

Sensis[®] *Consumer Report*

June 2006



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Introduction

The June 2006 Sensis® *Consumer Report* is a survey designed to measure the confidence and behaviour of Australia's population.

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 sample size of 1,500 Australians from metropolitan and regional areas of Australia. It includes people from all states and territories, of ages ranging from 14 years and older. Demographics such as gender, employment status, income ranges and family status are collected 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 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.

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.

Sensis is a wholly-owned advertising subsidiary of Telstra Corporation Ltd. Sensis manages a number of leading Australian brands including: Yellow Pages® and White Pages® directories; leading lifestyle brand CitySearch®; the location and navigation brand Whereis®; the Trading Post® classified advertising brand and a leading Australian publisher and distributor of mapping and travel-related products, Universal Publishers. Invizage Technology, a wholly owned subsidiary of Sensis, is one of Australia's market leaders in IT services to small and medium sized enterprises. In June 2005, Sensis launched LinkMe.com.au, an innovative online career networking site in partnership with MBI Investments.

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

About the survey

The results in this report are based on a survey of 1,500 Australians conducted over the period 19th April to 12th May 2006.

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
Total	1500	750	750

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
Total	1500	1130	370

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

Comparisons in the June 2006 Sensis® *Consumer Report* are made between consumers and businesses. The business results are based on data from the May 2006 Sensis® *Business Index* of 1,800 SMEs.

Executive summary

Consumer confidence

The June 2006 *Sensis® Consumer Report* found a net balance of 42 per cent of Australians reporting confidence in their financial prospects for the year ahead. This result was a significant fall of 14 percentage points from last quarter.

This result compares with the latest business confidence results from the May 2006 *Sensis® Business Index*, which found that a net 48 per cent of SME operators felt confident about their business prospects for the year ahead.

Having a good job was the main reason provided for Australians feeling confident. The main reason for consumers expressing worry was the increasing cost of fuel.

Twenty-five per cent of Australian households believed they were better off now than they had been a year ago (down five percentage points in the past quarter), with earning more money being the main reason for this belief. Twenty-three per cent of households felt they were worse off (rising seven per cent in the past quarter) due mainly to inflationary concerns. The net proportion of consumers who felt they were better off fell 12 percentage points in the past quarter, and nine percentage points from the situation twelve months ago.

Expenditure expectations followed the rising concerns over increases in fuel prices, the cost of living and interest rates. In the household expenditure category, consumers were expecting the greatest increases in transportation costs. This was followed by general household expenses and housing costs. The areas that 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 2006 *Sensis® Consumer Report*, Australians would be most likely to reduce expenditure on entertainment and going out, followed by dining, if they faced tighter economic circumstances. The item that Australians would be most likely to direct additional income towards was savings, followed by mortgage reduction and holidays and travel. Some 40 per cent of consumers reported having cut expenditure in other areas due to increasing petrol prices. The areas most likely to have suffered cuts were entertainment and going out, using the car; and travel and holidays.

The economy and concerns

The June 2006 *Sensis® Consumer Report* found a decline in Australians' perceptions and expectations of the economy from 19 per cent last quarter to 15 per cent this quarter. This resulted from 39 per cent of Australian consumers believing the economy was currently growing, less the 24 per cent who believed the economy was currently slowing. This is a decrease in the net balance of four percentage points over the past quarter.

Australians also felt that economic growth prospects for the year ahead were on likely to worsen, with the proportion of consumers feeling that the economy would be better in a year's time, some 18 percentage points lower than the proportion that felt it would be worse. The net proportion of consumers feeling the economy would improve in a year's time had decreased strongly by 14 percentage points over the last quarter.

The price of petrol continues to impact Australians significantly with the rise in petrol prices standing out as the greatest concern for Australians in the June 2006 *Sensis® Consumer Report*. This was followed by the health system and the environment. The largest increase in concern levels for Australians was in relation the price of petrol and the largest drop in concern for any issue was for terrorism.

Our holidays

The June 2006 Sensis® *Consumer Report* found that 36 per cent of Australians had taken a holiday of at least a week's duration since January 2005.

Most Australians had travelled interstate on their last holiday, Queensland again proving to be the most popular destination. Residents of New South Wales were most likely to have reported having visited Queensland on their last holiday. The most popular style of holiday for Australians was still a beach holiday, accounting for more than four in ten domestic holidays. The next most popular holiday choice was to visit a capital city, which has risen in popularity over the past year. Family and friends were the greatest influence on our holiday destination choice. The average time spent holidaying in 2005 was 3.2 weeks on average, a marginal fall from the 3.3 weeks reported for 2004.

For those whose last holiday was overseas, Europe was the most frequently reported destination, followed by the Americas, the United Kingdom and New Zealand. Recent international events had not affected the travel plans of over two-thirds of Australians; however this had dropped from three-quarters last year. Almost one in four Australians reported being less likely to travel overseas as a result of recent events such as terrorism or natural disasters, an increase from ten per cent last year. Whilst awareness of the Australian Government's Smart Traveller website was high, it had fallen marginally in the past year. The proportion of Australians reporting that they would consider posting travel plans on this website has also fallen considerably in the past year.

Section 1 : Economic confidence

Overall confidence in financial prospects

Key findings

The June 2006 Sensis® Consumer Report found that a net 42 per cent of consumers expressed relative confidence in their financial prospects for the year ahead. The level of confidence among consumers fell sharply in the last quarter, with confidence now sitting at a lower level than had been the case six months ago.

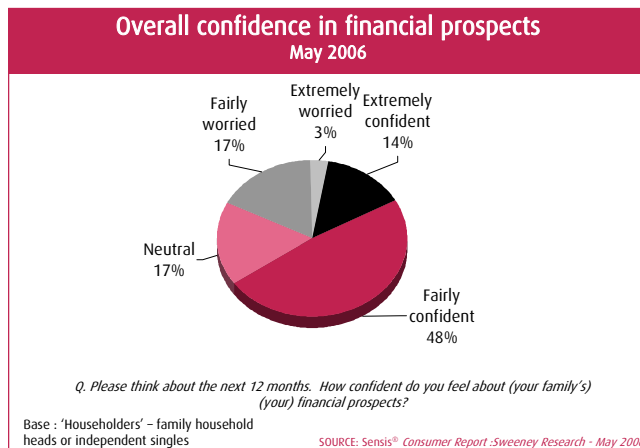
Australians recorded lower confidence with a net balance result of 42 per cent. This comprised 62 per cent of Australians who were confident about their prospects for the year ahead, while 20 per cent were worried.

