

GOLD COAST PULSE SURVEY REPORT

MARCH QUARTER 2020



SUMMARY

The results from the latest Suncorp Pulse Survey for the March Quarter show that business confidence and conditions for Queensland and on the Gold Coast are now at their lowest levels ever recorded with the worst not yet being realised. The collapse of the Pulse Index followed the unprecedented forced business closures and strict social distancing measures put in place by the Queensland state government in response to the COVID-19 pandemic. Businesses across the Gold Coast region have been particularly impacted as a result of the strong linkage between service-based industries and tourism. With there still being little said about when 'non-essential' businesses can return to normal, small and medium-sized enterprises (SMEs) are pessimistic about the future performance of the state and national economy.

Responses from the Gold Coast reveal the harrowing conditions as business owners are left to endure severe financial and emotional distress.



More than two thirds (70%) of business respondents experienced weaker operating conditions during the March quarter with three quarters recording a decline in their sales and revenue. As a result 85% expect the local economy to weaken over the next 12 months.



Businesses across the Gold Coast fared relatively worse than the state for profitability. This finding followed the observation of more businesses experiencing a downturn in their bottom line over the March quarter.



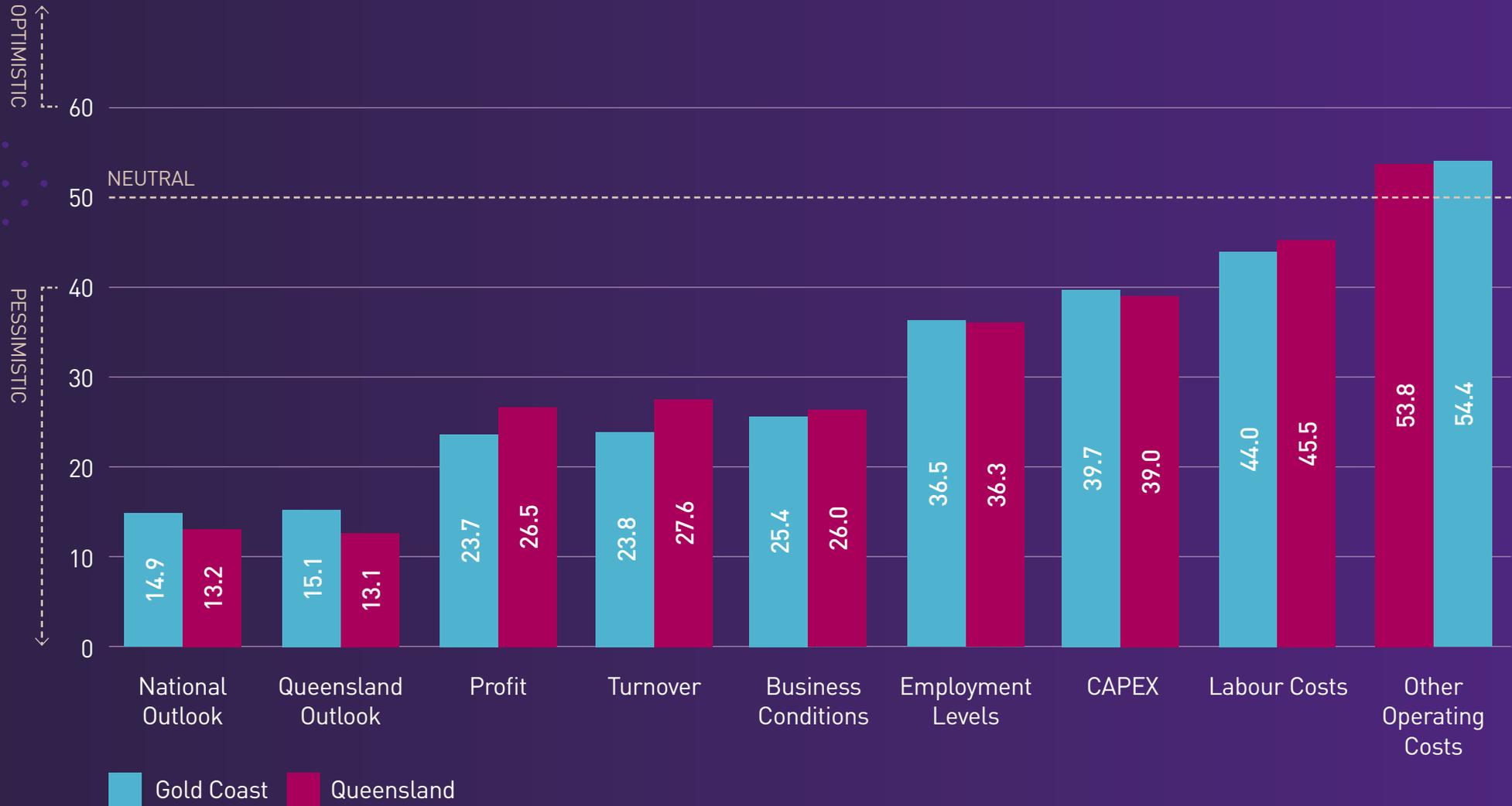
Discussions with the Gold Coast business community suggests that the economic downturn is being felt sooner and more severely to other regions due to a significant reliance on exporting sectors such as tourism, education and manufacturing.



