February 2007

Sensis® *Business Index- Small and Medium Enterprises*

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Introduction 1

About the survey 2

Executive summary 3

Small and medium business outlook – national summary 6

Confidence in own business prospects over the next 12 months 6
Confidence by state, sector and size 7
Perceptions of the economy 8
Expectations on key indicators over the next 12 months 9
Concerns 10
Sales 11
Employment 12
Wages bill 13
Prices 14
Capital expenditure 15
Profitability 16
Exports 17
Assessment of Federal Government policies 18
Assessment of State Government policies 19
Succession planning 20
Workplace relations 20

Small and medium business outlook – national 21

Small and medium business outlook – New South Wales 22

Small and medium business outlook – Victoria 23

Small and medium business outlook – Queensland 24

Small and medium business outlook – South Australia 25

Small and medium business outlook – Western Australia 26

Small and medium business outlook – Tasmania 27

Small and medium business outlook – Northern Territory 28

Small and medium business outlook – Australian Capital Territory 29

Introduction

The Sensis® *Business Index* is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs). 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 February 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 February 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 19 January to 9 February 2007. The report covers experiences over the past three months (November 2006 to January 2007), and expectations for both the current quarter (February 2007 to April 2007) and the 12 months ending February 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	-
Total	1800	1365	435

Division

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

Executive summary

Business confidence among SMEs improved strongly during the past quarter. Along with the increase in confidence, current perceptions of the economy showed continued solid improvement, as did perceptions about the future economic direction. The prime problem reported by SMEs was difficulty finding and keeping staff, which is currently at its highest level in the history of the Sensis® *Business Index*. Despite the robust confidence overall, there were some weaknesses in performance indicators, with only wages increasing. SMEs were expecting further increases in the short term for sales, wages, prices, profitability and capital expenditure, with employment expectations unchanged for the short term. SMEs were not expecting demand to increase dramatically in the short term, with expectations for sales and profitability only recording small increases, and no change expected for employment. Expectations for the year ahead showed only minor fluctuations, with no change greater than a marginal one percentage point shift recorded. Support for the Federal Government rose marginally and was net positive overall on the back of strong support from SMEs for its agenda of workplace relations changes. The Federal Government was the most supported government in Australia. The Northern Territory Government was the most supported state or territory government by SMEs, with New South Wales again the least supported.

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

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

Historical trends and overall SME highlights

- Business confidence among SMEs showed continued strong improvement during the past quarter.
- Perceptions of the current state of the Australian economy increased strongly, along with a continued solid improvement in the net balance of SMEs that felt the economy would be better a year from now.
- Most performance trends declined in the last quarter, with the only exceptions being wages, which rose.
- In the short term, SMEs are expecting increases in sales, wages, prices, profitability and capital expenditure. No change was expected for employment.
- Expectations for key business indicators for the year ahead were mixed, with marginal rises recorded for sales and profitability, no change recorded for employment and marginal falls recorded for wages, prices and capital expenditure.
- 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 and cash flow problems.
- Marginally lower sales performance was recorded. Sales expectations for the current quarter rose; with SMEs expecting marginal improvement in the year ahead.
- Following on from the increased sales result, profitability performance also increased marginally in the past quarter.
- Employment growth fell during the quarter.
- Capital expenditure performance also fell, remaining strongly net negative with more SMEs decreasing their capital expenditure than increasing it; however SMEs were expecting a strong result next quarter.
- Support for the Federal Government's policies rose on the back of SME support for their workplace relations agenda. The Federal Government was the most supported of any government in Australia by SMEs.
- The Northern Territory 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 twelfth 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; however the gap increased to six percentage points, up from four percentage points last quarter.
- Medium businesses were again more positive about the current state of the Australian economy than small businesses, with both small and medium businesses believing, on balance, that the economy was currently growing.
- Medium businesses recorded higher performance than small businesses for all indicators in the past quarter.
- Medium businesses continued to be far more supportive of the Federal Government's policies than small businesses.

Metropolitan versus regional

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

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

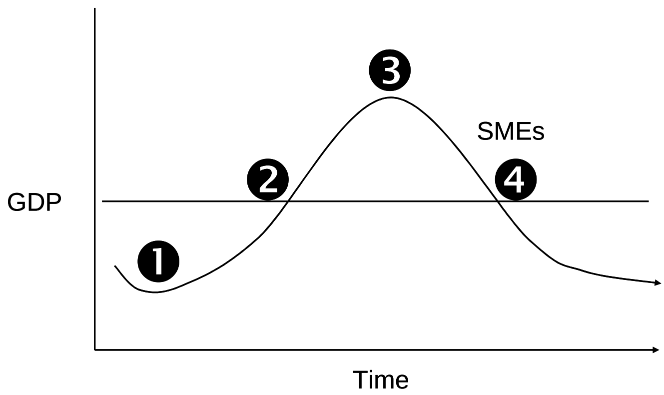
Industry sector trends

Several trends emerged throughout the industry sectors, including:

- Confidence was highest in the finance and insurance sector.
- The retail trade sector again recorded the lowest confidence levels of any sector.
- Strong performance was recorded by SMEs in the transport and storage sector in the past quarter, with that sector reporting the highest results in both sales and capital expenditure.
- Employment was strong in the accommodation, cafes and restaurants sector, with that sector recording the greatest net proportion of SMEs that increased their employment and wages bill in the past quarter.
- The health and community services sector reported the greatest net proportion of SMEs that increased their prices in the past quarter.
- SMEs in the communications, property and business services sector were most likely to report increasing profitability in the past quarter.
- Looking ahead, the communication, property and business services sector had the highest expectations for increases in sales and profitability in the coming quarter, whilst the wholesale trade sector had the highest expectations for employment.
- Expectations in the accommodation, cafes and restaurants sector were relatively weak, recording the lowest expectations for sales, profitability and employment in the coming quarter.
- Despite having the highest confidence last quarter, the building and construction sector was showing some uncertainty following recent increases in interest rates. The sector recorded the largest drop in confidence of any sector and was most likely to expect to increase prices in the coming quarter.
- The finance and insurance and accommodation, cafes and restaurants sectors were the most supportive of the Federal Government's policies, with the cultural, recreational and personal services 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 chart below shows an assessment of each indicator's performance in relation to the state of the economy. Shaded areas highlight where each indicator sits as a result of the findings from this Sensis® *Business Index* relative to the normal business cycle.

Analysis of the key indicators from the February 2007 Sensis® *Business Index* suggests improved optimism in the current prospects of Australian SMEs within the Australian economy. This was despite an economic environment characterised by small falls in many performance indicators for SMEs, and mixed economic expectations. Overall, however, SMEs felt the current economic situation was improving, despite the weaker performance in their own businesses. Inflationary pressures, such as the prices SMEs are charging and their wages bills, continued to moderate in the past quarter. The one key factor continuing to cause concern for SMEs is the drought and water restrictions, and the impact it may have on the Australian economy.

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

Highlighted sections show the indicators relevant to SMEs for the February 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 a further improvement in business confidence during the quarter. This result represents the second quarter of solid growth in business confidence; however, business confidence is still lower than at the same time last year. Good business experience and improving demand were the key reasons for improving confidence; however the impact of the drought continued to cause business operators significant concern.

Last quarter (November 2006 to January 2007)

SMEs recorded increased business confidence with a net balance result of 56 per cent. This comprised 69 per cent of businesses that were confident about their business prospects for the year ahead and 13 per cent that were concerned. In the key confidence categories, businesses that felt confident to some degree about their business prospects have recorded an increase of four percentage points. Those business owners who felt worried to some extent about their business prospects decreased over the quarter by two percentage points, resulting in an increase in the net balance result of six percentage points.

Despite the improvement in net confidence, there was no improvement among those SMEs that were feeling extremely confident, which was unchanged at 16 per cent. In addition, the level of net confidence, at 56 per cent, remains three percentage points lower than at the same time last year, when net confidence was at 59 per cent. The main reasons businesses gave for feeling confident were that they were established and experienced, they were experiencing improving business and they had plenty of work coming up. However, the main reason businesses gave for feeling worried about their prospects related to the impact the drought and water restrictions would have on the economy.

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

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

This latest result shows businesses are feeling more confident about future economic conditions; however there continues to be significant underlying concerns as to what level of impact the drought and water restrictions may have on the economy.

