

May 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 currently 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 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 May 2008 Sensis® *Business Index* were drawn from metropolitan and major non-metropolitan regions within Australia (referred to throughout this report as “regional”). 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 survey was conducted from 28 April to 30 May 2008. The report covers experiences over the past three months (February to April 2008), and expectations for both the current quarter (May to August 2008) and the 12 months ahead (April 2008 – April 2009).

Executive summary

Business confidence among SMEs fell sharply during the past quarter. In addition to lower 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 this quarter was the economic climate, followed by difficulties finding and keeping staff and a lack of work or sales. Some 26 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, employment, profitability, wages and capital expenditure. The only indicator to record a rise in the past quarter was prices charged.

Support for the Federal Government fell strongly to its lowest level since May 2001 with SMEs concerned about a lack of incentives for small business, increasing interest rates and government policies working against small business. With two successive large falls, the Federal Government is now the second least supported government by SMEs in Australia, with only the New South Wales government ranked lower by SMEs. The Northern Territory Government was again the most supported government by SMEs overall, with SMEs citing their small business management programs for their support.

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 fell during the past quarter to its lowest level since May 2001.
- Perceptions of the current state of the Australian economy continued to fall dramatically, with more SMEs on balance believing that the Australian economy was now slowing and also feeling that the economy would be worse a year from now.
- The key performance indicators of sales, employment, profitability, wages and capital expenditure all fell in the last quarter, with only prices charged rising.
- In the short term and medium terms, SMEs were expecting further falls for all indicators, with the only exception being prices in the medium-term, which SMEs expect to increase.
- Expectations for most key business indicators for the year ahead also fell, with the only indicator not to record a fall being prices charged, which was unchanged.
- The economic climate was the primary concern of SMEs this quarter and is at its highest level in the history of the Sensis® *Business Index*. This was followed by problems finding and keeping staff concerns about and a lack of work or sales.
- Some 26 per cent of SMEs reported currently facing no problems in their business.
- Support for the Federal Government's policies continued to fall following the change in Federal Government, with SMEs concerned about a lack of incentives, increasing interest rates and a perception that government policies worked against small business.
- 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 17th 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 has decreased significantly from eighteen to four percentage points.
- Medium businesses were, on balance, only half as negative about the current state of the Australian economy as 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.
- 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:

- Regional businesses were marginally more confident than their metropolitan counterparts. Rising interest rates was cited as the key reason for concerns amongst metropolitan SMEs, with increased fuel costs the main reason for concern amongst regional SMEs.
- There was no difference in the perceptions of the current or future states of the Australian economy between metropolitan and regional SMEs.
- Metropolitan businesses reported higher performance than regional businesses for sales, profitability and capital expenditure.
- Regional businesses were more likely than metropolitan businesses to have increased their prices in the past quarter. Regional SMEs were also more likely to have increased employment and had an increased wages bill.
- Metropolitan businesses reported higher expectations for the coming quarter than regional businesses for all indicators, with the exception of wages, which was equal, and prices charged, where regional businesses were more likely to be expecting an increase.
- Metropolitan businesses were more supportive of the Federal Government's policies.

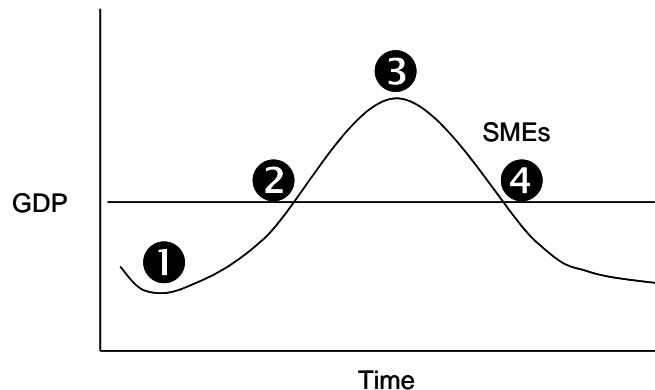
Industry sector trends

Several trends emerged throughout the industry sectors, including:

- Confidence was highest in the transport and storage sector.
- The cultural, recreational and personal services sector recorded the lowest confidence level of any sector.
- The transport and storage sector recorded the strongest performance in sales, employment and profitability over the past quarter.
- The accommodation, café and restaurant sector recorded the highest result in capital expenditure and was also the most likely to have had an increased wages bill in the past quarter.
- Looking ahead the transport and storage sector recorded the highest expectations for the coming quarter for sales and profitability, but had the lowest expectations for capital expenditure.
- The cultural, recreational and personal services sector recorded the lowest expectations for sales, employment, wages and profitability for the coming quarter.
- The health and community services sector was the most supportive of the Federal Government's policies, with the wholesale trade sector being the least supportive.

SME business cycle analysis

The Business Cycle and SMEs



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

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

Analysis of the key indicators from the May 2008 Sensis® Business Index suggests an economic environment that has now slowed and is entering trough like conditions compared to the economic conditions enjoyed in the past few years, with many indicators now declining from peak economic conditions. In addition to weaker performance, expectations for the economic outlook have also fallen significantly. SMEs now believe that the Australian economy is currently contracting, with further deterioration likely. Confidence has fallen to the lowest levels in seven years, heavily influenced by recent increases in fuel prices and interest rates. SMEs have been experiencing falling demand, and their prime concern has moved to the economy.

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

Highlighted sections show the indicators relevant to SMEs for the May 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 a dramatic fall in business confidence during the past quarter, on the back of weakening economic conditions. SME confidence is seven percentage points lower than at the same time last year.

Concerns about increasing fuel prices and rising interest rates were the key reasons for SMEs lacking confidence this quarter, with almost one in five worried SME operators citing each of these as the reason. These two reasons were closely followed by a decrease in business. The main reason given by those SMEs that were confident was that they felt established and experienced in their business operations.

Last quarter (February to April 2008)

SMEs recorded a sharp fall in business confidence with a net balance of 33 per cent. This result comprises of 58 per cent of businesses that were confident about their prospects for the year ahead and 25 per cent that were concerned.

Australian SMEs experienced declining business confidence during the past quarter. This result is the equal largest decline in SME confidence recorded since the inception of the Sensis® Business Index in 1993, with a fall of this magnitude being recorded only once before, two quarters previously in November 2007. With two large drops in recent quarters, SME confidence is now at its lowest point since May 2001, seven years ago.

The main reason businesses gave for feeling worried about their prospects related to concerns over rising fuel prices and increasing interest rates, decreasing business and consumers not spending.

By comparison, those businesses that felt confident cited feeling established and experienced in their business operations and having plenty of work coming up as the key reasons behind their confidence.

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.

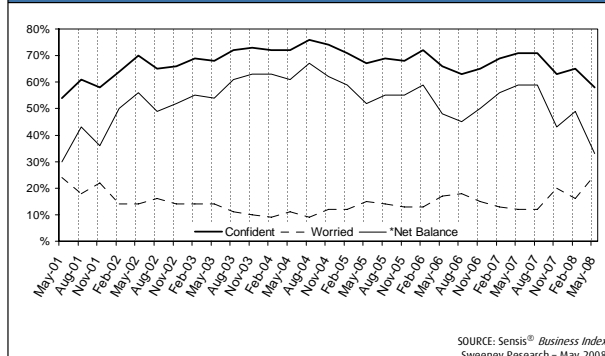
These latest results show that while business confidence has fallen, SME views on the economy also fell sharply. In addition to this, future expectations for the economy have also plummeted across all states and territories.

Confidence trends - past five quarters

	May 07	Aug 07	Nov 07	Feb 08	May 08
Extremely confident	15%	17%	15%	13%	12%
Fairly confident	56%	54%	48%	52%	46%
Neutral	17%	18%	18%	19%	17%
Fairly worried	9%	10%	16%	14%	21%
Extremely worried	3%	2%	4%	2%	4%
Total confident	71%	71%	63%	65%	58%
Total worried	12%	12%	20%	16%	25%
*Net Balance	+59%	+59%	+43%	+49%	+33%

SOURCE: Sensis® Business Index
Sweeney Research – May 2008

Long term trends in confidence



SOURCE: Sensis® Business Index
Sweeney Research – May 2008

* Net balance is defined as the difference between the percentage who are confident and the percentage who are worried.

Confidence by state, sector and size

Key findings

The highest levels of business confidence in the past quarter were again recorded in the Northern Territory. New South Wales SMEs recorded the largest fall in confidence in the past quarter, and the lowest level of business confidence. Regional businesses reported marginally higher confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the communications, property and business services sector, and lowest among SMEs in the cultural, recreational and personal services sectors.

Last quarter (February to April 2008)

With confidence recording a large fall at the national level, this was mirrored by falls in confidence in almost all states and territories. The only state or territory to record an increase in confidence was Victoria, where confidence was up four percentage points to a net balance of 48 per cent. The highest overall confidence was recorded in the Northern Territory, with the lowest confidence levels recorded in New South Wales, with that state also recording the largest decline.

