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## **192nd Survey of Industrial Trends – September Quarter 2009**

### **Business Confidence and Activity Rise but Employment Lags Behind**

The September quarter 2009 *ACCI-Westpac Survey of Industrial Trends* reveals a further upswing in general business confidence, firming activity indicators and increasingly confident forward projections by the manufacturers surveyed in respect of their own business. The new orders indicator exactly matched prior expectations, turning positive and posting strong forward projections. However, the net outcome for output remained marginally negative, although there was significant improvement in expectations.

On the other hand, actual employment continued to contract significantly at a faster pace than previous expectations over the September quarter. Over the next three months, labour demand is expected to remain weak despite a recovery in overtime worked. The net capacity utilisation indicator remained subdued with half of the manufacturers surveyed reporting working at normal capacity levels. Inflationary pressures have also continued to recede. Profit expectations have firmed markedly while wage growth expectations remain moderate.

**Mr. Greg Evans, Director of Economics and Industry Policy, Australian Chamber of Commerce and Industry, commented:**

“While gradually improving, the overall outlook presented by the September quarter survey has remained mixed. General business confidence has improved markedly to its highest level since September 1994. On the other hand labour market demand has remained soft.

“The net employment outcome was well below prior predictions, indicating that labour shedding has continued, although employment levels are expected to stabilise over the next quarter. Overtime worked has continued to decline but is expected to rise in the December quarter, indicating that manufacturers remain cautious about raising their current levels of employment. Business investment intentions on plant and equipment and buildings remained weak, with more than half of the respondents expecting no change in their investment over the next twelve months.

“Given the continued weakness in the labour market and business investment, Australia’s economy is not yet on the path of sustainable economic recovery. Therefore, it is premature to consider unwinding the fiscal stimulus that will continue to support domestic demand, or to begin tightening monetary policy.”

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**Mr. Bill Evans, Managing Director, Economics & Research, Westpac Banking Corporation, commented:**

“The Survey showed a solid improvement in the prospects for economic activity. The Composite Index rose by 9.8 points although is still below 50, indicating that activity is still contracting. However, the increase is the biggest proportional and points increase since 1983 when the Australian economy emerged from recession. Because of the relationship between the Composite Index and investment prospects we can derive considerable comfort that prospects for a much improved investment environment have strengthened considerably. The major concern is that there has been only minimal improvement in capacity utilisation indicating that the surge in confidence while welcome may be overstated.

“The employment outlook has also improved markedly. The increase in the Labour Market Composite demand indicator was the largest since 1998 and is now consistent with jobs growth around the middle of next year. That is despite only a modest improvement in the actual current employment indicator which remained markedly net negative. The bulk of the strength in the indicator comes from employment and overtime expectations, expectations that were not fulfilled from the prior survey. As such the very positive picture being painted by the indicator may be somewhat overstated. Certainly our measure of overall labour market conditions has only tightened slightly, indicating that labour remains freely available.

“This survey is consistent with the results of other business surveys and given the leading nature of the ACCI-Westpac survey, points to the likelihood of others maintaining their positive tone. However, as with the Westpac Survey of Consumer Sentiment, we favour caution in reading too strong a recovery in employment and investment conditions as the surveys may be emphasising relief at avoiding recession rather than boom expenditure conditions.”

*Copies of the full Survey are available on the ACCI website at  
[www.acci.asn.au/SurveyACCIWestpac.htm](http://www.acci.asn.au/SurveyACCIWestpac.htm)*

**The ACCI-Westpac Survey of Industrial Trends is the longest continuous running survey of industry in Australia, having started in 1966.**

**For further information please contact:**

Greg Evans	Director of Economics & Industry Policy, ACCI	(02) 6273 2311 / 0407 204 559
Bill Evans	Managing Director, Economics & Research, Westpac	(02) 8254 8531
Eugene Bajkowski	Consulting Economist, ACCI	(02) 6273 2311 / (02) 6249 6128
Brett Hogan	Director of Communications, ACCI	(03) 9668 9950 / 0407 273 884

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