

September 2009

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



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

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## Introduction

The Sensis® *Business Index* is an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs). These surveys have been undertaken quarterly since 1993.

The primary objectives of the Sensis® *Business Index* are to:

- track small and medium business activity over the past three months
- track expectations over both the current three and 12 month periods
- measure overall confidence among SMEs.

Another purpose of the Sensis® *Business Index* is to provide an independent, objective assessment of proprietors' experiences and attitudes on key issues.

The Sensis® *Business Index* is based on a sample size of 1,800 SMEs from metropolitan and regional areas of Australia. It includes businesses within the 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 Telstra's advertising business and Australia's leading directories information resource, helping Australians find, buy and sell. Sensis delivers innovative and integrated local search and digital marketing solutions via print, online, voice and mobile channels to connect Australians 24 hours a day, seven days a week.

Sensis' powerful, multi-channel portfolio provides an unparalleled local information source incorporating the White Pages® and Yellow Pages® directories; the MediaSmart digital advertising business; the Whereis® digital mapping business; the Citysearch® entertainment and lifestyle website; the sensis.com.au search engine; the 1234 operator-assisted, premium voice information service; and the accommodation website gostay.com.au. Sensis is also a partner in some of China's most popular websites including real estate and home furnishings website, SouFun.com; auto websites Autohome.com and Che168.com; and digital devices websites IT168.com and PCPop.com.cn.

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, and the regional and industrial sectors were also enhanced.

The September 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 September 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 18 August to 4 September 2009. The report covers experiences over the past three months (May to July 2009), and expectations for both the current quarter (August to October 2009) and the 12 months ending July 2010.

Location of business				Industry sector	
	Total	Metro	Non-metro		
New South Wales	300	240	60	Manufacturing	200
Victoria	300	240	60	Building/Construction	250
Queensland	300	165	135	Wholesale Trade	150
South Australia	225	195	30	Retail Trade	250
Western Australia	225	195	30	Accommodation, Cafes and Restaurants	100
Tasmania	150	90	60	Transport/Storage	150
Northern Territory	150	90	60	Finance and Insurance	100
Australian Capital Territory	150	150	-	Communication, Property and Business Services	300
				Health and Community Services	150
				Cultural, Recreational and Personal Services	150
<b>Total</b>	<b>1800</b>	<b>1365</b>	<b>435</b>	<b>Total</b>	<b>1800</b>

## Executive summary

For the second successive quarter, business confidence among SMEs rebounded strongly, again recording the strongest increase in a single quarter since the inception of the Sensis® *Business Index* in May 1993. This quarter's strong improvement brought confidence to its highest level since August 2007, before economic conditions started to decline. In addition to improved levels of confidence, current perceptions of the economy rose strongly for the second successive quarter, with perceptions about the future economic direction up by 44 percentage points. The prime problem reported by SMEs this quarter continued to be a lack of work or sales, followed by cash flow and the economic climate. Over one in three SMEs reported that they currently faced no problems at all. SMEs reported improved performance in all key indicators with the exception of employment and prices which both fell. In addition, expectations for the next quarter and the year ahead also rose across all indicators, with the exceptions of capital expenditure, where expectations were unchanged in the medium term.

Support for the Federal Government rose strongly, with small businesses remaining strongly supportive of the economic stimulus package and efforts to get the economy going. The Western Australian Government was the most supported government by SMEs overall, with the Queensland 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 rebounded during the past quarter recording the strongest rise since the inception of the Sensis® *Business Index* more than 16 years ago, rising some 20 percentage points during the quarter.
- The strongest levels of business confidence was recorded in the Northern Territory and Tasmania. Despite recording a strong rise in SME confidence, New South Wales remained the state with the lowest level of business confidence. The largest increase in business confidence was recorded in Tasmania.
- Perceptions of the current state of the Australian economy improved to regain positive territory for the first time since February 2008. In addition, the proportion of SMEs that felt the economy would be better in a year's time rose to its highest level since May 1996.
- All key performance indicators rose in the last quarter, with the exception of employment and prices which both reported falls in performance.
- In both the short and medium terms, SMEs were expecting increases for all indicators, with the only exceptions being capital expenditure in the medium term where the expectation was unchanged.
- A lack of work or sales was the primary concern of SMEs this quarter, however this concern has continued to decline for the past three quarters. This was followed by cash flow and the economic climate, which also both recorded decrease in concern levels from the previous quarter. There was a small increase in the proportion of SMEs reporting difficulties finding staff.
- Some 35 per cent of SMEs reported facing no problems in their business, up two percentage points in the past quarter.
- Support for the Federal Government's policies rose strongly in the past quarter. Moving into net positive territory, SMEs were, on balance, strongly supportive of the economic stimulus package and in particular the cash payments which they felt had increased spending and the investment incentives for businesses.
- The Western Australian Government remained the most supported government in Australia.
- The Queensland Government recorded the lowest level of support for a state or territory government.

## Small versus medium enterprises

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

- Reversing last quarter's result, medium businesses were more confident than small businesses, with an eight percentage point gap in confidence.
- Medium businesses held stronger views on the state of the economy, with both small and medium business perceptions of the current economic conditions returning to a positive net balance. Medium businesses were five percentage points more positive about the current state of the economy, and 12 percentage points more positive about the economy in a year's time.
- Small businesses were more likely than medium businesses to have increased their prices in the past quarter.
- Medium businesses recorded higher performance than small businesses for sales, employment, wages, profitability and capital expenditure.

## Metropolitan versus regional

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

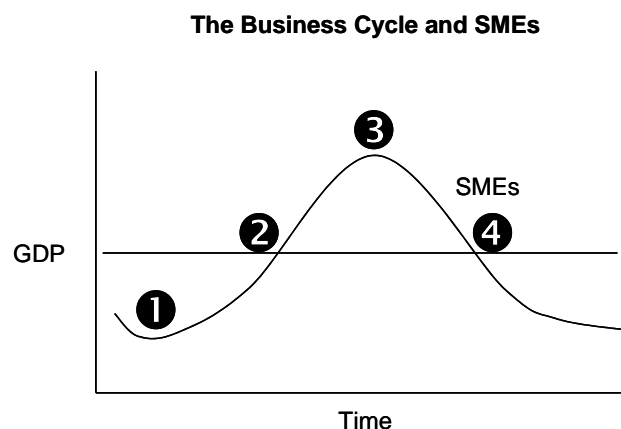
- Metropolitan businesses were more confident than their regional counterparts for the first time since February 2008. Businesses in metropolitan areas reported that they felt that business and the economy would turn around as reasons for their confidence, while regional businesses reported a decrease in spending as their main reason for feeling concerned.
- Metropolitan businesses were more positive than regional businesses about both the current state of the Australian economy, as well as about future economic expectations.
- Regional businesses reported higher performance than metropolitan businesses for sales, wages, prices and capital expenditure in the past quarter. Metropolitan businesses were more likely to report increased employment and profitability.
- Metropolitan businesses reported higher expectations for the coming quarter than regional businesses for all indicators, with the exception of wages bills 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 again highest in the health and community services sector.
- Confidence was lowest in the manufacturing and transport and storage sectors.
- The building and construction sector recorded the strongest improvement in confidence levels of any sector.
- The finance and insurance sector reported strong performance in the past quarter, with the highest net performance in sales, employment, prices and profitability.
- The transport and storage sector recorded the weakest performance in all indicators with the exception of employment and capital expenditure over the past quarter.
- The strongest wage increases were recorded in the health and community services sector.
- Looking ahead the accommodation, cafes and restaurant sector recorded the strongest expectations for the coming quarter for sales, wages, prices, profitability and capital expenditure.
- The retail trade sector was the most likely to be expecting to increase employment in the coming quarter.
- The retail trade and communications, property and business services sectors were the most supportive of the Federal Government's policies, with the accommodation, cafes and restaurant 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 September 2009 Sensis® Business Index suggests an economic environment that is moving towards recovery, however with some risks remaining, particularly on the employment front. Most key indicators reported significant improvement in the past quarter, in line with continued strong improvement in business confidence. Positively, continued improvement was expected across almost all indicators for both the short term and the year ahead. Confidence has continued to improve to again record the strongest rise in the survey's history for the second successive quarter. However, risks to recovery remain, with the employment indicator declining and businesses remaining pessimistic about investment, despite strong support for the Government's investment incentives.

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

Highlighted sections show the indicators relevant to SMEs for the September 2009 Sensis® Business Index.

# 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 continues to register record improvement in the past quarter, recording the largest rise in a single quarter since the inception of the Sensis® Business Index in 1993. The improvement in confidence recorded this quarter exceeded the previous record improvement recorded just last quarter.

The key reasons SMEs gave for improved confidence this quarter related to feeling that business and the economy would improve. The main reasons given by those SMEs that were concerned were a decrease in business and downturn in their industry.

### Last quarter (May to July 2009)

SMEs recorded a strong improvement in business confidence with a net balance of 50 per cent. This result comprises 65 per cent of businesses that were confident about their prospects for the year ahead and 15 per cent that were concerned.

The rise in SME confidence levels of 20 percentage points reflects a continued rebound in SME sentiment, coming after last quarter's increase of 18 percentage points. This is now the highest level of confidence since August 2007 when confidence was at 59 per cent, before Australian economic conditions started deteriorating. It is also the highest increase in confidence in a single quarter since the inception of the Sensis® Business Index in May 1993, having exceeded the record increase of 18 percentage points last quarter.

The main reason businesses gave for feeling worried about their prospects related to a decrease in business, with SMEs concerned about downturn in their industry and feeling that people were not spending at the moment.

By comparison, those businesses that were confident reported feeling business would improve and the economy would improve 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 increase in business confidence is consistent with SME views on the economy also improving. With two quarters of strong and consistent improvement, SME confidence is heading towards levels more consistent with its level before the impact of recent global economic

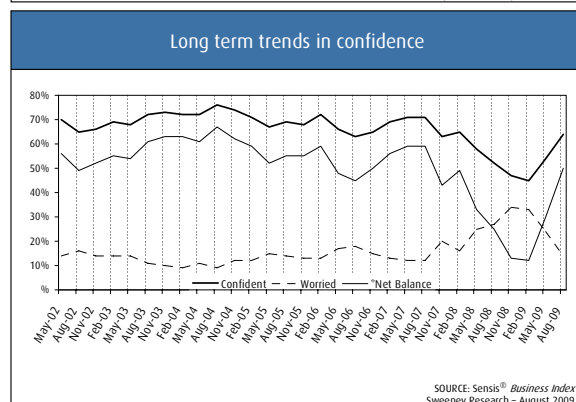
Overall confidence September 2009			
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	12%	10%	12%
Fairly confident	52%	58%	53%
Neutral	22%	20%	21%
Fairly worried	13%	11%	13%
Extremely worried	2%	0%	2%
Total confident	64%	68%	65%
Total worried	15%	11%	15%
<b>*Net Balance</b>	<b>+49%</b>	<b>+57%</b>	<b>+50%</b>

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

SOURCE: Sensis® Business Index  
Sweeney Research – September 2009

Confidence trends - past five quarters					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
Extremely confident	10%	8%	7%	11%	12%
Fairly confident	42%	39%	38%	43%	53%
Neutral	21%	18%	22%	23%	21%
Fairly worried	21%	28%	26%	20%	13%
Extremely worried	6%	6%	7%	4%	2%
Total confident	52%	47%	45%	54%	65%
Total worried	27%	34%	33%	24%	15%
<b>*Net Balance</b>	<b>+25%</b>	<b>+13%</b>	<b>+12%</b>	<b>+30%</b>	<b>+50%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 and Tasmania. SMEs in Tasmania recorded the largest rise in confidence in the past quarter. The lowest level of business confidence was again recorded in New South Wales. Regional SMEs reported slightly lower confidence levels than their metropolitan counterparts. Confidence was highest among SMEs in the health and community services sector, and lowest among SMEs in the manufacturing and transport and storage sectors.

