

# FAR NORTH QUEENSLAND PULSE SURVEY REPORT

JUNE QUARTER 2022

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## FAR NORTH QUEENSLAND BUSINESS CONFIDENCE DETERIORATES BUT ACTUAL PERFORMANCE IMPROVES

Queensland 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 Far North Queensland 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. Far North Queensland 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;
- Reduced consumer confidence and emerging fear of a recession; and
- Potential threat of foot and mouth disease on Queensland's rural industry.

As a result and despite improved sales, the profitability PBI has not budged and is actually expected to deteriorate in the September quarter. Far North Queensland businesses at present are generally more confident and performance has been more impressive 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 Far North Queensland businesses at a micro level.



### PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

#### JUNE QUARTER SENTIMENT

Far North Queensland

**49.3** Queensland  
48.0

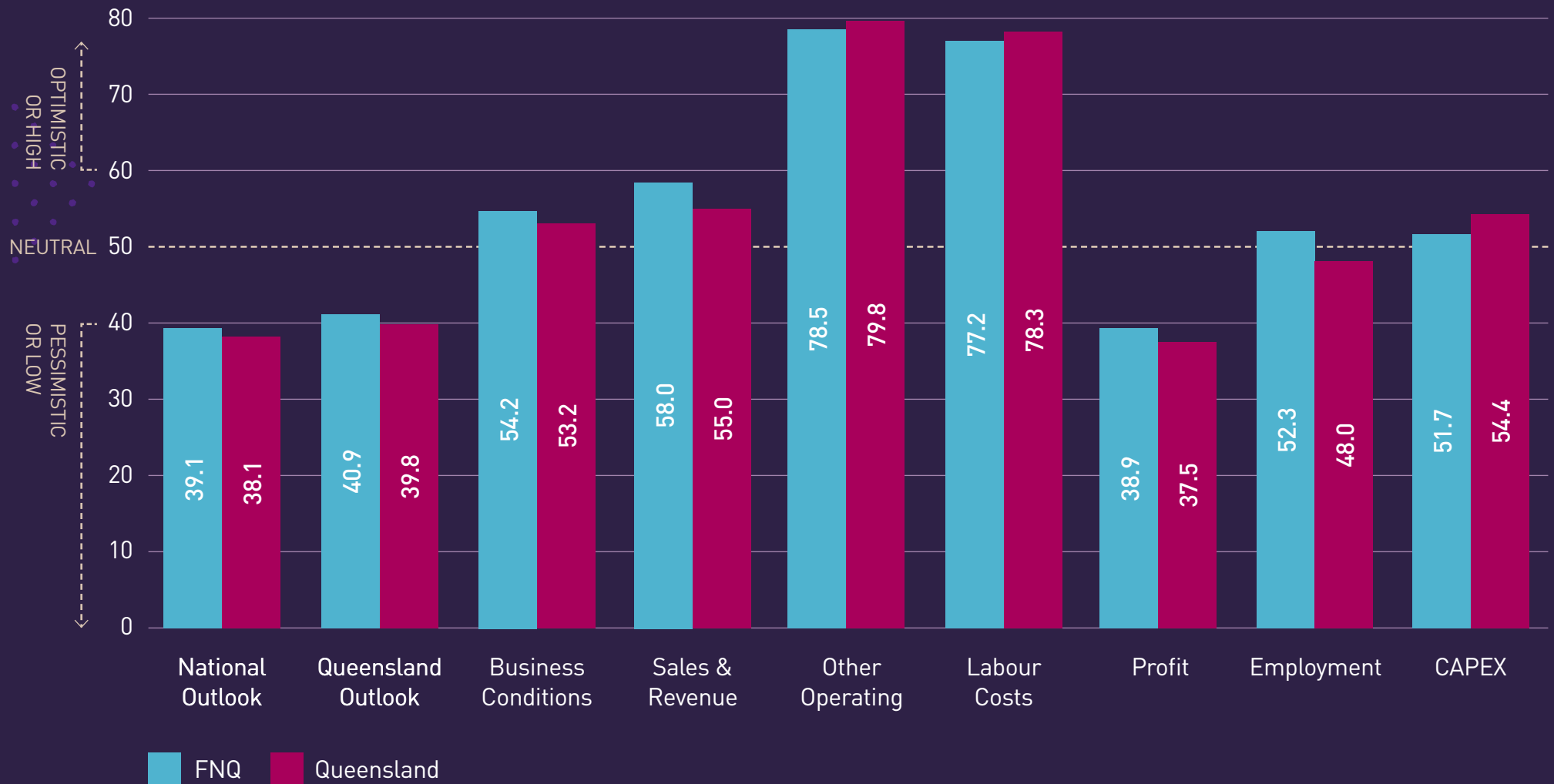
#### SEPTEMBER QUARTER FORECAST

Far North Queensland

**47.1** Queensland  
46.9

# SNAPSHOT DATA

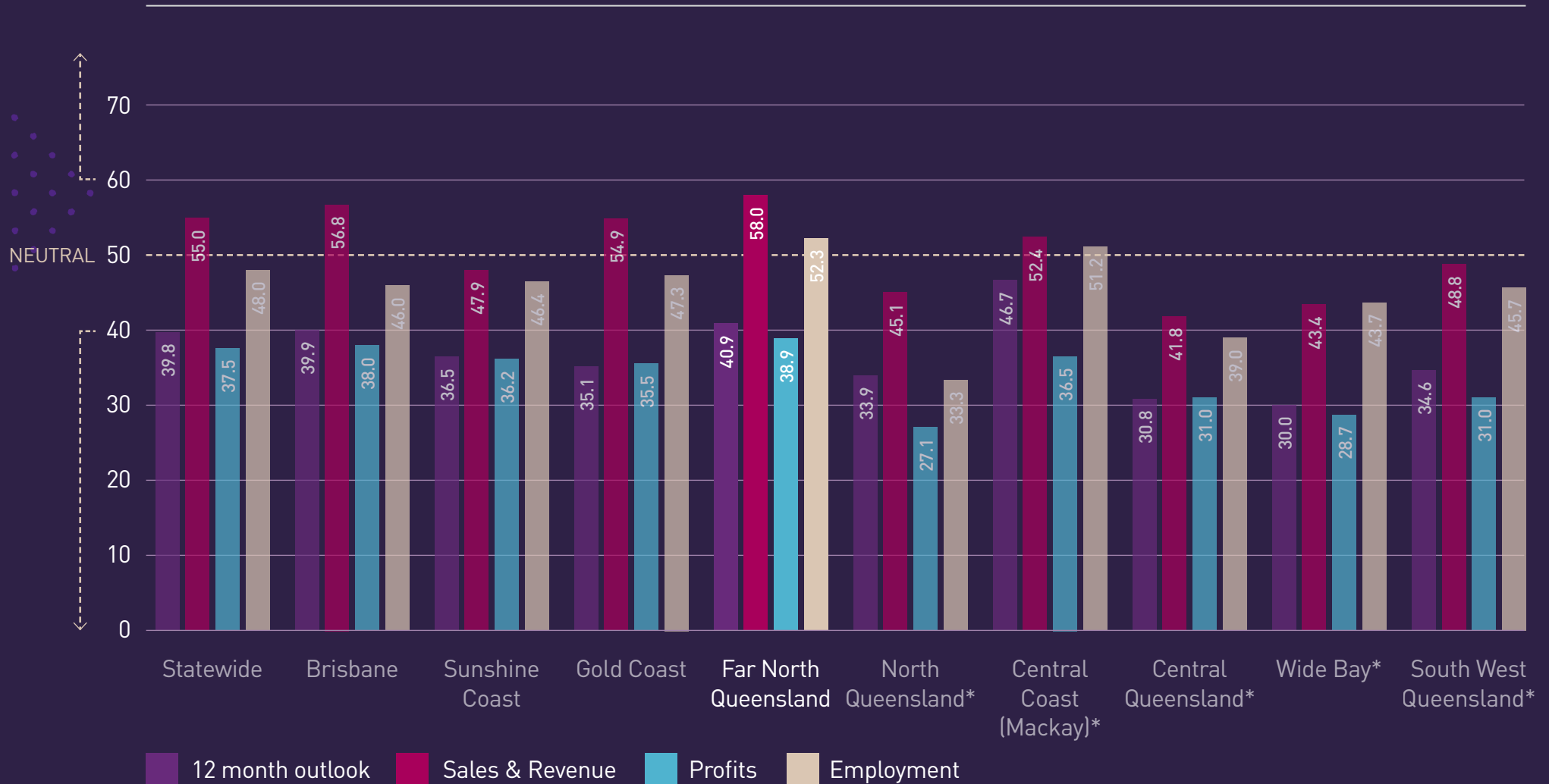
## FAR NORTH QUEENSLAND PULSE SURVEY INDEX\* RATINGS JUNE 2022



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 = **40.9** [-11.9]; Poor  
National Outlook = **39.1** [-16.8]; Satisfactory

Business confidence in the Australian economy for the next twelve months decreased by 16.8 points to 39.1. The Queensland index also decreased significantly by 11.9 points to 40.9 and both indicate weakening growth prospects over the coming 12 months. The decline of Far North Queensland 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.

