

BRISBANE PULSE SURVEY REPORT

JUNE QUARTER 2022

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BUSINESS CONFIDENCE DETERIORATES BUT ACTUAL PERFORMANCE IMPROVES

Latest results of the June Quarter Pulse Survey indicates an unusual situation of a significant deterioration of Brisbane business confidence but solid business performance in the June quarter with similar expectations for the September quarter.

Total sales revenue was the stand out positive for the survey with Brisbane businesses indicating their sales and revenue improved during the June quarter. Business feedback revealed that a combination of recovery spend following the floods, recovery spend from COVID-19 especially in the area of tourism coupled with a spending and investment tap turned back on following the federal election have all boosted sales as well as overall general business conditions during the June quarter.

However this is where the good news ends and the sobering news starts. Brisbane business confidence has taken a dramatic turn for the worse as a result of a number of compounding issues.

Cost challenges are many and are collectively leading to the erosion of business viability. These issues include:

- Rising wage and labour costs;
- Supply chain disruptions which are causing stock shortages and delays in both goods and services;
- Rising inflation and cost of goods and services; and
- Increasing fuel and energy prices.

Accordingly it is unsurprising that both operating costs and labour cost PBIs are at their highest levels on record and are anticipated to remain there for the foreseeable future.

Revenue challenges also clearly emerging and include:

- Lack of staff availability including skill and labour shortages;
- Lack of availability of affordable accommodation and rental housing;

- Interest rate rises that are starting to erode consumer and business spending;
- Global economic downturn potentially impacting on Queensland exports; and
- Reduced consumer confidence and emerging fear of a recession.

As a result and despite improved sales, the profitability PBI has not budged and is actually expected to deteriorate in the September quarter. A silver lining is Brisbane businesses have performed slightly better than the state average.

In general, the above revenue and cost concerns are leading to an expectation of weaker economic growth over the next 12 months which is the metric used to measure business confidence. Whilst many of these issues are macroeconomic in their nature they are cascading down to impact Brisbane businesses at a micro level.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

