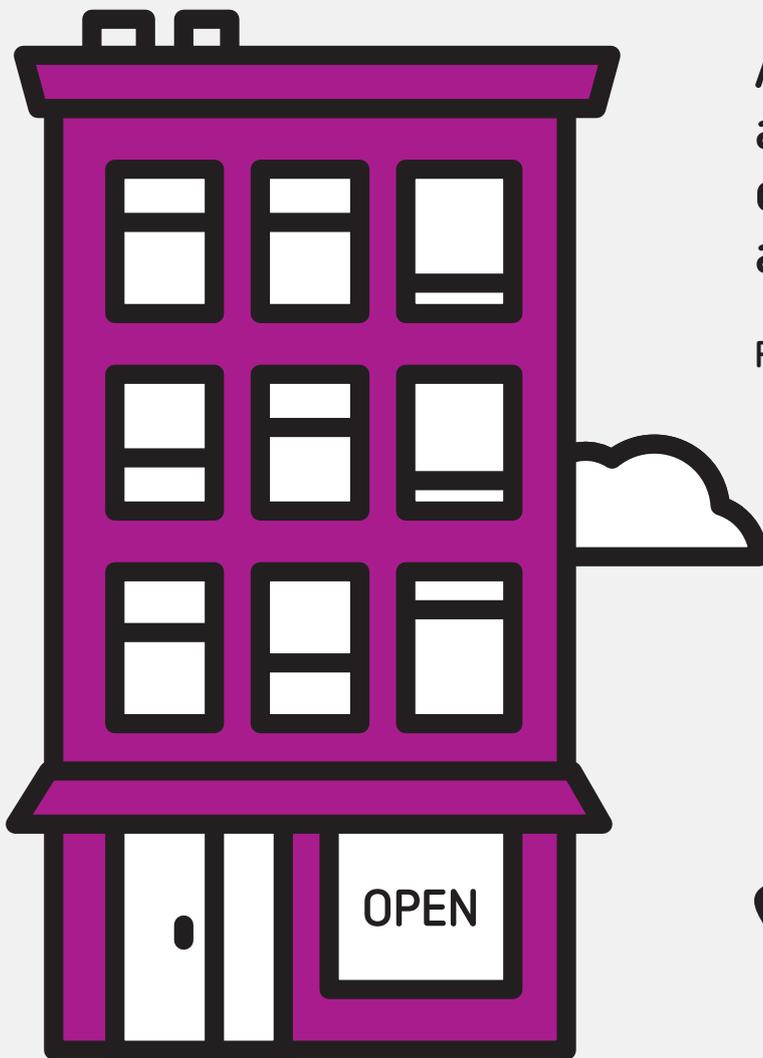


Sensis Business Index September 2017

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

Released 25 October 2017



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Introduction

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

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

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

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

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

About the survey

The Sensis Business Index September Quarter 2017 is based on 1,003 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. Interviewing was conducted from July 17 to August 15, 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 mainly consist 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.

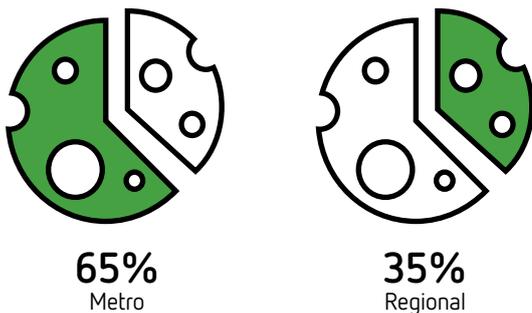
Location of business

	Metro	Regional	Total
New South Wales	110	61	171
Victoria	110	60	170
Queensland	90	80	170
South Australia	90	35	125
Western Australia	91	35	126
Tasmania	40	40	80
Northern Territory	40	40	80
Australian Capital Territory	81	-	81
Total	652	351	1,003

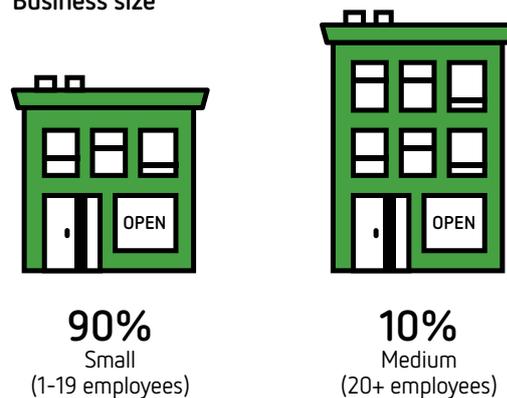
Industry sector

Manufacturing	97
Building and Construction	171
Wholesale Trade	62
Retail Trade	140
Hospitality (Accommodation, Cafes and Restaurants)	52
Transport and Storage	59
Finance and Insurance	43
Communication, Property and Business Services	202
Health and Community Services	89
Cultural, Recreational and Personal Services	88
Total Businesses	1,003

Business location



Business size



Foreword

Australia's economic fortunes appear to be on the up, with the past four quarters of the Sensis Business Index (SBI), including this one, revealing a positive outlook towards the economy among Australia's small and medium businesses (SMBs). In fact, this level of optimism has not been seen since December 2013 with more businesses saying they believe the economy is growing (25%) than slowing (16%) for a positive net balance of +9.

Small and medium businesses see strength in the economy and this is revealed in their assessment of each of the key indicators, all of which – prices, sales, profitability, employment and wages – saw a rise in the net balance score both for last quarter and in expectations for the quarter ahead.

Not only are businesses confident about the economy generally, but they are also confident about their own specific business strengths, with the business confidence score up seven points to sit at the equal highest level since March 2010.

The sectors that show the greatest confidence are Hospitality; Communications, Property and Business Services; Cultural, Recreational and Personal Services; and Health and Community Services. The Hospitality sector's business confidence score almost tripled from last quarter, while the Transport and Storage sector enjoyed a 26 point rise in confidence.

Access to finance also improved, with the good news it has become easier for many SMBs to secure loans. Of the 12% of SMBs who applied for finance, more than two thirds were successful. With the ability to access finance, a SMB owner can think about capital expenditure to grow their business, which in turn can drive more sales and flow on to requiring more employees, and so on.

While there is much that SMBs feel optimistic about there are still challenges and 12% say that a lack of work or sales is a key concern while 8% are frustrated at the inability to find or keep staff. A number of state and territory governments are addressing this, rolling out training schemes to help build skills and capabilities useful to SMBs. Many of the unprompted comments coming from SMBs who believe their government's policies are supportive cite the training programs that have been implemented as evidence.



In another part of the survey, 38% admitted it was a lack of work or sales that is a key barrier to taking on new staff. But while some businesses continue to struggle, for the majority of businesses growth is driving further employment and the employment net balance has improved to its best result in more than five years. It is only the profitability indicator that remains in negative territory, and even that improved by seven points to a score of -2.

As we head into the crucial Christmas period – especially for the Hospitality; Cultural, Recreational and Personal Services; and Retail sectors – we hope this level of optimism is maintained.

John Allan, Chief Executive Officer, Sensis

Executive summary

Historical trends and overall SMB highlights

A solid quarter saw SMB confidence rise to a level matched only once since March 2010. Views of the economy are also the best they have been since December 2013. Key indicator expectations for this quarter all became more positive. The Federal Government's rating decreased slightly but remained positive.

The key findings of the Sensis Business Index for September Quarter 2017 are:

- SMB confidence increased seven points to a net balance of +46. This balance was last recorded in December 2016, the highest since March 2010.
- Confidence increased in all states and territories except WA. It was higher in all metropolitan areas, by an average of 16 points (to +50) but fell by an average of eight points (to +39) in regional areas.
- The highest confidence level was again recorded in the ACT (up eight points to +60). Above average confidence was also observed in NSW (up four points to +50), Victoria (up 10 points to +50) and Tasmania (up 8 points to +50). The NT (up 17 points to +26) was again the least confident state or territory. WA (steady at +32) and SA (up 10 points to +36) were also well under the national average. The net balance in Queensland was seven points higher at +42.
- The overall assessment of the economy has become more positive than in any survey since December 2013. SMBs are more likely to believe it is growing (25%) than slowing (16%). The net balance increased eight points to +9. One year earlier it was -8.
- Looking ahead 12 months, SMBs again show increased faith in the economy with the net balance at +16, lifting seven points. This is also the best result since December 2013.
- Last quarter, the net balance recorded for each key performance indicator improved. It was no longer negative for sales (up nine points to +5) or employment (up four points to +2), and became less negative for profitability (up seven points to -2). The net balance for prices lifted 12 points to +18 and was five points higher for wages to +11.
- Expectations for each indicator became more positive: prices (up six points to +21), sales (up three points to +20), profitability (up six points to +17), wages (up four points to +16) and employment (up four points to +12).
- A lack of work or sales remains the number one concern of SMBs and the main barrier to taking on new staff.
- Opinions of the Federal Government are still positive but the net rating was three points lower at +3. The key reasons given by SMBs with a favourable opinion related to tax-initiatives and being seen as helpful and interested in small business. Excessive bureaucracy, too much focus on big business and high taxation were the main criticisms.
- Three state or territory governments recorded a positive rating. The Tasmanian Government is easily the most popular – improving its rating by seven points to +16. Its main appeal is training schemes relating to employment and small business management. The other positive net balances were recorded in NSW (down two points to +1) and the ACT (down 12 points to +3). A neutral balance was recorded in the NT, after a fall of 18 points.
- The WA Government previously recorded a neutral net balance but saw an 11 point drop this survey. Other governments remain unpopular with SMBs although their ratings lifted: in Queensland (up five points to -13), in Victoria (up one point to -13) and in SA (up 11 points to -26). Cost impositions, including power prices, stand out in reasons given for the low rating of the SA Government.

Executive summary

Metropolitan versus regional

Metropolitan SMBs became more confident while those in regional areas displayed less confidence, although they still remain fairly positive about their business prospects for the year ahead. Unlike their metropolitan counterparts, regional SMBs do not see the economy now or in 12 months as being strong. Nevertheless, in both locations positive expectations are indicated for this quarter on all five key performance indicators.

Key findings relating to metropolitan and regional SMBs included:

- In metropolitan locations, confidence was 16 points higher at +50. It decreased eight points to +39 in regional areas.
- Metropolitan SMBs (up 15 points to +16) assessed the current state of the economy much more positively than regional SMBs (down five points to -2). They are also much more optimistic about the prospects for the economy in one year's time (+24 versus +6).
- Last quarter, metropolitan and regional SMBs each recorded positive and similar balances for wages (+10 and +12 respectively), sales (+5 for each) and employment (+1 and +4 respectively). The prices net balance was also positive in both cases but higher in metropolitan areas (+22 versus +12). Regional areas recorded a negative balance for profitability (-4), which compared with a neutral balance in metropolitan areas.
- For the current quarter, expectations relating to each key indicator were positive and similar between metropolitan and regional SMBs for prices (+21 in both areas), wages (+16 and +15 respectively) and employment (+12 and +13). Metropolitan SMBs displayed higher expectations for sales (+23 versus +15) and profitability (+21 versus +12).
- Metropolitan SMBs (+5) are also more positive towards the Federal Government than those in regional areas (0).

