

November 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;
- track expectations over both the current three and 12 month periods; and
- measure overall confidence among SMEs.

Another purpose of the Sensis® *Business Index* 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™, White Pages®, Trading Post®, CitySearch®, UBD®, Gregory's®, Whereis® and GoStay® Accommodation Guide. Sensis provides advertising services to 420,000 Australian businesses, of which 90 per cent are SMEs.

In addition, the Sensis® *Market Intelligence* products include 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 31.

About the survey

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

The November 2006 Sensis® *Business Index* results are based on telephone interviews conducted with 1,800 small and medium business proprietors. The sample size comprises 1,400 small businesses and 400 medium businesses (the latter defined as businesses employing between 20 and 199 people).

Businesses interviewed for the November 2006 Sensis® *Business Index* were drawn from all metropolitan and major non-metropolitan regions within Australia. Quotas were set for 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 23 October to 21 November 2006. The report covers experiences over the past three months (August 2006 to October 2006), and expectations for both the current quarter (November 2006 to January 2007) and the 12 months ending November 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 improved strongly during the past quarter. Along with the increase in confidence, current perceptions of the economy showed solid improvement, as did perceptions about the future economic direction. The prime problem reported by the most SMEs was difficulty finding and keeping staff, which is currently at its equal highest level in the history of the Sensis® *Business Index*. Increases were recorded in all performance indicators, with the exception of prices, which fell. SMEs were expecting further increases in the short term for employment, wages and capital expenditure, however falls were expected for prices charged. SMEs were not expecting demand to increase dramatically in the short term, with expectations for sales only increasing marginally, and no change expected for profitability. However, SMEs were expecting growth to continue, with all expectations for the year ahead rising. Support for the Federal Government rose and was net positive overall on the back of strong support from SMEs for its agenda of workplace relations changes. The Federal Government was the most supported government in Australia. The Tasmanian Government was the most supported state or territory government by SMEs, with New South Wales again the least supported.

Other key findings from the Sensis® *Business Index* are included in the following parts of the executive summary which cover:

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 showed solid improvement during the past quarter.
- Perceptions of the current state of the Australian economy increased, along with a solid improvement in the net balance of SMEs that felt the economy would be better a year from now.
- There was an increased result for all performance trends in the last quarter, with the only exceptions being prices, which fell.
- In the short term, SMEs are expecting increases in sales, employment, wages and capital expenditure. No change was expected for profitability and a further fall expected for prices.
- Expectations for all key business indicators for the year ahead rose.
- Problems finding and keeping staff were the primary concern of SMEs this quarter. This was followed by concerns over a lack of work or sales and cash flow problems.
- Improved sales performance was recorded. Sales expectations for the current quarter rose marginally; however, SMEs expect further increases for the year ahead.
- Following from the stronger sales result, profitability performance also increased in the past quarter.
- Employment growth during the quarter rose to its highest level since November 2005.
- Capital expenditure performance also rose but remained net negative with more SMEs still decreasing their capital expenditure than increasing it; however further rises were expected in both the short term and the year ahead.
- Support for the Federal Government's policies rose and remained net positive on the back of SME support for their workplace relations agenda. The Federal Government was the most supported by SMEs of any government in Australia.
- The Tasmanian Government was the most supported state government in Australia with an improved level of support. The New South Wales Government recorded the lowest level of support for a state or territory government for the eleventh successive quarter, yet recorded significant improvement in its individual support levels.

Small versus medium enterprises

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

- Medium businesses were again more confident than small businesses; however the gap narrowed significantly to only four percentage points, down 11 percentage points from last quarter.
- Medium businesses were again noticeably more positive about the current state of the Australian economy than small businesses, with both small and medium businesses believing, on balance, that the economy was currently growing.
- Medium businesses recorded higher performance than small businesses for all indicators in the past quarter.
- Medium businesses continued to be far more supportive of the Federal Government's policies than small businesses.

Metropolitan versus regional

The key differences to emerge between metropolitan and regional businesses during the past quarter included:

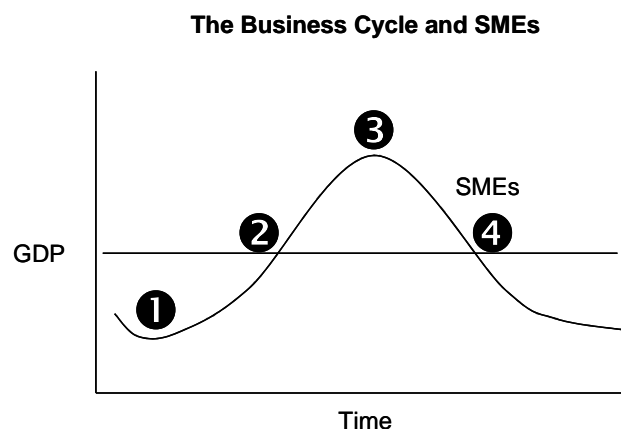
- Regional businesses were less confident than their metropolitan counterparts for the third successive quarter, with the drought being cited as the overwhelming reason for lower confidence.
- Metropolitan businesses were more than twice as positive on balance about the current state of the Australian economy as regional businesses.
- Metropolitan businesses reported higher results than regional businesses in sales, employment, wages and profitability for the past quarter.
- Regional businesses reported higher results than metropolitan businesses in prices and capital expenditure.
- Regional businesses reported lower expectations for the coming quarter than metropolitan businesses in most indicators, with the only exceptions being prices, which were higher in regional areas.
- Regional businesses recorded higher support for the Federal Government's policies than their metropolitan counterparts.

Industry sector trends

Several trends emerged throughout the industry sectors, including:

- Confidence was highest in the building and construction sector.
- The retail trade sector again recorded the lowest confidence levels of any sector.
- Strong performance was recorded by SMEs in the building and construction sector in the past quarter, with that sector reporting the highest results for profitability, prices and capital expenditure.
- The health and community services sector reported the greatest net proportion of SMEs that increased their sales in the past quarter.
- The retail trade, building and construction and finance and insurance sectors reported the greatest net proportion of SMEs that increased their prices in the past quarter.
- SMEs in the finance and insurance sector were most likely to report increasing employment in the past quarter.
- Looking ahead, the building and construction sector had the highest expectations for increases in capital expenditure in the past quarter, whilst the accommodation, cafes and restaurants sector had the highest expectations for employment and wages.
- Expectations in the finance and insurance sector remained low for the coming quarter for most indicators.
- The building and construction sector was the most supportive of the Federal Government's policies, with the communications, property and business services sector being the least supportive.

SME business cycle analysis



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

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

Analysis of the key indicators from the November 2006 Sensis® Business Index suggests improved optimism in the current prospects of Australian SMEs within the Australian economy. This latest quarter saw an economic environment for SMEs which was characterised by rises in most indicators, along with improving confidence levels. Overall, SMEs felt that the current economic situation was improving, with these views resulting from improving demand and moderation in fuel prices which had been a key cause of uncertainty in recent months. Inflationary pressures such as the prices SMEs are charging and their wages bills have moderated in the past quarter. The one key factor that is currently causing concern for SMEs is the drought, and the impact that it may have on the Australian economy, which is mainly being felt by regional SMEs.

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

Highlighted sections show the indicators relevant to SMEs for the November 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 an improvement in business confidence during the quarter. This result represents more optimistic views among SMEs compared to the previous two quarters, when SMEs recorded falling confidence. Strong demand and good business experience were the key reasons for improving confidence, however the impact of the drought on the economy was causing business operators significant concern.

Last quarter (August to October 2006)

SMEs recorded increased business confidence with a net balance result of 50 per cent. This comprised 65 per cent of businesses that were confident about their business prospects for the year ahead and 15 per cent that were concerned. In the key confidence categories, businesses that felt confident to some degree about their business prospects have recorded an increase of two percentage points. Those business owners who felt worried to some extent about their business prospects decreased over the quarter by three percentage points, resulting in an increase in the net balance result of five percentage points.

Despite the improvement in net confidence, there was a decrease of two percentage points in the proportion of SMEs reporting that they felt fairly confident. However, there was a strong increase of four percentage points in the proportion of SMEs that felt extremely confident. Of those SMEs that reported feeling worried, the greatest decline was for those feeling fairly worried, which dropped by four percentage points, however those SMEs feeling extremely worried increased by one percentage point. The main reasons businesses gave for feeling confident were that they had plenty of work coming up, they were established and experienced and they were currently experiencing a good level of profitability and improving business. However, the main reason businesses gave for feeling worried about their prospects related to the impact the drought would have on the economy, including its impact on prices.

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 businesses are feeling increasingly confident about future economic conditions, however there are underlying concerns as to what level of impact the drought may have on the economy.

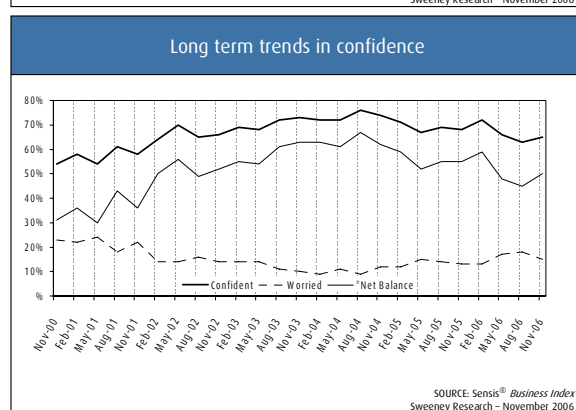
Overall confidence November 2006			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	16%	14%	16%
Fairly confident	49%	55%	49%
Neutral	21%	16%	20%
Fairly worried	12%	13%	12%
Extremely worried	3%	2%	3%
Total confident	65%	69%	65%
Total worried	15%	15%	15%
*Net Balance	+50%	+54%	+50%

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

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Confidence trends - past five quarters					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Extremely confident	13%	13%	15%	12%	16%
Fairly confident	55%	59%	50%	51%	49%
Neutral	19%	14%	17%	18%	20%
Fairly worried	10%	11%	14%	16%	12%
Extremely worried	3%	2%	3%	2%	3%
Total confident	68%	72%	65%	63%	65%
Total worried	13%	13%	17%	18%	15%
*Net Balance	+55%	+59%	+48%	+45%	+50%

SOURCE: Sensis® Business Index
Sweeney Research – November 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 Western Australia, with the lowest level of business confidence again recorded in New South Wales. Regional businesses reported lower confidence levels than their metropolitan counterparts for the third successive quarter. Confidence was highest among SMEs in the building and construction sector. Confidence was again lowest among SMEs in the retail trade sector.

