

May 2007

Sensis[®] *Business Index-
Small and Medium Enterprises*



Sensis® Business Index - Small and Medium Enterprises

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Introduction

The Sensis® *Business Index* is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs). 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 May 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 May 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 24 April to 31 May 2007. The report covers experiences over the past three months (February to April 2007), and expectations for both the current quarter (May to July 2007) and the 12 months ending May 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, with perceptions about the future economic direction remaining unchanged at strong levels. The prime problem reported by SMEs was difficulty finding and keeping staff, followed by a lack of work or sales and problems with paperwork and bureaucracy. There was improvement in most performance indicators, with only wages and prices decreasing, easing inflationary concerns. However, SMEs were expecting softening in both the short term and the year ahead for all indicators.

Support for the Federal Government rose dramatically 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* 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 showed continued strong improvement during the past quarter.
- Perceptions of the current state of the Australian economy increased strongly, with unchanged strong results in the net balance of SMEs that felt the economy would be better a year from now.
- Most performance indicators improved in the last quarter, with the only exceptions being wages and prices, which fell.
- In the short term, SMEs are expecting decreases in sales, employment wages, prices, profitability and capital expenditure.
- Expectations for key business indicators for the year ahead were also for softening across all indicators.
- 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 paperwork and bureaucracy.
- Stronger sales performance was recorded. Sales expectations for the current quarter fell; with SMEs expecting further softening in the year ahead.
- Following on from the increased sales result, profitability performance also increased in the past quarter.
- Employment growth rose strongly during the quarter.
- Capital expenditure performance also improved, however remained net negative with more SMEs decreasing their capital expenditure than increasing it.
- Support for the Federal Government's policies rose strongly 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 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 13th 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 decreased to five percentage points, down from six 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, with the exception of profitability, which was equal.
- 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:

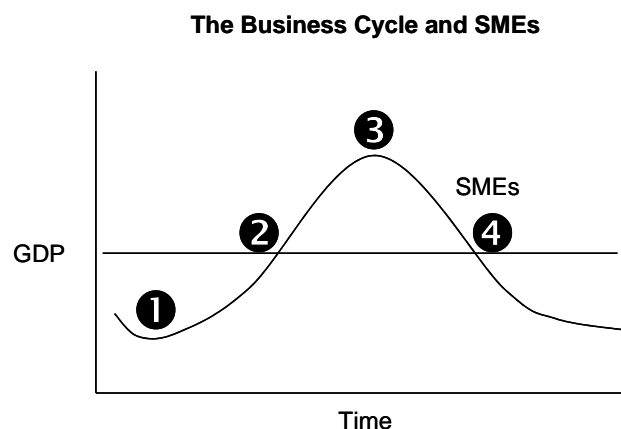
- Regional businesses were less confident than their metropolitan counterparts for the fifth successive quarter, with a decrease in business, the drought and water restrictions being cited as the overwhelming reasons for lower confidence.
- Metropolitan businesses were slightly more positive, on balance, about the current state of the Australian economy as regional businesses.
- Metropolitan businesses reported higher results than regional businesses in sales, employment, prices, profitability and capital expenditure for the past quarter.
- Regional businesses reported higher results than metropolitan businesses in prices charged.
- Metropolitan businesses reported higher expectations for the coming quarter than metropolitan businesses in most indicators, with the only exceptions being prices and capital expenditure, where expectations were higher in 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 building and construction sector.
- The wholesale trade, retail trade and accommodation, café and restaurant sectors recorded the lowest confidence levels of any sector.
- Strong performance was recorded by SMEs in the health and community services sector in the past quarter, with that sector reporting the highest results in sales, wages and profitability.
- Employment was again strong in the accommodation, cafes and restaurants sector, with that sector recording the greatest net proportion of SMEs that increased their employment in the past quarter.
- The building and construction sector reported the greatest net proportion of SMEs that increased their prices in the past quarter.
- SMEs in the finance and insurance sector were most likely to report increasing capital expenditure in the past quarter.
- Looking ahead, the health and community services sector had the highest expectations for increases in sales, wages and profitability in the coming quarter, whilst the finance and insurance sector had the highest expectations for employment.
- Expectations in the accommodation, cafes and restaurants sector were again weak, recording the lowest expectations for employment, wages and profitability in the coming quarter.
- The finance and insurance and building and construction sectors were the most supportive of the Federal Government's policies, with the health and community services sector being the least supportive.

SME business cycle analysis



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

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

Analysis of the key indicators from the May 2007 Sensis® Business Index suggests continued optimism in the current prospects of Australian SMEs within the Australian economy, with most indicators pointing to peak economic conditions. This was in an economic environment characterised by increasing performance indicators for SMEs, but softening economic expectations. Overall, however, SMEs felt the current economic situation was strong, mirrored by strong performance in their own businesses. Inflationary pressures, such as the prices SMEs are charging and their wages bills, continued to soften in the past quarter. The key factors continuing to cause concern for SMEs are problems finding staff for their businesses and the impact of the drought, and water restrictions on their businesses.

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 May 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 continued improvement in business confidence during the quarter. This result represents the third quarter of solid growth in business confidence, with business confidence now significantly higher than at the same time last year. Good demand and good business experience were the key reasons for improving confidence this quarter; however decreasing business in some areas, the impact of the drought and water restrictions continued to cause business operators significant concern.

Last quarter (February to April 2007)

SMEs recorded increased 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. In the key confidence categories, businesses that felt confident to some degree about their business prospects have recorded an increase of two percentage points. Those business owners who felt worried to some extent about their business prospects decreased over the quarter by one percentage point, resulting in an increase in the net balance result of three percentage points.

Despite the improvement in net confidence, there was a marginal fall in the proportion of SMEs that were feeling extremely confident, which was down one percentage point at 15 per cent. However, the level of net confidence, at 59 per cent, is now 11 percentage points higher than at the same time last year, when net confidence was at 48 per cent. The main reasons businesses gave for feeling confident were that they had plenty of work coming up, were established and experienced in their business operations and they were expecting the current conditions to continue. However, the main reason businesses gave for feeling worried about their prospects related to declines in business in their areas or sectors, as well as the impact of both the drought and water restrictions on their businesses.

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 businesses are feeling increasingly confident about future economic conditions in general, however there continues to be softer demand in some areas with some businesses feeling the impact of both the drought and water restrictions in their businesses.

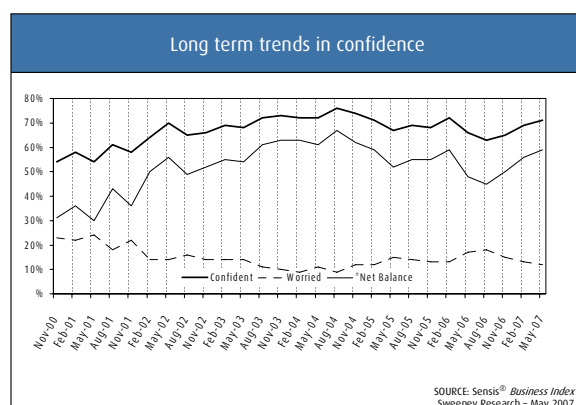
Overall confidence May 2007			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	15%	16%	15%
Fairly confident	56%	59%	56%
Neutral	17%	14%	17%
Fairly worried	9%	10%	9%
Extremely worried	3%	1%	3%
Total confident	71%	75%	71%
Total worried	12%	11%	12%
*Net Balance	+59%	+64%	+59%

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

SOURCE: Sensis® Business Index
Sweeney Research – May 2007

Confidence trends - past five quarters					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Extremely confident	15%	12%	16%	16%	15%
Fairly confident	50%	51%	49%	53%	56%
Neutral	17%	18%	20%	18%	17%
Fairly worried	14%	16%	12%	10%	9%
Extremely worried	3%	2%	3%	3%	3%
Total confident	65%	63%	65%	69%	71%
Total worried	17%	18%	15%	13%	12%
*Net Balance	+48%	+45%	+50%	+56%	+59%

SOURCE: Sensis® Business Index
Sweeney Research – May 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, 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 fifth successive quarter. Confidence was highest among SMEs in the building and construction sector. Confidence was lowest among SMEs in the wholesale trade, retail trade and accommodation, restaurant and cafe sectors.

