

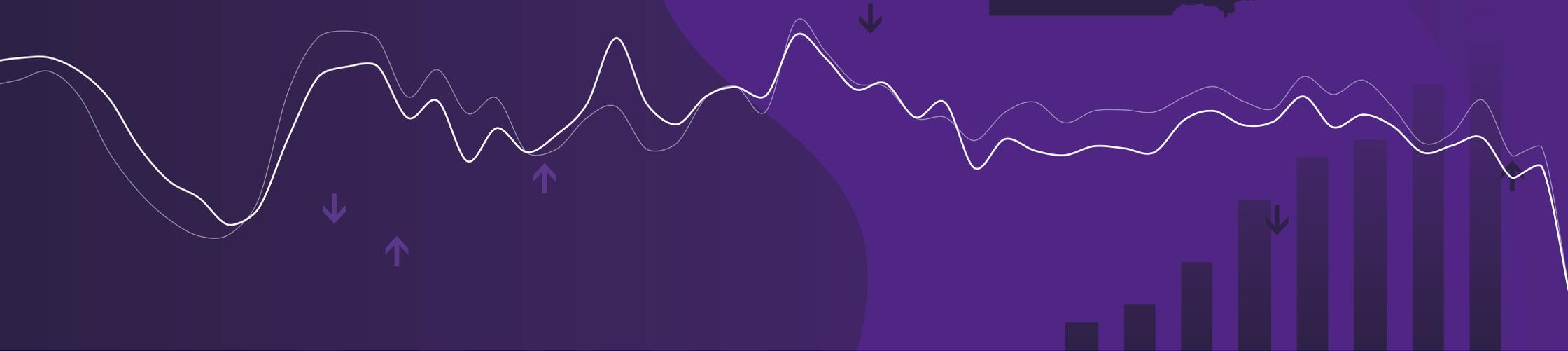
FAR NORTH QUEENSLAND PULSE SURVEY REPORT

DECEMBER QUARTER 2021

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FAR NORTH QUEENSLAND BUSINESSES LEFT REELING FROM OMICRON STRAIN

Latest results for the Pulse Survey in the December Quarter indicate that the Omicron COVID-19 variant has and is expected to wreak havoc on FNQ's businesses. Many FNQ businesses have indicated that the Omicron strain is causing just as much economic harm to their business as the original emergence of COVID-19 in the first half of 2020.

This quarter's key finding is FNQ business confidence has plummeted and is reflective of the compounding impact of labour shortages, supply chain disruption and considerably lower consumer spend associated with the Omicron wave.

Overall conditions range from 'poor' to 'satisfactory' with general business conditions, sales/revenue, profitability and capital expenditure all falling. At the same time business operating costs and wage levels continue to remain high. As a result, FNQ businesses are now increasingly uncertain about 2022 and their business viability.

FNQ businesses are reporting on par performance in the December quarter with the Statewide average. If there is a silver lining it is the anticipated deterioration in the March quarter for FNQ businesses is not as bad as that expected Statewide.

However feedback as part of the Pulse Survey has indicated the Omicron strain has impacted on FNQ businesses in a number of serious ways including:

- The creation of significant uncertainty leading to the erosion of consumer and business confidence and in turn spend in the economy;
- Staff shortages through either getting COVID-19 or the requirement for self-isolation as a close contact in tandem with previous international and interstate border restrictions preventing new stock of employees;
- Material shortages and supply chain disruptions that are leading to higher business input costs caused by staff shortages and also the shortage of 'AdBlue';
- Discontent with political leadership as a result of failing to plan properly (absence of available testing capacity) and inconsistent and anti-business health restrictions that have eroded certainty and a capacity to plan;
- Absence of financial support for small businesses and the cessation of support for many households;
- Lagging impact of interstate and international border restrictions on Queensland's tourism industry and also embedded fear of travel;

- Restrictions as a result of vaccination status for both employees and customers; and
- Knock on effects such as employees working from home and steering clear of CBDs and shopping centres.

