

February 2006

Sensis<sup>®</sup> *Business Index-  
Small and Medium Enterprises*



# Sensis® *Business Index – Small and Medium Enterprises*

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## 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 February 2006 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 February 2006 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 from 18 January to 8 February 2006. The report covers experiences over the past three months (November 2005 to January 2006), and expectations for both the current quarter (February to April 2006) and the 12 months ending January 2007.

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	-
<b>Total</b>	<b>1800</b>	<b>1365</b>	<b>435</b>

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
<b>Total</b>	<b>1800</b>

## Executive summary

Business confidence among SMEs showed solid improvement during the past quarter. SME current perceptions of the economy improved, as did perceptions about the future economic direction. Business performance in sales and profitability improved over the past quarter, however performance in employment fell. Inflationary pressures declined, with falls recorded in both wages bills and prices charged. While all short-term expectations improved, as did most expectations for the year ahead, falls in expectations for sales and profitability for the year ahead pointed to some moderation in demand over the medium-term. Support for the Federal Government remained unchanged at an exceptionally strong level on the back of strong support from SMEs for its agenda of workplace relations changes. The Tasmanian Government was most supported by SMEs, with New South Wales again 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.
- Perceptions of the current state of the Australian economy increased, coupled with an improvement in the net proportion of SMEs that felt the economy would be better a year from now.
- There was improvement in the performance of sales and profitability over the last quarter, with falls recorded in employment, prices and wages and performance unchanged in capital expenditure.
- In the short term, SMEs are expecting increases in all key indicators.
- Expectations for most key business indicators for the year ahead also rose, with the exception of sales and profitability.
- A lack of work or sales was the primary concern of SMEs. This was followed by problems finding suitable staff; and, competitive issues with larger businesses.
- Increased sales performance was recorded, pointing to improving demand in the Australian economy. Sales expectations for the current quarter improved, but there was some concern for the year ahead with falls in medium-term expectations.
- In line with the rising sales result, profitability performance also improved in the past quarter.
- Employment growth during the quarter fell, reversing some of the improvement experienced last quarter.
- Capital expenditure performance was unchanged, remaining net negative but exceeding last quarter's expectations. Expectations were for improvement in both the short term and the year ahead.
- Support for the Federal Government's policies remained unchanged at a very high level on the back of SME support for their workplace relations agenda.
- The Tasmanian Government was the most supported state government in Australia, with net positive ratings also recorded in the Northern Territory. The New South Wales Government recorded the lowest level of support for a state or territory government for the eighth 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 13 percentage points, up from a gap of nine percentage points last quarter;
- medium businesses were again noticeably more positive about the current state of the Australian economy than small businesses;
- medium businesses recorded noticeably higher performance than small businesses for all indicators 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:

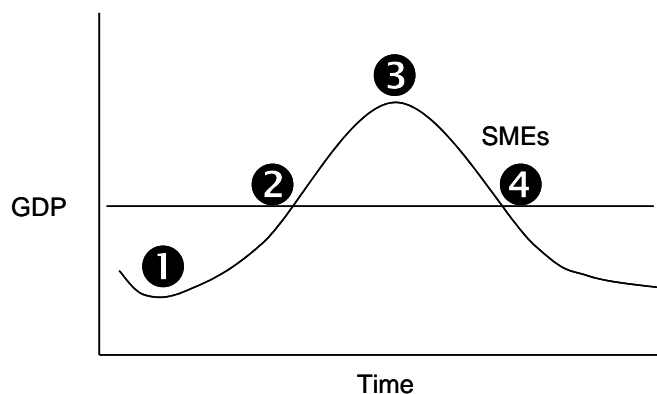
- regional businesses have now exhibited higher confidence levels than their metropolitan counterparts for six successive quarters;
- regional businesses were more positive about the current state of the Australian economy than metropolitan businesses;
- metropolitan businesses outperformed regional businesses in sales, profitability and capital expenditure for the previous quarter;
- regional businesses outperformed metropolitan businesses in employment, also recording higher results in prices and wages and,
- metropolitan businesses recorded higher support for the Federal Government's policies than their regional counterparts.

## Industry sector trends

Several trends emerged throughout the industry sectors:

- confidence was highest in the finance and insurance sector, with that sector showing the strongest growth in employment in the past quarter, but the lowest levels of sales performance;
- the manufacturing sector recorded the lowest confidence levels of any sector;
- sales growth was highest in the transport and storage sector, as was increases in wages bills;
- the greatest net proportion of SMEs that increased their prices in the past quarter was in the building and construction sector;
- profitability performance was highest in the accommodation, cafés and restaurants sector, however, that sector also saw the lowest performance in capital expenditure and the lowest employment result;
- capital expenditure performance was strongest among SMEs in the wholesale trade sector;
- the accommodation, cafés and restaurants sector was again the most supportive of the Federal Government's policies, with the manufacturing 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 February 2006 Sensis® Business Index suggests increased optimism in the current prospects of Australian SMEs within the Australian economy. With some uncertainty displayed last quarter over the future directions of demand, the moderation of fuel prices has seen Australian SMEs increase their confidence levels overall. However, while demand-based indicators such as sales and profitability improved, some indicators, notably investment, continue to reflect a continued hesitancy amongst SMEs to commit to longer term growth. In general, however, the improvement in overall confidence recorded last quarter points to increased optimism in the economic environment for the year ahead, with the pressure on inflationary indicators dropping from historically high levels.

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 February 2006 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. This result represents a more optimistic perception of the economy among SMEs compared to last quarter, when SMEs recorded unchanged confidence and some uncertainty. This latest result sees confidence restored to the level of February 2005.

### Last quarter (November 2005 to January 2006)

SMEs recorded improved business confidence with a net balance result of 59 per cent. This comprised 72 per cent of businesses that were confident about their business prospects for the year ahead and 13 per cent that were concerned. In the key confidence categories, businesses that felt confident to some degree about their business prospects have recorded a solid increase of four percentage points. Those business owners who felt worried to some extent about their business prospects remained so over the quarter.

The improved result in confidence this quarter involved an upward shift of SMEs that expressed neutral confidence to now feel fairly confident about their prospects going forward. Overall, there was no change in extreme levels of confidence. There was also a slight upward shift in the extent of concern displayed by businesses that were worried about their prospects going forward, with extremely worried businesses falling compared to businesses that were only fairly worried about their prospects. The main reasons that businesses gave for feeling confident about their prospects related to their business rather than any external factors – with SME operators citing that they had good customer relations and had established and experienced businesses. On the other hand, businesses that felt less confident about their prospects were most likely to point to external factors, notably a decrease in demand and downturn in their industry.

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

- business confidence;
- current perceptions of the Australian economy; and,
- future expectations for the Australian economy.

While stagnant business confidence was seen in the previous quarter on the back of increased fuel prices, this latest result shows that with fuel prices moderating, businesses are now more optimistic about the business environment and their prospects moving forward.

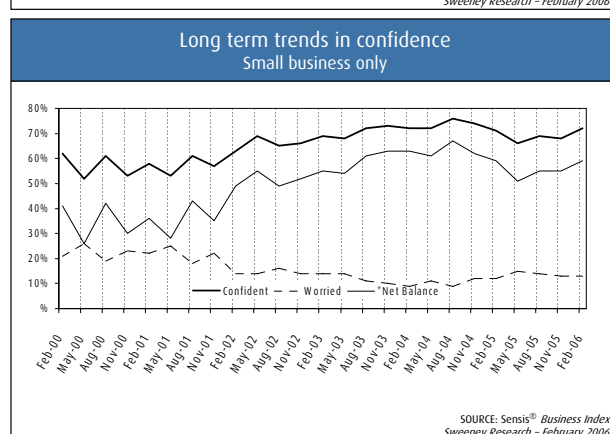
Overall confidence February 2006			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	13%	20%	13%
Fairly confident	59%	60%	59%
Neutral	14%	13%	14%
Fairly worried	11%	6%	11%
Extremely worried	2%	2%	2%
Total confident	72%	80%	72%
Total worried	13%	8%	13%
<b>*Net Balance</b>	<b>+59%</b>	<b>+72%</b>	<b>+59%</b>

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

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

Confidence trends - past five quarters					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
Extremely confident	16%	14%	15%	13%	13%
Fairly confident	55%	53%	54%	55%	59%
Neutral	17%	19%	17%	19%	14%
Fairly worried	10%	12%	11%	10%	11%
Extremely worried	2%	3%	3%	3%	2%
Total confident	71%	67%	69%	68%	72%
Total worried	12%	15%	14%	13%	13%
<b>*Net Balance</b>	<b>+59%</b>	<b>+52%</b>	<b>+55%</b>	<b>+55%</b>	<b>+59%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006



\* 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 in the past quarter were again recorded in Queensland, with the lowest level of business confidence again recorded in New South Wales. With further improvement this quarter, regional businesses again reported higher confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the finance and insurance sector. Confidence was lowest among SMEs in the manufacturing sector.

### Last quarter (November 2005 to January 2006)

With confidence levels unchanged since last quarter, Queensland again recorded the highest confidence of any state or territory. New South Wales again recorded the lowest level of confidence. This was despite recording the strongest improvement in net confidence with a rise of nine percentage points. New South Wales has been the lowest of any state or territory for five of the last seven quarters.

Improving business confidence was recorded in New South Wales, Victoria, Western Australia, Tasmania and the Australian Capital Territory. Only South Australia and the Northern Territory recorded declines in business confidence.

Following an improvement of a net nine percentage points in confidence for the past quarter, the finance and insurance sector recorded the highest confidence level at a net 80 per cent. This was followed by the accommodation, cafés and restaurants sector, where business confidence was at net 79 per cent, also up on last quarter. The lowest confidence level was recorded in the manufacturing sector, with a net balance of 44 per cent, with the cultural, recreational and personal services sector recording the largest net decline in confidence of any sector in the past quarter.

On a national basis, confidence was again highest among businesses in regional areas. Despite this overall finding, confidence was quite variable around the nation. This is perhaps best illustrated by the highest level of confidence around the nation this quarter being recorded among SMEs in metropolitan areas of Western Australia, with the lowest level being recorded among those SMEs in regional areas of that same state. Two other locations also saw metropolitan SMEs more confident than their regional counterparts: Tasmania and the Northern Territory. The largest improvement was among those SMEs in metropolitan Tasmania, with the largest decline in business confidence again recorded among SMEs in regional Western Australia.