Last quarter (February to April 2007)

Only New South Wales and Victoria recorded improving business confidence in the past quarter, with all other states and territories recording declining confidence. Western Australia again 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 11 of the last 12 quarters. However, coming from a low base, SMEs in New South Wales recorded the largest improvement in confidence of any state or territory.

The building and construction sector recorded the highest confidence at a net 79 per cent, an improvement of 18 percentage points in the past quarter. The lowest confidence level was recorded in the wholesale trade, retail trade and accommodation, restaurant and cafe sectors, with a net balance of 50 per cent each. For the retail trade sector this was an improvement of five percentage points in the past quarter, and reflects three quarters of solid growth. It was also an improvement of three percentage points for the wholesale trade sector, but reflected a fall of nine percentage points for the accommodation, restaurant and café sector.

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 Tasmania and the Northern Territory 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 metropolitan areas of the Northern Territory.

Trends by state *net balance					
	May 06	Aug 06	Nov 06	Feb 07	May 07
National	48%	45%	50%	56%	59%
New South Wales	30%	28%	44%	47%	53%
Victoria	51%	42%	48%	53%	58%
Queensland	64%	64%	55%	67%	64%
South Australia	53%	47%	47%	60%	57%
Western Australia	71%	65%	73%	75%	72%
Tasmania	59%	48%	53%	70%	69%
Northern Territory	58%	59%	58%	68%	63%
Australian Capital Territory	56%	39%	55%	61%	57%

SOURCE: Sensis® Business Index
Sweeney Research – May 2007

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	62%	54%	59%
New South Wales	56%	47%	53%
Victoria	61%	54%	58%
Queensland	65%	63%	64%
South Australia	59%	51%	57%
Western Australia	76%	57%	72%
Tasmania	66%	71%	69%
Northern Territory	58%	71%	63%
Australian Capital Territory	57%	N/A	57%

SOURCE: Sensis® Business Index
Sweeney Research – May 2007

Confidence by business size			
	Confident	Worried	*Net Balance
Total	71%	12%	59%
1-2 Employees	69%	12%	57%
3-4 Employees	73%	11%	62%
5-9 Employees	77%	9%	68%
10-19 Employees	69%	18%	51%
Total Small Business	71%	12%	59%
20-99 Employees	73%	12%	61%
100-199 Employees	89%	4%	85%
Total Medium Business	75%	11%	64%

SOURCE: Sensis® Business Index
Sweeney Research – May 2007

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	69%	10%	59%
Building/Construction	83%	4%	79%
Wholesale Trade	68%	18%	50%
Retail Trade	67%	17%	50%
Transport/Storage	76%	6%	70%
Communication Property & Business Services	70%	13%	57%
Finance and Insurance	61%	4%	57%
Health and Community Services	82%	7%	75%
Cultural, Recreational and Personal	66%	13%	53%
Accommodation, Cafes and Restaurants	63%	13%	50%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 three and a half years.

However, future economic expectations were unchanged from the previous quarter's result, remaining at their highest point in two years.

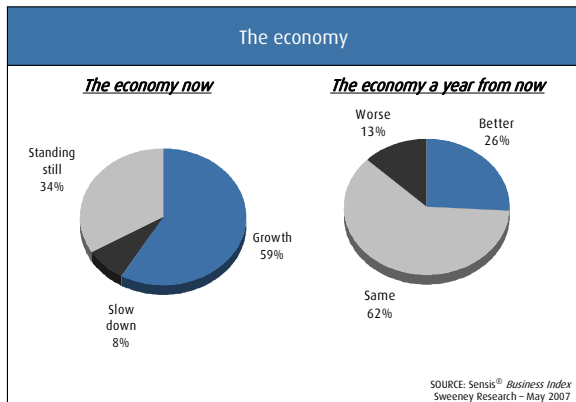
Last quarter (February to April 2007)

There was a further strong increase in the proportion of SMEs that felt the economy was currently growing, rising by 11 percentage points in the past quarter. Coupled with this was a decrease of eight percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in further improvement in the overall perception of the current state of the economy, with a net balance of positive 51 per cent of businesses believing the Australian economy is currently in a growth phase. This was an increase of 19 percentage points from last quarter, and follows from an increase of 18 percentage points in the previous 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 78 per cent reported a current growth phase, which was an increase of 17 percentage points from the previous quarter. The second strongest perception was again recorded in the Northern Territory (net balance of 68 per cent). The weakest perceptions were recorded among SMEs in New South Wales (net balance of 39 per cent, up from 22 per cent last quarter).

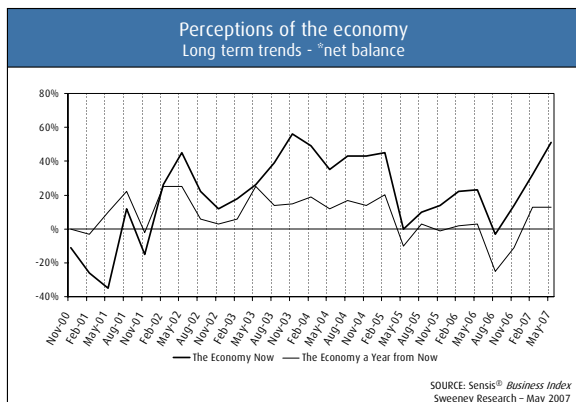
For the second successive quarter, no states or territories recorded weaker views of the economy. The largest improvement in perceptions was recorded in South Australia.

Expectations of the economy for the year ahead were unchanged from the previous quarter, with a net 13 per cent of SMEs believing the economy would be better in a year's time. Along with last quarter, this was the highest result since February 2005.



	May 06	Aug 06	Nov 06	Feb 07	May 07
The economy now					
Growth	44%	30%	39%	48%	59%
Slowing	21%	33%	25%	16%	8%
*Net Balance	+23%	-3%	+14%	+32%	+51%
The economy a year from now					
Better	24%	11%	18%	27%	26%
Worse	21%	36%	29%	14%	13%
*Net Balance	+3%	-25%	-11%	+13%	+13%

SOURCE: Sensis® Business Index Sweeney Research – May 2007



	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	48%	55%	66%	67%	83%	61%	71%	70%
Slowing	9%	7%	8%	6%	5%	5%	3%	6%
*Net Balance	+39%	+48%	+58%	+61%	+78%	+56%	+68%	+64%
The economy a year from now								
Better	25%	27%	21%	40%	23%	26%	21%	25%
Worse	10%	17%	15%	8%	12%	7%	8%	12%
*Net Balance	+15%	+10%	+6%	+32%	+11%	+19%	+13%	+13%

SOURCE: Sensis® Business Index Sweeney Research – May 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 experienced a slight easing from the previous quarter's strong trends. It was interesting to note that this moderation was recorded across all business indicators.

Next 12 months (May 2007 to April 2008)

Sales expectations weakened marginally during the quarter from 56 per cent to 52 per cent, representing a reversal of the rise in the previous two quarters. This result was made up of 62 per cent of businesses that thought sales would rise in the next year, while 10 per cent expect a fall. In line with recent results Western Australia once again recorded the strongest net sales expectations by state for the year ahead, with a net balance result of 65 per cent. Queensland was only marginally behind at 64 per cent. While at an industry level the hospitality sector recorded the strongest industry result with a net balance of 67 per cent. At the other end of the spectrum was the finance and insurance sector with a net balance result of 27 per cent.

Employment expectations for the year ahead registered a marginal fall with a net balance of 20 per cent. This compares with the two previous quarters of a consistent 23 per cent. At a state level the Australian Capital Territory and Western Australia recorded equal highest results with a net balance of 31 per cent each. Across the nation, metropolitan businesses recorded stronger employment expectations for the next twelve months compared to regional businesses (23 per cent in metropolitan areas compared to 17 per cent regionally). At an industry level the wholesale trade sector recorded the strongest results at 29 per cent. The worst performing sector in terms of employment expectations for the year ahead was the transport and storage sector with a net balance of eight per cent.

