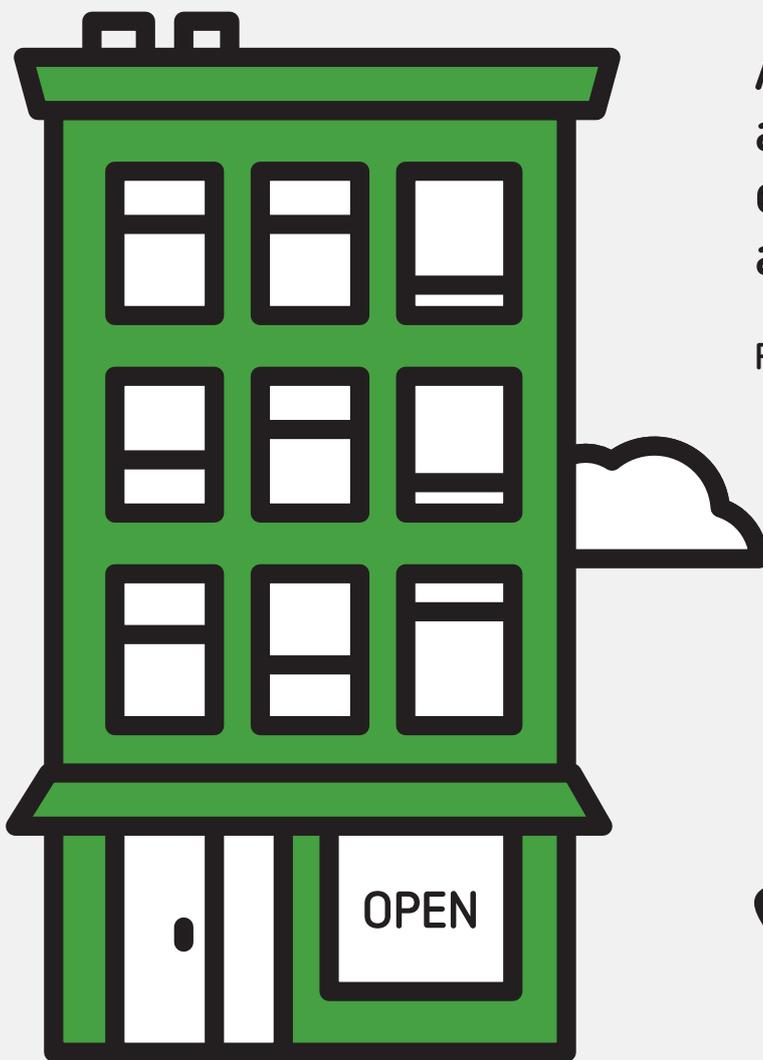


# Sensis Business Index March 2017

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

Released 28 April 2017



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# Introduction

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

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

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

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

The Sensis Business Index is an initiative of Sensis as part of its commitment to this vital business sector. Sensis is Australia's leading 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, digital display, 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 March 2017 is based on 1,010 telephone interviews conducted with small and medium business proprietors or managers, 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 16 January to 14 February 2017. 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, Jun 2009 to Jun 2013. Some adjustments to this weighting data were also made by Sensis to exclude firms with a turnover of under \$50,000 per annum 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	120	66	186
Victoria	103	66	169
Queensland	72	85	157
South Australia	86	45	131
Western Australia	86	45	131
Tasmania	36	42	78
Northern Territory	32	46	78
Australian Capital Territory	80	-	80
<b>Total</b>	<b>615</b>	<b>395</b>	<b>1,010</b>

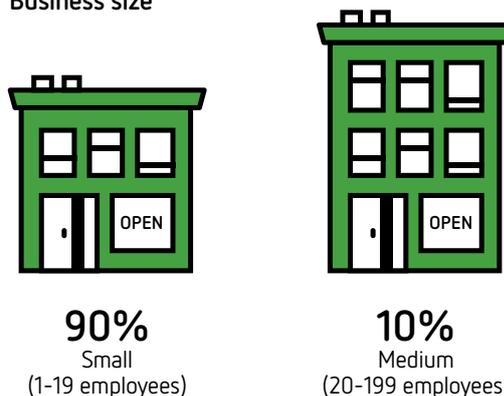
## Industry sector

Manufacturing	101
Building and Construction	156
Wholesale Trade	68
Retail Trade	131
Hospitality (Accommodation, Cafes and Restaurants)	59
Transport and Storage	58
Finance and Insurance	73
Communication, Property and Business Services	184
Health and Community Services	90
Cultural, Recreational and Personal Services	90
<b>Total Businesses</b>	<b>1,010</b>

### Business location



### Business size



# Foreword

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Confidence among the 1,010 small and medium businesses we spoke to fell slightly this quarter, but remains at the second highest level we've seen in seven years. The result was similar in terms of the short term economic outlook, with the score dropping one point after hitting the highest level in three years last quarter. Therefore, while business confidence and perceptions of the economy are slightly lower, the result is still one of the best we've seen.

When you look at the key indicators, only sales fell and it remains in positive territory, while employment and wages were the same, and prices and profitability improved. The good news is that the longer term economic outlook has improved and now sits at its highest level in two and a half years.

At the state and territory level the results were fairly flat, although there was a surge in confidence in the ACT. Canberra businesses are now the most confident nationally – driven by strong sales and profitability results – in the first full survey taken since the ACT election. The ACT Government also saw an improvement in its approval rating among SMBs, although not to the levels enjoyed before the election and its rating remains in negative territory.

The ACT and South Australian Governments were the exceptions this quarter, improving their approval ratings, while the other Governments went backwards. The Queensland Government is now the most unpopular nationally, with union influence an ongoing concern among SMBs, while the Victorian and Northern Territory Governments reversed the gains they made at the end of last year.

With the survey taken from 16 January to 14 February, Western Australia was getting ready to head to the polls and in a telling sign of what was to come the WA Government's approval rating fell further into negative territory. SMBs were concerned the Government was too focussed on the interests of big business, an important issue for the new Government to address.

The Tasmanian Government also saw its approval rating fall significantly, however, it remains Australia's most popular government at a state, territory or Federal level and the only government to hold a positive approval rating among business owners.

At the Federal level, the Government's approval rating has fallen into negative territory and now sits at its lowest level since Malcolm Turnbull took over as leader. Only 14 per cent of businesses now think that the Federal Government's policies are supportive, with excessive bureaucracy and red tape, as well as there being too much of a focus on big business, the key concerns.



Sector results were mixed this quarter, with big declines seen in the Manufacturing and Hospitality sectors, driven by poor sales results. Fortunately, both of these industries are expecting sales to turn around this quarter.

At a national level expectations are fairly flat, although businesses expect a solid increase in prices, so it will be interesting to see the impact this has on inflation in a time when interest rate decisions are being keenly watched.

Please join our conversation online using #SensisBiz and let us know your thoughts on the current business mood and your expectations for the year ahead.

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

# Executive summary

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## Historical trends and overall SMB highlights

*After a flat quarter, SMB confidence was marginally lower but still at one of the highest levels recorded in the last seven years. Key indicator expectations for this quarter remain positive.*

The key findings of the Sensis Business Index March 2017 are:

- SMB confidence eased two points to a net balance of +44. Except for last quarter, there has been no higher balance since March 2010 when it was +49.
- Confidence was significantly higher in the ACT (up 18 points to +64) and increased in Tasmania (up five points to +43), the NT (up two points to +18) and Queensland (up one point to +44). There was no change in WA (+21), with falls observed in SA (down two points to +30), NSW and Victoria (each down three points to +51 and +49 respectively).
- The overall assessment of the economy remains positive. More SMBs believe it is growing (19%) than slowing (17%). The net balance of +2 is one point lower than last survey. However, one year ago it was -22, and prior to last survey, negative balances had been seen since March 2011.
- SMBs continue to show growing confidence about the economy in 12 months' time, with the net balance increasing for the fourth survey in succession to reach +10, which is two points higher than in the December 2016 survey and 16 points higher than in March 2016.
- Last quarter, the only key performance indicators to improve were prices and profitability. The price indicator is the only one where higher expectations exist this quarter, although positive balances remain for all indicators.
- Lack of work or sales remains the main impediment to employment growth.
- Opinions of the Federal Government moved into negative territory for the first time since Malcolm Turnbull became Prime Minister, falling four points to a net balance of -2. Red tape was the main criticism, followed by there being too much of a focus on big business. Those businesses who remain positive feel the Government is supportive of small business and they appreciate tax-related initiatives.
- The only state or territory government rated positively by SMBs is Tasmania, however its support was considerably lower, falling 16 points to a net balance of +2. The NSW and NT Governments (both on -2) saw their ratings decrease by four points and nine points respectively. The governments in Queensland (down four points to -22), SA (up six points to -21) and Victoria (down 11 points to -20) are struggling to win over SMBs. The WA Government recorded a negative net balance of -11 (down nine points) as it headed into the election loss, while the ACT Government's score improved by five points to -6, in the first full survey taken since the ACT election.

# Executive summary

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## Metropolitan versus regional

*Metropolitan and regional SMBs remain fairly confident, although metropolitan businesses are more positive about the economy now, as well as the prospects for the economy in 12 months time. The latest sales and profitability results have been modest for both but positive expectations are indicated for this quarter.*

Key findings relating to metropolitan and regional businesses:

- In metropolitan locations, confidence fell two points to +47 and one point for regional SMBs to +40.
- Metropolitan SMBs (+7) believe the current state of the economy is healthier than regional SMBs (-5). They also have a more optimistic outlook about the prospects for the economy in one year's time (+15 versus +1).
- Last quarter, metropolitan and regional SMBs did not vary significantly in terms of sales (+3 versus +7 respectively), employment (+1 versus +2) and profitability (-4 versus -3). For wages the net balances were +5 versus +15, and for prices +23 versus +10.
- For the current quarter, expectations were also similar between metropolitan and regional SMBs for sales (+20 versus +19), profitability (+14 versus +16) and employment (+7 versus +10). The respective balances for prices were +25 versus +19 and for wages they were +11 versus +16.
- Metropolitan SMBs have a more positive opinion of the Federal Government than those in regional areas, with net balances of +2 versus -7.

# Executive summary

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## Industry sector trends

*Over the last two quarters swinging confidence has been observed across the industries. However, six in ten sectors currently have high levels of confidence. The Health and Community Services sector is the most optimistic. SMBs in Manufacturing; Retail Trade; Hospitality; and Transport and Storage have found conditions difficult.*

- There was considerable variation in confidence by sector, with the lowest level +6 in Manufacturing, which was down 22 points, and the highest recorded in Finance and Insurance on +62 (down nine points). High confidence was seen in Health and Community Services (up 12 points to +61); Communication, Property and Business Services (down two points to +60); and Cultural, Recreational and Personal Services (down 10 points to +58). Building and Construction was also above average (up eight points to +47), while Hospitality was just below (down 12 points to +42).
- Relatively low scores were recorded in Wholesale Trade (down seven points to +31); Transport and Storage (down 11 points to +24); and Retail Trade (up nine points to +23).
- Last quarter we also saw marked differences in sales and profitability performances across the industries.
- The leading sales result was in Wholesale Trade (+23), followed by Health and Community Services (+14). SMBs in Transport and Storage (-9) found sales conditions toughest, followed by those in Hospitality (-7).
- Profitability results were positive last quarter in Wholesale Trade (+15); Health and Community Services (+10); Finance and Insurance (+4); and Communication, Property and Business Services (+2). Transport and Storage (-23) struggled the most, followed by Hospitality (-13), with negative balances also seen in Manufacturing (-10); Retail Trade; Cultural, Recreational and Personal Services; and Building and Construction (-6 in each).
- For the current quarter, expectations for each of the five key performance indicators are generally positive although they vary significantly.
- Sales expectations range from +1 in Hospitality to +36 in Health and Community Services.
- For profitability, expectations are negative in Transport and Storage (-12), but positive in other sectors, ranging from +7 in Retail Trade to +28 in Health and Community Services.
- Price increases should be common, with expectations for this indicator ranging from +11 in Finance and Insurance to +31 in Health and Community Services.
- Wage pressure will be strongest in Building and Construction; and Health and Community Services (both at +23). The lowest balance for wage expectations is +4 in the Hospitality; and Wholesale Trade sectors.
- No employment growth is expected in Hospitality and low to modest growth is expected in the other industries, with the exception of Health and Community Services (+18); Building and Construction (+15); and Communication, Property and Business Services (+10).

