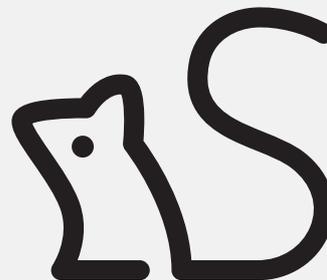
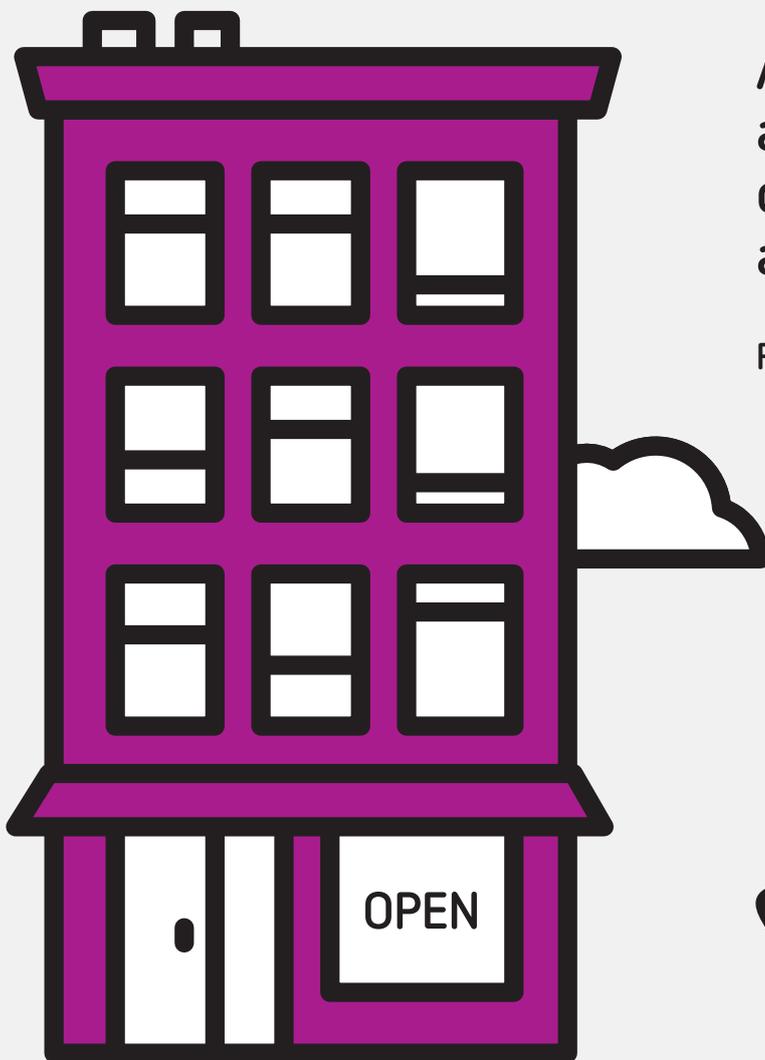


Sensis Business Index September 2016

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

Released 13 October 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. Sensis is 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 September 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 July 15 to August 15, 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 only asked in the December quarter survey.

Location of business

	Metro	Regional	Total
New South Wales	90	70	160
Victoria	108	67	175
Queensland	78	96	174
South Australia	90	38	128
Western Australia	90	41	131
Tasmania	40	41	81
Northern Territory	29	42	71
Australian Capital Territory	80	-	80
Total	605	395	1,000

Industry sector

Manufacturing	107
Building and Construction	144
Wholesale Trade	61
Retail Trade	155
Hospitality (Accommodation, Cafes and Restaurants)	64
Transport and Storage	50
Finance and Insurance	66
Communication, Property and Business Services	168
Health and Community Services	90
Cultural, Recreational and Personal Services	95
Total Businesses	1,000

Business location



Business size



Foreword

The recent Federal Election has had little impact on the sentiment of Australia's small and medium businesses (SMBs). With the latest Sensis Business Index survey taken just after the election result became clear, business confidence was slightly down, falling from a five year high which we saw last quarter. When you break down the net balance of +38, you find that three times as many businesses remain confident (57%), as those who are worried (19%).

SMBs are relatively well placed for a positive year ahead. While perceptions of the current state of the economy remain negative, they are at the same level as last quarter, which was the best result we'd seen in two years. There is strength in the results when you look further ahead. Expectations for the economy in one year's time have improved and are now in positive territory for the first time since December last year.

This is not surprising when you look more closely at the key performance indicators, which have all improved this quarter. The sales result is particularly encouraging, as this is the first time since March 2008 that we have seen consecutive positive quarters.

The response to the Federal Government remained the same, with SMBs relatively indifferent to the Government's policies following the election outcome. Further research, conducted as part of this quarter's Sensis Business Index, found that half of SMBs thought the election result had made no difference, while almost the same amount felt more confident (20%) as those who felt more worried (17%). The Federal Government's rating of +2 remained the same, however there was a surge in support for the Federal Government in the Northern Territory and Tasmania, while the other states remained the same or went slightly backwards in their support.

Nationally, business confidence is strong, but there are some major differences in the results across the states and territories. Small and medium businesses on the eastern seaboard are in a much better position than their counterparts in the Northern Territory and Western Australia. These regions continue to struggle to adjust to changes in their local economies and both Perth and Darwin are now less confident than businesses in regional areas in those states. Darwin is the only location nationally to post a negative net balance for confidence. Driving the poor results we find that the NT recorded the worst scores for four of the five indicators – sales, employment, wages and prices – while WA posted the worst result for profitability.



It was not just the NT and WA that saw a fall in capital city confidence this quarter, with regional areas now more confident nationally, by a gap of eight points. Looking at the key performance indicators, regional businesses are positive about profitability, whereas those in the capital cities are negative, which has been a key influence on these results.

At an industry level, Retail Trade has been improving steadily in recent times. It saw the biggest improvement this quarter and is now close to the national average. Hospitality has taken top spot, recording the best result for prices. Not surprisingly, as the Australian dollar continues to defy the Reserve Bank's attempts at depreciation, the Manufacturing sector is struggling and is the least confident sector. As we head into the crucial Christmas retail period, expectations are very strong for all of the indicators, with sales and profitability particularly positive.

In the next survey we will report on the full year results. Until then, we'd love to hear how your business is faring. You can join in the conversation using #SensisBiz.

John Allan, Chief Executive Officer, Sensis

Executive summary

Historical trends and overall SMB highlights

SMB confidence was lower but remains at one of the highest levels observed in the past five years. The results vary considerably by both region and industry segment. Key indicator results improved last quarter overall and expectations for the current quarter are generally more positive. SMBs also expect the economy to strengthen.

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

- SMB confidence decreased by six points to a net balance of +38. This was down from the highest level recorded in the last five years last quarter and is still 11 points above the September 2015 result.
- Confidence was well above the national average in NSW (down five points to +53) and Tasmania (up 22 points to +52). It was around the average in Queensland (up three points to +39) and the ACT (down 14 points to +35). It registered +31 in both Victoria (down 15 points) and SA (up two points). A long way back were WA (down 10 points to +10) and the NT (down 14 to +9).
- The overall assessment of the economy is still negative. More SMBs believe it is slowing (23%) than growing (15%). The net balance of -8 was the same as last survey. However, SMBs are sensing a more healthy economy in 12 months' time, with the net balance moving from -6, to -3, to +5 over the last three surveys.
- Last quarter, all of the key performance indicator results were slightly better but there remains plenty of scope for improvement.
- For this quarter, the expectations for all indicators were positive and higher on balance for sales (up five points to +26), profitability (up three points to +19), wages (up three points to +15) and employment (up four points to +9). For prices the net balance was one point lower at +17.
- The main impediment to taking on new employees continues to be a lack of work or sales.
- With the survey taken just after the Federal Election, perceptions of the Federal Government did not shift this quarter. The net balance remained on +2. Tax cuts, incentives and being supportive of small business are the main reasons for positive perceptions of the Government. Too much of a focus on big business and excessive bureaucracy and red tape were the biggest concerns.
- Most of the state and territory governments are rated negatively, especially in SA (-28), Victoria (-24) and Queensland (-18). The results for WA and NSW were -7 and -4 respectively. The NT Government was best regarded (+4), which is ironic because it has since been voted out of office. The governments in Tasmania (+3) and the ACT (+1) also recorded a positive rating.

Executive summary

Metropolitan versus regional

SMB confidence was lower in metropolitan areas but higher in regional locations. Both expect to perform better this quarter but regional SMBs are more optimistic about four of the five key performance indicators, especially for sales and profitability.

Key findings relating to metropolitan and regional businesses included:

- In metropolitan locations, confidence fell 15 points to +35, but it was eight points higher for regional SMBs at +43. Regional areas are more confident than their city counterparts, by eight points.
- Metropolitan SMBs (-7) are more positive than regional SMBs (-10) about the current state of the economy, but they are less positive about the prospects for the economy in one year's time (+2 versus +7).
- Last quarter, metropolitan and regional SMBs did not differ much on sales performance (+5 and +6 respectively) but profitability was weaker among metropolitan businesses (-7 versus +1). Their balances for wages, prices and employment were similar.
- For the current quarter, expectations for the key indicators are more positive in regional areas for sales (+33 versus +22), profitability (+26 versus +13), employment (+13 versus +7) and wages (+20 versus +12). For prices, the expectations are +15 in regional areas, versus +19 for metropolitan SMBs.
- 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.

Industry sector trends

Confidence was lower in most sectors but remains near or above the national average for all but Manufacturing; and Transport and Storage. Last quarter, performances were mixed across the sectors, but key indicator expectations are generally quite positive this quarter, especially for sales and profitability.

- Most sectors were less confident, but in general their net balances remained quite high. The Hospitality sector emerged as most confident, despite a nine point drop in net balance to +49. Next was Communications, Property and Business Services (+47, was +54). The Health and Community Services (+44, was +58) and Cultural, Recreational and Personal Services (+44, was +47) sectors were also well above the national average. Confidence was lowest in Manufacturing (+12, was +16), with Transport and Storage (+18, was +34) also well below average.
- Sales performances varied considerably by sector in the last quarter, which was also true in the June quarter. The stand-out performers were Communications, Property and Business Services (+26); and Finance and Insurance (+20). Health and Community Services found sales conditions much tougher than other sectors (-17), although negative balances were also observed in Transport and Storage (-5); Manufacturing (-4); Hospitality (-3); Cultural, Recreational and Personal Services (-2); and Retail Trade (-1).
- Profitability results were only positive last quarter in Communications, Property and Business Services (+21); and Finance and Insurance (+11). SMBs in Transport and Storage (-21); Retail Trade (-18); Health and Community Services (-18); and Manufacturing (-13), struggled the most with profitability.
- For the current quarter, no negative net balance expectations were observed for any of the five key performance indicators by sector. Sales and profitability expectations displayed double figure balances in virtually all cases. For sales this ranges from +17 in Manufacturing to +34 in the Cultural, Recreational and Personal Services sector. For profitability, expectations this quarter are highest in the Wholesale Trade sector (+27), followed by Communications, Property and Business Services; and Health and Community Services (both +26). The only single figure balance for profitability expectations was observed in Transport and Storage (+8).

