



ST.GEORGE - ACCI BUSINESS EXPECTATIONS SURVEY

IDENTIFYING NATIONAL TRENDS AND
CONDITIONS FOR AUSTRALIAN BUSINESS





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The Business Expectations Survey (formerly known as the National Survey of Business Expectations) is a national survey aggregated from the surveys conducted by member associations of the Australian Chamber of Commerce and Industry. These surveys cover businesses in every state, in every industry and incorporate businesses of every size. In total, it represents Australia's most comprehensive survey of business expectations. The data in this survey had 2,293 respondents and covers the period July, August and September.

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ST.GEORGE & ACCI

The St.George and ACCI partnership reflects our common vision and purpose - that of fostering the success of businesses in Australia. Together we aim to look after the future of your business by bringing the global, national and industry-specific information you need to thrive in a rapidly changing environment.

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



ECONOMY STABILISES AS PROFITS AND INVESTMENTS RISE BUT WAGE PRESSURES REMAIN AN ISSUE

Expectations for *Australia's Economic Performance* for next year are positive but have become less exuberant than their February 2004 peak.

General Business Conditions continue to provide an amenable environment for businesses, despite a small moderation in the September results.

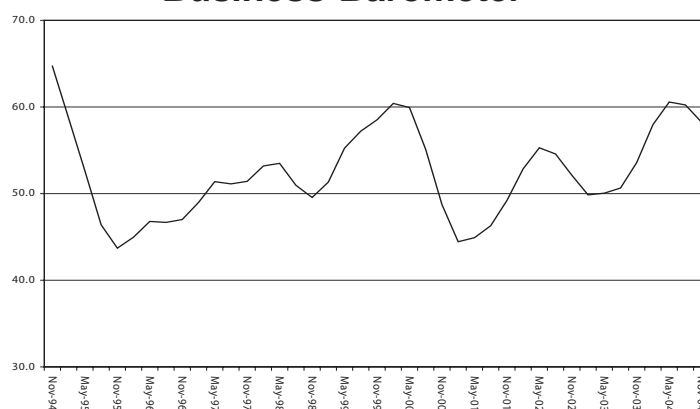
Sales Revenue data over the past three quarters remains robust. The vigorous results we have seen may represent the upper limit of sales growth unless exports start to provide alternative momentum.

Expectations data for the September quarter suggests that growth will continue apace across most measurements, with improvement in exports an added bonus. Solid employment growth data, coupled with robust investment numbers suggest respondents see a bright economic road ahead.

Survey data disaggregated by size of business shows that large companies were responsible for the majority of the positive outcomes, particularly for business conditions and employment intentions. Investment results are broader based with small, medium and large businesses providing good numbers.

Data on general business conditions, employment and investment by size of business are shown on pages 10 and 11.

Business Barometer™



HIGHLIGHTS

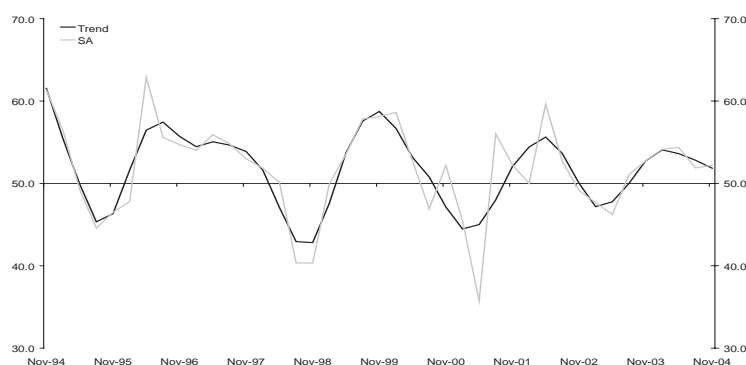
- The St.George-ACCI *Business Expectations Survey* for November 2004 shows economic growth has stabilised near recent highs, as expectations remain optimistic.
- Key economic indicators, which have provided much of the economy's impetus, have continued to improve or have settled above their long-term average.
- The index of Export Growth has rebounded, an encouraging sign given its recent drop.
- Wage and non-wages growth continued to be very strong with expectations of further rises firmly entrenched.



Australian Economic Performance

The index of *Australia's Economic Performance* declined slightly during the November survey. The index has been weakening over the previous year, but still remains above its long-term average. Seasonally adjusted data tell a different story to the trended data, with both indexes improving.