JUNE QUARTER SENTIMENT

Brisbane

48.6

Queensland

48.0

SEPTEMBER QUARTER FORECAST

Brisbane

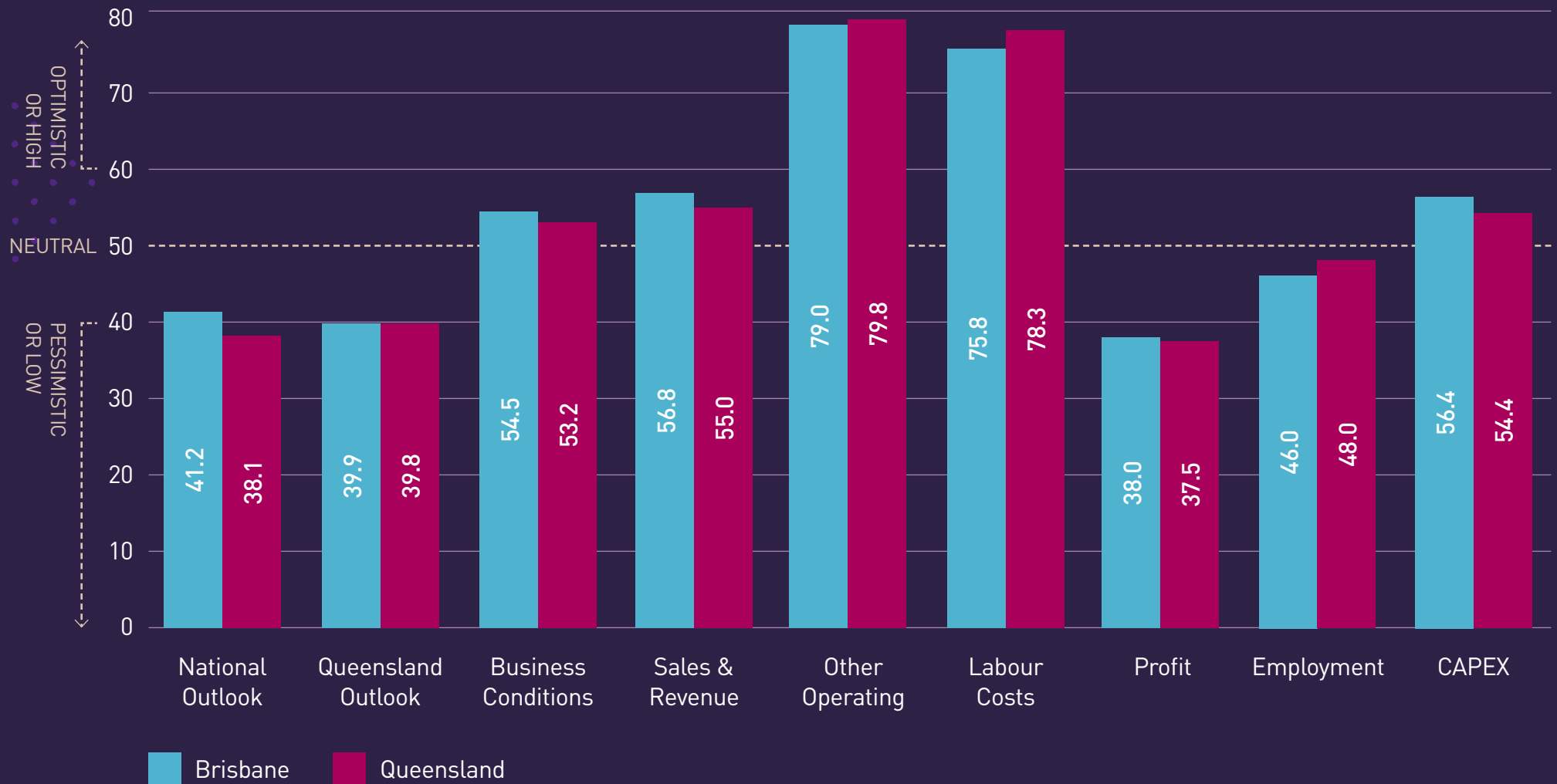
49.2

Queensland

46.9

SNAPSHOT DATA

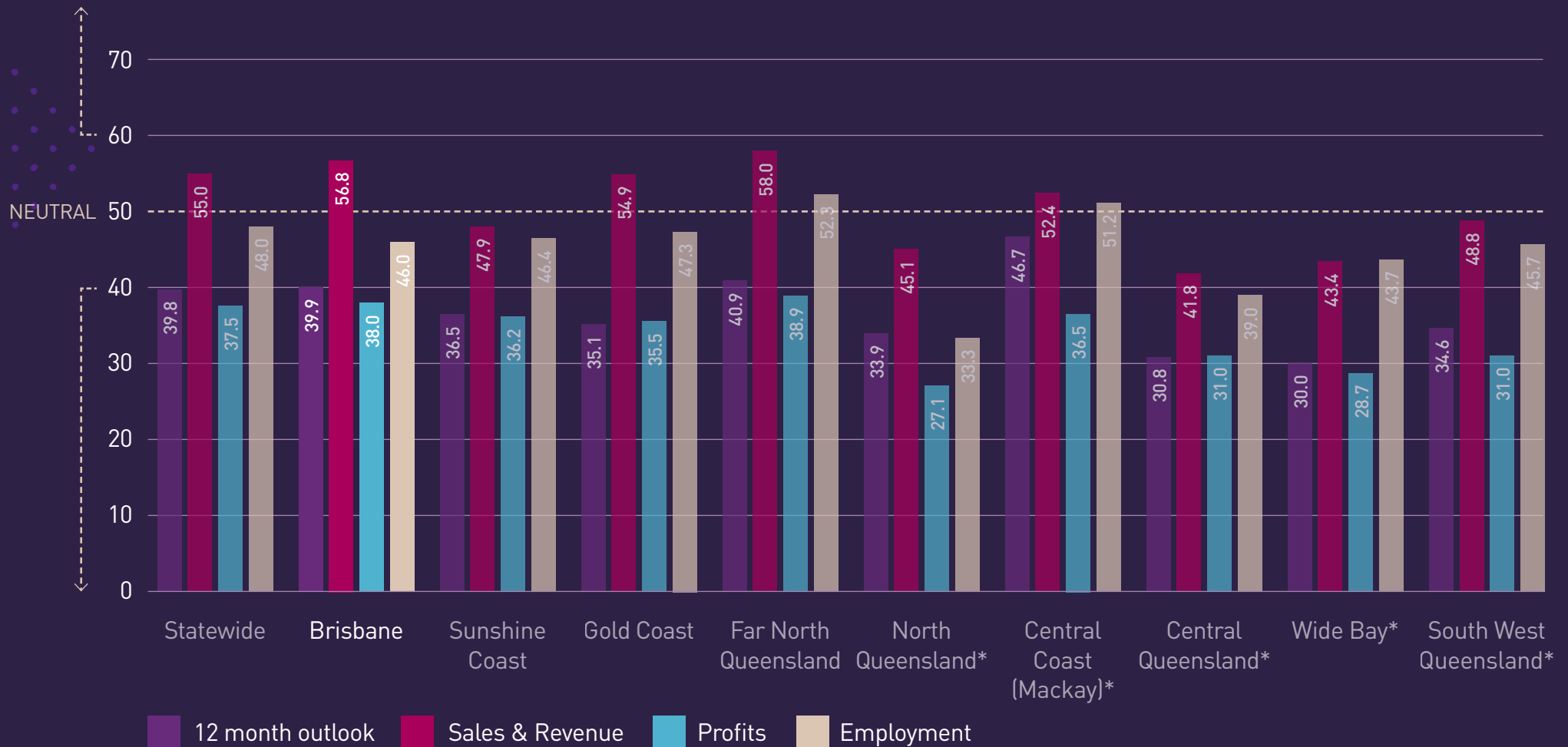
BRISBANE PULSE SURVEY INDEX* RATINGS JUNE 2022



