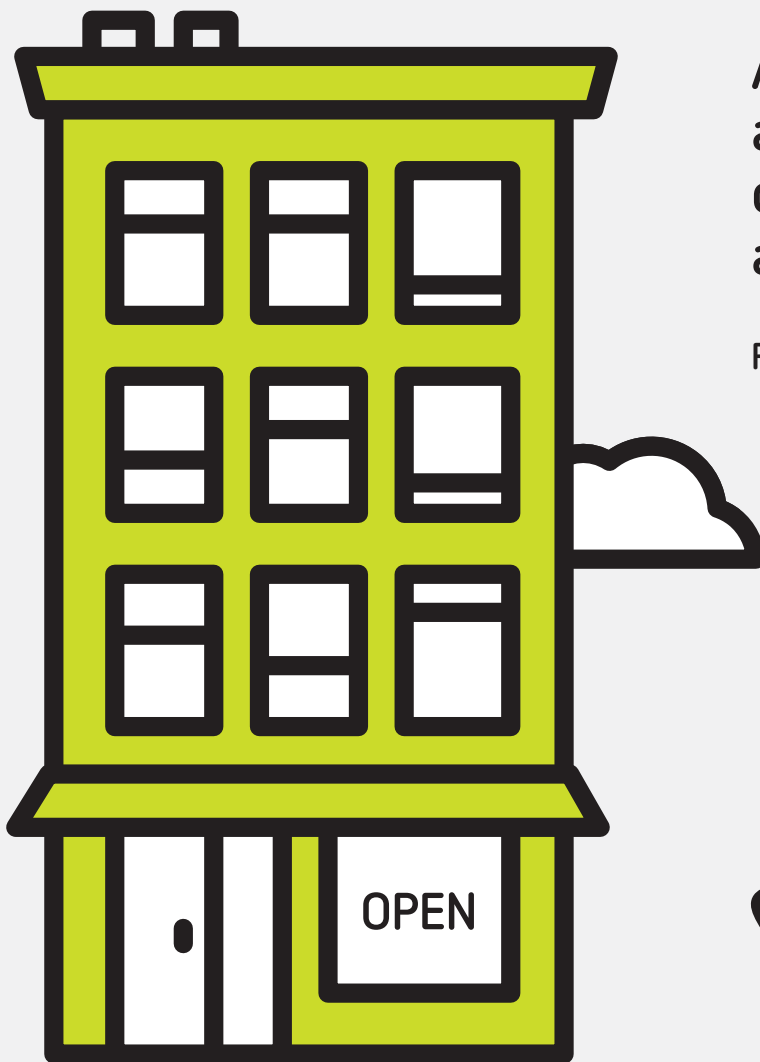


# Sensis Business Index March 2018

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


Released 17 April 2018



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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. As Australia's #1 marketing services company, we engage consumers with Australian businesses. We make this happen through a number of leading brands - Yellow Pages, White Pages, TrueLocal, 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 March Quarter 2018 is the 100th survey in this series. It is based on 1,002 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 January 15 to February 2, 2018. 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 is 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 (non-operating and/or 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.

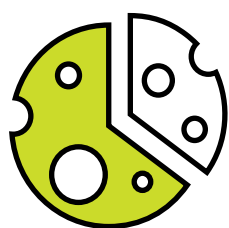
## Location of business

	Metro	Regional	Total
New South Wales	110	60	170
Victoria	110	60	170
Queensland	90	80	170
South Australia	90	36	126
Western Australia	91	35	126
Tasmania	40	40	80
Northern Territory	40	40	80
Australian Capital Territory	80	-	80
<b>Total</b>	<b>651</b>	<b>351</b>	<b>1,002</b>

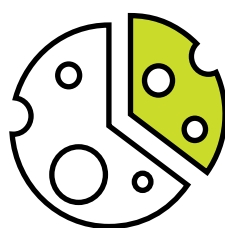
## Industry sector

Manufacturing	111
Building and Construction	139
Wholesale Trade	73
Retail Trade	141
Accommodation, Cafes and Restaurants	60
Transport and Storage	59
Finance and Insurance	84
Communications, Property and Business Services	182
Health and Community Services	72
Cultural, Recreational and Personal Services	81
<b>Total</b>	<b>1,002</b>

## Business location



**65%**  
Metro

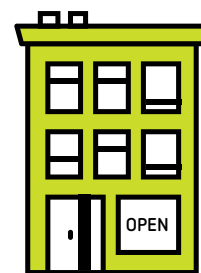


**35%**  
Regional

## Business size



**90%**  
Small  
(1-19 employees)



**10%**  
Medium  
(20-199 employees)

# Foreword

---

It has been a strong start to 2018 for Australia's small and medium businesses, with confidence remaining the same as last quarter with a net balance of +42 – the equal third highest level since March 2011.

These results are being driven in part by the upswing in confidence levels in the manufacturing industry, which recorded a 20 point increase, returning a net score of +55 – the highest level since our available records in 2008. This is also only the second time in the past 10 years that manufacturing confidence has outpaced overall business confidence levels.

Across Australia results were mixed, with confidence rising in the ACT (up two points to +54 which is equal highest in the nation with Tasmania), Victoria (up six points to +49) and SA (up two points to +36). The other states and territories all recorded drops. Confidence in Queensland dropped two points to +41, which is one point below the national average. Things look more worrying in WA, which dropped seven points to +24, and the Northern Territory which dropped 10 points to +2 – one of the lowest scores we have on record.

While business confidence was split between east and west, the overall assessment of the economy improved for the fourth quarter in succession across Australia, and is at the highest level recorded since December 2010. Three in ten SMBs believe it is growing (30%) which is more than twice the proportion who feel it is slowing (13%). The net balance of +17 is three points higher than last survey and 15 points greater than one year earlier.

Looking ahead, optimism around the economy remains firm, with 27% of small and medium businesses thinking the economy will be better off in 12 months' time, compared to 15% who believe it will worsen. While the proportion of businesses that think the economy will be better off is down 6 points from last quarter, optimism scores are among the highest since December 2013.

Views of the Federal Government have shifted back into positive territory, after turning negative in the previous quarter. 22% of



small businesses regard Federal Government policies as supportive of SMBs whereas 19% do not. The net balance of +3 is six points higher than in the previous survey and five points above the result recorded one year ago.

The manufacturing industry has really led the way in the first quarter of 2018. Let's hope that such positive business confidence spreads through other industries in the next.

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

# Executive summary

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## Historical trends and overall SMB highlights

*SMB confidence was unchanged remaining at one of the better levels observed since 2011. Assessments of the economy have not been bettered in over seven years and are expected to stay strong throughout this year. Last quarter, key indicator performances reflected soft conditions, but most SMBs expect the current quarter to be a good one.*

The key findings of the Sensis Business Index for March Quarter 2018 are:

- SMB confidence was unchanged with a net balance of +42. This equals the third highest level of confidence recorded since March 2011.
- Confidence was higher in the ACT (up two points to +54 which is equal highest in the nation with Tasmania), Victoria (up six points to +49) and SA (up two points to +36). Lower balances were recorded elsewhere but remained above average in Tasmania (down six points to +54) and NSW (down three points to +43). Queensland (down 2 points to +41) was only one point under the average. Confidence reached one of the lowest levels recorded in the NT at +2 (down 10 points) and SMBs in WA also found business conditions tougher than most recording a net balance of +24 (down seven points).
- The overall assessment of the economy improved for the fourth quarter in succession and is at the highest level recorded since December 2010. Three in ten SMBs believe it is growing (30%) which is more than twice the proportion who feel it is slowing (13%). The net balance of +17 is three points higher than last survey and 15 points greater than one year earlier. SMBs are still optimistic about the economy in 12 months' time, although the net balance of +12 fell four points. However, this is still among the better scores recorded in the last four years.
- Last quarter, the wages balance rose but the other key performance indicator results were lower and in negative territory for employment and profitability. Despite the softer conditions just experienced, expectations for the current quarter are positive on all key performance indicators and improved for sales and profitability.
- A lack of work or sales is the main barrier to taking on staff, which has been the case for quite some time.
- Opinions of the Federal Government shifted back into positive territory with the net balance rising six points to +3. The belief that it supports small business and tax-related reasons are again the factors impacting most on positive perceptions. Too much bureaucracy followed by excessive focus on big business were the leading criticisms.
- Three state and territory governments were not negatively rated - those in Tasmania (up six points to +19), the ACT Government (up 21 points to +9) and NSW (up four points to +5). The NT Government lost substantial support with the net balance 18 points lower at -8. The SA Government (up 11 points to -19) was joined by the Queensland Government (down eight points to -19) as the least popular in the nation among SMBs. The other net balances were -8 in Victoria (up four points) and -15 in WA (down nine points).

# Executive summary

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## Metropolitan versus regional

*Confidence was marginally higher among metropolitan SMBs but slightly lower in regional areas, increasing the gap in favour of the former. This is despite regional areas recording better key indicator results last quarter than their metropolitan counterparts and generally being more positive about this quarter. The explanation appears to lie in a much more positive assessment of the economy for 2018 by metropolitan based SMBs, who are also more inclined to regard Federal Government policies as supportive.*

Key findings relating to metropolitan and regional businesses included:

- In metropolitan locations, confidence was one point higher at +47 but three points lower in regional SMBs at +34. Previously, the gap favouring metropolitan areas was nine points but now it is 13 points.
- Metropolitan SMBs (+20) are more positive about the current state of the economy than regional SMBs (+12). This is even more likely to be the case concerning prospects for the economy in one year's time (+21 versus 0).
- Last quarter, regional SMBs performed better than regional SMBs on all five key indicators - sales (+6 and -1 respectively), employment (+1 and -4), wages (+13 and +11), prices (+9 and +7) and profitability (+3 and -4).
- For the current quarter, key indicator expectations are higher among metropolitan SMBs only for employment (+8 versus +5). The other indicator balances were as follows - sales (+23 metropolitan versus +27 regional,) profitability (+17 versus +25), wages (+13 versus +15), prices (+16 versus +23).
- Metropolitan SMBs regard Federal Government's policies for small business more favourably than those in regional areas with net balances of +5 and 0 respectively.

# Executive summary

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## Industry sector trends

*Confidence is strong in most sectors. Retail Trade, Transport and Storage and Hospitality were the exceptions, but even in those industries the outlook is more positive than otherwise. Manufacturing has enjoyed one of its best quarters for some time and its immediate prospects appear bright.*

- Confidence lifted in six sectors and is close to, or above, the national average in seven. Only in Retail (up six points to +19), Transport and Storage (down three points to +21) and Hospitality (down 16 points to +28) is the confidence level under +40. The biggest improvement was in Manufacturing where a 20-point rise saw confidence reach the second highest level of +55. This is only one point behind the leader, Communications, Property and Business Services (up two points to +56). Third place is held by Building and Construction (up one point to +48). Close behind, and still above average was the Cultural, Recreational and Personal Services sector which saw its previously very high balance of +67 reduced to +46. The Health and Community Services sector improved four points to +42. This equals the national average, while Wholesale Trade (up one point to +41) and Finance and Insurance (down four points to +40) were next on the rankings.
- Sales balances last quarter were as high as +18 in Manufacturing and +15 in Cultural, Recreational and Personal Services but as low as -15 in Hospitality. Retail Trade (-11) also struggled. Negative balances were also recorded in Transport and Storage (-1) and Communications, Property and Business Services (-2).
- The best profitability result last quarter was in Manufacturing (+11) - clearly ahead of Cultural, Recreational and Personal Services (+3). The next best balance recorded was +1 in Finance and Insurance, Transport and Storage, Building and Construction and Health and Community Services. SMBs in Retail Trade (-18), Wholesale Trade (-8) and Hospitality (-6) struggled the most with profitability.
- For this quarter, positive expectations prevail for all five key performance indicators. The lowest balance for sales expectations was +8 in Transport and Storage but in other sectors this ranged from +16 in Building and Construction to +36 in Manufacturing. The highest balance recorded for profitability expectations this quarter was +35 in both Manufacturing and Hospitality. At the low end for profitability expectations were Transport and Storage (+8) and Wholesale Trade (+9)). For prices, expectations range from +11 in Health and Community Services to +32 in Manufacturing and the Cultural, Recreational and Personal Services sector. The highest balance for employment occurred in Communications, Property and Business Services (+17) with Retail Trade recording the lowest score (-5). The wages balances ranged from +1 in Retail to +23 in Cultural, Recreational and Personal Services.



