

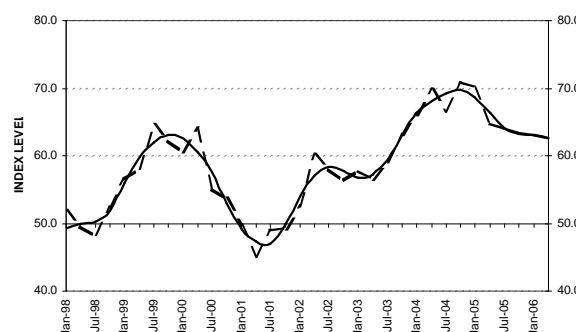
APRIL 2006

SALES AND PROFITS EASING BUT INVESTMENT SET TO INCREASE

The April 2006 *Survey of Investor Confidence* indicates that Australian business conditions remained good with the majority of the indicators in positive territory, however the results have continued to moderate from the very high levels recorded at the end of 2004.

Expectations for national investment are optimistic while investment within firms remains high. Despite the generally positive results the survey shows that business faces challenges on the sales and profits fronts with sales growth further moderating while there was no growth in profits over the March 2006 quarter.

NATIONAL ECONOMIC CONDITIONS



The wage growth data showed that wages growth has become more subdued over the first part of 2006 after increasing strongly in 2005. The more subdued rise in wages suggests that labour markets may have begun to ease somewhat after becoming very tight through 2005. However, the availability of suitably qualified employees has remained the number one constraint on business expansion, suggesting that the improvement has been only small at this stage. Also in line with the slowing of wage growth was the expectation that the unemployment rate would begin to rise slightly over the next year.

The majority of businesses are expecting a small increase in interest rates over the next 12 months. However, the price data shows that inflation is expected to remain at about current rates.

The average index on impediments to investment rose during the survey period, with *The Availability of Suitably Qualified Employees* the largest constraint on investment. Government constraints again featured prominently in the top-ten constraints on investment with *Business Taxes and Government Charges* ranked second while Government regulation at the State level was a particularly large constraint coming in at third spot. General business concerns such as demand, competition and retained earnings were also represented in the top ten.

The survey covers the months of January, February and March 2006 and had 841 respondents.

This survey covers the following industries: mining, manufacturing, construction, retail/wholesale trade, accommodation, cafes and restaurants, finance/insurance/property and business services, and personal services.

NATIONAL ECONOMY

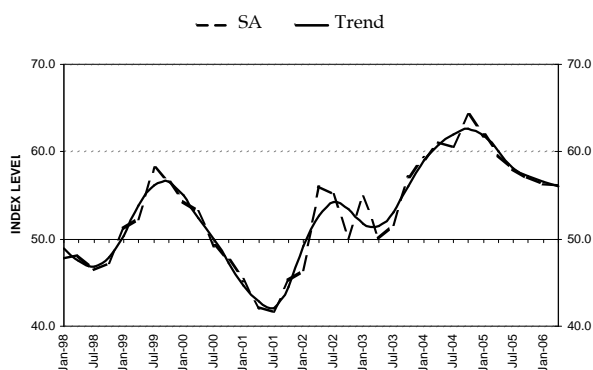
National Economic Conditions

The index of *Overall Economic Conditions*, which measures business' evaluation of the general state of the national economy, fell slightly to 62.7 in the April 2006 survey. The index level has declined steadily from the all-time high of 69.7 recorded in October 2004.

Despite the continued fall, the index remains in positive territory.

	April 2005	Jan 2006	April 2006
Excellent	4.8	4.3	3.1
Very Good	25.2	18.3	19.8
Good	29.5	41.8	42.6
Satisfactory	34.7	29.9	21.6
Poor	5.1	5.6	10.4
Very Poor	0.7	0.1	1.8
Deeply Depressed	0.0	0.0	0.6
Original	64.6	64.2	62.6
Seasonally Adjusted	64.7	63.1	62.6
Trend	66.4	63.1	62.7

Climate for Investment



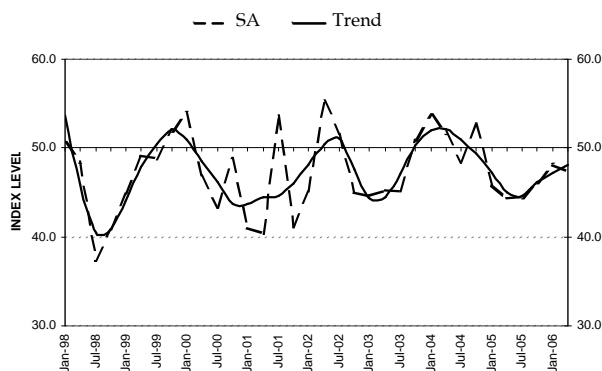
	April 2005	Jan 2006	April 2006
Excellent	4.9	4.0	2.5
Very Good	19.8	8.5	8.3
Good	25.7	32.8	35.1
Satisfactory	30.1	40.4	38.0
Poor	19.1	13.4	13.9
Very Poor	0.5	1.0	2.2
Deeply Depressed	0.0	0.0	0.0
Original	59.9	57.6	56.5
Seasonally Adjusted	59.6	56.4	56.2
Trend	60.1	56.5	56.0

The index on the *Climate for Investment*, which asks businesses to rate the current climate for investment, continued to decline over the quarter from 56.5 to 56.0. The current index level remains above the five-year average of 54.5, despite the continued downward movement of the index from the all-time high recorded in October 2004 of 62.6.

