

ACCI

SURVEY ^{OF} INVESTOR CONFIDENCE

CONTENTS

Summary	2
Constraints on Investment - Financial Constraints Remain Prominent	3
Own Business	4
Own Business Conditions - Current	4
Own Business Conditions - Expected	4
Own Sales - Current	5
Own Sales - Expected	5
Own Profitability - Current	6
Own Profitability - Expected	6
Expected Level of Activity	7
Expected Level of Investment	7
Expected Number of Full-Time Employees	8
Expected Capacity in Relation to Demand	8
Actual Sales Compared with the Level Expected Six Months Ago	9
Actual Profits Compared with the Level Expected Six Months Ago	9
National Economy	10
National Economic Conditions - Current	10
National Economic Conditions - Expected	10
Climate for Investment - Current	11
Climate for Investment - Expected	11
Expected GDP Growth	12
Expected Business Investment	12
Expected Movement in Prices	13
Expected Unemployment Rate	13
Expected Wages Growth	14
Expected Interest Rates	14

FOREWORD

The *ACCI Survey of Investor Confidence* is a national survey undertaken through the Australian Chamber of Commerce and Industry's member associations.

The survey covers the three months to December 2011 and had 773 respondents.

This survey covers the following industries: mining, manufacturing, construction, retail/wholesale trade, accommodation, cafes and restaurants, finance insurance property/business services, and personal services.

For further information contact:
 Greg Evans, Director of Economics and Industry Policy,
 ACCI on **(02) 6273 2311**.

Note on Interpreting the Data

An index level of 50.0 (apart from the Constraints on Investment section) indicates that there is a balance between those who responded positively and negatively. Thus for the most part, a level below 50 indicates that conditions are deteriorating, and conversely, a reading above 50 indicates conditions on average are improving.



FLAGGING BUSINESS CONFIDENCE WITH ACTUAL BUSINESS CONDITIONS STABILISING AT LOW LEVELS

The January 2012 ACCI *Survey of Investor Confidence* shows that most actual and expected business indicators remained relatively unchanged, if not deteriorated, over the December 2011 quarter, amidst concerns about the slowdown in the Chinese economy, the deterioration of the European sovereign debt crisis and the underlying weakness in Australian non-mining industries. With the exception of *Expected Unemployment Rate*, all indicators have fallen below their five year averages over the quarter.

Own Business

The current indexes of *Own Business Conditions* (p.4), *Sales* (p.5) and *Profitability* (p.6) stabilised around their historic low levels over the December quarter, while the reading of these expectation indexes indicates that businesses remain pessimistic about their own trading conditions and business performance over the first quarter of 2012.

The index of *Expected Number of Full-Time Employees* (p.8) continued to fall to its lowest level in the survey's 14 year history, suggesting business is expected to reduce their employees total working hours over the next six months.

National Economy

While the actual indicators for *National Economic Conditions* (p.10) and *Climate for Investment* (p.11) remained relatively unchanged, their expectation indicators have edged lower over the December quarter indicating businesses are expecting a further slowdown in the domestic economy which will further dampen business investment plans.

While business expects the rate of unemployment (p.13) to increase over the next 12 months, economy-wide wage (p.14) and price pressure or inflation (p.13) are expected to ease, consistent with an expected fall in interest rates (p.14).

Quarterly Constraints on Investment

ACCI's quarterly index of *Constraints on Investment* (p.3) found that *Business Taxes and Government Charges* remained the largest constraint on business investment for the 14th successive quarter. Soft domestic demand and weak business sentiment have caused *Insufficient Demand* to increase from the fifth to the second largest constraint on investment, and *Local Competition* to rise from the seventh to the fourth position.

CONSTRAINTS ON INVESTMENT – REGULATORY CONSTRAINTS BECOME INCREASINGLY PROMINENT

The *ACCI Survey of Investor Confidence* seeks information from respondents on the importance of a list of twenty factors as constraints on the level of investment in plant and equipment. The overall, or average, index level for all constraints showed that constraints on investment fell from 40.1 to 38.4 in the December quarter.

The list presented below shows the ten most important constraints on business investment and shows that the current major impediments to investment flow from four main sources: government taxes and regulations, the labour market, financial issues such as the level of interest rates and bank charges, as well as macroeconomic conditions.

Business Taxes and Government Charges remained the largest constraint on business investment for the 14th successive quarter over the December quarter. *Federal Government Regulations* edged up to the third position in the December quarter from the fourth position in the September quarter; and *State Government Regulations* surged from the tenth to the fifth largest impediment on investment. These findings clearly indicated that government levies and regulations continue to impose unnecessary burden on the cost of doing business amid deteriorating business conditions and increasing global uncertainty.

Soft domestic demand and weak business sentiment have caused *Insufficient Demand* to increase from the fifth to the second largest constraint on investment, and *Local Competition* to rise from the seventh to the fourth position. *Non-Wage Labour Costs* remained at the sixth position, while *Wage Costs* edged up from the ninth to the eighth most important constraint on investment over the December quarter.

Financial constraints remained prominent in the top ten over the December quarter, with *Charges by Lending Institutions*, *Insufficient Retained Earnings* and *Current Levels of Debt* as the seventh, ninth and tenth largest impediment to business investment over the December quarter respectively.

Top Ten Constraints on Investment

1. Business Taxes and Government Charges (1)
2. Insufficient Demand (5)
3. Federal Government Regulations (4)
4. Local Competition (7)
5. State Government Regulations (10)
6. Non-Wage Labour Costs (6)
7. Charges by Lending Institutions (3)
8. Wage Costs (9)
9. Insufficient Retained Earnings (2)
10. Current Levels of Debt (8)

The figures in brackets show the ranking in the September 2011 quarter.

