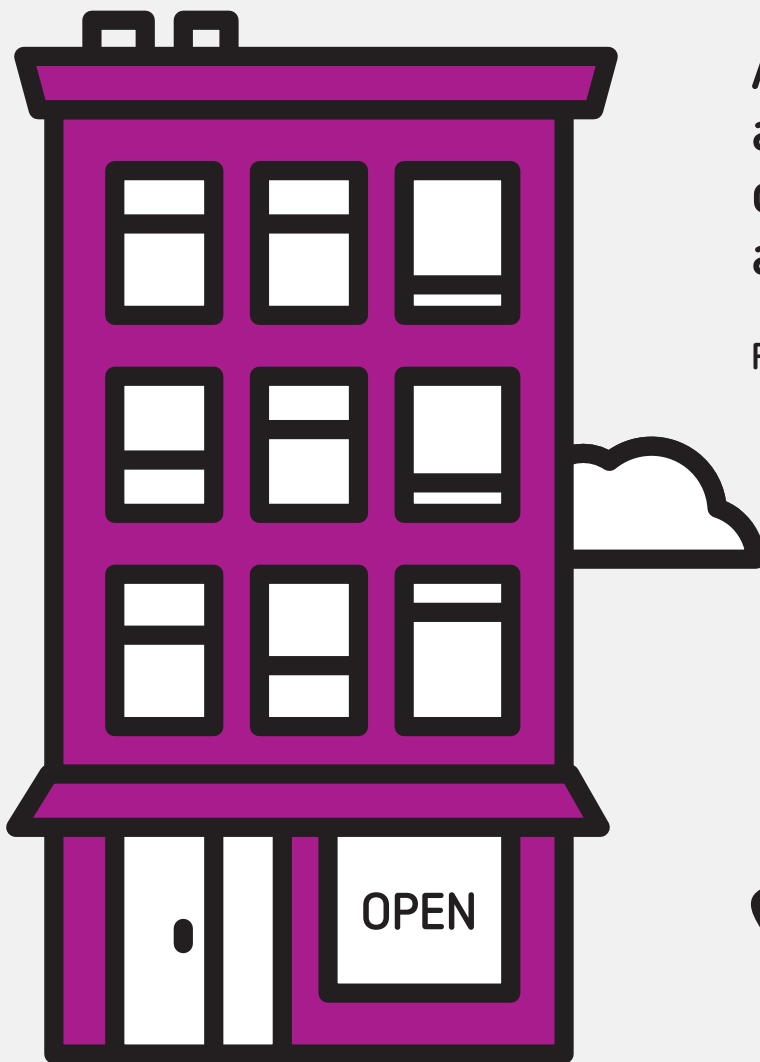


Sensis Business Index August 2015

A survey of confidence
and behaviour
of Australian small
and medium enterprises


Released 29 October 2015



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Introduction

The Sensis Business Index is a quarterly survey of Australia's small and medium businesses (SMBs) which commenced in 1993 to measure and track:

- SMB business activity over the last three months.
- Expectations for the current quarter.
- Overall confidence among SMBs.

The Sensis Business Index samples SMBs nationally enabling broad scrutiny of this market and relevant trends and issues. It examines differences by location, business size and industry. The aim is to reflect the attitudes and behaviour of SMBs, which comprise some 99% of Australian businesses.

Results are based on the responses of SMBs surveyed and reported as a net balance, which represents total positive responses minus total negative responses.

The Sensis Business Index is an initiative of Sensis as part of its commitment to this vital business sector. As Australia's #1 marketing services company, we're here to engage consumers with Australian businesses. We make this happen through a number of leading brands - Yellow Pages, White Pages, TrueLocal, Whereis and Skip and our expert digital know-how. Our digital expertise is what sets us apart - we give businesses a competitive edge through websites, search engine marketing and optimisation, data, and through our digital advertising agency, Found.

About the survey

The August 2015 Sensis Business Index is based on 1,000 telephone interviews conducted with small and medium business proprietors or managers respectively employing less than 20 and 20-199 people.

This sample is drawn from metropolitan and major non-metropolitan regions throughout Australia with targets set for location and industry as shown opposite. Interviewing was conducted from August 3-31, 2015. This was before there was a change in Prime Minister from Tony Abbott to Malcolm Turnbull. TKW is responsible for sampling and fieldwork with Di Marzio Research responsible for analysis and reporting.

Results for each survey are weighted so the sample is reflective of the total SMB population. Prior to 2015 the weighting was by selected ANZSIC (industry sector) divisions within the metropolitan and non-metropolitan region of each state and territory as per the Australian Bureau of Statistics (ABS) Business Register of June 1998. Now the weighting is also by industry, location and business size but based on the most current ABS data contained in the publication 8165.0 - Counts of Australian Businesses, including Entries and Exits, Jun 2009 to Jun 2013. Some adjustments to this weighting data were also made by Sensis to exclude firms with a turnover of under \$50,000 per annum. These firms are primarily non-operating and/or non-employed firms.

This report covers experiences over the last quarter and expectations for the current quarter. Year ahead expectations are only asked in the December quarter survey.

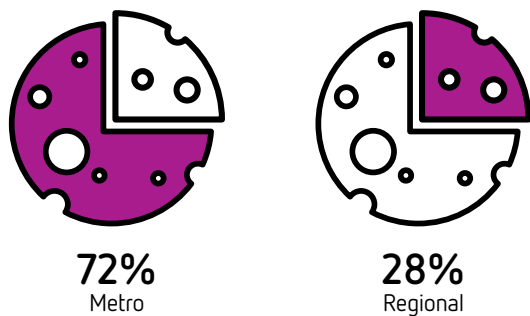
Location of business

	Total	Metro	Regional
New South Wales	167	127	40
Victoria	170	130	40
Queensland	170	90	80
South Australia	125	95	30
Western Australia	126	95	31
Tasmania	80	50	30
Northern Territory	81	50	31
Australian Capital Territory	81	81	-
Total	1,000	718	282

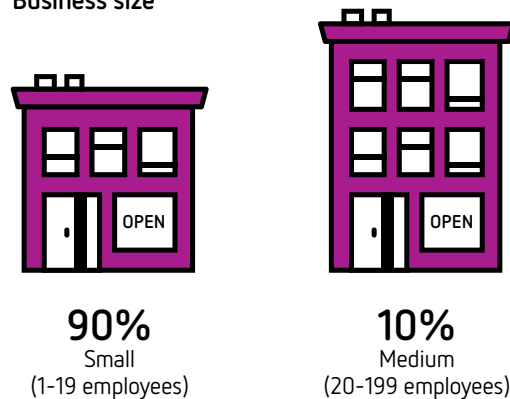
Industry sector

Manufacturing	110
Building and Construction	140
Wholesale Trade	80
Retail Trade	140
Hospitality (Accommodation, Cafes and Restaurants)	55
Transport and Storage	80
Finance and Insurance	55
Communication, Property and Business Services	170
Health and Community Services	85
Cultural, Recreational and Personal Services	85
Total Businesses	1000

Business location



Business size



Foreword

The last Sensis Business Index was released the day after China's 'Black Monday' wiped hundreds of billions of dollars off the world's financial markets. It is interesting to see how the opinions of Australia's small and medium businesses have changed this quarter, in an increasingly volatile economic environment.

Sensis spoke to 1,000 Australian small and medium businesses in August and found that the number of businesses who are worried about the economic environment has doubled this quarter from seven to 14 percent.

There should be cause for concern for the Federal Government, with 87 percent of businesses saying they believe the economy is either slowing or standing still. With the survey taken not long before the change in Prime Minister, the Government saw its bump in confidence from the May Budget evaporate and it is now only just in positive territory on +1 points on a net basis. This was largely thanks to a 15 point boost in confidence among Tasmanian SMBs, with Tasmania the only state where faith in the Government's policies went up.

Despite the negativity about the economy, SMBs have remained relatively resilient with confidence in their own business prospects only dropping four points for the quarter to +27. Twice as many businesses remain confident as those who are worried.

If you break down the figures there have been some big shifts in confidence on a regional basis. Confidence dropped 11 points in metropolitan areas, while rising seven points in regional areas. As a result the gap in confidence between businesses based in the capital cities and their regional counterparts has narrowed from 22 points to only four points. Across Victoria, Queensland and the Northern Territory there was actually a reversal in confidence, with regional businesses now more confident in those locations.

The ACT has moved from fourth spot to now be the most confident region following strong growth in prices, employment and wages. At the other end, South Australia is well and truly the least confident region following a 31 point decline in confidence driven by falls in sales and profitability.



At an industry level there were some major shifts, with wholesale trade suffering a 28 point fall in confidence to become the least confident sector on +2 points. This was driven by falling sales and unfavourable business conditions. Meanwhile, SMBs in the health and community services sector cited specific business strengths as the primary reason for a 14 point rise in confidence, which has made the sector the most confident, just ahead of communications, property and business services.

Access to finance is one area that can be an early indicator of the economic pressures SMBs are facing. This quarter, 17 percent of SMBs tried to access finance, which was up from six percent from the last quarter. Of those who tried to access finance 73 percent were successful, which is of concern when you compare it to the 85 percent who had success last quarter.

I'd be keen to hear your thoughts on these and all the key trends affecting small and medium businesses as part of the online discussion using #SensisBiz.

John Allan, Chief Executive Officer, Sensis

Executive summary

Historical trends and overall SMB highlights

The boost to SMB confidence arising after the Federal Budget last survey has evaporated. SMBs found conditions challenging last quarter and their prognosis of the economy is worsening along with their views of the Federal Government and of most state and territory governments. Despite this, more are adopting a positive attitude towards their future performance.

The key findings of the August Sensis Business Index are:

- There was a four point fall in SMB confidence this last quarter to net +27. This compares with +28 a year ago.
- Confidence declined in all locations except NSW, the ACT and Queensland. The highest confidence level is now in the ACT (+47 net) which improved fourteen points. Confidence fell by twenty points or more in SA (to +1), Tasmania (to +18) and the NT (to +22).
- Opinions of the current state of the economy became more negative. Many more SMBs believe the economy is slowing (32%) rather than growing (13%). They are also more bearish about the health of the economy in 12 months' time.
- Last quarter, performance indicators were not flattering with sales flat overall and profitability down. The only change of note was in wages which lifted nine points in net balance.
- For the current quarter however, all indicators are expected to be positive on balance and improved by four to six points for sales, profitability and wages.
- Lack of work or sales continues to be cited spontaneously as the number one barrier to taking on staff followed by difficulty in finding suitable staff.
- Last survey the budget was associated with greatly improved opinions of the Federal Government but those gains have largely been lost. Now the proportion of SMBs believing the Federal Government's policies help small business are almost equalled by those with the opposite view.
- This survey was taken before there was a change in Prime Minister from Tony Abbott to Malcolm Turnbull. The next survey will reflect any change in sentiment as a result of this decision.
- Among state and territory governments, only Tasmania saw an upward movement in SMB assessments. The Tasmanian Government is easily seen as the most supportive of SMBs in Australia with it and only the NSW and NT Governments rating positively overall (albeit lower than last survey). The SA Government continues to be the most poorly regarded by SMBs.

