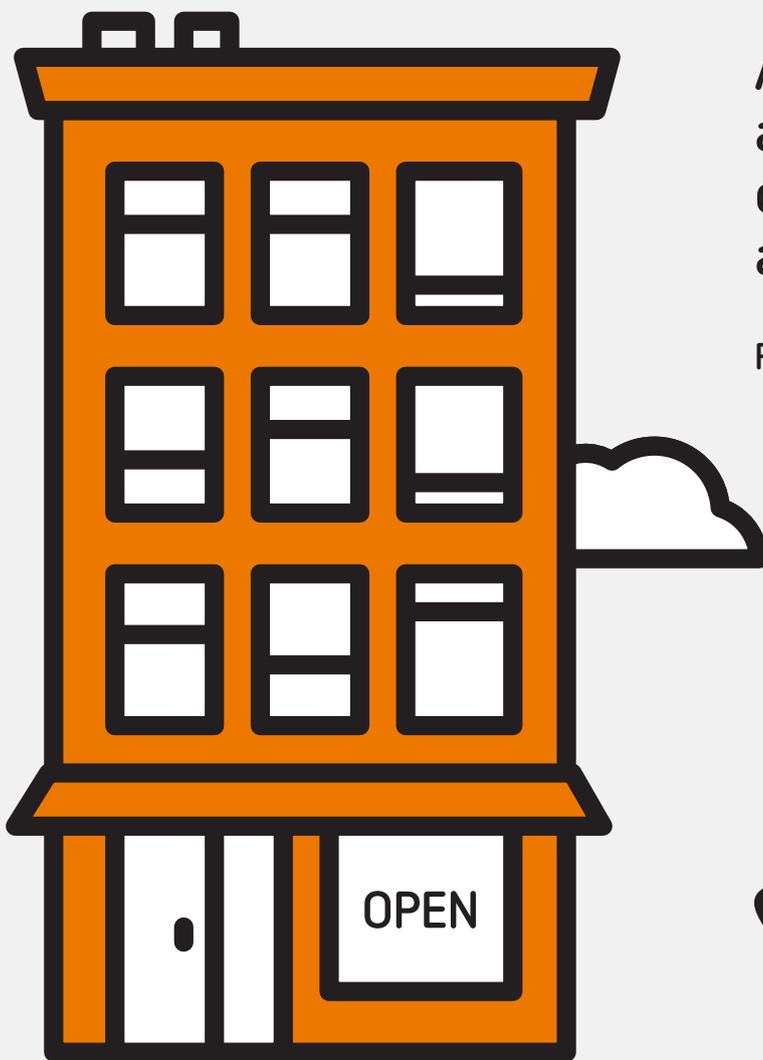


Sensis Business Index June 2016

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

Released 28 July 2016



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Introduction

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

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

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

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

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

About the survey

The Sensis Business Index June 2016 is based on 1,001 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 April 14 to May 9, 2016. Therefore, the interviews took place either side of the Federal Budget which was handed down on May 3, 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 asked in the December quarter survey.

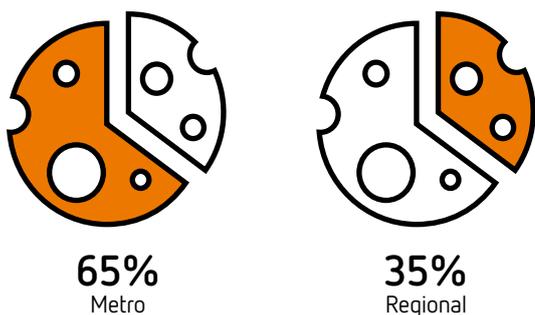
Location of business

	Total	Metro	Regional
New South Wales	170	110	60
Victoria	171	111	60
Queensland	163	81	82
South Australia	126	90	36
Western Australia	128	91	37
Tasmania	82	42	40
Northern Territory	81	41	40
Australian Capital Territory	80	80	-
Total	1,001	646	355

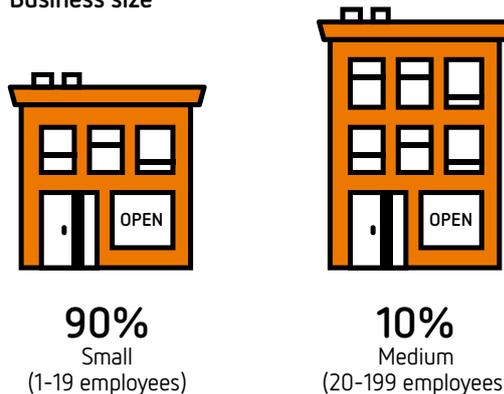
Industry sector

Manufacturing	111
Building and Construction	145
Wholesale Trade	59
Retail Trade	142
Hospitality (Accommodation, Cafes and Restaurants)	58
Transport and Storage	70
Finance and Insurance	82
Communication, Property and Business Services	170
Health and Community Services	83
Cultural, Recreational and Personal Services	81
Total Businesses	1,001

Business location



Business size



Foreword

Small and medium business confidence is at the highest level we've seen in more than five years. This quarter we saw a nine point rise in confidence on a net basis among the 1,000 small and medium businesses we spoke to, with almost four times as many now confident, as those who are worried. Most regions saw an improvement this quarter, with New South Wales again leading the way, driven by strong sales and support for the policies of the State Government. Infrastructure investment is another key factor having a positive influence across the State.

Looking at the key performance indicators across the nation, you would not expect businesses to be feeling as confident as they are. While the sales and employment indicators went up, wages and profitability actually went down. Prices remain the most positive indicator, but they saw no improvement and the net balance of +9 remains relatively modest.

The shift that appears to be driving confidence is the improvement in the perceptions of the economy. There was a 14 point jump this quarter, and while the net balance remains in negative territory, once you couple these improving perceptions of the economic environment, with businesses having ongoing faith in their own business strengths, we see a confidence result that defies the indicators.

Looking at what businesses had to say about the economy in more detail, we see that concern about the economic climate halved this quarter, with only one in twenty businesses now pointing to this as one of their ongoing worries. In further good news, of those reporting barriers to taking on new staff, the number reporting a lack of work or sales as the primary concern dropped from 51 percent to 38 percent.

At a state level, South Australia was the big mover this quarter, up 24 points, so it is no longer the least confident state or territory. Despite a slight rise in confidence, Western Australia is now the least confident location, with the Northern Territory not far behind. Both regions are continuing to adjust to the new business conditions they face in the resources sector. Tasmania saw another fall in confidence and now sits below the national average, having been the clear leader only two quarters ago. Business conditions are worrying SMBs there, particularly in regional areas.



With the exception of the NSW and NT Governments, all other state and territory governments went backwards in terms of their support among SMBs this quarter and sit in negative territory. The Tasmanian Government saw the biggest fall in confidence and is no longer the most popular, with SMBs worried about excessive bureaucracy. The South Australian Government remains the least popular, with SMBs worried the Government is too concerned with big business and isn't providing enough incentives or support.

At an industry level, most sectors are feeling confident, however, manufacturers saw weak sales and demand, while retailers continue to worry about business conditions. These two industries are the least confident and are the ones to watch in the second half of 2016.

The Sensis Business Index survey for the June quarter took place before the Federal Government election; therefore it will be interesting to see if confidence remains as strong in the next survey given the close election result and the unpredictable nature of the new Senate.

If you are a small or medium business owner, we'd love to hear your views about the current state of your business and the economy. You can join in the conversation using #SensisBiz.

John Allan, Chief Executive Officer, Sensis

Executive summary

Historical trends and overall SMB highlights

SMB confidence has reached its highest level in over five years. For the current quarter SMBs remain positive and expect the economy to improve, although the overall assessment remains negative.

The key findings of the Sensis Business Index June 2016 are:

- SMB confidence increased by nine points to a net balance of +44, the highest level seen since March 2011 when it was also +44.
- Confidence was above the national average in NSW (up 10 points to +58), the ACT (up nine points to +49) and Victoria (up seven points to +46). It also rose in Queensland by six points to +36, SA by 24 points to +29 and WA by nine points to +20. Reduced confidence was observed in the NT (down four points to +23) and Tasmania (down 17 points to +30). In the last two quarters confidence among Tasmanian SMBs has more than halved from +64 to +30.
- The economy is perceived as having improved but the overall assessment remains negative. More SMBs believe the economy is slowing (24%) than growing (16%). The net balance of -8 has improved from -22 last survey. SMBs are also slightly more positive about the health of the economy in 12 months' time, with the net balance up from -6 to -3.
- Last quarter, sales and profitability balances were not impressive but there was modest improvement. The employment, wages and prices results were similar to last survey.
- For this quarter, the expectations for all of the indicators remain positive, although they went backwards, with sales down four points (+21) and employment down six points (+5).
- The primary barrier to taking on new employees remains a lack of work or sales. Other barriers are far less pronounced.
- The Federal Government is less favourably perceived this quarter, although a positive net balance remains - down from +6 to +2. Tax incentives, being supportive and trying to help small businesses influenced positive perceptions of the Government. High taxes, a lack of incentives or support and an excessive focus on big businesses were the main criticisms.
- Among the state and territory governments, only NSW has a positive net balance, up four points to +12. The NT Government gained some favour but sits on a neutral net balance. All the other governments lost appeal, especially in Tasmania (down 16 points to -2), the ACT (down 11 points to -2), WA (down 12 points to -21), Queensland (down nine points to -26) and SA (down seven points to -29). The Victorian Government is also relatively unpopular (down two points to -13).

Executive summary

Metropolitan versus regional

SMB confidence improved in both metropolitan and regional areas. Both have positive expectations but metropolitan SMBs are more optimistic on most of the key performance indicators.

Key findings relating to metropolitan and regional businesses included:

- Confidence lifted by 13 points in metropolitan locations and by four points among regional SMBs. The gap between them increased from six to 15 points (+50 versus +35).
- Metropolitan SMBs (-5) are less pessimistic than regional SMBs (-12) about the current state of the economy and they are also more positive regarding prospects for the economy in one year's time (+3 versus -14 net).
- On the five key indicators, metropolitan SMBs performed better than regional SMBs but both recorded negative balances on profitability (-6 and -10 respectively). Metropolitan SMBs had stronger sales results (+6 versus -1).
- For the current quarter, expectations are positive for all indicators in both metropolitan and regional locations, with the net balances generally higher in metropolitan areas. Forecasts for sales in metropolitan areas are eight points higher (+24 versus +16) and for profitability they are seven points higher (+18 versus +11).
- In metropolitan areas SMBs regard the Federal Government's policies for small businesses more positively than their regional counterparts - with net balances of +5 and zero.