Overall confidence
February 2007

	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	16%	19%	16%
Fairly confident	53%	51%	53%
Neutral	18%	21%	18%
Fairly worried	10%	6%	10%
Extremely worried	3%	2%	3%
Total confident	69%	70%	69%
Total worried	13%	8%	13%
***Net Balance**	**+56%**	**+62%**	**+56%**

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

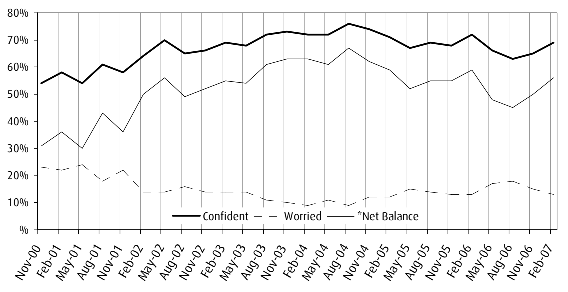
SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Confidence trends - past five quarters

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Extremely confident	13%	15%	12%	16%	16%
Fairly confident	59%	50%	51%	49%	53%
Neutral	14%	17%	18%	20%	18%
Fairly worried	11%	14%	16%	12%	10%
Extremely worried	2%	3%	2%	3%	3%
Total confident	72%	65%	63%	65%	69%
Total worried	13%	17%	18%	15%	13%
***Net Balance**	**+59%**	**+48%**	**+45%**	**+50%**	**+56%**

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Long term trends in confidence



SOURCE: Sensis® *Business Index*
Sweeney Research – February 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 twelve months, the highest levels of business confidence in the past quarter were again recorded in Western Australia, with the lowest level of business confidence again recorded in New South Wales. Regional businesses reported lower confidence levels than their metropolitan counterparts for the fourth successive quarter. Confidence was highest among SMEs in the finance and insurance sector. Confidence was again lowest among SMEs in the retail trade sector.

Last quarter (November 2006 to January 2007)

All states and territories recorded improving business confidence in the past quarter. Western Australia recorded the highest confidence of any state or territory, and New South Wales again recorded the lowest level of confidence in the past quarter. New South Wales has now recorded the lowest confidence level of any state or territory for 10 of the last 11 quarters. SMEs in Tasmania recorded the largest improvement in confidence of any state or territory.

The finance and insurance sector recorded the highest confidence at a net 74 per cent, an improvement of 34 percentage points in the past quarter. This was followed by the health and community services sector, where business confidence was at a net 70 per cent. The lowest confidence level was again recorded in the retail trade sector, with a net balance of 45 per cent; however this was an improvement of 11 percentage points in the past quarter, and reflects two quarters of solid growth. Of significance as a leading indicator, the building and construction sector recording the largest net decline in confidence of any sector in the past quarter, having been the most confident sector in the previous quarter.

On a national basis, confidence was again highest among businesses in metropolitan areas. This was also the case in every state and territory with the only exception being South Australia where metropolitan confidence was lower. The largest improvement was among those SMEs in regional areas of New South Wales, despite still recording the lowest confidence of any area in Australia. The largest declines in business confidence were recorded among SMEs in regional areas of the Northern Territory.

Trends by state
*net balance

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
National	**59%**	**48%**	**45%**	**50%**	**56%**
New South Wales	54%	30%	28%	44%	47%
Victoria	56%	51%	42%	48%	53%
Queensland	70%	64%	64%	55%	67%
South Australia	65%	53%	47%	47%	60%
Western Australia	67%	71%	65%	73%	75%
Tasmania	63%	59%	48%	53%	70%
Northern Territory	59%	58%	59%	58%	68%
Australian Capital Territory	67%	56%	39%	55%	61%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Metro and regional confidence
*net balance

	Metro	Regional	Total
National	**63%**	**47%**	**56%**
New South Wales	60%	20%	47%
Victoria	55%	44%	53%
Queensland	70%	66%	67%
South Australia	62%	51%	60%
Western Australia	76%	68%	75%
Tasmania	60%	76%	70%
Northern Territory	78%	55%	68%
Australian Capital Territory	61%	N/A	61%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Confidence by business size

	Confident	Worried	*Net Balance
Total	**69%**	**13%**	**56%**
1-2 Employees	70%	12%	58%
3-4 Employees	68%	15%	53%
5-9 Employees	69%	10%	59%
10-19 Employees	72%	14%	58%
Total Small Business	**69%**	**13%**	**56%**
20-99 Employees	69%	8%	61%
100-199 Employees	88%	7%	81%
Total Medium Business	**70%**	**8%**	**62%**

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	67%	11%	56%
Building/Construction	72%	11%	61%
Wholesale Trade	63%	16%	47%
Retail Trade	64%	19%	45%
Transport/Storage	72%	12%	60%
Communication Property & Business Services	73%	11%	62%
Finance and Insurance	74%	0%	74%
Health and Community Services	77%	7%	70%
Cultural, Recreational and Personal	63%	15%	48%
Accommodation, Cafes and Restaurants	68%	9%	59%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 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 showed significant improvement among SMEs, rising to their highest level in two years.

In addition, there was similar improvement in future economic expectations from the previous quarter's result; which are now also at their highest point in two years.

Last quarter (November 2006 to January 2007)

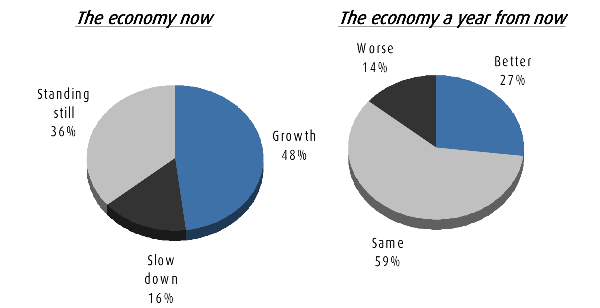
There was a further notable increase in the proportion of SMEs that felt the economy was currently growing, rising by nine percentage points in the past quarter. Coupled with this was a decrease of nine percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in further improvement in the overall perception of the current state of the economy, with a net balance of positive 32 per cent of businesses believing the Australian economy is currently in a growth phase. This was an increase of 18 percentage points from last quarter.

With strong economic conditions continuing in the state, SMEs in Western Australia again had the strongest perception of the current state of the Australian economy. A net balance of 61 per cent reported a current growth phase, which was an increase of six percentage points from the previous quarter. The second strongest perception was again recorded in the Northern Territory (net balance of 49 per cent). The weakest perceptions were recorded among SMEs in New South Wales (net balance of 22 per cent, up from two per cent last quarter).

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

There was also improvement in expectations of the economy for the year ahead, with a net 13 percent of SMEs believing the economy would be better in a year's time. This was the first net positive result since May 2006, and is the highest result since February 2005.

The economy



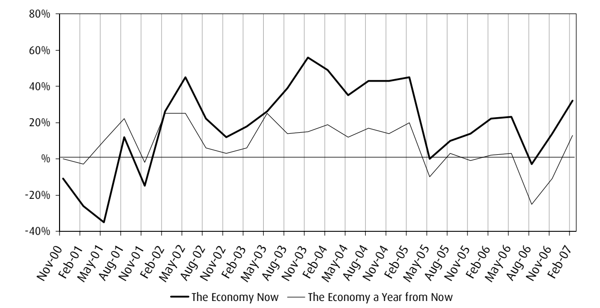
SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Perceptions of the economy - trends

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
The economy now					
Growth	39%	44%	30%	39%	48%
Slowing	17%	21%	33%	25%	16%
*Net Balance	+22%	+23%	-3%	+14%	+32%
The economy a year from now					
Better	22%	24%	11%	18%	27%
Worse	20%	21%	36%	29%	14%
*Net Balance	+2%	+3%	-25%	-11%	+13%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Perceptions of the economy
Long term trends - *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	42%	44%	55%	42%	71%	39%	60%	56%
Slowing	20%	14%	13%	19%	10%	16%	11%	15%
*Net Balance	22%	30%	42%	23%	61%	23%	49%	41%
The economy a year from now								
Better	25%	27%	28%	23%	36%	23%	35%	27%
Worse	10%	20%	14%	17%	13%	13%	17%	16%
*Net Balance	15%	7%	14%	6%	23%	10%	18%	11%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 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

The 12-month expectations for key indicators remained virtually unchanged in the past quarter, maintaining last quarter's solid improvements.

Next 12 months (February 2007 to January 2008)

There were only marginal movements in the key indicators for the year ahead. Marginal increases were recorded in sales and profitability, with employment expectations unchanged and marginal falls expected in prices, wages and capital expenditure.

Sales expectations rose marginally during the quarter from 55 per cent to 56 per cent, maintaining the improvement recorded last quarter. This result comprised 67 per cent of businesses that believed sales would rise in the year ahead and 11 per cent that thought sales would fall. The strongest net sales expectations for the year ahead were again recorded in Western Australia at a net 66 per cent, up one percentage point since last quarter. The most confident industry sector for sales expectations was the communications, property and business services sector (net 69 per cent), with the building and construction and finance and insurance sectors having the lowest sales expectations for the year ahead (net 36 per cent).

