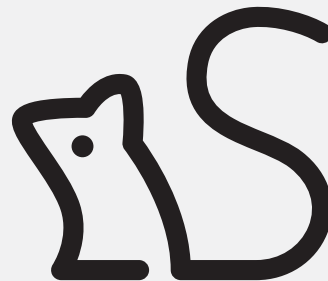
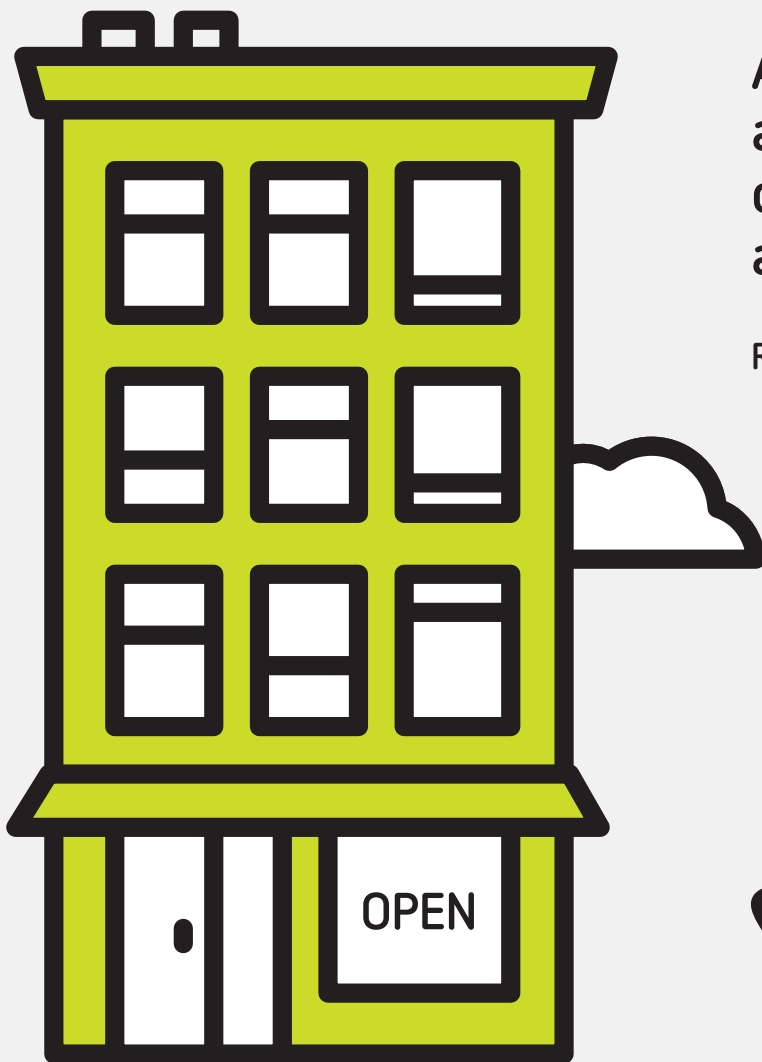


Sensis Business Index December 2018

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

Released February 2019



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Table of contents

Introduction	2
About the survey	3
Foreword	4
Executive summary	5
SMB business cycle analysis	8
SBI snapshot	9
 Small and Medium Business Outlook – National Summary	11
SMB confidence in their own business prospects over the next 12 months	12
Confidence by state and territory, sector and size	13
Perceptions of the economy	15
Expectations on key indicators for the next 12 months	16
Concerns	17
Sales	18
Employment	19
Wages bill	20
Prices	21
Capital expenditure	22
Access to finance	23
Profitability	24
Exports	25
 Government Policies	26
Government policies	27
Assessment of Federal Government policies	28
Assessment of state and territory government policies	29
 Small and Medium Business Outlook	30
National	31
New South Wales	32
Victoria	33
Queensland	34
South Australia	35
Western Australia	36
Tasmania	37
Northern Territory	38
Australian Capital Territory	39
 Industry Snapshots	40
Manufacturing	41
Building and Construction	41
Wholesale Trade	42
Retail Trade	42
Transport and Storage	43
Communications, Property and Business Services	43
Finance and Insurance	44
Health and Community Services	44
Cultural, Recreational and Personal Services	45
Accommodation, Cafes and Restaurants	45

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 December Quarter 2018 is based on 1,003 telephone interviews conducted with small and medium business proprietors or managers respectively, employing up to 199 people.

