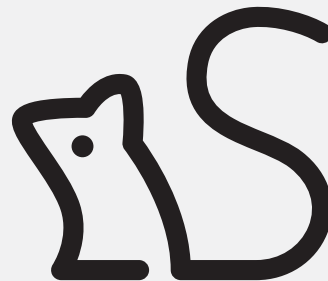
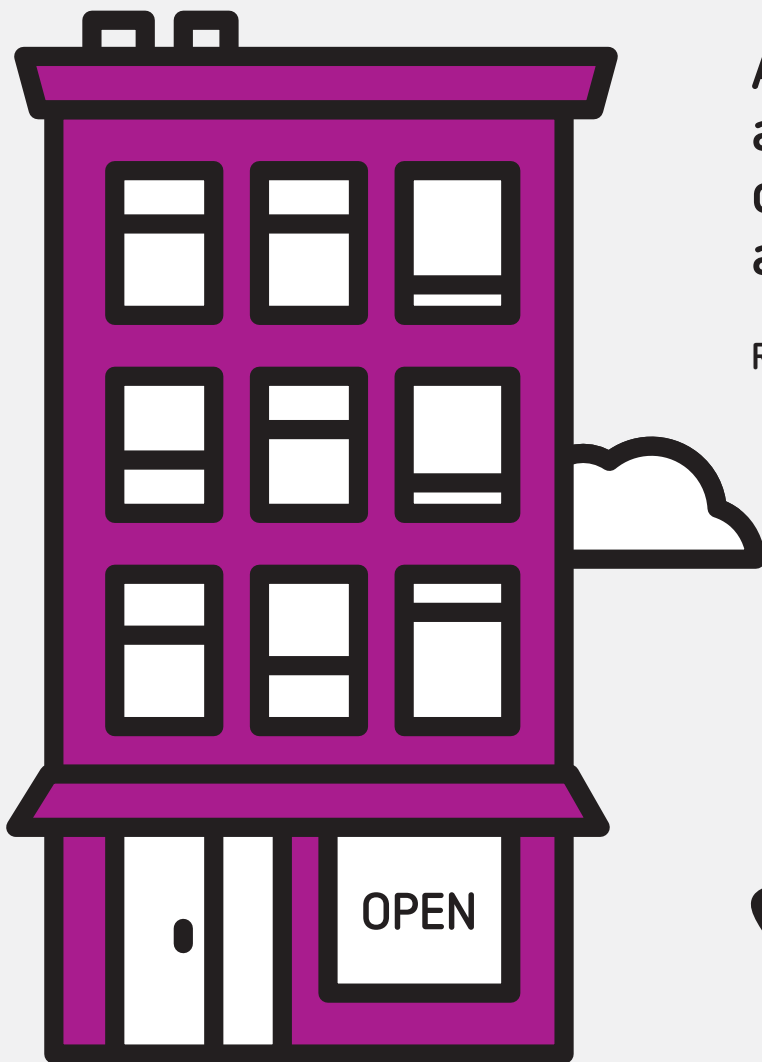


Sensis Business Index March 2019

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

Released May 2019



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Introduction

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

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

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

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

The Sensis Business Index is an initiative of Sensis as part of its commitment to this vital business sector. Sensis is a leading provider of digital platforms, innovative marketing and advertising services. Sensis advises and connects millions of Australian businesses to customers via its iconic brands Yellow Pages, White Pages, Whereis and Skip and our expert digital know-how. Sensis digital expertise sets it apart giving businesses a competitive edge through websites, search engine marketing and optimisation, data, and information.

About the survey

The Sensis Business Index March Quarter 2019 is based on 1,001 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 February 20 to March 29, 2019. 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 national SMB population operating in the 10 industries sampled. 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. Since 2015, the weighting has also been by industry, location and business size but based on ABS data contained in the latest publication of 8165.0 - Counts of Australian Businesses, including Entries and Exits. Some adjustments to this weighting data were also made (by Sensis) to exclude firms with a turnover of under \$50,000 pa that were non-operating or non-employing firms.

This report covers experiences over the last quarter and expectations for the current quarter and a look at the year ahead (which is only included in December quarter reports).

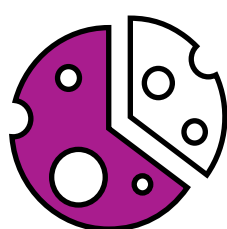
Location of business

	Metro	Regional	Total
New South Wales	111	61	171
Victoria	110	60	170
Queensland	90	80	170
South Australia	90	36	125
Western Australia	90	35	125
Tasmania	40	40	80
Northern Territory	40	40	80
Australian Capital Territory	80	-	80
Total	651	352	1001

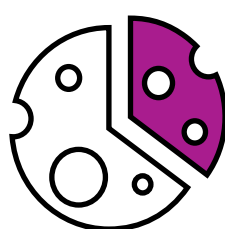
Industry sector

Manufacturing	127
Building and Construction	141
Wholesale Trade	85
Retail Trade	168
Transport and Storage	65
Communication, Property and Business Services	117
Finance and Insurance	78
Health and Community Services	71
Cultural, Recreational and Personal Services	84
Accommodation, Cafes and Restaurants	65
Total	1,001

Business location



65%
Metro

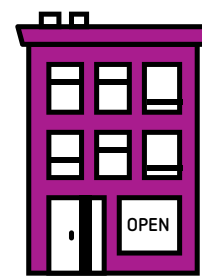


35%
Regional

Business size

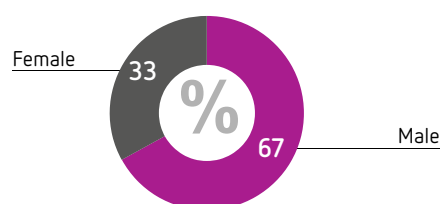


90%
Small
(1-19 employees)

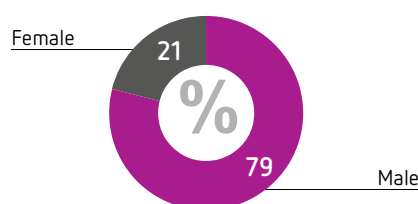


10%
Medium
(20+ employees)

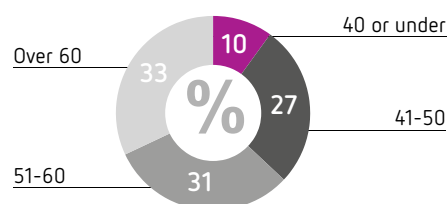
Respondent Gender



Owner's Gender



Age



Foreword

The March Quarter 2019 Sensis Business Index has revealed that Australian small and medium business (SMB) confidence fell significantly across the country, following last quarter's highs. SMB confidence levels decreased 16 points to +34, its lowest level since March 2016.

South Australia bucked the national confidence trend, reaching an all-time high confidence level of +56 (increasing five points from last quarter), while Tasmania remained unchanged at +43. Falls were recorded in all other states and territories.

The largest fall was recorded in WA, dropping 32 points to +20, followed by Victoria (down 24 points to +32) and Queensland (down 23 points to +32). Despite declines, ACT and NSW remained above the national average at +45 (down 1 point) and +35 (down 7 points) respectively.

Across the country, worries about the health of the economy grew, driving down positive gains in many of the key performance indicators. Perceptions of the current state of the economy continued to decline, this time decreasing by 8 points to -4, to the first negative balance recorded since June 2015 with 26% of SMBs believing the economy is slowing and 52% believe it is standing still.

Regional SMBs (down seven points to +31) again registered lower confidence than their metropolitan counterparts (down 23 to +35) although the gap narrowed significantly.

In terms of industry sectors, higher confidence was observed in Cultural, Recreational and Personal Services (up six points to +56), Transport and Storage (up ten points to +51) and Wholesale Trade (up seven points to +47).

The perception of state government was measured as positive in five states or territory governments. Tasmania rated highest (down three points to +26), followed by SA (up two points to +19), Victoria (up eight points to +8), NSW (up one point to +3) and WA (up six points to +1). The lowest rating was again recorded in Queensland (down four points to -23) while the largest fall was experienced by the ACT Government (down 17 points to -19). The balance was also lower in the NT (from -2 to -5).

The Tasmanian and South Australian governments continue to lead the way in terms of SMB support with confidence in the policies of the South Australian Government at a 6-year high. Another notable change was in Victoria where support for the Government was at a 6-year high.



Access to finance was again a major concern for SMBs as the net balance for accessing finance decreased seven points to -28, compared with +1 last March, as tightened lending regulations continue to bite. The last time SMBs believed it was this difficult to access finance was in March 2012 when the net balance was -29.

In Hospitality, the December 2018 survey saw net confidence reaching +71 which was the highest score we have observed for this sector. A massive fall of 61 points to +10 now sees Hospitality with the lowest confidence by industry. A large fall was also recorded in Finance and Insurance (down 34 points to +13) with the Retail sector (down 12 points to +14) relatively low on confidence too.

John Allan, Chief Executive Officer, Sensis

Executive summary

Historical trends and overall SMB highlights

SMB confidence was markedly lower after reaching the highest level recorded since December 2009 in the previous survey. This is associated with assessment of the economy becoming negative, perceptions of greater difficulty accessing finance for SMBs than in recent years and mixed key performance indicator results recorded last quarter. However, the latest sales balance was the highest recorded in over 10 years and most SMBs remain positive about their prospects, with expectations for key performance indicators this quarter becoming more optimistic. With the election imminent, the Federal Government has achieved its most positive rating among SMBs in almost four years.

The key findings of the Sensis Business Index for March Quarter 2019 are:

- SMB confidence decreased 16 points to +34.
- Confidence increased in SA by five points to +56 which is the best result we have on record for the state. There was an unchanged confidence level in Tasmania of +43, however falls were recorded elsewhere. The smallest decrease was one point in the ACT with confidence at +45. The biggest fall was 32 points in WA to +20 which was the equal lowest balance also recorded in the NT (down seven points). Significant falls were observed in Victoria (down 24 points to +32) and Queensland (down 23 points to +32). In NSW, confidence fell from +42 to +35.
- The overall assessment of the economy became negative. More than one in four SMBs believe the economy is slowing (26%) while just over one in five (22%) feel it is growing. The net balance of -4 is eight points lower than last survey and 21 points below the March 2018 result. SMBs remain positive about the economy in 12 months' time although the net balance of +2 fell three points and is 10 points lower than one year ago.
- Not since March 2012 have SMBs perceived it to be more difficult to access finance. The current balance of -28 is down seven points on last quarter and down 29 points on March last year.
- Last quarter, mixed results were recorded for key performance indicators although the sales balance was the highest recorded since March 2008. SMB expectations for the current quarter became more positive, especially for sales and profitability.
- The main barrier to taking on staff remains lack of work or sales.
- SMB opinions of the Federal Government have reached their most positive level since June 2015 with the net balance lifting eight points to +12. However, the majority of SMBs (60%) feel that the Federal Government has no impact on their business. Tax-related reasons remain the key factor influencing positive perceptions of the Government. The leading reasons cited by SMBs with negative opinions are lack of incentives and excessive bureaucracy. (This survey was completed before the Government handed down the 2019 Budget).
- Five state or territory governments were rated positively. These were in Tasmania (down three points to +26), SA (up two points to +19), Victoria (up eight points to +8), NSW (up one point to +3) and WA (up six points to +1). The lowest rating was again recorded in Queensland (down four points to -23) while the largest fall was experienced by the ACT Government (down 17 points to -19). The balance was also lower in the NT (from -2 to -5).

Executive summary

Metropolitan versus regional

SMB confidence in metropolitan areas decreased significantly, albeit from an all-time high, with confidence also down in regional areas. Last quarter, metropolitan SMBs performed better in terms of sales and profitability than their regional counterparts whose assessment of the current economy has become quite negative. Despite these differences, both display considerable optimism for the current quarter.

