

# Pulse Survey of Business Conditions.

September Quarter 2023



**Business  
Chamber**  
QUEENSLAND

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business  
matters.

Overview

# Overview

view

# September Quarter Overview

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Queensland businesses continued to face challenging day-to-day operating conditions during the September quarter, impacting forward economic confidence. Business confidence in the future, both national and state, improved slightly but remained weak, reflective of similarly weak business conditions.

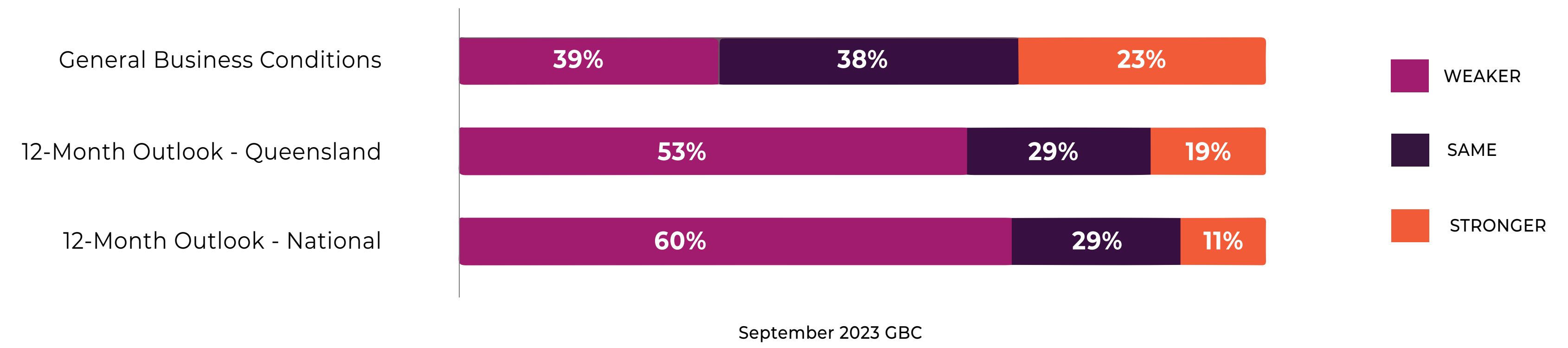
## Key findings

- General business conditions have returned to levels seen during the COVID-19 pandemic in 2021.
- Forward economic confidence recovered slightly and stabilised, but at weak levels.
- Two in five Queensland businesses indicated their sales declined during the quarter.

A compounding set of challenges, reminiscent of conditions not seen in Queensland since the 1970s, impacted business conditions, sentiment, and expectations. These included:

- Global events and instability in Israel and Ukraine and the impact these are having on fuel prices leading to higher freight and transport costs.
- Softening global demand for Queensland resources and lower commodity prices.
- Concern over a forthcoming drought.
- Cost of living increases fuelling inflation and interest rate increases, reducing consumer spend and business project feasibility though higher lending costs.
- Continuing skill shortages and high workforce competition.
- The need to maintain 'real' wages and a tight labour market are increasing employment costs.

Overall, Queensland business revenue is down, and costs are up.



### General Business Conditions

General business conditions have been trending downwards since mid-2022 and are now at levels not seen since the COVID-19 pandemic in 2021. Tightening household and corporate budgets have resulted in declining sales and revenue, at a time when both labour and operational costs have been increasing substantially.

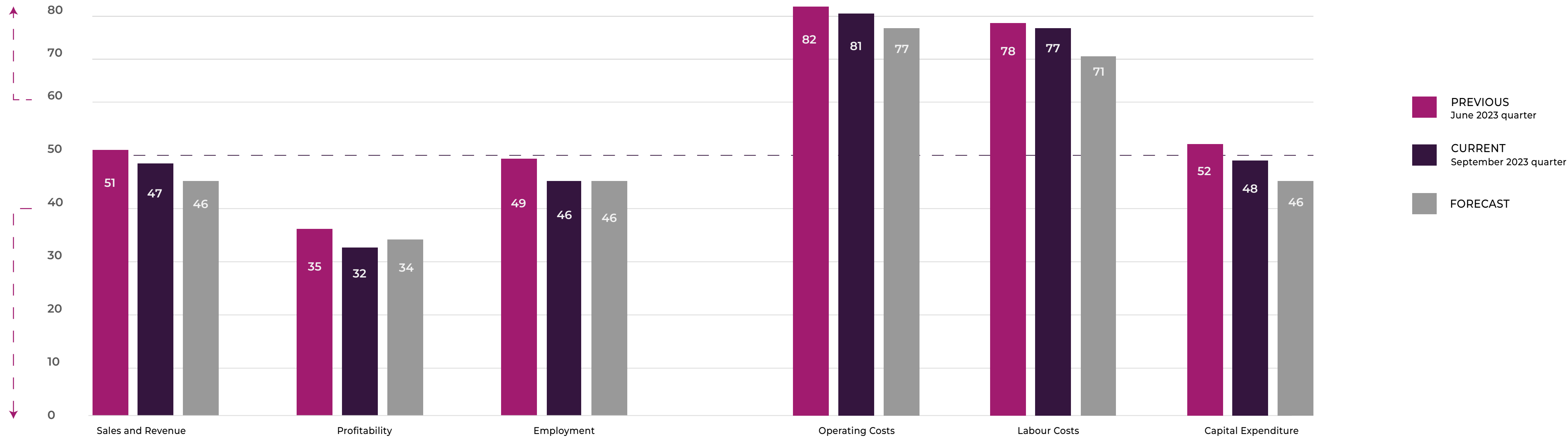
The September quarter index score of 43.9 represents a significant decline of 5.1 points from the June quarter 2023 Pulse Business Index (PBI) of 49.0. The September quarter PBI is below this time last year (50.5).

### Business Confidence

Business confidence, measured by expectations for the performance of the national and Queensland economies over the next twelve months, recovered fractionally in the September quarter and have stabilised but at a low 'business as normal' level.

Business confidence in the Queensland economy for the next twelve months increased by 1.6 points to 33.3. The Queensland Index is also up by 2.5 points on this time last year (30.8) but remains well below the 10-year average of 41.2 and is regarded as weak. Business confidence in the Australian economy for the next twelve months also increased by 2.0 points to 29.6. The national Index is at a similar level to this time last year (30.1) and remains well below the 10-year average of 45.3 and is also regarded as weak.

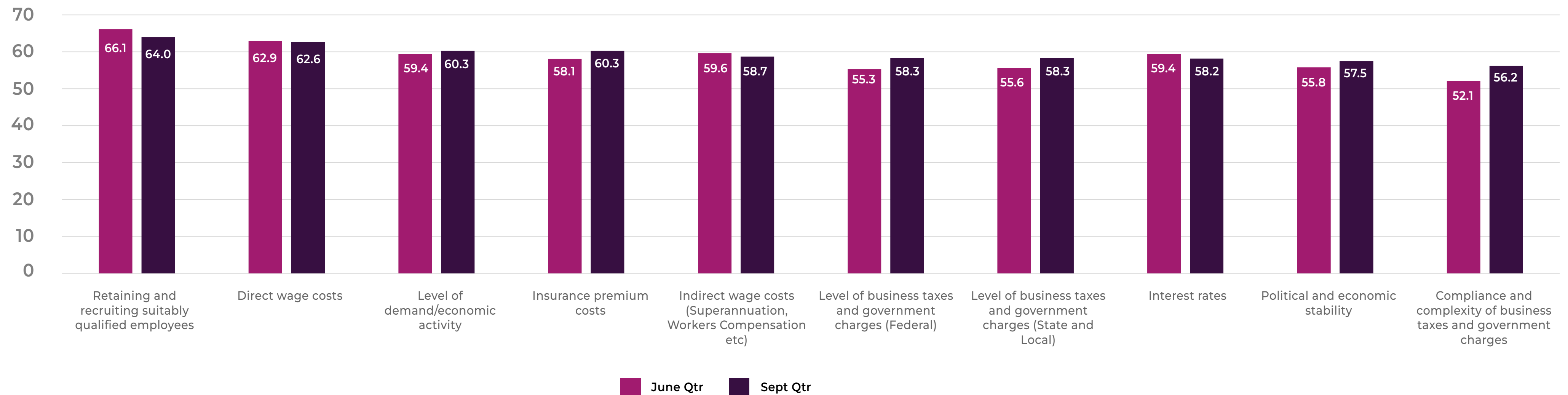
# Key indicators: September 2023



## Top Constraints on Business Growth

- Retaining and recruiting suitably qualified employees remains the largest constraint on business growth, however the index eased from the last quarter (down by 2.1 points) and is consistent with a slight softening in labour market conditions.
- Workforce challenges have been the top constraint on business growth for close to two years and first emerged as the leading constraint in the December 2021 quarter.
- Direct wage costs remain the second largest constraint.
- The level of demand and economic activity moved back into the top three largest constraints on business growth and is reflective of declining sales revenue for the majority of businesses, as both households and businesses tighten their spending belts.

### Constraints on Business Growth



Business

# Business Confidence

Confidence

# Business Confidence

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Latest results from the Pulse Survey for the September Quarter 2023 shows business confidence recovered slightly but remains weak, stabilising at a low business as normal level.