# SMB business cycle analysis

*SMBs remain mostly optimistic about business conditions and their own performance.*

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

SMBs have faith in the economy and continue to ride a wave of confidence which has been the case for well over a year. Even with the more recent modest results the immediate outlook for the key indicators remains positive.

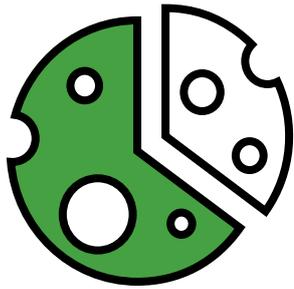
	Results for this quarter	Expectations for next quarter	Expectations for next 12 months
<b>Business confidence</b>	NA	NA	Marginally lower but still high optimism
<b>Economy</b>	Marginally lower, still positive	NA	Increased optimism
<b>Sales</b>	Marginally lower, still positive	Marginally less optimistic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

# SBI Snapshot

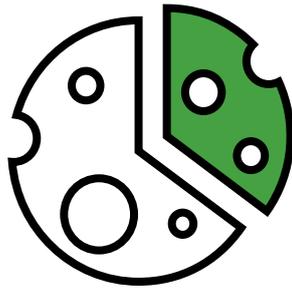
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

## Who did we survey?

Business location



61%  
Metro

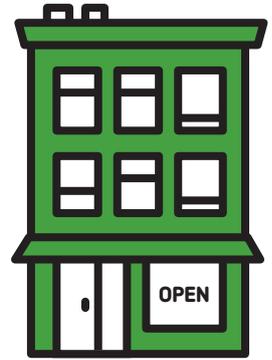


39%  
Regional

Business size



90%  
Small



10%  
Medium

## What did they tell us?

SMBs are feeling confident



60% feel confident

Because of:

- Being an established, solid business
- Specific business strengths



16% feel worried

Because of:

- Decreasing sales
- Unfavourable business, economic or industrial environment

=



+44 net balance

Decreased 2 points from last quarter

## SMB confidence by state



Australian Capital Territory +64 (↑18)

New South Wales +51 (↓3)

Victoria +49 (↓3)

National average +44 (↓2)

Queensland +44 (↑1)

Tasmania +43 (↑5)

South Australia +30 (↓2)

Western Australia +21 (0)

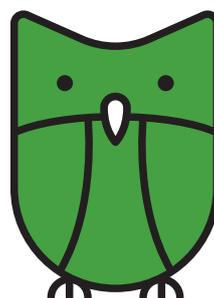
Northern Territory +18 (↑2)



Net confidence decreased to

**+44 points**

Down 2 points from last quarter



# SBI Snapshot

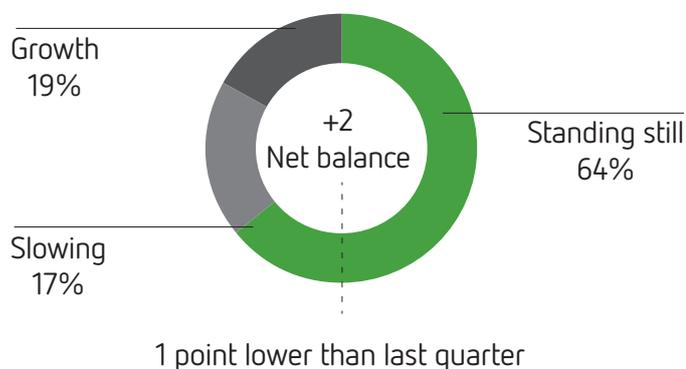
## SMB confidence by sector



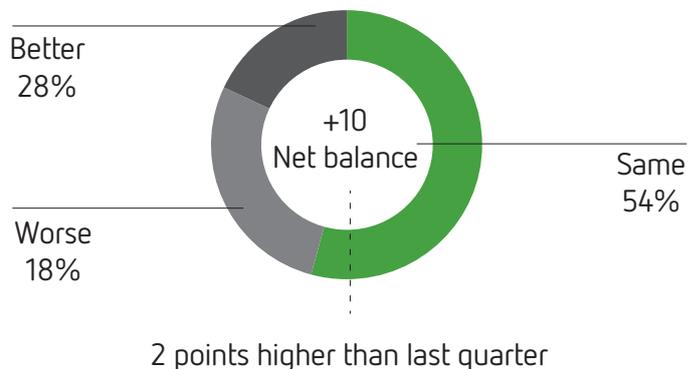
Finance and Insurance (+62 ↓9)
Health and Community Services (+61 ↑12)
Communications, Property and Business Services (+60 ↓2)
Cultural, Recreational and Personal Services (+58 ↓10)
Building and Construction (+47 ↑8)
National average (+44 ↓2)
Hospitality (+42 ↓12)
Wholesale Trade (+31 ↓7)
Transport and Storage (+24 ↓11)
Retail Trade (+23 ↑9)
Manufacturing (+6 ↓22)



### 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	+4	+20	↓ 2
Employment	+1	+8	↓ 2
Wages	+9	+13	↓ 3
Prices	+18	+22	↑ 10
Profitability	-3	+15	0

• 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.

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# Small and Medium Business Outlook – National Summary

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

*Net confidence is marginally lower but remains high.*

## Key findings

The net confidence level of Australian SMBs continues to be strong. For the third time in the last four quarters the net confidence level has exceeded +40.

## Last quarter

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.

Sixty percent of SMBs reported feeling confident about their prospects for the year ahead, while 16% felt worried. Although the net balance of +44 is two points lower than last survey, that was the only better result since March 2010, when the score was +49. A net balance of +44 was also observed in March 2011 and June 2016.

Over the last six quarters net confidence has ranged from +35 to +46. Compared to one year ago, net confidence is nine points higher.

Once again, the main factors driving confidence are SMBs feeling positive because they are an established or solid business and they have faith in their specific business strengths.

A lack of work or sales continues to be cited as the issue which most concerns SMBs.

In the December 2016 quarter, SMB views on the current state of the Australian economy moved into positive territory for the first time since December 2013. They remain positive in the latest survey and SMB expectations for future economic growth have continued to improve after shifting from a negative assessment two surveys earlier.

## Overall confidence – Mar 2017

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

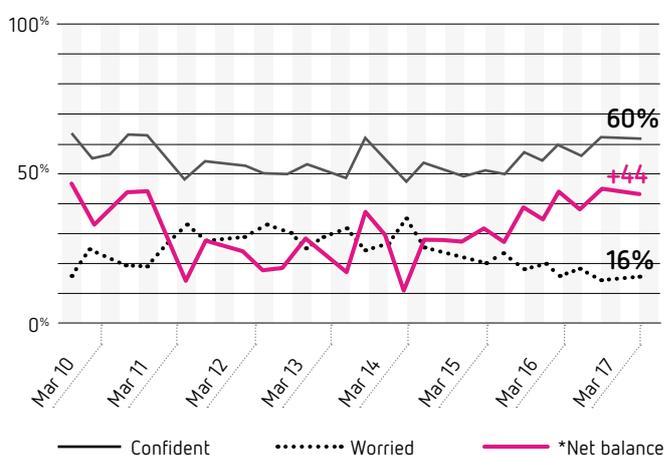
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	19%	13%	18%
Fairly confident	41%	56%	42%
Neutral	24%	21%	24%
Fairly worried	12%	9%	12%
Extremely worried	4%	1%	4%
<b>Total confident</b>	<b>60%</b>	<b>69%</b>	<b>60%</b>
<b>Total worried</b>	<b>16%</b>	<b>10%</b>	<b>16%</b>
<b>*Net Balance</b>	<b>+44</b>	<b>+59</b>	<b>+44</b>

Note: rounding occurs.

## Confidence trends – past five quarters

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Confident	55%	60%	57%	61%	60%
Worried	20%	16%	19%	15%	16%
<b>*Net Balance</b>	<b>+35</b>	<b>+44</b>	<b>+38</b>	<b>+46</b>	<b>+44</b>

## Long term trends in confidence



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

# Confidence by state and territory, sector and size

*The national confidence result masks some marked fluctuations in segment scores.*

## Key findings

Net confidence remained positive in all locations. The highest level was +64 in the ACT, with the lowest +18 in the NT. Confidence was slightly down in NSW, Victoria and SA but higher or steady elsewhere.

Regional SMBs (down one point to +40) trail their metropolitan counterparts by seven points (down two points to +47). However, only in NSW and WA is confidence higher in metropolitan areas than regional areas. By industry, net confidence varies fairly widely ranging from +6 in Manufacturing to +62 in Finance and Insurance. Small firms are equal with the national average but still well behind medium size firms.

## Last quarter

The largest increase in net confidence was in the ACT (up 18 points to +64), which takes it to top position. There were also rises in Queensland (from +43 to +44), Tasmania (from +38 to +43) and the NT (from +16 to +18). The two biggest states – NSW (+51) and Victoria (+49) – each recorded falls of three points, while SA was down two points to +30 and WA was steady on +21.

Capital city confidence is highest in Canberra (up 18 points to +64), followed by Sydney (up 4 points to +61). Melbourne (down five points to +48) is the only other city to exceed the metropolitan average. Brisbane (down 11 points to +43) has a 12 point advantage over Hobart (down 35 points to +31) and is also ahead of Adelaide (down six points to +27), Perth (one point higher at +25) and Darwin (up four points to +2).

Regional confidence is above average in Victoria (+51, no change), Tasmania (up 23 points to +48) and Queensland (up eight points to +44). Confidence was also higher in SA (up 12 points to +39) but did not change in the NT (+29). Falls were observed in NSW (down 12 points to +37) and WA (down four points to +7).

Medium-sized businesses remain more confident (down one point to +59) than small firms (also down one point to +44).

By industry, confidence is highest in Finance and Insurance (nine points lower to +62), followed closely by Health and Community Services (up 12 points to +61); Communication Property & Business Services (two points lower to +60); and Cultural, Recreational and Personal Services (down 10 points to +58). Building and Construction is also above the national average (up eight points to +47) but the other sectors are below, with net confidence ranging from +42 in Hospitality (down 12 points) to +6 in Manufacturing (down 22 points).

