

May 2006

*Sensis[®] 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®, Whereis® and GoStay™. 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 May 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 May 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 19 April to 31 May 2006. The report covers experiences over the past three months (February 2006 to April 2006), and expectations for both the current quarter (May to July 2006) and the 12 months ending May 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	-
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 declined sharply during the past quarter. Despite the fall in confidence, SME current perceptions of the economy improved marginally, as did perceptions about the future economic direction. Business performance in sales and profitability declined over the past quarter, with employment remaining stable and the only increase being the prices SMEs charged for goods and services. Short-term expectations for all key indicators fell, as did most expectations for the year ahead. The only indicator to rise was the prices that SMEs were expecting to charge for goods and services. Support for the Federal Government increased exceptionally 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 declined sharply during the past quarter.
- Perceptions of the current state of the Australian economy increased marginally, coupled with a marginal improvement in the net proportion of SMEs that felt the economy would be better a year from now.
- There was a decline in the performance of sales and profitability over the last quarter. Wages and capital expenditure indicators also declined, however, the result recorded in employment was unchanged. Prices was the only performance indicator to record an increase.
- In the short term, SMEs are expecting decreases in all key indicators.
- Expectations for most key business indicators for the year ahead also fell, with the exception of prices.
- Increasing fuel costs and a lack of work or sales were the primary concerns of SMEs. These issues were followed by problems finding suitable staff.
- Decreased sales performance was recorded, pointing to an uncertain demand situation in the Australian economy. Sales expectations for the current quarter fell, as did expectations for the year ahead.
- In line with the falling sales result, profitability performance also declined in the past quarter.
- Employment growth during the quarter was unchanged.
- Capital expenditure performance also fell, remaining net negative. Expectations were for continued deterioration in both the short term and the year ahead.
- Support for the Federal Government's policies again increased strongly 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 and South Australia. The New South Wales Government recorded the lowest level of support for a state or territory government for the ninth 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 remaining at 13 percentage points, stable from last quarter;
- medium businesses were again noticeably more positive about the current state of the Australian economy than small businesses;
- medium businesses recorded 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:

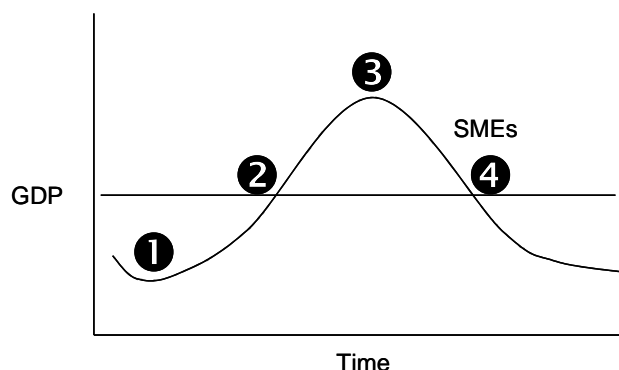
- regional businesses were less confident than their metropolitan counterparts, for the first time in seven quarters;
- metropolitan businesses were more positive about the current state of the Australian economy than regional businesses;
- metropolitan businesses reported higher results than regional businesses in all indicators with the exception of prices for the previous quarter;
- regional businesses reported lower expectations for the coming quarter than metropolitan businesses in most indicators, with the only exceptions being wages, which were equal, and prices expectations, which were higher in regional areas, 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 communications, property and business services sector, with that sector showing the strongest results in sales performance (equal with health and community services) and profitability in the past quarter;
- the retail trade sector recorded the lowest confidence levels of any sector;
- the strongest employment result was recorded by SMEs in the finance and insurance sector;
- the greatest net proportion of SMEs that increased their prices in the past quarter was in the health and community services sector;
- capital expenditure performance was strongest among SMEs in the accommodation, cafés and restaurant sector; and,
- the accommodation, cafés and restaurants sector was again the most supportive of the Federal Government's policies, with the cultural, recreational and personal services sector being the least supportive.

The Business Cycle and SMEs



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

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

Analysis of the key indicators from the May 2006 Sensis® Business Index suggests increased pessimism in the current prospects of Australian SMEs within the Australian economy. This latest quarter saw an economic environment for SMEs which was characterised by falls in most indicators, coupled with falling confidence levels. Despite this uncertainty, SMEs felt that the current economic situation was solid overall, with uncertainty being caused by decreases in spending that had been experienced during the past quarter. A perception was held by SMEs that fuel prices and interest rates to a lesser extent were constraining consumer spending. SMEs are likely to display decreased confidence levels until the economic direction for fuel prices, interest rates and consumer demand becomes clearer.

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 May 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 declining business confidence during the quarter. This result represents a much more uncertain view among SMEs compared to last quarter, when SMEs recorded improved confidence. The main causes for increased pessimism related to decreased business demand and increased fuel costs. Confidence among SMEs has not been at a lower point since August 2002.

Last quarter (February to April 2006)

SMEs recorded decreased business confidence with a net balance result of 48 per cent. This comprised 65 per cent of businesses that were confident about their business prospects for the year ahead and 17 per cent that were concerned. In the key confidence categories, businesses that felt confident to some degree about their business prospects have recorded a decrease of seven percentage points. Those business owners who felt worried to some extent about their business prospects increased over the quarter by four percentage points to 17 per cent.

Despite the overall decrease in net confidence, there was an increase in the proportion of SMEs reporting extreme confidence of two percentage points. Apart from this increase there was a decrease in all other measures of confidence. SMEs that felt fairly confident declined by nine percentage points – the largest shift during the quarter. Most of this shift went into larger proportions of SME operators feeling relatively neutral about their prospects (up three percentage points), as well as those feeling fairly worried (up three percentage points) and those feeling extremely worried (up one percentage point). The main reasons that businesses gave for feeling worried about their prospects related to the external operating environment. SME operators cited they were experiencing decreased business demand and a reluctance from consumers to spend, with fuel prices and, to a lesser extent, interest rate increases identified as key causes. On the other hand, businesses that felt confident about their prospects were most likely to point to internal factors, in particular that their businesses were established and experienced, that they had good customer relations and that they had strong levels of contracts and forward orders.

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.

This latest result shows that while businesses see the economy as strong overall, they feel uncertain in the face of increasing fuel prices and interest rates.

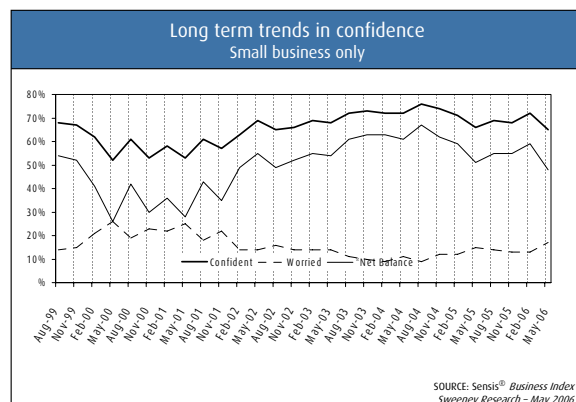
Overall confidence May 2006			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	15%	17%	15%
Fairly confident	50%	56%	50%
Neutral	17%	16%	17%
Fairly worried	14%	10%	14%
Extremely worried	3%	2%	3%
Total confident	65%	73%	65%
Total worried	17%	12%	17%
*Net Balance	+48%	+61%	+48%

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

SOURCE: Sensis® Business Index
Sweeney Research – May 2006

Confidence trends - past five quarters					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Extremely confident	14%	15%	13%	13%	15%
Fairly confident	53%	54%	55%	59%	50%
Neutral	19%	17%	19%	14%	17%
Fairly worried	12%	11%	10%	11%	14%
Extremely worried	3%	3%	3%	2%	3%
Total confident	67%	69%	68%	72%	65%
Total worried	15%	14%	13%	13%	17%
*Net Balance	+52%	+55%	+55%	+59%	+48%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 recorded in Western Australia, with the lowest level of business confidence again recorded in New South Wales. With a significant decline this quarter, regional businesses reported lower confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the communication, property and business services sector. Confidence was lowest among SMEs in the retail trade sector.

