

November 2004

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



Sensis® Business Index - Small and Medium Enterprises

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Introduction

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

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

The Sensis® *Business Index* is an initiative of Sensis Pty Ltd as part of its commitment to this vital business sector. Sensis is a wholly owned local advertising and search subsidiary of Telstra Corporation Ltd. 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, policy and communication issues.

About the survey

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

The November 2004 Sensis® *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 November 2004 Sensis® *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 18 October to 12 November, 2004. The report covers experience over the past three months (August 2004 to October 2004), and expectations for both the current quarter (November 2004 to January 2005) and the 12 months ending October 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 fell since the exceptionally strong result recorded last quarter, but remained at an historically strong level. There was marginal softening in most business performance indicators over the past quarter, however most indicators remained at strong levels. Most short-term expectations also experienced minor fluctuations, but remained strong overall. In the year ahead, key indicators either maintained high levels or improved marginally. Following the recent Federal Election, the Federal Government's approval rating improved dramatically over the past quarter.

Other key findings from the Sensis® *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 Sensis® *Business Index*.

Historical trends and overall SME highlights

- Business confidence among SMEs fell during the past quarter, however remained historically strong. The fall was off the back of an exceptionally strong result last survey, which was the highest level on record, since the inception of the Sensis® *Business Index* in 1993.
- Perceptions of the current state of the Australian economy were stable, however there was a decline in the net proportion of SMEs who felt the economy would be better a year from now.
- Expectations for key business indicators remained historically high, with some improvement, for the year ahead.
- Concerns about finding quality staff rose significantly and continued as the number one concern of SMEs. Lack of work or sales was the second most pressing concern, followed by cash flow in third position.
- A further marginal weakening in sales performance was recorded, but remained at solid levels. Sales expectations for the current quarter were significantly lower.
- Profitability performance decreased marginally over the past quarter as did expectations for the coming quarter.
- Employment growth was positive during the quarter, though had softened slightly since last quarter. Future expectations however, showed solid improvement.
- Following exceptionally strong performance last quarter, capital expenditure performance decreased with no net improvement in SME capital expenditure. However, this was still in excess of expectations, which were for net negative capital expenditure. Expectations remained stable for both the short term and the year ahead.
- Following the recent Federal Election, attitudes towards the Federal Government's policies improved dramatically during the quarter to their highest level since May 1996.
- Despite a small decline in support, the Tasmanian Government remained the most supported state government in Australia. The New South Wales Government saw further deterioration to its rating since the last quarter; achieving the lowest level of support on record for a state or territory government in the history of the Sensis® *Business Index*.

Small versus medium enterprises

The main differences to emerge between small and medium businesses during the past quarter were:

- medium businesses were again more confident than small businesses, with a gap of 11 percentage points;
- 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 on all indicators; and,
- medium businesses continued to be far more supportive of the Federal Government's policies than small businesses.

Metropolitan versus regional

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

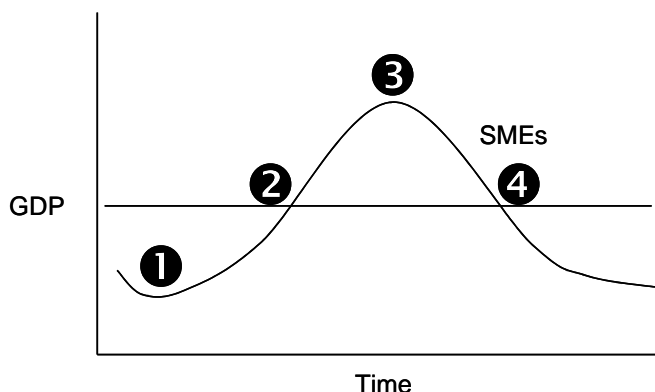
- regional businesses exhibited higher confidence levels than their metropolitan counterparts, in contrast to the previous two quarters;
- metropolitan businesses were more positive about the current state of the Australian economy than regional businesses;
- regional businesses outperformed metropolitan businesses in all indicators for the previous quarter, with the exception of profitability, where metropolitan SMEs recorded a marginally higher result; and,
- regional businesses recorded marginally higher support for the Federal Government's policies than metropolitan businesses.

Industry sector trends

Several trends emerged throughout the industry sectors:

- confidence was highest in the building and construction sector;
- the manufacturing sector recorded the lowest confidence levels of any sector;
- the accommodation, cafes and restaurant sector saw very strong performance in the past quarter, recording the highest results in sales, profitability and capital expenditure. In line with strong employment growth, this sector also experienced the highest increases in wages bills;
- employment performance was also highest in the accommodation, cafes and restaurant sector, equal with the finance and insurance sector;
- the highest price increases were in the building and construction sector. Despite recording high confidence levels for the year ahead, the building and construction sector saw poor performance in the past quarter, recording the lowest results in sales, employment and capital expenditure; and,
- the transport and storage sector was again the most supportive of the Federal Government's policies, with the communication, property and business services and cultural, recreational and personal services sectors 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 Sensis® Business Index relative to the normal business cycle.

Analysis of the key indicators from the November 2004 Sensis® Business Index suggests a relatively consistent picture of the current state of Australian SMEs within the Australian economy. Most indicators remain at very high levels on an historical basis, with some business indicators potentially entering the slow down phase of the business cycle. Key business indicators that remain in a ‘peaking’ stage include business confidence, employment, profitability and wages. Indicators such as sales performance indicate that while there is potential for a marginal slowing of the economy, the risks are minimal considering the relative strength of most indicators. Investment expectations continue to be fully realised, and potential for price increases remain relatively stable.

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 for the November 2004 Sensis® Business Index.

Small and medium business outlook – national summary

Confidence in own business prospects over the next 12 months

Key findings

Australian SMEs experienced strong business confidence during the quarter, however, following from an exceptionally high result the previous quarter, a decrease of five percentage points was recorded.

The previous quarter's result of net 67 per cent represented the highest level of confidence in the history of the Sensis® Business Index. This latest result is in keeping with the levels recorded over three of the past four quarters, demonstrating consistently strong business confidence among SMEs for the past year.

Last quarter (August to October 2004)

SMEs recorded strong business confidence with a net balance result of 62 per cent. This comprised 74 per cent of businesses that were confident about their business prospects for the year ahead and 12 per cent that were worried. In the key confidence categories, the most significant shifts were amongst those businesses that were fairly worried (which increased three percentage points from seven per cent to ten per cent).

This shift combined with a small decrease in those SMEs that were feeling fairly confident resulted in an overall decrease in those businesses that were feeling confident. The net decrease in confidence this quarter was mainly caused by businesses less likely to feel fairly confident, and more likely to express moderate concern in their prospects, rather than any change in businesses that expressed strong feelings about their prospects, either in terms of confidence or concern.

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.

Like business confidence, which has been relatively stable at strong levels over the past year, perceptions of the current state of the Australian economy were also stable. Expectations for the economy for the coming year did experience a decrease from the previous quarter. Despite this, trends for the year ahead show SMEs expecting similar or slightly improved performance.

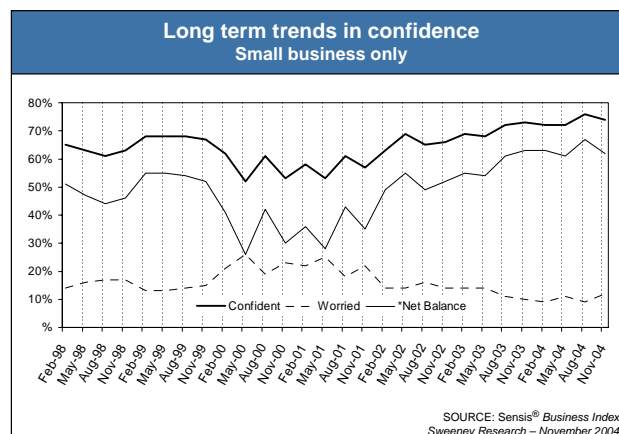
Overall confidence November 2004			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	16%	17%	16%
Fairly confident	58%	64%	58%
Neutral	14%	12%	14%
Fairly worried	10%	7%	10%
Extremely worried	2%	1%	2%
Total confident	74%	81%	74%
Total worried	12%	7%	12%
*Net Balance	+62%	+74%	+62%

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

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Confidence trends - past five quarters					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Extremely confident	16%	14%	16%	16%	16%
Fairly confident	57%	58%	56%	59%	58%
Neutral	17%	19%	17%	15%	14%
Fairly worried	7%	7%	10%	7%	10%
Extremely worried	3%	2%	1%	2%	2%
Total confident	73%	72%	72%	76%	74%
Total worried	10%	9%	11%	9%	12%
*Net Balance	+63%	+63%	+61%	+67%	+62%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



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

Confidence by state, sector and size

Key findings

Having recorded a strong improvement in business confidence over the past quarter, the highest level of business confidence was recorded in the Australian Capital Territory. The lowest level of business confidence was again recorded in New South Wales. Regional businesses recorded higher confidence levels than their metropolitan counterparts. Confidence was highest amongst SMEs in the building and construction sector, which also had the largest improvement in the quarter. Confidence was lowest amongst SMEs in the manufacturing sector.

Last quarter (August to October 2004)

The Australian Capital Territory recorded the largest rise in business confidence of eight percentage points to record the highest confidence of any state or territory. The largest falls in business confidence were recorded in Tasmania and Victoria, where confidence fell by ten percentage points.

Declines in business confidence were recorded in New South Wales, Victoria, Western Australia and Tasmania. Having recorded a five percentage point decline in business confidence over the past quarter, New South Wales recorded the lowest confidence of any state or territory at net 55 per cent, with confidence among New South Wales SMEs being below average for each of the past five quarters.

