



TRANSCRIPT

ACCI ECONOMICS AND INDUSTRY POLICY DIRECTOR GREG EVANS ON ABC RADIO NEWS - 17 SEPTEMBER 2009 - ACCI-WESTPAC SURVEY

Industrial Improvement, but Expectations

A private survey on industrial trends has shown the best result since before the Lehman Brothers crash threw the world into financial chaos a year ago.

The Westpac - Australia Chamber of Commerce and Industry (ACCI) Survey of Industrial Trends' main index has risen 9.8 points to 48.2.

The authors say that is the best result since the third quarter of 2008, however the index still remains below the 50 point level that separates expansion from contraction, and is also below the long-term average of 52.1.

The outlook is more upbeat, with the index of expected growth rising to 54.7, indicating that businesses are anticipating strong activity during the last three months of the year.

Employers also increased their hiring intentions, which the survey's authors say could mean a return to job creation by the first half of next year.

However, Westpac's chief economist, Bill Evans, notes in the report that recent rises in confidence have been far greater than the improvement in current conditions.

"We favour caution in reading too strong a recovery in employment and investment conditions as the surveys may be emphasising relief at avoiding recession rather than boom expenditure conditions," he wrote.

That is reflected in the survey's current employment index, which continued to fall rapidly, with the rate of decline accelerating from prior survey predictions, indicating further substantial lay-offs over the rest of 2009 before employment growth returns.

The other worrying aspect was another sharp fall in selling prices, even while expectations of price rises had been increasing for some time, however cost pressures on businesses have also eased as demand falls during the downturn.

For these reasons, the ACCI's director of economics and industry policy, Greg Evans, says while a lot of official economic data is beating expectations, now is not the time to start raising interest rates or withdrawing stimulus.

"Even November/December we think that would be too early, given what we would expect to be the general fragility of the economy," he said.

"So we would be more concerned about any pre-emptive tightening and the capacity of that tightening to actually snuff out some of that confidence."