This sample is drawn from metropolitan and major non-metropolitan regions throughout Australia with targets set for location and industry as shown opposite. Interviewing was conducted from November 5 to December 3, 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 based on 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 and a look at the year ahead (which is only included in December quarter reports).

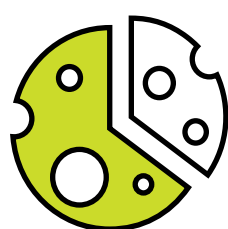
Location of business

	Metro	Regional	Total
New South Wales	111	61	171
Victoria	110	60	170
Queensland	90	80	170
South Australia	90	36	126
Western Australia	90	35	125
Tasmania	40	41	81
Northern Territory	40	40	80
Australian Capital Territory	80	-	80
Total	651	352	1003

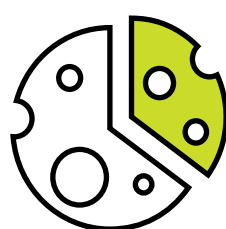
Industry sector

Manufacturing	120
Building and Construction	153
Wholesale Trade	84
Retail Trade	146
Transport and Storage	68
Communication, Property and Business Services	148
Finance and Insurance	87
Health and Community Services	56
Cultural, Recreational and Personal Services	76
Accommodation, Cafes and Restaurants	65
Total	1,003

Business location



65%
Metro

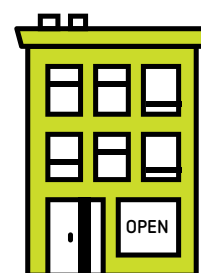


35%
Regional

Business size

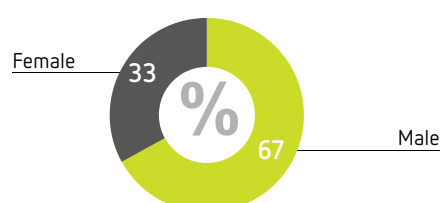


90%
Small
(1-19 employees)

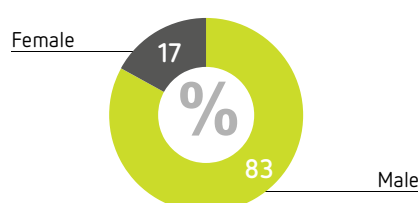


10%
Medium
(20+ employees)

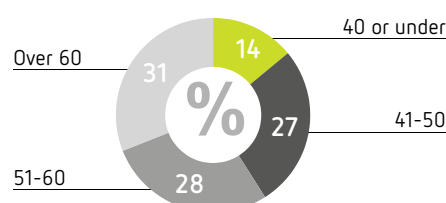
Respondent Gender



Owner's Gender



Age



Foreword

The December Quarter Sensis Business Index provided an optimistic view of small and medium businesses (SMBs) across the country, with confidence at a nine year high (+50) due to an increase of eight points on the September Quarter Report.

Across the nation, 64% of SMBs said they feel confident about their business prospects for the year ahead. However the main driver of confidence is longevity and resilience – a feeling that we have seen it all before and can get through most things. The 14% of SMBs who were less confident expressed apprehension around weak sales.

At a state-level, despite remaining high there were a number of shifts in confidence with record levels reached in a number of segments. Victoria overtook Tasmania as the country's most confident state or territory, increasing 14 points to +56, followed closely by Queensland (up 11 points to +55) and Western Australia (up 30 points to +52). Despite a 20-point increase, the NT remained at the bottom of the scale sitting at +27, 23 points below the national average. The big fallers were Tasmania (down 10 to +43) and New South Wales (down seven to +42).

Once again, metropolitan SMBs were found to be more positive than their regional counterparts (+58 versus +38 respectively) with capital city confidence highest in Melbourne which, due to an increase of 22 points hit a record level +68. Adelaide also registered a record high, growing 28 points to +61, while Brisbane sat above the national average at +59 (national average +58).

When looking at the economy, perceptions of growth have fallen for the third survey in succession, decreasing from +11 to +4, 10 points lower than in December 2017. Perceptions for the year ahead are slightly higher, with 22% feeling the economy will grow versus 17% concerned it will worsen.

When looking at attitudes toward the Federal Government, 62% of SMBs feel policies have no impact on their business, while 21% said it worked to support small and medium businesses and the remaining 17% said they felt it worked against them. SMBs in Tasmania (+21) showed the highest level of support for the Federal Government, while SMBs in NSW and WA sat at the bottom of the index at -1.



