

CCIQ PULSE SURVEY OF BUSINESS CONDITIONS

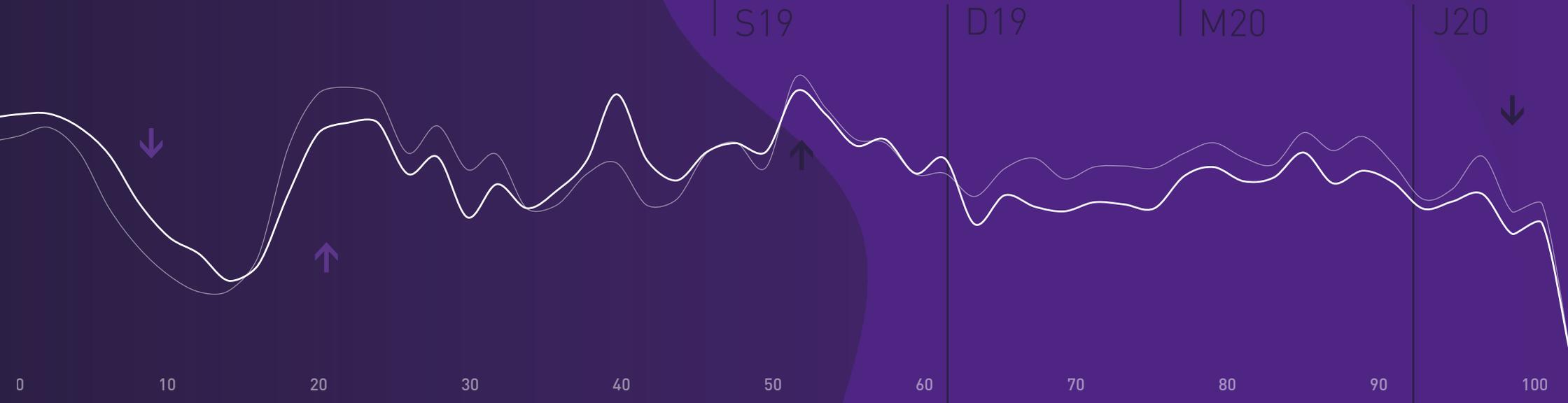
SEPTEMBER QUARTER 2022

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SNAPSHOT

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Current index score Quarterly change

12-MONTH OUTLOOK (QUEENSLAND) 30.8 (↓ 9.0) WEAK

- The Queensland index decreased significantly by 9.0 points to 30.8 and indicates further weakening of growth prospects over the coming 12 months.
- The Queensland index is less than this time last year (down -24.4) and below its respective 10-year average (43.3).
- The decline of Queensland business confidence remains largely decoupled from actual business performance, which was relatively positive in the September quarter, though less positive than June. This deteriorating confidence appears to be more driven by macroeconomic issues relating to inflation and anticipation of a slowing economy caused through higher interest rates, as well as the workforce issues resulting from widespread skills and labour shortages.

59% 27% 14%

12-MONTH OUTLOOK (NATIONAL) 29.2 (↓ 8.2) WEAK

- Business confidence in the Australian economy for the next twelve months also decreased by 8.2 points to 29.9.
- The National index is less than this time last year (down -24.4) and below its respective 10-year average (47.4).
- Both indices moved in unison, despite the decline recorded for the National economy being lower than the Queensland economy. Confidence in the Queensland economy over the next twelve months is marginally higher than that of the National economy.

62% 26% 12%

GENERAL BUSINESS CONDITIONS 50.5 (↓ 2.7) SATISFACTORY

- General business conditions improved in the September quarter largely as a consequence of better sales. However, the September quarter index of 50.5 represents a decrease of 2.7 points from the June quarter index of 53.2.
- The September quarter index remains above this time last year (46.2) and is above its 10-year average (43.9). The index is also above 50 indicating strengthening business conditions across the September quarter.
- General business conditions in the December quarter are anticipated to fall below 50 indicating weakening conditions with an expected index of 47.6.

31% 37% 32%

SALES AND REVENUE 51.8 (↓ 3.2) SATISFACTORY

- Total sales revenue in the September quarter also improved and indicates a further strengthening of sales. The sales and revenue index of 51.8 is down (3.2) on the previous June quarter index of 55.0 but is the second quarterly increase in sales.
- The September quarter sales and revenue index is above this time last year (45.8) and the 10-year average of 48.4.
- Total sales revenue is expected to continue its improvement into the December quarter with a forecast index score of 50.7.

29% 33% 38%

OPERATING COSTS 78.8 (↓ 1.0) HIGH

- Operating costs during the September quarter continued to significantly rise with an index of 78.8, decreasing by only 1.0 index points from 79.8 in the June quarter.
- The index score remains well above the long-term average index score of 70.4 and is 10.3 index points above this time last year.
- The significant escalation in operating costs is expected to continue in the December quarter, though to a lesser severity, with the index score anticipated to sit at 73.3

2% 25% 73%

LABOUR COSTS 75.8 (↓ 2.5) HIGH

- Labour costs in the June quarter 2022 continued to increase significantly with an index score of 75.8, easing by only 2.5 index points from the June quarter.
- Nearly seven in ten businesses increased their labour costs during the September quarter and the index score is well above this time last year (65.7) and the 10-year trend of 60.7.
- The labour costs index is expected to remain at high levels in the December quarter with the index decreasing 4.6 points at 71.2.

2% 29% 69%

PROFITABILITY 36.9 (↓ 0.6) WEAK

- The profitability index score decreased by 0.6 points from 37.5 in the June quarter to 36.9. More than half of businesses continue indicate their profitability fell during the quarter.
- The profitability index is 2.1 index points higher than this time last year and is below its 10-year average (37.7).
- Queensland businesses expect their profitability to continue to decrease in the December quarter, though to a lesser extent, with the index forecast to grow by 0.7 points to 37.6.

52% 30% 18%

EMPLOYMENT LEVELS 47.6 (↓ 0.4) SATISFACTORY

- Employment levels decreased in the September quarter with the index down 0.4 index points from 48.0 in the June quarter to 47.6.
- The index score is above the September quarter index last year (46.1) and the 10-year average (45.0). Over half of Queensland businesses indicated their employment levels remained unchanged during the September quarter.
- A modest improvement in this indicator is expected with the employment index expected to be up 0.3 points to 47.9 in the December quarter.

23% 56% 21%

CAPITAL EXPENDITURE 50.7 (↓ 3.7) SATISFACTORY

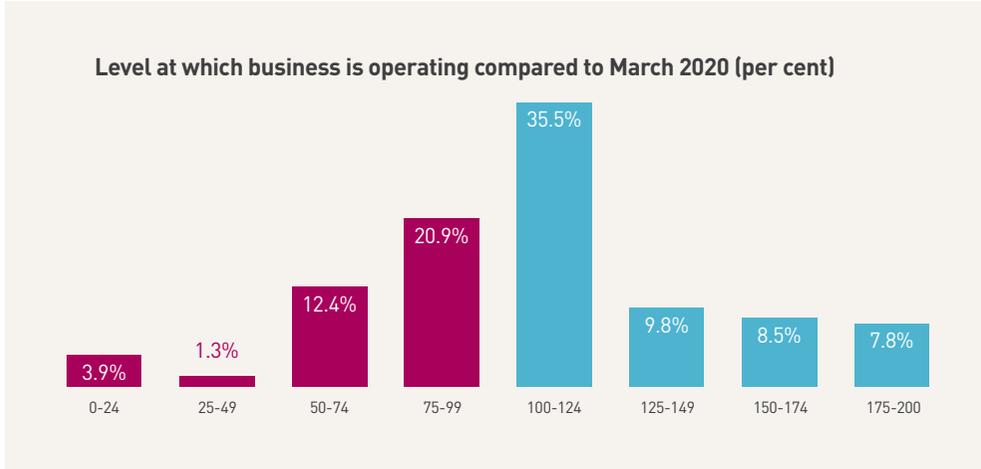
- The capital expenditure index score in the September quarter decreased by 3.7 index points from 54.4 in the June quarter to 50.7 indicating a continued strengthening of investment.
- The current September quarter index is higher than this time last year (48.1) and is also above the 10-year average of 44.7.
- Capital expenditure is expected to fall below 50 in the December with over one in four businesses expecting to decrease their investment