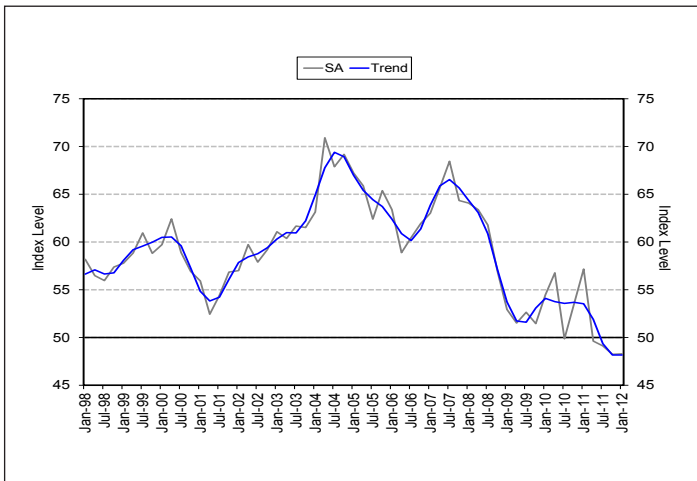


OWN BUSINESS

This section presents an analysis of the assessments businesses have made about their own firm's current performance.

Own Business Conditions - Current

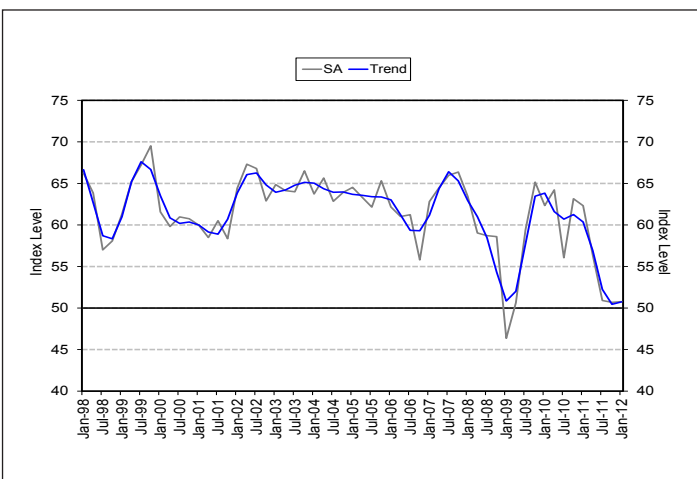
The index of *Own Business Conditions - Current*, which asks respondents to make a general evaluation of their own business trading conditions, remained unchanged at 48.2 over the December quarter. The index remains at its lowest level since the survey began in 1998 and more than eight points below its five year average of 56.4.



	Jan 2011	Oct 2011	Jan 2012
Excellent	3.0%	2.9%	2.4%
Very Good	11.1%	6.1%	7.8%
Good	36.3%	15.3%	24.2%
Satisfactory	33.6%	43.4%	29.9%
Poor	13.5%	21.0%	22.4%
Very Poor	0.5%	6.8%	8.8%
Deeply Depressed	2.0%	4.6%	4.6%
Original	57.9	48.0	48.9
Seasonally Adjusted	57.2	48.2	48.3
Trend	53.5	48.2	48.2

Own Business Conditions - Expected

The *Own Business Conditions - Expected* index rose marginally from 50.4 to 50.7 over the last three months to be 8.2 points below its five year average of 58.9. The reading indicates that businesses expect general business conditions to remain relatively unchanged over the March quarter of 2012.

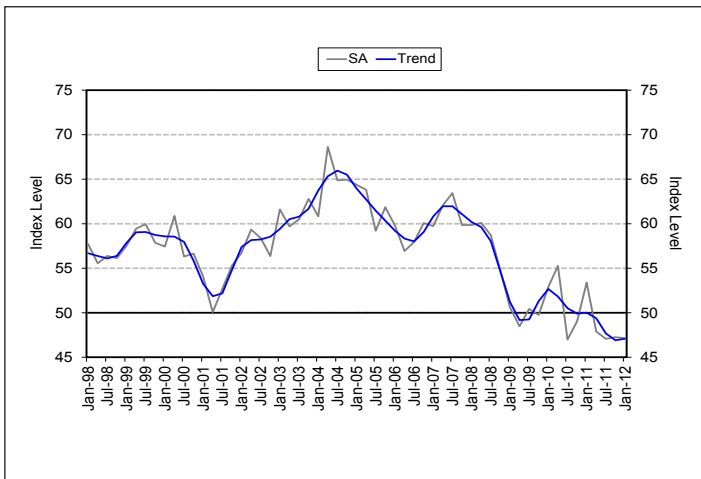


	Jan 2011	Oct 2011	Jan 2012
Improving Rapidly	1.6%	0.7%	1.3%
Improving Slowly	59.4%	27.0%	27.4%
No Change	29.1%	47.6%	46.8%
Deteriorating Slowly	7.8%	22.9%	23.6%
Deteriorating Rapidly	2.1%	1.7%	1.1%
Original	62.7	50.5	51.0
Seasonally Adjusted	62.3	50.7	50.8
Trend	60.4	50.4	50.7



Own Sales - Current

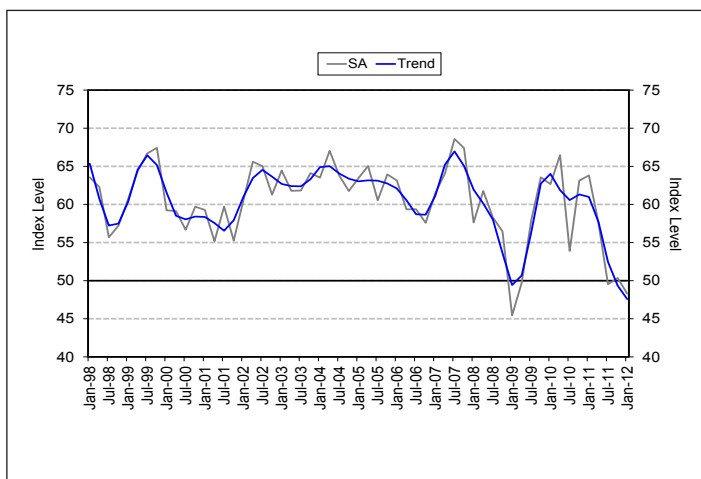
The index of *Own Sales - Current* shows the rate of growth of sales firmed at 47.1 over the last three months. The reading suggests that decline in sales revenue has slowed marginally over the December quarter.



