June 2011

Sensis® *Business Index-*
Small and Medium Enterprises

Sensis® *Business Index* - Small and Medium Enterprises

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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 June 2011 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 June 2011 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 29 April to 8 June 2011. The report covers experiences over the past three months (February to April 2011), and expectations for both the current quarter (May to July 2011) and the 12 months ending May 2012.

Location of business

	Total	Metro	Non-metro
New South Wales	300	240	60
Victoria	300	240	60
Queensland	300	165	135
South Australia	225	195	30
Western Australia	225	195	30
Tasmania	150	90	60
Northern Territory	150	90	60
Australian Capital Territory	150	150	-
Total	1800	1365	435

Division

Manufacturing	200
Building/Construction	250
Wholesale Trade	150
Retail Trade	250
Accommodation, Cafes and Restaurants	100
Transport/Storage	150
Finance and Insurance	100
Communication, Property and Business Services	300
Health and Community Services	150
Cultural, Recreational and Personal Services	150
Total	1800

Executive summary

This quarter saw a strong fall in the confidence levels of Australian SMEs, with the second largest fall recorded in the history of the Index. Current perceptions of the economy continued to fall, and SMEs were also more concerned about future economic conditions. The primary issue reported by SMEs this quarter continued to be a lack of work or sales, followed by the economic climate and cash flow. Some 30 per cent of SMEs reported they currently faced no problems at all, which has dropped sharply in the past quarter. In line with the drop in confidence there were also falls in the key performance indicators of sales and profitability, with a fall also recorded in wages. Marginal improvements were recorded in employment, which tends to be a lagging indicator, and capital expenditure, which still remains net negative overall. Expectations for the next quarter fell across all indicators, with expectations for the year ahead mostly down, with the exception of employment, where expectations for the medium-term were unchanged.

Support for the Federal Government fell sharply this quarter, with net support at its lowest level since the Keating Government. The state government in New South Wales was the most supported government by SMEs overall, with the Tasmanian State 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 fell strongly during the past quarter.
- The strongest level of business confidence was again recorded in the Australian Capital Territory, while South Australia recorded the lowest level of business confidence this quarter. Falling confidence was recorded in all states and territories. The largest fall in confidence was recorded in New South Wales following an improvement last quarter.
- Perceptions of the current state of the Australian economy recorded a further fall, with the proportion of SMEs that felt the economy was currently growing on balance down by 15 percentage points for each of the past two quarters. In addition, the proportion of SMEs which felt the economy would be better in a year's time also fell further during the past quarter.
- Key performance indicators for sales, profitability and wages fell in the last quarter, with small rises recorded in employment and capital expenditure, there was no change in the prices indicator in the past quarter.
- In the short term, SMEs were expecting deterioration across all indicators.
- For the year ahead, SMEs were expecting falls for all indicators with the exception of employment, where expectations were unchanged.
- A lack of work or sales remained the primary concern of SMEs this quarter, with no change in concern levels this quarter. This was followed by the economic climate and cash flow, which both rose in concern levels.
- Some 30 per cent of SMEs reported facing no problems in their business, down 11 percentage points in the past quarter.
- Support for the Federal Government's policies fell 16 percentage points in the past quarter. The key reasons SMEs gave for feeling that the Federal Government's policies worked against them included a view that there were no incentives for small businesses, that there were too many costs, too much bureaucracy, that government policies worked against small businesses as well as specifically citing the Federal Government's carbon tax policy this quarter.
- Following its recent election, the New South Wales Government rose to become the most supported state and territory government in Australia by SMEs. The Tasmanian Government recorded the lowest level of support for a state or territory government.

Small versus medium businesses

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

- Medium businesses were significantly more confident than small businesses by nine percentage points, with the gap between small and medium business confidence increasing by two percentage points in the past quarter.
- Despite businesses of all sizes recording declining views of the economy this quarter, medium businesses held much more positive views on the current state of the economy, as well as more positive views on where the economy would be in a year's time.
- Medium businesses recorded higher performance than small businesses for all indicators in the past quarter, with the exception of prices and capital expenditure, which were both higher for small businesses.
- Medium businesses were more likely than small businesses to be expecting increases across all indicators in the coming quarter.

Metropolitan versus regional

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

- There was only a small difference in confidence levels between metropolitan and regional SMEs, with confidence two percentage points higher in regional areas. In the case of metropolitan SMEs, having an established, experienced business was the most important factor for confidence, while regional SME's confidence was based on a view that they were providing necessary products and services.
- Metropolitan businesses were more positive than regional businesses about the current state of the Australian economy, however they were slightly more negative on where the economy will be in a year's time.
- Metropolitan businesses reported higher performance than regional businesses in employment, profitability and capital expenditure in the past quarter, with regional SMEs reporting higher performance in sales and wages.
- Metropolitan SMEs reporting higher expectations than regional SMEs for all indicators for the coming quarter, with the exception of prices, where regional SMEs reported higher expectations.
- Regional businesses were marginally more supportive of the Federal Government's policies.

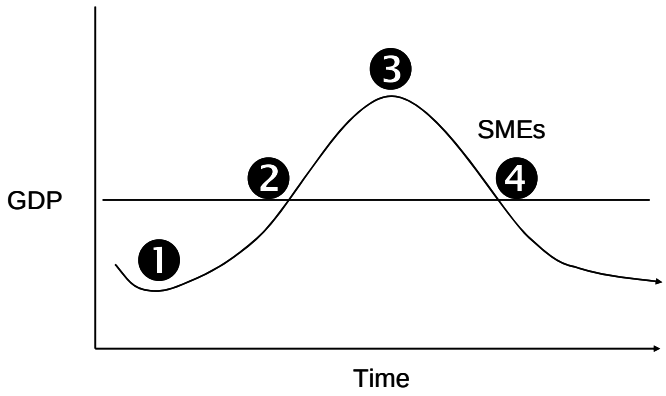
Industry sector trends

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.
- The building and construction sector recorded comparatively stronger performance, with the sector recording the strongest results in sales and profitability in the past quarter.
- The accommodation, café and restaurant sector experienced stronger inflationary pressures, recording the strongest performance in wages and prices, and also recording the strongest capital expenditure performance in the past quarter.
- The weakest performance in sales was recorded in the cultural, recreational and personal services sector in the past quarter, with the wholesale trade sector recording the weakest profitability performance.
- Looking ahead, the cultural, recreational and personal services sector recorded the strongest expectations for sales (equal with the transport and storage sector) and profitability in the coming quarter. The transport and storage sector also reported the highest expectations for capital expenditure, with the manufacturing sector reporting the strongest employment expectations.
- The building and construction sector was the least likely to be expecting to increase sales and capital expenditure in the coming quarter. The finance and insurance sector reported the lowest profitability expectations.
- The cultural, recreational and personal services sector was again the most supportive of the Federal Government's policies, with the finance and insurance sector again 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 potential 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 June 2011 Sensis® Business Index suggests that the confidence amongst SME operators is currently declining, with many reporting weakening trading conditions and lower perceptions of the economy. In conjunction with this, sales and profitability performance indicators fell this quarter, with SMEs anticipating further declines in the coming quarter and the year ahead. These latest results show that SMEs are currently experiencing a slow-down and are expecting further worsening in economic conditions.

Highlighted sections show the indicators relevant to SMEs for the June 2011 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	Rising 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

SME confidence in their own business prospects over the next 12 months

Key findings

The confidence level of Australian SMEs fell sharply in the past quarter, recording one of the largest falls in the history of the Index.

The key reasons SMEs gave for confidence stalling this quarter related to concerns about people not spending, a decrease in business and the general economic outlook. The main reasons given by those SMEs that remained confident included feeling established and experienced in their business operations and good customer relations.

Last quarter (February to April 2011)

SMEs recorded a 16 percentage point fall in business confidence levels dropping to a net balance of 28 per cent. This result comprises 55 per cent of businesses confident about their prospects for the year ahead and 27 per cent concerned.

This quarter's fall represents the second largest fall in the history of the Index, with the only larger fall being recorded exactly one year ago, when confidence fell 18 percentage points. The fall follows from last quarter's stalling in business confidence, and the result is three percentage points lower than at the same time last year.

The main reason businesses gave for feeling worried about their prospects related to a view that customers were not spending at the moment, as well as SMEs noting that there had been a decrease in business in the past quarter, and concerns about the general economic environment.

Those businesses that were confident indicated that they felt their business was established and experienced and that they felt they had good customer relations.

There are three key indicators which provide an overall assessment of SME confidence levels:

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

These results show a strong fall in business confidence coupled with a significant fall in views on the current and future state of the economy. The results this quarter reflect SMEs current concerns for the Australian economy, with the optimism seen during the last half of 2010 considerably damaged by weak consumer demand and economic conditions.

Overall confidence
June 2011

	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	12%	10%	12%
Fairly confident	42%	49%	43%
Neutral	18%	16%	18%
Fairly worried	20%	19%	20%
Extremely worried	8%	5%	7%
Total confident	54%	59%	55%
Total worried	28%	24%	27%
***Net Balance**	**26%**	**35%**	**28%**

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

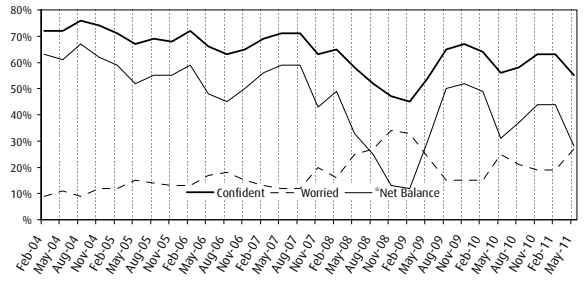
SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Confidence trends - past five quarters

	May 10	Aug 10	Nov 10	Feb 11	May 11
Extremely confident	9%	10%	15%	11%	12%
Fairly confident	47%	48%	49%	52%	43%
Neutral	20%	22%	17%	18%	18%
Fairly worried	20%	17%	16%	15%	20%
Extremely worried	5%	4%	3%	4%	7%
Total confident	56%	58%	63%	63%	55%
Total worried	25%	21%	19%	19%	27%
***Net Balance**	**+31%**	**+37%**	**+44%**	**+44%**	**+28%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Long term trends in confidence



SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

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

Confidence by state and territory, sector and size

Key findings

The highest level of business confidence in the past quarter was recorded again in the Australian Capital Territory, with the lowest level of confidence recorded in South Australia. Confidence fell in all states and territories, with the largest fall in New South Wales and the smallest fall in Queensland. There was only a small difference in confidence between metropolitan and regional SMEs in the past quarter. Confidence was again highest among SMEs in the health and community services sector, and lowest among SMEs in the transport and storage sector.

