

August 2007

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



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

## August 2007

Introduction .....	1
About the survey.....	2
Executive summary.....	3
<b>Small and medium business outlook – national summary.....</b>	<b>6</b>
Confidence in own business prospects over the next 12 months.....	6
Confidence by state, sector and size .....	7
Perceptions of the economy.....	8
Expectations on key indicators over the next 12 months.....	9
Concerns.....	10
Sales.....	11
Employment.....	12
Wages bill.....	13
Prices.....	14
Capital expenditure .....	15
Profitability.....	16
Exports.....	17
Assessment of Federal Government policies.....	18
Assessment of State Government policies.....	19
Workplace relations.....	20
<b>Small and medium business outlook – national .....</b>	<b>21</b>
<b>Small and medium business outlook – New South Wales .....</b>	<b>22</b>
<b>Small and medium business outlook – Victoria .....</b>	<b>23</b>
<b>Small and medium business outlook – Queensland.....</b>	<b>24</b>
<b>Small and medium business outlook – South Australia.....</b>	<b>25</b>
<b>Small and medium business outlook – Western Australia .....</b>	<b>26</b>
<b>Small and medium business outlook – Tasmania .....</b>	<b>27</b>
<b>Small and medium business outlook – Northern Territory.....</b>	<b>28</b>
<b>Small and medium business outlook – Australian Capital Territory.....</b>	<b>29</b>

## Introduction

The Sensis® *Business Index* is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs). These surveys have been undertaken quarterly since 1993.

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
- 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 30.

## About the survey

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

The August 2007 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 August 2007 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 3 August to 23 August 2007. The report covers experiences over the past three months (May to July 2007), and expectations for both the current quarter (August to October 2007) and the 12 months ending August 2008.

Location of business			
	Total	Metro	Non-metro
New South Wales	300	240	60
Victoria	300	240	60
Queensland	300	165	135
South Australia	225	195	30
Western Australia	225	195	30
Tasmania	150	90	60
Northern Territory	150	90	60
Australian Capital Territory	150	150	-
<b>Total</b>	<b>1800</b>	<b>1365</b>	<b>435</b>

Division	
Manufacturing	200
Building/Construction	250
Wholesale Trade	150
Retail Trade	250
Accommodation, Cafes and Restaurants	100
Transport/Storage	150
Finance and Insurance	100
Communication, Property and Business Services	300
Health and Community Services	150
Cultural, Recreational and Personal Services	150
<b>Total</b>	<b>1800</b>

## Executive summary

Business confidence among SMEs was stable at strong levels during the past quarter. However, despite unchanged levels of confidence, current perceptions of the economy showed significant softening, with perceptions about the future economic direction also falling. The prime problem reported by SMEs was difficulty finding and keeping staff, followed by a lack of work or sales, problems with paperwork and bureaucracy and competition. It is interesting to note that this quarter saw the highest proportion of SMEs reporting that they currently faced no problems at all. The concerns that SMEs held about the future of the economy was not based on their performance or their expectations for their businesses. There was solid improvement in most performance indicators, with only employment decreasing very marginally. In addition, some of the expectations held by SMEs for the coming quarter and the year ahead were the strongest seen for many years.

Support for the Federal Government fell but remained strongly net positive overall on the back of strong support from SMEs for its workplace relations changes. The Federal Government was the most supported government in Australia. For the first time the Victorian 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* included in the executive summary are:

1. historical trends and highlights of recent trends for SMEs generally
2. small versus medium business trends
3. metropolitan versus regional business trends
4. industry sector comparisons
5. business cycle analysis based on the findings from this Sensis® *Business Index*.

## Historical trends and overall SME highlights

- Business confidence among SMEs was unchanged at strong levels during the past quarter.
- Perceptions of the current state of the Australian economy softened considerably, with more SMEs on balance now feeling that the economy would be worse a year from now.
- Most performance indicators improved in the last quarter, with only employment falling marginally.
- In the short term, SMEs are expecting increases in sales, employment, wages, prices, and profitability.
- Expectations for key business indicators for the year ahead rose strongly, with the only indicator to record a fall being capital expenditure, which fell marginally.
- Problems finding and keeping staff were the primary concern of SMEs this quarter. This was followed by concerns about a lack of work or sales, paperwork and bureaucracy and competition.
- Almost four in ten (39 per cent) of SMEs reported currently facing no problems in their business – the highest proportion in the history of the Sensis® *Business Index*.
- Sales performance was at its highest level since May 2004, with increased expectations for the coming quarter and year.
- Profitability performance was unchanged, with expectations for the coming quarter the highest since November 2003.
- Employment was the only indicator to record a very marginal fall during the quarter.
- The proportion of SMEs that increased capital expenditure rose during the last quarter, being net positive for the first time in two years.
- Support for the Federal Government's policies fell but remained strongly net positive on the back of SME support for their workplace relations policy. The Federal Government was the most supported of any government in Australia by SMEs.
- The Victorian Government was the most supported state government in Australia. The New South Wales Government recorded the lowest level of support for a state or territory government for the 14th successive quarter.

## 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; with the gap remaining at five percentage points.
- Medium businesses were again more positive about the current state of the Australian economy than small businesses, with both small and medium businesses being less likely to report that the economy was growing than they had been last quarter.
- 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 sixth successive quarter, with a decrease in business, the drought and water restrictions being cited as the overwhelming reasons for lower confidence.
- Metropolitan businesses were slightly more positive, on balance, about the current state of the Australian economy than regional businesses.
- Metropolitan businesses reported higher performance than regional businesses in sales, employment, wages and profitability for the past quarter.
- Regional businesses reported higher results than metropolitan businesses in prices charged and capital expenditure.
- Metropolitan businesses reported higher expectations for the coming quarter than regional businesses for employment and capital expenditure, with regional businesses expecting better results for sales, prices and profitability.
- Metropolitan businesses recorded higher support for the Federal Government's policies than their regional counterparts.

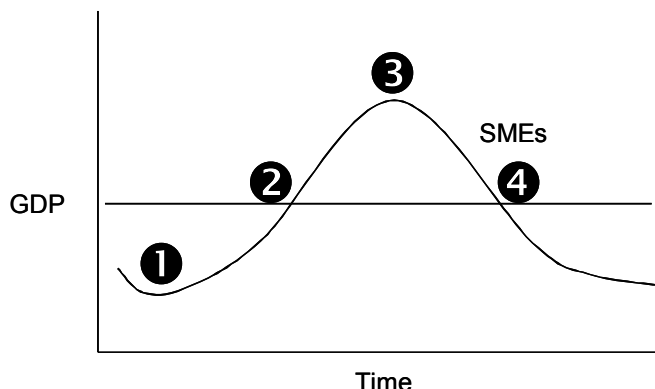
## Industry sector trends

Several trends emerged throughout the industry sectors, including:

- Confidence was highest in the finance and insurance sector.
- The retail trade sector recorded the lowest confidence levels of any sector.
- The transport and storage sector recorded the strongest performance in sales and price increases over the past quarter.
- Strong performance was also recorded by SMEs in the health and community services sector in the past quarter, with that sector reporting the highest results in capital expenditure and wages.
- The communications, property and businesses services sector recorded the highest result in profitability in the past quarter.
- Employment was strongest in the recreational, cultural and personal services sector, with that sector recording the greatest net proportion of SMEs that increased their employment in the past quarter.
- Looking ahead, the transport and storage sector was expecting to build on its strong performance from this quarter, with the highest expectations for the coming quarter for employment, wages, profitability and capital expenditure.
- Expectations in the finance and insurance sector were weak, recording the lowest expectations for sales, employment, wages, prices and profitability in the coming quarter.
- The finance and insurance sector was the most supportive of the Federal Government's policies, with the retail trade sector being the least supportive.

## SME business cycle analysis

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

Analysis of the key indicators from the August 2007 Sensis® Business Index suggests a strong economic environment, with most indicators pointing to peak economic conditions. In addition to strong performance, expectations for key business indicators are at very high levels. The only indicator that is showing some signs of weakening is SMEs views of the economy, with many SMEs, despite strong performance and expectations, feeling that the economy is going to be worse a year from now. This seemingly contradictory result, is likely to relate more to concerns about current international economic events and uncertainty in the lead-up to the federal election than any actual softening in the economic environment for most 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 August 2007 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 stable business confidence during the quarter. This result follows three quarters of solid growth in business confidence, with business confidence now 14 percentage points higher than at the same time last year. Good demand and a belief that current conditions would not change were the key reasons for strong confidence this quarter; however decreasing business in some areas, rising interest rates, increased competition and concerns about a possible change of government were causing some business operators concern.

### Last quarter (May to July 2007)

SMEs recorded unchanged business confidence with a net balance result of 59 per cent. This comprised 71 per cent of businesses that were confident about their business prospects for the year ahead and 12 per cent that were concerned. Whilst overall the net balance results and the proportion of SMEs that were confident and worried were all unchanged, analysis of the fine-level results shows that there was a slight upward movement in confidence.

Despite the unchanged result for net confidence, there was a small rise in the proportion of SMEs that were feeling extremely confident, which was up two percentage points at 17 per cent. This is the highest level of extreme confidence since August 1994, when it was at 18 per cent. In addition, the level of net confidence, at 59 per cent, is now 14 percentage points higher than at the same time last year, when net confidence was at 45 per cent.

The main reasons businesses gave for feeling confident were that they had plenty of work coming up, they were expecting the current conditions to continue and felt established and experienced in their business operations. However, the main reason businesses gave for feeling worried about their prospects related to declines in demand in their areas or sectors, as well as rising interest rates, increased competition and concerns over a possible change of government at the federal level.

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.

These latest results show that while businesses are still feeling confident about their business, their views on the economy are weaker with confidence impacted negatively by falling demand in some areas, concern over interest rates and uncertainty in the lead-up to the Federal election.

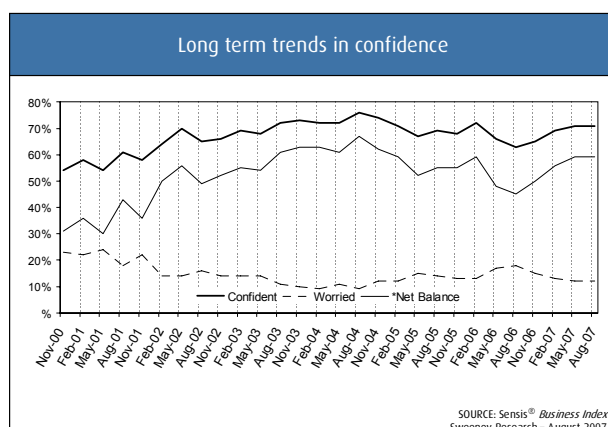
Overall confidence August 2007			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	17%	17%	17%
Fairly confident	54%	59%	54%
Neutral	18%	12%	18%
Fairly worried	10%	10%	10%
Extremely worried	2%	2%	2%
Total confident	71%	76%	71%
Total worried	12%	12%	12%
<b>*Net Balance</b>	<b>+59%</b>	<b>+64%</b>	<b>+59%</b>

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

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

Confidence trends - past five quarters					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
Extremely confident	12%	16%	16%	15%	17%
Fairly confident	51%	49%	53%	56%	54%
Neutral	18%	20%	18%	17%	18%
Fairly worried	16%	12%	10%	9%	10%
Extremely worried	2%	3%	3%	3%	2%
Total confident	63%	65%	69%	71%	71%
Total worried	18%	15%	13%	12%	12%
<b>*Net Balance</b>	<b>+45%</b>	<b>+50%</b>	<b>+56%</b>	<b>+59%</b>	<b>+59%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007



\* 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

Continuing the trend of the last year, the highest levels of business confidence in the past quarter were again recorded in Western Australia. The lowest level of business confidence was recorded in South Australia. Regional businesses reported lower confidence levels than their metropolitan counterparts for the sixth successive quarter. Confidence was highest among SMEs in the finance and insurance sector, with confidence lowest among SMEs in the retail trade sector.

