

May 2004

**Sensis[®] *Business Index-
Small and Medium Enterprises***



Sensis® *Business Index - Small and Medium Enterprises*

May 2004

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Introduction

The Sensis® *Business Index – Small and Medium Enterprises (Business Index)*, formerly known as the Yellow Pages® *Business Index*, is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs).

The primary objectives of the *Business Index* are to track small and medium business activity over the past three months; expectations over both the current three and 12-month periods; and to measure overall confidence among SMEs. A second purpose is to provide an independent, objective assessment of proprietors' experiences and attitudes on key issues.

The *Business Index* is based on a sample size of 1,800 SMEs from metropolitan and regional areas of Australia. It includes businesses within the accommodation, construction, communication, health, community services, cultural and recreational industries.

The *Business Index* enables broad scrutiny of the SME market, as well as an understanding of trends and issues relevant to this sector. It examines the differences in attitudes and experiences between regional and metropolitan SMEs, and between small and medium enterprises. The aim of the *Business Index* is to reflect the attitudes and behaviour of approximately 99 per cent of the Australian SME business sector.

Results in the *Business Index* are reported as a net balance, which represents the total number of positive responses minus the total number of negative responses. All results in the *Business Index* are based on the responses of SMEs surveyed.

The *Business Index* is an initiative of Sensis Pty Ltd as part of its commitment to this vital business sector. Sensis is responsible for Telstra's advertising business. Approximately 90 per cent of Sensis' 420,000 paying Australian customers are SMEs. Sensis manages two of Australia's leading brands, Yellow Pages® and White Pages®, along with a leading internet city guide brand CitySearch®, the location and navigation brand Whereis®, and the Trading Post® brand in Australia.

In addition, the Sensis research team undertakes commissioned research for corporate and government organisations on a variety of SME-based issues.

About the survey

Since its inception in 1993, the *Business Index* has been one of the most comprehensive and regular surveys of small businesses in Australia. Historically, the *Business Index* has focused specifically on businesses employing 19 people or fewer. In November 2000 it was expanded to cover the medium business sector, while the regional and industrial sectors were also enhanced.

The May 2004 *Business Index* results are based on telephone interviews conducted with 1,800 small and medium business proprietors. The sample size is divided between 1,400 small businesses and 400 medium businesses (the latter defined as businesses employing between 20 and 199 people).

Businesses interviewed for the May 2004 *Business Index* were drawn from all metropolitan and major non-metropolitan regions within Australia. Quotas were set on geographical location and type of business in order to produce the standard sample structure shown below. Where replacement businesses are recruited, this sample structure is maintained.

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

Interviewing for this latest survey was conducted over the period 14th April to 7th May, 2004. The report covers experience over the past three months (February 2004 to April 2004), and expectations for both the current quarter (May 2004 to July 2004) and the 12 months ending April 2005.

Location of Business			
	Total	Metro	Non-metro
New South Wales	300	240	60
Victoria	300	240	60
Queensland	300	165	135
South Australia	225	195	30
Western Australia	225	195	30
Tasmania	150	90	60
Northern Territory	150	90	60
Australian Capital Territory	150	150	-
Total	1800	1365	435

Division	
Manufacturing	200
Building/Construction	250
Wholesale Trade	150
Retail Trade	250
Accommodation, Cafes and Restaurants	100
Transport/Storage	150
Finance and Insurance	100
Communication, Property and Business Services	300
Health and Community Services	150
Cultural, Recreational and Personal Services	150
Total	1800

Executive summary

Business confidence among SMEs remained at historically high levels during the May 2004 quarter, despite some evidence of softening. There was a decline in most business performance indicators over the past quarter. Despite the softening, many indicators, including sales, remained at a high base. However, other indicators, including profitability, showed larger declines. Most short-term expectations declined. In the medium term, key indicators were expected to improve. The Federal Government's approval rating improved marginally over the past quarter.

Other key findings from the *Business Index* are included in the following five sections of this Executive Summary:

1. Historical trends and highlights of recent trends for SMEs generally.
2. Small versus medium business trends.
3. Metropolitan versus regional business trends.
4. Industry sector comparisons.
5. Business cycle analysis based on the findings from this *Business Index*.

Historical trends and overall SME highlights

- Business confidence among SMEs softened during the past quarter. On an historical basis, however, confidence remained at a high level.
- Perceptions of the current state of the Australian economy declined for the second successive quarter. Expectations for the year ahead also deteriorated.
- Expectations for all key business indicators, with the exception of employment, improved for the year ahead.
- Lack of work or sales rose marginally to be the number one concern of SMEs, replacing finding quality staff (declined marginally to second position). Cash flow remained as the third most pressing concern.
- A further marginal weakening in sales performance was recorded, but remained at historically high levels. Expectations for the current quarter also weakened from a high base over recent quarters.
- In line with sales trends, profitability performance and expectations again declined this quarter.
- Employment declined during the quarter, but it remained net positive, while future expectations weakened.
- Capital expenditure performance also declined but remained net positive. Expectations, however, improved for the short and medium terms.
- Attitudes towards the Federal Government's policies improved marginally during the quarter.
- From an exceptionally strong base, support for the Tasmanian Government fell during the quarter; however it remained the most supported government in Australia. The New South Wales Government lost further ground, and it was the least supported government by SMEs.

Small versus medium enterprises

The major differences to emerge in the performance and expectations between small and medium businesses during the past quarter were:

- Medium sized businesses were again more confident than small businesses; however, the gap in confidence continued to narrow from the previous *Business Index*.
- Medium businesses continued to be noticeably more positive about the current state of the Australian economy than small businesses.
- Medium businesses recorded noticeably stronger performance than small businesses in all indicators, with the exception of employment.
- Small businesses recorded stronger employment performance during the quarter than medium businesses (which recorded net negative employment performance).
- Medium businesses continued to be far more supportive of the Federal Government's policies than small businesses.

Metropolitan versus regional

The major differences to emerge between metropolitan and regional businesses during the previous quarter were:

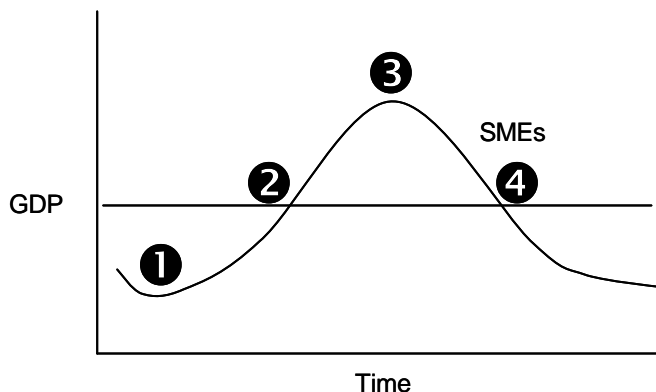
- After trailing regional businesses for the past five quarters, metropolitan businesses exhibited higher confidence levels.
- Regional businesses continued to be noticeably more positive about the current state of the Australian economy than metropolitan businesses.
- Sales performance during the quarter was the same for both metropolitan and regional businesses, as was employment performance.
- Significantly higher proportions of regional businesses reported upward trends in wages and selling prices than metropolitan businesses.
- Higher proportions of regional businesses reported increased profitability during the past quarter.
- Regional businesses continue to be more critical of the Federal Government's policies than metropolitan businesses.
- Metropolitan businesses recorded stronger capital expenditure trends during the quarter than regional businesses.

Industry sector trends

Several differences emerged during the quarter regarding industry sector trends:

- Confidence was highest in the finance and insurance sector, as well as in the health and community services sector.
- The retail sector again recorded the lowest confidence levels of any sector.
- A higher proportion of SMEs in the transport and storage sector reported sales increases than any other sector.
- Employment performance was highest in the health and community services sector, while SMEs in the manufacturing sector reported the highest profitability performance.
- The highest price increases were in the construction sector. The sector also reported no net growth in profitability in the past quarter.
- The wholesale sector was the most supportive of the Federal Government's policies, with the cultural, recreational and personal services sector being the least supportive.

The Business Cycle and SMEs



When examining the 12-month trends for a range of key business and economic indicators, it is possible to gauge the likely direction of the Australian economy.

The chart below shows an assessment of each indicator’s performance in relation to the state of the economy. Shaded areas highlight where each indicator sits as a result of the findings from this *Business Index* relative to the normal business cycle.

Analysis of the key indicators from the May 2004 *Business Index* suggests a relatively consistent picture of the current state of Australian SMEs within the Australian economy. While most indicators are still at relatively high levels on an historical basis, the majority of business indicators are showing signs of entering the slow down phase of the business cycle. Key business indicators that remain in a ‘peaking’ stage include business confidence and sales. Indicators such as investment, profitability, employment and wages, as well as perceptions of the economy indicate that the peaking phase of the economy may be coming to an end. Investment expectations are still improving and continue to be fully realised, with price pressures currently low but showing potential for marginal upward movement.

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

Highlighted sections show the indicators relevant to SMEs from the May 2004 Business Index.

Small and medium business outlook – national summary

Confidence in own business prospects over the next 12 months

Key findings

Australian SMEs experienced moderating business confidence during the quarter. A marginal decline of two percentage points was recorded.

Whilst the latest result is a marginal decline from the previous two quarters, it still represented historically high confidence levels. Confidence has only been at higher levels in five quarters since the *Business Index* commenced in May 1992.

Last quarter (February to April 2004)

SMEs recorded strong business confidence with a net balance result of 61 per cent. This comprised 72 per cent of businesses that were confident about their business prospects for the year ahead and 11 per cent that were worried. In the key confidence categories, the most significant shift was in those businesses that were fairly worried (increased from seven per cent to 10 per cent).

It is interesting to note that the proportion of businesses that were confident was actually unchanged, with an upward shift towards extreme confidence. The proportion of extremely worried businesses also dropped to only one per cent. The net decrease in confidence this quarter was mainly caused by businesses moving from a neutral position to a fairly worried stance.

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

- Business confidence;
- Current perceptions of the Australian economy; and
- Future expectations for the Australian economy.