Finally, confidence has spiked among the majority of industry sectors in the December report, with the highest score observed in Hospitality – which more than doubled from +35 to +71, a record score for this sector. Retail Trade (+26) was the only industry sector to record a balance lower than +40.

The December Quarter 2018 report indicated a positive period for Australian SMBs as they headed into the 2018 Christmas period, while also expressing strong predictions for the year ahead.

John Allan, Chief Executive Officer, Sensis

Executive summary

Historical trends and overall SMB highlights

SMB confidence is at its highest level since December 2009 despite a mixed quarter and a less positive view of the economy than observed in recent surveys. However, key performance indicator expectations for the year ahead reflect widespread optimism..

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

- SMB confidence increased eight points to +50 reaching its highest level in nine years.
- Confidence was high in most locations, with the only balance below +42 recorded in the NT where it increased 20 points to +27. Victoria recorded the highest confidence (up 14 points to +56). In Queensland (up 11 points to +55), WA (up 30 points to +52) and SA (up 23 points to +51), confidence was also above the national average. Confidence levels declined in all remaining states and territories, however remained positive: ACT (down 10 points to +46), Tasmania (down 16 points to +43) and NSW (down seven points to +42).
- While the overall assessment of the economy continues to soften, it remains positive. Almost one in four SMBs believe the economy is growing (24%) while one in five (20%) feel it is slowing. The net balance of +4 is seven points lower than last survey and 10 points below the December 2017 result. SMBs remain positive about the economy in 12 months' time with the net balance of +5 up two points from last survey, however this is 11 points lower than one year earlier.
- Last quarter, key performance indicator results were mixed and SMB expectations for the current quarter became less positive. Capital expenditure for the year was more negative.
- Looking ahead, expectations on key indicators suggest that 2019 will be a good year for the majority of SMBs. This is particularly evident from their outlook for sales (+30), profitability (+27), prices (+28) and wages (+23). The employment balance was +14. However, SMB expectations for capital expenditure remained negative (up from -5 to -2).
- The main barrier to taking on staff continues to be lack of work or sales.
- Opinions of the Federal Government have remained positive throughout 2018 with the net balance up one point to +4. However, the majority of SMBs feel that the Federal Government has no impact on their businesses. Tax-related reasons are the primary factor behind positive perceptions of the Government. Of those with negative opinions, excessive bureaucracy and high taxes were the most common criticisms.
- Three state or territory governments were rated positively. Tasmania (down four points to +29), in SA (down one point to +17) and in NSW (up seven points to +2). Elsewhere the balances ranged from zero in Victoria (up three points) to -19 in Queensland (down four points). The ACT Government's rating became negative (down from +5 to -2) while the balance improved in NT but remained negative (up seven points to -2), and in WA it became slightly more negative (up one point to -5).

Executive summary

Metropolitan versus regional

SMB confidence in metropolitan areas reached an all-time high, while increasing slightly from the last survey in regional areas. Last quarter saw better performances by metropolitan SMBs on most key indicators as well as higher expectations for the current quarter. They also have more belief in the economy for 2019 than regional SMBs, although both anticipate a good year ahead based on their expectations for the five key performance indicators.

Key findings relating to metropolitan and regional businesses included:

- Confidence increased by 12 points to +58 in metropolitan locations and was up two points for regional SMBs at +38. The metropolitan area confidence level is the highest we have on record (dating back to early 2008).
- Metropolitan SMBs (+3) hold similar views positive about the current state of the economy to regional SMBs (+4) however are much more confident about prospects for the economy in one year's time (+10 to -3).
- Last quarter, metropolitan SMBs performed better than regional SMBs on sales (+6 and -3 respectively), employment (+3 and -4), wages (+11 and +6) and profitability (+6 and -11). For prices, the net balances were +9 and +12 respectively while capital expenditure for the year was negative in both cases (-5 and -12).
- For the current quarter, expectations are higher among metropolitan SMBs than those in regional areas for four of the key performance indicators - sales (+12 versus +10), profitability (+16 versus +6), wages (+11 versus +9), prices (+11 versus +15) and employment (+8 versus +3).
- Year ahead expectations are marginally higher in regional areas for sales (+31 versus +30), and profitability (+27 versus +26). Prices are expected to increase to a greater extent in regional areas (+34 versus +24). However, the wages and employment balances were higher in metropolitan areas - for wages the respective balances were +25 and +19 while for employment they were +16 and +12. For capital expenditure the balances recorded were +1 in metropolitan areas and -7 in regional areas.
- Metropolitan SMBs regard Federal Government's policies for small business more positively than those in regional areas with net balances of +7 and -1 respectively.