# SMB business cycle analysis

*SMBs continue to profess widespread belief in the economy and their prospects.*

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

Last quarter, key indicator performances were generally not inspiring but expectations for this quarter are optimistic with the economy considered more robust than at any time in recent years.

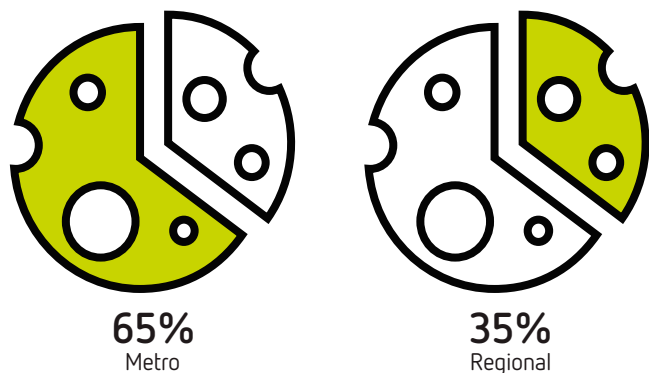
	Results for this quarter	Expectations for next quarter	Expectations for the next 12 months
<b>Business confidence</b>	NA	NA	Unchanged, still high optimism
<b>Economy</b>	Higher, more positive	NA	Lower but still optimistic
<b>Sales</b>	Marginally less positive	More optimistic	NA
<b>Employment</b>	Marginally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

# SBI Snapshot

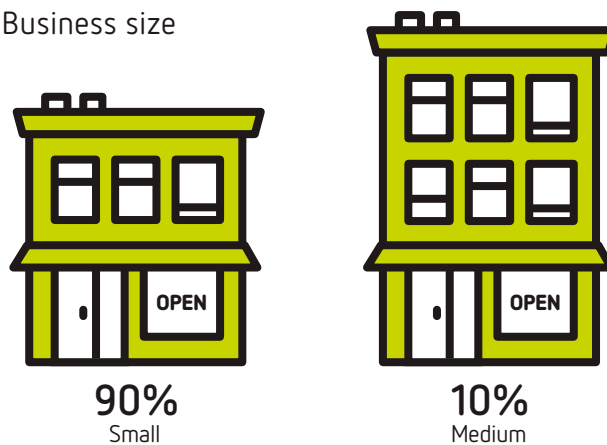
The Sensis Business Index has tracked the confidence and behaviour of Australia’s small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

## Who did we survey?

Business location



Business size



## What did they tell us?

SMBs are feeling confident



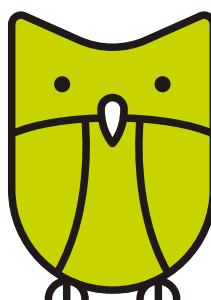
## SMB confidence by state



Tasmania +54 (↓6)
Australian Capital Territory +54 (↑2)
Victoria +49 (↑6)
New South Wales +43 (↓3)
<i>National average +42 (0)</i>
Queensland +41 (↓2)
South Australia +36 (↑2)
Western Australia +24 (↓7)
Northern Territory +2 (↓10)



Net confidence remained at  
**+42 points**  
 No change from last quarter



# SBI Snapshot

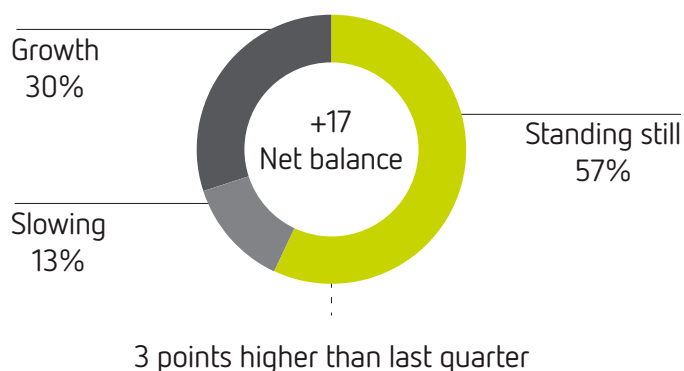
## SMB confidence by sector



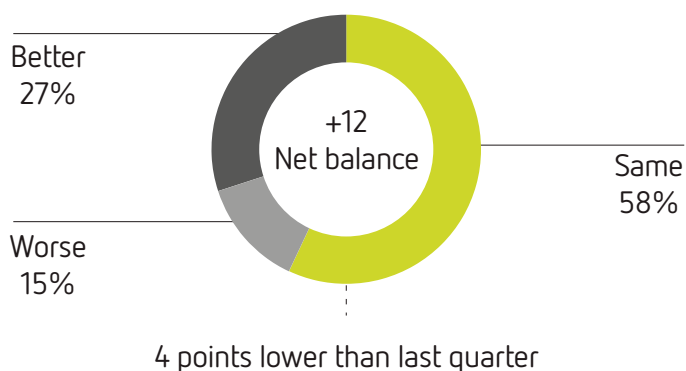
Communication Property and Business Services (+56 ↑ 2)
Manufacturing (+55 ↑ 20)
Building and Construction (+48 ↑ 1)
Cultural, Recreational and Personal Services (+46 ↓ 21)
Health and Community Services (+42 ↑ 4)
National average (+42 0)
Wholesale Trade (+41 ↑ 1)
Finance and Insurance (+40 ↓ 4)
Hospitality (+28 ↓ 16)
Transport and Storage (+21 ↓ 3)
Retail Trade (+19 ↑ 6)



### 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 quarter
Sales	+2	+24	↑ 6
Employment	-2	+7	0
Wages	+12	+14	↓ 2
Prices	+8	+19	↑ 5
Profitability	-2	+20	↑ 4
Capital expenditure	NA	NA	NA

• 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 three months.  
 • The expectation results are for the next 12 months. For the first three surveys of the year the expectation results relate to the next three months but the December quarter 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

*SMB confidence was unchanged, remaining strong.*

## Key findings

The confidence level of Australian SMBs remains high. For the past two years, the net balance has ranged from +35 to +46 and has been no lower than +42 in the last three quarters.

## Last quarter

The net balance remained unchanged at +42, with 59% of SMBs feeling confident about their prospects for the year ahead and 17% feeling worried.

Three factors stood out to a similar degree in generating confidence - healthy or growing sales, businesses feeling positive that they are an established or solid firm and having specific strengths.

Once again, the most mentioned concern is weak sales with competitive and cost pressures also impactful.

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

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

This quarter, SMB views on the current state of the Australian economy continued an upward trend, reaching the highest level recorded since December 2010. Their expectations for future economic growth have eased but are still among the highest observed in the last four years.

## Overall confidence – March Quarter 2018

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

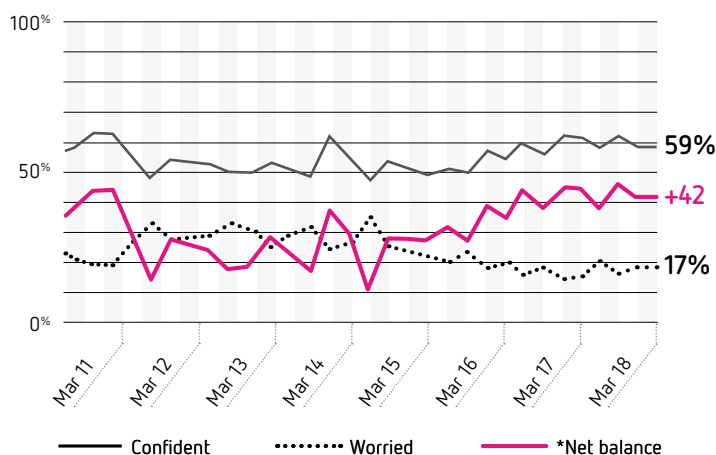
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	12%	14%	12%
Fairly confident	47%	47%	47%
Neutral	25%	21%	25%
Fairly worried	13%	14%	13%
Extremely worried	4%	4%	4%
<b>Total confident</b>	<b>58%</b>	<b>61%</b>	<b>59%</b>
<b>Total worried</b>	<b>17%</b>	<b>17%</b>	<b>17%</b>
<b>*Net Balance</b>	<b>+42</b>	<b>+44</b>	<b>+42</b>

Note: rounding occurs

## Confidence trends – past five quarters

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Confident	60%	57%	61%	59%	59%
Worried	16%	18%	15%	17%	17%
<b>*Net Balance</b>	<b>+44</b>	<b>+39</b>	<b>+46</b>	<b>+42</b>	<b>+42</b>

## Long term trends in confidence



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

# Confidence by state and territory, sector and size

*Confidence fluctuated across locations and industries but stayed high in most segments.*

## Key findings

Net confidence remained positive in all states and territories, lifting in Victoria, SA and the ACT while falling elsewhere.

Regional SMBs (down three points to +34) remained less confident than their metropolitan counterparts (up one point to +47).

In locations other than SA and the NT, confidence is higher in metropolitan areas than regional areas. By industry, only Hospitality (+28), Transport and Storage (+21) and Retail (+19) recorded a net confidence level lower than +40. The highest confidence score was observed in Communications, Property and Business Services at +56. Small firms indicate high confidence but are again behind medium size firms on this measure, albeit marginally.

## Last quarter

Confidence ranges from +54 in both Tasmania (down six points) and the ACT (up two points) to +2 in the NT (down 10 points). Above average confidence was also recorded in Victoria (up six points to +49) and NSW (down three points to +43). One point under the average was Queensland (down two points to +41). A fall was also seen in WA (down seven points to +24) while SA improved (up two points to +36).

Capital city confidence is again highest in Hobart (down 3 points to +62) followed by Brisbane (up nine points to +61), the ACT (up two points to +54) and Sydney (down two points to +52). Other cities trail the metropolitan average of +47 - Perth (down 14 points to +25), Darwin (down 13 points to +2) and Adelaide (up six points to +35).

Regional confidence is above average in Tasmania (down seven points to +50), Victoria (up two points to +48) and SA (down five points to +39). Regional areas of NT (down eight points to +2) and WA (up 16 points to +20) continue to be well behind the regional average of +34. There was a three-point fall in Regional NSW to +31, with Regional Queensland also falling below the average (down eight points to +27).

Medium-sized businesses are slightly more confident (down five points to +44) than small firms (still at +42).

By industry, confidence remains lowest in Retail (up six points to +19) and well below average in Transport and Storage (down three points to +21), with quite a big fall occurring in Hospitality (down 16 points to +28). It is highest in Communications, Property and Business Services Personal Services (up two points to +56) with a 20-point rise in Manufacturing to +55 taking that sector into second place.

