

# Sensis<sup>®</sup> *Consumer Report*

December 2007



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# Introduction

The December 2007 Sensis® *Consumer Report* is a survey designed to measure the confidence and behaviour of the Australian populace.

The primary objectives of the Sensis® *Consumer Report* are to measure consumer confidence and expectations for the next 12 months; and to provide an independent, objective assessment of consumers' experiences and attitudes on key issues.

The Sensis® *Consumer Report* is based on a survey of 1,500 Australians from metropolitan and regional areas of Australia. It includes people from all states and territories, starting from 14 years of age. Demographics such as gender, employment status, income ranges and family status are included to enable cross-analysis of data collected.

Results in the Sensis® *Consumer Report* are reported as a net balance, which represents the total number of positive responses minus the total number of negative responses. All results in the Sensis® *Consumer Report* are based on the responses of consumers surveyed.

The Sensis® *Consumer Report* is an initiative of Sensis Pty Ltd that aims to increase the understanding of consumer behaviour and expectations. Sensis also produces the Sensis® *Business Index*, an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs). Since its inception in 1993, the Sensis® *Business Index* has been one of the most comprehensive and regular surveys of small and medium businesses in Australia.

Data for both of these reports is collected concurrently with many questions being asked of both businesses and consumers. This allows comparisons between these two groups to be made to enable a better understanding of the interaction of supply and demand in the Australian economy.

In addition, Sensis® *Market Intelligence* undertakes commissioned research for corporate and government organisations on a variety of policy issues.

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# About the survey

The results in this report are based on a survey of 1,500 Australians conducted over 24<sup>th</sup> October to 22<sup>nd</sup> November 2007. All interviews were conducted via telephone by the survey research firm, Sweeney Research.

To ensure a good cross representation across the states and territories and by demographics, quotas were set on age, gender and location as detailed in the charts below.

Sample Structure - Demographics			
	Total	Male	Female
14 - 17 years	100	50	50
18 - 19 years	100	50	50
20 - 29 years	250	125	125
30 - 39 years	250	125	125
40 - 49 years	250	125	125
50 - 64 years	300	150	150
Over 64 years	250	125	125
<b>Total</b>	<b>1500</b>	<b>750</b>	<b>750</b>

Sample Structure - Location			
	Total	Metro	Non-Metro
New South Wales	250	200	50
Victoria	250	200	50
Queensland	250	140	110
South Australia	190	160	30
Western Australia	190	160	30
Tasmania	125	75	50
Northern Territory	125	75	50
Australian Capital Territory	120	120	0
<b>Total</b>	<b>1500</b>	<b>1130</b>	<b>370</b>

The results have been weighted according to the latest Australian Bureau of Statistics (ABS) population figures (2001 Census) so results more closely reflect the population distribution within each state and territory.

Comparisons in the December 2007 Sensis® *Consumer Report* are made between consumers and businesses. The business results are based on data from the November 2007 Sensis® *Business Index* of 1,800 SMEs.

# Executive summary

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## Consumer confidence

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The December 2007 Sensis® *Consumer Report* found a net balance of 61 per cent of Australians reporting confidence in their financial prospects for the year ahead. This result was a rise of nine percentage points from last quarter. This result was the highest level of confidence that has been reported since the start of the Sensis® *Consumer Report* in May 2004.

This result contrasts with the latest business confidence results from the November 2007 Sensis® *Business Index*, which found that a net 43 per cent of SME operators felt confident about their business prospects for the year ahead, a fall of 16 percentage points from last quarter – the largest one-quarter fall recorded since the Sensis® *Business Index* commenced in 1993.

Having a good or secure job were the main reasons Australians felt confident. The main reason for consumers expressing worry was rising interest rates.

Thirty-one per cent of Australian households believed they were better off now compared to a year ago (unchanged in the past quarter), the equal highest level recorded in the history of the Sensis® *Consumer Report*. Earning more money was the main reason for this belief. Fourteen per cent of households felt they were worse off (down four percentage points in the past quarter) due mainly to concerns about increases in interest rates. The net proportion of consumers who felt better off rose four percentage points in the past quarter, and is now at its highest position since the commencement of the Sensis® *Consumer Report* in May 2004.

Expenditure expectations followed rising concerns over increases in the cost of living and interest rates. In the household expenditure category, consumers expected the greatest increases in general household expenses to be items such as groceries and bills. This was followed by housing costs, including mortgages and rent and transportation costs. The areas where consumers were expecting a net decline in expenditure were items for the home; home entertainment; and dining out, fast food and home delivered food.

According to the December 2007 Sensis® *Consumer Report*, Australians were likely to reduce expenditure on entertainment and going out, followed by dining, if they faced tighter economic circumstances. Australians would most likely direct additional income towards savings, followed by mortgage reduction, holidays and travel.

## The economy and concerns

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The December 2007 Sensis® *Consumer Report* found Australians' net perceptions of the current state of the economy rising to 48 per cent. This resulted from 61 per cent of Australian consumers believing the economy was currently growing, less the 13 per cent who believed the economy was currently slowing. With the increase in the past quarter, perceptions of the current state of the Australian economy are some 16 percentage points higher than at the same time last year.

Australians also felt economic growth prospects for the year ahead were likely to improve slightly; with the majority of consumers feeling the economy would be better in a year's time, some three percentage points higher than the proportion who felt it would be worse. The net proportion of consumers feeling the economy would improve in a year's time rose by eight percentage points from the last quarter and is some 20 percentage points higher than at the same time last year.

Recording the largest rise in concern of any issue, the drought remained the top concern for Australians in the December 2007 Sensis® *Consumer Report*. The drought was again followed by concerns for the environment and the health system. The largest increase in concern levels for Australians was in relation to the drought. The largest drop in concern for any issue was for the standard and quality of our political leaders, followed by the state of the economy and terrorism.

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## Our workplace environment

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Australians were still more likely to report a belief that changes to the workplace relations system would have a negative impact. Some 26 per cent of those aware of the issues reported they felt the impact would be negative, compared to 13 per cent who felt there would be a positive impact. This resulted in an overall net balance of negative 13 per cent – up four percentage points in the past quarter and at the highest level recorded since the Sensis® *Consumer Report* started tracking Australians attitudes to workplace relations changes in August 2005.

The main reasons Australians believed the new system would have a negative impact was they felt they would have less job security, they would lose their rights, their wages would drop and employers would have control. The main reason for reporting a positive impact was it would be good for employers, it would be positive in general, or it would benefit small business.

With the new “fairness test” provisions introduced to the workplace relations system since the last survey, it is interesting to note that 68 per cent were now aware of the changes, up from 43 per cent of employees last quarter. To date some 41 per cent of employees reported that they have been provided with the Workplace Relations Fact Sheet by their employers, up from 29 per cent last quarter.

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## Our celebrations

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The December 2007 Sensis® *Consumer Report* found 92 per cent of Australians reported they would be celebrating Christmas this year, down marginally from 93 per cent last year and 94 per cent the year before. Of those Australians who celebrate Christmas, the most common activities planned were spending the day with family (97 per cent) and giving gifts (94 per cent). Almost four in 10 Australians reported they are planning to attend some form of religious service this Christmas.

The results indicate that more consumers expected to increase their total Christmas shopping spend this year compared to last year, with the four percentage point net increase having fallen marginally by one percentage point in the past year. Most reported intending to purchase gifts for 11 people (up marginally from 10 people last year), with the average spend on gifts being \$906 (up from \$857 last year).

Toys topped the list as the most common purchase planned this Christmas, with 32 per cent of Australians planning on buying toys this year, accounting for 26 per cent of total Christmas gift expenditure. Clothing and apparel was the second most common purchase planned this Christmas, accounting for some 12 per cent of expenditure, with computers and technology in third position, accounting for eight per cent of Christmas retail value.