22% 51% 27%

HOT TOPIC SURVEY

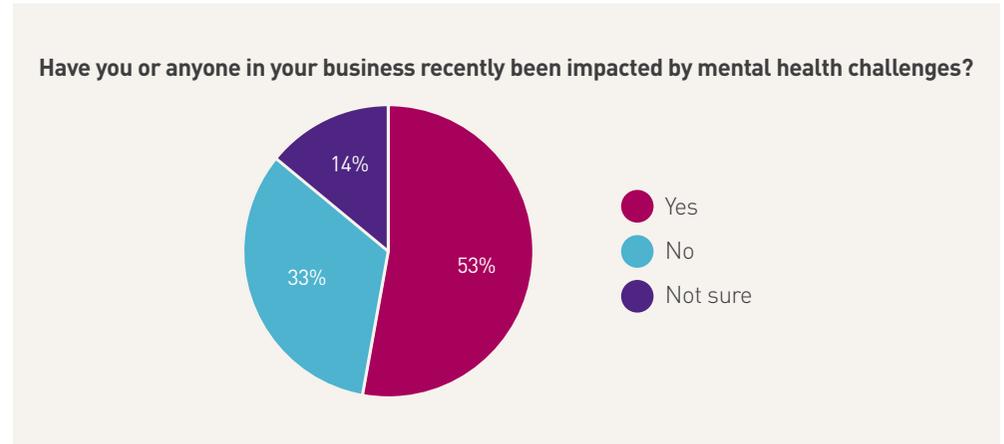
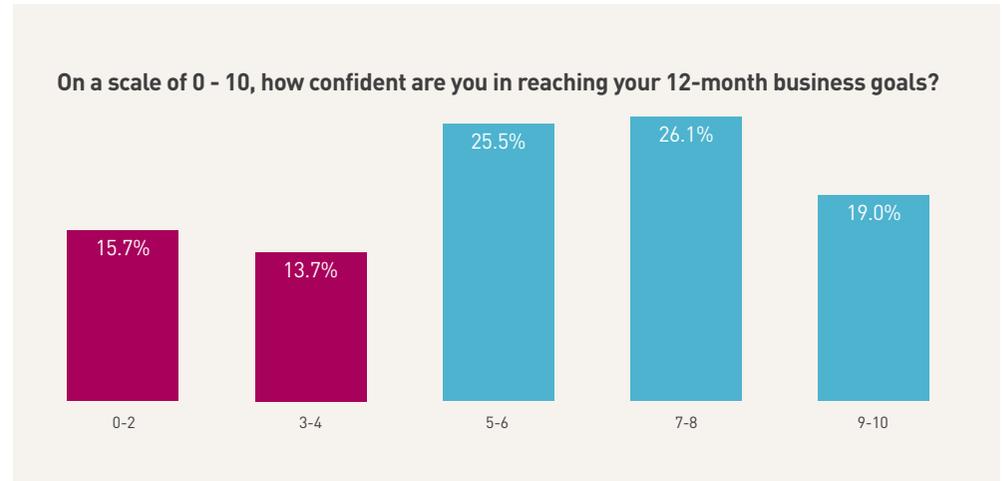
This Pulse's hot topic questions focused on Queensland business's economic recovery and mental health challenges.

In relation to economic recovery, Queensland businesses have indicated that they are operating above March 2020 levels for the first time, with 61% of businesses now operating at levels equal to or greater than that of March 2020. On average, Queensland businesses are operating at 105.0% above this level.



However, despite the suggested economic recovery compared to March 2020, the latest set of business challenges are impacting business confidence in both the performance of the Queensland and National economies, as well as their business's ability to reach their 12-month goals.

In respect to how confident businesses were in reaching their 12-month goals, the average score out of 10 was 5.8 in the September quarter. 45.1% of businesses reported a certainty rating of at least 7 out of 10 indicating a significant portion of businesses are confident in reaching their goals. These results further highlight the disparity between business performance and business confidence, as cost pressures and increasing uncertainty are undercutting stable business performance.



The compounding pressures from significant cost challenges and macroeconomic factors on Queensland business are having a resulting impact on the mental health of Queensland businesses. 53% of respondents indicated that they, or someone in their business, are experiencing mental health challenges.

12 MONTH OUTLOOK: AUSTRALIAN AND QUEENSLAND ECONOMIES

Business confidence measured by expectations for the performance of the national and Queensland economies over the next twelve months has again fallen noticeably in the September quarter and continues the recent trend of deteriorating business confidence despite solid business performances.

Business confidence in the Australian economy for the next twelve months decreased further by 8.2 points to 29.9. The Queensland index also further decreased significantly by 9.0 points to 30.8 and both indicate weakening growth prospects over the coming 12 months.

Whilst there had been quarterly oscillating between improvement and deterioration, the overall trend over the past year has been a significant weakening in confidence.

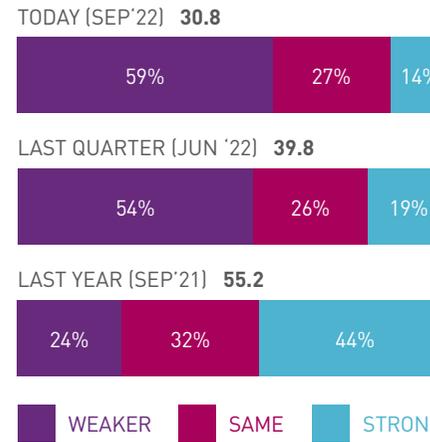
The national and Queensland indexes are both significantly less than this time last year (national down -28.9 and Queensland down -24.6) and below their respective 10-year averages (national 47.4, Queensland 43.3).

This deteriorating confidence appears to be driven by macroeconomic issues relating to inflation and anticipation of a slowing economy caused through higher interest rates, as well as the workforce issues resulting from widespread skills and labour shortages rather than by poor business performance.