# Confidence by state and territory, sector and size

## Trends by state – \*net balance

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>National</b>	<b>+44</b>	<b>+39</b>	<b>+46</b>	<b>+42</b>	<b>+42</b>
New South Wales	+51	+46	+50	+46	<b>+43</b>
Victoria	+49	+40	+50	+43	<b>+49</b>
Queensland	+44	+35	+42	+43	<b>+41</b>
South Australia	+30	+26	+36	+34	<b>+36</b>
Western Australia	+21	+32	+32	+31	<b>+24</b>
Tasmania	+43	+42	+50	+60	<b>+54</b>
Northern Territory	+18	+9	+26	+12	<b>+2</b>
Australian Capital Territory	+64	+52	+60	+52	<b>+54</b>

## Metro and regional confidence – \*net balance

	Metro	Regional	Total
<b>National</b>	<b>+47</b>	<b>+34</b>	<b>+42</b>
New South Wales	+52	+31	<b>+43</b>
Victoria	+49	+48	<b>+49</b>
Queensland	+61	+27	<b>+41</b>
South Australia	+35	+39	<b>+36</b>
Western Australia	+25	+20	<b>+24</b>
Tasmania	+62	+50	<b>+54</b>
Northern Territory	+2	+2	<b>+2</b>
Australian Capital Territory	+54	NA	<b>+54</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>59%</b>	<b>17%</b>	<b>+42</b>
1-2 Employees	46%	20%	+26
3-4 Employees	71%	15%	+56
5-9 Employees	61%	13%	+48
10-19 Employees	72%	14%	+58
<b>Total Small Business</b>	<b>58%</b>	<b>16%</b>	<b>+42</b>
20-99 Employees	61%	17%	+44
100-199 Employees*	67%	20%	+47
<b>Total Medium Business</b>	<b>61%</b>	<b>17%</b>	<b>+44</b>

Note: rounding occurs.

\*Note: sample size only 8.

## Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	68%	13%	<b>+55</b>
Building and Construction	63%	15%	<b>+48</b>
Wholesale Trade	57%	16%	<b>+41</b>
Retail Trade	46%	27%	<b>+19</b>
Transport and Storage	51%	30%	<b>+21</b>
Communication Property & Business Services	66%	10%	<b>+56</b>
Finance and Insurance	53%	13%	<b>+40</b>
Health and Community Services	56%	14%	<b>+42</b>
Cultural, Recreational & Personal	57%	11%	<b>+46</b>
Accommodation, Cafes & Restaurants	53%	25%	<b>+28</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 views of the economy are the most positive recorded in more than seven years.

## Key findings

Last quarter, SMB assessments of the current state of the economy became the most positive recorded since December 2010 and they were bettered this survey. Their expectations for the year ahead eased but from the highest level observed since December 2013.

## Last quarter

SMB assessments of whether the economy is growing or slowing down continue to improve with the net balance rising from +14 to +17. This is the sixth quarter in succession a positive balance has been observed. The last time a more favourable assessment occurred was in December 2010 (+23).

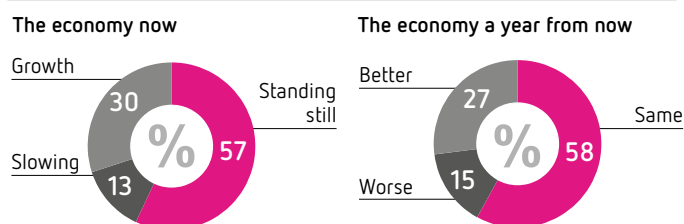
Perceptions improved in all locations but the NT (down 15 points to the only negative balance recorded of -19) and Tasmania where it remains highest despite a seven-point fall to +24. NSW (up three points to +21), Victoria (up six points to +19) and the ACT (up nine points to +20) join Tasmania with an above average balance.

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

Views about the economy in a year's time were four points lower with the net balance registering +12. This remains among the more positive results since December 2013, when it was +39.

The most optimistic state is again WA (down three points to +29). The lowest balance was recorded in Tasmania (down 12 points to +2) and the NT (unchanged at +2). In other states, the balance ranges from +8 in Queensland (down nine points) and SA (down three points) to +14 in NSW (up one point). In Victoria there was a seven-point fall to +9 while a two-point rise saw the balance in the ACT reach +10.

There is a 21-point gap between metropolitan (unchanged on +21) and regional SMBs (down 10 points to 0) on this measure.



## Perceptions of the economy – trends

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>The economy now</b>					
Growth	19%	20%	25%	29%	30%
Slowing	17%	19%	16%	15%	13%
<b>*Net Balance</b>	<b>+2</b>	<b>+1</b>	<b>+9</b>	<b>+14</b>	<b>+17</b>
<b>The economy a year from now</b>					
Better	28%	27%	31%	33%	27%
Worse	18%	18%	15%	17%	15%
<b>*Net Balance</b>	<b>+10</b>	<b>+9</b>	<b>+16</b>	<b>+16</b>	<b>+12</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	36%	31%	24%	21%	29%	34%	15%	30%
Slowing	15%	12%	10%	17%	18%	10%	34%	10%
<b>*Net Balance</b>	<b>+21</b>	<b>+19</b>	<b>+14</b>	<b>+4</b>	<b>+11</b>	<b>+24</b>	<b>-19</b>	<b>+20</b>
<b>The economy a year from now</b>								
Better	31%	23%	22%	22%	45%	18%	26%	22%
Worse	17%	14%	14%	14%	16%	16%	24%	12%
<b>*Net Balance</b>	<b>+14</b>	<b>+9</b>	<b>+8</b>	<b>+8</b>	<b>+29</b>	<b>+2</b>	<b>+2</b>	<b>+10</b>

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



# Concerns

A lack of work or sales has been joined by finding and keeping staff as the leading concern of SMBs.

## Key findings

Just over four in ten SMBs (42%) claimed that their business faces no major problems, which compares with slightly more than half last survey (51%). Lack of work or sales has consistently been the number one concern, but this time difficulties in finding and keeping staff received equal mentions.

## Last quarter

A lack of work or sales was mentioned by 11% as a current concern. This compares with 14% last quarter and 12% previously. It was mentioned most of all in WA (29%) followed by the NT (21%). The fewest mentions were noted in Tasmania (6%). By sector, it stood out in Retail (18%), unlike Health and Community Services (2%) and Finance and Insurance (4%).

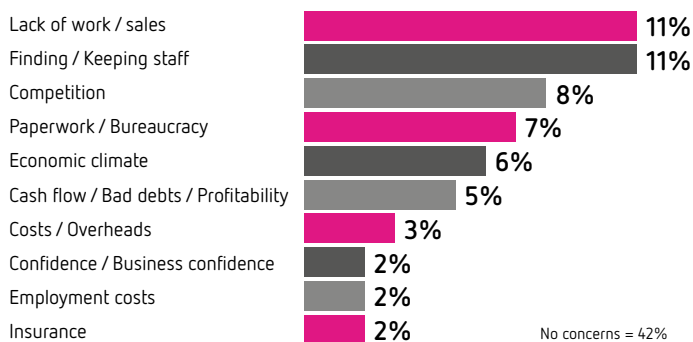
Finding or keeping staff has increased over the last three surveys from 6% to 9% to 11%. This caused most concern in the ACT (24%) and in the Manufacturing and Transport and Storage sectors (18% in each).

The next most prominent concerns were competition (up from 6% to 8%) and paperwork or bureaucracy (up one point to 7%).

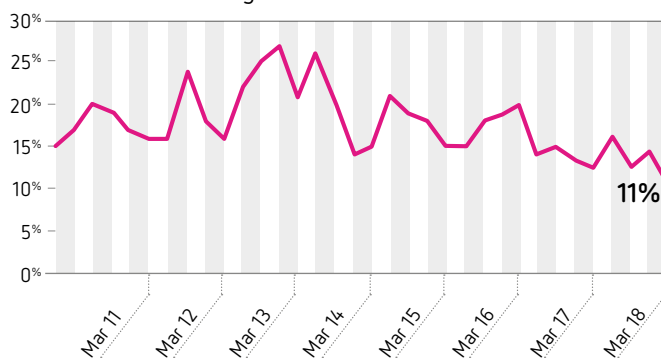
Fourteen per cent of SMBs mentioned difficulties in finding quality staff, which compares with 10% in the last survey and 5% before. The main difficulties experienced were a lack of skilled candidates (18%), a lack of qualifications (16%) and a lack of experience (16%).

## Prime concerns

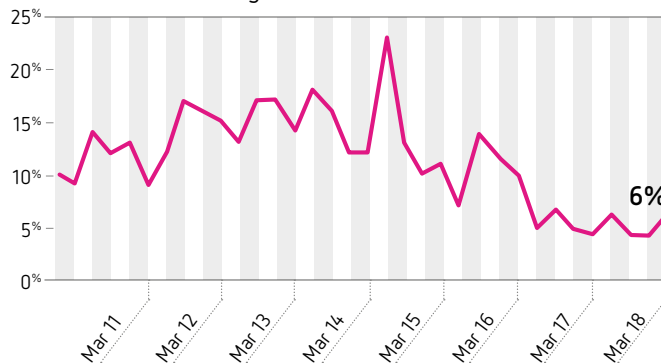
As far as your business is concerned, what problems, if any, are you facing at the moment?



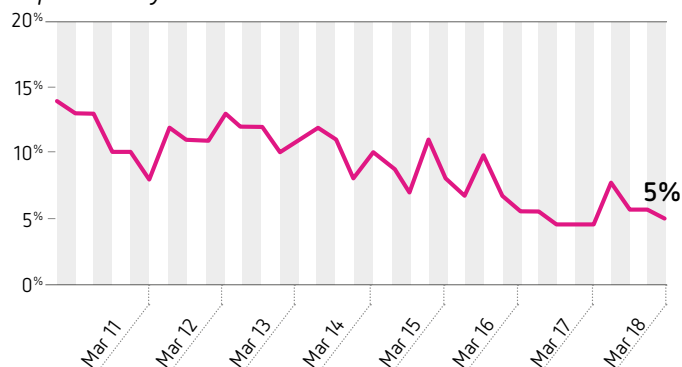
### Prime concerns – long term trends – lack of work or sales



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



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



# Sales

Sales expectations became more positive despite a marginally lower balance last quarter.

## Key findings

Relative to last quarter and one year ago, sales performance fell slightly but remains positive on balance. However, sales expectations have improved on last quarter and 12 months ago.

## Last quarter

The net balance fell one point to +2. It is also two points lower than one year earlier.

Sales results were well above the national average in Tasmania (+28) and the ACT (15%), with positive balances also recorded in NSW (+9), Victoria (+5) and SA (+3). Difficult sales conditions were clearly at play in the NT (-22), WA (-17) and Queensland (-9).

By industry, Manufacturing had a productive sales quarter (+18) as did Cultural, Recreational and Personal Services (+15). Positive balances were also seen in Wholesale Trade (+7), Finance and Insurance (+5), Building and Construction (+4) and Health and Community Services (+3). Sales conditions were tough in Hospitality (-15) and Retail Trade (-11) with negative balances also witnessed in Transport and Storage (-1) and Communications, Property and Business Services (-2).

## Current quarter

For the current quarter, 37% forecast higher sales with 13% expecting a fall generating a net balance of +24. This is a six-point improvement on the last survey.

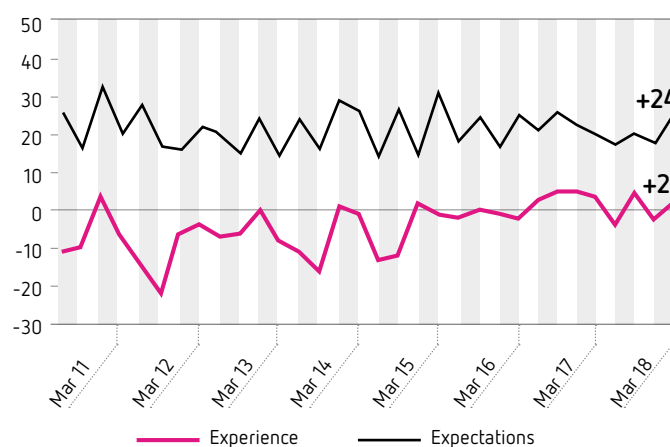
Sales expectations were quite positive everywhere but the NT (+4). Elsewhere they ranged from +17 in NSW to +46 in the ACT. Above average balances were also apparent in Victoria (+32), SA (+30) and Tasmania (+30) with WA (+25) and Queensland (+24) around average. SMBs in NSW (+17) joined those in the NT with below average sales expectations.

By sector, expectations are positive in all cases, ranging from +8 in Transport and Storage to +37 in Communications, Property and Business Services with Manufacturing (36%), Hospitality (+32) and Retail Trade (32%) not far behind.