Forecasts for the June quarter indicate that Gold Coast businesses are anticipating conditions to deteriorate even further. Many businesses have expressed concern for their outlook and ability to survive under current circumstances.

SNAPSHOT DATA

GOLD COAST PULSE SURVEY INDEX* RATINGS MARCH 2020



Survey Index Ratings: Very Poor = 0-29.99 points / Poor = 30-49.99 points / Satisfactory = 50-64.99 points / Good = 65-74.99 points / Very Good = 75-84.99 points / Excellent = 85-100 Points

SNAPSHOT



12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **15.1** [-24.9]; Very poor
National Outlook = **14.9** [-25.1]; Very poor

A absolute majority of small businesses on the Gold Coast anticipate weaker economic conditions over the near term. Confidence in the state economy collapsed, with 85 per cent of businesses expecting a weaker economic performance during the following 12 months. Results surrounding the outlook for the national economy are similar, with 84 per cent reporting a negative outlook. While business sentiment is shallow across the region, the sample results were slightly better than the state average. Across all of Queensland, 87 and 88 per cent of total respondents anticipated a weaker economic outlook for Australia and Queensland, respectively.



SALES AND REVENUE

PULSE SURVEY INDEX

Turnover = **23.8** [-27.3]; Very poor

Three quarters (75%) of Gold Coast businesses reported weaker turnover during the March quarter. This finding compares to the slim proportion (11%) who experienced stronger sales and revenues (largely related to pharmaceutical, grocery, alcohol and hardware retailing). Reflecting the uncertain outlook was the fact that only 3 per cent of businesses are forecasting an uptake in turnover during the June quarter. This result follows an overwhelming number of companies (88%) anticipating further downturns as the impact from the pandemic transpires.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

Business Conditions = **25.4** [-12.1]; Very poor

More than two thirds (70%) of Gold Coast businesses experienced weaker operating conditions during the March quarter. This finding is identical to the state average where the same proportion of businesses (70%) reported a slide in trading conditions.

The forecast for the June quarter highlights the fact that SMEs expect business conditions to worsen as a result of the lagged implications of COVID-19. Namely, 82 per cent of businesses from the Gold Coast foresee weaker trading conditions during the next three months. Again, this poor outlook is consistent with the state average where 83 per cent are anticipating business conditions to decline further.



OPERATING COSTS

PULSE SURVEY INDEX

Other Operating Costs = **53.8** [-12.9]; Satisfactory

68 per cent of Gold Coast businesses indicated that their operating costs had not increased over the March quarter.

The findings from the Gold Coast were nearly identical to the state average, which saw 70 per cent of businesses reporting unchanged operating costs in the area of electricity, insurances, rent and more.

Businesses indicated that they anticipate their running costs to ease further during the June quarter with 89 per cent of businesses anticipating their costs to stay the same of fall. This is largely a reflection of government, utility providers and corporate Australia providing relief measures to the business community.



SNAPSHOT

LABOUR COSTS



PULSE SURVEY INDEX

Labour Costs = **44.0** (-15.4); Poor

Gold Coast businesses have clearly sought to shore up their long term viability by reducing staffing levels and requesting cuts in salary. Only one-quarter (25%) of business respondents reported a higher payroll during the March quarter (2020). 75 per cent of Gold Coast businesses indicated either unchanged or lower wage costs over the same period. It is likely that the implementation of the JobKeeper Payment and Apprentice Wage Subsidy (amongst other stimulus support) has aided businesses ability to continue paying their employees with 41 per cent anticipating eased payroll burdens over the June quarter.

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Employment Levels = **36.5** (-9.4); Poor

Unfortunately, 41 per cent of businesses reported decreasing their staffing levels across the Gold Coast. Similar findings are observed across the state with having to lay off staff. Despite the introduction of various stimulus measures aiding payroll costs, 57 per cent of businesses in the Gold Coast region anticipate employment to fall over the June quarter (2020). This finding is likely to be the result of weak business profitability and consumer demand, particularly impacting Gold Coast's casual workforce.