Executive summary

Metropolitan versus regional

The gap between metropolitan and regional SMBs in terms of their business confidence has narrowed.

The key findings to emerge for metropolitan and regional businesses last quarter included:

- Confidence dropped eleven points in metropolitan locations but was seven points higher among regional SMBs. They now do not differ much in their level of confidence regarding the next twelve months (+29 versus +25).
- Metropolitan SMBs remain pessimistic overall about the economy now but this view is not quite as common in the regional areas (-16 net in regional compared to -21). They do not differ in their expectations for the economy in one year's time (each at -4 net).
- Regional SMBs performed a little better on sales and profitability in the past quarter than their metropolitan counterparts. They also displayed higher net balances for wages and prices but were three points lower on the employment indicator (at -3).
- For the current quarter, positive expectations were apparent on all indicators in both metropolitan and regional locations with net balances slightly higher in regional areas or equal. Sales and profitability forecasts are solid in both segments.
- Both metropolitan and regional SMBs have become less supportive of the Federal Government's policies for small business, especially in regional areas. The net balance fell by 27 points to -3 compared to an 11 point decrease in metropolitan areas to +3.

Industry sector trends

Most sectors are pretty confident about the year ahead and expect a good quarter despite a tough last quarter.

- The health and community services sector presented the highest confidence level with communication, property and business services close behind. Together with finance and insurance these sectors are clearly above the national average on confidence. The wholesale, retail trade and manufacturing sectors are well below average on this measure.
- In sales growth last quarter, the finance and insurance sector was a stand-out with a net balance of +24 which was 19 points ahead of any other sector. Transport and storage (-20) and cultural, recreation and other services (-16) really struggled sales-wise with wholesale (-4), retail (-8) and hospitality (-5) also recording negative net balances.
- Negative profitability results were the norm last quarter with finance and insurance the only positive performer (+25). Retailers (-20) were weakest on profitability last quarter followed by transport and storage (-18).
- For the current quarter, sales and profitability expectations are quite favourable in most sectors.
- The net balances for sales expectations ranged from +19 to +32 in all sectors bar transport and storage (+10). Wholesale (+32) and retail (+30) recorded the highest results on this indicator. For profitability, expectations were positive everywhere except transport and storage (0 net balance). The leader was cultural, recreation and personal services (+35).

SMB business cycle analysis

Even though SMBs have generally experienced a difficult quarter and their assessment of the economy is that it will weaken, they are optimistic about their own performance for this quarter.

Examining the latest key indicator results provides a gauge on the potential direction of the Australian economy.

The results last quarter were disappointing overall and SMB perceptions of the economy in the short term are quite negative. Other results also show a loss of faith in the Federal Government. Hence it is not surprising that confidence has dropped but this has not dented the faith many SMBs hold in their own business which provides some encouragement for the economy's direction.

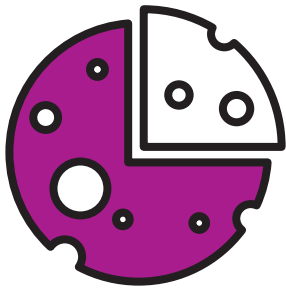
	Results for this quarter	Expectations for this quarter
Business confidence	NA	Decreased (for year ahead)
Economy	NA	More pessimistic (for year ahead)
Sales	Flat	More optimistic
Employment	Marginally higher but still not positive	Marginally more optimism
Wages	Higher and now clearly positive	Increased optimism
Prices	Marginally more positive	Marginally lower optimism
Profitability	More negative	Increased optimism

SBI Snapshot

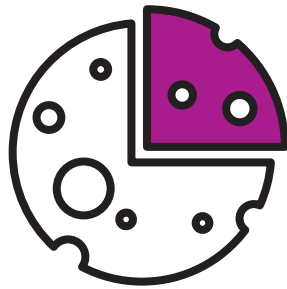
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

Who did we survey?

Region



72%
Metro

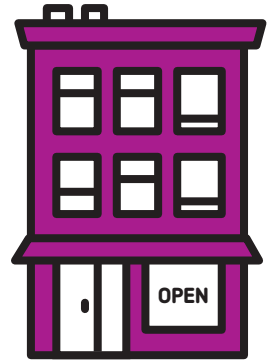


28%
Regional

Business size



90%
Small



10%
Medium

What did they tell us?

SMBs feeling slightly less confident



50% feel confident

Because of:

- Specific business strengths
- Established, solid business
- Healthy, growing sales
- Optimistic attitude



23% feel worried

Because of:

- Decreasing sales
- Unfavourable business, economic or industry environment

=



+27 net balance

Decreased 4 points from last quarter

SMB confidence by state



Australian Capital Territory +47 (↑14)

New South Wales +34 (↑3)

Victoria +32 (↓10)

National average +27 (↓4)

Queensland +25 (↑7)

Northern Territory +22 (↓21)

Western Australia +18 (↓10)

Tasmania +18 (↓21)

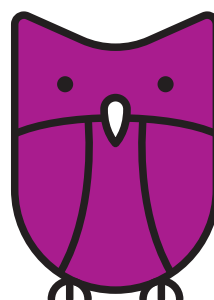
South Australia +1 (↓31)



Net confidence decreased to

+27 points

Down 4 points from last quarter



SBI Snapshot

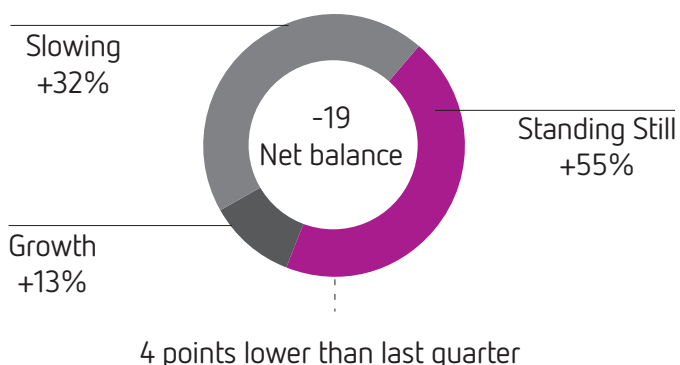
SMB confidence by sector



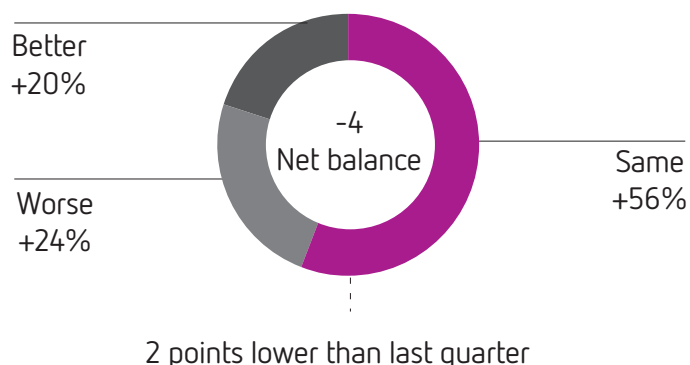
Health and Community Services +41 (↑14)
Communications, Property and Business Services +40 (No Change)
Finance and Insurance +38 (↑7)
Transport and Storage +30 (↑21)
<i>National average</i> +27 (↓4)
Building and Construction +26 (↓12)
Hospitality (Accommodation, Cafes and Restaurants) +24 (↑15)
Cultural, Recreational and Personal Services +22 (↓24)
Manufacturing +17 (↓9)
Retail Trade +16 (↓15)
Wholesale Trade +2 (↓28)



Perceptions of the economy now



Perceptions of the economy a year from now



Experience and expectations on key business indicators

*Net Balance for Key Indicators	Actual experience**	Expectation for next quarter***	Change in expectation for next quarter
Sales	0	+24	↑ 6
Size of workforce	-1	+7	↑ 1
Wages	+10	+19	↑ 5
Prices	+9	+16	↓ 2
Profitability	-7	+19	↑ 4

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

** Actual experience relates to last 3 months.

*** Expectation is for next 3 months. Typically the expectation results here have been for the next 12 months but that question is now only asked in the final survey for each year which will also include the 'capital expenditure' indicator.

Small and Medium Business Outlook – National Summary

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SMB confidence in their own business prospects over the next 12 months

Net confidence has eased to a level consistent with this time last year.

Key findings

The net confidence level of Australian SMBs dipped back to the level it has been at for four of the last five quarters.

Last quarter (May - July 2015)

The net balance figure for the last quarter was down four points to +27 with 50% of SMBs feeling confident about their prospects for the year ahead and 23% feeling worried. Over the last year the net balance has not changed much.

Lack of work or sales remains the prime reason for concern.

The top three factors generating confidence were specific strengths of the business, being an established, solid business and healthy and growing sales.

This quarter SMB views on the current state of the Australian economy and their expectations for future growth have become more bearish, remaining in negative territory overall.

Overall confidence - Aug 2015

Thinking about the next 12 months, how confident do you feel about your business prospects?

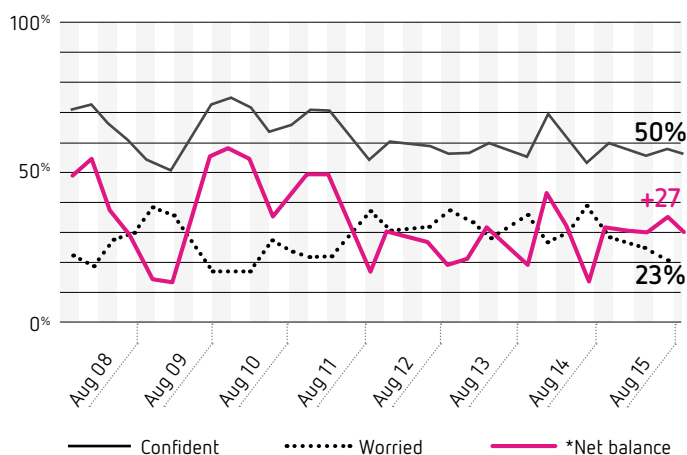
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	7	21	8
Fairly confident	43	45	43
Neutral	26	23	26
Fairly worried	17	9	17
Extremely worried	7	2	7
Total confident	50	66	50
Total worried	24	11	23
*Net Balance	+26	+55	+27

Note: rounding occurs

Confidence trends - past five quarters

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Confident	53%	51%	49%	51%	50%
Worried	25%	24%	22%	20%	23%
*Net Balance	+28	+27	+27	+31	+27

Long term trends in confidence



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

Confidence by state and territory, sector and size

Confidence varied considerably by location, sector and business size.