Trends by state *net balance					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>National</b>	<b>59%</b>	<b>52%</b>	<b>55%</b>	<b>55%</b>	<b>59%</b>
New South Wales	45%	45%	51%	45%	54%
Victoria	56%	46%	43%	51%	56%
Queensland	73%	65%	68%	70%	70%
South Australia	68%	59%	70%	66%	65%
Western Australia	71%	51%	68%	63%	67%
Tasmania	72%	61%	62%	62%	63%
Northern Territory	71%	66%	73%	67%	59%
Australian Capital Territory	73%	58%	58%	64%	67%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

Metro and regional confidence *net balance			
	Metro	Regional	Total
<b>National</b>	<b>58%</b>	<b>62%</b>	<b>59%</b>
New South Wales	52%	56%	54%
Victoria	53%	64%	56%
Queensland	64%	74%	70%
South Australia	63%	75%	65%
Western Australia	76%	31%	67%
Tasmania	69%	59%	63%
Northern Territory	62%	56%	59%
Australian Capital Territory	67%	N/A	67%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

Confidence by business size			
	Confident	Worried	*Net Balance
<b>Total</b>	<b>72%</b>	<b>13%</b>	<b>59%</b>
1-2 Employees	69%	15%	54%
3-4 Employees	74%	12%	62%
5-9 Employees	83%	11%	72%
10-19 Employees	72%	13%	59%
<b>Total Small Business</b>	<b>72%</b>	<b>13%</b>	<b>59%</b>
20-99 Employees	78%	8%	70%
100-199 Employees	94%	4%	90%
<b>Total Medium Business</b>	<b>80%</b>	<b>8%</b>	<b>72%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	64%	20%	44%
Building/Construction	65%	12%	53%
Wholesale Trade	71%	12%	59%
Retail Trade	71%	17%	54%
Transport/Storage	75%	10%	65%
Communication Property & Business Services	77%	12%	65%
Finance and Insurance	80%	0%	80%
Health and Community Services	85%	9%	76%
Cultural, Recreational and Personal	65%	19%	46%
Accommodation, Cafes and Restaurants	81%	2%	79%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

\* 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 continued strong improvement among SMEs, for the third successive quarter.

Positively, there was also improvement in future economic expectations from the previous quarter's result, with more SMEs believing that the economy would be better a year from now.

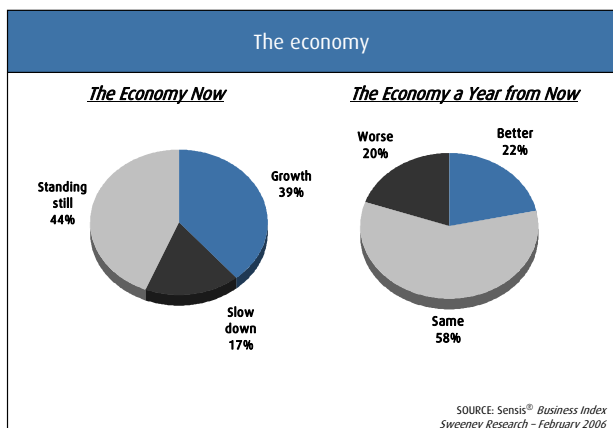
### Last quarter (November 2005 to January 2006)

There was improvement in the proportion of SMEs that felt the economy was currently growing, with a decline in the proportion of SMEs that felt the economy was currently slowing. This resulted in a solid improvement in the overall perception of the current state of the economy for the third successive quarter, with a net balance of 22 per cent of businesses believing the Australian economy is currently in a growth phase. This was an improvement of eight 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 59 per cent reported a current growth phase, an improvement of 16 percentage points from the previous quarter. The second strongest perception was recorded in the Northern Territory (net balance of 38 per cent). The weakest perceptions were recorded among SMEs in Victoria and New South Wales (net balance of 18 per cent each).

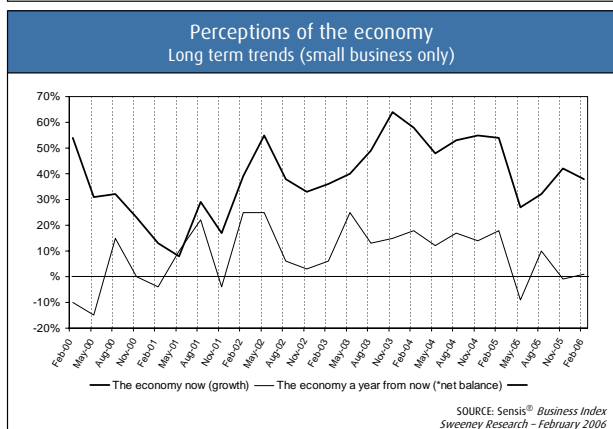
The largest net improvement in perceptions of the economy was felt in Western Australia, where perceptions rose 16 percentage points since last quarter. The only decline in current perceptions of the economy was in the Northern Territory, however, this was from a high base, having recorded the highest perceptions last quarter and still recording the second highest perceptions this quarter.

There was also a small improvement in expectations for the economy for the year ahead, with a net two percentage points of SMEs believing that the economy would be better in a year's time. This is an improvement on last quarter's result of net negative one per cent believing it would be stronger.



	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>The economy now</b>					
Growth	55%	27%	32%	36%	39%
Slowing	10%	27%	22%	22%	17%
<b>*Net Balance</b>	<b>+45%</b>	<b>0%</b>	<b>+10%</b>	<b>+14%</b>	<b>+22%</b>
<b>The economy a year from now</b>					
Better	30%	14%	20%	20%	22%
Worse	10%	24%	17%	21%	20%
<b>*Net Balance</b>	<b>+20%</b>	<b>-10%</b>	<b>+3%</b>	<b>-1%</b>	<b>+2%</b>

SOURCE: Sensis® Business Index Sweeney Research – February 2006



	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>The economy now</b>								
Growth	33%	38%	38%	36%	66%	44%	49%	38%
Slowing	15%	20%	19%	17%	7%	21%	11%	16%
<b>*Net Balance</b>	<b>18%</b>	<b>18%</b>	<b>19%</b>	<b>19%</b>	<b>59%</b>	<b>23%</b>	<b>38%</b>	<b>22%</b>
<b>The economy a year from now</b>								
Better	24%	19%	20%	22%	22%	24%	27%	21%
Worse	18%	22%	21%	24%	18%	20%	11%	20%
<b>*Net Balance</b>	<b>6%</b>	<b>-3%</b>	<b>-1%</b>	<b>-2%</b>	<b>4%</b>	<b>4%</b>	<b>16%</b>	<b>1%</b>

SOURCE: Sensis® Business Index Sweeney Research – February 2006

\* 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 for the next 12 months

### Key findings

The 12-month expectations for key indicators in the past quarter showed some variability. While there was some improvement across most indicators, the demand-based indicators of sales and profitability recorded trend declines.

### Next 12 months (February 2006 to January 2007)

There were rises in expectations in most key indicators for the year ahead. The only indicators that did not rise were sales and profitability.

Sales expectations fell during the quarter from 60 per cent to 56 per cent, reversing last quarter's increase. This result comprised 65 per cent of businesses that believed sales would rise in the year ahead and nine per cent that thought sales would fall. The strongest net sales expectations for the year ahead were recorded in Queensland at a net 67 per cent. The most confident industry sector for sales expectations was the accommodation, cafes and restaurants sector (net 74 per cent), with the building and construction sector again having the lowest sales expectations for the year ahead (net 40 per cent).

There was a further increase in employment expectations for the year ahead, with a net balance result of 24 per cent for the year ahead compared to 21 per cent for the previous quarter. Businesses in the Northern Territory recorded the strongest employment expectations for the year ahead, with a net balance result of 34 per cent. The lowest employment expectations were recorded in South Australia, with a net balance result of 18 per cent, down from 20 per cent last quarter.

There was a marginal increase of a net one per cent in expectations for total wage and salary costs for the year ahead. A net balance of 43 per cent of businesses expected a rise in their total wage costs in the coming year. This result represented the highest result since November 1994. The strongest expectations for total wage costs were recorded in Western Australia with a net balance of 51 per cent. The weakest were again recorded in Tasmania (unchanged net balance of 33 per cent).

Selling price expectations for the year ahead recorded a marginal increase of one percentage point to a net balance of 55 per cent. The strongest selling price expectations were recorded in the accommodation, cafes and restaurants sector, with a net balance of 68 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (36 per cent). This latest result is again the highest year-ahead price expectations since the introduction of the Goods and Services Tax in July 2000.

In line with softening sales expectations, expectations for profitability in the year ahead also fell by three percentage points to net 51 per cent. The highest expectations for profitability for the year ahead were recorded in Queensland, with a net balance of 64 per cent, and the lowest were again recorded in Tasmania, where a net balance of 40 per cent of SMEs were expecting their profitability to increase.

Capital expenditure expectations for the year ahead recorded a small increase in the past quarter of two percentage points to a net balance of 16 per cent. The strongest capital expenditure expectations were recorded in South Australia (29 per cent) and in the accommodation, cafes and restaurants sector (26 per cent).

Expectations on key indicators over the next 12 months February 2006			
	Expect an Increase	Expect a Decrease	*Net Balance
Value of sales	65%	9%	<b>+56%</b>
Size of workforce	27%	3%	<b>+24%</b>
Wages bill	49%	6%	<b>+43%</b>
Prices charged	57%	2%	<b>+55%</b>
Profitability	60%	9%	<b>+51%</b>
Capital expenditure	37%	21%	<b>+16%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

Expectations on key indicators Trends in *net balance					
	Feb 04	May 05	Aug 05	Nov 05	Feb 06
Value of sales	60%	46%	56%	60%	56%
Size of workforce	21%	17%	20%	21%	24%
Wages bill	39%	33%	38%	42%	43%
Prices charged	47%	51%	51%	54%	55%
Profitability	56%	40%	50%	54%	51%
Capital expenditure	14%	13%	16%	14%	16%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

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

## Concerns

### Key findings

A lack of work or sales was the most pressing concern faced by SMEs nationally. This was followed by problems finding quality staff and competition.

### Last quarter (November 2005 to January 2006)

A concern about a lack of work or sales was the most nominated problem by SMEs in the past quarter. Overall, 13 per cent of SMEs nominated a lack of work or sales as an issue, having increased by four percentage points in the past quarter.

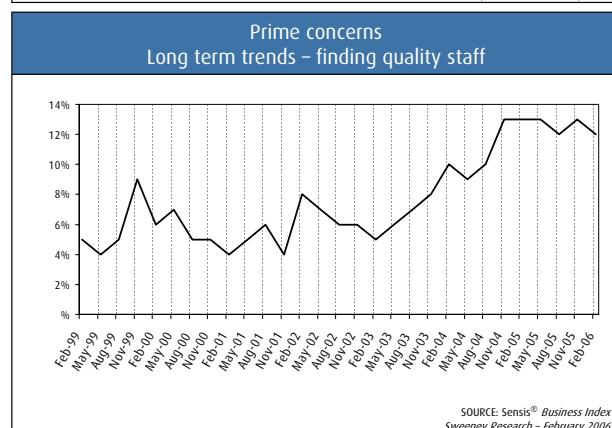
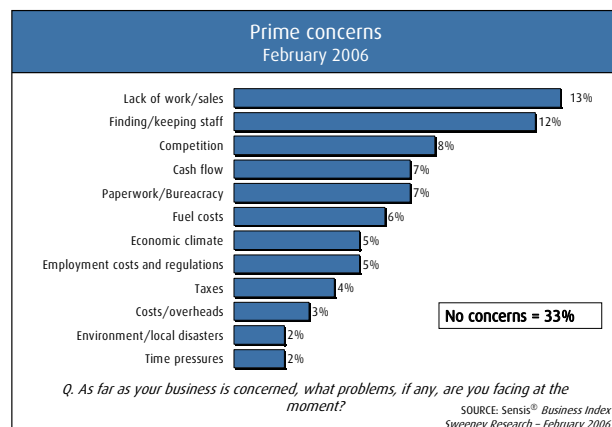
Primarily an indicator of demand, a lack of work or sales was most likely to be reported by SMEs in New South Wales. This was in line with SMEs in New South Wales also reporting the lowest levels of confidence in the past quarter. It was also most likely to be nominated as a problem by SMEs in the transport and storage sector, and least likely to be reported by the accommodation, cafés and restaurants sector.