### Last quarter (May to July 2009)

The highest overall confidence was recorded in the Northern Territory and Tasmania, with the lowest confidence levels again recorded in New South Wales. SMEs in all states and territories recorded increased business confidence in the past quarter. The largest rise in SME confidence was recorded in Tasmania, where confidence was up by 28 percentage points, with the smallest increase in confidence recorded in the Northern Territory, where confidence rose by 12 percentage points.

The health and community services sector recorded the highest confidence at a net 68 per cent, up 20 percentage points in the past quarter. The lowest confidence levels were recorded in the manufacturing and transport and storage sectors, with a net balance of 34 per cent each, however confidence was up by 18 and 30 percentage points respectively in these sectors. The building and construction sector recorded the largest improvement, with confidence having risen by 34 percentage points in that sector. Only two sectors recorded lower confidence levels in the past quarter – cultural, recreational and personal services, and accommodation, cafes and restaurants.

Confidence was higher among SMEs in regional areas for the first time since February 2008. Despite metropolitan confidence being higher overall, higher regional confidence levels were recorded in Queensland and Western Australia. The highest confidence by location overall was in regional areas of Western Australia. The largest increase was among SMEs in metropolitan Tasmania. Confidence rose in all areas last quarter, with the smallest rise in confidence recorded in metropolitan areas of the Northern Territory, which despite the small rise recorded the highest level of metropolitan confidence in Australia.

Trends by state *net balance					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>National</b>	<b>25%</b>	<b>13%</b>	<b>12%</b>	<b>30%</b>	<b>50%</b>
New South Wales	7%	5%	-3%	20%	46%
Victoria	20%	11%	11%	35%	52%
Queensland	48%	25%	28%	32%	50%
South Australia	36%	12%	16%	33%	52%
Western Australia	43%	14%	34%	35%	52%
Tasmania	51%	37%	20%	32%	60%
Northern Territory	46%	24%	43%	48%	60%
Australian Capital Territory	37%	16%	7%	27%	54%

SOURCE: Sensis® Business Index  
Sweeney Research – September 2009

Metro and regional confidence *net balance			
	Metro	Regional	Total
<b>National</b>	<b>51%</b>	<b>48%</b>	<b>50%</b>
New South Wales	50%	36%	46%
Victoria	55%	46%	52%
Queensland	42%	56%	50%
South Australia	56%	37%	52%
Western Australia	45%	73%	52%
Tasmania	63%	58%	60%
Northern Territory	64%	55%	60%
Australian Capital Territory	54%	N/A	54%

SOURCE: Sensis® Business Index  
Sweeney Research – September 2009

Confidence by business size			
	Confident	Worried	*Net Balance
<b>Total</b>	<b>65%</b>	<b>15%</b>	<b>50%</b>
1-2 Employees	62%	14%	48%
3-4 Employees	67%	17%	50%
5-9 Employees	69%	12%	57%
10-19 Employees	62%	14%	48%
<b>Total Small Business</b>	<b>64%</b>	<b>15%</b>	<b>49%</b>
20-99 Employees	66%	12%	54%
100-199 Employees	91%	5%	86%
<b>Total Medium Business</b>	<b>68%</b>	<b>11%</b>	<b>57%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 2009

Confidence by sector			
	Confident	Worried	*Net Balance
Manufacturing	55%	21%	34%
Building/Construction	71%	4%	67%
Wholesale Trade	61%	14%	47%
Retail Trade	61%	21%	40%
Transport/Storage	53%	19%	34%
Communication Property & Business Services	70%	16%	54%
Finance and Insurance	73%	7%	66%
Health and Community Services	70%	2%	68%
Cultural, Recreational and Personal	54%	10%	44%
Accommodation, Cafes and Restaurants	65%	21%	44%

SOURCE: Sensis® Business Index  
Sweeney Research – September 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

Together with the continued improvement in confidence, net perceptions of the Australian economy continued to improve strongly among SMEs for the second successive quarter. SMEs' future economic expectations also rose strongly to be at their highest point since May 1996.

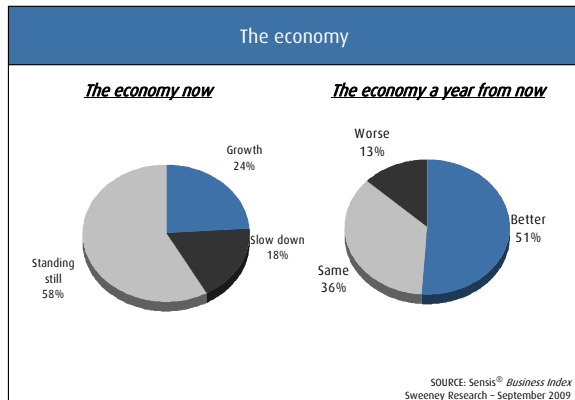
### Last quarter (May to July 2009)

There was an increase of 20 percentage points in the proportion of SMEs that felt the economy was currently growing. Coupled with this was a decrease of 42 percentage points in the proportion of SMEs that felt the economy was currently slowing. This resulted in a rise in the overall perception of the current state of the economy, with a net balance of six per cent of businesses believing the Australian economy is currently growing. This was an exceptionally strong improvement of 62 percentage points from last quarter and the first positive net balance in this indicator since February 2008.

SMEs in every state and territory recorded improved perceptions of the current state of the Australian economy. The highest perceptions of the economy were recorded in the Northern Territory at a net positive 20 per cent. Net negative perceptions were still recorded in two states, Queensland and Tasmania, with businesses in these states more likely to feel that the economy was currently slowing.

Despite the overall net negative results, SMEs in all states and territories recorded strongly improving views of the economy. The largest improvement was in the Australian Capital Territory where perceptions of the current state of the economy increased by 71 percentage points in the past quarter.

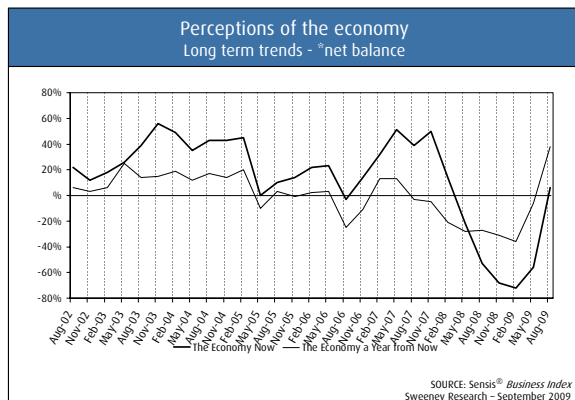
Expectations for the year ahead also improved, with net positive 38 per cent of SMEs believing the economy would be better in a year's time. This represents a rise of 44 percentage points from last quarter's result, bringing this result to its highest level since May 1996.



**Perceptions of the economy - trends**

	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b><i>The economy now</i></b>					
Growth	10%	4%	2%	4%	24%
Slowing	6%	72%	74%	60%	18%
<b>*Net Balance</b>	<b>-53%</b>	<b>-68%</b>	<b>-72%</b>	<b>-56%</b>	<b>+6%</b>
<b><i>The economy a year from now</i></b>					
Better	15%	14%	15%	29%	51%
Worse	42%	45%	51%	35%	13%
<b>*Net Balance</b>	<b>-27%</b>	<b>-31%</b>	<b>-36%</b>	<b>-6%</b>	<b>+38%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 2009



**Perceptions of the economy by state**

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b><i>The economy now</i></b>								
Growth	26%	23%	21%	23%	26%	12%	34%	24%
Slowing	15%	20%	22%	18%	11%	21%	14%	8%
<b>*Net Balance</b>	<b>+11%</b>	<b>+3%</b>	<b>-1%</b>	<b>+5%</b>	<b>+15%</b>	<b>-9%</b>	<b>+20%</b>	<b>+16%</b>
<b><i>The economy a year from now</i></b>								
Better	48%	55%	47%	46%	62%	52%	51%	53%
Worse	13%	11%	16%	16%	8%	12%	14%	11%
<b>*Net Balance</b>	<b>+35%</b>	<b>+44%</b>	<b>+31%</b>	<b>+30%</b>	<b>+54%</b>	<b>+40%</b>	<b>+37%</b>	<b>+42%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 SMEs confidence and economic views continuing to record strong improvement, it is not surprising the proportion of SMEs that were expecting their business performance to improve significantly in the next twelve months with all indicators increasing for the year ahead, with the exception of capital expenditure, which was unchanged.

### Next 12 months (August 2009 to July 2010)

Sales expectations rose during the quarter from net positive 18 per cent to a net positive 51 per cent, an increase of 33 percentage points. This result comprised 62 per cent of SMEs that thought sales would rise in the next year, while 11 per cent expected a fall. SMEs in Western Australia recorded the strongest net sales expectations by state and territory for the year ahead, with a net balance result of 57 per cent. The retail trade sector recorded the strongest industry result with a net balance of 60 per cent. The building and construction sector was at the other end of the scale with a net balance result of 38 per cent.

Employment expectations for the year ahead also rose with a net balance of 19 per cent, an improvement of 12 percentage points from last quarter. At a state level New South Wales recorded the highest results with a net balance of 23 per cent. Across the nation, metropolitan SMEs recorded higher employment expectations for the next twelve months compared to regional SMEs (21 per cent in metropolitan areas compared to 17 per cent in regional areas). At an industry level the retail trade sector recorded the strongest employment result at 25 per cent. The worst performing sector in terms of employment expectations for the year ahead was the finance and insurance sector with a net balance of six per cent.

The total wages and salary costs expectations for the year ahead rose 13 percentage points during the quarter, with a net balance result of 34 per cent of SMEs expecting an increase. The strongest wage expectations for the year ahead were recorded in Tasmania (41 per cent). The health and community services sector was again the industry expecting the greatest increase in wages over the next year (48 per cent).

The selling price expectations for the year ahead increased eight percentage points during the quarter, with a net balance of 38 per cent of SMEs expecting to increase the prices they charge over the year ahead. At the state and territory level Tasmania and the Northern Territory recorded the strongest selling price expectations for the year ahead with a net balance result of 44 per cent each. At an industry level the strongest price expectations for the year ahead was recorded in the health and community services sector at 72 per cent.

Profitability expectations rose by 30 percentage points to net 46 per cent. Victoria recorded the strongest profit expectations for the year ahead with a net balance result of 51 per cent, up 77 percentage points. The lowest expectations were in the Northern Territory with a net balance result of 35 per cent. At an industry level the finance and insurance sector recorded the strongest annual profit expectations with a net balance result of 60 per cent.

Capital expenditure was the only year ahead indicator that did not record an increase this quarter, unchanged at net positive seven per cent. The strongest capital expenditure expectations for the next twelve months were recorded in the Northern Territory (18 per cent).

Expectations on key indicators over the next 12 months September 2009			
	Expect an increase	Expect a decrease	*Net Balance
Value of sales	62%	11%	+51%
Size of workforce	23%	4%	+19%
Wages bill	40%	6%	+34%
Prices charged	41%	3%	+38%
Profitability	57%	11%	+46%
Capital expenditure	32%	25%	+7%

SOURCE: Sensis® Business Index  
Sweeney Research – September 2009

Expectations on key indicators Trends in *net balance					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
Value of sales	22%	4%	-11%	18%	51%
Size of workforce	10%	4%	1%	7%	19%
Wages bill	29%	13%	7%	21%	34%
Prices charged	52%	34%	24%	30%	38%
Profitability	14%	-2%	-12%	16%	46%
Capital expenditure	1%	-10%	-11%	7%	7%

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 reported by SMEs in the latest survey, with concern over this issue continuing to fall over the past three quarters. Some 35 per cent of SMEs reported they were currently facing no significant problems in their business, up two percentage points in the past quarter.