	Jan 2011	Oct 2011	Jan 2012
Excellent	2.9%	2.3%	2.1%
Very Good	9.2%	5.6%	6.8%
Good	18.9%	12.5%	28.0%
Satisfactory	48.8%	43.8%	20.6%
Poor	19.4%	26.7%	29.2%
Very Poor	0.4%	4.8%	7.2%
Deeply Depressed	0.4%	4.2%	6.0%
Original	54.1	47.0	47.7
Seasonally Adjusted	53.4	47.3	47.1
Trend	50.0	46.9	47.1

Own Sales - Expected

The index of *Own Sales - Expected* plunged to its new historic low of 47.6 from 49.4 over the December quarter, to be 10.8 points below its five year average of 58.4. The reading indicates that businesses are expecting their sales to contract further over the first quarter of 2012.

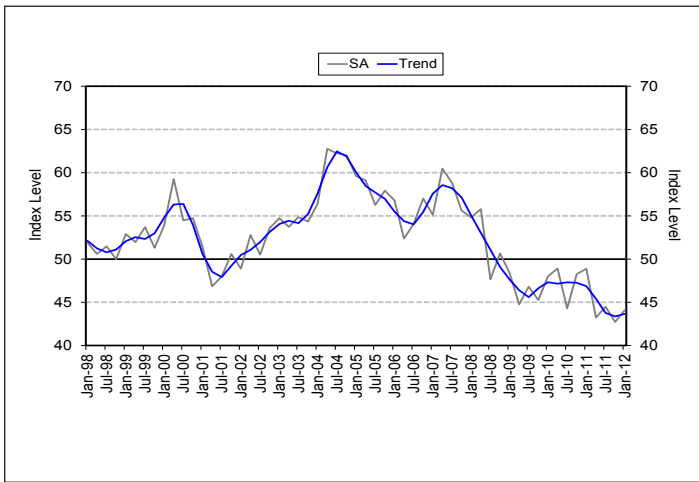


	Jan 2011	Oct 2011	Jan 2012
Improving Rapidly	0.9%	0.2%	0.5%
Improving Slowly	66.8%	31.4%	26.3%
No Change	22.8%	43.0%	41.7%
Deteriorating Slowly	7.5%	20.7%	30.1%
Deteriorating Rapidly	1.9%	4.7%	1.3%
Original	64.3	50.4	48.7
Seasonally Adjusted	63.8	50.4	48.3
Trend	61.0	49.4	47.6



Own Profitability - Current

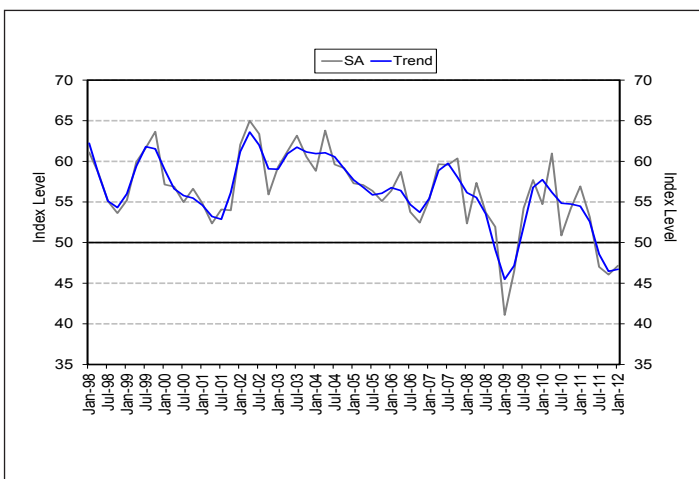
The index of *Own Profitability - Current* edged up marginally to 43.7 from its historic low of 43.4, to be almost six points below its five year average of 49.4, indicating a slower pace of decline in business profits over the last three months.



	Jan 2011	Oct 2011	Jan 2012
Excellent	1.4%	0.5%	1.4%
Very Good	2.0%	4.8%	6.2%
Good	16.6%	13.6%	21.5%
Satisfactory	54.8%	39.2%	23.0%
Poor	22.0%	23.6%	32.1%
Very Poor	3.1%	11.4%	8.8%
Deeply Depressed	0.1%	6.9%	7.1%
Original	49.3	42.9	44.5
Seasonally Adjusted	48.9	42.7	44.1
Trend	46.9	43.4	43.7

Own Profitability - Expected

The index of *Own Profitability - Expected* remained relatively unchanged at 46.7 over the quarter, to be 6.6 points below its five year average of 53.3. This indicates businesses expect their profitability to remain negative over the coming months.