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 JUNE 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

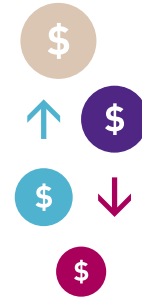


12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **39.9** (-9.0); Poor
National Outlook = **41.2** (-11.7); Satisfactory

Business confidence in the Australian economy for the next twelve months decreased by 11.7 points to 41.2. The Queensland index also decreased significantly by 9.0 points to 39.9 and both indicate weakening growth prospects over the coming 12 months. The decline of Brisbane business confidence is largely decoupled from actual business performance which was quite positive in the June quarter and appears more driven by macroeconomic issues relating to inflation and anticipation of a slowing economy caused through higher interest rates.

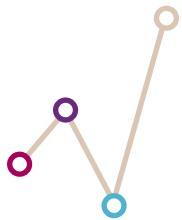


SALES AND REVENUE

PULSE SURVEY INDEX

June 22 = **56.8** (+11.7); Satisfactory
September 22 = **56.1** (-0.7); Satisfactory

Total sales revenue in the June quarter also improved and now indicates strengthening sales. The sales and revenue PBI of 56.8 is up (11.7) on the previous March quarter index and is the second quarterly increase in sales. Total sales revenue despite decreasing marginally is expected to maintain its recent improvement with a PBI of 56.1.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

June 22 = **54.5** (+9.9); Satisfactory
September 22 = **55.3** (+0.8); Satisfactory

Despite a deterioration in business confidence, general business conditions improved in the June quarter largely as a consequence of better sales. The June quarter index of 54.5 represents a noticeable increase of 9.9 points from the March quarter. General business conditions in the September quarter are anticipated to remain above 50 indicating further improvement with an expected PBI of 55.3.



OPERATING COSTS

PULSE SURVEY INDEX

June 22 = **79.0** (+4.9); High
September 22 = **80.3** (+1.3); Very High

Operating costs during the June quarter continued to rise with the PBI increasing by another 4.9 index points to 79.0. Global supply chain disruptions combining with high fuel prices coupled with cost recovery from previous increases 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 PBI is now at its highest level on record. The significant escalation in operating costs is expected to continue in the September quarter with the PBI anticipated to increase again to 80.3.

SNAPSHOT



LABOUR COSTS

PULSE SURVEY INDEX

June 22 = **75.8** (+4.8); High
September 22 = **77.7** (+1.9); High

Labour costs in the June quarter 2022 continued to increase significantly and are now at another record high of 75.8. The result reflects widespread staff and skill shortages across SEQ associated with greater economic activity and at or near 'full employment' with businesses struggling to meet demand and offering higher wages to retain and attract employees. The labour costs PBI will remain at record high levels in the September quarter with the index at 77.7.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

June 22 = **46.0** (+3.0); Satisfactory
September 22 = **49.7** (+1.7); Satisfactory

Employment levels increased in the June quarter with the PBI up 3.0 index points to 46.0. This result reflects an overall increase in economic activity across SEQ but is undoubtedly being held back by skill and labour shortages across a number of industry sectors and occupations. A further modest improvement in this indicator is expected with the employment PBI expected to be up another 1.7 points to 49.7 in the September quarter.



