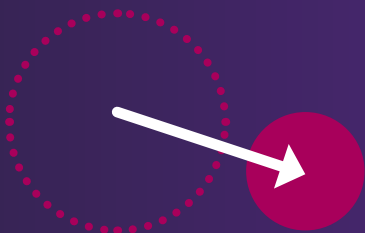


SUNCORP GROUP CCIQ PULSE SURVEY OF BUSINESS CONDITIONS

SEPTEMBER QUARTER 2019

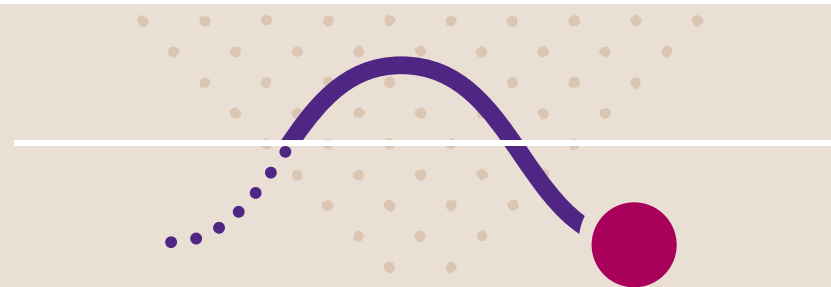


SNAPSHOT



Small business confidence in the outlook for the State and National economies collapsed to the lowest reading since during the global financial crisis.

A lack of large infrastructure projects across the State compounded by the impact from persistent drought, a downturn in construction and soft operating conditions as a result of weak consumer spending continue to weigh heavily on Queensland's business community.



GENERAL BUSINESS CONDITIONS

dropped to the **lowest level on record** as operating conditions in the State **continue to weaken.**



SALES & REVENUE

is now at the lowest reading since December 2014 with **sluggish activity** in the retail and construction sectors underpinning business sentiment.



LABOUR COSTS

Half of businesses reported their labour costs had increased, with more businesses expecting their costs to rise over the December quarter.

SNAPSHOT



60%

OPERATING COSTS

60% of businesses reported **increasing costs** such as rent, insurance, electricity and other utilities however there was optimism that these costs will ease slightly in December quarter.



50%

PROFITABILITY

50% of businesses reported **decreases in profitability**, and 1/3 of businesses expect **profitability will continue to fall** over the December quarter.



24%

EMPLOYMENT LEVELS

24% of businesses **reduced staffing levels** and anticipate their hiring intentions **will remain soft** over the December quarter.



28%



BUSINESS INVESTMENT

is at the lowest reading since 2014.
28% of businesses do not intend to increase investment levels over the quarter.

12-MONTH OUTLOOK

A lack of large infrastructure projects across the state confounded by the impact from persistent drought, a downturn in construction and soft operating conditions as a result of weak consumer spending are weighing heavily on the Queensland business community. Queensland's small business confidence in the outlook for State and National economies collapsed over the September quarter. The Pulse Index measure for the national economic outlook over the next 12 months plunged by 10.7 points to 40.2. This is the lowest sentiment reading for the national economy since March 2009 and during the global financial crisis. Similarly, the Pulse Index measure of sentiment regarding the outlook for the Queensland economy over the next 12 months fell by 7.2 points in the September quarter to 36.4. The sentiment reading for the outlook for the state economy over the next 12 months is also at its lowest level since March 2009. Regional Queensland recorded the highest percentages of respondents anticipating weaker economic conditions at both levels.

GENERAL BUSINESS CONDITIONS

Alarming, the Pulse Index of business conditions dropped 6.4 points to 39.9 for the September quarter, collapsing to the lowest level on record and below sentiment readings during the global financial crisis. The proportion of respondents reporting weaker conditions increased by 7% to 41% of respondents, which is substantially greater than the 14% reporting stronger conditions. Only 20% of respondents reported an improvement in business conditions over the quarter. The index measure is also 6.4 points lower than it was 12 months ago and 6.8 points below the 10-year average of 46.7 points. The Pulse Forecast Index for the December quarter is 5.3 points higher than the September measure at 45.2 points. While a larger proportion of respondents anticipate better business conditions than September, sentiment remains below the neutral level.

OPERATING COSTS

Expenses such as rent, insurance, electricity and other utilities continue to rise as almost 60% of respondents reported increases, while just 4% recorded a decrease. The Pulse Index measure for other operating costs rose by 0.9 points to 66.4 over the September quarter, which is at the same level it was 12 months ago. The Pulse Forecast Index measure for the December quarter is 6.3 points lower than September at 60.1 indicating while businesses are hopeful these costs will grow slower than in the September quarter.

LABOUR COSTS

Almost one half of respondents reported that their costs had increased over the quarter, while only 5% recorded a decrease. The Pulse Index measure of labour costs is relatively unchanged over the September quarter at 60.8 and remains 5.4 points higher than the 10-year average of 55.4 points. The Forecast Index shows businesses expect their labour costs to rise more slowly over the December quarter with the Pulse Forecast Index measure 5.7 points lower at 55.1.

PROFITABILITY

Almost one half of respondents reported a decrease in their profitability over the quarter and just 16% recorded an increase as the Pulse Index fell to the lowest profitability reading in over 5 years since March 2014. The Index decreased 2.8 points to 39.3 over the September quarter, which is 3.8 points lower than it was 12 months ago and 2.2 points lower than its 10-year average of 41.5.

Whilst the Forecast Index measure for the December quarter is 8.0 points higher at 47.3, one-third expect their profitability to continue to fall and the reading remains below a neutral level.

EMPLOYMENT LEVELS

Amidst subdued spending in the economy, job creation reportedly contracted over the quarter as 24% of respondents recorded that their staffing levels had decreased compared to just 16% reporting an increase. The Pulse Index fell 2.4 points over the September quarter to 47.7 to the lowest level since September 2016. The Pulse Forecast Index measure for the December quarter is relatively unchanged sitting just 0.4 points higher at 48.1.

SALES AND REVENUE

Sluggish activity in the retail and construction sectors underpin soft conditions across the Queensland economy as cautious consumers contend with high household debt and cost of living pressures amidst a prolonged period of low wage growth. Accordingly, it is unsurprising that a greater proportion of respondents reported a decrease in turnover during the quarter while at the same time a smaller proportion reported that they had increased. The Pulse Index measure for sales and revenue fell 4.0 points over the September quarter to the lowest seasonally adjusted reading since December 2014 and is 1.7 Index points below the 10-year average of 49.2. The Pulse Forecast Index for the December quarter is 6.9 points higher at 53.8, indicating that businesses are hopeful that turnover will improve during the next quarter in the lead up to Christmas.

CAPITAL EXPENDITURE

Business investment faltered over the September quarter as the Pulse Index measure dropped to the lowest reading in 5 years since December 2014. The Pulse Index measure dropped by 5.8 points to 44.5 points as 31% of respondents reported decreasing their business investment since June while only 20% recorded an increase. The Pulse Forecast Index measure shows that businesses anticipate similar business investment activity below a neutral reading and 28% expect further cuts to capital expenditures.

OVERVIEW

The Suncorp-CCIQ Pulse Survey of Business Conditions has recorded its lowest read on record as bankruptcy data, weak economic activity and state government 'politicking' weighed heavily on the state's business sector. The Pulse Survey is the largest survey of the state's 438,000 small and medium size businesses and serves as a leading indicator of sentiment across Queensland's diverse business community. Pulse is unique and aims to measure the sentiment of business owners and managers across the state, providing critical insights into current, planned and latent business activity. It is therefore a barometer of optimism and concern regarding key matters that are important to Queensland's small and medium size enterprises and provides a platform for their collective voice to be heard.