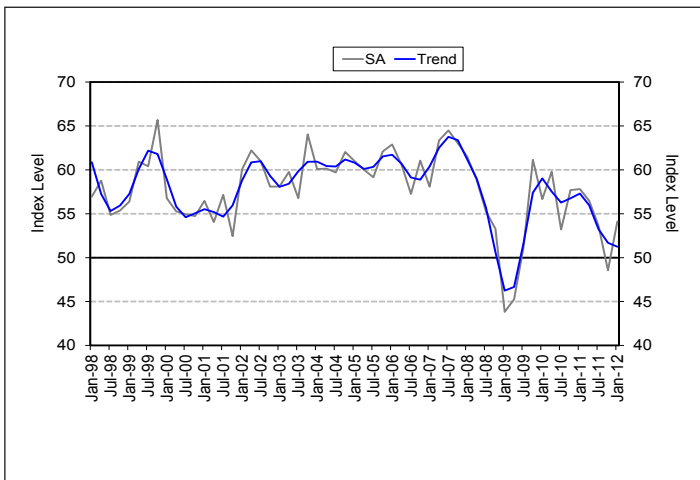


	Jan 2011	Oct 2011	Jan 2012
Improving Rapidly	1.2%	0.3%	0.4%
Improving Slowly	49.5%	22.4%	24.4%
No Change	29.6%	47.0%	42.6%
Deteriorating Slowly	15.5%	21.6%	29.2%
Deteriorating Rapidly	4.1%	8.7%	3.4%
Original	57.0	46.0	47.3
Seasonally Adjusted	56.9	46.1	47.2
Trend	54.5	46.5	46.7



Expected Level of Activity

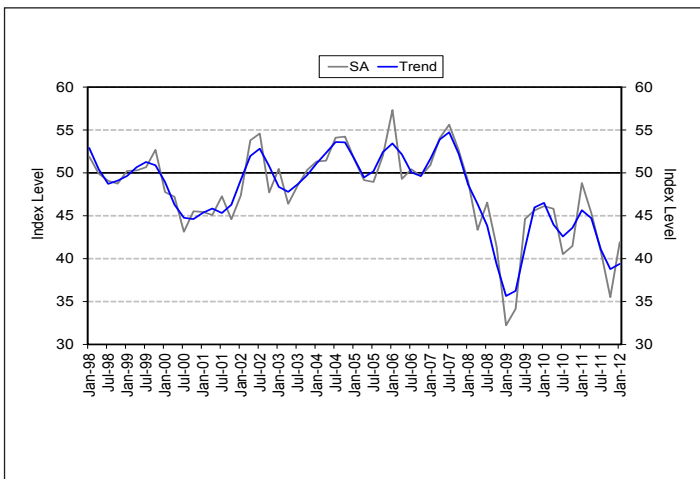
The index of *Expected Level of Activity* declined marginally from 51.7 to 51.2 over the December quarter, to be 4.9 points below its five year average of 56.1 and the lowest level since the June 2009 quarter. The index remains above the 50 mark indicating that businesses expect a slower increase in business activity over the next six months.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	0.5%	0.1%	0.7%
Somewhat Higher	47.7%	24.6%	32.2%
About the Same	34.5%	48.8%	51.3%
Somewhat Lower	16.8%	24.4%	14.3%
Much Lower	0.5%	2.1%	1.6%
Original	57.7	49.1	54.0
Seasonally Adjusted	57.8	48.6	54.1
Trend	57.3	51.7	51.2

Expected Level of Investment

The index of *Expected Level of Investment* rose marginally from 38.8 to 39.4 over the last three months, with the index remaining 10.6 points below the 50 mark. This indicates that businesses' future capital expenditure plans for the next six months are expected to remain subdued.

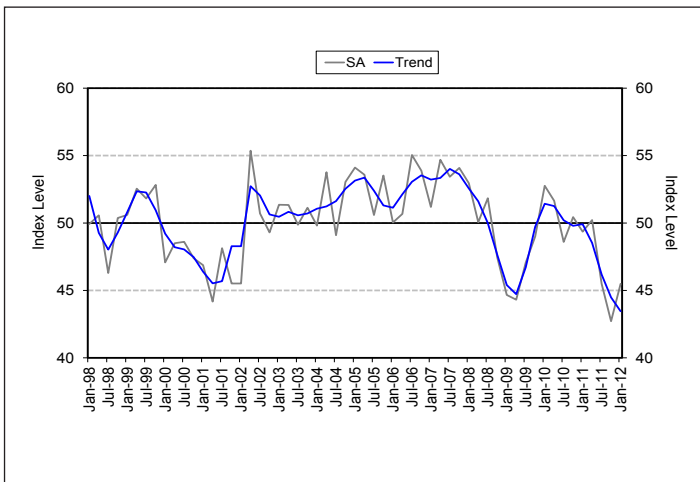


	Jan 2011	Oct 2011	Jan 2012
Much Higher	1.1%	0.5%	0.9%
Somewhat Higher	20.9%	6.9%	4.0%
About the Same	54.7%	44.5%	62.8%
Somewhat Lower	16.7%	31.3%	24.9%
Much Lower	6.6%	16.8%	7.5%
Original	48.3	35.8	41.5
Seasonally Adjusted	48.8	35.5	41.9
Trend	45.6	38.8	39.4



Expected Number of Full-Time Employees

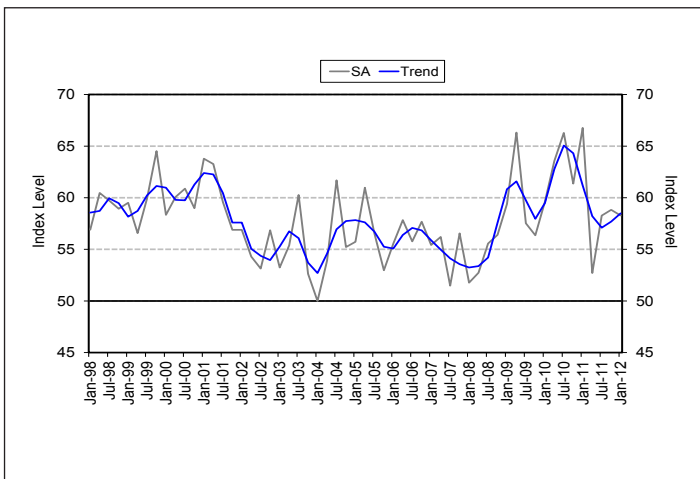
The index of *Expected Number of Full-Time Employees* continued to trend down from 44.5 to 43.5 over the quarter, 5.9 points below its five year average of 49.4 and the lowest level since the survey began in 1998. This negative reading indicates a further weakening in business employment outlook for the first half of 2012.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	0.0%	0.0%	0.4%
Somewhat Higher	5.7%	6.1%	5.3%
About the Same	85.6%	67.0%	70.4%
Somewhat Lower	7.9%	21.1%	22.5%
Much Lower	0.9%	5.8%	1.4%
Original	49.0	43.4	45.2
Seasonally Adjusted	49.4	42.7	45.5
Trend	49.9	44.5	43.5

Expected Capacity in Relation to Demand

Expected Capacity in Relation to Demand rose marginally from 57.7 to 58.5 over the December quarter, indicating that excess capacity within business to increase output is expected to increase over the next six months.