Whilst cash remained the main method for paying for Christmas shopping, it has declined over the past year from 65 per cent to 61 per cent. Overall, use of credit cards to pay for Christmas shopping has increased from 32 per cent to 37 per cent. Some 26 per cent of Australians are planning to do at least some of their Christmas shopping online.

Jewellery was the gift most nominated as the favourite gift to receive, followed by a holiday and a baby. Clothing topped the list as most commonly reported worst gift ever.

# Section 1 : Economic confidence

## Overall confidence in financial prospects

### Key findings

The December 2007 Sensis® Consumer Report found a net 61 per cent of consumers expressed relative confidence in their financial prospects for the year ahead. This represented the highest level of net confidence recorded since the Sensis® Consumer Report commenced in May 2004.

Australians recorded stronger confidence with a net balance result of 61 per cent. This comprised a stronger 73 per cent of Australians who were confident about their prospects for the year ahead, in conjunction with a lower 12 per cent who were worried.

The December 2007 Sensis® Consumer Report found net confidence among consumers significantly higher than business confidence measured in the concurrent Sensis® Business Index. The most recent Sensis® Business Index found net confidence among business proprietors in their business prospects for the year ahead was 43 per cent; composed of 63 per cent of businesses that were confident overall, and 20 per cent who were worried about their prospects going forward.

The net result of consumer confidence at 61 per cent represents a significant rise in the proportion of consumers who felt confident, which increased by five percentage points from the past quarter, further intensified by a four percentage point decrease in the proportion of consumers feeling worried in the last quarter.

These latest results contrast with net confidence among SME proprietors which recorded the largest one-quarter fall in the past quarter since the start of the Sensis® Business Index in 1993. Underlying these results were concerns expressed by businesses about a change of federal government. The key reasons businesses gave for their confidence were they felt they were established and experienced in their business operations, good customer relations and strong demand.

### Confidence trends – past five quarters

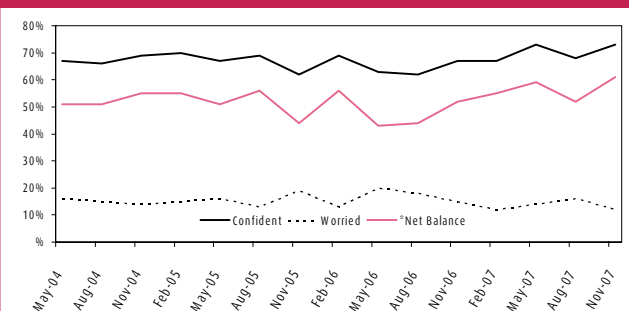
	November 2006	February 2007	May 2007	August 2007	November 2007
Extremely confident	15%	18%	21%	18%	20%
Fairly confident	52%	49%	51%	50%	53%
Neutral	17%	20%	14%	16%	15%
Fairly worried	14%	10%	11%	13%	9%
Extremely worried	1%	2%	3%	3%	3%
Total confident	67%	67%	73%	68%	73%
Total worried	15%	12%	14%	16%	12%
<b>*Net Balance</b>	<b>+52%</b>	<b>+55%</b>	<b>+59%</b>	<b>+52%</b>	<b>+61%</b>

Q. Please think about the next 12 months. How confident do you feel about (your family's) (your) financial prospects?

\*Net Balance defined as the proportion who are confident less the proportion who are worried.

SOURCE: Sensis® Consumer Report. Sweeney Research - November 2007

### Long term trends in confidence



\*Net Balance defined as the proportion who are confident less the proportion who are worried.

SOURCE: Sensis® Consumer Report. Sweeney Research - November 2007

### Overall confidence Comparison with business - November 2007

	Consumers <sup>1</sup>	Business <sup>2</sup>
Extremely confident	20%	15%
Fairly confident	53%	48%
Neutral	15%	18%
Fairly worried	9%	16%
Extremely worried	3%	4%
Total confident	73%	63%
Total worried	12%	20%
<b>*Net Balance</b>	<b>+61%</b>	<b>+43%</b>

\*Net Balance defined as the proportion who are confident less the proportion who are worried.

SOURCE: <sup>1</sup>Sensis® Consumer Report. Sweeney Research - November 2007  
<sup>2</sup>Sensis® Business Index. Sweeney Research - November 2007

## Overall confidence in financial prospects by respondent characteristics

The December 2007 Sensis® Consumer Report found the increase in overall confidence was due mainly to an increase in female confidence. This latest result represents a rise of 12 percentage points in confidence among females in the last quarter, with male confidence up only five percentage points in the past quarter by comparison.

Australians aged 65 years old and above were the most confident in the past quarter, with confidence in this age group rising by 14 percentage points since last quarter. Whilst most age groups saw rising confidence in the past quarter, those Australians aged less than 30 actually reported falling confidence overall in the past quarter.

Examining both gender and age, the most confident Australians in December 2007 were males aged less than 30, with a net confidence level of 79 per cent. This was in stark contrast to females in the same age group, who were the least confident of any age-gender demographic. Females aged between 50 and 64 reported feeling the most confident of any female age group. All male age groups reported increasing confidence in the past quarter, with the exception of those aged in their 30s, where confidence fell by six percentage points from last quarter.

Confidence was higher in regional areas; however, confidence in metropolitan areas was only two percentage points lower. The most confident Australians were again those living in the Northern Territory, where a net 68 per cent of consumers reported feeling confident about their financial prospects for the year ahead, up five percentage points from last quarter. The least confident Australians were in Western Australia, with net confidence at 54 per cent, still up three percentage points since the last quarter. Confidence rose in all states and territories in the past quarter. The largest rises in confidence were recorded in New South Wales and Tasmania (14 percentage points each). The smallest increases in confidence were recorded in South Australia and Western Australia (three percentage points each).

Examining family status, those who live in a household without children were again the most confident about their financial prospects for the year ahead, with confidence at a net 69 per cent. Singles were least confident with a net 52 per cent compared to a net 58 per cent for families with children.

Those on the highest income level were, not surprisingly, the most likely to feel confident, with a net 80 per cent of those with a household income of more than \$85,000 feeling confident, compared to 32 per cent of those with a household income up to \$35,000. The only group where confidence fell was those earning between \$35,000 and \$55,000 (down two percentage points).

### Overall confidence by age and gender \*Net balance - November 2007

	Total	Male	Female
<b>Total</b>	61%	65%	57%
Up to 29 years	58%	79%	37%
30 - 39 years	60%	57%	62%
40 - 49 years	53%	57%	50%
50 - 64 years	65%	65%	66%
More than 64 years	68%	71%	65%

\*Net Balance defined as the proportion who are confident less the proportion who are worried.  
Base: 'Householders' - family household heads or independent singles

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2007

### Overall confidence by location \*Net balance - November 2007

<b>Total</b>	<b>61%</b>
Metro	60%
Non metro	62%
New South Wales	62%
Victoria	65%
Queensland	57%
South Australia	58%
Western Australia	54%
Tasmania	56%
Northern Territory	68%
Australian Capital Territory	63%

\*Net Balance defined as the proportion who are confident less the proportion who are worried.  
Base: 'Householders' - family household heads or independent singles

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2007

### Overall confidence by socio-economic variables \*Net balance - November 2007

<b>Total</b>	<b>61%</b>
<b>Respondent is..</b>	
The male or female household head in a family with children	58%
The male or female household head in a family without children	69%
Single person living alone or sharing	52%
<b>Household income level..</b>	
Up to \$35,000	32%
\$35,001 to \$55,000	51%
\$55,001 to \$85,000	58%
More than \$85,000	80%

\*Net Balance defined as the proportion who are confident less the proportion who are worried.  
Base: 'Householders' - family household heads or independent singles

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2007

## Reasons for being confident or worried

The main reasons given by Australians for feeling confident or worried did not change during the past quarter. The main reasons Australians gave for feeling confident about their financial prospects for the year ahead was having a good or secure job. The main reason Australians reported for feeling worried was rising interest rates.

