

Corporate heads see little cause for gloom

GLENDIA KORPORAAL
ECONOMY

As chairman of Perth's Jandakot Airport, one of the country's oil and gas business hubs, Greg King has first-hand experience of the impact of the downturn in the resources business.

But the chairman of the Australian and New Zealand chapters of the Young Presidents Organisation argued that the Australian economy had proved to be one of the most resilient in the world.

"We seem to be able to keep dodging a recession, and let's hope we can continue to do that," he told *The Australian*.

Mr King was speaking on the release last night of the latest YPO Global Pulse Index, a quarterly survey of business confidence of almost 2000 YPO members around the world. The survey shows YPO members' business confidence in Australia over the past five years had slipped by 0.9 points, much less than the 1.6 points fall in global confidence.

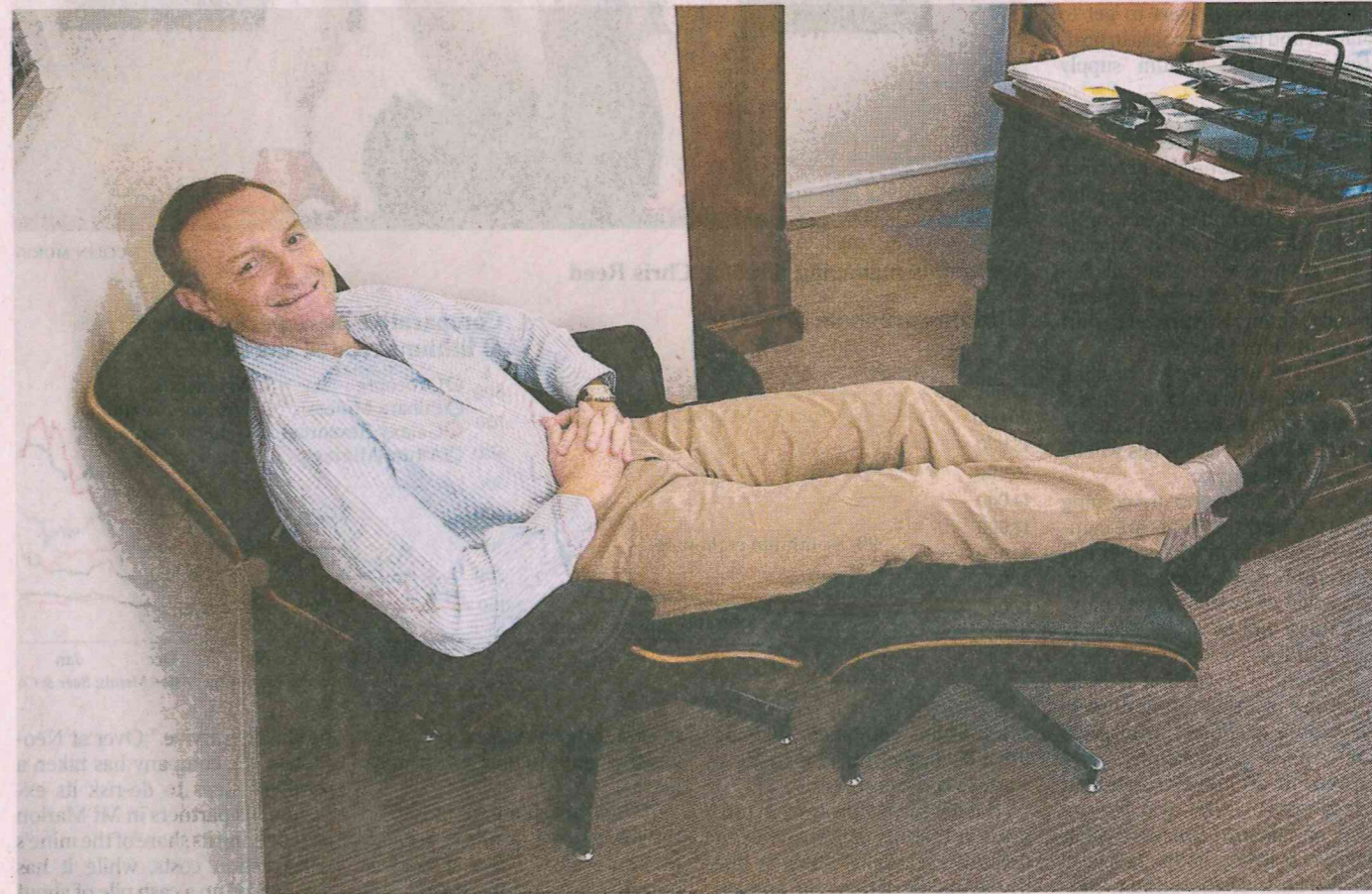
The fall in confidence ranges from 3.2 points among members in Asia to 6.3 points in Canada, 6.7 points in non-EU Europe, 7.3 points in Africa and an 11 point drop in Latin America.