Executive summary

Industry sector trends

Confidence spiked in the majority of industry sectors, with the highest score observed in Hospitality where it more than doubled from +35 to +71, a record high for this sector. Hospitality stood out for its capital expenditure over the past year which might be a key reason it holds the most positive sales and profitability expectations for 2019. Retail Trade (+26) was the only industry sector to record a net confidence level lower than +40 reflecting a tough quarter, especially for sales and profitability. All sectors remained optimistic for the year ahead across the five key performance indicators.

- Confidence rose in eight sectors and ranges from high to very high in nine. Only in Retail (up 14 points to +26) is the confidence level below +40. In Hospitality, confidence increased 36 points to +71 which is the highest score we have observed for this sector and only four points below the highest balance recorded by any sector to date. Three other sectors displayed above average confidence levels - Health and Community Services (unchanged at +56), Building and Construction (up five points to +56) and Communications, Property and Business Services (up 13 points to +56). Other sector balances were as follows: Cultural, Recreational and Personal Services (up three points to +50), Finance and Insurance (up nine points to +47), Manufacturing (up eight points to +44), Transport and Storage (up two points to +41) and Wholesale Trade (down eight points to +40).
- Sales balances last quarter ranged from -16 in Retail to +19 in Wholesale Trade. Apart from Retail, the only other negative balance was seen in Cultural, Recreational and Personal Services (-7). Above average balances were recorded in all other sectors except for Communications, Property and Business Services (+1).
- Profitability results were positive last quarter in six sectors – Health and Community Services (+18), Wholesale Trade (+8), Hospitality (+5), Building and Construction (+2), Manufacturing (+1) and Communications, Property and Business Services (+1). Two sectors, Retail (-25) and Transport and Storage (-14), really struggled for profitability while negative balances were also observed in Finance and Insurance (-2), and Cultural, Recreational and Personal Services (-2).
- Over the last year, capital expenditure was only positive in Hospitality (+13) and Cultural, Recreational and Personal Services (+1). The lowest balance was recorded in Retail (-18) and Communications, Property and Business Services (-18). Building and Construction (-10) and Health and Community Services (-9) were also below the national average of -8.
- For the current quarter, positive expectations were recorded across the majority of sectors for all five key performance indicators. The only negative balances were recorded by Transport and Storage for sales (-3) and by Hospitality for employment (-3) with Finance and Insurance recording balances of -5 for sales, -1 for wages and zero for profitability. Manufacturing recorded the highest balances for wages (+25) and profitability (+23). Retail Trade displayed the most optimistic expectations for sales (+22) while Health and Community Services was found to be most positive about employment (+19). The highest prices balance emerged in Cultural, Recreational and Personal Services (+27).
- Year ahead expectations for sales, profitability, wages and prices are very positive in most industries. For sales and profitability, the highest balances recorded were in Hospitality at +40 and +47 respectively. The prices balance was highest in Cultural, Recreational and Personal Services (+43) while the best scores for wages and employment were respectively observed in Health and Community Services (+36) and in Building and Construction (+23). Finance and Insurance recorded the lowest balances for prices (+21), sales (+15), profitability (+6) and employment (+5, equal with Transport and Storage). The lowest wages balance was observed in Transport and Storage (+17). In capital expenditure expectations, there are four positive balances led by Health and Community Services (+9) just ahead of Cultural, Recreational and Personal Services (+8), followed by Manufacturing (+2) and Building and Construction (+2). The Retail sector is by far the most pessimistic (-17).

SMB business cycle analysis

Most SMBs are expecting the year ahead to be a good one for their business.

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

The latest quarter results were mixed tempering SMB expectations for the current quarter. However, SMBs still tend to see strength in the economy and their expectations for key indicators in 2019 are generally upbeat.

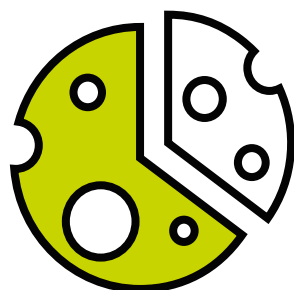
	Results for this quarter	Expectations for next quarter	Expectations for the next 12 months
Business confidence	NA	NA	Higher, very optimistic
Economy	Less positive	NA	Marginally more optimistic
Sales	Marginally more positive	Less optimistic	Unchanged, still high optimism
Employment	Marginally lower, now neutral	Less optimistic	More optimistic
Wages	Less positive	Less optimistic	Marginally less optimistic
Prices	Less positive	Less optimistic	More optimistic
Profitability	Less negative	Less optimistic	More optimistic
Capital Expenditure	Marginally more negative (over last year)	NA	Less pessimistic

