

News Release

Monday 29th October 2007

**Business confidence eases but still strong for December quarter
Confidence mixed by sector**

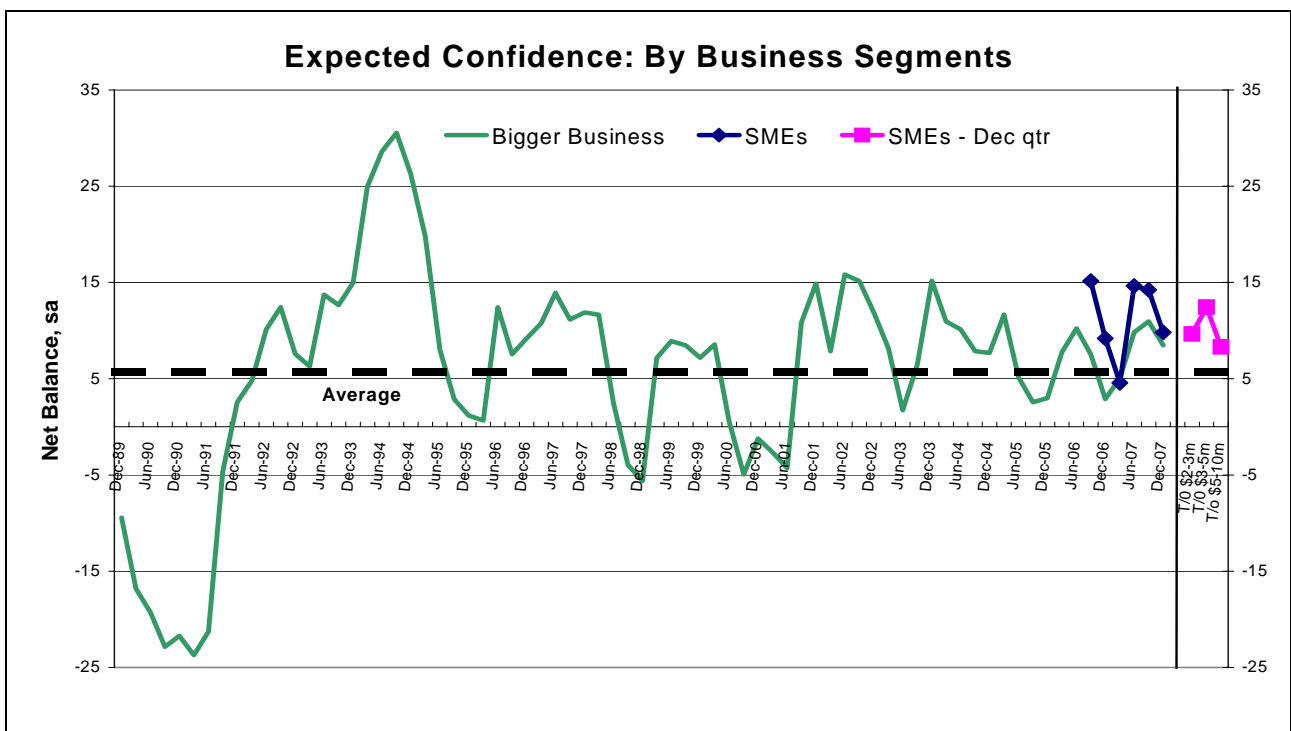
Overall business confidence for the December quarter has decreased slightly to remain at still relatively strong levels, according to the latest quarterly surveys by National Australia Bank (NAB).

“NAB’s Business Confidence Index is down 2 points to 9 points for the December quarter – about the same level of a year ago, but still significantly above average historical levels,” said Jeff Oughton, NAB’s Head of Australian Economics.