SMB business cycle analysis

SMBs have not let difficult business conditions, nor perceptions of a currently weak economy dampen their performance expectations.

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

SMB confidence is still at one of its highest levels in the last five years despite the latest quarter again proving a challenge. However, small improvements were recorded for each of the key indicators and there was increased optimism about sales performance this quarter. SMBs are also expecting that the economy will be stronger in the year ahead.

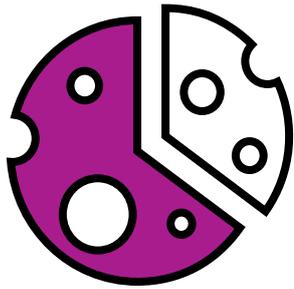
	Results for this quarter	Expectations for next quarter	Expectations for next 12 months
Business confidence	NA	NA	Lower but still optimistic
Economy	Unchanged but still negative	NA	Higher and now optimistic
Sales	Marginally higher and positive	More optimistic	NA
Employment	Marginally higher, but still negative	More optimistic	NA
Wages	Marginally higher and positive	More optimistic	NA
Prices	Marginally higher and positive	Marginally less optimistic	NA
Profitability	Higher but still negative	More optimistic	NA

SBI Snapshot

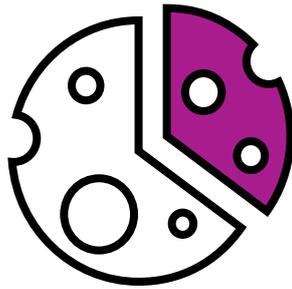
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

Who did we survey?

Business location



61%
Metro

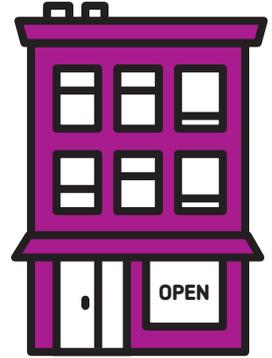


39%
Regional

Business size



90%
Small



10%
Medium

What did they tell us?

SMBs are feeling confident



57% feel confident

Because of:

- Being an established, solid business
- Specific business strengths



19% feel worried

Because of:

- Decreasing sales
- Unfavourable business, economic or industry environments

=



+38 net balance

Decreased 6 points from last quarter

SMB confidence by state



New South Wales +53 (↓5)

Tasmania +52 (↑22)

Queensland +39 (↑3)

National average +38 (↓6)

Australian Capital Territory +35 (↓14)

South Australia +31 (↑2)

Victoria +31 (↓15)

Western Australia +10 (↓10)

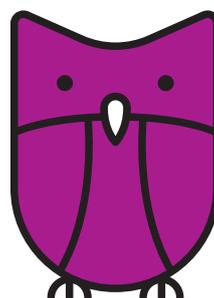
Northern Territory +9 (↓14)



Net confidence decreased to

+38 points

Down 6 points from last quarter



SBI Snapshot

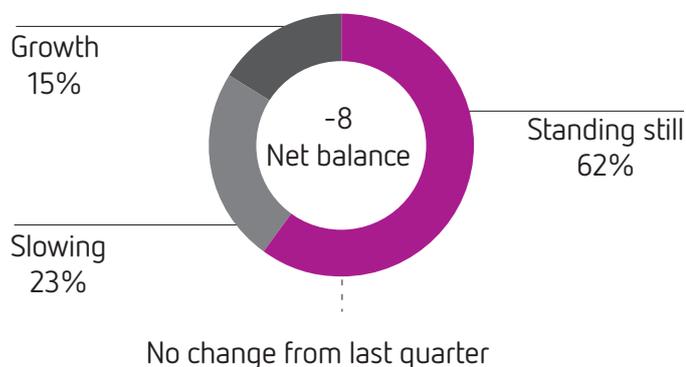
SMB confidence by sector



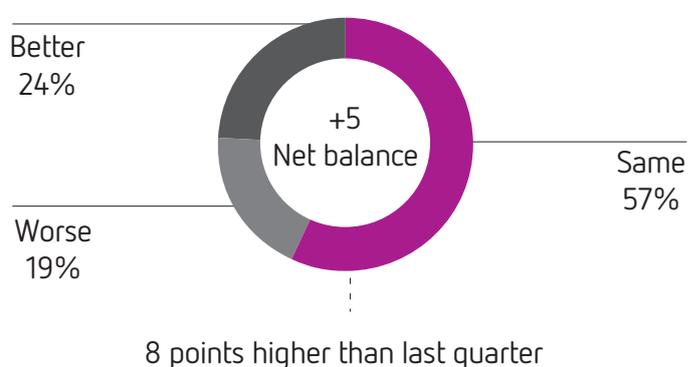
Hospitality +49 (↓9)
Communications, Property and Business Services +47 (↓7)
Health and Community Services +44 (↓14)
Cultural, Recreational and Personal Services +44 (↓3)
Finance and Insurance +40 (↓18)
Building and Construction +39 (↓2)
Wholesale Trade +38 (↑6)
National average +38 (↓6)
Retail Trade +37 (↑10)
Transport and Storage +18 (↓16)
Manufacturing +12 (↓4)



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	+5	+26	↑ 5
Employment	-1	+9	↑ 4
Wages	+9	+15	↑ 3
Prices	+10	+17	↓ 1
Profitability	-3	+19	↑ 3

* 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 fallen but remains at a relatively high level.

Key findings

The net confidence level of Australian SMBs decreased but remains relatively high given it was previously the best level recorded in five years.

Last quarter

The net balance fell six points to +38, with 57% of SMBs feeling confident about their prospects for the year ahead and 19% feeling worried. This is still one of the best net balances observed in the past five years and 11 points higher than one year earlier.

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

A lack of work or sales is again the most mentioned concern.

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 not shifted overall, remaining in negative territory. However, their expectations for future economic growth have improved for the second quarter in a row and moved from a negative to positive assessment.

Overall confidence – Sep 2016

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

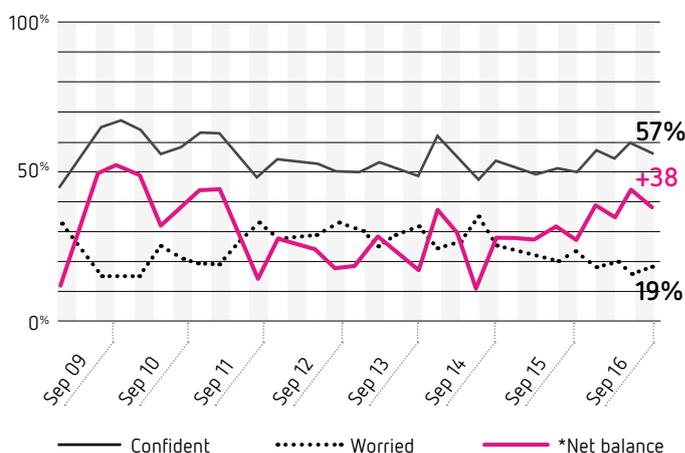
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	11%	4%	11%
Fairly confident	46%	64%	46%
Neutral	24%	11%	24%
Fairly worried	14%	18%	14%
Extremely worried	5%	2%	5%
Total confident	57%	68%	57%
Total worried	19%	20%	19%
*Net Balance	+38	+48	+38

Note: rounding occurs

Confidence trends – past five quarters

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Confident	50%	57%	55%	60%	57%
Worried	23%	18%	20%	16%	19%
*Net Balance	+27	+39	+35	+44	+38

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

There were some marked shifts in confidence with considerable variability evident by segment.

Key findings

Net confidence remains positive in all states and territories but ranges widely, from +53 in NSW to +9 in the NT. Close to the lead is Tasmania (+52), while confidence in WA (+10) is considerably lower.

Regional SMBs (+43) displayed higher confidence overall than their metropolitan counterparts (+35), but this was not the case in every state. Most industry sectors are fairly confident and small firms remain less confident than medium size firms.

Last quarter

Confidence fluctuated markedly across the states. A significant improvement of 22 points was recorded in Tasmania (to +52), with small gains observed in Queensland (up three points to +39) and SA (up two points to +31).

Elsewhere confidence decreased, with the largest fall occurring in Victoria (down 15 points to +31), closely followed by the ACT and NT (both down 14 points to +35 and +9). Net confidence halved in WA (from +20 to +10) and it dropped five points in NSW (to +53).

Capital city confidence is highest in Hobart and Brisbane (both +54), with Sydney (+46) not far behind. Adelaide and the ACT are level with the capital city average (+35). In the other capitals, net confidence is positive in Melbourne (+27) and Perth (+10), but negative in Darwin (-15).

Regionally, confidence was stronger than last quarter across the board, with the NSW result impressive (+65), followed by regional Tasmania (+49). All other regional locations are behind the national average, with WA the least confident on +13. Regional confidence is higher in NSW, Victoria and the NT than in the metropolitan areas of those locations.

Medium-sized businesses were more positive about their prospects (up 14 points to +48) and they also displayed higher levels of confidence than small firms (down six points to +38).

By industry, confidence is highest in the Hospitality sector (+49), closely followed by Communication, Property and Business Services (+47). Confidence levels were around or above the national average in all other industry sectors except for Manufacturing (+12); and Transport and Storage (+18).

Confidence by state and territory, sector and size

Trends by state – *net balance

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
National	+27	+39	+35	+44	+38
New South Wales	+34	+46	+48	+58	+53
Victoria	+32	+38	+39	+46	+31
Queensland	+25	+35	+30	+36	+39
South Australia	+1	+16	+5	+29	+31
Western Australia	+18	+31	+11	+20	+10
Tasmania	+18	+64	+47	+30	+52
Northern Territory	+22	+24	+27	+23	+9
Australian Capital Territory	+47	+38	+40	+49	+35

Metro and regional confidence – *net balance

	Metro	Regional	Total
National	+35	+43	+38
New South Wales	+46	+65	+53
Victoria	+27	+39	+31
Queensland	+54	+30	+39
South Australia	+35	+21	+31
Western Australia	+10	+13	+10
Tasmania	+54	+49	+52
Northern Territory	-15	+28	+9
Australian Capital Territory	+35	NA	+35

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

Confidence by business size

	Confident	Worried	*Net Balance
Total	57%	19%	+38
1-2 Employees	54%	21%	+33
3-4 Employees	69%	14%	+55
5-9 Employees	53%	18%	+35
10-19 Employees	60%	18%	+42
Total Small Business	57%	19%	+38
20-99 Employees	66%	23%	+43
100-199 Employees	100%	0%	+100
Total Medium Business	68%	20%	+48

Note: rounding occurs.

