

Tuesday 6 October 2009

ACCI SURVEY OF INVESTOR CONFIDENCE

Business Expectations Improve but Tight Credit and Weakness in Actual Conditions Remain

The October 2009 *ACCI Survey of Investor Confidence* shows that business' actual *Own Conditions, Sales and Profitability* continued to deteriorate over the September quarter, yet looking ahead signs of recovery are evident in all expectations indicators for the next 3 to 12 months. Business expectations are back to 2007 levels.

However the upsurge in expectations should be interpreted with care given actual conditions often fall short of projections, as evident in the record low levels of *Actual Sales Compared with the Level Expected Six Months Ago* and *Actual Profits Compared with the Level Expected Six Months Ago* indexes.

This improvement in business confidence appears to be having a positive effect on firm-specific investment intentions, with the *Own Business Expected Level of Investment* and the *National Expected Business Investment* indexes recovering from their historically low levels, albeit the former remaining in negative territory.

The index of *Expected Number of Full-Time Employees* remained in contractionary territory, however this index also shows signs of improvement. Businesses' own full-time employment expectations continue to be weak over the next six months, albeit with an improvement in hiring intentions.

The survey also gauges the sensitivity of investment to potential barriers. Highlighting the impact of the credit squeeze, financial constraints continue to act as significant impediments with *Insufficient Retained Earnings* becoming the fifth largest constraint on business investment, its highest ranking since the survey began in 1998.

This survey also asks businesses assessment on the Government proposed Carbon Pollution Reduction Scheme (CPRS) and greenhouse gas mitigation. Details of these new survey findings are attached.

Mr. Greg Evans, Director of Economics and Industry Policy, ACCI commented:

"Overall the survey has highlighted that business confidence has improved over the September quarter, based on further signs of global and domestic economic recovery. Most of the forward indicators for the next three to twelve months have lifted from their recent historic lows. However, we are yet to see the optimism in expectations being converted to actual conditions, with all actual indicators on trading performance remaining at historic lows. Considering generally weak on the ground activity levels faced by business, it is difficult to see the case for a pre-emptive rate increase."

"In relation to climate change policy, the survey found that close to 50 per cent of businesses indicate that the CPRS in its current form will negatively impact their business, while an overwhelming 60.1 per cent of businesses indicate that they do not have sufficient information to prepare their business for a carbon-constrained economy and reduce their carbon footprint."

The survey covered the three months to September 2009 and had 1,018 respondents. A full copy of the Survey is available on the ACCI website at: <http://www.acci.asn.au/SurveySOIC.htm>

For further information:

Greg Evans	Director of Economics and Industry Policy	02 6273 2311 / 0407 204 559
Brett Hogan	Director of Communications	03 9668 9950 / 0407 273 884

ACCI represents over 350,000 businesses in every State and Territory and all industries. Our network employs around 4 million employees, ranging from the top 100 companies to many thousands of small and medium businesses.

ACCI SURVEY OF INVESTOR CONFIDENCE

MR 129/09

www.acci.asn.au

LEADING AUSTRALIAN BUSINESS

SPECIAL SUPPLEMENTARY QUESTIONS

In this issue, ACCI also asked businesses a set of special questions on the Australian Government's proposed Carbon Pollution Reduction Scheme and greenhouse gas mitigation.

1. Impact of the CPRS on Business

- What do you consider will be the overall impact of the Government's proposed Carbon Pollution Reduction Scheme (CPRS), to reduce Australia's greenhouse gas emissions, will have on your business?

	Percent
Negative impact	47.6
No impact	23.0
Positive impact	11.0
Unsure	18.3

2. Greenhouse Gas Mitigation and Investment Decisions

- Has the policy objective of reducing greenhouse gas emissions affected your firm's investment decisions? For example, the decision to invest in particular equipment or plant.

	Percent
Yes	23.8
No	52.9
Climate change is not part of investment consideration	23.3

3. Information on Reducing Greenhouse Gas Emissions

- Do you have sufficient information to help you determine how to reduce your greenhouse gas emissions and the best way for your business to be prepared?

	Percent
Yes	39.9
No	60.1