AUSTRALIAN ECONOMIC PERFORMANCE



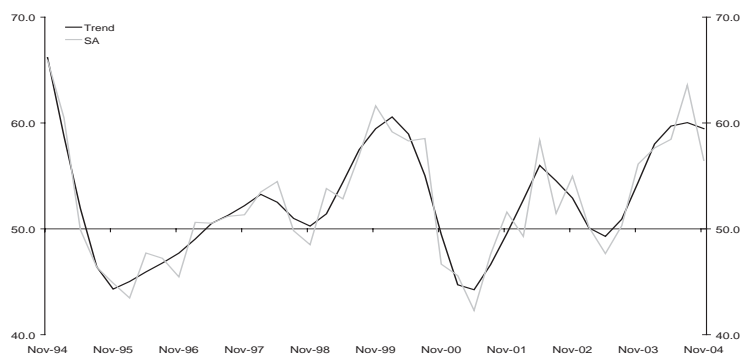
	Sept 2004 Expectation	June 2005 Expectation	Sept 2005 Expectation
Much Stronger	1.1	0.3	3.4
Somewhat Stronger	31.8	23.1	22.5
About the Same	50.9	57.8	57.2
Somewhat Weaker	14.5	18.6	15.5
Much Weaker	1.7	0.2	0.8
Net Balance	54.0	51.2	53.5
S.A.	52.7	51.9	52.2
Trend Index	52.7	52.7	51.8

S.A. means seasonally adjusted.

General Business Conditions

General Business Conditions moderated during the September quarter, although this was expected given the very strong results of previous surveys. This result was underlined by a rise in the number of businesses experiencing some degree of deterioration in conditions. However, the data does not suggest that a dramatic decline in business conditions has or will occur, only that conditions have returned to a more moderate level. Optimism for the December quarter remains robust, suggesting this lull will not slow business down.

GENERAL BUSINESS CONDITIONS



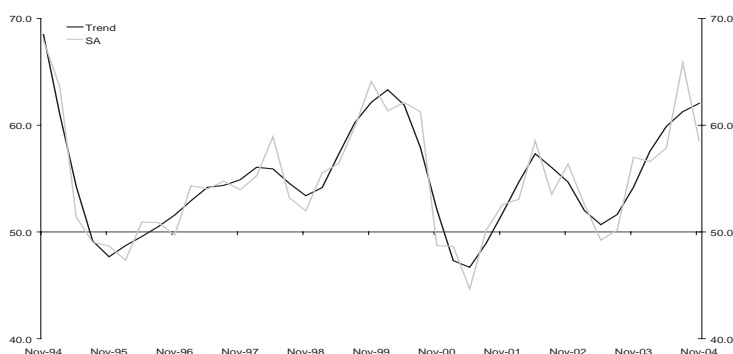
	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	31.2	36.8	32.1
Same	50.5	48.2	49.4
Down	18.3	15.0	18.5
Net Balance	56.5	60.9	56.8
S.A.	56.1	63.6	56.5
Trend Index	54.4	60.0	59.5



Sales Revenue

Rising household demand drove *Sales Revenue* data in trend terms during the September quarter. Sales have staged robust growth since December 2001 and remain well above an index of 56.2, its longer-term average. In seasonally adjusted terms, the survey showed an unwinding of the very strong result of the June quarter, retreating closer to the long term average. Businesses remain confident about future revenue, with expectations continuing to increase (in both trend and seasonally adjusted terms) to be at historically high levels.

SALES REVENUE

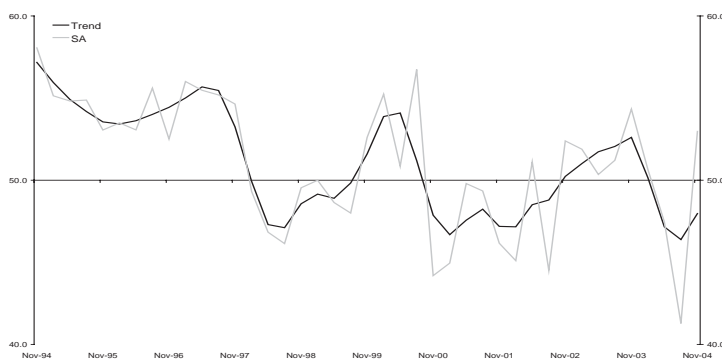


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	40.6	42.9	47.3
Same	34.6	33.1	38.9
Down	24.8	24.0	13.7
Net Balance	57.9	59.5	66.8
S.A.	57.0	58.6	63.9
Trend Index	54.2	62.0	63.3

Exports

The index of *Export Sales* improved considerably during the September quarter. Over 21 per cent of businesses said that exports sales were up on last quarter while 14.6 per cent reported a fall. This compares with 4.3 per cent and 24.5 per cent, respectively during the June quarter. Exports have been slow to rally over the past year. December quarter expectations remain optimistic.