Concern for finding quality staff was the second most strongly reported issue in the latest quarter, having recorded a fall of one percentage point in the past quarter. This is the first quarter since May 2004 that finding quality staff was not the most reported problem by SMEs.

Once again, however, this problem was most felt in the Northern Territory (having risen further from 29 to 30 per cent) and in the accommodation, cafés and restaurants sector (22 per cent).

The next most pressing problem for SMEs this quarter was competition, which encompasses a range of issues ranging from competition with larger businesses and imports through to perceptions of unfair competition. The proportion of SMEs raising competitive problems as a key issue fell by a marginal one percentage point in the past quarter.

Other key problems faced by businesses this quarter were cash flow and paperwork and bureaucracy, both cited as problems by seven per cent of businesses. Despite a decline in the past quarter, fuel costs were still a problem for six per cent of SMEs nationally, being most strongly felt in Queensland and among businesses in the transport and storage sector.



## Sales

### Key findings

SMEs reported a net increase in sales for the third successive quarter. However, while SMEs are expecting further improvement in sales growth for the coming quarter, expectations for the year ahead softened.

#### Last quarter (November 2006 to January 2006)

Sales performance recorded a net balance of 12 per cent for the quarter, a marginal increase from the previous quarter's result of 11 per cent. This result comprised both a fall in those SMEs experiencing increasing sales coupled with a larger fall in those that experienced decreasing sales. Despite the marginal increase in the net balance, the overall drop in the proportion of SMEs that saw increasing sales should be viewed with an element of caution for demand in the economy.

Sales performance again varied dramatically across the states and territories. Western Australia recorded the strongest performance, where a net 37 per cent experienced increasing sales in the past quarter. At the other end of the scale, sales performance was again lowest among SMEs in New South Wales, where only net five per cent of SMEs saw increasing sales.

The strongest sales performance was recorded in the transport and storage sector, with a net balance of 27 per cent, up from 12 per cent last quarter.

The finance and insurance sector recorded the weakest industry performance, with a net negative one per cent of SMEs in that sector reporting sales growth.

#### Current quarter (February to April 2006)

Sales expectations for the current quarter recorded an increase of four percentage points from the previous quarter.

Expectations for sales growth again varied around the country, with the strongest expectations again recorded in the Australian Capital Territory at net 43 per cent. The weakest sales expectations for the coming quarter were in Tasmania.

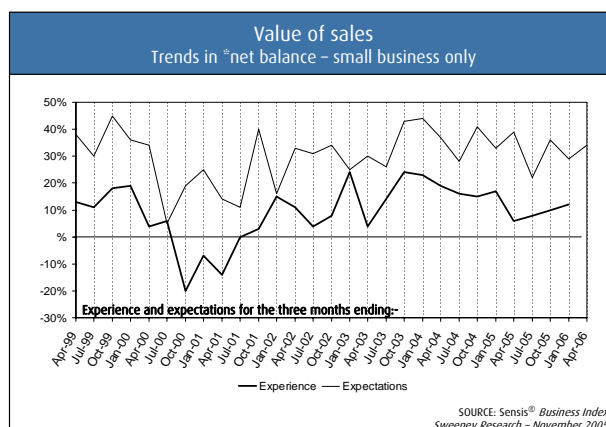
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the health and community services sector (net balance of 44 per cent). The building and construction sector again recorded the lowest level of expectations (net 17 per cent).

#### Next 12 months (February 2006 to January 2007)

Twelve-month sales expectations fell from a net 60 per cent to 56 per cent. The result comprised 65 per cent of businesses that believed sales would increase in the year ahead and nine per cent that thought they would fall. Sales expectations for the year ahead were highest in Queensland.

Value of sales					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>Last Quarter</b>					
Experienced increase	43%	37%	38%	40%	38%
No change	31%	31%	32%	31%	35%
Experienced decrease	25%	31%	30%	29%	26%
<b>*Net Balance</b>	<b>+18%</b>	<b>+6%</b>	<b>+8%</b>	<b>+11%</b>	<b>+12%</b>
<b>Current Quarter</b>					
Expect increase	50%	42%	47%	45%	48%
No change	38%	37%	41%	40%	37%
Expect decrease	11%	20%	11%	15%	14%
<b>*Net Balance</b>	<b>+39%</b>	<b>+22%</b>	<b>+36%</b>	<b>+30%</b>	<b>+34%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006



\* 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 showed a net decline over the past quarter. However, the fall in employment performance was countered by improving expectations for both the coming quarter and the year ahead. A lack of work or sales remained the number one barrier to employment.

### Last quarter (November 2006 to January 2006)

SMEs recorded reduced growth in employment, with a net one per cent of SMEs increasing their workforce during the quarter. This reversed the employment growth of a net five per cent in the preceding quarter. This quarter's result comprised 12 per cent of businesses that identified an increase in the size of their workforce, while 11 per cent experienced a decline.

All states and territories recorded net positive proportions of SMEs increasing their employment, with the exception of New South Wales and the Northern Territory. The strongest employment results were again recorded in Victoria with a strong net balance result of 10 per cent for the second successive quarter. The Northern Territory had the weakest result at net negative nine 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 27 per cent of those SMEs that believed barriers to increasing employment existed, up from 21 per cent last quarter). Finding suitable staff was identified as the second greatest barrier to employment (at 13 per cent), followed by a lack of money or capital (reported by eight per cent).

### Current quarter (February to April 2006)

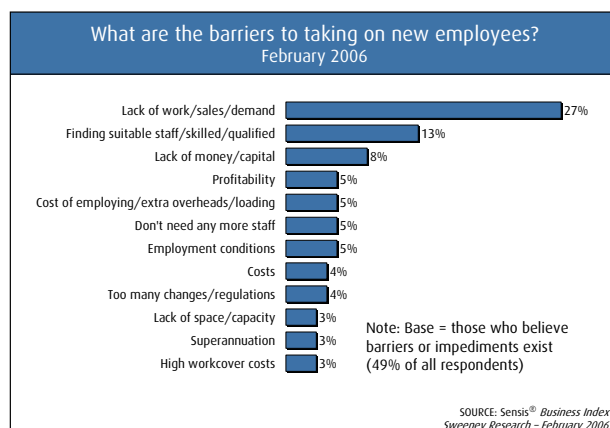
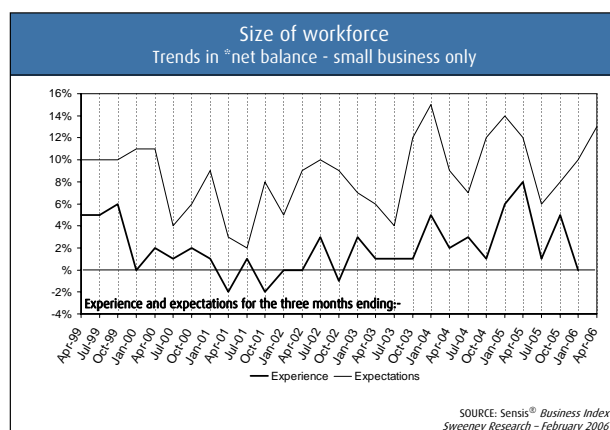
Expectations for employment in the current quarter strengthened to a net 13 per cent, compared to a net result of 11 per cent the previous quarter. The strongest employment expectations were recorded in the Northern Territory with a net balance result of 19 per cent. On an industry basis, the strongest expectations were again recorded in the retail trade sector (20 per cent).

### Next 12 months (February 2006 to January 2007)

There was a further solid increase in employment expectations for the year ahead, with a net result of 24 per cent, a three percentage point increase from last quarter. The strongest employment expectations for the year ahead were recorded in the Northern Territory (34 per cent).

Size of workforce					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>Last Quarter</b>					
Experienced increase	13%	18%	14%	16%	12%
No change	79%	73%	74%	73%	77%
Experienced decrease	7%	10%	13%	11%	11%
<b>*Net Balance</b>	<b>+6%</b>	<b>+8%</b>	<b>+1%</b>	<b>+5%</b>	<b>+1%</b>
<b>Current Quarter</b>					
Expect increase	16%	13%	14%	15%	17%
No change	77%	77%	81%	78%	77%
Expect decrease	3%	7%	5%	4%	4%
<b>*Net Balance</b>	<b>+13%</b>	<b>+6%</b>	<b>+9%</b>	<b>+11%</b>	<b>+13%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006



\* 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 fell during the last quarter, however, expectations for the current quarter and the year ahead both increased marginally.

### Last quarter (November 2006 to January 2006)

The most recent quarter saw a significant fall in wage cost trends, with the performance result decreasing from a net 18 per cent to a net 14 per cent.

During the quarter, 25 per cent of SMEs experienced a rise in total wage costs, while 11 per cent recorded a decline. SMEs in Victoria, South Australia and the Australian Capital Territory all recorded the highest increases in total wage costs (net 22 per cent each), while the lowest wage pressures were in the Northern Territory (net three per cent). The strongest rise in total wage costs was again recorded in the transport and storage sector (net 27 per cent, up from net 12 per cent).

### Current quarter (February to April 2006)

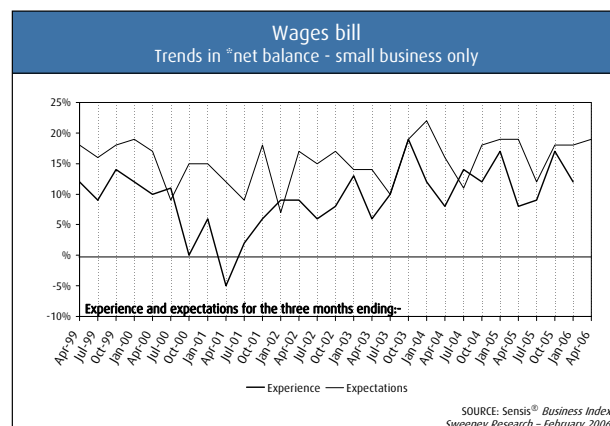
Expectations for total wage costs increased marginally to a net 20 per cent for the current quarter. Consistent with relatively high employment expectations, the highest wage expectations were in New South Wales, with a net balance of 24 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. Those SMEs in Tasmania were least likely to be expecting to increase their wages bill in the current quarter (net 12 per cent).