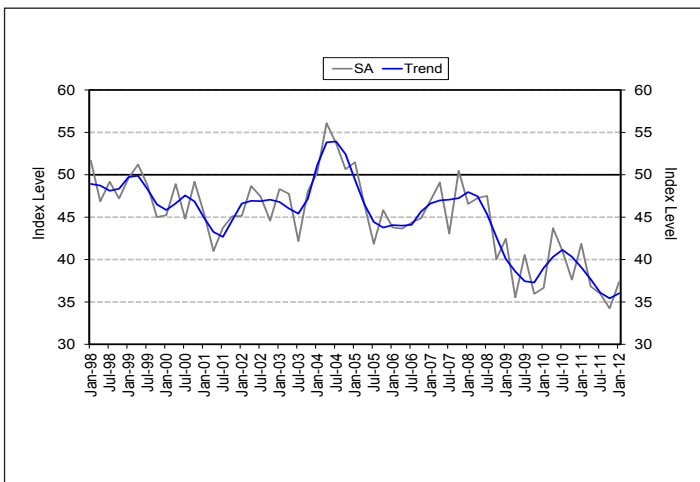


	Jan 2011	Oct 2011	Jan 2012
More than Adequate	39.1%	33.1%	28.9%
Adequate	53.3%	52.3%	57.1%
Less than Adequate	7.6%	14.6%	14.0%
Original	65.8	59.3	57.4
Seasonally Adjusted	66.8	58.8	58.3
Trend	61.2	57.7	58.5



Actual Sales Compared with the Level Expected Six Months Ago

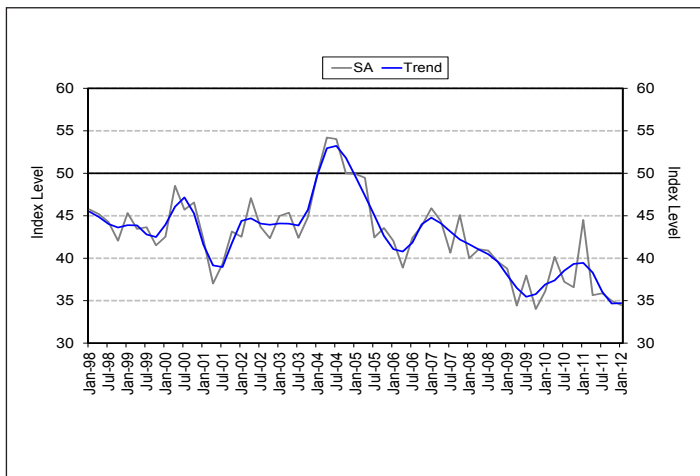
The index of *Actual Sales Compared with the Level Expected Six Months Ago* increased marginally to 36.0, to be 5.4 points below its five year average of 41.4 and remains 3.1 points below the level recorded 12 months earlier. This indicates that sales over the December quarter continued to fall significantly short of the projections of six months ago.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	1.6%	0.0%	0.3%
Somewhat Higher	13.6%	8.9%	8.1%
About the Same	44.2%	35.0%	44.6%
Somewhat Lower	35.4%	40.2%	38.4%
Much Lower	5.1%	15.9%	8.7%
Original	42.8	34.3	38.2
Seasonally Adjusted	41.9	34.2	37.4
Trend	39.1	35.4	36.0

Actual Profits Compared with the Level Expected Six Months Ago

The index of *Actual Profits Compared with the Level Expected Six Months Ago* remained unchanged at 34.7 over the December quarter, more than four points below its five year average of 39.0 and the lowest level in the survey's 14 year history. The data indicates actual profits continued to fall below prior predictions.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	0.4%	0.2%	0.3%
Somewhat Higher	19.4%	6.4%	6.4%
About the Same	43.9%	43.9%	40.4%
Somewhat Lower	32.7%	31.4%	38.1%
Much Lower	3.6%	18.0%	14.7%
Original	45.1	34.8	34.9
Seasonally Adjusted	44.5	35.0	34.5
Trend	39.5	34.7	34.7

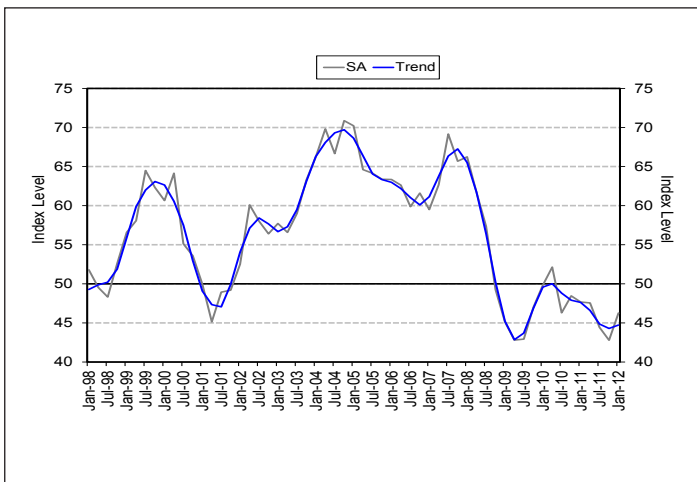


NATIONAL ECONOMY

This section presents analysis of the assessments business has made regarding the current state of the national economy.