Key findings relating to metropolitan and regional businesses included:

- Confidence decreased by 23 points to +35 in metropolitan locations and by seven points for regional SMBs to +31. The previous metropolitan area confidence level had been the highest recorded in the past 11 years.
- A noteworthy result was regional confidence in SA reaching a record high for that location (up 44 points to +72).
- Regional SMBs (-17) assess the current state of the economy much less favourably than Metropolitan SMBs (zero). This is also true concerning their confidence about prospects for the economy in one year's time (-13 to +8).
- Last quarter, metropolitan SMBs performed better than regional SMBs on sales (+16 and -9 respectively), profitability (+9 and -17), wages (+14 and +2) and for prices (+10 and +6). For employment, the net balances were -6 and zero respectively.
- For the current quarter, expectations are higher among metropolitan SMBs than those in regional areas for each of the key performance indicators - sales (+29 versus +26), profitability (+28 versus +20), wages (+20 versus +10), prices (+17 versus +7) and employment (+12 versus +5).
- Metropolitan SMBs regard Federal Government's policies for small business a little more positively than those in regional areas with net balances of +13 and +10 respectively.

Executive summary

Industry sector trends

Confidence fell in most sectors, although from high levels. Nowhere was this more apparent than Hospitality where the balance fell from a record high of +71 to +10. Nevertheless, all ten sectors are still positive about their prospects for the next year and this is also reflected in a generally optimistic outlook for the current quarter on key performance indicators.

- Confidence fell in seven sectors; however, it remains positive in all ten.
- Higher confidence was observed in Cultural, Recreational and Personal Services (up six points to +56), Transport and Storage (up ten points to +51) and Wholesale Trade (up seven points to +47). Two other sectors displayed above average confidence levels: Health and Community Services (down 15 points to +41), and Communications, Property and Business Services (down 21 points to +35). Close to the national average for confidence were the Building and Construction sector (down 23 points to +33) and Manufacturing (down 14 points to +30).
- In Hospitality, the December 2018 survey saw net confidence reaching +71 which was the highest score we have observed for this sector. A massive fall of 61 points to +10 now sees Hospitality with the lowest confidence by industry. A large fall was also recorded in Finance and Insurance (down 34 points to +13) with the Retail sector (down 12 points to +14) relatively low on confidence too.
- Sales balances last quarter were positive in each sector other than Retail (-14) ranging from +7 in Building and Construction to +18 in Manufacturing.
- Profitability results were positive last quarter in six sectors with the three best performed being Finance and Insurance (+13), Transport and Storage (+12) and Cultural, Recreational and Personal Services (+11). Negative balances were seen in Building and Construction (-2), Wholesale Trade (-3), Health and Community Services (-8) and Retail (-15).
- For the current quarter, positive expectations were almost universal across the sectors for all five key performance indicators. The only exceptions were for employment by Finance and Insurance (-1) with zero recorded by Retail. Wholesale Trade displayed the most optimistic expectations for sales (+39), profitability (+39) and prices (+26). For employment and wages, the highest balances were in Health and Community Services (+19 and +24).

SMB business cycle analysis

SMBs are positive in their business outlook.

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

Despite mixed results last quarter, and a negative assessment of the economy, SMB expectations about their own key performance indicators for the current quarter are more positive than recorded last survey and most remain confident about their prospects for the next 12 months.

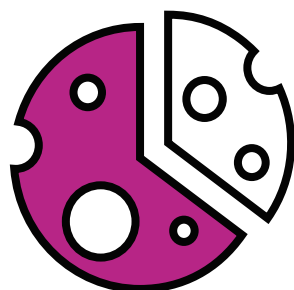
	Results for this quarter	Expectations for next quarter	Expectations for the next 12 months
Business confidence	NA	NA	Less optimistic
Economy	Lower, now negative	NA	Less positive
Sales	More positive	Much more optimistic	NA
Employment	Lower, now negative	More optimistic	NA
Wages	Marginally more positive	More optimistic	NA
Prices	Marginally less positive	Marginally more optimistic	NA
Profitability	Marginally more negative	Much more optimistic	NA

SBI Snapshot

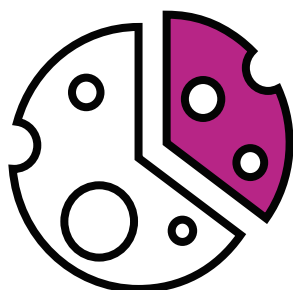
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

Who did we survey?

Business location



65%
Metro

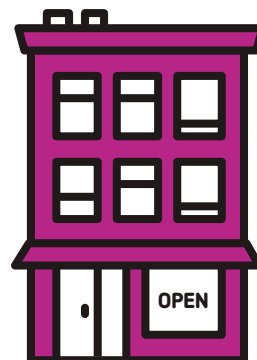


35%
Regional

Business size



90%
Small



10%
Medium

What did they tell us?

SMBs are feeling confident



57% feel confident

—



23% feel worried

=



+34 net balance

Because of:

- Specific business strengths
- Healthy sales
- Past experience

Because of:

- Decreasing sales

Decreased 16 points
from last quarter

SMB confidence by state



South Australia +56 (↑ 5)

Australian Capital Territory +45 (↓ 1)

Tasmania +43 (0)

New South Wales +35 (↓ 7)

National average +34 (↓ 16)

Victoria +32 (↓ 24)

Queensland +32 (↓ 23)

Northern Territory +20 (↓ 7)

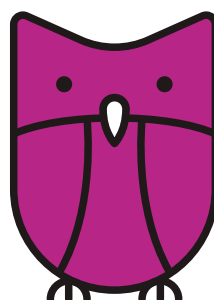
Western Australia +20 (↓ 32)



Net confidence fell to

+34 points

Down 16 points from last quarter



SBI Snapshot

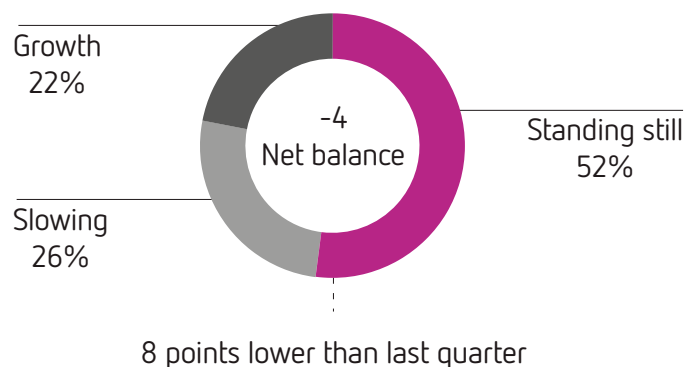
SMB confidence by sector



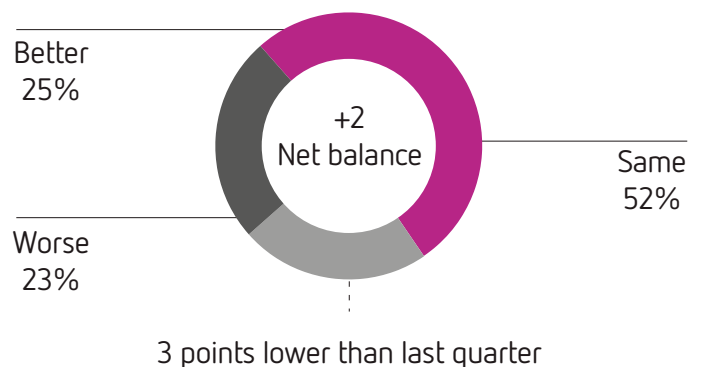
Cultural, Recreational and Personal Services +56 (↑ 6)
Transport and Storage +51 (↑ 10)
Wholesale Trade +47 (↑ 7)
Health and Community Services +41 (↓ 15)
Communications, Property and Business Services +35 (↓ 21)
National average +34 (↓ 16)
Building and Construction +33 (↓ 23)
Manufacturing +30 (↓ 14)
Retail Trade +14 (↓ 12)
Finance and Insurance +13 (↓ 34)
Hospitality +10 (↓ 61)



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	+9	+29	↑ 18
Employment	-4	+10	↑ 4
Wages	+10	+17	↑ 7
Prices	+9	+14	↑ 1
Profitability	+2	+25	↑ 13

• *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.

Small and Medium Business Outlook – National Summary

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Profitability	22

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

Confidence decreased; however this is from a very high level and it remains widespread among SMBs.

Key findings

The confidence level of Australian SMBs fell after reaching the highest level recorded since December 2009 last survey.

Last quarter

The net balance decreased 16 points to +34 with 57% of SMBs feeling confident about their prospects for the year ahead and 23% feeling worried.

There are three factors underlying confidence - having specific strengths, being an established, solid business and healthy sales.

The major concern identified remains weak sales.

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

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

This quarter, SMB views on the current state of the Australian economy became negative while their expectations for future economic growth were less optimistic.

Overall confidence – March Quarter 2018

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

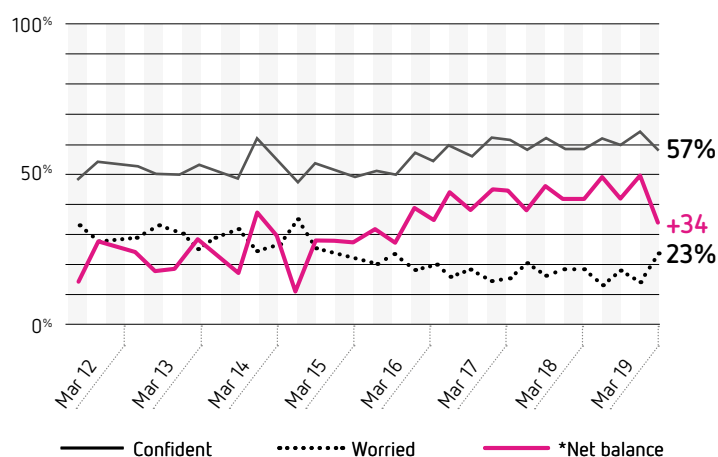
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	11%	6%	11%
Fairly confident	45%	65%	46%
Neutral	21%	13%	20%
Fairly worried	19%	13%	19%
Extremely worried	4%	3%	4%
Total confident	56%	71%	57%
Total worried	23%	16%	23%
*Net Balance	+33	+55	+34

Note: rounding occurs

Confidence trends – past five quarters

	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019
Confident	59%	62%	60%	64%	57%
Worried	17%	13%	18%	14%	23%
*Net Balance	+42	+49	+42	+50	+34

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 was generally lower. Nevertheless, a positive outlook prevails across the segments.

Key findings

Net confidence decreased in most states and territories. The exceptions were SA and Tasmania.

Regional SMBs (down seven points to +31) again registered lower confidence than their metropolitan counterparts (down 23 points to +35) although the gap narrowed markedly. The metropolitan confidence level was previously the highest we had on record (going back to March 2008). In Queensland, SA and Tasmania, confidence is lower in metropolitan areas than regional areas. By industry, there were double figure falls in seven sectors. The largest fall was observed in Hospitality where a record high for this sector had been recorded last time and now it displays the lowest confidence. Small businesses continue to trail medium size businesses for confidence.

Last quarter

Confidence was again lowest in the NT at +20 (down seven points). It was joined by WA where confidence more than halved (from +52 to +20). Large falls also occurred in Victoria (down 24 points to +32) and Queensland (down 23 points to +32). Confidence increased only in SA (from +51 to +56) and was steady in Tasmania (at +43). Above average confidence was also seen in the ACT (down one point to +45) and NSW (down seven points to +35).

In all capital cities, confidence fell. It is highest in Adelaide (down from a previous record high of +61 to +52) and lowest in Perth (down 33 points to +20). Melbourne also previously displayed a record high, however this survey, it registered the biggest fall (down 36 points to +32). Another big fall occurred in Brisbane (down 29 points to +30). In other cities confidence was as follows: Canberra (one point lower at +45), Hobart (down 14 points to +35), Sydney (down 12 points to +39) and Darwin (down 11 points to +25).

Regional confidence reached a record high for SA (up 44 points to +72). It also lifted in Tasmania (by 10 points to +50) but was lower in all other regions. The largest decrease was in WA (down 30 points to +17) while the lowest confidence was again observed in the NT (down 17 points to +3).