### Next 12 months (February 2006 to January 2007)

Expectations for total wage and salary costs increased marginally during the quarter, with a net balance of 43 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 one percentage point. The SMEs most likely to be expecting increases to their wages bills were in Western Australia. SMEs in Tasmania were the least likely to be expecting to increase their total wages bill in the coming year.

Wages bill					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>Last Quarter</b>					
Experienced increase	27%	24%	25%	28%	25%
No change	57%	58%	59%	58%	60%
Experienced decrease	10%	15%	14%	10%	11%
<b>*Net Balance</b>	<b>+17%</b>	<b>+9%</b>	<b>+11%</b>	<b>+18%</b>	<b>+14%</b>
<b>Current Quarter</b>					
Expect increase	27%	23%	26%	26%	28%
No change	59%	64%	64%	63%	60%
Expect decrease	8%	10%	7%	7%	8%
<b>*Net Balance</b>	<b>+19%</b>	<b>+13%</b>	<b>+19%</b>	<b>+19%</b>	<b>+20%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006



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

## Prices

### Key findings

The net proportion of SMEs that increased their prices fell during the past quarter. However, there were price increase expectations for both the current quarter and the year ahead, with both forward indicators now at their highest level since the introduction of the Goods and Services Tax in July 2000.

#### Last quarter (November 2006 to January 2006)

The proportion of businesses that increased prices fell by four percentage points during the quarter, to a net balance result of 16 per cent. This result represents the lowest performance result for prices since November 2004.

Of all states and territories, the strongest price trends were again recorded in the Northern Territory, with a net balance of 29 per cent. The lowest results were recorded in Victoria, with a net balance of 11 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 again recorded in the finance and insurance sector, with a net balance result of negative seven per cent.

#### Current quarter (February to April 2006)

Expectations for price rises increased during the quarter to a net balance result of 28 per cent, an increase of five percentage points since the last quarter. This result was the highest since the introduction of the Goods and Services Tax. Western Australia recorded the strongest price rise expectations, with a net balance result of 36 per cent, while the Northern Territory recorded the weakest price rise expectations, with a net balance of 24 per cent.

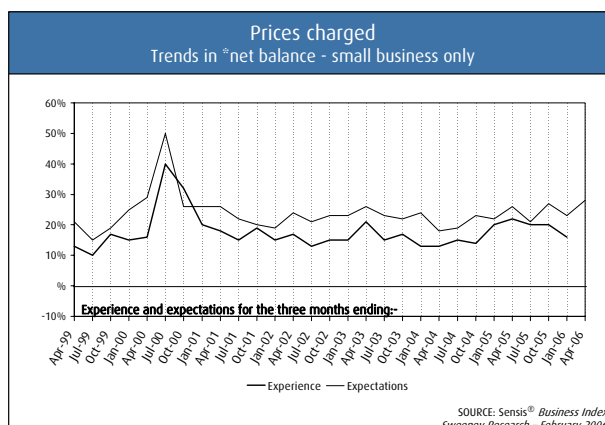
#### Next 12 months (February 2006 to January 2007)

At a net balance of 55 per cent, expectations for price rises in the coming year increased further to remain the highest level since the introduction of the Goods and Services Tax. Year-ahead expectations for price increases were strongest among SMEs in Western Australia and weakest among those in the Northern Territory.

The strongest price rise expectations for the year ahead were recorded in the accommodation, cafés and restaurants sector, with a net balance result of 68 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (net 36 per cent).

Prices charged					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>Last Quarter</b>					
Experienced increase	23%	25%	24%	24%	20%
No change	73%	71%	72%	71%	76%
Experienced decrease	3%	4%	4%	4%	4%
<b>*Net Balance</b>	<b>+20%</b>	<b>+21%</b>	<b>+20%</b>	<b>+20%</b>	<b>+16%</b>
<b>Current Quarter</b>					
Expect increase	29%	26%	30%	26%	30%
No change	68%	69%	67%	71%	68%
Expect decrease	3%	5%	3%	3%	2%
<b>*Net Balance</b>	<b>+26%</b>	<b>+21%</b>	<b>+27%</b>	<b>+23%</b>	<b>+28%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006



\* 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

The proportion of SMEs that reported growth in capital expenditure was unchanged in the past quarter. However, while performance in capital expenditure remained net negative in the past quarter, it still exceeded expectations.

### Last quarter (November 2006 to January 2006)

SME performance in capital expenditure remained in net negative territory, again recording a result of net negative one per cent of SMEs increasing their investment levels in the past quarter. This represented an unchanged result in the past quarter. Looking at the annual capital investment cycle for SMEs, this latest result remains lower than at the same time last year.

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

As is generally the case for SME capital expenditure, there was a high degree of variability between the sectors. The strongest capital expenditure performance was recorded in the wholesale trade sector (16 per cent net balance), while the weakest result was in the accommodation, cafés and restaurants sector (negative 14 per cent net balance).

### Current quarter (February to April 2006)

The proportion of SMEs expecting to increase their capital expenditure improved for the short term, with the proportion of SMEs expecting to increase their capital expenditure exactly balancing the proportion expecting to decrease it. The strongest result was recorded in South Australia, with a net balance of eight per cent. The Northern Territory had the weakest result, recording a net balance of negative 12 per cent.

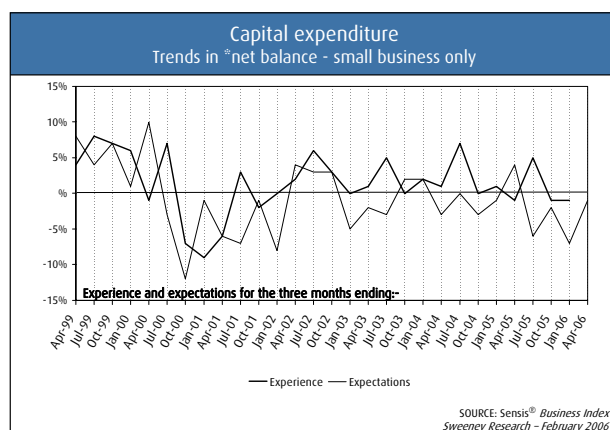
SMEs in the cultural, recreational and personal services sector had the highest expectations (17 per cent), while the finance and insurance sector had the weakest result (net negative 17 per cent).

### Next 12 months (February 2006 to January 2007)

Capital expenditure expectations for the year ahead also rose during the quarter, with the net balance result improving two percentage points to 16 per cent. The strongest capital expenditure expectations were recorded in South Australia (net 29 per cent).

Capital expenditure					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>Last Quarter</b>					
Experienced increase	24%	25%	27%	24%	23%
No change	50%	47%	49%	46%	50%
Experienced decrease	23%	26%	21%	25%	24%
<b>*Net Balance</b>	<b>+1%</b>	<b>-1%</b>	<b>+6%</b>	<b>-1%</b>	<b>-1%</b>
<b>Current Quarter</b>					
Expect increase	28%	22%	22%	21%	25%
No change	47%	48%	50%	47%	47%
Expect decrease	24%	28%	24%	28%	25%
<b>*Net Balance</b>	<b>+4%</b>	<b>-6%</b>	<b>-2%</b>	<b>-7%</b>	<b>0%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006



\* 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 also rose. However, while SMEs were expecting further improvement in profitability in the short term, expectations softened for the year ahead.

### Last quarter (November 2006 to January 2006)

Profitability performance continued to rise during the quarter, with a net balance result of nine per cent. This result was an improvement of four percentage points from last quarter's net balance result of five per cent.

SMEs in Western Australia recorded the best profit performance during the quarter, with a net balance of 24 per cent. SMEs in Queensland recorded the weakest performance, at net five per cent. The strongest performance by industry was in the accommodation, cafés and restaurants sector, recording a net balance result of 30 per cent. SMEs in metropolitan areas again experienced higher profitability than their regional counterparts.

### Current quarter (February to April 2006)

Profitability expectations for the current quarter recorded a solid increase. Overall, 45 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 29 per cent was an increase of six percentage points from the result of 23 per cent last quarter.

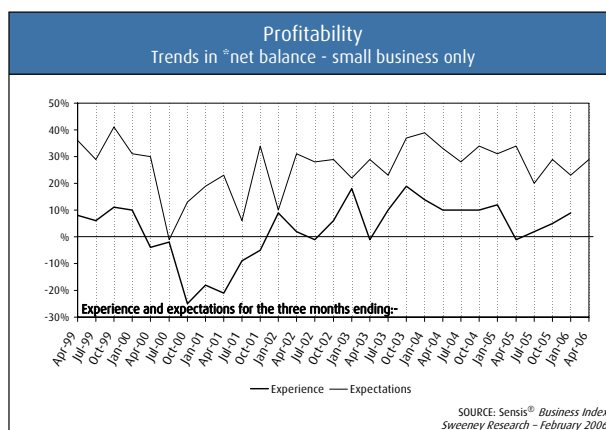
The health and community services sector recorded the highest profitability expectations of any sector, with a net balance of 46 per cent. The weakest expectations were recorded in the manufacturing sector, with a net balance result of 14 per cent. SMEs in the Australian Capital Territory again recorded the highest net profitability expectations of any state or territory.

### Next 12 months (February 2006 to January 2007)

Expectations for profitability for the medium term fell, in line with falling medium-term sales expectations, with a net balance result of 51 per cent of SMEs expecting increased profitability in the year ahead. The strongest profit expectations for the year ahead were again recorded in the accommodation, cafés and restaurants sector, with a net balance of 69 per cent. The weakest profit expectations were again in the building and construction sector, which recorded a net balance of 35 per cent for the year ahead.

Profitability					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>Last Quarter</b>					
Experienced increase	36%	32%	34%	35%	32%
No change	39%	35%	35%	35%	43%
Experienced decrease	24%	33%	31%	30%	23%
<b>*Net Balance</b>	<b>+12%</b>	<b>-1%</b>	<b>+3%</b>	<b>+5%</b>	<b>+9%</b>
<b>Current Quarter</b>					
Expect increase	46%	39%	44%	41%	45%
No change	41%	41%	40%	41%	39%
Expect decrease	12%	20%	15%	18%	16%
<b>*Net Balance</b>	<b>+34%</b>	<b>+19%</b>	<b>+29%</b>	<b>+23%</b>	<b>+29%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006



\* 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 increased, however, the proportion of SMEs reporting an increase in the value of their exports saw a further small decline.

### Last quarter (November 2006 to January 2006)

Fourteen per cent of SMEs reported they had exported in the past quarter, which represented an increase of two percentage points from the previous quarter's result. The only locations that did not see some increase in the proportion of SMEs exporting were Western Australia, where the result was unchanged, and the Northern Territory, where there was a marginal decline of one percentage point in the proportion of SMEs exporting.

