September 2011

Sensis® *Business Index-*
Small and Medium Enterprises

Sensis® *Business Index* - Small and Medium Enterprises

September 2011

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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 September 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 September 2011 Sensis® *Business Index* were drawn from metropolitan and major non-metropolitan regions within Australia (referred to throughout this report as "regional"). Quotas were set for geographical location and type of business in order to approximate the standard sample structure shown below. Where replacement businesses are recruited, this sample structure is maintained.

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

Interviewing for this survey was conducted from 29 July to 26 August 2011. The report covers experiences over the last three months (May to July 2011), and expectations for both the current quarter (August to October 2011) and the 12 months ending July 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 another large decline in the confidence levels of Australian SMEs, with confidence now at the third lowest level recorded in the 18 year history of the Sensis® *Business Index*. Current perceptions of the economy continued to fall, and SMEs were also more concerned about future economic conditions. The primary issue reported by SMEs this quarter continued to be a lack of work or sales which has risen to its equal highest level recorded in the Sensis® *Business Index*, followed by the economic climate and cash flow. Some 30 per cent of SMEs reported they currently faced no problems at all, unchanged in the last quarter. In line with the drop in confidence there were also falls in all key performance indicators, with strong falls in particular recorded in sales and profitability. The latest fall left the profitability indicator at its lowest level recorded in the history of the Sensis® *Business Index*. Expectations for the next quarter fell across all indicators, with the only exception being employment, where the expectation levels were unchanged, and all expectations for the year ahead were down.

Support for the Federal Government fell again this quarter, with net support not seen at lower levels since the Keating Government. The carbon tax 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 fell further during the last quarter.
- The strongest level of business confidence was recorded in the Northern Territory, while South Australia recorded the lowest level of business confidence this quarter. Falling confidence was recorded in all states and territories. The largest fall in confidence was recorded in the Australian Capital Territory after having recorded the highest confidence last quarter.
- Perceptions of the current state of the Australian economy recorded a further fall, with the proportion of SMEs that felt the economy was currently growing on balance down by 28 percentage points. In addition, the proportion of SMEs which felt the economy would be better in a year's time also fell further during the last quarter.
- All key performance indicators fell in the last quarter, with particularly sharp falls recorded in sales and profitability.
- In the short term, SMEs were expecting deterioration across all indicators, with the only exception being employment, where the expectations were unchanged.
- For the year ahead, SMEs were expecting falls for all indicators.
- A lack of work or sales remained the primary concern of SMEs this quarter, with a large increase in concern levels this quarter. This was followed by the economic climate, which also increased strongly, and cash flow, which recorded a marginal fall.
- Some 30 per cent of SMEs reported facing no problems in their business, unchanged in the last quarter.
- Support for the Federal Government's policies fell a further seven percentage points in the last quarter. The key reasons SMEs gave for feeling that the Federal Government's policies worked against them included the carbon tax and a view that the Federal Government's policies were impacting consumer confidence and spending.
- While there were falls in support in every state and territory, the Northern Territory Government was the most supported state and territory government in Australia by SMEs. The Tasmanian Government recorded the equal lowest level of support for a state or territory government in the history of the Sensis® *Business Index*.

Small versus medium businesses

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

- Small businesses were slightly more confident than medium businesses by two percentage points.
- Despite businesses of all sizes recording declining views of the economy this quarter, small businesses held more negative views on the current state of the economy, as well as more negative views on where the economy would be in a year's time.
- Medium businesses recorded higher performance than small businesses for all indicators in the last quarter, with the exception of prices, which was higher for small businesses.
- Small businesses were more likely than medium businesses to be expecting increases in sales, profitability and prices charged in the current quarter, whilst medium businesses were more likely to be expecting increases in employment, wages and capital expenditure.

Metropolitan versus regional

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

- There was only a significant difference in confidence levels between metropolitan and regional SMEs, with confidence 11 percentage points higher in metropolitan areas. Regional SME's lower confidence was based on concerns that consumers were not spending, the general economic outlook 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 reporting higher expectations than regional SMEs for all indicators for the current quarter.
- Metropolitan businesses were more supportive of the Federal Government's policies.

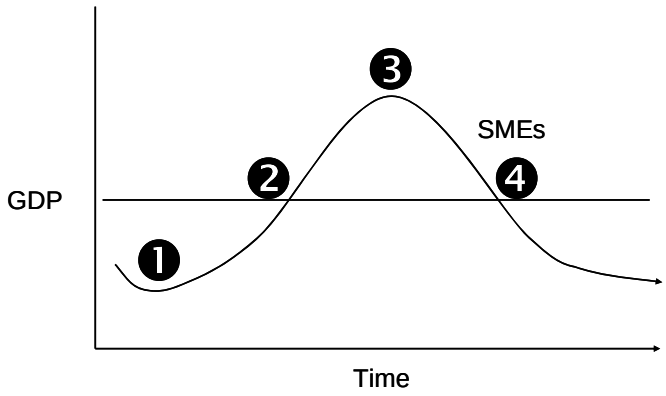
Industry sector trends

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

- Confidence was highest in the health and community services sector.
- Confidence was lowest in the retail trade sector.
- The finance and insurance sector recorded the strongest results in employment, wages and capital expenditure in the last quarter.
- The building and construction sector experienced the strongest performance in sales in the last quarter, with the strongest profitability performance recorded in the cultural, recreational and personal services sector.
- The weakest performance in sales was recorded in the transport and storage sector in the last quarter, with the retail trade sector recording the weakest profitability performance.
- Looking ahead, the health and community services sector recorded the strongest expectations for sales and profitability in the current quarter. The finance and insurance sector reporting the strongest employment, wage and capital expenditure expectations.
- The building and construction sector was the least likely to be expecting to increase sales and employment in the current quarter, and reported the equal lowest profitability expectations (along with the manufacturing sector).
- The health and community services sector was the most supportive of the Federal Government's policies, with the transport and storage 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 amongst SME operators is continuing to deteriorate to levels seen during the most recent economic downturn, with perceptions of the economy continuing to decline. In conjunction with this, sales and profitability performance indicators fell sharply this quarter, with SMEs anticipating further declines in the current quarter and the year ahead. These latest results show that SMEs are experiencing a slow-down and are expecting further worsening in economic conditions.

Highlighted sections show the indicators relevant to SMEs for the September 2011 Sensis® *Business Index*

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

Small and medium business outlook – national summary

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

Key findings

The confidence level of Australian SMEs fell sharply in the last quarter, recording the third lowest result in the history of the Index.

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

Last quarter (May to July 2011)

SMEs recorded a 13 percentage point fall in business confidence levels dropping to a net balance of 15 per cent. This result comprises 48 per cent of businesses confident about their prospects for the year ahead and 33 per cent concerned.

This latest result represents the third lowest result in the history of the Index, with the only lower levels of SME confidence being recorded during the global economic downturn in November 2008 and February 2009, when confidence was at 13 per cent and 12 per cent respectively. The fall recorded in the last quarter follows a sixteen percentage point drop in confidence recorded in the previous quarter.

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

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

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

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

These results show a strong fall in business confidence coupled with a further fall in views on the current and future state of the economy. The results this quarter reflect the difficult trading conditions currently being experienced by SMEs, as well as business confidence being impacted by weakening consumer spending and federal political issues.

Overall confidence
September 2011

	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	6%	7%	6%
Fairly confident	42%	40%	42%
Neutral	19%	17%	19%
Fairly worried	25%	30%	25%
Extremely worried	8%	5%	8%
Total confident	48%	47%	48%
Total worried	33%	35%	33%
***Net Balance**	**15%**	**12%**	**15%**

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

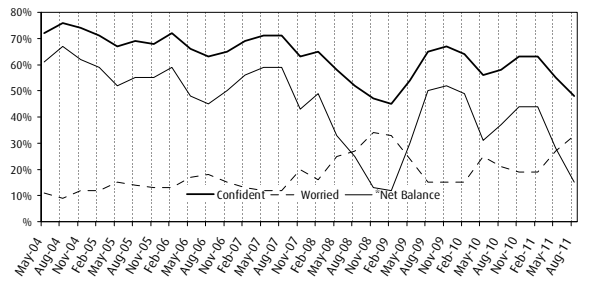
SOURCE: Sensis® *Business Index*
Sweeney Research – September 2011

Confidence trends - past five quarters

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Extremely confident	10%	15%	11%	12%	6%
Fairly confident	48%	49%	52%	43%	42%
Neutral	22%	17%	18%	18%	19%
Fairly worried	17%	16%	15%	20%	25%
Extremely worried	4%	3%	4%	7%	8%
Total confident	58%	63%	63%	55%	48%
Total worried	21%	19%	19%	27%	33%
***Net Balance**	**+37%**	**+44%**	**+44%**	**+28%**	**+15%**

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

Long term trends in confidence



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

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

Confidence by state and territory, sector and size

Key findings

The highest level of business confidence in the last quarter was recorded in the Northern Territory, with the lowest level of confidence recorded in South Australia. Confidence fell in all states and territories, with the largest fall in the Australian Capital Territory and the smallest fall in New South Wales. 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 retail trade sector.

Last quarter (May to July 2011)

The highest confidence level was recorded in the Northern Territory. Falling confidence was recorded in all states and territories for the second successive quarter, with the largest fall in the Australian Capital Territory, where confidence dropped by 29 percentage points. The smallest fall in confidence was recorded in New South Wales, where confidence was down one percentage point.

The health and community services sector recorded the highest confidence level, with confidence in the sector down 14 percentage points to a net 54 per cent. The lowest confidence level was recorded in the retail trade sector, with a net balance of -11 per cent, down 27 percentage points in the last quarter, which was also the largest fall in confidence of any industry. Three sectors reported increases in confidence in the last quarter: transport and storage (up eight percentage points), finance and insurance (up four percentage points) and building and construction (up two percentage points).

