



Illawarra Regional Information Service

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Local retailers facing tougher conditions

Results from the June 2010 quarter edition of the *Illawarra Business Survey* indicate that while most local businesses have experienced deteriorating conditions, it was the Retail and Recreation sector that was the hardest hit.

The *Trading Conditions Index* worsened considerably for businesses in the Retail and Recreation sector, with a net 19.7% reporting a decline in trade activity. That is a turnaround of 21.4% pts on the previous quarter. Additionally the *Profitability Index* weakened by 9.4% pts on the previous quarter, with a net 34.2% of Retail and Recreation businesses encountering decreased profits.

The *Profitability Index* for all businesses did not improve from the rapid decline seen in the March quarter. A net 22.6% of local businesses reported decreased profitability, compared to the long term average of net 9.6% for the June quarter.

At the same time the survey measure of trading conditions continued to wane, with decreased trade activity reported by a net 4.6% of businesses. However the September forecast is cautiously optimistic with a net 5.0% of Illawarra firms expected to see an improvement in trading conditions.

Meantime, the *Employment Index* returned to negative territory with a net 4.3% of local firms stating they had decreased their employment levels in the three months to June. This is a 5.7% pt turnaround on the March quarter result where a net 1.4% increased their staff numbers. The outlook is slightly more positive, with a net 2.9% of respondents stating they plan to take on more staff over the coming quarter.

23.6% of local businesses now believe that the local economy has already started to improve from the global financial crisis, compared to 34.5% in the March quarter. This suggests that businesses are feeling less confident about the local economy than they did three months ago.

Further comment:

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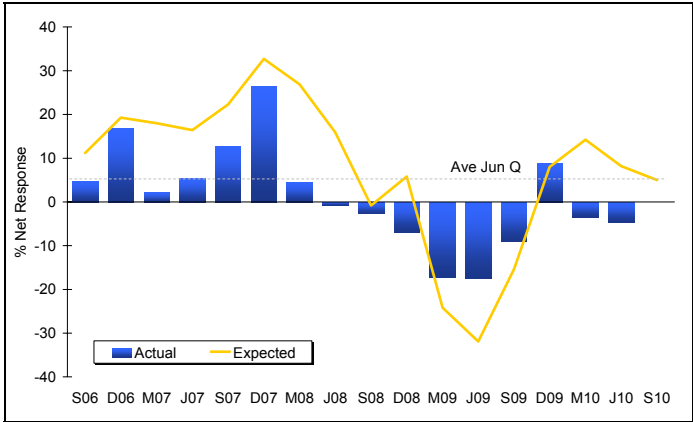
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Note: the graphs below can be provided electronically or in full page hard copy for scanning.

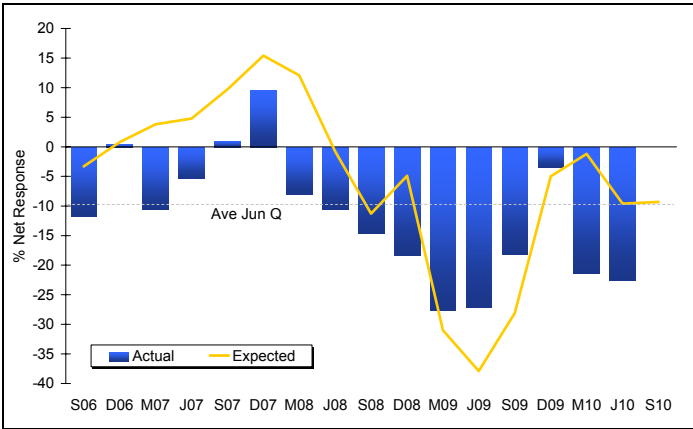
Media Release

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TRADING CONDITIONS



PROFITABILITY



EMPLOYMENT

