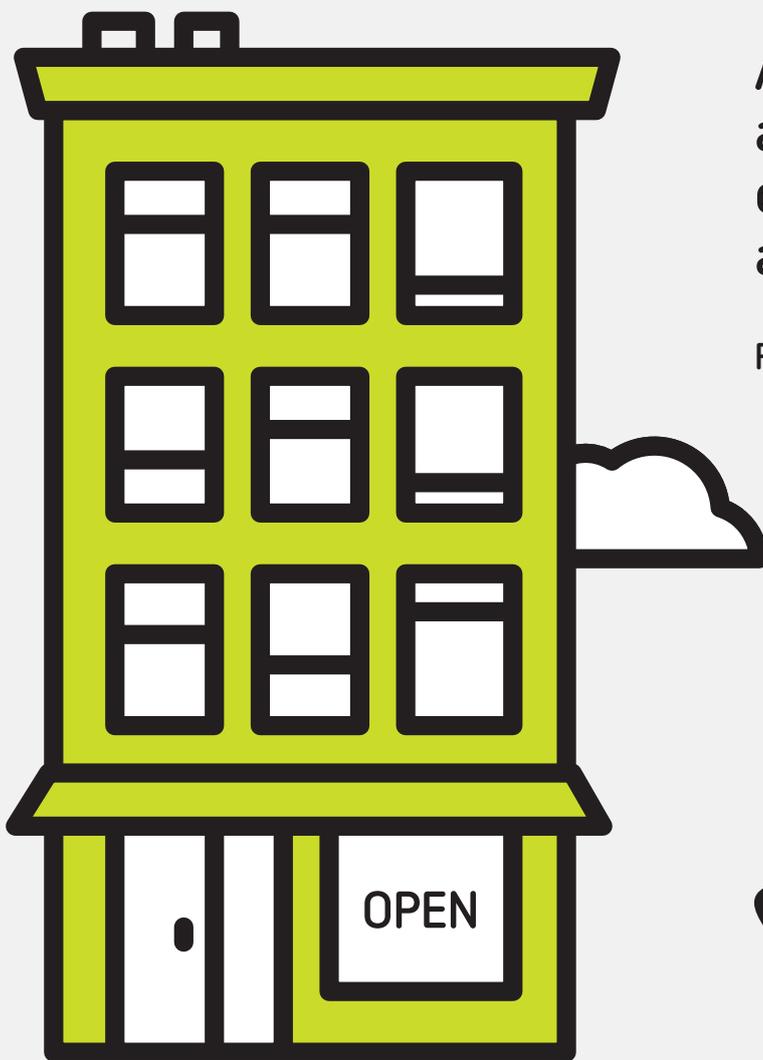


# Sensis Business Index December 2016

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

Released 18 January 2017



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# Table of contents

- Introduction ..... 2
  - About the survey ..... 3
  - Foreword ..... 4
  - Executive summary ..... 5
  - SMB business cycle analysis ..... 8
  - SBI snapshot ..... 9
  
- Small and Medium Business Outlook – National Summary ..... 11
  - SMB confidence in their own business prospects over the next 12 months ..... 12
  - Confidence by state and territory, sector and size ..... 13
  - Perceptions of the economy ..... 15
  - Expectations on key indicators for the next 12 months ..... 16
  - Concerns ..... 17
  - Sales ..... 18
  - Employment ..... 19
  - Wages ..... 20
  - Prices ..... 21
  - Profitability ..... 22
  - Capital expenditure ..... 23
  - Access to finance ..... 24
  - Exports ..... 25
  
- Government Policies ..... 26
  - Government policies ..... 27
  - Assessment of Federal Government policies ..... 28
  - Assessment of state and territory government policies ..... 29
  
- Small and Medium Business Outlook ..... 30
  - National ..... 31
  - New South Wales ..... 32
  - Victoria ..... 33
  - Queensland ..... 34
  - South Australia ..... 35
  - Western Australia ..... 36
  - Tasmania ..... 37
  - Northern Territory ..... 38
  - Australian Capital Territory ..... 39
  
- Industry Snapshots ..... 40
  - Manufacturing ..... 41
  - Building and Construction ..... 41
  - Wholesale Trade ..... 42
  - Retail Trade ..... 42
  - Transport and Storage ..... 43
  - Communication, Property and Business Services ..... 43
  - Finance and Insurance ..... 44
  - Health and Community Services ..... 44
  - Cultural, Recreational and Personal Services ..... 45
  - Hospitality (Accommodation, Cafes and Restaurants) ..... 45

# Introduction

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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, our purpose is to help Aussie businesses thrive. We deliver on that promise through our leading digital consumer businesses (Yellow Pages, White Pages, True Local, Whereis and Skip), search engine marketing and optimisation services, website products, social, data and mapping solutions, and through our digital agency Found. Sensis is also Australia's largest print directory publisher including the Yellow Pages and White Pages.

# About the survey

The Sensis Business Index December 2016 is based on 1,000 telephone interviews conducted with small and medium business proprietors or managers respectively, employing up to 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 October 7 to November 11, 2016. TKW is responsible for sampling and fieldwork and Di Marzio Research 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, June 2009 to June 2013. Some adjustments to this weighting data were also made by Sensis to exclude firms with a turnover of under \$50,000 per annum which are mainly made up of non-operating and non-employing firms.

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

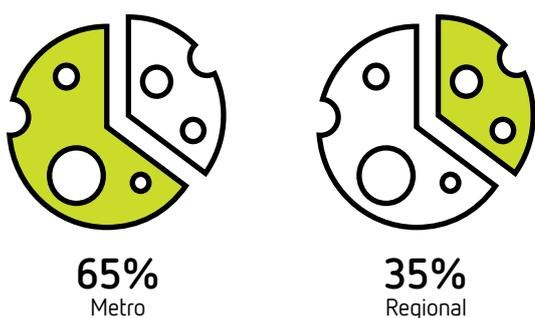
## Location of business

	Metro	Regional	Total
New South Wales	112	60	172
Victoria	115	60	175
Queensland	78	81	159
South Australia	95	35	130
Western Australia	85	35	120
Tasmania	43	40	83
Northern Territory	40	40	80
Australian Capital Territory	81	-	81
<b>Total</b>	<b>649</b>	<b>351</b>	<b>1,000</b>

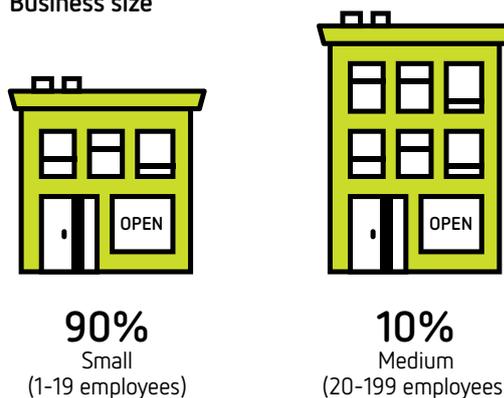
## Industry sector

Manufacturing	104
Building and Construction	141
Wholesale Trade	66
Retail Trade	138
Hospitality (Accommodation, Cafes and Restaurants)	51
Transport and Storage	60
Finance and Insurance	77
Communication, Property and Business Services	202
Health and Community Services	81
Cultural, Recreational and Personal Services	80
<b>Total Businesses</b>	<b>1,000</b>

### Business location



### Business size



# Foreword

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It was a strong finish to the year for Australia's small and medium businesses, recording the highest confidence level in six and a half years. Of the 1,000 small and medium businesses that we surveyed, more than four times as many are now confident about their business prospects, as those who are worried.

While business owners pointed to their own specific business strengths as contributing to the rise, a strong sense that the economy is improving was the key driving force this quarter. In a year of global uncertainty business owners have shrugged off both domestic and global concerns, with perceptions of the economy jumping 11 points into positive territory this quarter. This is the best result we've seen in three years and looking further ahead perceptions of the economy in one year's time are now also positive.

This time last year Tasmania led in terms of business confidence, while South Australia was in last place. Across the year we have seen significant changes in business confidence across the states and territories, with South Australia showing the most improvement, up 16 points, while Tasmania saw the biggest decline, down 28 points. As we closed out the year it was the east coast states of mainland Australia who were the most confident, while Western Australia and the Northern Territory continue to struggle to adjust to the conditions in the resource sector and are now clearly trailing the other states and territories.

The lower Australian dollar appears to have had a positive impact on exports in 2016, with the number of small and medium businesses who export rising from 11 to 15 percent. The biggest jumps were in Victoria, up 12 points and now leading, and Western Australia, up eight points, while Northern Territory businesses were again the least likely to export.

Most industry sectors have had a very positive year, with only the Health and Community Services, Building and Construction and Retail Trade sectors going backwards. As part of the survey retail traders reported they were expecting sales across the crucial Christmas trading period to be down on last year, although they expect conditions to improve throughout 2017.

The biggest improvement was in the Finance and Insurance sector, up 31 points across the year to now lead the other sectors, driven by strong sales results.

A year ago the survey found that businesses had responded enthusiastically to Malcolm Turnbull as the new Prime Minister. That goodwill has now tempered, with the Government's approval rating continuing to hover just inside positive territory. Businesses are worried about excessive bureaucracy and red tape and would like to see more done by the Government to address these issues.



From a core business perspective, the key concern continues to be a lack of work or sales, although this is less of an issue than it was 12 months ago, with sales now in positive territory and the other key indicators either the same or better than at this time last year.

In the last survey of each year we also examine year ahead expectations. Businesses expect all of the key indicators to remain in positive territory, with strong results for sales and profitability in particular. Capital expenditure expectations have also moved into positive territory, which will hopefully drive new jobs and growth in the economy.

As we head into 2017, small and medium businesses are feeling confident about their own business prospects as well as for the Australian economy. If you'd like to share your thoughts on what we can expect in the year ahead, let us know using #SensisBiz.

**John Allan, Chief Executive Officer, Sensis**

# Executive summary

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## Historical trends and overall SMB highlights

*Two quarters ago SMB confidence reached its highest level since March 2011 and it is now even higher, recording the best result in six years. This is despite a challenging quarter for many SMBs. However, there is improved positivity regarding the economy and year ahead expectations are fairly positive.*

The key findings of the Sensis Business Index for the December Quarter 2016 are:

- SMB confidence lifted eight points to a net balance of +46. This is the highest level of confidence recorded in more than six years and seven points above the December 2015 result.
- Confidence was higher in all but one location with NSW (up one point to +54) and Victoria (up 21 points to +52) leading the other states and territories. Closer to the average were the ACT (up 11 points to +46) and Queensland (up four points to +43). The only confidence fall was in Tasmania (down 14 points to +38) but it is still in a better position than SA (up one point to +32), WA (up 11 points to +21) and the NT (up seven points to +16).
- The overall assessment of the economy has moved into positive territory. More SMBs believe it is growing (24%) than slowing (21%). The net balance of +3 is 11 points higher than in each of the prior two surveys. SMBs are also more optimistic about the economy in 12 months' time with the net balance three points higher than last quarter and 11 points higher than in the June quarter.
- Last quarter, key performance indicator results did not change significantly and were reflective of a difficult business environment for many SMBs. There was also little improvement in expectations for this quarter although businesses remain fairly positive for each indicator.
- For the year ahead, expectations on most key indicators are similar to this time last year. The outlook for sales (+34) and profitability (+30) is strong and there was a shift from negative (-6) to positive (+3) in the expectation for capital expenditure.
- The primary barrier to taking on staff remains a lack of work or sales.
- Opinions of the Federal Government have been the same for three surveys in succession with the net balance again at +2. Tax and other incentives and being supportive of small business were the factors mentioned most by SMBs with a positive opinion of the Government. Excessive bureaucracy was the biggest complaint, followed by concerns the Government is too focused on big business.
- Only three state and territory governments were regarded positively, with Tasmania standing out after improving its rating by 15 points to +18. Next best is the NT Government (up three points to +7) followed by NSW (up six points to +2). The ACT Government lost support, although the survey took place during the election period, while the SA Government is again the least popular (up one point to -27). There were improved net balances for Victoria (up 15 points to -9) and WA (up 5 points to -2) although they remain negative.

# Executive summary

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## Metropolitan versus regional

*SMB confidence was high in both metropolitan and regional locations, increasing markedly in metro areas, while it was slightly lower in regional areas. Across both expectations for the key indicators are positive for this quarter. They are even more positive for the year ahead, particularly in regional areas. However, regional SMBs are less convinced about the strength of the economy in 12 months' time.*

Key findings relating to metropolitan and regional businesses included:

- In metropolitan locations, confidence increased by 14 points to +49 but it was down two points for regional SMBs at +41. Previously regional areas were more confident, by eight points, but that has now reversed in favour of our capital cities.
- Metropolitan SMBs (+11) are positive about the current state of the economy unlike regional SMBs (-8). That is also the case concerning prospects for the economy in one year's time (+19 versus -9).
- Last quarter, metropolitan and regional SMBs recorded similar results for sales (+4 and +7 respectively), employment (+1 and 0) and profitability (-4 and -5). For wages the net balances were +5 and +14 and for prices they were +14 and +9.
- For the current quarter expectations also differed little for sales (+23 metro versus +21 regional) and profitability (+15 in each), as well as for prices (+12 and +13) and employment (+9 and +11). For wages, there was an eight-point gap (+13 and +21).
- The year ahead expectations are more positive in regional areas for each indicator except capital expenditure – sales (+29 metro versus +41 regional), wages (+20 to +30), profitability (+24 and +38), prices (+23 and +32) and employment (+10 and +12). For capital expenditure the net balances were +4 and 0.
- Metropolitan SMBs regard the Federal Government's policies for small businesses more positively than those in regional areas, with net balances of +4 for metro and -2 for regional areas.
- There is little difference in how metropolitan and regional SMBs regard the Federal Government's policies for small business with net balances of +2 and +3 respectively.

