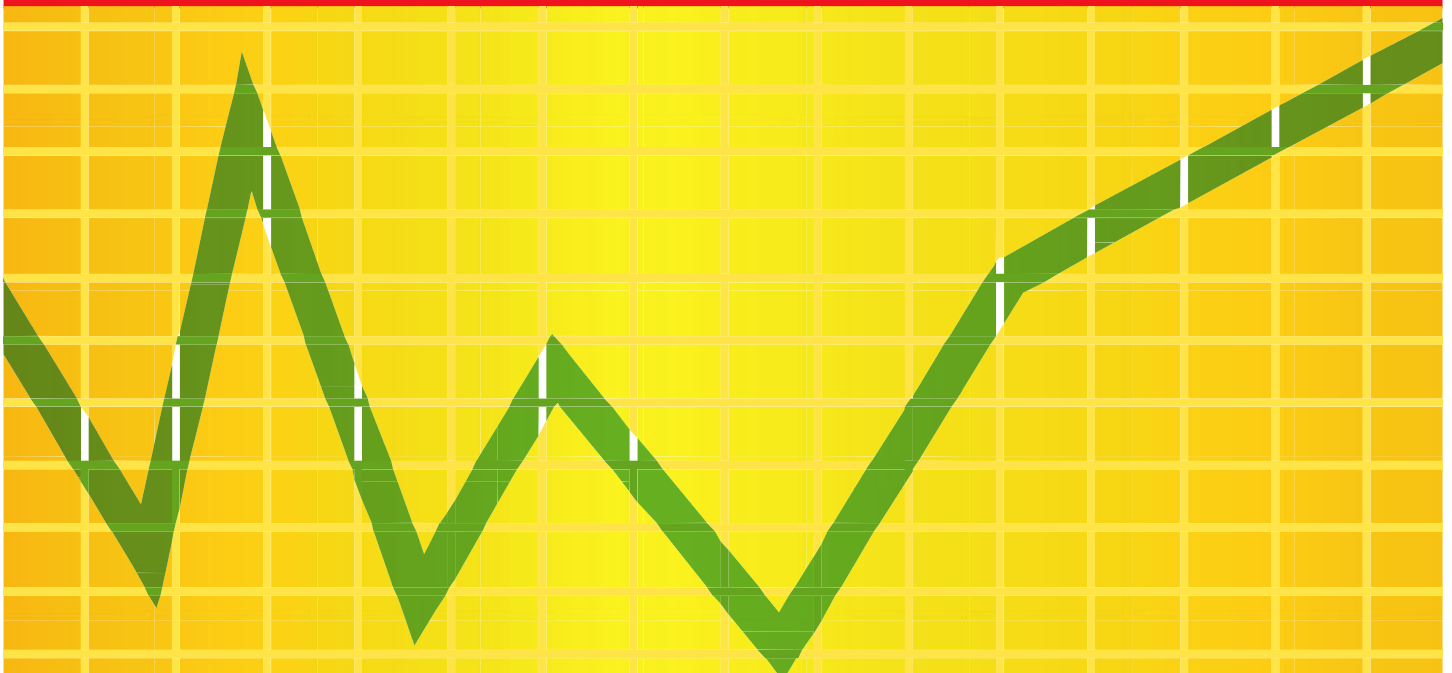




ST.GEORGE - ACCI BUSINESS EXPECTATIONS SURVEY

IDENTIFYING NATIONAL TRENDS AND
CONDITIONS FOR AUSTRALIAN BUSINESS





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FOREWORD

The St.George-ACCI Business Expectations Survey is a national survey aggregated from the surveys conducted by member associations of the Australian Chamber of Commerce and Industry. These surveys cover firms in every state, in every industry and incorporate firms of every size. In total, they represent Australia's most comprehensive survey of business expectations.

The data in this survey covers the period January, February and March 2005. There were 2,228 respondents to the survey.

Details on interpreting the survey are on page 12.

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ST.GEORGE & ACCI

St.George and ACCI share a strong desire to foster the success of businesses in Australia. Together we aim to look after the future of your business by bringing the national and industry-specific information that you need to thrive in a rapidly changing environment.

St.George awarded Business Bank of the Year, CFO Magazine 2004 Awards.



