

Pulse Survey of Business Conditions

March Quarter 2023



**Business
Chamber**
QUEENSLAND

Business Chamber Queensland

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**Business
Chamber**
QUEENSLAND

MARCH QUARTER OVERVIEW

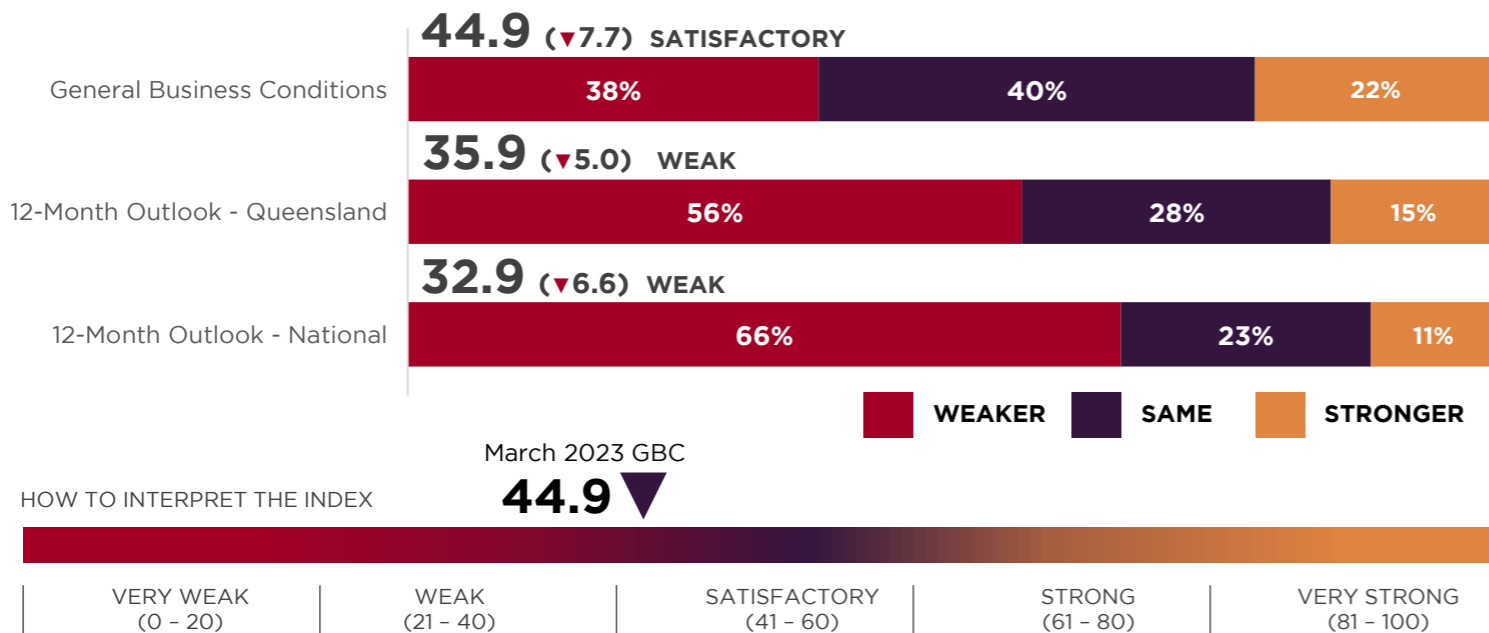
Queensland business confidence remains weak as businesses feel the impact of high interest rates.

General Business Conditions

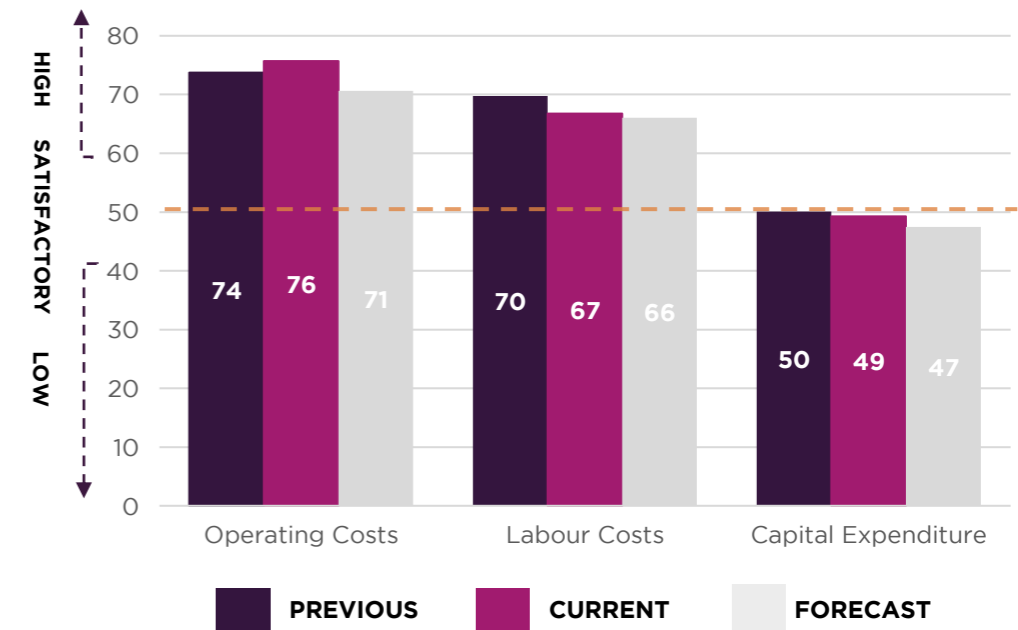
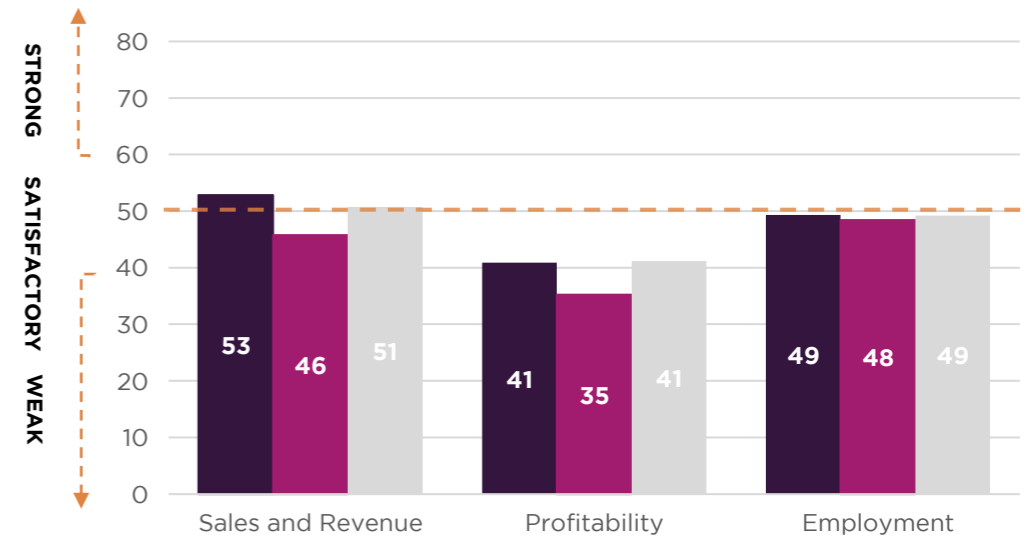
Latest results of the March Quarter Pulse Survey indicate that general business conditions and total sales and revenue have remained satisfactory, however both indices have fallen since the December quarter (-7.7 and -7.1 respectively). The indices are expected to increase in the June quarter and return nearer to 50 (neutral). This may indicate that businesses are expecting interest rates and inflation to stabilise in the coming June quarter.

Business Confidence

There is continuation of the weak business confidence observed in previous quarters. Business confidence, measured by outlook for the performance of the National and Queensland economies over the next twelve months, remains at weak levels with little change to either index. Cost pressures and labour shortages remain high and are not expected to alleviate significantly in the June quarter.



Key Indicators: March 2023



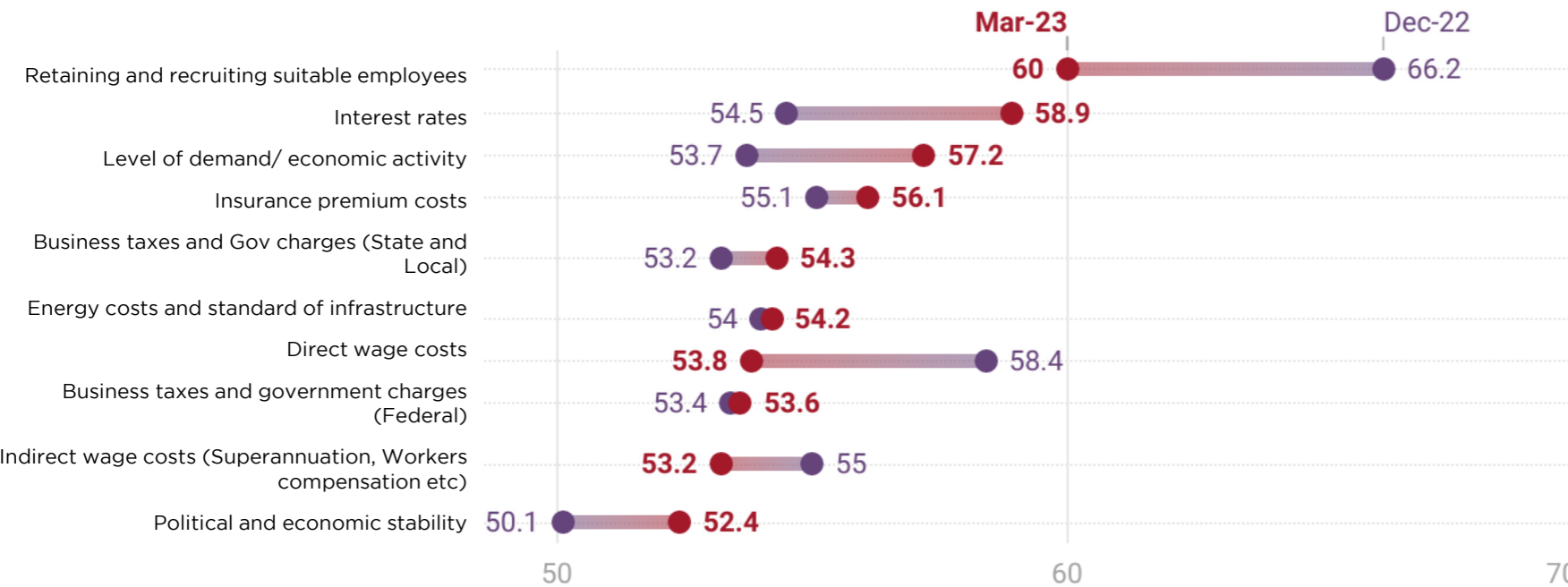
MARCH QUARTER OVERVIEW

Top constraints for Queensland businesses

Business feedback revealed that decreased demand and economic activity attributed to inflation and interest rates have resulted in a decline to business performance in the March quarter. While retaining and recruiting suitable employees is still the top constraint for Queensland businesses, its severity has eased since the December quarter. The constraints on business growth has revealed that the impact of recent interest rate increases on consumer spending is being felt by Queensland business.