Politics as well as global and domestic economic matters were cited as the major influence on business confidence in the economy. The previously positive read on sentiment following from the May Federal Election has deteriorated as the outlook for the national economy fell sharply to levels last observed during the global financial crisis in March 2009. Trade and global markets were also a key influence on confidence in the economy as global trade tensions, weak consumer demand and soft local operating conditions continue to pressure already financially constrained balance sheets. The sentiment reading comes on the back of weak national prints regarding key economic indicators including retail trade, business investment, construction activity and building approvals.

The performance of the State Government in the lead up to next year's state election in October was a key thematic that emerged in the September quarter survey. The announcement over the quarter of \$250 million in bonuses for the State's public servants was

widely condemned by the business community as 'morally wrong' and driven by 'self-interest' at a time when drought affected regions in the South West and Outback Queensland are facing financial ruin. More generally, the lack of large infrastructure projects across the state confounded by the impact from persistent drought, a downturn in construction and soft operating conditions as a result of weak consumer spending are weighing heavily on the Queensland business community.

Responses from business noted that the expected boost to consumption from cuts to income tax and interest rates have not materialised into tangible gains for Queensland shopkeepers. Recent retail trade figures indicate that growth in the State's retail sector has been softening since March this year. The State continues to experience the slowest rates of growth in sales since May 2018, especially for those businesses directly exposed to an ailing construction sector such as hardware, building and garden supplies, and household goods. The introduction of a new half-day public holiday marked for Christmas Eve was viewed overwhelmingly as negative among respondents. A CCIQ survey of members found that 48% of businesses plan to shut down on the evening and a further 26% indicated they plan to send staff home and do the work themselves.

The disaggregated statistics showed that higher proportions of respondents from the regions reported weaker outlooks across all sentiment measures. However, there was also greater variability in the responses across regional Queensland. There were no discernible differences in the sentiment measures among responses from small businesses with less than 20 employees and those with more.



The Queensland Government adding public holiday rates on Christmas Eve means we will close early and lose sales

Townsville



Interest rate cuts and tax refunds are not providing the expected spending. The Reserve Bank's rate cuts haven't flowed onto the economy as expected. In fact, they impact the retired populations ability to spend money and so it is undoubtedly pointless

Brisbane



The drought has placed major pressure on farmers and rural contenders and as a result flows through to small business and retail. There is no financial growth in the retail sector, which also flows on to reduce the growth in all areas of the economy

Rockhampton



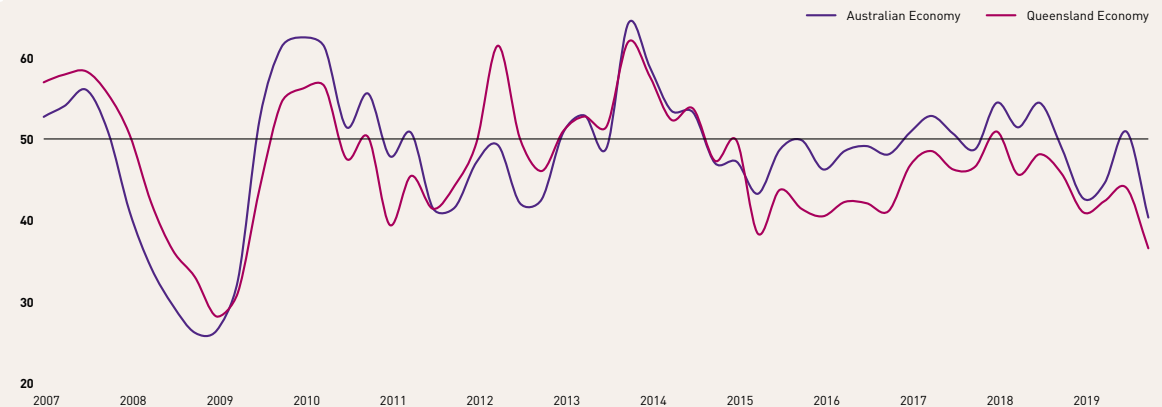
Small business grants must be made easier, banks need to loosen lending criteria, while government must reduce the amount of red tape and costs for small businesses because small and medium size businesses drive the economy

Gold Coast

12 MONTH OUTLOOK: AUSTRALIAN & QUEENSLAND ECONOMIES

The Pulse Index measure for the **national economic outlook** over the next twelve months collapsed by 10.7 points over the September quarter to 40.2. This is the lowest sentiment reading for the national economy since March 2009 during the Global Financial Crisis and is 10 points lower than the 10-year average of 50.2. The statistics show that there has been a significant deterioration in sentiment at the national level as the proportion of respondents anticipating weaker economic conditions climbed 15%, while 18% less reported stronger conditions. An analysis of variance for each sample indicates the differences between the mean response scores for this quarter and the previous June and September quarters are each statistically different from zero. A greater proportion of respondents from regional Queensland reported weaker conditions than those in South-East Queensland. However, the observed difference between the mean scores for each region is not statistically different from zero.

The **economic outlook for the State** over the next twelve months plunged by 7.2 points in the September quarter to 36.4. Similarly, the outlook for the state economy over the next twelve months is also at its lowest level since March 2009 and is 11.2 points below the 10-year average of 47.6. The proportion of respondents anticipating weaker economic conditions climbed 13% implying that over half of the businesses expect economic conditions in the State to deteriorate, while 6% less reported stronger conditions. An analysis of variance indicates the differences between the mean response scores for this quarter and the previous June and September quarters are each statistically different from zero. Almost 60% of respondents from regional Queensland reported anticipating weaker conditions compared to almost 50% in South-East Queensland. However, the observed difference between the mean scores for each region is not statistically different from zero with over 17% chance the difference occurred by chance alone.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

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

	Queensland Outlook			Australian Outlook		
	Sep-18	Jun-19	Sep-19	Sep-18	Jun-19	Sep-19
Mean response ¹	3.13	3.28	3.52	3.01	2.99	3.36
Standard error ²	0.05	0.04	0.05	0.05	0.04	0.05
Significance ³ : prob =	0%	0%		0%	0%	
Weaker (%)	29	40	53	24	30	45
Same (%)	53	40	34	52	39	42
Stronger (%)	18	20	14	24	31	13
Index (original)	46.6	42.9	37.1	49.7	50.3	40.9
Index (seasonally adjusted)	45.8	43.6	36.4	49.0	50.9	40.2

	SEQ		Australian Outlook	
	SEQ	Regional QLD	SEQ	Regional QLD
Mean response ¹	3.48	3.62	3.34	3.42
Standard error ²	0.06	0.08	0.06	0.08
Significance ³ : prob =	17%		39%	
Weaker (%)	49	59	42	48
Same (%)	38	28	46	38
Stronger (%)	13	13	12	14
Index (original)	38.1	34.6	41.5	39.4

1. Coded 1 – 5: [1-Much stronger; 2-Somewhat stronger; 3-About the same; 4-Somewhat weaker; 5-Much weaker]

2. There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3. Difference in mean response scores relative to September 2019. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

