

August 2005

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



Sensis® *Business Index – Small and Medium Enterprises*

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Introduction	1
About the survey	2
Executive summary	3
Small and medium business outlook – national summary	6
Confidence in own business prospects over the next 12 months	6
Confidence by state, sector and size	7
Perceptions of the economy	8
Expectations on key indicators over the next 12 months	9
Concerns	10
Sales	11
Employment	12
Wages bill	13
Prices	14
Capital expenditure	15
Profitability	16
Exports	17
Assessment of Federal government policies	18
Assessment of State government policies	19
Workplace relations	20
Small and medium business outlook – National	21
Small and medium business outlook – New South Wales	22
Small and medium business outlook – Victoria	23
Small and medium business outlook – Queensland	26
Small and medium business outlook – South Australia	25
Small and medium business outlook – Western Australia	26
Small and medium business outlook – Tasmania	27
Small and medium business outlook – Northern Territory	28
Small and medium business outlook – Australian Capital Territory	29

Introduction

The Sensis® *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 Australia's leading information resource and is a wholly owned Telstra subsidiary. Sensis' popular information services make complex lives simpler by helping Australians find, buy and sell. These services include Yellow Pages®, White Pages®, Trading Post®, CitySearch®, UBD®, Gregory's® and Whereis®. Sensis provides advertising services to 420,000 Australian businesses, of which 90 per cent are SMEs.

In addition, the Sensis *Insights* products provide commissioned research for corporate and government organisations on a variety of SME, policy and communication issues. For more information on commissioned research, please refer to page 30.

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 August 2005 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 August 2005 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 19 July to 12 August 2005. The report covers experience over the past three months (May 2005 to July 2005), and expectations for both the current quarter (August 2005 to October 2005) and the 12 months ending July 2006.

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 improved during the past quarter reversing some of last quarter's fall. In line with the rise in overall confidence, SME perceptions of the economy also improved, as did their expectations for future economic growth. All business performance indicators, with the exception of employment and prices, improved over the past quarter. The net proportion of SMEs that increased employment in the past quarter fell following strong growth the previous quarter. This result however, is in line with the general tendency for employment to lag other economic indicators. All short-term expectations also rose, as did most key indicators for the year ahead. On the back of strong support from SMEs for its agenda of workplace relations changes, support for the Federal Government rose strongly in the last quarter. Support also rose for all state and territory governments. The state government in Tasmania was most supported by SMEs, with New South Wales the least supported.

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; and,
5. business cycle analysis based on the findings from this Sensis® *Business Index*.

Historical trends and overall SME highlights

- Business confidence among SMEs improved during the past quarter following a sharp fall last quarter.
- Perceptions of the current state of the Australian economy also increased, as did the net proportion of SMEs who felt the economy would be better a year from now.
- There was improvement in the performance of all key indicators over the last quarter, with the exception of employment and prices.
- In the short term, SMEs are expecting continued increases across all key indicators.
- Expectations for most key business indicators for the year ahead also rose, with the only exception being prices.
- Finding quality staff and lack of work or sales were the top concerns of SMEs. These concerns were followed by competitive issues with larger businesses and cash flow as the next most pressing concerns facing SMEs.
- Increased sales performance was recorded, pointing to improving demand in the Australian economy. Sales expectations for the current quarter and the year ahead also rose.
- In line with the better sales result, profitability performance and expectations also improved over the past quarter.
- Employment growth during the quarter fell following strong growth last quarter.
- Capital expenditure performance rose to be net positive. Expectations were for further improvement in both the short term and the year ahead.
- Support for the Federal Government's policies rose strongly on the back of SME support for their workplace relations agenda.
- In what was a good quarter for all governments, support levels rose in all states and territories. And in what was an even better quarter for small governments, the Tasmanian Government remained the most supported state government in Australia, with net positive ratings also recorded in the Northern Territory and the Australian Capital Territory. The New South Wales Government recorded the lowest level of support for a state or territory government for the sixth successive quarter.

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 the gap increasing to 12 percentage points, up from a gap of seven percentage points last quarter;
- medium businesses were noticeably more positive about the current state of the Australian economy than small businesses;
- medium businesses recorded noticeably higher performance than small businesses for sales, employment, wages, profitability and capital expenditure, with small businesses recording greater increases in prices charged in the past quarter; 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:

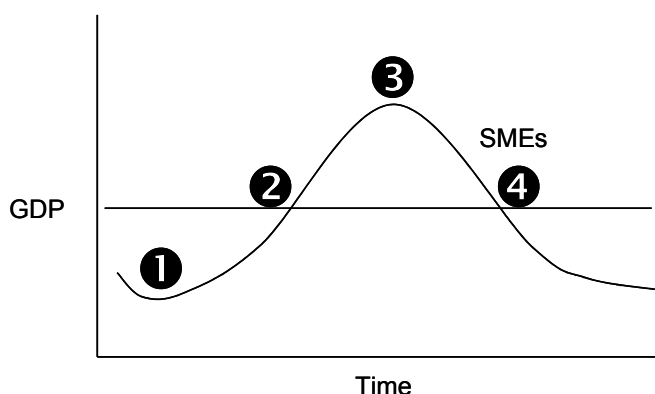
- regional businesses have now exhibited higher confidence levels than their metropolitan counterparts for four successive quarters;
- metropolitan businesses were marginally more positive about the current state of the Australian economy than regional businesses;
- regional businesses outperformed metropolitan businesses in all indicators for the previous quarter with the exception of profitability; and,
- metropolitan and regional businesses recorded equal levels of support for the Federal Government's policies.

Industry sector trends

Several trends emerged throughout the industry sectors:

- confidence was highest in the cultural, recreational and personal services sector;
- the manufacturing sector recorded the lowest confidence levels of any sector;
- employment growth was highest in the transport and storage sector;
- sales and profitability were highest for those SMEs in the communication, property and business services sector;
- sales performance was lowest among SMEs in the wholesale trade sector;
- profitability performance was lowest among SMEs in the building and construction sector;
- performance in capital expenditure was highest for SMEs in the accommodation, cafes and restaurant sector; and,
- despite reporting high levels of concern over government regulation, the finance and insurance sector was the most supportive of the Federal Government's policies, with the transport and storage sector again 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 August 2005 Sensis® Business Index suggests a relatively consistent picture of the current state of Australian SMEs within the Australian economy, which has recovered from slowing growth in the previous quarter. Performance improved across all indicators over the past quarter with the exception of employment and prices, and expectations also rose for the short term and the year ahead in most areas. Overall, the improvement in overall confidence recorded last quarter points to potential for improvement in the economic environment for the year ahead if demand continues to remain solid. The pressure on inflationary indicators remains significant. Employment, which tends to lag other economic indicators, fell in the latest quarter, following falls in other indicators in the previous quarter. Improving demand in other indicators point to future growth in employment despite the current softening this quarter.

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 August 2005 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 improving business confidence during the quarter, reversing the declining confidence levels recorded in the previous three quarters.

This latest result represents an increase of three percentage points since last quarter and the first increase in net confidence result since August 2004. This latest rise in confidence follows a fall in net confidence of 15 percentage points between August 2004 and May 2005.

Last quarter (May to July 2005)

SMEs recorded increasing business confidence with a net balance result of 55 per cent. This comprised 69 per cent of businesses that were confident about their business prospects for the year ahead and 14 per cent that were concerned. In the key confidence categories, businesses that felt confident to some degree about their business prospects have increased by two percentage points. Those business owners that felt worried to some extent about their business prospects decreased by one percentage point over the quarter. There was also an increase of two percentage points in the proportion of businesses that felt neutral about their business prospects.

The net increase in confidence this quarter was caused by an upward shift in all levels of confidence. This is reflected in businesses more likely to feel both extremely and fairly confident about their prospects in the year ahead and less likely to feel fairly worried. The main reasons that businesses gave for feeling confident about their prospects point to improving demand in the Australian economy – with businesses citing that they had plenty of work coming up. On the other hand, businesses that felt less confident about their prospects were most likely to point to a decrease in demand as the main reason, followed by difficulties competing with larger businesses.

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.

Whereas business confidence and performance fell sharply in the previous quarter, the latest quarter's results show consistent improvement across performance, business confidence, current views and future expectations for the economy. The only indicator with weaker performance was employment, which tends to lag other indicators.

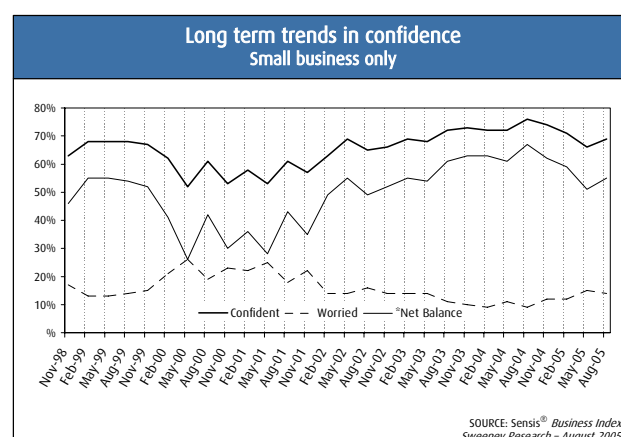
Overall confidence August 2005			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	15%	15%	15%
Fairly confident	54%	61%	54%
Neutral	18%	15%	17%
Fairly worried	11%	8%	11%
Extremely worried	3%	1%	3%
Total confident	69%	76%	69%
Total worried	14%	9%	14%
*Net Balance	+55%	+67%	+55%

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

SOURCE: Sensis® Business Index
Sweeney Research – August 2005

Confidence trends - past five quarters					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Extremely confident	16%	16%	16%	14%	15%
Fairly confident	59%	58%	55%	53%	54%
Neutral	15%	14%	17%	19%	17%
Fairly worried	7%	10%	10%	12%	11%
Extremely worried	2%	2%	2%	3%	3%
Total confident	76%	74%	71%	67%	69%
Total worried	9%	12%	12%	15%	14%
*Net Balance	+67%	+62%	+59%	+52%	+55%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005



* 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

The highest levels of business confidence over the past quarter were again recorded in the Northern Territory. The lowest level of business confidence was recorded in Victoria. Despite recording a fall in confidence this quarter, regional businesses still reported higher confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the cultural, recreational and personal services sector. Confidence was lowest among SMEs in the manufacturing sector.

