

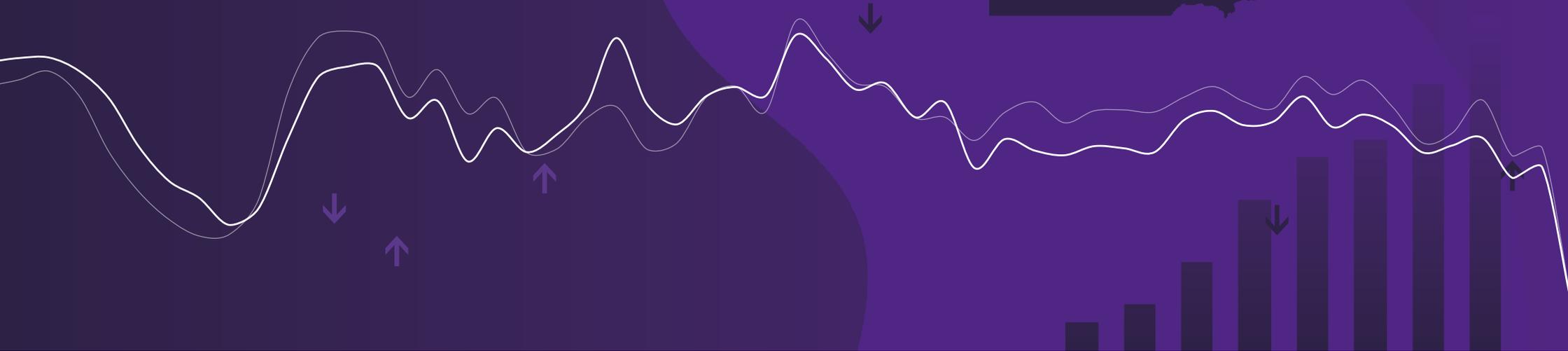
FAR NORTH QUEENSLAND PULSE SURVEY REPORT

MARCH QUARTER 2022

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IMPROVED OUTLOOK ON THE HORIZON FOR FAR NORTH QUEENSLAND BUSINESSES

Latest results from the CCIQ Pulse Survey for the March 2022 quarter indicated that Far North Queensland's business confidence for the future of the state and national economies have remarkably improved. However, it is important to note that the turnaround is off a low base and actual business performance is reported to remain low.

Confidence improved in the March quarter with Far North Queensland businesses anticipating a gradual strengthening in the national and Queensland economies over the next 12 months but business performance during the March quarter, while improved, is yet to reflect actual growth.

General business conditions and total sales revenue improved during the quarter. At the same time, considerable increases in business operating costs coupled with rising labour costs offset this improvement. As a result, business profitability only marginally improved and is not yet at profitable levels.

Actual growth is anticipated to occur in the June quarter, with expectations for general business conditions, sales and employment all registering strengthening PBIs of above 50 index points. However, conversion of these factors into substantially improved profitability will take longer.

Overall, Far North Queensland businesses are reporting slightly higher performance in the March and June quarters than the State-wide average.

In summary, this quarter's results, whilst reflecting volatility, are promising in that they signal a consistent pathway towards an improved economic outlook for Queensland. The challenge will be Far North Queensland businesses' ability to navigate through a complex array of issues, including:

- Uncertainty emerging from the upcoming Federal Election;
- The re-emergence of inflation and the expected rising interest rates that may impact consumer confidence and spending, as well as business costs and contracts;
- The labour shortage of skilled and non-skilled employees; exacerbated by ongoing housing and accommodation crisis;
- Direct and indirect loss of trade and physical damage from the Queensland floods;
- Continuing supply chain disruptions leading to stock and material shortages, compounded by geopolitical uncertainty especially in Russia and China;
- Rising fuel prices that are increasing business costs and impacting customer discretionary spending; and
- The lingering effects of COVID-19 on events tourism;

However there are also favourable influences such as:

- The large scale winding back of COVID-19 restrictions;
- The re-opening of interstate and international borders and the impact on tourism but also population growth and skill shortages;
- Favourable commodity prices for Queensland exports; and
- Emerging post COVID-19 positivity across businesses and the community.

A better economic outlook is supported in these results with greater improvement in business confidence of achieving business goals and the easing of many business constraints, particularly around economic demand and activity.