There are also other serious economic problems compounding the impact of Omicron including:

- Continuing trade restrictions with China;
- Rising insurance, fuel and other business input prices;
- Fear of rising inflation and the impact on future spending through rising interest rates; and
- The forthcoming Federal Election and the impact this will have on delaying government spending, infrastructure planning and decision making;

All of these negative influencers have combined to create a bitter cocktail for FNQ businesses in both the December and March quarters.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

DECEMBER QUARTER SENTIMENT

Far North Queensland

38.6 Queensland
38.6

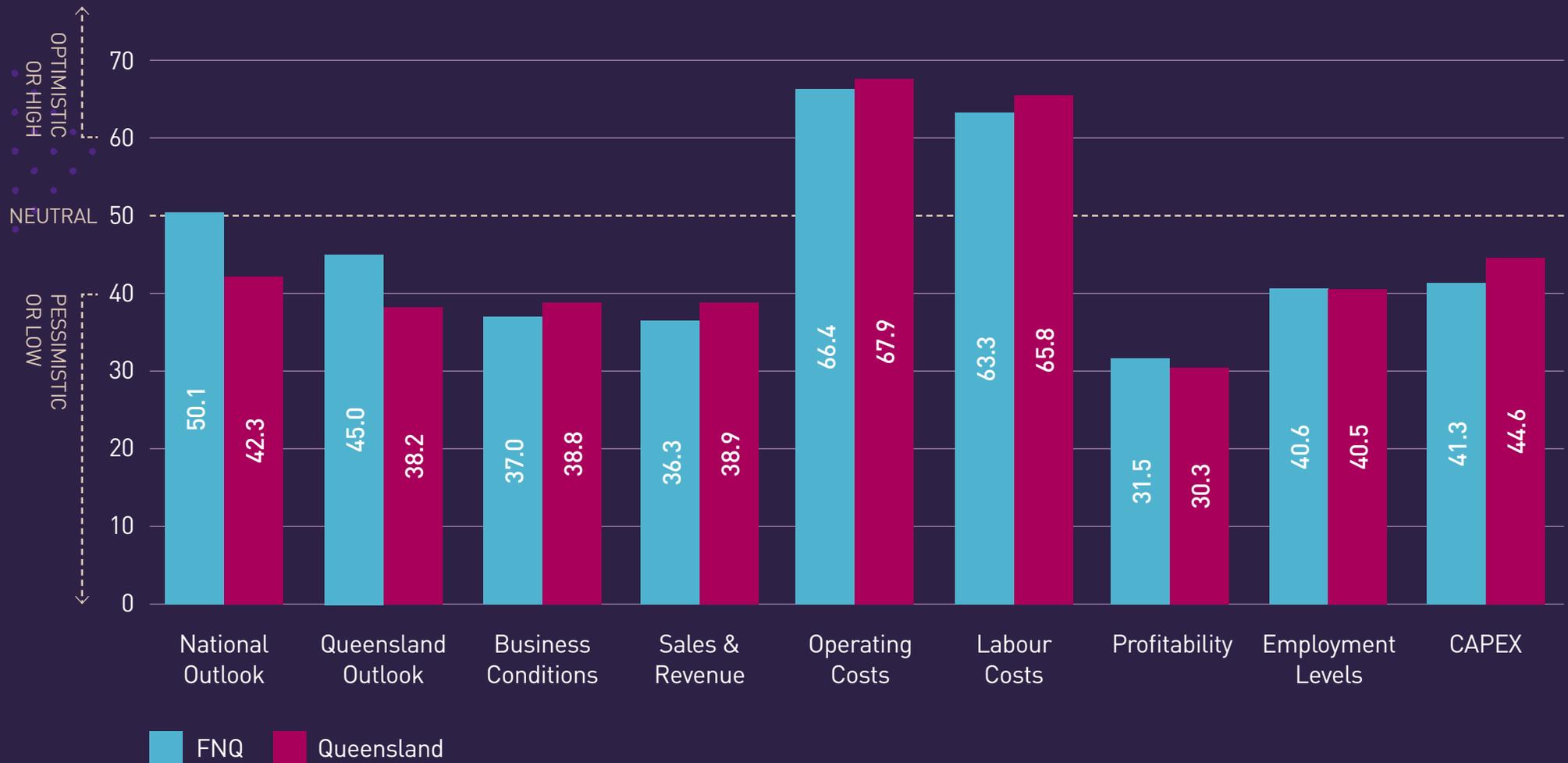
MARCH QUARTER FORECAST

Far North Queensland

37.1 Queensland
36.5

SNAPSHOT DATA

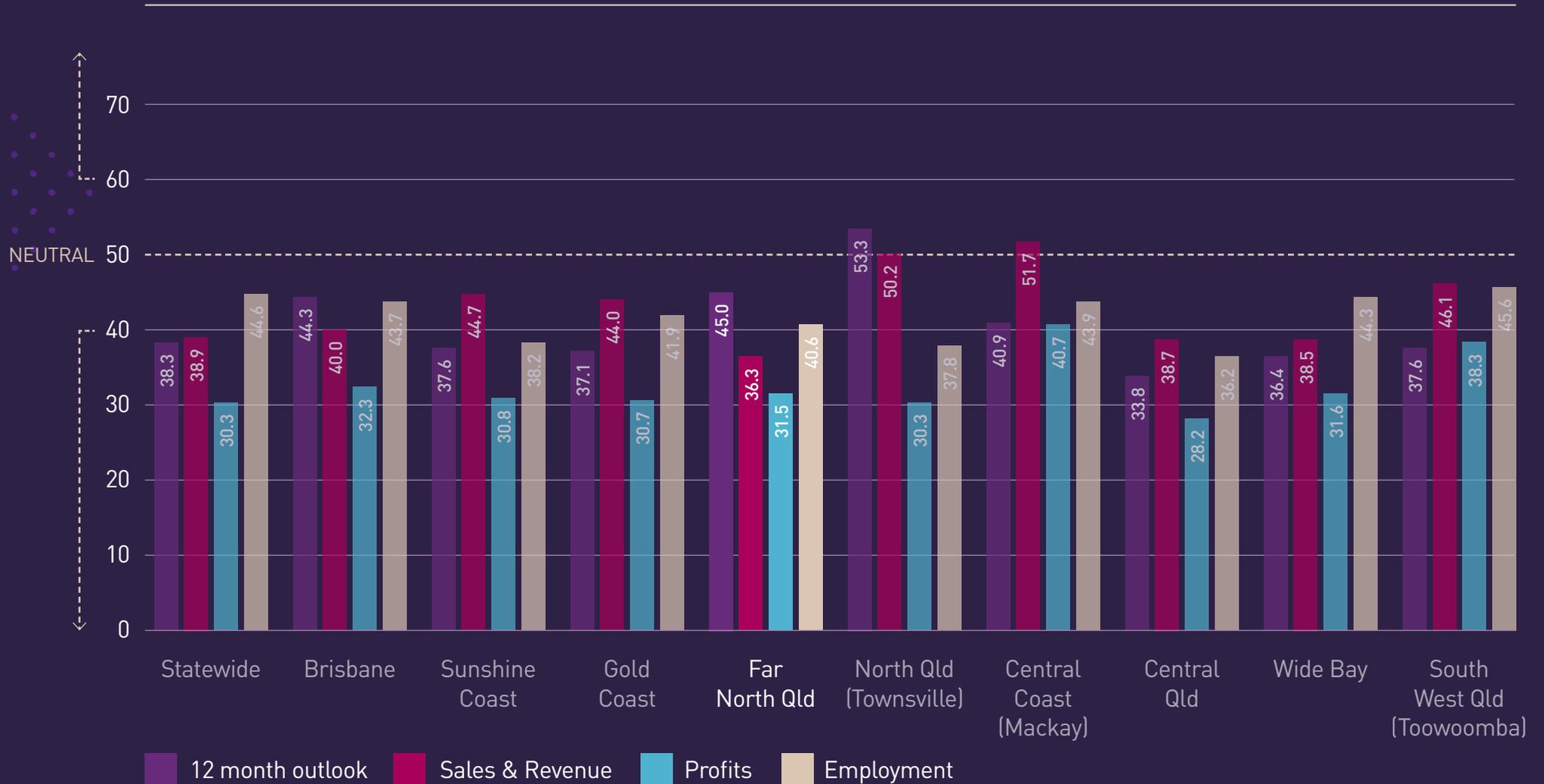
FAR NORTH QUEENSLAND PULSE SURVEY INDEX* RATINGS DECEMBER 2021



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 DATA

PULSE SURVEY INDEX * RATINGS DECEMBER 2021



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12-MONTH OUTLOOK

PULSE SURVEY INDEX

Queensland Outlook = **45.0** (-11.4); Satisfactory

National Outlook = **50.1** (-12.4); Satisfactory

Business confidence measured by expectations for the performance of the National and Queensland economies over the next twelve months has fallen dramatically in the December quarter. FNQ business confidence in the Australian economy for the next twelve months decreased by 12.4 points to 50.1. The Queensland Index also decreased significantly by 11.4 points to 45.0 with the Queensland Index now indicating weakening growth prospects over the forthcoming 12 months. FNQ businesses are less confident about the Queensland economy over the next twelve months than the National economy.