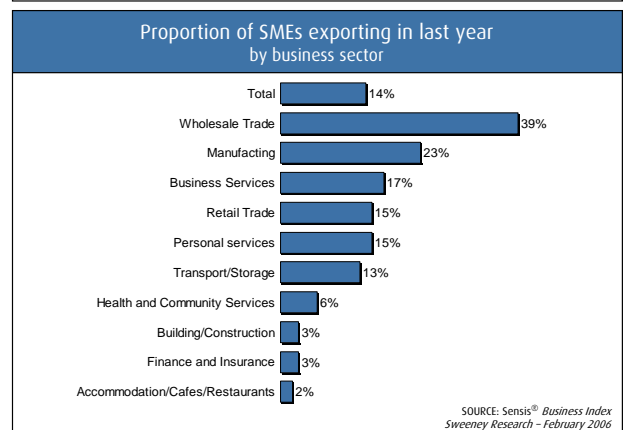
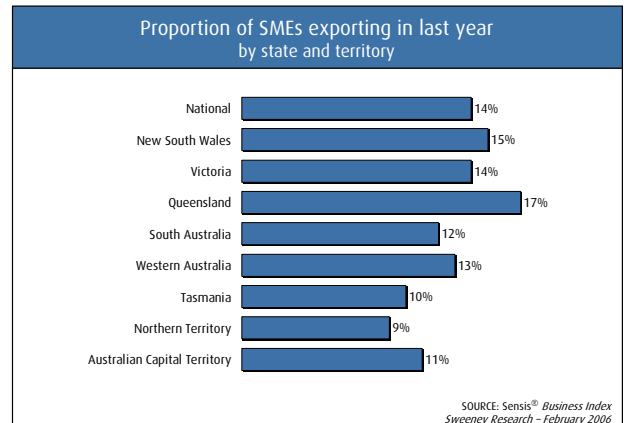
SMEs that had significant growth plans were again far more likely to export than those with no plans for growth (34 per cent compared to nine per cent). SMEs in metropolitan areas were almost twice as likely to export as their regional counterparts (17 per cent compared to nine per cent).

SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, with participation in that sector increasing marginally from 38 per cent to 39 per cent. SMEs in the accommodation, cafés and restaurants sector reported the lowest level of export activity in the past quarter.

While the proportion of SMEs exporting over the last quarter increased, there was a continued decline in the net proportion of exporting SMEs that reported an increase in the value of their exports. A net balance of three per cent reported an increase in the value of the goods and services exported in the past quarter, down from last quarter's net balance of five per cent.

While the net proportion of exporting SMEs that increased the value of their exports fell, improvement was anticipated in the current quarter. The net proportion of SMEs expecting to increase the value of their exports in the current quarter increased from a net 10 per cent to a net 19 per cent. This was tempered to some extent by a net decrease of six percentage points in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

The United States was the most favoured destination for SME exports in the past quarter, with 36 per cent of exporting SMEs exporting to that location. This strong result pipped New Zealand, to which 33 per cent of exporting SMEs exported, and the United Kingdom, which came in third at 31 per cent.



Value of exports - trends

	Feb 05	May 05	Aug 05	Nov 05	Feb 06
<b>Last Quarter</b>					
Experienced increase	28%	30%	37%	33%	29%
No change	57%	51%	51%	39%	45%
Experienced decrease	16%	19%	12%	28%	26%
<b>*Net Balance</b>	<b>+12%</b>	<b>+11%</b>	<b>+25%</b>	<b>+5%</b>	<b>+3%</b>
<b>Current Quarter</b>					
Expect increase	34%	36%	29%	30%	33%
No change	52%	50%	53%	50%	53%
Expect decrease	14%	14%	18%	20%	14%
<b>*Net Balance</b>	<b>+20%</b>	<b>+22%</b>	<b>+11%</b>	<b>+10%</b>	<b>+19%</b>
<b>Next 12 months</b>					
Expect increase	51%	48%	55%	48%	41%
No change	39%	40%	38%	38%	46%
Expect decrease	10%	11%	7%	14%	13%
<b>*Net Balance</b>	<b>+41%</b>	<b>+37%</b>	<b>+48%</b>	<b>+34%</b>	<b>+28%</b>

Base: Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index Sweeney Research – February 2006

## Assessment of Federal Government policies

### Key findings

Support among SMEs for the Federal Government was unchanged and remained at an exceptionally strong level in the past quarter. Support for the Federal Government among SMEs has now been net positive for five out of the last six quarters.

### Last quarter (November 2006 to January 2006)

The net balance result of a positive nine per cent approval rating reflected the strength of the Federal Government’s standing within the Australian SME sector. With the result unchanged in the past quarter, the Federal Government’s result has now been net positive for five out of the last six quarters since the last Federal election, a result not seen in the history of the Sensis® Business Index. The result comprised 33 per cent of businesses that were supportive of the Federal Government’s small business policies, compared to 24 per cent that were not supportive.

The strongest support for the Federal Government’s policies again occurred in the Northern Territory, where businesses recorded a positive 19 per cent net balance. The regions that were most critical of the Federal Government’s small business policies were Queensland and South Australia, with the proportions of SMEs that felt the Federal Government’s policies supported small business exactly balancing the proportion that thought they worked against them.

SMEs in metropolitan areas were twice as supportive of the Federal Government as those in regional areas. Medium businesses were again 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.

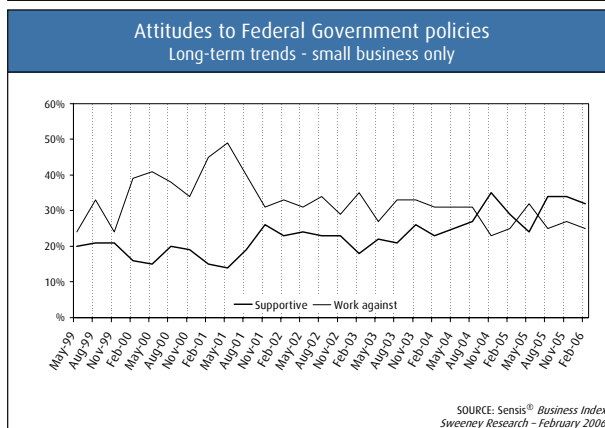
Once again, the Federal Government’s industrial relations policies were by far the main reason that SMEs gave for believing that the Federal Government was trying to help small business. This view was particularly strong among SMEs in New South Wales, the Australian Capital Territory and Victoria. The 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 belief that the Federal Government was only concerned with big business, the amount of bureaucracy and red tape and the level of paperwork.

Attitudes to Federal Government policies past five quarters					
	Feb 05	May 05	Aug 05	Nov 05	Feb 06
Supportive	30%	25%	34%	35%	33%
Work against	24%	31%	24%	26%	24%
No impact	46%	44%	41%	39%	43%
<b>*Net Balance</b>	<b>+6%</b>	<b>-6%</b>	<b>+10%</b>	<b>+9%</b>	<b>+9%</b>

*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 – February 2006



\* 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

With rebounding support among the SME community, the Tasmanian Government was again the most popular state or territory government in Australia among SMEs. Despite a continued rise in support, the New South Wales Government remained the least popular state or territory government among SMEs for the eighth successive quarter.

### Last quarter (November 2006 to January 2006)

The Tasmanian Government recorded the highest approval rating from SMEs at net positive 10 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.

Apart from Tasmania, only the Northern Territory Government scored a net positive rating from SMEs. The Northern Territory Government also recorded the largest fall in support in the latest quarter following on from a very strong result last quarter. The main reason that SMEs gave for supporting the Northern Territory Government was their small business management training programs.

The largest rise in support in the last quarter was for the Western Australian Government, where support increased by a net 13 percentage points to a net negative 10 per cent. This was the best result for the Western Australian Government since May 2001. The main reason that SMEs gave for their support was a view that the Government was trying to help small businesses and that they had a better understanding of small business needs.

Despite increasing a solid six percentage points in its rating, the New South Wales Government was still by far the least supported government among SMEs. This was the strongest result for the New South Wales Government since August 2004. It is, however, the eighth 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 and too many taxes.

Attitudes to state or territory government policies February 2006								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	12%	12%	19%	22%	21%	30%	31%	25%
Work against	45%	36%	28%	31%	31%	20%	29%	28%
No impact	43%	52%	53%	48%	48%	50%	40%	47%
<b>*Net Balance</b>	<b>-33%</b>	<b>-24%</b>	<b>-9%</b>	<b>-9%</b>	<b>-10%</b>	<b>+10%</b>	<b>+2%</b>	<b>-3%</b>

*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 – February 2006

Attitudes to state or territory government policies Trends in *net balance					
	Feb 2005	May 2005	Aug 2005	Nov 2005	Feb 2006
New South Wales	-43%	-47%	-40%	-39%	-33%
Victoria	-32%	-32%	-25%	-16%	-24%
Queensland	+1%	-2%	-1%	-5%	-9%
South Australia	-9%	-11%	-1%	-4%	-9%
Western Australia	-21%	-35%	-20%	-23%	-10%
Tasmania	+6%	+1%	+11%	+1%	+10%
Northern Territory	-8%	-18%	+7%	+10%	+2%
Australian Capital Territory	+6%	-7%	+2%	-4%	-3%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2006

\* 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

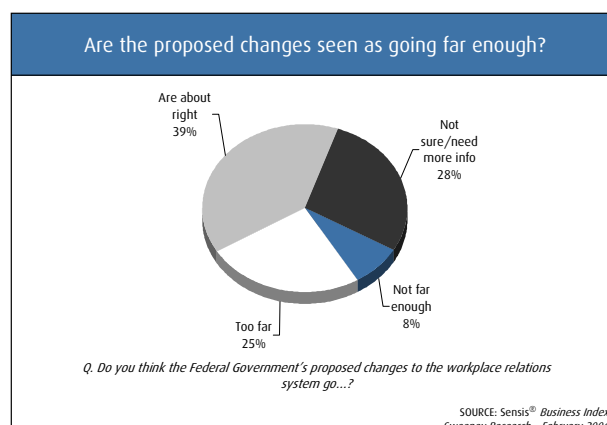
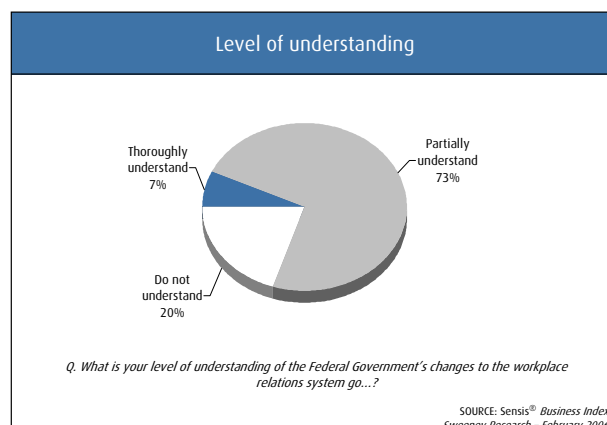
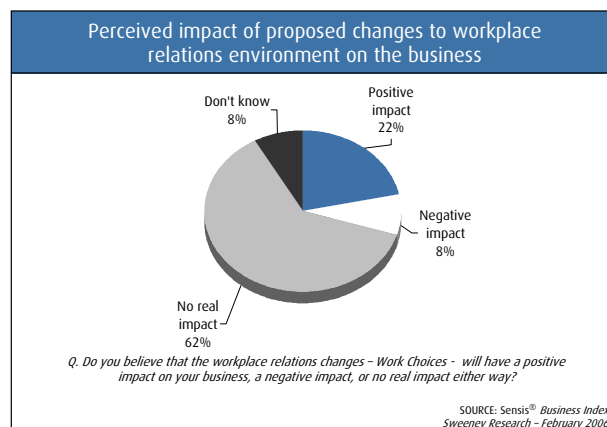
The Sensis® Business Index has been examining the views of the SME community on the Australian workplace relations system for several quarters, focusing on the debate surrounding the proposed changes to the system. While previous quarters were conducted before the changes were passed by the Federal Parliament, this latest data collected as part of the February 2006 Sensis® Business Index covers the views of SME operators after the passing of the changes and the impact of the Government's advertising campaign in providing SMEs with information on the changes.

