

Pulse Survey of Business Conditions

March Quarter 2025



**Business
Chamber**
QUEENSLAND

We know
business
matters.

Overview

March Quarter overview

Business confidence in the future of the state and national economies and general business conditions are at the strongest levels since 2022 despite persistently weak profitability.

Businesses indicate continually high wage costs, without corresponding productivity, and business input costs including energy, risk forward economic confidence being realised. This risk is compounded with macroeconomic pressures including trade tariffs and sticky inflation impacts, despite recent interest rate cuts.

Key influences

●	Government policy, spending, taxation, and regulation (federal and state)	Businesses raised issues such as increased taxes, red tape and compliance burden and lack of support for small and medium businesses.
●	Costs and inflation	While inflation is easing businesses are concerned about the continuing cost of living and cost of business pressures, including impacts to consumer spending on non-essential items and increasing business expenses.
●	Global political and economic uncertainty	Businesses are looking to international factors as significant and negative influences, especially US tariffs. Tariffs are expected to impact Queensland, impacting market certainty, business confidence and international trade.
●	Interest rates	Interest rate softening is positively impacting businesses. Previously high interest rates suppressed consumer spending and private investment, while lower rates are now expected to boost growth. Further RBA monetary policy decisions are crucial.
●	Labour market challenges (shortages, wages and productivity)	Wage costs, without corresponding productivity increases, are increasing costs for businesses. Businesses are also concerned about declining productivity without measures to improve.
●	Construction and housing supply	Issues related to the construction industry and housing are prominent. This includes increased costs of construction, a lack of housing stock, housing affordability pressures, and labour shortages impacting construction activity.
●	Energy costs and policy	Businesses continue to attribute high energy prices for commercial and residential entities as impacting consumer and supply chain decisions and business profitability.
●	Consumer confidence and spending	Consumer consideration for global issues, cost of living, and economic uncertainty lower confidence, leading Queensland households and businesses to reduce spending on non-essential items and negatively impacting retail trade and businesses reliant on this spending. Improving confidence and lower interest rates could help lift growth.

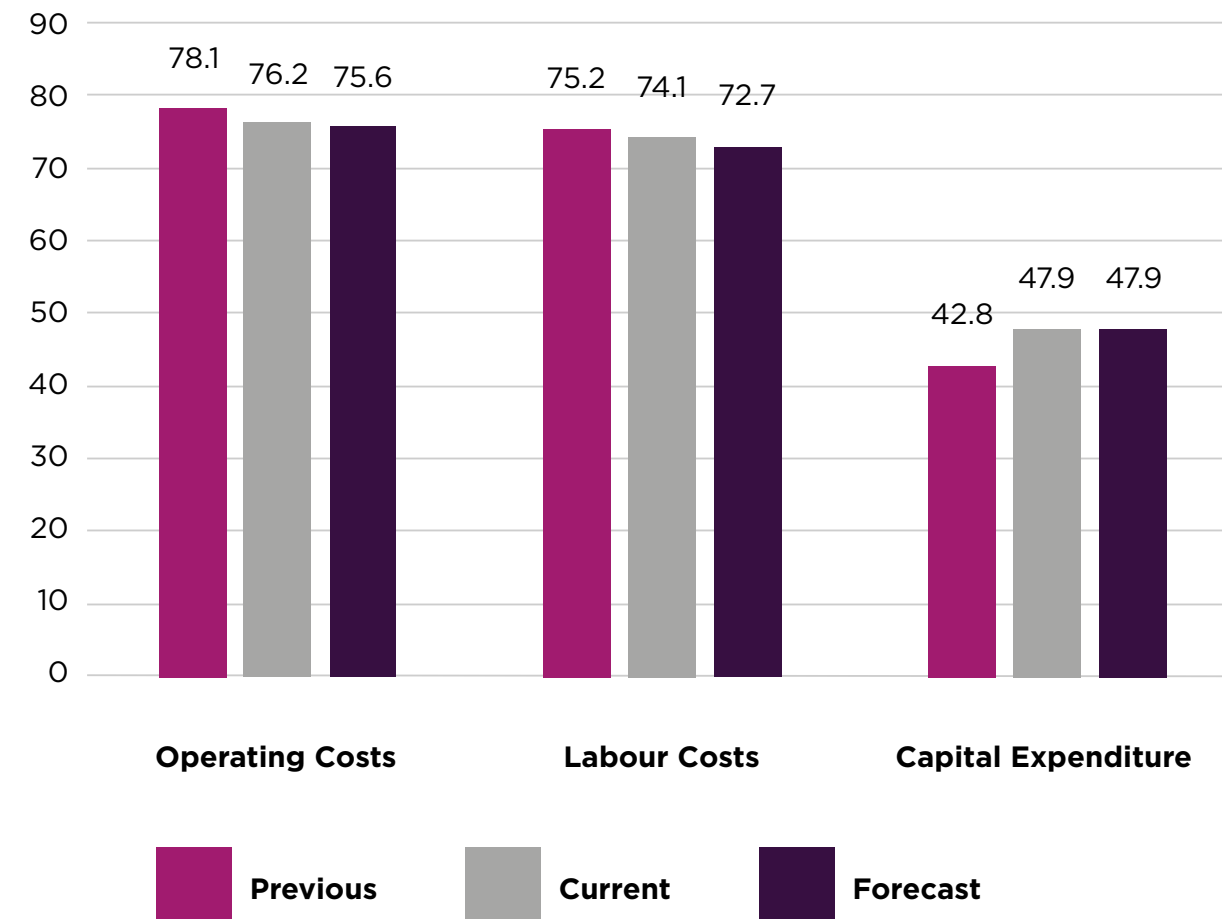
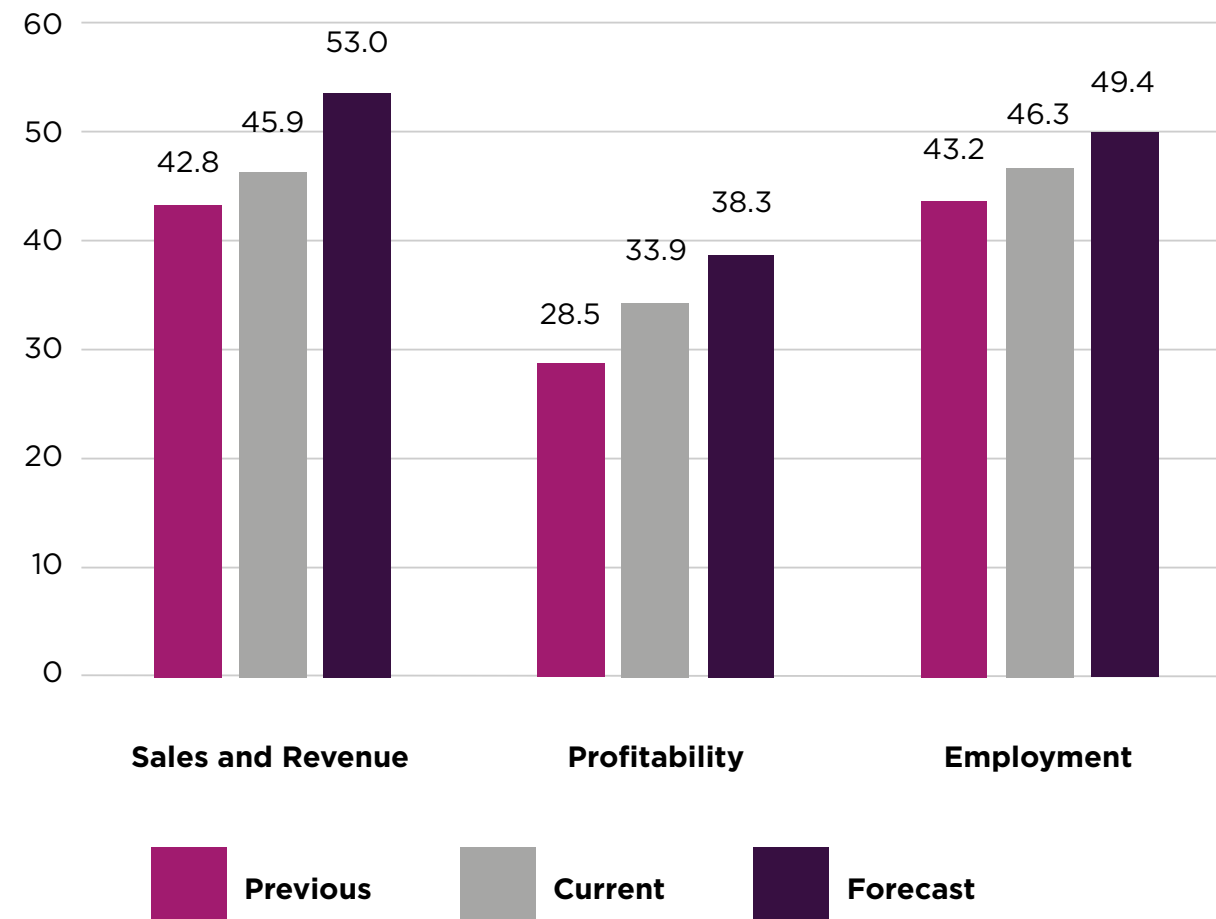


Global trends, interest rates, and inflation matter. But let's not overlook the human side of it. Because thriving people create thriving economies.