# Executive summary

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## Industry sector trends

*Confidence was higher in most sectors with some impressive scores recorded. Only Retail Trade and Manufacturing recorded a net balance lower than +35. Last quarter, conditions proved more challenging for some sectors than others, and expectations for this quarter are quite mixed although mostly positive. However, year ahead expectations for the key indicators are generally positive in all sectors.*

- Most sectors are feeling confident with their net balances ranging from high to very high. The Finance and Insurance sector emerged as the most confident after a 31-point lift in its net balance to +71. There were also strong results in the Cultural, Recreational and Personal Services sector (up 24 points to +68) and Communications, Property and Business Services sector (up 15 points to +62). Other sectors above the average were Hospitality (up five points to +54) and Health and Community Services (up five points to +49). Confidence was lowest in Retail Trade (down 23 points to +14). Relatively low but improved scores were seen in Manufacturing (up 16 points to +28) and Transport and Storage (up 17 points to +35).
- Sales performance again varied markedly by sector last quarter. The best result was in Finance and Insurance (+18) followed by Communications, Property and Business Services (+13), Cultural, Recreational and Personal Services (+12) and Wholesale Trade (+11). Selling conditions were much more difficult in Retail Trade (-7), Transport and Storage (-7) and Manufacturing (-5). Other sectors were not far from the national average.
- Profitability results were only positive last quarter in Finance and Insurance (+11), Cultural, Recreational and Personal Services (+9), Wholesale Trade (+2) and Communications, Property and Business Services (+2). SMBs in Retail Trade (-28), Transport and Storage (-12), and Manufacturing (-11) struggled the most with profitability.
- Over the last year, capital expenditure was only positive in Hospitality (+17), Health and Community Services (+12) and Cultural, Recreational and Personal Services (+3).
- For the current quarter, virtually all sectors displayed positive expectations for each of the five key performance indicators. Sales expectations ranged from +12 in Transport and Storage to +33 in Wholesale Trade. Profitability expectations for this quarter are highest in the Finance and Insurance sector (+27) followed by Wholesale Trade (+22) and Communications, Property and Business Services (+20). There were two single figure balances for profitability expectations observed in Transport and Storage (+6) and Cultural, Recreational and Personal Services (+5).
- Year ahead expectations are generally upbeat across all sectors for sales, profitability, wages and prices. The net balances for employment range from +7 to +20 in all sectors except for Wholesale Trade (0). Expectations for capital expenditure show greater variance, with the highest balance recorded in the Hospitality sector (+18) followed by Finance and Insurance (+12). These results were well above those for Retail (-15) and Wholesale Trade (-9).

# SMB business cycle analysis

*SMBs anticipate more favourable business conditions in 2017 than 2016.*

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

SMB confidence has been quite high at a net balance of +35 or greater for five consecutive quarters. In two of those quarters, including the latest one, the confidence level has been the highest level recorded in over five years. This is despite recent performance results being mixed. However, SMBs see the economy strengthening and most anticipate a good year ahead.

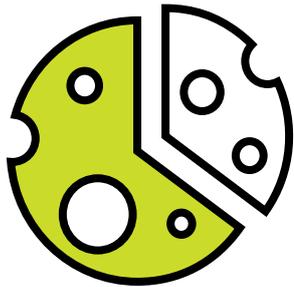
	Results for this quarter	Expectations for next quarter	Expectations for the next 12 months
<b>Business confidence</b>	NA	NA	Increased, high optimism
<b>Economy</b>	Higher, now positive	NA	More optimistic
<b>Sales</b>	Unchanged and positive	Less optimistic	Unchanged but optimistic
<b>Employment</b>	Marginally higher, now positive	Marginally more optimistic	Unchanged but optimistic
<b>Wages</b>	Unchanged and positive	Marginally more optimistic	Marginally less optimistic
<b>Prices</b>	Marginally more positive	Less optimistic	Less optimistic
<b>Profitability</b>	Marginally lower, still negative	Less optimistic	Marginally more optimistic
<b>Capital Expenditure</b>	NA	NA	Higher and now optimistic

# SBI Snapshot

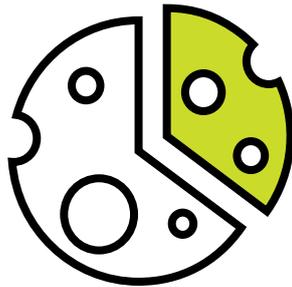
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

## Who did we survey?

Business location



65%  
Metro

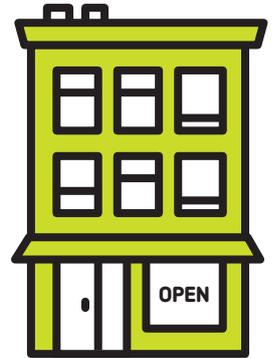


35%  
Regional

Business size



90%  
Small



10%  
Medium

## What did they tell us?

SMBs are feeling confident



61% feel confident

Because of:

- Being an established, solid business
- Specific business strengths



15% feel worried

Because of:

- Decreasing sales
- Unfavourable business, economic or industrial environment

=



+46 net balance

Increased 8 points  
from last quarter

## SMB confidence by state



New South Wales +54 (↑1)

Victoria +52 (↑21)

National average +46 (↑8)

Australian Capital Territory +46 (↑11)

Queensland +43 (↑4)

Tasmania +38 (↓14)

South Australia +32 (↑1)

Western Australia +21 (↑11)

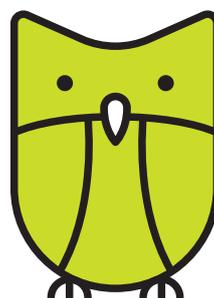
Northern Territory +16 (↑7)



Net confidence increased to

**+46 points**

Up 8 points from last quarter



# SBI Snapshot

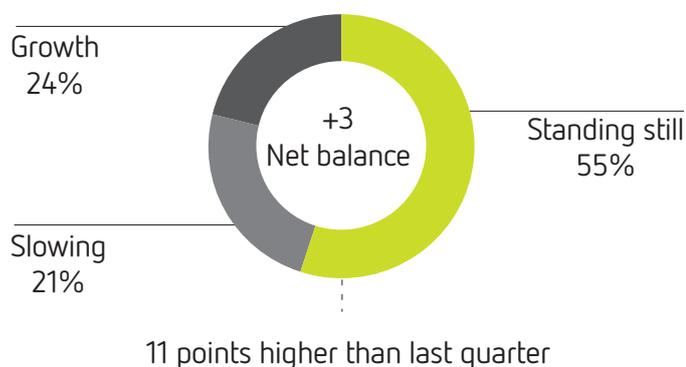
## SMB confidence by sector



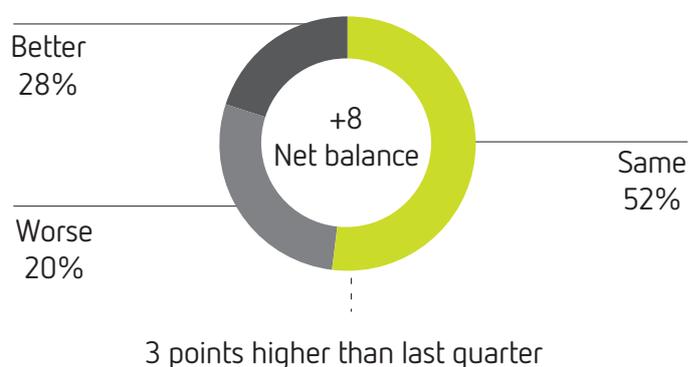
Finance and Insurance (+71 ↑31)
Cultural, Recreational and Personal Services (+68 ↑24)
Communications, Property and Business Services (+62 ↑15)
Hospitality (+54 ↑5)
Health and Community Services (+49 ↑5)
<i>National average (+46 ↑8)</i>
Building and Construction (+39 No change)
Wholesale Trade (+38 No change)
Transport and Storage (+35 ↑17)
Manufacturing (+28 ↑16)
Retail Trade (+14 ↓23)



### 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 12 months	Change in expectation for next 12 months
Sales	+5	+34	0
Employment	+1	+11	0
Wages	+9	+24	↓ 1
Prices	+12	+26	↓ 6
Profitability	-5	+30	↑ 2
Capital expenditure	-1**	+3	↑ 9

- \*Net balance is defined as the difference between the percentage reporting an increase and the percentage reporting a decrease.
- Actual experience relates to the last 3 months. With the exception of capital expenditure (12 months).
- The expectation results are for the next 12 months. For the first three surveys of the year the expectation results relate to the next 3 months but the final survey also asks about the next 12 months and the capital expenditure indicator.
- \*\* Relates to the last 12 months.

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# Small and Medium Business Outlook – National Summary

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SMB confidence in their own business prospects over the next 12 months .....	12
Confidence by state and territory, sector and size .....	13
Perceptions of the economy .....	15
Expectations on key indicators for the next 12 months .....	16
Concerns.....	17
Sales.....	18
Employment .....	19
Wages .....	20
Prices.....	21
Profitability .....	22
Capital expenditure .....	23
Access to finance.....	24
Exports.....	25

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

Net confidence is at the highest level seen since March 2010.

## Key findings

The net confidence level of Australian SMBs has been relatively strong for over a year and now sits at the best level recorded since March 2010.

## Last quarter

The net balance increased eight points to +46 with 61% of SMBs feeling confident about their prospects for the year ahead and 15% feeling worried. Two quarters ago the net balance of +44 was the best observed since March 2011 and that level has now been exceeded by two points. The last time a higher net balance was recorded was in March 2010 at +49.

Since June 2014, net confidence has increased almost fourfold – from +12 to +46. Compared to one year ago, net confidence is seven points higher.

The key factors influencing confidence continue to be businesses feeling positive that they are an established or solid business and those that have faith in their specific business strengths.

A lack of work or sales remain the most mentioned concerns.

Three key indicators provide an overall assessment of SMB confidence levels:

- Business confidence.
- Current perceptions of the Australian economy.
- Future expectations for the Australian economy.

This quarter, SMBs views on the current state of the Australian economy have moved into positive territory for the first time since December 2013. Their expectations for future economic growth have continued to improve after shifting from a negative assessment in the previous survey.

## Overall confidence – Dec 2016

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

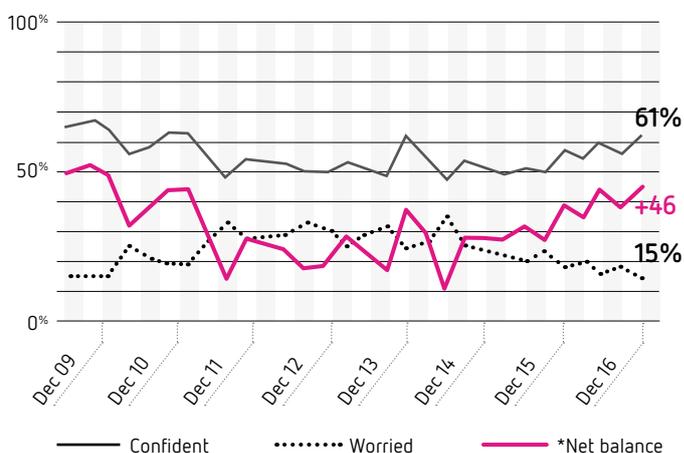
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	13%	9%	13%
Fairly confident	47%	61%	48%
Neutral	25%	20%	25%
Fairly worried	11%	10%	11%
Extremely worried	4%	0%	4%
<b>Total confident</b>	<b>60%</b>	<b>70%</b>	<b>61%</b>
<b>Total worried</b>	<b>15%</b>	<b>10%</b>	<b>15%</b>
<b>*Net Balance</b>	<b>+45</b>	<b>+60</b>	<b>+46</b>

Note: rounding occurs

## Confidence trends – past five quarters

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Confident	57%	55%	60%	57%	61%
Worried	18%	20%	16%	19%	15%
<b>*Net Balance</b>	<b>+39</b>	<b>+35</b>	<b>+44</b>	<b>+38</b>	<b>+46</b>

## 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 was generally higher but wide variations remain by location and sector.*

## Key findings

Net confidence was again positive in all states and territories increasing everywhere except for Tasmania. It ranges from +54 in NSW to +16 in the NT. The highest and lowest confidence levels were also observed in those two locations last survey.

Regional SMBs (down two points to +41) were overtaken by their metropolitan counterparts (up 14 points to +49) in net confidence. In all locations except for the NT confidence is higher in metropolitan areas than regional areas. Most industry sectors are more confident and small businesses again display considerable confidence albeit not as much as medium size businesses.

## Last quarter

Confidence continues to vary significantly across the states but was higher everywhere except for Tasmania (down 14 points to +38).

The biggest lift in confidence was in Victoria (up 21 points to +52). There was also a double digit rise in net confidence for WA (from +10 to +21) and the ACT (from +35 to +46). Net confidence is again lowest in the NT despite rising seven points to +16. NSW was up one point to +54 to remain the leader, as it has been throughout 2016.

Capital city confidence is highest in Hobart (up 12 points to +66) with Sydney (up 11 points to +57) next in line. Melbourne (up 26 points to +53) and Brisbane (unchanged on +54) also exceed the metropolitan average while the ACT (up 12 points to +47) is only two points below average. In other capitals, net confidence is positive in Adelaide (down two points to +33) and Perth (up 14 points to +24) but again negative in Darwin, albeit improved (up 13 points to -2).

Regional confidence is only above average in NSW (down from +65 to +49) and Victoria (up from +39 to +51) but still positive elsewhere ranging from +11 in WA to +36 in Queensland. The NT is the only state or territory where regional businesses are more confident than their metropolitan counterparts.