Executive summary

Industry sector trends

Confidence varied markedly by sector as did performance on key indicators last quarter. Hospitality recorded a significant lift in confidence to lead the other industries. The Retail sector found conditions toughest last quarter. Finance and Insurance performed strongly but displays the weakest expectations for the next quarter on four of the five key indicators, including sales and profitability.

- Across the industries, confidence levels range from +16 in Retail (down one point) to +62 in Hospitality, where the net balance almost tripled from +21 last survey.
- Increased confidence was also recorded in Communications, Property and Business Services (up 18 points to +60), Cultural, Recreational and Personal Services (up eight points to +57) and Transport and Storage (up 26 points to +51). In all other sectors, there were falls in confidence of between one and seven points. Manufacturing was an exception, up four points to +36.
- Despite a drop in confidence of seven points to +54, Health and Community Services was one of five sectors recording above average confidence.
- Confidence levels in the other sectors were as follows: Building and Construction (down one point to +43), Finance and Insurance (down six points to +40), and Wholesale Trade (down five points to +36).
- Last quarter, sales balances were negative in two sectors: Transport and Storage (-16) and Retail (-9). In other industries, sales balances ranged from +2 in Cultural, Recreational and Personal Services to +17 in Finance and Insurance.
- Finance and Insurance (+14) also recorded the best profitability result last quarter, followed by Health and Community Services (+12). At the other end of the spectrum was Retail (-20), with Cultural, Recreational and Personal Services and Transport and Storage (both -11) also clearly behind the national average.
- For the last quarter, the wages balance ranged from +1 in Transport and Storage to +31 in Wholesale Trade. For prices, the lowest balance was also in Transport and Storage at +5, while the highest balance emerged in Health and Community Services at +26. In the case of employment, negative balances emerged in Wholesale Trade (-7), Hospitality (-5), Manufacturing (-2) and Retail (-1), with the highest balance recorded in Transport and Storage (+8).
- For the current quarter, most expectations for each key performance indicator are positive but vary widely.
- Sales expectations range from +3 in Finance and Insurance to +43 in Wholesale Trade, with Manufacturing only one point behind on +42.
- Profitability expectations were negative in Finance and Insurance (-1) but positive elsewhere, ranging from +6 in Retail to +33 in Manufacturing.
- Increased wages and prices will be common in most industries. A negative wages balance is only expected in Finance and Insurance (-2) but eight sectors recorded double figure balances, ranging from +13 in Cultural, Recreational and Personal Services to +32 in Manufacturing. The lowest prices net balance was +13 in Manufacturing with the highest recorded in Wholesale Trade at +34.
- Employment numbers are expected to be higher in all industries except for Finance and Insurance (-1). Elsewhere the net balances on this indicator ranged from +5 in Retail to +24 for Manufacturing.

SMB business cycle analysis

SMBs are riding a wave of optimism.

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

SMBs see strength in the economy and improving fortunes last quarter have contributed to a high level of confidence in their business prospects and key indicator performances.

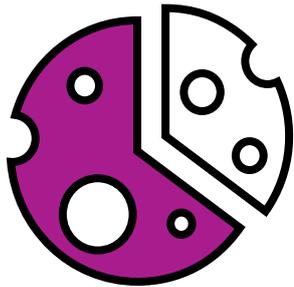
	Results for this quarter	Expectations for next quarter	Expectations for next 12 months
Business confidence	NA	NA	Increased optimism
Economy	More positive	NA	Increased optimism
Sales	Higher, now positive	More optimistic	NA
Employment	Higher, now positive	More optimistic	NA
Wages	More positive	More optimistic	NA
Prices	More positive	More optimistic	NA
Profitability	Less negative	More optimistic	NA

SBI Snapshot

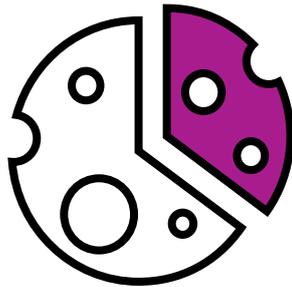
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

Who did we survey?

Business location



65%
Metro

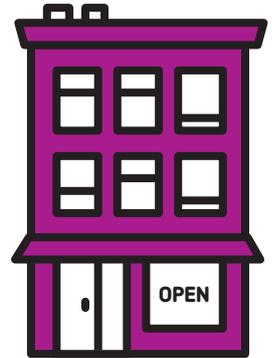


35%
Regional

Business size



90%
Small



10%
Medium

What did they tell us?

SMBs are feeling confident



61% feel confident

Because of:

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



15% feel worried

Because of:

- Decreasing sales
- Unfavourable business, economic or industrial environment

=



+46 net balance

Increased 7 points from last quarter

SMB confidence by state



Australian Capital Territory +60 (↑8)

New South Wales +50 (↑4)

Tasmania +50 (↑8)

Victoria +50 (↑10)

National average +46 (↑7)

Queensland +42 (↑7)

South Australia +36 (↑10)

Western Australia +32 (Same)

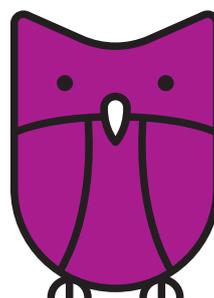
Northern Territory +26 (↑17)



Net confidence increased to

+46 points

Up 7 points from last quarter



SBI Snapshot

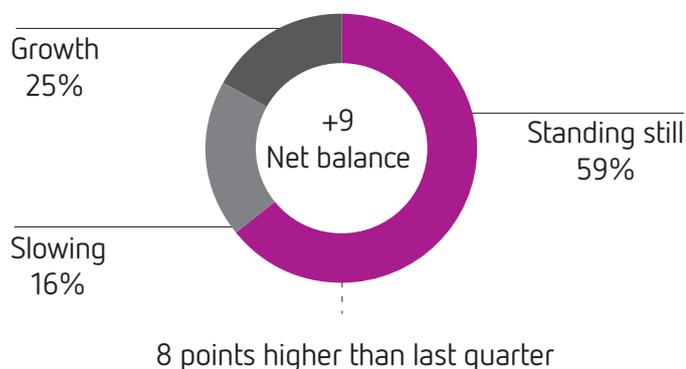
SMB confidence by sector



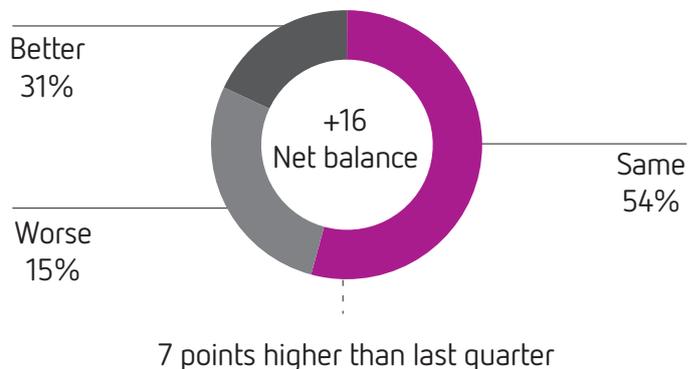
Hospitality (+62 ↑41)
Communication Property and Business Services (+60 ↑18)
Cultural, Recreational and Personal Services (+57 ↑8)
Health and Community Services (+54 ↓7)
Transport and Storage (+51 ↑26)
National average (+46 ↑7)
Building and Construction (+43 ↓1)
Finance and Insurance (+40 ↓6)
Wholesale Trade (+36 ↓5)
Manufacturing (+36 ↑4)
Retail Trade (+16 ↓1)



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	+20	↑ 3
Employment	+2	+12	↑ 4
Wages	+11	+16	↑ 4
Prices	+18	+21	↑ 6
Profitability	-2	+17	↑ 6

* 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

Matching the result from December 2016, net confidence has again reached its highest level since March 2010.

Key findings

The net confidence level of Australian SMBs continues to display strength.

Last quarter

Sixty-one percent of SMBs reported feeling confident about their prospects for the year ahead with 15% worried. The net balance of +46 is up seven points on last survey and equal to the level recorded in December 2016. The last time a higher confidence level occurred was in March 2010 when it was +49.

One year ago, net confidence was +38.

The primary driver of confidence remains SMBs feeling positive because they are an established or solid business followed by healthy sales and specific business strengths.

Falling sales are again the issue of most concern for SMBs, followed by an unfavourable business environment.

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.

SMB views on the current state of the Australian economy have now been positive for four quarters in succession. The latest survey reflects their most favourable assessment of the economy and most positive expectations for future economic growth since December 2013.

Overall confidence – Sep 2017

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

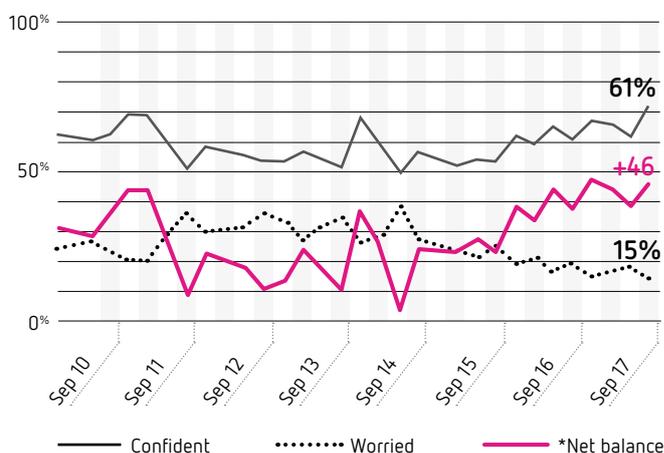
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	13%	21%	13%
Fairly confident	47%	41%	48%
Neutral	25%	14%	25%
Fairly worried	12%	22%	12%
Extremely worried	2%	2%	3%
Total confident	60%	62%	61%
Total worried	14%	24%	15%
*Net Balance	+46	+38	+46

Note: rounding occurs.

Confidence trends – past five quarters

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Confident	57%	61%	60%	57%	61%
Worried	19%	15%	16%	18%	15%
*Net Balance	+38	+46	+44	+39	+46

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

Higher confidence was observed in all states and territories except in WA where it was unchanged. Confidence lifted in metropolitan areas but was lower in regional areas. Mixed results were recorded across industries.

Key findings

Net confidence increased in all states and territories except in WA where it remained steady at +32. The highest confidence was again recorded in the ACT (up eight points to +60) and the lowest was again in the NT despite a 17 point rise to +26.

Regional SMBs (down eight points to +39) have been overtaken by their metropolitan counterparts (up 16 points to +50). Confidence rose in all metropolitan areas across the nation but there were mixed results in regional areas. Regional confidence exceeds metropolitan confidence only in NSW. By industry, net confidence ranges from +16 in Retail Trade to +62 in Hospitality. Confidence expressed by small businesses increased while medium sized businesses are less confident this quarter.