Last quarter (May to July 2005)

Following solid improvement, the Northern Territory recorded the highest confidence of any state or territory. The lowest level of confidence was recorded in Victoria, which was the only state or territory to record declining confidence levels in the latest quarter. Confidence among SMEs in Victoria has been declining for four successive quarters.

All states and territories recorded improving business confidence, with the exception of Victoria as previously mentioned and the Australian Capital Territory, where confidence was unchanged in the past quarter. The largest improvement in net confidence was recorded in Western Australia, following a decline last quarter.

Following strong improvement in confidence in the past quarter, the cultural, recreational and personal services sector recorded the highest confidence level at net 68 per cent. This was followed by the finance and insurance sector, where business confidence was at net 67 per cent. The lowest confidence level was recorded in the manufacturing sector, with a net balance of 41 per cent, albeit a marginal improvement from a net 40 per cent last quarter. The largest improvement in net confidence was in the accommodation, cafés and restaurants sector, which experienced an increase of 17 percentage points. The largest fall in net confidence was recorded in the transport and storage sector, where net confidence fell by seven percentage points.

On a national basis, the increase in confidence was largest among those SMEs in metropolitan areas, with SMEs in regional areas on average reporting falling levels of confidence. Despite this, the highest level of confidence around the nation this quarter was recorded among SMEs in regional areas of the Northern Territory, with the lowest level being recorded among those SMEs in regional Victoria. The largest improvement was among those SMEs in regional South Australia, with the largest decline in business confidence recorded among SMEs in regional New South Wales.

Trends by state *net balance					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
National	67%	62%	59%	52%	55%
New South Wales	60%	55%	45%	45%	51%
Victoria	72%	62%	56%	46%	43%
Queensland	70%	73%	73%	65%	68%
South Australia	66%	69%	68%	59%	70%
Western Australia	62%	56%	71%	51%	68%
Tasmania	82%	72%	72%	61%	62%
Northern Territory	64%	69%	71%	66%	73%
Australian Capital Territory	67%	75%	73%	58%	58%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	55%	57%	55%
New South Wales	51%	49%	51%
Victoria	44%	40%	43%
Queensland	66%	68%	68%
South Australia	68%	75%	70%
Western Australia	67%	65%	68%
Tasmania	49%	72%	62%
Northern Territory	69%	80%	73%
Australian Capital Territory	58%	N/A	58%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005

Confidence by business size			
	Confident	Worried	*Net Balance
Total	69%	14%	55%
1-2 Employees	67%	14%	53%
3-4 Employees	71%	13%	58%
5-9 Employees	70%	10%	60%
10-19 Employees	66%	19%	47%
Total Small Business	69%	14%	55%
20-99 Employees	75%	10%	65%
100-199 Employees	96%	0%	96%
Total Medium Business	76%	9%	67%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	65%	24%	41%
Building/Construction	70%	8%	62%
Wholesale Trade	65%	19%	46%
Retail Trade	61%	19%	42%
Transport/Storage	69%	13%	56%
Communication Property & Business Services	72%	11%	61%
Finance and Insurance	75%	8%	67%
Health and Community Services	73%	14%	59%
Cultural, Recreational and Personal	77%	9%	68%
Accommodation, Cafes and Restaurants	67%	9%	58%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005

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

Perceptions of the economy

Key findings

In the latest quarter, net perceptions of the Australian economy showed solid improvement among SMEs, following a sharp decline in the previous quarter.

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

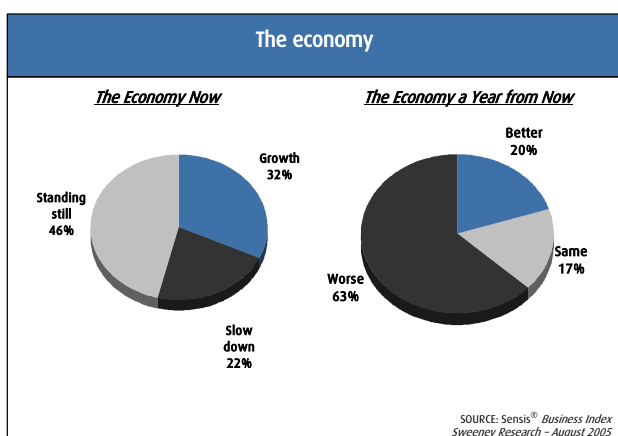
Last quarter (May to July 2005)

There was improvement in the proportion of SMEs that felt the economy was currently growing, accompanied by an equivalent decline in the proportion of SMEs that felt the economy was currently slowing. This resulted in solid improvement in the overall perception of the current state of the economy from the previous quarter, with a net balance of 10 per cent of businesses believing the Australian economy is currently growing. This was an improvement of 10 percentage points from last quarter.

SMEs in Western Australia had the strongest perception of the current state of the Australian economy. A net balance of 48 per cent reported a current growth phase, an improvement of 31 percentage points from the previous quarter. The second strongest perception was recorded in the Northern Territory (net balance of 38 per cent). The weakest perception was recorded among SMEs in Victoria (net balance of one per cent).

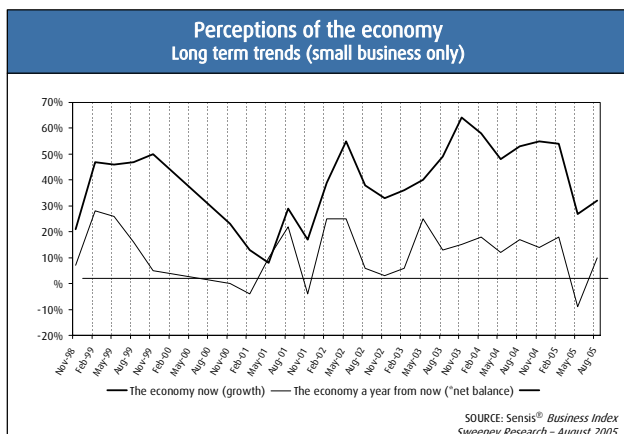
While there was improvement in perceptions of the economy in all states and territories, the largest net improvement was felt in Western Australia, where perceptions rose 31 percentage points since last quarter. The smallest improvement in current perceptions of the economy was in Queensland.

There was also solid improvement in expectations for the economy over the year ahead, with a net balance result of three per cent of SMEs believing the Australian economy would be stronger in a year's time. This is compared to a net 10 per cent believing it would be weaker last quarter.



	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Perceptions of the economy - trends					
<i>The economy now</i>					
Growth	53%	56%	55%	27%	32%
Slowing	10%	13%	10%	27%	22%
*Net Balance	+35%	+43%	+45%	0%	+10%
<i>The economy a year from now</i>					
Better	28%	28%	30%	14%	20%
Worse	11%	14%	10%	24%	17%
*Net Balance	+17%	+14%	+20%	-10%	+3%

SOURCE: Sensis® Business Index Sweeney Research – August 2005



	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Perceptions of the economy by state								
<i>The economy now</i>								
Growth	27%	24%	35%	40%	60%	37%	49%	35%
Slowing	24%	23%	25%	19%	12%	22%	11%	16%
*Net Balance	+3%	+1%	+10%	+21%	+48%	+15%	+38%	+19%
<i>The economy a year from now</i>								
Better	24%	12%	17%	29%	24%	22%	28%	26%
Worse	12%	24%	17%	17%	16%	16%	9%	24%
*Net Balance	+12%	-12%	0%	+12%	+8%	+6%	+19%	+2%

SOURCE: Sensis® Business Index Sweeney Research – August 2005

* 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 key indicators over the past quarter showed significant improvement in almost all indicators. The largest increases in year-ahead expectations were for sales and profitability.

Next 12 months (August 2005 to July 2006)

There were rises in expectations in almost all key indicators for the year ahead. The only indicator that did not rise was the prices that SMEs expected to charge for their goods and services, which remained unchanged since last quarter.

Sales expectations rose during the quarter from 46 per cent to 56 per cent. This result comprised 66 per cent of businesses that believed sales would rise in the year ahead and 10 per cent that thought sales would fall. The strongest net sales expectations for the year ahead were again recorded in South Australia at 67 per cent. The most confident industry sector for sales expectations was the tourism-dependent accommodation, cafés and restaurants sector (net 72 per cent), with the finance and insurance sector having the lowest sales expectations for the year ahead (net 37 per cent).

There was also a solid increase in employment expectations for the year ahead, with a net balance result of 20 per cent for the year ahead compared to 17 per cent for the previous quarter. For the fourth successive quarter, businesses in the Northern Territory recorded the strongest employment expectations for the year ahead, with an increased net balance result of 31 per cent. The lowest employment expectations were once again recorded in New South Wales, with a net balance result of 15 per cent, up from six per cent last quarter.

There was an increase of a net five per cent in expectations for total wage and salary costs for the year ahead. A net balance of 38 per cent of businesses expected a rise in their total wage costs in the year ahead. In line with strong employment expectations, the strongest expectations for total wage costs were again recorded in the Northern Territory with a net balance of 50 per cent. The weakest were recorded in Tasmania (net balance of 27 per cent).

Selling price expectations for the year ahead was the only indicator not to rise during the quarter, recording an unchanged net balance of 51 per cent. The strongest selling price expectations were recorded in the health and community services sector, with a net balance of 71 per cent. The weakest selling price expectations were recorded in the finance and insurance sector (16 per cent).