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	48%	36%	+12
Building and Construction	57%	18%	+39
Wholesale Trade	52%	14%	+38
Retail Trade	57%	20%	+37
Transport and Storage	47%	29%	+18
Communication, Property and Business Services	61%	14%	+47
Finance and Insurance	58%	18%	+40
Health and Community Services	62%	18%	+44
Cultural, Recreational and Personal Services	62%	18%	+44
Hospitality (Accommodation, Cafes and Restaurants)	67%	18%	+49

* 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 still assess the economy negatively but have become optimistic about the prospects for the economy in one year's time.

Key findings

SMB assessments of the current state of the economy are the same as last survey and remain negative, but their expectations for the economy in one year's time have moved into positive territory.

Last quarter

There was no change in SMB assessments of whether the economy is growing or slowing down, with the net balance remaining at -8. While still negative, this is higher than one year ago.

SMB perceptions of the current state of the Australian economy were only positive in Tasmania at +10. They are neutral in the ACT and negative elsewhere, particularly in WA (-23) and the NT (-33).

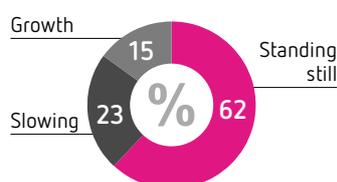
Metropolitan SMBs are less pessimistic than regional SMBs on this measure (-7 versus -10).

Views about the economy in one year's time improved by eight points and became positive (+5). The proportion expecting the economy to improve was up five points, with a three point drop in the proportion who feel the economy will be worse off in one year's time. This is only the second positive net balance recorded since December 2014.

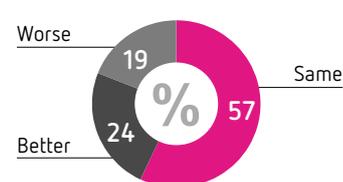
The most optimistic states are NSW and Tasmania (at +9), while negative balances are seen in Victoria (-5) and both territories (the ACT at -2 and the NT at -7).

There is a five point gap between metropolitan (+2) and regional (+7) SMBs on this measure.

The economy now



The economy a year from now

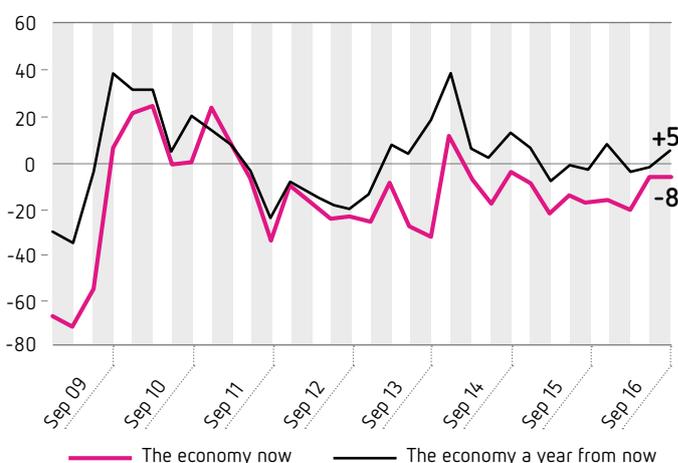


Perceptions of the economy – trends

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
The economy now					
Growth	13%	14%	13%	16%	15%
Slowing	32%	31%	35%	24%	23%
*Net Balance	-19	-17	-22	-8	-8
The economy a year from now					
Better	20%	28%	20%	19%	24%
Worse	24%	21%	26%	22%	19%
*Net Balance	-4	+7	-6	-3	+5

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	19%	13%	11%	14%	11%	23%	11%	17%
Slowing	20%	24%	21%	27%	34%	13%	44%	17%
*Net Balance	-1	-11	-10	-13	-23	+10	-33	0
The economy a year from now								
Better	26%	23%	21%	20%	26%	22%	19%	22%
Worse	17%	28%	14%	15%	20%	13%	26%	24%
*Net Balance	+9	-5	+7	+5	+6	+9	-7	-2

* 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 the key concern among SMBs.

Key findings

More than four in ten SMBs (44%) said their business faces no significant problems. This is consistent with findings over the last year. A lack of work or sales has been the number one concern over that period.

Last quarter

A lack of work or sales was mentioned by 15% of SMBs as the main issue of concern. This was 14% last quarter but 20% previously. This concern is most prominent in WA (21%) and the NT (23%) and was mentioned the least in Tasmania (9%). It emerged to a similar degree in metropolitan and regional areas – 14% versus 15%. By sector, this concern stood out the most in Manufacturing (27%) and the least in Finance and Insurance (7%).

Three concerns were identified spontaneously by 7% of SMBs – finding or keeping staff, paperwork or bureaucracy and economic climate. Each of these concerns was up two points from the last survey.

Finding or keeping staff was mentioned most in the two territories (11% in each) and in the Building and Construction sector (10%). Paperwork or bureaucracy related issues were highest in Queensland (10%) and the Transport and Storage sector (11%).

Economic climate includes issues such as consumer confidence and spending levels, interest and exchange rates and concerns about the global, state and regional economic environments. This was mentioned most in WA (16%) and in the Retail; and Cultural, Recreational and Personal Services sectors (12% each).

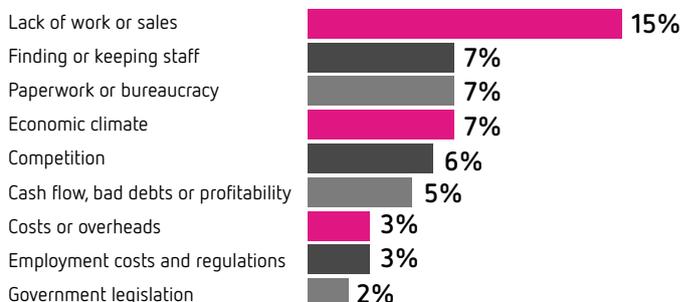
Concern about competition was raised by 6% (no change) and hardly varied by location. However, it was twice that level in the Wholesale; and Health and Community Services sectors.

Cash flow, bad debts and profitability were key concerns mentioned by 5% (one percentage point lower than the last two surveys). Most concerned were SMBs in SA and the ACT (11% each) and the Wholesale sector (12%).

Six percent of SMBs mentioned difficulties in finding quality staff, which compares with 8% and 5% in the last two surveys. More specifically, the main difficulties encountered were a lack of qualified candidates (16%), a lack of skilled candidates (14%) and a lack of candidates with appropriate experience or knowledge (10%).

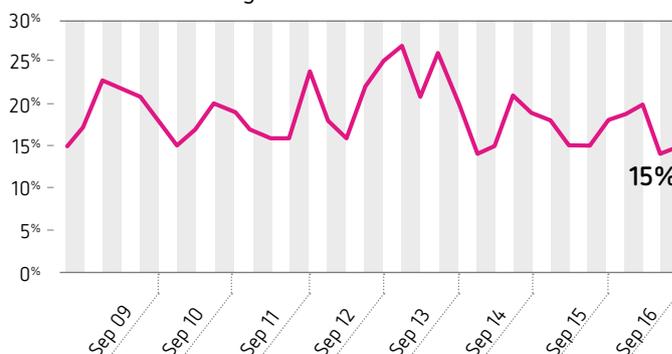
Prime concerns

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

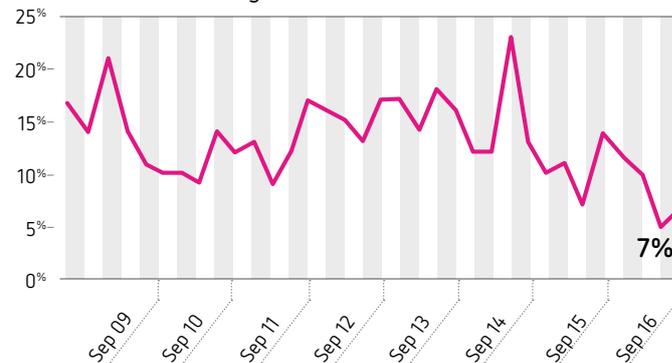


No concerns = 44%

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



Prime concerns – long term trends – economic climate



Prime concerns – long term trends – cashflow



Sales

The sales net balance was the highest recorded since March 2008.

Key findings

In recent years sales net balance results have typically been negative. Last survey there was a positive result and this has improved slightly in the latest quarter. Expectations for the quarter ahead are also higher.

Last quarter

The net balance rose two points to +5. This is the first time since March 2008 that consecutive positive balances have been observed for this indicator. The March 2008 balance was +11 and the latest result is the best since then.

Sales performance was best in Victoria (+11), with Queensland next highest (+9). SMBs in the NT found sales hardest to generate (-9).

By industry, Communications, Property and Business Services (+26) performed best, ahead of Finance and Insurance (+20). The lowest net balance was seen in Health and Community Services (-17).

Current quarter

SMBs anticipate even better sales in the current quarter. Thirty-five percent expect an increase against 9% who anticipate a fall, generating a net balance of +26. This is a five point increase on last survey.

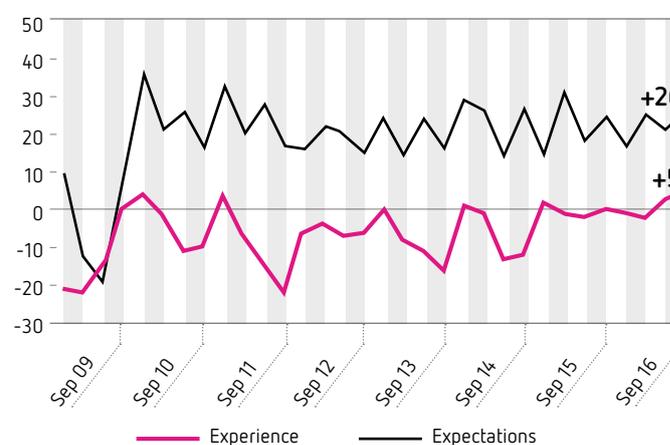
Sales expectations display net balances of +20 or higher in all locations except the NT (+2), with SA highest (+35). NSW (+31), Queensland and the ACT (both +27) are also above the national average.

By industry sector, expectations are generally upbeat, with net balances ranging from +17 in Manufacturing to +34 in Cultural, Recreational and Personal Services. The following are also above average on this measure: Wholesale Trade (+32); Communications, Property and Business Services (+31); Retail Trade (+29); Finance and Insurance (+27); and Health and Community Services (+27).