Last quarter (February to April 2006)

Western Australia recorded the highest confidence of any state or territory and was the only state to record increasing confidence in the past quarter. New South Wales again recorded the lowest level of confidence, having experienced a further dramatic slide. New South Wales has now recorded the lowest confidence level of any state or territory for seven of the last eight quarters. In addition, New South Wales also saw the greatest decline in confidence of any state or territory, and contributed significantly to the fall in overall confidence nationally.

The communication, property and business services sector recorded the highest confidence level at a net 66 per cent and was the only sector to record improving confidence in the past quarter. This was followed by the wholesale trade and health and community services sectors, where business confidence was at net 59 per cent. Reflecting difficult consumer trading conditions, the lowest confidence level was recorded in the retail trade sector, with a net balance of 31 per cent, with the finance and insurance sector recording the largest net decline in confidence of any sector in the past quarter.

On a national basis, confidence was highest among businesses in metropolitan areas. This finding was relatively consistent around Australia, with South Australia being the only state or territory to record higher confidence levels in regional areas. The largest improvement was among those SMEs in regional areas of Western Australia, with the largest decline in business confidence recorded among SMEs in regional New South Wales, where net confidence now stands at only seven per cent. In metropolitan areas the biggest improvement was seen in the Northern Territory, with the largest declines being recorded in New South Wales and South Australia.

Trends by state *net balance					
	May 05	Aug 05	Nov 05	Feb 06	May 06
National	52%	55%	55%	59%	48%
New South Wales	45%	51%	45%	54%	30%
Victoria	46%	43%	51%	56%	51%
Queensland	65%	68%	70%	70%	64%
South Australia	59%	70%	66%	65%	53%
Western Australia	51%	68%	63%	67%	71%
Tasmania	61%	62%	62%	63%	59%
Northern Territory	66%	73%	67%	59%	58%
Australian Capital Territory	58%	58%	64%	67%	56%

SOURCE: Sensis® Business Index
Sweeney Research – May 2006

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	54%	37%	48%
New South Wales	40%	7%	30%
Victoria	56%	34%	51%
Queensland	67%	62%	64%
South Australia	51%	57%	53%
Western Australia	76%	48%	71%
Tasmania	63%	55%	59%
Northern Territory	66%	48%	58%
Australian Capital Territory	56%	N/A	56%

SOURCE: Sensis® Business Index
Sweeney Research – May 2006

Confidence by business size			
	Confident	Worried	*Net Balance
Total	65%	17%	48%
1-2 Employees	62%	22%	40%
3-4 Employees	64%	14%	50%
5-9 Employees	78%	8%	69%
10-19 Employees	72%	13%	59%
Total Small Business	65%	17%	48%
20-99 Employees	71%	13%	58%
100-199 Employees	86%	4%	82%
Total Medium Business	73%	12%	61%

SOURCE: Sensis® Business Index
Sweeney Research – May 2006

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	63%	20%	43%
Building/Construction	65%	22%	43%
Wholesale Trade	75%	16%	59%
Retail Trade	57%	26%	31%
Transport/Storage	55%	22%	33%
Communication Property & Business Services	75%	9%	66%
Finance and Insurance	54%	10%	44%
Health and Community Services	73%	14%	59%
Cultural, Recreational and Personal	59%	16%	43%
Accommodation, Cafes and Restaurants	67%	15%	52%

SOURCE: Sensis® Business Index
Sweeney Research – May 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

Despite the fall in confidence, net perceptions of the Australian economy showed marginal improvement among SMEs, for the fourth successive quarter.

Positively, there was also marginal 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.

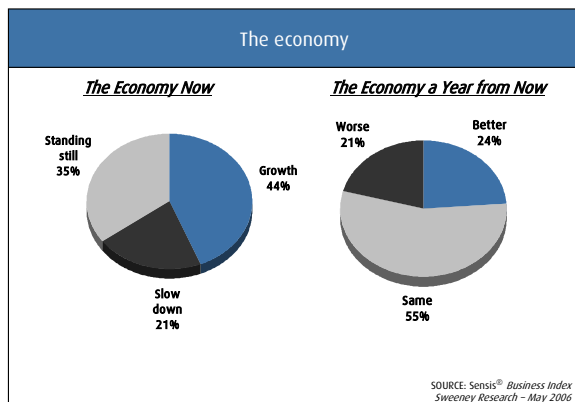
Last quarter (February to April 2006)

There was marginal improvement in the proportion of SMEs that felt the economy was currently growing. While there was also an increase in the proportion of SMEs that felt the economy was currently slowing, it was not as large. This resulted in a marginal improvement in the overall perception of the current state of the economy for the fourth successive quarter, with a net balance of 23 per cent of businesses believing the Australian economy is currently in a growth phase. This was an improvement of one percentage point from last quarter.

SMEs in Western Australia again had the strongest perception of the current state of the Australian economy. A net balance of 63 per cent reported a current growth phase, an improvement of four percentage points from the previous quarter. The second strongest perception was again recorded in the Northern Territory (net balance of 43 per cent). The weakest perceptions were recorded among SMEs in Queensland (net balance of 10 per cent).

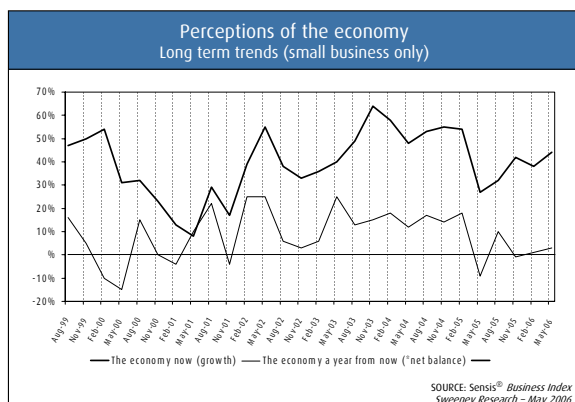
The largest net improvement in perceptions of the economy was felt in Victoria, where perceptions rose 16 percentage points since last quarter. The largest decline in perceptions was registered in Queensland, with New South Wales also recording a decline.

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



	May 05	Aug 05	Nov 05	Feb 06	May 06
The economy now					
Growth	27%	32%	36%	39%	44%
Slowing	27%	22%	22%	17%	21%
*Net Balance	0%	+10%	+14%	+22%	+23%
The economy a year from now					
Better	14%	20%	20%	22%	24%
Worse	24%	17%	21%	20%	21%
*Net Balance	-10%	+3%	-1%	+2%	+3%

SOURCE: Sensis® Business Index Sweeney Research – May 2006



	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	35%	49%	41%	43%	74%	49%	51%	41%
Slowing	23%	15%	31%	21%	11%	20%	8%	17%
*Net Balance	12%	34%	10%	22%	63%	29%	43%	24%
The economy a year from now								
Better	21%	31%	22%	25%	27%	17%	27%	19%
Worse	19%	18%	27%	25%	22%	20%	13%	17%
*Net Balance	2%	13%	-5%	0%	5%	-3%	14%	2%

SOURCE: Sensis® Business Index Sweeney Research – May 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 softened considerably in most areas in the past quarter. The only indicator to increase for the year ahead in the past quarter was for the prices that businesses intended to charge for goods and services. Despite the falls recorded this quarter, all indicators remained at least equal or higher to their levels recorded a year ago.

Next 12 months (May 2006 to April 2007)

There were falls in expectations in all key indicators, except for prices, for the year ahead.

Sales expectations fell during the quarter from 56 per cent to 51 per cent, continuing last quarter's decline. This result comprised 62 per cent of businesses that believed sales would rise in the year ahead and 11 per cent that thought sales would fall. The strongest net sales expectations for the year ahead were recorded in Western Australia at a net 63 per cent. The most confident industry sector for sales expectations was the health and community services sector (net 64 per cent), with the manufacturing sector having the lowest sales expectations for the year ahead (net 35 per cent).

There was a decrease in employment expectations for the year ahead, with a net balance result of 21 per cent for the year ahead compared to 24 per cent for the previous quarter. Businesses in the Northern Territory again recorded the strongest employment expectations for the year ahead, with a net balance result of 26 per cent. The lowest employment expectations were recorded in Tasmania, with a net balance result of 13 per cent, down from 23 per cent last quarter.

There was a decrease of a net six percentage points in expectations for total wage and salary costs for the year ahead. A net balance of 37 per cent of businesses expected a rise in their total wage costs in the coming year. The strongest expectations for total wage costs were recorded in the Australian Capital Territory with a net balance of 46 per cent. The weakest expectations were again recorded in Tasmania (unchanged net balance of 31 per cent).