# Confidence by state and territory, sector and size

## Trends by state – \*net balance

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
<b>National</b>	<b>+35</b>	<b>+44</b>	<b>+38</b>	<b>+46</b>	<b>+44</b>
New South Wales	+48	+58	+53	+54	<b>+51</b>
Victoria	+39	+46	+31	+52	<b>+49</b>
Queensland	+30	+36	+39	+43	<b>+44</b>
South Australia	+5	+29	+31	+32	<b>+30</b>
Western Australia	+11	+20	+10	+21	<b>+21</b>
Tasmania	+47	+30	+52	+38	<b>+43</b>
Northern Territory	+27	+23	+9	+16	<b>+18</b>
Australian Capital Territory	+40	+49	+35	+46	<b>+64</b>

## Metro and regional confidence – \*net balance

	Metro	Regional	Total
<b>National</b>	<b>+47</b>	<b>+40</b>	<b>+44</b>
New South Wales	+61	+37	<b>+51</b>
Victoria	+48	+51	<b>+49</b>
Queensland	+43	+44	<b>+44</b>
South Australia	+27	+39	<b>+30</b>
Western Australia	+25	+7	<b>+21</b>
Tasmania	+31	+48	<b>+43</b>
Northern Territory	+2	+29	<b>+18</b>
Australian Capital Territory	+64	NA	<b>+64</b>

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

## Confidence by business size

	Confident	Worried	*Net Balance
<b>Total</b>	<b>60%</b>	<b>16%</b>	<b>+44</b>
1-2 Employees	52%	23%	+29
3-4 Employees	59%	20%	+39
5-9 Employees	62%	9%	+53
10-19 Employees	71%	11%	+60
<b>Total Small Business</b>	<b>60%</b>	<b>16%</b>	<b>+44</b>
20-99 Employees	68%	11%	+57
100-199 Employees	75%	0%	+75
<b>Total Medium Business</b>	<b>69%</b>	<b>10%</b>	<b>+59</b>

Note: rounding occurs.

## Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	38%	32%	<b>+6</b>
Building and Construction	60%	13%	<b>+47</b>
Wholesale Trade	54%	23%	<b>+31</b>
Retail Trade	49%	26%	<b>+23</b>
Transport and Storage	55%	31%	<b>+24</b>
Communication, Property and Business Services	67%	7%	<b>+60</b>
Finance and Insurance	68%	6%	<b>+62</b>
Health and Community Services	67%	6%	<b>+61</b>
Cultural, Recreational and Personal Services	69%	11%	<b>+58</b>
Hospitality (Accommodation, Cafes and Restaurants)	61%	19%	<b>+42</b>

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

# Perceptions of the economy

SMBs still view the economy positively and optimism about the prospects for the economy in one year's time continues to increase.

## Key findings

Last survey, SMB assessments of the current state of the economy became positive for the first time since December 2013. This remains the case and the year ahead expectations have now increased each quarter since March 2016.

## Last quarter

SMBs assessment of whether the economy is growing or slowing eased one point to a net balance of +2. The last time consecutive positive net balances were observed for this measure was in December 2010 (+23) and March 2011 (+8).

Current perceptions of the Australian economy are positive in the ACT (+18), NSW (+12) and Queensland (+2), with Victoria neutral. In Tasmania (-1), pessimism is not as prominent as in WA (-14,) SA (-18) and the NT (-20).

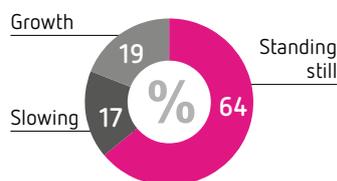
Metropolitan SMBs (+7) are positive about the Australian economy, unlike those in regional areas (-5).

Views about the economy in one year's time improved by two points to +10, consolidating the move into positive territory witnessed two surveys ago. The proportion expecting the economy to improve was unchanged but there was a two point drop in the proportion predicting the economy to be worse in one year's time. The score is the most positive reading since September 2014, when it was +12.

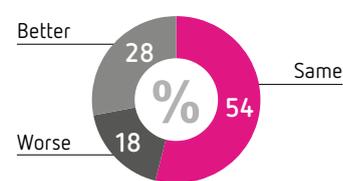
The most optimistic states are Queensland (+17), WA (+15) and the ACT (+14), with NSW at the national average (+10). The only negative balances were in Tasmania and the NT (both at -4).

There is a 14-point gap between metropolitan (+15) and regional (+1) SMBs on this measure. Previously this gap was 28 points in favour of metropolitan SMBs.

### The economy now



### The economy a year from now

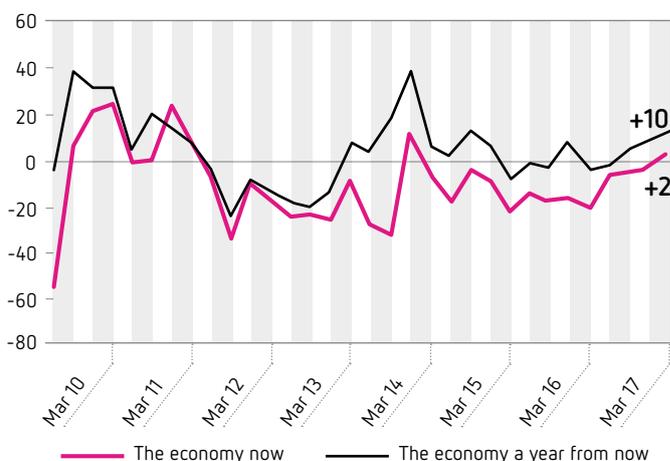


## Perceptions of the economy – trends

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
<b>The economy now</b>					
Growth	13%	16%	15%	24%	19%
Slowing	35%	24%	23%	21%	17%
<b>*Net Balance</b>	<b>-22</b>	<b>-8</b>	<b>-8</b>	<b>+3</b>	<b>+2</b>
<b>The economy a year from now</b>					
Better	20%	19%	24%	28%	28%
Worse	26%	22%	19%	20%	18%
<b>*Net Balance</b>	<b>-6</b>	<b>-3</b>	<b>+5</b>	<b>+8</b>	<b>+10</b>

## Perceptions of the economy

### Long term trends – \*net balance



## Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>The economy now</b>								
Growth	26%	17%	16%	11%	15%	11%	16%	31%
Slowing	14%	17%	14%	29%	29%	12%	36%	13%
<b>*Net Balance</b>	<b>+12</b>	<b>0</b>	<b>+2</b>	<b>-18</b>	<b>-14</b>	<b>-1</b>	<b>-20</b>	<b>+18</b>
<b>The economy a year from now</b>								
Better	28%	25%	30%	26%	33%	16%	23%	32%
Worse	18%	19%	13%	25%	18%	20%	27%	18%
<b>*Net Balance</b>	<b>+10</b>	<b>+6</b>	<b>+17</b>	<b>+1</b>	<b>+15</b>	<b>-4</b>	<b>-4</b>	<b>+14</b>

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

# Concerns

Lack of work and sales again top the concerns mentioned by SMBs.

## Key findings

Almost one in two SMBs (49%) indicated that their business faces no major problems, which is consistent with past observations. Once again, lack of work or sales emerged as the number one concern.

## Last quarter

A lack of work or sales was mentioned by 12% as a current problem. This was 13% last quarter and 15% previously. The scores were above average in SA (17%), Queensland (18%), WA (19%) and the NT (25%), while the lowest score was recorded in the ACT (5%). The issue was less prevalent in metropolitan areas (11%) than regional areas (15%). By sector, it stood out in Manufacturing (25%), followed by Building and Construction (18%).

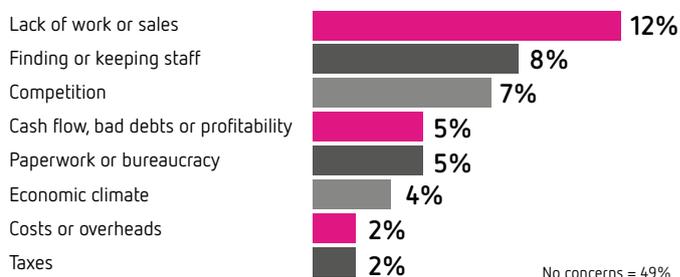
Eight per cent of SMBs highlighted difficulties in finding quality staff, which compares with 5%, 6% and 8% in the last three surveys. The main difficulties experienced in finding staff were a lack of qualifications (23%), finding people who want to work (15%) and finding staff with the right attitude (12%).

Next on the list of concerns mentioned spontaneously was competition at 7% (unchanged from last survey).

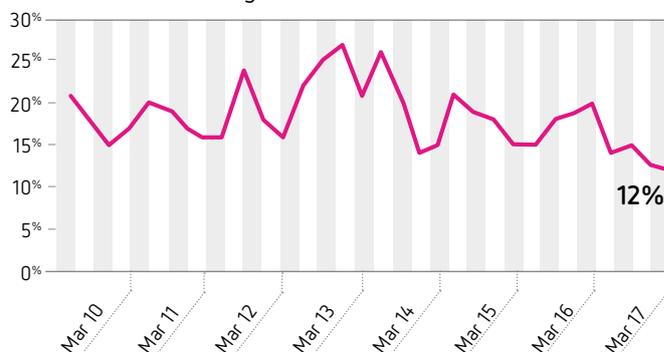
Concerns around cash flow (5%) and the economic climate (4%) have reached historically low levels.

## Prime concerns

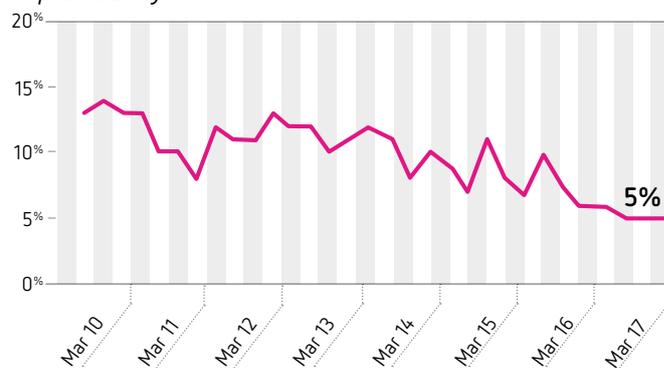
As far as your business is concerned, what problems, if any, are you facing at the moment?



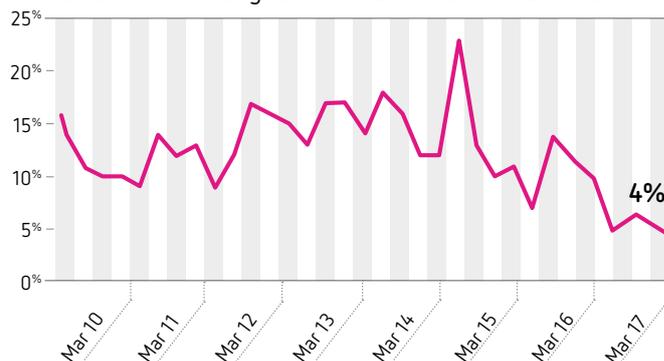
### Prime concerns – long term trends – lack of work or sales



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



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



# Sales

The sales net balance remains positive.

## Key findings

Net balances for sales had been negative from June 2008 to March 2016, but since then positive balances have been observed. Expectations for the quarter ahead were marginally lower but remain positive.

## Last quarter

The net balance decreased one point to +4. It has been around this level for four quarters.

Sales activity was most buoyant in the ACT (+20), followed by Victoria (+10), with above average balances also seen in Tasmania (+8), SA (+8) and Queensland (+5). SMBs in the NT (-29) struggled most to generate sales, followed by those in WA (-9). The sales net balance in NSW was +3.

By sector, Wholesale Trade performed best (+23), ahead of Health and Community Services (+14). Negative net balances were seen in Transport and Storage (-9); Hospitality (-7); Manufacturing (-3); Retail Trade (-2); and Cultural, Recreational and Personal Services (-1).

## Current quarter

SMBs foresee positive sales in the current quarter. Thirty-one per cent expect an increase against 11% who anticipate a fall, generating a net balance of +20. This is two points lower than last survey.

The balances for sales expectations ranged from +8 in SA to +30 in Victoria. Net balances above +20 were also observed for NSW (+22) and Tasmania (+23), with the ACT close behind (+19).