Value of sales

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Last Quarter					
Experienced increase	29%	26%	27%	27%	30%
No change	41%	45%	42%	47%	44%
Experienced decrease	29%	27%	29%	24%	25%
*Net Balance	0	-1	-2	+3	+5
Current Quarter					
Expect increase	38%	32%	38%	34%	35%
No change	46%	49%	47%	52%	54%
Expect decrease	14%	16%	13%	13%	9%
*Net Balance	+24	+16	+25	+21	+26

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

Consistently weak employment results have not dampened SMB optimism about this indicator.

Key findings

For some time employment performance has been flat at best, and that is still the case. However, SMBs continue to foresee improvement and to a greater degree than in the June quarter.

Last quarter

Eleven percent of SMBs added to their staff, but 12% reduced employee numbers, keeping the net balance negative.

By location we saw a positive net balance in SA and the ACT (+3 each), Victoria (+2) and Queensland (+1). The NT was a long way behind the national average (-21), while the net balances elsewhere were -9 in Tasmania and -4 in both NSW and WA.

The best sector result was in Health and Community Services (+10), with positive balances also evident for Communications, Property and Business Services (+7); and Wholesale Trade (+6). Other sectors were negative on this indicator, ranging from -2 in Finance and Insurance to -11 in Hospitality.

Almost half (48%) reported barriers to taking on new employees (also 48% last survey). Once again, a lack of work or sales was the barrier mentioned most (39%, was 38% last survey). Business growth remained the primary catalyst for increased employment.

Current quarter

Expectations improved, with 14% predicting an increase in staffing and 5% anticipating a fall. The net balance of +9 is four points higher than last survey.

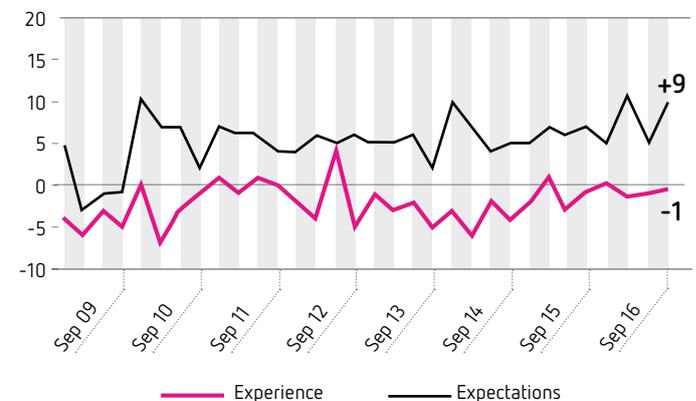
Tasmania (+13), NSW (+12), Queensland, SA and the ACT (+11 for each) are above average on this indicator, with WA (-2) well behind the national average, followed by the NT (0).

By sector, expectations are positive across the board ranging from +4 in Communications, Property and Business Services to +22 in Cultural, Recreational and Personal Services.

Size of workforce

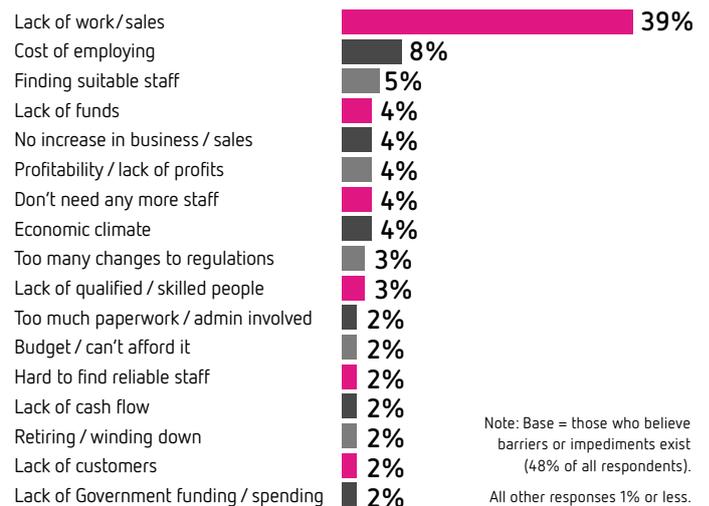
	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Last Quarter					
Experienced increase	12%	10%	8%	9%	11%
No change	75%	80%	82%	81%	78%
Experienced decrease	13%	10%	11%	11%	12%
*Net Balance	-1	0	-3	-2	-1
Current Quarter					
Expect increase	13%	12%	14%	10%	14%
No change	80%	79%	81%	84%	80%
Expect decrease	6%	7%	3%	5%	5%
*Net Balance	+7	+5	+11	+5	+9

Size of workforce – trends in *net balance

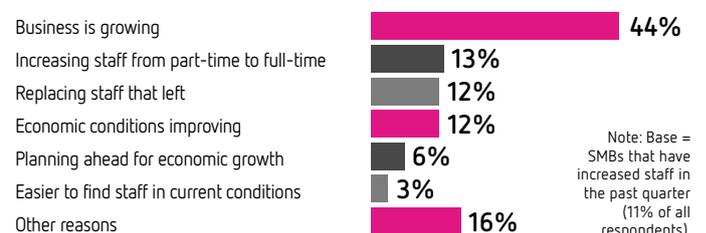


* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

What are the barriers to taking on new employees?



Why SMBs have increased employment – Sep 2016



Wages

Wages results and expectations remain positive.

Key findings

Over the last four quarters wages results and expectations have remained positive and not varied significantly.

Last quarter

Increased wages were recorded by 22% of SMBs, with a fall observed for 13%. The net balance of +9 compares with +7 and +9 in the previous two quarters and +10 a year ago.

Wages growth last quarter was strongest in Victoria, where the net balance registered +19, with Tasmania next in line on +13. Negative results were noted in the territories, with -4 in the ACT and -13 in the NT.

Sector-wise, there were positive net balances in all except for Transport and Storage (-2); and Cultural, Recreational and Personal Services (-1). The highest net balance was recorded in Finance and Insurance (+18), followed by Health and Community Services (+15); and Retail (+14).

Current quarter

This quarter, 22% expect higher wages against 7% anticipating a fall, producing a net balance of +15. This compares with +12 last quarter.

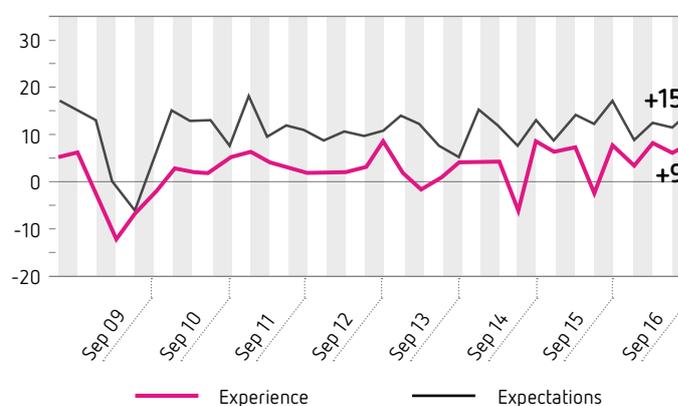
Net balances are positive in all locations except for the NT (-3). Elsewhere they range from +6 in WA, to +24 in Tasmania.

By sector, wages growth is most likely in Cultural, Recreational and Personal Services (+28), with Health and Community Services (+23) next highest. Expectations are lowest in Transport and Storage (+5), with Hospitality (+9) the only other sector recording a single figure net balance.

Wages

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Last Quarter					
Experienced increase	25%	21%	22%	19%	22%
No change	57%	61%	62%	66%	63%
Experienced decrease	15%	15%	13%	12%	13%
*Net Balance	+10	+6	+9	+7	+9
Current Quarter					
Expect increase	26%	21%	21%	19%	22%
No change	65%	67%	69%	72%	68%
Expect decrease	7%	10%	8%	7%	7%
*Net Balance	+19	+11	+13	+12	+15

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 hardly changed in recent surveys and expectations are similar to one year ago.

Last quarter

Since September 2014 the highest net balance has been +11 and the lowest has been +7. It is again within that range, now at +10. Price increases were recorded by 16%, with 6% reporting lower prices.

Net balances ranged from 0 in the NT to +15 in Victoria, with SA and the ACT (each at +13) and Tasmania (+12) also above average.

Across the sectors Finance and Insurance (+24) stood out, followed by Cultural, Recreational and Personal Services (+22). There were positive results in all other industries except for Manufacturing (-1).

Current quarter

The net balance for price rises this quarter was one point lower at +17. One year ago this indicator was almost the same at +16.

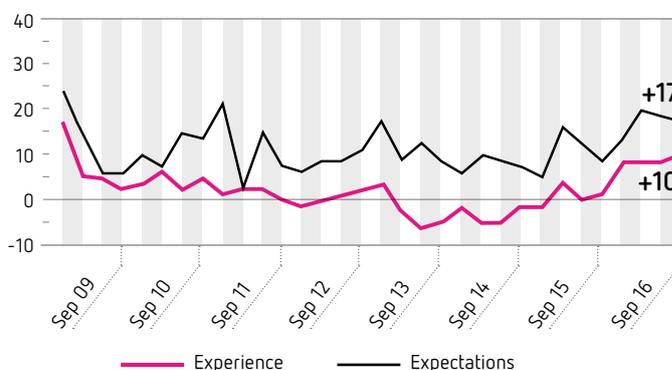
Expectations varied from +10 in Tasmania to +20 in NSW and Victoria.

By sector, price rises are most likely in Hospitality (+27), with Wholesale Trade not far behind (+24). Lowest on this measure was Health and Community Services (+7).

Prices charged

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Last Quarter					
Experienced increase	18%	15%	18%	15%	16%
No change	70%	76%	71%	77%	75%
Experienced decrease	9%	6%	9%	6%	6%
*Net Balance	+9	+9	+9	+9	+10
Current Quarter					
Expect increase	21%	17%	24%	22%	20%
No change	72%	78%	69%	72%	75%
Expect decrease	5%	3%	5%	4%	3%
*Net Balance	+16	+14	+19	+18	+17

Prices charged – trends in *net balance



Profitability

Profitability is still negative but improving, with expectations fairly buoyant.

Key findings

Profitability performance remains negative but less so than at any time in the past four quarters. Expectations are more positive than last survey.

Last quarter

There was a profit rise recorded by 23% against a 26% fall, which improved the net balance result to -3 from -7 and -11 in the previous two surveys.

Profitability was negative everywhere except for Queensland (+3) and Victoria (+1). It was very low in WA (-22) and the NT (-21), with Tasmania also below average (-11).