There was a significant difference in confidence between metropolitan and regional areas, with confidence in regional areas 11 percentage points lower. However, results varied, and while the overall result showed significantly higher overall confidence in metropolitan areas, Victoria, South Australia, Western Australia and the Northern Territory all reported higher confidence levels in regional areas. The only increases in confidence in the last quarter were recorded in metropolitan areas of New South Wales (up 15 percentage points) and regional areas of the Northern Territory (up 16 percentage points). The largest drop in confidence was recorded in regional New South Wales (down 41 percentage points).

Trends by state
*net balance

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
National	**37%**	**44%**	**44%**	**28%**	**15%**
New South Wales	24%	36%	50%	20%	19%
Victoria	54%	59%	56%	39%	26%
Queensland	36%	41%	28%	24%	5%
South Australia	30%	39%	35%	16%	-5%
Western Australia	40%	45%	37%	29%	17%
Tasmania	43%	37%	39%	23%	18%
Northern Territory	56%	52%	55%	33%	29%
Australian Capital Territory	43%	51%	62%	47%	18%

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

Metro and regional confidence
*net balance

	Metro	Regional	Total
National	**19%**	**8%**	**15%**
New South Wales	28%	-6%	19%
Victoria	24%	27%	26%
Queensland	7%	3%	5%
South Australia	-12%	17%	-5%
Western Australia	11%	39%	17%
Tasmania	38%	4%	18%
Northern Territory	27%	33%	29%
Australian Capital Territory	18%	N/A	18%

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

Confidence by business size

	Confident	Worried	*Net Balance
Total	**48%**	**33%**	**15%**
1-2 Employees	54%	30%	24%
3-4 Employees	42%	34%	8%
5-9 Employees	43%	38%	5%
10-19 Employees	51%	32%	19%
Total Small Business	**48%**	**33%**	**15%**
20-99 Employees	46%	37%	9%
100-199 Employees	64%	25%	39%
Total Medium Business	**48%**	**35%**	**13%**

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

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	41%	36%	5%
Building/Construction	54%	23%	31%
Wholesale Trade	41%	43%	-2%
Retail Trade	32%	43%	-11%
Transport/Storage	48%	38%	10%
Communication Property & Business Services	54%	30%	24%
Finance and Insurance	53%	32%	21%
Health and Community Services	73%	19%	54%
Cultural, Recreational and Personal	52%	32%	20%
Accommodation, Cafes and Restaurants	47%	29%	18%

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

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

Perceptions of the economy

Key findings

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

Last quarter (May to July 2011)

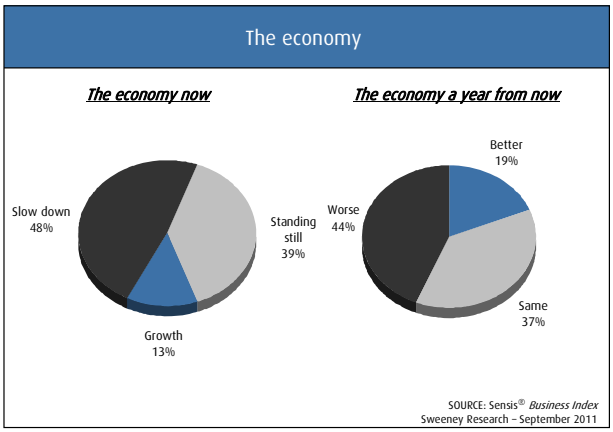
There was a fall of 10 percentage points in the proportion of SMEs that felt the economy was currently growing. Coupled with this was an 18 percentage point increase in the proportion of SMEs who felt the economy was currently slowing, resulting in the proportion of businesses believing the Australian economy is currently growing now at a net balance of negative 35 per cent. This was the third successive quarter to record a fall in net perceptions of the economy now, and this indicator is now down 35 percentage points from the same time last year.

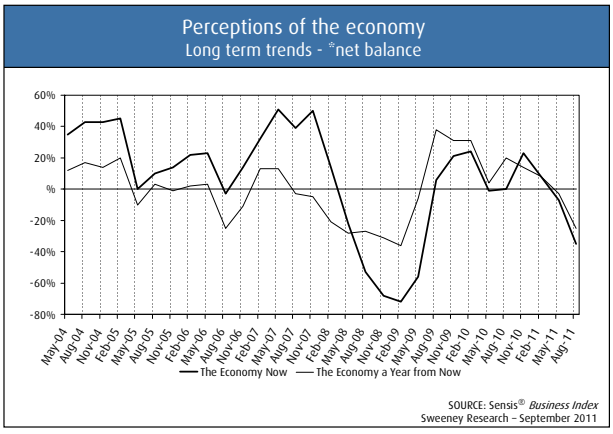
SMEs perceptions of the current state of the Australian economy were negative in all states and territories in the last quarter.

The highest perceptions of the economy were recorded in the Australian Capital Territory at a net negative 27 per cent. SMEs in South Australia recorded the lowest perceptions on balance at net negative 43 per cent.

SMEs in all states and territories showed declining views of the economy in the last quarter. The largest fall was recorded by SMEs in Victoria, which recorded a decrease of 51 percentage points in the last quarter. Despite recording the lowest overall result, SMEs in South Australia recorded the smallest fall in perceptions of the current state of the economy, dropping only 14 percentage points, by comparison.

In line with the decline shown in perceptions of the current state of the economy, there was also a fall for expectations for the economy for the year ahead. These were down 22 percentage points from last quarter's result, with net negative 25 per cent of SMEs believing the economy would be better in a year's time. The strongest expectations were recorded by SMEs in Victoria, with the weakest expectations held by SMEs in South Australia.





Perceptions of the economy - trends

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
The economy now					
Growth	22%	39%	29%	23%	13%
Slowing	22%	16%	21%	30%	48%
***Net Balance**	**0%**	**+23%**	**+8%**	**-7%**	-35%
The economy a year from now					
Better	36%	36%	33%	28%	19%
Worse	16%	22%	25%	31%	44%
***Net Balance**	**+20%**	**+14%**	**+8%**	**-3%**	-25%

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

Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	14%	15%	8%	5%	13%	10%	5%	16%
Slowing	51%	48%	48%	48%	42%	46%	40%	43%
***Net Balance**	**-37%**	**-33%**	**-40%**	**-43%**	**-29%**	**-36%**	**-35%**	**-27%**
The economy a year from now								
Better	19%	22%	17%	16%	16%	21%	17%	17%
Worse	47%	37%	45%	48%	42%	49%	37%	41%
***Net Balance**	**-28%**	**-15%**	**-28%**	**-32%**	**-26%**	**-28%**	**-20%**	**-24%**

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

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

Expectations on key indicators for the next 12 months

Key findings

In line with lower confidence and perceptions of the economy, indicators for the year ahead also dropped further this quarter. Falls were recorded for all indicators for the current year, with the largest falls again recorded for sales and profitability.

Next 12 months (August 2011 to July 2012)

Sales expectations were down during the quarter to a net positive 24 per cent. This result comprised 46 per cent of SMEs that thought sales would rise in the next year, while 22 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 30 per cent. The health and community services sector recorded the strongest industry result with a net balance of 59 per cent, up 23 percentage points since last quarter. The building and construction sector remained at the other end of the scale with a net balance result of four per cent, down from 14 per cent in the previous quarter.

Employment expectations for the year were down five percentage points to a net balance of 10 per cent. At a state and territory level Victoria recorded the highest results with a net balance of 16 per cent, down from 23 per cent last quarter. At an industry level the finance and insurance sector recorded the strongest employment result at 19 per cent. The sector with the lowest employment expectations for the year ahead was the retail trade sector with a net balance of zero per cent.

The total wages and salary costs expectations for the year ahead fell seven percentage points during the quarter, with a net balance result of 25 per cent of SMEs expecting an increase. The strongest wage expectations for the year ahead were recorded in New South Wales (29 per cent, down two percentage points). The accommodation, café and restaurant sector was expecting the greatest rise in wages over the next year (41 per cent).

The selling price expectations for the year ahead also fell during the quarter, with a net balance of 29 per cent of SMEs expecting to increase the prices they charge over the year ahead, down four percentage points. At the state and territory level South Australia recorded the strongest selling price expectations for the year ahead a net balance of 41 per cent. At an industry level the strongest price expectations for the year ahead were recorded in the accommodation, café and restaurant sector at 58 per cent.

Profitability expectations fell by 12 percentage points to net 19 per cent in the last quarter. Victoria recorded the strongest profit expectations for the year ahead with a net balance result of 29 per cent. The lowest expectations were in Queensland with a net balance result of nine per cent. At an industry level the health and community services sector again recorded the strongest annual profit expectations with a net balance result of 51 per cent, up 24 percentage points.

Capital expenditure expectations for the year ahead fell this quarter to a net negative one per cent, down three percentage points. The strongest capital expenditure expectations for the next twelve months were recorded in New South Wales (down two percentage points to five per cent).

Expectations on key indicators over the next 12 months

	Expect an increase	Expect a decrease	*Net Balance
Value of sales	46%	22%	+24%
Size of workforce	18%	8%	+10%
Wages bill	36%	11%	+25%
Prices charged	35%	6%	+29%
Profitability	43%	24%	+19%
Capital expenditure	28%	29%	-1%

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

Expectations on key indicators
Trends in *net balance

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Value of sales	42%	42%	46%	35%	24%
Size of workforce	15%	17%	15%	15%	10%
Wages bill	36%	30%	37%	32%	25%
Prices charged	39%	32%	42%	33%	29%
Profitability	37%	38%	41%	31%	19%
Capital expenditure	3%	3%	7%	2%	-1%

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

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

Concerns

Key findings

A lack of work or sales remained the most pressing concern faced by SMEs in the latest survey, with a sharp increase in the proportion of SMEs reporting problems in this area in the last quarter. Some 30 per cent of SMEs reported they were currently facing no significant problems in their business.