Last quarter

Net confidence was steady in WA on +32 but higher elsewhere. The NT recorded a 17-point rise to +26 but is still at the foot of the pack. Ten point increases occurred in Victoria (to +50) and SA (to +36). The ACT remains in top position after an eight-point rise to +60. In Tasmania confidence also increased eight points to +50. In Queensland, confidence lifted seven points to +42, with a four-point rise recorded in NSW to +50.

Capital city confidence is highest in Brisbane (up 17 points to +62), followed by Canberra (up eight points to +60). Also above the national average were Melbourne (up 14 points to +54) and Hobart (up 16 points to +52). The biggest increases were in Adelaide (up 28 points to +45) and Sydney (up 20 points to +48), but both cities trailed the metropolitan average of +50, as did Perth (up four points to +36) and Darwin (up 19 points to +28).

Regional confidence rose in the NT (by 16 points to +24), Tasmania (by five points to +50) and Victoria (by two points to +40). It was unchanged in Queensland (at +28). There was a fall of 31 points in SA to +15, placing this region last. Confidence in regional NSW fell 19 points but the net balance of +54 is again the highest. In country WA, confidence fell 11 points to +19.

Medium-sized businesses are less confident (down 15 points to +38) than small firms (up eight points to +46).

Confidence rose in Hospitality (by 41 points to +62), Transport and Storage (by 26 points to +51), Communications, Property and Business Services (by 18 points to +60), Cultural, Recreational and Personal Services (by eight points to +57) and Manufacturing (by four points to +36). It fell in the other five sectors. Retail displays the lowest confidence (down one point to +16). The biggest fall was in Health and Community Services (down seven points to +54).

Confidence by state and territory, sector and size

Trends by state – *net balance

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
National	+38	+46	+44	+39	+46
New South Wales	+53	+54	+51	+46	+50
Victoria	+31	+52	+49	+40	+50
Queensland	+39	+43	+44	+35	+42
South Australia	+31	+32	+30	+26	+36
Western Australia	+10	+21	+21	+32	+32
Tasmania	+52	+38	+43	+42	+50
Northern Territory	+9	+16	+18	+9	+26
Australian Capital Territory	+35	+46	+64	+52	+60

Metro and regional confidence – *net balance

	Metro	Regional	Total
National	+50	+39	+46
New South Wales	+48	+54	+50
Victoria	+54	+40	+50
Queensland	+62	+28	+42
South Australia	+45	+15	+36
Western Australia	+36	+19	+32
Tasmania	+52	+50	+50
Northern Territory	+28	+24	+26
Australian Capital Territory	+60	NA	+60

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

Confidence by business size

	Confident	Worried	*Net Balance
Total	61%	15%	+46
1-2 Employees	43%	20%	+23
3-4 Employees	69%	12%	+57
5-9 Employees	68%	10%	+58
10-19 Employees	73%	12%	+61
Total Small Business	61%	15%	+46
20-99 Employees	55%	29%	+26
100-199 Employees	97%	0%	+97
Total Medium Business	62%	24%	+38

Note: rounding occurs.

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	59%	23%	+36
Building and Construction	57%	14%	+43
Wholesale Trade	55%	19%	+36
Retail Trade	43%	27%	+16
Transport and Storage	64%	13%	+51
Communication, Property and Business Services	69%	9%	+60
Finance and Insurance	50%	10%	+40
Health and Community Services	66%	12%	+54
Cultural, Recreational and Personal Services	71%	14%	+57
Hospitality (Accommodation, Cafes and Restaurants)	75%	13%	+62

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

Perceptions of the economy

SMB views of the economy now and about its prospects in one year's time both improved to the highest levels seen since December 2013.

Key findings

SMB assessments of the current state of the economy and their year ahead expectations continue to be positive, reaching their highest levels in almost four years.

Last quarter

SMB assessments of whether the economy is growing or slowing down increased eight points to a net balance of +9. One year ago the net balance was -8. This is the fourth quarter in succession that a positive net balance has been observed for this measure. December 2013 was the last time a higher net balance was recorded (of +11).

Current perceptions of the Australian economy are positive in all locations except for the NT (-25). Elsewhere the balances range from +1 in SA to +24 in the ACT.

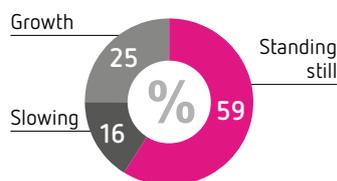
Metropolitan SMBs (+16) hold a much more positive view of the Australian economy than those in regional areas (-2).

Views about the economy in one year's time lifted seven points to +16. This is the fifth quarter in a row that a positive balance was recorded and the most positive balance since December 2013 when it was +39.

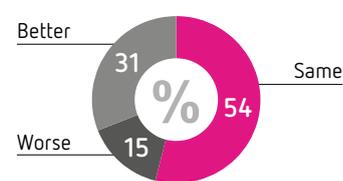
The most optimistic state or territory is the ACT (+35), followed by WA (+29), with Victoria and Queensland (both +18) also ahead of the national average. The balance in NSW was +10. In SA it was +14 and in Tasmania +13. A negative balance was recorded in the NT (-2).

There is an 18-point gap between metropolitan (+24) and regional (+6) SMBs on this measure. Previously this gap was five points in favour of metropolitan SMBs.

The economy now



The economy a year from now

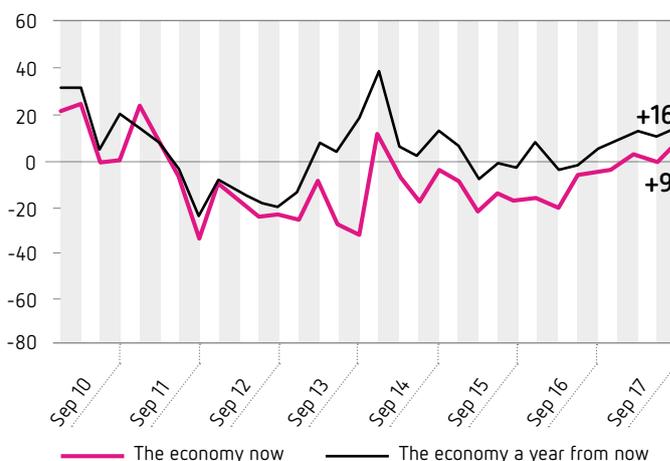


Perceptions of the economy – trends

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
The economy now					
Growth	15%	24%	19%	20%	25%
Slowing	23%	21%	17%	19%	16%
*Net Balance	-8	+3	+2	+1	+9
The economy a year from now					
Better	24%	28%	28%	27%	31%
Worse	19%	20%	18%	18%	15%
*Net Balance	+5	+8	+10	+9	+16

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	29%	25%	20%	20%	21%	26%	9%	31%
Slowing	16%	16%	13%	19%	17%	9%	34%	7%
*Net Balance	+13	+9	+7	+1	+4	+17	-25	+24
The economy a year from now								
Better	28%	31%	30%	30%	41%	24%	20%	45%
Worse	18%	13%	12%	16%	12%	11%	22%	10%
*Net Balance	+10	+18	+18	+14	+29	+13	-2	+35

* 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 and sales remains the concern mentioned most by SMBs.

Key findings

Fifty percent of SMBs indicated that their business faces no major problems, which compares with 41% last survey. As observed for more than three years, a lack of work or sales was nominated ahead of all other concerns.

Last quarter

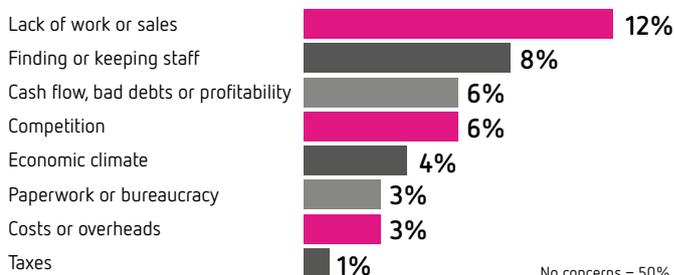
A lack of work or sales was mentioned by 12% as a current problem, up from 6% last quarter. It was mentioned by 23% in WA and 18% in the NT. The lowest score was 9% in Tasmania. This concern emerged more in regional (16%) than metropolitan areas (10%). By industry, it was mentioned most in Transport and Storage (22%) and least in Health and Community Services (5%).

Eight percent spontaneously mentioned finding or keeping staff as a concern (9% last survey). In response to a different question, 12% of SMBs highlighted difficulties in finding quality staff, which compares with 16% in June 2016. The top three difficulties experienced were a lack of labour (16%), finding people who want to work (12%) and a lack of experience (11%).

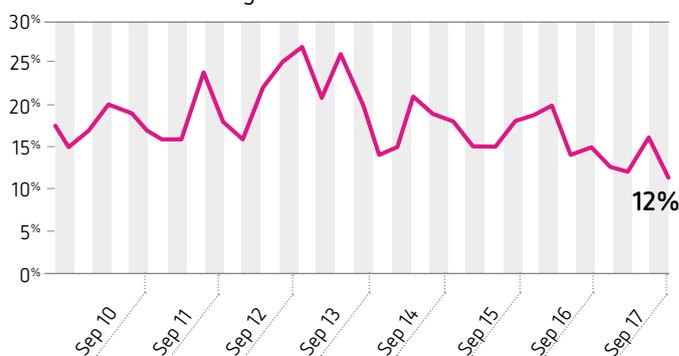
Next on the list of concerns mentioned spontaneously was cash flow, bad debts or profitability (down two points to 6%), followed by competition (also at 6% and down one point). Economic climate (down from 6% to 4%) was of slightly less concern this quarter.

Prime concerns

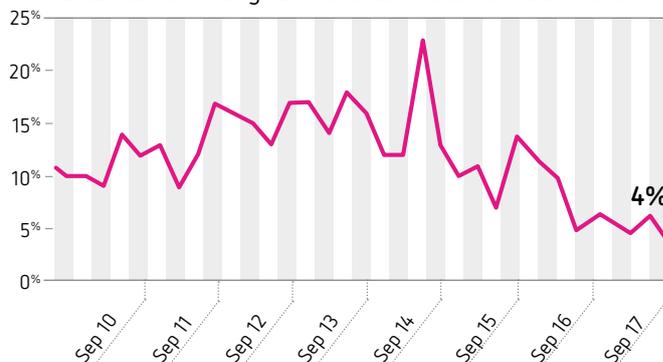
As far as your business is concerned, what problems, if any, are you facing at the moment?



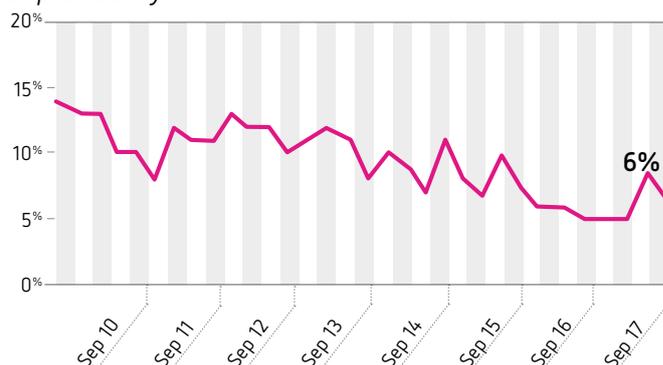
Prime concerns – long term trends – lack of work or sales



Prime concerns – long term trends – economic climate



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



Sales

The sales net balance moved back into positive territory matching the highest level recorded for this indicator during the past nine years.

