November 2008

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 manufacturing, wholesale and retail trade, hospitality, construction, communication, property, business services, 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 November 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 November 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 4 November to 27 November 2008. The report covers experiences over the past three months (August to October 2008), and expectations for both the current quarter (November 2008 to January 2009) and the 12 months ending October 2009.

Executive summary

Business confidence among SMEs continued to fall during the past quarter to reach the lowest level recorded in the history of the survey. In addition to lower levels of confidence, current perceptions of the economy fell dramatically for the fourth successive quarter to another record low, with perceptions about the future economic direction falling by four percentage points to a further record low. The prime problem reported by SMEs this quarter was a lack of work or sales, followed by the economic climate and cash flow. Some 30 per cent of SMEs reported that they currently faced no problems at all. There was a fall of a further percentage point in the proportion of SMEs that were currently facing problems finding staff. SMEs reported falls in performance in all key indicators with the largest falls recorded in sales performance. In addition, expectations for the next quarter and the year ahead also fell across all indicators.

Support for the Federal Government increased on the back of the economic stimulus package and efforts to get the economy going. Following their recent election, the Western Australian Government was the most supported government by SMEs overall, with the New South Wales Government remaining the least supported state or territory government recording the lowest level of support from SMEs for a state government since the inception of the survey in May 1993.

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 the inception of the Sensis® Business Index over 15 years ago.
- Perceptions of the current state of the Australian economy continued to fall dramatically for the fourth successive quarter to reach the lowest level recorded since the inception of the Sensis® *Business Index*. There was also a fall in the proportion of SMEs that felt the economy would be better in a year's time, which was also at a record low level.
- All key performance indicators fell in the last quarter, with the largest fall recorded in the sales performance indicator.
- In both the short and medium terms, SMEs were expecting further falls for all indicators.
- A lack of work or sales was the primary concern of SMEs this quarter and is at its highest level since May 1998. This was followed by the economic climate, at its highest level in over 15 years since the start of the survey, and cash flow, which was at its highest level since May 1999.
- Some 30 per cent of SMEs reported currently facing no problems in their business, up one percentage point in the past quarter.
- Support for the Federal Government's policies saw solid improvement in the past quarter. While still net negative overall, SMEs felt that the moves taken by the government to get the economy going, and the economic stimulus package specifically, were supportive of small businesses.
- Both state and territory government which had recently faced elections recorded the strongest support levels. The Western Australian Government was the most supported government in Australia, having recently been elected, and the Northern Territory Government, having recently been re-elected, was only one percentage point lower as the second most supported state or territory government.
- The New South Wales Government recorded the lowest level of support for a state or territory government for the 19th successive quarter, with its support level now the lowest ever recorded since the survey started for a state or territory government.

Small versus medium enterprises

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

- Medium businesses were again more confident than small businesses however the gap decreased from nine to six percentage points.
- Medium businesses were on balance marginally less negative about the current state of the Australian economy than small businesses, however perception of the current state of the economy and future economic expectations among 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 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 more confident than their metropolitan counterparts for the third successive quarter. Decreasing business was cited as the key reason for concerns among metropolitan SMEs, with people not spending the main reason for concern among regional SMEs.
- Metropolitan businesses were more negative than regional businesses about both the current state of the Australian economy, as well as future economic expectations.
- Regional businesses reported higher performance than metropolitan businesses for sales, wages, prices and profitability.
- The only performance indicator that metropolitan businesses reported a higher result was for capital expenditure, with results equal for employment for both metropolitan and regional businesses.
- Regional businesses reported higher expectations for the coming quarter than metropolitan businesses for all indicators, with the exception of wages, where metropolitan businesses were more likely to be expecting an increase. The results were equal for employment expectations.
- Metropolitan businesses were slightly more supportive of the Federal Government's policies.

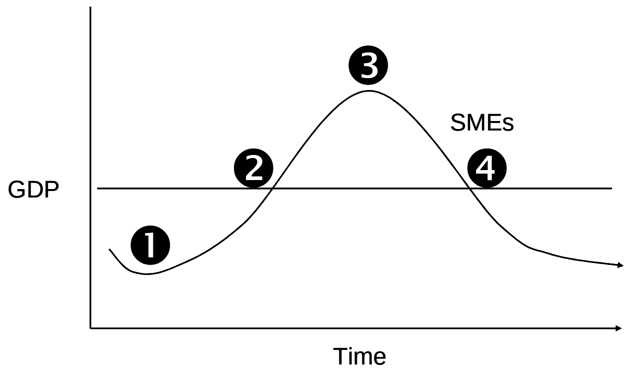
Industry sector trends

Several trends emerged throughout the industry sectors, including:

- Confidence was again highest in the finance and insurance sector.
- Confidence was lowest in the manufacturing and wholesale trade sectors – the only two sectors to record net negative confidence levels.
- The retail trade sector recorded the strongest improvement in confidence levels of any sector, being the only sector to record an increase in the past quarter. SMEs in the retail trade sector were also most likely to have increased employment.
- The manufacturing sector recorded the weakest performance in sales, employment, profitability and capital expenditure over the past quarter.
- The finance and insurance sector reported the strongest performance in sales, and were least likely to have increased prices charged over the past quarter.
- The health and community services sector recorded the strongest performance for profitability and equal strongest for capital expenditure in the past quarter.
- The accommodation, café and restaurant sector were most likely to have reported an increased wages bill but also recorded the equal highest capital expenditure performance.
- Looking ahead the manufacturing sector recorded the weakest expectations for the coming quarter for all indicators, with the only exceptions being employment and price increases.
- The health and community services sector was the most supportive of the Federal Government's policies, with the accommodation, café and restaurant sector 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 November 2008 Sensis® *Business Index* suggests an economic environment that is continuing to slow with all key indicators declining and continuing to do so for both the short and medium terms. In addition, expectations for the economic outlook continue to fall. SMEs now believe that the Australian economy is strongly contracting, with further deterioration likely. Confidence has fallen to the lowest level since the survey started over 15 years ago, having almost halved in the last quarter alone. The strongest impact of the economic climate is that SMEs have been experiencing falling demand, and countering this is now their prime concern.

Highlighted sections show the indicators relevant to SMEs for the November 2008 Sensis® *Business Index.*

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

Small and medium business outlook – national summary

Confidence in own business prospects over the next 12 months

Key findings

The confidence level of Australian SMEs has almost halved during the past quarter, on the back of continued weakening economic conditions. SME confidence is now at the lowest level recorded since the inception of the Sensis® Business Index in 1993 and less than one-third the level recorded at the same time last year.

Decreasing business, people not spending and the economic outlook were the key reasons for SMEs lacking confidence this quarter. The main reasons given by those SMEs that were confident was that they felt they had good customer relations.

Last quarter (August to October 2008)

SMEs recorded further falls in business confidence with a net balance of 13 per cent. This result comprises of 47 per cent of businesses that were confident about their prospects for the year ahead and 34 per cent that were concerned.

This latest fall in SME confidence levels of 12 percentage points has resulted in by far the lowest result for SME confidence recorded since the inception of the Sensis® *Business Index* in 1993, with the next closest result being net 25 per cent recorded just last quarter.

The main reason businesses gave for feeling worried about their prospects related to concerns over decreasing business, people not spending, the general economic outlook as well as a feeling of vulnerability to global economic conditions.

By comparison, those businesses that felt confident cited feeling that they had good customer relations and were established and experienced in their business operations 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
- future expectations for the Australian economy.

These latest results show that the latest fall in business confidence to record lows is in line with SME views on the economy also falling to record lows. The proportion of SMEs expecting the economy to deteriorate further over the medium term also fell to record low levels. With these factors all showing large falls, SME confidence levels can be seen to be at their weakest level since the inception of this survey in 1993.

Overall confidence
November 2008

	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	8%	7%	8%
Fairly confident	39%	41%	39%
Neutral	18%	22%	18%
Fairly worried	28%	27%	28%
Extremely worried	7%	3%	6%
Total confident	47%	48%	47%
Total worried	35%	30%	34%
***Net Balance**	**+12%**	**+18%**	**+13%**

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

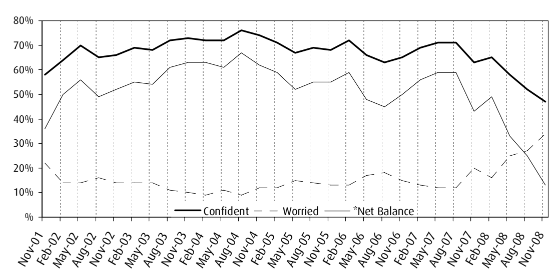
SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Confidence trends - past five quarters

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Extremely confident	15%	13%	12%	10%	8%
Fairly confident	48%	52%	46%	42%	39%
Neutral	18%	19%	17%	21%	18%
Fairly worried	16%	14%	21%	21%	28%
Extremely worried	4%	2%	4%	6%	6%
Total confident	63%	65%	58%	52%	47%
Total worried	20%	16%	25%	27%	34%
***Net Balance**	**+43%**	**+49%**	**+33%**	**+25%**	**+13%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Long term trends in confidence



SOURCE: Sensis® *Business Index*
Sweeney Research – November 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 Tasmania. SMEs in Western Australia recorded the largest fall in confidence in the past quarter, however the lowest level of business confidence was again recorded in New South Wales. Regional businesses reported slightly higher confidence levels than their metropolitan counterparts. Confidence was again highest among SMEs in the finance and insurance sector, and lowest among SMEs in the manufacturing and wholesale trade sectors.

