

GOLD COAST PULSE SURVEY REPORT

JUNE QUARTER 2020



SUMMARY

Results from the latest CCIQ-Suncorp Pulse Survey show a slight improvement in sentiment as the worst period ever encountered by the Gold Coast business community continues. The ongoing poor index readings during the June quarter reflect the worst of the COVID-19 forced closures (commencing March 2020), but also the phase one and two easings of restrictions in the months of May and June. Presently, businesses on the Gold Coast continue to be burdened by limited confidence in their future performance as turnover and profitability continue to be impacted. Otherwise, general qualitative responses evidence the concern of businesses surrounding the initial September end date for JobKeeper/JobSeeker payments, as well as the cessation of State stimulus measures and recommencement of payment deferrals.

KEY FINDINGS

- 1** **Two in every three** businesses on the Gold Coast predict that the State and National economy will contract further over the next 12 months. This result is slightly more optimistic compared to the State average, where 75 per cent are predicting the same downturn.
- 2** **Two-thirds** of businesses on the Gold Coast experienced weaker general business conditions amidst the devastating COVID-19 restrictions.
- 3** Following the March quarter, where 75 per cent of businesses experienced declining profitability, 84 per cent now predict that profits will remain the same or perform even worse.
- 4** More than **two in five businesses** sighted COVID-19 as still having a direct influence upon their business during the June quarter.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

