

February 2009

Sensis<sup>®</sup> *Business Index-  
Small and Medium Enterprises*



# Sensis® *Business Index - Small and Medium Enterprises*

February 2009

Introduction .....	1
About the survey .....	2
Executive summary .....	3
<b>Small and medium business outlook – national summary .....</b>	<b>6</b>
Confidence in own business prospects over the next 12 months .....	6
Confidence by state, sector and size .....	7
Perceptions of the economy .....	8
Expectations on key indicators over the next 12 months .....	9
Concerns .....	10
Sales .....	11
Employment .....	12
Wages bill .....	13
Prices .....	14
Capital expenditure .....	15
Profitability .....	16
Exports .....	17
Assessment of Federal Government policies .....	18
Assessment of State and Territory Government policies .....	19
Impact of the current economic climate .....	20
The environment .....	20
<b>Small and medium business outlook – national .....</b>	<b>21</b>
<b>Small and medium business outlook – New South Wales .....</b>	<b>22</b>
<b>Small and medium business outlook – Victoria .....</b>	<b>23</b>
<b>Small and medium business outlook – Queensland .....</b>	<b>24</b>
<b>Small and medium business outlook – South Australia .....</b>	<b>25</b>
<b>Small and medium business outlook – Western Australia .....</b>	<b>26</b>
<b>Small and medium business outlook – Tasmania .....</b>	<b>27</b>
<b>Small and medium business outlook – Northern Territory .....</b>	<b>28</b>
<b>Small and medium business outlook – Australian Capital Territory .....</b>	<b>29</b>

## 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 February 2009 Sensis® *Business Index* results are based on telephone interviews conducted with 1,800 small and medium business proprietors. The sample size comprises approximately 1,400 small businesses and 400 medium businesses (the latter defined as businesses employing between 20 and 199 people).

Businesses interviewed for the February 2009 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 2 February to 24 February 2009. The report covers experiences over the past three months (November 2008 to January 2009), and expectations for both the current quarter (February 2009 to April 2009) and the 12 months ending January 2010.

## Executive summary

After recording sharp falls for the past year, business confidence among SMEs stabilised during the past quarter, falling only by a marginal one percentage point. However, this further fall meant this quarter saw the lowest level of business confidence recorded in the history of the survey. In addition to lower levels of confidence, current perceptions of the economy fell for the fifth successive quarter to another record low, with perceptions about the future economic direction falling by five percentage points to a further record low. The prime problem reported by SMEs this quarter continued to be a lack of work or sales, followed by the economic climate and cash flow. Some 31 per cent of SMEs reported that they currently faced no problems at all. SMEs reported falls in performance in all key indicators with the exception of capital expenditure, which rose marginally, and profitability, which was unchanged. In addition, expectations for the next quarter and the year ahead also fell across almost all indicators, with the exceptions of employment and capital expenditure, which were book expecting increases in the short term.

Support for the Federal Government continued to increase on the back of the economic stimulus package and efforts to get the economy going. The Northern Territory Government was the most supported government by SMEs overall, with the New South Wales Government remaining the least supported state or territory government.

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* more than 15 years ago, however the fall recorded this quarter was only a marginal one percentage point, resulting in some stabilisation in confidence levels.
- Following a further drop in SME confidence, New South Wales became the first state to record a net negative level of SME confidence in the 15 year history of the Sensis® *Business Index*.
- Perceptions of the current state of the Australian economy continued to fall for the fifth successive quarter, however the rate of decline was not as dramatic as seen over the past year. There was also a fall in the proportion of SMEs that felt the economy would be better in a year's time. Both of these indicators were at their lowest levels recorded since the inception of the Sensis® *Business Index*.
- All key performance indicators fell in the last quarter, with the exception of capital expenditure, which recorded a marginal improvement.
- In both the short and medium terms, SMEs were expecting further falls for most indicators, with the only exceptions being employment and capital expenditure in the short term.
- A lack of work or sales was the primary concern of SMEs this quarter, however this concern has declined marginally since last quarter. This was followed by the economic climate and cash flow, which remained at the highest level since May 1999.
- Some 31 per cent of SMEs reported 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 were, on balance, strongly supportive of the economic stimulus package, which was the main reason for support.
- 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 20th successive quarter.

## Small versus medium enterprises

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

- Medium businesses were again more confident than small businesses however the gap decreased from six to two percentage points.
- Small and medium businesses held similar views on the state of the economy, with both strongly net negative. Small businesses were marginally more positive about the current state of the economy, with medium businesses slightly more positive about the economy in a year's time.
- Small businesses recorded higher performance than medium businesses for employment, profitability and capital expenditure.
- Medium businesses recorded higher performance than small businesses for sales.

## Metropolitan versus regional

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

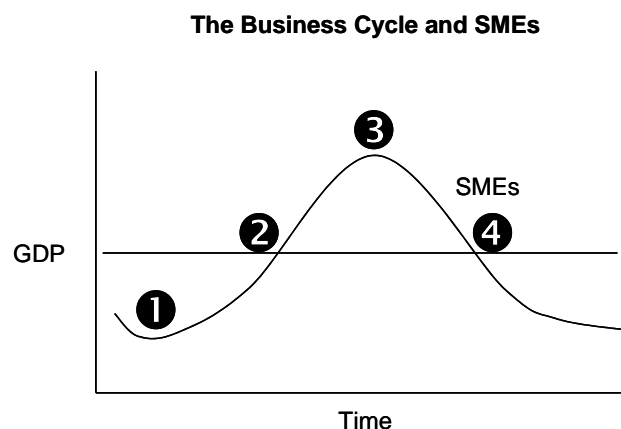
- Regional businesses remained more confident than their metropolitan counterparts for the fourth successive quarter. Concerns about economic downturn in general were cited as the key reasons for concerns among SMEs in both metropolitan and regional areas.
- Metropolitan businesses remained more negative than regional businesses about both the current state of the Australian economy, as well as future economic expectations.
- Metropolitan businesses reported higher performance than regional businesses for sales, employment and profitability.
- Regional businesses were more likely to report increased wages bills and prices charged than metropolitan businesses.
- Metropolitan businesses reported higher expectations for the coming quarter than regional businesses for all indicators, with the exception of wages 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 this quarter, including:

- Confidence was highest in the health and community services sector.
- Confidence was lowest in the retail trade sector – the only sector to record net negative confidence levels this quarter.
- The health and community services sector recorded the strongest improvement in confidence levels of any sector.
- The manufacturing sector recorded the weakest performance in sales and capital expenditure over the past quarter.
- The accommodation, café and restaurant sector reported strong performance in the past quarter, with the highest net performance in sales, profitability and capital expenditure. The sector was also expecting the strongest results in the short term for capital expenditure.
- The cultural, recreational and personal services sector recorded the strongest employment performance; however the sector also recorded the weakest sales and profitability performance.
- The weakest employment results were recorded in the manufacturing, building and construction and retail trade sectors.
- Looking ahead the manufacturing sector recorded the weakest expectations for the coming quarter for sales, with the building and construction sector reporting the weakest expectations for profitability. The health and community services sector were expecting the best sales results, however the finance and insurance sector was most likely to be expecting falls in employment.
- The cultural, recreational and personal services sector was the most supportive of the Federal Government's policies, with the finance and insurance sector the least supportive.

## SME business cycle analysis



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

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

Analysis of the key indicators from the February 2009 Sensis® Business Index suggests an economic environment that is potentially starting to level off. Most key indicators reported a small or marginal decline in the past quarter, in line with the marginal decrease in business confidence. However, there are downside risks, as expectations for the economic outlook continue to fall. SMEs still believe the Australian economy is strongly contracting, with further deterioration likely. Confidence is at the lowest level since the survey started more than 15 years ago. The strongest impact of the economic climate is that SMEs continue to report falling demand, and countering this remains their prime concern.

Highlighted sections show the indicators relevant to SMEs for the February 2009 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 levelled, posting only a marginal fall in the latest quarter. SME confidence remains at the lowest level recorded since the inception of the Sensis® Business Index in 1993 and less than one-quarter the level recorded at the same time last year.

The key reasons SMEs gave for lacking confidence this quarter related to current economic conditions, with businesses noting that people were not spending and that they had suffered a decrease in business. The main reasons given by those SMEs that were confident was they felt they provided a necessary product or service and their business was an established and experienced operation.

### Last quarter (November 2008 to January 2009)

SMEs recorded further falls in business confidence with a net balance of 12 per cent. This result comprises of 45 per cent of businesses that were confident about their prospects for the year ahead and 33 per cent that were concerned.

The further fall in SME confidence levels of one percentage point reflects a levelling in SME sentiment but has again resulted in the lowest result for SME confidence recorded since the inception of the Sensis® Business Index in 1993.

The main reason businesses gave for feeling worried about their prospects related to concerns over the economy, with SMEs feeling people were not spending at the moment, and that they had experienced decreasing business.

By comparison, those businesses that were confident indicated they felt their businesses provided a necessary product or service and they 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 results show the latest fall in business confidence to record lows is in line with SME views on the economy also falling to record lows. The rate of decline in both of these indicators has slowed over the past quarter, with confidence and a range of performance indicators appearing to stabilise in the past quarter.

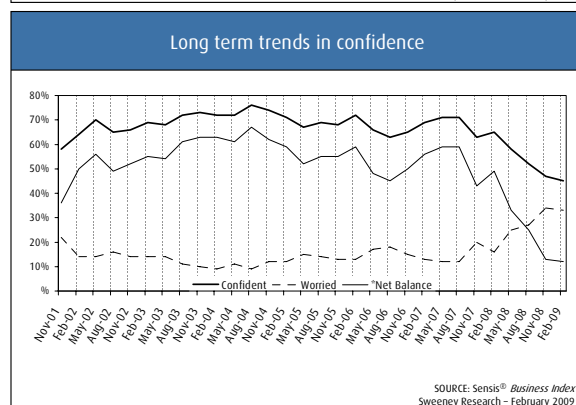
Overall confidence February 2009			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	7%	9%	7%
Fairly confident	38%	36%	38%
Neutral	22%	23%	22%
Fairly worried	25%	27%	26%
Extremely worried	8%	4%	7%
Total confident	45%	46%	45%
Total worried	33%	31%	33%
<b>*Net Balance</b>	<b>+12%</b>	<b>+15%</b>	<b>+12%</b>

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

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

Confidence trends - past five quarters					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
Extremely confident	13%	12%	10%	8%	7%
Fairly confident	52%	46%	42%	39%	38%
Neutral	19%	17%	21%	18%	22%
Fairly worried	14%	21%	21%	28%	26%
Extremely worried	2%	4%	6%	6%	7%
Total confident	65%	58%	52%	47%	45%
Total worried	16%	25%	27%	34%	33%
<b>*Net Balance</b>	<b>+49%</b>	<b>+33%</b>	<b>+25%</b>	<b>+13%</b>	<b>+12%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



\* 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 recorded in the Northern Territory. SMEs in Tasmania recorded the largest fall in confidence in the past quarter, however the lowest level of business confidence was again recorded in New South Wales, which became the first state or territory to record an overall net negative confidence level. Regional businesses reported slightly higher confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the health and community services sector, and lowest among SMEs in the retail trade sector.

