

The Business Truth

Welcome to the second edition of **The Business Truth**, a quarterly overview of business in QLD. It summarises a number of large-scale surveys with primary research undertaken by Sprout Research.

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THE HUMAN STORY

Whilst the current economic picture is undoubtedly challenging for QLD businesses, there is mild optimism with improving general business conditions, sales and in turn profitability, with employment and capital expenditure trending towards neutral territory.

- Business confidence in the Queensland economy improved from the end of 2015, however is still low, with 43% of businesses expecting the state's economy to weaken in the next 12 months and only 17% expecting it to grow.
- The majority of businesses reported weaker general business conditions in the March quarter. This is consistent with recent quarters and indicates a continuing soft trading environment for the Queensland domestic economy.
- A quarterly fall in LNG-related business investment continued to be the main driver of subdued domestic demand.
- With four of the six LNG trains exporting in the March quarter, the ramp-up in LNG exports, along with a fall in LNG-related imports, suggest the trade sector continues to make a strong contribution to Queensland economic activity.
- Business investment fell 7.2% in March quarter 2016, following a similar decline in the previous quarter. Total business investment has halved since its June quarter 2013 peak, as the large LNG projects near competition.
- However, economic growth in Queensland is forecast to strengthen in 2016-17, stronger than all other states. International exports will be the key driver of growth in these years.

Quick Truths

BUSINESS CONFIDENCE CONSOLIDATED, WITH A STEADY PROPORTION OF BUSINESS EXPECTING AND REPORTING ECONOMIC GROWTH.

THE MAJORITY OF BUSINESS CONTINUE TO EXPECT THE STATE'S ECONOMY TO WEAKEN, OVER THE COMING TWELVE MONTHS.

ON THE UPSIDE, THE LOW AU DOLLAR, INTEREST RATES, WEATHER AND FUEL PRICES ALL COMBINE TO SUPPORT ECONOMIC ACTIVITY WHICH IS ANTICIPATED TO BENEFIT THE STATE IN THE COMING 12 MONTHS.

ON THE DOWNSIDE, THE RESOURCES SECTOR, A HUNG STATE PARLIAMENT, AND THE FEDERAL ELECTION ARE WEIGHING DOWN CONSUMER AND BUSINESS CONFIDENCE AND DEMAND.

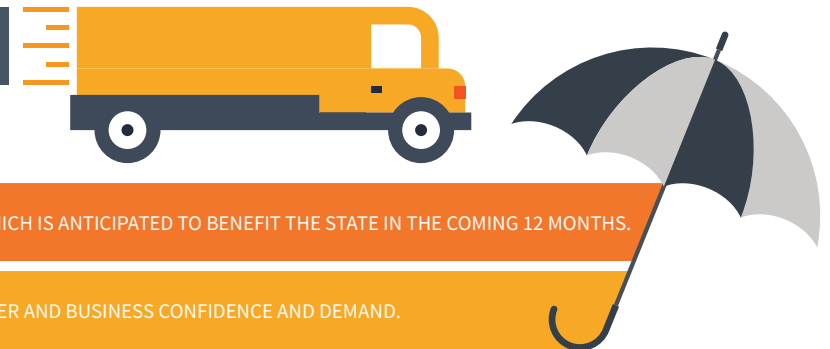
Interesting Facts

- Queensland's population is projected to increase to over 8.0 million people by 2061.
- Around 75% of Queensland's international exports were to Asia in the year to April 2016.
- Short-term visitor arrivals from China have doubled over the last 4 years, now running at an annual rate of over 1 million visitors and getting close to displacing New Zealand as the biggest source of arrivals.

SME

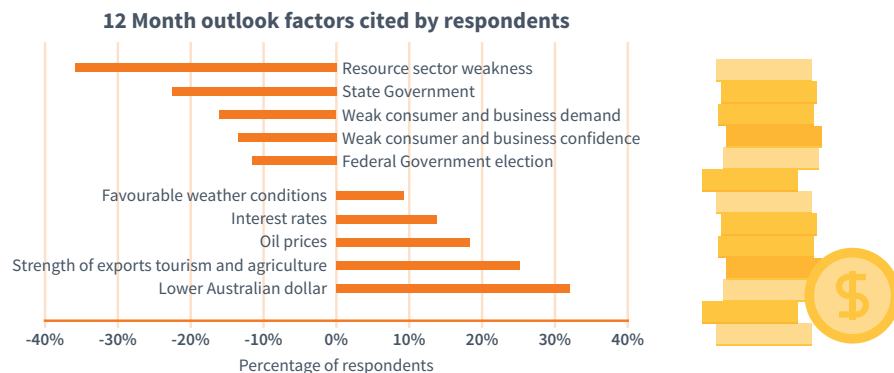
The majority of SME's reported decreased or similar profit levels. Businesses identified high labour and other input costs as well as weak revenue growth and increasing competition as key factors impacting profitability.

- SME business conditions were stronger in most states, but QLD was the state that improved the most, to record the first positive business conditions reading in almost 2 years (see next page).
- The majority of SME businesses expect to keep employment levels steady over the next three months.
- Small businesses cited profitability, economic uncertainty from the federal election as challenges for increasing capital expenditure in their business. Compliance and complexity of business taxes and charges are also a top constraint for SME's.



Greatest Influences on Business Confidence in QLD

According to business owners, the factors influencing business confidence for the Queensland economy over the next 12 months are the weaker resource sector and the lower Australian Dollar.



