

Wednesday, 6 January 2010

ACCI SURVEY OF INVESTOR CONFIDENCE

Business Conditions Improve but Weakness in Investment Outlook Remains

The January 2010 *ACCI Survey of Investor Confidence* shows that business conditions improved over the December quarter, with most expectations indicators for the next 3 to 12 months moving into expansionary territory and increasing above their five year averages. However, one notable exceptions is the index of *Own Expected Level of Investment* which remains in negative territory.

Expectations for *Own Business Conditions, Sales and Profitability* are now at their highest levels since October 2007, which suggest that businesses are expecting their own trading conditions to improve further over the March quarter of 2010. Future expectations of *National Economic Conditions, Climate for Investment and GDP Growth* are also at their highest since this survey began in 1998.

The index of *Expected Number of Full-Time Employees* moves into positive territory for the first time since the June quarter of 2008 suggesting that hours worked and hiring intentions are expected to improve over the next six months. Consistent with improvement in general business confidence, businesses are also expecting prices and overall wages to increase over the next 12 months.

The survey also gauges the sensitivity of investment to various constraints. Following three successive official interest rate hikes coupled with some major lenders increasing their lending rates by more than the official rate rise, *Charges by Lending Institutions* has risen from the ninth to the seventh largest impediment to business investment and *Level of Interest Rates* has edged up from the twelfth to the tenth constraint.

During 2009, ACCI has surveyed businesses on issues related to climate change. In this issue, ACCI gauges business assessment and understanding about the Government's proposed Carbon Pollution Reduction Scheme (CPRS) and climate change 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 trading conditions and business confidence have improved further over the December quarter, based on further signs of global and domestic economic recovery. Nevertheless, actual conditions, sales and profitability continued to fall short of prior expectations. Weak investment indicators also suggest that businesses remain pessimistic about their business capital expenditure plans in the first half of 2010. Therefore to ensure sustainable economic recovery, it is imperative that fiscal and monetary policy settings continue to encourage productive business investment and jobs creation."

"In relation to climate change policy, an overwhelming 88.4 per cent of businesses indicated that they prefer to reduce Australia's greenhouse gas emissions through improvements in energy efficiency; while 8.5 per cent of respondents prefer the CPRS and only 3.1 per cent prefer a carbon tax."

The survey covered the three months to December 2009 and had 916 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 005/10

www.acci.asn.au

LEADING AUSTRALIAN BUSINESS

SPECIAL SUPPLEMENTARY QUESTIONS

In this issue, ACCI also asked businesses a set of special questions on the Government proposed Carbon Pollution Reduction Scheme and climate change mitigation.

1. Appropriateness of the CPRS

Do you think the Government's Carbon Pollution Reduction Scheme (CPRS) is the most appropriate mechanism to reduce greenhouse gas emissions?

	Percent
Yes	13.6
No	56.8
Unsure	29.5

2. Preferred mechanism to reduce greenhouse gas emissions

In order to reduce Australia's greenhouse gas emissions, which of the following options do you prefer:

- CPRS or Emissions Trading Scheme
- Carbon tax
- Increase energy efficiency in electricity generation and other areas (including new technologies)

	Percent
CPRS or ETS	8.5
Carbon tax	3.1
Increase energy efficiency	88.4

3. Knowledge on own greenhouse gas emissions

What is your understanding of the extent of your business current greenhouse gas emissions or energy consumption?

	Percent
Very good understanding	10.3
Good understanding	23.2
Moderate understanding	43.3
Little understanding	17.5
No understanding	5.7

4. Impact of CPRS on business

In what way do you think the proposed CPRS will impact on your business? (*Please select all that apply*)

- No impact
- Increase cost
- Reduce productivity
- Increase compliance burden
- Reduce profitability
- Increase profitability
- Provide a market advantage