EXPECTATIONS FOR THE NATIONAL ECONOMY

This section presents business expectations for the next twelve months on a range of economic indicators for the national economy.

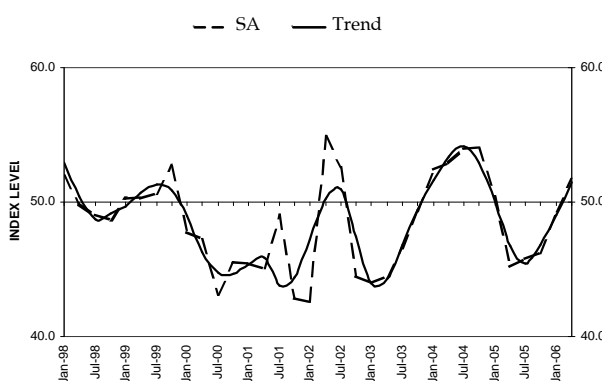
Expected GDP Growth



	April 2005	Jan 2006	April 2006
Much Higher	0.0	2.1	0.5
Somewhat Higher	16.0	14.7	17.4
About the Same	44.7	60.0	54.3
Somewhat Lower	39.1	21.3	25.5
Much Lower	0.2	1.9	2.3
Original	44.1	48.5	47.1
Seasonally Adjusted	44.3	48.1	47.3
Trend	45.0	47.3	48.1

The index of *Expected GDP Growth* rose from 47.3 to 48.1, but is still in negative territory suggesting that business expects economic growth to slow slightly. However, the increase in the index shows that business is becoming less pessimistic about GDP growth in 2006.

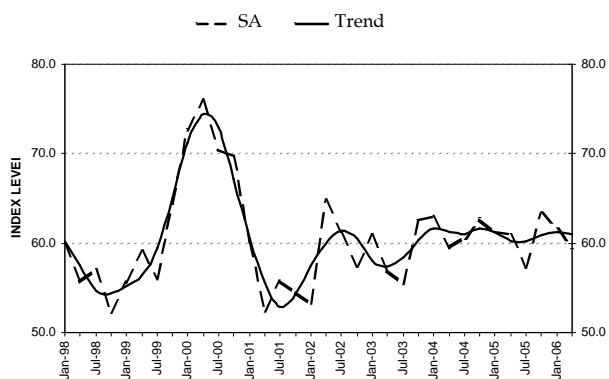
Expected Business Investment



	April 2005	Jan 2006	April 2006
Much Higher	3.9	5.1	1.2
Somewhat Higher	12.3	24.3	24.3
About the Same	45.6	44.8	52.4
Somewhat Lower	33.2	19.9	20.0
Much Lower	5.0	5.9	2.1
Original	44.2	50.7	50.6
Seasonally Adjusted	45.2	49.3	51.7
Trend	46.7	49.1	51.4

National business investment expectations for the next 12 months rose to record a positive value for the first time in 12 months, with the index of *Business Investment* rising from 49.1 to 51.4. Despite the rise of the index the series remained in relatively neutral territory suggesting that business expects investment to be carried on at about current rates of growth.

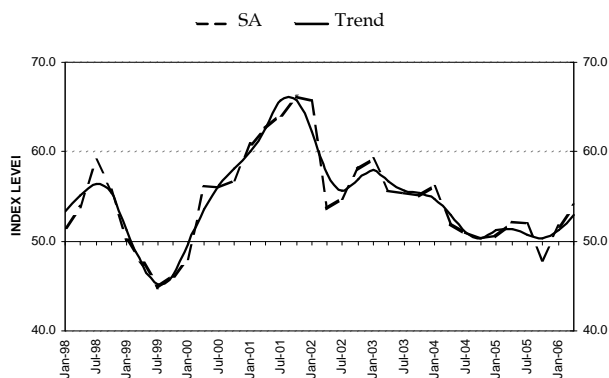
Expected Movement in Prices



	April 2005	Jan 2006	April 2006
Much Higher	0.5	1.9	1.2
Somewhat Higher	55.4	49.8	33.9
About the Same	36.0	38.5	63.8
Somewhat Lower	8.1	6.7	1.1
Much Lower	0.0	3.1	0.0
Original	60.0	60.2	58.5
Seasonally Adjusted	61.0	61.5	59.5
Trend	60.2	61.2	61.0

The index of *Expected Movement in Prices* decreased only slightly, falling from 61.2 to 61.0. The series continues to be volatile from one survey to the next not showing any strong trends upwards or downwards in price growth since the GST was introduced in 2001. The price indicator continues to be suggestive of moderate inflation being factored into business decision-making.