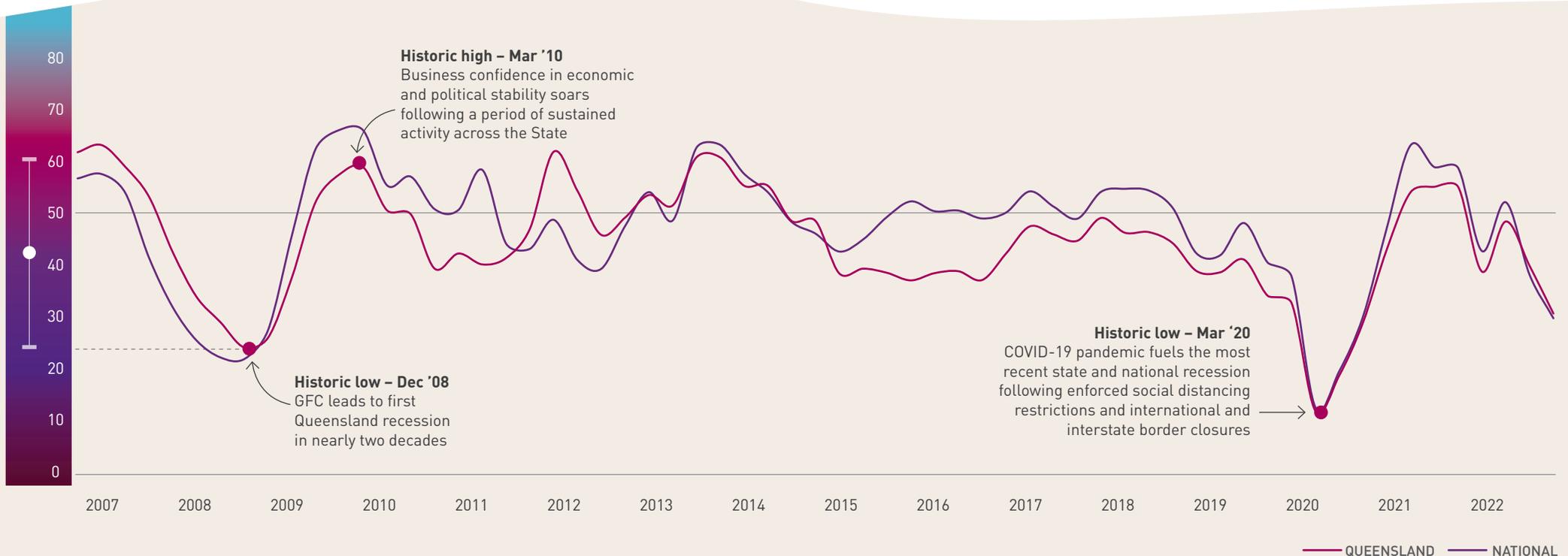
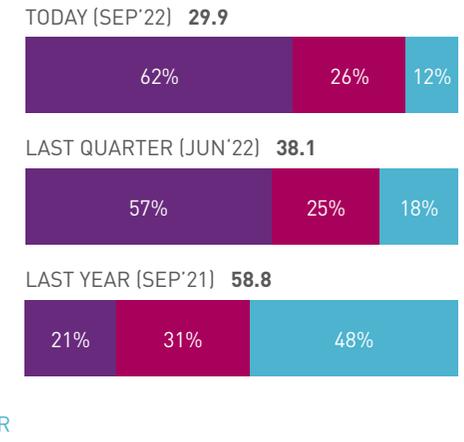
Both indices moved in unison, however even though the decline recorded for the National economy was lower than for the Queensland economy, the National economy index was lower in the previous quarter and so remains below the Queensland index. The difference between the indexes is 0.9. Last quarter marked the first time Queensland businesses had been more confident about the Queensland economy over the next twelve months than the national economy since 2014. It is important to highlight it is not really a case of having greater confidence, but rather being less pessimistic.

How do you expect the economy to perform over the next twelve months in comparison to the last twelve months?

QUEENSLAND



NATIONAL



GENERAL BUSINESS CONDITIONS

Despite a deterioration in business confidence, the general business conditions index is above 50 indicating marginally strengthening business conditions in the September quarter largely as a consequence of better sales.

The September quarter index of 50.5 represents a decrease of 2.7 points from the June quarter index of 53.2. The September quarter index remains above this time last year (46.2) and is above its 10-year average (43.9).

Business responses in the September quarter reflect a rising proportion of businesses indicating conditions were weaker, shifting from unchanged or strengthening conditions. However, the index remains above 50 which is encouraging.

General business conditions in the December quarter are anticipated to fall below 50 indicating weakening conditions with an expected index score of 47.6.

“ I hope it will continue to increase but I worry about the interest rate hike, the increases in fuel and already we are seeing the closing of smelters in Europe affect our ability to source materials. – Central Queensland

“ Manufacturing and parts availability from global issues resulting in less production, less customer satisfaction, increased turnaround times and more retail abuse. (Still resulting from manufacturing ceasing throughout covid) Availability to procure new team members in labour shortage market and coupled with increased labour costs and all cost of business also increasing. – Brisbane

How has your business performed over the last three months compared with the previous three months?

