

VACC automotive industry economic survey

March Quarter 2009 (No 60)



Business confidence continues to fall.

Survey summary

- **Feature Question:** Changing credit market conditions seem to have minimal affect on members. 88% of surveyed members have had no changes to existing credit and finance arrangements over the last 6 months.
- **General business conditions** have reached new record lows, recording a -19 net trend balance. Similar indices were last reported in June quarter 2001.
- **Economic expectations for the next 12 months** for the national and Victorian economies have fallen to new historic lows. Industry expectations have also reached new record lows with a -63 net trend balance
- **Sales revenue** has been in decline since Dec quarter 2007. The current -27 net trend balance reflects current economic conditions impacted by the global financial crisis.
- **Profit levels have** declined steadily since September quarter 2008, reporting a - 19 net trend balance for March quarter
- Lack of orders has replaced taxes and charges as the **biggest restraint on business performance** by 47% of surveyed members
- **Operating capacity** has remained unchanged since last quarter with 42% operating at 80% capacity and over, 44% operating between 60 -79% capacity and 14% operating below 60% capacity.
- **Labour costs** continue to decline. The -8 net trend balance reflects a continuing drop in costs from a +29 net trend balance reported in March quarter 2008
- **Wages growth** has also declined significantly over the last 5 quarters; from a +28 net trend balance in March quarter 2008 to -4 net trend balance in the current quarter.

About the survey

The survey asks members about business expectations for the retail industry and the economy on a quarterly basis.

Results are discussed in trend terms. Results shown above 0 indicates a rising index and readings below 0 indicate a declining index

73 responses were reported for March quarter 2009 and represents 1.4% per cent of current VACC membership.

The survey is delivered via fax and email. Results are also aggregated in the ACCI business expectations survey.

Respondent profile

Most (60%) of current survey respondents are automotive repairers.

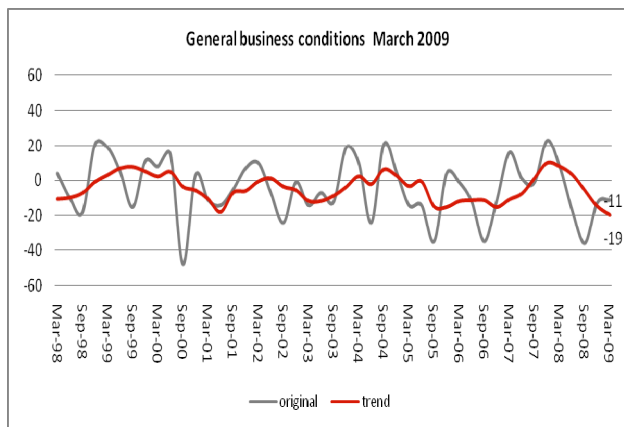
86% of current respondents are Victorian members and 14% are Tasmanian members

49% are found in metro locations and 51% in rural locations

Survey results are aggregated as indices with trend net balance indicators.

As the survey is self administered, biases may be present in results and not necessarily represent full VACC views.

General business conditions



General business conditions for the next 3 months are predicted to reach a new low according to surveyed members.

Expectations have fallen from a -14 net trend balance to a -19 net trend balance. Such low expectations for business conditions were last reported in June quarter 2001.

Expectations for business conditions have been in decline since December quarter 2007.

For the next quarter, 10% of members expect conditions to improve, 47% expect conditions to remain the same while 43% expect conditions to deteriorate.

National, state and industry economic expectations



All indices for national, state and industry expectations for the next 12 months remain uncharacteristically low, impacted by the global financial crisis.

A -72 Net trend balance for national expectations signals a new low for national expectations.

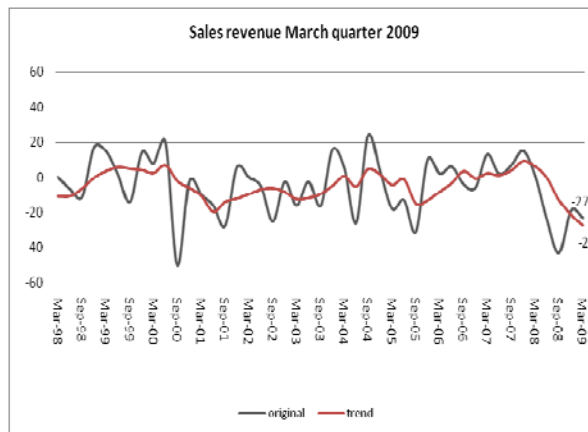
Similarly, a -74 net trend balance for the Victorian economy and a -63 net trend

balance for industry expectations reflects a less optimistic outlook for the next 12 months.

These new indices set another new historic low for all three sectors.

All sectors have been in active decline since September quarter 2007.

