

August 2010

Sensis[®] *Business Index-
Small and Medium Enterprises*



Sensis® *Business Index* - Small and Medium Enterprises

August 2010

Introduction	1
About the survey	2
Executive summary	3
Small and medium business outlook – national summary	6
Confidence in own business prospects over the next 12 months	6
Confidence by state and territory, sector and size	7
Perceptions of the economy.....	8
Expectations on key indicators over the next 12 months.....	9
Concerns	10
Sales.....	11
Employment	11
Wages bill.....	13
Prices	14
Capital expenditure.....	15
Profitability	16
Exports	17
Assessment of Federal Government policies.....	18
Assessment of State and Territory Government policies	19
Sustainability	20
Small and medium business outlook – national	21
Small and medium business outlook – New South Wales	22
Small and medium business outlook – Victoria.....	23
Small and medium business outlook – Queensland.....	24
Small and medium business outlook – South Australia	25
Small and medium business outlook – Western Australia	26
Small and medium business outlook – Tasmania	27
Small and medium business outlook – Northern Territory.....	28
Small and medium business outlook – Australian Capital Territory.....	29

Introduction

The Sensis® *Business Index* is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs). These surveys have been undertaken quarterly since 1993.

The primary objectives of the Sensis® *Business Index* are to:

- track small and medium business activity over the past three months;
- track expectations over both the current three and 12 month periods; and,
- measure overall confidence among SMEs.

Another purpose of the Sensis® *Business Index* is to provide an independent, objective assessment of proprietors' experiences and attitudes on key issues.

The Sensis® *Business Index* is based on a sample size of approximately 1,800 SMEs from metropolitan and regional areas of Australia. It includes businesses within the manufacturing, wholesale and retail trade, hospitality, construction, communication, property, business services, health, community services, cultural and recreational industries.

The Sensis® *Business Index* enables broad scrutiny of the SME market, as well as an understanding of trends and issues relevant to this sector. It examines the differences in attitudes and experiences between regional and metropolitan SMEs and between small and medium enterprises. The aim of the Sensis® *Business Index* is to reflect the attitudes and behaviour of approximately 99 per cent of the Australian business sector.

Results in the Sensis® *Business Index* are reported as a net balance, which represents the total number of positive responses minus the total number of negative responses. All results are based on the responses of SMEs surveyed.

The Sensis® *Business Index* is an initiative of Sensis Pty Ltd as part of its commitment to this vital business sector. Sensis is Australia's leading information resource and is a wholly owned Telstra subsidiary. Sensis' popular information services make complex lives simpler by helping Australians find, buy and sell. These services include Yellow Pages®, White Pages®, CitySearch® and Whereis®.

About the survey

Since its inception in 1993, the Sensis® *Business Index* has been one of the most extensive and regular surveys of small businesses in Australia. Historically, the Sensis® *Business Index* has focused specifically on businesses employing 19 people or fewer. In November 2000 it was expanded to cover the medium business sector, while the regional and industrial sectors were also enhanced.

The August 2010 Sensis® *Business Index* results are based on telephone interviews conducted with approximately 1,800 small and medium business proprietors. The sample size comprises approximately 1,400 small businesses and 400 medium businesses (the latter defined as businesses employing between 20 and 199 people).

Businesses interviewed for the August 2010 Sensis® *Business Index* were drawn from metropolitan and major non-metropolitan regions within Australia (referred to throughout this report as “regional”). Quotas were set for geographical location and type of business in order to approximate the standard sample structure shown below. Where replacement businesses are recruited, this sample structure is maintained.

At the analysis stage, results were weighted by selected Australian New Zealand Standard Industrial Classification (ANZSIC) divisions within the metropolitan and non-metropolitan region of each state and territory. This ensured the sample reflected the actual small and medium business population distribution. The Australian Bureau of Statistics (ABS) Business Register, as at June 1998, was used to weight the sample to be representative of the total business population.

Interviewing for this survey was conducted from 22 July to 11 August 2010. The report covers experiences over the past three months (May 2010 to July 2010), and expectations for both the current quarter (August to October 2010) and the 12 months ending July 2011.

Location of business				Division	
	Total	Metro	Non-metro		
New South Wales	300	240	60	Manufacturing	200
Victoria	300	240	60	Building/Construction	250
Queensland	300	165	135	Wholesale Trade	150
South Australia	225	195	30	Retail Trade	250
Western Australia	225	195	30	Accommodation, Cafes and Restaurants	100
Tasmania	150	90	60	Transport/Storage	150
Northern Territory	150	90	60	Finance and Insurance	100
Australian Capital Territory	150	150	-	Communication, Property and Business Services	300
Total	1800	1365	435	Health and Community Services	150
				Cultural, Recreational and Personal Services	150
				Total	1800

Executive summary

This quarter saw the confidence level of Australian SMEs increase, however it only recovered one-third of last quarter's record fall and remains low by historical standards. In line with the small rise in confidence there was some improvement in most performance indicators, however the level of improvement remained marginal, resulting in little significant change between this quarter and the previous quarter. Current perceptions of the economy improved marginally, with SMEs equally split over whether the economy was currently growing or slowing, however they were more optimistic about future economic directions. The primary issue reported by SMEs this quarter continued to be a lack of work or sales, followed by the economic climate, cash flow, and finding and keeping staff. Some 35 per cent of SMEs reported they currently faced no problems at all. Generally, SMEs reported marginal improvements in performance in most key indicators with the exception of profitability which continued to fall. However, expectations for the next quarter rose across all indicators. Expectations for the year ahead also rose, with the only exception being price increases, where expectations were down marginally.

Support for the Federal Government also fell again this quarter to its lowest point since August 2008, with SMEs feeling that there was too much bureaucracy and that the Federal Government was only concerned with large businesses. The government in the Northern Territory was the most supported government by SMEs overall, with New South Wales Government the least supported state or territory government.

Other key findings from the Sensis® *Business Index* included in the executive summary are:

1. historical trends and highlights of recent trends for SMEs generally
2. small versus medium business trends
3. metropolitan versus regional business trends
4. industry sector comparisons; and,
5. business cycle analysis based on the findings from this Sensis® *Business Index*.

Historical trends and overall SME highlights

- Business confidence among SMEs recorded a small rise during the past quarter following two quarters of falls.
- The strongest level of business confidence was recorded in the Northern Territory. New South Wales recorded the lowest level of business confidence this quarter. Increases in confidence were recorded in all states and territories with the exception of the Northern Territory and the Australian Capital Territory. The largest improvement in confidence was recorded in Victoria.
- Perceptions of the current state of the Australian economy increased marginally, with the proportion of SMEs feeling the economy was currently growing exactly balancing the proportion that felt it was slowing. The proportion of SMEs that felt the economy would be better in a year's time rose during the past quarter.
- All key performance indicators rose in the last quarter, with the exception of profitability which continued to decline.
- In the short term, SMEs were expecting improvement for all indicators.
- A lack of work or sales remained the primary concern for SMEs this quarter, a concern that fell marginally this quarter. This was followed by the economic climate; and cash flow, which both fell in concern levels.
- Some 35 per cent of SMEs reported facing no problems in their business, up six percentage points from the past quarter.
- Support for the Federal Government's policies fell one percentage point in the past quarter. The main reason SMEs gave for supporting the government was a perception that they were trying to help small businesses. The main reasons given for SMEs feeling that government policies worked against them included a perception that there was too much bureaucracy and that the government were only concerned with larger businesses.
- The government in the Northern Territory was the most supported state and territory governments in Australia by SMEs. The New South Wales Government again recorded the lowest level of support for a state or territory government.

Small versus medium enterprises

The main differences to emerge between small and medium businesses during the past quarter included:

- Small businesses were more confident than medium businesses by one percentage point.
- Medium businesses held much more positive views on the current state of the economy, as well as marginally more positive views on where they thought the economy would be in a year's time.
- Medium businesses recorded higher performance than small businesses for all indicators in the past quarter.
- Small businesses were more likely than medium businesses to be expecting increased profitability in the coming quarter.

Metropolitan versus regional

The key differences to emerge between metropolitan and regional businesses during the past quarter included:

- Metropolitan and regional businesses reported equal levels of confidence in the past quarter. Being established and experienced in business operations was the main reason driving confidence in both locations.
- Metropolitan businesses were slightly more positive than regional businesses about the current state of the Australian economy, as well as being more positive on where they thought the economy will be in a year's time.
- Metropolitan businesses reported higher performance than regional businesses across every performance indicator in the past quarter, with the only exceptions being sales and prices, which were both higher in regional areas.
- Regional businesses reported higher expectations for the coming quarter than metropolitan businesses for employment, wages and profitability, with metropolitan SMEs reporting higher expectations for capital expenditure and prices. Sales expectations for the coming quarter were equal in both metropolitan and regional businesses.
- Regional businesses were marginally more supportive of the Federal Government's policies.

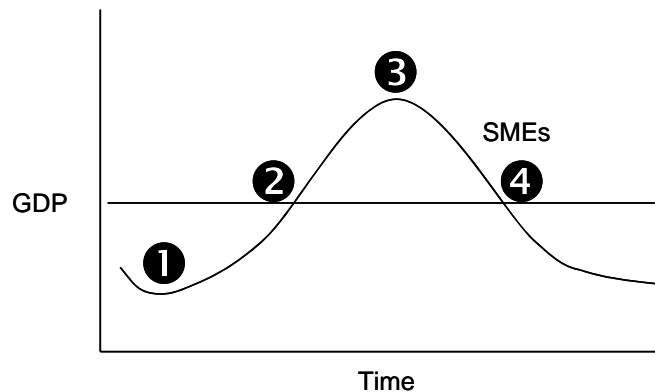
Industry sector trends

Several trends emerged throughout the industry sectors this quarter, including:

- Confidence was highest in the health and community services sector.
- Confidence was lowest in the transport and storage sector.
- High confidence levels in the health and community services sector were reinforced by strong performance, with the sector also recording the strongest results in sales and employment than in the past quarter.
- The transport and storage sector recorded the weakest performance in sales and employment over the past quarter.
- The weakest performance in sales, employment, wages, profitability and capital expenditure was also recorded in the transport and storage sector.
- Looking ahead the finance and insurance sector recorded the strongest expectations for the coming quarter for sales, with the communications, property and business services sector recording the highest profitability expectations.
- The retail trade sector was the least likely to be expecting to increase sales, wages and capital expenditure in the coming quarter.
- The communications, property and business services sector was the most supportive of the Federal Government's policies, with the accommodation, cafes and restaurant sector the least supportive.

SME business cycle analysis

The Business Cycle and SMEs



When examining the 12-month trends for a range of key business and economic indicators, it is possible to gauge the likely direction of the Australian economy.

The table below shows an assessment of each indicator's performance in relation to the state of the economy. Shaded areas highlight the position of each indicator as a result of the findings from this Sensis® Business Index relative to the normal business cycle.

Analysis of the key indicators from the August 2010 Sensis® Business Index suggests an economic environment that is displaying weakness for many SMEs. Confidence amongst SMEs increased however only recovered one-third of last quarter's record fall. In conjunction with this, most performance indicators displayed only marginal improvement this quarter, however generally? SMEs were more positive about the coming quarter and the year ahead. These latest results show that generally? SMEs are yet to see significant improvement in actual performance, however are hoping for change in the short term.

Highlighted sections show the indicators relevant to SMEs for the August 2010 Sensis® Business Index.