The total wages and salary costs expectations for the year ahead experienced a marginal decline of three percentage points during the quarter, with a net balance of 38 per cent of businesses expecting an increase. The strongest state employment expectations for the year ahead were recorded in Queensland and Western Australia (at 49 per cent each).

Selling price expectations for the year ahead eased for the second consecutive quarter to a net balance result of 54 per cent, down from 56 per cent. At a state level the Northern Territory recorded the strongest selling price expectations for the year ahead with a net balance result of 66 per cent. At an industry level the strongest price expectations for the year ahead come from the building and construction sector at 66 per cent. The lowest price expectations for the year ahead were recorded in the finance and insurance sector at 21 per cent.

In line with the trends for all business indicators for the next twelve months a slight decline in profitability expectations was recorded, reflected in the net result of 46 per cent. Queensland recorded the strongest profit expectations for the year ahead with a net balance result of 61 per cent. The lowest expectations were in New South Wales with a net balance result of 36 per cent. At an industry level the transport and storage sector recorded the strongest annual profit expectations with a net balance result of 62 per cent.

Capital expenditure expectations for the year ahead recorded a marginal decline with a net balance of 17 per cent. The strongest capital expenditure expectations for the next twelve months were recorded in the Northern Territory (27 per cent) and in accommodation, café and restaurant sector (31 per cent).

Expectations on key indicators over the next 12 months May 2007			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	62%	10%	+52%
Size of workforce	24%	4%	+20%
Wages bill	44%	6%	+38%
Prices charged	56%	2%	+54%
Profitability	58%	12%	+46%
Capital expenditure	37%	20%	+17%

SOURCE: Sensis® Business Index
Sweeney Research – May 2007

Expectations on key indicators Trends in *net balance					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Value of sales	51%	48%	55%	56%	52%
Size of workforce	21%	19%	23%	23%	20%
Wages bill	37%	35%	42%	41%	38%
Prices charged	56%	56%	57%	56%	54%
Profitability	42%	37%	46%	47%	46%
Capital expenditure	13%	6%	20%	19%	17%

SOURCE: Sensis® Business Index
Sweeney Research – May 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

Despite a small decline in the past quarter, difficulties finding and keeping staff remained the most pressing concern faced by SMEs nationally. This was followed by a lack of work or sales as the second most significant problem, and paperwork and bureaucracy in third position.

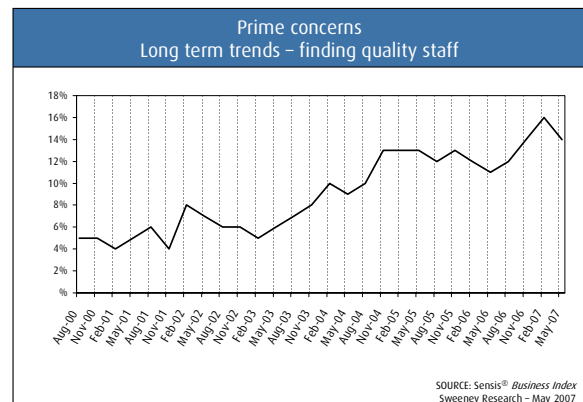
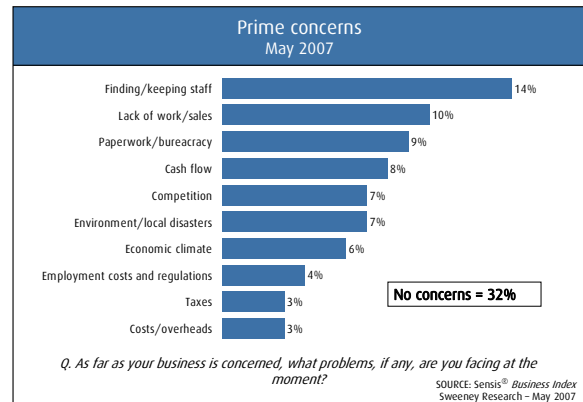
Last quarter (February to April 2007)

The proportion of SMEs reporting difficulties finding and keeping staff decreased in the past quarter, however it remained the top concern facing SMEs in Australia. At 14 per cent, this represented a fall of two percentage points from last quarter's record high. Reports of difficulties finding and keeping staff were highest in Western Australia, where this problem was being reported by 27 per cent of SMEs, and lowest in New South Wales and South Australia, where nine per cent reported difficulties in this area. SMEs in the accommodation, café and restaurant 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, 10 per cent of SMEs nominated a lack of work or sales as an issue, having fallen by three percentage points in the past quarter. Concern over a lack of work or sales was highest in New South Wales where 13 per cent of SMEs reported concerns, down five percentage points from last quarter. The wholesale trade sector reported the highest level of concern over a lack of work or sales, with 16 per cent of SMEs in that sector reporting concern over this issue.

Problems with paperwork and bureaucracy was the third most strongly reported issue in the latest quarter, with the proportion of SMEs reporting concerns with paperwork and bureaucracy rising by one percentage point to nine per cent. Problems with paperwork and bureaucracy were felt most in South Australia, where 12 per cent of SMEs reported difficulties, and in the building and construction, finance and insurance and accommodation, café and restaurant sectors (11 per cent each).

Other key problems faced by businesses this quarter were cash flow, competition, and concerns over environmental or local disasters, predominantly the current drought and water restrictions which were reported most by SMEs in Queensland. Overall, 13 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

There was a rise in the proportion of SMEs, on balance, that reported increased sales over the past quarter, bringing this indicator to its highest level in over two years. However, there were falls in the proportion of SMEs that were expecting improvement in their sales levels in both the short and medium terms.

Last quarter (February to April 2007)

Sales performance recorded a higher net balance of 17 per cent for the quarter, up by three percentage points from last quarter. This quarter's sales performance by SMEs is the highest result since February 2005.

Sales performance again varied dramatically across the states and territories. Western Australia recorded the strongest performance, where a net 32 per cent experienced increasing sales in the past quarter. At the other end of the scale, sales performance was lowest among SMEs in South Australia, where a net three per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the health and community services sector, with a net balance of 37 per cent of SMEs having reported increasing sales. The manufacturing sector again recorded the weakest industry performance, with a net negative three per cent of SMEs in that sector reporting sales growth.

Current quarter (May to July 2007)

SMEs were expecting a small decline in sales in the short term. Sales expectations for the current quarter recorded a decrease of three percentage points from the previous quarter to net 32 per cent.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in the Northern Territory at net 54 per cent. The weakest sales expectations for the coming quarter were recorded in Tasmania at a net 19 per cent.

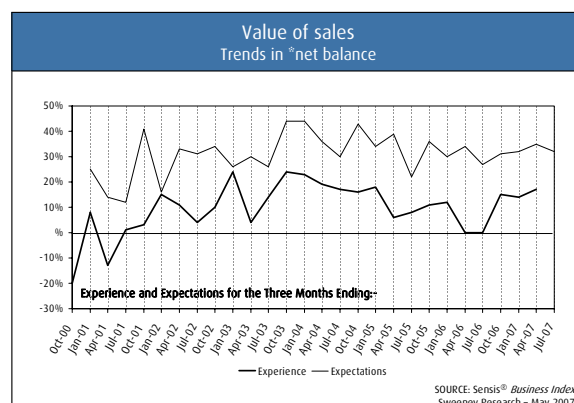
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the health and community services sector (net balance of 43 per cent). The transport and storage sector recorded the lowest level of expectations (net 11 per cent).

Next 12 months (May 2007 to April 2008)

Twelve-month sales expectations fell from a net 56 per cent to 52 per cent. The result comprised 62 per cent of businesses that believed sales would increase in the year ahead and 10 per cent that thought they would fall. Sales expectations for the year ahead were again highest in Western Australia at net 65 per cent.

Value of sales					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Last Quarter					
Experienced increase	36%	35%	41%	39%	43%
No change	28%	30%	32%	35%	31%
Experienced decrease	36%	35%	26%	25%	26%
*Net Balance	0%	0%	+15%	+14%	+17%
Current Quarter					
Expect increase	43%	45%	46%	49%	45%
No change	40%	40%	39%	37%	42%
Expect decrease	16%	14%	14%	14%	13%
*Net Balance	+27%	+31%	+32%	+35%	+32%

SOURCE: Sensis® Business Index
Sweeney Research – May 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

Employment growth improved during the past quarter. This was reflected in the net balance result of five per cent of businesses that experienced a rise in employment trends during the quarter. However, SMEs were expecting some moderation in these results in both the coming quarter and the year ahead.