Following a seven percentage point increase, the building and construction sector recorded the highest confidence level at net 71 per cent. This was closely followed by the cultural, recreational and personal services sector, where business confidence was at net 70 per cent. The lowest confidence level was recorded in the manufacturing sector, with a net balance of 53 per cent. The largest fall in net confidence was recorded in the health and community services sector, where net confidence fell by 17 percentage points.

On a national basis, the fall in confidence was predominantly among those SMEs in metropolitan areas, with confidence rising strongly in regional Australia. However, whilst this was the case nationally, the trend did vary from state to state. Confidence actually rose in the metropolitan areas of Western Australia, the Northern Territory and the Australian Capital Territory, while confidence also rose in the regional areas of New South Wales, Queensland, South Australia and the Northern Territory. The Northern Territory was the only state or territory to record improvements in both metropolitan and regional areas. The highest and lowest levels of confidence around the nation were both recorded in regional areas, with the most confident SMEs being in Victoria and South Australia, and the least confident SMEs being in regional Western Australia. The largest improvement was amongst those SMEs in regional South Australia, with the largest decline in business confidence recorded amongst SMEs in metropolitan New South Wales.

Trends by state *net balance					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
National	63%	63%	61%	67%	62%
New South Wales	52%	62%	55%	60%	55%
Victoria	65%	61%	57%	72%	62%
Queensland	73%	64%	73%	70%	73%
South Australia	66%	65%	68%	66%	69%
Western Australia	64%	69%	65%	62%	56%
Tasmania	74%	77%	83%	82%	72%
Northern Territory	40%	62%	51%	64%	69%
Australian Capital Territory	78%	70%	55%	67%	75%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	59%	70%	62%
New South Wales	54%	62%	55%
Victoria	57%	78%	62%
Queensland	69%	77%	73%
South Australia	67%	78%	69%
Western Australia	60%	49%	56%
Tasmania	71%	73%	72%
Northern Territory	74%	64%	69%
Australian Capital Territory	75%	N/A	75%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Confidence by business size			
	Confident	Worried	*Net Balance
Total	74%	12%	62%
1-2 Employees	70%	13%	57%
3-4 Employees	76%	11%	65%
5-9 Employees	81%	8%	73%
10-19 Employees	78%	9%	69%
Total Small Business	74%	12%	62%
20-99 Employees	81%	8%	73%
100-200 Employees	75%	4%	71%
Total Medium Business	81%	8%	73%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	70%	17%	53%
Building/Construction	78%	7%	71%
Wholesale Trade	76%	11%	65%
Retail Trade	69%	15%	54%
Transport/Storage	74%	10%	64%
Communication, Property and Business	76%	9%	67%
Finance and Insurance	71%	12%	59%
Health and Community Services	73%	14%	59%
Cultural, Recreational and Personal	79%	9%	70%
Accommodation, Cafes and Restaurants	74%	14%	60%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

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

Comparison of personal prospects vs the economy

Key findings

While business confidence fell over the past quarter, the proportion of SMEs that felt more confident in their own business prospects than in the economy also fell.

Last quarter (August to October 2004)

Once again, the vast majority (67 per cent) of SMEs felt that their business prospects would perform in line with the national economy. This proportion of businesses has remained stable for the third successive quarter. However, there was a fall in the proportion of businesses that were more confident in their own prospects: 21 per cent of businesses expressed comparative confidence compared to 24 per cent in the previous quarter.

While overall business confidence has fallen by one percentage point in the year ending October 2004, this was smaller than the corresponding fall in perceptions of the Australian economy over the same time (13 per cent). Interestingly, whilst SME owners reported a stronger rise in confidence over the past year than in the economy, the proportion that feel that their businesses would outperform the economy is now four percentage points lower than it was one year ago.

Regional businesses were again less optimistic about their own business prospects relative to metropolitan businesses. Again, not surprisingly, businesses with significant growth aspirations were significantly more confident about their business prospects relative to the national economy than was the case for non-growth-oriented businesses. Medium businesses were more likely than small businesses to express a greater level of confidence in their own business prospects compared to the national economy.

Comparison of personal prospects vs national prospects

	Nov 03	Feb 04	May 04	Aug 04	Nov 04
More confident in own prospects than National prospects	25%	21%	22%	24%	21%
Less confident in own prospects than National prospects	9%	11%	12%	9%	11%
Equally confident in own and National prospects	66%	68%	67%	67%	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 – November 2004

Perceptions of the economy

Key findings

The latest quarter showed net perceptions of the Australian economy stable among SMEs, with over half of SMEs currently believing the economy to be growing.

However, there was a decline in future economic expectations from the previous quarter's result, with net 14 per cent of SMEs believing that the economy would be better a year from now.

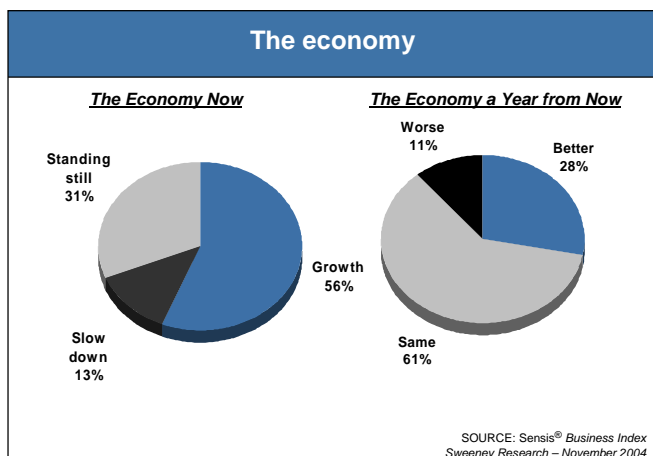
Last quarter (August to October 2004)

While there was an increase in the proportion of SMEs that felt the economy was currently growing, this was balanced by an equal increase in SMEs that felt the economy was currently slowing. This resulted in an overall perception consistent with last quarter, with a net balance of 43 per cent of businesses believing the Australian economy is currently growing.

Tasmanian SMEs again had the strongest perception of the current state of the Australian economy. A net balance of 64 per cent reported a current growth phase, a further improvement of seven percentage points from the previous quarter. The second strongest perception was recorded in the Northern Territory (net balance of 58 per cent). The weakest perception was recorded among SMEs in New South Wales (net balance of 35 per cent).

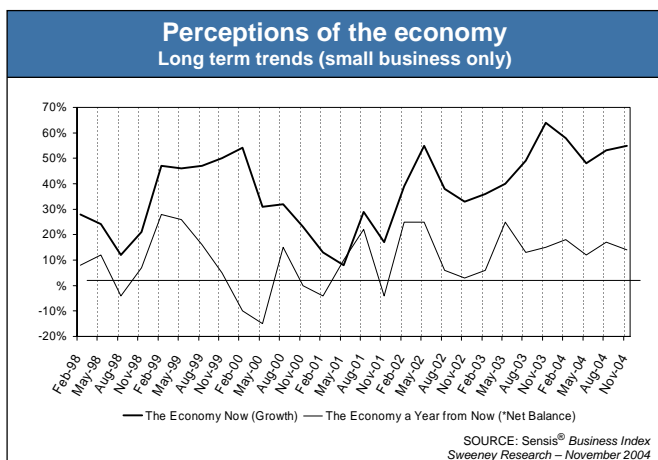
New South Wales and Western Australia were the only states where perceptions of the economy actually declined in the past quarter. All other states and territories had increasing perceptions of the economy, with the strongest improvement in the Australian Capital Territory.

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 14 per cent of SMEs believing the Australian economy would be stronger in a year's time, a decrease from 17 per cent in the previous quarter.



	Nov 03	Feb 04	May 04	Aug 04	Nov 04
The Economy Now					
Growth	64%	59%	49%	53%	56%
Slowing	8%	10%	14%	10%	13%
*Net Balance	+56%	+49%	+35%	+43%	+43%
The Economy a Year from Now					
Better	32%	31%	27%	28%	28%
Worse	17%	12%	15%	11%	14%
*Net Balance	+15%	+19%	+12%	+17%	+14%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The Economy Now								
Growth	52%	53%	57%	63%	62%	72%	64%	56%
Slowing	17%	11%	10%	8%	12%	8%	6%	13%
*Net Balance	+35%	+42%	+47%	+55%	+50%	+64%	+58%	+43%
The Economy a Year From Now								
Better	25%	25%	35%	32%	28%	23%	32%	28%
Worse	18%	10%	12%	13%	15%	16%	7%	18%
*Net Balance	+7%	+15%	+13%	+19%	+13%	+7%	+25%	+10%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

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

Expectations on key indicators over the next 12 months

Key findings

The 12-month expectations for most key indicators were either stable in the past quarter or experienced small improvements. The most positive improvement in year-ahead expectations was for the size of workforce, which was balanced by an equivalent increase in the proportion of SMEs expecting increases in their wages bills. All indicators remained at historically high levels.

Next 12 months (November 2004 to October 2005)

All indicators for the year ahead were either stable, or experienced small rises, since the last quarter. Rises were recorded in sales, employment and wages.

Sales expectations rose marginally during the quarter from 58 per cent to 59 per cent. This result comprised 68 per cent of businesses that believed sales would rise in the year ahead and nine per cent that thought prices would fall. The strongest net sales expectations for the year ahead were again recorded in South Australia, the Northern Territory and the Australian Capital Territory with 65 per cent. The most confident industry sector for sales expectations was the accommodation, cafes and restaurants sector (net 76 per cent), with the building and construction sector having the lowest sales expectations for the year ahead (net 43 per cent).

There was a solid increase in employment expectations, which was reflected in the net balance result of 25 per cent for the year ahead compared to 22 per cent for the previous quarter. Businesses in Victoria and the Northern Territory had the strongest employment expectations for the year ahead, with a net balance result of 29 per cent. The lowest employment expectations were again recorded in Tasmania, with a net balance result of 13 per cent.

In line with increasing employment expectations, there was an increase of net three per cent in expectations for total wage and salary costs for the year ahead. A net balance of 42 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 Victoria with a net balance of 45 per cent, while the weakest were recorded in Tasmania (net balance of 36 per cent).