PROFITS TAKE A HIT AS ECONOMY EASES

SUMMARY

The St.George-ACCI Business Expectations Survey shows that growth in the Australian economy was generally weaker in the March quarter, continuing the downward run of the series since December quarter 2004. Profit growth had also been easing over this period but in the latest survey profits fell sharply into negative territory on the back of weakening sales growth.

While the *Profit* index was soft, the expectations are that some improvement is expected. The significant fall in profit levels may only be of short duration with businesses expecting to increase profitability over the next three months.

Despite weaker growth in many areas, export growth appears to be emerging after declining heavily in 2004.

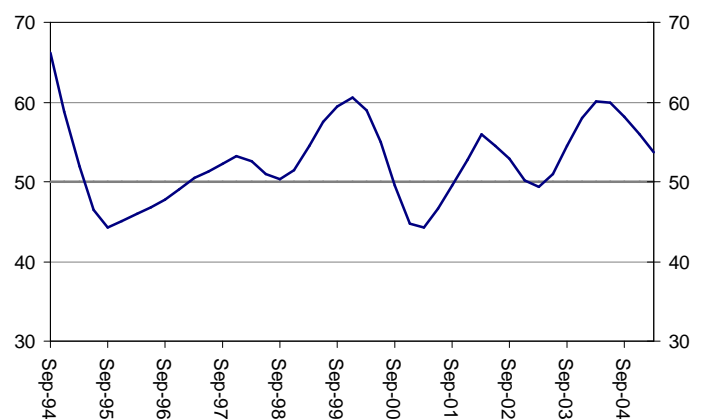
Wages growth has decreased somewhat over the past three months and expectations for wages have also moderated but remain above average.

The outlook for inflation improved with the prices data showing continuing moderation after the record high levels in the second half of 2004.

Employment growth was relatively steady and similar to the rates over the past year though a slight downward trend is emerging.

Similarly, investment in plant and equipment and in building and structures turned down slightly but over the year have remained fairly steady.

General Business Conditions



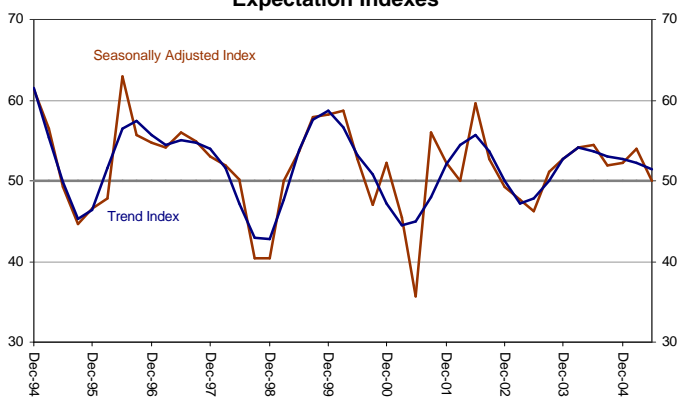
HIGHLIGHTS

- The St.George-ACCI *Business Expectations Survey* shows domestic economic growth has eased but expectations show that slower trading conditions are not expected to persist.
- Sales moderated while profits declined significantly but the latter are expected to turn around over the next three months.
- Modest rates of export growth continue.
- Investment and employment growth moderated.

AUSTRALIAN ECONOMIC PERFORMANCE

The index of *Australian Economic Performance*, which indicates how businesses expect the Australian economy to perform in the year ahead compared with the performance of the previous year, eased in the March quarter of 2005 revealing a clear downward trend from March 2004.

