

Business Confidence Overview

October 2008

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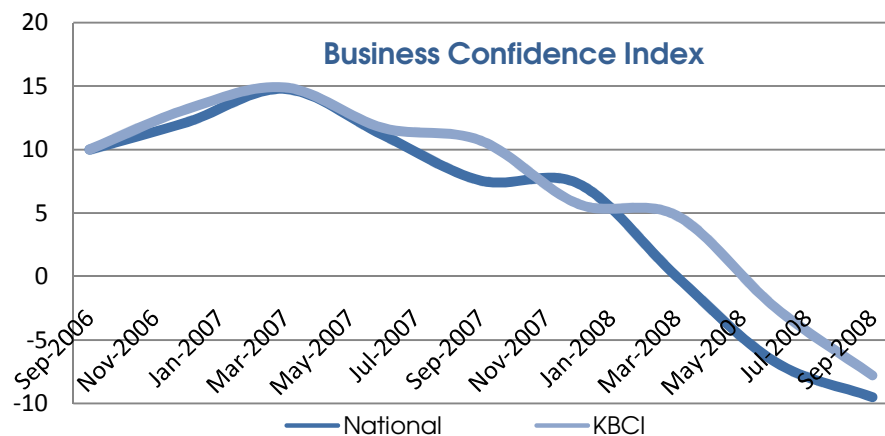
Top Line Results

SNAPSHOT

- 1 Business confidence in the Kimberley has declined faster in the Sept 08 qtr than the National Index
- 2 The greatest level of decline in confidence has come from the tourism sector
- 3 There are substantial variations between the east and west Kimberley in terms of forecast business activity over the next year

KPP Business Development has been tracking Business and Consumer Confidence in the Kimberley region of Western Australia since September 2006. In order to track variations between the movement of Business Confidence in the Kimberley against the National Confidence Index, all data has been indexed to September 2006. (Sept 06 = 10)

As evidenced in the chart below, there is a similar trend between the Kimberley (KBCI) and National (NBCI) Indices although there is some level of lag evident in the Kimberley data. However, the rate of decline in confidence over the September 2008 quarter has been more significant than the National Index.



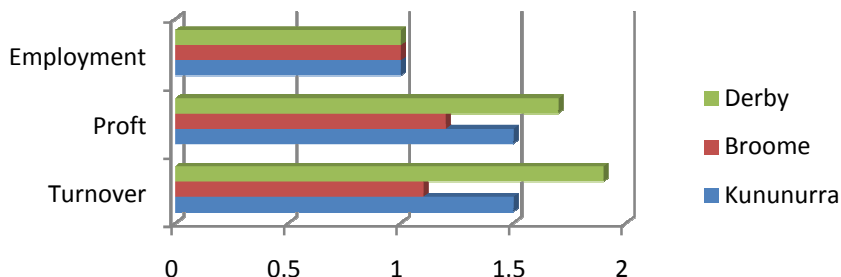
Regional Comparisons

Substantial differences were evident between Derby, Broome and Kununurra. (Note that although the Halls Creek and area was also included in surveys, response levels were statistically insignificant and therefore could not be included in initial findings).

Respondents from the Derby region were more optimistic that both business profits and turnover would increase over the next year when compared with respondents from Broome and Kununurra. However, Derby, Broome and Kununurra respondents believed there would be no change in numbers of people they will employ over the next year.

Derby respondents have been consistently more optimistic about the year ahead than Broome or Kununurra respondents.

Regional comparisons are based on the mean of responses from each region.
 (0 - 1 = negative growth; 1 = no change; 1 - 2 = positive growth)

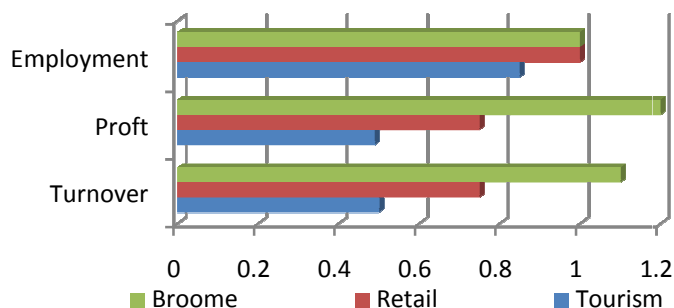


The declines evident in Broome specifically are largely influenced by the substantial downturn in confidence of both the tourism and retail sectors

There was little variation across the region regarding interest rates and capacity. There was a strong overall belief that interest rates would fall over the coming year and that businesses were not operating to capacity. The issue of capacity has been consistent over the past 24 months, with over 80% of businesses stating they are operating below capacity.

Sector Specific

The overall confidence levels have been skewed to a large extent by the tourism sector of the Kimberley economy. This declining confidence has been evident since the April 2008 quarter however it has become a significant variation from the norm by the September 2008 quarter. This downturn in confidence is supported through a sample of accommodation suppliers' data which suggest actual occupancy across the Kimberley is around 15% - 22% below year ago.



Methodology

On line surveys invitation are emailed at the end of each month. Approximately 448 survey invitations are sent to location and industry representative samples. Participation rates average 22.38% however, there has been a substantial increase in September 2008 participation to 36.39%.