December 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 last 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 December 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 December 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 18 October to 14 November 2011. The report covers experiences over the last three months (August to October 2011), and expectations for both the current quarter (November 2011 to January 2012) and the 12 months ending October 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 an improvement in the confidence levels of Australian SMEs, reversing most of last quarter's decline. Current perceptions of the economy improved, and SMEs were also more positive 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 25 per cent of SMEs reported they currently faced no problems at all, down five per cent in the last quarter. In line with the improvement in confidence there were also rises recorded in many key performance indicators, including both sales and profitability. However, with conditions at a low base from the previous quarter, both sales and profitability remained net negative overall, despite the improvement. Expectations for the next quarter improved across all indicators, as did expectations for the year ahead. This quarter's improvements saw many indicators recover the ground lost during last quarter's sharp declines, with many returning to levels similar to where they had been six months ago.

Support for the Federal Government improved slightly this quarter, but remained historically low, at the second lowest level since February 1996. A lack of incentives was the main reason given by SMEs for feeling that the Federal Government's policies worked against small businesses. The Northern Territory Government 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 improved during the last quarter.
- The strongest level of business confidence was recorded in Victoria, while South Australia recorded the lowest level of business confidence this quarter. Rising confidence was recorded in all states and territories with the exception of the Northern Territory. The largest increase in confidence was recorded in South Australia.
- Perceptions of the current state of the Australian economy recorded an increase for the first time in a year, with the proportion of SMEs that felt the economy was currently growing on balance up by 25 percentage points. In addition, the proportion of SMEs which felt the economy would be better in a year's time also rose further during the last quarter.
- Performance indicators for sales, profitability and capital expenditure all rose in the last quarter, with falls recorded for employment and prices, and no change in the wages performance indicator.
- In the short term, SMEs were expecting improvements across all indicators.
- For the year ahead, SMEs were also expecting increases for all indicators.
- A lack of work or sales remained the primary concern of SMEs this quarter, despite a fall in the proportion reporting problems in this area. This was followed by the economic climate, which fell slightly, and cash flow, which was unchanged. Some 25 per cent of SMEs reported facing no problems in their business, down five per cent in the last quarter.
- Support for the Federal Government's policies rose four percentage points in the last quarter, with the indicator now at its second lowest level since February 1996. The key reasons SMEs gave for feeling that the Federal Government's policies worked against them included a lack of incentives, too much bureaucracy, a perception that they were only concerned with larger businesses and the carbon tax.
- With the only net positive result this quarter, the Northern Territory Government remained 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 last quarter included:

- Medium businesses were more confident than small businesses by four percentage points.
- Despite businesses of all sizes recording increasing views of the economy this quarter, small businesses held more positive views on the current state of the economy, however there was little difference on where the economy would be in a year's time.
- Medium businesses recorded higher performance than small businesses for all indicators in the last quarter.
- Small businesses were more likely than medium businesses to be expecting increases in profitability and prices charged in the current quarter, while medium businesses were more likely to be expecting increases in employment, wages and capital expenditure. Sales expectations were equal for both small and medium businesses.

Metropolitan versus regional

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

- There was a significant difference in confidence levels between metropolitan and regional SMEs, with confidence eight percentage points higher in metropolitan areas. Regional SME's lower confidence was based on concerns that consumers were not spending, a decrease in business and the carbon tax.
- Regional businesses were more negative than metropolitan businesses about the current state of the Australian economy, as well as more negative views on where the economy will be in a year's time.
- Metropolitan businesses reported higher performance than regional businesses in all indicators in the last quarter, with the exception of prices.
- Metropolitan SMEs reported higher expectations than regional SMEs for all indicators for the current quarter, with the exception of prices.
- Metropolitan and regional businesses reported equal levels of support for the Federal Government's policies.

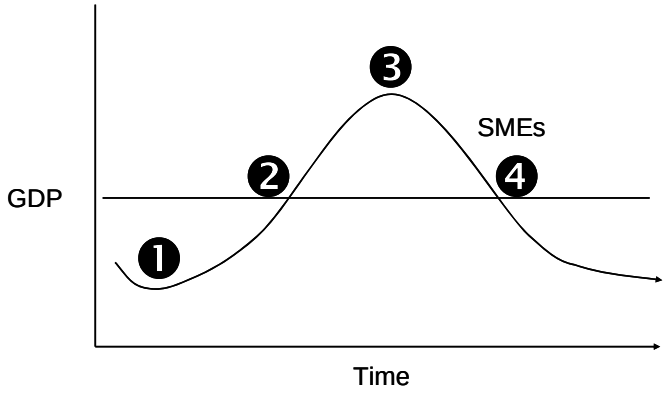
Industry sector trends

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 building and construction sector.
- The finance and insurance sector recorded the strongest results in sales, employment, wages, profitability and capital expenditure in the last quarter.
- The accommodation, cafes and restaurant sector experienced the strongest performance in prices charged in the last quarter.
- The weakest performance in sales, profitability and prices was recorded by the building and construction sector in the last quarter, with the wholesale trade sector recording the weakest employment performance.
- Looking ahead, the finance and insurance sector recorded the strongest expectations for sales, prices, capital expenditure and profitability in the current quarter. The transport and storage sector reported the strongest employment and wage expectations.
- The manufacturing sector was the least likely to be expecting to increase sales, wages and prices in the current quarter, with the building and construction sector least likely to be expecting increases in employment and profitability.
- The cultural, recreational and personal services sector was the most supportive of the Federal Government's policies, with the finance and insurance sector the least supportive.

SME business cycle analysis

The Business Cycle and SMEs



When examining the 12-month trends for a range of key business and economic indicators, it is possible to gauge the 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 September 2011 Sensis® *Business Index* suggests that the confidence among SME operators is returning to levels similar to those seen six months ago, with perceptions of the economy rising. In conjunction with this, sales and profitability performance indicators also rose this quarter, with SMEs anticipating further improvement in the current quarter and the year ahead. These latest results show that SMEs are seeing conditions similar to six months ago and are expecting further improvements in economic conditions looking forward.

Highlighted sections show the indicators relevant to SMEs for the December 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 improved sharply in the last quarter, reversing most of the fall recorded last quarter.

The key reason SMEs gave for confidence improving this quarter included feeling established and experienced in their business operations, while those SMEs that were worried about their business prospects cited concerns about people not spending.

Last quarter (August to October 2011)

SMEs recorded a 12 percentage point increase in business confidence levels which rose to a net balance of 27 per cent. This result comprises 54 per cent of businesses confident about their prospects for the year ahead and 27 per cent concerned.

This latest result reversed most of the 13 percentage point drop recorded last quarter, and brings confidence back to a level similar to that seen six months ago.

Those businesses that were confident indicated that they felt they were established and experienced in their business operations, that they provided a necessary product or service, and that they were hoping conditions would improve.

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

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 improvement in business confidence coupled with rising views on the current and future state of the economy. The results this quarter reflect a reversal of many of the steep declines seen last quarter, with many indicators returning to levels seen around six months ago.

Overall confidence
December 2011

	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	7%	8%	7%
Fairly confident	47%	48%	47%
Neutral	18%	19%	18%
Fairly worried	20%	20%	20%
Extremely worried	7%	5%	7%
Total confident	54%	56%	54%
Total worried	27%	25%	27%
***Net Balance**	**27%**	**31%**	**27%**

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

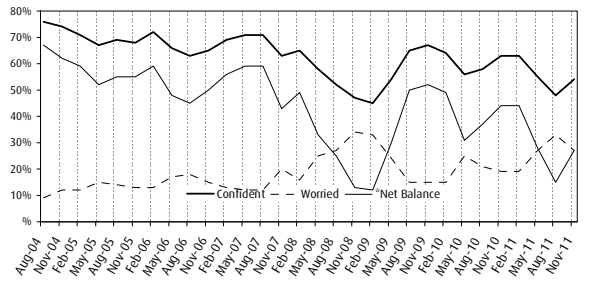
SOURCE: Sensis® *Business Index*
Sweeney Research – December 2011

Confidence trends - past five quarters

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Extremely confident	15%	11%	12%	6%	7%
Fairly confident	49%	52%	43%	42%	47%
Neutral	17%	18%	18%	19%	18%
Fairly worried	16%	15%	20%	25%	20%
Extremely worried	3%	4%	7%	8%	7%
Total confident	63%	63%	55%	48%	54%
Total worried	19%	19%	27%	33%	27%
***Net Balance**	**+44%**	**+44%**	**+28%**	**+15%**	**+27%**

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

Long term trends in confidence



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

** Net balance is defined as the difference between the percentage of SMEs that are confident and the percentage that are worried.*

Confidence by state and territory, sector and size

Key findings

The highest level of business confidence in the last quarter was recorded in Victoria, with the lowest level of confidence recorded in South Australia. Confidence rose in all states and territories with the exception of the Northern Territory. The largest rise in confidence was recorded in South Australia. SMEs in metropolitan areas were significantly more confident than their regional counterparts. Confidence was again highest among SMEs in the health and community services sector, and lowest among SMEs in the building and construction sector.

Last quarter (August to October 2011)

The highest confidence level was recorded in Victoria. Increasing confidence was recorded in all states and territories with the exception of the Northern Territory. The largest increase was recorded in South Australia, where confidence was up by 16 percentage points. The only fall in confidence was recorded in the Northern Territory, where confidence was down 11 percentage point.

The health and community services sector again recorded the highest confidence level, with confidence in the sector up 15 percentage points to a net 69 per cent. The lowest confidence level was recorded in the building and construction sector, with a net balance of six per cent, down 25 percentage points in the last quarter, which was also the largest fall in confidence of any industry. With the exception of the building and construction sector, all other sectors recorded increases in confidence with the largest increase recorded amongst SMEs in the retail trade sector (up 28 percentage points).

There was a significant difference in confidence between metropolitan and regional areas, with confidence in regional areas seven percentage points lower. There were only two states or territories were confidence was higher in regional areas: South Australia (nine percentage points higher) and the Northern Territory (11 percentage points higher). The only falls in confidence in the last quarter were recorded in metropolitan areas of the Northern Territory (down 16 percentage points) and regional areas of Western Australia and the Northern Territory (both down 11 percentage points). The largest increase in confidence was recorded in regional New South Wales (up 37 percentage points).