The June 2006 Sensis® Consumer Report found net confidence among consumers was five percentage points lower 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 48 per cent.

The net result of consumer confidence of 42 per cent represents a strong deterioration from the past quarter, with a seven percentage point drop in the proportion of consumers that were feeling confident, coupled with an additional seven percentage point increase in the proportion that were feeling worried.

This result compares to net confidence among SME proprietors which also declined sharply over the past quarter, with businesses more pessimistic as a result of increasing fuel costs and decreasing consumer demand. The views held by business proprietors of worsening consumer demand are confirmed by the fall in consumer confidence found in this concurrent survey of consumers.

It is also interesting to note that there is no difference between the proportion of businesses and consumers that are extremely worried or neutral. The main difference between the business and consumer results has been caused by differences in the proportions that are fairly worried and fairly confident, with marginally fewer consumers feeling extremely confident compared to businesses. It is also interesting to compare the overall situation at the same time last year, when net confidence was 11 percentage points higher. Those consumers that were extremely confident were identical, and marginally fewer are now extremely worried than they were last year, with the main difference caused by a shift from consumers feeling moderately confident about their prospects to moderately worried.



Confidence trends – past five quarters

	May 2005	August 2005	November 2005	February 2006	May 2006
Extremely confident	14%	18%	15%	18%	14%
Fairly confident	53%	51%	48%	51%	48%
Neutral	17%	17%	19%	18%	17%
Fairly worried	12%	10%	15%	11%	17%
Extremely worried	4%	3%	4%	2%	3%
Total confident	67%	69%	63%	69%	62%
Total worried	16%	13%	19%	13%	20%
*Net Balance	+51%	+56%	+44%	+56%	+42%

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

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006

Overall confidence - Trends

Comparison with business – Sweeney Research - May 2006

	Consumers ¹	Business ²
Extremely confident	14%	15%
Fairly confident	48%	50%
Neutral	17%	17%
Fairly worried	17%	14%
Extremely worried	3%	3%
Total confident	63%	65%
Total worried	20%	17%
*Net Balance	+43%	+48%

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

SOURCE: ¹Sensis® Consumer Report :Sweeney Research - May 2006
²Sensis® Business Index :Sweeney Research - May 2006

Overall confidence in financial prospects by respondent characteristics

The June 2006 Sensis® *Consumer Report* found males again reported significantly higher levels of confidence than females. This result represents a fall in confidence among males of 11 percentage points over the last quarter, and a drop in female confidence of 16 percentage points. From this result it can be seen that while both genders contributed to the sharp drop in overall confidence in the past quarter, the decrease among females was greater.

It is interesting to note that there were no major differences in confidence by age, with the range of net confidence levels only spanning five percentage points. The most confident age group was those over 64 years of age. Examining both gender and age, the most confident Australians in June 2006 were males aged up to 29 years, with a net confidence level of 58 per cent. Females aged between 50 and 64 years reported feeling the most confident of any female age group. In a quarter marked by dropping confidence in almost all demographics, the only age-gender group to record an improvement in confidence was females over 64 years of age, where there was a two percentage point rise in confidence. This was the only age-gender demographic that saw a fall in confidence in the previous quarter when all other groupings saw a rise, and has now gone against the national trend for three successive quarters. Females aged up to 29 experienced the largest decrease in confidence of 43 percentage points.

Australians living in metropolitan areas again reported higher levels of confidence than those in regional Australia. The most confident Australians were those living in the Northern Territory and Western Australia, where a net 62 per cent of consumers reported feeling confident about their financial prospects for the year ahead. In addition, residents of Queensland, the Australian Capital Territory and Tasmania also reported above average confidence levels. The least confident Australians were in New South Wales, with net confidence at 38 per cent. Confidence fell in all states and territories, with the largest drop being in New South Wales (18 percentage points).

Examining family status, those living in a household without children were again the most confident about their financial prospects for the year ahead. Families with children were the least confident (net 34 per cent compared to net 51 per cent for families without children).

Those on the highest income levels were, not surprisingly, the most likely to feel confident, with a net 65 per cent of those with a household income over \$85,000 reporting feeling confident, compared to 14 per cent of those with a household income up to \$35,000. Confidence fell across all income groups, with the largest drop among those with a household income up to \$35,000 a year.

Overall confidence by demographics *Net balance

	Total	Male	Female
Total	43%	49%	37%
Up to 29 years	42%	58%	27%
30 – 39 years	45%	52%	37%
40 – 49 years	41%	55%	25%
50 – 64 years	42%	38%	46%
Over 64 years	46%	46%	45%

*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 - May 2006

Overall confidence by location *Net balance

	Total
Total	43%
Metro	44%
Non metro	37%
New South Wales	38%
Victoria	40%
Queensland	45%
South Australia	41%
Western Australia	62%
Tasmania	44%
Northern Territory	62%
Australian Capital Territory	53%

*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 - May 2006

Overall confidence by socio-economic variables *Net balance

	Total
Total	43%
Respondent is..	
The male or female household head in a family with children	34%
The male or female household head in a family without children	51%
Single person living alone or sharing	46%
Household income level..	
Up to \$35,000	14%
\$35,001 to \$55,000	31%
\$55,001 to \$85,000	55%
Over \$85,000	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 - May 2006

Reasons for being confident or worried

The main reasons given by Australians for feeling confident about their financial prospects for the year ahead were feeling that they had a good job, having secure employment, and everything going well in general. The main reasons Australians reported feeling worried were based around increases in the price of fuel and the cost of living as well as increases in interest rates.

While having a good job was the most important reason for overall confidence, it was only the most important reason for those with household incomes over \$85,000. For those households with incomes up to \$35,000 the most important reason for confidence was having a regular pension, while for those households earning between \$35,000 and \$55,000, the main reason for confidence was having secure jobs.