### Last quarter (May to July 2009)

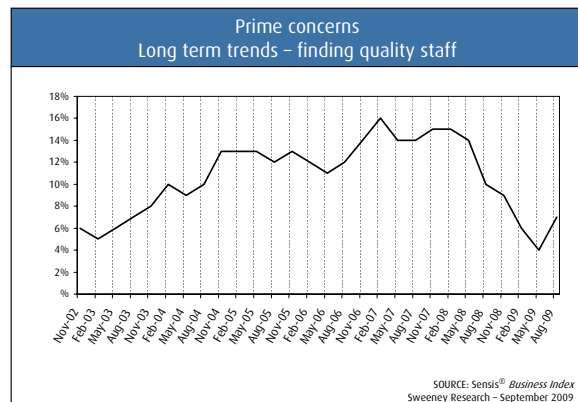
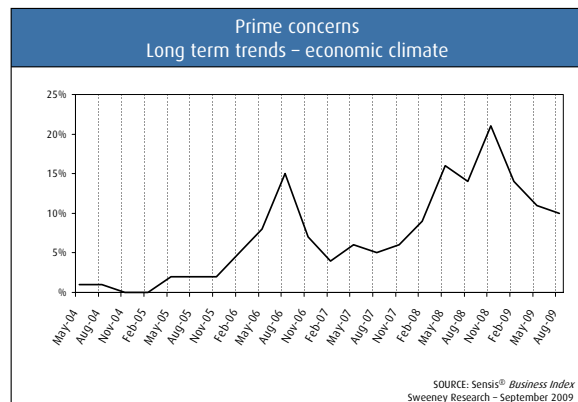
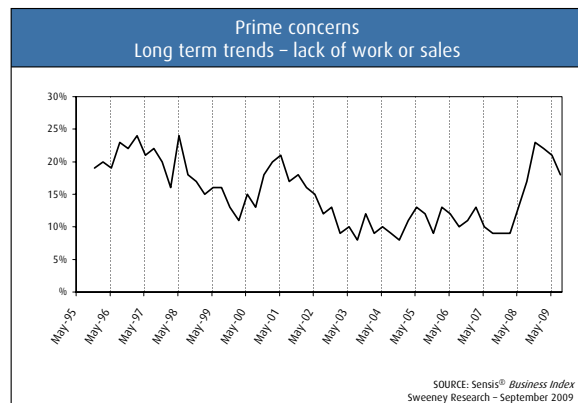
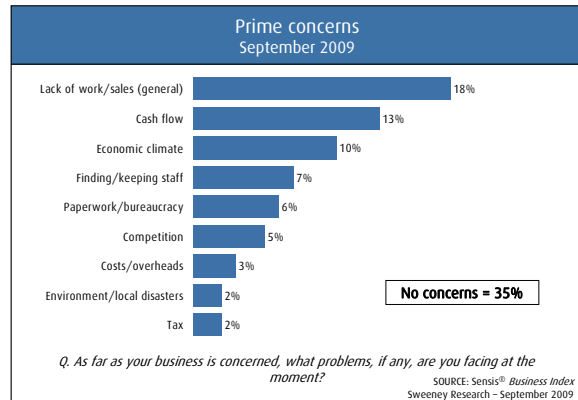
The proportion of SMEs reporting they were currently facing problems caused by a lack of work or sales fell three percentage points over the past quarter to 18 per cent, but remained the top concern facing SMEs in Australia for the fifth successive quarter. Reports of problems caused by a lack of work or sales were highest in South Australia, where this problem was being reported by 25 per cent of SMEs, and lowest in the Northern Territory, where seven per cent each 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.

Cash flow was the next most significant problem cited by SMEs in the past quarter, with 13 per cent of SMEs reporting problems in this area. The proportion of SMEs reporting difficulties with cash flow was down one percentage point in the past quarter at 13 per cent. Reports of difficulties with cash flow were highest in Queensland, where this problem was being reported by 16 per cent of SMEs, and lowest in the Northern Territory, where six per cent reported difficulties in this area. SMEs in the building and construction sector were most likely to report difficulties with cash flow this quarter.

This was followed by the economic climate, which was causing problems for some 10 per cent of SMEs. This was down by one percentage point in the past quarter and 11 percentage points from its peak level recorded three quarters ago. 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 a concern that people were not spending.

It is interesting to note that with improving sentiment, the proportion of SMEs reporting difficulties finding staff has risen for the first time since November 2007, with seven per cent of SMEs reporting problems in this area.

Some 35 per cent of SMEs reported currently facing no problems in their business, up two percentage points in the past quarter.



## Sales

### Key findings

The proportion of SMEs on balance reporting increased sales rose to its highest level since February 2008, with just as many SMEs recording an increase in sales in the past quarter as saw a decrease. Looking forward, there was also strong improvement in the proportions of SMEs expecting their sales to improve in both the short and medium terms.

### Last quarter (May to July 2009)

Sales performance recorded an improved net balance of net zero per cent for the quarter, up by 14 percentage points from last quarter. This is the second successive increase in sales performance, with this indicator now out of net negative territory for the first time since February 2008.

Sales performance again varied dramatically across the states and territories. The Northern Territory recorded the strongest performance this quarter, where a net 17 per cent of SMEs experienced increasing sales in the past quarter. At the other end of the scale, sales performance was lowest among SMEs in South Australia, where a net negative 13 per cent of SMEs reported increasing sales.

The strongest sales performance was recorded in the finance and insurance sector, with a net balance of 32 per cent of SMEs having reported increasing sales. The transport and storage sector recorded the weakest industry performance, at net negative 35 per cent.

### Current quarter (August to October 2009)

SMEs were expecting further strong improvement in sales in the short term. Sales expectations for the current quarter recorded a rise of 31 percentage points from the previous quarter to a net positive 36 per cent. This is the highest short-term sales expectation since October 2005.

Expectations for sales growth again varied around the country, with the strongest expectations recorded in the Tasmania at net positive 43 per cent. The weakest sales expectations for the coming quarter were recorded in the Northern Territory, at a net 11 per cent.

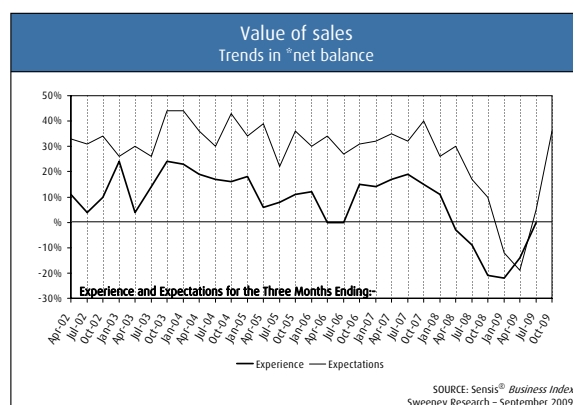
There was also variation in expectations on an industry basis. The strongest expectations for the current quarter were recorded in the accommodation, café and restaurant sector (net balance of 46 per cent). The transport and storage sector recorded the lowest level of expectations (net 14 per cent).

### Next 12 months (August 2009 to July 2010)

Twelve-month sales expectations rose from a net 18 per cent to a net 51 per cent, an increase of 33 percentage points. The result comprised 62 per cent of SMEs that believed sales would increase in the year ahead and 11 per cent that thought they would fall. Sales expectations for the year ahead were highest in Tasmania at net 57 per cent.

Value of sales					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>Last Quarter</b>					
Experienced increase	29%	26%	23%	29%	34%
No change	33%	27%	32%	28%	32%
Experienced decrease	38%	47%	45%	43%	34%
<b>*Net Balance</b>	<b>-9%</b>	<b>-21%</b>	<b>-22%</b>	<b>-14%</b>	<b>0%</b>
<b>Current Quarter</b>					
Expect increase	36%	26%	24%	32%	47%
No change	38%	36%	33%	41%	41%
Expect decrease	26%	38%	43%	27%	11%
<b>*Net Balance</b>	<b>+10%</b>	<b>-12%</b>	<b>-19%</b>	<b>+5%</b>	<b>+36%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 fell during the past quarter, reversing most of the previous quarter's growth. It remained net negative overall with more SMEs reporting they decreased their employment levels than increased them. Positively, SMEs were expecting strong improvement in both the short term and for the year ahead.

### Last quarter (May to July 2009)

The proportion of SMEs that increased employment during the past quarter fell, with 10 per cent of SMEs reporting a rise during the past quarter. This was offset by the 15 per cent of SMEs that reported declines. The net balance of negative five per cent was two percentage points lower than last quarter's result.

At a state level the best performing region was the Northern Territory at 17 per cent. At the other end of the scale, South Australia recorded a net balance result of negative 13 per cent. No industry sector recorded a net positive result; however the finance and insurance sector recorded the strongest results at zero per cent net balance while the building and construction sector recorded the lowest results at negative 10 per cent.

A lack of work or sales remained the main barrier to taking on new employees, reported by 41 per cent of SMEs that believed barriers existed, down one percentage point in the past quarter. With employment continuing to decrease overall, it is interesting to look at the reasons SMEs have decreased their employment levels this quarter. The main reasons for decreasing employment this quarter was again due to economic conditions, followed by staff resigning for other jobs and for personal reasons. Those SMEs that had increased employment were most likely to have done so because their business was experiencing growth.

### Current quarter (August to October 2009)

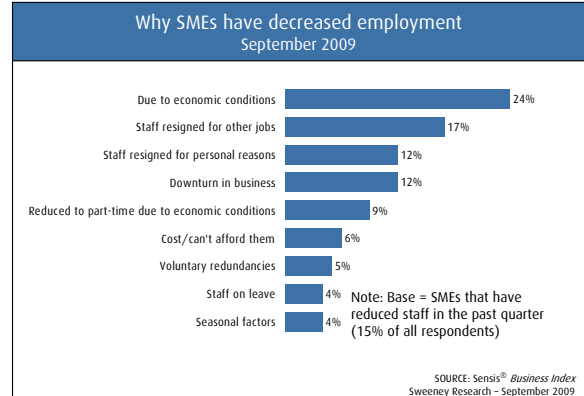
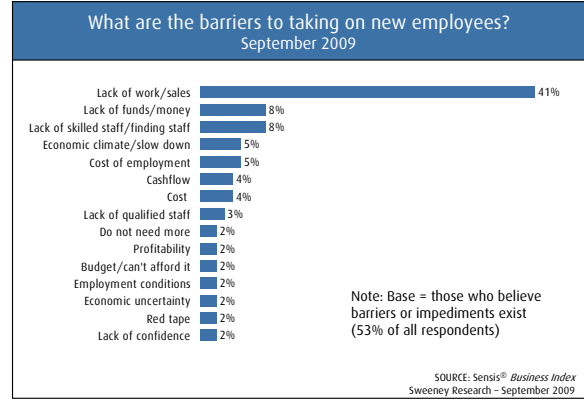
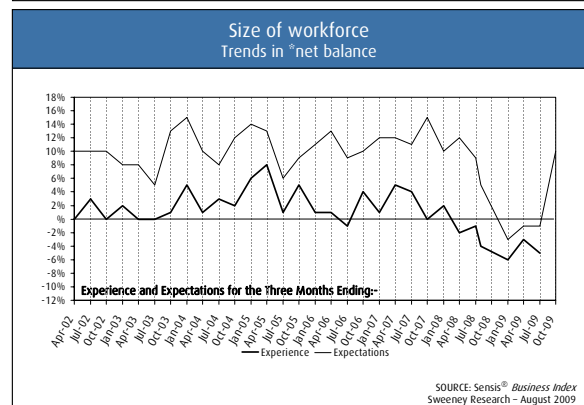
Employment expectations for the current quarter improved nine percentage points to a net positive ten per cent. SMEs in the Australian Capital Territory recorded the strongest short-term employment expectations at a net balance of 14 per cent. At the other end of the scale was the Northern Territory with a net balance result of six per cent.

