

GOLD COAST PULSE SURVEY REPORT

DECEMBER QUARTER 2020



SUMMARY

The latest CCIQ Pulse Survey results have indicated an improvement for Gold Coast businesses building on the fragile recovery currently underway. Businesses cited a booming real estate market and better trade conditions during the Christmas / New Year holidays as the leading driver of optimism in the region. Additionally, the staged easing of restrictions provided businesses with a greater ability to leverage the seasonal improvement with more Australians choosing to travel in Queensland rather than abroad.

However, business vulnerability under COVID-19 is continuing with hot spot border closures and some restrictions remaining in place. This has led to many operators, particularly those in tourism, continuing to operate below full capacity. Otherwise, Gold Coast businesses continue to adapt to the 'new normal' where economic activity is better than most of 2020 but only starting to build towards more sustainable activity levels. Unfortunately, businesses don't expect the momentum of recovery to continue in 2021 with stimulus support scheduled to conclude in the New Year. This suggests that a meaningful recovery will be dependent upon the economy's performance when JobKeeper payments end in March (2021) and the ability to keep the Queensland border open to interstate tourism markets.

KEY FINDINGS

- 1 The Pulse Business Index (PBI) improved for the next 12 months and across all performance indicators
- 2 Two in five businesses reported stronger business conditions following eased social distancing restrictions
- 3 Nearly half of business respondents reported stronger sales and revenue during the December quarter
- 4 Business sentiment is expected to decline in the March quarter 2021 when stimulus support ends

KEY THEMES

- 1 Businesses are becoming more optimistic that the worst of the COVID-19 health crisis has passed
- 2 Australian visitors to the Gold Coast are supporting economic activity
- 3 Border closures to NSW and VIC disproportionately impact businesses in the Gold Coast
- 4 Further recovery is contingent upon keeping a lid on COVID-19 and border closures in 2021