GENERAL BUSINESS CONDITIONS

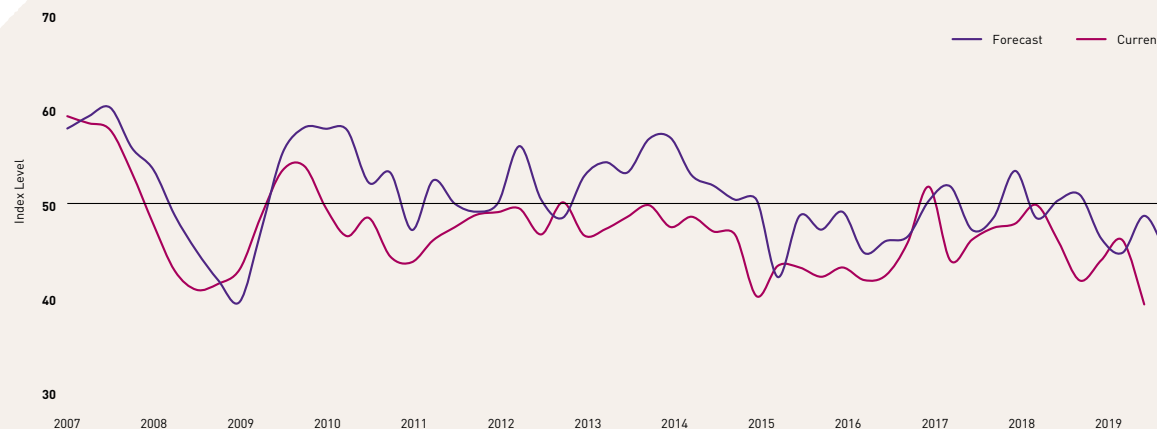
The Index for **General Business Conditions** shows that business activity has all but collapsed in the State. The September reading shows a reduction of 6.4 points to 39.9 over the quarter and now stands at the lowest level on record. Alarming, this reading is lower than the operating conditions reported by businesses during the global financial crisis. Businesses reporting weaker conditions increased to 41% of respondents, which is substantially greater than the 14% reporting stronger conditions. Compared to the September quarter in 2018, business conditions have deteriorated sharply with the Index now 6.4 points lower than it was 12 months prior, and 6.8 points below the 10-year average of 46.7 points. Moreover, the difference in the mean score for the September quarter is statistically different from June and September last year.

The outlook for conditions over the December quarter indicates that while less businesses anticipate weakening conditions over the next quarter, sentiment remains below the neutral level. While a larger proportion of respondents anticipate better business conditions over the forthcoming quarter, sentiment remains below the neutral level due to a greater proportion of businesses anticipating weaker prospects moving forward.



Many economic indicators have pointed to worsening business conditions in the near future. Despite a weak AUD, exporting companies are likely to continue feeling the effects of the global economic climate

Townsville



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

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

General Business Conditions				
	Sep-18	Jun-19	Sep-19	Dec-19 (Forecast)
Mean response ¹	3.09	3.18	3.35	3.18
Standard error ²	0.06	0.04	0.05	0.05
Significance ³ : prob =	0%	1%		1%
Weaker (%)	29	34	41	31
Same (%)	47	46	45	52
Stronger (%)	23	20	14	17
Index (original)	47.7	45.5	41.2	45.5
Index (seasonally adjusted)	46.3	46.3	39.9	45.2

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

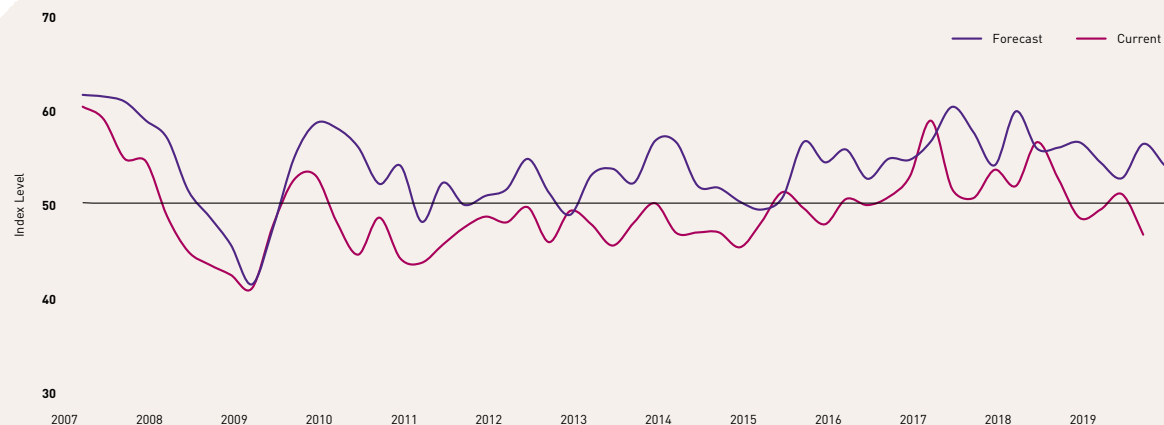
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SALES AND REVENUE

The index measure for sales and revenue fell 4.0 points over the September quarter to the lowest reading since December 2014 and is 1.7 points below the 10-year average of 49.2. Underpinning the soft conditions is sluggish activity in the retail sector as cautious consumers contend with high household debt and cost of living pressures amidst a prolonged period of low wage growth. Accordingly, it is unsurprising that a greater proportion of respondents reported a decrease in turnover during the quarter while at the same time a smaller proportion recorded an increase.

The Pulse Forecast Index for the December quarter is 6.9 points higher at 53.8, indicating that businesses are hopeful that turnover will improve during the next quarter in the lead up to Christmas.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Individuals are not spending and still finding it hard to manage the average bills. What is worse is that they do not have any additional cash available in their bank accounts

Gold Coast



Large companies are holding back money and avoiding paying the smaller companies

Brisbane



Reduction in confidence to spend within the local economy

Sunshine Coast

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

Sales and Revenue				
	Sep-18	Jun-19	Sep-19	Dec-19 (Forecast)
Mean response ¹	2.86	2.98	3.09	2.84
Standard error ²	0.07	0.04	0.06	0.05
Significance ³ : prob =	1%	12%		0%
Decreased (%)	29	32	35	22
Same (%)	29	34	35	40
Increased (%)	42	35	30	38
Index (original)	53.6	50.6	47.9	54.0
Index (seasonally adjusted)	52.4	50.9	46.9	53.8

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

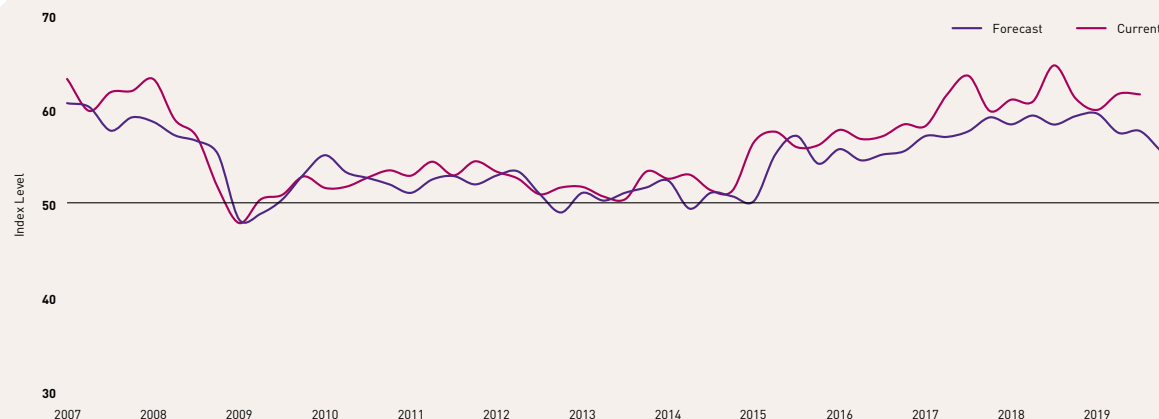
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LABOUR COSTS

Almost one-half of respondents reported that their labour costs had increased over the quarter, while just 5% recorded a decrease. These findings filtered into the index for labour costs which remained relatively stable over the September quarter at 60.8, 5.4 points higher than the 10-year average of 55.4 points. Such a high reading indicates that businesses continue experiencing growth in labour costs moving forward. Anecdotally this is evident in the regions as industries such as manufacturing and construction have reported difficulty in competing for skilled workers in mining.