Selling price expectations for the year ahead was the only year-ahead indicator to rise in the past quarter, recording a further marginal increase of one percentage point to a net balance of 56 per cent. The strongest selling price expectations were again recorded in the accommodation, cafés and restaurants sector, with a net balance of 72 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (34 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 declining sales expectations, expectations for profitability in the year ahead fell by nine percentage points to net 42 per cent. The highest expectations for profitability for the year ahead were recorded in the Northern Territory, with a net balance of 56 per cent. The lowest were again recorded in Tasmania, where a net balance of 30 per cent of SMEs were expecting their profitability to increase.

Capital expenditure expectations for the year ahead recorded a decrease in the past quarter of three percentage points to a net balance of 13 per cent. The strongest capital expenditure expectations were recorded in the Australian Capital Territory (23 per cent) and in the communication, property and business services and cultural, recreational and personal services sectors (24 per cent each).

Expectations on key indicators over the next 12 months May 2006			
	Expect an Increase	Expect a Decrease	*Net Balance
Value of sales	62%	11%	+51%
Size of workforce	25%	4%	+21%
Wages bill	44%	7%	+37%
Prices charged	58%	2%	+56%
Profitability	55%	13%	+42%
Capital expenditure	37%	24%	+13%

SOURCE: Sensis® Business Index
Sweeney Research – May 2006

Expectations on key indicators Trends in *net balance					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Value of sales	46%	56%	60%	56%	51%
Size of workforce	17%	20%	21%	24%	21%
Wages bill	33%	38%	42%	43%	37%
Prices charged	51%	51%	54%	55%	56%
Profitability	40%	50%	54%	51%	42%
Capital expenditure	13%	16%	14%	16%	13%

SOURCE: Sensis® Business Index
Sweeney Research – May 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

Concern over the price of fuel increased dramatically over the past quarter and equalled a lack of work or sales as the most pressing concerns faced by SMEs nationally. These concerns were followed by difficulties finding quality staff.

Last quarter (February to April 2006)

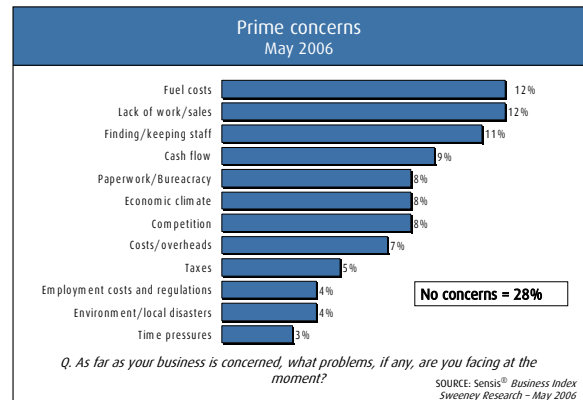
The recent increase in the price of fuel was the most nominated problem by SMEs in the past quarter. Overall, 12 per cent of SMEs nominated fuel costs as an issue, having doubled in the past quarter. As was seen earlier in this survey, concern over fuel costs and the impact this is having on consumer spending has significantly affected SME confidence this quarter. Concern over fuel costs was highest in Queensland, where 18 per cent of SMEs reported concerns in this area. At the other end of the scale, New South Wales and the Australian Capital Territory each reported eight per cent of SMEs feeling concerned about fuel costs.

On an equal footing with fuel costs, a lack of work or sales was also reported by 12 per cent of SMEs. Primarily an indicator of demand, a lack of work or sales was again most likely to be reported by SMEs in New South Wales. This was again 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 cultural, recreational and personal services sector, and least likely to be reported by the finance and insurance sector.

Difficulties finding and keeping staff was the next most strongly reported issue in the latest quarter, having recorded a further fall of one percentage point in the past quarter. This problem was most felt in Queensland, where 19 per cent of SMEs reported difficulties, and in the building and construction sector (21 per cent).

The next most pressing problem for SMEs this quarter was cash flow, which was reported by nine per cent of SMEs. This problem has risen by two percentage points over the past quarter and, in line with weaker demand, was of most concern in New South Wales.

Other key problems faced by businesses this quarter were paperwork and bureaucracy; the economic climate; and, competition. All of these problems were cited by eight per cent of businesses. While this result was unchanged for the issue of competition, it represented a one percentage point increase in the level of concern about paperwork and bureaucracy and an increase of two percentage points in the level of concern about the economic climate.



Sales

Key findings

SMEs reported a decrease in sales over the past quarter, with net performance in sales not being lower in five years. This result was coupled with bleaker expectations, with SMEs expecting decreases in both the short and medium terms.

Last quarter (February to April 2006)

Sales performance recorded a net balance of zero per cent for the quarter, a sharp decrease from the previous quarter's result of 12 per cent. This result comprised both a fall in those SMEs experiencing increasing sales coupled with an increase in those that experienced decreasing sales. The fall in sales performance is consistent with the decline that was recorded in SME confidence, with both results stemming from uncertainty in demand.

Sales performance varied dramatically across the states and territories. South Australia recorded the strongest performance, where a net 11 per cent experienced increasing sales in the past quarter. At the other end of the scale, sales performance was again lowest among SMEs in Victoria, where net negative four per cent of SMEs saw increasing sales.

The strongest sales performance was recorded in the communications, property and business services and the health and community services sectors, with a net balance of 17 per cent each.

The manufacturing sector recorded the weakest industry performance, with a net negative 22 per cent of SMEs in that sector reporting sales growth.

Current quarter (May to July 2006)

Sales expectations for the current quarter recorded a decrease of seven percentage points from the previous quarter.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in the Northern Territory at net 51 per cent. The weakest sales expectations for the coming quarter were again in Tasmania.

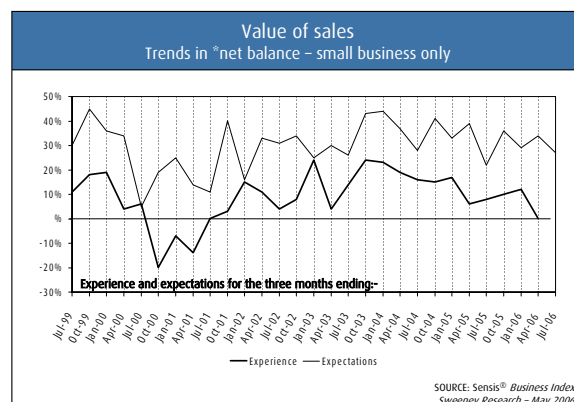
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the communication, property and business services and finance and insurance sectors (net balance of 40 per cent each). The accommodation, cafés and restaurant sector recorded the lowest level of expectations (net negative four per cent).

Next 12 months (May 2006 to April 2007)

Twelve-month sales expectations fell from a net 56 per cent to 51 per cent. The result comprised 62 per cent of businesses that believed sales would increase in the year ahead and 11 per cent that thought they would fall. Sales expectations for the year ahead were highest in Western Australia.

Value of sales					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Last Quarter					
Experienced increase	37%	38%	40%	38%	36%
No change	31%	32%	31%	35%	28%
Experienced decrease	31%	30%	29%	26%	36%
*Net Balance	+6%	+8%	+11%	+12%	0%
Current Quarter					
Expect increase	42%	47%	45%	48%	43%
No change	37%	41%	40%	37%	40%
Expect decrease	20%	11%	15%	14%	16%
*Net Balance	+22%	+36%	+30%	+34%	+27%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 recorded a net balance of one per cent for the quarter which represented an unchanged position from the previous quarter of identical growth. However, while SMEs have continued to experience constant employment patterns this has not been reflected in their expectations, which declined for both the short and medium terms.

Last quarter (February to April 2006)

SMEs recorded consistent employment performance with the previous quarter, which remained unchanged at a one per cent net balance. This result reflected the gap between the 14 per cent of SMEs that experienced a rise in employment compared to the 13 per cent that recorded a fall.

However, despite the unchanged national result, there was considerable variation across the states and territories. For example, the strongest result was in South Australia with a net balance result of 11 per cent. At the other end of the scale was New South Wales with a net negative three per cent. On an industry basis, the strongest employment result was recorded in finance and insurance (10 per cent). The wholesale trade sector was the weakest in terms of employment performance (negative seven per cent).