Selling price expectations for the year ahead were stable during the quarter recording a net balance of 50 per cent. The strongest selling price expectations were recorded in the accommodation, cafes and restaurant sector, with a net balance of 78 per cent. The weakest selling price expectations were recorded in the business services sector (31 per cent).

Expectations for profitability in the year ahead were also stable at net 53 per cent. The highest expectations for profitability for the year ahead were in the Australian Capital Territory, with a net balance of 63 per cent, and the lowest were recorded in Western Australia, where a net balance of 49 per cent of SMEs were expecting their profitability to increase.

Following two quarters of rising expectations for the year ahead, capital expenditure expectations were stable at a net balance of 18 per cent. The strongest capital expenditure expectations were recorded in Victoria and Tasmania (20 per cent each) and in the health and community services sector (26 per cent).

Expectations on key indicators over the next 12 months November 2004			
	Expect an Increase	Expect a Decrease	*Net Balance
Value of sales	68%	9%	+59%
Size of workforce	30%	5%	+25%
Wages bill	48%	6%	+42%
Prices charged	54%	4%	+50%
Profitability	63%	10%	+53%
Capital expenditure	36%	18%	+18%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Expectations on key indicators Trends in *net balance					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Value of sales	61%	58%	60%	58%	59%
Size of workforce	24%	22%	21%	22%	25%
Wages bill	38%	40%	41%	39%	42%
Prices charged	49%	43%	47%	50%	50%
Profitability	56%	54%	55%	53%	53%
Capital expenditure	19%	12%	16%	18%	18%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

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

Concerns

Key findings

Finding quality staff increased by a further three percentage points to remain the most pressing concern of SMEs. This result was once again at its highest level since the Sensis® Business Index commenced in May 1993. This issue was identified by 13 per cent of SMEs as a problem currently facing their businesses.

Last quarter (August to October 2004)

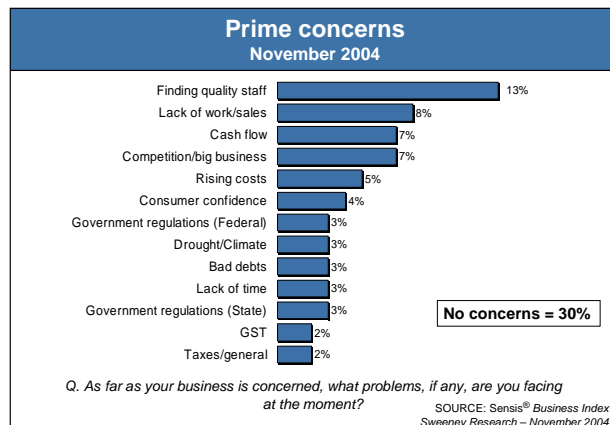
Concerns about finding quality staff increased by a further three percentage points to again be the most nominated concern by SMEs. Overall, 13 per cent of SMEs nominated finding quality staff as an issue. This is by far the highest level of SMEs nominating finding quality staff as a concern since the inception of the Sensis® Business Index.

Finding quality staff was most strongly felt in the Northern Territory in the past quarter (25 per cent) and in the accommodation, cafes and restaurant sector (26 per cent) and manufacturing sector (21 per cent). SMEs that were aiming for significant growth were much more likely to have a problem finding quality staff than non-growth businesses.

The second most important business concern was lack of work or sales, cited by eight per cent of businesses. Reflecting a strong business confidence and demand environment, lack of work or sales, which has always been one of the prime concerns for SMEs, has never been at a lower level in the history of the Sensis® Business Index.

Lack of work or sales was a more significant concern for businesses in Victoria, where 11 per cent identified it as an issue. Fourteen per cent of businesses in the retail sector identified it as a concern. At the other end of the spectrum, only five per cent of businesses within the wholesale and finance and insurance sectors recorded lack of work or sales as a concern.

The issue of cash flow was again the third most important business concern identified during the quarter, nominated by seven per cent of SMEs - a decrease of one percentage point since the last quarter. Cash flow has only been at a lower level of concern on two previous instances in the history of the Sensis® Business Index. Businesses in Victoria were most likely to nominate cash flow as a problem for their business (11 per cent), as were businesses in the manufacturing and wholesale trade sectors (12 per cent of SMEs in each sector). SMEs that were aiming for significant growth were much more likely to nominate cash flow as a problem in their business than those SMEs not aiming for growth (11 per cent compared to five per cent).



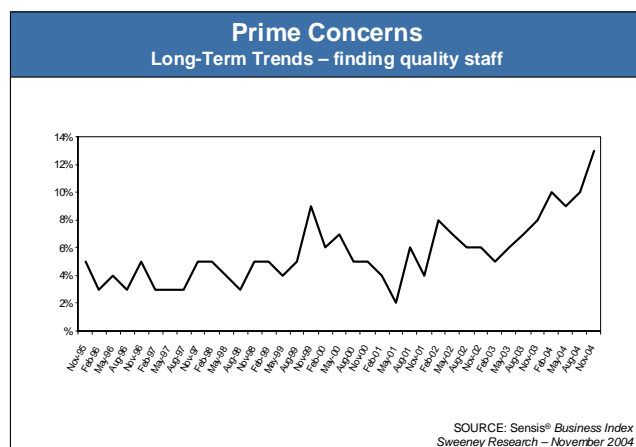
Finding quality staff

As already mentioned, finding quality staff was the issue that was most concerning SMEs in November 2004. Over the past year, this issue has increased in prominence, to become the prime issue concerning SMEs. Building on an already historically high level, the most recent Sensis® Business Index saw the level of difficulty SMEs had experienced rise even further, with thirteen per cent of SMEs reporting that they were currently having problems with this issue. As can be seen from the graph opposite, the proportion of SMEs having difficulties finding quality staff has been trending upwards since February 2003, when five per cent of SMEs reported having difficulties in this area.

The issue of finding quality staff encompasses many different issues experienced by SMEs as illustrated by the graph opposite. The top issue affecting SMEs that had reported difficulties finding staff in the November quarter was the skills issue, with SMEs reporting that they were not able to find staff that had the appropriate skills sets for their businesses. This problem was reported by 18 per cent of SMEs that had reported problems finding quality staff nationally.

The second highest issue reported by SMEs was the difficulty finding people who wanted to work. This issue was reported by 13 per cent of SMEs who had difficulties finding quality staff nationally. The third most pressing problem was finding the right person who would fit in with their business, which was reported by 10 per cent of SMEs nationally.

Whilst these figures show how SMEs were affected at the national level, different issues affected different businesses depending on where they were located, industry sector and a range of other factors. For example, while skills were the main issue at the national level, it was only the top concern in half of the states and territories. In South Australia, SMEs were most likely to nominate the low unemployment level as being a hindrance in finding staff, whereas in the Northern Territory, SMEs were most likely to report having difficulties attracting staff to their region. SMEs in regional areas were more likely to nominate difficulties attracting staff to their region. SMEs operated predominantly by females were most likely to nominate difficulties with training as their key issue in finding quality staff. SMEs located in the building and construction sector were most likely to have difficulties with rates of pay, while those SMEs in the accommodation, cafe and restaurant sector were having difficulty with staff retention.



Sales

Key findings

Despite recording further marginal softening, sales performance maintained high levels during the quarter. Expectations for the short term recorded a fall after a strong rise last quarter, however expectations for the year ahead rose marginally, remaining at historically high levels.

Last quarter (August to October 2004)

Sales recorded a net balance of 16 per cent for the quarter, a marginal decline from the previous quarter's result of 17 per cent. This result reflected a marginal increase in those SMEs experiencing declining sales. After recording exceptionally strong sales growth in late 2003, SMEs have experienced marginally softening sales performance over the past four quarters, but on an historical basis, sales performance remains high.

The results showed considerable diversity across the states and territories. The strongest result was amongst SMEs in Queensland, where net 31 per cent experienced increasing sales over the past quarter, closely followed by SMEs in the Northern Territory at net 30 per cent, with SMEs in the top end experiencing strong performance throughout the recent dry season. At the other end of the scale, sales performance was lowest amongst SMEs in New South Wales, where a net balance of only five per cent of SMEs recorded increasing sales.

The strongest sales performance was again recorded in the accommodation, cafes and restaurant sector, with a net balance of 36 per cent. The building and construction sector recorded the weakest industry performance, with net five per cent of SMEs reporting growth in sales during the quarter.

Current quarter (November 2004 to January 2005)

Sales expectations for the current quarter decreased to a net balance of 34 per cent, which represented a decline of seven percentage points from the previous quarter.

Expectations for sales growth varied around the country, with the strongest expectations in Tasmania at net 44 per cent, and the weakest sales expectations for the coming quarter being in Queensland.

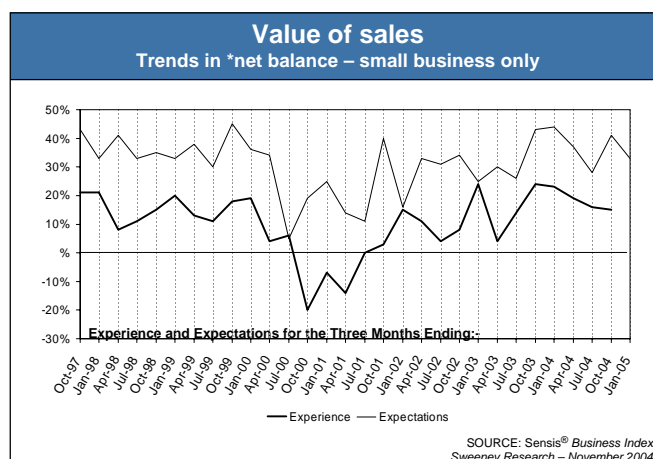
There was greater variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the accommodation, cafes and restaurant sector (net balance of 52 per cent). The manufacturing sector recorded the lowest level of expectations (net 16 per cent).

