

March 2010

*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 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 March 2010 Sensis® *Business Index* results are based on telephone interviews conducted with 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 March 2010 Sensis® *Business Index* were drawn from metropolitan and major non-metropolitan regions within Australia (referred to throughout this report as "regional"). Quotas were set for geographical location and type of business in order to produce 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 1 February to 16 February 2010. The report covers experiences over the past three months (November 2009 to January 2010), and expectations for both the current quarter (February to April 2010) and the 12 months ending January 2010.

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

Executive summary

After three quarters of growth which saw confidence amongst Australia's SMEs return to levels similar to that experienced before the economic downturn, the confidence level of Australian SMEs softened slightly in the past quarter. This quarter's findings reinforce last quarter's results, where increases in confidence were starting to stabilise. While confidence softened marginally, current perceptions of the economy saw a small increase, however perceptions about the future economic direction fell marginally. The primary issue reported by SMEs this quarter continued to be a lack of work or sales, followed by cash flow, the economic climate and finding staff. Some 35 per cent of SMEs reported they currently faced no problems at all. SMEs reported lower performance in most key indicators with the exception of prices and capital expenditure which increased. However, expectations for the next quarter rose or remained stable across most indicators, with the exception of capital expenditure, where expectations dropped for the medium term. Expectations for the year ahead fell, with the only exception being an increased expectation for price increases.

Support for the Federal Government also fell this quarter, however small businesses remaining strongly supportive of the economic stimulus package. The government in Western Australia was the most supported government by SMEs overall, with New South Wales Government the least supported state or territory government.

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

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

Historical trends and overall SME highlights

- Business confidence among SMEs softened slightly during the past quarter following three quarters of improvement.
- The strongest level of business confidence was recorded in the Australian Capital Territory. Victoria recorded the lowest level of business confidence this quarter. The largest increase in business confidence was also recorded in the Australian Capital Territory.
- Perceptions of the current state of the Australian economy improved slightly to their highest level since November 2007. However, the proportion of SMEs which felt the economy would be better in a year's time was unchanged over the past quarter.
- All key performance indicators fell in the last quarter, with the exception of prices and capital expenditure which both rose.
- In the short term, SMEs were expecting stable or improved results for all indicators, with the only exception being capital expenditure where the expectation was lower.
- A lack of work or sales remained the primary concern of SMEs this quarter, with this concern rising this quarter. This was followed by cash flow, which fell in concern levels; the economic climate, which also fell marginally in concern levels from the previous quarter; and finding and keeping staff, which reporting an increase in concern levels this quarter.
- Some 35 per cent of SMEs reported facing no problems in their business, down two percentage points in the past quarter.
- Support for the Federal Government's policies fell 12 percentage points in the past quarter. SMEs were, on balance, strongly supportive of the economic stimulus package, however those that felt their policies were not supportive of small business reported feeling the Federal Government was only concerned with big business.
- The government in Western Australia was the most supported state and territory governments in Australia by SMEs. The New South Wales Government again recorded the lowest level of support for a state or territory government.

Small versus medium enterprises

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

- Medium businesses were more confident than small businesses by 12 percentage points.
- Medium businesses held more positive views on the current state of the economy, as well as their views on where the economy would be in a year's time.
- Medium businesses recorded higher performance than small businesses for sales, employment, and profitability.
- Small businesses were more likely than medium businesses to have reported having increased prices and capital expenditure in the past quarter.

Metropolitan versus regional

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

- Reversing last quarter's results, regional businesses were more confident than their metropolitan counterparts. The top reason driving confidence in regional areas was businesses feeling established and experienced in their business operations, while SMEs in metropolitan areas were most likely to feel confident because of improving business.
- Metropolitan businesses were more positive than regional businesses about the current state of the Australian economy, as well as their views on where the economy will be in a year's time.
- Regional businesses reported higher performance than metropolitan businesses across every performance indicator in the past quarter, with the only exception being profitability, where performance was equal between metropolitan and regional SMEs.
- Regional businesses also reported higher expectations for the coming quarter than metropolitan businesses for all indicators, with the only exception being capital expenditure, where expectations were higher amongst metropolitan SMEs.
- Metropolitan businesses were slightly more supportive of the Federal Government's policies.

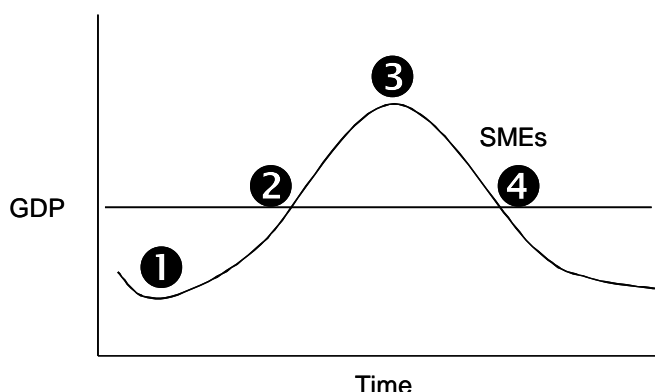
Industry sector trends

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 retail trade sector.
- The health and community services sector also recorded the strongest improvement in confidence levels of any sector. The sector also recorded the equal strongest improvement in employment along with the accommodation, café and restaurant sector, and were most likely to report wage increases in the past quarter.
- The cultural, recreational and personal services sector also reported strong performance in the past quarter, with the highest net performance in sales for the past quarter. SMEs in the transport and storage sector were most likely to report increased profitability in the past quarter.
- The building and construction sector recorded the weakest performance in employment, wages, prices over the past quarter, but were most likely to report increased capital expenditure.
- The weakest sales and profitability performance was recorded in the wholesale trade sector.
- Looking ahead the finance and insurance sector recorded the strongest expectations for the coming quarter for sales, employment, prices and capital expenditure.
- The retail trade sector was the least likely to be expecting to increase sales, profitability and capital expenditure in the coming quarter.
- The manufacturing sector was the most supportive of the Federal Government's policies, with the wholesale trade 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 likely direction of the Australian economy.

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

Analysis of the key indicators from the March 2010 Sensis® Business Index suggests an economic environment at a difficult point on the road to economic recovery. While confidence is at strong levels compared to a year ago, it moderated last quarter and fell slightly this quarter. In conjunction with this, most performance indicators fell this quarter, with weak views for the year ahead. While most indicators have recovered significantly in the past year, the recovery in performance has not been as strong as the recovery in confidence, which is now softening as a result.

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

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

Small and medium business outlook – national summary

Confidence in own business prospects over the next 12 months

Key findings

The confidence level of Australian SMEs softened slightly in the past quarter, following three quarters of growth.

The key reasons SMEs gave for lacking confidence this quarter related to decreases in business; businesses noting people were not spending; and increases in interest rates. The main reasons given by those SMEs that were confident included experiencing an increase in business, having an established or experienced business, and a belief the economy was improving.

Last quarter (November 2009 to January 2010)

SMEs recorded softening business confidence with a net balance of 49 per cent. This result comprises of 64 per cent of businesses confident about their prospects for the year ahead and 15 per cent concerned.

The decrease in SME confidence levels of three percentage points follows three quarters of strengthening SME sentiment and remains significantly higher than 12 months ago, when confidence was at 12 per cent, the lowest level of confidence recorded since the Sensis® Business Index commenced in 1993.

The main reason businesses gave for feeling worried about their prospects related to a decrease in business, with SMEs noting they felt concerned about people not spending money, and SMEs also recording lower confidence due to increasing interest rates.

Those businesses confident indicated they felt their business was improving; their business was established and experienced; and the economy has or will improve, as the key reasons behind their confidence.

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

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

These results show relatively little change in either business confidence or views on the economy. These results this quarter, in conjunction with the moderation in growth recorded last quarter reflect an economy where SMEs are currently waiting to see where the future economic direction will head.

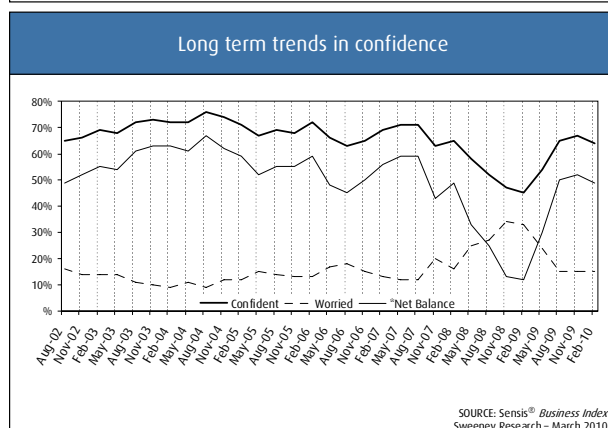
Overall confidence March 2010			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	11%	11%	11%
Fairly confident	53%	60%	53%
Neutral	21%	18%	21%
Fairly worried	13%	9%	13%
Extremely worried	2%	1%	2%
Total confident	64%	71%	64%
Total worried	15%	10%	15%
*Net Balance	+49%	+61%	+49%

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

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

Confidence trends - past five quarters					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Extremely confident	7%	11%	12%	13%	11%
Fairly confident	38%	43%	53%	54%	53%
Neutral	22%	23%	21%	18%	21%
Fairly worried	26%	20%	13%	12%	13%
Extremely worried	7%	4%	2%	3%	2%
Total confident	45%	54%	65%	67%	64%
Total worried	33%	24%	15%	15%	15%
*Net Balance	+12%	+30%	+50%	+52%	+49%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010



Confidence by state and territory, sector and size

Key findings

The highest levels of business confidence in the past quarter were recorded in the Australian Capital Territory. SMEs in the Australian Capital Territory also recorded the largest rise in confidence in the past quarter. The lowest level of business confidence was recorded in Victoria. Regional SMEs reported higher confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the health and community services sector, and lowest among SMEs in the retail trade sector.

Last quarter (November 2009 to January 2010)

The highest overall confidence was recorded in the Australian Capital Territory, with the lowest confidence levels recorded in Victoria. The Australian Capital Territory was the only state or territory that recorded increased business confidence in the past quarter, with confidence up by 20 percentage points. The largest fall in SME confidence was recorded in Tasmania, where confidence was down by 14 percentage points. SME confidence was unchanged in New South Wales, Queensland and South Australia.