The level of demand and economic activity has reentered the top five constraints on growth, and interest rates have risen to second place – the first time since March 2010. In contrast, direct wage cost has dropped out of the top five constraints for Queensland businesses.

Constraints on Business Growth



HOW TO INTERPRET THE INDEX:

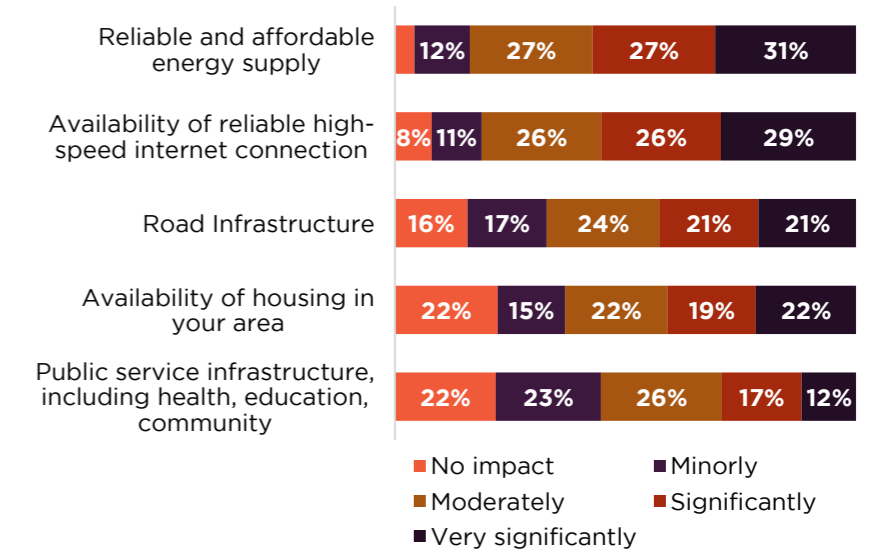
0 - 20 No constraint | 21 - 40 Minor constraint | 41 - 60 Moderate constraint | 61 - 80 Major constraint | 81 - 100 Critical constraint

Hot topic: planning for business growth

This quarter's Business Chamber Queensland Pulse Survey sought to further investigate how businesses are planning capital expenditure, concerns that may affect their decision making, and the wider infrastructure investments that can enable their growth opportunities.

When asked to what degree further infrastructure investment would positively impact business growth opportunities, the top 5 infrastructure needs were:

- Reliable and affordable energy supply
- Availability of reliable high-speed internet connection
- Road infrastructure
- Availability of housing
- Public service infrastructure





BUSINESS CONFIDENCE

Macroeconomic factors are leaving Queensland businesses with a series of ongoing challenges and cost pressures that are continuing to weaken confidence.

Business confidence in the Queensland and national economies **remains weak**

Queensland business confidence remains weak amidst inflation and interest rate concerns.

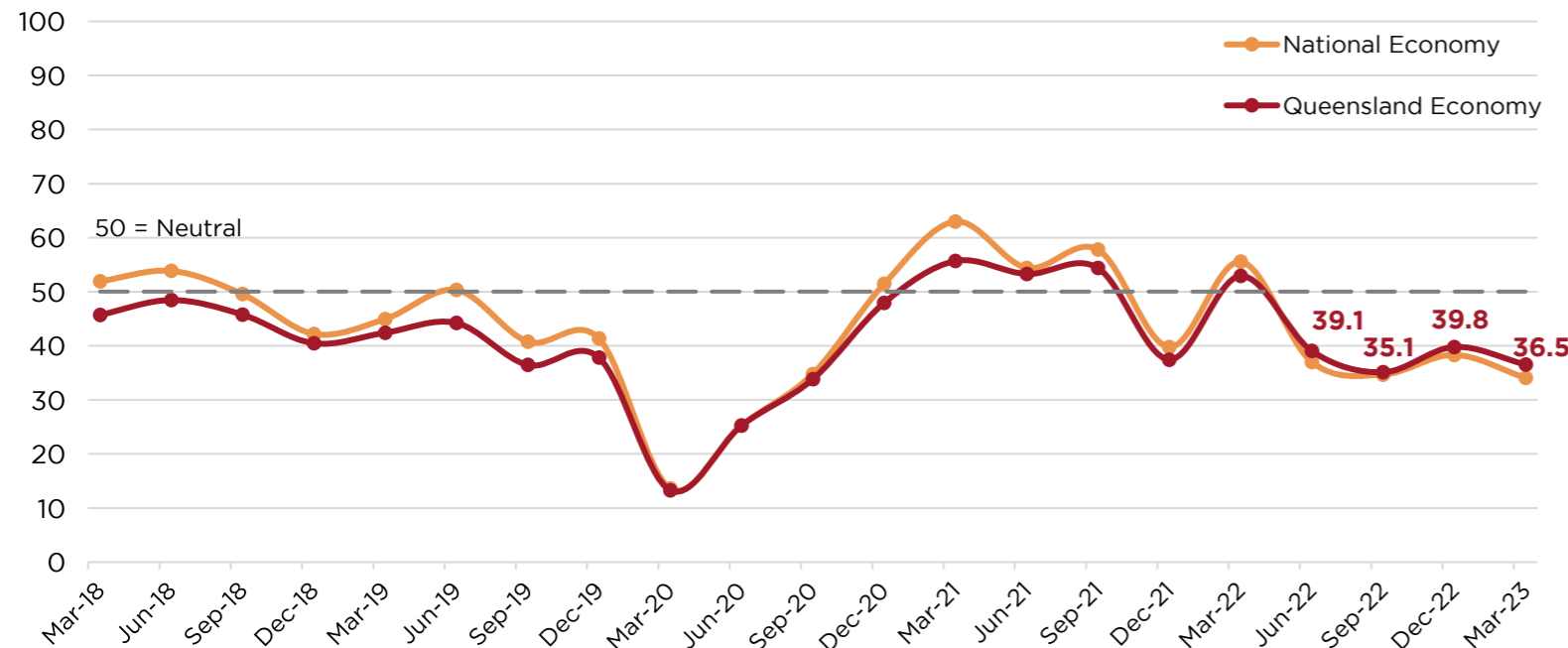
Latest results of the March Quarter Pulse Survey indicate that business confidence in the performance of the national and state economies remains weak.

Previous quarters have highlighted the weak business confidence was a result of steady business performance being undercut by cost pressures, however this quarter has seen business performance weaken while cost pressures remain.

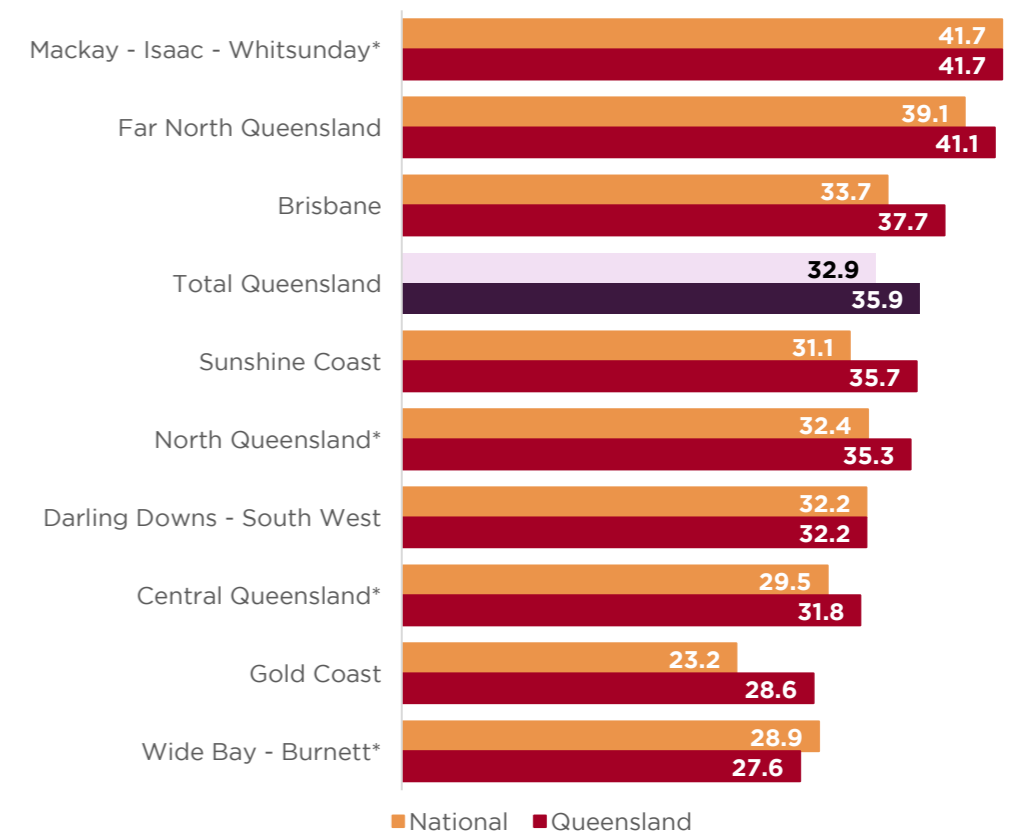
Business feedback has attributed this decreased demand to interest rates and the impact on consumer spending and confidence.

Business confidence in the Queensland and National economy (seasonally adjusted)

Q. How do you expect the Australian economy to perform over the next twelve months in comparison with the last twelve months? / Q. How do you expect the Australian economy to perform over the next twelve months in comparison with the last twelve months?



