

# Sunshine Coast

## Business Confidence Survey

SEPTEMBER 2015

Report released November 2015

Supported by Sunshine Coast Council

Conducted by Boardroom Business

Queensland, Australia



# BUSINESS CONFIDENCE

Business Confidence is a unique barometer of economic activity. It is the measurement of what businesses THINK is going to happen in the future. Therefore business confidence reports are one of the few forward projecting data sets available to the business community.

Business confidence reports are however, one of many sources of information available to businesses. Because of the uncertainty involved it is highly recommended that a variety of information sources be utilised by both the business community and policy makers for decision-making.

Boardroom Business, in partnership with the many business and government organisations on the Sunshine Coast, set about to understand confidence levels over time and created this series of region-wide surveys.

The objective was to assist local businesses in their decision-making by understanding LOCAL data and information. Businesses therefore do not have to solely rely on national data, or the media, for information on business confidence levels.

This survey is supported by the Sunshine Coast Council and we would like to thank them for their help with this initiative.

We would also like to thank the many Chambers of Commerce and business groups who helped distribute the survey. Their efforts are truly appreciated.

We wish to especially thank the many business owners and managers that spent the time participating in the survey and answering the questions.

## SURVEY METHODOLOGY

This Sunshine Coast Business Confidence survey series has been running since 2009 and this is the sixteenth survey conducted.

The survey was designed and executed to capture business responses within the Sunshine Coast region, incorporating the Sunshine Coast Council and Noosa Council boundaries.

Opening on September 8 and closing on October 10 2015, the survey was distributed via email addresses to established business networks.

Conducted online, the survey allowed for anonymous participation and consisted of nine questions.

Additional questions were added to the survey series to focus on important industry sectors, regions or topics across the Sunshine Coast. For this survey we chose to focus on business 'preparedness for the future'.

**339** businesses responded to the survey.

To view any of the previous reports, please see our dedicated website: [www.boardroombusiness.com.au/sunshinecoast](http://www.boardroombusiness.com.au/sunshinecoast)

# BUSINESS CONFIDENCE IS HIGH

Sunshine Coast business confidence is the highest it has been since the survey series began in 2009. The September 2015 Boardroom Business Confidence Index is at 117 points, one point higher than the November 2014 result, and a total of 19 points higher than the 2011 ranking.

The upward trend in business confidence is also reflected in the recently released excerpt from the state-wide CCIQ Pulse Survey September 2015 Quarter report. An excerpt of only Sunshine Coast business results showed local business confidence rose by 10 points during this same reporting period.

Improving confidence appears to be translating into better business performance more broadly, with the September quarter results showing an improvement across all key indicators.

And on the national stage, consumer confidence is on the increase according to ANZ/Roy Morgan and NAB recent consumer polls, however business confidence nationally remains relatively subdued.

## Survey Summary

- Business Confidence levels highest of all time at 117 points.
- 339 business responses, representing a good mix of industry sectors from across the entire region.
- Rising overheads and utility costs remain the single most important constraint on local businesses.
- Survey series continues to be strongly supported by all chambers and business groups across the region.

"The rebalancing of Australia's economy away from mining to the non-resource industries is leading to improved conditions in the Sunshine Coast. The most immediate sources of stimulus are likely to have come from the lower Australian dollar combined with very low interest rates. These factors are assisting the tourism and home building sectors, both of which in recent years had been squeezed by the high Australian dollar and a mining boom that had drained resources. The region, despite its exposure to the international economy is also coping well with the uncertain environment and disappointing growth amongst Australia's trading partners."

**Cherelle Murphy, Co-Head of Australian Economics at ANZ.**

To read the full economic commentary from Cherelle Murphy, please go to page 13.

# INDUSTRY SECTORS

## QUESTION 1

**Which industry do you belong to?**

Property and Business Services	59	17%
Accommodation, Cafes and Restaurants	48	14%
Retail Trade	41	12%
Construction	25	7%
Personal and Other Services	18	5%
Financial and Insurance	23	7%
Health and Community Services	28	8%
Education	18	5%
Communication Services	16	5%
Manufacturing	15	4%
Cultural and Recreational Services	17	5%
Transport and Storage	9	3%
Agriculture, Forestry and Fishing	8	2%
Wholesale Trade	8	2%
Government Administration and Defence	2	1%
Electricity, Gas and Water Supply	4	1%
<b>TOTAL</b>	<b>339</b>	<b>100%</b>

Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)

## FAST FACTS

ECONOMIC OVERVIEW OF THE SUNSHINE COAST REGION (inc Noosa Shire where indicated)