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

DECEMBER QUARTER SENTIMENT

Gold Coast

49.6 Queensland
50.0

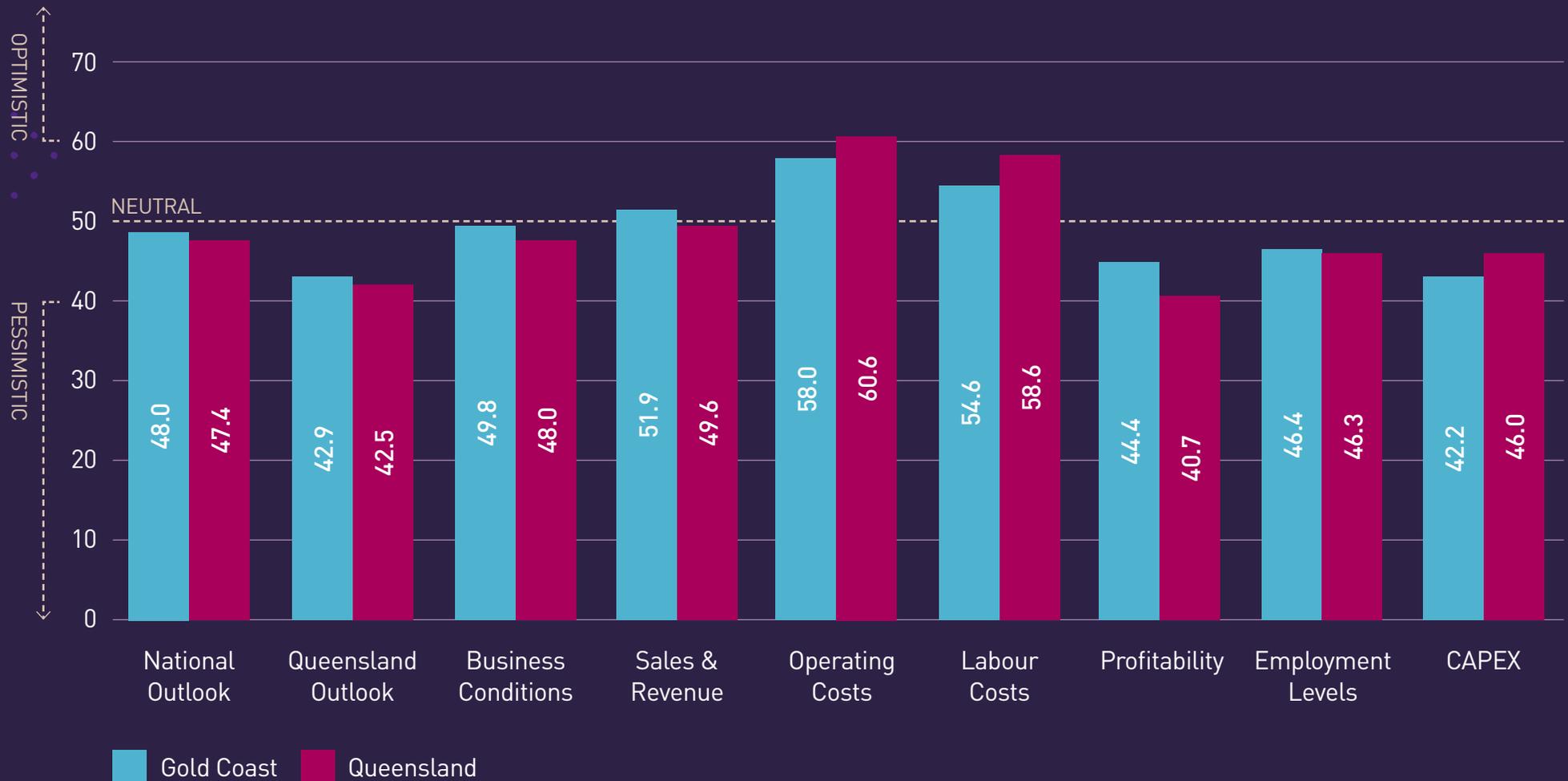
MARCH QUARTER FORECAST

Gold Coast

48.7 Queensland
50.3

SNAPSHOT DATA

GOLD COAST PULSE SURVEY INDEX* RATINGS DECEMBER 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 = **42.9** (+9.1); Satisfactory
National Outlook = **48.0** (+13.9); Satisfactory

Gold Coast business confidence in the Queensland and National economic outlooks rose sharply in the December quarter. The PBI improved by 9.1 and 13.9 points respectively for the Queensland and Australian economies. Both indexes are now reporting a satisfactory and relatively steady 12-month outlook. The growing level of optimism reflects further easings of social distancing restrictions and a dramatic shift from household holiday expenditure to spending in other discretionary areas in the economy. The positive outlook was also supported by the recently announced COVID-19 vaccine, which will become available during the March quarter (2021). Otherwise, businesses continue to be more confident in the national economy's future performance, reflecting the region's exposure to ongoing disruptions to tourism and global trade.

SALES AND REVENUE

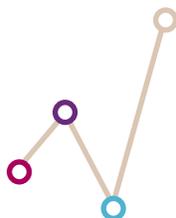


PULSE SURVEY INDEX

Dec-20 = **51.9** (+11.6); Satisfactory
Mar-21 = **48.7** (-3.2); Satisfactory

The trend of strengthening turnover continued in the December quarter following the index's collapse in early 2020. The PBI for sales and revenue gained an additional 11.6 points to 51.9, reflecting a successful pre-Christmas and holiday trading period. Business feedback indicated that there had been a move to holiday in Queensland and support local businesses with money saved from no longer holidaying overseas. This result is the first time in 2020 that the index indicates increased sales with the reading exceeding a neutral baseline of 50.0. Unfortunately, businesses anticipate a moderation in sales over the next three months with the PBI forecast to fall by 3.2 points. This decline primarily reflects the consensus that trade will fall as stimulus support slows and as seasonal spending patterns default to a more sustainable level.