Industry sector trends

Confidence varies widely by sector but all have a positive net balance. Last quarter was stronger for some sectors than others but sales and profitability expectations are generally upbeat. There were also positive expectations on the other key indicators almost across the board.

- Most sectors were more confident this quarter. The Health and Community Services sector remains the most confident but has been joined by the Finance and Insurance; and Hospitality sectors in top position. Their net balance is an impressive +58. Above average confidence was also displayed in the Communication, Property and Business Services (+53) and Cultural, Recreational and Personal Services (+47) sectors. Confidence remains lowest in Retail Trade (+27) and Manufacturing (+16).
- Sales performances last quarter varied considerably by sector. Well above average were Hospitality (+23), Cultural, Recreational and Personal Services (+18) and Communication, Property and Business Services (+16). At the other end of the scale were Transport and Storage (-14) and Manufacturing (-15).
- Profitability results were only positive last quarter in Hospitality (+14), Cultural, Recreational and Personal Services (+7) and Finance and Insurance (+2). Retailers (-26), Manufacturers (-24), Wholesalers (-19) and SMBs in Transport and Storage (-17) struggled the most with profitability.
- For the current quarter, only one negative net balance expectation was observed for any of the five performance indicators by sector. Sales expectations display double figure net balances in all sectors, with the exception of Manufacturing (+3). The Communications, Property and Business Services sector had the strongest results for sales (+40) and profitability (+32).

SMB business cycle analysis

The economy is perceived to be relatively weak, with business conditions tougher than expected. Despite this, SMBs displayed widespread and increasing confidence regarding their own business prospects.

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

SMB confidence is now at its highest level in over five years despite the last quarter being soft and expectations for key indicators not strengthening. However, improvements have been seen in a number of key measures and expectations are still quite positive. New South Wales, the ACT and Victoria are the most confident, with all locations recording positive net balances. The two main drivers of confidence are: being an established business and having specific business strengths. It is interesting to note these factors are not impacted by cyclical factors.

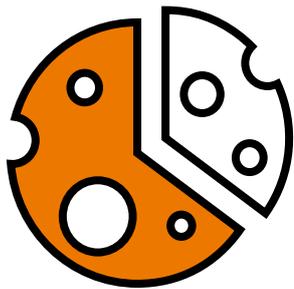
	Results for this quarter	Expectations for next quarter	Expectations for next 12 months
Business confidence	NA	NA	Higher and quite optimistic
Economy	Improved but still negative	NA	Marginally higher but still pessimistic
Sales	Higher and now positive	Less optimistic	NA
Employment	Marginally higher but still negative	Less optimistic	NA
Wages	Marginally lower but still positive	Marginally less optimistic	NA
Prices	Flat but positive	Marginally less optimistic	NA
Profitability	Higher but still negative	Marginally less optimistic	NA

SBI Snapshot

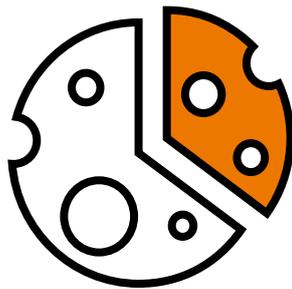
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

Who did we survey?

Region



65%
Metro



35%
Regional

Business size



90%
Small



10%
Medium

What did they tell us?

SMBs are feeling confident



60% feel confident

Because of:

- Being an established, solid business
- Specific business strengths
- Healthy, growing sales



16% feel worried

Because of:

- Decreasing sales
- Unfavourable business, economic and industry environment

=



+44 net balance

Increased 9 points from last quarter

SMB confidence by state



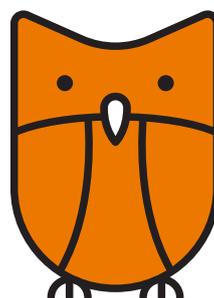
New South Wales +58 (↑10)
Australian Capital Territory +49 (↑9)
Victoria +46 (↑7)
<i>National average +44 (↑9)</i>
Queensland +36 (↑6)
Tasmania +30 (↓17)
South Australia +29 (↑24)
Northern Territory +23 (↓4)
Western Australia +20 (↑9)



Net confidence increased to

+44 points

Up 9 points from last quarter



SBI Snapshot

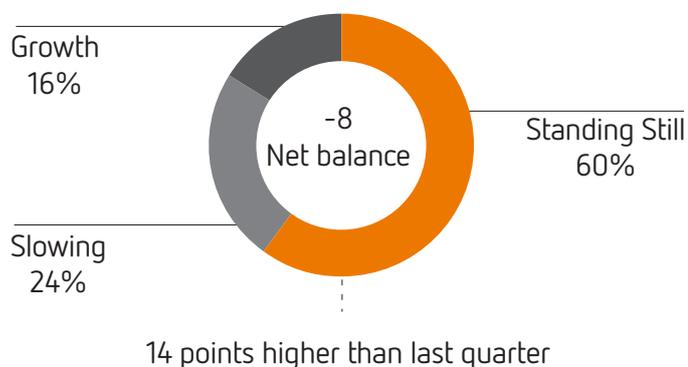
SMB confidence by sector



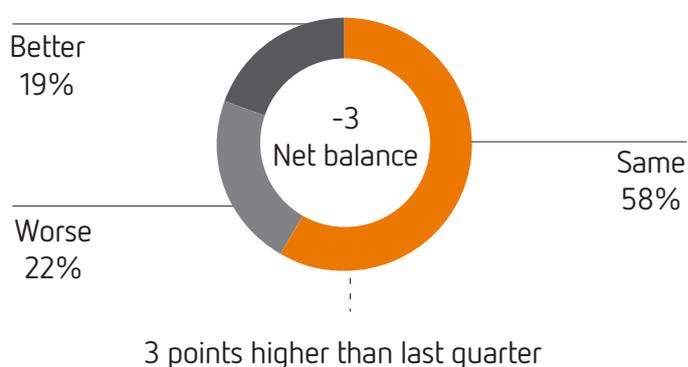
Health and Community Services +58 (↓1)
Hospitality +58 (↑17)
Finance and Insurance +58 (↑19)
Communications, Property and Business Services +53 (↑5)
Cultural, Recreational and Personal Services +47 (↑4)
<i>National Average</i> +44 (↑9)
Building and Construction +41 (↑14)
Transport and Storage +34 (↑18)
Wholesale Trade +32 (↓10)
Retail Trade +27 (↑6)
Manufacturing +16 (↓5)



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 3 months***	Change in expectation for next 3 months
Sales	+3	+21	↓ 4
Employment	-2	+5	↓ 6
Wages	+7	+12	↓ 1
Prices	+9	+18	↓ 1
Profitability	-7	+16	↓ 2

* 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.
 *** The expectation results are for the next 3 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.

Small and Medium Business Outlook – National Summary

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

Net confidence has reached its highest level in the last five years.

Key findings

The net confidence level of Australian SMBs rose to the highest level in five years; it is the first time since 2011 that a score above +40 has been recorded.

Last quarter

The net balance lifted nine points to +44 with 60% of SMBs feeling confident about their prospects for the year ahead and 16% feeling worried.

Lack of work and sales are still the most pronounced concerns.

Also in line with prior survey results, confidence is driven by being an established or solid business, having specific strengths and healthy, growing sales.

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 SMB views on the current state of the Australian economy have improved but are still not in positive territory. Their expectations for future economic growth have also remained negative overall despite a minor improvement.

Overall confidence – Jun 2016

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

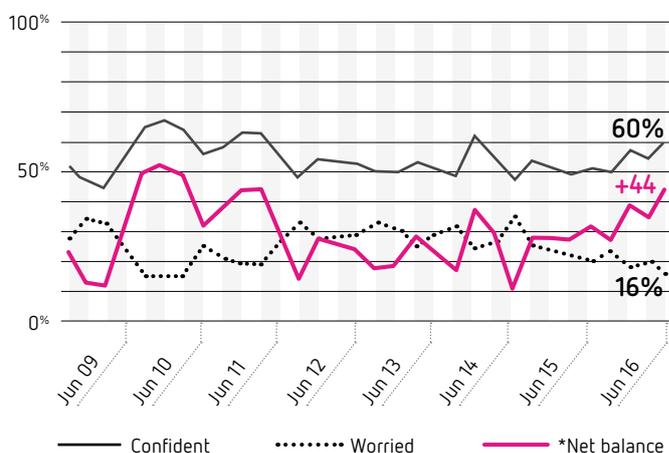
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	13%	8%	12%
Fairly confident	47%	45%	47%
Neutral	24%	28%	24%
Fairly worried	12%	15%	12%
Extremely worried	4%	4%	4%
Total confident	60%	53%	60%
Total worried	16%	19%	16%
*Net Balance	+44	+34	+44

Note: rounding occurs

Confidence trends – past five quarters

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Confident	51%	50%	57%	55%	60%
Worried	20%	23%	18%	20%	16%
*Net Balance	+31	+27	+39	+35	+44

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 increased in most locations.

Key findings

Confidence was higher in all states and territories except for Tasmania and the NT. The more confident states displayed increased net balances ranging from six to 24 points. NSW improved for a fifth consecutive quarter and is now the clear leader. Victoria and the ACT are also above the national average. Tasmania and the NT have suffered major falls over the last year, while WA has now replaced SA at the bottom of the pack.

Confidence lifted more in metropolitan areas than regional areas. The gap between the two increased from six to 15 points. Only in NSW are regional areas more confident than their metropolitan counterparts. All sectors remain relatively confident but some large differences exist. Small firms are slightly less confident than medium firms.

Last quarter

Tasmania's net confidence has declined from +64 in December to +30 now, while the NT fell four points to +23. NSW improved by 10 points to become the most confident state on +58. The ACT was up nine points to +49 and Victoria was up seven points to +46. SA had the biggest increase in confidence, up 24 points to +29. All other locations are below the national average.

WA confidence was up nine points to +20 but the large jump in SA means that WA is now the least confident state or territory.

