

UNDER EMBARGO: FOR RELEASE TO PUBLIC ON TUESDAY 6 SEPTEMBER 2011

NOTE: These are the national results for the Sensis® *Business Index*. Please see separate state and territory releases. The quarterly survey began in 1993 and provides the latest snapshot of small and medium (1-199 employees) business activity in Australia. It is based on a sample size of 1,800 businesses from metropolitan and regional areas, interviewed between 29 July and 26 August 2011.

Australian small business profitability hits record low

Small business profitability is at a record low in Australia, according to the Sensis® *Business Index* released today.

Report author Ms Christena Singh said profitability amongst Australian small businesses fell sharply during the quarter and businesses were expecting further falls over the next 12 months.

“The profitability indicator is now strongly negative, and this is the weakest profitability result we’ve seen in the 18-year history of the report,” Ms Singh said.

Half of small businesses experienced a decrease in profitability during the quarter, while just two in 10 experienced an increase.

“While there are marked differences across the nation, all states and territories recorded negative profitability indicators this quarter.

“Some sectors have performed better than others, but profitability has generally been weak across all industries,” she explained.

The retail sector again experienced the weakest profitability during the quarter. For the coming quarter, profitability is expected to be lowest in the manufacturing and the building and construction sectors.

Along with profitability, the report shows all performance measures deteriorated during the quarter.

The indicators for sales, profitability and capital expenditure are now strongly negative, while wages and prices remain in positive territory, and employment is flat.

“Not surprisingly, business confidence has been dented, with the indicator almost halving during the quarter. Small business perceptions about the economy have also become more pessimistic,” she added.

“However, Australian small businesses are resilient and very nimble, with many taking proactive measures to counteract the changing conditions experienced during the last six months,” she noted.

According to the report, 42 per cent of small businesses are planning to introduce new products and services during this financial year, while 38 per cent expect to increase their digital presence, and 35 per cent look to increase their sale force.

“In the face of rapid technological and economic change, there has been an upswing in businesses looking to increase their digital presence and social media activity over the last six months,” she concluded.

The report indicates there is also an increase in small businesses looking to close or sell their business.

Small businesses are now less likely to seek professional advice to grow their business, reduce the number of hours they work in the business and start a new business than they were six months ago.

Key findings from the September 2011 Sensis® *Business Index*:

- Business confidence fell from 28 to 15 per cent, the third lowest result in the report’s history
- Perceptions about the current state of the economy fell from negative seven per cent to negative 35 per cent
- Profitability weakened amongst the small business sector, with the indicator down 13 percentage points to negative 27 per cent
- The sales indicator fell strongly, down eight percentage points to negative 22 per cent
- Overall employment by small businesses fell one percentage point during the quarter, taking the indicator to zero
- Support for the Federal Government’s policies fell seven percentage points during the quarter, taking the indicator to negative 48 per cent

- The key reasons small businesses gave for not supporting the Federal Government's policies include the proposed carbon tax, a view policies were affecting consumer confidence, no incentives for small businesses and too much bureaucracy.

Business plans:

	March 2011	September 2011
Increase digital presence	33%	38%
Introduce social media activities	21%	26%
Sell or close business	12%	17%
Seek professional assistance to grow business	24%	18%
Personally work less in the business	27%	22%
Start a new business	9%	6%

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The Sensis® *Business Index* is available now by contacting the above or can be downloaded from www.about.sensis.com.au/resources from 9am Tuesday 6 September 2011.