WA (+10), Queensland (+12) and the NT (+15) joined SA (+8) below the national average.

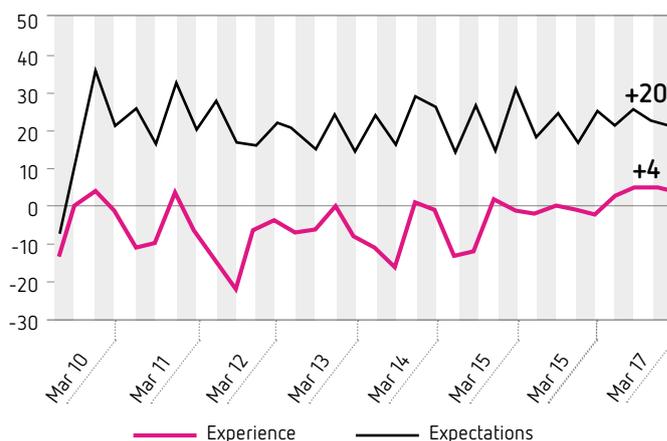
By sector, expectations range from +1 in Hospitality to +36 in Health and Community Services.

Building and Construction (+30); Manufacturing (+26); and Communication, Property and Business Services (+22) display above average balances. Transport and Storage (+4); and Retail Trade (+8) join Hospitality (+1) with single figure balances.

## Value of sales

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
<b>Last Quarter</b>					
Experienced increase	27%	27%	30%	27%	25%
No change	42%	47%	44%	51%	53%
Experienced decrease	29%	24%	25%	22%	21%
<b>*Net Balance</b>	<b>-2</b>	<b>+3</b>	<b>+5</b>	<b>+5</b>	<b>+4</b>
<b>Current Quarter</b>					
Expect increase	38%	34%	35%	33%	31%
No change	47%	52%	54%	55%	57%
Expect decrease	13%	13%	9%	11%	11%
<b>*Net Balance</b>	<b>+25</b>	<b>+21</b>	<b>+26</b>	<b>+22</b>	<b>+20</b>

## Value of sales – trends in \*net balance



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

# Employment

Employment has remained flat among SMBs.

## Key findings

Although employment recorded a positive balance for the second quarter in succession, the net balance has not exceeded +1 since June 2012 when it was +4. SMBs still expect employment conditions to improve, although to a lesser extent than last survey.

## Last quarter

As was the case last quarter, 9% of SMBs increased staff numbers and 8% reduced employees generating a net balance of +1.

By location, positive net balances were recorded in the ACT (+9), Victoria and SA (both +4), NSW (+3) and Tasmania (+2). The NT stood out with a negative balance of -14, while -3 was recorded in both WA and Queensland.

By sector, positive results were seen in Hospitality (+4); Building and Construction (+4); Retail Trade (+2); Cultural, Recreational and Personal Services (+2); Transport and Storage (+1); and Communication, Property and Business Services (+1). Wholesale Trade recorded a neutral net balance, while Manufacturing (-1); Finance and Insurance (-3); and Health and Community Services (-3) recorded negative balances.

Almost half (46%) reported barriers to taking on new staff. This was 40% last time. Lack of work or sales again stood out among the barriers mentioned, mentioned by 36%, which compares with 39% last survey. Business growth remains the biggest driver of increased employment.

## Current quarter

Eleven percent expect to increase staff and 3% foresee a fall, resulting in a net balance of +8, two points lower than in the December quarter.

The ACT (+14), NSW (+11), Victoria (+8), Queensland (+8) and the NT (+8) are at or above the national average on this indicator. The lowest balance was in WA (+2).

By industry, expectations range from zero in Hospitality to +18 in Health and Community Services.

## Size of workforce

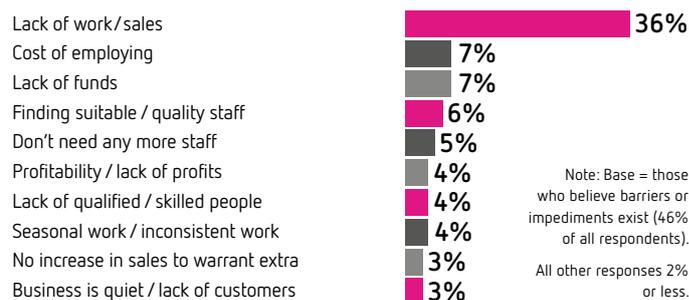
	Mar 15	Jun 16	Sep 16	Dec 16	Mar 17
<b>Last Quarter</b>					
Experienced increase	8%	9%	11%	9%	9%
No change	82%	81%	78%	83%	84%
Experienced decrease	11%	11%	12%	8%	8%
<b>*Net Balance</b>	<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>+1</b>	<b>+1</b>
<b>Current Quarter</b>					
Expect increase	14%	10%	14%	13%	11%
No change	81%	84%	80%	83%	85%
Expect decrease	3%	5%	5%	3%	3%
<b>*Net Balance</b>	<b>+11</b>	<b>+5</b>	<b>+9</b>	<b>+10</b>	<b>+8</b>

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

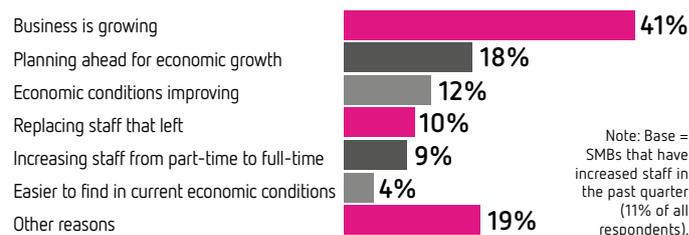


\* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

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



## Why SMBs have increased employment – Mar 2017



# Wages

Wage results and expectations have hardly changed over the last 12 months.

## Key findings

Wage results and expectations remain positive and at consistent levels to those seen for the past year.

## Last quarter

Higher wages were observed by 17% of SMBs, with a fall recorded by 8%. The net balance of +9 is the same as last quarter and one year earlier.

Wages growth was highest in the ACT (+21), followed by Victoria (+16) and Tasmania (+12), with Queensland marginally above the national average (+10). A negative result was recorded in the NT (-32). Other balances were +9 for SA, +7 for NSW and +1 for WA.

Sector-wise, the balances ranged from +3 in both Manufacturing; and Transport and Storage, to +15 in Cultural, Recreational and Personal Services. Double figure growth also occurred in Wholesale Trade (+14); Building and Construction (+13); and Health and Community Services (+13).

## Current quarter

This quarter, 19% expect wages to increase against 6% anticipating a fall, producing a net balance of +13. This compares with +16 last survey and +13 last March.

Net balances are positive in all locations. The lowest balances recorded were +3 in SA and the NT, while the highest was in Victoria at +17. In NSW (+14), Queensland (+14) and Tasmania (+13) balances were close to the average.

By sector, wages growth is most likely in Building and Construction (+23); and Health and Community Services (+23). The likelihood of lifting wages is lowest in Wholesale Trade (+4); and Hospitality (+4), followed by Manufacturing (+5); and Transport and Storage (+5).

## Wages

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
<b>Last Quarter</b>					
Experienced increase	22%	19%	22%	19%	17%
No change	62%	66%	63%	70%	72%
Experienced decrease	13%	12%	13%	10%	8%
<b>*Net Balance</b>	<b>+9</b>	<b>+7</b>	<b>+9</b>	<b>+9</b>	<b>+9</b>
<b>Current Quarter</b>					
Expect increase	21%	19%	22%	22%	19%
No change	69%	72%	68%	70%	73%
Expect decrease	8%	7%	7%	6%	6%
<b>*Net Balance</b>	<b>+13</b>	<b>+12</b>	<b>+15</b>	<b>+16</b>	<b>+13</b>

## Wages – trends in \*net balance



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

# Prices

Price increases became more widespread and further growth is expected.

## Key findings

Increased prices became more common than at any time in the past year and price expectations are also higher than observed over that period.

## Last quarter

A six point lift in the net balance to +18 makes this the highest score since December 2008 when it was +22. Price increases were indicated by 22%, with 4% reporting falls.

Net balances ranged from +1 in the NT to +25 in Victoria. The ACT (+24) and NSW (+21) were also above average.

Across industries, Health and Community Services (+28); Cultural, Recreational and Personal Services (+27); Communication, Property and Business Services (+24); and Hospitality (+21) displayed above average price growth. The lowest balances were in Finance and Insurance (+5); Manufacturing (+9); and Transport and Storage (+10).

## Current quarter

The net balance for prices this quarter increased 10 points to +22. Last March this indicator was at +19. The last time expectations recorded a net balance of +22 was in December 2012.

Expectations ranged from +15 in the NT to +27 in Victoria and the ACT.

By sector, price rises are most likely in Health and Community Services (+31) and least likely in Finance and Insurance (+11).

## Prices charged

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
<b>Last Quarter</b>					
Experienced increase	18%	15%	16%	17%	22%
No change	71%	77%	75%	76%	72%
Experienced decrease	9%	6%	6%	5%	4%
<b>*Net Balance</b>	<b>+9</b>	<b>+9</b>	<b>+10</b>	<b>+12</b>	<b>+18</b>
<b>Current Quarter</b>					
Expect increase	24%	22%	20%	15%	25%
No change	69%	72%	75%	80%	70%
Expect decrease	5%	4%	3%	3%	3%
<b>*Net Balance</b>	<b>+19</b>	<b>+18</b>	<b>+17</b>	<b>+12</b>	<b>+22</b>

## Prices charged – trends in \*net balance



# Profitability

Although profitability has been negative on balance since June 2015, expectations have been positive throughout.

## Key findings

Profitability performance became slightly less negative while expectations remained positive.

## Last quarter

Since March 2008 the only positive net balance recorded for profitability was in March 2015 at +6. This survey the score was negative again (-3), resulting from profit rises among 19% of SMBs, against 22% who recorded a fall. The previous net balance was -5, while one year ago it was -11.

Profitability was only positive in the ACT (+11), with zero balances observed in NSW and Victoria. The lowest score was in the NT (-23) with WA (-17) next in line.

Sector variations were pronounced. Wholesale Trade (+15) performed best, followed by Health and Community Services (+10). Transport and Storage (-23) struggled most on profitability, with Hospitality (-13); and Manufacturing (-10) also presenting double figure negative balances.

## Current quarter

Profitability expectations for the current quarter remain the same as last quarter on +15.

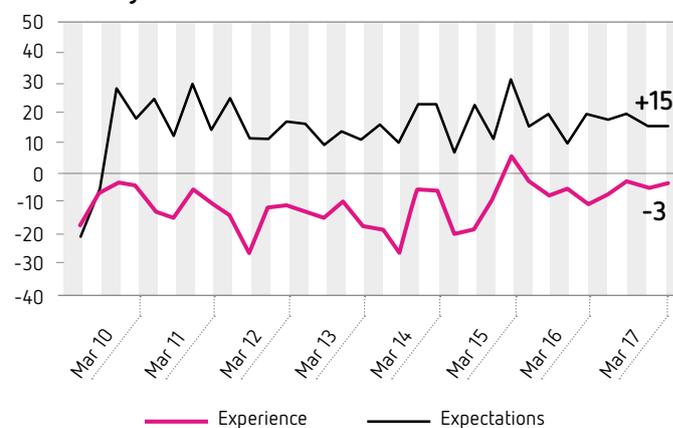
Profitability expectations are strongest in Victoria (+23), with the ACT (+20) recording the only other above average result. The lowest balance was in WA (+1) and the second lowest was in SA (+6).