1. Trough	2. Recovery	3. Peak	4. Slow Down
Low business confidence	Rising confidence	Strong business confidence	Falling business confidence
Poor perceptions of the economy	Rising perceptions of the economy	Strong perceptions of the economy	Declining perceptions of the economy
Weak sales	Improving sales	Strong sales	Declining sales
Low investment	Rising investment	High investment	Declining investments
Pessimistically low investment expectations (i.e. high realisation ratio)	Investment expectations improving but still on the low side	Optimistically high investment expectations (i.e. low realisation ratios)	Investment expectations weakening but still on the high side
Low selling price rises	Rising selling prices	High selling prices	Selling price rises weakening
Weak profitability	Improving profitability	Strong profitability	Declining profitability
Flat employment	Rising employment	Strong employment	Declining employment
Low wages growth	Rising wages	High wages growth	Moderating wages growth

Small and medium business outlook – national summary

Confidence in own business prospects over the next 12 months

Key findings

The confidence level of Australian SMEs increased by six percentage points in the past quarter, after last quarter's record 18 percentage point fall.

The key reasons SMEs gave for lacking confidence this quarter related to decreases in business and businesses waiting to see the outcome of the upcoming Federal Election. The main reasons given by confident SMEs included having an established or experienced business and good customer relations.

Last quarter (May to July 2010)

SMEs recorded improving business confidence with a net balance of 37 per cent. This result comprises of 58 per cent of businesses confident about their prospects for the year ahead and 21 per cent concerned.

The increase in SME confidence levels of six percentage points follows a record fall in SME sentiment in the last quarter of 18 percentage points and is 13 percentage points lower than at the same time last year, when confidence was at 50 per cent.

The main reason businesses gave for feeling worried about their prospects related to a decrease in business, with SMEs recording lower confidence dependent on which party won government at the next Federal Election, and SMEs noting that people were not spending money at the moment.

Confident businesses indicated that their business was established and experienced, that they had good customer relations and that they were hoping conditions would improve.

The three key indicators that provide an overall assessment of SME confidence levels were:

- business confidence
- current perceptions of the Australian economy
- future expectations for the Australian economy.

The results show a small improvement in business confidence and a marginal improvement in views on the economy. The results this quarter reflect very little change in the current business conditions for SMEs, however there is increased optimism for change in the coming quarter and the year ahead.

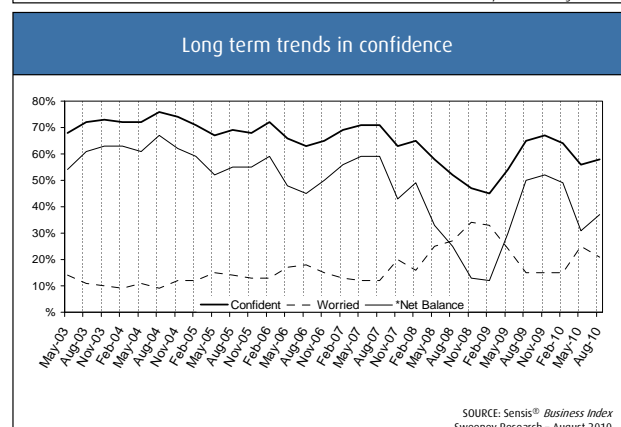
Overall confidence August 2010			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	10%	8%	10%
Fairly confident	48%	52%	48%
Neutral	22%	16%	22%
Fairly worried	17%	23%	17%
Extremely worried	4%	1%	4%
Total confident	58%	60%	58%
Total worried	21%	24%	21%
*Net Balance	+37%	+36%	+37%

Q. Thinking about the next twelve months, how confident do you feel about your business prospects?

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

Confidence trends - past five quarters					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Extremely confident	12%	13%	11%	9%	10%
Fairly confident	53%	54%	53%	47%	48%
Neutral	21%	18%	21%	20%	22%
Fairly worried	13%	12%	13%	20%	17%
Extremely worried	2%	3%	2%	5%	4%
Total confident	65%	67%	64%	56%	58%
Total worried	15%	15%	15%	25%	21%
*Net Balance	+50%	+52%	+49%	+31%	+37%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010



Confidence by state and territory, sector and size

Key findings

The highest level of business confidence in the past quarter was recorded in the Northern Territory. The lowest level of business confidence was recorded in New South Wales. Victoria recorded the largest improvement in business confidence, while the Australian Capital Territory recorded the largest fall in business confidence. There was no difference in confidence levels between SMEs based in metropolitan and regional areas. Confidence was highest among SMEs in the health and community services sector, and lowest among SMEs in the transport and storage sector.

Last quarter (May to July 2010)

The highest confidence level was recorded equally in the Northern Territory, with the lowest confidence level recorded in New South Wales. Increases in confidence were recorded in all states this quarter, with the only falls in confidence recorded in the Northern Territory and the Australian Capital Territory. The largest fall in SME confidence was recorded in the Australian Capital Territory, where confidence was down by 14 percentage points. The largest rise in confidence was recorded in Victoria, where confidence was up by 13 percentage points.

The health and community services sector recorded the highest confidence, however confidence in the sector was down 14 percentage points to a net 61 per cent. Falls were also recorded in the transport and storage; finance and insurance; and accommodation, cafes and restaurants sectors. The lowest confidence level was recorded in the transport and storage sector, with a net balance of 12 per cent, down one percentage point in the past quarter. The largest fall in confidence levels was recorded amongst SMEs in the finance and insurance sector.

Confidence was equal this quarter for both SMEs in regional and metropolitan areas overall. Looking at individual states and territories however, confidence was higher in metropolitan areas in Victoria, Western Australia and Tasmania. Confidence was higher in regional areas of New South Wales, Queensland, South Australia and the Northern Territory. The highest confidence by location overall was in metropolitan areas of Tasmania. In fact, regional areas of Western Australia and the Northern Territory and the metropolitan area of the Australian Capital Territory were the only metropolitan or regional area of Australia where confidence decreased in the past quarter.

Trends by state *net balance					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
National	50%	52%	49%	31%	37%
New South Wales	46%	49%	49%	22%	24%
Victoria	52%	55%	46%	41%	54%
Queensland	50%	52%	52%	30%	36%
South Australia	52%	52%	52%	27%	30%
Western Australia	52%	56%	50%	30%	40%
Tasmania	60%	66%	52%	34%	43%
Northern Territory	60%	69%	66%	57%	56%
Australian Capital Territory	27%	48%	68%	57%	43%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	37%	37%	37%
New South Wales	22%	28%	24%
Victoria	54%	50%	54%
Queensland	31%	41%	36%
South Australia	27%	41%	30%
Western Australia	42%	32%	40%
Tasmania	68%	28%	43%
Northern Territory	54%	59%	56%
Australian Capital Territory	43%	N/A	43%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

Confidence by business size			
	Confident	Worried	*Net Balance
Total	58%	21%	37%
1-2 Employees	57%	21%	36%
3-4 Employees	57%	21%	36%
5-9 Employees	62%	19%	43%
10-19 Employees	52%	21%	31%
Total Small Business	58%	21%	37%
20-99 Employees	61%	24%	37%
100-199 Employees	53%	20%	33%
Total Medium Business	60%	24%	36%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	57%	22%	35%
Building/Construction	54%	17%	37%
Wholesale Trade	57%	26%	31%
Retail Trade	44%	30%	14%
Transport/Storage	48%	36%	12%
Communication Property & Business Services	67%	14%	53%
Finance and Insurance	63%	20%	43%
Health and Community Services	71%	10%	61%
Cultural, Recreational and Personal	58%	21%	37%
Accommodation, Cafes and Restaurants	68%	25%	43%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

* Net balance is defined as the difference between the percentage who are confident and the percentage who are worried.

Perceptions of the economy

Key findings

This quarter, SMEs were equally split on whether the Australian economy was slowing or growing, with very little movement on economic views during the past quarter.

Last quarter (May to July 2010)

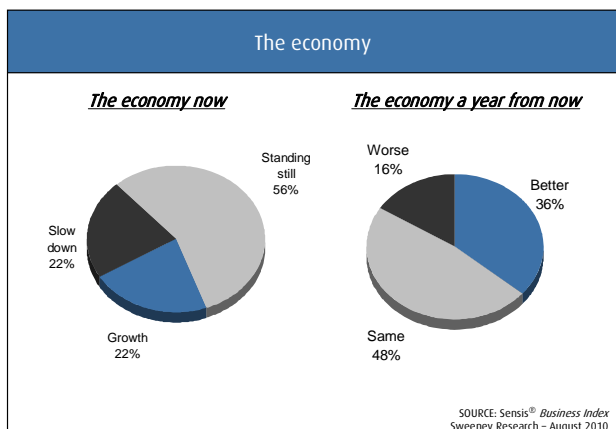
There was a fall of two percentage points in the proportion of SMEs that felt the economy was currently growing. Coupled with this was a decrease of three percentage points in the proportion of SMEs who felt the economy was currently slowing. This resulted in a marginal increase in the overall perception of the current state of the economy, with the proportion of businesses believing the Australian economy is currently slowing being exactly balanced by the proportion that believe it is growing. This was a rise of one percentage point from last quarter and the largest fall recorded since August 2008.

SMEs in Victoria, South Australia, Western Australia, Tasmania, the Northern Territory and the Australian Capital

Territory recorded positive perceptions of the current state of the Australian economy. The highest perceptions of the economy were recorded in the Northern Territory at a net positive 14 per cent. SMEs in New South Wales and Queensland recorded net negative perceptions of the economy, with the lowest perceptions on balance recorded in Queensland at net negative 19 per cent.

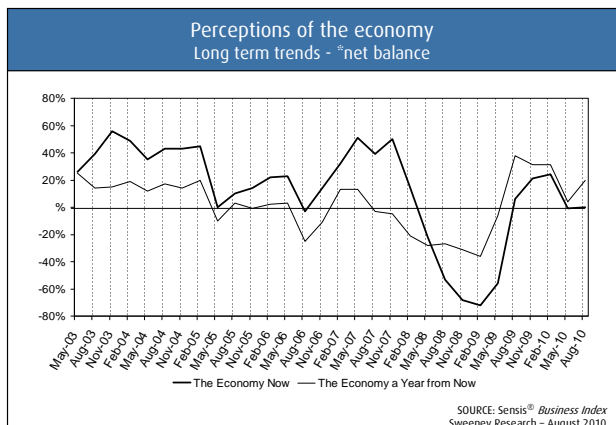
SMEs in New South Wales, Queensland and the Australian Capital Territory recorded declining views of the economy in the past quarter. The largest fall was in the Australian Capital Territory where perceptions of the current state of the economy dropped by 18 percentage points in the past quarter. The strongest improvement was recorded by SMEs in South Australia.

Expectations for the economy for the year ahead were up 16 percentage points from last quarter's low, with net positive 20 per cent of SMEs believing the economy would be better in a year's time.



Perceptions of the economy - trends					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
<i>The economy now</i>					
Growth	24%	36%	37%	24%	22%
Slowing	18%	15%	13%	25%	22%
*Net Balance	+6%	+21%	+24%	-1%	0%
<i>The economy a year from now</i>					
Better	51%	47%	48%	29%	36%
Worse	13%	16%	17%	25%	16%
*Net Balance	+38%	+31%	+31%	+4%	+20%

SOURCE: Sensis® Business Index Sweeney Research – August 2010



Perceptions of the economy by state								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<i>The economy now</i>								
Growth	19%	28%	11%	22%	32%	25%	28%	30%
Slowing	27%	16%	30%	14%	19%	24%	14%	17%
*Net Balance	-8%	+12%	-19%	+8%	+13%	+1%	+14%	+13%
<i>The economy a year from now</i>								
Better	29%	43%	37%	31%	43%	32%	28%	43%
Worse	18%	12%	18%	20%	12%	18%	18%	14%
*Net Balance	+11%	+31%	+19%	+11%	+31%	+14%	+10%	29%

SOURCE: Sensis® Business Index Sweeney Research – August 2010

* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Expectations on key indicators for the next 12 months

Key findings

With economic expectations for the year ahead showing some improvement, the proportion of SMEs expecting their business performance to improve in the next twelve months has improved in almost all indicators. The only indicator SMEs were expecting not to increase in for the next twelve months was prices, where expectations fell.