Next twelve months (November 2004 to October 2005)

Twelve-month sales expectations rose marginally during the quarter from 58 per cent to 59 per cent. The result comprised 68 per cent of businesses that believed sales would rise in the year ahead and nine per cent that thought they would fall. Sales expectations remain at historically high levels.

Value of sales					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Last Quarter					
Experienced increase	46%	45%	44%	43%	43%
No change	32%	33%	31%	31%	29%
Experienced decrease	22%	22%	25%	26%	27%
*Net Balance	+24%	+23%	+19%	+17%	+16%
Current Quarter					
Expect increase	54%	51%	46%	53%	50%
No change	36%	34%	38%	34%	34%
Expect decrease	10%	15%	16%	12%	16%
*Net Balance	+44%	+36%	+30%	+41%	+34%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



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

Employment

Key findings

Employment growth remained solid this quarter, however, it was marginally softer than last quarter's growth. Expectations, in both the short and medium terms, also improved, with employment expectations for the year ahead being at their highest point in the past decade. A lack of work or sales remained the number one barrier to employment.

Last quarter (August to October 2004)

SMEs recorded further growth in employment, with a net two per cent of SMEs increasing their workforce during the quarter. This followed employment growth of net three per cent in the preceding quarter. This quarter's result comprised 10 per cent of businesses that identified an increase in the size of their workforce, while eight per cent experienced a decline. This latest result reflects a fifth successive quarter of positive employment growth in SMEs.

The strongest employment result was recorded in the Northern Territory, with a net balance result of eight per cent. Queensland had the weakest result at net negative one per cent.

In terms of barriers to employment, a lack of work or sales recorded decreased marginally during the quarter (from 28 per cent to 27 per cent). Finding skilled staff was the second greatest barrier to employment (up four percentage points to 18 per cent), followed by problems with employment conditions (up two percentage points to 13 per cent).

Current quarter (November 2004 to January 2005)

Expectations for employment recorded solid improvement in the current quarter to net 14 per cent, compared to a net result of 12 per cent the previous quarter.

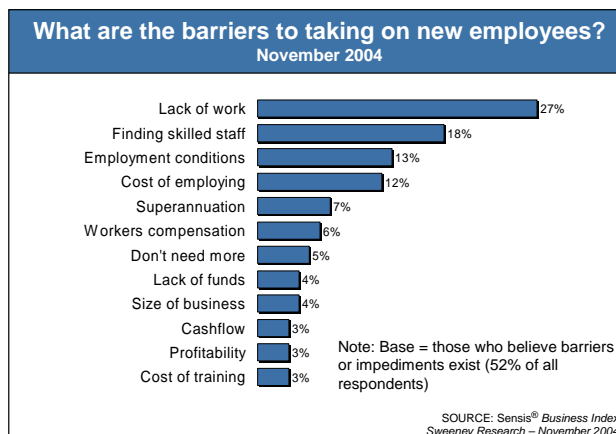
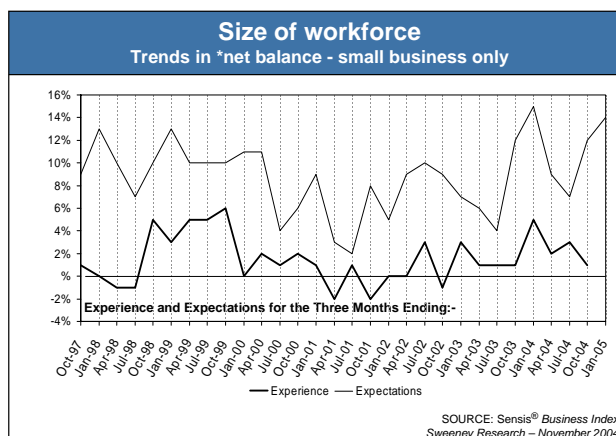
The strongest employment expectations were recorded in Victoria with a net balance result of 17 per cent. On an industry basis, the strongest expectations were recorded in the accommodation, cafes and restaurant sector (22 per cent).

Next 12 months (November 2004 to October 2005)

There was a solid increase in employment expectations for the year ahead, with a net result of 25 percent, a three-percentage point rise from last quarter. Year-ahead employment expectations are at their highest level since November 1994. On an industry basis, the strongest employment expectations for the year ahead were recorded in the business services sector (35 per cent).

Size of workforce					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Last Quarter					
Experienced increase	7%	11%	9%	10%	10%
No change	87%	83%	83%	83%	82%
Experienced decrease	6%	6%	8%	7%	8%
*Net Balance	+1%	+5%	+1%	+3%	+2%
Current Quarter					
Expect increase	18%	14%	15%	17%	19%
No change	78%	79%	76%	77%	74%
Expect decrease	3%	4%	7%	5%	5%
*Net Balance	+15%	+10%	+8%	+12%	+14%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



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

Wages bill

Key findings

Net growth in total wage costs decreased during the last quarter, following a sharp increase last quarter. There was a slight drop in expectation for increasing wages bills for the current quarter. SMEs are expecting an increase in the year ahead, in line with increasing employment expectations.

Last quarter (August to October 2004)

The most recent quarter saw a decline in wage costs trends, with the result falling from net 15 per cent to net 13 per cent.

During the quarter, 26 per cent of SMEs experienced a rise in total wage costs, while 13 per cent recorded a decline. Following strong SME employment growth, the Northern Territory recorded the highest increase in total wage costs (net 27 per cent), whilst the lowest wage pressures were in New South Wales (net nine per cent). The strongest rise in total wage costs was recorded in the accommodation, cafes and restaurant sector (net 32 per cent).

Current quarter (November 2004 to January 2005)

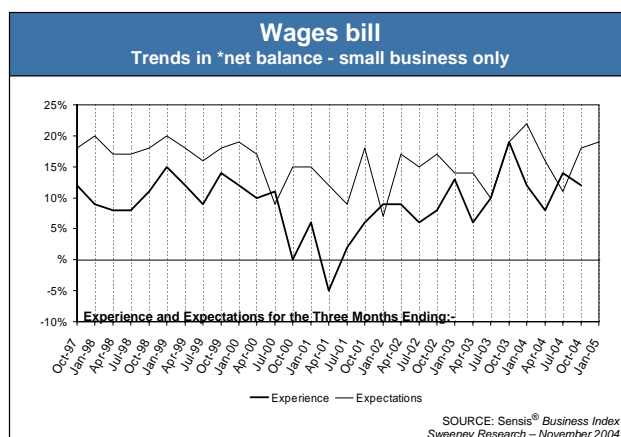
Expectations for total wage costs increased marginally for the current quarter, rising a further one percentage point from net 19 per cent to 20 per cent. The highest wage expectations were again in Tasmania, with a net balance of 29 per cent expecting an increase in their total wages bill in the coming quarter.

Next 12 months (November 2004 to October 2005)

Expectations for total wage and salary costs increased during the quarter, with a net balance of 42 per cent of businesses expecting a rise in total wage costs in the year ahead. This increase of three percentage points on last quarter's result is in line with the three-percentage point increase in year-ahead employment expectations. Year-ahead wage expectations remain at their highest level since November 1994.

Wages bill					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Last Quarter					
Experienced increase	27%	24%	21%	26%	26%
No change	59%	60%	63%	57%	56%
Experienced decrease	8%	11%	12%	11%	13%
*Net Balance	+19%	+13%	+9%	+15%	+13%
Current Quarter					
Expect increase	27%	24%	23%	27%	28%
No change	64%	64%	62%	61%	60%
Expect decrease	5%	7%	11%	8%	8%
*Net Balance	+22%	+17%	+12%	+19%	+20%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



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

Prices

Key findings

There was a decline in the net proportion of SMEs that reported price rises on products and services, as well as expectations for the current quarter. Expectations for the next twelve months remained stable.

Last quarter (August to October 2004)

The proportion of businesses that experienced price rises fell during the quarter. A net balance result of 14 per cent of SMEs experienced a rise in prices during the quarter (a decrease from net 16 per cent in the previous quarter).

Of all states and territories, the strongest price trends were recorded in South Australia and Tasmania, with a net balance of 25 per cent in each state. The lowest result was recorded in New South Wales, with a net balance of nine per cent. On an industry basis, the strongest price rises were recorded in the building and construction sector, with a net balance result of 27 per cent. The weakest outcome was recorded in the retail sector, with a net balance result of four per cent.

Current quarter (November 2004 to January 2005)

Expectation for price rises fell marginally during the quarter to a net balance result of 22 per cent, a decrease of one percentage point since the last quarter. Western Australia again recorded the strongest price rise expectations, with a net balance result of 33 per cent, while New South Wales again recorded the weakest price rise expectations, with a net balance of 12 per cent.

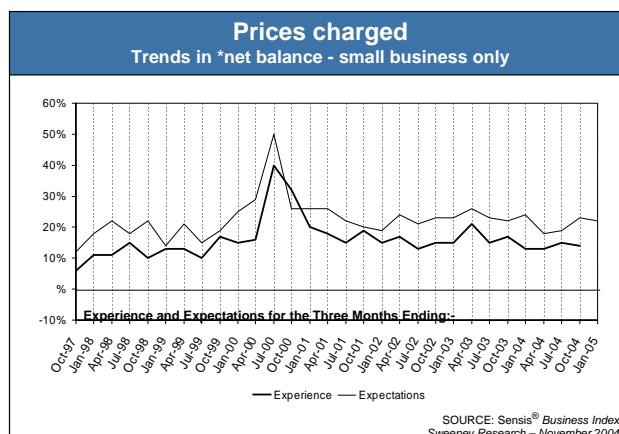
Next 12 months (November 2004 to October 2005)

At a net balance of 50 per cent, expectations for price rises over the coming year remained consistent with the previous quarter.