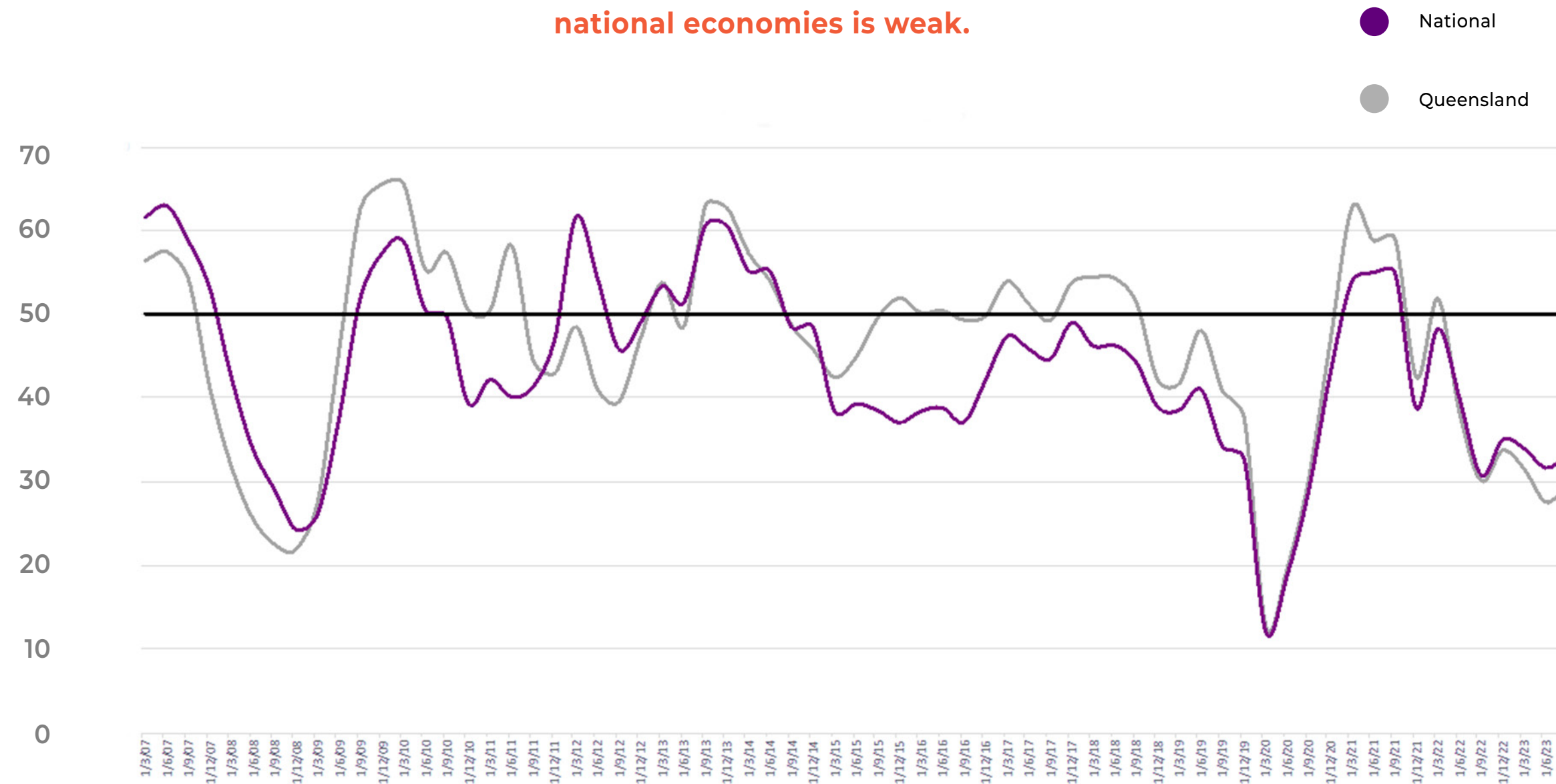
Poor business confidence is reflective of:

- The compounding impact of global instability.
- High fuel prices.
- High transportation and insurance costs.
- High inflation.
- Interest rates reducing consumer demand.
- High lending costs impacting business investment and projects.

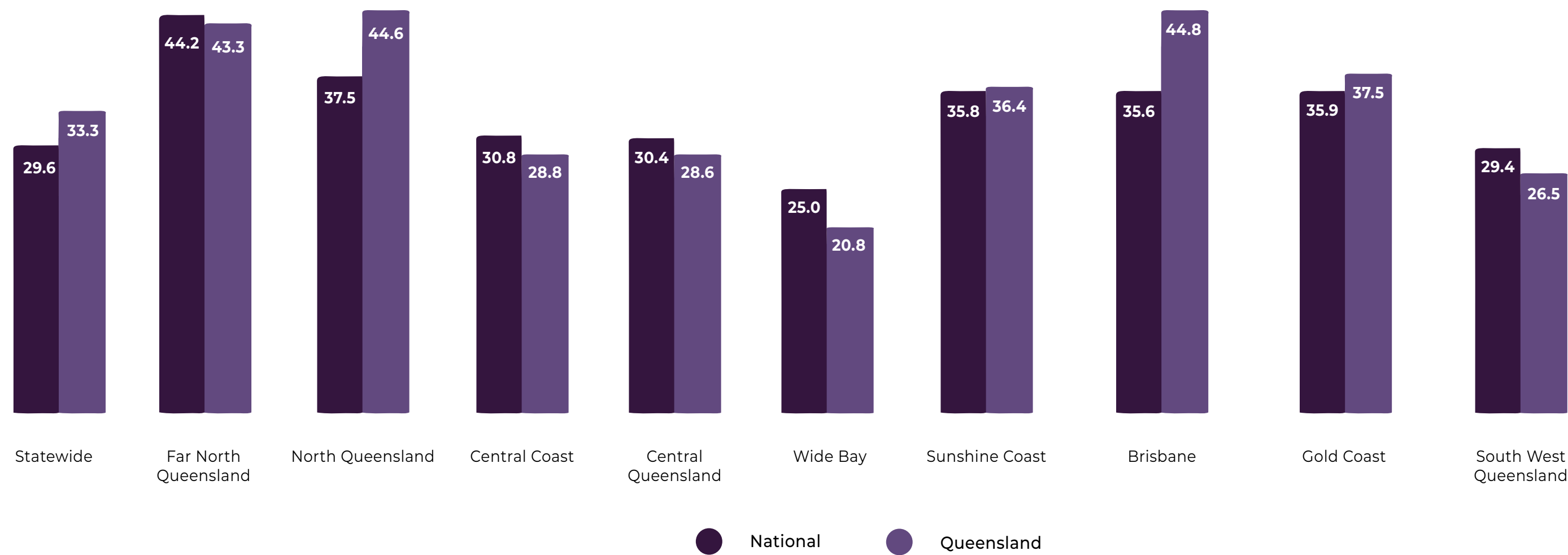




Overall business confidence for both the Queensland and national economies is weak.



Business confidence in the September quarter



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Red tape, coming Queensland elections in 2024 and no clear indication of Commonwealth funding for future projects.

Businesses in Queensland may dwindle coming into election time.

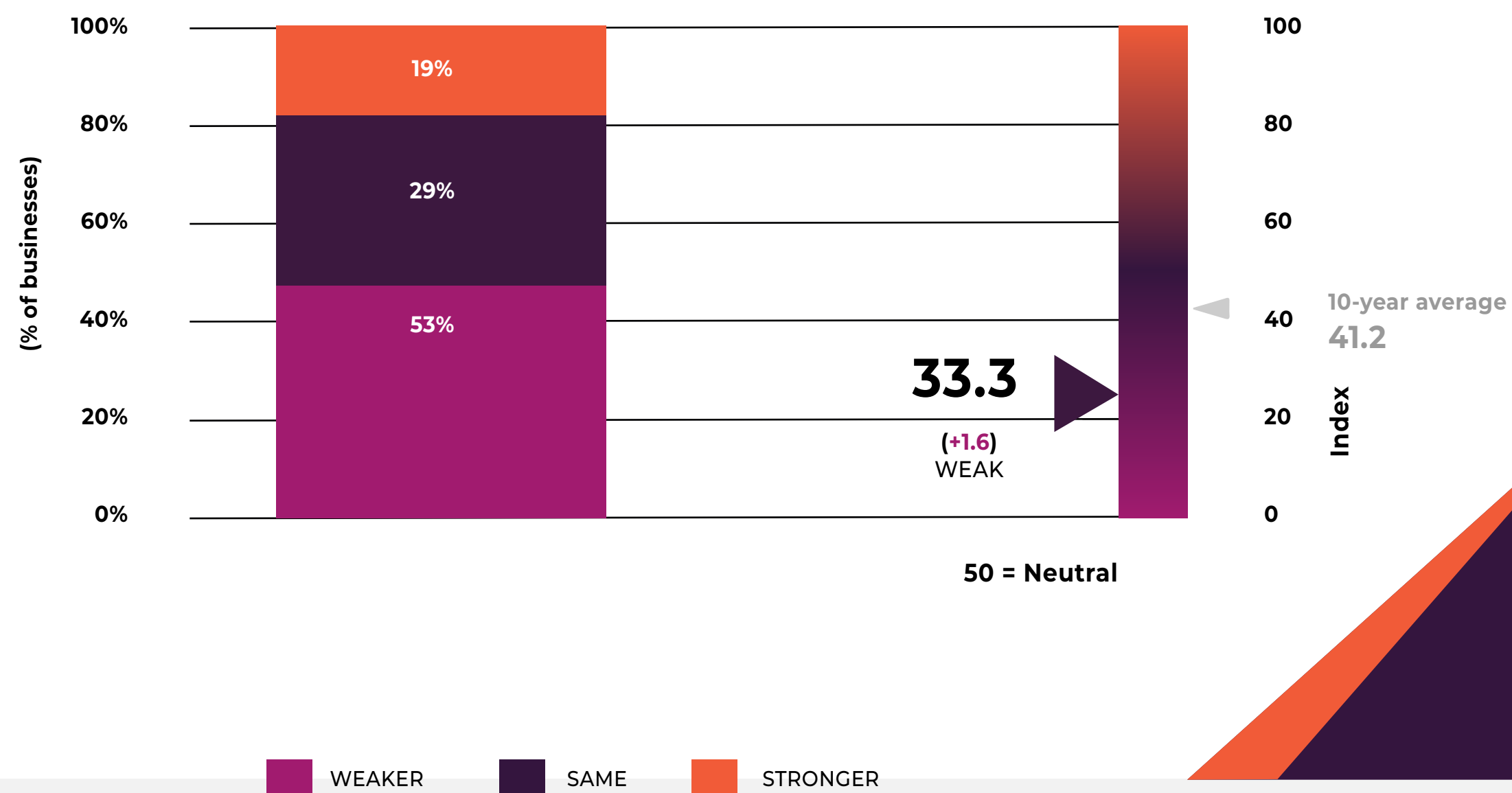
Dramatic circumstances overseas will keep prices high and interest rate steady.

