

February 2008

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®. 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 2008 Sensis® *Business Index* results are based on telephone interviews conducted with 1,800 small and medium business proprietors. The sample size comprises approximately 1,400 small businesses and 400 medium businesses (the latter defined as businesses employing between 20 and 199 people).

Businesses interviewed for the February 2008 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 21 January to 13 February 2008. The report covers experiences over the past three months (November 2007 to January 2008), and expectations for both the current quarter (February to April 2008) and the 12 months ending January 2009.

Executive summary

Business confidence among SMEs rose during the past quarter. However, despite higher levels of confidence, current perceptions of the economy fell dramatically, and perceptions about the future economic direction also plummeted. The prime problem reported by SMEs was difficulty finding and keeping staff, followed by the economic climate and a lack of work or sales. Some 37 per cent of SMEs reported that they currently faced no problems at all. SMEs also reported falls in performance in the key indicators of sales, profitability and capital expenditure. The only rises recorded in indicators in the past quarter were in employment and prices charged, with wages performance stable. Despite lower expectations for the economy moving forward, and with the lower performance levels experienced in the past quarter, it is perhaps surprising that SMEs were expecting increases across all indicators with the exception of medium-term prices, which were unchanged.

Support for the Federal Government fell strongly to its lowest level since May 2005 with SMEs concerned about a lack of incentives for small business, about the roll back of the industrial relations laws and about increased union influence. Despite the largest fall recorded in the history of the Sensis® *Business Index*, the Federal Government was still the equal third most supported government by SMEs in Australia. The Northern Territory Government was the most supported government by SMEs overall, 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 rose during the past quarter, however, this followed from a dramatic decline the previous quarter.
- Perceptions of the current state of the Australian economy fell dramatically, with more SMEs on balance also feeling that the economy would be worse a year from now.
- The key performance indicators of sales, profitability and capital expenditure all fell in the last quarter, with only employment and prices charged rising, and no change in the wages indicator.
- In the short term and medium terms, SMEs were expecting increases for all indicators, with the only exception being prices in the medium-term, which was unchanged.
- Expectations for most key business indicators for the year ahead fell, with the only indicator not to record a rise being prices charged, which was unchanged.
- Problems finding and keeping staff were the primary concern of SMEs this quarter. This was followed by concerns about the economic climate and a lack of work or sales.
- Some 37 per cent of SMEs reported currently facing no problems in their business.
- Support for the Federal Government's policies fell strongly following the change in Federal Government, with SMEs concerned about a lack of incentives, changes to industrial relations policies and increased union influence.
- The Northern Territory Government was the most supported government in Australia. The New South Wales Government recorded the lowest level of support for a state or territory government for the 16th successive quarter.

Small versus medium enterprises

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

- Medium businesses were again more confident than small businesses; with the gap increasing from fourteen to eighteen percentage points.
- Medium businesses were again more positive about the current state of the Australian economy than small businesses, however perception of the current state of the economy and future economic expectations amongst both small and medium businesses both fell dramatically.
- Medium businesses recorded higher performance than small businesses for all indicators in the past quarter, with the exception of prices charged.
- Small businesses were more likely than medium businesses to have increased their prices in the past quarter.
- Medium businesses were marginally 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:

- Metropolitan businesses were more confident than their regional counterparts, with rising interest rates cited as the key reason for concerns amongst regional SMEs.
- Regional businesses were more positive, on balance, about the current state of the Australian economy than metropolitan businesses.
- Metropolitan businesses reported higher performance than regional businesses in all performance indicators for the past quarter, with the exception of prices charged.
- Regional businesses were more likely than metropolitan businesses to have increased their prices in the past quarter.
- Metropolitan businesses reported higher expectations for the coming quarter than regional businesses for all indicators, with the exception of wages, where regional businesses were more likely to be expecting an increase.
- Regional and metropolitan businesses recorded equal support levels for the Federal Government's policies.

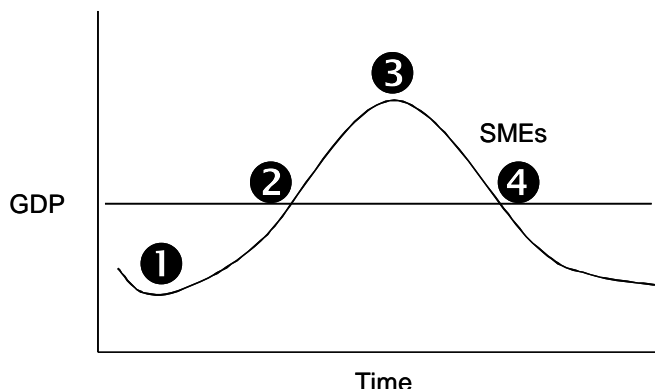
Industry sector trends

Several trends emerged throughout the industry sectors, including:

- Confidence was highest in the construction sector.
- The retail trade and cultural, recreational and personal services sectors recorded the lowest confidence levels by sector.
- The transport and storage sector recorded the strongest performance in sales, wages bills, profitability and capital expenditure over the past quarter.
- The accommodation, café and restaurant sector recorded the highest result in employment and was also the most likely to have increased their prices charged in the past quarter.
- Inflationary factors are currently highest in the accommodation, café and restaurant sector, with SMEs in that sector the most likely to have increased their prices in the past quarter, and most likely to be expecting to do so this quarter. SMEs in this hospitality-focused sector are also most likely to be expecting to increase employment in the coming quarter, as well as being the most likely to be expecting a higher wages bill.
- Looking ahead, the communications, property and business services sector recorded the highest expectations for the coming quarter for sales and profitability.
- The retail trade sector recorded the lowest expectations for sales for the coming quarter, with the wholesale trade sector recording the lowest expectations for profitability.
- The health and community services sector was the most supportive of the Federal Government's policies, with the finance and insurance sector being the least supportive.

SME business cycle analysis

The Business Cycle and SMEs



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

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

Analysis of the key indicators from the February 2008 Sensis® *Business Index* suggests an economic environment that has now moved past its peak, with many indicators now declining from peak economic conditions. In addition to weaker performance, expectations for the economic outlook have also fallen significantly. Whilst SMEs still believe that the Australian economy is now contracting, confidence has improved from the dramatic fall recorded last quarter, with concerns about the election now moving into concerns about the economic outlook, heavily influenced by recent increases in interest rates. Despite considerable concerns about the economic outlook, however, SMEs are still expecting their businesses to perform well in the coming year.

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 2008 Sensis® *Business Index*.

Small and medium business outlook – national summary

Confidence in own business prospects over the next 12 months

Key findings

Australian SMEs experienced an improvement in business confidence during the past quarter, following last quarter's dramatic decline. Despite the increase this quarter, SME confidence is seven percentage points lower than at the same time last year.

Concerns about rising interest rates were the key reasons for SMEs lacking confidence this quarter, with approximately one in five worried SME operators citing this as the reason. The main reason given by those SMEs that were confident was that their business had been improving.

Last quarter (November 2007 to January 2008)

SMEs recorded a rise in business confidence with a net balance of 49 per cent. This comprised 65 per cent of businesses that were confident about their prospects for the year ahead and 16 per cent that were concerned.

Australian SMEs experienced an increase in business confidence during the past quarter. This result follows from previous quarter's result, which saw the most dramatic decline in SME confidence recorded since the inception of the Sensis® Business Index in 1993. Despite the rise in confidence of six percentage points recorded this quarter, this has not reversed the previous 16 percentage point drop, with SME confidence also seven percentage points down on the same time last year.

The main reason businesses gave for feeling worried about their prospects related to concerns over increasing interest rates, decreasing business and concerns about the global economic environment.

By comparison, the main reasons businesses gave for feeling confident included experiencing an improvement in business, feeling established and experienced in their business operations, and having good levels of profitability.

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

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

These latest results show that while business confidence has risen, SME views on the economy fell sharply. In addition to this, future expectations for the economy have also plummeted across all states and territories.

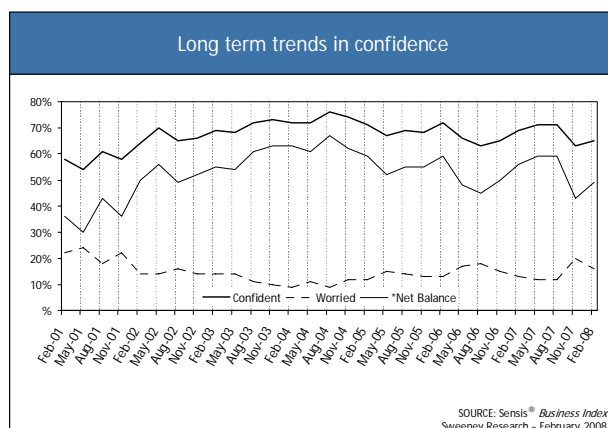
Overall confidence February 2008			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	13%	13%	13%
Fairly confident	52%	62%	52%
Neutral	19%	17%	19%
Fairly worried	14%	8%	14%
Extremely worried	3%	1%	2%
Total confident	65%	75%	65%
Total worried	17%	9%	16%
*Net Balance	+48%	+66%	+49%

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

SOURCE: Sensis® Business Index
Sweeney Research - February 2008

Confidence trends - past five quarters					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Extremely confident	16%	15%	17%	15%	13%
Fairly confident	53%	56%	54%	48%	52%
Neutral	18%	17%	18%	18%	19%
Fairly worried	10%	9%	10%	16%	14%
Extremely worried	3%	3%	2%	4%	2%
Total confident	69%	71%	71%	63%	65%
Total worried	13%	12%	12%	20%	16%
*Net Balance	+56%	+59%	+59%	+43%	+49%

SOURCE: Sensis® Business Index
Sweeney Research - February 2008



Confidence by state, sector and size

Key findings

The highest levels of business confidence in the past quarter were again recorded in the Northern Territory. Despite recording the largest improvement in confidence in the past quarter, the lowest level of business confidence was again recorded in New South Wales.

Regional businesses reported lower confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the building and construction sector, and lowest among SMEs in the retail trade and cultural, recreational and personal services sectors.