The forecast index indicated that businesses expect their labour costs to rise more slowly over the December quarter with a lower reading of 55.1.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



As a small business owner, we find it very hard to compete with the wages that the mines offer. Therefore, we lose skilled staff to the mining sector. This makes it particularly uneconomical for small businesses

Rockhampton



There is a lack of competitive advantage in the economy with local services costs and wage on-costs

Brisbane



Some of the highest wages in the world coupled with the highest energy prices

Gold Coast

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

Labour Costs				
	Sep-18	Jun-19	Sep-19	Dec-19 (Forecast)
Mean response ¹	2.43	2.56	2.52	2.80
Standard error ²	0.05	0.03	0.04	0.04
Significance ³ : prob =	16%	50%		0%
Decreased (%)	3	6	5	9
Same (%)	40	46	46	64
Increased (%)	57	48	49	27
Index (original)	64.9	61.1	61.9	55.0
Index (seasonally adjusted)	63.7	60.9	60.8	55.1

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

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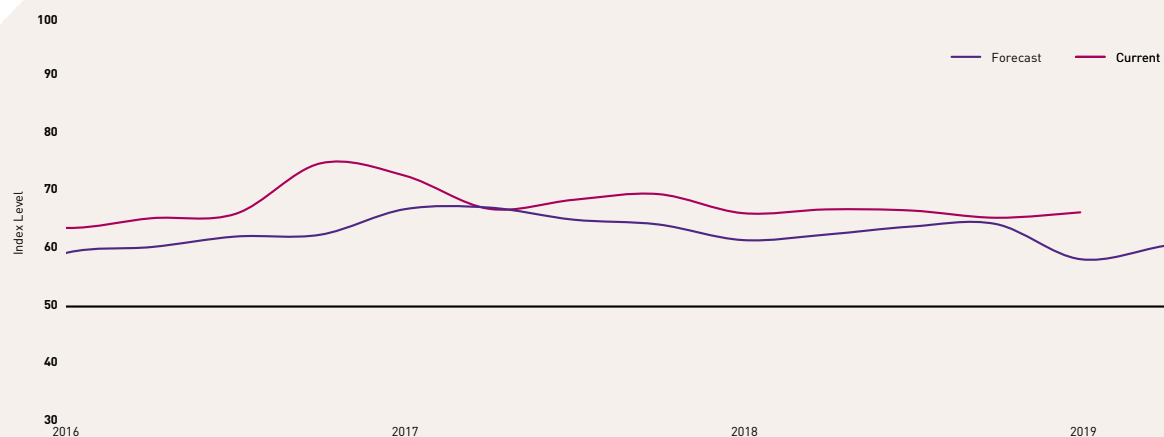
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OPERATING COSTS

The Pulse Survey started monitoring the Other Operating Costs indicator in the March quarter, 2015. While an Index has been developed, only original estimates are presented with a seasonally adjusted index to be made available in the future once a sufficiently large number of observations has been collected.

The Pulse Index measure for other operating costs rose by 0.9 points to 66.4 over the September quarter. Almost 60% of respondents reported increases in expenses such as rent, insurance, electricity and other utilities, and this reading has remained steady.

The Pulse Forecast Index measure for the December quarter is 6.3 points lower than September at 60.1 suggesting that, while businesses anticipate costs to continue to rise, they are hopeful these costs will grow slower.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Still no real cost reductions in electricity prices

Rockhampton



Increasing local costs for power and insurance and decreasing local purchases due to lack of increase in Newstart, effects of local natural disasters diverting money into repairs, water costs, etc

Townsville



The discussion about the Employee Compulsory Superannuation if it changes from Min 9.5% to 12% by the year 2025. I personally support this as it is a good strategic move for all Australians long term super and retirement status and for the Govt as well. However, the government needs to make equal reductions in tax relief or other areas to compensate businesses

Brisbane

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

Other Operating Costs				
	Sep-18	Jun-19	Sep-19	Dec-19 (Forecast)
Mean response ¹	2.37	2.38	2.34	2.60
Standard error ²	0.05	0.03	0.04	0.04
Significance ³ : prob =	67%	43%		0%
Decreased (%)	3	1	4	4
Same (%)	38	42	37	56
Increased (%)	59	57	59	40
Index (original)	66.3	65.5	66.4	60.1

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

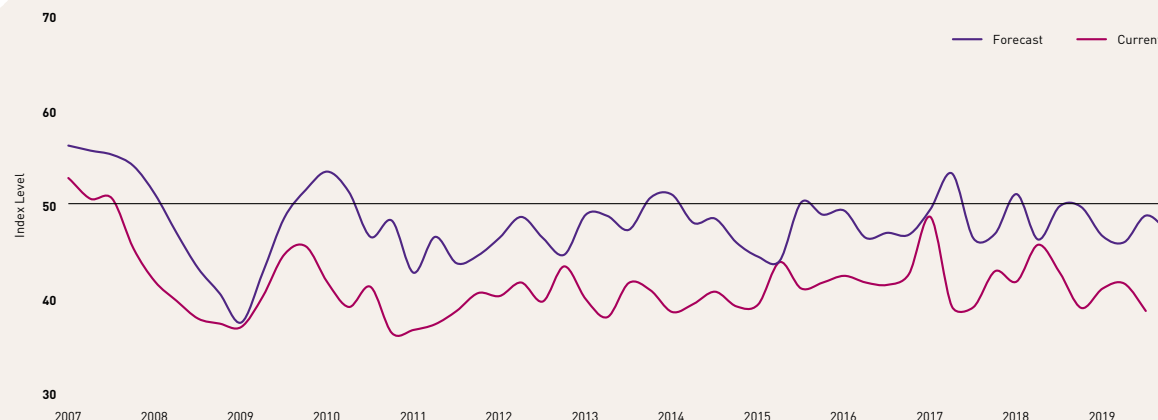
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PROFITABILITY

Almost one half of respondents reported a decrease in their profitability over the quarter and just 16% recorded an increase. The Pulse Index fell 2.8 points to 39.3 and is the lowest profitability reading in over five years since March 2014. Furthermore, the current reading is 3.8 points lower than it was 12 months ago and 2.2 points lower than its 10-year average of 41.5.

Fewer businesses anticipate deteriorating profits during the December quarter despite one-third still expecting profitability to weaken. Comparatively, the forecast index measure for the December quarter is 8.0 points higher at 47.3 however remains below the neutral level of 50.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Most businesses have trouble with cash flow due to the ongoing drought. Agribusiness underpins our economy

Gold Coast



Running a tight business, less staff and lower overheads means less jobs needed to pay the bills

Cairns



A struggling business sector in Townsville has resulted in slowing commercial lending enquiries

Townsville

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

Profitability				
	Sep-18	Jun-19	Sep-19	Dec-19 (Forecast)
Mean response ¹	3.23	3.35	3.39	3.10
Standard error ²	0.06	0.04	0.05	0.05
Significance ³ : prob =	3%	47%		0%
Decreased (%)	43	47	49	33
Same (%)	34	36	35	43
Increased (%)	22	17	16	24
Index (original)	44.2	41.4	40.2	47.5
Index (seasonally adjusted)	43.1	42.0	39.3	47.3