- 282,822      Estimated population of the region (2014) + Noosa 39,379
- 27,907      Estimated Number of businesses in region (2013) + Noosa 4,954
- \$14bn      Estimated gross regional product of the SC region (2014)
- \$509k      Median house price on Sunshine Coast (2015) / Noosa (\$495k)

Source: [www.economy.id.com.au/sunshine-coast](http://www.economy.id.com.au/sunshine-coast)

## QUESTION 2

**In which region do you primarily operate your business from?**

Multiple Sunshine Coast locations	43	13%
Mooloolaba	33	10%
Caloundra	32	9%
Other areas in Queensland / National / International	17	5%
Maroochydore	29	9%
Noosaville	25	7%
Buderim	19	6%
Kawana Waters	18	5%
Coolum	12	4%
Noosa Heads	11	3%
Nambour	9	3%
Sippy Downs	7	2%
Montville	7	2%
Cooroy	7	2%
Sunshine/Sunrise Beach	7	2%
Yandina	7	2%
Kunda Park	6	2%
Marooala Beach	5	1%
Glasshouse Mountains	5	1%
Maleny	5	1%
Tewantin	5	1%
Pomona	4	1%
Cotton Tree	4	1%
Eumundi	4	1%
Bli Bli	3	1%
Palmwoods	3	1%
Forest Glen	3	1%
Alex Headland, Doonan, Beerwah, Mapleton, Landsborough, Minyama & Kenilworth	9	3%
<b>TOTAL</b>	<b>339</b>	<b>100%</b>

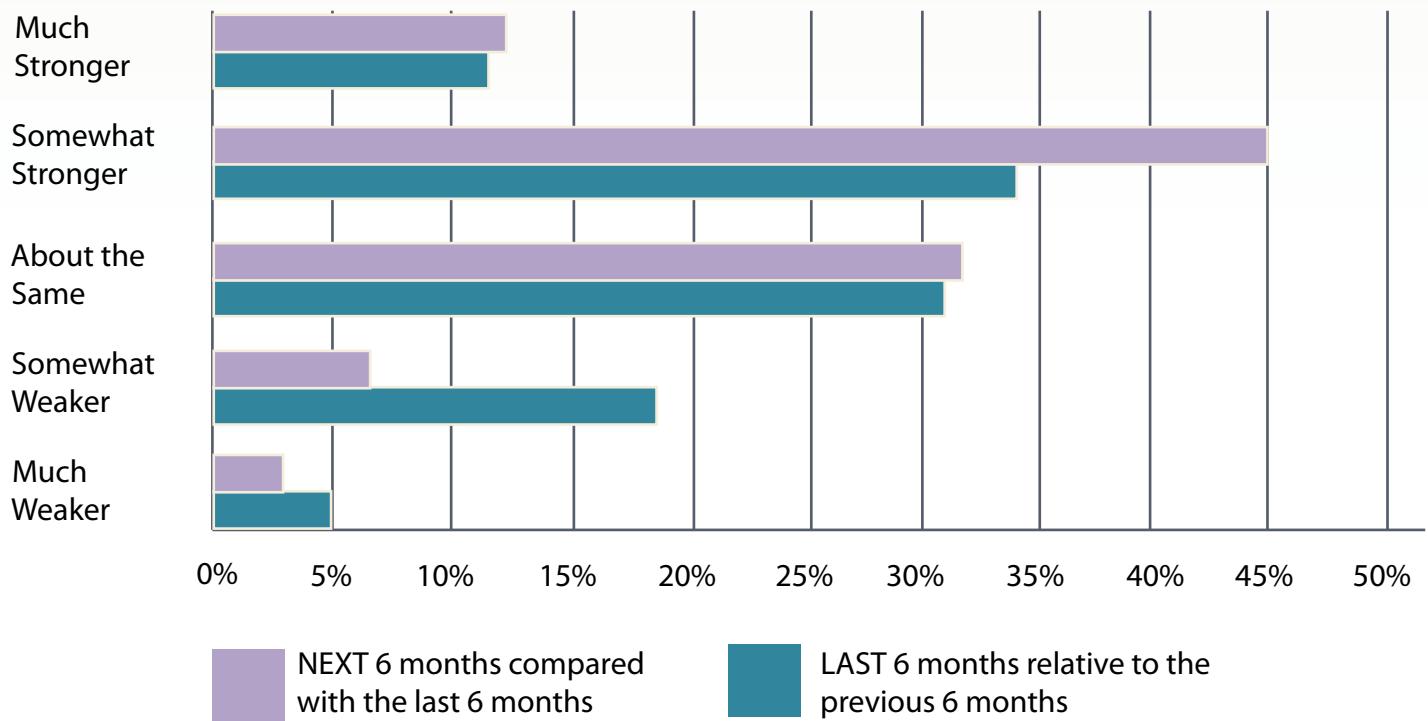
Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)

# GENERAL BUSINESS CONFIDENCE

## QUESTION 3

### How has your business performed?

Respondents were generally positive to this question, with 58% of businesses expecting to perform stronger over the next six months.



Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)

"Businesses in the Sunshine Coast have recorded a second successive year of rising confidence and the index is now at its highest level since the survey began in 2009.

Findings from the Sunshine Coast Business Confidence Survey revealed that firms' six month ahead expectations of profitability and capital expenditure are the best that they have been in seven years. Their expectations of staffing levels over the coming six months are equal strongest to last year."

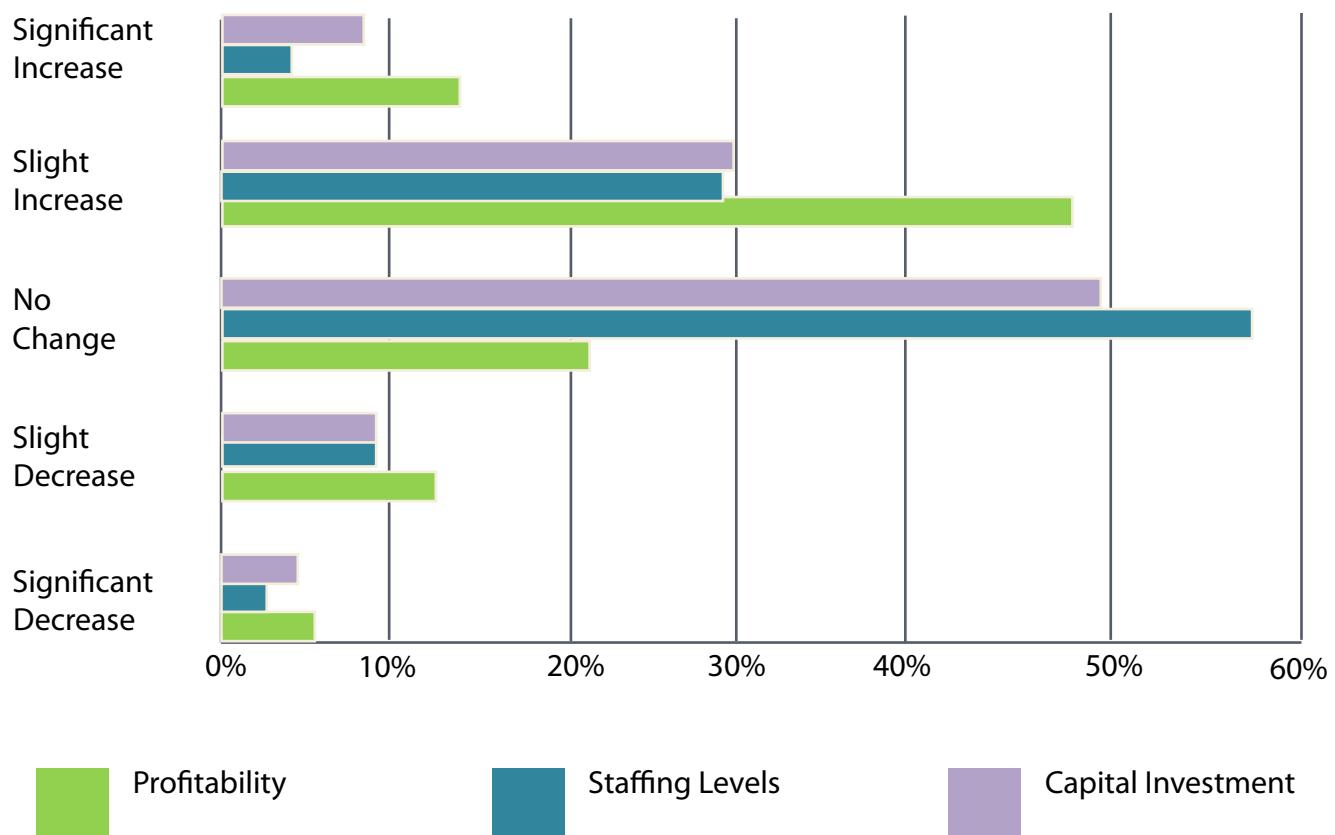
**Cherelle Murphy, Co-Head of Australian Economics at ANZ.**