Only in the Community, Property and Business Services (+21); and Finance and Insurance (+11) sectors were positive net balances recorded. Transport and Storage (-21); Retail Trade; and Health and Community Services (both -18) displayed the weakest results on this indicator.

Current quarter

Profitability expectations for the current quarter increased three points to +19.

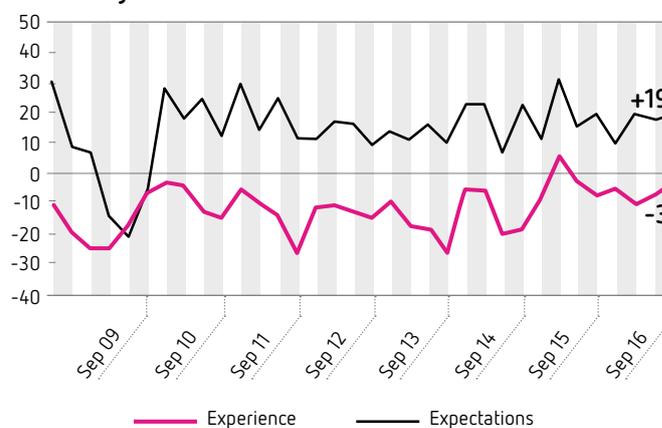
Profitability expectations are strongest in SA (+28) and the ACT (+27) and above average in NSW (+24), Queensland (+22) and Tasmania (+21). They were below average elsewhere, but positive with the exception of the NT (-9).

By sector, expectations are above average in Wholesale Trade (+27); Health and Community Services (+26); Communications, Property and Business Services (+26); Cultural, Recreational and Personal Services (+25); Finance and Insurance; and Retail Trade (both +23). The weakest sector on this indicator is Transport and Storage (+8).

Profitability

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Last Quarter					
Experienced increase	24%	23%	21%	20%	23%
No change	43%	47%	45%	50%	49%
Experienced decrease	31%	28%	32%	27%	26%
*Net Balance	-7	-5	-11	-7	-3
Current Quarter					
Expect increase	35%	29%	34%	30%	30%
No change	47%	50%	50%	54%	56%
Expect decrease	16%	19%	16%	14%	11%
*Net Balance	+19	+10	+18	+16	+19

Profitability – trends in *net balance



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

Access to finance

SMBs are finding it easier to access finance.

Key findings

SMBs' ability to access finance is critical for capital expenditure and growth. Their ability to access finance has been improving steadily since this time last year.

Last quarter

The net balance for obtaining finance has improved each quarter since September 2015, with the latest result of +8 comparing with +5 last survey and +1 a year earlier.

SMBs in WA (-8) found it hardest to access finance. That was the only negative net balance recorded. The highest balance was observed in NSW (+14), followed by Victoria (+11).

By sector, SMBs in Transport and Storage (+43) found it easiest to access finance, with Hospitality experiencing the most difficulty (-9). The second highest net balance was in Communications, Property and Business Services (+11).

Medium size firms (+22) still found it easier than small firms (+8) to access finance and the gap in their favour increased from +12 last quarter, to +14 now.

Sixteen percent of SMBs sought finance, which is up three points from each of the last two quarters. Of those, 70% had success (was 68% last survey and 72% previously).

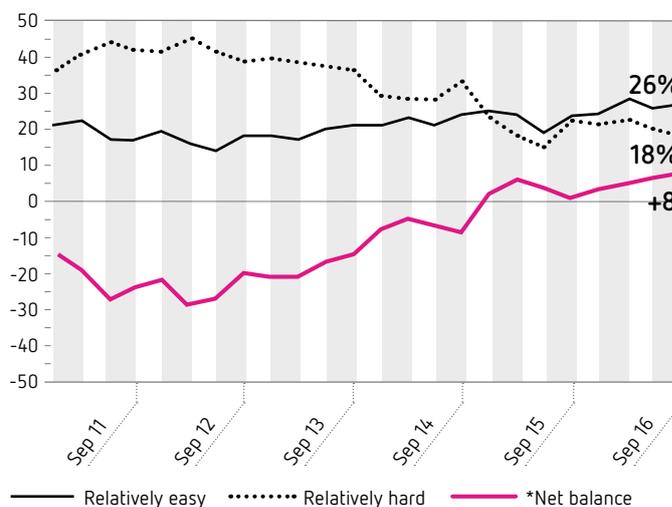
The incidence of seeking finance ranged from 12% in NSW and the ACT to 23% in Queensland, with the NT and Tasmania close behind on 21% and 20% respectively.

SMBs in the Wholesale Trade; and Transport and Storage sectors (27% and 25% respectively) were the most likely to have sought finance. Hospitality was lowest on this measure (8%).

Access to finance

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Last Quarter					
Relatively easy	23%	24%	27%	25%	26%
Average	55%	56%	50%	55%	56%
Relatively hard	22%	21%	23%	20%	18%
*Net Balance	+1	+3	+4	+5	+8

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.

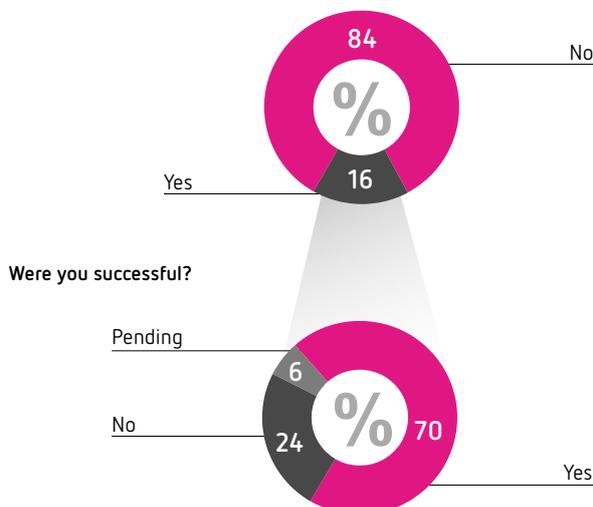
Ease of accessing finance – by business size (Sep 2016)

	Easy	Difficult	*Net Balance
Total	26%	18%	+8
1-2 Employees	26%	22%	+4
3-4 Employees	19%	17%	+2
5-9 Employees	25%	16%	+9
10-19 Employees	31%	15%	+16
Total Small Business	26%	18%	+8
20-99 Employees	38%	14%	+24
100-199 Employees	29%	30%	-1
Total Medium Business	37%	15%	+22

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?



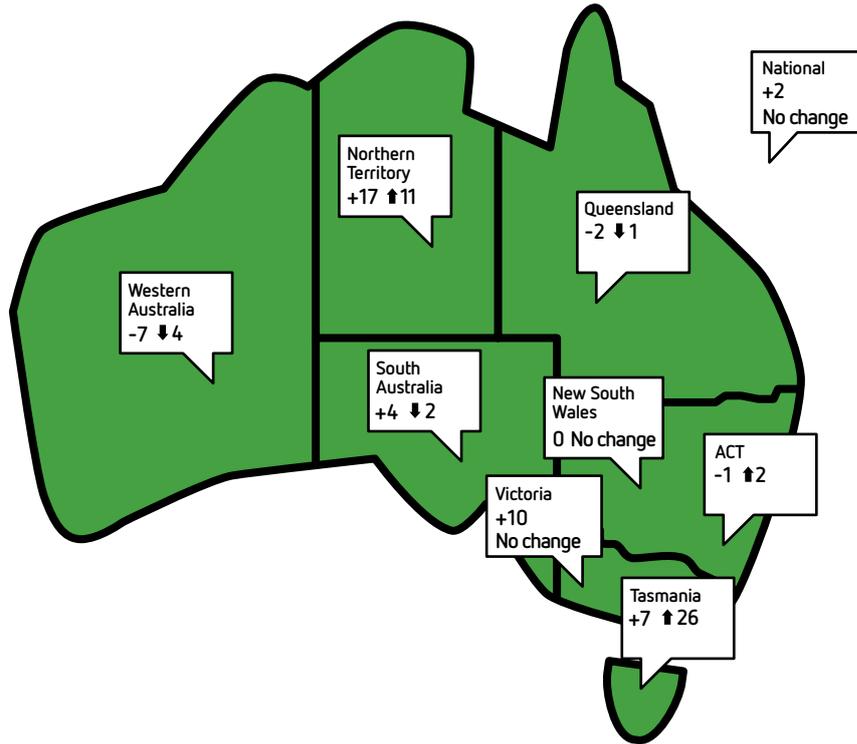
Government Policies

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

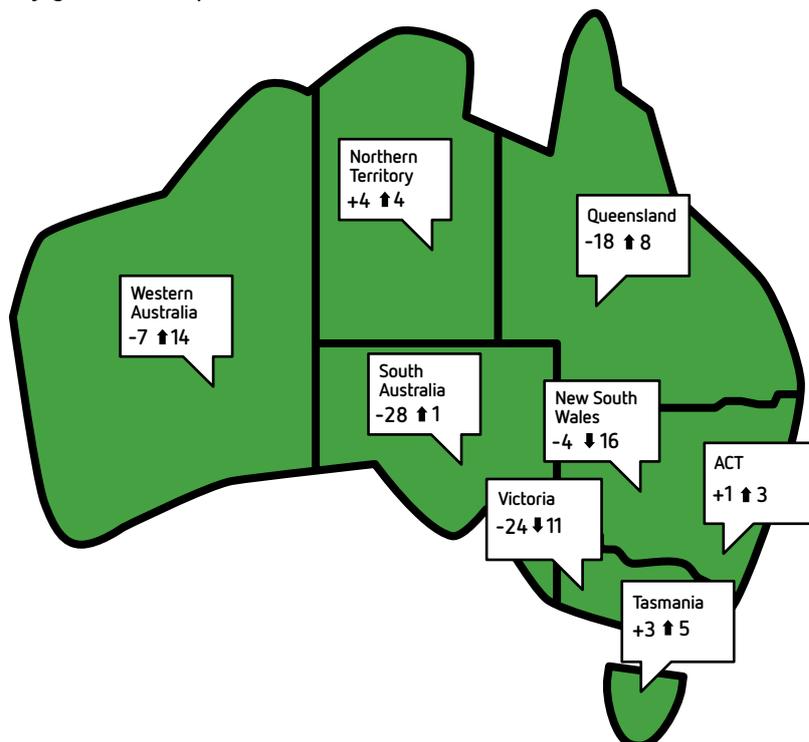
Government policies

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 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 are unchanged following the Federal Election and remain slightly positive.

Key findings

SMB ratings of the Federal Government have remained positive on balance for the last year. This indicates that the July 2016 Federal Election has not impacted greatly on SMB views of the Federal Government.

Last quarter

Twenty percent considered Federal Government policies as supportive of SMBs, with 18% disagreeing. The net balance of +2 is unchanged from the prior result and compares with +1 one year earlier, but it did reach +7 in December 2015.