Trends by state
*net balance

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
National	**44%**	**44%**	**28%**	**15%**	**27%**
New South Wales	36%	50%	20%	19%	31%
Victoria	59%	56%	39%	26%	37%
Queensland	41%	28%	24%	5%	14%
South Australia	39%	35%	16%	-5%	11%
Western Australia	45%	37%	29%	17%	31%
Tasmania	37%	39%	23%	18%	26%
Northern Territory	52%	55%	33%	29%	18%
Australian Capital Territory	51%	62%	47%	18%	28%

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

Metro and regional confidence
*net balance

	Metro	Regional	Total
National	**30%**	**23%**	**27%**
New South Wales	32%	31%	31%
Victoria	37%	34%	37%
Queensland	18%	9%	14%
South Australia	8%	17%	11%
Western Australia	31%	28%	31%
Tasmania	49%	13%	26%
Northern Territory	11%	22%	18%
Australian Capital Territory	28%	N/A	28%

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

Confidence by business size

	Confident	Worried	*Net Balance
Total	**54%**	**27%**	**27%**
1-2 Employees	55%	26%	29%
3-4 Employees	53%	30%	23%
5-9 Employees	58%	25%	33%
10-19 Employees	55%	27%	28%
Total Small Business	**54%**	**27%**	**27%**
20-99 Employees	54%	26%	28%
100-199 Employees	75%	20%	55%
Total Medium Business	**56%**	**25%**	**31%**

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

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	45%	33%	12%
Building/Construction	41%	35%	6%
Wholesale Trade	49%	37%	12%
Retail Trade	46%	29%	17%
Transport/Storage	57%	32%	25%
Communication Property & Business Services	64%	22%	42%
Finance and Insurance	61%	15%	46%
Health and Community Services	82%	13%	69%
Cultural, Recreational and Personal	52%	27%	25%
Accommodation, Cafes and Restaurants	53%	26%	27%

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

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

Perceptions of the economy

Key findings

The latest results saw an improvement in SMEs' perceptions of the current state of the economy, as well as an increase in expectations for the economy a year from now. Despite the increases recorded this quarter, both of these indicators remain at net negative levels overall.

Last quarter (August to October 2011)

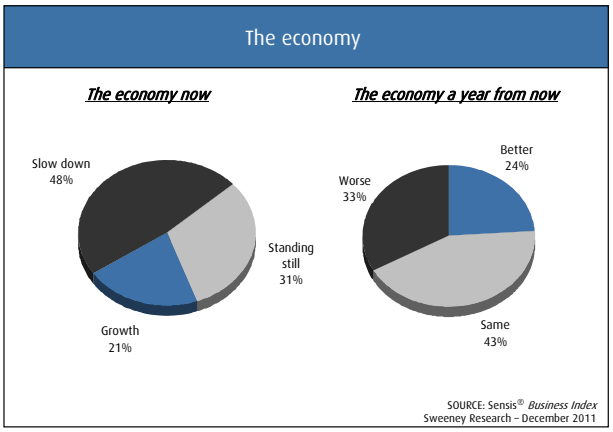
There was an increase of eight percentage points in the proportion of SMEs that felt the economy was currently growing. Coupled with this was a 17 percentage point fall in the proportion of SMEs that felt the economy was currently slowing, resulting in the proportion of businesses believing the Australian economy is currently growing now at a net balance of negative 10 per cent. This was the first increase in this indicator in a year, however despite the increase recorded this quarter the indicator remained net negative overall.

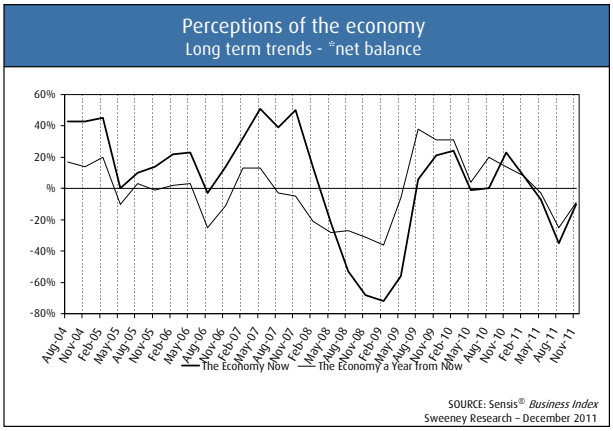
SMEs' perceptions of the current state of the Australian economy remained negative in all states and territories in the last quarter.

The highest perceptions of the economy were recorded in New South Wales at a net negative five per cent. SMEs in South Australia and Tasmania recorded the equal lowest perceptions on balance at net negative 26 per cent each.

SMEs in all states and territories showed improving views of the economy in the last quarter. The largest increase was recorded by SMEs in New South Wales, which recorded an increase of 32 percentage points in the last quarter. SMEs in Tasmania recorded the smallest increase in perceptions of the current state of the economy, with this indicator increasing only 10 percentage points, by comparison.

In line with the improvement in perceptions of the current state of the economy, there was also a strong increase for expectations for the economy for the year ahead. These were up 16 percentage points from last quarter's result, with net negative nine per cent of SMEs believing the economy would be better in a year's time. The strongest expectations were recorded by SMEs in Victoria and Western Australia, with the weakest expectations held by SMEs in the Northern Territory.





Perceptions of the economy - trends

	Nov 10	Feb 11	May 11	Aug 11	Nov11
The economy now					
Growth	39%	29%	23%	13%	21%
Slowing	16%	21%	30%	48%	31%
***Net Balance**	**+23%**	**+8%**	**-7%**	**-35%**	**-10%**
The economy a year from now					
Better	36%	33%	28%	19%	24%
Worse	22%	25%	31%	44%	33%
***Net Balance**	**+14%**	**+8%**	**-3%**	**-25%**	**-9%**

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

Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	26%	19%	16%	13%	22%	16%	15%	15%
Slowing	31%	29%	34%	39%	30%	42%	31%	29%
***Net Balance**	**-5%**	**-10%**	**-18%**	**-26%**	**-8%**	**-26%**	**-16%**	**-14%**
The economy a year from now								
Better	24%	25%	24%	23%	25%	23%	21%	21%
Worse	33%	32%	33%	32%	32%	32%	40%	29%
***Net Balance**	**-9%**	**-7%**	**-9%**	**-9%**	**-7%**	**-9%**	**-19%**	**-8%**

SOURCE: Sensis® *Business Index*
Sweeney Research – December 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 stronger confidence and perceptions of the economy, indicators for the year ahead also improved this quarter. Increases were recorded for all indicators for the current year, with the largest gains recorded for sales and profitability.

Next 12 months (November 2011 to October 2012)

Sales expectations were up during the quarter to a net positive 37 per cent. This result comprised 54 per cent of SMEs that thought sales would rise in the next year, while 17 per cent expected a fall. SMEs in Victoria recorded the strongest net sales expectations by state and territory for the year ahead, with a net balance result of 48 per cent. The finance and insurance sector recorded the strongest industry result with a net balance of 62 per cent, up 17 percentage points since last quarter. The building and construction sector remained at the other end of the scale with a net balance result of 18 per cent, up 14 percentage points from the previous quarter.

Employment expectations for the year were up four percentage points to a net balance of 14 per cent. At a state and territory level Victoria recorded the highest results with a net balance of 18 per cent, up from 16 per cent last quarter. At an industry level the communications, property and business services sector recorded the strongest employment result at 23 per cent. The sector with the lowest employment expectations for the year ahead was the manufacturing sector with a net balance of two per cent, a drop of five percentage points since last quarter.

The total wages and salary costs expectations for the year ahead rose four percentage points during the quarter, with a net balance result of 29 per cent of SMEs expecting an increase. The strongest wage expectations for the year ahead were recorded in Victoria (41 per cent, up 13 percentage points). The health and community services sector was expecting the greatest rise in wages over the next year (44 per cent).

The selling price expectations for the year ahead also rose during the quarter, with a net balance of 38 per cent of SMEs expecting to increase the prices they charge over the year ahead, up nine percentage points. At the state and territory level Tasmania recorded the strongest selling price expectations for the year ahead a net balance of 44 per cent. At an industry level the strongest price expectations for the year ahead were recorded in the health and community services and cultural, recreational and personal services sectors at 47 per cent each.

Profitability expectations rose 13 percentage points to net 32 per cent in the last quarter. Victoria recorded the strongest profit expectations for the year ahead with a net balance result of 44 per cent. The lowest expectations were in New South Wales and the Northern Territory with a net balance result of 25 per cent each. At an industry level the finance and insurance sector again recorded the strongest annual profit expectations with a net balance result of 58 per cent, up 23 percentage points.

Capital expenditure expectations for the year ahead regained positive territory this quarter, up seven percentage points to six per cent. The strongest capital expenditure expectations for the next twelve months were recorded in New South Wales (up seven percentage points to 12 per cent).

Expectations on key indicators over the next 12 months

	Expect an increase	Expect a decrease	*Net Balance
Value of sales	54%	17%	+37%
Size of workforce	21%	7%	+14%
Wages bill	39%	10%	+29%
Prices charged	42%	4%	+38%
Profitability	51%	19%	+32%
Capital expenditure	31%	25%	+6%

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

Expectations on key indicators
Trends in *net balance

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Value of sales	42%	46%	35%	24%	37%
Size of workforce	17%	15%	15%	10%	14%
Wages bill	30%	37%	32%	25%	29%
Prices charged	32%	42%	33%	29%	38%
Profitability	38%	41%	31%	19%	32%
Capital expenditure	3%	7%	2%	-1%	6%

SOURCE: Sensis® *Business Index*
Sweeney Research – December 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, however the level of concern decreased since last quarter. One in four SMEs reported they were currently facing no significant problems in their business.

Last quarter (August to October 2011)

The proportion of SMEs reporting they were currently facing problems caused by a lack of work or sales fell six percentage points during the last quarter to 18 per cent, remaining the top concern facing SMEs in Australia for the 13th successive quarter. This decrease reverses most of last quarter's sharp increase in the proportion of SMEs reporting difficulties in this area.

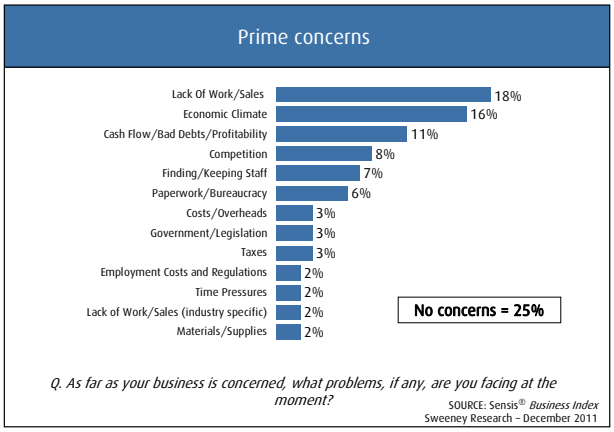
Reports of problems caused by a lack of work or sales were highest in South Australia, where this problem was being reported by 26 per cent of SMEs, and lowest in Victoria (13 per cent). SMEs in the wholesale trade sector were again most likely to report difficulties caused by a lack of work or sales.

