December Quarter, 2003

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Regional Business Survey

Summary of Results

This report outlines the results of the Regional Business Survey conducted for the December quarter of 2003. The survey is jointly sponsored by the Central Western Regional Development Board and Country Energy.

Overall, the economy of regional NSW continues to improve after suffering the widespread effects of the drought during 2002. However, this is not consistent in all regions and industry sectors, with the Northern and Murrumbidgee regions experiencing relatively weak sales performance during the December quarter however both are expecting conditions to improve in the first quarter of 2004. The Agricultural sector is still experiencing relatively weaker sales performance than other sectors.

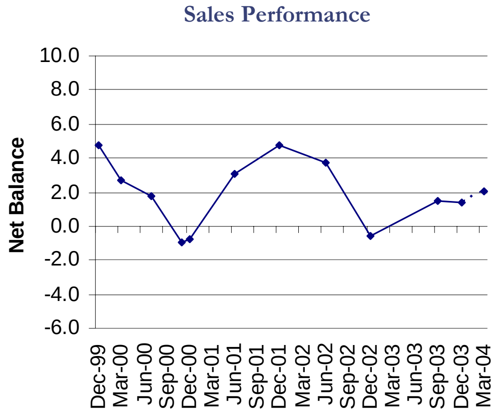
The majority of businesses expect increased sales over the next 12 months due to improved general economic conditions. Those business expecting a decline in sales reported that the weather and the rising Australian Dollar are factors contributing to the decline.

Note Net balance: is calculated by the number of positive responses less negative responses divided by the total responses, then multiplied by 10 to give a score between-10 and 10. For example: a total of 17 responses for Central West , 10 were positive and 2 negative ([10-2]/17*10), resulting in a score of 5. The higher the score the better the performance.

Sales Performance

The Regional Business Survey has been conducted in various formats throughout regional NSW since 1999. Whilst the results of each survey are not directly comparable, they do provide an indication of the economic performance of the region over time.

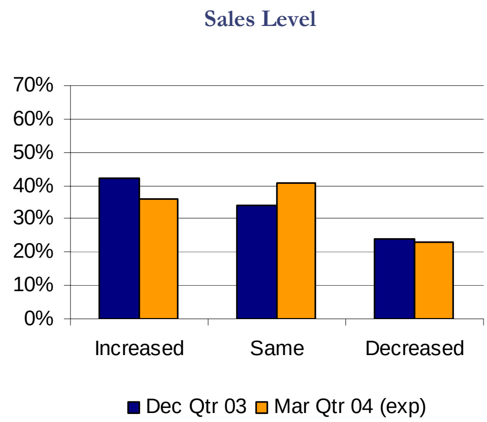
The graph opposite shows the level of sales performance for each survey conducted since 1999. The latest survey shows a decrease of 0.1 point in sales performance from the December quarter 2003. Respondents expect conditions to improve in the first quarter of 2004.



Growth

Forty-two percent of respondents indicated that their sales levels had increased during the December quarter 2003. This is expected to decrease to 36% in the March quarter 2004.

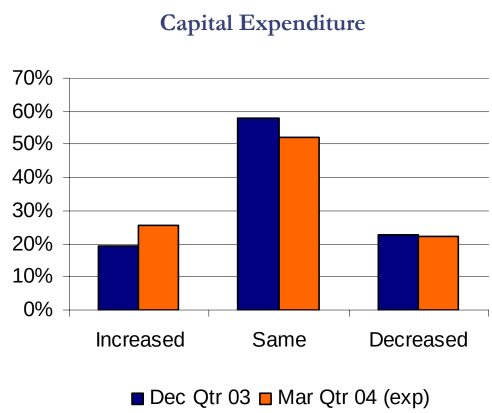
Almost a quarter of respondents (24%) reported declining sales during the December quarter and this is expected to decrease slightly to 23% during the next quarter.



Capital Expenditure

Respondents were asked about their level of spending on new buildings, plant and equipment during the December quarter and into the next quarter. Nineteen percent of respondents increased their spending in the December quarter with just over a quarter (26%) of respondents expecting to increase spending in the first quarter of 2004.