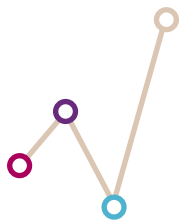


## SALES AND REVENUE

### PULSE SURVEY INDEX

June 22 = **58.0** [+12.8]; Satisfactory  
September 22 = **53.2** [-4.8]; Satisfactory

Total sales revenue in the June quarter also improved and now indicates strengthening sales. The sales and revenue PBI of 58.0 is up (12.8) 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 above 50 (53.2).



## GENERAL BUSINESS CONDITIONS

### PULSE SURVEY INDEX

June 22 = **54.2** [+8.6]; Satisfactory  
September 22 = **53.5** [-0.7]; 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 54.2 represents a noticeable increase of 8.6 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 53.5.



## OPERATING COSTS

### PULSE SURVEY INDEX

June 22 = **78.5** [+4.2]; High  
September 22 = **77.8** [-0.7]; Very High

Operating costs during the June quarter continued to rise with the PBI increasing by another 4.2 index points to 78.5. 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. Significant operating costs are expected to continue in the September quarter with a PBI at 77.8.

# SNAPSHOT



## LABOUR COSTS

### PULSE SURVEY INDEX

June 22 = **77.2** (+8.4); High  
September 22 = **79.2** (+2.0); High

Labour costs in the June quarter 2022 continued to increase significantly and are now at another record high of 77.2. The result reflects widespread staff and skill shortages across FNQ 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 increasing by another 2.0 points to 79.2.



## EMPLOYMENT LEVELS

### PULSE SURVEY INDEX

June 22 = **52.3** (+6.6); Satisfactory  
September 22 = **50.3** (-2.0); Satisfactory

Employment levels increased in the June quarter with the PBI up 6.6 index points to 52.3. This result reflects an overall increase in economic activity across FNQ but is undoubtedly being held back by skill and labour shortages across a number of industry sectors and occupations. A modest decrease in this indicator is anticipated with the employment PBI expected to fall 2.0 points to 50.3 in the September quarter.



## PROFITABILITY

### PULSE SURVEY INDEX

June 22 = **38.9** (+3.6); Poor  
September 22 = **36.7** (-2.3); 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 3.6 points to 38.9. However nearly one in two businesses continue indicate their profitability fell during the quarter. Far North Queensland businesses expect a small deterioration in their profitability in the September quarter, with the index forecast to fall by 2.3 points to 36.7. 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.



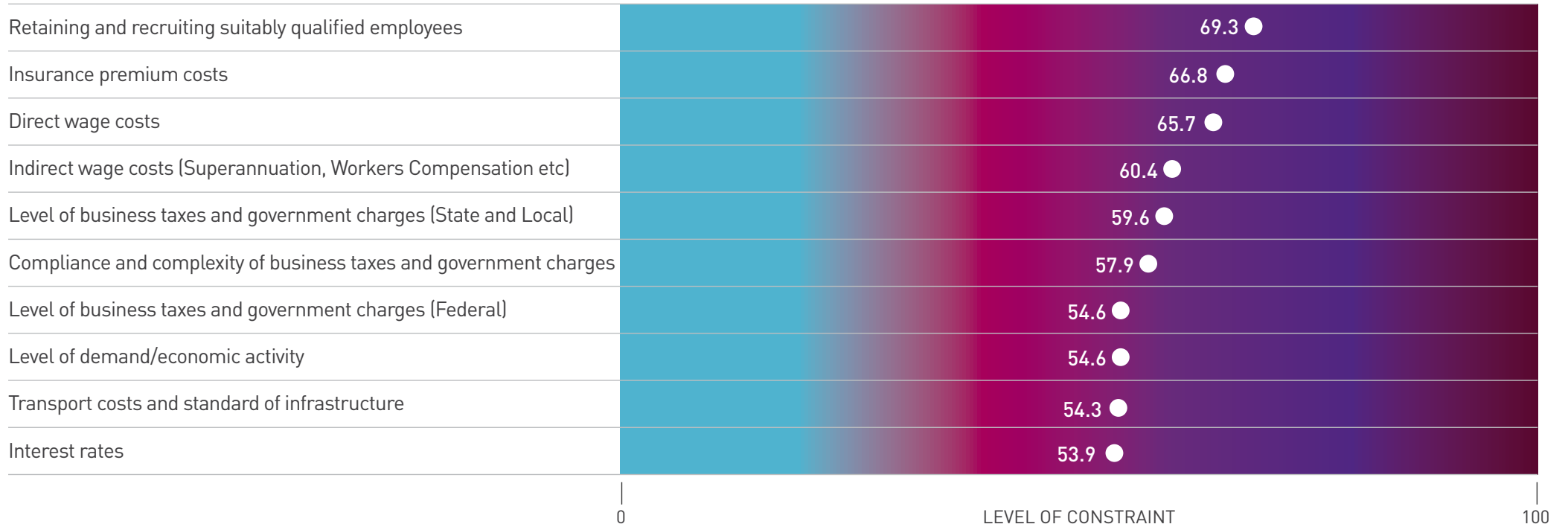
## CAPITAL EXPENDITURE

### PULSE SURVEY INDEX

June 22 = **51.7** (+3.6); Satisfactory  
September 22 = **48.1** (-3.5); Satisfactory

