

Pulse Survey of Business Conditions

September Quarter 2024



**Business
Chamber**
QUEENSLAND

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business
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Overview

September 2024 Quarter Overview

Pulse Report data for the September 2024 quarter shows business expects an uplift in general business conditions, total sales revenue, profitability and employment in the December quarter – expectations supported by increased economic confidence following the 2024 State Election. However business indicators in the September quarter were consistently weak, with only marginal improvement on the June quarter. Expectations in the December quarter are coming off a low base.

2024 State Election – impact on business confidence

The 2024 State Election had the most influential impact on economic confidence. The September quarter Pulse Survey provides special insight on the election result given the survey period ran two weeks prior to the election and one week post. The results demonstrate an improvement in business confidence, as measured by the 12 month outlook for the Queensland economy. The Queensland economic confidence index rose progressively in the week following the election, from 36.6 to 36.9 for the September quarter.

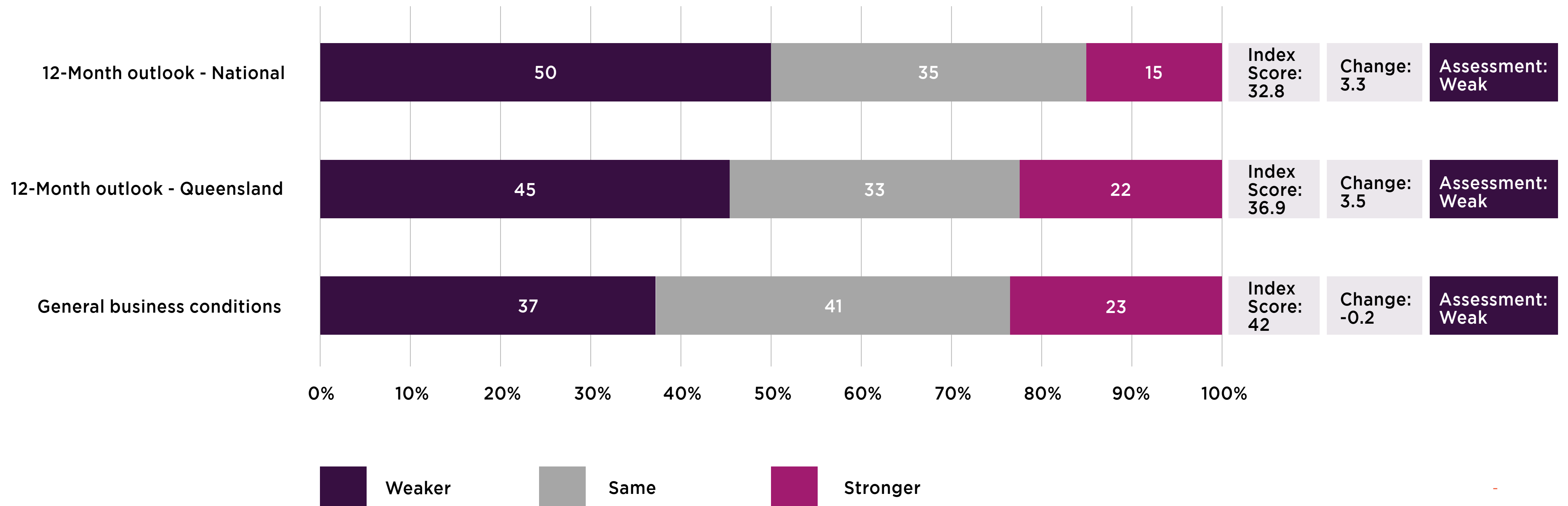
September quarter key topics:	
State Election	Businesses expected change from the 2024 State Election. Typically elections demonstrate interruption to program and infrastructure delivery with high degree of policy uncertainty. This uncertainty softened following the election outcome.
Interest rates	Higher interest rates have increased both residential and business lending costs reducing consumer and businesses to business spending and economic activity.
Inflation and cost of living	Cost of living for consumers have led to reduced consumer spending but also high inflation – which impacts Queensland businesses through high business costs such as leasing, electricity, fuel, insurance and labour costs.
Federal Election	While the State Election is passed, some economic and policy uncertainty persists with the 2025 Federal Election.
Labour costs	Despite the labour market softening, wage pressures are not easing but remain elevated.

Consumer and business confidence	Despite improving, persistently weak confidence is currently weighing down both consumer and business spending and investment.
Regulation and taxes	The high level of government imposed costs including taxes and regulation are impacting businesses productivity and viability.
Natural disasters	Coming into storm and cyclone season businesses are conscious of the disruptive effect these events have on their operations, customers and supply chains.
Skill shortages	The severity of skill and labour shortages is increasingly lessening as a key constraint due to a softening labour market and economy.



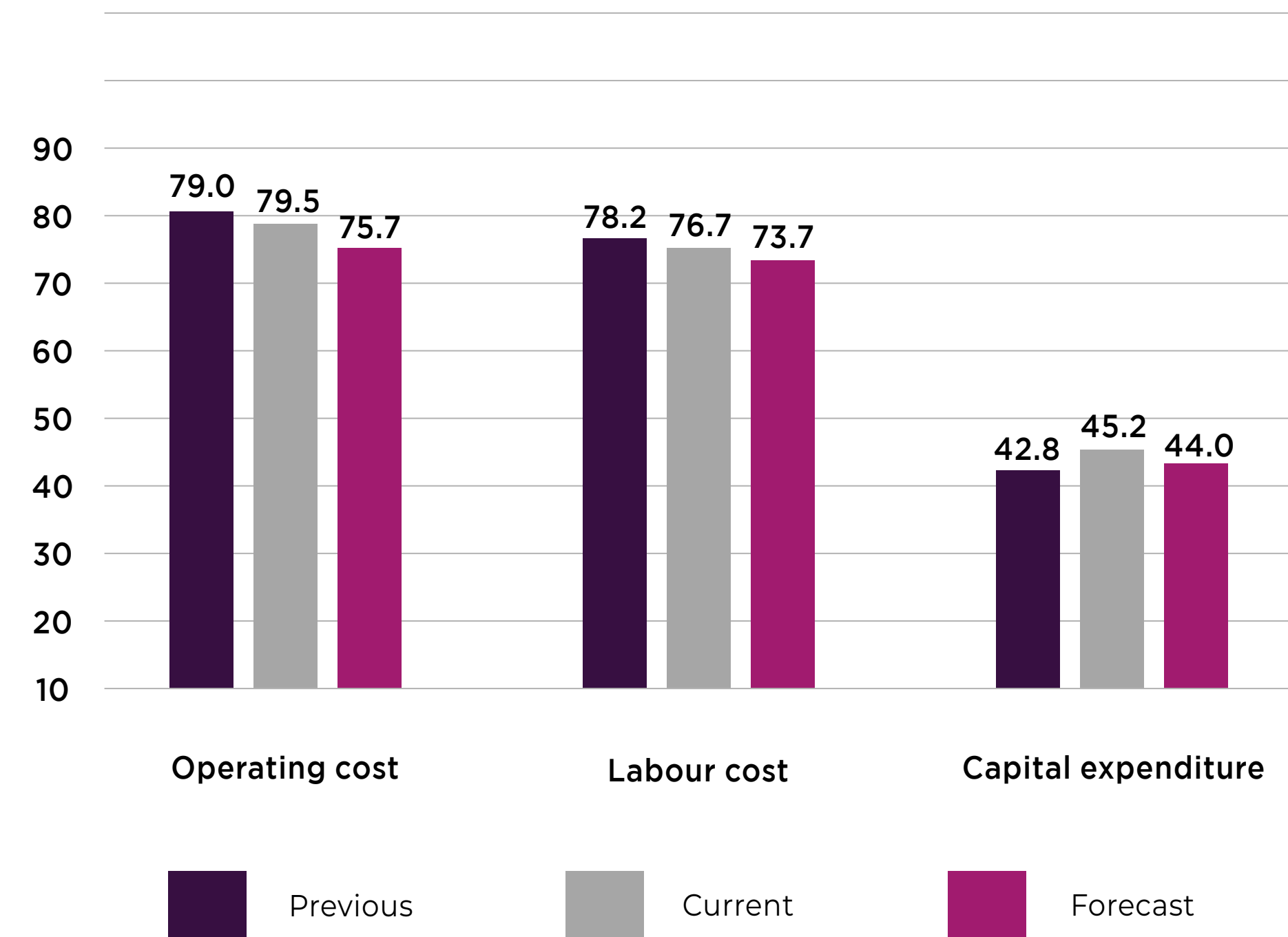
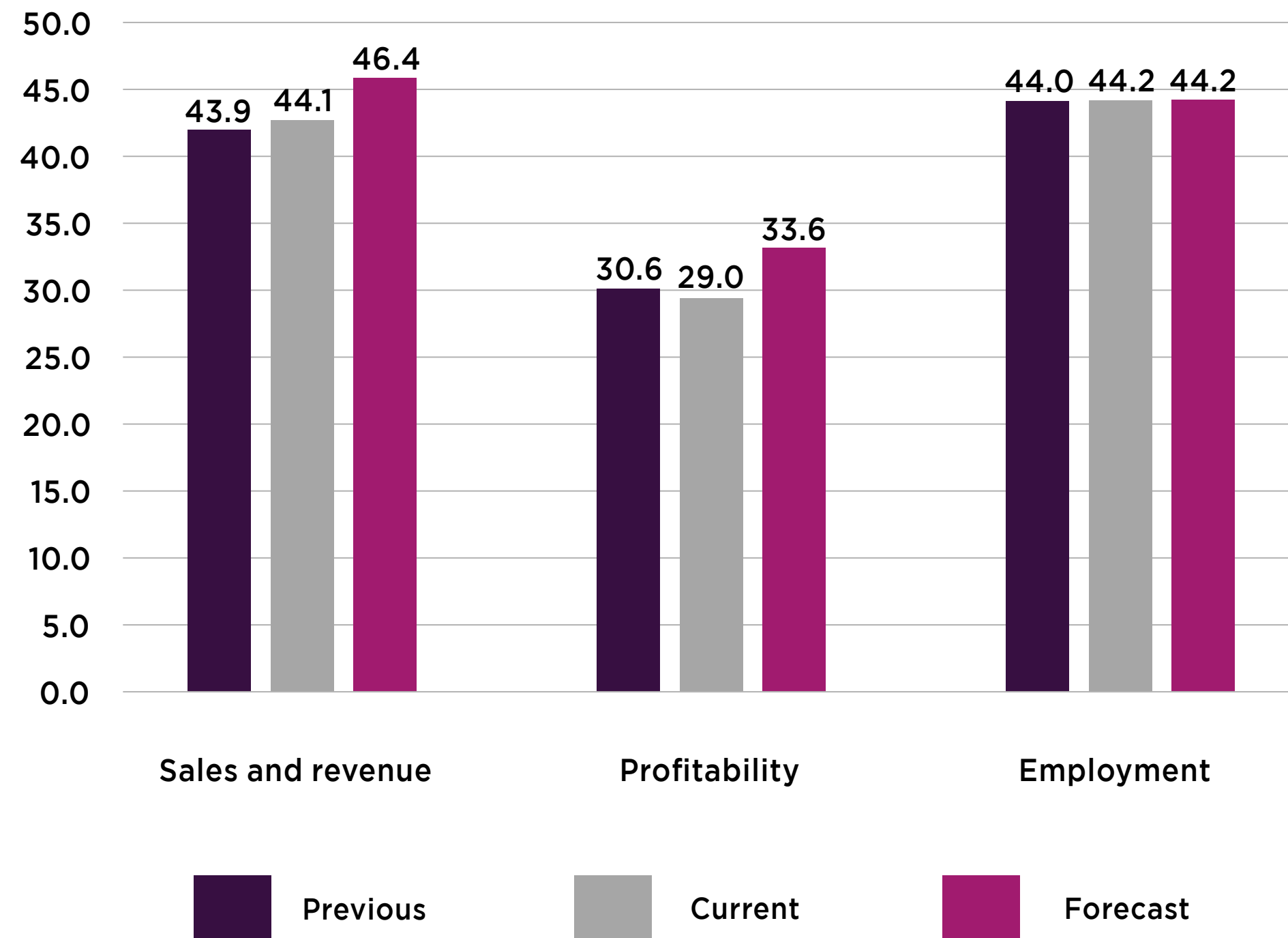
An election in Queensland always slows spending and confidence. Otherwise a change of government will give us a boost of confidence. **Small construction business in Central Queensland**