Last quarter (August to October 2008)

With confidence recording a continued fall at the national level, this was mirrored by falls in confidence in all states and territories. The highest overall confidence was recorded in Tasmania, with the lowest confidence levels again recorded in New South Wales. With declining confidence levels recorded in all states and territories, the largest falls were recorded in Western Australia, with the smallest decline in confidence recorded in New South Wales.

The finance and insurance sector again recorded the highest confidence at a net 54 per cent, however this was a fall of seven percentage points in the past quarter. Only one sector recorded an increase in confidence this quarter – retail trade, the sector which has recorded the lowest confidence levels last quarter. The lowest confidence levels this quarter were recorded in the manufacturing and wholesale trade sectors, with a net balance of negative ten per cent. The manufacturing sector recorded the largest fall, with confidence having dropped by 33 percentage points in the past quarter.

On average, confidence was higher among businesses in regional areas for the third successive quarter. Despite this being the case overall, higher metropolitan confidence levels were recorded in New South Wales, South Australia, Tasmania and the Northern Territory. The highest confidence by location overall was in metropolitan areas of Tasmania. 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 Western Australia.

Trends by state
*net balance

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
National	**43%**	**49%**	**33%**	**25%**	**13%**
New South Wales	29%	43%	11%	7%	5%
Victoria	46%	44%	48%	20%	11%
Queensland	52%	60%	42%	48%	25%
South Australia	56%	49%	36%	36%	12%
Western Australia	59%	58%	55%	43%	14%
Tasmania	54%	56%	40%	51%	37%
Northern Territory	72%	74%	58%	46%	24%
Australian Capital Territory	55%	44%	23%	37%	16%

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Metro and regional confidence
*net balance

	Metro	Regional	Total
National	**11%**	**13%**	**13%**
New South Wales	11%	-10%	5%
Victoria	7%	23%	11%
Queensland	19%	29%	25%
South Australia	14%	6%	12%
Western Australia	9%	30%	14%
Tasmania	44%	33%	37%
Northern Territory	30%	19%	24%
Australian Capital Territory	16%	N/A	16%

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Confidence by business size

	Confident	Worried	*Net Balance
Total	**47%**	**34%**	**13%**
1-2 Employees	49%	33%	16%
3-4 Employees	38%	44%	-6%
5-9 Employees	52%	31%	21%
10-19 Employees	50%	33%	17%
Total Small Business	**47%**	**35%**	**12%**
20-99 Employees	47%	29%	18%
100-199 Employees	50%	37%	13%
Total Medium Business	**48%**	**30%**	**18%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	36%	46%	-10%
Building/Construction	44%	35%	9%
Wholesale Trade	33%	43%	-10%
Retail Trade	43%	40%	3%
Transport/Storage	49%	36%	13%
Communication Property & Business Services	52%	32%	20%
Finance and Insurance	69%	15%	54%
Health and Community Services	56%	26%	30%
Cultural, Recreational and Personal	43%	33%	10%
Accommodation, Cafes and Restaurants	60%	24%	36%

SOURCE: Sensis® *Business Index*
Sweeney Research – November 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 fourth successive quarter, falling to the lowest level in the history of the Sensis® *Business Index*. SMEs' future economic expectations also fell from the previous quarter's result, to record their lowest point in the history of the Sensis® *Business Index*.

Last quarter (August to October 2008)

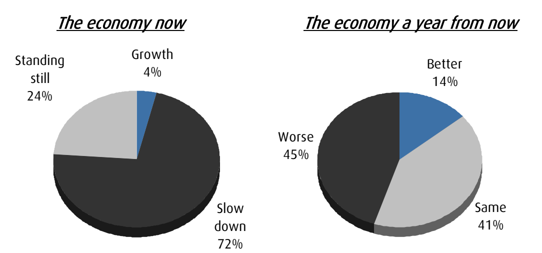
There was a significant fall in the proportion of SMEs that felt the economy was currently growing, dropping by six percentage points. Coupled with this was an increase of nine percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in a dramatic fall in the overall perception of the current state of the economy, with a net balance of 68 per cent of businesses believing the Australian economy is currently slowing. This was a decrease of 15 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 in the history of the Sensis® *Business Index*.

Every state and territory recorded strong net negative perceptions of the current state of the Australian economy. The highest perceptions of the economy were recorded in the Northern Territory at a net negative 51 per cent. The weakest perceptions were recorded among SMEs in New South Wales (net balance of negative 75 per cent, down from net negative 62 per cent last quarter).

For the third successive 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 only two percentage points, compared to the largest fall of 33 percentage points recorded in Western Australia.

Expectations for the year ahead deteriorated, with net negative 31 per cent of SMEs believing the economy would be even worse in a year's time. This represents a fall of four percentage point from last quarter's result, bringing this result to a record low as well.

The economy



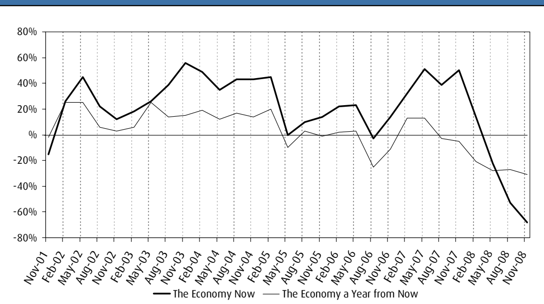
SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Perceptions of the economy - trends

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
The economy now					
Growth	62%	39%	24%	10%	4%
Slowing	12%	25%	46%	63%	72%
***Net Balance**	**+50%**	**+14%**	**-22%**	**-53%**	**-68%**
The economy a year from now					
Better	19%	14%	16%	15%	14%
Worse	24%	35%	44%	42%	45%
***Net Balance**	**-5%**	**-21%**	**-28%**	**-27%**	**-31%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Perceptions of the economy
Long term trends - *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	3%	4%	4%	7%	2%	3%	9%	5%
Slowing	78%	74%	65%	63%	66%	64%	60%	67%
***Net Balance**	**-75%**	**-70%**	**-61%**	**-56%**	**-64%**	**-61%**	**-51%**	**-62%**
The economy a year from now								
Better	14%	14%	14%	16%	13%	12%	20%	10%
Worse	41%	51%	42%	50%	45%	44%	44%	49%
***Net Balance**	**-27%**	**-37%**	**-28%**	**-34%**	**-32%**	**-32%**	**-24%**	**-39%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 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 at record lows and SMEs feeling that the economy was, on balance, likely to be even 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.

Next 12 months (November 2008 to October 2009)

Sales expectations fell during the quarter from 38 per cent to four per cent, a decrease of 34 percentage points. This result was made up of 38 per cent of businesses that thought sales would rise in the next year, while 34 per cent expected a fall. SMEs in Western Australia and the Northern Territory recorded the strongest net sales expectations by state and territory for the year ahead, with a net balance result of 13 per cent each. The health and community services sector recorded the strongest industry result with a net balance of 32 per cent. The manufacturing sector was at the other end of the scale with a net balance result of negative 19 per cent.

Employment expectations for the year ahead registered a fall with a net balance of four per cent, a drop of six percentage points from last quarter. At a state level South Australia recorded the highest results with a net balance of 16 per cent. Across the nation, metropolitan businesses recorded higher employment expectations for the next twelve months compared to regional businesses (seven per cent in metropolitan areas compared to negative three per cent regionally). At an industry level the health and community services sector recorded the strongest employment result at 18 per cent. The worst performing sector in terms of employment expectations for the year ahead was the manufacturing sector with a net balance of negative seven per cent.

The total wages and salary costs expectations for the year ahead experienced a decrease of 16 percentage points during the quarter, with a net balance of 13 per cent of businesses expecting an increase. The strongest state and territory wage expectations for the year ahead were recorded in South Australia (25 per cent). The health and community services sector was again the industry expecting the greatest increase in wages over the next year (40 per cent).

The selling price expectations for the year ahead decreased 18 percentage points during the quarter, with a net balance of 34 per cent of SMEs expecting to increase the prices they charge over the year ahead. At the state and territory level Western Australia recorded the strongest selling price expectations for the year ahead with a net balance result of 54 per cent. At an industry level the strongest price expectations for the year ahead again came from the accommodation, café and restaurant sector at 58 per cent.

Profitability expectations fell by 16 percentage points. Western Australia recorded the strongest profit expectations for the year ahead with a net balance result of 17 per cent, up one percentage point. The lowest expectations were in New South Wales and Victoria with a net balance result of negative seven per cent each. At an industry level the health and community services sector recorded the strongest annual profit expectations with a net balance result of 22 per cent.

Capital expenditure also recorded a decrease in expectations for the year ahead, down from one per cent to negative ten per cent. The strongest capital expenditure expectations for the next twelve months were recorded in Tasmania (seven per cent).