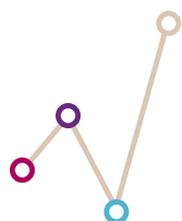
SALES AND REVENUE

PULSE SURVEY INDEX

December-21 = **36.3** (-2.5); Poor

March-22 = **34.7** (-1.6); Poor

Total sales revenue in the December quarter declined. The sales and revenue PBI of 36.3 is down (2.5 points) on the previous September quarter index. The PBI indicates weakening sales and revenue during the December quarter and is certainly counter to what is usually a stronger quarter for most businesses. Whilst domestic border closures and other restrictions across the Queensland economy eased during the quarter, new obstacles emerged including staff shortages and considerable supply chain disruption that compounded on already soft consumer confidence. Total sales revenue are expected to fall even further in the March quarter down another 1.6 points to 34.7.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

December-21 = **37.0** (-2.5); Poor

March-22 = **35.7** (-1.4); Poor

General business conditions deteriorated in the December quarter as a consequence of falling sales, increasing labour and operational costs, causing business profitability to collapse. The December quarter index score of 37.0 represents a decline of 2.5 points from the September quarter. General business conditions in the March quarter are anticipated to further weaken as the Omicron wave peaks with the PBI is expected to fall another 1.4 points to 35.7.



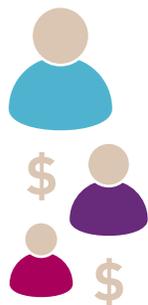
OPERATING COSTS

PULSE SURVEY INDEX

December-21 = **66.4** (-1.1); High

March-22 = **65.7** (-0.7); High