Last quarter (November 2007 to January 2008)

While confidence improved at the national level, there were mixed results overall, with confidence increasing in some areas and falling in others. Confidence rose in New South Wales, Queensland, South Australia Tasmania and the Northern Territory and fell in Victoria, Western Australia and the Australian Capital Territory. The highest overall confidence was recorded in the Northern Territory, with the lowest confidence levels recorded in New South Wales, despite that state having recorded the largest improvement.

The building and construction sector recorded the highest confidence at a net 60 per cent, an improvement of 12 percentage points in the past quarter. The largest improvement in net confidence was recorded in the transport and storage sector, where confidence rose by 32 percentage points. The lowest confidence level was recorded in the retail trade and cultural, recreational and personal services sectors, with a net balance of 32 per cent each. The largest fall in confidence was recorded in the finance and insurance sector, with confidence having dropped by 20 percentage points.

On a national basis, confidence was highest among businesses in metropolitan areas. This was also the case in every state and territory with the only exceptions being South Australia and Tasmania. The highest overall confidence by region was recorded amongst SMEs in metropolitan Darwin, with the lowest confidence being recorded in regional New South Wales. The largest improvement was among those SMEs in metropolitan areas of New South Wales. The largest declines in business confidence were recorded among SMEs in regional areas of the Northern Territory.

Trends by state *net balance					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
National	56%	59%	59%	43%	49%
New South Wales	47%	53%	57%	29%	43%
Victoria	53%	58%	54%	46%	44%
Queensland	67%	64%	67%	52%	60%
South Australia	60%	57%	52%	56%	49%
Western Australia	75%	72%	72%	59%	58%
Tasmania	70%	69%	60%	54%	56%
Northern Territory	68%	63%	68%	72%	74%
Australian Capital Territory	61%	57%	56%	55%	44%

SOURCE: Sensis® Business Index
Sweeney Research – February 2008

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	52%	40%	49%
New South Wales	51%	28%	43%
Victoria	45%	35%	44%
Queensland	66%	53%	60%
South Australia	47%	49%	49%
Western Australia	61%	48%	58%
Tasmania	54%	56%	56%
Northern Territory	89%	55%	74%
Australian Capital Territory	44%	N/A	44%

SOURCE: Sensis® Business Index
Sweeney Research – February 2008

Confidence by business size			
	Confident	Worried	*Net Balance
Total	65%	16%	49%
1-2 Employees	65%	17%	48%
3-4 Employees	64%	20%	44%
5-9 Employees	63%	11%	52%
10-19 Employees	70%	16%	54%
Total Small Business	65%	17%	48%
20-99 Employees	73%	9%	64%
100-199 Employees	89%	5%	84%
Total Medium Business	75%	9%	66%

SOURCE: Sensis® Business Index
Sweeney Research – February 2008

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	68%	16%	52%
Building/Construction	72%	12%	60%
Wholesale Trade	57%	13%	44%
Retail Trade	55%	23%	32%
Transport/Storage	69%	10%	59%
Communication Property & Business Services	71%	16%	55%
Finance and Insurance	72%	17%	55%
Health and Community Services	74%	15%	59%
Cultural, Recreational and Personal	52%	20%	32%
Accommodation, Cafes and Restaurants	64%	7%	57%

SOURCE: Sensis® Business Index
Sweeney Research – February 2008

* 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 declined strongly among SMEs, falling to their lowest level since November 2006. SMEs' future economic expectations also plummeted from the previous quarter's result, to reach their second lowest point in the history of the Sensis® Business Index.

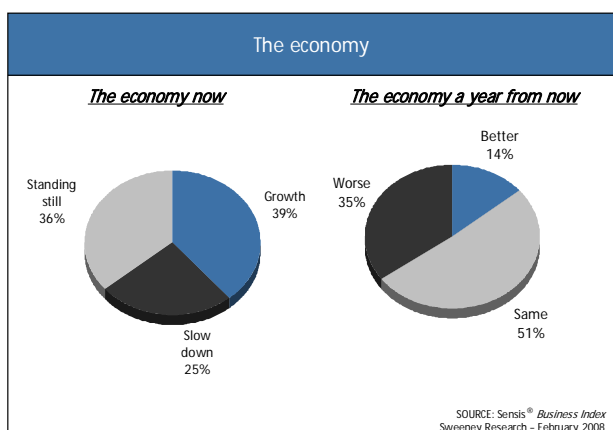
Last quarter (November 2007 to January 2008)

There was a significant fall in the proportion of SMEs that felt the economy was currently growing, dropping by 23 percentage points. Coupled with this was an increase of 13 percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in a dramatic fall in the overall perception of the current state of the economy, with a net balance of positive 14 per cent of businesses believing the Australian economy is currently in a growth phase. This was a decrease of 36 percentage points from last quarter. The latest increase brings the net proportion of SMEs that felt the economy was currently in a growth phase to its lowest point since November 2006.

With stronger economic conditions continuing in resource and commodity producing regions, SMEs in Western Australia recorded the strongest perception of the current state of the Australian economy. A net balance of 39 per cent reported a current growth phase; however, this was down 38 percentage points. The weakest perceptions were recorded among SMEs in New South Wales (net balance of six per cent, down from 34 per cent last quarter).

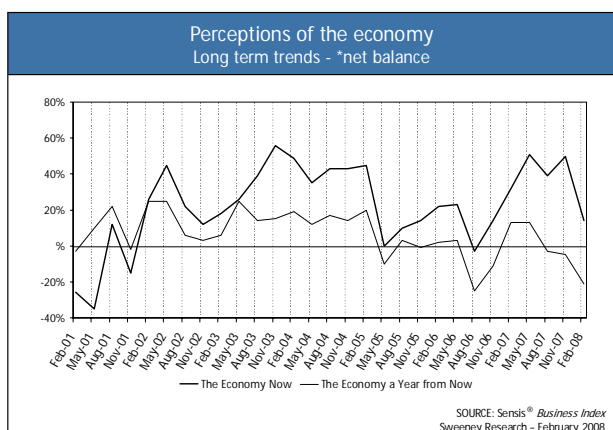
This quarter all states and territories record strongly declining views of the economy. The smallest fall in perceptions was recorded in South Australia, where the decline was some 26 percentage points.

In addition to the decrease in perceptions of the economy now, expectations for the year ahead plummeted further, with net negative 21 per cent of SMEs believing the economy would be worse in a year's time. This represents a decline of 16 percentage points from last quarter, with sharp falls recorded in all states and territories.



Perceptions of the economy - trends					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
The economy now					
Growth	48%	59%	52%	62%	39%
Slowing	16%	8%	13%	12%	25%
*Net Balance	+32%	+51%	+39%	+50%	+14%
The economy a year from now					
Better	27%	26%	18%	19%	14%
Worse	14%	13%	21%	24%	35%
*Net Balance	+13%	+13%	-3%	-5%	-21%

SOURCE: Sensis® Business Index Sweeney Research – February 2008



Perceptions of the economy by state							
	NSW	VIC	QLD	SA	WA	TAS	NT ACT
The economy now							
Growth	35%	35%	41%	48%	57%	40%	42% 36%
Slowing	29%	26%	24%	19%	18%	30%	24% 26%
*Net Balance	+6%	+9%	+17%	+29%	+39%	+10%	+18% +10%
The economy a year from now							
Better	11%	13%	15%	19%	18%	21%	19% 13%
Worse	35%	38%	37%	25%	32%	37%	32% 33%
*Net Balance	-24%	-25%	-22%	-6%	-14%	-16%	-13% -20%

SOURCE: Sensis® Business Index Sweeney Research – February 2008

* 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

With confidence down and SMEs feeling that the economy was, on balance, likely to be weaker a year from now, it is interesting to note that the proportion of SMEs that were expecting their business performance also to improve in the next twelve months increased across all indicators, with the exception of prices, which were stable.

Next 12 months (February 2008 to January 2009)

Sales expectations rose during the quarter from 50 per cent to 53 per cent, an increase of three percentage points. This result was made up of 64 per cent of businesses that thought sales would rise in the next year, while 11 per cent expected a fall. SMEs in Western Australia recorded the strongest net sales expectations by state for the year ahead, with a net balance result of 67 per cent. The health and community services sector recorded the strongest industry result with a net balance of 72 per cent. At the other end of the spectrum was the communications, property and business services sector with a net balance result of 48 per cent.

Employment expectations for the year ahead registered a fall with a net balance of 21 per cent, a rise of two percentage points. At a state level Queensland and the Northern Territory recorded the highest results with a net balance of 23 per cent. Across the nation, metropolitan businesses recorded slightly higher employment expectations for the next twelve months compared to regional businesses (22 per cent in metropolitan areas compared to 18 per cent regionally). At an industry level the health and community services sector recorded the strongest employment result at 31 per cent. The worst performing sector in terms of employment expectations for the year ahead was the building and construction sector with a net balance of 12 per cent.

The total wages and salary costs expectations for the year ahead experienced an increase of three percentage points during the quarter, with a net balance of 41 per cent of businesses expecting an increase. The strongest state wage expectations for the year ahead were recorded in Queensland (46 per cent). The health and community services sector was again the industry expecting the greatest increase in wages over the next year (65 per cent).

Selling prices was the only indicator for which year-ahead expectations did not rise, unchanged at a net balance of 57 per cent. At the state and territory level Western Australia recorded the strongest selling price expectations for the year ahead with a net balance result of 67 per cent. At an industry level the strongest price expectations for the year ahead again came from the accommodation, café and restaurant sector at 78 per cent. The lowest price expectations for the year ahead were again recorded in the finance and insurance sector at 28 per cent.

In line with sales trends for year ahead, profitability expectations also rose by two percentage points. Western Australia recorded the strongest profit expectations for the year ahead with a net balance result of 60 per cent. The lowest expectations were in Tasmania with a net balance result of 33 per cent. At an industry level the health and community services sector recorded the strongest annual profit expectations with a net balance result of 64 per cent.