Having a good or secure job was the most important reason for feeling confident for those with household incomes of more than \$55,000. For those households with incomes up to \$55,000 the most important reason for confidence was having everything going well in general.

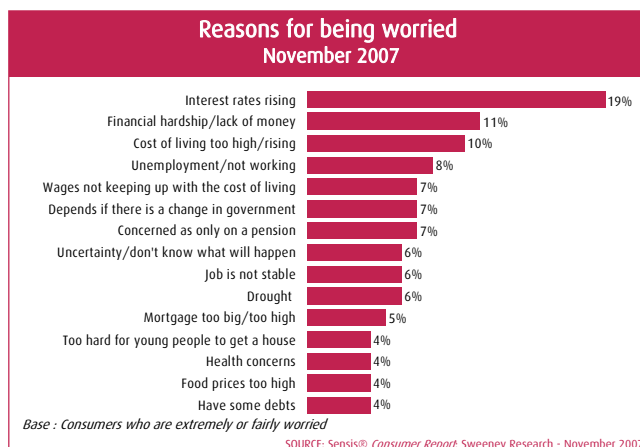
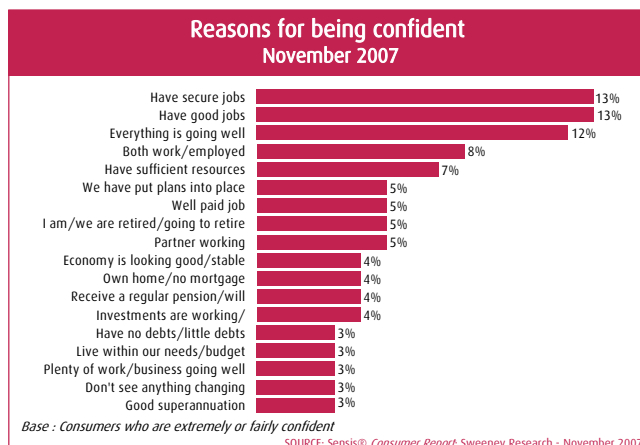
Having a good or a secure job were also the main reasons for confidence in Australians aged in their 20s, 30s and 40s. For those Australians aged in their 50s or over, everything going well in general was the most important reason for confidence.

For Australians feeling worried about their financial prospects in the coming year, the main reason was increasing interest rates, which was nominated by 19 per cent of those who were worried. This has increased by two percentage points over the past quarter, following a rise of 13 per cent in the previous quarter.

Those with household incomes between \$55,000 and \$85,000 were most likely to be concerned by rising interest rates, with 41 per cent of this income group citing this as the reason. Families with children were the household structure most likely to report feeling worried as a result of increases in interest rates, with one-quarter of concerned households with children giving this as the reason. Others concerned about interest rate increases were those working full-time, and Australians in their 40s, however this issue was mentioned as the main reason for concern by almost as many people in their 20s and 30s. Residents of Queensland were most likely to be concerned about increasing interest rates, with 36 per cent citing this as the reason they felt worried.

Other key reasons for concern included financial hardship and lack of money (11 per cent), the cost of living being too high (10 per cent) and unemployment (eight per cent).

Rising interest rates was the number one concern for those earning more than \$35,000 a year. Financial hardship and a lack of money were the main reasons given by those in the lowest income group (up to \$35,000) for being concerned about their prospects in the coming year.



## Comparison to a year ago

In line with strong confidence, this quarter found the proportion of Australians who felt better off than a year ago at its equal highest level recorded in the Sensis® Consumer Report. Some 31 per cent of Australians believed they were better off than a year ago, unchanged from last quarter. Fifty-five per cent believed their position was about the same as a year ago, up four percentage points. The proportion that felt worse off was down four percentage points to 14 per cent from last quarter. This resulted in a net increase of four percentage points in the proportion of Australians feeling better off than a year ago in the past quarter. This is the highest net balance recorded since the Sensis® Consumer Report started in 2004.

On balance, Australians earning more than \$35,000 were more likely to feel they were better off compared to a year ago than worse off. However, there was not a purely direct relationship between household incomes and whether Australians felt better off. The lowest household income demographic (less than \$35,000 a year) had 18 per cent reporting they were now better off, which was significantly less than the 22 per cent who reported feeling worse off. Males were almost twice as likely on balance as females to feel better off than a year ago (21 per cent for males compared to 12 per cent for females).

Residents of the Northern Territory were most likely to feel better off on balance than a year ago, followed by residents of Victoria and Queensland. Residents of South Australia were least likely to feel better off on balance. Australians living in regional areas were more likely than those living in metropolitan areas to feel better off than a year ago (19 per cent compared to 15 per cent).

The overwhelming reason Australians gave for feeling better off than a year ago related to increased earnings, in line with the past ten quarters. Other reasons, though significantly lower on the scale, were having paid off their mortgage, gained or changed employment and getting good returns on their investments.

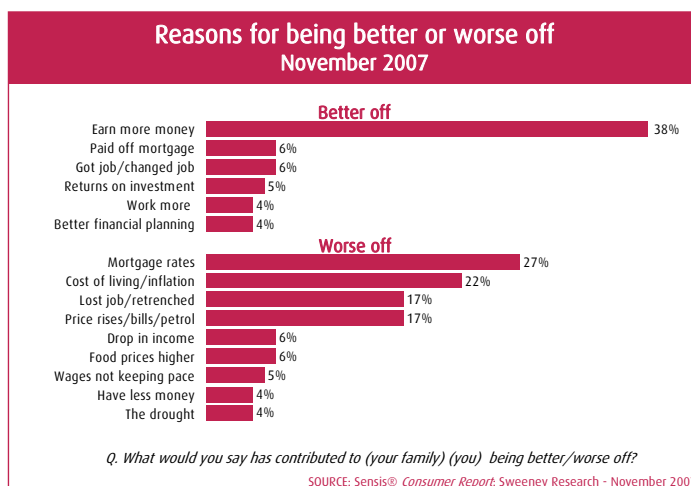
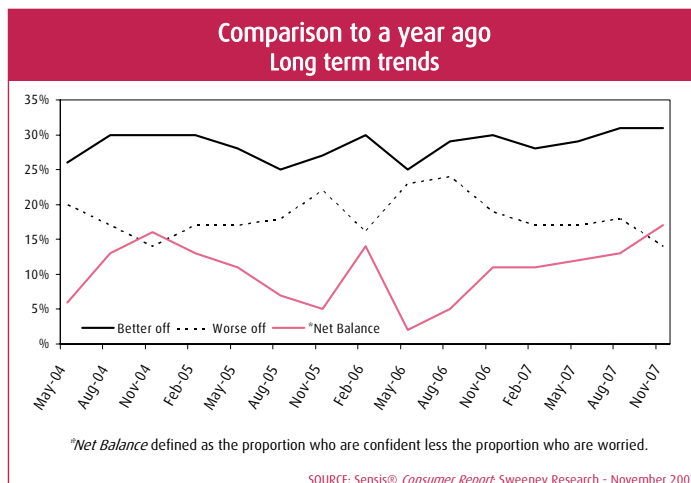
Interest rates were high on the list of reasons Australians gave for feeling worse off than a year ago. Increases in interest rates topped the list for feeling worse off, followed by increases in the cost of living, loss of employment and price rises. Over the past three quarters the proportion of those feeling worse off due to interest rate rises increased from 10 per cent to 21 per cent to now sit at 27 per cent. Those feeling worse off due to the cost of living has moved from 19 per cent to 28 per cent, and now down to 22 per cent over the same period.