Small businesses (down 16 points to +33) remain less confident than medium businesses (down 9 points to +55).

By industry, confidence increased in three sectors which are clearly above average. It fell in all other sectors. The leaders are Cultural, Recreational and Personal Services (up six points to +56), Transport and Storage (up 10 points to +51) and Wholesale Trade (up seven points to +47). Confidence plummeted in Hospitality (down 61 points to +10) and Finance and Insurance (down 34 points to +13) while remaining relatively low in Retail (down 12 points to +14).

Confidence by state and territory, sector and size

Trends by state – *net balance

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
National	+42	+49	+42	+50	+34
New South Wales	+43	+56	+49	+42	+35
Victoria	+49	+48	+42	+56	+32
Queensland	+41	+48	+44	+55	+32
South Australia	+36	+45	+28	+51	+56
Western Australia	+24	+29	+22	+52	+20
Tasmania	+54	+57	+59	+43	+43
Northern Territory	+2	+28	+7	+27	+20
Australian Capital Territory	+54	+61	+56	+46	+45

Metro and regional confidence – *net balance

	Metro	Regional	Total
National	+35	+31	+34
New South Wales	+39	+25	+35
Victoria	+32	+30	+32
Queensland	+30	+33	+32
South Australia	+52	+72	+56
Western Australia	+20	+17	+20
Tasmania	+35	+50	+43
Northern Territory	+25	+3	+20
Australian Capital Territory	+45	NA	+45

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

Confidence by business size

	Confident	Worried	*Net Balance
Total	57%	23%	+34
1-2 Employees	46%	30%	+16
3-4 Employees	53%	28%	+25
5-9 Employees	50%	25%	+25
10-19 Employees	73%	12%	+61
Total Small Business	56%	23%	+33
20-99 Employees	70%	15%	+55
100-199 Employees*	75%	20%	+55
Total Medium Business	71%	16%	+55

Note: rounding occurs.

*Note: sample size only 8.

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	54%	24%	+30
Building and Construction	57%	24%	+33
Wholesale Trade	68%	21%	+47
Retail Trade	46%	32%	+14
Transport and Storage	62%	11%	+51
Communication Property & Business Services	56%	21%	+35
Finance and Insurance	44%	31%	+13
Health and Community Services	61%	20%	+41
Cultural, Recreational & Personal	69%	13%	+56
Accommodation, Cafes & Restaurants	48%	38%	+10

* 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 about the health of the economy have become negative.

Key findings

After being positive since September 2016, SMB assessments of the current state of the economy have turned negative. Year ahead expectations remain positive albeit lower than any time since June 2016.

Last quarter

SMB assessments of whether the economy is growing or slowing down fell again with the net balance decreasing from +4 to -4. This compares with +17 in March 2018. A negative balance was last recorded in June 2016 (of -3).

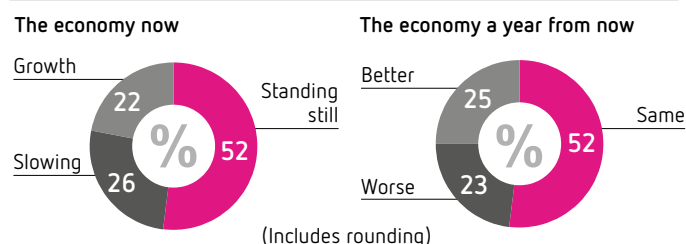
Perceptions deteriorated everywhere except NSW (unchanged at +2). The highest balance is again in Tasmania (down two points to +15) and it is also positive in SA (down three points to +2). Pessimism is prevalent in the NT (down 28 points to -52) with large falls also recorded in WA (of 19 points to -15) and Victoria (of 17 points to -10).

Regional SMBs (down 21 points to -17) are more pessimistic than metropolitan SMBs on this measure (down three points to zero).

Views about the economy in a year's time declined with the net balance falling from +5 to +2. One year ago, the balance was +12.

There were only two positive balances recorded - in NSW (up nine points to +9) and WA (down 15 points to +7). Once more, the lowest balance recorded was in the NT (down 20 points to -29). Elsewhere, the balances ranged from -1 in the ACT to -8 in Tasmania.

There is a 21-point gap between metropolitan (down two points to +8) and regional SMBs (down 10 points to -13) on this measure.

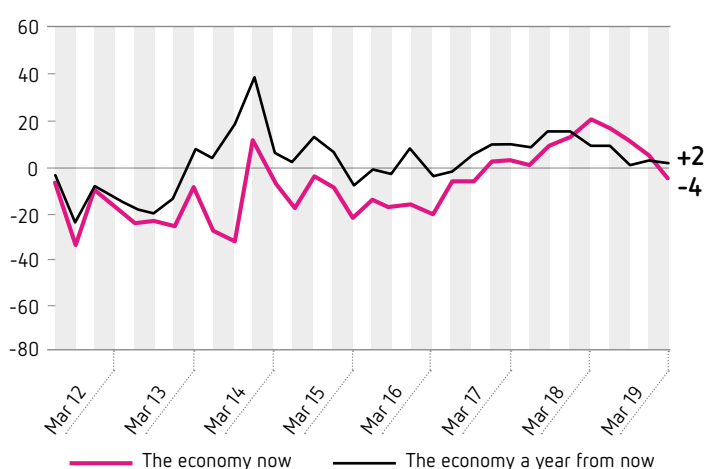


Perceptions of the economy – trends

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
The economy now					
Growth	30%	29%	28%	24%	22%
Slowing	13%	14%	17%	20%	26%
*Net Balance	+17	+15	+11	+4	-4
The economy a year from now					
Better	27%	27%	23%	22%	25%
Worse	15%	15%	20%	17%	23%
*Net Balance	+12	+12	+3	+5	+2

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	26%	22%	20%	18%	16%	27%	8%	21%
Slowing	24%	32%	24%	16%	31%	12%	60%	25%
*Net Balance	+2	-10	-4	+2	-15	+15	-52	-4
The economy a year from now								
Better	30%	26%	22%	17%	24%	11%	8%	21%
Worse	21%	28%	26%	19%	17%	19%	37%	22%
*Net Balance	+9	-2	-4	-2	+7	-8	-29	-1

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

Concerns

A lack of work or sales is the leading concern among SMBs.

Key findings

Just over one in two SMBs (51%) indicated that their business faces no major problems which is in line with prior findings. Lack of work or sales continues to be the number one concern identified.

Last quarter

A lack of work or sales was mentioned by 13% of SMBs as a current concern. This compares with 10% in the previous quarters and 12% in September 2018. It was mentioned most of all in WA (35%), and least in Victoria (6%). This concern was raised to a lesser degree in metropolitan than regional areas – 12% versus 17%. By sector, it stood out in Manufacturing (18%) followed by Transport and Storage (17%) with the lowest mentions in Hospitality (6%) and in Finance and Insurance (7%).

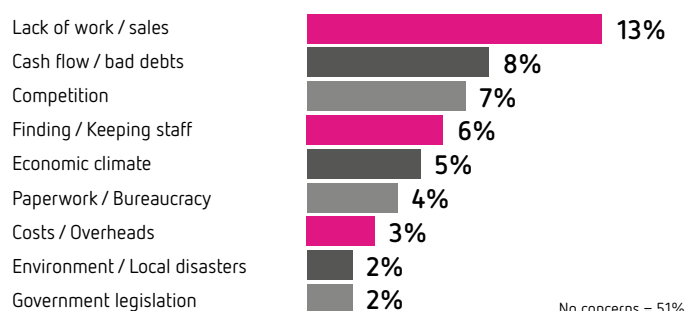
Second on the list of spontaneous concerns identified was cash flow, bad debts or profitability (up from 6% to 8%). This was followed by competition (up from 5% to 7%). Fewer mentions of finding or keeping staff were recorded (down from 9% to 6%).

Cash flow, bad debts or profitability generated most concern in the NT (24%) and the Communications, Property and Business Services sector (13%).

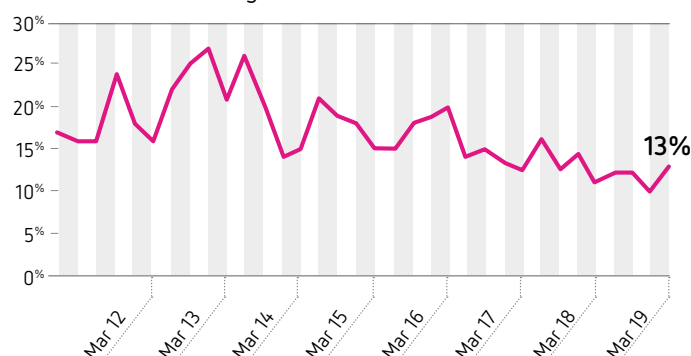
Seven per cent of SMBs mentioned difficulties in finding quality staff, which compares with 13% in the previous quarter. The leading difficulties identified were again a lack of qualifications (36%) followed by lack of experience or knowledge (25%).

Prime concerns

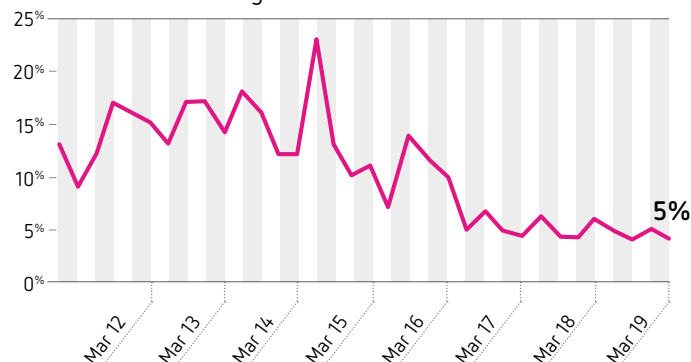
As far as your business is concerned, what problems, if any, are you facing at the moment?



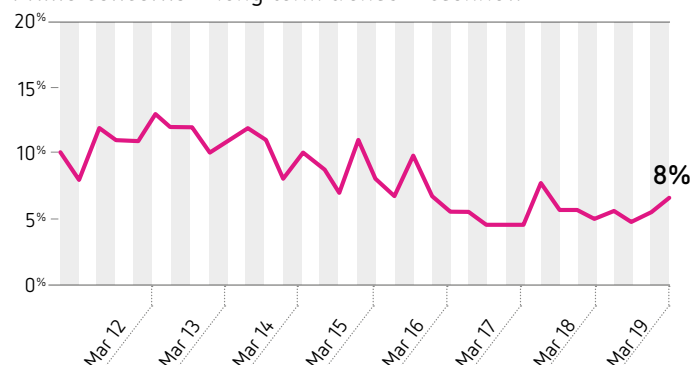
Prime concerns – long term trends – lack of work or sales



Prime concerns – long term trends – economic climate



Prime concerns – long term trends – cashflow



Sales

The latest balance for sales performance is the highest observed in 11 years.

Key findings

The latest sales performance balance is the most positive recorded since March 2008. Expectations lifted markedly and are at their highest level since December 2015.

Last quarter

The net balance was seven points higher at +9. Not since March 2008 has a higher balance been observed when it was +11.

Sales results were positive in all locations other than the ACT (-3) and NT (-27). Above average balances were recorded in Tasmania (+24) and NSW (+14). Elsewhere the balances ranged from +4 in WA to +7 in Victoria.

By industry, Retail Trade (-14) recorded the only negative result. Manufacturing (+18) reported the best sales result followed by Cultural, Recreational and Personal Services (+16) and Finance and Insurance (+16). Above average balances were also witnessed in Health and Community Services (+14), Transport and Storage (+14) and Hospitality (+11). Other sector balances were as follows: Building and Construction (+7), Communications, Property and Business Services (+7) and Wholesale Trade (+6).

Current quarter

For the current quarter, 42% of SMBs forecast higher sales with 13% expecting a fall generating a net balance of +29 (up 18 points on last survey and five points on the March 2018 result).