Key findings

The net balance for sales became positive with expectations for the quarter ahead improving as well.

Last quarter

The net balance rose nine points to +5. This is consistent with the level observed one year ago, which is also the equal highest balance recorded since March 2008 when it was +11.

Sales activity was only negative in WA (-4), with a neutral balance recorded in the NT. An above average balance was observed in Victoria and Queensland (both on +9), with the ACT (+8) close behind. The sales net balances in SA, Tasmania and NSW were respectively +5, +4 and +2.

By sector, Finance and Insurance performed best (+17), with above average balances also seen in Wholesale Trade (+13); Hospitality (+12); Communications, Property and Business Services (+11), Health and Community Services (+10); and Manufacturing (+8). SMBs in Transport and Storage (-16) and Retail (-9) found sales conditions toughest.

Current quarter

SMB expectations for sales in the current quarter became a little more positive. Thirty-one per cent anticipate an increase against 11% expecting a fall, generating a net balance of +20. This is three points higher than last survey but six points lower than one year earlier.

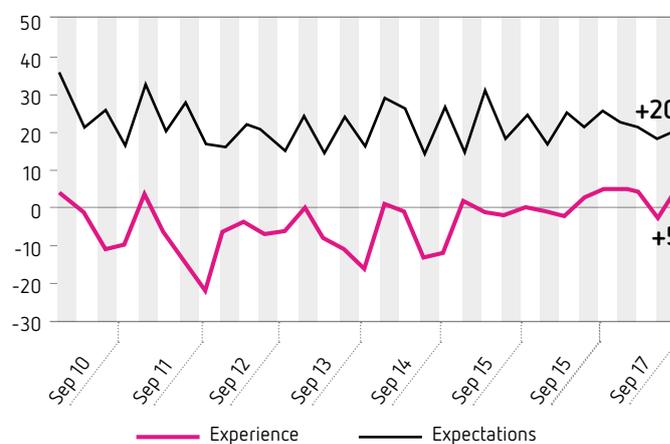
The balances for sales expectations were positive everywhere except for the NT (-3). They ranged from +7 in SA to +36 in Tasmania, with the ACT close behind on +34. Two other net balances exceeding the national average were recorded in NSW (+23) and Victoria (+26).

Expectations were positive in all industries ranging from +3 in Finance and Insurance to +43 in Wholesale Trade, with Manufacturing only one point behind. Health and Community Services also recorded a relatively high net balance (+33). Other sectors were close to the national average of +20.

Value of sales

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Last Quarter					
Experienced increase	30%	27%	25%	23%	24%
No change	44%	51%	53%	47%	55%
Experienced decrease	25%	22%	21%	27%	19%
*Net Balance	+5	+5	+4	-4	+5
Current Quarter					
Expect increase	35%	33%	31%	30%	31%
No change	54%	55%	57%	56%	56%
Expect decrease	9%	11%	11%	13%	11%
*Net Balance	+26	+22	+20	+17	+20

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

SMB expectations for employment are the highest recorded in more than nine years.

Key findings

An improvement from a slightly negative to slightly positive position continues a flat trend for this indicator that has been apparent for more than two years. The net balance has ranged from -3 to +2 throughout that time. However, more SMBs expect employment conditions to improve than has been the case since March 2008.

Last quarter

Eleven percent of SMBs increased staff numbers with 9% reducing employees to generate a net balance of +2, which is four points higher than last survey.

By location, negative net balances were recorded in Queensland (-2) and WA (-5). The strongest employment growth was witnessed in SA (+8), with NSW (+5) and Victoria (+4) also above the national average. Tasmania and both of the territories recorded a balance of +1.

By sector, weak employment conditions were apparent in Wholesale (-7), Retail Trade (-1), Manufacturing (-2) and Hospitality (-5). Positive results were indicated in other industries with net balances ranging from +1 in Health and Community Services to +8 in Transport and Storage.

Just over four in ten SMBs (41%) reported barriers to taking on new staff. This was 48% in the June quarter. A lack of work or sales continues to be the barrier mentioned most (down one point to 38%). Business growth has the strongest impact on employment.

Current quarter

Seventeen percent expect to increase staff and 5% anticipate a fall resulting in a net balance of +12, which is four points higher than last quarter. The last time a balance of +12 was achieved was in March 2008.

NSW (+14) and Victoria (+19) are above the national average on this indicator. The lowest and only negative balance was in the NT (-4). Elsewhere the balances ranged from +7 in the ACT, Queensland and WA to +10 in SA. The Tasmanian result was +9.

Employment expectations are negative in Finance and Insurance (-1). For others, the balance ranges from +5 in Retail to +24 in Manufacturing, Transport and Storage; Wholesale Trade; and Communications, Property and Business Services (each on +18) were above average, as was Hospitality (+14). Equal to the average were Health and Community Services; and Building and Construction.

Size of workforce

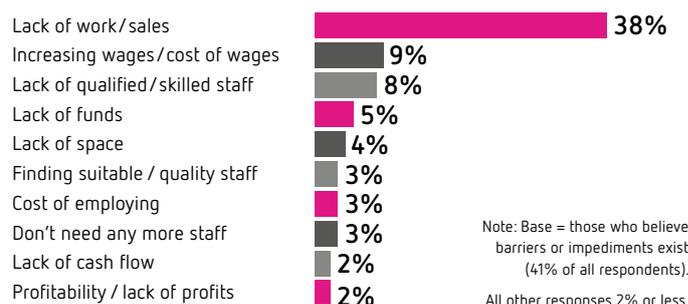
	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Last Quarter					
Experienced increase	11%	9%	9%	8%	11%
No change	78%	83%	84%	81%	81%
Experienced decrease	12%	8%	8%	10%	9%
*Net Balance	-1	+1	+1	-2	+2
Current Quarter					
Expect increase	14%	13%	11%	14%	17%
No change	80%	83%	85%	79%	78%
Expect decrease	5%	3%	3%	6%	5%
*Net Balance	+9	+10	+8	+8	+12

Size of workforce – trends in *net balance

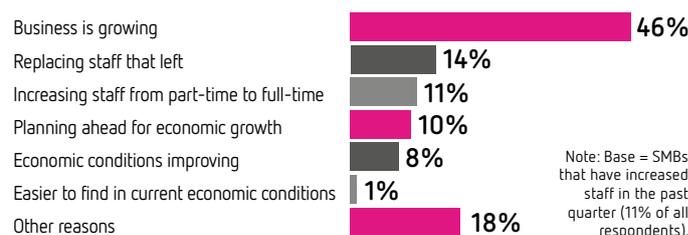


* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

What are the barriers to taking on new employees?



Why SMBs have increased employment – Sep 2017



Wages

One of the better wages results in recent years was recorded.

Key findings

Improved wages results and expectations were observed.

Last quarter

Wage increases were seen in 22% of SMBs with falls indicated by 11%. The net balance of +11 is five points higher than last time and two points above the level recorded one year earlier. There has been no higher balance since March 2008 when it was +16.

Wage growth occurred in all locations. It was strongest in Queensland (+18) and lowest in WA (+3). Above average balances were seen in SA and the ACT (both +15) and Tasmania (+14). Other balances were +9 in NSW, +10 in Victoria and +11 in the NT.

Sector-wise, the highest balance was recorded in Wholesale Trade (+31) and the lowest in Transport and Storage (+1). There was above average growth in Retail (+19) and Communications, Property and Business Services (+15). Across the other industries the balances ranged from +3 in Cultural, Recreational and Personal Services to +10 in Manufacturing; Building and Construction; and Health and Community Services.

Current quarter

This quarter, 22% expect wages to increase against 6% anticipating a fall, producing a net balance of +16. This compares with +12 last survey and +15 last June.

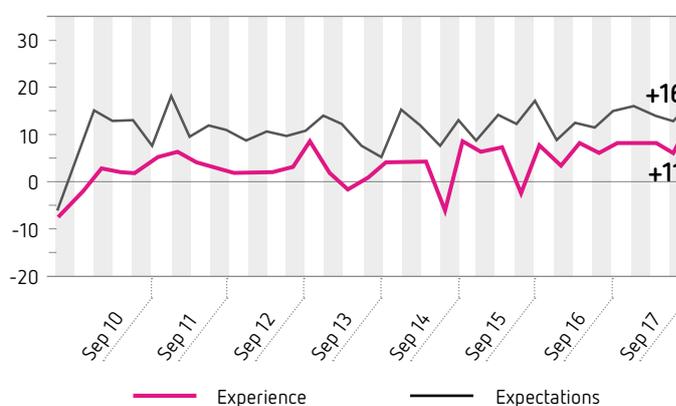
Net balances are positive in all locations except the NT (-8). The highest balance recorded was +20 in Tasmania, with Victoria on +19. Elsewhere the balances ranged from +12 in the ACT to +17 in Queensland.

By sector, wage growth is most likely in Manufacturing (+32), with above average expectations also evident in Wholesale Trade (+29); Hospitality (+22); Communications, Property and Business Services (+20); and Health and Community Services (+19). The lowest, and only negative balance occurred in Finance and Insurance (-2), with Transport and Storage (+6) also well below average on this indicator. The other three sectors hold similar expectations: Cultural, Recreational and Personal Services (+13), Building and Construction (+14) and Retail (+15).

Wages

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Last Quarter					
Experienced increase	22%	19%	17%	18%	22%
No change	63%	70%	72%	67%	63%
Experienced decrease	13%	10%	8%	12%	11%
*Net Balance	+9	+9	+9	+6	+11
Current Quarter					
Expect increase	22%	22%	19%	19%	22%
No change	68%	70%	73%	70%	71%
Expect decrease	7%	6%	6%	7%	6%
*Net Balance	+15	+16	+13	+12	+16

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 were more widespread among SMBs.

Key findings

Increased prices became more common with price expectations higher as well.

Last quarter

In the March quarter, the net balance for prices hit the equal highest level since December 2008. This quarter a 12-point rise to +18 generated a balance matching the June 2017 and December 2008 results.

Net balances ranged from +7 in WA to +27 in Victoria. In Queensland, SA and Tasmania the national average was equalled. Other balances were +16 in the NT, +15 in NSW and +11 in the ACT.

Three industries displayed below average balances on this indicator: Manufacturing (+11), Finance and Insurance (+8) and Transport and Storage (+5). In other sectors, the balances ranged from +26 in Health and Community Services to +18 in Communications, Property and Business Services.

Current quarter

The net balance for prices this quarter increased six points to +21.

Expectations were strongest in Victoria at +25 and elsewhere ranged from +9 in the NT to +23 in SA and the ACT. NSW (+22) was one point above the national average and Tasmania matched it (+21).

By sector, price rises are most likely in Wholesale Trade (+34) and least likely in Manufacturing (+13).