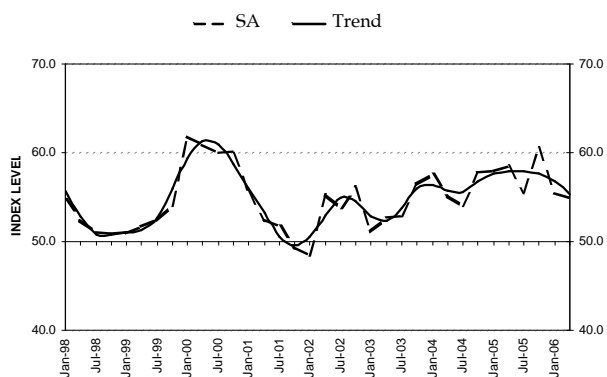
Expected Unemployment Rate



	April 2005	Jan 2006	April 2006
Much Higher	0.2	2.5	1.7
Somewhat Higher	26.5	25.7	32.1
About the Same	65.7	58.5	58.0
Somewhat Lower	7.6	13.4	8.2
Much Lower	0.0	0.0	0.0
Original	52.9	51.0	54.8
Seasonally Adjusted	52.2	51.7	54.0
Trend	51.4	51.2	53.0

The index of *Expected Unemployment* increased from 51.2 recorded in January to 53.0 in April 2006. The substantial increase in the index suggests that business is much less optimistic about the labour market than they were and that business now expects the unemployment rate will increase over the next 12 months.

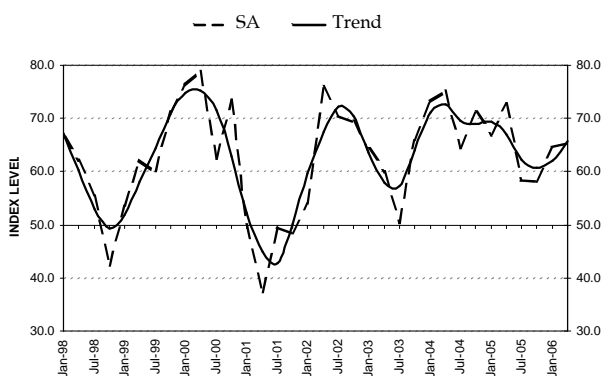
Expected Wages Growth



	April 2005	Jan 2006	April 2006
Much Higher	3.9	1.0	0.5
Somewhat Higher	32.9	33.6	29.2
About the Same	60.1	54.0	61.2
Somewhat Lower	3.1	10.8	8.5
Much Lower	0.0	0.6	0.5
Original	58.6	55.9	55.2
Seasonally Adjusted	58.4	55.4	54.9
Trend	58.0	56.7	55.4

Expectations for *Wages Growth* eased slightly from the 56.7 recorded in January 2006 to 55.4 in April 2006. The fall in the index is consistent with the unemployment data and indicates that the very tight labour markets experienced in 2005 are expected to ease to some extent over the next 12 months.

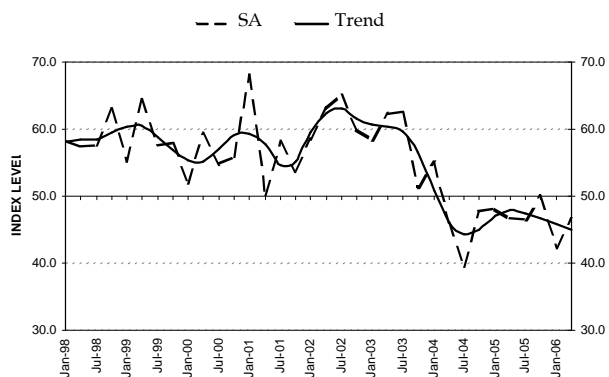
Expected Interest Rates



	April 2005	Jan 2006	April 2006
Much Higher	2.7	1.3	1.7
Somewhat Higher	83.4	59.1	60.3
About the Same	12.2	35.0	34.8
Somewhat Lower	1.7	4.6	3.2
Much Lower	0.0	0.0	0.0
Original	71.8	63.1	64.3
Seasonally Adjusted	72.9	64.5	65.3
Trend	66.9	62.1	65.8

The index of *Interest Rates*, which measures expectations for interest rate movements over the next twelve months, rose strongly in April 2006. The index rose from 62.1 to 65.8 indicating that businesses consider that interest rates are more likely to be tightened rather than loosened.