JUNE QUARTER SENTIMENT

Gold Coast

35.0 Queensland
34.6

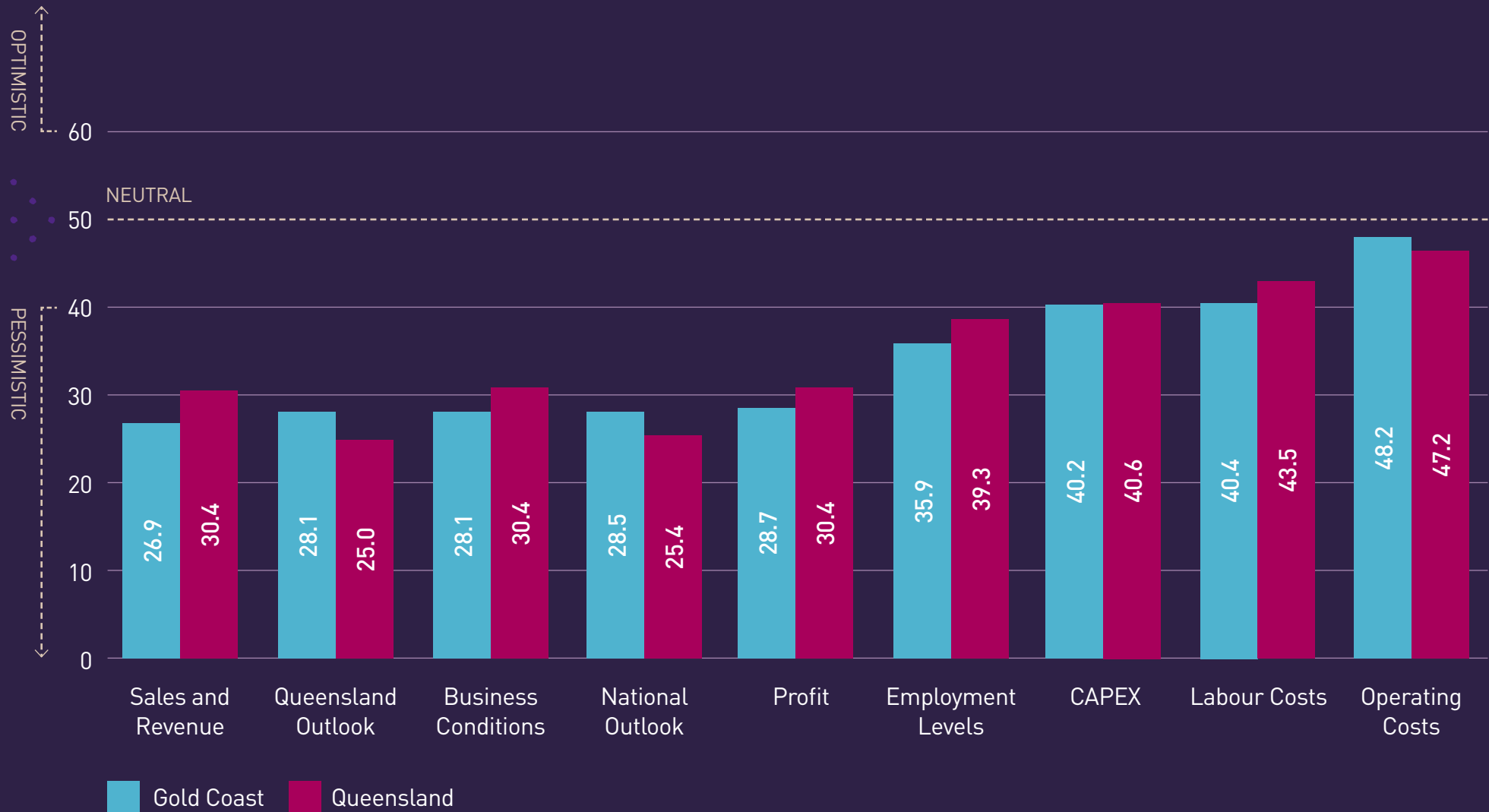
SEPTEMBER QUARTER FORECAST

Gold Coast

47.5 Queensland
47.4

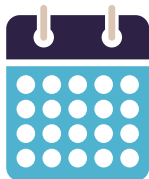
SNAPSHOT DATA

GOLD COAST PULSE SURVEY INDEX* RATINGS JUNE 2020



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

12-MONTH OUTLOOK



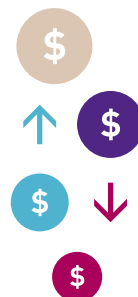
PULSE SURVEY INDEX

Queensland Outlook = **28.1** (+13.0); Poor
National Outlook = **28.5** (+13.6); Poor

The 12-Month Outlook Index improved slightly off the back of phase one and two easings of restrictions, but two in three businesses still expect both to perform weaker. Rising from the historically low base from the March quarter (2020), the index scores for the State and National outlook grew to 28.1 (+13.0) and 28.5 (+13.6), respectively. This result suggests that the Gold Coast business community is more optimistic when compared to the State average, where 75 per cent expect conditions to worsen.



SALES AND REVENUE



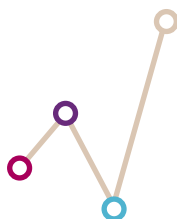
PULSE SURVEY INDEX

Jun-20 = **26.9** (+3.1); Poor
Sep-20 = **49.1** (+22.2); Satisfactory

Only slightly fewer businesses experienced declining sales and revenue in the June quarter (69%) compared to March (75%). The Sales and Revenue Index crept upward by 1.8 points to 31.4, reflecting that limited businesses and consumer spending continues to burden the private sector. The minority of businesses reporting increased turnover (21%) were likely to be businesses within 'essential services' sectors, or those able to pivot their business model in ways such as e-commerce or contactless service delivery. Further easing of restrictions and border reopening is aiding business sentiment as more than one in three businesses budget for improved turnover during the September quarter.



GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Jun-20 = **28.1** (+2.7); Poor
Sep-20 = **41.7** (+13.6); Satisfactory

More than two thirds (67%) of businesses on the Gold Coast experienced weaker operating conditions during the June quarter as COVID-19 restrictions crippled trade. This finding was nearly identical to the State average, where a similar proportion of businesses (65%) reported a slide in trading conditions. The Forecast Index for the September quarter indicates improved optimism, despite remaining below a neutral reading of 50. Specifically, the Index is forecast to grow to 41.7, as the lesser majority of businesses expect conditions to improve (24%). Future improvements in business conditions will be reliant upon business restrictions continuing to ease amidst the second outbreak of COVID-19 occurring in Victoria and New South Wales.