Small recreational services businesses, Central Queensland

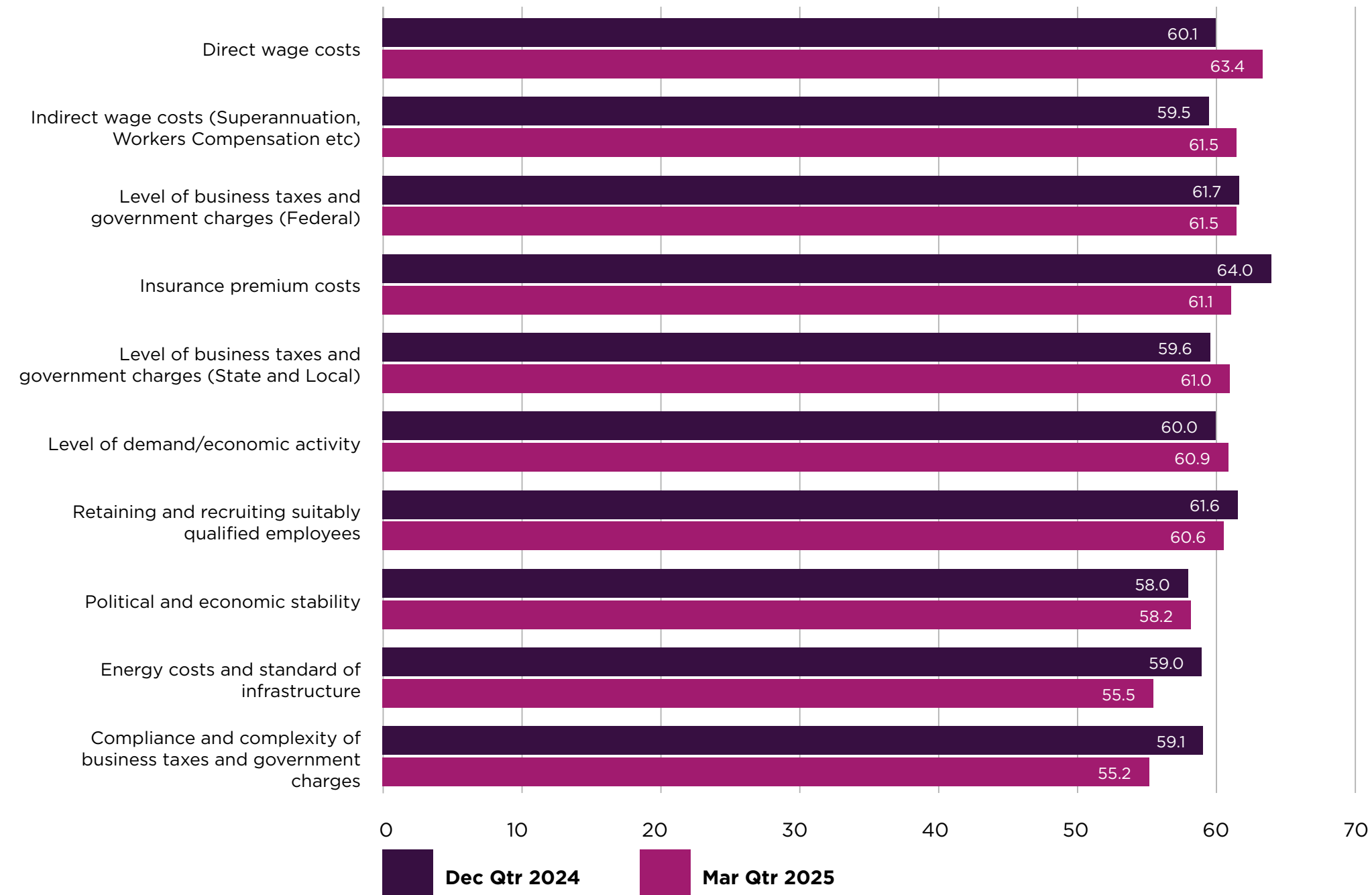
Key indicators

- Business performance measures such as sales and revenue and employment improved during the March quarter and are satisfactory.
- Operating costs and labour costs are slowly moderating.



Constraints

There has been another noticeable shake up in constraints in the March quarter with the top five issues all now related to cost areas. Direct and indirect wage costs make up the top two constraints followed by federal, state and local government taxes and insurance costs. The level of demand and economic activity continues to fall down the list and is now ranked outside the top five constraints on business.



The pressures of cost of living will affect clients' ability to pay and I see a drop-off in clients accessing services due to not being able to afford them.

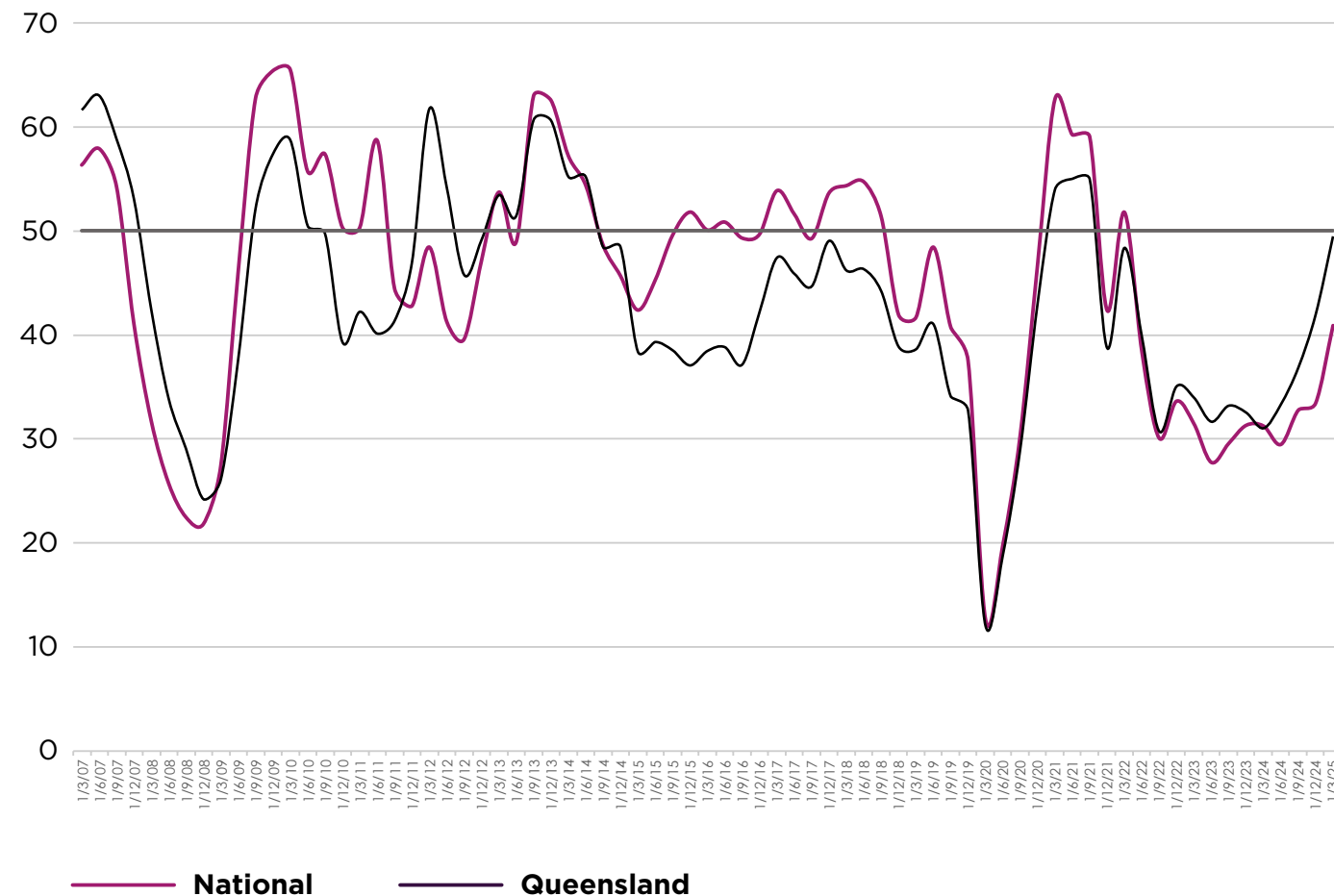
Small professional services business, Sunshine Coast

Business confidence

Overall business confidence for the Queensland and national economies is improving, with the highest levels recorded since 2022.