In general, the current climate will exist or may get worse due to the economic situation overseas and no confidence in small business going forward.

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- Financial and insurance services, small businesses, Brisbane

## 12-month Outlook - Queensland



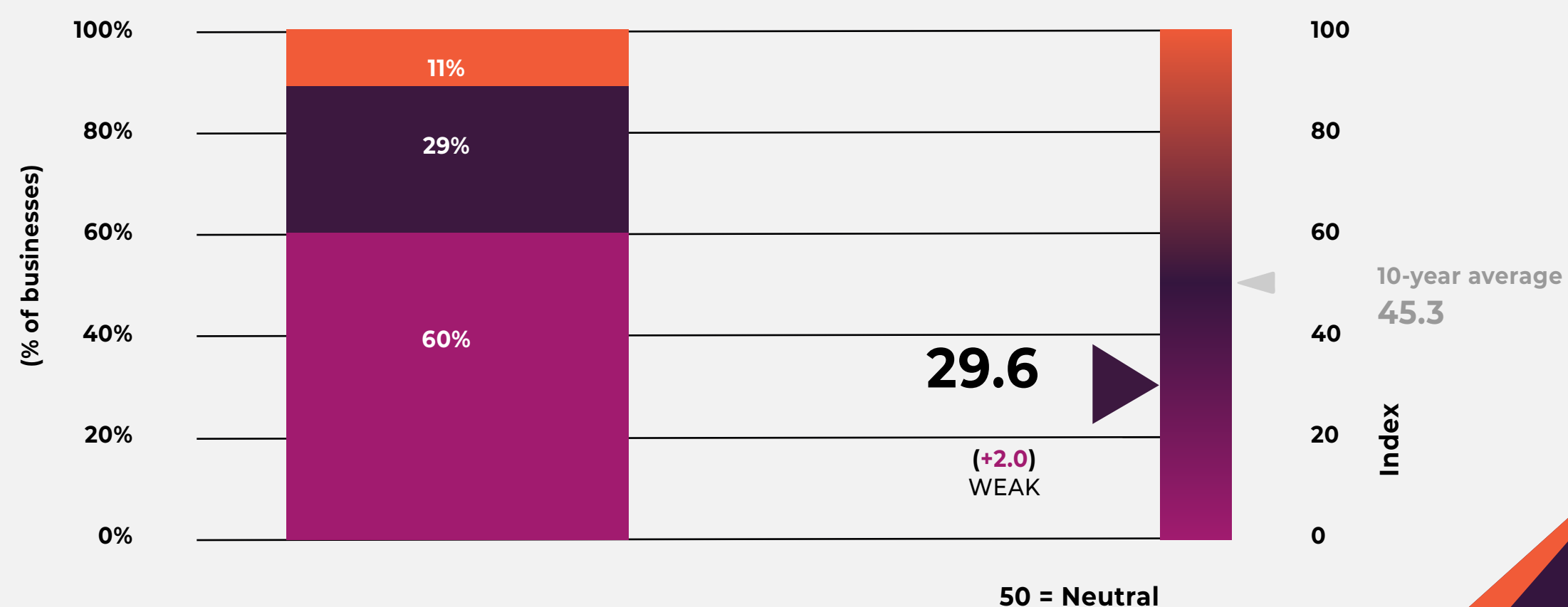
Business confidence in the Queensland economy for the next twelve months increased by 1.6 points to 33.3.

The Queensland Index is also up by 2.5 points on this time last year (30.8) but remains well below the 10-year average of 41.2. Despite its improvement, business confidence for the Queensland economy is weak.

“ Stability of government, slow economic growth, household debt, cost of living, job growth rate, reliance on natural resources, impact of China on both importing and exporting, ability to secure skilled labour. ”

- Manufacturing, small business, Cairns

## 12-month Outlook - National



Business confidence in the Australian economy for the next twelve months also increased, up 2.0 points to 29.6.

The National Index is at a similar level to this time last year (30.1) and remains well below the 10-year average of 45.3 and confidence in the national economy is weak.

Both indexes increased in unison, however the improvement recorded for the national economy was slightly higher than for Queensland, and accordingly, the difference between the indexes has narrowed to 3.6 points. Businesses remain more confident about the Queensland economy over the next twelve months than the National economy.

“ The Australian economy should improve as the government begins to look at the areas that have been neglected during the referendum period. ”

- Healthcare & social assistance, large business, South West Qld

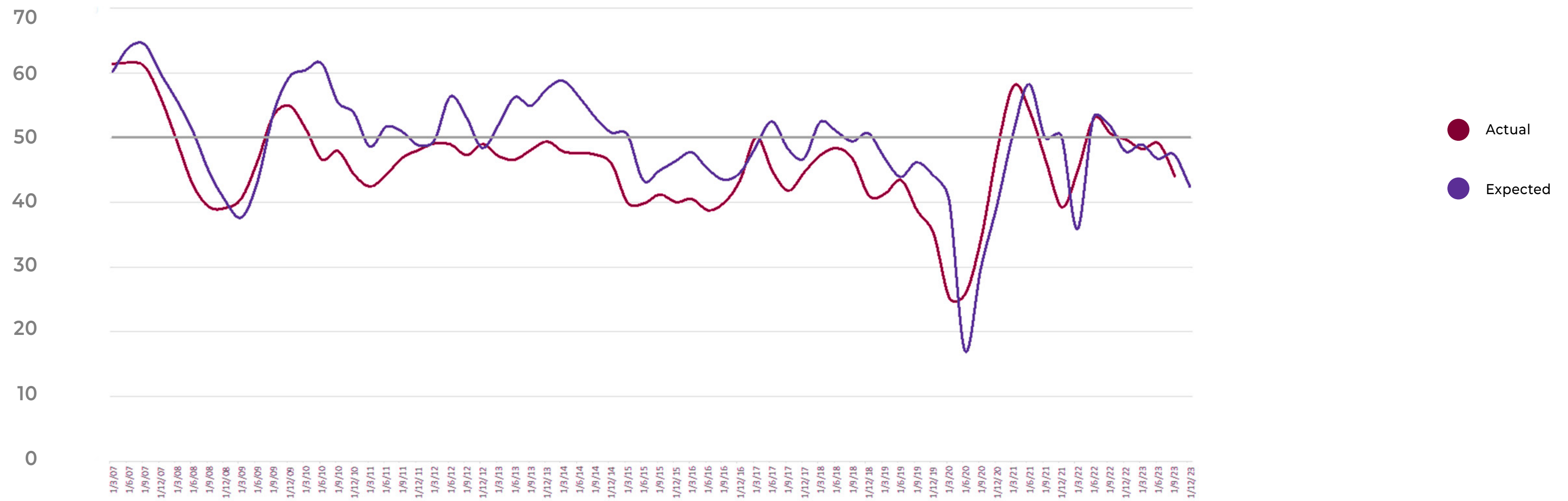
Declining **revenue** and **high operating costs**  
are putting pressure on business profitability.