Strongest confidence in the last quarter was seen in FNQ, Brisbane, and Sunshine Coast

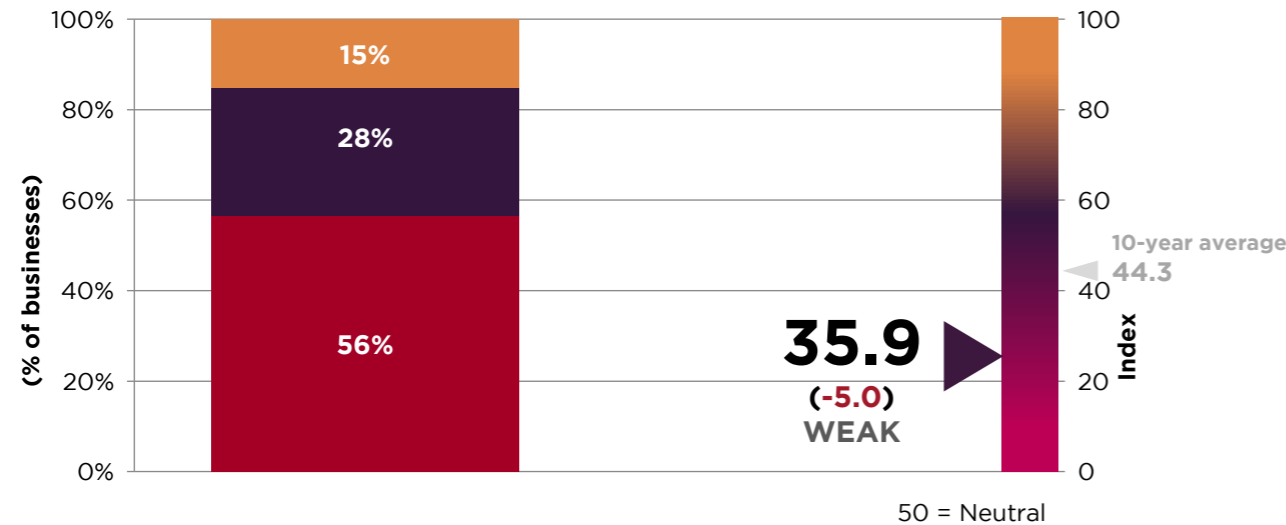


Note: *indicates region with limited survey sample size (<30).

“As Queensland begins to gear up in terms of infrastructure, I expect our economy to strengthen. As for the nation there is too much being spent in non-productive areas. Growth can only come from productivity.”
- Agriculture/forestry/fishing, Small business, Sunshine Coast

Business confidence in the Queensland and national economies **remains weak**

12-month Outlook - Queensland



Business confidence in the Queensland economy for the next twelve months decreased by 5.0 points, remains weak at 35.9.

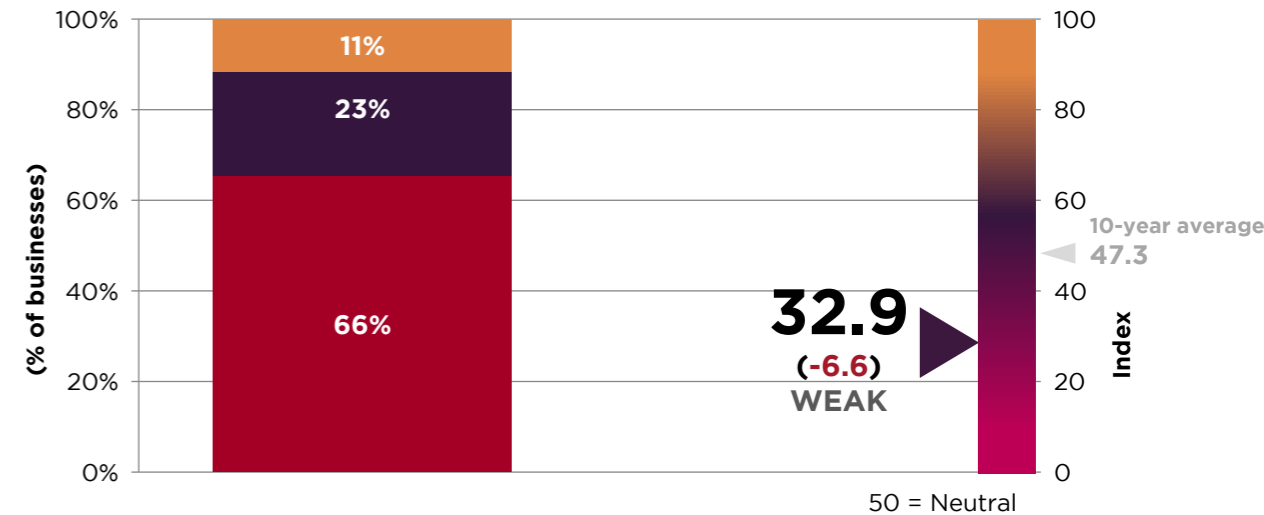
The Queensland 12-month outlook is lower than the same quarter last year (52.1, March 2022) and below its respective 10-year average (44.3, December 2013).

Business sentiment for the performance of the Queensland economy remains slightly better than those for the national economy. This seems to be driven by expectations around the economic impacts of Olympics spending.

“The Queensland economy will probably be a little stronger based on the commercial construction work commencing in the lead up to the 2032 Olympics. Trade sanctions with China may weaken bolstering our mineral exports...”

- Financial services, Micro business, Brisbane

12-month Outlook - National



Business confidence in the Australian economy for the next twelve months decreased by 6.6 index points. The index remains weak at 32.9.

The national index is less than this time last year (53.7) and below its respective 10-year average (47.3).

This deteriorating confidence appears to be driven by macroeconomic issues relating to inflation, workforce issues, and a decline in consumer spending attributed to interest rates.

“The potential of consumer or full recession, reduced availability due to uncertainty of global supply chain and raw materials. Higher energy costs and an increase of 100% in energy cost that has a direct effect on operating costs. Difficulties in acquiring staff for blue collar positions.”

- Manufacturing, Large business, Brisbane



BUSINESS CONDITIONS

While business performance remains relatively stable, businesses have indicated they are feeling the impacts of interest rate rises.

General business conditions weaken, but **remain satisfactory**

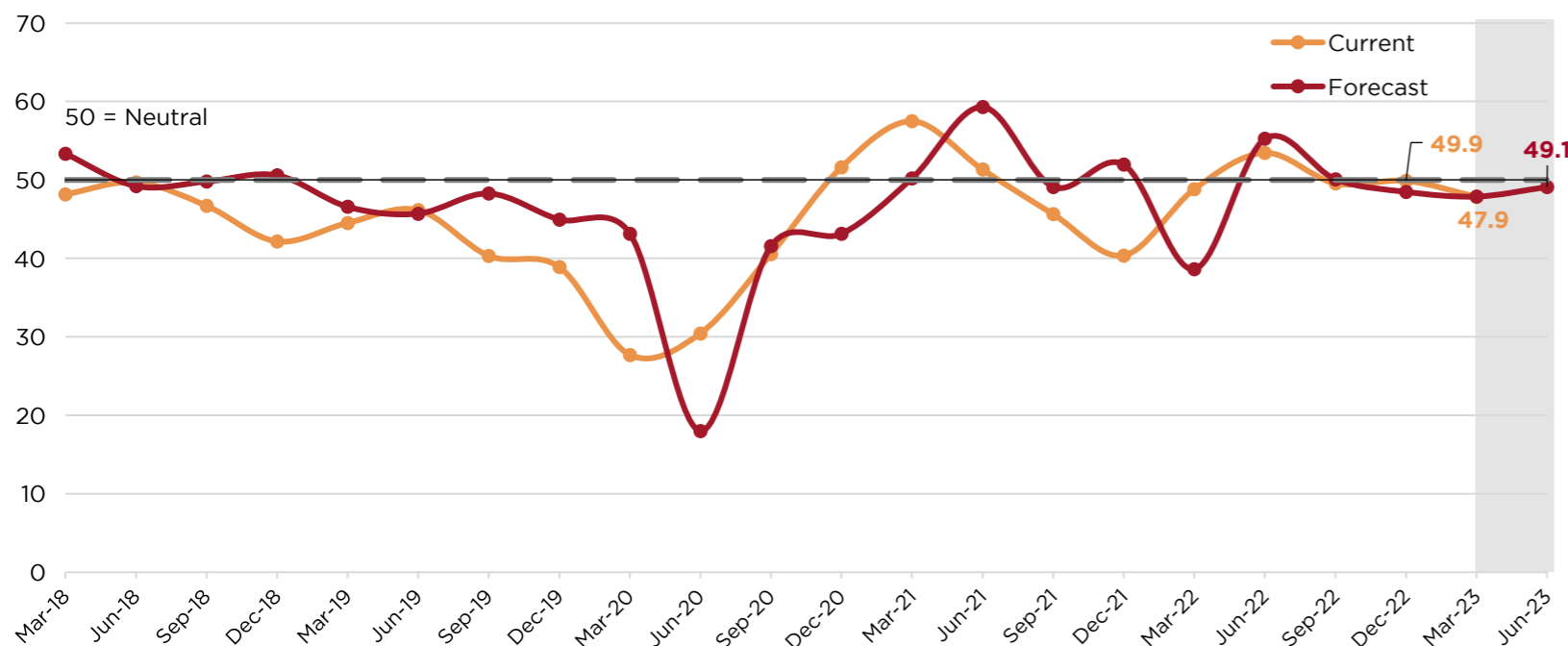
General business conditions weaken but remain satisfactory as businesses note decreased consumer spending.

Latest results of the March Quarter Pulse Survey highlight a slight decline (down 2.0 points) in general business conditions, largely attributed by business to the impact of interest rates on consumer spending. This result is also largely in line with expectations from Queensland businesses back in December 2022.