# CONFIDENCE INDICATORS

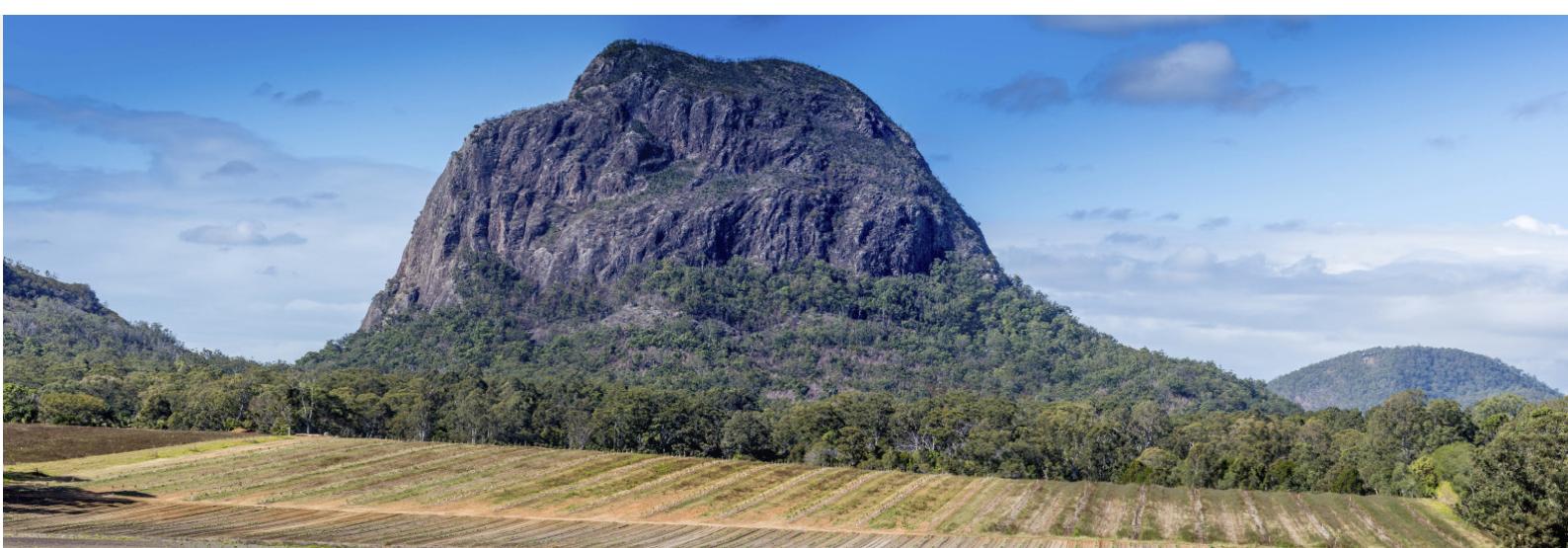
## QUESTION 4

In your business/organisation do you expect an increase, decrease or no change over the next six months in profitability, staffing levels and /or capital investment?

- 61% of businesses expect an increase in *Profitability* over the next six months.
- 38% of businesses expect an increase in *Capital Investment* over the next six months.
- 33% of businesses expect an increase in *Staffing Levels* over the next six months.



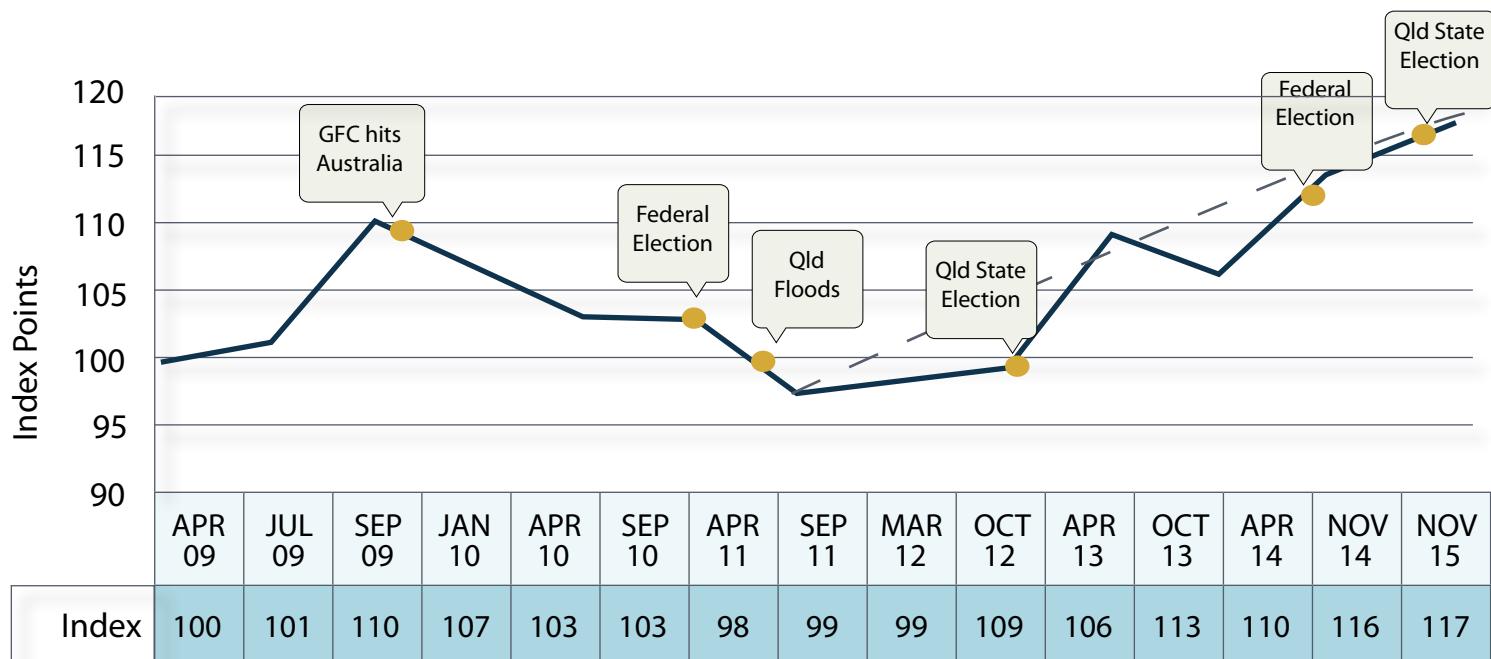
Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)