Medium-sized businesses were more confident (up 12 points to +60) than small businesses (up seven points to +45).

Confidence varies widely by industry. It is highest in Finance and Insurance (up from +40 to +71). Next was Cultural, Recreational and Personal Services (up from +44 to +68), Communication Property & Business Services (up from +47 to +62) and Hospitality (up from +49 to +54). Confidence was below average in Retail (down from +37 to +14), Manufacturing (up from +12 to +28), Transport and Storage (up from +18 to +35), Wholesale Trade and Building and Construction (+38 and +39 respectively, with both unchanged).

# Confidence by state and territory, sector and size

## Trends by state – \*net balance

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>National</b>	<b>+39</b>	<b>+35</b>	<b>+44</b>	<b>+38</b>	<b>+46</b>
New South Wales	+46	+48	+58	+53	<b>+54</b>
Victoria	+38	+39	+46	+31	<b>+52</b>
Queensland	+35	+30	+36	+39	<b>+43</b>
South Australia	+16	+5	+29	+31	<b>+32</b>
Western Australia	+31	+11	+20	+10	<b>+21</b>
Tasmania	+64	+47	+30	+52	<b>+38</b>
Northern Territory	+24	+27	+23	+9	<b>+16</b>
Australian Capital Territory	+38	+40	+49	+35	<b>+46</b>

## Metro and regional confidence – \*net balance

	Metro	Regional	Total
<b>National</b>	<b>+49</b>	<b>+41</b>	<b>+46</b>
New South Wales	+57	+49	<b>+54</b>
Victoria	+53	+51	<b>+52</b>
Queensland	+54	+36	<b>+43</b>
South Australia	+33	+27	<b>+32</b>
Western Australia	+24	+11	<b>+21</b>
Tasmania	+66	+25	<b>+38</b>
Northern Territory	-2	+29	<b>+16</b>
Australian Capital Territory	+47	NA	<b>+47</b>

\* Metro is defined as the capital city in that state or territory.

## Confidence by business size

	Confident	Worried	*Net Balance
<b>Total</b>	<b>61%</b>	<b>15%</b>	<b>+46</b>
1-2 Employees	53%	22%	+31
3-4 Employees	61%	14%	+47
5-9 Employees	65%	10%	+55
10-19 Employees	66%	13%	+53
<b>Total Small Business</b>	<b>60%</b>	<b>15%</b>	<b>+45</b>
20-99 Employees	70%	11%	+59
100-199 Employees	72%	0%	+72
<b>Total Medium Business</b>	<b>70%</b>	<b>10%</b>	<b>+60</b>

Note: rounding occurs.

## Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	54%	26%	<b>+28</b>
Building and Construction	53%	14%	<b>+39</b>
Wholesale Trade	55%	17%	<b>+38</b>
Retail Trade	45%	31%	<b>+14</b>
Transport and Storage	55%	20%	<b>+35</b>
Communication, Property and Business Services	71%	9%	<b>+62</b>
Finance and Insurance	75%	4%	<b>+71</b>
Health and Community Services	61%	12%	<b>+49</b>
Cultural, Recreational and Personal Services	77%	9%	<b>+68</b>
Hospitality (Accommodation, Cafes and Restaurants)	64%	10%	<b>+54</b>

\* 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

For only the second time since early 2011, SMBs view the economy positively and this is accompanied by increased optimism about prospects for the economy in one year's time.

## Key findings

SMB assessments of the current state of the economy are positive for the first time since December 2013. Their expectations for the year ahead are higher than at any time since September 2014.

## Last quarter

SMB assessments of whether the economy is growing or slowing improved by 11 points with the net balance lifting from -8 to +3. The last positive assessment observed was in December 2013 (+6) and prior to that it was in March 2011 (+8).

SMB perceptions of the current state of the Australian economy were positive in NSW (+12), Victoria and the ACT (both +8) and Tasmania (+5). They were negative elsewhere, particularly in the NT (-30).

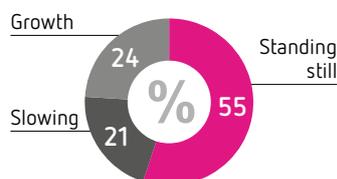
Compared to metropolitan SMBs (+11), regional SMBs are pessimistic on this measure (-8).

Views about the economy in one year's time improved by three points to +8, consolidating the move into positive territory witnessed last quarter. The proportion expecting the economy to improve was four points higher, with a one point rise in the proportion predicting the economy to be worse in one year's time. The overall result is the most positive reading since September 2014 when it was +12.

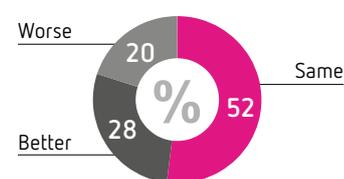
The most optimistic states are NSW and Victoria (at +11 and +10 respectively). The only negative net balance was recorded in the NT (at -1).

There is a 28-point gap between metropolitan (+19) and regional (-9) SMBs on this measure. Previously this gap was only five points in favour of metropolitan SMBs.

### The economy now



### The economy a year from now

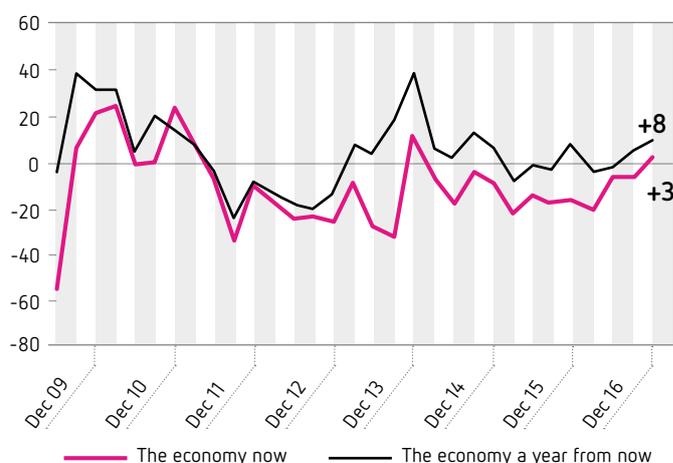


## Perceptions of the economy – trends

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>The economy now</b>					
Growth	14%	13%	16%	15%	24%
Slowing	31%	35%	24%	23%	21%
<b>*Net Balance</b>	<b>-17</b>	<b>-22</b>	<b>-8</b>	<b>-8</b>	<b>+3</b>
<b>The economy a year from now</b>					
Better	28%	20%	19%	24%	28%
Worse	21%	26%	22%	19%	20%
<b>*Net Balance</b>	<b>+7</b>	<b>-6</b>	<b>-3</b>	<b>+5</b>	<b>+8</b>

## Perceptions of the economy

### Long term trends – \*net balance



## Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>The economy now</b>								
Growth	31%	27%	18%	11%	20%	16%	9%	31%
Slowing	19%	19%	21%	22%	31%	11%	39%	23%
<b>*Net Balance</b>	<b>+12</b>	<b>+8</b>	<b>-3</b>	<b>-11</b>	<b>-11</b>	<b>+5</b>	<b>-30</b>	<b>+8</b>
<b>The economy a year from now</b>								
Better	32%	29%	25%	20%	28%	16%	23%	28%
Worse	21%	19%	19%	16%	25%	15%	24%	26%
<b>*Net Balance</b>	<b>+11</b>	<b>+10</b>	<b>+6</b>	<b>+4</b>	<b>+3</b>	<b>+1</b>	<b>-1</b>	<b>+2</b>

\* 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

All of the year ahead indicators were positive with most at similar levels to this time last year.

## Key findings

All six of the year ahead business indicators were positive. Relative to the 2015 December Quarter findings, there are variations of no more than two points in SMB expectations for sales, employment, wages and profitability. There was a solid improvement in expectations for capital expenditure but the view on prices has tempered.

## Next 12 months (to December quarter 2017)

Forty-five per cent anticipate higher sales over the next 12 months with 11% expecting a fall. The net balance of +34 is the same as the 2015 result. SMBs in all states and territories were again positive with respect to increased sales. The net balances vary from +14 in WA to +42 in the ACT. Victoria (+41) is also clearly above the national average. The NT (+17) and SA (+24) are well below the average, along with WA.

The Health and Community Services sector is the most confident with a net +45 expecting better sales. The least optimistic sector is Building and Construction on +25.

Employment expectations for 2016 recorded an unchanged net balance of +11. NSW and Victoria had the best result, each recording net balances of +14. Least optimistic are SMBs in WA (0) and the NT (+2).

By industry, Communications, Property and Business Services is the most positive about employment displaying a net balance of +20, with Wholesale Trade least positive on 0. Hospitality (+18), Manufacturing (+16) and Cultural, Recreational and Personal Services (+14) were the only other sectors exceeding the national average in year ahead employment expectations.

Wage costs for the year ahead are expected to rise, with a net balance result of +24 (down one point). Expectations for wages in the year ahead were positive everywhere except for the NT (-1), ranging from +19 in WA to +38 in the ACT. The Health and Community Services sector is forecasting the biggest rise in wages over the next year (net balance of +42). Building and Construction recorded the lowest net balance for this indicator (+15).

Price expectations were six points lower than at this time in 2015, with 29% expecting an increase and just 3% a fall in the prices they charge over the next year. SMBs in Tasmania (+41) and in the Manufacturing sector (+40) are most inclined to foresee increased prices.

Profitability expectations were up two points to +30. Victoria (+41) and the ACT (+38) displayed the strongest profit expectations for the year ahead. At an industry level the Hospitality sector (+43) held the highest annual profit expectations.

Capital expenditure expectations for the year ahead were up nine points to a net balance of +3. There were negative capital expenditure expectations for the next twelve months in WA (-16), the NT (-15) and SA (-11). In other locations, positive expectations were observed ranging from +2 in Queensland to +10 in Victoria. By sector, Hospitality (+18) and Retail (-15) stood out at each end of the spectrum.

## Expectations on key indicators over the next 12 months - Dec 2016

	Expect an increase	Expect a decrease	*Net Balance
Value of sales	45%	11%	+34
Size of workforce	16%	5%	+11
Wages bill	30%	6%	+24
Prices charged	29%	3%	+26
Profitability	41%	11%	+30
Capital expenditure	25%	22%	+3

\* 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 - Trends in net balance over next 12 months

	Dec 13	Dec 14	Dec 15	Dec 16
Value of sales	+58	+40	+34	+34
Size of workforce	+19	+13	+11	+11
Wages bill	+42	+30	+25	+24
Prices charged	+34	+28	+32	+26
Profitability	+52	+34	+28	+30
Capital expenditure	+9	+9	-6	+3

\* 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 is again the concern mentioned most by SMBs.

## Key findings

Almost half the SMBs (48%) indicated that their business faces no major problems, which is in line with prior observations. Lack of work and sales are again cited above all other concerns.

## Last quarter

A lack of work or sales was mentioned by 13% of businesses as a current problem. This was 15% last quarter and 14% previously. This concern was above average in Queensland (16%), WA (24%) and the NT (31%), with the least number of mentions in NSW (8%). This issue emerged to a similar degree in metropolitan and regional areas – 13% versus 12%. By sector, it was prominent in Retail (24%), Transport and Storage (20%) and Manufacturing (19%).

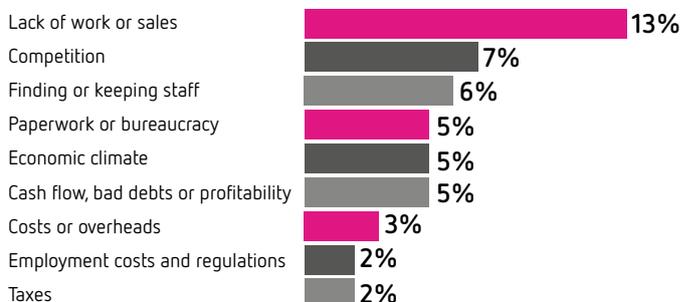
Next on the list of concerns mentioned spontaneously was competition (7%), followed by finding or keeping staff (6%). These were at similar levels last survey.

The competition concern was most evident in Queensland (10%) and in the Manufacturing sector (14%).

Five per cent of SMBs mentioned difficulties in finding quality staff, which compares with 6% and 8% in the last two surveys. The main difficulties experienced were a lack of candidates with the right qualifications (16%) or a lack of skilled candidates (29%).

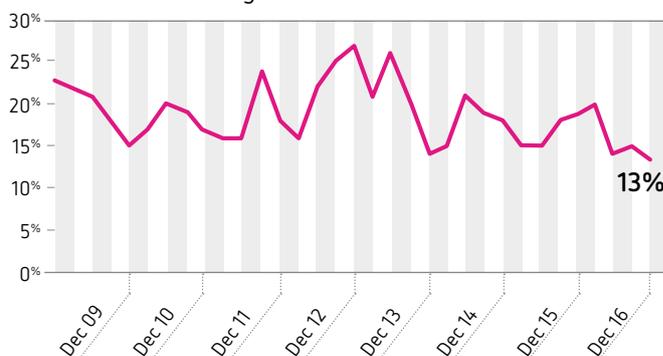
## Prime concerns

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

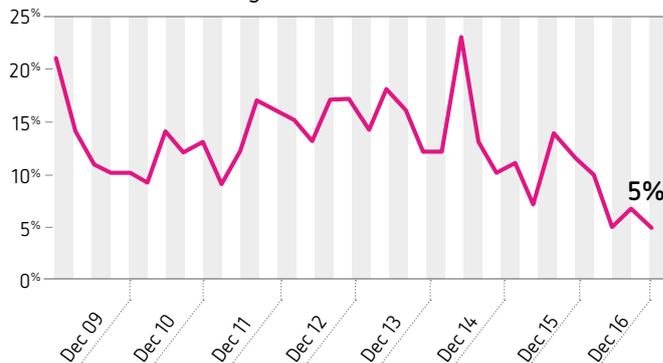


No concerns = 48%

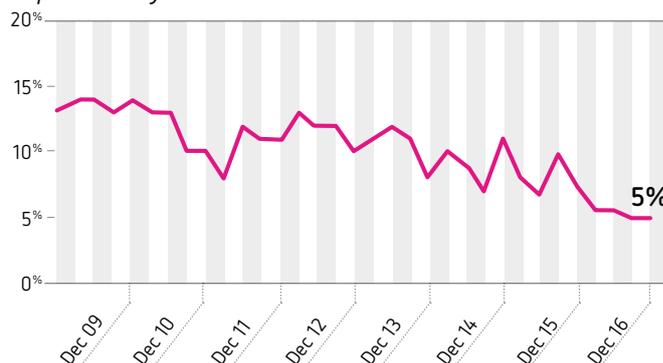
### Prime concerns – long term trends – lack of work or sales



### Prime concerns – long term trends – economic climate



### Prime concerns – long term trends – cashflow, bad debts or profitability



# Sales

The sales net balance was positive for the third quarter in succession.