Over the past quarter, the proportion of SMEs that felt the changes would have no real impact on their business has increased by two percentage points to 62 per cent. Some 22 per cent believe that they will have a positive impact on their business, a figure which has dropped three percentage points in the past quarter and some six percentage points over the past six months. Eight per cent of SMEs felt that the changes would have a negative impact (down from nine per cent last quarter).

The main reasons that SMEs felt the proposed changes would have a positive impact were that it would be easier to dismiss employees; and it would increase the flexibility of their workforce. The main negative impacts included a belief that the changes will actually create more problems for small businesses and that they would make their employees insecure. The main change that small businesses intended to make with the introduction of the laws was to hire more staff. Over three-quarters of Australian SMEs (77 per cent) were not planning on making any changes at all.

There was still divergence as to the appropriateness of the proposed changes, with little change in this indicator over the past quarter. Some 39 per cent of SMEs felt that they were about right, with one in four (25 per cent) feeling that they went too far. Eight per cent felt that they did not go far enough.

Despite an extensive advertising campaign, SMEs felt they still needed further information on how the changes would affect their business. While 85 per cent of SME operators had seen either government television or press advertising, only seven per cent felt that they had a thorough understanding of the changes. Some 73 per cent of SME operators felt that they had a partial understanding of the changes however one in five felt that they did not understand how the changes would impact on their business at all. Almost half of Australia's SME operators (49 per cent) felt that they needed more information on how the changes would affect their business.



## Small and medium business outlook – National

- Business confidence improved 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 marginally in the past quarter;
- employment growth dropped, following improvement last quarter;
- capital expenditure remained net negative, but still exceeded expectations;
- profitability improved during the past quarter, in line with sales performance; and
- support for the Federal Government's policies remained at a very strong net positive nine per cent.

Trends in past three months' experience and current quarter expectations – National					
	FEB 2005	MAY 2005	AUG 2005	NOV 2005	FEB 2006
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	71	67	69	68	72
NEGATIVE	12	15	14	13	13
<b>NET BALANCE</b>	<b>+59</b>	<b>+52</b>	<b>+55</b>	<b>+55</b>	<b>+59</b>

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	NOV-JAN 04/05	FEB-APR 05	MAY-JUL 05	AUG-OCT 05	NOV-JAN 05/06	FEB-APR 05	MAY-JUL 05	AUG-OCT 05	NOV-JAN 05/06	FEB-APR 06	
	%	%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	43	37	38	40	38	50	42	47	45	48
	DECREASE	25	31	30	29	26	11	20	11	15	14
	<b>NET BALANCE</b>	<b>+18</b>	<b>+6</b>	<b>+8</b>	<b>+11</b>	<b>+12</b>	<b>+39</b>	<b>+22</b>	<b>+36</b>	<b>+30</b>	<b>+34</b>
SIZE OF WORKFORCE:	INCREASE	13	18	14	16	12	16	13	14	15	17
	DECREASE	7	10	13	11	11	3	7	5	4	4
	<b>NET BALANCE</b>	<b>+6</b>	<b>+8</b>	<b>+1</b>	<b>+5</b>	<b>+1</b>	<b>+13</b>	<b>+6</b>	<b>+9</b>	<b>+11</b>	<b>+13</b>
WAGES BILL:	INCREASE	27	24	25	28	25	27	23	26	26	28
	DECREASE	10	15	14	10	11	8	10	7	7	8
	<b>NET BALANCE</b>	<b>+17</b>	<b>+9</b>	<b>+11</b>	<b>+18</b>	<b>+14</b>	<b>+19</b>	<b>+13</b>	<b>+19</b>	<b>+19</b>	<b>+20</b>
PRICES:	INCREASE	23	25	24	24	20	29	26	30	26	30
	DECREASE	3	4	4	4	4	3	5	3	3	2
	<b>NET BALANCE</b>	<b>+20</b>	<b>+21</b>	<b>+20</b>	<b>+20</b>	<b>+16</b>	<b>+26</b>	<b>+21</b>	<b>+27</b>	<b>+23</b>	<b>+28</b>
PROFITABILITY:	INCREASE	36	32	34	35	32	46	39	44	41	45
	DECREASE	24	33	31	30	23	12	20	15	18	16
	<b>NET BALANCE</b>	<b>+12</b>	<b>-1</b>	<b>+3</b>	<b>+5</b>	<b>+9</b>	<b>+34</b>	<b>+19</b>	<b>+29</b>	<b>+23</b>	<b>+29</b>
CAPITAL EXPENDITURE:	INCREASE	24	25	27	24	23	28	22	22	21	25
	DECREASE	23	26	21	25	24	24	28	24	28	25
	<b>NET BALANCE</b>	<b>+1</b>	<b>-1</b>	<b>+6</b>	<b>-1</b>	<b>-1</b>	<b>+4</b>	<b>-6</b>	<b>-2</b>	<b>-7</b>	<b>+0</b>

\* 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 but remained the lowest of any state or territory;
- New South Wales recorded the lowest sales result during the quarter of any state or territory;
- SMEs in New South Wales recorded net negative growth in employment during the past quarter;
- short term expectations for profitability were again the lowest of any state or territory;
- SMEs in New South Wales recorded the highest levels of expectations for the coming quarter for wages;
- SMEs in New South Wales recorded the lowest expectation for sales for the year ahead; 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 eighth successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2005	MAY 2005	AUG 2005	NOV 2005	FEB 2006
	%	%	%	%	%
POSITIVE	61	62	67	63	71
NEGATIVE	16	17	16	18	17
<b>NET BALANCE</b>	<b>+45</b>	<b>+45</b>	<b>+51</b>	<b>+45</b>	<b>+54</b>

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 04/05 %	FEB- APR 05 %	MAY- JUL 05 %	AUG- OCT 05 %	NOV- JAN 05/06 %	FEB- APR 05 %	MAY- JUL 05 %	AUG- OCT 05 %	NOV- JAN 05/06 %	FEB- APR 06 %
SALES VALUE:	INCREASE	41	32	39	35	32	50	35	46	42	45
	DECREASE	30	32	34	37	27	11	22	12	14	12
	<b>NET BALANCE</b>	<b>+11</b>	<b>0</b>	<b>+5</b>	<b>-2</b>	<b>+5</b>	<b>+39</b>	<b>+13</b>	<b>+34</b>	<b>+28</b>	<b>+33</b>
SIZE OF WORKFORCE:	INCREASE	14	19	12	18	8	12	10	11	13	19
	DECREASE	5	10	14	13	15	3	11	7	5	2
	<b>NET BALANCE</b>	<b>+9</b>	<b>+9</b>	<b>-2</b>	<b>+5</b>	<b>-7</b>	<b>+9</b>	<b>-1</b>	<b>+4</b>	<b>+8</b>	<b>+17</b>
WAGES BILL:	INCREASE	25	21	24	27	20	22	19	22	24	32
	DECREASE	12	17	19	13	13	11	12	10	8	8
	<b>NET BALANCE</b>	<b>+13</b>	<b>+4</b>	<b>+5</b>	<b>+14</b>	<b>+7</b>	<b>+11</b>	<b>+7</b>	<b>+12</b>	<b>+16</b>	<b>+24</b>
PRICES:	INCREASE	22	23	20	21	20	26	28	29	26	27
	DECREASE	2	2	4	6	5	5	5	4	3	2
	<b>NET BALANCE</b>	<b>+20</b>	<b>+21</b>	<b>+16</b>	<b>+15</b>	<b>+15</b>	<b>+21</b>	<b>+23</b>	<b>+25</b>	<b>+23</b>	<b>+25</b>
PROFITABILITY:	INCREASE	32	25	34	32	28	48	32	42	37	40
	DECREASE	29	38	35	37	22	13	19	16	19	15
	<b>NET BALANCE</b>	<b>+3</b>	<b>-13</b>	<b>-1</b>	<b>-5</b>	<b>+6</b>	<b>+35</b>	<b>+13</b>	<b>+26</b>	<b>+18</b>	<b>+25</b>
CAPITAL EXPENDITURE:	INCREASE	22	23	26	25	19	26	20	19	20	22
	DECREASE	22	28	17	24	20	27	32	28	31	24
	<b>NET BALANCE</b>	<b>0</b>	<b>-5</b>	<b>+9</b>	<b>+1</b>	<b>-1</b>	<b>-1</b>	<b>-12</b>	<b>-9</b>	<b>-11</b>	<b>-2</b>

\* 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 continued to improve during the quarter, but remained below the national average;
- sales performance continued to improve during the quarter to be above the national average;
- Victoria recorded the highest net employment growth among SMEs of any state or territory for the second successive quarter;
- in line with the strong employment result, Victoria also recorded the highest net growth in wages bills during the past quarter;
- price pressure was relatively low in Victoria, which recorded the lowest net proportion of SMEs that reported price increases in the past quarter;
- profitability among Victorian SMEs continued to show marginal improvement to remain above the national average;
- Victorian SMEs again held the lowest expectations for capital expenditure for the year ahead of any state or territory; and
- SME support for the Victorian Government fell during the quarter with the Victorian Government now 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	FEB 2005	MAY 2005	AUG 2005	NOV 2005	FEB 2006
	%	%	%	%	%
POSITIVE	70	64	61	63	69
NEGATIVE	14	18	18	12	13
NET BALANCE	+56	+46	+43	+51	+56