## Value of sales

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>Last Quarter</b>					
Experienced increase	25%	23%	24%	25%	29%
No change	53%	47%	55%	52%	44%
Experienced decrease	21%	27%	19%	22%	27%
<b>*Net Balance</b>	<b>+4</b>	<b>-4</b>	<b>+5</b>	<b>+3</b>	<b>+2</b>
<b>Current Quarter</b>					
Expect increase	31%	30%	31%	30%	37%
No change	57%	56%	56%	56%	49%
Expect decrease	11%	13%	11%	12%	13%
<b>*Net Balance</b>	<b>+20</b>	<b>+17</b>	<b>+20</b>	<b>+18</b>	<b>+24</b>

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



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

# Employment

SMBs remain positive about employment despite negative balances in the last two quarters.

## Key findings

The employment balance became marginally more negative. This tempered SMB expectations for this indicator, but they remain positive.

## Last quarter

Nine per cent of SMBs increased employee numbers while 11% reduced staff generating a net balance of -2. Since December 2014, the net balance observed for this indicator has fluctuated in the narrow band of -3 to +2.

The NT recorded the lowest net balance of -19 with negative balances also seen in Queensland (-8), WA (-5) and SA (-4). There were neutral balances in NSW and the ACT with the best employment situation evident in Tasmania (+6). Victoria (+1) was the only other location displaying a positive balance.

By sector, only two positive results were observed - in Manufacturing (+5) and Retail (+2). Wholesale Trade (0) was next best performer on this indicator. In other industries, the balances ranged from -1 in Hospitality and Finance and Insurance to -8 in Health and Community Services.

Fifty-three percent reported barriers to taking on new staff. This has become more common in the last six months, with 45% reporting such barriers last survey and 41% in the September quarter. A lack of work or sales remains the most common barrier mentioned by 34%, Business growth is still the main influence on increased employment.

## Current quarter

The survey found 12% expecting to hire staff and 5% foreseeing lower employee numbers. This generates a net balance of +7 which represents no change from the last survey.

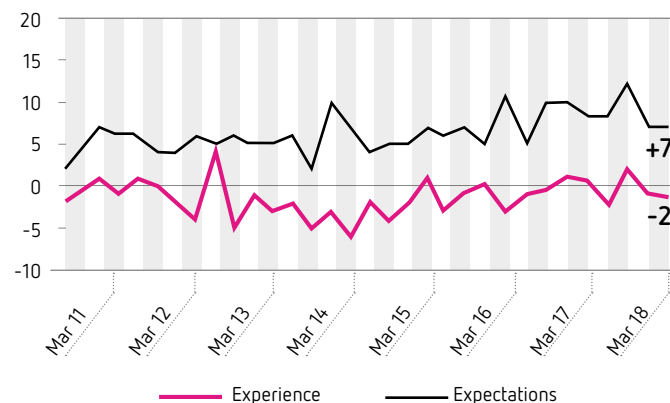
Expectations are positive in all states and territories ranging from +3 in SA to +19 in the ACT.

By sector, expectations are negative in Retail Trade (-5) but positive in other industries ranging from +2 in Transport and Storage to +17 in Communications, Property and Business Services.

## Size of workforce

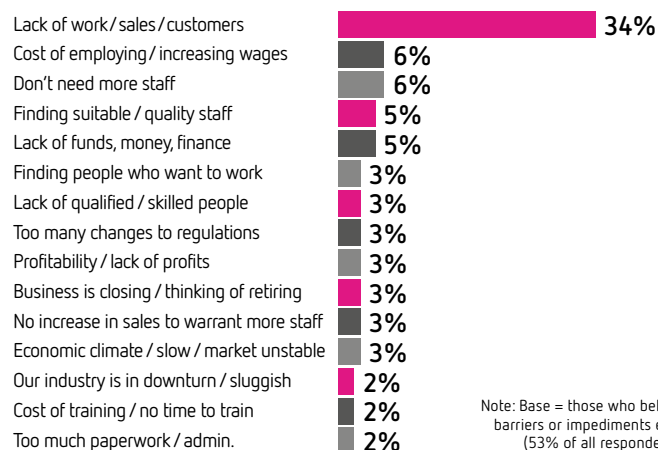
	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>Last Quarter</b>					
Experienced increase	9%	8%	11%	7%	9%
No change	84%	81%	81%	85%	80%
Experienced decrease	8%	10%	9%	8%	11%
<b>*Net Balance</b>	<b>+1</b>	<b>-2</b>	<b>+2</b>	<b>-1</b>	<b>-2</b>
<b>Current Quarter</b>					
Expect increase	11%	14%	17%	12%	12%
No change	85%	79%	78%	82%	82%
Expect decrease	3%	6%	5%	5%	5%
<b>*Net Balance</b>	<b>+8</b>	<b>+8</b>	<b>+12</b>	<b>+7</b>	<b>+7</b>

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



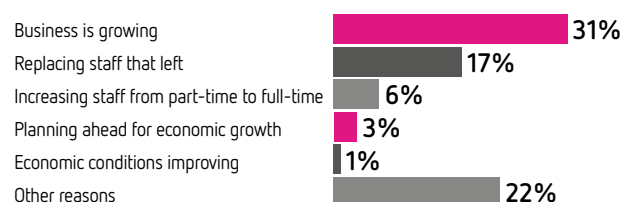
\* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

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



Note: Base = those who believe barriers or impediments exist (53% of all respondents)

## Why SMBs have increased employment



Note: Base = SMBs that have increased staff in the past quarter (9% of SMBs).

# Wages

The highest wages balance since March 2008 was recorded.

## Key findings

The wages balance reached its highest level in nine years. Wages expectations eased but remain positive.

## Last quarter

Higher wages were observed in 25% of SMBs with a fall recorded for 13%. This resulted in a three-point rise in the net balance to +12 - the best result seen since March 2008 when it was +16.

The wages balance was above average in Tasmania (+27), Victoria (+20), the ACT (+15) and NSW (+13). A negative result was recorded in the NT (-2) while WA had a neutral balance. Other net balances were +5 for Queensland and +4 in SA.

Sector-wise, wages growth was most common in Hospitality (+19) with the lowest net balance of +6 recorded in Finance and Insurance, Communications, Property and Business Services and Retail Trade.

## Current quarter

This quarter, 23% anticipate wage rises with 9% expecting a fall. This creates a net balance of +14 which is two points lower than in the previous two surveys.

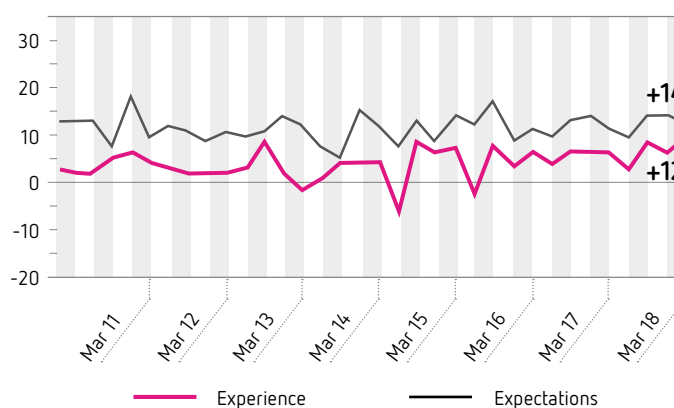
Balances are positive everywhere, ranging from +10 in SA and the NT to +34 in the ACT. Victoria (+25) and Tasmania (+23) also recorded balances well above the national average.

By sector, positive balances were recorded across the board with the lowest being +1 in Retail and +2 in Hospitality. The best performances were in Cultural, Recreational and Personal Services (+23) and Communications, Property and Business Services (+22).

## Wages

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>Last Quarter</b>					
Experienced increase	17%	18%	22%	19%	25%
No change	72%	67%	63%	68%	59%
Experienced decrease	8%	12%	11%	10%	13%
<b>*Net Balance</b>	<b>+9</b>	<b>+6</b>	<b>+11</b>	<b>+9</b>	<b>+12</b>
<b>Current Quarter</b>					
Expect increase	19%	19%	22%	21%	23%
No change	73%	70%	71%	72%	67%
Expect decrease	6%	7%	6%	5%	9%
<b>*Net Balance</b>	<b>+13</b>	<b>+12</b>	<b>+16</b>	<b>+16</b>	<b>+14</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

Prices growth was less common than last quarter, but expectations have become more positive.

## Key findings

Prices growth was well down on last quarter and this time last year. However, expectations for growth in the current quarter have risen although they are not as high as recorded in March 2017.

## Last quarter

The net balance of +8 is down nine points and compares with +18 last March. Price rises were indicated by 14% and falls by 6%.

Net balances were negative in WA (-5) and the NT (-4) but positive elsewhere with above average performances occurring in Victoria (+15) and Tasmania (+22).

Across industries, prices growth was most common in Manufacturing (+22) followed by Wholesale Trade (+19). Hospitality (-7) was the only sector to record a negative balance. Next lowest was Building and Construction (+4).

## Current quarter

The prices net balance for this quarter increased five points to +19. One year ago, this indicator was at +22.

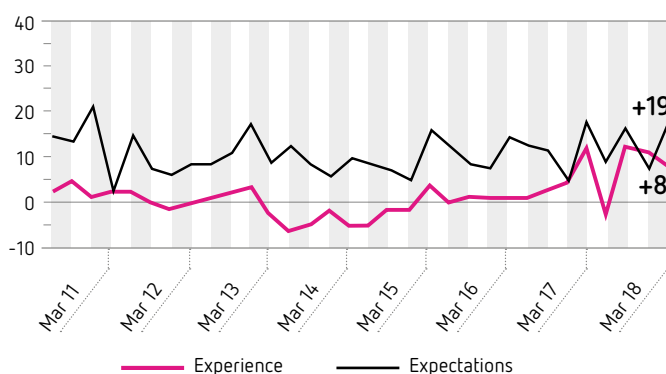
Expectations ranged from +12 in WA and the NT to +21 in NSW and Queensland.

By sector, price rises are most likely in Manufacturing and Cultural, Recreational and Personal Services (+32 in each) and are least likely in Health and Community Services (+11).

## Prices charged

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>Last Quarter</b>					
Experienced increase	22%	14%	23%	21%	14%
No change	72%	75%	70%	74%	77%
Experienced decrease	4%	8%	5%	4%	6%
<b>*Net Balance</b>	<b>+18</b>	<b>+6</b>	<b>+18</b>	<b>+17</b>	<b>+8</b>
<b>Current Quarter</b>					
Expect increase	25%	19%	24%	16%	23%
No change	70%	74%	71%	79%	72%
Expect decrease	3%	4%	3%	2%	4%
<b>*Net Balance</b>	<b>+22</b>	<b>+15</b>	<b>+21</b>	<b>+14</b>	<b>+19</b>

## Prices charged – trends in \*net balance



# Access to finance

SMBs are finding it more difficult to access finance of late.

## Key findings

SMBs' ability to access finance is critical for capital expenditure and growth. Their ability to obtain finance has become more difficult in the last six months and relative to one year earlier.

## Last quarter

The net balance for obtaining finance decreased by one point to +1 and compares with +14 in September last year and +9 in March 2017.

SMBs in the NT (-20) found it hardest to access finance. A negative balance was also evident in SA (-7) and WA (-9) with neutral balances recorded in Queensland and Tasmania. The highest balance was observed in the ACT (+15).

By sector, SMBs in Health and Community Services (+22) found it easiest. The Hospitality sector experienced the most difficulty (-16), with a negative balance also indicated in Finance and Insurance (-13), Retail Trade (-7), Wholesale Trade (-6) and Cultural, Recreational and Personal Services (-4).

Medium size businesses (+23) found it much easier than small businesses (+1) to access finance. Last survey this was also true with the balance being +1 for small businesses and +17 for medium size businesses.

Seventeen percent of SMBs sought finance, up three points from last quarter. Of those, 65% were successful which compares with 71% last survey.