In terms of barriers to employment, a lack of work or sales was once again the most reported impediment to taking on new employees during the quarter (28 per cent of SMEs that believed barriers to increasing employment existed, up from 27 per cent last quarter). This barrier was most likely to be identified by New South Wales SMEs (36 per cent).

Current quarter (May to July 2006)

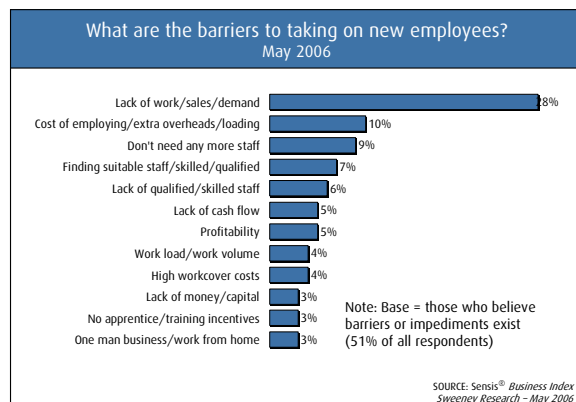
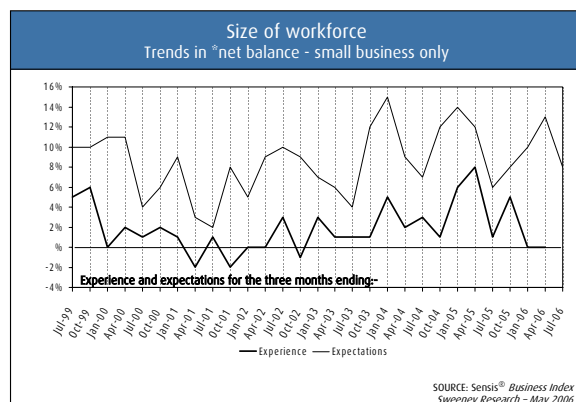
Employment expectations for the current quarter weakened to a net nine per cent, compared to a net result of 13 per cent the previous quarter. Interestingly, the strongest employment expectations were once again recorded in the Northern Territory with a net balance result of 16 per cent. On an industry basis the strongest expectations occurred in the health and community services sector (17 per cent).

Next 12 months (May 2006 to April 2007)

There was also a decline in employment expectations for the year ahead, with a net result of 21 per cent, a three percentage points decrease from the previous quarter. The weakest employment expectations for the year ahead were recorded in Tasmania (13 per cent).

Size of workforce					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Last Quarter					
Experienced increase	18%	14%	16%	12%	14%
No change	73%	74%	73%	77%	73%
Experienced decrease	10%	13%	11%	11%	13%
*Net Balance	+8%	+1%	+5%	+1%	+1%
Current Quarter					
Expect increase	13%	14%	15%	17%	14%
No change	77%	81%	78%	77%	80%
Expect decrease	7%	5%	4%	4%	5%
*Net Balance	+6%	+9%	+11%	+13%	+9%

SOURCE: Sensis® Business Index
Sweeney Research – May 2006



Wages bill

Key findings

Net growth in total wage costs continued to fall during the last quarter, as did expectations for the current quarter and the year ahead.

Last quarter (February to April 2006)

The most recent quarter saw a further fall in wage cost trends, with the performance result decreasing from a net 14 per cent to a net 10 per cent.

During the quarter, 25 per cent of SMEs experienced a rise in total wage costs, while 15 per cent recorded a decline. SMEs in Western Australia recorded the highest increases in total wage costs (net 24 per cent), while the lowest wage pressures were in New South Wales (net zero per cent). The strongest rise in total wage costs was recorded in the finance and insurance sector (net 32 per cent, up from net 19 per cent).

Current quarter (May to July 2006)

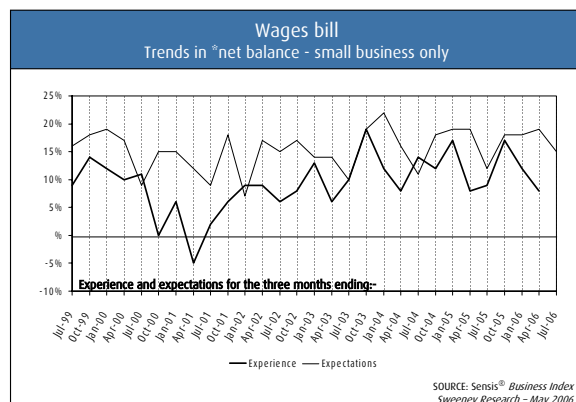
Expectations for total wage costs fell to a net 16 per cent for the current quarter. The highest wage expectations were in Western Australia, with a net balance of 27 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. Those SMEs in Tasmania were again least likely to be expecting to increase their wages bill in the current quarter (net two per cent).

Next 12 months (May 2006 to April 2007)

Expectations for total wage and salary costs also fell during the quarter, with a net balance of 37 per cent of businesses expecting a rise in total wage costs in the year ahead. This represented a decrease in the net balance trend of six percentage points. The SMEs most likely to be expecting increases to their wages bills were in the Australian Capital Territory. SMEs in Tasmania were again the least likely to be expecting to increase their total wages bill in the coming year.

Wages bill					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Last Quarter					
Experienced increase	24%	25%	28%	25%	25%
No change	58%	59%	58%	60%	54%
Experienced decrease	15%	14%	10%	11%	15%
*Net Balance	+9%	+11%	+18%	+14%	+10%
Current Quarter					
Expect increase	23%	26%	26%	28%	24%
No change	64%	64%	63%	60%	63%
Expect decrease	10%	7%	7%	8%	8%
*Net Balance	+13%	+19%	+19%	+20%	+16%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 rose during the past quarter. Looking ahead, SMEs were expecting some moderation in the short term, however, price expectations continued to rise for the year ahead. This indicator remains at its highest level since the introduction of the Goods and Services Tax in July 2000.

Last quarter (February to April 2006)

The proportion of businesses that increased prices rose by three percentage points during the quarter, to a net balance result of 19 per cent. This result represents a turnaround of the decrease experienced last quarter.

Of all states and territories, the strongest price trends were again recorded in the Northern Territory, with a net balance of 31 per cent. The lowest results were recorded in New South Wales, with a net balance of 14 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 27 per cent. The weakest outcome was again recorded in the finance and insurance sector, with a net balance result of five per cent.

Current quarter (May to July 2006)

Expectations for price rises decreased during the quarter to a net balance result of 24 per cent, a decrease of four percentage points since the last quarter. Western Australia again recorded the strongest price rise expectations, with a net balance result of 41 per cent, while New South Wales recorded the weakest price rise expectations, with a net balance of 18 per cent.

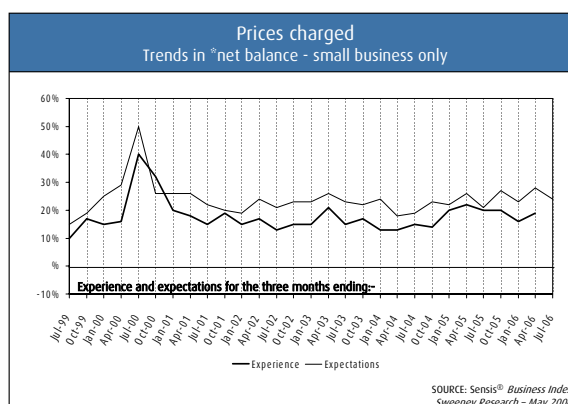
Next 12 months (May 2006 to April 2007)

At a net balance of 56 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 in July 2000. Year-ahead expectations for price increases were strongest among SMEs in Western Australia and Tasmania and weakest among those in Victoria.

The strongest price rise expectations for the year ahead were again recorded in the accommodation, cafés and restaurants sector, with a net balance result of 72 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (net 34 per cent).

Prices charged					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Last Quarter					
Experienced increase	25%	24%	24%	20%	25%
No change	71%	72%	71%	76%	69%
Experienced decrease	4%	4%	4%	4%	6%
*Net Balance	+21%	+20%	+20%	+16%	+19%
Current Quarter					
Expect increase	26%	30%	26%	30%	27%
No change	69%	67%	71%	68%	70%
Expect decrease	5%	3%	3%	2%	3%
*Net Balance	+21%	+27%	+23%	+28%	+24%

SOURCE: Sensis® Business Index
Sweeney Research - May 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 declined marginally during the quarter. This result was the lowest for five years, with declines also recorded in both short and medium term expectations.