General Business

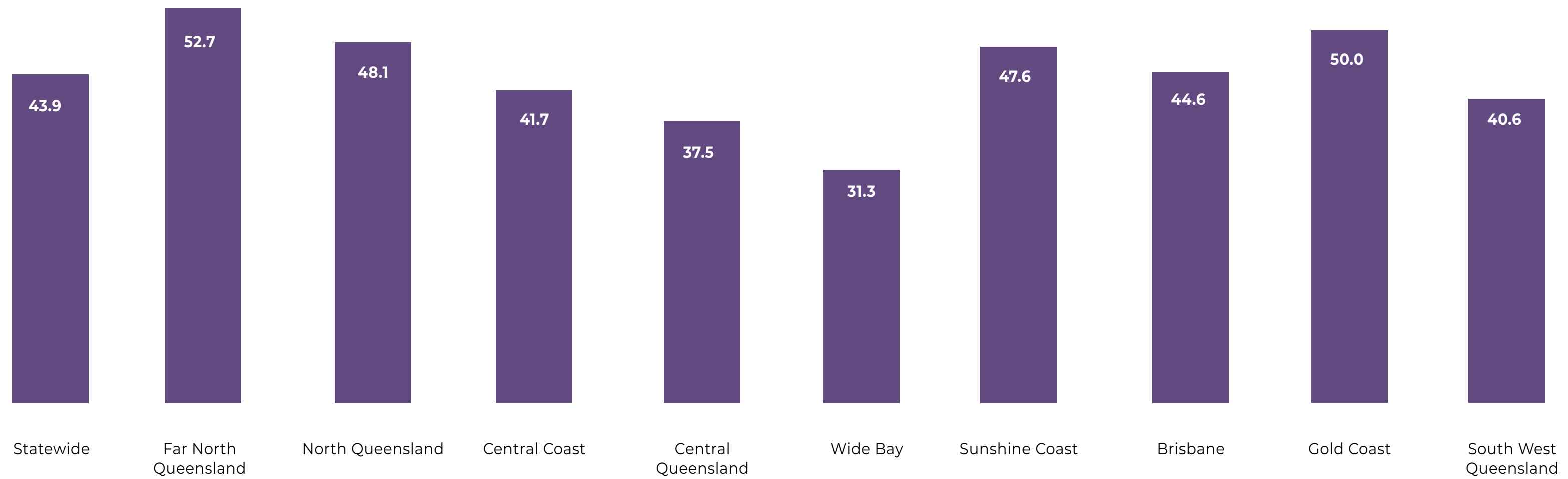
# General **Business** Conditions

Con

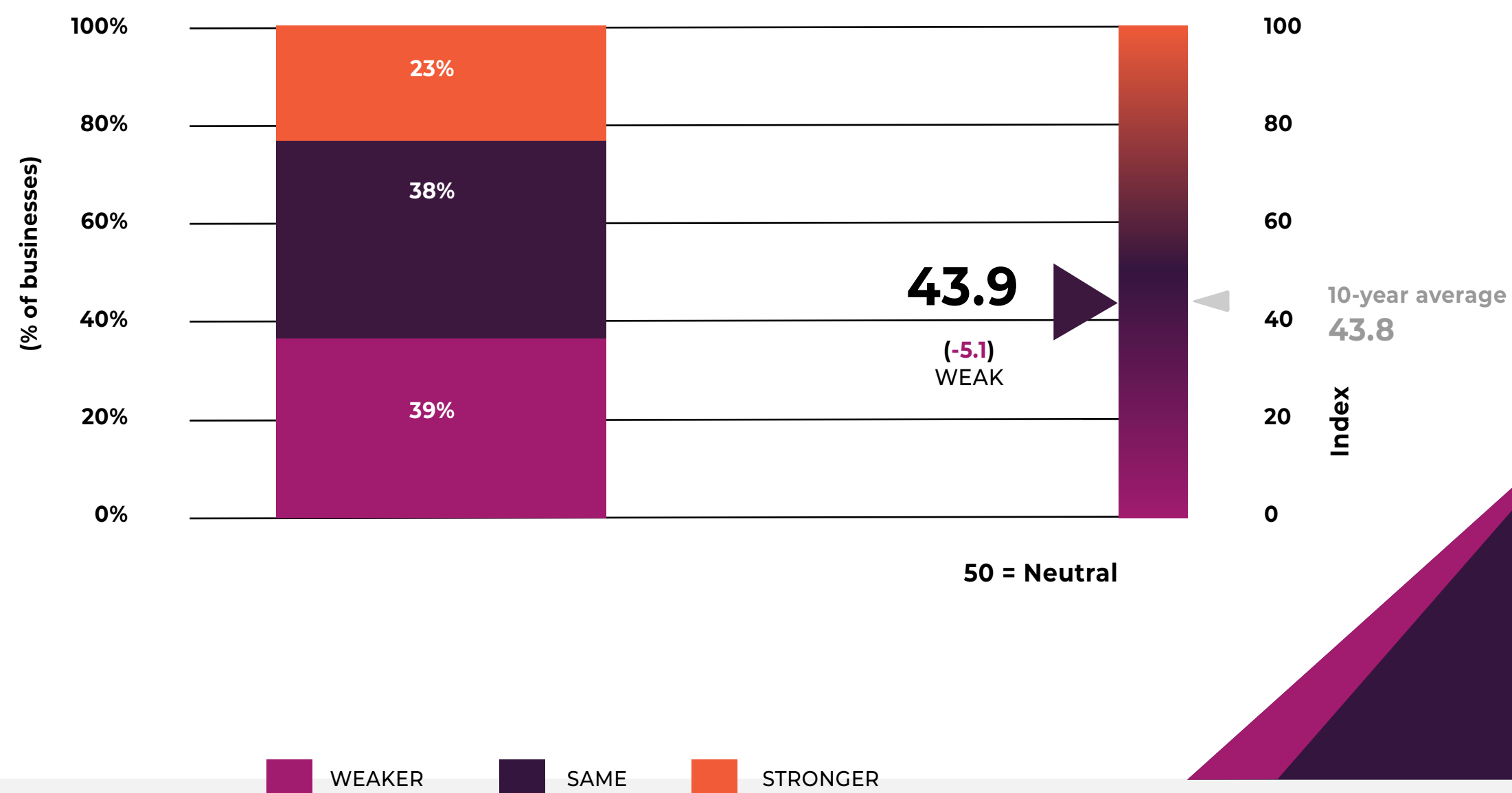
**General business conditions are weak to satisfactory.**



**Business conditions are most favourable in Queensland's tourism areas including Far North Queensland, Sunshine Coast and Gold Coast**



Sales Revenue - September Quarter



The September quarter index score of 43.9 represents a significant decline of 5.1 points from the June quarter 2023 PBI of 49.0.

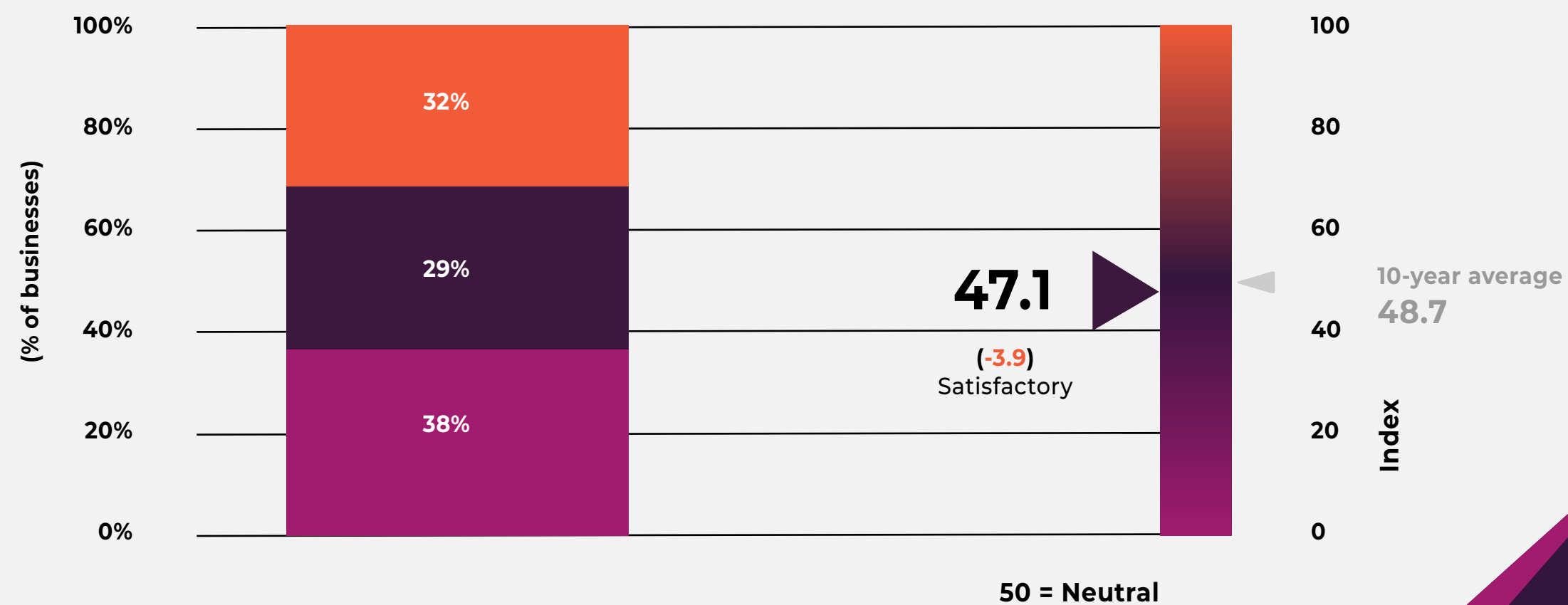
The September quarter PBI is below this time last year (50.5) but is on par with the 10-year average (43.8). General business conditions have been trending down since mid-last year and are now at levels experienced in 2021 during the COVID-19 pandemic

General business conditions in the December quarter are anticipated to further deteriorate with one in three businesses expecting weaker conditions. The PBI is expected to fall another 1.5 points to 42.4, notwithstanding the historically buoyant nature of the December quarter for Queensland businesses.

“ Inflation, rising cost of living, tightening labour market, continuing lack of skilled workers, rising cost of labour and rising cost of electricity, reduced customer numbers and spending less, increase in rent ... profitability is declining. ”

- Retail trade, small business, Townsville

Total Sales Revenue



Total sales revenue in the September quarter declined and has fallen below 50 indicating weakening sales.

The sales and revenue PBI of 47.1 is down (3.9) on the previous June quarter index of 51.0 and is lower than this time last year (51.9) and the 10-year average (48.7). The PBI indicates weakening sales and revenue during the September quarter and was lower than expectations for the quarter (50.1).