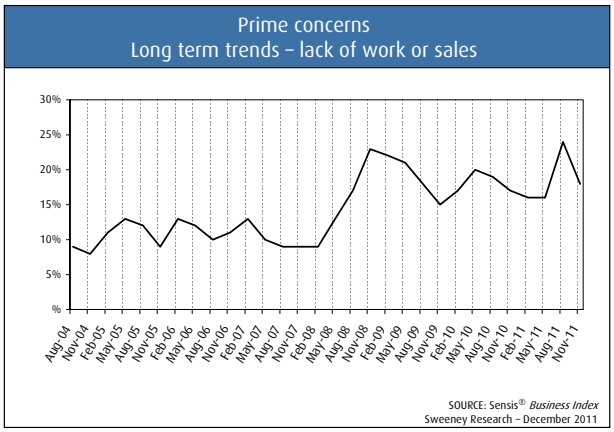
Overall, 16 per cent of SMEs nominated the economic climate as the main issue impacting their businesses, down one percentage point in the last quarter. Concern about the economic climate includes issues such as consumer confidence and spending levels, interest and exchange rate concerns, concerns about 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, closely followed by concerns that people were not spending.

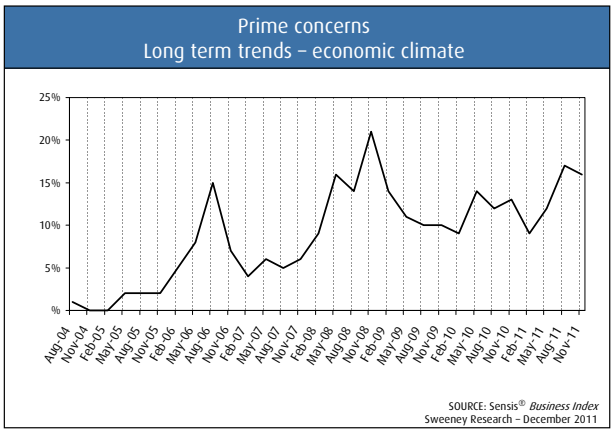
The only other issue that was currently causing problems for significant numbers of SMEs was the problem of cash flow, with 11 per cent of SMEs reporting difficulties in this area, unchanged in the past quarter.

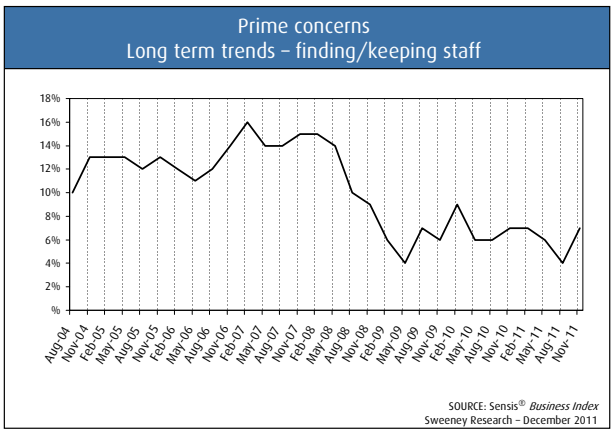
With SMEs becoming more confident over the last quarter the proportion of SMEs reporting problems with finding and keeping staff increased for the first time in a year, up three percentage points in the last quarter, with seven per cent of SMEs now reporting problems in this area. This issue was strongest in the Northern Territory where almost one in five SMEs currently having problems finding staff for their businesses.

Some 25 per cent of SMEs reported having no current problems in their business, down five percentage points from the previous quarter. SMEs in the ACT were most likely to report not having any problems in their business, with just over one in three SMEs saying that they were not currently facing any significant issues.









Sales

Key findings

The proportion of SMEs on balance reporting increased sales rose strongly for the first time in a year, however overall the sales indicator remained in negative territory. SMEs were also expecting further improvement in both the current quarter and the year ahead.

Last quarter (August to October 2011)

Sales performance recorded a net balance of negative six per cent for the quarter, up 16 percentage points from the previous quarter. Despite the strong improvement, the result remained net negative overall, with more SMEs still reporting falls in sales than increases in the past quarter.

Only SMEs in Queensland reported a net positive sales indicator overall in the last quarter, at net positive one per cent, up 30 percentage points. At the other end of the scale sales performance was lowest among SMEs in Tasmania, where a net negative 16 per cent of SMEs reported increasing sales.

Sales performance was patchier across industry sectors, with the strongest performance recorded in the finance and insurance sector, with a net balance of negative 34 per cent of SMEs having reported increasing sales. The weakest industry performance was recorded in the building and construction, health and community services and accommodation, cafes and restaurant sectors all reporting sales at net negative 17 per cent.

Current quarter (November 2011 to January 2012)

SMEs were expecting the situation with sales to improve further in the current quarter. Sales expectations for the current quarter were up six percentage points from the previous quarter to a net positive 22 per cent.

Expectations for sales growth varied around Australia, with the strongest expectations recorded in Victoria at net positive 34 per cent. The weakest sales expectations for the current quarter were recorded in Queensland, at a net positive one per cent.

On an industry basis, the strongest expectations for the current quarter were recorded in the finance and insurance sectors (net balance of 51 per cent). The manufacturing sector recorded the lowest level of expectations (net negative one per cent).

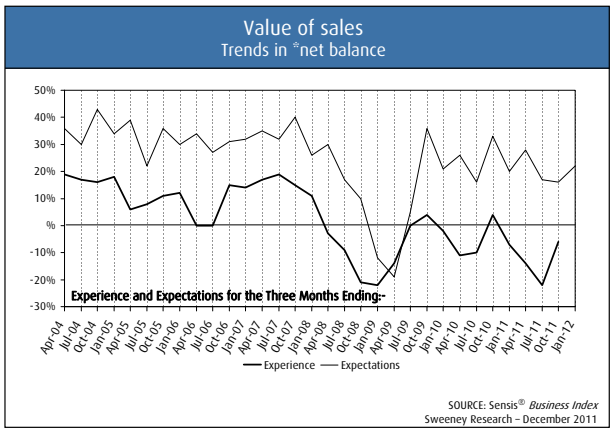
Next 12 months (November 2011 to October 2012)

Twelve-month sales expectations rose 13 percentage points to a net 37 per cent. The result comprised 54 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 at a net 48 per cent, and lowest in Tasmania at a net 25 per cent. The finance and insurance sector recorded the strongest sales expectations for the year ahead up 17 percentage points to a net 62 per cent.

Value of sales

	Nov 10	Feb 11	May 11	Aug 11	Nov11
Last Quarter					
Experienced increase	35%	29%	30%	24%	32%
No change	33%	35%	25%	30%	29%
Experienced decrease	31%	36%	44%	46%	38%
***Net Balance**	**+4%**	**-7%**	**-14%**	**-22%**	**-6%**
Current Quarter					
Expect increase	39%	44%	37%	36%	38%
No change	41%	40%	42%	44%	45%
Expect decrease	19%	16%	20%	20%	16%
***Net Balance**	**+20%**	**+28%**	**+17%**	**+16%**	**+22%**

SOURCE: Sensis® *Business Index*
Sweeney Research – December 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

Despite improvements in most areas this quarter the employment indicator fell, with a decline in the net proportion of SMEs reporting an increase in employment falling for the second consecutive quarter. Looking ahead, SMEs were expecting increases in employment for both the short and medium terms.

Last quarter (August to October 2011)

The proportion of SMEs that increased employment during the last quarter rose, with 13 per cent of SMEs reporting an increase during the quarter. However, more than balancing this, 15 per cent of SMEs reported a decline, which was up by three percentage points. The resulting negative two per cent net balance was a fall of two percentage points from the previous quarter.

At a state level the best performing region was Tasmania at a net five 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 39 per cent of SMEs who believed barriers existed, down two percentage points in the last quarter. Those SMEs who had decreased employment were overwhelmingly likely to have done so because of economic conditions, followed by staff leaving for other jobs and a downturn in business. The main reason given by those SMEs that had increased employment was that their business had experienced growth.

Current quarter (November 2011 to January 2012)

Looking ahead, employment expectations for the current quarter rose two percentage points to a net positive six per cent. SMEs in the Northern Territory recorded the strongest short-term employment expectations at a net balance of 13 per cent. At the other end of the scale was Queensland with a net balance result of negative one per cent.

Next 12 months (November 2011 to October 2012)

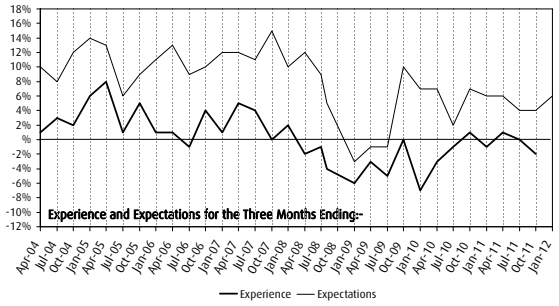
Employment expectations for the year ahead were up four percentage points to a net balance result of 14 per cent. The strongest expectations for the year ahead were recorded by SMEs in Victoria (net 18 per cent), with the weakest in the Australian Capital Territory (net negative four per cent).

Size of workforce

	Nov 10	Feb 11	May 11	Aug 11	Nov11
Last Quarter					
Experienced increase	12%	11%	12%	12%	13%
No change	77%	78%	77%	76%	72%
Experienced decrease	11%	12%	11%	12%	15%
***Net Balance**	**+1%**	**-1%**	**+1%**	**0%**	**-2%**
Current Quarter					
Expect increase	13%	12%	11%	11%	11%
No change	79%	81%	82%	81%	83%
Expect decrease	7%	6%	7%	7%	5%
***Net Balance**	**+6%**	**+6%**	**+4%**	**+4%**	**+6%**

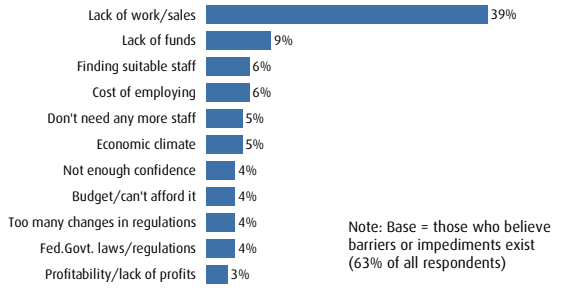
SOURCE: Sensis® *Business Index*
Sweeney Research – December 2011

Size of workforce
Trends in *net balance



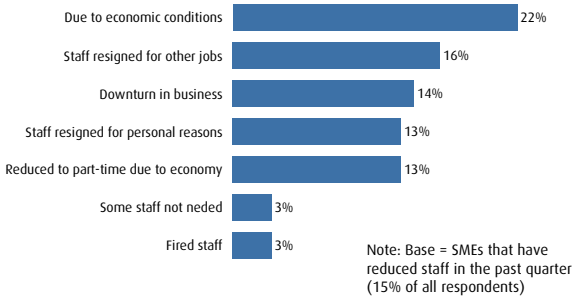
SOURCE: Sensis® *Business Index*
Sweeney Research – December 2011

What are the barriers to taking on new employees?