In line with improving sales expectations, expectations for profitability in the year ahead also rose by 10 percentage points to net 50 per cent. The highest expectations for profitability for the year ahead were recorded in South Australia, with a net balance of 60 per cent, and the lowest were recorded in Tasmania, where a net balance of 31 per cent of SMEs were expecting their profitability to increase.

In a quarter marked by rebounding SME confidence, capital expenditure expectations also increased by three percentage points to a net balance of 16 per cent. The strongest capital expenditure expectations were again recorded in the Northern Territory (28 per cent) and in the cultural, recreational and personal services sector (26 per cent).

Expectations on key indicators over the next 12 months August 2005			
	Expect an Increase	Expect a Decrease	*Net Balance
Value of sales	66%	10%	+56%
Size of workforce	24%	4%	+20%
Wages bill	46%	8%	+38%
Prices charged	54%	3%	+51%
Profitability	61%	11%	+50%
Capital expenditure	37%	21%	+16%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005

Expectations on key indicators Trends in *net balance					
	Aug 04	Nov 04	Feb 04	May 05	Aug 05
Value of sales	58%	59%	60%	46%	56%
Size of workforce	22%	25%	21%	17%	20%
Wages bill	39%	42%	39%	33%	38%
Prices charged	50%	50%	47%	51%	51%
Profitability	53%	53%	56%	40%	50%
Capital expenditure	18%	18%	14%	13%	16%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005

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

Concerns

Key findings

Despite a marginal decrease this quarter, finding quality staff remained the most pressing concern for SMEs equal with a lack of work and sales.

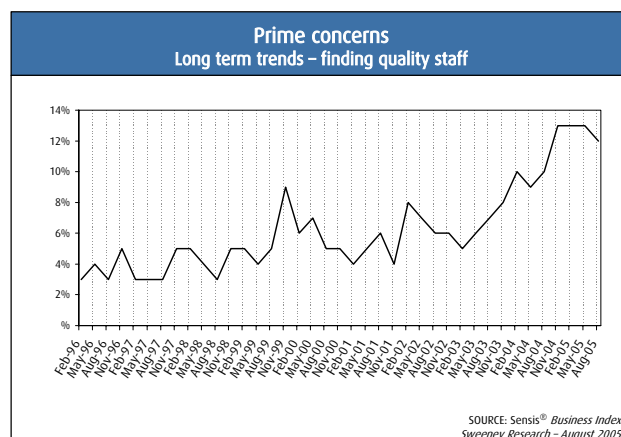
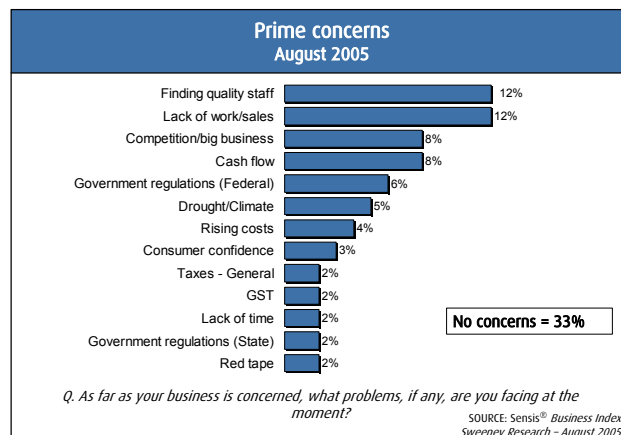
Last quarter (May to July 2005)

Concerns about finding quality staff remained the most nominated concern by SMEs, along with a lack of work or sales. Overall, 12 per cent of SMEs nominated finding quality staff as an issue, having declined by a marginal one percentage point in the past quarter, but still at historically high levels.

Concern for finding quality staff was again most strongly felt in the Northern Territory in the past quarter (having risen from 21 to 26 per cent) and in the accommodation, cafés and restaurants sector (20 per cent). Exporting businesses were more likely to report currently having difficulties finding quality staff than SMEs in general. Looking at this issue in more depth, a shortage of skilled workers was again the predominant reason that SMEs gave for having difficulties finding quality staff. The specific reasons tended to vary dramatically dependent on the nature and location of the business. For example, businesses in the Northern Territory were likely to have problems due to a lack of qualifications and difficulties attracting employees to the local area, while businesses in the most affected industry sector, accommodation, cafes and restaurants, were most likely to have difficulties finding staff with the right attitudes for their businesses, as well as problems with staff retention.

The other top business concern this quarter was lack of work or sales, also cited by 12 per cent of businesses. While this issue is still very significant for SMEs, it has also decreased marginally in the past quarter, and is a relatively low level of concern on a historical basis. Lack of work or sales was a more significant concern for businesses in the manufacturing sector and in New South Wales and Victoria.

Competitive pressures with big business and cash flow were the next most important business concern, nominated by eight per cent of SMEs each. While competition with larger businesses was unchanged since the last quarter, it has only been at a higher level of concern in one previous instance in the history of the Sensis® Business Index, in May 1997. Problems with cash flow have risen by three percentage points over the past quarter – the largest increase of any problem cited by SMEs over the past quarter. Other issues to increase significantly over the past quarter included problems with Federal Government regulations and the drought.



Sales

Key findings

SMEs reported improving sales in the past quarter, reversing last quarter's slow down. Expectations for the short term also showed strong improvement, with expectations for the year ahead also rising.

Last quarter (May to July 2005)

Sales recorded a net balance of eight per cent for the quarter, an increase from the previous quarter's result of six per cent. This result reflected both a rise in those SMEs experiencing increasing sales and a fall in those that experienced decreasing sales. This latest result reflects some improvement in demand, which had suffered dramatically last quarter.

The results varied dramatically across the states and territories. The strongest result was again among SMEs in the Northern Territory, where a net 50 per cent experienced increasing sales over the past quarter. At the other end of the scale, sales performance was again lowest among SMEs in Victoria, where only a net three per cent of SMEs experienced increasing sales.

The strongest sales performance was again recorded in the communications, property and business services sector, with a net balance of 32 per cent, up from 19 per cent last quarter.

The wholesale trade sector recorded the weakest industry performance, with net negative 16 per cent of SMEs in that sector recording sales growth.

Current quarter (August to October 2005)

Sales expectations for the current quarter increased to a net balance of 36 per cent, which represented an improvement of 14 percentage points from the previous quarter and reversing much of the decline in expectations last quarter.

Expectations for sales growth again varied around the country, with the strongest expectations in South Australia and Victoria at net 42 per cent, with the weakest sales expectations for the coming quarter being in the Australian Capital Territory.

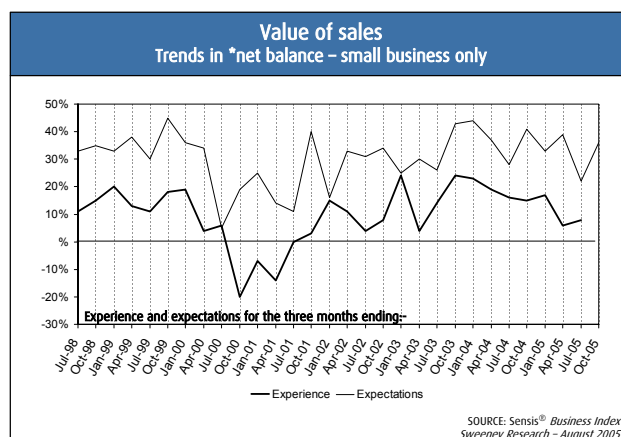
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the cultural, recreational and personal services sector (net balance of 52 per cent). The finance and insurance sector recorded the lowest level of expectations (net 22 per cent).

Next twelve months (August 2005 to July 2006)

Twelve-month sales expectations rose solidly during the quarter from a net 46 per cent to 56 per cent. The result comprised 66 per cent of businesses that believed sales would rise in the year ahead and 10 per cent that thought they would fall. Sales expectations for the year ahead were highest in South Australia.

Value of sales					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Last Quarter					
Experienced increase	43%	43%	43%	37%	38%
No change	31%	29%	31%	31%	32%
Experienced decrease	26%	27%	25%	31%	30%
*Net Balance	+17%	+16%	+18%	+6%	+8%
Current Quarter					
Expect increase	53%	50%	50%	42%	47%
No change	34%	34%	38%	37%	41%
Expect decrease	12%	16%	11%	20%	11%
*Net Balance	+41%	+34%	+39%	+22%	+36%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005



* 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 was one of only two indicators to decline this quarter. The decline recorded in performance this quarter was expected following on from a strong result last quarter. A lack of work or sales remained the number one barrier to employment.

Last quarter (May to August 2005)

SMEs recorded lower growth in employment, with a net one per cent of SMEs increasing their workforce during the quarter. This followed employment growth of a net eight per cent in the preceding quarter. This quarter's result comprised 14 per cent of businesses that identified an increase in the size of their workforce, while 13 per cent experienced a decline. This latest result follows exceptionally strong employment growth last quarter with a decline anticipated following sharp declines in demand-led indicators last quarter.

The strongest employment results were recorded in the Northern Territory and the Australian Capital Territory, both recording a net balance result of nine per cent. Tasmania had the weakest result at net negative 10 per cent.

In terms of barriers to employment, a lack of work or sales was again the most reported impediment to taking on new employees during the quarter (increased to 34 per cent of those SMEs that believed barriers to increasing employment existed). Finding skilled staff was identified as the second greatest barrier to employment (down three percentage points to 14 per cent), followed by the cost of employing (down four percentage points to eight per cent).

Current quarter (August to October 2005)

Expectations for employment in the current quarter strengthened to a net nine per cent, compared to a net result of six per cent the previous quarter.