Next 12 months (August 2010 to July 2011)

Sales expectations rose during the quarter from net positive 34 per cent to a net positive 42 per cent, an increase of eight percentage points. This result comprised 55 per cent of SMEs thinking sales would rise in the next year, while 13 per cent expected a fall. SMEs in the Australian Capital Territory recorded the strongest net sales expectations by state and territory for the year ahead, with a net balance result of 52 per cent. The finance and insurance sector recorded the strongest industry result with a net balance of 72 per cent. The building and construction sector was at the other end of the scale with a net balance result of 25 per cent.

Employment expectations for the year ahead rose to a net balance of 15 per cent, increasing by three percentage points from last quarter. At a state and territory level the Northern Territory recorded the highest results with a net balance of 20 per cent. At an industry level the health and community services sector recorded the strongest employment result at 23 per cent. The sector with the lowest employment expectations for the year ahead was the building and construction sector with a net balance of six per cent.

The total wages and salary costs expectations for the year ahead rose nine percentage points during the quarter, with a net balance result of 36 per cent of SMEs expecting an increase. The strongest wage expectations for the year ahead were recorded in Victoria and South Australia (38 per cent each). The health and community services sector was the industry expecting the greatest increase in wages over the next year (47 per cent).

The selling price expectations for the year ahead fell slightly during the quarter, with a net balance of 39 per cent of SMEs expecting to increase the prices they charge over the year ahead, down one percentage point. At the state and territory level the Australian Capital Territory recorded the strongest selling price expectations for the year ahead with a net balance result of 45 per cent. At an industry level the strongest price expectations for the year ahead were recorded in the accommodation, cafes and restaurant sector at 57 per cent.

Profitability expectations increased by eight percentage points to net 37 per cent in the past quarter. Victoria and the Australian Capital Territory recorded the strongest profit expectations for the year ahead with a net balance result of 45 per cent each. The lowest expectations were in South Australia with a net balance result of 29 per cent. At an industry level the finance and insurance sectors recorded the strongest annual profit expectations with a net balance result of 57 per cent.

Capital expenditure also rose this quarter, up six percentage points to positive three per cent. The strongest capital expenditure expectations for the next twelve months were recorded in Victoria (unchanged at 10 per cent).

Expectations on key indicators over the next 12 months			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	55%	13%	+42%
Size of workforce	19%	4%	+15%
Wages bill	41%	5%	+36%
Prices charged	41%	2%	+39%
Profitability	51%	14%	+37%
Capital expenditure	28%	25%	+3%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

Expectations on key indicators Trends in *net balance					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Value of sales	51%	57%	46%	34%	42%
Size of workforce	19%	17%	15%	12%	15%
Wages bill	34%	36%	32%	27%	36%
Prices charged	38%	36%	40%	40%	39%
Profitability	46%	51%	42%	29%	37%
Capital expenditure	7%	3%	0%	-3%	3%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Concerns

Key findings

A lack of work or sales remained the most pressing concern reported by SMEs in the latest survey, despite a small fall in the past quarter. Some 35 per cent of SMEs reported they were currently facing no significant problems in their business.

Last quarter (May to July)

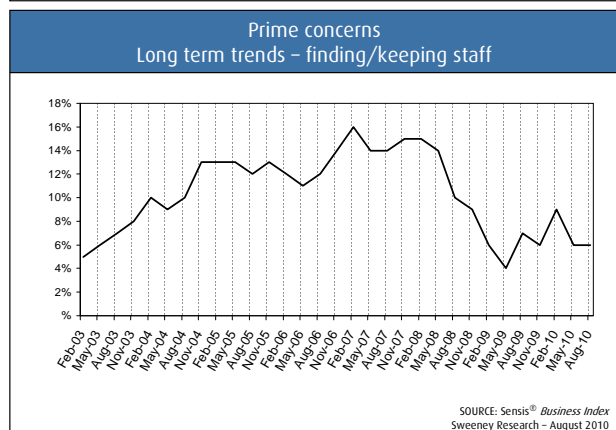
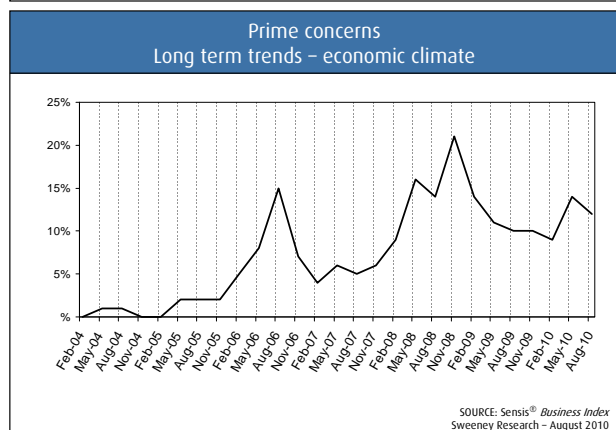
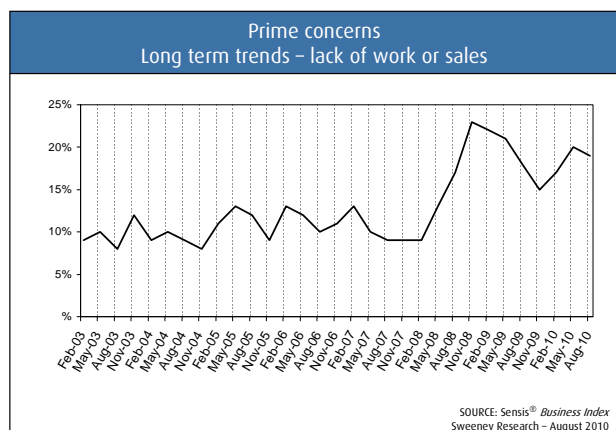
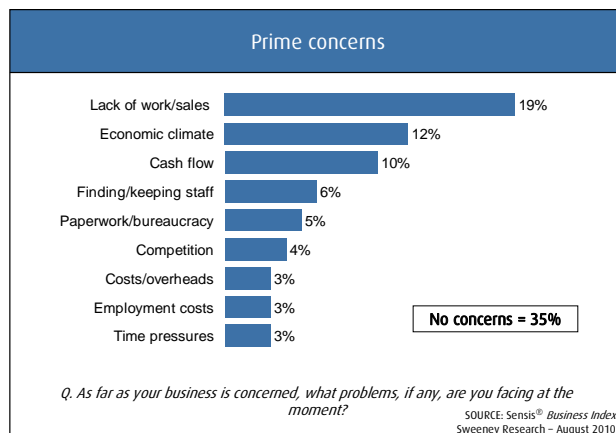
The proportion of SMEs reporting they were currently facing problems caused by a lack of work or sales fell one percentage point over the past quarter to 19 per cent, remaining the top concern facing SMEs in Australia for the ninth successive quarter. Reports of problems caused by a lack of work or sales were highest in South Australia, where this problem was being reported by 22 per cent of SMEs, and lowest in the Northern Territory, where 10 per cent of SMEs reported difficulties in this area. SMEs in the transport and storage sector were most likely to report difficulties caused by a lack of work or sales this quarter.

Overall, 12 per cent of SMEs nominated the economic climate and as the main issue impacting their businesses, down three percentage points in the past quarter. Concerns about the economic climate include issues such as consumer confidence and spending levels, interest and the exchange rate, the general economic climate as well as global, state and regional economic concerns. This quarter, the specific economic issue causing the most concern to SMEs was a lack of consumer confidence.

The next most significant problem this quarter for SMEs was cash flow, with the proportion of SMEs reporting difficulties in this area down three percentage points to ten per cent. Reports of difficulties with cash flow were highest in Tasmania, where this problem was being reported by 13 per cent of SMEs, and lowest in the Northern Territory, where five per cent reported difficulties in this area. SMEs in the wholesale trade sector reported the most difficulties with cash flow this quarter.

The proportion of SMEs reporting problems with finding and keeping staff was unchanged over the past quarter, with six per cent of SMEs still reporting problems in this area.

Some 35 per cent of SMEs reported currently facing no problems in their business, up six percentage points in the past quarter. SMEs in the Northern Territory were most likely to report not currently having any problems in their business.



Sales

Key findings

The proportion of SMEs on balance reporting increased sales improved marginally but remained net negative overall. SMEs, however, were expecting stronger improvement in both the coming quarter and the year ahead.

Last quarter (May to July 2010)

Sales performance recorded a net balance of negative 10 per cent for the quarter, up by a marginal one percentage point from last quarter. With virtually no change in the sales indicator in the past quarter, this was the third successive quarter where sales performance remained net negative overall.

Sales performance varied significantly across the states and territories. SMEs in the Northern Territory recorded the strongest performance this quarter, where a net 27 per cent experienced increasing sales in the last quarter. At the other end of the scale and in line with last quarter's expectations, sales performance was lowest among SMEs in Queensland, where a net negative 18 per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the health and community services sector, with a net balance of 11 per cent of SMEs having reported increasing sales. The transport and storage sector recorded the weakest industry performance, at net negative 45 per cent.

Current quarter (August to October 2010)

SMEs were expecting the situation with sales to improve in the coming quarter. Sales expectations for the current quarter recorded an increase of 17 percentage points from the previous quarter to a net positive 33 per cent.

Expectations for sales growth varied around Australia, with the strongest expectations recorded in Victoria at net positive 40 per cent. The weakest sales expectations for the coming quarter were recorded in the Northern Territory, at a net 13 per cent.

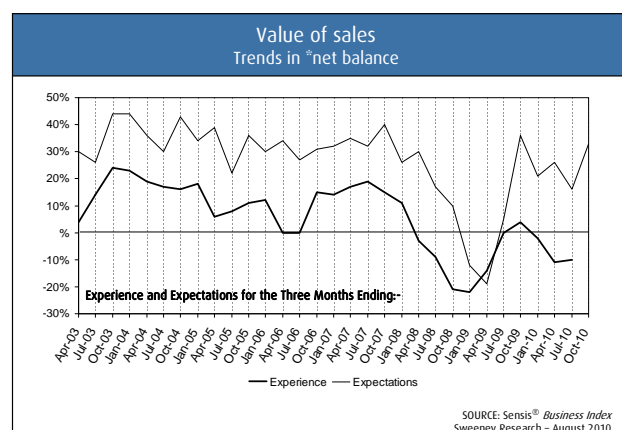
On an industry basis, the strongest expectations for the current quarter was again recorded in the finance and insurance sector with a net balance of 42 per cent. The retail trade sector again recorded the lowest level of expectations at net 19 per cent.

Next 12 months (August 2010 to July 2011)

Twelve-month sales expectations rose from a net 34 per cent to a net 42 per cent, a rise of eight percentage points. The result comprised 55 per cent of SMEs believing sales would increase in the year ahead and 13 per cent thinking they would fall. Sales expectations for the year ahead were highest in the Australian Capital Territory at net 52 per cent.

Value of sales					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Last Quarter					
Experienced increase	34%	36%	32%	29%	27%
No change	32%	32%	34%	31%	36%
Experienced decrease	34%	32%	34%	40%	37%
*Net Balance	0%	+4%	-2%	-11%	-10%
Current Quarter					
Expect increase	47%	38%	40%	36%	46%
No change	41%	45%	46%	44%	41%
Expect decrease	11%	17%	14%	20%	13%
*Net Balance	+36%	+21%	+26%	+16%	+33%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010



* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Employment

Key findings

Employment performance rose marginally during the past quarter however remained net negative overall. Looking forward, SMEs were expecting improvement in employment levels in the current quarter, with further increases expected for the year ahead.