Last quarter (August to October 2006)

Western Australia recorded the highest confidence of any state or territory in the past quarter. New South Wales again recorded the lowest level of confidence in the past quarter, despite recording the largest improvement. New South Wales has now recorded the lowest confidence level of any state or territory for nine of the last ten quarters. Almost all states and territories recorded improvements in confidence. Confidence amongst SMEs in South Australia was unchanged in the past quarter. SMEs in the Northern Territory recorded a marginal decline in confidence as they head into the wet season, with the largest decline in confidence being in Queensland.

The building and construction sector recorded the highest confidence level at a net 70 per cent, which was an improvement of 18 percentage points in the past quarter. This was followed by the health and community services sector, where business confidence was at a net 67 per cent. Reflecting continuing concerns over consumer spending, the lowest confidence level was again recorded in the retail trade sector, with a net balance of 34 per cent; however this was an improvement of 13 percentage points in the past quarter, with the manufacturing 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 metropolitan areas. This was also the case in every state and territory with the only exception being South Australia where metropolitan confidence was lower. The largest improvement was among those SMEs in regional areas of New South Wales, despite still recording the lowest confidence of any area in Australia, with the largest declines in business confidence recorded among SMEs in regional areas of the Northern Territory.

Trends by state *net balance					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
National	55%	59%	48%	45%	50%
New South Wales	45%	54%	30%	28%	44%
Victoria	51%	56%	51%	42%	47%
Queensland	70%	70%	64%	64%	55%
South Australia	66%	65%	53%	47%	47%
Western Australia	63%	67%	71%	65%	73%
Tasmania	62%	63%	59%	48%	53%
Northern Territory	67%	59%	58%	59%	58%
Australian Capital Territory	64%	67%	56%	39%	55%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	57%	37%	50%
New South Wales	57%	15%	44%
Victoria	52%	29%	47%
Queensland	59%	51%	55%
South Australia	43%	57%	47%
Western Australia	75%	68%	73%
Tasmania	54%	51%	53%
Northern Territory	61%	51%	58%
Australian Capital Territory	55%	N/A	55%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Confidence by business size			
	Confident	Worried	*Net Balance
Total	65%	15%	50%
1-2 Employees	60%	17%	43%
3-4 Employees	69%	12%	57%
5-9 Employees	74%	13%	61%
10-19 Employees	65%	15%	50%
Total Small Business	65%	15%	50%
20-99 Employees	68%	16%	52%
100-199 Employees	80%	6%	74%
Total Medium Business	69%	15%	54%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	64%	17%	47%
Building/Construction	77%	7%	70%
Wholesale Trade	59%	19%	40%
Retail Trade	54%	23%	31%
Transport/Storage	69%	18%	51%
Communication Property & Business Services	66%	11%	55%
Finance and Insurance	55%	8%	47%
Health and Community Services	78%	13%	65%
Cultural, Recreational and Personal	64%	21%	43%
Accommodation, Cafes and Restaurants	64%	8%	56%

SOURCE: Sensis® Business Index
Sweeney Research – November 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 conjunction with improving confidence, net perceptions of the Australian economy also showed significant improvement among SMEs.

In addition, there was also some improvement in future economic expectations from the previous quarter's result; however more SMEs still believe that the economy would be worse a year from now.

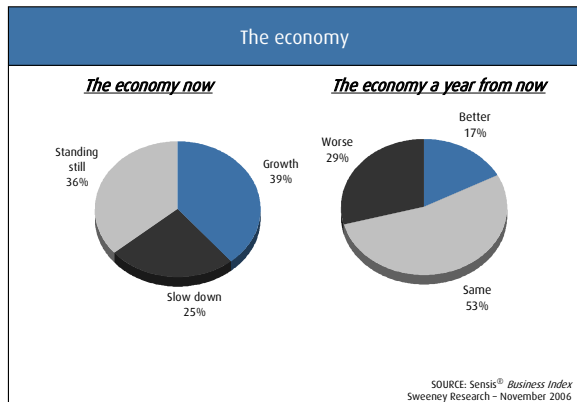
Last quarter (August to October 2006)

There was a solid increase in the proportion of SMEs that felt the economy was currently growing, rising by nine percentage points in the past quarter. Coupled with this was a decrease of eight percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in a strong improvement in the overall perception of the current state of the economy, with a net balance of positive 14 per cent of businesses believing the Australian economy is currently in a growth phase. This was an increase of 17 percentage points from last quarter.

With strong economic conditions continuing in the state, SMEs in Western Australia again had the strongest perception of the current state of the Australian economy. A net balance of 55 per cent reported a current growth phase, which was an increase of 13 percentage points from the previous quarter. The second strongest perception was again recorded in the Northern Territory (net balance of 42 per cent). The weakest perceptions were recorded among SMEs in New South Wales and South Australia (net balance of two per cent each).

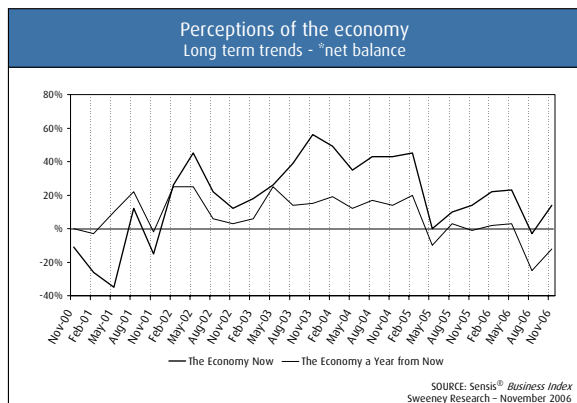
No states or territories recorded weaker views of the economy in the past quarter. The largest improvement in perceptions was registered in the Australian Capital Territory.

There was also improvement in expectations of the economy for the year ahead, with a net negative 11 percentage points of SMEs believing the economy would be worse in a year's time. This was a solid increase from last quarter's result of net negative 25 per cent believing the economy would be stronger a year from now, an improvement of some 14 percentage points.



Perceptions of the economy - trends					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
The economy now					
Growth	36%	39%	44%	30%	39%
Slowing	22%	17%	21%	33%	25%
*Net Balance	+14%	+22%	+23%	-3%	+14%
The economy a year from now					
Better	20%	22%	24%	11%	17%
Worse	21%	20%	21%	36%	29%
*Net Balance	-1%	+2%	+3%	-25%	-12%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006



Perceptions of the economy by state								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	34%	34%	40%	31%	68%	39%	59%	41%
Slowing	32%	27%	18%	28%	13%	23%	17%	24%
*Net Balance	2%	7%	22%	3%	55%	16%	42%	17%
The economy a year from now								
Better	17%	14%	15%	15%	33%	18%	20%	18%
Worse	33%	33%	26%	29%	18%	19%	26%	26%
*Net Balance	-16%	-19%	-11%	-14%	15%	-1%	-6%	-8%

SOURCE: Sensis® Business Index
Sweeney Research – November 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 improved in all areas in the past quarter, with the strongest increase recorded for capital expenditure.

Next 12 months (November 2006 to October 2007)

There were rises in expectations in all key indicators for the year ahead.

Sales expectations rose during the quarter from 48 per cent to 55 per cent, reversing the decline of the last two quarters. This result comprised 66 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 again recorded in Western Australia at a net 65 per cent, up one percentage point since last quarter. The most confident industry sector for sales expectations was the accommodation, cafés and restaurant sector (net 67 per cent), with the finance and insurance sector having the lowest sales expectations for the year ahead (net 32 per cent).

There was also an increase in employment expectations for the year ahead, with a net balance result of 23 per cent for the year ahead compared to 19 per cent for the previous quarter. Businesses in Western Australia recorded the strongest employment expectations for the year ahead, with a net balance result of 33 per cent. The lowest employment expectations were recorded in South Australia, with a net balance result of 13 per cent.

There was an increase of a net seven percentage points in expectations for total wage and salary costs for the year ahead. A net balance of 42 per cent of businesses expected a rise in their total wage costs in the coming year. The strongest expectations for total wage costs were also recorded in Western Australia with a net balance of 56 per cent. The weakest expectations were recorded in Tasmania (net balance of 29 per cent).

Selling price expectations for the year ahead rose marginally to a net balance of 57 per cent, up from 56 per cent last quarter. The strongest selling price expectations were recorded in the accommodation, cafes and restaurant sector, with a net balance of 75 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (17 per cent). This latest result is the highest year-ahead price expectation since the introduction of the Goods and Services Tax in July 2000.

In line with improving sales expectations, expectations for profitability in the year ahead rose by nine percentage points to a net 46 per cent. The highest expectations for profitability for the year ahead were recorded in Western Australia, with a net balance of 66 per cent. The lowest were recorded in the Australian Capital Territory, 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 strong increase in the past quarter of 14 percentage points to a net balance of 20 per cent. The strongest capital expenditure expectations were recorded in New South Wales (28 per cent) and in the building and construction sector (42 per cent).