Capital expenditure also recorded an increase in expectations for the year ahead, up from 12 per cent to 16 per cent. The strongest capital expenditure expectations for the next twelve months were recorded in Victoria (19 per cent) and in the communications, property and business services sector (26 per cent).

Expectations on key indicators over the next 12 months February 2008			
	Expect an Increase	Expect a decrease	*Net Balance
Value of sales	64%	11%	+53%
Size of workforce	25%	4%	+21%
Wages bill	46%	5%	+41%
Prices charged	58%	1%	+57%
Profitability	59%	13%	+46%
Capital expenditure	37%	21%	+16%

SOURCE: Sensis® Business Index
Sweeney Research – February 2008

Expectations on key indicators Trends in *net balance					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Value of sales	56%	52%	59%	50%	53%
Size of workforce	23%	20%	23%	19%	21%
Wages bill	41%	38%	42%	38%	41%
Prices charged	56%	54%	56%	57%	57%
Profitability	47%	46%	53%	44%	46%
Capital expenditure	19%	17%	16%	12%	16%

SOURCE: Sensis® Business Index
Sweeney Research – February 2008

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

Concerns

Key findings

Finding and keeping staff remained the most pressing concern faced by SMEs. Having risen considerably, the economic climate was the second most significant problem facing SMEs. Some 37 per cent of SMEs reporting that they were currently facing no significant problems in their business.

Last quarter (November 2007 to January 2008)

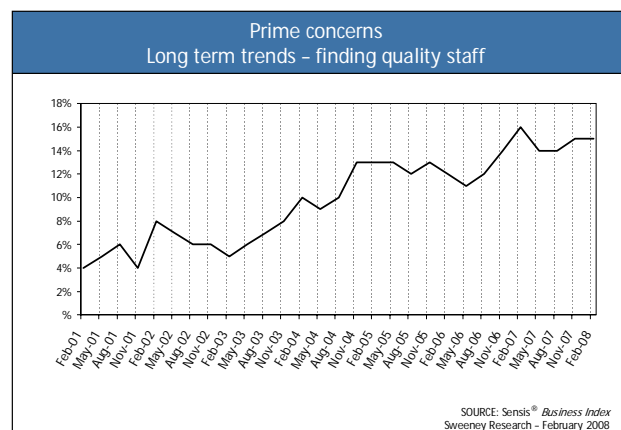
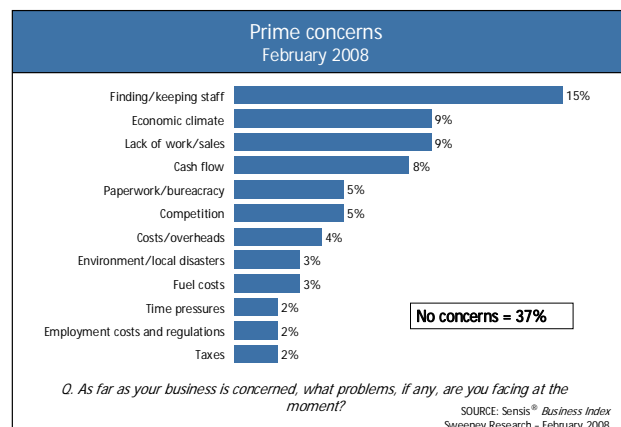
The proportion of SMEs reporting difficulties finding and keeping staff was unchanged over the past quarter at 15 per cent, remaining the top concern facing SMEs in Australia. Reports of difficulties finding and keeping staff were highest in the Northern Territory, where this problem was being reported by 26 per cent of SMEs, and lowest in Tasmania, where eight per cent reported difficulties in this area. SMEs in the manufacturing sector were most likely to report difficulties finding and keeping staff this quarter.

The economic climate and a lack of work or sales were the next most significant problems cited by SMEs in the past quarter. Overall, nine per cent of SMEs nominated each of these concerns as an issue, which was unchanged in the past quarter for lack of work or sales, but an increase of three percentage points for the economic climate. The economic climate was the issue that recorded the largest rise in concern from SMEs in the past quarter.

Concern over the economic climate, which includes such issues as consumer confidence and spending levels, interest and exchange rate concerns, concerns about the general economic climate, as well as global, state and regional economic concerns, was highest in New South Wales where 14 per cent of SMEs reported concerns, which has doubled from seven percentage points the previous quarter. The finance and insurance sector reported the highest level of concern over the economic climate, with 29 per cent of SMEs in that sector reporting problems in this area. Overall, increases in interest rates were the economic issue of greatest concern.

Concern over a lack of work or sales was highest in Queensland and the Australian Capital Territory where 13 per cent of SMEs reported concerns each. The building and construction sector reported the highest level of concern over a lack of work or sales, with 17 per cent of SMEs in that sector reporting problems in this area.

Some 37 per cent of SMEs reported currently facing no problems in their business, up four percentage points in the past quarter.



Sales

Key findings

There was a further significant decline in the proportion of SMEs, on balance, that reported increased sales over the past quarter. However, despite holding subdued economic expectations, increased proportions of SMEs were expecting their sales to improve in both the short and medium terms.

Last quarter (November 2007 to January 2008)

Sales performance recorded a lower net balance of 11 per cent for the quarter, down by a further four percentage points from last quarter and three percentage points lower than was recorded at the same time last year.

Sales performance again varied dramatically across the states and territories. After having recorded the strongest expectations last quarter, Tasmania realised this with the strongest performance this quarter, with a net 25 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 only a net five per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the transport and storage sector, with a net balance of 46 per cent of SMEs having reported increasing sales. The wholesale trade sector recorded the weakest industry performance, at net negative six per cent.

Current quarter (February to April 2008)

SMEs were expecting an increase in sales in the short term. Sales expectations for the current quarter recorded a rise of four percentage points from the previous quarter to net 30 per cent.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in Western Australia at net 43 per cent. The weakest sales expectations for the coming quarter were recorded in New South Wales at a net 23 per cent.

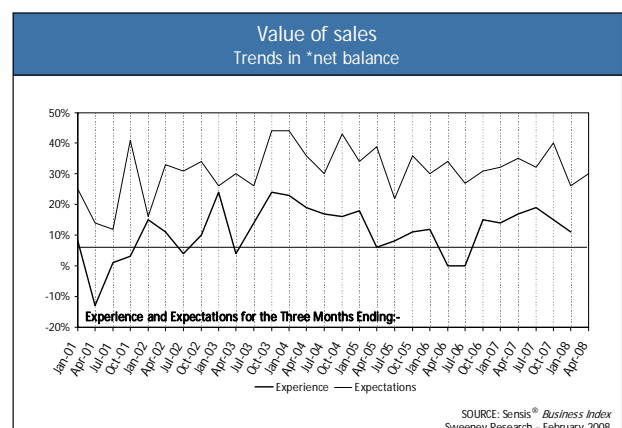
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the communications, property and business services sector (net balance of 41 per cent). The retail trade sector recorded the lowest level of expectations (net 19 per cent).

Next 12 months (February 2008 to January 2009)

Twelve-month sales expectations also rose from a net 50 per cent to 53 per cent. The result comprised 64 per cent of businesses that believed sales would increase in the year ahead and 11 per cent that thought they would fall. Sales expectations for the year ahead were highest in Western Australia at net 67 per cent.

Value of sales					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Last Quarter					
Experienced increase	39%	43%	43%	40%	39%
No change	35%	31%	32%	35%	32%
Experienced decrease	25%	26%	24%	25%	28%
*Net Balance	+14%	+17%	+19%	+15%	+11%
Current Quarter					
Expect increase	49%	45%	49%	42%	45%
No change	37%	42%	41%	41%	39%
Expect decrease	14%	13%	9%	16%	15%
*Net Balance	+35%	+32%	+40%	+26%	+30%

SOURCE: Sensis® Business Index
Sweeney Research - February 2008



* 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 increased during the past quarter, reversing half of last quarter's decline. This was reflected in the net balance result of two per cent of businesses that experienced a rise in employment trends during the quarter up from zero per cent last quarter. SMEs were expecting further increases in employment in both the coming quarter and the year ahead.

Last quarter (November 2007 to January 2008)

The proportion of SMEs that reported increased employment during the past quarter rose, with 16 per cent of SMEs reporting a rise in employment during the past quarter. This was offset by the 14 per cent of businesses that experienced employment declines, with the net balance of two per cent some two percentage point higher than last quarter's result.

Regional variation was once again seen across Australia. At a state level the best performing region was the Tasmania at eight per cent. At the other end of the scale, Queensland recorded a net balance result of negative two per cent, reflecting that more SMEs in that state recorded declining employment levels than rising. At an industry level the accommodation, café and restaurant sector recorded the strongest result at 13 per cent while the wholesale trade sector recorded the lowest results at negative six per cent.

Difficulties finding suitable staff were the main barrier to taking on new employees, reported by 17 per cent of SMEs that believed barriers existed, up two percentage point.

Current quarter (February to April 2008)

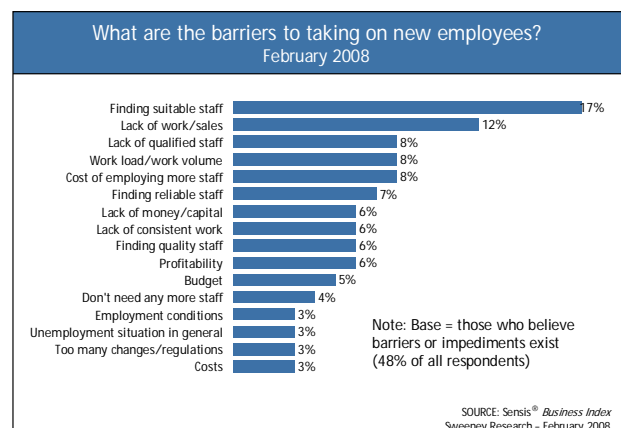
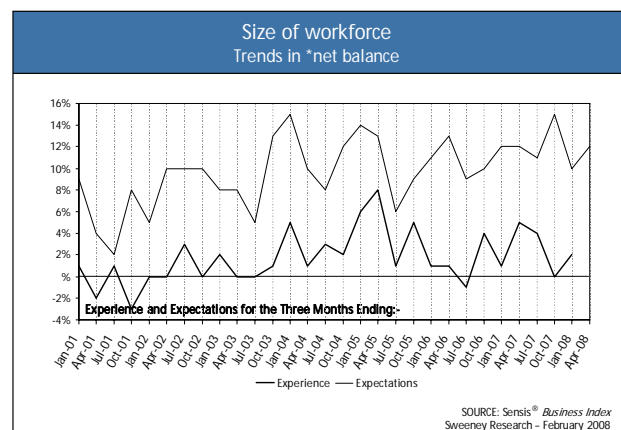
Employment expectations for the current quarter rose to a net balance of 12 per cent. The Northern Territory recorded the strongest short-term employment expectations at a net balance of 19 per cent. At the other end of the spectrum was Tasmania with a net balance result of two per cent. On an industry basis, the strongest expectations were in the accommodation, café and restaurant sector (20 per cent).