Expectations on key indicators over the next 12 months
November 2008

	Expect an increase	Expect a decrease	*Net Balance
Value of sales	38%	34%	+4%
Size of workforce	16%	12%	+4%
Wages bill	30%	17%	+13%
Prices charged	41%	7%	+34%
Profitability	36%	38%	-2%
Capital expenditure	25%	35%	-10%

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Expectations on key indicators
Trends in *net balance

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Value of sales	50%	53%	38%	22%	4%
Size of workforce	19%	21%	18%	10%	4%
Wages bill	38%	41%	35%	29%	13%
Prices charged	57%	57%	57%	52%	34%
Profitability	44%	46%	27%	14%	-2%
Capital expenditure	12%	16%	4%	1%	-10%

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

A lack of work or sales was the most pressing concern faced by SMEs in the latest survey. Having risen by six percentage points in the past quarter, this brought a lack of work or sales to the highest level of concern recorded since May 1998. Some 30 per cent of SMEs reported that they were currently facing no significant problems in their business.

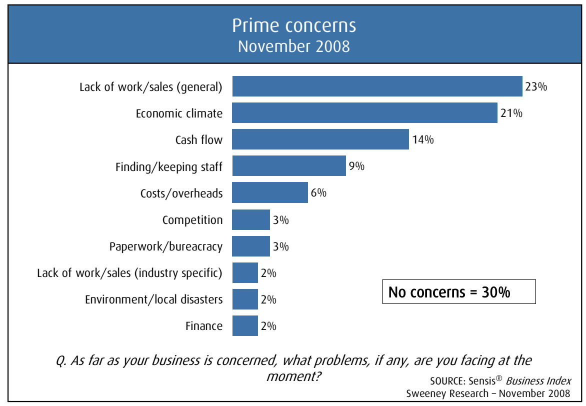
Last quarter (August to October 2008)

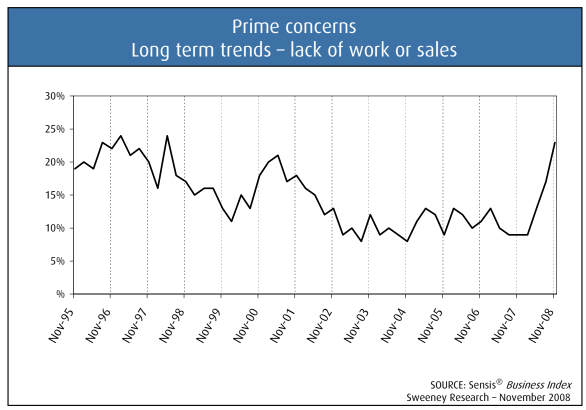
The proportion of SMEs reporting that they were currently facing problems caused by a lack of work or sales rose six per cent over the past quarter to 23 per cent, remaining the top concern facing SMEs in Australia for the second successive quarter. Reports of problems caused by a lack of work or sales were highest in New South Wales, where this problem was being reported by 31 per cent of SMEs, and lowest in Tasmania and the Northern Territory, where 13 per cent each reported difficulties in this area. SMEs in the manufacturing sector were most likely to report difficulties caused by a lack of work or sales this quarter.

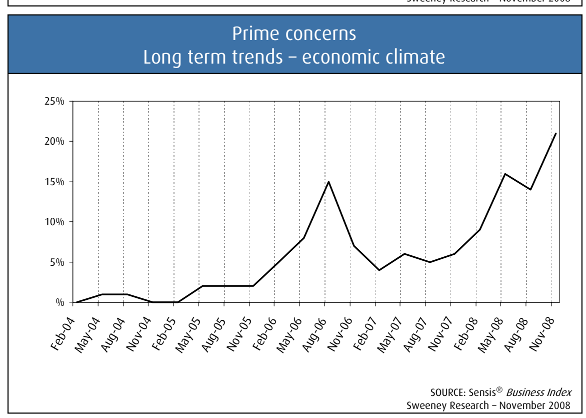
The economic climate was the next most significant problems cited by SMEs in the past quarter. Overall, 21 per cent of SMEs nominated this concern as an issue, which was up by seven percentage points over the past quarter and the highest level recorded for this problem in the history of the Sensis® *Business Index*. Concern over the 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 the economic climate in general.

The proportion of SMEs reporting difficulties with cash flow rose by a further one percentage point over the past quarter to 14 per cent, and was the third most pressing concern facing SMEs in Australia. This is the highest level of concern for this issue since May 1999. Reports of difficulties with cash flow were highest in the Australian Capital Territory, where this problem was being reported by 19 per cent of SMEs, and lowest in Queensland, where nine per cent reported difficulties in this area. SMEs in the wholesale trade and communications, property and business services sectors were most likely to report difficulties with cash flow this quarter.

Some 30 per cent of SMEs reported currently facing no problems in their business, up one percentage point in the past quarter.







Sales

Key findings

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

Last quarter (August to October 2008)

Sales performance recorded a lower net balance of net negative 21 per cent for the quarter, down by a further 12 percentage points from last quarter and now at the lowest point recorded since the inception of the Sensis® *Business Index* in May 1993.

Sales performance again varied dramatically across the states and territories. After having recorded the strongest results last quarter, the Northern Territory again recorded the strongest performance this quarter, with a net two per cent experienced increasing sales in the past quarter. At the other end of the scale, sales performance was again lowest among SMEs in New South Wales, where a net negative 33 per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the finance and insurance sector, with a net balance of negative three per cent of SMEs having reported increasing sales. The manufacturing sector recorded the weakest industry performance, at net negative 43 per cent.

Current quarter (November 2008 to January 2009)

SMEs were expecting further falls in sales in the short term. Sales expectations for the current quarter recorded a drop of 22 percentage points from the previous quarter to a net negative 12 per cent.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in Tasmania at net 14 per cent. The weakest sales expectations for the coming quarter were recorded in New South Wales at a net negative 19 per cent.

There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the accommodation, café and restaurant sector (net balance of nine per cent). The manufacturing sector recorded the lowest level of expectations (net negative 34 per cent).

Next 12 months (November 2008 to October 2009)

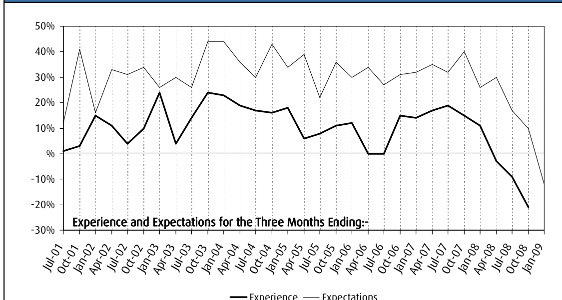
Twelve-month sales expectations fell from a net 22 per cent to four per cent, the lowest level recorded in the history of the Sensis® *Business Index*. The result comprised 38 per cent of businesses that believed sales would increase in the year ahead and 34 per cent that thought they would fall. Sales expectations for the year ahead were highest in Western Australia and the Northern Territory at net 13 per cent each.

Value of sales

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Last Quarter					
Experienced increase	40%	39%	34%	29%	26%
No change	35%	32%	28%	33%	27%
Experienced decrease	25%	28%	37%	38%	47%
***Net Balance**	**+15%**	**+11%**	**-3%**	**-9%**	**-21%**
Current Quarter					
Expect increase	42%	45%	40%	36%	26%
No change	41%	39%	36%	38%	36%
Expect decrease	16%	15%	23%	26%	38%
***Net Balance**	**+26%**	**+30%**	**+17%**	**+10%**	**-12%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Value of sales
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – November 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. SMEs were expecting further declines in employment in both the coming quarter and the year ahead.

Last quarter (August to October 2008)

The proportion of SMEs that reported increased employment during the past quarter dropped by one percentage point, with 12 per cent of SMEs reporting a rise in employment during the past quarter. This was offset by the 16 per cent of businesses that experienced employment declines. The net balance of negative four per cent was three percentage points lower than last quarter's result.

Regional variation was once again seen across Australia. At a state level the best performing region was South Australia at three per cent. At the other end of the scale, Victoria and Queensland both recorded a net balance result of negative seven per cent. At an industry level, the retail trade sector recorded the strongest results at eight per cent while the manufacturing sector recorded the lowest results at negative 34 per cent.

A lack of work or sales was the main barrier to taking on new employees, reported by 31 per cent of SMEs that believed barriers existed, down one percentage point in the past quarter. With employment continuing to decrease overall, it is interesting to look at the reasons that SMEs have decreased their employment levels this quarter. The main reason for decreasing employment this quarter was again due to economic conditions, followed by a downturn in business.

Current quarter (November 2008 to January 2009)

Employment expectations for the current quarter fell to a net balance of negative three per cent. SMEs in South Australia recorded the strongest short-term employment expectations at a net balance of eight per cent. At the other end of the scale was New South Wales with a net balance result of negative six per cent.

Next 12 months (November 2008 to October 2009)

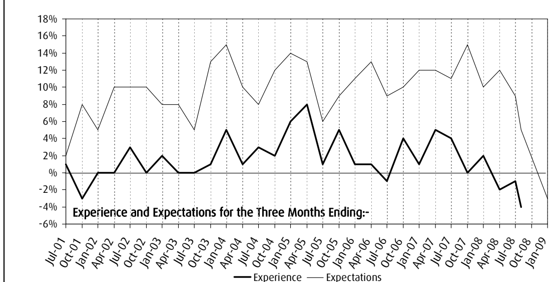
Employment expectations for the year ahead also fell six percentage points to a net balance result of four per cent. The strongest expectations for the year ahead were recorded by SMEs in South Australia (net 16 per cent), with the weakest in Queensland (negative three per cent).