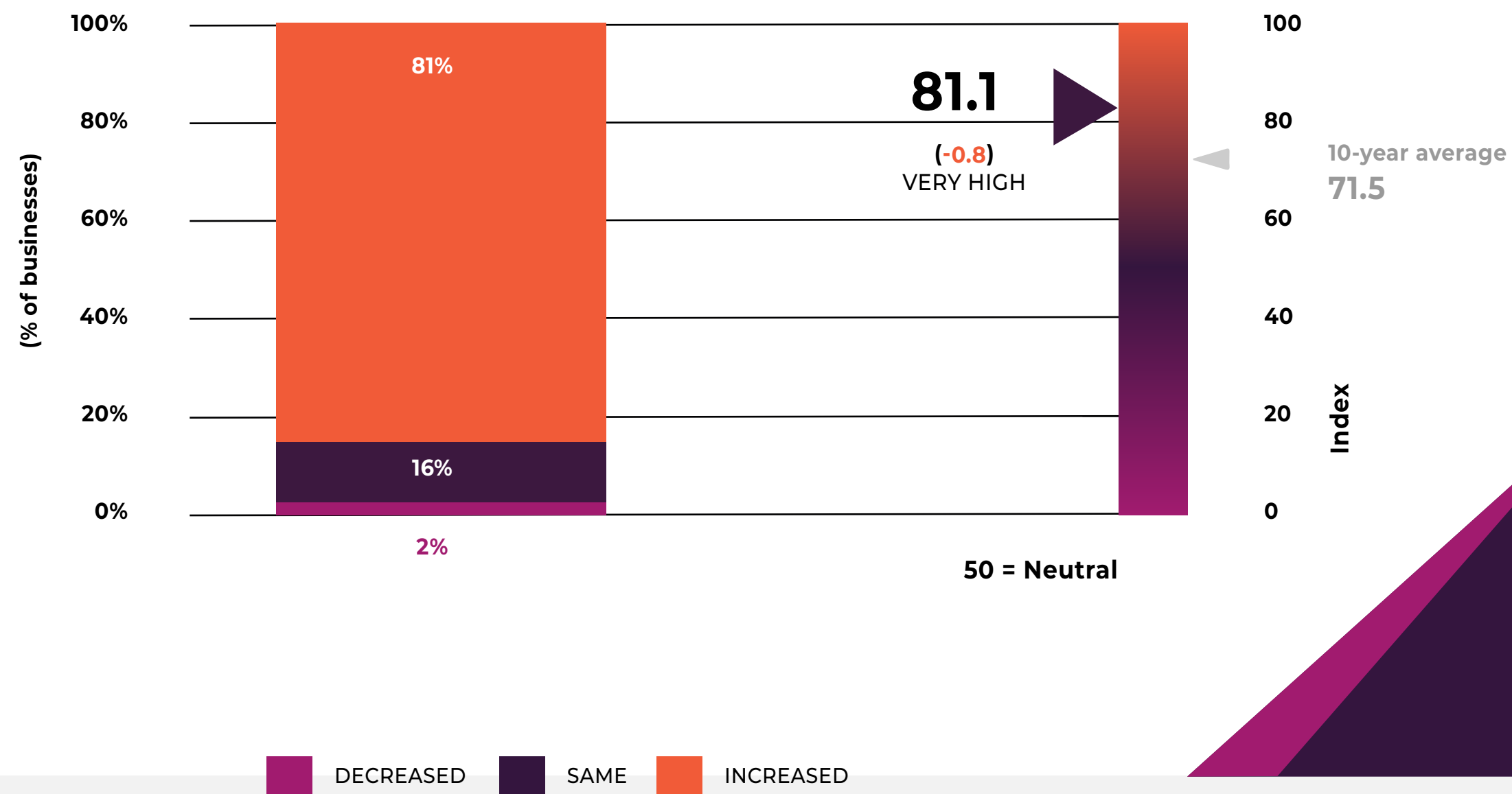
High cost of living including mortgage repayments and higher borrowing costs for business projects and investment have dramatically reduced sales revenue for most Queensland businesses. Two in five Queensland businesses indicated their sales declined during the quarter

Total sales revenue is expected to fall further in the December quarter with 39 per cent of businesses anticipating a reduction in their sales with a PBI of 45.3. If realised this will represent the lowest PBI since late 2021.

“ Interest rates and consumer sentiment are leading to people withdrawing from discretionary spending. People are just trying to make ends meet. ”

- Healthcare and social assistance, small business, Rockhampton

Operating Costs



Previous supply side pressures, combined with services inflation, are leading to higher business operating costs. Businesses noted in particular, higher insurance, electricity costs, and fuel prices as key cost pressures.

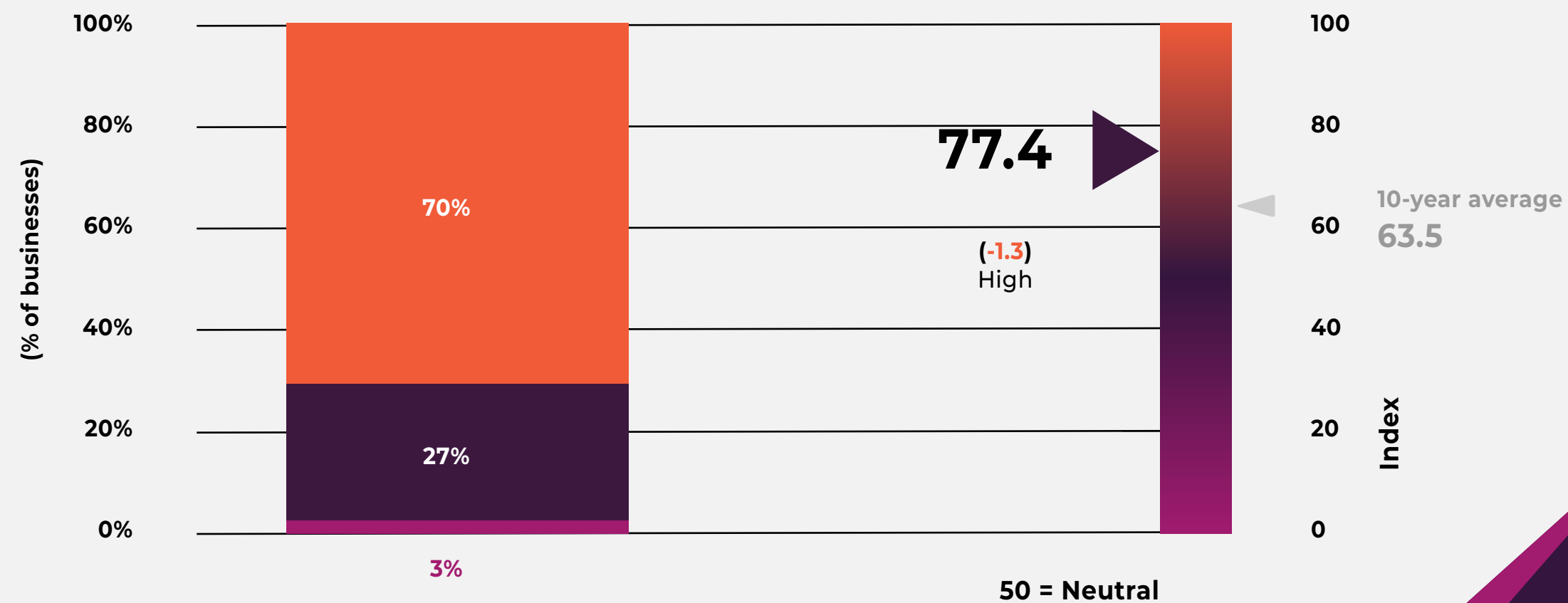
Operating costs during the September quarter 2023 remained at a very high level with a PBI of 81.1. Four in five businesses recorded an increase in their operating costs. The September quarter PBI is, however, marginally down (-0.8) on the previous June quarter but is above both this time last year (78.8) and the 10-year average (71.5).

High operating costs are expected to partly temper in the December quarter with two in three businesses expecting operating costs to increase. Despite this tempering, the operating cost PBI will remain at a high 76.6.

“The drawn-out effect of the increase in interest rate rises is causing cashflow impacts. Increased wage pressures and other wage associated costs, Workcover, superannuation means inflation is remaining high. Inflation is causing revenue to remain the same however, volume has reduced. Services inflation is filtering through, as are leasing, insurance and labour costs.”

- Retail trade, medium business, Sunshine Coast

Labour Costs



Labour costs in the September quarter remain at a high level with a PBI of 77.4. 70 per cent of businesses indicated their labour costs had increased.

The report indicates skills and labour shortages in various Queensland industries, as businesses seek to compensate by attracting and retaining high-earning employees.

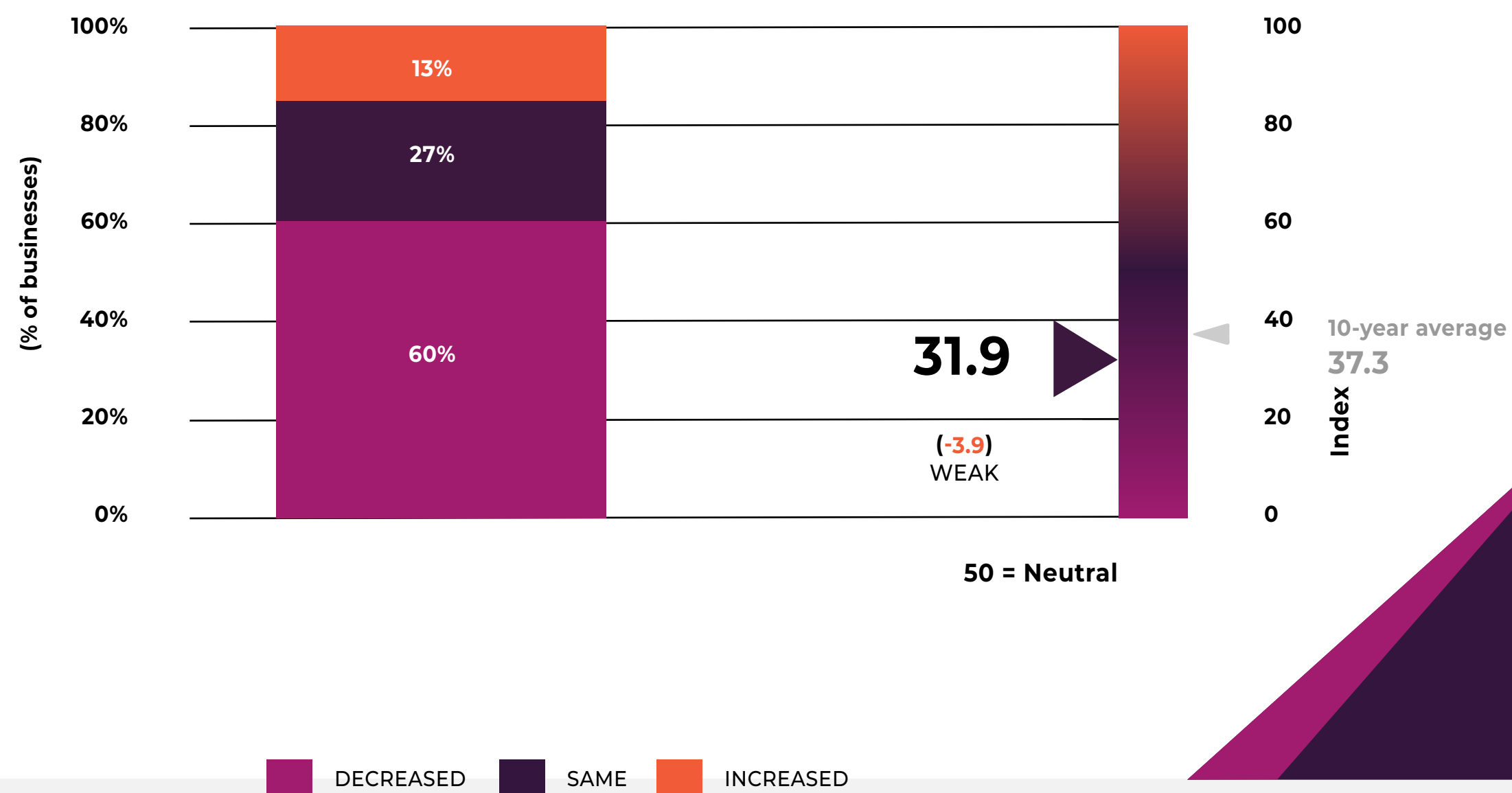
Whilst the labour cost PBI is partly down on the June Quarter (78.7) it is similar to this time last year (75.8) and remains well up on the 10-year average of 63.5.