## Key findings

Negative net balances for sales had been observed from June 2008 to March 2016. Since then, positive balances have been recorded. Expectations for the quarter ahead are lower but still positive and higher than one year earlier.

## Last quarter

The net balance was unchanged at +5. Last quarter was the first time since March 2008 that consecutive positive balances had been observed for this indicator and the latest result has consolidated this positive trend. The March 2008 balance was +11 and the last two results are the best since then.

Sales performance was best in NSW (+13) with Victoria also above average (+8). SMBs in the NT (-22) found sales conditions toughest but there were also negative balances in SA and WA (both -13) and the ACT (-3).

By sector, Finance and Insurance (+18) performed best ahead of Communications, Property and Business Services (+13). The lowest scores were in Retail Trade; and Transport and Storage (-7 in each).

## Current quarter

On balance SMBs anticipate positive sales in the current quarter. Thirty-three per cent expect an increase against 11% who anticipate a fall, generating a net balance of +22. This is a four point drop on last survey.

Sales expectations ranged from 0 in the NT to +43 in the ACT. Net balances of +20 or higher were also evident in NSW (+20), Victoria (+33), Queensland (+20) and Tasmania (+28). SA (+9) and WA (+14) were also well below the national average.

By sector, expectations are positive in all cases ranging from +12 in Transport and Storage to +33 in Wholesale Trade.

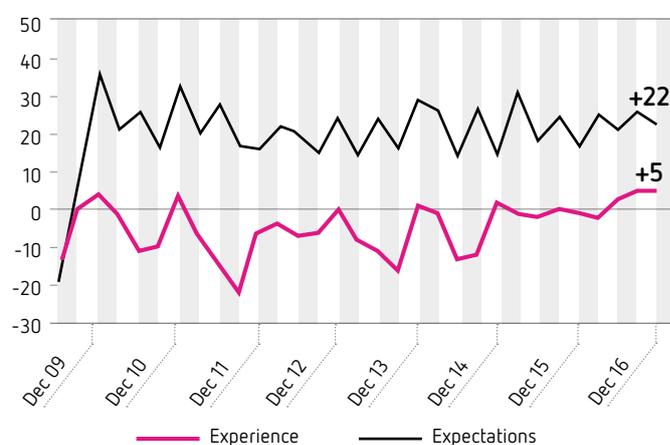
## Next 12 months

Twelve-month sales expectations were the same as in December 2015 at net +34, with 45% expecting their sales to increase in the next 12 months and 11% predicting a fall. This net balance score compares with +40 observed in December 2014 and +58 in December 2013.

## Value of sales

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>Last Quarter</b>					
Experienced increase	26%	27%	27%	30%	27%
No change	45%	42%	47%	44%	51%
Experienced decrease	27%	29%	24%	25%	22%
<b>*Net Balance</b>	<b>-1</b>	<b>-2</b>	<b>+3</b>	<b>+5</b>	<b>+5</b>
<b>Current Quarter</b>					
Expect increase	32%	38%	34%	35%	33%
No change	49%	47%	52%	54%	55%
Expect decrease	16%	13%	13%	9%	11%
<b>*Net Balance</b>	<b>+16</b>	<b>+25</b>	<b>+21</b>	<b>+26</b>	<b>+22</b>

## 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

SMBs again expect employment to strengthen despite continued weak results for this indicator.

## Key findings

Although employment was marginally better and positive, it remains flat which has been the case for more than four years. However, SMBs continue to believe better employment conditions are ahead.

## Last quarter

Nine per cent of SMBs increased staff numbers against 8% who reduced employees resulting in one of the few positive net balances observed in recent years.

By location, the only positive net balances were in NSW (+7) and the ACT (+5) with SA neutral (0). The NT stood out with a negative balance of -23, with the others scores being -6 in Tasmania, -5 in Victoria, -2 in WA and -1 in Queensland.

By sector, positive results were seen in Hospitality (+11), Wholesale Trade (+10), Finance and Insurance (+5) and Communications, Property and Business Services (+2). The Cultural, Recreational and Personal Services sector was neutral on this indicator but others were negative ranging from -1 in Building and Construction to -6 in both Manufacturing and Transport and Storage.

Four in ten (40%) reported barriers to taking on new staff. This was 48% in the last two surveys reflecting a more favourable environment. A lack of work or sales was again the barrier mentioned most (39%, unchanged). Business growth is still the dominant influence on increased employment.

## Current quarter

Thirteen percent expect to increase staff numbers and 3% foresee a fall resulting in a net balance that is one point higher on +10.

Victoria (+13), NSW (+11), SA (+11), the ACT (+10) and Queensland (+9) are around the national average on this indicator. The NT (-3) displayed the only negative score.

By industry, expectations are positive in all but Transport and Storage (-1). They range from +6 in Manufacturing to +14 in Health and Community Services.

## Next 12 months

Year ahead expectations remain positive. Sixteen percent anticipate a rise and 5% a fall. The net balance of +11 is the same as for December 2015 and compares with +13 in 2014 and +17 in 2013.

## Size of workforce

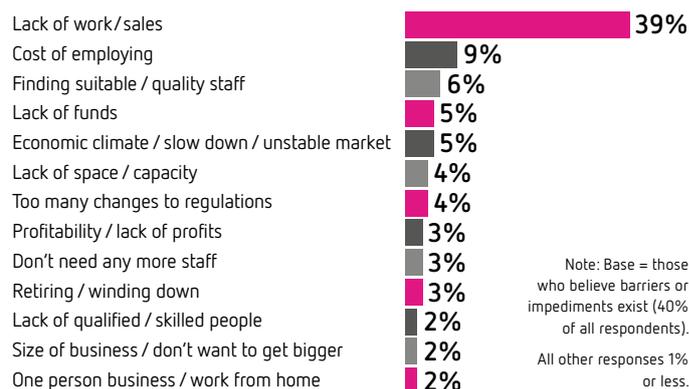
	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>Last Quarter</b>					
Experienced increase	10%	8%	9%	11%	9%
No change	80%	82%	81%	78%	83%
Experienced decrease	10%	11%	11%	12%	8%
<b>*Net Balance</b>	<b>0</b>	<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>+1</b>
<b>Current Quarter</b>					
Expect increase	12%	14%	10%	14%	13%
No change	79%	81%	84%	80%	83%
Expect decrease	7%	3%	5%	5%	3%
<b>*Net Balance</b>	<b>+5</b>	<b>+11</b>	<b>+5</b>	<b>+9</b>	<b>+10</b>

## Size of workforce – trends in \*net balance

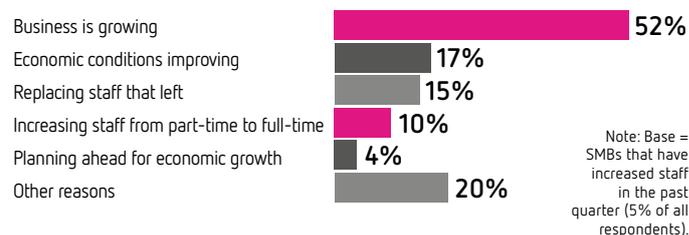


\* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

## What are the barriers to taking on new employees?



## Why SMBs have increased employment – Dec 2016



# Wages

Wages results and expectations have hardly changed since last survey but are more positive than a year earlier.

## Key findings

Wages results and expectations were similar to those observed last survey and are more positive relative to one year ago.

## Last quarter

Higher wages were noted by 19% of SMBs with a fall observed by 10%. The net balance of +9 is the same as last quarter and three points higher than a year ago.

Wages growth was well above average in Tasmania (+17), with NSW the next best performer (+14). A negative result was recorded in the NT (-13) and a neutral score in WA. Other net balances were +9 for Queensland, +8 for SA, +6 for Victoria and +2 in the ACT.

Sector-wise, there was considerable growth in Wholesale Trade (+23) and Hospitality (+22). The lowest net balance observed was for Building and Construction (0). Double figure growth was also indicated in Health and Community Services (+15), Communications, Property and Business Services (+13) and Finance and Insurance (+10).

## Current quarter

This quarter, 22% expect wages to increase against 6% anticipating a fall, producing a net balance of +16. This compares with +15 last survey.

Net balances are positive in all locations except for the NT (-9). Elsewhere they range from +6 in SA to +29 in Tasmania.

By sector, wages growth is most likely in Wholesale Trade (+20), Retail and Hospitality (both at +19) and Communications, Property and Business Services (+18). Expectations are lowest in Transport and Storage (+10) and Manufacturing (+9).

## Next 12 months

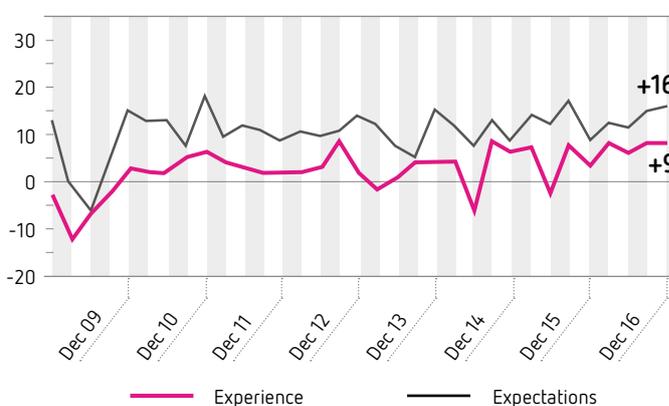
Expectations for wages growth over the next year have not varied much from last survey. Thirty percent expect wages growth and 6% expect a decline.

The net balance of +24 is one point lower than in 2015.

## Wages

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>Last Quarter</b>					
Experienced increase	21%	22%	19%	22%	19%
No change	61%	62%	66%	63%	70%
Experienced decrease	15%	13%	12%	13%	10%
<b>*Net Balance</b>	<b>+6</b>	<b>+9</b>	<b>+7</b>	<b>+9</b>	<b>+9</b>
<b>Current Quarter</b>					
Expect increase	21%	21%	19%	22%	22%
No change	67%	69%	72%	68%	70%
Expect decrease	10%	8%	7%	7%	6%
<b>*Net Balance</b>	<b>+11</b>	<b>+13</b>	<b>+12</b>	<b>+15</b>	<b>+16</b>

## Wages – 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

Relative to last quarter, higher prices were slightly more common but there was a tempering in expectations.

## Key findings

Price growth is greater than this time last year but expectations have eased during 2016.

## Last quarter

The latest net balance of +12 is only two points higher than last survey and this is the highest level observed since September 2010, when it was also +12. Price increases were indicated by 17% of SMBs, with 5% recording lower prices.

Net balances ranged from 0 in the NT to +19 in NSW and Tasmania. The ACT (+17) and Victoria (+15) were also above average.

Across industries, Health and Community Services (+21), Hospitality (+20) and Building and Construction (+19) stood out for increases. There was one negative balance observed, which was in Transport and Storage (-7).

## Current quarter

The net balance for price rises this quarter dropped five points to +12. One year ago this indicator was at +14.

Expectations ranged from +19 in the ACT to +2 in the NT.

By sector, price rises are most likely in Manufacturing (+24) and least likely in Hospitality (0).

## Next 12 months

With a net balance of +26, expectations for price rises in the year ahead were six points less than one year earlier.

Over the year 29% expect a rise in their pricing, with 3% predicting a fall.

## Prices charged

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>Last Quarter</b>					
Experienced increase	15%	18%	15%	16%	17%
No change	76%	71%	77%	75%	76%
Experienced decrease	6%	9%	6%	6%	5%
<b>*Net Balance</b>	<b>+9</b>	<b>+9</b>	<b>+9</b>	<b>+10</b>	<b>+12</b>
<b>Current Quarter</b>					
Expect increase	17%	24%	22%	20%	15%
No change	78%	69%	72%	75%	80%
Expect decrease	3%	5%	4%	3%	3%
<b>*Net Balance</b>	<b>+14</b>	<b>+19</b>	<b>+18</b>	<b>+17</b>	<b>+12</b>

## Prices charged – trends in \*net balance



# Profitability

Despite profitability having been negative since June 2015, expectations for the current quarter and year ahead are still positive on balance.

## Key findings

Profitability performance became slightly more negative and expectations are less positive than last survey.

## Last quarter

Since March 2008 only one positive net balance has been recorded for profitability and that was in March 2015. This survey we again observed a negative score which was -5, due to a profit rise recorded by 18% against a 23% fall. The previous net balance was -3. One year ago, it was -5.

Profitability was negative everywhere except for NSW (+3). It was lowest in the NT (-23), with WA (-17) and SA (-14) also well below average.