National Economic Conditions - Current

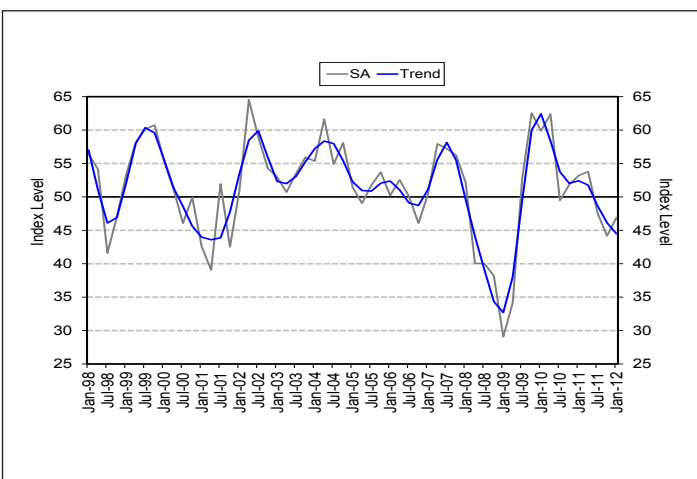
The index of *National Economic Conditions - Current*, which measures business' evaluation of the general state of the Australian economy, remained relatively unchanged at 44.7 over the December quarter, leaving it 7.5 points below its five year average of 52.2 and around three points below the level recorded a year earlier. The index remains below the 50 mark indicating that business perception about the current strength of the Australian economy remains negative.



	Jan 2011	Oct 2011	Jan 2012
Excellent	0.1%	0.4%	1.5%
Very Good	2.4%	8.5%	7.7%
Good	17.8%	12.5%	20.2%
Satisfactory	53.7%	31.6%	31.7%
Poor	22.1%	26.3%	24.7%
Very Poor	1.9%	13.2%	9.5%
Deeply Depressed	2.1%	7.5%	4.7%
Original	48.5	42.6	47.0
Seasonally Adjusted	47.7	42.8	46.3
Trend	47.6	44.3	44.7

National Economic Conditions - Expected

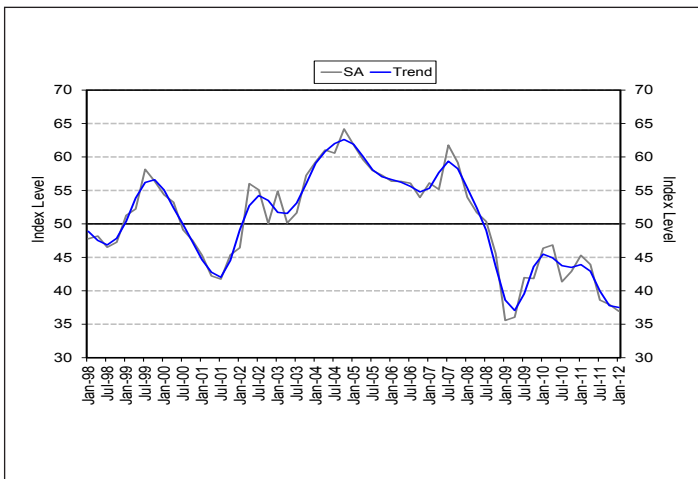
Businesses expect national economic conditions to deteriorate further over the next three months, with the index of *National Economic Conditions - Expected* falling to 44.5 from 46.1 in the December quarter. The expectation index fell to its lowest level since the June 2009 quarter and remained almost five points below its five year average of 49.4.



	Jan 2011	Oct 2011	Jan 2012
Improving Rapidly	0.7%	0.2%	1.5%
Improving Slowly	42.4%	20.0%	26.6%
No Change	29.8%	44.6%	34.2%
Deteriorating Slowly	24.3%	28.9%	34.4%
Deteriorating Rapidly	2.7%	6.3%	3.3%
Original	53.5	44.7	47.2
Seasonally Adjusted	53.2	44.2	46.9
Trend	52.4	46.1	44.5

Climate for Investment - Current

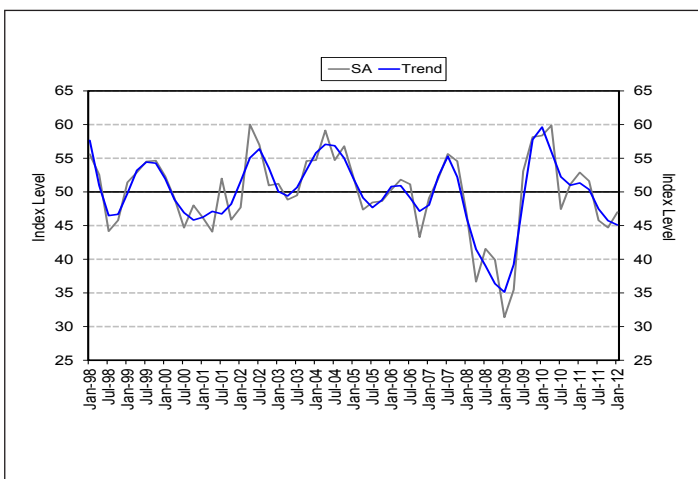
The *Climate for Investment - Current* firmed at 37.5 over the last three months, to be 8.7 points below its five year average of 46.2 and 6.4 points below the level recorded 12 months earlier, suggesting that current domestic and global economic uncertainties have further dampened business investment plans.