Business confidence for the Queensland economy over the next twelve months improved for the fourth consecutive quarter.

Business confidence is now reflecting an improvement in sales and general business conditions slowly moderating operational and labour costs. This result is off the back of recent interest rate cuts.



Queensland may outperform the national average in some areas, thanks to population growth, infrastructure spending, and resource exports, but also faces unique challenges such as housing pressure and regional disparities.

Medium professional services business, Brisbane

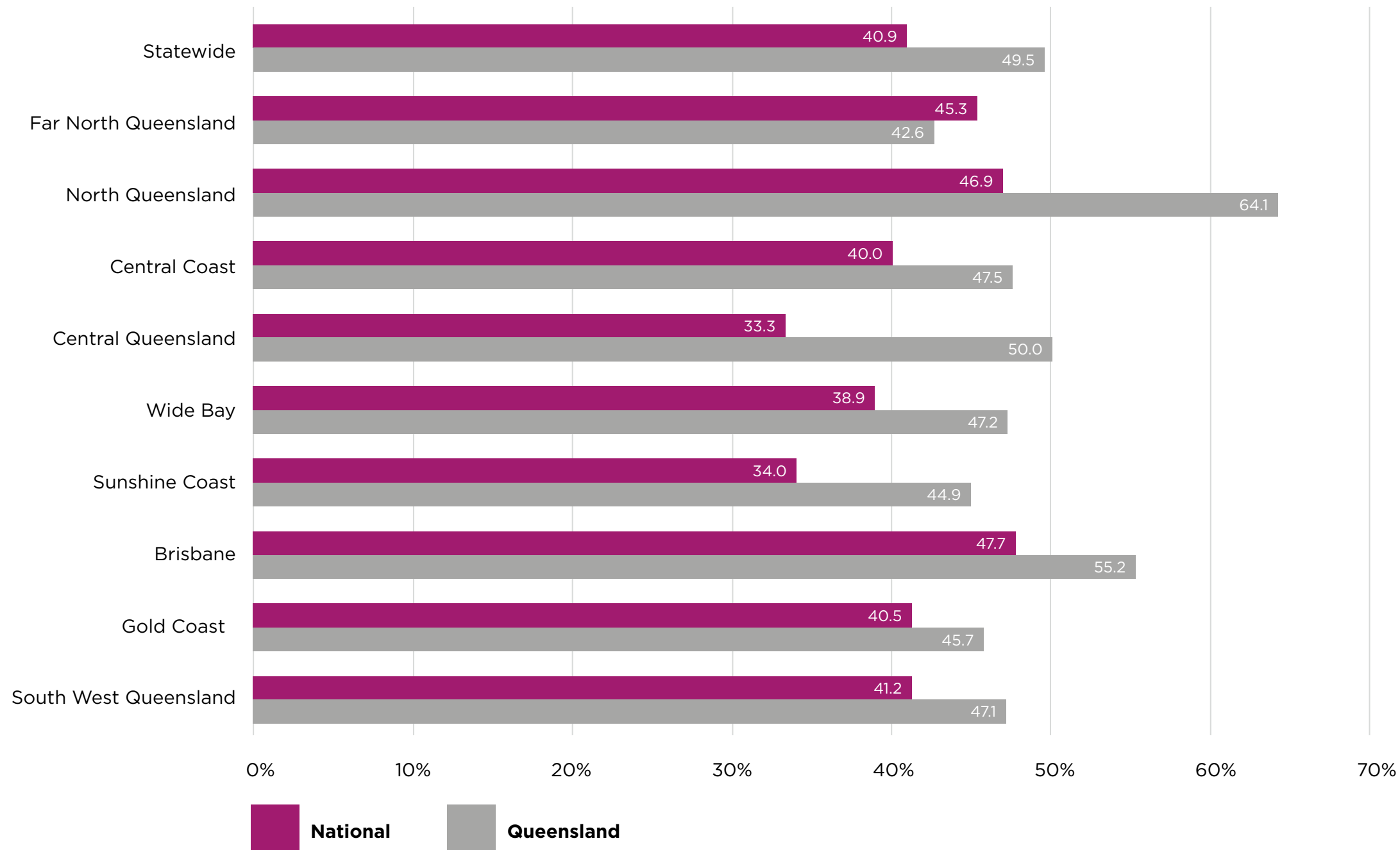


Queensland's economy over the next 12 months will be shaped by strong population growth, ongoing demand for resources like coal and gas, and a recovering tourism sector. However, it faces risks from labour shortages, rising interest rates, and climate-related challenges such as El Niño-driven droughts and potential natural disasters.

Large finance and insurance business, South East Queensland

Confidence by region

Business confidence across Brisbane, North Queensland and Central Queensland is already indicating the Queensland economy will strengthen over the next 12 months. All regions have a satisfactory outlook for the Queensland economy over the next 12 months.



12 month outlook - Queensland

- Business confidence in the Queensland economy for the next twelve months increased by 7.5 points to 49.5 since the December quarter. The improvement is the largest since the state was coming out of the COVID-19 lock downs and is the fourth quarterly rise in a row.
- The Queensland Index is also up 18.2 points on this time last year (31.3) and is the second quarter in a row where it has been above the 10 year average of 39.2.

12 month outlook - National

- Business confidence in the Australian economy for the next twelve months also improved up 7.4 points to 40.9 in comparison with the December quarter. The national index is up on this time last year (31.3) but continues to be below the 10 year average of 42.5. The level of confidence is satisfactory.
- The difference between the indexes continues to widen to 8.6 points and Queensland businesses continue to be more optimistic about the Queensland economy over the next twelve months than the national economy. It is only during the State's LNG and resources investment boom in 2012 has such a level of noticeably higher confidence existed for Queensland.

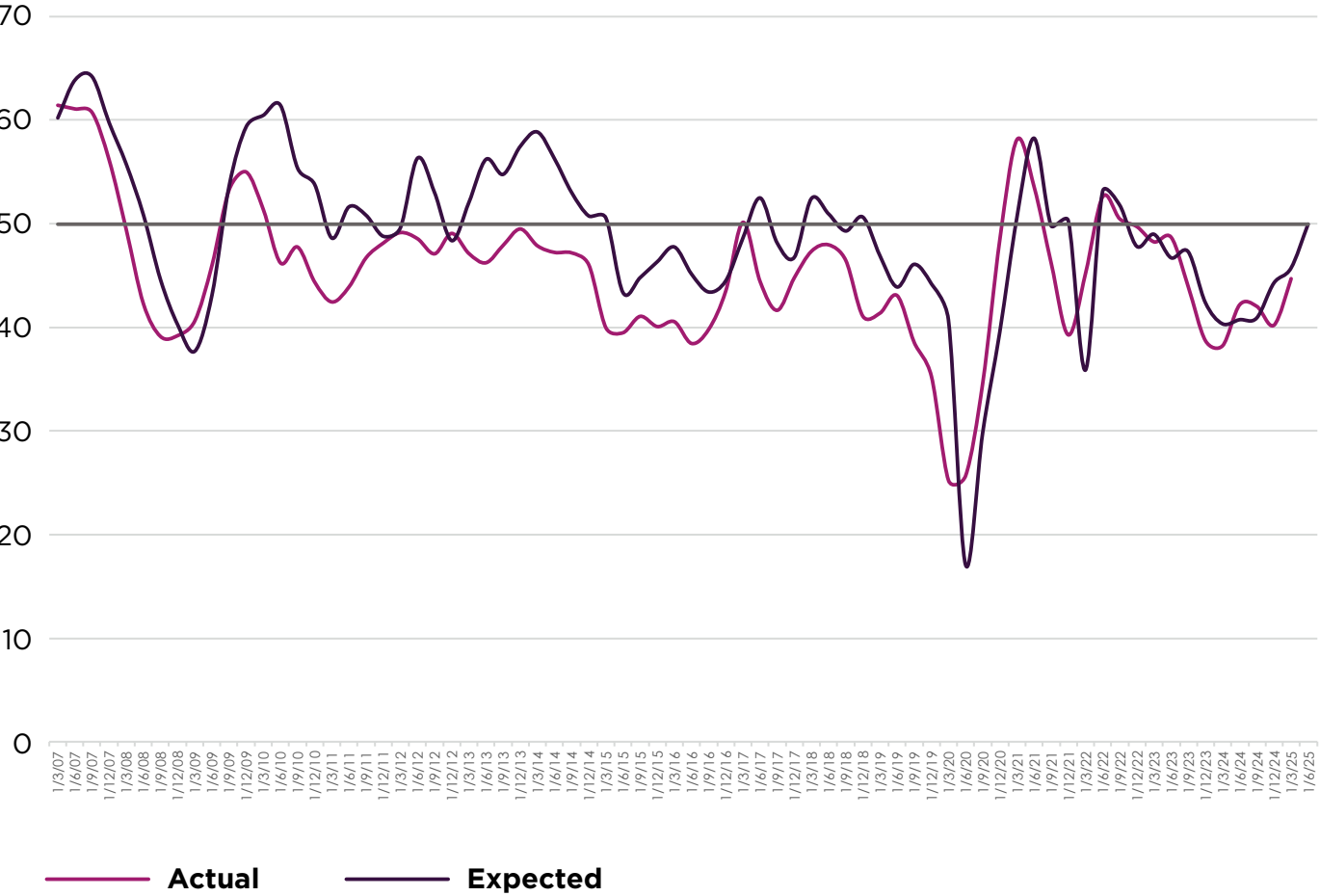


The Australian economy is likely to experience moderate growth, tempered by interest rate impacts and global uncertainties.