There was no change in employment expectations for the year ahead, with a net balance result of 23 per cent. Businesses in Western Australia recorded the strongest employment expectations for the year ahead, with a net balance result of 33 per cent. The lowest employment expectations were recorded in South Australia, with a net balance result of 12 per cent.

There was a marginal decrease of a net one percentage point in expectations for total wage and salary costs for the year ahead. A net balance of 41 per cent of businesses expected a rise in their total wage costs in the coming year. The strongest expectations for total wage costs were also recorded in Western Australia with a net balance of 52 per cent. The weakest expectations were recorded in Tasmania (net balance of 34 per cent).

Selling price expectations for the year ahead also fell marginally to a net balance of 56 per cent, down from 57 per cent last quarter. The strongest selling price expectations were recorded in the building and construction sector, with a net balance of 70 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (31 per cent).

In line with the marginal increase in sales expectations, expectations for profitability in the year ahead also rose by one percentage point to a net 47 per cent. The highest expectations for profitability for the year ahead were recorded in Western Australia, with a net balance of 62 per cent. The lowest were recorded in Victoria, where a net balance of 37 per cent of SMEs were expecting their profitability to increase.

Capital expenditure expectations for the year ahead recorded a marginal decrease in the past quarter of one percentage point to a net balance of 19 per cent. The strongest capital expenditure expectations were recorded in New South Wales (24 per cent) and in the transport and storage and communications, property and business services sectors (64 per cent).

Expectations on key indicators over the next 12 months
February 2007

	Expect an increase	Expect a decrease	*Net Balance
Value of sales	67%	11%	**+56%**
Size of workforce	27%	4%	**+23%**
Wages bill	48%	7%	**+41%**
Prices charged	58%	2%	**+56%**
Profitability	61%	14%	**+47%**
Capital expenditure	40%	21%	**+19%**

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Expectations on key indicators
Trends in *net balance

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Value of sales	56%	51%	48%	55%	56%
Size of workforce	24%	21%	19%	23%	23%
Wages bill	43%	37%	35%	42%	41%
Prices charged	55%	56%	56%	57%	56%
Profitability	51%	42%	37%	46%	47%
Capital expenditure	16%	13%	6%	20%	19%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

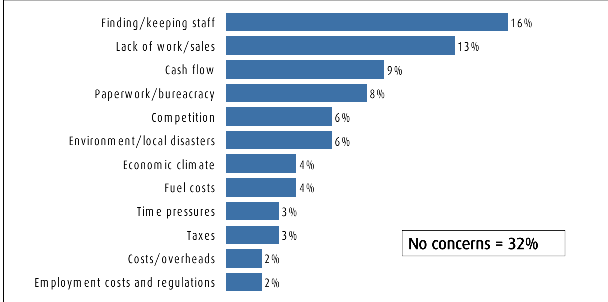
** Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.*

Concerns

Key findings

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

Prime concerns
February 2007



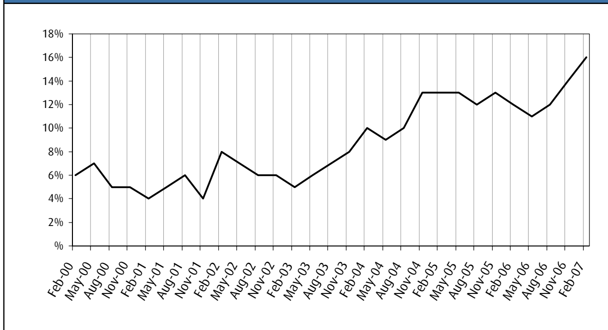
Q. As far as your business is concerned, what problems, if any, are you facing at the moment?

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Last quarter (November 2006 to January 2007)

The proportion of SMEs reporting difficulties finding and keeping staff increased in the past quarter, remaining the top concern facing SMEs in Australia. At 16 per cent, this is the highest level in the history of the Sensis® *Business Index* for this issue. 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 New South Wales and Tasmania, where 13 per cent reported difficulties in this area. SMEs in the building and construction sector were most likely to report having difficulties finding and keeping staff.

Prime concerns
Long term trends – finding quality staff



SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

A lack of work or sales was the next most significant problem cited by SMEs in the past quarter. Overall, 13 per cent of SMEs nominated a lack of work or sales as an issue, having risen by one percentage point in the past quarter. Concern over a lack of work or sales was highest in New South Wales where 18 per cent of SMEs reported concerns, up five percentage points from last quarter. The transport and storage sector reported the highest level of concern over a lack of work or sales, with 18 per cent of SMEs in that sector reporting concern over this issue.

Cash flow was the third most strongly reported issue in the latest quarter; however the proportion of SMEs reporting concerns with cash flow fell by two percentage points. Cash flow problems were most felt in New South Wales, where 12 per cent of SMEs reported difficulties, and in the cultural, recreational and personal services sector (15 per cent).

Other key problems faced by businesses this quarter were paperwork and bureaucracy, competition, and concerns over environmental or local disasters, predominantly the current drought which was being most reported by SMEs in Victoria. Overall, 12 per cent of SMEs in regional Australia reported currently facing problems in their business due to the drought. Some 32 per cent of SMEs reported currently facing no problems in their business, unchanged in the past quarter.

Sales

Key findings

Marginally fewer SMEs, on balance, reported increased sales over the past quarter. However, more SMEs were expecting improvement in their sales levels in the short term, with a marginal increase in the proportion of SMEs that were expecting further increases in the medium term.

Last quarter (November 2006 to January 2007)

Sales performance recorded a marginally lower net balance of 14 per cent for the quarter, down by one percentage point from last quarter. With the fall from last quarter's strong result being only marginal, this quarter's sales performance by SMEs is still the second highest result in two years.

Sales performance varied dramatically across the states and territories. Western Australia recorded the strongest performance, where a net 24 per cent experienced increasing sales in the past quarter. At the other end of the scale, sales performance was lowest among SMEs in Victoria, where a net seven per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the transport and storage sector, with a net balance of 33 per cent of SMEs having reported increasing sales. The manufacturing sector recorded the weakest industry performance, with a net two per cent of SMEs in that sector reporting sales growth.

Current quarter (February to April 2007)

SMEs were expecting a stronger improvement in sales in the short term. Sales expectations for the current quarter recorded an increase of three percentage points from the previous quarter.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in Western Australia at net 44 per cent. The weakest sales expectations for the coming quarter were recorded in Tasmania at a net 21 per cent.

There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the communications, property and business services and health and community services sectors (net balance of 50 per cent). The accommodation, cafes and restaurants sector recorded the lowest level of expectations (net 12 per cent).

Next 12 months (February 2007 to January 2008)

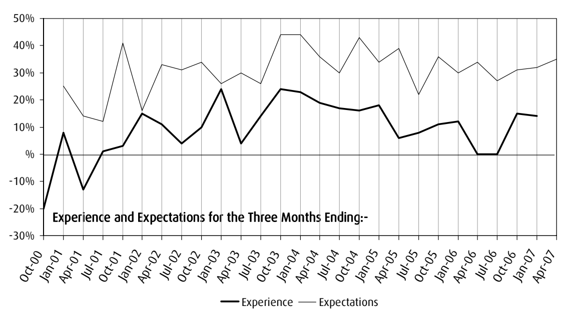
Twelve-month sales expectations rose from a net 55 per cent to 56 per cent. The result comprised 67 per cent of businesses that believed sales would increase in the year ahead and 11 per cent that thought they would fall. Sales expectations for the year ahead were again highest in Western Australia.

Value of sales

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Last Quarter					
Experienced increase	38%	36%	35%	41%	39%
No change	35%	28%	30%	32%	35%
Experienced decrease	26%	36%	35%	26%	25%
***Net Balance**	**+12%**	**0%**	**0%**	**+15%**	**+14%**
Current Quarter					
Expect increase	48%	43%	45%	46%	49%
No change	37%	40%	40%	39%	37%
Expect decrease	14%	16%	14%	14%	14%
***Net Balance**	**+34%**	**+27%**	**+31%**	**+32%**	**+35%**

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Value of sales
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

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

Employment

Key findings

A net one per cent of SMEs reported increases in employment in the past quarter, a decrease of two percentage points from the previous quarter. SMEs also reported no change in expectations for either the coming quarter or the year ahead.

Last quarter (November 2006 to January 2007)

SMEs recorded a falling employment performance from the previous quarter, with only a net one per cent of SMEs reporting increased employment in their businesses. This result signalled a fall of two percentage points in the past quarter.

