

# FAR NORTH QUEENSLAND PULSE SURVEY REPORT

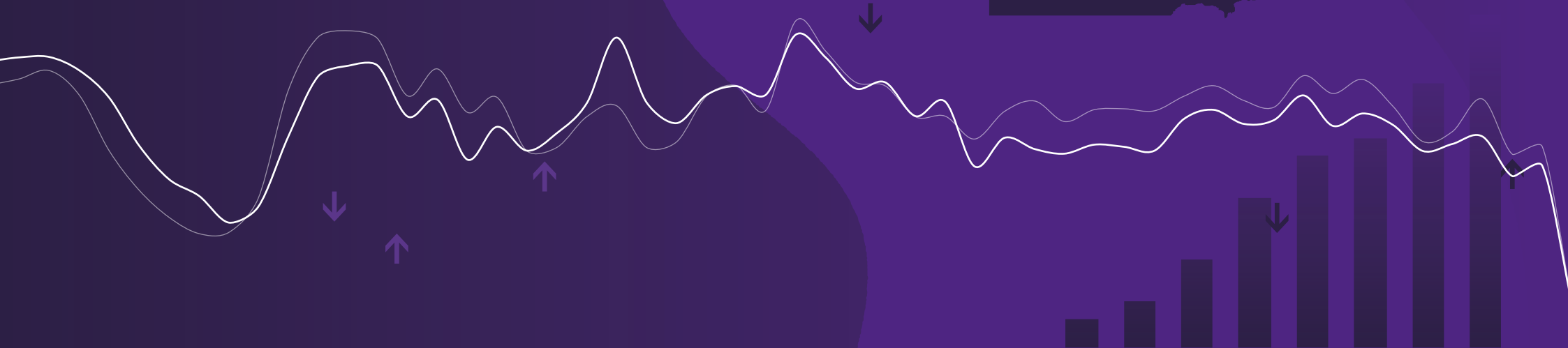
SEPTEMBER QUARTER 2022

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## FAR NORTH QUEENSLAND BUSINESS CONFIDENCE DETERIORATES FURTHER BUT ACTUAL PERFORMANCE IMPROVES SIGNIFICANTLY.

Latest results of the September Quarter Pulse Survey indicate a continuation of the unusual situation observed in the previous quarter - a deterioration of Far North Queensland business confidence but solid business performance with similar expectations for the December quarter.

Total sales revenue and general business conditions were the standout positives for the survey with Far North Queensland businesses indicating their sales and revenue and general business conditions strongly improved during the September quarter. Business feedback revealed that a combination of recovery spend from COVID-19, and increased market demand especially in the area of tourism have boosted sales as well as overall general business conditions during the September quarter. These indices are now well above 50 and therefore represent a strong improvement, however unlike the state average they have risen further from the June quarter. They are expected to fall in the December quarter but will still remain above 50.

After taking a turn for the worse in the previous quarter, Far North Queensland business confidence has further deteriorated as a result of a number of compounding issues continuing to impact businesses.

Cost challenges are many and are collectively leading to the erosion of business viability. These issues include:

- Rising wage and labour costs;
- Rising inflation and cost of goods and services;
- Increasing fuel and energy prices; and
- Supply chain disruptions which are causing stock shortages and delays in both goods and services.

Accordingly, it is unsurprising that both operating costs and labour cost indices remain at extremely high levels, well above their respective long-term averages. However, labour and operational costs may have reached their peak as they are starting to ease, albeit by only modest levels, with marginal improvements expected in the December quarter. Though the forecasted indicators remain incredibly high.