### Last quarter (May to July 2007)

With overall confidence unchanged in the past quarter, the latest quarter's results saw improvements in confidence in New South Wales, Queensland and the Northern Territory, with falls recorded in Victoria, South Australia, Tasmania and the Australian Capital Territory. There was no change in net confidence in Western Australia, which again recorded the highest confidence of any state or territory. The lowest level of confidence was recorded in South Australia, where confidence was eight percentage points below average. The Northern Territory recorded the largest improvement in confidence, with the largest fall recorded in Tasmania.

The finance and insurance sector recorded the highest confidence at a net 84 per cent, an improvement of nine percentage points in the past quarter. The lowest confidence level was recorded in the retail trade sector, with a net balance of 32 per cent. For the retail trade sector this was a fall of 18 percentage points in the past quarter, the largest fall recorded by any sector. The largest improvement in net confidence was recorded in the health and community services sector, where confidence rose by 18 percentage points.

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 exceptions being Western Australia and the Northern Territory where regional confidence was higher.

The highest overall confidence by region was recorded amongst SMEs in metropolitan Queensland, with the lowest confidence being recorded in regional Victoria. The largest improvement was among those SMEs in regional areas of Western Australia. The largest declines in business confidence were recorded among SMEs in metropolitan areas of Tasmania.

Trends by state *net balance					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>National</b>	<b>45%</b>	<b>50%</b>	<b>56%</b>	<b>59%</b>	<b>59%</b>
New South Wales	28%	44%	47%	53%	56%
Victoria	42%	48%	53%	58%	54%
Queensland	64%	55%	67%	64%	67%
South Australia	47%	47%	60%	57%	51%
Western Australia	65%	73%	75%	72%	72%
Tasmania	48%	53%	70%	69%	60%
Northern Territory	59%	58%	68%	63%	67%
Australian Capital Territory	39%	55%	61%	57%	55%

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

Metro and regional confidence *net balance			
	Metro	Regional	Total
<b>National</b>	<b>62%</b>	<b>55%</b>	<b>59%</b>
New South Wales	59%	54%	56%
Victoria	57%	42%	54%
Queensland	76%	60%	67%
South Australia	52%	50%	51%
Western Australia	71%	74%	72%
Tasmania	49%	69%	60%
Northern Territory	71%	63%	67%
Australian Capital Territory	55%	N/A	55%

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

Confidence by business size			
	Confident	Worried	*Net Balance
<b>Total</b>	<b>71%</b>	<b>12%</b>	<b>59%</b>
1-2 Employees	72%	10%	62%
3-4 Employees	67%	13%	54%
5-9 Employees	76%	13%	63%
10-19 Employees	62%	17%	45%
<b>Total Small Business</b>	<b>71%</b>	<b>12%</b>	<b>59%</b>
20-99 Employees	74%	13%	61%
100-199 Employees	89%	6%	83%
<b>Total Medium Business</b>	<b>76%</b>	<b>12%</b>	<b>64%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	66%	14%	52%
Building/Construction	81%	7%	74%
Wholesale Trade	67%	17%	50%
Retail Trade	55%	23%	32%
Transport/Storage	76%	9%	67%
Communication Property & Business Services	73%	8%	65%
Finance and Insurance	61%	1%	60%
Health and Community Services	88%	4%	84%
Cultural, Recreational and Personal	78%	8%	70%
Accommodation, Cafes and Restaurants	62%	16%	46%

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

\* 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

Net perceptions of the Australian economy softened significantly among SMEs, falling from their highest level in three and a half years which was recorded last quarter. In addition, future economic expectations also fell from the previous quarter's result.

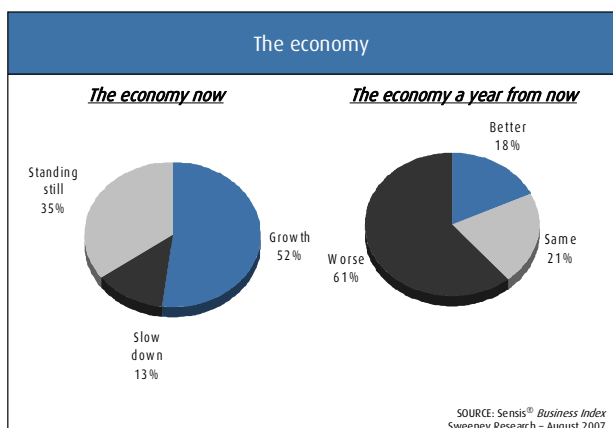
### Last quarter (May to July 2007)

There was a significant softening in the proportion of SMEs that felt the economy was currently growing, falling by seven percentage points in the past quarter. Coupled with this was an increase of five percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in a significant decline in the overall perception of the current state of the economy, with a net balance of positive 39 per cent of businesses believing the Australian economy is currently in a growth phase. This was a decrease of 12 percentage points from last quarter. However, it should be kept in mind that this latest fall is off the highest levels in three and a half years, and did not completely reverse the 19 percentage point improvement recorded last quarter.

With strong economic conditions continuing in resource and commodity producing regions, SMEs in Western Australia and the Northern Territory recorded the strongest perception of the current state of the Australian economy. A net balance of 62 per cent reported a current growth phase, however this was still a decrease in both Western Australia and the Northern Territory (16 per cent and six per cent falls respectively). The weakest perceptions were recorded among SMEs in New South Wales (net balance of 26 per cent, down from 39 per cent last quarter).

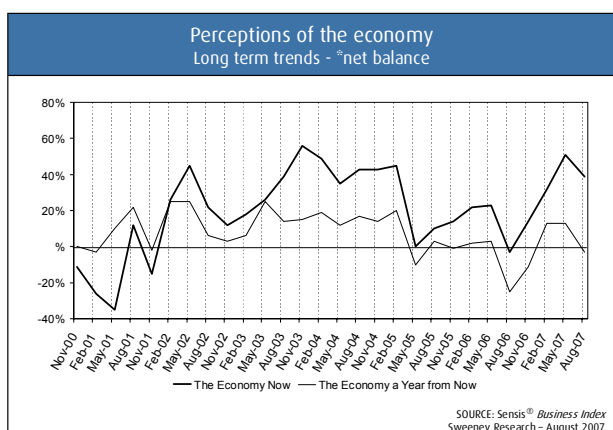
This quarter the only state to record improving views of the economy was Victoria, with all other states and territories recording declines from last quarter. The largest fall in perceptions was recorded in Tasmania.

Expectations of the economy for the year ahead were also down from the previous quarter, with a net three per cent of SMEs believing the economy would be worse in a year's time. The Northern Territory was the only state or territory where SMEs believed that the economy would be stronger a year from now.



Perceptions of the economy - trends					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>The economy now</b>					
Growth	30%	39%	48%	59%	52%
Slowing	33%	25%	16%	8%	13%
<b>*Net Balance</b>	<b>-3%</b>	<b>+14%</b>	<b>+32%</b>	<b>+51%</b>	<b>+39%</b>
<b>The economy a year from now</b>					
Better	11%	18%	27%	26%	18%
Worse	36%	29%	14%	13%	21%
<b>*Net Balance</b>	<b>-25%</b>	<b>-11%</b>	<b>+13%</b>	<b>+13%</b>	<b>-3%</b>

SOURCE: Sensis® Business Index Sweeney Research – August 2007



Perceptions of the economy by state								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>The economy now</b>								
Growth	40%	58%	56%	49%	74%	48%	69%	57%
Slowing	14%	9%	15%	13%	12%	18%	7%	18%
<b>*Net Balance</b>	<b>+26%</b>	<b>+49%</b>	<b>+41%</b>	<b>+36%</b>	<b>+62%</b>	<b>+30%</b>	<b>+62%</b>	<b>+39%</b>
<b>The economy a year from now</b>								
Better	16%	16%	20%	20%	22%	16%	27%	23%
Worse	17%	24%	22%	20%	26%	19%	18%	29%
<b>*Net Balance</b>	<b>-1%</b>	<b>-8%</b>	<b>-2%</b>	<b>0%</b>	<b>-4%</b>	<b>-3%</b>	<b>+9%</b>	<b>-6%</b>

SOURCE: Sensis® Business Index Sweeney Research – August 2007

\* 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

Despite SMEs feeling that the economy was, on balance, likely to be weaker a year from now, most were expecting their businesses to be performing well, with rises across almost all indicators, with the exception of a marginal easing in the capital expenditure index.

### Next 12 months (August 2007 to July 2008)

Sales expectations rose strongly during the quarter from 52 per cent to 59 per cent, the highest result since November 2005. This result was made up of 67 per cent of businesses that thought sales would rise in the next year, while eight per cent expected a fall. In line with their strong expectations for the economy, SMEs in the Northern Territory recorded the strongest net sales expectations by state for the year ahead, with a net balance result of 64 per cent. Western Australia and Queensland were just behind at 63 per cent and 62 per cent respectively. The wholesale trade sector recorded the strongest industry result with a net balance of 71 per cent. At the other end of the spectrum was the finance and insurance sector with a net balance result of 25 per cent.

Employment expectations for the year ahead registered a rise with a net balance of 23 per cent, reversing the previous quarter's fall. At a state level the Australian Capital Territory and Victoria recorded equal highest results with a net balance of 25 per cent each. Across the nation, metropolitan businesses recorded stronger employment expectations for the next twelve months compared to regional businesses (24 per cent in metropolitan areas compared to 18 per cent regionally). At an industry level the wholesale trade sector recorded the strongest results at 31 per cent. The worst performing sectors in terms of employment expectations for the year ahead were the retail and finance and insurance sectors with a net balance of 12 per cent each.

The total wages and salary costs expectations for the year ahead experienced an increase of four percentage points during the quarter, with a net balance of 42 per cent of businesses expecting an increase. The strongest state employment expectations for the year ahead were recorded in Western Australia (52 per cent). The health and community services sector was the industry expecting the greatest increase in wages over the next year (55 per cent).

Selling price expectations for the year ahead rose to a net balance result of 56 per cent, up from 54 per cent. At the state level Western Australia recorded the strongest selling price expectations for the year ahead with a net balance result of 67 per cent. At an industry level the strongest price expectations for the year ahead came from the accommodation, café and restaurant sector at 80 per cent. The lowest price expectations for the year ahead were recorded in the finance and insurance sector at 26 per cent.

In line with sales trends for year ahead, profitability expectations also rose by seven percentage points to their highest level since November 2005. The Northern Territory recorded the strongest profit expectations for the year ahead with a net balance result of 66 per cent. The lowest expectations were in Tasmania with a net balance result of 45 per cent. At an industry level the accommodation, café and restaurant sector recorded the strongest annual profit expectations with a net balance result of 66 per cent.

Capital expenditure was the only indicator to record a decline in expectations for the year ahead, falling marginally from 17 per cent to 16 per cent. The strongest capital expenditure expectations for the next twelve months were recorded in Queensland (24 per cent) and in the transport and storage sector (33 per cent).

Expectations on key indicators over the next 12 months August 2007			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	67%	8%	<b>+59%</b>
Size of workforce	26%	3%	<b>+23%</b>
Wages bill	47%	5%	<b>+42%</b>
Prices charged	58%	2%	<b>+56%</b>
Profitability	62%	9%	<b>+53%</b>
Capital expenditure	37%	21%	<b>+16%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

Expectations on key indicators Trends in *net balance					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
Value of sales	48%	55%	56%	52%	59%
Size of workforce	19%	23%	23%	20%	23%
Wages bill	35%	42%	41%	38%	42%
Prices charged	56%	57%	56%	54%	56%
Profitability	37%	46%	47%	46%	53%
Capital expenditure	6%	20%	19%	17%	16%

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

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

## Concerns

### Key findings

Unchanged in magnitude during the past quarter, difficulties finding and keeping staff remained the most pressing concern faced by SMEs. This was followed by a lack of work or sales as the second most significant problem, with paperwork and bureaucracy and competition equal third.