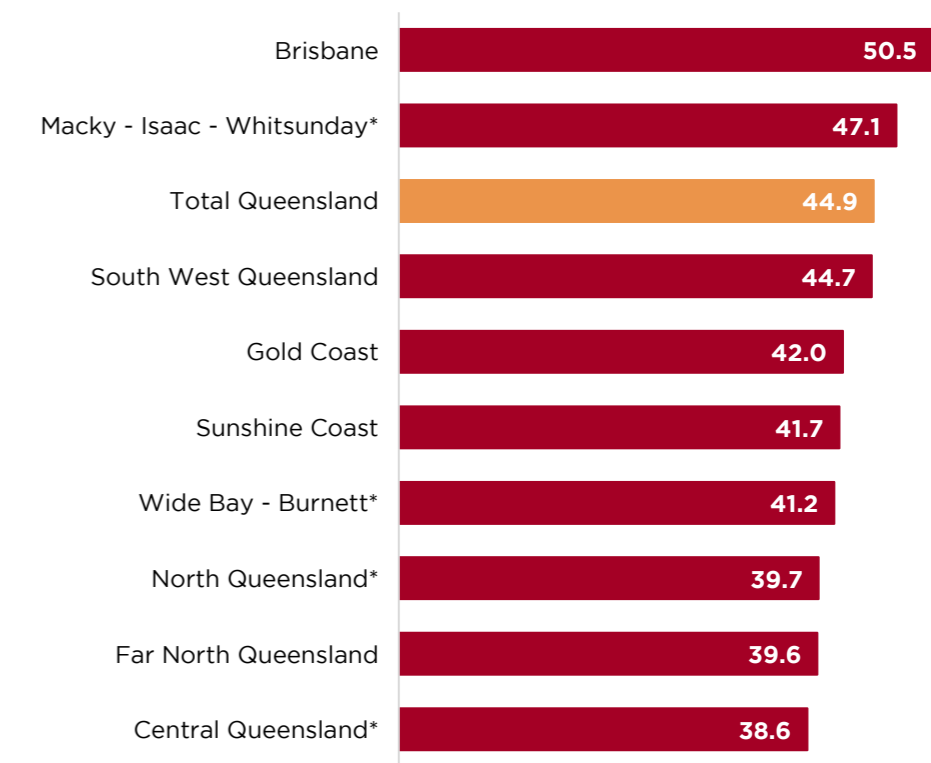
When accounting for the seasonality of the March quarter, the index improves but has still declined and sits below 50. Expectations for the June quarter show businesses expect general business conditions to remain at the similar level.

General business conditions in Queensland (seasonally adjusted)

Q. How has your business performed over the last three months (March quarter) compared with the previous three months (December quarter)? / Q. How do you believe your business will perform in the next three months (June quarter) compared with the last three months (March quarter)?



Strongest business conditions in the March quarter were seen in Brisbane, South West Queensland and Gold Coast



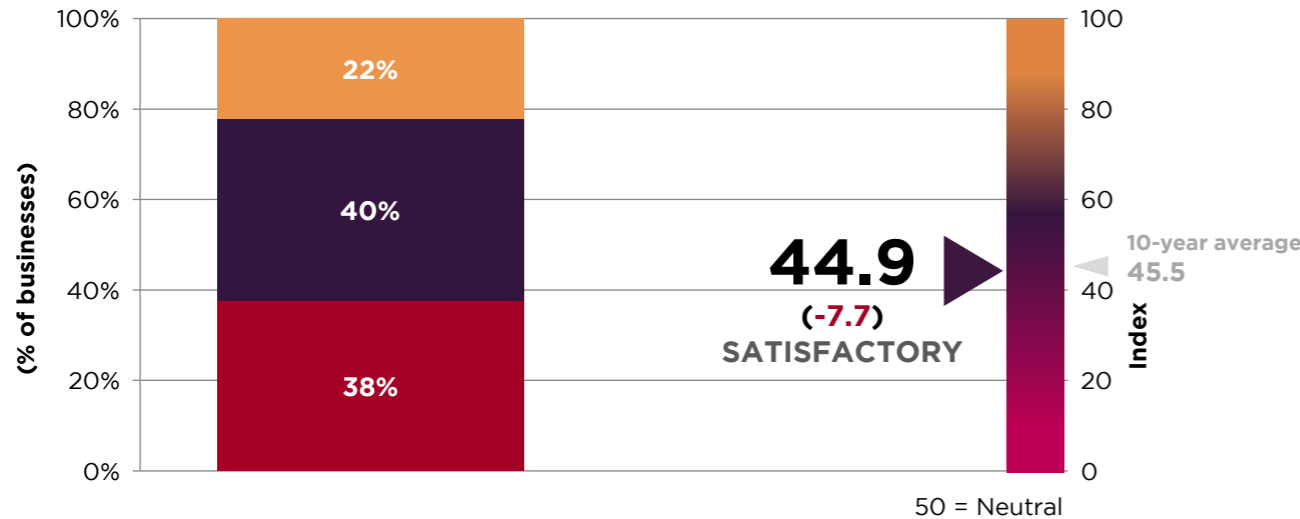
Note: *indicates region with limited survey sample size (<30).

“Mortgage rate hike impacts and cost of living increases mean there is less money available to most households to spend on non-essentials.”

- **Accommodation & hospitality, Micro business, Brisbane**

General business conditions weaken, but **remain satisfactory**

General Business Conditions



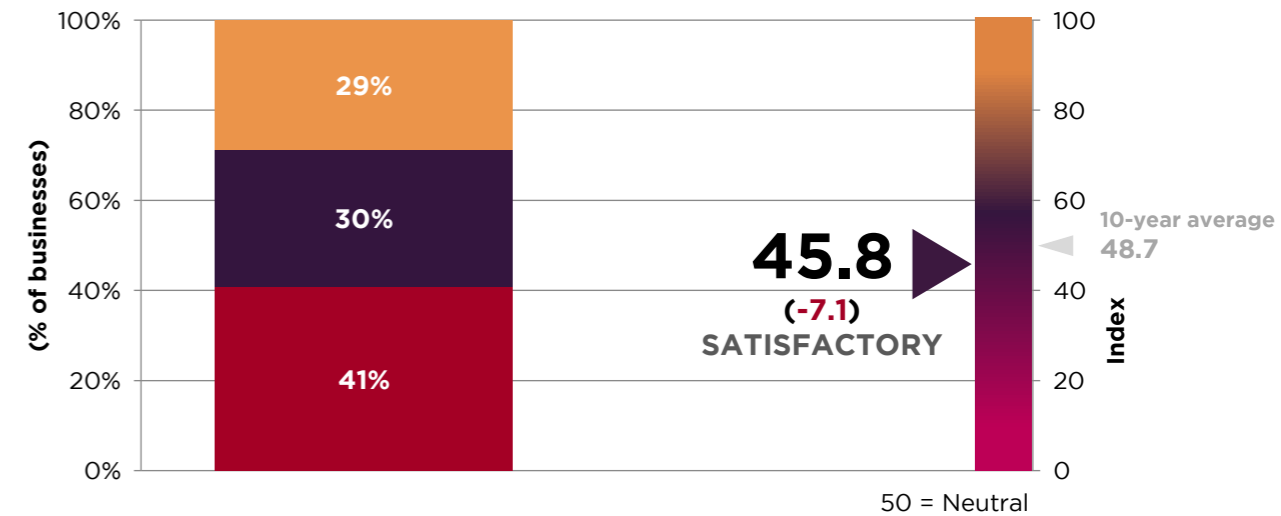
General business conditions decreased by 7.7 index points but remained satisfactory. The March quarter index is below this time last year (45.8) and its 10-year average (45.5). The index has dropped below 50 as was forecast, indicating slightly weakening business conditions across the March quarter.

General business conditions in the June quarter are anticipated to remain satisfactory, with an expected index of 48.3.

“Higher interest rates filtering through to consumer demand and confidence. Energy price (oil, gas and electricity) increases that will add to inflation and therefore through to higher prices and higher interest rates. Relative inaction over the housing shortage that is basically throughout Australia but particularly evident in Qld ...”

- **Arts & recreational services (tourism), Medium business, Brisbane**

Sales and Revenue



Total sales revenue in the March quarter decreased by 7.1 index points, indicating marginal decline in sales. The March quarter sales and revenue index is below this time last year (46.9) and the 10-year average of 48.7.

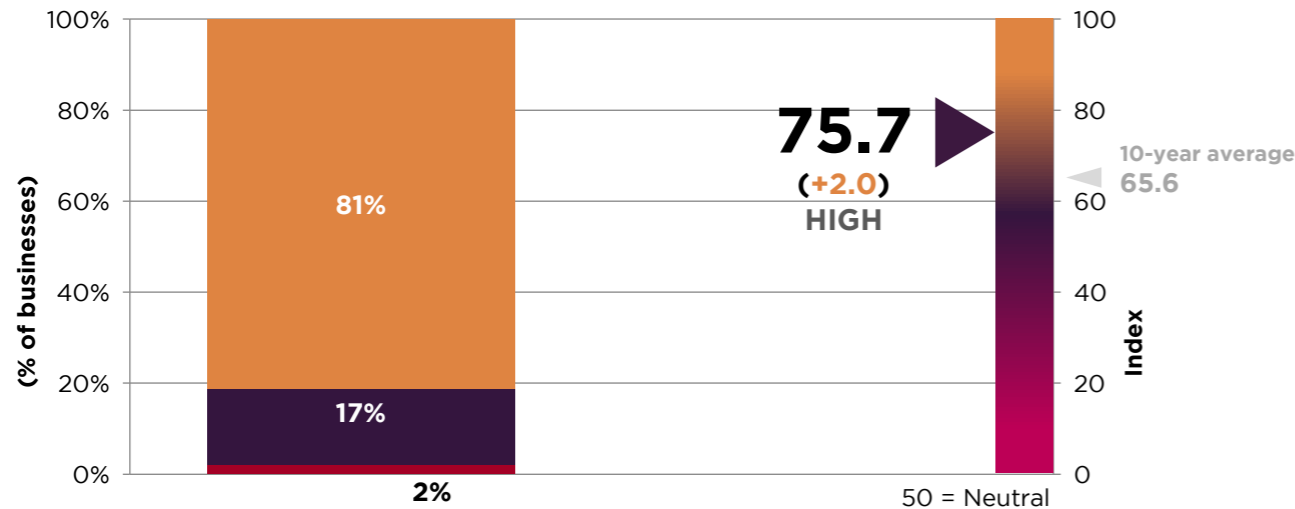
Total sales revenue is expected to remain relatively unchanged in the June quarter, with a forecast index of 50.7.

“Cost of living is having a huge impact. People are not spending money on things that are not essential, there is a lot of fear currently.”

- **Financial Services, Micro business Gold Coast**

Increasing input costs see the operating and labour cost indices **continue to rise**

Operating costs



Operating costs during the March quarter continued to significantly rise with an index of 75.7, increased by 2.0 points.