Historical Comparison of Seasonally Adjusted and Trend Expectation Indexes

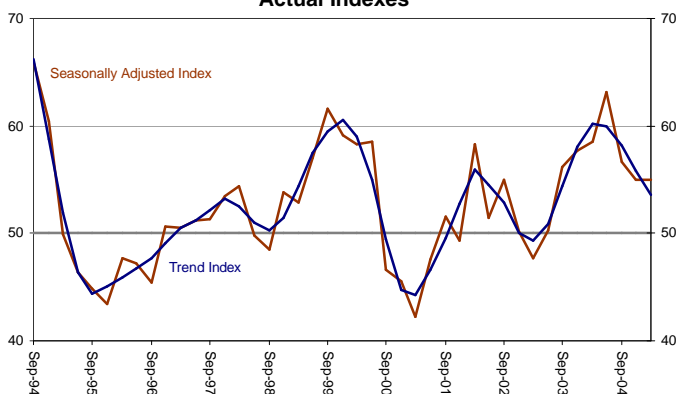


	March 2004 Expectation	March 2005 Expectation	June 2005 Expectation
Much Stronger	2.5%	5.3%	2.0%
Somewhat Stronger	26.5%	26.7%	21.4%
About the Same	53.6%	50.5%	47.8%
Somewhat Weaker	16.1%	16.2%	27.4%
Much Weaker	1.3%	1.3%	1.3%
Original Index	53.2	54.6	48.8
Seasonally Adjusted Index	54.3	53.9	49.9
Trend Index	53.6	52.1	51.4

GENERAL BUSINESS CONDITIONS

The *General Business Conditions* index, which measures whether or not general conditions in the respondents' own businesses have improved over the quarter, has continued to decline to 53.5 from its peak of 60.1 in the March quarter of 2004. Nevertheless, expectations for the next three months are very positive and show that while conditions have slowed, businesses expect that the slowdown will only be temporary.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes



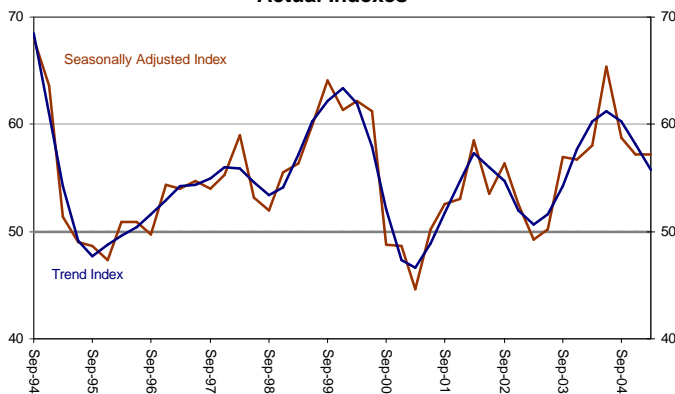
	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	32.7%	27.3%	29.2%
Same	49.0%	52.4%	54.5%
Down	18.4%	20.3%	16.4%
Original Index	57.1	53.5	56.4
Seasonally Adjusted Index	58.6	54.9	56.5
Trend Index	60.1	53.5	58.9



SALES REVENUE

Growth in *Sales Revenue* has slowed but remains positive. The index has been moving back to a more neutral level since it peaked at 61.2 in June 2004. Expectations for sales growth also drifted downwards, though the index remains above the long-term average of 55.0.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

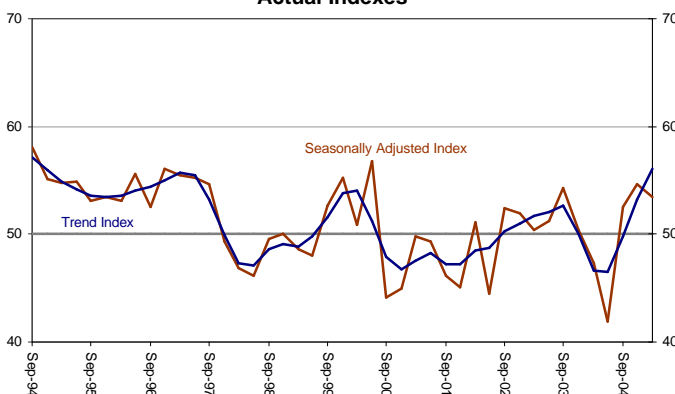


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	37.9%	37.1%	40.1%
Same	34.1%	34.4%	39.4%
Down	28.0%	28.5%	20.5%
Original Index	54.9	54.3	59.8
Seasonally Adjusted Index	58.0	57.3	58.7
Trend Index	60.3	55.9	61.9

EXPORTS

The index of *Export Sales*, which measures whether business' export sales increased or decreased over the quarter, increased for the second quarter in succession after remaining below 50.0 for the first three quarters of 2004. Notwithstanding the stronger export figures, business expects that export growth over the coming quarter will be more subdued.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