SBI Snapshot

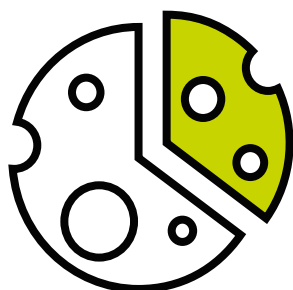
The Sensis Business Index has tracked the confidence and behaviour of Australia's small and medium businesses (SMBs) since 1993. Here are some of the key findings of the latest report.

Who did we survey?

Business location



65%
Metro

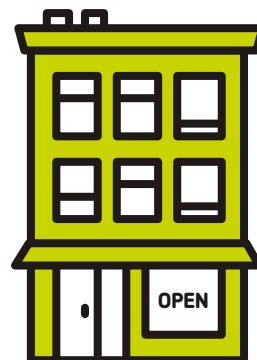


35%
Regional

Business size



90%
Small



10%
Medium

What did they tell us?

SMBs are feeling confident



64% feel confident

Because of:

- Being an established, solid business
- Specific business strengths



14% feel worried

Because of:

- Decreasing sales

=



+50 net balance

Increased 8 points from last quarter

SMB confidence by state



Victoria +56 (↑14)

Queensland +55 (↑11)

Western Australia +52 (↑30)

South Australia +51 (↑23)

National average +50 (↑8)

Australian Capital Territory +46 (↓10)

Tasmania +43 (↓16)

New South Wales +42 (↓7)

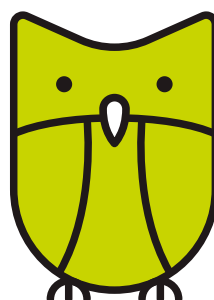
Northern Territory +27 (↑20)



Net confidence rose to

+50 points

Up 8 points from last quarter



SBI Snapshot

SMB confidence by sector



Accommodation, Cafes and Restaurants(+71↑ 43)

Health and Community Services (+56↑ 14)

Building and Construction (+56↑ 8)

Communication Property and Business Services (+56 0)

National average (+50↑ 8)

Cultural, Recreational and Personal Services (+50↑ 4)

Finance and Insurance (+47↑ 7)



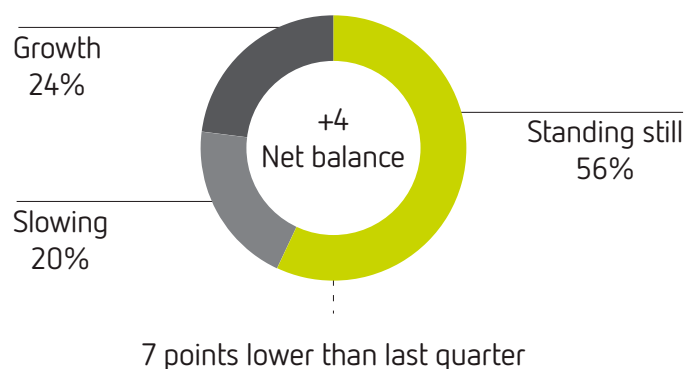
Manufacturing (+44 ↓ 11)

Transport and Storage (+41↑ 20)

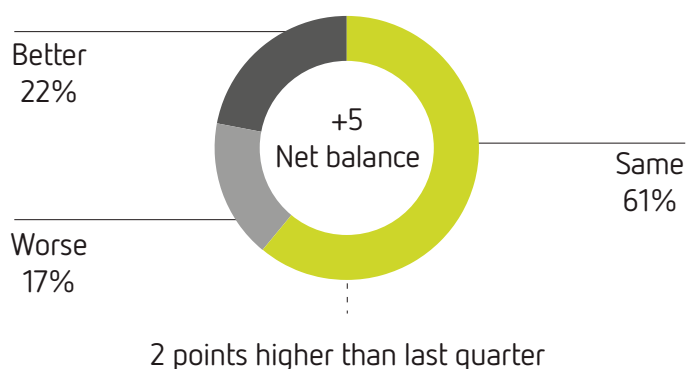
Wholesale Trade (+40 ↓ 1)

Retail Trade (+26↑ 7)

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 12 months	Change in expectation for next quarter
Sales	+2	+30	0
Employment	0	+14	↑ 4
Wages	+9	+23	↓ 2
Prices	+10	+28	↑ 3
Profitability	-1	+27	↑ 4
Capital expenditure	-8**	-2	↑ 3

- * Net balance is defined as the difference between the percentage reporting an increase and the percentage reporting a decrease.
- * Actual experience relates to the last 3 months.
- * The expectation results are for the next 12 months. For the first three surveys of the year the expectation results relate to the next 3 months but the December quarter survey also asks about the next 12 months and the capital expenditure indicator.
- ** Relates to last 12 months.