Medium professional services business, Brisbane

General business conditions

- General business conditions during the March quarter improved up 4.5 index points to 44.7. This result reflects businesses recording increased sales albeit from a low base. The results also reflect slowly moderating operating and labour costs.
- General business conditions are satisfactory and the March quarter index score of 44.7 is above this time last year (38.2) and above the 10 year average (43.0).
- General business conditions in the June quarter are expected to again improve up 5.3 points to 50.0 that if realised will be the strongest since 2022.



The private sector is absolutely stagnant, the only growth is in the public sector or jobs related to government money.

Small tourism business, Central Coast

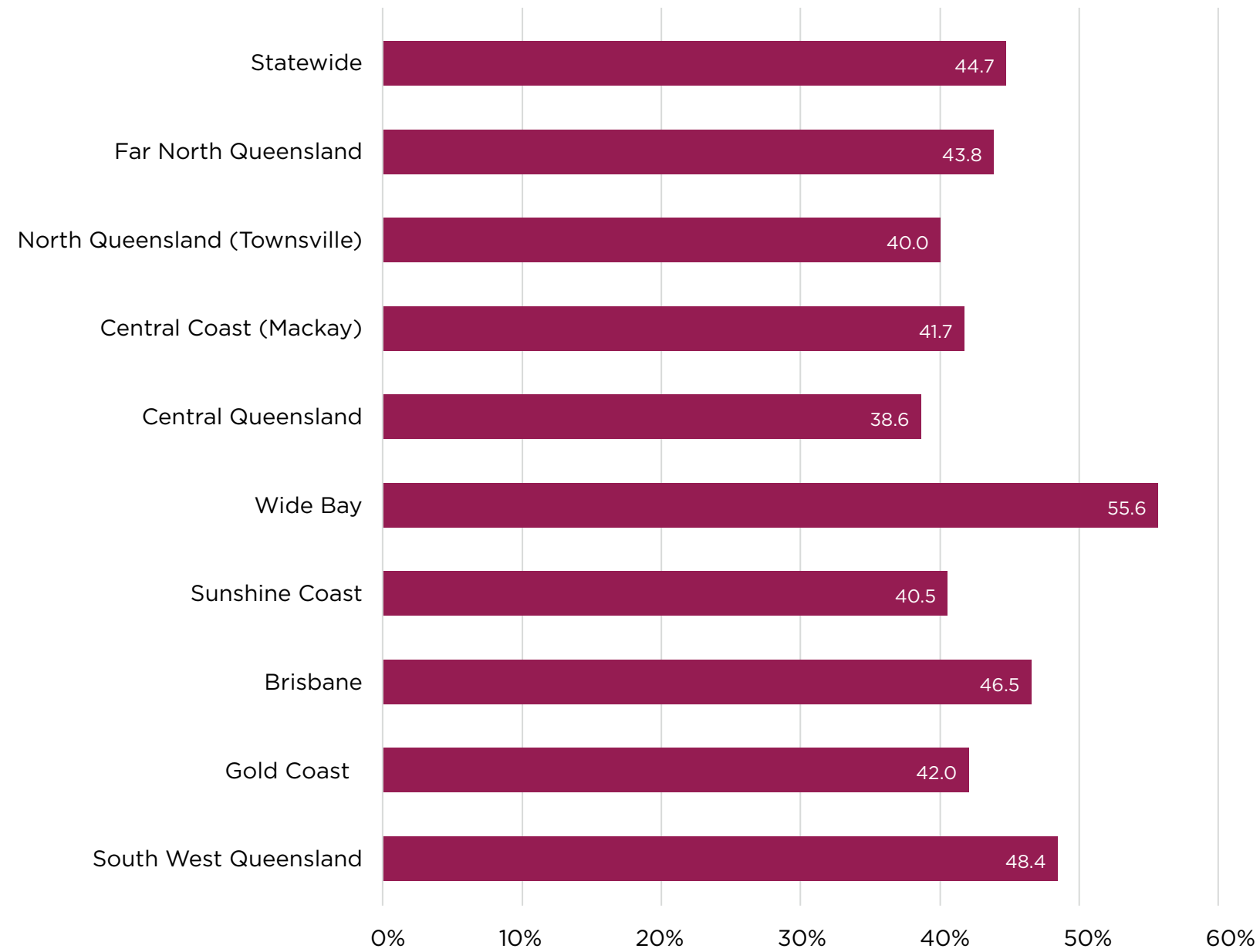


Improving consumer confidence and lower interest rates are seen as factors that should help to lift growth.

Small retail business, Brisbane

Conditions by region

- Strongest business conditions were recorded in Wide Bay (55.6), followed by South West Queensland (48.4) and Brisbane (46.5). Weakest conditions were recorded in Central Queensland (38.6), North Queensland (40.0) and Sunshine Coast (40.5). All regions have satisfactory business conditions.

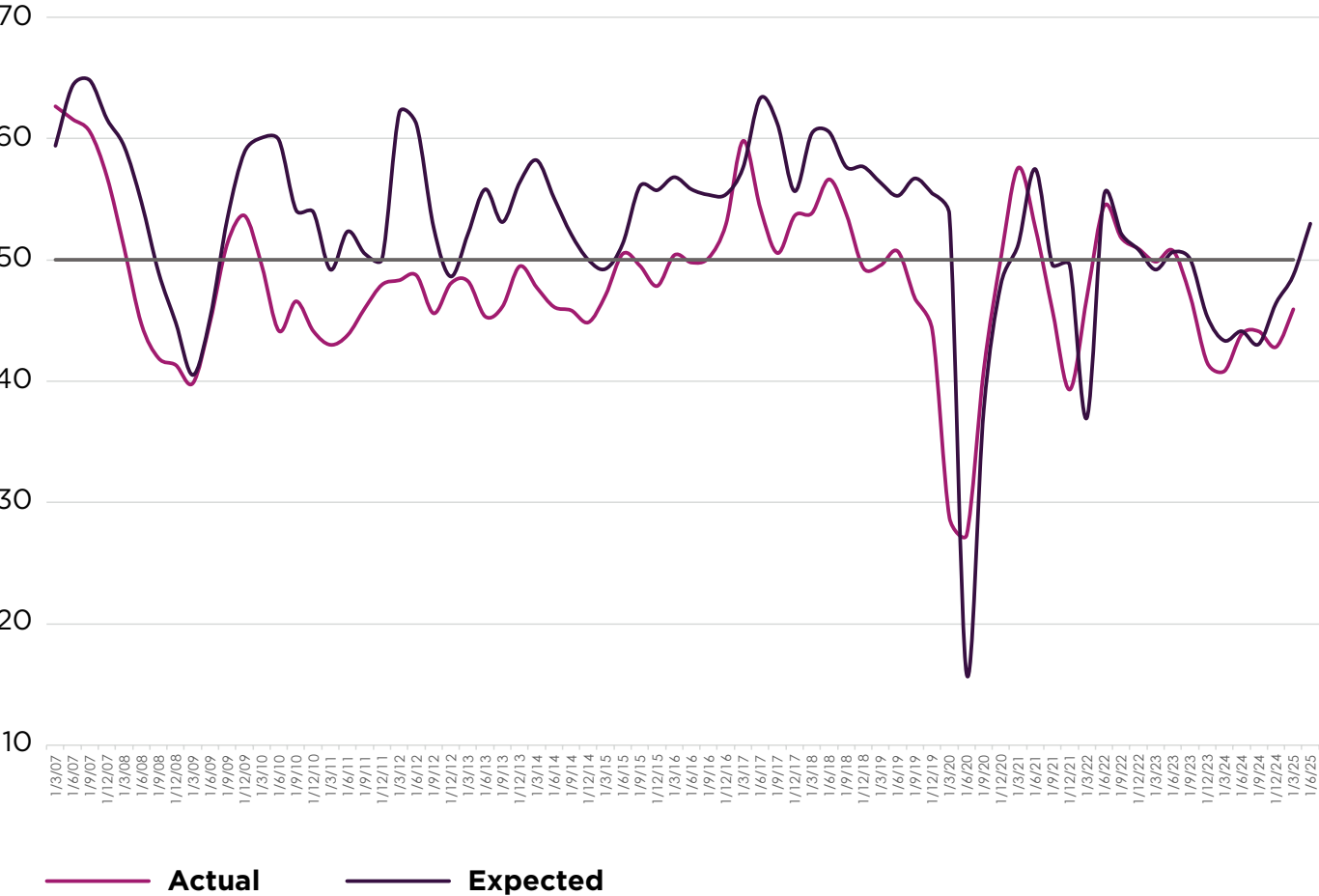


Continued higher rates will suppress consumer spending and private investment, especially in housing and discretionary sectors.