Comparison to a year ago Trends					
	November 2006	February 2007	May 2007	August 2007	November 2007
Better off	30%	28%	29%	31%	31%
Same	51%	55%	54%	51%	55%
Worse off	19%	17%	17%	18%	14%
<b>*Net Balance</b>	<b>+11%</b>	<b>+11%</b>	<b>+12%</b>	<b>+13%</b>	<b>+17%</b>

*Q. And, compared to this time twelve months ago, would you say (your family) (you) are better off, worse off or about the same?*

\*Net Balance defined as the proportion who are better off less the proportion who are worse off

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2007



## Household expenditure expectations

Consumer expenditure expectations were net positive across most of the major expenditure groups in the last quarter. The areas most Australians expected to increase spending in the next 12 months were general household expenses, housing costs and transport costs.

Overall, the category with the highest net proportion of consumers expecting to increase expenditure was general household expenses, where a net 55 per cent were expecting to increase their expenditure. This result represented an increase of one percentage point since last quarter, and an increase of four percentage points compared to the same time last year.

Consumers were expecting to spend less on balance than last quarter on items for the home; home entertainment; and dining out, fast food or home deliveries. This is the eighth successive quarter expenditure on home entertainment was net negative and the fifteenth consecutive quarter households nominated they expected to decrease their expenditure on dining out, fast food or home deliveries over the coming year. The expected expenditure trend for home entertainment decreased by two percentage points over the past quarter, the trend for dining out, fast food and home deliveries decreased by one percentage point.

The trends in the net proportion of those expecting to increase expenditure were relatively small this quarter. The highest increase over the past quarter was education costs, which increased by two percentage points. Increases were also recorded in general household expenses and housing costs. The trend which decreased the most was special events or occasions, which fell by six percentage points.

Families without children were most likely to be expecting to increase expenditure for general household expenses, transportation, health and medical expenses, holidays and travel, telecommunications, entertainment, sport and leisure activities and dining out, fast food and home deliveries.

Singles were planning to be busy in the lead up to the party season, with home renovations, special events such as parties and weddings, and personal grooming products being the areas where single households were more likely to be increasing their spend.

Families with children were most likely to be increasing their spend on housing costs, including mortgages and rents; education costs; and items for the home.

### Household expenditure expectations November 2007

Over the next twelve months do you expect to spend a larger, smaller or about the same proportion of (your family) (your income on...	Spend more	Spend less	No change	*Net balance
General household expenses including groceries and bills	60%	5%	36%	<b>+55%</b>
Housing costs such as mortgage payments or rent	39%	5%	56%	<b>+34%</b>
Transport costs - cars or public transport	41%	8%	50%	<b>+33%</b>
Health and medical expenses	29%	7%	65%	<b>+22%</b>
Home renovations or improvements	31%	16%	53%	<b>+15%</b>
Education costs	24%	11%	65%	<b>+14%</b>
Holidays and travel	32%	19%	49%	<b>+13%</b>
Telecommunications - including mobiles and internet	18%	10%	72%	<b>+8%</b>
Entertainment, sport and leisure activities	17%	10%	73%	<b>+7%</b>
Special events or occasions (eg. parties, weddings etc)	18%	13%	69%	<b>+5%</b>
Personal care or grooming products or services	12%	8%	81%	<b>+4%</b>
Items for the home such as furniture or electrical goods	21%	23%	57%	<b>-2%</b>
Home entertainment such as DVD's, CDs	10%	14%	76%	<b>-4%</b>
Dining out, fast food or home deliveries	11%	19%	70%	<b>-8%</b>

Base : 'Householders' - family household heads or independent singles.

\*Net Balance = the proportion who expect more less the proportion who expect less

SOURCE: Sensis® Consumer Report Sweeney Research - November 2007

### Household expenditure expectations Trends in \*Net Balance

	Nov 2006	Feb 2007	May 2007	Aug 2007	Nov 2007
General household expenses - groceries and bills	51%	41%	47%	54%	55%
Housing costs such as mortgage or rent	29%	21%	25%	33%	34%
Transport costs - cars or public transport	34%	27%	35%	34%	33%
Health and medical expenses	18%	18%	18%	22%	22%
Home renovations or improvements	12%	11%	10%	16%	15%
Education costs	12%	12%	13%	12%	14%
Holidays and travel	15%	14%	16%	15%	13%
Telecommunications - including mobiles & Internet	9%	12%	13%	12%	8%
Entertainment, sport and leisure activities	5%	6%	10%	7%	7%
Special events or occasions (eg. parties, weddings etc)	6%	8%	10%	11%	5%
Personal care/grooming products	5%	5%	5%	5%	4%
Items for the home such as furniture or electricals	0%	1%	2%	2%	-2%
Home entertainment	-7%	-8%	-5%	-2%	-4%
Dining out, fast food or home deliveries	-10%	-8%	-5%	-7%	-8%

Base : 'Householders' - family household heads or independent singles.

\*Net Balance = the proportion who expect more less the proportion who expect less

SOURCE: Sensis® Consumer Report Sweeney Research - November 2007

### Household expenditure expectations By family status - November 2007

*Net balance for..	Total	Families with children	Families no children	Singles
General household expenses - groceries and bills	55%	56%	60%	45%
Housing costs such as mortgage or rent	34%	46%	20%	33%
Transport costs - cars or public transport	33%	34%	34%	30%
Health and medical expenses	22%	22%	23%	19%
Home renovations or improvements	15%	14%	15%	18%
Education costs	14%	36%	-4%	-2%
Holidays and travel	13%	6%	22%	12%
Telecommunications - including mobiles & Internet	8%	5%	11%	9%
Entertainment, sport and leisure activities	7%	5%	11%	6%
Special events or occasions (eg. parties, weddings etc)	5%	0%	5%	17%
Personal care/grooming products	4%	5%	1%	7%
Items for the home such as furniture or electricals	-2%	-1%	-4%	-2%
Home entertainment	-4%	-5%	-4%	-4%
Dining out, fast food or home deliveries	-8%	-11%	-4%	-9%

\*Net Balance defined as the proportion who will spend more less the proportion who will spend less

SOURCE: Sensis® Consumer Report Sweeney Research - November 2007

## Cutting back or increasing expenditure

It is interesting to note the particular areas consumers are most likely to increase or decrease their expenditure, if faced with changing financial circumstances. This can highlight areas of the economy most likely to be affected by an economic downturn or tightening of monetary policy, as well as areas most likely to benefit from economic growth or fiscal stimulus policy changes resulting in consumers having additional income.

The area of expenditure most likely to be cut by consumers was again money spent on entertainment and going out, with 24 per cent of consumers nominating this as their first means to decrease expenditure (up from 21 per cent in the past quarter). While entertainment expenses were the most popular expenditure to be cut in all states and territories, residents of the Australian Capital Territory and Tasmania were most likely to nominate cutting this item if necessary.

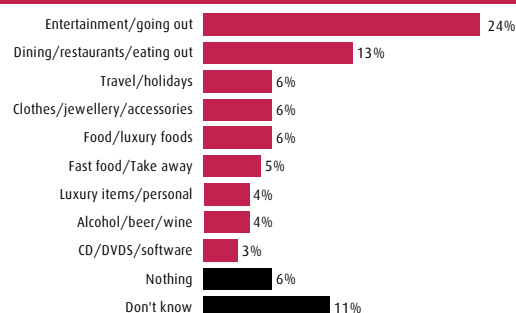
Dining out at restaurants was the next most likely item to be cut by consumers, with 13 per cent nominating this as the first item to cut back if necessary (a fall of one percentage point over the past quarter). Restaurants in Western Australia and the Northern Territory were most likely to be affected by cuts in this area of consumer expenditure.