The top three reasons for a positive response were tax cuts (17%), incentives (13%), and being supportive and interested in small business (12%).

SMBs unimpressed with the Federal Government's policies cited too much focus on big business (17%), ahead of excessive bureaucracy and red tape (15%) as their two main issues.

SMBs in the NT (+17) rated the Federal Government most favourably for their support of small and medium business, followed by those in Victoria (+10). In WA opinions are the least favourable (-7), with the net balance also negative in the ACT (-1) and Queensland (-2).

The most positive sector by far was Finance and Insurance (+19), followed by Building and Construction (+8). The most negative sector was Cultural, Recreational and Personal Services (-10), followed by Transport and Storage (-5).

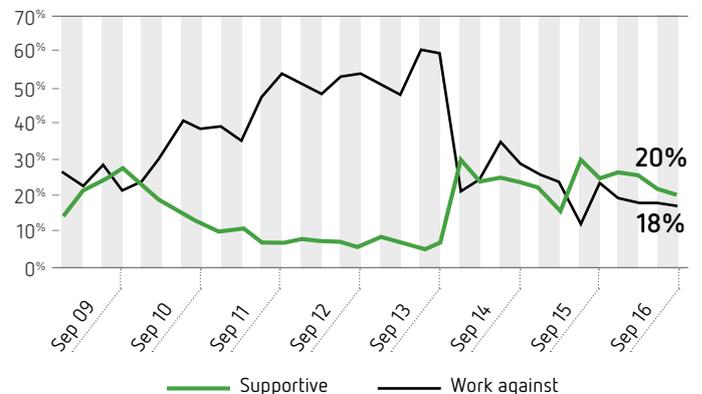
Attitudes to Federal Government policies – trends

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?

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Supportive	25%	27%	25%	21%	20%
Work against	24%	20%	19%	19%	18%
No impact	51%	53%	56%	59%	61%
*Net Balance	+1	+7	+6	+2	+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 Tasmania and the two territory governments generated a favourable rating on balance.

Key findings

This quarter an average of 11% of SMBs felt their state or territory government was supportive and 25% felt they were working against small and medium business interests, resulting in a net balance of -14. This is four points lower than last survey and seven points down on two surveys ago.

The Tasmanian, NT and ACT Governments were the only ones assessed positively overall by SMBs. The SA Government continues to attract the most criticism, with the Victorian and Queensland Governments the next most negatively perceived.

Last quarter

The highest net balance was observed in the NT (+4), just ahead of Tasmania (+3), with the ACT the next best performer (+1). Everywhere else was negative, particularly in SA (-28), Victoria (-24) and Queensland (-18). However, there were improved ratings in most locations with the exception of NSW (down to -4 from +12) and Victoria (down from -13 to -24).

The primary criticism of the SA Government is that too many costs and charges are being imposed, including hidden taxes (15%), followed by excessive bureaucracy (11%).

The Victorian Government was also criticised for imposing too many costs, charges and taxes (12%), as well as for taking too much notice of unions (13%).

Attitudes to state or territory government policies (Sep 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	12%	8%	10%	12%	12%	22%	33%	25%
Work against	16%	32%	28%	40%	19%	19%	29%	24%
No impact	73%	60%	62%	48%	69%	59%	38%	51%
*Net Balance	-4	-24	-18	-28	-7	+3	+4	+1

Note: Rounding occurs.

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

	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
New South Wales	+10	+11	+8	+12	-4
Victoria	-16	-17	-11	-13	-24
Queensland	-22	-15	-17	-26	-18
South Australia	-34	-32	-22	-29	-28
Western Australia	-10	-10	-9	-21	-7
Tasmania	+26	+12	+14	-2	+3
Northern Territory	+10	-4	-7	0	+4
Australian Capital Territory	-3	+12	+9	-2	+1

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

Small and Medium Business Outlook

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Small and medium business outlook – National

Confidence is down, but fell from its highest level in more than five years. Most SMBs are still positive about their prospects, however, views of the economy for the year ahead are more optimistic.

- Confidence was down six points this quarter to +38. However, this is still one of the better net balance results observed in recent years.
- The top two drivers of confidence are being an established, solid business and having specific business strengths. Falling sales and unfavourable business conditions generated negativity more than other factors.
- SMB assessments of the current state of the economy were unchanged and negative on balance (-8). However, expectations for the economy in one year's time improved from a negative (-3) to positive position (+5).
- All of the key indicators improved, but there remains plenty of scope for better performances.
- Expectations for next quarter were higher for each key performance indicator, except for prices which declined by one point. Sales and profitability expectations are fairly positive.
- The July election result has not shifted SMB views of the Federal Government, which remain slightly positive. Tax cuts and incentives are the main reasons the Federal Government appeals to SMBs, while those who are critical believe big business receives too much focus and there is excessive bureaucracy.

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

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	50%	57%	55%	60%	57%
Negative	23%	18%	20%	16%	19%
*Net Balance	+27	+39	+35	+44	+38

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	0	+3	+5	+24	+21	+26
Employment	-1	-2	-1	+7	+5	+9
Wages	+10	+7	+9	+19	+12	+15
Prices	+9	+9	+10	+15	+18	+17
Profitability	-7	-7	-3	+19	+16	+19

* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.
 ** This is for the last 3 months.



Small and medium business outlook – New South Wales

Confidence was lower but NSW remains the most confident state or territory. Despite a challenging quarter, expectations for the next three months are at, or above, the national average on all of the key indicators. Previously, the NSW Government was the only state government with a positive net rating, but it has lost some appeal in the last quarter.

- In NSW, confidence declined five points to +53, but it remains the leading state or territory on this measure.
- Regional businesses in NSW are more confident than those in Sydney, with the gap widening to 19 points.
- Confidence exists among businesses that are well-established, solid businesses with specific strengths to draw on. Those who are worried highlighted decreasing sales, followed by an unfavourable business environment as their key concerns.
- Last quarter, some sales weakness was indicated. Profitability remained negative on balance and the other three indicators recorded lower net balances.
- Expectations for each key indicator in the current quarter rose and were above, or at, the national average.
- SMB support for the policies of the NSW Government declined by 16 points to a net balance of -4. Previously, it was the best regarded state government, but now ranks fourth. Those who feel it is supportive identified their main reasons as Government policies that lead to people having more disposable income and the NSW Government trying to help small business. Excessive bureaucracy and a lack of incentives for small businesses were the biggest criticisms.

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

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	54%	61%	64%	65%	67%
Negative	20%	15%	16%	7%	14%
*Net Balance	+34	+46	+48	+58	+53

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	+8	+8	+3	+17	+29	+31
Employment	-1	-2	-4	+5	+9	+12
Wages	+17	+8	+5	+16	+14	+15
Prices	+5	+8	+7	+12	+19	+20
Profitability	+5	-8	-4	+17	+18	+24

* 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

SMB confidence declined in Victoria and now sits below the national average. Key indicator performances are relatively good, however, as are expectations. The Victorian Government has become one of the least popular in the nation among SMBs.

- Confidence fell fifteen points to a net balance of +31, which now places Victoria behind the national average.
- Confident SMBs mentioned being established, solid businesses and having specific business strengths ahead of other influences. Worried SMBs have been affected by declining sales, followed by cost pressures.
- Last quarter, sales were higher and profitability improved slightly. The net balances for prices and employment were lower, while wages grew.
- For the current quarter, expectations on key indicators remain positive and are higher for each, except for profitability which was five points lower at +10. Expectations for sales and wages increased by five points to +20 and +18 respectively, with employment up six points to +7. Price expectations were one point higher at +20.
- Victorian SMBs were critical of the State Government with the net balance 11 points lower at -24. The main complaints about the Victorian Government are that it takes too much notice of unions and that there are too many costs and charges. Favourable opinions were influenced by incentives and training schemes for small businesses, more than other factors.

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

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	54%	55%	56%	62%	53%
Negative	22%	17%	17%	16%	22%
*Net Balance	+32	+38	+39	+46	+31

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	-1	+6	+11	+33	+15	+20
Employment	+1	+3	+2	+13	+1	+7
Wages	+8	+13	+19	+25	+13	+18
Prices	+12	+19	+15	+22	+19	+20
Profitability	-11	-1	+1	+22	+15	+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.



Small and medium business outlook – Queensland

Confidence lifted for the second quarter in a row. It is now above the national average and considerably higher than one year ago. Key performance indicator results all improved and expectations are fairly positive. The State Government continues to be negatively perceived.

- Net confidence increased three points for Queensland SMBs to +39, which places the state one point above the national average. Relative to this time last year, net confidence has improved by 14 points.
- Those who are confident mentioned specific business strengths and being an established solid business as the prime reasons. Concerned SMBs cited unfavourable business conditions, ahead of lower sales as the two main causes.
- Last quarter, all the key indicator results were improved and positive on balance.
- Expectations for the current quarter are also positive for all five indicators and higher for sales, profitability, employment and wages. For prices, expectations displayed a marginally lower balance.
- The State Government remains unpopular, although its rating did improve eight points to -18. Excessive bureaucracy was mentioned much more than other concerns. Offering incentives and grants and creating more jobs and new tender opportunities are the main reasons for those with a positive perception of the Government.

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

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	47%	56%	49%	58%	57%
Negative	22%	21%	19%	22%	18%
*Net Balance	+25	+35	+30	+36	+39

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	+2	+1	+9	+24	+23	+27
Employment	+1	-7	+1	+4	+6	+11
Wages	+14	+1	+5	+21	+11	+19
Prices	+11	+3	+9	+15	+15	+14
Profitability	-5	-8	+3	+22	+20	+22

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

** This is for the last 3 months.



Small and medium business outlook – South Australia

In the June and September quarters, SMBs in SA have displayed greater confidence than for some time. This is also reflected in the key performance indicator expectations, particularly for sales and profitability. However, the SA Government remains quite unpopular with SMBs.

- The increased level of confidence observed last quarter was further consolidated this quarter with a two point rise to +31. This is one of South Australia’s best results for some time, although it still trails the national average.
- Being an established, solid business and growing sales have helped lift confidence. The worried SMBs identified falling sales and an unfavourable business environment ahead of other concerns.
- Last quarter, each of the key indicator results improved and all are now positive, except for profitability. However, the profitability result is much better than recorded one year earlier.
- For this quarter, expectations are higher for each of the five key indicators. The sales and profitability expectations are the highest in Australia.
- The SA Government (-28 net) is still the most negatively perceived of all state and territory governments by SMBs. Excessive costs and bureaucracy are the main issues. Trying to help and support small businesses and offering incentives, subsidies and grants were the key positives mentioned.