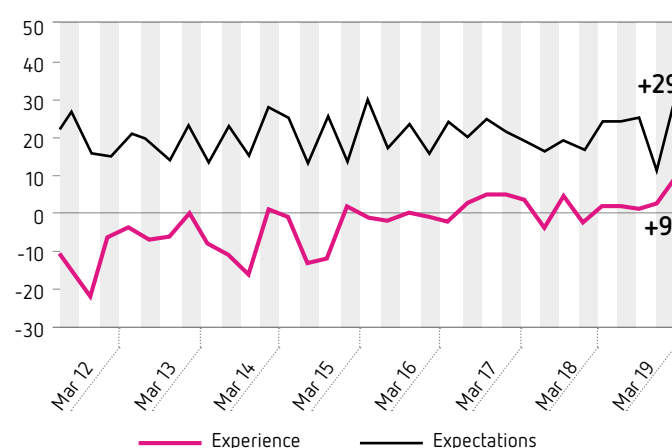
Sales expectations were positive throughout the nation ranging from +14 in the ACT to +38 in Victoria. An above average balance was also seen in the NT (+34) while Queensland (+29) matched the national result. Other balances recorded were as follows: WA (+28), SA (+25), NSW (+23) and Tasmania (+17).

By sector, expectations are most optimistic in Wholesale Trade (+39) followed by Health and Community Services (+35) with above average balances also evident in Building and Construction (+33) and Communications, Property and Business Services (+31). The lowest balance was in Retail Trade (+11).

Value of sales

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Last Quarter					
Experienced increase	29%	27%	27%	25%	32%
No change	44%	46%	44%	49%	43%
Experienced decrease	27%	25%	26%	23%	23%
*Net Balance	+2	+2	+1	+2	+9
Current Quarter					
Expect increase	37%	35%	37%	29%	42%
No change	49%	49%	50%	49%	44%
Expect decrease	13%	11%	12%	18%	13%
*Net Balance	+24	+24	+25	+11	+29

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

Despite a negative employment balance being recorded, expectations became more positive.

Key findings

The employment balance moved from a neutral to negative position. However, SMBs hold more positive expectations for this indicator than last survey.

Last quarter

In eight per cent of SMBs, employee numbers increased while 12% reduced their staff.

The territories were once more at each end of the spectrum with the highest net balance recorded in the ACT at +12 and the lowest in NT at -14. Positive balances were seen in SA (+3), WA (+2) and Tasmania (+2). Negative balances were recorded along the eastern seaboard: Queensland (-8), Victoria (-6) and NSW (-5).

By sector, positive results were seen in Cultural, Recreational and Personal Services (+7), Transport and Storage (+5), Hospitality (+3) and Manufacturing (+2). Negative balances were displayed in other sectors: Wholesale Trade (-9), Communications, Property and Business Services (-9), Building and Construction (-8), Health and Community Services (-4), Finance and Insurance (-4) and Retail (-1).

Forty-four percent of SMBs reported barriers to taking on new staff. This was 43% last survey. A lack of work or sales is still the most common barrier mentioned by 31% (down six points). Business growth remains the biggest influence on increased employment.

Current quarter

The survey found 15% expecting to hire staff and 5% foreseeing lower employee numbers generating a net balance of +10 which compares with +6 last survey.

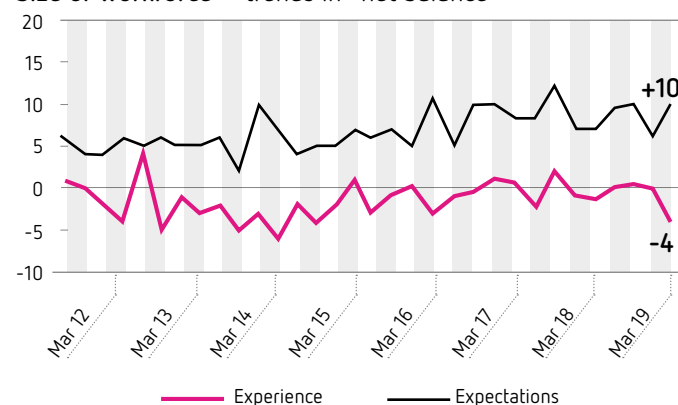
Expectations are positive in all states and territories ranging from +1 in Tasmania and the ACT to +15 in Victoria with WA second highest at +13.

By industry, expectations are only negative in the Finance and Insurance sector (-1) and neutral in Retail Trade. In others, they range from +5 in Cultural, Recreational and Personal Services to +19 in Health and Community Services.

Size of workforce

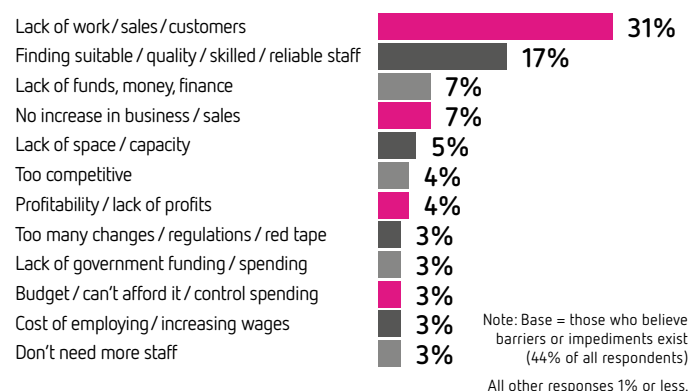
	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Last Quarter					
Experienced increase	9%	9%	10%	9%	8%
No change	80%	82%	81%	83%	80%
Experienced decrease	11%	9%	9%	9%	12%
*Net Balance	-2	0	+1	0	-4
Current Quarter					
Expect increase	12%	13%	16%	12%	15%
No change	82%	82%	78%	79%	73%
Expect decrease	5%	4%	6%	6%	5%
*Net Balance	+7	+9	+10	+6	+10

Size of workforce – trends in *net balance

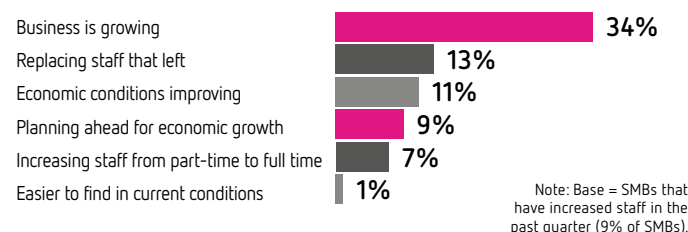


* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

What are the barriers to taking on new employees?



Why SMBs have increased employment



Wages bill

Wages results and expectations became more positive.

Key findings

Since September 2014 the wages balance has not varied greatly ranging from a low of +6 to a high of +12. Expectations have also been consistently positive since then with balances typically in the teens.

Last quarter

Higher wages were recorded by 22% of SMBs with a fall reported by 12%. The net balance of +10 is one point above the December 2018 quarter result and three points higher than recorded this time last year.

The wages balance was highest in Tasmania (+23) and above average in NSW (+16). Next highest was Queensland (+10). The lowest, and only negative balance emerged in the NT (-12). Other results were +8 in SA, +7 in Victoria, +3 in the ACT and +1 in WA.

Sector-wise, wages growth was most widespread in Manufacturing (+19) followed by Transport and Storage (+15) and then Cultural, Recreational and Personal Services (+14). In other industries, the net balances ranged from +3 in both Hospitality and Building and Construction to +12 in Finance and Insurance, Communications, Property and Business Services and Health and Community Services.

Current quarter

This quarter, 24% of SMBs foresee higher wages while seven percent expect a fall resulting in a net balance of +17 which is seven points higher than last quarter and three points above the March 2018 result.

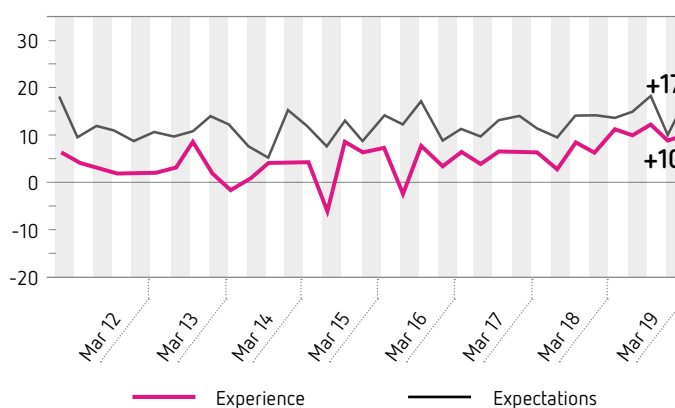
Balances are positive in all states and territories except for the ACT (-1) with the next lowest in the NT on +1. Elsewhere, the balances ranged from +10 in Queensland to +24 in WA while Victoria (+22), Tasmania (+19) and SA (+18) displayed above average balances. The national average was matched in NSW (+17).

By sector, the lowest wages balance was +3 in Finance and Insurance followed by +9 in Retail. Wages growth is most likely in Health and Community Services (+24) followed by Communications, Property and Business Services (+23).

Wages bill – trends

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Last Quarter					
Experienced increase	25%	19%	24%	21%	22%
No change	59%	68%	60%	62%	60%
Experienced decrease	13%	9%	12%	12%	12%
*Net Balance	+12	+10	+12	+9	+10
Current Quarter					
Expect increase	23%	23%	24%	19%	24%
No change	67%	67%	68%	66%	63%
Expect decrease	9%	7%	6%	9%	7%
*Net Balance	+14	+15	+18	+10	+17

Wages bill – long term 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

The prices balance and expectations remain positive.

Key findings

Prices growth last quarter and expectations for the current quarter have changed only marginally.

Last quarter

The net balance of +9 is down one point on the previous quarter and compares with +8 last March. Price rises were indicated by 15% and falls by 6% of SMBs.

Net balances were above the national average in Tasmania (+16), the ACT (+15), Queensland (+13) and WA (+10). Elsewhere, the balances were +9 in Victoria, +8 in NSW, +5 in SA and +2 in the NT.

By sector, Wholesale Trade (+21) recorded the most widespread prices growth followed by Cultural, Recreational and Personal Services (+18). A negative balance was recorded by Hospitality (-1). Next lowest was Finance and Insurance (+1).

Current quarter

The prices net balance for this quarter increased one point to +14. One year ago, this indicator was at +19.

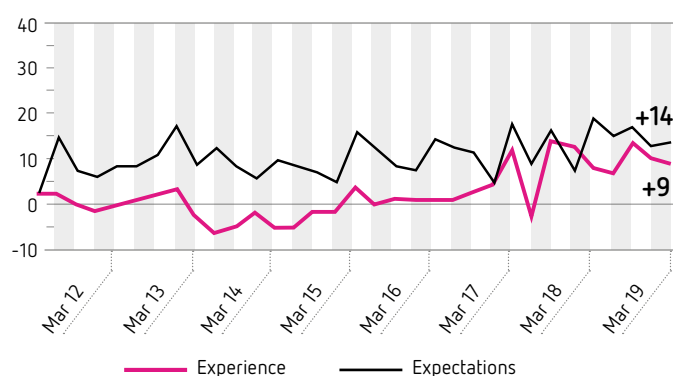
Expectations ranged from +9 in NSW and Tasmania to +21 in Victoria with the two territories close behind: the NT on +20 and the ACT on +19.

By sector, price rises are most likely in Wholesale Trade (+26) and least likely in Hospitality (+5) and Transport and Storage (+5). Above average balances were observed in Manufacturing (+19), Finance and Insurance (+17), Health and Community Services (+17), Cultural, Recreational and Personal Services (+16) and Retail Trade (+15).

Prices charged – trends

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Last Quarter					
Experienced increase	14%	13%	19%	15%	15%
No change	77%	77%	73%	74%	72%
Experienced decrease	6%	6%	5%	5%	6%
*Net Balance	+8	+7	+14	+10	+9
Current Quarter					
Expect increase	23%	19%	18%	16%	17%
No change	72%	73%	77%	74%	73%
Expect decrease	4%	4%	1%	3%	3%
*Net Balance	+19	+15	+17	+13	+14

Prices charged – long term 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

Not since March 2012 have SMBs perceived a more difficult market for accessing finance.