Twenty-three percent of respondents decreased spending on capital during the December quarter with a similar percentage (22%) expecting to decrease spending in the next quarter.



Sales Performance by Region

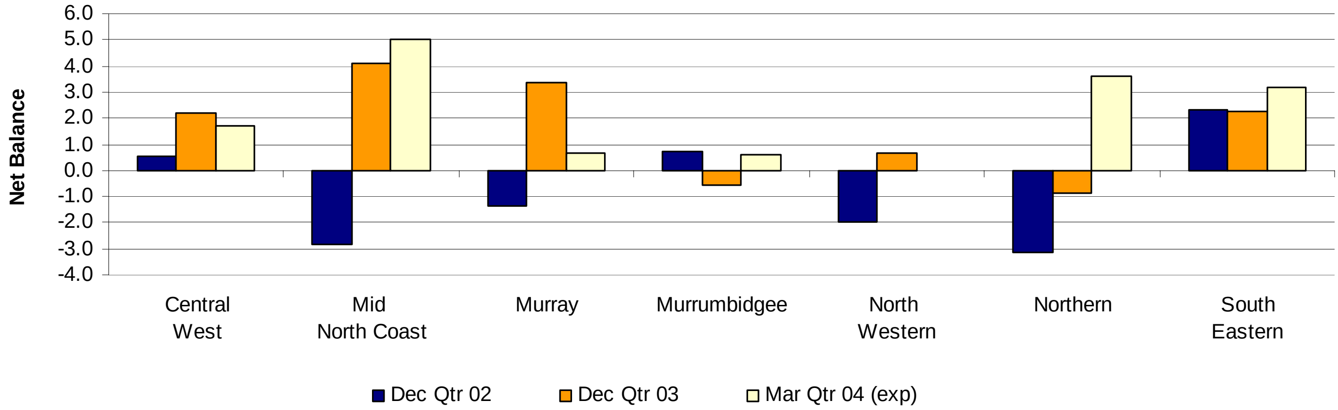
Overall, the economic environment appears to be improving after the widespread impact of the drought on business in 2002 throughout regional NSW. However, there appear to be some regions that are still experiencing difficulty.

Most regions have reported improved conditions in the December quarter of 2003 compared to late 2002. The Murrumbidgee and South Eastern regions were the only regions to report worse sales performance than for the same period in 2002.

The expected sales performance for the March quarter 2004 were mixed. Three of the seven regions are predicting better sales performances, however the remaining four regions are expecting sales to decline in the first quarter of 2004.

The Murrumbidgee and Northern regions were still reporting negative net balance during the December quarter however both regions are expecting conditions to improve during the March quarter 2004.

The Mid North Coast region reported the strongest sales performance during the December quarter with even stronger conditions expected during the next quarter.