Business conditions



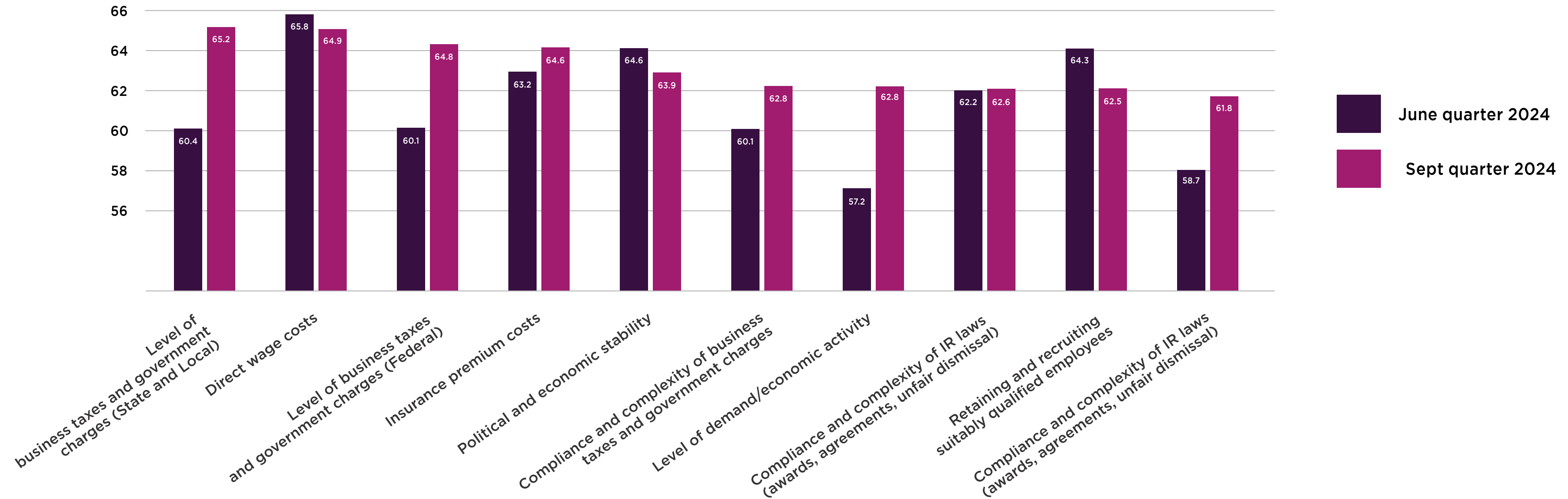
Key indicators

Business performance measures such as sales and revenue, and employment improved and continue to be satisfactory. Profitability again declined during the quarter and continues to be weak. This soft economic environment is anticipated to improve in the December quarter. Conversely operating costs and labour costs are moderating, however, in a historic context remain high.



Constraints

There was a significant shake up in business constraints in the September quarter and the top four constraints all now relate to business cost areas such as taxes, wages, insurance and superannuation.



National and State Governments have been spending without restrictions in order to buy their next election result. This populist largesse is not sustainable and future governments will need to rein in spending and implement some form of budget control.

Small professional, scientific and technical services business, Brisbane



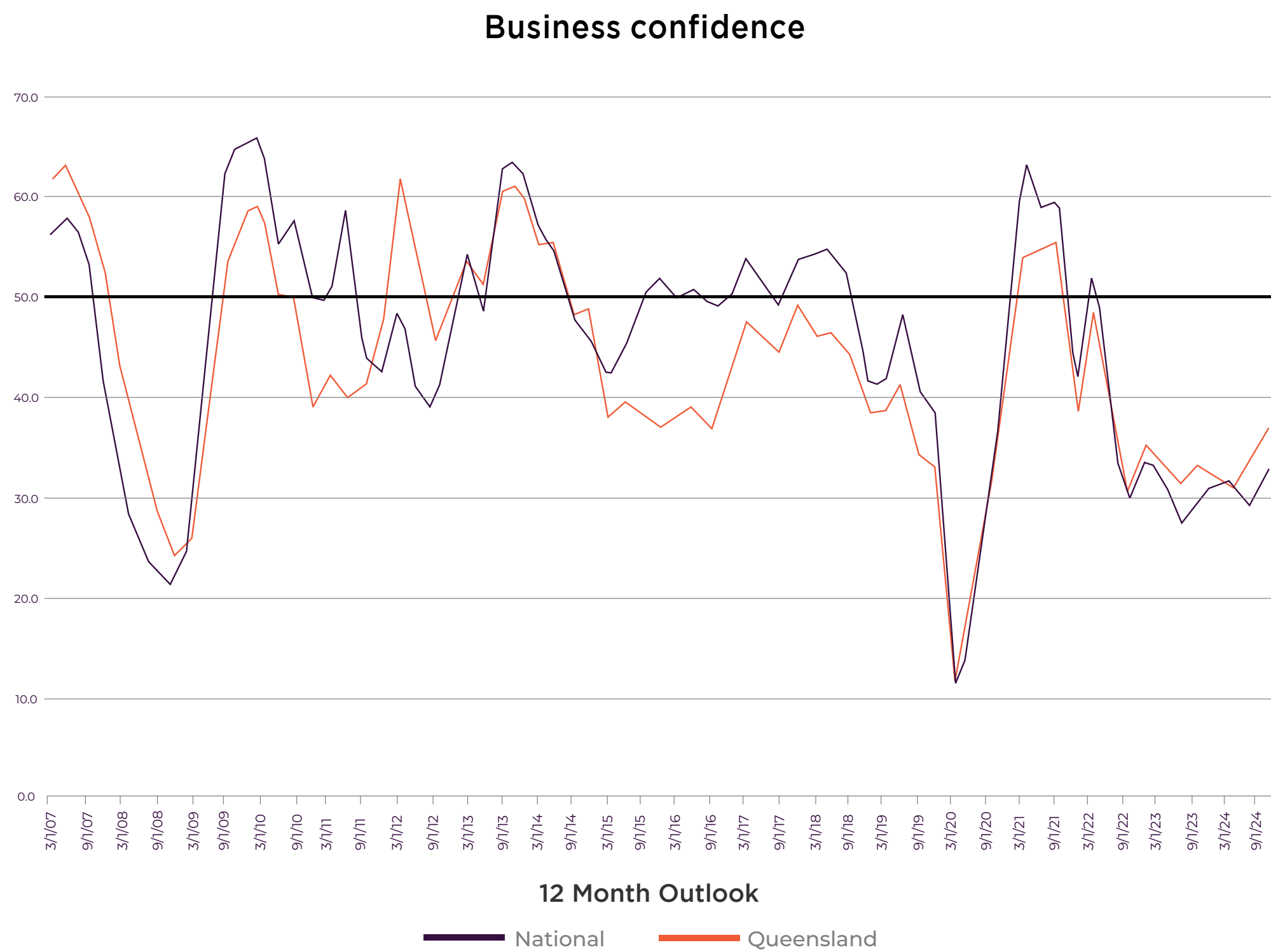
There is a lack of a strong direction. We need a leadership that is prepared to make the hard decisions, to stand up for everyone and ensure that as a country and state it's people must come first.

Small health and community services business, Far North Queensland

Business confidence

September quarter data shows business confidence for the Queensland economy for the next twelve months improved for the second consecutive quarter, although it continues to be weak.

However business confidence continues to reflect the compounding impact of high operational and labour costs and a soft economy with low sales. Although, the State Election result had a positive impact on confidence.