The lack of confidence is also clearly driven by macroeconomic factors such as:

- Interest rate rises that are starting to erode consumer and business spending;
- Lack of staff availability including skill and labour shortages;

- Lack of availability of affordable accommodation and rental housing;
- Global geopolitical issues such as the war in Ukraine;
- Reduced consumer confidence and emerging fear of a recession;

As a result of the strong improvement to sales, Far North Queensland businesses have reported the highest profitability index in the state, however the index still remains below 50, indicating profits as a whole continue to decrease likely due to overwhelming cost pressures. Despite recording the strongest business performance indicators across the state, Far North Queensland businesses forecast a decrease across all index scores for all performance metrics in the December quarter.

In general, the above revenue and cost concerns and their persistence are causing an expectation of weaker economic growth over the next 12 months for both Queensland and the National economy 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 businesses at a micro level.



### PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

#### SEPTEMBER QUARTER SENTIMENT

Far North Queensland

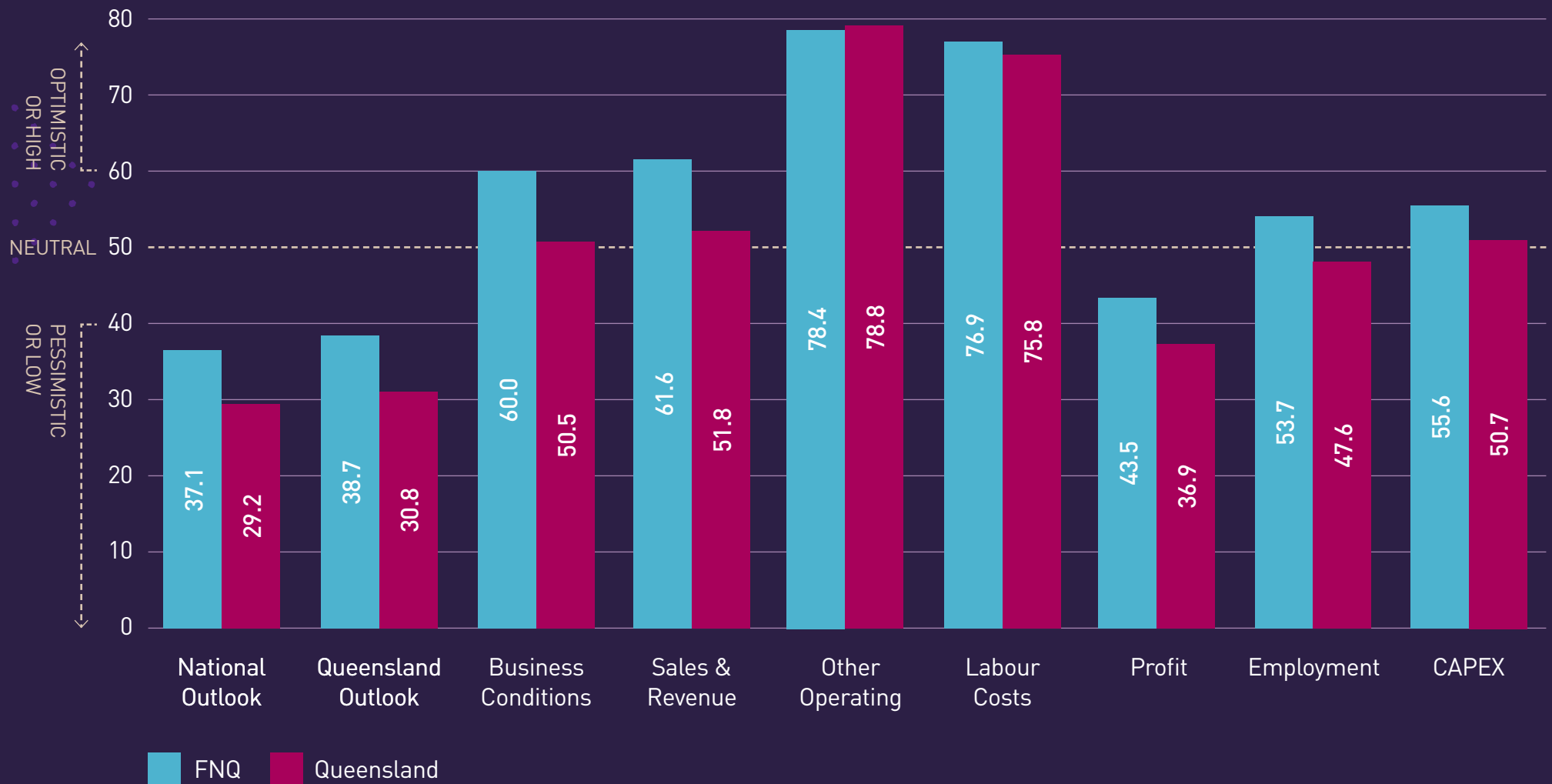
**52.2** Queensland  
44.7

#### DECEMBER QUARTER FORECAST

Far North Queensland

**48.9** Queensland  
43.4

## FAR NORTH QUEENSLAND PULSE SURVEY INDEX\* RATINGS SEPTEMBER 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



## 12-MONTH OUTLOOK

### PULSE SURVEY INDEX

Queensland Outlook = **38.7** [-2.2]; Poor  
National Outlook = **37.1** [-2.0]; Poor

Business confidence in the Australian economy for the next twelve months decreased by 2.0 points to 37.1. The Queensland index also decreased by 2.2 points to 38.7 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 September quarter and appears more driven by macroeconomic issues relating to inflation and anticipation of a slowing economy caused through higher interest rates.

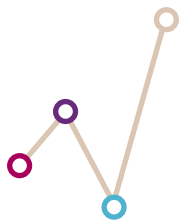


## SALES AND REVENUE

### PULSE SURVEY INDEX

September 22 = **61.6** [+3.6]; Strong  
December 22 = **52.9** [-8.7]; Satisfactory

Total sales revenue in the September quarter also improved and indicates a further strengthening of sales. The sales and revenue index of 61.6 is up 3.6 points on the previous June quarter index and is the third quarterly increase in sales. Total sales revenue is expected to fall significantly in the December quarter, but the index will still remain above 50 at 52.9.