EXPORTS



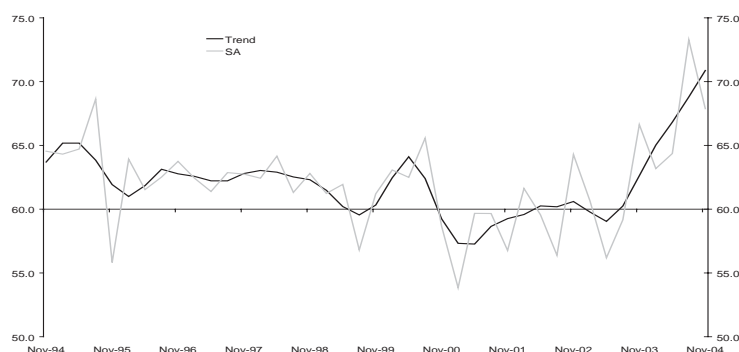
	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	19.2	21.5	22.0
Same	71.3	63.9	69.3
Down	9.5	14.6	8.7
Net Balance	54.9	53.5	56.6
S.A.	54.3	53.0	56.7
Trend Index	52.6	48.0	54.8



Wages Growth

Low unemployment is becoming a permanent feature of the economic landscape. As a result, *Wages Growth* weighs heavily on future inflation outcomes. Wages continued to rise for many businesses, with the trend growth rate at historically high levels. However, the data shows some easing over the previous quarter, with an increase in the percentage of businesses indicating that wages were falling. Expectations continue to be for strong wages growth (although there are more companies expecting wages to fall compared with June). Continued growth in the next quarter or two may begin to manifest itself as higher inflation.

WAGES GROWTH

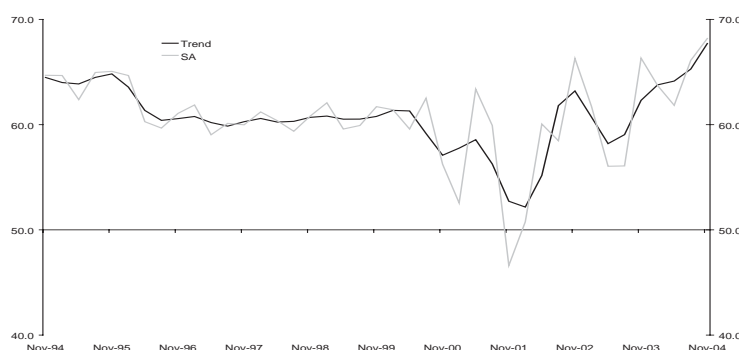


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	41.2	43.4	36.0
Same	51.2	49.4	58.9
Down	7.5	7.2	5.1
Net Balance	66.9	68.1	65.4
S.A.	66.6	67.9	66.4
Trend Index	62.6	70.9	69.2

Non-Wage Labour Costs

Non-Wages Labour Costs, which include all of the benefits to employees and other on-costs attached to employing, are increasing strongly, having rebounded from a temporary lull in the June quarter. During the September quarter, there was a convergence in the wage and non-wage measures of labour costs (until the September survey, non-wage labour costs tended to lag wages). Expectations are for these costs to continue to increase strongly, with the growth rate expected to rise slightly.