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

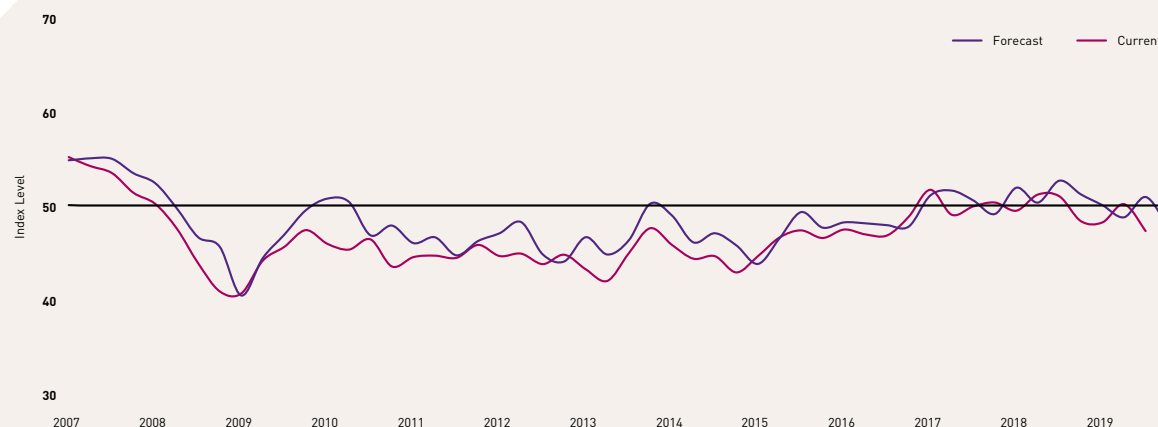
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EMPLOYMENT LEVELS

Job creation reportedly contracted over the September quarter. This contraction was primarily driven by the increase in the proportion of respondents reporting that they had decreased their employment levels. Moreover, while 24% of respondents reported that their employment levels had decreased, only 16% reported otherwise. Accordingly, the index fell 2.4 points over the September quarter to 47.7 representing the lowest level since September 2016.

The Pulse Forecast Index measure for December is relatively unchanged sitting just 0.4 points higher at 48.1.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



There is a lack of confidence for private enterprise to employ more staff or spend money

Cairns



The burgeoning public service is hiding a larger under employment issue in Queensland

Sunshine Coast

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

Employment levels				
	Sep-18	Jun-19	Sep-19	Dec-19 (Forecast)
Mean response ¹	2.94	3.01	3.08	3.07
Standard error ²	0.05	0.03	0.04	0.04
Significance ³ : prob =	3%	14%		79%
Decreased (%)	20	19	24	22
Same (%)	54	63	60	63
Increased (%)	26	18	16	15
Index (original)	51.4	49.7	47.9	48.3
Index (seasonally adjusted)	50.9	50.1	47.7	48.1

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

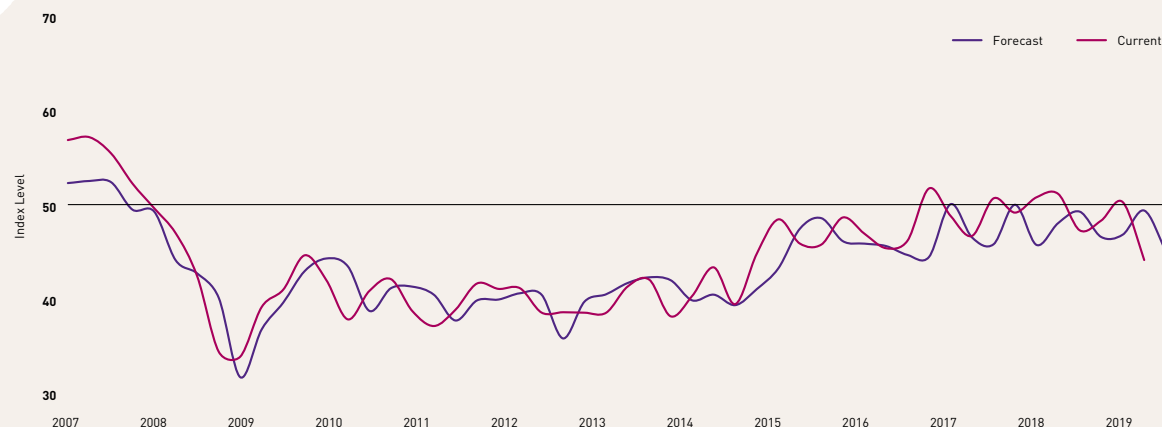
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CAPITAL EXPENDITURE

Business investment faltered over the September quarter as 31% of respondents reported decreasing business investment since June. The index measure dropped by 5.8 points to the lowest reading in five years since December 2014.

The December forecast shows that businesses hold a similar outlook for business investment activity over the next quarter with the reading below a neutral reading as 28% of respondents anticipate further cuts to capital expenditures.



Notes: Seasonally adjusted. Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.



Queensland businesses are likely to continue tightening their belts in the future by holding off on expansive efforts. This has been indicated by falling capital expenditure in the State over recent periods. The effects of low CAPEX are likely to remain the pain point for productive growth in gross domestic and state product measures

Townsville



Risk that the actions of the State Government (think Adani and New Hope) put future investment in the entire mining/industrial industries at risk

Rockhampton

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

Capital Expenditure				
	Sep-18	Jun-19	Sep-19	Dec-19 (Forecast)
Mean response ¹	2.89	3.02	3.18	3.17
Standard error ²	0.06	0.06	0.05	0.05
Significance ³ : prob =	0%	1%		81%
Decreased (%)	21	23	31	28
Same (%)	48	53	50	54
Increased (%)	31	24	20	18
Index (original)	52.1	49.4	45.4	45.8
Index (seasonally adjusted)	51.1	50.3	44.5	45.4

1 Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

2 There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

3 Difference in mean response scores relative to September 2019. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

REGIONAL ANALYSIS

The disaggregated statistics show that regional Queensland business sentiment is reportedly far weaker than in the South-East corner of the State, while there is also greater variability among responses from regional Queensland.

SEPTEMBER QUARTER 2019

Sep 2019 (Original)	South-East QLD				Regional QLD			
	South-East QLD	Weaker (%)	Same (%)	Stronger (%)	Regional QLD	Weaker (%)	Same (%)	Stronger (%)
National economy	41.5	42	46	12	39.4	48	38	14
Queensland economy	38.1	49	38	13	34.6	59	28	13
General business conditions	42.8	39	45	16	38.6	44	46	10
Sales & revenue	49.9	33	34	33	44.6	39	37	24
Profitability	42.4	47	33	20	37.1	52	38	10
Labour costs	62.7	4	47	49	61.7	6	44	50
Other operating costs	63.9	5	44	51	69.9	1	30	69
Employment Levels	48.4	24	58	18	47.4	24	62	14
Capital expenditure	47.1	27	54	20	43.2	33	47	19

Sep 2019 (Original)	QLD (Index)	South-East QLD (Index)	Mean response ¹	Standard error ²	Regional QLD (Index)	Mean response ¹	Standard error ²	Significance ³ prob=
National economy	40.9	41.5	3.34	0.06	39.4	3.42	0.08	39%
Queensland economy	37.1	38.1	3.48	0.06	34.6	3.62	0.08	17%
General business conditions	41.2	42.8	3.29	0.06	38.6	3.46	0.08	9%
Sales & revenue	47.9	49.9	3.01	0.07	44.6	3.21	0.09	8%
Profitability	40.2	42.4	3.30	0.07	37.1	3.52	0.08	4%
Labour costs	61.9	62.7	2.49	0.06	61.7	2.53	0.07	66%
Other operating costs	66.4	63.9	2.45	0.06	69.9	2.20	0.06	1%
Employment Levels	47.9	48.4	3.06	0.05	47.4	3.11	0.06	60%
Capital expenditure	45.4	47.1	3.12	0.06	43.2	3.27	0.09	15%

¹ Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

² There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

³ Difference in mean response scores relative to September 2019. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