Last quarter (February to April 2007)

SMEs recorded strong employment growth during the past quarter compared to recent historical trends, with 15 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 five per cent was the highest result since November 2005.

Notable regional variation was once again seen across Australia. At a state level the best performing regions were tied between the Northern Territory and Western Australia at 14 per cent. At the other end of the scale, South Australia recorded a net balance result of zero after recording the strongest employment experience of any state or territory in the previous quarter. At an industry level the hospitality sector recorded the strongest result at 22 per cent while the cultural, recreational and personal services sector recorded the lowest result at negative four per cent.

Current quarter (May to July 2007)

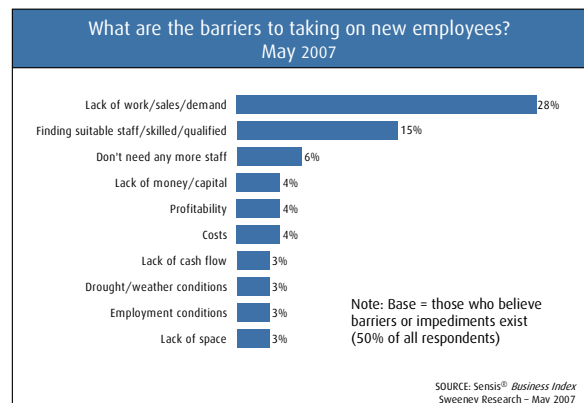
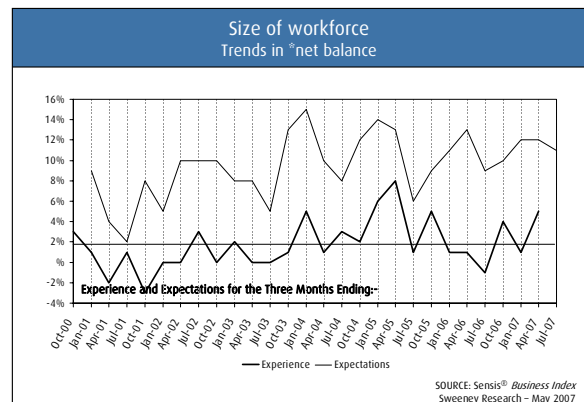
Employment expectations for the current quarter eased slightly during the quarter to give a net balance result of 11 per cent. The Australian Capital Territory recorded the strongest short-term employment expectations with a net balance result of 19 per cent. At the other end of the spectrum was Tasmania with a net balance result of only five per cent. On an industry basis, the strongest expectations were in the finance and insurance sector (20 per cent).

Next 12 months (May 2007 to April 2008)

Employment expectations for the year ahead recorded a slight weakening with a net balance result of 20 per cent. This was a marginal fall compared to the two previous quarters' results of a consistent 23 per cent. The strongest expectations for the year ahead were recorded in Western Australia and the Australian Capital Territory (net 31 per cent each), with the weakest in Tasmania (17 per cent).

Size of workforce					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Last Quarter					
Experienced increase	14%	13%	16%	13%	15%
No change	73%	73%	72%	75%	75%
Experienced decrease	13%	14%	12%	12%	10%
*Net Balance	+1%	-1%	+4%	+1%	+5%
Current Quarter					
Expect increase	14%	13%	15%	15%	13%
No change	80%	81%	80%	82%	85%
Expect decrease	5%	3%	3%	3%	2%
*Net Balance	+9%	+10%	+12%	+12%	+11%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 strong employment growth, net growth in total wage costs decreased during the last quarter, and SMEs were expecting further decreases in their wages bills for both the short and medium terms, easing inflationary fears.

Last quarter (February to April 2007)

The most recent quarter saw a decrease in wage cost trends, with the performance result down three percentage points to a net 12 per cent.

During the quarter, 25 per cent of SMEs experienced a rise in total wage costs, while 13 per cent recorded a decline. SMEs in the Northern Territory recorded the highest increases in total wage costs (net 27 per cent), while the lowest wage pressures were in New South Wales (net eight per cent). The strongest rise in total wage costs was recorded in the health and community services sector (net 32 per cent).

Current quarter (May to July 2007)

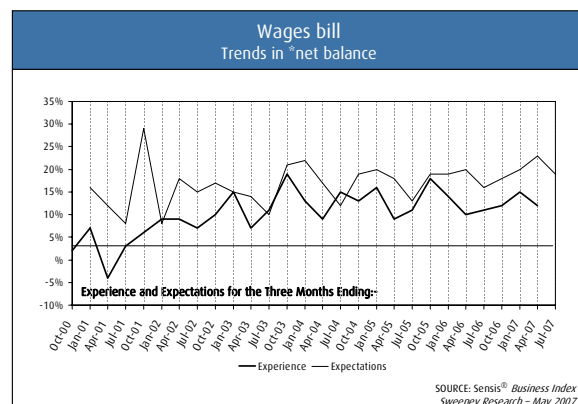
SMEs were expecting further decreases in wages in the short term, with expectations for total wage costs falling to a net 19 per cent for the current quarter from 23 per cent last quarter. The highest wage expectations were in the Northern Territory, with a net balance of 28 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in New South Wales and Tasmania were least likely to be expecting an increase in their wages bill in the current quarter (net 14 per cent each).

Next 12 months (May 2007 to April 2008)

Expectations for total wage and salary costs for the coming year fell again during the quarter, with a net balance of 38 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 three percentage points. The SMEs most likely to be expecting increases to their wages bills were in Queensland and Western Australia. SMEs in New South Wales were least likely to expect an increase in their total wages bill in the coming year.

Wages bill					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Last Quarter					
Experienced increase	25%	26%	26%	27%	25%
No change	54%	55%	55%	57%	62%
Experienced decrease	15%	15%	14%	12%	13%
*Net Balance	+10%	+11%	+12%	+15%	+12%
Current Quarter					
Expect increase	24%	26%	27%	29%	25%
No change	63%	61%	63%	61%	69%
Expect decrease	8%	8%	7%	6%	6%
*Net Balance	+16%	+18%	+20%	+23%	+19%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 further during the past quarter. Looking ahead, fewer SMEs were expecting to increase their prices in both the short and medium terms, leading to lower likelihood, in conjunction with the wages results, of inflationary concerns over the coming year.

Last quarter (February to April 2007)

The proportion of businesses that increased prices fell by a further three percentage points during the quarter, to a net balance result of 18 per cent. This result represents a decrease in the net proportion of SMEs that increased their prices for the third successive quarter, and a total fall of seven percentage points since August 2006.

Of all states and territories, the strongest price trends were recorded in the Northern Territory, with a net balance of 35 per cent. The lowest results were recorded in the Australian Capital Territory, with a net balance of 13 per cent. The strongest price rises were recorded in the building and construction sector, with a net balance result of 33 per cent. The weakest outcome was again recorded in the cultural, recreational and personal services sector, with a net balance result of 10 per cent.

Current quarter (May to July 2007)

SME expectations for price rises in the short term decreased during the quarter to a net balance result of 25 per cent, a fall of four percentage points since the last quarter. Queensland recorded the strongest price rise expectations, with a net balance result of 29 per cent, while New South Wales recorded the weakest price rise expectations, with a net balance of 22 per cent.

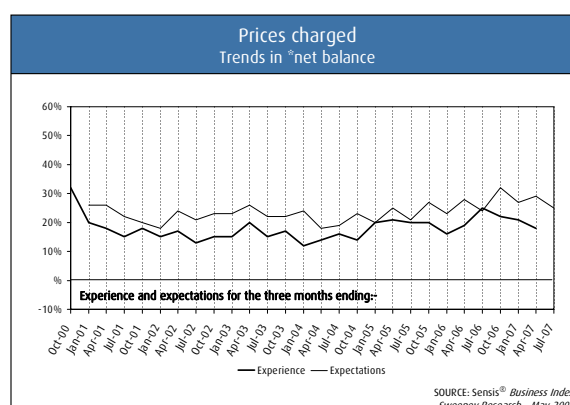
Next 12 months (May 2007 to April 2008)

At a net balance of 54 per cent, expectations for price rises in the coming year decreased further during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in Queensland at net 66 per cent, and weakest among those in New South Wales at net 50 per cent.