Last quarter (February to April 2011)

The highest confidence level was again recorded in the Australian Capital Territory. Falling confidence was recorded in all states and territories, with the largest fall in New South Wales. The smallest fall in confidence was recorded in Queensland, where confidence was down by four percentage points, following a 13 percentage point decrease last quarter in the wake of several natural disasters.

The health and community services sector recorded the highest confidence level, with confidence in the sector down four percentage points to a net 68 per cent. The lowest confidence level was recorded in the transport and storage sector, with a net balance of two per cent, down 56 percentage points in the past quarter, with SMEs in the sector noting significant levels of concern about the Australian economy. While confidence fell in all sectors, the smallest fall in confidence was recorded in the cultural, recreational and personal services sector, with the second highest level of confidence at 39 per cent.

There was little difference in confidence levels overall between SMEs in metropolitan and regional areas, with confidence in regional areas two percentage points higher. This quarter, the only states or territories where confidence was higher in metropolitan areas were Queensland, Tasmania and the Northern Territory. The only increases in confidence in the past quarter were recorded in metropolitan areas of Tasmania (up 24 percentage points) and Queensland (up 14 percentage points) and regional Western Australian (up nine percentage points, with the largest fall recorded in regional areas of the Northern Territory (down 41 percentage points).

Trends by state
*net balance

	May 10	Aug 10	Nov 10	Feb 11	May11
National	**31%**	**37%**	**44%**	**44%**	**28%**
New South Wales	22%	24%	36%	50%	20%
Victoria	41%	54%	59%	56%	39%
Queensland	30%	36%	41%	28%	24%
South Australia	27%	30%	39%	35%	16%
Western Australia	30%	40%	45%	37%	29%
Tasmania	34%	43%	37%	39%	23%
Northern Territory	57%	56%	52%	55%	33%
Australian Capital Territory	57%	43%	51%	62%	47%

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Metro and regional confidence
*net balance

	Metro	Regional	Total
National	**25%**	**27%**	**28%**
New South Wales	13%	35%	20%
Victoria	38%	42%	39%
Queensland	42%	10%	24%
South Australia	14%	23%	16%
Western Australia	22%	49%	29%
Tasmania	55%	5%	23%
Northern Territory	43%	17%	33%
Australian Capital Territory	47%	N/A	47%

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Confidence by business size

	Confident	Worried	*Net Balance
Total	**55%**	**27%**	**28%**
1-2 Employees	56%	23%	33%
3-4 Employees	52%	34%	18%
5-9 Employees	52%	35%	17%
10-19 Employees	57%	19%	38%
Total Small Business	**54%**	**28%**	**26%**
20-99 Employees	59%	25%	34%
100-199 Employees	59%	16%	43%
Total Medium Business	**59%**	**24%**	**35%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	55%	28%	27%
Building/Construction	53%	24%	29%
Wholesale Trade	50%	37%	13%
Retail Trade	48%	32%	16%
Transport/Storage	41%	39%	2%
Communication Property & Business Services	54%	26%	28%
Finance and Insurance	53%	36%	17%
Health and Community Services	79%	11%	68%
Cultural, Recreational and Personal	58%	19%	39%
Accommodation, Cafes and Restaurants	55%	31%	24%

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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 saw a further decline in SMEs perception of the current state of the economy, as well as a fall in expectations for the economy a year from now. Both of these indicators are now negative overall and at their lowest levels for two years.

Last quarter (February to April 2011)

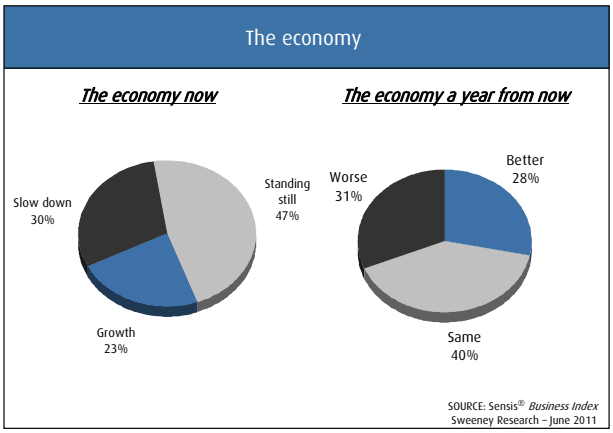
There was a fall of six percentage points in the proportion of SMEs that felt the economy was currently growing. Coupled with this was a nine percentage points increase in the proportion of SMEs who felt the economy was currently slowing, resulting in the proportion of businesses believing the Australian economy is currently growing now at a net balance of negative seven per cent. This was the second successive quarter to record a 15 percentage point fall in net perceptions of the economy now, and this indicator is now down six percentage points from the same time last year.

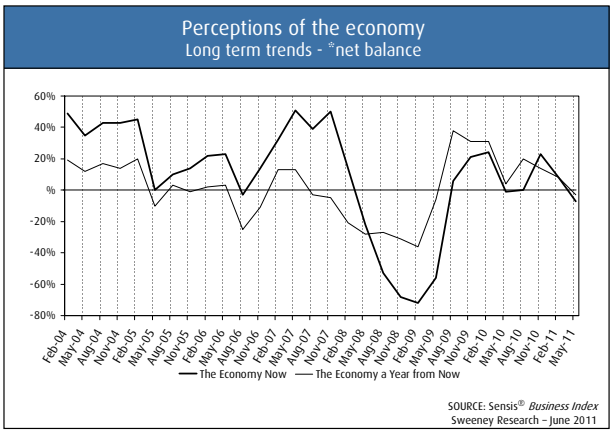
SMEs perceptions of the current state of the Australian economy were negative in most states and territories, with Victoria and the Australian Capital Territory the only exceptions.

The highest perceptions of the economy were recorded in the Australian Capital Territory and Victoria at a net positive 18 per cent each. SMEs in South Australia recorded the lowest perceptions on balance at net negative 29 per cent.

SMEs in all states and territories showed declining views of the economy in the past quarter, with the only exception being Tasmania, where perceptions were up by a marginal one percentage point. The strongest fall was recorded by SMEs in South Australia, which recorded a decrease of 35 percentage points in the past quarter.

In line with the decline shown in perceptions of the current state of the economy, there was also a fall for expectations for the economy for the year ahead. These were down 11 percentage points from last quarter's result, with net negative three per cent of SMEs believing the economy would be better in a year's time. The strongest expectations were recorded by SMEs in Victoria, with the weakest expectations held by SMEs in South Australia and the Australian Capital Territory.





Perceptions of the economy - trends

	May 10	Aug 10	Nov 10	Feb 11	May11
The economy now					
Growth	24%	22%	39%	29%	23%
Slowing	25%	22%	16%	21%	30%
***Net Balance**	**-1%**	**0%**	**+23%**	**+8%**	**-7%**
The economy a year from now					
Better	29%	36%	36%	33%	28%
Worse	25%	16%	22%	25%	31%
***Net Balance**	**+4%**	**+20%**	**+14%**	**+8%**	**-3%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	20%	36%	16%	12%	21%	20%	18%	33%
Slowing	38%	18%	32%	41%	25%	32%	29%	15%
***Net Balance**	**-18%**	**+18%**	**-16%**	**-29%**	**-4%**	**-12%**	**-11%**	**+18%**
The economy a year from now								
Better	30%	33%	23%	22%	24%	19%	30%	26%
Worse	35%	24%	32%	38%	32%	24%	30%	42%
***Net Balance**	**-5%**	**+9%**	**-9%**	**-16%**	**-8%**	**-5%**	**+0%**	**-16%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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

In line with lower confidence and perceptions of the economy, indicators for the year ahead were also down this quarter. Falls were recorded for all indicators for the coming year, with the only exception being employment, which was unchanged. The largest falls were recorded for sales and profitability.

Next 12 months (May 2011 to April 2012)

Sales expectations were down during the quarter to a net positive 35 per cent. This result comprised 52 per cent of SMEs that thought sales would rise in the next year, while 17 per cent expected a fall. SMEs in Victoria and South Australia recorded the strongest net sales expectations by state and territory for the year ahead, with a net balance result of 45 per cent each. The cultural, recreational and personal services sector recorded the strongest industry result with a net balance of 54 per cent, up one percentage point since last quarter. The building and construction sector remained at the other end of the scale with a net balance result of 14 per cent, down from 46 per cent last quarter.

Employment expectations for the year were unchanged at a net balance of 15 per cent. At a state and territory level Victoria recorded the highest results with a net balance of 23 per cent, up from 19 per cent last year. At an industry level the manufacturing sector recorded the strongest employment result at 21 per cent. The sector with the lowest employment expectations for the year ahead was the transport and storage sector with a net balance of zero per cent.

The total wages and salary costs expectations for the year ahead fell five percentage points during the quarter, with a net balance result of 32 per cent of SMEs expecting an increase. The strongest wage expectations for the year ahead were again recorded in Victoria (23 per cent, down 10 percentage points). The health and community services and manufacturing sectors were the industries expecting the greatest rise in wages over the next year (41 per cent each).

The selling price expectations for the year ahead also fell during the quarter, with a net balance of 33 per cent of SMEs expecting to increase the prices they charge over the year ahead, down nine percentage points. At the state and territory level the Australian Capital Territory recorded the strongest selling price expectations for the year ahead a net balance of 49 per cent. At an industry level the strongest price expectations for the year ahead were recorded in the health and community services sector at 54 per cent.

Profitability expectations fell by 10 percentage points to net 31 per cent in the past quarter. Victoria recorded the strongest profit expectations for the year ahead with a net balance result of 41 per cent. The lowest expectations were again in Tasmania with a net balance result of 10 per cent. At an industry level the cultural, recreational and personal services sector again recorded the strongest annual profit expectations with a net balance result of 58 per cent, up 10 percentage points.

Capital expenditure expectations for the year ahead fell this quarter to a net positive two per cent, down five percentage points. The strongest capital expenditure expectations for the next twelve months were recorded in the Australian Capital Territory (down four percentage points to 18 per cent).

Expectations on key indicators over the next 12 months

	Expect an increase	Expect a decrease	*Net Balance
Value of sales	52%	17%	+35%
Size of workforce	22%	7%	+15%
Wages bill	41%	9%	+32%
Prices charged	39%	6%	+33%
Profitability	50%	19%	+31%
Capital expenditure	30%	28%	+2%

SOURCE: Sensis® *Business Index* Sweeney Research – June 2011

Expectations on key indicators
Trends in *net balance

	May 10	Aug 10	Nov 10	Feb 11	May 11
Value of sales	34%	42%	42%	46%	35%
Size of workforce	12%	15%	17%	15%	15%
Wages bill	27%	36%	30%	37%	32%
Prices charged	40%	39%	32%	42%	33%
Profitability	29%	37%	38%	41%	31%
Capital expenditure	-3%	3%	3%	7%	2%

SOURCE: Sensis® *Business Index* Sweeney Research – June 2011

** 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 faced by SMEs in the latest survey, with no change in the proportion of SMEs reporting problems in this area in the past quarter. Some 30 per cent of SMEs reported they were currently facing no significant problems in their business.