Expectations on key indicators over the next 12 months November 2006			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	65%	11%	+54%
Size of workforce	26%	4%	+22%
Wages bill	47%	5%	+42%
Prices charged	60%	3%	+57%
Profitability	58%	14%	+44%
Capital expenditure	41%	21%	+20%

SOURCE: Sensis® Business Index
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Expectations on key indicators Trends in *net balance					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Value of sales	60%	56%	51%	48%	54%
Size of workforce	21%	24%	21%	19%	22%
Wages bill	42%	43%	37%	35%	42%
Prices charged	54%	55%	56%	56%	57%
Profitability	54%	51%	42%	37%	44%
Capital expenditure	14%	16%	13%	6%	20%

SOURCE: Sensis® Business Index
Sweeney Research – November 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

Difficulties finding and keeping staff increased marginally in the past quarter to be the most pressing concern faced by SMEs nationally. This issue is now at the highest level in the history of the Sensis® Business Index. This was followed by a lack of work or sales and cash flow.

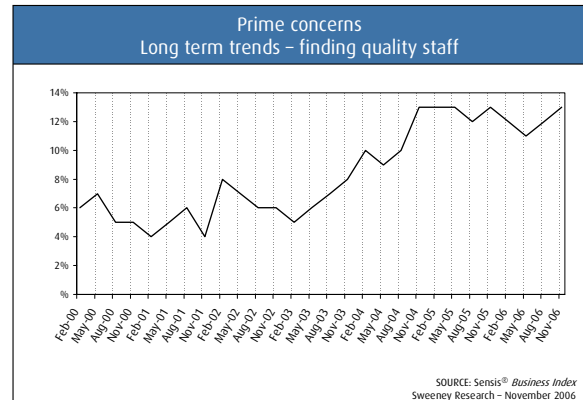
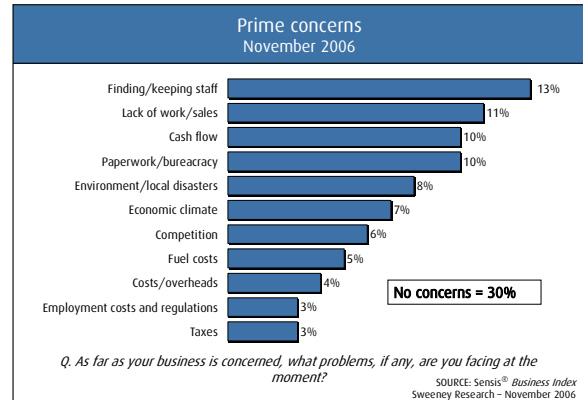
Last quarter (August to October 2006)

The proportion of SMEs reporting difficulties finding and keeping staff increased in the past quarter, to be the number one concern facing SMEs nationally. This rise brought the issue to its highest level in the history of the Sensis® Business Index. Reports of difficulties finding and keeping staff were highest in the Northern Territory, where this problem was being reported by 29 per cent of SMEs, and lowest in Tasmania, where only 10 per cent reported difficulties in this area. SMEs in the manufacturing sector were most likely to report having difficulties finding and keeping staff.

A lack of work or sales and cash flow were the equal next most nominated problems by SMEs in the past quarter. Overall, 11 per cent of SMEs nominated a lack of work or sales as an issue, having risen by one percentage point in the past quarter. Concern over a lack of work or sales was highest in New South Wales where 13 per cent of SMEs reported concerns. The communications, property and business services sector reported the highest level of concern over a lack of work or sales, with 17 per cent of SMEs in that sector reporting concern over this issue.

Cash flow was the equal second most strongly reported issue in the latest quarter, with the proportion of SMEs reporting concerns with cash flow rising by one percentage point. Cash flow problems were most felt in New South Wales, where 15 per cent of SMEs reported difficulties, and in the retail trade sector (19 per cent).

Other key problems faced by businesses this quarter were paperwork and bureaucracy, and concerns over environmental or local disasters, predominantly the current drought which was being most reported by SMEs in Queensland, New South Wales and Victoria. Some 30 per cent of SMEs reported currently facing no problems in their business, unchanged in the past quarter.



Sales

Key findings

SMEs reported increased sales over the past quarter, with net performance in sales at its highest level in almost two years. SMEs were expecting only a marginal improvement in current sales levels in the short term, but were expecting further increases in sales results in the medium term.

Last quarter (August to October 2006)

Sales performance recorded an increased net balance of 15 per cent for the quarter. The strong result in sales performance is consistent with improving confidence reported by SMEs, and improving perceptions of the economy.

Sales performance varied dramatically across the states and territories. Western Australia recorded the strongest performance, where a net 33 per cent experienced increasing sales in the past quarter. At the other end of the scale, sales performance was lowest among SMEs in Tasmania, where a net six per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the building and construction sector, with a net balance of 22 per cent of SMEs having reported increasing sales. The retail trade sector again recorded the weakest industry performance, with a net zero per cent of SMEs in that sector reporting sales growth.

Current quarter (November 2006 to January 2007)

SMEs were expecting a marginal improvement in sales in the short term. Sales expectations for the current quarter recorded an increase of one percentage point from the previous quarter.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in Western Australia at net 43 per cent. The weakest sales expectations for the coming quarter were recorded in the Northern Territory at a net five per cent.

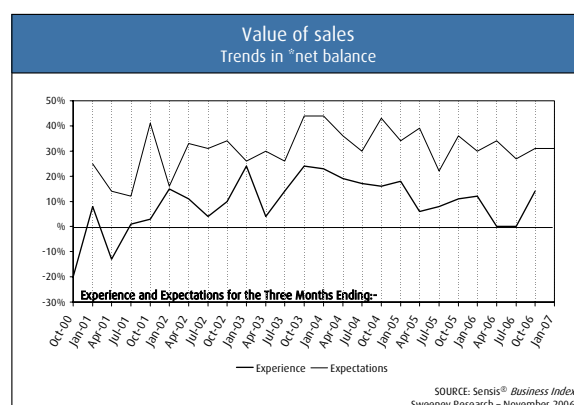
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the health and community services sector (net balance of 45 per cent). The finance and insurance sector recorded the lowest level of expectations (net negative five per cent).

Next 12 months (November 2006 to October 2007)

Twelve-month sales expectations rose from a net 48 per cent to 55 per cent. The result comprised 66 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 again highest in Western Australia.

Value of sales					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Last Quarter					
Experienced increase	40%	38%	36%	35%	41%
No change	31%	35%	28%	30%	33%
Experienced decrease	29%	26%	36%	35%	27%
*Net Balance	+11%	+12%	0%	0%	+14%
Current Quarter					
Expect increase	45%	48%	43%	45%	46%
No change	40%	37%	40%	40%	38%
Expect decrease	15%	14%	16%	14%	15%
*Net Balance	+30%	+34%	+27%	+31%	+31%

SOURCE: Sensis® Business Index
Sweeney Research – August 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

A net four per cent of SMEs reported increases in employment in the past quarter, an increase of five percentage points from the previous quarter. SMEs also reported expecting improvement for both the coming quarter, as well as the year ahead.

Last quarter (August to October 2006)

SMEs recorded rising employment performance from the previous quarter, with net four per cent of SMEs reporting increased employment in their businesses. This result reflected an improvement of five percentage points in the past quarter and the strongest result since November 2005.

Reflecting markedly different economic conditions, there was considerable variation across the states and territories in employment performance. The strongest result was again in South Australia with a net balance result of 10 per cent. At the other end of the scale was the Australian Capital Territory, reporting a net negative five per cent result, reflecting that more SMEs decreased the size of their workforce than increased it. On an industry basis, the strongest employment result was recorded in finance and insurance (17 per cent). The transport and storage sector was the weakest in terms of employment performance (negative 17 per cent).

A lack of demand was again the most reported impediment to taking on new employees (25 per cent of those SMEs that believed barriers to increasing employment existed, unchanged from last quarter). This barrier was most likely to be identified by SMEs in South Australia (30 per cent).

Current quarter (November 2006 to January 2007)

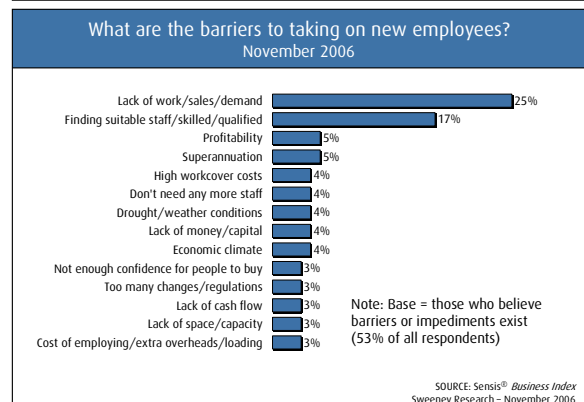
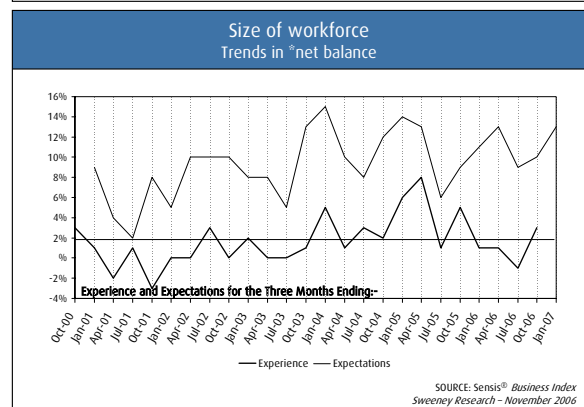
Employment expectations for the current quarter improved to a net 12 per cent, up from 10 per cent. The strongest expectations were recorded in Western Australia with a net balance result of 19 per cent. On an industry basis the strongest expectations again occurred in the accommodation, cafés and restaurant sector (28 per cent).