Reflecting markedly different economic conditions, there was considerable variation across the states and territories in employment performance. The strongest result was again in South Australia with a net balance result of seven per cent. At the other end of the scale was New South Wales, reporting a net negative two per cent result, demonstrating that more SMEs decreased the size of their workforce than increased it. On an industry basis, the strongest employment result was recorded in the accommodation, cafes and restaurants sector (15 per cent). The building and construction sector was the weakest in terms of employment performance (negative 10 per cent).

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

Current quarter (February to April 2007)

Employment expectations for the current quarter were unchanged at a net 12 per cent. The strongest expectations were recorded in the Northern Territory with a net balance result of 21 per cent. On an industry basis, the strongest expectations occurred in the wholesale trade sector (19 per cent).

Next 12 months (February 2007 to January 2008)

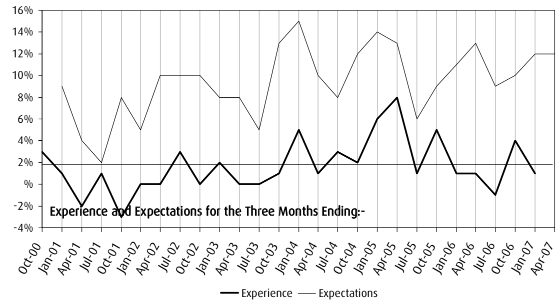
Employment expectations for the year ahead were also unchanged, with a net result of 23 per cent. The strongest expectations for the year ahead were recorded in Western Australia (also unchanged at a net 33 per cent).

Size of workforce

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Last Quarter					
Experienced increase	12%	14%	13%	16%	13%
No change	77%	73%	73%	72%	75%
Experienced decrease	11%	13%	14%	12%	12%
***Net Balance**	**+1%**	**+1%**	**-1%**	**+4%**	**+1%**
Current Quarter					
Expect increase	17%	14%	13%	15%	15%
No change	77%	80%	81%	80%	82%
Expect decrease	4%	5%	3%	3%	3%
***Net Balance**	**+13%**	**+9%**	**+10%**	**+12%**	**+12%**

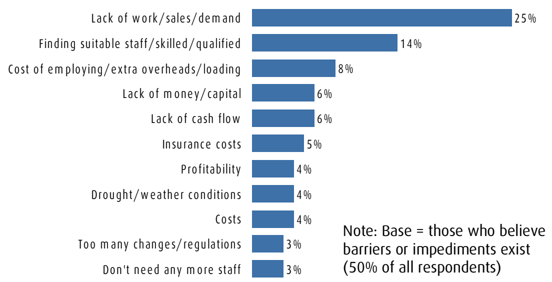
SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Size of workforce
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

What are the barriers to taking on new employees?
February 2007



SOURCE: Sensis® *Business Index*
Sweeney Research – February 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

Net growth in total wage costs increased further during the last quarter, and SMEs were expecting some increases in wages growth for the short term. Looking further ahead, however, the proportion of SMEs expecting an increased wages bill in the year ahead dropped marginally.

Last quarter (November 2006 to January 2007)

The most recent quarter saw a further increase in wage cost trends, with the performance result up three percentage points to a net 15 per cent.

During the quarter, 27 per cent of SMEs experienced a rise in total wage costs, while 12 per cent recorded a decline. SMEs in the Northern Territory and the Australian Capital Territory recorded the highest increases in total wage costs (net 24 per cent each), while the lowest wage pressures were in Victoria and Tasmania (net 14 per cent each). The strongest rise in total wage costs was recorded in the accommodation, cafes and restaurants sector (net 34 per cent).

Current quarter (February to April 2007)

SMEs were expecting further increases in wages in the short term, with expectations for total wage costs increasing to a net 23 per cent for the current quarter from 20 per cent last quarter. The highest wage expectations were again in Western Australia, with a net balance of 29 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in Queensland, Tasmania and the Australian Capital Territory were least likely to be expecting an increase in their wages bill in the current quarter (net 18 per cent each).

Next 12 months (February 2007 to January 2008)

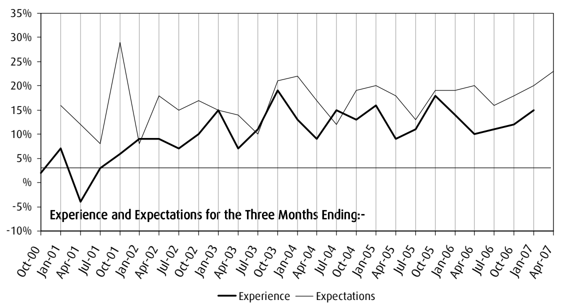
Expectations for total wage and salary costs for the coming year fell marginally during the quarter, with a net balance of 41 per cent of businesses expecting a rise in total wage costs in the year ahead. This represented a decrease in the net balance trend of one percentage point. The SMEs most likely to be expecting increases to their wages bills were again in Western Australia. SMEs in Tasmania were again the least likely to be expecting to increase their total wages bill in the coming year.

Wages bill

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Last Quarter					
Experienced increase	25%	25%	26%	26%	27%
No change	60%	54%	55%	55%	57%
Experienced decrease	11%	15%	15%	14%	12%
*Net Balance	+14%	+10%	+11%	+12%	+15%
Current Quarter					
Expect increase	28%	24%	26%	27%	29%
No change	60%	63%	61%	63%	61%
Expect decrease	8%	8%	8%	7%	6%
*Net Balance	+20%	+16%	+18%	+20%	+23%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Wages bill
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – February 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 fell marginally during the past quarter. Looking ahead, more SMEs were expecting to increase their prices in the short term; however, price expectations decreased marginally for the year ahead.

Last quarter (November 2006 to January 2007)

The proportion of businesses that increased prices fell by a marginal one percentage point during the quarter, to a net balance result of 21 per cent. This result represents a decrease in the net proportion of SMEs that increased their prices for the second successive quarter, and a total fall of four percentage points in the past six months.

Of all states and territories, the strongest price trends were recorded in South Australia, with a net balance of 29 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 health and community services sector, with a net balance result of 43 per cent. The weakest outcome was again recorded in the finance and insurance sector, with a net balance result of four per cent.

Current quarter (February to April 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 two percentage points since the last quarter. The Northern Territory recorded the strongest price rise expectations, with a net balance result of 36 per cent, while the Australian Capital Territory recorded the weakest price rise expectations, with a net balance of 21 per cent.

Next 12 months (February 2007 to January 2008)

At a net balance of 56 per cent, expectations for price rises in the coming year decreased marginally, although in context remain at historically high levels. Year-ahead expectations for price increases were strongest among SMEs in Western Australia and weakest among those in the Australian Capital Territory.

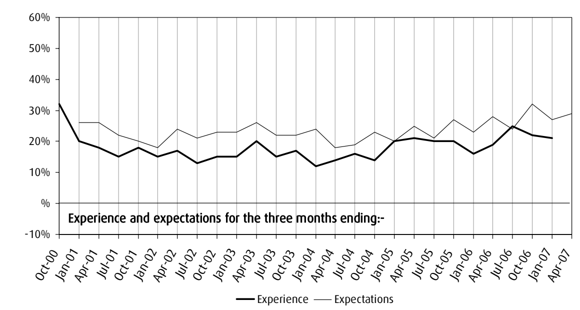
The strongest price rise expectations for the year ahead were recorded in the building and construction sector, with a net balance result of 70 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (net 31 per cent).

Prices charged

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Last Quarter					
Experienced increase	20%	25%	29%	26%	25%
No change	76%	69%	67%	70%	71%
Experienced decrease	4%	6%	4%	4%	4%
***Net Balance**	**+16%**	**+19%**	**+25%**	**+22%**	**+21%**
Current Quarter					
Expect increase	30%	27%	34%	29%	31%
No change	68%	70%	64%	68%	67%
Expect decrease	2%	3%	2%	2%	2%
***Net Balance**	**+28%**	**+24%**	**+32%**	**+27%**	**+29%**

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Prices charged
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – February 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 fell during the quarter, after having risen last quarter. Positively, SMEs were expecting further improvements for the short term; however for the year ahead expectations were for a marginal fall.

Capital expenditure

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Last Quarter					
Experienced increase	23%	22%	20%	20%	21%
No change	50%	49%	45%	52%	47%
Experienced decrease	24%	25%	31%	25%	29%
***Net Balance**	**-1%**	**-3%**	**-11%**	**-5%**	**-8%**
Current Quarter					
Expect increase	25%	23%	21%	24%	29%
No change	47%	47%	46%	48%	44%
Expect decrease	25%	25%	29%	26%	25%
***Net Balance**	**0%**	**-2%**	**-8%**	**-2%**	**+4%**

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

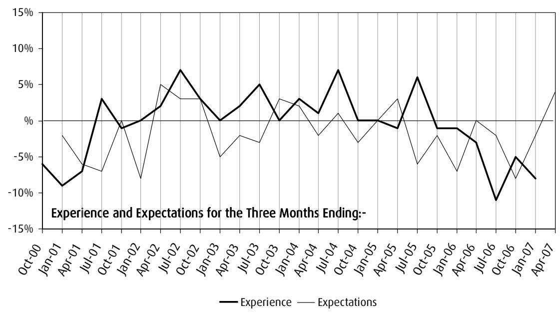
Last quarter (November 2006 to January 2007)

SME performance in capital expenditure recorded a net negative eight per cent, the sixth consecutive quarter capital expenditure has recorded a net negative result. This result represented a fall of three percentage points, reversing some of the gains from the previous quarter.