The results suggest that Australians are most likely to try to increase their savings if they had some additional income, with 26 per cent nominating savings, unchanged in the past quarter. Those Australians with incomes less than \$35,000 were most likely to nominate they would save money (27 per cent), however, there was not much difference in overall results – with those earning more than \$85,000 a year the least likely to say that they will save money.

Reducing a mortgage was the next most popular thing people would do with additional money, favoured by 14 per cent of Australians. There was a direct relationship between income and likeliness of putting additional income towards a mortgage, with only four per cent of those with incomes up to \$35,000 providing this response, compared to 19 per cent of those with incomes more than \$55,000.

Next in line for Australians with additional income was a holiday, which was nominated by 13 per cent of Australians (down two percentage points). Residents of the New South Wales, Western Australia and South Australia (16 per cent) were most likely to set up a business.

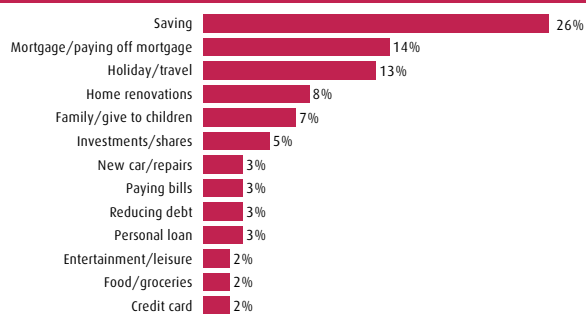
### What would be cut out to reduce expenditure? November 2007



Q. If you needed to cut expenditure on discretionary items for some reason, what is the first item you cut expenditure on?

SOURCE: Sensis® Consumer Report. Sweeney Research - November 2007

### What would additional income be spent on? November 2007



Q. If you received additional income or money for some reason, what is the first thing that you would spend that money on, including savings?

SOURCE: Sensis® Consumer Report. Sweeney Research - November 2007

## Perception of the state of Australia's economy

In line with rising confidence, the December 2007 Sensis® *Consumer Report* found the net proportion of consumers who felt Australia was currently in a period of economic growth also rising. Sixty-one per cent of consumers felt the economy was currently growing (up eleven percentage points), compared to 13 per cent who felt the economy was currently slowing down (up seven percentage points), and 21 per cent who felt it was standing still. This resulted in a net balance of 48 per cent of consumers who felt the economy was currently in a growth phase. This result was up by 16 percentage points since last quarter, but up by a strong 39 percentage points from the same time last year.

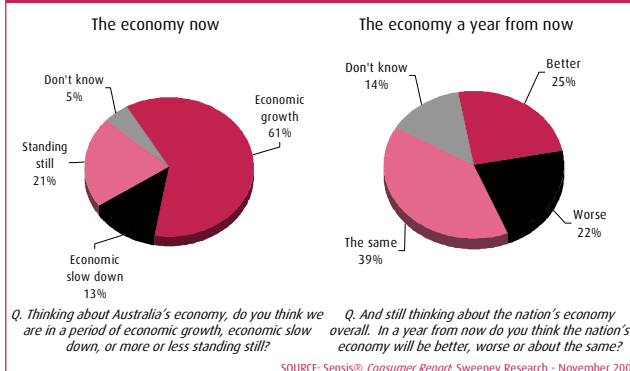
There was a large degree of variation across the states and territories, with results ranging from 54 per cent to 22 per cent. Residents of Western Australia again held the highest perceptions of the current state of the economy (68 per cent, up 14 percentage points), with the second highest net result being recorded in the Australian Capital Territory (63 per cent). South Australian consumers held the lowest perceptions (38 per cent).

When asked how the economy would be performing a year from now, 25 per cent of consumers felt it would be better than the current situation, up five percentage points in the past quarter. This compared to the 22 per cent of consumers who felt the economy would be worse in a year. The most likely response was the economy would be the same in a year as it is now (40 per cent, down marginally from 43 per cent in the previous quarter). This resulted in a net positive three per cent, a rise of eight percentage points in future expectations for the economy. This result was some 20 percentage points higher than at the same time last year.

Those living in metropolitan Australia held higher net views on the future direction of the Australian economy as consumers in metropolitan areas. All states and territories held net positive views on the future economic direction, with the exception of Victoria and Tasmania. The most optimistic views were in the Australian Capital Territory (net positive 13 per cent), with the most pessimistic in Victoria at net negative seven per cent.

When the same question was asked in the November 2007 Sensis® *Business Index*, business proprietors reported slightly more optimistic views than consumers. A net balance of 50 per cent of business proprietors felt the economy was currently in a growth phase, compared to the net balance of 48 per cent of consumers who felt the economy was in a growth phase. When looking at expectations a year from now, a net negative five per cent of business proprietors were reported to believe the economy would be better, compared to a net positive three per cent of consumers.

### Perceptions of the state of the economy November 2007



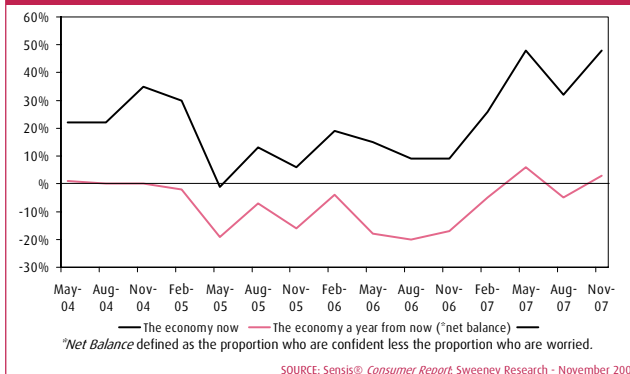
### Perceptions of the state of the economy Trends

	November 2006	February 2007	May 2007	August 2007	November 2007
<b>The economy now</b>					
Growth	36%	43%	59%	50%	61%
Slowing	27%	17%	11%	18%	13%
<b>*Net balance</b>	<b>+9%</b>	<b>+26%</b>	<b>+48%</b>	<b>+32%</b>	<b>+48%</b>
<b>The economy a year from now</b>					
Better	19%	22%	24%	20%	25%
Worse	36%	27%	18%	25%	22%
<b>*Net Balance</b>	<b>-17%</b>	<b>-5%</b>	<b>+6%</b>	<b>-5%</b>	<b>+3%</b>

\*Net Balance defined as the proportion who are positive less the proportion who are negative.

SOURCE: Sensis® Consumer Report Sweeney Research - November 2007

### Perceptions of the state of the economy Long term trends in net balance



### Perceptions of the state of the economy Comparison with business - November 2007

	Consumers <sup>1</sup>	Business <sup>2</sup>
<b>The economy now</b>		
Growth	61%	62%
Slowing	13%	12%
<b>*Net balance</b>	<b>+48%</b>	<b>+50%</b>
<b>The economy a year from now</b>		
Better	25%	19%
Worse	22%	24%
<b>*Net balance</b>	<b>+3%</b>	<b>-5%</b>

\*Net Balance defined as the proportion who are positive less the proportion who are negative.