Last quarter (May to July 2011)

The proportion of SMEs reporting they were currently facing problems caused by a lack of work or sales increased by eight percentage points during the last quarter to 24 per cent, remaining the top concern facing SMEs in Australia for the 12th successive quarter. This is the equal highest proportion of SMEs that have reported problems in this area in the history of the Index, with a lack of work or sales not having been at this level since May 1998.

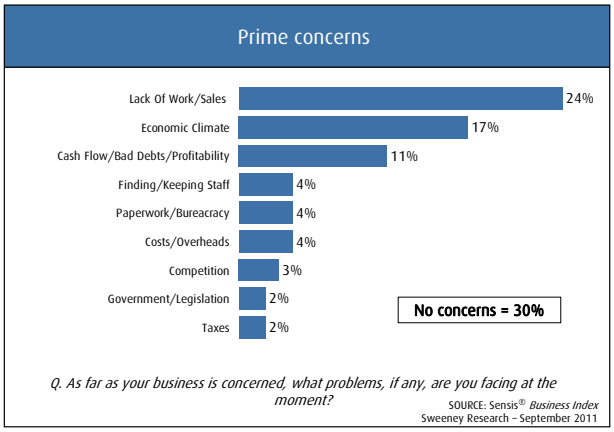
Reports of problems caused by a lack of work or sales were highest in South Australia, where this problem was being reported by 27 per cent of SMEs, and lowest in New South Wales, Tasmania, the Northern Territory and the Australian Capital Territory (22 per cent each). SMEs in the wholesale trade sector were again most likely to report difficulties caused by a lack of work or sales.

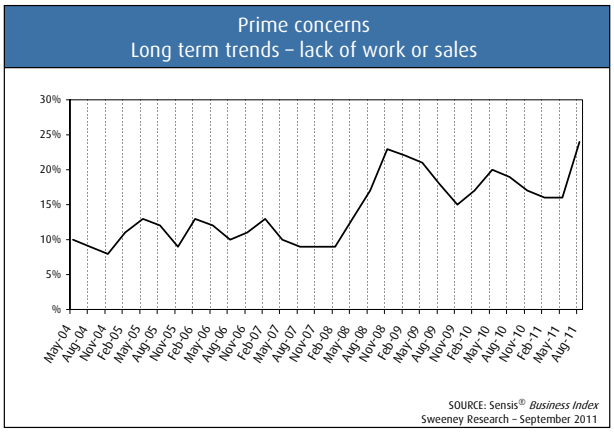
Overall, 17 per cent of SMEs nominated the economic climate as the main issue impacting their businesses, up five percentage points in the last quarter. Concern about the economic climate includes issues such as consumer confidence and spending levels, interest and exchange rate concerns, concerns about 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 concern that people were not spending, with a lack of consumer confidence also causing problems for SMEs.

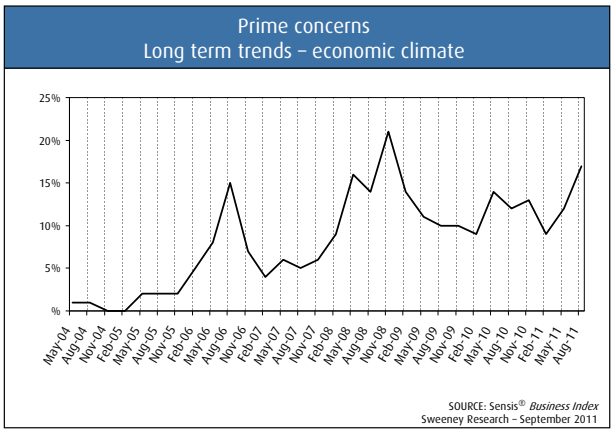
The only other issue that was currently causing problems for significant numbers of SMEs was the problem of cash flow, with the proportion of SMEs reporting difficulties in this area down one percentage point to 11 per cent.

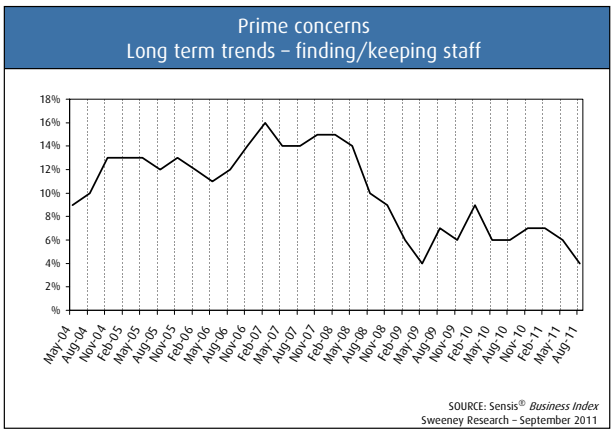
With economic conditions having deteriorated for SMEs over the last quarter the proportion of SMEs reporting problems with finding and keeping staff was down two percentage points in the last quarter, with only four per cent of SMEs currently reporting problems in this area.

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









Sales

Key findings

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

Last quarter (May to July 2011)

Sales performance recorded a net balance of negative 22 per cent for the quarter, down by eight percentage points from the previous quarter. This latest decline brings the sales indicator back to its lowest level since February 2009.

Sales performance varied significantly across the states and territories. While sales performance was net negative in all states and territories in the last quarter, SMEs in the Northern Territory recorded the strongest sales performance, where a net negative 11 per cent experienced increasing sales. At the other end of the scale sales performance was lowest among SMEs in Queensland, where a net negative 29 per cent of SMEs reported increasing sales.

Sales performance was also net negative for all industry sectors, with the strongest performance recorded in the building and construction sector, with a net balance of negative four per cent of SMEs having reported increasing sales. The transport and storage sector recorded the weakest industry performance, at net negative 42 per cent.

Current quarter (August to October 2011)

SMEs were expecting the situation with sales to deteriorate further in the current quarter. Sales expectations for the current quarter recorded a fall of a marginal one percentage point from the previous quarter to a net positive 16 per cent.

Expectations for sales growth varied around Australia, with the strongest expectations recorded in New South Wales at net positive 23 per cent. The weakest sales expectations for the current quarter were recorded in the Northern Territory, at a net negative four per cent.

On an industry basis, the strongest expectations for the current quarter were recorded in the health and community services sectors (net balance of 44 per cent). The building and construction sector recorded the lowest level of expectations (net negative two per cent).

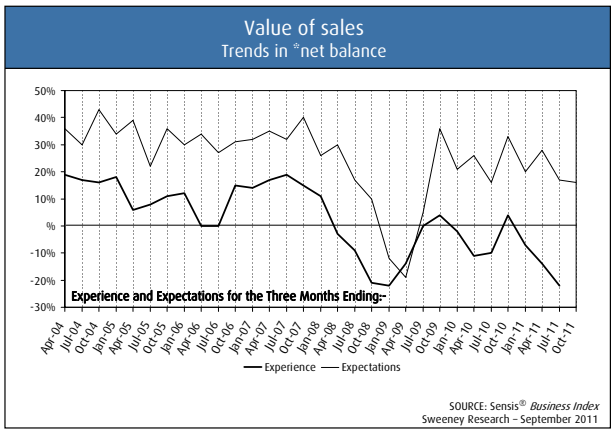
Next 12 months (August 2011 to July 2012)

Twelve-month sales expectations fell 11 percentage points to a net 24 per cent. The result comprised 46 per cent of SMEs believing sales will increase in the year ahead and 22 per cent believing they will fall. Sales expectations for the year ahead were highest in Victoria at net 30 per cent, and lowest in Queensland. The health and community services sector recorded the strongest sales expectations for the year ahead up 23 percentage points to a net 59 per cent.

Value of sales

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Last Quarter					
Experienced increase	27%	35%	29%	30%	24%
No change	36%	33%	35%	25%	30%
Experienced decrease	37%	31%	36%	44%	46%
***Net Balance**	**-10%**	**+4%**	**-7%**	**-14%**	**-22%**
Current Quarter					
Expect increase	46%	39%	44%	37%	36%
No change	41%	41%	40%	42%	44%
Expect decrease	13%	19%	16%	20%	20%
***Net Balance**	**+33%**	**+20%**	**+28%**	**+17%**	**+16%**

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



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

Employment

Key findings

Employment performance was flat during the last quarter with the proportion of SMEs reporting an increase in employment exactly balanced by the proportion reporting a decrease, down marginally from the previous quarters result. Looking ahead, there was no change in the net employment expectations of SMEs for the current quarter, with expectations falling for the year ahead.

Last quarter (May to July 2011)

The proportion of SMEs that increased employment during the last quarter was unchanged, with 12 per cent of SMEs reporting an increase during the quarter. At the same time 12 per cent of SMEs that reported declines, which was up by one percentage point. The resulting zero per cent net balance was a fall of one percentage point from the previous quarter.

At a state level the best performing region was Tasmania at a net seven per cent. At the other end of the scale, Queensland recorded a net balance result of negative four per cent.

A lack of work or sales remained the main barrier to taking on new employees, reported by 41 per cent of SMEs who believed barriers existed, up five percentage points in the last quarter. Those SMEs who had decreased employment were overwhelmingly likely to have done so because of economic conditions and staff leaving for other jobs. The main reason given for increasing employment was due to the business having experienced growth.

Current quarter (August to October 2011)

Looking ahead, employment expectations for the current quarter were unchanged at a net positive four per cent. SMEs in New South Wales and South Australia recorded the strongest short-term employment expectations at a net balance of eight per cent each. At the other end of the scale was the Northern Territory with a net balance result of negative four per cent.