Size of workforce

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Last Quarter					
Experienced increase	13%	16%	13%	13%	12%
No change	74%	71%	71%	74%	72%
Experienced decrease	13%	14%	15%	14%	16%
***Net Balance**	**0%**	**+2%**	**-2%**	**-1%**	**-4%**
Current Quarter					
Expect increase	13%	16%	15%	12%	8%
No change	82%	79%	78%	80%	80%
Expect decrease	3%	4%	6%	7%	11%
***Net Balance**	**+10%**	**+12%**	**9%**	**+5%**	**-3%**

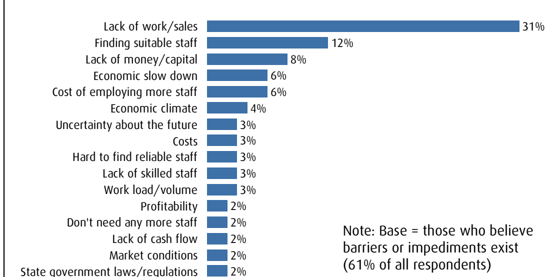
SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Size of workforce
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

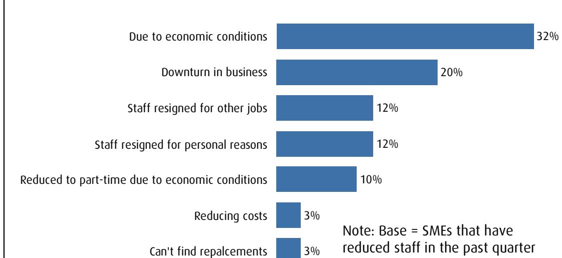
What are the barriers to taking on new employees?
November 2008



Note: Base = those who believe barriers or impediments exist (61% of all respondents)

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Why SMEs have decreased employment
November 2008



Note: Base = SMEs that have reduced staff in the past quarter (16% of all respondents)

SOURCE: Sensis® *Business Index*
Sweeney Research – November 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 (August to October 2008)

The most recent quarter saw a fall of nine percentage points in the proportion of SMEs reporting increased wage costs, with the performance result dropping to a net zero per cent, reflecting that the proportion having increased their wages bill was exactly balance by the proportion that had recorded a decrease.

During the quarter, 19 per cent of SMEs experienced a rise in total wage costs, while 19 per cent also recorded a decline. SMEs in the Australian Capital Territory recorded the highest net result in total wage costs (net 11 per cent), while the lowest wage pressures were in Victoria (net negative 10 per cent). The strongest net result in total wage costs was recorded in the accommodation, café and restaurant sector (net 38 per cent).

Current quarter (November 2008 to January 2009)

Fewer SMEs were expecting increases in wages in the short term, with net expectations for total wage costs falling to a net three per cent for the current quarter from 15 per cent last quarter. The highest wage expectations were in Tasmania, with a net balance of 14 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in Victoria and Western Australia were least likely to be expecting an increase in their wages bill in the current quarter (net one per cent each).

Next 12 months (November 2008 to October 2009)

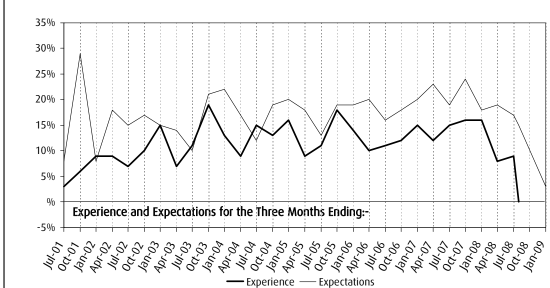
Expectations for total wage and salary costs for the coming year also fell during the quarter, with a net balance of 13 per cent of businesses expecting a rise in total wage costs in the year ahead. This represented a fall in the net balance trend of 16 percentage points. The SMEs most likely to be expecting increases to their wages bills were in South Australia at a net 25 per cent. SMEs in New South Wales were least likely to expect an increase in their total wages bill in the coming year (net 10 per cent).

Wages bill

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Last Quarter					
Experienced increase	28%	28%	23%	24%	19%
No change	56%	55%	55%	57%	57%
Experienced decrease	12%	12%	15%	15%	19%
***Net Balance**	**+16%**	**+16%**	**+8%**	**+9%**	**0%**
Current Quarter					
Expect increase	26%	26%	27%	25%	17%
No change	61%	65%	60%	62%	65%
Expect decrease	8%	7%	10%	10%	14%
***Net Balance**	**+18%**	**+19%**	**+17%**	**+15%**	**+3%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Wages bill
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – November 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 fell during the past quarter. Looking ahead, fewer SMEs were expecting to increase their prices in both the short and medium terms.

Last quarter (August to October 2008)

The proportion of businesses that increased prices fell by seven percentage points during the quarter, to a net balance result of 22 per cent. This result is two percentage points higher than at the same time last year.

Of all states and territories, the strongest price trends were recorded by SMEs in the Northern Territory, with a net balance of 32 per cent. The lowest results were recorded by SMEs in the Australian Capital Territory, with a net balance of 13 per cent. The strongest price rises were recorded in the wholesale trade sector, with a net balance result of 32 per cent. The weakest outcome was again recorded in the finance and insurance sector, with a net balance result of nine per cent for the second successive quarter.

Current quarter (November 2008 to January 2009)

SME expectations for price rises in the short term fell during the quarter to a net balance result of 20 per cent, a fall of seven percentage points since the last quarter. Western Australia recorded the strongest price rise expectations, with a net balance result of 35 per cent, while Victoria recorded the weakest price rise expectations, with a net balance of 13 per cent.

Next 12 months (November 2008 to October 2009)

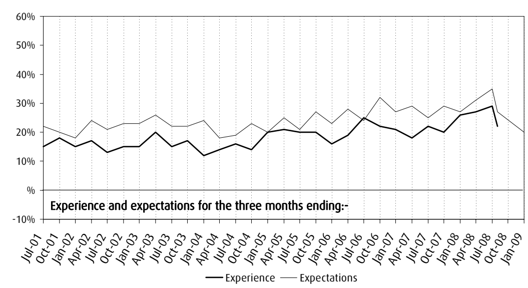
At a net balance of 34 per cent, expectations for price rises in the coming year fell by 18 percentage points during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in Western Australia at net 54 per cent, and in the accommodation, café and restaurant sector, with a net balance result of 58 per cent.

Prices charged

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Last Quarter					
Experienced increase	25%	29%	32%	32%	27%
No change	70%	68%	64%	65%	68%
Experienced decrease	5%	3%	5%	3%	5%
***Net Balance**	**+20%**	**+26%**	**+27%**	**+29%**	**+22%**
Current Quarter					
Expect increase	30%	33%	38%	32%	25%
No change	68%	65%	59%	63%	69%
Expect decrease	3%	2%	3%	5%	5%
***Net Balance**	**+27%**	**+31%**	**+35%**	**+27%**	**+20%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Prices charged
Trends in *net balance



SOURCE: Sensis® *Business Index*
Sweeney Research – November 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, and is now at its lowest level in the history of the Sensis® *Business Index*. SMEs were expecting their capital expenditure to decline further both in the short term and the year ahead.

Last quarter (August to October 2008)

SME performance in capital expenditure recorded a net negative 13 per cent result. This result represented a fall of eight percentage points; with capital expenditure in net negative territory for the sixth successive quarter. This is the lowest net balance result recorded for capital expenditure performance since the survey started over 15 years ago.

Capital expenditure growth was net negative in all states and territories. The strongest result was in Queensland, with a net balance result of negative four per cent of SMEs increasing capital expenditure. The weakest results were in New South Wales, which recorded a net balance of negative 24 per cent.

There was also variation between industry sectors. While the health and community services and accommodation, café and restaurant sectors recorded the strongest capital expenditure performance (negative one per cent each), at the other end of the investment scale was the manufacturing sector (negative 34 per cent).

Current quarter (November 2008 to January 2009)

The net result for capital expenditure expectations fell further for the coming quarter, with a net balance result of negative 22 per cent. The highest expectations were recorded by SMEs in Tasmania at a net negative one per cent. The weakest result was recorded by SMEs in the Northern Territory with a net balance of negative 35 per cent.

SMEs in the health and community services sector recorded the strongest expectations (negative nine per cent), while the manufacturing sector recorded the weakest result at a net negative 41 per cent.

Next 12 months (November 2008 to October 2009)

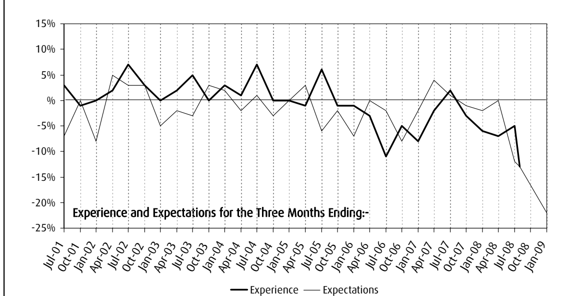
Capital expenditure expectations for the year ahead fell sharply during the quarter, with a net negative per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down from a net one per cent last quarter.