Across the sectors, expectations are strongest in Health and Community Services (+28), followed by Building and Construction (+23). The weakest sector on this indicator is Transport and Storage (-12). No other sector recorded a negative balance.

## Profitability

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
<b>Last Quarter</b>					
Experienced increase	21%	20%	23%	18%	19%
No change	45%	50%	49%	58%	57%
Experienced decrease	32%	27%	26%	23%	22%
<b>*Net Balance</b>	<b>-11</b>	<b>-7</b>	<b>-3</b>	<b>-5</b>	<b>-3</b>
<b>Current Quarter</b>					
Expect increase	34%	30%	30%	27%	28%
No change	50%	54%	56%	60%	58%
Expect decrease	16%	14%	11%	12%	13%
<b>*Net Balance</b>	<b>+18</b>	<b>+16</b>	<b>+19</b>	<b>+15</b>	<b>+15</b>

## Profitability – trends in \*net balance



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

# Access to finance

Despite a drop, SMBs are still finding it relatively easy to access finance.

## Key findings

SMBs' ability to access finance is critical for capital expenditure and growth. This has been improving since September 2015 and last quarter SMBs found access to finance easier than any time previously recorded in the SBI. The latest result is the second highest recorded.

## Last quarter

The net balance for obtaining finance decreased seven points to +9, which compares with +4 a year earlier.

SMBs in the NT (-1) found it hardest to access finance. That was the only negative balance recorded. The highest balance was observed in the ACT (+30), with Tasmania (+17) next in line.

Metropolitan SMBs (+14) found finance easier to access than those in regional areas (+2).

By sector, SMBs in Health and Community Services (+31) found it easiest, with Transport and Storage (+21); and Cultural, Recreational and Personal Services (+21) also clearly above average. The Hospitality sector experienced the most difficulty (-7).

Medium size firms (+16) found it easier than small firms (+9) to access finance in the last quarter. Last survey their net balances were only one point apart in favour of small firms.

Ten per cent of SMBs sought finance, which is two points lower than last quarter. Of those, 68% were successful, compared to 74% last survey and 70% previously.

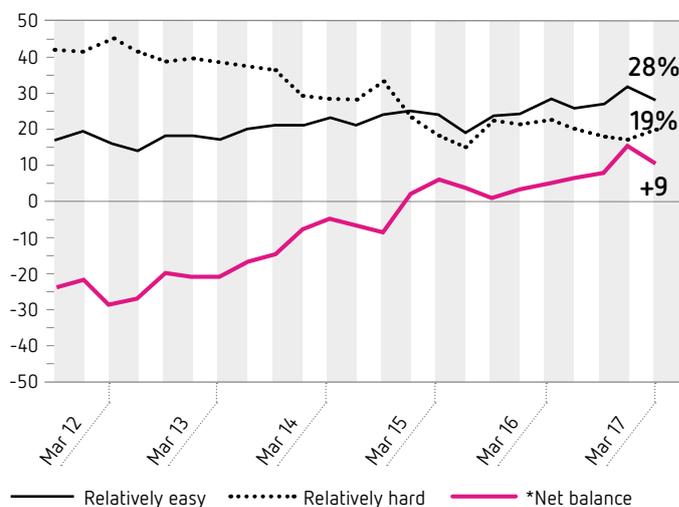
The incidence of seeking finance ranged from 5% in SA to 21% in Tasmania. There was no difference between metropolitan and regional SMBs (10% for each).

SMBs in the Wholesale Trade sector (17%) were the most likely to have sought finance.

## Access to finance

	Mar 15	Jun 16	Sep 16	Dec 16	Mar 17
<b>Last Quarter</b>					
Relatively easy	27%	25%	26%	33%	<b>28%</b>
Average	50%	55%	56%	50%	<b>53%</b>
Relatively hard	23%	20%	18%	17%	<b>19%</b>
<b>*Net Balance</b>	<b>+4</b>	<b>+5</b>	<b>+8</b>	<b>+16</b>	<b>+9</b>

## Access to finance – trends in \*net balance



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

## Ease of accessing finance – by business size (Mar 2017)

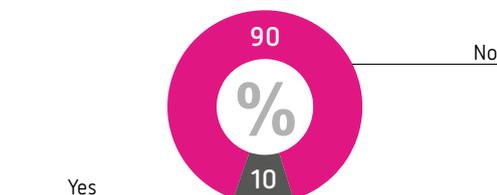
	Easy	Difficult	*Net Balance
<b>Total</b>	<b>28%</b>	<b>19%</b>	<b>+9</b>
1-2 Employees	21%	24%	-3
3-4 Employees	29%	19%	+10
5-9 Employees	36%	10%	+26
10-19 Employees	27%	22%	+5
<b>Total Small Business</b>	<b>28%</b>	<b>19%</b>	<b>+9</b>
20-99 Employees	28%	17%	+11
100-199 Employees*	72%	0%	+72
<b>Total Medium Business</b>	<b>32%</b>	<b>16%</b>	<b>+16</b>

Base: Those who had tried to access finance.

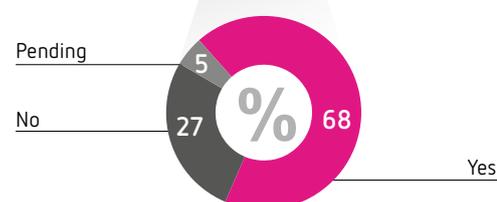
Note: \*Small base of six.

## Success in accessing finance

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



Were you successful?



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# Government Policies

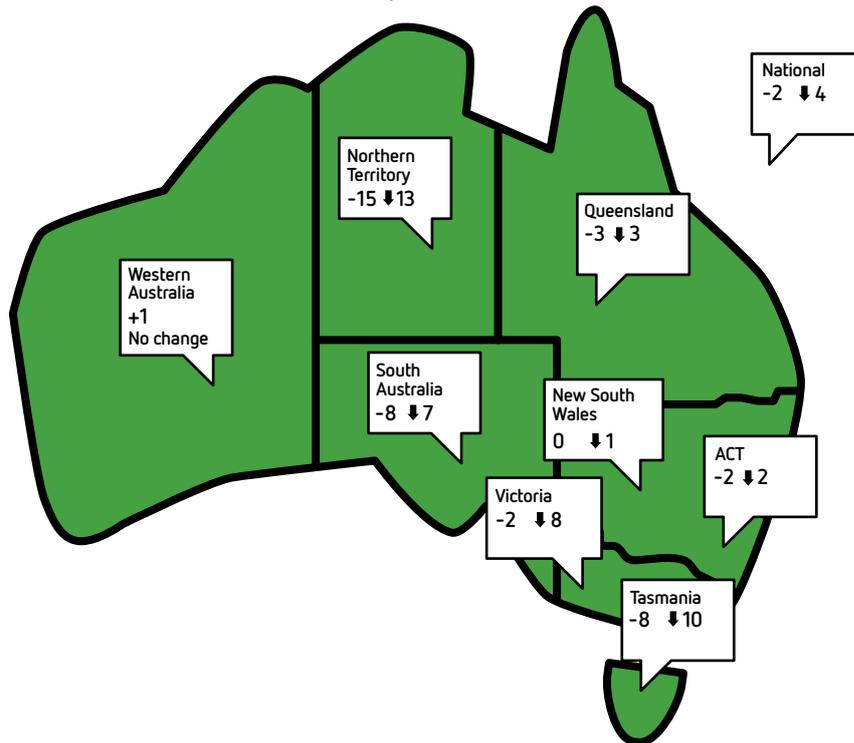
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Assessment of state and territory government policies .....	26

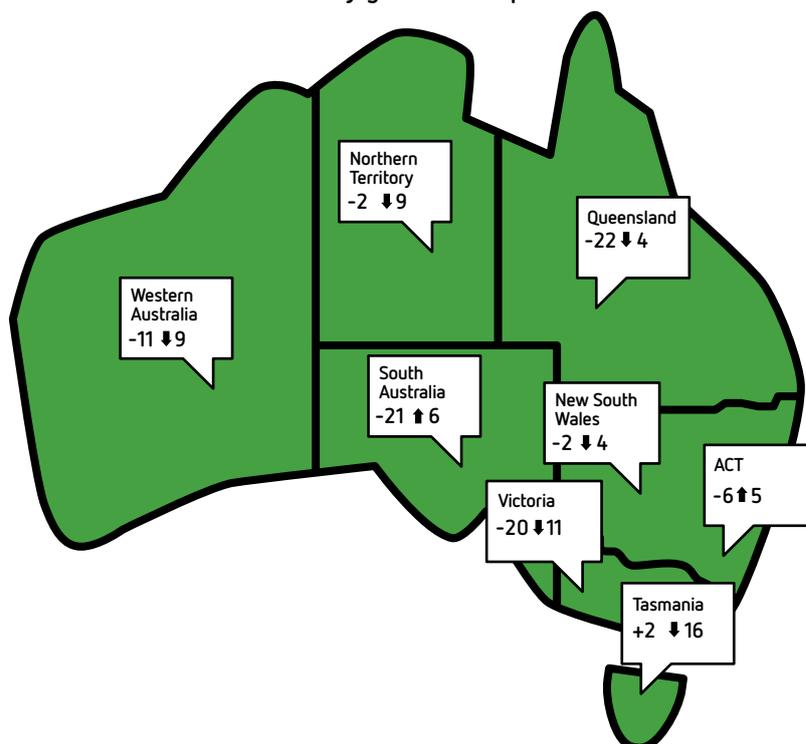
# Government policies

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

SMB views of the Federal Government have become negative on balance.

## Key findings

SMBs' ratings of the Federal Government have shifted from a slightly positive to a slightly negative position.

## Last quarter

Fourteen per cent consider Federal Government policies to be supportive of SMBs, with 16% disagreeing. The net balance of -2 is four points lower than last quarter and compares with +6 in March 2016. The last time a negative balance was recorded was in March 2015 at -8.

The score is the lowest since Malcolm Turnbull took over as Prime Minister, when the score jumped to +7.

SMBs with an unfavourable opinion of the Federal Government's policies cited excessive bureaucracy and red tape (21%), ahead of there being too much focus on big business (13%).

The top three reasons among those with a positive response were a perception the Government is being supportive and interested in small business (14%), tax incentives (10%) and efforts to reduce tax (8%).

SMBs in WA (+1) rated the Federal Government most favourably for their support of small business, while those in NSW had a neutral assessment. All other states or territories displayed a negative net balance on this measure, with the least favourable views noted in the NT (-15). Opinions are also less favourable among regional (-7) than metropolitan SMBs (+2).

The most positive sector was Finance and Insurance (+13), followed by Communication, Property and Business Services (+8). The most negative sector was Manufacturing (-16), followed by Transport and Storage (-13); and Wholesale Trade (-13).

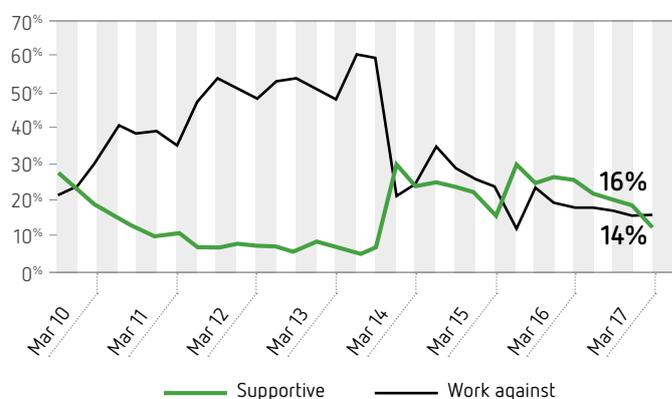
## Attitudes to Federal Government policies – trends

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?