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

Why SMEs have decreased employment



SOURCE: Sensis® *Business Index*
Sweeney Research – December 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 no change in the proportion of SMEs, on balance, reporting increased wages over the last quarter. In addition, the proportion of SMEs expecting increases in their wage bills for the short term and for the year ahead both increased.

Last quarter (August to October 2011)

The latest survey saw no change in the proportion of SMEs reporting increased wage costs, with the performance result remaining at a net positive five per cent.

During the quarter, 22 per cent of SMEs experienced a rise in total wage costs, while 17 per cent recorded a decline, both down one percentage point. SMEs in South Australia recorded the highest net result in total wage costs (net 11 per cent), while the lowest wage pressures were recorded in the Northern Territory (net negative three per cent). The strongest net result in total wage costs was recorded in the finance and insurance sector (net 24 per cent, up five percentage points).

Current quarter (November 2011 to January 2012)

There was a small rise in the proportion of SMEs expecting increases in wages in the short term, with net expectations for total wage costs up two percentage points to a net 13 per cent. The highest wage expectations were in Victoria, with a net balance of 21 per cent of SMEs expecting an increase in their total wages bill in the current quarter. SMEs in Queensland were least likely to be expecting an increase in their wages bill in the current quarter (net positive five per cent).

Next 12 months (November 2011 to October 2012)

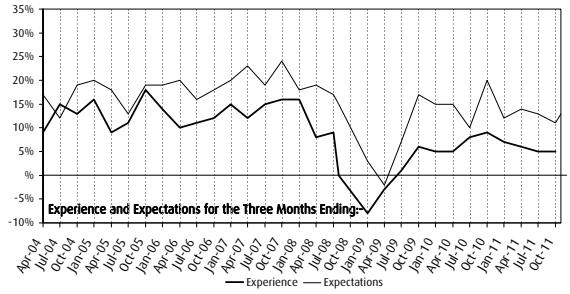
Expectations for total wage and salary costs for the year ahead rose four percentage points during the quarter, with a net balance of 29 per cent of businesses expecting a rise in total wage costs. The SMEs most likely to be expecting increases to their wages bills were in Victoria at a net 41 per cent. SMEs in the Australian Capital Territory were least likely to expect an increase in their total wages bill in the year ahead (net 21 per cent).

Wages bill

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Last Quarter					
Experienced increase	22%	21%	21%	23%	22%
No change	62%	61%	60%	54%	56%
Experienced decrease	13%	14%	15%	18%	17%
***Net Balance**	**+9%**	**+7%**	**+6%**	**+5%**	**+5%**
Current Quarter					
Expect increase	23%	23%	23%	21%	22%
No change	63%	65%	65%	65%	65%
Expect decrease	11%	9%	10%	10%	9%
***Net Balance**	**+12%**	**+14%**	**+13%**	**+11%**	**+13%**

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

Wages bill
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – December 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

Price pressures remained low, with the net proportion of SMEs who increased prices continuing to fall during the last quarter. However, looking ahead there were increases in the proportion of SMEs that were expecting to raise their prices in both the short and medium terms.

Last quarter (August to October 2011)

The proportion of SMEs that increased prices was down a further one percentage point during the quarter, at a net balance result of seven per cent.

Of all states and territories, the strongest price trends were recorded by SMEs in Victoria, with a net balance of 17 per cent. The lowest results were recorded by SMEs in Queensland, with a net balance of one per cent. The strongest price rises were recorded in the accommodation, cafes and restaurant sector, with a net balance of 32 per cent, up 17 percentage points since the previous quarter. The weakest outcomes were recorded in the building and construction sector, where the proportion of SMEs that increased prices in the last quarter was at net negative 12 per cent.

Current quarter (November 2011 to January 2012)

SME expectations for price rises in the short term rose two percentage points to a net balance result of 15 per cent. SMEs in Tasmania recorded the strongest price rise expectations, with a net balance result of 26 per cent, while the Australian Capital Territory recorded the weakest price rise expectations, with a net balance of five per cent.

Next 12 months (November 2011 to October 2012)

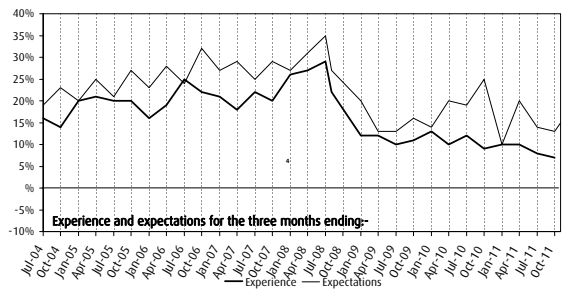
At a net balance of 38 per cent, expectations for price rises in the year ahead were up nine percentage points from the previous survey. Year-ahead expectations for price increases were strongest among SMEs in Tasmania (44 per cent), and the health and community services, and cultural, recreational and personal services sectors (47 per cent each).

Prices charged

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Last Quarter					
Experienced increase	17%	18%	19%	17%	17%
No change	74%	73%	71%	72%	71%
Experienced decrease	8%	8%	9%	9%	10%
***Net Balance**	**+9%**	**+10%**	**+10%**	**+8%**	**+7%**
Current Quarter					
Expect increase	16%	23%	20%	19%	19%
No change	77%	73%	73%	73%	76%
Expect decrease	6%	3%	6%	6%	4%
***Net Balance**	**+10%**	**+20%**	**+14%**	**+13%**	**+15%**

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

Prices charged
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – December 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, remaining net negative overall. Investment expectations among SMEs were expected to rise further for both the current quarter and the year ahead.

Last quarter (August to October 2011)

SME performance in capital expenditure recorded a result of net negative 11 per cent, an increase of three percentage points. However with the improvement from a low base, the indicator remained negative overall, resulting in the tenth successive quarter of net negative capital expenditure results.

The strongest results were recorded in South Australia with a net balance result of negative seven per cent. The lowest results were recorded in Western Australia, with a net balance result of negative 21 per cent. The finance and insurance sector recorded the strongest capital expenditure performance (net positive 30 per cent). At the other end of the investment scale was the communications, property and business services sector (negative 22 per cent).

Current quarter (November 2011 to January 2012)

Capital expenditure expectations also rose for the short term, at a net balance result of negative 10 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 and Western Australia at a net negative six per cent each. The weakest result was recorded by SMEs in the Australian Capital Territory with a net balance of negative 20 per cent.

Next 12 months (November 2011 to October 2012)

Capital expenditure expectations for the year ahead were also up during the quarter, with a net positive six per cent of SMEs expecting to increase capital expenditure in the next 12 months, up seven percentage points. Capital expenditure expectations were highest for SMEs in New South Wales (net 12 per cent) and in the finance and insurance sector (net 34 per cent).

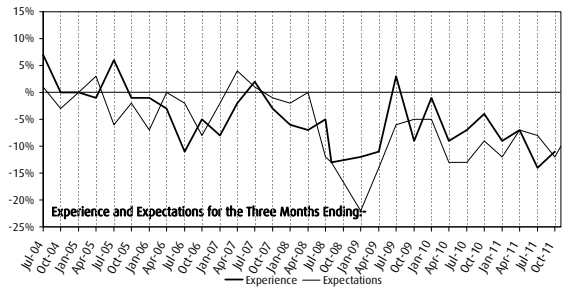
SMEs ability to access finance is critical for capital expenditure and growth. When looking at the ability to access finance, SMEs were more likely to feel it was relatively difficult on balance, with 19 per cent feeling it is currently relatively easy, compared to 41 per cent who felt it was relatively difficult. This resulted in a net improvement of two percentage points in the latest results. Some 17 per cent of SMEs reported that they had tried to access finance in the last quarter, down two percentage points, with 54 per cent of those reporting success (down eight percentage points).

Capital expenditure

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Last Quarter					
Experienced increase	20%	17%	19%	17%	20%
No change	51%	53%	51%	50%	43%
Experienced decrease	24%	26%	26%	31%	31%
***Net Balance**	**-4%**	**-9%**	**-7%**	**-14%**	**-11%**
Current Quarter					
Expect increase	17%	18%	19%	15%	19%
No change	51%	54%	49%	55%	47%
Expect decrease	29%	25%	27%	27%	29%
***Net Balance**	**-12%**	**-7%**	**-8%**	**-12%**	**-10%**

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

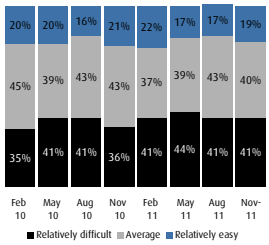
Capital expenditure
Trends in *net balance



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

Ease of accessing finance

Trends



By business size (November 2011)

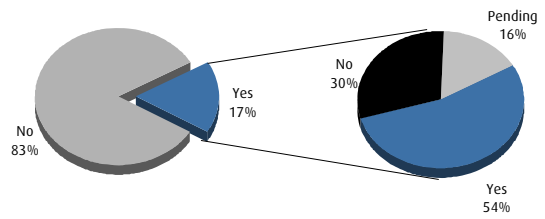
	Easy	Difficult	*Net Balance
Total	**19%**	**41%**	**-22%**
1-2 Employees	22%	37%	-15%
3-4 Employees	15%	53%	-38%
5-9 Employees	19%	36%	-17%
10-19 Employees	16%	32%	-16%
Total Small Business	**19%**	**41%**	**-22%**
20-99 Employees	12%	42%	-30%
100-199 Employees	0%	29%	-29%
Total Medium Business	**11%**	**41%**	**-30%**

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

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

Success in accessing finance

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 – December 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 improved strongly during the last quarter, however remained net negative overall. SMEs were expecting stronger profitability trends to continue in both the short term, and for the year ahead.

Last quarter (August to October 2011)

Profitability performance recorded a net balance result of negative 11 per cent for the last quarter. This result was up 16 percentage points from the previous quarter, reversing most of the last six month's decline. Despite the solid improvement, profitability remained net negative overall, indicating more SMEs experienced a decrease in profitability than an increase in the last quarter. Profitability has been net negative overall for SMEs for over three and a half 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 negative three per cent, with no states or territories recording a net positive result overall. The weakest performance was recorded in the Australian Capital Territory at net negative 30 per cent. The strongest industry performance results were recorded in the communications, property and business services and finance and insurance sectors with a net balance result of positive six per cent each. The weakest profitability performance was recorded in the building and construction sector (net negative 35 per cent).

Current quarter (November 2011 to January 2012)

Profitability expectations for the current quarter rose six percentage points to positive 17 per cent. At a state and territory level, the strongest expectations were recorded by SMEs in Victoria with a net balance of 26 per cent. The weakest state result was Queensland with a net balance result of negative eight per cent.