Operating costs during the December quarter despite some tempering (-1.1 points) remained at a high level with the PBI of 66.4. Global supply chain shortages and bottlenecks have fuelled significant price rises for business inputs as overseas suppliers increase prices to reflect supply issues but also as switching occurs to more expensive domestic suppliers. At the same time supply for many business inputs has decreased considerably with prices increasing to reflect shortages. High operating costs are expected to partly temper in the March quarter down 0.7 index points to 65.7.



LABOUR COSTS

PULSE SURVEY INDEX

December-21 = **63.3** (+0.9); High
March-22 = **63.3** (-); High

Labour costs in the December quarter increased again and remains at a 'high' level with a PBI of 63.3. This result reflects skill and labour shortages across a number of industry sectors as FNQ businesses attempt to offset a reduction in overseas and interstate workers through attracting Queenslanders with higher earnings. As the Omicron strain of COVID-19 bites many businesses are indicating unavailability of existing workers and unsurprisingly the labour costs PBI is expected to remain at this high level.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

December-21 = **40.6** (-2.0); Satisfactory
March-22 = **40.0** (-0.6); Satisfactory

Employment levels again declined with the PBI falling 2.0 index points in the December quarter to 40.6. This result reflects attempts to maintain business viability through cost minimisation. However it also reflects significant feedback of skill and labour shortages across a number of industry sectors due to the unavailability of interstate and overseas workers. A further fall in employment is expected in the March quarter with the employment PBI falling by 0.6 index points to 40.0.