Last quarter (February to April 2006)

SME performance in capital expenditure recorded a net negative three per cent, the third consecutive quarter when capital expenditure recorded a net negative result. Not surprisingly, with such a comparatively weak result, expenditure was below the expectations for the quarter as recorded in the previous Sensis® Business Index.

Capital expenditure growth was strongest in Tasmania, with a net balance result of a positive seven per cent of SMEs that increased their capital expenditure. The weakest result was in the Australian Capital Territory, which recorded a net balance of negative 15 per cent.

Once again there was a high degree of variability identified between the sectors. While the hospitality sector recorded the strongest capital expenditure performance (15 per cent), at the other end of the investment scale was the transport and storage sector (-25 per cent). Another particularly weak industry in terms of capital expenditure was the building and construction sector (-19 per cent).

Current quarter (May to July 2006)

The net result for capital expenditure expectations declined in line with actual performance with a net balance result of negative two per cent. The highest result was recorded equally in New South Wales and the Australian Capital Territory at net positive three per cent respectively. The weakest result was recorded in Tasmania with a net balance of negative eight per cent.

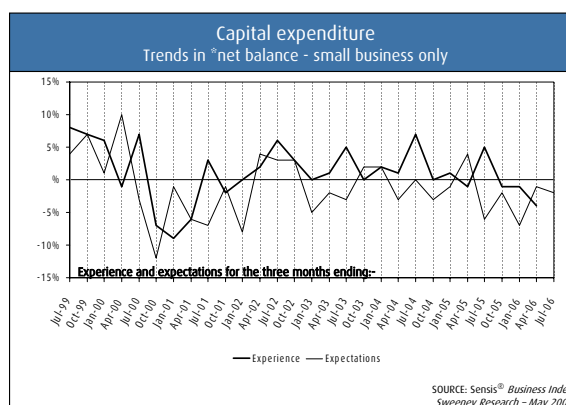
SMEs in the building and construction sector recorded the strongest expectations (nine per cent), while the finance and insurance sector and the health and community services sectors recorded the weakest results at net negative nine per cent each.

Next 12 months (May 2006 to April 2007)

Capital expenditure expectations for the year ahead fell during the quarter, to be level with the results recorded twelve months ago at a net balance of 13 per cent. The strongest capital expenditure expectation by state or territory was recorded in the Australian Capital Territory (23 per cent).

Capital expenditure					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Last Quarter					
Experienced increase	25%	27%	24%	23%	22%
No change	47%	49%	46%	50%	49%
Experienced decrease	26%	21%	25%	24%	25%
*Net Balance	-1%	+6%	-1%	-1%	-3%
Current Quarter					
Expect increase	22%	22%	21%	25%	23%
No change	48%	50%	47%	47%	47%
Expect decrease	28%	24%	28%	25%	25%
*Net Balance	-6%	-2%	-7%	0%	-2%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 declining sales, the proportion of SMEs reporting increased profitability in the past quarter also fell to become net negative. SMEs were also expecting further decreases in profitability in both the short and medium terms.

Last quarter (February to April 2006)

Profitability performance fell sharply during the quarter, with more SMEs reporting falls in their profitability than those reporting a rise. This resulted in a net balance outcome of negative two per cent. This result was a decline of 11 percentage points from last quarter's net balance result of positive nine per cent.

SMEs in Western Australia recorded the highest profitability performance during the quarter, with a net balance of 12 per cent. SMEs in New South Wales recorded the weakest performance, at net negative nine per cent. The strongest performance by industry was in the communication, property and business services sector, recording a net balance result of 15 per cent. SMEs in metropolitan areas again experienced higher profitability than their regional counterparts.

Current quarter (May to July 2006)

Profitability expectations for the current quarter also recorded a fall. Overall, 39 per cent of businesses expected an increase in profitability for the quarter compared to 18 per cent that expected a decline. The net balance result of 21 per cent was a decrease of eight percentage points from the result of 29 per cent last quarter.

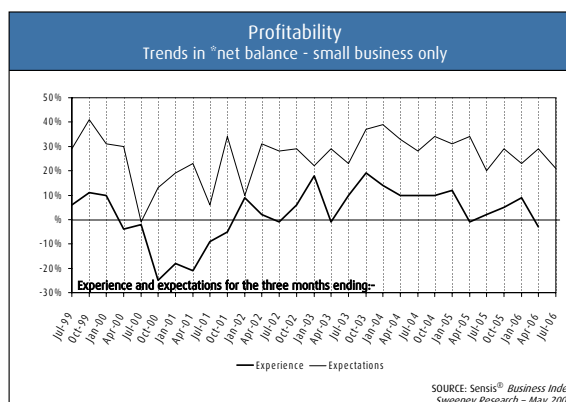
The transport and storage and finance and insurance sectors recorded the highest profitability expectations of any sectors, with a net balance of 34 per cent each. The weakest expectations were recorded in the accommodation, cafés and restaurant sector, with a net balance result of 14 per cent. SMEs in the Northern Territory recorded the highest net profitability expectations of any state or territory.

Next 12 months (May 2006 to April 2007)

Expectations for profitability for the medium term also fell, in line with falling medium-term sales expectations. A net balance result of 42 per cent of SMEs were 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 55 per cent. The weakest profit expectations were again in the building and construction sector, which recorded a net balance of 24 per cent for the year ahead.

Profitability					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Last Quarter					
Experienced increase	32%	34%	35%	32%	32%
No change	35%	35%	35%	43%	33%
Experienced decrease	33%	31%	30%	23%	34%
*Net Balance	-1%	+3%	+5%	+9%	-2%
Current Quarter					
Expect increase	39%	44%	41%	45%	39%
No change	41%	40%	41%	39%	43%
Expect decrease	20%	15%	18%	16%	18%
*Net Balance	+19%	+29%	+23%	+29%	+21%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 decreased marginally, however, the proportion of SMEs reporting an increase in the value of their exports saw strong improvement.

Last quarter (February to April 2006)

Thirteen per cent of SMEs reported they had exported in the past quarter, which represented a marginal decrease of one percentage point from the previous quarter's result. The only states or territories which saw an increase in the proportion of SMEs exporting were the Northern Territory, where the result increased by five percentage points, and Tasmania, where there was a marginal increase of one percentage point in the proportion of SMEs exporting.

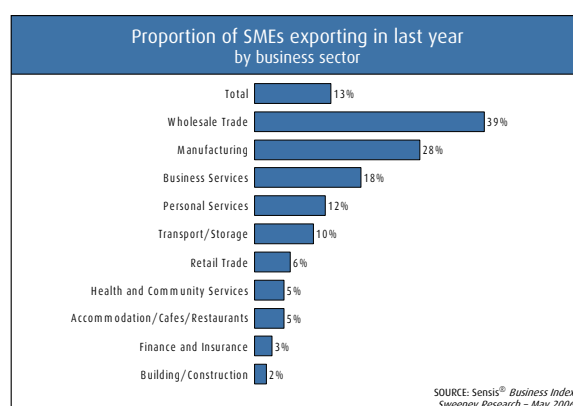
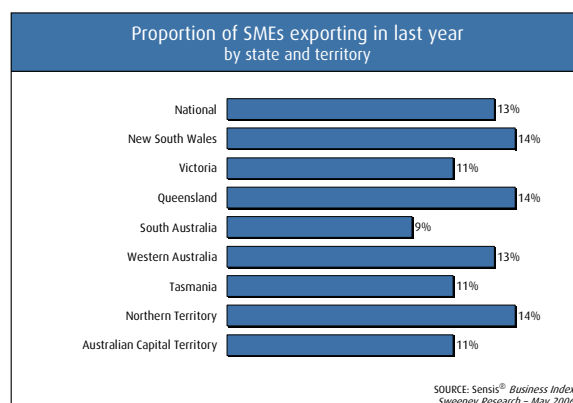
SMEs that had significant growth plans were twice as likely to export as those with no plans for growth (16 per cent compared to eight per cent). SMEs in metropolitan areas were also more likely to export than their regional counterparts (14 per cent compared to nine per cent).

SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, with participation in that sector unchanged at 39 per cent. SMEs in the building and construction sector reported the lowest level of export activity in the past quarter.

While the proportion of SMEs exporting declined marginally over the last quarter, there was a strong improvement in the net proportion of exporting SMEs that reported an increase in the value of their exports. A net balance of 18 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 three per cent.

In line with the rise in the net proportion of exporting SMEs that increased the value of their exports, improvement was also anticipated for the current quarter. The net proportion of SMEs expecting to increase the value of their exports in the current quarter increased from a net 19 per cent to a net 23 per cent. In addition, there was also an increase of six percentage points in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

New Zealand was the most favoured destination for SME exports in the past quarter, with 34 per cent of exporting SMEs exporting to that location. Other strong results were seen for the United States, to which 31 per cent of exporting SMEs exported, and the United Kingdom, which came in third at 18 per cent.



Value of exports - trends

	May 05	Aug 05	Nov 05	Feb 06	May 06
Last Quarter					
Experienced increase	30%	37%	33%	29%	31%
No change	51%	51%	39%	45%	56%
Experienced decrease	19%	12%	28%	26%	13%
*Net Balance	+11%	+25%	+5%	+3%	+18%
Current Quarter					
Expect increase	36%	29%	30%	33%	31%
No change	50%	53%	50%	53%	60%
Expect decrease	14%	18%	20%	14%	8%
*Net Balance	+22%	+11%	+10%	+19%	+23%
Next 12 months					
Expect increase	48%	55%	48%	41%	45%
No change	40%	38%	38%	46%	44%
Expect decrease	11%	7%	14%	13%	11%
*Net Balance	+37%	+48%	+34%	+28%	+34%

Base - Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index Sweeney Research – May 2006

Assessment of Federal Government policies

Key findings

Support among SMEs for the Federal Government increased strongly to be at the second highest level in the history of the Sensis® Business Index. Support for the Federal Government among SMEs has now been net positive for six out of the last seven quarters.

Last quarter (February to April 2006)

The net balance result of a positive 17 per cent approval rating reflected the strength of the Federal Government's standing within the Australian SME sector. With the result increasing dramatically in the past quarter, the Federal Government's result has now been net positive for six out of the last seven quarters since the last Federal election. In fact, the result recorded last quarter was so strong that it was the second highest result in the history of the Sensis® Business Index, with the only higher result being shortly after the election of the Government in 1996 (36 per cent). The result comprised 38 per cent of businesses that were supportive of the Federal Government's small business policies, compared to 21 per cent that were not supportive.

The strongest support for the Federal Government's policies occurred in Western Australia, where businesses recorded a positive 23 per cent net balance. Very strong results were also recorded in the Northern Territory and New South Wales. The region that was most critical of the Federal Government's small business policies was the Australian Capital Territory, where the net balance of SMEs that felt the Federal Government's policies supported small business was six per cent.

SMEs in metropolitan areas were much more supportive of the Federal Government than those in regional areas. Medium businesses were approximately twice as supportive of the Federal Government as small businesses, and businesses aiming for growth were also much more supportive than businesses that were not aiming for growth.

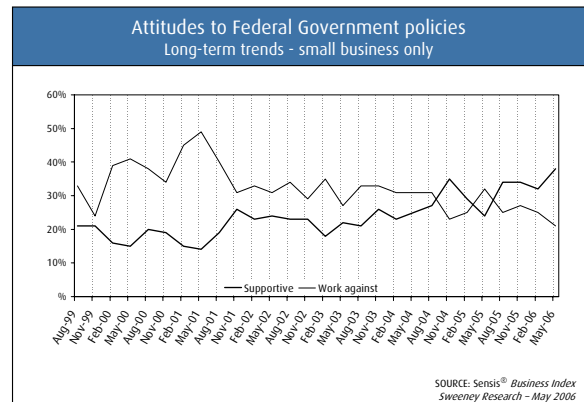
Once again, the Federal Government's industrial relations policies were by far the main reason that SMEs gave for believing that the Federal Government was trying to support small business. This view was particularly strong among SMEs in Victoria, followed by those in New South Wales and Western Australia. The belief that the Federal Government was trying to help small businesses was the next most frequent response at a much lower rate.

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 the level of paperwork.

Attitudes to Federal Government policies past five quarters					
	May 05	Aug 05	Nov 05	Feb 06	May 06
Supportive	25%	34%	35%	33%	38%
Work against	31%	24%	26%	24%	21%
No impact	44%	41%	39%	43%	40%
*Net Balance	-6%	+10%	+9%	+9%	+17%

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 – May 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

The Tasmanian Government was again the most popular state or territory government in Australia among SMEs and recorded a further strong improvement in support among the SME community. The New South Wales Government remained the least popular state or territory government among SMEs for the ninth successive quarter, despite a marginal rise in support.

Last quarter (February to April 2006)

The Tasmanian Government recorded the highest approval rating from SMEs at net positive 26 per cent. This result was up from 10 per cent last quarter. The view that the Tasmanian Government offered incentives for small business was the main reason given by SMEs for their support. The rise in support of 16 percentage points enjoyed by the Tasmanian Government was the largest seen in any state or territory.

Apart from Tasmania, the Northern Territory Government and the Government of South Australia both scored net positive ratings from SMEs. The main reason that SMEs gave for supporting the Northern Territory Government was their small business management training programs, with a view that the South Australian Government was more interested in small business being their main reason for support.

The largest fall in support in the last quarter was for the Government in the Australian Capital Territory, where support fell by a net nine percentage points to a net negative six per cent. This was the lowest result for the Australian Capital Territory since May 2005. The main reason that SMEs gave for their feeling that government policies worked against their businesses in the Australian Capital Territory was a belief that there was a high level of bureaucracy and red tape. The Australian Capital Territory was the only government to record a decline in ratings from SMEs in this latest quarter, with the rating for the Western Australian Government remaining unchanged. All other governments saw an increase in their rating in the latest quarter.

Despite increasing by one percentage point in its rating, the New South Wales Government remained 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 ninth 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 was again a view that there was a high level of bureaucracy and red tape.

Attitudes to state or territory government policies May 2006								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	10%	12%	23%	23%	19%	39%	29%	25%
Work against	42%	30%	25%	22%	29%	13%	26%	31%
No impact	48%	58%	52%	55%	52%	47%	45%	44%
*Net Balance	-32%	-18%	-2%	+1%	-10%	+26%	+3%	-6%

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

SOURCE: Sensis® Business Index
Sweeney Research – May 2006

Attitudes to state or territory government policies Trends in *net balance					
	May 2005	Aug 2005	Nov 2005	Feb 2006	May 2006
New South Wales	-47%	-40%	-39%	-33%	-32%
Victoria	-32%	-25%	-16%	-24%	-18%
Queensland	-2%	-1%	-5%	-9%	-2%
South Australia	-11%	-1%	-4%	-9%	+1%
Western Australia	-35%	-20%	-23%	-10%	-10%
Tasmania	+1%	+11%	+1%	+10%	+26%
Northern Territory	-18%	+7%	+10%	+2%	+3%
Australian Capital Territory	-7%	+2%	-4%	-3%	-6%

SOURCE: Sensis® Business Index
Sweeney Research – May 2006

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

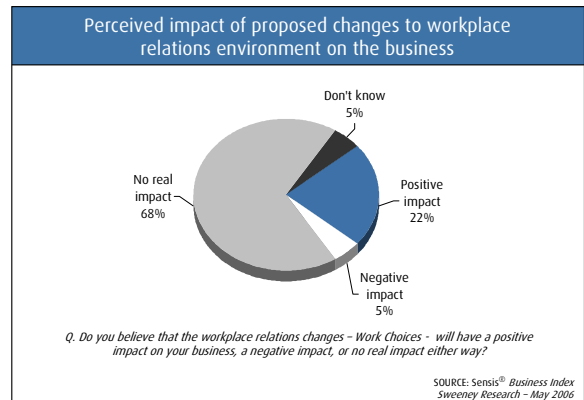
Workplace relations

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 the views of SME owners as to the likely impact of the legislation is relatively unchanged, the main movement has been in the proportion of SMEs that feel there will be no real impact, which was increased by six percentage points to 68 per cent.

