

MEDIA RELEASE

For release Monday 21 February 2011
Two-Speed Regional Economy

Two weeks after Cyclone Yasi, local businesses are assessing the effect the event has had on their bottom line.

The Townsville Chamber of Commerce has been surveying its members about the impact of the cyclone and seeking views about local small business sector confidence for the year ahead.

Vice-President of the Townsville Chamber of Commerce Mr Michael Kopittke is a small business consultant and owner of two Brumby's franchises. He says local businesses have welcomed the benefits flowing from 'Yasi dollars', but remain concerned in the medium to long term about a continued downturn in consumer spending.

"In the days immediately after the cyclone, fast food outlets were the clear winners, claiming as high as a 40% increase in trade as people without power looked for easy meals," Mr Kopittke said.

"At my Fairfield Brumby's store we had a 69% increase in the week Yasi hit, even though we lost one day in trade, while our Sunland store, which was two days without power, had a 30% increase in trade. Even in the week after Yasi, both stores traded above average, with a 25% and 21% increase respectively."

"Discretionary expenditures like fashion items were the losers, although giftware traders and florists reported on par trading for Valentine Day. Retail trade is picking up with the delivery of the Australian Government Disaster Recovery Payment.

"Further, white and brown goods as well as IT equipment are now moving out at speed as insurers deliver on claims. The flow through effect of insurance works will see improvement in the building industry and related services in the coming weeks even though delivery of stock will remain an issue for months to come."

Local sentiment about consumer spending in the longer term is confirmed by the Reserve Bank's view that weak spending could go on for some time. Although Queensland's unemployment is low at 5.7% and employment up by 0.2% in January, retail sales stayed steady in December compared to a 1% increase for the national average.

Mr Kopittke said regionally based corporations involved in the natural resource sector and government agencies insure North Queenslanders enjoy steady employment, but people were saving rather than spending, which is affecting the bottom line of local small businesses.

"What we are really seeing the two-speed economy in Townsville," Mr Kopittke said.

“Large businesses are going from strength to strength, with the strong dollar and ongoing demand. But the small businesses that have discretionary expenditure as their corner stone are doing it tough.

“Although economists have been saying for a year that, according to the theory, the tide should turn soon, the reality tells otherwise.”

Mr Kopittke advises small businesses to plan for consumers’ caution to remain for some times. “This is not a time for business as usual,” he said. “This is a time to re-think your business from top to bottom and focus on your core elements.”

Townsville Chamber of Commerce media contact, Marie-Claude Brown, 044 789 5525