PERFORMANCE RELATIVE TO THE QUEENSLAND STATE AVERAGE

MARCH QUARTER SENTIMENT

Far North Queensland

45.4 Queensland
44.9

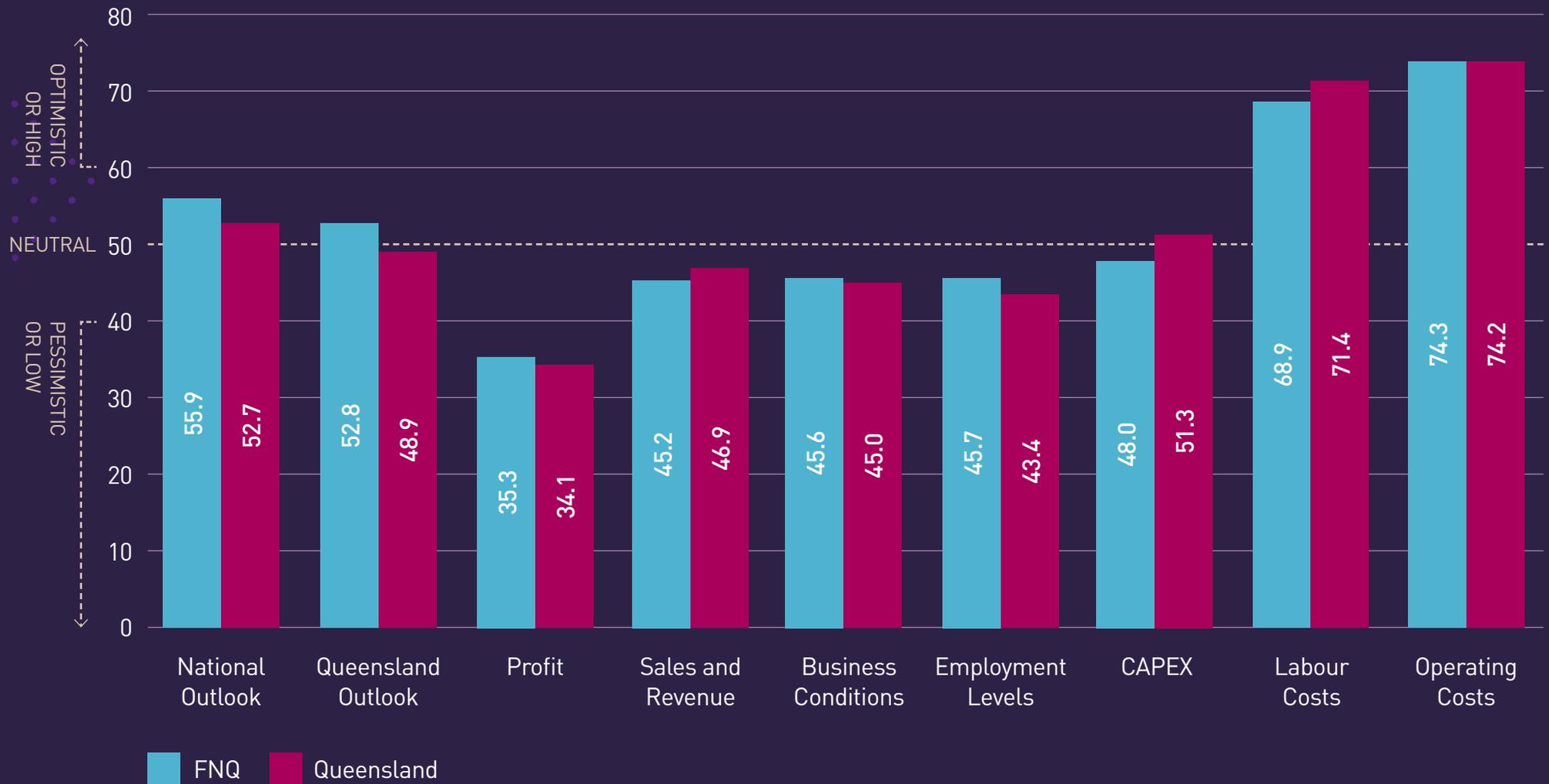
JUNE QUARTER FORECAST

Far North Queensland

52.7 Queensland
51.0

SNAPSHOT DATA

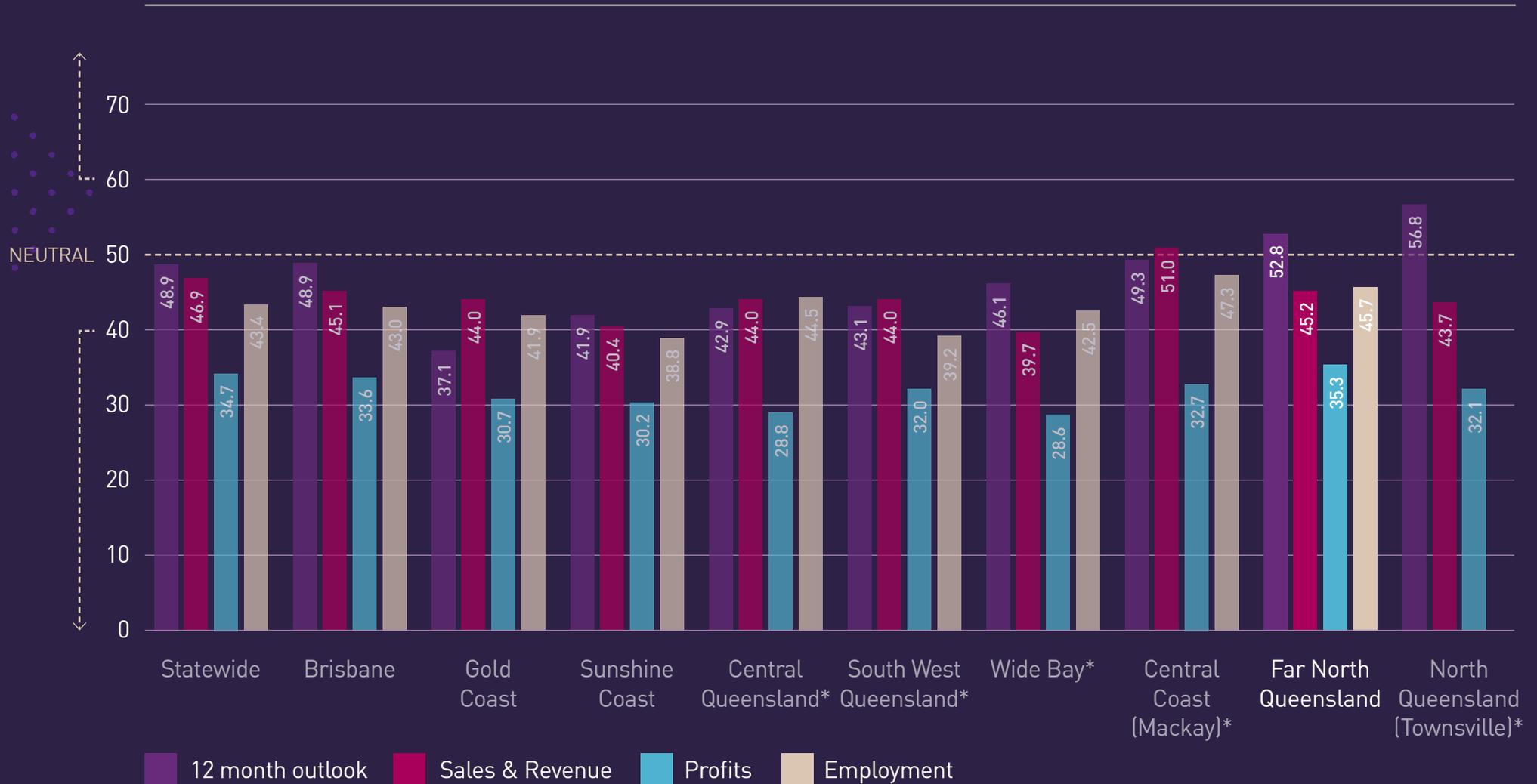
FAR NORTH QUEENSLAND PULSE SURVEY INDEX* RATINGS MARCH 2022



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 DATA

PULSE SURVEY INDEX* RATINGS MARCH 2022



*Care should be exercised due to the low sample size for this region

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 = **52.8** (+7.8); Satisfactory
National Outlook = **55.9** (+5.7); Satisfactory

Far North Queensland businesses expressed improved confidence for the performance of the national and Queensland economies over the next twelve months, after a sharp contraction in the December quarter associated with the COVID-19 Omicron strain outbreak. Confidence in the Australian economy for the next twelve months improvement is showed through the increase of 5.7 index points to 55.9 in March 2022, indicating a strengthening economy over the next 12 months. The Queensland index also increased 7.8 points to 52.8, reaffirming these strengthening growth prospects at the state level over the forthcoming 12 months. As such, both the Queensland and National Index scores continue to improve, with the gap between the two narrowed compared to the December quarter.

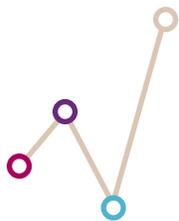


SALES AND REVENUE

PULSE SURVEY INDEX

March -22 = **45.2** (+9.0); Satisfactory
June -22 = **56.9** (+11.7); Satisfactory

Total sales revenue in the March quarter while improved, still continued to indicate weakening sales. The sales and revenue PBI of 45.2 is up (9.0) on the previous December quarter index of 36.3. Total sales revenue appears to have been influenced favourably by the progressive relaxation of COVID-19 restrictions, as well as the openings of interstate and international border. At the same time, sales and revenues have been negatively impacted by staff shortages, floods and continuing supply chain disruption and resulting stock availability. Total sales and revenue are expected to strengthen significantly in the June quarter with the PBI increasing 11.7 index points to 56.9.