The transport and storage sector recorded the highest confidence at a net 67 per cent, an improvement of eight percentage points in the past quarter. This was the only sector to record an increase in confidence this quarter, after also having recorded the largest increase in confidence last quarter. The lowest confidence level was recorded in the cultural, recreational and personal services sectors, with a net balance of five per cent. This sector also recorded the largest fall, with confidence having dropped by 27 percentage points.

On average, confidence was marginally higher among businesses in regional areas. However, despite this average result, the only two states or territories to record higher regional confidence levels were New South Wales and Queensland. This highest confidence by location overall was in metropolitan areas of the Northern Territory. The largest improvement was among those SMEs in metropolitan areas of Victoria. The largest declines in business confidence were recorded among SMEs in metropolitan areas of New South Wales.

Trends by state *net balance					
	May 07	Aug 07	Nov 07	Feb 08	May 08
National	59%	59%	43%	49%	33%
New South Wales	53%	57%	29%	43%	11%
Victoria	58%	54%	46%	44%	48%
Queensland	64%	67%	52%	60%	42%
South Australia	57%	52%	56%	49%	36%
Western Australia	72%	72%	59%	58%	55%
Tasmania	69%	60%	54%	56%	40%
Northern Territory	63%	68%	72%	74%	58%
Australian Capital Territory	57%	56%	55%	44%	23%

SOURCE: Sensis® Business Index
Sweeney Research – May 2008

Metro and regional confidence *net balance			
	Metro	Regional	Total
National	32%	33%	33%
New South Wales	6%	20%	11%
Victoria	51%	38%	48%
Queensland	42%	45%	40%
South Australia	38%	25%	36%
Western Australia	56%	51%	55%
Tasmania	46%	36%	40%
Northern Territory	66%	50%	58%
Australian Capital Territory	23%	N/A	23%

SOURCE: Sensis® Business Index
Sweeney Research – May 2008

Confidence by business size			
	Confident	Worried	*Net Balance
Total	58%	25%	33%
1-2 Employees	54%	27%	27%
3-4 Employees	66%	21%	45%
5-9 Employees	63%	25%	38%
10-19 Employees	58%	28%	30%
Total Small Business	58%	25%	33%
20-99 Employees	62%	26%	36%
100-199 Employees	65%	14%	51%
Total Medium Business	62%	25%	37%

SOURCE: Sensis® Business Index
Sweeney Research – May 2008

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	57%	25%	32%
Building/Construction	55%	20%	35%
Wholesale Trade	59%	25%	34%
Retail Trade	47%	39%	8%
Transport/Storage	79%	12%	67%
Communication Property & Business Services	63%	21%	42%
Finance and Insurance	71%	20%	51%
Health and Community Services	70%	12%	58%
Cultural, Recreational and Personal	45%	40%	5%
Accommodation, Cafes and Restaurants	58%	23%	35%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 for the second successive quarter, falling to their lowest level since May 2001. SMEs' future economic expectations also plummeted from the previous quarter's result, to reach their lowest point in the history of the Sensis® Business Index.

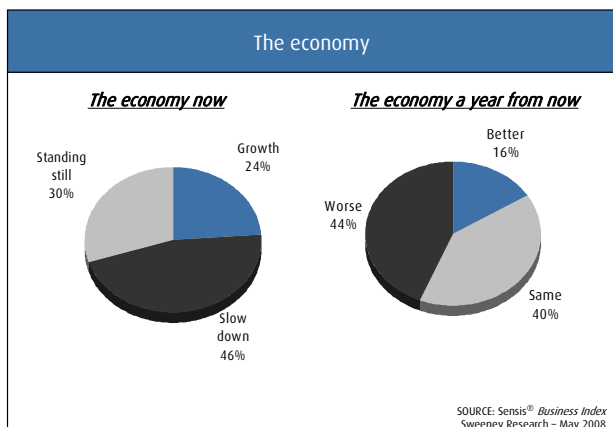
Last quarter (February to April 2008)

There was a significant fall in the proportion of SMEs that felt the economy was currently growing, dropping by 15 percentage points. Coupled with this was an increase of 21 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 22 per cent of businesses believing the Australian economy is currently slowing. This was a decrease of 36 percentage points from last quarter, and follows a decrease of 36 percentage points 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 May 2001.

With stronger economic conditions continuing in resource and commodity producing regions, only SMEs in Western Australia recorded a net positive perception of the current state of the Australian economy. A net balance of 17 per cent reported a current growth phase; however, this was down 22 percentage points from last quarter. The weakest perceptions were recorded among SMEs in New South Wales (net balance of negative 38 per cent, down from six per cent last quarter).

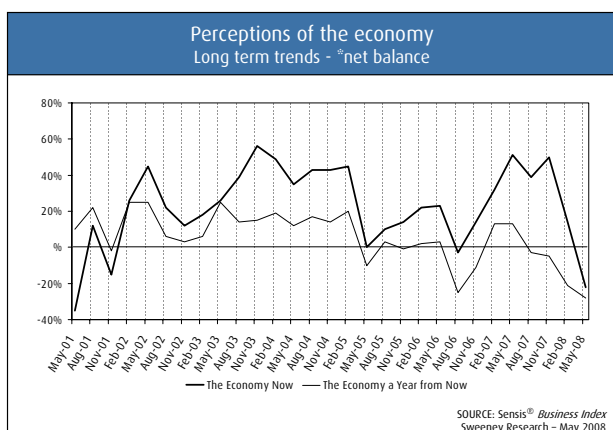
For the second successive quarter all states and territories record strongly declining views of the economy. The smallest fall in perceptions was recorded in Tasmania, where the decline was some 14 percentage points.

In addition to the decrease in perceptions of the economy now, expectations for the year ahead plummeted further, with net negative 28 per cent of SMEs believing the economy would be worse in a year's time. This represents a decline of seven percentage points from last quarter, with falls recorded in all states and territories.



Perceptions of the economy - trends					
	May 07	Aug 07	Nov 07	Feb 08	May 08
The economy now					
Growth	59%	52%	62%	39%	24%
Slowing	8%	13%	12%	25%	46%
*Net Balance	+51%	+39%	+50%	+14%	-22%
The economy a year from now					
Better	26%	18%	19%	14%	16%
Worse	13%	21%	24%	35%	44%
*Net Balance	+13%	-3%	-5%	-21%	-28%

SOURCE: Sensis® Business Index Sweeney Research – May 2008



Perceptions of the economy by state								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	16%	24%	25%	31%	45%	35%	30%	23%
Slowing	54%	42%	49%	35%	28%	39%	37%	53%
*Net Balance	-38%	-18%	-24%	-4%	17%	-4%	-7%	-30%
The economy a year from now								
Better	17%	17%	14%	16%	12%	15%	13%	20%
Worse	49%	44%	42%	43%	34%	38%	36%	43%
*Net Balance	-32%	-27%	-28%	-27%	-22%	-23%	-23%	-23%

SOURCE: Sensis® Business Index Sweeney Research – May 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 not surprising that the proportion of SMEs that were expecting their business performance to improve in the next twelve months fell across all indicators, with the exception of expectations of prices, which were stable.

Next 12 months (May 2008 to April 2009)

Sales expectations fell during the quarter from 53 per cent to 38 per cent, a decrease of 15 percentage points. This result was made up of 56 per cent of businesses that thought sales would rise in the next year, while 18 per cent expected a fall. SMEs in the Northern Territory recorded the strongest net sales expectations by state for the year ahead, with a net balance result of 55 per cent. The communications, property and business services sector recorded the strongest industry result with a net balance of 51 per cent. At the other end of the scale was the cultural, recreational and personal services sector with a net balance result of 22 per cent.

Employment expectations for the year ahead registered a fall with a net balance of 18 per cent, a drop of three percentage points from last quarter. At a state level Western Australia recorded the highest results with a net balance of 28 per cent. Across the nation, metropolitan businesses recorded higher employment expectations for the next twelve months compared to regional businesses (20 per cent in metropolitan areas compared to 14 per cent regionally). At an industry level the health and community services sector recorded the strongest employment result at 28 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 nine per cent.

The total wages and salary costs expectations for the year ahead experienced a decrease of six percentage points during the quarter, with a net balance of 35 per cent of businesses expecting an increase. The strongest state wage expectations for the year ahead were recorded in Western Australia (49 per cent). The health and community services sector was again the industry expecting the greatest increase in wages over the next year (50 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 Queensland, Tasmania and the Northern Territory recorded the strongest selling price expectations for the year ahead with a net balance result of 68 per cent each. At an industry level the strongest price expectations for the year ahead again came from the accommodation, café and restaurant sector at 73 per cent. The lowest price expectations for the year ahead were again recorded in the finance and insurance sector at 23 per cent.

In line with sales trends for year ahead, profitability expectations fell by 19 percentage points. The Northern Territory recorded the strongest profit expectations for the year ahead with a net balance result of 43 per cent. The lowest expectations were in Tasmania with a net balance result of 14 per cent. At an industry level the transport and storage sector recorded the strongest annual profit expectations with a net balance result of 38 per cent.