PROFITABILITY

PULSE SURVEY INDEX

June 22 = **38.0** (+4.5); Poor
September 22 = **41.0** (+3.0); Satisfactory

Higher sales have caused profitability to partly improve during the June quarter but at the same time both rising operational and labour costs have acted as a drag for greater improvement. The profitability PBI increased by only 4.5 points to 38.0. However nearly one in two businesses continue indicate their profitability fell during the quarter. Brisbane businesses expect modest improvement in their profitability in the September quarter, with the index forecast to grow by 3.0 points to 41.0. This indicator with a score below 50 still continues to indicate profitability is not strengthening and it will take both a combined improvement in sales and also a moderation in business costs for this to occur.



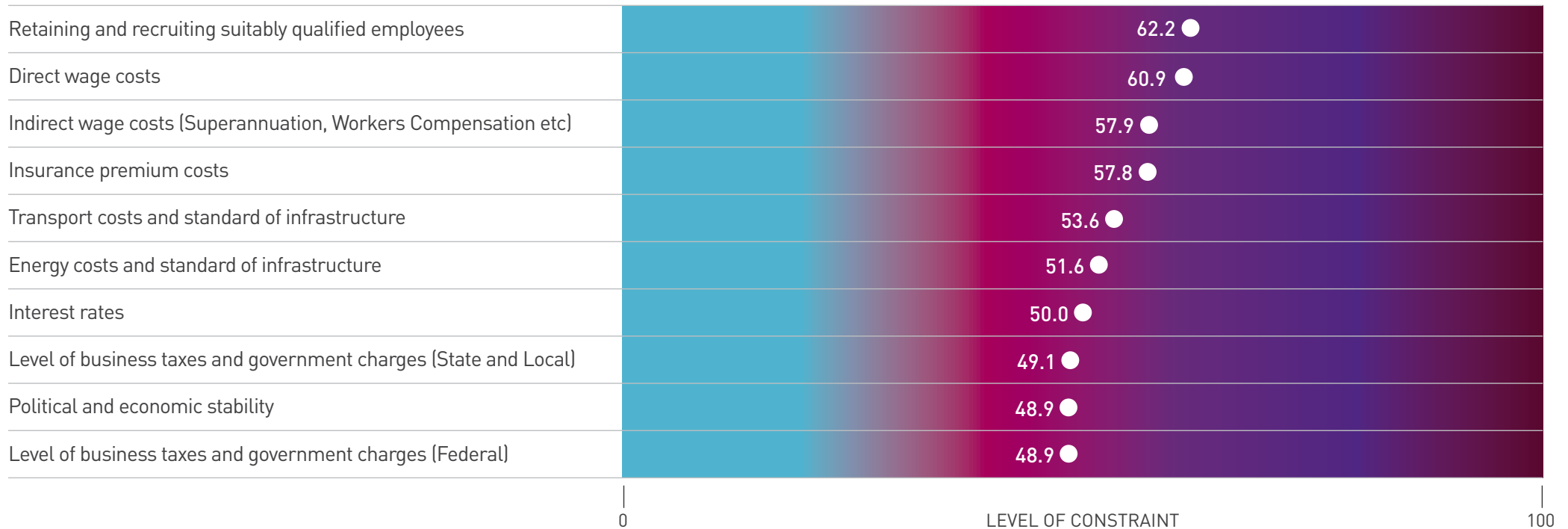
CAPITAL EXPENDITURE

PULSE SURVEY INDEX

June 22 = **56.4** (+3.3); Satisfactory
September 22 = **53.1** (-3.3); Satisfactory

After an extensive period of under-investment, Brisbane businesses are now investing in plant and equipment, buildings and other business assets. The capital expenditure PBI in the June quarter increased by 3.3 index points to 56.4 indicating strengthening investment. Capital expenditure is expected to remain above 50 in the September quarter (53.1) despite a 3.3 point reduction.