By industry, the finance and insurance sector recorded the strongest short-term profit expectations with a net balance result of 47 per cent. The building and construction sector recorded the weakest expectations with a net balance result of negative 14 per cent.

Next 12 months (November 2011 to October 2012)

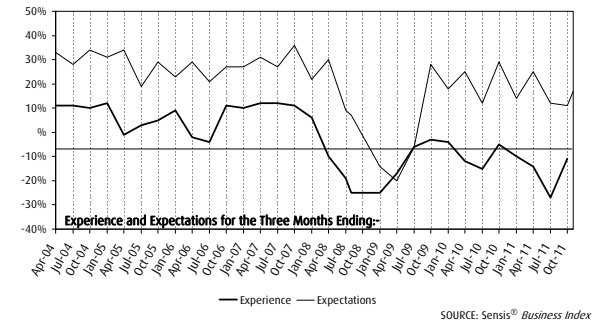
Profitability expectations for the year ahead rose during the quarter to a net balance result of 32 per cent, up 13 percentage points in the last quarter. The strongest profit expectations were recorded by SMEs in Victoria (net 44 per cent), with the weakest expectations recorded in New South Wales and the Northern Territory (net 25 per cent each).

Profitability

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Last Quarter					
Experienced increase	28%	26%	27%	20%	29%
No change	38%	38%	31%	32%	29%
Experienced decrease	33%	36%	41%	47%	40%
***Net Balance**	**-5%**	**-10%**	**-14%**	**-27%**	**-11%**
Current Quarter					
Expect increase	35%	41%	35%	34%	37%
No change	43%	43%	41%	42%	42%
Expect decrease	21%	16%	23%	23%	20%
***Net Balance**	**+14%**	**+25%**	**+12%**	**+11%**	**+17%**

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

Profitability
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – December 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 rose this quarter however the value of exports fell. Even though export value fell, SMEs are expecting some improvement in the short term and stabilisation in the medium term.

Last quarter (August to October 2011)

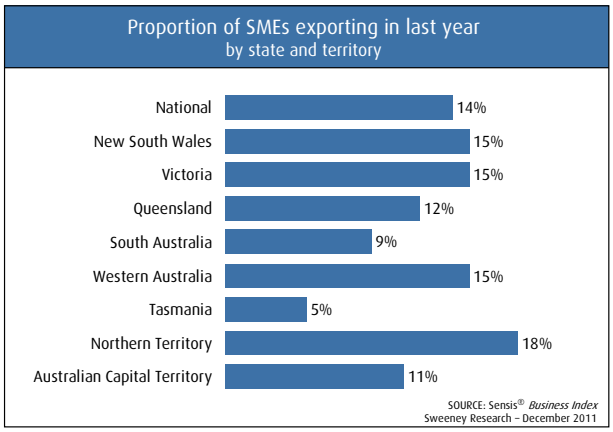
Fourteen per cent of SMEs reported exporting in the last quarter, up one percentage point from the previous quarter. Only New South Wales and Queensland reported a marginal fall in the proportion of SMEs that exported, with increases recorded in all other states and territories. Despite dropping one percentage point, New South Wales still recorded the highest proportion of exporting SMEs in Australia in the last quarter.

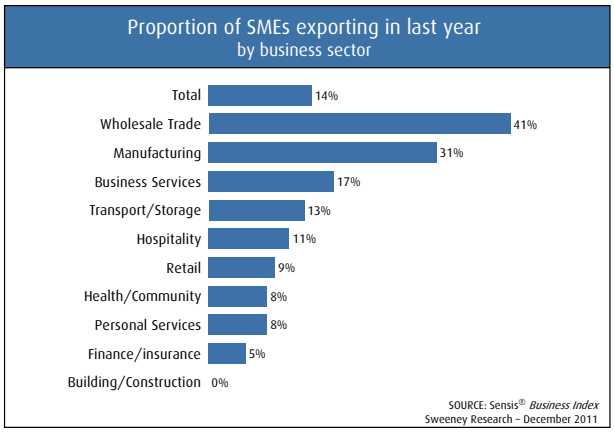
SMEs in metropolitan areas were almost three times as likely to export as their regional counterparts (17 per cent compared to six per cent). SMEs in the wholesale trade sector were most likely to have exported in the last quarter.

Despite the increase in the proportion of SMEs exporting, this quarter saw a further decline in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of negative 14 per cent reported an increase in the value of the goods and services exported in the last quarter, down five percentage points from last quarter's result and down slightly from the level recorded one year ago.

However looking forward, there was an increase in the proportion of exporting SMEs expecting the value of exports to increase for the current quarter and no change in expectations for the year ahead. In the short term, the proportion of SMEs expecting growth in the value of exports for the current quarter was up four percentage points to net positive eight per cent. There was no change in the proportion of SMEs expecting to increase the value of exports in the year ahead.

New Zealand remained the most popular destination for SME exports (44 per cent). Other strong results were seen for the United States at 23 per cent, and the United Kingdom at 15 per cent. Some 27 per cent of exporting SMEs reported exporting to ASEAN nations, unchanged since the previous quarter.





Value of exports - trends

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Last Quarter					
Experienced increase	18%	31%	23%	19%	19%
No change	51%	44%	52%	53%	49%
Experienced decrease	30%	25%	25%	28%	33%
***Net Balance**	**-12%**	**+6%**	**-2%**	**-9%**	**-14%**
Current Quarter					
Expect increase	23%	37%	23%	16%	21%
No change	60%	49%	53%	72%	65%
Expect decrease	17%	14%	24%	12%	13%
***Net Balance**	**+6%**	**+23%**	**-1%**	**+4%**	**+8%**
Next 12 months					
Expect increase	40%	52%	35%	37%	38%
No change	43%	37%	49%	51%	48%
Expect decrease	17%	12%	16%	12%	13%
***Net Balance**	**+23%**	**+40%**	**+19%**	**+25%**	**+25%**

Base : Exported goods or services overseas in last three months

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

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

Government Policies

Assessment of Federal Government policies

Key findings

Support among SMEs for the Federal Government improved slightly from its low point last quarter but remained at its second lowest level since February 1996.

Last quarter (August to October 2011)

The net balance result of a negative 44 per cent approval rating represented an increase of four percentage points, following a seven percentage point fall in the previous quarter. The result comprised eight per cent (up one percentage point) of SMEs supportive of the Federal Government's small business policies, and 52 per cent (down three percentage points) that 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 negative 24 per cent. SMEs in Queensland were most critical of the Federal Government's small business policies, with the net balance at net negative 51 per cent. Support levels for the Federal Government from SMEs fell in Victoria (down two percentage points) South Australia and the Australian Capital Territory (down one percentage point each). The strongest increase in support levels for the Federal Government was from SMEs in the Northern Territory (up 15 percentage points).

SMEs in regional and metropolitan areas reported equal levels of support for the Federal Government this quarter, and there was also very little difference in support levels between small and medium businesses.

SMEs from the cultural, recreational and personal services sector were most likely to report feeling that the Federal Government's policies were supportive of small business (negative 26 per cent) with those in the finance and insurance sector least likely to feel supportive on balance (negative 74 per cent).

The key reasons SMEs gave for feeling that the Federal Government's policies worked against them included the view that there were no incentives for small businesses, that there was too much bureaucracy, that the Federal Government was only concerned with big business and the carbon tax. While few SMEs felt supportive this quarter, those that did, mostly cited the reductions in company tax and a view that they were more supportive of small business as the key reasons for their support.

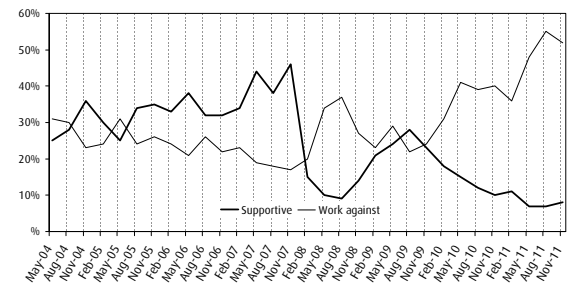
Attitudes to Federal Government policies
past five quarters

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
Supportive	10%	11%	7%	7%	8%
Work against	40%	36%	48%	55%	52%
No impact	50%	53%	44%	38%	40%
***Net Balance**	**-30%**	**-25%**	**-41%**	**-48%**	**-44%**

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 – December 2011

Attitudes to Federal Government policies
Long-term trends



SOURCE: Sensis® *Business Index*
Sweeney Research – December 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

The Northern Territory Government was the most popular in Australia among all SMEs in the last quarter. While there was an improvement in their support levels in the latest results, the Tasmanian Government remained the least supported government by SMEs.

Last quarter (August to October 2011)

With no change in support levels over the past quarter, the Northern Territory Government remained the most supported of any state or territory government, with an overall support level of positive eight per cent. SMEs cited a perception that the Northern Territory Government had a better understanding of their needs as the key reason for their support. Other key reasons given by SMEs for feeling that the Northern Territory Government was supportive of their business included a perception that they were doing a good job, that they were encouraging growth and creating positive conditions in the local area.

The Northern Territory Government was the only government this quarter to record a net positive support level from SMEs. During the last quarter support levels fell in most states, with the only increases in support being recorded in South Australia (up 14 percentage points), Tasmania (up nine percentage points) and the Australian Capital Territory (up four percentage points).

Despite having recorded an increase in support levels since the previous quarter, the lowest level of support remained for the Tasmanian Government, with support levels rising nine percentage points to a net balance of negative 45 per cent. Concerns that the Tasmanian Government's policies were impacting consumer confidence and resulting in people not spending was a key reason that SMEs in the state felt that government policies worked against small business, closely followed by a perception that there were no incentives offered to small businesses. Other reasons given by small businesses for the weak support levels this quarter included a view that there were too many costs imposed and that the government's economic management was considered poor.

Attitudes to state or territory government policies

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	21%	18%	8%	6%	18%	10%	30%	14%
Work against	24%	19%	49%	33%	21%	55%	22%	28%
No impact	55%	63%	43%	61%	61%	35%	48%	58%
***Net Balance**	**-3%**	**-1%**	**-41%**	**-27%**	**-3%**	**-45%**	**8%**	**-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 – December 2011

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

	Nov 10	Feb 11	May 11	Aug 11	Nov 11
New South Wales	-46%	-49%	+18%	-1%	-3%
Victoria	-21%	+1%	+16%	+4%	-1%
Queensland	-36%	-28%	-33%	-35%	-41%
South Australia	-36%	-36%	-38%	-41%	-27%
Western Australia	+10%	-3%	+2%	+1%	-3%
Tasmania	-21%	-20%	-39%	-54%	-45%
Northern Territory	0%	+3%	+14%	+8%	8%
Australian Capital Territory	-20%	-14%	-14%	-18%	-14%

SOURCE: Sensis® *Business Index*
Sweeney Research – December 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.