LAST YEAR (SEP '21) **46.2**



LAST QUARTER (JUN '22) **53.2**



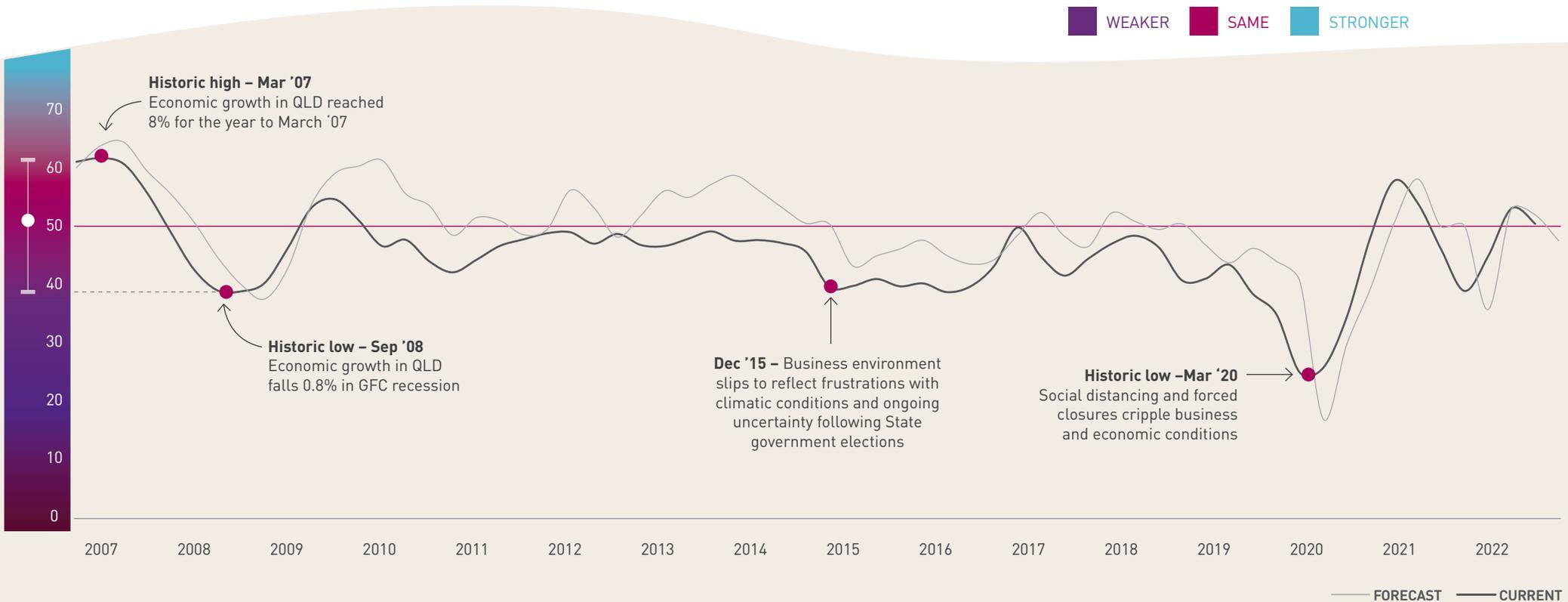
TODAY (SEP '22) **50.5**



FORECAST (DEC '22) **47.6**



WEAKER SAME STRONGER



SALES AND REVENUE

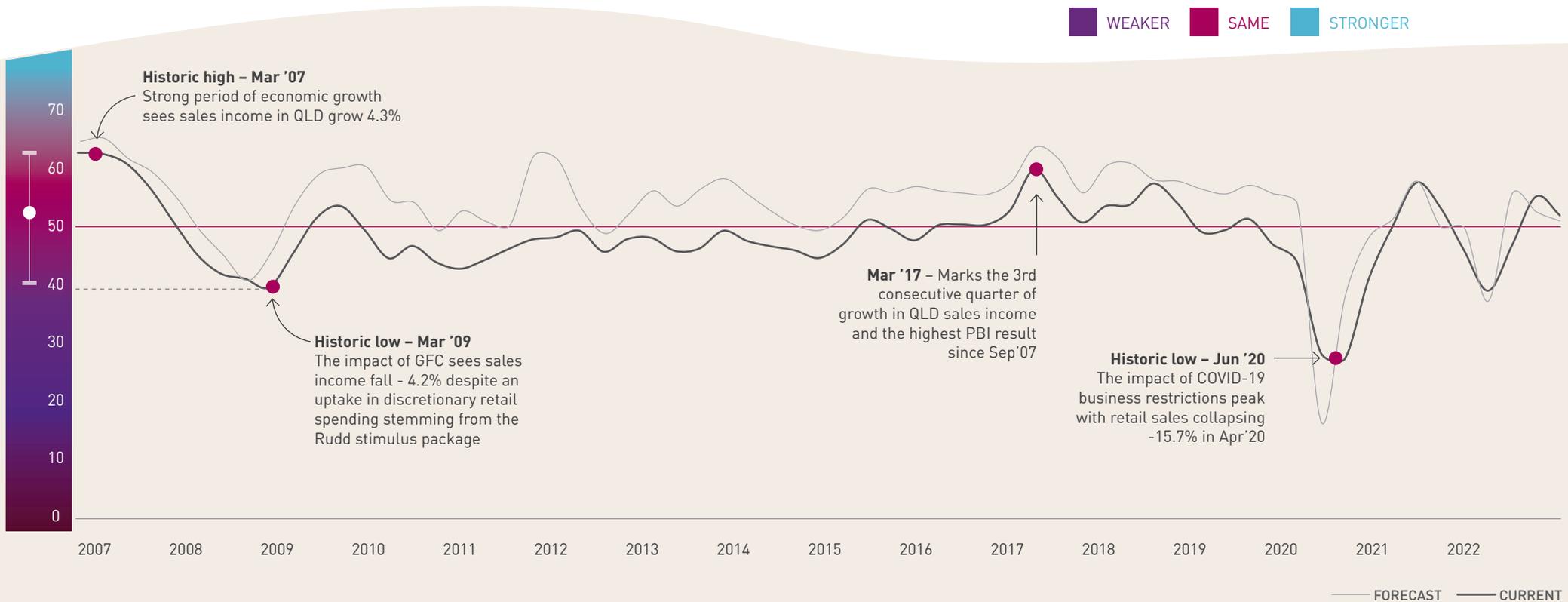
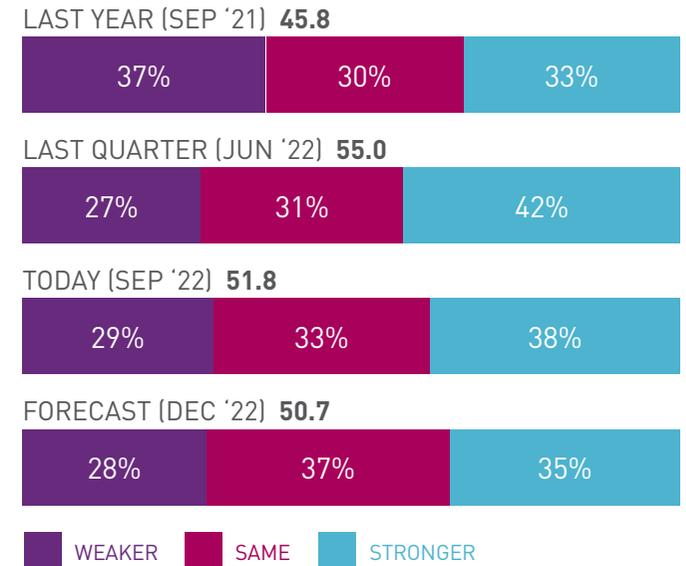
Total sales revenue in the September quarter also improved and indicates a further strengthening of sales. The sales and revenue index score of 51.8 is down (3.2) on the previous June quarter index of 55.0 and is the second quarterly increase in sales.

The September quarter sales and revenue index score is above this time last year (45.8) and the 10-year average of 48.4 - a benchmark of a longer-term trend.

Total sales revenue is expected to continue its improvement into the December quarter with a forecast index score of 50.7. Thirty-seven per cent of businesses believe their total sales will remain unchanged during the December quarter.

- “ Spending will drop due to other price increases of food fuel & rent which will impact spending and thus slow down economy and cause other ongoing financial problems which must be fixed to assist with families & middle-class spending money as well as international students and workers coming to spend money in all states and territories to boost the economy. – Brisbane
- “ Slowed spending due to inflation and rising costs of living. – Far North Queensland
- “ Interest Rates and the push for lower CPI will get the intended result and slow sales up. – Brisbane

How has your business performed over the last three months compared with the previous three months?



OPERATING COSTS

Operating costs during the September quarter continued to significantly rise with a index of 78.8, decreasing by 1.0 index points from 79.8 in the June quarter. Nearly three in four businesses indicated an increase in their operating costs during the quarter.

Global supply chain disruptions combining with high fuel prices have persisted and led to significant price rises for business inputs. These increases are combined with other business operational costs increases such as rents and insurance costs which have become a major constraint on Queensland businesses.

The index score remains well above the long-term average index of 70.4 and is 10.3 index points above this time last year. The significant escalation in operating costs is expected to continue in the December quarter, though to a lesser severity, with the index anticipated to sit at 73.3.

Interest rates are slowing the economy too fast. Projects that have started must now be finished and this takes 12-18 months to slow down. It is like slowing a freight train. Cost of living is out of control due to supply issues, not demand issues. There is a cost of living at which people struggle to live comfortably. Right now, we have reached that point. Slowing things will only put more pressure on inflation. If prices come down, it is not because demand has dropped but because supply has caught up. Raising interest rates will stall the economy and government spending will be needed to start it again. – Gold Coast

Interest Rates, Fuel Costs, Electricity Costs, Transport and Production Costs. – Sunshine Coast

How has your business performed over the last three months compared with the previous three months?