Next 12 months (February 2008 to January 2009)

Employment expectations for the year ahead also rose two percentage points to a net balance result of 21 per cent. The strongest expectations for the year ahead were recorded in Queensland and the Northern Territory (net 23 per cent each), with the weakest in Tasmania (13 per cent).

Size of workforce					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Last Quarter					
Experienced increase	13%	15%	14%	13%	16%
No change	75%	75%	76%	74%	71%
Experienced decrease	12%	10%	10%	13%	14%
*Net Balance	+1%	+5%	+4%	0%	+2%
Current Quarter					
Expect increase	15%	13%	17%	13%	16%
No change	82%	85%	81%	82%	79%
Expect decrease	3%	2%	2%	3%	4%
*Net Balance	+12%	+11%	+15%	+10%	+12%

SOURCE: Sensis® Business Index
Sweeney Research - February 2008



* 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

The only performance indicator to record no change in the net balance of SMEs was total wage costs. However, higher proportions of SMEs were expecting increases in their wages bills for both the short and medium terms.

Last quarter (November 2007 to January 2008)

The most recent quarter saw no change in the proportion of SMEs reporting increased wage costs, with the performance result remaining at a net 16 per cent, the highest level since November 2005.

During the quarter, 28 per cent of SMEs experienced a rise in total wage costs, while 12 per cent recorded a decline. SMEs in Western Australia recorded the highest net result in total wage costs (net 27 per cent), while the lowest wage pressures were in the Northern Territory (net seven per cent). The strongest net result in total wage costs was recorded in the transport and storage sector (net 38 per cent).

Current quarter (February to April 2008)

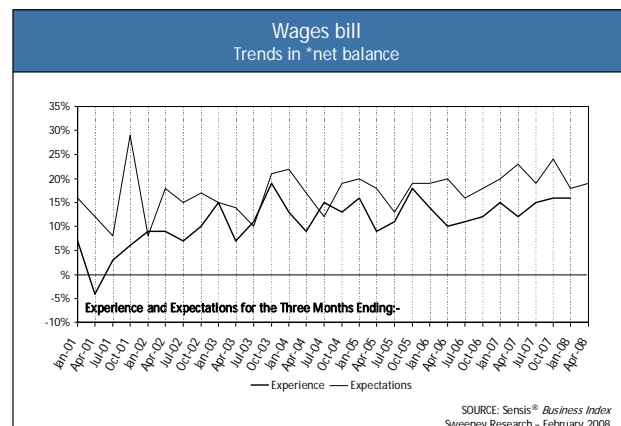
SMEs were expecting increases in wages in the short term, with expectations for total wage costs rising marginally to a net 19 per cent for the current quarter from 18 per cent last quarter. The highest wage expectations were in the Northern Territory, with a net balance of 28 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in Tasmania were least likely to be expecting an increase in their wages bill in the current quarter (net two per cent).

Next 12 months (February 2008 to January 2009)

Expectations for total wage and salary costs for the coming year also rose 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 an increase in the net balance trend of three percentage points. The SMEs most likely to be expecting increases to their wages bills were in Queensland at a net 46 per cent. SMEs in Tasmania were least likely to expect an increase in their total wages bill in the coming year (net 33 per cent).

Wages bill					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Last Quarter					
Experienced increase	27%	25%	26%	28%	28%
No change	57%	62%	57%	56%	55%
Experienced decrease	12%	13%	11%	12%	12%
*Net Balance	+15%	+12%	+15%	+16%	+16%
Current Quarter					
Expect increase	29%	25%	29%	26%	26%
No change	61%	69%	62%	61%	65%
Expect decrease	6%	6%	5%	8%	7%
*Net Balance	+23%	+19%	+24%	+18%	+19%

SOURCE: Sensis® Business Index
Sweeney Research - February 2008



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

Prices

Key findings

The net proportion of SMEs that increased their prices rose sharply during the past quarter to its highest point since November 2000. Looking ahead, more SMEs were expecting to increase their prices in the short term, however in the medium term price pressures were expected to stabilise with no increase in the proportion expecting to increase their prices.

Last quarter (November 2007 to January 2008)

The proportion of businesses that increased prices rose by six percentage points during the quarter, to a net balance result of 26 per cent. This result is five percentage points higher than at the same time last year, and is the highest result since November 2000, which was recorded in the wake of the introduction of the Goods and Services Tax (GST). In fact, there have only been higher results recorded for the prices index twice since the inception of the Sensis® Business Index, both recorded just after the introduction of the GST.

Of all states and territories, the strongest price trends were recorded in South Australia and Tasmania, with a net balance of 33 per cent each. The lowest results were recorded in New South Wales, with a net balance of 22 per cent. The strongest price rises were recorded in the accommodation, café and restaurant sector, with a net balance result of 43 per cent. The weakest outcome was recorded in the finance and insurance sector, with a net balance result of 12 per cent.

Current quarter (February to April 2008)

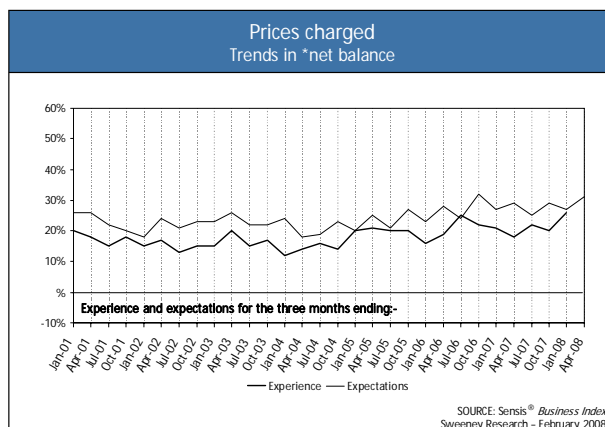
SME expectations for price rises in the short term increased during the quarter to a net balance result of 31 per cent, a rise of four percentage points since the last quarter. Tasmania recorded the strongest price rise expectations, with a net balance result of 41 per cent, while Victoria recorded the weakest price rise expectations, with a net balance of 27 per cent.

Next 12 months (February 2008 to January 2009)

At a net balance of 57 per cent, expectations for price rises in the coming year were unchanged during the past quarter, with prices being the only year-ahead indicator not to record an increase in expectations. Year-ahead expectations for price increases were strongest among SMEs in Western Australia at net 64 per cent, and in the accommodation, café and restaurant sector, with a net balance result of 78 per cent

Prices charged					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Last Quarter					
Experienced increase	25%	21%	24%	25%	29%
No change	71%	76%	74%	70%	68%
Experienced decrease	4%	3%	2%	5%	3%
*Net Balance	+21%	+18%	+22%	+20%	+26%
Current Quarter					
Expect increase	31%	27%	30%	30%	33%
No change	67%	71%	69%	68%	65%
Expect decrease	2%	2%	1%	3%	2%
*Net Balance	+29%	+25%	+29%	+27%	+31%

SOURCE: Sensis® Business Index
Sweeney Research – February 2008



* 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 in the past quarter, recording the fourth net negative result in the past twelve months. However, SMEs were expecting their capital expenditure to improve both in the short term and the year ahead.

Last quarter (November 2007 to January 2008)

SME performance in capital expenditure recorded a net negative six per cent result. This result represented a fall of three percentage points, with capital expenditure remaining in net negative territory. Capital expenditure for SMEs has a strong seasonal pattern, and it is typical for results recorded in the February quarter to remain relatively stable or record a small increase, and in this context, the current decline recorded this quarter in of concern.

Capital expenditure growth was net negative in all states and territories. It was strongest, however, in Queensland, with a net balance result of negative two per cent of SMEs increasing capital expenditure. The weakest result was in the Australian Capital Territory for the second successive quarter, which recorded a net balance of negative 14 per cent, down a further two percentage points from last quarter.

There was also variation between industry sectors. While the transport and storage sector recorded the strongest capital expenditure performance (nine per cent), at the other end of the investment scale was the retail trade sector (negative 11 per cent).

Current quarter (February to April 2008)

The net result for capital expenditure expectations rose for the coming quarter, with a net balance result of zero per cent. The highest expectations were recorded in the Northern Territory at a net positive 13 per cent. The weakest result was recorded in the Australian Capital Territory with a net balance of negative 11 per cent.

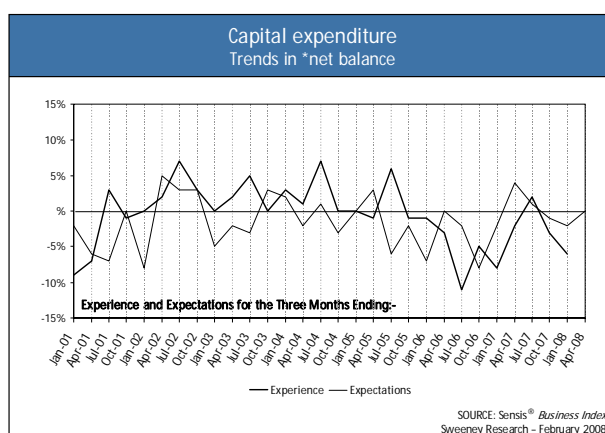
SMEs in the accommodation, café and restaurant sector recorded the strongest expectations (13 per cent), while the transport and storage sector recorded the weakest result at a net negative 14 per cent.