Capital expenditure also recorded a decrease in expectations for the year ahead, down from 16 per cent to four per cent. The strongest capital expenditure expectations for the next twelve months were recorded in the Northern Territory (43 per cent) and in the transport and storage sector (38 per cent).

Expectations on key indicators over the next 12 months May 2008			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	56%	18%	+38%
Size of workforce	24%	6%	+18%
Wages bill	43%	8%	+35%
Prices charged	60%	3%	+57%
Profitability	48%	21%	+27%
Capital expenditure	33%	29%	+4%

SOURCE: Sensis® Business Index
Sweeney Research – May 2008

Expectations on key indicators Trends in *net balance					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Value of sales	52%	59%	50%	53%	38%
Size of workforce	20%	23%	19%	21%	18%
Wages bill	38%	42%	38%	41%	35%
Prices charged	54%	56%	57%	57%	57%
Profitability	46%	53%	44%	46%	27%
Capital expenditure	17%	16%	12%	16%	4%

SOURCE: Sensis® Business Index
Sweeney Research – May 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

The economic climate was the most pressing concern faced by SMEs in the latest survey. Having risen by seven percentage points in the past quarter, this brought the economic climate to the highest level of concern recorded in the history of the Sensis® Business Index. Some 26 per cent of SMEs reported that they were currently facing no significant problems in their business.

Last quarter (February to April 2008)

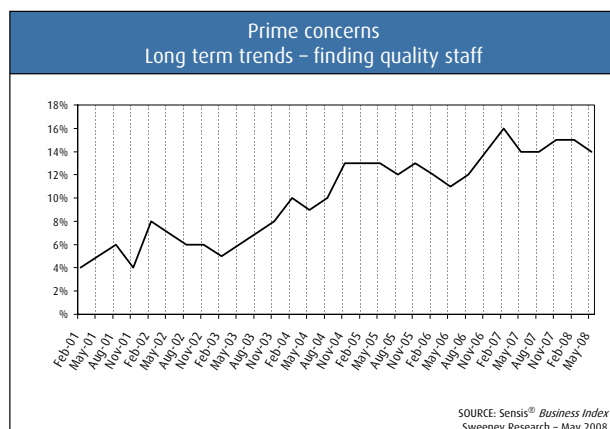
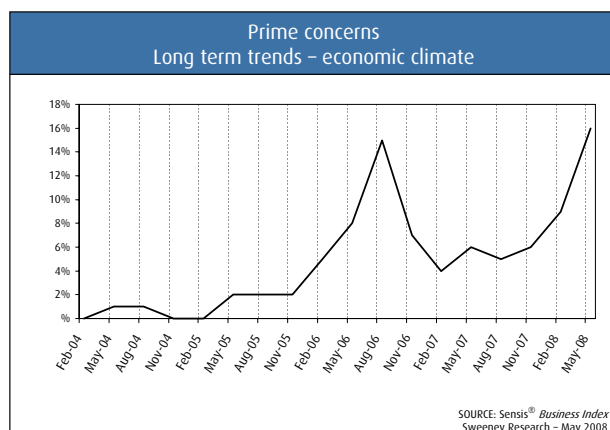
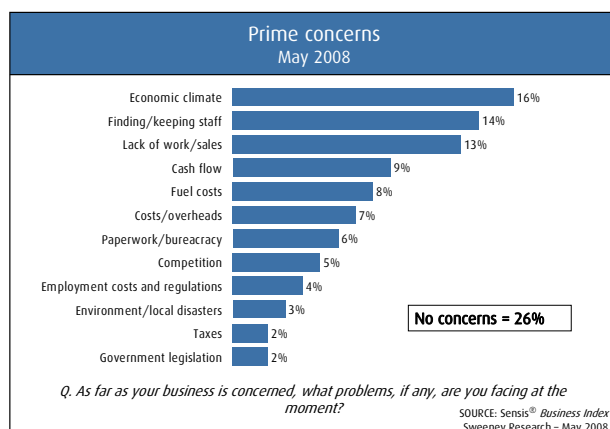
The proportion of SMEs reporting that they were currently facing problems caused by the current economic climate rose seven per cent over the past quarter to 16 per cent, becoming the top concern facing SMEs in Australia. Reports of problems caused by the economic climate were highest in New South Wales, where this problem was being reported by 22 per cent of SMEs, and lowest in Victoria and Tasmania, where nine per cent reported difficulties in this area. SMEs in the finance and insurance sector were most likely to report difficulties caused by the economic climate this quarter.

Concern over the current economic climate includes issues such 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. The economic climate issues that were causing the most concern to SMEs were people not spending and high interest rates.

The proportion of SMEs reporting difficulties finding and keeping staff fell by one percentage point over the past quarter to 14 per cent, and was the second most pressing concern facing SMEs in Australia. Reports of difficulties finding and keeping staff were highest in Western Australia, where this problem was being reported by 28 per cent of SMEs, and lowest in New South Wales, where nine per cent reported difficulties in this area. SMEs in the manufacturing sector were most likely to report difficulties finding and keeping staff this quarter.

A lack of work or sales was the next most significant problems cited by SMEs in the past quarter. Overall, 13 per cent of SMEs nominated this concern as an issue, which was up by four percentage points over the past quarter and at its highest point since February 2007.

Some 26 per cent of SMEs reported currently facing no problems in their business, down 11 percentage points in the past quarter.



Sales

Key findings

There was a further sharp decline in the proportion of SMEs, on balance, that reported increased sales over the past quarter. Coupled with this, lower proportions of SMEs were expecting their sales to improve in both the short and medium terms.

Last quarter (February to April 2008)

Sales performance recorded a lower net balance of net negative three per cent for the quarter, down by a further 14 percentage points from last quarter and now at the lowest point since May 2001. This is actually the first time that sales performance has been net negative since that time.

Sales performance again varied dramatically across the states and territories. After having recorded the strongest expectations last quarter, Western Australia realised this with the strongest performance this quarter, with a net 20 per cent experienced increasing sales in the past quarter. At the other end of the scale, sales performance was lowest among SMEs in New South Wales, where a net negative 14 per cent of SMEs reported increasing sales.

The strongest sales performance was again recorded in the transport and storage sector, with a net balance of 49 per cent of SMEs having reported increasing sales. The cultural, recreational and personal services sector recorded the weakest industry performance, at net negative 20 per cent.

Current quarter (May to July 2008)

SMEs were expecting further falls in sales in the short term. Sales expectations for the current quarter recorded a drop of 13 percentage points from the previous quarter to net 17 per cent.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in the Northern Territory at net 39 per cent. The weakest sales expectations for the coming quarter were recorded in the Australian Capital Territory at a net negative two per cent.

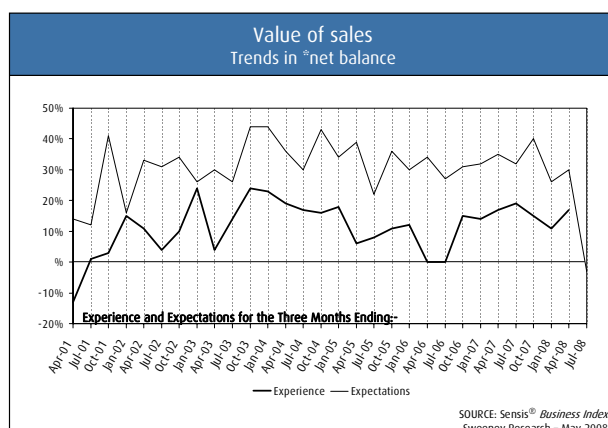
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the transport and storage sector (net balance of 36 per cent). The cultural, recreational and personal services sector recorded the lowest level of expectations (net negative seven per cent).

Next 12 months (May 2008 to April 2009)

Twelve-month sales expectations fell from a net 53 per cent to 38 per cent. The result comprised 56 per cent of businesses that believed sales would increase in the year ahead and 18 per cent that thought they would fall. Sales expectations for the year ahead were highest in the Northern Territory at net 55 per cent.

Value of sales					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Last Quarter					
Experienced increase	43%	43%	40%	39%	34%
No change	31%	32%	35%	32%	28%
Experienced decrease	26%	24%	25%	28%	37%
*Net Balance	+17%	+19%	+15%	+11%	-3%
Current Quarter					
Expect increase	45%	49%	42%	45%	40%
No change	42%	41%	41%	39%	36%
Expect decrease	13%	9%	16%	15%	23%
*Net Balance	+32%	+40%	+26%	+30%	+17%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 fell during the past quarter with more SMEs reporting that they decreased their employment levels than increased them during the quarter. SMEs were expecting further declines in employment in both the coming quarter and the year ahead.

Last quarter (February to April 2008)

The proportion of SMEs that reported increased employment during the past quarter fell, with 13 per cent of SMEs reporting a rise in employment during the past quarter. This was offset by the 15 per cent of businesses that experienced employment declines, with the net balance of negative two per cent some four percentage point lower than last quarter's result.