Next 12 months (August 2011 to July 2012)

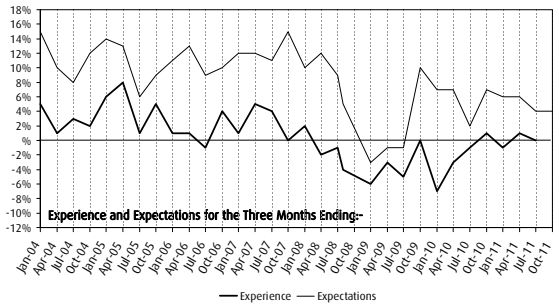
Employment expectations for the year ahead were down five percentage points to a net balance result of 10 per cent. The strongest expectations for the year ahead were recorded by SMEs in Victoria (net 16 per cent), with the weakest in Queensland (net four per cent).

Size of workforce

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Last Quarter					
Experienced increase	11%	12%	11%	12%	12%
No change	77%	77%	78%	77%	76%
Experienced decrease	12%	11%	12%	11%	12%
***Net Balance**	**-1%**	**+1%**	**-1%**	**+1%**	**0%**
Current Quarter					
Expect increase	10%	13%	12%	11%	11%
No change	97%	79%	81%	82%	81%
Expect decrease	3%	7%	6%	7%	7%
***Net Balance**	**+7%**	**+6%**	**+6%**	**+4%**	**+4%**

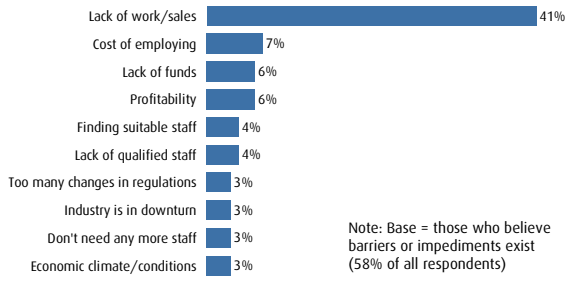
SOURCE: Sensis® *Business Index*
Sweeney Research – September 2011

Size of workforce
Trends in *net balance



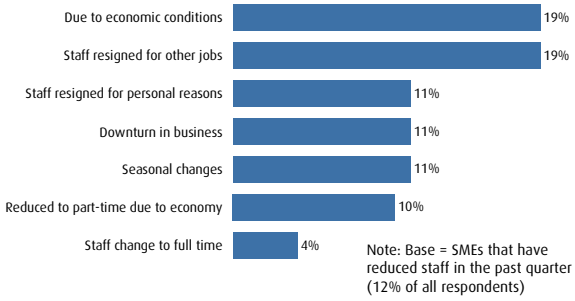
SOURCE: Sensis® *Business Index*
Sweeney Research – September 2011

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



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

Why SMEs have decreased employment
September 2011



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

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

Wages bill

Key findings

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

Last quarter (May to July 2011)

The latest survey saw a marginal fall in the proportion of SMEs reporting increased wage costs, with the performance result decreasing to a net positive five per cent.

During the quarter, 23 per cent of SMEs experienced a rise in total wage costs, while 18 per cent recorded a decline. SMEs in Western Australia recorded the highest net result in total wage costs (net nine per cent), while the lowest wage pressures were recorded in Tasmania (net negative one per cent). The strongest net result in total wage costs was recorded in the finance and insurance sector (net 19 per cent).

Current quarter (August to October 2011)

There was a small fall in the proportion of SMEs expecting increases in wages in the short term, with net expectations for total wage costs down two percentage points to a net 11 per cent. The highest wage expectations were in New South Wales, with a net balance of 19 per cent of SMEs expecting an increase in their total wages bill in the current quarter. SMEs in Queensland and the Northern Territory were least likely to be expecting an increase in their wages bill in the current quarter (net positive two per cent each).

Next 12 months (August 2011 to July 2012)

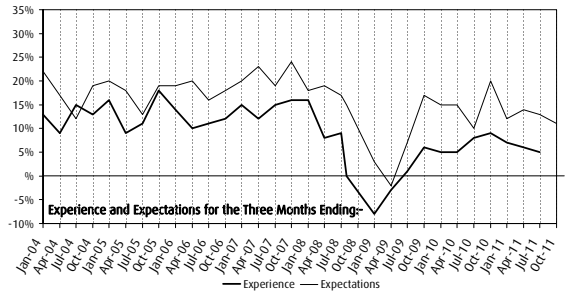
Expectations for total wage and salary costs for the year ahead fell seven percentage points during the quarter, with a net balance of 25 per cent of businesses expecting a rise in total wage costs. The SMEs most likely to be expecting increases to their wages bills were in New South Wales at a net 29 per cent. SMEs in Queensland were least likely to expect an increase in their total wages bill in the year ahead (net 17 per cent).

Wages bill

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Last Quarter					
Experienced increase	23%	22%	21%	21%	23%
No change	62%	62%	61%	60%	54%
Experienced decrease	15%	13%	14%	15%	18%
***Net Balance**	**+8%**	**+9%**	**+7%**	**+6%**	**+5%**
Current Quarter					
Expect increase	26%	23%	23%	23%	21%
No change	28%	63%	65%	65%	65%
Expect decrease	6%	11%	9%	10%	10%
***Net Balance**	**+20%**	**+12%**	**+14%**	**+13%**	**+11%**

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

Wages bill
Trends in *net balance



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

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

Prices

Key findings

The net proportion of SMEs who increased their prices fell during the last quarter. There were also falls in the proportion of SMEs who were expecting to increase their prices in both the short and medium terms.

Last quarter (May to July 2011)

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

Of all states and territories, the strongest price trends were recorded by SMEs in South Australia, with a net balance of 17 per cent. The lowest results were recorded by SMEs in the Australian Capital Territory, with a net balance of negative two per cent. The strongest price rises were recorded in the manufacturing sector, with a net balance result of 16 per cent, up four percentage points since the previous quarter. The weakest outcomes were recorded in the wholesale trade sector, where the proportion of SMEs that increased their prices in the last quarter was at net negative three per cent.

Current quarter (August to October 2011)

SME expectations for price rises in the short term fell a marginal one percentage point to a net balance result of 13 per cent. SMEs in the South Australia recorded the strongest price rise expectations, with a net balance result of 23 per cent, while New South Wales and the Northern Territory recorded the weakest price rise expectations, with a net balance of seven per cent each.

Next 12 months (August 2011 to July 2012)

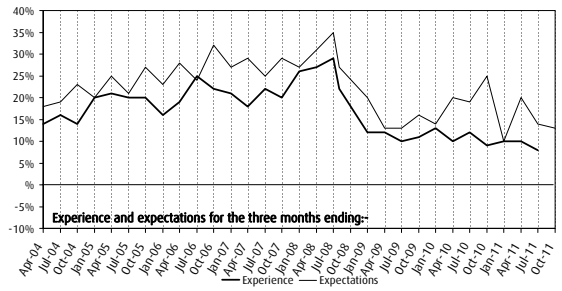
At a net balance of 29 per cent, expectations for price rises in the year ahead also fell four percentage points from the previous survey. Year-ahead expectations for price increases were strongest among SMEs in South Australia (41 per cent), and the accommodation, cafe and restaurant sector (58 per cent).

Prices charged

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Last Quarter					
Experienced increase	18%	17%	18%	19%	17%
No change	76%	74%	73%	71%	72%
Experienced decrease	6%	8%	8%	9%	9%
***Net Balance**	**+12%**	**+9%**	**+10%**	**+10%**	**+8%**
Current Quarter					
Expect increase	27%	16%	23%	20%	19%
No change	71%	77%	73%	73%	73%
Expect decrease	2%	6%	3%	6%	6%
***Net Balance**	**+25%**	**+10%**	**+20%**	**+14%**	**+13%**

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

Prices charged
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – September 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 fell sharply in the latest results to the lowest level recorded in the *Index*. Investment expectations among SMEs were expected to fall for both the current quarter and the year ahead.

Last quarter (May to July 2011)

SME performance in capital expenditure recorded a result of net negative 14 per cent, a fall of seven percentage points, resulting in the eighth successive quarter of net negative capital expenditure results and the lowest result recorded in the history of the Sensis® *Business Index*.

The strongest results were recorded in Western Australia, the Northern Territory and the Australian Capital Territory, all recording net balance results of negative 10 per cent. The lowest results were recorded in Tasmania, with a net balance result of negative 17 per cent. The finance and insurance sector recorded the strongest capital expenditure performance (net positive 12 per cent). At the other end of the investment scale was the health and community services sector (negative 27 per cent).

Current quarter (August to October 2011)

Capital expenditure expectations also fell for the short term, at a net balance result of negative 12 per cent. Capital expenditure expectations for the current quarter remained net negative in all states and territories. The highest expectations were recorded by SMEs in New South Wales at a net negative two per cent. The weakest result was recorded by SMEs in Queensland with a net balance of negative 24 per cent.

Next 12 months (August 2011 to July 2012)

Capital expenditure expectations for the year ahead were also down during the quarter, with a net negative one per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down three percentage points. Capital expenditure expectations were highest for SMEs in New South Wales (net five per cent) and in the finance and insurance sector (net 22 per cent).

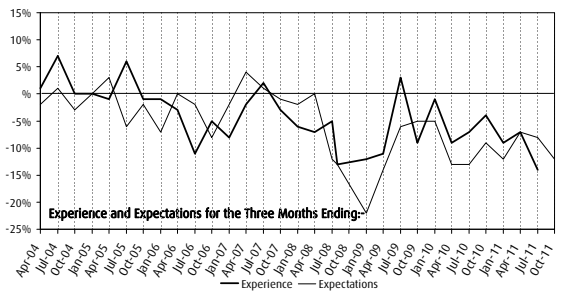
SMEs ability to access finance is critical for capital expenditure and growth. When looking at the ability to access finance, SMEs were more likely to feel it was relatively difficult on balance, with 17 per cent feeling it is currently relatively easy, compared to 41 per cent who felt it was relatively difficult. This resulted in a net improvement of three percentage points in the latest results. Some 19 per cent of SMEs reported that they had tried to access finance in the last quarter, up two percentage points, with 62 per cent of those reporting success (up seven percentage points).