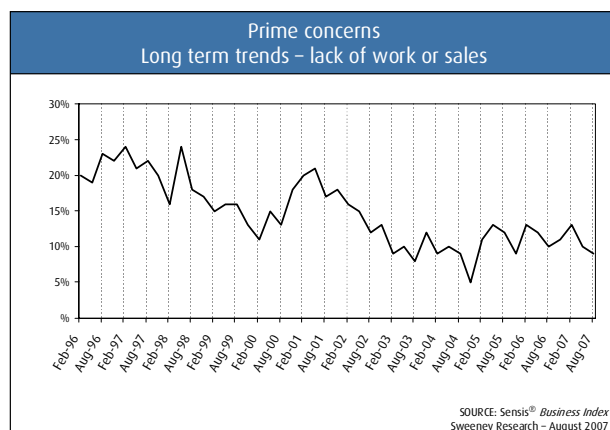
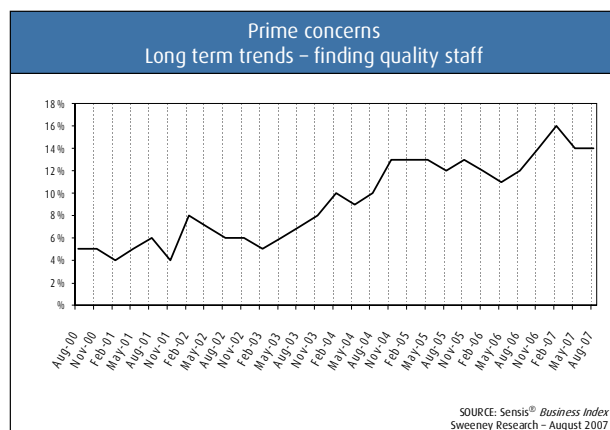
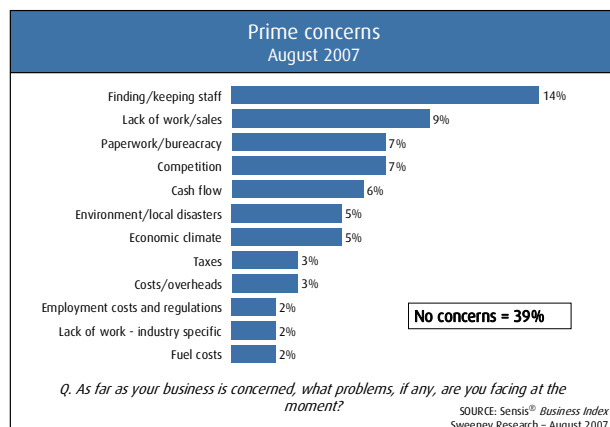
### Last quarter (May to July 2007)

The proportion of SMEs reporting difficulties finding and keeping staff was unchanged in the past quarter at 14 per cent, remaining the top concern facing SMEs in Australia. Reports of difficulties finding and keeping staff were highest in the Northern Territory, where this problem was being reported by 26 per cent of SMEs, and lowest in South Australia, where nine per cent reported difficulties in this area. SMEs in the manufacturing sector were most likely to report difficulties finding and keeping staff.

A lack of work or sales was the next most significant problem cited by SMEs in the past quarter. Overall, nine per cent of SMEs nominated a lack of work or sales as an issue, having fallen by one percentage point in the past quarter. Concern over a lack of work or sales was again highest in New South Wales where 12 per cent of SMEs reported concerns, down one percentage point from last quarter. The retail trade sector reported the highest level of concern over a lack of work or sales, with 14 per cent of SMEs in that sector reporting concern over this issue.

Problems with paperwork and bureaucracy and competition were the third most strongly reported issues in the latest quarter, with the proportion of SMEs reporting concerns with paperwork and bureaucracy falling by two percentage points to seven per cent, and the proportion reporting problems with competition unchanged. Problems with paperwork and bureaucracy were felt most in the Northern Territory, where 11 per cent of SMEs reported difficulties, and in the building and construction sector (11 per cent). Problems with competition were most likely to be reported in New South Wales (eight per cent) and in the wholesale and retail trade sectors (nine per cent each).

Other key problems faced by businesses this quarter were cash flow, concerns over the economic climate and environmental or local disasters, which were reported most by SMEs in Victoria. Overall, 11 per cent of SMEs in regional Australia reported currently facing problems in their business due to environmental problems, compared to one per cent of SMEs in metropolitan areas. Some 39 per cent of SMEs reported currently facing no problems in their business, up by seven percentage points in the past quarter, and the highest level of SMEs to report no problems in the history of the Sensis® Business Index.



## Sales

### Key findings

There was continued improvement in the proportion of SMEs, on balance, that reported increased sales over the past quarter, bringing this indicator to its highest level in over three years. There were also rises in the proportion of SMEs that were expecting improvement in their sales levels in both the short and medium terms.

### Last quarter (May to July 2007)

Sales performance recorded a higher net balance of 19 per cent for the quarter, up by two percentage points from last quarter and up five percentage points in the last six months. This quarter's sales performance by SMEs is the highest result in over three years since May 2004.

Sales performance again varied dramatically across the states and territories. The Northern Territory recorded the strongest performance, where a net 43 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 negative one per cent of SMEs reported increasing sales, that is, one per cent more SMEs reported a fall in sales for the quarter than an increase.

The strongest sales performance was recorded in the transport and storage sector, with a net balance of 40 per cent of SMEs having reported increasing sales. The accommodation cafes and restaurant sector recorded the weakest industry performance, at net negative 10 per cent.

Value of sales					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>Last Quarter</b>					
Experienced increase	35%	41%	39%	43%	43%
No change	30%	32%	35%	31%	32%
Experienced decrease	35%	26%	25%	26%	24%
<b>*Net Balance</b>	<b>0%</b>	<b>+15%</b>	<b>+14%</b>	<b>+17%</b>	<b>+19%</b>
<b>Current Quarter</b>					
Expect increase	45%	46%	49%	45%	49%
No change	40%	39%	37%	42%	41%
Expect decrease	14%	14%	14%	13%	9%
<b>*Net Balance</b>	<b>+31%</b>	<b>+32%</b>	<b>+35%</b>	<b>+32%</b>	<b>+40%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

### Current quarter (August to October 2007)

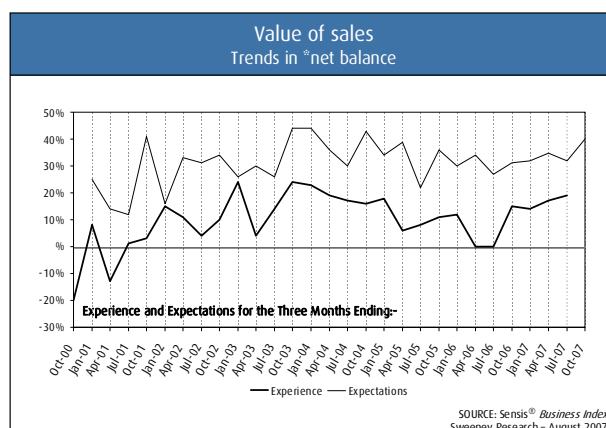
SMEs were expecting a further increase in sales in the short term. Sales expectations for the current quarter recorded a strong increase of eight percentage points from the previous quarter to net 40 per cent, the highest result since August 2004.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in Queensland at net 46 per cent. The weakest sales expectations for the coming quarter were recorded in New South Wales and the Northern Territory at a net 36 per cent each.

There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the manufacturing sector (net balance of 50 per cent). The finance and insurance sector recorded the lowest level of expectations (net three per cent).

### Next 12 months (August 2007 to July 2008)

Twelve-month sales expectations rose strongly from a net 52 per cent to 59 per cent, the highest result since November 2005. The result comprised 67 per cent of businesses that believed sales would increase in the year ahead and eight per cent that thought they would fall. Sales expectations for the year ahead were highest in the Northern Territory at net 64 per cent.



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

## Employment

### Key findings

Employment was the only performance indicator to decline during the past quarter, with the decline being only marginal. This was reflected in the net balance result of four per cent of businesses that experienced a rise in employment trends during the quarter down from five per cent last quarter. However, SMEs were expecting solid increases in employment in both the coming quarter and the year ahead.

### Last quarter (May to July 2007)

The proportion of SMEs that reported increased employment during the past quarter fell marginally, with 14 per cent of SMEs reporting a rise in employment during the past quarter. While this was offset by the 10 per cent of businesses that experienced employment declines, the net balance of positive four per cent was one percentage point lower than last quarter's result, but still at an historically high level.

Notable regional variation was once again seen across Australia. At a state level the best performing regions was Western Australia at 12 per cent. At the other end of the scale, Tasmania recorded a net balance result of zero. At an industry level the cultural, recreational and personal services sector recorded the strongest result at 14 per cent while the building and construction and retail sectors recorded the lowest results at negative one per cent each.

A lack of work or sales remained the main barrier to taking on new employees, reported by 27 per cent of SMEs that believed barriers existed, down one percentage point.

### Current quarter (August to October 2007)

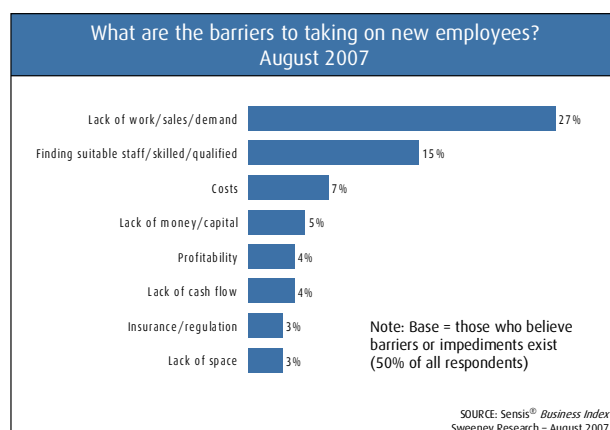
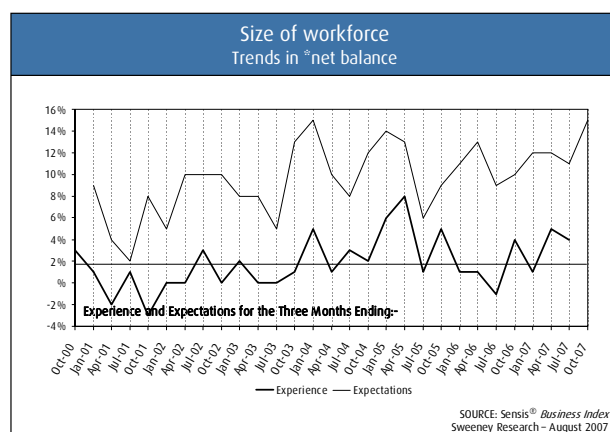
Employment expectations for the current quarter rose to a net balance of 15 per cent, the highest result since November 2003. The Australian Capital Territory recorded the strongest short-term employment expectations at a net balance of 19 per cent. At the other end of the spectrum was South Australia with a net balance result of eight per cent. On an industry basis, the strongest expectations were in the transport and storage sector (31 per cent).

### Next 12 months (August to October 2008)

Employment expectations for the year ahead also rose to a net balance result of 23 per cent. This was a rise of three percentage points in the past quarter. The strongest expectations for the year ahead were recorded in Victoria and the Australian Capital Territory (net 25 per cent each), with the weakest in South Australia (15 per cent).