Sector variations were quite significant. Finance and Insurance (+11) was the best performer followed by Cultural, Recreational and Personal Services (+9).

Retail Trade (-28) really struggled on profitability, with Transport and Storage (-12) and Manufacturing (-11) also displaying double figure negative balances on this indicator.

## Current quarter

Profitability expectations for the current quarter fell four points to +15.

Profitability expectations are strongest in the ACT (+34) and above average in Victoria (+26) and Tasmania (+21). They are negative in the NT (-2) and neutral in SA (0).

Sector-wise, expectations are above average in Finance and Insurance (+27), Wholesale Trade (+22), and Communications, Property and Business Services (+20). The weakest sector on this indicator is Transport and Storage (+6).

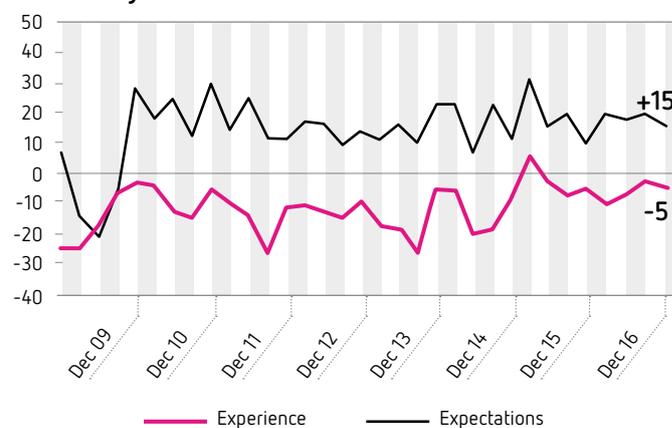
## Next 12 months

Expectations for the year ahead have improved marginally. We found 41% expect increased profitability and 11% anticipate a decrease. The net balance of +30 compares with +28 in 2015, +34 in 2014 and +52 in 2013.

## Profitability

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>Last Quarter</b>					
Experienced increase	23%	21%	20%	23%	18%
No change	47%	45%	50%	49%	58%
Experienced decrease	28%	32%	27%	26%	23%
<b>*Net Balance</b>	<b>-5</b>	<b>-11</b>	<b>-7</b>	<b>-3</b>	<b>-5</b>
<b>Current Quarter</b>					
Expect increase	29%	34%	30%	30%	27%
No change	50%	50%	54%	56%	60%
Expect decrease	19%	16%	14%	11%	12%
<b>*Net Balance</b>	<b>+10</b>	<b>+18</b>	<b>+16</b>	<b>+19</b>	<b>+15</b>

## 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.

# Capital expenditure

Capital expenditure has remained negative on balance but there are better signs ahead.

## Key findings

An improved net balance was observed for capital expenditure by SMBs over the last year, although it remains negative. Expectations for next year have become positive.

## Last 12 months

Over the last year, 24% increased capital expenditure, with 25% reducing it. The net balance of -1 was three points better than this time last year.

In the ACT (+21), NSW (+14) and Tasmania (+11) positive net balances were recorded. In other locations capital expenditure ranged from -1 in SA to -20 in WA.

Capital expenditure last year also differed significantly by sector with positive net balances in Hospitality (+17), Health and Community Services (+12) and Cultural, Recreational and Personal Services (+3). There was a neutral balance in Retail Trade and negative results ranging from -2 in Building and Construction; and Communications, Property and Business Services to -15 in Manufacturing.

## Next 12 months

There was a nine-point increase from -6 to +3 in SMBs expecting to increase capital expenditure over the coming 12 months. This is not as high as observed in December 2014 when the net balance was +9.

Capital expenditure expectations for the next 12 months were highest in Victoria (+10), with the ACT (+8), NSW (+7) and Tasmania (+6) above average. There were several negative balances recorded – in WA (-16), the NT (-15) and SA (-11).

By sector, Hospitality recorded the highest net balance (+18) followed by Finance and Insurance (+12). Three industries displayed negative balances – Retail Trade (-15), Wholesale Trade (-9) and Transport and Storage (-6).

## Capital expenditure - trends

	Dec 14	Dec 15	Dec 16
<b>Over last 12 months spent</b>			
More than in previous 12 months	NA	30%	24%
Same as in previous 12 months	NA	33%	38%
Less than in previous 12 months	NA	34%	25%
<b>*Net Balance</b>	<b>NA</b>	<b>-4</b>	<b>-1</b>
<b>Over next 12 months expect to spend</b>			
More than this year	29%	28%	25%
Same as this year	49%	35%	42%
Less than this year	20%	34%	22%
<b>*Net Balance</b>	<b>+9</b>	<b>-6</b>	<b>+3</b>

NOTE: Prior to 2015 this question was asked about the last 3, next 3 and next 12 months but now it is only asked in the December quarter survey about the last 12 and next 12 months.

# Access to finance

SMBs found it easier to access finance than at any time previously observed in the SBI.

## Key findings

SMBs' ability to access finance is critical for capital expenditure and growth. Their ability to access finance has been improving since September 2015 and they now find this easier than at any time since we first included this question in March 2010.

## Last quarter

The net balance for obtaining finance has improved each quarter since September 2015 with the latest result of +16 comparing with +8 last survey and +3 a year earlier. The highest balance previously recorded for this measure was +6 in March 2015.

SMBs in the NT (-5) found it hardest to access finance. That was the only negative balance recorded. The highest balance was observed in Victoria (+25), with NSW (+17) and Tasmania (+17) next in line.

By sector, SMBs in Health and Community Services (+26) found it easiest with Hospitality (+25), Transport and Storage (+24) and Wholesale Trade (+24) close behind. The Retail Trade sector experienced the most difficulty (-11) and was the only sector with a negative net balance.

Medium size firms previously found it easier than small firms to access finance but that is no longer the case. Last survey the gap in their favour was +14, but now this gap is -1.

Twelve per cent of SMBs sought finance, which is down four points from last quarter. Of those, 74% had success, up from 70% last survey and 68% before that.

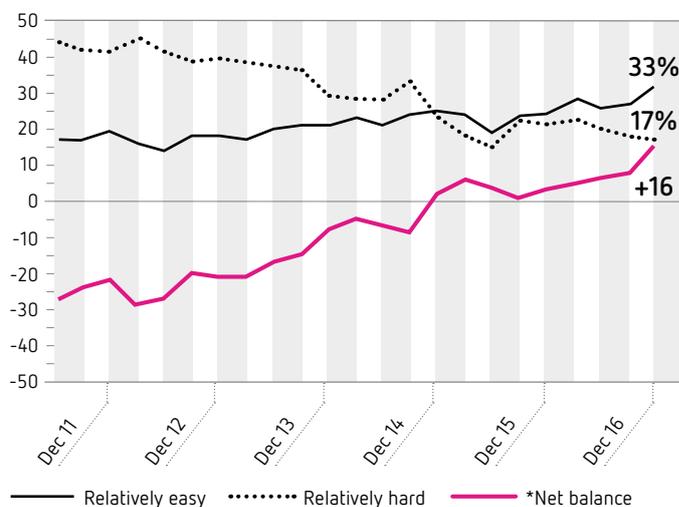
The incidence of seeking finance ranged from 8% in Victoria to 19% in the ACT. It was also above average in Queensland (15%) and Tasmania (17%).

SMBs in the Transport and Storage sector (20%) were the most likely to have sought finance. The Finance and Insurance sector recorded the lowest score (5%).

## Access to finance

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
<b>Last Quarter</b>					
Relatively easy	24%	27%	25%	26%	33%
Average	56%	50%	55%	56%	50%
Relatively hard	21%	23%	20%	18%	17%
<b>*Net Balance</b>	<b>+3</b>	<b>+4</b>	<b>+5</b>	<b>+8</b>	<b>+16</b>

## 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.

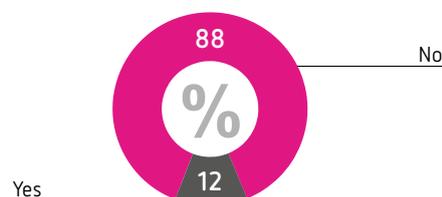
## Ease of accessing finance – by business size (Dec 2016)

	Easy	Difficult	*Net Balance
<b>Total</b>	<b>33%</b>	<b>17%</b>	<b>+16</b>
1-2 Employees	23%	24%	-1
3-4 Employees	32%	18%	+14
5-9 Employees	40%	12%	+28
10-19 Employees	42%	10%	+32
<b>Total Small Business</b>	<b>33%</b>	<b>17%</b>	<b>+16</b>
20-99 Employees	31%	14%	+17
100-199 Employees	4%	12%	-8
<b>Total Medium Business</b>	<b>29%</b>	<b>14%</b>	<b>+15</b>

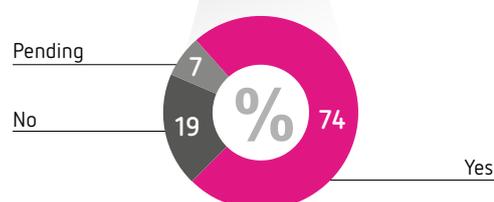
Base: Those who had tried to access finance.

## Success in accessing finance

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



Were you successful?



# Exports

*Export incidence is the highest recorded during the past four years.*

## Key findings

There has been a four-point growth in the proportion of SMBs exporting during the last year.

## Last 12 months

Fifteen percent of SMBs exported goods or services in the last year (11% in 2015, 12% in 2014 and 13% in 2013). SMBs in Victoria (22%) were most likely to export and those in the NT were the least likely (5%).

Metropolitan SMBs were more likely to export than those in regional locations (20% compared to 7%). Manufacturers (27%) and Wholesalers (43%) were again the most export-oriented. Least likely to export were those in Finance and Insurance (5%) and Retail Trade (7%).

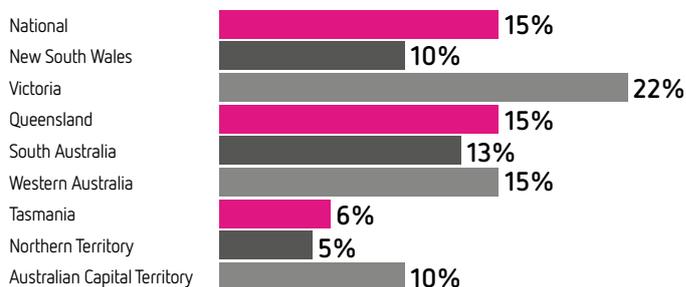
## New exporters

Two per cent of the SMBs not exporting in the last year expect to do so in the next quarter (1% last time). This intention ranges from 0 in Victoria and Tasmania to 5% in the ACT. By industry, Cultural, Recreational and Personal Services stands out at 7%, with the rest ranging from 0 to 2% on this measure.

## Exporting and business growth

We also discovered that 39% of SMBs are seeking growth for their business and 11% of those expect their growth will mainly come from exports. This represents 4% of the total base, which compares with 3% one year earlier.

## Proportion of SMBs exporting in the last year



\* 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

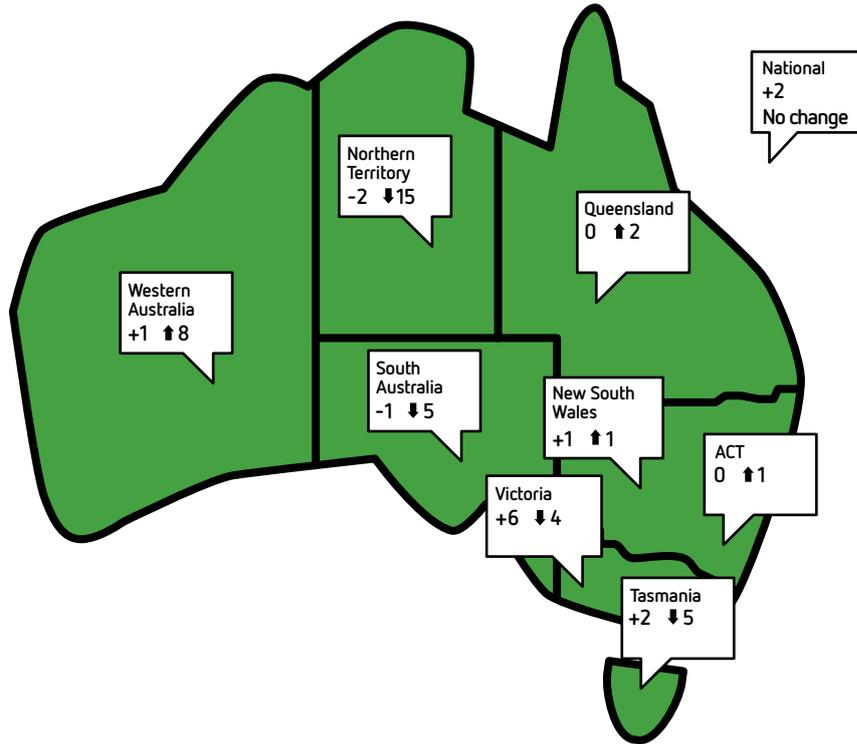
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Government policies .....	27
Assessment of Federal Government policies .....	28
Assessment of state and territory government policies .....	29

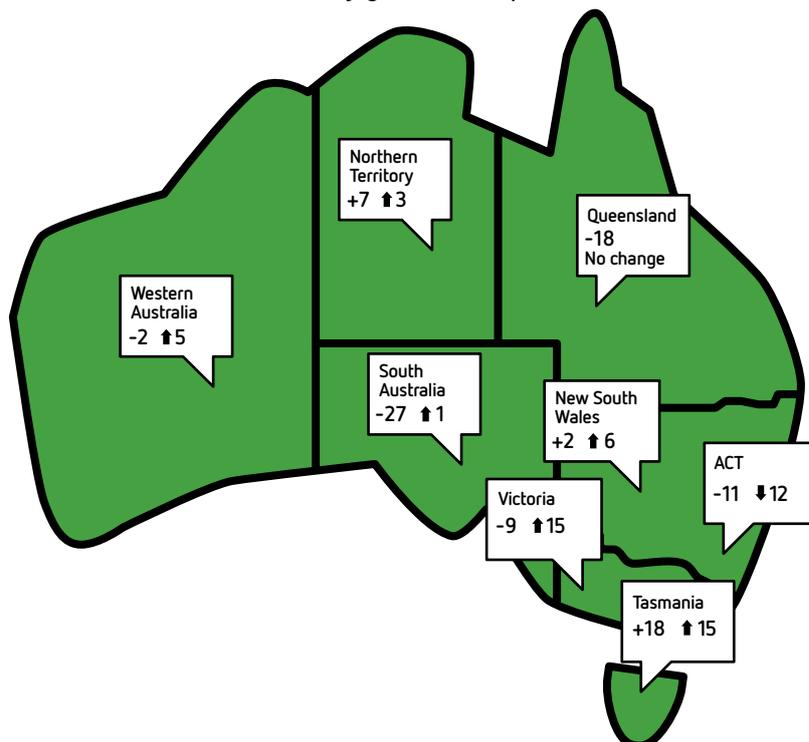
# Government policies

The maps below show the net balance of attitudes to Federal, state and territory government policies. This is calculated from the proportion believing the government is supportive less the proportion believing it to be working against small and medium business interests. Also displayed is 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

SMB views of the Federal Government remain slightly positive.