The strongest price rise expectations for the year ahead were recorded in the transport and storage sector, with a net balance result of 66 per cent. The weakest selling price expectations were again recorded in the finance and insurance sector (net 21 per cent).

Prices charged					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Last Quarter					
Experienced increase	25%	29%	26%	25%	21%
No change	69%	67%	70%	71%	76%
Experienced decrease	6%	4%	4%	4%	3%
*Net Balance	+19%	+25%	+22%	+21%	+18%
Current Quarter					
Expect increase	27%	34%	29%	31%	27%
No change	70%	64%	68%	67%	71%
Expect decrease	3%	2%	2%	2%	2%
*Net Balance	+24%	+32%	+27%	+29%	+25%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 during the quarter, after having fallen last quarter. However, SMEs were expecting their capital expenditure to fall for the short term and the year ahead.

Last quarter (February to April 2007)

SME performance in capital expenditure recorded a net negative two per cent result; the seventh consecutive quarter capital expenditure has recorded a net negative result. However, this result represented a strong increase of six percentage points, with capital expenditure now at its highest point since February 2006.

Capital expenditure growth was strongest in New South Wales, with a net balance result of positive one per cent of SMEs that increased their capital expenditure. New South Wales was the only state or territory to record net positive performance in capital expenditure in the past quarter. The weakest result was in Tasmania, which recorded a net balance of negative 14 per cent.

Once again there was a high degree of variation between the sectors. While the finance and insurance sector recorded the strongest capital expenditure performance (32 per cent), at the other end of the investment scale were the manufacturing and health and community services sectors (negative 11 per cent each).

Current quarter (May to July 2007)

The net result for capital expenditure expectations fell for the coming quarter, with a net balance result of positive one per cent. Despite the fall, this result represents two consecutive net positive quarters of short-term expectations for capital expenditure, which has not occurred since the August and November quarters in 2003. The highest expectations were recorded in Queensland at a net positive nine per cent. The weakest result was recorded in the Australian Capital Territory with a net balance of negative 17 per cent.

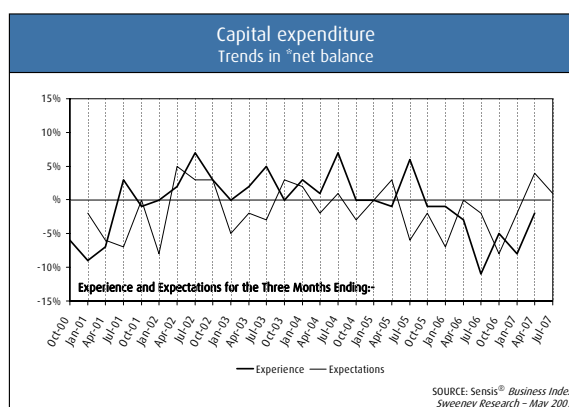
SMEs in the building and construction sector recorded the strongest expectations (15 per cent), while the finance and insurance sector recorded the weakest result at a net negative 26 per cent.

Next 12 months (May 2007 to April 2008)

Capital expenditure expectations for the year ahead fell further during the quarter, with a net 17 per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down from a net 19 per cent last quarter. The strongest capital expenditure expectation by state or territory was recorded in the Northern Territory (27 per cent).

Capital expenditure					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Last Quarter					
Experienced increase	22%	20%	20%	21%	25%
No change	49%	45%	52%	47%	48%
Experienced decrease	25%	31%	25%	29%	27%
*Net Balance	-3%	-11%	-5%	-8%	-2%
Current Quarter					
Expect increase	23%	21%	24%	29%	26%
No change	47%	46%	48%	44%	49%
Expect decrease	25%	29%	26%	25%	25%
*Net Balance	-2%	-8%	-2%	+4%	+1%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 rose during the past quarter in line with the trends in sales. While profitability performance improved during the quarter this trend was not repeated in short-term profit expectations, and expectations for the year ahead also recorded a marginal fall.

Last quarter (February to April 2007)

Profitability performance recorded a net balance result of 12 per cent for the past quarter. This represented a slight rise on the previous quarter of two percentage points. This was the highest profitability result recorded by SMEs since February 2005, over two years ago.

Across Australia the strongest profit experience occurred in Western Australia with a net balance result of 28 per cent. The weakest performance was recorded in South Australia at negative one per cent. The strongest industry performance was recorded in the health and community services sector with a net balance result of 32 per cent, with the weakest profitability performance recorded in the manufacturing sector (net negative 13 per cent). SMEs in metropolitan areas again experienced better profitability than regional SMEs.

Current quarter (May to July 2007)

Profitability expectations for the current quarter recorded a marginal fall to 27 per cent compared to the previous quarter's results of 31 per cent. At a state level, the strongest expectations were recorded in the Northern Territory at 47 per cent. The weakest region was South Australia with a net balance result of only 14 per cent.

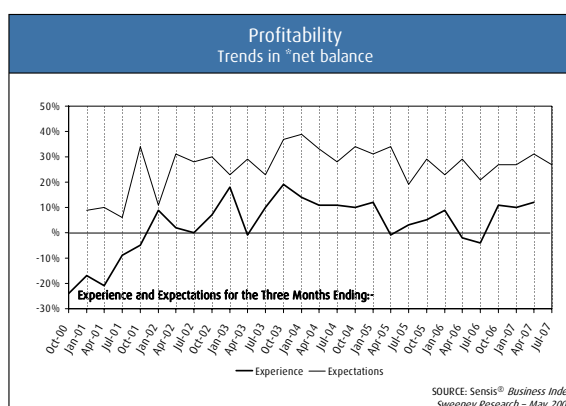
Across all industries, the health and community services sector recorded the strongest short-term profit expectations with a net balance result of 38 per cent. The hospitality sector recorded the weakest short-term profit expectations with a net balance result of only two per cent.

Next 12 months (May 2007 to April 2008)

Profitability expectations for the year ahead were relatively unchanged during the quarter, at a net balance result of 46 per cent. This follows comparable results for the two previous quarters of 47 per cent and 46 per cent. At a state level the strongest profit expectations were recorded in Queensland with a net balance result of 61 per cent. The weakest results were recorded in New South Wales with a net balance result of 36 per cent. At an industry level the strongest result was recorded in the transport and storage sector (62 per cent), with the weakest result recorded in the finance and insurance sector (21 per cent).

Profitability					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Last Quarter					
Experienced increase	32%	32%	38%	35%	39%
No change	33%	32%	34%	39%	34%
Experienced decrease	34%	36%	27%	25%	27%
*Net Balance	-2%	-4%	+11%	+10%	+12%
Current Quarter					
Expect increase	39%	41%	41%	45%	41%
No change	43%	44%	43%	40%	45%
Expect decrease	18%	14%	14%	14%	14%
*Net Balance	+21%	+27%	+27%	+31%	+27%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 improving further.

Last quarter (February to April 2007)

Fifteen per cent of SMEs reported they had exported in the past quarter, up by a further one percentage point from the previous quarter's result. The increased result was primarily due to increases in the proportion of SMEs exporting in New South Wales and Victoria. Apart from the Northern Territory, where the result was unchanged, all other states and territories saw declines in the proportion of SMEs exporting.