The strongest price rise expectations were recorded in the accommodation, cafe and restaurant sector, with a net balance result of 78 per cent. The weakest selling price expectations were recorded in the communication, property and business services sector (31 per cent).

Prices charged					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Last Quarter					
Experienced increase	22%	19%	19%	21%	21%
No change	73%	74%	76%	74%	72%
Experienced decrease	5%	7%	5%	5%	7%
*Net Balance	+17%	+12%	+14%	+16%	+14%
Current Quarter					
Expect increase	26%	23%	24%	26%	26%
No change	72%	72%	71%	71%	70%
Expect decrease	2%	5%	5%	3%	4%
*Net Balance	+24%	+18%	+19%	+23%	+22%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



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

Capital expenditure

Key findings

Capital expenditure fell sharply in the last quarter, following exceptionally strong growth in the previous quarter. Despite the fall, however, performance again exceeded expectations. Whilst the outlook for future investment in the short term improved, medium term expectations for the year ahead were stable.

Last quarter (August to October 2004)

After exceptionally strong performance in capital expenditure performance in the previous survey, the latest quarter saw no net growth in capital expenditure on a national basis. This was a decrease on the net seven per cent recorded last quarter but was higher than the anticipated decline of net three per cent. This was the fourth successive quarter in which the capital expenditure performance of SMEs has outstripped their expectations.

Capital expenditure growth was strongest in the Northern Territory, where a net balance result of 21 per cent of SMEs increased their capital expenditure. The weakest result was in Western Australia, which recorded a net balance of negative five per cent.

Once again, there was a high degree of variability between the sectors. The strongest capital expenditure performance was recorded in the accommodation, cafes and restaurant sector (23 per cent net balance), whilst the weakest result was in the building and construction sector (negative eight per cent net balance).

Current quarter (November 2004 to January 2005)

The proportion of SMEs expecting to increase their capital expenditure in the short term was exactly balanced by the proportion expecting a decrease, resulting in a net balance of 0 per cent. Expectations varied on a state basis, with the strongest expectations being recorded in Victoria and Tasmania, with a net balance of six per cent each. The Australian Capital Territory again had the weakest result, recording a net balance of negative 11 per cent.

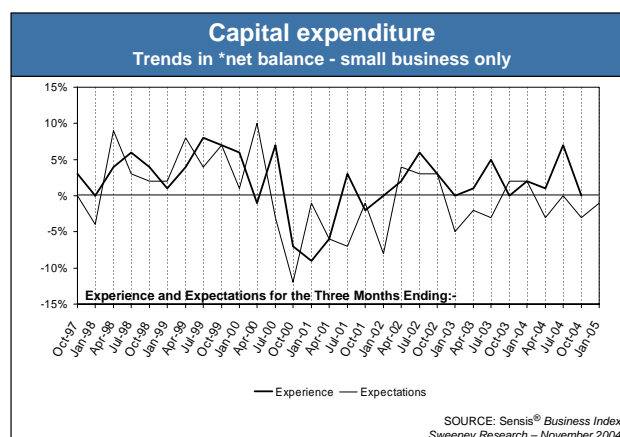
In the quarter ahead, SMEs in the transport and storage sector had the highest expectations (seven per cent), while the wholesale trade sector had the weakest result (net negative 10 per cent).

Next 12 months (November 2004 to October 2005)

Capital expenditure expectations for the year ahead were stable during the quarter, with the net balance result remaining at 18 per cent. The strongest capital expenditure expectations were recorded in Victoria and Tasmania (net 20 per cent).

Capital expenditure					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Last Quarter					
Experienced increase	22%	24%	24%	27%	23%
No change	53%	53%	49%	51%	52%
Experienced decrease	22%	21%	23%	20%	23%
*Net Balance	0%	+3%	+1%	+7%	0%
Current Quarter					
Expect increase	22%	24%	25%	23%	25%
No change	55%	49%	48%	49%	49%
Expect decrease	20%	26%	24%	26%	25%
*Net Balance	+2%	-2%	+1%	-3%	0%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



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

Profitability

Key findings

Profitability softened marginally in the past quarter but maintained a relatively strong level. Short-term profitability expectations also slowed, while expectations in the year ahead remained stable.

Last quarter (August to October 2004)

Profitability performance softened marginally during the quarter, with a net balance result of 10 per cent. This result represented a marginal decrease of one percentage point from last quarter's net balance result of 11 per cent.

Following continued strong sales performance in the past quarter, SMEs in the Northern Territory recorded the best profit performance during the quarter, with a net balance of 3 per cent. SMEs in Western Australia recorded the weakest performance, at net negative five per cent. The strongest performance by industry was accommodation, cafes and restaurant sector, where a net balance of 43 per cent of SMEs recorded increased profitability.

Current quarter (November 2004 to January 2005)

Expectations for the current quarter recorded a decline. Overall, 47 per cent of businesses expected an increase in profitability for the quarter compared to 16 per cent that expected a decline. The net balance result of 31 per cent was a decrease of three percentage points from the result of 34 per cent last quarter.

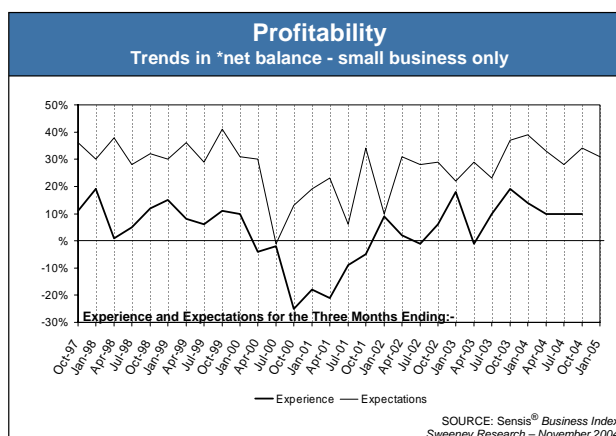
The strongest profit expectations were recorded in the accommodation, café and restaurant sector, with a net balance of 47 per cent. The weakest expectations were recorded in the manufacturing sector, with a net balance result of 17 per cent. Medium businesses were expecting higher profitability than their small business counterparts in the coming quarter.

Next 12 months (November 2004 to October 2005)

Expectations for profitability in the year ahead remained stable at a net balance result of 53 per cent. The strongest profit expectations for the year ahead were again recorded in the cultural, recreational and personal services sector, with a net balance of 64 per cent. The weakest profit expectations were in the building and construction sector, which recorded a net balance of 41 per cent.

Profitability					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Last Quarter					
Experienced increase	41%	38%	36%	38%	38%
No change	36%	38%	38%	35%	33%
Experienced decrease	22%	24%	25%	27%	28%
*Net Balance	+19%	+14%	+11%	+11%	+10%
Current Quarter					
Expect increase	49%	46%	43%	48%	47%
No change	41%	40%	42%	37%	37%
Expect decrease	10%	13%	15%	14%	16%
*Net Balance	+39%	+33%	+28%	+34%	+33%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



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

Exports

Key findings

The proportion of SMEs that exported goods in the past quarter saw a small decline, however the value of the exports increased.

Last quarter (August to October 2004)

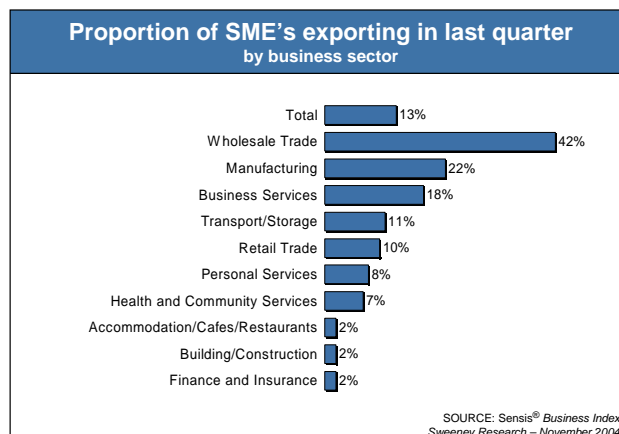
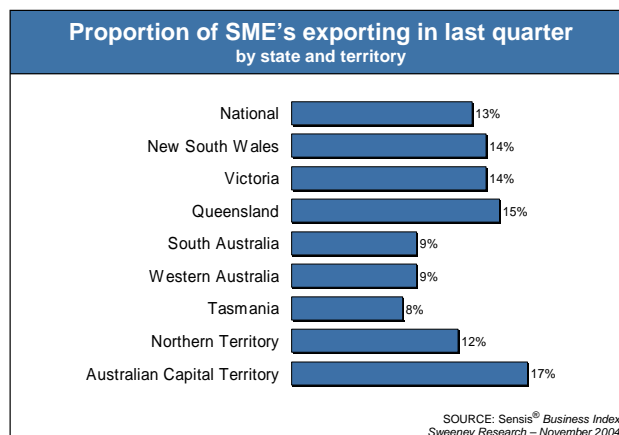
Thirteen per cent of SMEs reported they had exported in the past quarter, which was a decline from the previous quarter's result of 16 per cent. An additional four per cent of SMEs in Australian Capital Territory reported having exported in the past quarter. The only other region to record an increase in SMEs exporting in the past quarter was Queensland, which saw the proportion of SMEs exporting increase from 14 per cent to 15 per cent, and the proportion of SMEs exporting in South Australia remained constant. All other states and territories recorded declines in the proportion of SMEs reporting exports.

Once again, SMEs that had significant growth plans were far more likely to export than those with no plans for growth. SMEs in metropolitan areas were more likely to export than their regional counterparts. A further three per cent of SMEs plan to commence exporting over the next quarter.

SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, with those in the finance and insurance sector the least likely to have exported.

Whilst the proportion of SMEs exporting over the last quarter fell, SMEs that did export recorded net growth in the value of exports. A net balance of 20 per cent reported an increase in the value of the goods and services exported in the past quarter, an improvement on last quarter's increase of 13 per cent.