Further moderation of labour costs is expected in the December quarter with the PBI expected to fall to 71.7.

“Costs are increasing yet it is very hard to increase the sale price. Staffing costs are huge compared to when business started.”

- Accommodation and hospitality, small business, Sunshine Coast

Profitability



Queensland businesses are experiencing reduced revenue but rising operational costs.

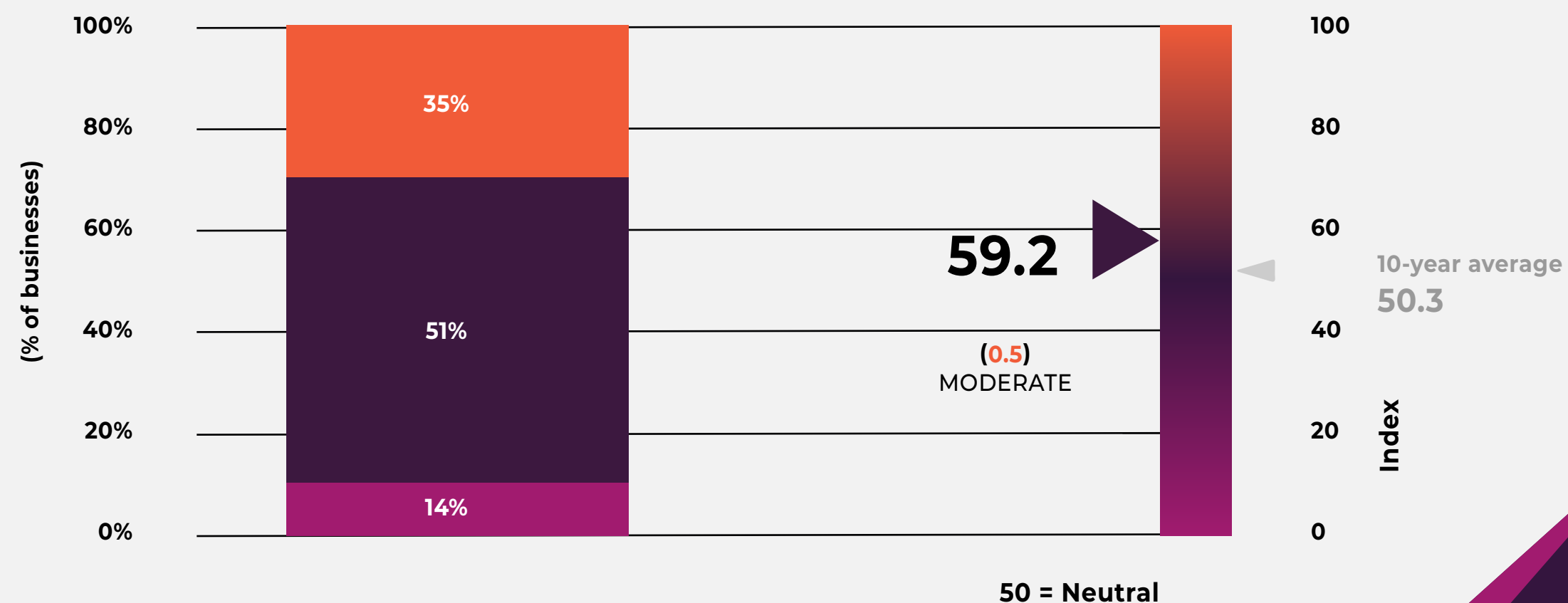
The profitability PBI fell another 3.9 points from 35.8 in the June quarter to 31.9. This follows a general trend of falling profits since the beginning of 2021. The profitability PBI is now 5.0 points lower than this time last year and below the 10-year average of 37.3. Three in five businesses are indicating their profitability fell during the quarter.

With uncertainty over the potential peak in the interest rate cycle and potentially stubborn inflation, profitability is not expected to improve in the short term. Queensland businesses expect a minor improvement in their profitability in the December quarter, with the index forecast to rise 1.9 points to 33.8.

“Inflation and cost of living means there is less money to buy goods. There is also increased cost of goods and for staff. Decreased profit margins are due to finding a balance between putting up prices but ensuring adequate sales.”

- Retail trade, small business, Wide Bay

Average Selling Prices



Average selling prices remained at moderate levels in the September quarter with a minor increase from the June quarter (up 0.5 points) and is consistent with the general trend of moderating inflation.

The index remains at a moderate level with a PBI of 59.2 and is down 2.9 points on this time last year (58.7). One in two businesses indicated their prices remained unchanged during the quarter and this is expected to increase to three in five businesses in the December quarter. As a result, the December quarter PBI is expected to fall further to 57.9.

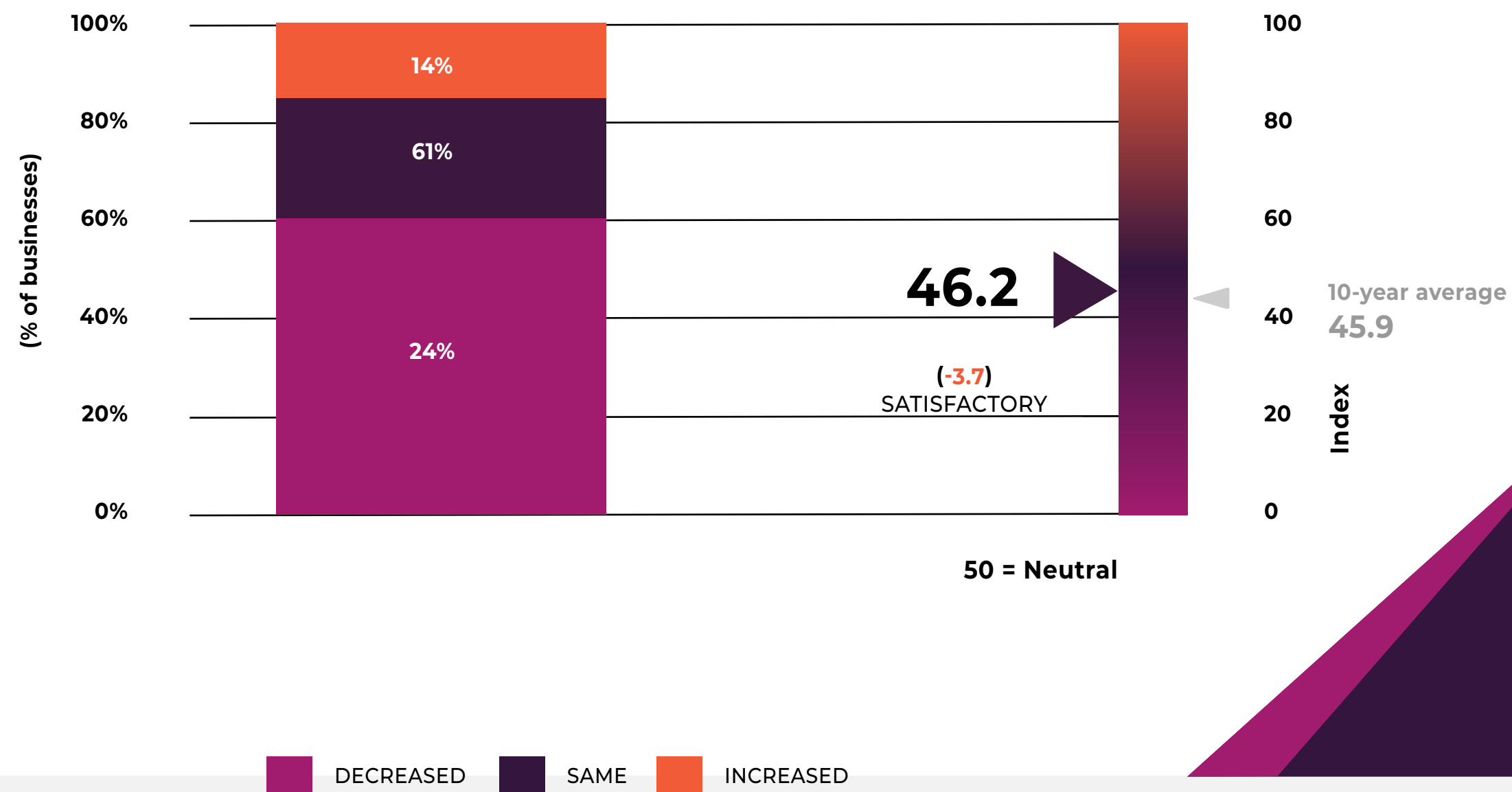
This suggests businesses are reaching a point whereby they can no longer keep increasing prices to offset rising operational costs and are taking a hit to their profitability.

“High wages are crippling businesses; the knock-on effect is price increases are required to grow revenue. High interest rates are reducing spending on essential items, thus no sales growth is achieved.”

- Wholesale trade, medium business, Brisbane



Employment Levels



Employment levels declined in the September quarter, with the PBI falling 3.7 index points from 49.9 in the June quarter to 46.2.