Regional variation was once again seen across Australia. At a state level the best performing region was the Northern Territory at four per cent. At the other end of the scale, New South Wales recorded a net balance result of negative four per cent, reflecting that more SMEs in that state recorded declining employment levels than rising. At an industry level, the transport and storage sector recorded the strongest result at 20 per cent while the communications, property and business services sector recorded the lowest results at negative 12 per cent.

A lack of work or sales were the main barrier to taking on new employees, reported by 31 per cent of SMEs that believed barriers existed, up 19 percentage points in the past quarter, the highest level since August 2005.

Current quarter (May to July 2008)

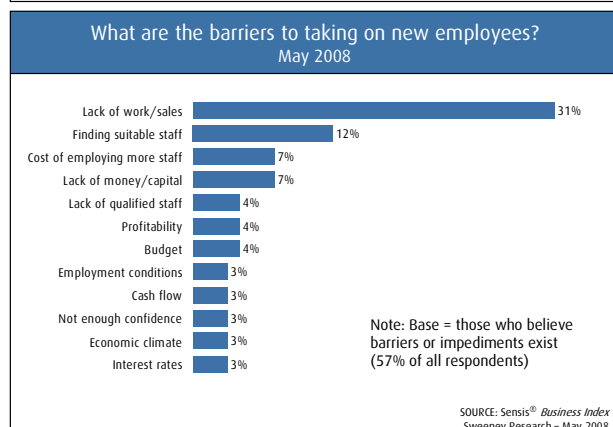
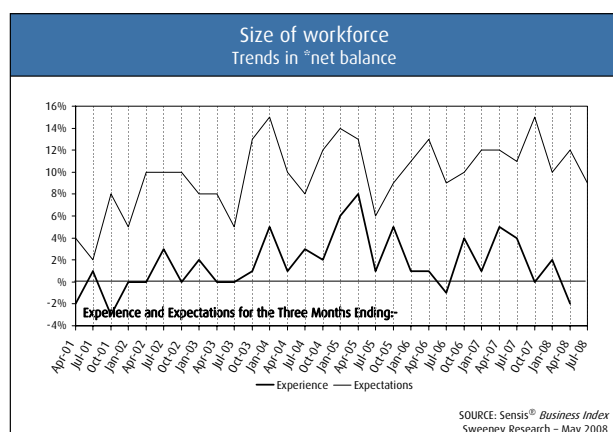
Employment expectations for the current quarter fell to a net balance of nine per cent. Queensland and Western Australia recorded the strongest short-term employment expectations at a net balance of 14 per cent each. At the other end of the scale was the Australian Capital Territory with a net balance result of one per cent. On an industry basis, the strongest expectations were in the health and community services sector (22 per cent).

Next 12 months (May 2008 to April 2009)

Employment expectations for the year ahead also fell three percentage points to a net balance result of 18 per cent. The strongest expectations for the year ahead were recorded in Western Australia (net 28 per cent each), with the weakest in New South Wales (11 per cent).

Employment					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Last Quarter					
Experienced increase	15%	14%	13%	16%	13%
No change	75%	76%	74%	71%	71%
Experienced decrease	10%	10%	13%	14%	15%
*Net Balance	+5%	+4%	0%	+2%	-2%
Current Quarter					
Expect increase	13%	17%	13%	16%	15%
No change	85%	81%	82%	79%	78%
Expect decrease	2%	2%	3%	4%	6%
*Net Balance	+11%	+15%	+10%	+12%	9%

SOURCE: Sensis® Business Index
Sweeney Research – May 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

There was a fall in the proportion of SMEs, on balance, that reported increased wages over the past quarter. Lower proportions of SMEs were expecting increases in their wages bills for both the short and medium terms.

Last quarter (February to April 2008)

The most recent quarter saw a fall of eight percentage points in the proportion of SMEs reporting increased wage costs, with the performance result remaining at a net eight per cent, the lowest level since March 2003.

During the quarter, 23 per cent of SMEs experienced a rise in total wage costs, while 15 per cent recorded a decline. SMEs in the Northern Territory recorded the highest net result in total wage costs (net 21 per cent), while the lowest wage pressures were in New South Wales (net negative one per cent). The strongest net result in total wage costs was recorded in the accommodation, cafes and restaurant sector (net 37 per cent).

Current quarter (May to July 2008)

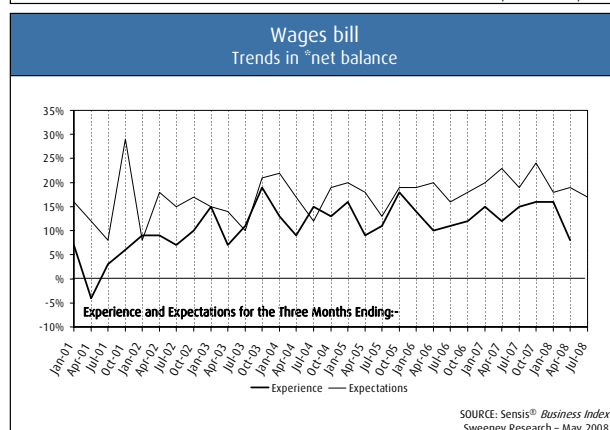
Fewer SMEs were expecting increases in wages in the short term, with net expectations for total wage costs falling to a net 17 per cent for the current quarter from 19 per cent last quarter. The highest wage expectations were in the Northern Territory, with a net balance of 31 per cent of SMEs expecting 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 five per cent).

Next 12 months (May 2008 to April 2009)

Expectations for total wage and salary costs for the coming year also rose during the quarter, with a net balance of 35 per cent of businesses expecting a rise in total wage costs in the year ahead. This represented a fall in the net balance trend of six percentage points. The SMEs most likely to be expecting increases to their wages bills were in Western Australia at a net 49 per cent. SMEs in New South Wales and Tasmania were least likely to expect an increase in their total wages bill in the coming year (net 19 per cent each).

Wages bill					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Last Quarter					
Experienced increase	25%	26%	28%	28%	23%
No change	62%	57%	56%	55%	55%
Experienced decrease	13%	11%	12%	12%	15%
*Net Balance	+12%	+15%	+16%	+16%	+8%
Current Quarter					
Expect increase	25%	29%	26%	26%	27%
No change	69%	62%	61%	65%	60%
Expect decrease	6%	5%	8%	7%	10%
*Net Balance	+19%	+24%	+18%	+19%	+17%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 further during the past quarter to its highest point since August 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 (February to April 2008)

The proportion of businesses that increased prices rose by a further one percentage point during the quarter, to a net balance result of 27 per cent. This result is nine percentage points higher than at the same time last year, and is the highest result since August 2000, which was recorded following the introduction of the Goods and Services Tax (GST). In fact, this was the only higher result recorded for the prices index twice since the inception of the Sensis® Business Index.

Of all states and territories, the strongest price trends were recorded in Western Australia, with a net balance of 35 per cent each. The lowest results were recorded in the Australian Capital Territory, with a net balance of 21 per cent. The strongest price rises were recorded in the cultural, recreational and personal services sector, with a net balance result of 40 per cent. The weakest outcome was recorded in the finance and insurance sector, with a net balance result of 16 per cent.

Current quarter (May to July 2008)

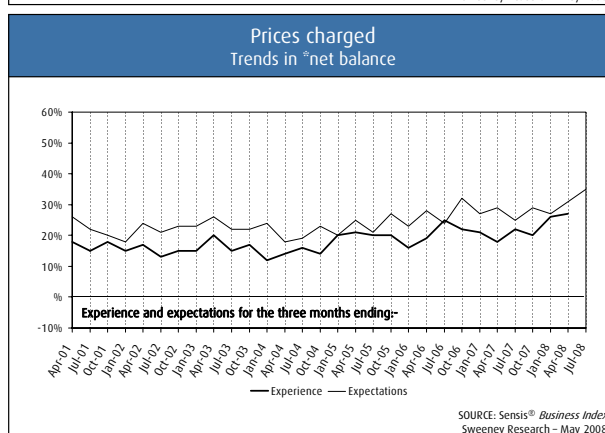
SME expectations for price rises in the short term increased during the quarter to a net balance result of 35 per cent, a rise of four percentage points since the last quarter. The Northern Territory recorded the strongest price rise expectations, with a net balance result of 45 per cent, while the Australian Capital Territory recorded the weakest price rise expectations, with a net balance of 26 per cent.

Next 12 months (May 2008 to April 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 a fall in expectations. Year-ahead expectations for price increases were strongest among SMEs in Victoria, Tasmania and the Northern Territory at net 68 per cent each, and in the accommodation, café and restaurant sector, with a net balance result of 73 per cent.

Prices charged					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Last Quarter					
Experienced increase	21%	24%	25%	29%	32%
No change	76%	74%	70%	68%	64%
Experienced decrease	3%	2%	5%	3%	5%
*Net Balance	+18%	+22%	+20%	+26%	+27%
Current Quarter					
Expect increase	27%	30%	30%	33%	38%
No change	71%	69%	68%	65%	59%
Expect decrease	2%	1%	3%	2%	3%
*Net Balance	+25%	+29%	+27%	+31%	+35%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 further in the past quarter, recording the fourth net negative result in the past twelve months. SMEs were expecting their capital expenditure to decline further both in the short term and the year ahead.