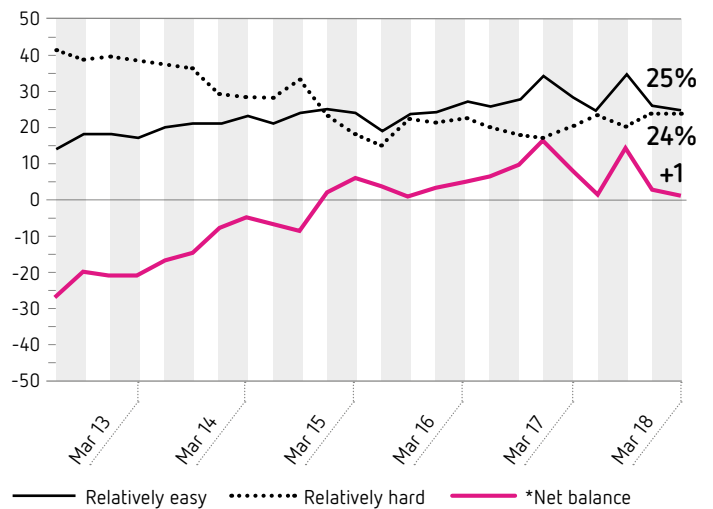
The incidence of seeking finance ranged from 16% in NSW to 22% in Tasmania.

SMBs in the Wholesale Trade sector (27%) were the most likely to have sought finance. Least likely was Cultural, Recreational and Personal Services (10%).

## Access to finance

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>Last Quarter</b>					
Relatively easy	28%	24%	34%	26%	25%
Average	53%	53%	46%	50%	51%
Relatively hard	19%	23%	20%	24%	24%
<b>*Net Balance</b>	<b>+9</b>	<b>+1</b>	<b>+14</b>	<b>+2</b>	<b>+1</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.

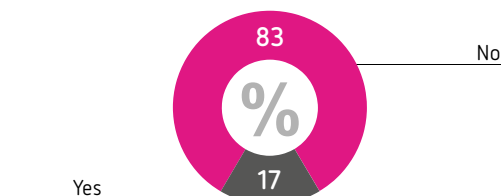
## Ease of accessing finance – by business size (Mar 2018)

	Easy	Difficult	*Net Balance
<b>Total</b>	<b>25%</b>	<b>24%</b>	<b>+1</b>
1-2 Employees	20%	29%	-9
3-4 Employees	19%	21%	-2
5-9 Employees	26%	22%	+4
10-19 Employees	43%	18%	+25
<b>Total Small Business</b>	<b>25%</b>	<b>24%</b>	<b>+1</b>
20-99 Employees	34%	7%	+27
100-199 Employees	12%	6%	+6
<b>Total Medium Business</b>	<b>30%</b>	<b>7%</b>	<b>+23</b>

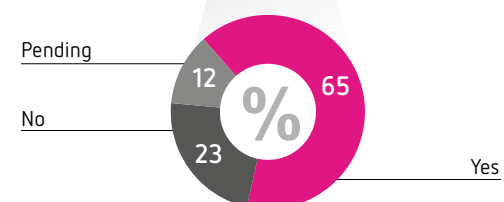
Base: Those who had tried to access finance.

## Success in accessing finance

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



Were you successful?



# Profitability

*It has been three years since a positive profitability balance was recorded, yet expectations are higher than in any survey since that time.*

## Key findings

Profitability performance remained negative, but expectations became the most positive recorded since March 2015.

## Last quarter

Since March 2008 only one positive net balance has been recorded for profitability - in March 2015 when it was +6. This survey we again observed a negative score of -2 reflecting a profit rise recorded by 25% against a 27% fall. The previous net balance was -3. One year ago it was also -3.

Profitability performance was weakest in the NT (-25) with negative balances also witnessed in WA (-19), Queensland (-15), and SA (-4). The best result was in Tasmania (+14) followed by NSW (+8), then Victoria (+3) and the ACT (+1).

The best performed industry was Manufacturing (+11) followed by Cultural, Recreational and Personal Services (+3). Positive balances were also seen in Building and Construction (+1), Transport and Storage (+1), Finance and Insurance (+1) and Health and Community Services (+1). Retail Trade really struggled on profitability (-18).

## Current quarter

Profitability expectations for the current quarter improved four points to +20, which is the highest balance since March 2015 when it was +31.

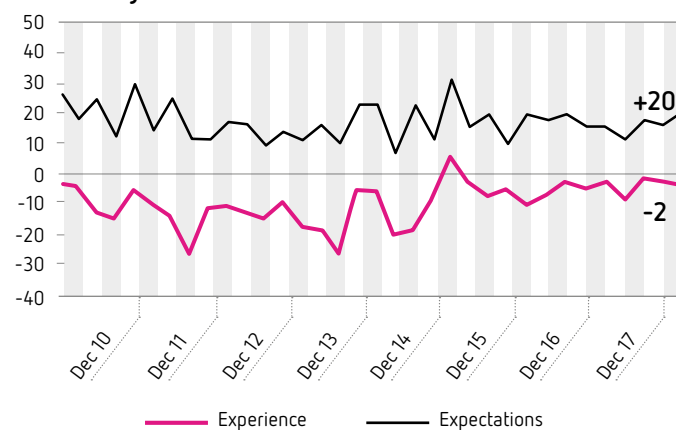
Profitability expectations are lowest in the NT (+6). They are upbeat elsewhere with the net balances ranging from +17 in NSW to +37 in the ACT.

Expectations are strong in most sectors but especially in Manufacturing (+35), Hospitality (+35) and Communications, Property and Business Services (+34). The lowest balance was +8 in Transport and Storage with Wholesale Trade (+9) next lowest.

## Profitability

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
<b>Last Quarter</b>					
Experienced increase	19%	19%	20%	20%	25%
No change	57%	51%	56%	55%	47%
Experienced decrease	22%	28%	22%	23%	27%
<b>*Net Balance</b>	<b>-3</b>	<b>-9</b>	<b>-2</b>	<b>-3</b>	<b>-2</b>
<b>Current Quarter</b>					
Expect increase	28%	26%	28%	28%	34%
No change	58%	58%	60%	57%	50%
Expect decrease	13%	15%	11%	13%	14%
<b>*Net Balance</b>	<b>+15</b>	<b>+11</b>	<b>+17</b>	<b>+16</b>	<b>+20</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.

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# Government Policies

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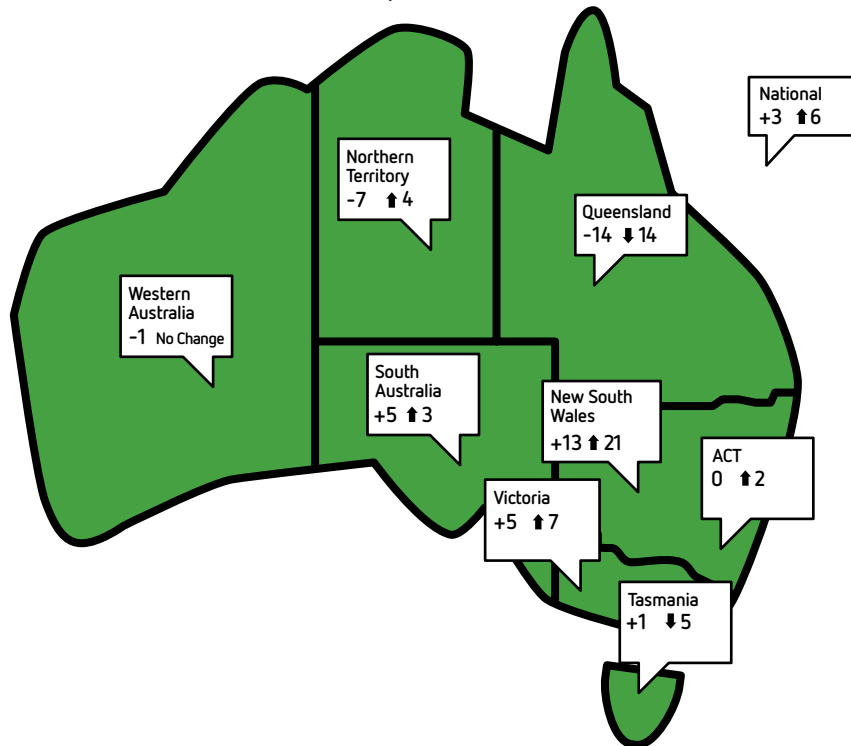
Government policies .....	24
Assessment of Federal Government policies .....	25
Assessment of state and territory government policies .....	26



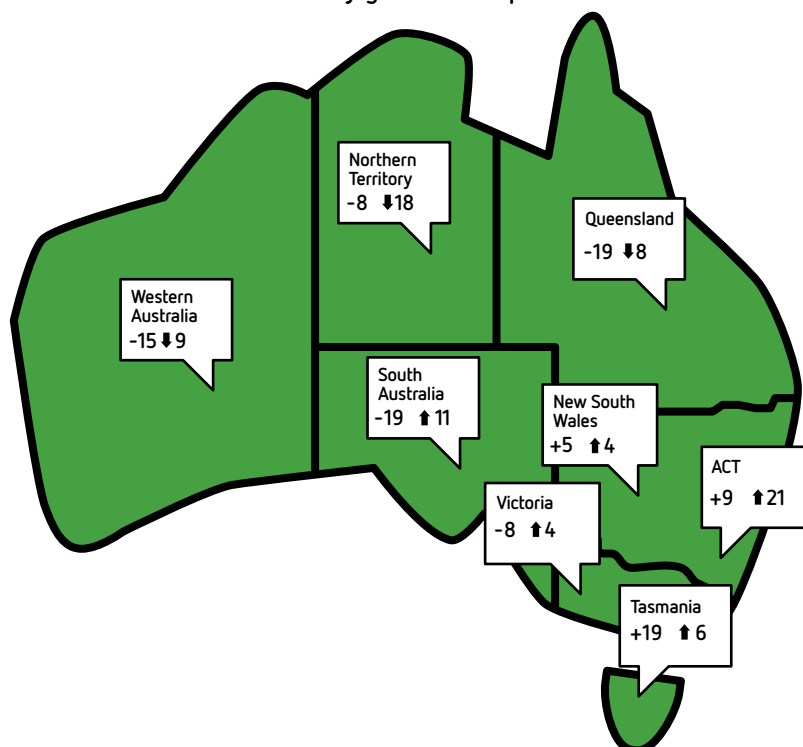
# Government policies

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 shifted back into positive territory.

## Key findings

SMB ratings of the Federal Government have become positive after turning negative last survey.

## Last quarter

There were 22% regarding Federal Government policies as supportive of SMBs with 19% disagreeing. The net balance of +3 is six points higher than in the previous survey and five points above the result recorded one year ago.

SMBs with a negative view cited excessive bureaucracy and red tape (18%) ahead of too much focus by the Federal Government on big business (15%) as the top two reasons.

The leading reason for a positive response was the belief that the government is supportive and interested in small business (14%). Tax-related reasons stood out in other responses given: trying to reduce tax (10%), offer tax cuts (10%) and tax incentives (9%).

SMBs in NSW (+13) rated the Federal Government most favourably for their support of small business, followed by those in Victoria (+5) and SA (+5) with Tasmania also positive (+1) and the ACT recording a neutral balance. Elsewhere, negative ratings were recorded – Queensland (-14), WA (-1) and the NT (-7).

By sector, the most favourable assessment sector was by SMBs in Cultural, Recreational and Personal Services (+14) followed by Finance and Insurance (+12). Positive balances were also indicated in Communications, Property and Business Services (+8), Manufacturing (+3), Building and Construction (+2) and Transport and Storage (+2). The other four sectors were negative, led by Hospitality (-7) then Retail (-5), Wholesale (-1) and Health and Community Services (-1).