### Next 12 months (August 2009 to July 2010)

Employment expectations for the year ahead rose 12 percentage points to a net balance result of 19 per cent. The strongest expectations for the year ahead were recorded by SMEs in New South Wales (net 23 per cent), with the weakest in the Northern Territory (net 12 per cent).

Size of workforce					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>Last Quarter</b>					
Experienced increase	13%	12%	11%	11%	10%
No change	74%	72%	72%	75%	75%
Experienced decrease	14%	16%	17%	14%	15%
<b>*Net Balance</b>	<b>-1%</b>	<b>-4%</b>	<b>-6%</b>	<b>-3%</b>	<b>-5%</b>
<b>Current Quarter</b>					
Expect increase	12%	8%	9%	10%	14%
No change	80%	80%	80%	82%	81%
Expect decrease	7%	11%	10%	9%	4%
<b>*Net Balance</b>	<b>+5%</b>	<b>-3%</b>	<b>-1%</b>	<b>+1%</b>	<b>+10%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 rise in the proportion of SMEs, on balance, that reported increased wages over the past quarter. Higher proportions of SMEs were expecting increases in their wages bills for both the short and medium terms.

### Last quarter (May to July 2009)

The most recent quarter saw a rise of four percentage points in the proportion of SMEs reporting increased wage costs, with the performance result increasing to a net positive one per cent. This is the first net positive result in twelve months.

During the quarter, 19 per cent of SMEs experienced a rise in total wage costs, while 18 per cent recorded a decline. SMEs in the Northern Territory recorded the highest net result in total wage costs (net 15 per cent), while the lowest wage pressures were in New South Wales, Western Australia and the Australian Capital Territory (net zero per cent each). The strongest net result in total wage costs was recorded in the health and community services sector (net 21 per cent).

### Current quarter (August to October 2009)

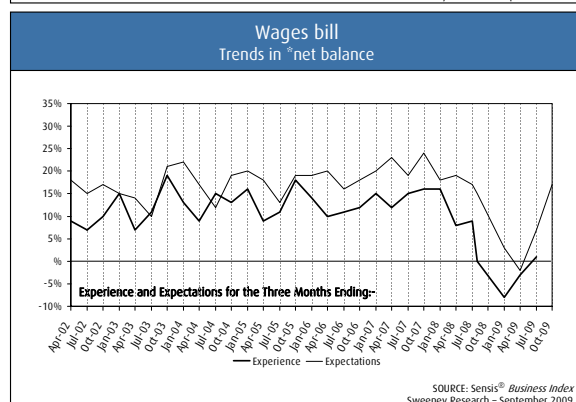
More SMEs were expecting increases in wages in the short term, with net expectations for total wage costs rising to a net 17 per cent for the current quarter from net seven per cent last quarter. The highest wage expectations were in Queensland, with a net balance of 21 per cent of SMEs expecting an increase in their total wages bill in the coming quarter. SMEs in the Northern Territory were least likely to be expecting an increase in their wages bill in the current quarter (net two per cent).

### Next 12 months (August 2009 to July 2010)

Expectations for total wage and salary costs for the coming year also rose during the quarter, with a net balance of 34 per cent of SMEs expecting a rise in total wage costs in the year ahead. This represented an increase in the net balance trend of 13 percentage points. The SMEs most likely to be expecting increases to their wages bills were in Tasmania at a net 41 per cent. SMEs in the Northern Territory were least likely to expect an increase in their total wages bill in the coming year (net 23 per cent).

Wages bill					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>Last Quarter</b>					
Experienced increase	24%	19%	13%	17%	19%
No change	57%	57%	59%	63%	63%
Experienced decrease	15%	19%	21%	20%	18%
<b>*Net Balance</b>	<b>+9%</b>	<b>0%</b>	<b>-8%</b>	<b>-3%</b>	<b>+1%</b>
<b>Current Quarter</b>					
Expect increase	25%	17%	16%	19%	23%
No change	62%	65%	61%	69%	71%
Expect decrease	10%	14%	18%	12%	6%
<b>*Net Balance</b>	<b>+15%</b>	<b>+3%</b>	<b>-2%</b>	<b>+7%</b>	<b>+17%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 was slightly lower during the past quarter. Looking ahead, there were increases in the proportion of SMEs that were expecting to increase the prices they charged in both the quarter and the year ahead.

### Last quarter (May to July 2009)

The proportion of SMEs that increased prices was lower during the quarter, at a net balance result of 10 per cent. This result remains close to one third the level recorded at the same time last year.

Of all states and territories, the strongest price trends were recorded by SMEs in the Northern Territory, with a net balance of 19 per cent. The lowest results were recorded by SMEs in the Australian Capital Territory, with a net balance of five per cent. The strongest price rises were recorded in the finance and insurance sector, with a net balance result of 17 per cent. The weakest outcomes were recorded in the manufacturing and transport and storage sectors, with a net balance result of negative one per cent each.

### Current quarter (August to October 2009)

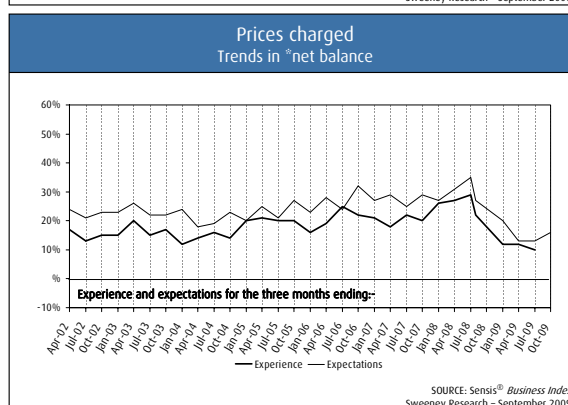
SME expectations for price rises in the short term rose during the quarter at a net balance result of 16 per cent. South Australia recorded the strongest price rise expectations, with a net balance result of 24 per cent, while Victoria again recorded the weakest price rise expectations, with a net balance of 13 per cent.

### Next 12 months (August 2009 to July 2010)

At a net balance of 38 per cent, expectations for price rises in the coming year rose by eight percentage points during the past quarter. Year-ahead expectations for price increases were strongest among SMEs in Western Australia and Tasmania at net 44 per cent, and in the health and community services sector, with a net balance result of 72 per cent.

Prices charged					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>Last Quarter</b>					
Experienced increase	32%	27%	22%	20%	18%
No change	65%	68%	66%	73%	74%
Experienced decrease	3%	5%	10%	8%	8%
<b>*Net Balance</b>	<b>+29%</b>	<b>+22%</b>	<b>+12%</b>	<b>+12%</b>	<b>+10%</b>
<b>Current Quarter</b>					
Expect increase	32%	25%	21%	18%	19%
No change	63%	69%	70%	78%	78%
Expect decrease	5%	5%	8%	5%	3%
<b>*Net Balance</b>	<b>+27%</b>	<b>+20%</b>	<b>+13%</b>	<b>+13%</b>	<b>+16%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 reporting growth in capital expenditure recorded strong improvement, moving to net positive territory for the first time in two years, and is at its highest level in four years. Expectations for the short term remained pessimistic however, despite a marginal improvement, with no change in expectations for the year ahead.

### Last quarter (May to July 2009)

SME performance in capital expenditure recorded a net positive three per cent result. This result represented an increase of 14 percentage points; and is the first time this indicator has been net positive since August 2007, and is at its highest level since August 2005.

The strongest result was in Victoria, with a net balance result of positive 10 per cent of SMEs increasing capital expenditure. Net positive results were recorded in all states and territories with the exception of New South Wales, which recorded a net balance of negative two per cent.

The finance and insurance sector recorded the strongest capital expenditure performance (net positive 24 per cent). At the other end of the investment scale was the wholesale trade sector (negative 10 per cent).

### Current quarter (August to October 2009)

While remaining net negative overall, capital expenditure expectations improved by a marginal one percentage point for the coming quarter, with a net balance result of negative five per cent. The highest expectations were recorded by SMEs in New South Wales at a net five per cent. The weakest result was recorded by SMEs in South Australia with a net balance of negative 22 per cent.

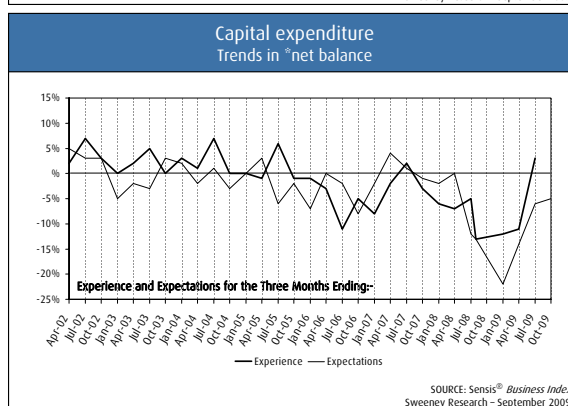
SMEs in the accommodation, cafes and restaurant sector recorded the strongest expectations (14 per cent), while the health and community services sector recorded the weakest result at a net negative 14 per cent.

### Next 12 months (August 2009 to July 2010)

Capital expenditure expectations for the year ahead were unchanged during the quarter, with a net positive seven per cent of SMEs expecting to increase their capital expenditure in the next 12 months. Expectations for the year ahead were strongest in the Northern Territory (18 per cent) and in the health and community services sector (33 per cent).

Capital expenditure					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>Last Quarter</b>					
Experienced increase	22%	19%	16%	21%	29%
No change	49%	43%	52%	46%	46%
Experienced decrease	27%	32%	28%	32%	26%
<b>*Net Balance</b>	<b>-5%</b>	<b>-13%</b>	<b>-12%</b>	<b>-11%</b>	<b>+3%</b>
<b>Current Quarter</b>					
Expect increase	20%	15%	19%	24%	23%
No change	46%	44%	46%	46%	49%
Expect decrease	33%	37%	33%	30%	28%
<b>*Net Balance</b>	<b>-13%</b>	<b>-22%</b>	<b>-14%</b>	<b>-6%</b>	<b>-5%</b>

SOURCE: Sensis® Business Index  
Sweeney Research – September 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 improved confidence and sales, net profitability performance also improved strongly during the past quarter, but remained net negative overall, with more SMEs reporting lower profitability than increased profitability in the past quarter. Positively, SMEs were expecting further improvement in profitability in both the coming quarter and the year ahead.

### Last quarter (May to July 2009)

Profitability performance recorded a net balance result of negative six per cent for the past quarter. This result was up 11 percentage points from the previous quarter. Overall however, profitability remained net negative, with significantly more SMEs having experienced a decrease in profitability than an increase in the past quarter. Despite remaining net negative overall, this is the highest result for net profitability since February 2008.

Across Australia the strongest profit experience was again reported by SMEs in the Northern Territory with a net balance result of positive eight per cent. A positive result was also recorded by SMEs in Victoria (net positive two per cent). The weakest performance was recorded in Queensland and South Australia at net negative 16 per cent each. The strongest industry performance was recorded in the finance and insurance sector with a net balance result of positive 16 per cent, with the weakest profitability performance recorded in the transport and storage sector (net negative 30 per cent).

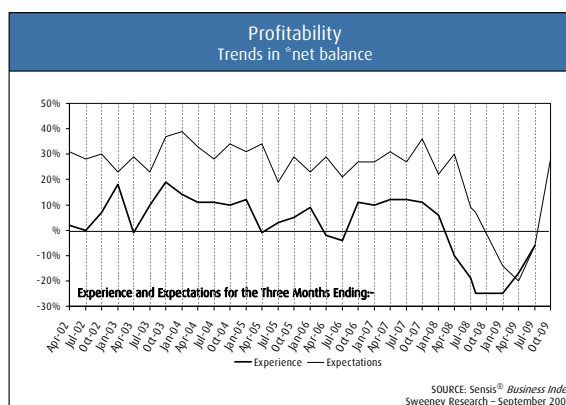
### Current quarter (August to October 2009)

Profitability expectations for the current quarter rose 34 percentage points to positive 28 per cent. At a state and territory level, the strongest expectations were recorded by SMEs in Tasmania at 36 per cent. The weakest state or territory was the Northern Territory with a net balance result of 12 per cent.