Next 12 months (February 2008 to January 2009)

Capital expenditure expectations for the year ahead rose further during the quarter, with a net 16 per cent of SMEs expecting to increase their capital expenditure in the next 12 months, up from a net 12 per cent last quarter.

Capital expenditure					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Last Quarter					
Experienced increase	21%	25%	26%	23%	22%
No change	47%	48%	48%	48%	46%
Experienced decrease	29%	27%	24%	26%	28%
*Net Balance	-8%	-2%	+2%	-3%	-6%
Current Quarter					
Expect increase	29%	26%	23%	23%	25%
No change	44%	49%	52%	49%	46%
Expect decrease	25%	25%	24%	25%	25%
*Net Balance	+4%	+1%	-1%	-2%	0%

SOURCE: Sensis® Business Index
Sweeney Research - February 2008



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

Profitability

Key findings

In line with declining sales, profitability also fell strongly during the past quarter, dropping five percentage points. While profitability performance was weaker during the quarter SMEs were expecting improvements in both the coming quarter and the year ahead.

Last quarter (November 2007 to January 2008)

Profitability performance recorded a net balance result of six per cent for the past quarter. This represented a marginal decline of five percentage points from the previous quarter's result of 11 per cent.

Across Australia the strongest profit experience occurred in Tasmania with a net balance result of 18 per cent. The weakest performance was recorded in the Australian Capital Territory at zero per cent. The strongest industry performance was recorded in the transport and storage sector with a net balance result of 37 per cent, with the weakest profitability performance again recorded in the cultural, recreational and personal services sector (net negative eight per cent). SMEs in metropolitan areas experienced marginally better profitability than their regional counterparts.

Current quarter (February to April 2008)

Despite the declining result this quarter, profitability expectations for the current quarter improved strongly to 30 per cent compared to the previous quarter's results of 22 per cent. At a state level, the strongest expectations were recorded in Western Australia at 46 per cent. The weakest region was Victoria with a net balance result of 26 per cent.

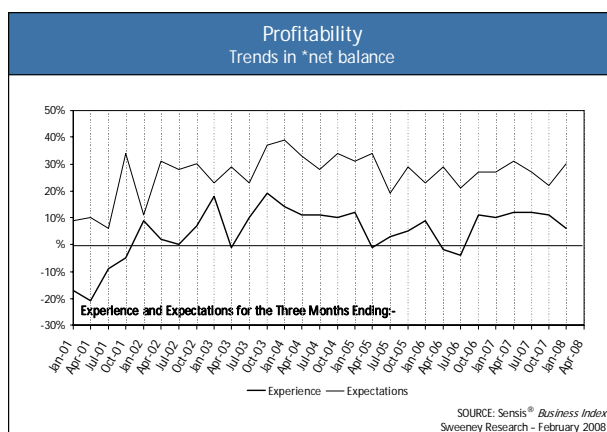
Across all industries, the communications, property and business services sector recorded the strongest short-term profit expectations with a net balance result of 39 per cent. The wholesale trade sector recorded the weakest short-term profit expectations with a net balance result of 19 per cent.

Next 12 months (February 2008 to January 2009)

Profitability expectations for the year ahead also increased during the quarter, at a net balance result of 46 per cent, up from 44 per cent last quarter. At a state level the strongest profit expectations were recorded in Western Australia with a net balance result of 60 per cent. The weakest results were recorded in Tasmania with a net balance result of 33 per cent. At an industry level the strongest result was recorded in the health and community services sector (64 per cent), with the weakest result recorded in the retail sector (37 per cent).

Profitability					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Last Quarter					
Experienced increase	35%	39%	37%	36%	35%
No change	39%	34%	37%	39%	35%
Experienced decrease	25%	27%	25%	25%	29%
*Net Balance	+10%	+12%	+12%	+11%	+6%
Current Quarter					
Expect increase	45%	41%	47%	40%	44%
No change	40%	45%	42%	41%	41%
Expect decrease	14%	14%	11%	18%	14%
*Net Balance	+31%	+27%	+36%	+22%	+30%

SOURCE: Sensis® Business Index
Sweeney Research - February 2008



* 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 fell, in conjunction with a decrease in proportion of exporting SMEs reporting growth in the value of their exports.

Last quarter (November 2007 to January 2008)

Fourteen per cent of SMEs reported exporting in the past quarter, down by three percentage points from the previous quarter. The weaker result is actually in line with the long term average for exporting SMEs. The decline was primarily due to a lower proportion of SMEs exporting in New South Wales and comes from a particularly strong result last quarter. Increases in the proportion of SMEs exporting were recorded in Queensland, Tasmania and the Australian Capital Territory.

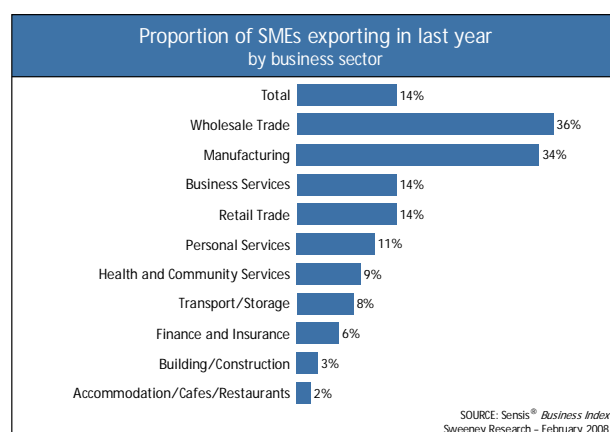
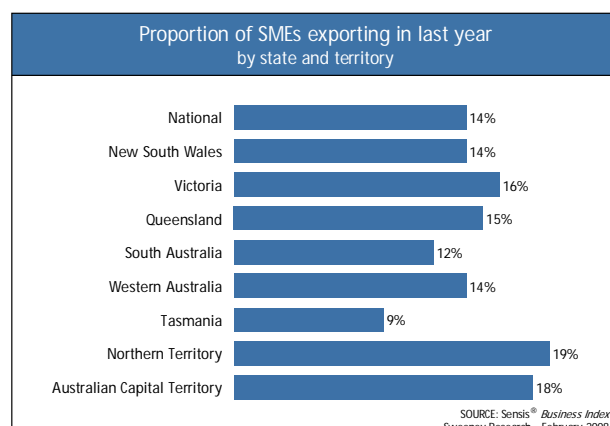
Exporting remained a strategy adopted by high growth SMEs. SMEs with significant growth plans were again two and a half times as likely to export as those with no plans for growth (25 per cent compared to ten per cent). SMEs in metropolitan areas were almost twice as likely to export as their regional counterparts (17 per cent compared to nine per cent).

SMEs in the wholesale trade sector were most likely to have exported in the past quarter, with participation in that sector softening by two percentage points to 36 per cent. SMEs in the accommodation, café and restaurant sector reported the lowest level of export participation in the past quarter.

However, with the Australian exchange rate having increased significantly in the past six months, there was also a fall in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of six per cent reported an increase in the value of the goods and services exported in the past quarter, down eight percentage points from last quarter's net balance of 14 per cent.

Looking forward, SMEs were expecting further softening in the value of their exports. In the short term, there was a decrease of a further five percentage points in the proportion of SMEs expecting growth in the value of their exports for the coming quarter. There was also a decrease of five percentage points in the proportion of SMEs expecting to increase the value of their exports in the year ahead. However, despite the softening recorded this quarter, both results are at similar levels as twelve months ago.

New Zealand remained the most popular destination for SME exports, with 37 per cent of exporting SMEs exporting to New Zealand. Other strong results were seen for the United States, at 25 per cent, and the United Kingdom, in third place at 21 per cent. Solid growth was recorded for China as an SME export destination, up three percentage points to 12 per cent.



Value of exports - trends

	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Last Quarter					
Experienced increase	26%	31%	31%	30%	27%
No change	57%	49%	55%	54%	52%
Experienced decrease	18%	20%	15%	16%	21%
*Net Balance	+8%	+11%	+16%	+14%	+6%
Current Quarter					
Expect increase	35%	27%	39%	35%	33%
No change	52%	57%	54%	57%	55%
Expect decrease	13%	17%	7%	9%	12%
*Net Balance	+22%	+10%	+32%	+26%	+21%
Next 12 months					
Expect increase	50%	49%	52%	56%	48%
No change	40%	44%	45%	37%	46%
Expect decrease	10%	7%	3%	8%	5%
*Net Balance	+43%	+40%	+49%	+48%	+43%

Base: Exported goods or services overseas in last three months
SOURCE: Sensis® Business Index
Sweeney Research – February 2008

* 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 dramatic fall during the quarter, reaching its lowest level since May 2005. This is also the first net negative result since May 2005, and the largest one-quarter fall in support since the inception of the Sensis® Business Index in May 1993.

Last quarter (November 2007 to January 2008)

The net balance result of a negative five per cent approval rating represented a fall of 34 percentage points in the past quarter, making this the largest fall recorded in the history of the Sensis® Business Index. This quarter's result is also the lowest result since May 2005, as well as being the first net negative result since that time. The result comprised 15 per cent (down 31 percentage points) of businesses that were supportive of the Federal Government's small business policies, and 20 per cent (up three percentage points) that felt their policies worked against small business.

The strongest support for the Federal Government's policies occurred in the Australian Capital Territory, where businesses recorded a positive five per cent net balance. Net positive ratings were also recorded in Queensland, Western Australia and Tasmania. The region most critical of the Federal Government's small business policies was South Australia, where the net balance of SMEs that felt the Federal Government's policies supported small business was net negative 13 per cent. All states and territories recorded a fall in SME support of the Federal Government.

SMEs in metropolitan and regional areas were equally supportive of the Federal Government. Medium businesses were marginally more supportive of the Federal Government than small businesses.