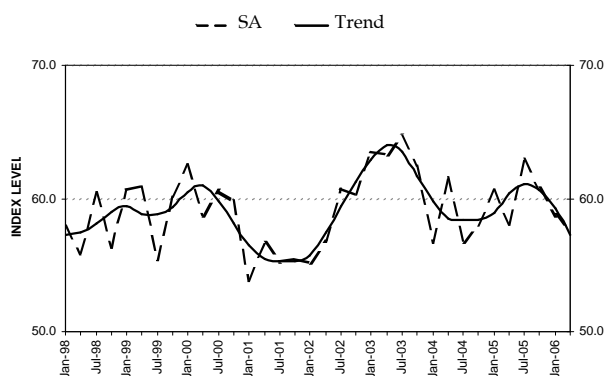
Expected Exchange Rate



	April 2005	Jan 2006	April 2006
Much Higher	0.0	0.0	0.0
Somewhat Higher	28.1	20.5	15.2
About the Same	46.1	37.3	47.6
Somewhat Lower	25.8	39.8	35.3
Much Lower	0.0	2.3	1.9
Original	44.1	44.0	44.0
Seasonally Adjusted	46.7	42.5	46.6
Trend	48.0	45.9	45.1

The index on the *Expected Exchange Rate* (measured against the US dollar) decreased over the past three months from 45.9 to 45.1. The decrease of the index towards a more negative level indicates that business is, on average, expecting a modest fall against the US dollar over the next twelve months.

Expected Current Account Deficit



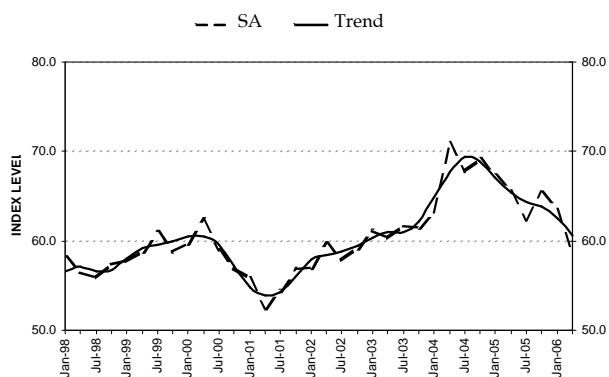
	April 2005	Jan 2006	April 2006
Much Higher	3.2	2.5	4.7
Somewhat Higher	42.8	50.9	47.2
About the Same	41.1	34.8	36.4
Somewhat Lower	11.3	11.8	11.8
Much Lower	1.5	0.0	0.0
Original	58.8	58.1	58.2
Seasonally Adjusted	58.1	58.7	57.5
Trend	60.4	59.3	57.3

The index of the *Expected Current Account Deficit* has fallen slightly from 59.3 to 57.3 over the three months to April 2006. The level of the index indicates that business expects Australia's current account deficit to continue to increase over the next twelve months, albeit at a slower rate than previously.

OWN BUSINESS

This section presents an analysis of the assessments business have made about their own firm's current performance.

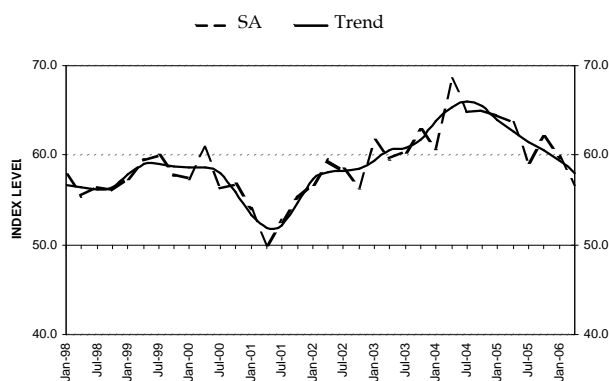
State Within Own Business



	April 2005	Jan 2006	April 2006
Excellent	10.6	5.3	4.8
Very Good	27.6	22.0	14.2
Good	24.1	35.7	33.8
Satisfactory	26.1	27.2	29.1
Poor	8.1	7.7	14.3
Very Poor	3.4	2.1	3.2
Deeply Depressed	0.2	0.0	0.6
Original	65.9	63.9	59.0
Seasonally Adjusted	65.6	63.5	58.7
Trend	65.4	62.6	60.6

The index of *State Within Own Business*, which measures the general evaluation of respondents' own businesses, has declined over the quarter continuing the steady decline since the all time high reached in July 2004. The current index level of 60.6, while down significantly on the high of 69.4, is still indicative of good business conditions.

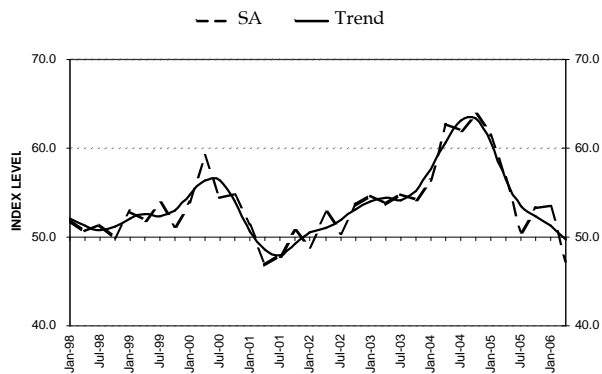
Sales



	April 2005	Jan 2006	April 2006
Excellent	8.0	5.4	1.6
Very Good	19.1	17.8	11.8
Good	32.1	29.3	33.2
Satisfactory	31.0	30.4	35.6
Poor	7.3	16.2	16.2
Very Poor	2.2	0.9	1.1
Deeply Depressed	0.2	0.0	0.5
Original	63.7	60.4	56.9
Seasonally Adjusted	63.6	59.8	56.9
Trend	62.7	59.4	58.0

The index of *Sales*, which shows the rate of growth of sales, continued to decline over the past three months with the index level falling from 59.4 to 58.0. The *Sales* index has declined significantly from the highs of 2004 but remains in positive territory. However, this measure should be watched since the continuous downward trend is a worrying sign.