### Last quarter (November 2008 to January 2009)

The highest overall confidence was recorded in the Northern Territory, with the lowest confidence levels again recorded in New South Wales. The continued fall in business confidence levels recorded in New South Wales has resulted in the state being the first to record an overall net negative confidence result among SMEs. The largest falls in SME confidence were recorded in Tasmania, with the largest improvements in confidence recorded in Western Australia.

The health and community services sector recorded the highest confidence at a net 59 per cent, an increase of 29 percentage points in the past quarter. The lowest confidence levels this quarter were recorded in the retail trade sector, with net balance of negative six per cent. The finance and insurance sector recorded the largest fall, with confidence having dropped by nine percentage points in the past quarter.

On average, confidence was higher among businesses in regional areas for the fourth successive quarter. Despite this being the case overall, higher metropolitan confidence levels were recorded in Victoria and the Northern Territory. The highest confidence by location overall was in metropolitan areas of the Northern Territory. The largest improvement was also among those SMEs in metropolitan areas of the Northern Territory. The largest declines in business confidence were recorded among SMEs in metropolitan areas of New South Wales.

Trends by state *net balance					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>National</b>	<b>49%</b>	<b>33%</b>	<b>25%</b>	<b>13%</b>	<b>12%</b>
New South Wales	43%	11%	7%	5%	-3%
Victoria	44%	48%	20%	11%	11%
Queensland	60%	42%	48%	25%	28%
South Australia	49%	36%	36%	12%	16%
Western Australia	58%	55%	43%	14%	34%
Tasmania	56%	40%	51%	37%	20%
Northern Territory	74%	58%	46%	24%	43%
Australian Capital Territory	44%	23%	37%	16%	7%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

Metro and regional confidence *net balance			
	Metro	Regional	Total
<b>National</b>	<b>11%</b>	<b>15%</b>	<b>12%</b>
New South Wales	-5%	2%	-3%
Victoria	13%	0%	11%
Queensland	29%	29%	28%
South Australia	13%	21%	16%
Western Australia	30%	48%	34%
Tasmania	14%	23%	20%
Northern Territory	60%	26%	43%
Australian Capital Territory	7%	N/A	7%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

Confidence by business size			
	Confident	Worried	*Net Balance
<b>Total</b>	<b>45%</b>	<b>33%</b>	<b>12%</b>
1-2 Employees	50%	27%	23%
3-4 Employees	41%	39%	2%
5-9 Employees	38%	39%	-1%
10-19 Employees	36%	42%	-6%
<b>Total Small Business</b>	<b>45%</b>	<b>33%</b>	<b>12%</b>
20-99 Employees	47%	31%	16%
100-199 Employees	32%	34%	-2%
<b>Total Medium Business</b>	<b>45%</b>	<b>31%</b>	<b>14%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	40%	39%	1%
Building/Construction	41%	36%	5%
Wholesale Trade	46%	37%	9%
Retail Trade	37%	43%	-6%
Transport/Storage	42%	28%	14%
Communication Property & Business Services	48%	32%	16%
Finance and Insurance	56%	17%	39%
Health and Community Services	72%	13%	59%
Cultural, Recreational and Personal	37%	30%	7%
Accommodation, Cafes and Restaurants	55%	27%	28%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

\* 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 continued to fall among SMEs for the fifth successive quarter; however the rate of decline was not as dramatic as seen in the previous year. SMEs' future economic expectations also fell from the previous quarter's result. Both of these indicators are at their lowest point in the history of the Sensis® Business Index.

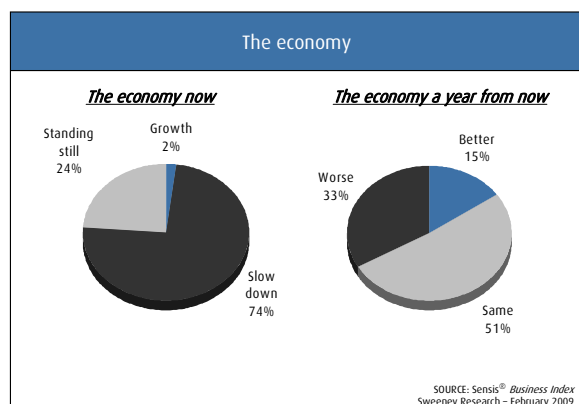
### Last quarter (November 2008 to January 2009)

There was a further fall of two percentage points in the proportion of SMEs that felt the economy was currently growing. Coupled with this was an increase of two percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in a fall in the overall perception of the current state of the economy, with a net balance of 72 per cent of businesses believing the Australian economy is currently slowing. This was a decrease of four 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 Tasmania at a net negative 59 per cent. The weakest perceptions were recorded among SMEs in Victoria (net balance of negative 77 per cent, down from net negative 70 per cent last quarter).

All states and territories record strongly declining views of the economy, with the exception of Tasmania, which recorded a two per cent improvement. The only improvement in perceptions was recorded in South Australia, where perceptions rose by two percentage points, compared to South Australia and the Northern Territory, each recording falls of 16 percentage points.

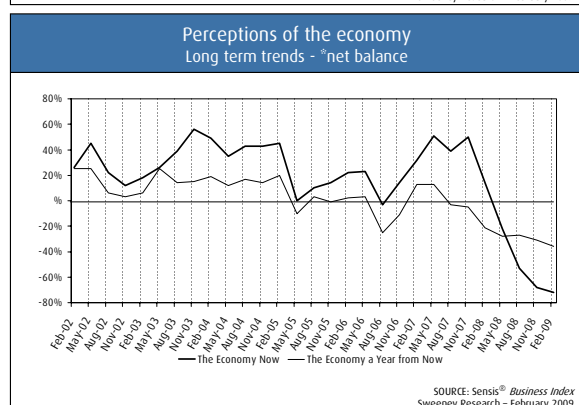
Expectations for the year ahead also deteriorated, with net negative 36 per cent of SMEs believing the economy would be even worse in a year's time. This represents a fall of a further five percentage point from last quarter's result, bringing this result to a record low as well.



**Perceptions of the economy - trends**

	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>The economy now</b>					
Growth	39%	24%	10%	4%	2%
Slowing	25%	46%	63%	72%	74%
<b>*Net Balance</b>	<b>+14%</b>	<b>-22%</b>	<b>-53%</b>	<b>-68%</b>	<b>-72%</b>
<b>The economy a year from now</b>					
Better	14%	16%	15%	14%	15%
Worse	35%	44%	42%	45%	51%
<b>*Net Balance</b>	<b>-21%</b>	<b>-28%</b>	<b>-27%</b>	<b>-31%</b>	<b>-36%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



**Perceptions of the economy by state**

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>The economy now</b>								
Growth	1%	1%	4%	1%	1%	5%	4%	1%
Slowing	77%	78%	66%	73%	74%	64%	71%	74%
<b>*Net Balance</b>	<b>-76%</b>	<b>-77%</b>	<b>-62%</b>	<b>-72%</b>	<b>-73%</b>	<b>-59%</b>	<b>-67%</b>	<b>-73%</b>
<b>The economy a year from now</b>								
Better	12%	17%	18%	14%	20%	15%	13%	15%
Worse	49%	56%	52%	56%	44%	50%	56%	46%
<b>*Net Balance</b>	<b>-37%</b>	<b>-39%</b>	<b>-34%</b>	<b>-42%</b>	<b>-24%</b>	<b>-35%</b>	<b>43%</b>	<b>-31%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

\* 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 the economy was, on balance, likely to be even weaker a year from now, it is not surprising the proportion of SMEs that were expecting their business performance to improve in the next twelve months again fell across all indicators.

### Next 12 months (February 2009 to January 2010)

Sales expectations fell during the quarter from four per cent to a net negative 11 per cent, a decrease of 15 percentage points. This result comprised 31 per cent of businesses that thought sales would rise in the next year, while 42 per cent expected a fall. SMEs in Queensland recorded the strongest net sales expectations by state and territory for the year ahead, with a net balance result of six per cent each. The accommodation, cafes and restaurant sector recorded the strongest industry result with a net balance of 23 per cent. The cultural, recreational and personal services sector was at the other end of the scale with a net balance result of negative 33 per cent.

Employment expectations for the year ahead also fell with a net balance of one per cent, a drop of three percentage points from last quarter. At a state level the Northern Territory recorded the highest results with a net balance of seven per cent. Across the nation, regional businesses recorded higher employment expectations for the next twelve months compared to metropolitan businesses (six per cent in regional areas compared to negative one per cent in metropolitan areas). At an industry level the finance and insurance sector recorded the strongest employment result at 14 per cent. The worst performing sector in terms of employment expectations for the year ahead was again the manufacturing sector with a net balance of negative nine per cent.

The total wages and salary costs expectations for the year ahead fell six percentage points during the quarter, with a net balance result of seven per cent of businesses expecting an increase. The strongest wage expectations for the year ahead were recorded in Queensland, Tasmania and the Northern Territory (16 per cent each). The health and community services sector was again the industry expecting the greatest increase in wages over the next year (27 per cent).

The selling price expectations for the year ahead decreased 10 percentage points during the quarter, with a net balance of 24 per cent of SMEs expecting to increase the prices they charge over the year ahead. At the state and territory level Tasmania recorded the strongest selling price expectations for the year ahead with a net balance result of 40 per cent. At an industry level the strongest price expectations for the year ahead was recorded in the retail trade sector at 42 per cent.

Profitability expectations fell by 10 percentage points to net negative 12 per cent. Queensland recorded the strongest profit expectations for the year ahead with a net balance result of eight per cent, up five percentage points. The lowest expectations were in Victoria with a net balance result of negative 23 per cent. At an industry level the health and community services sector recorded the strongest annual profit expectations with a net balance result of 20 per cent.

Capital expenditure also recorded a decrease in expectations for the year ahead, down from negative 10 per cent to net negative 11 per cent. The strongest capital expenditure expectations for the next twelve months were recorded in Victoria (negative seven per cent).