Consumer sentiment is becoming more and more negative as money becomes tighter. Also volatility of the economic situation here and abroad doesn't support confidence for business to invest.
Small professional, scientific and technical services business, Sunshine Coast

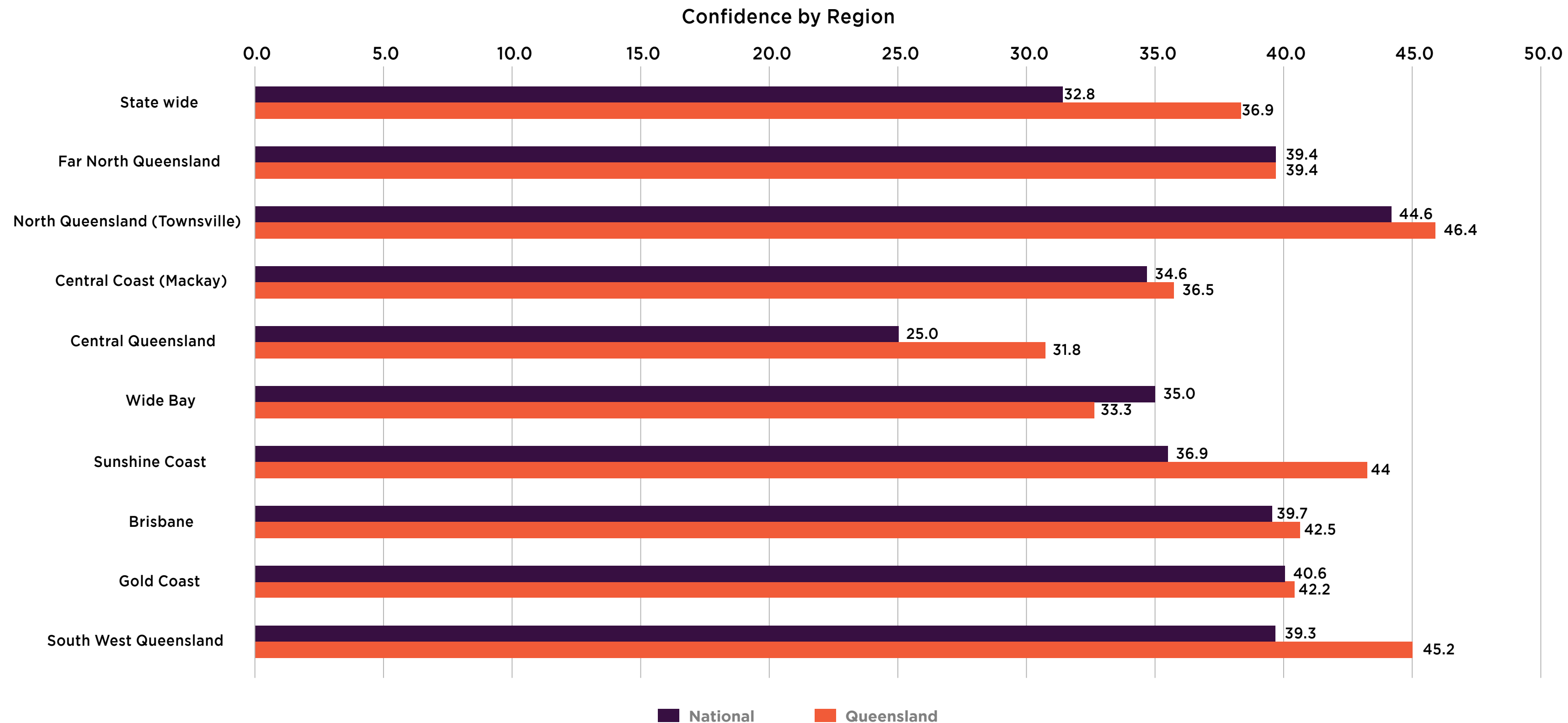
Even though interest rates are at historically neutral levels, they're higher than recent years, and the flow on affects are only just hitting home. Couple that with consumer savings depletion, low-no productivity, anti-productivity policies, and increasing costs, the downswing has further to run.
Small professional, scientific and technical services business, Central Queensland



Confidence by region

Business confidence for the Queensland economy across North Queensland, Sunshine Coast, Brisbane, Gold Coast and South West Queensland is satisfactory.

Businesses in North Queensland reported a significant increase in economic confidence in the September quarter, from 27.5 in June to 44.6 in September 2024. Businesses on the Sunshine Coast reported high confidence in the Queensland economy, the index increasing from 35.1 in June to 44 in September.



12 month outlook - Queensland

Business confidence in the Queensland economy for the next twelve months increased by 3.5 points to 36.9. The improvement is the largest in the last two years and is the second quarterly rise in a row.

The Queensland Index is also up by 3.6 points on this time last year (33.3) but remains below the 10 year average of 39.0. While the continued improvement is promising, substantial and constant gains are needed.



Primarily, there is a slow improvement once the interest rates start dropping. Policy changes with the new Queensland government may result in a weakening of the Queensland economy. We will just have to wait and see. Not confident of an improvement though.

Small business, Sunshine Coast

The federal economy will be impacted by international issues such as the possible escalation of war and the correction of the Chinese economy, but mostly by both the American and the Australian government elections. At a state level, if the Labor party had retained power, a significant amount of small businesses would look to close up shop, as they see little future under the constant bombardment of union focused, bad labor policy.

Small personal services business, Wide Bay

12 month outlook - National

Business confidence in the Australian economy for the next twelve months also improved up 3.3 points to 32.8. The national index is up on this time last year (29.6) but also continues to be significantly below the 10 year average of 42.9. Business confidence for the national economy is persistently weak.

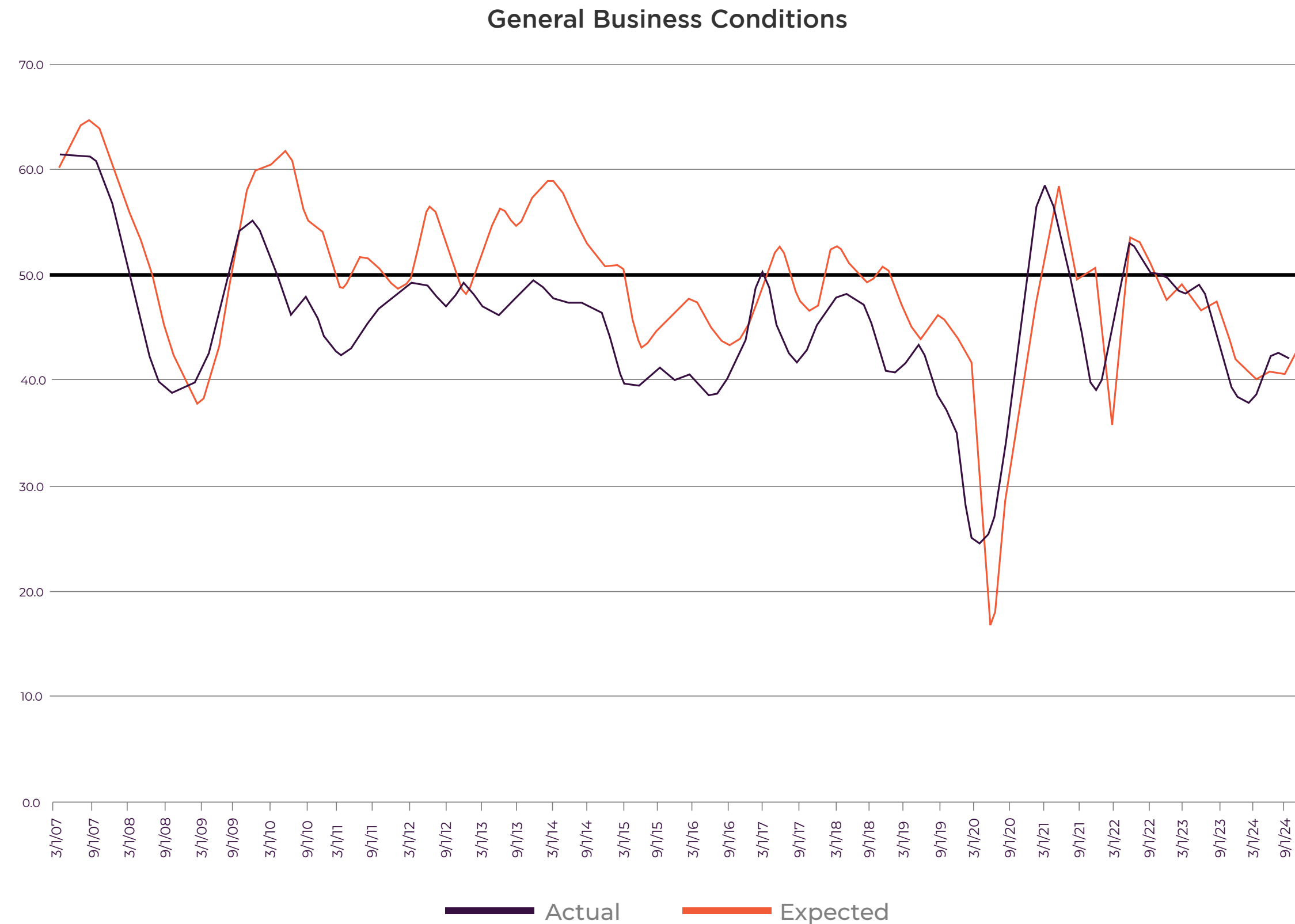
The difference between the indexes has widened to 4.1 points and Queensland businesses continue to be more optimistic about the Queensland economy over the next twelve months than the national economy.

General business conditions

General business conditions during the September quarter continued to be tough and could not sustain the improvement recorded in the June quarter, declining 0.2 index points to 42.0. This result is interpreted as a legacy impact of high operating costs, poor sales and profitability.

The September quarter index score of 42.0 remains below this time last year (43.9) and also the 10 year average (43.0).