Capital expenditure growth was strongest in Tasmania, with a net balance result of a positive three per cent of SMEs that increased their capital expenditure. The weakest results were in New South Wales and Victoria, which both recorded a net balance of negative 11 per cent.

Once again there was a high degree of variation between the sectors. While the transport and storage sector recorded the strongest capital expenditure performance (six per cent), at the other end of the investment scale was the health and community services sector (negative 18 per cent).

Capital expenditure
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Current quarter (February to April 2007)

The net result for capital expenditure expectations improved for the coming quarter, with a net balance result of positive four per cent. This represents the first net positive result for short-term expectations for capital expenditure in two years. The highest expectations were recorded in the Northern Territory at a net positive 11 per cent. The weakest result was recorded in South Australia with a net balance of negative four per cent.

SMEs in the finance and insurance sector recorded the strongest expectations (20 per cent), while the transport and storage sector recorded the weakest result at a net negative 11 per cent.

Next 12 months (February 2007 to January 2008)

Capital expenditure expectations for the year ahead fell marginally during the quarter, with a net 19 per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down from a net 20 per cent last quarter. The strongest capital expenditure expectation by state or territory was recorded in New South Wales (24 per cent).

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

Profitability

Key findings

In line with the marginal fall in the sales result, the proportion of SMEs reporting increased profitability also dropped marginally in the past quarter. However SMEs were expecting an improvement in profitability in the short term, and a marginal increase in profitability over the next 12 months.

Last quarter (November 2006 to January 2007)

Profitability performance fell marginally during the quarter, resulting in a net balance outcome of positive 10 per cent. This result was a decrease of one percentage point from last quarter's net balance result of positive 11 per cent.

In line with their expectations from last quarter, SMEs in Western Australia recorded the highest profitability performance during the quarter, with a net balance of 24 per cent. SMEs in Victoria recorded the weakest performance at net two per cent. The strongest performance by industry was in the transport and storage sector, recording a net balance of 26 per cent. SMEs in metropolitan areas again experienced better profitability than regional SMEs.

Current quarter (February to April 2007)

Profitability expectations for the current quarter showed a solid increase of four percentage points. Overall, 45 per cent of businesses expected an increase in profitability for the quarter compared to 14 per cent that expected a decline. The stronger profitability expectation for next quarter is in line with the stronger expectations for sales and increased expectations for prices in the coming quarter.

The communications, property and business services sector recorded the highest profitability expectations of any sector, with a net balance of 46 per cent. The weakest expectations were recorded in the accommodation, cafes and restaurants sector, with a net balance result of net 16 per cent. SMEs in Western Australia again had the highest net profitability expectations of any state or territory.

Next 12 months (February 2007 to January 2008)

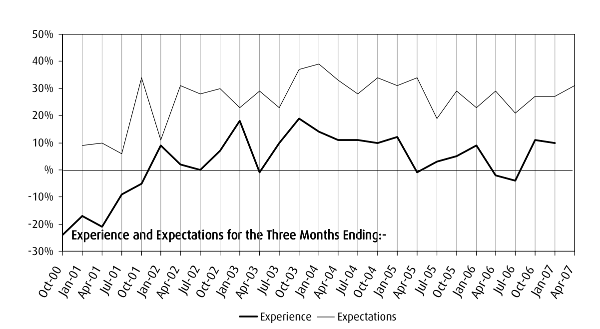
Expectations for profitability for the medium-term rose marginally, in line with the marginal rise in medium-term sales expectations. A net balance result of 47 per cent of SMEs were expecting increased profitability in the year ahead. The strongest profit expectations for the year ahead were recorded in the transport and storage and communications, property and business services sectors, with a net balance of 64 per cent each. The weakest profit expectations were again in the finance and insurance sector, which recorded a net balance of 28 per cent.

Profitability

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Last Quarter					
Experienced increase	32%	32%	32%	38%	35%
No change	43%	33%	32%	34%	39%
Experienced decrease	23%	34%	36%	27%	25%
***Net Balance**	**+9%**	**-2%**	**-4%**	**+11%**	**+10%**
Current Quarter					
Expect increase	45%	39%	41%	41%	45%
No change	39%	43%	44%	43%	40%
Expect decrease	16%	18%	14%	14%	14%
***Net Balance**	**+29%**	**+21%**	**+27%**	**+27%**	**+31%**

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Profitability
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – February 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 increased, with the proportion of SMEs reporting an increase in the value of their exports also improving.

Last quarter (November 2006 to January 2007)

Fourteen per cent of SMEs reported they had exported in the past quarter, up by two percentage points from the previous quarter's result. All states and territories saw an increase in the proportion of SMEs exporting, with the exception of New South Wales, where the result was unchanged, and the Northern Territory, which recorded a decline of three percentage points.

SMEs with significant growth plans were almost three times as likely to export as those with no plans for growth (20 per cent compared to seven per cent). SMEs in metropolitan areas were more than twice as likely to export as their regional counterparts (17 per cent compared to eight per cent).

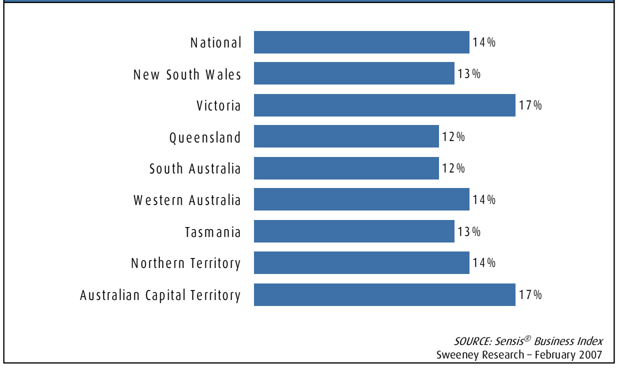
SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, with participation in that sector rising to 34 per cent. SMEs in the building and construction sector reported the lowest level of export activity in the past quarter.

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

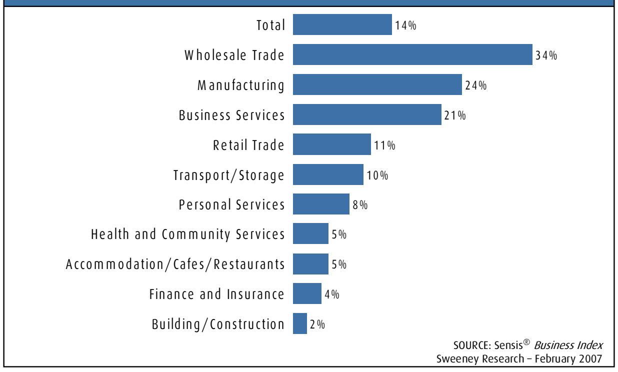
Looking forward, SMEs were expecting mixed results in the value of their exports. In the short term, there was a solid rise of four percentage points in the proportion of SMEs that were expecting growth in the value of their exports for the coming quarter. However, there was a fall of three percentage points in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

New Zealand was the most favoured destination for SME exports in the past quarter, with 35 per cent of exporting SMEs exporting to that location. Other strong results were seen for the United Kingdom, to which 30 per cent of exporting SMEs exported, and the United States, which came in third at 29 per cent.

Proportion of SMEs exporting in last year
by state and territory



Proportion of SMEs exporting in last year
by business sector



Value of exports - trends

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Last Quarter					
Experienced increase	29%	31%	35%	23%	26%
No change	45%	56%	52%	62%	57%
Experienced decrease	26%	13%	13%	16%	18%
*Net Balance	+3%	+18%	+22%	+7%	+8%
Current Quarter					
Expect increase	33%	31%	29%	31%	35%
No change	53%	60%	61%	57%	52%
Expect decrease	14%	8%	10%	13%	13%
*Net Balance	+19%	+23%	+19%	+18%	+22%
Next 12 months					
Expect increase	41%	45%	50%	50%	50%
No change	46%	44%	43%	42%	40%
Expect decrease	13%	11%	8%	7%	10%
*Net Balance	+28%	+34%	+42%	+43%	+40%

Base : Exported goods or services overseas in last three months

SOURCE: Sensis® *Business Index*
Sweeney Research – February 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 further marginal rise during the quarter and has now been net positive for nine out of the last 10 quarters, with the Federal Government being the most supported government in Australia by SMEs.