Expectations on key indicators over the next 12 months February 2009			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	31%	42%	<b>-11%</b>
Size of workforce	13%	12%	<b>+1%</b>
Wages bill	25%	18%	<b>+7%</b>
Prices charged	33%	9%	<b>+24%</b>
Profitability	31%	43%	<b>-12%</b>
Capital expenditure	24%	35%	<b>-11%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

Expectations on key indicators Trends in *net balance					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
Value of sales	53%	38%	22%	4%	-11%
Size of workforce	21%	18%	10%	4%	1%
Wages bill	41%	35%	29%	13%	7%
Prices charged	57%	57%	52%	34%	24%
Profitability	46%	27%	14%	-2%	-12%
Capital expenditure	16%	4%	1%	-10%	-11%

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

\* 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, with concern over this issue falling marginally from last quarter's peak result. Some 31 per cent of SMEs reported they were currently facing no significant problems in their business.

### Last quarter (November 2008 to January 2009)

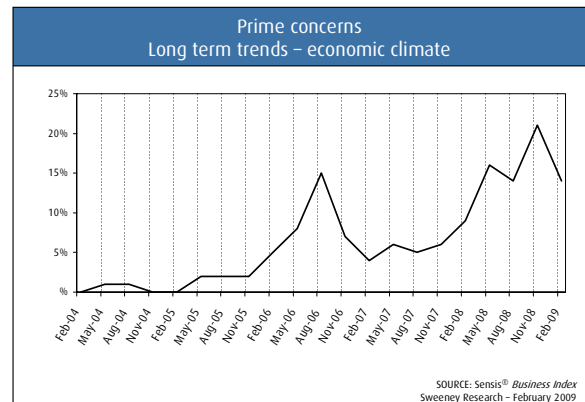
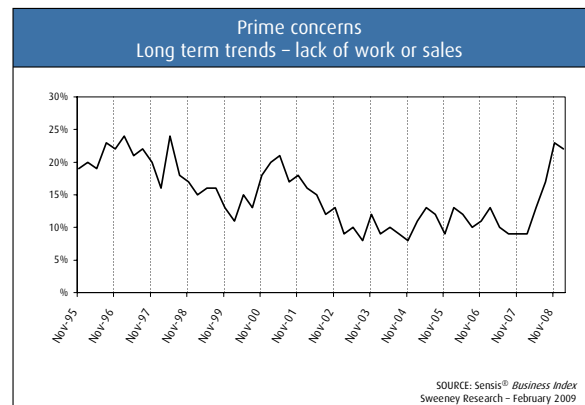
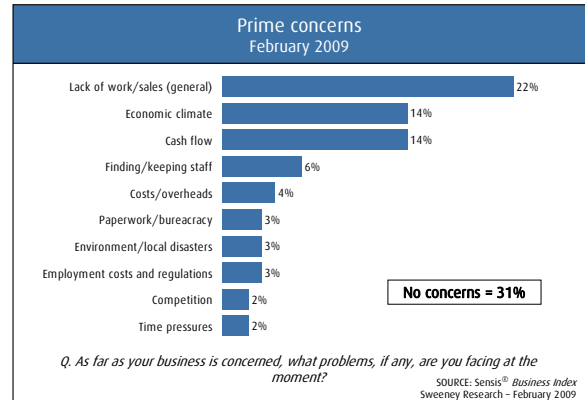
The proportion of SMEs reporting they were currently facing problems caused by a lack of work or sales fell one percentage point over the past quarter to 22 per cent, remaining the top concern facing SMEs in Australia for the third successive quarter. Reports of problems caused by a lack of work or sales were highest in the Australian Capital Territory, where this problem was being reported by 27 per cent of SMEs, and lowest in the Northern Territory, where 13 per cent of SMEs 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 and cash flow were the next most significant problems cited by SMEs in the past quarter, with 14 per cent of SMEs reporting each of these issues.

Overall, 14 per cent of SMEs nominated the economic climate as an issue, which was down by seven percentage points from its peak level recorded last quarter. 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 issue that was causing the most concern to SMEs this quarter was people not spending.

Equally important this quarter was the problem of cash flow, with the proportion of SMEs reporting difficulties in this area unchanged at 14 per cent. This remains the highest level of concern for this issue since May 1999. Reports of difficulties with cash flow were highest in New South Wales, where this problem was being reported by 18 per cent of SMEs, and lowest in Western Australia, where eight per cent reported difficulties in this area. SMEs in the communications, property and business services sector were most likely to report difficulties with cash flow this quarter.

Some 31 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 reporting increased sales continued to fall, however only marginally, in line with the levelling confidence result. Looking forward, there were considerable declines in the proportions of SMEs expecting their sales to improve in both the short and medium terms.

### Last quarter (November 2008 to January 2009)

Sales performance recorded a lower net balance of net negative 22 per cent for the quarter, down by a marginal one percentage point from last quarter and remaining 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. Tasmania recorded the strongest performance this quarter, where a net seven per cent of SMEs 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 30 per cent of SMEs reported increasing sales.

In line with their expectations from last quarter, the strongest sales performance was recorded in the accommodation, cafes and restaurant sector, with a net balance of seven per cent of SMEs having reported increasing sales. The cultural, recreational and personal services sector recorded the weakest industry performance, at net negative 39 per cent.

### Current quarter (February to April 2009)

SMEs were expecting further falls in sales in the short term. Sales expectations for the current quarter recorded a drop of seven percentage points from the previous quarter to a net negative 19 per cent.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in the Northern Territory at net negative one per cent. The weakest sales expectations for the coming quarter were recorded in Victoria at a net negative 23 per cent.

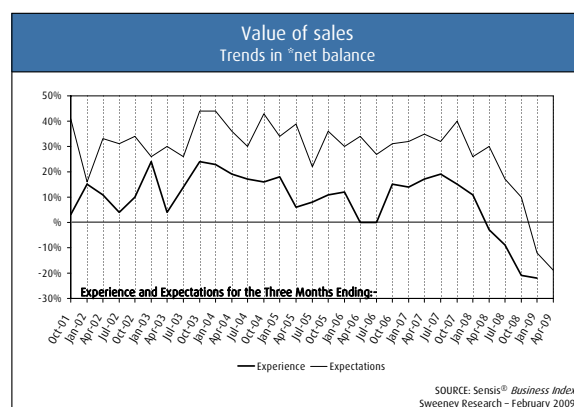
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the health and community services sector (net balance of 13 per cent). The manufacturing sector again recorded the lowest level of expectations (net negative 37 per cent).

### Next 12 months (February 2009 to January 2010)

Twelve-month sales expectations fell from a net four per cent to a net negative 11 per cent, the lowest level recorded in the history of the Sensis® Business Index. The result comprised 31 per cent of businesses that believed sales would increase in the year ahead and 42 per cent that thought they would fall. Sales expectations for the year ahead were highest in Queensland at net six per cent each.

Value of sales					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>Last Quarter</b>					
Experienced increase	39%	34%	29%	26%	23%
No change	32%	28%	33%	27%	32%
Experienced decrease	28%	37%	38%	47%	45%
<b>*Net Balance</b>	<b>+11%</b>	<b>-3%</b>	<b>-9%</b>	<b>-21%</b>	<b>-22%</b>
<b>Current Quarter</b>					
Expect increase	45%	40%	36%	26%	24%
No change	39%	36%	38%	36%	33%
Expect decrease	15%	23%	26%	38%	43%
<b>*Net Balance</b>	<b>+30%</b>	<b>+17%</b>	<b>+10%</b>	<b>-12%</b>	<b>-19%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



\* 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 performance continued to fall during the past quarter with more SMEs reporting they decreased their employment levels than increased them. Positively, SMEs were expecting some improvement in the short term, however further declines were expected for the year ahead.

### Last quarter (November 2008 to January 2009)

The proportion of SMEs that increased employment during the past quarter dropped by one percentage point, with 11 per cent of SMEs reporting a rise during the past quarter. This was offset by the 17 per cent of businesses that reported declines. The net balance of negative six per cent was two percentage points lower than last quarter's result.

At a state level the best performing region was Tasmania at 12 per cent. At the other end of the scale, the Northern Territory recorded a net balance result of negative 13 per cent. At an industry level, the cultural, recreational and personal services sector recorded the strongest results at one per cent while the manufacturing, building and construction and retail trade sectors recorded the lowest results at negative 12 per cent each.

A lack of work or sales remained the main barrier to taking on new employees, reported by 29 per cent of SMEs that believed barriers existed, down two percentage points in the past quarter. With employment continuing to decrease overall, it is interesting to look at the reasons 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, which was equal with staff resigning for other jobs.

### Current quarter (February to April 2009)

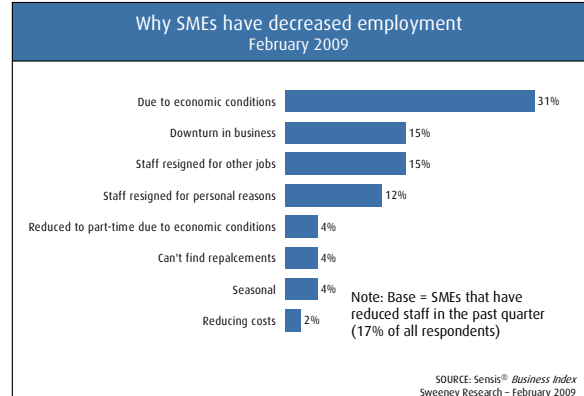
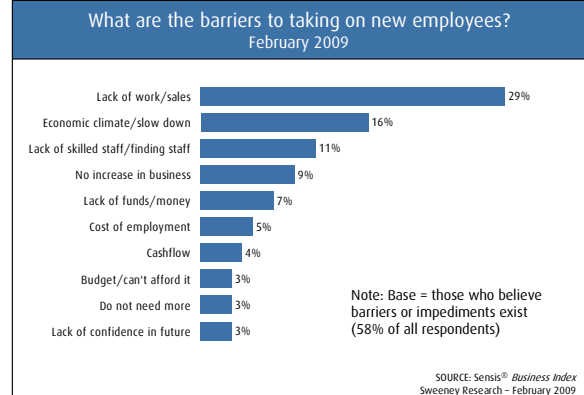
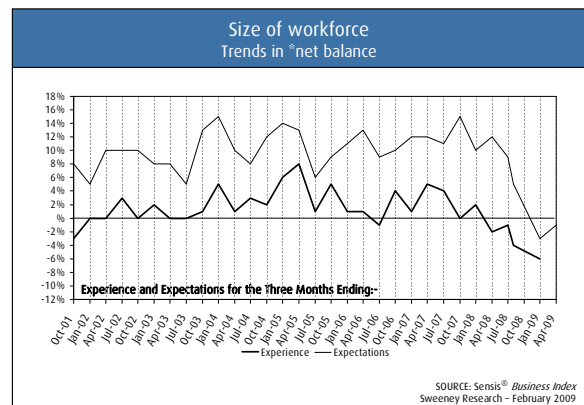
Employment expectations for the current quarter improved to a net negative one per cent. SMEs in Queensland, Western Australian and the Northern Territory recorded the strongest short-term employment expectations at a net balance of one per cent (each). At the other end of the scale was New South Wales with a net balance result of negative four per cent.