Key findings

Confidence was again positive overall in all states albeit only just positive in SA. There was continued improvement in Queensland and the ACT with NSW also lifting. Elsewhere confidence fell. The ACT now displays the highest confidence level after being lowest in November 2014. SA is back at the bottom of the pack despite improving strongly last survey.

Confidence levels remained lower overall among regional SMBs relative to metropolitan SMBs but the gap narrowed to 4 points compared to 22 points last time. Some regional areas are distinctly more confident than their metropolitan counterparts.

Sector differences are quite marked too and medium sized firms are more than twice as confident as the small firms.

Last quarter (May – July 2015)

The ACT became a very clear leader on confidence rising 14 points to +47 net. Queensland improved by 7 points to +25 and NSW by 3 points to +34 while all other locations declined. In particular, SA fell 31 points to +1 and there were also solid falls in Victoria, WA, Tasmania and the NT. Victoria remains above the national average.

The most confident capital city is Canberra, while Hobart and Sydney are not far behind. Darwin experienced a significant drop compared to last quarter and in Adelaide confidence is negative. Regionally, confidence was strongest in Victoria with the NT also well above average. WA and Tasmanian regional SMBs were the least positive.

Confidence was highest in the health and community services sector just ahead of communications, property and business services sector and finance and insurance. It was lowest in wholesale trade by a big margin and well below average in retail trade and the cultural, recreational and personal services sector.

Last survey medium sized businesses were only slightly more positive about their prospects than small businesses - by a gap of 4 points - but that is no longer true with their net balance now at +54 compared to +26 for small businesses.

Confidence by state and territory, sector and size

Trends by state - *net balance

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
National	+28	+27	+27	+31	+27
New South Wales	+37	+24	+38	+31	+34
Victoria	+28	+38	+33	+42	+32
Queensland	+18	+13	+10	+18	+25
South Australia	+14	+19	+6	+32	+1
Western Australia	+35	+38	+29	+28	+18
Tasmania	+14	+38	+32	+39	+18
Northern Territory	+50	+46	+35	+43	+22
Australian Capital Territory	+21	+9	+19	+33	+47

Metro and regional confidence - *net balance

	Metro	Regional	Total
National	+29	+25	+27
New South Wales	+42	+21	+34
Victoria	+29	+37	+32
Queensland	+20	+28	+25
South Australia	-5	+16	+1
Western Australia	+22	+9	+18
Tasmania	+40	+8	+18
Northern Territory	+7	+33	+22
Australian Capital Territory	+47	NA	+47

Confidence by business size

	Confident	Worried	*Net Balance
Total	50%	23%	+27
1-2 Employees	48%	26%	+22
3-4 Employees	57%	26%	+31
5-9 Employees	51%	18%	+33
10-19 Employees	47%	22%	+25
Total Small Business	50%	24%	+26
20-99 Employees	67%	12%	+55
100-199 Employees	48%	0%	+48
Total Medium Business	66%	11%	+54

Note: rounding occurs.

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	46%	29%	+17
Building/Construction	48%	22%	+26
Wholesale Trade	36%	34%	+2
Retail Trade	47%	31%	+16
Transport/Storage	51%	21%	+30
Communication Property & Business Services	58%	18%	+40
Finance and Insurance	61%	23%	+38
Health and Community Services	54%	13%	+41
Cultural, Recreational and Personal Services	49%	27%	+22
Hospitality (Accommodation, Cafes and Restaurants)	48%	24%	+24

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

Perceptions of the economy

SMB perceptions of the economy have become more bearish.

Key findings

SMB assessments of the economy now and their expectations for the next year remain negative and to a greater degree than last survey.

Last quarter (May - July 2015)

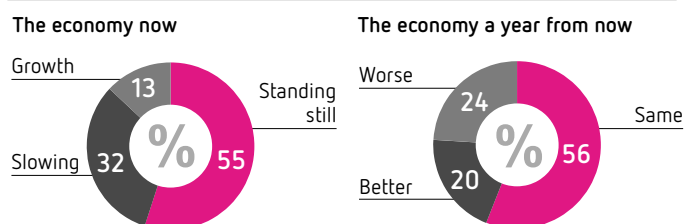
There was no shift in the proportion believing the economy is growing but a four point rise in the proportion who see it slowing down. This resulted in a net balance of -19 compared to -15 previously.

SMB perceptions of the current state of the Australian economy were again negative in every state and territory but especially in SA (-41) and WA (-40). The best score here was again in NSW which improved four points to -2 net.

Regional SMBs (-16) are not quite as bearish as those in metropolitan locations (-21).

Views about the economy in a year's time have eased by two points staying negative overall. The proportion expecting the economy to improve was up two points from the previous quarter but there was a four point drop in the proportion who feel the economy will be worse in a year's time. As a result, the net balance was -4 compared to -2 last time and -9 prior to that. This compares with positive net balances throughout 2014.

Expectations of the economy in a year's time are only positive in NSW (+4) and Tasmania (+2). The worst were in Victoria and the ACT, where the year ahead expectations were -16 and -17. There was no difference between metropolitan and regional SMBs on this measure.



Perceptions of the economy - trends

	Aug 14	Nov 14	Mar 15	June 15	Aug 15
The economy now					
Growth	19%	19%	12%	13%	13%
Slowing	24%	28%	35%	28%	32%
*Net Balance	-5	-9	-23	-15	-19
The economy a year from now					
Better	31%	28%	20%	18%	20%
Worse	19%	22%	29%	20%	24%
*Net Balance	+12	+6	-9	-2	-4

Perceptions of the economy

Long term trends - *net balance



Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	22%	8%	14%	4%	4%	18%	7%	10%
Slowing	24%	27%	40%	45%	44%	33%	32%	31%
*Net Balance	-2	-19	-26	-41	-40	-15	-25	-21
The economy a year from now								
Better	25%	14%	21%	21%	20%	25%	18%	17%
Worse	21%	30%	23%	32%	21%	23%	20%	34%
*Net Balance	+4	-16	-2	-11	-1	+2	-2	-17

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

Concerns

Lack of work or sales was again cited most of all while economic climate grew as a concern.

Key findings

Fewer SMBs (39%) said they are facing no significant problems in their business than last time (53%). As discovered for many surveys now, lack of work or sales emerges above any other concern. However, the economic climate increased as a worry.

Last quarter (May - July 2015)

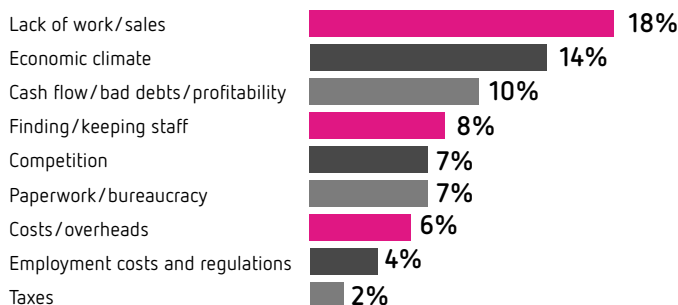
18% nominated lack of work or sales revenue as the main issue impacting their businesses. This was up three points from last quarter. This concern stood out most in SA at 33% and least in Victoria and the ACT at 14%. In finance and insurance only 7% worried about lack of work, whereas in other sectors this was mentioned by 15% to 22%.

Spontaneous concern about the economic climate was mentioned by 14% compared to 7% last time. Economic climate includes issues such as consumer confidence and spending levels, interest and exchange rates, concerns about the general economic climate, as well as global, state and regional economic concerns. This was most prominent in the retail sector at 20%, with manufacturing close at 19%.

Cash flow, bad debts or profitability, up three points, was cited by 10% overall and by 16% of retailers.

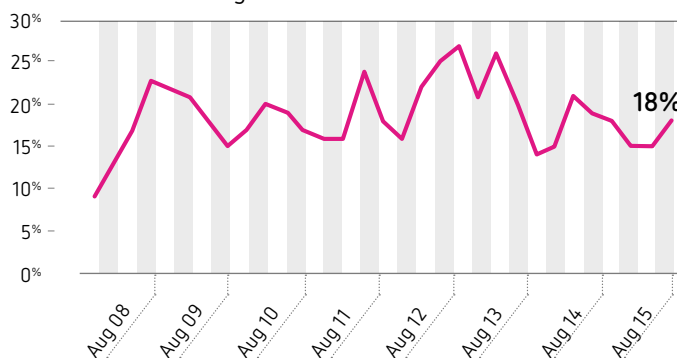
Prime concerns

As far as your business is concerned, what problems, if any, are you facing at the moment?

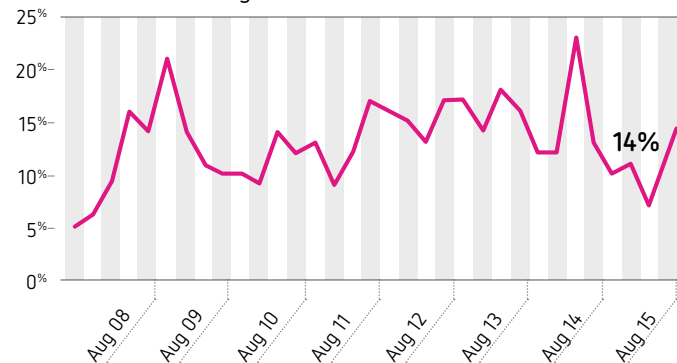


No concerns = 39%

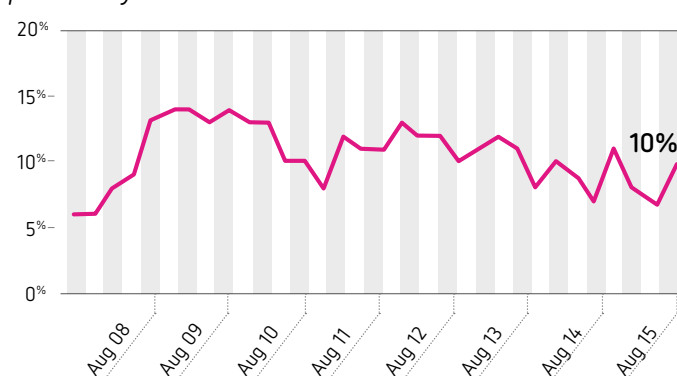
Prime concerns - long term trends - lack of work or sales



Prime concerns - long term trends - economic climate



Prime concerns - long term trends - cash flow, bad debts or profitability



Sales

Sales are battling to lift but expectations are quite optimistic.