GENERAL BUSINESS CONDITIONS

PULSE SURVEY INDEX

March -22 = **45.6** (+8.5); Satisfactory
June -22 = **55.7** (+10.1); Satisfactory

General business conditions improved in the March quarter, potentially due to better sales that partly improved business profitability. However overall conditions remain subdued due the complex array of issues listed earlier in the summary. The March quarter business conditions index reached 45.6, up 8.5 points from the December quarter score of 37.1. Encouragingly, business responses in the March quarter also reflected fewer businesses indicating weaker conditions, with more responses shifting to either unchanged or stronger conditions. Going forward, general business conditions in the June quarter are anticipated to improve strongly, potentially indicating growth with an expected PBI of 55.7.



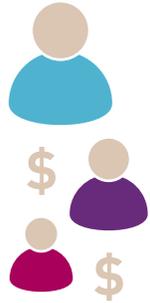
OPERATING COSTS

PULSE SURVEY INDEX

March -22 = **74.3** (+7.8); High
June -22 = **72.7** (-1.5); High

Operating costs during the March quarter continued to rise, with the PBI increasing to 74.3, up by 7.8 index points from the December quarter score of 66.5. Three in every four businesses indicated an increase in their operating costs during the quarter. Potentially, this is due to global supply chain disruptions combined with rising fuel prices that have led to significant price rises for business inputs. Moreover, there are increases in other business operational costs such as rents and insurance. This significant escalation in operating costs is only expected to temper mildly in the June quarter, with the PBI anticipated to fall by 1.5 index points to 72.7.

SNAPSHOT



LABOUR COSTS

PULSE SURVEY INDEX

March -22 = **68.9** (+5.6); High

June -22 = **69.9** (+1.1); High

Labour costs in the March quarter 2022 increased significantly by 5.6 points to reach a PBI of 68.9. This result reflects widespread staff and skill shortages associated with prolonging effects from the extended international and interstate border closures. Additionally, there are compounding effects from greater economic activity, as businesses struggling to meet new demand and pressured to offer higher wages to retain staff and attract new employees. More than three in five businesses reported increased labour costs during the March quarter. Noting that businesses are expecting this condition to worsen, as the labour costs PBI is expected to increase even further, up 1.1 points to 69.9 in the June quarter.



EMPLOYMENT LEVELS

PULSE SURVEY INDEX

March -22 = **45.7** (+5.1); Satisfactory

June -22 = **52.2** (+6.5); Satisfactory

Employment levels increased in the March quarter to 45.7, with the PBI up 5.1 index points from the December quarter. This result reflects an overall increase in economic activity, cautiously from a low base, with skill and labour shortages remained prevalent across a number of industry sectors. Seven in ten businesses indicated their employment levels remained unchanged during the March quarter. A further improvement in this indicator is expected with the employment PBI expected to be up another 6.5 points to 52.2 in the June quarter.



PROFITABILITY

PULSE SURVEY INDEX

March -22 = **35.3** (+3.8); Poor

June -22 = **44.8** (+9.5); Satisfactory

Higher sales have caused profitability to partly improve during the March quarter. At the same time, both rising operational and labour costs have acted as a drag for greater improvement. The profitability PBI increased by 3.8 points from 31.5 in the December quarter to 35.3 in the March quarter. However, more than one in three businesses indicated their profitability fell during the quarter, and overall levels are considered 'poor'. Nevertheless, Far North Queensland businesses expect another improvement in their profitability in the June quarter, with the index forecast to grow by 9.5 points up to 44.8. If this happens, the indicator will finally reach Satisfactory levels, while still remaining below a score of 50. This is not easy to achieve, and will take both a combined improvement in sales and a moderation in business costs to occur.