# SURVEY INDEX

Business confidence increased on the 2014 results, with respondents to this survey pushing the Boardroom Business Confidence Index to an **all time high of 117 points**.

The September 2015 survey is the sixteenth survey in the Sunshine Coast Business Confidence Survey series. Using the data collected since 2009, we have created the Boardroom Business Confidence Index to demonstrate confidence trends over time.



Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)

<sup>1</sup>EDMA are economic and market development specialists. Michael Emerson, Founding Director of EDMA, is the author of The Fairfax Media Employment Forecasts for Australia, Australia's most accurate Employment Forecasts. ([www.emda.com.au](http://www.emda.com.au)).

For a full explanation of how this index is calculated, please see our dedicated Sunshine Coast survey web page: [www.boardroombusiness.com.au/sunshinecoast](http://www.boardroombusiness.com.au/sunshinecoast)



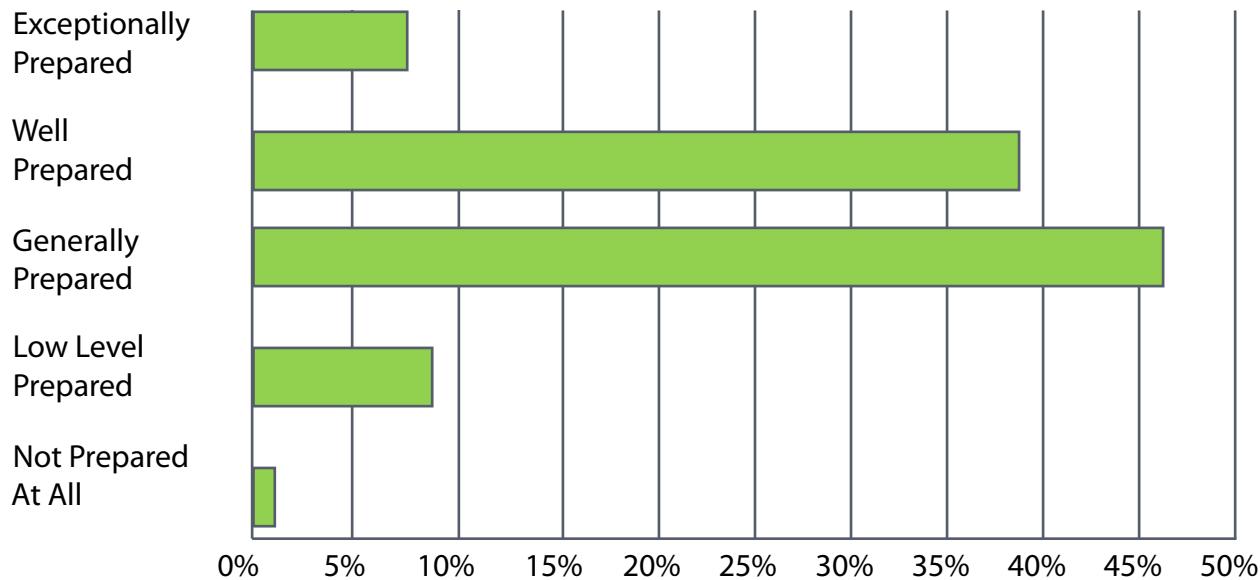
# FOCUS QUESTIONS

## Are you ready for the future?

Each survey we focus on a topic that is important to the local region, this survey we are focusing on a topic important to all businesses - their 'preapredness for the future'.