Key findings

Overall, sales performance has continued to be weak despite expectations for the quarter ahead being optimistic and to a greater degree than last survey.

Last quarter (May - July 2015)

Sales performance registered a zero net balance which was two points better than in the previous quarter.

Sales performance was best in NSW (+8) followed by Tasmania (+5). It was worst in WA (-18) and SA (-15).

The finance and insurance sector recorded the leading sales performance (+24), while the weakest was in transport and storage (-20). Other struggling sectors were wholesale (-4), hospitality (-5), retail (-8) and cultural, recreational and personal services (-16).

Current quarter (August - October 2015)

SMBs are expecting higher sales over the current quarter. Thirty eight percent expect an increase in sales and 14% forecast a fall giving us a net balance of +24. This is six points above last time.

Sales expectations are upbeat in all locations with net balances ranging from +42 in Tasmania to +17 in NSW.

Across industry, the expectations are around the national average or better in all sectors except transport and storage (+10). There is more optimism in the wholesale (+32) and retail (+30) sectors.

Value of sales

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Last Quarter					
Experienced increase	24%	33%	30%	23%	29%
No change	39%	34%	37%	50%	41%
Experienced decrease	36%	31%	31%	25%	29%
*Net Balance	-12	+2	-1	-2	0
Current Quarter					
Expect increase	40%	34%	43%	31%	38%
No change	46%	43%	44%	55%	46%
Expect decrease	13%	20%	12%	13%	14%
*Net Balance	+27	+14	+31	+18	+24

Value of sales - trends in *net balance



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

Employment

Employment results remain flat.

Key findings

This indicator has been around the neutral mark for some time.

Last quarter (May - July 2015)

Twelve percent reported increased employment and 13% reported a decrease creating a net balance of -1. The net balance range has been -4 to +1 for the last five quarters.

At the state level, the best results were in SA, Tasmania and the ACT (each +3). WA was noteworthy with a net balance of -14 while other locations were near the national average.

The only sector with an impressive net balance was health and community services (+12) in stark contrast to manufacturing (-14) and hospitality (-12).

Fifty percent reported barriers to taking on new employees (42% last survey). Lack of work or sales remains the main barrier by far, mentioned by 42% (51% last time). SMBs boosting staff numbers were most likely to do so due to business growth.

Size of workforce

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Last Quarter					
Experienced increase	10%	10%	11%	8%	12%
No change	76%	79%	79%	81%	75%
Experienced decrease	14%	12%	10%	11%	13%
*Net Balance	-4	-2	+1	-3	-1
Current Quarter					
Expect increase	10%	11%	14%	11%	13%
No change	85%	83%	78%	83%	80%
Expect decrease	5%	6%	7%	5%	6%
*Net Balance	+5	+5	+7	+6	+7

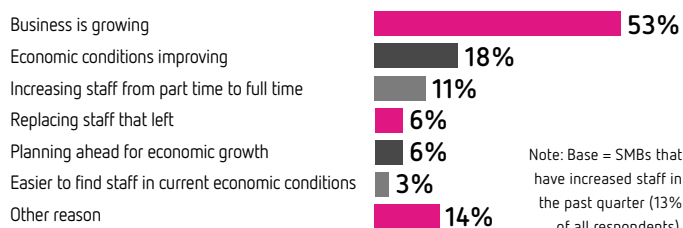
Current quarter (August - October 2015)

Hardly any change observed here again with 13% forecasting an increase and 6% expecting to shed staff. The net balance of +7 is in line with the last five surveys.

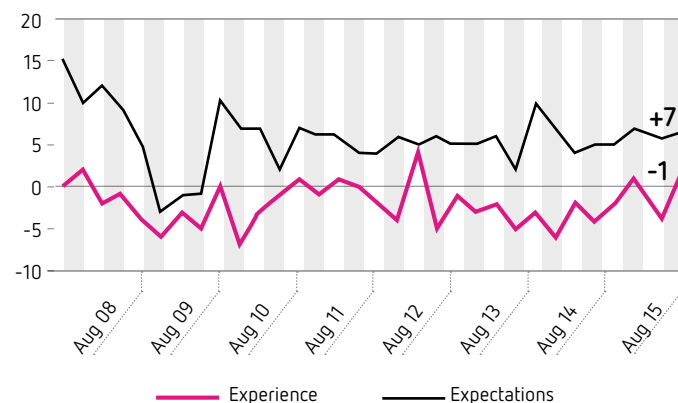
The most optimism is in Victoria (+13) while SMBs in SA and the NT (-1) are in negative territory.

Expectations are highest in manufacturing, cultural, recreational and personal services and hospitality at +16 in each sector. The most pessimistic sector is finance and insurance (-7).

Why SMBs have increased employment - August 2015

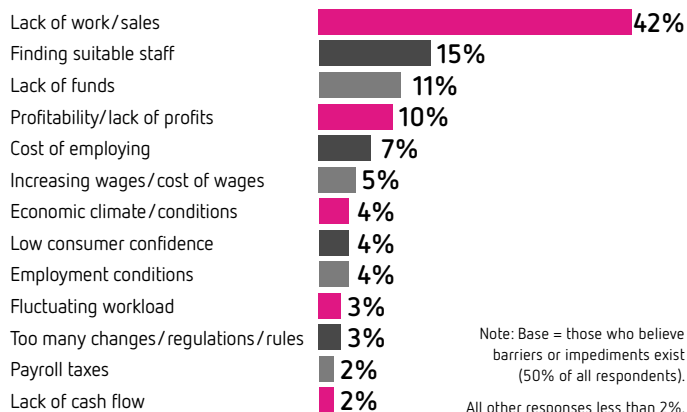


Size of workforce - trends in *net balance



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

What are the barriers to taking on new employees?



Wages bill

Wages pressure appears to be building.

Key findings

Wage rises were more common in the last quarter among SMBs than observed in the prior survey and expectations for wages growth also were more widespread.

Last quarter (May – July 2015)

Twenty five percent reported growth in wages against a 15% fall. The net balance of +10 increased from +1 last survey but was consistent with the previous three quarters.

Wages growth in the last quarter registered a net balance of +17 in NSW and +14 in Queensland. This was negative in WA (-10) and neutral in SA but around the average in other locations.

Sector-wise, finance and insurance recorded the greatest rise in wage costs at +39 followed by health and community services (+27). The manufacturing sector was lowest on this indicator (-10) with wholesale at -2.

Current quarter (August – October 2015)

In the current quarter, 26% anticipate rising wage costs while 7% expect a decrease. The net balance of +19 compares with +14 last quarter and +15 in August 2014.

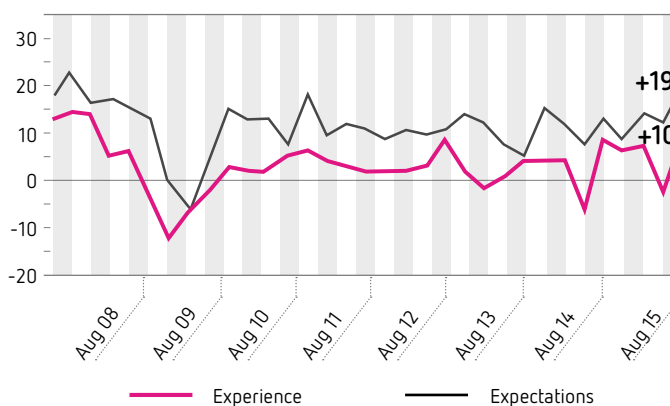
Across the states and territories wages expectations are positive from SA (+14) to Tasmania (+28). Only the NT differs on zero.

Expected wage growth is highest in cultural, recreational and other services sector (+33) and lowest in hospitality (+8).

Wages bill

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Last Quarter					
Experienced increase	26%	23%	25%	15%	25%
No change	57%	59%	56%	67%	57%
Experienced decrease	15%	14%	15%	14%	15%
*Net Balance	+11	+9	+10	+1	+10
Current Quarter					
Expect increase	24%	22%	24%	20%	26%
No change	66%	66%	67%	71%	65%
Expect decrease	9%	11%	8%	6%	7%
*Net Balance	+15	+11	+16	+14	+19

Wages bill - trends in *net balance



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

Prices

Consistency in pricing behaviour but expectations tempered.

Key findings

Overall prices have risen in a fairly consistent fashion over the past year and this trend looks likely to continue although expectations have tempered in the last two surveys.

Last quarter (May - July 2015)

There was a one point rise in net balance to +9. Price increases were noted by 18% with 9% decreasing their prices.

Net price increases last quarter were in the range of +4 (SA) to +21 (ACT).

By sector there was considerable variation. Increases were well above average in wholesale (+30) and retail (+21) but negative overall in manufacturing and transport and storage (-5 in each). Health and community services (+16) also stood out on the high side while cultural, recreational and personal services (+2) was relatively low.

Current quarter (August - October 2015)

Expectations for price rises in the short term were two points lower, generating a net balance of +16.

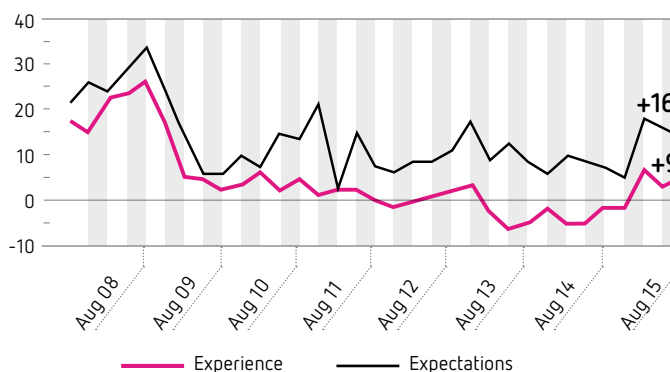
These expectations ranged from +6 in SA to +22 in Victoria. The other locations were all within three points of the national average.

