



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

MEDIA RELEASE

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DOWNSIDE RISKS IN ANY SUDDEN WITHDRAWAL OF ECONOMIC STIMULUS

Statement by Mr Peter Anderson, Chief Executive

The Australian Chamber of Commerce and Industry (ACCI), Australia's largest and most representative business organisation, says that considerable downside risks exist should there be a sudden or immediate withdrawal of economic stimulus measures that have been supporting the Australian economy over the past nine months.

"No doubt short-term Commonwealth spending will need to be scaled back when the underlying health of the Australian economy returns to more standard conditions, but we are not yet at that point.

"As the Senate moves to consider stimulus spending next week, the balance of risk supports the maintenance of most of the current fiscal and monetary policy stimulus - noting that some key spending measures work their way out by years end.

"The investment allowance and the first home owners' grant are time-limited measures that scale down under current policy settings.

"The underlying conditions facing Australian business remain weak, with a global recession still buffeting demand for exports, tight access to credit and weak private sector investment."

It is important that domestic surveys showing the welcome 'green shoots' of recovery are seen in the context of an economy underpinned by Commonwealth and Reserve Bank support.

"The business community needs a stable policy environment. An in-built scaling down of economic support is preferable to sudden withdrawal. Sudden withdrawal risks subsequent policy reversal if conditions are not as benign as had been assumed. We need to avoid that policy fluctuation."

Equally there is a need to constrain government spending in the medium term, as part of a strategy to return the budget to surplus and manage debt. More needs to be done in both of these areas.

The recently released *ACCI Small Business Survey* and the *Commonwealth Bank ACCI Business Expectations Survey* show that while trading conditions stabilised over the June quarter, both indexes remain in negative territory and below recent historical averages.

And last week's GDP figures showing a welcome 0.6% growth for the June quarter were heavily conditioned by areas where the stimulus is operating - in new vehicles, plant and equipment (the investment allowance), in retail activity (the consumer payments) and the building trades (first home owners grant and school infrastructure).

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