While overall business confidence softened only marginally, perceptions of the current state of the Australian economy declined more significantly. Expectations for the economy for the coming year also weakened from the previous quarter. SMEs perceived potential for short-term economic weakening. There was uncertainty about the year ahead: a weakening in the proportion of SMEs that expected a better economic environment was juxtaposed against improved expectations for most other indicators.

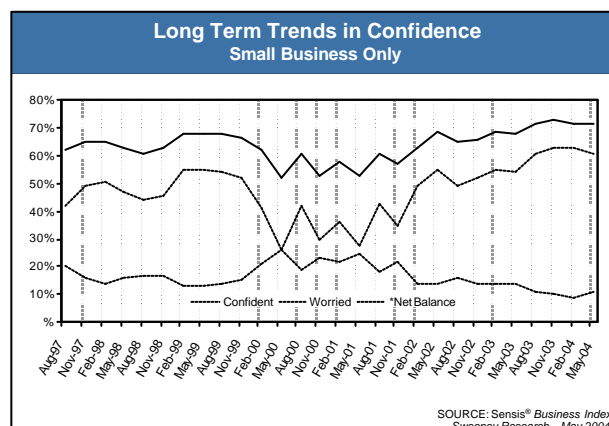
Overall Confidence May 2004			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	16%	18%	16%
Fairly confident	56%	63%	56%
Neutral	17%	14%	17%
Fairly worried	10%	5%	10%
Extremely worried	1%	0%	1%
Total confident	72%	81%	72%
Total worried	11%	6%	11%
*Net Balance	+61%	+75%	+61%

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

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Confidence Trends - Past Five Quarters					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Extremely confident	12%	15%	16%	14%	16%
Fairly confident	56%	57%	57%	58%	56%
Neutral	18%	17%	17%	19%	17%
Fairly worried	11%	9%	7%	7%	10%
Extremely worried	3%	2%	3%	2%	1%
Total confident	68%	72%	73%	72%	72%
Total worried	14%	11%	10%	9%	11%
*Net Balance	+54%	+61%	+63%	+63%	+61%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



Confidence by state, sector and size

Key findings

Business confidence among Tasmanian SMEs rose to net 83 per cent in the last quarter, which made it the most confident state or territory. Queensland recorded the largest increase in confidence, which made SMEs in Queensland the second most confident in Australia. Following five quarters of lower confidence levels, metropolitan businesses recorded marginally higher confidence levels than their regional counterparts. Confidence was highest amongst SMEs in the finance and insurance and health and community services sectors. The finance and insurance sector experienced the largest improvement in confidence, while the wholesale and accommodation, cafes and restaurant sectors showed the largest falls in confidence.

Last quarter (February to April 2004)

Confidence among businesses in Tasmania rose from an already high base (77 per cent to 83 per cent), which resulted in the state recording the highest level of confidence. The largest rise in business confidence was recorded in Queensland (up from 64 per cent to 73 per cent).

Declines in business confidence were recorded in New South Wales, Victoria, Western Australia, the Australian Capital Territory and the Northern Territory. The latter also recorded the lowest confidence of any state or territory at 51 per cent.

Despite a one-percentage point fall, the health and community services sector maintained the highest confidence level at net 76 per cent. This was equalled by the finance and insurance sector, which recorded the largest rise in net confidence of 18 percentage points. The lowest confidence level was again recorded in the retail sector, with a net balance of 48 per cent. The largest falls in net confidence were recorded in the accommodation, cafes and restaurant sector and the wholesale trade sector (net confidence in these sectors fell by 14 percentage points).

Confidence rose marginally in metropolitan areas, which made those businesses more confident than their regional counterparts. For five successive quarters, regional businesses had been more confident. A significant fall of nine percentage points was recorded in regional areas this quarter. The most confident regional businesses were in Tasmania at 79 per cent. Northern Territory regional businesses were the least confident, recording a decline in confidence of 27 percentage points to 40 per cent. The biggest improvement in regional confidence was in Queensland. The least confident SMEs in the country were those in regional areas of the Northern Territory.

Trends by State *Net Balance					
	May 03	Aug 03	Nov 03	Feb 04	May 04
National	54%	61%	63%	63%	61%
New South Wales	48%	58%	52%	62%	55%
Victoria	51%	60%	65%	61%	57%
Queensland	64%	71%	73%	64%	73%
South Australia	62%	64%	66%	65%	68%
Western Australia	57%	49%	64%	69%	65%
Tasmania	75%	77%	74%	77%	83%
Northern Territory	31%	51%	40%	62%	51%
Australian Capital Territory	63%	77%	78%	70%	55%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Metro and Regional Confidence *Net Balance			
	Metro	Regional	Total
National	62%	60%	61%
New South Wales	57%	50%	55%
Victoria	56%	59%	57%
Queensland	81%	67%	73%
South Australia	70%	56%	68%
Western Australia	64%	65%	65%
Tasmania	87%	79%	83%
Northern Territory	60%	40%	51%
Australian Capital Territory	55%	N/A	55%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Confidence by Business Size			
	Confident	Worried	*Net Balance
Total	72%	11%	61%
1-2 Employees	71%	10%	61%
3-4 Employees	73%	13%	60%
5-9 Employees	73%	9%	64%
10-19 Employees	67%	20%	47%
Total Small Business	72%	11%	61%
20-99 Employees	81%	5%	76%
100-200 Employees	82%	11%	71%
Total Medium Business	81%	6%	75%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Confidence by Sector			
	Confident	Worried	*Net Balance
Manufacturing	68%	15%	53%
Building/Construction	69%	12%	57%
Wholesale Trade	69%	6%	63%
Retail Trade	68%	20%	48%
Transport/Storage	77%	6%	71%
Communication, Property and Business	74%	9%	65%
Finance and Insurance	81%	5%	76%
Health and Community Services	80%	4%	76%
Cultural, Recreational and Personal	77%	5%	72%
Accommodation, Cafes and Restaurants	70%	20%	50%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Comparison of personal prospects vs the economy

Key findings

With softening business confidence, the proportion of SMEs that felt more confident in their own business prospects than in the economy rose marginally in the latest quarter.

Last quarter (February to April 2004)

The vast majority (67 per cent) of SMEs felt that their business prospects would track in line with the national economy. The proportion of businesses that felt that their business would perform in line with the economy has fallen marginally since the last quarter. However, there was a marginal rise in the proportion of businesses that were more confident in their own prospects: 22 per cent of businesses expressed comparative confidence compared to 21 per cent in the previous quarter. However, it is important to note that perceptions of the Australian economy were still substantially higher than they one year ago.

While overall business confidence has risen by seven percentage points in the year ending April quarter 2004, this was lower than the corresponding rise in perceptions of the Australian economy (nine per cent). However, there had been a significant drop in future expectation of the economy over the past year.

Regional businesses were less optimistic about their own business prospects relative to metropolitan businesses. While, not surprisingly, businesses with significant growth aspirations were substantially more confident about their business prospects relative to the national economy than was the case for non-growth-oriented businesses.

Comparison of Personal Prospects vs National Prospects					
	May 03	Aug 03	Nov 03	Feb 04	May 04
More confident in own prospects than National prospects	28%	26%	25%	21%	22%
Less confident in own prospects than National prospects	10%	10%	9%	11%	12%
Equally confident in own and National prospects	62%	64%	66%	68%	67%

Q. Compared to the Australian economy overall for the next year, do you feel that you are more confident in your own business prospect than you are in the economy; less confident in your own prospects than you are for the economy; or equally confident in both?

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Perceptions of the economy

Key findings

The latest quarter showed a further decline in perceptions of the Australian economy, with just under half of SMEs currently believing the economy to be growing.

There was a decline in future economic expectations from the previous quarter's result, with net 12 per cent of SMEs believing that the economy would be better a year from now.

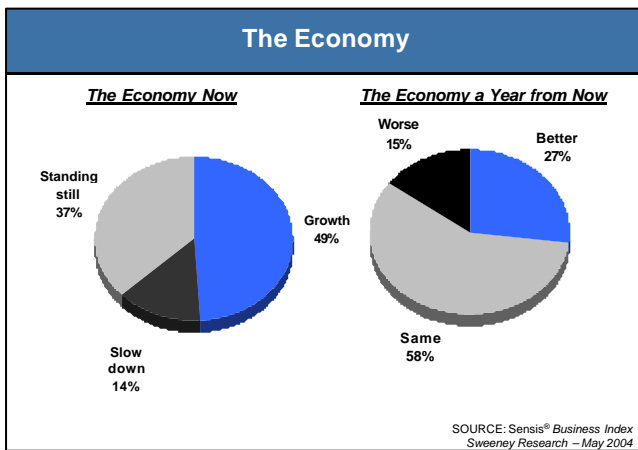
Last quarter (February to April 2004)

Perceptions of the Australian economy fell during the quarter, with a net balance of 35 per cent of businesses believing the Australian economy is currently growing. This represented a fall of 14 percentage points from the previous quarter's result of 49 per cent.

Continuing from the last *Business Index*, Tasmanian SMEs had the strongest perception of the current state of the Australian economy. A net balance of 58 per cent reported a current growth phase. The second strongest perception was recorded in Western Australia (net balance of 54 per cent). The weakest perception was recorded among SMEs in the Australian Capital Territory (net balance of five per cent).

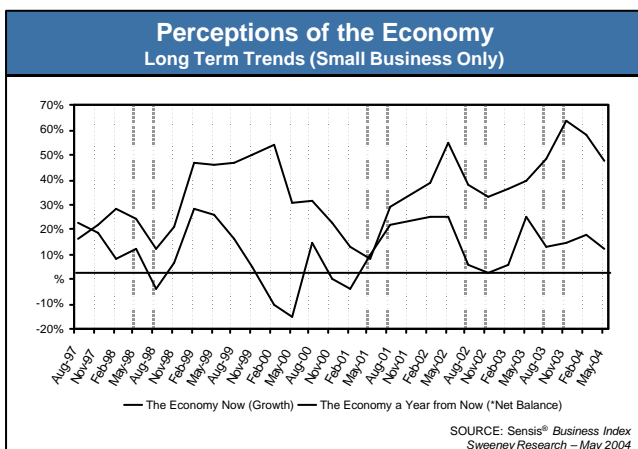
The strongest decline was recorded in the Australian Capital Territory, with a decrease of net 40 percentage points. Only South Australia and Western Australia recorded increased perceptions of the economy.