Next 12 months (November 2006 to October 2007)

There was continued improvement in employment expectations for the year ahead, with a net result of 23 per cent, a four percentage point increase from the previous quarter. The strongest expectations for the year ahead were recorded in Western Australia (33 per cent).

Size of workforce					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Last Quarter					
Experienced increase	16%	12%	14%	13%	15%
No change	73%	77%	73%	73%	73%
Experienced decrease	11%	11%	13%	14%	12%
*Net Balance	+5%	+1%	+1%	-1%	+3%
Current Quarter					
Expect increase	15%	17%	14%	13%	16%
No change	78%	77%	80%	81%	80%
Expect decrease	4%	4%	5%	3%	3%
*Net Balance	+11%	+13%	+9%	+10%	+13%

SOURCE: Sensis® Business Index
Sweeney Research – November 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 increased marginally during the last quarter, and SMEs were expecting some increases in wages growth for both the short and medium terms.

Last quarter (August to October 2006)

The most recent quarter saw increased wage cost trends, with the performance result up one percentage point to a net 12 per cent.

During the quarter, 26 per cent of SMEs experienced a rise in total wage costs, while 14 per cent recorded a decline. SMEs in Western Australia recorded the highest increases in total wage costs (net 25 per cent), while the lowest wage pressures were in Victoria (net seven per cent). The strongest rise in total wage costs was recorded in the health and community services sector (net 27 per cent).

Current quarter (November 2006 to January 2007)

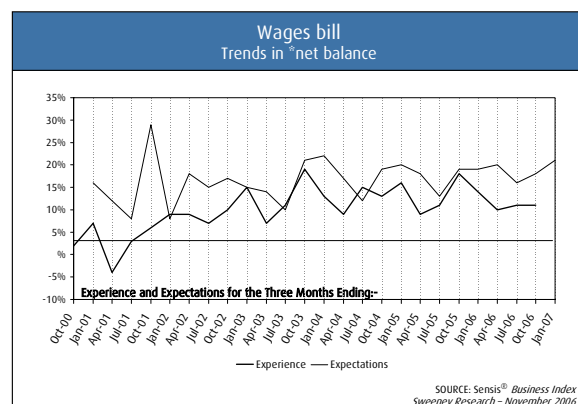
SMEs were expecting increases in wages in the short term, with expectations for total wage costs increasing to a net 20 per cent for the current quarter from 18 per cent last quarter. The highest wage expectations were also in Western Australia, with a net balance of 29 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in the Northern Territory were least likely to be expecting to increase their wages bill in the current quarter (net 10 per cent).

Next 12 months (November 2006 to October 2007)

Expectations for total wage and salary costs for the coming year rose during the quarter, with a net balance of 42 per cent of businesses expecting a rise in total wage costs in the year ahead. This represented an increase in the net balance trend of seven percentage points. The SMEs most likely to be expecting increases to their wages bills were also 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					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Last Quarter					
Experienced increase	28%	25%	25%	26%	26%
No change	58%	60%	54%	55%	55%
Experienced decrease	10%	11%	15%	15%	15%
*Net Balance	+18%	+14%	+10%	+11%	+11%
Current Quarter					
Expect increase	26%	28%	24%	26%	28%
No change	63%	60%	63%	61%	63%
Expect decrease	7%	8%	8%	8%	7%
*Net Balance	+19%	+20%	+16%	+18%	+21%

SOURCE: Sensis® Business Index
Sweeney Research – November 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. Looking ahead, fewer SMEs were expecting to increase their prices in the short term; however, price expectations increased for the year ahead. This medium term indicator remains at its highest level since the introduction of the Goods and Services Tax in 2000.

Last quarter (August to October 2006)

The proportion of businesses that increased prices fell by three percentage points during the quarter, to a net balance result of 22 per cent. This result represents a decrease in the net proportion of SMEs that increased their prices, following strong growth for the two preceding quarters.

Of all states and territories, the strongest price trends were again recorded in Western Australia, with a net balance of 30 per cent. The lowest results were recorded in New South Wales, with a net balance of 18 per cent. The strongest price rises were recorded in the retail trade, building and construction and health and community services sectors, with a net balance result of 29 per cent. The weakest outcome was again recorded in the finance and insurance sector, with a net balance result of negative one per cent.

Current quarter (November 2006 to January 2007)

SME expectations for price rises also fell during the quarter to a net balance result of 27 per cent, a fall of five percentage points since the last quarter. The Northern Territory recorded the strongest price rise expectations, with a net balance result of 35 per cent, while Victoria and Queensland recorded the weakest price rise expectations, with a net balance of 24 per cent each.

Next 12 months (November 2006 to October 2007)

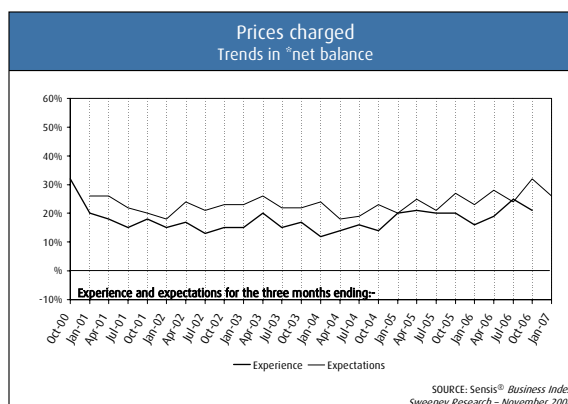
At a net balance of 57 per cent, expectations for price rises in the coming year increased marginally, remaining at historically high levels. Year-ahead expectations for price increases were strongest among SMEs in the Northern Territory and weakest among those in the Australian Capital Territory.

The strongest price rise expectations for the year ahead were recorded in the accommodation, cafes and restaurants sector, with a net balance result of 75 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (net 17 per cent)

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

Prices charged					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Last Quarter					
Experienced increase	24%	20%	25%	29%	25%
No change	71%	76%	69%	67%	71%
Experienced decrease	4%	4%	6%	4%	4%
*Net Balance	+20%	+16%	+19%	+25%	+21%
Current Quarter					
Expect increase	26%	30%	27%	34%	28%
No change	71%	68%	70%	64%	69%
Expect decrease	3%	2%	3%	2%	2%
*Net Balance	+23%	+28%	+24%	+32%	+26%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006



Capital expenditure

Key findings

The proportion of SMEs that reported growth in capital expenditure increased sharply during the quarter, after having declined since August 2005. Positively, SMEs were expecting further improvements for both the short and medium terms.

Last quarter (August to October 2006)

SME performance in capital expenditure recorded a net negative five per cent, the fifth consecutive quarter capital expenditure has recorded a net negative result. However, despite being net negative, this result represented a strong improvement of six percentage points, the first improvement since August 2005.

Capital expenditure growth was strongest in South Australia, with a net balance result of a positive one per cent of SMEs that increased their capital expenditure. The weakest result was in Tasmania, which recorded a net balance of negative 17 per cent.

Once again there was a high degree of variation between the sectors. While the building and construction sector recorded the strongest capital expenditure performance (15 per cent), at the other end of the investment scale was the finance and insurance sector (negative 19 per cent).

Current quarter (November 2006 to January 2007)

The net result for capital expenditure expectations also increased sharply in line with actual performance, with a net balance result of negative two per cent. The highest result was recorded in New South Wales at a net positive two per cent. The weakest result was again recorded in the Australian Capital Territory with a net balance of negative 13 per cent.

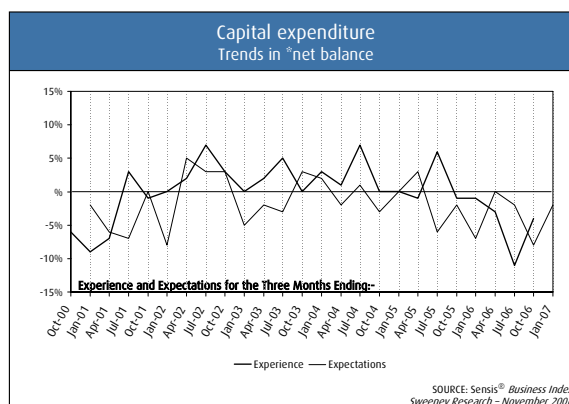
SMEs in the building and construction sector recorded the strongest expectations (12 per cent), while the finance and insurance sector again recorded the weakest result at a net negative 33 per cent.

Next 12 months (November 2006 to October 2007)

Capital expenditure expectations for the year ahead also rose sharply during the quarter, with a net 20 per cent of SMEs expecting to increase their capital expenditure in the next twelve months, up from a net six per cent last quarter. The strongest capital expenditure expectation by state or territory was recorded in New South Wales (28 per cent).

Capital expenditure					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Last Quarter					
Experienced increase	24%	23%	22%	20%	20%
No change	46%	50%	49%	45%	53%
Experienced decrease	25%	24%	25%	31%	24%
*Net Balance	-1%	-1%	-3%	-11%	-4%
Current Quarter					
Expect increase	21%	25%	23%	21%	24%
No change	47%	47%	47%	46%	48%
Expect decrease	28%	25%	25%	29%	26%
*Net Balance	-7%	0%	-2%	-8%	-2%

SOURCE: Sensis® Business Index
Sweeney Research – November 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 the improved sales result, the proportion of SMEs reporting increased profitability in the past quarter also rose strongly to the highest level in almost two years. However SMEs were expecting no change in profitability in the short term, but were looking ahead to increased profitability over the next twelve months.