Key findings

SMBs' ability to access finance is critical for capital expenditure and growth. Perception of access to finance is at its lowest level since March 2012.

Last quarter

The net balance for accessing finance decreased by seven points to -28 and this compares with +1 last March. Prior to March 2018, positive balances had been recorded throughout 2015, 2016 and 2017. The last time SMBs believed it was this difficult to access finance was in March 2012 when the net balance was -29.

Negative balances were recorded in all locations. SMBs in Victoria (-38) are the most inclined to say it is difficult to access finance followed by those in WA (-34). The best balance was observed in the ACT (-12). Regional SMBs (-36) perceive it to be harder than their metropolitan counterparts (-25).

By sector, SMBs in Wholesale Trade (-20) and Transport and Storage (-20) did not see it as negatively as others. The Finance and Insurance sector perceived the most difficulty (-61) followed by Hospitality (-45).

Small (-28) and medium size (-21) businesses both continue to believe it is difficult to access finance. Last survey, the balances were -21 for small businesses and -16 for medium size businesses.

Twelve percent of SMBs sought finance which is two points less than last quarter. Of those, 65% were successful which compares with 71% in the December 2018 survey.

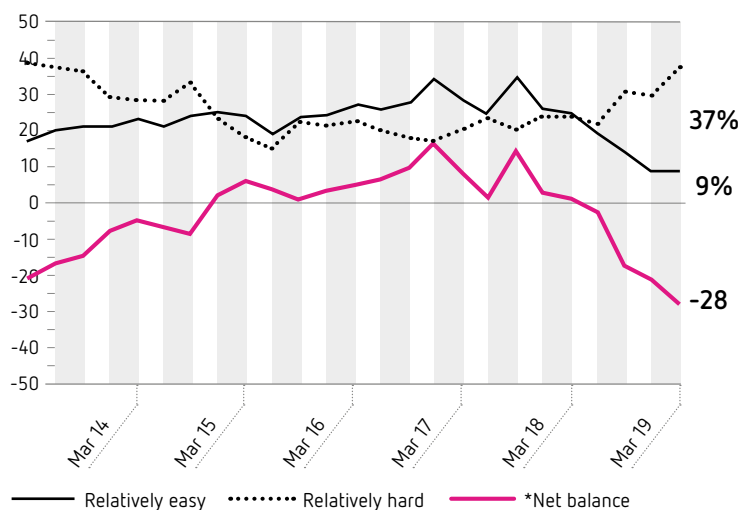
The incidence of seeking finance ranged from 6% in the ACT to 20% in the NT.

SMBs in the Retail sector (17%) were the most likely to have sought finance followed by Hospitality (15%).

Access to finance – trends

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Last Quarter					
Relatively easy	25%	19%	14%	9%	9%
Average	51%	59%	55%	61%	54%
Relatively hard	24%	22%	31%	30%	37%
*Net Balance	+1	-3	-17	-21	-28

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.

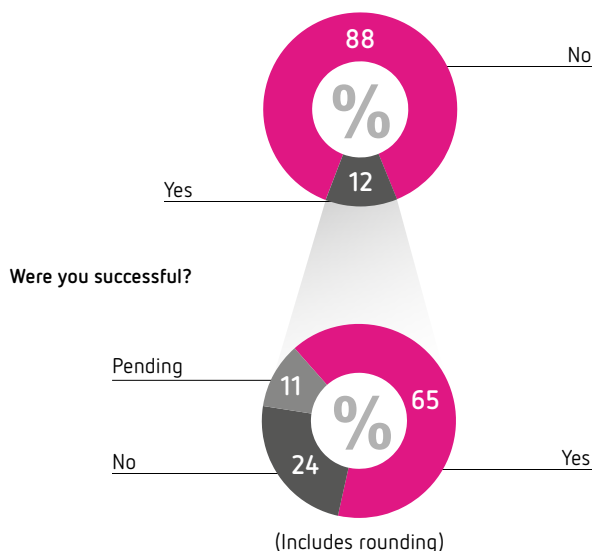
Ease of accessing finance – by business size (Mar 2019)

	Easy	Difficult	*Net Balance
Total	9%	37%	-28
1-2 Employees	7%	50%	-43
3-4 Employees	5%	52%	-47
5-9 Employees	11%	36%	-25
10-19 Employees	11%	16%	-5
Total Small Business	9%	37%	-28
20-99 Employees	15%	38%	-23
100-199 Employees	15%	22%	-7
Total Medium Business	15%	36%	-21

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?



Profitability

Profitability performance became positive for the first time in four years mainly due to SMBs in NSW enjoying more favourable conditions. Expectations for the quarter ahead are also at the strongest level recorded since March 2015.

Key findings

Profitability performance moved into positive territory and SMB expectations are more optimistic.

Last quarter

Since March 2008 only one positive net balance had been recorded for profitability which was in March 2015 when +6 was recorded. This survey, the run of negative results ended with a balance of +2 due to a profit rise recorded by 26% against a 24% fall. The previous quarter net balance was -1. One year ago, it was -2.

By location, there were positive results in NSW (+11) and Tasmania (+4) with a neutral balance recorded in Victoria. Profitability performance was weakest in the NT (-37) followed by the ACT (-9) with negative balances also observed in Queensland (-6), SA (-5) and WA (-1).

The best sector result was recorded in Finance and Insurance (+13) followed by Transport and Storage (+12) and Cultural, Recreational and Personal Services (+11). In Hospitality (+9), Manufacturing (+3) and Communications, Property and Business Services (+4), there were also positive balances. Negative results were observed in Retail (-15), Health and Community Services (-8), Wholesale Trade (-3) and Building and Construction (-2).

Current quarter

The net balance for profitability expectations this quarter more than doubled from +12 to +25 which is the best result recorded since March 2015 when the balance was +31.

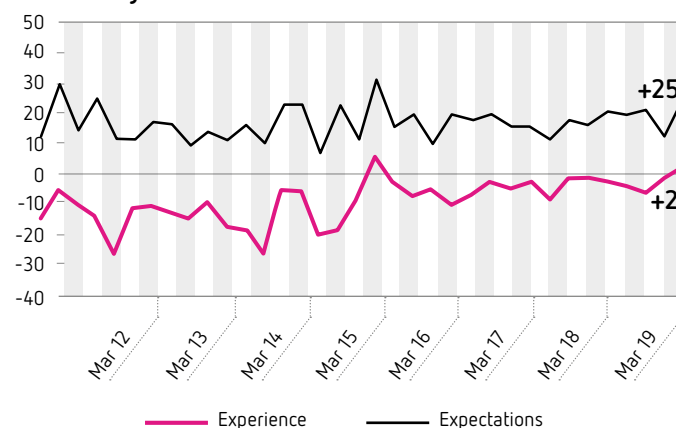
Profitability expectations are below +20 only in Tasmania (+13) and the ACT (+7). The highest balance is in Victoria (+29) followed by WA (+28) and then SA (+27).

By sector, expectations range from +12 in Finance and Insurance to +39 in Wholesale Trade. Optimism is also widespread in Building and Construction (+36).

Profitability

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Last Quarter					
Experienced increase	25%	22%	23%	24%	26%
No change	47%	49%	45%	49%	45%
Experienced decrease	27%	25%	29%	25%	24%
*Net Balance	-2	-3	-6	-1	+2
Current Quarter					
Expect increase	34%	32%	36%	30%	38%
No change	50%	51%	48%	46%	45%
Expect decrease	14%	13%	15%	18%	13%
*Net Balance	+20	+19	+21	+12	+25

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.

Government Policies

Government policies 24

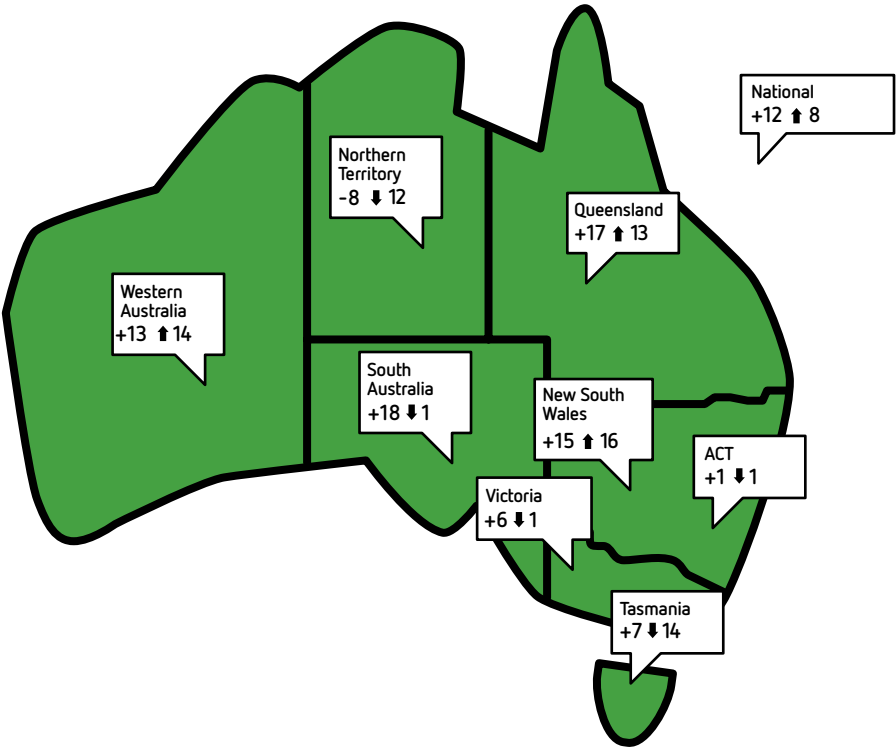
Assessment of Federal Government policies 25

Assessment of state and territory government policies 26

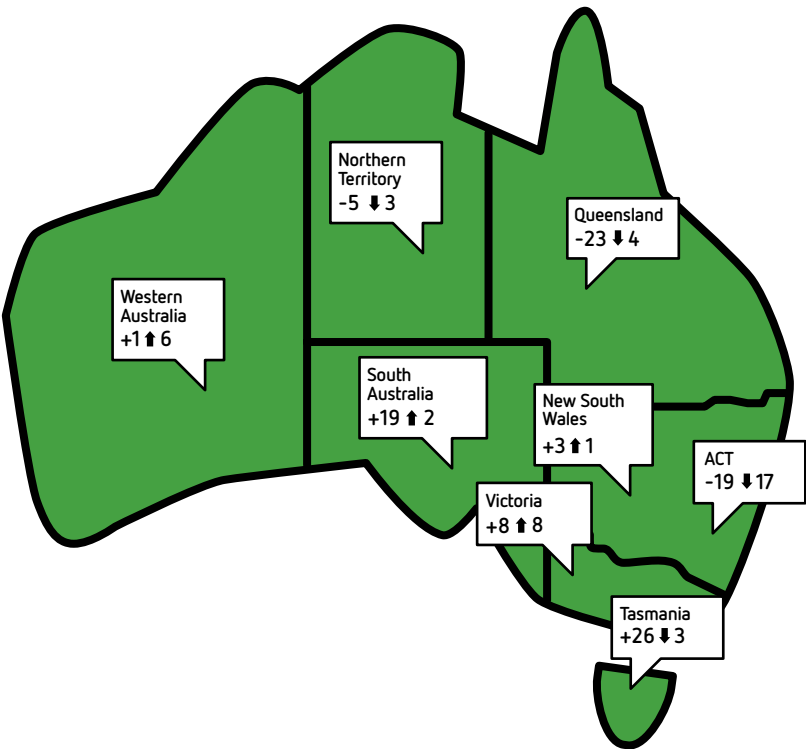
Government policies

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 are the most positive recorded since June 2015.

Key findings

SMB ratings of the Federal Government reached one of the highest levels recorded in the last 10 years.