By industry, the accommodation, cafés and restaurants sectors recorded the strongest short-term profit expectations with a net balance result of 34 per cent. The transport and storage sector recorded the weakest expectations with a net balance result of 16 per cent.

Profitability					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>Last Quarter</b>					
Experienced increase	23%	23%	21%	26%	28%
No change	35%	29%	33%	31%	38%
Experienced decrease	42%	48%	46%	43%	34%
<b>*Net Balance</b>	<b>-19%</b>	<b>-25%</b>	<b>-25%</b>	<b>-17%</b>	<b>-6%</b>
<b>Current Quarter</b>					
Expect increase	33%	25%	24%	24%	41%
No change	41%	36%	31%	45%	46%
Expect decrease	26%	39%	44%	30%	13%
<b>*Net Balance</b>	<b>+7%</b>	<b>-14%</b>	<b>-20%</b>	<b>-6%</b>	<b>+28%</b>

SOURCE: Sensis® Business Index  
Sweeney Research - September 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

While economic conditions showed some improvement this quarter there was a small decrease in the proportion of SMEs that exported goods and services in the past quarter. However the improving conditions overall translated into an improvement in the value of exports for those SMEs that did export.

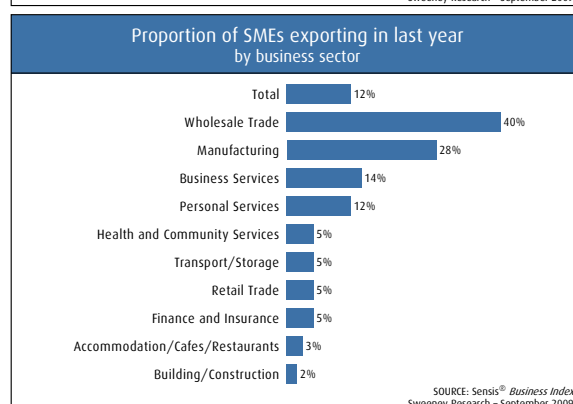
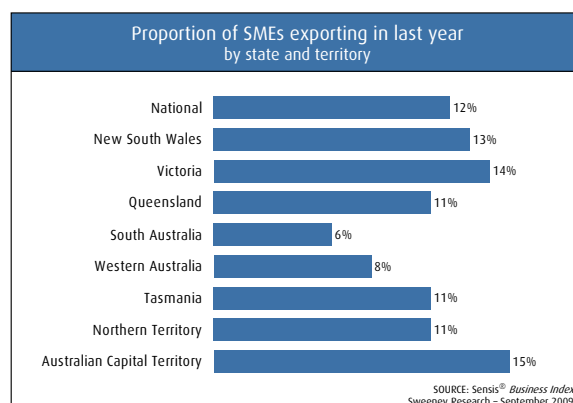
### Last quarter (May to July 2009)

Twelve per cent of SMEs reported exporting in the past quarter, down by two percentage points from the previous quarter. Victoria and Tasmania were the only states to record an increase in the proportion of SMEs exporting. The Australian Capital Territory recorded the highest proportion of exporting SMEs in Australia in the past quarter, closely followed by Victoria.

SMEs in metropolitan areas were four times as likely to export as their regional counterparts (16 per cent compared to four per cent). SMEs in the wholesale trade sector were most likely to have exported in the past quarter.

The fall in the proportion of SMEs exporting is not surprising when considering many SMEs exporting over the past year have faced falls in the value of their exports in line with the weaker global economy and currency fluctuations. Positively this quarter there was an improvement in the net proportion of exporting SMEs that reported growth in the value of their exports. A net balance of negative nine per cent reported an increase in the value of the goods and services exported in the past quarter. While this proportion remained net negative overall, it was an increase of six percentage points from last quarter's net balance of net negative 15 per cent, and is the second successive quarter of improvement in this indicator.

Looking forward, more SMEs were expecting the value of their exports to increase over the next few months than decrease, with very strong improvement 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 up to net 12 per cent. There was a decrease of 11 percentage points in the proportion of SMEs expecting to increase the value of their exports in the year ahead.



Value of exports - trends

	Aug 08	Nov 08	Feb 09	May 09	Aug 09
<b>Last Quarter</b>					
Experienced increase	21%	21%	18%	20%	17%
No change	58%	43%	44%	45%	57%
Experienced decrease	21%	36%	38%	35%	26%
<b>*Net Balance</b>	<b>0%</b>	<b>-15%</b>	<b>-20%</b>	<b>-15%</b>	<b>-9%</b>
<b>Current Quarter</b>					
Expect increase	30%	30%	14%	23%	26%
No change	55%	53%	58%	64%	60%
Expect decrease	14%	17%	28%	14%	14%
<b>*Net Balance</b>	<b>+16%</b>	<b>+13%</b>	<b>-14%</b>	<b>+9%</b>	<b>+12%</b>
<b>Next 12 months</b>					
Expect increase	40%	49%	25%	50%	37%
No change	49%	37%	53%	38%	53%
Expect decrease	11%	15%	21%	12%	10%
<b>*Net Balance</b>	<b>+29%</b>	<b>+34%</b>	<b>+4%</b>	<b>+38%</b>	<b>+27%</b>

Base : Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index Sweeney Research – September 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 increased strongly during the quarter, rising by 11 percentage points to a net positive result.

### Last quarter (May to July 2009)

The net balance result of a positive six per cent approval rating represented an increase of 11 percentage points in the past quarter. The result comprised 28 per cent (up four percentage points) of SMEs that were supportive of the Federal Government's small business policies, and 22 per cent (down seven 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 15 per cent. SMEs in Western Australia were most critical of the Federal Government's small business policies, 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 a rise in SME support for the Federal Government with the Australian Capital Territory recording the largest increase in the past quarter, up 20 percentage points.

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

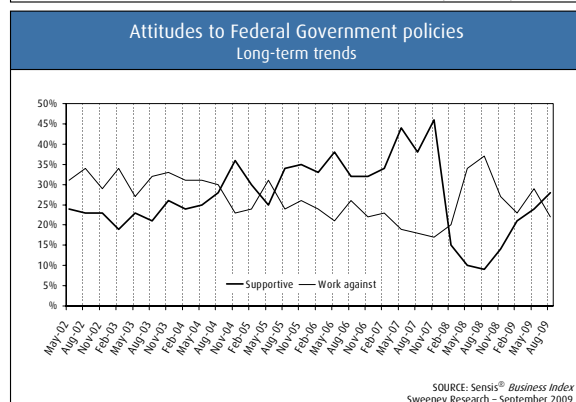
The Federal Government's economic stimulus package continued to provide the main reasons that SMEs gave for supporting the Federal Government. This quarter SMEs were most likely to report their support stemming from the cash payments which they felt had encouraged spending, as well as tax rebates for business investment.

The key reasons SMEs gave for feeling the Federal Government's policies worked against them included a view that no incentives were offered to small business, there was too much bureaucracy, taxation was too high, and that the government and their policies were more supportive of larger businesses and certain industries rather than small businesses in general.

Attitudes to Federal Government policies past five quarters					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
Supportive	9%	14%	21%	24%	28%
Work against	37%	27%	23%	29%	22%
No impact	54%	59%	56%	47%	49%
<b>*Net Balance</b>	<b>-28%</b>	<b>-13%</b>	<b>-2%</b>	<b>-5%</b>	<b>+6%</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 - September 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 Western Australian Government remained the most popular government in Australia among all SMEs in the past quarter. The Queensland Government was the least popular state or territory government among SMEs after recording a significant fall in support from SMEs in that state.

### Last quarter (May to July 2009)

The Western Australian Government recorded the highest approval rating from SMEs at net positive seven per cent. This result was down five percentage points from net positive 12 per cent last quarter. Small businesses cited a belief that the Western Australian Government was more supportive of small business, that they offered incentives for small businesses and that they had been doing a lot of infrastructure development as reasons for their support. Support in Western Australia had dropped in the past quarter however, with concern about deregulation of shopping hours causing the most controversy amongst SMEs in the state.

The government in Western Australia was the only government apart from the Federal Government to record a net positive rating from SMEs in the past quarter.

The largest increase in support was for the New South Wales Government, up 13 percentage points in the past quarter. This improvement in support for the New South Wales Government combined with a dramatic fall in support from SMEs for the Queensland Government, has moved the New South Wales Government off the lowest support level from SMEs, a position which it had held for 21 successive quarters.

The lowest level of support this quarter was for the Queensland Government, with support falling by 13 percentage points in the past quarter. This is the first time the Queensland Government has recorded the lowest rating from SMEs since February 2001, and the lowest net support level recorded in the Sensis® Business Index. The main reasons SMEs gave for not supporting the Queensland Government was that there were too many costs and no incentives for small business and that there was too much bureaucracy in the state.

Attitudes to state or territory government policies August 2009								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	8%	15%	7%	15%	26%	10%	20%	17%
Work against	34%	17%	37%	31%	19%	15%	21%	26%
No impact	58%	69%	56%	53%	55%	75%	60%	58%
<b>*Net Balance</b>	<b>-26%</b>	<b>-2%</b>	<b>-30%</b>	<b>-16%</b>	<b>+7%</b>	<b>-5%</b>	<b>-1%</b>	<b>-9%</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 – September 2009</small>								

Attitudes to state or territory government policies Trends in *net balance					
	Aug 08	Nov 08	Feb 09	May 09	Aug 09
New South Wales	-26%	-54%	-40%	-39%	-26%
Victoria	-15%	-13%	-10%	-11%	-2%
Queensland	-18%	-19%	-15%	-17%	-30%
South Australia	-25%	-20%	-23%	-15%	-16%
Western Australia	-22%	+8%	+3%	+12%	+7%
Tasmania	-12%	0%	-13%	-13%	-5%
Northern Territory	-14%	+7%	+15%	+5%	-1%
Australian Capital Territory	-10%	-13%	-11%	-13%	-9%
<small>SOURCE: Sensis® Business Index Sweeney Research – September 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

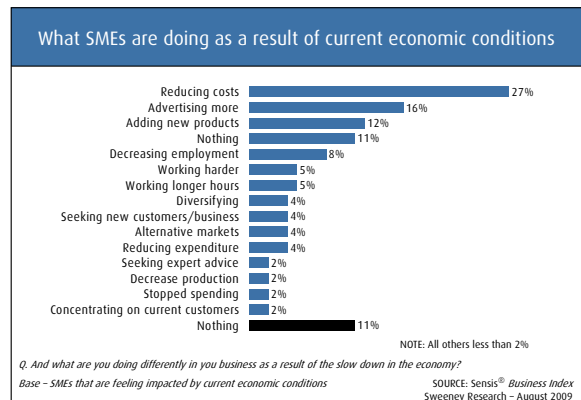
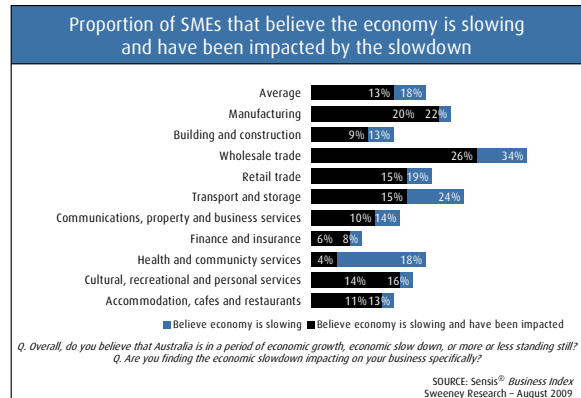
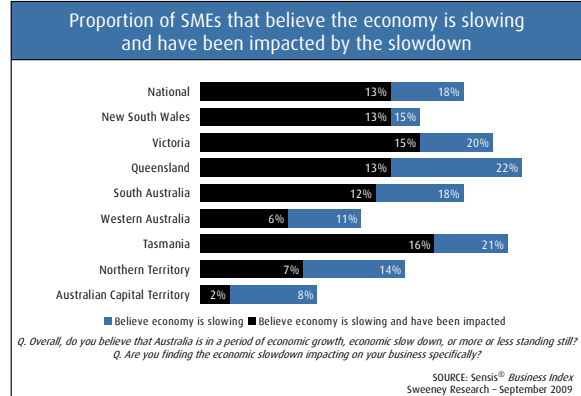
With improving business confidence and perceptions of the economy, the Sensis® Business Index found a strong improvement in the proportion of SMEs impacted by economic downturn in the past quarter, with 18 per cent of SMEs nationally believing the economy was currently slowing. However 73 per cent of those reported their business was currently being impacted as a result. Overall, that resulted in 13 per cent of all SMEs currently reporting impact from economic conditions, a significant decrease from 36 per cent of all SMEs last quarter. Decreases in the overall proportions of SMEs reporting economic impact were recorded in all states and territories in the past quarter.