In terms of expectations for the economy over the year ahead, there was a decline from the previous quarter. This was evidenced by a net balance result of 12 per cent of SMEs believing the Australian economy would be stronger in a year's time. The previous quarter's result was 19 per cent.



	May 03	Aug 03	Nov 03	Feb 04	May 04
The Economy Now					
Growth	40%	49%	64%	59%	49%
Slowing	14%	10%	8%	10%	14%
*Net Balance	+26%	+39%	+56%	+49%	+35%
The Economy a Year from Now					
Better	38%	29%	32%	31%	27%
Worse	13%	15%	17%	12%	15%
*Net Balance	+25%	+14%	+15%	+19%	+12%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The Economy Now								
Growth	46%	47%	51%	45%	62%	65%	46%	34%
Slowing	15%	16%	14%	13%	8%	7%	10%	9%
*Net Balance	+31%	+31%	+37%	+32%	+54%	+58%	+36%	+25%
The Economy a Year from Now								
Better	24%	31%	26%	23%	33%	25%	33%	23%
Worse	16%	19%	12%	13%	11%	6%	6%	23%
*Net Balance	+8%	+12%	+14%	+10%	+22%	+19%	+27%	0%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Expectations on key indicators over the next 12 months

Key findings

There was a general improvement in 12-month expectations for most key indicators, with the exception of employment. Most movements were marginal and most indicators were at historically very high levels.

Last quarter (February to April 2004)

The strengthening of key business expectations contrasted with the decline in perceptions of the economy for the year ahead. Most business indicators rose marginally, with the exception of employment, which fell marginally by one percentage point.

Sales expectations rose during the quarter from 58 per cent to 60 per cent. This result comprised 70 per cent of businesses that believed sales would rise in the year ahead and 10 per cent that thought they would fall. The strongest net sales expectations for the year ahead were again recorded in Western Australia with 68 per cent. The most confident industry sector for sales expectations was the health and community services sector (net 80 per cent), with the construction sector being the least confident (net 28 per cent).

There has been a marginal decrease in employment expectations for the year ahead; however, expectations still remained at strong levels. This was reflected in the net balance result of 21 per cent for the year ahead compared to 22 per cent for the previous quarter. Businesses in the Northern Territory had the strongest employment expectations for the year ahead, with a net balance result of 25 per cent. The lowest employment expectations were recorded in Tasmania, with a net balance result of 13 per cent.

Expectations for total wage and salary costs recorded a marginal increase. A net balance of 41 per cent of businesses expected a rise in their total wage costs in the year ahead. The strongest expectations for total wage costs were recorded in New South Wales (net balance of 46 per cent), while the weakest were recorded in Victoria (net balance of 34 per cent).

Selling price expectations for the year ahead rose by four percentage points over the quarter to record a net balance of 47 per cent. The strongest selling price expectations were recorded in the manufacturing sector, with a net balance of 63 per cent. The weakest selling price expectations were recorded in the health and community services sector (25 per cent).

In line with improvement in other key business indicators, expectations for profitability in the year ahead recorded a marginal increase (from a net balance of 54 per cent to 55 per cent). At a net balance of 6 per cent, metropolitan businesses increased their year-ahead profitability expectations. Regional businesses maintained their current expectations, with a net balance of 44 per cent.

Capital expenditure, along with prices, recorded the largest increase in expectations, rising by four percentage points to a net balance of 16 per cent. The strongest capital expenditure expectations were recorded in Queensland (24 per cent) and in the health and community services sector (28 per cent).

Expectations on Key Indicators Over the Next 12 Months May 2004			
	Expect an Increase	Expect a Decrease	*Net Balance
Value of sales	70%	10%	60%
Size of workforce	27%	6%	21%
Wages bill	47%	6%	41%
Prices charged	50%	3%	47%
Profitability	65%	10%	55%
Capital expenditure	35%	19%	16%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Expectations on Key Indicators Trends in *Net Balance					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Value of sales	50%	57%	61%	58%	60%
Size of workforce	15%	20%	24%	22%	21%
Wages bill	33%	38%	38%	40%	41%
Prices charged	53%	48%	49%	43%	47%
Profitability	46%	52%	56%	54%	55%
Capital expenditure	12%	20%	19%	12%	16%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Concerns

Key findings

Lack of work and sales was identified as a concern by 10 per cent of SMEs, a rise of one percentage point since last quarter and making it the most significant concern. Finding quality staff dropped by one percentage point to be the second most pressing concern, identified by nine per cent of SMEs.

Last quarter (February to April 2004)

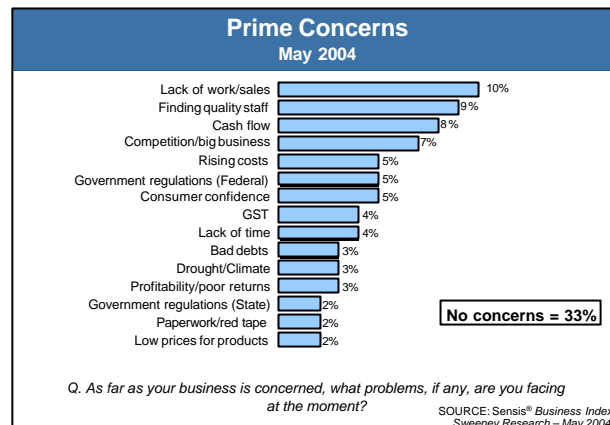
The most important business concern was lack of work or sales, cited by ten per cent of businesses. While the highest concern of SMEs, lack of work or sales remained at an historically low level. Lack of work or sales, which is always one of the prime concerns for SMEs, has only been at a lower level on three previous occasions in the history of the *Business Index*.

Finding quality staff declined by one percentage point to be the second most nominated concern by SMEs. Overall, nine per cent of SMEs nominated finding quality staff as an issue. Whilst this was a decline from the previous quarter, it remained at historically high levels and has only been higher in February 2004.

Lack of work or sales was a more significant concern for businesses in Victoria, the Northern Territory and the Australian Capital Territory, where 12 per cent identified it as an issue. Nineteen per cent of businesses in the construction sector identified it as a concern. At the other end of the spectrum, only three per cent of businesses within the finance and insurance sector recorded lack of work or sales as a concern.

Finding quality staff was most strongly felt in Tasmania (13 per cent) and in the retail and transport and storage sectors (13 per cent). Regional SMEs were also more likely to nominate concerns with finding quality staff than their metropolitan counterparts.

The issue of cash flow was again the third most important business concern identified during the quarter, nominated by eight per cent of SMEs. Businesses in Queensland were most likely to nominate it as a concern (10 per cent), as were businesses in the manufacturing and wholesale sectors.



Sales

Key findings

Despite recording a fall of four percentage points, sales performance maintained historically high levels during the quarter. While expectations softened for the short term, expectations for the year ahead remained at historically high levels.

Last quarter (February to April 2004)

Sales recorded a net balance of 19 per cent for the quarter, a fall from the previous quarter's result of 23 per cent. An additional net four percent of businesses recorded sales declines during the quarter.

The results showed considerable diversity across the states and territories. In line with strong confidence, Tasmanian and Queensland SMEs recorded the strongest sales performance with a net balance result of 29 per cent. Northern Territory SMEs recorded a net balance of four per cent.

The strongest sales performance was recorded in the transport and storage sector, with a net balance of 33 per cent. The accommodation, cafes and restaurant sector recorded the weakest industry performance, with net 10 per cent of SMEs reporting growth in sales during the quarter.

Current quarter (May to July 2004)

Sales expectations for the current quarter fell to a net balance of 30 per cent, which represented a decline of six percentage points from the last quarter.

As the Northern Territory moves into the dry season, it recorded the strongest sales expectations (a net 54 per cent of SMEs expected an increase of sales). The strongest expectations for the current quarter were again recorded in the health and community services sector (net balance of 48 per cent). The construction sector again scored the lowest level of expectations (net 14 per cent).

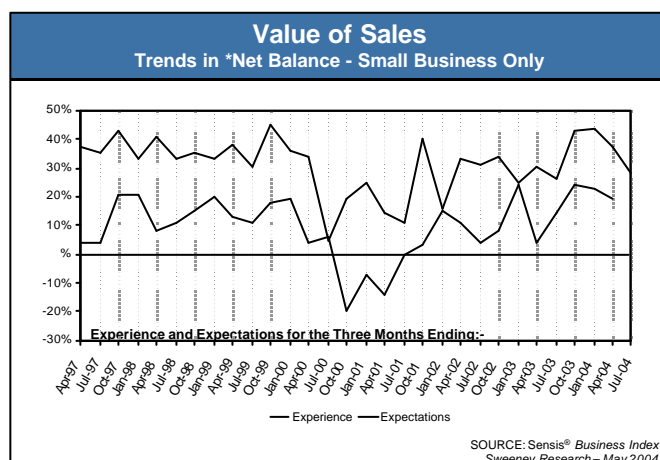
There was variation between businesses seeking to expand significantly and those not seeking to grow (a net balance of 68 per cent compared to a net balance of seven per cent).

Next twelve months (May 2004 to April 2005)

Twelve-month sales expectations rose during the quarter from 58 per cent to 60 per cent. The result comprised 70 per cent of businesses that believed sales would rise in the year ahead and 10 per cent that thought they would fall. The marginal rise in sales expectations was in line with the majority of key business indicators for the year ahead.

Value of Sales					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Last Quarter					
Experienced increase	36%	39%	46%	45%	44%
No change	32%	35%	32%	33%	31%
Experienced decrease	32%	25%	22%	22%	25%
*Net Balance	+4%	+14%	+24%	+23%	+19%
Current Quarter					
Expect increase	40%	52%	54%	51%	46%
No change	45%	40%	36%	34%	38%
Expect decrease	14%	8%	10%	15%	16%
*Net Balance	+26%	+44%	+44%	+36%	+30%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



Employment

Key findings

Employment growth fell to net one per cent this quarter, after recording strong growth in the previous quarter. Expectations, in both the short and medium terms, also softened. A lack of work or sales remained the number one barrier to employment.