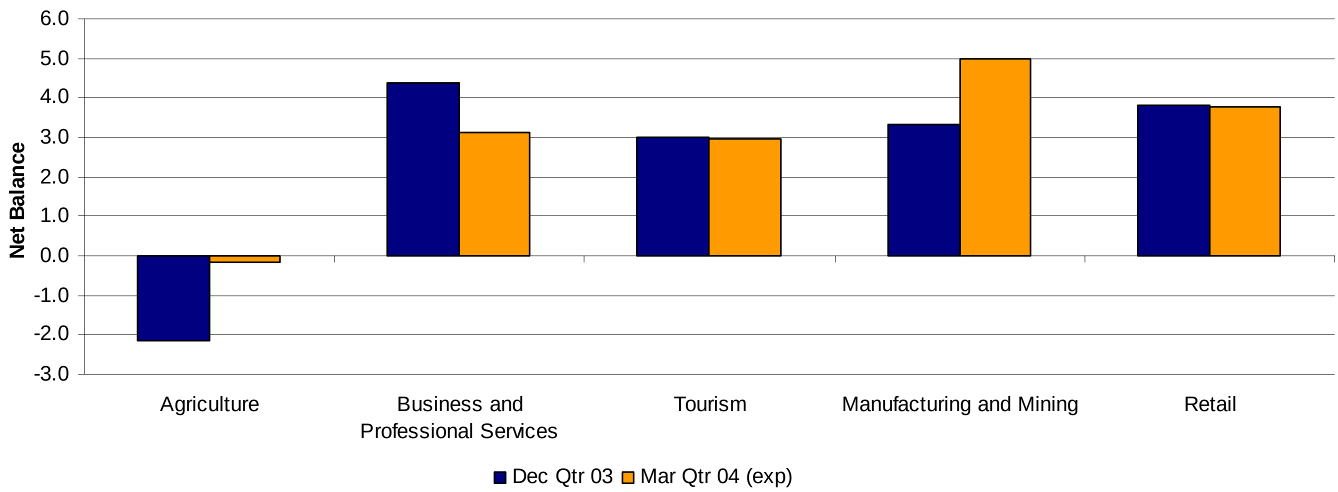
Sales Performance by Sector

Respondents were classified into several industries based on the type of business they conduct. Sales performance varied between the different sectors across regional NSW. The Agricultural sector is experiencing negative net balance however, the sector is expecting an improvement next quarter.

The Business and Professional Services sector recorded the strongest sales performance during the December quarter but is expecting a weakening in the next quarter. The retail sector also performed strongly during the December quarter which would be attributable to the strong Christmas period and is expecting a strong performance again next quarter.

The Manufacturing sector recorded relatively weak sales performance in the December quarter but is expecting conditions to improve during the March quarter 2004.

Note: The Retail Sector includes data from the Regional Retail Survey conducted by the Western Research Institute across the Central West of NSW



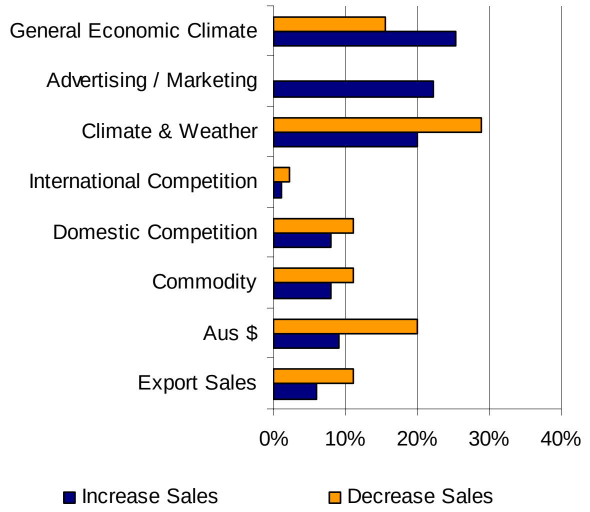
Outlook

Sixty-one percent of respondents expect their business to increase sales in the next 12 months, with 21% expecting an increase of over 10%. Fifteen percent of respondents indicated that they expected sales to decline in the next 12 months with 6% expecting a decrease of more than 10%.

The respondents were then asked to nominate the main factors contributing to the expected increase or decrease in sales. Of those respondents that expect sales to increase, the general economic climate (25%), advertising and marketing (22%) and climate and weather (20%) were factors identified as contributing to the expected increase.

Climate and weather (29%), the Australian Dollar (20%) and the general economic climate (16%) were identified as factors contributing to an expected decrease in sales.

Factors expected to change sales

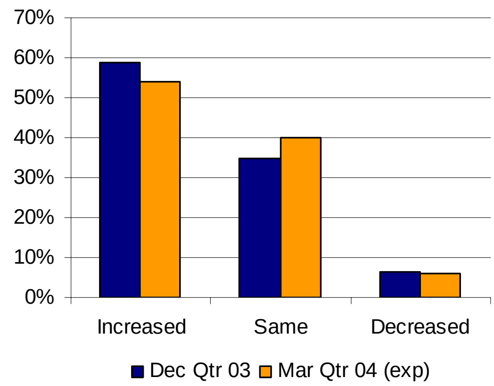


Operating Costs

Fifty-nine percent of respondents indicated that operating costs have increased during the December quarter 2003 with 54% expecting an increase during the March quarter 2004. Six percent of respondents experienced a decline in operating costs.

Almost a third (31%) of respondents reported wages as the main factor contributing to the increased costs. Inputs and materials (27%), government charges (16%), utility costs (14%) and transport/freight (12%) were the other identified factors.

