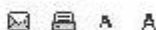


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Business conditions slump

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Business conditions worsened significantly over the first quarter as a slump in consumer confidence and higher interest rates took a heavy toll on sales and profits.

National Australia Bank's quarterly business survey, released today, found business conditions "deteriorated markedly and unexpectedly in the March quarter".

The business conditions index fell six index points to a reading of plus-13 points. It was the largest quarterly fall in about seven years, dropping the index to its lowest level since the middle of 2006.

The index is comprised of three components - trading conditions, profitability and employment. The survey of 900 small, medium and large sized Australian companies was conducted between February 18 and March 11.

Their outlook for the next three and 12 months was also lower. The quarterly business expectations index for the June quarter fell five points to 20 index points. The index for the year ahead dropped seven points to 27 index points, its lowest level in five years.

The low unemployment rate and resulting shortage of workers was also of concern, with 72% of businesses saying it was constraining their business.

Business conditions worsened in all states except Western Australia, although the deterioration in Queensland was partly related to the extreme weather conditions in that state during the early part of 2008.

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