Capital expenditure

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Last Quarter					
Experienced increase	23%	22%	22%	22%	19%
No change	48%	46%	47%	49%	43%
Experienced decrease	26%	28%	29%	27%	32%
***Net Balance**	**-3%**	**-6%**	**-7%**	**-5%**	**-13%**
Current Quarter					
Expect increase	23%	25%	21%	20%	15%
No change	49%	46%	45%	46%	44%
Expect decrease	25%	25%	33%	33%	37%
***Net Balance**	**-2%**	**0%**	**-12%**	**-13%**	**-22%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Capital expenditure
Trends in *net balance



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

Last quarter (August to October 2008)

Profitability performance recorded a net balance result of negative 25 per cent for the past quarter. This represented a further decline of six percentage points from the previous quarter's result of net negative 19 per cent. This equals the lowest results recorded in the survey's history, with the same result also being recorded in November 2000.

Across Australia the strongest profit experience was again reported by SMEs in the Northern Territory with a net balance result of positive five per cent. The weakest performance was recorded in New South Wales, unchanged at net negative 34 per cent. The strongest industry performance was recorded in the health and community services sector with a net balance result of negative 12 per cent, with the weakest profitability performance recorded in the manufacturing sector (net negative 46 per cent).

Current quarter (November 2008 to January 2009)

Profitability expectations for the current quarter also fell to negative 14 per cent compared to the previous quarter's results of seven per cent. At a state and territory level, the strongest expectations were recorded by SMEs in Tasmania at eight per cent. The weakest state or territory was New South Wales with a net balance result of negative 22 per cent.

By industry, the communication, property and business services sector recorded the strongest short-term profit expectations with a net balance result of one per cent. The manufacturing sector recorded the weakest expectations with a net balance result of negative 35 per cent.

Next 12 months (November 2008 to October 2009)

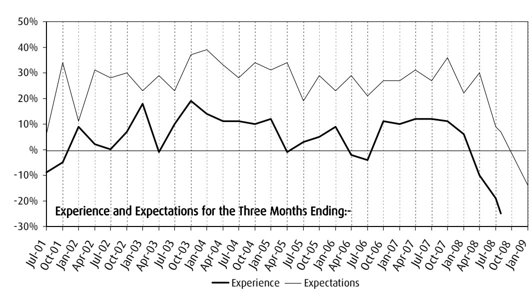
Profitability expectations for the year ahead also fell during the quarter to a net balance result of negative two per cent, down from 14 per cent last quarter. At a state and territory level the strongest profit expectations were recorded by SMEs in Western Australia with a net balance result of 17 per cent. The weakest results were recorded by SMEs in New South Wales and Victoria with a net balance result of negative seven per cent each. At an industry level the strongest result was recorded in the health and community services sector (22 per cent), with the weakest result recorded in the manufacturing sector (-29 per cent).

Profitability

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Last Quarter					
Experienced increase	36%	35%	29%	23%	23%
No change	39%	35%	31%	35%	29%
Experienced decrease	25%	29%	39%	42%	48%
***Net Balance**	**+11%**	**+6%**	**-10%**	**-19%**	**-25%**
Current Quarter					
Expect increase	40%	44%	35%	33%	25%
No change	41%	41%	38%	41%	36%
Expect decrease	18%	14%	26%	26%	39%
***Net Balance**	**+22%**	**+30%**	**+9%**	**+7%**	**-14%**

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

Profitability
Trends in *net balance



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

Despite weaker economic conditions, the proportion of SMEs that exported goods in the past quarter increased. However, in line with the strong falls recorded in the Australian dollar exchange rate, there was a decrease in proportion of exporting SMEs reporting growth in the value of their exports in the past quarter.

Last quarter (August to October 2008)

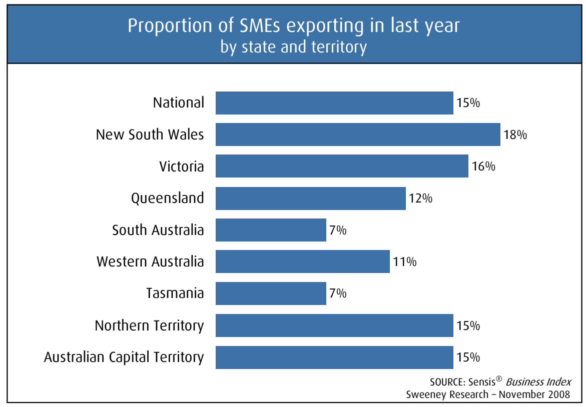
Fifteen per cent of SMEs reported exporting in the past quarter, up by one percentage point from the previous quarter. The strong result is above the long term average for exporting SMEs, and has continued to remain strong despite more difficult operating conditions for SMEs in the past quarter. New South Wales and Queensland recorded increases in the proportion of SMEs exporting for the second successive quarter, with all other states and territories recording falls in the proportion of SMEs exporting. New South Wales also recorded the highest proportion of exporting SMEs in Australia in the past quarter.

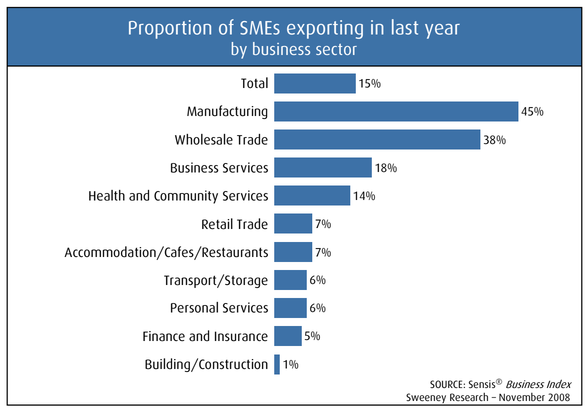
SMEs in metropolitan areas were more than three times as likely to export as their regional counterparts (19 per cent compared to six per cent). SMEs in the manufacturing sector were most likely to have exported in the past quarter.

Despite the stronger proportion of SMEs exporting, there was a fall in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of negative 15 per cent reported an increase in the value of the goods and services exported in the past quarter, down 15 percentage points from last quarter's net balance of zero per cent. This result is not perhaps so surprising when viewed in the context that it comes at the same time that Australian dollar exchange rates have fallen to their lowest point in more than five years.

Looking forward, SMEs were expecting continued decline in the value of their exports over the next few months, but were expecting improvement in the year ahead. In the short term, the proportion of SMEs expecting growth in the value of their exports for the coming quarter was down slightly to net 13 per cent. There was an increase of five percentage points in the proportion of SMEs expecting to increase the value of their exports in the year ahead.

New Zealand remained the most popular destination for SME exports (31 per cent). Other strong results were seen for the United Kingdom, at 27 per cent and the United States, at 21 per cent. Further growth was recorded for China as an SME export destination, up a further one percentage point to 17 per cent.





Value of exports - trends

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Last Quarter					
Experienced increase	30%	27%	29%	21%	21%
No change	54%	52%	55%	58%	43%
Experienced decrease	16%	21%	15%	21%	36%
***Net Balance**	**+14%**	**+6%**	**+14%**	**0%**	**-15%**
Current Quarter					
Expect increase	35%	33%	25%	30%	30%
No change	57%	55%	65%	55%	53%
Expect decrease	9%	12%	9%	14%	17%
***Net Balance**	**+26%**	**+21%**	**+16%**	**+16%**	**+13%**
Next 12 months					
Expect increase	56%	48%	55%	40%	49%
No change	37%	46%	37%	49%	37%
Expect decrease	8%	5%	8%	11%	15%
***Net Balance**	**+48%**	**+43%**	**+47%**	**+29%**	**+34%**

Base : Exported goods or services overseas in last three months

SOURCE: Sensis® *Business Index*
Sweeney Research – November 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 an increase during the quarter, having improved by 15 percentage points.

Last quarter (August to October 2008)

The net balance result of a negative 13 per cent approval rating represented a rise of 15 percentage points in the past quarter, following last quarter's recent low. The result comprised 14 per cent (up five percentage points) of businesses that were supportive of the Federal Government's small business policies, and 27 per cent (down 10 percentage points) that felt their policies worked against small business.

Only Tasmania recorded a net positive rating this quarter, recording the strongest support for the Federal Government's policies at a positive seven per cent net balance. The region most critical of the Federal Government's small business policies was New South Wales, where the net balance of SMEs that felt the Federal Government's policies supported small business was net negative 21 per cent. All states and territories recorded an increase in SME support for the Federal Government.

SMEs in metropolitan areas were slightly more supportive of the Federal Government than their regional counterparts. The results show that 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 include a view that no incentives were offered to small business and that there was too much bureaucracy. In addition, SMEs expressed a view that the government was only concerned with larger businesses and that taxation was too high.

This quarter the main reasons given by SMEs for supporting the Federal Government included a view that they were trying to help small business; that they were trying to get the economy going; that they were more supportive of small business and that the economic stimulus package would assist small businesses.