Profitability



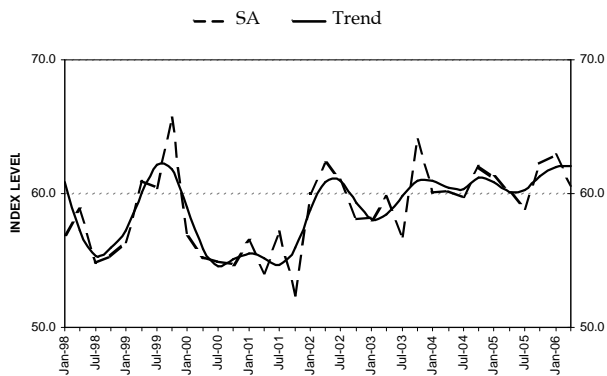
Profitability			
	April 2005	Jan 2006	April 2006
Excellent	7.1	8.8	2.2
Very Good	16.4	9.8	12.2
Good	27.3	24.7	25.6
Satisfactory	36.3	41.3	36.2
Poor	12.9	15.4	23.8
Very Poor	0.0	0.0	0.0
Deeply Depressed	0.0	0.0	0.0
Original	57.1	54.1	47.5
Seasonally Adjusted	56.8	53.6	47.3
Trend	56.5	51.3	49.8

The index on *Profitability* dipped into negative territory in April 2006, with the index recorded at 49.8, compared to the 51.3 recorded in January 2006. The continuous downward trend over the past year is a concerning situation.

EXPECTATIONS FOR OWN BUSINESS

In addition to asking firms to evaluate their current business conditions, the survey also asks respondents to provide an indication as to the expected level of activity in the business over the next six months. The relevant data is presented in this section.

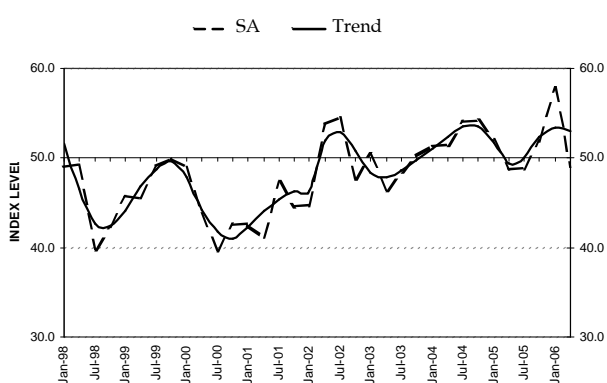
Expected Level of Activity



	April 2005	Jan 2006	April 2006
Much Higher	5.0	6.2	4.3
Somewhat Higher	39.7	47.1	41.1
About the Same	42.8	41.4	43.3
Somewhat Lower	10.1	5.0	10.5
Much Lower	2.5	0.3	0.8
Original	58.7	63.5	59.4
Seasonally Adjusted	60.0	62.8	60.7
Trend	60.1	61.9	62.1

Business activity levels over the next six months are expected to rise further with the index of *Expected Level of Activity* increasing from the 61.9 recorded in January 2006 to 62.1 in April 2006.

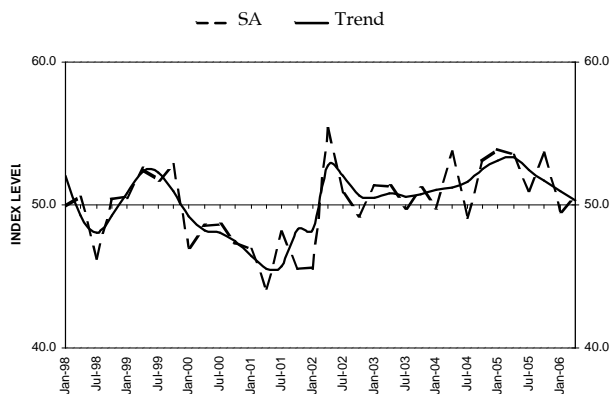
Expected Level of Investment



	April 2005	Jan 2006	April 2006
Much Higher	2.3	8.1	3.8
Somewhat Higher	21.6	32.8	20.8
About the Same	54.5	43.7	54.7
Somewhat Lower	16.3	10.3	12.9
Much Lower	5.3	5.1	7.8
Original	49.8	57.2	50.0
Seasonally Adjusted	48.8	57.9	48.9
Trend	49.4	53.5	53.1

The expectations for investment within businesses experienced a turn-around from the increase recorded three months ago. The index fell from 53.5 to 53.1 and is in line with the modest growth in sales and flat profit growth.