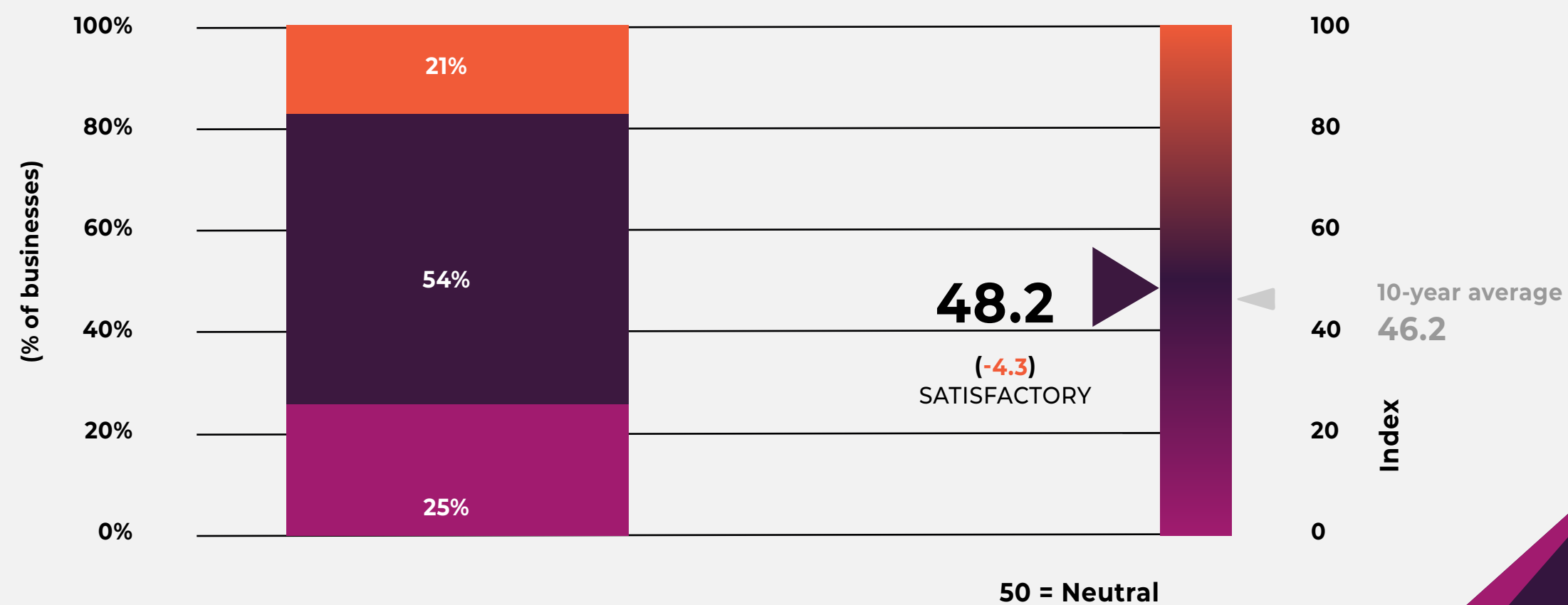
This result is consistent with business feedback – businesses are now seeking to maintain viability through cost minimisation and suggests an easing in the tight labour market is underway.

The PBI is now 1.4 points lower than at this time last year (47.6) and is close to the 10-year average (45.9). A further fall in employment is expected in the December quarter with the employment PBI falling by 0.5 index points to 45.7.

“ Costs are too high. Adapting prices should go steadily but with wages rising with percentages like 6.25%, ingredients up to 300%, customers will be off the hook. Many businesses close their doors. Unemployment will rise in specific industries. There will be increased salaries. Poor labour laws and no committed staff mean anyone can walk away as they please; you never know if your team (pool of employees) will exist tomorrow. ”

- Accommodation and hospitality, small business, Brisbane

Capital Expenditure



Prevailing weak profit levels, lower sales revenue, higher borrowing costs and uncertainty continue to weigh down future business plans and capital expenditure.

The capital expenditure PBI in the September quarter fell by 4.3 index points from 52.5 in the June quarter to 48.2. The Cap Ex PBI is down on 2.5 points from this time last year but is commensurate with the long term 10-year average PBI of 46.2.

Business investment is expected to further weaken in the December quarter with the capital expenditure PBI down 2.0 points to 46.2. There is growing expectation the under-investment evident across recent years could hinder Queensland's future growth.

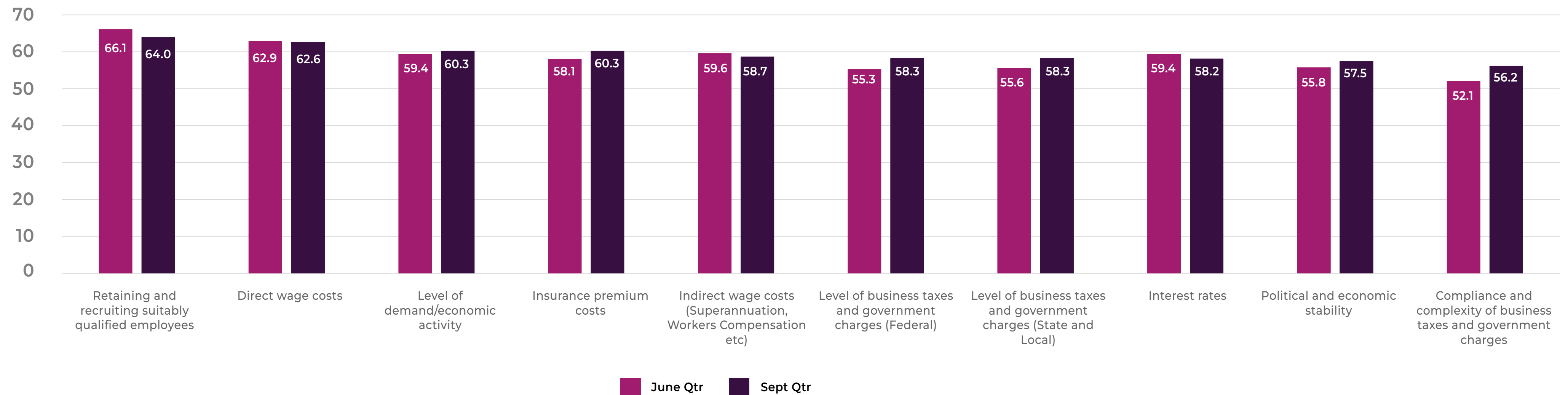
“ Foreign exchange rate primarily, and increases in interest rates, are slowing down capital investments. Queensland will be buoyed by tourism income but will follow suit when rates impact larger projects down the line. ”

- Manufacturing, small business, Brisbane

## Business Constraints

- Retaining and recruiting suitably qualified employees, direct wage costs, and the level of demand and economic activity are key constraints on business growth.
- The leading constraint is recruitment and retention of suitably qualified employees, however the index eased from last quarter (down 2.1 points) and is consistent with softening employment.
- Direct wage costs remain the second largest constraint.
- The level of demand and economic activity has moved back into the top three largest constraints on business and is reflective of declining sales revenue for the majority of businesses as both households and businesses reduce spending.
- Insurance premium costs continue to increase in severity and are a significant constraint on business growth.
- Labour on-costs expressed as percentage of wages are also a major constraint. As wages have risen, indirect wage costs like superannuation, payroll tax and workers compensation have also increased as constraints.

## Constraints on Business



## Biggest rise (+2)

- Insurance costs continue to rise with many businesses reducing coverage and increasing excesses to offset rises and seek affordability.

## Biggest Fall (-4)

- Interest rate fell from 4th largest constraint to 8th

“ Labour shortages have in turn increased labour costs. As a service business, the majority of my expenses are wages. ”