FORECAST DECEMBER QUARTER 2019

Forecast December 2019 (Original)	South-East QLD				Regional QLD			
	South-East QLD	Weaker (%)	Same (%)	Stronger (%)	Regional QLD	Weaker (%)	Same (%)	Stronger (%)
General business conditions	47.7	27	53	21	42.5	38	48	14
Sales & revenue	57.2	18	38	44	49.1	28	43	29
Profitability	51.6	25	45	30	41.4	44	40	16
Labour costs	55.6	6	68	26	54.0	13	58	29
Other operating costs	58.3	3	64	33	62.6	5	44	51
Employment Levels	50.6	17	64	19	45.6	27	62	11
Capital expenditure	47.4	25	56	19	42.5	33	51	16

Forecast December 2019 (Original)	QLD (Index)	South-East QLD (Index)	Mean response ¹	Standard error ²	Regional QLD (Index)	Mean response ¹	Standard error ²	Significance ³ prob=
General business conditions	45.5	47.7	3.09	0.06	42.5	3.30	0.08	4%
Sales & revenue	54.0	57.2	2.71	0.07	49.1	3.04	0.09	1%
Profitability	47.5	51.6	2.94	0.06	41.4	3.34	0.08	0%
Labour costs	55.0	55.6	2.78	0.05	54.0	2.84	0.07	41%
Other operating costs	60.1	58.3	2.67	0.04	62.6	2.50	0.06	67%
Employment Levels	48.3	50.6	2.98	0.05	45.6	3.18	0.06	1%
Capital expenditure	45.8	47.4	3.10	0.06	42.5	3.30	0.09	6%

¹ Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

² There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

³ Difference in mean response scores relative to September 2019. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

ANALYSIS BY BUSINESS SIZE

The disaggregated statistics by business size show that there is no significant difference over the September quarter between small business responses with less than 20 employees compared with medium and large businesses with greater than 20 employees

FORECAST DECEMBER QUARTER 2019

September 2019 (Original)	Small <20 (Index)	Weaker (%)	Same (%)	Stronger (%)	Medium & large >20 (Index)	Weaker (%)	Same (%)	Stronger (%)
National economy	41.6	42	45	13	39.0	52	35	13
Queensland economy	36.9	53	34	13	37.6	54	32	14
General business conditions	41.1	41	46	13	41.4	42	43	15
Sales & revenue	48.3	34	37	29	46.6	41	27	32
Profitability	39.8	50	35	15	41.6	46	35	19
Labour costs	61.4	6	47	47	63.7	3	45	52
Other operating costs	66.5	3	38	59	66.4	4	36	60
Employment Levels	47.8	22	63	15	48.3	29	49	22
Capital expenditure	44.7	33	47	20	47.6	24	57	19

September 2019 (Original)	QLD (Index)	Small <20 (Index)	Mean response ¹	Standard error ²	Medium & large >20 (Index)	Mean response ¹	Standard error ²	Significance ³ prob=
National economy	40.9	41.6	3.34	0.05	39.0	3.44	0.08	31%
Queensland economy	37.1	36.9	3.52	0.06	37.6	3.49	0.09	79%
General business conditions	41.2	41.1	3.35	0.05	41.4	3.34	0.10	91%
Sales & revenue	47.9	48.3	3.07	0.06	46.6	3.14	0.11	61%
Profitability	40.2	39.8	3.41	0.05	41.6	3.38	0.11	53%
Labour costs	61.9	61.4	2.54	0.05	63.7	2.45	0.08	36%
Other operating costs	66.4	66.5	2.34	0.05	66.4	2.32	0.09	99%
Employment Levels	47.9	47.8	3.09	0.04	48.3	3.07	0.08	83%
Capital expenditure	45.4	44.7	3.21	0.06	47.6	3.09	0.10	33%

¹ Coded 1 – 5: (1-Significantly increase; 2-Increase; 3-Stay the same; 4-Decrease; 5-Significantly decrease)

² There is a 95% probability that the true mean lies within a range of two standard errors above and two standard errors below the mean response score.

³ Difference in mean response scores relative to September 2019. Level of significance: prob = probability that the observed difference between the mean response scores occurred by chance alone. A probability value of 5% represents a 1 in 20 chance and a value less than 5% is a conventional significance level to reject the null hypothesis that there is no statistical difference between the mean scores.

THE VOICE OF QUEENSLAND'S BUSINESS COMMUNITY

THE VOICE OF THE CITY – KEY RESPONSES FROM SOUTH-EAST QUEENSLAND

“ The State Government has been actively engaged in promoting small business through the Buy Queensland, Buy Local campaigns and the support provided through business development grants, etc.

Brisbane

“ If the press continues a doomsday approach toward the federal economy the general public will keep their wallets closed. While the Queensland Government have not got a clue except to blame the Federal Government

Sunshine Coast

“ Lack of consumer confidence, lack of clarity on economic outlook, lack of investment in transport infrastructure, unions having too big a say in the State government policy, and unnecessary changes to public holidays such as another one for the 24th December

Gold Coast

“ Lack of infrastructure, lack of leadership, huge debt equals lack of confidence

Sunshine Coast

“ Government red tape and expenditure towards public servants as opposed to key economic development

Logan

“ Job decline, sluggish wages growth, the uncertainty of the environment, families trying best to meet basic needs and no slush funds left

Sunshine Coast

“ The undeclared cost overruns on government capital projects are increasing the state debt level which in turn leads to more and more tax and levies

Sunshine Coast

“ Government should be stimulating the economy by Infrastructure spending, this would be far more effective than reducing interest rates or tax rebates

Brisbane

“ Lack of investment by government in the creation of new industry in Australia as well as a lack of support for existing industry

Brisbane

THE VOICE OF THE REGIONS – KEY RESPONSES FROM REGIONAL QUEENSLAND

“ Lack of federal Government actual spending on infrastructure projects development. Queensland State Government absolute waste of almost \$300 million giving bonuses to public servants - that money should be given to projects

Rockhampton

“ Queensland economy will be affected by the slow decision making of the State Government regarding the Acland mine

Townsville

“ Drought, insufficient water, crocodiles and sharks negatively affecting tourism, poor federal regulation and pathetic state law enforcement regarding cyber threats and taxation burdens

Cairns

“ Depressed consumer sentiment due to house valuations declining

Mackay

“ Banks not passing on the full rate cuts as well as drought will affect the economy over the next 12 months

Wide Bay

“ Keeping business in Townsville seems to have reduced remarkably

Townsville

“ Good fiscal governance and infrastructure spending will have positive effect on the national economy however drought will have a negative influence. Poor state management and higher operating costs (too many bureaucrats and artificial jobs) for the states

South West Queensland

“ Low confidence in local business and online shopping. Natural disasters will slow up spending in rural communities

Townsville

“ Lack of sound economic settings at national level, poor federal approach to a coherent and affordable energy policy

Cairns

“ Too much foreign ownership taking profits overseas and Australia is importing too many products from overseas, with no government support to small Australian Industries

Rockhampton

“ Not enough immediate expenditure on actually starting infrastructure projects

Rockhampton

MAJOR CONSTRAINTS ON BUSINESS GROWTH

Queensland

Rank	Constraints	Sep-18	Jun-19	Sep-19	Quarterly Change
1	Level of demand/economic activity	58.3	64.0	62.9	=
2	Political and economic stability	56.7	58.0	59.3	=
3	Insurance premium costs	51.4	54.3	58.7	↑3
4	Level of business taxes and government charges (Federal)	51.8	52.8	56.9	↑3
5	Direct wage costs	57.7	56.8	56.8	↓2
6	Compliance and complexity of business taxes and government charges	53.3	55.9	56.7	↓1
7	Level of business taxes and government charges (State and Local)	54.3	56.7	56.5	↓3
8	Indirect wage costs (Superannuation, Workers Compensation etc)	54.1	50.8	53.5	↑1
9	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	52.6	48.5	51.8	↑3
10	Retaining and recruiting suitably qualified employees	65.2	51.2	51.7	↓2

↑ Rank order rose from previous quarter; = unchanged from previous quarter; ↓ decreased from previous quarter.