Size of workforce					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>Last Quarter</b>					
Experienced increase	13%	16%	13%	15%	14%
No change	73%	72%	75%	75%	76%
Experienced decrease	14%	12%	12%	10%	10%
<b>*Net Balance</b>	<b>-1%</b>	<b>+4%</b>	<b>+1%</b>	<b>+5%</b>	<b>+4%</b>
<b>Current Quarter</b>					
Expect increase	13%	15%	15%	13%	17%
No change	81%	80%	82%	85%	81%
Expect decrease	3%	3%	3%	2%	2%
<b>*Net Balance</b>	<b>+10%</b>	<b>+12%</b>	<b>+12%</b>	<b>+11%</b>	<b>+15%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007



\* 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

Despite a marginal fall in the proportion of SMEs reporting employment growth, the proportion reporting an increase in total wage costs increased during the last quarter, with increased proportions of SMEs expecting further increases in their wages bills for both the short and medium terms.

### Last quarter (May to July 2007)

The most recent quarter saw an increase in the proportion of SMEs reporting increased wage costs, with the performance result up three percentage points to a net 15 per cent, reversing last quarter's fall.

During the quarter, 26 per cent of SMEs experienced a rise in total wage costs, while 11 per cent recorded a decline. SMEs in Western Australia recorded the highest increases in total wage costs (net 31 per cent), while the lowest wage pressures were in Tasmania (net nine per cent). The strongest rise in total wage costs was recorded in the health and community services sector (net 27 per cent).

### Current quarter (August to October 2007)

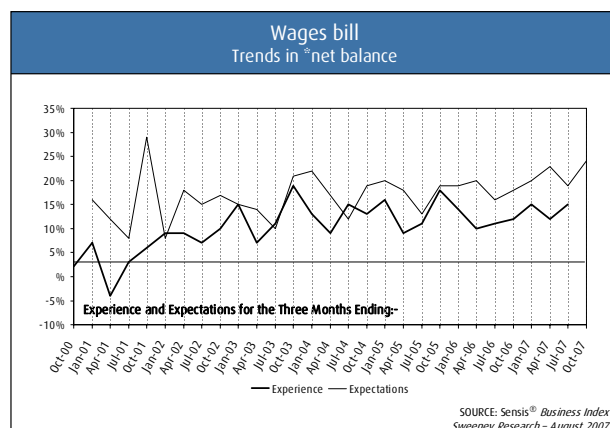
SMEs were expecting further increases in wages in the short term, with expectations for total wage costs rising strongly to a net 24 per cent for the current quarter from 19 per cent last quarter. This is the highest short-term wage expectations recorded in the history of the Sensis® Business Index. The highest wage expectations were in Western Australia, with a net balance of 30 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 an increase in their wages bill in the current quarter (net 17 per cent).

### Next 12 months (August 2007 to July 2008)

Expectations for total wage and salary costs for the coming year also 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 four percentage points. The SMEs most likely to be expecting increases to their wages bills were in Western Australia at a net 52 per cent. SMEs in New South Wales were least likely to expect an increase in their total wages bill in the coming year (net 36 per cent).

Wages bill					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>Last Quarter</b>					
Experienced increase	26%	26%	27%	25%	26%
No change	55%	55%	57%	62%	57%
Experienced decrease	15%	14%	12%	13%	11%
<b>*Net Balance</b>	<b>+11%</b>	<b>+12%</b>	<b>+15%</b>	<b>+12%</b>	<b>+15%</b>
<b>Current Quarter</b>					
Expect increase	26%	27%	29%	25%	29%
No change	61%	63%	61%	69%	62%
Expect decrease	8%	7%	6%	6%	5%
<b>*Net Balance</b>	<b>+18%</b>	<b>+20%</b>	<b>+23%</b>	<b>+19%</b>	<b>+24%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007



\* 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, more SMEs were expecting to increase their prices in both the short and medium terms, leading to concern, when read in conjunction with the wages results, of possible inflationary concerns over the coming year.

### Last quarter (May to July 2007)

The proportion of businesses that increased prices rose by four percentage points during the quarter, to a net balance result of 22 per cent. This result follows three successive quarters of falls in the net proportion of SMEs reporting having increased their prices, but is still three percentage points lower than at the same time last year.

Of all states and territories, the strongest price trends were recorded in Western Australia, with a net balance of 30 per cent. The lowest results were recorded in Victoria, with a net balance of 18 per cent. The strongest price rises were recorded in the transport and storage sector, with a net balance result of 29 per cent. The weakest outcome was recorded in the finance and insurance sector, with a net balance result of nine per cent.

### Current quarter (August to October 2007)

SME expectations for price rises in the short term increased during the quarter to a net balance result of 29 per cent, a rise of four percentage points since the last quarter, reversing last quarter's fall in expectations. Victoria recorded the strongest price rise expectations, with a net balance result of 35 per cent, while the Australian Capital Territory recorded the weakest price rise expectations, with a net balance of 22 per cent.

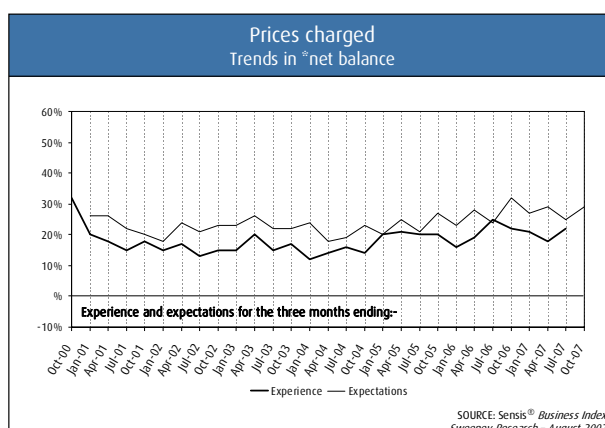
### Next 12 months (August 2007 to July 2008)

At a net balance of 56 per cent, expectations for price rises in the coming year increased further during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in Western Australia at net 67 per cent, and weakest among those in Tasmania at net 48 per cent.

The strongest price rise expectations for the year ahead were recorded in the accommodation, café and restaurant sector, with a net balance result of 80 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (net 26 per cent).

Prices charged					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>Last Quarter</b>					
Experienced increase	29%	26%	25%	21%	24%
No change	67%	70%	71%	76%	74%
Experienced decrease	4%	4%	4%	3%	2%
<b>*Net Balance</b>	<b>+25%</b>	<b>+22%</b>	<b>+21%</b>	<b>+18%</b>	<b>+22%</b>
<b>Current Quarter</b>					
Expect increase	34%	29%	31%	27%	30%
No change	64%	68%	67%	71%	69%
Expect decrease	2%	2%	2%	2%	1%
<b>*Net Balance</b>	<b>+32%</b>	<b>+27%</b>	<b>+29%</b>	<b>+25%</b>	<b>+29%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007



\* 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 rose for the second consecutive quarter, becoming net positive for the first time in two years. However, SMEs were expecting their capital expenditure to fall for the short term and the year ahead, which is in keeping with the standard seasonal patterns for this indicator.

### Last quarter (May to July 2007)

SME performance in capital expenditure recorded a net positive two per cent result; the first net positive result in two years. This result represented a strong increase of four percentage points, with capital expenditure now at its highest point since August 2005. Capital expenditure for SMEs has a strong seasonal pattern, with the August results generally being the highest each year, reflecting spending by SMEs at the end of financial year.

Capital expenditure growth was strongest in Queensland and the Australian Capital Territory, with a net balance result of positive five per cent of SMEs that increased their capital expenditure. Net positive results were also recorded in Western Australia and Victoria. The weakest result was in the Northern Territory, which recorded a net balance of negative six per cent.

There was also variation between industry sectors. While the health and community services sector recorded the strongest capital expenditure performance (12 per cent), at the other end of the investment scale was the wholesale trade sectors (negative 18 per cent).

### Current quarter (August to October 2007)

The net result for capital expenditure expectations fell for the coming quarter, with a net balance result of negative one per cent. The highest expectations were recorded in Tasmania at a net positive nine per cent. The weakest result was recorded in the Northern Territory with a net balance of negative 11 per cent.

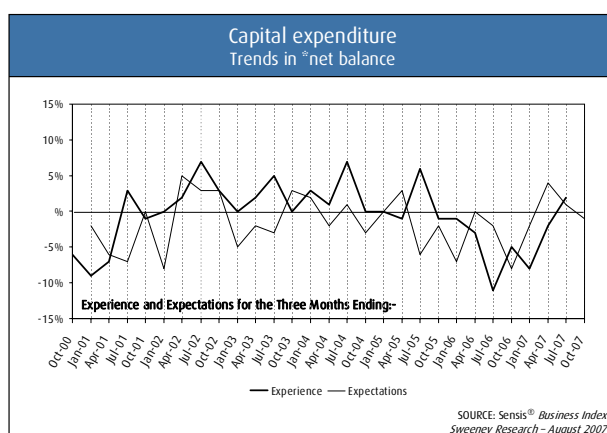
SMEs in the transport and storage and accommodation, café and restaurant sectors recorded the strongest expectations (eight per cent each), while the retail trade sector recorded the weakest result at a net negative 11 per cent.

### Next 12 months (August 2007 to July 2008)

Capital expenditure expectations for the year ahead fell further during the quarter, with a net 16 per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down from a net 17 per cent last quarter. The strongest capital expenditure expectation by state or territory was recorded in Queensland (24 per cent).

Capital expenditure					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>Last Quarter</b>					
Experienced increase	20%	20%	21%	25%	26%
No change	45%	52%	47%	48%	48%
Experienced decrease	31%	25%	29%	27%	24%
<b>*Net Balance</b>	<b>-11%</b>	<b>-5%</b>	<b>-8%</b>	<b>-2%</b>	<b>+2%</b>
<b>Current Quarter</b>					
Expect increase	21%	24%	29%	26%	23%
No change	46%	48%	44%	49%	52%
Expect decrease	29%	26%	25%	25%	24%
<b>*Net Balance</b>	<b>-8%</b>	<b>-2%</b>	<b>+4%</b>	<b>+1%</b>	<b>-1%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007



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

## Profitability

### Key findings

Profitability remained strong during the past quarter, with no change in the net proportion of SMEs reporting increases. While profitability performance was stable during the quarter SMEs were expecting strong increases for both the coming quarter and the year ahead.

### Last quarter (May to July 2007)

Profitability performance recorded a net balance result of 12 per cent for the past quarter. This represented no change from the previous quarter's result, which was the highest profitability result recorded by SMEs since February 2005.

Across Australia the strongest profit experience occurred in the Northern Territory with a net balance result of 27 per cent. The weakest performance was recorded in Tasmania at negative three per cent. The strongest industry performance was recorded in the communications, property and business services sector with a net balance result of 29 per cent, with the weakest profitability performance recorded in the accommodation, café and restaurant sector (net negative six per cent). SMEs in metropolitan areas again experienced better profitability than regional SMEs.

### Current quarter (August to October 2007)

Profitability expectations for the current quarter recorded a strong rise to 36 per cent compared to the previous quarter's results of 27 per cent. This was the highest short-term profitability result recorded since November 2003. At a state level, the strongest expectations were recorded in Tasmania at 43 per cent. The weakest region was New South Wales with a net balance result of 32 per cent.

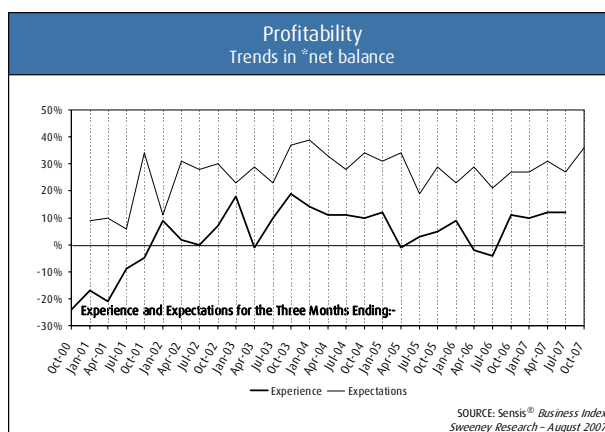
Across all industries, the transport and storage sector recorded the strongest short-term profit expectations with a net balance result of 52 per cent. The finance and insurance sector recorded the weakest short-term profit expectations with a net balance result of only five per cent.