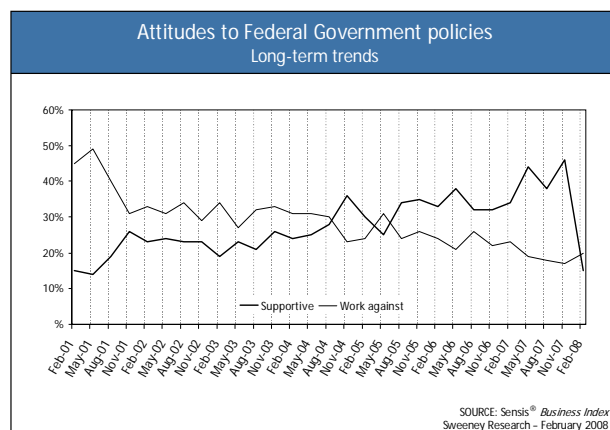
The key reasons SMEs believed the Federal Government's policies worked against them were: that they would not offer incentives to small business; that they were changing the industrial relations policies of the previous government and that they would take too much notice of the unions.

Waiting to see what the newly elected government would do was the main reason given for feeling supportive, closely followed by a feeling that they would try to help small business.

Attitudes to Federal Government policies past five quarters					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
Supportive	34%	44%	38%	46%	15%
Work against	23%	19%	18%	17%	20%
No impact	43%	37%	44%	37%	65%
*Net Balance	+11%	+25%	+20%	+29%	-5%

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 2008



* 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

Despite recording a fall in support in support, the Northern Territory Government was the most popular 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 16th successive quarter, recording a further in support within the state.

Last quarter (November 2007 to January 2008)

The Northern Territory Government recorded the highest approval rating from SMEs at net positive seven per cent. This result was down nine percentage points from net positive 16 per cent last quarter. with a feeling that the Northern Territory Government was more supportive of small business was the main reason given by SMEs for their support, followed by their small business management training programmes as well as feeling they were trying to help small businesses.

The Queensland Government also achieved a net positive rating from SMEs, recording net positive four per cent. The main reasons SMEs gave for supporting the Queensland Government was again a belief that they were more supportive of small businesses. This result for Queensland represented an increase of eight percentage points over the past quarter. The only other state or territory to record a higher rating in the past quarter was the Australian Capital Territory Government, which recorded the strongest growth of 15 percentage points.

Having recorded a 13 percentage point fall in net support, the New South Wales Government remained the least supported government among SMEs. This was the 16th successive quarter that the New South Wales Government has recorded the lowest result of any state or territory government, now sitting at net negative 43 per cent. The key reasons SMEs gave for not supporting the New South Wales Government were a belief that there was too much bureaucracy and that the government was only concerned with big business.

Attitudes to state or territory government policies February 2008								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	5%	15%	24%	12%	17%	11%	27%	24%
Work against	48%	28%	20%	29%	34%	38%	20%	29%
No impact	47%	57%	57%	58%	49%	52%	53%	47%
*Net Balance	-43%	-13%	+4%	-17%	-17%	-27%	+7%	-5%

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 2008

Attitudes to state or territory government policies Trends in *net balance					
	Feb 07	May 07	Aug 07	Nov 07	Feb 08
New South Wales	-34%	-40%	-32%	-30%	-43%
Victoria	-6%	+4%	-3%	+1%	-13%
Queensland	-6%	-7%	-18%	-4%	+4%
South Australia	-4%	-10%	-11%	-12%	-17%
Western Australia	-14%	-21%	-7%	-13%	-17%
Tasmania	-8%	-7%	-25%	-25%	-27%
Northern Territory	+1%	+8%	-11%	+16%	+7%
Australian Capital Territory	-12%	-4%	-7%	-20%	-5%

SOURCE: Sensis® Business Index
Sweeney Research - February 2008

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

Characteristics of entrepreneurs

Influence of birth order

The Sensis® *Business Index* regularly examines the characteristics of different types of business owners. It is interesting to see if there are any particular attributes that make people more or less likely to operate a business.

One such factor that we have examined this quarter is the birth order of SME operators, and more specifically, if those people that have set up businesses are more likely to be the eldest child in a family, the youngest, or somewhere in the middle.

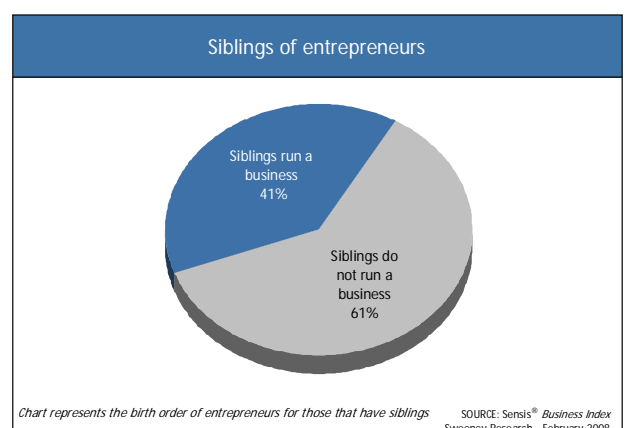
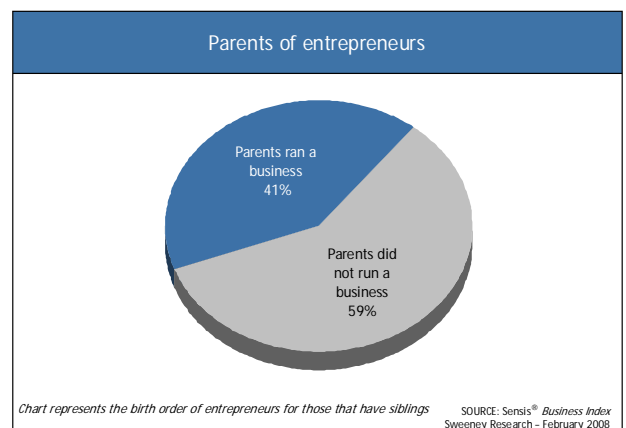
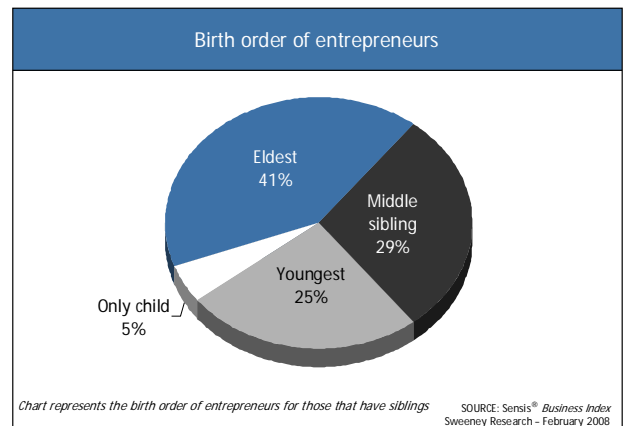
Overall, SME operators came from proportionally large families – SME operators came from families with, on average, 3.54 children. Around five per cent of SME operators were the only children in a family. Overall, SME operators were more likely to come further up the birth order. Eldest siblings accounted for the greatest proportion of SME operators, with some 41 per cent reporting that they were the first born. The next largest group were middle siblings, which accounted for 29 per cent of SME operators, followed by one in four SME operators reporting that they had been the youngest child in a family.

Other family influences were also examined, along with birth order, to see if they had any influence on the likelihood of operating a business. Specifically, SME operators were asked whether their parents had operated a business, to see if whether those who had grown up in households which had a business were more likely to start a business themselves. In addition, SME operators were asked whether their siblings had operated a business, to see whether multiple businesses operators were likely to come from the one family.

In general, there did not seem to be a strong linkage between parents and children operating businesses, with SME operators more likely to have grown up in a family that did not have a business operated by the parents. Overall, this was the case in just four out of ten SME operators, with the majority (59 per cent) reporting that their parents had not run a small business.

Likewise, there was not a strong linkage between multiple siblings operating businesses. Over six in ten SME operators with siblings reported that their siblings did not operate businesses. For those with siblings that did operate a business, the majority (58 per cent) reported that they were younger, in part reflecting that business operators tended to be the eldest.

Overall, these results would indicate that starting a business tends to be a more individual characteristic, than a trait that tends to run in families. However, there does seem to be a relationship between birth order and SME operation, with SME operators more likely to be the eldest child in a family.



Small and medium business outlook – national

- Business confidence rose by six percentage points, however, this did not reverse the dramatic sixteen percentage point fall recorded the previous quarter.
- Perceptions of the current state of the economy fell significantly, as did future economic expectations.
- Performance in sales, profitability and capital expenditure all fell.
- The only performance indicators that rose in the past quarter were prices and employment, with no change in the wages indicator.
- All expectations rose for the short term and the year ahead, with the exception of prices which was unchanged over the medium term.
- Support for the Federal Government's policies fell to a net negative five per cent, following the recent change of Federal Government.