SOURCE: <sup>1</sup>Sensis® Consumer Report Sweeney Research - November 2007  
<sup>2</sup>Sensis® Business Index Sweeney Research - November 2007

## Section 2 : Our concerns

### Prime concerns

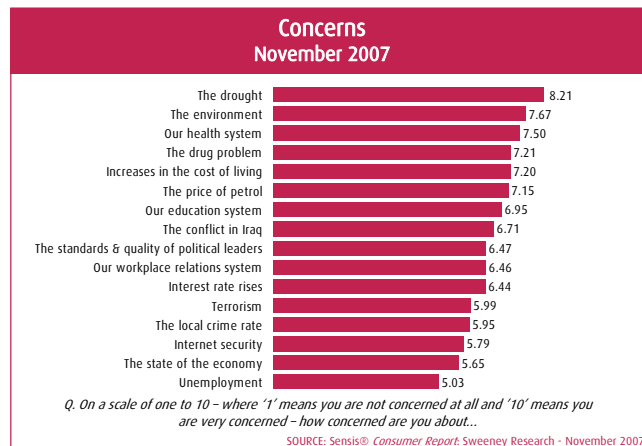
The drought was the highest concern for Australians according to the December 2007 Sensis® Consumer Report. This was followed by concern for the environment and the health system. Concerns about drought rose more than for any other issue compared to last quarter.

When asked to rank topical issues on a scale of one, representing no concern at all, to 10, representing a high level of concern, the drought scored an average score of 8.21. Drought remained the top concern overall for Australians this quarter, with the level of concern rising more than for any other issue, up by 0.61. The drought was the number one concern across all income groups, the highest levels of concern came from those earning between \$35,000 and \$55,000. It was also the top concern in all states and territories. The highest level of concern for the drought was recorded in Victoria (8.56) with the lowest level recorded in the Northern Territory (7.36). Those living in metropolitan areas reported slightly higher levels of concern for the drought than those living in regional Australia (8.22 compared to 8.20).

The second highest concern for Australians was the environment, which was ranked at 7.67, a rise of 0.3 in the past quarter. Those with household incomes between \$35,000 and \$55,000 were most likely to be concerned about this issue (8.06). Residents of Victoria were the most likely to be concerned for the environment (8.00) while residents of the Northern Territory reported the lowest levels of concern for the environment (7.36).

The health system was the third highest concern for Australians, ranking an average level of 7.50, an increase of 0.33 in the past quarter. Residents of Tasmania were again most likely to express concern for the health system this quarter (8.27, up 0.53 in the past quarter). Residents of the Northern Territory reported the lowest levels of concern for the health system (7.05).

Concerns about the drought rose more than any other issue, up by 0.61 to 8.21. While the drought recorded the biggest rise in concern in the last quarter, the biggest fall was recorded for the standards and quality of our politicians, which fell by 0.16 over all.



Issue	Nov 2006	Feb 2007	May 2007	Aug 2007	Nov 2007
The drought	8.47	8.34	8.27	7.60	8.21
The environment	7.77	7.92	7.67	7.37	7.67
Our health system	7.25	7.2	7.21	7.27	7.50
The drug problem	6.87	6.89	6.87	6.93	7.21
Increases in the cost of living	6.99	6.97	6.93	7.03	7.20
The price of petrol	6.78	6.95	6.99	6.93	7.15
Our education system	6.87	6.97	6.98	6.80	6.95
The conflict in Iraq	6.6	6.9	6.53	6.49	6.71
The standards & quality of political leaders	6.72	6.71	6.61	6.63	6.47
Our workplace relations system	6.62	6.83	6.56	6.29	6.46
Interest rate rises	6.16	6.22	5.92	6.36	6.44
Terrorism	6.29	6.06	5.93	6.04	5.99
The local crime rate	5.88	5.82	5.9	5.83	5.95
Internet security	5.78	5.8	5.6	5.65	5.79
The state of the economy	5.92	5.83	5.48	5.78	5.65
Unemployment	5.45	5.35	5.1	4.96	5.03

SOURCE: Sensis® Consumer Report. Sweeney Research - November 2007

## Concerns by age and gender

Females again displayed higher levels of concern across all issues in this quarter. Males and females' opinions differed most when it came to terrorism, followed by the health system. The issue where male and female views most closely aligned were the local economy the state of the economy.

The drought was the greatest concern this quarter across all income demographics. There was no direct relationship between income and concern over this issue, with the greatest level of concern displayed by those earning between \$35,000 and \$55,000 and the lowest level of concern amongst those with incomes over \$85,000.

The results show that those aged up to 19 years were more likely than any other age group to be concerned about the price of petrol and unemployment. Those Australians aged from 20 to 29 years were more concerned about increases in the cost of living and the state of the economy than any other age group. Those aged from 30 to 39 years reported the highest concern of any age group about the environment. Those aged in their 40s displayed the highest levels of concern over the education system and the workplace relations system.

Australians aged from 50 to 64 were more likely than any other age demographic to be concerned about the drought, the drought, the health system and the standard and quality of our political leaders. Those Australians over 64 were more likely than any other age group to be concerned about the drug problem, the conflict in Iraq, terrorism, the local crime rate and the state of the economy.

The drought was the number one concern for every age demographic. Following that, the environment was the top concern for those aged less than 20, as well as those aged in their 20s and 30s. After the drought, the health system was the greatest concern for those in their 40s, as well as those aged from 50 to 64. For those Australians aged 65 and higher, the drug problem was the top concern after the drought.

### Concerns by gender November 2007

	Total	Male	Female	Difference
The local crime rate	5.95	5.79	6.12	(0.33)
The state of the economy	5.65	5.47	5.82	(0.35)
The standards & quality of political leaders	6.47	6.27	6.66	(0.39)
Our workplace relations system	6.46	6.26	6.66	(0.40)
Interest rate rises	6.44	6.17	6.69	(0.52)
Our education system	6.95	6.67	7.22	(0.55)
The price of petrol	7.15	6.86	7.43	(0.57)
Unemployment	5.03	4.72	5.33	(0.61)
The drought	8.21	7.88	8.53	(0.65)
The drug problem	7.21	6.88	7.53	(0.65)
The environment	7.67	7.32	8.00	(0.68)
Increases in the cost of living	7.20	6.84	7.55	(0.71)
Internet security	5.79	5.38	6.17	(0.79)
The conflict in Iraq	6.71	6.29	7.11	(0.82)
Our health system	7.50	7.05	7.93	(0.88)
Terrorism	5.99	5.49	6.46	(0.97)

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2007

### Concerns by age group November 2007

	Total	Up to 19	20 to 29	30 to 39	40 to 49	50 to 64	65+
The drought	8.21	8.12	7.88	8.12	8.24	8.52	8.39
The environment	7.67	7.66	7.61	8.03	7.73	7.80	7.06
Our health system	7.50	6.99	7.54	7.32	7.93	8.00	6.88
The drug problem	7.21	6.70	6.65	6.55	7.41	7.61	8.25
Increases in the cost of living	7.20	7.29	7.59	7.25	7.33	6.89	6.92
The price of petrol	7.15	7.61	7.26	7.07	7.19	7.07	6.90
Our education system	6.95	6.80	7.15	6.78	7.34	6.88	6.65
The conflict in Iraq	6.71	6.97	5.99	6.25	6.64	7.17	7.37
The standards & quality of political leaders	6.47	6.27	6.68	6.19	6.56	6.88	6.07
Our workplace relations system	6.46	5.89	6.63	6.11	7.00	6.79	5.99
Interest rate rises	6.44	6.13	7.18	7.06	6.90	5.86	5.27
Terrorism	5.99	6.27	5.32	5.69	5.91	6.04	6.89
The local crime rate	5.95	5.77	5.79	5.50	5.88	6.07	6.74
Internet security	5.79	5.37	5.47	5.32	5.86	6.21	6.43
The state of the economy	5.65	5.78	6.19	5.56	6.00	5.69	4.61
Unemployment	5.03	5.64	5.28	4.65	5.01	5.19	4.61

■ = Highest level of concern  
■ = Lowest level of concern

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2007

# Section 4: Our workplace environment

## Perceived impact of changes to the workplace relations system

The December 2007 Sensis® Consumer Report continued to look at Australians' views on the workplace relations system. The Sensis® Consumer Report has collected information on workplace relations since August 2005.