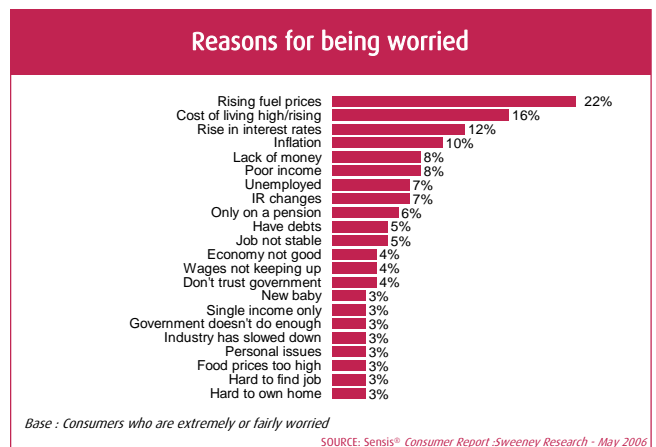
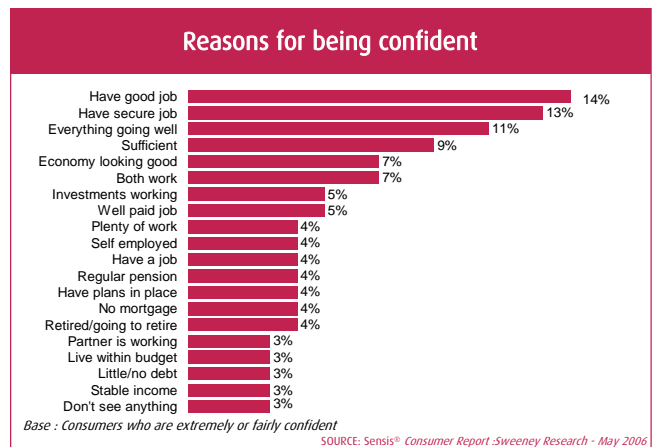
Having a good job or a secure job were also the main reasons for confidence for Australians aged up to 64 years. For those Australians aged over 64, having sufficient resources was the main reason for confidence, followed by having investments performing well.

Rising fuel prices was by far the main reason Australians gave for feeling worried about their financial prospects for the year ahead. This was followed by concerns on the rising cost of living and increases in interest rates.

The issue of most concern for Australians was the rising cost of fuel, increasing by 20 percentage points over the last quarter. Six months ago, rising fuel costs was cited by seven per cent of those who were worried about their prospects, and this dropped to two per cent last quarter when fuel costs moderated to a certain extent. With the renewed increases in fuel costs, this issue is being raised by far more Australians than was the case six months ago.

The other issue to increase significantly this quarter was interest rate rises, following from the recent increase of one quarter of one per cent on 3 May 2006, part-way through the surveying period. This issue is now being cited by 12 per cent, up from one per cent last quarter, and is now the third top reason for concern.

Rising fuel costs were the main reason for feeling worried for all income groups up to \$85,000. Those earning over \$85,000 who expressed concern cited increasing interest rates as their prime reason.



Comparison to a year ago

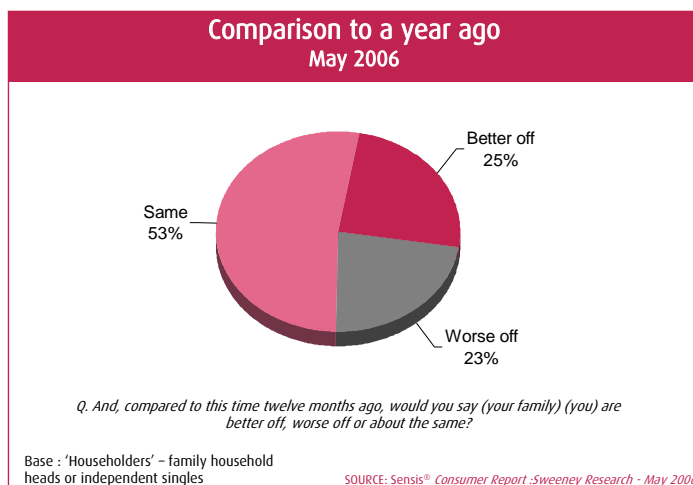
In line with a drop in confidence, this quarter found the proportion of Australians who felt they were better off than they had been a year ago also falling. Twenty-five per cent of Australians believed they were better off than they had been a year ago, down from 30 per cent last quarter. Fifty-three per cent believed their position was about the same as a year ago, down one percentage point. The proportion that felt worse off increased by seven percentage points to 23 per cent. This resulted in a net decrease of 12 percentage points in the proportion of Australians feeling they were better off in the past quarter.

There was again a direct relationship between household incomes and whether Australians felt better off. Those Australians on higher incomes were more likely to feel they were better off than they had been a year ago. Those earning up to \$35,000 were more likely to feel they were actually worse off than they had been a year ago. Females were more likely than males to feel they were worse off than they had been a year ago (negative three per cent for females compared to seven per cent for males).

In line with the results for confidence, residents of the Australian Capital Territory were the most likely to feel they were better off than they had been a year ago previously, closely followed by residents of the Northern Territory. Residents of South Australia were least likely to feel they were better off. With recent movements in interest rates becoming an increasing issue, those Australians who rented their home were more likely to feel they were better off than those who owned their own home.

The main reasons Australians gave for feeling they were better off than they were a year ago related to increased earnings, in line with the past five quarters. Other reasons, though significantly lower on the scale, were getting a good return on investments and a change of employment.

Inflationary factors were high on the list of reasons that Australians gave for feeling worse off than they had been a year ago, in line with the reasons for low confidence. Price rises, primarily for bills and petrol topped the list of reasons for feeling worse off, followed by general increases in the cost of living. Higher food prices and increases in interest rates were the next most significant reasons for feeling worse off than a year ago.

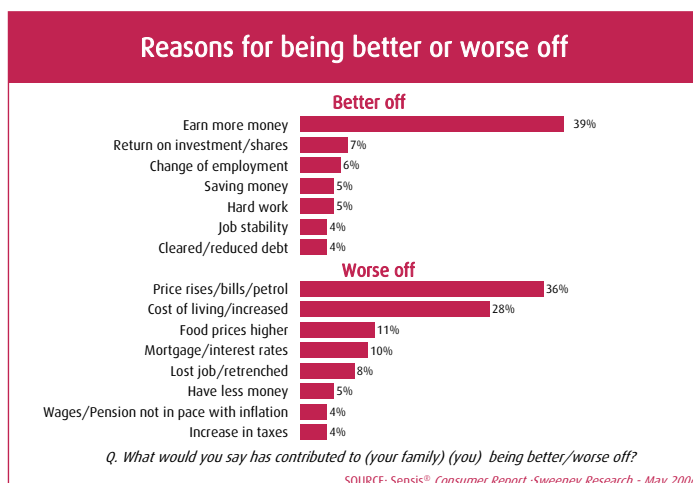


Comparison to a year ago Trends

	May 2005	August 2005	November 2005	February 2006	May 2006
Better off	28%	25%	27%	30%	25%
Same	55%	57%	52%	54%	53%
Worse off	17%	18%	22%	16%	23%
*Net Balance	+11%	+7%	+5%	+14%	+2%

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

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006



Household expenditure expectations

Consumer expenditure expectations again remained net positive for consumption across most of the major expenditure groups in the last quarter. With Australians feeling worried about fuel costs, increases in the cost of living and interest rates, consumers were expecting to be spending more on transportation, general household expenses and housing costs.