Last quarter

Twenty-six percent of SMBs feel Federal Government policies are supportive of SMBs while 14% disagree. The net balance of +12 is eight points than last survey and one point higher than this time last year. The last time, a higher balance was recorded was in June 2015 when it was +18. Only one other higher balance has been observed since 2008 which was +16 in March 2015.

The leading reason for a positive response related to tax cuts / company / business taxation (21%). Also influential are the perceptions that the Federal Government is trying to help small business (14%) and more interested and supportive of them (11%).

SMBs which are negatively disposed were most critical of the Federal Government for a lack of incentives offered to small business (17%), excessive bureaucracy (17%), a belief that its policies work against their interests (15%) or favour big business (14%).

Only in the NT (-8) does the Federal Government receive a negative rating. The next lowest rating was in the ACT at +1 but elsewhere the balances ranged from +6 in Victoria to +18 in SA followed closely by Queensland with +17.

In all ten industries, a positive rating was recorded. The highest rating was by Finance and Insurance (+28) with Transport and Storage (+19) next in line. The lowest balance was +1 observed in both Manufacturing and Wholesale Trade.

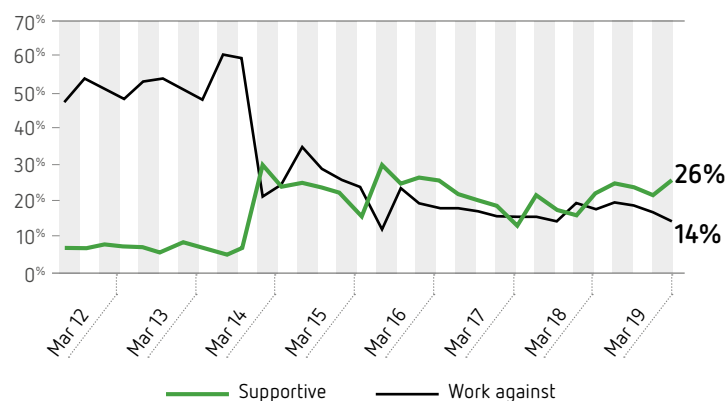
Attitudes to Federal Government policies – trends

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 18	Jun 18	Sep 18	Dec 18	Mar 19
Supportive	22%	24%	23%	21%	26%
Work against	19%	21%	20%	17%	14%
No impact	59%	55%	57%	62%	60%
*Net Balance	+3	+3	+3	+4	+12

* 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 and SA Governments continue to stand out as popular with SMBs.

Key findings

This quarter an average of 18% of SMBs regard their state or territory government to be supportive and 18% believe they are working against small business interests, generating an average net balance of zero. This is two points higher than last survey.

Five Governments generated positive net balances – those in Tasmania, SA, Victoria, NSW and WA. The Queensland Government remains the most widely criticised by SMBs and is now followed closely by the ACT Government.

Last quarter

The best rating was again recorded in Tasmania (down three points to +26) ahead of the SA Government (up two points to +19). Ratings lifted by one point in NSW to +3, by eight points in Victoria to +8, and by six points in WA to +1.

In Queensland (down four points to -23), the ACT (down 17 points to -19) and the NT (down three points to -5), SMB ratings became more negative.

The main appeals of the Tasmanian Government are that it is supportive of small businesses (18%), is doing a lot of infrastructure (15%), offers incentives, subsidies and grants (11%) and trying to help small business (10%). For the SA Government, the most positive feedback relates to a belief that it is supportive of small business (20%), reducing payroll tax (13%) and offers tax cuts (12%).

The main criticisms of the Queensland Government are excessive bureaucracy (21%), payroll tax (14%) and a perception of being only concerned with big business (11%). The three leading criticisms of the ACT Government are too many costs and charges (16%), high taxation (13%) and a perception of being only concerned with big business (10%).

Attitudes to state or territory government policies (Mar 2019)

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%	21%	9%	30%	20%	34%	20%	22%
Work against	16%	13%	31%	11%	19%	8%	25%	41%
No impact	65%	66%	60%	59%	61%	58%	55%	37%
*Net Balance	+3	+8	-23	+19	+1	+26	-5	-19

Note: Rounding occurs.

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

	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
New South Wales	+5	+4	-5	+2	+3
Victoria	-8	-10	-3	0	+8
Queensland	-19	-16	-15	-19	-23
South Australia	-19	+18	+18	+17	+19
Western Australia	-15	-7	-4	-5	+1
Tasmania	+19	+36	+33	+29	+26
Northern Territory	-8	-7	-9	-2	-5
Australian Capital Territory	+9	-2	+5	-2	-19

* 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 decreased; however, this was from the highest level recorded in nine years with most SMBs still positive about their prospects. Although SMBs see the economy as having weakened, an improved sales performance was recorded last quarter which may have fuelled greater optimism about key indicator performances in the current quarter, especially sales and profitability. SMBs are more positive about the Federal Government than has been the case in almost four years.

- Confidence fell by 16 points to +34 with 57% of SMBs positive about their prospects for the next year and less than one in four with a negative outlook. However there was a significant rise in those feeling negative about their prospects – up 9 to 23%.
- The main factors underlying confidence are having specific business strengths and healthy sales. Falling sales are the main concern of SMBs who are worried.
- SMB assessments of the current state of the economy decreased eight points to -4 and this is the first negative balance recorded since September 2016. Expectations for the economy in a year's time fell from +5 to +2.
- Despite a better sales result in the latest quarter, there was no real improvement in the other key performance indicators. Profitability became marginally more negative while employment moved into negative territory. The balances for wages and prices both shifted by only one point while remaining positive.
- Expectations for next quarter became more positive for all five key performance indicators. There was significant improvement in expectations for sales and profitability with a markedly stronger outlook for wages also recorded.
- SMB ratings of the Federal Government are the most positive observed since June 2015. Its primary appeal is the tax environment offered for businesses. Lack of incentives and excessive bureaucracy are the top two concerns.

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

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	59%	62%	60%	64%	57%
Negative	17%	13%	18%	14%	23%
*Net Balance	+42	+49	+42	+50	+34

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	+2	+2	+9	+24	+11	+29
Employment	-2	0	-4	+7	+6	+10
Wages	+12	+9	+10	+14	+10	+17
Prices	+8	+10	+9	+19	+13	+14
Profitability	-2	-1	-2	+20	+12	+25

* 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.



Small and medium business outlook – New South Wales

Confidence fell but remains widespread. Last quarter was a good one for sales and profitability helping to generate quite a positive set of expectations for the current quarter. The NSW Government's rating became marginally more positive.

- In NSW, confidence fell seven points to +35. This is one point above the national average.
- Confidence is influenced mostly by longevity (seen it all before). Lower sales are the major concern for SMBs worried about their prospects.
- Last quarter, balances lifted strongly from negative to positive positions for sales and profitability. Wages and prices were also positive with improvement recorded for wages and a marginal fall recorded in the prices balance. The employment balance became more negative.
- Expectations for the current quarter lifted for each key indicator except prices. All balances remain positive. The expectations for sales and profitability are markedly stronger.
- Ratings of the NSW Government increased one point to +3. Favourable opinion is influenced primarily by infrastructure development followed by small business management training schemes and believing the Government is interested in small business. The primary criticism concerned payroll tax with a lack of policies and direction for small business, too much focus on big business and excessive bureaucracy also influential.

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

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	58%	65%	66%	60%	56%
Negative	15%	9%	17%	18%	21%
*Net Balance	+43	+56	+49	+42	+35

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	+9	-3	+14	+17	+11	+23
Employment	0	-1	-5	+5	+5	+8
Wages	+13	+10	+16	+5	+6	+17
Prices	+8	+9	+8	+21	+13	+9
Profitability	+8	-7	+11	+17	+5	+25

* 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.



Small and medium business outlook – Victoria

Although SMB confidence decreased significantly, this was from a very high level and optimism remains prevalent. Last quarter was modest based on key performance indicator results, however Victorian SMBs present the most positive expectations in the nation for sales, profitability, employment and prices. The Victorian Government is now favourably regarded by SMBs.

- Confidence fell 24 points to a net balance of +32 which is two points under the national average.
- The leading drivers of confidence are longevity and having specific business strengths. Worried SMBs cited decreasing sales well above other issues.
- Last quarter, sales and profitability performances were slightly improved; however, the balances became less positive for wages and prices and negative for employment.
- For the current quarter, expectations for each of the five key performance indicators became significantly more positive and all are above the national average. The balances for sales, employment, prices and profitability are the highest in the nation.
- Victorian SMBs have become positively disposed towards the State Government with its net balance improving from a to neutral position to +8. Those with a positive opinion are pleased with the infrastructure being developed, its consultation of small business, job creation and improved access to government work. The main issue for SMBs critical of the Victorian Government relates to excessive bureaucracy followed by a perception it does not understand small business.

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

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	61%	62%	57%	67%	57%
Negative	12%	14%	15%	11%	25%
*Net Balance	+49	+48	+42	+56	+32

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	+5	+5	+7	+32	+13	+38
Employment	+1	+1	-6	+9	+8	+15
Wages	+20	+8	+7	+25	+14	+22
Prices	+15	+13	+9	+17	+16	+21
Profitability	+3	-2	0	+22	+17	+29

* 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.



Small and medium business outlook – Queensland

Confidence decreased substantially although this was from the highest balance recorded in the state during the past 10 years. Consequently, most SMBs remain optimistic about their prospects which is also apparent in their more positive expectations for sales, profitability, employment and prices. The State Government remains the most unpopular in Australia.

- Net confidence decreased 23 points to +32 which is two points under the national average.
- Confidence emanated mainly from healthy sales. Worried SMBs identified a range of concerns without any standing out although cost pressures, a difficult business environment and lower sales were the leading mentions.
- Last quarter saw higher and positive balances on sales, wages and prices while employment and profitability became more negative.
- Expectations for the five key indicators this quarter remain positive with improvements observed in sales, profitability, employment and prices. The wages balance is marginally less positive.
- The State Government remains the least popular in Australia with its net rating falling a further four points to -23. SMBs with a positive opinion feel the Government is consulting small business, offering incentives, subsidies and grants and trying to be supportive. The leading criticism was excessive bureaucracy followed by payroll tax.

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

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	60%	63%	60%	68%	55%
Negative	19%	15%	16%	13%	23%
*Net Balance	+41	+48	+44	+55	+32

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	-9	+2	+6	+24	+7	+29
Employment	-8	-1	-8	+8	+2	+9
Wages	+5	+5	+10	+14	+11	+10
Prices	+5	+9	+13	+21	+10	+14
Profitability	-14	-1	-6	+22	+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 three months.



Small and medium business outlook – South Australia

SMBs in SA have become the most confident in Australia. The latest confidence level is the highest recorded for this state in the last 11 years. Key indicator performances last quarter were mostly weaker, however expectations for the current quarter are optimistic. The SA Government continues to appeal to SMBs.

- An increase of five points lifted net confidence to +56 in SA which is 22 points above the national average and 13 points ahead of the next most confident state. It is also the highest confidence level in this state we have on record. This was due primarily to a lift in confidence in regional SA of 44 points to a record high balance of +72.
- Confidence stems from longevity and healthy sales more than other factors. The key concern identified was decreasing sales followed by cost pressures.
- Last quarter, only the employment balance increased with sales, wages and prices becoming less positive and profitability moving into negative territory.
- For this quarter, expectations are positive for all key indicators improving for sales, profitability and wages with prices steady and employment lower.
- The SA Government's rating lifted two points to +19 consolidating its position as the second most popular state or territory government for SMBs. Being supportive, reducing payroll tax and offering tax cuts are the three leading factors behind a positive rating. Too much bureaucracy and high taxation were the two main criticisms.