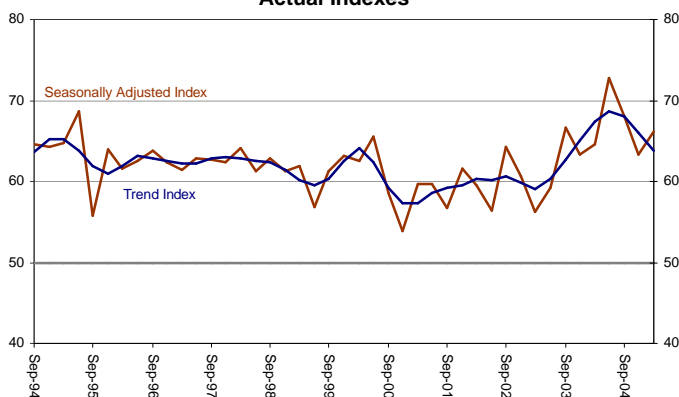


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	11.1%	20.4%	12.8%
Same	72.0%	65.8%	81.7%
Down	16.8%	13.8%	5.5%
Original Index	47.2	53.3	53.6
Seasonally Adjusted Index	47.3	53.5	52.3
Trend Index	46.6	56.1	53.5

WAGES GROWTH

The *Wages Growth* index, which measures growth in the level of wages paid by businesses to their employees, continued its retreat from the all-time high of 68.6 recorded in mid-2004 to its current level of 63.4. While significant wage pressures remain, businesses experienced some relief in the March 2005 quarter. Expectations for wages growth over the next quarter also moderated.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

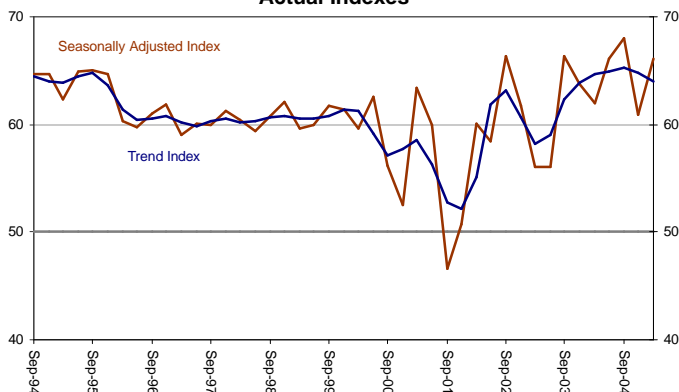


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	32.7%	37.5%	34.9%
Same	61.7%	54.3%	58.6%
Down	5.5%	8.1%	6.5%
Original Index	63.6	64.7	64.2
Seasonally Adjusted Index	64.5	65.6	64.4
Trend Index	67.4	63.4	64.0

NON-WAGE LABOUR COSTS

The index of *Non-Wage Labour Costs* has declined over the past three months with the index down from the September 2004 peak of 65.3. This index measures the growth in *Non-Wages Labour Costs* such as fringe benefits, workers compensation, payroll tax and training. Both wages and non-wage labour costs are above average levels, pointing to a very tight labour market. Business expects the growth in non-wage labour costs to continue.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

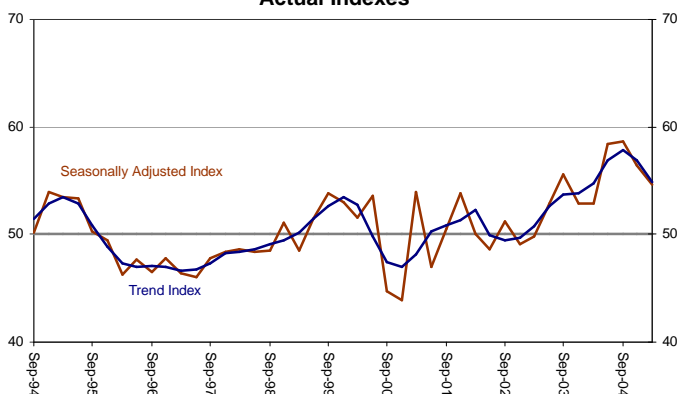


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	26.0%	35.0%	32.2%
Same	69.7%	60.5%	64.1%
Down	4.3%	4.5%	3.7%
Original Index	60.9	65.2	64.3
Seasonally Adjusted Index	62.0	66.4	63.8
Trend Index	64.7	64.2	62.2