	Jan 2011	Oct 2011	Jan 2012
Excellent	0.0%	0.0%	0.0%
Very Good	0.4%	0.5%	4.2%
Good	21.4%	13.3%	4.8%
Satisfactory	41.6%	20.2%	23.4%
Poor	28.4%	48.1%	49.8%
Very Poor	5.8%	14.3%	14.2%
Deeply Depressed	2.4%	3.6%	3.7%
Original	45.8	37.8	37.4
Seasonally Adjusted	45.3	38.0	36.9
Trend	43.9	37.8	37.5

Climate for Investment - Expected

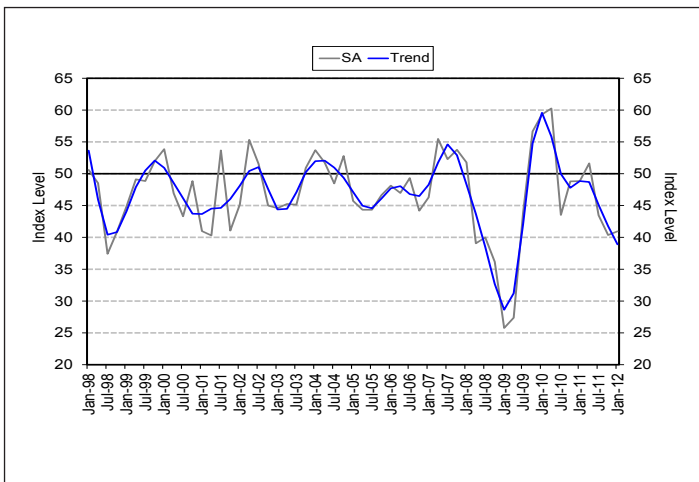
The index of *Climate for Investment - Expected* declined to 45.1 from 45.7 over the December quarter, to be 4.9 points below the 50 mark. This reading indicates that businesses' expectations about general investment conditions for the next three months have continued to deteriorate.



	Jan 2011	Oct 2011	Jan 2012
Improving Rapidly	0.4%	0.0%	0.2%
Improving Slowly	37.9%	15.0%	16.2%
No Change	39.5%	55.8%	59.6%
Deteriorating Slowly	19.4%	23.4%	21.2%
Deteriorating Rapidly	2.8%	5.7%	2.8%
Original	53.4	45.0	47.5
Seasonally Adjusted	52.9	44.7	47.0
Trend	51.3	45.7	45.1

Expected GDP Growth

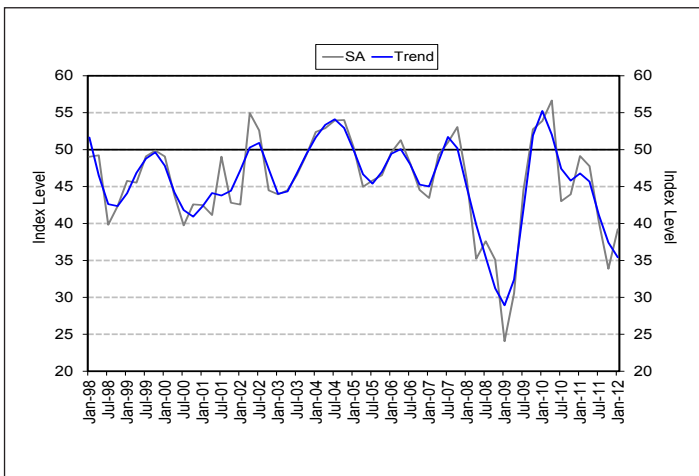
The index of *Expected GDP Growth* fell from 41.8 to 38.9 over the December quarter, to be ten points below the level recorded during the same time last year. The index retreated further into negative territory suggesting that businesses expect the Australian economy to slow over the next 12 months.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	0.0%	0.1%	0.4%
Somewhat Higher	27.0%	6.5%	6.6%
About the Same	48.3%	56.2%	51.9%
Somewhat Lower	18.2%	30.2%	39.0%
Much Lower	6.6%	7.0%	2.1%
Original	48.9	40.6	41.0
Seasonally Adjusted	48.8	40.4	40.9
Trend	48.9	41.8	38.9

Expected Business Investment

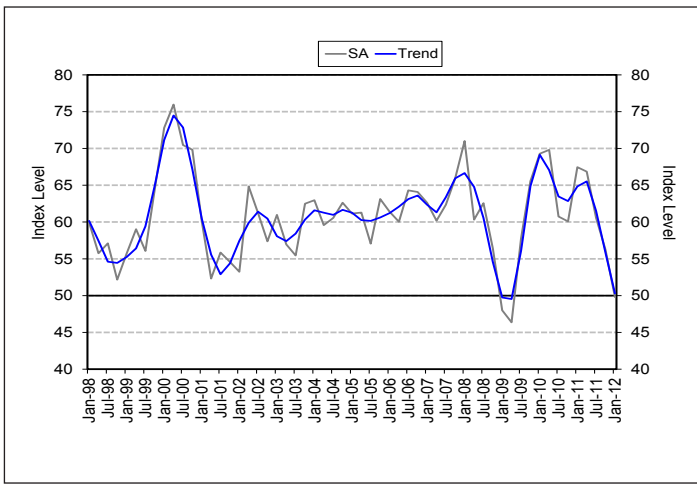
The index of *Expected Business Investment*, which measures business expectations for investment growth nationally over the next 12 months, declined from 37.4 to 35.4 over the last quarter, to be 11.4 points lower through the year. This reading indicates that businesses expect aggregate business investment to decline further in 2012.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	0.0%	0.0%	0.2%
Somewhat Higher	29.1%	7.1%	8.2%
About the Same	41.8%	34.3%	46.3%
Somewhat Lower	25.9%	48.0%	39.1%
Much Lower	3.2%	10.7%	6.2%
Original	49.2	34.4	39.3
Seasonally Adjusted	49.1	33.9	39.2
Trend	46.8	37.4	35.4

