



MEDIA RELEASE



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Commonwealth Bank – ACCI Business Expectations Survey

RECOVERY UNDERWAY YET PROFITABILITY AND INVESTMENT STILL WEAK

The May 2010 *Commonwealth Bank – ACCI Business Expectations Survey* has found that all business actual indicators improved over the March quarter, except for the index of *Sales Revenue*. Nonetheless, most of the expectations indicators are plateauing after the strong rebound recorded in the preceding three quarters.

Despite improvement, the actual indexes of *Export Sales*, *Profits* and *Investment in Building and Structures* remained negative in the March quarter. Expectations indexes for these three indicators are in expansionary territory. Both actual and expectations indexes of *Overtime Utilisation* remained negative, with hours worked projected to remain unchanged, if not decline, during the June quarter.

Comparisons by *Size of Firm* reveal that small firms have recorded the weakest performance compared to medium and large businesses, with small businesses' conditions, employment and investment in plant and equipment remaining contractionary during the March quarter.

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

While general business conditions and outlook have improved over the March quarter, profitability remains negative and this continues to hamper to some extent the ability of business to invest and employ. Overall, this survey posts a more positive result, yet there are pressure points. Nevertheless, we support the view that the Australian economy will return to near trend growth by the end of 2010.

Despite this, some caution is still warranted as small businesses, unlike their larger counterparts, continue to face soft trading conditions and a lacklustre employment outlook. Weak selling prices, insufficient demand and problems associated with accessing credit remain significant barriers to sustainable private sector growth. The likelihood of continued rate hikes will place further pressure on those businesses carrying debt and facing softer sales conditions.

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

It's encouraging to see that business confidence has turned a corner, continuing its upward trend over the March quarter. Business owners are optimistic that the Australian economy will not only perform well over the next quarter, but over the next 12 months.

Despite improved confidence, businesses are still finding that demand for their goods and services is weak, as more business owners reported a drop in sales revenue over the past quarter. Higher wage costs and non-labour wage costs are also having an impact, as are rising interest rates.

The survey assessed business conditions and business confidence amongst 2,641 businesses around the country over the January, February and March 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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