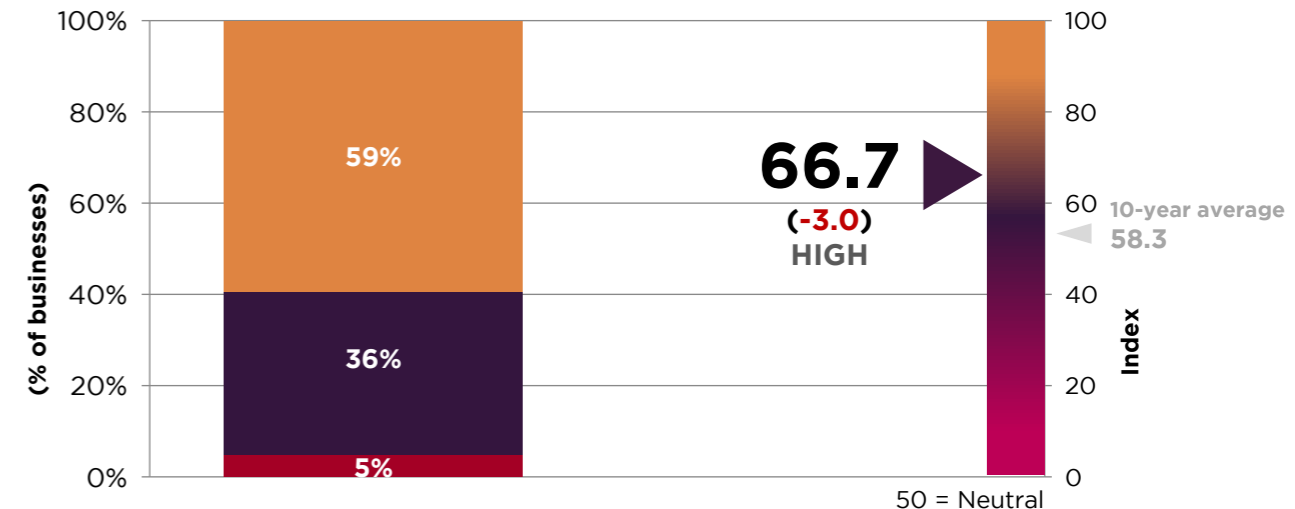
Eight in ten (81%) businesses reported higher operating costs during the March quarter. The index remains well above the long-term average index of 65.6 and is above this time last year (70.6).

The significant escalation in operating costs is expected to continue in the June quarter with the index expected to only marginally improve to 70.6.

“Worldwide economic headwinds including ongoing supply chain disruptions, high energy prices, high interest rates, tight monetary policy, international banking crises and tight labour markets will likely contribute to tough economic conditions.”

- **Health and community services, Micro business, Brisbane**

Labour costs



Labour costs in the March quarter continued to increase significantly with an index of 66.7. However, the index is down 3.0 points from the previous quarter.

Six in ten (59%) businesses reported higher labour costs during the March quarter. The index score is slightly above this time last year (65.3) and the 10-year average of 58.3.

The labour costs index is expected to remain at high levels in the June quarter with the index decreasing 0.6 points at 66.1.

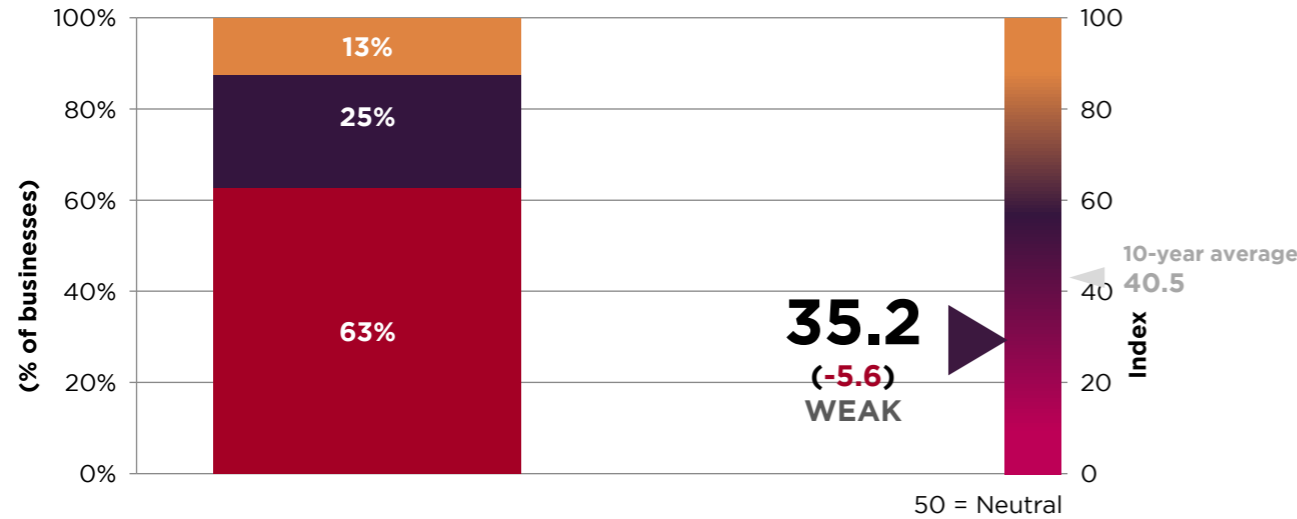
Rising interest rates and rising cost of living, as well as rising costs for business - staffing, increase in superannuation, etc. With everything getting more expensive, it seems like the possibility of another GFC is becoming almost unavoidable.”

- **Other industry, Small business, Brisbane**

■ LOWER ■ SAME ■ HIGHER

Profitability remains weak as businesses struggle to pass on rising costs

Profitability



The profitability index decreased by 5.6 points from to 40.9. More than six in ten (63%) of businesses have indicated their profitability weakened during the March quarter.

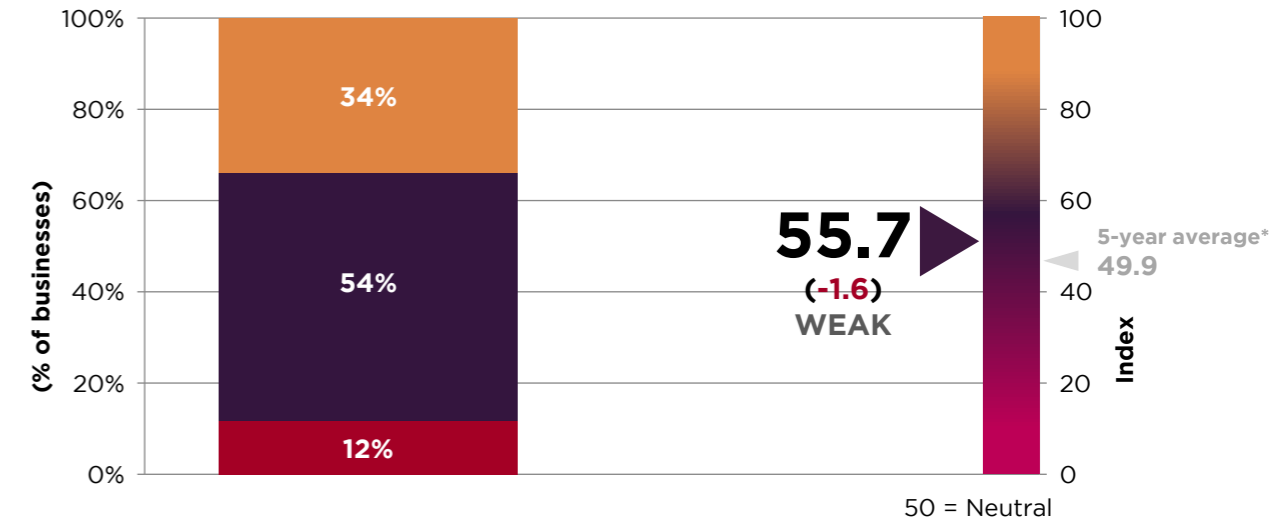
The profitability index is below this time last year (37.2) and is below its 10-year average (40.5).

Queensland businesses anticipate their profitability to continue to decrease in the June quarter. However, the index is expected to hit satisfactory levels at 41.2.

“The global commodities pricing will reduce from current levels resulting in reduced maintenance spend from mining companies, increased pressure on pricing from suppliers while suppliers are also fighting inflation each month.”

- **Manufacturing, Medium business, Central Coast**

Average selling price



Average selling price remained at moderate levels in the March quarter with the index down 1.6 points from the December quarter.

The index is below the index last year (56.9). The majority (54%) of Queensland businesses indicated their average selling price remained unchanged during the March quarter.

Average selling price is expected to remain moderate in the June quarter, with an index score of 54.0.

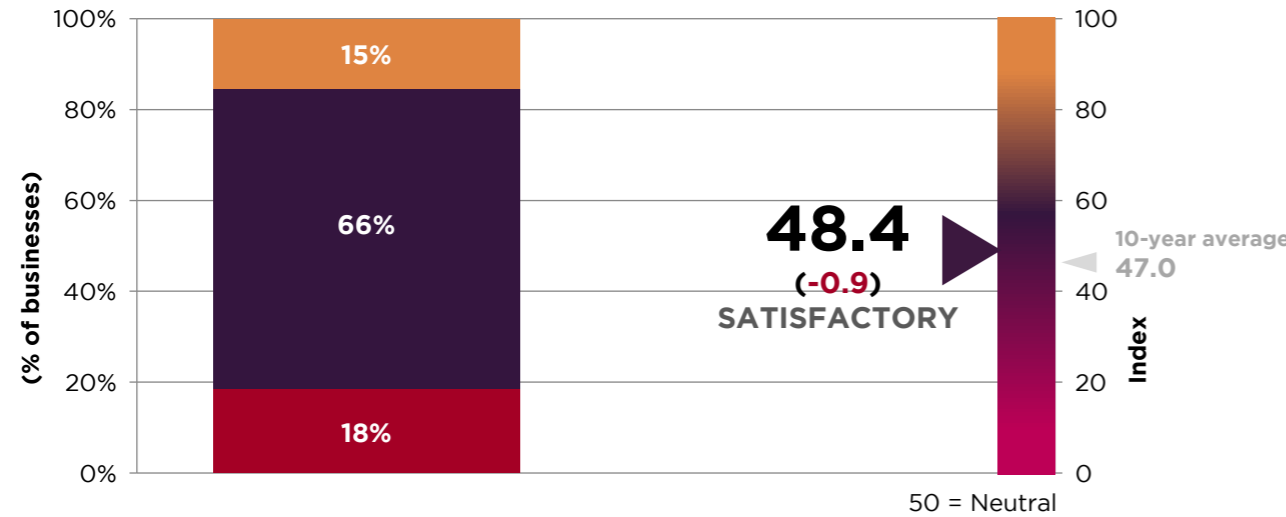
“The increasing of interest rates will impact on what people have to spend meaning that businesses like mine will suffer overall as people tighten the purse strings. With the ongoing collapses of building companies and the increase in crime, the community is becoming more desperate.”