### QUESTION 5

**On a scale of 1 to 5, how preapred do you feel your business is for future challenges generally?**



Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)

**91% of businesses responded that they were prepared for the future.** This is a very positive result demonstrating a proactive response that reflects regional consideration of the changes required to keep up with a modern fast-paced business environment.



# FOCUS QUESTIONS

## QUESTION 6

**Choose from the list below the most important trends you feel the need to be most prepared for in your business.**

*Respondents were asked to rank the most important trends that they felt the need to be most prepared for in their business (from highest, most important to lowest, least important)*

*Score is a weighted calculation. Items ranked first are valued higher than the following ranks, the score is the sum of all weighted rank counts.*

TREND	OVERALL RANK	SCORE
Changing customers / demand	1	1712
New product and / or service innovation	2	1413
Local / domestic influences	3	1405
Increasingly effective competitors / competitive environment	4	1318
Global economy changes	5	1245
Productivity innovation (including digital productivity tools)	6	1166
Digital marketing changes	7	1151
Disruptive technologies	8	1003
New skills required / workforce changes	9	956
Collaborative purchasing / consumption	10	637

*Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)*

The most important trend identified by Sunshine Coast businesses was the need to address changing customers and changing demand, followed closely by new product and/or service innovation. The least important trends identified were collaborative consumption and the new skills required for the future.



# FOCUS QUESTIONS

## QUESTION 7

**What is the biggest business challenge for the future you currently face with your business and what are you doing to address it?**

There were three main themes coming from the responses to this question – *technology innovation, ensuring staff are multi-skilled and competition from automation and offshore.*

A more and more open market place and the challenges it brings, is leading to local businesses coming up with strategies and innovations to become globally competitive.

**We've selected a few responses below that generally represent the responses to this question.**

*"Amount of time necessary to understand and effectively use software, digital platforms and changes in the way I deal with clients utilising more technology. I am constantly learning and trying new things with how I get my message across in relation to technology and the digital world."*

*"Consolidation amongst competitors meaning that single service entities have become large consortia."*

*"Customers going direct to China for lower costs. We are addressing this by developing proprietary, innovative new products not obtainable out of China and emphasising local, value added service & experience to offset China direct cost advantages."*

*"Desire to diversify. Will look to relocate our physical store and to increase online store's capability."*

*"Funding sources for community projects. Exploring options from foundations, crowd funding and private sector finance."*

*"Acceptance of new technologies by senior management. Perhaps bring in an external consultant to promote the importance of new software and its capabilities."*

*"Increasingly value-focussed customers. Providing two levels of service for the value-focussed customer and the premium customer."*

*"Keeping up to date with technology - attending free seminars and courses wherever possible."*

*"Lifting staff engagement to challenge what and how we carry on business. Wanting to employ people who will not accept the status quo but will challenge us. Working on leadership up skilling and staff training."*

*"Attracting motivated skilled staff - and keeping them. We invest heavily in training, both within and outside our business and offer various incentives and bonuses to keep them."*

*"Moving from direct to online service delivery and income. Researching, learning, observing and seeking advice."*

Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)



# WHAT WOULD MAKE A DIFFERENCE

## QUESTION 8

### What would make a difference to the profitability or viability of your business?

There were many detailed responses to this question and we thank you for your honest and frank comments. The responses are anonymous and have been passed onto both Council and the many business and industry groups on the Sunshine Coast so that they can discuss and address the many issues raised in this question.

#### **Below are some selected comments left for this question:**

*"Better connections to the rest of the world - internet and transportation in particular."*

*"A better economic climate both nationally and locally, a more balanced demographic, we have too many retirees. A stronger and more diversified mix of businesses for job creation."*

*"Connecting with more business owners who are doing well and can therefore afford my services, rather than looking at their own education and personal development as a luxury rather than a necessity. Some opportunities to work with more organisations to help them prosper."*

*"Improved attitudes to property development on the Sunshine Coast. A more open and honest dialogue between stakeholders on the Sunshine Coast about the true opportunities and risks of economic development; where social and environmental imperatives can be actively promoted in tandem with the development of new jobs."*

*"Improved transport services across the region, taxis, uber, buses."*

*"Less compliance leaving more time for managers/owners to actually work on the business."*

*"Mentoring from genuine experienced people in similarly structured businesses or business fields. For example, from someone who has real world experience dealing with factories in China."*

*"Of our five stores one struggles with customer numbers. Our greatest challenge is leases continually increasing above the CPI."*

*"The events we have attract many people seeking accommodation - keep these up."*

*"An increase in professional services or corporate businesses with the financial capacity on the Coast to connect with and do business with."*

*"Wages - I am all for cutting weekend rates for all hospitality and tourism workers or working under a different scheme. Tourism and Hospitality is a 7 day a week job and it should be looked at in that way. If you don't want to be in a rostered position then find another job. Wages for weekends have blown out and are causing profit issues."*

Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)

# CONSTRAINTS

## QUESTION 9

### In your opinion, what are the major constraints to the growth of your business?

Note: Participants could select more than one answer to this question. Percentages based on number of respondents, not the total number of responses.