Expectations for increased pricing were strongest in wholesale (+27) and finance and insurance (+26). Lowest on this measure by far were SMBs in transport and storage (+3). All the rest displayed net balances of +11 or more.

Prices charged

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Last Quarter					
Experienced increase	18%	17%	21%	16%	18%
No change	70%	70%	67%	73%	70%
Experienced decrease	11%	10%	10%	8%	9%
*Net Balance	+7	+7	+11	+8	+9
Current Quarter					
Expect increase	19%	17%	26%	20%	21%
No change	74%	77%	68%	75%	72%
Expect decrease	5%	5%	5%	2%	5%
*Net Balance	+14	+12	+21	+18	+16

Prices charged - trends in *net balance



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

Access to finance

Becoming harder to obtain finance but still easier than one year ago.

Key findings

SMB's ability to access finance is critical for capital expenditure and growth. Overall they are finding it tougher to access finance than earlier this year but it is still easier than a year ago.

Last quarter (May - July 2015)

Accessing finance has become more difficult over the last two quarters but is not as difficult as this time last year. The net score of +1 compares with +4 and +6 in the last two surveys but -9 in August last year.

By sector, manufacturing (+8) and communications, property and business services (+9) stood out at the top end in stark contrast to hospitality (-15) with retail (-6) and finance and insurance (-7) also negative.

Seventeen percent of SMBs indicated an attempt to access finance, up 6 points from last quarter. However, of those, 73% had success compared to 85% in the prior survey.

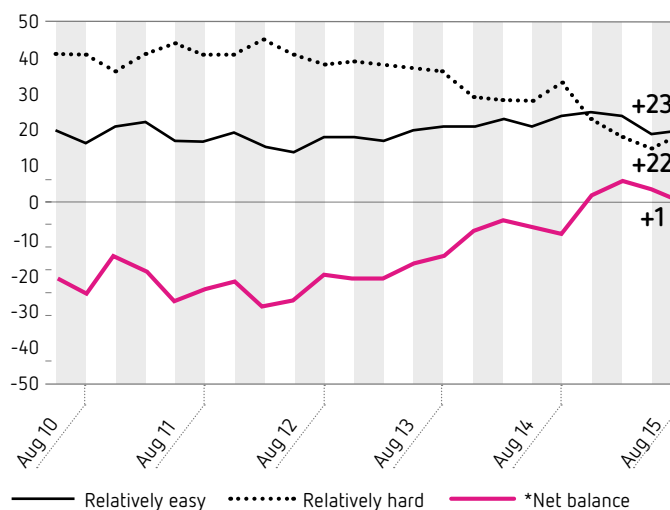
The highest incidence of applying for finance was in Queensland (21%), followed closely by WA (20%). The lowest was in the ACT (10%). SMBs in manufacturing (25%) were the most likely to have sought finance.

SMBs in Tasmania (-5) and WA (-4) found it more difficult than elsewhere to be successful in their applications for finance, while those in SA were the most positive on this dimension (+9).

Access to finance

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Last Quarter					
Relatively easy	24%	25%	24%	19%	23%
Average	44%	52%	58%	66%	55%
Relatively hard	33%	23%	18%	15%	22%
*Net Balance	-9	+2	+6	+4	+1

Access to finance - trends in *net balance



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

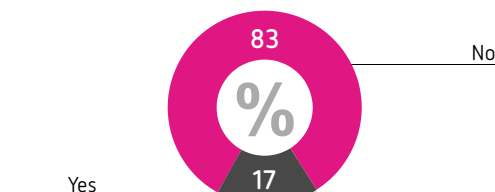
Ease of accessing finance - by business size (Aug 2015)

	Easy	Hard	*Net Balance
Total	23%	22%	+1
1-2 Employees	28%	22%	+6
3-4 Employees	18%	22%	-4
5-9 Employees	20%	22%	-2
10-19 Employees	17%	24%	-7
Total Small Business	23%	23%	0
20-99 Employees	37%	10%	+27
100-199 Employees	42%	31%	+11
Total Medium Business	38%	11%	+27

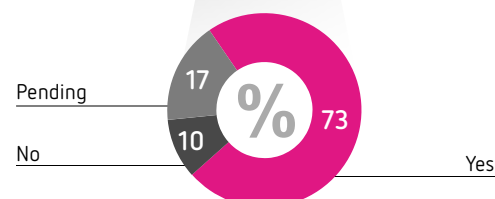
Base: Those who had tried to access finance (17% of all respondents).

Success in accessing finance

Have you tried to access finance for your business in the past quarter?



Were you successful?



Profitability

Longstanding negative profitability experiences have not overcome positive expectations.

Key findings

SMBs reporting improved profitability are still outweighed by those experiencing a negative result. Despite this, positive expectations have been the norm.

Last quarter (May – July 2015)

Twenty four percent reported a profit rise against a 31% fall. The net balance result of -7 compares with -3 last survey.

The last net positive profitability result recorded was in February 2008.

Profitability was negative everywhere but NSW (+5). It was particularly weak in WA (-31) and SA (-27).

Only in finance and insurance (+25) was profitability positive with health and community services the next best performers (0). Retail (-20) and transport and storage (-18) struggled the most on this indicator.

Current quarter (August - October 2015)

Profitability expectations for the current quarter were four points higher overall at +19.

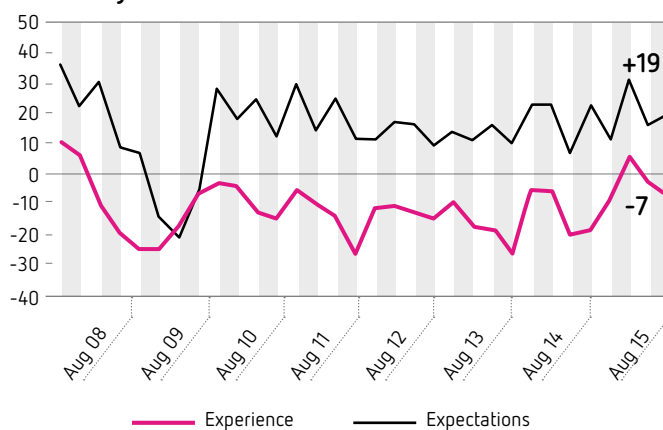
Profitability expectations are well above average in Tasmania (+29) and the ACT (+28). The opposite is true for WA (+9) and the NT (+10).

The cultural, recreational and personal services sector (+35) is the most positive with the weakest being transport and storage (0).

Profitability

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Last Quarter					
Experienced increase	22%	26%	24%	21%	24%
No change	37%	37%	40%	53%	43%
Experienced decrease	40%	34%	34%	24%	31%
*Net Balance	-18	-8	-10	-3	-7
Current Quarter					
Expect increase	35%	33%	44%	29%	35%
No change	51%	44%	41%	55%	47%
Expect decrease	13%	22%	13%	14%	16%
*Net Balance	+22	+11	+31	+15	+19

Profitability - trends in *net balance



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

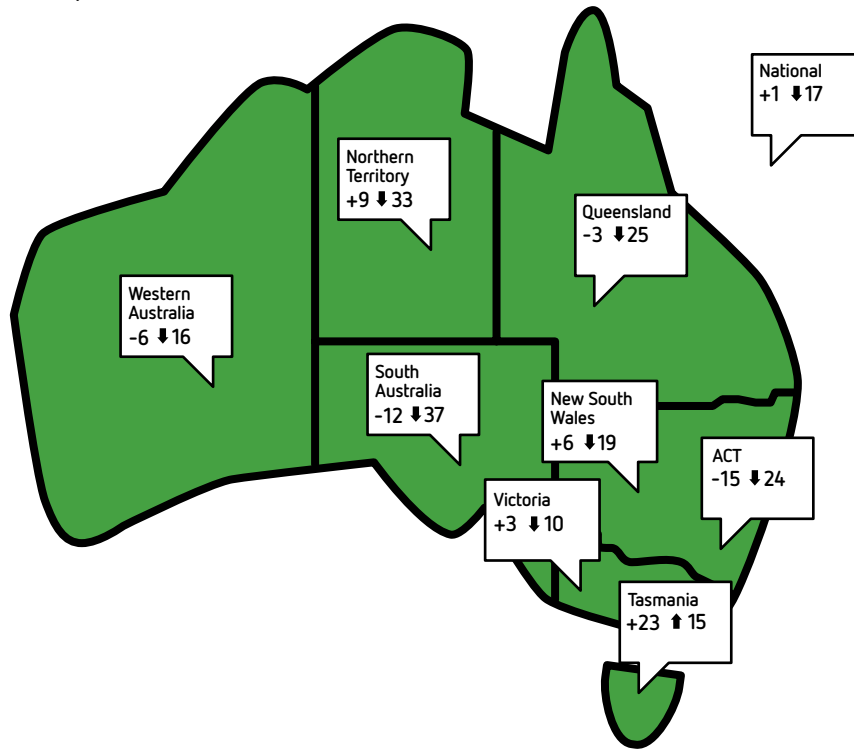
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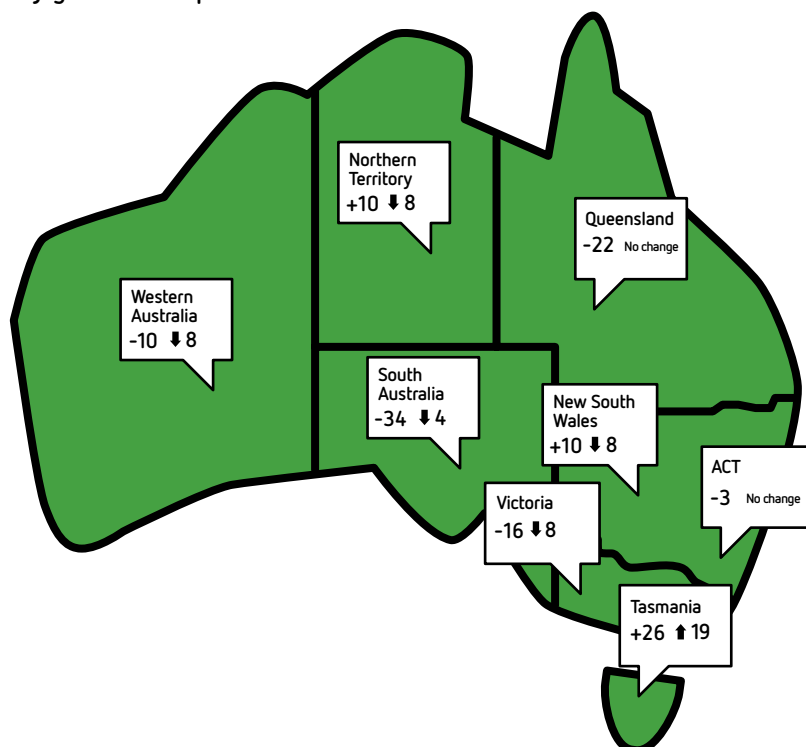
Government policies

The maps below show the net balance - the proportion believing the government is supportive less the proportion believing it to be working against small business interests - and the change in net balance compared with the previous quarter.