Small education business, Brisbane

Sales revenue

- Total sales revenue in the March quarter also improved. The sales and revenue index of 45.9 is up 3.1 points on the previous December quarter index of 42.8 but is partly tempered by the fact that it remains below the 10 year average (48.2).
- 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. However, two rate reductions in the first half of 2025 have supported some increase in spending.
- The result is above this time last year (40.9) and anticipation of further rate reductions this year are influencing an expectation that sales will continue to rise in the June quarter up 7.1 points to 53.



It is extremely tough, with little or no discretionary spending.

Small retail business, Far North Queensland

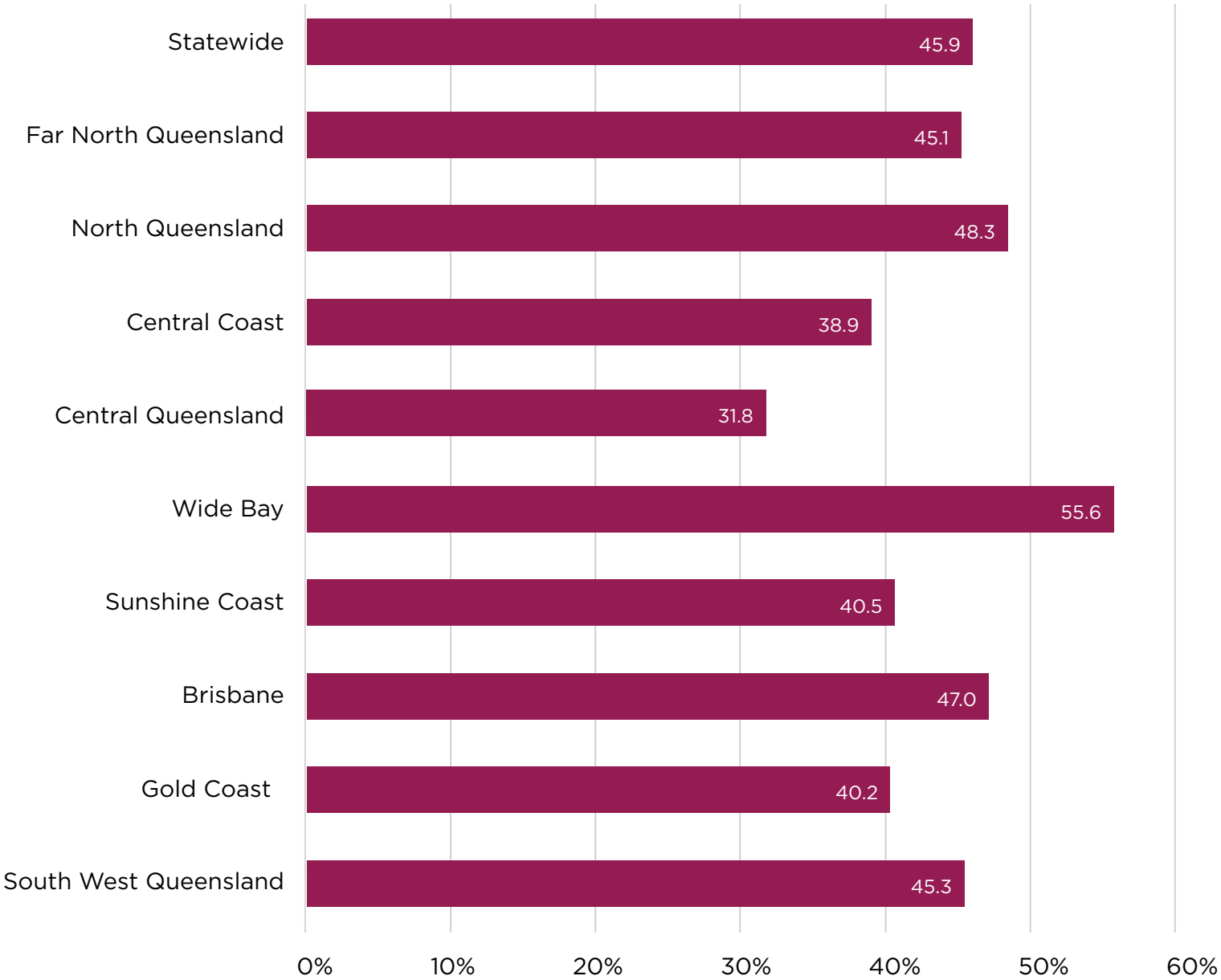


The public are not spending as much on non-essential items.

Small personal services business, Sunshine Coast

Sales revenue by region

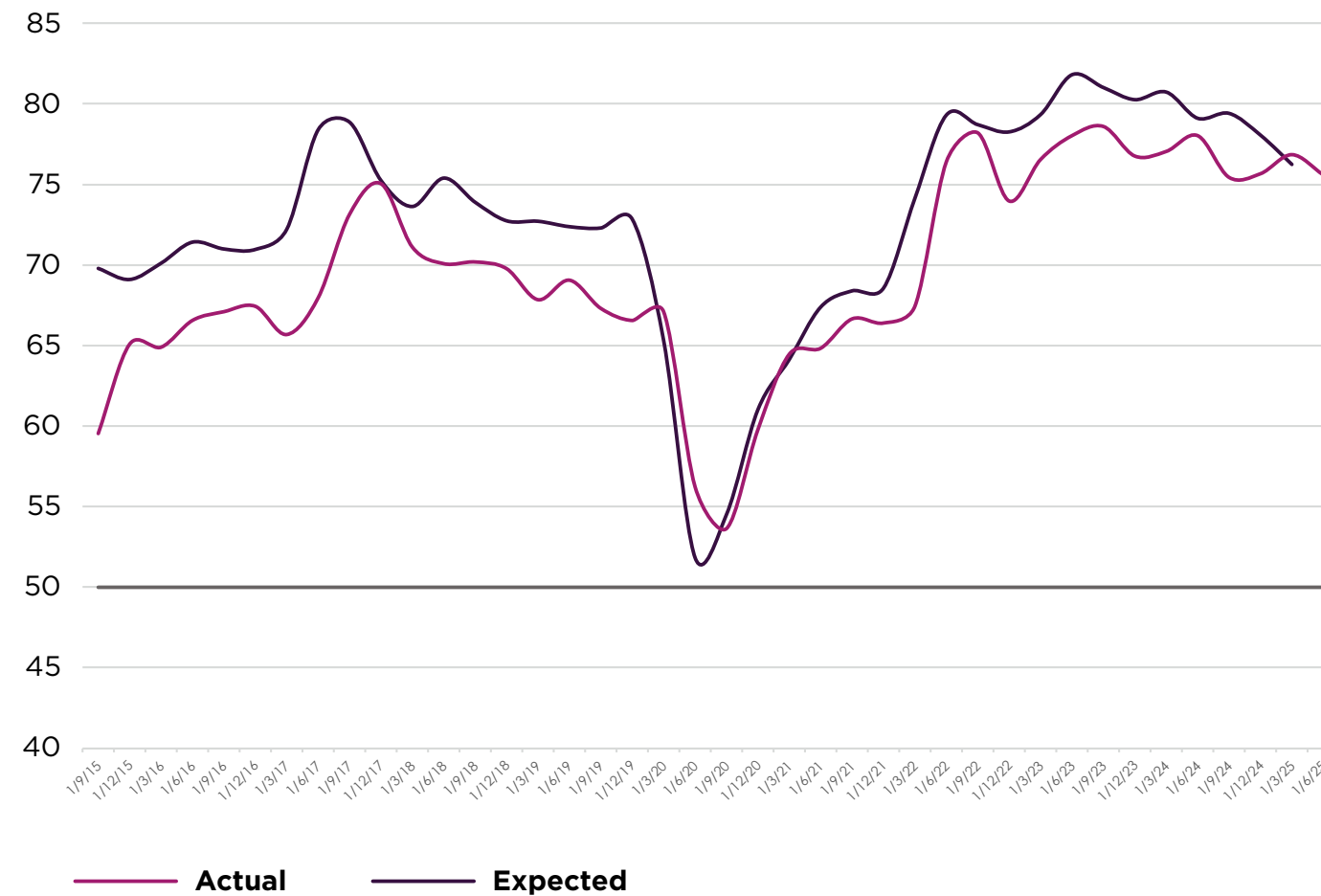
Strongest sales were recorded in Wide Bay (55.6), followed by North Queensland (48.3) and Brisbane (47.0). Weakest conditions were recorded in Central Queensland (31.8) and Central Coast (38.9) and still have weak sales. All other regions now have satisfactory sales levels.