### Next 12 months (August 2007 to July 2008)

Profitability expectations for the year ahead also increased strongly during the quarter, at a net balance result of 53 per cent up from 46 per cent last quarter. At a state level the strongest profit expectations were recorded in the Northern Territory with a net balance result of 66 per cent. The weakest results were recorded in Tasmania with a net balance result of 45 per cent. At an industry level the strongest result was recorded in the accommodation, café and restaurant sector (66 per cent), with the weakest result recorded in the finance and insurance sector (17 per cent).

Profitability					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>Last Quarter</b>					
Experienced increase	32%	38%	35%	39%	37%
No change	32%	34%	39%	34%	37%
Experienced decrease	36%	27%	25%	27%	25%
<b>*Net Balance</b>	<b>-4%</b>	<b>+11%</b>	<b>+10%</b>	<b>+12%</b>	<b>+12%</b>
<b>Current Quarter</b>					
Expect increase	41%	41%	45%	41%	47%
No change	44%	43%	40%	45%	42%
Expect decrease	14%	14%	14%	14%	11%
<b>*Net Balance</b>	<b>+27%</b>	<b>+27%</b>	<b>+31%</b>	<b>+27%</b>	<b>+36%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007



\* 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 this was balanced by the proportion of exporting SMEs reporting an increase in the value of their exports increasing strongly.

### Last quarter (May to July 2007)

Fourteen per cent of SMEs reported they had exported in the past quarter, down by one percentage point from the previous quarter's result. The decreased result was primarily due to falls in the proportion of SMEs exporting in the Northern Territory and Victoria, with small falls also recorded in Western Australia, the Australian Capital Territory and New South Wales. There were increases in the proportion of SMEs exporting in Queensland, South Australia, and Tasmania.

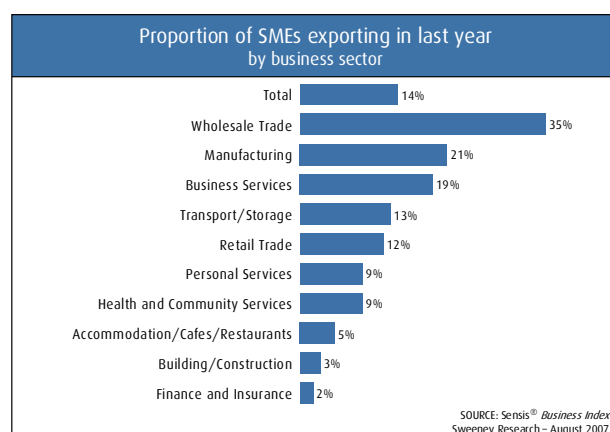
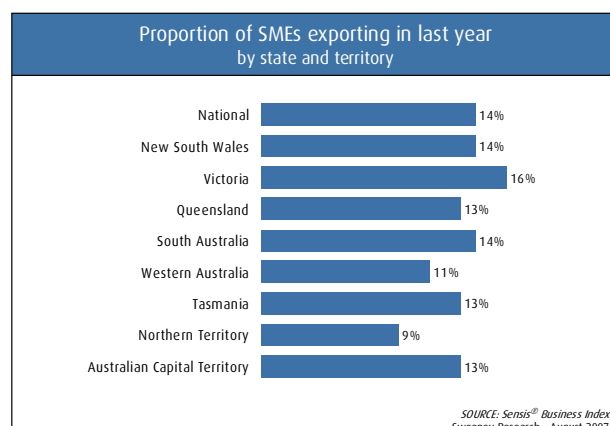
SMEs with significant growth plans were over twice as likely to export as those with no plans for growth (21 per cent compared to nine per cent). SMEs in metropolitan areas were more than twice as likely to export as their regional counterparts (18 per cent compared to seven per cent).

SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, however participation in that sector fell by two percentage points to 35 per cent. SMEs in the finance and insurance sector reported the lowest level of export activity in the past quarter.

There was also a further strong increase in the net proportion of exporting SMEs that reported an increase in the value of their exports. A net balance of 16 per cent reported an increase in the value of the goods and services exported in the past quarter, a further improvement from last quarter's net balance of 11 per cent.

Looking forward, SMEs were expecting even stronger results in the value of their exports. In the short term, there was a significant increase of 22 percentage points in the proportion of SMEs expecting growth in the value of their exports for the coming quarter. There was also an increase of nine percentage points in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

New Zealand was again the most favoured destination for SME exports in the past quarter, with 36 per cent of exporting SMEs exporting to New Zealand. Other strong results were seen for the United States, to which 28 per cent of exporting SMEs exported, and the United Kingdom, which came in third at 25 per cent.



Value of exports - trends

	Aug 06	Nov 06	Feb 07	May 07	Aug 07
<b>Last Quarter</b>					
Experienced increase	35%	23%	26%	31%	31%
No change	52%	62%	57%	49%	55%
Experienced decrease	13%	16%	18%	20%	15%
<b>*Net Balance</b>	<b>+22%</b>	<b>+7%</b>	<b>+8%</b>	<b>+11%</b>	<b>+16%</b>
<b>Current Quarter</b>					
Expect increase	29%	31%	35%	27%	39%
No change	61%	57%	52%	57%	54%
Expect decrease	10%	13%	13%	17%	7%
<b>*Net Balance</b>	<b>+19%</b>	<b>+18%</b>	<b>+22%</b>	<b>+10%</b>	<b>+32%</b>
<b>Next 12 months</b>					
Expect increase	50%	50%	50%	49%	52%
No change	43%	42%	40%	44%	45%
Expect decrease	8%	7%	10%	7%	3%
<b>*Net Balance</b>	<b>+34%</b>	<b>+42%</b>	<b>+43%</b>	<b>+40%</b>	<b>+49%</b>

Base: Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

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

## Assessment of Federal Government policies

### Key findings

Support among SMEs for the Federal Government recorded a fall during the quarter, however was still at a very high level. This result has now been net positive for 11 out of the last 12 quarters, with the Federal Government being the most supported government in Australia by SMEs.

### Last quarter (May to July 2007)

The net balance result of a positive 20 per cent approval rating represented a fall of five percentage points in the past quarter, however, this was off the back of the second strongest results recorded in the history of the Sensis® Business Index, with this latest quarter's result being the third highest. The Federal Government's result has now been net positive for 11 out of the last 12 quarters since the last Federal election. The result comprised 38 per cent of businesses that were supportive of the Federal Government's small business policies, compared to 18 per cent that felt their policies worked against small business.

The strongest support for the Federal Government's policies again occurred in the Northern Territory, where businesses recorded a positive 41 per cent net balance. The region most critical of the Federal Government's small business policies was New South Wales, where the net balance of SMEs that felt the Federal Government's policies supported small business was still a strong 13 per cent. All states and territories recorded a net positive result for SME support of the Federal Government.

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

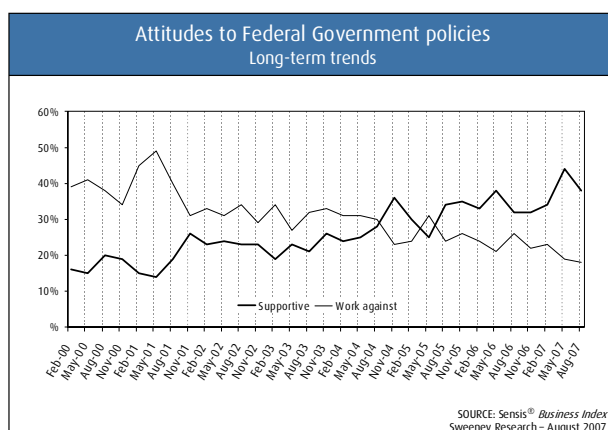
Once again, the Federal Government's industrial relations policies were by far the main reason SMEs gave for believing the Federal Government was trying to support small business. This view was particularly strong among SMEs in South Australia and the Northern Territory. Trying to help small businesses and being more interested in small businesses were the next most frequent responses, although at a much lower rates.

The key reasons SMEs believed the Federal Government's policies worked against them were: the belief the Federal Government was only concerned with big business; the amount of paperwork; and the amount of bureaucracy.

Attitudes to Federal Government policies past five quarters					
	Aug 06	Nov 06	Feb 07	May 07	Aug 07
Supportive	32%	32%	34%	44%	38%
Work against	26%	22%	23%	19%	18%
No impact	42%	46%	43%	37%	44%
<b>*Net Balance</b>	<b>+6%</b>	<b>+10%</b>	<b>+11%</b>	<b>+25%</b>	<b>+20%</b>

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

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007



\* 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

For the first time in the history of the Sensis® Business Index, the Victorian Government was the most popular state or territory government in Australia among SMEs in the past quarter. The New South Wales Government remained the least popular state or territory government among SMEs for the 14th successive quarter, despite a rise in support within the state.

### Last quarter (May to July 2007)

The Victorian Government recorded the highest approval rating from SMEs at net negative three per cent. This result was down seven percentage points from net positive four per cent last quarter. The Victorian Government's small business management training programme was the main reason given by SMEs for their support, followed by a feeling that the government had resources and support available if SMEs wanted them and a belief that the Victorian Government was more interested in small business.

The Western Australian and Australian Capital Territory Governments achieved the next highest ratings from SMEs, recording net positive seven per cent each. The main reasons SMEs gave for supporting the Western Australian Government was their small business management training schemes combined with a belief that the government was undertaking a lot of infrastructure development. The main reason that SMEs gave for supporting the Australian Capital Territory Government was overwhelmingly their small business management training programmes.

Increased levels of support were recorded for governments in New South Wales and Western Australia. All other state and territory governments saw declining levels of support in the past quarter.

Despite some improvement, the New South Wales Government remained the least supported government among SMEs. This was the 14th successive quarter that the New South Wales Government has recorded the lowest result of any state or territory government, now sitting at net negative 32 per cent. The key reasons SMEs gave for not supporting the New South Wales Government were that there was too much bureaucracy followed by too many taxes.

Attitudes to state or territory government policies August 2007								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	4%	20%	17%	20%	22%	16%	26%	24%
Work against	36%	23%	35%	31%	29%	41%	37%	31%
No impact	59%	57%	48%	50%	49%	43%	37%	45%
<b>*Net Balance</b>	<b>-32%</b>	<b>-3%</b>	<b>-18%</b>	<b>-11%</b>	<b>-7%</b>	<b>-25%</b>	<b>-11%</b>	<b>-7%</b>

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

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

Attitudes to state or territory government policies Trends in *net balance					
	Aug 2006	Nov 2006	Feb 2007	May 2007	Aug 2007
New South Wales	-46%	-24%	-34%	-40%	-32%
Victoria	-14%	-16%	-6%	+4%	-3%
Queensland	-4%	-6%	-6%	-7%	-18%
South Australia	-9%	-5%	-4%	-10%	-11%
Western Australia	-9%	-17%	-14%	-21%	-7%
Tasmania	-1%	+9%	-8%	-7%	-25%
Northern Territory	-3%	-12%	+1%	+8%	-11%
Australian Capital Territory	-17%	-15%	-12%	-4%	-7%

SOURCE: Sensis® Business Index  
Sweeney Research – August 2007

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

# Workplace Relations

## Workplace relations trends

The Sensis® Business Index has been examining the views of the SME community on the recent changes to the workplace relations system, comparing attitudes before and after the changes came into effect.