Last quarter (February to April 2011)

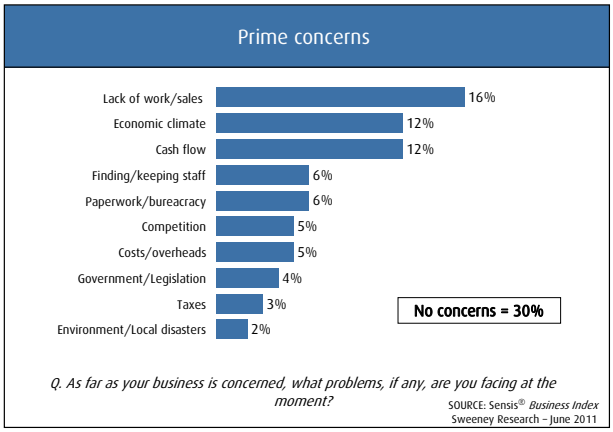
The proportion of SMEs reporting they were currently facing problems caused by a lack of work or sales was unchanged during the past quarter at 16 per cent, remaining the top concern facing SMEs in Australia for the 11th successive quarter. Reports of problems caused by a lack of work or sales were highest in Tasmania, where this problem was being reported by 27 per cent of SMEs, and lowest in the Northern Territory, where 12 per cent of SMEs reported difficulties in this area. SMEs in the wholesale trade sector were again most likely to report difficulties caused by a lack of work or sales this quarter.

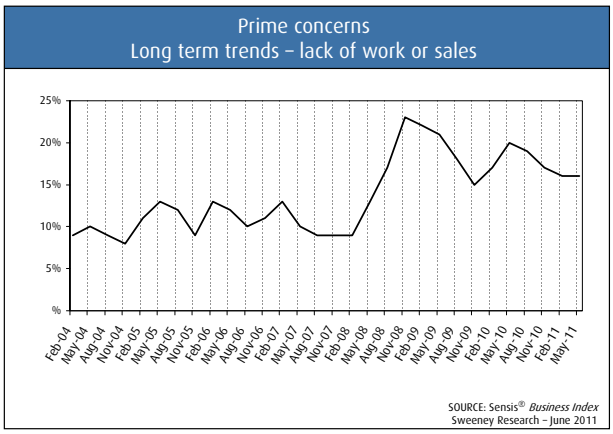
Overall, 12 per cent of SMEs nominated the economic climate as the main issue impacting their businesses, up three percentage points in the past quarter. Concern about the economic climate includes issues such as consumer confidence and spending levels, interest and exchange rate concerns, concerns about 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, with people not spending also causing problems for SMEs.

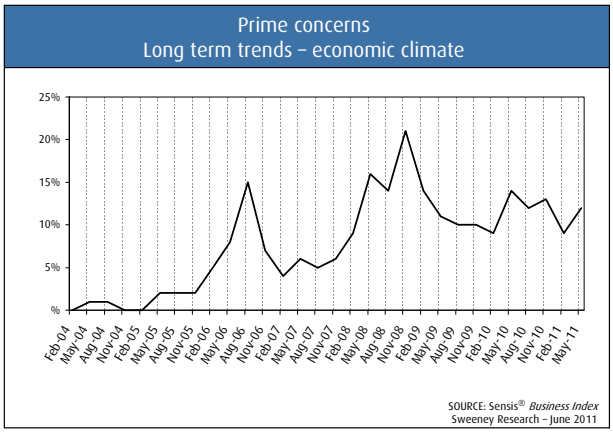
Equal with the economic climate in significance for SMEs was the problem of cash flow, with the proportion of SMEs reporting difficulties in this area up four percentage points to 12 per cent. Reports of difficulties with cash flow were highest in New South Wales, where this problem was being reported by 16 per cent of SMEs, and lowest in the Northern Territory, where eight per cent reported difficulties in this area. SMEs in the building and construction sector were most likely to report difficulties with cash flow this quarter.

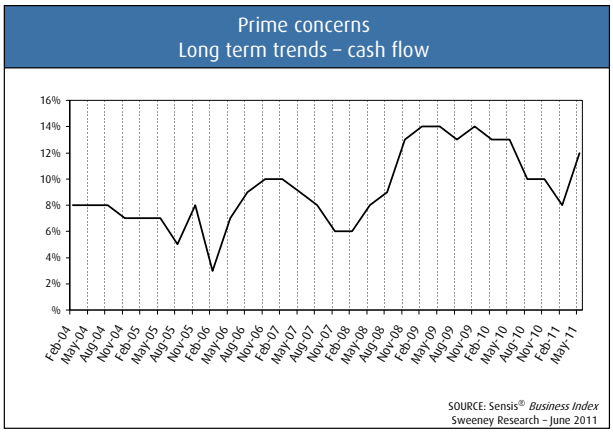
The proportion of SMEs reporting problems with finding and keeping staff was down one percentage point in the past quarter, with six per cent of SMEs currently reporting problems in this area.

Some 30 per cent of SMEs reported having no current problems in their business, down 11 percentage points in the past quarter. SMEs in Victoria were again most likely to report not currently having any problems in their business.









Sales

Key findings

The proportion of SMEs on balance reporting increased sales fell sharply for the second successive quarter, remaining in negative territory. SMEs were also expecting further deterioration in the coming quarter and the year ahead.

Last quarter (February to April 2011)

Sales performance recorded a net balance of negative 14 per cent for the quarter, down by seven percentage points from last quarter. This quarter's decline brings the sales indicator back to its lowest level in two years.

Sales performance varied significantly across the states and territories. While sales performance was net negative in all states and territories in the past quarter, SMEs in Victoria recorded the strongest sales performance, where a net negative three per cent experienced increasing sales. At the other end of the scale sales performance was lowest among SMEs in the Northern Territory, where a net negative 24 per cent of SMEs reported increasing sales.

Sales performance was also net negative for all industry sectors, with the strongest performance recorded in the building and construction sector, with a net balance of negative two per cent of SMEs having reported increasing sales. The cultural, recreational and personal services sector recorded the weakest industry performance, at net negative 33 per cent.

Current quarter (May to July 2011)

SMEs were expecting the situation with sales to deteriorate further in the coming quarter. Sales expectations for the current quarter recorded a fall of 11 percentage points from the previous quarter to a net positive 17 per cent.

Expectations for sales growth varied around Australia, with the strongest expectations recorded in the Northern Territory at net positive 28 per cent. The weakest sales expectations for the coming quarter were recorded in Tasmania, at a net negative 15 per cent.

On an industry basis, the strongest expectations for the current quarter were again recorded in the transport and storage and cultural, recreational and personal services sectors (net balance of 26 per cent each). The building and construction sector recorded the lowest level of expectations (net six per cent).

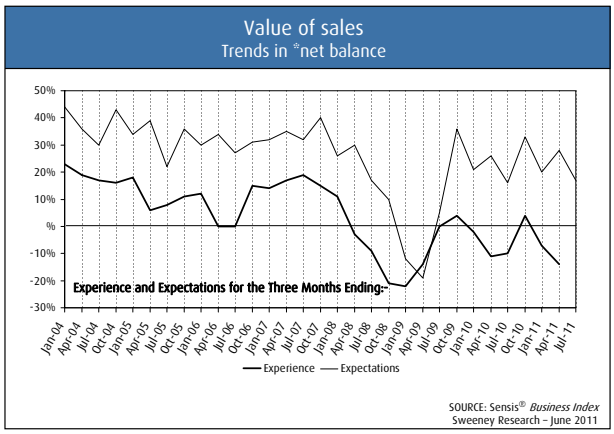
Next 12 months (May 2011 to April 2012)

Twelve-month sales expectations fell 11 percentage points to a net 35 per cent. The result comprised 52 per cent of SMEs believing sales will increase in the year ahead and 17 per cent believing they will fall. Sales expectations for the year ahead were highest in Victoria and South Australia at net 45 per cent, and lowest in Tasmania. The cultural, recreational and personal services sector recorded the strongest sales expectations for the year ahead up one percentage point to a net 54 per cent.

Value of sales

	May 10	Aug 10	Nov 10	Feb 11	May 11
Last Quarter					
Experienced increase	29%	27%	35%	29%	30%
No change	31%	36%	33%	35%	25%
Experienced decrease	40%	37%	31%	36%	44%
***Net Balance**	**-11%**	**-10%**	**+4%**	**-7%**	**-14%**
Current Quarter					
Expect increase	36%	46%	39%	44%	37%
No change	44%	41%	41%	40%	42%
Expect decrease	20%	13%	19%	16%	20%
***Net Balance**	**+16%**	**+33%**	**+20%**	**+28%**	**+17%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011



** 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 during the past quarter to become net positive overall again. Looking ahead, more SMEs were expecting employment to fall in the coming quarter, and with expectations unchanged for the year ahead.

Last quarter (February to April 2011)

The proportion of SMEs that increased employment during the past quarter rose slightly, with 12 per cent of SMEs reporting an increase during the past quarter. This compared to the 11 per cent of SMEs that reported declines. The resulting positive one per cent net balance was a rise of two percentage points this quarter.

At a state level the best performing region was Victoria at a net nine per cent. At the other end of the scale, New South Wales recorded a net balance result of negative four per cent.

A lack of work or sales remained the main barrier to taking on new employees, reported by 36 per cent of SMEs who believed barriers existed, up six percentage points in the past quarter. Those SMEs who had increased employment were overwhelmingly likely to have done so because their business was growing. The main reasons given for decreasing employment were due to economic conditions as well as leaving for other jobs.

Current quarter (May to July 2011)

Employment expectations for the current quarter were down two percentage points to a net positive four per cent. SMEs in Victoria recorded the strongest short-term employment expectations at a net balance of nine per cent. At the other end of the scale was Tasmania with a net balance result of negative three per cent.

Next 12 months (May 2011 to April 2012)

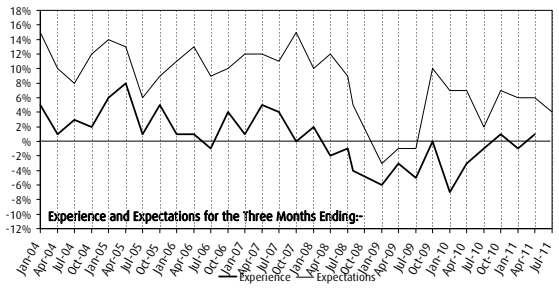
Employment expectations for the year ahead were unchanged at a net balance result of 15 per cent. The strongest expectations for the year ahead were recorded by SMEs in Victoria (net 23 per cent), with the weakest in Tasmania (net negative two per cent).