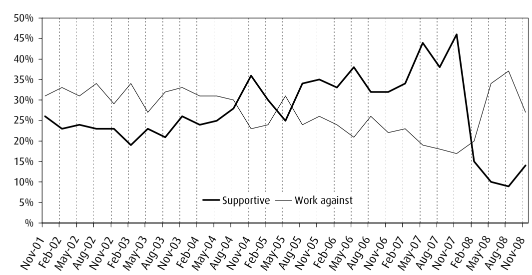
Attitudes to Federal Government policies
past five quarters

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
Supportive	46%	15%	10%	9%	14%
Work against	17%	20%	34%	37%	27%
No impact	37%	65%	56%	54%	59%
***Net Balance**	**+29%**	**-5%**	**-24%**	**-28%**	**-13%**

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 – November 2008

Attitudes to Federal Government policies
Long-term trends



SOURCE: Sensis® *Business Index*
Sweeney Research – November 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 Western Australian Government was the most popular government in Australia among all SMEs in the past quarter. The New South Wales Government remained the least popular state or territory government among SMEs for the 19th successive quarter, with the result in that state falling to the lowest result ever recorded by a state or territory government.

Last quarter (August to October 2008)

Following the recent state election and subsequent change of government, the newly elected Western Australian Government recorded the highest approval rating from SMEs at net positive eight per cent. This result was up 30 percentage points from net negative 22 per cent last quarter, and was the largest improvement for any government this quarter. The view that the government in Western Australia was trying to help small business, that they were more supportive of small business and that they were helping to keep the economy going were the main reasons given for their support.

Also following the recent re-election, the Northern Territory Government recorded the second highest level of support by its SMEs at net positive seven per cent, an increase of 21 percentage points. The main reasons SMEs gave for supporting the Northern Territory Government was again a belief that they were more supportive of small businesses, followed by a view that they were trying to help small businesses.

The governments in Western Australia and the Northern Territory were the only governments to record a net positive rating from SMEs, with the Tasmanian government recording a result of net zero per cent.

Apart from Western Australia and the Northern Territory, increases in support levels were also recorded in Victoria (up two percentage points), South Australia (up five percentage points) and Tasmania (up 12 percentage points).

Having recorded the lowest level of support ever recorded for a state or territory government since the survey began, the New South Wales Government remained the least supported government among SMEs. This was the 19th successive quarter that the New South Wales Government has recorded the lowest result of any state or territory government, now sitting at net negative 54 per cent, a fall of 28 percentage points. The main reason that SMEs gave for not supporting the New South Wales Government was that there were too many taxes, a perception among small businesses that they did not know what they were doing, and a view that there was poor economic management in the state.

Attitudes to state or territory government policies
November 2008

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	4%	9%	9%	12%	20%	16%	27%	9%
Work against	58%	22%	28%	32%	12%	16%	20%	22%
No impact	38%	69%	63%	56%	68%	67%	54%	69%
***Net Balance**	**-54%**	**-13%**	**-19%**	**-20%**	**8%**	**0%**	**7%**	**-13%**

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 – November 2008

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

	Nov 07	Feb 08	May 08	Aug 08	Nov 08
New South Wales	-30%	-43%	-47%	-26%	-54%
Victoria	+1%	-13%	-14%	-15%	-13%
Queensland	-4%	+4%	-11%	-18%	-19%
South Australia	-12%	-17%	-12%	-25%	-20%
Western Australia	-13%	-17%	-22%	-22%	+8%
Tasmania	-25%	-27%	-16%	-12%	0%
Northern Territory	+16%	+7%	+8%	-14%	+7%
Australian Capital Territory	-20%	-5%	-20%	-10%	-13%

SOURCE: Sensis® *Business Index*
Sweeney Research – November 2008

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

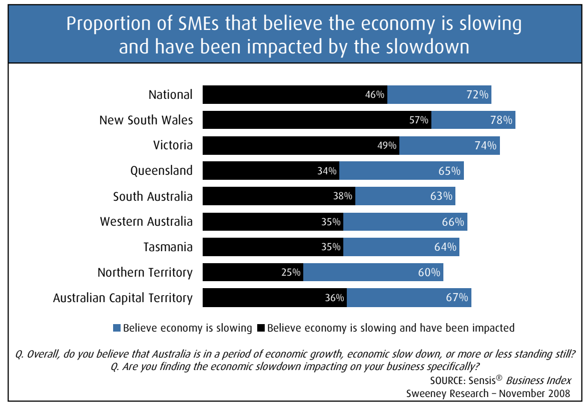
Current economic conditions

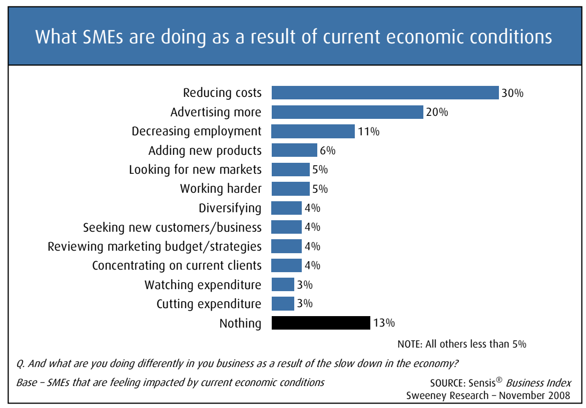
Impact of current economic conditions on SMEs

The Sensis® *Business Index* found 64 per cent of SMEs felt the economy was currently slowing and have been impacted by the slowing economic conditions. SMEs in New South Wales were the most likely to have made changes in their business as a result of the current economic downturn, with almost three in four SMEs indicating they felt the economy was currently slowing in that state.

While the proportions of SMEs that are being impacted by the current economic climate has only increased marginally in the past quarter, the actions being taken have strongly solidified around the two top responses: cost reduction, and advertising more.

Cost reduction was the most popular response for SMEs that were feeling impacts from economic downturn (30 per cent), up by eight percentage points in the past quarter. The second most frequent response was advertising more, which was the strategy being used by 20 per cent, also up eight percentage points in the past quarter. Some 11 per cent of SMEs that were feeling the impacts of economic downturn reported they were decreasing employment as a result, unchanged in the past quarter.





The environment

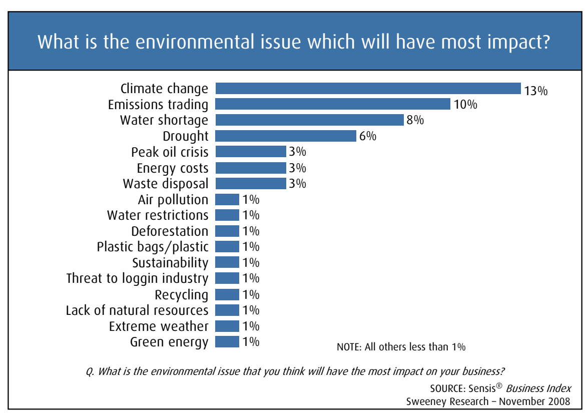
What is the environmental issue which will have most impact?

With environmental policies being debated at the moment, it is interesting to look at the views of SMEs on some of the key issues at the moment.

While the proportions of SMEs believing that climate change and emissions trading will most impact their business only changed marginally in the past quarter, the level of awareness around these issues has increased. Some eight in ten SMEs reported they were aware of the debate surrounding the proposed Carbon Pollution Reduction Scheme, with a net balance of 27 per cent believing it will have a negative impact on their business, mainly due to increased costs.

The main reasons given by SMEs for feeling that climate change and emissions trading would have the most impact on their business included that it would increase their costs, that it will threaten their business and jobs, and that it will change consumer preferences.

Almost four in ten SMEs reported they had made changes to their business as a result of environmental concerns. The main changes made by SMEs were introducing recycling, reducing water usage and reducing energy usage. Some 16 per cent of SMEs reported they produced some products or services aimed at assisting environmental concerns.



Small and medium business outlook – national

- Business confidence fell by 12 percentage points from last quarter, to be at its lowest point in the history of the Sensis® *Business Index*.
- Perceptions of the current state of the economy fell significantly for the fourth successive quarter, with future economic expectations also deteriorating to another record low.
- Performance in all key indicators continued to fall in the past quarter, with the strongest falls recorded in sales.
- All expectations fell for the short term and the year ahead.
- Support for the Federal Government's policies improved to a net negative 13 per cent, with SMEs reporting they felt the government was trying to get the economy going and support for the economic stimulus package.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	63	65	58	52	47
NEGATIVE	20	16	25	27	34
*NET BALANCE	+43	+49	+33	+25	+13

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	40	39	34	29	26	42	45	40	36	26
	DECREASE	25	28	37	38	47	16	15	23	26	38
	NET BALANCE	+15	+11	-3	-9	-21	+26	+30	+17	+10	-12
SIZE OF WORKFORCE:	INCREASE	13	16	13	13	12	13	16	15	12	8
	DECREASE	13	14	15	14	16	3	4	6	7	11
	NET BALANCE	0	+2	-2	-1	-4	+10	+12	+9	+5	-3
WAGES BILL:	INCREASE	28	28	23	24	19	26	26	27	25	17
	DECREASE	12	12	15	15	19	8	7	10	10	14
	NET BALANCE	+16	+16	+8	+9	0	+18	+19	+17	+15	+3
PRICES:	INCREASE	25	29	32	32	27	30	33	38	32	25
	DECREASE	5	3	5	3	5	3	2	3	5	5
	NET BALANCE	+20	+26	+27	+29	+22	+27	+31	+35	+27	+20
PROFITABILITY:	INCREASE	36	35	29	23	23	40	44	35	33	25
	DECREASE	25	29	39	42	48	18	14	26	26	39
	NET BALANCE	+11	+6	-10	-19	-25	+22	+30	+9	+7	-14
CAPITAL EXPENDITURE:	INCREASE	22	22	22	22	19	23	25	21	20	15
	DECREASE	26	28	29	27	32	25	25	33	33	37
	NET BALANCE	-4	-6	-7	-5	-13	-2	0	-12	-13	-22