GENERAL BUSINESS CONDITIONS



PULSE SURVEY INDEX

Dec-20 = **49.8** (+13.1); Satisfactory
Mar-21 = **47.5** (-2.3); Satisfactory

General business conditions improved during the December quarter with respondents reporting positive seasonal activity. The PBI for operating conditions improved 13.1 points to 49.8, indicating stable and satisfactory business conditions. This result came when the Palaszczuk government actioned all of the staged eased restrictions, allowing for significantly more trade by all businesses, particularly during the peak demand period before Christmas. Accordingly, Gold Coast based businesses indicated better conditions on average than those Statewide. However, conditions are forecast to fall in the March quarter (2021) reflecting an end to the holiday period and ongoing uncertainty concerning discontinued government support.

OPERATING COSTS

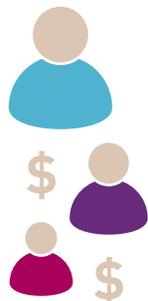


PULSE SURVEY INDEX

Dec-20 = **58.0** (+5.7); Satisfactory
Mar-21 = **60.8** (+2.8); Poor

The PBI grew by 5.7 points to 58.0 after most businesses reported equal or greater operational costs such as insurance, rent and electricity. This result directly reflected the withdrawal of business cost relief measures and an ending of payment deferrals. However, this trend appears to have been more tempered in the Gold Coast than elsewhere in Queensland where costs were reported as being higher. Business costs are forecast to further increase in the March quarter, up 2.8 points to 60.8. This level of operating costs transitions from what is considered to be 'satisfactory' to a 'high' level.

LABOUR COSTS



PULSE SURVEY INDEX

Dec-20 = **54.6** (+7.9); Satisfactory
Mar-21 = **58.1** (+3.5); Satisfactory

Labour costs rose again during the December quarter for Gold Coast businesses as restrictions eased and labour recovery continued. Driven by the growing proportion of businesses reporting stronger wages, the PBI climbed 7.9 points to 54.6. The increase in labour costs coincides with improved employment levels and reduced JobKeeper payments that commenced on the 28th of September (2020). Moving forward, businesses expect labour costs to grow by 3.5 points to 58.1 during the March quarter 2021. This almost certainly reflects the final revision to JobKeeper payments coming into effect on the 4th of January, before concluding in March (2021).

EMPLOYMENT LEVELS



PULSE SURVEY INDEX

Dec-20 = **46.4** (+2.8); Satisfactory
Mar-21 = **48.2** (+1.8); Satisfactory
Gold Coast Unemployment (Dec-20) = **6.5%**

The Pulse Index for employment increased, reflecting seasonal employment and the continuing trend of businesses re-engaging stood down workers. The PBI grew by 2.8 points to 46.4, only just exceeding the Statewide result of 46.3. This finding is broadly consistent with the region's seasonally adjusted unemployment rate of 6.5%, which sits below the Statewide average of 7.5% (CONUS Staff Selection Employment; ABS 6202.0). In the New Year, the PBI for employment levels will be challenged by the tapering (and removal) of JobKeeper payments despite public health orders remaining in place. Regardless, the March quarter results are forecast to increase by only 1.8 points to 48.2. It is anticipated that rising employment levels and a lower unemployment rate will only be possible if businesses continue to experience stronger sales and improved profitability levels.

PROFITABILITY



PULSE SURVEY INDEX

Dec-20 = **44.4** (+6.8); Satisfactory
Mar-21 = **40.2** (-4.2); Satisfactory

Profitability improved during the December quarter despite a greater majority of respondents still reporting weaker levels. The PBI jumped 6.8 points to 44.4, which is the first satisfactory result for 2020. Businesses said that a strong trading period, and support for the region during December was the primary reason why profits outperformed the Statewide results. The momentum of strengthening profitability is not expected to continue with the PBI forecast to slip back to a barely satisfactory result. This follows businesses being unaware of the reality of prolonged recovery until stimulus support is removed, and COVID-19 restriction are eliminated worldwide.