SELLING PRICES

The index of *Selling Prices*, which measures growth in the prices charged by businesses for goods and services, declined 57.1 in the December quarter to 55.5 in the March quarter. Looking ahead, businesses expect selling prices to grow strongly over the next three months. The decline in the actual index may be good news on inflation.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

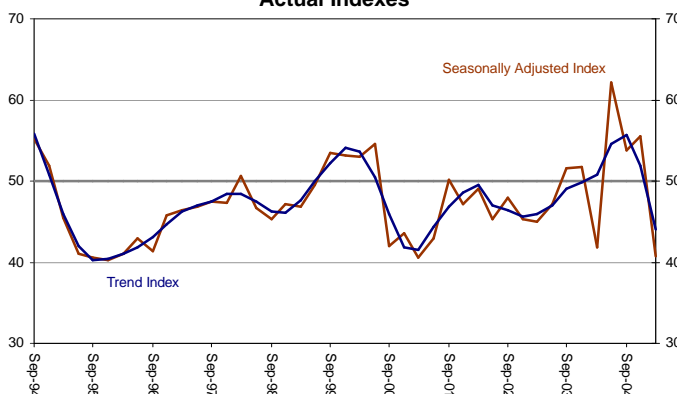


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	20.2%	24.0%	25.3%
Same	66.6%	64.2%	66.3%
Down	13.2%	11.8%	8.4%
Original Index	53.5	56.1	58.5
Seasonally Adjusted Index	52.8	55.4	58.1
Trend Index	54.8	55.5	58.4

PROFITS

Business profit levels fell sharply over the quarter with the *Profits* index declining into negative territory. Despite the decline in profitability, expectations remain relatively sound for growth over the next three months.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

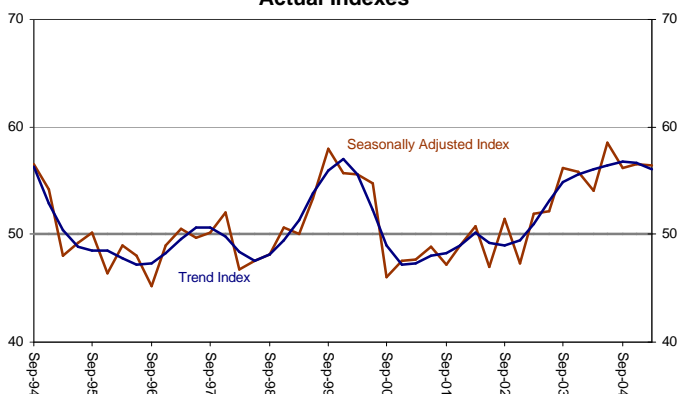


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	24.5%	22.8%	29.7%
Same	45.1%	44.8%	49.2%
Down	30.4%	32.4%	21.1%
Original Index	47.1	45.2	54.3
Seasonally Adjusted Index	41.8	40.2	53.2
Trend Index	50.8	43.6	55.6

EMPLOYMENT

The *Employment* index, which measures the creation of new jobs by employers, declined only slightly in the latest survey but remained at a fairly high level. This index has remained at around current levels over the past 12 months. This has been the longest continued expansion of the employment series to date. Expectations of future employment growth remained relatively stable.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

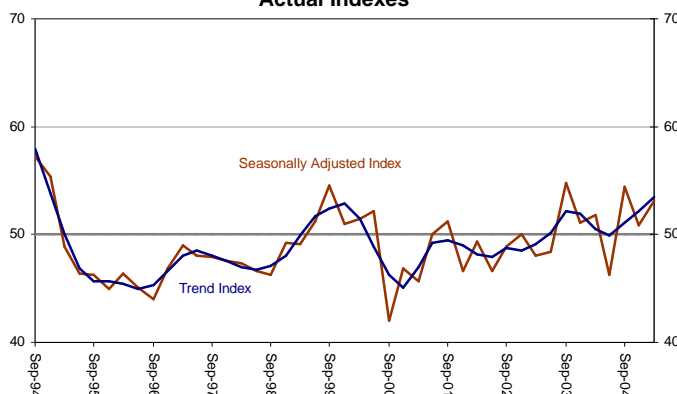


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	21.1%	26.7%	24.8%
Same	64.4%	58.2%	63.4%
Down	14.5%	15.1%	11.7%
Original Index	53.3	55.8	56.6
Seasonally Adjusted Index	54.1	56.6	56.2
Trend Index	56.1	56.2	56.8