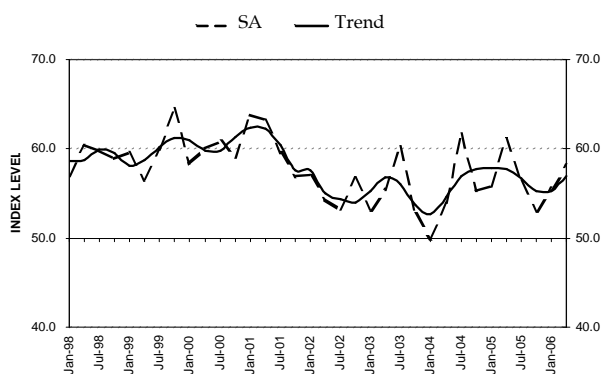
Expected Number of Full-Time Employees



	April 2005	Jan 2006	April 2006
Much Higher	0.0	1.0	0.5
Somewhat Higher	27.2	21.7	16.0
About the Same	59.7	64.9	69.7
Somewhat Lower	12.7	12.4	12.6
Much Lower	0.5	0.0	1.2
Original	53.4	49.7	50.5
Seasonally Adjusted	53.5	49.6	50.6
Trend	53.3	51.0	50.3

The data on *Expected Number of Full-Time Employees* continued to decline in the latest survey with the index falling from 51.0 in January 2006 to 50.3 in April 2006. The neutral index level is indicative of full-time employment growth remaining at about the current rates.

Expected Capacity in Relation to Demand



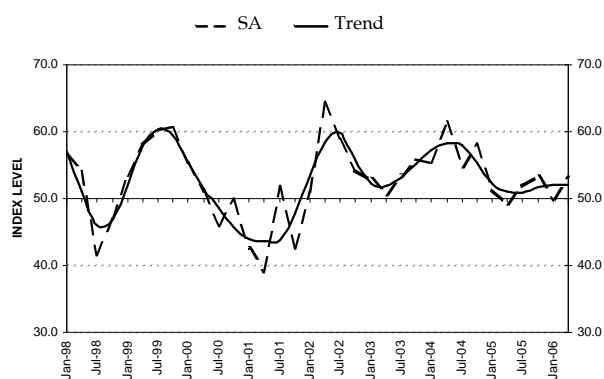
	April 2005	Jan 2006	April 2006
More than Adequate	33.9	24.7	24.7
Adequate	53.0	59.2	65.3
Less than Adequate	13.1	16.0	10.0
Original	60.4	54.4	57.4
Seasonally Adjusted	61.2	55.5	58.1
Trend	57.7	55.3	56.9

Capacity in Relation to the Expected Level of Demand was up over the quarter, with the index rising from 55.3 to 56.9. The current index level is representative of an adequate capacity usage, meaning that firms generally are able to meet demand without difficulty.

CURRENT TRENDS IN THE NATIONAL ECONOMY

In addition to asking respondents to gauge current national business conditions, businesses are asked for their expectations of where the economy is headed in the short-run.

Trend in National Economic Conditions

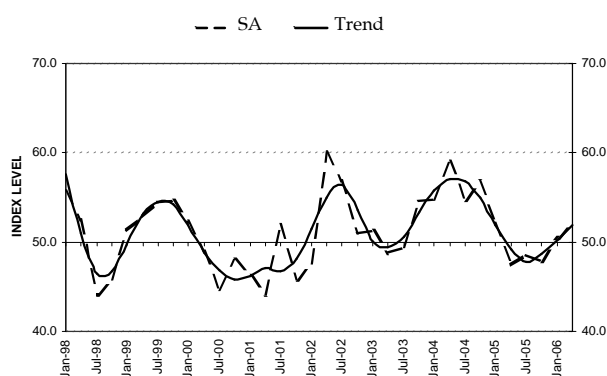


Trend in National Economic Conditions

	April 2005	Jan 2006	April 2006
Improving Rapidly	3.3	5.3	4.4
Improving Slowly	21.8	27.5	34.8
No Change	41.7	34.1	32.5
Deteriorating Slowly	32.9	33.1	23.5
Deteriorating Rapidly	0.3	0.1	4.9
Original	48.8	51.2	52.6
Seasonally Adjusted	49.3	50.0	53.2
Trend	51.0	52.0	52.1

The index of *Trend in National Economic Conditions* was virtually unchanged over the quarter with the index recorded at 52.1 compared to the 52.0 recorded in the last survey. Expectations remain well down from the recent peak of 58.4 recorded in April 2004.