### Next 12 months (February 2009 to January 2010)

Employment expectations for the year ahead also fell three percentage points to a net balance result of one per cent. The strongest expectations for the year ahead were recorded by SMEs in the Northern Territory (net seven per cent), with the weakest in South Australia (negative five per cent).

Size of workforce					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>Last Quarter</b>					
Experienced increase	16%	13%	13%	12%	11%
No change	71%	71%	74%	72%	72%
Experienced decrease	14%	15%	14%	16%	17%
<b>*Net Balance</b>	<b>+2%</b>	<b>-2%</b>	<b>-1%</b>	<b>-4%</b>	<b>-6%</b>
<b>Current Quarter</b>					
Expect increase	16%	15%	12%	8%	9%
No change	79%	78%	80%	80%	80%
Expect decrease	4%	6%	7%	11%	10%
<b>*Net Balance</b>	<b>+12%</b>	<b>9%</b>	<b>+5%</b>	<b>-3%</b>	<b>-1%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



\* 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 (November 2008 to January 2009)

The most recent quarter saw a fall of eight percentage points in the proportion of SMEs reporting increased wage costs, with the performance result dropping to a net negative eight per cent, reflecting more SMEs decreased the amount they were spending on wages, compared to those reporting a larger wages bill.

During the quarter, 13 per cent of SMEs experienced a rise in total wage costs, while 21 per cent also recorded a decline. SMEs in Tasmania recorded the highest net result in total wage costs (net nine per cent), while the lowest wage pressures were in New South Wales (net negative 15 per cent). The strongest net result in total wage costs was recorded in the health and community services sector (net eight per cent).

### Current quarter (February to April 2009)

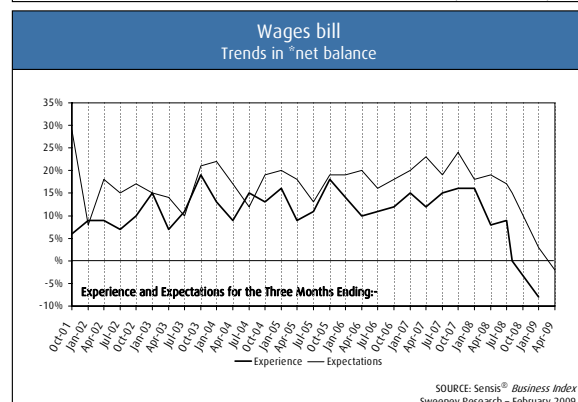
Fewer SMEs were expecting increases in wages in the short term, with net expectations for total wage costs falling to a net negative two per cent for the current quarter from three per cent last quarter. The highest wage expectations were in Queensland, with a net balance of 12 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in Victoria were least likely to be expecting an increase in their wages bill in the current quarter (net negative eight per cent).

### Next 12 months (February 2009 to January 2010)

Expectations for total wage and salary costs for the coming year also fell during the quarter, with a net balance of seven 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 Queensland, Tasmania and the Northern Territory at a net 16 per cent. SMEs in South Australia were least likely to expect an increase in their total wages bill in the coming year (net negative one per cent).

Wages bill					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>Last Quarter</b>					
Experienced increase	28%	23%	24%	19%	13%
No change	55%	55%	57%	57%	59%
Experienced decrease	12%	15%	15%	19%	21%
<b>*Net Balance</b>	<b>+16%</b>	<b>+8%</b>	<b>+9%</b>	<b>0%</b>	<b>-8%</b>
<b>Current Quarter</b>					
Expect increase	26%	27%	25%	17%	16%
No change	65%	60%	62%	65%	61%
Expect decrease	7%	10%	10%	14%	18%
<b>*Net Balance</b>	<b>+19%</b>	<b>+17%</b>	<b>+15%</b>	<b>+3%</b>	<b>-2%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



\* 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 (November 2008 to January 2009)

The proportion of businesses that increased prices fell by ten percentage points during the quarter, to a net balance result of 12 per cent. This result is less than half the level recorded at the same time last year.

Of all states and territories, the strongest price trends were recorded by SMEs in Tasmania, with a net balance of 27 per cent. The lowest results were recorded by SMEs in New South Wales, with a net balance of one per cent. The strongest price rises were recorded in the wholesale trade sector, with a net balance result of 25 per cent. The weakest outcome was again recorded in the cultural, recreational and personal services sector, with a net balance result of negative nine per cent.

### Current quarter (February to April 2009)

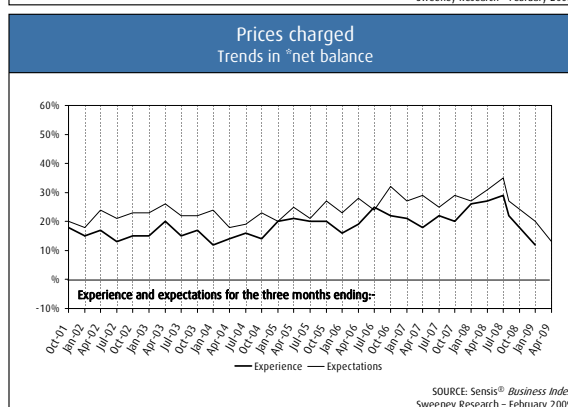
SME expectations for price rises in the short term fell during the quarter to a net balance result of 13 per cent, a fall of a further seven percentage points since the last quarter. The Northern Territory recorded the strongest price rise expectations, with a net balance result of 23 per cent, while Victoria again recorded the weakest price rise expectations, with a net balance of seven per cent.

### Next 12 months (February 2009 to January 2010)

At a net balance of 24 per cent, expectations for price rises in the coming year fell by ten percentage points during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in Tasmania at net 40 per cent, and in the retail trade sector, with a net balance result of 42 per cent.

Prices charged					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>Last Quarter</b>					
Experienced increase	29%	32%	32%	27%	22%
No change	68%	64%	65%	68%	66%
Experienced decrease	3%	5%	3%	5%	10%
<b>*Net Balance</b>	<b>+26%</b>	<b>+27%</b>	<b>+29%</b>	<b>+22%</b>	<b>+12%</b>
<b>Current Quarter</b>					
Expect increase	33%	38%	32%	25%	21%
No change	65%	59%	63%	69%	70%
Expect decrease	2%	3%	5%	5%	8%
<b>*Net Balance</b>	<b>+31%</b>	<b>+35%</b>	<b>+27%</b>	<b>+20%</b>	<b>+13%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



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

## Capital expenditure

### Key findings

The proportion of SMEs that reported growth in capital expenditure rose marginally from last quarter's low. More SMEs were expecting to increase their capital expenditure in the short term, however a further marginal decline was expected for the year ahead.

### Last quarter (November 2008 to January 2009)

SME performance in capital expenditure recorded a net negative 12 per cent result. This result represented an increase of one percentage point; however capital expenditure remained in net negative territory for the seventh successive quarter.

Capital expenditure growth was net negative in all states and territories. The strongest result was in Tasmania, with a net balance result of negative four per cent of SMEs increasing capital expenditure. The weakest result was in South Australia, which recorded a net balance of negative 20 per cent.

Capital expenditure growth was also net negative across all industry sectors. While the health and community services and accommodation, café and restaurant sectors again recorded the strongest capital expenditure performance (negative four per cent each), at the other end of the investment scale was the manufacturing sector (negative 21 per cent).

### Current quarter (February to April 2009)

While remaining net negative overall, capital expenditure expectations improved by eight percentage points for the coming quarter, with a net balance result of negative 14 per cent. The highest expectations were recorded by SMEs in South Australia at a net four per cent. The weakest result was recorded by SMEs in Tasmania with a net balance of negative 27 per cent.

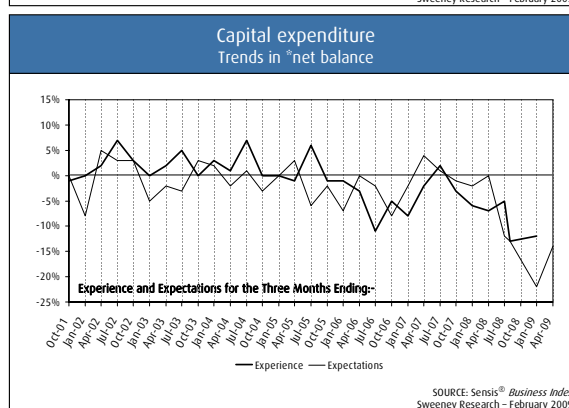
SMEs in the accommodation, cafes and restaurant sector recorded the strongest expectations (10 per cent), while the building and construction sector recorded the weakest result at a net negative 29 per cent.

### Next 12 months (February 2009 to January 2010)

Capital expenditure expectations for the year ahead fell marginally during the quarter, with a net negative 11 per cent of SMEs expecting to increase their capital expenditure in the next 12 months, down from a net 10 per cent last quarter.

Capital expenditure					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>Last Quarter</b>					
Experienced increase	22%	22%	22%	19%	16%
No change	46%	47%	49%	43%	52%
Experienced decrease	28%	29%	27%	32%	28%
<b>*Net Balance</b>	<b>-6%</b>	<b>-7%</b>	<b>-5%</b>	<b>-13%</b>	<b>-12%</b>
<b>Current Quarter</b>					
Expect increase	25%	21%	20%	15%	19%
No change	46%	45%	46%	44%	46%
Expect decrease	25%	33%	33%	37%	33%
<b>*Net Balance</b>	<b>0%</b>	<b>-12%</b>	<b>-13%</b>	<b>-22%</b>	<b>-14%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



\* 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 relatively stable confidence and sales, net profitability performance was unchanged during the past quarter. However, SMEs were expecting further declines in profitability in both the coming quarter and the year ahead.

### Last quarter (November 2008 to January 2009)

Profitability performance recorded a net balance result of negative 25 per cent for the past quarter. This result was unchanged from the previous quarter. This equals the lowest results recorded in the survey's history, with the same result also being recorded last quarter and in November 2000.

Across Australia the strongest profit experience was again reported by SMEs in Tasmania with a net balance result of negative one per cent. The weakest performance was recorded in New South Wales, up three percentage points to net negative 31 per cent. The strongest industry performance was recorded in the accommodation, cafes and restaurant sector with a net balance result of positive two per cent, with the weakest profitability performance recorded in the cultural, recreational and personal services sector (net negative 42 per cent).

### Current quarter (February to April 2009)

Profitability expectations for the current quarter fell six percentage points to negative 20 per cent. At a state and territory level, the strongest expectations were recorded by SMEs in the Northern Territory at negative seven per cent. The weakest state or territory was Queensland with a net balance result of negative 10 per cent.