While 87 per cent of SMEs are not currently exporting, it is interesting to note that some of these SMEs have previous export experience. Of those SMEs that do not currently export, eight per cent had previously exported. The vast majority, however, had not exported at all. Of those that had previously exported, but were not exporting, most had ceased to export since 2001, however, over one-third had not exported in the past five years. The main reason for SMEs that had exported to no longer be exporting was that their export experience had been for a one-off job.



Value of exports

	May 04	Aug 04	Nov 04
Last Quarter			
Experienced increase	28%	29%	35%
No change	48%	55%	50%
Experienced decrease	23%	16%	15%
*Net Balance	+5%	+13%	+20%
Current Quarter			
Expect increase	33%	36%	36%
No change	53%	52%	52%
Expect decrease	14%	12%	12%
*Net Balance	+19%	+24%	+24%
Next 12 months			
Experienced increase	47%	55%	50%
No change	45%	34%	44%
Experienced decrease	8%	12%	6%
*Net Balance	+39%	+43%	+44%
Base : Exported goods or services overseas in last three months	16%		

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Assessment of Federal Government policies

Key findings

In the wake of the recent Federal Election, the Federal Government’s approval rating showed dramatic improvement during the quarter to be at its highest point since May 1996.

Last quarter (August to October 2004)

The net balance result of 13 per cent approval rating represented a dramatic improvement for the Federal Government’s standing with the Australian SME sector. This was the strongest result for the Federal Government since May 1996, and the first positive net balance result since February 1999. This result comprised 36 per cent of businesses that were supportive of the Federal Government’s small business policies, compared to 23 per cent that were not supportive. The remaining 41 per cent of businesses stated that the Government had no impact either way, a marginal decrease from the previous quarter.

Whilst results were very positive for the Federal Government in all states and territories, the strongest support for the Federal Government’s policies occurred in Tasmania, where businesses recorded a positive 22 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 six per cent.

There was minimal difference in the levels of support between metropolitan and regional SMEs. Medium businesses were noticeably more supportive of the Federal Government than small businesses, and businesses aiming for significant growth were much more supportive than those businesses that were not aiming for growth.

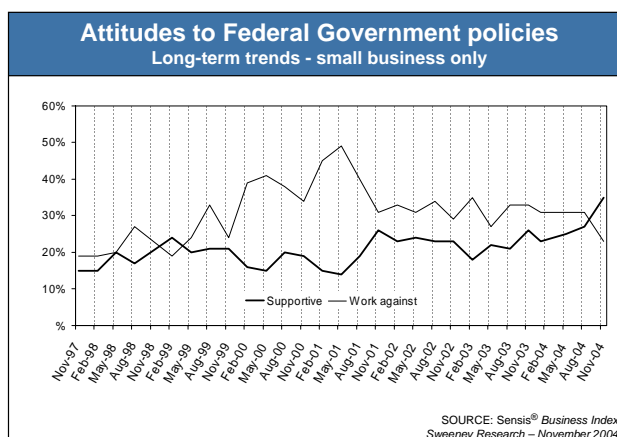
The Federal Government’s industrial relations policies were the main reasons that SMEs gave for believing that the Federal Government was more supportive of small business. The belief that the Federal Government was more interested in small business; with providing a stable business environment; and, with providing strong economic management were the next most frequent responses.

The key reasons that SMEs believed the Federal Government’s policies worked against them was the perception that there was too much bureaucracy and red tape, with the feeling that the Federal Government was only concerned with big businesses being an equally frequent response. These reasons were closely followed by the belief that there was too much paperwork connected with the GST.

Attitudes to Federal Government policies past five quarters					
	Nov 03	Feb 04	May 04	Aug 04	Nov 04
Supportive	26%	24%	25%	28%	36%
Work against	33%	31%	31%	30%	23%
No impact	41%	45%	44%	42%	41%
*Net Balance	-7%	-7%	-6%	-2%	+13%

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

SOURCE: Sensis® Business Index
Sweeney Research – November 2004



Assessment of state government policies

Key findings

Despite a minor softening in its support, the Tasmanian Government was once again the most popular state or territory government in Australia among SMEs. At the other end of the scale, following further dramatic decline, the New South Wales remained the least popular state or territory government.

Last quarter (August to October 2004)

The latest quarter saw support levels declining for most state and territory governments, with only the government in the Australian Capital Territory recording a marginal net rise of one percentage point, and the South Australian Government remaining stable. The most dramatic negative swing was in New South Wales, where the government fell a further nine percentage points.

The Tasmanian Government recorded a marginal decline, but was still well clear of any other government to retain the highest approval rating from SMEs. Tasmania again led all governments across the nation, with a net balance result of 26 per cent. The result comprised 38 per cent of businesses that were supportive and 12 per cent that were not supportive. The result was down from 28 per cent in the previous quarter. The belief that the Tasmanian Government was more supportive of small business, followed by the Government's strong support for tourism and promoting Tasmania were the main reasons for approval amongst SMEs. Tasmania was the only state government to record a net positive rating from SMEs.

The second most supported governments at the state and territory level were the governments in Queensland and the Northern Territory, who both recorded a net balance rating of negative four per cent. The Northern Territory Government received strong support for their small business management training programs, while the Queensland Government was seen to be supporting small business through offering advice and guidance.

After a dramatic decline of nine percentage points in its rating, the New South Wales Government cemented its position as the least supported government among SMEs. The rating of net negative 37 per cent is the lowest rating on record of any state or territory government.

The key reasons that SMEs gave for not supporting the New South Wales Government were the belief that there were too many government costs and charges. Other reasons included a belief that they had not made good policies; workers compensation regulations and costs; and a perception that they did not understand small business.

Attitudes to state or territory government policies

November 2004

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	7%	10%	19%	13%	10%	38%	26%	18%
Work against	44%	31%	23%	25%	43%	12%	30%	29%
No impact	49%	60%	58%	63%	47%	50%	40%	53%
*Net Balance	-37%	-21%	-4%	-12%	-33%	+26%	-4%	-11%

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 – November 2004

Attitudes to state or territory government policies

Trends in *net balance

	Nov 2003	Feb 2004	May 2004	Aug 2004	Nov 2004
New South Wales	-17%	-18%	-36%	-28%	-37%
Victoria	-25%	-17%	-15%	-16%	-21%
Queensland	-3%	-8%	-5%	+2%	-4%
South Australia	-17%	-13%	-11%	-12%	-12%
Western Australia	-25%	-32%	-30%	-26%	-33%
Tasmania	+19%	+26%	+22%	+28%	+26%
Northern Territory	-22%	-20%	-19%	-2%	-4%
Australian Capital Territory	-3%	+6%	-12%	-12%	-11%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

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

Attitudes to banks and financial institutions

Where SMEs are banking, how they have been changing, and how they feel about it

The November 2004 Sensis® Business Index found that overall, 76 per cent of SMEs are using one of the four major national banks as their main financial institution. This is a drop of three per cent in the past five years.

While the table opposite shows the major national banks having the largest market shares, some of the non-majors have gained considerable market share amongst SMEs, with, for example, 25 per cent of SMEs in Western Australia nominating Bank West as their main financial institution.

Overall, however, SMEs reported feeling relatively happy with the service that they are receiving from their bank or financial institution, with 80 per cent reporting satisfaction. This is the highest level of satisfaction recorded in the history of the Sensis® Business Index, and is an increase of twelve percentage points in the past five years. Levels of satisfaction were identical between metropolitan and regional SMEs, and SMEs that were predominantly operated by females were marginally more likely to be happy with their bank or financial institution, than predominantly male-operated businesses. For those SMEs that were not happy with service received from their bank, the high level of fees and charges was the main complaint, followed by a lack of customer service.

Whilst the level of SME satisfaction was equivalent overall between major and non-major institutions, there was considerable difference between individual organisations, with major banks having a range of satisfaction of almost twenty percentage points. On the whole, SME satisfaction with major banks had increased strongly, with only one of the major banks recording a lower rating than five years ago.

Overall, ten per cent of SMEs reported that they had changed their main bank or financial institution in the past two years, with SMEs in regional areas more likely to have changed. In keeping with the net decline of usage of the four major banks, SMEs were most likely to nominate one of the majors as the banks that they had switched from. Breaking down the ten per cent of SMEs that had changed, seven per cent had switched from a major bank, with three per cent switching to another major bank, and four per cent switching to a non-major bank or financial institution. Balancing this trend, only two per cent of SMEs had switched from a non-major bank or financial institution to one of the major four banks, with one per cent switching from a non-major bank or financial institution to another non-major.

Positively, SMEs were reporting relatively strong high access to finance over the past two years. Of those SMEs who had approached their bank or financial institution for finance, 93 per cent had been successful in their approach.

Financial institutions used

	Main financial institution	Total use
ANZ Bank	14%	15%
Commonwealth Bank	22%	24%
National Australia Bank	21%	24%
Westpac	19%	21%
Net 'Majors'	76%	79%
St George Bank	4%	5%
Bendigo Bank	4%	5%
Bank West	2%	3%
Bank of Queensland	1%	2%
Suncorp/Metway	2%	2%
All other	11%	14%
Net non-majors	24%	28%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Regional banks – total use

St George	New South Wales	11%
	ACT	24%
Bendigo	Victoria	13%
	ACT	7%
Bank of South Australia	South Australia	17%
	Northern Territory	8%
Bank West	Western Australia	25%

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Switching Patterns

Have not switched main F.I. in the past two years	90%
Have switched between the majors	3%
Have switched from one of the majors to another F.I.	4%
Have switched from another F.I. to one of the majors	2%
Have switched between the non-majors	1%

Q. Have you changed your main bank or financial institution in the past two years?

SOURCE: Sensis® Business Index
Sweeney Research – November 2004

Small and medium business outlook – National

- Business confidence fell during the quarter however, it maintained a relatively strong position on an historical basis;
- Perceptions of the current state of the economy remained stable during the quarter;
- Sales performance fell marginally but remained at high levels;
- Employment growth remained net positive resulting in the fifth consecutive quarter of positive employment growth;
- Capital expenditure performance was again above expectations, however, there was no net growth;
- Profitability slipped marginally during the past quarter; and,
- Support for the Federal Government's policies improved dramatically to be at the highest level since May 1996.