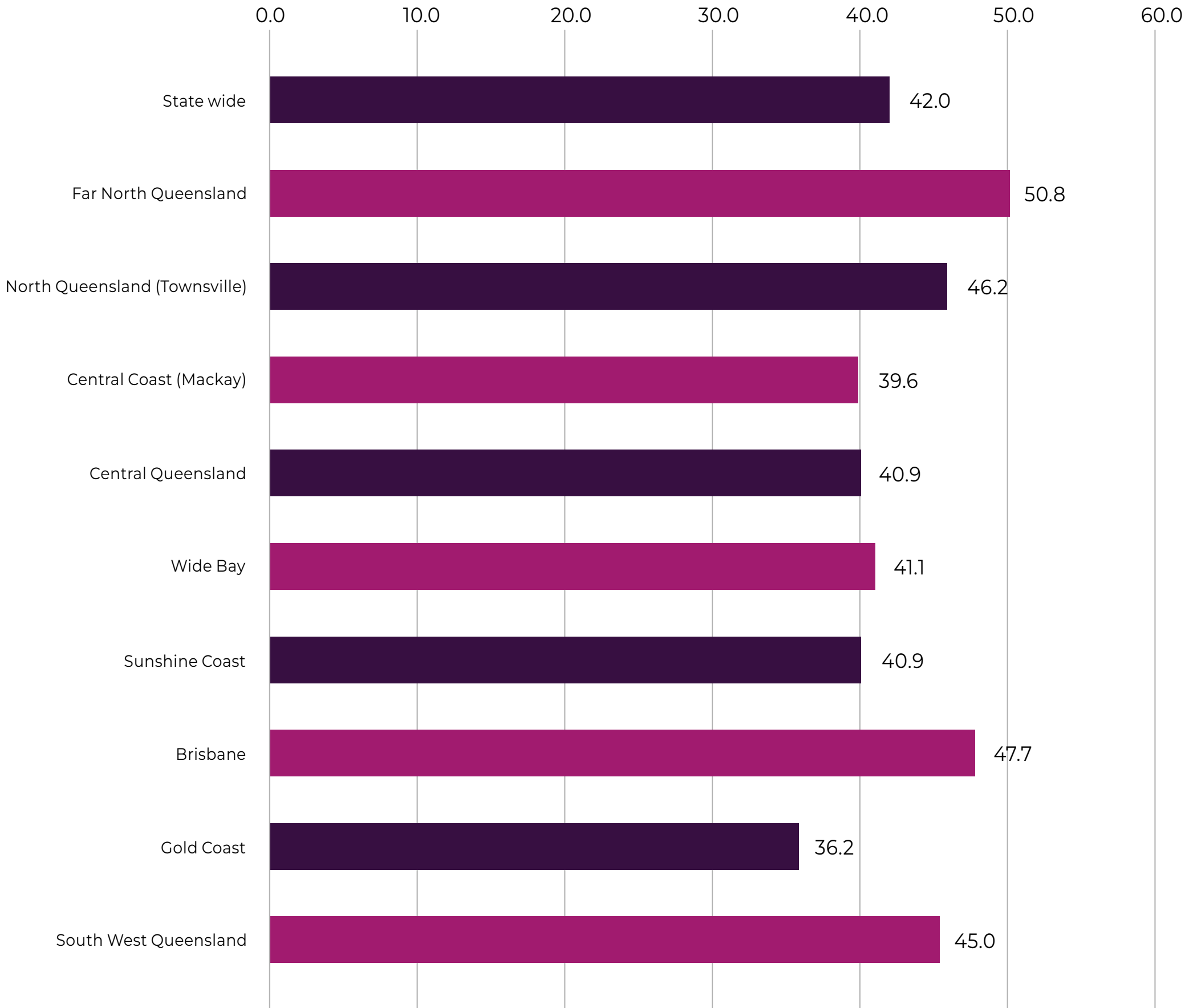
General business conditions in the December quarter are expected to improve up 2.3 points to a PBI of 44.3.



At the federal level, inflation is reducing and interest rates will lessen, allowing further money to flow through the wider economy, increasing as the 12 months moves to a close. Risk of a recession remains and that will dampen some of the gains from the above. At the state level, the election is now behind us, and a more positive vibe already exists in the consumer and business fields which should relate to increased consumer and business confidence and hence further spending, boosting the economy.
Small electricity, gas and water supply business, Brisbane

Inflation and interest rates: increased interest rates, making borrowing more expensive and reducing consumer spending, which could slow economic growth. Consumer confidence: Rising living costs and housing affordability issues could lower consumer confidence.
Large accommodation, café and restaurant business, Gold Coast

Most regions across Queensland continue to have an index score below 50 indicating weakening business conditions, soft sales revenue, high operating costs and poor profitability. Far North Queensland recorded strengthening business conditions and all regions with the exception of Central Coast and Gold Coast have satisfactory general business conditions.



Current economic limitations being put on the Australian population via higher interest rates are coupled with the recent state election results, US election results and China's' economic status. This could affect the state revenue and therefore impact on funding of infrastructure projects.
Electricity, gas and water supply business, Sunshine Coast

Sales revenue

Total sales revenue in the September quarter improved and is slowly nudging back towards 50 which indicates strengthening sales. The sales and revenue PBI of 44.1 is up 0.2 points on the previous June quarter index of 43.9 but remains below this time last year (47.0) and the 10 year average (48.3).

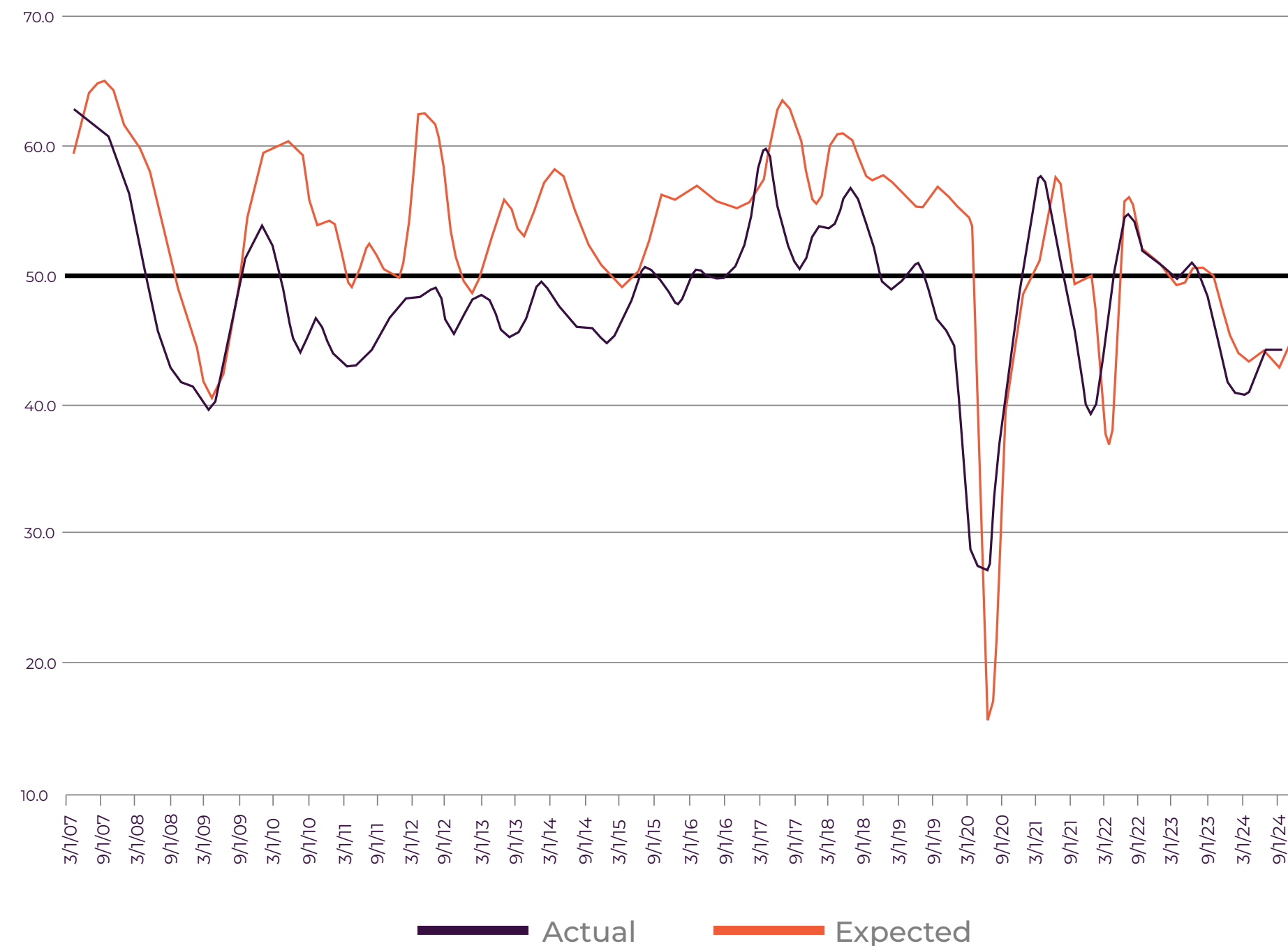
High cost of living including mortgage repayments and higher borrowing costs for business projects and investment have continued to weigh down business to consumer and business to business sales.

The possibility of an end to higher interest rates in the new year is buoying consumer confidence with an improvement in December quarter PBI (up 2.3 index points).

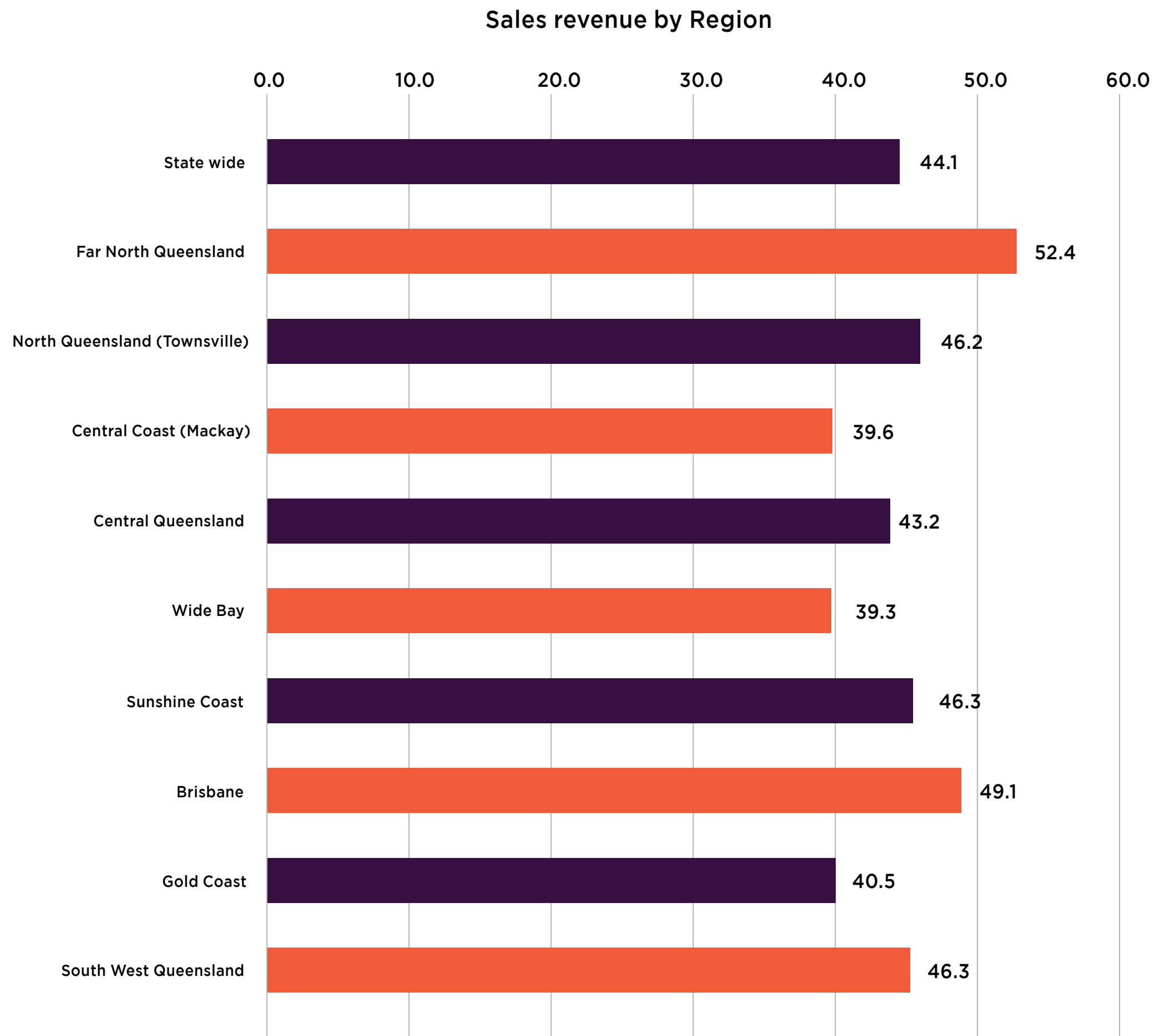
I can see a slow down with people being very cautious with the economy.
Small manufacturing business, Brisbane

