

There's been a lot of talk about the Global Financial Crisis



Otherwise known as the GFC.

Japan's in recession, China, The US, Australia, the World!

We all watch the news on TV, read the papers and it's all right out there – in our faces.

Life's crook – Headlines – doom and gloom;

Gold's down, Oil's down - but fuel prices at the pump are up! The dollar's down. The share market All Ordinaries index is down. Super

fund returns have been knocked about.

Next day.....

Life's crook – Headlines – doom and gloom;

Gold's up, Oil's up - and fuel prices at the pump are up! The dollar's up. The share market All Ordinaries index is up. Super fund returns have been knocked about.

Ah, but also –

Interest rates are down. Jobs are being lost.

But to offset that, we have the \$42 billion stimulus package.

Is that good or bad? Lot's of debate on that.

Then we go to the local headlines ...

Milk prices have collapsed. Fruit growers have been hit by their fruit cooking on the trees due to the heat.

So, it's a bit all over the place really ...

What does all this mean to us here in the Goulburn Valley?

GV BRAIN is all about networking for small business operators. What should we be doing to prepare ourselves for this economic onslaught?

Make the most of what you've got. Look after the customers you already have and do your best to keep them.

Stay close to your customers and watch for warning signs of financial distress in their business that may create potential issues for your business.

- Pay attention to the small things.
- Extend your creditors without being unreasonable. Try and collect your debtors a little quicker. Even better, don't give credit where you can help it.

- Encourage people to pay you by credit card rather than book it up.
- Consider a small discount for payment within 7 days.
- Do what you do as efficiently as you can.
- Make sure you have a set of KPIs for your business that you can look at every week or month – If you don't know how to set KPIs for your business, talk to your accountant.

That last bit is extra important – when times get tough you need all the help you can get and your accountant should be one of your greatest allies.

Banks are making life tough.

They've lost a lot of money over the past year or so and they're pretty keen to recover some of those losses.

How do they do that?

They keep the interest rate on your small business loan high. Some people are still paying up to 10% on their loans. Do you know how much you are paying?

If you're using Commercial Bill finance – they are putting pressure on the margins you have to pay. Some margins are being pushed from 1% out to 2.5% - no discussion.

What can you do?

Same as with your customers – stay close to your bank so you know what's going on. If you don't think they are looking after you – check around and see if you can get a better deal.

Super Funds

Our Super Funds have all dropped in value – in some cases substantially.

That's obviously a serious issue, but a lot of people here are a long way from retirement age and there's plenty of chance for recovery.

Some of us older buggers will just have to work until we're 90 before we have enough money to retire.

In reality, there's not a lot that most of you can do about your Super Fund as you're relying on professional fund managers to do that job.

Still we are the Goulburn Valley

The last few years of drought have knocked us around and in a lot of ways prepared us for the Financial Crisis.

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The Financial Sector has been hard hit but we don't have a huge exposure to that area. There will be pockets of the financial sector that will suffer and I do know of one GV based business in this sector that has gone to a nine day fortnight.

Manufacturing is a potential issue, depending on what it is you make and who you make it for. We don't have big exposure to the car industry.

There are pockets of manufacturing in the GV that a lot of people don't even know exist, so there could be some hidden issues here.

A lot of our industry centres around the Food sector and one would hope that we might be a little bit protected in that area.

The Building sector will be an interesting one. We're still selling blocks and building houses and people have to have somewhere to live.

But, you never know.

Beware of the sucker punch!

There will be problems for us here in the Goulburn Valley. We're just not sure at this point in time where they will come from.

We have one huge plus here in the Goulburn Valley ...

The State and Federal Government's joint \$2 billion investment in the renewal of our irrigation system.

That's an investment of \$1 million every working day for the next 8 years.

Now in anybody's language, that's huge!

We have our own local economic stimulus package and it's well under way.

Anything else we get as a region, over and above the irrigation renewal money, from here will be an absolute bonus.

So ... there's a lot of ifs and buts in this for all of us.

I think the trick in all this is to be prepared and be ready to move in whatever direction you have to

To use the words of John Howard and the fridge magnet ...

Be alert but not alarmed.

The above is Peter Bicknell's address from the GV Brain Dinner on the 26th February, 2009.

MB+M Business Solutions are a major sponsor of the 2009 GV Brain events.