- Professional scientific and technical services, small business, Mackay

Profile of Responses

# Profile of Responses

Responses

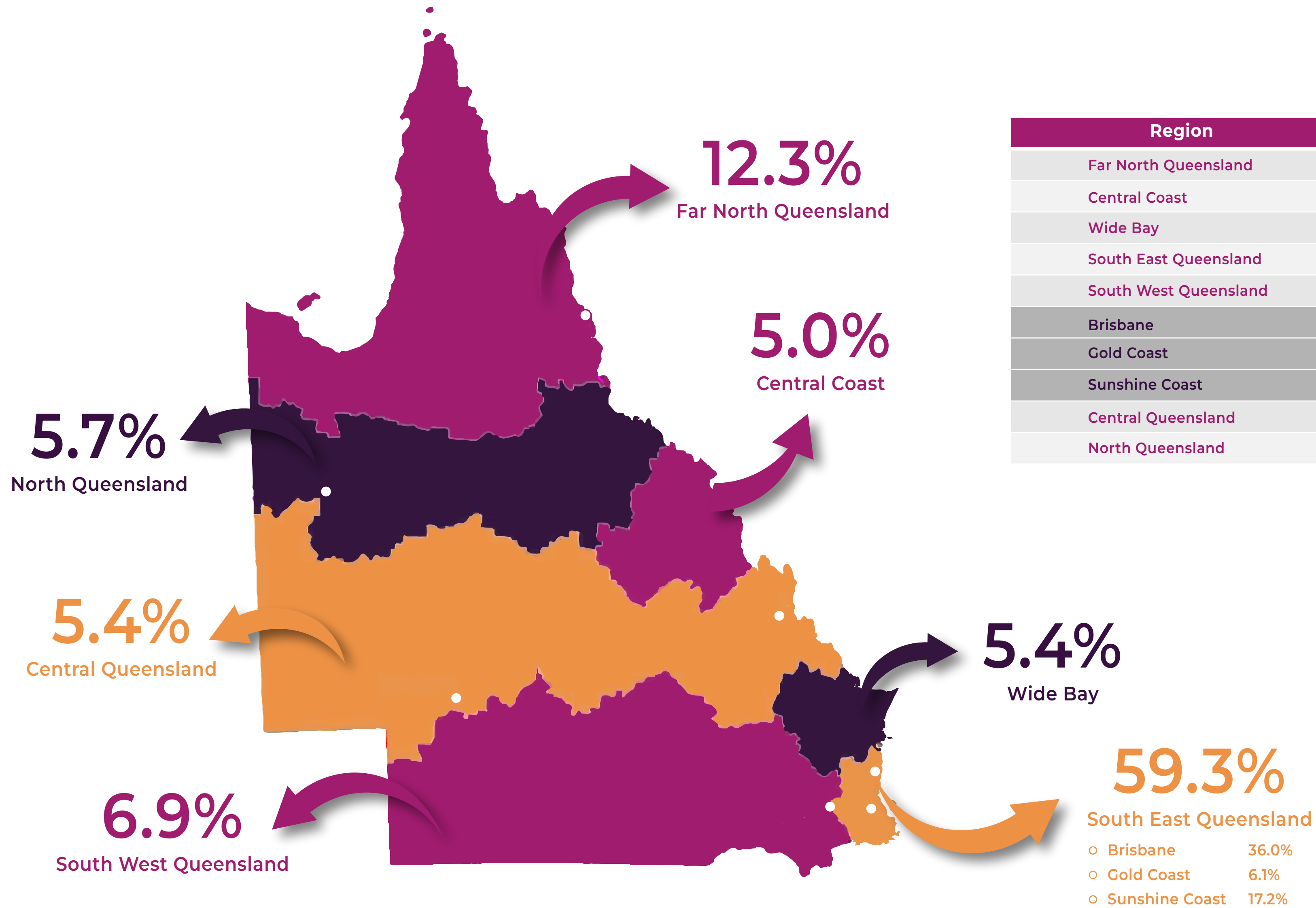
# Profile of Responses

## Survey Period and Sample

- The online Pulse Survey of Business Conditions collected responses from Queensland businesses during the period of 4 October to 27 October 2023, on business sentiment and activity for the September quarter 2023 with 262 businesses responding to the survey.
- To find out more about the Pulse Survey, visit [www.businesschamberqld.com.au](http://www.businesschamberqld.com.au), or contact Business Chamber Queensland on 1300 731 988.
- Business Chamber Queensland is committed to advancing sustainability in Queensland. Our Pulse report is intended for digital viewing. Please minimise printing whenever possible.

### HOW TO INTERPRET THE INDEX

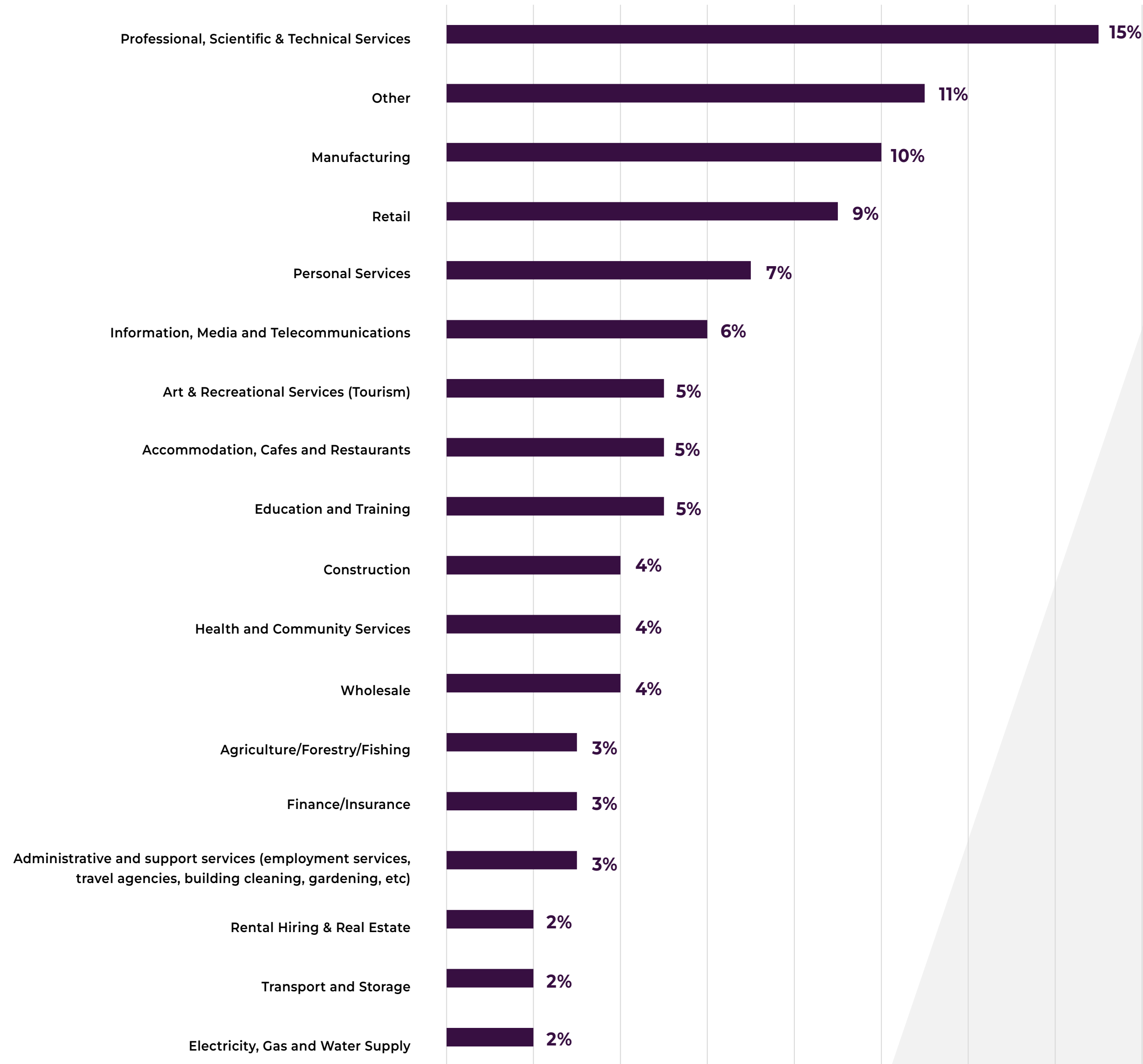




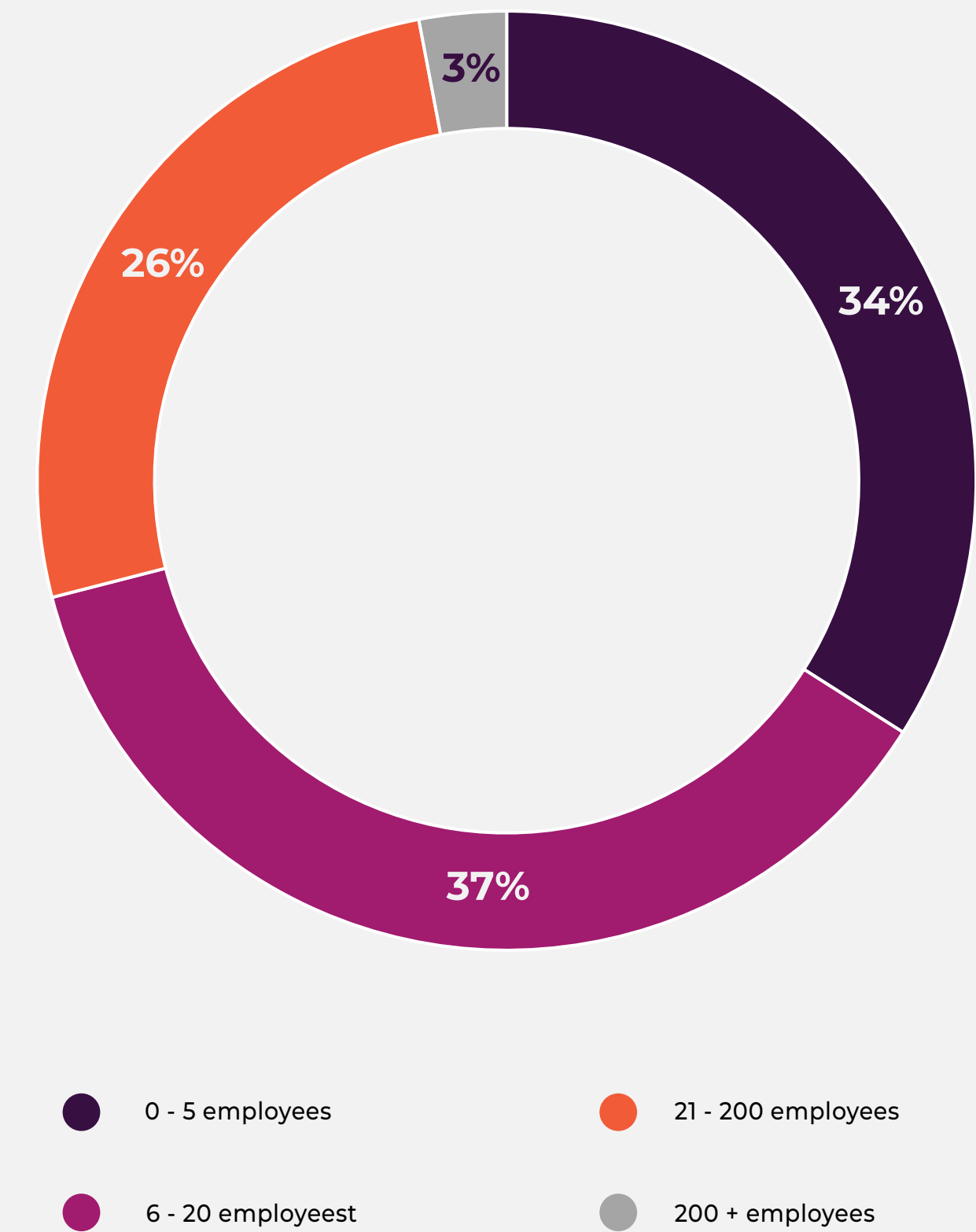
Region	Response Percentage %
Far North Queensland	12.3%
Central Coast	5.0%
Wide Bay	5.4%
South East Queensland	5.4%
South West Queensland	59.3%
Brisbane	36.0%
Gold Coast	6.1%
Sunshine Coast	17.2%
Central Queensland	5.4%
North Queensland	5.7%

Survey responses by region

### Survey responses by industry



### Survey responses by business size





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