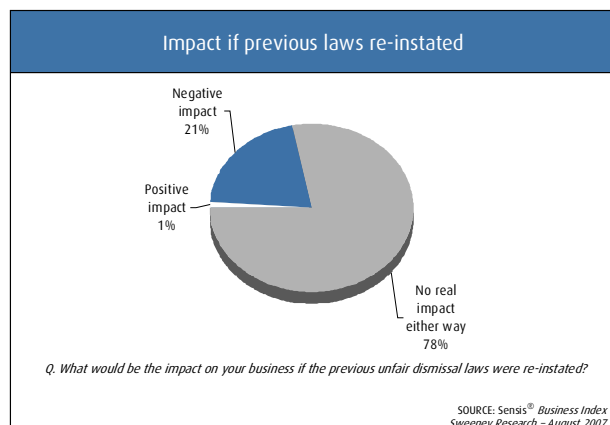
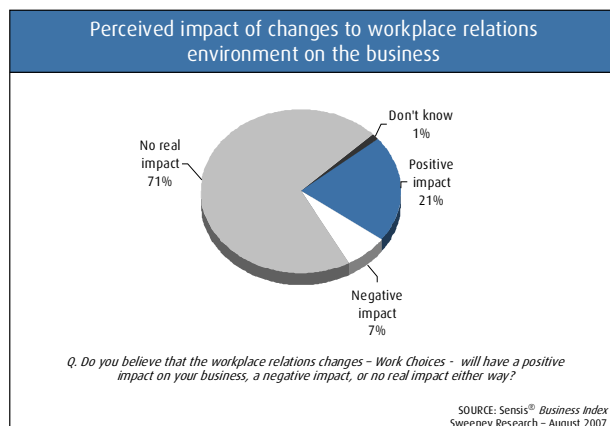
Over the past quarter, the proportion of SME owners who believed that the changes would have a positive impact decreased by one percentage point to net 21 per cent, with the proportion believing they would have a negative impact rising one percentage point to seven per cent.

Some 14 per cent of SMEs now report planning to make changes following the introduction of the new workplace relations laws, down from 17 per cent last quarter. Some 11 per cent report having already made changes, with the top changes made being introducing a new workplace agreement or AWAs, personal or individual contracts or hiring more staff.

Overall, some 96 per cent of SMEs reported never having a union request to enter their premises. For those SMEs that had had unions request to enter their premises, only two-thirds were given notice by the union, with half not showing a formal permit to enter. The main reasons given for entry were to hold discussions with potential members or to represent their members at the workplace. Of those that did enter, three-quarters kept to their stated purpose for the visit. Of the remainder, approximately half did not, and the other half of SME owners were unsure whether the union had kept to its stated purpose or not. In three-quarters of cases where union officials had entered there was no significant impact from the entry. Of the rest, approximately two-thirds reported a negative impact, either in terms of being disruptive to staff or alleged threats or intimidation to either the business owners or their employees.

Only 55 per cent of SME owners were aware of the new fairness test provisions to WorkChoices. Of those that were aware, just over nine in ten felt that they would have no impact either way, with five per cent feeling that they would have a positive impact, and only two per cent feeling that they would have a negative impact. Of those SMEs that had heard of the changes, only 38 per cent had provided their employees with a copy of the fact sheet.

When asked what the impact of changing the laws would be, some 78 per cent responded that it would have no real impact either way. Some 21 per cent felt that it would have a negative impact if the laws were to be reversed, with only one per cent feeling that that would have a positive impact, resulting in a net balance of 20 per cent feeling that the impact of reversing the laws would be net negative. SMEs in the manufacturing sector were most likely to report a negative impact from re-instating the previous unfair dismissal laws (34 per cent).



## Small and medium business outlook – national

- Business confidence was unchanged, remaining at high levels during the quarter.
- Perceptions of the current state of the economy softened significantly with future economic expectations also falling.
- Performance in sales, profitability, prices, wages and capital expenditure all rose.
- The only performance indicator that fell in the past quarter was employment, which recorded a very marginal fall.
- All expectations rose for both the short term and the year ahead, with the exception of capital expenditure which is in keeping with its annual seasonal cycle.
- Support for the Federal Government's policies fell to a net positive 20 per cent, remaining strongly net positive and the most supported government in Australia by SMEs.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %	AUG 2007 %
POSITIVE	63	65	69	71	71
NEGATIVE	18	15	13	12	12
<b>NET BALANCE</b>	<b>+45</b>	<b>+50</b>	<b>+56</b>	<b>+59</b>	<b>+59</b>

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 07 %
SALES VALUE:										
INCREASE	35	41	39	43	43	45	46	49	45	49
DECREASE	35	26	25	26	24	14	14	14	13	9
<b>NET BALANCE</b>	<b>0</b>	<b>+15</b>	<b>+14</b>	<b>+17</b>	<b>+19</b>	<b>+31</b>	<b>+32</b>	<b>+35</b>	<b>+32</b>	<b>+40</b>
SIZE OF WORKFORCE:										
INCREASE	13	16	13	15	14	13	15	15	13	17
DECREASE	14	12	12	10	10	3	3	3	2	2
<b>NET BALANCE</b>	<b>-1</b>	<b>+4</b>	<b>+1</b>	<b>+5</b>	<b>+4</b>	<b>+10</b>	<b>+12</b>	<b>+12</b>	<b>+11</b>	<b>+15</b>
WAGES BILL:										
INCREASE	26	26	27	25	26	26	27	29	25	29
DECREASE	15	14	12	13	11	8	7	6	6	5
<b>NET BALANCE</b>	<b>+11</b>	<b>+12</b>	<b>+15</b>	<b>+12</b>	<b>+15</b>	<b>+18</b>	<b>+20</b>	<b>+23</b>	<b>+19</b>	<b>+24</b>
PRICES:										
INCREASE	29	26	25	21	24	34	29	31	27	30
DECREASE	4	4	4	3	2	2	2	2	2	1
<b>NET BALANCE</b>	<b>+25</b>	<b>+22</b>	<b>+21</b>	<b>+18</b>	<b>+22</b>	<b>+32</b>	<b>+27</b>	<b>+29</b>	<b>+25</b>	<b>+29</b>
PROFITABILITY:										
INCREASE	32	38	35	39	37	41	41	45	41	47
DECREASE	36	27	25	27	25	14	14	14	14	11
<b>NET BALANCE</b>	<b>-4</b>	<b>+11</b>	<b>+10</b>	<b>+12</b>	<b>+12</b>	<b>+27</b>	<b>+27</b>	<b>+31</b>	<b>+27</b>	<b>+36</b>
CAPITAL EXPENDITURE:										
INCREASE	20	20	21	25	26	21	24	29	26	23
DECREASE	31	25	29	27	24	29	26	25	25	24
<b>NET BALANCE</b>	<b>-11</b>	<b>-5</b>	<b>-8</b>	<b>-2</b>	<b>+2</b>	<b>-8</b>	<b>-2</b>	<b>+4</b>	<b>+1</b>	<b>-1</b>

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

## Small and medium business outlook – New South Wales

- Business confidence improved further during the quarter, now only three percentage points below the national average.
- SMEs in New South Wales reported the lowest perceptions of the economy in the past quarter.
- New South Wales saw increases in performance in sales, wages, prices and profitability, with falls recorded for employment and capital expenditure.
- For the coming quarter, SMEs in New South Wales recorded the lowest expectations in sales and profitability.
- For the year ahead, SMEs in New South Wales recorded the lowest levels of expectations for wages.
- Support for the policies of the New South Wales Government rose however remained the lowest level for any state or territory government for the 14th successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %	AUG 2007 %
POSITIVE	54	59	63	67	68
NEGATIVE	26	15	16	14	12
<b>NET BALANCE</b>	<b>+28</b>	<b>+44</b>	<b>+47</b>	<b>+53</b>	<b>+56</b>

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 07 %
SALES VALUE: INCREASE	29	40	42	39	43	42	50	55	43	47
SALES VALUE: DECREASE	45	29	25	30	25	15	12	13	16	11
<b>NET BALANCE</b>	<b>-16</b>	<b>+11</b>	<b>+17</b>	<b>+9</b>	<b>+18</b>	<b>+27</b>	<b>+38</b>	<b>+42</b>	<b>+27</b>	<b>+36</b>
SIZE OF WORKFORCE: INCREASE	10	15	11	13	11	13	12	13	10	16
SIZE OF WORKFORCE: DECREASE	18	11	13	11	10	4	2	1	1	1
<b>NET BALANCE</b>	<b>-8</b>	<b>+4</b>	<b>-2</b>	<b>+2</b>	<b>+1</b>	<b>+9</b>	<b>+10</b>	<b>+12</b>	<b>+9</b>	<b>+15</b>
WAGES BILL: INCREASE	26	23	27	23	24	21	20	28	22	28
WAGES BILL: DECREASE	16	15	12	15	14	11	7	5	8	6
<b>NET BALANCE</b>	<b>+10</b>	<b>+8</b>	<b>+15</b>	<b>+8</b>	<b>+10</b>	<b>+10</b>	<b>+13</b>	<b>+23</b>	<b>+14</b>	<b>+22</b>
PRICES: INCREASE	29	23	25	20	23	30	31	31	25	24
PRICES: DECREASE	4	5	5	4	2	1	2	3	3	1
<b>NET BALANCE</b>	<b>+25</b>	<b>+18</b>	<b>+20</b>	<b>+16</b>	<b>+21</b>	<b>+29</b>	<b>+29</b>	<b>+28</b>	<b>+22</b>	<b>+23</b>
PROFITABILITY: INCREASE	27	39	34	39	38	37	43	51	42	45
PROFITABILITY: DECREASE	47	30	27	29	25	14	12	14	17	13
<b>NET BALANCE</b>	<b>-20</b>	<b>+9</b>	<b>+7</b>	<b>+10</b>	<b>+13</b>	<b>+23</b>	<b>+31</b>	<b>+37</b>	<b>+25</b>	<b>+32</b>
CAPITAL EXPENDITURE: INCREASE	18	19	19	25	22	17	25	27	22	25
CAPITAL EXPENDITURE: DECREASE	37	21	30	24	24	30	23	27	27	23
<b>NET BALANCE</b>	<b>-19</b>	<b>-2</b>	<b>-11</b>	<b>+1</b>	<b>-2</b>	<b>-13</b>	<b>+2</b>	<b>0</b>	<b>-5</b>	<b>+2</b>

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

## Small and medium business outlook – Victoria

- Business confidence fell during the quarter and is now the second lowest of any state or territory.
- Victoria was the only state or territory to record increasing perceptions of the economy in the past quarter; however they were the most pessimistic about the economy a year from now.
- The only performance indicators that rose for Victorian SMEs were prices and capital expenditure.
- Victorian SMEs recorded falls in the past quarter for sales and profitability.
- Victorian SMEs are expecting increases in all indicators in the coming quarter with the exception of capital expenditure.
- Victoria recorded the lowest proportion of SMEs that increased their prices in the past quarter in Australia, however had the highest proportion expecting to increase their prices in the current quarter.
- Victorian SMEs recorded the highest employment expectations for the year ahead.
- SME support for the Victorian Government fell during the quarter however for the first time the Victorian Government was the most supported state or territory government by SMEs.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %	AUG 2007 %
POSITIVE	60	64	68	70	68
NEGATIVE	18	16	15	12	14
<b>NET BALANCE</b>	<b>+42</b>	<b>+48</b>	<b>+53</b>	<b>+58</b>	<b>+54</b>