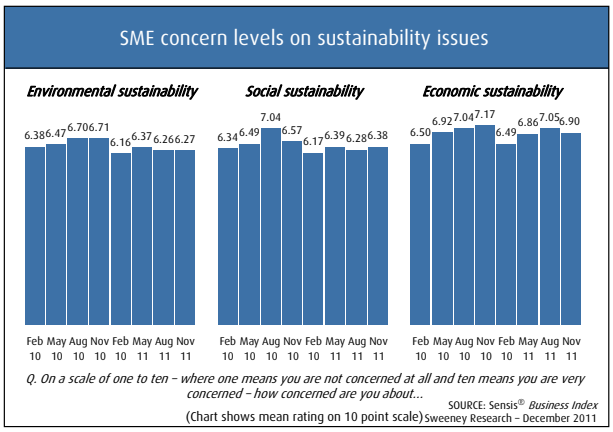
This quarter, SMEs reported increasing concern levels over social and environmental sustainability, with a decrease recorded for economic sustainability. Despite this, economic sustainability still recorded the highest level of concern of the three. Examining the mean scores for each aspect on a scale of one to 10, economic sustainability was rated the highest at 6.90, down from 7.05 in the previous quarter. This was higher than social sustainability at 6.38 (down 0.10) and environmental sustainability at 6.27 (up 0.01).

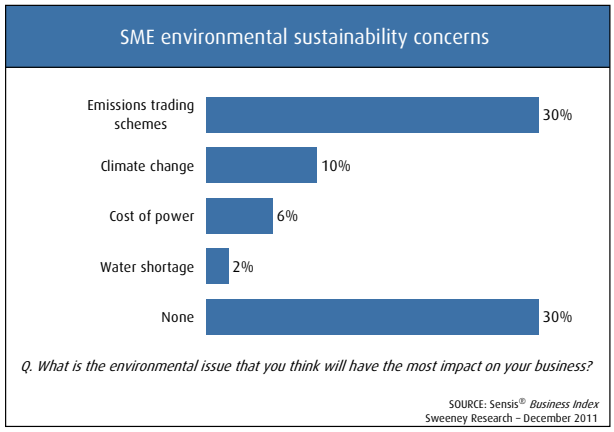
Looking at environmental sustainability, carbon trading was the issue most likely to impact on businesses, with climate change and the cost of power the next most significant issues, but at much lower levels.

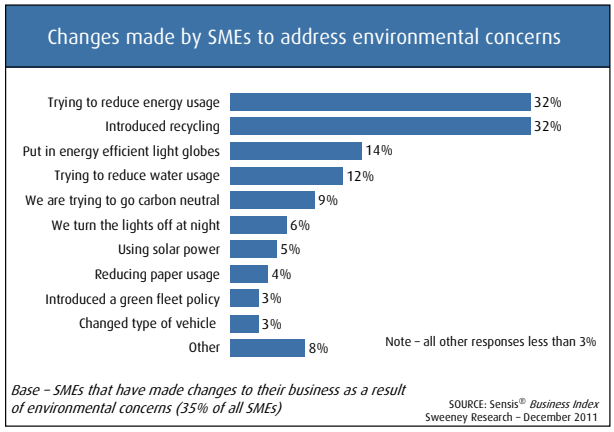
Overall, some 35 per cent of SMEs reported having made changes to their business as a result of environmental concerns, which was unchanged in the last quarter. Trying to reduce energy usage and introducing recycling were the equal most frequently reported changes made. Some 20 per cent of SMEs reported producing products or services aimed at assisting environmental problems, which was up two percentage points in the last quarter. A further 12 per cent were considering doing this in the future, which was down one percentage point in the last quarter.

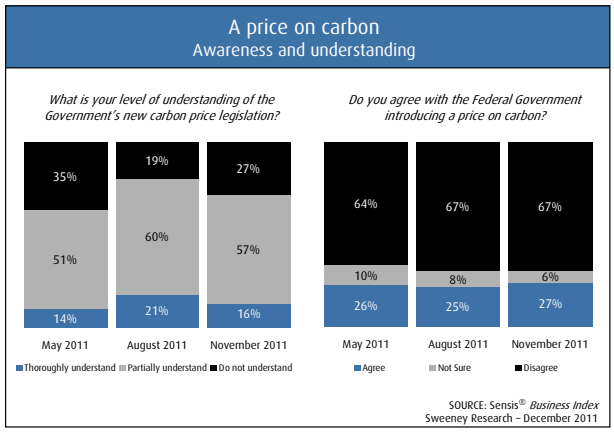
SMEs in Queensland were most likely to report that they were producing products or services aimed at assisting environmental problems (24 per cent), closely followed by Western Australia (23 per cent) and South Australia (20 per cent). SMEs in the building and construction sector were most likely to report producing environmental products or services (38 per cent) followed by SMEs in the wholesale trade (31 per cent) and manufacturing (30 per cent) sectors.

During the last quarter 67 per cent of SMEs reported that they disagreed with the Federal Government's plans to introduce a price on carbon, which was unchanged, with the proportion agreeing up two percentage points to 27 per cent. However there was a decrease in the overall levels of understanding of the plan, with the proportion of SMEs that felt they thoroughly understood it declining five percentage points to 16 per cent, and the proportion that felt they did not understand it increasing eight percentage points to 27 per cent.









Christmas trading conditions

SME views on this year's Christmas trading season

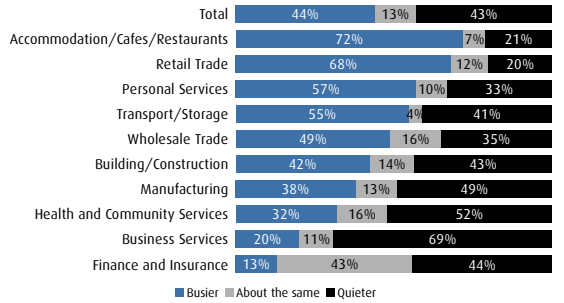
With businesses now looking to the end of the year, it is interesting to look at how SMEs are viewing this Christmas trading period compared to last year, and to see how they are planning for it.

While there is always a lot of focus on the Christmas trading period, for some businesses it is not necessarily a time when business increases, particularly for those businesses that sell their products or services mainly to other businesses. Overall, some 44 per cent of businesses generally saw an increase in business during the Christmas trading period. Businesses in the accommodation, café and restaurant sector were most likely to report that Christmas was a relatively busy time for their businesses, with almost four in five businesses reporting that business usually increases over Christmas. At the other end of the scale, the finance and insurance sector was least likely to report increased business over Christmas.

While some businesses are more or less likely to report increases or decreases in business at this time of year in general, it is interesting considering the economic situation, to ask businesses whether they are expecting this year to be stronger compared to last year. Overall, businesses were more likely to be expecting this year's trade to be quieter than last year, with 31 per cent of SMEs nominating feeling it would be quieter, compared to 26 per cent that were expecting it to be busier. The accommodation, café and restaurant sector was most likely to report on balance that they were expecting a busier Christmas period than last year (net positive 21 per cent). At the other end of the scale the wholesale trade sector was least likely to report that they were expecting a busier season than last year (net negative 21 per cent), closely followed by the manufacturing sector (net negative 20 per cent). Western Australia was the only state on balance expecting a busier Christmas season compared to last year, while those in South Australia were least likely to be expecting a pick-up in trading conditions. On average, those businesses that thought conditions would be busier felt that it would be approximately 20 per cent busier than last year.

One in five SMEs reported that they would be making changes in their businesses to get through the Christmas trading period. The most common changes nominated by businesses were to increase advertising (27 per cent, up from 24 per cent last year), introducing sales promotions (15 per cent, down from 16 per cent last year), increasing staff and adjusting stock levels (eight per cent each). Just over half of all SMEs (58 per cent, up from 52 per cent last year) reported they were planning a party, with 56 per cent planning a staff party and 12 per cent planning a party for their customers. Medium businesses were much more likely to be planning parties than small businesses (89 per cent compared to 57 per cent).

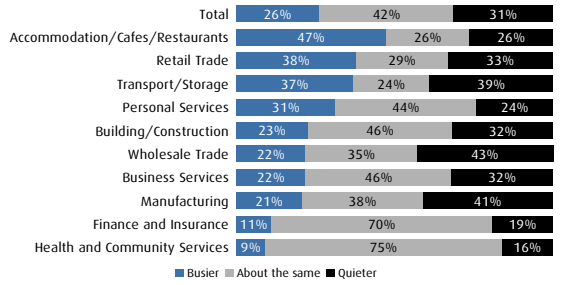
Is the Christmas trading period busier or quieter



Q. Is the Christmas trading period usually a busier or quieter time for your business?

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

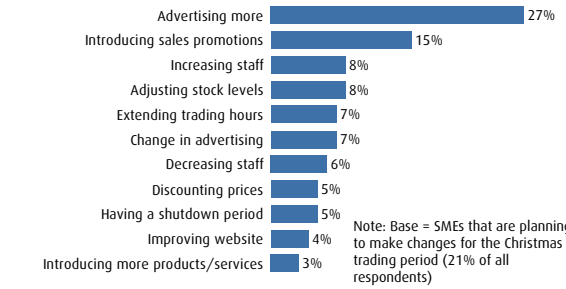
Expectations in comparison to last year



Q. Thinking about this coming Christmas trading period compared to last year, do you expect your business will be busier or quieter than last year?

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

Activity planned to respond to Christmas trading period



Q. Is your business undertaking any activity or making any changes to respond to the expected Christmas trading environment this year? What activities are you planning?