Last quarter (August to October 2006)

Profitability performance rose strongly during the quarter, to its highest level in almost two years. This resulted in a net balance outcome of positive 11 per cent. This result was an increase of 15 percentage points from last quarter's net balance result of negative four per cent.

In line with their expectations from last quarter, SMEs in Western Australia recorded the highest profitability performance during the quarter, with a net balance of 24 per cent. SMEs in South Australia recorded the weakest performance at net three per cent. The strongest performance by industry was in the building and construction sector, recording a net balance of 25 per cent. SMEs in metropolitan areas again experienced better profitability than regional SMEs.

Current quarter (November 2006 to January 2007)

Profitability expectations for the current quarter were unchanged. Overall, 41 per cent of businesses expected an increase in profitability for the quarter compared to 14 per cent that expected a decline. The weaker profitability expectation for next quarter is not surprising when SMEs are only expecting a marginal improvement in sales results and fewer SMEs are expecting price increases. This result reflects some potential for margins to be squeezed in the short term, with cash flow already the third top concern for SMEs.

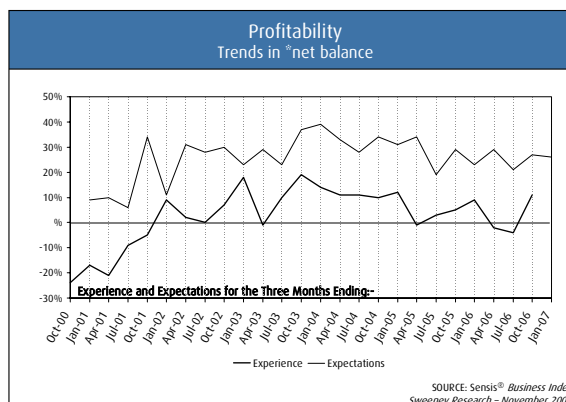
The retail trade sector recorded the highest profitability expectations of any sectors, with a net balance of 40 per cent. The weakest expectations were recorded in the finance and insurance sector, with a net balance result of net negative three per cent. SMEs in Western Australia had the highest net profitability expectations of any state or territory.

Next 12 months (November 2006 to October 2007)

Expectations for profitability for the medium-term rose, in line with rising medium-term sales expectations. A net balance result of 46 per cent of SMEs were expecting increased profitability in the year ahead. The strongest profit expectations for the year ahead were recorded in the accommodation, cafes and restaurants sector, with a net balance of 58 per cent. The weakest profit expectations were again in the finance and insurance sector, which recorded a net balance of 22 per cent.

Profitability					
	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Last Quarter					
Experienced increase	35%	32%	32%	32%	38%
No change	35%	43%	33%	32%	34%
Experienced decrease	30%	23%	34%	36%	27%
*Net Balance	+5%	+9%	-2%	-4%	+11%
Current Quarter					
Expect increase	41%	45%	39%	41%	41%
No change	41%	39%	43%	44%	43%
Expect decrease	18%	16%	18%	14%	15%
*Net Balance	+23%	+29%	+21%	+27%	+26%

SOURCE: Sensis® Business Index
Sweeney Research – November 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 softened marginally, with the proportion of SMEs reporting an increase in the value of their exports also falling.

Last quarter (August to October 2006)

Twelve per cent of SMEs reported they had exported in the past quarter, which was down by a marginal 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 four percentage points; Western Australia, with a two percentage point increase; and South Australia, which recorded a marginal increase of one percentage point.

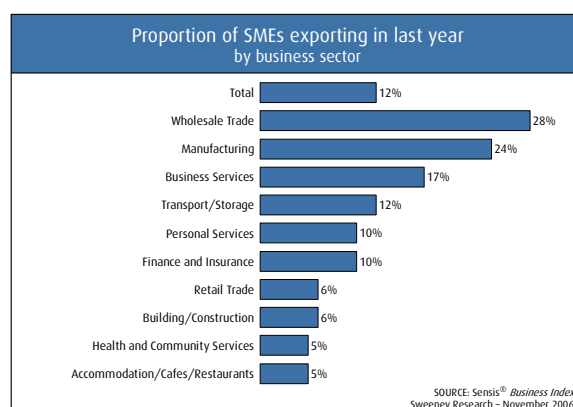
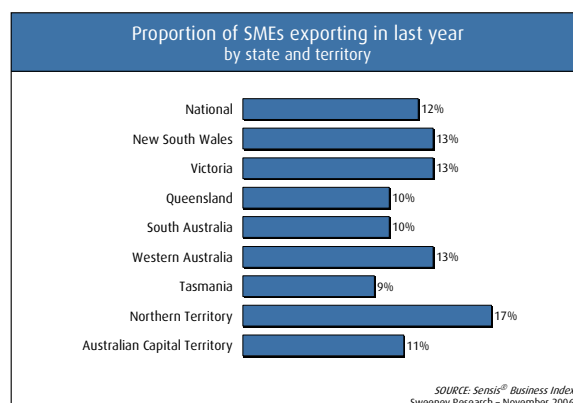
SMEs that had significant growth plans were almost three times as likely to export as those with no plans for growth (20 per cent compared to seven per cent). SMEs in metropolitan areas were more than twice as likely to export as their regional counterparts (15 per cent compared to seven per cent).

SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, however with participation in that sector falling to 30 per cent. SMEs in the accommodation, cafes and restaurant and finance and insurance sectors reported the lowest level of export activity in the past quarter.

While the proportion of SMEs exporting fell marginally over the last quarter, there were also falls in the net proportion of exporting SMEs that reported an increase in the value of their exports. A net balance of seven 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 22 per cent.

Looking forward, SMEs were not expecting great changes to the values of their exports. In the short term, there was a marginal decrease in the proportion of SMEs that were expecting growth in the value of their exports for the coming quarter. However, there was a marginal increase of one percentage point 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 40 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 21 per cent.



Value of exports - trends

	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Last Quarter					
Experienced increase	33%	29%	31%	35%	21%
No change	39%	45%	56%	52%	63%
Experienced decrease	28%	26%	13%	13%	16%
*Net Balance	+5%	+3%	+18%	+22%	+5%
Current Quarter					
Expect increase	30%	33%	31%	29%	32%
No change	50%	53%	60%	61%	55%
Expect decrease	20%	14%	8%	10%	13%
*Net Balance	+10%	+19%	+23%	+19%	+19%
Next 12 months					
Expect increase	48%	41%	45%	50%	50%
No change	38%	46%	44%	43%	42%
Expect decrease	14%	13%	11%	8%	7%
*Net Balance	+34%	+28%	+34%	+42%	+43%

Base - Exported goods or services overseas in last three months
SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Assessment of Federal Government policies

Key findings

Support among SMEs for the Federal Government recorded a solid rise during the quarter. Support for the Federal Government among SMEs has now been net positive for eight out of the last nine quarters, with the Federal Government being the most supported government in Australia by SMEs.

Last quarter (August to October 2006)

The net balance result of a positive 10 per cent approval rating represented a rise of four percentage points in the past quarter. The Federal Government's result has now been net positive for eight out of the last nine quarters since the last Federal election. The result comprised 32 per cent of businesses that were supportive of the Federal Government's small business policies, compared to 22 per cent that felt their policies worked against small business.

The strongest support for the Federal Government's policies occurred in Tasmania, where businesses recorded a positive 21 per cent net balance. Very strong results were also recorded in the Northern Territory. The region most critical of the Federal Government's small business policies was South Australia, where the net balance of SMEs that felt the Federal Government's policies supported small business was only four per cent. All states and territories recorded a net positive result for the Federal Government.

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

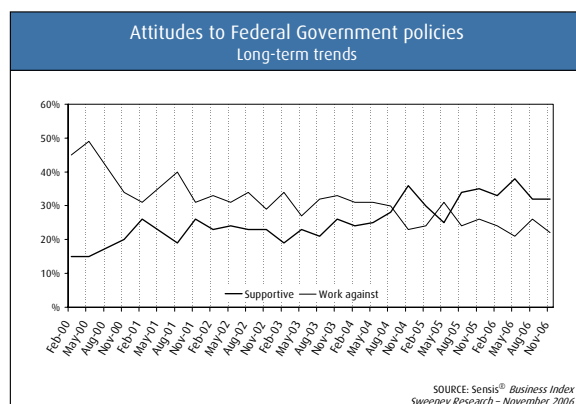
Once again, the Federal Government's industrial relations policies were by far the main reason SMEs gave for believing that the Federal Government was trying to support small business. This view was particularly strong among SMEs in Western Australia, followed by those in Queensland. The belief that the Federal Government was more supportive of small business 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 amount of bureaucracy, the belief that the Federal Government was only concerned with big business, and the level of paperwork.

	Nov 05	Feb 06	May 06	Aug 06	Nov 06
Supportive	35%	33%	38%	32%	32%
Work against	26%	24%	21%	26%	22%
No impact	39%	43%	40%	42%	46%
*Net Balance	+9%	+9%	+17%	+6%	+10%

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

SOURCE: Sensis® Business Index
Sweeney Research – November 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 remained the most popular state or territory government in Australia among SMEs. The New South Wales Government remained the least popular state or territory government among SMEs for the eleventh successive quarter, however with a rise in support within the state.

Last quarter (August to October 2006)

The Tasmanian Government recorded the highest approval rating from SMEs at net positive nine per cent. This result was up 10 percentage points from net negative one per cent last quarter. A view that the Tasmanian Government was trying to help small business was the main reason given by SMEs for their support.

The Queensland Government achieved the next highest ratings from SMEs, recording net negative two per cent. The main reason SMEs gave for supporting the Queensland Government was a feeling that they were more supportive of small businesses.