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Supportive	25%	21%	20%	19%	14%
Work against	19%	19%	18%	17%	16%
No impact	56%	59%	61%	63%	70%
<b>*Net Balance</b>	<b>+6</b>	<b>+2</b>	<b>+2</b>	<b>+2</b>	<b>-2</b>

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

## Attitudes to Federal Government policies – long term trends



# Assessment of state and territory government policies

Only the Tasmanian Government recorded a favourable rating, although it was significantly lower.

## Key findings

In this survey an average of 10% of SMBs regard their state or territory government to be supportive and 23% believe it is working against small business interests, generating a net balance of -13. This is six points lower than last survey.

The Tasmanian Government was the only government with a positive net balance. The Queensland, SA and Victorian Governments recorded particularly low scores.

## Last quarter

The highest net balance was observed in Tasmania (+2), with NSW (-2) and the NT (-2) next best. Negative views were most prominent in Queensland (-22), SA (-21) and Victoria (-20).

Even though Tasmania displayed the only positive result, the rating there decreased more than anywhere else (by 16 points to +2). There were improved ratings in the ACT (up five points to -6) and SA (up six points to -21). Positive balances became negative in NSW (down four points to -2) and the NT (down nine points to -2).

The WA Government's rating fell nine points to -11 in the lead up to the state election loss.

The main attraction of the Tasmanian Government for SMBs is that it is supportive and interested in small business (45%).

The most common criticism of the Queensland Government is that it takes too much notice of unions and union related issues (16%), followed by excessive bureaucracy (14%). The Victorian Government also has those two criticisms levelled against it, with both issues mentioned by 20% of businesses. In SA it is excessive bureaucracy that stands out as the key concern (23%).

The survey took place around the time that there was a change in NSW Premier, therefore the impact of that change will be understood in the next survey.

## Attitudes to state or territory government policies (Mar 2017)

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%	9%	7%	10%	11%	22%	20%	15%
Work against	14%	29%	29%	31%	22%	20%	22%	21%
No impact	73%	62%	64%	59%	67%	58%	58%	64%
<b>*Net Balance</b>	<b>-2</b>	<b>-20</b>	<b>-22</b>	<b>-21</b>	<b>-11</b>	<b>+2</b>	<b>-2</b>	<b>-6</b>

Note: Rounding occurs.

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

	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
New South Wales	+8	+12	-4	+2	-2
Victoria	-11	-13	-24	-9	-20
Queensland	-17	-26	-18	-18	-22
South Australia	-22	-29	-28	-27	-21
Western Australia	-9	-21	-7	-2	-11
Tasmania	+14	-2	+3	+18	+2
Northern Territory	-7	0	+4	+7	-2
Australian Capital Territory	+9	-2	+1	-11	-6

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

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# Small and Medium Business Outlook

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## Small and medium business outlook – National

Confidence remains high with SMBs' current views of the economy, and expectations for the next 12 months among the best recorded in the last three years. Expectations for the key indicators are also positive.

- Confidence eased two points this quarter to +44. Apart from last quarter there has been no higher balance than +44 since March 2010, when it was +49.
- The main driver of confidence is having an established, solid business, with specific business strengths. Lower sales and an unfavourable business environment stood out among the influences mentioned by SMBs' who are worried.
- SMBs' assessments of the current state of the economy were one point lower on +2, but this remains one of the few positive balances recorded in recent years and compares with a balance of -22 one year earlier. Expectations for the economy in a year's time were two points higher (+10) this quarter and 16 points higher than 12 months earlier.
- The only indicator that saw more than a two-point shift last quarter was prices, which was up six points to +18. Sales, employment and wages stayed positive on balance, while profitability remained negative, although improved marginally.
- Expectations for next quarter remain positive but slightly reduced for sales, wages and employment, with profitability unchanged. For prices, expectations have risen 10 points since last quarter.
- SMBs' views of the Federal Government moved from a slightly positive to slightly negative position. Excessive bureaucracy was the most common criticism, although 14% of businesses still feel that the Government is being supportive.

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

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	55%	60%	57%	61%	60%
Negative	20%	16%	19%	15%	16%
<b>*Net Balance</b>	<b>+35</b>	<b>+44</b>	<b>+38</b>	<b>+46</b>	<b>+44</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	-2	+5	+4	+25	+22	+20
Employment	-3	+1	+1	+11	+10	+8
Wages	+9	+9	+9	+13	+16	+13
Prices	+9	+12	+18	+19	+12	+22
Profitability	-11	-5	-3	+18	+15	+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 – New South Wales

Confidence was lower, with NSW now the second most confident state or territory. Last quarter, there was an increase in prices but lower scores on the other four key indicators. However, expectations for the key indicators this quarter are among the most positive. The NSW Government lost some appeal and no longer has a positive rating among SMBs.

- In NSW, confidence fell three points to +51, but this is still well above the national average.
- Confidence is drawn mostly from having an established, solid business and specific business strengths. Declining sales is the major concern of SMBs worried about their prospects.
- Last quarter, performances relating to sales, employment, wages and prices were positive but only improved for prices, while the profitability balance fell to a neutral level.
- Key indicator expectations for the current quarter remained positive and were higher for sales, prices and profitability, with unchanged balances revealed for employment and wages.
- SMBs' support for the policies of the NSW Government decreased four points to a net balance of -2. Excessive bureaucracy is the biggest complaint, while those with a positive assessment are impressed by the Government's infrastructure development.

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

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	64%	65%	67%	67%	64%
Negative	16%	7%	14%	13%	13%
<b>*Net Balance</b>	<b>+48</b>	<b>+58</b>	<b>+53</b>	<b>+54</b>	<b>+51</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	+4	+13	+3	+30	+20	+22
Employment	+4	+7	+3	+15	+11	+11
Wages	+15	+14	+7	+17	+14	+14
Prices	+12	+19	+21	+17	+16	+23
Profitability	-9	+3	0	+24	+12	+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 – Victoria

Confidence fell slightly among Victorian SMBs but remains relatively high and well above the national average. Key indicator performances were improved and expectations for the next quarter are positive. The Victorian Government, however, has lost further support among SMBs.

- Confidence was three points lower, generating a net balance of +49. This is five points above the national average and still one of the highest confidence levels seen in recent years.
- The primary factors leading to confidence are being an established, solid business and having specific business strengths. Worried SMBs highlight falling sales and an unfavourable business environment.
- Last quarter, results improved for all key indicators. However, the net balance for profitability remains neutral.
- For the current quarter, expectations on each key indicator remain at or above the national average despite falls recorded for sales, employment, wages and profitability. The prices net balance more than doubled.
- Victorian SMBs have become more critical of the State Government, with the net balance falling 11 points to -20. The biggest issue for SMBs is that the Government takes too much notice of unions. Those with favourable opinions mentioned the booming Victorian economy ahead of other factors.

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

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	56%	62%	53%	64%	63%
Negative	17%	16%	22%	12%	14%
<b>*Net Balance</b>	<b>+39</b>	<b>+46</b>	<b>+31</b>	<b>+52</b>	<b>+49</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	+7	+8	<b>+10</b>	+27	+33	<b>+30</b>
Employment	-4	-5	<b>+4</b>	+11	+13	<b>+8</b>
Wages	+17	+6	<b>+16</b>	+14	+22	<b>+17</b>
Prices	+10	+15	<b>+25</b>	+25	+11	<b>+27</b>
Profitability	-4	-9	<b>0</b>	+19	+26	<b>+23</b>

\* 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 grown for four quarters in a row and sits at the national average. Key performance indicator results were mixed but expectations remain positive for each indicator. The Queensland Government is now the most negatively perceived in the nation.

- Net confidence was one point higher on +44 among Queensland SMBs, which is the same as the national average but 14 points higher than at this time last year.
- Those with confidence pointed to being an established, solid business ahead of specific business strengths as the primary influences. Concerned SMBs referred to declining sales, well ahead of other factors, but there were also mentions of cost and competitive pressures and an unfavourable business environment.
- Last quarter the sales balance was unchanged, with profitability and employment lower. The balances for wages and prices were higher.
- Expectations for the five key indicators this quarter are all positive, although increases were only observed for prices and profitability.
- The Queensland Government has become the most unpopular in Australia with a rating of -22. Taking too much notice of unions, followed by not understanding small business needs were the main criticisms. Those who were positive towards the Government mentioned small business management training schemes and efforts to reduce red tape.

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

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	49%	58%	57%	60%	59%
Negative	19%	22%	18%	17%	15%
<b>*Net Balance</b>	<b>+30</b>	<b>+36</b>	<b>+39</b>	<b>+43</b>	<b>+44</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	-6	+5	+5	+23	+20	+12
Employment	-9	-1	-3	+8	+9	+8
Wages	+1	+9	+10	+12	+17	+14
Prices	+5	+3	+8	+17	+9	+16
Profitability	-9	-2	-5	+15	+11	+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 – South Australia

SMBs in SA are still among the least confident in Australia but their confidence is markedly higher than one year ago. Key indicator results last quarter improved and expectations for the current quarter are positive. The SA Government continues to be negatively perceived.

- There was a two point drop in confidence to +30. SA remains well behind the national average but SMB confidence is 25 points higher than one year earlier.
- The main driver of confidence is being an established, solid business. The concern emerging most of all is decreasing sales, followed by a lack of support from both the State and Federal Governments.
- Last quarter, each of the key indicator results improved but profitability remains negative on balance.
- For this quarter, expectations are positive although only higher for prices and profitability.
- The SA Government (-21 net) remains unpopular with many SMBs. Taxation and costs feature among the key criticisms, while Government incentives are the most commonly mentioned by those in favour.

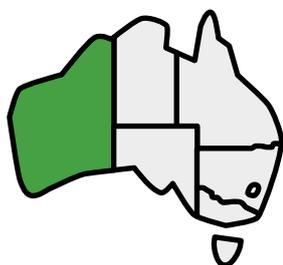
### Trends in the past three months' experience and current expectations – South Australia

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	39%	51%	54%	47%	51%
Negative	34%	22%	23%	15%	21%
<b>*Net Balance</b>	<b>+5</b>	<b>+29</b>	<b>+31</b>	<b>+32</b>	<b>+30</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	-9	-13	+8	+16	+9	+8
Employment	-7	0	+4	+12	+11	+4
Wages	+1	+8	+9	+7	+6	+3
Prices	+8	+7	+8	+21	+9	+26
Profitability	-14	-14	-8	+11	0	+6

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

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



## Small and medium business outlook – Western Australia

Confidence was unchanged, remaining well under the national average. Except for prices, key indicator results last quarter were weak and expectations for the current quarter have become less optimistic. The WA Government lost further support among SMBs in the lead up to the election loss.

- Confidence remained unchanged on +21, but is less than half the national average and only ahead of the NT.
- For worried SMBs, an unfavourable business environment and falling sales were prominent concerns. While for positive businesses the primary driver was being an established, solid business.
- Last quarter, sales, profitability and employment remained negative, with wages barely positive, while prices were higher.
- Current quarter expectations are positive for all key indicators but decreased for sales, profitability, employment and wages.
- Support for the WA Government fell nine points to a net balance of -11. The main criticism is a perception the Government is only concerned with the interests of big business and doesn't understand the needs of small business. Those with a positive view see the WA Government as supportive and trying to reduce red tape.