Trend in Climate for Investment



Trend in Climate for Investment

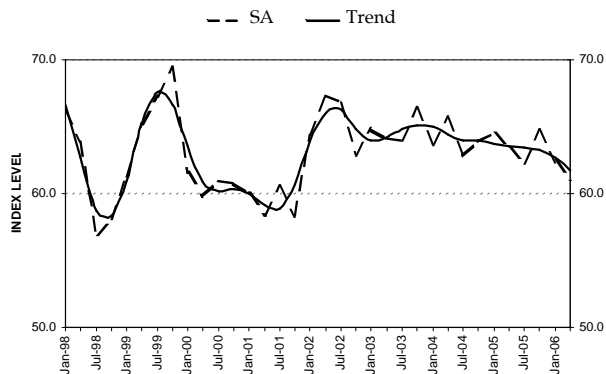
	April 2005	Jan 2006	April 2006
Improving Rapidly	4.5	4.7	1.0
Improving Slowly	16.8	21.9	28.2
No Change	43.4	49.4	51.6
Deteriorating Slowly	35.1	22.3	16.9
Deteriorating Rapidly	0.2	1.7	2.3
Original	47.5	51.4	52.2
Seasonally Adjusted	47.5	50.4	52.2
Trend	49.2	50.2	51.8

The index of expectations for the *Climate for Investment* in the Australian economy increased, rising from 50.2 in January 2006 to 51.8 in the current survey. The neutral reading of the index suggests that investment conditions are only average.

CURRENT TRENDS IN OWN BUSINESS

This sections presents businesses' expectations for conditions within their own firms.

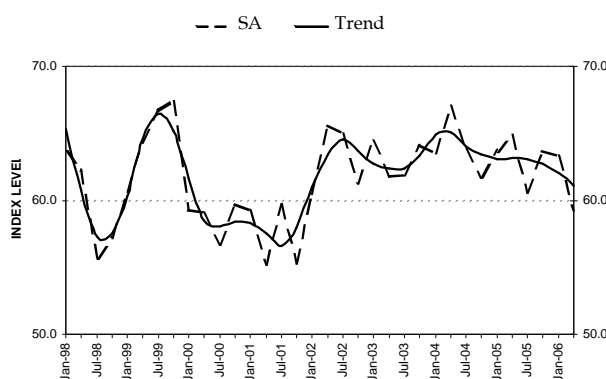
Trend in Own Business Conditions



	April 2005	Jan 2006	April 2006
Improving Rapidly	9.7	9.4	7.6
Improving Slowly	49.9	49.7	44.0
No Change	25.2	26.9	35.2
Deteriorating Slowly	14.9	11.6	12.2
Deteriorating Rapidly	0.3	2.4	1.0
Original	63.5	63.0	61.3
Seasonally Adjusted	63.3	62.4	61.1
Trend	63.6	62.7	61.7

The *Trend in Own Business Conditions* index declined to 61.7, down from 62.7 last quarter. The decline in the index still leaves the index level at a positive level, indicating that business continues to be confident about their prospects over the next quarter.

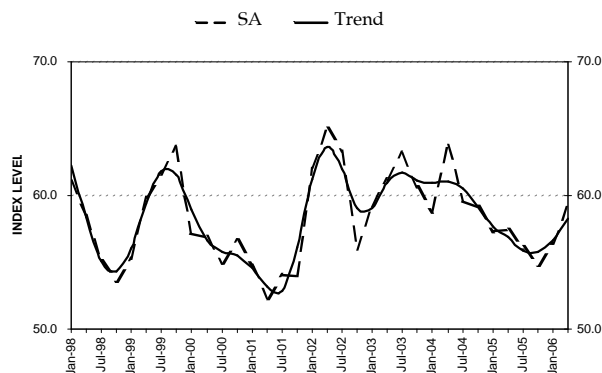
Trend in Own Sales



	April 2005	Jan 2006	April 2006
Improving Rapidly	12.2	9.2	5.8
Improving Slowly	47.8	53.9	47.2
No Change	23.0	24.8	34.1
Deteriorating Slowly	16.7	10.4	12.8
Deteriorating Rapidly	0.2	1.6	0.0
Original	63.8	64.7	58.3
Seasonally Adjusted	64.9	63.4	59.3
Trend	63.1	62.1	61.1

The index of *Trend in Own Sales* dropped slightly over the last three months with the trend index falling from 62.1 to 61.1. The fall of the index is in line with the decline in actual sales growth reported for the quarter and suggests that the declines in actual sales growth may continue into the next quarter.

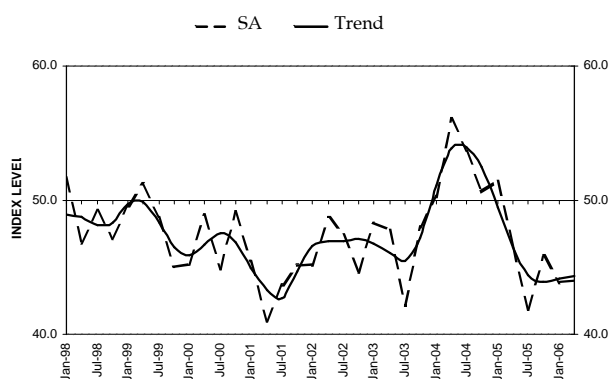
Trend in Own Profits



	April 2005	Jan 2006	April 2006
Improving Rapidly	3.3	4.1	3.4
Improving Slowly	42.6	41.4	43.6
No Change	30.6	36.7	35.5
Deteriorating Slowly	23.3	17.6	17.4
Deteriorating Rapidly	0.2	0.2	0.1
Original	56.4	57.9	58.2
Seasonally Adjusted	57.4	56.3	59.3
Trend	56.9	56.7	58.3

The index of *Trend in Own Profits* has increased from 56.7 to 58.3, reversing the decline which occurred during 2004 and early 2005. The index itself remains above neutral suggesting that profit levels are expected to expand.