OVERTIME UTILISATION

The *Overtime Utilisation* index, which measures the number of overtime hours worked by employees, continued to expand. The greater use of overtime is expected to continue through the June quarter.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

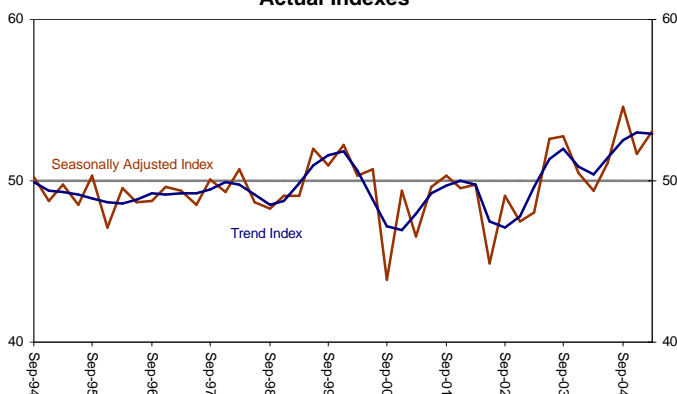


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	18.9%	21.4%	19.0%
Same	62.9%	60.8%	65.2%
Down	18.1%	17.8%	15.8%
Original Index	50.4	51.8	51.6
Seasonally Adjusted Index	51.8	53.2	51.7
Trend Index	50.5	53.6	53.5

INVESTMENT IN BUILDINGS AND STRUCTURES

This index, which measures the level of business investment in buildings and structures, was virtually unchanged over the past quarter, falling only 0.1 points. Despite the small fall, the index remains at historically high levels. The expectation index continues to suggest strength in this segment of business investment and shows that the impact of the downturn in profits has not significantly influenced actual or expected building investment at this time.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes

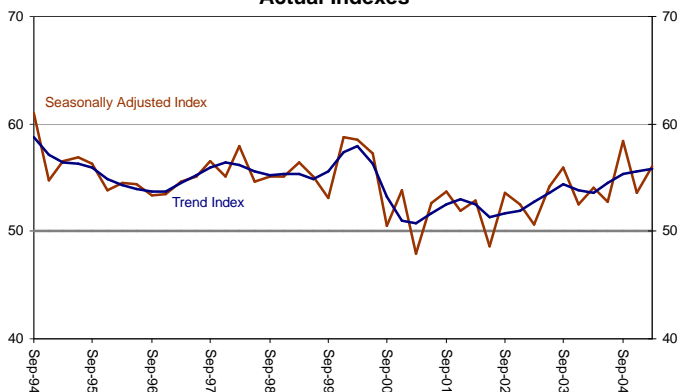


	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	15.4%	19.6%	18.6%
Same	66.7%	65.7%	68.4%
Down	17.9%	14.7%	13.0%
Original Index	48.7	52.4	52.8
Seasonally Adjusted Index	49.4	53.1	52.6
Trend Index	50.4	52.9	52.6

INVESTMENT IN PLANT AND EQUIPMENT

Business *Investment in Plant and Equipment*, moderated slightly over the March quarter while expectations for the June quarter suggest investment in plant and equipment will continue to grow, albeit at a modest rate.

Historical Comparison of Seasonally Adjusted and Trend Actual Indexes



	March 2004 Actual	March 2005 Actual	June 2005 Expectation
Up	24.6%	25.8%	21.4%
Same	58.0%	58.1%	59.3%
Down	17.4%	16.1%	19.3%
Original Index	53.6	54.9	51.0
Seasonally Adjusted Index	54.1	55.3	50.9
Trend Index	53.6	55.2	53.6



COMPARISONS BY SIZE OF BUSINESS

A number of comparisons by size of business are provided below. As the data shows, there are important differences in the performance and expectations of businesses depending on their size. The data is weighted by industry.

GENERAL BUSINESS CONDITIONS

General Business Conditions improved for large and small-sized businesses while medium businesses were recorded in neutral. Expectations were, however, positive across the board with small businesses the most confident.