Last quarter (February to April 2004)

Employment recorded soft growth, with a net one per cent of SMEs increasing their workforce during the quarter. This followed employment growth of net five per cent in the preceding quarter. This quarter's result comprised nine per cent of businesses that identified an increase in the size of their workforce, while eight per cent experienced a decline.

The strongest employment result was recorded in South Australia and the Australian Capital Territory, with a net balance result of seven per cent. The Northern Territory again had the weakest result at net negative seven per cent.

In terms of barriers to employment, a lack of work or sales recorded a marginal rise during the quarter (from 25 per cent to 26 per cent). Finding skilled staff remained the second greatest barrier to employment (constant at 13 per cent), followed by the cost of employing (up one percentage point to 11 per cent).

Current quarter (May to July 2004)

Expectations for employment recorded a further softening in the current quarter to net eight per cent, compared to a net result of 10 per cent the previous quarter.

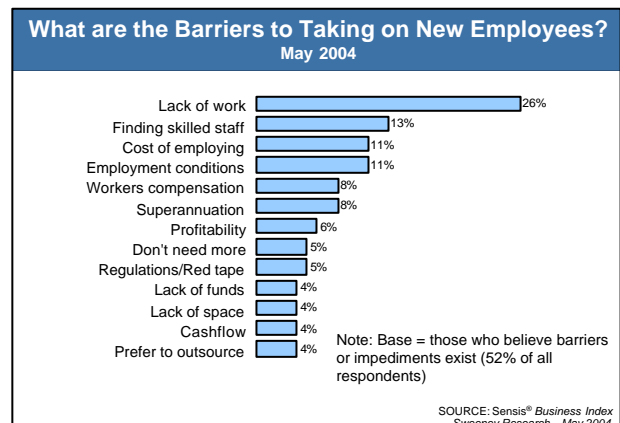
The strongest employment expectations were recorded in the Northern Territory with a net balance result of 16 per cent. On an industry basis, the strongest expectations were recorded in the health and community services and transport and storage sectors (13 per cent). Medium businesses were again more optimistic about employment expectations for the quarter.

Next twelve months (May 2004 to April 2005)

There was a marginal decrease in employment expectations for the year ahead, with a net result of 21 percent. This was against a background of marginal rises in most other indicators for the year ahead. Despite a one-percentage point fall, year-ahead employment expectations remained at historically high levels. On an industry basis, the strongest employment expectations were recorded in the communications, property and business services sector (33 per cent).

Size of Workforce					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Last Quarter					
Experienced increase	8%	7%	7%	11%	9%
No change	84%	86%	87%	83%	83%
Experienced decrease	8%	7%	6%	6%	8%
*Net Balance	0%	0%	+1%	+5%	+1%
Current Quarter					
Expect increase	11%	16%	18%	14%	15%
No change	82%	80%	78%	79%	76%
Expect decrease	6%	3%	3%	4%	7%
*Net Balance	+5%	+13%	+15%	+10%	+8%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



Wages bill

Key findings

Total wage costs decreased sharply during the last quarter, in line with the general weakening in many business indicators.

Last quarter (February to April 2004)

The most recent quarter saw a sharp decrease in wage costs, with the result falling from net 13 per cent to net nine per cent.

During the quarter, 21 per cent of SMEs experienced a rise in total wage costs, while 12 per cent recorded a decline. The Australian Capital Territory recorded the highest increase in total wage costs (net 14 per cent), whilst the lowest wage pressures were in New South Wales (net 7 per cent). The strongest rise in total wage costs was recorded in the cultural, recreational and personal services sector (net 20 per cent).

Current quarter (May to July 2004)

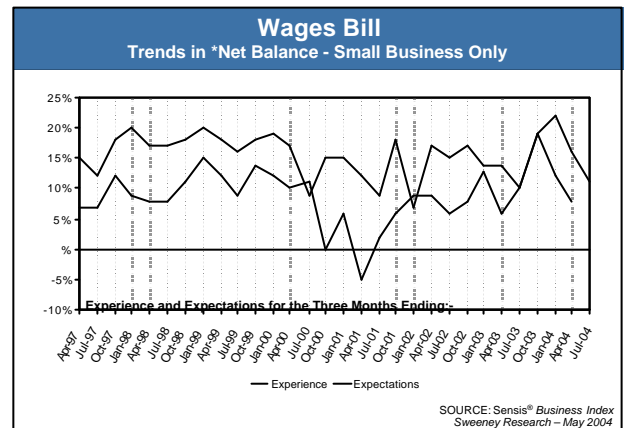
Expectations for total wage costs also decreased sharply for the current quarter, falling a further five percentage points from net 17 per cent to 12 per cent. The highest wage expectations were in the Northern Territory, with a net balance of 19 per cent expecting an increase in their total wages bill in the coming quarter.

Next twelve months (May 2004 to April 2005)

Expectations for total wage and salary costs rose marginally during the quarter, with a net balance of 41 per cent of businesses expecting a rise in total wage costs in the year ahead. The result was high by historical standards, with a higher result not being recorded since November 1994 (45 per cent).

Wages Bill					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Last Quarter					
Experienced increase	21%	22%	27%	24%	21%
No change	61%	62%	59%	60%	63%
Experienced decrease	14%	11%	8%	11%	12%
*Net Balance	+7%	+11%	+19%	+13%	+9%
Current Quarter					
Expect increase	20%	25%	27%	24%	23%
No change	66%	68%	64%	64%	62%
Expect decrease	10%	4%	5%	7%	11%
*Net Balance	+10%	+21%	+22%	+17%	+12%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



Prices

Key findings

There was a marginal rise in the net proportion of SMEs that reported selling price increases, as well as expectations for the current quarter and the year ahead.

Last quarter (February to April 2004)

The proportion of businesses that experienced a selling price increase rose marginally during the quarter. A net balance result of 14 per cent of SMEs experienced a rise in selling prices during the quarter (an increase from net 12 per cent in the quarter ending January 2004). The proportion of SMEs that reported increases to their selling prices remained at historically low levels.

Of all states and territories, the strongest selling price trends were recorded in Western Australia, with a net balance of 20 per cent. The lowest result was recorded in New South Wales, with a net balance of 10 per cent. On an industry basis, the strongest selling price rises were recorded in the construction sector, with a net balance result of 19 per cent. The weakest outcome was again recorded in the wholesale sector, with a net balance result of seven per cent.

Current quarter (May to July 2004)

Selling price expectations rose marginally during the quarter to a net balance result of 19 per cent and remained at historically low levels. Queensland recorded the strongest selling price expectations, with a net balance result of 26 per cent. New South Wales again recorded the weakest price expectations, with a net balance of 10 per cent.

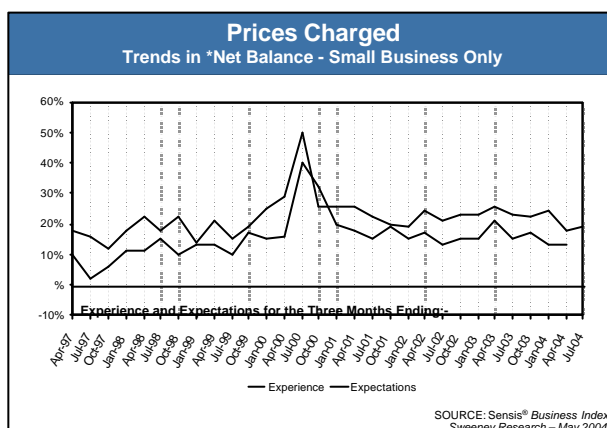
Next twelve months (May 2004 to April 2005)

At a net balance of 47 per cent, expectations for selling prices over the coming year increased four percentage points higher than the previous quarter.

The strongest selling price expectations were recorded in the manufacturing sector, with a net balance result of 63 per cent. The weakest selling price expectations were recorded in the health and community services sector (25 per cent).

Prices Charged					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Last Quarter					
Experienced increase	24%	21%	22%	19%	19%
No change	73%	72%	73%	74%	76%
Experienced decrease	4%	6%	5%	7%	5%
*Net Balance	+20%	+15%	+17%	+12%	+14%
Current Quarter					
Expect increase	25%	25%	26%	23%	24%
No change	72%	72%	72%	72%	71%
Expect decrease	3%	3%	2%	5%	5%
*Net Balance	+22%	+22%	+24%	+18%	+19%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



Capital expenditure

Key findings

Capital expenditure fell marginally in the last quarter but again exceeded expectations. The outlook for future investment, both short and medium term expectations, improved.

Last quarter (February to April 2004)

Capital expenditure performance softened in the last quarter, with a net balance of one per cent of SMEs reporting an increase. This was a decline on the net three per cent recorded last quarter but was higher than the anticipated decline of net negative two per cent.

Capital expenditure growth was strongest in Tasmania, which recorded a net balance result of 11 per cent. The weakest results were in the Australian Capital Territory, which recorded a net balance of negative two per cent.

There was a high degree of variability between the sectors. The strongest capital expenditure performance was recorded in the cultural, recreational and personal services sector (14 per cent net balance), whilst the weakest result was in the retail sector (negative eight per cent net balance).

Current quarter (May to July 2004)

Capital expenditure expectations improved for the short term, recording a net balance of one per cent. Expectations varied on a state basis, with the strongest expectations recorded in Tasmania and the Northern Territory (net balance of six per cent each). South Australia had the weakest result, recording a net balance of negative two per cent.

