

MEDIA RELEASE

T: +61 2 8248 6600
F: +61 2 8248 6633
E: media@companydirectors.com.au

Conditions improving but Government still doesn't understand business, directors say

The relationship between business and the Federal Government has further deteriorated, according to a survey of company directors which has found that only 8 per cent of directors (down from 12 per cent) agree with the statement 'the Federal Government understands business.' Conversely, 50 per cent of directors believe the Federal Opposition understands business.

The findings of the first half 2013 Director Sentiment Index*, which measures the opinions and future intentions of the director community, has also found that nearly 90 per cent of directors believe their performance has a negative impact on consumer confidence. Seventy per cent of directors believe the Federal Government's performance also impacts negatively on their business decision-making,

However, overall director sentiment has improved in the last six months on the back of rising optimism about the future health of the Asian economy, as well as expected growth in the Australian share market.

Almost 50 per cent of directors believe the Asian economy will be strong over the next 12 months, up from 31 per cent last survey. Further, nearly 70 per cent of directors expect the Australian share market to grow in the coming year.

These and other factors have pushed the overall Index up 15 points. However, director sentiment is still negative, with the high value of the Australian dollar continuing to be a major concern amongst directors, who rank it as the top economic challenge facing Australia. This is followed by global economic uncertainty and growing concern about the amount of regulation and red tape, which jumped from seventh to be ranked the equal second most significant economic challenge facing Australian businesses.

The Index shows there is a return to optimism about business growth over the coming year. Sentiment in each of the key economic indicators has improved since the previous survey.

"It is a positive sign that overall sentiment is improving on the back of some encouraging data about the future of the global economy," said John Colvin, Chief Executive and Managing Director, Australian Institute of Company Directors.

"While more than 40 per cent of directors claimed the growth of their business had weakened over the last 6 months, directors are now equally optimistic and pessimistic (about 30 per cent respectively) about the general business outlook, and the outlook for their own sector."

Directors have also rated increasing red tape and excessive regulation as the second biggest impediment to productivity growth, after general economic conditions.

"Business is increasingly concerned about regulation and its impacts. It distorts the operation of the market, slows up the engines of growth and job creation and stifles wealth creation in the economy. It is a drag on entrepreneurial activity and distorts business behaviour," he said.

“Directors are saying that deregulation is a crucial part of the agenda for boosting national productivity and must be a priority for Government.”

According to the Index findings, directors believe that the level of red tape and board time spent on regulatory compliance has increased over the last 12 months, with regulation surrounding workplace health and safety and employing workers rated as having the highest impact on productivity.

In terms of priority issues for the upcoming Federal election, economic policy and management is seen as the most important factor that will influence directors’ vote. However, infrastructure continues to be the biggest issue for business, with the fifth survey in a row ranking it the top priority for the Federal Government to address in both the long and the short term.

For the first time since the inception of the Director Sentiment Index, the National Broadband Network is now viewed favourably by directors, with nearly half of directors surveyed agreeing that the NBN is a positive thing for Australia, while less than 40 per cent of directors disagree with this statement.

The Director Sentiment Index is Australia’s only market sentiment indicator measuring the opinions and future intentions of the director community.

Media contact and for a copy of the full report with executive summary:

Michelle Wood, Media and Government Relations Advisor, 0466 655 115

****About the Director Sentiment Index***

The first half 2013 Director Sentiment Index survey was conducted with more than 500 Australian chairman, non-executive directors and executive directors of medium to large public and private sector organisations between 5 March – 18 March 2013. The Index is conducted by market research company Ipsos Australia. The survey underpinning the index is conducted biannually.

About Ipsos

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group. In 2011, Ipsos completed the acquisition of Synovate. The combination forms the world’s third-largest market research company. With offices in 84 countries, Ipsos delivers insightful expertise across six research specialisations: advertising, customer loyalty, marketing, media, public affairs research and survey management. Ipsos has been listed on the Paris Stock Exchange since 1999 and generated global revenues of €1,363 billion (1.897 billion USD) in 2011.

The **Australian Institute of Company Directors** provides education, information and advocacy for company directors Australia wide, with offices in each state to cater for 32,000 members. Our members work in diverse corporations such as small-to-medium enterprises, the ASX 200 corporations, public sector organisations, not-for-profit companies, large private companies and smaller private family concerns.