Size of workforce

	May 10	Aug 10	Nov 10	Feb 11	May 11
Last Quarter					
Experienced increase	11%	11%	12%	11%	12%
No change	75%	77%	77%	78%	77%
Experienced decrease	14%	12%	11%	12%	11%
***Net Balance**	**-3%**	**-1%**	**+1%**	**-1%**	**+1%**
Current Quarter					
Expect increase	10%	10%	13%	12%	11%
No change	82%	97%	79%	81%	82%
Expect decrease	8%	3%	7%	6%	7%
***Net Balance**	**+2%**	**+7%**	**+6%**	**+6%**	**+4%**

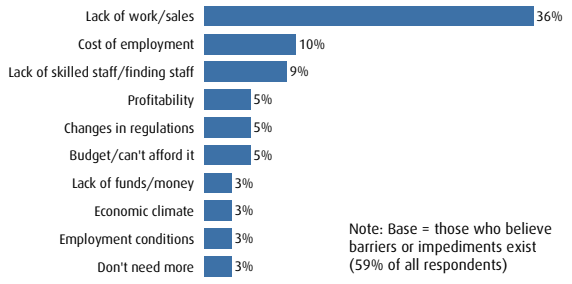
SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Size of workforce
Trends in *net balance



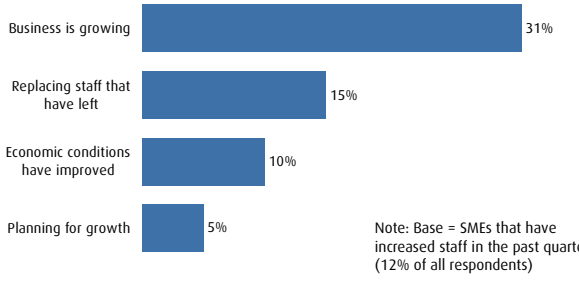
SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

What are the barriers to taking on new employees?
May 2011



SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Why SMEs have increased employment
May 2011



SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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 fall in the proportion of SMEs, on balance, reporting increased wages over the past quarter. In addition, the proportion of SMEs expecting increases in their wage bills for the short term and for the year ahead also both fell.

Last quarter (February to April 2011)

The most recent quarter saw a marginal fall in the proportion of SMEs reporting increased wage costs, with the performance result decreasing to a net positive six per cent.

During the quarter, 21 per cent of SMEs experienced a rise in total wage costs, while 15 per cent recorded a decline. SMEs in Western Australia recorded the highest net result in total wage costs (net 12 per cent), while the lowest wage pressures were recorded in New South Wales and Tasmania (net one per cent each). The strongest net result in total wage costs was again recorded in the accommodation, café and restaurant sector (net 21 per cent).

Current quarter (May to July 2011)

There was a marginal fall in the proportion of SMEs expecting increases in wages in the short term, with net expectations for total wage costs down one percentage point to a net 13 per cent for the current quarter. The highest wage expectations were in the Northern Territory, with a net balance of 22 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in Tasmania were least likely to be expecting an increase in their wages bill in the current quarter (net negative two per cent).

Next 12 months (May 2011 to April 2012)

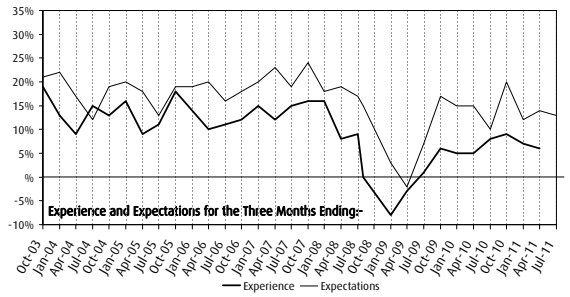
Expectations for total wage and salary costs for the coming year fell five percentage points during the quarter, with a net balance of 32 per cent of businesses expecting a rise in total wage costs in the year ahead. The SMEs most likely to be expecting increases to their wages bills were in Victoria at a net 38 per cent. SMEs in Tasmania were least likely to expect an increase in their total wages bill in the coming year (net 17 per cent).

Wages bill

	May 10	Aug 10	Nov 10	Feb 11	May 11
Last Quarter					
Experienced increase	19%	23%	22%	21%	21%
No change	67%	62%	62%	61%	60%
Experienced decrease	14%	15%	13%	14%	15%
***Net Balance**	**+5%**	**+8%**	**+9%**	**+7%**	**+6%**
Current Quarter					
Expect increase	21%	26%	23%	23%	23%
No change	68%	28%	63%	65%	65%
Expect decrease	11%	6%	11%	9%	10%
***Net Balance**	**+10%**	**+20%**	**+12%**	**+14%**	**+13%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Wages bill
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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 was unchanged during the past quarter. However, there were falls in the proportion of SMEs who were expecting to increase their prices in both the short and medium terms.

Last quarter (February to April 2011)

The proportion of SMEs who increased prices was unchanged during the quarter, at a net balance result of 10 per cent.

Of all states and territories, the strongest price trends were recorded by SMEs in South Australia, with a net balance of 18 per cent. The lowest results were recorded by SMEs in Queensland, with a net balance of negative two per cent. The strongest price rises were recorded in the accommodation, café and restaurant sector, with a net balance result of 25 per cent, up eight percentage points since last quarter. The weakest outcomes were recorded in the transport and storage sector, where the proportion of SMEs that increased their prices in the past quarter was at net negative nine per cent.

Current quarter (May to July 2011)

SME expectations for price rises in the short term fell six percentage points during the quarter to a net balance result of 14 per cent. SMEs in the Australian Capital Territory recorded the strongest price rise expectations, with a net balance result of 29 per cent, while New South Wales again recorded the weakest price rise expectations, with a net balance of six per cent.

Next 12 months (May 2011 to April 2012)

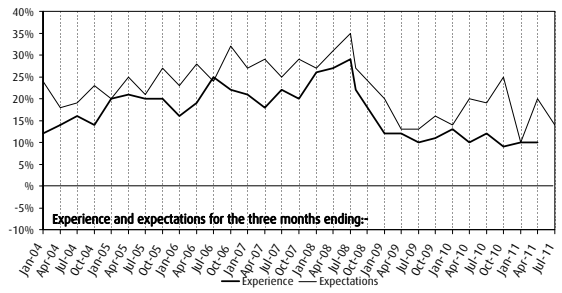
At a net balance of 33 per cent, expectations for price rises in the coming year also fell nine percentage points during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in the Australian Capital Territory (49 per cent), and the health and community services sector (54 per cent).

Prices charged

	May 10	Aug 10	Nov 10	Feb 11	May 11
Last Quarter					
Experienced increase	18%	18%	17%	18%	19%
No change	74%	76%	74%	73%	71%
Experienced decrease	8%	6%	8%	8%	9%
***Net Balance**	**+10%**	**+12%**	**+9%**	**+10%**	**+10%**
Current Quarter					
Expect increase	24%	27%	16%	23%	20%
No change	71%	71%	77%	73%	73%
Expect decrease	5%	2%	6%	3%	6%
***Net Balance**	**+19%**	**+25%**	**+10%**	**+20%**	**+14%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Prices charged
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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 improved slightly from last quarter but remained net negative overall. Investment expectations among SMEs were expected to fall for both the coming quarter and the year ahead.

Last quarter (February to April 2011)

SME performance in capital expenditure recorded a result of net negative seven per cent, an increase of two percentage points, however the improvement was not sufficient for capital expenditure to regain positive territory, resulting in the seventh successive quarter of net negative capital expenditure results.

The strongest results were recorded in the Australian Capital Territory, with a net balance result of positive two per cent, the only state or territory to record a net positive result. The lowest results were recorded in Tasmania, with a net balance result of negative 26 per cent. The accommodation, café and restaurant sector recorded the strongest capital expenditure performance (net positive 13 per cent). At the other end of the investment scale was the retail sector (negative 18 per cent).

Current quarter (May to July 2011)

Capital expenditure expectations fell for the coming quarter, at a net balance result of negative eight per cent. Capital expenditure expectations for the current quarter remained net negative in all states and territories. The highest expectations were recorded by SMEs in New South Wales at a net negative three per cent. The weakest result was recorded by SMEs in Tasmania with a net balance of negative 24 per cent.

Next 12 months (May 2011 to April 2012)

Capital expenditure expectations for the year ahead were also down during the quarter, with a net positive two per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down five percentage points. Capital expenditure expectations were highest for SMEs in the Australian Capital Territory (net 18 per cent) and in the accommodation, cafes and restaurant sector (net 15 per cent).

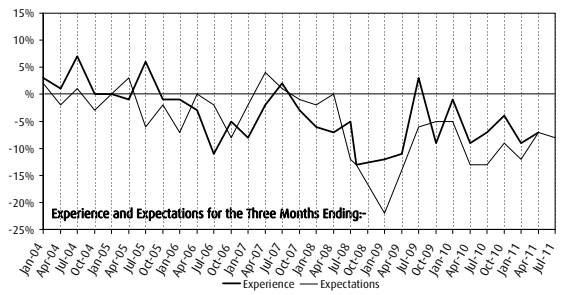
SMEs ability to access finance is critical for capital expenditure and growth. When looking at the ability to access finance, SMEs were more likely to feel it was relatively difficult on balance, with 17 per cent feeling it is currently relatively easy, compared to 44 per cent who felt it was relatively difficult. This resulted in a net decline of eight percentage points in the past quarter, bringing this indicator to its lowest level since measurement commenced in February 2010.

Capital expenditure

	May 10	Aug 10	Nov 10	Feb 11	May 11
Last Quarter					
Experienced increase	21%	21%	20%	17%	19%
No change	49%	51%	51%	53%	51%
Experienced decrease	30%	28%	24%	26%	26%
***Net Balance**	**-9%**	**-7%**	**-4%**	**-9%**	**-7%**
Current Quarter					
Expect increase	20%	18%	17%	18%	19%
No change	47%	55%	51%	54%	49%
Expect decrease	33%	27%	29%	25%	27%
***Net Balance**	**-13%**	**-9%**	**-12%**	**-7%**	**-8%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

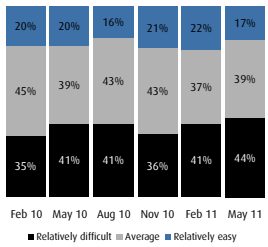
Capital expenditure
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Ease of accessing finance

Trends



By business size (May 2011)

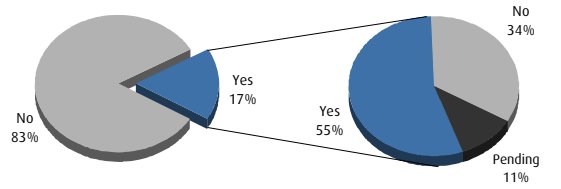
	Easy	Difficult	*Net Balance
Total	**17%**	**44%**	**-27%**
1-2 Employees	20%	41%	-21%
3-4 Employees	13%	47%	-34%
5-9 Employees	17%	52%	-35%
10-19 Employees	14%	35%	-21%
Total Small Business	**17%**	**44%**	**-27%**
20-99 Employees	15%	39%	-24%
100-199 Employees	19%	35%	-16%
Total Medium Business	**15%**	**39%**	**-24%**

Q. Thinking about the lending practices of financial institutions to businesses, do you think it is currently…?

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Success in accessing finance
May 2011

Tried to access finance? ***Successful?***



Q. Have you tried to access finance for your business in the past quarter?
Q. Were you successful?

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

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

Profitability

Key findings

Profitability performance weakened during the past quarter, remaining net negative overall. In addition, SMEs were expecting weaker profitability in both the coming quarter, and for the year ahead.