	No. of Employees					
	1-19		20-99		100+	
	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected
Up	32.0%	34.4%	28.2%	25.2%	29.9%	25.5%
Same	48.1%	52.3%	43.6%	53.7%	52.5%	55.8%
Down	19.9%	13.4%	28.2%	21.1%	17.6%	18.7%
Original Index	56.1	60.5	50.0	52.1	56.1	53.4

EMPLOYMENT

Employment grew substantially in large businesses while medium and smaller-sized enterprises experienced more moderate rates of growth. Despite large business recording the highest level of employment growth, smaller operators reported the greatest hiring intentions for the next three months.

	No. of Employees					
	1-19		20-99		100+	
	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected
Up	22.3%	23.6%	21.6%	18.7%	36.2%	26.1%
Same	64.5%	67.5%	65.2%	69.3%	49.3%	57.9%
Down	13.1%	8.9%	13.3%	11.9%	14.5%	16.0%
Original Index	54.6	57.3	54.2	53.4	60.8	55.0



INVESTMENT IN PLANT AND EQUIPMENT

The data on *Investment in Plant and Equipment* continued to show little difference between the three categories with small business again recording the strongest growth. Expectations were fairly subdued across the board with medium-sized enterprises recording a slightly negative result.

	No. of Employees					
	1-19		20-99		100+	
	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected
Up	25.2%	21.4%	22.6%	19.4%	28.1%	24.3%
Same	62.6%	61.8%	61.0%	60.3%	55.2%	57.6%
Down	12.2%	16.8%	16.3%	20.3%	16.7%	18.1%
Original Index	56.5	52.3	53.1	49.5	55.7	53.1

WAGES GROWTH

In the March quarter, large business experienced the highest growth in wages and small business the lowest. Expectations also followed this pattern, and wages are expected to continue to grow at above average rates over the next three months for all business sizes.

	No. of Employees					
	1-19		20-99		100+	
	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected	March '05 Actual	June '05 Expected
Up	34.8%	28.9%	35.3%	32.5%	43.1%	38.4%
Same	55.4%	65.3%	56.1%	59.4%	50.7%	52.1%
Down	9.8%	5.8%	8.6%	8.1%	6.2%	9.5%
Original Index	62.5	61.5	63.3	62.2	68.5	64.5



PARTICIPATING ORGANISATIONS

The survey is compiled from data collected through individual surveys conducted by members of the Australian Chamber of Commerce and Industry (ACCI). Participating organisations and contact details at each organisation are listed below.

ACT & Region Chamber of Commerce and Industry

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Ph: (02) 6283 5200

Australian Business Limited

Mr Paul Orton
Ph: (02) 9927 7445

Business SA

Mr Hamilton Calder
Ph: (08) 8300 0009

Chamber of Commerce & Industry of Western Australia

Ms Nicky Cusworth
Ph: (08) 9365 7555

Chamber of Commerce Northern Territory

Ms Clalia Mar
Ph: (08) 8936 3100

Commerce Queensland

Mr Andrew Larkin
Ph: (07) 3842 2253

Printing Industries Association of Australia

Mr Hagop Tchamkertenian
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Tasmanian Chamber of Commerce & Industry

Mr Nick Behrens
Ph: (03) 6236 3600

Victorian Automobile Chamber of Commerce

Ms Susie Savage
Ph: (03) 9829 1111

Victorian Employers' Chamber of Commerce & Industry

Mr Steven Wojtkiw
Ph: (03) 9251 4333

NOTE ON INTERPRETING THE SURVEY

An index level of 50 indicates that there is an exact balance between those who responded that conditions had improved and those who replied that conditions had declined. Thus, any level below 50 can generally be interpreted as meaning that conditions are deteriorating, and conversely, a reading above 50 indicates conditions on average are improving.

The index is calculated by taking a weighted sum of the proportion of responses to every answer to form an index between 100 and 0. The strongest response is given the greatest weighting of one with the weakest given the lowest weighting of zero, and proportional weighting in between. As a result, if all respondents answered the strongest response, the index would be 100; if they all answered the weakest response, the index would be zero.

If n is the number of response categories, $prop_i$ is the proportion of responses in a given category and i is the response category, then the formula for the index is:

$$Index = \sum_{i=1}^n prop_i \left(\frac{n-i}{n-1} \right)$$

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