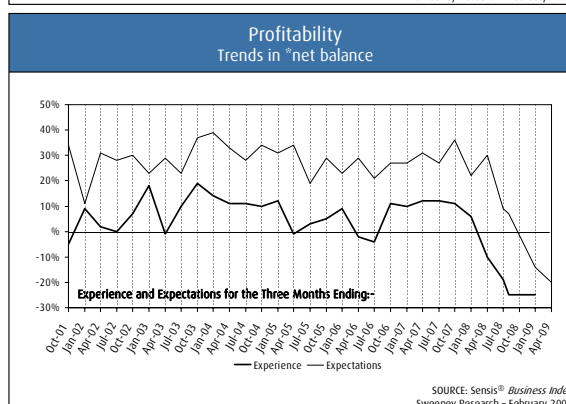
By industry, the health and community services sector recorded the strongest short-term profit expectations with a net balance result of six per cent. The building and construction sector recorded the weakest expectations with a net balance result of negative 38 per cent.

### Next 12 months (February 2009 to January 2010)

Profitability expectations for the year ahead also fell during the quarter to a net balance result of negative 12 per cent, down 10 percentage points in the last quarter. At a state and territory level the strongest profit expectations were recorded by SMEs in Queensland with a net balance result of eight per cent. The weakest results were recorded by SMEs in Victoria with a net balance result of negative 23 per cent each. At an industry level the strongest result was recorded in the health and community services sector (20 per cent), with the weakest result recorded in the cultural, recreational and personal services sector (-34 per cent).

Profitability					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>Last Quarter</b>					
Experienced increase	35%	29%	23%	23%	21%
No change	35%	31%	35%	29%	33%
Experienced decrease	29%	39%	42%	48%	46%
<b>*Net Balance</b>	<b>+6%</b>	<b>-10%</b>	<b>-19%</b>	<b>-25%</b>	<b>-25%</b>
<b>Current Quarter</b>					
Expect increase	44%	35%	33%	25%	24%
No change	41%	38%	41%	36%	31%
Expect decrease	14%	26%	26%	39%	44%
<b>*Net Balance</b>	<b>+30%</b>	<b>+9%</b>	<b>+7%</b>	<b>-14%</b>	<b>-20%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



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

## Exports

### Key findings

In the context of continued deterioration in global economic conditions, there was a small decline in the proportion of SMEs that exported goods in the past quarter. In addition, with strong falls recorded in the Australian dollar exchange rate since mid 2008, there was also a decrease in proportion of exporting SMEs reporting growth in the value of their exports in the past quarter.

### Last quarter (November 2008 to January 2009)

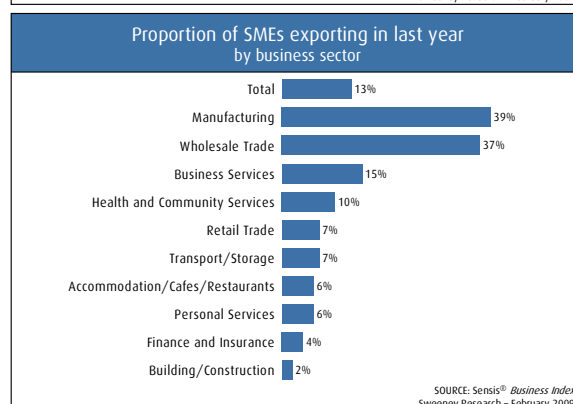
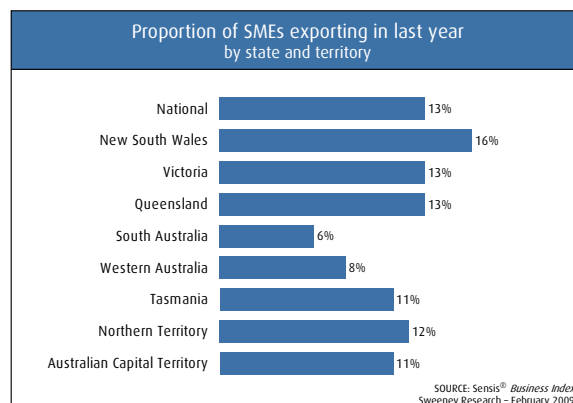
Thirteen per cent of SMEs reported exporting in the past quarter, down by two percentage points from the previous quarter. Queensland recorded increases in the proportion of SMEs exporting for the third successive quarter, with Tasmania also reporting an increase in the proportion of exporting SMEs, however all other states and territories recorded falls in the proportion of SMEs exporting. New South Wales still recorded the highest proportion of exporting SMEs in Australia in the past quarter.

SMEs in metropolitan areas were almost three times as likely to export as their regional counterparts (16 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 20 per cent reported an increase in the value of the goods and services exported in the past quarter, down five percentage points from last quarter's net balance of net negative 15 per cent. Again, this result is not surprising coming at the same time that Australian dollar exchange rates have fallen significantly since mid 2008.

Looking forward, twice as many SMEs were expecting the value of their exports to decrease over the next few months as increase, with a strong downwards trends also evident in the proportions of small exporters that expect the value of their exports to increase over 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 to net negative 14 per cent. There was a decrease of 30 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 (35 per cent). Other strong results were seen for the United States at 33 per cent and the United Kingdom at 28 per cent, with 13 per cent of SME exporters reporting exports to China.



Value of exports - trends

	Feb 08	May 08	Aug 08	Nov 08	Feb 09
<b>Last Quarter</b>					
Experienced increase	27%	29%	21%	21%	18%
No change	52%	55%	58%	43%	44%
Experienced decrease	21%	15%	21%	36%	38%
<b>*Net Balance</b>	<b>+6%</b>	<b>+14%</b>	<b>0%</b>	<b>-15%</b>	<b>-20%</b>
<b>Current Quarter</b>					
Expect increase	33%	25%	30%	30%	14%
No change	55%	65%	55%	53%	58%
Expect decrease	12%	9%	14%	17%	28%
<b>*Net Balance</b>	<b>+21%</b>	<b>+16%</b>	<b>+16%</b>	<b>+13%</b>	<b>-14%</b>
<b>Next 12 months</b>					
Expect increase	48%	55%	40%	49%	25%
No change	46%	37%	49%	37%	53%
Expect decrease	5%	8%	11%	15%	21%
<b>*Net Balance</b>	<b>+43%</b>	<b>+47%</b>	<b>+29%</b>	<b>+34%</b>	<b>+4%</b>

Base - Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009

\* 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 11 percentage points.

### Last quarter (November 2008 to January 2009)

The net balance result of a negative two per cent approval rating represented a rise of 11 percentage points in the past quarter. The result comprised 21 per cent (up seven percentage points) of businesses that were supportive of the Federal Government's small business policies, and 23 per cent (down four percentage points) that felt their policies worked against small business.

Tasmania again recorded the strongest levels of support among SMEs for the Federal Government's policies, at net positive 14 per cent, with net positive ratings also recorded in the Northern Territory and the Australian Capital Territory. 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 eight per cent. All states and territories recorded an increase in SME support for the Federal Government for the second successive quarter.

SMEs in metropolitan areas were more supportive of the Federal Government than their regional counterparts. The results show little difference between small and medium businesses this quarter.

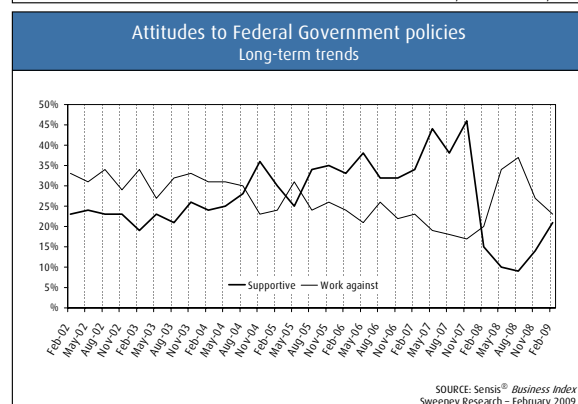
This quarter the Federal Government's economic stimulus package accounted for the main reasons given by SMEs for supporting the Federal Government. This included a belief by SMEs that the Federal Government was trying to stimulate the economy, that they felt the stimulus package would help small businesses, that the previous economic stimulus payments had encouraged spending and the Federal Government was trying to improve economic and business conditions.

On the other hand, the stimulus package was also mentioned by SMEs as a reason for believing the Federal Government's policies worked against small business, with smaller numbers feeling the package would not be spent as intended and would only provide a short-term fix. Other reasons SMEs gave for feeling the Federal Government's policies worked against them included a view that no incentives were offered to small business and that government policies favoured certain industries and larger businesses.

Attitudes to Federal Government policies past five quarters					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
Supportive	15%	10%	9%	14%	21%
Work against	20%	34%	37%	27%	23%
No impact	65%	56%	54%	59%	56%
<b>*Net Balance</b>	<b>-5%</b>	<b>-24%</b>	<b>-28%</b>	<b>-13%</b>	<b>-2%</b>

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

SOURCE: Sensis® Business Index  
Sweeney Research – February 2009



\* 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 all SMEs in the past quarter. The New South Wales Government remained the least popular state or territory government among SMEs for the 20th successive quarter, despite recording the largest rise in support of any government in the past quarter.

### Last quarter (November 2008 to January 2009)

The Northern Territory Government recorded the highest approval rating from SMEs at net positive 15 per cent. This result was up eight percentage points from net positive seven per cent last quarter. Small businesses cited a belief that the Northern Territory Government recognised they needed small business support to survive, that they were creating positive conditions in the local area and offered incentives to small businesses as the main reasons for their support levels.

The Western Australian Government recorded the second highest level of support by its SMEs at net positive three per cent; however this was a fall of five percentage points in the past quarter. The main reasons SMEs gave for supporting the Western Australian Government included again a belief they were more supportive of small businesses, followed by a view they offered incentives to small businesses and were trying to improve economic conditions.

The governments in Western Australia and the Northern Territory were the only governments to record net positive ratings from SMEs in the past quarter.

Apart from the Northern Territory, increases in support levels were also recorded in Victoria (up three percentage points), the Australian Capital Territory (up two percentage points) and New South Wales (up 14 percentage points).

The increase in support from SMEs for the New South Wales Government was the largest of any government. Despite this, the New South Wales Government remained the least supported government among SMEs. This was the 20th successive quarter the New South Wales Government has recorded the lowest result of any state or territory government, now sitting at net negative 40 per cent. The main reasons SMEs gave for not supporting the New South Wales Government was that taxation was too high, payroll tax policies did not support small business and a perception among SMEs that the New South Wales Government had internal problems.