Capital city confidence sits at net balances of above +49 in Brisbane, Sydney, Melbourne, Hobart and Canberra. It is much lower but still quite positive in the other capital cities ranging from +24 to +34. The Brisbane net confidence of +63 is particularly impressive with Sydney not far behind on +57. Regionally, confidence was much stronger in NSW at +58 than elsewhere. Regional Victoria is next best performing on this measure at +36. Other locations are behind the national average with WA by far the least confident regional location on +3.

Confidence is highest in the Health and Community Services; Hospitality; and Finance and Insurance sectors on +58. Confidence is positive but considerably lower in Manufacturing; Retail Trade; and Transport and Storage.

Medium-sized businesses were less positive this quarter, down by four points to +34, while small businesses gained confidence (up nine points to +44).

Confidence by state and territory, sector and size

Trends by state – *net balance

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
National	+31	+27	+39	+35	+44
New South Wales	+31	+34	+46	+48	+58
Victoria	+42	+32	+38	+39	+46
Queensland	+18	+25	+35	+30	+36
South Australia	+32	+1	+16	+5	+29
Western Australia	+28	+18	+31	+11	+20
Tasmania	+39	+18	+64	+47	+30
Northern Territory	+43	+22	+24	+27	+23
Australian Capital Territory	+33	+47	+38	+40	+49

Metro and regional confidence – *net balance

	Metro	Regional	Total
National	+50	+35	+44
New South Wales	+56	+58	+58
Victoria	+51	+36	+46
Queensland	+63	+19	+36
South Australia	+34	+20	+29
Western Australia	+26	+3	+20
Tasmania	+49	+22	+30
Northern Territory	+24	+23	+23
Australian Capital Territory	+49	NA	+49

Confidence by business size

	Confident	Worried	*Net Balance
Total	60%	16%	+44
1-2 Employees	55%	20%	+35
3-4 Employees	58%	18%	+40
5-9 Employees	66%	11%	+55
10-19 Employees	65%	13%	+52
Total Small Business	60%	16%	+44
20-99 Employees	52%	19%	+33
100-199 Employees	61%	18%	+43
Total Medium Business	53%	19%	+34

Note: rounding occurs.

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	50%	34%	+16
Building and Construction	57%	16%	+41
Wholesale Trade	53%	21%	+32
Retail Trade	48%	21%	+27
Transport and Storage	52%	18%	+34
Communication Property & Business Services	66%	12%	+54
Finance and Insurance	67%	8%	+59
Health and Community Services	71%	11%	+60
Cultural, Recreational and Personal Services	62%	15%	+47
Hospitality (Accommodation, Cafes and Restaurants)	70%	12%	+58

* 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

SMBs are less pessimistic about the current state of the economy, as well as for the economy in a year's time.

Key findings

SMB assessments of the current state of the economy are better than last survey but still negative overall. This is also the case with their expectations for the year ahead.

Last quarter

There was a 14 point lift in SMB assessments of whether the economy is growing or slowing down. The net balance is -8 compared to -22 last survey. While still negative, this is their most favourable assessment in the past year.

SMB perceptions of the current state of the economy were only positive in NSW, at +4. They are better but still very low in WA (16 points higher to -30), SA (nine points higher to -30) and the NT (24 points higher to -20).

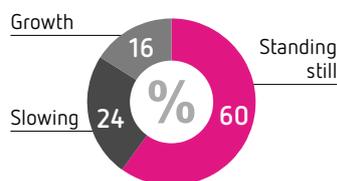
Metropolitan SMBs are not as pessimistic as regional SMBs on this measure (-5 versus -12).

Views about the economy in a year's time are three points higher but remain negative on balance (-3). This is similar to the situation one year ago, but still clearly below the December 2015 result of +7.

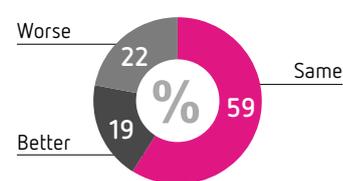
The ACT distinguishes itself on expectations with a net balance of +21. WA is next best placed at +1 and all other locations provided negative assessments ranging from -2 in NSW to -9 in Queensland.

There is a large gap between metropolitan (+3) and regional (-14) SMBs.

The economy now



The economy a year from now

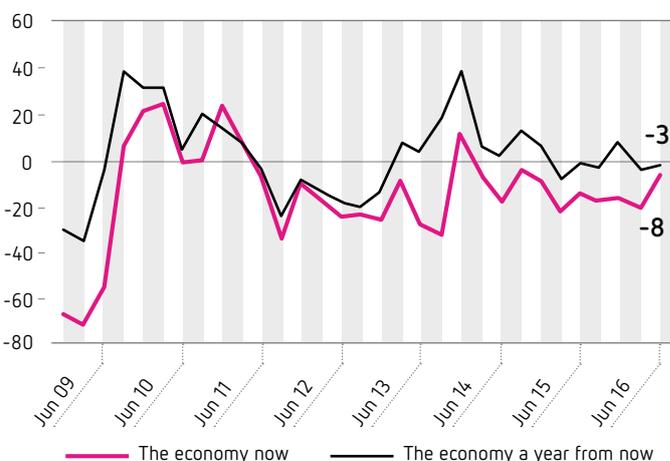


Perceptions of the economy – trends

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
The economy now					
Growth	13%	13%	14%	13%	16%
Slowing	28%	32%	31%	35%	24%
*Net Balance	-15	-19	-17	-22	-8
The economy a year from now					
Better	18%	20%	28%	20%	19%
Worse	20%	24%	21%	26%	22%
*Net Balance	-2	-4	+7	-6	-3

Perceptions of the economy

Long term trends – *net balance



Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	23%	18%	9%	7%	11%	15%	11%	18%
Slowing	19%	19%	24%	37%	41%	24%	31%	20%
*Net Balance	+4	-1	-15	-30	-30	-9	-20	-2
The economy a year from now								
Better	17%	19%	16%	22%	30%	17%	19%	31%
Worse	19%	23%	25%	26%	29%	20%	26%	10%
*Net Balance	-2	-4	-9	-4	+1	-3	-7	+21

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

Concerns

A lack of work or sales is again raised as a concern ahead of all other issues by SMBs.

Key findings

For more than a year we have found around four in ten SMBs saying their business faces no significant problems (44% this survey). Of those with concerns, a lack of work or sales has consistently been the leading issue.

Last quarter

Fourteen percent nominated lack of work or sales as the main issue of concern for their businesses, compared to 20% last quarter. This concern stood out most in WA at 23%, and least in the ACT at 5%. It was also more prominent in regional areas than metropolitan – 17% versus 12%. In the Hospitality sector only 8% worried about a lack of work or sales but this was 25% in the Cultural, Recreational and Personal Services sector and 20% in Manufacturing.

Finding or keeping staff became the second-most mentioned concern at 8% (was 5% last survey). This was most evident in the NT (12%) and in the Building and Construction; and Cultural, Recreational and Personal Services sectors (13% each).

SMBs facing this problem were asked about the specific problems they encountered with the top two responses again being finding the right type or suitable staff (19%) and lack of qualifications (17%).

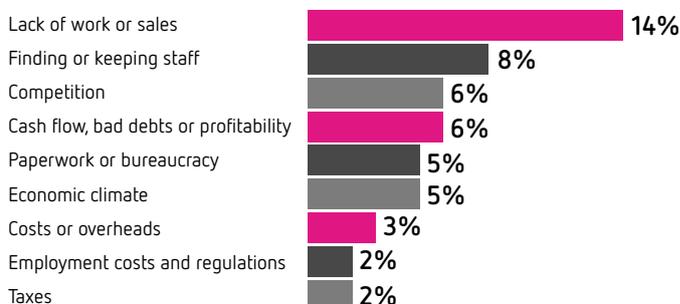
Spontaneous concern about the economic climate halved from 10% to 5%. Economic climate includes issues such as consumer confidence and spending levels, interest and exchange rates, and global, state and regional economic concerns. This was most pronounced in WA and the NT (12% each) and the Wholesale sector (14%).

Concern about competition was highlighted by 6% overall (7% last survey) but by 13% of Tasmanian SMBs and 19% in the Manufacturing sector.

Cash flow, bad debts and profitability were concerns mentioned by 6% of SMBs which is down by 1%. Most concerned were SMBs in SA (11%) and the retail sector (10%).

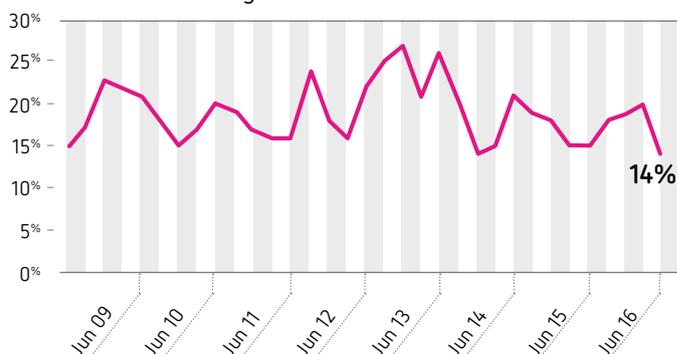
Prime concerns

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

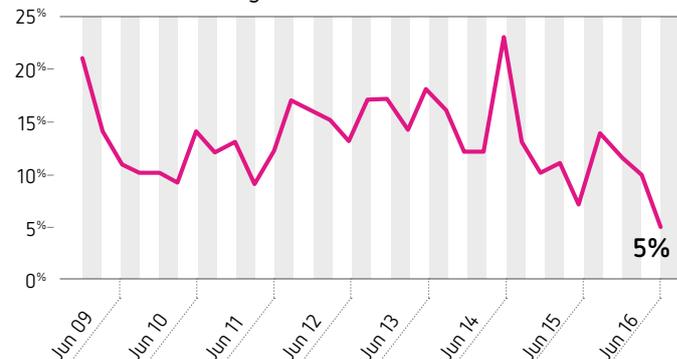


No concerns = 44%

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



Prime concerns – long term trends – economic climate



Prime concerns – long term trends – cashflow



Sales

Sales recorded a positive net balance for the first time in over a year.

Key findings

Sales performance has been flat for some time but this quarter improved into positive territory with expectations for the quarter ahead upbeat.

Last quarter

The net balance increased by five points to +3. Although still low in relative terms, this is the first positive net balance recorded for this indicator since November 2014 when it was +2. Prior to that the previous positive balance was in November 2013 at +1. Therefore, this is the best sales result in more than two years.