Choice	%
Rising overheads and utility costs	43%
Price pressure from competitors	38%
Price pressure from customers	37%
Global / national economic performance	31%
Broadband and information technology access	30%
Wages	28%
Taxes and Government charges	25%
Problems with Local or State Government planning regulations	22%
Licensing and regulations	21%
Availability of skilled workers	20%
Increasing competition from low-cost imports	17%
Declining customer base	16%
Declining demand from customers	15%
Price pressure from suppliers	15%
Rising transport costs	13%
Other	13%
Difficulties in obtaining finance / extending credit facilities	12%
Rising production costs	12%

Source: Boardroom Business (2015) Sunshine Coast Business Confidence Survey (September 2015)

Once again, respondents stated that the biggest constraint on business growth is the cost of having a physical presence and the *Rising overheads and utility costs* that come with this. *Broadband and information technology access* continues to rise up this list with almost a third of respondents stating this as a major constraint to growth.



# ECONOMIC ANALYSIS

**Cherelle Murphy, Co-Head of Australian Economics at ANZ, 11 November 2015**

The rebalancing of Australia's economy away from mining to the non-resource industries is leading to improved conditions on the Sunshine Coast. The most immediate sources of stimulus are likely to have come from the lower Australian dollar combined with very low interest rates. These factors are assisting the tourism and home building sectors, both of which in recent years had been squeezed by the high Australian dollar and a mining boom that had drained resources. The region, despite its exposure to the international economy is also coping well with the uncertain environment and disappointing growth amongst Australia's trading partners.

Businesses in the Sunshine Coast have recorded a second successive year of rising confidence and the index is now at its highest level since the survey began in 2009. Findings from the Sunshine Coast Business Confidence Survey revealed that firms' six month ahead expectations of profitability and capital expenditure are the best that they have been in seven years. Their expectations of staffing levels over the coming six months are equal strongest to last year.

The period since the global financial crisis first hit has resulted in many swings and roundabouts for Queensland. After outperforming the rest of the country throughout the 1990s and most of the 2000s with consistently strong economic and population growth, conditions have been more difficult for the state. Through the highs and lows of the commodity price and construction boom, Queensland has also had natural disasters and a surprise election result to contend with.

Rising commodity prices took mining construction to unprecedented levels and lifted employment but caused the Australian dollar to appreciate, leading to tough conditions for the tourism industry. Then when the prices for coal (by far Queensland's largest export to date) started to fall in 2011, the employment and construction outlook was less positive as the pipeline of new investment started to dry up. In the past year and a half, falling global oil prices added to the pressure by lowering LNG prices. This has occurred just as the mega LNG

investments are starting to ramp up into production phase. The whole state (and indeed the whole Australian economy) has been affected as the large resource companies contain their costs, while government expectations of royalty payments and taxes are also revised lower. This – plus the relatively high debt burden help by the Queensland state government – means it has little flexibility to invest in new infrastructure.

While Queensland's export growth will be extremely strong due to LNG contracts, the income that the state earns for that production is much less certain due to unpredictable commodity price movements. Employment prospects are also poorer for workers in the resources sector in the export phase compared to the construction phase of the LNG surge.

The Sunshine Coast though is showing plenty of life in housing and tourism and has the advantage of not being at the front line of the mining construction downturn. As interest rates have come down, there has been strong growth in housing construction after a period of softness (Figure 1). We, at ANZ, forecast that there will be two more 25bp rate cuts from the Reserve Bank in the first half of 2016, and we expect the currency to depreciate to around US64 cents next year. This means both housing and tourism in the Sunshine Coast should remain well supported near-term. The Sunshine Coast may also benefit a little from its relatively good housing affordability, especially compared to Sydney where house price growth has been extremely strong and priced some out of the market.

A sturdy 61% of the businesses surveyed in the September Sunshine Coast Business Confidence Survey said they expect a slight or significant increase in profitability over the first half of 2016, compared to just 18% that expect either a significant or slight decrease. Similarly 58% said they expected their business would perform somewhat or much stronger over the first half of 2016, compared to the 10% that said they expect their business to be somewhat or much weaker.

# ECONOMIC ANALYSIS

Businesses though are very aware of the precarious environment around them, with changing customers and demand ranked as the number in trend that businesses said they need to be prepared for. Global economic changes were ranked as the fifth most important trend.