NON-WAGE LABOUR COSTS



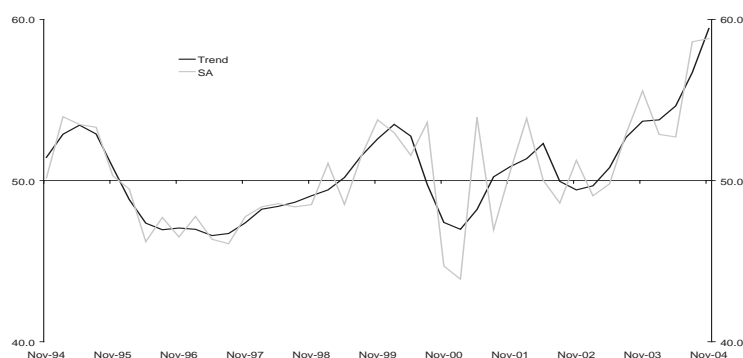
	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	38.9	40.5	32.8
Same	56.2	56.8	64.0
Down	4.9	2.7	3.1
Net Balance	67.0	68.9	64.8
S.A.	66.3	68.2	64.3
Trend Index	62.3	67.7	66.4



Selling Prices

The index of *Selling Prices* jumped during the September quarter, mainly because fewer businesses said that they would reduce prices. In seasonally adjusted terms, the index remains positive but unchanged. *Average Selling Prices* appear to have stabilised as the proportion of businesses reporting no change rose to almost two thirds. However, the series is well above its longer-term average, having staged robust growth over the last six months. Expectations are positive and have edged higher since the September quarter.

SELLING PRICES

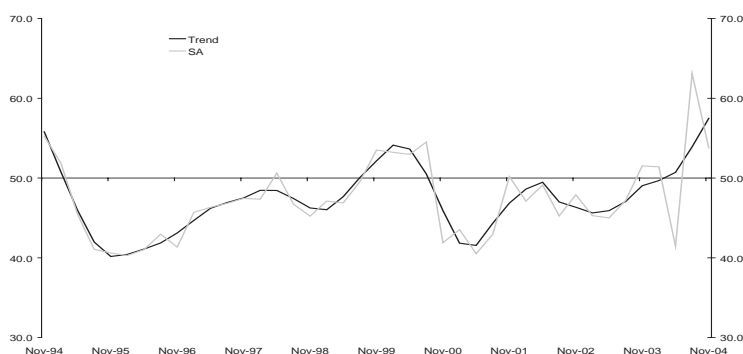


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	22.5	27.0	24.3
Same	66.0	63.5	66.6
Down	11.5	9.5	9.1
Net Balance	55.5	58.8	57.6
S.A.	55.6	58.8	58.7
Trend Index	53.7	59.4	57.0

Profits

Profitability jumped substantially, in trend terms, during the quarter as *Average Selling Prices* and *Sales Revenue* covered increases in wage, non-wage and other costs. The seasonally adjusted data shows that profits, while strong, may ease in the coming quarter. The results are much stronger than last year, and expectations for the December quarter continue to be optimistic, if slightly below previous expectations.

PROFITS



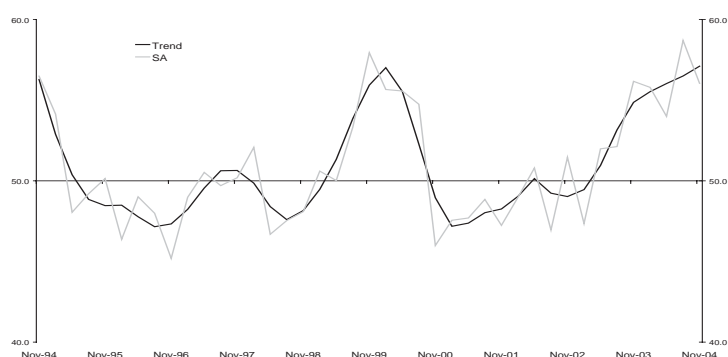
	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	26.4	30.8	33.0
Same	46.4	42.0	49.2
Down	27.1	27.2	17.8
Net Balance	49.6	51.8	57.6
S.A.	51.5	53.8	55.9
Trend Index	49.0	57.5	54.9



Employment

The index of *Employment* intentions rose for the eighth consecutive quarter, climbing well above an index of 53.6, its long-term average. This is the highest index in trend terms since the series began in November 1994. Strong data on *Employment*, *Sales Revenue* and *Profits* data have combined to produce unemployment at near 23-year lows. The outlook for further growth suggests continued tightness in the labour market. Expectations for hiring rose slightly, suggesting businesses may experience even greater difficulty finding employees in coming months.