Last quarter (February to April 2011)

Profitability performance recorded a net balance result of negative 14 per cent for the past quarter. This result was down four percentage points from the previous quarter. Profitability remained net negative, with more SMEs having experienced a decrease in profitability than an increase in the past quarter. Profitability has been net negative overall for SMEs for more than three years, with the last net positive profitability result recorded in February 2008.

Across Australia the strongest profit experience was reported by SMEs in Victoria with a net balance result of zero per cent, with no states or territories recording a net positive result overall. The weakest performance was recorded in Tasmania at net negative 33 per cent. The strongest industry performance was recorded in the building and construction sector with a net balance result of positive one per cent. The weakest profitability performance was again recorded in the wholesale trade sector (net negative 37 per cent).

Current quarter (May to July 2011)

Profitability expectations for the current quarter fell 13 percentage points to positive 12 per cent. At a state and territory level, the strongest expectations were recorded by SMEs in the Northern Territory with a net balance of 23 per cent. The weakest state or territory was Tasmania with a net balance result of negative 26 per cent.

By industry, the cultural, recreational and personal services sector recorded the strongest short-term profit expectations with a net balance result of 27 per cent. The finance and insurance sector recorded the weakest expectations with a net balance result of negative three per cent.

Next 12 months (May 2011 to April 2012)

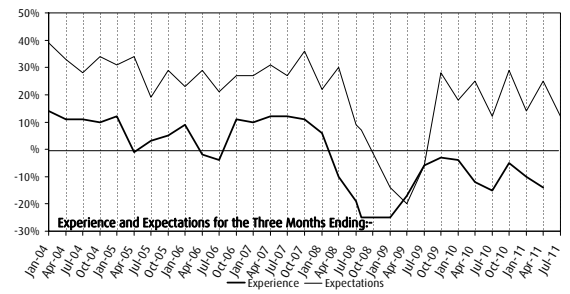
Profitability expectations for the year ahead fell during the quarter to a net balance result of 31 per cent, down 10 percentage point in the past quarter. The strongest profit expectations were recorded by SMEs in Victoria (net 41 per cent), with the weakest expectations recorded in Tasmania (net 10 per cent).

Profitability

	May 10	Aug 10	Nov 10	Feb 11	May 11
Last Quarter					
Experienced increase	27%	23%	28%	26%	27%
No change	35%	39%	38%	38%	31%
Experienced decrease	39%	38%	33%	36%	41%
***Net Balance**	**-12%**	**-15%**	**-5%**	**-10%**	**-14%**
Current Quarter					
Expect increase	34%	41%	35%	41%	35%
No change	44%	44%	43%	43%	41%
Expect decrease	22%	15%	21%	16%	23%
***Net Balance**	**+12%**	**+26%**	**+14%**	**+25%**	**+12%**

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

Profitability
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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 reported to be exporting increased marginally this quarter however the value of exports fell in the past quarter, with SMEs expecting further deterioration in both the short and medium terms.

Last quarter (February to April 2011)

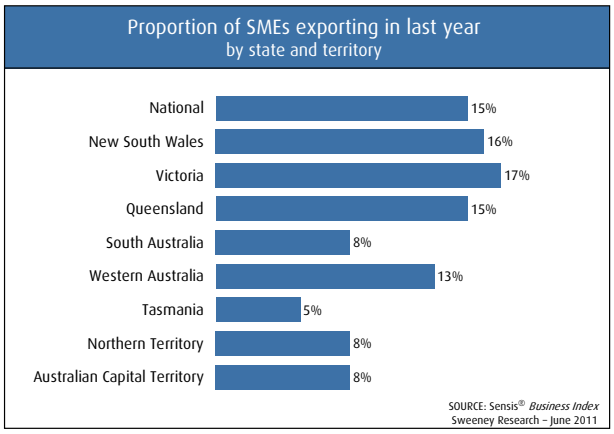
Fifteen per cent of SMEs reported exporting in the past quarter, up one percentage point from the previous quarter. Only Victoria, Tasmania and the Australian Capital Territory reported a decline in the proportion of exporting SMEs. Increases were recorded in all other states and territories. Victoria recorded the highest proportion of exporting SMEs in Australia in the past quarter despite a slight fall in the past quarter.

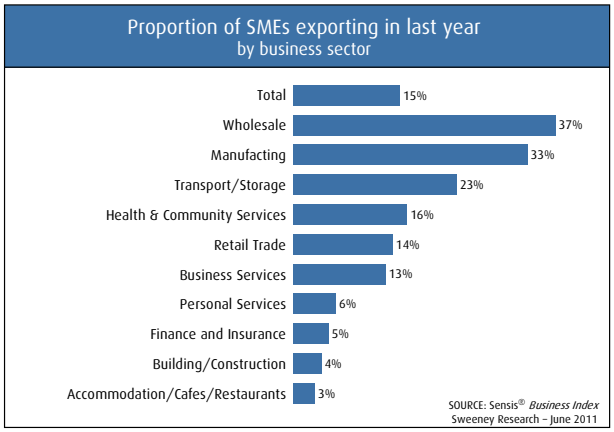
SMEs in metropolitan areas were over twice as likely to export as their regional counterparts (18 per cent compared to seven per cent). SMEs in the wholesale trade sector were most likely to have exported in the past quarter.

Despite the increase in the proportion of SMEs exporting, this quarter saw a decline in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of negative two per cent reported an increase in the value of the goods and services exported in the past quarter, down eight percentage points from last quarter's net balance of net positive six per cent however marginally higher than the level recorded one year ago.

Looking forward, there were large falls 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 negative one per cent. There was also a 21 percentage point fall 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 (36 per cent). Other strong results were seen for the United Kingdom at 28 per cent, the United States at 26 per cent, with 14 per cent of SME exporters reporting exports to Singapore. Some 26 per cent of exporting SMEs reported exporting to ASEAN nations, down two percentage points in the past quarter.





Value of exports - trends

	May 10	Aug 10	Nov 10	Feb 11	May 11
Last Quarter					
Experienced increase	24%	18%	18%	31%	23%
No change	49%	56%	51%	44%	52%
Experienced decrease	27%	26%	30%	25%	25%
***Net Balance**	**-3%**	**-8%**	**-12%**	**+6%**	**-2%**
Current Quarter					
Expect increase	31%	26%	23%	37%	23%
No change	59%	55%	60%	49%	53%
Expect decrease	10%	19%	17%	14%	24%
***Net Balance**	**+21%**	**+7%**	**+6%**	**+23%**	**-1%**
Next 12 months					
Expect increase	51%	40%	40%	52%	35%
No change	40%	44%	43%	37%	49%
Expect decrease	9%	16%	17%	12%	16%
***Net Balance**	**+42%**	**+24%**	**+23%**	**+40%**	**+19%**

Base : Exported goods or services overseas in last three months

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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 declined sharply during the past quarter to bring this indicator to its lowest level since February 1996, when the Keating Government was in power federally.

Last quarter (February to April 2011)

The net balance result of a negative 41 per cent approval rating represented a drop of 16 percentage points in the past quarter. The result comprised seven per cent (down four percentage points) of SMEs supportive of the Federal Government's small business policies, and 48 per cent (up 12 percentage points) felt their policies worked against small business.

The Northern Territory again recorded the strongest levels of support among SMEs for the Federal Government's policies, at net negative 16 per cent. SMEs in South Australia were most critical of the Federal Government's small business policies, with the net balance of SMEs reporting that the Federal Government's policies for small business were net negative 37 per cent. The largest falls in support levels for the Federal Government were from SMEs in New South Wales and Victoria, where the net result was down by 21 percentage points in each state. SMEs in the Northern Territory were the only ones to record an increase in support levels for the Federal Government over the past quarter.

SMEs in regional areas were marginally more supportive of the Federal Government than their metropolitan counterparts. Support levels from small businesses were lower than those of medium businesses (negative 41 per cent compared to negative 25 per cent).

The key reasons SMEs gave for feeling that the Federal Government's policies worked against them included a view that there were no incentives for small businesses, that there were too many costs, too much bureaucracy, that government policies worked against small businesses as well as specifically citing the Federal Government's carbon tax policy this quarter. SMEs that felt supportive were most likely to report their support stemming from a view that they were more interested in small businesses and that they were trying to help small businesses and that they offered incentives to small businesses.

In line with views on the Federal Government this quarter, SMEs held similar views on the latest Federal Budget, with only seven per cent feeling it would have a positive impact, compared to 41 per cent that felt it would have a negative impact.

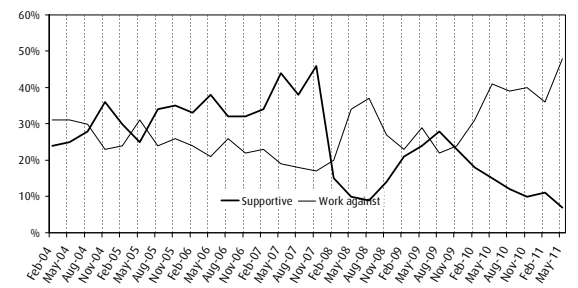
Attitudes to Federal Government policies past five quarters

	May 10	Aug 10	Nov 10	Feb 11	May11
Supportive	15%	12%	10%	11%	7%
Work against	41%	39%	40%	36%	48%
No impact	44%	49%	50%	53%	44%
***Net Balance**	**-26%**	**-27%**	**-30%**	**-25%**	**-41%**

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 – June 2011

Attitudes to Federal Government policies
Long-term trends



SOURCE: Sensis® *Business Index* Sweeney Research – June 2011

** 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

Following a recent change of government, the New South Wales State Government moved from being the least supported last quarter to be the most popular state or territory government among SMEs. With a further decline in support this quarter, the Tasmanian Government was the least supported by SMEs, with the Tasmanian Government recording the largest fall in support levels.

Last quarter (February to April 2011)

After recording the lowest levels of support from SMEs for 27 of the past 28 quarters, a change in government brought the recently elected New South Wales Government to the top ranking, recording the highest approval rating from SMEs with a positive 18 per cent net balance.