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 05 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 07 %
SALES VALUE:	INCREASE	35	38	33	43	37	44	42	42	44	49
	DECREASE	33	26	26	23	30	15	17	16	12	10
	<b>NET BALANCE</b>	<b>+2</b>	<b>+12</b>	<b>+7</b>	<b>+20</b>	<b>+7</b>	<b>+29</b>	<b>+25</b>	<b>+26</b>	<b>+32</b>	<b>+39</b>
SIZE OF WORKFORCE:	INCREASE	15	12	14	15	16	14	17	14	14	19
	DECREASE	13	14	14	8	9	4	2	3	3	1
	<b>NET BALANCE</b>	<b>+2</b>	<b>-2</b>	<b>0</b>	<b>+7</b>	<b>+7</b>	<b>+10</b>	<b>+15</b>	<b>+11</b>	<b>+11</b>	<b>+18</b>
WAGES BILL:	INCREASE	22	21	26	23	22	29	30	30	26	26
	DECREASE	18	16	12	11	10	8	8	8	6	5
	<b>NET BALANCE</b>	<b>+4</b>	<b>+5</b>	<b>+14</b>	<b>+12</b>	<b>+12</b>	<b>+21</b>	<b>+22</b>	<b>+22</b>	<b>+20</b>	<b>+21</b>
PRICES:	INCREASE	21	21	21	18	20	32	24	27	24	36
	DECREASE	4	4	3	3	2	3	3	1	1	1
	<b>NET BALANCE</b>	<b>+17</b>	<b>+17</b>	<b>+18</b>	<b>+15</b>	<b>+18</b>	<b>+29</b>	<b>+21</b>	<b>+26</b>	<b>+23</b>	<b>+35</b>
PROFITABILITY:	INCREASE	34	31	30	35	33	41	35	37	40	47
	DECREASE	31	26	28	28	33	17	15	16	13	11
	<b>NET BALANCE</b>	<b>+3</b>	<b>+5</b>	<b>+2</b>	<b>+7</b>	<b>+0</b>	<b>+24</b>	<b>+20</b>	<b>+21</b>	<b>+27</b>	<b>+36</b>
CAPITAL EXPENDITURE:	INCREASE	17	20	19	24	30	19	25	28	27	19
	DECREASE	31	29	30	28	27	29	24	21	24	26
	<b>NET BALANCE</b>	<b>-14</b>	<b>-9</b>	<b>-11</b>	<b>-4</b>	<b>+3</b>	<b>-10</b>	<b>+1</b>	<b>+7</b>	<b>+3</b>	<b>-7</b>

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

## Small and medium business outlook – Queensland

- Queensland recorded a rise in business confidence among SMEs this quarter, with SMEs in metropolitan areas the most confident of any region.
- SMEs in Queensland reported increased performance for all indicators with the exception of employment.
- SMEs in Queensland reported the equal highest capital expenditure performance, along with the Australian Capital Territory. Queensland SMEs also reported the highest capital expenditure expectations for the year ahead.
- SMEs in Queensland reported equal or higher expectations for all indicators in the short term with the exception of capital expenditure.
- Queensland SMEs reported the highest sales expectations for the current quarter of any state or territory.
- SME support for the Queensland Government fell during the past quarter.

Trends in past three months' experience and current quarter expectations – Queensland									
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					AUG 2006	NOV 2006	FEB 2007	MAY 2007	AUG 2007
					%	%	%	%	%
POSITIVE					75	69	74	76	77
NEGATIVE					11	14	7	12	10
<b>NET BALANCE</b>					<b>+64</b>	<b>+55</b>	<b>+67</b>	<b>+64</b>	<b>+67</b>

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 07
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	41	39	42	48	48	46	41	48	52	54
	DECREASE	28	26	26	21	17	13	18	12	9	8
	<b>NET BALANCE</b>	<b>+13</b>	<b>+13</b>	<b>+16</b>	<b>+27</b>	<b>+31</b>	<b>+33</b>	<b>+23</b>	<b>+36</b>	<b>+43</b>	<b>+46</b>
SIZE OF WORKFORCE:	INCREASE	12	18	14	16	13	15	18	17	16	16
	DECREASE	13	12	8	11	11	2	5	3	3	3
	<b>NET BALANCE</b>	<b>-1</b>	<b>+6</b>	<b>+6</b>	<b>+5</b>	<b>+2</b>	<b>+13</b>	<b>+13</b>	<b>+14</b>	<b>+13</b>	<b>+13</b>
WAGES BILL:	INCREASE	28	33	27	27	28	28	34	28	27	31
	DECREASE	10	16	12	12	12	5	7	6	4	5
	<b>NET BALANCE</b>	<b>+18</b>	<b>+17</b>	<b>+15</b>	<b>+15</b>	<b>+16</b>	<b>+23</b>	<b>+27</b>	<b>+22</b>	<b>+23</b>	<b>+26</b>
PRICES:	INCREASE	38	28	27	25	26	35	27	34	33	31
	DECREASE	5	4	3	4	2	4	3	2	4	1
	<b>NET BALANCE</b>	<b>+33</b>	<b>+24</b>	<b>+24</b>	<b>+21</b>	<b>+24</b>	<b>+31</b>	<b>+24</b>	<b>+32</b>	<b>+29</b>	<b>+30</b>
PROFITABILITY:	INCREASE	33	41	40	41	41	43	41	43	45	50
	DECREASE	31	27	23	26	19	11	18	13	10	11
	<b>NET BALANCE</b>	<b>+2</b>	<b>+14</b>	<b>+17</b>	<b>+15</b>	<b>+22</b>	<b>+32</b>	<b>+23</b>	<b>+30</b>	<b>+35</b>	<b>+39</b>
CAPITAL EXPENDITURE:	INCREASE	20	22	22	28	27	26	21	32	32	22
	DECREASE	28	26	26	28	22	30	31	27	23	23
	<b>NET BALANCE</b>	<b>-8</b>	<b>-4</b>	<b>-4</b>	<b>+0</b>	<b>+5</b>	<b>-4</b>	<b>-10</b>	<b>+5</b>	<b>+9</b>	<b>-1</b>

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

## Small and medium business outlook – South Australia

- Business confidence fell during the quarter to be the lowest of any state or territory.
- SMEs in South Australia recorded higher performance across every indicator in the last quarter, with the exception of wages.
- SMEs in South Australia recorded higher expectations for all indicators for the current quarter with the exception of employment, which was unchanged.
- Despite this, SMEs in South Australia recorded the lowest expectations in employment for the coming quarter of any state or territory.
- South Australian SMEs recorded the lowest expectations in sales and employment for the year ahead.
- SME support for the South Australian Government fell marginally during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2006	NOV 2006	FEB 2007	MAY 2007	AUG 2007
	%	%	%	%	%
POSITIVE	65	65	73	69	64
NEGATIVE	18	18	13	12	13
<b>NET BALANCE</b>	<b>+47</b>	<b>+47</b>	<b>+60</b>	<b>+57</b>	<b>+51</b>

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 07
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	34	36	34	38	37	51	47	48	38	51
	DECREASE	36	27	23	35	32	14	18	15	17	10
	<b>NET BALANCE</b>	<b>-2</b>	<b>+9</b>	<b>+11</b>	<b>+3</b>	<b>+5</b>	<b>+37</b>	<b>+29</b>	<b>+33</b>	<b>+21</b>	<b>+41</b>
SIZE OF WORKFORCE:	INCREASE	16	18	17	11	15	11	13	10	13	10
	DECREASE	6	8	10	11	6	4	5	7	5	2
	<b>NET BALANCE</b>	<b>+10</b>	<b>+10</b>	<b>+7</b>	<b>+0</b>	<b>+9</b>	<b>+7</b>	<b>+8</b>	<b>+3</b>	<b>+8</b>	<b>+8</b>
WAGES BILL:	INCREASE	25	31	28	30	23	30	32	25	22	30
	DECREASE	14	11	9	12	13	7	7	7	6	4
	<b>NET BALANCE</b>	<b>+11</b>	<b>+20</b>	<b>+19</b>	<b>+18</b>	<b>+10</b>	<b>+23</b>	<b>+25</b>	<b>+18</b>	<b>+16</b>	<b>+26</b>
PRICES:	INCREASE	29	27	31	24	29	41	30	30	28	33
	DECREASE	3	5	2	4	3	3	3	3	1	1
	<b>NET BALANCE</b>	<b>+26</b>	<b>+22</b>	<b>+29</b>	<b>+20</b>	<b>+26</b>	<b>+38</b>	<b>+27</b>	<b>+27</b>	<b>+27</b>	<b>+32</b>
PROFITABILITY:	INCREASE	26	32	33	31	34	48	39	44	35	46
	DECREASE	36	29	25	32	25	17	19	17	21	9
	<b>NET BALANCE</b>	<b>-10</b>	<b>+3</b>	<b>+8</b>	<b>-1</b>	<b>+9</b>	<b>+31</b>	<b>+20</b>	<b>+27</b>	<b>+14</b>	<b>+37</b>
CAPITAL EXPENDITURE:	INCREASE	27	23	23	18	22	22	19	19	26	24
	DECREASE	22	22	26	23	24	31	29	23	26	18
	<b>NET BALANCE</b>	<b>+5</b>	<b>+1</b>	<b>-3</b>	<b>-5</b>	<b>-2</b>	<b>-9</b>	<b>-10</b>	<b>-4</b>	<b>+0</b>	<b>+6</b>

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

## Small and medium business outlook – Western Australia

- Business confidence was unchanged during the quarter, remaining the highest result of any state or territory.
- SMEs in Western Australia reported the highest perceptions of the economy, equal with the Northern Territory.
- SMEs in Western Australia recorded the highest performance results for employment, wages and prices of any state or territory.
- SMEs in Western Australia reported increased performance in all indicators, with the exception of employment and profitability.
- Western Australian SMEs reported increasing expectations for the coming quarter for all indicators, with the exception of employment, which was unchanged, and capital expenditure, which fell.
- Western Australian SMEs recorded the highest expectations in wages for the coming quarter.
- SMEs in Western Australia recorded the highest expectations for increases in wages and prices in the year ahead of any state or territory.
- Support for the Western Australian Government increased strongly, to be the equal second most supported state or territory government by SMEs, equal with the Australian Capital Territory Government and behind the Victorian Government.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %	AUG 2007 %
POSITIVE	74	79	81	80	79
NEGATIVE	9	6	6	8	7
<b>NET BALANCE</b>	<b>+65</b>	<b>+73</b>	<b>+75</b>	<b>+72</b>	<b>+72</b>

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 07 %
SALES VALUE:	INCREASE	48	52	46	50	53	54	54	56	46	47
	DECREASE	18	19	22	18	15	11	11	12	12	4
	<b>NET BALANCE</b>	<b>+30</b>	<b>+33</b>	<b>+24</b>	<b>+32</b>	<b>+38</b>	<b>+43</b>	<b>+43</b>	<b>+44</b>	<b>+34</b>	<b>+43</b>
SIZE OF WORKFORCE:	INCREASE	15	19	15	22	18	10	21	20	19	18
	DECREASE	9	10	9	8	6	1	2	4	2	1
	<b>NET BALANCE</b>	<b>+6</b>	<b>+9</b>	<b>+6</b>	<b>+14</b>	<b>+12</b>	<b>+9</b>	<b>+19</b>	<b>+16</b>	<b>+17</b>	<b>+17</b>
WAGES BILL:	INCREASE	33	36	24	27	33	32	34	32	32	32
	DECREASE	11	11	6	11	2	3	5	3	6	2
	<b>NET BALANCE</b>	<b>+22</b>	<b>+25</b>	<b>+18</b>	<b>+16</b>	<b>+31</b>	<b>+29</b>	<b>+29</b>	<b>+29</b>	<b>+26</b>	<b>+30</b>
PRICES:	INCREASE	35	33	29	26	32	41	34	36	27	31
	DECREASE	2	3	2	2	2	1	0	2	1	1
	<b>NET BALANCE</b>	<b>+33</b>	<b>+30</b>	<b>+27</b>	<b>+24</b>	<b>+30</b>	<b>+40</b>	<b>+34</b>	<b>+34</b>	<b>+26</b>	<b>+30</b>
PROFITABILITY:	INCREASE	42	48	43	48	44	51	50	52	43	45
	DECREASE	22	20	19	20	18	11	11	11	12	6
	<b>NET BALANCE</b>	<b>+20</b>	<b>+28</b>	<b>+24</b>	<b>+28</b>	<b>+26</b>	<b>+40</b>	<b>+39</b>	<b>+41</b>	<b>+31</b>	<b>+39</b>
CAPITAL EXPENDITURE:	INCREASE	29	22	27	26	27	25	28	33	32	20
	DECREASE	19	25	25	27	24	28	27	23	26	28
	<b>NET BALANCE</b>	<b>+10</b>	<b>-3</b>	<b>+2</b>	<b>-1</b>	<b>+3</b>	<b>-3</b>	<b>+1</b>	<b>+10</b>	<b>+6</b>	<b>-8</b>

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

## Small and medium business outlook – Tasmania

- Business confidence in Tasmania recorded the largest fall of any state or territory but remained above average.
- Bucking the national trend, which saw most SMEs report strong performance over the past quarter, SMEs in Tasmania reported falls in all indicators with the exception of capital expenditure.
- Tasmanian SMEs reported the lowest performance for sales, employment, wages and profitability of any state or territory.
- Expectations for the current quarter were for increases in all indicators.
- Tasmanian SMEs reported the highest expectations for the coming quarter of any state or territory for profitability and capital expenditure.
- In line with weak performance, support for the Tasmanian Government's policies fell sharply to be the second least supported state or territory government by SMEs.