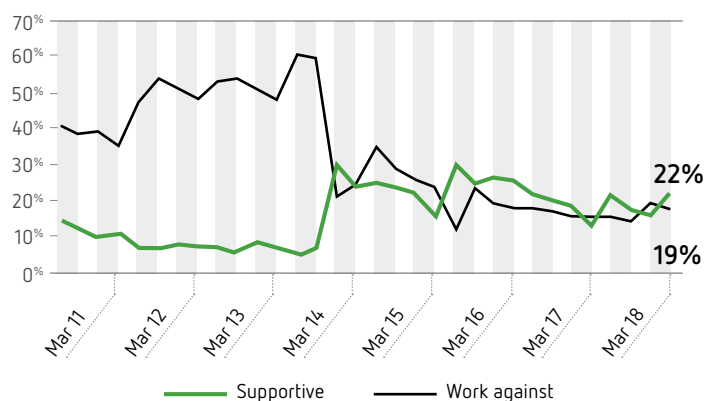
## Attitudes to Federal Government policies – trends

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 17	Jun 17	Sep 17	Dec 17	Mar 18
Supportive	14%	22%	18%	17%	22%
Work against	16%	16%	15%	20%	19%
No impact	70%	62%	67%	63%	59%
<b>*Net Balance</b>	<b>-2</b>	<b>+6</b>	<b>+3</b>	<b>-3</b>	<b>+3</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

The only favourable ratings were for the Tasmanian, NSW and ACT Governments.

## Key findings

This quarter an average of 16% of SMBs regard their state or territory government to be supportive and 22% believe they are working against small business interests generating an average net balance of -6. This is one point lower than last survey.

Only the Tasmanian, NSW and ACT Governments generated positive net balances. The SA Government was joined by the Queensland Government in generating the most criticism.

## Last quarter

The best rating was again recorded in Tasmania (up six points to +19). The biggest improvement was in the ACT (up 21 points to +9) with a positive and improved rating also seen in NSW (up four points to +5). Elsewhere, negative ratings were recorded – Queensland (down eight points to -19), SA (up 11 points to -19), WA (down nine points to -15), Victoria (up four points to -8) and in the NT (down 18 points to -8).

The main appeals of the Tasmanian Government are that it offers incentives, subsidies and grants (13%) and is doing a lot of infrastructure (14%).

The leading criticism levelled at the Queensland Government is excessive bureaucracy (18%) followed by SMBs who believe it focuses too much on big business (15%). Critics of the SA Government cite the cost of utilities, power and rates (25%) followed by too much bureaucracy (14%).

## Attitudes to state or territory government policies (Mar 2018)

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	19%	15%	12%	13%	11%	31%	19%	29%
Work against	14%	23%	31%	32%	26%	12%	27%	20%
No impact	67%	62%	57%	54%	62%	57%	54%	51%
<b>*Net Balance</b>	<b>+5</b>	<b>-8</b>	<b>-19</b>	<b>-19</b>	<b>-15</b>	<b>+19</b>	<b>-8</b>	<b>+9</b>

Note: Rounding occurs.

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

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
New South Wales	-2	+3	+1	+1	+5
Victoria	-20	-14	-13	-12	-8
Queensland	-22	-18	-13	-11	-19
South Australia	-21	-37	-26	-30	-19
Western Australia	-11	0	-11	-6	-15
Tasmania	+2	+9	+16	+13	+19
Northern Territory	-2	+18	0	+10	-8
Australian Capital Territory	-6	+15	+3	-12	+9

\* 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 was unchanged and remains strong. SMB ratings of the economy keep improving, reaching the most positive recorded since 2010. Their optimism about the economy for the next 12 months was lower but remains at one of the highest levels since 2013. Key indicator performances were not inspiring - but expectations are quite positive and mostly higher. The Federal Government has regained some appeal among SMBs.

- Confidence was steady at +42, which remains the equal second highest level recorded since March 2010 when it was +49.
- The leading influences on confidence are healthy or growing sales, having an established, solid business and specific business strengths. Falling sales was the biggest concern for SMBs who are worried.
- SMB assessments of the current state of the economy improved for the fourth quarter in a row rising three points to +17 - the best balance observed since December 2010 when it was +23. Expectations for the economy in a year's time decreased from +16 to +12, but this is the second highest balance recorded since December 2013 when it was +39.
- Last quarter, net balances for sales and prices were lower but stayed positive while the wages balance became more positive. Employment became marginally more negative while profitability was slightly less negative.
- Expectations for next quarter improved for sales, prices and profitability and are at a relatively high level. The employment balance was unchanged while wages expectations eased, but both these indicators are still positive on balance.
- SMB ratings of the Federal Government shifted back into a positive position. The Government's main appeal is the belief that it is supportive of small businesses followed by tax-related factors. Excessive bureaucracy is the main criticism.

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

Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	60%	57%	61%	59%	59%
Negative	16%	18%	15%	17%	17%
<b>*Net Balance</b>	<b>+44</b>	<b>+39</b>	<b>+46</b>	<b>+42</b>	<b>+42</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	+4	+3	+2	+20	+18	+24
Employment	+1	-1	-2	+8	+7	+7
Wages	+9	+9	+12	+13	+16	+14
Prices	+18	+17	+8	+22	+14	+19
Profitability	-3	-3	-2	+15	+16	+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 three months.

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



## Small and medium business outlook – New South Wales

Confidence was lower but SMBs in NSW continue to be positive. Sales and profitability have improved for two quarters in a row and expectations for both those indicators in the quarter ahead also increased. Optimism is again displayed about employment, wages and prices. The NSW Government maintains a positive rating.

- In NSW, confidence fell three points to +43 but this is still one point above the national average.
- Confidence is driven by good sales, being an established, solid business, and specific business strengths. Competitive and cost pressures are the leading concerns of SMBs worried about their prospects.
- Last quarter, key indicator performances improved for sales, employment, wages and profitability and were positive apart from for employment which saw a neutral balance. The balance also remained positive for prices, although was much lower than last survey.
- Expectations for the current quarter improved for each key indicator other than wages with all being positive.
- SMB support for the policies of the NSW Government did not change staying positive with a net balance of +1. It again ranks third as one of only three with a positive rating. Those who say it is supportive are impressed by infrastructure development much more than other factors. Excessive bureaucracy followed by policies being unhelpful for small business and a lack of advice and support are the main criticisms.

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

Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	64%	62%	61%	60%	58%
Negative	13%	16%	11%	14%	15%
<b>*Net Balance</b>	<b>+51</b>	<b>+46</b>	<b>+50</b>	<b>+46</b>	<b>+43</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	+3	+5	+9	+22	+12	+17
Employment	+3	-4	0	+11	+3	+5
Wages	+7	+7	+13	+14	+14	+5
Prices	+21	+28	+8	+23	+12	+21
Profitability	0	+3	+8	+15	+13	+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 three months.

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



## Small and medium business outlook – Victoria

SMB confidence increased in Victoria after a stronger quarter and is clearly above the national average. Key indicator expectations for next quarter became more positive. The Victorian Government continues to be negatively perceived among SMBs.

- Confidence rose by six points to a net balance of +49, which is seven points above the national average.
- The leading drivers of confidence are having an established, solid business, specific business strengths and healthy sales. Worried SMBs were far more concerned about decreasing sales than other factors.
- Last quarter, the balances moved from negative to positive for sales, profitability and employment. They became more positive for wages while remaining steady and positive for prices.
- For the current quarter, expectations for each of the five key performance indicators became more positive.
- Victorian SMBs remain critical of the State Government although the net balance improved by four points to -8. The main concerns expressed by SMBs unimpressed with the Victorian Government relates to unhelpful policies for small business and lack of advice or support. Those with a favourable opinion see it as supportive and interested in small business and in creating employment and training schemes.

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

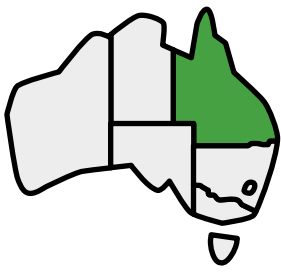
Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	63%	53%	65%	57%	61%
Negative	14%	13%	15%	14%	12%
<b>*Net Balance</b>	<b>+49</b>	<b>+40</b>	<b>+50</b>	<b>+43</b>	<b>+49</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	+10	-1	+5	+30	+20	+32
Employment	+4	-1	+1	+8	+4	+9
Wages	+16	+4	+20	+17	+18	+25
Prices	+25	+15	+15	+27	+12	+17
Profitability	0	-9	+3	+23	+17	+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 three months.

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



## Small and medium business outlook – Queensland

Confidence fell marginally after a difficult quarter and is just under the national average. However, Queensland SMBs are optimistic on all indicators. The State Government remains unpopular with SMBs. .

- Net confidence fell two points among Queensland SMBs to +41, which is one point under the national average and three points lower than at the same time last year.
- SMBs with confidence identified healthy sales as the primary influence followed by having specific business strengths. Worried SMBs cited lower sales ahead of competitive pressures as their main concerns.
- Last quarter saw weaker results. Sales, employment and profitability became negative and there were lower balances for prices and wages although both indicators remained positive.
- Expectations for the five key indicators this quarter are all positive and higher for sales, prices and profitability, steady for wages and slightly lower for employment.
- The State Government became even more unpopular with its rating decreasing eight points to -19. Too much bureaucracy, an excessive focus on big business and the costs of power, utilities and rates generated the most criticism. SMBs with a positive opinion feel the Government is supportive with small business management training schemes and incentives. Subsidies and grants and infrastructure development also drew some praise.

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

Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	59%	56%	59%	62%	60%
Negative	15%	21%	17%	19%	19%
<b>*Net Balance</b>	<b>+44</b>	<b>+35</b>	<b>+42</b>	<b>+43</b>	<b>+41</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	+5	+3	-9	+12	+19	+24
Employment	-3	+3	-8	+8	+10	+8
Wages	+10	+18	+5	+14	+14	+14
Prices	+8	+11	+5	+16	+16	+21
Profitability	-5	0	-14	+15	+16	+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 three months.

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





## Small and medium business outlook – South Australia

SMBs in SA found last quarter challenging and remain below average in confidence, but their expectations are quite positive for key performance indicators. The SA Government remains unpopular.

- A rise of two points resulted in a net confidence of +36 in SA, which is six points below the national average.
- The leading driver of confidence is healthy sales. Falling sales was by far the major concern of SMBs worried about their prospects.
- Last quarter, all key indicator balances either decreased or were negative. Sales remained positive on balance, as did wages and prices but employment moved into negative territory. Profitability improved but remained negative.
- For this quarter, expectations are positive for all key indicators, improving for sales, prices and profitability.
- The SA Government received the equal lowest rating of state and territory governments by SMBs (along with the Queensland Government) This is despite improving its score by 11 points to -19. The cost of utilities, power and rates is the leading criticism followed by too much bureaucracy. Positive opinions were influenced primarily by offers of incentives, grants, subsidies and employment and training schemes.

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

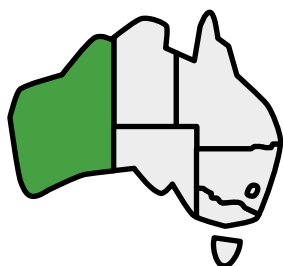
Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	51%	49%	54%	54%	55%
Negative	21%	23%	18%	20%	19%
<b>*Net Balance</b>	<b>+30</b>	<b>+26</b>	<b>+36</b>	<b>+34</b>	<b>+36</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	+8	+6	+3	+8	+23	+30
Employment	+4	+3	-4	+4	+11	+3
Wages	+9	+20	+4	+3	+21	+10
Prices	+8	+13	+3	+26	+16	+20
Profitability	-8	-14	-4	+6	+14	+21

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

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

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



## Small and medium business outlook – Western Australia

Confidence was lower, falling further below the national average. Last quarter's key indicator results reflected tough business conditions but sales and profitability expectations for the current quarter are encouraging. The WA Government became more negatively regarded.