Overall, 26 per cent of Australians felt the new system would have a negative impact on them, a decrease of three percentage points in the past quarter. This compared to 13 per cent who felt the changes would have a positive impact, which rose by one percentage point in the past quarter, and 57 per cent who felt the new system would have no real impact either way. This resulted in an overall net negative impact of 13 per cent, up four percentage points in the past quarter. This overall net result was the highest level of satisfaction to date in the Sensis® Consumer Report, with the proportion of Australians who believe the new system would have a positive impact at its equal highest level as well. The proportion that thought that the new system would have a negative impact on them was at the lowest level recorded in the Sensis® Consumer Report.

The main reasons given for the new workplace relations system having a negative impact were: less job security, a perception employees would lose their rights; a perception that wages would be cut and a belief that employers would have control of the system. Those who believed there would be a positive impact felt the new system was good for employers, that it was positive and good in general, that it was good for small business, and that it was better to think positively about it.

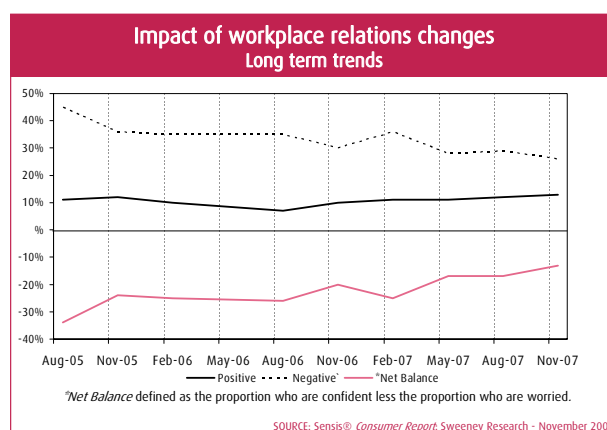
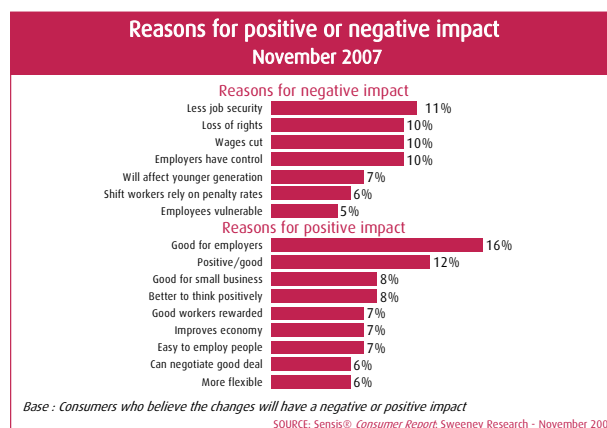
A key change to the workplace relations system was announced earlier this year – the introduction of a new “fairness test”. Overall, only 68 per cent of employees were aware of the new “fairness test”, which had increased from 43 per cent last quarter. Overall, just more than four in ten reported that they had been provided with a copy of the Workplace Relations Fact Sheet, up from the almost three in 10 employees had been reported being provided with the Workplace Relations Fact Sheet last quarter.

Overall, only 21 per cent of Australians reported they thoroughly understood the workplace relations system, with a further 44 per cent reporting they had a moderate understanding of the changes. Some 14 per cent of Australians reported they did not understand at all.

Impact of workplace relations changes Trends					
	November 2006	February 2007	May 2007	August 2007	November 2007
Positive impact	10%	11%	11%	12%	13%
Negative impact	30%	36%	28%	29%	26%
No real impact	55%	49%	55%	52%	57%
Don't know	5%	4%	5%	7%	4%

*Q. Do you believe that the Government's changes will have a positive impact on you, a negative impact or no real impact either way?*

SOURCE: Sensis® Consumer Report. Sweeney Research - November 2007

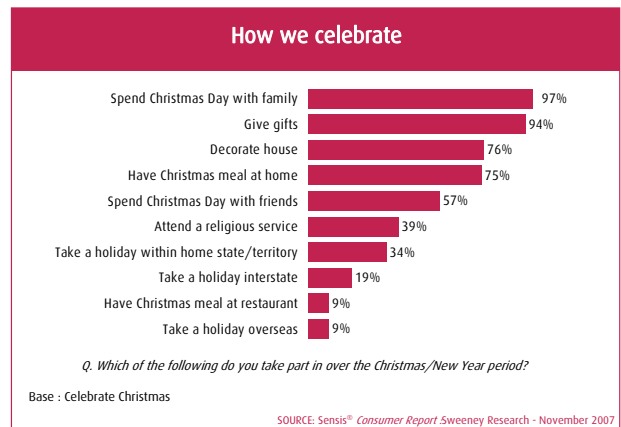


# Section 3: Our celebrations

## How we celebrate Christmas

Christmas remained a popular occasion with Australians, with some 92 per cent reporting they would celebrate Christmas this year, down marginally from 93 per cent last year, and 94 per cent in 2005. Residents of the Australian Capital Territory were again the most likely to celebrate Christmas (96 per cent) with those in Tasmania least likely to take part (90 per cent).

According to the results, spending Christmas Day with family was the activity that Australians were most likely to take part in (97 per cent, up from 95 per cent last year). This was closely followed by giving gifts (94 per cent, down from 96 per cent last year). Other key activities Australians reported taking part with Christmas included decorating the house (76 per cent), having the Christmas meal at home and spending Christmas Day with friends (57 per cent).

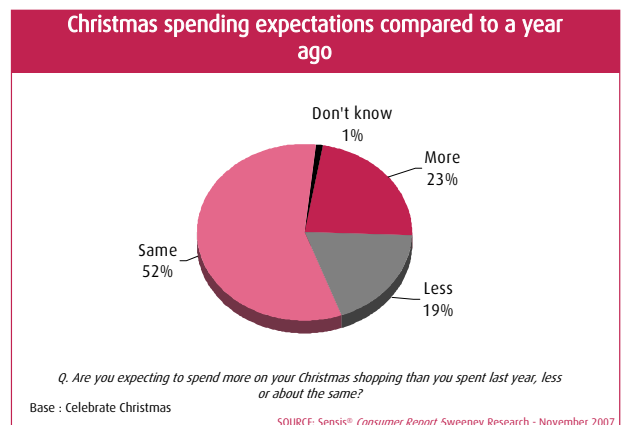


## Christmas retail expenditure

As seen earlier, giving gifts was one of the most common activity Australians will participate in this year, with 94 per cent of those that celebrate Christmas giving gifts. Overall, the results show that Australians are expecting to spend more on Christmas this year compared to last year, with 23 per cent expecting to increase their Christmas spend, compared to 19 per cent who are expecting to spend less, and the majority, 58 per cent, who are expecting to spend the same.

Most Australians reported, on average, to be buying gifts for 11 people this year, which has remained relatively stable over the past three years. In line with the increase in the average number of people that Australians are buying for, the average spend on gifts increased significantly to \$906 (up from \$857 last year). However, with the additional person that we are buying gifts for, this has resulted in an average gift price of \$82 (down marginally from \$86 last year).

The highest average level of expected spend on Christmas gifts this year was recorded in New South Wales, followed by the Australian Capital Territory. At the other end of the scale, residents in South Australia were anticipating the lowest level of spending on their Christmas gifts.