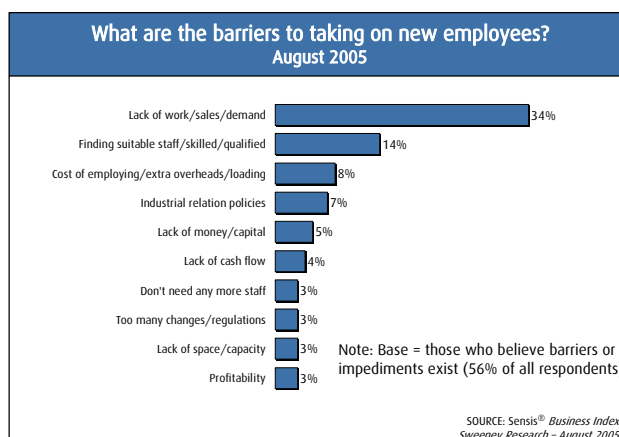
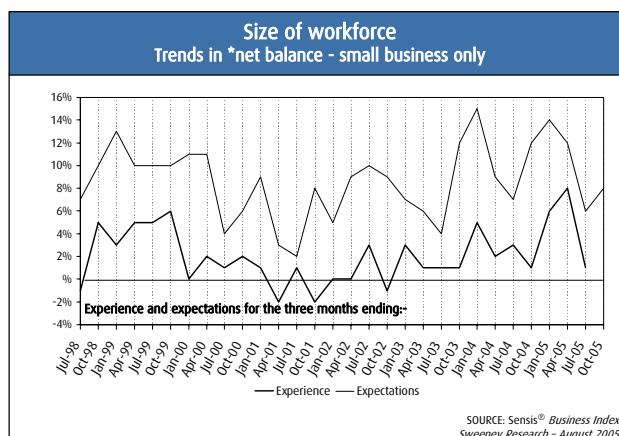
The strongest employment expectations were again recorded in the Northern Territory with a net balance result of 20 per cent. On an industry basis, the strongest expectations were recorded in the accommodation, cafes and restaurants sector (20 per cent).

Next 12 months (August 2005 to July 2006)

There was an increase in employment expectations for the year ahead, with a net result of 20 percent, a three percentage points increase from last quarter. The strongest employment expectations for the year ahead were again recorded in the Northern Territory (30 31 per cent).

Size of workforce					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Last Quarter					
Experienced increase	10%	10%	13%	18%	14%
No change	83%	82%	79%	73%	74%
Experienced decrease	7%	8%	7%	10%	13%
*Net Balance	+3%	+2%	+6%	+8%	+1%
Current Quarter					
Expect increase	17%	19%	16%	13%	14%
No change	77%	74%	77%	77%	81%
Expect decrease	5%	5%	3%	7%	5%
*Net Balance	+12%	+14%	+13%	+6%	+9%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005



* 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 rose during the last quarter. There were also increases in expectations for higher wages bills for the current quarter and the year ahead.

Last quarter (May to July 2005)

The most recent quarter saw a rise in wage cost trends, with the performance result increasing from a net nine per cent to a net 11 per cent, after a sharp fall last quarter.

During the quarter, 25 per cent of SMEs experienced a rise in total wage costs, while 14 per cent recorded a decline. Following continued strong SME employment growth, SMEs in the Northern Territory again recorded the highest increases in total wage costs (net 34 per cent), while the lowest wage pressures were in New South Wales (net five per cent), in a quarter where the proportion of SMEs experiencing employment growth was net negative in that state. The strongest rise in total wage costs was again recorded in the health and community services sector (net 32 per cent, up from net 19 per cent).

Current quarter (August to October 2005)

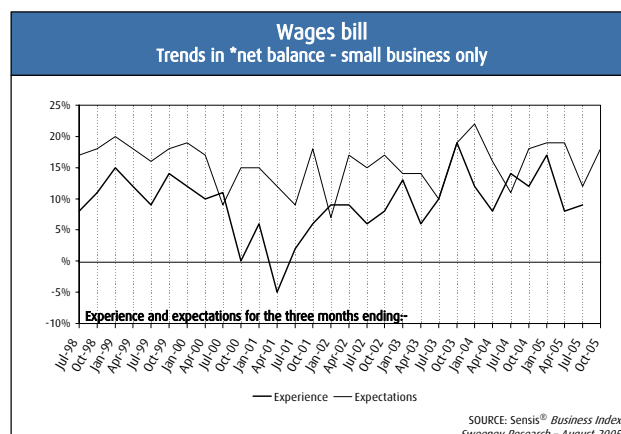
Expectations for total wage costs also increased for the current quarter, rising by six percentage points from a net 13 per cent to 19 per cent, completely reversing last quarter's fall. The highest wage expectations were in Western Australia, with a net balance of 35 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. Those SMEs in Tasmania were again least likely to be expecting to increase their wages bill in the current quarter (net six per cent).

Next 12 months (August 2005 to July 2006)

Expectations for total wage and salary costs increased during the quarter, with a net balance of 38 per cent of businesses expecting a rise in total wage costs in the year ahead. This represented an increase in the net balance trend of five percentage points. The SMEs most likely to be expecting increases to their wages bills were again in the Northern Territory, in line with continued strong medium-term employment outlooks. SMEs in Tasmania were the least likely to be expecting to increase their total wages bill in the coming year.

Wages bill					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Last Quarter					
Experienced increase	26%	26%	27%	24%	25%
No change	57%	56%	57%	58%	59%
Experienced decrease	11%	13%	10%	15%	14%
*Net Balance	+15%	+13%	+17%	+9%	+11%
Current Quarter					
Expect increase	27%	28%	27%	23%	26%
No change	61%	60%	59%	64%	64%
Expect decrease	8%	8%	8%	10%	7%
*Net Balance	+19%	+20%	+19%	+13%	+19%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005



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

Prices

Key findings

Along with employment, prices charged was the only other indicator which fell in the past quarter. There was a marginal decrease in the net proportion of SMEs that reported price rises on their products and services. While there was a rise in expectations for the current quarter, expectations for price increases in the next twelve months were unchanged.

Last quarter (May to July 2005)

The proportion of businesses that experienced price rises fell marginally during the quarter. A net balance result of 20 per cent of SMEs experienced a rise in prices during the quarter (a decrease from a net 21 per cent in the previous quarter). Overall, this result remains relatively high in the recent history of the Sensis® Business Index.

Of all states and territories, the strongest price trends were recorded in South Australia, with a net balance of 28 per cent. The lowest results were recorded in Tasmania, with a net balance of 10 per cent. On an industry basis, the strongest price rises were recorded in the health and community services sector, with a net balance result of 31 per cent. The weakest outcome was recorded in the finance and insurance sector, with a net balance result of negative 12 per cent.

Current quarter (August to October 2005)

Expectations for price rises increased during the quarter to a net balance result of 27 per cent, an increase of six percentage points since the last quarter. Queensland recorded the strongest price rise expectations, with a net balance result of 33 per cent, while Tasmania recorded the weakest price rise expectations, with a net balance of 23 per cent.

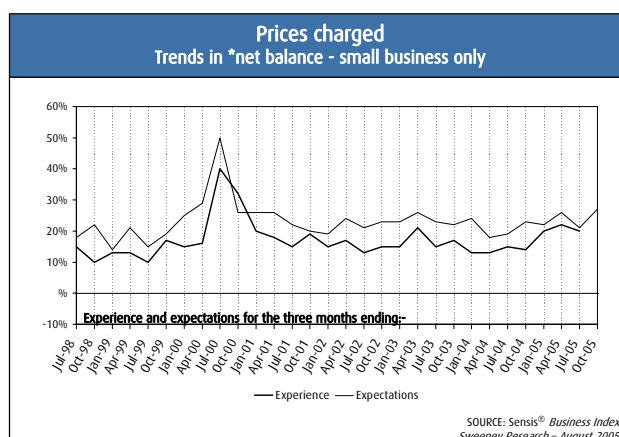
Next 12 months (August 2005 to July 2006)

At a net balance of 51 per cent, expectations for price rises over the coming year remained stable at the highest level in two years. Year-ahead expectations for price increases were strongest among SMEs in the Northern Territory and weakest among those in Victoria.

The strongest year-ahead price rise expectations were recorded in the health and community services sector, with a net balance result of 71 per cent. The weakest selling price expectations were recorded in the finance and insurance sector (net 16 per cent).

Prices charged					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Last Quarter					
Experienced increase	21%	21%	23%	25%	24%
No change	74%	72%	73%	71%	72%
Experienced decrease	5%	7%	3%	4%	4%
*Net Balance	+16%	+14%	+20%	+21%	+20%
Current Quarter					
Expect increase	26%	26%	29%	26%	30%
No change	71%	70%	68%	69%	67%
Expect decrease	3%	4%	3%	5%	3%
*Net Balance	+23%	+22%	+26%	+21%	+27%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005



* 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 performance improved strongly in the past quarter, exceeding expectations. The outlook for future investment in the short-term and medium-term expectations for the year ahead also improved, however short-term expectations remain net negative.

Last quarter (May to July 2005)

After net negative performance in capital expenditure in the last survey, the latest quarter saw performance in capital expenditure rebound nationally. This represented an improvement of seven percentage points in the past quarter. Despite this result being a significant improvement on the past quarter, it is still one percentage point lower than August last year, with the net proportion of SMEs increasing capital expenditure traditionally highest in the August quarter.

Capital expenditure growth was again strongest in the Northern Territory, where a net balance result of 20 per cent of SMEs increased their capital expenditure. The weakest result was in Tasmania, 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 restaurants sector (18 per cent net balance), while the weakest result was in the finance and insurance sector, equal with the cultural, recreational and personal services sector (negative seven per cent net balance each).

Current quarter (August to October 2005)

The proportion of SMEs expecting to increase their capital expenditure improved but remained net negative in the short term, with a net negative two per cent of SMEs expecting to increase their capital expenditure. Expectations varied on a state basis, with the strongest expectations recorded in Victoria, with a net balance of eight per cent. New South Wales again had the weakest result, recording a net balance of negative nine per cent.