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

	FEB 2007 %	MAY 2007 %	AUG 2007 %	NOV 2007 %	FEB 2008 %
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	69	71	71	63	65
NEGATIVE	13	12	12	20	16
NET BALANCE	+56	+59	+59	+43	+49

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 06/07 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 08 %
SALES VALUE:	INCREASE	39	43	43	40	39	49	45	49	42	45
	DECREASE	25	26	24	25	28	14	13	9	16	15
	NET BALANCE	+14	+17	+19	+15	+11	+35	+32	+40	+26	+30
SIZE OF WORKFORCE:	INCREASE	13	15	14	13	16	15	13	17	13	16
	DECREASE	12	10	10	13	14	3	2	2	3	4
	NET BALANCE	+1	+5	+4	0	+2	+12	+11	+15	+10	+12
WAGES BILL:	INCREASE	27	25	26	28	28	29	25	29	26	26
	DECREASE	12	13	11	12	12	6	6	5	8	7
	NET BALANCE	+15	+12	+15	+16	+16	+23	+19	+24	+18	+19
PRICES:	INCREASE	25	21	24	25	29	31	27	30	30	33
	DECREASE	4	3	2	5	3	2	2	1	3	2
	NET BALANCE	+21	+18	+22	+20	+26	+29	+25	+29	+27	+31
PROFITABILITY:	INCREASE	35	39	37	36	35	45	41	47	40	44
	DECREASE	25	27	25	25	29	14	14	11	18	14
	NET BALANCE	+10	+12	+12	+11	+6	+31	+27	+36	+22	+30
CAPITAL EXPENDITURE:	INCREASE	21	25	26	22	22	29	26	23	23	25
	DECREASE	29	27	24	26	28	25	25	24	25	25
	NET BALANCE	-8	-2	+2	-4	-6	+4	+1	-1	-2	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 – New South Wales

- New South Wales recorded the largest increase in business confidence during the quarter, however remained the lowest of any state or territory.
- SMEs in New South Wales again reported the lowest perceptions of the economy in the past quarter.
- New South Wales saw increases in performance in sales, employment, prices and wages, with falls recorded in profitability and capital expenditure.
- For the last quarter, New South Wales recorded the lowest proportion of SMEs that reported having increased their prices of any state or territory.
- For the coming quarter, SMEs in New South Wales recorded the lowest level of expectations for sales of any state or territory.
- For the year ahead, SMEs in New South Wales recorded the lowest levels of expectations for prices.
- Support for the policies of the New South Wales Government fell further in the past quarter to remain the lowest level for any state or territory government for the 16th successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	63	67	68	55	63
NEGATIVE	16	14	11	26	19
NET BALANCE	+47	+53	+57	+29	+43

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	NOV- JAN 06/07 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 08 %
SALES VALUE:										
INCREASE	42	39	43	35	45	55	43	47	35	37
DECREASE	25	30	25	29	31	13	16	11	19	14
NET BALANCE	+17	+9	+18	+6	+14	+42	+27	+36	+16	+23
SIZE OF WORKFORCE:										
INCREASE	11	13	11	9	18	13	10	16	12	13
DECREASE	13	11	10	15	14	1	1	1	2	6
NET BALANCE	-2	+2	+1	-6	+4	+12	+9	+15	+10	+7
WAGES BILL:										
INCREASE	27	23	24	29	33	28	22	28	23	21
DECREASE	12	15	14	12	14	5	8	6	9	6
NET BALANCE	+15	+8	+10	+17	+19	+23	+14	+22	+14	+15
PRICES:										
INCREASE	25	20	23	19	24	31	25	24	29	30
DECREASE	5	4	2	6	2	3	3	1	2	1
NET BALANCE	+20	+16	+21	+13	+22	+28	+22	+23	+27	+29
PROFITABILITY:										
INCREASE	34	39	38	30	37	51	42	25	33	38
DECREASE	27	29	25	26	34	14	17	13	22	11
NET BALANCE	+7	+10	+13	+4	+3	+37	+25	+12	+11	+27
CAPITAL EXPENDITURE:										
INCREASE	19	25	22	22	25	27	22	25	22	22
DECREASE	30	24	24	26	31	27	27	23	28	26
NET BALANCE	-11	+1	-2	-4	-6	0	-5	+2	-6	-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 fell during the quarter, and was below the national average.
- Victoria continued to record decreasing perceptions of the economy in the past quarter, and held the lowest future expectations for the economy of any state or territory.
- Performance indicators for employment and prices rose for Victorian SMEs in the past quarter.
- Victorian SMEs recorded falls in the past quarter for sales, profitability, wages and capital expenditure.
- Victorian SMEs recorded the lowest sales performance of any state or territory for the last quarter.
- Victorian SMEs are expecting rises in the employment and capital expenditure indicators in the coming quarter, but are expecting the lowest profitability result of any state or territory.
- Victorian SMEs recorded the highest capital expenditure expectations for the year ahead.
- SME support for the Victorian Government fell during the past quarter.

Trends in past three months' experience and current quarter expectations – Victoria					
	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	68	70	68	64	62
NEGATIVE	15	12	14	18	18
NET BALANCE	+53	+58	+54	+46	+44

		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 06/07 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 08 %
TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA	SALES VALUE: INCREASE	33	43	37	39	32	42	44	49	44	45
	DECREASE	26	23	30	25	27	16	12	10	14	18
	NET BALANCE	+7	+20	+7	+14	+5	+26	+32	+39	+30	+27
SIZE OF WORKFORCE:	INCREASE	14	15	16	12	14	14	14	19	10	17
	DECREASE	14	8	9	12	11	3	3	1	4	4
	NET BALANCE	0	+7	+7	0	+3	+11	+11	+18	+6	+13
WAGES BILL:	INCREASE	26	23	22	25	20	30	26	26	31	28
	DECREASE	12	11	10	15	11	8	6	5	5	6
	NET BALANCE	+14	+12	+12	+10	+9	+22	+20	+21	+26	+22
PRICES:	INCREASE	21	18	20	29	29	27	24	36	30	32
	DECREASE	3	3	2	5	4	1	1	1	3	5
	NET BALANCE	+18	+15	+18	+24	+25	+26	+23	+35	+27	+27
PROFITABILITY:	INCREASE	30	35	33	38	31	37	40	47	43	46
	DECREASE	28	28	33	27	27	16	13	11	14	20
	NET BALANCE	+2	+7	+0	+11	+4	+21	+27	+36	+29	+26
CAPITAL EXPENDITURE:	INCREASE	19	24	30	26	18	28	27	19	24	29
	DECREASE	30	28	27	27	28	21	24	26	26	24
	NET BALANCE	-11	-4	+3	-1	-10	+7	+3	-7	-2	+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 – Queensland

- Queensland recorded a rise in business confidence among SMEs this quarter, with confidence significantly above the national average.
- SMEs in Queensland reported falling performance for sales, employment, wages and profitability in the past quarter, with increases recorded in prices and capital expenditure.
- Despite a net negative result overall, SMEs in Queensland reported the highest capital expenditure performance of any state or territory, but the lowest performance in employment.
- SMEs in Queensland reported lower expectations for all indicators in the short term with the exception of capital expenditure where an unchanged result was expected.
- SME support for the Queensland Government rose strongly during the past quarter to record a net positive result and be the second highest of any government.

Trends in past three months' experience and current quarter expectations – Queensland					
	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	74	76	77	67	71
NEGATIVE	7	12	10	15	11
NET BALANCE	+67	+64	+67	+52	+60

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 06/07 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 08 %
SALES VALUE:	INCREASE	42	48	48	44	37	48	52	54	44	50
	DECREASE	26	21	17	20	30	12	9	8	16	13
	NET BALANCE	+16	+27	+31	+24	+7	+36	+43	+46	+28	+37
SIZE OF WORKFORCE:	INCREASE	14	16	13	21	16	17	16	16	16	21
	DECREASE	8	11	11	14	18	3	3	3	5	3
	NET BALANCE	+6	+5	+2	+7	-2	+14	+13	+13	+11	+18
WAGES BILL:	INCREASE	27	27	28	31	30	28	27	31	25	34
	DECREASE	12	12	12	9	15	6	4	5	11	9
	NET BALANCE	+15	+15	+16	+22	+15	+22	+23	+26	+14	+25
PRICES:	INCREASE	27	25	26	24	32	34	33	31	29	33
	DECREASE	3	4	2	3	4	2	4	1	2	3
	NET BALANCE	+24	+21	+24	+21	+28	+32	+29	+30	+27	+30
PROFITABILITY:	INCREASE	40	41	41	38	33	43	45	50	41	46
	DECREASE	23	26	19	21	28	13	10	11	18	13
	NET BALANCE	+17	+15	+22	+17	+5	+30	+35	+39	+23	+33
CAPITAL EXPENDITURE:	INCREASE	22	28	27	23	25	32	32	22	22	26
	DECREASE	26	28	22	27	27	27	23	23	22	28
	NET BALANCE	-4	+0	+5	-4	-2	+5	+9	-1	0	-2

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

Small and medium business outlook – South Australia

- Business confidence rose during the quarter, and was in line with the national average.
- SMEs in South Australia recorded the highest future expectations for the economy of any state or territory, despite haven fallen by 13 percentage points.
- SMEs in South Australia recorded higher performance in sales in the last quarter, at a level well above the national average, however this was coupled with increased levels of wages and prices charged by SMEs.
- SMEs in South Australia recorded higher expectations for all indicators for the current quarter with the exception of wages, with SMEs expecting a marginal decrease in this indicator.
- SME support for the South Australian Government fell further during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia					
	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	73	69	65	67	63
NEGATIVE	13	12	13	21	15
NET BALANCE	+60	+57	+52	+46	+49

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 06/07 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %
SALES VALUE:	INCREASE	34	38	37	40	40	48	38	51	44	49
	DECREASE	23	35	32	24	22	15	17	10	11	13
	NET BALANCE	+11	+3	+5	+16	+18	+33	+21	+41	+33	+36
SIZE OF WORKFORCE:	INCREASE	17	11	15	16	14	10	13	10	14	17
	DECREASE	10	11	6	10	12	7	5	2	5	3
	NET BALANCE	+7	+0	+9	+6	+2	+3	+8	+8	+9	+14
WAGES BILL:	INCREASE	28	30	23	28	32	25	22	30	30	30
	DECREASE	9	12	13	11	12	7	6	4	6	7
	NET BALANCE	+19	+18	+10	+17	+20	+18	+16	+26	+24	+23
PRICES:	INCREASE	31	24	29	33	34	30	28	33	35	34
	DECREASE	2	4	3	3	1	3	1	1	4	1
	NET BALANCE	+29	+20	+26	+30	+33	+27	+27	+32	+31	+33
PROFITABILITY:	INCREASE	33	31	34	38	36	44	35	46	44	47
	DECREASE	25	32	25	27	30	17	21	9	15	14
	NET BALANCE	+8	-1	+9	+11	+6	+27	+14	+37	+29	+33
CAPITAL EXPENDITURE:	INCREASE	23	18	22	24	21	19	26	24	19	23
	DECREASE	26	23	24	27	25	23	26	18	28	27
	NET BALANCE	-3	-5	-2	-3	-4	-4	+0	+6	-9	-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 recorded a further fall during the quarter, however, it remained the second highest of any state or territory.
- SMEs in Western Australia reported the highest perceptions of the economy, despite falling by 38 percentage points.
- SMEs in Western Australia again recorded the highest performance results for wages of any state or territory.
- SMEs in Western Australia reported falling performance in sales, profitability and capital expenditure in the past quarter.
- Western Australian SMEs reported increasing expectations for the coming quarter for all indicators with the exception of employment.
- Western Australian SMEs recorded the highest expectations in sales and profitability for the coming quarter of any state or territory.
- Support for the Western Australian Government fell further during the past quarter.