Last quarter (May to July 2010)

The proportion of SMEs that increased employment during the past quarter remained unchanged, with 11 per cent of SMEs reporting an increase during the past quarter. This was more than offset by the 12 per cent of SMEs that reported declines. The resulting negative one per cent net balance was an improvement of two percentage points this quarter. With this quarter's continued net negative result, there has not been a net positive quarter for this indicator since February 2008.

At a state and territory level the best performing region was the Northern Territory at five per cent. At the other end of the scale, Tasmania recorded a net balance result of negative 16 per cent.

A lack of work or sales remained the main barrier to taking on new employees, reported by 33 per cent of SMEs who believed barriers existed, up one percentage point in the past quarter. With declines in employment still being recorded by more SMEs this quarter, the main reasons given for decreasing employment was again due to economic conditions, followed by difficulties finding skilled staff and a lack of money to employ more staff. Those SMEs who had increased employment were overwhelmingly likely to have done so because their business was growing.

Current quarter (August to October 2010)

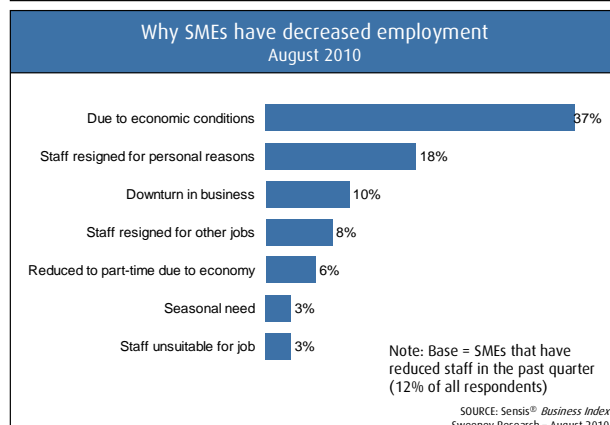
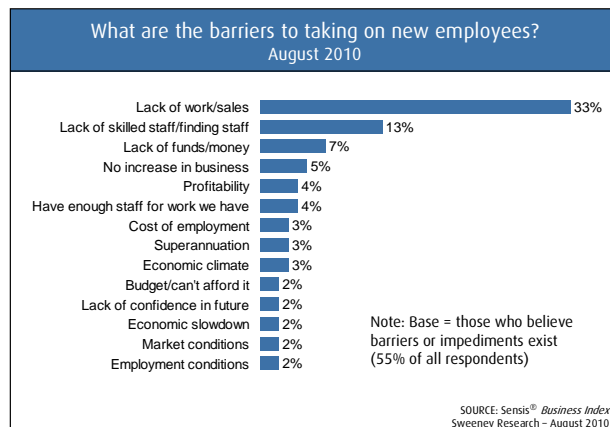
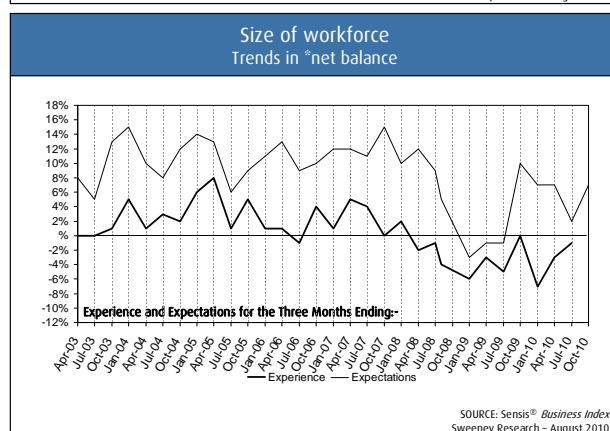
Employment expectations for the current quarter were up five percentage points to a net positive seven per cent. SMEs in the Australian Capital Territory recorded the strongest short-term employment expectations at a net balance of 20 per cent. At the other end of the scale was New South Wales with a net balance result of one per cent.

Next 12 months (August 2010 to July 2011)

Employment expectations for the year ahead rose three percentage points to a net balance result of 15 per cent. The strongest expectations for the year ahead were recorded by SMEs in the Northern Territory with net 20 per cent, with the weakest in South Australia at net 10 per cent.

Size of workforce					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Last Quarter					
Experienced increase	10%	12%	8%	11%	11%
No change	75%	76%	77%	75%	77%
Experienced decrease	15%	12%	15%	14%	12%
*Net Balance	-5%	0%	-7%	-3%	-1%
Current Quarter					
Expect increase	14%	12%	12%	10%	10%
No change	81%	83%	83%	82%	97%
Expect decrease	4%	5%	5%	8%	3%
*Net Balance	+10%	+7%	+7%	+2%	+7%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010



* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Wages bill

Key findings

There was a small increase in the proportion of SMEs, on balance, reporting increased wages over the past quarter. The proportion of SMEs expecting increases in their wages bills for the short term and for the year ahead both recorded increases.

Last quarter (May to August 2011)

The most recent quarter saw a small rise in the proportion of SMEs reporting increased wage costs, with the performance result increasing to a net positive eight per cent.

During the quarter, 23 per cent of SMEs experienced a rise in total wage costs, while 15 per cent recorded a decline. SMEs in the Northern Territory recorded the highest net result in total wage costs at net 20 per cent, while the lowest wage pressures were in Tasmania at net one per cent. The strongest net result in total wage costs was recorded in the wholesale trade and health and community services sectors at net 17 per cent each.

Current quarter (August to October 2010)

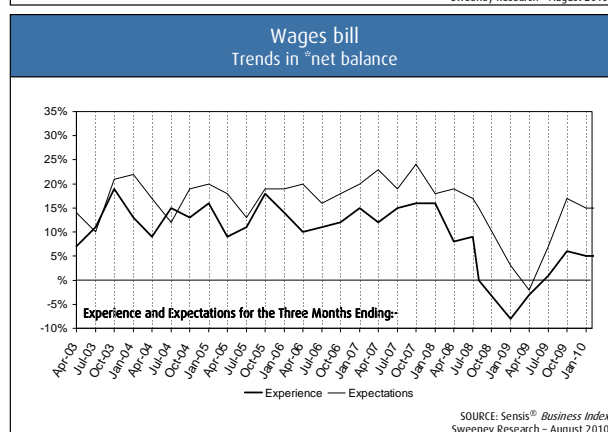
There was a rise in the proportion of SMEs expecting increases in wages in the short term, with net expectations for total wage costs up 10 percentage points to a net 20 per cent for the current quarter. The highest wage expectations were in South Australia, with a net balance of 30 per cent each of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in the Northern Territory were least likely to be expecting an increase in their wages bill in the current quarter (net nine per cent).

Next 12 months (August 2010 to July 2011)

Expectations for total wage and salary costs for the coming year rose by nine percentage points during the quarter, with a net balance of 36 per cent of businesses expecting a rise in total wage costs in the year ahead. The SMEs most likely to be expecting increases to their wages bills were in Victoria and South Australia at a net 38 per cent each. SMEs in Tasmania were least likely to expect an increase in their total wages bill in the coming year (net 26 per cent).

Wages bill					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Last Quarter					
Experienced increase	19%	20%	21%	19%	23%
No change	63%	66%	63%	67%	62%
Experienced decrease	18%	14%	16%	14%	15%
*Net Balance	+1%	+6%	+5%	+5%	+8%
Current Quarter					
Expect increase	23%	24%	22%	21%	26%
No change	71%	67%	71%	68%	28%
Expect decrease	6%	9%	7%	11%	6%
*Net Balance	+17%	+15%	+15%	+10%	+20%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010



* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Prices

Key findings

The net proportion of SMEs who increased their prices rose marginally during the past quarter. In addition there was also an increase in the proportion of SMEs who were expecting to increase their prices in the short term, but a fall was expected over the medium term.

Last quarter (May to July 2010)

The proportion of SMEs who increased prices rose two percentage points during the quarter, at a net balance result of 12 per cent.

Of all states and territories, the strongest price trends were recorded by SMEs in South Australia, with a net balance of 20 per cent. The lowest results were recorded by SMEs in Queensland, with a net balance of seven per cent. The strongest price rises were recorded in the retail trade sector, with a net balance result of 21 per cent. The weakest outcomes were recorded in the wholesale trade sector, with a net balance result of negative seven per cent.

Current quarter (August to October 2010)

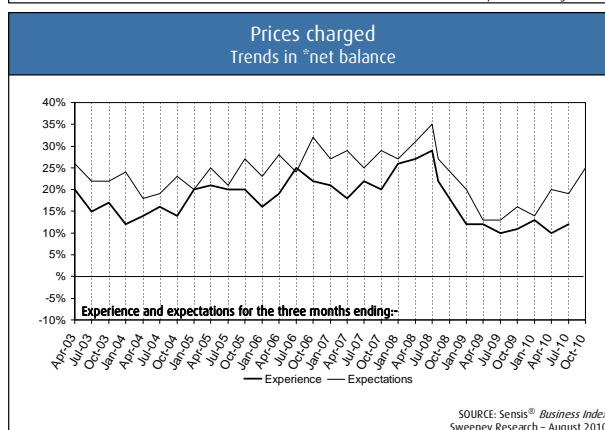
SME expectations for price rises in the short term rose six percentage points during the quarter to a net balance result of 25 per cent. SMEs in South Australia recorded the strongest price rise expectations, with a net balance result of 29 per cent, while the Northern Territory and the Australian Capital Territory recorded the weakest price rise expectations, with a net balance of 21 per cent.

Next 12 months (August 2010 to July 2011)

At a net balance of 39 per cent, expectations for price rises in the coming year dropped one percentage point during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in the Australian Capital Territory (45 per cent), and the accommodation, cafes and restaurants sector (57 per cent).

Prices charged					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Last Quarter					
Experienced increase	18%	18%	20%	18%	18%
No change	74%	75%	73%	74%	76%
Experienced decrease	8%	7%	7%	8%	6%
*Net Balance	+10%	+11%	+13%	+10%	+12%
Current Quarter					
Expect increase	19%	18%	24%	24%	27%
No change	78%	78%	72%	71%	71%
Expect decrease	3%	4%	4%	5%	2%
*Net Balance	+16%	+14%	+20%	+19%	+25%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010



* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Capital expenditure

Key findings

The proportion of SMEs reporting growth in capital expenditure rose marginally from last quarter's low and failed to record their seasonal end of financial year growth. Investment expectations amongst SMEs were expected to rise for both the coming quarter and the year ahead.

Last quarter (May to July 2010)

SME performance in capital expenditure recorded a result of net negative seven per cent, a rise of two percentage points, resulting in the fourth successive quarter of net negative capital expenditure results. The relatively weak result recorded this quarter is particularly significant, as the August capital expenditure result traditionally reports a strong rise in line with the end of financial year, however this year's result has failed to record a significant increase.

The strongest results were recorded in the Northern Territory, with a net balance result of positive two per cent. The lowest result was recorded in the Australian Capital Territory, with a net balance result of negative 19 per cent. The accommodation, cafes and restaurant sector recorded the strongest capital expenditure performance of net positive three per cent. At the other end of the investment scale was the transport and storage sector with negative 36 per cent.

Current quarter (August to October 2010)

Capital expenditure expectations improved for the coming quarter, at a net balance result of negative nine per cent. Capital expenditure expectations for the current quarter were net negative in all states and territories. The highest expectations were recorded by SMEs in Victoria at a net negative two per cent. The weakest result was recorded by SMEs in Tasmania with a net balance of negative 22 per cent.