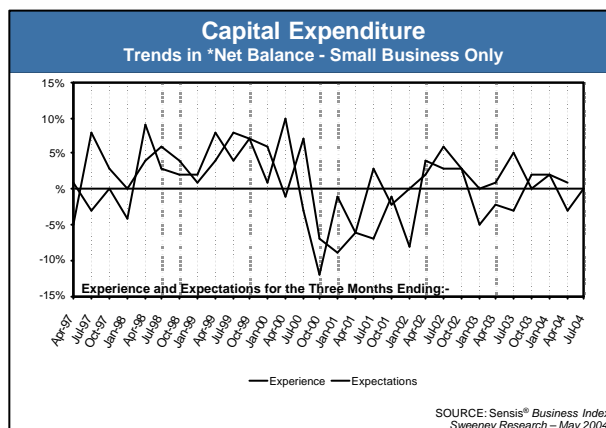
In the quarter ahead, SMEs in the health and community services sector had the highest expectations (26 per cent), while the transport and storage sector had the weakest result (net negative 11 per cent).

Next twelve months (May 2004 to April 2005)

Capital expenditure expectations for the year ahead rose strongly during the quarter, with the net balance result increasing from 12 per cent to 16 per cent. The strongest capital expenditure expectations were recorded in Queensland (net 24 per cent). On a sectoral basis, the strongest expectations were recorded in the finance and insurance sector (28 per cent), with the weakest expectations in the wholesale, retail and cultural, recreational and personal services sectors (net balance of seven per cent).

Capital Expenditure					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Last Quarter					
Experienced increase	24%	26%	22%	24%	24%
No change	51%	51%	53%	53%	49%
Experienced decrease	22%	21%	22%	21%	23%
*Net Balance	+2%	+5%	0%	+3%	+1%
Current Quarter					
Expect increase	20%	25%	22%	24%	25%
No change	54%	52%	55%	49%	48%
Expect decrease	23%	22%	20%	26%	24%
*Net Balance	-3%	+3%	+2%	-2%	+1%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



Profitability

Key findings

Despite weakening during the quarter, profitability remained at strong levels. Short-term profitability expectations fell, while expectations in the year ahead increased.

Last quarter (February to April 2004)

Profitability recorded a fall in performance, with a net balance result of 11 per cent, after a net balance of 14 per cent result the previous quarter. Regional businesses were more profitable during the quarter (net balance result of 13 per cent) compared to 10 per cent for metropolitan businesses.

Tasmanian SMEs again recorded the best profit performance during the quarter, increasing to a net balance of 27 per cent. SMEs in Victoria recorded the weakest performance, declining to negative six per cent.

Current quarter (May to July 2004)

In line with the decline in actual profitability, expectations for the current quarter also decreased. Overall, 43 per cent of businesses expected an increase in profitability for the quarter compared to 15 per cent that expected a decline. The net balance result of 28 per cent was down from 33 per cent last quarter.

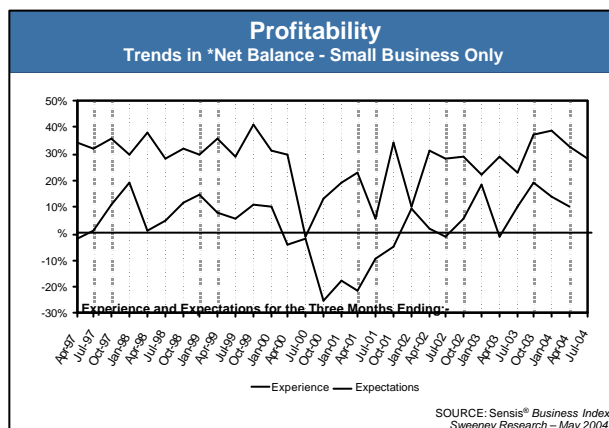
The strongest profit expectations were again recorded in the health and community services sector, with a net balance of 53 per cent. The weakest expectations were recorded in the construction sector, with a net balance result of 15 per cent.

Next twelve months (May 2004 to April 2005)

Expectations for profitability in the year ahead recorded a marginal rise (net balance of 54 per cent to 55 per cent). The strongest profit expectations for the year ahead were recorded in the health and community services sector, with a net balance of 77 per cent. The weakest profit expectations were again in the finance and insurance sector, which recorded a net balance of 40 per cent.

Profitability					
	May 03	Aug 03	Nov 03	Feb 04	May 04
Last Quarter					
Experienced increase	32%	36%	41%	38%	36%
No change	35%	38%	36%	38%	38%
Experienced decrease	33%	26%	22%	24%	25%
*Net Balance	-1%	+10%	+19%	+14%	+11%
Current Quarter					
Expect increase	38%	47%	49%	46%	43%
No change	47%	43%	41%	40%	42%
Expect decrease	15%	10%	10%	13%	15%
*Net Balance	+23%	+37%	+39%	+33%	+28%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004



Exports

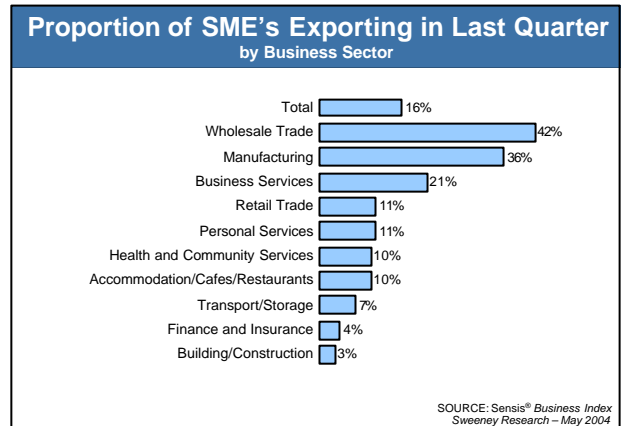
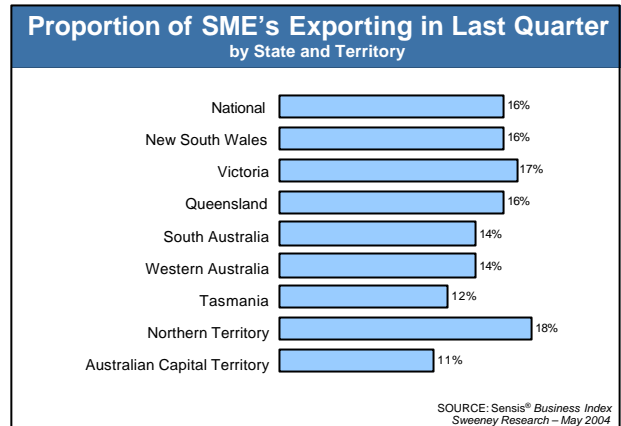
The latest *Business Index* asked SMEs about their export levels and their propensity to begin exporting in the future.

Sixteen per cent of SMEs reported they had exported in the past quarter, an increase on the previous quarter's result of 12 per cent. SMEs that had significant growth plans were far more likely to export than those with no plans for growth. The propensity for a firm to have exported in the past three months increased in proportion to its size. A further two per cent of SMEs plan to commence exporting in the next quarter.

The Northern Territory recorded the highest percentage of SMEs that exported at 18 per cent, followed by Victoria at 17 per cent. The Australian Capital Territory had the lowest proportion of SMEs exporting in the past quarter, at only 11 per cent. SMEs in metropolitan areas were once again more likely to export than their regional counterparts.

SMEs in the wholesale trade sector were the most likely to have exported in the past quarter, with building and construction the least likely to have exported.

Over the last quarter, SMEs recorded net growth in the value of exports. A net balance of five per cent reported an increase in the value of the goods and services exported in the past quarter.



Assessment of Federal Government policies

Key findings

The Federal Government’s approval rating improved during the quarter.

Last quarter (February to April 2004)

The net balance result of a negative six per cent approval rating represented a marginal improvement for the Federal Government’s standing with the Australian SME sector. This result comprised 25 per cent of businesses that were supportive of the Federal Government’s small business policies, compared to 31 per cent that were not supportive. The remaining 44 per cent of businesses stated that the Government had no impact either way, a marginal decrease from the previous quarter.

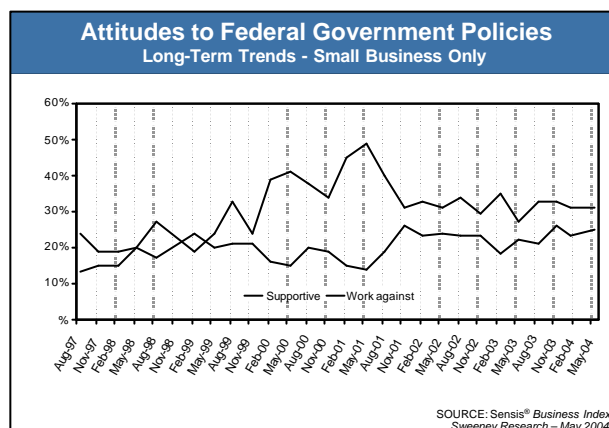
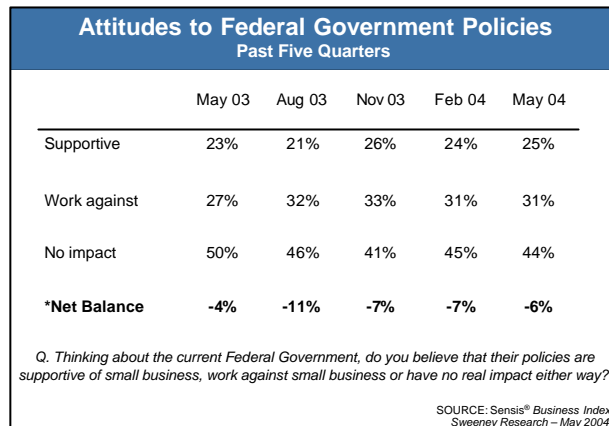
The strongest support for the Federal Government’s policies occurred in Western Australia, where businesses recorded a positive six per cent net balance. The region that was most critical of the Federal Government’s small business policies was the Australian Capital Territory, with a net balance result of negative 21 per cent.

The latest quarter saw regional SMEs again less supportive of Federal Government policies than metropolitan businesses (negative seven per cent versus negative four per cent). Medium businesses were noticeably more supportive of the Federal Government than small businesses (net balance of positive eight per cent versus negative six per cent).