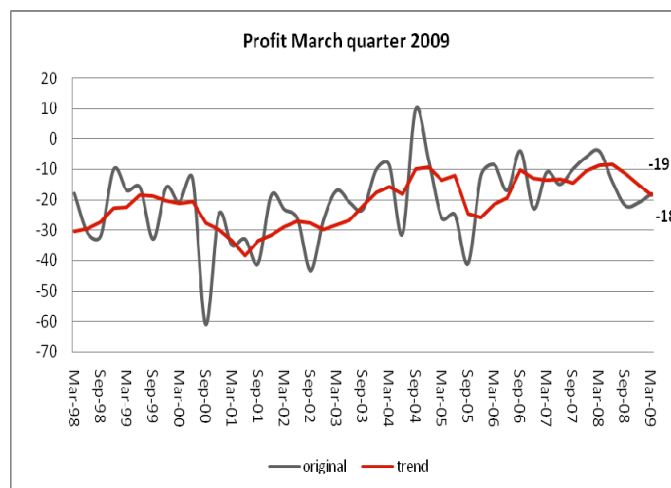
Sales revenue



Sales revenue has been in decline since Dec quarter 2007 or the last 5 quarters. The current index is a -27 net trend balance – a drop from a -21 net trend balance from the previous quarter.

For June quarter, 9% of respondents expect sales revenue to go up, 38% expect revenue to remain the same while over half (53%) expect sales revenue to continue to fall.

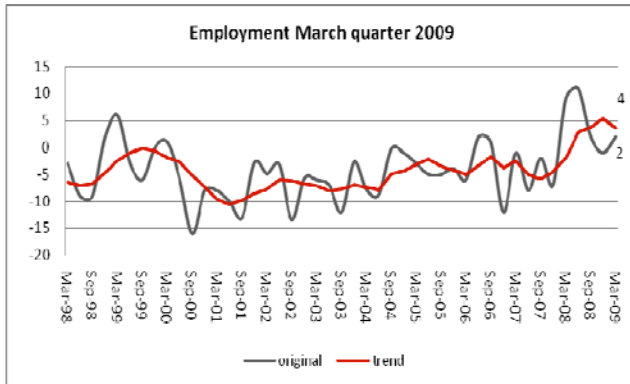
Profit



Profit has been in steady decline since September quarter 2008, recording a -19 net trend balance for March quarter. This reflects the impact of the global of the global financial crisis.

For profit levels over the next 3 months, 9 % of respondents expect profit to lift while 40% expect profit levels to remain even and 51% expect profit to decline further.

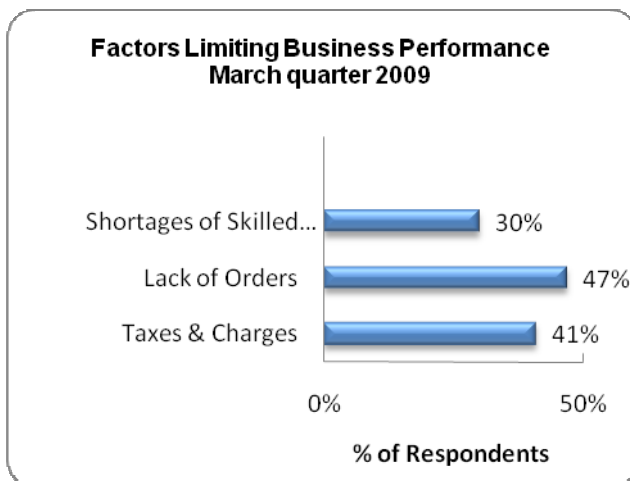
Employment levels



Over the last four quarters, employment levels have remained stable. Current March quarter index is a +4 net trend balance just down one index point from the previous quarter.

The outlook for June quarter sees little change. Most 67% see employment levels remaining stable, while 6% expect employment levels to go up and 27% predict levels to drop.

Factors limiting business performance



Lack of orders replaces taxes and charges as the most limiting factor inhibiting business performance for 47% of respondents during March quarter 2009.

41% of respondents ranked taxes and charges as the second most limiting factor followed by skilled labour shortages cited by

30% of respondents as the third most limiting factor impacting business performance.

Feature question

Have you had problems with, or changes to your BANK/FINANCIER credit and finance arrangements in the past six months?

	No of respondents	% of respondents
NO credit and finance arrangements unchanged	61	88%
YES overdraft limit reduced	0	0
YES refused increased credit by current bank/financier	1	2%
YES my bank/financier has demanded that I increase my equity and reduce my business borrowings	0	0
YES alternative finance from other providers denied	0	0
YES, but I have successfully secured satisfactory finance from alternative finance providers	3	4%
OTHER	4	6%
TOTAL	69	100%

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