LAST YEAR (SEP '21) **68.5**



LAST QUARTER (JUN '22) **79.8**



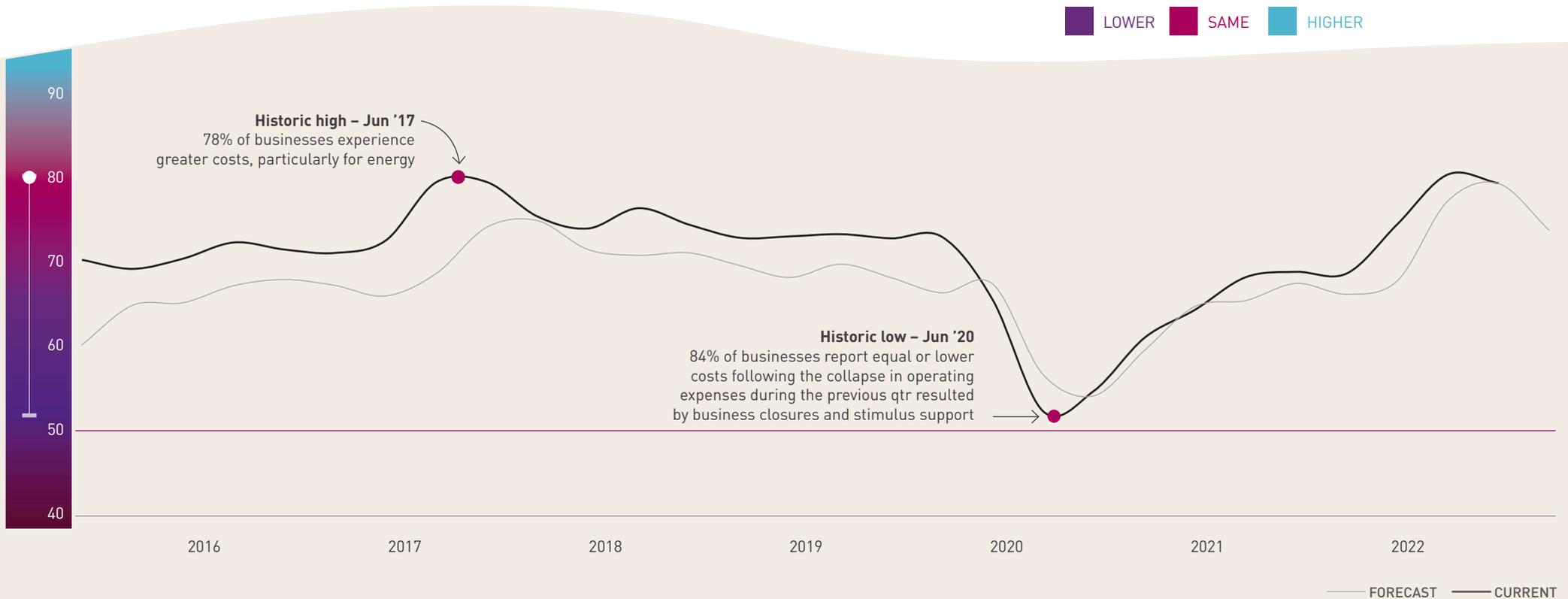
TODAY (SEP '22) **78.8**



FORECAST (DEC '22) **73.3**



LOWER SAME HIGHER



LABOUR COSTS

Labour costs in the June quarter 2022 continued to increase significantly with an index score of 75.8, decreasing by only 2.5 index points from the June quarter.

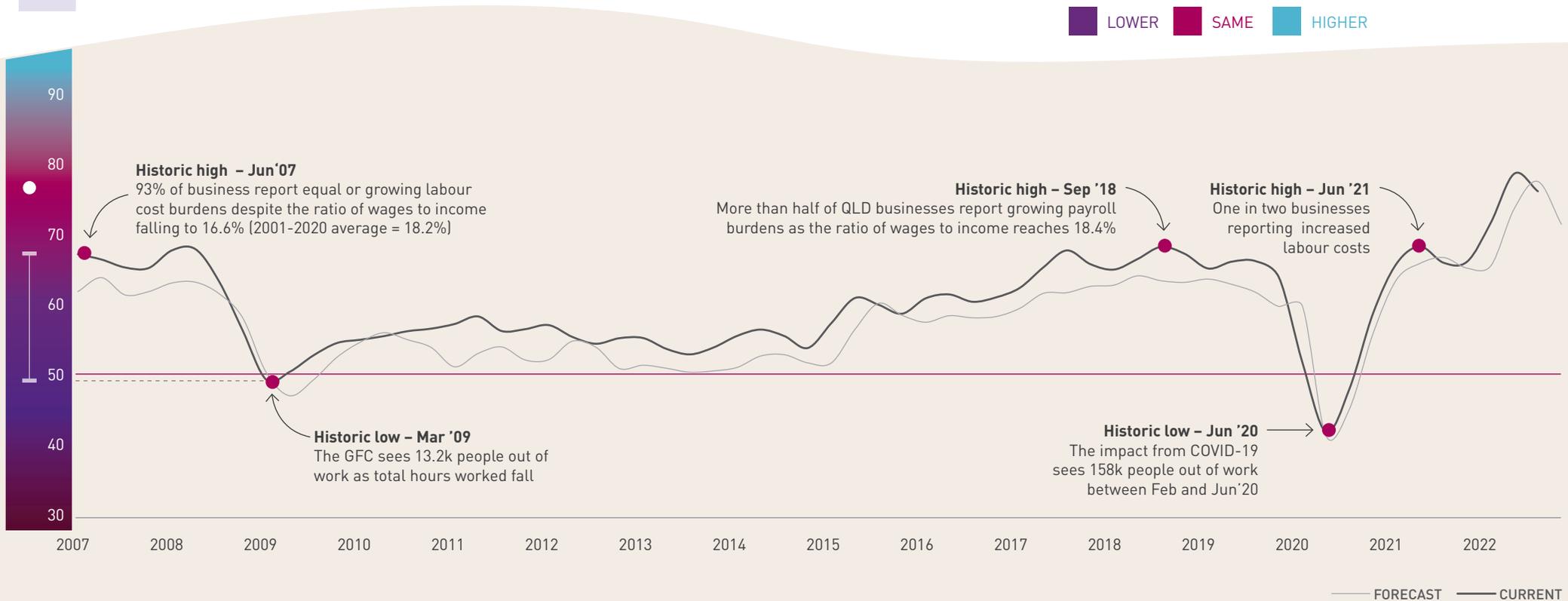
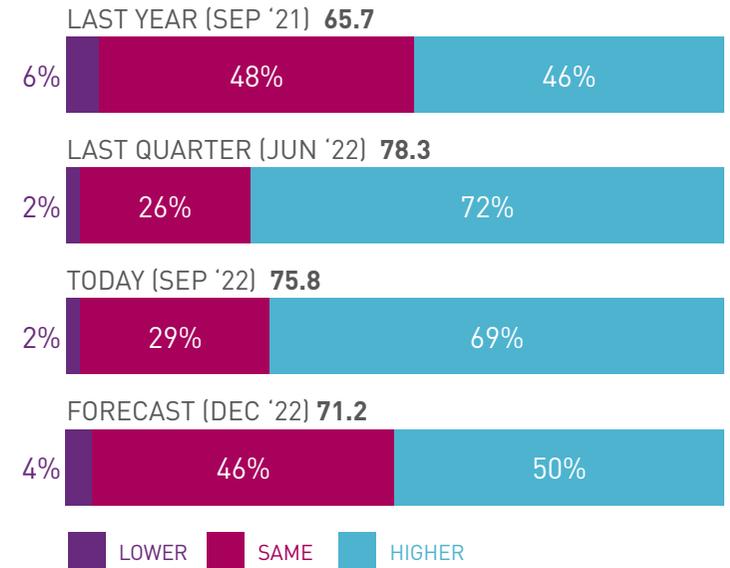
The result reflects widespread staff and skill shortages across Queensland associated with greater economic activity and at or near "full employment" with businesses struggling to meet demand and offering higher wages to retain and attract employees.