Sales results were best in the ACT (+16), with Tasmania (+11), NSW (+8) and Victoria (+6) solid performers. WA (-11) and SA (-12) struggled on this indicator.

By industry, Hospitality performed strongest (+23), ahead of Cultural, Recreational and Personal services (+18) and Communications, Property and Business services (+16). The lowest net balances occurred in Manufacturing (-15) and Transport and Storage (-14).

Current quarter

SMBs expect better sales in the current quarter. Thirty-four percent foresee an increase and 13% anticipate a drop generating a net balance of +21. This is four points lower than last time.

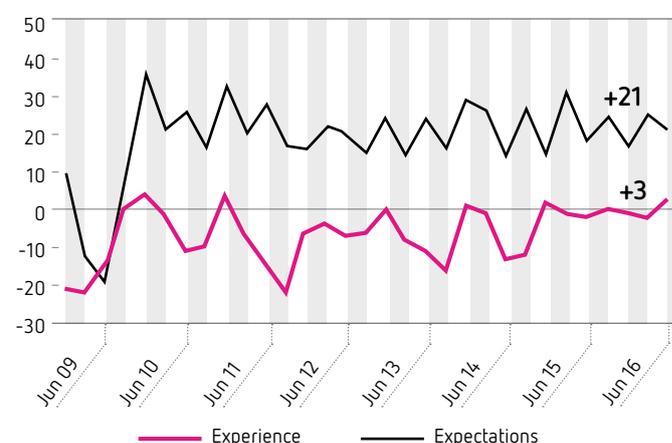
Sales expectations display double figure net balances in all locations except SA (+7), with the NT (+31) and NSW highest (29). Queensland (+23) is also above the national average.

By industry sector, the most positive is Communications, Property and Business services (+40) with Health and Community Services (+21) the next highest. Manufacturing (+3) is a distant last on this measure with the next lowest sector being Finance and Insurance on +14.

Value of sales

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Last Quarter					
Experienced increase	23%	29%	26%	27%	27%
No change	50%	41%	45%	42%	47%
Experienced decrease	25%	29%	27%	29%	24%
*Net Balance	-2	0	-1	-2	+3
Current Quarter					
Expect increase	31%	38%	32%	38%	34%
No change	55%	46%	49%	47%	52%
Expect decrease	13%	14%	16%	13%	13%
*Net Balance	+18	+24	+16	+25	+21

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

Last survey SMBs anticipated improvement for employment but this was not realised.

Key findings

For some time weakness has been evident in employment performance, yet SMBs expect some strengthening in this indicator. This survey's results are no exception to that trend.

Last quarter

Nine percent of SMBs increased their level of staff while 11% reduced their staffing which resulted in another negative net balance.

The only states with a positive net balance were Victoria and Tasmania (+3 each). All others were negative, ranging from -1 in the ACT to -7 in Queensland.

The best sector result was in Transport and Storage (+8), followed by Hospitality (+3). Building and Construction was the weakest (-8) and then Finance and Insurance (-4).

Almost half (48%) reported barriers to taking on new employees (50% last survey). A lack of work or sales was again the most common barrier mentioned by 38% (was 51% last survey). Business growth was again the primary driver of employment growth.

Current quarter

There was an easing in expectations, with 10% predicting an increase in staffing and 5% a fall. The net balance of +5 is six points lower than last survey but in line with the prior three results.

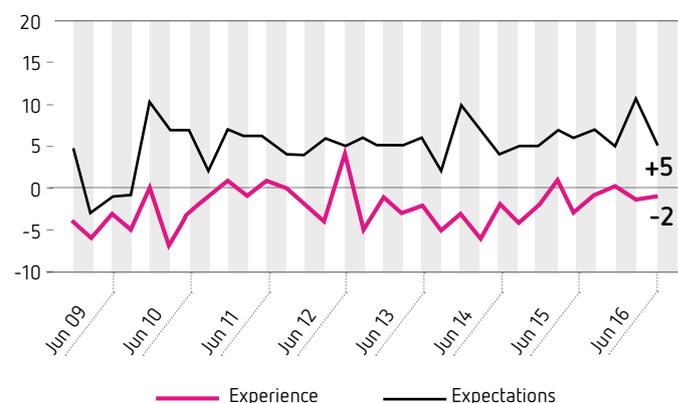
The ACT (+12), NSW and NT (both at +9) are the most optimistic, with SA (-5) well behind the national average

By sector, expectations are highest in Manufacturing (+9) and lowest in Wholesale Trade and Hospitality (both at +1).

Size of workforce

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Last Quarter					
Experienced increase	8%	12%	10%	8%	9%
No change	81%	75%	80%	82%	81%
Experienced decrease	11%	13%	10%	11%	11%
*Net Balance	-3	-1	0	-3	-2
Current Quarter					
Expect increase	11%	13%	12%	14%	10%
No change	83%	80%	79%	81%	84%
Expect decrease	5%	6%	7%	3%	5%
*Net Balance	+6	+7	+5	+11	+5

Size of workforce – trends in *net balance

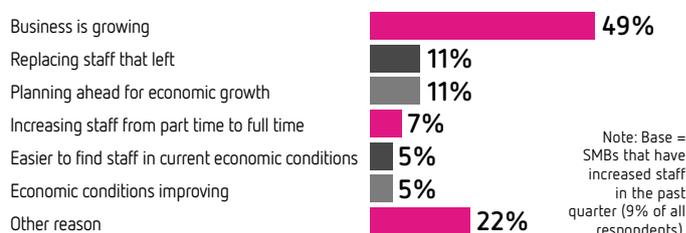


* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

What are the barriers to taking on new employees?



Why SMBs have increased employment – Jun 2016



Wages

Wages growth is again expected.

Key findings

A fairly consistent picture has been presented on wages for the last three quarters with increases exceeding decreases in both actual and anticipated results.

Last quarter

Nineteen percent recorded increased wages against a 12% fall. The net balance of +7 compares with +9 and +6 in the previous two quarters and +1 a year ago.

Wages growth last quarter was strongest in Tasmania and Victoria, where the net balances registered +13, with the NT close behind on +12. Below average results were noted for SA (0), Queensland (+1) and WA (+3).

Sector-wise, net balances stood out in Health and Community Services (+31) and Hospitality (+23). The Building and Construction sector was lowest on this indicator (-4) with weakness also evident in Wholesale and Retail Trade (both 0).

Current quarter

This quarter, 19% expect higher wages against 7% anticipating a fall for a net balance of +12. This compares with +13 last quarter and +14 a year ago.

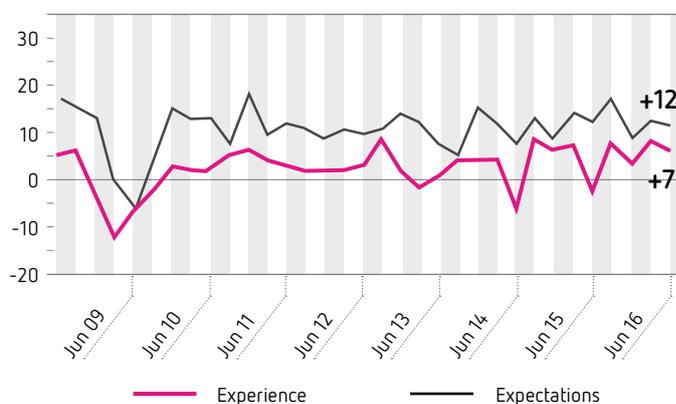
There is a positive net balance in all locations for wage expectations ranging from +4 in SA to +17 in the NT.

By sector, wage rises are most likely in Communications, Property and Business services (+18) and lowest in Hospitality (+2).

Wages

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Last Quarter					
Experienced increase	15%	25%	21%	22%	19%
No change	67%	57%	61%	62%	66%
Experienced decrease	14%	15%	15%	13%	12%
*Net Balance	+1	+10	+6	+9	+7
Current Quarter					
Expect increase	20%	26%	21%	21%	19%
No change	71%	65%	67%	69%	72%
Expect decrease	6%	7%	10%	8%	7%
*Net Balance	+14	+19	+11	+13	+12

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

Consistency in pricing behaviour and expectations has been observed for 12 months.

Key findings

Prices growth has not changed for four quarters and expectations are roughly the same as one year ago.

Last quarter

For the fourth quarter in succession the net balance was +9. It was +8 a year ago. Price increases were recorded by 15% against 6% reporting lower prices.

Net balances ranged from 0 in SA to +21 in the ACT, with Victoria (+13), Tasmania (+13) and the NT (+12) above average.

Across the sectors, Hospitality (+23) was prominent followed by Health and Community Services (+16). These results were much higher than those seen in Manufacturing (-1), Building and Construction (+1) and Transport and Storage (+3).

Current quarter

The net balance of expectations for price rises this quarter was one point lower at +18. In the June quarter last year this indicator was also at +18.

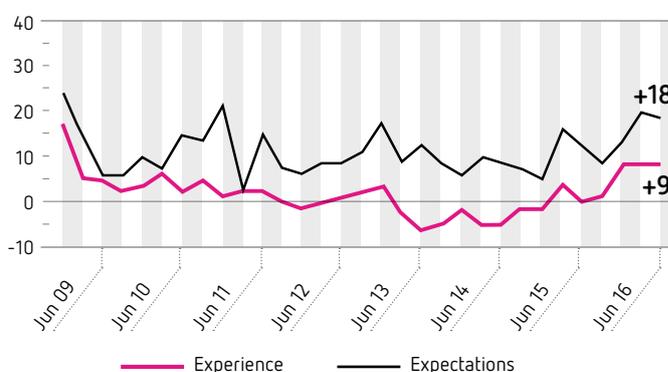
Expectations varied from +13 in SA to +19 in NSW and Victoria.

By sector, higher pricing is most likely in Finance and Insurance (+28) with Wholesale and Retail Trade not far behind (+25 each). Lowest on this measure were SMBs in hospitality (+5).

Prices charged

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Last Quarter					
Experienced increase	16%	18%	15%	18%	15%
No change	73%	70%	76%	71%	77%
Experienced decrease	8%	9%	6%	9%	6%
*Net Balance	+8	+9	+9	+9	+9
Current Quarter					
Expect increase	20%	21%	17%	24%	22%
No change	75%	72%	78%	69%	72%
Expect decrease	2%	5%	3%	5%	4%
*Net Balance	+18	+16	+14	+19	+18

Prices charged – trends in *net balance



Profitability

Profitability performance has been weak for a very long time, yet expectations remain buoyant.