I think goods and services spending is going to slow as cost of living pressures continue to creep in, but also seeing a divide with people that were living week to week or close to continue to feel living pressures vs those who might be in a better financial position (home ownership, low/no mortgage, investors).
Small finance/ insurance business, Brisbane

Total Sales Revenue

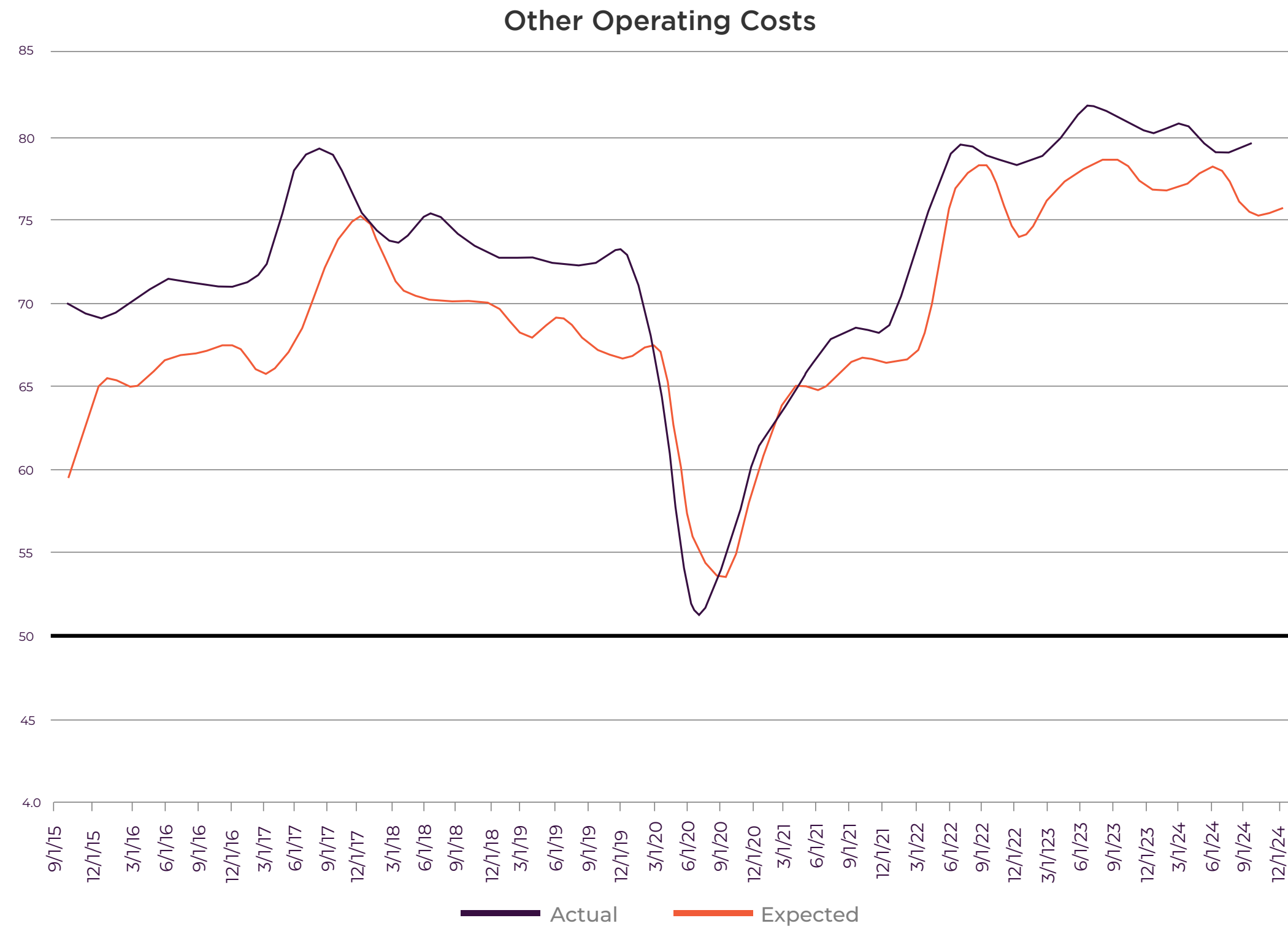


Most regions across Queensland experienced an improvement in their sales revenue, particularly in Far North Queensland. All regions with the exception of Central Coast and Wide Bay have satisfactory total sales revenue.



Operating costs

Queensland businesses continue to note high leasing, insurance, electricity and fuel prices as key cost pressures. Operating costs during the September quarter are elevated with a PBI of 79.5. Four in five businesses recorded an increase in their operating costs. The September quarter PBI is up 0.5 points on the previous quarter but is below this time last year (81.1). High operating costs are expected to temper in the December quarter with the operating cost PBI falling to 75.7.



Extended high interest rates that affect not only home owners but business owners too (as a double whammy) - office rents and commercial property loan repayment, plant and equipment loans, credit card interest rates!
Small business, Brisbane

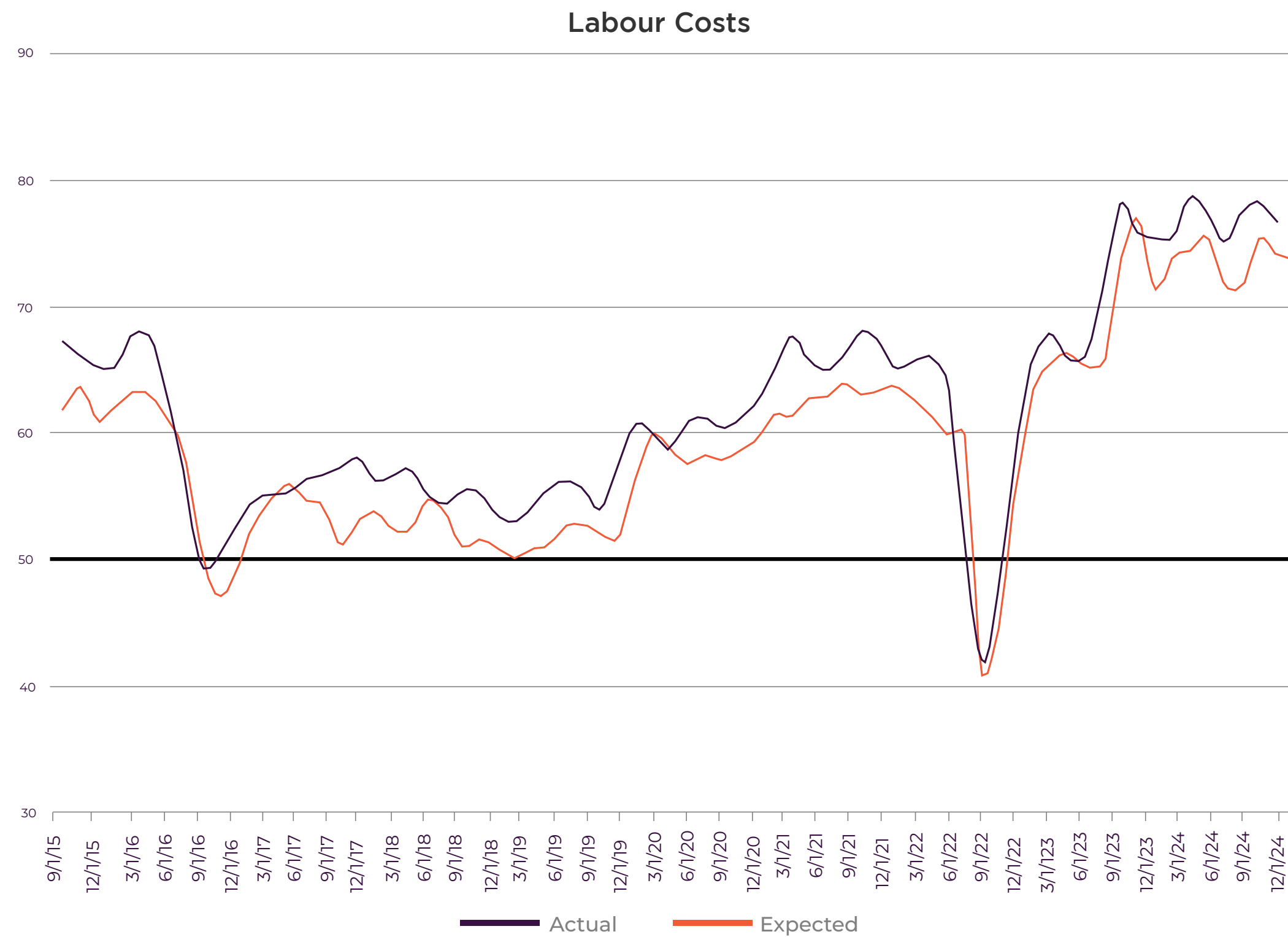
Electricity prices, particularly gas prices flow through the entire economy. Any party that locks in domestic reservation for east coast gas will be on a vote winner.