Operating Costs



Inventory

Sixty-three percent of respondents indicated that their inventory levels remained constant during the December quarter 2003. This figure is expected to increase slightly to 66% during the first quarter of 2004.

Twenty-two percent of respondents reported an increase in inventory during the December quarter however only 17% of businesses expect to increase their inventory levels during the March quarter.

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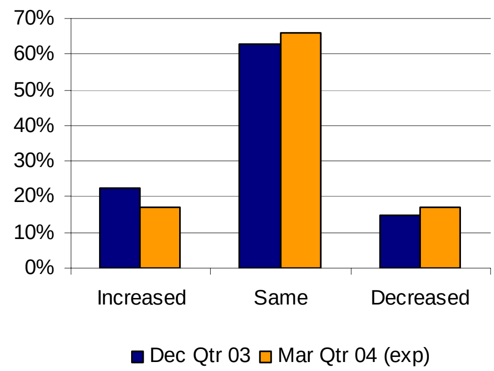
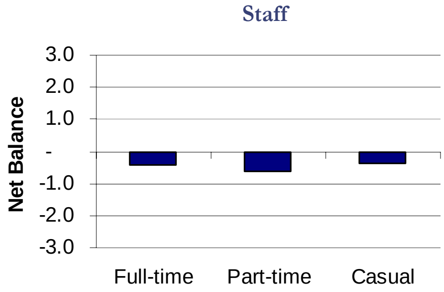
Inventory



Staffing Levels

Overall businesses indicated that they expect to marginally decrease staffing levels during the March quarter. The greatest decline is expected in part-time workers.

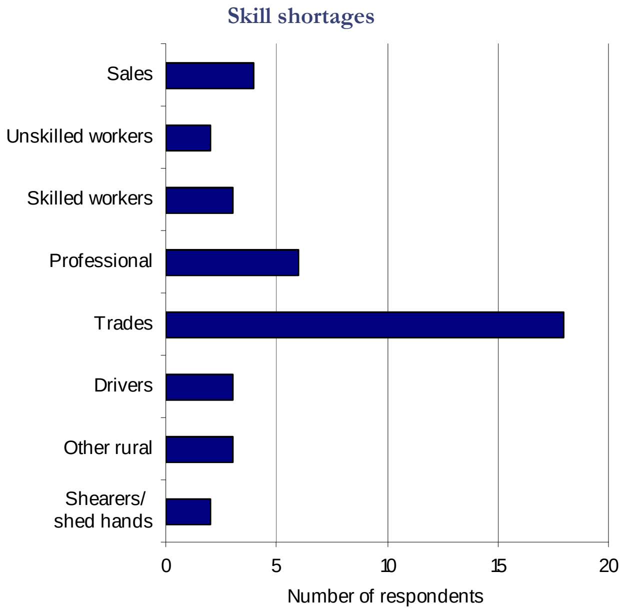


Skill Shortages

Respondents were asked to nominate any skill shortages that act as a major barrier to their firm's growth. Eighteen respondents indicated that there is a shortage of trained tradespersons throughout the regions. Three businesses reported a lack of general skilled labour and a further 3 reported a lack of trained drivers throughout the region.

Six businesses believed that there was a lack of specific professionals such as accountants, engineers, insurance or architects in regional areas.

Three respondents reported a shortage of general rural workers with 2 businesses wanting shearers or shed hands.



Survey Notes

1. *Sample Characteristics:* The responses of 192 businesses from Inland NSW were used in this survey.
2. *Acknowledgements:* The WRI would like to acknowledge the assistance of the Central Western Regional Development Board and Country Energy. The WRI would also like to thank all businesses that took part in the survey.
3. *The Western Research Institute:* The WRI is a non-profit economic, business and social research organisation located in Bathurst at Charles Sturt University.
4. *Disclaimer:* Individual responses are confidential and remain the property of the WRI. All possible care has been taken in the preparation of the information contained in this survey. However, WRI expressly disclaims any liability for the accuracy and sufficiency of the information and under no circumstances shall be liable in negligence or otherwise in and arising out of the preparation or supply of any of the information aforesaid. Persons who utilise the information provided herein do so at their own risk. It is recommended that before any reliance is placed upon information provided, independent advice be sought.

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