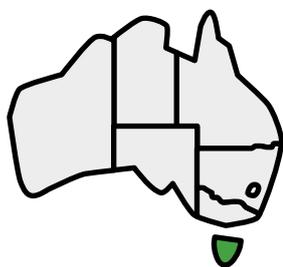
### Trends in the past three months' experience and current expectations – Western Australia

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	47%	50%	40%	44%	49%
Negative	36%	30%	30%	23%	28%
<b>*Net Balance</b>	<b>+11</b>	<b>+20</b>	<b>+10</b>	<b>+21</b>	<b>+21</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	-27	-13	-9	+11	+14	+10
Employment	-8	-2	-3	+4	+3	+2
Wages	-12	0	+1	+8	+8	+4
Prices	+2	+2	+15	+16	+11	+20
Profitability	-28	-17	-17	+5	+10	+1

\* 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 continues to fluctuate among Tasmanian SMBs, but this quarter it has lifted to sit just below the national average. Sales and profitability results were improved last quarter and expectations for those indicators remain positive, albeit lower. The Tasmanian Government is the only one with a positive rating but SMBs are much less impressed than they were last survey.

- Confidence has been on a roller-coaster ride among Tasmanian SMBs. After being in a strong leadership position at the end of 2015 there was a significant fall in June 2016, a big lift in the September quarter, a double figure decrease in the December quarter and now a five point rise to +43.
- Being an established business is the main driver of confidence ahead of specific business strengths. The SMBs who are worried cited decreasing sales and unfavourable government policies ahead of other reasons.
- Last quarter, the net balances for sales and profitability were higher but there is plenty of scope for improvement, especially in profitability.
- Expectations this quarter are positive but lower or the same for all of the key indicators except prices.
- SMB support for the Tasmanian Government's policies decreased 16 points to +2. Nevertheless, it remains the only government with a positive rating at either the state or Federal level. Those who regard the Government positively believe it is supportive and interested in small businesses, while the main criticism is excessive bureaucracy.

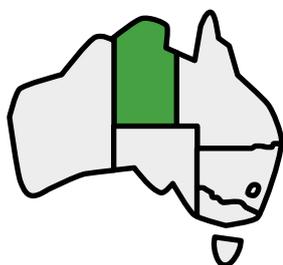
### Trends in the past three months' experience and current expectations – Tasmania

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	57%	52%	63%	57%	58%
Negative	10%	22%	11%	19%	15%
<b>*Net Balance</b>	<b>+47</b>	<b>+30</b>	<b>+52</b>	<b>+38</b>	<b>+43</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	+8	+4	+8	+16	+28	+23
Employment	-3	-6	+2	+2	+6	+6
Wages	+4	+17	+12	+10	+29	+13
Prices	+18	+19	+10	+24	+14	+18
Profitability	-4	-5	-1	+16	+21	+14

\* 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 was slightly higher but remains the lowest in Australia. Last quarter key indicator results were again discouraging, yet expectations are positive and markedly higher. The NT Government has lost some of the initial appeal recorded last survey after its election.

- Confidence was two points higher but the net balance of +18 trails the national average by 26 points and sees the NT remain the lowest on this measure. Like last survey, confidence is much lower in metropolitan areas than regional areas (+2 versus +29), however the gap has narrowed.
- The main influence on confidence is having specific business strengths. An unfavourable business environment and falling sales are the biggest issues for those who are worried.
- Last quarter, key indicator performances were again negative except for prices, which recorded a slightly positive balance.
- This quarter, expectations for all performance indicators improved markedly and are positive.
- SMB support for the NT Government fell nine points to -2. The main criticism is that the Government tenders or outsources work to international or interstate companies, rather than local businesses. Those who are positive highlighted employment training schemes, incentives and efforts to create positive conditions for local businesses.

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

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	46%	50%	44%	48%	47%
Negative	19%	27%	35%	32%	29%
<b>*Net Balance</b>	<b>+27</b>	<b>+23</b>	<b>+9</b>	<b>+16</b>	<b>+18</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	-27	-22	-29	+24	0	+15
Employment	-12	-23	-14	+6	-3	+8
Wages	-7	-13	-32	+5	-9	+3
Prices	+10	0	+1	+16	+2	+15
Profitability	-36	-23	-23	+16	-2	+11

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

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



## Small and medium business outlook – Australian Capital Territory

Confidence increased to the highest level since May 2007 following a strong quarter, particularly for sales and profitability. However, apart from prices, key indicator expectations have tempered. The ACT Government’s rating improved in the first full survey taken since the ACT election.

- An 18 point rise in net confidence to +64 places the ACT as the clear leader nationally.
- Confidence was driven by increasing sales and being an established, solid business. A low level of confidence reflects competitive pressures and declining sales more than other difficulties.
- Last quarter, all key indicator performances were strong, with sales and profitability balances rising markedly. Expectations for this quarter on all key indicators are positive, although less optimistic than last quarter, with the exceptions of employment and prices.
- The ACT Government’s rating lifted five points to -6. Positive ratings have been influenced by a growing local economy and small business training schemes. Key criticisms included too much notice being taken of unions and excessive bureaucracy.

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

Confidence in own business prospects in next 12 months	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Positive	55%	61%	55%	61%	73%
Negative	15%	12%	20%	25%	9%
<b>*Net Balance</b>	<b>+40</b>	<b>+49</b>	<b>+35</b>	<b>+46</b>	<b>+64</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2016	Dec 2016	Mar 2017	Mar 2016	Dec 2016	Mar 2017
Sales	+1	-3	<b>+20</b>	+28	+43	<b>+19</b>
Employment	-3	+5	<b>+9</b>	+17	+10	<b>+14</b>
Wages	+7	+2	<b>+21</b>	+9	+22	<b>+8</b>
Prices	+10	+17	<b>+24</b>	+27	+19	<b>+27</b>
Profitability	-10	-4	<b>+11</b>	+26	+34	<b>+20</b>

\* 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

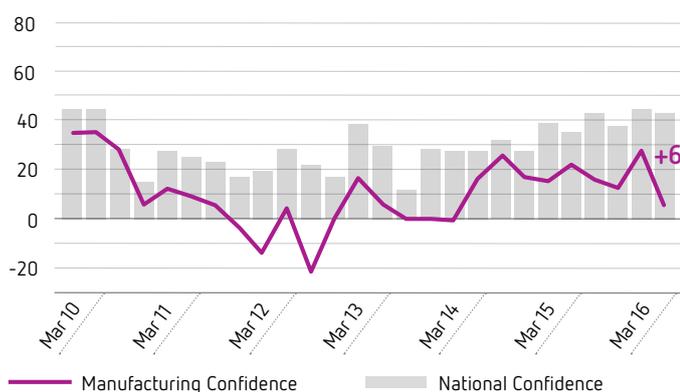
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# Industry snapshots

## Manufacturing

Manufacturing Confidence



Confidence fell markedly and is the lowest by sector. Key indicator results were weak last quarter but better performances are expected this quarter.

Confidence took a major hit with the net balance falling from +28 to +6, which is by far the lowest of all sectors and 38 points under the national average.

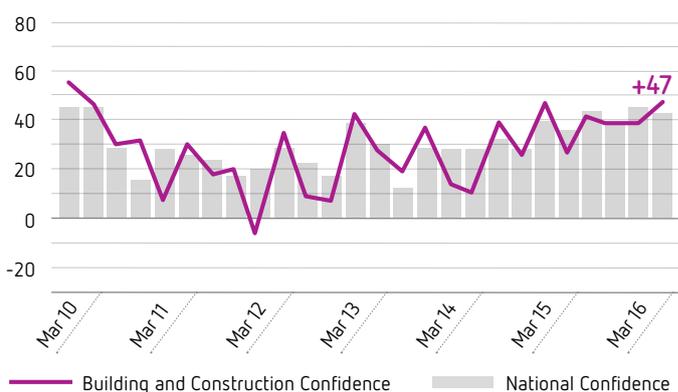
Falling sales had the biggest impact on those without confidence. The main factors driving confidence were having specific business strengths, being an established, solid business and specific initiatives taken by individual businesses.

Last quarter, employment (-1), sales (-3), and profitability (-10) were negative. Other indicator balances were +3 for wages and +9 for prices.

This quarter, a rosier outlook is expected for all indicators, especially for sales (+26) and profitability (+17), which are above average. Balances are also positive for prices (+14), wages (+5) and employment (+2).

## Building and Construction

Building and Construction Confidence



SMBs in this sector have become more confident which shines through in key indicator results and expectations.

Confidence was eight points higher at +47, which places this industry above the national average.

Being an established, solid business has driven confidence much more than any other factor. Competitive pressures and falling sales are the two most prominent concerns identified.

Last quarter, net balances for wages (+13), sales (+9) and employment (+4) exceeded the average, while prices (+16) and profitability (-6) were two and three points behind the average.

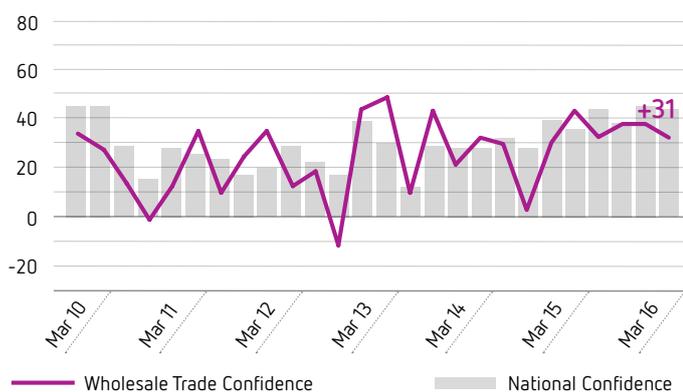
This quarter, SMBs in Building and Construction are among the most positive, with expectations for sales (+30), profitability (+23), wages (+23) and employment (+15) well above average. For prices (+20) their net balance is two points under the average.

# Industry snapshots



## Wholesale Trade

Wholesale Trade Confidence



Confidence was lower and below average despite this sector recording the best sales and profitability performances last quarter. Despite this, expectations are clearly below average for each key indicator except prices.

Confidence decreased in this sector with the net balance of +31 seven points lower and 13 points behind the national average.

Among those who are worried, falling sales and unfavourable business conditions were relatively prominent issues. Confident wholesalers highlighted having an established, solid business, as well as healthy sales and specific business strengths.

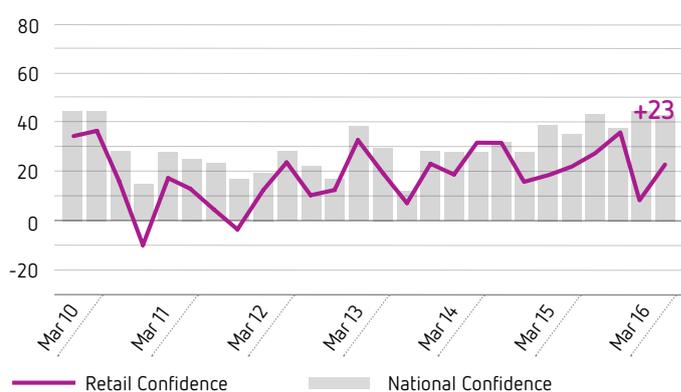
This sector was the best performer last quarter for sales (+23) and profitability (+15) and had the second highest balance for wages (+14). It was just under the average for prices (+16) and employment (0).

Current quarter expectations are below average for each key indicator except prices (+28). The balances for the other indicators were: sales (+11), profitability (+9), wages (+4) and employment (+1).



## Retail Trade

Retail Trade Confidence



Confidence increased but Retail Trade still sits second last. Last quarter saw disappointing sales and profitability results. Expectations are more positive but relatively modest for the key indicators other than prices.

Confidence increased by nine points to +23, but despite this Manufacturing is the only sector where confidence is lower.