The health and community services sector recorded the highest confidence at a net 75 per cent. The health and community services sector also recorded the largest improvement, with confidence having risen by 19 percentage points in that sector. The lowest confidence levels were recorded in the retail trade sector, with a net balance of 24 per cent, down 16 percentage points in the past quarter, the largest fall of any sector. Falls in confidence levels were also recorded amongst SMEs in the building and construction and communications, property and business services sectors.

Confidence was higher among SMEs in regional areas in the past quarter. Despite regional confidence being higher overall, higher metropolitan confidence levels were recorded in New South Wales and Tasmania. The highest confidence by location overall was in regional areas of the Northern Territory. The largest increase was among SMEs in metropolitan Queensland. Falls in confidence were recorded in metropolitan areas of the Australian Capital Territory, where confidence was up by 20 percentage points in the past quarter.

Trends by state *net balance					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
National	12%	30%	50%	52%	49%
New South Wales	-3%	20%	46%	49%	49%
Victoria	11%	35%	52%	55%	46%
Queensland	28%	32%	50%	52%	52%
South Australia	16%	33%	52%	52%	52%
Western Australia	34%	35%	52%	56%	50%
Tasmania	20%	32%	60%	66%	52%
Northern Territory	43%	48%	60%	69%	66%
Australian Capital Territory	16%	7%	27%	48%	68%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	48%	53%	49%
New South Wales	49%	46%	49%
Victoria	47%	49%	46%
Queensland	38%	64%	52%
South Australia	50%	63%	52%
Western Australia	50%	55%	50%
Tasmania	64%	45%	52%
Northern Territory	64%	69%	66%
Australian Capital Territory	68%	N/A	68%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

Confidence by business size			
	Confident	Worried	*Net Balance
Total	64%	15%	49%
1-2 Employees	61%	15%	46%
3-4 Employees	64%	16%	48%
5-9 Employees	72%	15%	57%
10-19 Employees	71%	8%	63%
Total Small Business	64%	15%	49%
20-99 Employees	69%	11%	58%
100-199 Employees	78%	12%	66%
Total Medium Business	71%	10%	61%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	64%	14%	50%
Building/Construction	61%	10%	51%
Wholesale Trade	70%	19%	51%
Retail Trade	50%	26%	24%
Transport/Storage	72%	10%	62%
Communication Property & Business Services	65%	13%	52%
Finance and Insurance	79%	9%	70%
Health and Community Services	82%	7%	75%
Cultural, Recreational and Personal	68%	13%	55%
Accommodation, Cafes and Restaurants	69%	13%	56%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

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

Perceptions of the economy

Key findings

Despite the softening in confidence this quarter, net perceptions of the Australian economy rose marginally among SMEs. The proportion of SME operators expecting economic conditions to improve in a year's time was unchanged in the past quarter.

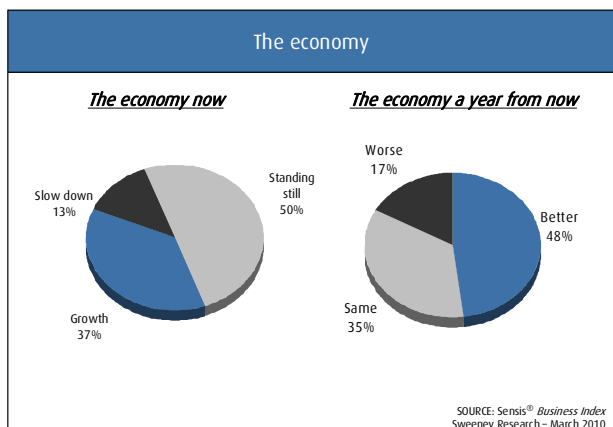
Last quarter (November 2009 to January 2010)

There was a further increase of one percentage point in the proportion of SMEs that felt the economy was currently growing. Coupled with this was a decrease of two percentage points in the proportion of SMEs who felt the economy was currently slowing. This resulted in a rise in the overall perception of the current state of the economy, with a net balance of 24 per cent of businesses believing the Australian economy is currently growing. This was a further improvement of three percentage points from last quarter and the highest level for this indicator since November 2007.

SMEs in every state and territory recorded positive perceptions of the current state of the Australian economy. The highest perceptions of the economy were recorded in the Australian Capital Territory at a net positive 42 per cent. While perceptions of the current state of the economy were net positive in all states and territories, however the lowest perceptions on balance were recorded in South Australia at net 10 per cent.

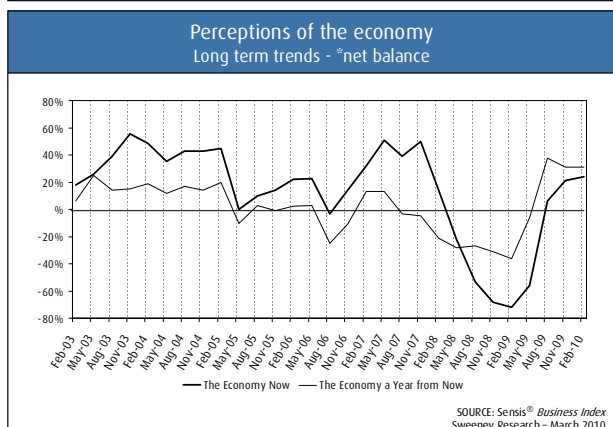
SMEs in New South Wales, Victoria, Western Australia, and the Northern Territory recorded improved views of the economy in the past quarter. The largest improvement was in the Northern Territory where perceptions of the current state of the economy increased by 12 percentage points in the past quarter.

Expectations for the economy for the year ahead were unchanged in the past quarter, with net positive 31 per cent of SMEs believing the economy would be better in a year's time.



Perceptions of the economy - trends					
	Nov 08	Feb 09	May 09	Nov 09	Feb 10
<i>The economy now</i>					
Growth	2%	4%	24%	36%	37%
Slowing	74%	60%	18%	15%	13%
*Net Balance	-72%	-56%	+6%	+21%	+24%
<i>The economy a year from now</i>					
Better	15%	29%	51%	47%	48%
Worse	51%	35%	13%	16%	17%
*Net Balance	-36%	-6%	+38%	+31%	+31%

SOURCE: Sensis® Business Index Sweeney Research – March 2010



Perceptions of the economy by state							
	NSW	VIC	QLD	SA	WA	TAS	NT ACT
<i>The economy now</i>							
Growth	39%	36%	30%	26%	47%	36%	44% 49%
Slowing	13%	14%	16%	16%	9%	14%	9% 7%
*Net Balance	+26%	+22%	+14%	+10%	+38%	+22%	+35% +42%
<i>The economy a year from now</i>							
Better	52%	53%	42%	36%	46%	40%	51% 49%
Worse	15%	16%	21%	20%	18%	16%	15% 10%
*Net Balance	+37%	+37%	+21%	+16%	+28%	+24%	+36% +39%

SOURCE: Sensis® Business Index Sweeney Research – March 2010

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

Expectations on key indicators for the next 12 months

Key findings

With economic expectations for the year ahead moderating, the proportion of SMEs expecting their business performance to improve in the next twelve months has fallen in almost all indicators. The only indicator SMEs were expecting an increase in for the next twelve months was prices.

Next 12 months (February 2010 to January 2011)

Sales expectations fell during the quarter from net positive 57 per cent to a net positive 46 per cent, a fall of 11 percentage points. This result comprised 58 per cent of SMEs that thought sales would rise in the next year, while 12 per cent expected a fall. SMEs in the Northern Territory recorded the strongest net sales expectations by state and territory for the year ahead, with a net balance result of 63 per cent. The transport and storage sector recorded the strongest industry result with a net balance of 65 per cent. The building and construction sector was at the other end of the scale with a net balance result of 22 per cent.

Employment expectations for the year ahead fell to a net balance of 15 per cent, softening by a further two percentage points from last quarter. At a state and territory level the Australian Capital Territory recorded the highest results with a net balance of 25 per cent. At an industry level the communications, property and business services sector recorded the strongest employment result at 22 per cent. The sector with the lowest employment expectations for the year ahead was the building and construction sector with a net balance of negative three per cent.

The total wages and salary costs expectations for the year ahead fell four 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 recorded in South Australia (48 per cent). The manufacturing sector was the industry expecting the greatest increase in wages over the next year (45 per cent).

The selling price expectations for the year ahead rose four percentage points during the quarter, with a net balance of 40 per cent of SMEs expecting to increase the prices they charge over the year ahead. At the state and territory level South Australia recorded the strongest selling price expectations for the year ahead with a net balance result of 47 per cent. At an industry level the strongest price expectations for the year ahead were again recorded in the health and community services sector at 66 per cent.

Profitability expectations fell by nine percentage points to net 42 per cent. Victoria and the Australian Capital Territory recorded the strongest profit expectations for the year ahead with a net balance result of 52 per cent, down seven percentage points. The lowest expectations were in Western Australia with a net balance result of 29 per cent. At an industry level the cultural, recreational and personal services sectors recorded the strongest annual profit expectations with a net balance result of 58 per cent.

Capital expenditure also fell this quarter, dropping three percentage points to zero per cent. The strongest capital expenditure expectations for the next twelve months were recorded in Victoria, South Australia and the Australian Capital Territory (six per cent each).