South East Queensland

Rank	Constraints	Jun-19	Sep-19	Quarterly Change
1	Level of demand/economic activity	64.4	62.0	=
2	Political and economic stability	57.1	57.4	=
3	Direct wage costs	56.3	57.1	=
4	Level of business taxes and government charges (Federal)	52.1	56.4	↑2
5	Compliance and complexity of business taxes and government charges	54.0	56.2	=
6	Insurance premium costs	50.9	55.1	↑1
7	Level of business taxes and government charges (State and Local)	55.7	54.4	↓3
8	Indirect wage costs (Superannuation, Workers Compensation etc)	49.4	51.6	=
9	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	46.7	50.9	↑2
10	Energy costs and standard of infrastructure	47.2	48.1	=

Regional Queensland

Rank	Constraints	Jun-19	Sep-19	Quarterly Change
1	Level of demand/economic activity	63.7	65.8	=
2	Political and economic stability	58.9	64.8	↑1
3	Insurance premium costs	59.1	62.2	↓1
4	Compliance and complexity of business taxes and government charges	48.4	60.9	↑9
5	Level of business taxes and government charges (Federal)	57.6	60.7	=
6	Level of business taxes and government charges (State and Local)	57.0	59.4	↑1
7	Direct wage costs	53.8	58.0	↑1
8	Indirect wage costs (Superannuation, Workers Compensation etc)	58.4	57.5	↓4
9	Energy costs and standard of infrastructure	52.8	57.1	=
10	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	57.3	56.7	↓4

MAJOR CONSTRAINTS ON BUSINESS GROWTH BY BUSINESS SIZE

Small Businesses <20 employees

Rank	Constraints	Sep-19
1	Level of demand/economic activity	61.9
2	Political and economic stability	59.2
3	Insurance premium costs	58.6
4	Compliance and complexity of business taxes and government charges	57.4
5	Level of business taxes and government charges (Federal)	57.2
6	Level of business taxes and government charges (State and Local)	55.4
7	Direct wage costs	54.9
8	Indirect wage costs (Superannuation, Workers Compensation etc)	51.8
9	Energy costs and standard of infrastructure	50.8
10	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	49.3

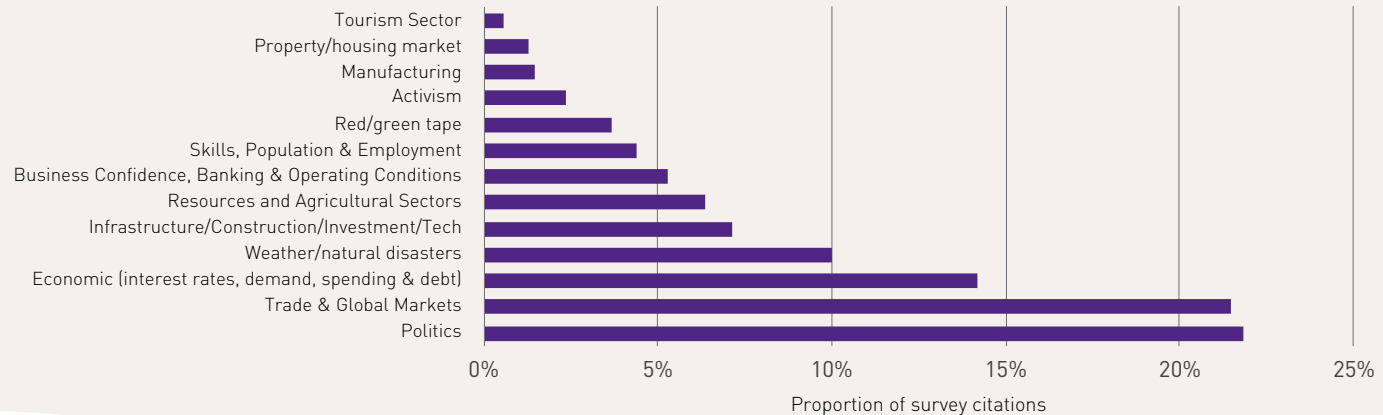
Medium and Large Businesses >20 employees

Rank	Constraints	Sep-19
1	Level of demand/economic activity	66.3
2	Retaining and recruiting suitably qualified employees	63.8
3	Direct wage costs	63.2
4	Level of business taxes and government charges (State and Local)	60.3
5	Compliance and complexity of IR laws (awards, agreements, unfair dismissal)	59.9
6	Political and economic stability	59.7
7	Insurance premium costs	59.1
8	Indirect wage costs (Superannuation, Workers Compensation etc)	59.1
9	Compliance and complexity of WHS regulations	55.9
10	Level of business taxes and government charges (Federal)	55.8

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

Open-ended qualitative questions within the Suncorp CCIQ Pulse Survey enable small businesses to provide commentary about issues and matters specific to their own businesses as well as factors they consider will affect economic activity over the next 12 months. Political and economic issues were the most salient factors affecting business confidence in the economy. On the international front, issues raised included uncertainties in global markets, trade conditions as well as potential ramifications resulting from a messy Brexit, a deterioration in trade relations between the U.S. and China, and an escalation in skirmishes between Turkey and Syria. The domestic front included concerns surrounding the harrowing impact of drought across regional Queensland, weak consumer demand and business confidence affecting business conditions, a lack of timely investment by governments to support large scale critical infrastructure projects such as dams and roads, pressures on government finances, as well as frustrations with superfluous red and green tape as well as disruptive environmental activism.

Key Influencers on Business Confidence in the Economy



ECONOMIC ISSUES

“ The government needs to spend money on infrastructure which will put money into the economy and bring about the injection of more funds for spending into the economy without impacting the retired population. Fiscal, not monetary policy
Brisbane

“ Economic conditions will be affected by the American trade war with China, a bursting of the artificial housing bubble with no real creation of wealth in a rent seeker economy, a lack of technological innovation, unconventional RBA policy taking us into negative interest rates, and the cash ban bill
Cairns

“ The world trade crisis and general lack of confidence are affecting the economy
Wide Bay

“ Drought impacts on regional areas. RBA interest rates are already so low that the ability of any more interest rate cuts to stimulate the economy will be negligible
South West Queensland

“ Confidence in government’s ability to bring budgets in accurately and reduce state and federal debt gives business’s the ability to have faith in a growing economy and to project a pattern of moving forward
Brisbane

“ Interest rates will help but intervening to kick start the economy is necessary by both the State and Federal Governments
Gold Coast

“ Lack of sound economic settings at national level, poor federal approach to a coherent and affordable energy policy
Cairns

“ Our economy will not be assisted by pay rises to public servants
Brisbane

“ There is a lack of real tax reform as well as other economic stimuli. Increasing cost of living pressures on household income is eroding discretionary spend
Brisbane

INFLUENCES ON BUSINESS CONFIDENCE

POLITICS

There is a lack of confidence in the ability of any government to make decisions based on what is best for voters instead of lining their pockets with pay rises and expense accounts that the regular tax payer is not allowed to have

Brisbane

Politicians won't listen to small business owners (where all the growth comes from)

Sunshine Coast

Downward trend likely to continue, especially for the state economy, until political leadership changes for the better

Townsville

We need better management from the State Government departments to ensure they purchase locally and not from American and New Zealand Companies. Open mining, cut red tape and stop playing games with politic

