



# THE CEASA Files

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## WHO WILL WIN IN THE NEW BUSINESS CLIMATE ?

### ECONOMIC INDICATORS

If you want the bad news for 2009, just check out your favourite news source. On the other hand there are a number of industries which do very well in tough times. If past experience is any guide, they include entertainment - Cinemas, Live Theatre, Theme Parke, Art Galleries, Museums, Live Music, Recorded Music. In Home Entertainment. Some others are - Cosmetics, camping Equipment (for less exotic holidays), Motor Scooters, Bicycles. No doubt the Lay-By system will come back in vogue. (Pick merchandise, pay a small deposit, the retailer keeps it in store for you while you pay it off)

We need a few more positive statements !

What other industries can you think of ? Send to [mdceasa@tpg.com.au](mailto:mdceasa@tpg.com.au)

### Financial

We have picked out salient comments from a recent panel of experts reported on the Financial Review December 23.

The long term view is good.

The short term view is clouded by more bad news

There is a need to look at what is already priced into the market. One estimate is for a 30% fall in earnings being anticipated. The direction of the stock market will ultimately be driven by interest rates..

The market price-earnings ratio is only 9 times, and this is particularly attractive given the low interest rate and low inflation outlook.

### Interest Rates

Financial markets have put 90% odds on a 1% reduction to 3.25% soon.

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## Employment

In December the Roy Morgan estimate of employment showed that there were 370,000 looking for full time work, up 37,000 and 33,000 looking for part time work, down 33,000. Total unemployed 6.4% (2% above ABS at 4.4%)

## Housing

Loans for new homes went up by almost 10% in November.

## Retail

The Australian Retailers Association said that 2008 national Christmas retail sales reached \$36.95 billion. 2007 was \$36.5 billion.

## MEDIA

History can be helpful. We intend to have a look at advertising expenditure in media over the last few recessions to see who was affected and how long it took to recover. Here is the 2000/2001/2002 picture.

MEDIUM	2000 \$ 000	2001 %+/-	2002 %+/-
<i>Metropolitan/National Dailies</i>	1,748,374	-4.6	-6.1
<i>Metropolitan Sunday Newspapers</i>	322,359	-3.0	-3.7
<i>Regional Dailies</i>	393,585	-15.3	+9.3
<i>Regional Non-Dailies</i>	233,216	-11.4	+7.6
<i>Suburban Newspapers</i>	661,091	-7.5	-3.3
<i>Women's Magazines</i>	194,367	-1.3	-0.2
<i>General Magazines</i>	107,556	-8.0	+4.4
<i>Special Interest Magazines</i>	193,862	-11.5	-4.1
<i>Custom Magazines</i>	108,436	-3.8	-0.7
<i>Business Publications</i>	155,185	-15.3	+24.3
<i>Rural Publications</i>	77,034	-4.7	-14.8
<i>Classified Directories</i>	978,200	-0.1	+19.9
<i>Metropolitan Television</i>	2,160,429	-10.3	+4.0
<i>Regional Television</i>	585,629	-5.8	+4.5
<i>Subscription Television N/A No figures.</i>			\$73,598,000
<i>Metropolitan Radio</i>	458,878	-2.5	+2.0
<i>Regional Radio</i>	214,554	+8.0	-1.6
<i>Outdoor</i>	275,936	-1.7	-3.7
<i>Cinema</i>	69,295	-7.0	-10.1

The total reduction in advertising revenue from 2000 to 2001 was -6.2%

Traditionally there is quite a lag between an economic downturn and its effect on advertising volume and a further lag in volume when the economy improves.

Our comments on the state of the nation in 2002 included the following references:

The September 11 attack on America

The Bali Bombing

Chechen attack on a Moscow Theatre

Afghanistan

Iraq

Drought in Australia

Bush Fires

Exports down by 2.5%

Imports up by 15%

Employment up

Wages up moderately

Household wealth up due to increase

in house prices

Rise in wealth 11% average pa since 1996.

Run up in household debt (The bubble)

Profits and corporate balance sheets strong

## MARKETING

### ***DON'T miss this opportunity !***

We all know that understanding consumers motivations is a great plus. We had a double whammy at our Marketing & Media Forum in November with Hugh Mackay, well known and highly respected industrial psychologist addressing this subject in great depth and Charlie Nelson from foreseechange giving a detailed rundown on the outlook for consumer spending.

Other panels and speakers covered the economic outlook for 2009 by Chris Richardson from Access Economics; Advertisers experiences with brand building; Advertisers intentions for 2009; a Stock Broker Media Analyst's view of 2009. Placement Agencies' views on likely winners and losers in 2009.

*A limited number of DVD's of the entire day are available from us for only \$550.00.including GST. They are ready now. Order form is attached. Don't miss out!*

### **Introducing CEASA's HISTORIC CALCULATION OF ADVERTISING VOLUME. (Current estimates of advertiser spend to come)**

The area of interest is traditional and online expenditure. Online was nor included until 2005.

For the 10 years 1998 to 2007 the figures were:

1998	1999	2000	2001	2002	2003	2004	2005*	2006	2007
%	%	%	%	%	%	%	%	%	%
+7.1	+3.8	+7.7	-6.2	+5.4.	+9.2	+11.4	+7.4	+2.4	+11.5

*\*Includes online*

**2008** 6 months to June was +6.4. We are working on the 6 months to December right now.

The Roy Morgan calculation of CONSUMER CONFIDENCE for the first measure in 2009 showed that it was up for the 6<sup>th</sup> week in a row to 104.1, the highest since March 2008.

*The Lipstick Effect* - We all know that in tough times consumers stop spending on big ticket items and trade down to less extravagant items to cheer themselves up. According to UK economist Dhaval Joshi, an analyst with RAB Capital this effect has held good in recessions in the past and in countries with different cultural traditions. In the four depression years of 1929 to 1933 industrial production in USA halved but sales of cosmetics rose.

Recent sales figures from the world's big cosmetic companies - Lóreal, Beiersdorf and Shiseido confirm that the lipstick effect has returned.

*Some of the industries which could benefit are listed above in the economics section.*

## INTERNATIONAL

Porsche bought Volkswagen the other day.

The US Congressional Budget Office (non-partisan) released projections showing that the financial crash will bring about a budget deficit of \$1.2 trillion against the current \$455 billion.

On January 8<sup>th</sup> the Bank of England cut the base rate from 2% to 1.5%, the lowest since the bank was founded in 1694. The mission then was to provide war finance.

All the economic indicators are gloomy, however, Britain's manufacturing output has grown by a quarter since 1990. According to the Confederation of British Industry, jobs have been lost not to China, but to improving productivity - which means higher average incomes. Britain is still home to some 150,000 manufacturers turning over some 500 billion pounds a year, accounting for 60% of the country's export earnings.

Data from Indonesia suggests that the fourth quarter slowdown was much less pronounced than elsewhere in South-East Asia. Economic growth for 2008 is likely to exceed 6%. The 2008 budget deficit was 0.1% of GDP. The government has earmarked \$3.5 billion to spend on tax breaks and infrastructure projects. It is three months to parliamentary elections.

In Japan in November industrial output fell by a record 8.1% compared with October. Unemployment rose to 3.9%.

*Sources include the CEASA Database, electronic news services, The Australian, The Australian Financial Review, The Sydney Morning Herald, The Age, Time, The Economist, The Reserve Bank Bulletin.*