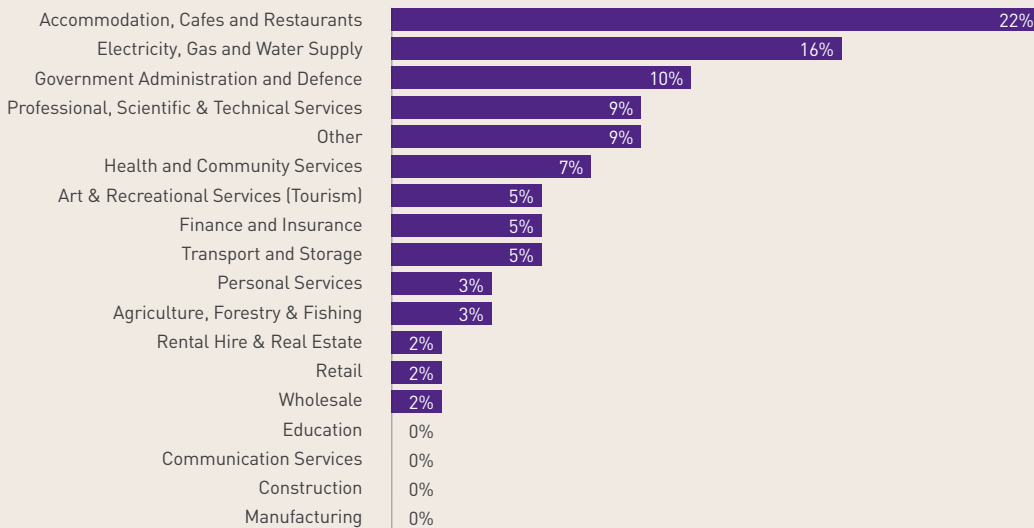
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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



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