South West Queensland

Governments don't understand the importance of small business

Brisbane

The Federal Government are set on making surplus but have not considered the position of the consumer in this goal and are not likely to adjust their views in the foreseeable future. With no growth, more and more businesses will close; and more and more people will be out of work resulting in even less cash flow than the previous year

Rockhampton

RESOURCES AND AGRICULTURAL SECTORS

Not being able to fulfil export markets due to low yields in the primary sector will therefore increase imports and drive prices up

Brisbane

Wasted government spending and no infrastructure in planning or place for growth of farmers

Townsville

The impact of the continuing drought will continue well beyond the return to reasonable rainfall as the lack of breeding livestock and the increased indebtedness of the rural sector will depress any recovery

Brisbane

Australia's economic performance will be affected by the drought particularly within our agricultural sector as well as our mining sector and our ability to negotiate trade with China, America and India together with the current instability in trade and conflict in the Middle East

Brisbane

WEATHER AND NATURAL DISASTERS

Drought and bush fires are decimating rural areas and the rural sector is in difficulty, which flows on through the economies

Logan

In the areas we serve, drought is significantly affecting the economy

South West Queensland

Government policy inaction for real drought relief and lack of policy for this issue

Sunshine Coast

Continuing drought conditions over much of the country with water for daily existence is becoming critical in many places

South West Queensland

Protesters about climate change are lowering confidence as well as creating tension in the community, but failing to actually do anything themselves to improve the environment

Logan

Slow wages growth, disruption by political activists as well as dampening consumer confidence

Sunshine Coast

The continuing drought in the eastern states and uncertainty about climate change and as well as increased activism

South West Queensland

BANKING AND ACCESS TO CREDIT

Banks are not passing on rate cuts in full. Consequently, retirees are becoming more and more nervous are hoarding their money

Logan

Banks are taking advantage of Reserve Bank interest rate reductions to reduce investment return rates but not passing on interest rate cuts to business, particularly to small businesses

Rockhampton

INFLUENCES ON BUSINESS CONFIDENCE



No small business bank managers or services for rural, regional or remote self-employed, non-agriculture-related businesses e.g. cafe, bakery, hotel, post office, hairdresser

South West Queensland

INFRASTRUCTURE, CONSTRUCTION, INVESTMENT AND TECHNOLOGY



The Australian Federal Government has a very weak economic policy. Heavily reliant on outdated industries, and severe under investment in new industries and research and development

Brisbane



No government has enough majority to make bold, nation building decisions. Instead, we are pandering to the greens and building non income earning assets that only benefit the few. We need dams, resource mines and manufacturing

South West Queensland



State economy - decision makers and leaders in Government that stall projects for regional Queensland because they don't have the money to invest. They announce projects and provide initial funding for "reports" or "enquiries" or "feasibility studies" and then don't come up with the money to advance the projects to completion

Rockhampton



Wasted government spending and no infrastructure or planning in place for growth of farmers

Townsville



Valuations of properties are not growing in regional Queensland

Cairns



Lack of infrastructure and nation building projects in a low interest rate environment to stimulate lagging economies post building and housing construction surge

Brisbane



Lack of government spending on water infrastructure

Logan



In our area there has been a rise in infrastructure projects, which will lead to greater employment outcomes

Rockhampton



Low levels of infrastructure spending in regional areas are dampening confidence

South West Queensland



The country needs strong infrastructure policies in the area of water to drought-proof Australia and also improve transport and road systems -

Rockhampton



Lack of infrastructure and nation building projects in a low interest rate environment to stimulate lagging economies post building and housing construction surge

Brisbane

RED/GREEN TAPE



Government red tape and expenditure towards public servants as opposed to key economic development

Logan



Fair work is too restrictive on business. Our labour laws are all too much in favour of the employee and not in favour of employers. The labour laws are killing small business

Gold Coast



Lack of productivity due to over-regulation on safety due to perceived 'black swan' instead of reality of lack of skills, high overheads and high taxation

Rockhampton



Small business grants must be made easier, banks need to loosen lending criteria while government must reduce the amount of red tape and costs for small businesses

Gold Coast



High expenses, drastic increase of new legislation in construction, pay rates getting pushed down

Rockhampton



There's too much red tape. Government is spending public money on areas that don't offer a return. Increasing size of the public service costs too much

Brisbane

SKILLS, POPULATION AND EMPLOYMENT



Lack of Australian skilled tradesman. Too top heavy in the political sectors, causing a strain on tax payers to pay their continued wages

Rockhampton



Skill shortage. No tradesman in Australia as well as difficulty navigating overseas workers

Townsville

ABOUT PULSE

The Pulse Survey has been measuring Queensland business confidence and expectations for over 20 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 1st October to 23rd October 2019 and examines business sentiment and activity throughout the September quarter, 2019. 383 participants provided responses to the survey.

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

PULSE BUSINESS INDEX

The analysis undertaken by CCIQ in the preparation of this Pulse Survey Report is based on survey responses from Queensland business.

The report uses the Pulse Business Index (PBI) as well as the (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.

A Pulse Index reading of above 50 indicates conditions have improved over the previous quarter. A reading of 50 indicates conditions have remained the same and less than 50 indicates conditions have deteriorated.

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

Very Poor	0 – 29.99 Points
Poor	30 – 49.99 Points
Satisfactory	50 – 64.99 Points
Good	65 – 74.99 Points
Very Good	75 – 84.99 Points
Excellent	85 – 100 Points

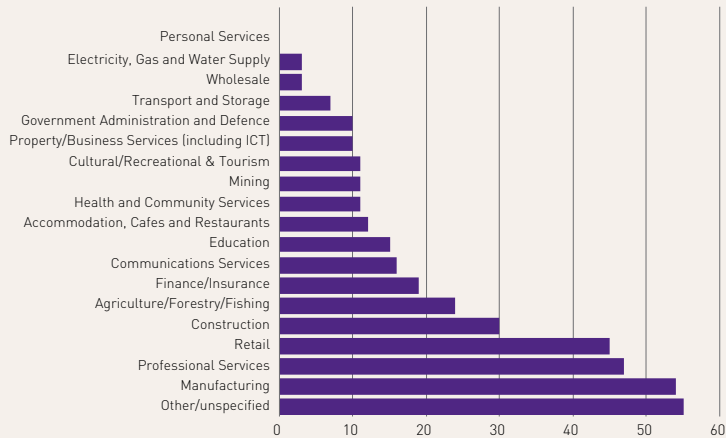
The state-wide PBI results have been seasonally adjusted.

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

Critical	70 – 100
Large	50 – 69.99
Moderate	40 – 49.99
Slight	30 – 39.99
No Constraint	0 – 29.99

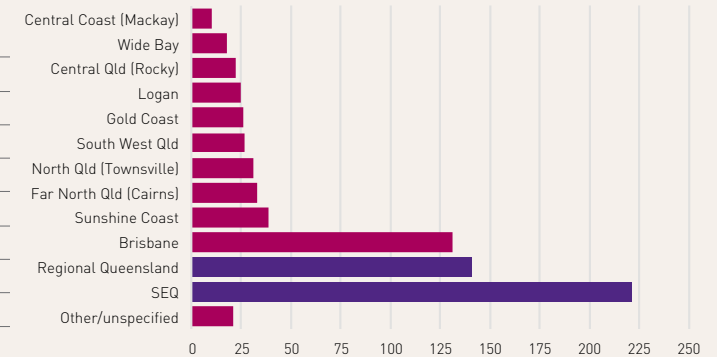
Industry Representation



Size of Organisation



Regional Representation



Chamber of Commerce & Industry Queensland

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