The slight fall in confidence levels in Australia compare with a flat confidence level over the five years in the US, where the economy is now recovering from its post-financial crisis slowdown.

The latest Global Pulse Index shows global confidence fell by 3.4 points from the end of 2014 to the end of last year, to 59.6 points — a four-year low — on concerns about the continued drop in oil prices, slow growth in China and falling commodity prices.

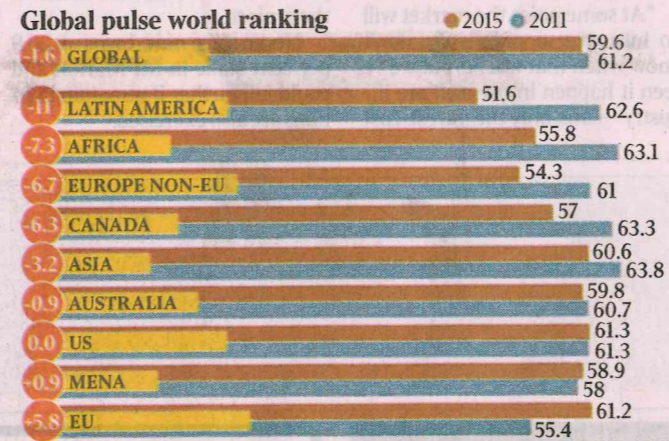
"We are all feeling the influence of the massive sell-off in commodities and the second order effects taking place," Mr King said. "Investment is a confidence game and a wealth effect game. If sovereign wealth funds and big companies such as BHP are not feeling wealthy, there is going to be a reluctance by other investors to invest in a major way."

But he said the fall in the Aus-



COLIN MURTY

YPO chairman Greg King says the Australian economy is proving to be one of the most resilient in the world



tralian dollar was helping cushion the impact of the commodities downturn and was boosting the tourism and hospitality sectors in the local economy.

"Our economy is making the transition from being a com-

modity exporter to a more domestically focused economy. Every week we see reports on very strong inbound tourism coming into Australia. The softening of the Australian dollar is helping to keep our heads above water."

The survey shows the chief executive confidence index for members in Australia was down by one point in January. Over 40 per cent of CEOs in the production sector thought conditions would improve in the next six months but chiefs in the construction and service sectors were less optimistic. "There is an enormous amount of resilience in our economy, which is good news," Mr King said. "In Western Australia we have gone through a major correction but in Australia we haven't had the big falls in confidence that some of our major commodity peer countries have had."

Mr King said the latest YPO Global Pulse Index showed a rebound in confidence among members in China.

After a year of falls, the confidence index jumped by 10 points in January to 62 points.

"The upswing of confidence across all of Asia in January was most pronounced in China," he said. "Confidence among YPO members in China is higher than other big economies in Asia, including India and Japan."

He said this followed economic growth of 6.8 per cent in China last year as the lower currency helped to boost exports and counter a fall in domestic economic growth. "If we can get steadiness in business confidence in China going forward, it will be very good for our region," Mr King said. "There has been a lot of pressure in China for a rebalancing of its growth. If we can get more of that in the second half, hopefully it will feed through into more confidence globally."

"In Australia, this year will be a pivotal one in determining if this shift to the non-resource sector will create sustainable growth."