OPERATING COSTS



PULSE SURVEY INDEX

Jun-20 = **48.2** (-5.6); Satisfactory
Sep-20 = **54.8** (6.6); Satisfactory

The absolute majority of businesses on the Gold Coast indicated that their operating costs had either fallen (69%) or remained unchanged (10%) during the June quarter. Appropriately, the Index fell 5.6 points to 48.2, marking the first time that it has fallen below a neutral reading of 50.0. The results from the Gold Coast were similar to the State average, with slightly more businesses reporting higher operating costs in Queensland during the June quarter (16%). According to qualitative insights, eased operating costs were the result of the forced closure of 'non-essential service' sectors, as well as other assistance measures such as utility relief and payment deferrals. The results were indeed a one-off, with twice as many businesses (26%) predicting costs to increase as the slow recovery continues in the September quarter.





LABOUR COSTS

PULSE SURVEY INDEX

Jun-20 = **40.4** (-3.6); Satisfactory

Sep-20 = **51.3** (+10.9); Satisfactory

Businesses on the Gold Coast have continued to ensure their long-term viability by reducing their quarterly payroll and leveraging JobKeeper/JobSeeker stimulus payments. Similar to the State average (33%), more than one in three businesses (39%) reported declining labour costs as the Index fell 3.6 points to 40.4. The historic lows experienced during the March and June quarters (2020) contradict the highs experienced between 2017 and '19 and reflect the impact of COVID-19 on SMEs and their employees. Moving forward, 20 per cent of Gold Coast businesses anticipate increasing their payroll in September given more opportunity to increase trade under phase three easing of restrictions.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

Jun-20 = **35.9** (-0.6); Poor

Sep-20 = **46.1** (+10.2); Satisfactory

Employment levels worsened with nearly half reporting weaker hiring intentions (46%) during the June quarter. This finding is consistent with regional employment data showing that more than 13,000 people have lost their job in the Gold Coast between February and May 2020 (Conus Industry Employment Trend). The results for the region were relatively worse than the State average, where fewer reported weaker employment levels (40%). This likely reflects the region's greater exposure to industries like tourism and hospitality. Notwithstanding the sobering outcomes, the indicator has not recorded the level of deterioration that would otherwise have occurred without Federal Government assistance schemes such as JobKeeper and JobSeeker. There is forecast to be some improvement in employment levels during the September quarter, despite the absolute majority of businesses intended to keep employment the same or lower (84%).



PROFITABILITY

PULSE SURVEY INDEX

Jun-20 = **28.7** (+5.0); Poor

Sep-20 = **41.1** (+12.4); Satisfactory

Profitability improved only slightly, as the Index grew by five points to 28.7. Following on from the tragic March quarter, nearly two-thirds of business (63%) again reported weaker profitability during the three months to June. This proportion of Gold Coast businesses is not dissimilar to the State average (65%) and provides further evidence for falling business turnover coupled with limited capacity to reduce fixed business costs. Moving forward, only slightly more businesses anticipate improved profitability (24%) with the Forecast Index improving 12.4 points to 41.1.