Small mining business, Brisbane



Labour costs

Labour costs in the September quarter are high with a PBI of 76.7. 72% of businesses indicated their labour costs increased over the quarter. The labour cost PBI is however down 1.5 points on the June quarter and is broadly in line with this time last year (77.4), and above the 10 year average (65.7). As a constraint on business it is now the second largest challenge confronting Queensland businesses. The labour cost PBI is expected to moderate in the December quarter with the PBI down a further 3.0 points to 73.7.



Rising costs are driving up employee requests and the need for increased wages. Businesses are also facing increased expenses.
Medium health and community services business, Far North Queensland

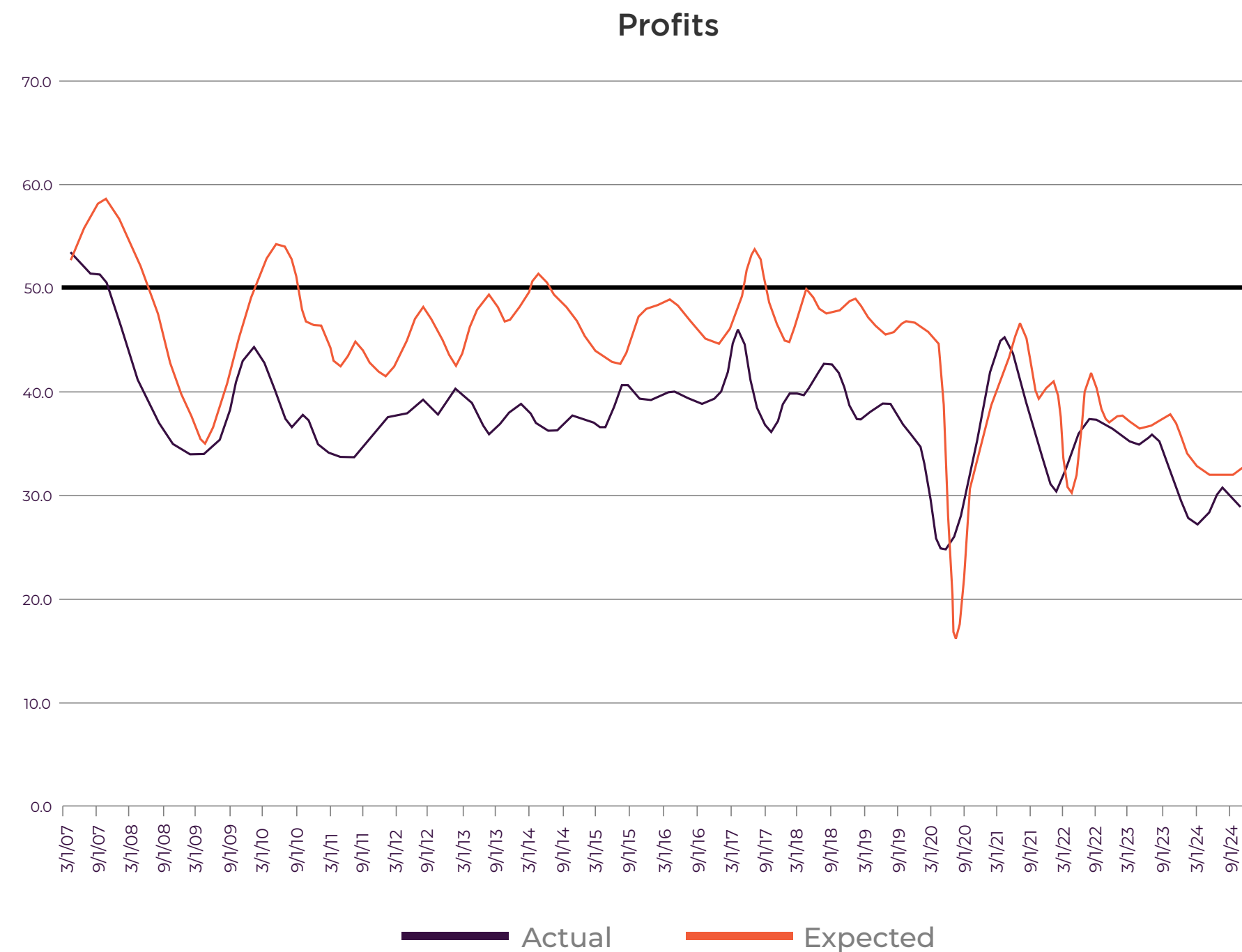
Profitability

Profitability declined in the September quarter reflecting continuing soft sales and revenue and high operational and labour costs. The profitability PBI decreased 1.6 index points to 29.0, 2.9 points lower than this time last year and below the 10 year average of 36.5. The indicator is back at its lowest level since the COVID-19 pandemic.

Profitability is expected to improve in the December quarter with the index up 4.6 points to 33.6, but will need sustained improvement to return to satisfactory levels.

There has been a noticeable slowdown in work recently as most companies are waiting to see the output of the election before they commit to any long term projects.
Small electricity, gas and water supply business, Brisbane

The economy will stagnate unless interest rates fall and the governments tackle inflation.
Small accommodation, café and restaurant business, Central Coast



Average selling prices

Average selling prices settled slightly above 50 index points with the PBI at 53.9 and is consistent with the general trend of sticky but moderating inflation. The index is moderate but well down on this time last year (59.2) and below the longer term trend of 57.5. Two in three businesses indicated their prices remained unchanged during the quarter. The December quarter PBI is expected to continue its moderating trend with the PBI falling 2.8 points to 51.1 in the December quarter.



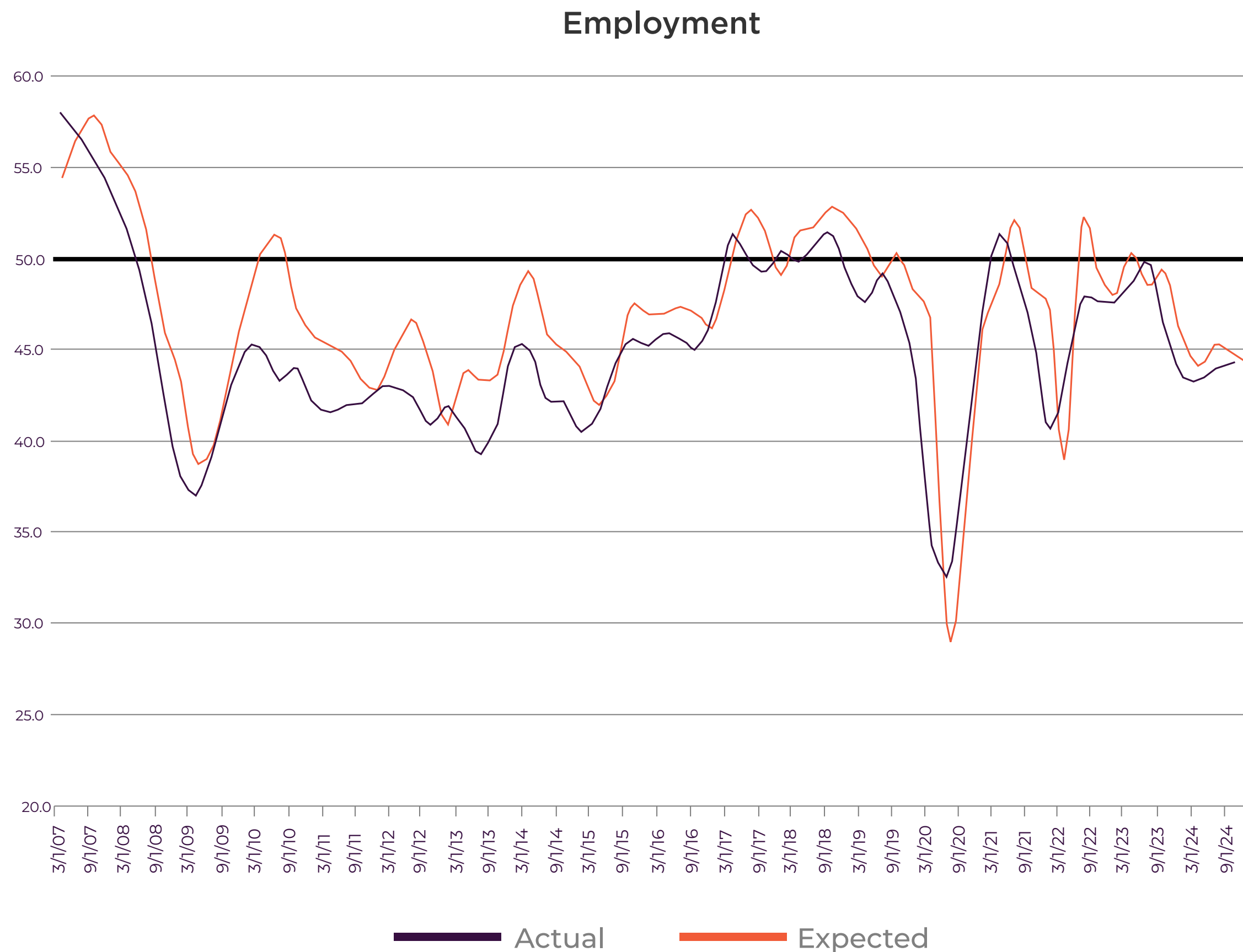
If inflation continues to decline and we get an interest rate cut this will be the biggest driver for the tourism industry.
Medium business, Far North Queensland



There are out of control price increases in both supply chain materials and staff wages. Other big issues are a shocking lack of qualified staff and the ever increasing burden of tax and bureaucracy.
Small business, Gold Coast

Employment levels

Employment levels remained virtually unchanged in the September quarter, with the PBI increasing slightly by 0.2 index points from 44.0 in the June quarter to 44.2. This has been the trend for the past six months. The PBI is 2.0 points lower than at this time last year (46.2) and lower than the ten year average of 45.9. Employment levels are not expected to change in the December quarter with the PBI at 44.2. The majority of businesses continue to anticipate leaving their employment levels as is.