* 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 lowest business confidence among SMEs during the quarter 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 SMEs saw falls in performance in all indicators with the exception of prices charged which increased slightly and profitability which was unchanged in the past quarter.
- For the last quarter, New South Wales recorded the lowest proportion of SMEs in any state or territory that reported increased sales, profitability and capital expenditure.
- For the coming quarter, SMEs in New South Wales recorded the lowest level of expectations of any state or territory for sales, employment and profitability.
- For the year ahead, SMEs in New South Wales recorded the lowest levels of expectations for sales, wages, prices and equal lowest for profitability with Victoria.
- Support for the policies of the New South Wales Government among NSW SMEs fell sharply in the past quarter remaining the lowest for any state or territory government for the 19th successive quarter and the lowest result on record for a state or territory government.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	55	63	49	41	45
NEGATIVE	26	19	38	34	40
*NET BALANCE	+29	+43	+11	+7	+5

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	35	45	33	20	22	35	37	37	36	25
	DECREASE	29	31	47	44	55	19	14	32	30	44
	NET BALANCE	+6	+14	-14	-24	-33	+16	+23	+5	+6	-19
SIZE OF WORKFORCE:	INCREASE	9	18	15	12	13	12	13	12	10	9
	DECREASE	15	14	19	15	17	2	6	6	9	15
	NET BALANCE	-6	+4	-4	-3	-4	+10	+7	+6	+1	-6
WAGES BILL:	INCREASE	29	33	19	18	18	23	21	23	19	17
	DECREASE	12	14	20	18	21	9	6	14	11	13
	NET BALANCE	+17	+19	-1	0	-3	+14	+15	+9	+8	+4
PRICES:	INCREASE	19	24	31	23	27	29	30	32	25	21
	DECREASE	6	2	7	3	5	2	1	2	9	3
	NET BALANCE	+13	+22	+24	+20	+22	+27	+29	+30	+16	+18
PROFITABILITY:	INCREASE	30	37	28	17	23	33	38	31	30	24
	DECREASE	26	34	46	51	57	22	11	35	30	46
	NET BALANCE	+4	+3	-18	-34	-34	+11	+27	-4	0	-22
CAPITAL EXPENDITURE:	INCREASE	22	25	21	22	14	22	22	22	17	13
	DECREASE	26	31	29	28	38	28	26	37	36	40
	NET BALANCE	-4	-6	-8	-6	-24	-6	-4	-15	-19	-27

* 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 recorded the second lowest level of business confidence among SMEs in the past quarter.
- Victoria recorded the second lowest perceptions of the economy among SMEs in the past quarter.
- Performance indicators fell for all indicators for Victorian SMEs in the past quarter.
- Victorian SMEs recorded the lowest results in the past quarter for performance in employment and wages of any state or territory.
- Victorian SMEs are expecting further falls in all indicators in the coming quarter.
- Victorian SMEs recorded the lowest expectations for the year ahead for capital expenditure and the equal lowest expectations for the year ahead for profitability along with New South Wales.
- SME support for the Victorian Government improved slightly during the past quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	64	62	67	50	47
NEGATIVE	18	18	19	30	36
*NET BALANCE	+46	+44	+48	+20	+11

TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	39	32	37	34	29	44	45	46	33	27
	DECREASE	25	27	29	33	45	14	18	16	24	35
	NET BALANCE	+14	+5	+8	+1	-16	+30	+27	+30	+9	-8
SIZE OF WORKFORCE:	INCREASE	12	14	11	13	8	10	17	15	12	7
	DECREASE	12	11	14	12	15	4	4	7	7	10
	NET BALANCE	0	+3	-3	+1	-7	+6	+13	+8	+5	-3
WAGES BILL:	INCREASE	25	20	24	25	15	31	28	28	30	16
	DECREASE	15	11	11	14	25	5	6	9	10	15
	NET BALANCE	+10	+9	+13	+11	-10	+26	+22	+19	+20	+1
PRICES:	INCREASE	29	29	29	28	26	30	32	38	34	21
	DECREASE	5	4	4	3	5	3	5	3	4	7
	NET BALANCE	+24	+25	+25	+25	+21	+27	+27	+35	+30	+14
PROFITABILITY:	INCREASE	38	31	32	25	24	43	46	40	32	22
	DECREASE	27	27	32	37	47	14	20	20	23	38
	NET BALANCE	+11	+4	+0	-12	-23	+29	+26	+20	+9	-16
CAPITAL EXPENDITURE:	INCREASE	26	18	21	21	26	24	29	20	23	15
	DECREASE	27	28	33	26	32	26	24	33	29	39
	NET BALANCE	-1	-10	-12	-5	-6	-2	+5	-13	-6	-24

* 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 the second highest business confidence among SMEs this quarter.
- SMEs in Queensland reported falls in all performance indicators over the past quarter.
- SMEs in Queensland reported the highest capital expenditure performance of any state or territory, but the equal lowest employment performance.
- SMEs in Queensland reported lower expectations for all indicators for the coming quarter.
- SMEs in Queensland reported the lowest expectations for employment in the year ahead of any state or territory.
- SME support for the Queensland Government fell marginally during the past quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	67	71	62	66	52
NEGATIVE	15	11	20	18	27
*NET BALANCE	+52	+60	+42	+48	+25

TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	44	37	29	30	24	44	50	43	35	30
	DECREASE	20	30	42	38	43	16	13	17	29	34
	NET BALANCE	+24	+7	-13	-8	-19	+28	+37	+26	+6	-4
SIZE OF WORKFORCE:	INCREASE	21	16	12	14	14	16	21	18	13	9
	DECREASE	14	18	14	17	21	5	3	4	7	10
	NET BALANCE	+7	-2	-2	-3	-7	+11	+18	+14	+6	-1
WAGES BILL:	INCREASE	31	30	25	28	24	25	34	30	29	17
	DECREASE	9	15	15	13	14	11	9	5	9	14
	NET BALANCE	+22	+15	+10	+15	+10	+14	+25	+25	+20	+3
PRICES:	INCREASE	24	32	33	46	29	29	33	45	34	27
	DECREASE	3	4	4	3	6	2	3	3	2	7
	NET BALANCE	+21	+28	+29	+43	+23	+27	+30	+42	+32	+20
PROFITABILITY:	INCREASE	38	33	23	28	21	41	46	38	33	29
	DECREASE	21	28	43	39	43	18	13	21	29	33
	NET BALANCE	+17	+5	-20	-11	-22	+23	+33	+17	+4	-4
CAPITAL EXPENDITURE:	INCREASE	23	25	21	26	22	22	26	20	22	18
	DECREASE	27	27	24	23	26	22	28	27	33	32
	NET BALANCE	-4	-2	-3	+3	-4	0	-2	-7	-11	-14

* 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 among SMEs fell during the quarter and is now marginally below the national average.
- SMEs in South Australia recorded lower performance for all indicators with the exception of wages and profitability, which both rose. Profitability performance remained net negative overall despite the strong increase.
- SMEs in South Australia recorded the highest employment performance in the past quarter of any state or territory, and also the highest expectation for employment for the coming quarter.
- SMEs in South Australia recorded the highest expectations for the year ahead for employment and wages.
- SME support for the South Australian Government improved during the quarter but was the second lowest of any state or territory.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	67	63	56	58	45
NEGATIVE	21	15	20	22	33
*NET BALANCE	+46	+49	+36	+36	+12

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	40	40	30	33	32	44	49	30	33	22
	DECREASE	24	22	33	38	38	11	13	18	18	38
	NET BALANCE	+16	+18	-3	-5	-6	+33	+36	+12	+15	-16
SIZE OF WORKFORCE:	INCREASE	16	14	14	8	11	14	17	13	15	10
	DECREASE	10	12	11	11	8	5	3	5	3	2
	NET BALANCE	+6	+2	+3	-3	+3	+9	+14	+8	+12	+8
WAGES BILL:	INCREASE	28	32	24	23	22	30	30	26	21	17
	DECREASE	11	12	11	21	13	6	7	5	9	13
	NET BALANCE	+17	+20	+13	+2	+9	+24	+23	+21	+12	+4
PRICES:	INCREASE	33	34	33	34	21	35	34	43	42	30
	DECREASE	3	1	4	6	3	4	1	3	3	4
	NET BALANCE	+30	+33	+29	+28	+18	+31	+33	+40	+39	+26
PROFITABILITY:	INCREASE	38	36	29	24	28	44	47	32	34	23
	DECREASE	27	30	35	43	37	15	14	23	21	37
	NET BALANCE	+11	+6	-6	-19	-9	+29	+33	+9	+13	-14
CAPITAL EXPENDITURE:	INCREASE	24	21	21	22	15	19	23	25	23	19
	DECREASE	27	25	30	24	30	28	27	31	34	37
	NET BALANCE	-3	-4	-9	-2	-15	-9	-4	-6	-11	-18