Key findings

Profitability performance continued to be negative, but expectations remain quite positive.

Last quarter

Twenty percent experienced a profit rise against a 27% fall. The net balance result of -7 compares with -11 last survey.

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

Profitability was negative everywhere but the ACT (+14) and Tasmania (+7). It was very low in WA (-24) and quite weak in SA (-14).

Only in the Hospitality (+14), Cultural, Recreation and Personal services (+7), and Finance and Insurance (+2) sectors were positive net balances recorded. Retail Trade (-26), Manufacturing (-24), Wholesale Trade (-19) and the Transport and Storage (-17) sectors struggled on this indicator.

Current quarter

Profitability expectations for the current quarter were two points lower but still fairly positive at +16.

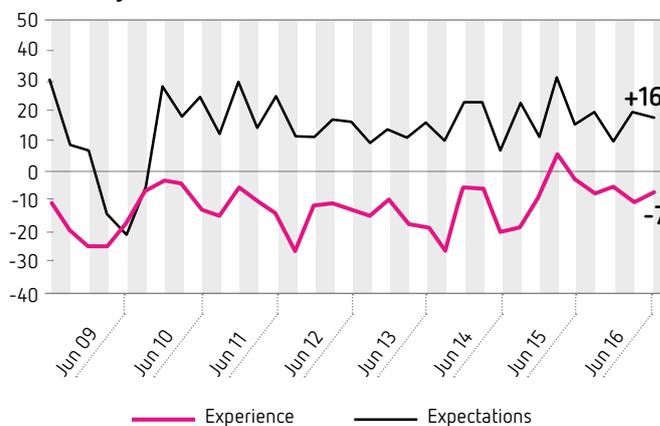
Profitability expectations are well above average in the NT (+35) and fairly strong in Queensland (+20) and NSW (+18). They are relatively low in the ACT (+4), SA (+8) and WA (+5).

The Communications, Property and Business Services (+32) sector is the most positive followed by Transport and Storage (+21). By far the weakest is Manufacturing (-7) with Hospitality (+5) second lowest on this measure.

Profitability

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Last Quarter					
Experienced increase	21%	24%	23%	21%	20%
No change	53%	43%	47%	45%	50%
Experienced decrease	24%	31%	28%	32%	27%
*Net Balance	-3	-7	-5	-11	-7
Current Quarter					
Expect increase	29%	35%	29%	34%	30%
No change	55%	47%	50%	50%	54%
Expect decrease	14%	16%	19%	16%	14%
*Net Balance	+15	+19	+10	+18	+16

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.

Access to finance

It is not becoming easier for SMBs to obtain finance.

Key findings

SMBs ability to access finance is critical for capital expenditure and growth. Their ability to access finance has been relatively restricted on balance for more than a year.

Last quarter

The ability to obtain finance has hardly changed for SMBs in the last 12 months. The net score of +5 compares with +4 last survey and +4 one year earlier.

SMBs in WA (-5) and the NT (-14) found it hardest to access finance in contrast to those in Victoria (+15) and the ACT (+13).

By sector, SMBs in Health and Community Services (+21) found it easiest to access finance with Retail experiencing the most difficulty (-12).

Medium size firms (+17) still found it easier than small firms (+5) to access finance and the gap in their favour increased from +7 last quarter to +12 now.

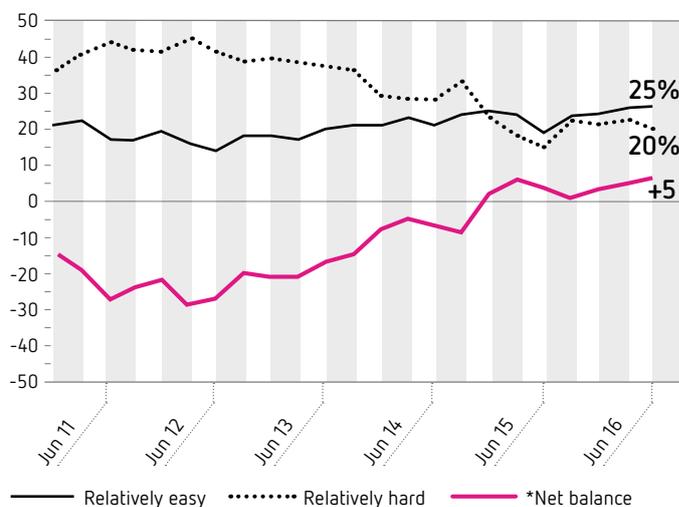
Thirteen percent of SMBs sought finance which is the same as in the March quarter. Of those that tried to access finance this quarter 68% had success (was 72% last survey).

The incidence of seeking finance ranged from 5% in the ACT to 21% in WA, with Queensland close behind on 20%. SMBs in the Manufacturing and Building and Construction sectors (19% and 18% respectively) were the most likely to have sought finance. Hospitality was lowest on this measure (3%).

Access to finance

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Last Quarter					
Relatively easy	19%	23%	24%	27%	25%
Average	66%	55%	56%	50%	55%
Relatively hard	15%	22%	21%	23%	20%
*Net Balance	+4	+1	+3	+4	+5

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.

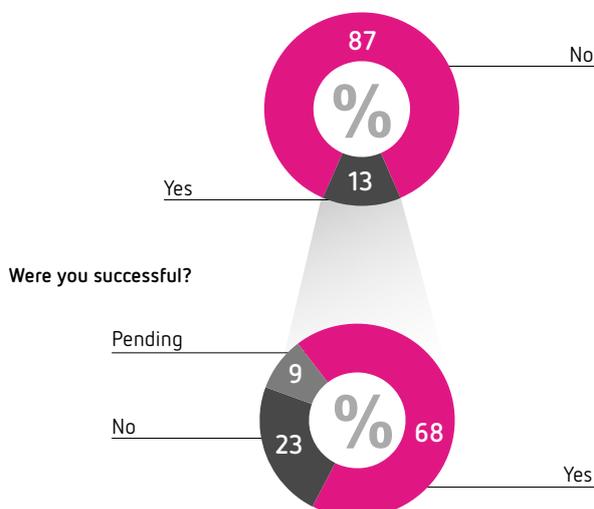
Ease of accessing finance – by business size (Mar 2016)

	Easy	Difficult	*Net Balance
Total	25%	20%	+5
1-2 Employees	25%	20%	+5
3-4 Employees	32%	21%	+11
5-9 Employees	20%	20%	0
10-19 Employees	25%	19%	+6
Total Small Business	25%	20%	+5
20-99 Employees	38%	17%	+19
100-199 Employees	12%	18%	-6
Total Medium Business	34%	17%	+17

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?



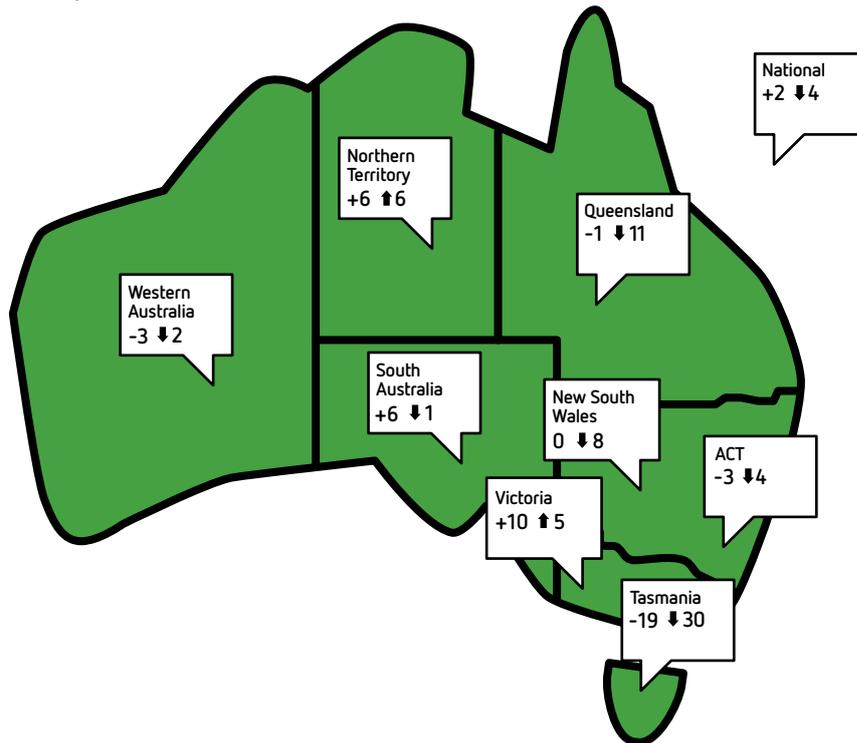
Government Policies

Government policies	23
Assessment of Federal Government policies	24
Assessment of state and territory government policies	25

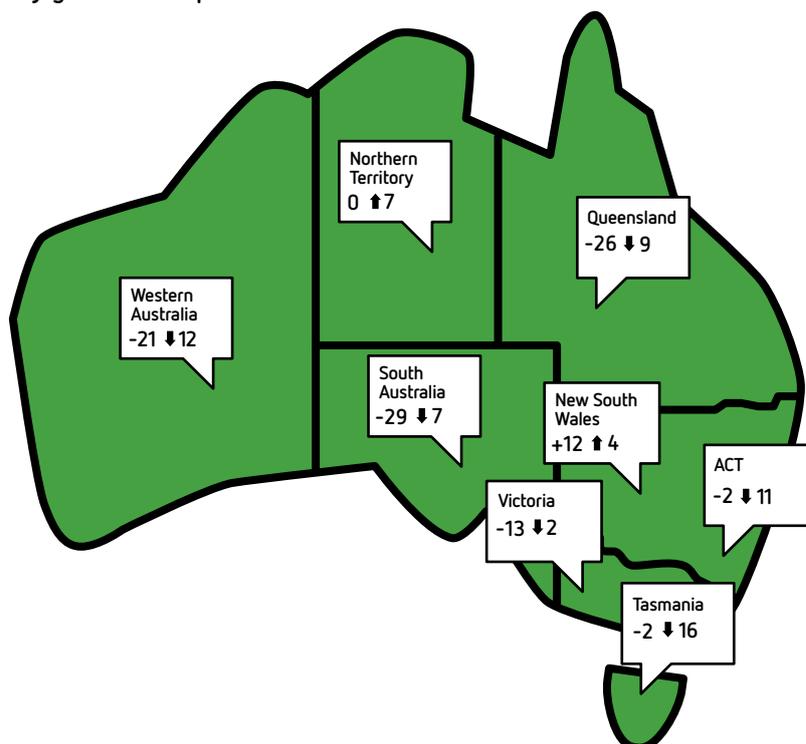
Government policies

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 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

SMBs views towards the Federal government are becoming less favourable.

