Automotive Industry Economic Survey
New South Wales

September Quarter 2001

Perceptions, Performance and Expectations Of the Retail Automotive Industry
National Economy

During the September quarter, expectations of performance of the Australian Economy for the next 12 months were negative. Thirty-four per cent of the respondents indicated that they expected the economy would be weaker, while only 21 per cent believed that it would perform stronger.

Forty-five per cent believed that the economy would perform about the same over the next twelve months.

On a net balance, this gives a result of –13%. This result is better than the one from September 2000, where the net balance was –35%, however, it remains negative indicating that there is still a lot of pessimism around.

New South Wales Economy

Expectations of the performance of the NSW Economy are even more pessimistic than expectations of the Australian Economy.

Only 16 per cent indicated that they saw the NSW Economy perform better over the next 12 months. A staggering 41% said that the NSW would perform weaker. Forty-three per cent believed that not much would change.

A net balance result of –25% is a reflection of the pessimistic outlook by respondents on the NSW economy.

Industry Expectations

Respondents had equally negative expectations on how the Automotive
Retail Industry would perform over the next 12 months.

Only 19 per cent of respondents said that the industry sector would be performing stronger and 42% believed that it would weaken further. This yields a net balance of –26%.

Thirty-nine per cent said that that the performance of the industry sector would stay pretty much the same.

**Activity/ Productivity levels**

During the September quarter respondents indicated that they were operating at the following productivity levels:

- 3% were operating below 50% capacity,
- 12% operated at 50-59%,
- 12% operated at 60-69%,
- 26% operated at 70-79%,
- 31% operated at 80-89% and
- 17% operated at 90% and over.

The second data series shows the expectations for the December quarter. The levels are similar to the September quarter levels, with 5% expecting to operate below 50% of their capacity and 20% expecting to work at the capacity of 90% and over.

**General business conditions**

General business conditions during the September quarter were at a negative level. Twenty-nine per cent said that business conditions were up from the previous three months, while
40% indicated that conditions were down for them. The remaining 31% said that for them the conditions had remained unchanged.

When asked about their expectations for the December quarter, the respondents’ outlook on the general business conditions was slightly less negative. Twenty-four per cent believed that the conditions were going to improve, while 30 per cent believed that the conditions would worsen. A staggering 46% were not expecting any changes.

**Sales / Revenue**

The September quarter survey highlighted subdued trading conditions in the Retail Automotive Industry. Sales and Revenue levels were up for 36 per cent while 41 per cent reported lower levels. Twenty-three per cent reported unchanged sales and profit levels.

Respondents were asked to indicate their expectations for the December quarter. Twenty-nine per cent said that they expect sales levels to be up in the next quarter, and 34 percent believed that levels would be lower than this quarter. A total of 37 per cent expected no changes.

**Average Selling Price**

Average selling prices did not experience large movements during the September quarter. Sixty-four per cent reported no changes. On the other hand, 13 percent reported increases in the average selling price and 23 per cent said that average prices were lower.
Thirteen per cent expect prices to rise during the December quarter, 72% expect no changes and 15% thought that prices would fall.

Both the September and December quarter yielded negative net results.

**Profit levels**

Profit levels during the September quarter were negative on a net balance of −26%. Twenty-two per cent of respondents said that their profit levels were up and 48% reported lower profit levels. Thirty per cent reported unchanged levels.

Expectations for the December quarter were as follows: Eighteen per cent believe that profits will be up, 49% believe profits will stay much the same and 33% expect profits to be down.

The December expectations are a slight improvement to the September results but still remain negative with a net balance of −15%.

**Average Wages**

Respondents reported that during the September quarter wages were slightly up. They were up for 25%, down for 10% and 65% reported no changes in the average wage levels.

Traditionally, wage levels during the December quarter are somewhat down. This is reflected in the expectations for the average wage levels for the December quarter.
Fourteen per cent indicated that they expected wages to rise, more than three quarters (77%) said that they didn’t think wages would change and only 9% expected wages to be down.

**Other labour costs**

Other labour costs during the September quarter were reported at similar levels than the labour costs described above.

Twenty-six per cent said that other labour costs were up, 65% reported no changes and 8% said that the were down during the September quarter.

Again, the outlook for the December quarter is similar. Eighteen per cent believe that other labour costs will be up while 76% expect no changes. Six per cent expect other labour costs to decline in the next quarter.

**Employment levels**

Overall employment levels in the Automotive Retail Industry have remained negative, yielding a net balance of -15%.

Nine per cent reported that levels were up while 24% indicated that employment levels were actually down. The remaining 67% said that there were no changes during the September quarter.

The outlook for the December quarter is not much better. Only seven per cent said that they believed
employment levels to improve, 72% expected no changes at all, and still 21% believe that employment will be down.

**Overtime**

Overtime levels during the September quarter are a reflection of the overall employment levels. Just as employment levels were down, so were overtime levels.

Thirteen per cent reported that overtime was up during the quarter, 58% reported no changes and 29% reported lower overtime levels than in the previous quarter.

Expectations for the December quarter are as follows: Nine per cent expect overtime to be up, 64% expect unchanged levels and 27% believe overtime will be down.
Factors Limiting Business Performance

Respondents were asked to list the factors that have hindered business performance during the quarter. Topping the list was competitive discounting (45% of respondents identified this as a hindering factor). Second came lack of demand and orders (44%). In third place were taxes and charges (40%), followed by government regulation (30%) and competition from other sources (30%). Labour costs was in fifth place – 28 per cent identified this as a hindering factor for small business. Interest rates was the factor that was identified by the fewest people; only 6% mentioned it.

The graph below shows the relative importance of factors during the September quarter.