Attitudes to Federal Government policies



Attitudes to state and territory government policies



Assessment of Federal Government policies

For SMBs the Federal Government has lost the goodwill it generated with the May Budget.

Key findings

The favourable rating SMBs gave the Federal Government last survey has virtually disappeared.

Last quarter (May - July 2015)

Twenty five percent now judge the Federal Government's policies as supportive of SMBs with 24% in the opposite camp. The net balance of +1 compares with the prior result of +18.

In the June survey the budget was the reason for a favourable view of the Government due primarily to the tax related incentives and measures introduced. This is still the main influence on favourable assessments of the Government – 35% mentioned tax incentives like the \$20,000 immediate write-off depreciation benefit and 25% cited tax reductions or fair tax dealings.

SMBs unimpressed with the Federal Government's policies are mostly critical of the lack of incentives, support or financial assistance being provided for small business (21%), excessive bureaucracy, red tape (17%) and high taxes (13%).

Businesses in the ACT (-15) and SA (-12) are the most negative about Federal Government's support for small business. In NSW (+6), Tasmania (+23) and the NT (+9) opinions remain favourable overall.

SMBs in the wholesale (-17) and building and construction (-12) sectors were the least positive about Federal Government support. Most favourably disposed was the finance and insurance sector (+24).

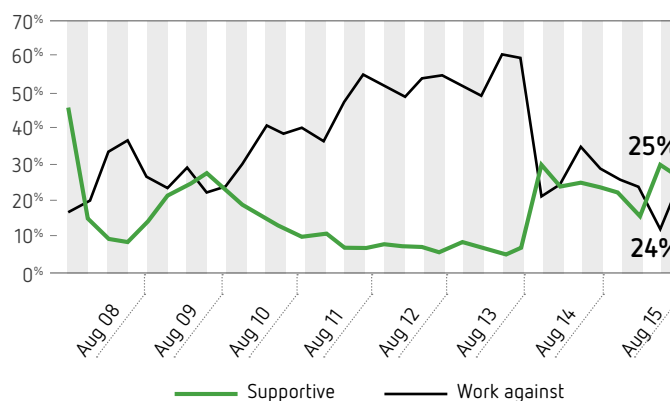
Attitudes to Federal Government policies - trends

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?

	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Supportive	24%	22%	16%	30%	25%
Work against	29%	26%	24%	12%	24%
No impact	47%	52%	60%	58%	51%
*Net Balance	-5	-4	-8	+18	+1

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

Attitudes to Federal Government policies - long term trends



Assessment of state and territory government policies

The Tasmanian Government recorded the only uplift.

Key findings

This latest quarter, across the locations, an average of 19% felt their state or territory government was supportive of small business and 27% felt they were working against small business interests, a net balance of -8, compared to -3 last survey.

The NSW and NT Governments are still regarded positively for being supportive of SMBs but were overtaken by Tasmania. The SA Government remains least favourably viewed.

Last quarter (May - July 2015)

Tasmania scored the only improvement with the net balance rising 19 points to +26. The NSW (+10) and NT (+10) Governments also achieved a positive balance, despite an eight point decrease this survey. The Governments in SA (-34 and down by 4) and Queensland (-22 and steady) remain the least popular with SMBs.

The primary factor behind the appeal of the Tasmanian Government is that it is seen as supportive and interested in small business (29%), followed by getting the economy going (15%).

The SA Government, which has really struggled on this measure for over two years, was criticised for excessive bureaucracy or red tape (18%) and lack of incentives or support (18%).

Attitudes to state or territory government policies (Aug 2015)

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?

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Supportive	28%	14%	12%	9%	18%	35%	34%	25%
Work against	18%	30%	34%	43%	28%	9%	24%	28%
No impact	54%	57%	54%	48%	54%	56%	42%	47%
*Net Balance	+10	-16	-22	-34	-10	+26	+10	-3

Note: Rounding occurs.

Attitudes to state or territory government policies - trends in *net balance

	Aug	Nov	Mar	Jun	Aug
	14	14	15	15	15
New South Wales	+10	+4	+16	+18	+10
Victoria	-8	+1	-16	-8	-16
Queensland	-10	+6	-24	-22	-22
South Australia	-48	-31	-27	-30	-34
Western Australia	-20	-19	-3	-2	-10
Tasmania	+8	+4	+15	+7	+26
Northern Territory	+3	0	-5	+18	+10
Australian Capital Territory	+32	-10	+3	-3	-3

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

Small and Medium Business Outlook

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Small and medium business outlook – National

Confidence is easing in line with perceived weakness in the economy.

- Confidence was four points lower this quarter, bringing it back to a level observed through most of the last year.
- Perceptions of the current state of the economy have also fallen by four points, staying negative overall (-19) and expectations for the economy in a year's time were two points lower at -4 net balance.
- Sales and profitability results remained disappointing and wages pressure increased in the latest quarter, which was almost matched by price rises. Employment growth improved to -1.
- In the short term, expectations for all key performance indicators stayed positive overall with improving sales, profitability and wages indicated.
- The groundswell of support noted for the Federal Government last survey on the back of the Budget has dissipated and is now barely positive overall. This survey was conducted while Tony Abbott was still Prime Minister.

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

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	53%	51%	49%	51%	50%
Negative	25%	24%	22%	20%	23%
*Net Balance	+28	+27	+27	+31	+27

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	-12	-2	+0	+27	+18	+24
Size of workforce	-4	-3	-1	+5	+6	+7
Wages	+11	+1	+10	+15	+14	+19
Prices	+7	+8	+9	+14	+18	+16
Profitability	-18	-3	-7	+22	+15	+19

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

** This is for last 3 months.



Small and medium business outlook – New South Wales

Overall confidence rose on the back of better sales performance, with expectations for sales and profitability higher. The NSW Government is still among the more favourably regarded governments.

- In NSW, overall confidence was three points higher and is now clearly ahead of the national average.
- The main reasons for business confidence were having specific business strengths, an established, solid business and healthy sales.
- For the last quarter, SMBs in NSW achieved increased sales and wages rises but the other key indicators did not really improve. Worried SMBs cited decreasing sales and an unfavourable economic, business or industry environment as their main concerns.
- Expectations for all indicators in the current quarter are positive and higher for all except prices.
- SMB support for the policies of the NSW Government fell eight points to a net balance of +10 but this is the second highest and one of only three positive scores observed on this measure. The main reason given spontaneously is infrastructure investment.
- Those with a negative assessment cited excessive bureaucracy and a lack of incentives or support for small business.

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

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	59%	51%	55%	51%	54%
Negative	22%	27%	17%	20%	20%
*Net Balance	+37	+24	+38	+31	+34

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	-13	-1	+8	+30	+11	+17
Size of workforce	-9	-2	-1	+7	+1	+5
Wages	+9	0	+17	+16	+9	+16
Prices	+10	+11	+5	+11	+17	+12
Profitability	-22	+4	+5	+28	+12	+17

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

** This is for last 3 months.



Small and medium business outlook – Victoria

Confidence is lower in Victoria but still relatively strong with expectations in key indicators quite bullish.

- Overall confidence fell ten points to a net balance of +32 which is still above the national average.
- In the last quarter, sales were sluggish and profitability declined but other indicator scores were up.
- Confident SMBs highlighted specific business strengths and an established, solid business as the key factors for optimism, while those who were worried highlighted decreasing sales and an unfavourable business, economic or industrial environment.
- For the current quarter, expectations on all the key indicators improved and are generally very positive.
- Victorian SMBs have become more disillusioned with their state government recording a net balance of -16 on that dimension. Their main concern with the Victorian Government is they take too much notice of unions.

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

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	51%	56%	51%	56%	54%
Negative	23%	18%	18%	14%	22%
*Net Balance	+28	+38	+33	+42	+32

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	-8	+2	-1	+29	+23	+33
Size of workforce	-3	-2	+1	+7	+10	+13
Wages	+21	+6	+8	+17	+16	+25
Prices	+8	+6	+12	+12	+14	+22
Profitability	-12	+2	-11	+24	+15	+22

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

** This is for last 3 months.



Small and medium business outlook – Queensland

Confidence continues to lift and is now near the national average. Sales and profitability have improved and expectations on both indicators are upbeat.

- In Queensland, SMB confidence again lifted and reached its highest level in over a year, with the net balance rising seven points to +25. This has also brought net confidence close to the national average of +27 after having lagged well behind for some time.
- Last quarter there were improvements on all indicators with sales reaching positive territory and well above the level observed this time last year. Profitability also improved, although it is not yet in positive space overall.
- Those SMBs who were confident pointed to the specific strengths of their business, a positive attitude and healthy sales as key drivers.
- For the current quarter, expectations for all the indicators are good, especially for sales and profitability.
- The State Government is still viewed poorly, scoring an unchanged net balance of -22. The biggest gripe is a lack of incentives or support.

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

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	48%	42%	42%	44%	47%
Negative	30%	29%	32%	26%	22%
*Net Balance	+18	+13	+10	+18	+25

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	-19	-11	+2	+24	+20	+24
Size of workforce	+4	-8	+1	+5	+7	+4
Wages	-1	-4	+14	+16	+14	+21
Prices	+6	+6	+11	+10	+24	+15
Profitability	-28	-19	-5	+17	+16	+22

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

** This is for last 3 months.



Small and medium business outlook – South Australia

The big gain in confidence recorded last survey was reversed and SMBs in SA are the least confident in the nation by far. Despite this, sales and profitability expectations are positive.

- After lifting markedly on confidence last survey, the gains have been well and truly lost with SMB confidence in this state even lower than at any time in the past year. Once again SA is the least confident state by a big margin.
- During the last quarter, major falls were apparent in sales and profitability which displayed negative balances.
- Worried SMBs are primarily disheartened by lower sales and unfavourable business conditions.
- For the current quarter, however, sales and profitability expectations are relatively positive.
- The SA Government (-34 net) is still the least favourably regarded of all state and territory governments by SMBs. Criticism is strongest for lack of incentives and support, excessive bureaucracy, red tape and high taxes.