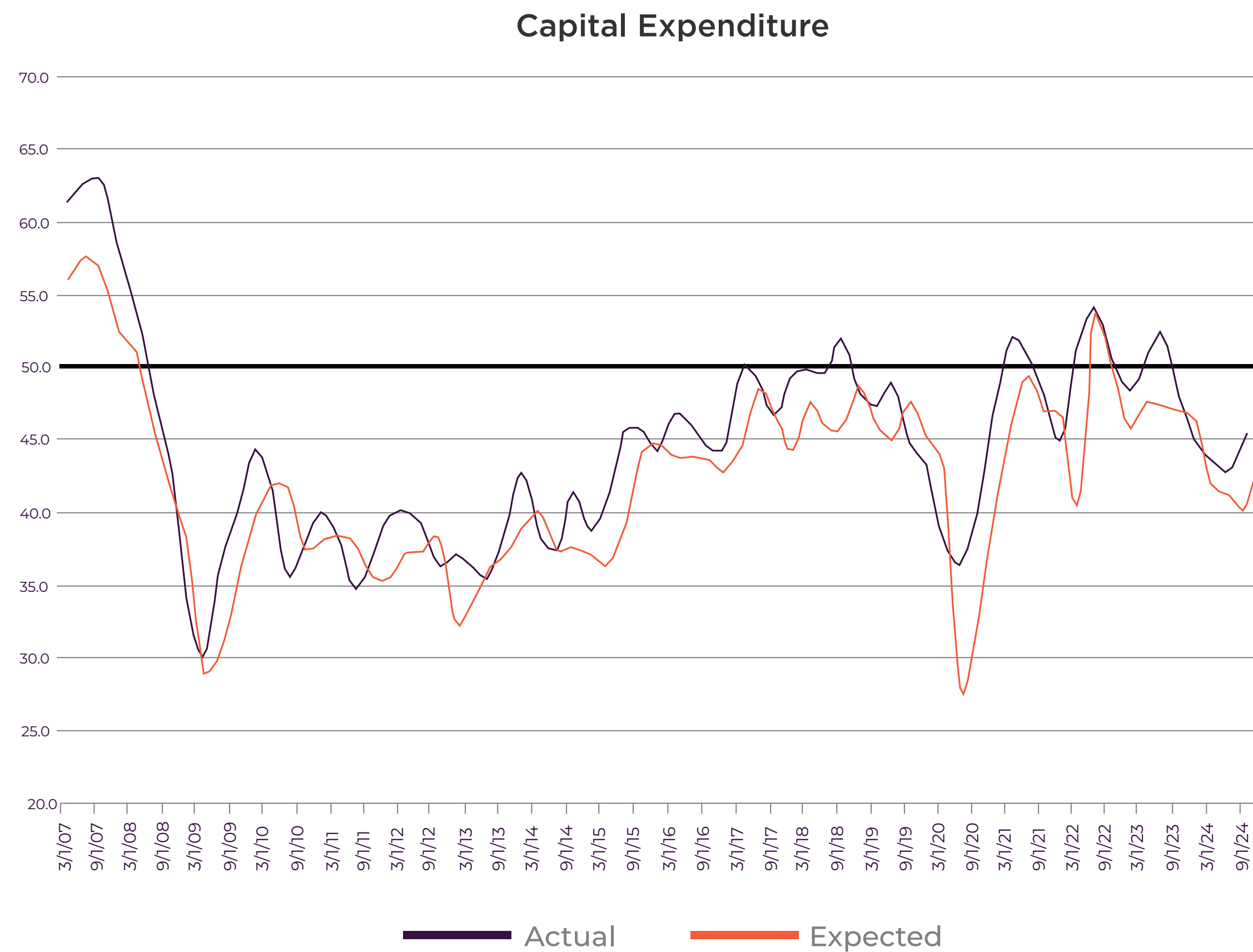


Productivity is declining and will continue to slide. There are a lack of people who want to work and federal Industrial relations changes will definitely hinder growth.

Large business, Gold Coast

Capital expenditure

The capital expenditure PBI in the September quarter increased by 2.4 index points from 42.8 in the September quarter to 45.2. The Cap Ex PBI is down 3.0 points from this time last year and is below the long term 10 year average PBI of 46.6. Business investment is expected to decline in the December quarter with the capital expenditure PBI down 1.2 points to 44.0.



Business constraints

There has been a dramatic shake up in key constraints on business growth. The top five constraints are now all related to business costs.

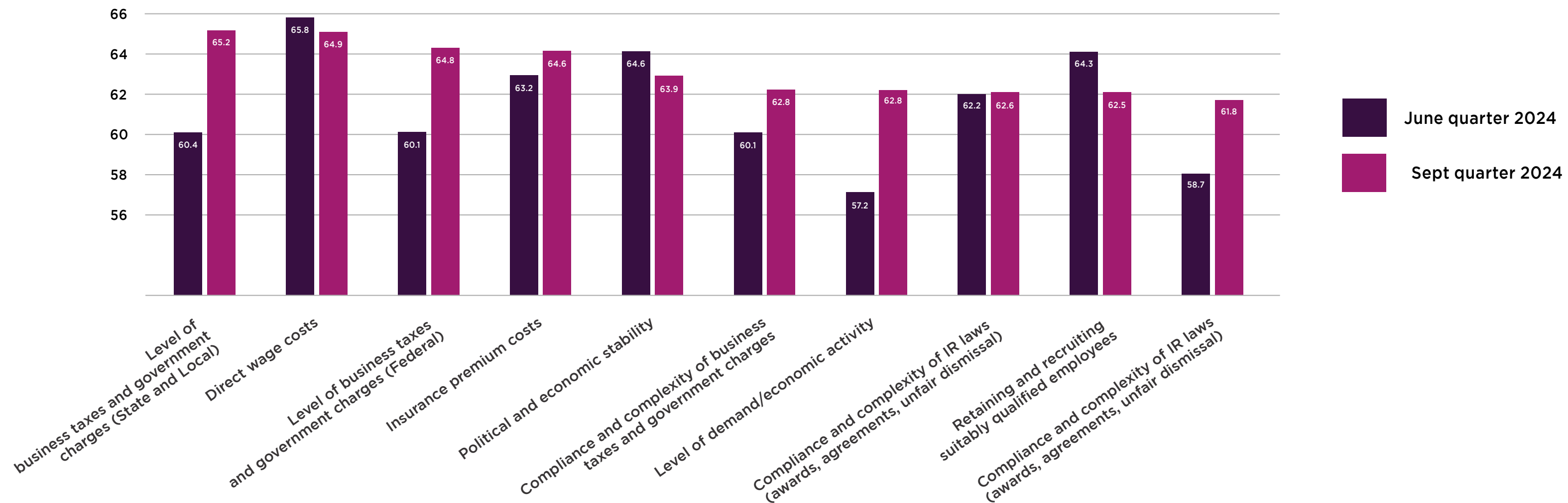
The level of business taxes and government charges (state and local) is the top constraint – the fifth time in the survey’s 30 year history.

Direct wage costs are the second largest constraint following considerable wage rises.

Level of business taxes and government charges (federal) and insurance costs are the third and fourth highest constraints respectively.

Indirect wage costs such as superannuation, workers compensation and payroll tax, which are all applied as a percentage of wages, is the fifth highest constraint.

Political and economic stability, level of demand and economic activity; and retaining and recruiting suitably qualified employees have all fallen down the ranking list but remain in the top 10 constraints on business growth.



Biggest rise

Business taxes and government charges (state and local) had both the biggest rise in severity up 4.8 index points (from 60.4 to 65.2) and in ranking, up from 6th to the highest placed constraint on business.

Biggest fall

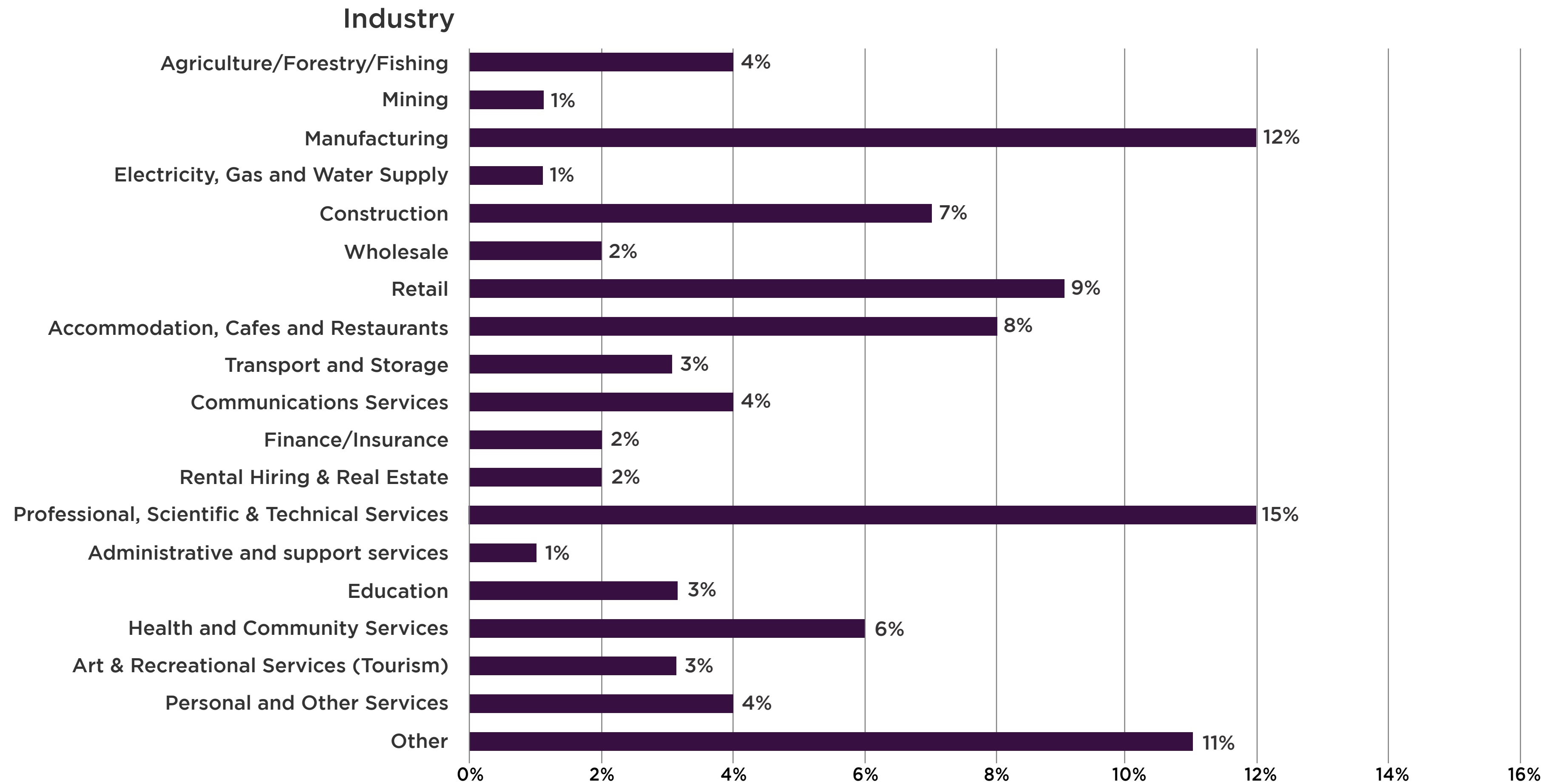
Conversely, retaining and recruiting suitably qualified employees had both the biggest fall in severity down 1.8 index points (from 64.3 to 62.5) and in ranking down from 3rd to 9th placed constraint on business.