Reflecting concerns over the rising price of petrol, the category with the highest net proportion of consumers expecting to increase expenditure was transportation costs, where a net 55 per cent were expecting to increase their expenditure (an increase of 19 percentage points since last quarter). This result was the highest net expectation in the past year.

Three categories of expenditure saw consumers expecting to spend less on balance than they did last quarter: items for the home; home entertainment; and, dining out; fast food or home deliveries. This is the second successive quarter that all three of these expenditure categories were net negative, and the ninth consecutive quarter where households nominated that they expected to decrease their expenditure on dining out, fast food or home deliveries over the coming year. In addition, the net balance at negative 12 per cent was a decrease of a further one percentage point in the past quarter and the lowest result over the past nine quarters. Families with no children were the least likely to be expecting to decrease their spend in this area.

While net increases were still expected in most areas of expenditure, the trends in the net proportion of those expecting to increase expenditure were mixed. Increasing net expectations were recorded for transportation costs, general household expenses, housing costs, health expenses and home renovations. Unchanged trends were recorded for telecommunications, holidays and travel and home entertainment, with decreases recorded in all other categories.

Families with children were expecting to have to bear the brunt of the increases in fuel prices and interest rates. This demographic was most likely to be expecting to increase expenditure for transportation, general household expenses, housing and education costs.

For singles, items of expenditure where expected increases were greatest were telecommunications; holidays and travel; entertainment, sport and leisure; and, items for the home. Families without children were most likely to be expecting to face increased costs for health care; home renovations; home entertainment; and, dining out, restaurants or home deliveries.

Household expenditure expectations May 2006

	Spend more	Spend less	No change	*Net balance
Transport costs - cars or public transport	62%	7%	32%	+55%
General household expenses - groceries and bills	52%	6%	41%	+46%
Housing costs such as mortgage payments or rent	30%	6%	64%	+24%
Health and medical expenses	32%	9%	59%	+23%
Home renovations or improvements	30%	18%	51%	+12%
Telecommunications - incl. mobile phones & internet	22%	11%	68%	+11%
Holidays and travel	31%	21%	49%	+10%
Education costs	22%	12%	66%	+10%
Entertainment, sport and leisure activities	20%	15%	66%	+5%
Items for the home such as furniture or electrical goods	23%	25%	52%	-2%
Home entertainment - DVD's, CDs or computer games	11%	17%	72%	-6%
Dining out, fast food or home deliveries	12%	24%	64%	-12%

Q. Over the next twelve months do you expect to spend a larger, smaller or about the same proportion of (your family) (your) income on...

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 - May 2006

Household expenditure expectations Trends In *Net Balance

	May 2005	Aug 2005	Nov 2005	Feb 2006	May 2006
Transport costs - cars or public transport	+38%	+44%	+49%	+36%	+55%
General household expenses - groceries and bills	+42%	+39%	+45%	+38%	+46%
Housing costs such as mortgage or rent	+23%	+17%	+18%	+13%	+24%
Health and medical expenses	+18%	+19%	+18%	+18%	+23%
Home renovations or improvements	+9%	+12%	+15%	+11%	+12%
Telecommunications - including mobiles & Internet	+12%	+12%	+9%	+11%	+11%
Holidays and travel	+12%	+13%	+13%	+10%	+10%
Education costs	+10%	+13%	+14%	+14%	+10%
Entertainment, sport and leisure activities	+6%	+13%	+9%	+9%	+5%
Items for the home such as furniture or electricals	+3%	+4%	0%	-1%	-2%
Home entertainment	-5%	+1%	-5%	-6%	-6%
Dining out, fast food or home deliveries	-10%	-6%	-6%	-11%	-12%

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 - May 2006

Household expenditure expectations By family status

*Net balance for..	Families with children	Families no children	Singles
Transport costs - cars or public transport	60%	56%	46%
General household expenses - groceries and bills	54%	44%	37%
Housing costs such as mortgage or rent	35%	14%	19%
Health and medical expenses	20%	31%	17%
Home renovations or improvements	12%	15%	10%
Telecommunications - including mobiles & Internet	11%	10%	12%
Holidays and travel	6%	11%	15%
Education costs	29%	-3%	-3%
Entertainment, sport and leisure activities	1%	6%	9%
Items for the home such as furniture or electricals	-7%	1%	2%
Home entertainment	-8%	-2%	-6%
Dining out, fast food or home deliveries	-17%	-6%	-12%

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

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006

Cutting or increasing expenditure

It is interesting to note the particular areas where consumers are most likely to increase or decrease their expenditure if they faced changing financial circumstances. This can highlight areas of the economy which are most likely to be affected, were there to be 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.