The New South Wales Government's result was an increase of 67 percentage points from last quarter. SMEs cited the fact that the New South Wales Government was new, a view that they had a better understanding of small business needs and a feeling amongst SME operators in the state that the Liberal Party traditionally supported small businesses as the key reasons for their support.

In a relatively positive quarter for state and territory governments, three other governments also recorded net positive approval ratings from SMEs, with New South Wales closely followed by the Victorian Government at positive 16 per cent, the Northern Territory Government at net positive 14 per cent and the Western Australian Government at a net positive two per cent.

The lowest level of support this quarter was for the Tasmanian Government, with support down 19 percentage points in the past quarter, with support levels remaining at their lowest level recorded in the history of the Sensis® *Business Index*. Views that the government did not understand the needs of small business and that there were no incentives for small businesses were the key reasons given by SMEs for feeling the Government in Tasmania was not supportive of small business, with SMEs in the state also citing concerns about large businesses being favoured, not having faith in the Labor Government, and a view that the government was being manipulated by The Greens as also impacting their support levels.

Declines in support levels were also recorded for the state governments in Queensland and South Australia, with no change recorded for support from SMEs in the Australian Capital Territory in the past quarter.

Attitudes to state or territory government policies
May 2011

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	31%	29%	9%	5%	23%	4%	35%	16%
Work against	13%	13%	42%	43%	21%	43%	21%	30%
No impact	56%	58%	49%	52%	56%	53%	44%	55%
*Net Balance	+18%	+16%	-33%	-38%	+2%	-39%	+14%	-14%

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 – June 2011

Attitudes to state or territory government policies
Trends in *net balance

	May 10	Aug 10	Nov 10	Feb 11	May11
New South Wales	-41%	-43%	-46%	-49%	+18%
Victoria	-7%	-8%	-21%	+1%	+16%
Queensland	-37%	-32%	-36%	-28%	-33%
South Australia	-30%	-24%	-36%	-36%	-38%
Western Australia	+9%	+11%	+10%	-3%	+2%
Tasmania	-11%	-16%	-21%	-20%	-39%
Northern Territory	+6%	+15%	0%	+3%	+14%
Australian Capital Territory	-18%	-18%	-20%	-14%	-14%

SOURCE: Sensis® *Business Index*
Sweeney Research – June 2011

** 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

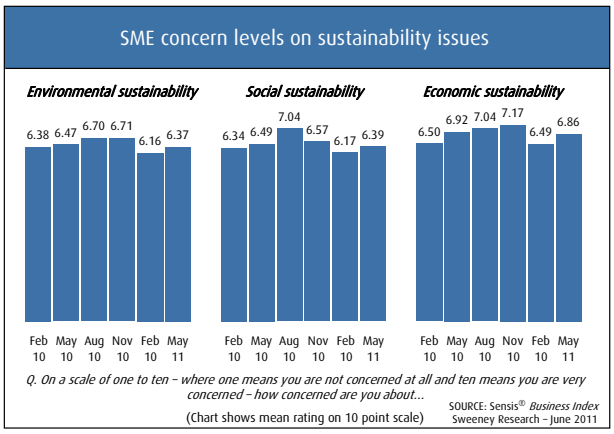
As part of our continuing focus on sustainability, the Sensis® *Business Index* again asked Australia's small and medium businesses about their views on some key sustainability issues, with sustainability defined as including environmental stewardship, social advancement and economic prosperity to support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

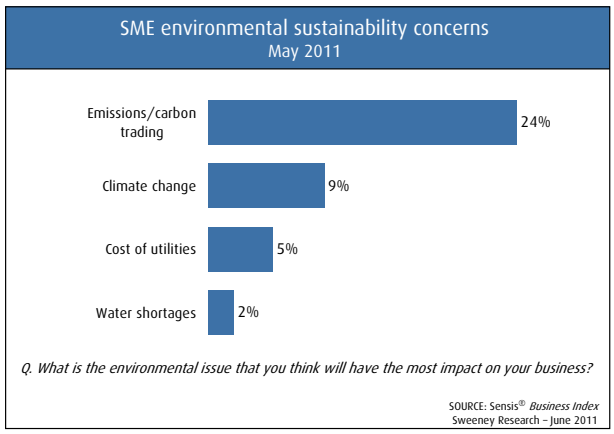
In line with previous results, all three aspects of sustainability were considered relatively close in importance. The concern levels of all aspects of sustainability increased over the past quarter. Examining the mean scores for each aspect on a scale of one to 10, economic sustainability was rated the highest at 6.86, up from 6.49 in the previous quarter. This was higher than social sustainability at 6.39 and environmental sustainability at 6.37. On a state and territory basis, SMEs in New South Wales recorded the highest average rating for economic sustainability (7.22), with SMEs in Tasmania recording the highest average rating for social sustainability (6.66) and SMEs in the Australian Capital Territory recording the highest average rating for environmental sustainability (6.53). This quarter all elements of sustainability rose with the largest rise being that recorded for economic sustainability (up 0.37), and the smallest rise that recorded for environmental sustainability (up 0.21).

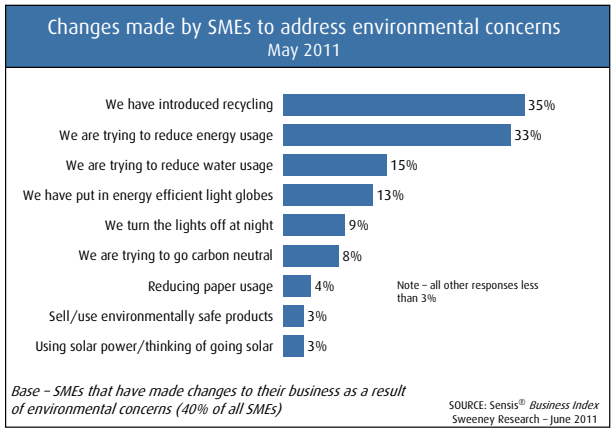
Looking at environmental sustainability, carbon trading was the issue most likely to impact on businesses, followed by climate change and the cost of utilities. Carbon trading was cited as the main environmental concern by SMEs because of the increased cost base and the threat that these issues posed to employment.

Overall, some 40 per cent of SMEs reported having made changes to their business as a result of environmental concerns, which was down two percentage points in the past quarter. The introduction of recycling and the introduction of measures to reduce energy usage were the most frequent changes reported. Some 16 per cent of SMEs reported producing products or services aimed at assisting environmental problems, which was down one percentage point in the past quarter. A further 10 per cent were considering doing this in the future, which was also down one percentage point in the past quarter.

SMEs in Tasmania were most likely to report that they were producing products or services aimed at assisting environmental problems (21 per cent), closely followed by the Northern Territory and the Australian Capital Territory (19 per cent each). SMEs in the transport and storage sector were most likely to report producing environmental products or services (28 per cent) followed by SMEs in the cultural, recreational and personal services sector (23 per cent).







SME views on the carbon debate

SMEs reported very high levels of awareness over the proposed plans by the Federal Government to put a price on carbon, with 98 per cent reporting that they were aware of this. Not surprisingly, considering that when the survey was conducted deliberations on the final proposal were still underway, relatively few SMEs reported that they had a thorough understanding of the proposal, with most SMEs (51 per cent) reporting that they felt they had a partial understanding of the policy.

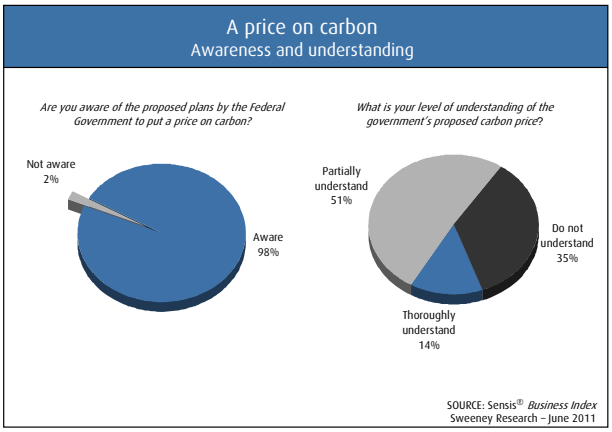
Despite this, SMEs held very strong views on the Federal Government's proposal, with 64 per cent reporting that they disagreed with it. A clear majority of SMEs disagreed with the proposal in all states and territories, with the strongest disagreement levels recorded in New South Wales and Queensland (69 per cent each). SMEs in the Australian Capital Territory were most likely to agree with the proposal (39 per cent).

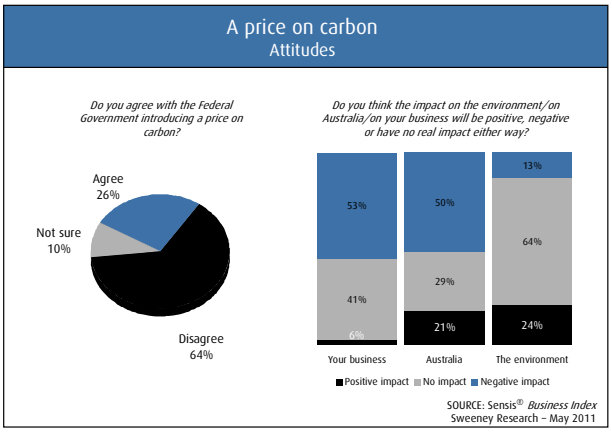
SMEs were also asked what they thought the impact of the Federal Government's proposal would be on the environment, on Australia and on their business. Just under one-quarter of SMEs (24 per cent) felt that the proposal would have a positive impact on the environment, with 13 per cent disagreeing and 64 per cent unsure.

When looking at the impact on Australia, Just over one in five (21 per cent) of SMEs felt that the impact would be positive, compared to 50 per cent that felt it would be negative and 29 per cent that were unsure on what the impact would be.

When asked about the impact on their business, only six per cent of SMEs felt that there would be a positive impact, with 53 per cent reporting a negative impact, and 41 per cent unsure.

When asked why SMEs felt that the impact on their business would be negative, the overwhelming response was because of the increased costs the policy would cause, with this reason being cited by 78 per cent of SMEs that felt the impact would be negative. Lesser reasons for feeling there would be a negative impact included that it would lower consumer demand for their products, and that it would have a negative impact on the Australian economy, with these reasons each being cited by 11 per cent of SMEs that felt the Federal Government's proposal would have a negative impact on their businesses. Of those SMEs that felt the proposal would have a negative impact on their business, some nine per cent reported that they would look at closing their business, with six per cent reporting that they would look at modifying their products and services.