The main change that small businesses intended to make with the introduction of the laws was to hire more staff. Once again, over three-quarters of Australian SMEs (77 per cent) were not planning on making any changes at all. To date, only four per cent of SMEs claim to have made any changes under the new workplace relations system. Despite the Federal Government's recent announcement of a halving of the incorporation fee to allow more small businesses to utilise the new system, only nine per cent of SMEs were considering doing this, an increase of only one percentage point from before the announcement of the drop in the fee.



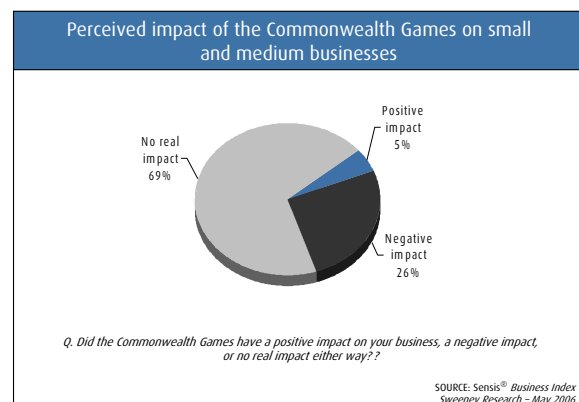
The Commonwealth Games

Perceived impact of the Commonwealth Games on small and medium businesses

In light of the recent Commonwealth Games in Melbourne, the Sensis® Business Index asked SMEs located in Victoria for their views on the impact that the Games had on their businesses.

The most frequent response was that the Games had no real impact on their business either way. This was the case for 69 per cent of SMEs located in Victoria. Apart from this relatively neutral response, over one in four SMEs (26 per cent) felt that the Games had a negative impact on their business. Coupled with only five per cent that had felt a positive impact, the net result for the impact of the Commonwealth Games on SMEs was net negative 21 per cent. It is particularly interesting to note that this is almost identical to the net impact of the Sydney 2000 Olympic Games on SMEs around Australia. In November 2000, the Business Index measured the net impact of the Sydney Olympics on SMEs at net negative 20 per cent.

The main reasons that SMEs felt that the Commonwealth Games had impacted negatively on their businesses were a slow down in business during the Games period, with people either at the Games or watching them on television. In addition, some loss of business was caused by disruption to the Melbourne CBD.



Small and medium business outlook – National

- Business confidence declined noticeably during the quarter;
- perceptions of the current state of the economy and future economic expectations both improved slightly;
- sales performance dropped during the past quarter;
- employment growth once again recorded a small net growth, unchanged over the past quarter;
- capital expenditure again recorded a net negative result for the quarter;
- profitability weakened in line with sales to record a decline with an overall negative result; and,
- support for the Federal Government's policies improved strongly to net positive 17 per cent.

Trends in past three months' experience and current quarter expectations – National					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2005 %	AUG 2005 %	NOV 2005 %	FEB 2006 %	MAY 2006 %
POSITIVE	67	69	68	72	65
NEGATIVE	15	14	13	13	17
NET BALANCE	+52	+55	+55	+59	+48

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 05 %	AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	
SALES VALUE:	INCREASE	37	38	40	38	36	42	47	45	48	43
	DECREASE	31	30	29	26	36	20	11	15	14	16
	NET BALANCE	+6	+8	+11	+12	0	+22	+36	+30	+34	+27
SIZE OF WORKFORCE:	INCREASE	18	14	16	12	14	13	14	15	17	14
	DECREASE	10	13	11	11	13	7	5	4	4	5
	NET BALANCE	+8	+1	+5	+1	+1	+6	+9	+11	+13	+9
WAGES BILL:	INCREASE	24	25	28	25	25	23	26	26	28	24
	DECREASE	15	14	10	11	15	10	7	7	8	8
	NET BALANCE	+9	+11	+18	+14	+10	+13	+19	+19	+20	+16
PRICES:	INCREASE	25	24	24	20	25	26	30	26	30	27
	DECREASE	4	4	4	4	6	5	3	3	2	3
	NET BALANCE	+21	+20	+20	+16	+19	+21	+27	+23	+28	+24
PROFITABILITY:	INCREASE	32	34	35	32	32	39	44	41	45	39
	DECREASE	33	31	30	23	34	20	15	18	16	18
	NET BALANCE	-1	+3	+5	+9	-2	+19	+29	+23	+29	+21
CAPITAL EXPENDITURE:	INCREASE	25	27	24	23	22	22	22	21	25	23
	DECREASE	26	21	25	24	25	28	24	28	25	25
	NET BALANCE	-1	+6	-1	-1	-3	-6	-2	-7	+0	-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 fell significantly during the quarter to remain, by some distance, the lowest of any state or territory;
- New South Wales sales performance recorded a noticeable fall during the quarter;
- SMEs in New South Wales were only one of two states to record a net negative growth in employment during the past quarter;
- profitability among SMEs in New South Wales recorded a significant drop during the past quarter;
- expectations of SMEs in New South Wales for capital expenditure in the coming quarter was positive;
- price rise expectations were comparatively subdued among SMEs in New South Wales for the forthcoming quarter; and,
- support for the policies of the New South Wales Government improved by the smallest margin but remained the lowest level for any state or territory government for the ninth successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2005 %	AUG 2005 %	NOV 2005 %	FEB 2006 %	MAY 2006 %
POSITIVE	62	67	63	71	55
NEGATIVE	17	16	18	17	25
NET BALANCE	+45	+51	+45	+54	+30

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

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

Small and medium business outlook – Victoria

- Business confidence fell somewhat during the quarter to record levels of six months ago;
- sales performance declined noticeably among Victorian SMEs during the past quarter;
- Victorian SMEs continued to record healthy employment performance during the quarter;
- as a result, Victoria continued with positive growth in wages bills during the past quarter;
- price pressure continued to remain relatively low in Victoria when compared to other states and territories;
- not surprisingly, profitability among Victorian SMEs during the last quarter weakened significantly to reflect underlying softness in sales;
- immediate expectations for the current quarter were for subdued capital expenditure within Victorian SMEs; and,
- SME support for the Victorian Government improved during the quarter but remained 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	MAY 2005	AUG 2005	NOV 2005	FEB 2006	MAY 2006
	%	%	%	%	%
POSITIVE	64	61	63	69	68
NEGATIVE	18	18	12	13	17
NET BALANCE	+46	+43	+51	+56	+51

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

- Business confidence fell during the quarter and Queensland was overtaken as the most confident state or territory to finish in second position;
- sales performance among Queensland SMEs dropped noticeably for the second consecutive quarter but retained a net positive position;
- employment trends among Queensland SMEs remained in an overall net positive position;
- profitability was relatively subdued compared to the previous two quarters but also remained in a net positive position;
- capital expenditure declined further during the quarter and was the only business indicator of Queensland SMEs to record weaker than national performance;
- immediate expectations for the current quarter remained quite optimistic for both key business indicators involving sales and profitability; and,
- there was a slight bounce-back during the quarter in the Queensland Government's approval rating from a comparatively low base for recent times.