Expectations on key indicators over the next 12 months March 2010			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	58%	12%	+46%
Size of workforce	21%	6%	+15%
Wages bill	39%	7%	+32%
Prices charged	42%	2%	+40%
Profitability	54%	12%	+42%
Capital expenditure	28%	28%	0%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

Expectations on key indicators Trends in *net balance					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Value of sales	-11%	18%	51%	57%	46%
Size of workforce	1%	7%	19%	17%	15%
Wages bill	7%	21%	34%	36%	32%
Prices charged	24%	30%	38%	36%	40%
Profitability	-12%	16%	46%	51%	42%
Capital expenditure	-11%	7%	7%	3%	0%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

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

Concerns

Key findings

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

Last quarter (November 2009 to January 2010)

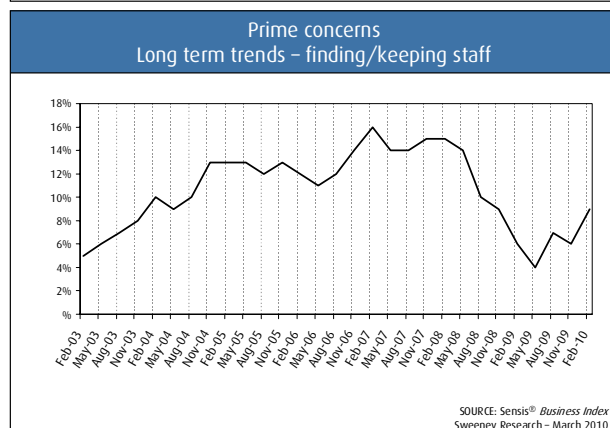
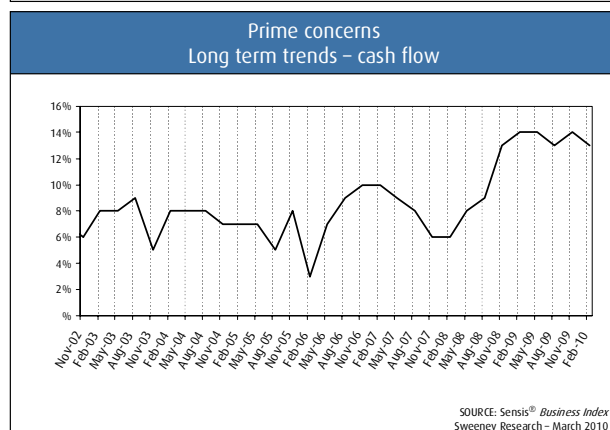
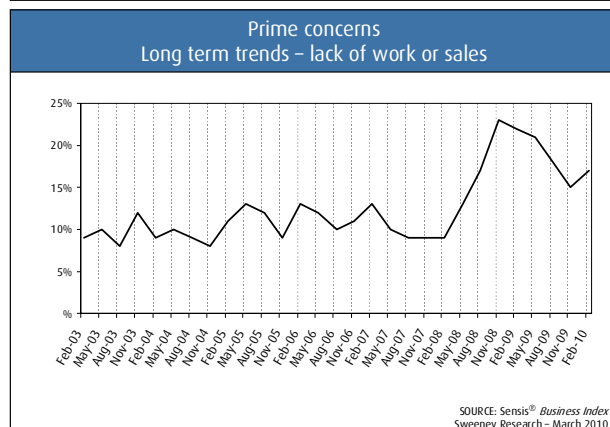
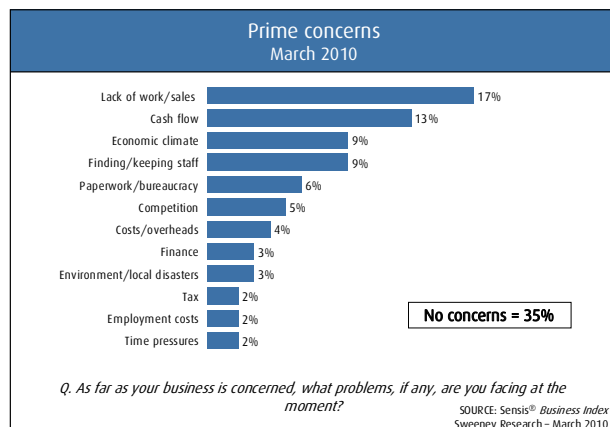
The proportion of SMEs reporting they were currently facing problems caused by a lack of work or sales rose two percentage points over the past quarter to 17 per cent, remaining the top concern facing SMEs in Australia for the seventh successive quarter. Reports of problems caused by a lack of work or sales were highest in Queensland and South Australia, where this problem was being reported by 22 per cent of SMEs, and lowest in the Northern Territory, where seven per cent of SMEs reported difficulties in this area. SMEs in the communications, property and business services sector were most likely to report difficulties caused by a lack of work or sales this quarter.

The next most significant problem this quarter for SMEs was cash flow, with the proportion of SMEs reporting difficulties in this area down one percentage point to 13 per cent. Reports of difficulties with cash flow were highest in Victoria and Queensland, where this problem was being reported by 14 per cent of SMEs, and lowest in South Australia, where six per cent reported difficulties in this area. SMEs in the communication, property and business services sector were most likely to report difficulties with cash flow this quarter.

Overall, nine per cent of SMEs nominated the economic climate and finding and keeping as issues. 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 that was causing the most concern to SMEs was people not spending.

Finding and keeping staff rose in concern levels over the past quarter, with nine per cent of SMEs now reporting problems in this area, up from six per cent last quarter – this is the highest concern level for this issue since November 2008.

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



Sales

Key findings

In line with softening confidence levels and last quarter's expectations, the proportion of SMEs on balance reporting increased sales also recorded a fall, returning to net negative territory. However, looking forward, SMEs were expecting some improvement in the current quarter, but further softening in the year ahead.

Last quarter (November 2009 to January 2010)

Sales performance recorded an improved net balance of net negative two per cent for the quarter, down by six percentage points from last quarter. This is the first decrease in sales performance since February 2009.

Sales performance again varied dramatically across the states and territories. South Australia again recorded the strongest performance this quarter, where a net 13 per cent of SMEs experienced increasing sales in the past quarter. At the other end of the scale and in line with last quarter's expectations, sales performance was lowest among SMEs in the Northern Territory, where a net negative 12 per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the cultural, recreational and personal services sector, with a net balance of 13 per cent of SMEs having reported increasing sales. The wholesale trade sector recorded the weakest industry performance, at net negative 19 per cent.

Current quarter (February to April 2010)

SMEs were expecting improving sales in the short term. Sales expectations for the current quarter recorded an increase of five percentage points from the previous quarter to a net positive 26 per cent.

Expectations for sales growth varied around Australia, with the strongest expectations recorded in the Northern Territory at net positive 46 per cent. The weakest sales expectations for the coming quarter were recorded in Tasmania, at a net 14 per cent.

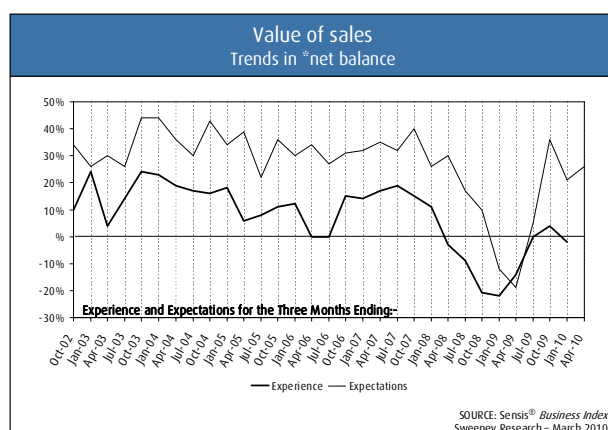
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the finance and insurance sector (net balance of 54 per cent). The retail trade sector recorded the lowest level of expectations (net negative three per cent).

Next 12 months (February 2010 to January 2011)

Twelve-month sales expectations rose from a net 57 per cent to a net 46 per cent, a fall of 11 percentage points. The result comprised 58 per cent of SMEs believed sales would increase in the year ahead and 12 per cent thought they would fall. Sales expectations for the year ahead were highest in the Northern Territory at net 63 per cent.

Value of sales					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Last Quarter					
Experienced increase	23%	29%	34%	36%	32%
No change	32%	28%	32%	32%	34%
Experienced decrease	45%	43%	34%	32%	34%
*Net Balance	-22%	-14%	0%	+4%	-2%
Current Quarter					
Expect increase	24%	32%	47%	38%	40%
No change	33%	41%	41%	45%	46%
Expect decrease	43%	27%	11%	17%	14%
*Net Balance	-19%	+5%	+36%	+21%	+26%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010



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

Employment

Key findings

Reversing last quarter's result, employment performance fell strongly during the past quarter bringing this indicator to its equal lowest level since the inception of the Sensis® Business Index. Looking forward, SMEs were expecting no net change in employment levels in the current quarter, with further declines expected for the year ahead.

Last quarter (November 2009 to January 2010)

The proportion of SMEs that increased employment during the past quarter fell sharply, with eight per cent of SMEs reporting an increase during the past quarter. This was more than offset by almost twice as many SMEs that reported declines. The resulting negative seven per cent net balance was the equal lowest employment performance result recorded since the inception of the Sensis® Business Index, equal with the result recorded in February 1996.

At a state level the best performing region was the Australian Capital Territory at nine per cent. At the other end of the scale, the Northern Territory recorded a net balance result of negative 13 per cent.

A lack of work or sales remained the main barrier to taking on new employees, reported by 37 per cent of SMEs who believed barriers existed, unchanged in the past quarter. With the strong decline recorded in employment amongst SMEs this quarter, the main reasons given for decreasing employment was again due to economic conditions, followed by staff resigning for personal reasons and for other jobs. Those SMEs who had increased employment were most likely to have done so because their business was growing and they were increasing staff from part-time to full-time.

Current quarter (February to April 2010)

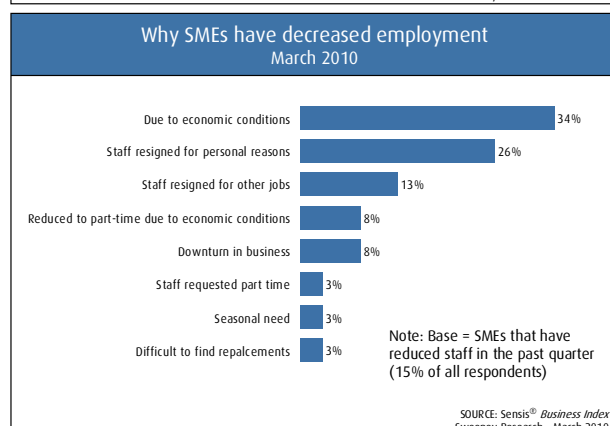
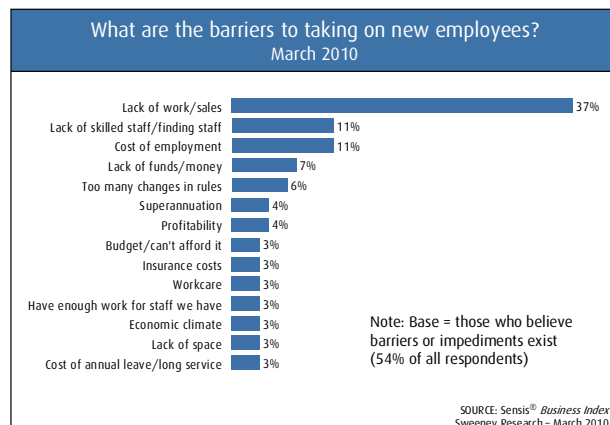
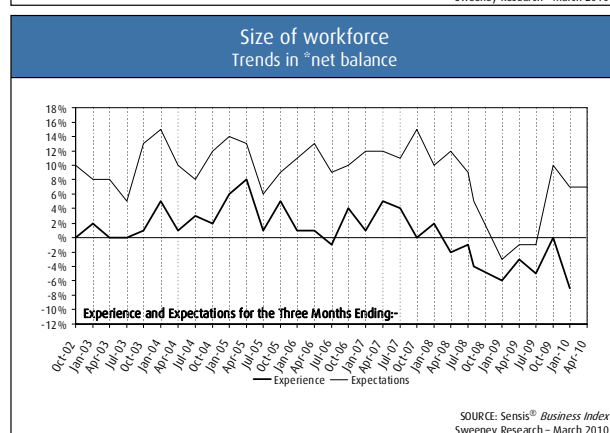
Employment expectations for the current quarter was unchanged at a net positive seven per cent. SMEs in the Northern Territory recorded the strongest short-term employment expectations at a net balance of 16 per cent. At the other end of the scale was Tasmania with a net balance result of negative two per cent.