- **Health and community services, Micro business, Sunshine Coast**

■ LOWER ■ SAME ■ HIGHER

Employment levels remain unchanged as **labour shortages** persist

Employment levels



Employment levels remained unchanged in the March quarter with the index down 0.9 points.

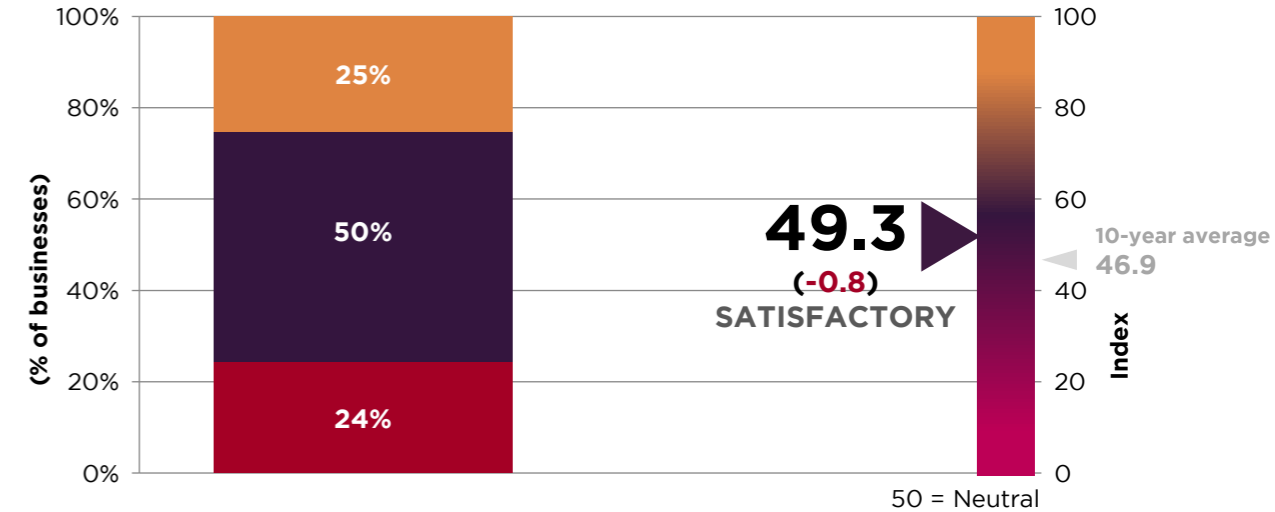
The index is above this time last year (47.1) and the 10-year average of 42.8. The vast majority (66%) of Queensland businesses indicated their employment levels remained unchanged during the March quarter.

Employment levels are expected to hold steady in the June quarter, with an index score of 49.2.

“Lack of businesses being able to fill vacant positions to be able to continue the work they do, thus not being able to contribute to the economy.”

- Other industry, Micro business, Wide Bay-Burnett

Capital expenditure



Capital expenditure remained unchanged in the March quarter with the index decreasing by 0.8 points.

The current March quarter index is lower than this time last year (51.5) and is also above the 10-year average of 46.9.

Capital expenditure is expected to remain at satisfactory levels in the June quarter with the index set to fall to 47.4.

“The cost of living rising, including interest rates. Businesses that are leasing/renting their units/land mass for operation will see high increase making their overhead operation costs to increase which will decrease their expenditure on stock and unnecessary upgrades to equipment etc.”

- Retail, Micro Business, North Queensland

■ LOWER ■ SAME ■ HIGHER



CONSTRAINTS ON BUSINESS GROWTH

Workforce shortages remain the top constraint, however wage costs become less of a constraint as interest rates and declining consumer spending emerge.

BUSINESS CONSTRAINTS

Retaining and recruiting suitably qualified employees remains the leading constraint on business growth, however the index itself has fallen significantly from last quarter (-6.2), and direct and indirect wage costs have left the top five to 7th and 9th respectively.

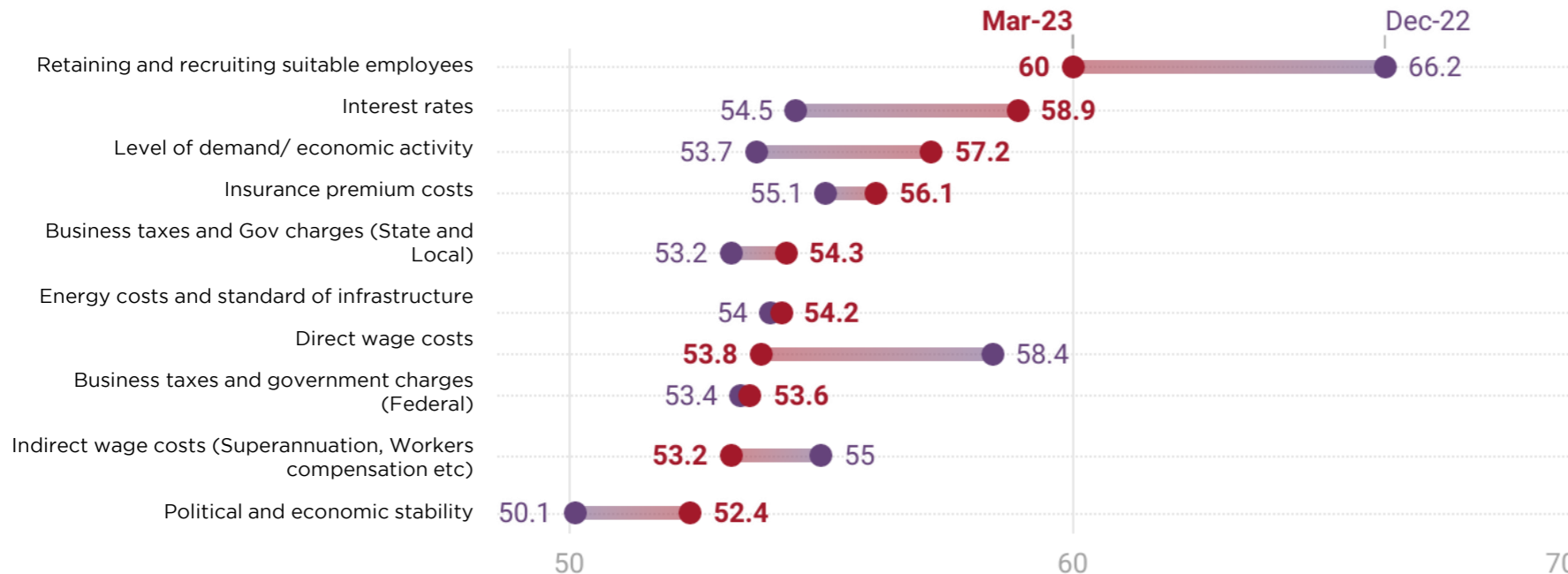
Business concerns regarding interest rates have also risen further in the March quarter and are now the second largest constraint on business growth, the highest rank since March 2010.

The level of demand and economic activity has reentered the top five constraints on business growth. This aligns with feedback from Queensland businesses that indicates they are starting to feel the impact of rising interest rates on consumer spending.

Insurance premium costs remain a top five constraint on business growth. The level of business taxes and government charges at the state and local level has also risen to the fifth largest constraint on growth this quarter.

Constraints on Business Growth

Q. How much do these economic factors / regulatory factors / operational factors / workforce factors constrain your business' growth at the moment?



HOW TO INTERPRET THE INDEX:

0 - 20 No constraint | 21 - 40 Minor constraint | 41 - 60 Moderate constraint | 61 - 80 Major constraint | 81 - 100 Critical constraint

BIGGEST RISE

(+4)

The level of demand/ economic activity has increased 3.6 index points and moved to 3rd place

BIGGEST DROP

(-5)

Direct wage costs have decreased by 4.5 index points and moved down 5 places from 2nd to 7th.

DEVELOPING TRENDS

[+3]

Over the last quarter, concerns about interest rates have intensified and is now the 2nd largest constraint on business growth.



HOT TOPIC: PLANNING FOR BUSINESS GROWTH

As Queensland business recovers from the economic shock of the COVID-19 pandemic, they are now facing a new set of growth constraints.

PLANNING FOR BUSINESS GROWTH

Current economic conditions, together with pressures of rising interest rates and expected lower economic demand have prompted Queensland businesses to re-evaluate their strategies and growth opportunities for 2023.

This quarter's Business Chamber Queensland Pulse Survey sought to further investigate how businesses are planning their capital expenditure, concerns that may affect their decision making, and the wider infrastructure investments that can enable their growth opportunities.

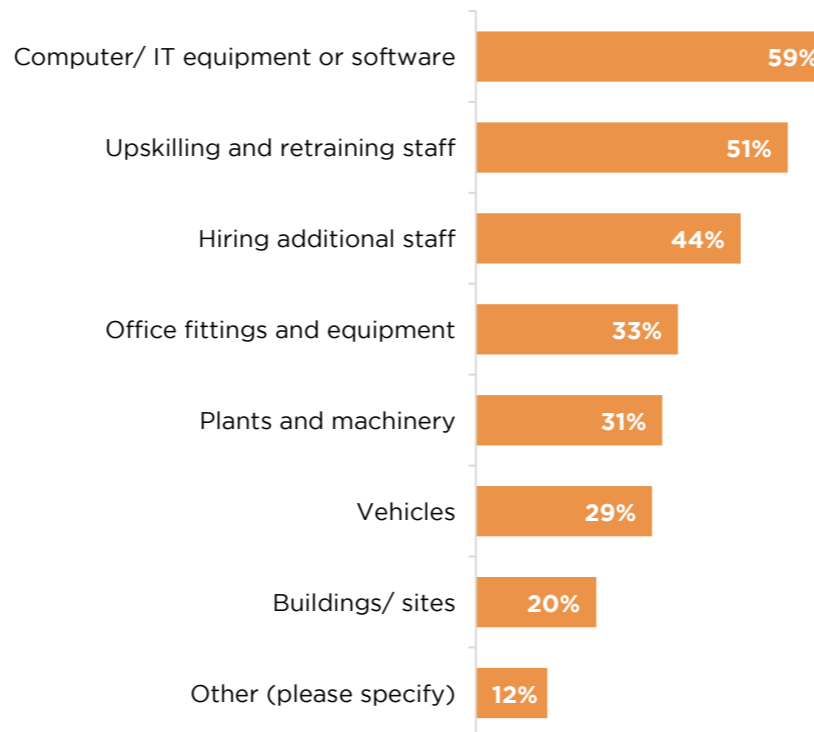
Survey results suggested that **investment in computers and IT investment** are the most popular investment for Queensland businesses, with up to 59% of businesses indicating allocation of capital expenditure in this area.