Trends in past three months' experience and current quarter expectations – Queensland					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2005	MAY 2005	AUG 2005	FEB 2006	MAY 2006
	%	%	%	%	%
POSITIVE	77	76	78	78	74
NEGATIVE	12	8	8	8	10
NET BALANCE	+65	+68	+70	+70	+64

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 05	MAY-JUL 05	AUG-OCT 05	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 05	AUG-OCT 05	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 06
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	44	40	45	41	38	50	44	45	48	47
	DECREASE	30	29	22	29	33	15	12	17	15	14
	NET BALANCE	+14	+11	+23	+12	+5	+35	+32	+28	+33	+33
SIZE OF WORKFORCE:	INCREASE	19	15	14	12	13	18	14	18	20	14
	DECREASE	8	9	12	11	12	6	3	4	8	6
	NET BALANCE	+11	+6	+2	+1	+1	+12	+11	+14	+12	+8
WAGES BILL:	INCREASE	29	26	26	26	25	27	27	25	27	26
	DECREASE	13	12	7	13	13	9	5	7	8	6
	NET BALANCE	+16	+14	+19	+13	+12	+18	+22	+18	+19	+20
PRICES:	INCREASE	27	24	26	24	34	21	34	30	34	29
	DECREASE	4	4	4	4	4	4	1	4	2	2
	NET BALANCE	+23	+20	+22	+20	+30	+17	+33	+26	+32	+27
PROFITABILITY:	INCREASE	38	36	35	32	32	46	42	42	51	46
	DECREASE	28	29	26	27	31	18	12	17	14	13
	NET BALANCE	+10	+7	+9	+5	+1	+28	+30	+25	+37	+33
CAPITAL EXPENDITURE:	INCREASE	28	31	24	25	22	21	22	23	26	21
	DECREASE	22	22	24	27	27	21	27	26	22	28
	NET BALANCE	+6	+9	0	-2	-5	+0	-5	-3	+4	-7

* 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 fell noticeably during the quarter but once again remained above the national average;
- sales performance declined slightly in line with national trends during the quarter but recorded the equal highest result of any state or territory;
- employment among SMEs in South Australia were the highest of any state or territory during the quarter;
- profitability was also relatively strong among SMEs in South Australia, recording a smaller fall than the national result;
- price pressures among South Australian SMEs were equal in their magnitude to the national result;
- South Australian SMEs continued to record above average expectations for capital expenditure for the year ahead; and,
- support for the South Australian Government was net positive, supported by SME attitudes around the South Australian Government's general level of support for small businesses.

Trends in past three months' experience and current quarter expectations – South Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2005	MAY 2005	AUG 2005	FEB 2006	MAY 2006
	%	%	%	%	%
POSITIVE	70	78	74	74	69
NEGATIVE	11	8	8	9	16
NET BALANCE	+59	+70	+66	+65	+53

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 05	MAY-JUL 05	AUG-OCT 05	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 05	AUG-OCT 05	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 06
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	41	40	50	42	39	45	43	48	48	43
	DECREASE	24	23	25	26	28	18	17	15	11	19
	NET BALANCE	+17	+17	+25	+16	+11	+27	+26	+33	+37	+24
SIZE OF WORKFORCE:	INCREASE	15	12	14	11	19	12	15	20	13	18
	DECREASE	11	9	10	8	8	3	6	3	6	7
	NET BALANCE	+4	+3	+4	+3	+11	+9	+9	+17	+7	+11
WAGES BILL:	INCREASE	25	23	33	29	23	23	23	36	28	29
	DECREASE	11	9	8	7	10	6	10	7	9	8
	NET BALANCE	+14	+14	+25	+22	+13	+17	+13	+29	+19	+21
PRICES:	INCREASE	34	30	30	22	23	28	27	28	32	32
	DECREASE	3	2	1	4	4	3	3	3	3	4
	NET BALANCE	+31	+28	+29	+18	+19	+25	+24	+25	+29	+28
PROFITABILITY:	INCREASE	38	36	47	38	34	41	53	46	44	36
	DECREASE	23	23	25	25	29	18	10	17	16	21
	NET BALANCE	+15	+13	+22	+13	+5	+23	+43	+29	+28	+15
CAPITAL EXPENDITURE:	INCREASE	24	30	25	27	23	22	21	26	29	23
	DECREASE	25	19	28	23	23	27	27	31	21	22
	NET BALANCE	-1	+11	-3	+4	0	-5	-6	-5	+8	+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 – Western Australia

- Business confidence went against the national trend during the quarter to record a solid rise and give Western Australia the highest result of any state or territory;
- sales performance recorded a significant fall during the quarter but remained well above the national average;
- profitability also recorded a similar decline amongst Western Australian SMEs but once again remained above the national average;
- employment weakened considerably during the quarter to a level below the national average;
- SMEs in Western Australia continued to record comparatively strong capital expenditure trends for the quarter;
- price expectations amongst Western Australian SMEs for the year ahead were above average; and,
- support for the Western Australian Government was unchanged from the last quarter, remaining strongly net negative.

Trends in past three months' experience and current quarter expectations – Western Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2005	AUG 2005	NOV 2005	FEB 2006	MAY 2006
	%	%	%	%	%
POSITIVE	67	76	75	77	76
NEGATIVE	16	8	12	10	5
NET BALANCE	+51	+68	+63	+67	+71

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

- Business confidence fell slightly during the quarter but remained well above the national average;
- sales performance among Tasmanian SMEs was the equal highest despite a drop in the past quarter;
- profitability within Tasmanian SMEs dropped marginally, however, was significantly above the national average;
- employment performance was flat during the quarter following a decline from the previous quarter's result, and was considerably below the national average, as were future employment expectations;
- Tasmanian SMEs reported the highest performance result for capital expenditure of any state or territory;
- despite above average performance, Tasmanian SMEs were more pessimistic about the short term future, recording the lowest level of expectations of any state or territory for every indicator with the exception of prices; and,
- support for the Tasmanian Government's policies increased dramatically to remain the highest of any state or territory government, with support to the business sector in the form of incentives or grants being the single most important reason for this result.

Trends in past three months' experience and current quarter expectations – Tasmania					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	MAY 2005	AUG 2005	NOV 2005	FEB 2006	MAY 2006
	%	%	%	%	%
POSITIVE	67	74	74	73	72
NEGATIVE	6	12	12	10	13
NET BALANCE	+61	+62	+62	+63	+59

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

- Business confidence among SMEs in the Northern Territory remained relatively consistent during the quarter recording a marginal drop and remaining above the national average;
- sales and profitability performance both dropped considerably during the quarter among SMEs in the Northern Territory;
- capital expenditure recorded an improvement during the quarter and strongly outperformed the quarterly expectations of SMEs in the Northern Territory from the previous Sensis® Business Index; and,
- support for the Northern Territory Government rose marginally during the quarter to remain 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	MAY 2005 %	AUG 2005 %	NOV 2005 %	FEB 2006 %	MAY 2006 %
POSITIVE	76	80	76	72	72
NEGATIVE	10	7	9	13	14
NET BALANCE	+66	+73	+67	+59	+58

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 05 %	MAY-JUL 05 %	AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 05 %	AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %
SALES VALUE:	INCREASE	50	62	53	38	30	56	48	41	53	58
	DECREASE	22	12	13	28	32	12	14	25	14	7
	NET BALANCE	+28	+50	+40	+10	-2	+44	+34	+16	+39	+51
SIZE OF WORKFORCE:	INCREASE	19	20	13	13	16	28	24	16	23	19
	DECREASE	11	11	10	22	9	4	4	8	4	3
	NET BALANCE	+8	+9	+3	-9	+7	+24	+20	+8	+19	+16
WAGES BILL:	INCREASE	33	41	30	24	21	36	35	26	32	31
	DECREASE	13	7	7	21	14	5	11	10	9	6
	NET BALANCE	+20	+34	+23	+3	+7	+31	+24	+16	+23	+25
PRICES:	INCREASE	28	28	33	30	32	29	32	29	26	30
	DECREASE	1	1	1	1	1	2	1	4	2	0
	NET BALANCE	+27	+27	+32	+29	+31	+27	+31	+25	+24	+30
PROFITABILITY:	INCREASE	43	55	44	36	26	55	48	41	49	54
	DECREASE	21	12	16	27	34	15	12	20	14	5
	NET BALANCE	+22	+43	+28	+9	-8	+40	+36	+21	+35	+49
CAPITAL EXPENDITURE:	INCREASE	30	37	32	25	30	33	23	22	22	28
	DECREASE	19	17	25	31	28	20	27	35	34	31
	NET BALANCE	+8	+20	+7	-6	+2	+13	-4	-13	-12	-3

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

Small and medium business outlook – Australian Capital Territory

- Business confidence fell during the quarter among Australian Capital Territory SMEs, largely in line with the national trend;
- sales performance recorded a significant fall during the quarter in the Australian Capital Territory, however, it remained positive and well above the national trend;
- employment performance eased but remained positive and noticeably above the national trend;
- despite a small fall, profitability in the Australian Capital Territory remained strongly positive and well above the national average; and,
- support for the Australian Capital Territory Government fell during the quarter, with the most significant concern of SMEs being around the level of government bureaucracy and red tape.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory					
	MAY 2005	AUG 2005	NOV 2005	FEB 2006	MAY 2006
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	70	72	75	77	69
NEGATIVE	12	14	11	10	13
NET BALANCE	+58	+58	+64	+67	+56

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

* 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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