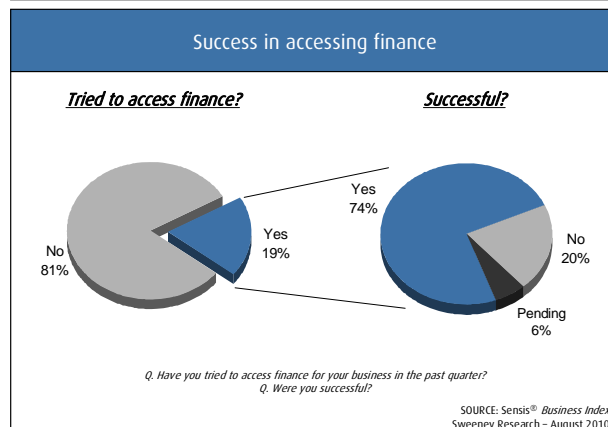
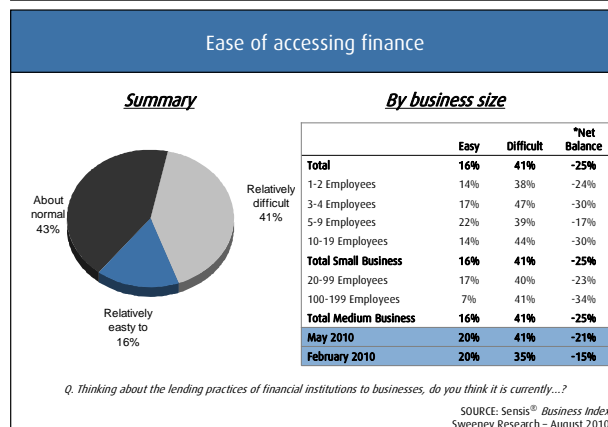
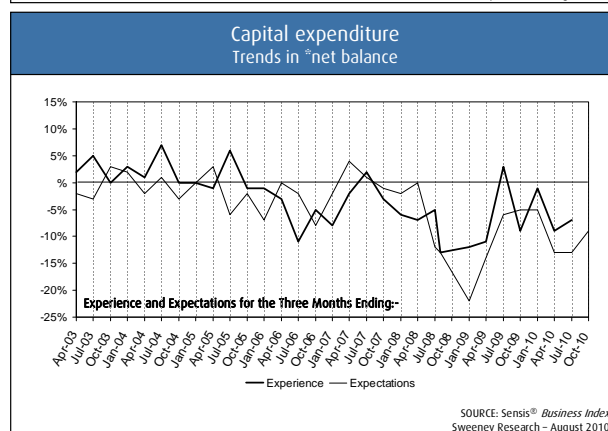
Next 12 months (August 2010 to July 2011)

Capital expenditure expectations for the year ahead were up during the quarter, with a net positive three per cent of SMEs expecting to increase their capital expenditure in the next 12 months, up three percentage points. Capital expenditure expectations were highest for SMEs in Victoria with net 10 per cent and in the accommodation, cafes and restaurant sector at net 13 per cent.

SMEs ability to access finance is critical for capital expenditure and growth. When looking at the ability to access finance, SMEs reported they were more likely to feel it was relatively difficult on balance, with 16 per cent feeling it is currently relatively easy, compared to 41 per cent who felt it was relatively difficult, resulting in a decline of four percentage points in the past quarter. Nineteen per cent of SMEs reported trying to access finance in the past quarter, a decrease of four percentage points, with almost three-quarters reporting success.

Capital expenditure					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Last Quarter					
Experienced increase	29%	19%	23%	21%	21%
No change	46%	53%	53%	49%	51%
Experienced decrease	26%	28%	24%	30%	28%
*Net Balance	+3%	-9%	-1%	-9%	-7%
Current Quarter					
Expect increase	23%	21%	19%	20%	18%
No change	49%	53%	49%	47%	55%
Expect decrease	28%	26%	32%	33%	27%
*Net Balance	-5%	-5%	-13%	-13%	-9%

SOURCE: Sensis® Business Index Sweeney Research – August 2010



Profitability

Key findings

Profitability performance continued to decline during the past quarter, with more SMEs again reporting lower profitability than increased profitability in the past quarter. Despite the continued decline, SMEs were expecting some improvement in profitability in the coming quarter, as well as the year ahead.

Last quarter (May to July 2010)

Profitability performance recorded a net balance result of negative 15 per cent for the past quarter. This result was down three percentage points from the previous quarter and the lowest result since May 2009. The decline this quarter meant profitability remained net negative, with more SMEs having experienced a decrease in profitability than an increase in the past quarter. In fact, the last time when there were more SMEs reporting an increase in profitability compared to a decrease was February 2008.

Across Australia the strongest profit experience was reported by SMEs in the Northern Territory with a net balance result of positive 14 per cent. The weakest performance was recorded in Queensland at net negative 25 per cent. The strongest industry performance was recorded in the communications, property and business services and finance and insurance sectors with a net balance result of positive one per cent each, with the weakest profitability performance recorded in the transport and storage sector at net negative 52 per cent.

Current quarter (August to October 2010)

Profitability expectations for the current quarter rose 14 percentage points to positive 26 per cent. At a state and territory level, the strongest expectations were recorded by SMEs in Victoria with a net balance of 34 per cent. The weakest state or territory was the Northern Territory with a net balance result of 12 per cent.

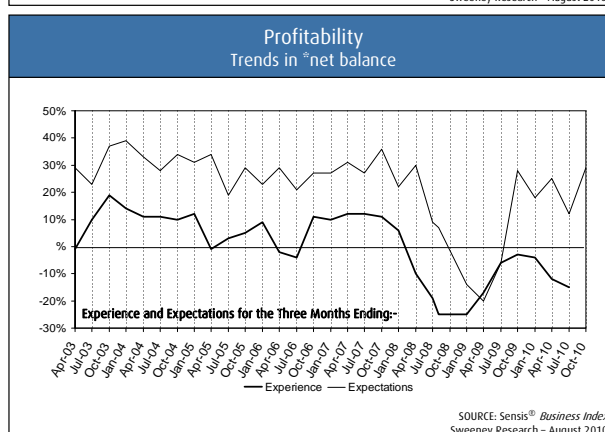
By industry, the communications, property and business services sector recorded the strongest short-term profit expectations with a net balance result of 40 per cent. The health and community services sector recorded the weakest expectations with a net balance result of negative 12 per cent.

Next 12 months (August 2010 to July 2011)

Profitability expectations for the year ahead rose during the quarter to a net balance result of 37 per cent, up eight percentage points in the last quarter. The strongest profit expectations were recorded by SMEs in Victoria and the Australian Capital Territory with net 45 per cent each, with the weakest expectations recorded in South Australia at net 29 per cent.

Profitability					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Last Quarter					
Experienced increase	28%	29%	28%	27%	23%
No change	38%	39%	40%	35%	39%
Experienced decrease	34%	32%	32%	39%	38%
*Net Balance	-6%	-3%	-4%	-12%	-15%
Current Quarter					
Expect increase	41%	37%	39%	34%	41%
No change	46%	44%	47%	44%	44%
Expect decrease	13%	19%	14%	22%	15%
*Net Balance	+28%	+18%	+25%	+12%	+26%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010



* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Exports

Key findings

The proportion of SMEs that reported to be exporting fell this quarter, in the context of continued instability in global markets in the past quarter on top of continuing relative weakness in domestic conditions.

Last quarter (May to July 2010)

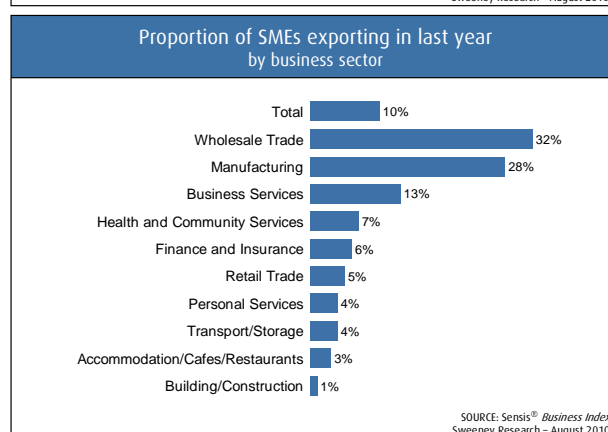
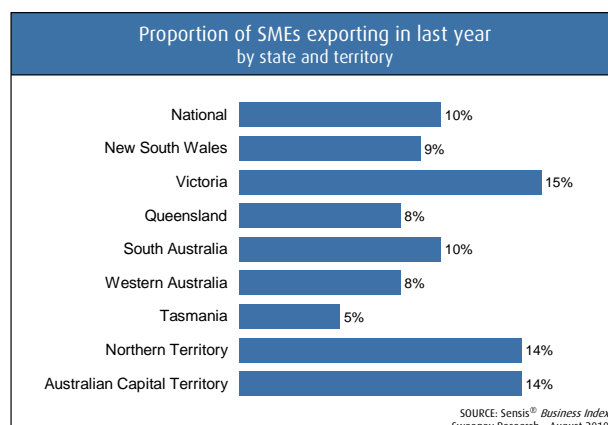
Ten per cent of SMEs reported exporting in the past quarter, down two percentage points from the previous quarter. Victoria and the Northern Territory were the only states or territories that reported an increase in the proportion of exporting SMEs, with the proportion unchanged in South Australia. Falls were recorded in all other states and territories. Victoria recorded the highest proportion of exporting SMEs in Australia in the past quarter.

SMEs in metropolitan areas were more than three times as likely to export as their regional counterparts with 14 per cent compared to four per cent. SMEs in the wholesale trade sector were most likely to have exported in the past quarter.

This quarter also saw a drop improvement in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of negative eight per cent reported an increase in the value of the goods and services exported in the past quarter, down five percentage points from last quarter's net balance of net negative three per cent, which brought the result to the same level as recorded one year ago.

Looking forward, there was also a fall in the proportion of exporting SMEs expecting the value of their exports to increase over both the current quarter and the year ahead. In the short term, the proportion of SMEs expecting growth in the value of their exports for the coming quarter fell to net seven per cent. There was also a drop in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

New Zealand was the most popular destination for SME exports representing 34 per cent. Other strong results were seen for the United State at 29 per cent, United Kingdom at 26 per cent, with 13 per cent of SME exporters reporting exports to China. Some 20 per cent of exporting SMEs reported exporting to ASEAN nations, up one percentage point in the past quarter.



Value of exports - trends

	May 09	Aug 09	Nov 09	Feb 10	Aug 10
Last Quarter					
Experienced increase	17%	24%	15%	24%	18%
No change	57%	44%	50%	49%	56%
Experienced decrease	26%	32%	35%	27%	26%
*Net Balance	-9%	-8%	-20%	-3%	-8%
Current Quarter					
Expect increase	26%	27%	25%	31%	26%
No change	60%	54%	60%	59%	55%
Expect decrease	14%	18%	15%	10%	19%
*Net Balance	+12%	+9%	+10%	+21%	+7%
Next 12 months					
Expect increase	37%	43%	43%	51%	40%
No change	53%	49%	50%	40%	44%
Expect decrease	10%	8%	7%	9%	16%
*Net Balance	+27%	+35%	+36%	+42%	+24%

Base : Exported goods or services overseas in last three months
SOURCE: Sensis® Business Index
Sweeney Research – August 2010

* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Assessment of Federal Government policies

Key findings

Support among SMEs for the Federal Government fell further during the past quarter, down by one percentage point.

Last quarter (May to July 2010)

The net balance result of a negative 27 per cent approval rating represented a fall of a marginal one percentage point in the past quarter. The result comprised 12 per cent (down three percentage points) of SMEs supportive of the Federal Government’s small business policies, and 39 per cent (down two percentage points) felt their policies worked against small business.

Tasmania recorded the strongest levels of support among SMEs for the Federal Government’s policies, at net negative eight per cent. SMEs in Queensland were most critical of the Federal Government’s small business policies, where the net balance of SMEs felt the Federal Government’s policies supported small business was net negative 44 per cent. Support for the Federal Government’s policies by SMEs dropped in New South Wales, Queensland and the Australian Capital Territory, with SMEs in the Australian Capital Territory recording the largest fall in support in the past quarter, down 17 percentage points.