Increased levels of support were recorded for governments in New South Wales, South Australia, Queensland, Tasmania and the Australian Capital Territory. All other governments saw declining levels of support, with the largest decline being in the Northern Territory and Western Australia.

Despite having achieved the largest rise in support this quarter of 22 percentage points, the New South Wales Government remained by far the least supported government among SMEs. This was the best result for the New South Wales Government since February 2004, when the rating was at net negative 18 per cent. It is, however, the eleventh 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 too much bureaucracy coupled with the belief that the government was not supporting regional areas of the state.

Attitudes to state or territory government policies November 2006								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	14%	13%	18%	18%	16%	29%	26%	20%
Work against	38%	29%	24%	23%	33%	20%	38%	35%
No impact	48%	58%	58%	59%	51%	51%	35%	46%
*Net Balance	-24%	-16%	-6%	-5%	-17%	9%	-12%	-15%

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

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Attitudes to state or territory government policies Trends in *net balance					
	Nov 2005	Feb 2006	May 2006	Aug 2006	Nov 2006
New South Wales	-39%	-33%	-32%	-46%	-24%
Victoria	-16%	-24%	-18%	-14%	-16%
Queensland	-5%	-9%	-2%	-4%	-6%
South Australia	-4%	-9%	+1%	-9%	-5%
Western Australia	-23%	-10%	-10%	-9%	-17%
Tasmania	+1%	+10%	+26%	-1%	+9%
Northern Territory	+10%	+2%	+3%	-3%	-12%
Australian Capital Territory	-4%	-3%	-6%	-17%	-15%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

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

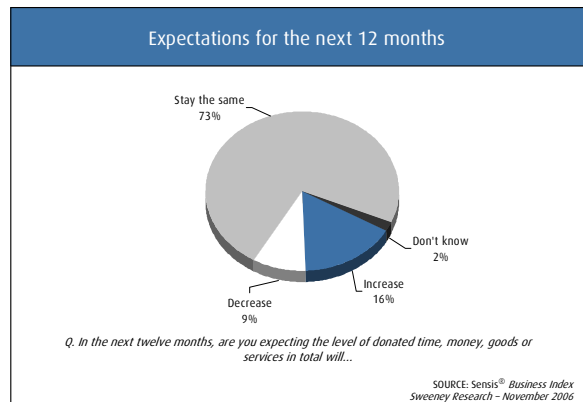
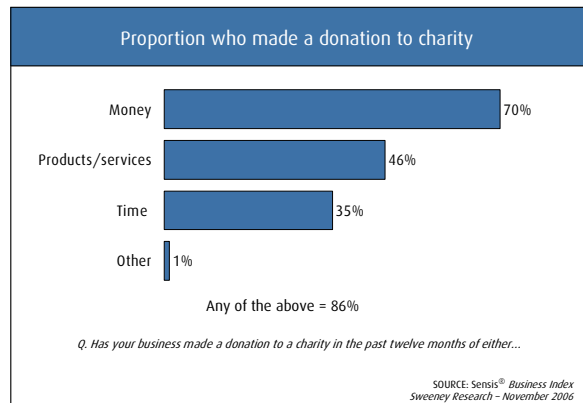
Business donations

Level of charitable donations by SMEs

The Sensis® Business Index found that overall some 86 per cent of SMEs had made a charitable donation in the past twelve months of money, products and services or their time volunteering.

Straight donations of money were the most common donation made by SMEs, with some 70 per cent having made a direct financial contribution to a charity in the past year. Products and services were donated by almost half of all SMEs (46 per cent), with just over one-third (36 per cent) donating their or their employees' time as volunteers. Businesses in the finance and insurance and accommodation, cafes and restaurants sectors were most likely to donate money (79 per cent each), with retail businesses most likely to donate goods or services (69 per cent) or their time (45 per cent).

Whilst the most common donation of money, products or services from an SME was between \$101 and \$500, there were almost as many SMEs donating between \$1001 and \$5000. Whilst the majority of SMEs were expecting their donation levels to remain the same in the next year (72 per cent), eight per cent more SMEs were expecting to increase their giving than those expecting to decrease it.



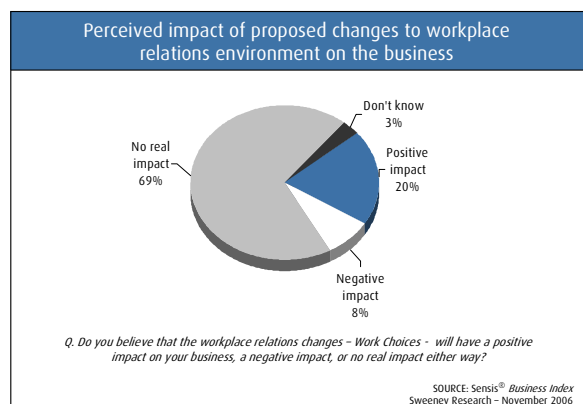
Workplace relations

Perceived impact of 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 changes to the system.

Over the past quarter there was a small negative movement in the views of SME owners as to the likely impact of the legislation. On balance, SMEs felt that there would be a positive impact; however the net balance of this view has shifted downward from 15 per cent last quarter to 12 per cent this quarter.

Four in five SMEs were not planning to make any changes at all under the new workplace relations system. The main change that SMEs were planning to make was to hire new staff (three per cent of SMEs). To date, nine per cent of SMEs reported that they have made changes under the new workplace relations system. The main changes that businesses reported having made were having a new workplace agreement, employing on a contract basis, started establishing a new workplace agreement, hiring new employees and increased pay and remuneration of employees.



Attitudes to banks and financial institutions

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

The November 2006 Sensis® Business Index found that overall, 76 per cent of SMEs are using one of the four major national banks as their main financial institution. This figure has not changed in the past two years.

While the table opposite shows the major national banks are more popular, some of the non-majors have gained considerable ground among SMEs, and are major players in their regions in their own right. For example, some 20 per cent of SMEs in Western Australia nominated Bank West as their main financial institution.

Overall, SMEs reported feeling very happy with the level of service they are receiving from their bank or financial institution, with 87 per cent reporting satisfaction. This is the highest level of satisfaction recorded in the history of the Sensis® Business Index, and represents an increase of seven percentage points in the past two years. While SMEs' satisfaction with their banks had increased in both metropolitan and regional areas, the increase in satisfaction was higher in metropolitan areas, with 88 per cent of metropolitan SMEs reporting satisfaction, compared to 84 per cent of their regional counterparts. Predominantly male-operated SMEs were more likely to be satisfied with their bank.

Only one of the four major banks did not experience an increase in SME customer satisfaction levels in the past two years. The range of satisfaction between the four major banks spanned some five percentage points, compared to a range of 19 percentage points in November 2004. The combined level of satisfaction with the major four banks was marginally lower than for other banks and financial institutions (86 per cent compared to 88 per cent). The highest satisfaction rating received for a major bank was 89 per cent.

Some 11 per cent of SMEs reported having changed their bank in the past two years. This represented a marginal increase from 10 per cent in November 2004. SMEs in regional areas were over twice as likely to have changed bank in the past two years as their metropolitan counterparts.

SMEs' access to finance has also improved. Of those SMEs who had approached their bank or financial institution for finance in the past two years, some 95 per cent had been successful, up from 93 per cent in November 2004. Although female-operated SMEs were the least likely to actually apply for finance, those that had applied had been the most successful in their applications.

Some 56 per cent of SMEs reported that they do the majority of their banking online, with only 22 per cent of SMEs doing none of their banking online.

Financial institutions used		
	Main financial institution	Total use
Commonwealth Bank	19%	25%
NAB	23%	25%
Westpac	17%	20%
ANZ Bank	16%	19%
Net 'Majors'	76%	80%
All other	10%	13%
Bendigo Bank	5%	6%
St George Bank	4%	5%
Bank West	2%	3%
Bank of Queensland	1%	2%
Citibank	-	2%
Bank of South Australia	1%	1%
Net non-majors	24%	31%

Note: * = less than 0.5%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Regional bank usage			
Bank	State	Mainly use	Total use
St George	New South Wales	9%	10%
	ACT	16%	18%
Bendigo	Victoria	9%	12%
	TAS	11%	11%
Bank of South Australia	South Australia	19%	21%
	Northern Territory	5%	5%
Bank West	Western Australia	20%	22%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Trends in main financial institution used			
	August 1999	November 2004	November 2006
ANZ Bank	21%	14%	16%
Commonwealth Bank	20%	22%	19%
National Australia Bank	22%	21%	23%
Westpac	19%	19%	17%
Net 'Majors'	82%	76%	76%
All other	18%	24%	24%

SOURCE: Sensis® Business Index
Sweeney Research – November 2006

Small and medium business outlook – national

- Business confidence showed solid improvement during the quarter;
- perceptions of the current state of the economy and future economic expectations both rose;
- performance in sales, profitability, employment, wages and capital expenditure all rose;
- the only performance indicator that fell was prices;
- sales expectations rose marginally for the short term, which, coupled with declining price expectations and unchanged profitability expectations, reflected a potential for margin-squeezing and increased cash flow difficulties; and,
- support for the Federal Government's policies rose to net positive ten per cent, the highest of any government in Australia.