## GENERAL BUSINESS CONDITIONS

### PULSE SURVEY INDEX

September 22 = **60.0** (+5.8); Strong  
December 22 = **52.7** (-7.3); Satisfactory

Despite a deterioration in business confidence, general business conditions improved in the September quarter largely as a consequence of better sales. The September quarter index of 60.0 represents a strong improvement to general business conditions. General business conditions in the December quarter are anticipated to decrease, yet still remain above 50 with an expected index score of 52.7



## OPERATING COSTS

### PULSE SURVEY INDEX

September 22 = **78.4** [-0.1]; High  
December 22 = **74.3** [-4.2]; High

Operating costs during the September quarter continued to remain at the incredibly high level observed last quarter, with the index only coming down 0.1 points for an index score of 78.4, indicating a further increase in operating costs for the majority of Far North Queensland businesses. These increases are a result of a combination of cost factors such as insurance costs, insurance rates, ongoing supply chain issues, the price of fuel, and energy costs. The significant escalation in operating costs is expected to moderately improve in the December quarter with the index anticipated to decrease to 74.3

# SNAPSHOT



## LABOUR COSTS

### PULSE SURVEY INDEX

September 22 = **76.9** (-0.3); High

December 22 = **72.5** (-4.4); High

Labour costs in the September quarter 2022 continued to increase significantly though are down slightly from record high of 77.2. The result reflects widespread staff and skill shortages across Queensland associated with greater economic activity and being at or near “full employment” with businesses struggling to meet demand and offering higher wages to retain and attract employees. The labour costs index will come down moderately in the December quarter from recent record high levels with the index forecast to be at 72.5.



## EMPLOYMENT LEVELS

### PULSE SURVEY INDEX

September 22 = **53.7** (+1.4); Satisfactory

December 22 = **52.6** (-1.1); Satisfactory

Employment levels increased in the September quarter with the index up 1.4 points to 53.7. 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 index expected to fall 1.1 points to 52.6 in the December quarter.