Regional Analysis

Business confidence was mixed across all regions, with North Queensland recording the lowest confidence index in the state.

Current	Brisbane	Sunshine Coast	Gold Coast	South West Qld	Central Qld	Central Coast	North Qld	Far North Qld	Wide Bay*
12 Month Outlook - Queensland	↑ 42.5	↓ 42.4	↑ 47.8	↓ 40.3	↓ 33.7	↓ 42.0	↓ 28.3	↑ 46.0	↓ 40.2
General Business Conditions	↓ 42.2	↓ 45.9	↓ 48.8	↓ 41.0	↓ 27.6	↓ 32.9	↓ 27.2	↑ 45.0	↓ 38.3
Total Sales/ Revenue	↓ 48.7	↓ 52.3	↓ 53.8	↓ 44.0	↓ 30.3	↓ 36.8	↑ 38.0	↑ 54.0	↓ 46.7
Profitability	↓ 41.1	↓ 43.6	↓ 44.4	↓ 38.0	↓ 30.3	↓ 34.2	↓ 32.6	↑ 46.9	↓ 39.2
Labour Costs	↑ 56.3	↓ 59.3	↓ 58.1	↑ 53.0	↓ 55.3	↓ 54.2	↓ 54.3	↓ 59.0	↑ 54.3
Employment Levels	↑ 46.5	↑ 52.3	↓ 51.3	↓ 44.0	↓ 40.8	↑ 46.1	↓ 39.1	↓ 47.0	↓ 46.7
Capital Expenditure	↑ 48.0	↑ 52.9	↑ 50.0	↓ 44.8	↓ 43.4	↑ 47.4	↓ 37.0	↑ 46.0	↓ 45.8

↑ index improved from previous quarter; ↓ index worsened from previous quarter.
*Wide Bay previously part of the Sunshine Coast data set.

Meet the Team



Elisa Adams

Elisa is the CEO of Sprout Research – the Human Story. Commercial business acumen is a prerequisite to growing her own successful research company. Elisa has a strong interest in growing QLD businesses through practical business solutions.

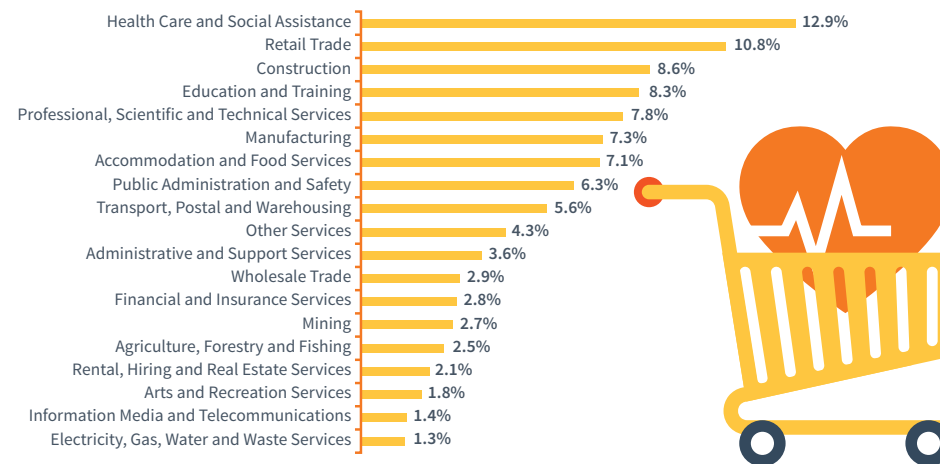


Candice Watt

Candice is an expert in customer experience and how to translate insights into practical business operations. Candice's commitment to customer service excellence and drive to dig deeper into understanding human behaviour, makes her a great ally into business success.

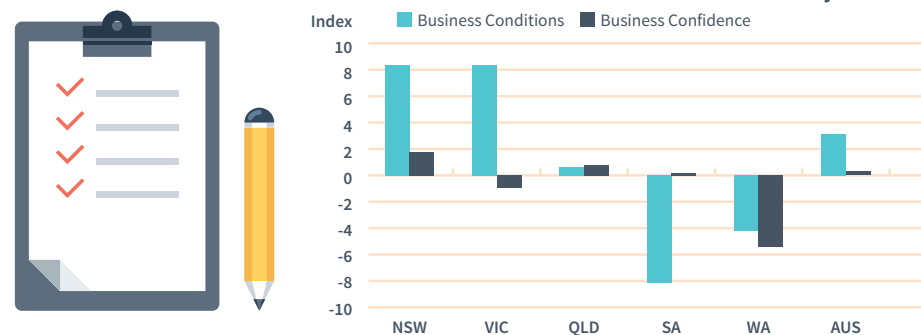
Queensland's Percentage of Employment by Industry

Health care and social assistance, and retail trade are the biggest industry employers in Queensland.



SME Business Conditions and Confidence by State – Figure 4

Business conditions remain in positive territory in Queensland, but behind New South Wales and Victoria, while SME business confidence has nudged into positive territory for Queensland businesses.



For more information on the details of the study contact Sprout Research on 07 3256 9706 or email Natasha: natasha@sproutresearch.com.au

Sources: Business Conditions, NAB Quarterly SME Survey Mar QTR 2016 | CCIQ Pulse Survey, Qld Gov | Business and Industry Portal, ABS State Details Mar QTR 2016