Trends in past three months' experience and current quarter expectations – national					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005	FEB 2006	MAY 2006	AUG 2006	NOV 2006
	%	%	%	%	%
POSITIVE	68	72	65	63	65
NEGATIVE	13	13	17	18	15
NET BALANCE	+55	+59	+48	+45	+50

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	AUG-OCT 05	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 06	AUG-OCT 06	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	40	38	36	35	41	45	48	43	45	46
SALES VALUE: DECREASE	29	26	36	35	27	15	14	16	14	15
NET BALANCE	+11	+12	0	0	+14	+30	+34	+27	+31	+31
SIZE OF WORKFORCE: INCREASE	16	12	14	13	15	15	17	14	13	16
SIZE OF WORKFORCE: DECREASE	11	11	13	14	12	4	4	5	3	3
NET BALANCE	+5	+1	+1	-1	+3	+11	+13	+9	+10	+13
WAGES BILL: INCREASE	28	25	25	26	26	26	28	24	26	28
WAGES BILL: DECREASE	10	11	15	15	15	7	8	8	8	7
NET BALANCE	+18	+14	+10	+11	+11	+19	+20	+16	+18	+21
PRICES: INCREASE	24	20	25	29	25	26	30	27	34	28
PRICES: DECREASE	4	4	6	4	4	3	2	3	2	2
NET BALANCE	+20	+16	+19	+25	+21	+23	+28	+24	+32	+26
PROFITABILITY: INCREASE	35	32	32	32	38	41	45	39	41	41
PROFITABILITY: DECREASE	30	23	34	36	27	18	16	18	14	15
NET BALANCE	+5	+9	-2	-4	+11	+23	+29	+21	+27	+26
CAPITAL EXPENDITURE: INCREASE	24	23	22	20	20	21	25	23	21	24
CAPITAL EXPENDITURE: DECREASE	25	24	25	31	24	28	25	25	29	26
NET BALANCE	-1	-1	-3	-11	-4	-7	+0	-2	-8	-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 improved during the quarter, however remained, by some distance, the lowest of any state or territory;
- New South Wales saw increases in the level of all performance indicators, with the exception of wages and prices which both fell;
- SMEs in New South Wales recorded the highest expectations for the coming quarter in capital expenditure;
- for the year ahead, SMEs in New South Wales also recorded the highest levels of expectations for capital expenditure;
- support for the policies of the New South Wales Government rose strongly but remained the lowest level for any state or territory government for the eleventh successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005 %	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %
POSITIVE	63	71	55	54	59
NEGATIVE	18	17	25	26	15
NET BALANCE	+45	+54	+30	+28	+44

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %
SALES VALUE:										
INCREASE	35	32	37	29	40	42	45	43	42	50
DECREASE	37	27	40	45	29	14	12	18	15	12
NET BALANCE	-2	+5	-3	-16	+11	+28	+33	+25	+27	+38
SIZE OF WORKFORCE:										
INCREASE	18	8	13	10	15	13	19	17	13	12
DECREASE	13	15	16	18	11	5	2	5	4	2
NET BALANCE	+5	-7	-3	-8	+4	+8	+17	+12	+9	+10
WAGES BILL:										
INCREASE	27	20	23	26	23	24	32	25	21	20
DECREASE	13	13	23	16	15	8	8	9	11	7
NET BALANCE	+14	+7	0	+10	+8	+16	+24	+16	+10	+13
PRICES:										
INCREASE	21	20	22	29	23	26	27	20	30	31
DECREASE	6	5	8	4	5	3	2	2	1	2
NET BALANCE	+15	+15	+14	+25	+18	+23	+25	+18	+29	+29
PROFITABILITY:										
INCREASE	32	28	32	27	39	37	40	34	37	43
DECREASE	37	22	41	47	30	19	15	22	14	12
NET BALANCE	-5	+6	-9	-20	+9	+18	+25	+12	+23	+31
CAPITAL EXPENDITURE:										
INCREASE	25	19	20	18	19	20	22	26	17	25
DECREASE	24	20	23	37	21	31	24	23	30	23
NET BALANCE	+1	-1	-3	-19	-2	-11	-2	+3	-13	+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 – Victoria

- Business confidence rose during the quarter;
- sales performance improved noticeably among Victorian SMEs for the second successive quarter;
- Victorian SMEs recorded net positive employment performance during the quarter; however it was below the national average;
- SMEs in Victoria recorded the lowest level of increases in wages of any state or territory in the past quarter;
- short-term expectations for the current quarter were mixed; however expectations for capital expenditure among Victorian SMEs rose strongly to become net positive; and,
- SME support for the Victorian Government recorded a small fall during the quarter.

Trends in past three months' experience and current quarter expectations – Victoria					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005 %	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %
POSITIVE	63	69	68	60	64
NEGATIVE	12	13	17	18	17
NET BALANCE	+51	+56	+51	+42	+47

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 05 %	AUG-OCT 06 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %
SALES VALUE:	INCREASE	40	39	33	35	38	47	51	41	44	42
	DECREASE	29	25	37	33	26	15	17	15	15	17
	NET BALANCE	+11	+14	-4	+2	+12	+32	+34	+26	+29	+25
SIZE OF WORKFORCE:	INCREASE	17	17	15	15	12	13	13	9	14	17
	DECREASE	7	7	11	13	14	5	4	6	4	2
	NET BALANCE	+10	+10	+4	+2	-2	+8	+9	+3	+10	+15
WAGES BILL:	INCREASE	28	28	24	22	21	24	24	19	29	30
	DECREASE	9	6	11	18	16	7	7	10	8	8
	NET BALANCE	+19	+22	+13	+4	+5	+17	+17	+9	+21	+22
PRICES:	INCREASE	24	15	21	21	21	21	29	27	32	24
	DECREASE	5	4	6	4	4	3	2	4	3	3
	NET BALANCE	+19	+11	+15	+17	+17	+18	+27	+23	+29	+21
PROFITABILITY:	INCREASE	37	32	29	34	31	39	46	39	41	35
	DECREASE	28	22	33	31	26	17	18	15	17	15
	NET BALANCE	+9	+10	-4	+3	+5	+22	+28	+24	+24	+20
CAPITAL EXPENDITURE:	INCREASE	21	25	18	17	20	17	25	21	19	25
	DECREASE	25	27	26	31	29	23	41	25	29	24
	NET BALANCE	-4	-2	-8	-14	-9	-6	-3	-4	-10	+1

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

Small and medium business outlook – Queensland

- Queensland was one of only two states or territories to record a fall in business confidence amongst SMEs this quarter, however confidence remained well above the national average;
- sales performance among Queensland SMEs was unchanged during the past quarter;
- employment trends among Queensland SMEs improved above the national average;
- profitability improved strongly compared to last quarter;
- capital expenditure improved during the quarter but remained net negative;
- immediate expectations for the current quarter were subdued with many falls anticipated; and,
- there was a rise during the quarter in the Queensland Government's approval rating, making it the second most supported state or territory government.

Trends in past three months' experience and current quarter expectations – Queensland					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005 %	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %
POSITIVE	78	78	74	75	69
NEGATIVE	8	8	10	11	14
NET BALANCE	+70	+70	+64	+64	+55

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %
SALES VALUE:	INCREASE	45	41	38	41	39	45	48	47	46	41
	DECREASE	22	29	33	28	26	17	15	14	13	18
	NET BALANCE	+23	+12	+5	+13	+13	+28	+33	+33	+33	+23
SIZE OF WORKFORCE:	INCREASE	14	12	13	12	17	18	20	14	15	19
	DECREASE	12	11	12	13	13	4	8	6	2	4
	NET BALANCE	+2	+1	+1	-1	+4	+14	+12	+8	+13	+15
WAGES BILL:	INCREASE	26	26	25	28	30	25	27	26	28	33
	DECREASE	7	13	13	10	18	7	8	6	5	6
	NET BALANCE	+19	+13	+12	+18	+12	+18	+19	+20	+23	+27
PRICES:	INCREASE	26	24	34	38	27	30	34	29	35	26
	DECREASE	4	4	4	5	3	4	2	2	4	3
	NET BALANCE	+22	+20	+30	+33	+24	+26	+32	+27	+31	+23
PROFITABILITY:	INCREASE	35	32	32	33	41	42	51	46	43	39
	DECREASE	26	27	31	31	26	17	14	13	11	20
	NET BALANCE	+9	+5	+1	+2	+15	+25	+37	+33	+32	+19
CAPITAL EXPENDITURE:	INCREASE	24	25	22	20	21	23	26	21	26	22
	DECREASE	24	27	27	28	24	26	22	28	30	29
	NET BALANCE	0	-2	-5	-8	-3	-3	+4	-7	-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 was unchanged during the quarter, at a level below the national average;
- sales performance improved strongly during the quarter but remained below the national average;
- profitability also improved strongly among SMEs in South Australia, but was still the lowest of any state or territory;
- employment performance among SMEs in South Australia was again the highest of any state or territory;
- South Australian SMEs recorded the highest performance in capital expenditure of any state or territory; and,
- support for the South Australian Government improved and was the third most supported state or territory government.

Trends in past three months' experience and current quarter expectations – South Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005 %	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %
POSITIVE	74	74	69	65	65
NEGATIVE	8	9	16	18	18
NET BALANCE	+66	+65	+53	+47	+47

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %
SALES VALUE:	INCREASE	50	42	39	34	37	48	48	43	51	48
	DECREASE	25	26	28	36	27	15	11	19	14	17
	NET BALANCE	+25	+16	+11	-2	+10	+33	+37	+24	+37	+31
SIZE OF WORKFORCE:	INCREASE	14	11	19	16	18	20	13	18	11	13
	DECREASE	10	8	8	6	7	3	6	7	4	5
	NET BALANCE	+4	+3	+11	+10	+11	+17	+7	+11	+7	+8
WAGES BILL:	INCREASE	33	29	23	25	32	36	28	29	30	32
	DECREASE	8	7	10	14	10	7	9	8	7	7
	NET BALANCE	+25	+22	+13	+11	+22	+29	+19	+21	+23	+25
PRICES:	INCREASE	30	22	23	29	28	28	32	32	41	30
	DECREASE	1	4	4	3	4	3	3	4	3	3
	NET BALANCE	+29	+18	+19	+26	+24	+25	+29	+28	+38	+27
PROFITABILITY:	INCREASE	47	38	34	26	33	46	44	36	48	40
	DECREASE	25	25	29	36	28	17	16	21	17	17
	NET BALANCE	+22	+13	+5	-10	+5	+29	+28	+15	+31	+23
CAPITAL EXPENDITURE:	INCREASE	25	27	23	27	24	26	29	23	22	19
	DECREASE	28	23	23	22	22	31	21	22	31	30
	NET BALANCE	-3	+4	0	+5	+2	-5	+8	+1	-9	-11

* 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 and remained the highest result of any state or territory;
- SMEs in Western Australia recorded the highest performance results for sales, wages, prices and profitability of any state or territory;
- SMEs in Western Australia recorded the strongest expectations for the coming quarter for sales, employment, wages and profitability of any state or territory; and
- support for the Western Australian Government fell, and was the second least supported state or territory government.