Trends in past three months' experience and current quarter expectations – National					
	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	73	72	72	76	74
NEGATIVE	10	9	11	9	12
NET BALANCE	+63	+63	+61	+67	+62

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	46	45	44	43	43	54	51	46	53	50
	DECREASE	22	22	25	26	27	10	15	16	12	16
	NET BALANCE	+24	+23	+19	+17	+16	+44	+36	+30	+41	+34
SIZE OF WORKFORCE:	INCREASE	7	11	9	10	10	18	14	15	17	19
	DECREASE	6	6	8	7	8	3	4	7	5	5
	NET BALANCE	+1	+5	+1	+3	+2	+15	+10	+8	+12	+14
WAGES BILL:	INCREASE	27	24	21	26	26	27	24	23	27	28
	DECREASE	8	11	12	11	13	5	7	11	8	8
	NET BALANCE	+19	+13	+9	+15	+13	+22	+17	+12	+19	+20
PRICES:	INCREASE	22	19	19	21	21	26	23	24	26	26
	DECREASE	5	7	5	5	7	2	5	5	3	4
	NET BALANCE	+17	+12	+14	+16	+14	+24	+18	+19	+23	+22
PROFITABILITY:	INCREASE	41	38	36	38	38	49	46	43	48	47
	DECREASE	22	24	25	27	28	10	13	15	14	16
	NET BALANCE	+19	+14	+11	+11	+10	+39	+33	+28	+34	+31
CAPITAL EXPENDITURE:	INCREASE	22	24	24	27	23	22	24	25	23	25
	DECREASE	22	21	23	20	23	20	26	24	26	25
	NET BALANCE	0	+3	+1	+7	0	+2	-2	+1	-3	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 – New South Wales

- Business confidence fell during the quarter, and remained the lowest of any state or territory;
- Sales growth experienced strong decline and was the lowest of any state or territory;
- SMEs in New South Wales recorded no net growth in employment during the past quarter;
- Profitability performance also fell sharply and was the lowest of any state or territory;
- Inflationary pressures remained low, with New South Wales again recording the lowest price increases; and,
- Support for the policies of the New South Wales Government was at the lowest level on record for any state or territory government.

Trends in past three months' experience and current quarter expectations – New South Wales					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	67	70	70	72	70
NEGATIVE	15	8	15	12	15
NET BALANCE	+52	+62	+55	+60	+55

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	45	43	47	42	39	52	54	46	51	50
	DECREASE	22	25	24	29	34	9	17	16	17	18
	NET BALANCE	+23	+18	+23	+13	+5	+43	+37	+30	+34	+32
SIZE OF WORKFORCE:	INCREASE	7	10	10	14	10	16	16	18	12	20
	DECREASE	3	5	10	4	10	2	5	7	4	4
	NET BALANCE	+4	+5	0	+10	0	+14	+11	+11	+8	+16
WAGES BILL:	INCREASE	27	24	20	28	25	29	25	28	24	27
	DECREASE	6	11	13	11	16	4	9	11	9	8
	NET BALANCE	+21	+13	+7	+17	+9	+25	+16	+17	+15	+19
PRICES:	INCREASE	24	14	16	19	18	29	22	16	23	19
	DECREASE	4	10	6	7	9	3	8	6	5	7
	NET BALANCE	+20	+4	+10	+12	+9	+26	+14	+10	+18	+12
PROFITABILITY:	INCREASE	42	36	41	36	35	47	45	45	44	48
	DECREASE	23	29	27	29	34	13	17	16	21	20
	NET BALANCE	+19	+7	+14	+7	+1	+34	+28	+29	+23	+28
CAPITAL EXPENDITURE:	INCREASE	19	24	22	25	22	18	19	25	25	24
	DECREASE	23	21	21	18	24	23	28	25	27	27
	NET BALANCE	-4	+3	+1	+7	-2	-5	-9	0	-2	-3

* 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 dropped significantly during the quarter, but remained in line with the national average;
- Sales recorded strong growth and solid improvement, to almost equal the national average;
- Victoria recorded net positive employment growth among SMEs, marginally below the national average;
- Profitability amongst Victorian SMEs recorded an improvement to equal the national average; and,
- SME support for the Victorian Government fell during the quarter, with the local issue of toll road costs increasing in prominence.

Trends in past three months' experience and current quarter expectations – Victoria					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	75	71	68	79	75
NEGATIVE	10	10	11	7	13
NET BALANCE	+65	+61	+57	+72	+62

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	39	41	37	37	42	55	52	41	58	53
	DECREASE	26	21	29	30	27	9	11	21	11	14
	NET BALANCE	+13	+20	+8	+7	+15	+46	+41	+20	+47	+39
SIZE OF WORKFORCE:	INCREASE	7	12	6	7	10	21	11	10	19	22
	DECREASE	6	5	9	12	9	2	4	10	7	5
	NET BALANCE	+1	+7	-3	-5	+1	+19	+7	0	+12	+17
WAGES BILL:	INCREASE	27	21	20	21	24	28	21	16	30	34
	DECREASE	10	10	12	12	13	5	7	16	9	7
	NET BALANCE	+17	+11	+8	+9	+11	+23	+14	0	+21	+27
PRICES:	INCREASE	24	20	17	21	23	23	21	32	29	32
	DECREASE	6	6	5	6	7	2	3	6	1	3
	NET BALANCE	+18	+14	+12	+15	+16	+21	+18	+26	+28	+29
PROFITABILITY:	INCREASE	38	38	24	36	38	50	48	39	55	49
	DECREASE	27	23	30	30	28	8	10	20	12	14
	NET BALANCE	+11	+15	-6	+6	+10	+42	+38	+19	+43	+35
CAPITAL EXPENDITURE:	INCREASE	21	23	24	28	21	25	28	25	24	28
	DECREASE	21	19	24	17	22	18	21	24	27	22
	NET BALANCE	0	+4	0	+11	-1	+7	+7	+1	-3	+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 – Queensland

- Business confidence improved and was the second highest of any state or territory;
- Queensland SMEs recorded the strongest sales performance across the nation;
- Employment performance was net negative and the weakest of any state or territory;
- Profitability performance again fell marginally but was still exceptionally strong, at over twice the national average; and,
- SME support for the Queensland Government fell during the quarter, but was still the second highest of any state or territory government. Concern over the local issue of ambulance levies increased amongst SMEs.

Trends in past three months' experience and current quarter expectations – Queensland					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	77	73	80	78	81
NEGATIVE	4	9	7	8	8
NET BALANCE	+73	+64	+73	+70	+73

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	58	52	49	49	49	56	49	49	54	43
DECREASE	18	19	20	18	18	11	16	15	8	17
NET BALANCE	+40	+33	+29	+31	+31	+45	+33	+34	+46	+26
SIZE OF WORKFORCE: INCREASE	9	10	10	10	7	20	17	18	22	15
DECREASE	9	8	4	6	8	7	4	5	3	6
NET BALANCE	0	+2	+6	+4	-1	+13	+13	+13	+19	+9
WAGES BILL: INCREASE	31	28	22	29	31	29	27	25	28	23
DECREASE	8	9	11	9	9	5	4	8	5	10
NET BALANCE	+23	+19	+11	+20	+22	+24	+23	+17	+23	+13
PRICES: INCREASE	17	26	22	22	22	27	26	28	24	27
DECREASE	3	3	6	4	5	3	3	2	1	3
NET BALANCE	+14	+23	+16	+18	+17	+24	+23	+26	+23	+24
PROFITABILITY: INCREASE	46	41	44	43	42	48	47	42	49	42
DECREASE	16	21	19	20	20	7	14	13	8	15
NET BALANCE	+30	+20	+25	+23	+22	+41	+33	+29	+41	+27
CAPITAL EXPENDITURE: INCREASE	27	26	27	27	26	24	25	25	19	22
DECREASE	20	27	24	24	21	19	27	24	24	26
NET BALANCE	+7	-1	+3	+3	+5	+5	-2	+1	-5	-4

* 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 to be well above the national average;
- Sales performance improved strongly to a level well above the national average;
- SMEs reported net employment growth in South Australia at a level above the national average;
- In line with strong sales growth, profits rose to a level over double the national average;
- Capital expenditure performance was strong and the third highest of any state or territory;
- Inflationary risks remained high, with the net balance of South Australian SMEs that increased prices rising strongly; and,
- Support for the South Australian Government remained stable during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	76	75	77	77	76
NEGATIVE	10	10	9	11	7
NET BALANCE	+66	+65	+68	+66	+69

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	46	45	44	43	48	55	48	54	56	54
	DECREASE	17	13	24	26	20	11	15	14	9	12
	NET BALANCE	+29	+32	+20	+17	+28	+44	+33	+40	+47	+42
SIZE OF WORKFORCE:	INCREASE	4	14	12	6	11	14	14	13	15	14
	DECREASE	5	8	5	6	8	3	2	3	5	3
	NET BALANCE	-1	+6	+7	0	+3	+11	+12	+10	+10	+11
WAGES BILL:	INCREASE	23	25	25	25	28	29	25	23	29	27
	DECREASE	12	12	12	13	9	8	11	8	7	5
	NET BALANCE	+11	+13	+13	+12	+19	+21	+14	+15	+22	+22
PRICES:	INCREASE	28	20	18	23	26	23	26	21	28	27
	DECREASE	2	4	3	2	1	3	1	3	2	2
	NET BALANCE	+26	+16	+15	+21	+25	+20	+25	+18	+26	+25
PROFITABILITY:	INCREASE	39	36	37	37	43	53	44	52	50	51
	DECREASE	19	14	21	26	19	10	14	12	8	12
	NET BALANCE	+20	+22	+16	+11	+24	+43	+30	+40	+42	+39
CAPITAL EXPENDITURE:	INCREASE	21	27	26	20	28	29	25	24	25	22
	DECREASE	22	20	25	25	22	16	31	26	24	26
	NET BALANCE	-1	+7	+1	-5	+6	+13	-6	-2	+1	-4

Small and medium business outlook – Western Australia

- Business confidence declined further during the quarter to be the second lowest of any state or territory;
- Sales performance softened marginally during the quarter but remained above the national average;
- Employment recorded solid net growth during the quarter at a level well above the national average;
- Following strong growth last survey, capital expenditure performance was net negative in the past quarter; and,
- Support for the Western Australian Government fell during the quarter, to be at its lowest point in over a year.