Capital expenditure

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Last Quarter					
Experienced increase	21%	20%	17%	19%	17%
No change	51%	51%	53%	51%	50%
Experienced decrease	28%	24%	26%	26%	31%
***Net Balance**	**-7%**	**-4%**	**-9%**	**-7%**	**-14%**
Current Quarter					
Expect increase	18%	17%	18%	19%	15%
No change	55%	51%	54%	49%	55%
Expect decrease	27%	29%	25%	27%	27%
***Net Balance**	**-9%**	**-12%**	**-7%**	**-8%**	**-12%**

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

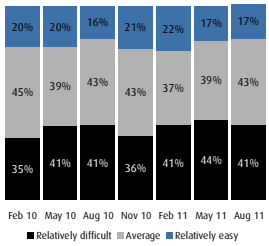
Capital expenditure
Trends in *net balance



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

Ease of accessing finance

Trends



By business size (September 2011)

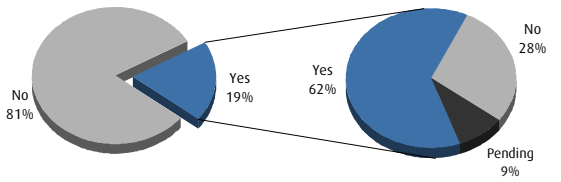
	Easy	Difficult	*Net Balance
Total	**17%**	**41%**	**-24%**
1-2 Employees	16%	42%	-26%
3-4 Employees	18%	40%	-22%
5-9 Employees	19%	40%	-21%
10-19 Employees	14%	38%	-24%
Total Small Business	**17%**	**41%**	**-24%**
20-99 Employees	12%	40%	-28%
100-199 Employees	12%	29%	-17%
Total Medium Business	**12%**	**39%**	**-27%**

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

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

Success in accessing finance
September 2011

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



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

SOURCE: Sensis® *Business Index*
Sweeney Research – September 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 fell sharply during the last quarter, to the lowest level recorded in the *Index*. In addition, SMEs were expecting weaker profitability in both the short term, and for the year ahead.

Last quarter (May to July 2011)

Profitability performance recorded a net balance result of negative 27 per cent for the last quarter. This result was down 13 percentage points from the previous quarter, to the lowest level recorded in the 18 year history of the Sensis® *Business Index*. Profitability was net negative, indicating more SMEs experienced a decrease in profitability than an increase in the last quarter. Profitability has been net negative overall for SMEs for 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 and the Northern Territory with a net balance result of negative 17 per cent each, with no states or territories recording a net positive result overall. The weakest performance was recorded in New South Wales at net negative 32 per cent. The strongest industry performance was recorded in the cultural, recreational and personal services sector with a net balance result of negative 12 per cent. The weakest profitability performance was recorded in the retail trade sector (net negative 46 per cent).

Current quarter (August to October 2011)

Profitability expectations for the current quarter fell a further one percentage point to positive 11 per cent. At a state and territory level, the strongest expectations were recorded by SMEs in New South Wales with a net balance of 17 per cent. The weakest states and territories were Queensland and the Northern Territory with a net balance result of negative one per cent each.

By industry, the health and community services sector recorded the strongest short-term profit expectations with a net balance result of 42 per cent. The manufacturing and building and construction sectors recorded the weakest expectations with a net balance result of negative four per cent each.

Next 12 months (August 2011 to July 2012)

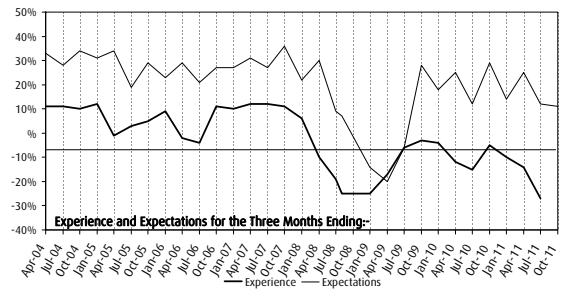
Profitability expectations for the year ahead fell during the quarter to a net balance result of 19 per cent, down 12 percentage point in the last quarter. The strongest profit expectations were recorded by SMEs in Victoria (net 29 per cent), with the weakest expectations recorded in Queensland (net nine per cent).

Profitability

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Last Quarter					
Experienced increase	23%	28%	26%	27%	20%
No change	39%	38%	38%	31%	32%
Experienced decrease	38%	33%	36%	41%	47%
***Net Balance**	**-15%**	**-5%**	**-10%**	**-14%**	**-27%**
Current Quarter					
Expect increase	41%	35%	41%	35%	34%
No change	44%	43%	43%	41%	42%
Expect decrease	15%	21%	16%	23%	23%
***Net Balance**	**+26%**	**+14%**	**+25%**	**+12%**	**+11%**

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

Profitability
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – September 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 dropped this quarter and the value of exports fell in the last quarter, however SMEs are expecting some improvement in both the short and medium terms.

Last quarter (May to July 2011)

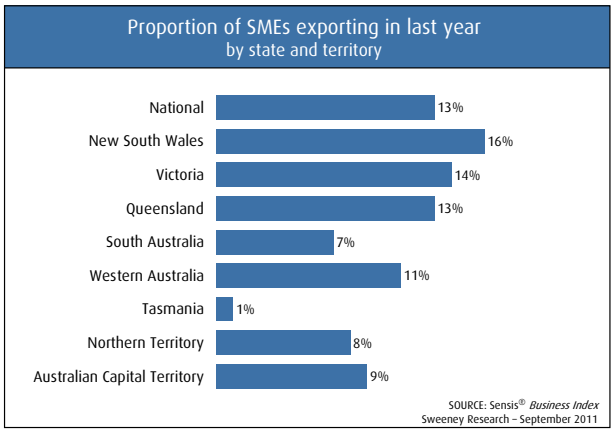
Thirteen per cent of SMEs reported exporting in the last quarter, down two percentage points from the previous quarter. Only the Australian Capital Territory reported a marginal increase in the proportion of exporting SMEs with falls recorded in most other states and territories, and no change recorded in New South Wales and the Northern Territory. New South Wales recorded the highest proportion of exporting SMEs in Australia in the last quarter.

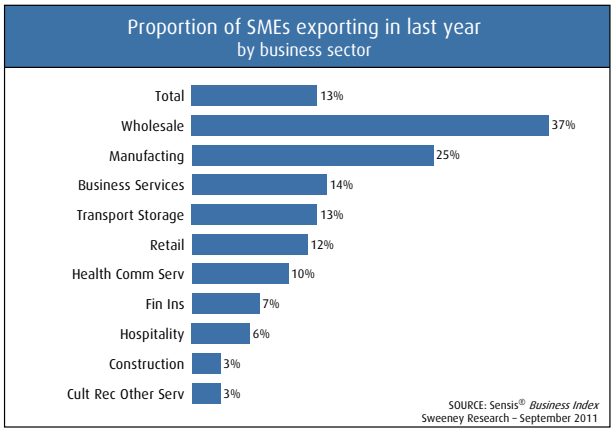
SMEs in metropolitan areas were over twice as likely to export as their regional counterparts (18 per cent compared to seven per cent). SMEs in the wholesale trade sector were most likely to have exported in the last quarter.

As well as the fall in the proportion of SMEs exporting, this quarter also saw a decline in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of negative nine per cent reported an increase in the value of the goods and services exported in the last quarter, down seven percentage points from last quarter's result and down marginally from the level recorded one year ago.

However looking forward, there was improvement in the proportion of exporting SMEs expecting the value of their exports to increase for both the current quarter and the year ahead. In the short term, the proportion of SMEs expecting growth in the value of their exports for the current quarter was up five percentage points to net positive four per cent. There was also a six percentage point improvement in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

New Zealand remained the most popular destination for SME exports (37 per cent). Other strong results were seen for the United States at 21 per cent, Singapore at 18 per cent and the United Kingdom at 17 per cent. Some 27 per cent of exporting SMEs reported exporting to ASEAN nations, up one percentage point in the last quarter.





Value of exports - trends

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Last Quarter					
Experienced increase	18%	18%	31%	23%	19%
No change	56%	51%	44%	52%	53%
Experienced decrease	26%	30%	25%	25%	28%
***Net Balance**	**-8%**	**-12%**	**+6%**	**-2%**	**-9%**
Current Quarter					
Expect increase	26%	23%	37%	23%	16%
No change	55%	60%	49%	53%	72%
Expect decrease	19%	17%	14%	24%	12%
***Net Balance**	**+7%**	**+6%**	**+23%**	**-1%**	**+4%**
Next 12 months					
Expect increase	40%	40%	52%	35%	37%
No change	44%	43%	37%	49%	51%
Expect decrease	16%	17%	12%	16%	12%
***Net Balance**	**+24%**	**+23%**	**+40%**	**+19%**	**+25%**

Base : Exported goods or services overseas in last three months

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

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

Business plans 2011-12

At the start of 2011 the Sensis® Business Index asked Australia's SMEs what plans they had for the year ahead. With SME confidence and business conditions having changed significantly since then, this quarter SMEs were asked what their plans were now, as they embark on the beginning of the new financial year.

It is interesting that the main plan at the beginning of the year, to introduce new products and services, remains the main plan at the start of the new financial year. Some 42 per cent of Australia's SMEs are currently planning to introduce new products and services in their business, up marginally from 41 per cent at the beginning of the year. Medium businesses were particularly likely to be planning to introduce new products and services, with half reporting that they have intentions in this area.

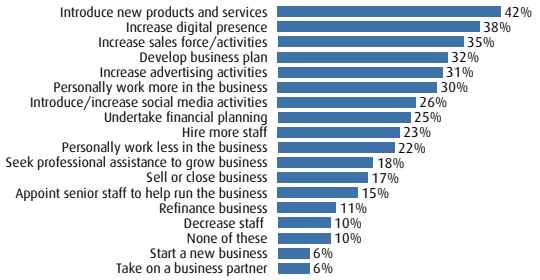
The second most likely business plan for SMEs at the start of the new financial year was to increase their digital presence, with 38 per cent planning to do this, up from 33 per cent at the start of the year. Again, medium businesses were more likely to be planning to do this, at 51 per cent.