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**



Interest rates increasing, cost of living increases, supply chain delays due to COVID effects and backlogs, lack of employees/new recruitments and difficulties in the employment market with staff retention, housing market price falls due to interest rate increases. – Brisbane



Last year coming out of COVID, which had a lingering effect on confidence vs the next year being reeled in by rising interest rates. I think both years will be about the same. – Brisbane



Inflation specifically the impact of rising cost of transport and fuel, supply chain issues, recruitment issues, rising interest rates and COVID outbreaks will all be a negative impact. Offsetting this is the increasing rate of international travellers arriving, consumers “normalising” when COVID outbreaks occur, COVID immunisation breakthroughs (targeted boosters), increased overseas workers arriving and increased immigration resulting in population growth. – Brisbane



Interest rates & staffing shortages combined with over exaggerated wage rates. All businesses with large commercial loans will have to find ways of cutting back, in order to pay the increasing interest component of a commercial loan. Businesses are finding it really difficult to find staff to fill vacant positions, and existing staff are being poached or enticed with ridiculous wage rates hoping they take up the offer to move employer. This model is unsustainable for business as it not only depletes businesses of great talent, but puts financial pressure on the offering business. Payroll Tax limits have not been changed to accommodate the increasing combined payroll & super. – 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 12th July to the 1st August 2022 and examined business sentiment and activity throughout the June quarter (2022). 188 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

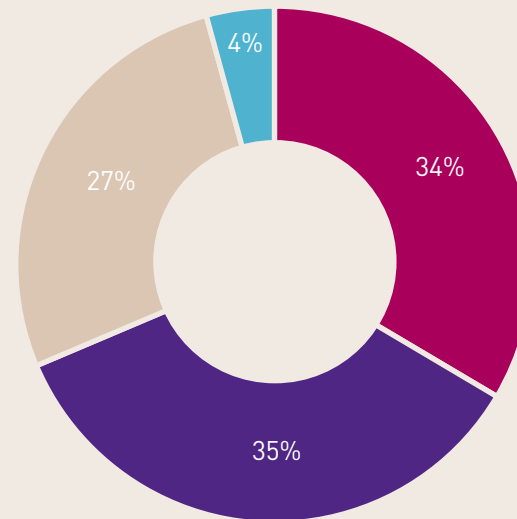
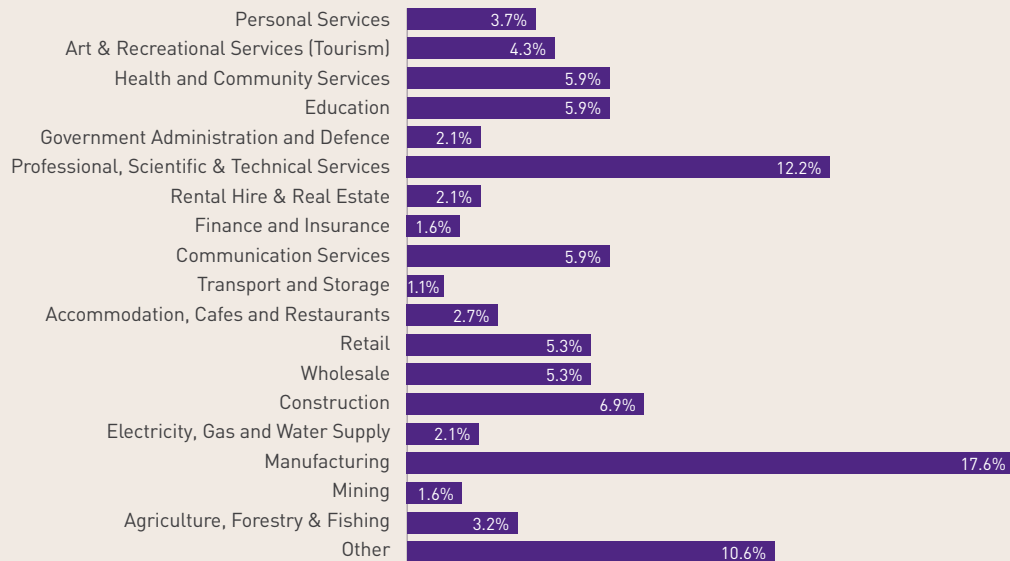
| | |
|---------------|--------|
| Very Poor: | 0-20 |
| Poor: | 21-40 |
| Satisfactory: | 41-60 |
| Good: | 61-80 |
| Excellent: | 81-100 |

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+

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