## PROFITABILITY

### PULSE SURVEY INDEX

September 22 = **43.5** (+4.6); Satisfactory

December 22 = **41.0** (-2.5); Satisfactory

Higher sales have caused the profitability index to improve during the September quarter, but at the same time both rising operational and labour costs have acted as a drag for greater improvement. The profitability index increased by 4.6 points to 43.5. Over one in three businesses continue to indicate their profitability fell during the quarter. Far North Queensland businesses expect profitability to further decrease in the December quarter, with the forecast index to fall 2.5 points. 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.



## CAPITAL EXPENDITURE

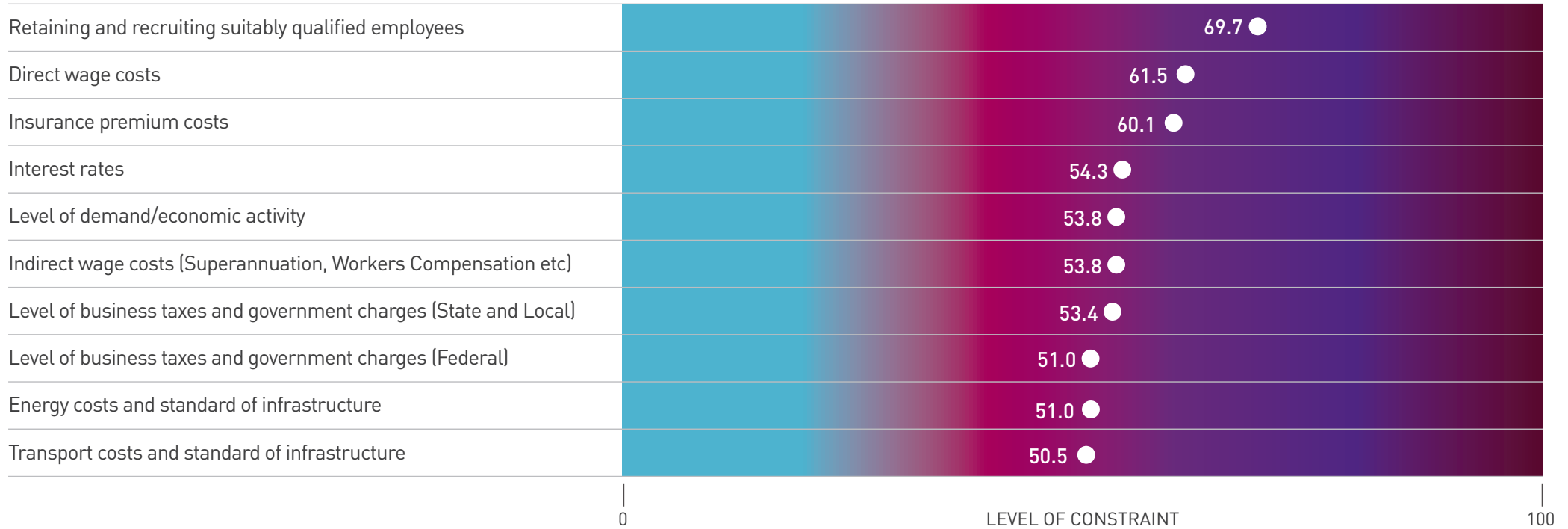
### PULSE SURVEY INDEX

September 22 = **55.6** (+3.9); Satisfactory

December 22 = **55.4** (-0.2) Satisfactory

After an extensive period of under-investment, Far North Queensland businesses are continuing to invest in plant and equipment, buildings and other business assets with the index remaining above 50 in the September quarter. The capital expenditure index increased a further 3.9 points to 55.6 indicating strengthening investment. Capital expenditure is forecast to remain above 50 in the December quarter with the index forecast to fall only 0.2 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**



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



Rising interest rates & the cost of living generally. Less disposable income will restrict spending in a lot of areas & put pressure on prices in others. Rising cost of minimum wages coupled by competition for quality, experienced and qualified staff also add increased overheads to businesses which will have to be passed on to the end consumer. – Far North Queensland.