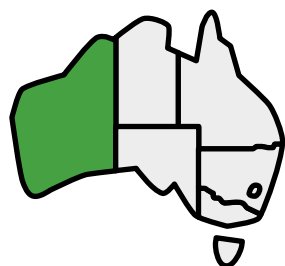
Trends in the past three months' experience and current expectations – South Australia

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	55%	58%	54%	64%	68%
Negative	19%	13%	26%	13%	12%
*Net Balance	+36	+45	+28	+51	+56

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	+3	+15	+5	+30	+15	+25
Employment	-4	+2	+3	+3	+13	+7
Wages	+4	+15	+8	+10	+9	+18
Prices	+3	+12	+5	+20	+18	+18
Profitability	-4	+12	-5	+21	+15	+27

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

**This is for the last three months.



Small and medium business outlook – Western Australia

Confidence decreased significantly albeit from its highest level in five years. The latest quarter saw mixed results on key performance indicators. However, expectations for the current quarter are all improved and quite optimistic. The WA Government is now rated positively by SMBs.

- Confidence more than halved from +52 to +20 which is 14 points under the national average and equal lowest in the nation.
- Being an established, solid business, favourable business conditions, specific business strengths and healthy sales are all key reasons for confidence. For worried SMBs in WA, an unfavourable business environment and lower sales are the top two concerns.
- The latest quarter results saw more positive balances recorded for sales and prices. However, profitability became negative while employment and wages were less positive.
- Current quarter expectations are positive and higher for all five key performance indicators.
- Support for the WA Government increased six points to +1. Those positively disposed see it as trying to improve economic conditions, reducing taxes and offering incentives, subsidies and grants. Being only concerned with big business and lack of incentives for small business stood out in the criticisms heard.

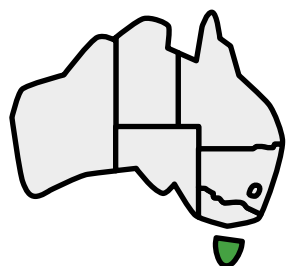
Trends in the past three months' experience and current expectations – Western Australia

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	52%	53%	49%	67%	51%
Negative	28%	24%	27%	15%	31%
*Net Balance	+24	+29	+22	+52	+20

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	-17	+2	+4	+25	+14	+28
Employment	-5	+3	+2	+5	+7	+13
Wages	0	+8	+1	+15	+9	+24
Prices	-5	+4	+10	+12	+5	+12
Profitability	-19	+9	-1	+20	+15	+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 three months.



Small and medium business outlook – Tasmania

Confidence was unchanged and clearly above the national average. Last quarter's key performance indicator results were also better than average with balances recorded for sales, wages and prices the highest in Australia. Expectations for the quarter are lower although positive for each key performance indicator. The Tasmanian Government maintains its position as the most popular in Australia among SMBs.

- Whilst positivity increased across the state, so did negativity, leaving net balance confidence unchanged at +43, nine points above the national average.
- A favourable business environment is the leading driver of confidence. Worried SMBs cited falling sales and an unfavourable business environment as key issues.
- Last quarter saw improved, positive balances for sales, employment and wages. The prices and profitability balances were unchanged and above average. The balances for sales, wages and prices were the highest recorded in the nation.
- Expectations this quarter for the key performance indicators are less positive.
- SMB support for the Tasmanian Government's policies was three points lower at +26 but it remains clearly the most popular in Australia. Those with a positive opinion believe it is supportive of small business, infrastructure oriented and offering incentives, subsidies and grants. Lack of incentives for small businesses and not doing much were the top two criticisms.

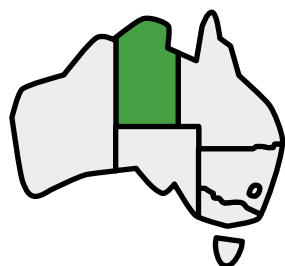
Trends in the past three months' experience and current expectations – Tasmania

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	63%	65%	66%	57%	60%
Negative	9%	8%	7%	14%	17%
*Net Balance	+54	+57	+59	+43	+43

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	+28	+9	+24	+30	+28	+17
Employment	+6	0	+2	+8	+10	+1
Wages	+27	+15	+23	+23	+26	+19
Prices	+22	+16	+16	+14	+17	+9
Profitability	+14	+4	+4	+35	+19	+13

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

**This is for the last three months.



Small and medium business outlook – Northern Territory

Confidence fell consolidating the NT position of least confident state or territory although this survey it was joined by WA. Last quarter was very challenging; however, the quarter ahead shows considerable promise, especially for sales. Ratings of the NT Government became more negative

- Confidence decreased seven points to +20 which is 14 points below the national average and equal lowest in the nation. Since September 2016, SMBs in the NT have displayed the lowest confidence in Australia.
- Falling sales dominates concerns. Influencing confidence are being an established, solid business, having specific business strengths, a positive attitude and healthy sales.
- Last quarter, lower balances were recorded for each key performance indicator with sales, employment and profitability becoming more negative and wages moving into negative territory. Each key performance indicator balance was the lowest in Australia.
- This quarter, expectations for sales, employment, prices and profitability were substantially improved and all positive. The sales and prices balances are above average.
- SMB support for the Northern Territory Government decreased three points remaining negative at -5. Positive opinion is primarily linked to infrastructure development. Two criticisms stand out: a lack of incentives for small businesses and tenders to big companies rather than local SMBs.

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

Confidence in own business prospects in next 12 months	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	42%	57%	45%	55%	46%
Negative	40%	29%	38%	28%	26%
*Net Balance	+2	+28	+7	+27	+20

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	-22	-7	-27	+4	-16	+34
Employment	-19	-5	-14	+8	-8	+5
Wages	-2	+7	-12	+10	+3	+1
Prices	-4	+10	+2	+12	+4	+20
Profitability	-25	-14	-37	+6	-9	+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.



Small and medium business outlook – Australian Capital Territory

Confidence fell marginally but is the second highest in the nation. Last quarter proved tough based on key performance indicator results which tempered expectations for the current quarter. However, sales appear to be improving and profitability expectations remain positive. The ACT Government continues to lose support and is quite unpopular with SMBs.

- There was a one-point fall in the ACT net balance to +45, which is 11 points above the national average and second highest in Australia.
- Confidence arises mostly from having specific business strengths and being an established, solid business with healthy sales influential. For those lacking confidence, falling sales and cost pressures headlined their concerns.
- Last quarter saw sales and profitability balances becoming negative while wages and prices were less positive. Employment became more positive. The sales and profitability balances were well below average.
- Expectations for this quarter improved only in the case of sales with prices and profitability steady. The wages and employment balances were markedly lower with wages moving into a negative position.
- The net rating of the ACT Government by SMBs deteriorated further falling 17 points to -19. Only the Queensland Government is more unpopular with SMBs. The major concerns are excessive costs, high taxation and the perception of being only concerned with big business. The key reason for a favourable assessment is the view that the Government is supportive of 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 18	Jun 18	Sep 18	Dec 18	Mar 19
Positive	67%	69%	69%	63%	61%
Negative	13%	8%	13%	17%	16%
*Net Balance	+54	+61	+56	+46	+45

*Net balance	Actual experience**:			Expectation for next 3 months:		
	Mar 2018	Dec 2018	Mar 2019	Mar 2018	Dec 2018	Mar 2019
Sales	-22	+1	-3	+4	+1	+14
Employment	-19	+5	+12	+8	+9	+1
Wages	-2	+27	+3	+10	+15	-1
Prices	-4	+16	+15	+12	+19	+19
Profitability	-25	+13	-9	+6	+7	+7

* 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.

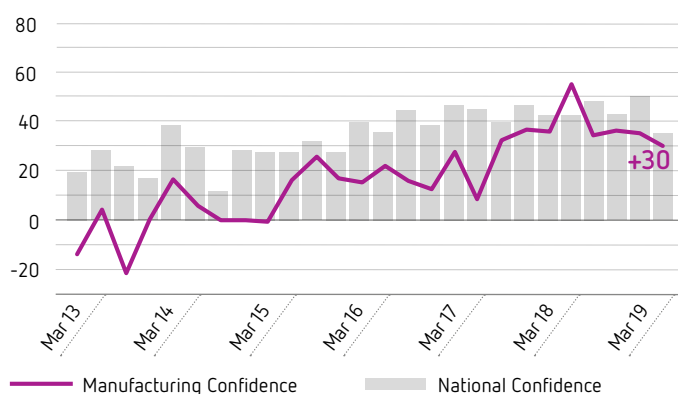
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Industry snapshots

Manufacturing

Manufacturing Confidence



Confidence fell despite a relatively strong last quarter and is four points below the national average. The outlook for this quarter is quite positive.

Confidence decreased 14 points to +30 which is four points under the national average.

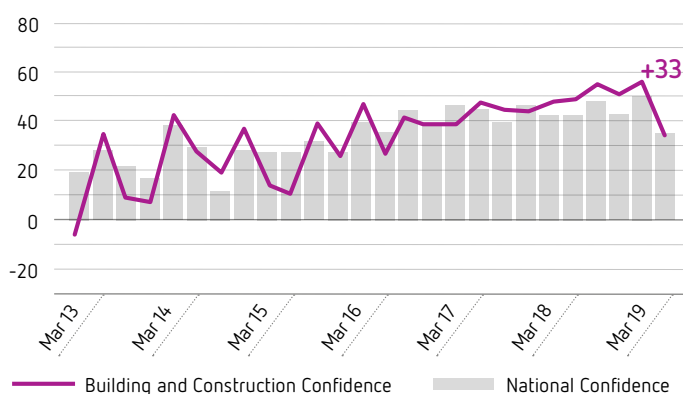
An unfavourable business environment followed by falling sales had the most impact on those without confidence. The leading factors driving confidence are being an established, solid business and having specific strengths.

Last quarter saw positive balances recorded for all five key performance indicators with those for sales (+18) and wages (+19) highest in the nation while employment (+2), prices (+14) and profitability (+3) were at above average levels.

For this quarter, expectations for key indicators are all positive and exceed the average for employment (+11) and prices (+19). The other indicator balances are as follows: sales (+22), profitability (+19) and wages (+12).

Building and Construction

Building and Construction Confidence



SMBs in this sector found last quarter more challenging than was the case throughout 2017 and 2018 but the current quarter appears promising.

Confidence decreased from +56 to +33 which is one point under the national average.

Having specific strengths impacts most on confidence with healthy sales and being an established, solid business also influential. Decreasing sales, competitive pressures and an unfavourable business environment were the main concerns.

The latest quarter's key indicator results were below the national average for sales (+7), wages (+3), profitability (-2), and employment (-8). The prices balance (+13) was four points above the average.

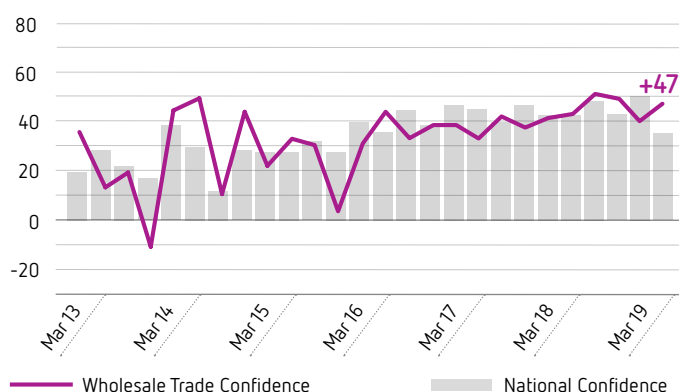
This quarter, SMBs in Building and Construction display confidence levels above the average for profitability (+36) and sales (+33) and at the average for employment (+10), prices (+14) and wages (+17).

Industry snapshots



Wholesale Trade

Wholesale Trade Confidence



Confidence increased and is clearly above the national average. Mixed performances were recorded last quarter for key indicators, however expectations for the current quarter are among the most positive by sector.

Confidence increased seven points to +47 which is 13 points above the national average and third highest by sector.

Those who are confident mentioned specific business strengths much more than other factors but healthy sales and being an established, solid business are not insignificant. Lower sales are much more influential than other concerns raised.