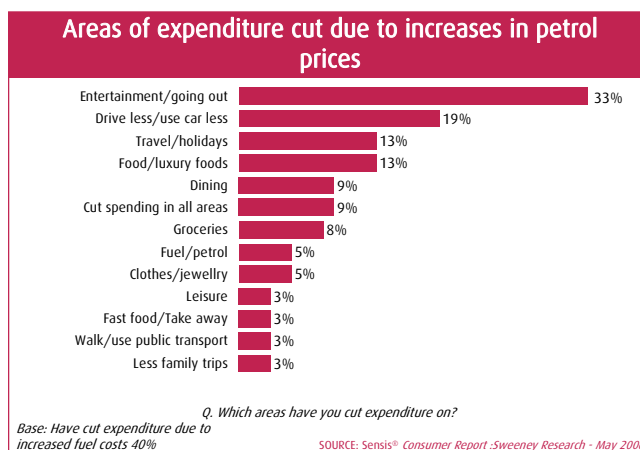
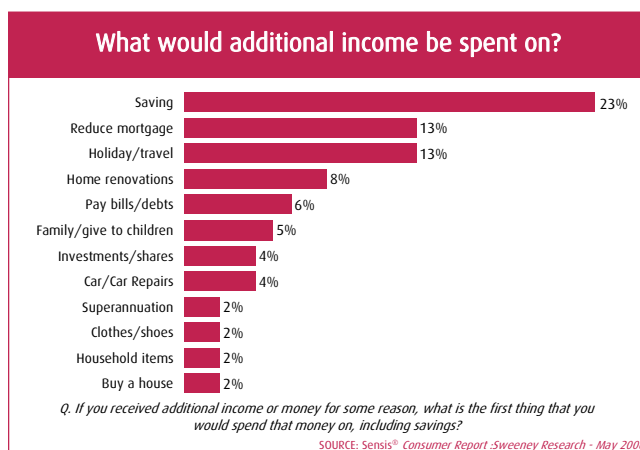
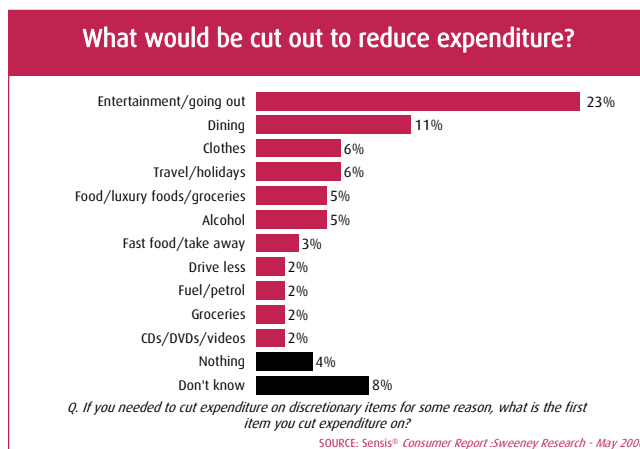
The area of expenditure most likely to be cut by consumers was again money spent on entertainment and going out, with 23 per cent of consumers nominating this as their first means to decrease expenditure (an increase of three percentage points in the last quarter). While entertainment expenses were the most popular response in all states and territories, residents of South Australia were the most likely to nominate cutting expenditure on entertainment and going out if necessary.

Dining out at restaurants was the second most likely item to be cut by consumers, with 11 per cent nominating this as the first item they would cut back on if necessary (a rise of one percentage point over the past quarter). Restaurants in New South Wales, South Australia and the Australian Capital Territory were most likely to be affected by cuts in consumer expenditure. In addition, those restaurants catering to the upper end of the market were most likely to feel the effects of a downturn, with those earning over \$85,000 again most likely to nominate dining out as the first expense they would cut.

With petrol prices increasing, it is interesting to note that some 40 per cent of consumers reported that they have already made changes to their expenditure to integrate higher fuel prices into their household budgets. This is up four percentage points from 36 per cent last quarter, and is in line with the level of six months ago, when petrol prices had also risen significantly.

The increase in petrol prices had impacted most significantly those in the \$55,000 to \$85,000 income bracket, where 50 per cent reported that they have cut expenditure on other items. This has been felt most strongly by residents of Queensland and Tasmania.

The area where most expenditure has already been cut was entertainment; where 33 per cent of those affected had cut spending, up from 24 per cent last quarter. Again, the second most significant consumer area to be cut was reliance on motor vehicles, with almost one in five of those affected having changed their driving behaviour to save money. Thirdly, 13 per cent of those affected had made decisions to cut their holidays and travel to save money, down marginally from 14 per cent last quarter.



Perception of the state of Australia's economy

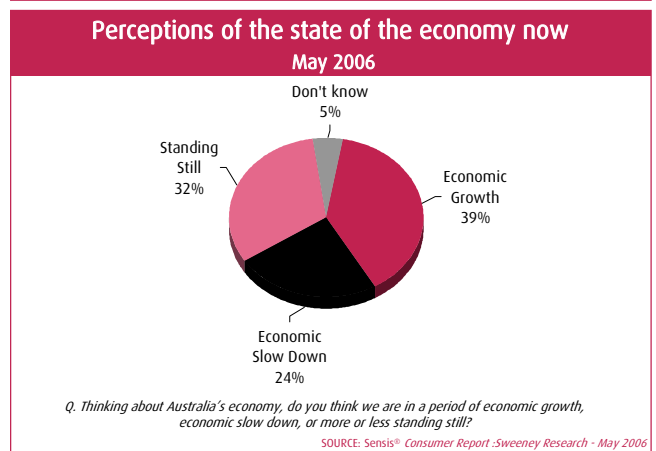
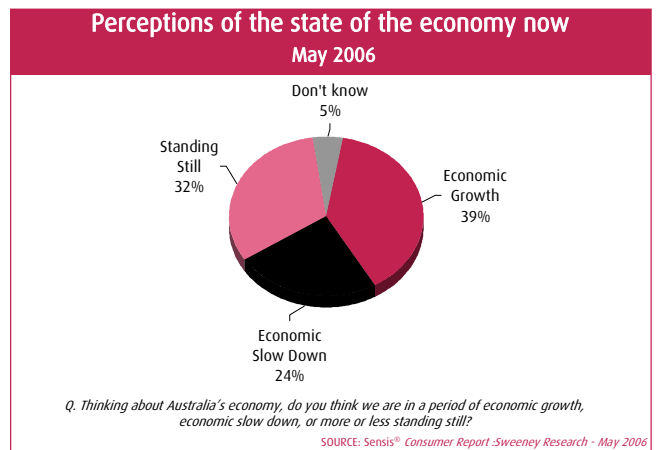
Despite falling confidence, the June 2006 Sensis® *Consumer Report* found the proportion of consumers that felt Australia was currently in a period of economic growth grew marginally over the past quarter. This view was held by 39 per cent of consumers, compared to 24 per cent that felt the economy was currently slowing down (increased by five percentage points), and 32 per cent that felt it was standing still. This resulted in a net balance of 15 per cent of consumers who felt the economy was currently in a growth phase. This net result is down four percentage points since last quarter.