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 04/05	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 06
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	41	37	34	40	39	52	46	50	47	51
	DECREASE	29	34	31	29	25	11	22	8	15	17
	NET BALANCE	+12	+3	+3	+11	+14	+41	+24	+42	+32	+34
SIZE OF WORKFORCE:	INCREASE	12	16	14	17	17	21	15	15	13	13
	DECREASE	10	8	15	7	7	4	6	4	5	4
	NET BALANCE	+2	+8	-1	+10	+10	+17	+9	+11	+8	+9
WAGES BILL:	INCREASE	28	23	24	28	28	37	25	25	24	24
	DECREASE	11	13	12	9	6	6	8	6	7	7
	NET BALANCE	+17	+10	+12	+19	+22	+31	+17	+19	+17	+17
PRICES:	INCREASE	21	28	26	24	15	31	26	27	21	29
	DECREASE	3	5	6	5	4	3	7	3	3	2
	NET BALANCE	+18	+23	+20	+19	+11	+28	+19	+24	+18	+27
PROFITABILITY:	INCREASE	35	33	27	37	32	49	44	45	39	46
	DECREASE	27	34	31	28	22	11	20	18	17	18
	NET BALANCE	+8	-1	-4	+9	+10	+38	+24	+27	+22	+28
CAPITAL EXPENDITURE:	INCREASE	27	27	23	21	25	29	25	25	17	25
	DECREASE	22	24	23	25	27	22	27	17	23	41
	NET BALANCE	+5	+3	0	-4	-2	+7	-2	+8	-6	-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 – Queensland

- Business confidence was unchanged during the quarter and remained the highest of any state or territory;
- despite the continued high confidence levels, the only indicator where Queensland SMEs recorded a result higher than the national average was for prices;
- Queensland SMEs continued to record declining employment performance;
- performance in sales fell to be on par with the national average, with performance in profitability falling to be the lowest of any state or territory;
- performance in capital expenditure continued to fall during the past quarter to a level below the national average;
- SMEs in Queensland recorded the highest expectations for sales and profitability for the year ahead; and
- SME support for the Queensland Government continued to fall during the quarter, due to a belief that the government was only interested in large businesses.

Trends in past three months' experience and current quarter expectations – Queensland					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2004	FEB 2005	MAY 2005	AUG 2005	FEB 2006
	%	%	%	%	%
POSITIVE	79	77	76	78	78
NEGATIVE	6	12	8	8	8
<b>NET BALANCE</b>	<b>+73</b>	<b>+65</b>	<b>+68</b>	<b>+70</b>	<b>+70</b>

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 04/05	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 06
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	44	44	40	45	41	50	50	44	45	48
	DECREASE	18	30	29	22	29	12	15	12	17	15
	<b>NET BALANCE</b>	<b>+26</b>	<b>+14</b>	<b>+11</b>	<b>+23</b>	<b>+12</b>	<b>+38</b>	<b>+35</b>	<b>+32</b>	<b>+28</b>	<b>+33</b>
SIZE OF WORKFORCE:	INCREASE	18	19	15	14	12	18	18	14	18	20
	DECREASE	7	8	9	12	11	4	6	3	4	8
	<b>NET BALANCE</b>	<b>+11</b>	<b>+11</b>	<b>+6</b>	<b>+2</b>	<b>+1</b>	<b>+14</b>	<b>+12</b>	<b>+11</b>	<b>+14</b>	<b>+12</b>
WAGES BILL:	INCREASE	32	29	26	26	26	26	27	27	25	27
	DECREASE	7	13	12	7	13	9	9	5	7	8
	<b>NET BALANCE</b>	<b>+25</b>	<b>+16</b>	<b>+14</b>	<b>+19</b>	<b>+13</b>	<b>+17</b>	<b>+18</b>	<b>+22</b>	<b>+18</b>	<b>+19</b>
PRICES:	INCREASE	25	27	24	26	24	30	21	34	30	34
	DECREASE	5	4	4	4	4	2	4	1	4	2
	<b>NET BALANCE</b>	<b>+20</b>	<b>+23</b>	<b>+20</b>	<b>+22</b>	<b>+20</b>	<b>+28</b>	<b>+17</b>	<b>+33</b>	<b>+26</b>	<b>+32</b>
PROFITABILITY:	INCREASE	35	38	36	35	32	39	46	42	42	51
	DECREASE	20	28	29	26	27	12	18	12	17	14
	<b>NET BALANCE</b>	<b>+15</b>	<b>+10</b>	<b>+7</b>	<b>+9</b>	<b>+5</b>	<b>+27</b>	<b>+28</b>	<b>+30</b>	<b>+25</b>	<b>+37</b>
CAPITAL EXPENDITURE:	INCREASE	24	28	31	24	25	30	21	22	23	26
	DECREASE	25	22	22	24	27	19	21	27	26	22
	<b>NET BALANCE</b>	<b>-1</b>	<b>+6</b>	<b>+9</b>	<b>0</b>	<b>-2</b>	<b>+11</b>	<b>+0</b>	<b>-5</b>	<b>-3</b>	<b>+4</b>

\* 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 declined marginally during the quarter but remained above the national average;
- sales performance improved during the quarter remaining above the national average;
- SMEs reported a marginal net decline in employment growth in South Australia, however, at a level above the national average, expectations, however, were the lowest of any state or territory both for the short term and the year ahead;
- the proportion of SMEs reporting an increased wages bill during the quarter was the highest of any state or territory;
- despite a fall, prices pressure remained above the national average, with more SMEs in South Australia reporting an increase in their wages bill than in any other state or territory ;
- South Australian SMEs reported the highest performance in capital expenditure of any state and territory, as well as the highest expectations for both the short term and the year ahead; and
- support for the South Australian Government continued to fall during the quarter, on the back of perceived high levels of bureaucracy.

Trends in past three months' experience and current quarter expectations – South Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2004	FEB 2005	MAY 2005	AUG 2005	FEB 2006
	%	%	%	%	%
POSITIVE	78	70	78	74	74
NEGATIVE	10	11	8	8	9
<b>NET BALANCE</b>	<b>+68</b>	<b>+59</b>	<b>+70</b>	<b>+66</b>	<b>+65</b>

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 04/05	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 06
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	49	41	40	50	42	46	45	43	48	48
	DECREASE	21	24	23	25	26	13	18	17	15	11
	<b>NET BALANCE</b>	<b>+28</b>	<b>+17</b>	<b>+17</b>	<b>+25</b>	<b>+16</b>	<b>+33</b>	<b>+27</b>	<b>+26</b>	<b>+33</b>	<b>+37</b>
SIZE OF WORKFORCE:	INCREASE	8	15	12	14	11	15	12	15	20	13
	DECREASE	9	11	9	10	8	4	3	6	3	6
	<b>NET BALANCE</b>	<b>-1</b>	<b>+4</b>	<b>+3</b>	<b>+4</b>	<b>+3</b>	<b>+11</b>	<b>+9</b>	<b>+9</b>	<b>+17</b>	<b>+7</b>
WAGES BILL:	INCREASE	29	25	23	33	29	26	23	23	36	28
	DECREASE	9	11	9	8	7	9	6	10	7	9
	<b>NET BALANCE</b>	<b>+20</b>	<b>+14</b>	<b>+14</b>	<b>+25</b>	<b>+22</b>	<b>+17</b>	<b>+17</b>	<b>+13</b>	<b>+29</b>	<b>+19</b>
PRICES:	INCREASE	30	34	30	30	22	28	28	27	28	32
	DECREASE	4	3	2	1	4	4	3	3	3	3
	<b>NET BALANCE</b>	<b>+26</b>	<b>+31</b>	<b>+28</b>	<b>+29</b>	<b>+18</b>	<b>+24</b>	<b>+25</b>	<b>+24</b>	<b>+25</b>	<b>+29</b>
PROFITABILITY:	INCREASE	47	38	36	47	38	46	41	53	46	44
	DECREASE	17	23	23	25	25	12	18	10	17	16
	<b>NET BALANCE</b>	<b>+30</b>	<b>+15</b>	<b>+13</b>	<b>+22</b>	<b>+13</b>	<b>+34</b>	<b>+23</b>	<b>+43</b>	<b>+29</b>	<b>+28</b>
CAPITAL EXPENDITURE:	INCREASE	22	24	30	25	27	25	22	21	26	29
	DECREASE	32	25	19	28	23	25	27	27	31	21
	<b>NET BALANCE</b>	<b>-10</b>	<b>-1</b>	<b>+11</b>	<b>-3</b>	<b>+4</b>	<b>0</b>	<b>-5</b>	<b>-6</b>	<b>-5</b>	<b>+8</b>

\* 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 improved during the quarter, at a level well above the national average;
- all performance indicators for Western Australian SMEs were above the national average, with the exception of wages;
- sales and profitability performance improved strongly during the quarter to be the highest of any state or territory;
- employment declined during the quarter, but remained above the national average;
- SMEs in Western Australia recorded the highest expectations for price increases for both the coming quarter and the year ahead;
- despite a small fall, SMEs in Western Australia continued to report net positive performance in capital expenditure; and
- support for the Western Australian Government improved to be the third least supported government in Australia.

Trends in past three months' experience and current quarter expectations – Western Australia						
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS		FEB 2005 %	MAY 2005 %	AUG 2005 %	NOV 2005 %	FEB 2006 %
POSITIVE		80	67	76	75	77
NEGATIVE		9	16	8	12	10
NET BALANCE		+71	+51	+68	+63	+67

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 04/05 %	FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %
SALES VALUE:	INCREASE	47	38	41	41	52	51	40	50	48	52
	DECREASE	20	27	23	22	15	10	22	11	18	15
	NET BALANCE	+27	+11	+18	+19	+37	+41	+18	+39	+30	+37
SIZE OF WORKFORCE:	INCREASE	9	14	15	17	14	12	14	18	15	17
	DECREASE	7	18	10	10	10	2	5	2	4	3
	NET BALANCE	+2	-4	+5	+7	+4	+10	+9	+16	+11	+14
WAGES BILL:	INCREASE	26	23	29	32	26	24	23	39	31	28
	DECREASE	9	18	11	10	14	5	10	4	4	8
	NET BALANCE	+17	+5	+18	+22	+12	+19	+13	+35	+27	+20
PRICES:	INCREASE	26	17	28	32	26	32	32	34	30	38
	DECREASE	5	4	5	2	2	1	2	2	1	2
	NET BALANCE	+21	+13	+23	+30	+24	+31	+30	+32	+29	+36
PROFITABILITY:	INCREASE	42	32	43	38	45	47	37	49	47	49
	DECREASE	18	29	24	22	21	12	23	13	14	13
	NET BALANCE	+24	+3	+19	+16	+24	+35	+14	+36	+33	+36
CAPITAL EXPENDITURE:	INCREASE	19	22	26	29	26	26	21	27	28	29
	DECREASE	23	29	26	27	25	26	29	21	30	28
	NET BALANCE	-4	-7	0	+2	+1	0	-8	+6	-2	+1