Nearly seven in ten businesses increased their labour costs during the September quarter and the index score is well above this time last year (65.7) and the 10-year trend of 60.7. The labour costs index score is expected to remain at high levels in the December quarter with the index decreasing 4.6 points at 71.2.

Increases in costs of wages & super (and therefore also workcover) have seen us have to scale back staff hours to keep total real costs in line with or slightly below last year to counteract the stagnant gross sales rate. Increasing prices caused mostly by the poorly performing Aussie dollar which together with duty, freight and fuel costs etc is exponentially increasing the supplier price increases causing significant retail price increases which is in turn causing a reduction in unit turnover. Brisbane

Economic slow down, inflation and cost of living pressures, which will continue to put pressure on wage increases, which will further hurt SMEs. Wide Bay

How has your business performed over the last three months compared with the previous three months?



PROFITABILITY

Despite an increase to sales, rising operational and labour costs have acted as a drag for greater improvement with profitability continuing to decrease in the September quarter.

The profitability index score decreased by 0.6 points from 37.5 in the June quarter to 36.9. More than half of businesses continue to indicate their profitability fell during the quarter.

The profitability index score is 2.1 index points higher than this time last year and is below its 10-year average (37.7).

Queensland businesses expect their profitability to continue at poor levels in the December quarter, though to a lesser extent, with the index forecast to grow by 0.7 points to 37.6. However this indicator with a score below 50 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.

“ Limited availability of suitable skilled employees leading to high demand for skilled personnel leading wage growth and cost increases. – Brisbane

“ Very low profit margins, competition in the local market from multinational companies that do not employ Queensland workers. – Far North Queensland

How has your business performed over the last three months compared with the previous three months?

LAST YEAR (SEP '21) **34.8**



LAST QUARTER (JUN '22) **37.5**



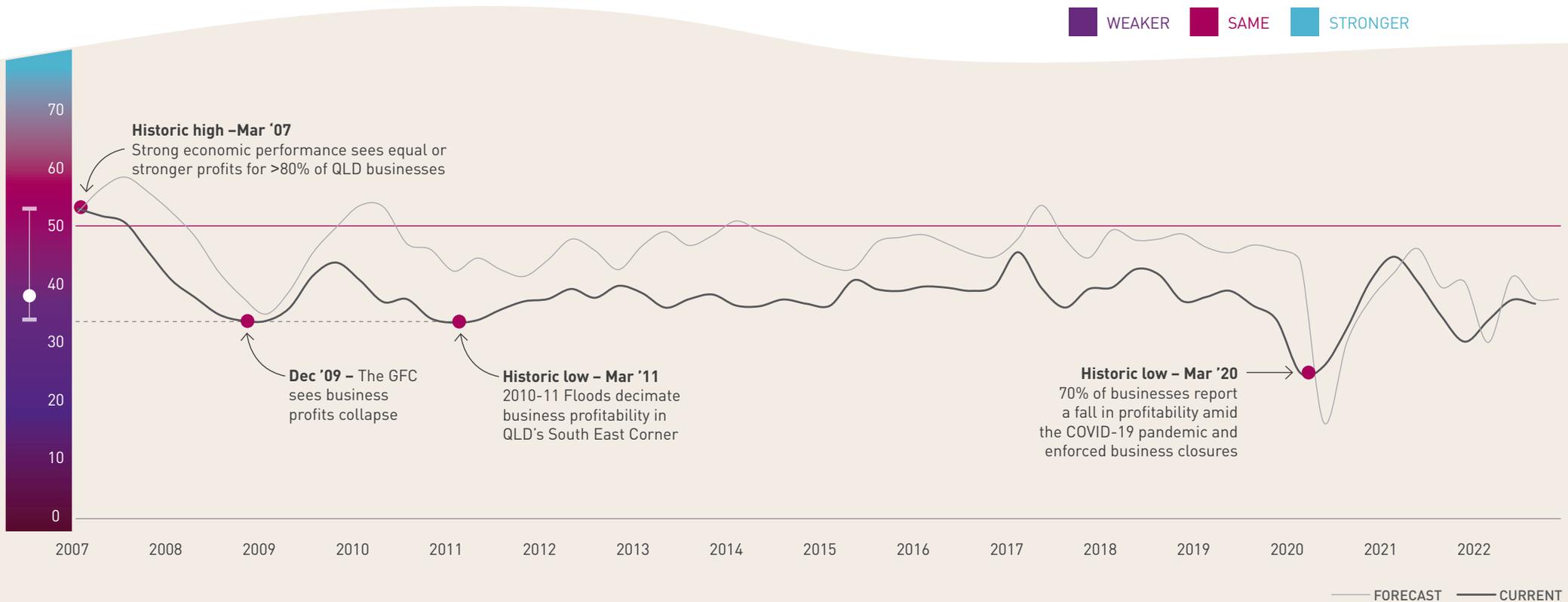
TODAY (SEP '22) **36.9**



FORECAST (DEC '22) **37.6**



WEAKER SAME STRONGER



EMPLOYMENT LEVELS

Employment levels decreased in the September quarter with the index score down 0.4 index points from 48.0 in the June quarter to 47.6. This result reflects the skill and labour shortages being felt across all industry sectors and regions and the difficulty in attracting and retaining staff, rather than a case of businesses not hiring.

The index score is above the September quarter index last year (46.1) and the 10-year average (45.0). Over half of Queensland businesses indicated their employment levels remained unchanged during the September quarter.

A modest improvement in this indicator is expected with the employment index score expected to be up 0.3 points to 47.9 in the December quarter.

“ By far our biggest problem is that we have been unable to get sufficient staff to run our business. We are still looking for more office staff as well as truck drivers. – Gold Coast

“ A drop in consumer & business spending driven by reactionary interest rate increases. As a business we’ve decided to hold off on certain capital purchases until we see some stability return. –South West Queensland

How has your business performed over the last three months compared with the previous three months?