Trends in past three months' experience and current quarter expectations – Tasmania					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2006	NOV 2006	FEB 2007	MAY 2007	AUG 2007
	%	%	%	%	%
POSITIVE	67	67	78	74	69
NEGATIVE	19	14	8	5	9
<b>NET BALANCE</b>	<b>+48</b>	<b>+53</b>	<b>+70</b>	<b>+69</b>	<b>+60</b>

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 07
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	26	38	41	36	33	40	50	37	36	46
	DECREASE	37	32	22	25	34	12	14	16	17	8
	<b>NET BALANCE</b>	<b>-11</b>	<b>+6</b>	<b>+19</b>	<b>+11</b>	<b>-1</b>	<b>+28</b>	<b>+36</b>	<b>+21</b>	<b>+19</b>	<b>+38</b>
SIZE OF WORKFORCE:	INCREASE	11	17	17	14	15	6	13	15	9	16
	DECREASE	19	12	13	9	15	4	5	5	4	2
	<b>NET BALANCE</b>	<b>-8</b>	<b>+5</b>	<b>+4</b>	<b>+5</b>	<b>+0</b>	<b>+2</b>	<b>+8</b>	<b>+10</b>	<b>+5</b>	<b>+14</b>
WAGES BILL:	INCREASE	24	28	26	29	24	24	24	27	23	30
	DECREASE	20	9	12	13	15	10	6	9	9	1
	<b>NET BALANCE</b>	<b>+4</b>	<b>+19</b>	<b>+14</b>	<b>+16</b>	<b>+9</b>	<b>+14</b>	<b>+18</b>	<b>+18</b>	<b>+14</b>	<b>+29</b>
PRICES:	INCREASE	28	26	27	24	22	36	29	28	29	34
	DECREASE	3	6	1	3	2	3	4	5	3	3
	<b>NET BALANCE</b>	<b>+25</b>	<b>+20</b>	<b>+26</b>	<b>+21</b>	<b>+20</b>	<b>+33</b>	<b>+25</b>	<b>+23</b>	<b>+26</b>	<b>+31</b>
PROFITABILITY:	INCREASE	25	33	33	33	29	36	49	39	33	51
	DECREASE	38	28	24	25	32	11	12	16	15	8
	<b>NET BALANCE</b>	<b>-13</b>	<b>+5</b>	<b>+9</b>	<b>+8</b>	<b>-3</b>	<b>+25</b>	<b>+37</b>	<b>+23</b>	<b>+18</b>	<b>+43</b>
CAPITAL EXPENDITURE:	INCREASE	30	18	25	22	30	19	25	29	25	36
	DECREASE	31	35	22	36	30	35	26	27	36	27
	<b>NET BALANCE</b>	<b>-1</b>	<b>-17</b>	<b>+3</b>	<b>-14</b>	<b>+0</b>	<b>-16</b>	<b>-1</b>	<b>+2</b>	<b>-11</b>	<b>+9</b>

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

## Small and medium business outlook – Northern Territory

- SMEs in the Northern Territory reported a rise in business confidence, bringing it to the second highest level of any state or territory.
- SMEs in the Northern Territory reported the highest perceptions of the economy, equal with Western Australia.
- The Northern Territory was also the only state or territory where SMEs reported believing that the economy would be stronger a year from now.
- SMEs in the Northern Territory were the most likely to report having difficulties finding quality staff.
- SMEs in the Northern Territory recorded the highest performance of any state or territory in the past quarter in sales and profitability, with all indicators apart from employment and capital expenditure above the national average.
- Anticipating the coming wet season, SMEs in the Territory were expecting falls in all indicators with the exception of prices. Expectations for sales, wages and capital expenditure were the lowest of any state or territory.
- Support for the Northern Territory Government fell sharply during the quarter.

Trends in past three months' experience and current quarter expectations – Northern Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %	AUG 2007 %
POSITIVE	73	71	79	74	75
NEGATIVE	14	13	11	11	8
<b>NET BALANCE</b>	<b>+59</b>	<b>+58</b>	<b>+68</b>	<b>+63</b>	<b>+67</b>

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	MAY-06 %	AUG-06 %	NOV-06/07 %	FEB-07 %	MAY-07 %	AUG-06 %	NOV-06/07 %	FEB-07 %	MAY-07 %	AUG-07 %
SALES VALUE: INCREASE	51	48	37	45	54	44	32	53	60	46
DECREASE	16	18	27	20	11	19	27	10	6	10
<b>NET BALANCE</b>	<b>+35</b>	<b>+30</b>	<b>+10</b>	<b>+25</b>	<b>+43</b>	<b>+25</b>	<b>+5</b>	<b>+43</b>	<b>+54</b>	<b>+36</b>
SIZE OF WORKFORCE: INCREASE	19	17	17	23	15	20	17	22	19	16
DECREASE	10	15	18	9	14	7	11	1	2	4
<b>NET BALANCE</b>	<b>+9</b>	<b>+2</b>	<b>-1</b>	<b>+14</b>	<b>+1</b>	<b>+13</b>	<b>+6</b>	<b>+21</b>	<b>+17</b>	<b>+12</b>
WAGES BILL: INCREASE	30	29	35	36	33	37	23	28	32	26
DECREASE	13	9	11	9	10	12	13	9	4	9
<b>NET BALANCE</b>	<b>+17</b>	<b>+20</b>	<b>+24</b>	<b>+27</b>	<b>+23</b>	<b>+25</b>	<b>+10</b>	<b>+19</b>	<b>+28</b>	<b>+17</b>
PRICES: INCREASE	30	34	30	35	26	45	36	36	28	33
DECREASE	1	5	3	0	1	0	1	0	1	1
<b>NET BALANCE</b>	<b>+29</b>	<b>+29</b>	<b>+27</b>	<b>+35</b>	<b>+25</b>	<b>+45</b>	<b>+35</b>	<b>+36</b>	<b>+27</b>	<b>+32</b>
PROFITABILITY: INCREASE	47	44	33	42	40	38	31	51	60	47
DECREASE	19	21	25	22	13	17	25	12	13	11
<b>NET BALANCE</b>	<b>+28</b>	<b>+23</b>	<b>+8</b>	<b>+20</b>	<b>+27</b>	<b>+21</b>	<b>+6</b>	<b>+39</b>	<b>+47</b>	<b>+36</b>
CAPITAL EXPENDITURE: INCREASE	30	30	26	25	26	28	26	31	35	22
DECREASE	27	30	26	27	32	30	30	20	30	33
<b>NET BALANCE</b>	<b>+3</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>-6</b>	<b>-2</b>	<b>-4</b>	<b>+11</b>	<b>+5</b>	<b>-11</b>

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

## Small and medium business outlook – Australian Capital Territory

- Business confidence fell further during the quarter among Australian Capital Territory SMEs, remaining below the national average.
- Sales and profitability performance both fell during the quarter in the Australian Capital Territory, with all other indicators recording rises.
- Capital expenditure performance was equal highest among Australian Capital Territory SMEs, together with those in Queensland.
- Following falls in performance last quarter, SMEs in the Australian Capital Territory were expecting increases in sales and profitability in the current quarter, and were expecting the largest increase in employment of any state or territory.
- Support for the Australian Capital Territory Government fell during the quarter, but was the equal second most supported state or territory government by SMEs.

### Trends in past three months' experience and current quarter expectations – Australian Capital Territory

	AUG 2006	NOV 2006	FEB 2007	MAY 2007	AUG 2007
	%	%	%	%	%
<b>CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS</b>					
POSITIVE	62	67	73	69	67
NEGATIVE	23	12	12	12	12
<b>NET BALANCE</b>	<b>+39</b>	<b>+55</b>	<b>+61</b>	<b>+57</b>	<b>+55</b>

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07	AUG-OCT 07
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	39	50	46	52	46	41	44	48	50	54
	DECREASE	24	22	24	24	24	25	12	16	12	12
	<b>NET BALANCE</b>	<b>+15</b>	<b>+28</b>	<b>+22</b>	<b>+28</b>	<b>+22</b>	<b>+16</b>	<b>+32</b>	<b>+32</b>	<b>+38</b>	<b>+42</b>
SIZE OF WORKFORCE:	INCREASE	15	9	20	20	21	13	18	19	20	25
	DECREASE	13	14	13	13	10	7	5	5	1	6
	<b>NET BALANCE</b>	<b>+2</b>	<b>-5</b>	<b>+7</b>	<b>+7</b>	<b>+11</b>	<b>+6</b>	<b>+13</b>	<b>+14</b>	<b>+19</b>	<b>+19</b>
WAGES BILL:	INCREASE	28	25	40	30	33	23	31	29	30	28
	DECREASE	11	12	16	15	15	6	7	11	3	10
	<b>NET BALANCE</b>	<b>+17</b>	<b>+13</b>	<b>+24</b>	<b>+15</b>	<b>+18</b>	<b>+17</b>	<b>+24</b>	<b>+18</b>	<b>+27</b>	<b>+18</b>
PRICES:	INCREASE	22	31	25	18	26	39	32	23	25	26
	DECREASE	0	6	6	5	4	1	3	2	1	4
	<b>NET BALANCE</b>	<b>+22</b>	<b>+25</b>	<b>+19</b>	<b>+13</b>	<b>+22</b>	<b>+38</b>	<b>+29</b>	<b>+21</b>	<b>+24</b>	<b>+22</b>
PROFITABILITY:	INCREASE	34	41	44	41	43	34	42	48	43	52
	DECREASE	25	20	23	21	27	28	11	11	11	13
	<b>NET BALANCE</b>	<b>+9</b>	<b>+21</b>	<b>+21</b>	<b>+20</b>	<b>+16</b>	<b>+6</b>	<b>+31</b>	<b>+37</b>	<b>+32</b>	<b>+39</b>
CAPITAL EXPENDITURE:	INCREASE	21	24	30	28	28	30	21	28	16	24
	DECREASE	23	26	28	34	23	19	35	29	33	33
	<b>NET BALANCE</b>	<b>-2</b>	<b>-2</b>	<b>+2</b>	<b>-6</b>	<b>+5</b>	<b>+11</b>	<b>-13</b>	<b>-1</b>	<b>-17</b>	<b>-9</b>

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

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