Tasmania recorded the highest proportion of businesses overall that reported being impacted by the current economic conditions, with 16 per cent of all SMEs in that state reporting currently being impacted by economic conditions. While this was the highest level of any state impact, it has still dropped by 11 percentage points over the past quarter.

At the other end of the scale, only six per cent of SMEs in Western Australia and seven per cent of those in the Northern Territory reported being impacted by economic slowdown. This has also decreased from 32 per cent and 24 per cent respectively last quarter.

The likelihood for economic conditions to impact on businesses varied dramatically by industry. SMEs in the wholesale trade and manufacturing sectors were much more likely to report that they were facing impacts from economic conditions at 26 per cent and 20 per cent respectively. At the other end of the scale, SMEs in the health and community services sector and the finance and insurance sector were least likely to have been impacted, with only four per cent and six per cent of firms in those sectors respectively reporting an adverse impact from the economic downturn.

The main changes SMEs were making as a result of the economic downturn were to try to reduce costs, advertise more, and add new products. While last quarter the third most likely response was to decrease staff at 17 per cent, this quarter the proportion of SMEs using this strategy has dropped to eight per cent. While 11 per cent of impacted SMEs are doing nothing in response, this has risen from nine per cent last quarter, so with the perceived improvement in economic conditions there is currently a lower level of action to combat economic conditions by businesses.



## Small and medium business outlook – national

- Business confidence recorded its strongest increase in a single quarter in the history of the Sensis® Business Index.
- Perceptions of the current state of the economy improved strongly for the second successive quarter.
- Performance in all key indicators increased in the past quarter, with the exception of employment and prices, which both recorded decreases in the past quarter.
- All expectations rose for the short term.
- All expectations rose for the year ahead, with the exception of capital expenditure, which was unchanged.
- Support for the Federal Government's policies rose to a net positive six per cent. SMEs remained strongly supportive of the economic stimulus package.

Trends in past three months' experience and current quarter expectations – national											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS					AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009		
					%	%	%	%	%		
POSITIVE					52	47	45	54	65		
NEGATIVE					27	34	33	24	15		
<b>*NET BALANCE</b>					<b>+25</b>	<b>+13</b>	<b>+12</b>	<b>+30</b>	<b>+50</b>		
TOTAL SMALL AND MEDIUM BUSINESS – NATIONAL	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09	
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	29	26	23	29	34	36	26	24	32	47
	DECREASE	38	47	45	43	34	26	38	43	27	11
	<b>NET BALANCE</b>	<b>-9</b>	<b>-21</b>	<b>-22</b>	<b>-14</b>	<b>0</b>	<b>+10</b>	<b>-12</b>	<b>-19</b>	<b>+5</b>	<b>+36</b>
SIZE OF WORKFORCE:	INCREASE	13	12	11	11	10	12	8	9	10	14
	DECREASE	14	16	17	14	15	7	11	10	9	4
	<b>NET BALANCE</b>	<b>-1</b>	<b>-4</b>	<b>-6</b>	<b>-3</b>	<b>-5</b>	<b>+5</b>	<b>-3</b>	<b>-1</b>	<b>+1</b>	<b>+10</b>
WAGES BILL:	INCREASE	24	19	13	17	19	25	17	16	19	23
	DECREASE	15	19	21	20	18	10	14	18	12	6
	<b>NET BALANCE</b>	<b>+9</b>	<b>0</b>	<b>-8</b>	<b>-3</b>	<b>+1</b>	<b>+15</b>	<b>+3</b>	<b>-2</b>	<b>+7</b>	<b>+17</b>
PRICES:	INCREASE	32	27	22	20	18	32	25	21	18	19
	DECREASE	3	5	10	8	8	5	5	8	5	3
	<b>NET BALANCE</b>	<b>+29</b>	<b>+22</b>	<b>+12</b>	<b>+12</b>	<b>+10</b>	<b>+27</b>	<b>+20</b>	<b>+13</b>	<b>+13</b>	<b>+16</b>
PROFITABILITY:	INCREASE	23	23	21	26	28	33	25	24	31	41
	DECREASE	42	48	46	43	34	26	39	44	27	13
	<b>NET BALANCE</b>	<b>-19</b>	<b>-25</b>	<b>-25</b>	<b>-17</b>	<b>-6</b>	<b>+7</b>	<b>-14</b>	<b>-20</b>	<b>+4</b>	<b>+28</b>
CAPITAL EXPENDITURE:	INCREASE	22	19	16	21	29	20	15	19	24	23
	DECREASE	27	32	28	32	26	33	37	33	30	28
	<b>NET BALANCE</b>	<b>-5</b>	<b>-13</b>	<b>-12</b>	<b>-11</b>	<b>+3</b>	<b>-13</b>	<b>-22</b>	<b>-14</b>	<b>-6</b>	<b>-5</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 again recorded the lowest business confidence among SMEs during the quarter of any state or territory, despite recording an above average improvement this quarter. Business confidence in New South Wales is now only four percentage points below the national average.
- New South Wales SMEs saw improved performance in all indicators with the exception of employment in the past quarter.
- For the last quarter, New South Wales recorded the lowest proportion of SMEs in any state or territory that reported increases in employment, wages and capital expenditure.
- For the coming quarter, SMEs in New South Wales recorded the lowest level of expectations of any state or territory for capital expenditure.
- For the year ahead, SMEs in New South Wales recorded the lowest levels of expectations for employment.
- Support for the policies of the New South Wales Government among NSW SMEs recorded the strongest improvement of any state or territory in the past quarter however despite the improvement they remained the second lowest overall.

Trends in past three months' experience and current quarter expectations – New South Wales											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
						%	%	%	%	%	
POSITIVE						41	45	38	48	62	
NEGATIVE						34	40	41	28	16	
<b>*NET BALANCE</b>						<b>+7</b>	<b>+5</b>	<b>-3</b>	<b>+20</b>	<b>+46</b>	
TOTAL SMALL AND MEDIUM BUSINESS – NEW SOUTH WALES		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 08 %	AUG-OCT 08 %	NOV-JAN 08/09 %	FEB-APR 09 %	MAY-JUL 09 %	AUG-OCT 08 %	NOV-JAN 08/09 %	FEB-APR 09 %	MAY-JUL 09 %	AUG-OCT 09 %
SALES VALUE:	INCREASE	20	22	21	34	34	36	25	22	32	48
	DECREASE	44	55	51	41	33	30	44	50	29	12
	<b>NET BALANCE</b>	<b>-24</b>	<b>-33</b>	<b>-30</b>	<b>-7</b>	<b>+1</b>	<b>+6</b>	<b>-19</b>	<b>-28</b>	<b>+3</b>	<b>+36</b>
SIZE OF WORKFORCE:	INCREASE	12	13	10	12	7	10	9	6	13	16
	DECREASE	15	17	17	14	17	9	15	10	9	3
	<b>NET BALANCE</b>	<b>-3</b>	<b>-4</b>	<b>-7</b>	<b>-2</b>	<b>-10</b>	<b>+1</b>	<b>-6</b>	<b>-4</b>	<b>+4</b>	<b>+13</b>
WAGES BILL:	INCREASE	18	18	9	19	19	19	17	14	21	21
	DECREASE	18	21	24	20	19	11	13	19	12	4
	<b>NET BALANCE</b>	<b>0</b>	<b>-3</b>	<b>-15</b>	<b>-1</b>	<b>0</b>	<b>+8</b>	<b>+4</b>	<b>-5</b>	<b>+9</b>	<b>+17</b>
PRICES:	INCREASE	23	27	17	20	20	25	21	20	15	17
	DECREASE	3	5	16	8	5	9	3	6	3	3
	<b>NET BALANCE</b>	<b>+20</b>	<b>+22</b>	<b>+1</b>	<b>+12</b>	<b>+15</b>	<b>+16</b>	<b>+18</b>	<b>+14</b>	<b>+12</b>	<b>+14</b>
PROFITABILITY:	INCREASE	17	23	20	28	25	30	24	24	31	40
	DECREASE	51	57	51	40	33	30	46	51	28	14
	<b>NET BALANCE</b>	<b>-34</b>	<b>-34</b>	<b>-31</b>	<b>-12</b>	<b>-8</b>	<b>0</b>	<b>-22</b>	<b>-27</b>	<b>+3</b>	<b>+26</b>
CAPITAL EXPENDITURE:	INCREASE	22	14	15	21	26	17	13	19	23	30
	DECREASE	28	38	27	37	28	36	40	34	35	25
	<b>NET BALANCE</b>	<b>-6</b>	<b>-24</b>	<b>-12</b>	<b>-16</b>	<b>-2</b>	<b>-19</b>	<b>-27</b>	<b>-15</b>	<b>-12</b>	<b>+5</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 above average business confidence among SMEs in the past quarter.
- Performance rose for all indicators with the exception of prices for Victorian SMEs in the past quarter.
- For the last quarter, Victoria recorded the highest proportion of SMEs in any state or territory that reported increases in capital expenditure.
- For the coming quarter and the year ahead, SMEs in Victoria recorded the lowest level of expectations of any state or territory for price increases.
- For the year ahead, Victoria recorded the highest net proportion of SMEs that were expecting to increase their profitability.
- SME support for the Victorian Government rose strongly during the past quarter to be the third highest of any state or territory.