Prices charged

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Last Quarter					
Experienced increase	16%	17%	22%	14%	23%
No change	75%	76%	72%	75%	70%
Experienced decrease	6%	5%	4%	8%	5%
*Net Balance	+10	+12	+18	+6	+18
Current Quarter					
Expect increase	20%	15%	25%	19%	24%
No change	75%	80%	70%	74%	71%
Expect decrease	3%	3%	3%	4%	3%
*Net Balance	+17	+12	+22	+15	+21

Prices charged – trends in *net balance



Profitability

Profitability results improved but remained negative. Expectations, however, are positive.

Key findings

Profitability results improved and expectations are more positive.

Last quarter

March 2008 was the last time a positive net balance was recorded for profitability. This survey another negative score emerged of -2, but there was a seven-point improvement.

Profitability was positive in Victoria, Queensland and the ACT (each recording a net balance of +4), as well as in Tasmania (+3). The lowest balance was in WA (-15), with negative balances recorded in NSW (-7), SA (-1) and the NT (-2).

Sector variations were marked. Finance and Insurance (+14), Health and Community Services (+12) and Wholesale Trade (+4) displayed positive results, with Manufacturing neutral (0). In other industries, net balances ranged from -1 in Building and Construction to -20 in Retail Trade.

Current quarter

Profitability expectations for the current quarter improved six points to +17. This compares with +19 in September 2016.

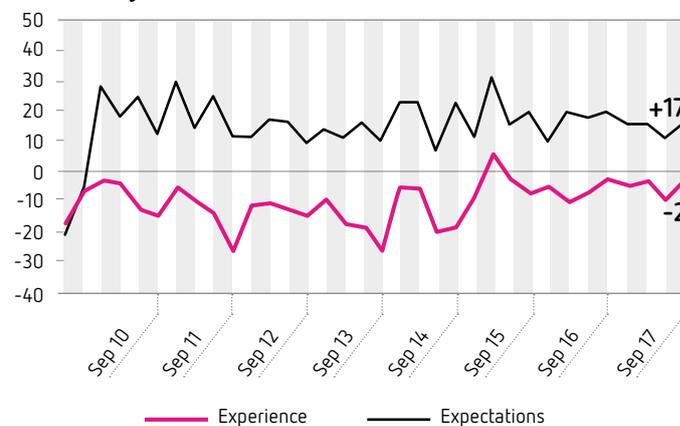
Profitability expectations are strongest in the ACT (+28), with NSW (+22), Victoria (+23) and Tasmania (+20) also recording above average results. The lowest balance was in the NT (-1), with positive balances seen in Queensland and WA (both +9), as well as in SA (+6).

Across the sectors, expectations are strongest in Manufacturing (+33), with Health and Community Services (+30) next in line. The weakest sector on this indicator is Finance and Insurance (-1). No other sector recorded a negative balance.

Profitability

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Last Quarter					
Experienced increase	23%	18%	19%	19%	20%
No change	49%	58%	57%	51%	56%
Experienced decrease	26%	23%	22%	28%	22%
*Net Balance	-3	-5	-3	-9	-2
Current Quarter					
Expect increase	30%	27%	28%	26%	28%
No change	56%	60%	58%	58%	60%
Expect decrease	11%	12%	13%	15%	11%
*Net Balance	+19	+15	+15	+11	+17

Profitability – trends in *net balance



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

Access to finance

It was easier for SMBs to access finance in the latest quarter.

Key findings

SMBs' ability to access finance is critical for capital expenditure and growth. This became easier in the last quarter.

Last quarter

The net balance for obtaining finance increased 13 points to +14, which is the second highest score in more than seven years. The December 2016 survey is the only time a higher balance was recorded.

SMBs in the NT (0) found it hardest to access finance. There were above average balances recorded in NSW (+21), Tasmania (+17) and the ACT (+15). Other balances were +14 in Victoria, +11 in SA, +10 in Queensland and +6 in WA.

Metropolitan SMBs (+23) found finance much easier to access than those in regional areas (+2).

There were significant differences by sector. SMBs in Health and Community Services (+38) found it easiest to access finance followed by Cultural, Recreational and Personal Services (+35). Those in Finance and Insurance (-14) experienced the most difficulty followed by Manufacturers (-12), with a negative balance also recorded in Retail Trade (-1).

Medium sized firms (-3) found it harder than small firms (+15) to access finance in the last quarter.

Twelve percent of SMBs sought finance, which is two points higher than last quarter. Of those, 68% were successful (was 67% last survey and 68% previously).

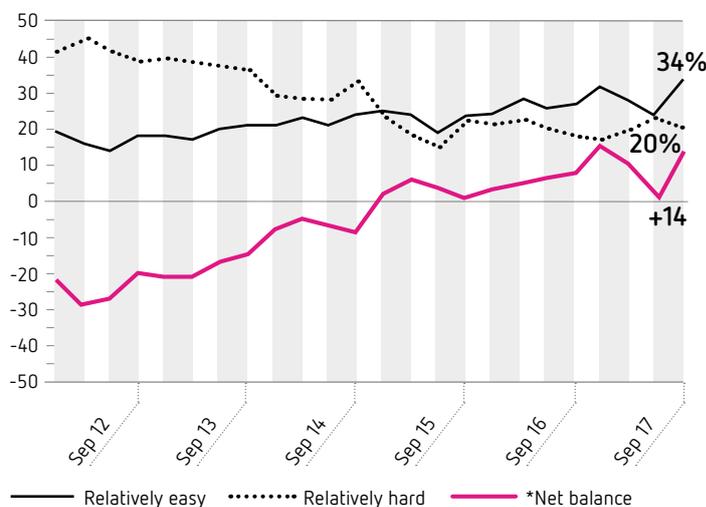
Tasmanian businesses were most likely to seek to access finance (+18), with Victoria (+17) close behind. SMBs in WA (+8) were the least likely to seek finance last quarter. There was a four-point difference between metropolitan (11%) and regional (15%) SMBs.

SMBs in the Wholesale sector (20%) were the most likely to have sought finance.

Access to finance

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
<i>Last Quarter</i>					
Relatively easy	26%	33%	28%	24%	34%
Average	56%	50%	53%	53%	46%
Relatively hard	18%	17%	19%	23%	20%
*Net Balance	+8	+16	+9	+1	+14

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 2017)

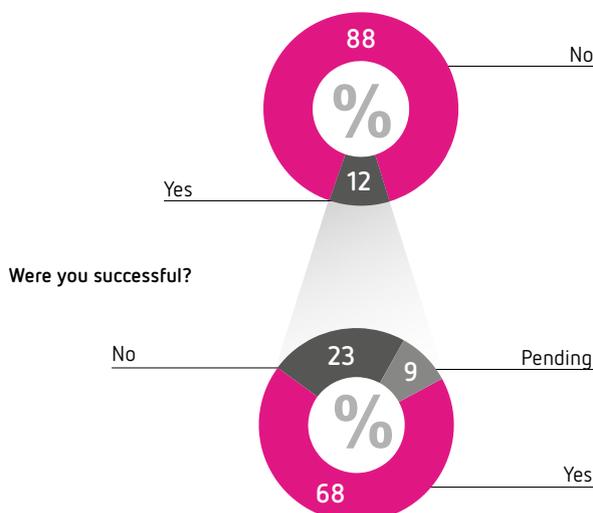
	Easy	Difficult	Net Balance
Total	34%	20%	+14
1-2 Employees	21%	25%	-4
3-4 Employees	37%	19%	+18
5-9 Employees	51%	15%	+36
10-19 Employees	33%	18%	+15
Total Small Business	35%	20%	+15
20-99 Employees	17%	19%	-2
100-199 Employees*	19%	22%	-3
Total Medium Business	17%	20%	-3

Base: Those who had tried to access finance.

Note: *Small base of 11.

Success in accessing finance

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



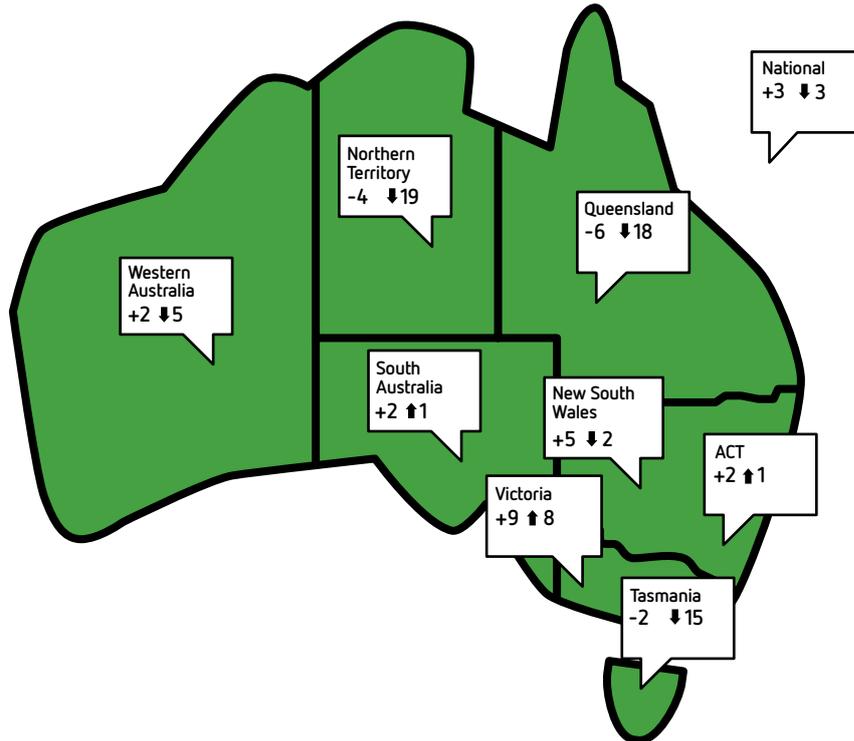
Government Policies

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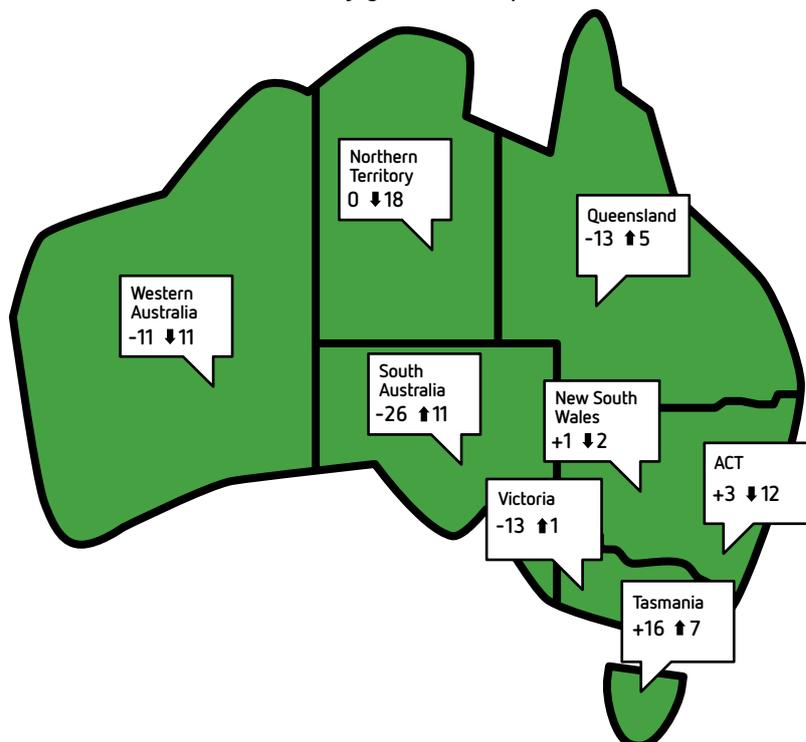
Government policies

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 remain positive on balance.