PROFITABILITY



PULSE SURVEY INDEX

Capital Expenditure = **23.7** (-16.5); Very poor

An unprecedented reduction in sales and revenue coupled with only limited capacity to reduce business costs have resulted in profitability collapsing. Business profits fell steeply over the March quarter with three-quarters (75%) of Gold Coast businesses reporting weaker profitability. The results suggest that businesses across the Gold Coast have fared worse than the state average, where fewer businesses experienced a thinner bottom line (70%). Businesses across the region do not expect there to be any improvement in profitability over the June quarter with 87 per cent of businesses fearing that poorer profitability is still to come.



CAPITAL EXPENDITURE

PULSE SURVEY INDEX

Capital Expenditure = **39.7** (-7.1); Poor

Business investment levels decreased over the March quarter. While just over half of the respondents (54%) reported the same level of investment (35%) reported falling capital expenditures. The reduction in profitability and absence of cash reserves will lead to 50% of Gold Coast businesses either delaying or decreasing investment activities in the June quarter.

THE VOICE OF GOLD COAST BUSINESSES

“ The longer the restrictions last, the greater will be the percentage of businesses that will not re-start and the greater will be the unemployment rate. It will take over 10 years to recover just like the aftermath of the early 1990s and the GFC

“ No industries are working and there is no money flowing. The shutdown will cripple Australia and it won't come back to the same just because the lockdown is lifted; it will not be the same for years if not decades

“ The financial and mental effect this COVID-19 has on people will be telling in the months after the country begins to return to normal with house repossessions and suicides most likely rising dramatically

“ Coronavirus rules regarding working from home for my office staff are extremely inefficient and overseas supplies are unable to deliver with delays up to three months unforeseen since Australia decided to stop local manufacturing

“ International and domestic tourism is currently dead and will stay that way for months, maybe years to come, and construction as the barometer of the economy will see a rapid slow down as people feel the effects of COVID-19

“ I do not believe the economy will bounce back as some predict. Major retail companies in particular will use the COVID 19 crisis to do what they have planned to do and slash retail outlet numbers and go to a greater online presence, which could change the retail landscape in Australia forever

“ The effects of the coronavirus will take a while to get over and our business has slowed so much already plus homeowners are being financially cautious just waiting to see what happens

“ Small businesses keep many families in work and that is often not recorded as employees, and the micro businesses especially are undervalued. The loss of these businesses will impact communities greatly

“ For many businesses to adapt to the new ways of working, to be able to carry over the gains of a remote working force into the re-opened world as we will come to know it, a lot more team trust will be required

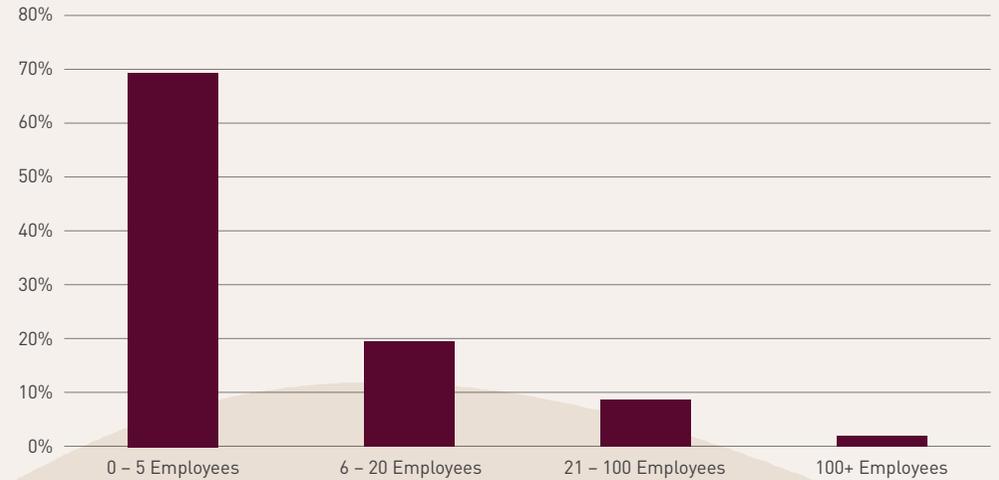
“ The ability of companies to start up again after COVID-19 and a willingness to do so. It has taken a lot of personal time and money over 27 years of business and I do not want to see it all go down the drain