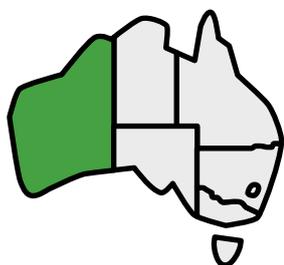
Trends in the past three months’ experience and current expectations – South Australia

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	35%	44%	39%	51%	54%
Negative	34%	28%	34%	22%	23%
*Net Balance	+1	+16	+5	+29	+31

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	-15	-12	+6	+24	+7	+35
Employment	+3	-2	+3	-1	-5	+11
Wages	0	0	+9	+14	+4	+18
Prices	+4	0	+13	+6	+13	+15
Profitability	-27	-14	-3	+15	+8	+28

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

** This is for the last 3 months.



Small and medium business outlook – Western Australia

Confidence declined even further below the national average. Most performance indicator results remained weak last quarter, but expectations for sales this quarter are encouraging. The WA Government is still regarded negatively by SMBs, albeit to a lesser degree than last survey.

- Confidence halved to +10, which is 28 points behind the national average. WA ranks second lowest on this measure.
- Being an established, solid business is well ahead of other factors in generating confidence, while worried SMBs in WA pointed to weak sales as the primary issue, followed by unfavourable business conditions.
- Last quarter, most of the key indicators moved in the right direction, but remained generally weak, especially for sales (-5) and profitability (-22).
- Current quarter expectations for sales are good, with the net balance doubling to +22. Expectations for the other indicators did not improve, but remain positive overall for prices (+15), profitability (+12) and wages (+6).
- Support for the WA Government improved 14 points, but stayed negative on balance at -7. Critics identify three key issues – they feel the WA Government is too focused on big business, the mining industry and multi-nationals; that it doesn't understand small business needs; and that it imposes too much bureaucracy on SMBs. Those with a favourable opinion believe the WA Government is trying to be supportive of small business.

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

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	48%	52%	47%	50%	40%
Negative	30%	21%	36%	30%	30%
*Net Balance	+18	+31	+11	+20	+10

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	-18	-11	-5	+19	+11	+22
Employment	-14	-6	-4	+3	-2	-2
Wages	-10	+3	+1	+18	+9	+6
Prices	+9	+2	+6	+17	+18	+15
Profitability	-31	-24	-22	+9	+13	+12

* 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 lifted significantly in Tasmania, ranking it second highest and well above the national average. Expectations for sales and profitability this quarter are distinctly higher and SMB opinions of the Tasmanian Government are more favourable.

- Confidence has been volatile among Tasmanian SMBs during the past year. After falling significantly from a strong leadership position at the end of 2015, there has been a 22 point lift in confidence this quarter to a net balance of +52. Tasmania is now only one point behind the leader (NSW) and again well above the national average.
- Being an established business, having specific business strengths and favourable business conditions were the main drivers of confidence. Concerned SMBs indicated that cost pressures were their main issue.
- Given the confidence lift, it is surprising that the net balances for sales and profitability became negative, as did employment. Wages and prices stayed positive on balance, with wages steady and prices increasing.
- The rise in confidence this quarter therefore reflects higher and relatively strong expectations for sales (+25, up nine points), wages (+24, up 11 points), profitability (+21, up eight points) and employment (+13, up 10 points). Price expectations are also positive overall, albeit lower (+10, down eight points).
- SMB support for the Tasmanian Government's policies was five points higher at +3, which makes it the second most popular state government. Its primary appeal is that SMBs see it as trying to help small business interests. The major criticism was that it pays too much attention to the needs of big business.

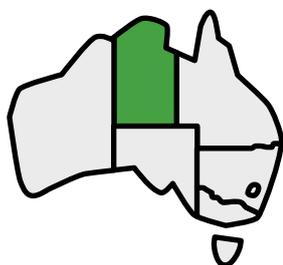
Trends in the past three months' experience and current expectations – Tasmania

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	43%	72%	57%	52%	63%
Negative	25%	8%	10%	22%	11%
*Net Balance	+18	+64	+47	+30	+52

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	+5	+11	-7	+42	+16	+25
Employment	+3	+3	-9	+8	+3	+13
Wages	+6	+13	+13	+28	+13	+24
Prices	+14	+9	+12	+13	+18	+10
Profitability	-13	+7	-11	+29	+13	+21

* 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 fallen dramatically to the lowest level in Australia. Conditions proved tough last quarter and expectations indicate that this quarter will also be challenging.

- Confidence has taken a major hit in the NT, falling 14 points to +9. This is 29 points below the national average. The drop in confidence stems from Darwin, where net confidence is negative (-15), unlike regional areas of the NT (+28).
- The most common reason cited for being confident was a positive attitude, followed by having specific business strengths. The major causes of concern were unfavourable business conditions, followed by falling sales.
- Last quarter, key indicator performances deteriorated markedly and balances were negative on each except for prices, which was neutral. The balances observed for sales, employment, wages and prices were the lowest in Australia, while the profitability result was second lowest.
- This quarter, expectations for all of the performance indicators are better than the actual results observed last quarter, but difficult conditions are foreseen. The expectations for sales (+2) and profitability (-9) are well behind those observed in all other states or territories.
- SMB support for the Federal and Northern Territory Governments registered net balances of +17 and +4, which are the best scores nationally. The Territory Government rating could be seen as surprising because it was voted out of office not long after this survey was taken. Favourable views were mainly influenced by incentives and training schemes being offered to small business. The main concerns for the new Government to heed from SMB's were that the previous Government lacked understanding for small business needs, with a lack of incentives or financial support being offered.

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

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	54%	53%	46%	50%	44%
Negative	32%	29%	19%	27%	35%
*Net Balance	+22	+24	+27	+23	+9

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	-2	-1	-9	+23	-1	+2
Employment	-1	-6	-21	-1	-6	0
Wages	+9	+12	-13	0	+12	-3
Prices	+15	+13	0	+18	+13	+15
Profitability	-8	-5	-21	+10	-5	-9

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

** This is for the last 3 months.



Small and medium business outlook – Australian Capital Territory

Confidence was lower following a difficult quarter and it is now below the national average. However, expectations are positive on key indicators and significantly improved on sales and profitability. The ACT Government is one of only three with a positive net rating.

- There was a 14 point decrease in confidence to +35, which means the ACT now trails the national average on this measure by three points.
- Confidence stems primarily from being an established, solid business. Those lacking confidence pointed to lower sales, with government policy attracting some criticism.
- Last quarter, sales and profitability balances deteriorated quite markedly after previously being the highest in Australia. However, expectations for this quarter are positive on all five performance indicators and distinctly higher for sales and profitability.
- The ACT Government improved its rating slightly with SMBs, up three points to +1. Favourable views are influenced by perceptions that it is creating positive conditions through infrastructure development. The biggest concern by far is that there is too much bureaucracy.

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

Confidence in own business prospects in next 12 months	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16
Positive	61%	63%	55%	61%	55%
Negative	14%	25%	15%	12%	20%
*Net Balance	+47	+38	+40	+49	+35

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2015	Jun 2016	Sep 2016	Sep 2015	Jun 2016	Sep 2016
Sales	-1	+16	+1	+29	+12	+27
Employment	+3	-1	+3	+5	+12	+11
Wages	+7	+9	-4	+21	+10	+20
Prices	+21	+21	+13	+17	+17	+17
Profitability	-2	+14	-2	+28	+4	+27

* 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 continues to fall and is the lowest of all the sectors, with relatively weak expectations evident for sales and profitability.

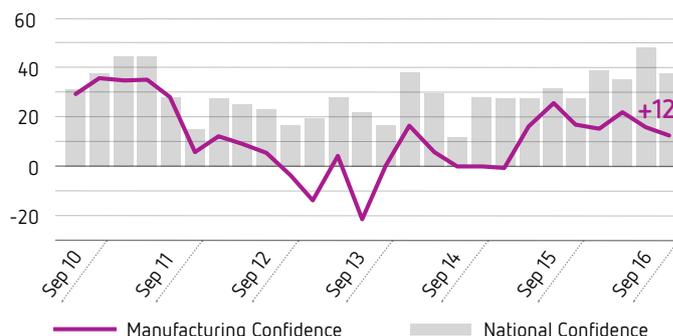
Confidence fell by four points to a net balance of +12, which is 26 points under the national average and the weakest result of all the industry sectors.

Falling sales are impacting most on those lacking confidence. The main factors driving positive results are having an established, solid business and specific business strengths.

Last quarter, profitability (-13), sales (-4) and prices (-1) were well under the national average. The other net balances were +7 for wages and -3 for employment.

For the current quarter, expectations for all indicators are positive. However, for sales (+17) the net balance is lowest of all the sectors and profitability is also relatively low (+11). Prices (+14), wages (+13) and employment (+12) are not far from the national average.

Manufacturing Confidence



Building and Construction

Confidence and most of the key performance indicators are in line with the national average.

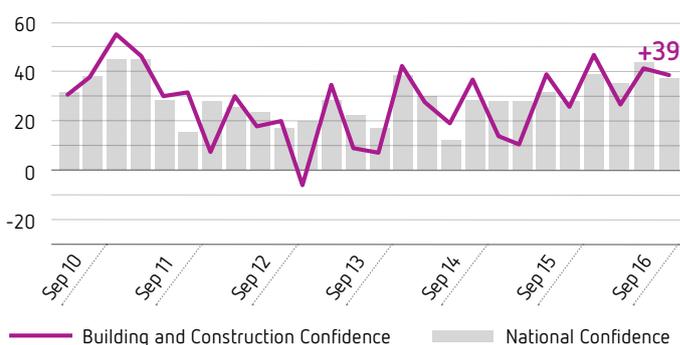
Following a significant rise between the March and June quarters (from +27 to +41), confidence fell slightly (two points) to +39 and now sits one point above the national average.

Healthy sales and being an established, solid business impacted most on confidence. Lower sales were the main worry, followed by unfavourable business policy.

Last quarter, key indicator results were only one or two points from the national average for wages (+8), sales (+6), profitability (-2) and employment (-3). Prices (+4) was six points behind the average.

This quarter, SMBs in this sector are fairly optimistic on each performance indicator – sales (+21), prices (+20), wages (+17), profitability (+13) and employment (+8).

Building and Construction Confidence



Industry snapshots



Wholesale Trade

A slight rise in confidence was seen, with above average expectations on the key performance indicators.