SMEs in regional areas were marginally more supportive of the Federal Government than their regional counterparts. Support levels from small businesses were very close to those of medium businesses with negative 27 per cent compared to negative 26 per cent.

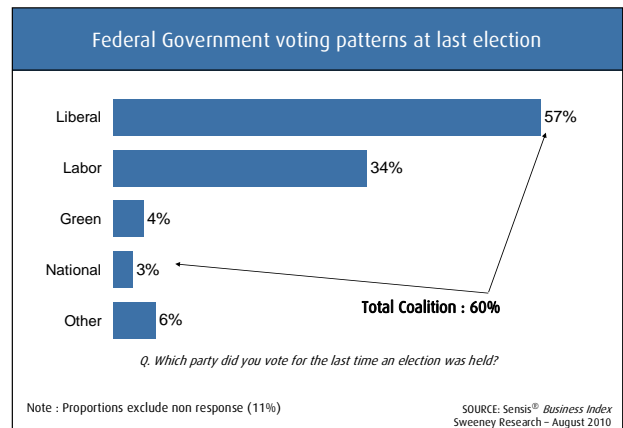
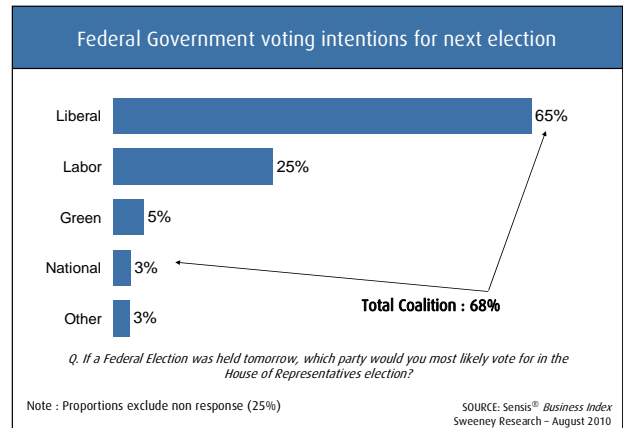
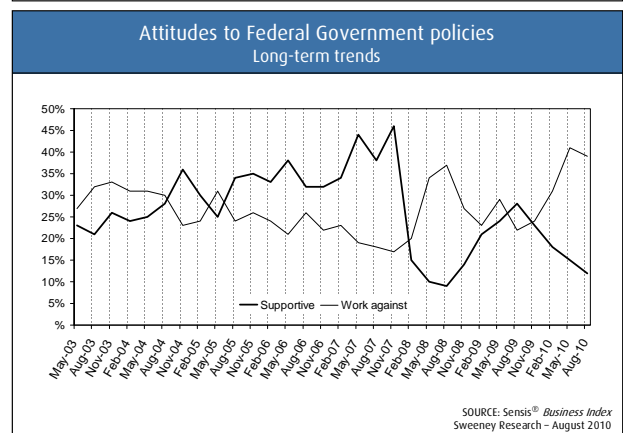
The key reasons SMEs gave for feeling the Federal Government’s policies worked against them included a view that there was too much bureaucracy and that the Government was only concerned with big businesses. SMEs were most likely to report their support stemming from a view that the Government was trying to help small businesses.

When asked about voting intentions for the upcoming Federal Election, SME operators had shifted their vote further towards the Federal Coalition. Some 68 per cent of SME operators that expressed a voting intention reported that they intend to vote for the Coalition, which was up from the 60 per cent that reported voting for the Coalition at the last election and with most of those switching having previously voted for the Labor Party. The main reasons for SME operators reporting that they were switching from Labor to the Coalition included that they had lost faith in Labor and that they were concerned over the level of waste.

Attitudes to Federal Government policies past five quarters					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
Supportive	28%	23%	18%	15%	12%
Work against	22%	24%	31%	41%	39%
No impact	49%	53%	51%	44%	49%
*Net Balance	+6%	-1%	-13%	-26%	-27%

Q. Thinking about the current Federal Government, do you believe that their policies are supportive of small business, work against small business or have no real impact either way?

SOURCE: Sensis® Business Index Sweeney Research – August 2010



* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Assessment of state and territory government policies

Key findings

The government in the Northern Territory was the most popular governments in Australia among all SMEs in the past quarter. The New South Wales Government was the least popular state or territory government among SMEs, being one of three state governments to record falling support levels this quarter.

Last quarter (May to July 2010)

With an increase in support levels this quarter, the Northern Territory Government recorded the highest approval rating from SMEs with a positive 15 per cent net balance.

The Northern Territory Government's result was an increase of nine percentage points from last quarter, which was the largest increase of any state or territory government. Small businesses cited a belief the Northern Territory Government was more supportive of small businesses and recognised they needed the support of small businesses to survive.

The largest fall in support levels was recorded for the Tasmanian Government, down five percentage points in the past quarter. Reasons given by SMEs for not feeling the Tasmanian government was supportive of small business included a view there were too many costs and charges, no incentives and too much bureaucracy.

The lowest level of support this quarter was again for the New South Wales Government, with support down a further two percentage points in the past quarter, to bring support levels to their lowest since November 2008. The New South Wales Government has recorded the lowest levels of support for 25 of the past 26 quarters. Concerns about a lack of incentives, a lack of faith in the Labor Government and too many taxes were the key reasons given by SMEs for feeling the government in New South Wales was not supportive of small business.

Attitudes to state or territory government policies August 2010								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	8%	18%	7%	11%	26%	15%	37%	10%
Work against	51%	26%	39%	35%	15%	31%	22%	28%
No impact	41%	56%	54%	54%	59%	54%	41%	62%
*Net Balance	-43%	-8%	-32%	-24%	+11%	-16%	+15%	-18%

Q. Thinking about the current State/Territory Government, do you believe that their policies are supportive of small business, work against small business or have no real impact either way?

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

Attitudes to state or territory government policies Trends in *net balance					
	Aug 09	Nov 09	Feb 10	May 10	Aug 10
New South Wales	-26%	-26%	-38%	-41%	-43%
Victoria	-2%	-11%	-15%	-7%	-8%
Queensland	-30%	-22%	-25%	-37%	-32%
South Australia	-16%	-19%	-34%	-30%	-24%
Western Australia	+7%	-1%	0%	+9%	+11%
Tasmania	-5%	-16%	-11%	-11%	-16%
Northern Territory	-1%	-1%	-10%	+6%	+15%
Australian Capital Territory	-9%	-2%	-21%	-18%	-18%

SOURCE: Sensis® Business Index
Sweeney Research – August 2010

* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

Sustainability

SME views on economic, social and environmental sustainability

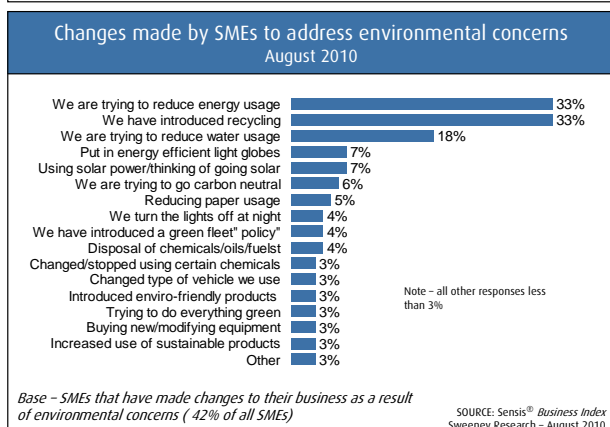
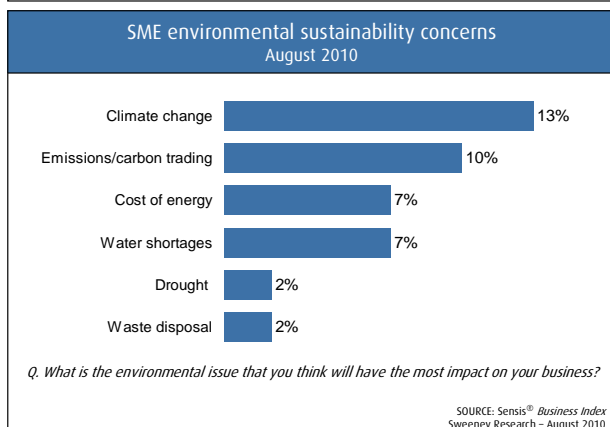
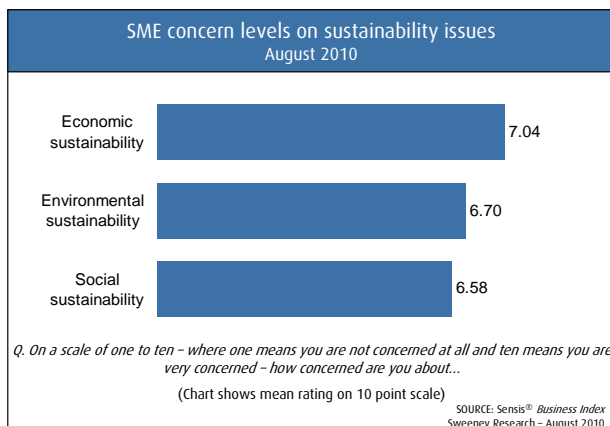
This quarter the Sensis® Business Index again asked Australia’s small and medium businesses about their views on some key sustainability issues, with sustainability defined as including environmental stewardship, social advancement and economic prosperity to support the needs of both the current and future generations.

In line with last quarter’s results, all three aspects of sustainability were considered relatively close in importance, with all three aspects having increased in importance over the past quarter. Examining the mean scores for each aspect on a scale of one to 10, economic sustainability was rated the highest at 7.04, up from 6.92 last quarter. This was slightly higher than social sustainability at 6.58 and environmental responsibility at 6.58. At a state and territory level, SMEs in Victoria recorded the highest average rating for economic sustainability at 7.22, with New South Wales recording the highest average rating for social sustainability at 6.84, and SMEs in South Australia recording the highest average rating for environmental sustainability at 7.24. This quarter all elements of sustainability increased, with the largest increase being environmental sustainability, which was up 0.23.

Looking at environmental sustainability, climate change remained the issue most likely to impact on businesses followed by emissions trading and the cost of energy and water shortages - overwhelmingly due to the increased cost base SMEs felt these issues would have on their business and the threat SMEs felt these issues posed to jobs. Emissions trading rose three percentage points to second position due to the concern over cost issues.

Overall, some 42 per cent of SMEs reported having made changes to their business as a result of environmental concerns, which was up one percentage point in the past quarter. The introduction of measures to reduce energy, as well as the introduction of recycling and water reduction measures were the most frequent changes reported. Some 19 per cent of SMEs reported producing products or services aimed at assisting environmental problems, which was up one percentage point in the past quarter. A further 15 per cent were considering doing this in the future, which was up four percentage points in the past quarter.

SMEs most likely to produce products or services aimed at assisting environmental problems were Western Australia, representing 25 per cents, closely followed by Tasmania with 24 per cent. SMEs in the building and construction sector, representing 39 per cent, were most likely to report producing environmental products or services followed by SMEs in the wholesale trade sector at 32 per cent.



Small and medium business outlook – national

- Confidence amongst Australia's SMEs recorded a small improvement, reversing one-third of last quarter's record fall.
- Perceptions of the current state of the economy showed little change, with SMEs equally split on the current economic direction, however future economic expectations were more optimistic.
- Performance in most key indicators rose marginally in the past quarter, with the exception of profitability, which continued to fall.
- In the short term, SMEs were expecting higher results for all indicators.
- For the year ahead expectations rose for all indicators, with the exception of prices which were marginally weaker.
- Support for the Federal Government's policies fell to a net negative 27 per cent, its lowest level since August 2008. Those that believed the Federal Government's policies worked against small business reported feeling there was too much bureaucracy and a perception that the Federal Government was more interested in larger businesses.