CAPITAL EXPENDITURE

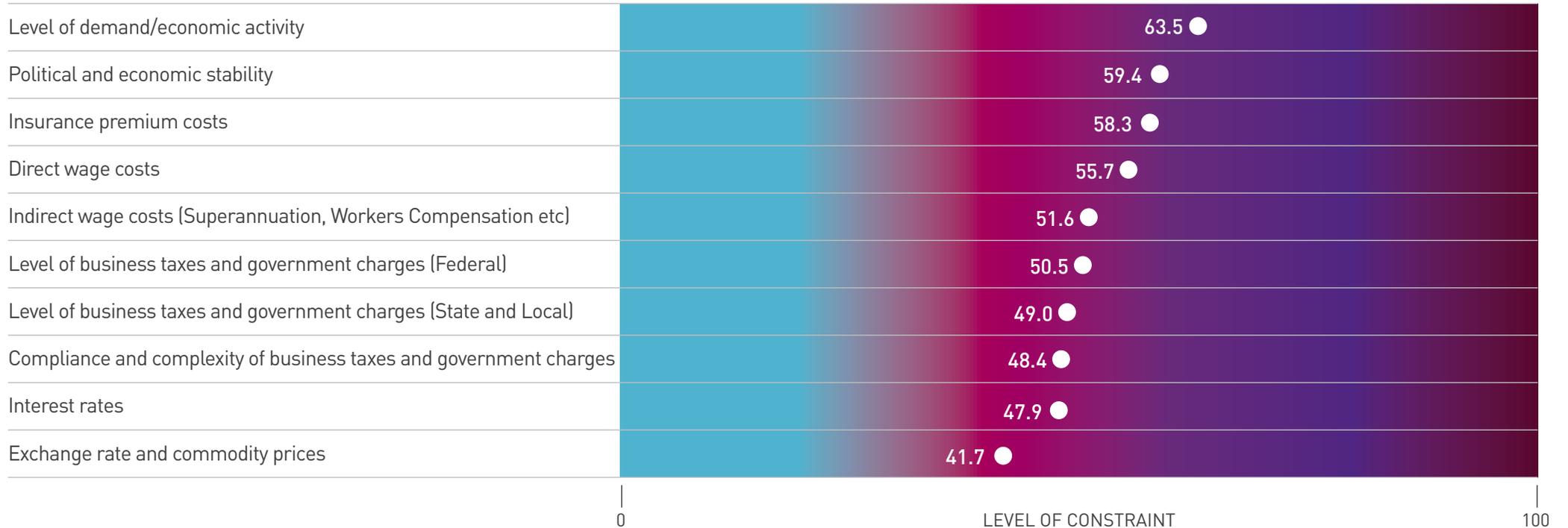
PULSE SURVEY INDEX

March -22 = **48.0** (+6.7); Satisfactory

June -22 = **53.6** (+5.6); Satisfactory

After an extensive period of under-investment among Far North Queensland businesses, a directional change in capital expenditure outlook is emerging. The capital expenditure PBI in the March quarter increased to 48.0, up by 6.7 index points from 41.3 in the December quarter. One in four businesses increased their capital expenditure during this quarter. Going forward, capital expenditure sentiment is expected to pick up further above 50 in the June quarter with the PBI up another 5.6 points to reach 53.6.

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**



Customers will be apprehensive to spend. Whilst there is low unemployment, the confidence in the market will lead to people 'saving for a rainy day'. This will have a knock on effect for businesses who will find it harder to sell their services and products. – Far North Queensland



Mental health of our Director and all employees is significantly impacted. Staff absence due to COVID and not being able to recruit more qualified electricians is driving mental health challenges to an almost unmanageable level. The Director is having to work on the tools during the day and then run a full time job on the workflow and invoicing at night. – Far North Queensland



Geopolitical challenges with China/Russia will push Australia further away from the Asian markets, with agriculture supplies impacted most. – Far North Queensland



Interstate visitors and Overseas visitors returning plus the end of the Mandates have made a big difference to our business. – 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 4th to the 27th of April 2022 and examined business sentiment and activity throughout the March quarter (2022). 60 FNQ 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

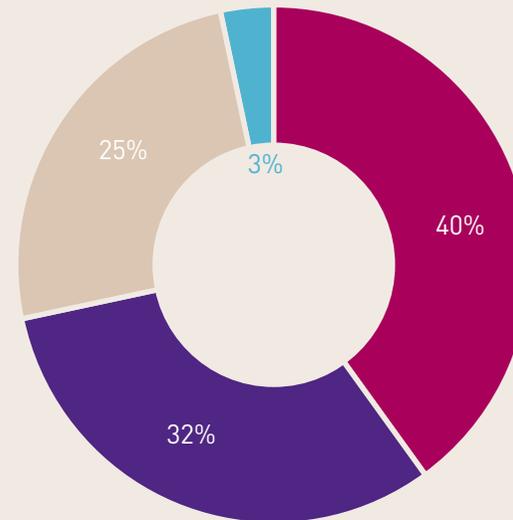
Very Poor:	0-20
Poor:	21-40
Satisfactory:	41-60
Good:	61-80
Excellent:	81-100

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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