Key findings

SMBs regard the Federal Government less positively than in the last two surveys and much less so than in the 2015 June quarter.

Last quarter

Twenty-one percent consider Federal Government policies supportive of SMBs, with 19% disagreeing. The net balance of +2 compares with the prior result of +6. The result was +18 one year ago.

The leading reasons for a positive response were tax incentives (9%), being supportive and interested in small business (8%) and trying to help small business (7%).

SMBs critical of the Federal Government’s policies mentioned taxation being too high or increasing (10%) and a lack of incentives, support or financial assistance for small business (10%), as well as there being too much focus on big business (9%).

Businesses in Victoria (+10) rated the Federal Government most favourably for their support of small business. In Tasmania there was a massive 30 point drop to -19, which is the most negative assessment. Only in Victoria (up five points to +10) and the NT (up six points to +6) was there an improvement.

The most negative sectors were Retail and Manufacturing (both with net balances of -4). Finance and Insurance (+25) was the most positive followed by Transport and Storage (+13) and Hospitality (+10).

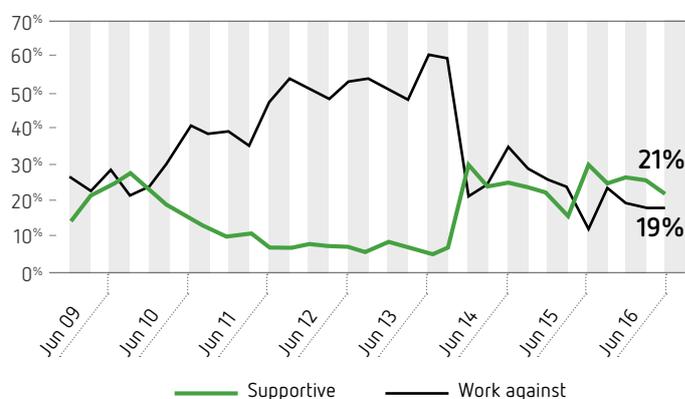
Attitudes to Federal Government policies – trends

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?

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Supportive	30%	25%	27%	25%	21%
Work against	12%	24%	20%	19%	19%
No impact	58%	51%	53%	56%	59%
*Net Balance	+18	+1	+7	+6	+2

* 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 NSW Government generated a favourable rating on balance.

Key findings

This quarter an average of 14% of SMBs felt their state or territory government was supportive and 23% felt they were working against small business interests, resulting in a net balance of -9. This is three points lower than last survey.

The NSW Government is the only one assessed as supportive of SMBs. The SA Government continues to attract the most criticism with the Queensland and WA Governments not far behind.

Last quarter

The net balance is positive in NSW (+12) and neutral in the NT, while elsewhere it is negative and lower than last quarter. The biggest fall was in WA (down 12 points to -21) but critics are even more prominent in SA (-29) and Queensland (-26), with Victorian SMBs (-13) also unimpressed by their State Government.

The main appeal of the NSW Government is that it is investing in infrastructure and development (14%), as well as trying to help small business (11%) and spending money (10%).

The main reason the SA Government fails to appeal to SMBs is a lack of incentives or support for small business (15%), followed by a belief that it is only concerned with big business (12%). The Queensland Government was also criticised for a lack of incentives or support for small business (22%) more than anything else, while the WA Government is seen as being too concerned with big business (15%).

Attitudes to state or territory government policies (Jun 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	20%	11%	7%	11%	14%	20%	32%	22%
Work against	8%	24%	33%	40%	35%	22%	32%	24%
No impact	72%	65%	61%	49%	51%	59%	36%	54%
*Net Balance	+12	-13	-26	-29	-21	-2	0	-2

Note: Rounding occurs.

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

	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
New South Wales	+18	+10	+11	+8	+12
Victoria	-8	-16	-17	-11	-13
Queensland	-22	-22	-15	-17	-26
South Australia	-30	-34	-32	-22	-29
Western Australia	-2	-10	-10	-9	-21
Tasmania	+7	+26	+12	+14	-2
Northern Territory	+18	+10	-4	-7	0
Australian Capital Territory	-3	-3	+12	+9	-2

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

Small and Medium Business Outlook

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Small and medium business outlook – National

Confidence has improved and is higher than we have observed in more than five years among SMBs.

- Confidence lifted nine points this quarter to reach its highest net balance since March 2011 when it was also +44.
- Being an established, solid business and having specific business strengths influenced confidence, while falling sales and profits impacted SMBs who were worried.
- The assessment of the current state of the economy was 14 points higher, although it remains in negative territory on a net basis (-8). Expectations for the economy in a year's time also remain negative (-3) despite a modest improvement of three points.
- Sales and profitability results were better but hardly impressive and there was little movement in the wages, prices and employment indicators last quarter for SMBs.
- Expectations for next quarter on each key performance indicator declined, albeit marginally in most cases but they all remain positive.
- The Federal Government remains favourably regarded by SMBs although to a lesser degree than observed in recent surveys. Tax incentives and a supportive approach are the main influencing factors.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	51%	50%	57%	55%	60%
Negative	20%	23%	18%	20%	16%
*Net Balance	+31	+27	+39	+35	+44

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	-2	-2	+3	+18	+25	+21
Employment	-3	-3	-2	+6	+11	+5
Wages	+1	+9	+7	+14	+13	+12
Prices	+8	+9	+9	+18	+19	+18
Profitability	-3	-11	-7	+15	+18	+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.



Small and medium business outlook – New South Wales

A fifth consecutive rise reinforces NSW as the most confident state or territory. Sales were up last quarter and expectations for this quarter are above the national average on all key indicators. The NSW Government is the only state government with a positive net rating.

- In NSW, business confidence lifted 10 points, with the State now the clear leader on this measure.
- Confidence is due to being an established, solid business, having specific business strengths and good sales. Worried SMBs referred to falling sales, with an unfavourable business environment also a prominent concern.
- Last quarter, SMBs in NSW experienced better sales but none of the other four indicators improved, with profitability and employment negative.
- Expectations for all indicators in the current quarter are similar or lower than last time but remain fairly positive. Sales expectations are the second highest nationally at +29 and NSW is also above the national average on the other four indicators for current quarter expectations.
- SMB support for the policies of the NSW Government lifted four points to a net balance of +12, and this is the only positive assessment noted for a state government. The main appeals are that it is investing in infrastructure development, trying to help small businesses and spending money. Excessive bureaucracy is the major criticism.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	51%	54%	61%	64%	65%
Negative	20%	20%	15%	16%	7%
*Net Balance	+31	+34	+46	+48	+58

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	-1	+4	+8	+11	+30	+29
Employment	-2	+4	-2	+1	+15	+9
Wages	0	+15	+8	+9	+17	+14
Prices	+11	+12	+8	+17	+17	+19
Profitability	+4	-9	-8	+12	+24	+18

* 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.



Small and medium business outlook – Victoria

Confidence is higher and remains above average in Victoria. Key indicator performances are also above the national average, while expectations are generally positive. However, the Victorian Government is not very well regarded by SMBs.

- Overall confidence was up seven points reaching a net balance of +46 which keeps the State ahead of the national average.
- SMBs mentioned being an established, solid business, specific business strengths and healthy sales as the main influences on confidence. The worried SMBs have been experiencing unfavourable business conditions, unfavourable government policies and falling sales.
- Last quarter, sales were marginally lower but profitability improved slightly. Prices lifted, as did employment, with wages growth lower but still fairly positive.
- For the current quarter expectations on all five indicators were reduced but remained positive. Sales expectations fell by 12 points to +15 and profitability by four points to +15.
- Victorian SMBs were slightly more critical of the State Government with the net balance two points lower at -13. The main complaint about the Victorian Government is regarding excessive bureaucracy. Favourable opinions were influenced by infrastructure development.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	56%	54%	55%	56%	62%
Negative	14%	22%	17%	17%	16%
*Net Balance	+42	+32	+38	+39	+46

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	+2	+7	+6	+23	+27	+15
Employment	-2	-4	+3	+10	+11	+1
Wages	+6	+17	+13	+16	+14	+13
Prices	+6	+10	+19	+14	+25	+19
Profitability	+2	-4	-1	+15	+19	+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.



Small and medium business outlook – Queensland

Confidence has reached its highest level in the last year and is twice as high as in June 2015. However, it still trails the national average with key performance indicator results uninspiring. Nevertheless, expectations on all key indicators are quite positive, helping to explain the confidence lift. The State Government continues to struggle to appeal to SMBs.

- Confidence increased by six points among Queensland SMBs to +36, which is the highest level observed in this state in the last year, although it is still below the national average.
- Confident SMBs mentioned being an established, solid business and specific business strengths above other factors. The concerned SMBs nominated decreasing sales most of all, followed by unfavourable government policy.
- Last quarter, sales improved but none of the key indicator results were encouraging.
- Expectations for the current quarter are positive for all five indicators, especially for sales (+23) and profitability (+20).
- The State Government has the second lowest rating of all, dropping nine points to a net balance of -26. The major criticisms are a lack of incentives or support and excessive bureaucracy. Providing management training schemes and seminars for small businesses were the most common reasons for a favourable opinion.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	44%	47%	56%	49%	58%
Negative	26%	22%	21%	19%	22%
*Net Balance	+18	+25	+35	+30	+36

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	-11	-6	+1	+20	+23	+23
Employment	-8	-9	-7	+7	+8	+6
Wages	-4	+1	+1	+14	+12	+11
Prices	+6	+5	+3	+24	+17	+15
Profitability	-19	-9	-8	+16	+15	+20

* 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.



Small and medium business outlook – South Australia

SMBs in SA are much more confident but remain well behind the national average on this measure. Last quarter was a struggle for many but expectations for the coming quarter are positive for most indicators.