Key findings

SMB ratings of the Federal Government became slightly less positive.

Last quarter

Eighteen per cent consider Federal Government policies to be supportive of SMBs, with 15% disagreeing. The net balance of +3 decreased three points and compares with +2 in the corresponding survey last year.

The top three reasons given spontaneously by SMBs who regard the Federal Government as supportive are that it is helpful and interested in small business (16%), trying to reduce tax (11%) and offering tax and depreciation incentives (9%).

SMBs with an unfavourable opinion of the Federal Government's policies criticised excessive bureaucracy (14%), a focus on big business (13%), as well as high taxation (12%) above other factors.

SMBs in Victoria (+9) hold the most favourable opinion of the Federal Government for their support of small business, with positive views also expressed in NSW (+5), SA, WA and the ACT (each at +2). The lowest rating was -6 in Queensland, with the NT (-4) next in line and a negative balance also recorded in Tasmania (-2). Metropolitan SMBs (+5) are more impressed than those in regional areas (0).

By industry, the most positive views are found in Finance and Insurance (+23), followed by Communications, Property and Business Services (+12). The least impressed sector was Manufacturing (-13), with negative balances also observed in Wholesale Trade (-11), Transport and Storage (-9), Hospitality (-7) and Retail Trade (-3).

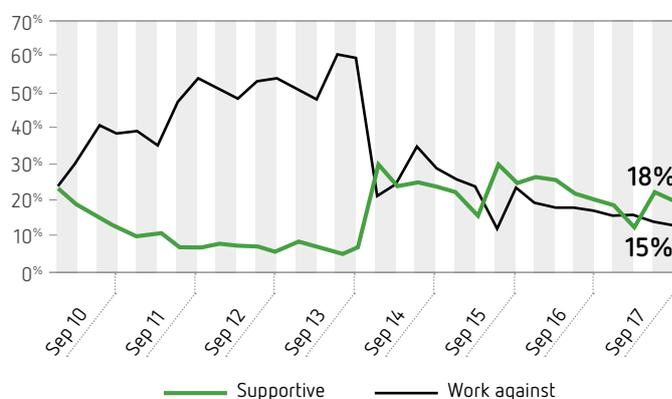
Attitudes to Federal Government policies – trends

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 16	Dec 16	Mar 17	Jun 17	Sep 17
Supportive	20%	19%	14%	22%	18%
Work against	18%	17%	16%	16%	15%
No impact	61%	63%	70%	62%	67%
*Net Balance	+2	+2	-2	+6	+3

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

Attitudes to Federal Government policies – long term trends



Assessment of state and territory government policies

The Tasmanian Government stands out well above others in appealing to SMBs.

Key findings

In this survey, an average of 14% of SMBs regard their state or territory government to be supportive and 22% believe it is working against small business interests, generating a net balance of -8. This is unchanged from last survey.

Last quarter

By location, three positive net balances were recorded – in Tasmania (up seven points to +16), the ACT (down 12 points to +3), and NSW (down two points to +1). A neutral balance was recorded in the NT after a fall of 18 points.

Negative views were seen in Victoria (up one point to -13), Queensland (up five points to -13), SA (up 11 points to -26) and WA (down 11 points to -11).

The main reasons cited by SMBs with a positive view of the Tasmanian Government are that it is creating employment and training schemes (13%), supporting tourism (11%) and offers small business management courses and seminars (11%).

The main criticisms of the SA Government focused on costs – utilities, power and rates (25%) and other cost impositions (14%).

Attitudes to state or territory government policies (Sep 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	17%	11%	14%	9%	13%	25%	23%	23%
Work against	16%	24%	27%	35%	24%	9%	23%	20%
No impact	66%	65%	60%	55%	63%	66%	54%	57%
*Net Balance	+1	-13	-13	-26	-11	+16	+0	+3

Note: Rounding occurs.

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

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
New South Wales	-4	+2	-2	+3	+1
Victoria	-24	-9	-20	-14	-13
Queensland	-18	-18	-22	-18	-13
South Australia	-28	-27	-21	-37	-26
Western Australia	-7	-2	-11	0	-11
Tasmania	+3	+18	+2	+9	+16
Northern Territory	+4	+7	-2	+18	0
Australian Capital Territory	+1	-11	-6	+15	+3

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

Small and Medium Business Outlook

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Small and medium business outlook – National

Confidence increased to equal the highest level recorded since March 2010. This coincides with a more positive view of the economy and reflects improvements in all key performance indicators last quarter.

- Confidence increased seven points this quarter to +46, which matches the highest level recorded in more than seven years.
- The primary driver of confidence is having an established, solid business, followed by healthy sales and possessing specific business strengths. Decreasing sales were the biggest concern for those who are worried.
- SMB assessments of the current state of the economy were eight points higher at +9, with their expectations for the economy in a year's time increasing seven points to +16. Both net balances represent the most positive views of the economy recorded since December 2013.
- Results for all five key performance indicators improved last quarter. Sales (up nine points to +5) and employment (up four points to +2) moved into positive territory. Profitability remained negative but improved seven points to -2, while prices (+18) and wages (+11) were respectively higher by 12 and five points.
- Expectations for next quarter became more optimistic for each of the five key performance indicators.
- SMB ratings of the Federal Government remained positive despite easing three points to +3. Being helpful and interested in small business is the main reason followed by tax-related initiatives. Excessive bureaucracy, too much focus on big business and high taxation are the most common criticisms.

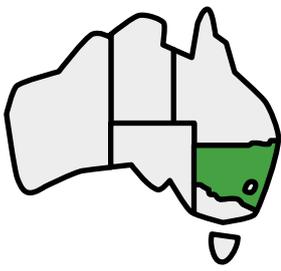
Trends in the past three months' experience and current expectations – National

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	57%	61%	60%	57%	61%
Negative	19%	15%	16%	18%	15%
*Net Balance	+38	+46	+44	+39	+46

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	+5	-4	+5	+26	+17	+20
Employment	-1	-2	+2	+9	+8	+12
Wages	+9	+6	+11	+15	+12	+16
Prices	+10	+6	+18	+17	+15	+21
Profitability	-3	-9	-2	+19	+11	+17

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

** This is for the last 3 months.



Small and medium business outlook – New South Wales

Confidence continues to be strong among SMBs in NSW. The last quarter presented more favourable conditions with expectations for key indicators other than wages improving and above the national average.

- Confidence increased four points to +50, keeping NSW above the national average of +46.
- Confidence is drawn mostly from having an established, solid business, healthy sales and specific business strengths. Decreasing sales were the major issue for SMBs worried about their prospects.
- Last quarter, the results for sales, employment, wages and prices improved and were all positive. Profitability weakened marginally and remained negative.
- Key indicator expectations for the current quarter were again all positive. The net balances were higher and above the national average for each indicator except for wages.
- SMB support for the policies of the NSW Government fell two points to a net balance of +1. Those positively disposed mentioned the Government’s infrastructure development program ahead of other factors. Being concerned only with big business and too much bureaucracy were the leading criticisms.

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

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	67%	67%	64%	62%	61%
Negative	14%	13%	13%	16%	11%
*Net Balance	+53	+54	+51	+46	+50

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2016	Sep 2017
Sales	+3	0	+2	+31	+22	+23
Employment	-4	-5	+5	+12	+9	+14
Wages	+5	+4	+9	+15	+16	+14
Prices	+7	+9	+15	+20	+13	+22
Profitability	-4	-6	-7	+24	+15	+22

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

** This is for the last 3 months.



Small and medium business outlook – Victoria

Confidence increased among Victorian SMBs and remains above the national average. Expectations also increased and exceed the national average for all key performance indicators next quarter.

- Confidence lifted 10 points to generate a net balance of +50, exceeding the national average by four points.
- The most prominent influence on confidence is being an established, solid business. Worried SMBs highlight declining sales well ahead of other pressures.
- Last quarter, results were positive for all key indicators and improved for all except wages, which remained steady. The net balance for profitability moved from a negative to positive position.
- For this quarter, expectations on key indicators were all higher and above the national average, with the balances recorded for employment and prices in Victoria leading the nation.
- Victorian SMBs remain critical of the State Government although the net balance improved one point to -13. Their main criticisms are that it takes too much notice of unions and no incentives are offered to small business. Those with a favourable opinion believe the Government is supportive, interested and helpful.

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

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	53%	64%	63%	53%	65%
Negative	22%	12%	14%	13%	15%
*Net Balance	+31	+52	+49	+40	+50

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	+11	0	+9	+20	+15	+26
Employment	+2	+2	+4	+7	+8	+19
Wages	+19	+10	+10	+18	+10	+19
Prices	+15	+6	+27	+20	+20	+25
Profitability	+1	-8	+4	+10	+13	+23

* 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 grew following a relatively strong quarter, with expectations positive for each key performance indicator.

- Net confidence increased by seven points to +42 among Queensland SMBs, which is four points under the national average but three points higher than this time last year.
- Those with confidence highlighted being an established solid business ahead of specific business strengths and healthy sales as the main influences. Concerned SMBs mentioned an unfavourable business environment, followed by falling sales and cost pressures.
- Last quarter, the balances for key performance indicators other than employment were considerably better with sales and profitability shifting from negative to positive territory. Employment remained marginally negative but the balances for wages and prices were above average.
- Expectations for each key indicator this quarter are positive, rising for wages, prices and profitability but falling for sales and employment.
- The State Government's rating improved five points to -13. Too much bureaucracy was the leading criticism. Those who were positive towards the Government mentioned its creation of employment and training schemes, as well as the support and interest shown towards small businesses.

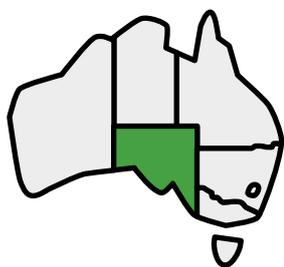
Trends in the past three months' experience and current expectations – Queensland

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	57%	60%	59%	56%	59%
Negative	18%	17%	15%	21%	17%
*Net Balance	+39	+43	+44	+35	+42

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	+9	-10	+9	+27	+16	+12
Employment	+1	-1	-2	+11	+10	+7
Wages	+5	+13	+18	+19	+10	+17
Prices	+9	+2	+18	+14	+16	+17
Profitability	+3	-10	+4	+22	+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 – South Australia

Last quarter was a brighter one for SMBs in SA and expectations for the current quarter are positive and mostly higher.