“The growing population and hype around the arts and diversity is driving the economy up on the Gold Coast.”
Small manufacturing business, Gold Coast

Operating costs

- Queensland businesses continue to record high cost pressures in the areas of leasing, insurance, electricity and fuel prices but they are slowly moderating. Operating costs during the March quarter remained high with an index of 72.6. The March quarter index is however down another 1.9 points on the previous quarter below this time last year (80.7). High operating costs are expected to continue tempering in the June quarter with the operating cost index falling to 75.6.



The costs of doing business are significantly higher than they have ever been and it's more and more difficult to employ people with these costs.

Small business, Brisbane



Rising costs are crippling small businesses who cannot keep pace.

Small education business, Brisbane

Labour costs

Labour costs in the March quarter, while high, moderated to an index of 74.1. The labour cost index fell another 1.1 points from the December quarter and is down from this time last year (77.5) but remains above the 10 year average (66.6). As a constraint on business it continues to be the largest challenge confronting Queensland businesses but is moderating. The Labour cost index is expected to further moderate in the June quarter and if realised will see the index fall a further 1.4 points to 72.7.



The big increase in wages above inflation will directly cause business to pass on this increase with the cost of goods and services provided.

Medium personal services business,
North Queensland



Wage increases are expected to moderate but stay above historical averages, supported by low unemployment and strong union-negotiated outcomes.

Small retail business, Brisbane

Profitability

- Profitability improved in the March quarter reflecting an increase in sales and revenue and also a slow moderation in high operational and labour costs. The profitability index increased 5.4 index points to 33.9, higher than this time last year (27.7) and moves closer to the 10 year average of 36.2.
- Profitability could continue improving in the June quarter with the index up 4.4 points to 38.3. This indicator continues to be weak and will require sustained improvement to reach satisfactory levels.



We diversified and vertically integrated with what successful suppliers do and lowered some of our costs, increased profit in one area and balanced losses in other areas.

Medium manufacturing business, Brisbane

Average selling price

- Average selling prices continue to slowly moderate and have settled slightly above 50 index points to 53.8; almost unchanged from the three previous quarters. The index is moderate and is below the longer term trend of 56.8.
- The June quarter index is expected remain at a similar level up marginally 0.5 points to an index of 54.3.



Inflation and wage growth - if wages outpace productivity, it may lead to further inflation. But if wage growth is moderate, consumer confidence and spending could lift.

Small communication services business, Brisbane

Employment levels

- Employment levels increased in the March quarter, with the index up 3.1 index points from 43.2 in the December quarter to 46.3. This is the first increase in the last year where employment levels have been marginally deteriorating. The employment index is 3.0 points up from this time last year (43.3) and compares against the ten year average of 46.1. Employment levels could increase again in the June quarter with the index at 49.4.



Government must incentivise and take other actions to resolve chronic shortage of skilled workers!!!

Small communication services business, Far North Queensland

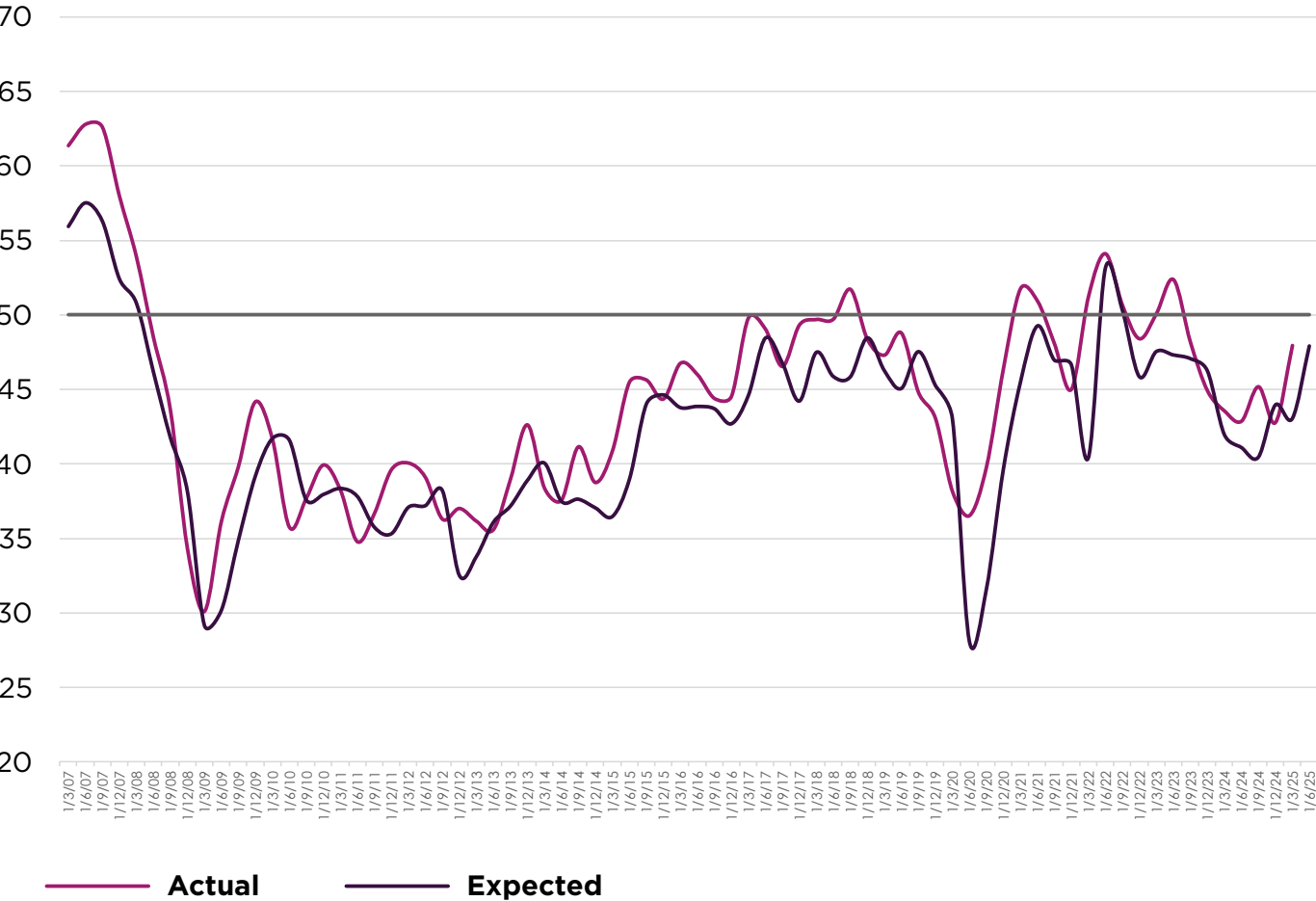


The costs of doing business are significantly higher than they have ever been and its more and more difficult to employ people with these costs.

Small business, Brisbane

Capital expenditure

Improved profit levels, better sales revenue and reduced borrowing costs impacted positively on business capital expenditure. The capital expenditure index in the March quarter increased by 5.1 index points from 42.8 in the December quarter to 47.9. The index is up 4.3 points from this time last year and is now slightly above the long term 10 year average of 46.9. Business investment is not expected to change in the June quarter with the capital expenditure index again registering at 47.9.



Business constraints

The top five issues are all related to costs. Direct and indirect wage costs make up the top two constraints followed by federal, state and local government taxes and charges and insurance costs. The level of demand and economic activity continues to fall and is now ranked outside the top five constraints on business.

Direct wage costs (63.4) is now the highest constraint on business up 3.3 points to 63.4.