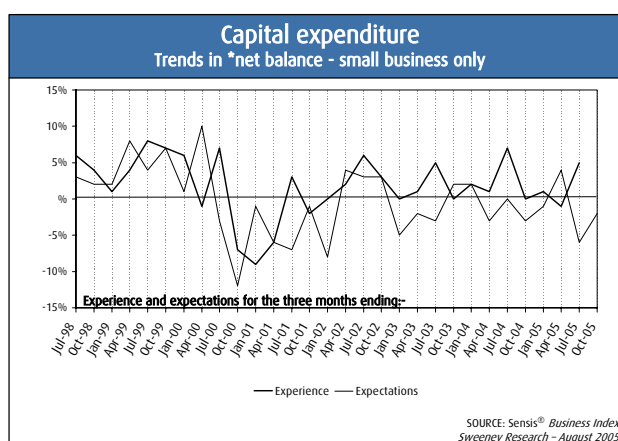
SMEs in the transport and storage sector again had the highest expectations (nine per cent), while the finance and insurance sector had the weakest result (net negative 29 per cent).

Next 12 months (August 2005 to July 2006)

Capital expenditure expectations for the year ahead improved during the quarter, with the net balance result increasing three percentage points to 16 per cent. The strongest capital expenditure expectations were recorded in the Northern Territory (net 28 per cent).

Capital expenditure					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Last Quarter					
Experienced increase	27%	23%	24%	25%	27%
No change	51%	52%	50%	47%	49%
Experienced decrease	20%	23%	23%	26%	21%
*Net Balance	+7%	0%	+1%	-1%	+6%
Current Quarter					
Expect increase	23%	25%	28%	22%	22%
No change	49%	49%	47%	48%	50%
Expect decrease	26%	25%	24%	28%	24%
*Net Balance	-3%	0%	+4%	-6%	-2%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005



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

Profitability

Key findings

In line with improving sales, the proportion of SMEs reporting increased profitability in the past quarter rose to return to net positive territory. There were also solid improvements in expectations for both the coming quarter and the year ahead.

Last quarter (May to July 2005)

Profitability performance rose during the quarter, with a net balance result of three per cent. This result follows the sharp decline in profitability performance that had occurred in the previous quarter and was an improvement of four percentage points from last quarter's net balance result of negative one per cent.

SMEs in the Northern Territory again recorded the best profit performance during the quarter, with a net balance of 43 per cent. SMEs in Victoria recorded the weakest performance, at net negative four per cent. The strongest performance by industry was in the finance and insurance sector, equal with the communications, property and business services sector, with both sectors recording a net balance result of 24 per cent. SMEs in regional areas experienced marginally higher profitability than their metropolitan counterparts.

Current quarter (August to October 2005)

Expectations for the current quarter also improved solidly. Overall, 44 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 29 per cent was an increase of 10 percentage points from the result of 19 per cent last quarter.

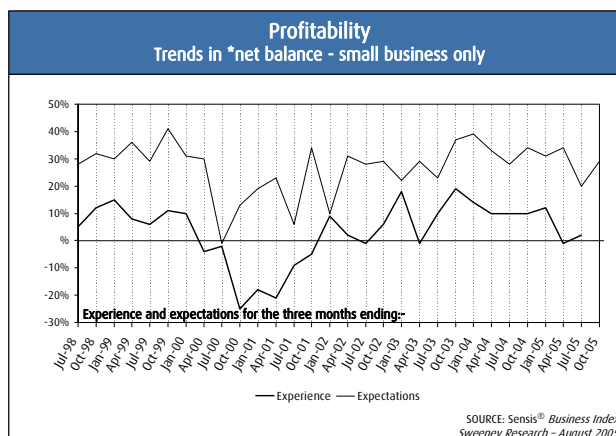
The strongest profit expectations were recorded in the wholesale trade sector, with a net balance of 45 per cent. The weakest expectations were recorded in the construction sector, with a net balance result of six per cent. SMEs in South Australia had the highest net profitability expectations of any state or territory.

Next 12 months (August 2005 to July 2006)

Expectations for profitability for the medium term also improved, with a net balance result of 50 per cent of SMEs expecting increased profitability in the year ahead. The strongest profit expectations for the year ahead were recorded in the communication, property and business services sector, with a net balance of 58 per cent. The weakest profit expectations were in the finance and insurance sector, which recorded a net balance of 32 per cent.

Profitability					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Last Quarter					
Experienced increase	38%	38%	36%	32%	34%
No change	35%	33%	39%	35%	35%
Experienced decrease	27%	28%	24%	33%	31%
*Net Balance	+11%	+10%	+12%	-1%	+3%
Current Quarter					
Expect increase	48%	47%	46%	39%	44%
No change	37%	37%	41%	41%	40%
Expect decrease	14%	16%	12%	20%	15%
*Net Balance	+34%	+31%	+34%	+19%	+29%

SOURCE: Sensis® Business Index
Sweeney Research – August 2005



* 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 dropped marginally, however the proportion of SMEs reporting an increase in the value of their exports increased solidly.

Last quarter (May to July 2005)

Twelve per cent of SMEs reported they had exported in the past quarter, which was a marginal drop of one percentage point from the previous quarter's result. Increasing proportions of SMEs in Western Australia and the Australian Capital Territory reported having exported in the past quarter. All other states and territories recorded either no change or declines in the proportion of SMEs reporting export activity in the past quarter.

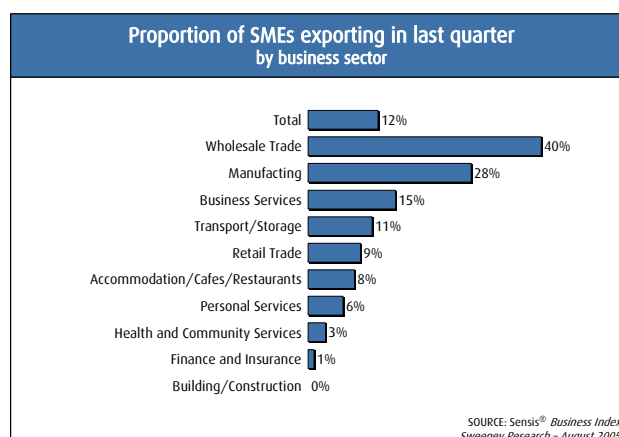
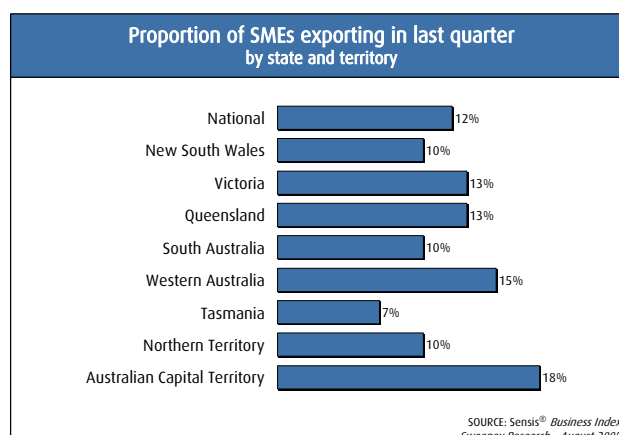
SMEs that had significant growth plans were far more likely to export than those with no plans for growth (21 per cent compared to six per cent). SMEs in metropolitan areas were over twice as likely to export as their regional counterparts (15 per cent compared to six per cent).

SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, with participation in that sector increasing from 36 per cent to 40 per cent. SMEs in the building and construction sector did not report significant export activity in the past quarter.

While the proportion of SMEs exporting over the last quarter fell slightly, there was significant growth in the net proportion of SMEs that did export that reported an increase in the value of their exports. A net balance of 25 per cent reported an increase in the value of the goods and services exported in the past quarter, up from last quarter's net balance of 11 per cent.

And while the net proportion of exporting SMEs that increased the value of their exports rose, with further growth anticipated in the coming year, SMEs were expecting a decline in the short term. The net proportion of SMEs expecting to increase the value of their exports fell from a net 22 per cent to a net 11 per cent.

The proportion of SMEs exporting to the United States continued to increase, with 26 per cent of exporting SMEs nominating this as a major export destination. The proportion of SMEs that reported exporting to the United States has risen from 21 per cent at the beginning of the year following the introduction of the Free Trade Agreement between Australia and the United States and consolidating the United States as the second most popular destination for exporting SMEs.



Value of exports - trends

	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Last Quarter					
Experienced increase	29%	35%	28%	30%	37%
No change	55%	50%	57%	51%	51%
Experienced decrease	16%	15%	16%	19%	12%
*Net Balance	+13%	+20%	+12%	+11%	+25%
Current Quarter					
Expect increase	36%	36%	34%	36%	29%
No change	52%	52%	52%	50%	53%
Expect decrease	12%	12%	14%	14%	18%
*Net Balance	+24%	+24%	+20%	+22%	+11%
Next 12 months					
Expect increase	55%	50%	51%	48%	55%
No change	34%	44%	39%	40%	38%
Expect decrease	12%	6%	10%	11%	7%
*Net Balance	+43%	+44%	+41%	+37%	+48%

Base: Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index Sweeney Research – August 2005

Assessment of Federal Government policies

Key findings

Support among SMEs for the Federal Government was exceptionally strong in the past quarter to net positive 10 per cent. This is the strongest result in the history of the Sensis-Business Index for a Federal Government outside of an electoral period following a net negative result.

Last quarter (May to July 2005)

The net balance result of a positive 10 per cent approval rating represented a reversal for the Federal Government’s standing within the Australian SME sector from last quarter’s net negative result. This result was an increase of 16 percentage points in the past quarter. The result comprised 34 per cent of businesses that were supportive of the Federal Government’s small business policies, compared to 24 per cent that were not supportive.

While no state or territory recorded a net negative result for the Federal Government, the strongest support for the Federal Government’s policies occurred in the Northern Territory, where businesses recorded a positive 18 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 zero per cent.