People living in regional areas of Australia held higher net perceptions of the current state of the economy than those living in metropolitan areas. Residents of Western Australia again held the highest perceptions of the current state of the economy, with the second highest net result being recorded in the Northern Territory. This compared to South Australia, where consumers again held the lowest perceptions. Despite these differences, all states and territories still had net positive perceptions that the Australian economy was currently in a growth phase.

When asked how they thought the economy would be performing a year from now, 19 per cent of consumers felt it would be better than the current situation, a decrease of four per cent in the past quarter. This compared to the 37 per cent of consumers that felt the economy would be worse in a year's time. The most likely response was that the economy would be the same in a year's time as it is now (40 per cent, down from 45 per cent). This resulted in a net fall of some 14 percentage points in future expectations for the economy.

Those living in regional Australia held more negative views on the future direction of the Australian economy than consumers in metropolitan areas. While all states and territories held net negative views on the future economic direction, the most optimistic views were held in Western Australia, closely followed by the Northern Territory.

When the same question was asked of business proprietors in the May 2006 Sensis® *Business Index*, business proprietors reported higher levels of optimism in the economic outlook than consumers. A net balance of 23 per cent of business proprietors felt the economy was currently in a growth phase, compared to the net balance of 15 per cent of consumers who felt the economy was in a growth phase. When looking at expectations a year from now, a net positive three per cent of business proprietors reported believing the economy would be better, compared to a net negative 18 per cent of consumers.



Perceptions of the state of the economy Trends

	May 2005	Aug 2005	Nov 2005	Feb 2006	May 2006
The Economy Now					
Growth	28%	35%	32%	38%	39%
Slowing	29%	22%	26%	19%	24%
*Net Balance	-1%	+13%	+6%	+19%	+15%
The Economy a Year from Now					
Better	15%	20%	20%	23%	19%
Worse	34%	27%	36%	27%	37%
*Net balance	-19%	-7%	-16%	-4%	-18%

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

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006

Perceptions of the state of the economy Comparison with business

	Consumers ¹	Business ²
The Economy Now		
Growth	39%	44%
Slowing	24%	21%
*Net Balance	+15%	+23%
The Economy a Year from Now		
Better	19%	24%
Worse	37%	21%
*Net Balance	-18%	+3%

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

SOURCE: ¹ Sensis® Consumer Report :Sweeney Research - May 2006
² Sensis® Business Index :Sweeney Research - May 2006

Section 2 : Our concerns

Prime concerns

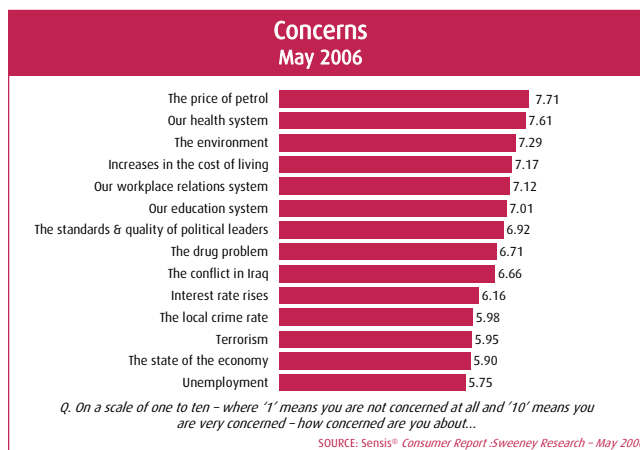
The June 2006 Sensis® Consumer Report found Australians are now most concerned about the price of petrol. This concern was followed by the health system and the environment. The price of petrol was the issue that rose most in levels of concern over the past quarter. The issue to fall the most in the past quarter was terrorism.

When asked to rank topical issues on a scale of one, representing no concern at all over the issue, to ten, representing a high level of concern, the price of petrol scored an average score of 7.71, higher than any other issue. Households with incomes up to \$35,000 were most likely to report concern over the price of petrol (average level of 8.21) than households in other income brackets. Residents of Queensland were the most likely to report concern about the price of petrol (average level of 8.21), with those in the Australian Capital Territory reporting the lowest level of concern on this issue (average level of 7.26).

The second highest concern for Australians in the latest survey was the health system, which was ranked at 7.61, up from 7.56 last quarter. Those with household incomes up to \$35,000 were most likely to be concerned about the health system (7.84). Residents of Queensland were the most likely to express concern over the health system this quarter (8.01), with residents of the Northern Territory reporting the lowest levels of concern (7.24).

The environment was the third highest concern for Australians, ranking it at an average level of 7.29. Residents of the Australian Capital Territory were the most likely to express concern over the environment this quarter than residents of any other state or territory (7.53). Residents of Queensland reported the lowest levels of concern about the environment (7.06). Residents of metropolitan areas displayed higher levels of concern about the environment than those in regional Australia (7.35 compared to 6.99).

The petrol price issue rose significantly from third position last quarter to first position this quarter. The workplace relations systems recorded the second highest increase in concern, followed by concerns over the increase in interest rates. Terrorism recorded the biggest fall in concern over the past quarter.



Issue	May 2005	Aug 2005	Nov 2005	Feb 2006	May 2006
The price of petrol	N/A	7.58	7.48	7.28	7.71
Our health system	7.47	7.39	7.44	7.56	7.61
The environment	7.26	7.21	7.18	7.41	7.29
Increases in the cost of living	7.02	6.98	7.10	6.93	7.17
Our workplace relations system	N/A	6.65	6.84	6.78	7.12
Our education system	7.05	6.92	7.03	6.89	7.01
The standards & quality of political leaders	6.54	6.74	6.93	6.77	6.92
The drug problem	7.00	6.65	6.52	6.88	6.71
The conflict in Iraq	6.57	6.77	6.40	6.58	6.66
Interest rate rises	5.89	5.88	5.76	5.85	6.16
The local crime rate	6.17	5.96	5.78	6.06	5.98
Terrorism	5.93	6.96	6.41	6.35	5.95
The state of the economy	5.92	5.84	5.93	5.85	5.90
Unemployment	5.89	5.70	5.72	5.75	5.75

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006

Concerns by demographics

Females again displayed higher levels of concern across all issues in the latest quarter. The issue where there was the greatest difference between the level of concern displayed by males and females was unemployment, followed by terrorism and increases in the cost of living. Overall females displayed far higher concern levels than males over all issues. The issue where male and female views most closely aligned was the standards and quality of political leaders.