Small and medium business outlook – national

- Confidence among Australia's SMEs fell sharply in the past quarter.
- Perceptions of the current state of the economy recorded a strong fall, and future economic expectations were also more pessimistic.
- Performance in sales, profitability and wages fell in the past quarter, with small increases in employment and capital expenditure and no change in prices performance.
- In the short term, SMEs were expecting lower results for all indicators.
- For the year ahead, expectations also deteriorated with falls expected for all indicators except employment where expectations were unchanged.
- Support for the Federal Government's policies fell to a net negative 41 per cent. Those that believed the Federal Government's policies worked against small business cited views that there were no incentives for small businesses, that there were too many costs, too much bureaucracy, that government policies worked against small businesses as well as specifically citing the Federal Government's carbon tax policy this quarter.

Trends in past three months' experience and current quarter expectations National

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	64	56	58	63	63	55
NEGATIVE	15	25	21	19	19	27
*NET BALANCE	+49	+31	+37	+44	+44	+28

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	29	27	35	29	30	36	46	39	44	37
	DECREASE	40	37	31	36	44	20	13	19	16	20
	NET BALANCE	-11	-10	+4	-7	-14	+16	+33	+20	+28	+17
SIZE OF WORKFORCE:	INCREASE	11	11	12	11	12	10	10	13	12	11
	DECREASE	14	12	11	12	11	8	3	7	6	7
	NET BALANCE	-3	-1	+1	-1	+1	+2	+7	+6	+6	+4
WAGES BILL:	INCREASE	19	23	22	21	21	21	26	23	23	23
	DECREASE	14	15	13	14	15	11	6	11	9	10
	NET BALANCE	+5	+8	+9	+7	+6	+10	+20	+12	+14	+13
PRICES:	INCREASE	18	18	17	18	19	24	27	16	23	20
	DECREASE	8	6	8	8	9	5	2	6	3	6
	NET BALANCE	+10	+12	+9	+10	+10	+19	+25	+10	+20	+14
PROFITABILITY:	INCREASE	27	23	28	26	27	34	41	35	41	35
	DECREASE	39	38	33	36	41	22	15	21	16	23
	NET BALANCE	-12	-15	-5	-10	-14	+12	+26	+14	+25	+12
CAPITAL EXPENDITURE:	INCREASE	21	21	20	17	19	20	18	17	18	19
	DECREASE	30	28	24	26	26	33	27	29	25	27
	NET BALANCE	-9	-7	-4	-9	-7	-13	-9	-12	-7	-8

* 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

- With the largest fall in the nation more than reversing last quarter's strong rise, New South Wales reported concerns about the general economic environment and the carbon tax as reasons for their falling confidence.
- New South Wales SMEs saw lower performance in all performance indicators in the past quarter.
- SMEs in New South Wales recorded the lowest employment performance for the past quarter of any state or territory.
- For the coming quarter, SMEs in New South Wales were expecting decreases in all indicators, with the exception of wages, where expectations increased, and capital expenditure, where there was no change in expectations.
- For the coming quarter, SMEs in New South Wales recorded the highest capital expenditure expectations and the lowest prices expectations of any state or territory.
- Support for the policies of the New South Wales Government among NSW SMEs recorded the highest result of any state or territory, with the overall level of support increasing dramatically following the recent election and change of government.

Trends in past three months' experience and current quarter expectations
New South Wales

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	64	52	51	59	66	51
NEGATIVE	15	30	27	23	16	31
*NET BALANCE	+49	+22	+24	+36	+50	+20

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	28	28	34	32	28	34	44	36	44	37
	DECREASE	41	40	32	30	48	19	15	24	18	21
	NET BALANCE	-13	-12	+2	+2	-20	+15	+29	+12	+26	+16
SIZE OF WORKFORCE:	INCREASE	10	12	14	13	7	9	6	8	13	9
	DECREASE	17	13	12	13	11	14	5	12	7	8
	NET BALANCE	-7	-1	+2	+0	-4	-5	+1	-4	+6	+1
WAGES BILL:	INCREASE	19	24	20	20	14	15	20	20	21	22
	DECREASE	12	14	16	10	13	13	8	16	7	5
	NET BALANCE	+7	+10	+4	+10	+1	+2	+12	+4	+14	+17
PRICES:	INCREASE	18	18	17	21	21	24	26	13	15	16
	DECREASE	10	7	9	8	9	7	2	10	4	10
	NET BALANCE	+8	+11	+8	+13	+12	+17	+24	+3	+11	+6
PROFITABILITY:	INCREASE	27	25	27	31	27	29	40	30	42	35
	DECREASE	38	42	37	30	39	25	15	25	13	26
	NET BALANCE	-11	-17	-10	+1	-12	+4	+25	+5	+29	+9
CAPITAL EXPENDITURE:	INCREASE	22	22	16	17	16	22	15	16	21	20
	DECREASE	30	30	24	22	23	28	27	33	24	23
	NET BALANCE	-8	-8	-8	-5	-7	-6	-12	-17	-3	-3

* 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 a fall in business confidence among SMEs in the past quarter, with SMEs concerned about people not spending money. Despite the fall, confidence remained well above the national average.
- SMEs in Victoria recorded the equal highest views, along with the Australian Capital Territory, of the current state of the Australian economy, and the strongest expectations on the future direction of the economy of any state or territory.
- Performance rose in employment, wages, prices and capital expenditure in the past quarter, with a fall recorded in sales and no change in profitability.
- Victorian SMEs recorded the highest performance in sales, employment and profitability in the past quarter of any state or territory. This is the third successive quarter where Victoria has recorded the strongest sales performance.
- Victorian SMEs are reported lower expectations in sales, profitability and prices for the coming quarter with increases expected for employment, wages and capital expenditure.
- SMEs in Victoria recorded the highest employment expectations for the coming quarter of any state or territory.
- SME support for the Victorian State Government increased further during the past quarter remaining the second most supported state government by SMEs in Australia.

Trends in past three months' experience and current quarter expectations Victoria

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	61	62	68	73	71	60
NEGATIVE	15	21	14	14	15	21
*NET BALANCE	+46	+41	+54	+59	+56	+39

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	32	29	36	34	33	38	51	48	44	41
	DECREASE	36	33	26	30	36	19	11	15	12	17
	NET BALANCE	-4	-4	+10	+4	-3	+19	+40	+33	+32	+24
SIZE OF WORKFORCE:	INCREASE	10	9	11	7	16	11	14	17	11	14
	DECREASE	9	9	7	9	7	5	2	3	7	5
	NET BALANCE	+1	+0	+4	-2	+9	+6	+12	+14	+4	+9
WAGES BILL:	INCREASE	20	22	22	21	23	26	29	27	23	27
	DECREASE	13	16	10	14	12	7	6	6	11	11
	NET BALANCE	+7	+6	+12	+7	+11	+19	+23	+21	+12	+16
PRICES:	INCREASE	16	19	13	15	19	25	26	19	26	23
	DECREASE	6	4	5	7	4	4	1	4	3	4
	NET BALANCE	+10	+15	+8	+8	+15	+21	+25	+15	+23	+19
PROFITABILITY:	INCREASE	28	24	32	28	33	37	46	46	42	39
	DECREASE	35	30	28	28	33	19	12	18	15	18
	NET BALANCE	-7	-6	+4	+0	+0	+18	+34	+28	+27	+21
CAPITAL EXPENDITURE:	INCREASE	22	22	20	17	24	26	22	20	15	20
	DECREASE	29	26	24	27	25	32	24	27	26	28
	NET BALANCE	-7	-4	-4	-10	-1	-6	-2	-7	-11	-8

* 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 the smallest fall in business confidence among SMEs this quarter, with confidence levels remaining below the national average and SMEs reporting concerns about people not spending money.
- SMEs in Queensland reported increases in sales, wages, profitability and capital expenditure over the past quarter with falls recorded for employment and prices performance.
- SMEs in Queensland reported the lowest performance in prices in the past quarter of any state or territory.
- SMEs in Queensland reported higher expectations for sales, profitability and capital expenditure for the coming quarter, with lower expectations recorded for employment, wages and prices.
- SME support for the Queensland State Government fell during the past quarter.

Trends in past three months' experience and current quarter expectations Queensland

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	68	54	57	61	53	55
NEGATIVE	16	24	21	20	25	31
*NET BALANCE	+52	+30	+36	+41	+28	+24

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	23	21	33	17	28	42	45	29	40	40
	DECREASE	48	39	34	52	48	19	13	21	23	20
	NET BALANCE	-25	-18	-1	-35	-20	+23	+32	+8	+17	+20
SIZE OF WORKFORCE:	INCREASE	12	12	13	13	14	12	10	15	11	7
	DECREASE	14	12	14	13	15	5	3	7	3	9
	NET BALANCE	-2	+0	-1	+0	-1	+7	+7	+8	+8	-2
WAGES BILL:	INCREASE	17	27	23	20	29	25	29	22	22	20
	DECREASE	21	17	11	22	20	10	5	12	7	15
	NET BALANCE	-4	+10	+12	-2	+9	+15	+24	+10	+15	+5
PRICES:	INCREASE	23	17	17	14	13	19	28	11	21	21
	DECREASE	9	10	9	8	15	6	1	4	3	4
	NET BALANCE	+14	+7	+8	+6	-2	+13	+27	+7	+18	+17
PROFITABILITY:	INCREASE	24	17	23	15	22	41	39	27	34	36
	DECREASE	47	42	36	54	51	24	19	24	26	25
	NET BALANCE	-23	-25	-13	-39	-29	+17	+20	+3	+8	+11
CAPITAL EXPENDITURE:	INCREASE	19	19	21	13	17	16	17	13	16	20
	DECREASE	31	25	23	31	27	39	24	26	24	24
	NET BALANCE	-12	-6	-2	-18	-10	-23	-7	-13	-8	-4

* 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 further decline in business confidence among SMEs this quarter, with confidence now the lowest of any state or territory and SMEs reporting concerns about people not spending money.
- SMEs in South Australia recorded the weakest views of the current state of the Australian economy, and the equal weakest views of the future direction of the Australian economy, along with those in the Australian Capital Territory.
- SMEs in South Australia recorded lower performance for sales, employment, wages and capital expenditure, with the only performance indicator to increase being prices in the past quarter.
- South Australia recorded the highest proportion of SMEs that increased their prices on balance in the past quarter.
- SMEs in South Australia recorded higher expectations for employment for the coming quarter, however falls were expected for all other indicators.
- SME support for the South Australian State Government dropped during the quarter.