Next 12 months (February 2010 to January 2011)

Employment expectations for the year ahead fell two percentage points to a net balance result of 15 per cent. The strongest expectations for the year ahead were recorded by SMEs in the Australian Capital Territory (net 25 per cent), with the weakest in Tasmania (net seven per cent).

Size of workforce					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Last Quarter					
Experienced increase	11%	11%	10%	12%	8%
No change	72%	75%	75%	76%	77%
Experienced decrease	17%	14%	15%	12%	15%
*Net Balance	-6%	-3%	-5%	0%	-7%
Current Quarter					
Expect increase	9%	10%	14%	12%	12%
No change	80%	82%	81%	83%	83%
Expect decrease	10%	9%	4%	5%	5%
*Net Balance	-1%	+1%	+10%	+7%	+7%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010



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

Wages bill

Key findings

There was a marginal decrease in the proportion of SMEs, on balance, reporting increased wages over the past quarter. While there was no change in the proportion of SMEs expecting increases in their wages bills for the short term there was a decrease forecast for the year ahead.

Last quarter (November 2009 to January 2011)

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

During the quarter, 21 per cent of SMEs experienced a rise in total wage costs, while 16 per cent recorded a decline. SMEs in South Australia recorded the highest net result in total wage costs (net 22 per cent), while the lowest wage pressures were in New South Wales (net negative one per cent). The strongest net result in total wage costs was recorded in the accommodation, café and restaurant sector (net 20 per cent).

Current quarter (February to April 2010)

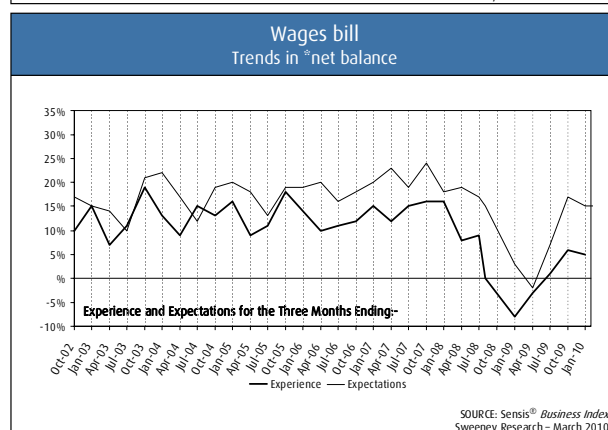
There was no change in the proportion of SMEs expecting increases in wages in the short term, with net expectations for total wage costs stable at a net 15 per cent for the current quarter. The highest wage expectations were in the Northern Territory and the Australian Capital Territory, with a net balance of 19 per cent each 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 four per cent).

Next 12 months (February 2010 to January 2011)

Expectations for total wage and salary costs for the coming year fell by four 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 South Australia at a net 48 per cent. SMEs in Tasmania were least likely to expect an increase in their total wages bill in the coming year (net 26 per cent).

Wages bill					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Last Quarter					
Experienced increase	13%	17%	19%	20%	21%
No change	59%	63%	63%	66%	63%
Experienced decrease	21%	20%	18%	14%	16%
*Net Balance	-8%	-3%	+1%	+6%	+5%
Current Quarter					
Expect increase	16%	19%	23%	24%	22%
No change	61%	69%	71%	67%	71%
Expect decrease	18%	12%	6%	9%	7%
*Net Balance	-2%	+7%	+17%	+15%	+15%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010



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

Prices

Key findings

Price increases by Australian SMEs were starting to increase in the past quarter, albeit from a very low base. The net proportion of SMEs who increased their prices rose during the past quarter. In addition there was also an increase in the proportion of SMEs who were expecting to increase their prices in the medium terms.

Last quarter (November 2009 to January 2010)

The proportion of SMEs who increased prices rose by two percentage points during the quarter, at a net balance result of 13 per cent. This was marginally higher than the level recorded at the same time last year.

Of all states and territories, the strongest price trends were recorded by SMEs in South Australia, with a net balance of 28 per cent. The lowest results were recorded by SMEs in the Northern Territory, with a net balance of six per cent. The strongest price rises were recorded in the finance and insurance sector, with a net balance result of 30 per cent. The weakest outcomes were recorded in the building and construction sector, with a net balance result of one per cent.

Current quarter (February to April 2010)

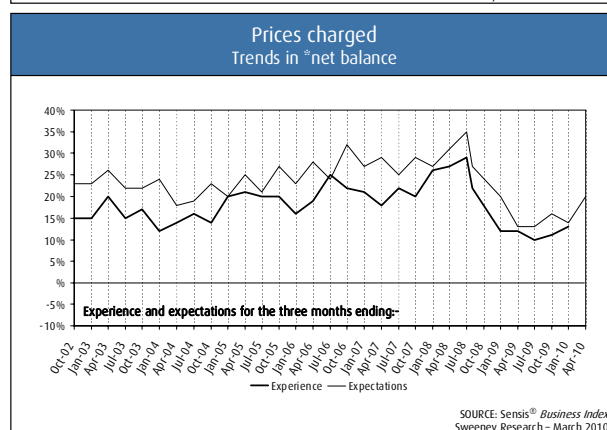
SME expectations for price rises in the short term rose six percentage points during the quarter to a net balance result of 20 per cent. SMEs in the Northern Territory recorded the strongest price rise expectations, with a net balance result of 25 per cent, while the Australian Capital Territory recorded the weakest price rise expectations, with a net balance of 11 per cent.

Next 12 months (February 2010 to January 2011)

At a net balance of 40 per cent, expectations for price rises in the coming year rose by six percentage points during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in South Australia (47 per cent), and the health and community services sector (66 per cent).

Prices charged					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Last Quarter					
Experienced increase	22%	20%	18%	18%	20%
No change	66%	73%	74%	75%	73%
Experienced decrease	10%	8%	8%	7%	7%
*Net Balance	+12%	+12%	+10%	+11%	+13%
Current Quarter					
Expect increase	21%	18%	19%	18%	24%
No change	70%	78%	78%	78%	72%
Expect decrease	8%	5%	3%	4%	4%
*Net Balance	+13%	+13%	+16%	+14%	+20%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010



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

Capital expenditure

Key findings

The proportion of SMEs reporting growth in capital expenditure increased strongly from last quarter's level, in line with the end of the Federal Government's Small Business Tax Break, however investment expectations amongst SMEs remaining weak for both the short and medium terms.

Last quarter (November 2009 to January 2010)

SME performance in capital expenditure recorded a result of net negative one per cent. This result represented a rise of eight percentage points, with this increase coming in conjunction with the end of the Federal Government's Small Business Tax Break, part of the economic stimulus package.

The strongest results were recorded in South Australia, with a net balance result of 14 per cent. The lowest result was recorded in the Northern Territory, with a net balance result of negative nine per cent.

The building and construction and health and community services sectors recorded the strongest capital expenditure performance (net positive nine per cent). At the other end of the investment scale was the finance and insurance sector (negative 12 per cent).

Current quarter (February to April 2010)

Capital expenditure expectations fell for the coming quarter, dropping eight percentage points to a net balance result of negative 13 per cent. Capital expenditure expectations for the current quarter were net negative in all states and territories. The highest expectations were recorded by SMEs in the Northern Territory at a net negative five per cent. The weakest result was recorded by SMEs in the Western Australia with a net balance of negative 19 per cent.

Next 12 months (February 2010 to January 2011)

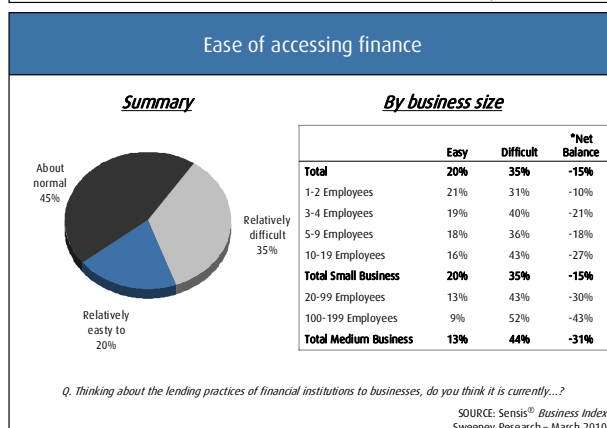
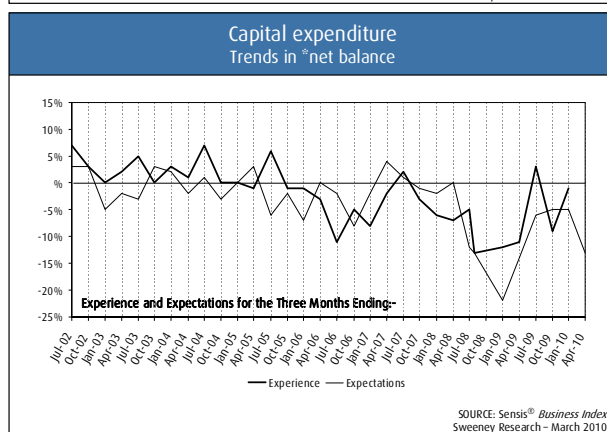
Capital expenditure expectations for the year ahead fell during the quarter, with a net zero per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down from a net three per cent last quarter. Capital expenditure expectations were highest for SMEs in Victoria, South Australia and the Australian Capital Territory (net six per cent each) and in the finance and insurance sector (net 15 per cent).