The perception that the Federal Government was more supportive of small business was the most significant reason for support, closely followed by the belief the Federal Government was trying to help small businesses. Strong economic management and a stable business environment was the third most significant reason for SME support.

The key reasons that SMEs believed the Federal government’s policies worked against them was that there was too much paperwork and no financial incentives offered to small businesses.

Other key reasons for negative perceptions among SMEs include the belief that the Federal Government was more concerned with big business and that there was too much bureaucracy.



Assessment of state government policies

Key findings

The Tasmanian Government was once again the most popular state or territory government in Australia among SMEs. Following a dramatic fall in support, the New South Wales was the least popular state or territory government.

Last quarter (February to April 2004)

Despite a fall in support in the latest quarter, the Tasmanian Government once again led all governments across the nation, with net balance result of 22 per cent. The result comprised 39 per cent of businesses that were supportive and 17 per cent that were not supportive. The result was down from 26 per cent in the previous quarter. No other governments recorded positive ratings from SMEs. The Tasmanian Government's strong support for tourism was the main reason for approval amongst SMEs.

The latest quarter saw rises in support for most state and territory governments. The largest rise was for the Queensland Government, up three percentage points to negative five per cent. The governments in Victoria, South Australia and Western Australia all saw increased SME support of net two per cent. Support amongst SMEs for the Northern Territory government increased by one percentage point.

The New South Wales and Australian Capital Territory experienced the largest falls in SME support, both declining 18 percentage points. Support amongst SMEs for the Australian Capital Territory government has displayed considerable volatility over the past two years, ranging from a net balance of positive 12 to a net balance of negative 12.

Support for the New South Wales Government, however, has consistently declined during the past year. At an approval level of net negative 36 per cent, it was now the least supported government.

The reasons cited by SMEs for the lack of support of the New South Wales Government were predominately related to taxation:

- The level of taxation in the state was seen to be too high;
- The belief that there were too many taxes; and
- Negative perceptions about the state's payroll tax system.

Attitudes to State or Territory Government Policies May 2004								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	8%	16%	22%	17%	11%	39%	18%	21%
Work against	44%	31%	27%	28%	41%	17%	37%	33%
No impact	49%	53%	51%	55%	48%	44%	46%	46%
*Net Balance	-36%	-15%	-5%	-11%	-30%	+22%	-19%	-12%

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

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Attitudes to State or Territory Government Policies Trends in *Net Balance					
	May 2003	Aug 2003	Nov 2003	Feb 2004	May 2004
New South Wales	+4%	-10%	-17%	-18%	-36%
Victoria	-23%	-23%	-25%	-17%	-15%
Queensland	-8%	-10%	-3%	-8%	-5%
South Australia	+3%	-15%	-17%	-13%	-11%
Western Australia	-31%	-36%	-25%	-32%	-30%
Tasmania	+4%	+26%	+19%	+26%	+22%
Northern Territory	-12%	-8%	-22%	-20%	-19%
Australian Capital Territory	-2%	+12%	-3%	+6%	-12%

SOURCE: Sensis® Business Index
Sweeney Research – May 2004

Political preferences

Business proprietors were asked how they expected to vote in the House of Representatives election if a Federal Election was held tomorrow.

Overall, 53 per cent of SME proprietors intended to vote for the Coalition at the next election, a fall of 10 percentage points from the last election. Twenty one per cent intended to vote for the Labor Party, a rise of three percentage points from the last election, while 19 per cent were either undecided or refused to specify their intentions.

From those proprietors who stated a voting intention, 66 per cent intended to vote for the Coalition, which was down from 70 per cent at the last election.

Twenty-seven per cent stated they intended to vote for the Labor Party, which was up from 20 per cent at the last election.

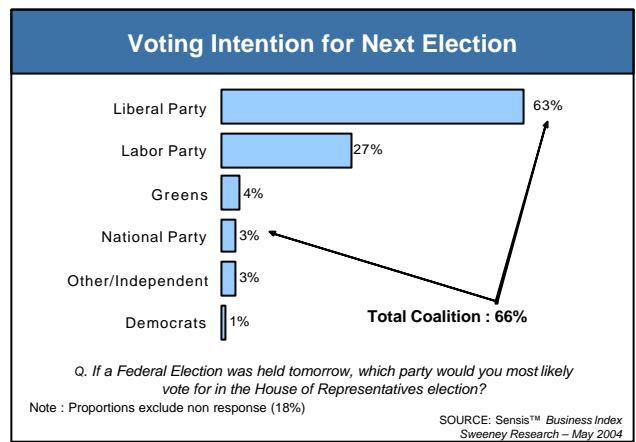
The war in Iraq was the main reason given by SME proprietors for their intended change in vote from the Coalition to the Labor Party.

The main reasons for SME proprietors to change their vote from Labor to Coalition was:

- The belief that the Liberals were doing a good job; and
- Dissatisfaction with the new Labor leader.

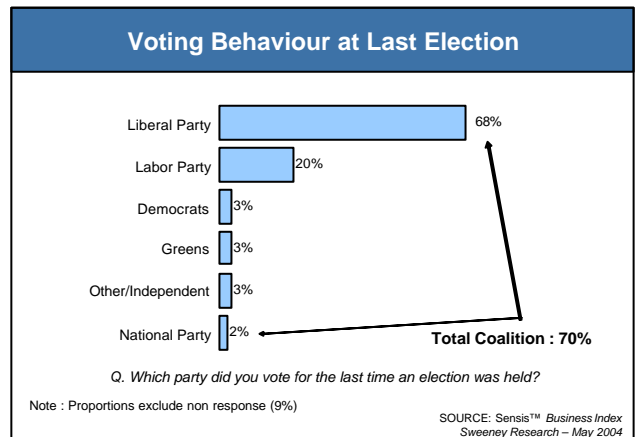
Voting Patterns		
	Last election	Next election
Liberal	60%	50%
National	2%	2%
Coalition - unspecified	1%	1%
Total – Coalition	63%	53%
Labor	18%	21%
Democrat	3%	1%
Green	3%	3%
Other	4%	3%
Undecided/did not vote/refused	9%	19%

Q. If a Federal Election was held tomorrow, which party would you most likely vote for in the House of Representatives election?
Which party did you vote for the last time a Federal Election was held?
SOURCE: Sensis® Business Index Sweeney Research – May 2004



Switching Patterns			
	Coalition	Last Election	
		Labor	Other
Next Election			
Coalition	63%	1%	2%
Labor	7%	17%	2%
Other	1%	1%	6%

Note: Proportions exclude non response
SOURCE: Sensis™ Business Index Sweeney Research – May 2004



Perceptions of the political parties

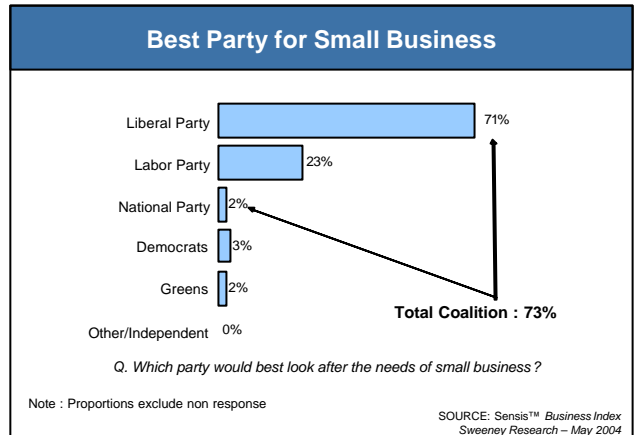
Respondents were asked whether the Coalition or the Labor Party would be better at handling business-related policy issues.

As can be seen from the chart on the right, the Coalition was perceived to outperform the Labor Party on all issues. The Coalition’s strongest advantage was on handling the economy, with the Labor Party came closest to the Coalition on decreasing the paperwork burden on small business (The Coalition was only one percentage point ahead of Labor). This was also the issue that had the highest proportion of undecided SMEs.

SME proprietors were also asked which party would best look after the needs of small business. Of those SMEs where the proprietor had a view, 73 per cent favoured the Coalition for looking after the needs of small business.

Best party at Handling Key Issues				
	Coalition	Labor	No difference	Can't say
Handling the economy	65%	8%	23%	4%
Ensuring interest rates do not rise	55%	5%	34%	6%
Reducing unemployment	49%	14%	33%	5%
Minimising strikes	45%	20%	30%	5%
Providing an effective workplace relations system	43%	28%	23%	6%
Reducing/limiting tax for small business	38%	17%	39%	6%
Decreasing the paperwork burden on small business	15%	14%	65%	7%

Q. Which party do you think would be best at handling the following issues?
SOURCE: Sensis™ Business Index
 Sweeney Research – May 2004



Small and medium business outlook – National

- Business confidence softened during the quarter, but remained at high levels on an historical basis.
- Perceptions of the current state of the economy declined during the quarter.
- Sales performance fell marginally but remained at high levels.
- Employment declined, but remained positive.
- Capital expenditure showed net positive growth and expectations improved.
- Profitability fell during the past quarter.
- Support for the Federal Government's policies improved during the past quarter.