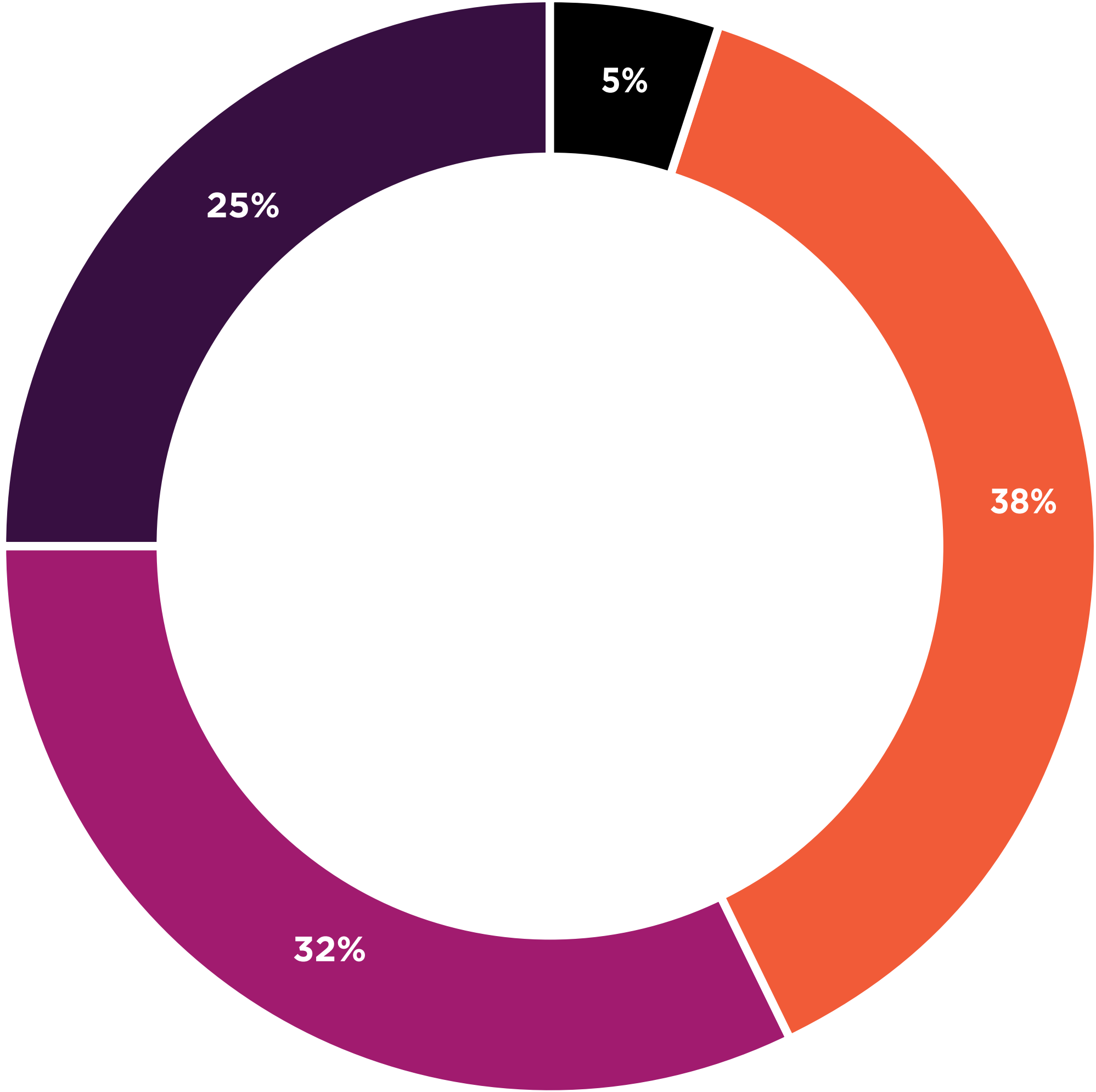
The last 12 months of the economy is and has been very poor - interest rates, taxes on taxes on taxes.
Small retail business, North Queensland

Profile of Responses

Profile of responses

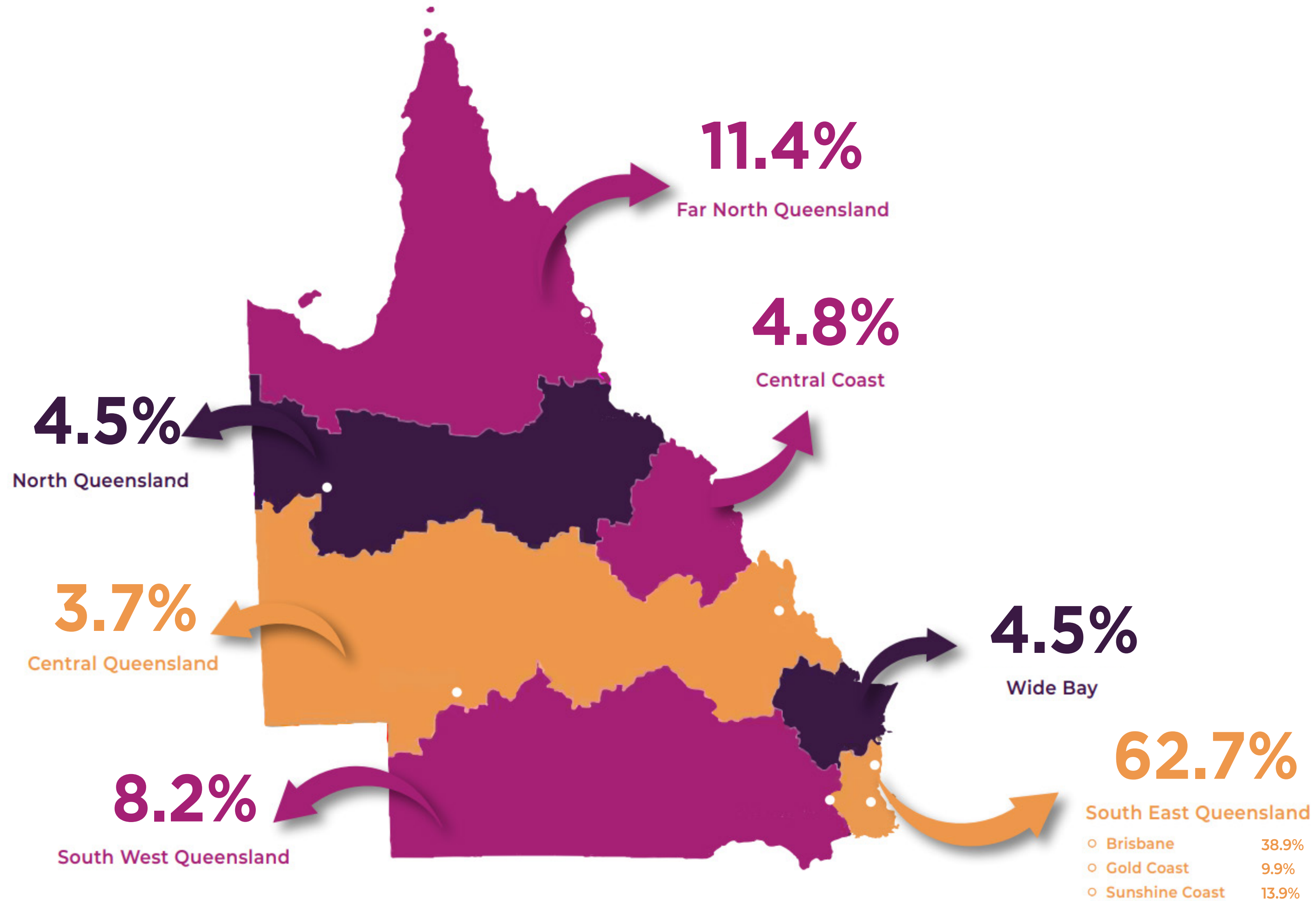


Business size



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

Region



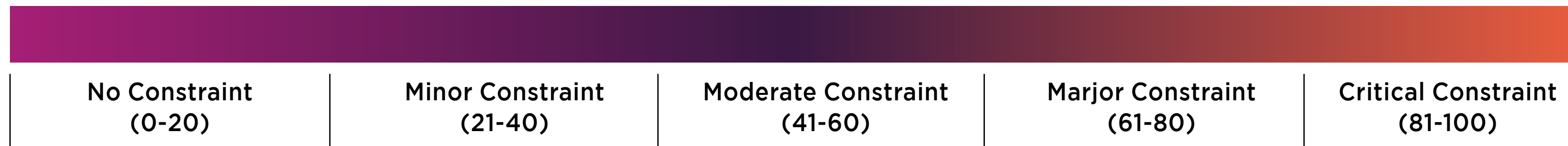
Survey period and sample



Survey period and sample

The online Pulse Survey of Business Conditions collected responses from Queensland businesses from 8 October 2024 to 31 October 2024, on business sentiment and activity for the September quarter 2024. 355 businesses responded to the survey.

How to interpret the index



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

Business Chamber Queensland is committed to advancing sustainability in Queensland.

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