EMPLOYMENT

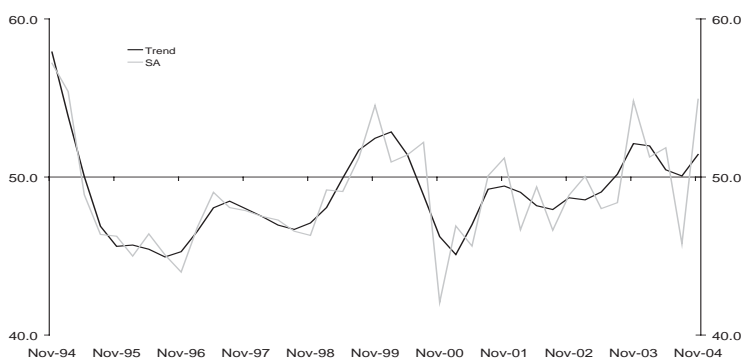


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	24.7	25.0	29.1
Same	63.1	62.1	62.0
Down	12.2	12.8	8.9
Net Balance	56.2	56.1	60.1
S.A.	56.2	56.0	58.8
Trend Index	54.9	57.1	59.0

Overtime Utilisation

Lower unemployment and higher employment intentions mean businesses can increase their *Overtime Utilisation* as a stopgap measure, but this is not sustainable in the longer run. Overtime utilisation rose during the September quarter with 23 per cent of businesses indicating they had increased their use of overtime. However, the index remains only slightly above the neutral level of 50. Expectations remain below expectations for employment.

UTILISATION



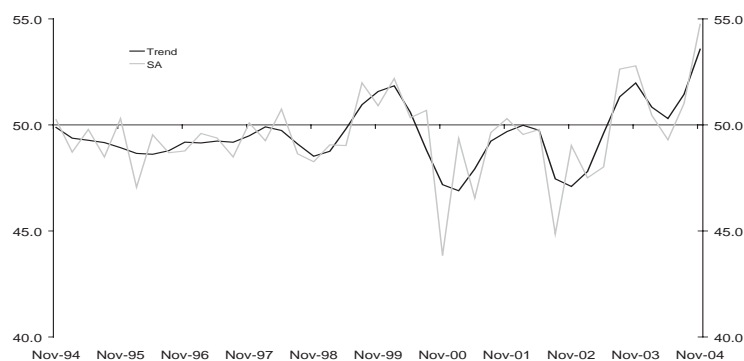
	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	23.2	23.2	22.5
Same	62.2	62.2	66.5
Down	14.6	14.3	11.0
Net Balance	54.3	54.4	55.8
S.A.	54.8	54.9	53.1
Trend Index	52.1	51.4	57.9



Investment in Buildings

The measure of *Investment in buildings* inched upwards during the September quarter, to be slightly more positive. Underlined by expectations of strong sales and profits, businesses are investing in buildings as the series more than recovers the ground lost over the previous year. This upturn in investment may help provide an investment growth phase in Australia. This series remains lower than other indexes, particularly for employment growth, but this is to be expected as fewer businesses invest in buildings than hire staff. Expectations have strengthened, making the end of year a solid launch pad for 2005.

INVESTMENT IN BUILDINGS

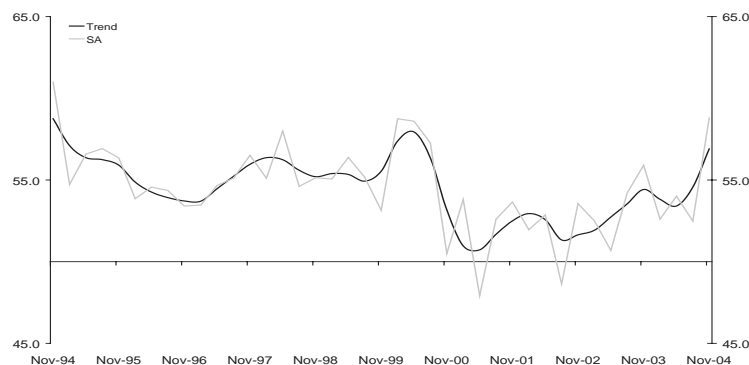


	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	19.7	21.5	23.6
Same	64.5	64.8	64.9
Down	15.7	13.6	11.5
Net Balance	52.0	53.9	56.0
S.A.	52.8	54.7	56.8
Trend Index	52.0	53.6	56.5

Investment in Plant and Equipment

Along with higher investment in buildings, companies also reported higher investment in plant and equipment, driven mainly by fewer businesses reducing investment during the September quarter. A slightly larger proportion of businesses stated investment was higher. As with expectations for building investment, the expectations for plant and equipment investment have strengthened to relatively high levels.