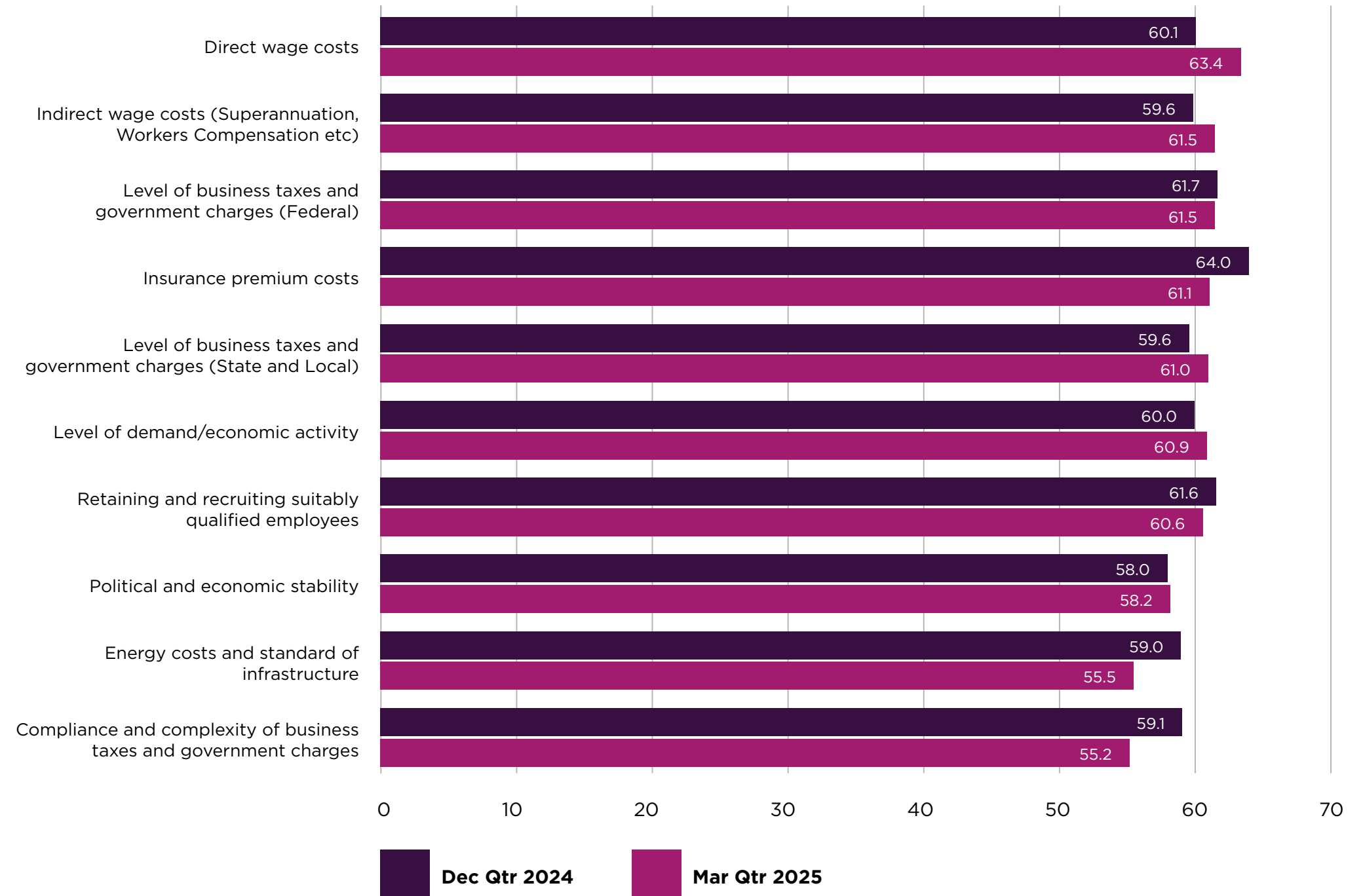
Indirect wage costs (61.5) such as superannuation and workers compensation is up 2.0 points and is now the second highest constraint.

The level of federal business taxes and government charges (61.5) is the equal second largest constraint and is unchanged in ranking.

Insurance (61.1) continues to be in the top five but has fallen from the largest constraint in the December quarter to fourth.

Level of business taxes and government charges (state and local) (61.0) rounded out the top five constraints on business.

Consistent with overall results the level of demand and economic activity (60.9) has slipped outside the top five constraints on business.



Biggest rise

- ⌘ The biggest rise in severity was recorded for direct wage costs up 3.3 index points and three places.

Biggest fall

- ⌘ Retaining and recruiting suitably qualified employees decreased 1.0 index point and fell from third highest constraint to seventh highest constraint.

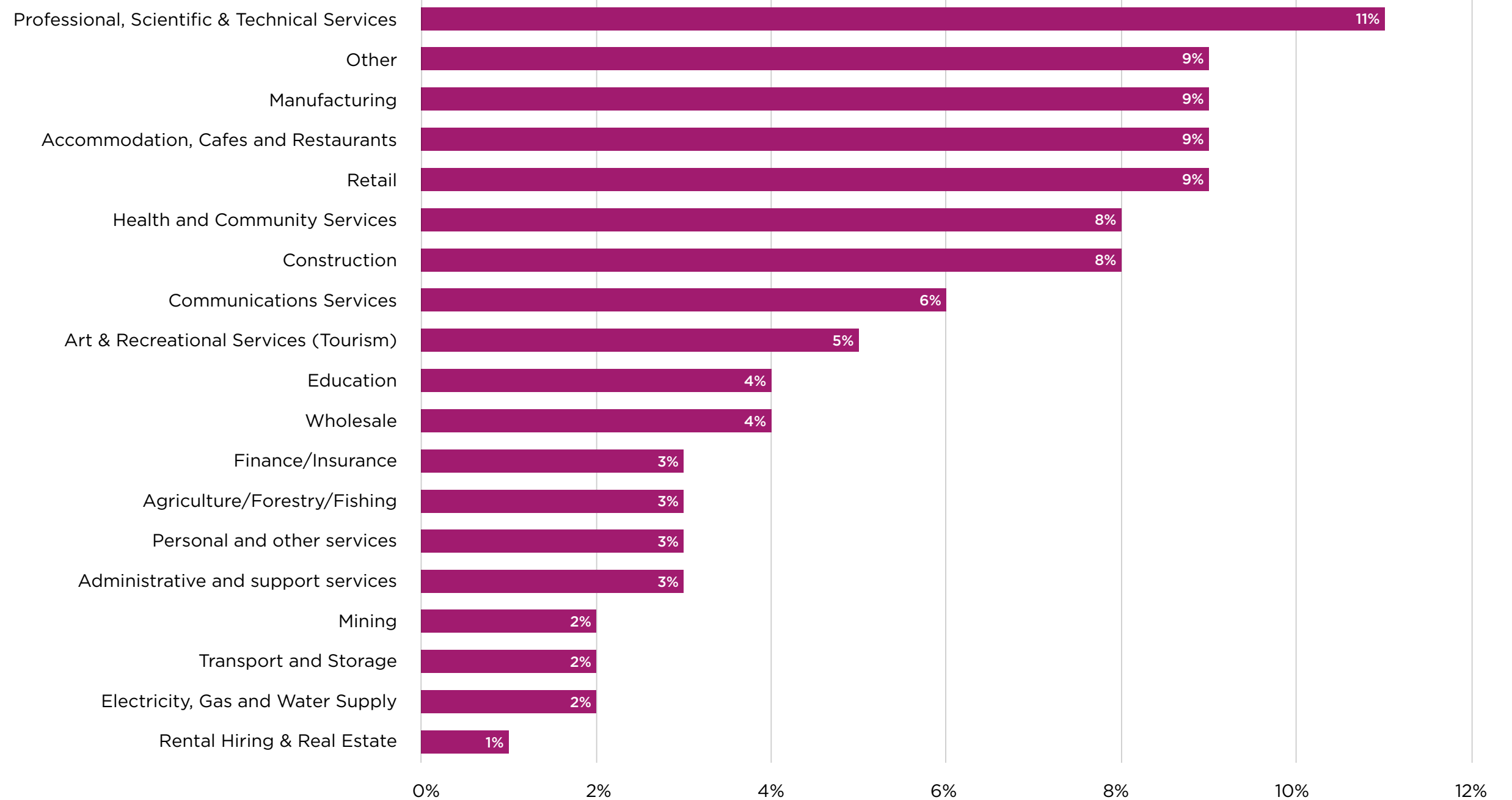


Federal Government policies regarding productivity, work from home, union demands and wage increases will put “lead in the saddlebags” of our economies.