** 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 among SMEs recorded a further fall during the quarter, however, it remained marginally above the national average.
- SMEs in Western Australia recorded decreased performance across all indicators in the past quarter with the exception of capital expenditure, which improved but remained net negative.
- Inflationary expectations were mixed, with Western Australian SMEs the most likely to expect to increase prices but the least likely to be expecting to increase wages in the coming quarter.
- Western Australian SMEs recorded the highest expectations for sales, prices and profitability for the year ahead of any state or territory.
- Support for the Western Australian Government improved strongly during the past quarter to be the most supported state or territory government in Australia, following the recent election.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	72	70	67	60	45
NEGATIVE	13	12	12	17	31
*NET BALANCE	+59	+58	+55	+43	+14

TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	51	38	41	39	34	50	55	41	47	27
	DECREASE	21	22	21	35	36	16	12	24	22	33
	NET BALANCE	+30	+16	+20	+4	-2	+34	+43	+17	+25	-6
SIZE OF WORKFORCE:	INCREASE	10	15	15	15	11	19	13	20	14	6
	DECREASE	12	12	12	10	14	1	5	6	4	10
	NET BALANCE	-2	+3	+3	+5	-3	+18	+8	+14	+10	-4
WAGES BILL:	INCREASE	31	34	32	29	23	26	27	34	31	20
	DECREASE	9	7	12	8	14	11	4	8	7	19
	NET BALANCE	+22	+27	+20	+21	+9	+15	+23	+26	+24	+1
PRICES:	INCREASE	31	35	38	45	27	34	40	45	35	39
	DECREASE	8	3	3	3	4	3	1	3	1	4
	NET BALANCE	+23	+32	+35	+42	+23	+31	+39	+42	+34	+35
PROFITABILITY:	INCREASE	44	38	37	29	26	46	56	39	41	25
	DECREASE	22	24	30	33	39	18	10	25	23	33
	NET BALANCE	+22	+14	+7	-4	-13	+28	+46	+14	+18	-8
CAPITAL EXPENDITURE:	INCREASE	20	17	26	20	20	25	28	22	19	16
	DECREASE	26	26	25	31	27	22	22	31	32	34
	NET BALANCE	-6	-9	+1	-11	-7	+3	+6	-9	-13	-18

** 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 among SMEs in Tasmania was the highest of any state or territory for the second successive quarter.
- SMEs in Tasmania reported an increase in performance for employment and wages in the past quarter, however all other performance indicators fell.
- Tasmanian SMEs recorded the highest expectations for the coming quarter for sales, wages, profitability and capital expenditure of any state or territory.
- Tasmanian SMEs recorded the highest expectations for the year ahead for capital expenditure of any state or territory.
- Support for the Tasmanian Government's policies improved strongly during the quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	68	69	59	68	58
NEGATIVE	14	14	19	17	21
*NET BALANCE	+54	+56	+40	+51	+37

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	43	42	34	39	29	60	41	25	42	36
	DECREASE	20	17	23	26	42	5	14	24	9	22
	NET BALANCE	+23	+25	+11	+13	-13	+55	+27	+1	+33	+14
SIZE OF WORKFORCE:	INCREASE	17	15	11	10	12	19	9	9	12	8
	DECREASE	8	7	14	13	10	3	7	3	1	7
	NET BALANCE	+9	+8	-3	-3	+2	+16	+2	+6	+11	+1
WAGES BILL:	INCREASE	24	22	19	23	25	30	18	17	22	25
	DECREASE	8	11	10	18	16	5	9	12	3	11
	NET BALANCE	+16	+11	+9	+5	+9	+25	+9	+5	+19	+14
PRICES:	INCREASE	32	35	34	40	26	23	43	43	39	31
	DECREASE	1	2	1	6	8	0	2	3	1	3
	NET BALANCE	+31	+33	+33	+34	+18	+23	+41	+40	+38	+28
PROFITABILITY:	INCREASE	36	37	28	30	24	55	40	22	34	34
	DECREASE	26	19	28	32	40	7	13	30	14	26
	NET BALANCE	+10	+18	+0	-2	-16	+48	+27	-8	+20	+8
CAPITAL EXPENDITURE:	INCREASE	30	16	23	25	14	35	19	22	19	22
	DECREASE	23	28	27	27	32	24	19	28	28	23
	NET BALANCE	+7	-12	-4	-2	-18	+11	0	-6	-9	-1

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

Small and medium business outlook – Northern Territory

- The Northern Territory recorded a fall in SME confidence in the past quarter, however confidence remained almost double the national average.
- The Northern Territory recorded the highest perceptions of the current state of the Australian economy among its SMEs of any state or territory, at net negative 51 per cent.
- SMEs in the Northern Territory reported the highest future expectations of the economy a year from now.
- SMEs in the Northern Territory recorded the highest sales and profitability performance in the past quarter of any state or territory, but were also most likely to have increased their prices.
- The Northern Territory recorded the lowest expectations for the coming quarter for capital expenditure among its SMEs of any state or territory.
- The Northern Territory recorded the equal highest expectations for the year ahead for sales along with Western Australia.
- Support for the Northern Territory Government increased during the quarter following its recent re-election, to be the second highest of any state or territory.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	78	81	69	63	49
NEGATIVE	6	7	11	17	25
*NET BALANCE	+72	+74	+58	+46	+24

TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	47	43	39	46	31	33	52	50	36	24
	DECREASE	13	20	22	19	29	19	12	11	18	30
	NET BALANCE	+34	+23	+17	+27	+2	+14	+40	+39	+18	-6
SIZE OF WORKFORCE:	INCREASE	26	18	20	15	18	12	24	17	15	10
	DECREASE	7	17	16	14	20	9	5	4	9	7
	NET BALANCE	+19	+1	+4	+1	-2	+3	+19	+13	+6	+3
WAGES BILL:	INCREASE	26	21	32	29	24	20	34	37	25	18
	DECREASE	4	14	11	9	14	8	6	6	10	12
	NET BALANCE	+22	+7	+21	+20	+10	+12	+28	+31	+15	+6
PRICES:	INCREASE	28	33	33	34	36	26	31	46	40	33
	DECREASE	2	3	1	6	4	3	2	1	1	3
	NET BALANCE	+26	+30	+32	+28	+32	+23	+29	+45	+39	+30
PROFITABILITY:	INCREASE	43	37	30	45	30	27	40	47	34	24
	DECREASE	14	24	27	18	25	11	12	12	19	24
	NET BALANCE	+29	+13	+3	+27	+5	+16	+28	+35	+15	0
CAPITAL EXPENDITURE:	INCREASE	25	19	31	21	16	20	35	20	20	6
	DECREASE	16	28	22	26	28	30	22	26	32	41
	NET BALANCE	+9	-9	+9	-5	-12	-10	+13	-6	-12	-35

* 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 among Australian Capital Territory SMEs fell during the last quarter, however it was still above the national average.
- SMEs in the Australian Capital Territory recorded the lowest future expectations for the Australian economy of SMEs in any state or territory, at net negative 39 per cent.
- In addition to the fall in confidence, SMEs in the Australian Capital Territory recorded falls in performance in the past quarter for sales, profitability and prices
- SMEs in the Australian Capital Territory were expecting lower results in the coming quarter with the exception of prices, where SMEs were expecting a marginally higher result, and capital expenditure, which was expected to improve but remained net negative.
- Support for the Australian Capital Territory Government fell during the quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	NOV 2007 %	FEB 2008 %	MAY 2008 %	AUG 2008 %	NOV 2008 %
POSITIVE	69	59	49	58	44
NEGATIVE	14	14	26	21	28
*NET BALANCE	+55	+44	+23	+37	+16

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		AUG-OCT 07 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 07/08 %	FEB-APR 08 %	MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %
SALES VALUE:	INCREASE	39	42	37	30	21	45	48	28	45	30
	DECREASE	32	28	44	45	49	20	20	30	20	32
	NET BALANCE	+7	+14	-7	-15	-28	+25	+28	-2	+25	-2
SIZE OF WORKFORCE:	INCREASE	14	13	15	13	14	13	19	8	12	8
	DECREASE	13	13	18	17	17	3	3	7	4	10
	NET BALANCE	+1	0	-3	-4	-3	+10	+16	+1	+8	-2
WAGES BILL:	INCREASE	22	28	23	24	22	28	22	21	25	19
	DECREASE	18	18	19	16	11	8	9	9	7	13
	NET BALANCE	+4	+10	+4	+8	+11	+20	+13	+12	+18	+6
PRICES:	INCREASE	28	29	25	31	19	35	34	28	27	28
	DECREASE	2	1	4	9	6	3	2	2	7	7
	NET BALANCE	+26	+28	+21	+22	+13	+32	+32	+26	+20	+21
PROFITABILITY:	INCREASE	35	32	35	23	16	44	48	23	37	26
	DECREASE	29	32	39	43	46	16	21	31	21	34
	NET BALANCE	+6	0	-4	-20	-30	+28	+27	-8	+16	-8
CAPITAL EXPENDITURE:	INCREASE	18	16	14	23	18	17	19	21	13	17
	DECREASE	30	30	29	34	28	25	30	28	34	33
	NET BALANCE	-12	-14	-15	-11	-10	-8	-11	-7	-21	-16

* 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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