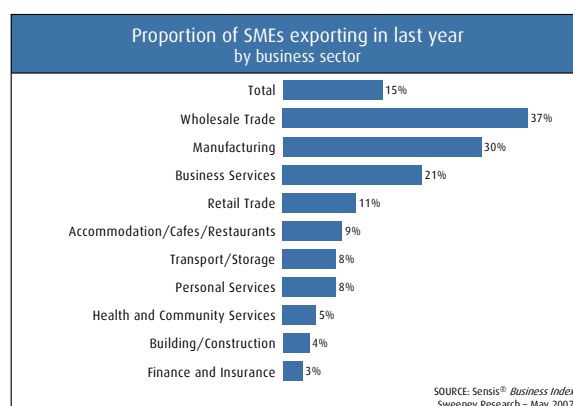
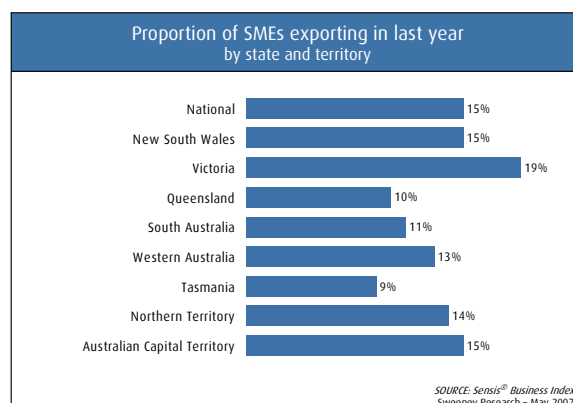
SMEs with significant growth plans were over twice as likely to export as those with no plans for growth (24 per cent compared to nine per cent). SMEs in metropolitan areas were almost three times as likely to export as their regional counterparts (19 per cent compared to seven per cent).

SMEs in the wholesale trade sector were again the most likely to have exported in the past quarter, with participation in that sector rising to 37 per cent. SMEs in the finance and insurance 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 11 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 eight per cent.

Looking forward, SMEs were expecting mixed results in the value of their exports. In the short term, there was a significant fall of 12 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 rise of two 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 29 per cent of exporting SMEs exported, and the United Kingdom, which came in third at 22 per cent.



Value of exports - trends

	May 06	Aug 06	Nov 06	Feb 07	May 07
Last Quarter					
Experienced increase	31%	35%	23%	26%	31%
No change	56%	52%	62%	57%	49%
Experienced decrease	13%	13%	16%	18%	20%
*Net Balance	+18%	+22%	+7%	+8%	+11%
Current Quarter					
Expect increase	31%	29%	31%	35%	27%
No change	60%	61%	57%	52%	57%
Expect decrease	8%	10%	13%	13%	17%
*Net Balance	+23%	+19%	+18%	+22%	+10%
Next 12 months					
Expect increase	45%	50%	50%	50%	49%
No change	44%	43%	42%	40%	44%
Expect decrease	11%	8%	7%	10%	7%
*Net Balance	+34%	+42%	+43%	+40%	+42%

Base : Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index
Sweeney Research – May 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 very strong rise during the quarter and has now been net positive for 10 out of the last 11 quarters, with the Federal Government being the most supported government in Australia by SMEs. Only once in the history of the Sensis® Business Index has support among SMEs been higher – in May 1996 shortly after the election of the present government.

Last quarter (February to April 2007)

The net balance result of a positive 25 per cent approval rating represented a dramatic 14 percentage points rise in the past quarter, coming on top of already high results. The Federal Government's result has now been net positive for 10 out of the last 11 quarters since the last Federal election, and is currently at its second highest level on record, with a higher result of net 36 per cent being recorded in May 1996.. The result comprised 44 per cent of businesses that were supportive of the Federal Government's small business policies, compared to 19 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 51 per cent net balance. The region most critical of the Federal Government's small business policies was Tasmania, where the net balance of SMEs felt the Federal Government's policies supported small business was still a strong 15 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 just over twice as supportive of the Federal Government as small businesses, and businesses aiming for significant growth were twice as supportive as those not aiming for growth.

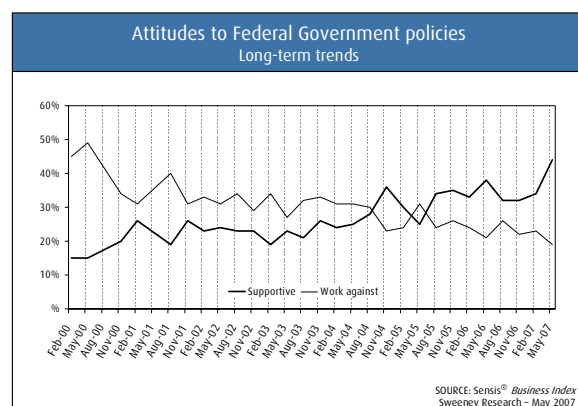
Once again, the Federal Government's industrial relations policies were by far the main reason SMEs gave for believing the Federal Government was trying to support small business. This view was particularly strong among SMEs in the Northern Territory, followed by those in New South Wales and Victoria. Stable economic management 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 amount of bureaucracy; and the amount of paperwork.

Attitudes to Federal Government policies past five quarters					
	May 06	Aug 06	Nov 06	Feb 07	May 07
Supportive	38%	32%	32%	34%	44%
Work against	21%	26%	22%	23%	19%
No impact	40%	42%	46%	43%	37%
*Net Balance	+17%	+6%	+10%	+11%	+25%

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

SOURCE: Sensis® Business Index
Sweeney Research – May 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 again 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 13th successive quarter, following a further fall in support within the state.

Last quarter (February to April 2007)

The Northern Territory Government recorded the highest approval rating from SMEs at net positive eight per cent. This result was up seven percentage points from net positive one per cent last quarter. The Northern Territory's small business management training programme was the main reason given by SMEs for their support, followed by a belief that the Northern Territory Government was more interested in small business.

The Victorian Government achieved the next highest ratings from SMEs, recording net positive four per cent. The main reason SMEs gave for supporting the Victorian Government was a feeling that they were more supportive of small businesses, followed again by their small business management training schemes combined with a general "gut" feeling from SMEs that they were supportive. This is the first time that the Victorian Government has recorded a net positive rating from SMEs since August 1999.

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

Following further decline, the New South Wales Government was the least supported government among SMEs. This was the 13th successive quarter that the New South Wales Government has recorded the lowest result of any state or territory government, now sitting at net negative 40 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 government charges and land tax issues.

Attitudes to state or territory government policies May 2007								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	4%	24%	22%	16%	18%	17%	33%	24%
Work against	44%	20%	29%	26%	39%	24%	25%	28%
No impact	52%	56%	49%	58%	43%	58%	42%	47%
*Net Balance	-40%	+4%	-7%	-10%	-21%	-7%	+8%	-4%

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

SOURCE: Sensis® Business Index
Sweeney Research – May 2007

Attitudes to state or territory government policies Trends in *net balance					
	May 2006	Aug 2006	Nov 2006	Feb 2007	May 2007
New South Wales	-32%	-46%	-24%	-34%	-40%
Victoria	-18%	-14%	-16%	-6%	+4%
Queensland	-2%	-4%	-6%	-6%	-7%
South Australia	+1%	-9%	-5%	-4%	-10%
Western Australia	-10%	-9%	-17%	-14%	-21%
Tasmania	+26%	-1%	+9%	-8%	-7%
Northern Territory	+3%	-3%	-12%	+1%	+8%
Australian Capital Territory	-6%	-17%	-15%	-12%	-4%

SOURCE: Sensis® Business Index
Sweeney Research – May 2007

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

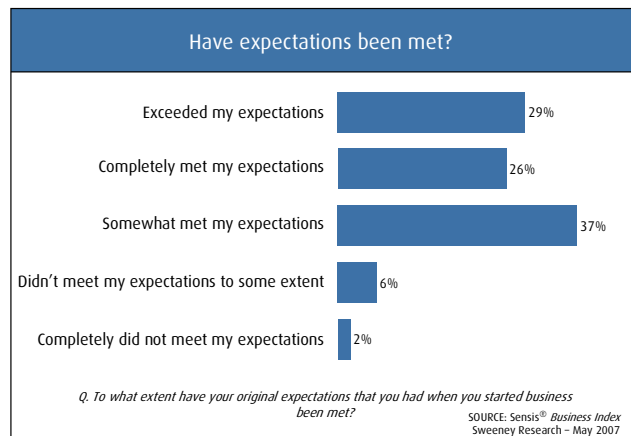
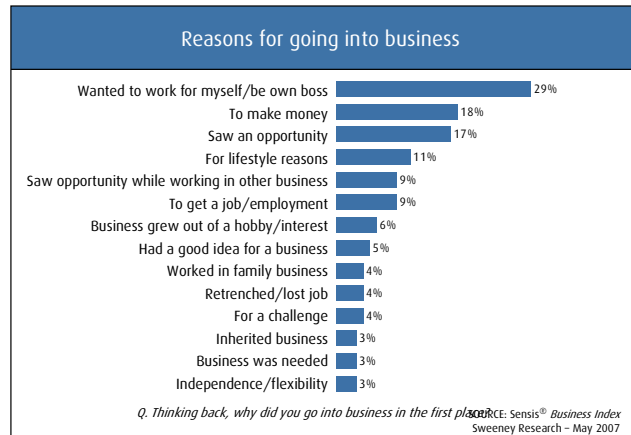
Why Australians start businesses

Reasons for starting a business

It is fascinating to look in detail at some of the reasons that inspire Australians to start their businesses in the first place. The results show that the most popular reason for going into business was that they wanted to work for themselves; to be their own boss. Almost three in ten SME owners gave this as the motivation for starting a business. Without exception, this was the highest ranking response in every state and territory in Australia. Other key motivations for Australians starting businesses included making money (18 per cent), seeing an opportunity (17 per cent) and lifestyle reasons (11 per cent).