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

	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
	%	%	%	%	%
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	81	80	79	72	70
NEGATIVE	6	8	7	13	12
NET BALANCE	+75	+72	+72	+59	+58

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 06/07 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 08 %
SALES VALUE:	INCREASE	46	50	53	51	38	56	46	47	50	55
	DECREASE	22	18	15	21	22	12	12	4	16	12
	NET BALANCE	+24	+32	+38	+30	+16	+44	+34	+43	+34	+43
SIZE OF WORKFORCE:	INCREASE	15	22	18	10	15	20	19	18	19	13
	DECREASE	9	8	6	12	12	4	2	1	1	5
	NET BALANCE	+6	+14	+12	-2	+3	+16	+17	+17	+18	+8
WAGES BILL:	INCREASE	24	27	33	31	34	32	32	32	26	27
	DECREASE	6	11	2	9	7	3	6	2	11	4
	NET BALANCE	+18	+16	+31	+22	+27	+29	+26	+30	+15	+23
PRICES:	INCREASE	29	26	32	31	35	36	27	31	34	40
	DECREASE	2	2	2	8	3	2	1	1	3	1
	NET BALANCE	+27	+24	+30	+23	+32	+34	+26	+30	+31	+39
PROFITABILITY:	INCREASE	43	48	44	44	38	52	43	45	46	56
	DECREASE	19	20	18	22	24	11	12	6	18	10
	NET BALANCE	+24	+28	+26	+22	+14	+41	+31	+39	+28	+46
CAPITAL EXPENDITURE:	INCREASE	27	26	27	20	17	33	32	20	25	28
	DECREASE	25	27	24	26	26	23	26	28	22	22
	NET BALANCE	+2	-1	+3	-6	-9	+10	+6	-8	+3	+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 in Tasmania rose during the quarter and was above the national average.
- SMEs in Tasmania reported solid performance compared to national average in the past quarter, recording the highest performance in sales, employment, prices and profitability of any state or territory.
- Expectations for the current quarter were for increases in all indicators, with the exception of prices.
- Tasmanian SMEs were not expecting the current strong conditions to continue, with the lowest short-term expectations for employment and wages bill and the lowest expectations for the year ahead for sales, employment, wages and profitability.
- Support for the Tasmanian Government's policies fell during the past quarter to record its lowest level ever recorded in the Sensis® Business Index. The overwhelming reason for the negative sentiment was the belief that the Tasmanian Government was only concerned with large businesses; bringing the result to the second lowest of any Australian government.

Trends in past three months' experience and current quarter expectations – Tasmania					
	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	78	74	69	68	69
NEGATIVE	8	5	9	14	14
NET BALANCE	+70	+69	+60	+54	+56

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 06/07 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 07 %	MAY- JUL 07 %	AUG- OCT 07 %	NOV- JAN 07/08 %	FEB- APR 08 %
SALES VALUE:	INCREASE	41	36	33	43	42	37	36	46	60	41
	DECREASE	22	25	34	20	17	16	17	10	5	14
	NET BALANCE	+19	+11	-1	+23	+25	+21	+19	+36	+55	+27
SIZE OF WORKFORCE:	INCREASE	17	14	15	17	15	15	9	16	19	9
	DECREASE	13	9	15	8	7	5	4	4	3	7
	NET BALANCE	+4	+5	+0	+9	+8	+10	+5	+12	+16	+2
WAGES BILL:	INCREASE	26	29	24	24	22	27	23	26	30	18
	DECREASE	12	13	15	8	11	9	9	9	5	9
	NET BALANCE	+14	+16	+9	+16	+11	+18	+14	+17	+25	+9
PRICES:	INCREASE	27	24	22	32	35	28	29	33	23	43
	DECREASE	1	3	2	1	2	5	3	1	0	2
	NET BALANCE	+26	+21	+20	+31	+33	+23	+26	+32	+23	+41
PROFITABILITY:	INCREASE	33	33	29	36	37	39	33	47	55	40
	DECREASE	24	25	32	26	19	16	15	11	7	13
	NET BALANCE	+9	+8	-3	+10	+18	+23	+18	+36	+48	+27
CAPITAL EXPENDITURE:	INCREASE	25	22	30	30	16	29	25	36	35	19
	DECREASE	22	36	30	23	28	27	36	27	24	19
	NET BALANCE	+3	-14	+0	+7	-12	+2	-11	+9	+11	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 – Northern Territory

- The Northern Territory recorded a further small rise in SME confidence in the past quarter, with confidence remaining the highest of any state or territory.
- SMEs in the Northern Territory were the most likely to report having difficulties finding quality staff.
- SMEs in the Northern Territory recorded falls in almost all performance indicators, with the exception of prices.
- Despite falls in most indicators, the sales result was the second highest of any state or territory, with profitability the third highest result.
- Anticipating the coming dry season, SMEs in the Territory were expecting strong rises in all indicators. Expectations for employment and wages were the highest of any state or territory for the coming quarter.
- Support for the Northern Territory Government fell during the quarter but remained the most supported state or territory government by SMEs.

Trends in past three months' experience and current quarter expectations – Northern Territory					
	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	79	74	75	78	81
NEGATIVE	11	11	7	6	7
NET BALANCE	+68	+63	+68	+72	+74

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	NOV- JAN 06/07	FEB- APR 07	MAY- JUL 07	AUG- OCT 07	NOV- JAN 07/08	FEB- APR 07	MAY- JUL 07	AUG- OCT 07	NOV- JAN 07/08	FEB- APR 08
SALES VALUE: INCREASE	37	45	54	47	43	53	60	46	33	52
DECREASE	27	20	11	13	20	10	6	10	19	12
NET BALANCE	+10	+25	+43	+34	+23	+43	+54	+36	+14	+40
SIZE OF WORKFORCE: INCREASE	17	23	15	26	18	22	19	16	12	24
DECREASE	18	9	14	7	17	1	2	4	9	5
NET BALANCE	-1	+14	+1	+19	+1	+21	+17	+12	+3	+19
WAGES BILL: INCREASE	35	36	33	26	21	28	32	26	20	34
DECREASE	11	9	10	4	14	9	4	9	8	6
NET BALANCE	+24	+27	+23	+22	+7	+19	+28	+17	+12	+28
PRICES: INCREASE	30	35	26	28	33	36	28	33	26	31
DECREASE	3	0	1	2	3	0	1	1	3	2
NET BALANCE	+27	+35	+25	+26	+30	+36	+27	+32	+23	+29
PROFITABILITY: INCREASE	33	42	40	43	37	51	60	47	27	40
DECREASE	25	22	13	14	24	12	13	11	11	12
NET BALANCE	+8	+20	+27	+29	+13	+39	+47	+36	+16	+28
CAPITAL EXPENDITURE: INCREASE	26	25	26	25	19	31	35	22	20	35
DECREASE	26	27	32	16	28	20	30	33	30	22
NET BALANCE	0	-2	-6	+9	-9	+11	+5	-11	-10	+13

* 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 sharply during the quarter among Australian Capital Territory SMEs, recording the largest fall of any state or territory.
- In addition to the fall in confidence, SMEs in the Australian Capital Territory recorded falls in performance in employment, profitability and capital expenditure in the past quarter.
- Profitability and capital expenditure performance were lowest among Australian Capital Territory SMEs.
- SMEs in the Australian Capital Territory were expecting increases in sales and employment in the current quarter, however expectations for other indicators were down, with the expectations for capital expenditure for both the short and medium term the lowest of any state or territory.
- Despite the subdued results, support for the Australian Capital Territory Government rose strongly during the quarter.

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

	FEB 2007	MAY 2007	AUG 2007	NOV 2007	FEB 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	73	69	67	69	59
NEGATIVE	12	12	11	14	14
NET BALANCE	+61	+57	+56	+55	+44

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 06/07	FEB- APR 07	MAY- JUL 07	AUG- OCT 07	NOV- JAN 07/08	FEB- APR 07	MAY- JUL 07	AUG- OCT 07	NOV- JAN 07/08	FEB- APR 08
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	46	52	46	39	42	48	50	54	45	48
	DECREASE	24	24	24	32	28	16	12	12	20	20
	NET BALANCE	+22	+28	+22	+7	+14	+32	+38	+42	+25	+28
SIZE OF WORKFORCE:	INCREASE	20	20	21	14	13	19	20	25	13	19
	DECREASE	13	13	10	13	13	5	1	6	3	3
	NET BALANCE	+7	+7	+11	+1	0	+14	+19	+19	+10	+16
WAGES BILL:	INCREASE	40	30	33	22	28	29	30	28	28	22
	DECREASE	16	15	15	18	18	11	3	10	8	9
	NET BALANCE	+24	+15	+18	+4	+10	+18	+27	+18	+20	+13
PRICES:	INCREASE	25	18	26	28	29	23	25	26	35	34
	DECREASE	6	5	4	2	1	2	1	4	3	2
	NET BALANCE	+19	+13	+22	+26	+28	+21	+24	+22	+32	+32
PROFITABILITY:	INCREASE	44	41	43	35	32	48	43	52	44	48
	DECREASE	23	21	27	29	32	11	11	13	16	21
	NET BALANCE	+21	+20	+16	+6	0	+37	+32	+39	+28	+27
CAPITAL EXPENDITURE:	INCREASE	30	28	28	18	16	28	16	24	17	19
	DECREASE	28	34	23	30	30	29	33	33	25	30
	NET BALANCE	+2	-6	+5	-12	-14	-1	-17	-9	-8	-11

* 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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