The ability for SMEs to access finance is critical for capital expenditure. When looking at the ability for SMEs to access finance, SMEs were more likely to feel it was relatively difficult at the moment, with 20 per cent feeling it is currently relatively easy, compared to 35 per cent who felt it was relatively difficult. One in five SMEs reported trying to access finance in the past quarter, with almost two-thirds reporting success.

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

Capital expenditure					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Last Quarter					
Experienced increase	16%	21%	29%	19%	23%
No change	52%	46%	46%	53%	53%
Experienced decrease	28%	32%	26%	28%	24%
*Net Balance	-12%	-11%	+3%	-9%	-1%
Current Quarter					
Expect increase	19%	24%	23%	21%	19%
No change	46%	46%	49%	53%	49%
Expect decrease	33%	30%	28%	26%	32%
*Net Balance	-14%	-6%	-5%	-5%	-13%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010



Profitability

Key findings

In line with weaker sales performance, net profitability performance also declined during the past quarter, with more SMEs reporting lower profitability than increased profitability in the past quarter. SMEs were expecting an improvement in profitability in the coming quarter, but overall were expecting their profitability to fall in the year ahead.

Last quarter (November 2009 to January 2010)

Profitability performance recorded a net balance result of negative four per cent for the past quarter. This result was down a marginal one percentage point from the previous quarter. The decline this quarter meant profitability remained net negative, with more SMEs having experienced a decrease in profitability than an increase in the past quarter.

Across Australia the strongest profit experience was again reported by SMEs in South Australia with a net balance result of positive each per cent. The weakest performance was recorded in Queensland at net negative 16 per cent. The strongest industry performance was recorded in the transport and storage sector with a net balance result of positive 12 per cent, with the weakest profitability performance recorded in the wholesale trade sector (net negative 22 per cent).

Current quarter (February to April 2010)

Profitability expectations for the current quarter rose seven percentage points to positive 25 per cent. At a state and territory level, the strongest expectations were recorded by SMEs in the Northern Territory with a net balance of 43 per cent. The weakest state or territory was Tasmania with a net balance result of nine per cent.

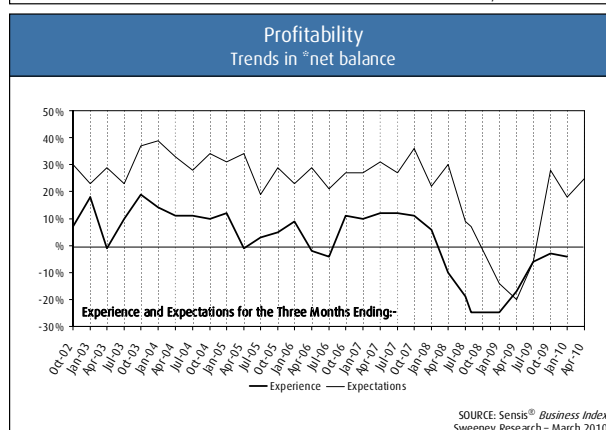
By industry, the health and community services sector recorded the strongest short-term profit expectations with a net balance result of 42 per cent. The retail trade sector recorded the weakest expectations with a net balance result of 11 per cent.

Next 12 months (February 2010 to January 2011)

Profitability expectations for the year ahead fell during the quarter to a net balance result of 42 per cent, down nine percentage points in the last quarter. The strongest profit expectations were recorded by SMEs in Victoria and the Australian Capital Territory (net 52 per cent each), with the weakest expectations recorded in Western Australia (net 29 per cent).

Profitability					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Last Quarter					
Experienced increase	21%	26%	28%	29%	28%
No change	33%	31%	38%	39%	40%
Experienced decrease	46%	43%	34%	32%	32%
*Net Balance	-25%	-17%	-6%	-3%	-4%
Current Quarter					
Expect increase	24%	24%	41%	37%	39%
No change	31%	45%	46%	44%	47%
Expect decrease	44%	30%	13%	19%	14%
*Net Balance	-20%	-6%	+28%	+18%	+25%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010



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

Exports

Key findings

While domestically in Australia business conditions softened in the past quarter, the proportion of SMEs reporting exporting improved, with this indicator at its highest level for three quarters.

Last quarter (November 2009 to January 2011)

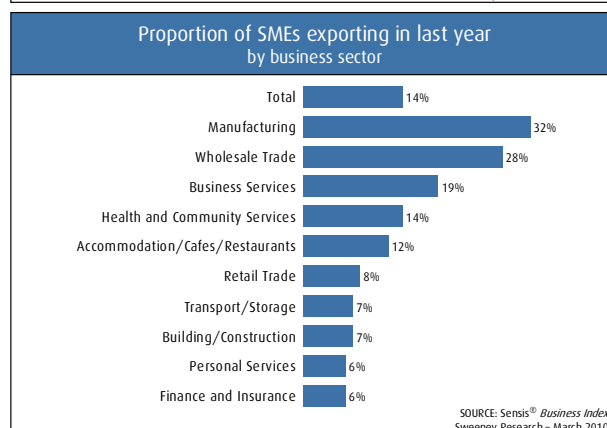
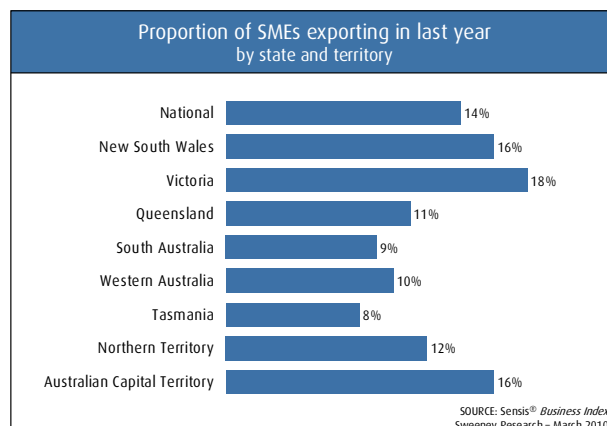
Fourteen per cent of SMEs reported exporting in the past quarter, up three percentage points from the previous quarter. This was the same level as recorded in May 2009, three quarters ago, after recording weaker results for the past two quarters. Queensland and the Australian Capital Territory were the only states or territories that did not report an increase in the proportion of exporting SMEs, with the proportion unchanged in Queensland and down one percentage point in the Australian Capital Territory. Rises were recorded in all other states and territories. Victoria recorded the highest proportion of exporting SMEs in Australia in the past quarter.

SMEs in metropolitan areas were almost four times as likely to export as their regional counterparts (19 per cent compared to five per cent). SMEs in the manufacturing sector were most likely to have exported in the past quarter.

Despite the strong improvement in the proportion of SMEs exporting, this quarter saw a significant fall in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of negative 20 per cent reported an increase in the value of the goods and services exported in the past quarter, down 12 percentage points from last quarter's net balance of net negative eight per cent.

Looking forward, there was a small increase 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 improved marginally to net 10 per cent. There was also a marginal increase of one percentage point in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

The United States the most popular destination for SME exports (33 per cent). Other strong results were seen for New Zealand at 30 per cent and the United Kingdom at 24 per cent, with 13 per cent of SME exporters reporting exports to China. Some 29 per cent of exporting SMEs reported exporting to ASEAN nations, up from 21 per cent last quarter.



Value of exports - trends

	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Last Quarter					
Experienced increase	18%	20%	17%	24%	15%
No change	44%	45%	57%	44%	50%
Experienced decrease	38%	35%	26%	32%	35%
*Net Balance	-20%	-15%	-9%	-8%	-20%
Current Quarter					
Expect increase	14%	23%	26%	27%	25%
No change	58%	64%	60%	54%	60%
Expect decrease	28%	14%	14%	18%	15%
*Net Balance	-14%	+9%	+12%	+9%	+10%
Next 12 months					
Expect increase	25%	50%	37%	43%	43%
No change	53%	38%	53%	49%	50%
Expect decrease	21%	12%	10%	8%	7%
*Net Balance	+4%	+38%	+27%	+35%	+36%

Base : Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

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

Assessment of Federal Government policies

Key findings

Support among SMEs for the Federal Government fell sharply during the past quarter, dropping by 12 percentage points.

Last quarter (November 2009 to January 2010)

The net balance result of a negative 13 per cent approval rating represented a fall of 12 percentage points in the past quarter. The result comprised 18 per cent (down five percentage points) of SMEs supportive of the Federal Government’s small business policies, and 31 per cent (up seven percentage points) felt their policies worked against small business.

The Northern Territory recorded the strongest levels of support among SMEs for the Federal Government’s policies, at net positive three per cent, and was the only state or territory to record a net positive rating from SMEs. SMEs in Queensland were most critical of the Federal Government’s small business policies, where the net balance of SMEs felt the Federal Government’s policies supported small business was net negative 23 per cent. Support for the Federal Government’s policies by SMEs dropped in all states and territories, with SMEs in South Australia recording the largest fall in support in the past quarter, down 27 percentage points.

SMEs in metropolitan areas were marginally more supportive of the Federal Government than their regional counterparts. There was no difference in support levels between small and medium businesses.

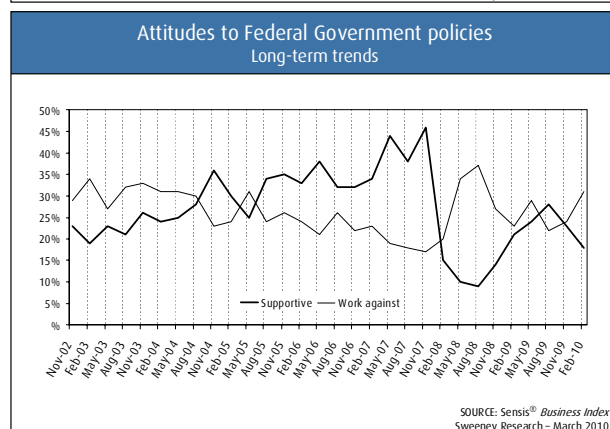
The Federal Government’s economic stimulus package continued to provide the main reasons SMEs gave for supporting the Federal Government. This quarter SMEs were most likely to report their support stemming from the cash payments, as well as from the tax cuts for business and the stimulus package in general.