Trends in past three months' experience and current quarter expectations – Western Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	74	78	74	73	69
NEGATIVE	10	9	9	11	13
NET BALANCE	+64	+69	+65	+62	+56

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	44	47	45	48	44	53	47	45	52	50
	DECREASE	24	18	22	27	24	11	13	10	8	18
	NET BALANCE	+20	+29	+23	+21	+20	+42	+34	+35	+44	+32
SIZE OF WORKFORCE:	INCREASE	6	11	11	7	13	10	12	13	18	16
	DECREASE	4	7	7	7	6	1	5	4	4	6
	NET BALANCE	+2	+4	+4	0	+7	+9	+7	+9	+14	+10
WAGES BILL:	INCREASE	28	28	20	31	29	19	22	21	25	23
	DECREASE	9	12	12	12	14	3	7	5	7	7
	NET BALANCE	+19	+16	+8	+19	+15	+16	+15	+16	+18	+16
PRICES:	INCREASE	15	16	24	21	24	22	23	26	33	34
	DECREASE	8	5	4	5	2	1	3	3	1	1
	NET BALANCE	+7	+11	+20	+16	+22	+21	+20	+23	+32	+33
PROFITABILITY:	INCREASE	39	42	38	40	40	49	44	45	45	42
	DECREASE	22	24	24	27	28	11	9	8	9	17
	NET BALANCE	+17	+18	+14	+13	+12	+38	+35	+37	+36	+25
CAPITAL EXPENDITURE:	INCREASE	28	27	27	33	24	20	25	24	26	24
	DECREASE	25	20	23	21	29	25	23	24	27	24
	NET BALANCE	+3	+7	+4	+12	-5	-5	+2	0	-1	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 fell sharply, but remained well above the national average;
- Sales fell again during the quarter but remained marginally above the national average;
- Employment rose strongly during the quarter to be over twice the national average;
- Inflationary risks remained high, with the net balance of Tasmanian SMEs that increased prices rising significantly;
- Profits remained stable and above the national average;
- Tasmanian SMEs recorded another strong quarter of capital expenditure performance, despite having declined significantly from the past two quarters; and,
- Support for the Tasmanian Government's policies declined, however it remained the strongest of any government.

Trends in past three months' experience and current quarter expectations – Tasmania					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	78	82	85	83	78
NEGATIVE	4	5	2	1	6
NET BALANCE	+74	+77	+83	+82	+72

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	59	54	45	38	41	58	54	34	37	54
	DECREASE	11	11	16	17	24	3	10	18	15	10
	NET BALANCE	+48	+43	+29	+21	+17	+55	+44	+16	+22	+44
SIZE OF WORKFORCE:	INCREASE	7	9	14	4	14	16	17	15	13	12
	DECREASE	5	6	8	7	7	4	1	5	3	1
	NET BALANCE	+2	+3	+6	-3	+7	+12	+16	+10	+10	+11
WAGES BILL:	INCREASE	26	27	25	22	21	29	26	22	19	33
	DECREASE	4	11	14	7	10	5	4	10	6	4
	NET BALANCE	+22	+16	+11	+15	+11	+24	+22	+12	+13	+29
PRICES:	INCREASE	21	27	21	20	29	30	33	23	28	31
	DECREASE	3	4	2	0	4	2	6	4	5	3
	NET BALANCE	+18	+23	+19	+20	+25	+28	+27	+19	+23	+28
PROFITABILITY:	INCREASE	49	50	39	33	37	50	48	30	40	53
	DECREASE	14	6	12	17	21	6	8	17	14	8
	NET BALANCE	+35	+44	+27	+16	+16	+44	+40	+13	+26	+45
CAPITAL EXPENDITURE:	INCREASE	27	22	29	34	28	33	30	27	21	27
	DECREASE	20	28	18	20	21	13	18	21	29	21
	NET BALANCE	+7	-6	+11	+14	+7	+20	+12	+6	-8	+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 a further solid improvement in business confidence, taking it to a level well above the national average;
- Most performance indicators in the Northern Territory were at very strong levels, despite having shown some decline from last quarter's results;
- Despite a decline from last quarter, sales growth was exceptionally strong and the second highest of any state or territory;
- SMEs in the Northern Territory recorded the strongest level of net employment growth of any state or territory;
- In line with strong sales, profits were also at the highest level of any state or territory;
- SMEs in the Northern Territory recorded exceptional net growth in capital expenditure, at a level well above any other state or territory; and,
- Despite recording a small fall, support for the Northern Territory Government was the second highest of state and territory governments, equal with Queensland.

Trends in past three months' experience and current quarter expectations – Northern Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2003	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	60	75	71	73	78
NEGATIVE	20	13	20	9	9
NET BALANCE	+40	+62	+51	+64	+69

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	35	35	36	55	52	37	50	59	53	46
	DECREASE	30	37	32	16	22	22	14	5	10	16
	NET BALANCE	+5	-2	+4	+39	+30	+15	+36	+54	+43	+30
SIZE OF WORKFORCE:	INCREASE	10	6	7	15	17	17	16	20	21	15
	DECREASE	10	13	14	6	9	10	7	4	2	7
	NET BALANCE	0	-7	-7	+9	+8	+7	+9	+16	+19	+8
WAGES BILL:	INCREASE	19	25	22	24	36	20	25	24	34	22
	DECREASE	18	17	12	14	9	16	8	5	6	10
	NET BALANCE	+1	+8	+10	+10	+27	+4	+17	+19	+28	+12
PRICES:	INCREASE	19	20	18	24	21	20	22	22	24	24
	DECREASE	4	10	6	4	4	4	4	4	2	5
	NET BALANCE	+15	+10	+12	+20	+17	+16	+18	+18	+22	+19
PROFITABILITY:	INCREASE	32	32	27	48	49	33	47	56	53	43
	DECREASE	30	37	28	17	19	24	15	7	9	18
	NET BALANCE	+2	-5	-1	+31	+30	+9	+32	+49	+44	+25
CAPITAL EXPENDITURE:	INCREASE	24	22	21	29	36	21	25	26	26	25
	DECREASE	22	28	23	22	15	29	23	20	31	28
	NET BALANCE	+2	-6	-2	+7	+21	-8	+2	+6	-5	-3

* 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 rose strongly during the quarter to the highest level of any state or territory;
- Sales fell sharply to a level below the national average;
- Employment performance rose and was net positive at a level above the national average;
- Wage growth in the Australian Capital Territory increased strongly over the past quarter among SMEs; and,
- The Australian Capital Territory Government was the only state or territory government to increase its support from the SME community, albeit by a marginal one percentage point.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2003	FEB 2004	MAY 2004	AUG 2004	NOV 2004
	%	%	%	%	%
POSITIVE	82	77	68	76	80
NEGATIVE	4	7	13	9	5
NET BALANCE	+78	+70	+55	+67	+75

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	AUG-OCT 03	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 03/04	FEB-APR 04	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	46	39	38	47	42	56	55	49	54	59
DECREASE	26	25	31	27	30	9	11	13	9	16
NET BALANCE	+20	+14	+7	+20	+12	+47	+44	+36	+45	+43
SIZE OF WORKFORCE: INCREASE	10	9	12	10	11	19	21	13	17	16
DECREASE	6	8	5	11	6	2	4	2	4	1
NET BALANCE	+4	+1	+7	-1	+5	+17	+17	+11	+13	+15
WAGES BILL: INCREASE	30	24	24	24	27	28	24	22	25	28
DECREASE	10	14	10	10	8	6	6	5	8	4
NET BALANCE	+20	+10	+14	+14	+19	+22	+18	+17	+17	+24
PRICES: INCREASE	28	22	18	16	17	18	24	24	27	25
DECREASE	4	4	5	4	6	2	5	3	3	1
NET BALANCE	+24	+18	+13	+12	+11	+16	+19	+21	+24	+24
PROFITABILITY: INCREASE	40	32	34	43	39	47	48	43	49	55
DECREASE	27	24	25	21	27	9	10	14	9	12
NET BALANCE	+13	+8	+9	+22	+12	+38	+38	+29	+40	+43
CAPITAL EXPENDITURE: INCREASE	27	23	25	27	28	30	29	32	18	16
DECREASE	19	27	27	21	26	20	35	27	27	27
NET BALANCE	+8	-4	-2	+6	+2	+10	-6	+5	-9	-11

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

How to obtain a copy of the Sensis® *Business Index*

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- Attitudes to Changes in FBT – July 1999
- Workers Compensation and Workplace Safety – November 1998
- The Paper Work Burden on Small Business – October 1996
- Women in Business – July 1994 and February 1996
- Attitudes to Government – October 1994 and November 1995

The Sensis research team undertakes commissioned research for corporate and government organisations on a variety of SME based and other issues.

For further information please contact: Sensis Pty Ltd
 Christena Singh
 Sensis® *Insights* Manager
 Ph: (03) 8653 4896
 christena.singh@sensis.com.au

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