The third most likely plan from SMEs was to increase their sales force or sales activities. Currently 35 per cent of SMEs are planning to do this, up three percentage points since the beginning of the year.

The main changes that have occurred in SMEs business plans since the beginning of the year reflect both economic conditions and technological change. The three aspects of planning that reported the largest increases (up five percentage points since the beginning of the year) were increasing digital presence, increasing social media activities and selling or closing the business.

The next largest increases were also reflecting the current business environment, with plans to increase sales activities, increase advertising activities, work more in the business and decrease staffing levels all rising three percentage points since the start of the year.

At the other end of the scale, those plans which had decreased in popularity amongst businesses since the start of the year reflected an environment where businesses were seeing growth as significantly more difficult. The proportion of SMEs that were looking to get professional advice to help them grow their business has dropped by six percentage points, with those planning to work less in their business down five percentage points, and those planning to start a new business down by three percentage points since the start of the year.



Activities planned for 2011/12 – by business size
August 2011

	Total	Small	Medium
Introduce new products and services	42%	42%	50%
Increase digital presence	38%	38%	51%
Increase sales force/activities	35%	35%	42%
Develop business plan	32%	31%	53%
Increase advertising activities	31%	31%	45%
Personally work more in the business	30%	30%	31%
Introduce/increase social media activities	26%	26%	36%
Undertake financial planning	25%	24%	41%
Hire more staff	23%	23%	36%
Personally work less in the business	22%	22%	13%
Seek professional assistance to grow business	18%	17%	38%
Sell or close business	17%	17%	10%
Appoint senior staff to help run the business	15%	15%	26%
Refinance business	11%	11%	14%
Decrease staff	10%	9%	20%
None of these	10%	10%	3%
Start a new business	6%	6%	7%

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

Changes in business plans
March to September 2011

	March 2011	September 2011	Change
Increase digital presence	33%	38%	+5%
Introduce/increase social media activities	21%	26%	+5%
Sell or close business	12%	17%	+5%
Increase sales force/activities	32%	35%	+3%
Increase advertising activities	28%	31%	+3%
Personally work more in the business	27%	30%	+3%
Decrease staff	7%	10%	+3%
Refinance business	9%	11%	+2%
Introduce new products and services	41%	42%	+1%
Undertake financial planning	24%	25%	+1%
Develop business plan	33%	32%	-1%
Hire more staff	25%	23%	-2%
Appoint senior staff to help run the business	18%	15%	-3%
None of these	13%	10%	-3%
Start a new business	9%	6%	-3%
Personally work less in the business	27%	22%	-5%
Seek professional assistance to grow business	24%	18%	-6%

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

Assessment of Federal Government policies

Key findings

Support among SMEs for the Federal Government fell further during the last quarter and has not been lower since February 1996, when the Keating Government was in power federally.

Last quarter (May to July 2011)

The net balance result of a negative 48 per cent approval rating represented a drop of seven percentage points in the last quarter, following a 16 percentage point fall in the previous quarter. The result comprised seven per cent (unchanged) of SMEs supportive of the Federal Government's small business policies, and 55 per cent (up seven percentage points) that felt their policies worked against small business.

The Australian Capital Territory again recorded the strongest levels of support among SMEs for the Federal Government's policies, at net negative 29 per cent. SMEs in Queensland were most critical of the Federal Government's small business policies, with the net balance at net negative 54 per cent. The largest falls in support levels for the Federal Government were from SMEs in Tasmania and the Northern Territory, where the net result was down by 23 percentage points in each state. No states or territories recorded an increase in support levels for the Federal Government over the last quarter.

SMEs in regional areas were less supportive of the Federal Government than their metropolitan counterparts. Support levels from small businesses were slightly higher than those of medium businesses (negative 48 per cent compared to negative 51 per cent for medium businesses).

SMEs from the health and community services sector were most likely to report feeling that the Federal Government's policies were supportive of small business (negative 38 per cent) with those in the transport and storage sector least likely to feel supportive on balance (negative 56 per cent).

The key reasons SMEs gave for feeling that the Federal Government's policies worked against them included the carbon tax, a view that their policies were affecting consumer confidence and spending, that there were no incentives for small businesses and that there was too much bureaucracy. Whilst few SMEs felt supportive this quarter, those that did were most likely to report that Federal Government incentives to small businesses were the key reason for their support.

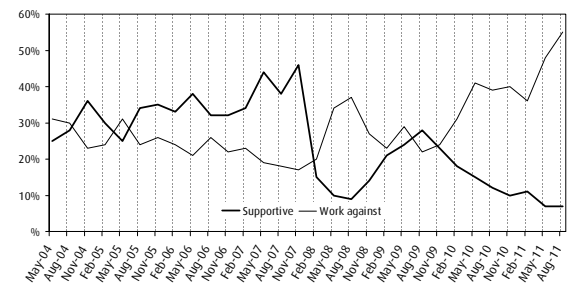
Attitudes to Federal Government policies past five quarters

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Supportive	12%	10%	11%	7%	7%
Work against	39%	40%	36%	48%	55%
No impact	49%	50%	53%	44%	38%
***Net Balance**	**-27%**	**-30%**	**-25%**	**-41%**	**-48%**

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 – September 2011

Attitudes to Federal Government policies
Long-term trends



SOURCE: Sensis® *Business Index*
Sweeney Research – September 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. With a further decline in support in the latest results, the Tasmanian Government was the least supported by SMEs, with the Tasmanian Government recording the equal lowest support level from a state or territory government in the history of the Sensis® *Business Index*.

Last quarter (May to July 2011)

Despite a six percentage point fall in support during the last quarter, the Northern Territory Government was the most supported of any state or territory government, recording an overall support level of positive eight per cent. SMEs cited a perception that the Northern Territory Government was supportive of small business, that they encouraged growth and their small business management training programmes as the key reasons for their support.

Two other governments also recorded net positive approval ratings from SMEs, with the Victorian Government at positive four per cent, and the Western Australian Government at net positive one per cent. A view by SMEs that the state governments in Victoria and Western Australia were more supportive of small businesses was the main reason for support in each state.

During the last quarter support levels dropped for every state and territory government, with falls averaging 11 percentage points, and ranging from one percentage point in Western Australia to 19 percentage points in New South Wales.

The lowest level of support this quarter was for the Tasmanian Government, with support down a further 15 percentage points in the last quarter, with support levels remaining at their lowest level recorded for Tasmania in the history of the Sensis® *Business Index*. Not only was this support level the lowest on record for Tasmania, it was also the equal lowest on record for any state or territory government, equalled only by the previous New South Wales Government in November 2008. Concerns over forestry policies in the state as well as a perception that the Tasmanian Government was being manipulated by The Greens were the key reasons given by SMEs for feeling the Government in Tasmania was not supportive of small business.

Attitudes to state or territory government policies
September 2011

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	20%	19%	5%	3%	23%	6%	30%	10%
Work against	21%	15%	40%	44%	22%	60%	22%	28%
No impact	59%	66%	56%	52%	54%	34%	47%	62%
***Net Balance**	**-1%**	**+4%**	**-35%**	**-41%**	**+1%**	**-54%**	**+8%**	**-18%**

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

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

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

	Aug 10	Nov 10	Feb 11	May 11	Aug 11
New South Wales	-43%	-46%	-49%	+18%	-1%
Victoria	-8%	-21%	+1%	+16%	+4%
Queensland	-32%	-36%	-28%	-33%	-35%
South Australia	-24%	-36%	-36%	-38%	-41%
Western Australia	+11%	+10%	-3%	+2%	+1%
Tasmania	-16%	-21%	-20%	-39%	-54%
Northern Territory	+15%	0%	+3%	+14%	+8%
Australian Capital Territory	-18%	-20%	-14%	-14%	-18%

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

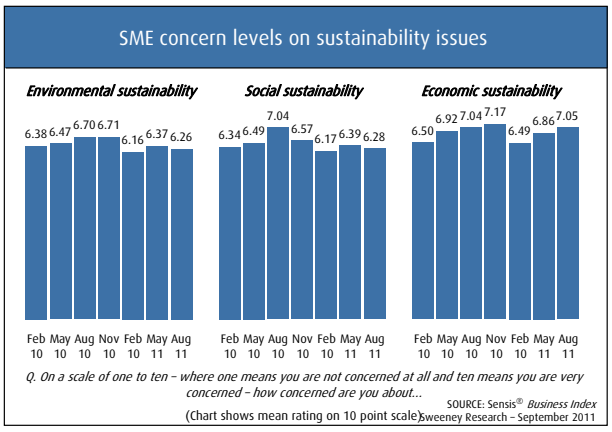
This quarter, concerns over economic sustainability came to the forefront, with this being the only aspect of sustainability to increase in concern levels in the last quarter. Examining the mean scores for each aspect on a scale of one to 10, economic sustainability was rated the highest at 7.05, up from 6.86 in the previous quarter. This was higher than social sustainability at 6.28 (down 0.11) and environmental sustainability at 6.26 (also down 0.11). This quarter only economic sustainability rose (up 0.19), with falls of 0.11 recorded for both social and environmental sustainability.

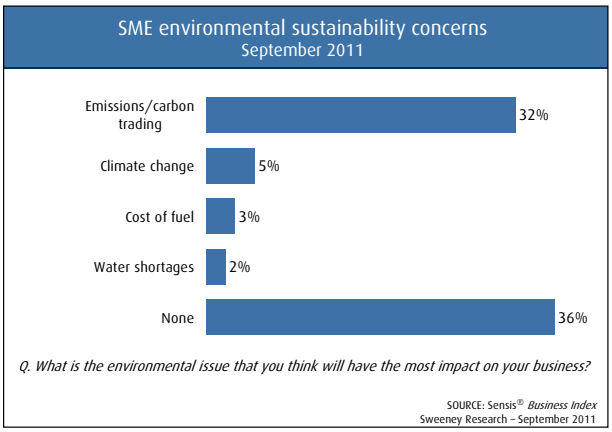
Looking at environmental sustainability, carbon trading was the issue most likely to impact on businesses, with climate change and the cost of fuel the next most significant issues, but at much lower levels. Carbon trading was cited as the main environmental concern by SMEs because of the increased cost base.