Last quarter (November 2006 to January 2007)

The net balance result of a positive 11 per cent approval rating represented a marginal one percentage point rise in the past quarter. The Federal Government's result has now been net positive for nine out of the last 10 quarters since the last Federal election, and currently sits at two percentage points below the level recorded after the previous Federal Election. The result comprised 34 per cent of businesses that were supportive of the Federal Government's small business policies, compared to 23 per cent that felt their policies worked against small business.

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

SMEs in metropolitan areas were far more supportive of the Federal Government than those in regional areas. Medium businesses were more than three times as supportive of the Federal Government as small businesses, and businesses aiming for significant growth were more than eight times more supportive than 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 the Northern Territory, closely followed by those in New South Wales. The belief that the Federal Government was more supportive of small business was the next most frequent response at a much lower rate.

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

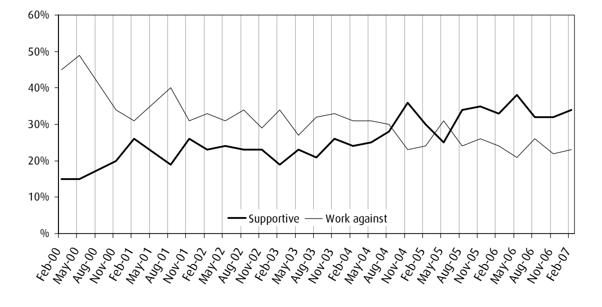
Attitudes to Federal Government policies
past five quarters

	Feb 06	May 06	Aug 06	Nov 06	Feb 07
Supportive	33%	38%	32%	32%	34%
Work against	24%	21%	26%	22%	23%
No impact	43%	40%	42%	46%	43%
***Net Balance**	**+9%**	**+17%**	**+6%**	**+10%**	**+11%**

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

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Attitudes to Federal Government policies
Long-term trends



SOURCE: Sensis® *Business Index*
Sweeney Research – February 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

The Northern Territory 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 twelfth successive quarter, following a fall in support within the state.

Last quarter (November 2006 to January 2007)

The Northern Territory Government recorded the highest approval rating from SMEs at net positive one per cent. This result was up 13 percentage points from net negative 12 per cent last quarter. A view that the Northern Territory Government was more supportive and interested in small business was the main reason given by SMEs for their support, followed by a belief that the Northern Territory Government was more approachable and easily accessible.

The South Australian Government achieved the next highest ratings from SMEs, recording net negative four per cent. The main reason SMEs gave for supporting the South Australian Government was a feeling that they were more supportive of small businesses, followed by their small business management training schemes.

Increased levels of support were recorded for governments in Victoria, South Australia, Western Australia, the Northern Territory and the Australian Capital Territory. The governments in New South Wales and Tasmania saw declining levels of support, with support unchanged in Queensland.

Reversing some of last quarter's improvement, the New South Wales Government was the least supported government among SMEs. This was the twelfth successive quarter that the New South Wales Government has recorded the lowest result of any state or territory government. The key reasons SMEs gave for not supporting the New South Wales Government were that there was too much bureaucracy coupled with too many taxes.

Attitudes to state or territory government policies
February 2007

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	11%	19%	23%	20%	20%	22%	33%	24%
Work against	45%	25%	29%	24%	34%	30%	32%	36%
No impact	44%	55%	48%	55%	46%	48%	36%	39%
***Net Balance**	**-34%**	**-6%**	**-6%**	**-4%**	**-14%**	**-8%**	**+1%**	**-12%**

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

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Attitudes to state or territory government policies
Trends in *net balance

	Feb 2006	May 2006	Aug 2006	Nov 2006	Feb 2007
New South Wales	-33%	-32%	-46%	-24%	-34%
Victoria	-24%	-18%	-14%	-16%	-6%
Queensland	-9%	-2%	-4%	-6%	-6%
South Australia	-9%	+1%	-9%	-5%	-4%
Western Australia	-10%	-10%	-9%	-17%	-14%
Tasmania	+10%	+26%	-1%	+9%	-8%
Northern Territory	+2%	+3%	-3%	-12%	+1%
Australian Capital Territory	-3%	-6%	-17%	-15%	-12%

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

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

Succession Planning

Incidence of succession planning in Australian small and medium enterprises

With the importance of demographic change now well recognised, it is timely to revisit how Australia's SME operators are planning for the future.

Overall, more than one quarter (27 per cent) of Australian SME operators are planning to work in their current business for less than five years. It is interesting to note that this is not just in the oldest age demographic, although this demographic is most affected. The second most likely age of operators who intend to work in their current business for less than five years is under 30 years old. Whilst the most common reason for exiting the current business is retirement (56 per cent), the next most common reason is to open a new or different business (11 per cent).

Despite the increased emphasis on demographic change at the national level in the past two years, the proportion of SME operators that have developed a succession plan has actually decreased. Currently, some 39 per cent reported having a succession plan, a drop of two percentage points from the 41 per cent who reported having plans in August 2004. SMEs in the Australian Capital Territory were most likely to have developed a succession plan. The majority of SME owners had developed their succession plans themselves (53 per cent), with most plans involving selling the business (41 per cent), followed by passing it on to family members (29 per cent). Two-thirds of SME operators reported that their business was their main asset to provide for their retirement income.

Length of time expect to stay in this business

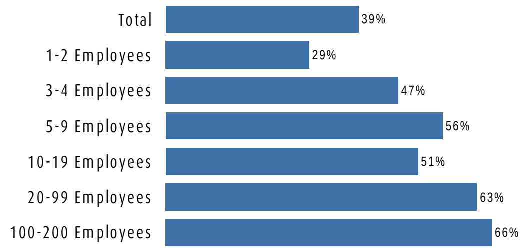
	Age of business operator				
	Up to 30	31-40	41-50	51-60	60+
Less than five years	36%	19%	13%	23%	56%
5 to 9 years	21%	15%	21%	27%	21%
10 to 14 years	12%	10%	22%	24%	6%
15 to 19 years	3%	7%	13%	10%	1%
20 years or more	22%	36%	23%	9%	2%
Haven't thought about it	7%	9%	7%	4%	9%

Q. How much longer are you currently planning on working in this business?

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Do businesses have a succession plan?
by size of business

Proportion who have a succession plan or exit strategy



Q. Have you developed a succession plan or exit strategy for your business?

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Workplace relations

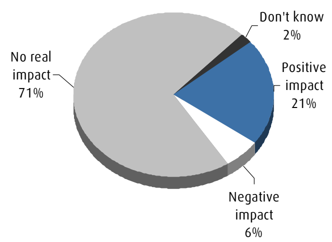
Workplace relations

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 net proportion of SME owners who were supportive of the changes increased from net 12 per cent to net 15 per cent.

Only 12 per cent of SMEs were actively planning on making any changes with the introduction of the new laws, with hiring more staff being the most frequent response. Already, some 10 per cent of SMEs reported that they have made changes, with putting new workplace agreements into place being the most common action to date. SMEs in the Northern Territory were the most likely to have made changes so far.

Perceived impact of changes to workplace relations environment on the business



Q. Do you believe that the workplace relations changes – Work Choices - will have a positive impact on your business, a negative impact, or no real impact either way?

SOURCE: Sensis® *Business Index*
Sweeney Research – February 2007

Small and medium business outlook – national

- Business confidence showed further strong improvement during the quarter.
- Perceptions of the current state of the economy and future economic expectations both increased strongly.
- Performance in sales, profitability, employment, prices and capital expenditure all fell.
- The only performance indicator that rose in the past quarter was wages bills.
- All expectations rose for the short term, with the only exception being employment, which was unchanged.
- There was only marginal movement in expectations for the year ahead.
- Support for the Federal Government's policies rose to a net positive 11 per cent, the highest of any government in Australia.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	72	65	63	65	69
NEGATIVE	13	17	18	15	13
NET BALANCE	**+59**	**+48**	**+45**	**+50**	**+56**