INVESTMENT IN PLANT AND EQUIPMENT



	Sept 2003 Actual	Sept 2004 Actual	Dec 2004 Expectation
Up	25.7	30.3	30.8
Same	58.2	54.8	56.4
Down	16.0	14.9	12.8
Net Balance	54.9	57.7	59.0
S.A.	55.9	58.8	59.2
Trend Index	54.4	56.9	59.0



COMPARISONS BY SIZE OF BUSINESS

A number of comparisons by size of business are provided below. The St.George-ACCI Business Expectations Survey is the only private sector survey in Australia that provides a comparison of expectations for businesses of every size. As the data below shows, there are important differences in the expectations of businesses depending on their size. The data is weighted by industry.

General Business Conditions

General Business Conditions by size of business show large sized companies experienced the greatest improvement during the quarter. Small and medium-sized businesses also experienced better business conditions during the September quarter, but the gains were not substantial.

Expectations data mirrored that of actual outcomes, with large businesses being the most optimistic about conditions ahead. Small and medium-sized businesses recorded almost identical results to the June quarter.

GENERAL BUSINESS CONDITIONS

	No. of Employees					
	1-19		20-99		100+	
	Sept '04 Actual	Dec '04 Expected	Sept '04 Actual	Dec '04 Expected	Sept '04 Actual	Dec '04 Expected
Up	28.2	34.4	28.8	32.7	36.7	40.4
Same	53.3	51.8	53.7	55.1	45.3	48.2
Down	18.5	13.8	17.5	12.2	17.9	11.4
Net Balance	9.7	20.6	11.4	20.5	18.8	29.0



Employment

The solid rise in overall *Employment Growth* during September was also underpinned by large businesses. While small businesses did provide some impetus to the employment index, medium-sized businesses suffered a decline relative to their June quarter results. However, medium-sized businesses are expecting employment to pick up. Expectations data for small, medium and large businesses were buoyant with each sized business recording a higher index than in the previous quarter.

EMPLOYMENT

	No. of Employees					
	1-19		20-99		100+	
	Sept '04 Actual	Dec '04 Expected	Sept '04 Actual	Dec '04 Expected	Sept '04 Actual	Dec '04 Expected
Up	21.1	22.4	26.4	25.1	32.3	36.2
Same	66.8	69.0	60.7	66.9	56.7	56.0
Down	12.0	8.6	12.9	8.0	11.0	7.9
Net Balance	9.1	13.8	13.5	17.0	21.3	28.3

Investment in Plant and Equipment

The data on *Investment in Plant and Equipment* indicate all businesses reported strong investment during September. These gains were spread more evenly than the other economic indicators with small, medium and large businesses posting relatively similar results. However, expectations differed substantially by business size with many large companies expecting improvements while small and medium-sized businesses were significantly less optimistic.

INVESTMENT IN PLANT AND EQUIPMENT

	No. of Employees					
	1-19		20-99		100+	
	Sept '04 Actual	Dec '04 Expected	Sept '04 Actual	Dec '04 Expected	Sept '04 Actual	Dec '04 Expected
Up	29.0	22.8	28.9	25.2	34.1	40.9
Same	56.5	62.7	57.7	60.0	51.5	48.1
Down	14.4	14.5	13.3	14.8	14.4	11.0
Net Balance	14.6	8.4	15.6	10.4	19.7	29.9



PARTICIPATING ORGANISATIONS

The Business Expectations Survey (formerly known as the National Survey of Business Expectations) is a national survey aggregated from the surveys conducted by member associations of the Australian Chamber of Commerce and Industry. Participating organisations and contact details for each organisation are listed below.

ACT & Region Chamber of Commerce and Industry

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Mr Paul Orton
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Business SA

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Chamber of Commerce & Industry of Western Australia

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Chamber of Commerce Northern Territory

Ms Clalia Mar
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Commerce Queensland

Mr Andrew Larkin
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Printing Industries Association of Australia

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Tasmanian Chamber of Commerce & Industry

Mr Nick Behrens
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Victorian Automobile Chamber of Commerce

Ms Elly Babic
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Victorian Employers' Chamber of Commerce & Industry

Mr Steven Wojtkiw
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* in conjunction with Sensis.

NOTE ON INTERPRETING THE SURVEY

An index level to 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.

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