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

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	43%	44%	34%	50%	35%
Negative	29%	25%	28%	18%	34%
*Net Balance	+14	+19	+6	+32	+1

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	-6	+15	-15	+21	+23	+24
Size of workforce	-6	+4	+3	-4	+6	-1
Wages	+18	+1	0	+1	+16	+14
Prices	+6	+10	+4	+18	+16	+6
Profitability	-17	+8	-27	+14	+18	+15

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

** This is for last 3 months.



Small and medium business outlook – Western Australia

Confidence has taken a major hit in WA since last year, reflecting declining sales and profitability.

- Confidence dropped ten points in WA from last survey and is twenty points lower than in November 2014 when it was eleven points above the national average. Now WA trails the national average (+27) by nine points.
- For the last quarter all key indicators fell, especially profitability.
- The dominant concern of the worried SMBs was an unfavourable business, economic or industrial environment followed by declining sales.
- However, for the current quarter expectations are still positive for all the indicators with confidence about sales hardly dented. Profitability expectations have fallen.
- Support for the WA Government became even more negative (down to -10 from -2 net). A lack of incentives or support is the biggest gripe followed by a perception that the WA Government is only concerned with big business, the mining industry and multi-nationals.

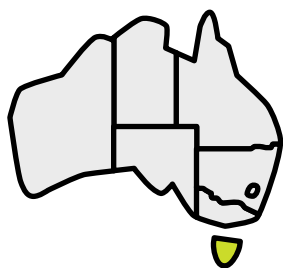
Trends in the past three months' experience and current quarter expectations - Western Australia

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	56%	59%	52%	51%	48%
Negative	21%	21%	23%	23%	30%
*Net Balance	+35	+38	+29	+28	+18

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	-17	-8	-18	+15	+20	+19
Size of workforce	+5	-3	-14	+2	+8	+3
Wages	+10	-4	-10	+17	+17	+18
Prices	+6	+12	+9	+29	+13	+17
Profitability	-11	-6	-31	+16	+17	+9

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

** This is for last 3 months.



Small and medium business outlook – Tasmania

Despite a drop in overall confidence, Tasmanian SMBs are impressed with the State Government and are expecting sales and profitability to lift.

- In Tasmania overall confidence was substantially reduced and now sits below the national average.
- In the last quarter, profitability fell further and was the weakest indicator.
- The worried outlook was mostly reflective of perceived unfavourable business, economic or industrial conditions.
- For the current quarter, SMBs reported positive expectations for all the indicators with confidence high for sales and profitability in particular.
- SMB support for the Tasmanian Government's policies grew substantially from +7 to +26 net making it easily the most appreciated government in Australia. The primary appeal is that it is supportive and interested in small business, followed by getting the economy going and good government policies.

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

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	53%	58%	50%	56%	43%
Negative	39%	20%	18%	17%	25%
*Net Balance	+14	+38	+32	+39	+18

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	+12	+4	+5	+41	+8	+42
Size of workforce	-28	+4	+3	-8	+5	+8
Wages	+2	+10	+6	-2	+21	+28
Prices	+2	+12	+14	+15	+21	+13
Profitability	+4	-7	-13	+45	+13	+29

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

** This is for last 3 months.



Small and medium business outlook – Northern Territory

SMBs in the NT have become much less confident than at any time in the last year.

- In the NT, the net balance in confidence among SMBs virtually halved, shifting from twelve points above the national average to five points below. Furthermore, it is less than half the level observed one year ago.
- The lower confidence here underlines weaker sales and negative profitability last quarter.
- Unfavourable business conditions and government policy, decreasing sales and cost pressures are all prominent concerns of those who are worried.
- Specific business strengths, healthy sales and a favourable economic, industrial or business environment were the most prominent factors identified by confident businesses.
- This quarter SMB sales expectations are still fairly positive but profitability forecasts have eased.
- SMB support for the Northern Territory Government declined eight points, but it is the second best regarded together with NSW (net balance of +10). SMBs feel it is supportive and the small business training scheme receives some praise. The most common criticism is excessive bureaucracy and red tape.

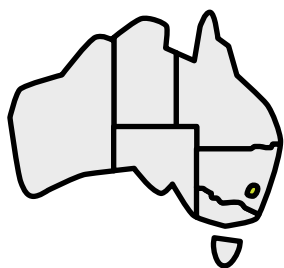
Trends in the past three months' experience and current quarter expectations - Northern Territory

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	66%	62%	53%	59%	54%
Negative	16%	16%	18%	16%	32%
*Net Balance	+50	+46	+35	+43	+22

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	+2	+11	-2	+27	+21	+23
Size of workforce	+9	0	-1	+5	+10	-1
Wages	+14	+7	+9	+12	+12	0
Prices	+16	0	+15	+22	+19	+18
Profitability	-8	-6	-8	+17	+18	+10

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

** This is for last 3 months.



Small and medium business outlook – Australian Capital Territory

Another solid rise in confidence means the ACT now easily leads the nation on this measure. Sales and profitability expectations are relatively strong.

- Confidence among SMBs in the ACT has continued on an upward trajectory and the net balance is the highest in the country. Back in November 2014 the ACT was lowest on this figure.
- Confident SMBs pointed to having an established, solid business, healthy sales and specific business strengths. Interestingly, sales and profitability were weaker last quarter but there was growth in prices, employment and wages.
- Expectations by SMBs in the ACT for this quarter remain positive with sales improvement anticipated and profitability still relatively strong on a net balance basis.
- Support for the policies of the ACT Government among SMBs was unchanged (-3 net). The biggest gripes relate to the perceived favouring of big business and a lack of incentives for small business. Favourable opinion was impacted mainly by the impression of a supportive, helpful government.

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

Confidence in own business prospects in next 12 months	Aug 14	Nov 14	Mar 15	Jun 15	Aug 15
Positive	49%	40%	41%	54%	61%
Negative	28%	31%	22%	21%	14%
*Net Balance	+21	+9	+19	+33	+47

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Aug 2014	Jun 2015	Aug 2015	Aug 2014	Jun 2015	Aug 2015
Sales	-5	+13	-1	+15	+22	+29
Size of workforce	-5	-8	+3	+6	+18	+5
Wages	+1	-7	+7	+17	+15	+21
Prices	+6	+12	+21	+4	+18	+17
Profitability	-14	+1	-2	+15	+30	+28

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

** This is for last 3 months.

Industry Snapshots

Industry snapshots

Manufacturing

Confidence is down but SMB manufacturers expect good performances on all indicators.

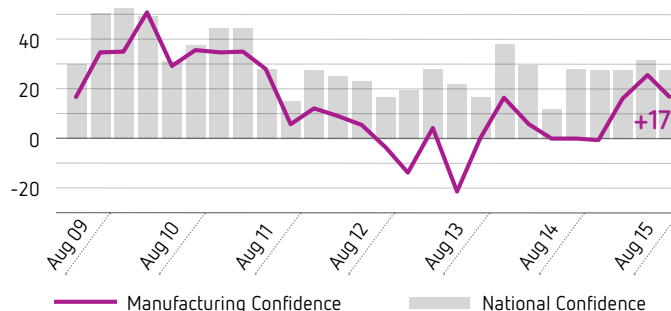
Confidence had improved in this sector for the previous three quarters but this survey saw a nine point fall in net balance to +17. This is ten points below the national average.

The lack of confidence is primarily influenced by falling sales and a perceived unfavourable business environment.

In the last quarter, manufacturing SMBs reported flat sales (net balance 0) and weakened, negative balances on the other indicators. Profitability fell from -7 to -16, employment from -3 to -14, wages from -5 to -12 and prices from +9 to -7.

For the current quarter expectations remain upbeat for all indicators - sales (+26), profitability (+19), prices (+22), wages (+20) and employment (+16).

Manufacturing Confidence



Building and Construction

Overall confidence eased in this sector but expectations are still positive on balance.

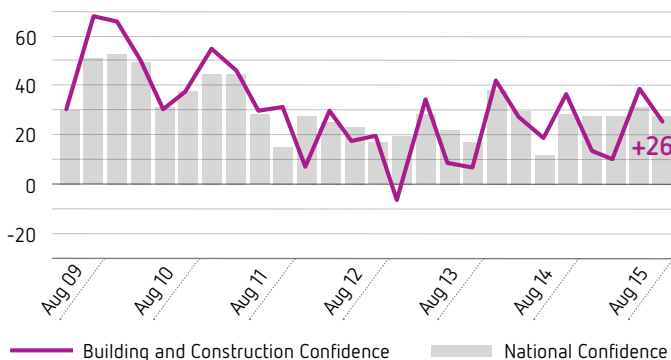
After a big rise in confidence last quarter, this sector now resembles the national average, down from +38 to +26.

Confidence had been driven principally by specific business strengths and healthy sales but is now being impacted by unfavourable business conditions and declining sales.

Last quarter the sales net balance was two points higher at +5 but profitability softened from -1 to -5. Employment improved (from -6 to +2) as did wages (from -3 to +7) with prices (+6) three points higher.

This quarter, building and construction SMBs remain buoyant about sales (+22) and profitability (+23). Positive balances were also noted for prices (+13) and wages (+16), but employment should be steady (0).

Building and Construction Confidence



Industry snapshots



Wholesale Trade

Confidence was much lower with this sector now at the bottom of the scorecard, yet expectations are bullish.

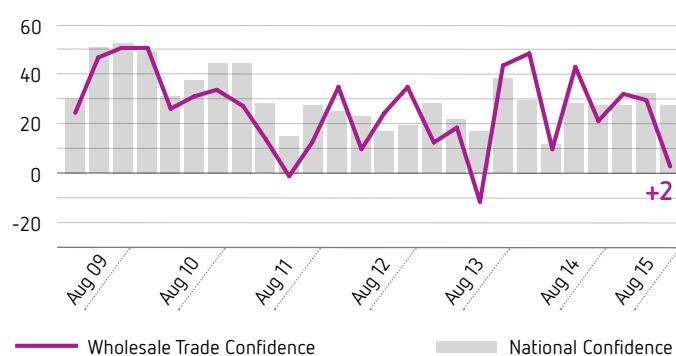
There was a huge drop in confidence among wholesalers with the latest net balance barely positive at +2 compared with +30 last survey.

Falling sales and unfavourable business conditions are the biggest concerns driving the decline.