LAST YEAR (SEP '21) **46.1**



LAST QUARTER (JUN '22) **48.0**



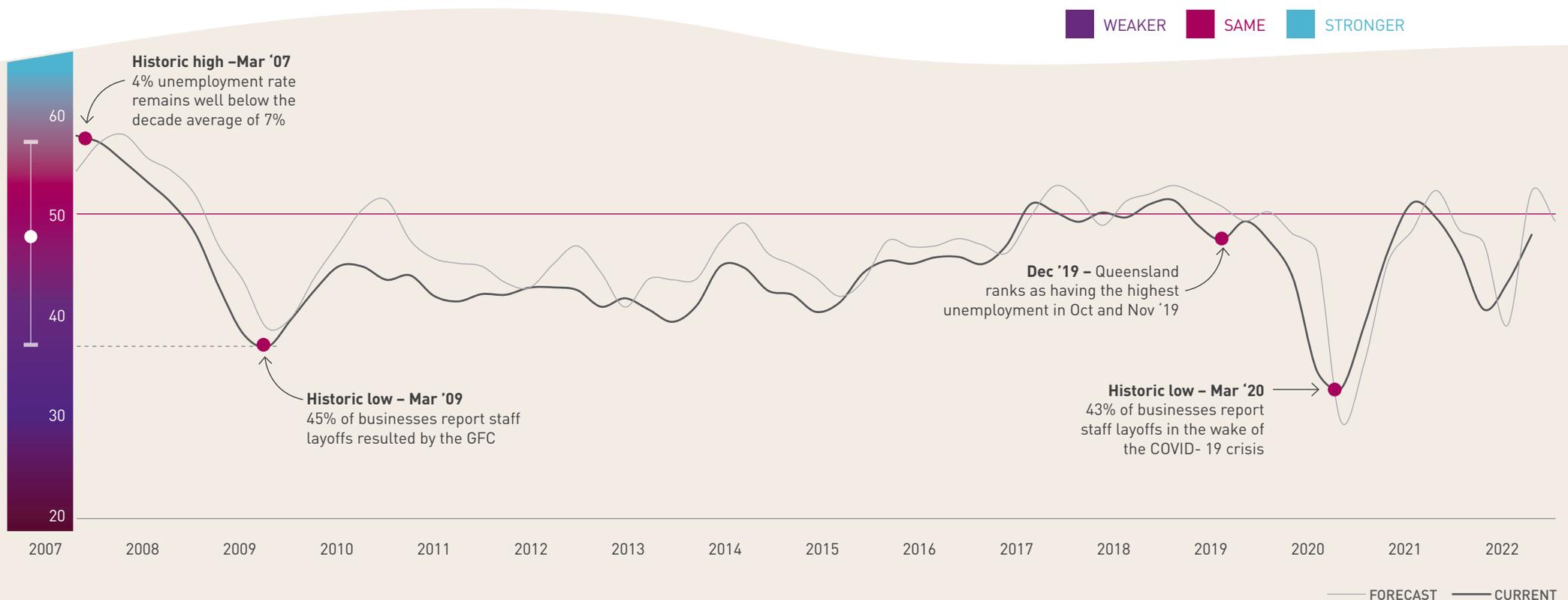
TODAY (SEP '22) **47.6**



FORECAST (DEC '22) **47.9**



WEAKER SAME STRONGER



CAPITAL EXPENDITURE

After an extended period of under-spend, Queensland businesses are continuing to invest in plants and equipment, buildings, and other business assets.

The capital expenditure index score in the September quarter decreased by 3.7 index points from 54.4 in the June quarter to 50.7. The index remains above 50 indicating strengthening investment. One in four businesses increased their capital expenditure during the quarter.

The current September quarter index is higher than this time last year (48.1) and is also above the 10-year average of 44.7. Unfortunately capital expenditure is expected to fall below 50 in the December quarter, with over one in four businesses expecting to decrease their investment.

“ Rising cost of living will impact spending, especially on a domestic discretionary level. Small to medium businesses will likely also re-evaluate non-essential spending. – Central Queensland.

“ A drop in consumer & business spending driven by reactionary interest rate increases. As a business we've decided to hold off on certain capital purchases until we see some stability return. – South West Queensland

How has your business performed over the last three months compared with the previous three months?

LAST YEAR (SEP '21) **48.1**



LAST QUARTER (JUN '22) **54.4**



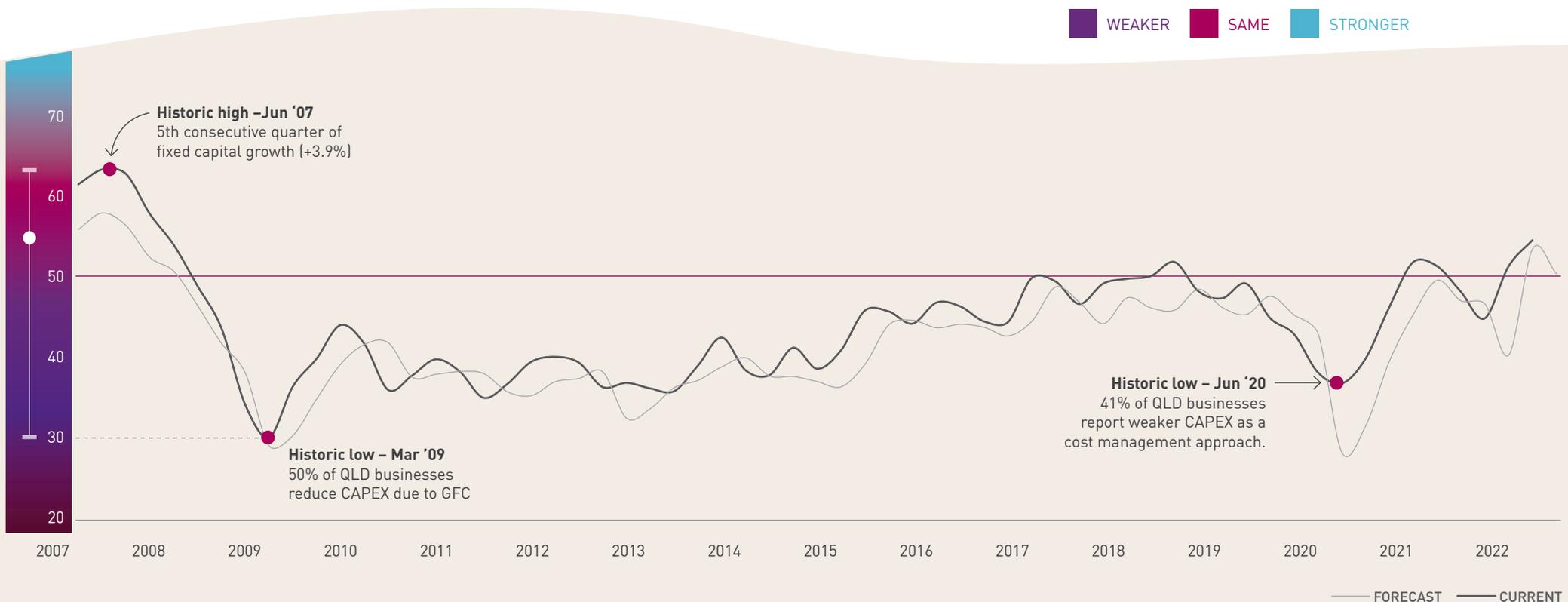
TODAY (SEP '22) **50.7**



FORECAST (DEC '22) **45.9**



WEAKER SAME STRONGER



MAJOR CONSTRAINTS ON BUSINESS GROWTH

STATEWIDE

LEGEND: ↑ 2 QUARTERLY CHANGE CURRENT ● ○ PREVIOUS



SMALL BUSINESS



STANDOUTS

There has been a continuation of the shake-up in business constraints observed last quarter. The level of demand and economy activity and political and economic stability continue to no longer be key constraints on business. These two constraints have been critical issues for decades yet have further tumbled down the list to ninth and eleventh position respectively.

Recruiting and retaining suitably qualified employees (64.8) remains the highest constraint on business and has mildly reduced in its severity (down 0.9 points). Many Queensland businesses, based on their industry sector or location, are indicating staff shortages.

The direct wage cost constraint remains the second largest constraint on business growth, though it is down 1.2 points to 60.3. Businesses remain constrained by insurance costs with this constraint remaining into the top three, having become a more critical constraint for Queensland businesses over the past year. Insurance premium costs are down -3.1 points to an index of 57.1.

As well as the top three constraints remaining unchanged, the standout addition is the compliance and complexity of business taxes and government charges shooting up seven places to be in the top five constraints.

SMALL VS LARGE BUSINESS ISSUES

Historically there is often differences in constraints for small businesses compared to the overall business population, at present the same constraints that are challenging medium and large Queensland businesses are also challenging the State's small business population. However, for small businesses insurance is a larger constraint than direct wage costs.