PROFITABILITY

PULSE SURVEY INDEX

December-21 = **31.5** (-0.9); Poor
March-22 = **31.2** (-0.3); Poor

The profitability PBI fell another 0.9 points in the December quarter to 31.5. Significantly lower sales as result of low consumer confidence and supply difficulties are coinciding with prevailing high levels of operating and labour costs causing profitability to again be eroded. FNQ businesses expect no improvement in their profitability in the March quarter, with the Index forecast to fall another 0.3 points to 31.2 Survey respondent feedback indicates the essential importance of restoring sales revenue to sure up their financial profitability.



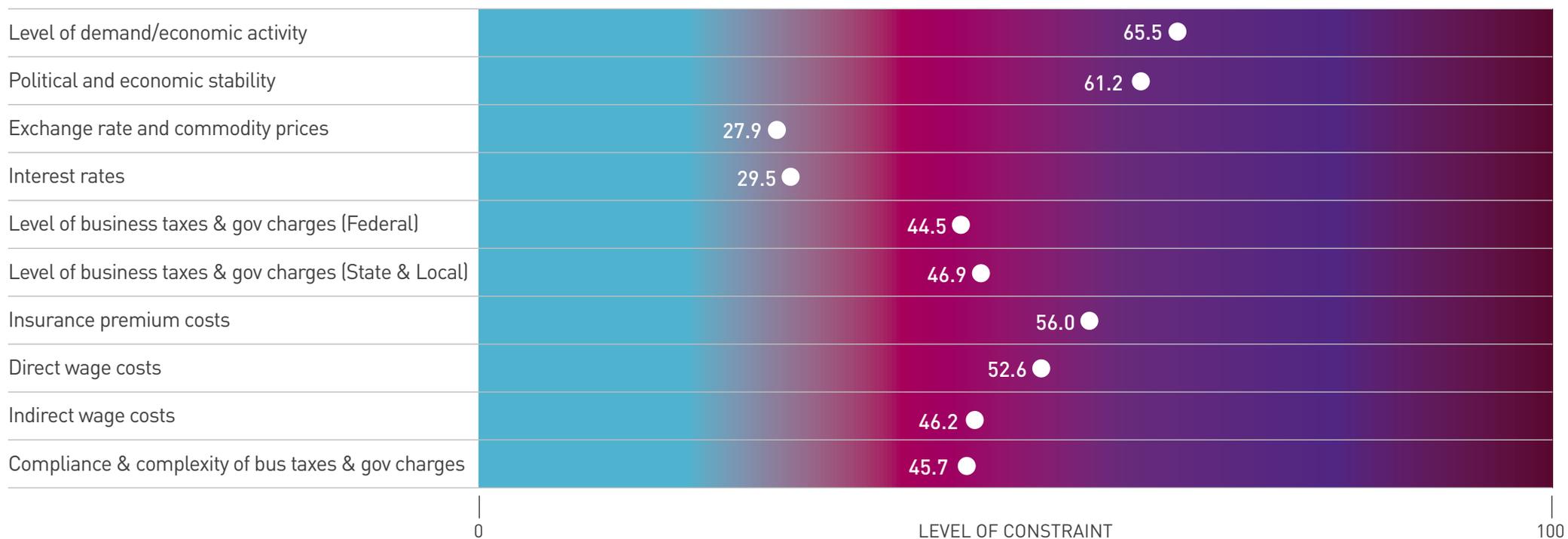
CAPITAL EXPENDITURE

PULSE SURVEY INDEX

December-21 = **41.3** (-5.3); Satisfactory
March-22 = **36.2** (-5.1); Poor

Prevailing weak profit levels, lower sales revenue and uncertainty continue to weigh down future business plans and capital expenditure with PBI in the December quarter falling 5.3 points to 41.3. Business investment is expected to further weaken in the March quarter with the capital expenditure PBI down a similar 5.1 points to 36.2. There is continuing fear that the underinvestment evident across the past two years could hinder future growth.