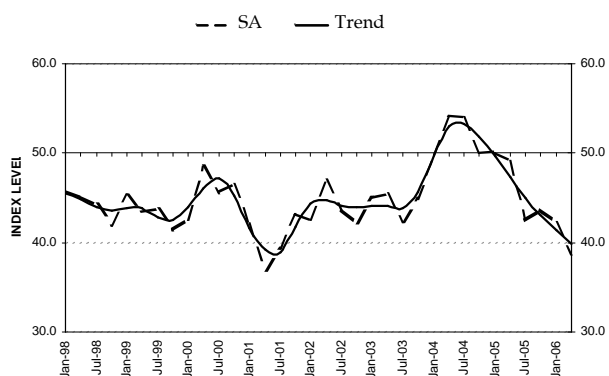
Actual Sales Compared with the Level Expected Six Months Ago



	April 2005	Jan 2006	April 2006
Much Higher	0.4	4.4	1.2
Somewhat Higher	21.1	12.8	17.0
About the Same	47.7	46.8	41.0
Somewhat Lower	25.0	29.9	37.5
Much Lower	5.7	6.2	3.4
Original	46.4	44.8	43.8
Seasonally Adjusted	46.5	43.9	43.9
Trend	46.5	44.2	44.4

Sales generally did not meet projections, with the index of *Actual Sales Compared With Expected* recorded at 44.4. However, the index level has improved slightly over the past six months when the index was recorded at 43.9.

Actual Profits Compared with the Level Expected Six Months Ago



Actual Profits Compared with Expected

	April 2005	Jan 2006	April 2006
Much Higher	0.6	1.0	1.1
Somewhat Higher	29.8	17.3	15.9
About the Same	44.3	44.6	34.2
Somewhat Lower	21.9	24.0	38.5
Much Lower	3.3	13.1	10.3
Original	50.6	42.3	39.8
Seasonally Adjusted	49.1	42.3	38.6
Trend	47.3	41.4	39.8

The data on expected versus actual profits showed actual profits were still falling short of expectations with the index recorded well down at 39.8 compared with 41.4 recorded in the previous survey and 47.3 recorded one year ago.

CONSTRAINTS ON INVESTMENT

The *Survey of Investor Confidence* seeks information from respondents on the importance of a list of twenty factors as constraints on the level of investment. The overall average index level for all constraints increased in the latest survey to 39.0, up on the 38.4 recorded in the previous period. This suggests there is currently a slightly higher degree of constraint on investment than in the previous quarter.

The table presented below shows the ten most important constraints on business investment and shows that current hindrances can be grouped into three broad categories: government taxes and regulations, the labour market, and general business issues.

The *Availability of Suitably Qualified Employees* was the largest constraint on business investment in the current survey. While finding staff was a critical concern, wages and non-wage costs were not far behind with these concerns recorded in third and fifth positions respectively.

Business Taxes and Government Charges was the second most important constraint on investment. Government regulation in general featured prominently in the top ten with *State Government Regulation* ranked fourth and *Federal Government Regulation* ranked sixth.

Local Competition and *Insufficient Demand* again appeared in the top ten list, indicating that trading conditions remain moderately difficult for business. These two constraints on business may be further compounded by the lack of profit growth being observed and hence the appearance of *Insufficient Retained Earnings* as a constraint on investment.

TOP TEN CONSTRAINTS ON INVESTMENT

April 2006

1. **Availability of Suitably Qualified Employees** (2)
2. **Business Taxes and Government Charges** (1)
3. **Wage Costs** (5)
4. **State Government Regulations** (3)
5. **Non-Wage Labour Costs** (4)
6. **Federal Government Regulations** (6)
7. **Local Competition** (7)
8. **Insufficient Demand** (8)
9. **Current Levels of Debt** (10)
10. **Insufficient Retained Earnings** (9)

The figures in brackets show the ranking in the previous survey.

Note on Interpreting the Data

An index level of 50.0 indicates that there is a balance between those who responded that conditions were improved and those that replied that conditions had declined. Thus any level below 50 indicates that conditions are deteriorating, and conversely, a reading above 50 indicates conditions on average are improving.

The April 2006 ACIL Tasman-ACCI *Survey of Investor Confidence* encompasses responses sought during March 2006 about current conditions and future expectations and had 841 respondents.