MAJOR CONSTRAINTS ON BUSINESS

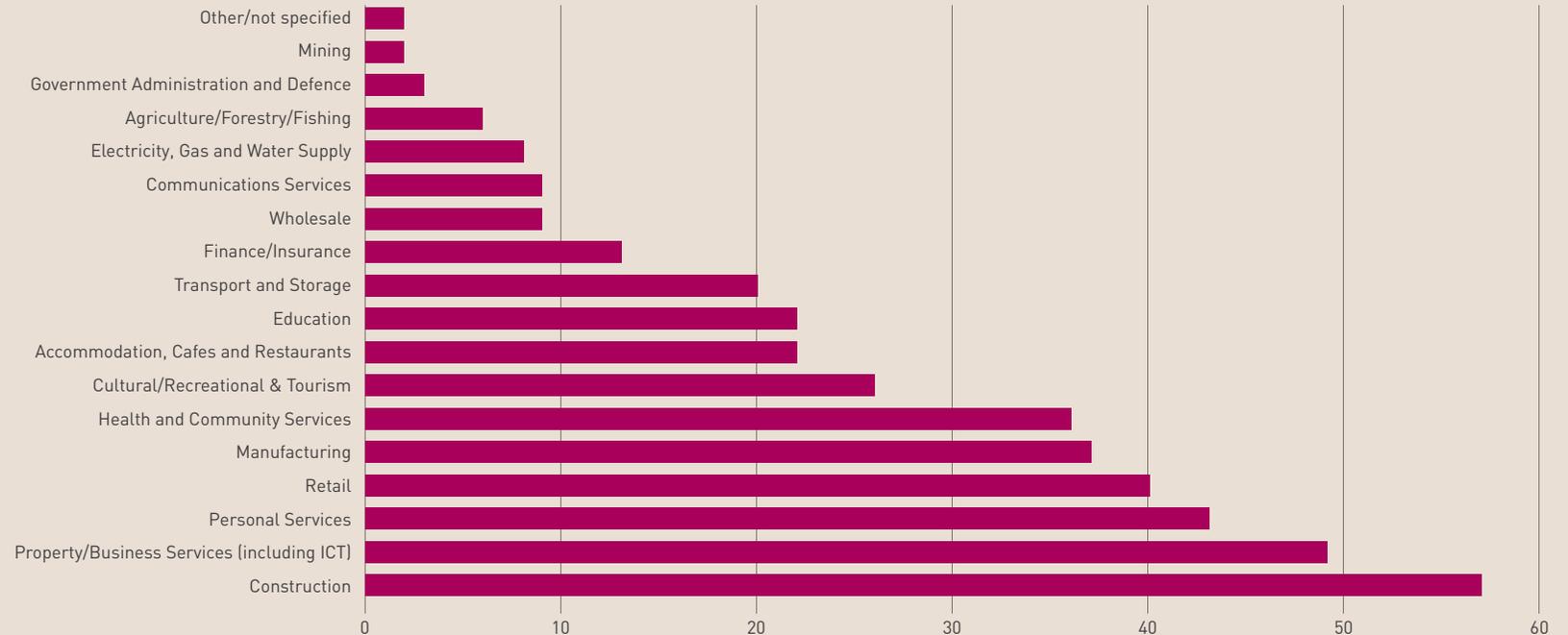
Rank	Constraints	Index Level ¹
1	Level of demand/economic activity	74.1
2	Political and economic stability	62.1
3	Direct wage costs	54.5
4	Insurance premium costs	52.1
5	Level of business taxes and government charges (Federal)	52.1
6	Compliance and complexity of business taxes and government charges	50.2
7	Level of business taxes and government charges (State and Local)	49.8
8	Indirect wage costs (Superannuation, Workers Compensation etc)	45.9
9	Energy costs and standard of infrastructure	42.0
10	Communication costs and standard of infrastructure	41.5

¹ Degree of constraint index ratings guide: 100 – 70 Critical; 69.99 – 50 Large; 49.99 – 40 Moderate; 39.99 – 30 Slight; 29.99 – 0 No constraint

SIZE OF ORGANISATION



INDUSTRY REPRESENTATION



ABOUT THE PULSE BUSINESS SURVEY

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 3rd to the 17th of April 2020 and examined business sentiment throughout the March Quarter 2020. There were 2,419 respondents to the survey consisting of 404 from the Gold Coast (17%).

To find out more about the Pulse survey, please contact Chamber of Commerce and Industry Queensland (CCIQ) on 1300 731 988. 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.

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 – 29.99 points
Poor	30 – 49.99 points
Satisfactory	50 – 64.99 points
Good	65 – 74.99 points
Very Good	75 – 84.99 points
Excellent	85 – 100 points

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