The key reasons SMEs gave for feeling the Federal Government’s policies worked against them included a view that government policies were more supportive of larger businesses; a view there was too much bureaucracy; perceptions of too much paperwork and a lack of incentives for small businesses.

Attitudes to Federal Government policies past five quarters					
	Feb 09	May 09	Aug 09	Nov 09	Feb 10
Supportive	21%	24%	28%	23%	18%
Work against	23%	29%	22%	24%	31%
No impact	56%	47%	49%	53%	51%
*Net Balance	-2%	-5%	+6%	-1%	-13%

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 – March 2010



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

Assessment of state and territory government policies

Key findings

The government in Western Australia was the most popular governments in Australia among all SMEs in the past quarter. The New South Wales Government was the least popular state or territory government among SMEs, with their support levels dropping further in the past quarter.

Last quarter (November 2009 to January 2010)

While no state or territory government recorded a net positive rating from SMEs this quarter, the Western Australian Government recorded the highest approval rating from SMEs with a zero per cent net balance.

The Western Australian Government's result was an increase of one percentage point from last quarter, and one of only two governments to record an increase in support levels this quarter. Small businesses cited a belief the Western Australian Government was doing significant infrastructure development, more supportive of small business and providing financial support as reasons for their support.

The largest increase in support was for the Tasmania Government, up five percentage points in the past quarter. Reasons given by SMEs in Tasmania for support of their state government included a belief the state government was more supportive of small businesses; they had encouraged growth; and they offered advice and guidance to small businesses.

The largest fall in support levels was recorded for the Australian Capital Territory Government, down 19 percentage points in the past quarter. Reasons given by SMEs for not feeling the territory government was supportive of small business included a view the government did not understand small business; there were no incentives for small business and delays in planning approvals.

The lowest level of support this quarter was for the New South Wales Government, with support down 12 percentage points in the past quarter. The New South Wales Government has recorded the lowest levels of support for 23 of the past 24 quarters. A view amongst SMEs was there was too much bureaucracy; concerns about payroll tax; and a feeling they did not know what the New South Wales government was doing were the key reasons given by SMEs for feeling the Government in New South Wales was not supportive of small business.

Attitudes to state or territory government policies March 2010								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	3%	11%	8%	6%	18%	13%	21%	11%
Work against	41%	26%	33%	40%	18%	24%	31%	32%
No impact	56%	63%	58%	54%	64%	63%	48%	57%
*Net Balance	-38%	-15%	-25%	-34%	0%	-11%	-10%	-21%

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 – March 2010

Attitudes to state or territory government policies Trends in *net balance					
	Feb 09	May 09	Aug 09	Nov 09	Feb
New South Wales	-40%	-39%	-26%	-26%	-38%
Victoria	-10%	-11%	-2%	-11%	-15%
Queensland	-15%	-17%	-30%	-22%	-25%
South Australia	-23%	-15%	-16%	-19%	-34%
Western Australia	+3%	+12%	+7%	-1%	0%
Tasmania	-13%	-13%	-5%	-16%	-11%
Northern Territory	+15%	+5%	-1%	-1%	-10%
Australian Capital Territory	-11%	-13%	-9%	-2%	-21%

SOURCE: Sensis® Business Index
Sweeney Research – March 2010

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

Sustainability

SME views on economic, social and environmental sustainability

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

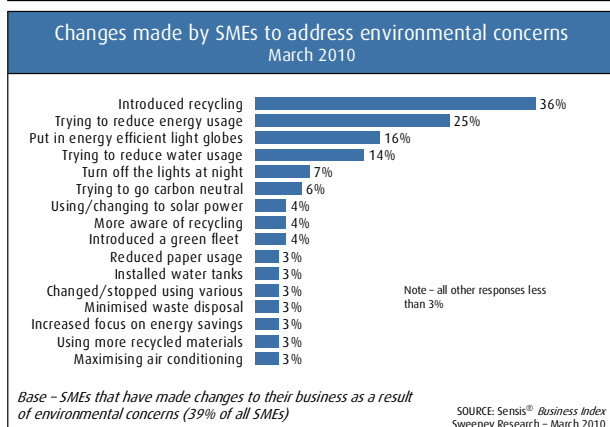
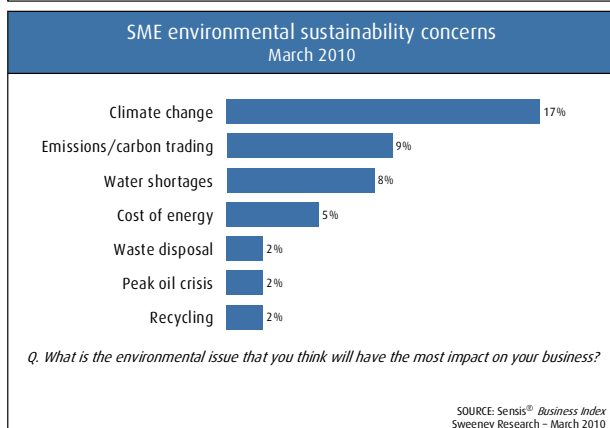
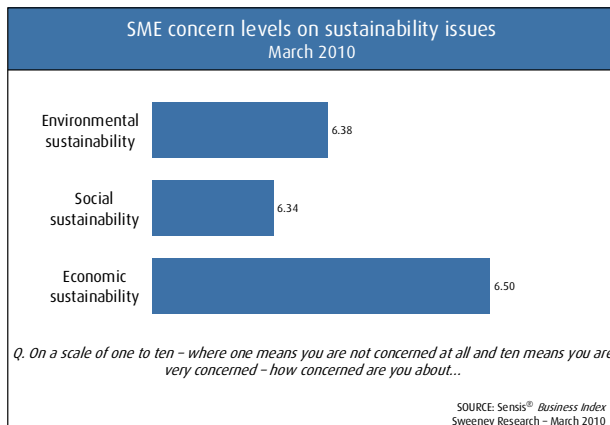
In line with last quarter’s results, all three aspects of sustainability were considered relatively equal in importance. Looking at the mean scores for each aspect on a scale of one to 10, economic sustainability was rated the highest at 6.50, however this was only slightly higher than environmental sustainability at 6.38 and social responsibility at 6.34. On a state and territory basis, SMEs in South Australia recorded the highest average rating for environmental sustainability (6.84), with SMEs in the Northern Territory recording the highest average rating for social sustainability (6.58), and SMEs in Victoria recording the highest average rating for economic sustainability (6.68). This quarter social sustainability was the only sustainability indicator to increase in relative importance, up from 6.23 last quarter, with slight falls recorded for environmental and economic sustainability.

Looking at environmental sustainability, climate change and emissions trading remained the issues most likely to impact on businesses, overwhelmingly due to the increased cost base SMEs felt these issues and government regulations on them would have on their business, as well as seeing the issue as threatening their business and jobs.

Overall, some 39 per cent of SMEs reported having made changes to their business as a result of environmental concerns, with the introduction of recycling and measures to reduce energy, uses of efficient light globes and water usage the most frequent changes reported. Some 17 per cent of SMEs reported producing products or services aimed at assisting environmental problems, with 12 per cent considering doing this in the future.

With emissions trading seen as a key environmental sustainability issue for SMEs, some 91 per of SMEs reported they were aware of the proposed Emission Trading Scheme (ETS). While awareness levels were high, most SMEs felt unsure about their level of understanding the proposed ETS might have on their businesses.

Of those SMEs aware of ETS, some 50 per cent felt it would have a negative impact on their business, up from 41 per cent in the past quarter, compared to only five per cent felt it would have a positive impact. When looking at the impact of ETS for the Australian community overall, some 46 per cent of SMEs felt the overall impact would be negative, up from 41 per cent, with 20 per cent feeling there would be a positive impact.



Small and medium business outlook – national

- After showing signs of moderation last quarter, confidence amongst Australia's SMEs softened this quarter.
- Perceptions of the current state of the economy improved for the fourth successive quarter, however the improvement was small and future expectations were unchanged after having fallen last quarter.
- Performance in all key indicators fell in the past quarter, with the exceptions of prices and capital expenditure, which both rose.
- In the short term, SMEs were expecting stable or improved results for all indicators, with the only exception being capital expenditure, where short-term expectations were lower.
- For the year ahead expectations rose for all indicators, with the exception of prices which fell.
- Support for the Federal Government's policies fell to a net negative 13 per cent. SMEs remained supportive of the economic stimulus package however those that believed the Federal Government's policies worked against small business reported feeling that the Federal Government was only concerned with big business.

Trends in past three months' experience and current quarter expectations – national											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	
POSITIVE						45	54	65	67	64	
NEGATIVE						33	24	15	15	15	
*NET BALANCE						+12	+30	+50	+52	+49	
TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %
SALES VALUE:	INCREASE	23	29	34	36	32	24	32	47	38	40
	DECREASE	45	43	34	32	34	43	27	11	17	14
	NET BALANCE	-22	-14	0	+4	-2	-19	+5	+36	+21	+26
SIZE OF WORKFORCE:	INCREASE	11	11	10	12	8	9	10	14	12	12
	DECREASE	17	14	15	12	15	10	9	4	5	5
	NET BALANCE	-6	-3	-5	+0	-7	-1	+1	+10	+7	+7
WAGES BILL:	INCREASE	13	17	19	20	21	16	19	23	24	22
	DECREASE	21	20	18	14	16	18	12	6	9	7
	NET BALANCE	-8	-3	+1	+6	+5	-2	+7	+17	+15	+15
PRICES:	INCREASE	22	20	18	18	20	21	18	19	18	24
	DECREASE	10	8	8	7	7	8	5	3	4	4
	NET BALANCE	+12	+12	+10	+11	+13	+13	+13	+16	+14	+20
PROFITABILITY:	INCREASE	21	26	28	29	28	24	31	41	37	39
	DECREASE	46	43	34	32	32	44	27	13	19	14
	NET BALANCE	-25	-17	-6	-3	-4	-20	+4	+28	+18	+25
CAPITAL EXPENDITURE:	INCREASE	16	21	29	19	23	19	24	23	21	19
	DECREASE	28	32	26	28	24	33	30	28	26	32
	NET BALANCE	-12	-11	+3	-9	-1	-14	-6	-5	-5	-13

* 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

- Confidence was unchanged in New South Wales. With the small fall in national confidence this quarter, business confidence in New South Wales is now level with the national average.
- New South Wales SMEs saw higher performance in all indicators with the exception of sales and employment in the past quarter.
- For the last quarter, New South Wales recorded the lowest proportion of SMEs in any state or territory that reported increases in wages.
- For the coming quarter, SMEs in New South Wales were expecting increases in all indicators, with the exception of capital expenditure.
- Support for the policies of the New South Wales Government among NSW SMEs recorded the lowest result of any state or territory, with the overall level of support down 12 percentage points in the past quarter.