Trends in past three months' experience and current quarter expectations – national											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
						%	%	%	%	%	%
POSITIVE						54	65	67	64	56	58
NEGATIVE						24	15	15	15	25	21
*NET BALANCE						+30	+50	+52	+49	+31	+37
TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10	
SALES VALUE: INCREASE		34	36	32	29	27	47	38	40	36	46
DECREASE		34	32	34	40	37	11	17	14	20	13
NET BALANCE		0	+4	-2	-11	-10	+36	+21	+26	+16	+33
SIZE OF WORKFORCE: INCREASE		10	12	8	11	11	14	12	12	10	10
DECREASE		15	12	15	14	12	4	5	5	8	3
NET BALANCE		-5	+0	-7	-3	-1	+10	+7	+7	+2	+7
WAGES BILL: INCREASE		19	20	21	19	23	23	24	22	21	26
DECREASE		18	14	16	14	15	6	9	7	11	6
NET BALANCE		+1	+6	+5	+5	+8	+17	+15	+15	+10	+20
PRICES: INCREASE		18	18	20	18	18	19	18	24	24	27
DECREASE		8	7	7	8	6	3	4	4	5	2
NET BALANCE		+10	+11	+13	+10	+12	+16	+14	+20	+19	+25
PROFITABILITY: INCREASE		28	29	28	27	23	41	37	39	34	41
DECREASE		34	32	32	39	38	13	19	14	22	15
NET BALANCE		-6	-3	-4	-12	-15	+28	+18	+25	+12	+26
CAPITAL EXPENDITURE: INCREASE		29	19	23	21	21	23	21	19	20	18
DECREASE		26	28	24	30	28	28	26	32	33	27
NET BALANCE		+3	-9	-1	-9	-7	-5	-5	-13	-13	-9

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – New South Wales

- Despite a small increase, SMEs in New South Wales reported the lowest level of confidence in Australia.
- New South Wales SMEs saw higher performance in all indicators in the past quarter with the exception of profitability which declined, and capital expenditure which remained unchanged from the previous quarter?.
- For the coming quarter, SMEs in New South Wales were expecting increases in all indicators, with the exception of capital expenditure.
- For the coming quarter, SMEs in New South Wales recorded the lowest employment expectations of any state or territory.
- Support for the policies of the New South Wales Government among NSW SMEs recorded the lowest result of any state or territory, with the overall level of support down a further two percentage points in the past quarter.

Trends in past three months' experience and current quarter expectations – New South Wales											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
						%	%	%	%	%	%
POSITIVE						48	62	63	64	52	51
NEGATIVE						28	16	14	15	30	27
*NET BALANCE						+20	+46	+49	+49	+22	+24
TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10	
SALES VALUE:	INCREASE	34	34	29	28	28	48	31	34	34	44
	DECREASE	33	35	36	41	40	12	19	14	19	15
	NET BALANCE	+1	-1	-7	-13	-12	+36	+12	+20	+15	+29
SIZE OF WORKFORCE:	INCREASE	7	8	7	10	12	16	8	11	9	6
	DECREASE	17	14	17	17	13	3	4	4	14	5
	NET BALANCE	-10	-6	-10	-7	-1	+13	+4	+7	-5	+1
WAGES BILL:	INCREASE	19	11	17	19	24	21	16	17	15	20
	DECREASE	19	14	18	12	14	4	6	4	13	8
	NET BALANCE	0	-3	-1	+7	+10	+17	+10	+13	+2	+12
PRICES:	INCREASE	20	16	21	18	18	17	14	23	24	26
	DECREASE	5	5	8	10	7	3	5	8	7	2
	NET BALANCE	+15	+11	+13	+8	+11	+14	+9	+15	+17	+24
PROFITABILITY:	INCREASE	25	23	28	27	25	40	33	31	29	40
	DECREASE	33	36	32	38	42	14	21	14	25	15
	NET BALANCE	-8	-13	-4	-11	-17	+26	+12	+17	+4	+25
CAPITAL EXPENDITURE:	INCREASE	26	14	19	22	22	30	18	17	22	15
	DECREASE	28	31	23	30	30	25	29	31	28	27
	NET BALANCE	-2	-17	-4	-8	-8	+5	-11	-14	-6	-12

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – Victoria

- Victoria recorded the largest increase in business confidence among SMEs in the past quarter, which is now at the second highest level of any state or territory.
- SMEs in Victoria recorded the equal strongest views of the future direction of the Australian economy, along with those in Western Australia.
- Despite the increase in confidence, performance fell for employment and wage indicators with increases recorded for prices, capital expenditure and a modest rise in profitability levels in the past quarter, there was no change in the sales indicator.
- Victorian SMEs are expecting improvement in all indicators in the coming quarter.
- Victorian SMEs recorded the highest expectations for the coming quarter for sales, profitability and capital expenditure.
- SME support for the Victorian Government fell marginally during the past quarter.

Trends in past three months' experience and current quarter expectations – Victoria											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS		MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010				
		%	%	%	%	%	%				
POSITIVE		57	66	71	61	62	68				
NEGATIVE		22	14	16	15	21	14				
*NET BALANCE		+35	+52	+55	+46	+41	+54				
TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	37	36	37	32	29	48	41	42	38	51
	DECREASE	32	29	33	36	33	11	14	12	19	11
	NET BALANCE	+5	+7	+4	-4	-4	+37	+27	+30	+19	+40
SIZE OF WORKFORCE:	INCREASE	11	14	6	10	9	14	12	14	11	14
	DECREASE	13	8	15	9	9	3	4	5	5	2
	NET BALANCE	-2	+6	-9	+1	+0	+11	+8	+9	+6	+12
WAGES BILL:	INCREASE	22	22	24	20	22	25	29	27	26	29
	DECREASE	21	15	16	13	16	6	12	10	7	6
	NET BALANCE	+1	+7	+8	+7	+6	+19	+17	+17	+19	+23
PRICES:	INCREASE	14	14	19	16	19	16	14	23	25	26
	DECREASE	7	5	4	6	4	3	2	2	4	1
	NET BALANCE	+7	+9	+15	+10	+15	+13	+12	+21	+21	+25
PROFITABILITY:	INCREASE	35	31	34	28	24	46	37	47	37	46
	DECREASE	33	28	30	35	30	12	18	12	19	12
	NET BALANCE	+2	+3	+4	-7	-6	+34	+19	+35	+18	+34
CAPITAL EXPENDITURE:	INCREASE	34	20	21	22	22	19	21	24	26	22
	DECREASE	24	30	25	29	26	31	25	34	32	24
	NET BALANCE	+10	-10	-4	-7	-4	-12	-4	-10	-6	-2

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – Queensland

- Queensland recorded an increase in business confidence among SMEs this quarter on par with the national increase, with confidence remaining just below the national average.
- SMEs in Queensland again recorded the weakest views on the current state of the Australian economy.
- SMEs in Queensland reported increases in most performance indicators over the past quarter with the exception of prices and profitability, which both fell.
- SMEs in Queensland reported the lowest performance in sales, prices and profitability in the past quarter.
- SMEs in Queensland reported higher expectations for all indicators for the coming quarter compared to the previous quarter, with an unchanged expectation in employment the only exception.
- SME support for the Queensland Government increased during the past quarter, but remained the second lowest of any state or territory, behind New South Wales.

Trends in past three months' experience and current quarter expectations – Queensland											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
						%	%	%	%	%	%
POSITIVE						56	64	69	68	54	57
NEGATIVE						24	14	17	16	24	21
*NET BALANCE						+32	+50	+52	+52	+30	+36
TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	30	35	30	23	21	49	38	44	42	45
	DECREASE	37	34	37	48	39	11	19	19	19	13
	NET BALANCE	-7	+1	-7	-25	-18	+38	+19	+25	+23	+32
SIZE OF WORKFORCE:	INCREASE	12	14	10	12	12	15	15	13	12	10
	DECREASE	16	13	12	14	12	4	7	6	5	3
	NET BALANCE	-4	+1	-2	-2	+0	+11	+8	+7	+7	+7
WAGES BILL:	INCREASE	19	22	18	17	27	27	22	22	25	29
	DECREASE	17	14	17	21	17	6	11	10	10	5
	NET BALANCE	+2	+8	+1	-4	+10	+21	+11	+12	+15	+24
PRICES:	INCREASE	21	20	17	23	17	25	26	27	19	28
	DECREASE	13	11	10	9	10	2	5	3	6	1
	NET BALANCE	+8	+9	+7	+14	+7	+23	+21	+24	+13	+27
PROFITABILITY:	INCREASE	22	31	22	24	17	38	34	42	41	39
	DECREASE	38	35	38	47	42	13	20	16	24	19
	NET BALANCE	-16	-4	-16	-23	-25	+25	+14	+26	+17	+20
CAPITAL EXPENDITURE:	INCREASE	25	24	27	19	19	24	22	20	16	17
	DECREASE	25	25	26	31	25	26	25	32	39	24
	NET BALANCE	0	-1	+1	-12	-6	-2	-3	-12	-23	-7

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – South Australia

- South Australia recorded a small increase in business confidence among SMEs this quarter, with confidence remaining below the national average.
- SMEs in South Australia recorded higher performance for all indicators in the past quarter, with the only exception being capital expenditure, which fell.
- South Australia again recorded the highest proportion of SMEs that increased their prices on balance in the past quarter of any state or territory.
- SMEs in South Australia recorded increased expectations for all indicators for the coming quarter, however inflationary pressures in the state remained high with SMEs recording the highest expectations for prices and wages of any state or territory.
- SME support for the South Australian Government rose during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
						%	%	%	%	%	%
POSITIVE						52	67	66	66	53	53
NEGATIVE						19	15	14	14	26	23
*NET BALANCE						+33	+52	+52	+52	+27	+30
TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	27	40	39	21	29	43	41	41	37	41
	DECREASE	40	28	26	37	36	13	15	17	13	8
	NET BALANCE	-13	+12	+13	-16	-7	+30	+26	+24	+24	+33
SIZE OF WORKFORCE:	INCREASE	15	10	8	9	14	10	18	12	9	11
	DECREASE	14	8	16	13	11	2	1	2	5	2
	NET BALANCE	+1	+2	-8	-4	+3	+8	+17	+10	+4	+9
WAGES BILL:	INCREASE	18	31	33	21	28	24	35	27	19	33
	DECREASE	15	8	11	9	13	8	6	10	10	3
	NET BALANCE	+3	+23	+22	+12	+15	+16	+29	+17	+9	+30
PRICES:	INCREASE	18	29	32	16	26	26	24	20	25	30
	DECREASE	8	14	4	10	6	2	6	2	3	1
	NET BALANCE	+10	+15	+28	+6	+20	+24	+18	+18	+22	+29
PROFITABILITY:	INCREASE	24	37	34	19	22	43	39	40	34	34
	DECREASE	40	29	26	35	33	14	18	17	13	11
	NET BALANCE	-16	+8	+8	-16	-11	+29	+21	+23	+21	+23
CAPITAL EXPENDITURE:	INCREASE	35	21	31	27	20	14	22	20	21	25
	DECREASE	28	22	17	32	34	36	25	29	36	37
	NET BALANCE	+7	-1	+14	-5	-14	-22	-3	-9	-15	-12

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – Western Australia

- Western Australia recorded a solid rise in business confidence, which was above the national average among SMEs this quarter.
- SMEs in Western Australia recorded the equal strongest views of the future direction of the Australian economy, along with those in Victoria.
- Despite the increase in confidence, SMEs in Western Australia recorded decreased performance for all indicators in the past quarter, with the only exception being capital expenditure.
- Western Australian SMEs reported increased expectations for all indicators with the exception of prices, which fell.
- Support for the Western Australian Government by SMEs recorded a small increase during the past quarter to be the second highest of any state or territory.