Attitudes to state or territory government policies February 2009								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	2%	11%	9%	11%	17%	12%	32%	13%
Work against	42%	21%	24%	34%	14%	25%	17%	24%
No impact	56%	68%	66%	54%	70%	63%	51%	63%
<b>*Net Balance</b>	<b>-40%</b>	<b>-10%</b>	<b>-15%</b>	<b>-23%</b>	<b>+3%</b>	<b>-13%</b>	<b>+15%</b>	<b>-11%</b>
<i>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?</i>								
<small>SOURCE: Sensis® Business Index Sweeney Research – February 2009</small>								

Attitudes to state or territory government policies Trends in *net balance					
	Feb 08	May 08	Aug 08	Nov 08	Feb 09
New South Wales	-43%	-47%	-26%	-54%	-40%
Victoria	-13%	-14%	-15%	-13%	-10%
Queensland	+4%	-11%	-18%	-19%	-15%
South Australia	-17%	-12%	-25%	-20%	-23%
Western Australia	-17%	-22%	-22%	+8%	+3%
Tasmania	-27%	-16%	-12%	0%	-13%
Northern Territory	+7%	+8%	-14%	+7%	+15%
Australian Capital Territory	-5%	-20%	-10%	-13%	-11%
<small>SOURCE: Sensis® Business Index Sweeney Research – February 2009</small>					

\* 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 there had only been a marginal increase in the proportion of SMEs impacted by economic downturn in the past quarter, with 74 per cent of SMEs believing the economy was currently slowing and 64 per cent of those reporting their business was impacted by it. SMEs in New South Wales were the most likely to be impacted 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.

The main changes SMEs were making as a result of the economic downturn was to try to reduce costs and advertise more. Overall, SMEs were using a range of strategies to try to address the impacts of economic downturn, with some contractionary policies being adopted, such as reducing costs, decreasing employment, reducing prices and reducing employment hours. However, it is interesting that many of the responses being given were aiming for growth and customer attraction, including advertising more, adding new products, seeking new customers and business and diversification. While demand was a key issue for businesses in the current quarter, only three in ten businesses reported having a dedicated sales force, with only five per cent reporting the majority of their sales came through their sales force.

## The environment

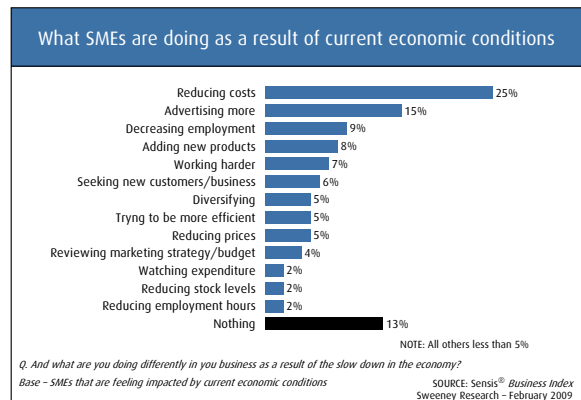
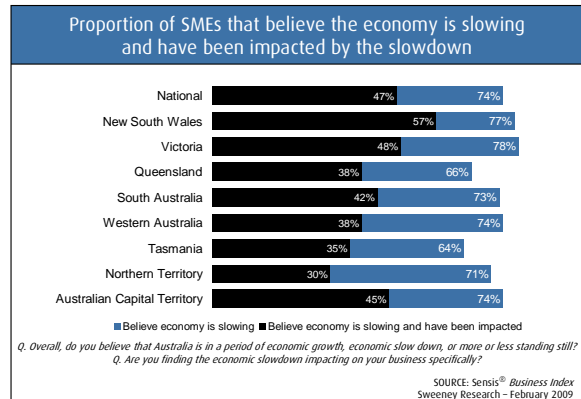
### What is the environmental issue which will have most impact?

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

There was only a minor increase in the past quarter in the proportion of SMEs that felt that the Carbon Pollution Reduction Scheme would impact on their business, and only a minor increase in overall awareness levels. Some eight in ten SMEs reported they were aware of the debate surrounding the proposed Carbon Pollution Reduction Scheme to some extent, with a net balance of 20 per cent believing it will have a negative impact on their business.

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 costs such as the price of fuel, that increased government regulations would also increase costs and that it would result in changed consumer preferences.

More than four in ten SMEs reported they had already made changes to their business as a result of environmental concerns. The main changes made by SMEs were introducing recycling, reducing water and electricity usage. Some 19 per cent of SMEs reported they produced some products or services aimed at assisting environmental concerns.



Understanding of the government's proposed Carbon Pollution Reduction Scheme	
Thoroughly understand the changes	6%
Partially understand the changes	44%
Do not understand how the changes will impact on business	31%
Not aware of it at all	20%
*Perceived impact on their business	
Positive impact	9%
Negative impact	29%
No real impact	62%
Perceived impact overall	
Positive impact	37%
Negative impact	33%
No real impact	30%

Base: Aware of Carbon Pollution Reduction Scheme  
SOURCE: Sensis® Business Index Sweeney Research – February 2009

## Small and medium business outlook – national

- Business confidence recorded a marginal fall of one percentage point from last quarter, remaining at its lowest point in the history of the Sensis® Business Index.
- Perceptions of the current state of the economy fell significantly for the fifth 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 exception of capital expenditure which recorded a small increase, and profitability, which was unchanged.
- All expectations fell for the short term and the year ahead, with the exception of employment and capital expenditure.
- Support for the Federal Government's policies improved to a net negative two per cent, with SMEs reporting they felt supportive of the government's economic stimulus package.

Trends in past three months' experience and current quarter expectations – national					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	65	58	52	47	45
NEGATIVE	16	25	27	34	33
<b>*NET BALANCE</b>	<b>+49</b>	<b>+33</b>	<b>+25</b>	<b>+13</b>	<b>+12</b>

TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 07/08	FEB-APR 08	MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 08	MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	39	34	29	26	23	45	40	36	26	24
	DECREASE	28	37	38	47	45	15	23	26	38	43
	<b>NET BALANCE</b>	<b>+11</b>	<b>-3</b>	<b>-9</b>	<b>-21</b>	<b>-22</b>	<b>+30</b>	<b>+17</b>	<b>+10</b>	<b>-12</b>	<b>-19</b>
SIZE OF WORKFORCE:	INCREASE	16	13	13	12	11	16	15	12	8	9
	DECREASE	14	15	14	16	17	4	6	7	11	10
	<b>NET BALANCE</b>	<b>+2</b>	<b>-2</b>	<b>-1</b>	<b>-4</b>	<b>-6</b>	<b>+12</b>	<b>+9</b>	<b>+5</b>	<b>-3</b>	<b>-1</b>
WAGES BILL:	INCREASE	28	23	24	19	13	26	27	25	17	16
	DECREASE	12	15	15	19	21	7	10	10	14	19
	<b>NET BALANCE</b>	<b>+16</b>	<b>+8</b>	<b>+9</b>	<b>0</b>	<b>-8</b>	<b>+19</b>	<b>+17</b>	<b>+15</b>	<b>+3</b>	<b>-2</b>
PRICES:	INCREASE	29	32	32	27	22	33	38	32	25	21
	DECREASE	3	5	3	5	10	2	3	5	5	8
	<b>NET BALANCE</b>	<b>+26</b>	<b>+27</b>	<b>+29</b>	<b>+22</b>	<b>+12</b>	<b>+31</b>	<b>+35</b>	<b>+27</b>	<b>+20</b>	<b>+13</b>
PROFITABILITY:	INCREASE	35	29	23	23	21	44	35	33	25	24
	DECREASE	29	39	42	48	46	14	26	26	39	44
	<b>NET BALANCE</b>	<b>+6</b>	<b>-10</b>	<b>-19</b>	<b>-25</b>	<b>-25</b>	<b>+30</b>	<b>+9</b>	<b>+7</b>	<b>-14</b>	<b>-20</b>
CAPITAL EXPENDITURE:	INCREASE	22	22	22	19	16	25	21	20	15	19
	DECREASE	28	29	27	32	28	25	33	33	37	33
	<b>NET BALANCE</b>	<b>-6</b>	<b>-7</b>	<b>-5</b>	<b>-13</b>	<b>-12</b>	<b>0</b>	<b>-12</b>	<b>-13</b>	<b>-22</b>	<b>-14</b>

\* 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, and is the first state or territory to record an overall net negative confidence level in the history of the survey.
- New South Wales SMEs saw improved performance in sales, profitability and capital expenditure in the past quarter, but declines in employment performance.
- For the last quarter, New South Wales recorded the lowest proportion of SMEs in any state or territory that reported increased sales, wages, prices and profitability.
- For the coming quarter, SMEs in New South Wales recorded the lowest level of expectations of any state or territory for employment.
- For the year ahead, SMEs in New South Wales recorded the lowest levels of expectations for sales.
- Support for the policies of the New South Wales Government among NSW SMEs rose in the past quarter however they remained the lowest for any state or territory government for the 20th successive quarter.

Trends in past three months' experience and current quarter expectations – New South Wales					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	63	49	41	45	38
NEGATIVE	19	38	34	40	41
<b>*NET BALANCE</b>	<b>+43</b>	<b>+11</b>	<b>+7</b>	<b>+5</b>	<b>-3</b>

TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV-JAN 07/08	FEB-APR 08	MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 08	MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09
		%	%	%	%	%	%	%	%	%	%
SALES VALUE:	INCREASE	45	33	20	22	21	37	37	36	25	22
	DECREASE	31	47	44	55	51	14	32	30	44	50
	<b>NET BALANCE</b>	<b>+14</b>	<b>-14</b>	<b>-24</b>	<b>-33</b>	<b>-30</b>	<b>+23</b>	<b>+5</b>	<b>+6</b>	<b>-19</b>	<b>-28</b>
SIZE OF WORKFORCE:	INCREASE	18	15	12	13	10	13	12	10	9	6
	DECREASE	14	19	15	17	17	6	6	9	15	10
	<b>NET BALANCE</b>	<b>+4</b>	<b>-4</b>	<b>-3</b>	<b>-4</b>	<b>-7</b>	<b>+7</b>	<b>+6</b>	<b>+1</b>	<b>-6</b>	<b>-4</b>
WAGES BILL:	INCREASE	33	19	18	18	9	21	23	19	17	14
	DECREASE	14	20	18	21	24	6	14	11	13	19
	<b>NET BALANCE</b>	<b>+19</b>	<b>-1</b>	<b>0</b>	<b>-3</b>	<b>-16</b>	<b>+15</b>	<b>+9</b>	<b>+8</b>	<b>+4</b>	<b>-5</b>
PRICES:	INCREASE	24	31	23	27	17	30	32	25	21	20
	DECREASE	2	7	3	5	16	1	2	9	3	6
	<b>NET BALANCE</b>	<b>+22</b>	<b>+24</b>	<b>+20</b>	<b>+22</b>	<b>+1</b>	<b>+29</b>	<b>+30</b>	<b>+16</b>	<b>+18</b>	<b>+14</b>
PROFITABILITY:	INCREASE	37	28	17	23	20	38	31	30	24	24
	DECREASE	34	46	51	57	51	11	35	30	46	51
	<b>NET BALANCE</b>	<b>+3</b>	<b>-18</b>	<b>-34</b>	<b>-34</b>	<b>-31</b>	<b>+27</b>	<b>-4</b>	<b>0</b>	<b>-22</b>	<b>-27</b>
CAPITAL EXPENDITURE:	INCREASE	25	21	22	14	15	22	22	17	13	19
	DECREASE	31	29	28	38	27	26	37	36	40	34
	<b>NET BALANCE</b>	<b>-6</b>	<b>-8</b>	<b>-6</b>	<b>-24</b>	<b>-12</b>	<b>-4</b>	<b>-15</b>	<b>-19</b>	<b>-27</b>	<b>-15</b>