Upskilling and retraining staff was the next capital expenditure priority, with 51% of businesses allocating funds for this purpose in the next 12 months.

Concerns about business performance (57%), **lack of available funds** (51%), and **interest rates concerns** (47%) were the top reasons preventing business capital expenditure in the next 12 months.

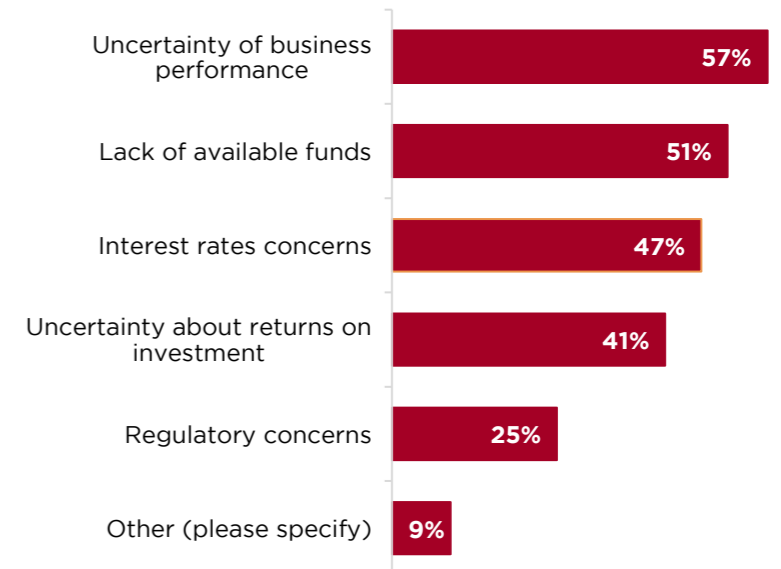
Capital expenditure allocation

Q. Which of the following items would your business allocate capital expenditure on in the next 12 months?



Capital expenditure concerns

Q: Do any of the following factors prevent your business from making significant capital expenditure in the next 12 months?



PLANNING FOR BUSINESS GROWTH

Infrastructure is critical to support business growth.

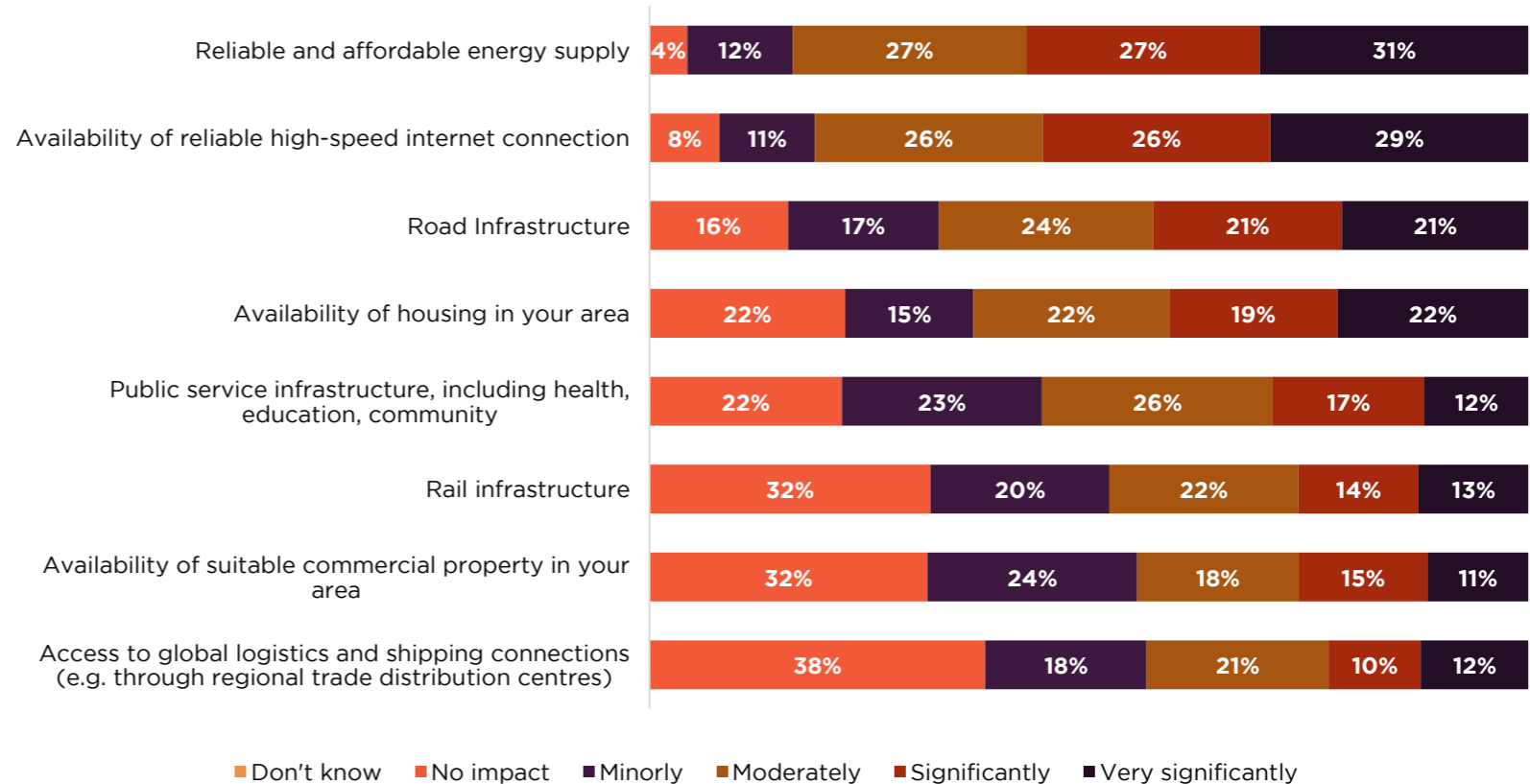
In terms of infrastructure being critical to support business growth, more than half of Queensland businesses indicated **reliable and affordable energy supply** and **reliable high-speed internet connection** as most impactful - 58% and 55% of Queensland businesses, respectively, indicate them to have significant and every significant impacts.

Road infrastructure is also considered to be important, with up to 42% of Queensland businesses indicate significant and very significant positive impacts from this factor. Interesting, road infrastructure is indicated to be much more significant than rail infrastructure, with only 27% of businesses find significant and very significant impacts.

Availability of housing was also considered a top concern for businesses - 41% of Queensland businesses indicated significant and very significant positive impacts from further infrastructure investment in this area. A lack of available housing is placing greater pressures on staff shortages in many regions, and indirectly impacting economic demand.

Infrastructure to support business growth

Q. To what degree would further investment in the following positively impact your business' growth opportunities?



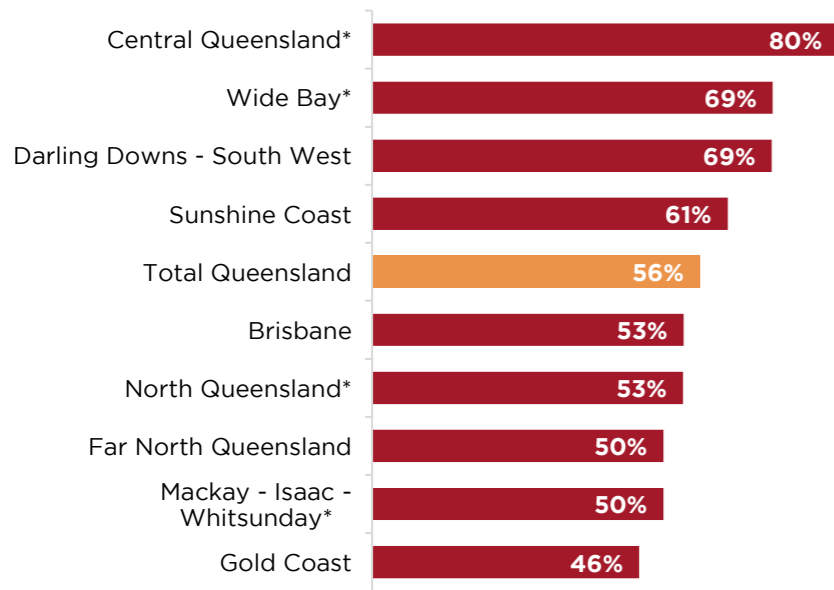
PLANNING FOR BUSINESS GROWTH

Reliable and affordable energy supply, high-speed internet connection, and housing availability concerns are affecting business growth across all Queensland regions, both in metropolitan and regional areas.

Reliable and affordable energy supply

Reliable and affordable energy supply is a top concern for Queensland businesses, with 56% believing infrastructure investment in this area would have significant or very significant impacts on their business growth.

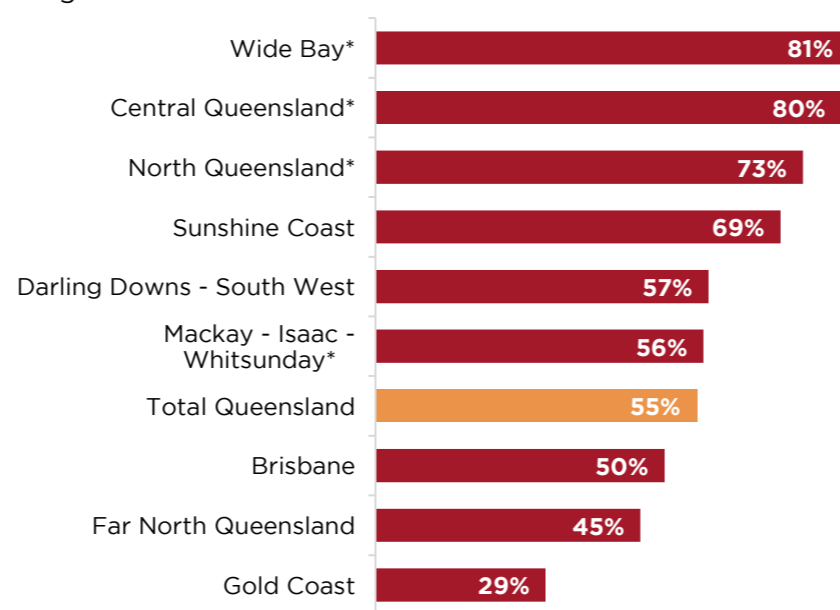
The need high across most regions, but particularly pronounced in the Central Queensland, Wide Bay, Darling Downs - South West and Sunshine Coast regions.