Trends in past three months' experience and current quarter expectations – Western Australia											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
						%	%	%	%	%	%
POSITIVE						54	62	68	65	53	58
NEGATIVE						19	10	12	15	23	18
*NET BALANCE						+35	+52	+56	+50	+30	+40
TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10	
SALES VALUE:	INCREASE	38	39	26	36	25	40	50	51	28	45
	DECREASE	30	31	33	37	40	9	16	10	28	13
	NET BALANCE	+8	+8	-7	-1	-15	+31	+34	+41	+0	+32
SIZE OF WORKFORCE:	INCREASE	10	21	9	14	8	14	14	13	6	16
	DECREASE	16	15	11	17	12	6	8	6	5	2
	NET BALANCE	-6	+6	-2	-3	-4	+8	+6	+7	+1	+14
WAGES BILL:	INCREASE	13	29	19	19	18	24	35	20	22	26
	DECREASE	13	15	12	12	13	6	8	5	15	6
	NET BALANCE	0	+14	+7	+7	+5	+18	+27	+15	+7	+20
PRICES:	INCREASE	21	22	19	18	19	21	22	25	31	30
	DECREASE	9	5	4	4	6	3	6	2	2	3
	NET BALANCE	+12	+17	+15	+14	+13	+18	+16	+23	+29	+27
PROFITABILITY:	INCREASE	30	33	23	32	24	36	47	47	25	41
	DECREASE	33	28	31	38	39	11	12	13	29	18
	NET BALANCE	-3	+5	-8	-6	-15	+25	+35	+34	-4	+23
CAPITAL EXPENDITURE:	INCREASE	26	21	23	20	22	18	23	13	11	17
	DECREASE	22	28	27	31	26	28	26	32	36	35
	NET BALANCE	+4	-7	-4	-11	-4	-10	-3	-19	-25	-18

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – Tasmania

- Tasmania recorded a solid increase in business confidence among SMEs with confidence up nine percentage points in the state. This increase brought confidence in the state above the national average.
- Despite the increase in confidence, SMEs in Tasmania again recorded lower performance in the past quarter for all indicators.
- Tasmanian SMEs recorded the lowest performance for the past quarter for employment and wages.
- Tasmanian SMEs reported increases in expectations for all indicators for the coming quarter with the exception of capital expenditure, where expectations dropped.
- Tasmanian SMEs recorded the lowest expectations for the coming quarter for capital expenditure of any state or territory.
- Support for the Tasmanian Government's policies recorded the largest fall of any state or territory during the past quarter.

Trends in past three months' experience and current quarter expectations – Tasmania											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
						%	%	%	%	%	%
POSITIVE						53	69	76	66	55	64
NEGATIVE						21	9	10	14	21	21
*NET BALANCE						+32	+60	+66	+52	+34	+43
TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10	
SALES VALUE:	INCREASE	27	31	39	26	26	54	50	32	22	40
	DECREASE	39	26	29	40	42	11	7	18	22	18
	NET BALANCE	-12	+5	+10	-14	-16	+43	+43	+14	+0	+22
SIZE OF WORKFORCE:	INCREASE	11	7	12	5	5	11	12	9	3	9
	DECREASE	10	11	10	12	21	2	4	11	5	2
	NET BALANCE	+1	-4	+2	-7	-16	+9	+8	-2	-2	+7
WAGES BILL:	INCREASE	21	23	25	21	18	24	27	18	13	21
	DECREASE	17	8	13	14	17	6	5	14	10	10
	NET BALANCE	+4	+15	+12	+7	+1	+18	+22	+4	+3	+11
PRICES:	INCREASE	14	21	23	24	13	20	22	22	22	23
	DECREASE	3	3	4	7	5	2	3	2	6	1
	NET BALANCE	+11	+18	+19	+17	+8	+18	+19	+20	+16	+22
PROFITABILITY:	INCREASE	25	27	27	26	21	47	49	29	26	38
	DECREASE	34	29	25	42	40	11	6	20	26	21
	NET BALANCE	-9	-2	+2	-16	-19	+36	+43	+9	+0	+17
CAPITAL EXPENDITURE:	INCREASE	32	15	26	23	20	23	26	18	19	15
	DECREASE	28	27	28	33	33	32	21	34	39	37
	NET BALANCE	+4	-12	-2	-10	-13	-9	+5	-16	-20	-22

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – Northern Territory

- The Northern Territory recorded the highest level of confidence among SMEs, despite a small fall in confidence levels this quarter.
- SMEs in the Northern Territory recorded the strongest views on the current state of the Australian economy, but the weakest views of the future direction of the Australian economy.
- SMEs in the Northern Territory reported increases in all performance indicators with the exception of employment and prices, recording the highest results for sales, employment, wages, profitability and capital expenditure of any state or territory.
- SMEs in the Northern Territory reported decreases in expectations for the coming quarter for all indicators with the only exception being prices.
- SMEs in the Northern Territory recorded the lowest expectations among SMEs of any state or territory for the coming quarter for sales, wages, prices (equal with the Australian Capital Territory), and profitability.
- Support for the Northern Territory Government recorded the largest increase of any state or territory during the past quarter to be the highest of any state or territory.

Trends in past three months' experience and current quarter expectations – Northern Territory											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
						%	%	%	%	%	%
POSITIVE						65	72	79	77	68	70
NEGATIVE						17	12	10	11	11	14
*NET BALANCE						+48	+60	+69	+66	+57	+56
TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	44	31	24	34	45	32	28	55	40	31
	DECREASE	27	21	36	25	18	21	25	9	13	18
	NET BALANCE	+17	+10	-12	+9	+27	+11	+3	+46	+27	+13
SIZE OF WORKFORCE:	INCREASE	14	23	6	22	15	9	19	18	21	9
	DECREASE	10	13	19	14	10	3	4	2	4	5
	NET BALANCE	+4	+10	-13	+8	+5	+6	+15	+16	+17	+4
WAGES BILL:	INCREASE	22	30	27	25	29	10	18	25	28	16
	DECREASE	7	8	17	12	9	8	13	6	9	7
	NET BALANCE	+15	+22	+10	+13	+20	+2	+5	+19	+19	+9
PRICES:	INCREASE	22	18	15	21	17	22	17	26	22	23
	DECREASE	3	5	9	7	7	3	2	1	6	2
	NET BALANCE	+19	+13	+6	+14	+10	+19	+15	+25	+16	+21
PROFITABILITY:	INCREASE	37	28	20	29	33	31	24	53	39	31
	DECREASE	29	19	32	26	19	19	22	10	17	19
	NET BALANCE	+8	+9	-12	+3	+14	+12	+2	+43	+22	+12
CAPITAL EXPENDITURE:	INCREASE	27	26	20	21	22	20	27	22	27	14
	DECREASE	21	30	29	23	20	28	28	27	29	28
	NET BALANCE	+6	-4	-9	-2	+2	-8	-1	-5	-2	-14

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

Small and medium business outlook – Australian Capital Territory

- The Australian Capital Territory recorded the largest fall in business confidence among SMEs during the quarter. The 14 percentage point fall recorded in the Australian Capital Territory this quarter still saw confidence in the Territory remaining above the national average.
- In line with the sharp fall in confidence, SMEs in the Australian Capital Territory recorded decreases in performance in the past quarter for all performance indicators.
- The Australian Capital Territory recorded the lowest performance result for capital expenditure of any state or territory.
- Looking ahead, the Australian Capital Territory recorded the highest expectations for the current quarter for employment, but the equal lowest expectations for prices, equal with the Northern Territory.
- SMEs in the Australian Capital Territory reported increases in expectations for the coming quarter for sales, employment and profitability, with decreased expectations recorded for prices, and no change in wages and capital expenditure.
- Support for the Australian Capital Territory Government was unchanged during the quarter.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory											
						MAY 2009	AUG 2009	NOV 2009	FEB 2010	MAY 2010	AUG 2010
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	%
POSITIVE						50	66	65	75	67	63
NEGATIVE						23	12	17	7	10	20
*NET BALANCE						+27	+54	+48	+68	+57	+43
TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	MAY-JUL 09	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 09	NOV-JAN 09/10	FEB-APR 10	MAY-JUL 10	AUG-OCT 10	
	%	%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	32	36	29	41	35	49	45	49	40	48
	DECREASE	31	29	25	27	34	10	22	7	15	11
	NET BALANCE	+1	+7	+4	+14	+1	+39	+23	+42	+25	+37
SIZE OF WORKFORCE:	INCREASE	13	14	21	16	11	15	15	17	18	25
	DECREASE	13	8	12	15	21	1	5	4	3	5
	NET BALANCE	0	+6	+9	+1	-10	+14	+10	+13	+15	+20
WAGES BILL:	INCREASE	16	19	26	22	24	23	26	24	25	26
	DECREASE	16	18	17	17	21	8	9	5	9	10
	NET BALANCE	0	+1	+9	+5	+3	+15	+17	+19	+16	+16
PRICES:	INCREASE	16	16	17	23	19	21	25	18	26	22
	DECREASE	11	6	3	3	3	5	3	7	3	1
	NET BALANCE	+5	+10	+14	+20	+16	+16	+22	+11	+23	+21
PROFITABILITY:	INCREASE	26	30	28	32	26	42	40	44	38	41
	DECREASE	34	21	23	26	29	14	15	8	16	10
	NET BALANCE	-8	+9	+5	+6	-3	+28	+25	+36	+22	+31
CAPITAL EXPENDITURE:	INCREASE	25	19	29	18	16	20	17	21	15	18
	DECREASE	22	26	21	32	35	27	30	28	25	28
	NET BALANCE	+3	-7	+8	-14	-19	-7	-13	-7	-10	-10

* Net balance is defined as the difference between the percentage of small businesses reporting an increase and the percentage reporting a decrease.

How to obtain a copy of the Sensis® *Business Index*

Internet

The Sensis® *Business Index* reports are updated each quarter. Electronic copies of the reports can be accessed on the Sensis website at: www.about.sensis.com.au.

Sensis® *Business Index* "Special Reports"

Since the inception of the Sensis® *Business Index*, a range of Special Reports have been produced. Major reports include:

- Sensis® Environment Report – September 2007
- Teleworking - June 2005
- E-Business: The online experience of Australian SMEs – Annually since 1995
- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers Compensation and Workplace Safety – November 1998
- The Paper Work Burden on Small Business – October 1996
- Women in Business – July 1994 and February 1996
- Attitudes to Government – October 1994 and November 1995

Sensis® *Market Intelligence* products include commissioned research for corporate and government organisations on a variety of SME-based and other issues.

For further information please contact: Christena Singh
Author, Sensis® *Business Index*
Sensis Pty Ltd
Ph: (03) 8653 4896
businessindex@sensis.com.au

About Sensis:

Sensis is Australia's leading information resource. We make complex lives simpler by helping Australians find, buy and sell. Sensis delivers innovative and integrated search solutions via print, online, voice and wireless channels to connect Australians 24 hours a day, seven days a week. Our powerful, multi-channel portfolio provides an unparalleled local information source incorporating: the White Pages® and Yellow Pages® directories; the Citysearch® entertainment site; the Whereis® location and navigation database; sensis.com.au - the search engine for Australians; and, Sensis 1234, the operator-assisted, premium voice information service.

® and ™ Registered trademark and trademark of Telstra Corporation Ltd. Citysearch® and the Citysearch logo is a registered trade mark of CitySearch Australia Pty Ltd.