KEY INFLUENCES ON BUSINESS CONFIDENCE AND ISSUES AFFECTING THE PERFORMANCE OF THE NATIONAL AND STATE ECONOMIES OVER THE NEXT 12 MONTHS – HAVE YOUR SAY

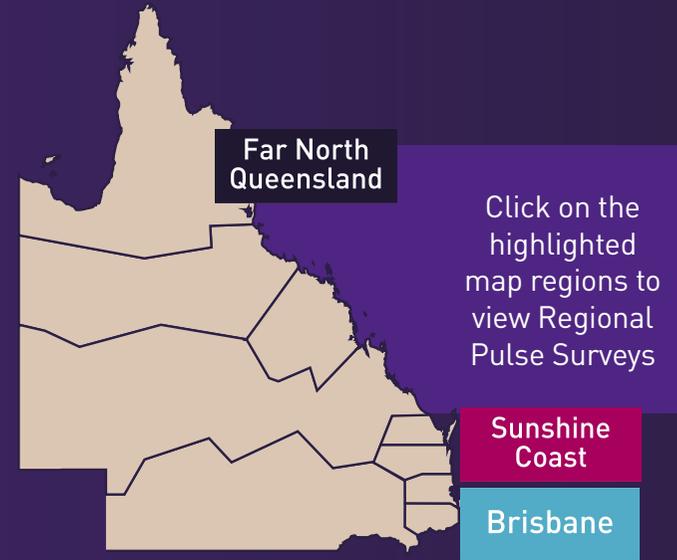
- “ Rising Inflation, Interest rates & the cost of living, we are in a remote part of Queensland transport costs are a real problem, Rising electricity prices and the fact that we only have one electrical provider there are no choices. The cost of doing business in our local community's has changed people's ability to purchase our products. our customer base has changed from small businesses and the local mums and dads to large multi-national customers. We are seeing people not being able to pay for our products our default customers is rising by 30% per month. – Far North Queensland
- “ The availability of a stable workforce, cost of production, gas & electricity, rising freight costs. – North Queensland
- “ Cost of insurance, cost of electricity, tight labour market, continued negative media coverage on almost every subject, lack of support from landlords for activities such as marketing, brand positioning etc. – Brisbane
- “ I believe the biggest effect on the economy is consumer confidence, I believe there is plenty of optimism in the economy and think we are looking strong for the next 5 years, especially in South East Queensland there is a lot of money being spent on infrastructure and tourism is back. – Gold Coast
- “ International demand, reduction of extreme shipping charges. Decline of Covid-19 yet Covid variants remain a threat. – Brisbane
- “ The USD is only going to get stronger and will crush our ability to import. Will drive the price of everything up even local grown items. Seeing as most of what we export is traded in USD, countries will also struggle to afford our exported goods unless we adjust our prices based on the conversion rate. – Wide Bay
- “ Interest Rates and the push for lower CPI will get the intended result and slow sales up. – Brisbane
- “ Escalating cost and reliability of energy, continued issues and elevated cost of logistics especially from overseas eg China, USA, uncertainty of global political tensions eg China-USA, Russia-Europe/USA etc., recessionary growth in major overseas economies with continued heightened inflation could see interest rates continue to trend high when they should be plateauing/reducing, pressure on Federal and Qld budget due to past spending policies reduces the ability to stimulate the economy to avoid local recession with an increased need to broaden the tax base eg higher GST, increased stamp duties, payroll tax etc. – Brisbane
- “ Labour shortages - we could perform twice as much work if we could find staff and staff prepared to work. Cost of fuel and electricity has negatively affected margins. – Central Coast
- “ Exponential increases in costs of running business. Imports, fuel, manufacturing, wages, super, workcover, insurance. All areas are seeing significant cost increases that can only be recouped by steep price increases and/or wages and staff cuts. Kate Bush sang about running up a hill, which we've been doing the past couple of years. The next single Falling Off That Cliff didn't make the charts, but we'll see the financial version of her unfinished music video playing out in the economy over the coming year. – Brisbane
- “ Continuous uncertainty in the supply chain and continued production cost pressures. This will create an atmosphere of uncertainty. – Brisbane
- “ Externalities: geopolitical situation in Ukraine and tensions with China, higher inflationary environment, continuing pressures with the labour market, supply chain pressures, disruptive climate events (such as flooding and cyclones linked to La Nina and negative Indian Ocean Dipole). – Brisbane

ABOUT PULSE

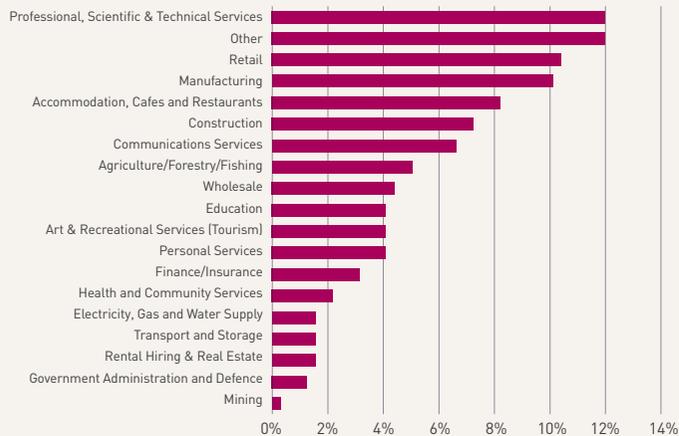
The Pulse Survey has measured Queensland business confidence and expectations for more than 25 years. The survey publishes results quarterly from key questions put to the Queensland business community. The survey is unchallenged as the most authoritative, timely and comprehensive snapshot of Queensland 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 29th September to the 17th October and examined business sentiment and activity throughout the September quarter [2022]. 317 businesses responded to the survey.

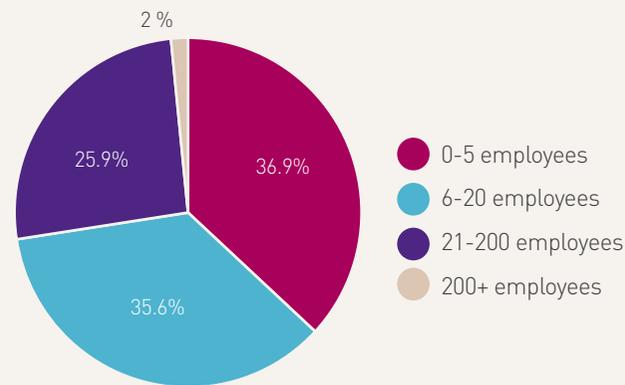
To find out more about Pulse, please contact Chamber of Commerce and Industry Queensland on 1300 731 988 or at cciqadvocacy@cciq.com.au.



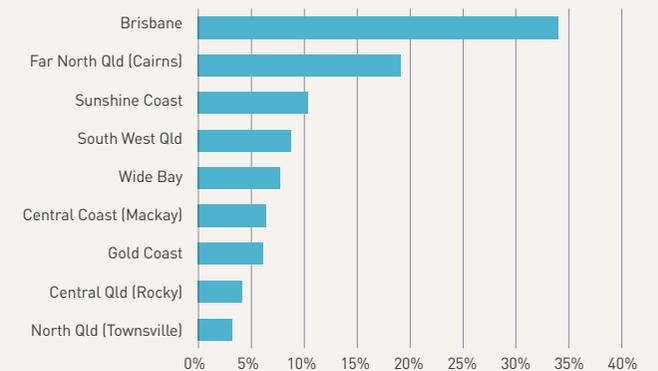
INDUSTRY REPRESENTATION



SIZE OF ORGANISATION



REGIONAL REPRESENTATION



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