The price of petrol was the greatest concern this quarter across all income demographics with the exception of those earning over \$85,000. This income demographic tended to display the lowest levels of concern across all issues with the exception of the war in Iraq.

Those aged up to 19 years displayed the lowest levels of concern of any age demographic over a broad range of issues. Those Australians aged from 20 to 29 years were most likely to be concerned about increases in the cost of living. Those aged from 30 to 39 years were more likely than other age groups to be concerned about the health system, the education system and interest rate increases. Those aged from 40 to 49 years were most likely to be concerned about the environment, the workplace relations system and the state of the economy. Those aged from 50 to 64 were more likely to be concerned about the standard and quality of political leaders than other age demographics.

Older Australians were most likely to display relatively high levels of concern over many issues. The oldest age demographic (65+) displayed the most concern over the price of petrol, the drug problem, the conflict in Iraq, terrorism, the local crime rate and unemployment. This age group was least concerned than any other over the education system.

While the price of petrol was the number one concern overall, it was not the top concern for those aged in their 30s and those aged over 65. The health system was the highest ranking concern for each of these two age demographics. Whilst still their top concern, those aged in their 20s were less likely than other age demographics to display concern over the price of petrol.

Concerns by gender

	Total	Male	Female	Difference
Unemployment	5.75	5.17	6.30	1.13
Terrorism	5.95	5.38	6.50	1.12
Increases in the cost of living	7.17	6.63	7.68	1.05
The conflict in Iraq	6.66	6.22	7.07	0.85
The drug problem	6.71	6.29	7.11	0.82
The price of petrol	7.71	7.31	8.08	0.77
Interest rate rises	6.16	5.77	6.53	0.76
Our health system	7.61	7.26	7.94	0.68
The environment	7.29	6.96	7.60	0.64
The local crime rate	5.98	5.66	6.29	0.63
Our workplace relations system	7.12	6.83	7.40	0.57
The state of the economy	5.90	5.66	6.14	0.48
Our education system	7.01	6.77	7.23	0.46
The standards & quality of political leaders	6.92	6.68	7.14	0.46

SOURCE: Sensis® Consumer Report - Sweeney Research - May 2006

Concerns by age group

	Total	Up to 19	20 to 29	30 to 39	40 to 49	50 to 64	65+
The price of petrol	7.71	7.76	7.48	7.72	7.83	7.66	7.84
Our health system	7.61	6.72	7.27	7.91	7.67	7.90	7.41
The environment	7.29	6.85	7.00	7.47	7.58	7.36	7.06
Increases in the cost of living	7.17	7.17	7.42	7.40	7.27	6.81	7.05
Our workplace relations system	7.12	6.32	7.01	7.35	7.39	7.27	6.68
Our education system	7.01	6.77	7.03	7.13	7.12	7.07	6.68
The standards & quality of political leaders	6.92	6.11	6.45	6.97	7.19	7.23	6.86
The drug problem	6.71	6.08	5.52	6.37	6.70	7.20	7.93
The conflict in Iraq	6.66	6.34	5.85	6.16	6.47	7.09	7.85
Interest rate rises	6.16	5.21	6.01	6.86	6.63	5.81	5.82
The local crime rate	5.98	5.48	5.62	6.15	5.99	5.86	6.57
Terrorism	5.95	5.95	5.31	5.74	6.02	6.09	6.65
The state of the economy	5.90	5.31	5.96	6.09	6.14	5.83	5.66
Unemployment	5.75	5.64	5.59	5.65	5.58	5.95	5.96

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

SOURCE: Sensis® Consumer Report - Sweeney Research - May 2006

Section 3: Our holidays

Our last holiday

The latest Sensis® *Consumer Report* found that Australians' love of travel had not diminished over the past year. Some 36 per cent of Australians most recently took a holiday of over a week's duration during the first quarter of 2006, and two-thirds of Australians went on a holiday of at least one week since January 2005. Overall, the amount of holidays that Australians reported taking over the last year dropped marginally since the last survey.

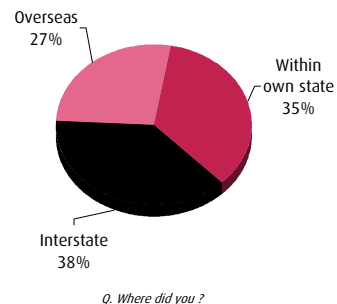
Being creatures of habit, our holiday location choices had not changed very greatly in the past year. The most likely destination for our last holiday was interstate, with 38 per cent reporting having visited an interstate destination, 35 per cent visiting a destination within their own state and 27 per cent having gone on an overseas trip. The main change was an increase in the proportion of Australians now travelling overseas for up to one week. Apart from these short trips, overseas holidays tended to be of longer duration, with almost one-quarter lasting six weeks or more.

When we travel interstate, we still prefer to go to Queensland. Of those Australians whose last holiday was interstate, some 38 per cent reported having visited Queensland. Residents of New South Wales were the most likely to have reported visiting Queensland on their last interstate holiday, followed by Victorians and residents of the Northern Territory. Queenslanders also appreciated their state as much as their interstate counterparts, with more Queenslanders having spent their last holiday in their home state. Residents of the Northern Territory were least likely to have holidayed in their home territory.

Australians still have a strong preference for a beach holiday; however this preference has dropped marginally. Some 43 per cent of Australians nominated that their last holiday had been to a beach or coastal area, down from 49 per cent last year. In contrast, although not quite as popular, visits to capital cities increased over the past year, with 32 per cent of Australians indicating that their last holiday had been to a capital city, increase of three percentage points.

Overall, 30 per cent of Australians are yet to make plans for their next holiday, but of those who have, it is more likely to be in the upcoming July to September 2006 quarter, with more than one in five Australians currently planning to take a holiday then. Once again, most of us are likely to be travelling interstate, in the direction of Queensland.

Where was the last holiday?