Trends in past three months' experience and current quarter expectations South Australia

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	66	53	53	61	57	48
NEGATIVE	14	26	23	22	22	32
*NET BALANCE	+52	+27	+30	+39	+35	+16

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	21	29	31	26	31	37	41	43	53	37
	DECREASE	37	36	37	36	44	13	8	16	11	17
	NET BALANCE	-16	-7	-6	-10	-13	+24	+33	+27	+42	+20
SIZE OF WORKFORCE:	INCREASE	9	14	4	11	13	9	11	12	13	15
	DECREASE	13	11	10	9	16	5	2	9	11	8
	NET BALANCE	-4	+3	-6	+2	-3	+4	+9	+3	+2	+7
WAGES BILL:	INCREASE	21	28	18	23	25	19	33	22	30	27
	DECREASE	9	13	15	13	19	10	3	11	11	12
	NET BALANCE	+12	+15	+3	+10	+6	+9	+30	+11	+19	+15
PRICES:	INCREASE	16	26	21	15	26	25	30	25	41	25
	DECREASE	10	6	12	12	8	3	1	7	2	3
	NET BALANCE	+6	+20	+9	+3	+18	+22	+29	+18	+39	+22
PROFITABILITY:	INCREASE	19	22	27	19	25	34	34	37	48	37
	DECREASE	35	33	34	36	41	13	11	18	10	19
	NET BALANCE	-16	-11	-7	-17	-16	+21	+23	+19	+38	+18
CAPITAL EXPENDITURE:	INCREASE	27	20	29	22	16	21	25	19	19	21
	DECREASE	32	34	20	23	29	36	37	22	19	29
	NET BALANCE	-5	-14	+9	-1	-13	-15	-12	-3	+0	-8

* 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 fall in business confidence among SMEs this quarter, however, the fall was lower than average resulting in confidence amongst SMEs in the state now being above the national average. SMEs in Western Australia reported concerns about economic instability and people not spending money.
- SMEs in Western Australia recorded increased performance for employment, wages and capital expenditure in the past quarter, with falls recorded for sales, profitability and prices.
- SMEs in Western Australia were the most likely to report increased wages on balance than any other state or territory.
- Western Australian SMEs reported lower expectations for the coming quarter for all key indicators.
- Support for the Western Australian State Government by SMEs rose during the past quarter to be one of four governments with a net positive rating from SMEs.

Trends in past three months' experience and current quarter expectations Western Australia

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	65	53	58	63	60	55
NEGATIVE	15	23	18	18	23	26
*NET BALANCE	+50	+30	+40	+45	+37	+29

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	36	25	40	29	32	28	45	41	42	28
	DECREASE	37	40	32	40	45	28	13	15	14	23
	NET BALANCE	-1	-15	+8	-11	-13	+0	+32	+26	+28	+5
SIZE OF WORKFORCE:	INCREASE	14	8	14	9	11	6	16	12	10	11
	DECREASE	17	12	9	13	13	5	2	4	4	9
	NET BALANCE	-3	-4	+5	-4	-2	+1	+14	+8	+6	+2
WAGES BILL:	INCREASE	19	18	27	20	24	22	26	26	20	20
	DECREASE	12	13	10	12	12	15	6	7	9	15
	NET BALANCE	+7	+5	+17	+8	+12	+7	+20	+19	+11	+5
PRICES:	INCREASE	18	19	22	20	18	31	30	23	27	22
	DECREASE	4	6	8	6	9	2	3	4	2	4
	NET BALANCE	+14	+13	+14	+14	+9	+29	+27	+19	+25	+18
PROFITABILITY:	INCREASE	32	24	33	26	23	25	41	43	40	31
	DECREASE	38	39	32	42	48	29	18	16	16	25
	NET BALANCE	-6	-15	+1	-16	-25	-4	+23	+27	+24	+6
CAPITAL EXPENDITURE:	INCREASE	20	22	23	14	23	11	17	17	17	15
	DECREASE	31	26	28	29	29	36	35	32	26	38
	NET BALANCE	-11	-4	-5	-15	-6	-25	-18	-15	-9	-23

* 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 fall in business confidence among SMEs, with confidence below the national average.
- SMEs in Tasmania recorded lower performance in the past quarter for sales, profitability, capital expenditure, wages and prices, with employment the only performance indicator to increase.
- SMEs in Tasmania reported the lowest performance results for wages, along with NSW, profitability and capital expenditure of any state or territory.
- Tasmanian SMEs reported falls in expectations for all indicators for the coming quarter.
- Tasmanian SMEs recorded the lowest expectations for the coming quarter for all indicators of any state or territory, with the only exception being prices, where lower expectations were recorded in New South Wales.
- Support for the Tasmanian State Government's policies fell sharply during the past quarter, becoming the least supported state or territory government by SMEs.

Trends in past three months' experience and current quarter expectations Tasmania

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	66	55	64	57	57	50
NEGATIVE	14	21	21	20	18	27
*NET BALANCE	+52	+34	+43	+37	+39	+23

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	26	26	35	30	25	22	40	34	37	18
	DECREASE	40	42	36	39	45	22	18	15	19	33
	NET BALANCE	-14	-16	-1	-9	-20	+0	+22	+19	+18	-15
SIZE OF WORKFORCE:	INCREASE	5	5	15	9	9	3	9	10	12	3
	DECREASE	12	21	6	12	9	5	2	4	9	6
	NET BALANCE	-7	-16	+9	-3	+0	-2	+7	+6	+3	-3
WAGES BILL:	INCREASE	21	18	22	20	15	13	21	20	23	15
	DECREASE	14	17	12	16	14	10	10	9	13	17
	NET BALANCE	+7	+1	+10	+4	+1	+3	+11	+11	+10	-2
PRICES:	INCREASE	24	13	20	20	19	22	23	21	26	16
	DECREASE	7	5	4	8	8	6	1	1	4	7
	NET BALANCE	+17	+8	+16	+12	+11	+16	+22	+20	+22	+9
PROFITABILITY:	INCREASE	26	21	24	23	19	26	38	30	29	15
	DECREASE	42	40	32	39	52	26	21	16	22	41
	NET BALANCE	-16	-19	-8	-16	-33	+0	+17	+14	+7	-26
CAPITAL EXPENDITURE:	INCREASE	23	20	18	21	13	19	15	18	19	11
	DECREASE	33	33	29	29	39	39	37	32	28	35
	NET BALANCE	-10	-13	-11	-8	-26	-20	-22	-14	-9	-24

* 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 a strong fall in confidence among SMEs, however confidence remained above the national average. SMEs in the Territory reported concerns that people were not spending money.
- SMEs in the Northern Territory reported decreases in sales, profitability, capital expenditure, wages and prices with employment the only performance indicator to increase in the past quarter.
- SMEs in the Territory recorded the lowest results for sales performance of any state or territory.
- SMEs in the Northern Territory reported lower expectations for the coming quarter for all indicators with the only exception being prices and wages which both increased.
- SMEs in the Northern Territory recorded the highest expectations among SMEs of any state or territory for the coming quarter for sales, wages and profitability.
- Support for the Northern Territory Government rose further during the past quarter to be the third 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	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	77	68	70	67	68	57
NEGATIVE	11	11	14	15	13	24
*NET BALANCE	+66	+57	+56	+52	+55	+33

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	34	45	23	27	25	40	31	36	48	45
	DECREASE	25	18	40	40	49	13	18	19	12	17
	NET BALANCE	+9	+27	-17	-13	-24	+27	+13	+17	+36	+28
SIZE OF WORKFORCE:	INCREASE	22	15	11	11	17	21	9	14	18	13
	DECREASE	14	10	11	17	16	4	5	2	3	5
	NET BALANCE	+8	+5	+0	-6	+1	+17	+4	+12	+15	+8
WAGES BILL:	INCREASE	25	29	30	21	20	28	16	21	22	32
	DECREASE	12	9	12	13	18	9	7	8	8	10
	NET BALANCE	+13	+20	+18	+8	+2	+19	+9	+13	+14	+22
PRICES:	INCREASE	21	17	18	21	16	22	23	21	21	25
	DECREASE	7	7	4	4	5	6	2	3	4	4
	NET BALANCE	+14	+10	+14	+17	+11	+16	+21	+18	+17	+21
PROFITABILITY:	INCREASE	29	33	19	25	22	39	31	30	41	39
	DECREASE	26	19	37	34	42	17	19	19	13	16
	NET BALANCE	+3	+14	-18	-9	-20	+22	+12	+11	+28	+23
CAPITAL EXPENDITURE:	INCREASE	21	22	23	17	22	27	14	21	17	17
	DECREASE	23	20	19	26	32	29	28	23	30	36
	NET BALANCE	-2	+2	+4	-9	-10	-2	-14	-2	-13	-19

* 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 a strong fall in business confidence among SMEs during the quarter. Despite the fall, SME confidence in the Australian Capital Territory remained at the highest level in Australia. SMEs in the Australian Capital Territory reported that people not spending and the carbon tax were the main reasons for their lower confidence this quarter.
- SMEs in the Australian Capital Territory recorded the equal strongest views of the current state of the Australian economy (equal with Victoria), however they also held the equal weakest views on the future direction of the Australian economy (equal with South Australia).
- SMEs in the Australian Capital Territory recorded lower performance in the past quarter for all indicators with the only exception being capital expenditure, which increased. The Australian Capital Territory also recorded the highest performance result for capital expenditure of any state or territory.
- SMEs in the Australian Capital Territory reported lower expectations for the coming quarter for all indicators, with the only exception being prices, where expectations rose. SMEs in the Australian Capital Territory recorded the highest expectations for prices of any state or territory.
- 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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2010 %	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %
POSITIVE	75	67	63	70	75	68
NEGATIVE	7	10	20	19	13	21
*NET BALANCE	+68	+57	+43	+51	+62	+47

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 10 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %
SALES VALUE:	INCREASE	41	35	34	36	29	40	48	45	54	30
	DECREASE	27	34	30	35	35	15	11	16	10	19
	NET BALANCE	+14	+1	+4	+1	-6	+25	+37	+29	+44	+11
SIZE OF WORKFORCE:	INCREASE	16	11	12	12	14	18	25	13	18	10
	DECREASE	15	21	15	10	14	3	5	9	4	3
	NET BALANCE	+1	-10	-3	+2	+0	+15	+20	+4	+14	+7
WAGES BILL:	INCREASE	22	24	24	21	19	25	26	29	33	24
	DECREASE	17	21	13	15	14	9	10	12	8	7
	NET BALANCE	+5	+3	+11	+6	+5	+16	+16	+17	+25	+17
PRICES:	INCREASE	23	19	13	19	20	26	22	18	30	34
	DECREASE	3	3	12	7	10	3	1	3	3	5
	NET BALANCE	+20	+16	+1	+12	+10	+23	+21	+15	+27	+29
PROFITABILITY:	INCREASE	32	26	36	30	27	38	41	46	45	30
	DECREASE	26	29	29	34	39	16	10	20	12	26
	NET BALANCE	+6	-3	+7	-4	-12	+22	+31	+26	+33	+4
CAPITAL EXPENDITURE:	INCREASE	18	16	15	24	21	15	18	19	25	20
	DECREASE	32	35	26	24	19	25	28	32	21	32
	NET BALANCE	-14	-19	-11	+0	+2	-10	-10	-13	+4	-12

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

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