There was no difference in the net levels of support between metropolitan and regional SMEs. Medium businesses were far more supportive of the Federal Government than small businesses, and businesses aiming for significant growth were also much more supportive than those businesses that were not aiming for growth.

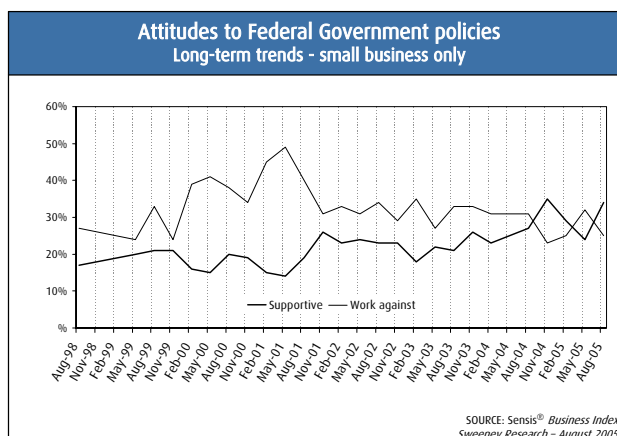
The Federal Government’s industrial relations policies were overwhelmingly the main reason that SMEs gave for believing that the Federal Government was trying to help small business. This view was particularly strong among SMEs in New South Wales, Victoria, Western Australia and the Northern Territory. The belief that the Federal Government was trying to help small businesses was the next most frequent response.

The key reasons that SMEs believed the Federal Government’s policies worked against them were the amount of bureaucracy and red tape and the belief that the Federal Government was only concerned with big businesses.

Attitudes to Federal Government policies past five quarters					
	Aug 04	Nov 04	Feb 05	May 05	Aug 05
Supportive	28%	36%	30%	25%	34%
Work against	30%	23%	24%	31%	24%
No impact	42%	41%	46%	44%	41%
*Net Balance	-2%	+13%	+6%	-6%	+10%

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 – August 2005



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

Assessment of state government policies

Key findings

In what could only be described as a good quarter for governments in general, all state and territory governments also enjoyed increased levels of support. As always, however, while all governments enjoyed increased support, there was still a wide degree of variation of support. The Tasmanian Government was again the most popular state or territory government in Australia among SMEs. And despite a rise in support, the New South Wales remained the least popular state or territory government among SMEs, for the sixth successive quarter.

Last quarter (May to July 2005)

The Tasmanian Government recorded the highest approval rating from SMEs at net positive 11 per cent. For Tasmania, the result was up from one per cent last quarter. The Tasmanian Government's support for tourism was the main reason given by SMEs for their support.

In line with their recent electoral victory, the largest rise in support in the last quarter was for the government in the Northern Territory, where support increased by a net 25 percentage points to a net positive seven per cent. The main reason that SMEs gave for their support was the Territory Government's small business management training programs. The only other government to score a net positive rating was the government in the Australian Capital Territory.

Despite rising by seven percentage points in its rating, the New South Wales Government was still by far the least supported government among SMEs. The rating of a net negative 40 per cent is the third lowest rating on record of any state or territory government, and is the sixth successive quarter that the New South Wales Government has recorded the lowest result of any state or territory government. The key reasons that SMEs gave for not supporting the New South Wales Government were bureaucracy, taxes and charges.

Attitudes to state or territory government policies August 2005								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	12%	10%	25%	21%	17%	33%	29%	26%
Work against	52%	35%	26%	22%	37%	22%	22%	24%
No impact	36%	55%	49%	56%	46%	45%	49%	50%
*Net Balance	-40%	-25%	-1%	-1%	-20%	+11%	+7%	+2%

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 – August 2005

Attitudes to state or territory government policies Trends in *net balance					
	Aug 2004	Nov 2004	Feb 2005	May 2005	Aug 2005
New South Wales	-28%	-37%	-43%	-47%	-40%
Victoria	-16%	-21%	-32%	-32%	-25%
Queensland	+2%	-4%	+1%	-2%	-1%
South Australia	-12%	-12%	-9%	-11%	-1%
Western Australia	-26%	-33%	-21%	-35%	-20%
Tasmania	+28%	+26%	+6%	+1%	+11%
Northern Territory	-2%	-4%	-8%	-18%	+7%
Australian Capital Territory	-12%	-11%	+6%	-7%	+2%

SOURCE: Sensis® Business Index Sweeney Research – August 2005

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

Workplace relations

Perceived impact of proposed changes to workplace relations environment

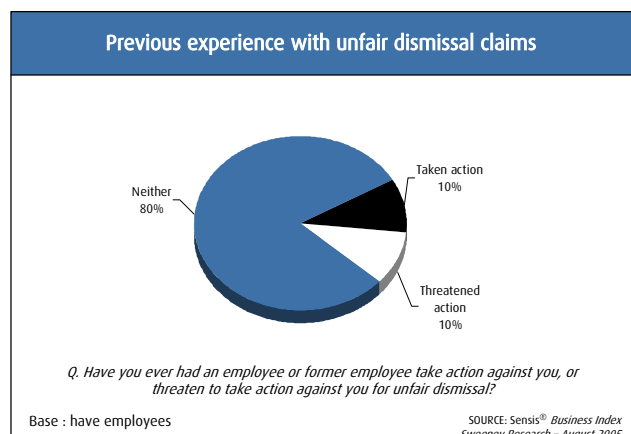
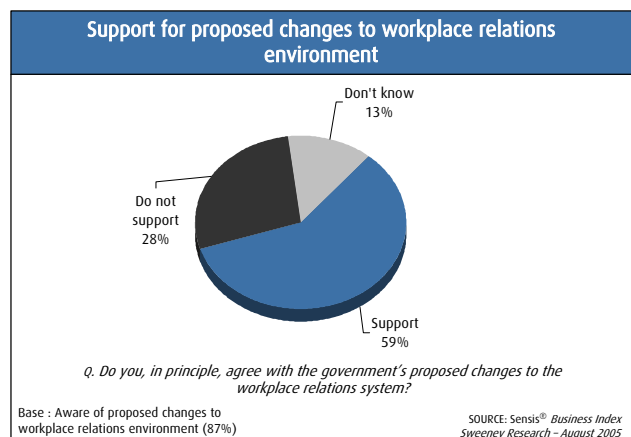
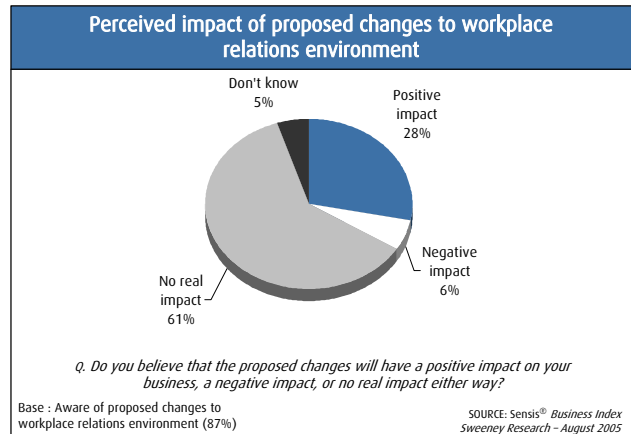
The August 2005 Sensis® Business Index found that, overall, some 87 per cent of SME operators felt that they were aware of the debate surrounding proposed changes to the workplace relations system. Of those SMEs that noted some level of awareness, some 61 per cent felt that the changes currently being debated would not have any real impact on their businesses, with 28 per cent believing that they would have a positive impact on their business, and six per cent feeling that they would have a negative impact.

The main reasons that SMEs felt the proposed changes would have a positive impact were that it would be easier to dismiss employees, employers would benefit and it would be easier to employ staff. The main negative impacts included that they would take away the rights of workers, they would create more work for business owners and that they would make employees feel more insecure.

Despite most SMEs feeling that the proposed changes would not impact on their businesses specifically, there was a strong level of support for change, with 59 per cent of SME operators reporting that they supported the proposed changes in principle. While support was relatively strong around Australia, support was strongest in the Northern Territory and weakest among SMEs in Queensland. On a sectoral basis, support was strongest for the proposed changes in the finance and insurance sector, and weakest among SMEs in the health and community services sector.

In this context, it is interesting to look at the impact the unfair dismissal laws have had on SMEs. Over the past year, the proportion of SMEs with employees that reported having taken action to protect their businesses from unfair dismissal action has fallen from 30 per cent to 21 per cent. While the most common step taken to protect a business from unfair dismissal remained having procedures in place, this had fallen in support, with rising proportions of SMEs reporting that they used contract labour to avoid problems in this area.

Over the past year, the proportion of employing SMEs that reported having experienced some form of unfair dismissal action or threat rose marginally, up one percentage point to 20 per cent, with 10 per cent reporting having faced action, and 10 per cent having been threatened with action. Some ten per cent of SMEs that had action taken against them reported making payments to the employee to resolve the situation, with four per cent who had been threatened reporting this response. Overall, some 28 per cent of SMEs reported not having hired additional employees due to a fear of unfair dismissal action.



Small and medium business outlook – National

- Business confidence rose during the quarter;
- perceptions of the current state of the economy also improved during the quarter, as did expectations for the economy over the coming year;
- sales performance improved in the past quarter, as did expectations for the current quarter and the year ahead;
- employment growth fell, following strong growth in the previous quarter;
- capital expenditure performance returned to net positive territory, but was lower than a year ago;
- profitability improved during the past quarter, in line with sales performance; and,
- support for the Federal Government's policies rose to a very strong net positive 10 per cent.