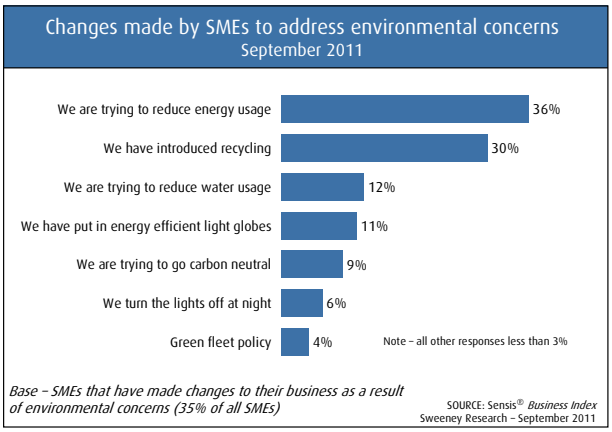
Overall, some 35 per cent of SMEs reported having made changes to their business as a result of environmental concerns, which was down five percentage points in the last quarter. Trying to reduce energy usage and introducing recycling were the most frequent changes reported. Some 18 per cent of SMEs reported producing products or services aimed at assisting environmental problems, which was up two percentage points in the last quarter. A further 13 per cent were considering doing this in the future, which was up three percentage points in the last quarter.

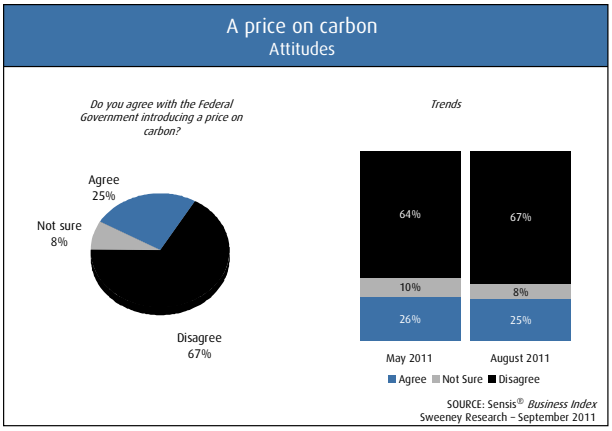
SMEs in the Northern Territory were most likely to report that they were producing products or services aimed at assisting environmental problems (23 per cent), closely followed by Western Australia (21 per cent) and Queensland (20 per cent). SMEs in the building and construction sector were most likely to report producing environmental products or services (36 per cent) followed by SMEs in the transport and storage sector (25 per cent).

During the last quarter 67 per cent of SMEs reported that they disagreed with the Federal Government's plans to introduce a carbon tax, up three percentage points, with the proportion disagreeing down one percentage point to 25 per cent.









Small and medium business outlook – national

- Confidence among Australia's SMEs fell further in the last quarter to the third lowest result in the history of the Sensis® *Business Index*.
- Perceptions of the current state of the economy recorded a further fall, and future economic expectations were also more pessimistic.
- Performance in all indicators fell in the last quarter, with large falls in sales and profitability, which brought the profitability indicator to its lowest level on record.
- In the short term, SMEs were expecting lower results for all indicators, with the exception of employment, where the short-term expectation was unchanged.
- For the year ahead, expectations also deteriorated with falls expected for all indicators.
- Support for the Federal Government's policies fell to a net negative 48 per cent. Those that believed the Federal Government's policies worked against small business this quarter were most likely to cite the carbon tax and the Federal Government's impact on consumer confidence and spending 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	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	56	58	63	63	55	48
NEGATIVE	25	21	19	19	27	33
*NET BALANCE	+31	+37	+44	+44	+28	+15

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

- Recording the smallest fall in the nation, New South Wales recorded confidence levels above the national average, but still strongly negative. People not spending was the largest factor causing low SME confidence this quarter.
- New South Wales SMEs saw lower performance in sales, prices, profitability and capital expenditure in the last quarter, with increases recorded in employment and wages.
- SMEs in New South Wales recorded the lowest profitability performance for the last quarter of any state or territory.
- For the current quarter, SMEs in New South Wales were expecting increases in all indicators.
- For the current quarter, SMEs in New South Wales recorded the highest expectations for sales, wages, profitability and capital expenditure of any state or territory, and the equal highest expectations for employment, along with South Australia.
- Support for the policies of the New South Wales Government among NSW SMEs recorded the largest fall of any state or territory; however this followed a large increase last quarter and the overall level of support remaining 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	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	52	51	59	66	51	51
NEGATIVE	30	27	23	16	31	32
*NET BALANCE	+22	+24	+36	+50	+20	+19

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %
SALES VALUE:	INCREASE	28	34	32	28	25	44	36	44	37	39
	DECREASE	40	32	30	48	48	15	24	18	21	16
	NET BALANCE	-12	+2	+2	-20	-23	+29	+12	+26	+16	+23
SIZE OF WORKFORCE:	INCREASE	12	14	13	7	15	6	8	13	9	14
	DECREASE	13	12	13	11	14	5	12	7	8	6
	NET BALANCE	-1	+2	+0	-4	+1	+1	-4	+6	+1	+8
WAGES BILL:	INCREASE	24	20	20	14	26	20	20	21	22	24
	DECREASE	14	16	10	13	19	8	16	7	5	5
	NET BALANCE	+10	+4	+10	+1	+7	+12	+4	+14	+17	+19
PRICES:	INCREASE	18	17	21	21	17	26	13	15	16	16
	DECREASE	7	9	8	9	10	2	10	4	10	9
	NET BALANCE	+11	+8	+13	+12	+7	+24	+3	+11	+6	+7
PROFITABILITY:	INCREASE	25	27	31	27	20	40	30	42	35	36
	DECREASE	42	37	30	39	52	15	25	13	26	19
	NET BALANCE	-17	-10	+1	-12	-32	+25	+5	+29	+9	+17
CAPITAL EXPENDITURE:	INCREASE	22	16	17	16	16	15	16	21	20	19
	DECREASE	30	24	22	23	31	27	33	24	23	21
	NET BALANCE	-8	-8	-5	-7	-15	-12	-17	-3	-3	-2

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

Small and medium business outlook – Victoria

- Victoria recorded a fall in business confidence among SMEs in the last quarter, with SMEs concerned about economic instability. Despite the fall, confidence remained well above the national average.
- SMEs in Victoria recorded the strongest expectations on the future direction of the economy of any state or territory.
- Performance fell in all performance indicators in the last quarter in Victoria.
- Despite the fall, Victorian SMEs recorded the highest performance in profitability in the last quarter of any state or territory for the second successive quarter.
- Victorian SMEs are reported lower expectations for all expectations for the current quarter with the exception of prices, where the expectation was unchanged.
- 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	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	62	68	73	71	60	52
NEGATIVE	21	14	14	15	21	26
*NET BALANCE	+41	+54	+59	+56	+39	+26

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

- Queensland recorded a nineteen percentage point fall in business confidence among SMEs this quarter, with confidence levels the second lowest in the nation and SMEs reporting concerns about people not spending money and a decrease in business.
- SMEs in Queensland reported falls in all performance indicators over the last quarter with the exception of prices, which rose.
- SMEs in Queensland reported the lowest performance in sales and employment in the last quarter of any state or territory.
- SMEs in Queensland reported lower expectations for all indicators for the current quarter, with the exception of employment, where the expectation increased.
- SMEs in Queensland reported the lowest expectations for the current quarter for capital expenditure of any state or territory and the equal lowest expectations for profitability and wages (both equal with the Northern Territory).
- SME support for the Queensland State Government fell during the last quarter and was the third least supported of the state and territory government.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	54	57	61	53	55	42
NEGATIVE	24	21	20	25	31	37
*NET BALANCE	+30	+36	+41	+28	+24	+5

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %
SALES VALUE:	INCREASE	21	33	17	28	21	45	29	40	40	30
	DECREASE	39	34	52	48	50	13	21	23	20	25
	NET BALANCE	-18	-1	-35	-20	-29	+32	+8	+17	+20	+5
SIZE OF WORKFORCE:	INCREASE	12	13	13	14	9	10	15	11	7	10
	DECREASE	12	14	13	15	13	3	7	3	9	10
	NET BALANCE	+0	-1	+0	-1	-4	+7	+8	+8	-2	+0
WAGES BILL:	INCREASE	27	23	20	29	23	29	22	22	20	18
	DECREASE	17	11	22	20	18	5	12	7	15	16
	NET BALANCE	+10	+12	-2	+9	+5	+24	+10	+15	+5	+2
PRICES:	INCREASE	17	17	14	13	18	28	11	21	21	18
	DECREASE	10	9	8	15	15	1	4	3	4	6
	NET BALANCE	+7	+8	+6	-2	+3	+27	+7	+18	+17	+12
PROFITABILITY:	INCREASE	17	23	15	22	18	39	27	34	36	28
	DECREASE	42	36	54	51	49	19	24	26	25	29
	NET BALANCE	-25	-13	-39	-29	-31	+20	+3	+8	+11	-1
CAPITAL EXPENDITURE:	INCREASE	19	21	13	17	20	17	13	16	20	11
	DECREASE	25	23	31	27	33	24	26	24	24	35
	NET BALANCE	-6	-2	-18	-10	-13	-7	-13	-8	-4	-24