Businesses reported working in a highly competitive environment, with price pressure from competitors and customers both identified by more than a third of survey respondents as a major constraints on business. This is in line with nation inflation numbers that show very low price growth. There is little scope for business to raise prices, even those that have had to absorb higher costs due to the Australian dollar lifting the costs of their imports.

Even though the unemployment rate for the Sunshine Coast has shown a healthy downward trend since the beginning of 2014 (Figure 2) finding labour suitable doesn't appear to be a major constraining factor for most businesses. Only 20% of businesses stated that availability of skilled labour was a constraint on business, which was largely unchanged from the 21% that reported availability of labour as a constraint last year. This suggests there is still some slack in the labour market, which should make it easy for confident businesses to grow.

Finally, while there is clearly plenty of good news in the business survey, we urge Sunshine Coast businesses not to be complacent. Those firms in the tourism sector being helped by the Australian dollar may benefit from a little further depreciation as noted, but most of that depreciation is probably behind us. This means fresh stimulus from the currency will start to fade into the second half of 2016. Also, there is evidence to suggest that overseas tourists are more inclined to spend relatively more time in the southern states, especially Victoria, compared to Queensland (Figure 3). Queensland businesses must stay relevant to today's tourists, which are increasingly coming from China. Indian tourists, while a much smaller share of Australia's international tourist pool, is also growing quickly.

Figure 1: Residential building approvals

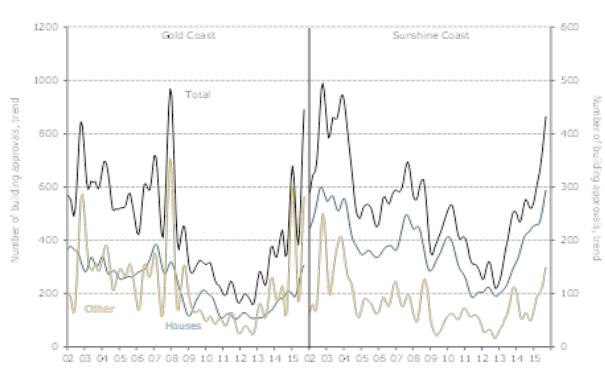


Figure 2: Unemployment rates, Queensland coastal regions

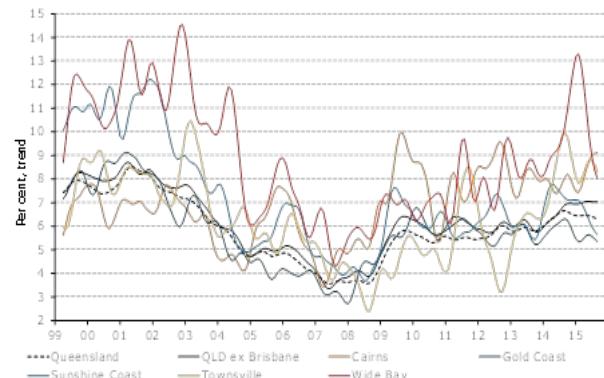
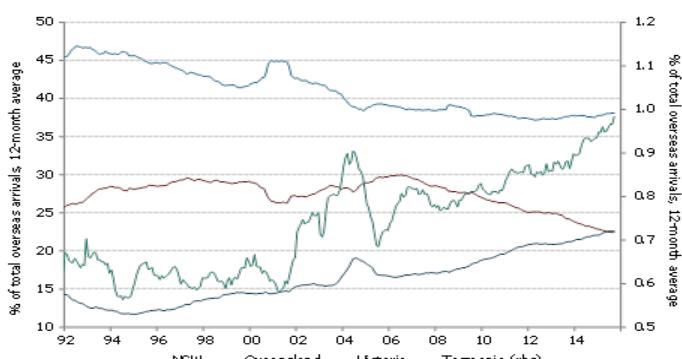


Figure 3: Overseas arrivals, state where most time spent



# ACKNOWLEDGEMENTS

*We wish to thank the many Chambers of Commerce, business and industry groups who encouraged their members to complete this survey.  
Their contribution is always appreciated.*

We also wish to thank the following supporters who assisted us with the survey:

**Sunshine Coast Council**

**Sunshine Coast Chambers of Commerce Alliance**



If you are involved in a business organisation on the Sunshine Coast, and interested in supporting the survey, we would like to hear from you.

CONTACT US:

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# Sunshine Coast

## BUSINESS CONFIDENCE SURVEY

*This report has been produced by Boardroom Business in partnership with the Sunshine Coast Business Community.*



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If you would like to get involved in our confidence survey you can subscribe online to receive the alerts and be amongst the first to download the results.

You may also like to contribute your comments on our Boardroom Blog and tell us what you think about the survey and/or general business confidence in our region.

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