Trends in past three months' experience and current quarter expectations – National					
	AUG 2004	NOV 2004	FEB 2005	MAY 2005	AUG 2005
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	76	74	71	67	69
NEGATIVE	9	12	12	15	14
NET BALANCE	+67	+62	+59	+52	+55

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	43	43	43	37	38	53	50	50	42	47
	DECREASE	26	27	25	31	30	12	16	11	20	11
	NET BALANCE	+17	+16	+18	+6	+8	+41	+34	+39	+22	+36
SIZE OF WORKFORCE:	INCREASE	10	10	13	18	14	17	19	16	13	14
	DECREASE	7	8	7	10	13	5	5	3	7	5
	NET BALANCE	+3	+2	+6	+8	+1	+12	+14	+13	+6	+9
WAGES BILL:	INCREASE	26	26	27	24	25	27	28	27	23	26
	DECREASE	11	13	10	15	14	8	8	8	10	7
	NET BALANCE	+15	+13	+17	+9	+11	+19	+20	+19	+13	+19
PRICES:	INCREASE	21	21	23	25	24	26	26	29	26	30
	DECREASE	5	7	3	4	4	3	4	3	5	3
	NET BALANCE	+16	+14	+20	+21	+20	+23	+22	+26	+21	+27
PROFITABILITY:	INCREASE	38	38	36	32	34	48	47	46	39	44
	DECREASE	27	28	24	33	31	14	16	12	20	15
	NET BALANCE	+11	+10	+12	-1	+3	+34	+31	+34	+19	+29
CAPITAL EXPENDITURE:	INCREASE	27	23	24	25	27	23	25	28	22	22
	DECREASE	20	23	23	26	21	26	25	24	28	24
	NET BALANCE	+7	0	+1	-1	+6	-3	0	+4	-6	-2

* 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 rose during the quarter;
- sales growth improved, but remained below the national average;
- SMEs in New South Wales recorded below average net growth in employment during the past quarter;
- short term expectations for profitability and capital expenditure were the lowest of any state or territory;
- SMEs in New South Wales recorded the lowest levels of expectations for the coming year for employment; and,
- support for the policies of the New South Wales Government improved but remained at the lowest level for any state or territory government for the sixth successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004	NOV 2004	FEB 2005	MAY 2005	AUG 2005
	%	%	%	%	%
POSITIVE	72	70	61	62	67
NEGATIVE	12	15	16	17	16
NET BALANCE	+60	+55	+45	+45	+51

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05
	%	%	%	%	%	%	%	%	%	%
SALES VALUE:										
INCREASE	42	39	41	32	39	51	50	50	35	46
DECREASE	29	34	30	32	34	17	18	11	22	12
NET BALANCE	+13	+5	+11	0	+5	+34	+32	+39	+13	+34
SIZE OF WORKFORCE:										
INCREASE	14	10	14	19	12	12	20	12	10	11
DECREASE	4	10	5	10	14	4	4	3	11	7
NET BALANCE	+10	0	+9	+9	-2	+8	+16	+9	-1	+4
WAGES BILL:										
INCREASE	28	25	25	21	24	24	27	22	19	22
DECREASE	11	16	12	17	19	9	8	11	12	10
NET BALANCE	+17	+9	+13	+4	+5	+15	+19	+11	+7	+12
PRICES:										
INCREASE	19	18	22	23	20	23	19	26	28	29
DECREASE	7	9	2	2	4	5	7	5	5	4
NET BALANCE	+12	+9	+20	+21	+16	+18	+12	+21	+23	+25
PROFITABILITY:										
INCREASE	36	35	32	25	34	44	48	48	32	42
DECREASE	29	34	29	38	35	21	20	13	19	16
NET BALANCE	+7	+1	+3	-13	-1	+23	+28	+35	+13	+26
CAPITAL EXPENDITURE:										
INCREASE	25	22	22	23	26	25	24	26	20	19
DECREASE	18	24	22	28	17	27	27	27	32	28
NET BALANCE	+7	-2	0	-5	+9	-2	-3	-1	-12	-9

* 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 to be the lowest of any state or territory;
- sales performance continued to decline during the quarter to be the lowest of any state or territory;
- Victoria recorded net negative employment growth among SMEs, at a level below the national average;
- capital expenditure continued to soften in Victoria in the past quarter, with no net growth recorded;
- profitability among Victorian SMEs declined to be the lowest of any state or territory; and,
- SME support for the Victorian Government improved during the quarter however the Victorian Government was the second least supported of any state or territory government.

Trends in past three months' experience and current quarter expectations – Victoria					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004	NOV 2004	FEB 2005	MAY 2005	AUG 2005
	%	%	%	%	%
POSITIVE	79	75	70	64	61
NEGATIVE	7	13	14	18	18
NET BALANCE	+72	+62	+56	+46	+43

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	37	42	41	37	34	58	53	52	46	50
	DECREASE	30	27	29	34	31	11	14	11	22	8
	NET BALANCE	+7	+15	+12	+3	+3	+47	+39	+41	+24	+42
SIZE OF WORKFORCE:	INCREASE	7	10	12	16	14	19	22	21	15	15
	DECREASE	12	9	10	8	15	7	5	4	6	4
	NET BALANCE	-5	+1	+2	+8	-1	+12	+17	+17	+9	+11
WAGES BILL:	INCREASE	21	24	28	23	24	30	34	37	25	25
	DECREASE	12	13	11	13	12	9	7	6	8	6
	NET BALANCE	+9	+11	+17	+10	+12	+21	+27	+31	+17	+19
PRICES:	INCREASE	21	23	21	28	26	29	32	31	26	27
	DECREASE	6	7	3	5	6	1	3	3	7	3
	NET BALANCE	+15	+16	+18	+23	+20	+28	+29	+28	+19	+24
PROFITABILITY:	INCREASE	36	38	35	33	27	55	49	49	44	45
	DECREASE	30	28	27	34	31	12	14	11	20	18
	NET BALANCE	+6	+10	+8	-1	-4	+43	+35	+38	+24	+27
CAPITAL EXPENDITURE:	INCREASE	28	21	27	27	23	24	28	29	25	25
	DECREASE	17	22	22	24	23	27	22	22	27	17
	NET BALANCE	+11	-1	+5	+3	0	-3	+6	+7	-2	+8

* 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 during the quarter remained above the national average;
- Queensland SMEs reported performance ahead of the national average in all indicators in the past quarter, with the exception of prices where performance was equal to the national average;
- Queensland SMEs recorded declining employment performance;
- performance in sales and profitability continued to fall;
- in line with falling employment growth, Queensland SMEs recorded lower growth in wage and salaries bills in the past quarter;
- performance in capital expenditure increased in the past quarter; and,
- SME support for the Queensland Government rose marginally during the quarter.

Trends in past three months' experience and current quarter expectations – Queensland					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004	NOV 2004	FEB 2005	MAY 2005	AUG 2005
	%	%	%	%	%
POSITIVE	78	81	79	77	76
NEGATIVE	8	8	6	12	8
NET BALANCE	+70	+73	+73	+65	+68

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	49	49	44	44	40	54	43	50	50	44
	DECREASE	18	18	18	30	29	8	17	12	15	12
	NET BALANCE	+31	+31	+26	+14	+11	+46	+26	+38	+35	+32
SIZE OF WORKFORCE:	INCREASE	10	7	18	19	15	22	15	18	18	14
	DECREASE	6	8	7	8	9	3	6	4	6	3
	NET BALANCE	+4	-1	+11	+11	+6	+19	+9	+14	+12	+11
WAGES BILL:	INCREASE	29	31	32	29	26	28	23	26	27	27
	DECREASE	9	9	7	13	12	5	10	9	9	5
	NET BALANCE	+20	+22	+25	+16	+14	+23	+13	+17	+18	+22
PRICES:	INCREASE	22	22	25	27	24	24	27	30	21	34
	DECREASE	4	5	5	4	4	1	3	2	4	1
	NET BALANCE	+18	+17	+20	+23	+20	+23	+24	+28	+17	+33
PROFITABILITY:	INCREASE	43	42	35	38	36	49	42	39	46	42
	DECREASE	20	20	20	28	29	8	15	12	18	12
	NET BALANCE	+23	+22	+15	+10	+7	+41	+27	+27	+28	+30
CAPITAL EXPENDITURE:	INCREASE	27	26	24	28	31	19	22	30	21	22
	DECREASE	24	21	25	22	22	24	26	19	21	27
	NET BALANCE	+3	+5	-1	+6	+9	-5	-4	+11	+0	-5

* 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 strongly during the quarter to be the second highest of any state or territory;
- all performance indicators for South Australian SMEs were above the national average;
- sales performance remained stable during the quarter;
- SMEs reported a marginal net fall in employment growth in South Australia;
- inflationary risks continued to remain high;
- capital expenditure performance was very strong in the past quarter – the second highest of any state or territory;
- South Australian SMEs reported the highest level of expectations for sales and profitability of any state or territory for the coming quarter; and,
- support for the South Australian Government rose during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004	NOV 2004	FEB 2005	MAY 2005	AUG 2005
	%	%	%	%	%
POSITIVE	77	76	78	70	78
NEGATIVE	11	7	10	11	8
NET BALANCE	+66	+69	+68	+59	+70

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	43	48	49	41	40	56	54	46	45	53
	DECREASE	26	20	21	24	23	9	12	13	18	11
	NET BALANCE	+17	+28	+28	+17	+17	+47	+42	+33	+27	+42
SIZE OF WORKFORCE:	INCREASE	6	11	8	15	12	15	14	15	12	15
	DECREASE	6	8	9	11	9	5	3	4	3	3
	NET BALANCE	0	+3	-1	+4	+3	+10	+11	+11	+9	+12
WAGES BILL:	INCREASE	25	28	29	25	23	29	27	26	23	35
	DECREASE	13	9	9	11	9	7	5	9	6	6
	NET BALANCE	+12	+19	+20	+14	+14	+22	+22	+17	+17	+29
PRICES:	INCREASE	23	26	30	34	30	28	27	28	28	29
	DECREASE	2	1	4	3	2	2	2	4	3	1
	NET BALANCE	+21	+25	+26	+31	+28	+26	+25	+24	+25	+28
PROFITABILITY:	INCREASE	37	43	47	38	36	50	51	46	41	53
	DECREASE	26	19	17	23	23	8	12	12	18	10
	NET BALANCE	+11	+24	+30	+15	+13	+42	+39	+34	+23	+43
CAPITAL EXPENDITURE:	INCREASE	20	28	22	24	30	25	22	25	22	21
	DECREASE	25	22	32	25	19	24	26	25	27	27
	NET BALANCE	-5	+6	-10	-1	+11	+1	-4	0	-5	-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 – Western Australia

- Business confidence rose strongly during the quarter to a level above the national average;
- all performance indicators for Western Australian SMEs were above the national average;
- sales performance improved during the quarter, and was over twice the national average;
- employment recorded strong net growth during the quarter;
- profitability showed strong improvement during the quarter to be the second highest of any state or territory;
- no net growth was recorded in capital expenditure performance; and,
- support for the Western Australian Government improved strongly and has not been higher since August 2001.