Last quarter (February to April 2008)

SME performance in capital expenditure recorded a net negative seven per cent result. This result represented a fall of one percentage point, with capital expenditure remaining in net negative territory for the third successive quarter. Capital expenditure for SMEs has a strong seasonal pattern, and it is typical for results recorded in the May quarter to record a relatively low result, however, this is the lowest May quarter result since May 2001.

Capital expenditure growth was net negative in all states and territories, with the exceptions of Western Australia and the Northern Territory. The strongest result was in the Northern Territory, with a net balance result of positive nine per cent of SMEs increasing capital expenditure. The weakest result was in the Australian Capital Territory for the third successive quarter, which recorded a net balance of negative 15 per cent, down a further one percentage point from last quarter.

There was also variation between industry sectors. While the accommodation, café and restaurant sector recorded the strongest capital expenditure performance (seven per cent), at the other end of the investment scale was the transport and storage sector (negative 16 per cent).

Current quarter (May to July 2008)

The net result for capital expenditure expectations fell sharply for the coming quarter, with a net balance result of negative 12 per cent. The highest expectations were recorded in South Australia, Tasmania and the Northern Territory at a net negative six per cent. The weakest result was recorded in New South Wales with a net balance of negative 15 per cent.

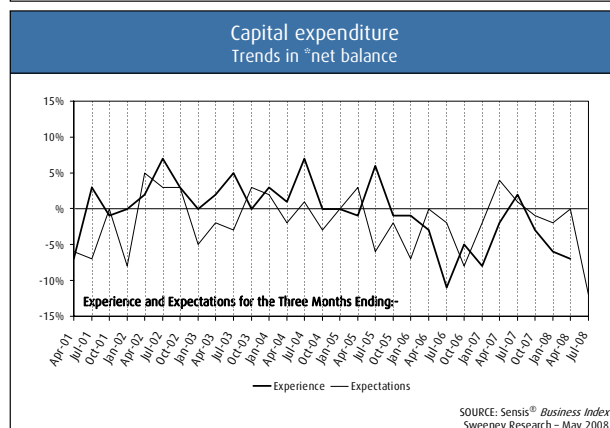
SMEs in the finance and insurance sector recorded the strongest expectations (12 per cent), while the transport and storage sector recorded the weakest result at a net negative 32 per cent.

Next 12 months (May 2008 to April 2009)

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

Capital expenditure					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Last Quarter					
Experienced increase	25%	26%	23%	22%	22%
No change	48%	48%	48%	46%	47%
Experienced decrease	27%	24%	26%	28%	29%
*Net Balance	-2%	+2%	-3%	-6%	-7%
Current Quarter					
Expect increase	26%	23%	23%	25%	21%
No change	49%	52%	49%	46%	45%
Expect decrease	25%	24%	25%	25%	33%
*Net Balance	+1%	-1%	-2%	0%	-12%

SOURCE: Sensis® Business Index
Sweeney Research – May 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 16 percentage points. SMEs were also expecting further declines in profitability in both the coming quarter and the year ahead.

Last quarter (February to April 2008)

Profitability performance recorded a net balance result of negative ten per cent for the past quarter. This represented a strong decline of 16 percentage points from the previous quarter's result of net positive six per cent.

Across Australia the strongest profit experience occurred in Western Australia with a net balance result of positive seven per cent. The weakest performance was recorded in Queensland at net negative 20 per cent. The strongest industry performance was recorded in the transport and storage sector with a net balance result of 48 per cent, with the weakest profitability performance again recorded in the finance and insurance sector (net negative 39 per cent). SMEs in metropolitan areas experienced marginally better profitability than their regional counterparts.

Current quarter (May to July 2008)

Profitability expectations for the current quarter also fell sharply to nine per cent compared to the previous quarter's results of 30 per cent. At a state level, the strongest expectations were recorded in the Northern Territory at 35 per cent. The weakest states and territories were Tasmania and the Australian Capital Territory with a net balance result of negative eight per cent each.

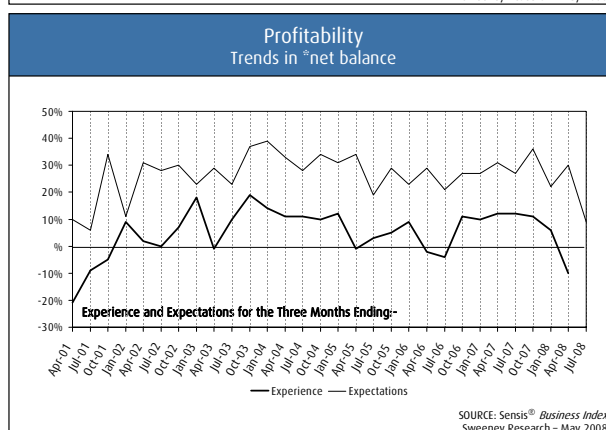
Across all industries, the transport and storage sector recorded the strongest short-term profit expectations with a net balance result of 22 per cent. The cultural, recreational and personal services sector recorded the weakest short-term profit expectations with a net balance result of negative 11 per cent.

Next 12 months (May 2008 to April 2009)

Profitability expectations for the year ahead also fell during the quarter to a net balance result of 27 per cent, down from 46 per cent last quarter. At a state level the strongest profit expectations were recorded in the Northern Territory with a net balance result of 43 per cent. The weakest results were recorded in Tasmania with a net balance result of 14 per cent. At an industry level the strongest result was recorded in the transport and storage sector (38 per cent), with the weakest result recorded in the retail sector (15 per cent).

Profitability					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Last Quarter					
Experienced increase	39%	37%	36%	35%	29%
No change	34%	37%	39%	35%	31%
Experienced decrease	27%	25%	25%	29%	39%
*Net Balance	+12%	+12%	+11%	+6%	-10%
Current Quarter					
Expect increase	41%	47%	40%	44%	35%
No change	45%	42%	41%	41%	38%
Expect decrease	14%	11%	18%	14%	26%
*Net Balance	+27%	+36%	+22%	+30%	+9%

SOURCE: Sensis® Business Index
Sweeney Research – May 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

Positively, despite weaker economic conditions, the proportion of SMEs that exported goods in the past quarter was stable, with an increase in proportion of exporting SMEs reporting growth in the value of their exports in the past quarter.

Last quarter (February to April 2008)

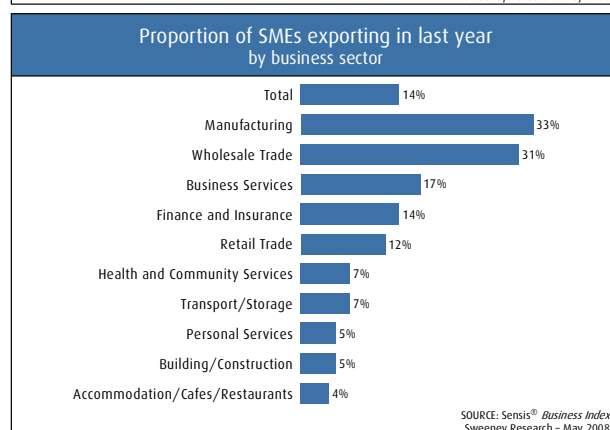
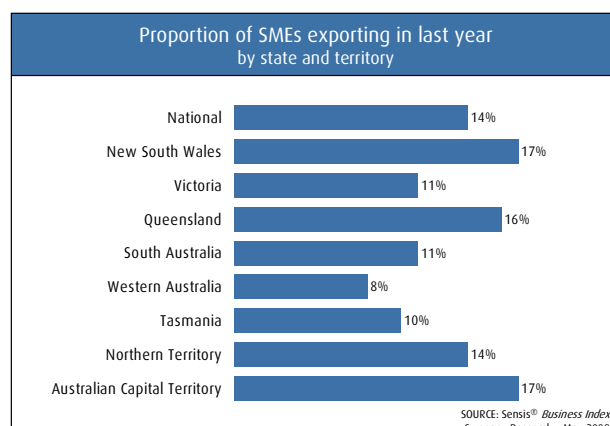
Fourteen per cent of SMEs reported exporting in the past quarter, unchanged from the previous quarter. The stable result is in line with the long term average for exporting SMEs, and has remained stable despite more difficult operating conditions for SMEs in the past quarter. The stable was primarily due to a stronger proportion of SMEs exporting in New South Wales, balancing falls in some of the smaller states. Tasmania was the only state or territory apart from New South Wales to record an increase in the proportion of SMEs exporting, with falls recorded in all other states and territories. New South Wales, along with the Australian Capital Territory, recorded the equal highest proportion of exporting SMEs in Australia.