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

Christmas party

	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Planning party for staff	54%	87%	56%
Planning party for customers	12%	20%	12%
Planning party for others	3%	4%	3%
Total planning party	57%	89%	58%
Total not planning party	43%	11%	42%

Q. Are you planning a Christmas party for...?

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

Small and medium business outlook – national

- Confidence among Australia's SMEs improved in the last quarter to reverse most of last quarter's fall.
- Perceptions of the current state of the economy rose, and future economic expectations were also stronger.
- Performance rose in sales, profitability and capital expenditure, with falls recorded in employment and prices and no change in the wages indicator.
- In the short term, SMEs were expecting higher results for all indicators.
- For the year ahead, expectations also increased across all indicators.
- Support for the Federal Government's policies rose to a net negative 44 per cent. Those that believed the Federal Government's policies worked against small business this quarter were most likely to cite a lack of incentives, too much bureaucracy, a perception that they were only concerned with larger businesses and the carbon tax as reasons for their lack of support.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	58	63	63	55	48	54
NEGATIVE	21	19	19	27	33	27
*NET BALANCE	+37	+44	+44	+28	+15	+27

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	35	29	30	24	32	39	44	37	36	38
	DECREASE	31	36	44	46	38	19	16	20	20	16
	NET BALANCE	+4	-7	-14	-22	-6	+20	+28	+17	+16	+22
SIZE OF WORKFORCE:	INCREASE	12	11	12	12	13	13	12	11	11	11
	DECREASE	11	12	11	12	15	7	6	7	7	5
	NET BALANCE	+1	-1	+1	+0	-2	+6	+6	+4	+4	+6
WAGES BILL:	INCREASE	22	21	21	23	22	23	23	23	21	22
	DECREASE	13	14	15	18	17	11	9	10	10	9
	NET BALANCE	+9	+7	+6	+5	+5	+12	+14	+13	+11	+13
PRICES:	INCREASE	17	18	19	17	17	16	23	20	19	19
	DECREASE	8	8	9	9	10	6	3	6	6	4
	NET BALANCE	+9	+10	+10	+8	+7	+10	+20	+14	+13	+15
PROFITABILITY:	INCREASE	28	26	27	20	29	35	41	35	34	37
	DECREASE	33	36	41	47	40	21	16	23	23	20
	NET BALANCE	-5	-10	-14	-27	-11	+14	+25	+12	+11	+17
CAPITAL EXPENDITURE:	INCREASE	20	17	19	17	20	17	18	19	15	19
	DECREASE	24	26	26	31	31	29	25	27	27	29
	NET BALANCE	-4	-9	-7	-14	-11	-12	-7	-8	-12	-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 – New South Wales

- New South Wales recorded confidence levels above the national average. Providing a necessary product or service was a key reason for confidence this quarter, while those SMEs that were concerned were most likely to cite people not spending and a decrease in consumer confidence as reasons.
- SMEs in New South Wales recorded the strongest views on current economic conditions than any other state or territory.
- New South Wales SMEs saw higher performance in sales, profitability and capital expenditure in the last quarter, with decreases recorded in employment, prices and wages.
- For the current quarter, SMEs in New South Wales were expecting increases in sales, profitability and prices, and decreases in employment, wages and capital expenditure.
- For the current quarter, SMEs in New South Wales recorded the highest expectations for capital expenditure of any state or territory, equal with Western Australia.
- Support for the policies of the New South Wales Government among NSW SMEs recorded a small fall however the overall level of support remained well above the national average.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	51	59	66	51	51	60
NEGATIVE	27	23	16	31	32	29
*NET BALANCE	+24	+36	+50	+20	+19	+31

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	34	32	28	25	32	36	44	37	39	38
	DECREASE	32	30	48	48	44	24	18	21	16	13
	NET BALANCE	+2	+2	-20	-23	-12	+12	+26	+16	+23	+25
SIZE OF WORKFORCE:	INCREASE	14	13	7	15	15	8	13	9	14	10
	DECREASE	12	13	11	14	21	12	7	8	6	5
	NET BALANCE	+2	+0	-4	+1	-6	-4	+6	+1	+8	+5
WAGES BILL:	INCREASE	20	20	14	26	23	20	21	22	24	18
	DECREASE	16	10	13	19	21	16	7	5	5	8
	NET BALANCE	+4	+10	+1	+7	+2	+4	+14	+17	+19	+10
PRICES:	INCREASE	17	21	21	17	16	13	15	16	16	24
	DECREASE	9	8	9	10	12	10	4	10	9	5
	NET BALANCE	+8	+13	+12	+7	+4	+3	+11	+6	+7	+19
PROFITABILITY:	INCREASE	27	31	27	20	31	30	42	35	36	38
	DECREASE	37	30	39	52	41	25	13	26	19	14
	NET BALANCE	-10	+1	-12	-32	-10	+5	+29	+9	+17	+24
CAPITAL EXPENDITURE:	INCREASE	16	17	16	16	21	16	21	20	19	23
	DECREASE	24	22	23	31	31	33	24	23	21	29
	NET BALANCE	-8	-5	-7	-15	-10	-17	-3	-3	-2	-6

* 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 an 11 percentage point increase in business confidence among SMEs in the last quarter, with SMEs positive about having good customer relations and being established and experienced in their business. This increase brought confidence among SMEs to the highest level in Australia.
- Performance increased across all performance indicators in the last quarter in Victoria, with the exception of employment.
- Victorian SMEs recorded the highest performance in profitability in the last quarter of any state or territory for the third successive quarter.
- Victorian SMEs reported higher expectations for all indicators for the current quarter with the exception of prices and capital expenditure.
- For the current quarter, Victorian SMEs recorded the highest expectations for sales, profitability and wages of any state or territory.
- SME support for the Victorian State Government dropped during the last quarter but remained the second most supported state or territory 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	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	68	73	71	60	52	57
NEGATIVE	14	14	15	21	26	20
*NET BALANCE	+54	+59	+56	+39	+26	+37

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	36	34	33	23	32	48	44	41	36	44
	DECREASE	26	30	36	40	33	15	12	17	20	10
	NET BALANCE	+10	+4	-3	-17	-1	+33	+32	+24	+16	+34
SIZE OF WORKFORCE:	INCREASE	11	7	16	10	13	17	11	14	9	13
	DECREASE	7	9	7	7	12	3	7	5	6	4
	NET BALANCE	+4	-2	+9	+3	+1	+14	+4	+9	+3	+9
WAGES BILL:	INCREASE	22	21	23	19	23	27	23	27	19	29
	DECREASE	10	14	12	17	13	6	11	11	9	8
	NET BALANCE	+12	+7	+11	+2	+10	+21	+12	+16	+10	+21
PRICES:	INCREASE	13	15	19	15	22	19	26	23	25	19
	DECREASE	5	7	4	5	5	4	3	4	6	2
	NET BALANCE	+8	+8	+15	+10	+17	+15	+23	+19	+19	+17
PROFITABILITY:	INCREASE	32	28	33	22	33	46	42	39	37	43
	DECREASE	28	28	33	39	36	18	15	18	22	17
	NET BALANCE	+4	+0	+0	-17	-3	+28	+27	+21	+15	+26
CAPITAL EXPENDITURE:	INCREASE	20	17	24	16	22	20	15	20	13	16
	DECREASE	24	27	25	30	31	27	26	28	24	28
	NET BALANCE	-4	-10	-1	-14	-9	-7	-11	-8	-11	-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 – Queensland

- Queensland recorded a nine percentage point increase in business confidence among SMEs this quarter, however confidence levels remained the second lowest in the nation with SMEs reporting concerns about an unpredictable market and the general economic outlook as reasons for their concerns.
- SMEs in Queensland reported increases in sales, wages and profitability indicators over the last quarter with falls in employment and prices, and no change in capital expenditure.
- SMEs in Queensland reported the highest performance in sales in the last quarter of any state or territory, and the lowest proportion of SMEs that reported increasing their prices on balance.
- SMEs in Queensland reported lower expectations for sales, employment, prices and profitability indicators for the current quarter, with higher expectations for wages and capital expenditure.
- SMEs in Queensland reported the lowest expectations for the current quarter for sales, employment, wages and profitability of any state or territory.
- SME support for the Queensland State Government recorded the largest fall of any state or territory and was the second least supported state or territory government.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	57	61	53	55	42	47
NEGATIVE	21	20	25	31	37	33
*NET BALANCE	+36	+41	+28	+24	+5	+14

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	33	17	28	21	35	29	40	40	30	28
	DECREASE	34	52	48	50	34	21	23	20	25	27
	NET BALANCE	-1	-35	-20	-29	+1	+8	+17	+20	+5	+1
SIZE OF WORKFORCE:	INCREASE	13	13	14	9	9	15	11	7	10	7
	DECREASE	14	13	15	13	13	7	3	9	10	8
	NET BALANCE	-1	+0	-1	-4	-4	+8	+8	-2	+0	-1
WAGES BILL:	INCREASE	23	20	29	23	20	22	22	20	18	19
	DECREASE	11	22	20	18	13	12	7	15	16	14
	NET BALANCE	+12	-2	+9	+5	+7	+10	+15	+5	+2	+5
PRICES:	INCREASE	17	14	13	18	13	11	21	21	18	13
	DECREASE	9	8	15	15	12	4	3	4	6	4
	NET BALANCE	+8	+6	-2	+3	+1	+7	+18	+17	+12	+9
PROFITABILITY:	INCREASE	23	15	22	18	22	27	34	36	28	27
	DECREASE	36	54	51	49	46	24	26	25	29	35
	NET BALANCE	-13	-39	-29	-31	-24	+3	+8	+11	-1	-8
CAPITAL EXPENDITURE:	INCREASE	21	13	17	20	18	13	16	20	11	16
	DECREASE	23	31	27	33	31	26	24	24	35	29
	NET BALANCE	-2	-18	-10	-13	-13	-13	-8	-4	-24	-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 – South Australia

- Despite the strongest improvement of any state or territory, South Australia recorded the lowest level of business confidence of any state or territory with SMEs reporting concerns about people not spending money.
- SMEs in South Australia recorded higher performance for sales, wages, profitability and capital expenditure indicators over the last quarter, with falls recorded in employment and pries.
- South Australia recorded the highest proportion of SMEs that increased their wages on balance in the last quarter, as well as the highest proportion that reported having increased their capital expenditure.
- SMEs in South Australia recorded lower expectations for all indicators for the current quarter, with the only exceptions being wages and capital expenditure where expectations increased.
- SME support for the South Australian State Government recorded the largest increase of any state or territory, but still remained well below average and the third least supported state or territory government by SMEs.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	53	61	57	48	39	43
NEGATIVE	23	22	22	32	44	32
*NET BALANCE	+30	+39	+35	+16	-5	+11

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	31	26	31	26	31	43	53	37	39	36
	DECREASE	37	36	44	42	33	16	11	17	18	18
	NET BALANCE	-6	-10	-13	-16	-2	+27	+42	+20	+21	+18
SIZE OF WORKFORCE:	INCREASE	4	11	13	15	9	12	13	15	12	13
	DECREASE	10	9	16	12	15	9	11	8	4	6
	NET BALANCE	-6	+2	-3	+3	-6	+3	+2	+7	+8	+7
WAGES BILL:	INCREASE	18	23	25	22	26	22	30	27	21	24
	DECREASE	15	13	19	21	15	11	11	12	11	7
	NET BALANCE	+3	+10	+6	+1	+11	+11	+19	+15	+10	+17
PRICES:	INCREASE	21	15	26	24	22	25	41	25	26	16
	DECREASE	12	12	8	7	8	7	2	3	3	4
	NET BALANCE	+9	+3	+18	+17	+14	+18	+39	+22	+23	+12
PROFITABILITY:	INCREASE	27	19	25	19	25	37	48	37	34	31
	DECREASE	34	36	41	48	40	18	10	19	23	21
	NET BALANCE	-7	-17	-16	-29	-15	+19	+38	+18	+11	+10
CAPITAL EXPENDITURE:	INCREASE	29	22	16	14	21	19	19	21	15	17
	DECREASE	20	23	29	28	28	22	19	29	36	28
	NET BALANCE	+9	-1	-13	-14	-7	-3	+0	-8	-21	-11