Trends in Past Three Months' Experience and Current Quarter Expectations – National					
	MAY 2003	AUG 2003	NOV 2003	FEB 2004	MAY 2004
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	68	72	73	72	72
NEGATIVE	14	11	10	9	11
NET BALANCE	+54	+61	+63	+63	+61

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB- APR 03	MAY- JUL 03	AUG- OCT 03	NOV- JAN 03/04	FEB- APR 04	MAY- JUL 03	AUG- OCT 03	NOV- JAN 03/04	FEB- APR 04	MAY- JUL 04
	%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE 36	39	46	45	44	40	52	54	51	46
	DECREASE 32	25	22	22	25	14	8	10	15	16
	NET BALANCE +4	+14	+24	+23	+19	+26	+44	+44	+36	+30
SIZE OF WORKFORCE:	INCREASE 8	7	7	11	9	11	16	18	14	15
	DECREASE 8	7	6	6	8	6	3	3	4	7
	NET BALANCE 0	0	+1	+5	+1	+5	+13	+15	+10	+8
WAGES BILL:	INCREASE 21	22	27	24	21	20	25	27	24	23
	DECREASE 14	11	8	11	12	10	4	5	7	11
	NET BALANCE +7	+11	+19	+13	+9	+10	+21	+22	+17	+12
PRICES:	INCREASE 24	21	22	19	19	25	25	26	23	24
	DECREASE 4	6	5	7	5	3	3	2	5	5
	NET BALANCE +20	+15	+17	+12	+14	+22	+22	+24	+18	+19
PROFITABILITY:	INCREASE 32	36	41	38	36	38	47	49	46	43
	DECREASE 33	26	22	24	25	15	10	10	13	15
	NET BALANCE -1	+10	+19	+14	+11	+23	+37	+39	+33	+28
CAPITAL EXPENDITURE:	INCREASE 24	26	22	24	24	20	25	22	24	25
	DECREASE 22	21	22	21	23	23	22	20	26	24
	NET BALANCE +2	+5	0	+3	+1	-3	+3	+2	-2	+1

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

Small and medium business outlook – New South Wales

- Business confidence declined sharply during the quarter.
- Sales growth improved to a level above the national average.
- Employment was flat during the past quarter.
- Profits recorded strong growth above the national average.
- Inflationary pressures were low, with New South Wales having recorded the lowest increases in wages and selling prices.
- Support for the policies of the New South Wales Government declined dramatically and it became the least supported government.

Trends in Past Three Months' Experience and Current Quarter Expectations – New South Wales					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003 %	AUG 2003 %	NOV 2003 %	FEB 2004 %	MAY 2004 %
POSITIVE	65	67	67	70	70
NEGATIVE	17	9	15	8	15
NET BALANCE	+48	+58	+52	+62	+55

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	FEB- APR 03 %	MAY- JUL 03 %	AUG- OCT 03 %	NOV- JAN 03/04 %	FEB- APR 04 %	MAY- JUL 03 %	AUG- OCT 03 %	NOV- JAN 03/04 %	FEB- APR 04 %	MAY- JUL 04 %	
SALES VALUE:	INCREASE	38	39	45	43	47	35	48	52	54	46
	DECREASE	29	24	22	25	24	15	7	9	17	16
	NET BALANCE	+9	+15	+23	+18	+23	+20	+41	+43	+37	+30
SIZE OF WORKFORCE:	INCREASE	9	6	7	10	10	11	16	16	16	18
	DECREASE	11	6	3	5	10	7	3	2	5	7
	NET BALANCE	-2	0	+4	+5	0	+4	+13	+14	+11	+11
WAGES BILL:	INCREASE	23	19	27	24	20	21	20	29	25	28
	DECREASE	14	7	6	11	13	14	3	4	9	11
	NET BALANCE	+9	+12	+21	+13	+7	+7	+17	+25	+16	+17
PRICES:	INCREASE	25	22	24	14	16	28	27	29	22	16
	DECREASE	2	5	4	10	6	3	1	3	8	6
	NET BALANCE	+23	+17	+20	+4	+10	+25	+26	+26	+14	+10
PROFITABILITY:	INCREASE	31	36	42	36	41	32	44	47	45	45
	DECREASE	33	24	23	29	27	18	7	13	17	16
	NET BALANCE	-2	+12	+19	+7	+14	+14	+37	+34	+28	+29
CAPITAL EXPENDITURE:	INCREASE	24	17	19	24	22	21	24	18	19	25
	DECREASE	21	21	23	21	21	25	18	23	28	25
	NET BALANCE	+3	-4	-4	+3	+1	-4	+6	-5	-9	0

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

Small and medium business outlook – Victoria

- Business confidence fell during the quarter.
- Sales recorded a sharp decline.
- Victoria recorded net negative employment growth among SMEs.
- Profitability amongst Victorian SMEs recorded a sharp decline to net negative and was the lowest of any state or territory.
- SME support for the Victorian Government improved during the quarter.

Trends in Past Three Months' Experience and Current Quarter Expectations – Victoria					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003	AUG 2003	NOV 2003	FEB 2004	MAY 2004
	%	%	%	%	%
POSITIVE	66	73	75	71	68
NEGATIVE	15	13	10	10	11
NET BALANCE	+51	+60	+65	+61	+57

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 03	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	31	32	39	41	37	39	54	55	52	41
	DECREASE	40	30	26	21	29	17	9	9	11	21
	NET BALANCE	-9	+2	+13	+20	+8	+22	+45	+46	+41	+20
SIZE OF WORKFORCE:	INCREASE	10	12	7	12	6	11	15	21	11	10
	DECREASE	8	6	6	5	9	6	3	2	4	10
	NET BALANCE	+2	+6	+1	+7	-3	+5	+12	+19	+7	0
WAGES BILL:	INCREASE	18	26	27	21	20	16	23	28	21	16
	DECREASE	17	12	10	10	12	7	3	5	7	16
	NET BALANCE	+1	+14	+17	+11	+8	+9	+20	+23	+14	0
PRICES:	INCREASE	24	21	24	20	17	21	21	23	21	32
	DECREASE	6	10	6	6	5	3	6	2	3	6
	NET BALANCE	+18	+11	+18	+14	+12	+18	+15	+21	+18	+26
PROFITABILITY:	INCREASE	33	29	38	38	24	38	49	50	48	39
	DECREASE	37	31	27	23	30	16	13	8	10	20
	NET BALANCE	-4	-2	+11	+15	-6	+22	+36	+42	+38	+19
CAPITAL EXPENDITURE:	INCREASE	22	29	21	23	24	19	24	25	28	25
	DECREASE	25	22	21	19	24	26	24	18	21	24
	NET BALANCE	-3	+7	0	+4	0	-7	0	+7	+7	+1

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

Small and medium business outlook – Queensland

- Business confidence rose strongly. SMEs in Queensland were the second most confident in the nation
- Despite falling from last quarter's result, Queensland SMEs recorded the highest sales performance across the nation, along with their Tasmanian counterparts.
- Employment showed strong improvement during the quarter to a level well above the national average.
- Profits recorded strong growth.
- SME support for the Queensland Government improved during the quarter.

Trends in Past Three Months' Experience and Current Quarter Expectations – Queensland					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003	AUG 2003	NOV 2003	FEB 2004	MAY 2004
	%	%	%	%	%
POSITIVE	74	80	77	73	80
NEGATIVE	10	9	4	9	7
NET BALANCE	+64	+71	+73	+64	+73

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB- APR 03	MAY- JUL 03	AUG- OCT 03	NOV- JAN 03/04	FEB- APR 04	MAY- JUL 03	AUG- OCT 03	NOV- JAN 03/04	FEB- APR 04	MAY- JUL 04
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	34	49	58	52	49	47	57	56	49	49
	DECREASE	35	20	18	19	20	9	8	11	16	15
	NET BALANCE	-1	+29	+40	+33	+29	+38	+49	+45	+33	+34
SIZE OF WORKFORCE:	INCREASE	9	4	9	10	10	11	16	20	17	18
	DECREASE	5	7	9	8	4	5	3	7	4	5
	NET BALANCE	+4	-3	0	+2	+6	+6	+13	+13	+13	+13
WAGES BILL:	INCREASE	19	19	31	28	22	25	31	29	27	25
	DECREASE	12	15	8	9	11	9	4	5	4	8
	NET BALANCE	+7	+4	+23	+19	+11	+16	+27	+24	+23	+17
PRICES:	INCREASE	22	23	17	26	22	27	24	27	26	28
	DECREASE	2	6	3	3	6	1	2	3	3	2
	NET BALANCE	+20	+17	+14	+23	+16	+26	+22	+24	+23	+26
PROFITABILITY:	INCREASE	31	48	46	41	44	45	55	48	47	42
	DECREASE	38	23	16	21	19	10	9	7	14	13
	NET BALANCE	-7	+25	+30	+20	+25	+35	+46	+41	+33	+29
CAPITAL EXPENDITURE:	INCREASE	26	32	27	26	27	19	28	24	25	25
	DECREASE	21	17	20	27	24	20	21	19	27	24
	NET BALANCE	+5	+15	+7	-1	+3	-1	+7	+5	-2	+1

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

Small and medium business outlook – South Australia

- Business confidence improved during the quarter and was above the national average.
- Sales performance recorded a strong fall but remained above the national average.
- SMEs in South Australia recorded the highest employment growth, equal with the Australian Capital Territory.
- Profits exhibited softening, but remained well above the national average.
- Capital expenditure was in line with the national average.
- Support for the South Australian Government continued to improve during the quarter.

Trends in Past Three Months' Experience and Current Quarter Expectations – South Australia

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003 %	AUG 2003 %	NOV 2003 %	FEB 2004 %	MAY 2004 %
POSITIVE	74	73	76	75	77
NEGATIVE	10	9	10	10	9
NET BALANCE	+64	+64	+66	+65	+68

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 03 %	MAY-JUL 03 %	AUG-OCT 03 %	NOV-JAN 03/04 %	FEB-APR 04 %	MAY-JUL 03 %	AUG-OCT 03 %	NOV-JAN 03/04 %	FEB-APR 04 %	MAY-JUL 04 %
SALES VALUE:	INCREASE	41	38	46	45	44	46	55	55	48	54
	DECREASE	24	23	17	13	24	19	14	11	15	14
	NET BALANCE	+17	+15	+29	+32	+20	+27	+41	+44	+33	+40
SIZE OF WORKFORCE:	INCREASE	5	7	4	14	12	10	15	14	14	13
	DECREASE	3	6	5	8	5	4	3	3	2	3
	NET BALANCE	+2	+1	-1	+6	+7	+6	+12	+11	+12	+10
WAGES BILL:	INCREASE	23	27	23	25	25	26	30	29	25	23
	DECREASE	9	11	12	12	12	6	7	8	11	8
	NET BALANCE	+14	+16	+11	+13	+13	+20	+23	+21	+14	+15
PRICES:	INCREASE	21	20	28	20	18	21	31	23	26	21
	DECREASE	3	4	2	4	3	3	3	3	1	3
	NET BALANCE	+18	+16	+26	+16	+15	+18	+28	+20	+25	+18
PROFITABILITY:	INCREASE	36	34	39	36	37	44	52	53	44	52
	DECREASE	22	24	19	14	21	15	15	10	14	12
	NET BALANCE	+14	+10	+20	+22	+16	+29	+37	+43	+30	+40
CAPITAL EXPENDITURE:	INCREASE	32	32	21	27	26	25	22	29	25	24
	DECREASE	16	20	22	20	25	22	25	16	31	26
	NET BALANCE	+16	+12	-1	+7	+1	+3	-3	+13	-6	-2

Small and medium business outlook – Western Australia

- Business confidence declined during the quarter, but remained above the national average.
- Sales performance softened during the quarter but remained above the national average.
- The proportion of SMEs that increased their selling prices in the past quarter was higher in Western Australia than in any other state or territory.
- Employment recorded strong growth during the quarter.
- Capital expenditure performance was above the national average.
- From a very low base, support for the Western Australian Government improved marginally during the quarter.

