Automotive Industry Economic Survey
South Australia
December Quarter 2001

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

During the December quarter, expectations of performance of the Australian Economy for the next 12 months were quite positive. Forty-three per cent of the respondents indicated that they expected the economy would be stronger, while only 11 per cent believed that it would perform worse.

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

This is a big turn-around from the past year (December quarter 2000) when 33 per cent believed that the economy would perform worse and only 19 per cent expected it to perform better.

South Australian Economy

Expectations of the performance of the SA Economy are also quite optimistic especially when compared to the results from the previous year.

Only 13.3 per cent indicated that they saw the SA Economy perform worse over the next 12 months. A staggering 46% said that the SA would perform stronger. Forty-one per cent believed that not much would change.

Outlooks in the December 2000 quarter were much more negative: Thirty-five per cent expected the state economy to slow down and only 21% expected it to be stronger.

Industry Expectations
Even expectations of the performance of the Automotive Retail Industry were more positive than in the previous year.

Forty-three per cent believe that the industry sector will perform better over the next 12 months (compared to 20% in December 2000). Only 19% expect it to perform worse (44% in December 2000) and 37% are not anticipating any changes.

These results are somewhat surprising especially after a weak September quarter. It is possible though that the anticipation of a new government and expectations of additional employment in the Automobile sector could be contributing to this turn-around.

**Activity/ Productivity levels**

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

- 4% were operating below 50% capacity,
- 7% operated at 50-59%,
- 11% operated at 60-69%,
- 27% operated at 70-79%,
- 25% operated at 80-89% and
- 26% operated at 90% and over.

The other data series shows the results of the September quarter and expectations for the March quarter. Fewer businesses expect to work below 60% and more businesses expect to work over 90% during the March quarter 2002.

**General business conditions**
General business conditions during the September quarter were at a negative level, yielding a net balance of – 14%. Twenty-two per cent said that business conditions were up from the previous three months, while 36% indicated that conditions were down for them. The remaining 42% said that for them the conditions had remained unchanged.

During the December quarter the results improved dramatically to a net balance of 28%. Forty-eight per cent said that the general business conditions improved during December and only 20% thought that the conditions had worsened. 32 per cent reported no changes during the quarter.

Expectations for the March quarter are still positive but not to the same degree as during the December quarter. Twenty-six per cent were hoping for better conditions, 17% were expecting worse and 57% were anticipating equal conditions.

**Sales / Revenue**

Sales and revenue were up from the September quarter. Fifty-three per cent reported higher sales levels, 21% reported lower levels and 26% saw no changes during the December quarter.

The outlook for March is somewhat different again. Thirty-one per cent believe that sales will be up, 30% think they will be down and 33% expect no changes at all.

**Average Selling Price**

Average selling prices went up during the December quarter but are
expected to fall again during the March quarter.

The proportion of respondents that has not experienced any changes or is not expecting any changes has remained pretty stable at around 66% for the September, December and March quarters.

During December, 19% indicated that the average selling price rose while 15% said the prices fell, yielding a net balance of 4%.

Expectations for the March are slightly worse: Only 15% expect price rises and 21% expect falls.

**Profit levels**

Profit levels during the December quarter were up from the September quarter. Thirty-six per cent of respondents said that their profit levels were up and 28% reported lower profit levels. Thirty-six per cent reported unchanged levels.

Expectations for the March quarter were as follows: Twenty-nine per cent believe that profits will be up, 37% believe profits will stay much the same and 34% expect profits to be down.

The December results were a slight improvement to the September results but the expectations for March are down again.

**Average Wages**

Respondents reported that during the December quarter wages were up from the September quarter. They
Average Wages during September and December 2001 quarters and expectations of average wages during March 2002 quarter

Expectations for the March quarter show that wages are expected to drop below the levels of the September quarter. Fourteen per cent expect wages to rise, while 10% expect them to fall. Three quarters of the respondents (75%) did not see any changes ahead with regard to wage levels.

Other labour costs

Other labour costs during the September quarter were reported at a positive net balance of 26%. This net balance went up to 31% during the December quarter and is expected to fall again during the March quarter to 15%.

During the December quarter 37% of the respondents reported higher other labour costs, 6% reported lower costs and 58% noted no changes.

Expectations are for other labour costs to fall during the March quarter. Fifteen per cent believe that these costs will rise, 10% expect them to fall and three quarters (75%) expect no changes during the quarter.

Overall employment levels in the Automotive Retail Industry have remained negative during the December quarter, yielding a net balance of -7%, up from –11% during the September quarter.
Ten per cent reported that levels were up while 17% indicated that employment levels were actually down. The remaining 74% said that there were no changes during the December quarter.

The outlook for the March quarter is slightly better. Ten per cent said that they believed employment levels to improve, 81% expected no changes at all, and only 9% believe that employment will be down.

**Overtime**

Overtime levels during the December quarter were up from the September quarter. Twenty-one per cent reported higher levels, while 13% reported lower levels. Sixty-six per cent saw no changes.

The outlook for the March quarter is similar to the results of the September quarter, i.e. overtime levels are expected to be lower than those reported during the December quarter. Twelve per cent anticipate higher overtime levels, 26% expect lower levels and 62% are not expecting any changes in overtime worked.
Factors Limiting Business Performance

Respondents were asked to list the factors that have hindered business performance during the quarter. Topping the list was taxes and charges (44% of respondents identified this as a hindering factor). The second most important factor was competitive discounting mentioned by 43%. In third place was shortage of skilled and suitable labour (33%) followed by government regulation (31%) and labour costs was in fifth place – twenty-five per cent of respondents saw this as a hindering factor during the December quarter. Competition from other sources also received 25% of the votes. Industrial relations issues was the issue mentioned by the least respondents, only 4% mentioned it as a hindering factor.

The graph below shows the relative importance of factors during this quarter in comparison to the past quarter.

Other factors believed to hinder overall performance were:

- Uncertainty about global economy
- Dominance of insurance companies
- Economic uncertainty
- Number of backyard operators
- Fluctuation of fuel prices