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

## Small and medium business outlook – Tasmania

- Business confidence improved marginally, remaining above the national average;
- sales and profitability performance improved during the quarter with both indicators at levels above the national average;
- Tasmanian SMEs reported the lowest expectations for the coming quarter of any state or territory for sales and wages bills;
- Tasmanian SMEs reported the lowest expectations for wages and profitability for the year ahead of any state or territory; and
- support for the Tasmanian Government's policies improved during the quarter to be the highest 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	FEB 2005	MAY 2005	AUG 2005	NOV 2005	FEB 2006
	%	%	%	%	%
POSITIVE	79	67	74	74	73
NEGATIVE	7	6	12	12	10
<b>NET BALANCE</b>	<b>+72</b>	<b>+61</b>	<b>+62</b>	<b>+62</b>	<b>+63</b>

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 04/05 %	FEB- APR 05 %	MAY- JUL 05 %	AUG- OCT 05 %	NOV- JAN 05/06 %	FEB- APR 05 %	MAY- JUL 05 %	AUG- OCT 05 %	NOV- JAN 05/06 %	FEB- APR 06 %
SALES VALUE:	INCREASE	57	42	35	34	41	39	28	40	44	43
	DECREASE	18	31	29	30	26	14	22	9	14	16
	<b>NET BALANCE</b>	<b>+39</b>	<b>+11</b>	<b>+6</b>	<b>+4</b>	<b>+15</b>	<b>+25</b>	<b>+6</b>	<b>+31</b>	<b>+30</b>	<b>+27</b>
SIZE OF WORKFORCE:	INCREASE	18	18	8	16	14	14	11	12	14	16
	DECREASE	6	11	18	11	12	2	9	8	4	4
	<b>NET BALANCE</b>	<b>+12</b>	<b>+7</b>	<b>-10</b>	<b>+5</b>	<b>+2</b>	<b>+12</b>	<b>+2</b>	<b>+4</b>	<b>+10</b>	<b>+12</b>
WAGES BILL:	INCREASE	30	29	23	30	24	20	17	17	25	21
	DECREASE	5	16	17	14	17	3	15	11	6	7
	<b>NET BALANCE</b>	<b>+25</b>	<b>+13</b>	<b>+6</b>	<b>+16</b>	<b>+7</b>	<b>+17</b>	<b>+2</b>	<b>+6</b>	<b>+19</b>	<b>+14</b>
PRICES:	INCREASE	25	22	21	27	18	27	21	26	35	28
	DECREASE	3	1	11	3	3	1	3	3	1	1
	<b>NET BALANCE</b>	<b>+22</b>	<b>+21</b>	<b>+10</b>	<b>+24</b>	<b>+15</b>	<b>+26</b>	<b>+18</b>	<b>+23</b>	<b>+34</b>	<b>+27</b>
PROFITABILITY:	INCREASE	43	37	29	33	33	40	30	40	41	40
	DECREASE	14	29	28	28	22	10	21	14	17	14
	<b>NET BALANCE</b>	<b>+29</b>	<b>+8</b>	<b>+1</b>	<b>+5</b>	<b>+11</b>	<b>+30</b>	<b>+9</b>	<b>+26</b>	<b>+24</b>	<b>+26</b>
CAPITAL EXPENDITURE:	INCREASE	28	27	25	21	25	26	32	31	24	29
	DECREASE	25	25	30	27	29	25	27	25	28	26
	<b>NET BALANCE</b>	<b>+3</b>	<b>+2</b>	<b>-5</b>	<b>-6</b>	<b>-4</b>	<b>+1</b>	<b>+5</b>	<b>+6</b>	<b>-4</b>	<b>+3</b>

\* 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

- Coming towards the end of the wet season, SMEs in the Northern Territory recorded falling business confidence during the past quarter, however confidence remained on a par with the national average;
- SMEs in the Northern Territory recorded the lowest performance in employment, wages and capital expenditure of any state or territory, coupled with the highest proportion reporting an increase in their prices;
- SMEs in the Northern Territory recorded the highest expectations for employment for both the short term and the year ahead of any state or territory;
- SMEs in the Northern Territory recorded the lowest expectations for capital expenditure and price increases for the current quarter, and also the lowest price expectations for the year ahead; and
- support for the Northern Territory Government fell during the quarter, but remained net positive - the government was the second most supported state or territory government by SMEs.

Trends in past three months' experience and current quarter expectations – Northern Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2005	MAY 2005	AUG 2005	NOV 2005	FEB 2006
	%	%	%	%	%
POSITIVE	78	76	80	76	72
NEGATIVE	7	10	7	9	13
<b>NET BALANCE</b>	<b>+71</b>	<b>+66</b>	<b>+73</b>	<b>+67</b>	<b>+59</b>

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 04/05	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 05	MAY- JUL 05	AUG- OCT 05	NOV- JAN 05/06	FEB- APR 06
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	47	50	62	53	38	51	56	48	41	53
	DECREASE	21	22	12	13	28	17	12	14	25	14
	<b>NET BALANCE</b>	<b>+26</b>	<b>+28</b>	<b>+50</b>	<b>+40</b>	<b>+10</b>	<b>+34</b>	<b>+44</b>	<b>+34</b>	<b>+16</b>	<b>+39</b>
SIZE OF WORKFORCE:	INCREASE	7	19	20	13	13	26	28	24	16	23
	DECREASE	9	11	11	10	22	3	4	4	8	4
	<b>NET BALANCE</b>	<b>-2</b>	<b>+8</b>	<b>+9</b>	<b>+3</b>	<b>-9</b>	<b>+23</b>	<b>+24</b>	<b>+20</b>	<b>+8</b>	<b>+19</b>
WAGES BILL:	INCREASE	32	33	41	30	24	24	36	35	26	32
	DECREASE	12	13	7	7	21	10	5	11	10	9
	<b>NET BALANCE</b>	<b>+20</b>	<b>+20</b>	<b>+34</b>	<b>+23</b>	<b>+3</b>	<b>+14</b>	<b>+31</b>	<b>+24</b>	<b>+16</b>	<b>+23</b>
PRICES:	INCREASE	22	28	28	33	30	30	29	32	29	26
	DECREASE	7	1	1	1	1	1	2	1	4	2
	<b>NET BALANCE</b>	<b>+15</b>	<b>+27</b>	<b>+27</b>	<b>+32</b>	<b>+29</b>	<b>+29</b>	<b>+27</b>	<b>+31</b>	<b>+25</b>	<b>+24</b>
PROFITABILITY:	INCREASE	44	43	55	44	36	49	55	48	41	49
	DECREASE	20	21	12	16	27	14	15	12	20	14
	<b>NET BALANCE</b>	<b>+24</b>	<b>+22</b>	<b>+43</b>	<b>+28</b>	<b>+9</b>	<b>+35</b>	<b>+40</b>	<b>+36</b>	<b>+21</b>	<b>+35</b>
CAPITAL EXPENDITURE:	INCREASE	30	30	37	32	25	26	33	23	22	22
	DECREASE	22	19	17	25	31	29	20	27	35	34
	<b>NET BALANCE</b>	<b>+21</b>	<b>+8</b>	<b>+20</b>	<b>+7</b>	<b>-6</b>	<b>-3</b>	<b>+13</b>	<b>-4</b>	<b>-13</b>	<b>-12</b>

\* 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 continued to improve during the quarter and was above the national average;
- sales performance improved in the Australian Capital Territory, remaining well above the national average, and the second highest in the nation;
- wages pressure was the highest in the Australian Capital Territory of any state or territory;
- SMEs in the Australian Capital Territory were expecting strong conditions to continue, again recording the highest expectations for the current quarter in both sales and profitability; and
- the Australian Capital Territory Government registered a small rise in support from the SME community during the quarter, with small business management programs being the main reason for support.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2005	MAY 2005	AUG 2005	NOV 2005	FEB 2006
	%	%	%	%	%
POSITIVE	80	70	72	75	77
NEGATIVE	7	12	14	11	10
<b>NET BALANCE</b>	<b>+73</b>	<b>+58</b>	<b>+58</b>	<b>+64</b>	<b>+67</b>

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 04/05 %	FEB- APR 05 %	MAY- JUL 05 %	AUG- OCT 05 %	NOV- JAN 05/06 %	FEB- APR 05 %	MAY- JUL 05 %	AUG- OCT 05 %	NOV- JAN 05/06 %	FEB- APR 06 %
SALES VALUE:	INCREASE	42	39	30	42	46	55	46	46	49	57
	DECREASE	22	36	26	24	24	9	17	19	15	14
	<b>NET BALANCE</b>	<b>+20</b>	<b>+3</b>	<b>+4</b>	<b>+18</b>	<b>+22</b>	<b>+46</b>	<b>+29</b>	<b>+27</b>	<b>+34</b>	<b>+43</b>
SIZE OF WORKFORCE:	INCREASE	10	16	20	18	18	22	17	19	15	19
	DECREASE	5	13	11	12	9	5	5	4	6	5
	<b>NET BALANCE</b>	<b>+5</b>	<b>+3</b>	<b>+9</b>	<b>+6</b>	<b>+9</b>	<b>+17</b>	<b>+12</b>	<b>+15</b>	<b>+9</b>	<b>+14</b>
WAGES BILL:	INCREASE	22	25	20	26	33	22	23	28	26	30
	DECREASE	12	16	13	13	11	6	9	8	14	9
	<b>NET BALANCE</b>	<b>+10</b>	<b>+9</b>	<b>+7</b>	<b>+13</b>	<b>+22</b>	<b>+16</b>	<b>+14</b>	<b>+20</b>	<b>+12</b>	<b>+21</b>
PRICES:	INCREASE	20	33	27	23	21	22	25	30	25	30
	DECREASE	5	6	9	4	6	3	4	4	3	1
	<b>NET BALANCE</b>	<b>+15</b>	<b>+27</b>	<b>+18</b>	<b>+19</b>	<b>+15</b>	<b>+19</b>	<b>+21</b>	<b>+26</b>	<b>+22</b>	<b>+29</b>
PROFITABILITY:	INCREASE	37	32	30	34	35	54	43	44	50	52
	DECREASE	20	30	29	22	23	7	14	18	16	13
	<b>NET BALANCE</b>	<b>+17</b>	<b>+2</b>	<b>+1</b>	<b>+12</b>	<b>+12</b>	<b>+47</b>	<b>+29</b>	<b>+26</b>	<b>+34</b>	<b>+39</b>
CAPITAL EXPENDITURE:	INCREASE	27	22	26	26	24	26	27	23	25	26
	DECREASE	21	30	30	25	27	26	22	31	28	24
	<b>NET BALANCE</b>	<b>+6</b>	<b>-8</b>	<b>-4</b>	<b>+1</b>	<b>-3</b>	<b>0</b>	<b>+5</b>	<b>-8</b>	<b>-3</b>	<b>+2</b>

\* 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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