## Key findings

SMB ratings of the Federal Government are at the same level recorded in the prior two surveys, which is slightly positive on +2.

## Last quarter

There were 19% who think Federal Government policies are supportive of SMBs with 17% disagreeing. The net balance of +2 compares with +7 in December 2015.

The top four reasons for a positive opinion of the Federal Government were tax incentives (11%), that the Liberals traditionally support small business (10%), incentives and grants (9%) and that the Government is being supportive and showing interest in small businesses (9%).

Among SMBs with a negative view of the Federal Government's policies excessive bureaucracy or red tape (21%) and too much focus on big business (12%) were their biggest concerns.

SMBs in Victoria (+6) rated the Federal Government most favourably for their support of small business followed by those in Tasmania (+2). SMB opinions in the NT are the least favourable (-2), with the net balance also negative in SA (-1).

The most positive sector was Building and Construction (+11), followed by Finance and Insurance (+10) and Communications, Property and Business Services (+10). The most negative sectors were Manufacturing (-10), Transport and Storage (-10) and Retail Trade (-9).

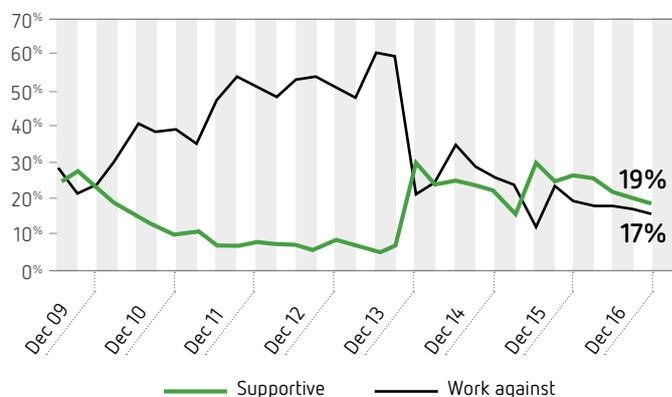
## Attitudes to Federal Government policies – trends

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?

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Supportive	27%	25%	21%	20%	19%
Work against	20%	19%	19%	18%	17%
No impact	53%	56%	59%	61%	63%
<b>*Net Balance</b>	<b>+7</b>	<b>+6</b>	<b>+2</b>	<b>+2</b>	<b>+2</b>

\* 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

Only the Tasmanian, NSW and NT Governments generated a favourable rating.

## Key findings

This quarter an average of 13% of SMBs regard their state or territory government to be supportive and 20% believe they are working against small business interests, generating a net balance of -7. This is seven points better than last survey.

The Tasmanian, NT and NSW Governments were the only ones with positive net balances. The SA Government continues to disappoint SMBs most of all with the Victorian, Queensland, WA and ACT Governments also assessed negatively.

## Last quarter

The highest net balance was observed in Tasmania (+18), ahead of the NT (+7), with NSW the next highest (+2). Elsewhere we discover negative balances, especially in SA (-27) and Queensland (-18).

Ratings improved in Tasmania (by 15 points to +18), NSW (by six points to +2), Victoria (by 15 points to -9), WA (by five points to -2), SA (by one point to -27) and the NT (by three points to +7). They deteriorated only in the ACT (down 12 points to -11).

The main appeal of the Tasmanian Government is that it is supportive and interested in small business (26%).

The biggest gripe against the SA Government is excessive bureaucracy (24%), followed by too many costs and charges being imposed including hidden taxes (17%).

## Attitudes to state or territory government policies (Dec 2016)

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	15%	10%	8%	13%	16%	31%	22%	10%
Work against	13%	19%	26%	40%	18%	13%	15%	21%
No impact	72%	71%	66%	47%	66%	56%	63%	69%
<b>*Net Balance</b>	<b>+2</b>	<b>-9</b>	<b>-18</b>	<b>-27</b>	<b>-2</b>	<b>+18</b>	<b>+7</b>	<b>-11</b>

Note: Rounding occurs.

## Attitudes to state or territory government policies – trends in \*net balance

	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
New South Wales	+11	+8	+12	-4	+2
Victoria	-17	-11	-13	-24	-9
Queensland	-15	-17	-26	-18	-18
South Australia	-32	-22	-29	-28	-27
Western Australia	-10	-9	-21	-7	-2
Tasmania	+12	+14	-2	+3	+18
Northern Territory	-4	-7	0	+4	+7
Australian Capital Territory	+12	+9	-2	+1	-11

\* 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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# Small and Medium Business Outlook

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National .....	31
New South Wales .....	32
Victoria.....	33
Queensland.....	34
South Australia .....	35
Western Australia .....	36
Tasmania .....	37
Northern Territory.....	38
Australian Capital Territory.....	39

## Small and medium business outlook – National

Confidence continues to be strong, reaching its highest level since 2010. SMB views of the economy now and for the next 12 months have become much more positive throughout the course of 2016. As a result, SMB expectations for key indicators next year are upbeat.

- Confidence lifted eight points this quarter to +46. In the June quarter confidence reached its highest level in more than five years and now that result has been exceeded. The last time a higher confidence level was recorded was in March 2010 at +49.
- The leading influences on confidence are having an established, solid business and having specific business strengths. Decreasing sales were much more commonly mentioned than other factors by those SMBs who are worried.
- SMB assessments of the current state of the economy improved 11 points, becoming positive on balance (+3), and much brighter than in the March quarter of this year (-22). Expectations for the economy in a year's time were three points higher (+8) this quarter and 14 points higher than in the March quarter.
- Sales did not improve from last quarter but stayed positive on balance, while profitability results remained weak. Wages, prices and employment indicators were steady or marginally better and positive for SMBs at large.
- Expectations for next quarter eased in the case of sales, profitability and prices. Expectations for wages and employment were one point higher than last quarter. Year ahead expectations for sales, profitability, prices and wages were upbeat and also positive for employment. Expectations also moved from a negative to positive balance for capital expenditure.
- SMB views of the Federal Government were unchanged, remaining in a slightly positive position. The Government's main attractions are tax and other incentives and a belief that it is supportive of small businesses. Excessive bureaucracy is the biggest complaint.

### Trends in the past three months' experience and current expectations – National

Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	57%	55%	60%	57%	61%
Negative	18%	20%	16%	19%	15%
<b>*Net Balance</b>	<b>+39</b>	<b>+35</b>	<b>+44</b>	<b>+38</b>	<b>+46</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	-1	+5	+5	+16	+26	+22	+34	+34
Employment	0	-1	+1	+5	+9	+10	+11	+11
Wages	+6	+9	+9	+11	+15	+16	+25	+24
Prices	+9	+10	+12	+14	+17	+12	+32	+26
Profitability	-5	-3	-5	+10	+19	+15	+28	+30
Capital Expenditure	-4***	NA	-1***	NA	NA	NA	-6	+3

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

\*\*This is for the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – New South Wales

Confidence was up marginally and NSW remains the most confident state or territory. Last quarter conditions improved, with expectations for the next three months and year ahead fairly positive on all key indicators including capital expenditure. The NSW Government is one of only three state governments with a positive net rating.

- In NSW, confidence rose one point to +54 and it remains the leading state or territory on this measure.
- Confidence stems primarily from having an established, solid business and specific business strengths. Falling sales are the key issue for those SMBs worried about their prospects.
- Last quarter, all key indicator performances were positive and improved. This was also true about capital expenditure.
- Expectations for each key indicator in the current quarter fell but remained positive and better than or equal to this time last year. Year ahead expectations for each key indicator are all relatively strong.
- SMB support for the policies of the NSW Government increased six points to a net balance of +2. Recently it was the best regarded state government, now it ranks third and is one of only three with a positive rating. Those who feel the Government is supportive are most impressed by infrastructure development. Excessive bureaucracy is the number one criticism.

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

Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	61%	64%	65%	67%	67%
Negative	15%	16%	7%	14%	13%
<b>*Net Balance</b>	<b>+46</b>	<b>+48</b>	<b>+58</b>	<b>+53</b>	<b>+54</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	0	+3	+13	+18	+31	+20	+37	+36
Employment	-1	-4	+7	+8	+12	+11	+12	+14
Wages	+9	+5	+14	+13	+15	+14	+23	+24
Prices	+12	+7	+19	+16	+20	+16	+41	+27
Profitability	-5	-4	+3	+12	+24	+12	+30	+28
Capital Expenditure	+3***	NA	+14***	NA	NA	NA	-6	+7

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

\*\*This is for the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – Victoria

SMB confidence increased sharply in Victoria to be above the national average and the second highest in the nation. Key indicator performances were generally lower but expectations for the next quarter and year ahead are quite strong. Despite improving its rating, the Victorian Government still struggles to appeal to SMBs.

- Confidence increased 21 points to a net balance of +52, ranking Victoria second behind NSW. This is the highest confidence level seen in Victoria in recent years.
- The key drivers of confidence are being an established, solid business and specific business strengths. Worried SMBs cite falling sales and unfavourable Government policies.
- Last quarter, results were lower for all key indicators except for prices which were steady. Despite this sales remained positive, as did prices and wages, while profitability and employment became negative.
- For the current quarter expectations on each key indicator were higher, with the exception of prices. Year ahead expectations for all of the key indicators are positive, particularly for sales and profitability.
- Victorian SMBs were less critical of the State Government with the net balance 15 points higher but still negative on -9. The main concerns for SMBs are that policies work against their interests, incentives are lacking and the Government takes too much notice of unions. Those with favourable opinions believe the Government is supportive and helpful.

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

Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	55%	56%	62%	53%	64%
Negative	17%	17%	16%	22%	12%
<b>*Net Balance</b>	<b>+38</b>	<b>+39</b>	<b>+46</b>	<b>+31</b>	<b>+52</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	+5	+11	+8	+19	+20	+33	+40	+41
Employment	-1	+2	-5	+4	+7	+13	+8	+14
Wages	+4	+19	+6	+11	+18	+22	+28	+30
Prices	+8	+15	+15	+17	+20	+11	+30	+25
Profitability	+1	+1	-9	+16	+10	+26	+31	+41
Capital Expenditure	-9***	NA	-10***	NA	NA	NA	0	+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 the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – Queensland

Confidence lifted for the third quarter in a row. It is also higher than this time last year. Key performance indicator results were not really encouraging but expectations are positive, particularly for the year ahead. The State Government remains negatively perceived.

- Net confidence rose four points among Queensland SMBs to +43, which is three points under the national average but eight points higher than at this time last year.
- Those confident in their business prospects pointed to being an established, solid business ahead of specific business strengths as the primary influences. Concerned SMBs referred to declining sales well ahead of other factors and concerns around cost and competitive pressures and an unfavourable business environment were also present.
- Last quarter all the key indicator balances decreased except for wages.
- Expectations for the five key indicators this quarter are all positive although weaker relative to last quarter. Year ahead expectations for all of the key indicators are also positive and improved for sales, prices, profitability and capital expenditure.
- The State Government remains unpopular with an unchanged rating of -18. Taking too much notice of unions, a lack of infrastructure development and a lack of activity were the main criticisms. SMBs with a positive view mentioned that the Government is supportive and helpful and trying to reduce red tape.

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

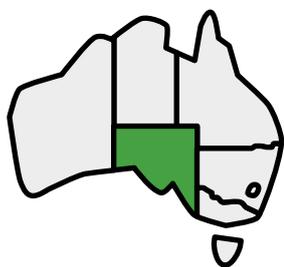
Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	56%	49%	58%	57%	60%
Negative	21%	19%	22%	18%	17%
<b>*Net Balance</b>	<b>+35</b>	<b>+30</b>	<b>+36</b>	<b>+39</b>	<b>+43</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	0	+9	+5	+13	+27	+20	+30	+36
Employment	+10	+1	-1	+3	+11	+9	+13	+8
Wages	+12	+5	+9	+11	+19	+17	+23	+20
Prices	+10	+9	+3	+10	+14	+9	+27	+32
Profitability	-3	+3	-2	+7	+22	+11	+24	+30
Capital Expenditure	-8***	NA	-8***	NA	NA	NA	-9	+2

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

\*\*This is for the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – South Australia

SMBs in SA are still below average in confidence but despite this the level of confidence is twice that observed a year earlier. Weaknesses in the key indicators last quarter may have subdued expectations for the current quarter but not for the year ahead. The SA Government continues to be the most negatively perceived in Australia.