CAPITAL EXPENDITURE

PULSE SURVEY INDEX

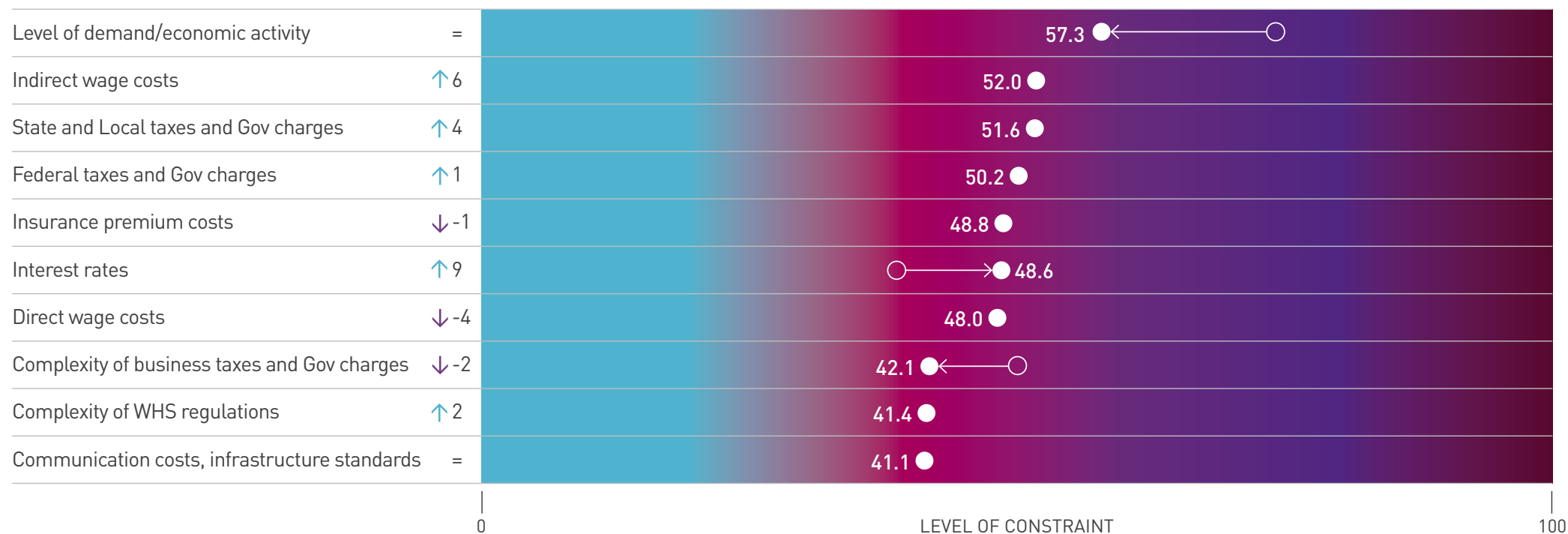
Jun-20 = **40.2** (+0.5); Satisfactory

Sep-20 = **39.4** (-0.8); Poor

The Index improved by only 0.5 points to 40.6 as a large proportion of businesses continue to withhold productive investments. The improved index reading follows the small proportion of businesses (16%) leveraging investment incentive schemes (instant asset write-off and accelerated depreciation) to lower their taxable income. However, the simple fact remains that these businesses remain the exception, as the more significant majority focus heavily on operational expenditures. The Index is forecast to worsen during the September quarter, as more than nine in ten seek to maintain a similar or lower level of capital expenditure.

MAJOR CONSTRAINTS ON BUSINESS GROWTH

LEGEND: ↑ 2 QUARTERLY CHANGE ● CURRENT ○ PREVIOUS



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 concern for businesses is when government assistance finishes, repayment amnesty ends, whether or not the second wave of COVID-19 continues, whether the unemployment and economic recession worsens, and if the limited availability of Chinese goods continues.



Once they remove government stimulus, there will be no money for the small and medium-sized enterprise (SME) to function as they spent it all trying to keep pace with falling income but fixed outgoings.



COVID-19 has severely impacted businesses on the Gold Coast, leading to reduction in consumption levels, the closure of small and medium-sized businesses, and closure to international markets which provide lucrative exports such as tourism and overseas students.

