



MEDIA RELEASE

CommonwealthBank



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Commonwealth Bank – ACCI Business Expectations Survey

Business Expectations Improve but Actual Trading Conditions Remain Challenging

The November 2009 *Commonwealth Bank – ACCI Business Expectations Survey* shows that while business expectations for the December quarter are showing signs of improvement, trading conditions remained challenging over the September quarter as most indexes remained in negative territory, albeit with signs of recovery.

While many of the expectations indicators are in expansionary territory, the index of *Overtime Utilisation* is forecast to remain contractionary. It is also concerning the indexes of *Investment in Building and Structures* and *Investment in Plant and Equipment* remain negative.

Wages have stabilised over the last three months with *Wage Growth* and *Non-Wage Labour Costs* indexes remained virtually unchanged. Data on *Selling Prices*, which reflects both costs to consumers and input costs to business, rose marginally in the September quarter.

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

While overall business confidence has improved over the September quarter amid further signs of global economic recovery and stronger domestic demand, actual trading conditions remain challenging for businesses. We are yet to see the strength in expectations being converted to changes in actual trading conditions.

Therefore it is important for all policy levers to work toward supporting domestic demand and to encourage business investment, as both expectations and actual indexes for investment remain at contractionary levels. Reduced sales and retained earnings have put pressure on business and the potential impact of higher debt servicing charges dictate that trading conditions are set to remain difficult.

Mr Robert De Luca, Executive General Manager, Corporate Financial Services Commonwealth Bank, commented:

It is pleasing to see Australian business sentiment and confidence stabilise during the past three months, following encouraging signs of recovery in the global economy. Businesses across the country continue to find the environment challenging, with indexes of employment and overtime utilisation remaining negative, however the employment outlook is slowly improving and the overall indication is that conditions are expected to improve during the coming months.

COMMONWEALTH BANK – ACCI BUSINESS EXPECTATIONS SURVEY

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This represents a positive signal for the country and the business community, but also an area to watch.

The recovery in conditions is more likely to be sustained if businesses continue to prudently invest rather than respond to minor dips and bumps on the road to recovery. However, positive sentiment could fall down the track if the expected lift in conditions fails to materialise. Businesses need to remain conscious of the volatile conditions they operate in. This, together with a rising dollar and interest rate environment, places significant importance on the need for them to ensure risk management strategies are under constant review.

The survey assessed business conditions and business confidence amongst 2,348 businesses around the country over the July, August and September period. A full copy of the Survey is available on the ACCI website at <http://www.acci.asn.au/SurveyBES.htm>

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