After an extensive period of under-investment, Far North Queensland businesses are now investing in plant and equipment, buildings and other business assets. The capital expenditure PBI in the June quarter increased by 3.6 index points to 51.7 indicating strengthening investment. Unfortunately capital expenditure is not expected to remain above 50 in the September quarter (48.1) down 3.5 points.

# 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**



Less disposable income due to interest rate increases and general rising cost of living expenses, power, fuel and groceries.  
– Far North Queensland



Global market correction. Inflation is out of control. Interest are and will continue to increase further which is going to hurt businesses, home owners and people with too much debt. Again Banks will tighten lending, people won't be able to afford to meet all their debt obligations and the bankruptcies begin. – Far North Queensland



Interest rates & CPI to curb retail spending significantly. Small Business to be strangled by the difficulty of finding staff. Buoyed by improving tourism but this will depend on staffing in the sector and the airlines being able to maintain re-added routes. – Far North Queensland

# 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). 92 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](mailto:cciqadvocacy@cciq.com.au).

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

### Pulse Business Index

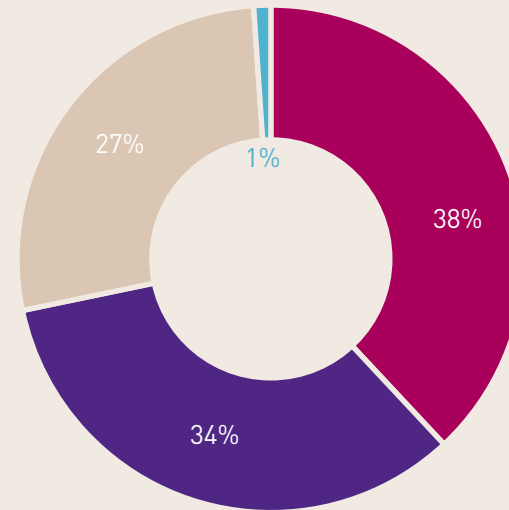
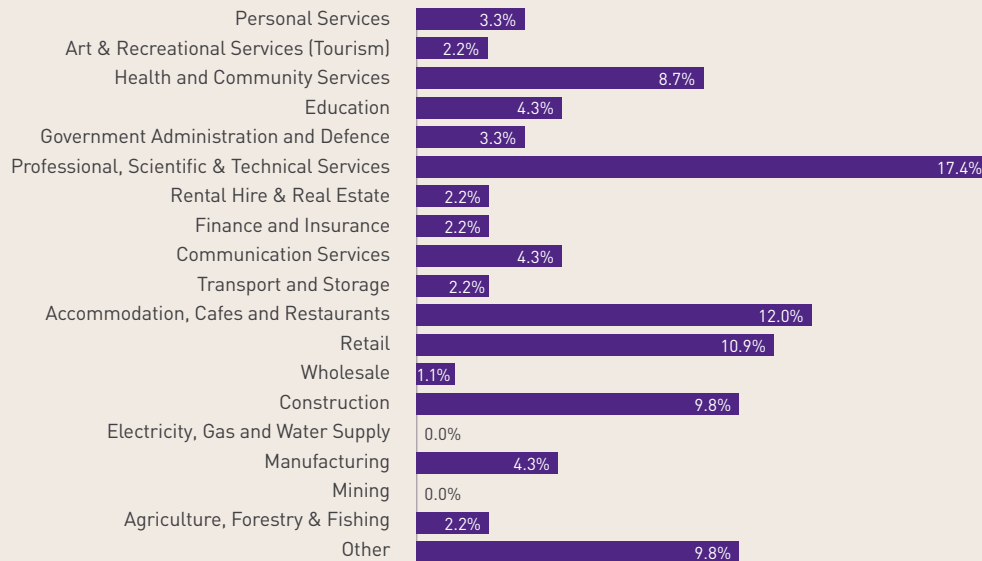
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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.

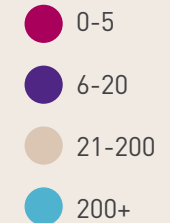
### Degree of Constraint Index

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



### Chamber of Commerce & Industry Queensland

Level 14/300 Queen St, Brisbane City QLD 4000  
 Telephone 1300 731 988  
[www.cciq.com.au](http://www.cciq.com.au)



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