Trends in past three months' experience and current quarter expectations – Victoria											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
						%	%	%	%	%	
POSITIVE						50	47	45	57	66	
NEGATIVE						30	36	34	22	14	
<b>*NET BALANCE</b>						<b>+20</b>	<b>+11</b>	<b>+11</b>	<b>+35</b>	<b>+52</b>	
TOTAL SMALL AND MEDIUM BUSINESS – VICTORIA	ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-					
	MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09	
%											
SALES VALUE:	INCREASE	34	29	21	25	37	33	27	19	32	48
	DECREASE	33	45	45	42	32	24	35	42	28	11
	<b>NET BALANCE</b>	<b>+1</b>	<b>-16</b>	<b>-24</b>	<b>-17</b>	<b>+5</b>	<b>+9</b>	<b>-8</b>	<b>-23</b>	<b>+4</b>	<b>+37</b>
SIZE OF WORKFORCE:	INCREASE	13	8	8	13	11	12	7	9	8	14
	DECREASE	12	15	15	16	13	7	10	10	11	3
	<b>NET BALANCE</b>	<b>+1</b>	<b>-7</b>	<b>-7</b>	<b>-3</b>	<b>-2</b>	<b>+5</b>	<b>-3</b>	<b>-1</b>	<b>-3</b>	<b>+11</b>
WAGES BILL:	INCREASE	25	15	13	17	22	30	16	13	17	25
	DECREASE	14	25	23	22	21	10	15	21	13	6
	<b>NET BALANCE</b>	<b>+11</b>	<b>-10</b>	<b>-10</b>	<b>-5</b>	<b>+1</b>	<b>+20</b>	<b>+1</b>	<b>-8</b>	<b>+4</b>	<b>+19</b>
PRICES:	INCREASE	28	26	27	21	14	34	21	19	17	16
	DECREASE	3	5	9	8	7	4	7	12	7	3
	<b>NET BALANCE</b>	<b>+25</b>	<b>+21</b>	<b>+18</b>	<b>+13</b>	<b>+7</b>	<b>+30</b>	<b>+14</b>	<b>+7</b>	<b>+10</b>	<b>+13</b>
PROFITABILITY:	INCREASE	25	24	18	25	35	32	22	19	33	46
	DECREASE	37	47	48	41	33	23	38	47	27	12
	<b>NET BALANCE</b>	<b>-12</b>	<b>-23</b>	<b>-30</b>	<b>-16</b>	<b>+2</b>	<b>+9</b>	<b>-16</b>	<b>-28</b>	<b>+6</b>	<b>+34</b>
CAPITAL EXPENDITURE:	INCREASE	21	26	15	21	34	23	15	21	28	19
	DECREASE	26	32	31	33	24	29	39	32	27	31
	<b>NET BALANCE</b>	<b>-5</b>	<b>-6</b>	<b>-16</b>	<b>-12</b>	<b>+10</b>	<b>-6</b>	<b>-24</b>	<b>-11</b>	<b>+1</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 – Queensland

- Confidence amongst Queensland SMEs was equal to the national average, with the increase in confidence slightly smaller than average.
- SMEs in Queensland reported rises in all performance indicators over the past quarter with the exception of prices, which was unchanged.
- SMEs in Queensland reported higher expectations for all indicators for the coming quarter compared to the previous quarter.
- SMEs in Queensland reported the equal lowest profitability performance for the past quarter, equal with South Australia, and the highest wage expectations for the coming quarter.
- SME support for the Queensland Government recorded the largest fall of any state or territory during the past quarter to be the least supported of any state or territory. Support levels in Queensland have fallen for the past three quarters.

Trends in past three months' experience and current quarter expectations – Queensland											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
						%	%	%	%	%	
POSITIVE						66	52	55	56	64	
NEGATIVE						18	27	27	24	14	
<b>*NET BALANCE</b>						<b>+48</b>	<b>+25</b>	<b>+28</b>	<b>+32</b>	<b>+50</b>	
TOTAL SMALL AND MEDIUM BUSINESS – QUEENSLAND		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	30	24	21	26	30	35	30	29	30	49
	DECREASE	38	43	41	46	37	29	34	37	23	11
	<b>NET BALANCE</b>	<b>-8</b>	<b>-19</b>	<b>-20</b>	<b>-20</b>	<b>-7</b>	<b>+6</b>	<b>-4</b>	<b>-8</b>	<b>+7</b>	<b>+38</b>
SIZE OF WORKFORCE:	INCREASE	14	14	16	10	12	13	9	11	9	15
	DECREASE	17	21	20	15	16	7	10	10	6	4
	<b>NET BALANCE</b>	<b>-3</b>	<b>-7</b>	<b>-4</b>	<b>-5</b>	<b>-4</b>	<b>+6</b>	<b>-1</b>	<b>+1</b>	<b>+3</b>	<b>+11</b>
WAGES BILL:	INCREASE	28	24	19	16	19	29	17	23	19	27
	DECREASE	13	14	20	19	17	9	14	11	10	6
	<b>NET BALANCE</b>	<b>+15</b>	<b>+10</b>	<b>-1</b>	<b>-3</b>	<b>+2</b>	<b>+20</b>	<b>+3</b>	<b>+12</b>	<b>+9</b>	<b>+21</b>
PRICES:	INCREASE	46	29	23	19	21	34	27	22	19	25
	DECREASE	3	6	6	11	13	2	7	7	7	2
	<b>NET BALANCE</b>	<b>+43</b>	<b>+23</b>	<b>+17</b>	<b>+8</b>	<b>+8</b>	<b>+32</b>	<b>+20</b>	<b>+15</b>	<b>+12</b>	<b>+23</b>
PROFITABILITY:	INCREASE	28	21	18	21	22	33	29	27	28	38
	DECREASE	39	43	42	48	38	29	33	37	26	13
	<b>NET BALANCE</b>	<b>-11</b>	<b>-22</b>	<b>-24</b>	<b>-27</b>	<b>-16</b>	<b>+4</b>	<b>-4</b>	<b>-10</b>	<b>+2</b>	<b>+25</b>
CAPITAL EXPENDITURE:	INCREASE	26	22	19	19	25	22	18	17	22	24
	DECREASE	23	26	25	32	25	33	32	36	29	26
	<b>NET BALANCE</b>	<b>+3</b>	<b>-4</b>	<b>-6</b>	<b>-13</b>	<b>0</b>	<b>-11</b>	<b>-14</b>	<b>-19</b>	<b>-7</b>	<b>-2</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 above average business confidence among SMEs this quarter.
- SMEs in South Australia recorded the most pessimistic expectations for the future direction of the Australian economy of any state or territory.
- SMEs in South Australia recorded lower performance for sales, prices and profitability in the past quarter, and increases in employment, wages and capital expenditure.
- South Australia recorded the lowest proportion of SMEs that increased their sales on balance in the past quarter and equal lowest for profitability, along with Queensland.
- SMEs in South Australia recorded the lowest capital expenditure expectations for the coming quarter of any state or territory, but the highest expectations for price increases.
- SMEs in South Australia recorded the lowest expectations for the year ahead for sales and capital expenditure of any state or territory.
- SME support for the South Australian Government fell marginally during the quarter.

Trends in past three months' experience and current quarter expectations – South Australia											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
						%	%	%	%	%	
POSITIVE						58	45	48	52	67	
NEGATIVE						22	33	32	19	15	
<b>*NET BALANCE</b>						<b>+36</b>	<b>+12</b>	<b>+16</b>	<b>+33</b>	<b>+52</b>	
TOTAL SMALL AND MEDIUM BUSINESS – SOUTH AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	33	32	24	37	27	33	22	26	27	43
	DECREASE	38	38	43	38	40	18	38	39	27	13
	<b>NET BALANCE</b>	<b>-5</b>	<b>-6</b>	<b>-19</b>	<b>-1</b>	<b>-13</b>	<b>+15</b>	<b>-16</b>	<b>-13</b>	<b>+0</b>	<b>+30</b>
SIZE OF WORKFORCE:	INCREASE	8	11	11	12	15	15	10	11	8	10
	DECREASE	11	8	20	13	14	3	2	11	9	2
	<b>NET BALANCE</b>	<b>-3</b>	<b>+3</b>	<b>-9</b>	<b>-1</b>	<b>+1</b>	<b>+12</b>	<b>+8</b>	<b>0</b>	<b>-1</b>	<b>+8</b>
WAGES BILL:	INCREASE	23	22	16	18	18	21	17	16	20	24
	DECREASE	21	13	18	20	15	9	13	20	14	8
	<b>NET BALANCE</b>	<b>+2</b>	<b>+9</b>	<b>-2</b>	<b>-2</b>	<b>+3</b>	<b>+12</b>	<b>+4</b>	<b>-4</b>	<b>+6</b>	<b>+16</b>
PRICES:	INCREASE	34	21	21	19	18	42	30	21	20	26
	DECREASE	6	3	6	6	8	3	4	5	5	2
	<b>NET BALANCE</b>	<b>+28</b>	<b>+18</b>	<b>+15</b>	<b>+13</b>	<b>+10</b>	<b>+39</b>	<b>+26</b>	<b>+16</b>	<b>+15</b>	<b>+24</b>
PROFITABILITY:	INCREASE	24	28	26	35	24	34	23	27	31	43
	DECREASE	43	37	40	37	40	21	37	38	28	14
	<b>NET BALANCE</b>	<b>-19</b>	<b>-9</b>	<b>-14</b>	<b>-2</b>	<b>-16</b>	<b>+13</b>	<b>-14</b>	<b>-11</b>	<b>+3</b>	<b>+29</b>
CAPITAL EXPENDITURE:	INCREASE	22	15	13	28	35	23	19	25	33	14
	DECREASE	24	30	33	24	28	34	37	21	24	36
	<b>NET BALANCE</b>	<b>-2</b>	<b>-15</b>	<b>-20</b>	<b>+4</b>	<b>+7</b>	<b>-11</b>	<b>-18</b>	<b>+4</b>	<b>+9</b>	<b>-22</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 business confidence above the national average among SMEs this quarter.
- Recording the largest improvement in the past quarter, SMEs in Western Australia held the strongest expectations for the future direction of the Australian economy.
- SMEs in Western Australia recorded increased performance for all indicators in the past quarter with the exception of employment and prices, both of which were unchanged.
- Western Australian SMEs were least likely to have recorded increased wages on balance of any state or territory.
- Western Australian SMEs reported increases in all indicators for the coming quarter compared to last quarter, with the exception of prices and capital expenditure which both fell.
- Support for the Western Australian Government fell during the past quarter however it remained the most supported government by SMEs, and the only government apart from the Federal Government to record a net positive support rating from SMEs.

Trends in past three months' experience and current quarter expectations – Western Australia											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
						%	%	%	%	%	
POSITIVE						60	45	55	54	62	
NEGATIVE						17	31	21	19	10	
<b>*NET BALANCE</b>						<b>+43</b>	<b>+14</b>	<b>+34</b>	<b>+35</b>	<b>+52</b>	
TOTAL SMALL AND MEDIUM BUSINESS – WESTERN AUSTRALIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	39	34	29	26	38	47	27	26	37	40
	DECREASE	35	36	38	51	30	22	33	35	27	9
	<b>NET BALANCE</b>	<b>+4</b>	<b>-2</b>	<b>-9</b>	<b>-25</b>	<b>+8</b>	<b>+25</b>	<b>-6</b>	<b>-9</b>	<b>+10</b>	<b>+31</b>
SIZE OF WORKFORCE:	INCREASE	15	11	8	6	10	14	6	11	8	14
	DECREASE	10	14	16	12	16	4	10	10	8	6
	<b>NET BALANCE</b>	<b>+5</b>	<b>-3</b>	<b>-8</b>	<b>-6</b>	<b>-6</b>	<b>+10</b>	<b>-4</b>	<b>+1</b>	<b>0</b>	<b>+8</b>
WAGES BILL:	INCREASE	29	23	13	11	13	31	20	15	15	24
	DECREASE	8	14	14	20	13	7	19	16	11	6
	<b>NET BALANCE</b>	<b>+21</b>	<b>+9</b>	<b>-1</b>	<b>-9</b>	<b>0</b>	<b>+24</b>	<b>+1</b>	<b>-1</b>	<b>+4</b>	<b>+18</b>
PRICES:	INCREASE	45	27	28	20	21	35	39	31	26	21
	DECREASE	3	4	8	8	9	1	4	12	4	3
	<b>NET BALANCE</b>	<b>+42</b>	<b>+23</b>	<b>+20</b>	<b>+12</b>	<b>+12</b>	<b>+34</b>	<b>+35</b>	<b>+19</b>	<b>+22</b>	<b>+18</b>
PROFITABILITY:	INCREASE	29	26	30	24	30	41	25	27	37	36
	DECREASE	33	39	35	52	33	23	33	38	28	11
	<b>NET BALANCE</b>	<b>-4</b>	<b>-13</b>	<b>-5</b>	<b>-28</b>	<b>-3</b>	<b>+18</b>	<b>-8</b>	<b>-11</b>	<b>+9</b>	<b>+25</b>
CAPITAL EXPENDITURE:	INCREASE	20	20	17	24	26	19	16	17	18	18
	DECREASE	31	27	26	23	22	32	34	36	26	28
	<b>NET BALANCE</b>	<b>-11</b>	<b>-7</b>	<b>-9</b>	<b>+1</b>	<b>+4</b>	<b>-13</b>	<b>-18</b>	<b>-19</b>	<b>-8</b>	<b>-10</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 strongest improvement in business confidence among SMEs with confidence now equal highest in Australia, along with the Northern Territory.
- Despite the strong confidence level, SMEs in Tasmania held the lowest perception of the current state of the Australian economy of any state or territory.
- Despite the improvement in business confidence, SMEs in Tasmania recorded weaker performance in the past quarter for sales and capital expenditure. Increases were recorded for employment, wages and profitability.
- Tasmanian SMEs recorded the highest expectations for the coming quarter for sales and profitability of any state or territory.
- Tasmanian SMEs recorded the highest expectations for the year ahead for sales of any state or territory.
- Support for the Tasmanian Government's policies rose strongly during the quarter.