Positively, SME owners were happy with the choice they had made, with 29 per cent reporting that their business had exceeded their original expectations. Only eight per cent of SMEs reported that their expectations had not been met. SME owners in Western Australia were the most likely to have exceeded their expectations (41 per cent).

Underlying this positive story, however, was the amount of effort and work that SME owners put into their business. On average, SME owners reported working 5.4 days per week, averaging 9.2 hours per day on weekdays and 4.5 hours per day on weekends. Spending long hours in their businesses did not necessarily stop SME owners seeing their families – some 53 per cent reported that they had family members working in their business, with 72 per cent of these in paid positions.



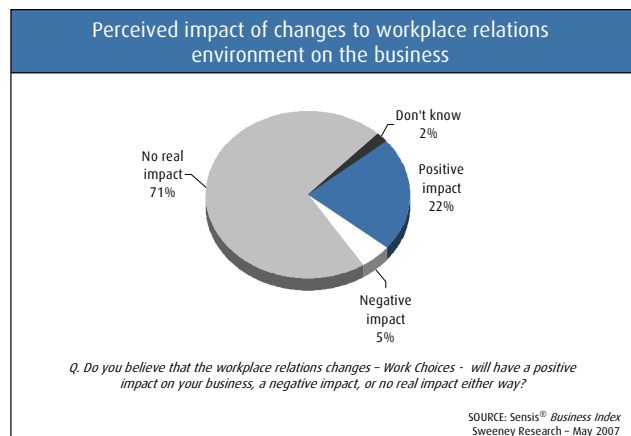
Workplace Relations

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 increased by a further one percentage point to net 22 per cent, with the proportion believing they would have a negative impact falling by one percentage point to five per cent.

Some 17 per cent of SMEs now report planning to make changes following the introduction of the new workplace relations laws, up from 12 per cent last quarter. Some ten per cent report having already made changes, with almost one in five of those reporting having taken new employees on as a result of the changes. Implementing new workplace agreements was the second most popular change reported by SMEs.



Small and medium business outlook – national

- Business confidence showed continued strong improvement during the quarter.
- Perceptions of the current state of the economy increased strongly with future economic expectations stable.
- Performance in sales, profitability, employment, and capital expenditure all rose.
- The only performance indicators that fell in the past quarter were wages bills and prices charged, easing inflationary concerns.
- All expectations fell for both the short term and the year ahead.
- Support for the Federal Government's policies rose dramatically to a net positive 25 per cent, the highest of any government in Australia, and the second highest result recorded since the inception of the Sensis® Business Index in 1993.

Trends in past three months' experience and current quarter expectations – national					
	MAY 2006	AUG 2006	NOV 2006	FEB 2007	MAY 2007
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	65	63	65	69	71
NEGATIVE	17	18	15	13	12
NET BALANCE	+48	+45	+50	+56	+59

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

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

Small and medium business outlook – New South Wales

- Business confidence improved strongly during the quarter, however remained the lowest of any state or territory.
- New South Wales saw increases in performance in employment, profitability and capital expenditure, with falls recorded for sales, wages and prices.
- SMEs in New South Wales recorded the highest performance in capital expenditure in the past quarter of any state or territory.
- For the coming quarter, SMEs in New south Wales recorded the lowest expectations in wages and prices.
- For the year ahead, SMEs in New South Wales recorded the lowest levels of expectations for wages, prices and profitability.
- Support for the policies of the New South Wales Government fell further and were the lowest level for any state or territory government for the 13th successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	55	54	59	63	67
NEGATIVE	25	26	15	16	14
NET BALANCE	+30	+28	+44	+47	+53

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %
SALES VALUE:										
INCREASE	37	29	40	42	39	43	42	50	55	43
DECREASE	40	45	29	25	30	18	15	12	13	16
NET BALANCE	-3	-16	+11	+17	+9	+25	+27	+38	+42	+27
SIZE OF WORKFORCE:										
INCREASE	13	10	15	11	13	17	13	12	13	10
DECREASE	16	18	11	13	11	5	4	2	1	1
NET BALANCE	-3	-8	+4	-2	+2	+12	+9	+10	+12	+9
WAGES BILL:										
INCREASE	23	26	23	27	23	25	21	20	28	22
DECREASE	23	16	15	12	15	9	11	7	5	8
NET BALANCE	0	+10	+8	+15	+8	+16	+10	+13	+23	+14
PRICES:										
INCREASE	22	29	23	25	20	20	30	31	31	25
DECREASE	8	4	5	5	4	2	1	2	3	3
NET BALANCE	+14	+25	+18	+20	+16	+18	+29	+29	+28	+22
PROFITABILITY:										
INCREASE	32	27	39	34	39	34	37	43	51	42
DECREASE	41	47	30	27	29	22	14	12	14	17
NET BALANCE	-9	-20	+9	+7	+10	+12	+23	+31	+37	+25
CAPITAL EXPENDITURE:										
INCREASE	20	18	19	19	25	26	17	25	27	22
DECREASE	23	37	21	30	24	23	30	23	27	27
NET BALANCE	-3	-19	-2	-11	+1	+3	-13	+2	0	-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 – Victoria

- Business confidence rose strongly during the quarter to a level marginally below the national average.
- Victorian SMEs recorded increased performance levels for sales, employment, profitability and capital expenditure.
- The only performance indicators that fell for Victorian SMEs in the past quarter were wages and prices.
- Victorian SMEs are expecting further increases in sales and profitability in the coming quarter.
- SME support for the Victorian Government recorded a strong improvement during the quarter to be net positive for the first time since August 1999. This was the second highest result for any state or territory government.

Trends in past three months' experience and current quarter expectations – Victoria									
					MAY 2006	AUG 2006	NOV 2006	FEB 2007	MAY 2007
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					%	%	%	%	%
POSITIVE					68	60	64	68	70
NEGATIVE					17	18	16	15	12
NET BALANCE					+51	+42	+48	+53	+58

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

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

Small and medium business outlook – Queensland

- Queensland recorded a fall in business confidence among SMEs this quarter, however confidence remained well above the national average.
- Sales and capital expenditure performance improved among Queensland SMEs during the past quarter.
- All performance indicators for Queensland SMEs were equal or above the national averages.
- Immediate expectations for the current quarter were positive in most areas with the highest expectations recorded for prices and capital expenditure of any state or territory.
- SME support for the Queensland Government fell marginally during the past quarter.