Exporting remained a strategy adopted by high growth SMEs. SMEs with growth plans were twice as likely to export as those with no plans for growth (18 per cent compared to nine per cent). SMEs in metropolitan areas were three times as likely to export as their regional counterparts (18 per cent compared to six per cent). SMEs in the wholesale trade sector were most likely to have exported in the past quarter.

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

Looking forward, SMEs were expecting some 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. However, there was an increase of four 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 significantly higher levels than 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 27 per cent, and the United Kingdom, in third place at 22 per cent. Solid growth was recorded for China as an SME export destination, up one percentage point to 13 per cent.



Value of exports - trends

	May 07	Aug 07	Nov 07	Feb 08	May 08
Last Quarter					
Experienced increase	31%	31%	30%	27%	29%
No change	49%	55%	54%	52%	55%
Experienced decrease	20%	15%	16%	21%	15%
*Net Balance	+11%	+16%	+14%	+6%	+14%
Current Quarter					
Expect increase	27%	39%	35%	33%	25%
No change	57%	54%	57%	55%	65%
Expect decrease	17%	7%	9%	12%	9%
*Net Balance	+10%	+32%	+26%	+21%	+16%
Next 12 months					
Expect increase	49%	52%	56%	48%	55%
No change	44%	45%	37%	46%	37%
Expect decrease	7%	3%	8%	5%	8%
*Net Balance	+40%	+49%	+48%	+43%	+47%

Base: Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index
Sweeney Research – May 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 2001.

Last quarter (February to April 2008)

The net balance result of a negative 24 per cent approval rating represented a fall of 19 percentage points in the past quarter, following last quarter's fall of 34 percentage points. This quarter's result is also the lowest result since May 2001. The result comprised 10 per cent (down five percentage points) of businesses that were supportive of the Federal Government's small business policies, and 34 per cent (up 14 percentage points) that felt their policies worked against small business.

No state or territory recorded a net positive rating this quarter. The strongest support for the Federal Government's policies occurred in Tasmania, where businesses recorded a negative five per cent net balance. The region most critical of the Federal Government's small business policies was Queensland, where the net balance of SMEs that felt the Federal Government's policies supported small business was net negative 30 per cent. All states and territories recorded a fall in SME support of the Federal Government.

SMEs in metropolitan areas were more supportive of the Federal Government than their regional counterparts. Medium businesses were also more supportive of the Federal Government than small businesses.

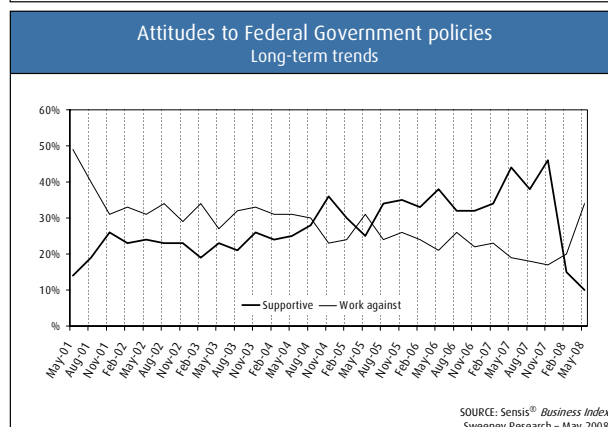
The key reasons SMEs believed the Federal Government's policies worked against them were: that they did not offer incentives to small business; that interest rates were too high and that government policies worked against small business. These reasons were closely followed by a perception that the Federal Government's policy favoured larger businesses and firms in certain industries, as well as increases in the price of petrol.

While last quarter the main reason cited for support was SMEs waiting to see what the newly elected federal government would do this response has now largely fallen away. This quarter, a feeling that the Federal Government was trying to help small business was the main reason given for support, followed by a feeling that they were more supportive of small business.

Attitudes to Federal Government policies past five quarters					
	May 07	Aug 07	Nov 07	Feb 08	May 08
Supportive	44%	38%	46%	15%	10%
Work against	19%	18%	17%	20%	34%
No impact	37%	44%	37%	65%	56%
*Net Balance	+25%	+20%	+29%	-5%	-24%

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 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 and territory government policies

Key findings

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 17th successive quarter, recording a further fall in support within the state.

Last quarter (February to April 2008)

The Northern Territory Government recorded the highest approval rating from SMEs at net positive eight per cent. This result was up one percentage point from net positive seven per cent last quarter, and was the only government in Australia to record a net positive result this quarter. The Northern Territory's small business management training programme was the main reason given by SMEs for their support, followed by a perception that they were more interested in small business and a view that they were creating positive conditions in the local area and supporting local businesses.

Despite a significant fall, the Queensland Government recorded the second highest level of support at net negative 11 per cent. The main reasons SMEs gave for supporting the Queensland Government was again a belief that they were more supportive of small businesses, followed by infrastructure development.

Apart from the Northern Territory, only two other governments recorded increasing support levels in the past quarter – Victoria and Tasmania. In both of these states, SMEs cited a belief that the state governments were more supportive of small business as their key reason for support

Having recorded a four percentage point fall in net support, the New South Wales Government remained the least supported government among SMEs. This was the 17th successive quarter that the New South Wales Government has recorded the lowest result of any state or territory government, now sitting at net negative 47 per cent. This is the equal lowest level of support recorded for a state or territory government in the history of the Sensis® Business Index, with that level only being recorded once before, by New South Wales in May 2005. The main reason that SMEs gave for not supporting the New South Wales Government was that they did not offer incentives to small business. In addition, SMEs reported that there was too much bureaucracy and red tape, that the level of payroll tax was considered too high and that the state government was not seen as not giving advice and support to small business.

Attitudes to state or territory government policies May 2008								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	5%	14%	15%	19%	11%	14%	29%	16%
Work against	52%	28%	26%	31%	33%	30%	21%	36%
No impact	44%	59%	59%	50%	56%	56%	50%	48%
*Net Balance	-47%	-14%	-11%	-12%	-22%	-16%	+8%	-20%

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 2008

Attitudes to state or territory government policies Trends in *net balance					
	May 07	Aug 07	Nov 07	Feb 08	May 08
New South Wales	-40%	-32%	-30%	-43%	-47%
Victoria	+4%	-3%	+1%	-13%	-14%
Queensland	-7%	-18%	-4%	+4%	-11%
South Australia	-10%	-11%	-12%	-17%	-12%
Western Australia	-21%	-7%	-13%	-17%	-22%
Tasmania	-7%	-25%	-25%	-27%	-16%
Northern Territory	+8%	-11%	+16%	+7%	+8%
Australian Capital Territory	-4%	-7%	-20%	-5%	-20%

SOURCE: Sensis® Business Index
Sweeney Research – May 2008

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

Workplace relations

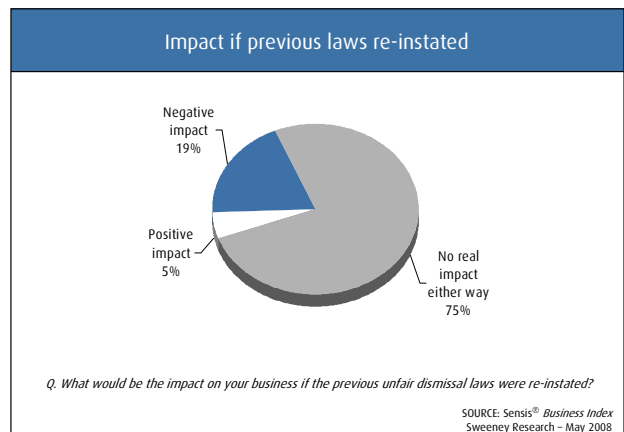
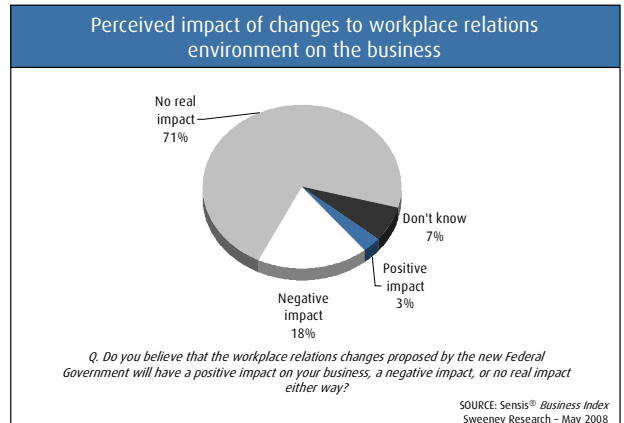
Workplace relations trends

The Sensis® Business Index found that 15 per cent of SME operators felt that proposed changes to the workplace relations system will have a negative impact on their businesses. This represented a decline of 29 percentage points from the previous quarter, which focused on the previous government’s workplace relations changes.

The main reasons that SMEs gave for negative feelings around the proposed changes were that they would make it harder to fire problematic staff and that they would be less likely to hire staff as a consequence.

Relatively few SME operators felt that they had a good understanding of the proposed changes, with only 11 per cent feeling that they thoroughly understood the changes. Some 62 per cent of SMEs felt that they partially understood the changes, with 28 per cent feeling that they did not understand at all how the proposed changes would impact on their business.