All the indicators were negative last quarter except for prices which displayed a net balance of +28 (up from +7). The other four indicators had a net balance of -3 or -4.

Expectations for the current quarter are the strongest of all the sectors for sales (+32) and prices (+27). They are also positive on the other indicators - wages (+21), employment (+9) and profitability (+10).

Wholesale Trade Confidence



Retail Trade

Overall confidence dropped well under the national average but retailers are quite optimistic about sales.

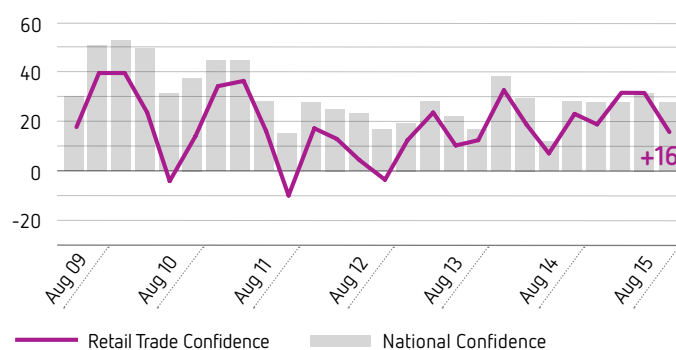
Confidence has almost halved from +31 to +16.

Perceptions of difficult business conditions and decreasing sales characterised the worries that retailers face.

In the last quarter sales (-7, down two points) and profitability (-19, down four points) deteriorated but the other indicators were again positive on balance – employment (+4 and unchanged), wages (+11, up five points) and prices (+22, was +11).

For the current quarter, expectations in this sector for all indicators display positive net balances, especially sales at +30. The other net balances are +9 for profitability, +19 for wages, +4 for employment and +19 for prices.

Retail Trade Confidence



Industry snapshots

Transport and Storage

Confidence has returned to SMBs in this sector.

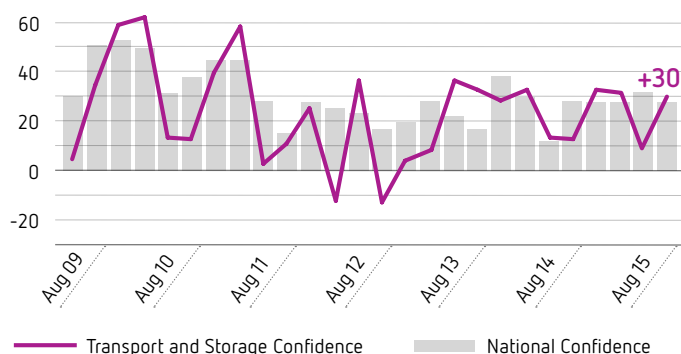
Confidence has fluctuated greatly in this sector over the last three quarters from +31 net to +9 and now back to +30. It was the least confident sector last time, together with hospitality, but is now above the national average.

A positive attitude followed by specific business strengths and healthy sales characterise the increase in confidence in this sector.

This survey the last quarter balances were negative on all counts with sales (-23, was -17) and profitability (-21, was -16) deteriorating from already weak positions.

In this quarter, sales improvement is anticipated (+10) along with modest price rises (+3) and a steady profitability situation (0). Some wages pressure is evident (+14) and this should subdue employment growth (+1).

Transport and Storage Confidence



Communication, Property and Business Services

Confidence unchanged but sitting at a relatively high level with KPI expectations all quite positive.

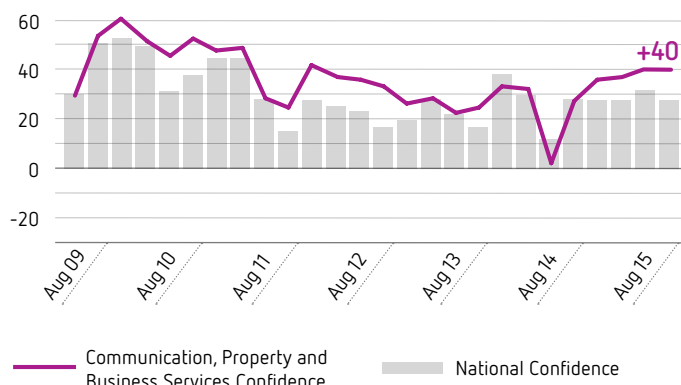
Confidence was unchanged from +40 net but this sector is still well ahead of the national average.

Being an established, solid business, and having specific business strengths or healthy sales explain confidence.

Last quarter, sales (+7, was +9) prices (+7, was +17) and wages (+7, was +6) remained positive but were comparatively subdued or lower. Profitability (-13, was +11) declined markedly while employment (-2, was +3) also lowered.

This quarter, all the indicators were at solid levels especially sales at net balance +24, profitability at +16 and wages at +25. Prices recorded a net +11 while employment was +13.

Communication, Property and Business Services Confidence



Industry snapshots

Finance and Insurance

Confidence rose to above the national average underlining an expected strong quarter.

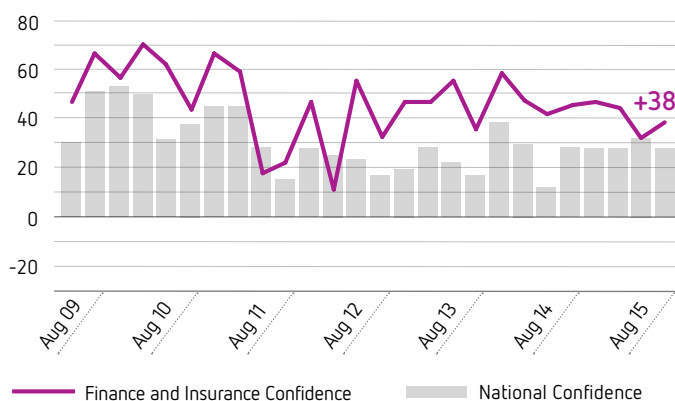
Confidence in this sector lifted from +31 to +38, taking it back above the national average.

Being an established, solid business is by far the key reason for confidence in this industry.

Last quarter sales were lower but still highest of all the sectors with a net balance of +19 (was +24). Profitability has continued to rise from -16 to +11 to +22 in the last three surveys. Prices were steady (+1) but wages increased significantly (to +37 from +6).

This quarter, the finance and insurance sector is again expecting relatively strong performances on all indicators except employment (-7). The other net balances observed are +19 for sales, +25 for profitability, +18 for wages and +26 for prices.

Finance and Insurance Confidence



Health and Community Services

Now the most confident sector due to a better last quarter and expectations of further improvement.

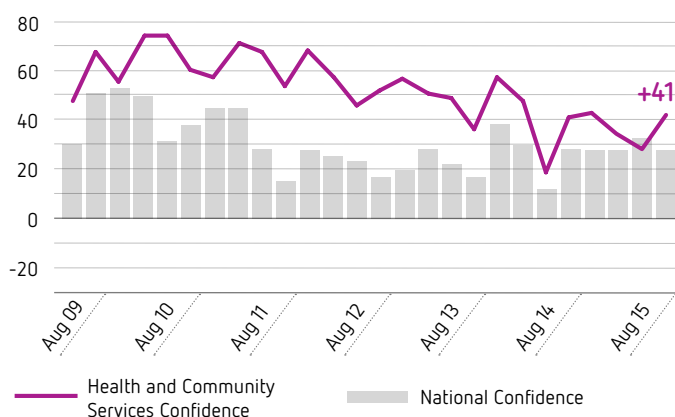
This is another sector where confidence has fluctuated of late rising from +27 to +41, well above the national average.

Specific business strengths were mentioned well ahead of other factors by confident SMBs in this sector.

Last survey all indicators were negative but sales (up to 0 from -14) and profitability (up to -2 from -12) improved. Wages (+26), prices (+17) and employment (+9) all rose strongly.

Health and community SMBs forecast positive results for the current quarter. For sales, a net +28 expect an increase and for profitability the net balance is also +28. The score for prices and wages was +21 while for employment it was +13.

Health and Community Services Confidence



Industry snapshots

Cultural, Recreational and Personal Services

A slump in confidence was recorded after a tough quarter but expectations are quite strong.

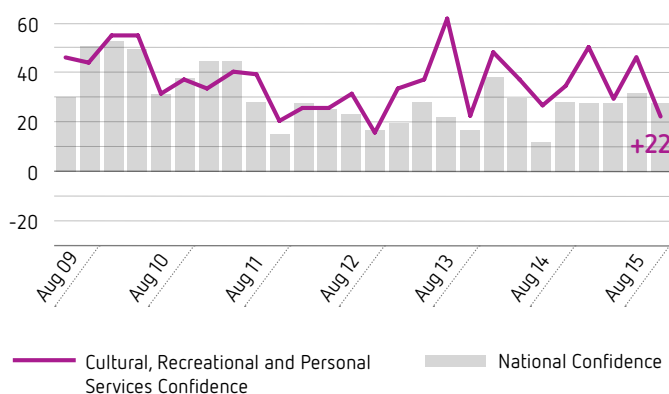
Confidence in this sector was highest of all last quarter but has halved this quarter from a net balance of +46 to +22.

Specific business strengths and a positive attitude are the major drivers of confidence while decreasing sales and competitive pressures emerged most among those who are worried.

The net balance in sales was substantially lower (from -1 to -17) as was profitability (-4 to -15). Prices (from +10 to +2), wages (from +8 to +4) and employment (from -3 to -8) were also down.

For the current quarter, however, there are quite positive expectations all round. The net balances for the indicators are +26 for sales, +35 for profitability, +33 for wages, +15 for prices and +16 for employment.

Cultural, Recreational and Personal Services Confidence



Hospitality (Accommodation, Cafes and Restaurants)

Overall confidence lifted with key results expected to be much better than last quarter.

Last survey confidence in this sector slumped however a fifteen point improvement to +24 has now placed it near the national average.

An established, solid business, initiatives taken by the business and a positive attitude were the top three reasons for confidence. The main concern identified was unfavourable business, economic or industrial conditions followed by falling sales.

Sales and profitability were still negative on balance but improved respectively from -21 to -5 and from -16 to -12 net. Employment was lower (at -12 from -8) while wages and prices rose (from -1 to +10 and from +6 to +12).

Sales and profitability this quarter are anticipated to be solid with respective net balances of +26 and +16. Other indicators are also in positive space - prices (+11), wages (+8) and employment (+16).

Hospitality (Accommodation, Cafes and Restaurants) Confidence



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- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers Compensation and Workplace Safety – November 1998
- The Paper Work Burden on Small Business – October 1996
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