\* 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 stable business confidence among SMEs in the past quarter.
- SMEs in Victoria recorded the lowest net perceptions of the current state of the Australian economy of any state or territory
- Performance indicators fell for sales, profitability and capital expenditure for Victorian SMEs in the past quarter.
- Victorian SMEs are expecting further falls for sales and profitability in the coming quarter, but are expecting increases for employment and capital expenditure. Despite these increasing trends, expectations held by Victorian SMEs for sales, wages and prices are still the lowest of any state or territory.
- Victorian SMEs recorded the lowest expectations for the year ahead for prices and profitability but the highest expectations for the year ahead for capital expenditure.
- SME support for the Victorian Government continued to improve during the past quarter.

Trends in past three months' experience and current quarter expectations – Victoria					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	62	67	50	47	45
NEGATIVE	18	19	30	36	34
<b>*NET BALANCE</b>	<b>+44</b>	<b>+48</b>	<b>+20</b>	<b>+11</b>	<b>+11</b>

		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 07/08	FEB- APR 08	MAY- JUL 08	AUG- OCT 08	NOV- JAN 08/09	FEB- APR 08	MAY- JUL 08	AUG- OCT 08	NOV- JAN 08/09	FEB- APR 09
		%	%	%	%	%	%	%	%	%	%
TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA	INCREASE	32	37	34	29	21	45	46	33	27	19
	DECREASE	27	29	33	45	45	18	16	24	35	42
	<b>NET BALANCE</b>	<b>+5</b>	<b>+8</b>	<b>+1</b>	<b>-16</b>	<b>-24</b>	<b>+27</b>	<b>+30</b>	<b>+9</b>	<b>-8</b>	<b>-23</b>
SALES VALUE:	INCREASE	14	11	13	8	8	17	15	12	7	9
	DECREASE	11	14	12	15	15	4	7	7	10	10
	<b>NET BALANCE</b>	<b>+3</b>	<b>-3</b>	<b>+1</b>	<b>-7</b>	<b>-7</b>	<b>+13</b>	<b>+8</b>	<b>+5</b>	<b>-3</b>	<b>-1</b>
SIZE OF WORKFORCE:	INCREASE	20	24	25	15	13	28	28	30	16	13
	DECREASE	11	11	14	25	23	6	9	10	15	21
	<b>NET BALANCE</b>	<b>+9</b>	<b>+13</b>	<b>+11</b>	<b>-10</b>	<b>-10</b>	<b>+22</b>	<b>+19</b>	<b>+20</b>	<b>+1</b>	<b>-8</b>
WAGES BILL:	INCREASE	29	29	28	26	27	32	38	34	21	19
	DECREASE	4	4	3	5	9	5	3	4	7	12
	<b>NET BALANCE</b>	<b>+25</b>	<b>+25</b>	<b>+25</b>	<b>+21</b>	<b>+18</b>	<b>+27</b>	<b>+35</b>	<b>+30</b>	<b>+14</b>	<b>+7</b>
PRICES:	INCREASE	31	32	25	24	18	46	40	32	22	19
	DECREASE	27	32	37	47	48	20	20	23	38	47
	<b>NET BALANCE</b>	<b>+4</b>	<b>+0</b>	<b>-12</b>	<b>-23</b>	<b>-30</b>	<b>+26</b>	<b>+20</b>	<b>+9</b>	<b>-16</b>	<b>-28</b>
PROFITABILITY:	INCREASE	18	21	21	26	15	29	20	23	15	21
	DECREASE	28	33	26	32	31	24	33	29	39	32
	<b>NET BALANCE</b>	<b>-10</b>	<b>-12</b>	<b>-5</b>	<b>-6</b>	<b>-16</b>	<b>+5</b>	<b>-13</b>	<b>-6</b>	<b>-24</b>	<b>-11</b>
CAPITAL EXPENDITURE:	INCREASE	18	21	21	26	15	29	20	23	15	21
	DECREASE	28	33	26	32	31	24	33	29	39	32
	<b>NET BALANCE</b>	<b>-10</b>	<b>-12</b>	<b>-5</b>	<b>-6</b>	<b>-16</b>	<b>+5</b>	<b>-13</b>	<b>-6</b>	<b>-24</b>	<b>-11</b>

\* 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 improving business confidence among SMEs this quarter.
- SMEs in Queensland reported falls in all performance indicators over the past quarter with the exception of employment.
- SMEs in Queensland reported lower expectations for sales, profitability and capital expenditure for the coming quarter compared to the previous quarter.
- SMEs in Queensland held the highest expectations for the coming quarter for employment and wages.
- SMEs in Queensland reported the highest expectations for sales, wages and profitability in the year ahead of any state or territory.
- SME support for the Queensland Government improved during the past quarter.

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

CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	71	62	66	52	55
NEGATIVE	11	20	18	27	27
<b>*NET BALANCE</b>	<b>+60</b>	<b>+42</b>	<b>+48</b>	<b>+25</b>	<b>+28</b>

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

\* 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

- South Australia recorded improving business confidence among SMEs this quarter.
- SMEs in South Australia recorded lower performance for all indicators in the past quarter.
- SMEs in South Australia recorded the lowest capital expenditure expectations for the coming quarter of any state or territory.
- SMEs in South Australia recorded the lowest expectations for the year ahead for employment and wages.
- SME support for the South Australian Government fell during the quarter remaining 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	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	63	56	58	45	48
NEGATIVE	15	20	22	33	32
<b>*NET BALANCE</b>	<b>+49</b>	<b>+36</b>	<b>+36</b>	<b>+12</b>	<b>+16</b>

TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	NOV- JAN 07/08	FEB- APR 08	MAY- JUL 08	AUG- OCT 08	NOV- JAN 08/09	FEB- APR 08	MAY- JUL 08	AUG- OCT 08	NOV- JAN 08/09	FEB- APR 09
	%	%	%	%	%	%	%	%	%	%
SALES VALUE:										
INCREASE	40	30	33	32	24	49	30	33	22	26
DECREASE	22	33	38	38	43	13	18	18	38	39
<b>NET BALANCE</b>	<b>+18</b>	<b>-3</b>	<b>-5</b>	<b>-6</b>	<b>-19</b>	<b>+36</b>	<b>+12</b>	<b>+15</b>	<b>-16</b>	<b>-13</b>
SIZE OF WORKFORCE:										
INCREASE	14	14	8	11	11	17	13	15	10	11
DECREASE	12	11	11	8	20	3	5	3	2	11
<b>NET BALANCE</b>	<b>+2</b>	<b>+3</b>	<b>-3</b>	<b>+3</b>	<b>-9</b>	<b>+14</b>	<b>+8</b>	<b>+12</b>	<b>+8</b>	<b>0</b>
WAGES BILL:										
INCREASE	32	24	23	22	16	30	26	21	17	16
DECREASE	12	11	21	13	18	7	5	9	13	20
<b>NET BALANCE</b>	<b>+20</b>	<b>+13</b>	<b>+2</b>	<b>+9</b>	<b>-2</b>	<b>+23</b>	<b>+21</b>	<b>+12</b>	<b>+4</b>	<b>-4</b>
PRICES:										
INCREASE	34	33	34	21	21	34	43	42	30	21
DECREASE	1	4	6	3	6	1	3	3	4	5
<b>NET BALANCE</b>	<b>+33</b>	<b>+29</b>	<b>+28</b>	<b>+18</b>	<b>+15</b>	<b>+33</b>	<b>+40</b>	<b>+39</b>	<b>+26</b>	<b>-16</b>
PROFITABILITY:										
INCREASE	36	29	24	28	26	47	32	34	23	27
DECREASE	30	35	43	37	40	14	23	21	37	38
<b>NET BALANCE</b>	<b>+6</b>	<b>-6</b>	<b>-19</b>	<b>-9</b>	<b>-14</b>	<b>+33</b>	<b>+9</b>	<b>+13</b>	<b>-14</b>	<b>-11</b>
CAPITAL EXPENDITURE:										
INCREASE	21	21	22	15	13	23	25	23	19	25
DECREASE	25	30	24	30	33	27	31	34	37	21
<b>NET BALANCE</b>	<b>-4</b>	<b>-9</b>	<b>-2</b>	<b>-15</b>	<b>-20</b>	<b>-4</b>	<b>-6</b>	<b>-11</b>	<b>-18</b>	<b>+4</b>

\*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

- Western Australia recorded the strongest rise in business confidence among SMEs this quarter of any state or territory and the second highest level of confidence overall.
- SMEs in Western Australia recorded the highest net perceptions of the future state of the Australian economy of any state or territory.
- SMEs in Western Australia recorded decreased performance across all indicators in the past quarter with the exception of profitability, which improved but remained net negative.
- Along with Queensland and the Northern Territory, Western Australian SMEs are the most likely to expect to increase employment in the coming quarter.
- While support for the Western Australian Government fell during the past quarter it was the second most supported government by SMEs and one of only two governments to achieve a net positive result this quarter.

Trends in past three months' experience and current quarter expectations – Western Australia					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	70	67	60	45	55
NEGATIVE	12	12	17	31	21
<b>*NET BALANCE</b>	<b>+58</b>	<b>+55</b>	<b>+43</b>	<b>+14</b>	<b>+34</b>

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

\* 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

- Tasmania recorded the largest fall in business confidence among SMEs this quarter of any state or territory.
- SMEs in Tasmania reported the highest net perceptions of the current state of the Australian economy.
- Despite the large fall in business confidence, SMEs in Tasmania recorded very strong performance in the past quarter, recording the highest results of any state or territory across every performance indicator.
- As well as posting the highest overall results, SMEs in Tasmania reported an increase in performance for every indicator in the past quarter with the exception of wages, which was unchanged.
- However, Tasmanian SMEs recorded the lowest expectations for the coming quarter for capital expenditure of any state or territory.
- Tasmanian SMEs recorded the highest expectations for the year ahead for wages and prices of any state or territory, but expectations for the year ahead for capital expenditure were the lowest of any state or territory.
- Despite the strong performance results, support for the Tasmanian Government's policies fell strongly during the quarter.