- Confidence dropped seven points to +24, which is 18 points behind the national average.
- Having specific business strengths and being an established, solid business are the main factors generating confidence. Worried SMBs in WA point to sales weakness ahead of cost pressures.
- In the latest quarter, sales and profitability balances became more negative with prices moving into negative territory and employment remaining negative. Wages improved but a neutral balance was recorded.
- Current quarter expectations are positive for all key indicators and higher in the case of sales and profitability, lower for employment and prices and steady for wages.
- Support for the WA Government decreased nine points to -15. The costs of utilities, power and rates was the most frequently mentioned concern, followed by excessive bureaucracy and high taxation. Those with a positive assessment regard the WA Government as supportive and helpful to small business with good policies.

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

Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	49%	58%	52%	55%	52%
Negative	28%	26%	20%	24%	28%
<b>*Net Balance</b>	<b>+21</b>	<b>+32</b>	<b>+32</b>	<b>+31</b>	<b>+24</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	-9	-2	-17	+10	+23	+25
Employment	-3	-5	-5	+2	+13	+5
Wages	+1	-3	0	+4	+15	+15
Prices	+15	+4	-5	+20	+19	+12
Profitability	-17	-12	-19	+1	+17	+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 three months.

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



## Small and medium business outlook – Tasmania

Confidence decreased but from a high level and Tasmania remains leader on this measure (together with the ACT). Key indicator balances for last quarter were the best in the nation and good results are expected in this quarter. The Tasmanian Government became even more popular, appealing to SMBs more than any other state and territory government.

- Confidence fell six points to +54 but Tasmania is still leader on this measure, although jointly with the ACT.
- Healthy sales, being an established business, having specific business strengths and favourable business conditions each contributed to confidence. Concerned SMBs mentioned cost pressures ahead of falling sales as their main worries.
- Key performance indicators were again positive last quarter improving for sales, employment, prices and profitability with wages steady. The balances for all five indicators are the highest in Australia.
- Expectations for this quarter about sales, wages and profitability are above average. They fell for employment and prices but remained positive.
- SMB support for the Tasmanian Government’s policies lifted six points to +19 which consolidates its position as the most popular government in Australia. Those with a positive opinion referred to its infrastructure development, and incentives, subsidies and grants ahead of other factors. Not doing enough to help unemployment followed by too much focus on big business were the most common criticisms.

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

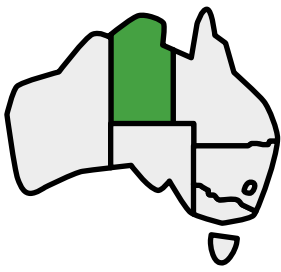
Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	58%	54%	62%	73%	63%
Negative	15%	12%	12%	13%	9%
<b>*Net Balance</b>	<b>+43</b>	<b>+42</b>	<b>+50</b>	<b>+60</b>	<b>+54</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	+8	+16	<b>+28</b>	+23	+36	<b>+30</b>
Employment	+2	+1	<b>+6</b>	+6	+19	<b>+8</b>
Wages	+12	+27	<b>+27</b>	+13	+22	<b>+23</b>
Prices	+10	+19	<b>+22</b>	+18	+17	<b>+14</b>
Profitability	-1	+13	<b>+14</b>	+14	+30	<b>+35</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 three months.

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



## Small and medium business outlook – Northern Territory

Another fall in confidence to the lowest level we have on record reinforced the NT’s position as the least confident state or territory. Last quarter was difficult with key performance indicators all lower and negative. Expectations are positive, but subdued, relative to other locations. SMB ratings of the NT Government have shifted from positive to negative.

- Last survey, confidence fell 14 points to +12. A further 10-point drop to +2 this time leaves the NT languishing 40 points under the national average and 22 points behind the next lowest level recorded in WA. The latest balance of +2 is the lowest we have on record. Both Darwin and regional areas recorded +2.
- Falling sales are the biggest concern with an unfavourable business environment also having an impact. Those SMBs with confidence mention specific business strengths and having an established, solid business.
- Last quarter, all key indicator balances fell and were negative. The balances for sales, employment, wages and profitability were the lowest in Australia while the prices balance was second lowest.
- This quarter, expectations for the key performance indicators were positive improving for employment, wages and prices. The balances decreased for sales and profitability and are the lowest in the nation by far.
- SMB support for the Northern Territory Government fell 18 points to -8. The leading criticism is too much bureaucracy and red tape followed by a lack of support for rural areas. Favourable ratings are driven by incentives, subsidies and grants, small business management training schemes and the view that it is supportive and interested in small business.

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

Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	47%	40%	49%	43%	42%
Negative	29%	31%	23%	31%	40%
<b>*Net Balance</b>	<b>+18</b>	<b>+9</b>	<b>+26</b>	<b>+12</b>	<b>+2</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	-29	+5	-22	+15	+7	+4
Employment	-14	-14	-19	+8	+5	+8
Wages	-32	+3	-2	+3	-3	+10
Prices	+1	+12	-4	+15	+12	+12
Profitability	-23	+5	-25	+11	+7	+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 three months.

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



## Small and medium business outlook – Australian Capital Territory

Confidence increased and the ACT is the most confident location, along with Tasmania. Last quarter performance was modest but expectations for all five key indicators are among the highest in the nation. The ACT Government has regained much of the support it had lost in recent months.

- An increase of two points to generate a net balance of +54 lifted the ACT into joint leadership with Tasmania.
- Confidence emanated mainly from higher sales and being an established, solid business. Those lacking confidence identified falling sales as the primary issue.
- Last quarter, key indicator balances were lower but still positive for sales, prices and profitability with the employment balance falling to a neutral position. The wages balance became more positive.
- Expectations for this quarter on all five key performance indicators are either the highest or second highest in Australia. They also increased for each indicator except prices which was marginally lower.
- The appeal of the ACT Government for SMBs improved dramatically with its net rating rising from -12 to +9. Positive opinion is influenced mostly by infrastructure development and a belief that the government is supportive of small business. The major concerns are excessive bureaucracy, a lack of support or advice, and unhelpful policies for small business.

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

Confidence in own business prospects in next 12 months	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Positive	73%	65%	67%	64%	67%
Negative	9%	13%	7%	12%	13%
<b>*Net Balance</b>	<b>+64</b>	<b>+52</b>	<b>+60</b>	<b>+52</b>	<b>+54</b>

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2017	Dec 2017	Mar 2018	Mar 2017	Dec 2017	Mar 2018
Sales	+20	+18	+15	+19	+44	+46
Employment	+9	+16	0	+14	+9	+19
Wages	+21	+12	+15	+8	+18	+34
Prices	+24	+18	+1	+27	+22	+20
Profitability	+11	+15	+1	+20	+34	+37

\* 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 three months.

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

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# Industry Snapshots

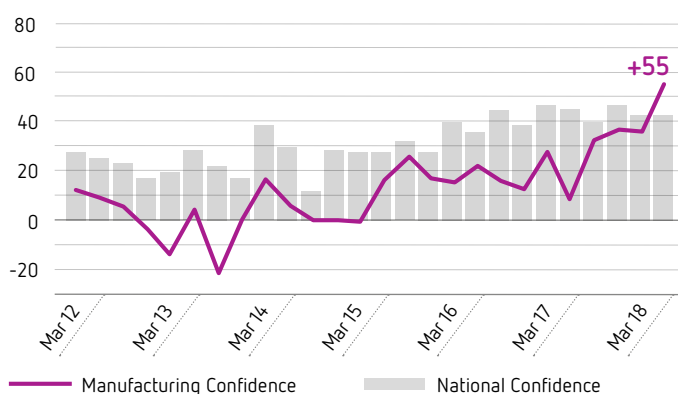
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# Industry snapshots

## Manufacturing

Manufacturing Confidence



*This sector posted impressive results. Confidence is at the highest level we have on record for Manufacturing. Key indicator performances last quarter and expectations for this quarter are the best, or among the best, by industry.*

Confidence increased by 20 points to net balance +55 which was the second-best sector score and the highest we have on record for Manufacturing dating back to 2008.

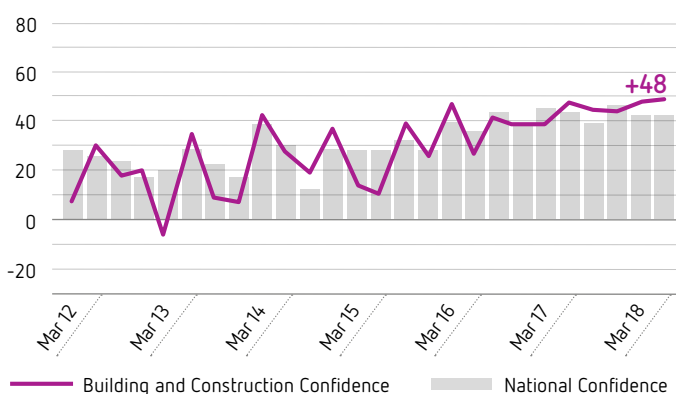
The key driver of confidence is healthy sales with a favourable business environment next most influential. Falling sales was the main concern ahead of competitive pressures.

Last quarter, the balances for sales (+18), prices (+22) and profitability (+11) were the highest of all industries. Employment (+5) and wages (+13) were both above average.

For this quarter, expectations for key indicators are all above average with sales (+36), prices (+32) and profitability (+35) among the best. The employment balance was +9 and the wages balance was +19.

## Building and Construction

Building and Construction Confidence



*SMBs in this sector remain more confident than most. Last quarter was relatively good for sales and profitability, while expectations for all key indicators this quarter are positive.*

Confidence increased one point to +48, which is six points above the national average and third highest by sector.

A favourable business environment, healthy sales and specific business strengths each contributed to confidence. Lower sales generated concern, ahead of competitive pressures.

The latest quarter's key indicator results were above the national average for sales (+4) wages (+16) and profitability (+1). Employment (-4) and prices (+4) were under the average.

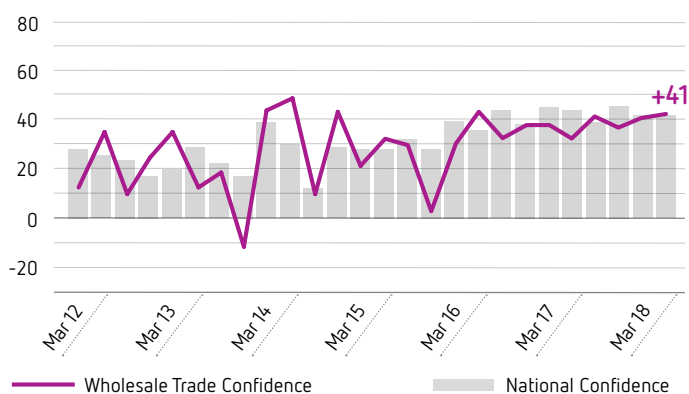
This quarter, SMBs in Building and Construction are not quite as confident as most in their expectations for sales (+16), profitability (+16), prices (+12) and employment (+5), the wages balance (+16) which is just above the average.

# Industry snapshots



## Wholesale Trade

Wholesale Trade Confidence



Confidence increased marginally remaining just under the national average. Last quarter was solid and expectations are positive for key performance indicators, although sales and profitability are likely to be modest.

The confidence net balance increased one point to +41, which is one point below average.

Those who are confident mentioned specific strengths and having an established, solid business above other factors. Among worried businesses, falling sales and cost pressures stood out.

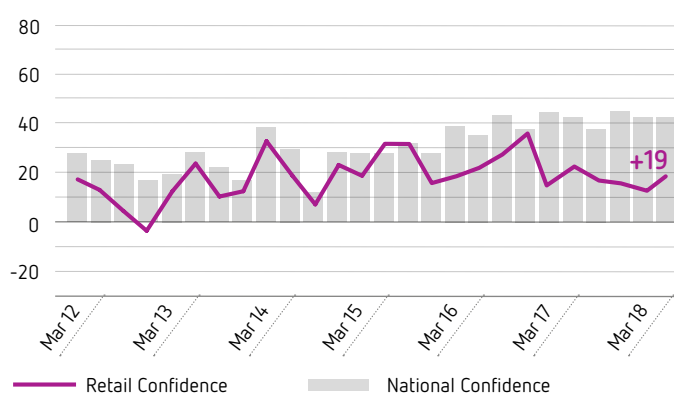
This sector performed better than average last quarter for sales (+7), employment (0) and prices (+12) and was average for wages (+12). A negative profitability balance was recorded (-8).