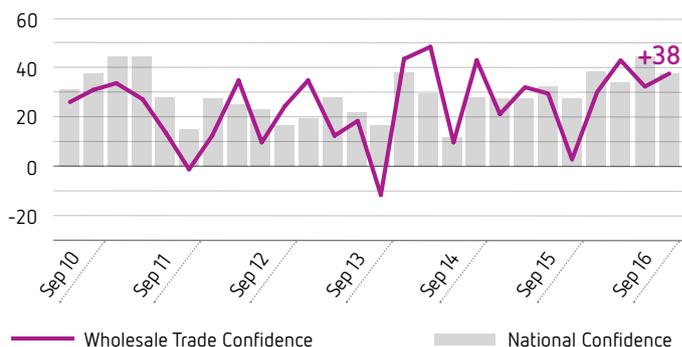
Confidence has been fairly volatile in this sector with the latest result showing an increase of six points to +38.

Those who are confident point to specific business strengths, having an established, solid business and initiatives taken by their business as the key reasons for feeling positive. The worried businesses are mostly impacted by cost pressures.

Key indicator performance was positive on all measures except for profitability. The scores were prices (+15), sales (+9), employment and wages (both +6), with profitability on -2.

Current quarter expectations are above average for each indicator, with sales at +32, profitability at +27, prices at +24, wages at +18 and employment at +10.

Wholesale Trade Confidence



Retail Trade

Confidence has steadily increased over the last year and retailers are fairly optimistic about the next three months.

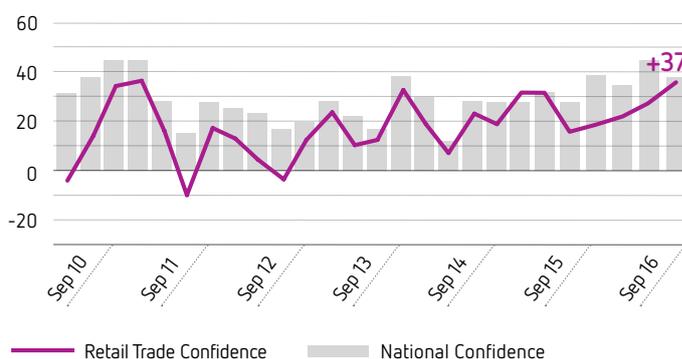
Confidence has again increased this quarter, up by 10 points to +37. This result is almost at the national average.

Specific business strengths are the key reason for confidence. Weaker sales and difficult business conditions are influencing those with a pessimistic outlook.

Last quarter, wages (+14) and prices (+9) recorded positive net balances and were above the national average, but the opposite was true for sales (-1), employment (-4) and profitability (-18).

Expectations for the current quarter are positive for each indicator – sales (+29), profitability (+23), prices (+15), wages (+14) and employment (+8). The sales and profitability expectations exceed the national average by three and four points respectively.

Retail Trade Confidence



Industry snapshots

Transport and Storage

There was a sharp drop in confidence, with weak performance results last quarter, but expectations remain fairly positive.

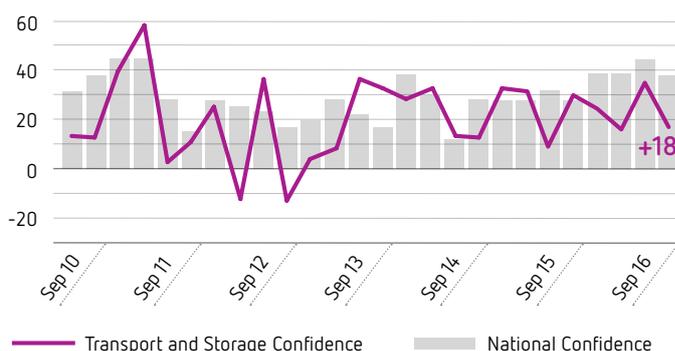
Confidence has declined quite markedly in this sector, by 16 points, to a net balance of +18. This is the second lowest balance of all the industry sectors.

Competitive pressures, unfavourable government policy and decreasing sales characterise the worried SMBs. Having an established, solid business was the leading driver of confidence.

Last quarter, net balances were negative for profitability (-21), employment (-6), sales (-5) and wages (-2). Only prices was positive (+10). The sales and the profitability results were among the weakest across the sectors.

Despite the above results, expectations are buoyant with positive net balances for the five key performance indicators – sales (+25), prices (+17), profitability (+8), employment (+8) and wages (+5).

Transport and Storage Confidence



Communication, Property and Business Services

Despite a fall, confidence remains above the national average. Performance results were strong and expectations suggest this will continue.

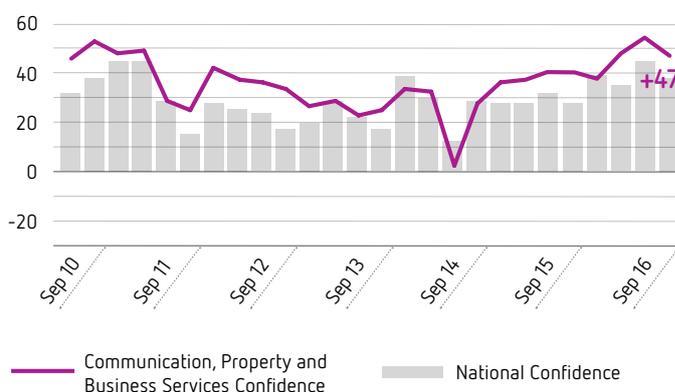
Although there was a seven point drop in confidence for this sector, the net balance of +47 is still relatively high and clearly above the national average.

The main concerns mentioned were unfavourable business conditions and weaker sales. Confidence was driven by being an established, solid business or having specific business strengths.

Last quarter, key indicator results were relatively strong and above the national average. Net balances for sales (+26) and profitability (+21) were the highest recorded by sector, with wages (+12), prices (+11) and employment (+7) also positive.

This quarter's expectations are also positive, with above average balances observed for sales (+31) and profitability (+26). The net balances for the other three indicators were +17 for prices, +12 for wages and +4 for employment.

Communication, Property and Business Services Confidence



Industry snapshots



Finance and Insurance

Confidence declined but from a very high base, with performance expectations remaining positive.

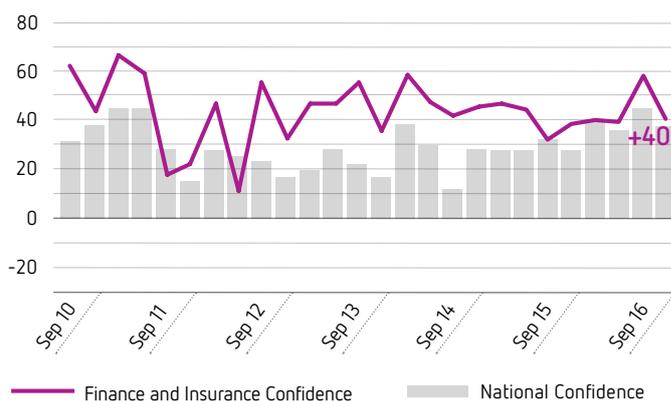
The 19 point increase in net confidence recorded last quarter (to +58) was erased by an 18 point fall to +40 this quarter, which was the sharpest fall across industry sectors. Despite this, confidence remains above the national average.

Falling sales and an unfavourable business environment are the biggest concerns of worried SMBs. Being an established, solid business was the most common reason for confidence, followed by having an optimistic attitude.

Last quarter, this sector achieved the highest net balance results for prices (+24) and wages (+18) and second highest for sales (+20). Profitability was also above average at +11, while employment was at -2.

This quarter, indicator expectations are all slightly above, or similar to, the national average – sales (+27), profitability (+23), prices (+18), wages (+17) and employment (+9).

Finance and Insurance Confidence



Health and Community Services

Confidence has fallen quite sharply throughout 2016, but this sector is among the most optimistic about the current quarter.

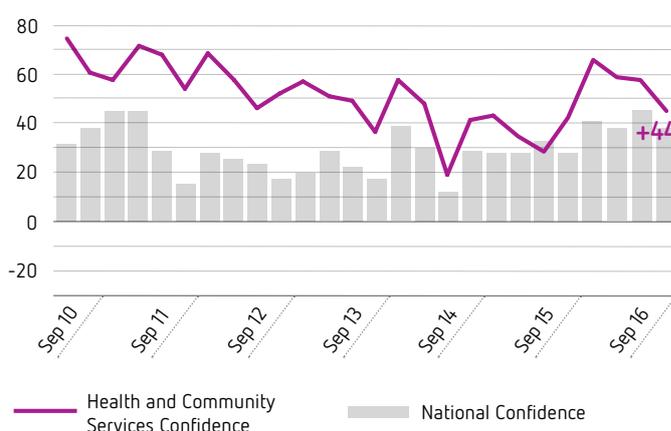
Confidence fell 14 points to +44 this quarter, but is still clearly above the national average.

Being an established, solid business and having specific business strengths generated confidence, while falling demand remains the biggest issue for SMBs in this sector.

Last quarter, profitability (-18) and sales (-17) performances were among the weakest of all, but other key indicators were positive – wages (+15), employment (+10) and prices (+7).

For this quarter, all performance indicator expectations exceed the average, except for prices. The expectations are: sales (+27), profitability (+26), wages (+23), employment (+15) and prices (+7).

Health and Community Services Confidence



Industry snapshots

Cultural, Recreational and Personal Services

Confidence remains above the national average with optimistic performance expectations apparent.

A drop of three points sees confidence at +44, but this is still six points above the national average and one of the better scores across the industries.

Being an established and solid business, as well as having specific business strengths are the most prominent factors influencing confidence. An unfavourable business environment is the biggest concern for worried SMBs within this sector.

Only one key performance indicator was positive last quarter and that was prices (+22). This was by far the highest net balance for this indicator by sector. Other results were well below average: wages (-1), sales (-2), employment (-7) and profitability (-8).

For the current quarter, expectations are upbeat, with fairly positive net balances recorded on each key performance indicator. Sales (+34), wages (+28) and employment (+22) were the highest balances observed by sector, with profitability (+25) and prices (+15) also quite strong.

Cultural, Recreational and Personal Services Confidence



Hospitality (Accommodation, Cafes and Restaurants)

Hospitality is the most confident sector, even though last quarter proved tough. Expectations for most of the key performance indicators are below average, albeit positive.

Hospitality is the most confident sector with a net balance of +49, and although it leads the way on this measure, confidence has fallen nine points from last quarter.

Having an established, solid business impacted most prominently on confidence, followed by healthy, growing sales. An unfavourable business environment and cost pressures are the leading factors which worry SMBs in this sector.

The fall in confidence is underlined by relatively weak indicator results last quarter, all of which were below the national average. Prices (+8) and wages (+5) were positive but sales (-3), profitability (-5) and employment (-11) were negative.

This quarter, expectations on four of the key indicators are positive but below average: sales (+18), profitability (+14), wages (+9) and employment (+5). The net balance recorded for prices (+27) is the highest recorded across the sectors.

Hospitality (Accommodation, Cafes and Restaurants) Confidence



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- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers' Compensation and Workplace Safety – November 1998
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