Expected Movement in Prices

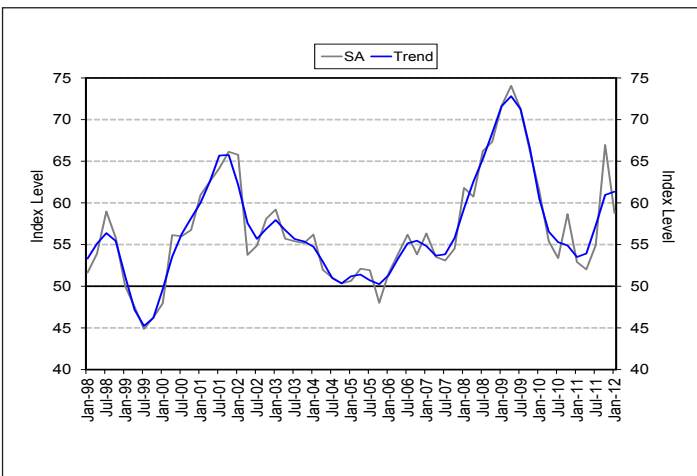
The index of *Expected Movement in Prices* plunged to 50.3 from 55.8 over the December quarter, to be almost 11 points lower than its five year average of 61.0 and the lowest level since the June 2009 quarter. This reading suggests inflation pressures are expected to ease in 2012.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	5.1%	2.8%	2.5%
Somewhat Higher	61.1%	29.2%	16.2%
About the Same	31.4%	63.0%	57.3%
Somewhat Lower	2.3%	5.0%	23.6%
Much Lower	0.0%	0.1%	0.4%
Original	66.7	57.4	49.2
Seasonally Adjusted	67.5	56.2	49.8
Trend	64.8	55.8	50.3

Expected Unemployment Rate

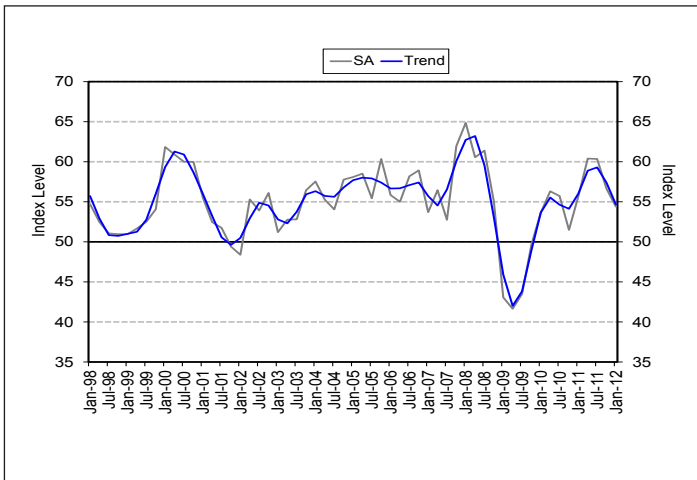
The *Expected Unemployment Rate* rose to 61.4 from 60.9 over the last three months, with the index remaining almost one point above its five year average of 60.5. This reading suggests that business expects labour market conditions to soften further over the next 12 months.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	7.2%	10.2%	4.8%
Somewhat Higher	33.0%	50.3%	46.5%
About the Same	41.9%	36.8%	28.5%
Somewhat Lower	17.9%	2.5%	19.3%
Much Lower	0.0%	0.3%	0.9%
Original	52.9	66.9	58.8
Seasonally Adjusted	52.9	67.0	58.8
Trend	53.5	60.9	61.4

Expected Wages Growth

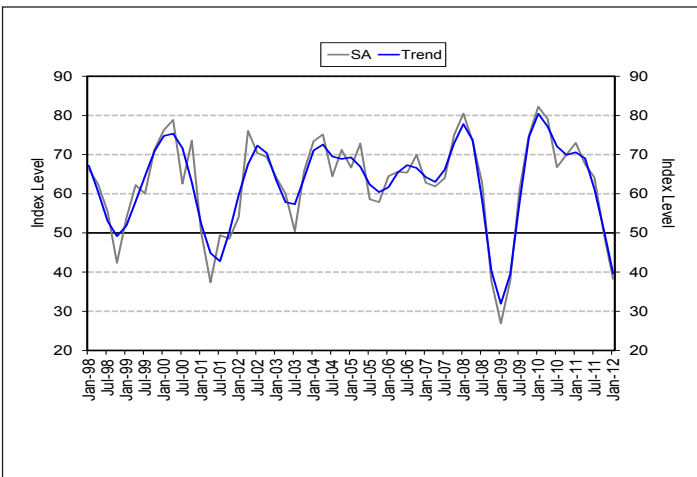
The *Expected Wages Growth* index edged down to 54.6 from 57.4 over the December quarter, to be almost on par with its five year average. The reading suggests that a slower growth in wages is expected over the next 12 months. It is important to note that this expectation is for economy-wide wages growth and not firms' own payroll.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	4.4%	2.1%	0.8%
Somewhat Higher	18.1%	22.8%	33.2%
About the Same	73.1%	72.0%	57.1%
Somewhat Lower	4.0%	3.0%	9.0%
Much Lower	0.4%	0.1%	0.0%
Original	55.5	56.0	54.2
Seasonally Adjusted	55.7	56.6	54.4
Trend	56.0	57.4	54.6

Expected Interest Rates

The index of *Expected Interest Rates*, which asks businesses about their interest rate expectations, showed that businesses expect interest rates to fall significantly over the next 12 months. The index plummeted to 39.6 from 50.9 over the quarter, and remains almost 23 points below its five year average of 62.4.



	Jan 2011	Oct 2011	Jan 2012
Much Higher	6.9%	2.1%	0.0%
Somewhat Higher	71.5%	20.1%	2.3%
About the Same	19.1%	51.4%	42.1%
Somewhat Lower	2.6%	26.3%	55.6%
Much Lower	0.0%	0.1%	0.0%
Original	70.0	49.5	36.7
Seasonally Adjusted	73.0	49.9	38.2
Trend	70.6	50.9	39.6