Current quarter expectations are positive for each key performance indicator. Better than average balances were indicated for employment (+9) and prices (+19) while sales (+17) and profitability (+9) were under the national average. The wages balance was on the average (+14).



## Retail Trade

Retail Trade Confidence



Retailers have struggled of late with sales and profitability results keeping confidence low. However, a brighter outlook is revealed for this quarter with sales and profitability expected to rebound markedly.

Retailer confidence improved six points to +19 but is still lowest of all sectors - 23 points behind the national average.

Sales weakness is the main concern, followed by competitive pressures. Being an established, solid business and healthy sales were the key reasons for optimism.

Last quarter revealed negative balances for profitability (-18) and sales (-11). The profitability result was the lowest of any sector by far. The wages balance (+6) was also clearly below average. The balances for employment (+2) and prices (+10) were higher than recorded for most other industries.

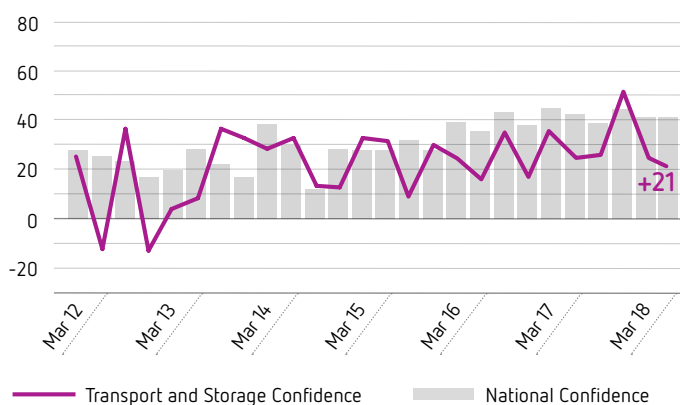
The current quarter is expected to be much better with balances above the national average for sales (+32) and profitability (+22) with prices (+19) at the average. However, weakness will still characterise employment (-5) and wages (+1).



# Industry snapshots

## Transport and Storage

Transport and Storage Confidence



Confidence fell for the second quarter in a row and is well below the national average. Last quarter proved challenging with expectations for sales and profitability this quarter lowest of all industries.

Swinging confidence has typified this sector, but the last two quarters have been difficult. After experiencing a 27-point decrease last survey, a further three-point fall to +21 keeps this sector second lowest by industry on the confidence measure. The national confidence level is twice as high.

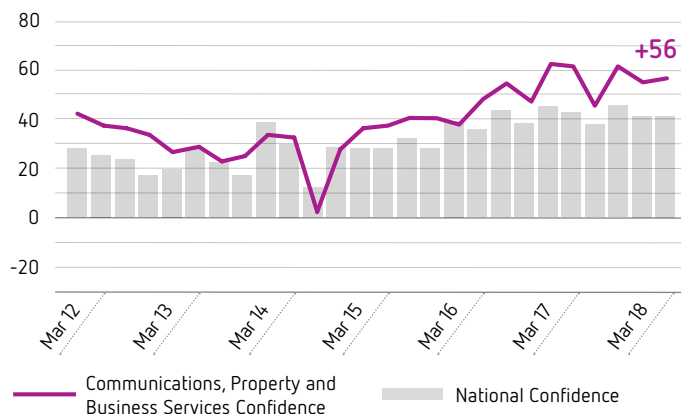
Specific business strengths and being an established, solid business were the leading causes of confidence. Competitive pressures and falling sales received the most blame from those worried about their prospects.

This industry recorded negative balances for sales (-1) and employment (-4) while wages (+19) were equal highest by sector. The balances for prices (+7) and profitability (+1) were positive.

Expectations this quarter are lowest of all for sales (+8) and profitability (+8), with the employment balance (+2) below average too. Expectations for wages (+16) and prices (+24) are above average.

## Communications, Property and Business Services

Communications, Property and Business Services Confidence



Confidence was slightly higher, and this is now the most confident sector. Last quarter was not so good in terms of key indicators but expectations for this quarter are upbeat.

A rise of two points in the net balance to +56 made this sector the most confident of all.

Confidence emanated primarily from healthy sales and being an established, solid business. Lower sales dominated concerns of those SMBs worried about the next 12 months.

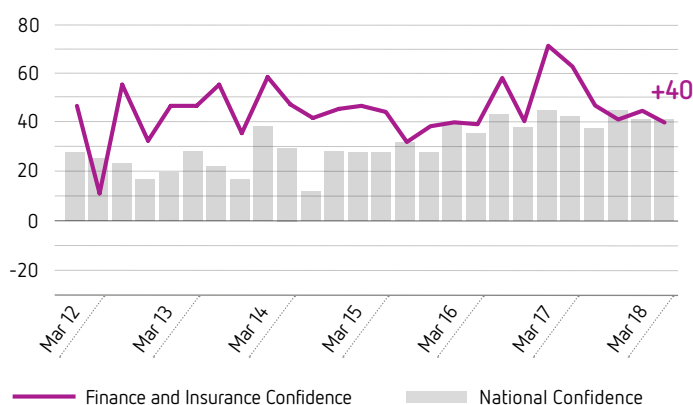
Last quarter, key indicator results were at or under the national average. Negative balances were recorded for sales (-2), profitability (-2) and employment (-2). The balances for wages (+6) and prices (+5) were below average (as was the sales balance).

This quarter's expectations are well above average for sales (+37), profitability (+34), wages (+22) and employment (+17). The prices balance (+12) is seven points under the average.

# Industry snapshots

## Finance and Insurance

Finance and Insurance Confidence



Confidence fell to just under the national average. Last quarter, sales and profitability performances were better than average but expectations for this quarter are modest on all key indicators.

Net confidence decreased four points to a balance of +40, which trails the national average by two points.

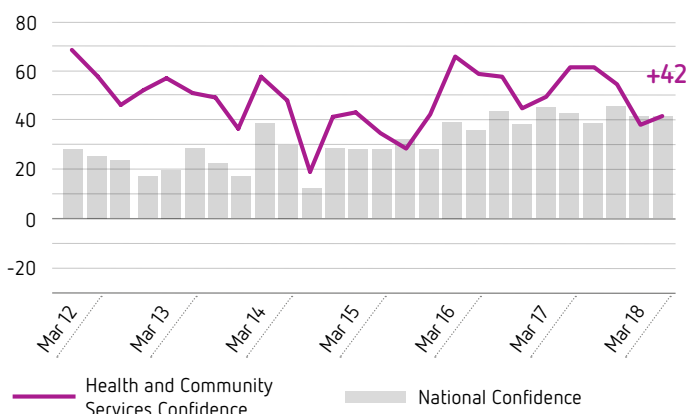
Being an established, solid business was the key driver of confidence. An unfavourable business and economic environment was the concern mentioned most by worried SMBs in this sector.

Last quarter, positive balances were recorded for each key indicator but employment (-1). The sales (+5), profitability (+1) and prices (+9) balances were above average but this was not the case for and wages (+6)

This quarter, all key indicator expectations are under the national average but are positive for sales (+18), prices (+15), profitability (+13), wages (+7) and employment (+2).

## Health and Community Services

Health and Community Services Confidence



Confidence increased and is at the national average. Last quarter witnessed solid performances on most key indicators and expectations for this quarter are all positive.

Confidence lifted four points to +42, which equalled the national average.

Those SMBs with confidence highlighted having established and solid operations. Cost pressures is the key concern for the worried SMBs followed by an unfavourable business environment.

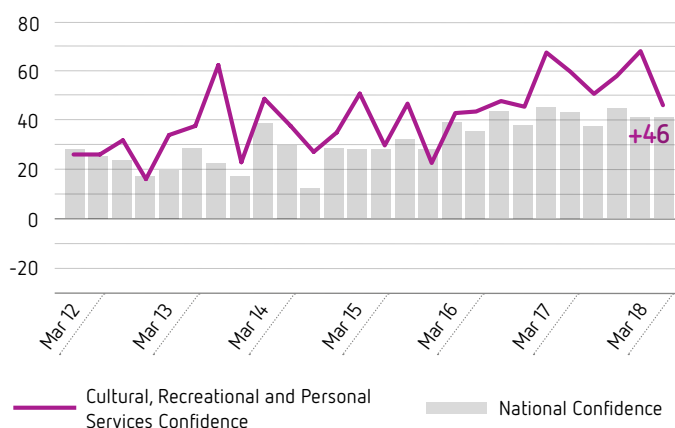
Last quarter, a negative employment balance (-8) was recorded but other indicators were positive. Prices (+10), sales (+3) and profitability (+1) were slightly above the national average while wages (+8) was four points under it.

For this quarter, all key performance indicator expectations are positive - sales (+23), profitability (+15) employment (+14), wages (+13) and prices (+11).

# Industry snapshots

## Cultural, Recreational and Personal Services

Cultural, Recreational and Personal Services Confidence



Confidence fell significantly but from a very high, clear leadership level with the latest balance remaining above the national average. Last quarter, sales performance was stronger than in most other sectors. Expectations for key indicators suggest that the current quarter will be good.

A 21-point fall in confidence suggests a poor quarter but the previous balance of +67 was 25 points above the national average and 13 points above the next highest industry score. The current balance of +46 is four points above the average.

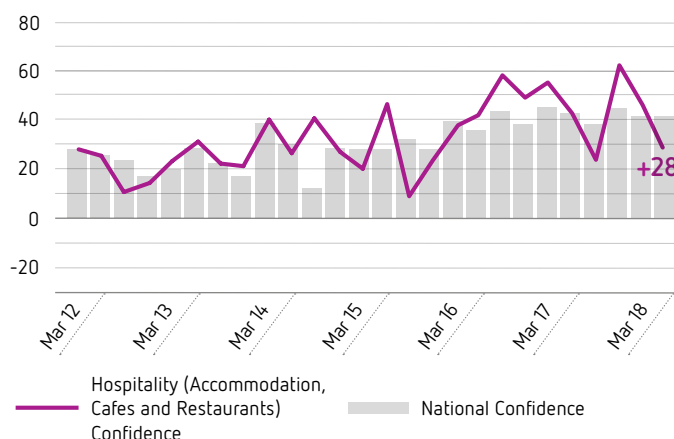
Sales performance had the most influence on confidence. Those experiencing healthy sales were optimistic, unlike the SMBs finding sales conditions hard in this sector.

Key performance indicator results were above average last quarter for sales (+15), prices (+12) and profitability (+3). The other two key indicators balances mirrored the average – employment (-2) and wages (+12).

For this quarter, expectations exceed the average for prices (+32), sales (+29), wages (+23), and employment (+8). Profitability (+15) is positive but five points under the average.

## Hospitality (Accommodation, Cafes and Restaurants)

Hospitality (Accommodation, Cafes and Restaurants) Confidence



The Hospitality sector has become much less confident in the past six months with the latest result well below the national average. Last quarter was challenging but a strong turnaround is anticipated for the current quarter.

Hospitality has lost a lot of confidence over the last two quarters with the net balance falling from +62 to +44 last survey to +28 now. This is 14 points under the average.

Cost pressures followed by falling sales were the main concerns expressed by SMBs in Hospitality that lack confidence. Having an established, solid business and specific business strengths contributed to confidence more than other factors.

The key indicator results last quarter were mostly negative and well below the national average for sales (-15), prices (-7) and profitability (-6). Other results were above average - wages (+19) and employment (-1). The sales balance was the lowest of all sectors.

This quarter, expectations are among the most positive for prices (+31), sales (+32) and profitability (+35). However, the balances are much lower and below average for wages (+2), and employment (+3).

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).

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