- There was a 10 point lift in confidence to +36. SA remains well behind the national average however this is the highest level of confidence recorded since December 2013.
- The leading drivers of confidence are being an established, solid business and having specific business strengths. The greatest concern was falling sales followed by an unfavourable business environment.
- Last quarter, all key indicator results improved with the balances for sales, employment and wages becoming positive. Profitability remained negative but only marginally, with strong price growth seen.
- For this quarter, expectations are positive and higher for each key indicator other than sales, which was steady.
- The SA Government's popularity improved to +26, however it is still by far the lowest score in Australia. The cost of utilities and power is the main issue, followed by there being too many costs and charges.

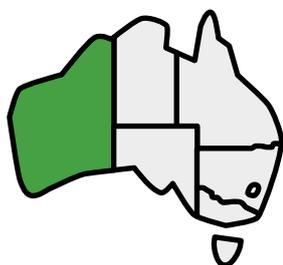
Trends in the past three months' experience and current expectations – South Australia

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	54%	47%	51%	49%	54%
Negative	23%	15%	21%	23%	18%
*Net Balance	+31	+32	+30	+26	+36

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	+6	-3	+5	+35	+7	+7
Employment	+3	-6	+8	+11	+8	+10
Wages	+9	-5	+15	+18	+10	+13
Prices	+13	+1	+18	+15	+11	+23
Profitability	-3	-8	-1	+28	+2	+6

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

** This is for the last 3 months.



Small and medium business outlook – Western Australia

WA was the only state or territory where small business confidence did not rise. Last quarter proved challenging but expectations for all key performance indicators improved and were positive.

- Confidence in WA was unchanged at +32, which is 14 points under the national average. This was the only state or territory where confidence did not rise this quarter.
- For worried SMBs, an unfavourable business environment and decreasing sales were widely mentioned, while for positive businesses, the primary factor was being an established, solid business.
- Last quarter, all key indicator performances were well below average with sales and profitability remaining negative and employment moving into negative territory.
- For this quarter, all key indicator expectations became more positive but trail the national average in each case.
- Support for the WA Government decreased 11 points to a net balance of -11. Those with a positive view believe the WA Government is supportive and trying to help small business. The major criticism is a belief the Government is only concerned with the interests of big business, followed by the cost of utilities, power and other charges.

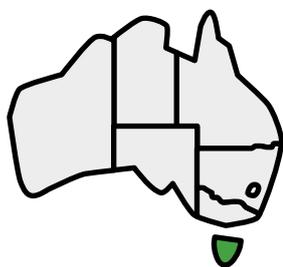
Trends in the past three months' experience and current expectations – Western Australia

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	40%	44%	49%	58%	52%
Negative	30%	23%	28%	26%	20%
*Net Balance	+10	+21	+21	+32	+32

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	-5	-18	-4	+22	+9	+16
Employment	-4	0	-5	-2	+2	+7
Wages	+1	+1	+3	+6	+5	+14
Prices	+6	+3	+7	+15	+8	+15
Profitability	-22	-19	-15	+12	+7	+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 – Tasmania

Confidence was up and remains above the national average in Tasmania. A good last quarter has fostered bright expectations on key performance indicators. The Tasmanian Government is easily the most popular in the nation among SMBs.

- Confidence was eight points higher this survey at +50, which is four points above the national average.
- Being an established business, followed by having healthy sales were the main reasons for confidence. SMBs who are worried highlighted falling sales ahead of unfavourable government policy and competitive pressures.
- Last quarter, the net balances for each key performance indicator improved, moving out of negative territory for sales, profitability, employment and wages.
- Expectations this quarter are positive for each key indicator and highest of all for sales and wages.
- SMB support for the Tasmanian Government's policies increased seven points to +16, which makes it the most popular state or territory government. Those with a favourable opinion mentioned the employment and training schemes on offer, while the most prominent criticism was poor decision-making.

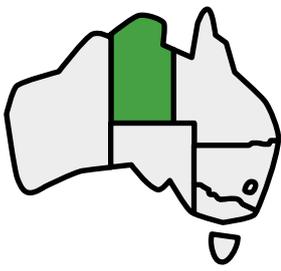
Trends in the past three months' experience and current expectations – Tasmania

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	63%	57%	58%	54%	62%
Negative	11%	19%	15%	12%	12%
*Net Balance	+52	+38	+43	+42	+50

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	-7	-5	+4	+25	+14	+36
Employment	-9	-7	+1	+13	+6	+9
Wages	+13	-7	+14	+24	+22	+20
Prices	+12	+13	+18	+10	+11	+21
Profitability	-11	-4	+3	+21	+10	+20

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

** This is for the last 3 months.



Small and medium business outlook – Northern Territory

Confidence increased but remains the lowest recorded in Australia. Expectations on key indicators are mostly negative.

- Confidence increased 17 points to +26, however the NT is still the least confident state or territory.
- Declining sales dominated the reasons given by SMBs who are worried while being an established, solid business and having specific business strengths were the most influential factors for those who are positive.
- Last quarter, key indicator performances improved but remained negative for profitability and were neutral for sales. Employment was the exception, going backwards.
- This quarter, expectations for all performance indicators are weaker and negative for each indicator except prices.
- SMB support for the NT Government fell 18 points to a neutral balance. It was previously the most popular Government in the nation. Those who are positive mentioned small business management training schemes and financial support as the key factors. The main criticisms were that Government policies work against small business interests and there being a lack of incentives.

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

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	44%	48%	47%	40%	49%
Negative	35%	32%	29%	31%	23%
*Net Balance	+9	+16	+18	+9	+26

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	-9	-20	0	+2	+13	-3
Employment	-21	+8	+1	0	+2	-4
Wages	-13	0	+11	-3	+6	-8
Prices	0	+2	+16	+15	+18	+9
Profitability	-21	-22	-2	-9	+16	-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 – Australian Capital Territory

Confidence increased, consolidating the ACT's leadership on this measure.

- A rise of eight points in net confidence to +60 kept the ACT in a strong leadership position.
- Specific business strengths drove confidence with increasing sales also influential. For the worried SMBs, sales weakness dominates the concerns identified.
- Last quarter, all key indicator performances were positive and marginally higher for sales, with wage rises more widespread. The balances for employment and prices fell, with no change recorded for profitability.
- Expectations for this quarter on all key indicators remain optimistic, especially for sales and profitability.
- The ACT Government's rating dropped 12 points to +3. Easing of regulations was the leading reason given by those with a positive opinion. The main criticisms were excessive bureaucracy and payroll tax.

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

Confidence in own business prospects in next 12 months	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Positive	55%	61%	73%	65%	67%
Negative	20%	25%	9%	13%	7%
*Net Balance	+35	+46	+64	+52	+60

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Sep 2016	Jun 2017	Sep 2017	Sep 2016	Jun 2017	Sep 2017
Sales	+1	+7	+8	+27	+29	+34
Employment	+3	+7	+1	+11	+11	+7
Wages	-4	0	+15	+20	+15	+12
Prices	+13	+13	+11	+17	+24	+23
Profitability	-2	+4	+4	+27	+29	+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.

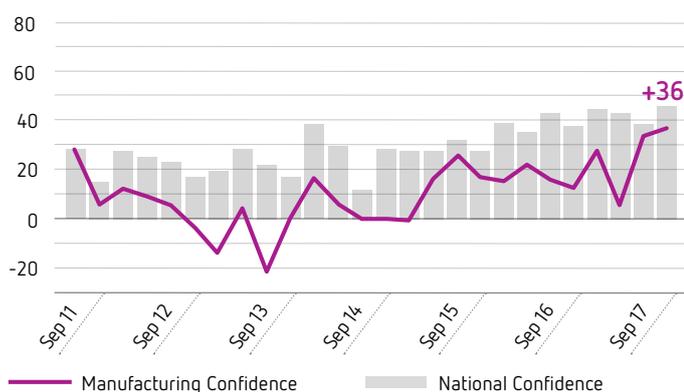
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Industry snapshots

Manufacturing

Manufacturing Confidence



Key indicator results improved last quarter and expectations this quarter will also be positive.

Confidence in this sector improved four points this quarter to a net balance of +36. This is 10 points behind the national average.

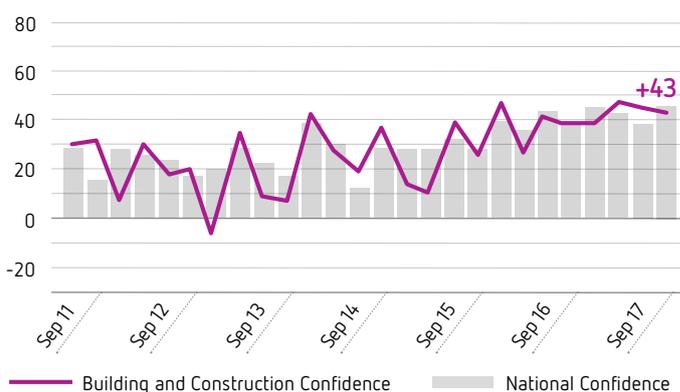
Lower sales were mentioned most by those who are worried. The main driver of confidence was being an established, solid business, followed by healthy sales.

Last quarter, sales (+8) became positive, as did wages (+10) with prices (+11) and profitability (0) also moving out of negative territory. The employment balance was -2.

This quarter, the outlook is strong for all key indicators, especially sales (+42), wages (+32) and profitability (+33), with employment (+24) also above average. The balance for prices was two points under the national average at +13.

Building and Construction

Building and Construction Confidence



This sector was close to the national average in terms of business confidence, key indicator results and expectations.

Confidence was one point lower at +43, which leaves this industry three points below the national average.

Being an established, solid business and healthy sales have driven confidence, while declining sales and an unfavourable business environment are equally influential concerns.

Last quarter, net balances for key indicators other than profitability (-1) were positive and around the national average: employment (+4), sales (+5), wages (+10) and prices (+19).

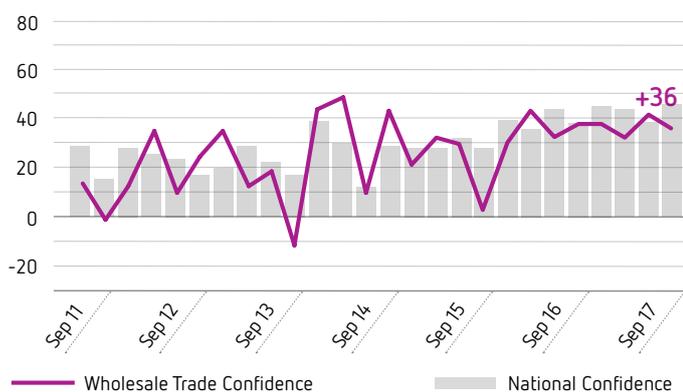
This quarter, SMBs in Building and Construction are among the least positive in their expectations for sales (+10), but around the national average for prices (+20), wages (+14), profitability (+14) and employment (+12).

Industry snapshots



Wholesale Trade

Wholesale Trade Confidence



Confidence was below average in this sector despite being one of the better performers on most key indicators last quarter and displaying the most positive sales expectations.

Confidence fell five points and the net balance of +36 trails the national average by 10 points.

Among confident wholesalers, being an established solid business and growing sales were mentioned ahead of other factors as the causes for optimism. Those who are worried identified falling sales, economic weakness and uncertainty as their main concerns.