Trends in Past Three Months' Experience and Current Quarter Expectations – Western Australia

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003	AUG 2003	NOV 2003	FEB 2004	MAY 2004
	%	%	%	%	%
POSITIVE	71	68	74	78	74
NEGATIVE	14	19	10	9	9
NET BALANCE	+57	+49	+64	+69	+65

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 03	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	40	40	44	47	45	46	47	53	47	45
	DECREASE	26	26	24	18	22	11	8	11	13	10
	NET BALANCE	+14	+14	+20	+29	+23	+35	+39	+42	+34	+35
SIZE OF WORKFORCE:	INCREASE	4	6	6	11	11	9	15	10	12	13
	DECREASE	5	8	4	7	7	6	4	1	5	4
	NET BALANCE	-1	-2	+2	+4	+4	+3	+11	+9	+7	+9
WAGES BILL:	INCREASE	28	27	28	28	20	23	27	19	22	21
	DECREASE	10	14	9	12	12	8	6	3	7	5
	NET BALANCE	+18	+13	+19	+16	+8	+15	+21	+16	+15	+16
PRICES:	INCREASE	22	19	15	16	24	28	26	22	23	26
	DECREASE	5	6	8	5	4	4	3	1	3	3
	NET BALANCE	+17	+13	+7	+11	+20	+24	+23	+21	+20	+23
PROFITABILITY:	INCREASE	34	29	39	42	38	44	39	49	44	45
	DECREASE	24	28	22	24	24	10	8	11	9	8
	NET BALANCE	+10	+1	+17	+18	+14	+34	+31	+38	+35	+37
CAPITAL EXPENDITURE:	INCREASE	23	31	28	27	27	20	28	20	25	24
	DECREASE	20	22	25	20	23	20	29	25	23	24
	NET BALANCE	+3	+9	+3	+7	+4	0	-1	-5	+2	0

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

Small and medium business outlook – Tasmania

- Business confidence rose and was still far higher than any other state or territory.
- Sales fell again during the quarter but remained at very high levels and the strongest of any state or territory.
- Employment grew strongly during the quarter.
- Price trends softened but remained above the national average.
- Profits recorded a significant fall but remained the highest of any state or territory.
- Capital expenditure rose sharply and was the highest of any state or territory.
- Support for the Tasmanian Government's policies fell but remained the strongest of any government. It was the only government to achieve a net positive rating from SMEs.

Trends in Past Three Months' Experience and Current Quarter Expectations – Tasmania

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003 %	AUG 2003 %	NOV 2003 %	FEB 2004 %	MAY 2004 %
POSITIVE	80	82	78	82	85
NEGATIVE	5	5	4	5	2
NET BALANCE	+75	+77	+74	+77	+83

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB-APR 03 %	MAY-JUL 03 %	AUG-OCT 03 %	NOV-JAN 03/04 %	FEB-APR 04 %	MAY-JUL 03 %	AUG-OCT 03 %	NOV-JAN 03/04 %	FEB-APR 04 %	MAY-JUL 04 %
SALES VALUE: INCREASE	50	35	59	54	45	35	52	58	54	34
DECREASE	10	18	11	11	16	13	5	3	10	18
NET BALANCE	+40	+17	+48	+43	+29	+22	+47	+55	+44	+16
SIZE OF WORKFORCE: INCREASE	7	3	7	9	14	9	21	16	17	15
DECREASE	3	6	5	6	8	7	1	4	1	5
NET BALANCE	+4	-3	+2	+3	+6	+2	+20	+12	+16	+10
WAGES BILL: INCREASE	30	22	26	27	25	14	26	29	26	22
DECREASE	8	16	4	11	14	8	3	5	4	10
NET BALANCE	+22	+6	+22	+16	+11	+6	+23	+24	+22	+12
PRICES: INCREASE	22	13	21	27	21	14	27	30	33	23
DECREASE	1	5	3	4	2	3	5	2	6	4
NET BALANCE	+21	+8	+18	+23	+19	+11	+22	+28	+27	+19
PROFITABILITY: INCREASE	50	35	49	50	39	36	51	50	48	30
DECREASE	14	21	14	6	12	10	5	6	8	17
NET BALANCE	+36	+14	+35	+44	+27	+26	+46	+44	+40	+13
CAPITAL EXPENDITURE: INCREASE	23	19	27	22	29	22	21	33	30	27
DECREASE	26	34	20	28	18	22	20	13	18	21
NET BALANCE	-3	-15	+7	-6	+11	0	+1	+20	+12	+6

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

Small and medium business outlook – Northern Territory

- The Northern Territory recorded the lowest net business confidence of any state or territory.
- Many performance indicators in the Northern Territory improved during the past quarter, with expectations strong for the coming dry season.
- For the coming quarter SMEs in the Northern Territory recorded the highest expectations in sales, employment, wages, profitability and capital expenditure of any state or territory.
- Sales rose to net positive levels, but were the lowest of any state or territory.
- Employment trends were consistent with the previous quarter but were the lowest of any state or territory.
- Profits were at net negative levels but had improved since the past quarter.
- Support for the Northern Territory Government rose in the latest quarter.

Trends in Past Three Months' Experience and Current Quarter Expectations – Northern Territory

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003	AUG 2003	NOV 2003	FEB 2003	MAY 2004
	%	%	%	%	%
POSITIVE	57	66	60	75	71
NEGATIVE	26	15	20	13	20
NET BALANCE	+31	+51	+40	+62	+51

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 03	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	27	41	35	35	36	54	34	37	50	59
	DECREASE	50	30	30	37	32	13	16	22	14	5
	NET BALANCE	-23	+11	+5	-2	+4	+41	+18	+15	+36	+54
SIZE OF WORKFORCE:	INCREASE	7	5	10	6	7	12	15	17	16	20
	DECREASE	5	8	10	13	14	5	3	10	7	4
	NET BALANCE	+2	-3	0	-7	-7	+7	+12	+7	+9	+16
WAGES BILL:	INCREASE	22	25	19	25	22	17	19	20	25	24
	DECREASE	18	20	18	17	12	6	3	16	8	5
	NET BALANCE	+4	+5	+1	+8	+10	+11	+16	+4	+17	+19
PRICES:	INCREASE	29	17	19	20	18	18	18	20	22	22
	DECREASE	7	4	4	10	6	5	4	4	4	4
	NET BALANCE	+22	+13	+15	+10	+12	+13	+14	+16	+18	+18
PROFITABILITY:	INCREASE	19	38	32	32	27	48	35	33	47	56
	DECREASE	47	32	30	37	28	16	17	24	15	7
	NET BALANCE	-28	+6	+2	-5	-1	+32	+18	+9	+32	+49
CAPITAL EXPENDITURE:	INCREASE	21	30	24	22	21	26	24	21	25	26
	DECREASE	22	29	22	28	23	19	29	29	23	20
	NET BALANCE	-1	+1	+2	-6	-2	+7	-5	-8	+2	+6

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

Small and medium business outlook – Australian Capital Territory

- Business confidence fell sharply during the quarter to a level below the national average.
- Sales fell to a level well below the national average.
- Employment exhibited strong growth, to be equal highest with SMEs in Tasmania.
- Wage pressures in the Australian Capital Territory were higher than any other state or territory.
- SME support for the Australian Capital Territory Government fell dramatically during the quarter.

Trends in Past Three Months' Experience and Current Quarter Expectations – Australian Capital Territory

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2003	AUG 2003	NOV 2003	FEB 2004	MAY 2004
	%	%	%	%	%
POSITIVE	71	81	82	77	68
NEGATIVE	8	4	4	7	13
NET BALANCE	+63	+77	+78	+70	+55

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB-APR 03	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 03	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	32	48	46	39	38	45	62	56	55	49
DECREASE	37	23	26	25	31	12	4	9	11	13
NET BALANCE	-5	+25	+20	+14	+7	+33	+58	+47	+44	+36
SIZE OF WORKFORCE: INCREASE	8	10	10	9	12	11	23	19	21	13
DECREASE	8	10	6	8	5	7	2	2	4	2
NET BALANCE	0	0	+4	+1	+7	+4	+21	+17	+17	+11
WAGES BILL: INCREASE	19	24	30	24	24	12	30	28	24	22
DECREASE	19	13	10	14	10	8	6	6	6	5
NET BALANCE	0	+11	+20	+10	+14	+4	+24	+22	+18	+17
PRICES: INCREASE	23	25	28	22	18	22	26	18	24	24
DECREASE	2	4	4	4	5	2	4	2	5	3
NET BALANCE	+21	+21	+24	+18	+13	+20	+22	+16	+19	+21
PROFITABILITY: INCREASE	26	44	40	32	34	49	52	47	48	43
DECREASE	35	25	27	24	25	11	6	9	10	14
NET BALANCE	-9	+19	+13	+8	+9	+38	+46	+38	+38	+29
CAPITAL EXPENDITURE: INCREASE	19	25	27	23	25	23	15	30	29	32
DECREASE	22	23	19	27	27	17	21	20	35	27
NET BALANCE	-3	+2	+8	-4	-2	+6	-6	+10	-6	+5

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

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