CAPITAL EXPENDITURE

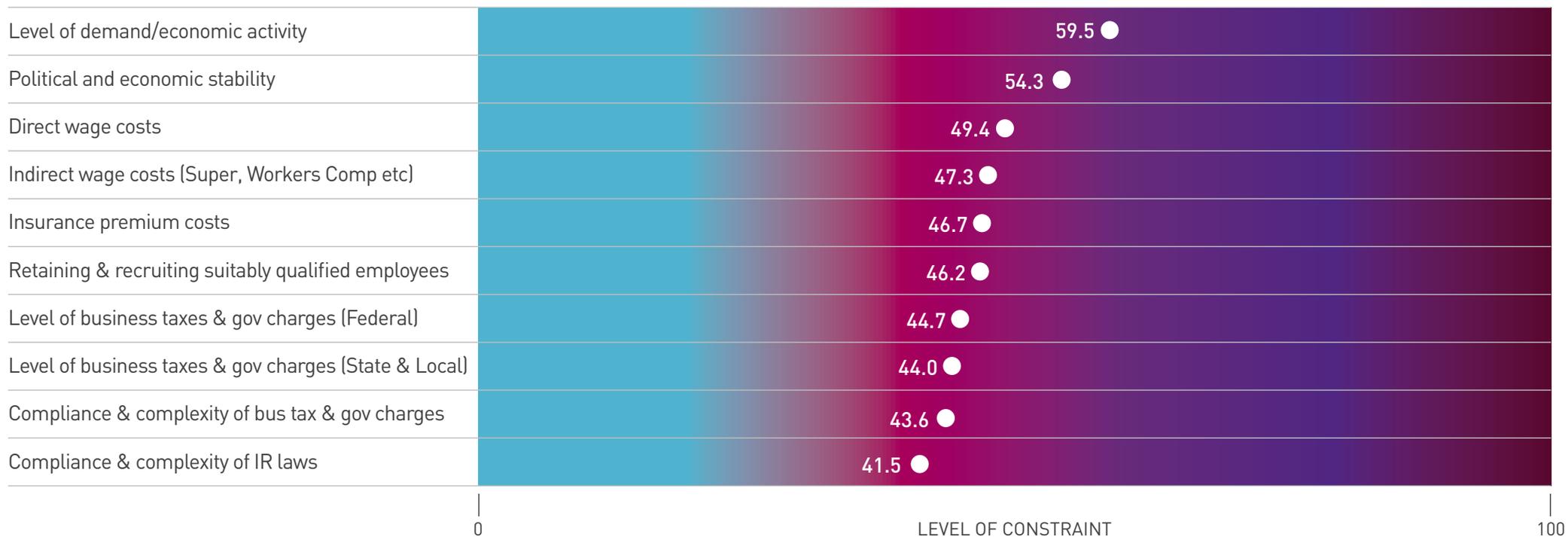


PULSE SURVEY INDEX

Dec-20 = **42.2** (+3.3); Satisfactory
Mar-21 = **43.7** (+1.5); Satisfactory

The trend of businesses deferring capital expenditure in the wake of the COVID-19 crisis eased during the December quarter. Instead, the PBI grew 3.3 points to 42.2 and indicated increasing capital expenditure by businesses on the Gold Coast. Encouraging capital investment is the historically low borrowing costs of 4.58% for outstanding small business finance and diversification efforts as the COVID-19 crisis transpires. Promisingly, business investment is forecast to increase again in the March quarter, compared to other regions across Queensland where businesses focus more strongly on cost management.

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**



Businesses are learning how to deal with COVID-19. I believe the businesses hardest hit that have survived will evolve and move forward in 2021. Queensland businesses are in a good position to fill gaps caused by the Victorian and NSW lockdowns.



There is a Lack of confidence in the market driven by uncertainty around COVID-19 inspired restrictions, such as lockdowns and border closures.



Removal of government assistance packages will show us where the economy really sits. In my opinion, the likelihood is that the removal of support for lower-income earners and unemployed people will reduce spending in the real economy

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 1st to 22nd of January 2021 and examined business sentiment and activity throughout the December quarter (2020). There were 1,450 respondents to the survey consisting of 174 from the Gold Coast (12%).