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

Small and medium business outlook – South Australia

- South Australia recorded a further decline in business confidence among SMEs this quarter, with confidence remaining the lowest of any state or territory and SMEs reporting concerns about people not spending money.
- SMEs in South Australia recorded the weakest views of the current state of the Australian economy, as well as the weakest views of the future direction of the Australian economy.
- SMEs in South Australia recorded lower performance for all indicators over the last quarter, with the only performance indicator to increase being employment.
- South Australia recorded the highest proportion of SMEs that increased their prices on balance in the last quarter, as well as the highest proportion expecting to increase their prices on balance for the current quarter. South Australian SMEs also recorded the equal highest employment expectations, along with New South Wales.
- SMEs in South Australia recorded higher expectations for sales, employment and prices for the current quarter, however falls were expected for wages, profitability and capital expenditure.
- South Australia recorded the equal highest proportion of SMEs expecting to increase their employment in the current quarter (equal with New South Wales).
- SME support for the South Australian State Government dropped during the quarter and is at the lowest level recorded for a South Australian government in the 18 year history of the Sensis® *Business Index*.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	53	53	61	57	48	39
NEGATIVE	26	23	22	22	32	44
*NET BALANCE	+27	+30	+39	+35	+16	-5

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

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

Small and medium business outlook – Western Australia

- Western Australia recorded a fall in business confidence among SMEs this quarter, however, confidence amongst SMEs in the state remained above the national average. SMEs in Western Australia reported concerns about people not spending money.
- SMEs in Western Australia recorded lower performance for all indicators in the last quarter, with the only exceptions being prices, which increased, and profitability, which was unchanged.
- SMEs in Western Australia were the most likely to report increased wages on balance than any other state or territory.
- Western Australian SMEs reported lower expectations for the current quarter for all key indicators with the exception of capital expenditure, which increased marginally from a low base.
- Support for the Western Australian State Government by SMEs fell during the last quarter, but was one of three governments to record a net positive rating from SMEs.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	53	58	63	60	55	50
NEGATIVE	23	18	18	23	26	33
*NET BALANCE	+30	+40	+45	+37	+29	+17

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %
SALES VALUE:	INCREASE	25	40	29	32	27	45	41	42	28	30
	DECREASE	40	32	40	45	47	13	15	14	23	28
	NET BALANCE	-15	+8	-11	-13	-20	+32	+26	+28	+5	+2
SIZE OF WORKFORCE:	INCREASE	8	14	9	11	12	16	12	10	11	7
	DECREASE	12	9	13	13	15	2	4	4	9	6
	NET BALANCE	-4	+5	-4	-2	-3	+14	+8	+6	+2	+1
WAGES BILL:	INCREASE	18	27	20	24	23	26	26	20	20	19
	DECREASE	13	10	12	12	14	6	7	9	15	15
	NET BALANCE	+5	+17	+8	+12	+9	+20	+19	+11	+5	+4
PRICES:	INCREASE	19	22	20	18	18	30	23	27	22	18
	DECREASE	6	8	6	9	6	3	4	2	4	3
	NET BALANCE	+13	+14	+14	+9	+12	+27	+19	+25	+18	+15
PROFITABILITY:	INCREASE	24	33	26	23	23	41	43	40	31	31
	DECREASE	39	32	42	48	48	18	16	16	25	31
	NET BALANCE	-15	+1	-16	-25	-25	+23	+27	+24	+6	+0
CAPITAL EXPENDITURE:	INCREASE	22	23	14	23	18	17	17	17	15	15
	DECREASE	26	28	29	29	28	35	32	26	38	37
	NET BALANCE	-4	-5	-15	-6	-10	-18	-15	-9	-23	-22

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

Small and medium business outlook – Tasmania

- Tasmania recorded a small fall in business confidence among SMEs, however confidence was above the national average. SMEs in Tasmania reported that their perception of poor performance by the Federal Government, and in particular how they had handled issues, was the driving factor behind their low confidence this quarter.
- SMEs in Tasmania recorded higher performance in the last quarter for employment, with profitability and capital expenditure both recording increases from low bases.
- In the last quarter, SMEs in Tasmania reported the highest performance results for employment of any state or territory, but the lowest increases in wage and capital expenditure.
- Tasmanian SMEs reported increasing expectations for all indicators for the current quarter.
- Support for the Tasmanian State Government's policies fell further during the last quarter, remaining the least supported state or territory government by SMEs, and recording the equal lowest support level for a state or territory government in the history of the Sensis® *Business Index*.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	55	64	57	57	50	50
NEGATIVE	21	21	20	18	27	32
*NET BALANCE	+34	+43	+37	+39	+23	+18

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %
SALES VALUE:	INCREASE	26	35	30	25	28	40	34	37	18	43
	DECREASE	42	36	39	45	54	18	15	19	33	24
	NET BALANCE	-16	-1	-9	-20	-26	+22	+19	+18	-15	+19
SIZE OF WORKFORCE:	INCREASE	5	15	9	9	22	9	10	12	3	10
	DECREASE	21	6	12	9	15	2	4	9	6	7
	NET BALANCE	-16	+9	-3	+0	+7	+7	+6	+3	-3	+3
WAGES BILL:	INCREASE	18	22	20	15	19	21	20	23	15	25
	DECREASE	17	12	16	14	20	10	9	13	17	14
	NET BALANCE	+1	+10	+4	+1	-1	+11	+11	+10	-2	+11
PRICES:	INCREASE	13	20	20	19	22	23	21	26	16	15
	DECREASE	5	4	8	8	14	1	1	4	7	5
	NET BALANCE	+8	+16	+12	+11	+8	+22	+20	+22	+9	+10
PROFITABILITY:	INCREASE	21	24	23	19	24	38	30	29	15	38
	DECREASE	40	32	39	52	50	21	16	22	41	26
	NET BALANCE	-19	-8	-16	-33	-26	+17	+14	+7	-26	+12
CAPITAL EXPENDITURE:	INCREASE	20	18	21	13	16	15	18	19	11	21
	DECREASE	33	29	29	39	33	37	32	28	35	30
	NET BALANCE	-13	-11	-8	-26	-17	-22	-14	-9	-24	-9

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

Small and medium business outlook – Northern Territory

- The Northern Territory recorded a small fall in confidence among SMEs, however confidence the highest of any state or territory. SMEs in the Territory reported concerns about a decrease in business as the main factor behind lower business confidence this quarter.
- SMEs in the Northern Territory reported increases in sales, prices and profitability in the last quarter, with decreases reported in employment and wages and no change in the proportion of SMEs reporting increased capital expenditure in the last quarter on balance.
- SMEs in the Territory recorded the highest results for sales performance of any state or territory, and the equal highest performance in profitability (equal with Victoria) and capital expenditure (equal with Western Australia and the Australian Capital Territory).
- SMEs in the Northern Territory reported lower expectations for the current quarter for all indicators with the only exception being capital expenditure, which increased.
- SMEs in the Northern Territory recorded the lowest expectations among SMEs of any state or territory for the current quarter for sales and employment, with the equal lowest expectations for wages and profitability (both equal with Queensland) and prices (equal with New South Wales).
- While support for the Northern Territory Government fell during the last quarter it was 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	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	68	70	67	68	57	55
NEGATIVE	11	14	15	13	24	26
*NET BALANCE	+57	+56	+52	+55	+33	+29

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

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

Small and medium business outlook – Australian Capital Territory

- The Australian Capital Territory recorded the largest fall in business confidence among SMEs during the quarter of any state or territory. Despite the fall, SME confidence in the Australian Capital Territory remained above average. SMEs in the Australian Capital Territory reported that people not spending was the main reason for their lower confidence this quarter.
- SMEs in the Australian Capital Territory recorded the strongest views of the current state of the Australian economy.
- SMEs in the Australian Capital Territory recorded higher performance in the last quarter for employment and wages, but falls for all other performance indicators.
- SMEs in the Australian Capital Territory reported higher expectations for the current quarter for sales and profitability, but falls were expected for all other indicators.
- Support for the Australian Capital Territory Government fell 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	MAY 2010 %	AUG 2010 %	NOV 2010 %	FEB 2011 %	MAY 2011 %	AUG 2011 %
POSITIVE	67	63	70	75	68	54
NEGATIVE	10	20	19	13	21	36
*NET BALANCE	+57	+43	+51	+62	+47	+18

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 10 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 10 %	NOV-JAN 10/11 %	FEB-APR 11 %	MAY-JUL 11 %	AUG-OCT 11 %
SALES VALUE:	INCREASE	35	34	36	29	23	48	45	54	30	38
	DECREASE	34	30	35	35	42	11	16	10	19	23
	NET BALANCE	+1	+4	+1	-6	-19	+37	+29	+44	+11	+15
SIZE OF WORKFORCE:	INCREASE	11	12	12	14	15	25	13	18	10	15
	DECREASE	21	15	10	14	9	5	9	4	3	10
	NET BALANCE	-10	-3	+2	+0	+6	+20	+4	+14	+7	+5
WAGES BILL:	INCREASE	24	24	21	19	22	26	29	33	24	26
	DECREASE	21	13	15	14	15	10	12	8	7	14
	NET BALANCE	+3	+11	+6	+5	+7	+16	+17	+25	+17	+12
PRICES:	INCREASE	19	13	19	20	15	22	18	30	34	17
	DECREASE	3	12	7	10	17	1	3	3	5	4
	NET BALANCE	+16	+1	+12	+10	-2	+21	+15	+27	+29	+13
PROFITABILITY:	INCREASE	26	36	30	27	20	41	46	45	30	33
	DECREASE	29	29	34	39	40	10	20	12	26	25
	NET BALANCE	-3	+7	-4	-12	-20	+31	+26	+33	+4	+8
CAPITAL EXPENDITURE:	INCREASE	16	15	24	21	19	18	19	25	20	14
	DECREASE	35	26	24	19	29	28	32	21	32	33
	NET BALANCE	-19	-11	+0	+2	-10	-10	-13	+4	-12	-19

* 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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