- The relatively low confidence level observed last time was redressed with a 24 point rise to +29. This means SA is no longer the least confident state, although it still sits well behind the national average.
- Having specific business strengths was the leading driver of confidence. The worried SMBs cited weakness in sales and demand as the key influences.
- Last quarter, none of the indicators posted a positive net balance.
- For this quarter, expectations are positive for four of the five indicators but distinctly less so than one year ago. Expectations are also lower than all other locations for sales, employment, wages and prices and second lowest for profitability.
- The SA Government (-29) is again the most negatively perceived of all state and territory governments by SMBs. Lack of incentives and being overly concerned with big business are the main criticisms, while creating positive conditions at the local area level, offering incentives, subsidies and grants, and supporting small businesses were the key positives mentioned.

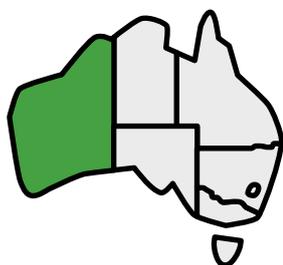
Trends in the past three months' experience and current expectations – South Australia

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	50%	35%	44%	39%	51%
Negative	18%	34%	28%	34%	22%
*Net Balance	+32	+1	+16	+5	+29

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	+15	-9	-12	+23	+16	+7
Employment	+4	-7	-2	+6	-2	-5
Wages	+1	+1	0	+16	+5	+4
Prices	+10	+8	0	+16	+6	+13
Profitability	+8	-14	-14	+18	+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.



Small and medium business outlook – Western Australia

Confidence improved, but despite this SMBs in WA are now the least confident in the nation. Sales and profitability were again negative last quarter but expectations are that they will be positive this quarter. The WA government is becoming increasingly unpopular with SMBs.

- Confidence lifted from +11 to +20 but this is less than half the national average of 44 points.
- Having specific business strengths drove confidence more than other factors, while worried SMBs highlighted falling sales most of all.
- Last quarter, all key indicators held or improved but were still weak, especially sales (-11) and profitability (-24).
- Nevertheless, current quarter expectations are positive for four of the five performance indicators. The net balance for sales was unchanged (+11), while it was up by eight points to +13 for profitability.
- Support for the WA Government declined 12 points to -21. Critics feel the WA Government is too focused on big business, the mining industry and multi-nationals. Those who are complimentary see the WA Government as supportive of small businesses and that it is trying to create more jobs.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	51%	48%	52%	47%	50%
Negative	23%	30%	21%	36%	30%
*Net Balance	+28	+18	+31	+11	+20

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	-8	-27	-11	+20	+11	+11
Employment	-3	-8	-6	+8	+4	-2
Wages	-4	-12	+3	+17	+8	+9
Prices	+12	+2	+2	+13	+16	+18
Profitability	-6	-28	-24	+17	+5	+13

* 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.



Small and medium business outlook – Tasmania

Confidence has more than halved since the December quarter, albeit from a particularly high level. This now places Tasmania near the bottom in terms of confidence. This coincides with a deterioration in SMB opinions of the Tasmanian Government.

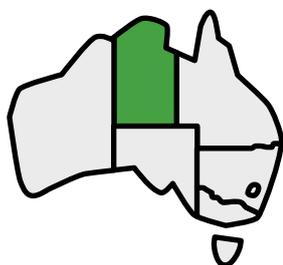
- Confidence has fallen significantly in the last two quarters, more than halving from a net balance of +64 to +30. This places Tasmania clearly below the national average.
- Being an established business along with healthy, growing sales influenced confidence most of all. Worried SMBs highlight decreasing sales and an unfavourable business environment.
- Last quarter sales and profitability were better with wages and employment also rising. Prices fell but stayed positive on balance.
- For the current quarter SMBs remain quite positive on the key performance indicators although they are not expecting improved results for sales, profitability or prices.
- SMB support for the Tasmanian Government’s policies declined 16 points, from +14 last quarter when it was the most popular state government, to -2 now. Positive SMBs believe the Government is supportive of small businesses and offering incentives and training schemes. Critical SMBs mentioned excessive bureaucracy most of all.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	56%	43%	72%	57%	52%
Negative	17%	25%	8%	10%	22%
*Net Balance	+39	+18	+64	+47	+30

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	+4	+8	+11	+8	+16	+16
Employment	+4	-3	+3	+5	+2	+3
Wages	+10	+4	+13	+21	+10	+13
Prices	+12	+18	+9	+21	+24	+18
Profitability	-7	-4	+7	+13	+16	+13

* 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.



Small and medium business outlook – Northern Territory

Confidence among SMBs has eased, keeping the NT below average and well behind the result of one year ago. Conditions were more favourable last quarter, with expectations becoming quite optimistic. The NT Government gained some appeal and now has a neutral net balance.

- Confidence fell four points to be 21 points below the national average and 20 points lower than one year earlier.
- The two most prominent drivers of confidence were being an established, solid business and healthy or growing sales. Falling sales and demand were the major reasons for being worried, followed by unfavourable business conditions.
- Last quarter, sales and profitability improved but not into positive territory. Employment also remained negative on balance. Prices and wages were higher and positive.
- This quarter expectations for all performance indicators are higher and positive, especially for sales (up seven points to +31) and profitability (up 19 points to +35).
- SMB support for the Northern Territory Government rose seven points to a net balance of zero. This is the second-best score on this measure. Favourable opinions are mainly influenced by the incentives and training schemes being offered to small businesses. The most common complaint is that the Government is only concerned with big businesses, followed by a lack of understanding for small business needs.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	59%	54%	53%	46%	50%
Negative	16%	32%	29%	19%	27%
*Net Balance	+43	+22	+24	+27	+23

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	+11	-27	-1	+21	+24	+31
Employment	0	-12	-6	+10	+6	+9
Wages	+7	-7	+12	+12	+5	+17
Prices	0	+10	+13	+19	+16	+18
Profitability	-6	-36	-5	+18	+16	+35

* 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.



Small and medium business outlook – Australian Capital Territory

Confidence lifted on the back of a much stronger quarter. SMB confidence again exceeds the national average, but expectations are generally lower on key indicators and the ACT Government has become less popular.

- A nine point rise in confidence keeps the ACT in front of the national average and well above the observation of one year ago. In March 2015 SMBs in the ACT displayed the lowest confidence of all.
- Confidence arose from having specific business strengths and healthy or growing sales. Those lacking confidence complained mostly about unfavourable government policies.
- All indicator results were stronger last quarter, with the net balances for sales and profitability clearly the highest in Australia. Expectations for this quarter are positive but more modest than last time.
- The ACT Government lost some appeal among SMBs, down 11 points to -2. The major concern is excessive bureaucracy followed by a poor understanding of the needs of small businesses, while those with a positive opinion think the Government is doing a good job supporting small businesses.

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

Confidence in own business prospects in next 12 months	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16
Positive	54%	61%	63%	55%	61%
Negative	21%	14%	25%	15%	12%
*Net Balance	+33	+47	+38	+40	+49

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Jun 2015	Mar 2016	Jun 2016	Jun 2015	Mar 2016	Jun 2016
Sales	+13	+1	+16	+22	+28	+12
Employment	-8	-3	-1	+18	+17	+12
Wages	-7	+7	+9	+15	+9	+10
Prices	+12	+10	+21	+18	+27	+17
Profitability	+1	-10	+14	+30	+26	+4

* 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.

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Industry snapshots

Manufacturing

Confidence is down, recording the lowest net balance of all the sectors, with weak expectations for sales and profitability.

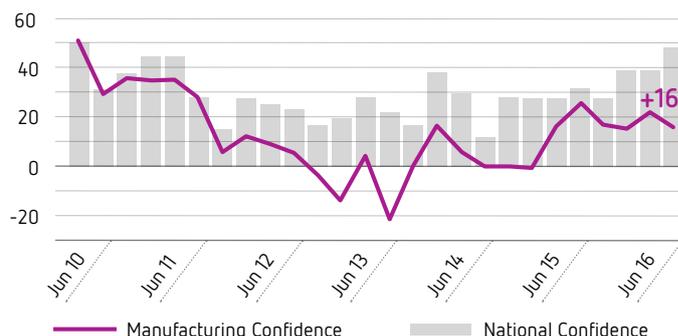
Confidence fell five points to a net balance +16. This is 28 points under the national average.

Weak sales and demand are impacting those SMBs who are lacking confidence.

Last quarter, sales (-15) and profitability (-24) were well under the national average. The other net balances were -3 for employment, +4 for wages and -1 for prices.

For the current quarter expectations for sales (+3) and profitability (-7) are the most pessimistic of all the sectors. Employment (+9), wages (+13) and prices (+16), however, resemble the average.

Manufacturing Confidence



Building and Construction

Confidence rebounded in this sector with expectations for all key performance indicators around the average.

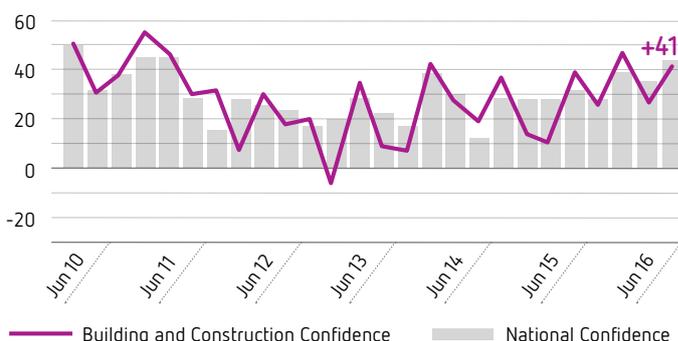
Confidence lifted from +27 to +41, which is three points behind the national average.

Healthy sales impacted most on confidence ahead of being an established, solid business. Softer sales were the main worry, followed by unfavourable government policies.

Last quarter, key indicator results were among the weakest of all sectors. Sales (-5), profitability (-12), employment (-8) and wages (-4) were negative. The balance for prices was +1.

This quarter SMBs in this sector are fairly optimistic on each key indicator – sales (+18), profitability (+17), prices (+15) wages (+14) and employment (+5).

Building and Construction Confidence



Industry snapshots



Wholesale Trade

Confidence has fallen from an above average position to now be below average. Despite this, expectations for the key performance indicators are all positive.