ABOUT PULSE

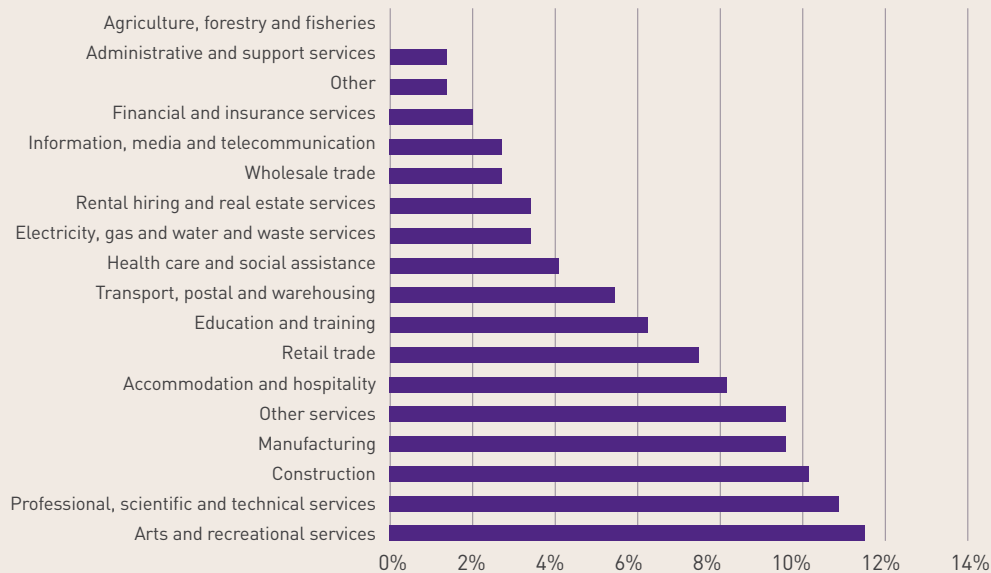
The Pulse Survey has measured Queensland business confidence and expectations for over 20 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of Queensland business sentiment, providing critical insights into the opinions of business owners across the state. The survey period was open from the 1st to the 15th of July 2020 and examined business sentiment throughout the June Quarter 2020. There were 1,167 respondents to the survey consisting of 155 from the Gold Coast (14%).

CCIQ undertakes the analysis, incorporating the Pulse Business Index (PBI) as well as (base) statistical data provided from the survey responses. This allows for an effective measurement of the responses from businesses across the state about business conditions and their operational activity over the previous quarter. To find out more about the Pulse survey, please contact Chamber of Commerce and Industry Queensland (CCIQ) on 1300 731 988.

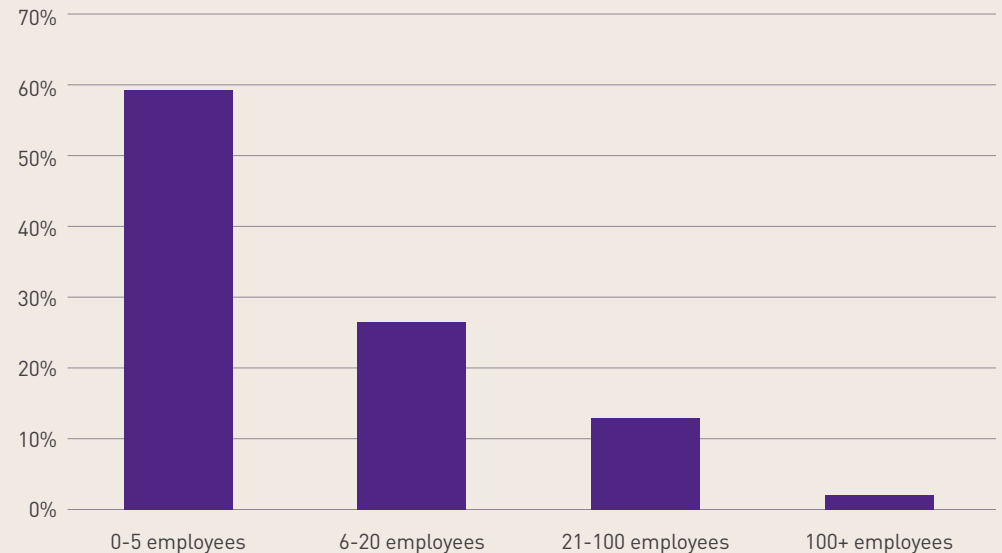
A Pulse Index reading greater than 50 indicates that conditions have improved over the previous quarter. A reading of 50 indicates that conditions have remained the same, while less than 50 indicates conditions have deteriorated. The following guide is useful in interpreting the PBI results into broad indicative performance classifications:

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

INDUSTRY REPRESENTATION



SIZE OF ORGANISATION



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