Availability of reliable high-speed internet connection

Reliable high-speed internet connection was indicated to be overwhelmingly a business growth enabling infrastructure for businesses in Wide Bay and Central Queensland, with more than 80% of businesses resonated with this.

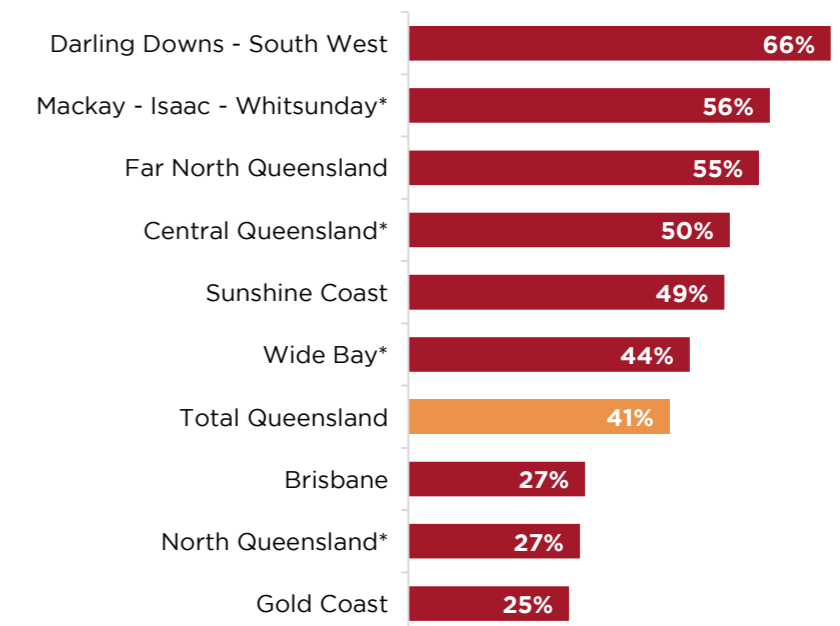
Sunshine Coast businesses are particularly concerned by high-speed internet connectivity, with 69% of businesses believing infrastructure investment in this area would have significant or very significant impacts on their business growth



Availability of housing in the area

Housing was also a stand-out infrastructure constraint, with 41% of Queensland businesses identifying investment in the availability of housing would have a significant or very significant impact on business growth.

The need was pronounced in the Darling Downs - South West, Mackay - Isaac - Whitsunday and Far North Queensland regions, although most regions reported housing as a significant constraint on business growth.



Note: Charts on this page show share of businesses which identified significant and very significant positive impact from further investment in each type of infrastructure, by region.
 * Indicates region with limited survey sample size (<30).

PROFILE OF RESPONSES

Survey Period and Sample

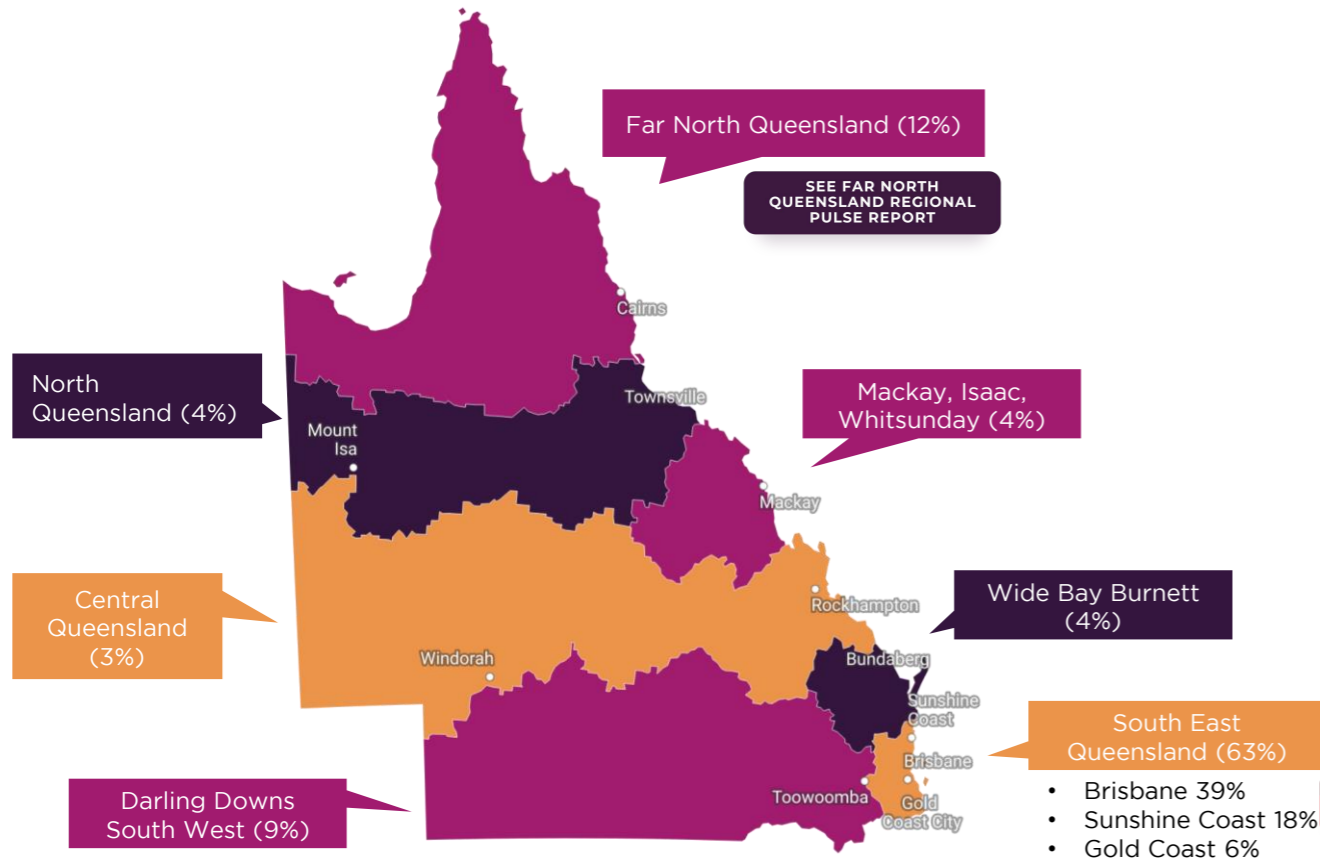
The online Pulse Survey of Business Conditions collected responses from Queensland businesses during the period of April 4 to April 25, 2023, on business sentiment and activity for the March quarter 2023. 436 businesses responded to the survey.

To find out more about the Pulse Survey, visit www.businesschamberqld.com.au, or contact Business Chamber Queensland on 1300 731 988.

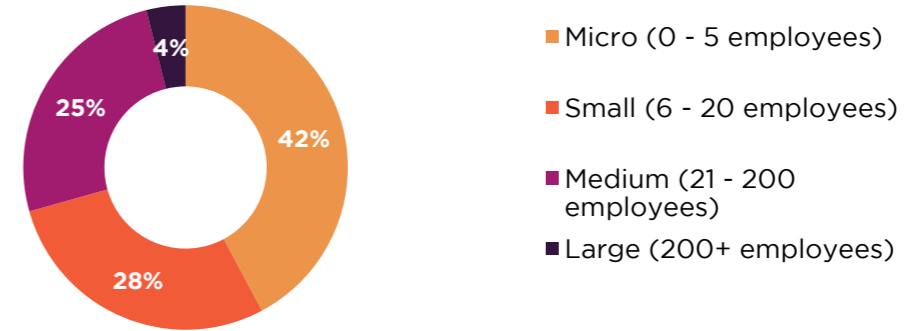
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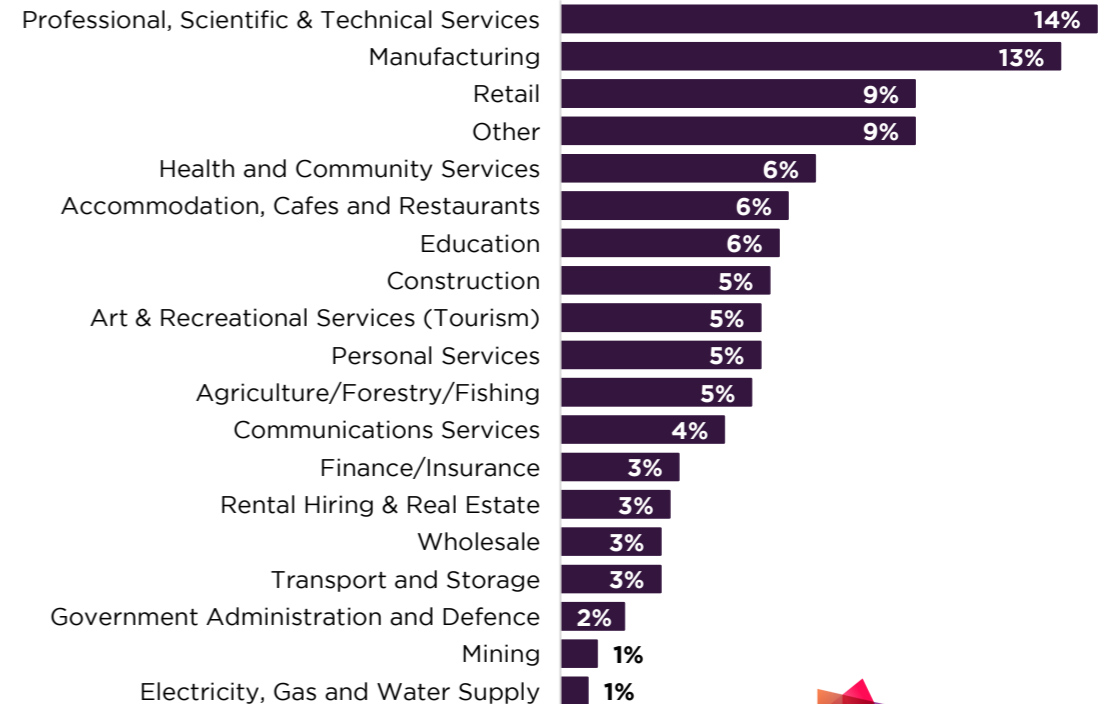
Survey responses by region



Survey responses by business size



Survey responses by industry





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