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**



Supply of stock is a problem as the transport industry has been impacted by Covid. We are upgrading our IT system to give deeper and more exact information on the company's position.



Feeling that the Covid impacts will start to recede in the mid term. Clients are getting ready to return to pre-Covid trading conditions.



Lots of people have been losing their jobs and they are careful spending their money currently because COVID19. I also believe people do not want to go around and shop freely. The most of them prefer to buy what they really need and go back home quickly.



I believe the economy will continue to face challenges with consumer confidence and collateral damage from the continuing political divide. Business seems to be expendable.

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 10th to the 25th of January 2022 and examined business sentiment and activity throughout the December quarter (2021). 129 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.

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

Pulse Business Index

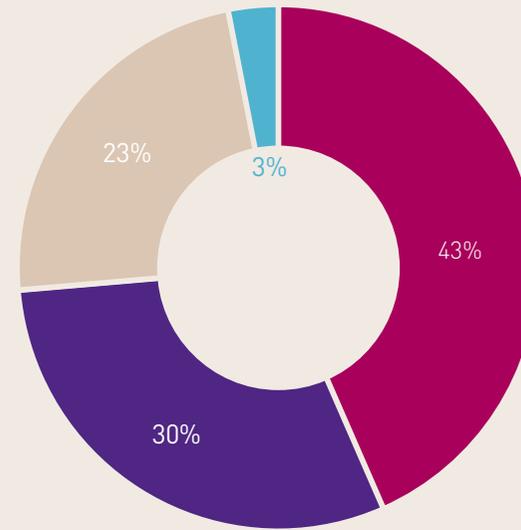
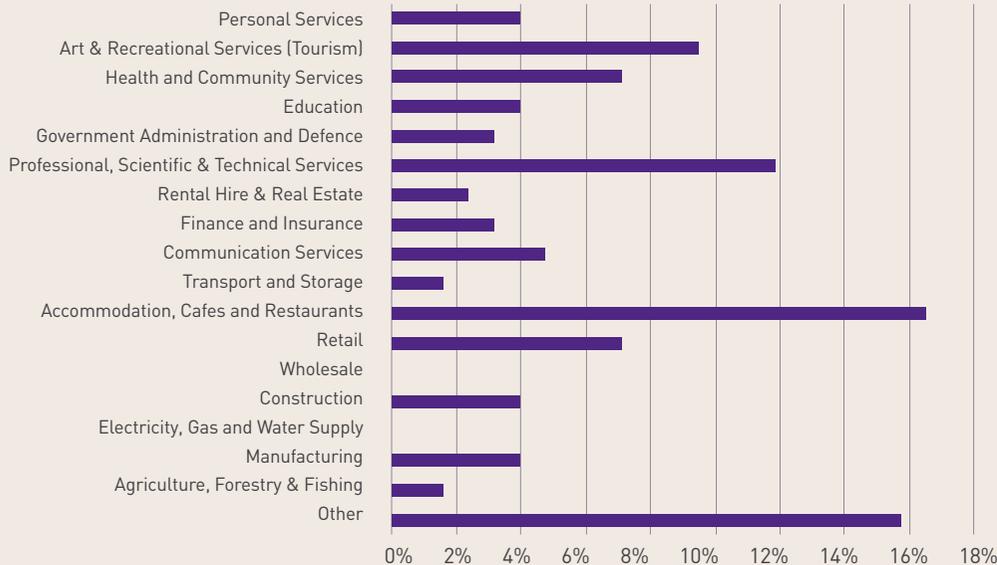
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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

- 0-5
- 6-20
- 21-200
- 200+

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