Trends in past three months' experience and current quarter expectations – Tasmania											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
						%	%	%	%	%	
POSITIVE						68	58	44	53	69	
NEGATIVE						17	21	24	21	9	
<b>*NET BALANCE</b>						<b>+51</b>	<b>+37</b>	<b>+20</b>	<b>+32</b>	<b>+60</b>	
TOTAL SMALL AND MEDIUM BUSINESS – TASMANIA		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	39	29	35	32	27	42	36	25	20	54
	DECREASE	26	42	28	35	39	9	22	38	26	11
	<b>NET BALANCE</b>	<b>+13</b>	<b>-13</b>	<b>+7</b>	<b>-3</b>	<b>-12</b>	<b>+33</b>	<b>+14</b>	<b>-13</b>	<b>-6</b>	<b>+43</b>
SIZE OF WORKFORCE:	INCREASE	10	12	21	8	11	12	8	9	3	11
	DECREASE	13	10	9	14	10	1	7	10	9	2
	<b>NET BALANCE</b>	<b>-3</b>	<b>+2</b>	<b>+12</b>	<b>-6</b>	<b>+1</b>	<b>+11</b>	<b>+1</b>	<b>-1</b>	<b>-6</b>	<b>+9</b>
WAGES BILL:	INCREASE	23	25	24	13	21	22	25	19	16	24
	DECREASE	18	16	15	15	17	3	11	17	19	6
	<b>NET BALANCE</b>	<b>+5</b>	<b>+9</b>	<b>+9</b>	<b>-2</b>	<b>+4</b>	<b>+19</b>	<b>+14</b>	<b>+2</b>	<b>-3</b>	<b>+18</b>
PRICES:	INCREASE	40	26	33	17	14	39	31	24	15	20
	DECREASE	6	8	6	6	3	1	3	2	3	2
	<b>NET BALANCE</b>	<b>+34</b>	<b>+18</b>	<b>+27</b>	<b>+11</b>	<b>+11</b>	<b>+38</b>	<b>+28</b>	<b>+22</b>	<b>+12</b>	<b>+18</b>
PROFITABILITY:	INCREASE	30	24	29	24	25	34	34	27	16	47
	DECREASE	32	40	30	35	34	14	26	39	25	11
	<b>NET BALANCE</b>	<b>-2</b>	<b>-16</b>	<b>-1</b>	<b>-11</b>	<b>-9</b>	<b>+20</b>	<b>+8</b>	<b>-12</b>	<b>-9</b>	<b>+36</b>
CAPITAL EXPENDITURE:	INCREASE	25	14	19	21	32	19	22	13	23	23
	DECREASE	27	32	23	31	28	28	23	40	36	32
	<b>NET BALANCE</b>	<b>-2</b>	<b>-18</b>	<b>-4</b>	<b>-10</b>	<b>+4</b>	<b>-9</b>	<b>-1</b>	<b>-27</b>	<b>-13</b>	<b>-9</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 equal highest level of confidence among SMEs, along with Tasmania, however the improvement in confidence in the Northern Territory was lower than other states or territories.
- SMEs in the Northern Territory reported the highest net perceptions of the current state of the Australian economy.
- Performance rose for all indicators with the exception of prices in the past quarter, with SMEs in the Northern Territory recording the highest performance in the past quarter of any state or territory for sales, employment, wages, prices and profitability.
- The Northern Territory recorded the lowest expectations among SMEs of any state or territory for the coming quarter for sales, employment, wages and profitability.
- Looking ahead, the Northern Territory recorded the lowest expectations for the year ahead for employment, wages and profitability but the highest expectations for capital expenditure of any state or territory.
- Support for the Northern Territory Government fell during the quarter, however it remained the second highest of any state or territory.

Trends in past three months' experience and current quarter expectations – Northern Territory											
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
						%	%	%	%	%	
POSITIVE						63	49	60	65	72	
NEGATIVE						17	25	17	17	12	
<b>*NET BALANCE</b>						<b>+46</b>	<b>+24</b>	<b>+43</b>	<b>+48</b>	<b>+60</b>	
TOTAL SMALL AND MEDIUM BUSINESS – NORTHERN TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	46	31	30	33	44	36	24	28	38	32
	DECREASE	19	29	33	29	27	18	30	29	13	21
	<b>NET BALANCE</b>	<b>+27</b>	<b>+2</b>	<b>-3</b>	<b>+4</b>	<b>+17</b>	<b>+18</b>	<b>-6</b>	<b>-1</b>	<b>+25</b>	<b>+11</b>
SIZE OF WORKFORCE:	INCREASE	15	18	9	14	14	15	10	16	9	9
	DECREASE	14	20	22	12	10	9	7	15	5	3
	<b>NET BALANCE</b>	<b>+1</b>	<b>-2</b>	<b>-13</b>	<b>+2</b>	<b>+4</b>	<b>+6</b>	<b>+3</b>	<b>+1</b>	<b>+4</b>	<b>+6</b>
WAGES BILL:	INCREASE	29	24	19	20	22	25	18	19	22	10
	DECREASE	9	14	23	13	7	10	12	19	9	8
	<b>NET BALANCE</b>	<b>+20</b>	<b>+10</b>	<b>-4</b>	<b>+7</b>	<b>+15</b>	<b>+15</b>	<b>+6</b>	<b>0</b>	<b>+13</b>	<b>+2</b>
PRICES:	INCREASE	34	36	27	25	22	40	33	27	21	22
	DECREASE	6	4	3	4	3	1	3	4	1	3
	<b>NET BALANCE</b>	<b>+28</b>	<b>+32</b>	<b>+24</b>	<b>+21</b>	<b>+19</b>	<b>+39</b>	<b>+30</b>	<b>+23</b>	<b>+20</b>	<b>+19</b>
PROFITABILITY:	INCREASE	45	30	27	28	37	34	24	27	35	31
	DECREASE	18	25	29	32	29	19	24	34	18	19
	<b>NET BALANCE</b>	<b>+27</b>	<b>+5</b>	<b>-2</b>	<b>-4</b>	<b>+8</b>	<b>+15</b>	<b>0</b>	<b>-7</b>	<b>+17</b>	<b>+12</b>
CAPITAL EXPENDITURE:	INCREASE	21	16	14	28	27	20	6	22	25	20
	DECREASE	26	28	28	27	21	32	41	34	29	28
	<b>NET BALANCE</b>	<b>-5</b>	<b>-12</b>	<b>-14</b>	<b>+1</b>	<b>+6</b>	<b>-12</b>	<b>-35</b>	<b>-12</b>	<b>-4</b>	<b>-8</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 again recorded the third highest level of business confidence among SMEs during the quarter, and the second largest improvement of any state or territory.
- SMEs in the Australian Capital Territory recorded the strongest growth in net perceptions of the current state of the Australian economy.
- SMEs in the Australian Capital Territory recorded increases in performance in the past quarter for all indicators with the exception of prices which fell.
- SMEs in the Australian Capital Territory were expecting the highest expectations for employment for the coming quarter of any state or territory.
- Support for the Australian Capital Territory Government rose during the quarter.

Trends in past three months' experience and current quarter expectations – Australian Capital Territory											
						AUG 2008	NOV 2008	FEB 2009	MAY 2009	AUG 2009	
CONFIDENCE IN OWN BUSINESS PROSPECT IN NEXT 12 MONTHS						%	%	%	%	%	
POSITIVE						58	44	39	50	66	
NEGATIVE						21	28	32	23	12	
<b>*NET BALANCE</b>						<b>+37</b>	<b>+16</b>	<b>+7</b>	<b>+27</b>	<b>+54</b>	
TOTAL SMALL AND MEDIUM BUSINESS – AUSTRALIAN CAPITAL TERRITORY		ACTUAL EXPERIENCE DURING:-					EXPECTATIONS FOR:-				
		MAY-JUL 08	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 08	NOV-JAN 08/09	FEB-APR 09	MAY-JUL 09	AUG-OCT 09
		%	%	%	%	%	%	%	%	%	
SALES VALUE:	INCREASE	30	21	27	27	32	45	30	22	35	49
	DECREASE	45	49	46	48	31	20	32	30	32	10
	<b>NET BALANCE</b>	<b>-15</b>	<b>-28</b>	<b>-19</b>	<b>-21</b>	<b>+1</b>	<b>+25</b>	<b>-2</b>	<b>-8</b>	<b>+3</b>	<b>+39</b>
SIZE OF WORKFORCE:	INCREASE	13	14	8	10	13	12	8	8	5	15
	DECREASE	17	17	19	19	13	4	10	8	9	1
	<b>NET BALANCE</b>	<b>-4</b>	<b>-3</b>	<b>-11</b>	<b>-9</b>	<b>0</b>	<b>+8</b>	<b>-2</b>	<b>0</b>	<b>-4</b>	<b>+14</b>
WAGES BILL:	INCREASE	24	22	22	14	16	25	19	13	11	23
	DECREASE	16	11	17	20	16	7	13	17	15	8
	<b>NET BALANCE</b>	<b>+8</b>	<b>+11</b>	<b>+5</b>	<b>-6</b>	<b>0</b>	<b>+18</b>	<b>+6</b>	<b>-4</b>	<b>-4</b>	<b>+15</b>
PRICES:	INCREASE	31	19	16	13	16	27	28	19	16	21
	DECREASE	9	6	11	7	11	7	7	6	2	5
	<b>NET BALANCE</b>	<b>+22</b>	<b>+13</b>	<b>+5</b>	<b>+6</b>	<b>+5</b>	<b>+20</b>	<b>+21</b>	<b>+13</b>	<b>+14</b>	<b>+16</b>
PROFITABILITY:	INCREASE	23	16	20	20	26	37	26	22	32	42
	DECREASE	43	46	45	45	34	21	34	33	30	14
	<b>NET BALANCE</b>	<b>-20</b>	<b>-30</b>	<b>-25</b>	<b>-25</b>	<b>-8</b>	<b>+16</b>	<b>-8</b>	<b>-11</b>	<b>+2</b>	<b>+28</b>
CAPITAL EXPENDITURE:	INCREASE	23	18	16	18	25	13	17	15	23	20
	DECREASE	34	28	33	32	22	34	33	38	27	27
	<b>NET BALANCE</b>	<b>-11</b>	<b>-10</b>	<b>-17</b>	<b>-14</b>	<b>+3</b>	<b>-21</b>	<b>-16</b>	<b>-23</b>	<b>-4</b>	<b>-7</b>

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

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