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	38	36	35	41	39	48	43	45	46	49
	DECREASE	26	36	35	26	25	14	16	14	14	14
	NET BALANCE	**+12**	**0**	**0**	**+15**	**+14**	**+34**	**+27**	**+31**	**+32**	**+35**
SIZE OF WORKFORCE:	INCREASE	12	14	13	16	13	17	14	13	15	15
	DECREASE	11	13	14	12	12	4	5	3	3	3
	NET BALANCE	**+1**	**+1**	**-1**	**+4**	**+1**	**+13**	**+9**	**+10**	**+12**	**+12**
WAGES BILL:	INCREASE	25	25	26	26	27	28	24	26	27	29
	DECREASE	11	15	15	14	12	8	8	8	7	6
	NET BALANCE	**+14**	**+10**	**+11**	**+12**	**+15**	**+20**	**+16**	**+18**	**+20**	**+23**
PRICES:	INCREASE	20	25	29	26	25	30	27	34	29	31
	DECREASE	4	6	4	4	4	2	3	2	2	2
	NET BALANCE	**+16**	**+19**	**+25**	**+22**	**+21**	**+28**	**+24**	**+32**	**+27**	**+29**
PROFITABILITY:	INCREASE	32	32	32	38	35	45	39	41	41	45
	DECREASE	23	34	36	27	25	16	18	14	14	14
	NET BALANCE	**+9**	**-2**	**-4**	**+11**	**+10**	**+29**	**+21**	**+27**	**+27**	**+31**
CAPITAL EXPENDITURE:	INCREASE	23	22	20	20	21	25	23	21	24	29
	DECREASE	24	25	31	25	29	25	25	29	26	25
	NET BALANCE	**-1**	**-3**	**-11**	**-5**	**-8**	**+0**	**-2**	**-8**	**-2**	**+4**

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

Small and medium business outlook – New South Wales

- Business confidence improved during the quarter, however remained the lowest of any state or territory.
- New South Wales saw increases in performance in sales, wages and prices, with falls recorded for employment, profitability and capital expenditure.
- SMEs in New South Wales recorded the lowest performance in employment in the past quarter of any state or territory.
- For the year ahead, SMEs in New South Wales recorded the highest levels of expectations for capital expenditure.
- Support for the policies of the New South Wales Government fell and were the lowest level for any state or territory government for the twelfth successive quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	71	55	54	59	63
NEGATIVE	17	25	26	15	16
NET BALANCE	+54	+30	+28	+44	+47

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	38	36	35	41	39	48	43	45	46	49
	DECREASE	26	36	35	26	25	14	16	14	14	14
	NET BALANCE	+12	0	0	+15	+14	+34	+27	+31	+32	+35
SIZE OF WORKFORCE:	INCREASE	12	14	13	16	13	17	14	13	15	15
	DECREASE	11	13	14	12	12	4	5	3	3	3
	NET BALANCE	+1	+1	-1	+4	+1	+13	+9	+10	+12	+12
WAGES BILL:	INCREASE	25	25	26	26	27	28	24	26	27	29
	DECREASE	11	15	15	14	12	8	8	8	7	6
	NET BALANCE	+14	+10	+11	+12	+15	+20	+16	+18	+20	+23
PRICES:	INCREASE	20	25	29	26	25	30	27	34	29	31
	DECREASE	4	6	4	4	4	2	3	2	2	2
	NET BALANCE	+16	+19	+25	+22	+21	+28	+24	+32	+27	+29
PROFITABILITY:	INCREASE	32	32	32	38	35	45	39	41	41	45
	DECREASE	23	34	36	27	25	16	18	14	14	14
	NET BALANCE	+9	-2	-4	+11	+10	+29	+21	+27	+27	+31
CAPITAL EXPENDITURE:	INCREASE	23	22	20	20	21	25	23	21	24	29
	DECREASE	24	25	31	25	29	25	25	29	26	25
	NET BALANCE	-1	-3	-11	-5	-8	+0	-2	-8	-2	+4

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

Small and medium business outlook – Victoria

- Business confidence rose during the quarter.
- Victorian SMEs recorded the lowest performance levels of any state or territory for sales, wages, prices, profitability and capital expenditure.
- Victorian SMEs expecting marginal increases in sales and profitability and a solid increase in capital expenditure – all short-term expectations were below the national average with the exception of capital expenditure.
- SMEs in Victoria recorded the lowest expectations of any state or territory for profitability, for both the short and medium terms.
- SME support for the Victorian Government recorded a strong improvement during the quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	69	68	60	64	68
NEGATIVE	13	17	18	16	15
NET BALANCE	+56	+51	+42	+48	+53

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 05 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	39	33	35	38	33	51	41	44	42	42
	DECREASE	25	37	33	26	26	17	15	15	17	16
	NET BALANCE	+14	-4	+2	+12	+7	+34	+26	+29	+25	+26
SIZE OF WORKFORCE:	INCREASE	17	15	15	12	14	13	9	14	17	14
	DECREASE	7	11	13	14	14	4	6	4	2	3
	NET BALANCE	+10	+4	+2	-2	0	+9	+3	+10	+15	+11
WAGES BILL:	INCREASE	28	24	22	21	26	24	19	29	30	30
	DECREASE	6	11	18	16	12	7	10	8	8	8
	NET BALANCE	+22	+13	+4	+5	+14	+17	+9	+21	+22	+22
PRICES:	INCREASE	15	21	21	21	21	29	27	32	24	27
	DECREASE	4	6	4	4	3	2	4	3	3	1
	NET BALANCE	+11	+15	+17	+17	+18	+27	+23	+29	+21	+26
PROFITABILITY:	INCREASE	32	29	34	31	30	46	39	41	35	37
	DECREASE	22	33	31	26	28	18	15	17	15	16
	NET BALANCE	+10	-4	+3	+5	+2	+28	+24	+24	+20	+21
CAPITAL EXPENDITURE:	INCREASE	25	18	17	20	19	25	21	19	25	28
	DECREASE	27	26	31	29	30	41	25	29	24	21
	NET BALANCE	-2	-8	-14	-9	-11	-3	-4	-10	+1	+7

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

Small and medium business outlook – Queensland

- Queensland recorded a strong rise in business confidence among SMEs this quarter, with confidence well above the national average.
- Sales and profitability performance improved among Queensland SMEs during the past quarter.
- All performance indicators for Queensland SMEs were above the national average.
- Employment trends among Queensland SMEs continued to improve strongly above the national average.
- Immediate expectations for the current quarter were positive in most areas with solid expectations for sales, profitability, employment and capital expenditure.
- There was no change during the quarter in the Queensland Government's approval rating.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	78	74	75	69	74
NEGATIVE	8	10	11	14	7
NET BALANCE	+70	+64	+64	+55	+67

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	41	38	41	39	42	48	47	46	41	48
	DECREASE	29	33	28	26	26	15	14	13	18	12
	NET BALANCE	+12	+5	+13	+13	+16	+33	+33	+33	+23	+36
SIZE OF WORKFORCE:	INCREASE	12	13	12	18	14	20	14	15	18	17
	DECREASE	11	12	13	12	8	8	6	2	5	3
	NET BALANCE	+1	+1	-1	+6	+6	+12	+8	+13	+13	+14
WAGES BILL:	INCREASE	26	25	28	33	27	27	26	28	34	28
	DECREASE	13	13	10	16	12	8	6	5	7	6
	NET BALANCE	+13	+12	+18	+17	+15	+19	+20	+23	+27	+22
PRICES:	INCREASE	24	34	38	28	27	34	29	35	27	34
	DECREASE	4	4	5	4	3	2	2	4	3	2
	NET BALANCE	+20	+30	+33	+24	+24	+32	+27	+31	+24	+32
PROFITABILITY:	INCREASE	32	32	33	41	40	51	46	43	41	43
	DECREASE	27	31	31	27	23	14	13	11	18	13
	NET BALANCE	+5	+1	+2	+14	+17	+37	+33	+32	+23	+30
CAPITAL EXPENDITURE:	INCREASE	25	22	20	22	22	26	21	26	21	32
	DECREASE	27	27	28	26	26	22	28	30	31	27
	NET BALANCE	-2	-5	-8	-4	-4	+4	-7	-4	-10	+5

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

Small and medium business outlook – South Australia

- Business confidence improved strongly during the quarter, at a level above the national average.
- Sales performance improved during the quarter but remained below the national average.
- Profitability also improved strongly among SMEs in South Australia, but was still the lowest of any state or territory.
- Employment performance among SMEs in South Australia was the equal highest of any state or territory; however, employment expectations for the coming quarter were the lowest, as were expectations for increases in wages bills.
- The net proportion of SMEs in South Australia that reported increasing their prices was the highest of any state or territory.
- South Australian SMEs recorded the lowest expectations for the coming quarter for capital expenditure.
- support for the South Australian Government improved, making it the second most supported state or territory government.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	74	69	65	65	73
NEGATIVE	9	16	18	18	13
NET BALANCE	+65	+53	+47	+47	+60

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

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

Small and medium business outlook – Western Australia

- Business confidence improved further during the quarter, remaining the highest result of any state or territory.
- SMEs in Western Australia recorded the highest performance results for sales and profitability of any state or territory.
- Western Australian SMEs held the strongest expectations for the coming quarter for sales, wages and profitability of any state or territory.
- SMEs in Western Australia recorded the highest expectations for the year ahead in every indicator with the exception of capital expenditure.
- Support for the Western Australian Government improved, however remained the second least supported state or territory government.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	77	76	74	79	81
NEGATIVE	10	5	9	6	6
NET BALANCE	+67	+71	+65	+73	+75

