



MEDIA RELEASE



**Embargo until: 11 AM
Thursday, 24 June 2010**

195th Survey of Industrial Trends – June Quarter 2010

ACTUAL CONDITIONS REMAIN ROBUST DESPITE A FALL IN GENERAL BUSINESS SENTIMENT

The June quarter 2010 *ACCI-Westpac Survey of Industrial Trends* showed a marked softening of manufacturers' *General Business Sentiment* for the second half of 2010, amidst softening domestic demand projections, RBA rate hikes in April and May, and growing concerns over the global outlook following the European debt crisis.

Nevertheless, the net indicators for *New Orders* and *Output* were well up over the June quarter. The net *Exports* deliveries indicator improved marginally over the quarter and manufacturers are expecting stronger export growth for the next three months, helped by a weaker Australian dollar. *Profit Expectations* for the next 12 months have continued to firm to well above their decade average level. *Investment Intentions* also firmed markedly, with an improvement in planned capital expenditure for plant and equipment and buildings for the next 12 months.

Net *Employment* and *Overtime Worked* indicators have remained stable and firm at well above their decade averages over the quarter, albeit manufacturers are predicting a fall in overtime worked over the September quarter. *Average Selling Prices* rose for the first time since the December quarter of 2008 and the pace of *Average Unit Costs* increases has accelerated but remains well below its decade average. Stronger price and cost increases are expected over the next three months.

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

“The overall outlook presented by the June quarter 2010 survey points towards a steady economic recovery, albeit at a slower pace than might have been suggested by the previous quarter's excessively optimistic predictions. While general business confidence is deteriorating, actual net outcomes for demand and production have firmed and forward projections by the manufacturers surveyed in respect of their own firms remain robust.

“Employment indicators have remained stable, while the softening projection for overtime worked may indicate that more employers intend to hire new labour rather than relying on overtime. The pick-up in capital investment plans for plant and equipment, gradually firming capacity utilisation and rising profitability projections are also encouraging.

“Despite the headline survey results for manufacturers heading in the right direction, we still consider there remains sufficient areas of weakness in overall business conditions to make the case for the Reserve Bank to leave the official interest rate unchanged in the period ahead. Moreover, it is concerning that further cost increases in terms of labour and finance costs will put further pressure on manufacturers' profitability and sustainability.”

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.

MR 080/10

www.acci.asn.au

L E A D I N G A U S T R A L I A N B U S I N E S S



MEDIA RELEASE



Mr. Bill Evans, Chief Economist, Economics & Research, Westpac Banking Corporation, commented:

“This is a surprisingly solid result. The Survey was conducted mainly after the release of the Federal Budget and the Government’s response to the Henry Tax Review.

“It shows that business conditions, as measured by the *Westpac-ACCI Actual Composite Index*, have remained strong and generally around the levels recorded in the March quarter. However, the excessive optimism which we saw in the March Survey has dissipated. In the March Survey manufacturers were expecting conditions to improve at a record pace over the June quarter. In the event, conditions improved at about the same pace as in the March quarter.

“The more volatile *General Business Situation* measure slipped in the June quarter. Confidence levels are now significantly below the 15 year highs which were recorded in the September quarter last year. This confidence measure is a less reliable indicator of future economic activity than the Composite Indexes and hence may be sending an unnecessarily negative signal.

“It is significant that the *Westpac-ACCI Labour Market Composite Index* net balance, which uses a range of employment indicators to provide an assessment of conditions in the labour market and the outlook for employment growth, held around last quarter’s level. That read is consistent with our assessment that employment growth will remain around a 2% to 3% growth pace – enough to gradually lower the unemployment rate further.

“The investment outlook firmed. There was a sharp pick up in investment intentions, supported by an improvement in capacity utilisation, solid profit expectations, and an above-trend expansionary print of the Actual Composite Index.”

*Copies of the full Survey are available on the ACCI website at
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 and Industry Policy, ACCI	(02) 6273 2311 / 0407 204 559
Bill Evans	Chief Economist, 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

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.

www.acci.asn.au

MR 080/10

LEADING AUSTRALIAN BUSINESS