Trends in past three months' experience and current quarter expectations – Tasmania					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	69	59	68	58	44
NEGATIVE	14	19	17	21	24
<b>*NET BALANCE</b>	<b>+56</b>	<b>+40</b>	<b>+51</b>	<b>+37</b>	<b>+20</b>

TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		NOV- JAN 07/08 %	FEB- APR 08 %	MAY- JUL 08 %	AUG- OCT 08 %	NOV- JAN 08/09 %	FEB- APR 08 %	MAY- JUL 08 %	AUG- OCT 08 %	NOV- JAN 08/09 %	FEB- APR 09 %
SALES VALUE:	INCREASE	42	34	39	29	35	41	25	42	36	25
	DECREASE	17	23	26	42	28	14	24	9	22	38
	<b>NET BALANCE</b>	<b>+25</b>	<b>+11</b>	<b>+13</b>	<b>-13</b>	<b>+7</b>	<b>+27</b>	<b>+1</b>	<b>+33</b>	<b>+14</b>	<b>-13</b>
SIZE OF WORKFORCE:	INCREASE	15	11	10	12	21	9	9	12	8	9
	DECREASE	7	14	13	10	9	7	3	1	7	10
	<b>NET BALANCE</b>	<b>+8</b>	<b>-3</b>	<b>-3</b>	<b>+2</b>	<b>+12</b>	<b>+2</b>	<b>+6</b>	<b>+11</b>	<b>+1</b>	<b>-1</b>
WAGES BILL:	INCREASE	22	19	23	25	24	18	17	22	25	19
	DECREASE	11	10	18	16	15	9	12	3	11	17
	<b>NET BALANCE</b>	<b>+11</b>	<b>+9</b>	<b>+5</b>	<b>+9</b>	<b>+9</b>	<b>+9</b>	<b>+5</b>	<b>+19</b>	<b>+14</b>	<b>+2</b>
PRICES:	INCREASE	35	34	40	26	33	43	43	39	31	24
	DECREASE	2	1	6	8	6	2	3	1	3	2
	<b>NET BALANCE</b>	<b>+33</b>	<b>+33</b>	<b>+34</b>	<b>+18</b>	<b>+27</b>	<b>+41</b>	<b>+40</b>	<b>+38</b>	<b>+28</b>	<b>+22</b>
PROFITABILITY:	INCREASE	37	28	30	24	29	40	22	34	34	27
	DECREASE	19	28	32	40	30	13	30	14	26	39
	<b>NET BALANCE</b>	<b>+18</b>	<b>+0</b>	<b>-2</b>	<b>-16</b>	<b>-1</b>	<b>+27</b>	<b>-8</b>	<b>+20</b>	<b>+8</b>	<b>-12</b>
CAPITAL EXPENDITURE:	INCREASE	16	23	25	14	19	19	22	19	22	13
	DECREASE	28	27	27	32	23	19	28	28	23	40
	<b>NET BALANCE</b>	<b>-12</b>	<b>-4</b>	<b>-2</b>	<b>-18</b>	<b>-4</b>	<b>0</b>	<b>-6</b>	<b>-9</b>	<b>-1</b>	<b>-27</b>

\* 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 the highest level of confidence among SMEs of any state or territory.
- The Northern Territory recorded the lowest perceptions of the future state of the Australian economy among its SMEs of any state or territory.
- Reflecting the wet season cycle and in line with their expectations from last quarter, performance fell across all indicators in the past quarter, with SMEs in the Northern Territory recording the lowest employment performance in the past quarter of any state or territory.
- Looking forward, the Northern Territory recorded the highest expectations among SMEs of any state or territory for the coming quarter, with regard to employment, prices and profitability, despite expectations being lower than last quarter.
- The Northern Territory recorded the highest expectations for the year ahead for employment and wages of any state or territory.
- Support for the Northern Territory Government increased during the quarter to be the 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	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	81	69	63	49	60
NEGATIVE	7	11	17	25	17
<b>*NET BALANCE</b>	<b>+74</b>	<b>+58</b>	<b>+46</b>	<b>+24</b>	<b>+43</b>

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

\* 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

- The Australian Capital Territory recorded the second lowest level of business confidence among SMEs during the quarter of any state or territory.
- In addition to the fall in confidence, SMEs in the Australian Capital Territory recorded falls in performance in the past quarter for employment, wages, prices and capital expenditure, while increases were recorded for sales and profitability.
- SMEs in the Australian Capital Territory were expecting lower results in the coming quarter with the exception of employment, where SMEs were expecting a better result.
- Support for the Australian Capital Territory Government recorded a small rise during the quarter.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory					
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS	FEB 2008	MAY 2008	AUG 2008	NOV 2008	FEB 2009
	%	%	%	%	%
POSITIVE	59	49	58	44	39
NEGATIVE	14	26	21	28	32
<b>*NET BALANCE</b>	<b>+44</b>	<b>+23</b>	<b>+37</b>	<b>+16</b>	<b>+7</b>

TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
	NOV- JAN 07/08	FEB- APR 08	MAY- JUL 08	AUG- OCT 08	NOV- JAN 08/09	FEB- APR 08	MAY- JUL 08	AUG- OCT 08	NOV- JAN 08/09	FEB- APR 09
	%	%	%	%	%	%	%	%	%	%
SALES VALUE:										
INCREASE	42	37	30	21	27	48	28	45	30	22
DECREASE	28	44	45	49	46	20	30	20	32	30
<b>NET BALANCE</b>	<b>+14</b>	<b>-7</b>	<b>-15</b>	<b>-28</b>	<b>-19</b>	<b>+28</b>	<b>-2</b>	<b>+25</b>	<b>-2</b>	<b>-8</b>
SIZE OF WORKFORCE:										
INCREASE	13	15	13	14	8	19	8	12	8	8
DECREASE	13	18	17	17	19	3	7	4	10	8
<b>NET BALANCE</b>	<b>0</b>	<b>-3</b>	<b>-4</b>	<b>-3</b>	<b>-11</b>	<b>+16</b>	<b>+1</b>	<b>+8</b>	<b>-2</b>	<b>0</b>
WAGES BILL:										
INCREASE	28	23	24	22	22	22	21	25	19	13
DECREASE	18	19	16	11	17	9	9	7	13	17
<b>NET BALANCE</b>	<b>+10</b>	<b>+4</b>	<b>+8</b>	<b>+11</b>	<b>+5</b>	<b>+13</b>	<b>+12</b>	<b>+18</b>	<b>+6</b>	<b>-4</b>
PRICES:										
INCREASE	29	25	31	19	16	34	28	27	28	19
DECREASE	1	4	9	6	11	2	2	7	7	6
<b>NET BALANCE</b>	<b>+28</b>	<b>+21</b>	<b>+22</b>	<b>+13</b>	<b>+5</b>	<b>+32</b>	<b>+26</b>	<b>+20</b>	<b>+21</b>	<b>+13</b>
PROFITABILITY:										
INCREASE	32	35	23	16	20	48	23	37	26	22
DECREASE	32	39	43	46	45	21	31	21	34	33
<b>NET BALANCE</b>	<b>0</b>	<b>-4</b>	<b>-20</b>	<b>-30</b>	<b>-25</b>	<b>+27</b>	<b>-8</b>	<b>+16</b>	<b>-8</b>	<b>-11</b>
CAPITAL EXPENDITURE:										
INCREASE	16	14	23	18	16	19	21	13	17	15
DECREASE	30	29	34	28	33	30	28	34	33	38
<b>NET BALANCE</b>	<b>-14</b>	<b>-15</b>	<b>-11</b>	<b>-10</b>	<b>-17</b>	<b>-11</b>	<b>-7</b>	<b>-21</b>	<b>-16</b>	<b>-23</b>

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

---

## How to obtain a copy of the Sensis® *Business Index*

---

### Internet

The Sensis® *Business Index* reports are updated each quarter. Electronic copies of the reports can be accessed on the Sensis website at: [www.about.sensis.com.au](http://www.about.sensis.com.au).

---

## Sensis® *Business Index* "Special Reports"

---

Since the inception of the Sensis® *Business Index*, a range of Special Reports have been produced. Major reports include:

- Sensis® Environment Report – September 2007
- Teleworking - June 2005
- E-Business: The online experience of Australian SMEs – Annually since 1995
- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers Compensation and Workplace Safety – November 1998
- The Paper Work Burden on Small Business – October 1996
- Women in Business – July 1994 and February 1996
- Attitudes to Government – October 1994 and November 1995

Sensis® *Market Intelligence* products include commissioned research for corporate and government organisations on a variety of SME-based and other issues.

For further information please contact: Christena Singh  
Author, Sensis® *Business Index*  
Sensis Pty Ltd  
Ph: (03) 8653 4896  
[businessindex@sensis.com.au](mailto:businessindex@sensis.com.au)

### About Sensis:

Sensis is Australia's leading information resource. We make complex lives simpler by helping Australians find, buy and sell. Sensis delivers innovative and integrated search solutions via print, online, voice and wireless channels to connect Australians 24 hours a day, seven days a week. Our powerful, multi-channel portfolio provides an unparalleled local information source incorporating: the White Pages® and Yellow™ directories; the Citysearch® entertainment site; the Whereis® location and navigation database; sensis.com.au - the search engine for Australians; Sensis 1234, the operator-assisted, premium voice information service; and The Trading Post Group's stable of weekly and monthly publications and Universal Publisher's mapping publications; and the accommodation website gostay.com.au. Sensis owns a majority shareholding in SouFun.com, China's leading real estate and home furnishings website. Sensis also recently acquired majority shares in China's leading auto sites Autohome.com and Che168.com, and leading digital devices websites IT168.com and PCPop.com.cn.

® and ™ Registered trademark and trademark of Telstra Corporation Ltd. UBD®, the UBD logo and Gregory's logo are registered trade marks of Universal Publishers Pty Ltd. Trading Post® and the Trading Post logo are registered trade marks of Research Resources Pty Ltd. Citysearch® and the Citysearch logo is a registered trade mark of CitySearch Australia Pty Ltd. Sensis Pty Ltd is responsible for Yellow™, White Pages® and Whereis® and related products and services on behalf of Telstra Corporation Ltd and is responsible for similar activities in relation to CitySearch® on behalf of CitySearch Australia Pty Ltd and CitySearch Canberra Pty Ltd.