Declining sales are the key cause of pessimism, with unfavourable business conditions also having an impact. Specific business strengths and being an established, solid business, were the key reasons for confidence among businesses who remain positive.

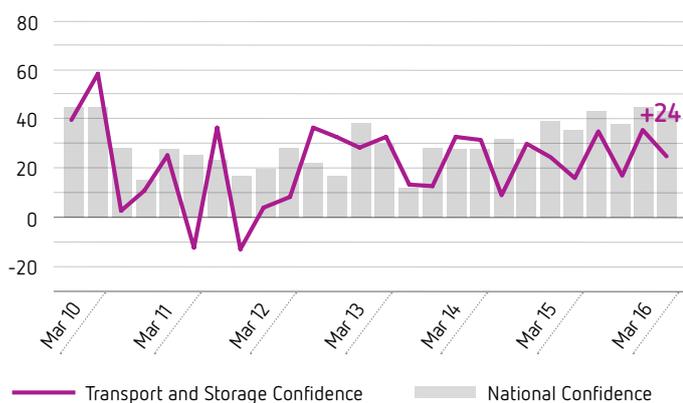
Last quarter negative balances were recorded for profitability (-6) and sales (-2). Retailers were not far from the national average for employment (+2), prices (+15) and wages (+8).

Key indicator expectations for the current quarter are positive but below average for wages (+9), sales (+8), profitability (+7) and employment (+2). In the case of prices (+27) the net balance is five points ahead of the average.

# Industry snapshots

## Transport and Storage

Transport and Storage Confidence



Confidence declined after a challenging quarter and is among the lowest by sector. Expectations for key indicators other than prices are well below average.

Confidence in this sector continues its roller-coaster ride with an 11 point fall taking the net balance to +24, which is 20 points below the national result.

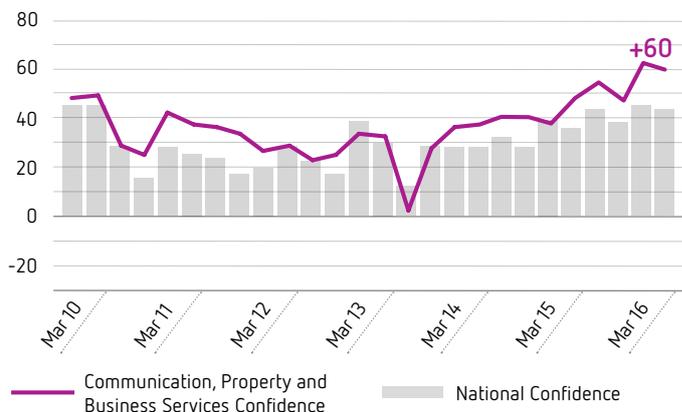
Falling sales and unfavourable government policies are blamed more than other factors by those who are worried. Optimism is relatively strong among those who run a solid, established business.

Last quarter sales (-9) and profitability (-23) performances were the weakest of all. Net balances for prices (+10) and wages (+3) were also below average. Employment (+1) was at the average but certainly not a strong result.

Expectations this quarter are well below average for wages (+5), sales (+4), employment (+1) and profitability (-12), with this sector the only one displaying a negative balance for profitability expectations. The result for prices (+26) is four points above the average.

## Communication, Property and Business Services

Communication, Property and Business Services Confidence



Confidence continues to be well above the average with key indicator performances and expectations all positive.

Confidence in this sector remains very high at +60. It was +62 last survey.

Confidence was again driven by established, solid businesses with growing sales and specific business strengths. Those who were worried nominated falling sales as the main reason.

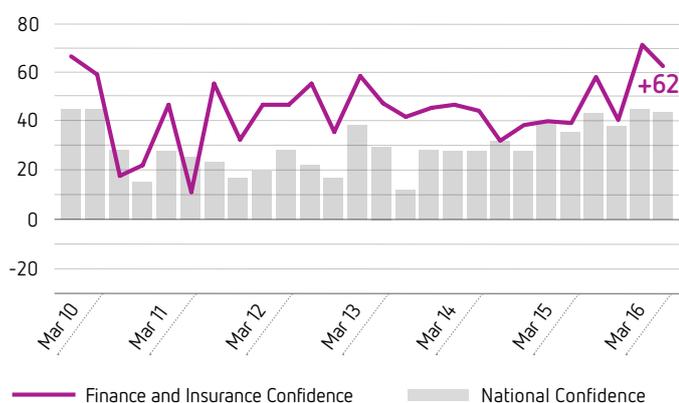
Last quarter, results for all indicators were positive and ahead of the national average for prices (+24), sales (+6) and profitability (+2). Net balances for the other two key indicators were +5 for wages and +1 for employment.

This quarter's expectations are around the average for each key indicator – prices (+24), sales (+22), profitability (+13), wages (+13), and employment (+10).

# Industry snapshots

## Finance and Insurance

Finance and Insurance Confidence



Confidence decreased slightly but remains the leader. Last quarter saw modest performances on key indicators and expectations are more positive.

Net confidence is +62 and despite falling by nine points it exceeds the average by 18 points.

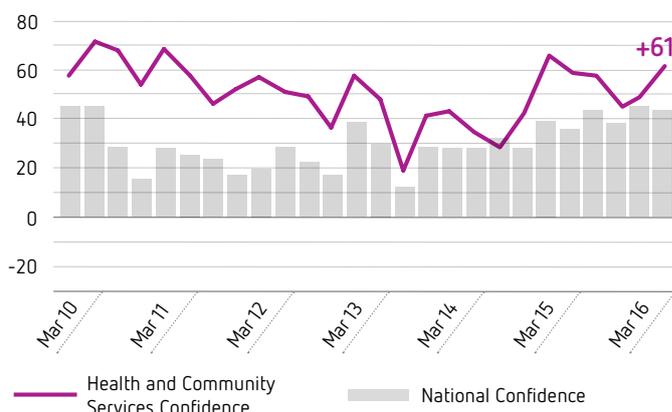
The most common reason for confidence was specific business strengths. Falling sales, followed by an unfavourable business environment, were the main issues for worried SMBs in this sector.

Last quarter, the only above average balance recorded was for profitability (+4). Sales performance was at the average (+4) but prices (+5), wages (+8) and employment (-3) were below. The prices and employment balances were the lowest recorded by sector.

This quarter, key indicator expectations are all positive and clearly higher than last quarters' performances: sales (+20), profitability (+18), prices (+11), wages (+7) and employment (+6).

## Health and Community Services

Health and Community Services Confidence



Confidence increased, maintaining this sector's position as a leading performer. It is also the most optimistic on each key performance indicator.

Confidence lifted 12 points to generate a net balance of +61, which is 17 points above the national average and ranks this sector second.

Being an established, solid business and having specific business strengths continue to be the major drivers of confidence.

Competitive pressures are the number one concern of the worried SMBs, followed by falling sales.

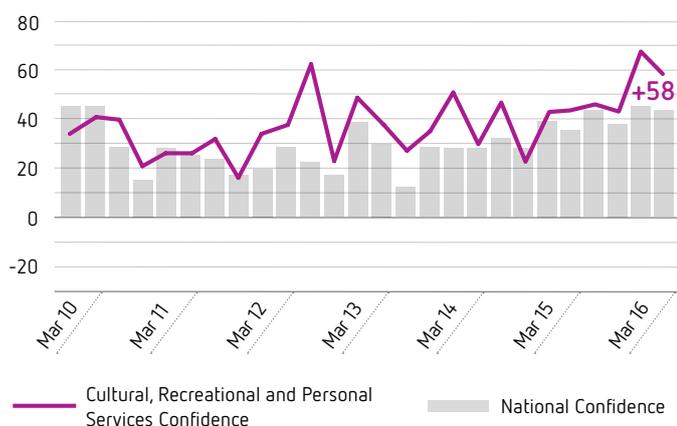
Last quarter, this sector clearly bettered the average for prices (+28), sales (+14), wages (+13) and profitability (+10), while employment was below par and negative (-3).

For this quarter, all key performance indicator expectations are the highest recorded by sector: sales (+36), prices (+31), profitability (+28), wages (+23) and employment (+18).

# Industry snapshots

## Cultural, Recreational and Personal Services

Cultural, Recreational and Personal Services Confidence



Confidence was lower but still at a high level despite a relatively tough quarter. Nevertheless, key indicator expectations are all positive.

Net confidence declined 10 points to +58, which is 14 points above the national average.

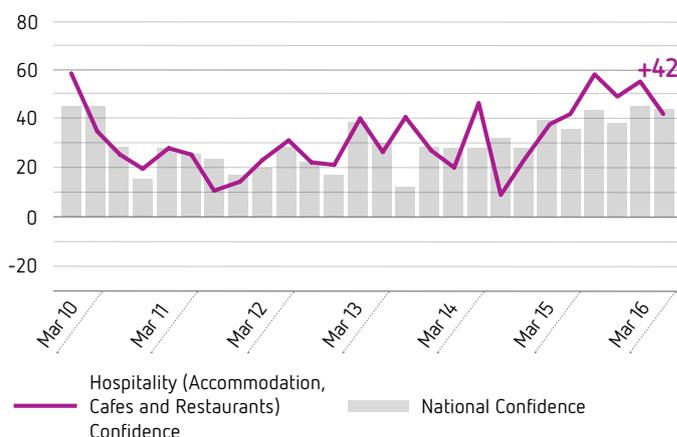
Falling sales were the main concern for worried SMBs in this sector, with an unfavourable business environment and cost pressures having some impact as well. Being an established, solid business and having specific business strengths stood out as the major factors underpinning confidence.

Last quarter proved challenging with respect to sales (-1), and profitability (-6), while wage pressures (+15) were greater than in any other sector. The net balance for prices was second highest (+27), while employment (+2) was one point above average.

This quarter, expectations are positive on all key indicators but below average for sales (+14), wages (+10) and employment (+5), while profitability (+19) and prices (+26) are above average.

## Hospitality (Accommodation, Cafes and Restaurants)

Hospitality (Accommodation, Cafes and Restaurants) Confidence



This sector recorded a lower confidence level but one which is now close to the average. Last quarter proved difficult, impacting on expectations for key indicators, especially sales.

Hospitality lost some confidence with the net balance falling 12 points to +42, which is two points below the average.

Declining sales are the key cause of concern, while having an established, solid business, followed by healthy sales drove confidence among positive businesses.

Last quarter sales (-7) and profitability (-13) performances were among the weakest across industries. Other key indicator results last quarter were positive – prices (+21), wages (+7), employment (+4).

This quarter, expectations are below average for sales (+1), wages (+4) and employment (0). The profitability (+14) and price (+19) balances are just under the average.

The *Sensis Business Index* reports are updated each quarter. Electronic copies of the reports can be accessed on the Sensis website at: [www.sensis.com.au/about/reports](http://www.sensis.com.au/about/reports).

### *Sensis Business Index 'Special Reports'*

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Since the inception of the *Sensis Business Index*, a range of Special Reports have been produced. Major reports include:

- Sensis Social Media Report – May 2011, May 2012, May 2013, April 2014, May 2015 and June 2016
- Engaging the Dragon: Australian SME Exporters and China (with Austrade) – August 2008
- Sensis Environment Report – September 2007
- Teleworking – June 2005
- E-Business: The online experience of Australian SMEs – Annually since 1995
- Innovation – March 2001
- Finance & Banking Issues – August 1993, August 1995 and November 1999
- Attitudes to Changes in FBT – July 1999
- Workers' Compensation and Workplace Safety – November 1998
- The Paper Work Burden on Small Business – October 1996
- Women in Business – July 1994 and February 1996
- Attitudes to Government – October 1994 and November 1995

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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.

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