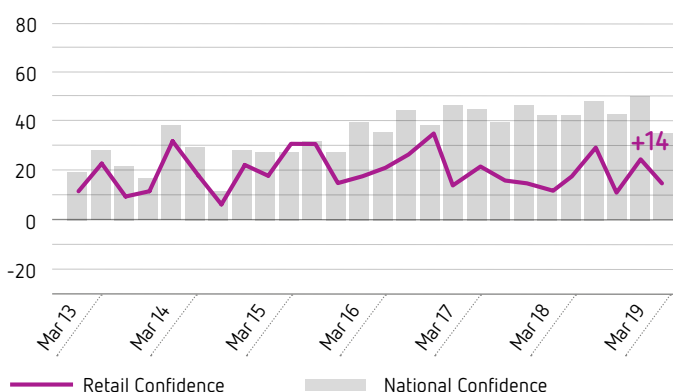
This sector recorded the highest balance last quarter for prices (+21) but other key performance indicator balances were below average: wages (+7), sales (+6), profitability (-3), and employment (-9).

Current quarter expectations are highest by industry for sales (+39), profitability (+39) and prices (+26) and above average for wages (+20). The employment balance is three points below the average (+7).



Retail Trade

Retail Trade Confidence



SMBs in the Retail sector continue to find business conditions difficult with weak results in sales and profitability dampening confidence and expectations for the current quarter.

Confidence decreased by 12 points and is 20 points under the national average at +14 for this sector.

Decreasing sales are impacting most of all on worried retailers. Those who were positive suggest longevity is the main driver of confidence.

Last quarter saw the lowest balances by sector recorded for profitability (-15) and sales (-14) with employment (-1) also negative. Prices (+9) and wages (+11) were positive.

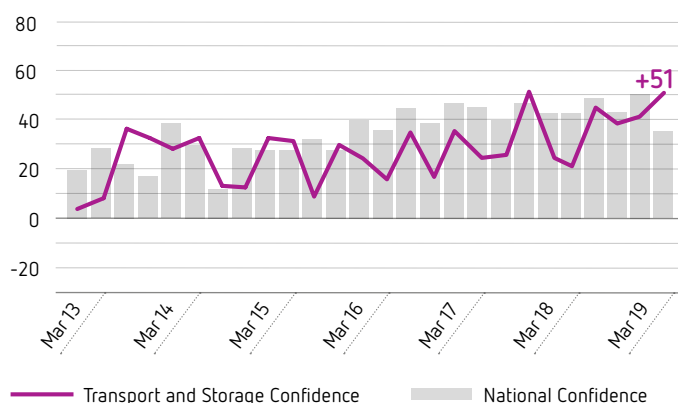
The outlook this quarter for sales (+11) and profitability (+10) is less positive than in any other industry. Expectations for wages (+9) and employment (0) are also below average. The prices balance (+15) is one point above the national average.

Industry snapshots



Transport and Storage

Transport and Storage Confidence



Confidence lifted to a level well above the national average. Key indicator results last quarter were good, and expectations are quite positive.

Confidence increased ten points generating a net balance of +51. This is 17 points above the average and second highest by sector.

The key driver of confidence is being healthy sales and specific business strengths. An unfavourable business environment and lower sales are the leading concerns.

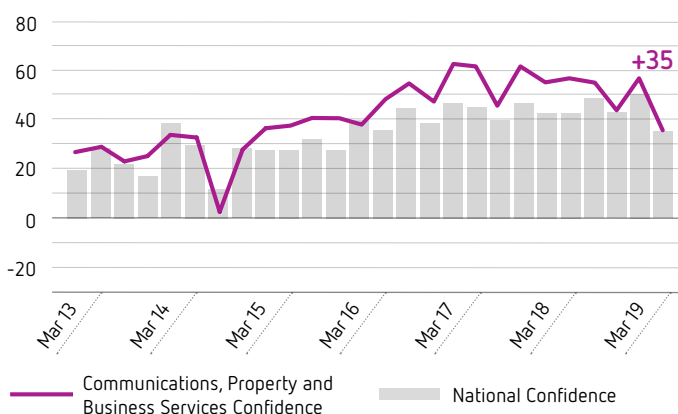
Last quarter, this industry recorded better than average balances for wages (+15), sales (+14), profitability (+12), and employment (+5). A positive balance was also observed for prices (+6).

Expectations this quarter are positive for all key indicators albeit below average for sales (+27) and profitability (+15) with wages (+20) above average. The balance for prices (+5) was under the average while employment (+10) was at the average.



Communications, Property and Business Services

Communications, Property and Business Services Confidence



Confidence fell markedly although remaining above the national average. Last quarter's results were modest but key indicator expectations foreshadow a much better current quarter.

A fall of 21 points reduced net confidence in this sector to +35 which is one point above the national average.

Confidence emanates mainly from healthy sales whilst falling sales dominate concerns.

Last quarter, key indicator balances were as follows: wages (+12), prices (+7), sales (+7), profitability (+4) and employment (-9).

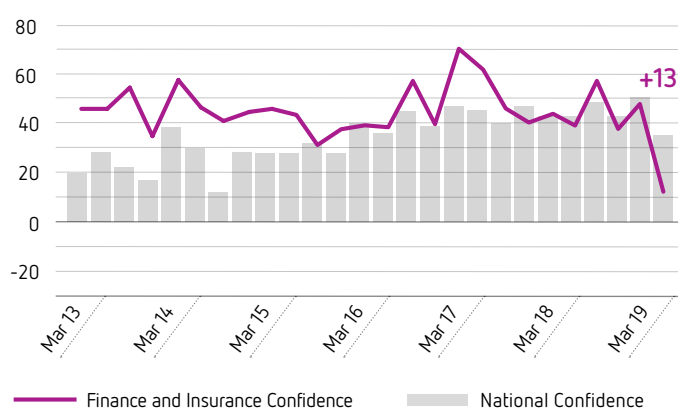
This quarter's expectations are above the national average for sales (+31), profitability (+28), wages (+23), and employment (+15). The prices balance (+14) matched the average.

Industry snapshots



Finance and Insurance

Finance and Insurance Confidence



Confidence decreased significantly and is well under the national average. Last quarter, key indicator results were quite positive; however, expectations are less optimistic this quarter than observed for most other industries.

Net confidence fell 34 points with the balance of +13 being the second lowest recorded by industry.

Having specific business strengths underlies confidence.

Competitive pressures were the concern mentioned most by worried SMBs within this sector.

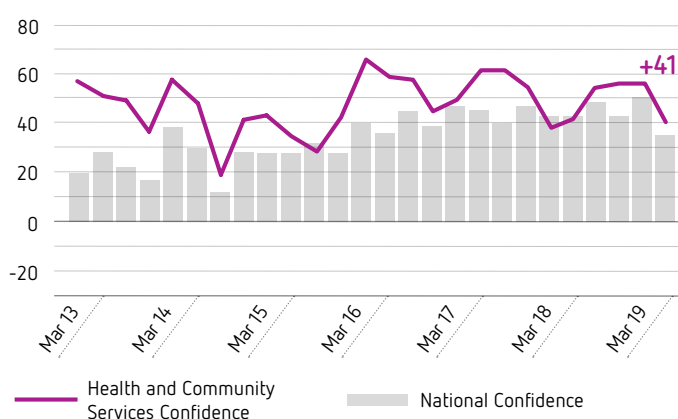
Last quarter, above average results were recorded for sales (+16), profitability (+13) and wages (+12). The profitability balance was the highest observed across the sectors. The prices balance (+1) was positive but well under the average while employment (-4) matched the average.

This quarter, most key indicator expectations are under the national average: sales (+19), prices (+17), profitability (+12) and wages (+3). A negative employment balance (-1) was recorded.



Health and Community Services

Health and Community Services Confidence



Confidence remains clearly above average even though it decreased underlying mixed key indicator results last quarter. However, a rosy outlook is presented by key indicator expectations for the current quarter in this sector.

Confidence was 15 points lower at +41. This is seven points above the national average.

Confident businesses claim to be established and solid operators or specific business strengths ahead of other factors. Declining sales is the top issue for the worried SMBs.

Last quarter, this sector experienced mixed fortunes. Above average balances were recorded for sales (+14), prices (+12) and wages (+12). Negative balances were witnessed for profitability (-8) and employment (-4).

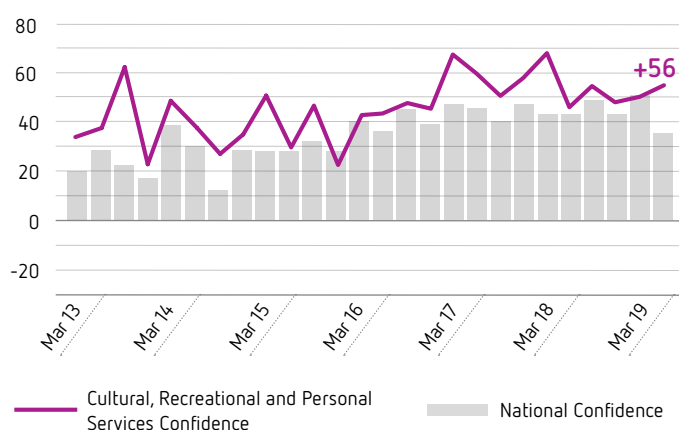
For this quarter, all key performance indicator expectations are positive - sales (+35), profitability (+24), wages (+24) employment (+19) and prices (+17).

Industry snapshots



Cultural, Recreational and Personal Services

Cultural, Recreational and Personal Services Confidence



Confidence increased to the highest level observed across the sectors. Conducive business conditions were experienced last quarter based on key indicator performances and this should continue in the current quarter judging by expectations expressed.

A rise of six points generated a net balance in this sector of +56 which was the highest recorded by sector.

Business longevity and specific strengths are driving confidence more than other factors. An unfavourable business environment, falling sales and cost pressures stood out for worried SMBs in this sector.

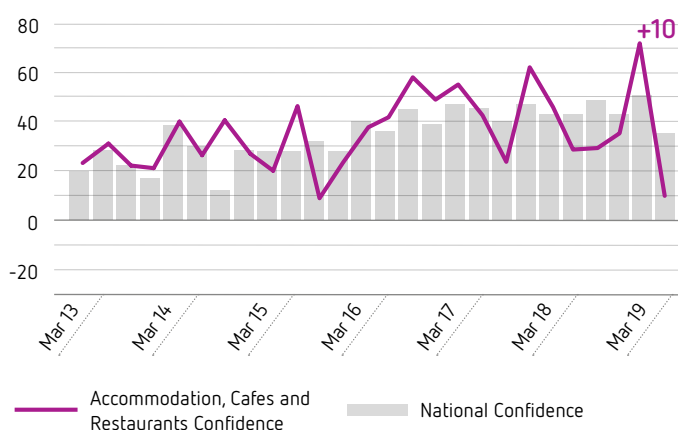
Better than average balances were recorded for all key indicators last quarter: prices (+18), sales (+16), wages (+14), profitability (+11) and employment (+7).

This quarter, expectations for each indicator are all positive. Sales (+29), profitability (+29) and prices (+17) are at or above the national average. The balances for employment (+5) and wages (+13) were below the national average.



Accommodation, Cafes and Restaurants

Accommodation, Cafes and Restaurants Confidence



Hospitality continues to display swinging confidence levels reflecting volatile business conditions. Last survey saw a significant increase in confidence to a record high level for this sector and leadership position. Now, Hospitality is the least confident sector.

Last survey, Hospitality enjoyed a massive confidence boost recording a record high for the industry of +71 as well as assuming the leadership position. The situation has reversed in the latest survey with a fall of 61 points generating a balance of +10. This is the lowest balance by industry and the lowest recorded by this sector since June 2015.

Having an established, solid business and healthy sales drove confidence. Cost pressures are the leading concern just ahead of falling sales with an unfavourable business environment also having an impact.

The key indicator results last quarter were mostly positive and above average for sales (+11), profitability (+9) and employment (+3). Other balances were +3 for wages and -1 for prices.

This quarter, expectations are below average for each of the key performance indicators: sales (+25) profitability (+16), wages (+13), employment (+6) and prices (+5).

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