Trends in past three months' experience and current quarter expectations – Western Australia

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004 %	NOV 2004 %	FEB 2005 %	MAY 2005 %	AUG 2005 %
POSITIVE	73	69	80	67	76
NEGATIVE	11	13	9	16	8
NET BALANCE	+62	+56	+71	+51	+68

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04 %	AUG-OCT 04 %	NOV-JAN 04/05 %	FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 04 %	NOV-JAN 04/05 %	FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 05 %
SALES VALUE:	INCREASE	48	44	47	38	41	52	50	51	40	50
	DECREASE	27	24	20	27	23	8	18	10	22	11
	NET BALANCE	+21	+20	+27	+11	+18	+44	+32	+41	+18	+39
SIZE OF WORKFORCE:	INCREASE	7	13	9	14	15	18	16	12	14	18
	DECREASE	7	6	7	18	10	4	6	2	5	2
	NET BALANCE	0	+7	+2	-4	+5	+14	+10	+10	+9	+16
WAGES BILL:	INCREASE	31	29	26	23	29	25	23	24	23	39
	DECREASE	12	14	9	18	11	7	7	5	10	4
	NET BALANCE	+19	+15	+17	+5	+18	+18	+16	+19	+13	+35
PRICES:	INCREASE	21	24	26	17	28	33	34	32	32	34
	DECREASE	5	2	5	4	5	1	1	1	2	2
	NET BALANCE	+16	+22	+21	+13	+23	+32	+33	+31	+30	+32
PROFITABILITY:	INCREASE	40	40	42	32	43	45	42	47	37	49
	DECREASE	27	28	18	29	24	9	17	12	23	13
	NET BALANCE	+13	+12	+24	+3	+19	+36	+25	+35	+14	+36
CAPITAL EXPENDITURE:	INCREASE	33	24	19	22	26	26	24	26	21	27
	DECREASE	21	29	23	29	26	27	24	26	29	21
	NET BALANCE	+12	-5	-4	-7	0	-1	0	0	-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 – Tasmania

- Business confidence rose marginally, remaining above the national average;
- all performance indicators for Tasmanian SMEs were below the national average;
- sales and profitability performance declined during the quarter;
- Tasmanian SMEs reported the lowest performance indicators of any state or territory for employment, prices and capital expenditure in the past quarter;
- Tasmanian SMEs reported the lowest expectations for the coming quarter of any state or territory for employment, wages bills, prices and profitability; and,
- support for the Tasmanian Government's policies improved, remaining the strongest of any state or territory government.

Trends in past three months' experience and current quarter expectations – Tasmania

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004 %	NOV 2004 %	FEB 2005 %	MAY 2005 %	AUG 2005 %
POSITIVE	83	78	79	67	74
NEGATIVE	1	6	7	6	12
NET BALANCE	+82	+72	+72	+61	+62

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04 %	AUG-OCT 04 %	NOV-JAN 04/05 %	FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 04 %	NOV-JAN 04/05 %	FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 05 %
SALES VALUE:	INCREASE	38	41	57	42	35	37	54	39	28	40
	DECREASE	17	24	18	31	29	15	10	14	22	9
	NET BALANCE	+21	+17	+39	+11	+6	+22	+44	+25	+6	+31
SIZE OF WORKFORCE:	INCREASE	4	14	18	18	8	13	12	14	11	12
	DECREASE	7	7	6	11	18	3	1	2	9	8
	NET BALANCE	-3	+7	+12	+7	-10	+10	+11	+12	+2	+4
WAGES BILL:	INCREASE	22	21	30	29	23	19	33	20	17	17
	DECREASE	7	10	5	16	17	6	4	3	15	11
	NET BALANCE	+15	+11	+25	+13	+6	+13	+29	+17	+2	+6
PRICES:	INCREASE	20	29	25	22	21	28	31	27	21	26
	DECREASE	0	4	3	1	11	5	3	1	3	3
	NET BALANCE	+20	+25	+22	+21	+10	+23	+28	+26	+18	+23
PROFITABILITY:	INCREASE	33	37	43	37	29	40	53	40	30	40
	DECREASE	17	21	14	29	28	14	8	10	21	14
	NET BALANCE	+16	+16	+29	+8	+1	+26	+45	+30	+9	+26
CAPITAL EXPENDITURE:	INCREASE	34	28	28	27	25	21	27	26	32	31
	DECREASE	20	21	25	25	30	29	21	25	27	25
	NET BALANCE	+14	+7	+3	+2	-5	-8	+6	+1	+5	+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 again recorded the highest level of business confidence of any state or territory, recording solid improvement in the past quarter;
- all performance indicators for SMEs in the Northern Territory were the highest of any state or territory, with the exception of prices;
- in addition, SMEs in the Northern Territory also recorded increases in all performance indicators in the past quarter, except prices which remained constant;
- expectations for employment growth in the Territory for the coming quarter was the highest of any state or territory; and,
- in line with their recent electoral victory and strong performance in the past quarter, support for the Northern Territory Government experienced the largest rise of any state or territory government, being the second most supported government by SMEs.

Trends in past three months' experience and current quarter expectations – Northern Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004	NOV 2004	FEB 2005	MAY 2005	AUG 2005
	%	%	%	%	%
POSITIVE	73	78	78	76	80
NEGATIVE	9	9	7	10	7
NET BALANCE	+64	+69	+71	+66	+73

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	55	52	47	50	62	53	46	51	56	48
	DECREASE	16	22	21	22	12	10	16	17	12	14
	NET BALANCE	+39	+30	+26	+28	+50	+43	+30	+34	+44	+34
SIZE OF WORKFORCE:	INCREASE	15	17	7	19	20	21	15	26	28	24
	DECREASE	6	9	9	11	11	2	7	3	4	4
	NET BALANCE	+9	+8	-2	+8	+9	+19	+8	+23	+24	+20
WAGES BILL:	INCREASE	24	36	32	33	41	34	22	24	36	35
	DECREASE	14	9	12	13	7	6	10	10	5	11
	NET BALANCE	+10	+27	+20	+20	+34	+28	+12	+14	+31	+24
PRICES:	INCREASE	24	21	22	28	28	24	24	30	29	32
	DECREASE	4	4	7	1	1	2	5	1	2	1
	NET BALANCE	+20	+17	+15	+27	+27	+22	+19	+29	+27	+31
PROFITABILITY:	INCREASE	48	49	44	43	55	53	43	49	55	48
	DECREASE	17	19	20	21	12	9	18	14	15	12
	NET BALANCE	+31	+30	+24	+22	+43	+44	+25	+35	+40	+36
CAPITAL EXPENDITURE:	INCREASE	29	36	30	30	37	26	25	26	33	23
	DECREASE	22	15	22	19	17	31	28	29	20	27
	NET BALANCE	-2	+7	+21	+8	+20	-5	-3	-3	+13	-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 – Australian Capital Territory

- Business confidence remained constant during the quarter, but was above the national average;
- all performance indicators for SMEs in the Australian Capital Territory were below the national average, with the exception of employment;
- employment performance rose strongly to be the equal highest of any state or territory;
- expectations for sales and profitability for the coming quarter were the lowest of any state or territory; and,
- consistent with all governments this quarter, the Australian Capital Territory Government registered a rise in support from the SME community.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2004	NOV 2004	FEB 2005	MAY 2005	AUG 2005
	%	%	%	%	%
POSITIVE	76	80	80	70	72
NEGATIVE	9	5	7	12	14
NET BALANCE	+67	+75	+73	+58	+58

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 04	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 04	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	47	42	42	39	30	54	59	55	46	46
	DECREASE	27	30	22	36	26	9	16	9	17	19
	NET BALANCE	+20	+12	+20	+3	+4	+45	+43	+46	+29	+27
SIZE OF WORKFORCE:	INCREASE	10	11	10	16	20	17	16	22	17	19
	DECREASE	11	6	5	13	11	4	1	5	5	4
	NET BALANCE	-1	+5	+5	+3	+9	+13	+15	+17	+12	+15
WAGES BILL:	INCREASE	24	27	22	25	20	25	28	22	23	28
	DECREASE	10	8	12	16	13	8	4	6	9	8
	NET BALANCE	+14	+19	+10	+9	+7	+17	+24	+16	+14	+20
PRICES:	INCREASE	16	17	20	33	27	27	25	22	25	30
	DECREASE	4	6	5	6	9	3	1	3	4	4
	NET BALANCE	+12	+11	+15	+27	+18	+24	+24	+19	+21	+26
PROFITABILITY:	INCREASE	43	39	37	32	30	49	55	54	43	44
	DECREASE	21	27	20	30	29	9	12	7	14	18
	NET BALANCE	+22	+12	+17	+2	+1	+40	+43	+47	+29	+26
CAPITAL EXPENDITURE:	INCREASE	27	28	27	22	26	18	16	26	27	23
	DECREASE	21	26	21	30	30	27	27	26	22	31
	NET BALANCE	+6	+2	+6	-8	-4	-9	-11	0	+5	-8

* 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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