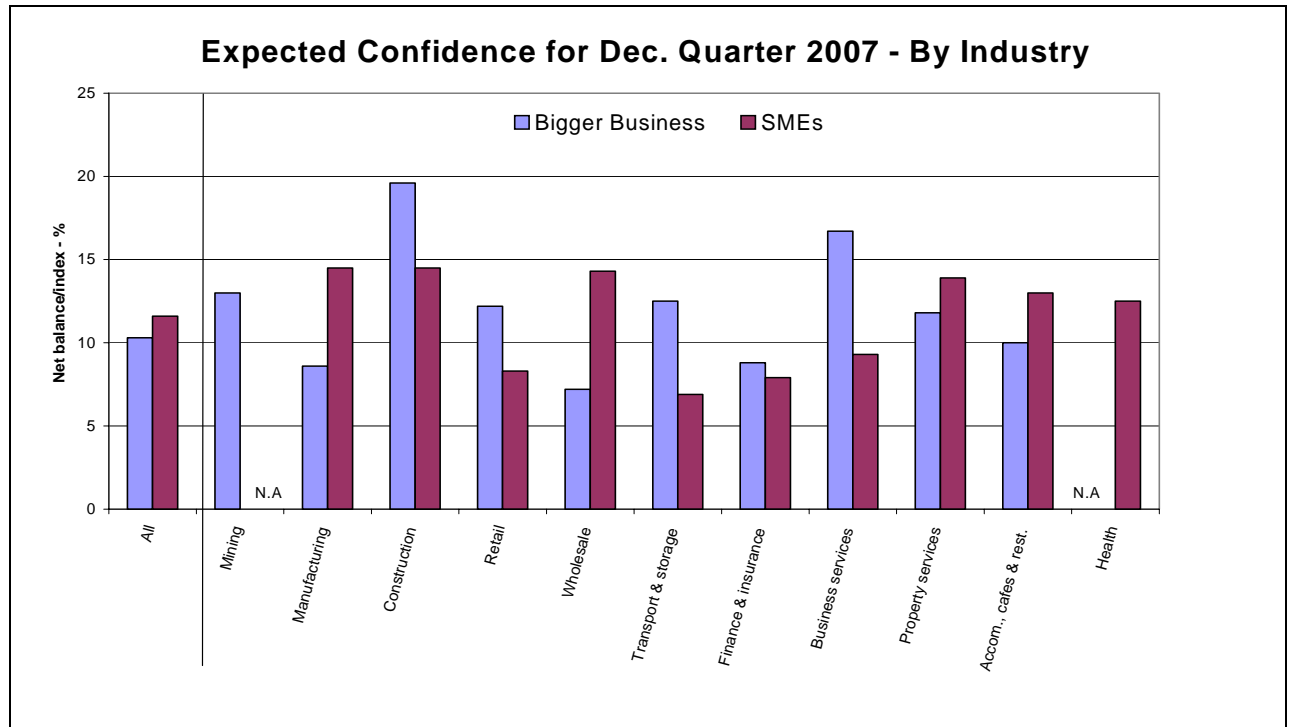
Around one-third of Australian businesses expect a minor or significant improvement in industry conditions in the December quarter, with only about 15% expecting a minor deterioration and a very small percentage anticipate a significant deterioration.

Business confidence has eased to a similar level across all business segments – both SMEs (small, medium & emerging) and larger businesses - as indicated by NAB’s latest surveys of SMEs and corporate businesses in Australia. NAB is the leading business lender in Australia, with relationships with almost one in four businesses and more than one in three SMEs.

By segment, confidence is a bit higher for mid-sized SMEs with annual sales turnover between \$3-5 million and slightly lower among SMEs with annual sales of \$2-3m and \$5-10m respectively, as well as bigger corporate businesses (see right hand panel of next chart).



By sector, confidence is quite mixed - across both SMEs and bigger businesses. For both SMEs and bigger businesses, non-residential construction and parts of manufacturing related to the resources/energy boom appear the most optimistic industry sectors about the near term, while bigger businesses services are also among the most optimistic. In contrast, non-food retailing, residential construction, parts of transport, wholesaling and manufacturing are less optimistic – arguably reflecting tighter financial conditions (both higher interest and exchange rates). Finally, there are no industry sectors across SMEs or bigger businesses that expect, on average, a significant deterioration in conditions in the near term.



Complete details of the NAB surveys of SMEs and corporate businesses for the September quarter will be released in the coming week, including:

- **Tuesday 30 October: NAB Quarterly Business Survey** including its latest economic forecasts for Australia
- **Wednesday 31 October: NAB Agribusiness Survey**
- **Thursday 1 November: NAB SME Survey** (in particular, trends in actual conditions as well as profitability/cash flows by state and industry)
- **Tuesday 13 November: NAB Monthly Survey for October**

About the Surveys

National Australia Bank (NAB) has recently commenced a new quarterly survey to cover conditions in small, medium and emerging businesses (SME's) across all parts of the non-farm business sector, all States and in turn Australia as a whole. It builds on NAB's longstanding Business Survey (covering firms with at least 35 employees and typically larger turnover). The NAB Surveys for September quarter were conducted in late August/September.

About NAB Business and Private Banking

The National Australia Bank employs over 5,650 business banking specialists and 450 financial planners and specialists at over 158 business banking centres Australia wide. It is one of the market leaders in providing business banking services to Australian businesses of all sizes, banking almost one in four businesses. For further information visit http://www.national.com.au/Business_Solutions

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