- There was a one point increase in confidence to +32. SA still trails the national average but SMB confidence is now double the level recorded for December 2015.
- The primary cause of confidence is being an established, solid business. The main concern was falling sales followed by cost pressures.
- Last quarter, each of the key indicator results deteriorated, with sales and profitability residing in negative territory.
- For this quarter, expectations are considerably lower for each of the five key indicators except for employment which was steady. Despite this, year ahead expectations are all higher than at this time last year and fairly positive, except for capital expenditure which remains negative.
- The SA Government (-27) continues to be the least favourably perceived of all state and territory governments by SMBs. Excessive bureaucracy and costs are the major concerns. Training schemes are the most frequently mentioned positive policy initiatives.

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

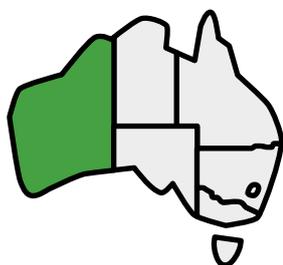
Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	44%	39%	51%	54%	47%
Negative	28%	34%	22%	23%	15%
<b>*Net Balance</b>	<b>+16</b>	<b>+5</b>	<b>+29</b>	<b>+31</b>	<b>+32</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	-4	+6	-13	+6	+35	+9	+15	+24
Employment	-5	+3	0	-2	+11	+11	+1	+12
Wages	+7	+9	+8	+5	+18	+6	+15	+21
Prices	0	+13	+7	+6	+15	+9	+17	+21
Profitability	-8	-3	-14	+5	+28	0	+18	+23
Capital Expenditure	-12***	NA	-1***	NA	NA	NA	-17	-11

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

\*\*This is for the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – Western Australia

Confidence was higher, however still well below the national average. Key indicator results and expectations for both the current quarter and year ahead are relatively low. The WA Government is regarded negatively by SMBs but not as much as in the past four surveys.

- Confidence lifted from +10 to +21, however this is 25 points behind the national average, again ranking WA second lowest.
- Being an established, solid business is the key factor generating confidence, while worried SMBs in WA highlighted lower sales as their main concern.
- Last quarter, the key indicator performances remained weak, especially sales (-13) and profitability (-17).
- Current quarter expectations are positive for all of the key indicators but lower for sales, prices and profitability. Expectations for the year ahead were down on this time last year, however remain positive overall for sales, wages, prices and profitability.
- Support for the WA Government improved five points but stayed negative on -2. Criticisms of note were that the Government is selling off assets, that it doesn't understand small business needs and that it needs to do more to create jobs. Those with a positive rating view the WA Government as supportive and helpful.

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

Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	52%	47%	50%	40%	44%
Negative	21%	36%	30%	30%	23%
<b>*Net Balance</b>	<b>+31</b>	<b>+11</b>	<b>+20</b>	<b>+10</b>	<b>+21</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	-19	-5	-13	+3	+22	+14	+21	+14
Employment	-6	-4	-2	+2	-2	+3	+12	0
Wages	-7	+1	0	-1	+6	+8	+21	+19
Prices	+4	+6	+2	+6	+15	+11	+27	+18
Profitability	-21	-22	-17	-3	+12	+10	+17	+14
Capital Expenditure	-9***	NA	-20***	NA	NA	NA	-11	-16

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

\*\*This is for the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – Tasmania

Confidence has fluctuated significantly in Tasmania over the past year and it is now under the national average. However, there are good signs in the latest key indicator performances, with expectations for this quarter and the year ahead quite positive. The Tasmanian Government has also become the most popular in the nation.

- Confidence remains volatile among Tasmanian SMBs. After being in a strong leadership position at the end of 2015, there was a significant drop off in June, then a big lift in confidence in the September quarter. This quarter there was a 14-point fall to a net balance of +38. Tasmania has gone from well above the national average to below.
- Being an established business is the main driver of confidence ahead of specific business strengths and healthy sales. Worried SMBs highlighted falling sales as their primary concern.
- All key indicator performances were better than last quarter but the net balances for sales and profitability were well behind those recorded a year ago. It is noteworthy that capital expenditure increased during the year.
- There are again relatively strong expectations this quarter for sales, wages and profitability, and they remain positive for employment and prices. Year ahead expectations were lower for sales, employment, wages and profitability, while still among the most positive recorded. The expectations for prices and capital expenditure rose.
- SMB support for the Tasmanian Government's policies was 15 points higher on +18, which makes it the most popular Government in Australia by far. Those who are positive towards the Government feel it is supportive and interested in small businesses, while negative SMBs disagree with this sentiment.

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

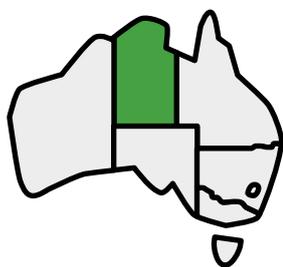
Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	72%	57%	52%	63%	57%
Negative	8%	10%	22%	11%	19%
<b>*Net Balance</b>	<b>+64</b>	<b>+47</b>	<b>+30</b>	<b>+52</b>	<b>+38</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	+17	-7	+4	+46	+25	+28	+56	+37
Employment	-6	-9	-6	+16	+13	+6	+23	+10
Wages	+19	+13	+17	+33	+24	+29	+41	+34
Prices	+22	+12	+19	+19	+10	+14	+38	+41
Profitability	+17	-11	-5	+38	+21	+21	+42	+27
Capital Expenditure	0***	NA	+11***	NA	NA	NA	+2	+6

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

\*\*This is for the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – Northern Territory

Confidence increased but is still the lowest in Australia. Little comfort can be drawn from key indicator results last quarter or in expectations for this quarter, however the year ahead appears more promising for sales. The new NT Government has a relatively good rating among SMBs.

- Confidence was seven points higher in the NT, registering a net balance of +16. This is still the lowest in Australia and 30 points below the national average. Last survey we found confidence much lower in Darwin than in regional areas (-15 versus +28). This is still true (-2 versus +29) although the gap has narrowed.
- The major driver of confidence is having specific business strengths, while falling sales are the biggest concern.
- Last quarter, key indicator performances were lower or unimproved with all balances negative except for prices, which was neutral. The balances observed for the five key indicators were clearly the lowest in Australia.
- This quarter, expectations for all of the performance indicators worsened and were the lowest in the nation. Year ahead expectations are also down for all indicators but the outlook for sales (+17) offers some encouragement.
- SMB support for the Northern Territory Government increased three points to +7, which is the second highest score nationally. Favourable opinion reflects the view that the Government is supportive and interested in small business. The main criticism is that the Government gives work to larger companies and non-local companies.

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

Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	53%	46%	50%	44%	48%
Negative	29%	19%	27%	35%	32%
<b>*Net Balance</b>	<b>+24</b>	<b>+27</b>	<b>+23</b>	<b>+9</b>	<b>+16</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	-3	-9	-22	-9	+2	0	+30	+17
Employment	0	-21	-23	-10	0	-3	+5	+2
Wages	+12	-13	-13	-3	-3	-9	+21	-1
Prices	+10	0	0	+7	+15	+2	+29	+21
Profitability	-17	-21	-23	-14	-9	-2	+28	0
Capital Expenditure	+10***	NA	-3***	NA	NA	NA	-4	-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 the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.



## Small and medium business outlook – Australian Capital Territory

Confidence improved even though sales and profitability were negative last quarter. The ACT Government also lost support. Prices lifted last quarter and over the year solid investment in capital expenditure occurred. This may explain why key indicator expectations are very positive both for this quarter and the year ahead, especially for sales and profitability.

- An 11 point rise in confidence to a net balance +46 places the ACT level with the national average.
- Confidence stems mainly from higher sales, followed by having specific business strengths and a positive attitude. For those that lack confidence, falling sales dominate the reasons given.
- Last quarter, sales and profitability balances were lower and negative on balance and there were increases in the other three indicators. We also witnessed a big rise in capital expenditure relative to 12 months earlier. Expectations for this quarter on all five performance indicators are positive and distinctly higher for sales and profitability. Year ahead expectations on all indicators, including capital expenditure are also very positive.
- The ACT Government lost some favour among SMBs, with its rating dropping 12 points to -11. The major concern is excessive bureaucracy, ahead of a lack of incentives and there being too many Government related costs. Positive opinion was associated with a view that the Government is supportive and interested in small business. SMBs also noted the provision of incentives and training initiatives and attempts to reduce red tape.

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

Confidence in own business prospects in next 12 months	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16
Positive	63%	55%	61%	55%	61%
Negative	25%	15%	12%	20%	15%
<b>*Net Balance</b>	<b>+38</b>	<b>+40</b>	<b>+49</b>	<b>+35</b>	<b>+46</b>

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Sep 2016	Dec 2016	Dec 2015	Dec 2016
Sales	-1	+1	-3	+35	+27	+43	+42	+42
Employment	-5	+3	+5	+14	+11	+10	+24	+11
Wages	+10	-4	+2	+19	+20	+22	+37	+38
Prices	+11	+13	+17	+11	+17	+19	+25	+36
Profitability	-6	-2	-4	+33	+27	+34	+40	+38
Capital Expenditure	-10***	NA	+21***	NA	NA	NA	+5	+8

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

\*\*This is for the last 3 months.

\*\*\* This was a new question in December Quarter 2015 survey asking whether they spent more or less compared with the last 12 months.

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# Industry Snapshots

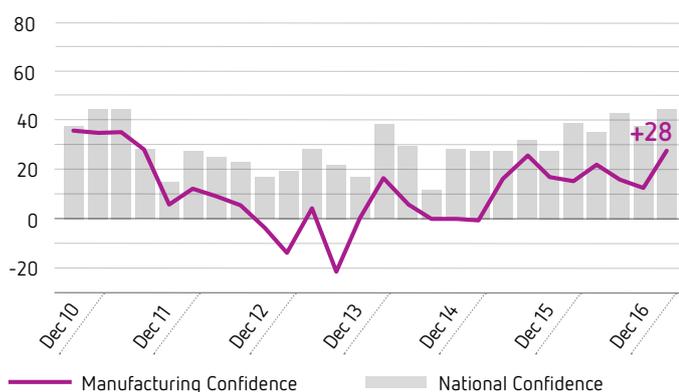
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Manufacturing.....	41
Building and Construction.....	41
Wholesale Trade.....	42
Retail Trade .....	42
Transport and Storage.....	43
Communication, Property and Business Services.....	43
Finance and Insurance .....	44
Health and Community Services.....	44
Cultural, Recreational and Personal Services.....	45
Hospitality (Accommodation, Cafes and Restaurants).....	45

# Industry snapshots

## Manufacturing

Manufacturing Confidence



Confidence increased markedly but remains among the lowest. There is quite a positive outlook for this quarter and the year ahead on key indicators.

Confidence more than doubled, rising 16 points to a net balance of +28 but this is still 18 points under the national average and the second lowest industry score.

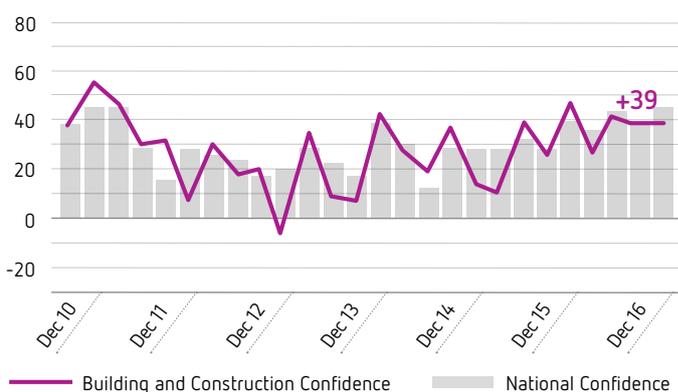
The main factors driving confidence are having specific business strengths, followed by healthy sales. Whereas falling sales impacted most on those lacking confidence.

Last quarter, sales (-5) and profitability (-11) were negative on balance. Other indicator balances were +5 for wages, -6 for employment and +13 for prices. Capital expenditure for the year was equal lowest by sector at -15.

For the current quarter, the outlook for all indicators is fairly positive. This is even more so for the year ahead with indicator expectations around or above the national average – prices (+40), profitability (+38), sales (+34), wages (+19), employment (+16) and capital expenditure (+2).

## Building and Construction

Building and Construction Confidence



SMBs in this sector are not quite as confident as others, which is reflected in both the results and expectations for key indicators.

Confidence was unchanged at +39, which is now below the national average.

Being an established, solid business and having specific strengths contributed most to confidence. Decreasing sales generated concern ahead of unfavourable business conditions.

The latest key indicator results were at, or not far from the national average for sales (+5), profitability (-8), employment (-1) and capital expenditure (-2). Prices (+19) were seven points above the average, while wages (0) were nine points behind.

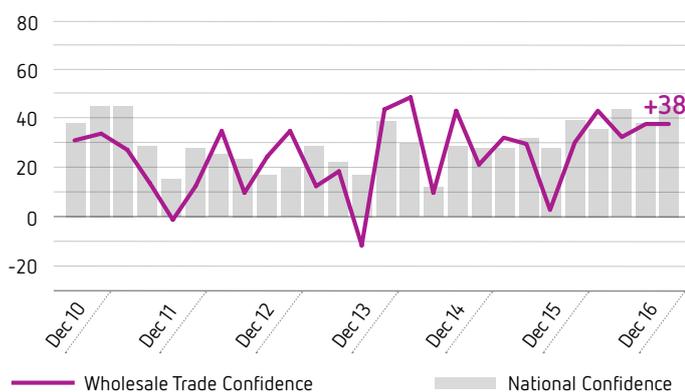
This quarter, SMBs in Building and Construction are fairly positive and close to the national average on each performance indicator. For the year ahead they are also fairly optimistic, although less so than all SMBs for sales (+25), prices (+19), profitability (+19), wages (+15) and employment (+7). With capital expenditure, the net balance of +4 is one point behind the average while the other five indicators trail it by between four and 11 points.