Trends in past three months' experience and current quarter expectations – New South Wales											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	
POSITIVE						38	48	62	63	64	
NEGATIVE						41	28	16	14	15	
*NET BALANCE						-3	+20	+46	+49	+49	
TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %
SALES VALUE:	INCREASE	21	34	34	34	29	22	32	48	31	34
	DECREASE	51	41	33	35	36	50	29	12	19	14
	NET BALANCE	-30	-7	+1	-1	-7	-28	+3	+36	+12	+20
SIZE OF WORKFORCE:	INCREASE	10	12	7	8	7	6	13	16	8	11
	DECREASE	17	14	17	14	17	10	9	3	4	4
	NET BALANCE	-7	-2	-10	-6	-10	-4	+4	+13	+4	+7
WAGES BILL:	INCREASE	9	19	19	11	17	14	21	21	16	17
	DECREASE	24	20	19	14	18	19	12	4	6	4
	NET BALANCE	-15	-1	0	-3	-1	-5	+9	+17	+10	+13
PRICES:	INCREASE	17	20	20	16	21	20	15	17	14	23
	DECREASE	16	8	5	5	8	6	3	3	5	8
	NET BALANCE	+1	+12	+15	+11	+13	+14	+12	+14	+9	+15
PROFITABILITY:	INCREASE	20	28	25	23	28	24	31	40	33	31
	DECREASE	51	40	33	36	32	51	28	14	21	14
	NET BALANCE	-31	-12	-8	-13	-4	-27	+3	+26	+12	+17
CAPITAL EXPENDITURE:	INCREASE	15	21	26	14	19	19	23	30	18	17
	DECREASE	27	37	28	31	23	34	35	25	29	31
	NET BALANCE	-12	-16	-2	-17	-4	-15	-12	+5	-11	-14

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

Small and medium business outlook – Victoria

- Victoria recorded a strong fall in business confidence among SMEs in the past quarter, which is now three percentage points below average.
- Performance indicators rose for all performance indicators with the exception of sales and employment for Victorian SMEs in the past quarter.
- Victorian SMEs are expecting further increases for all indicators in the coming quarter, with the exception of capital expenditure which fell and wages which was unchanged.
- Victorian SMEs recorded the equal highest expectations for the year ahead for profitability (with the Australian Capital Territory) and capital expenditure (along with South Australia and the Australian Capital Territory).
- SME support for the Victorian Government fell during the past quarter.

Trends in past three months' experience and current quarter expectations – Victoria											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
						%	%	%	%	%	
POSITIVE						45	57	66	71	61	
NEGATIVE						34	22	14	16	15	
*NET BALANCE						+11	+35	+52	+55	+46	
TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %
SALES VALUE:	INCREASE	21	25	37	36	37	19	32	48	41	42
	DECREASE	45	42	32	29	33	42	28	11	14	12
	NET BALANCE	-24	-17	+5	+7	+4	-23	+4	+37	+27	+30
SIZE OF WORKFORCE:	INCREASE	8	13	11	14	6	9	8	14	12	14
	DECREASE	15	16	13	8	15	10	11	3	4	5
	NET BALANCE	-7	-3	-2	+6	-9	-1	-3	+11	+8	+9
WAGES BILL:	INCREASE	13	17	22	22	24	13	17	25	29	27
	DECREASE	23	22	21	15	16	21	13	6	12	10
	NET BALANCE	-10	-5	+1	+7	+8	-8	+4	+19	+17	+17
PRICES:	INCREASE	27	21	14	14	19	19	17	16	14	23
	DECREASE	9	8	7	5	4	12	7	3	2	2
	NET BALANCE	+18	+13	+7	+9	+15	+7	+10	+13	+12	+21
PROFITABILITY:	INCREASE	18	25	35	31	34	19	33	46	37	47
	DECREASE	48	41	33	28	30	47	27	12	18	12
	NET BALANCE	-30	-16	+2	+3	+4	-28	+6	+34	+19	+35
CAPITAL EXPENDITURE:	INCREASE	15	21	34	20	21	21	28	19	21	24
	DECREASE	31	33	24	30	25	32	27	31	25	34
	NET BALANCE	-16	-12	+10	-10	-4	-11	+1	-12	-4	-10

* 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 no change in business confidence among SMEs this quarter, with confidence three percentage points above the national average.
- SMEs in Queensland reported falls in all performance indicators over the past quarter with the exception of capital expenditure.
- SMEs in Queensland reported the lowest performance in profitability in the past quarter.
- SMEs in Queensland reported higher expectations for all indicators for the coming quarter compared to the previous quarter, with the exceptions of employment and capital expenditure, which both fell.
- SME support for the Queensland Government fell during the past quarter.

Trends in past three months' experience and current quarter expectations – Queensland											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	
POSITIVE						55	56	64	69	68	
NEGATIVE						27	24	14	17	16	
*NET BALANCE						+28	+32	+50	+52	+52	
TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %
SALES VALUE:	INCREASE	21	26	30	35	30	29	30	49	38	44
	DECREASE	41	46	37	34	37	37	23	11	19	19
	NET BALANCE	-20	-20	-7	+1	-7	-8	+7	+38	+19	+25
SIZE OF WORKFORCE:	INCREASE	16	10	12	14	10	11	9	15	15	13
	DECREASE	20	15	16	13	12	10	6	4	7	6
	NET BALANCE	-4	-5	-4	+1	-2	+1	+3	+11	+8	+7
WAGES BILL:	INCREASE	19	16	19	22	18	23	19	27	22	22
	DECREASE	20	19	17	14	17	11	10	6	11	10
	NET BALANCE	-1	-3	+2	+8	+1	+12	+9	+21	+11	+12
PRICES:	INCREASE	23	19	21	20	17	22	19	25	26	27
	DECREASE	6	11	13	11	10	7	7	2	5	3
	NET BALANCE	+17	+8	+8	+9	+7	+15	+12	+23	+21	+24
PROFITABILITY:	INCREASE	18	21	22	31	22	27	28	38	34	42
	DECREASE	42	48	38	35	38	37	26	13	20	16
	NET BALANCE	-24	-27	-16	-4	-16	-10	+2	+25	+14	+26
CAPITAL EXPENDITURE:	INCREASE	19	19	25	24	27	17	22	24	22	20
	DECREASE	25	32	25	25	26	36	29	26	25	32
	NET BALANCE	-6	-13	0	-1	+1	-19	-7	-2	-3	-12

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

Small and medium business outlook – South Australia

- South Australia recorded business confidence unchanged among SMEs this quarter, with confidence above the national average. Net confidence levels have been unchanged amongst South Australian SMEs for three successive quarters.
- SMEs in South Australia again recorded the most pessimistic views of both the current state and future directions of the Australian economy of any state or territory.
- SMEs in South Australia recorded higher performance for sales, prices and capital expenditure in the past quarter, with falls recorded in employment and wages and no change in profitability.
- South Australia recorded the highest proportion of SMEs that increased their sales, wages, prices, profitability and capital expenditure on balance in the past quarter of any state or territory.
- SMEs in South Australia recorded the highest expectations for the year ahead for wage and price increases of any state or territory, and equal highest capital expenditure expectations (along with Victoria and the Australian Capital Territory).
- SME support for the South Australian Government fell during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	
POSITIVE						48	52	67	66	66	
NEGATIVE						32	19	15	14	14	
*NET BALANCE						+16	+33	+52	+52	+52	
TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %
SALES VALUE:	INCREASE	24	37	27	40	39	26	27	43	41	41
	DECREASE	43	38	40	28	26	39	27	13	15	17
	NET BALANCE	-19	-1	-13	+12	+13	-13	+0	+30	+26	+24
SIZE OF WORKFORCE:	INCREASE	11	12	15	10	8	11	8	10	18	12
	DECREASE	20	13	14	8	16	11	9	2	1	2
	NET BALANCE	-9	-1	+1	+2	-8	0	-1	+8	+17	+10
WAGES BILL:	INCREASE	16	18	18	31	33	16	20	24	35	27
	DECREASE	18	20	15	8	11	20	14	8	6	10
	NET BALANCE	-2	-2	+3	+23	+22	-4	+6	+16	+29	+17
PRICES:	INCREASE	21	19	18	29	32	21	20	26	24	20
	DECREASE	6	6	8	14	4	5	5	2	6	2
	NET BALANCE	+15	+13	+10	+15	+28	+16	+15	+24	+18	+18
PROFITABILITY:	INCREASE	26	35	24	37	34	27	31	43	39	40
	DECREASE	40	37	40	29	26	38	28	14	18	17
	NET BALANCE	-14	-2	-16	+8	+8	-11	+3	+29	+21	+23
CAPITAL EXPENDITURE:	INCREASE	13	28	35	21	31	25	33	14	22	20
	DECREASE	33	24	28	22	17	21	24	36	25	29
	NET BALANCE	-20	+4	+7	-1	+14	+4	+9	-22	-3	-9

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

Small and medium business outlook – Western Australia

- Western Australia recorded a significant fall in business confidence which was just above the national average among SMEs this quarter.
- SMEs in Western Australia recorded decreased performance for all indicators in the past quarter with the exception of capital expenditure which increased.
- Western Australian SMEs reported increases in expectations for sales, employment and prices for the coming quarter, but lower expectations were recorded for wages, profitability and capital expenditure.
- SMEs in Western Australia recorded the capital expenditure lowest expectations for the current quarter of any state or territory.
- SMEs in Western Australia recorded the lowest expectations for the year ahead for profitability of any state or territory, and equal lowest sales expectations with Tasmania.
- Support for the Western Australian Government by SMEs was the highest and one of only two governments to record an improved support level this quarter.