Trends in past three months' experience and current quarter expectations – Western Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005 %	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %
POSITIVE	75	77	76	74	79
NEGATIVE	12	10	5	9	6
NET BALANCE	+63	+67	+71	+65	+73

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %
SALES VALUE:	INCREASE	41	52	37	48	52	48	52	48	54	53
	DECREASE	22	15	28	18	20	18	15	14	11	11
	NET BALANCE	+19	+37	+9	+30	+32	+30	+37	+34	+43	+42
SIZE OF WORKFORCE:	INCREASE	17	14	13	15	19	15	17	15	10	22
	DECREASE	10	10	15	9	10	4	3	2	1	3
	NET BALANCE	+7	+4	-2	+6	+9	+11	+14	+13	+9	+19
WAGES BILL:	INCREASE	32	26	33	33	37	31	28	31	32	34
	DECREASE	10	14	9	11	11	4	8	4	3	5
	NET BALANCE	+22	+12	+24	+22	+26	+27	+20	+27	+29	+29
PRICES:	INCREASE	32	26	31	35	33	30	38	43	41	33
	DECREASE	2	2	3	2	3	1	2	2	1	0
	NET BALANCE	+30	+24	+28	+33	+30	+29	+36	+41	+40	+33
PROFITABILITY:	INCREASE	38	45	39	42	49	47	49	48	51	50
	DECREASE	22	21	27	22	19	14	13	13	11	11
	NET BALANCE	+16	+24	+12	+20	+30	+33	+36	+35	+40	+39
CAPITAL EXPENDITURE:	INCREASE	29	26	32	29	22	28	29	25	25	28
	DECREASE	27	25	27	19	25	30	28	27	28	27
	NET BALANCE	+2	+1	+5	+10	-3	-2	+1	-2	-3	+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 rose during the quarter and was above the national average;
- sales performance among Tasmanian SMEs improved, yet was the lowest result in Australia;
- profitability within Tasmanian SMEs also rose, but was also the lowest result in Australia;
- employment performance improved during the quarter, and was above the national average;
- Tasmanian SMEs reported a net negative result for capital expenditure, recording the lowest performance of any state or territory;
- support for the Tasmanian Government's policies improved to remain 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	NOV 2005 %	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %
POSITIVE	74	73	72	67	67
NEGATIVE	12	10	13	19	14
NET BALANCE	+62	+63	+59	+48	+53

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %
SALES VALUE:	INCREASE	34	41	38	26	38	44	43	27	40	50
	DECREASE	30	26	28	37	32	14	16	26	12	14
	NET BALANCE	+4	+15	+10	-11	+6	+30	+27	+1	+28	+36
SIZE OF WORKFORCE:	INCREASE	16	14	9	11	17	14	16	5	6	13
	DECREASE	11	12	9	19	12	4	4	6	4	5
	NET BALANCE	+5	+2	0	-8	+5	+10	+12	-1	+2	+8
WAGES BILL:	INCREASE	30	24	26	24	28	25	21	16	24	24
	DECREASE	14	17	12	20	9	6	7	14	10	6
	NET BALANCE	+16	+7	+14	+4	+19	+19	+14	+2	+14	+18
PRICES:	INCREASE	27	18	27	28	26	35	28	37	36	29
	DECREASE	3	3	4	3	6	1	1	5	3	4
	NET BALANCE	+24	+15	+23	+25	+20	+34	+27	+32	+33	+25
PROFITABILITY:	INCREASE	33	33	36	25	33	41	40	21	36	49
	DECREASE	28	22	27	38	28	17	14	25	11	12
	NET BALANCE	+5	+11	+9	-13	+5	+24	+26	-4	+25	+37
CAPITAL EXPENDITURE:	INCREASE	21	25	31	30	18	24	29	23	19	25
	DECREASE	27	29	24	31	35	28	26	31	35	26
	NET BALANCE	-6	-4	+7	-1	-17	-4	+3	-8	-16	-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 – Northern Territory

- SMEs in the Northern Territory reported the second highest business confidence in Australia, despite having experienced a marginal fall;
- the relatively strong confidence levels reflected good performance results, with SMEs in the Territory recording performance significantly above the national average, including the second highest results for sales, profitability and capital expenditure, all of which outstripped last quarter's expectations;
- SMEs in the Territory were expecting more subdued results through the wet season, with many expectations the lowest of any state or territory for the short term; and,
- support for the Northern Territory Government fell by a further nine percentage points during the quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005 %	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %
POSITIVE	76	72	72	73	70
NEGATIVE	9	13	14	14	13
NET BALANCE	+67	+59	+58	+59	+57

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 05 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %
SALES VALUE:	INCREASE	53	38	30	51	48	41	53	58	44	32
	DECREASE	13	28	32	16	18	25	14	7	19	27
	NET BALANCE	+40	+10	-2	+35	+30	+16	+39	+51	+25	+5
SIZE OF WORKFORCE:	INCREASE	13	13	16	19	17	16	23	19	20	17
	DECREASE	10	22	9	10	15	8	4	3	7	11
	NET BALANCE	+3	-9	+7	+9	+2	+8	+19	+16	+13	+6
WAGES BILL:	INCREASE	30	24	21	30	29	26	32	31	37	23
	DECREASE	7	21	14	13	9	10	9	6	12	13
	NET BALANCE	+23	+3	+7	+17	+20	+16	+23	+25	+25	+10
PRICES:	INCREASE	33	30	32	30	34	29	26	30	45	36
	DECREASE	1	1	1	1	5	4	2	0	0	1
	NET BALANCE	+32	+29	+31	+29	+29	+25	+24	+30	+45	+35
PROFITABILITY:	INCREASE	44	36	26	47	44	41	49	54	38	31
	DECREASE	16	27	34	19	21	20	14	5	17	25
	NET BALANCE	+28	+9	-8	+28	+23	+21	+35	+49	+21	+6
CAPITAL EXPENDITURE:	INCREASE	32	25	30	30	30	22	22	28	28	26
	DECREASE	25	31	28	27	30	35	34	31	30	30
	NET BALANCE	+7	-6	+2	+3	0	-13	-12	-3	-2	-4

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

Small and medium business outlook – Australian Capital Territory

- Business confidence improved strongly during the quarter among Australian Capital Territory SMEs, reversing most of last quarter's fall;
- sales performance recorded an increase during the quarter in the Australian Capital Territory, to a level double the national average;
- employment performance fell further to a net negative level and the lowest of any state or territory;
- profitability in the Australian Capital Territory improved further, well above the national average;
- SMEs in the Australian Capital Territory recorded the lowest capital expenditure expectations in Australia for the coming quarter; and,
- support for the Australian Capital Territory Government rose by two percentage points during the quarter.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2005	FEB 2006	MAY 2006	AUG 2006	NOV 2006
	%	%	%	%	%
POSITIVE	75	77	69	62	67
NEGATIVE	11	10	13	23	12
NET BALANCE	+64	+67	+56	+39	+55

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 05	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 06	AUG-OCT 06	NOV-JAN 05/06	FEB-APR 06	MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	42	46	33	39	50	49	57	46	41	44
	DECREASE	24	24	27	24	22	15	14	13	25	12
	NET BALANCE	+18	+22	+6	+15	+28	+34	+43	+33	+16	+32
SIZE OF WORKFORCE:	INCREASE	18	18	18	15	9	15	19	14	13	18
	DECREASE	12	9	12	13	14	6	5	4	7	5
	NET BALANCE	+6	+9	+6	+2	-5	+9	+14	+10	+6	+13
WAGES BILL:	INCREASE	26	33	30	28	25	26	30	28	23	31
	DECREASE	13	11	17	11	12	14	9	6	6	7
	NET BALANCE	+13	+22	+13	+17	+13	+12	+21	+22	+17	+24
PRICES:	INCREASE	23	21	26	22	31	25	30	34	39	32
	DECREASE	4	6	1	0	6	3	1	2	1	3
	NET BALANCE	+19	+15	+25	+22	+25	+22	+29	+32	+38	+29
PROFITABILITY:	INCREASE	34	35	35	34	41	50	52	43	34	42
	DECREASE	22	23	27	25	20	16	13	15	28	11
	NET BALANCE	+12	+12	+8	+9	+21	+34	+39	+28	+6	+31
CAPITAL EXPENDITURE:	INCREASE	26	24	19	21	24	25	26	27	30	21
	DECREASE	25	27	34	23	26	28	24	24	19	35
	NET BALANCE	+1	-3	-15	-2	-2	-3	+2	+3	+11	-14

* 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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For further information please contact: Christena Singh
Author, Sensis® *Business Index*
Sensis Pty Ltd
Ph: (03) 8653 4896
businessindex@sensis.com.au

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