Overall, 19 per cent of SMEs felt that there would be a negative impact if the previous unfair dismissal laws were re-introduced compared to only five per cent that felt there would be a positive impact. SMEs in the Northern Territory were most likely to feel that the re-introduction of unfair dismissal laws would have a negative impact on their business, closely followed by Western Australia and the Australian Capital Territory. SMEs in the manufacturing sector were most likely to feel that re-introduction of the laws would have a negative impact on their business.

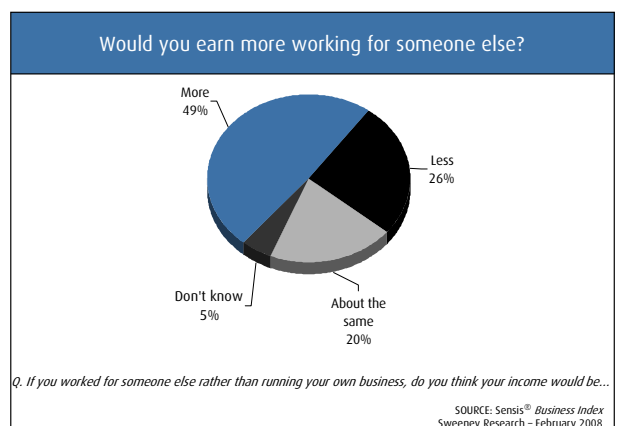


How SMEs operators view their earnings

Do SME operators feel they would earn more working for someone else?

While SME operators provide employment for many Australians, it is interesting to ask how they feel about their own earnings from their business. When asked whether they felt they would earn more if they worked for someone else rather than operating their own business, almost half felt that they would, compared to just over one quarter that felt they would earn less if they worked for someone else.

One in five SME operators that felt they could earn more working for someone else felt that they could effectively earn twice as much, while almost as many felt that they could increase their incomes by 50 per cent working for someone else. Of those that felt they would earn less, almost one in four thought that they would only earn half as much if they worked for someone else.



Small and medium business outlook – national

- Business confidence fell by 16 percentage points from last quarter, to be at its lowest point in seven years since May 2001.
- Perceptions of the current state of the economy fell significantly, as did future economic expectations.
- Performance in sales, employment, wages, profitability and capital expenditure all fell.
- The only performance indicator that rose in the past quarter was prices charged.
- All expectations fell for the short term and the year ahead, with the exception of prices with increased expectations of prices for the short term and no change expected over the medium term.
- Support for the Federal Government's policies fell to a net negative 24 per cent.

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

	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
	%	%	%	%	%
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	71	71	63	65	58
NEGATIVE	12	12	20	16	25
*NET BALANCE	+59	+59	+43	+49	+33

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB-APR 07	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 08
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	43	43	40	39	34	45	49	42	45	40
SALES VALUE: DECREASE	26	24	25	28	37	13	9	16	15	23
SALES VALUE: NET BALANCE	+17	+19	+15	+11	-3	+32	+40	+26	+30	+17
SIZE OF WORKFORCE: INCREASE	15	14	13	16	13	13	17	13	16	15
SIZE OF WORKFORCE: DECREASE	10	10	13	14	15	2	2	3	4	6
SIZE OF WORKFORCE: NET BALANCE	+5	+4	0	+2	-2	+11	+15	+10	+12	+9
WAGES BILL: INCREASE	25	26	28	28	23	25	29	26	26	27
WAGES BILL: DECREASE	13	11	12	12	15	6	5	8	7	10
WAGES BILL: NET BALANCE	+12	+15	+16	+16	+8	+19	+24	+18	+19	+17
PRICES: INCREASE	21	24	25	29	32	27	30	30	33	38
PRICES: DECREASE	3	2	5	3	5	2	1	3	2	3
PRICES: NET BALANCE	+18	+22	+20	+26	+27	+25	+29	+27	+31	+35
PROFITABILITY: INCREASE	39	37	36	35	29	41	47	40	44	35
PROFITABILITY: DECREASE	27	25	25	29	39	14	11	18	14	26
PROFITABILITY: NET BALANCE	+12	+12	+11	+6	-10	+27	+36	+22	+30	+9
CAPITAL EXPENDITURE: INCREASE	25	26	22	22	22	26	23	23	25	21
CAPITAL EXPENDITURE: DECREASE	27	24	26	28	29	25	24	25	25	33
CAPITAL EXPENDITURE: NET BALANCE	-2	+2	-4	-6	-7	+1	-1	-2	0	-12

* 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 fall in business confidence during the quarter, and reported the lowest confidence level 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 sales, performance and wages bills of any state or territory.
- For the coming quarter, SMEs in New South Wales recorded the lowest level of expectations for capital expenditure of any state or territory.
- For the year ahead, SMEs in New South Wales recorded the lowest levels of expectations for sales, employment, wages and 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 17th successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	67	68	55	63	49
NEGATIVE	14	11	26	19	38
*NET BALANCE	+53	+57	+29	+43	+11

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB-APR 07	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 08
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	39	43	35	45	33	43	47	35	37	37
SALES VALUE: DECREASE	30	25	29	31	47	16	11	19	14	32
SALES VALUE: NET BALANCE	+9	+18	+6	+14	-14	+27	+36	+16	+23	+5
SIZE OF WORKFORCE: INCREASE	13	11	9	18	15	10	16	12	13	12
SIZE OF WORKFORCE: DECREASE	11	10	15	14	19	1	1	2	6	6
SIZE OF WORKFORCE: NET BALANCE	+2	+1	-6	+4	-4	+9	+15	+10	+7	+6
WAGES BILL: INCREASE	23	24	29	33	19	22	28	23	21	23
WAGES BILL: DECREASE	15	14	12	14	20	8	6	9	6	14
WAGES BILL: NET BALANCE	+8	+10	+17	+19	-1	+14	+22	+14	+15	+9
PRICES: INCREASE	20	23	19	24	31	25	24	29	30	32
PRICES: DECREASE	4	2	6	2	7	3	1	2	1	2
PRICES: NET BALANCE	+16	+21	+13	+22	+24	+22	+23	+27	+29	+30
PROFITABILITY: INCREASE	39	38	30	37	28	42	25	33	38	31
PROFITABILITY: DECREASE	29	25	26	34	46	17	13	22	11	35
PROFITABILITY: NET BALANCE	+10	+13	+4	+3	-18	+25	+12	+11	+27	-4
CAPITAL EXPENDITURE: INCREASE	25	22	22	25	21	22	25	22	22	22
CAPITAL EXPENDITURE: DECREASE	24	24	26	31	29	27	23	28	26	37
CAPITAL EXPENDITURE: NET BALANCE	+1	-2	-4	-6	-8	-5	+2	-6	-4	-15

* 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

- Victoria was the only state or territory to record a rise in business confidence in the past quarter and increases recorded in both metropolitan and regional areas.
- Victoria continued to record decreasing perceptions of the economy in the past quarter.
- Performance indicators for sales and wages rose for Victorian SMEs in the past quarter.
- Victorian SMEs recorded falls in the past quarter for employment, profitability and capital expenditure.
- Victorian SMEs are expecting rises in the sales and prices indicators in the coming quarter.
- SME support for the Victorian Government fell marginally during the past quarter.

Trends in past three months' experience and current quarter expectations – Victoria					
	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	70	68	64	62	67
NEGATIVE	12	14	18	18	19
*NET BALANCE	+58	+54	+46	+44	+48

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

- Queensland recorded a fall in business confidence among SMEs this quarter, however confidence was still above the national average.
- SMEs in Queensland reported falling performance across most key indicators, with the only exceptions being employment, which was unchanged, and prices, which increased marginally.
- SMEs in Queensland reported the lowest profitability performance of any state or territory.
- SMEs in Queensland reported lower expectations for all indicators in the short term with the exception of the inflationary indicators wages, which was unchanged, and prices, which increased marginally.
- SME support for the Queensland Government fell strongly during the past quarter but remained the second highest of any state or territory government.