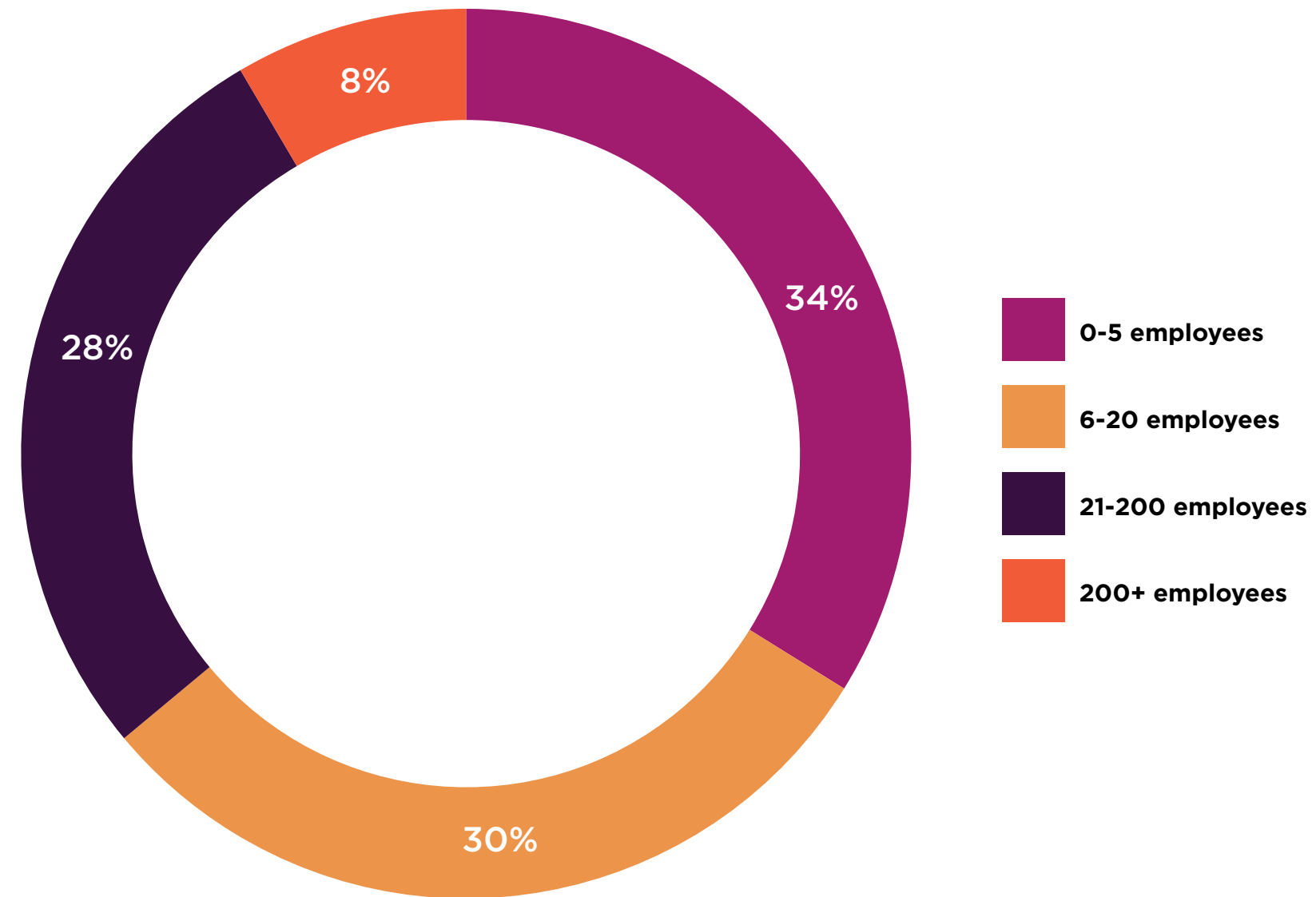
Medium agriculture, forestry and fishing business, Far North Queensland

Profile of Responses

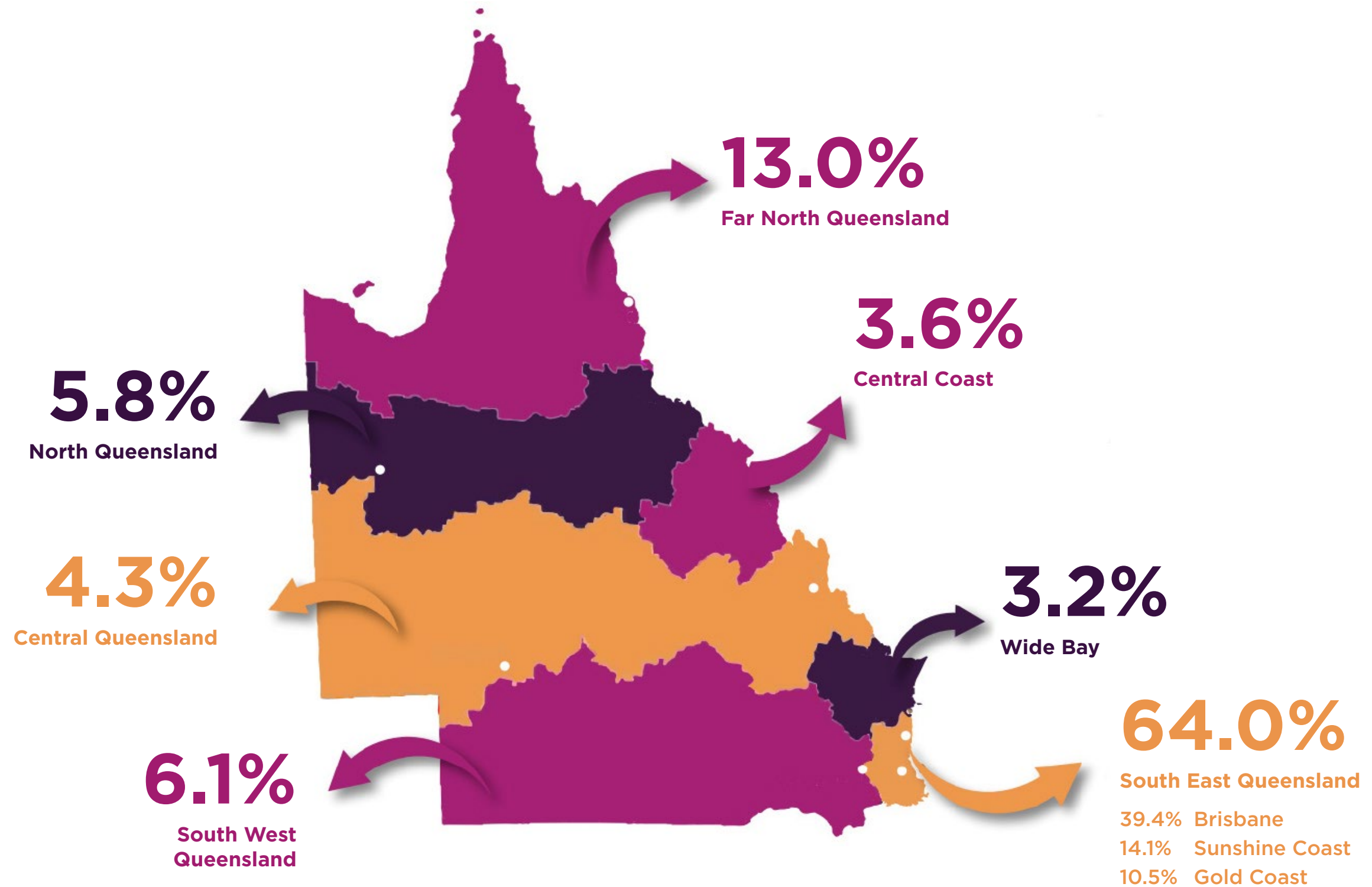
Industry



Business size



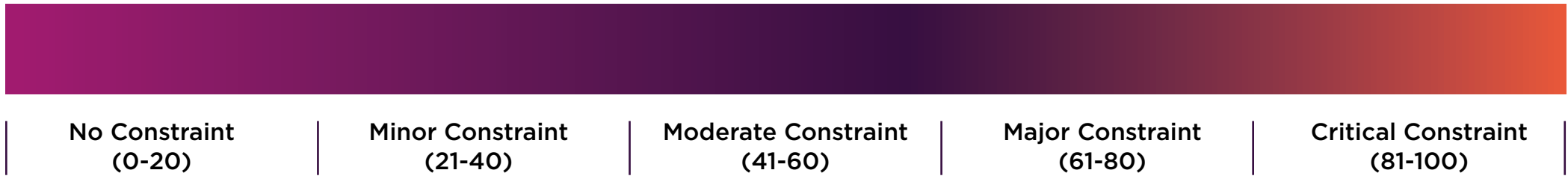
Region



Survey period and sample

- The online Pulse Survey of Business Conditions collected responses from Queensland businesses from 1 May to 1 June 2025, on business sentiment and activity for the March quarter 2025. 319 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.
- Our Pulse report is intended for digital viewing. Please minimise printing whenever possible.



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