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

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 06	MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07
SALES VALUE:	INCREASE	38	41	39	42	48	47	46	41	48	52
	DECREASE	33	28	26	26	21	14	13	18	12	9
	NET BALANCE	+5	+13	+13	+16	+27	+33	+33	+23	+36	+43
SIZE OF WORKFORCE:	INCREASE	13	12	18	14	16	14	15	18	17	16
	DECREASE	12	13	12	8	11	6	2	5	3	3
	NET BALANCE	+1	-1	+6	+6	+5	+8	+13	+13	+14	+13
WAGES BILL:	INCREASE	25	28	33	27	27	26	28	34	28	27
	DECREASE	13	10	16	12	12	6	5	7	6	4
	NET BALANCE	+12	+18	+17	+15	+15	+20	+23	+27	+22	+23
PRICES:	INCREASE	34	38	28	27	25	29	35	27	34	33
	DECREASE	4	5	4	3	4	2	4	3	2	4
	NET BALANCE	+30	+33	+24	+24	+21	+27	+31	+24	+32	+29
PROFITABILITY:	INCREASE	32	33	41	40	41	46	43	41	43	45
	DECREASE	31	31	27	23	26	13	11	18	13	10
	NET BALANCE	+1	+2	+14	+17	+15	+33	+32	+23	+30	+35
CAPITAL EXPENDITURE:	INCREASE	22	20	22	22	28	21	26	21	32	32
	DECREASE	27	28	26	26	28	28	30	31	27	23
	NET BALANCE	-5	-8	-4	-4	+0	-7	-4	-10	+5	+9

* 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 a level just below the national average.
- SMEs in South Australia recorded lower performance across every indicator in the last quarter.
- SMEs in South Australia recorded the lowest performance in sales, employment and profitability in the past quarter of any state or territory.
- SMEs in South Australia also recorded the lowest expectations in profitability for the coming quarter of any state or territory.
- South Australian SMEs recorded increasing expectations for the coming quarter for employment and capital expenditure.
- SME support for the South Australian Government fell during the quarter, making it the third least supported state or territory government.

Trends in past three months' experience and current quarter expectations – South Australia					
	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	69	65	65	73	69
NEGATIVE	16	18	18	13	12
NET BALANCE	+53	+47	+47	+60	+57

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 06 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 06 %	AUG-OCT 06 %	NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %
SALES VALUE:	INCREASE	39	34	36	34	38	43	51	47	48	38
	DECREASE	28	36	27	23	35	19	14	18	15	17
	NET BALANCE	+11	-2	+9	+11	+3	+24	+37	+29	+33	+21
SIZE OF WORKFORCE:	INCREASE	19	16	18	17	11	18	11	13	10	13
	DECREASE	8	6	8	10	11	7	4	5	7	5
	NET BALANCE	+11	+10	+10	+7	+0	+11	+7	+8	+3	+8
WAGES BILL:	INCREASE	23	25	31	28	30	29	30	32	25	22
	DECREASE	10	14	11	9	12	8	7	7	7	6
	NET BALANCE	+13	+11	+20	+19	+18	+21	+23	+25	+18	+16
PRICES:	INCREASE	23	29	27	31	24	32	41	30	30	28
	DECREASE	4	3	5	2	4	4	3	3	3	1
	NET BALANCE	+19	+26	+22	+29	+20	+28	+38	+27	+27	+27
PROFITABILITY:	INCREASE	34	26	32	33	31	36	48	39	44	35
	DECREASE	29	36	29	25	32	21	17	19	17	21
	NET BALANCE	+5	-10	+3	+8	-1	+15	+31	+20	+27	+14
CAPITAL EXPENDITURE:	INCREASE	23	27	23	23	18	23	22	19	19	26
	DECREASE	23	22	22	26	23	22	31	29	23	26
	NET BALANCE	0	+5	+1	-3	-5	+1	-9	-10	-4	+0

* 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 fell during the quarter, however it remained the highest result of any state or territory.
- SMEs in Western Australia recorded the highest performance results for sales, employment and profitability of any state or territory.
- Western Australian SMEs reported falling expectations for the coming quarter for all indicators.
- Western Australian SMEs recorded the second highest expectations in capital expenditure for the coming quarter.
- Support for the Western Australian Government fell, remaining the second least supported state or territory government.

Trends in past three months' experience and current quarter expectations – Western Australia					
	MAY 2006 %	AUG 2006 %	NOV 2006 %	FEB 2007 %	MAY 2007 %
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	76	74	79	81	80
NEGATIVE	5	9	6	6	8
NET BALANCE	+71	+65	+73	+75	+72

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

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

Small and medium business outlook – Tasmania

- Business confidence fell during the quarter however remained the second highest of any state or territory.
- Employment and wages performance among Tasmanian SMEs both increased, however, wages and prices were the only performance indicators for Tasmanian SMEs that were above the national average.
- Employment performance rose marginally during the quarter, at a level equal to the national average.
- Tasmanian SMEs reported the lowest expectations for the coming quarter of any state or territory for sales, employment and wages.
- Support for the Tasmanian Government's policies increased marginally but remained in net negative territory.

Trends in past three months' experience and current quarter expectations – Tasmania					
	MAY 2006	AUG 2006	NOV 2006	FEB 2007	MAY 2007
	%	%	%	%	%
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	72	67	67	78	74
NEGATIVE	13	19	14	8	5
NET BALANCE	+59	+48	+53	+70	+69

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

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

Small and medium business outlook – Northern Territory

- SMEs in the Northern Territory reported a fall in business confidence in Australia, however, it remained well above the national average.
- SMEs in the Northern Territory recorded the highest performance of any state or territory in the past quarter in employment, wages and prices, with rises recorded in every indicator with the exception of capital expenditure.
- SMEs in the Territory were expecting the strongest results for the next quarter of any state or territory in sales, wages and profitability.
- Support for the Northern Territory Government continued to rise to remain the most supported state or territory government, and one of only two state or territory governments to achieve a net positive rating.

Trends in past three months' experience and current quarter expectations – Northern Territory					
	MAY 2006	AUG 2006	NOV 2006	FEB 2007	MAY 2007
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	72	73	71	79	74
NEGATIVE	14	14	13	11	11
NET BALANCE	+58	+59	+58	+68	+63

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 06	MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 06	AUG-OCT 06	NOV-JAN 06/07	FEB-APR 07	MAY-JUL 07
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	30	51	48	37	45	58	44	32	53	60
	DECREASE	32	16	18	27	20	7	19	27	10	6
	NET BALANCE	-2	+35	+30	+10	+25	+51	+25	+5	+43	+54
SIZE OF WORKFORCE:	INCREASE	16	19	17	17	23	19	20	17	22	19
	DECREASE	9	10	15	18	9	3	7	11	1	2
	NET BALANCE	+7	+9	+2	-1	+14	+16	+13	+6	+21	+17
WAGES BILL:	INCREASE	21	30	29	35	36	31	37	23	28	32
	DECREASE	14	13	9	11	9	6	12	13	9	4
	NET BALANCE	+7	+17	+20	+24	+27	+25	+25	+10	+19	+28
PRICES:	INCREASE	32	30	34	30	35	30	45	36	36	28
	DECREASE	1	1	5	3	0	0	0	1	0	1
	NET BALANCE	+31	+29	+29	+27	+35	+30	+45	+35	+36	+27
PROFITABILITY:	INCREASE	26	47	44	33	42	54	38	31	51	60
	DECREASE	34	19	21	25	22	5	17	25	12	13
	NET BALANCE	-8	+28	+23	+8	+20	+49	+21	+6	+39	+47
CAPITAL EXPENDITURE:	INCREASE	30	30	30	26	25	28	28	26	31	35
	DECREASE	28	27	30	26	27	31	30	30	20	30
	NET BALANCE	+2	+3	0	0	-2	-3	-2	-4	+11	+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 – Australian Capital Territory

- Business confidence fell during the quarter among Australian Capital Territory SMEs.
- Sales performance recorded an increase during the quarter in the Australian Capital Territory, with sales and profitability both well above national averages.
- Employment performance was stable among Australian Capital Territory SMEs, remaining above national averages.
- Profitability in the Australian Capital Territory was unchanged, remaining well above the national average.
- SMEs in the Australian Capital Territory recorded the highest employment expectations in Australia for the coming quarter, but the lowest capital expenditure expectations.
- Support for the Australian Capital Territory Government rose during the quarter to be the third most supported state or territory government.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory					
	MAY 2006	AUG 2006	NOV 2006	FEB 2007	MAY 2007
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	69	62	67	73	69
NEGATIVE	13	23	12	12	12
NET BALANCE	+56	+39	+55	+61	+57

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

* 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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