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

	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	76	77	67	71	62
NEGATIVE	12	10	15	11	20
*NET BALANCE	+64	+67	+52	+60	+42

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

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

Small and medium business outlook – South Australia

- Business confidence fell during the quarter, but was above the national average.
- SMEs in South Australia recorded the largest fall in future expectations of the economy a year from now of any state or territory.
- SMEs in South Australia recorded marginally higher performance in employment in the last quarter; however falls were recorded in all other performance indicators.
- SMEs in South Australia recorded the highest expectations for the coming quarter for capital expenditure.
- SME support for the South Australian Government rose during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia					
	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	69	65	67	63	56
NEGATIVE	12	13	21	15	20
*NET BALANCE	+57	+52	+46	+49	+36

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 07 %	MAY-JUL 07 %	AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 07 %	AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %
SALES VALUE:	INCREASE	38	37	40	40	30	38	51	44	49	30
	DECREASE	35	32	24	22	33	17	10	11	13	18
	NET BALANCE	+3	+5	+16	+18	-3	+21	+41	+33	+36	+12
SIZE OF WORKFORCE:	INCREASE	11	15	16	14	14	13	10	14	17	13
	DECREASE	11	6	10	12	11	5	2	5	3	5
	NET BALANCE	+0	+9	+6	+2	+3	+8	+8	+9	+14	+8
WAGES BILL:	INCREASE	30	23	28	32	24	22	30	30	30	26
	DECREASE	12	13	11	12	11	6	4	6	7	5
	NET BALANCE	+18	+10	+17	+20	+13	+16	+26	+24	+23	+21
PRICES:	INCREASE	24	29	33	34	33	28	33	35	34	43
	DECREASE	4	3	3	1	4	1	1	4	1	3
	NET BALANCE	+20	+26	+30	+33	+29	+27	+32	+31	+33	+40
PROFITABILITY:	INCREASE	31	34	38	36	29	35	46	44	47	32
	DECREASE	32	25	27	30	35	21	9	15	14	23
	NET BALANCE	-1	+9	+11	+6	-6	+14	+37	+29	+33	+9
CAPITAL EXPENDITURE:	INCREASE	18	22	24	21	21	26	24	19	23	25
	DECREASE	23	24	27	25	30	26	18	28	27	31
	NET BALANCE	-5	-2	-3	-4	-9	+0	+6	-9	-4	-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 – 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 22 percentage points.
- SMEs in Western Australia reported the highest future expectations of the economy a year from now, despite falling by eight percentage points.
- SMEs in Western Australia again recorded the highest performance results for sales, prices and profitability of any state or territory.
- Western Australian SMEs recorded the highest expectations in employment for the coming quarter of any state or territory.
- Support for the Western Australian Government fell further during the past quarter and was the second least supported state or territory government in Australia.

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

	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
	%	%	%	%	%
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					
POSITIVE	80	79	72	70	67
NEGATIVE	8	7	13	12	12
*NET BALANCE	+72	+72	+59	+58	+55

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB-APR 07	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 08
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	50	53	51	38	41	46	47	50	55	41
DECREASE	18	15	21	22	21	12	4	16	12	24
NET BALANCE	+32	+38	+30	+16	+20	+34	+43	+34	+43	+17
SIZE OF WORKFORCE: INCREASE	22	18	10	15	15	19	18	19	13	20
DECREASE	8	6	12	12	12	2	1	1	5	6
NET BALANCE	+14	+12	-2	+3	+3	+17	+17	+18	+8	+14
WAGES BILL: INCREASE	27	33	31	34	32	32	32	26	27	34
DECREASE	11	2	9	7	12	6	2	11	4	8
NET BALANCE	+16	+31	+22	+27	+20	+26	+30	+15	+23	+26
PRICES: INCREASE	26	32	31	35	38	27	31	34	40	45
DECREASE	2	2	8	3	3	1	1	3	1	3
NET BALANCE	+24	+30	+23	+32	+35	+26	+30	+31	+39	+42
PROFITABILITY: INCREASE	48	44	44	38	37	43	45	46	56	39
DECREASE	20	18	22	24	30	12	6	18	10	25
NET BALANCE	+28	+26	+22	+14	+7	+31	+39	+28	+46	+14
CAPITAL EXPENDITURE: INCREASE	26	27	20	17	26	32	20	25	28	22
DECREASE	27	24	26	26	25	26	28	22	22	31
NET BALANCE	-1	+3	-6	-9	+1	+6	-8	+3	+6	-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 – Tasmania

- Business confidence in Tasmania fell during the quarter but remained above the national average.
- Tasmania recorded the smallest fall in perceptions of the current state of the Australian economy of any state or territory.
- SMEs in Tasmania reported an increase in performance for capital expenditure in the past quarter, however all other performance indicators fell, with the exception of prices, which was unchanged.
- Tasmanian SMEs were expecting weaker conditions to continue, with the lowest short-term and medium-term expectations for profitability of any state or territory.
- Support for the Tasmanian Government's policies improved strongly during the past quarter.

Trends in past three months' experience and current quarter expectations – Tasmania					
	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	74	69	68	69	59
NEGATIVE	5	9	14	14	19
*NET BALANCE	+69	+60	+54	+56	+40

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	FEB-APR 07	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 08
	%	%	%	%	%	%	%	%	%	%
SALES VALUE: INCREASE	36	33	43	42	34	36	46	60	41	25
DECREASE	25	34	20	17	23	17	10	5	14	24
NET BALANCE	+11	-1	+23	+25	+11	+19	+36	+55	+27	+1
SIZE OF WORKFORCE: INCREASE	14	15	17	15	11	9	16	19	9	9
DECREASE	9	15	8	7	14	4	4	3	7	3
NET BALANCE	+5	+0	+9	+8	-3	+5	+12	+16	+2	+6
WAGES BILL: INCREASE	29	24	24	22	19	23	26	30	18	17
DECREASE	13	15	8	11	10	9	9	5	9	12
NET BALANCE	+16	+9	+16	+11	+9	+14	+17	+25	+9	+5
PRICES: INCREASE	24	22	32	35	34	29	33	23	43	43
DECREASE	3	2	1	2	1	3	1	0	2	3
NET BALANCE	+21	+20	+31	+33	+33	+26	+32	+23	+41	+40
PROFITABILITY: INCREASE	33	29	36	37	28	33	47	55	40	22
DECREASE	25	32	26	19	28	15	11	7	13	30
NET BALANCE	+8	-3	+10	+18	+0	+18	+36	+48	+27	-8
CAPITAL EXPENDITURE: INCREASE	22	30	30	16	23	25	36	35	19	22
DECREASE	36	30	23	28	27	36	27	24	19	28
NET BALANCE	-14	+0	+7	-12	-4	-11	+9	+11	0	-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 – Northern Territory

- The Northern Territory recorded a fall in SME confidence in the past quarter, however confidence remained the highest of any state or territory.
- SMEs in the Northern Territory recorded increases in performance indicators for employment, wages, prices and capital expenditure. Results for employment, capital expenditure and wages were the highest of any state or territory.
- The Northern Territory recorded the highest expectations for the coming quarter for sales and profitability, and also wages and prices, of any state or territory.
- Support for the Northern Territory Government increased during the quarter and remained the most supported state or territory government by SMEs.

Trends in past three months' experience and current quarter expectations – Northern Territory					
	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	74	75	78	81	69
NEGATIVE	11	7	6	7	11
*NET BALANCE	+63	+68	+72	+74	+58

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		FEB-APR 07	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 07	AUG-OCT 07	NOV-JAN 07/08	FEB-APR 08	MAY-JUL 08
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	45	54	47	43	39	60	46	33	52	50
	DECREASE	20	11	13	20	22	6	10	19	12	11
	NET BALANCE	+25	+43	+34	+23	+17	+54	+36	+14	+40	+39
SIZE OF WORKFORCE:	INCREASE	23	15	26	18	20	19	16	12	24	17
	DECREASE	9	14	7	17	16	2	4	9	5	4
	NET BALANCE	+14	+1	+19	+1	+4	+17	+12	+3	+19	+13
WAGES BILL:	INCREASE	36	33	26	21	32	32	26	20	34	37
	DECREASE	9	10	4	14	11	4	9	8	6	6
	NET BALANCE	+27	+23	+22	+7	+21	+28	+17	+12	+28	+31
PRICES:	INCREASE	35	26	28	33	33	28	33	26	31	46
	DECREASE	0	1	2	3	1	1	1	3	2	1
	NET BALANCE	+35	+25	+26	+30	+32	+27	+32	+23	+29	+45
PROFITABILITY:	INCREASE	42	40	43	37	30	60	47	27	40	47
	DECREASE	22	13	14	24	27	13	11	11	12	12
	NET BALANCE	+20	+27	+29	+13	+3	+47	+36	+16	+28	+35
CAPITAL EXPENDITURE:	INCREASE	25	26	25	19	31	35	22	20	35	20
	DECREASE	27	32	16	28	22	30	33	30	22	26
	NET BALANCE	-2	-6	+9	-9	+9	+5	-11	-10	+13	-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 – Australian Capital Territory

- Business confidence fell sharply during the quarter among Australian Capital Territory SMEs, falling to a level below the national average.
- In addition to the fall in confidence, SMEs in the Australian Capital Territory recorded falls in performance in the past quarter in all indicators.
- Prices charged and capital expenditure performances were lowest among Australian Capital Territory SMEs.
- SMEs in the Australian Capital Territory were expecting the lowest results in sales, employment, prices and profitability for the current quarter of any state or territory.
- Support for the Australian Capital Territory Government fell strongly during the quarter.

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

	MAY 2007	AUG 2007	NOV 2007	FEB 2008	MAY 2008
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	%	%	%	%	%
POSITIVE	69	67	69	59	49
NEGATIVE	12	11	14	14	26
*NET BALANCE	+57	+56	+55	+44	+23

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

* 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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