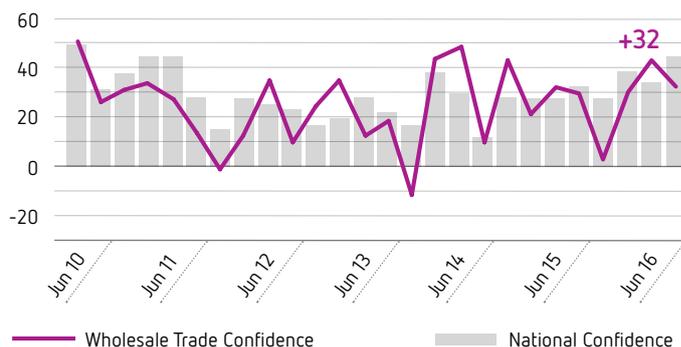
Confidence volatility continues in this sector, moving from +30 to +42 to +32 over the last three quarters. The trend line in the chart demonstrates that this volatility has been apparent for quite a long time.

Those who are confident point to being an established, solid business most of all, while the worried group noted weak sales as the key concern.

Key indicator performance was mixed last quarter – prices (+15) and sales (+5) were better than average but the opposite was true for wages (0), employment (-3) and profitability (-19).

Current quarter expectations for all of the indicators are positive, especially for sales at +20 and prices at +25. Profitability recorded +9, wages +5 and employment is at +1.

Wholesale Trade Confidence



Retail Trade

Confidence increased but still registers well under the national average. Nevertheless, a stronger quarter is anticipated by retailers.

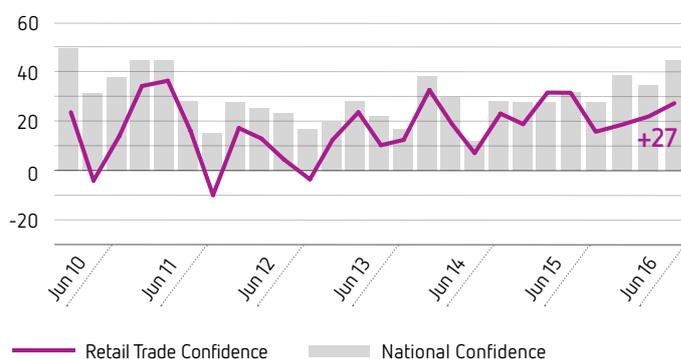
Confidence was up six points to +27, however it is the second least confident sector just ahead of manufacturing.

Difficult business conditions and weak sales are driving pessimism.

Last quarter, sales (-6) and profitability (-26) were lowest of all sectors, with employment (-1), wages (0) and prices (+10) also flat.

For the current quarter expectations are positive for each indicator – prices (+25), sales (+17), profitability (+8), wages (+3) and employment (+3).

Retail Trade Confidence



Industry snapshots

Transport and Storage

This sector is more confident but still trails the national average after experiencing a difficult quarter. Despite this, expectations are fairly positive.

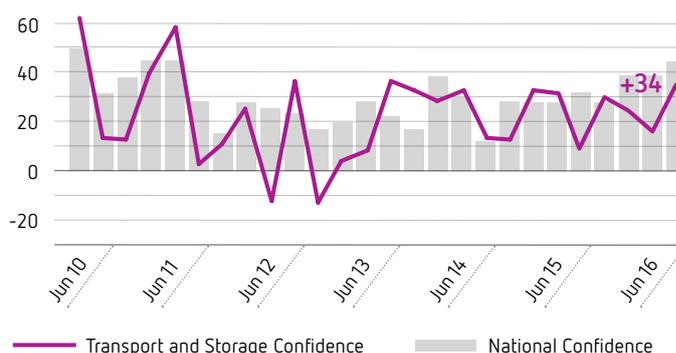
Confidence increased in this sector by 18 points to +34 but it is still less confident than the national average.

Good sales and being an established, solid business are the prime drivers of confidence. Poor sales and difficult business conditions characterise the worried SMBs.

Last quarter, the net balances were negative for sales (-14) and profitability (-17) but positive for wages (+10), prices (+3) and employment (+8). The sales and profitability results were among the lowest.

This quarter the five key performance indicators are all positive – sales (+20), profitability (+21), wages (+14), prices (+10) and employment (+7).

Transport and Storage Confidence



Communication, Property and Business Services

A rise in confidence keeps this sector firmly above the national average. Last quarter was relatively good and performance expectations are all at the high end, especially for sales and profitability.

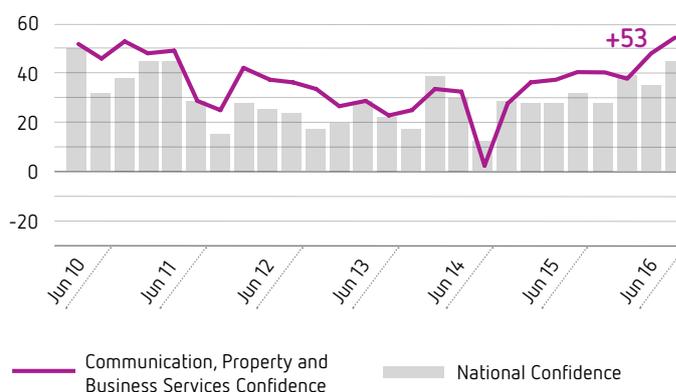
Confidence was up in this sector by five points to +53, which is eight points above the national average.

Being an established, solid business or having specific business strengths drove confidence. The key concerns identified were falling sales and unfavourable business conditions and government policies.

Last quarter, key indicator results were relatively strong – sales (+16), prices (+13) and wages (+4) were positive on balance. Profitability and employment (both zero) were neutral but above average.

This quarter's expectations for the five key indicators are above the national average. With a net balance of +40, sales is twice as optimistic as the next closest sector, while profitability at +32 is twice the national average. The net balances for the other three indicators were +20 for prices, +18 for wages and +6 for employment.

Communication, Property and Business Services Confidence



Industry snapshots



Finance and Insurance

Confidence rose strongly to make this sector the equal leader. Expectations are positive for each key performance indicator.

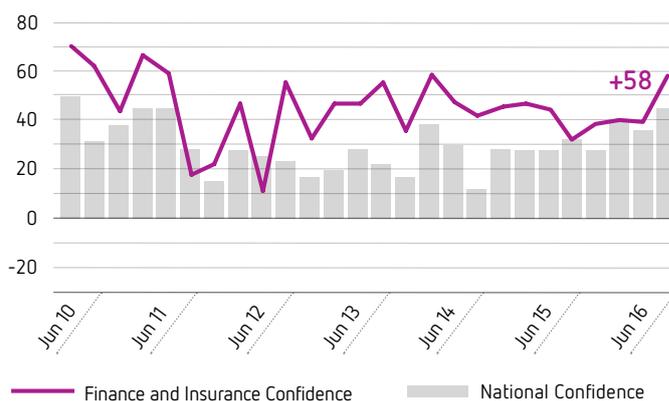
Confidence in this sector lifted more than in any other, up by 19 points to +58.

Good sales and being an established, solid business are the two leading reasons for confidence, while falling sales are the biggest cause for concern.

Last quarter sales were better than average (although not particularly strong at +9 and this was also the case with profitability (+2). The other indicator results were: prices (+7), wages (+13) and employment (-4).

This quarter's indicator expectations are all positive – sales (+14), profitability (+8), employment (+3), wages (+13) and prices (+28).

Finance and Insurance Confidence



Health and Community Services

Confidence fell slightly, but the sector remains a leader on this dimension.

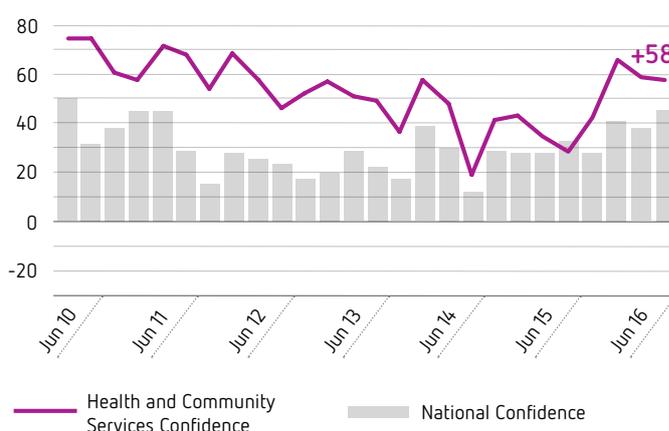
Confidence was one point lower, but the net balance of +58 is equal highest and 14 points above the national average.

Specific business strengths and good sales generated confidence, while declining sales were the biggest concern for worried SMBs.

Last quarter, profitability (-1) and sales (+6) were not strong but still better than most. This was also true for employment (+2), wages (+31) and prices (+16).

For this quarter, solid performances are expected for all of the indicators – sales (+21), profitability (+16), wages (+15), prices (+12) and employment (+7).

Health and Community Services Confidence



Industry snapshots

Cultural, Recreational and Personal Services

Relatively good sales and profitability results and positive expectations help explain strong confidence in this sector.

Confidence lifted four points to +47, which is three points above the national average.

Being an established, solid business, plus specific business strengths explained confidence, while cost pressures and falling sales influenced the worried SMBs.

Results for sales (+18) and profitability (+7) were among the best last quarter. Prices (+15) and wages (+14) were also above average. Employment was negative (-2).

For the current quarter, a fairly buoyant mood is noted regarding all indicators – sales (+16), profitability (+15), wages (+13), prices (+23) and employment (+5).

Cultural, Recreational and Personal Services Confidence



Hospitality (Accommodation, Cafes and Restaurants)

Confidence increased strongly making the hospitality sector the equal leader. The key indicator performances were impressive last quarter and expectations remain positive.

Confidence in this sector increased markedly, up by 17 points to +58 which makes it one of three leaders on this measure.

Specific business strengths impacted most prominently on confidence. The biggest worries were sales and demand weakness.

Last quarter all key indicator results were better than the average. Sales (+23) and profitability (+14) recorded the highest net balances of all. This also applied to prices (+23), with wages (+23) and employment (+3) second highest.

This quarter, expectations are modest but positive in each case – sales (+17), profitability (+5), prices (+5), wages (+2) and employment (+1).

Hospitality (Accommodation, Cafes and Restaurants) Confidence



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