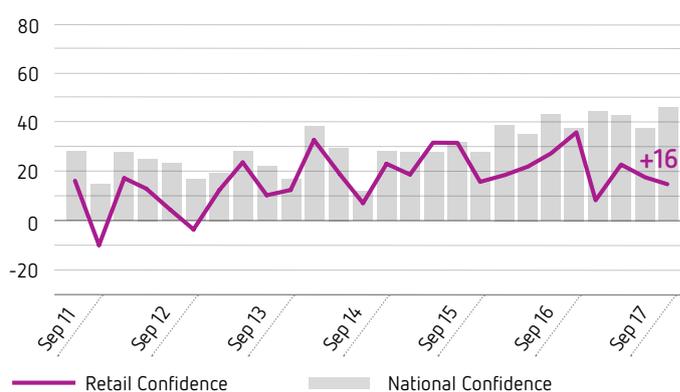
This sector was among the better performers last quarter for profitability (+4), sales (+13), prices (+22) and wages (+31), but it was well under the average for employment (-7).

Current quarter expectations are highest of all for sales (+43) and prices (+34) and well above average for wages (+29), profitability (+24) and employment (+18).



Retail Trade

Retail Trade Confidence



This is by far the least confident sector. Last quarter sales and profitability results were again weakest by industry. Expectations are positive but all under the average for each key indicator.

Confidence fell one point to +16, which is 30 points under the average and keeps Retail as the least confident industry.

An unfavourable business environment is the leading cause of pessimism, with lower sales and cost pressures also influential. Being an established, solid business, having specific business strengths and a favourable business environment each played a role in influencing those retailers expressing confidence.

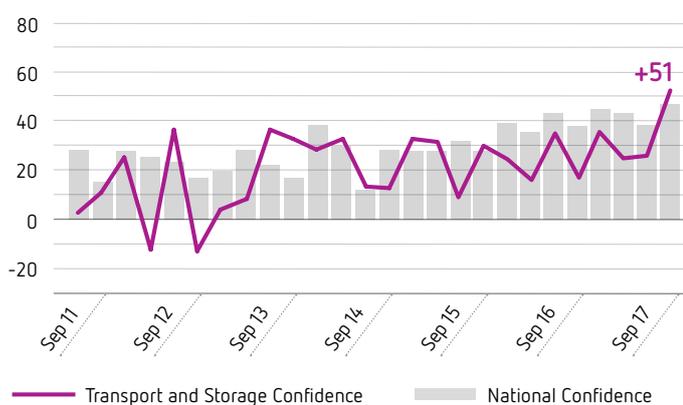
Last quarter, the balances recorded for profitability (-20), and sales (-9) were the weakest across the sectors. Retailers were also negative on the employment indicator (-1) but above average for prices (+22) and wages (+19).

Key indicator expectations for the current quarter are all positive but well below average for profitability (+6), employment (+5) and prices (+14). The sales (+19) and wages (+15) indicators are only one point below average.

Industry snapshots

Transport and Storage

Transport and Storage Confidence



Volatility has characterised this sector for a long time. Confidence has greatly improved, moving above the national average even though last quarter was difficult.

Confidence doubled from +25 to +51, which lifted it above the national average of +46.

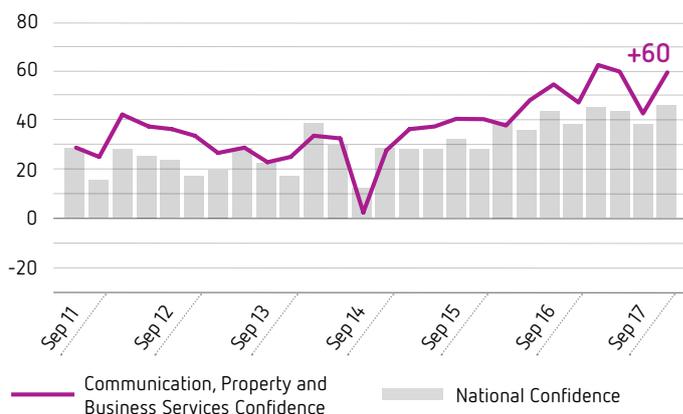
Growing sales, followed by initiatives taken were the two leading reasons for confidence in this sector. Falling sales were the leading issue for those who are worried.

Last quarter, there were negative balances recorded for sales (-16) and profitability (-11). The net balances for prices (+5) and wages (+1) were positive but well below average. The result for employment was highest of all (+8).

Expectations this quarter are all positive and near the average for sales (+18), profitability (+17) and prices (+19). The net balance score exceeds the average for employment (+18), but is well below for wages (+6).

Communication, Property and Business Services

Communication, Property and Business Services Confidence



Confidence rose significantly lifting this sector well above average. Last quarter was solid and key indicator expectations are strong.

Confidence increased by 18 points to +60, which places this sector well above the national average.

Confidence was again driven by being an established, solid business above other factors. Those who were worried nominated lower sales as the key issue.

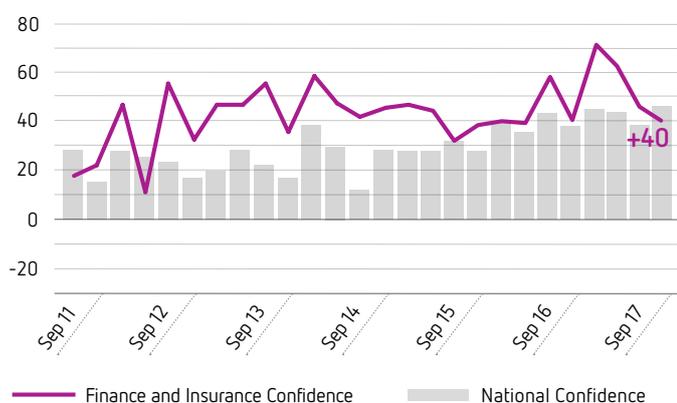
Last quarter, results for key indicators were at or better than the national average: prices (+18), wages (+15), sales (+11), profitability (+1) and employment (+3).

This quarter's expectations are also at or above the average for each key indicator: prices (+23), sales (+20), wages (+20), employment (+18) and profitability (+17).

Industry snapshots

Finance and Insurance

Finance and Insurance Confidence



Despite a strong quarter, confidence has fallen in this sector and weak performances are expected in key indicators other than prices.

Net confidence dropped six points to +40, which has taken this sector under the national average for the first time in over five years.

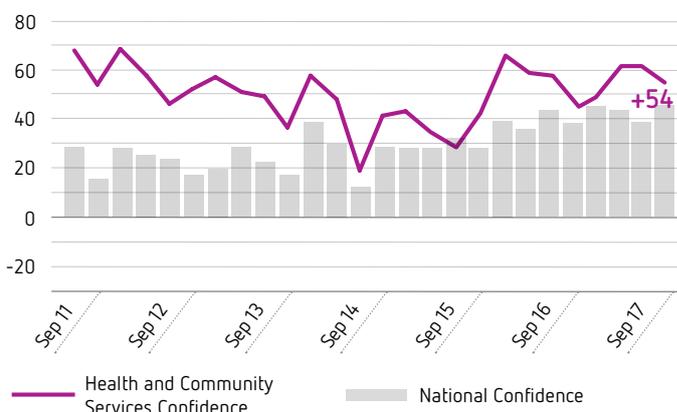
Falling sales were the main concern of worried SMBs in this industry. Being an established, solid business dominated the reasons given for confidence.

Last quarter was a good one for SMBs in Finance and Insurance. The balances recorded for sales (+17) and profitability (+14) were highest of all, while positive results were seen for prices (+8), wages (+6) and employment (+5).

Apart from prices (+18) there is a lack of optimism about all of the key indicators this quarter: sales (+3), profitability (-1), wages (-2) and employment (-1).

Health and Community Services

Health and Community Services Confidence



Business confidence fell but still remains high. This sector was also one of the better performers on key indicators last quarter and more upbeat than most about the coming quarter.

Confidence fell by seven points however the net balance of +54 exceeds the national average by eight points.

Being an established solid business, having specific business strengths and healthy sales are the major drivers of confidence. Decreasing sales dominated the issues raised by the few worried SMBs in this industry.

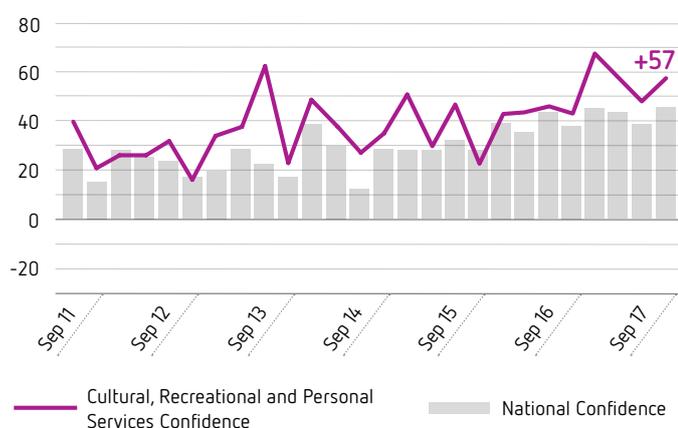
Last quarter, key indicator performances were better than the average for prices (+26), sales (+10) and profitability (+12). They were one point under the average for wages (+10) and employment (+1).

For this quarter, all key performance indicator expectations are positive and above average for sales (+33), profitability (+30), prices (+28) and wages (+19), with employment (+12) equal to the average.

Industry snapshots

Cultural, Recreational and Personal Services

Cultural, Recreational and Personal Services Confidence



Confidence improved even though last quarter was challenging. However, for this quarter key indicator expectations are positive, especially for sales and profitability.

Net confidence increased eight points to +57, which is 11 points above the national average.

Falling sales were the main cause of concern for worried SMBs. Having specific business strengths and being an established, solid business were equally influential as the primary causes of confidence.

Last quarter saw below average performances for sales (+2), wages (+3) and profitability (-11). The results for employment (+7) and prices (+22) were among the best.

This quarter, expectations are positive on all key indicators and above average for sales (+22) and profitability (+28). The other indicator balances were: prices (+14), wages (+13) and employment (+7).

Hospitality (Accommodation, Cafes and Restaurants)

Hospitality (Accommodation, Cafes and Restaurants) Confidence



The Hospitality sector enjoyed a massive increase in confidence and became the leader on this measure. Last quarter sales performance was good and this quarter expectations remain positive.

Confidence in the Hospitality sector almost tripled with the net balance jumping from +21 to +62. This is now the most confident sector.

Specific business strengths followed by having an established, solid business drove confidence, while an unfavourable business environment is the key issue for those who are worried.

Last quarter sales (+12) were relatively good but profitability (-3) and employment (-5) balances were negative. Other key indicator results were positive: prices (+23) and wages (+7).

This quarter, expectations are positive and above average for all key indicators except profitability (+14). The balances recorded for the other indicators were: prices (+28), sales (+22), wages (+22) and employment (+14).

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- Innovation – March 2001
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- Attitudes to Changes in FBT – July 1999
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