To find out more about Pulse, please contact CCIQ on 1300 731 988 or at ciqadvocacy@cciq.com.au.

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.

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

Pulse Business Index

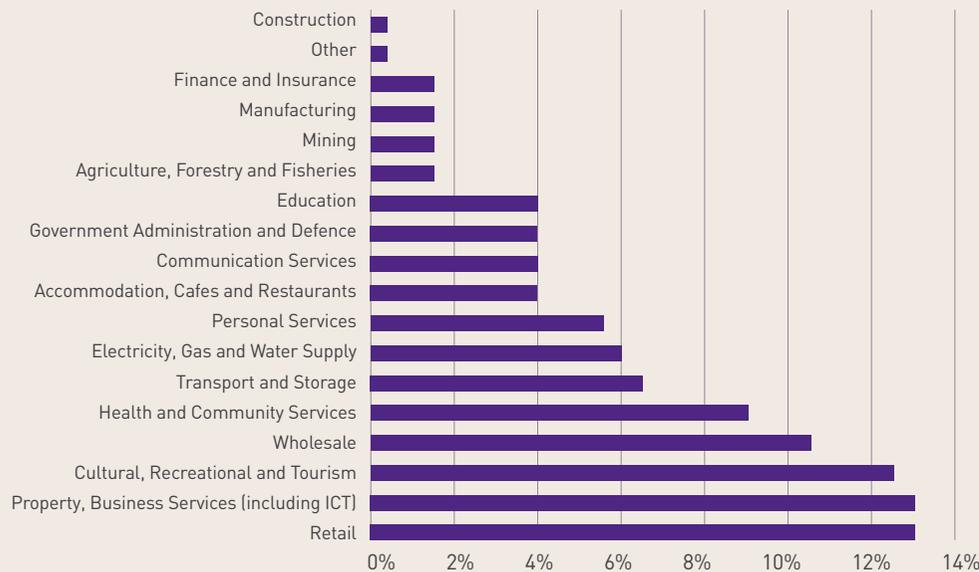
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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.

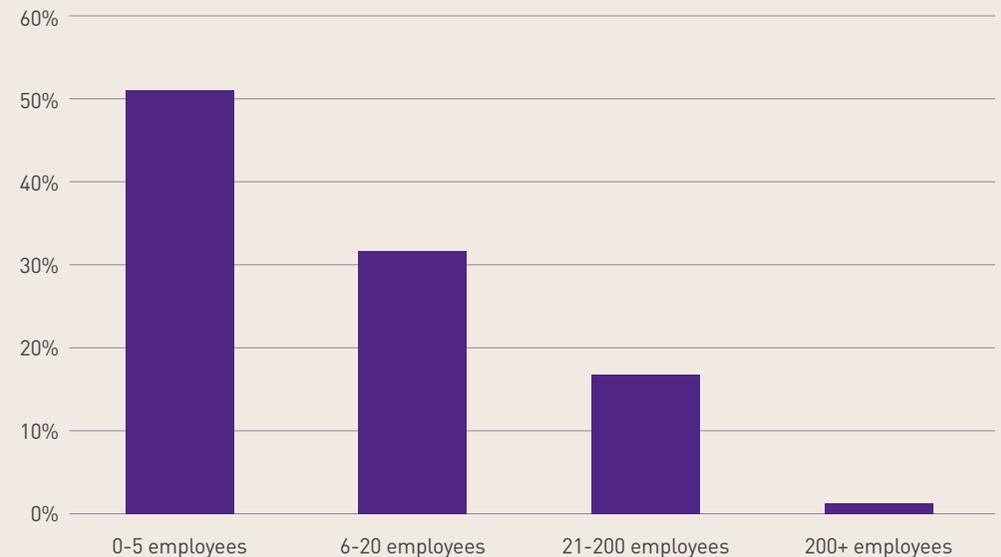
Degree of Constraint Index

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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