* 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 rise in business confidence among SMEs this quarter, with confidence among SMEs in the state remaining above the national average. SMEs in Western Australia reported a hope that conditions would improve as a key reason for their confidence.
- SMEs in Western Australia recorded higher performance for sales, employment and profitability indicators in the last quarter, with falls recorded in wages, prices and capital expenditure.
- SMEs in Western Australia were the least likely to report increased capital expenditure on balance than any other state or territory.
- Western Australian SMEs reported higher expectations for the current quarter for all key indicators with the exception of prices, where expectations were lower for the current quarter.
- For the current quarter, SMEs in Western Australia recorded the highest expectations for capital expenditure of any state or territory, equal with New South Wales.
- Support for the Western Australian State Government by SMEs fell during the last quarter, but remained well above average.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	58	63	60	55	50	54
NEGATIVE	18	18	23	26	33	24
*NET BALANCE	+40	+45	+37	+29	+17	+30

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	40	29	32	27	32	41	42	28	30	39
	DECREASE	32	40	45	47	38	15	14	23	28	21
	NET BALANCE	+8	-11	-13	-20	-6	+26	+28	+5	+2	+18
SIZE OF WORKFORCE:	INCREASE	14	9	11	12	15	12	10	11	7	14
	DECREASE	9	13	13	15	13	4	4	9	6	4
	NET BALANCE	+5	-4	-2	-3	+2	+8	+6	+2	+1	+10
WAGES BILL:	INCREASE	27	20	24	23	20	26	20	20	19	26
	DECREASE	10	12	12	14	20	7	9	15	15	8
	NET BALANCE	+17	+8	+12	+9	+0	+19	+11	+5	+4	+18
PRICES:	INCREASE	22	20	18	18	13	23	27	22	18	16
	DECREASE	8	6	9	6	11	4	2	4	3	4
	NET BALANCE	+14	+14	+9	+12	+2	+19	+25	+18	+15	+12
PROFITABILITY:	INCREASE	33	26	23	23	31	43	40	31	31	39
	DECREASE	32	42	48	48	40	16	16	25	31	23
	NET BALANCE	+1	-16	-25	-25	-9	+27	+24	+6	+0	+16
CAPITAL EXPENDITURE:	INCREASE	23	14	23	18	16	17	17	15	15	23
	DECREASE	28	29	29	28	37	32	26	38	37	29
	NET BALANCE	-5	-15	-6	-10	-21	-15	-9	-23	-22	-6

* 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 an increase in business confidence among SMEs, with confidence now only marginally below the national average. SMEs in Tasmania reported that a decrease in business was the driving factor behind low confidence this quarter.
- SMEs in Tasmania recorded higher performance in the last quarter for sales, wages, prices and profitability, with falls recorded for employment and capital expenditure.
- Despite recording a fall in the last quarter, SMEs in Tasmania still reported the highest performance results for employment of any state or territory, but the lowest increases in sales.
- Tasmanian SMEs reported increasing expectations for profitability, prices and wages indicators for the current quarter, with decreased expectations recorded for sales, employment and capital expenditure.
- For the current quarter, SMEs in Tasmania recorded the highest expectations for price increases of any state or territory.
- Support for the Tasmanian State Government's policies rose during the last quarter, however despite the improvement it remained 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	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	64	57	57	50	50	49
NEGATIVE	21	20	18	27	32	23
*NET BALANCE	+43	+37	+39	+23	+18	+26

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	35	30	25	28	24	34	37	18	43	38
	DECREASE	36	39	45	54	40	15	19	33	24	21
	NET BALANCE	-1	-9	-20	-26	-16	+19	+18	-15	+19	+17
SIZE OF WORKFORCE:	INCREASE	15	9	9	22	10	10	12	3	10	8
	DECREASE	6	12	9	15	5	4	9	6	7	7
	NET BALANCE	+9	-3	+0	+7	+5	+6	+3	-3	+3	+1
WAGES BILL:	INCREASE	22	20	15	19	17	20	23	15	25	19
	DECREASE	12	16	14	20	11	9	13	17	14	7
	NET BALANCE	+10	+4	+1	-1	+6	+11	+10	-2	+11	+12
PRICES:	INCREASE	20	20	19	22	19	21	26	16	15	29
	DECREASE	4	8	8	14	8	1	4	7	5	3
	NET BALANCE	+16	+12	+11	+8	+11	+20	+22	+9	+10	+26
PROFITABILITY:	INCREASE	24	23	19	24	22	30	29	15	38	32
	DECREASE	32	39	52	50	38	16	22	41	26	17
	NET BALANCE	-8	-16	-33	-26	-16	+14	+7	-26	+12	+15
CAPITAL EXPENDITURE:	INCREASE	18	21	13	16	14	18	19	11	21	16
	DECREASE	29	29	39	33	32	32	28	35	30	30
	NET BALANCE	-11	-8	-26	-17	-18	-14	-9	-24	-9	-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 – Northern Territory

- The Northern Territory was the only state or territory to record a fall in confidence among SMEs this quarter, with confidence now below the national average. SMEs in the Territory reported that the performance of the Federal Government was a key reason for their negative views this quarter.
- SMEs in the Northern Territory reported falls in sales, employment, prices and wages in the last quarter, with increases reported in profitability and capital expenditure in the last quarter on balance.
- SMEs in the Territory recorded the lowest results for employment and wages performance of any state or territory.
- SMEs in the Northern Territory reported increased expectations for the current quarter for all indicators with the only exception being prices, which was unchanged.
- SMEs in the Northern Territory recorded the highest expectations among SMEs of any state or territory for the current quarter for employment.
- While support for the Northern Territory Government was unchanged during the last quarter remaining the most supported of any state or territory government.

Trends in past three months' experience and current quarter expectations Northern Territory

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	70	67	68	57	55	47
NEGATIVE	14	15	13	24	26	29
*NET BALANCE	+56	+52	+55	+33	+29	+18

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	23	27	25	26	29	36	48	45	24	34
	DECREASE	40	40	49	37	42	19	12	17	28	20
	NET BALANCE	-17	-13	-24	-11	-13	+17	+36	+28	-4	+14
SIZE OF WORKFORCE:	INCREASE	11	11	17	12	9	14	18	13	7	20
	DECREASE	11	17	16	13	22	2	3	5	11	7
	NET BALANCE	+0	-6	+1	-1	-13	+12	+15	+8	-4	+13
WAGES BILL:	INCREASE	30	21	20	20	20	21	22	32	13	23
	DECREASE	12	13	18	19	23	8	8	10	11	8
	NET BALANCE	+18	+8	+2	+1	-3	+13	+14	+22	+2	+15
PRICES:	INCREASE	18	21	16	20	22	21	21	25	12	12
	DECREASE	4	4	5	7	12	3	4	4	5	5
	NET BALANCE	+14	+17	+11	+13	+10	+18	+17	+21	+7	+7
PROFITABILITY:	INCREASE	19	25	22	23	25	30	41	39	24	35
	DECREASE	37	34	42	40	31	19	13	16	25	18
	NET BALANCE	-18	-9	-20	-17	-6	+11	+28	+23	-1	+17
CAPITAL EXPENDITURE:	INCREASE	23	17	22	20	21	21	17	17	16	25
	DECREASE	19	26	32	30	30	23	30	36	31	33
	NET BALANCE	+4	-9	-10	-10	-9	-2	-13	-19	-15	-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 – Australian Capital Territory

- The Australian Capital Territory recorded a strong increase in business confidence among SMEs during the quarter, with SME confidence in the Australian Capital Territory marginally above average. SMEs in the Australian Capital Territory reported new demands being met as a key reason for confidence this quarter.
- SMEs in the Australian Capital Territory recorded higher performance in the last quarter for sales, prices and capital expenditure, but falls for the employment, wages and profitability performance indicators.
- SMEs in the Australian Capital Territory recorded the lowest results for profitability performance of any state or territory.
- SMEs in the Australian Capital Territory reported higher expectations for the current quarter for wages and profitability, but falls were expected for prices and capital expenditure. No change was expected for the sales and employment indicators.
- For the current quarter, SMEs in the Australian Capital Territory recorded the lowest expectations for price increases and capital expenditure of any state or territory.
- Support for the Australian Capital Territory Government rose 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	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %	NOV 2011 %
POSITIVE	63	70	75	68	54	55
NEGATIVE	20	19	13	21	36	27
***NET BALANCE**	**+43**	**+51**	**+62**	**+47**	**+18**	**+28**

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %	NOV-JAN 11/12 %
SALES VALUE:	INCREASE	34	36	29	23	24	45	54	30	38	38
	DECREASE	30	35	35	42	36	16	10	19	23	23
	NET BALANCE	**+4**	**+1**	**-6**	**-19**	**-12**	**+29**	**+44**	**+11**	**+15**	**+15**
SIZE OF WORKFORCE:	INCREASE	12	12	14	15	14	13	18	10	15	12
	DECREASE	15	10	14	9	10	9	4	3	10	7
	NET BALANCE	**-3**	**+2**	**+0**	**+6**	**+4**	**+4**	**+14**	**+7**	**+5**	**+5**
WAGES BILL:	INCREASE	24	21	19	22	18	29	33	24	26	24
	DECREASE	13	15	14	15	18	12	8	7	14	11
	NET BALANCE	**+11**	**+6**	**+5**	**+7**	**+0**	**+17**	**+25**	**+17**	**+12**	**+13**
PRICES:	INCREASE	13	19	20	15	14	18	30	34	17	10
	DECREASE	12	7	10	17	8	3	3	5	4	5
	NET BALANCE	**+1**	**+12**	**+10**	**-2**	**+6**	**+15**	**+27**	**+29**	**+13**	**+5**
PROFITABILITY:	INCREASE	36	30	27	20	18	46	45	30	33	35
	DECREASE	29	34	39	40	48	20	12	26	25	23
	NET BALANCE	**+7**	**-4**	**-12**	**-20**	**-30**	**+26**	**+33**	**+4**	**+8**	**+12**
CAPITAL EXPENDITURE:	INCREASE	15	24	21	19	20	19	25	20	14	16
	DECREASE	26	24	19	29	28	32	21	32	33	36
	NET BALANCE	**-11**	**+0**	**+2**	**-10**	**-8**	**-13**	**+4**	**-12**	**-19**	**-20**

* 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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