Trends in past three months' experience and current quarter expectations – Western Australia											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
						%	%	%	%	%	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS											
POSITIVE						55	54	62	68	65	
NEGATIVE						21	19	10	12	15	
*NET BALANCE						+34	+35	+52	+56	+50	
TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09	FEB- APR 09	MAY- JUL 09	AUG- OCT 09	NOV- JAN 09/10	FEB- APR 09	MAY- JUL 09	AUG- OCT 09	NOV- JAN 09/10	FEB- APR 10
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	29	26	38	39	26	26	37	40	50	51
	DECREASE	38	51	30	31	33	35	27	9	16	10
	NET BALANCE	-9	-25	+8	+8	-7	-9	+10	+31	+34	+41
SIZE OF WORKFORCE:	INCREASE	8	6	10	21	9	11	8	14	14	13
	DECREASE	16	12	16	15	11	10	8	6	8	6
	NET BALANCE	-8	-6	-6	+6	-2	+1	0	+8	+6	+7
WAGES BILL:	INCREASE	13	11	13	29	19	15	15	24	35	20
	DECREASE	14	20	13	15	12	16	11	6	8	5
	NET BALANCE	-1	-9	0	+14	+7	-1	+4	+18	+27	+15
PRICES:	INCREASE	28	20	21	22	19	31	26	21	22	25
	DECREASE	8	8	9	5	4	12	4	3	6	2
	NET BALANCE	+20	+12	+12	+17	+15	+19	+22	+18	+16	+23
PROFITABILITY:	INCREASE	30	24	30	33	23	27	37	36	47	47
	DECREASE	35	52	33	28	31	38	28	11	12	13
	NET BALANCE	-5	-28	-3	+5	-8	-11	+9	+25	+35	+34
CAPITAL EXPENDITURE:	INCREASE	17	24	26	21	23	17	18	18	23	13
	DECREASE	26	23	22	28	27	36	26	28	26	32
	NET BALANCE	-9	+1	+4	-7	-4	-19	-8	-10	-3	-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 – Tasmania

- Tasmania recorded the largest fall in business confidence among SMEs with confidence down 14 percentage points in the state. Despite the fall, confidence amongst Tasmanian SMEs remained three percentage points above the national average.
- SMEs in Tasmania recorded higher performance in the past quarter for all indicators, with the only exception being wages.
- Tasmanian SMEs reported falls in expectations for all indicators with the exception of prices, where expectations rose.
- Tasmanian SMEs recorded the lowest expectations for the coming quarter for sales, employment, wages and profitability of any state or territory.
- Tasmanian SMEs recorded the lowest expectations for the year ahead for employment, wages, prices and capital expenditure of any state or territory, and equal lowest sales expectations, along with Western Australia.
- Support for the Tasmanian Government's policies recorded the largest improvement of any state or territory during the past quarter.

Trends in past three months' experience and current quarter expectations – Tasmania											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	
POSITIVE						44	53	69	76	66	
NEGATIVE						24	21	9	10	14	
*NET BALANCE						+20	+32	+60	+66	+52	
TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %	
SALES VALUE:	INCREASE	35	32	27	31	39	25	20	54	50	32
	DECREASE	28	35	39	26	29	38	26	11	7	18
	NET BALANCE	+7	-3	-12	+5	+10	-13	-6	+43	+43	+14
SIZE OF WORKFORCE:	INCREASE	21	8	11	7	12	9	3	11	12	9
	DECREASE	9	14	10	11	10	10	9	2	4	11
	NET BALANCE	+12	-6	+1	-4	+2	-1	-6	+9	+8	-2
WAGES BILL:	INCREASE	24	13	21	23	25	19	16	24	27	18
	DECREASE	15	15	17	8	13	17	19	6	5	14
	NET BALANCE	+9	-2	+4	+15	+12	+2	-3	+18	+22	+4
PRICES:	INCREASE	33	17	14	21	23	24	15	20	22	22
	DECREASE	6	6	3	3	4	2	3	2	3	2
	NET BALANCE	+27	+11	+11	+18	+19	+22	+12	+18	+19	+20
PROFITABILITY:	INCREASE	29	24	25	27	27	27	16	47	49	29
	DECREASE	30	35	34	29	25	39	25	11	6	20
	NET BALANCE	-1	-11	-9	-2	+2	-12	-9	+36	+43	+9
CAPITAL EXPENDITURE:	INCREASE	19	21	32	15	26	13	23	23	26	18
	DECREASE	23	31	28	27	28	40	36	32	21	34
	NET BALANCE	-4	-10	+4	-12	-2	-27	-13	-9	+5	-16

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

Small and medium business outlook – Northern Territory

- The Northern Territory recorded the second highest level of confidence among SMEs, with a small fall in confidence levels this quarter.
- In line with expectations from last quarter, SMEs in the Northern Territory reported falls in all performance indicators, with the lowest results for sales, employment, prices and capital expenditure of any state or territory.
- SMEs in the Northern Territory reported increases in expectations for all indicators with the exception of capital expenditure, where expectations fell.
- Moving into the dry season, SMEs in the Northern Territory recorded the highest expectations among SMEs of any state or territory for the coming quarter for all indicators, with the only exception being wages, where the expectations were equal highest along with the Australian Capital Territory.
- Looking ahead, the Northern Territory recorded the highest sales expectations for the year ahead of any state or territory.
- Support for the Northern Territory Government fell during the past quarter.

Trends in past three months' experience and current quarter expectations – Northern Territory											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
						%	%	%	%	%	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS											
POSITIVE						60	65	72	79	77	
NEGATIVE						17	17	12	10	11	
*NET BALANCE						+43	+48	+60	+69	+66	
TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %
SALES VALUE:	INCREASE	30	33	44	31	24	28	38	32	28	55
	DECREASE	33	29	27	21	36	29	13	21	25	9
	NET BALANCE	-3	+4	+17	+10	-12	-1	+25	+11	+3	+46
SIZE OF WORKFORCE:	INCREASE	9	14	14	23	6	16	9	9	19	18
	DECREASE	22	12	10	13	19	15	5	3	4	2
	NET BALANCE	-13	+2	+4	+10	-13	+1	+4	+6	+15	+16
WAGES BILL:	INCREASE	19	20	22	30	27	19	22	10	18	25
	DECREASE	23	13	7	8	17	19	9	8	13	6
	NET BALANCE	-4	+7	+15	+22	+10	0	+13	+2	+5	+19
PRICES:	INCREASE	27	25	22	18	15	27	21	22	17	26
	DECREASE	3	4	3	5	9	4	1	3	2	1
	NET BALANCE	+24	+21	+19	+13	+6	+23	+20	+19	+15	+25
PROFITABILITY:	INCREASE	27	28	37	28	20	27	35	31	24	53
	DECREASE	29	32	29	19	32	34	18	19	22	10
	NET BALANCE	-2	-4	+8	+9	-12	-7	+17	+12	+2	+43
CAPITAL EXPENDITURE:	INCREASE	14	28	27	26	20	22	25	20	27	22
	DECREASE	28	27	21	30	29	34	29	28	28	27
	NET BALANCE	-14	+1	+6	-4	-9	-12	-4	-8	-1	-5

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

Small and medium business outlook – Australian Capital Territory

- The Australian Capital Territory recorded the highest level of business confidence among SMEs during the quarter, with the largest improvement of any state or territory.
- SMEs in the Australian Capital Territory recorded the strongest views on the current state of the Australian economy, as well as the strongest views of the future direction of the Australian economy for the second successive quarter.
- SMEs in the Australian Capital Territory recorded increases in performance in the past quarter for all indicators with the exception of sales and profitability which both fell.
- Looking ahead, the Australian Capital Territory recorded the highest expectations for the current quarter for wages, equal with the Northern Territory, as well as the lowest expectations for price increases. All short-term expectations increased with the only exception being prices, which fell.
- The Australian Capital Territory recorded the highest employment expectations for the year ahead for of any state or territory, and equal highest expectations for profitability and capital expenditure).
- Support for the Australian Capital Territory Government declined during the quarter.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory											
						FEB 2009	MAY 2009	AUG 2009	NOV 2009	FEB 2010	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	
POSITIVE						39	50	66	65	75	
NEGATIVE						32	23	12	17	7	
*NET BALANCE						+7	+27	+54	+48	+68	
TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 08/09 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 09 %	MAY- JUL 09 %	AUG- OCT 09 %	NOV- JAN 09/10 %	FEB- APR 10 %
SALES VALUE:	INCREASE	27	27	32	36	29	22	35	49	45	49
	DECREASE	46	48	31	29	25	30	32	10	22	7
	NET BALANCE	-19	-21	+1	+7	+4	-8	+3	+39	+23	+42
SIZE OF WORKFORCE:	INCREASE	8	10	13	14	21	8	5	15	15	17
	DECREASE	19	19	13	8	12	8	9	1	5	4
	NET BALANCE	-11	-9	0	+6	+9	0	-4	+14	+10	+13
WAGES BILL:	INCREASE	22	14	16	19	26	13	11	23	26	24
	DECREASE	17	20	16	18	17	17	15	8	9	5
	NET BALANCE	+5	-6	0	+1	+9	-4	-4	+15	+17	+19
PRICES:	INCREASE	16	13	16	16	17	19	16	21	25	18
	DECREASE	11	7	11	6	3	6	2	5	3	7
	NET BALANCE	+5	+6	+5	+10	+14	+13	+14	+16	+22	+11
PROFITABILITY:	INCREASE	20	20	26	30	28	22	32	42	40	44
	DECREASE	45	45	34	21	23	33	30	14	15	8
	NET BALANCE	-25	-25	-8	+9	+5	-11	+2	+28	+25	+36
CAPITAL EXPENDITURE:	INCREASE	16	18	25	19	29	15	23	20	17	21
	DECREASE	33	32	22	26	21	38	27	27	30	28
	NET BALANCE	-17	-14	+3	-7	+8	-23	-4	-7	-13	-7

* 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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