Housing shortages in Cairns. Skilled staff shortages driving up cost of recruitment and retention. – Far North Queensland



I believe it is inflation, how soon this can be corrected will determine how the economy will perform. The current 6 consecutive interest rate rises have affected the economy specifically house prices and values making people worry about buying and selling which is expected. Once confidence is recovered the people will be happy to go out and spend again thus resulting in some improvement. –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 29th September to the 24th October 2022 and examined business sentiment and activity throughout the September quarter (2022). 61 Far North Queensland 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

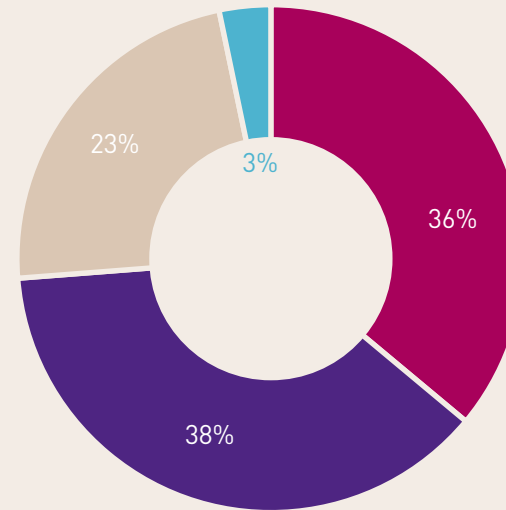
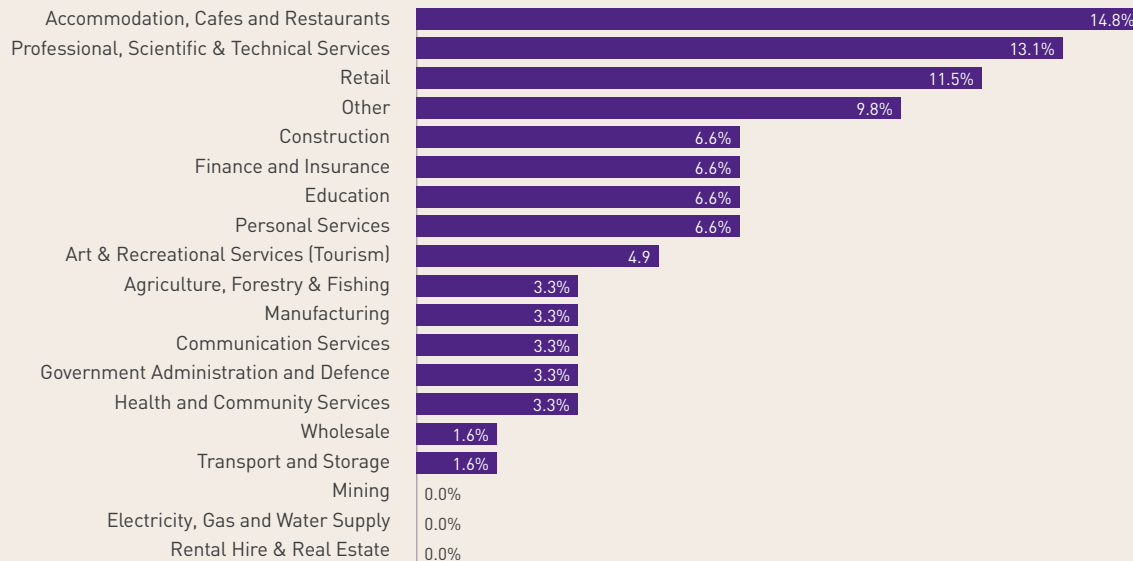
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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

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