Base : Holidayed in last four years

SOURCE: Sensis® Consumer Report - Sweeney Research - May 2006

Holiday duration

	Total	Home State or Territory	Interstate	Overseas
Up to one week	41%	41%	37%	35%
Two weeks	31%	16%	17%	11%
Three weeks	11%	15%	11%	11%
Four weeks	7%	12%	15%	9%
Five weeks	3%	4%	6%	9%
Six weeks or more	7%	11%	14%	24%

Q. How many weeks was this last holiday?

Base : Holidayed in last four years

SOURCE: Sensis® Consumer Report - Sweeney Research - May 2006

States or territories visited on last Australian holiday

Holiday destination	Those who holidayed interstate	Those who holidayed interstate or in home state
New South Wales	24%	27%
Victoria	17%	21%
Queensland	38%	32%
South Australia	6%	7%
Western Australia	10%	9%
Tasmania	11%	6%
Northern Territory	3%	2%
Australian Capital Territory	5%	3%

Q. Which states or territories did you visit?

Base : Last holiday in Australia

SOURCE: Sensis® Consumer Report - Sweeney Research - May 2006

Why we went there

The main factor influencing Australians' choice of holiday destination was again to visit family members. For almost three in ten Australians this was the primary motivation in deciding on their holiday destination. For overseas destinations, visiting family accounted for almost one-third of holiday destination decisions.

The second greatest influence in the choice of our holiday was visiting friends, a motivating factor for more than one in 10 of our holiday choices.

If we did not end up visiting our families or friends, being creatures of habit, we went somewhere we had been before.

The internet played an important role in how we researched our holidays. Overall, 36 per cent of those Australians who had taken a holiday in the past four years had researched it online. As is the case with most online statistics, males were more likely to research a holiday on the internet, as were those aged in their 20s and 30s. By comparison, those Australians aged over 64 were one-third as likely as those Australians in their 30s to have researched their holiday online.

The average number of weeks that Australians spent on holidays in the last year was 3.2 weeks. This represented a marginal fall over the past year from 3.3 weeks. Males were more likely to have spent more time on holidays than females (3.4 weeks compared to 3.0 weeks). The age demographic that reported having spent the most time on holidays was those aged between 14 and 29 years, who reported having spent, on average, 3.9 weeks away from home in 2005. Those Australians who reported having spent the least time on holidays in 2005 were those aged from 40 to 49 years.

What influenced the choice of destination ?

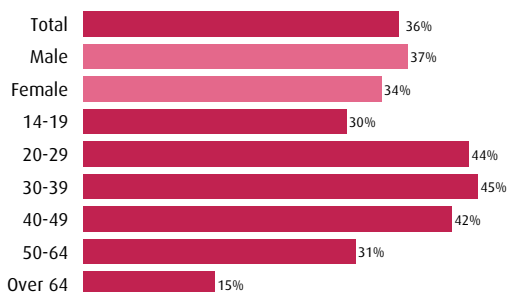
	Total	Home State or Territory	Interstate	Overseas
To visit family	29%	19%	36%	32%
To visit friends	11%	11%	11%	10%
Have been there before	9%	12%	8%	6%
It was cheap/affordable	6%	9%	2%	6%
It is close	4%	8%	1%	2%
Recommendation from family/friends/word of mouth	3%	5%	2%	4%
Climate/weather	3%	2%	6%	1%
A relaxing destination	3%	5%	1%	2%
Close to business concerns/conferences	3%	3%	3%	4%
Just interested me	2%	1%	1%	4%
Convenient/easy to go to	2%	4%	1%	1%

Q. Why did you choose your destination?

Base : Holidayed in last four years

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006

Proportion who used the Internet for holiday research



Q. Did you research your trip on the Internet at all?

Base : Holidayed in last four years

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006

Total weeks spent on holiday in last year by demographics

	Total	Male	Female	14-29	30-49	50-64	Over 64
Less than one week	28%	26%	30%	22%	27%	27%	40%
One to two weeks	25%	24%	25%	26%	29%	20%	17%
Three to four weeks	25%	25%	25%	26%	27%	26%	17%
Over four weeks	22%	25%	20%	25%	16%	27%	26%
Average (weeks)	3.2	3.4	3.0	3.9	2.7	3.6	2.9

Q. How many weeks in total did you spend holidaying in the last year, that is 2005?

Base : Total sample

SOURCE: Sensis® Consumer Report :Sweeney Research - May 2006

Australians abroad

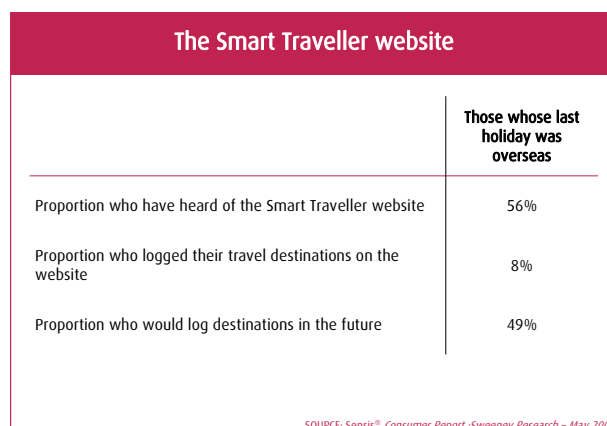
For Australians whose last holiday was overseas (37 per cent of those who had a holiday of at least one week's duration in the last four years), the destination most likely to be reported was continental Europe. Other destinations visited by in excess of 10 per cent of overseas travellers included the Americas, the United Kingdom and New Zealand.

One-third of Australians who are planning to take a holiday in the next two years are currently hoping to travel overseas, and again European locations are the destination that most are hoping to visit.

Considering the extent to which Australians travel internationally, it is interesting to consider the impact that recent international events have had on Australians holiday plans.

For more than two-thirds of Australians, recent events have had no impact on their travel plans. This is a significant drop in the proportion of Australians for whom international events have not impacted, having fallen from 76 per cent last year. Overseas travel has borne the brunt of increased concerns, with some 24 per cent of Australians now saying that they are less likely to travel overseas as a result of international events. This response has more than doubled since last year, when only ten per cent responded that it had decreased their likeliness of overseas travel. This was overwhelmingly the main impact that international events had on Australian travellers.

Considering this large increase in concern, it is interesting to note that there had been only a marginal rise in the proportion of Australians who reported that they were more likely to research their destination for risks, up from three per cent last year to four per cent this year. Whilst over half of those Australians who travel overseas reported having heard of the Australian Government's Smart Traveller website, awareness of this website had fallen marginally by one percentage point. Also falling was the proportion of Australians who reported that they would be interested in logging travel plans onto the website when they were aware of the possibility. This had fallen from over three-quarters last year to just under half this year.



How to obtain a copy of the Sensis® Consumer Report

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