## Christmas retail expenditure (cont)

The item most people expect to buy for gifts this year was toys. Some 32 per cent of those giving gifts were expecting to buy toys as part of their Christmas shopping. This was followed by clothing, the second most popular category of gifts. As well as accounting for the greatest proportion of gifts, toys also accounted for the greatest share of expenditure, at 26 per cent. Clothing accounted for the second greatest share at 12 per cent. The third greatest share of expenditure was expected to be spent on computer and technology related gifts, accounting for eight per cent of anticipated expenditure.

The results show that, not surprisingly, toys were by far the most common gift category for families with children (42 per cent), however, it is interesting to note that they are also the most common purchase for other demographic groupings: families without children (24 per cent) and singles (21 per cent). In these latter two groups, clothing purchases for gifts came a much closer second (23 per cent and 21 per cent respectively).

Females were much more likely to be buying most types of gifts, although in most cases the differences were not large. Men were more likely than women to purchase jewellery, automotive accessories, hardware, food, computers and technology, sporting goods, gift vouchers, and electrical goods.

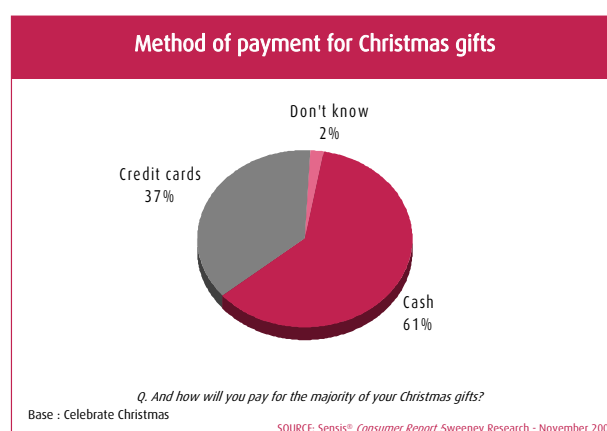
Most Australians were planning to use cash to pay for gifts compared to credit cards (61 per cent compared to 37 per cent). However, this reflected a trend away from using cash to buy Christmas gifts, with the proportion of Australians that used cash falling by four percentage points this year. There was also an increase those planning on using cards this year compared to last year (up five percentage points).

Another interesting trend to examine is the extent to which Australians are planning to purchase gifts online. Overall, some 26 per cent are purchasing at least some of their Christmas gifts online.

The demographics that are most likely to purchase Christmas gifts online were those Australians in their 30s, with males more likely than females to purchase online. In addition, there was a direct relationship between household income and likelihood of purchasing Christmas gifts online, with 41 per cent of those with household incomes over \$85,000 purchasing online, compared to only nine per cent of those with household incomes up to \$35,000. Residents of the Australian Capital Territory were the most likely to purchase some of their Christmas shopping online (39 per cent), with those in South Australia least likely (18 per cent).

Main types of gifts that will be bought			
	Expect to buy	Average expenditure	Share of expenditure
Toys	32%	\$489	26%
Clothing/apparel	22%	\$323	12%
CD/DVDs/videos	14%	\$171	4%
Gift vouchers	13%	\$285	6%
Homewares	11%	\$315	6%
Fragrances/cosmetics/personal grooming	10%	\$220	4%
Books	8%	\$239	3%
Computers/IT/technology/accessories	8%	\$605	8%
Jewellery	7%	\$328	4%
Alcohol	6%	\$170	2%
Food	6%	\$229	2%
Money	6%	\$671	6%
Sporting goods	4%	\$231	2%
Hardware	3%	\$211	2%
Automotive accessories	1%	\$136	0%

SOURCE: Sensis® Consumer Report Sweeney Research - November 2007



## Best and worst gifts

The December 2007 Sensis® *Consumer Report* asked Australians what their most memorable Christmas gifts were, looking in particular at those that stood out to them as the best and the worst gifts that they had received.

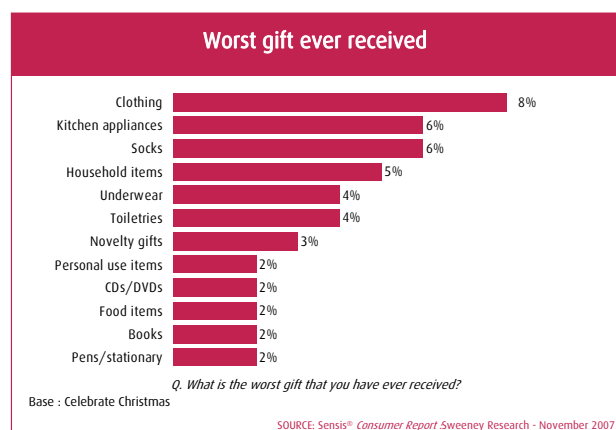
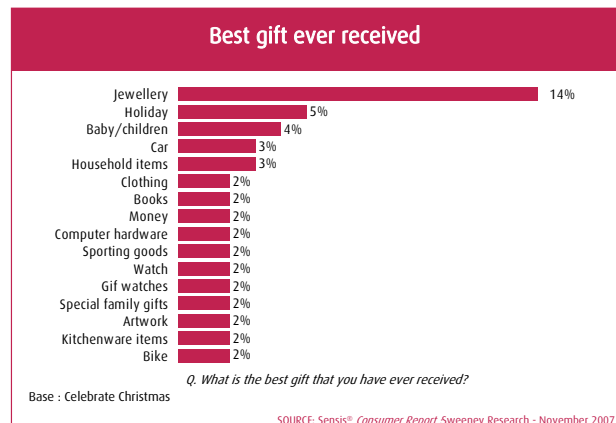
Overall, jewellery was by far the most commonly reported "best gift" that people had received, with 14 per cent of Australians nominating jewellery. Underlying this finding was large variations in demographics, with some 23 per cent of females reporting jewellery as their "best gift" compared to only three per cent of males. Apart from the strong gender split, there was a direct relationship between household income and jewellery being nominated as the best gift – some 18 per cent of Australians with a household income of \$85,000 and above reported favouring jewellery, compared to only eight per cent of those with a household income of up to \$35,000. Residents of New South Wales were most likely to report jewellery as the best gift (17 per cent), closely followed by residents of the Northern Territory (16 per cent).

Whilst jewellery can reflect a considerable cost component, not all our favourite gifts were purely monetary. The second favourite gift was not purely monetary, but also involved use of time, with five per cent of Australians nominating a holiday as the best gift they had received. The third most nominated "best gift" was not something that could be bought, with four per cent of Australians nominating babies and children as the best gift they had received. Babies and children were actually the top gift of choice for males!

Not all the gifts Australians had received had been as appreciated as these. Articles of clothing were most nominated by Australians as the worst gift they had ever received. It is important to keep in mind "clothing" here does not actually include "socks and jocks", which received many mentions in their own right.

Of course, not all clothing was seen as a negative gift, with two per cent of Australians nominating it as their "best gift", however, it was four times as likely to be nominated as the "worst gift". Males were more likely to nominate clothing as the worst gift they had received, with residents of New South Wales, the Northern Territory and the Australian Capital Territory topping for nominations of clothing.

Socks and kitchen appliances were the next most frequently nominated worst gifts, followed by ornamental household items, underwear and toiletries and the inevitable "humorous novelty gifts". Ornamental household items were the top "worst gift" reported by females, for males, clothing and socks equally topped their lists.



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## How to obtain a copy of the Sensis® *Consumer Report*

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For further information please contact: Christena Singh  
Sensis Pty Ltd  
Ph: (03) 8653 4896  
Fax: (03) 8653 3538  
E-mail: [BusinessIndex@sensis.com.au](mailto:BusinessIndex@sensis.com.au)

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