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	52	37	48	52	46	52	48	54	54	56
	DECREASE	15	28	18	19	22	15	14	11	11	12
	NET BALANCE	+37	+9	+30	+33	+24	+37	+34	+43	+43	+44
SIZE OF WORKFORCE:	INCREASE	14	13	15	19	15	17	15	10	21	20
	DECREASE	10	15	9	10	9	3	2	1	2	4
	NET BALANCE	+4	-2	+6	+9	+6	+14	+13	+9	+19	+16
WAGES BILL:	INCREASE	26	33	33	36	24	28	31	32	34	32
	DECREASE	14	9	11	11	6	8	4	3	5	3
	NET BALANCE	+12	+24	+22	+25	+18	+20	+27	+29	+29	+29
PRICES:	INCREASE	26	31	35	33	29	38	43	41	34	36
	DECREASE	2	3	2	3	2	2	2	1	0	2
	NET BALANCE	+24	+28	+33	+30	+27	+36	+41	+40	+34	+34
PROFITABILITY:	INCREASE	45	39	42	48	43	49	48	51	50	52
	DECREASE	21	27	22	20	19	13	13	11	11	11
	NET BALANCE	+24	+12	+20	+28	+24	+36	+35	+40	+39	+41
CAPITAL EXPENDITURE:	INCREASE	26	32	29	22	27	29	25	25	28	33
	DECREASE	25	27	19	25	25	28	27	28	27	23
	NET BALANCE	+1	+5	+10	-3	+2	+1	-2	-3	+1	+10

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

Small and medium business outlook – Tasmania

- Business confidence rose during the quarter and was the second highest of any state or territory.
- Sales and profitability performance among Tasmanian SMEs both improved, with sales well above the national average and profitability marginally below the national average.
- Employment performance fell marginally during the quarter, however remained above the national average.
- Tasmanian SMEs reported strong growth in capital expenditure, turning around last quarter's weak results and recording the highest performance of any state or territory.
- Support for the Tasmanian Government's policies fell strongly into net negative territory.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	73	72	67	67	78
NEGATIVE	10	13	19	14	8
NET BALANCE	**+63**	**+59**	**+48**	**+53**	**+70**

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	41	38	26	38	41	43	27	40	50	37
	DECREASE	26	28	37	32	22	16	26	12	14	16
	NET BALANCE	**+15**	**+10**	**-11**	**+6**	**+19**	**+27**	**+1**	**+28**	**+36**	**+21**
SIZE OF WORKFORCE:	INCREASE	14	9	11	17	17	16	5	6	13	15
	DECREASE	12	9	19	12	13	4	6	4	5	5
	NET BALANCE	**+2**	**0**	**-8**	**+5**	**+4**	**+12**	**-1**	**+2**	**+8**	**+10**
WAGES BILL:	INCREASE	24	26	24	28	26	21	16	24	24	27
	DECREASE	17	12	20	9	12	7	14	10	6	9
	NET BALANCE	**+7**	**+14**	**+4**	**+19**	**+14**	**+14**	**+2**	**+14**	**+18**	**+18**
PRICES:	INCREASE	18	27	28	26	27	28	37	36	29	28
	DECREASE	3	4	3	6	1	1	5	3	4	5
	NET BALANCE	**+15**	**+23**	**+25**	**+20**	**+26**	**+27**	**+32**	**+33**	**+25**	**+23**
PROFITABILITY:	INCREASE	33	36	25	33	33	40	21	36	49	39
	DECREASE	22	27	38	28	24	14	25	11	12	16
	NET BALANCE	**+11**	**+9**	**-13**	**+5**	**+9**	**+26**	**-4**	**+25**	**+37**	**+23**
CAPITAL EXPENDITURE:	INCREASE	25	31	30	18	25	29	23	19	25	29
	DECREASE	29	24	31	35	22	26	31	35	26	27
	NET BALANCE	**-4**	**+7**	**-1**	**-17**	**+3**	**+3**	**-8**	**-16**	**-1**	**+2**

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

Small and medium business outlook – Northern Territory

- SMEs in the Northern Territory reported the third highest business confidence in Australia, recording a strong rise during the past quarter.
- Despite falls in both sales and profitability performance, this is not atypical of the Northern Territory's seasonal patterns, with performance having exceeded expectations.
- SMEs in the Territory were expecting stronger results next quarter, with the highest short-term expectations recorded for employment, prices and capital expenditure.
- Support for the Northern Territory Government rose strongly to be the most supported state or territory government, and the only state or territory government to achieve a net positive rating.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	72	72	73	71	79
NEGATIVE	13	14	14	13	11
NET BALANCE	+59	+58	+59	+58	+68

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	38	30	51	48	37	53	58	44	32	53
	DECREASE	28	32	16	18	27	14	7	19	27	10
	NET BALANCE	+10	-2	+35	+30	+10	+39	+51	+25	+5	+43
SIZE OF WORKFORCE:	INCREASE	13	16	19	17	17	23	19	20	17	22
	DECREASE	22	9	10	15	18	4	3	7	11	1
	NET BALANCE	-9	+7	+9	+2	-1	+19	+16	+13	+6	+21
WAGES BILL:	INCREASE	24	21	30	29	35	32	31	37	23	28
	DECREASE	21	14	13	9	11	9	6	12	13	9
	NET BALANCE	+3	+7	+17	+20	+24	+23	+25	+25	+10	+19
PRICES:	INCREASE	30	32	30	34	30	26	30	45	36	36
	DECREASE	1	1	1	5	3	2	0	0	1	0
	NET BALANCE	+29	+31	+29	+29	+27	+24	+30	+45	+35	+36
PROFITABILITY:	INCREASE	36	26	47	44	33	49	54	38	31	51
	DECREASE	27	34	19	21	25	14	5	17	25	12
	NET BALANCE	+9	-8	+28	+23	+8	+35	+49	+21	+6	+39
CAPITAL EXPENDITURE:	INCREASE	25	30	30	30	26	22	28	28	26	31
	DECREASE	31	28	27	30	26	34	31	30	30	20
	NET BALANCE	-6	+2	+3	0	0	-12	-3	-2	-4	+11

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Small and medium business outlook – Australian Capital Territory

- Business confidence improved strongly during the quarter among Australian Capital Territory SMEs, recording a level well above the national average.
- Sales performance recorded a decrease during the quarter in the Australian Capital Territory, however remained well above the national average.
- Employment performance improved among Australian Capital Territory SMEs to be the equal highest of any state or territory.
- Profitability in the Australian Capital Territory was unchanged, remaining well above the national average.
- SMEs in the Australian Capital Territory recorded the lowest wages bill and prices expectations in Australia for the coming quarter.
- Support for the Australian Capital Territory Government rose during the quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2006 %	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %
POSITIVE	77	69	62	67	73
NEGATIVE	10	13	23	12	12
NET BALANCE	+67	+56	+39	+55	+61

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 05/06 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %
SALES VALUE:	INCREASE	46	33	39	50	46	57	46	41	44	48
	DECREASE	24	27	24	22	24	14	13	25	12	16
	NET BALANCE	+22	+6	+15	+28	+22	+43	+33	+16	+32	+32
SIZE OF WORKFORCE:	INCREASE	18	18	15	9	20	19	14	13	18	19
	DECREASE	9	12	13	14	13	5	4	7	5	5
	NET BALANCE	+9	+6	+2	-5	+7	+14	+10	+6	+13	+14
WAGES BILL:	INCREASE	33	30	28	25	40	30	28	23	31	29
	DECREASE	11	17	11	12	16	9	6	6	7	11
	NET BALANCE	+22	+13	+17	+13	+24	+21	+22	+17	+24	+18
PRICES:	INCREASE	21	26	22	31	25	30	34	39	32	23
	DECREASE	6	1	0	6	6	1	2	1	3	2
	NET BALANCE	+15	+25	+22	+25	+19	+29	+32	+38	+29	+21
PROFITABILITY:	INCREASE	35	35	34	41	44	52	43	34	42	48
	DECREASE	23	27	25	20	23	13	15	28	11	11
	NET BALANCE	+12	+8	+9	+21	+21	+39	+28	+6	+31	+37
CAPITAL EXPENDITURE:	INCREASE	24	19	21	24	30	26	27	30	21	28
	DECREASE	27	34	23	26	28	24	24	19	35	29
	NET BALANCE	-3	-15	-2	-2	+2	+2	+3	+11	-13	-1

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