# Industry snapshots



## Wholesale Trade

Wholesale Trade Confidence



Confidence was unchanged however this sector recorded some of the better performance scores last quarter and expectations are optimistic for most indicators.

While confidence has typically fluctuated significantly in this sector, the latest result is the same as last quarter at +38. This is eight points behind the national average.

Those who are confident point to specific business strengths and having an established, solid business as the key reasons for feeling positive. For the worried businesses, declining sales, unfavourable business conditions and Government policy were each influential.

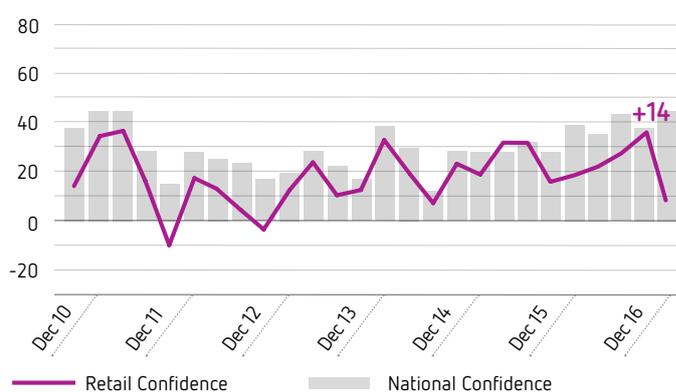
This sector was among the better performers last quarter for wages (+23), sales (+11), employment (+10) and profitability (+2). It was well under the national average for prices (+3) and capital expenditure (-15).

Current quarter expectations are above average for sales at +33, profitability at +22 and wages at +20. The sector is one point below average for prices and three points below average for employment. Year ahead expectations are above average for sales at +44 and profitability at +39 but below average for the other key indicators.



## Retail Trade

Retail Trade Confidence



A difficult quarter reduced confidence substantially but retailers are optimistic about sales and expect most other indicators to improve markedly.

Confidence has taken a major hit, declining by 23 points to +14. This result is the lowest by far across the sectors.

Being an established, solid business is the key reason for confidence. Weaker sales are the primary cause for pessimism but cost and competitive pressures, as well as unfavourable business conditions and Government policy were influential.

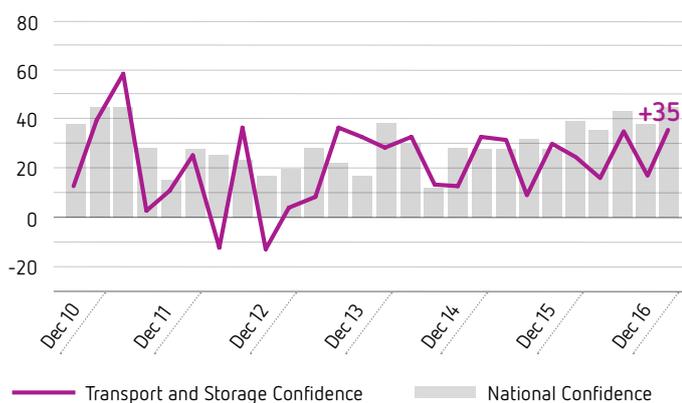
Last quarter proved challenging with the balances recorded for the following indicators at the bottom of the scale – profitability (-28), sales (-7) and employment (-2). The prices result (+4) was the second lowest recorded by sector, while wages (+9) was at the average. Capital expenditure by retailers over the year did not grow (0).

Improved conditions are anticipated, with expectations for the current quarter being around the national average for each indicator – sales (+22), wages (+19), prices (+13), profitability (+12) and employment (+13). Year ahead expectations are also positive for sales (+35), prices (+33), profitability and wages (both +22) and employment (+9). That is not the case for capital expenditure (-15).

# Industry snapshots

## Transport and Storage

Transport and Storage Confidence



Confidence jumped sharply from a low base despite a weak quarter. Expectations for key indicators are fairly positive although below average.

The volatility characterising confidence in this sector continued with a 17-point rise almost doubling the net balance to +35. Nevertheless, this is one of the lower scores.

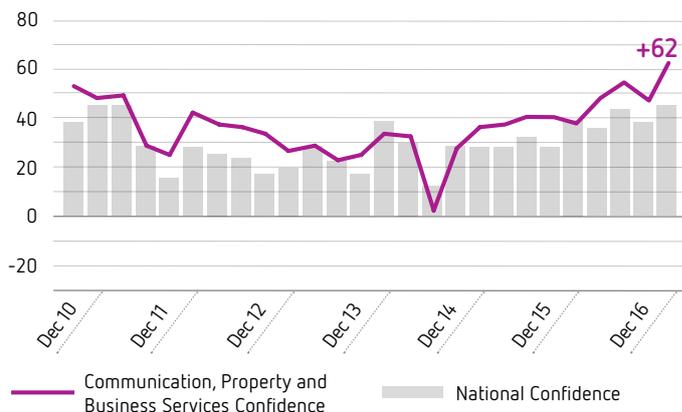
Sales growth impacted confidence ahead of an optimistic attitude and being an established business. Falling sales and competitive pressures created the most concern.

Below average net balances were observed for all key performance indicators – profitability (-12), sales and prices (both -7) and employment (-6) with only wages being positive (+5).

Expectations this quarter are below average for each key indicator – sales (+12), wages (+10), profitability (+6), prices (+5) and employment (-1). They are more positive for the year ahead – sales (+28), prices (+23), profitability (+21), wages (+20) and employment (+10). However, capital expenditure expectations (-6) are below average.

## Communication, Property and Business Services

Communication, Property and Business Services Confidence



Good results for the key indicators saw a solid rise in confidence, with better than average expectations for the quarter and year ahead.

An increase of 15 points lifted the confidence net balance for this sector to an impressive +62, one of the highest levels observed.

Confidence was influenced most by being an established, solid business, followed by healthy sales and having specific business strengths. The main worry was falling sales.

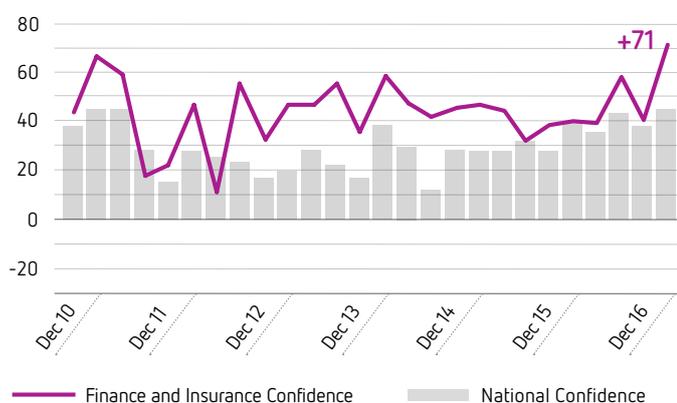
Last quarter results for sales (+13) and profitability (+2) were among the best. Net balances for the other key indicators were also solid - wages (+13), prices (+11) and employment (+2). The capital expenditure result was near average (-2).

This quarter's expectations are above average for each indicator – sales (+30), profitability (+20), wages (+18), prices (+15) and employment (+13). Year ahead expectations are also comparatively high for each indicator – sales (+37), profitability (+36), wages (+31), prices (+20), employment (+20) and capital expenditure (+7).

# Industry snapshots

## Finance and Insurance

Finance and Insurance Confidence



Confidence has reached one of the highest levels recorded on the back of relatively strong sales and profits. The outlook is rosy for all key indicators.

Net confidence jumped 31 points to one of the strongest levels observed at +71, which is 25 points above average.

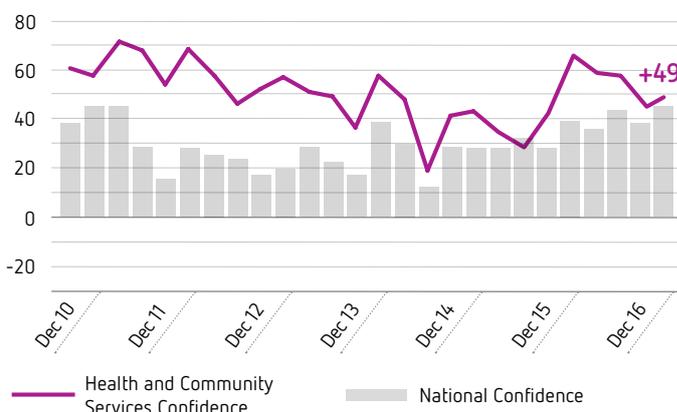
Being an established, solid business was the most common reason for confidence followed by having specific business strengths. An unfavourable business environment was the major concern for worried SMBs.

Last quarter this sector achieved the highest net balance results for sales (+18) and profitability (+11). Prices and wages (both +10) and employment (+5) were also positive. However, capital expenditure for the year was negative (-7).

This quarter, indicator expectations exceed the national average for sales (+29) and profitability (+27) and are positive for prices (+16), wages (+14) and employment (+10). Year ahead expectations also indicate that 2017 should be successful for many in this industry – profitability (+39), sales (+36), prices (+35), wages (+25), capital expenditure (+12) and employment (+8).

## Health and Community Services

Health and Community Services Confidence



Confidence increased and this sector continues to be one of the better performers, with optimism across the key indicators.

Confidence lifted five points to +49, keeping this sector above the national average, which has been true for almost all SBI surveys in recent years.

Being an established solid business and having specific business strengths drove confidence more than other influences. New initiatives taken by businesses also played a role. Falling demand is the primary concern of the worried SMBs, followed by unfavourable business conditions.

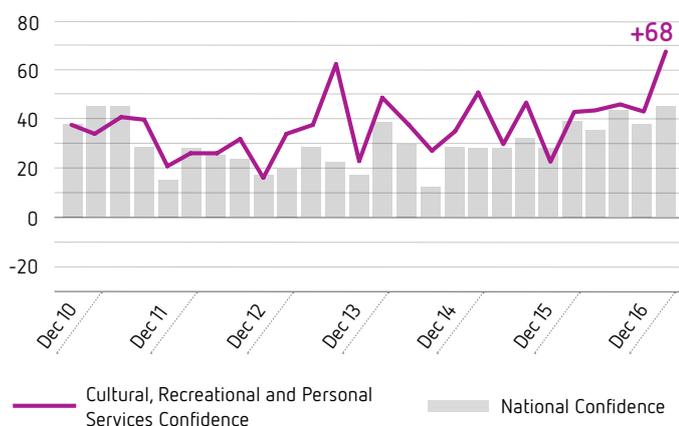
Last quarter prices (+21), wages (+15) and profitability (0) were better than average. This was also true for capital expenditure over the year (+12), while for the quarter the sales result (+5) was at par and employment (-2) was just above average.

For this quarter, all performance indicator expectations are positive – sales (+24), wages (+16), employment (+14), profitability (+13), and prices (+7). For the year ahead, expectations are highest of all in the case of sales (+45), wages (+42) and profitability (+40). They are positive for the others – prices (+22), employment (+11) and capital expenditure (+9).

# Industry snapshots

## Cultural, Recreational and Personal Services

Cultural, Recreational and Personal Services Confidence



Confidence has reached a very high level after a solid quarter. Key indicator expectations are relatively modest for the quarter but upbeat for the year ahead.

A big rise in confidence of 24 points lifted the net balance to +68, which is 19 points above the national average and the second highest score by industry.

Being an established, solid business was very influential on confidence, while having specific business strengths and initiatives taken were also important. Falling sales were the dominant cause for worried SMBs in this sector.

Key performance indicator results were above average last quarter for sales (+12) and profitability (+9). Other balances observed were relatively good – prices (+16), wages (+5), capital expenditure (+3) and employment (0).

This quarter, expectations are positive but below average for sales (+13) and profitability (+5). They are near average for wages (+15), prices (+14) and employment (+9). Year ahead expectations are close to, or above average – prices (+37), sales (+33), wages (+27), profitability (+26), employment (+14) and capital expenditure (+5).

## Hospitality (Accommodation, Cafes and Restaurants)

Hospitality (Accommodation, Cafes and Restaurants) Confidence



The Hospitality sector remains confident. Last quarter was fairly strong with expectations for key indicators generally very positive.

Hospitality continues to express confidence with the net balance five points higher at +54 and eight points above average.

Having an established, solid business influenced confidence much more than other factors. Cost pressures are the primary cause of concern, with an unfavourable business environment also worrying a number of SMBs in this sector.

The key indicator results last quarter were mostly positive – wages (+22), prices (+20), employment (+11) and sales (+1). The exception was profitability (-5). This sector recorded the highest capital expenditure balance (+17) for 2016.

This quarter, expectations are above or around average for sales (+29), wages (+19), profitability (+14) and employment (+10). The prices net balance (0) is well below the average. For the year ahead balances recorded for each indicator are distinctly above average – sales and profitability (both +43), prices (+34), wages (+31), employment (+18) and capital expenditure (+18). The profitability and capital expenditure balances are the highest of all the sectors.

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- E-Business: The online experience of Australian SMEs – Annually since 1995
- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers' Compensation and Workplace Safety – November 1998
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Sensis Pty Ltd  
222 Lonsdale Street, Melbourne VIC 3000  
Tel: + 61 3 8653 5000 | Twitter: @Sensis | [www.sensis.com.au](http://www.sensis.com.au)

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