Small and Medium Business Outlook – National Summary

SMB confidence in their own business prospects over the next 12 months	12
Confidence by state and territory, sector and size	13
Perceptions of the economy.....	15
Expectations on key indicators for the next 12 months	16
Concerns.....	17
Sales.....	18
Employment	19
Wages bill.....	20
Prices.....	21
Capital expenditure.....	22
Access to finance.....	23
Profitability	24
Exports.....	25

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

SMB confidence is at its highest level since December 2009.

Key findings

The confidence level of Australian SMBs continues to grow reaching the highest level recorded in nine years.

Last quarter

The net balance lifted eight points to +50 with 64% of SMBs feeling confident about their prospects for the year ahead and 14% feeling worried. December 2009 was the last time a higher balance was recorded (of +52).

The primary factor driving confidence is businesses feeling positive that they are an established or solid business followed by having specific strengths.

The biggest concern continues to be 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 less positive while their expectations for future economic growth were slightly more optimistic.

Overall confidence – December Quarter 2018

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

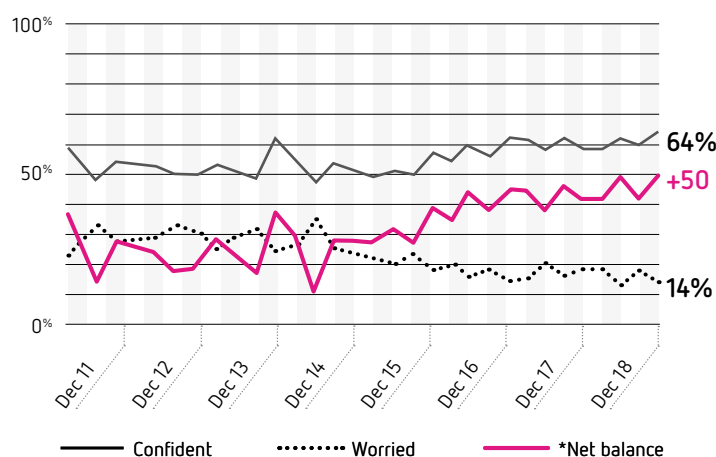
	Small Business (up to 19 employees)	Medium Business (20 - 199 employees)	Total Small and Medium
Extremely confident	13%	11%	13%
Fairly confident	51%	63%	51%
Neutral	21%	15%	21%
Fairly worried	11%	8%	10%
Extremely worried	4%	2%	4%
Total confident	64%	74%	64%
Total worried	15%	10%	14%
*Net Balance	+49	+64	+50

Note: rounding occurs

Confidence trends – past five quarters

	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
Confident	59%	59%	62%	60%	64%
Worried	17%	17%	13%	18%	14%
*Net Balance	42	42	49	42	50

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 higher reaching record levels in some segments.

Key findings

Net confidence remained positive in all states and territories growing in all locations except NSW, Tasmania and the ACT.

Regional SMBs (up two points to +38) again registered lower confidence than their metropolitan counterparts (up 12 points to +58). The metropolitan confidence level is the highest we have on record (going back to March 2008). In all locations, confidence is higher in metropolitan areas than regional areas. By industry sector, only Retail Trade (+26) recorded a net confidence level lower than +40. The highest confidence score was observed in Hospitality where it more than doubled from +35 to +71, a record high for this sector. While small firms indicate high confidence, they once again trail medium size firms.

Last quarter

Confidence was lowest in the NT at +27 (despite a 20-point rise). Elsewhere, it ranged from +42 in NSW (down seven points) to +56 in Victoria (up 14 points). Above average confidence was also seen in Queensland (up 11 points to +55), WA (up 30 points to +52) and SA (up 23 points to +51). Falls were recorded in the ACT (down 10 points to +46) and Tasmania (down 16 points to +43).

Capital city confidence is highest in Melbourne (up 22 points to +68), a record high for the city. Adelaide (up 28 points to +61) also registered a record high. Brisbane (up 14 points to +59) exceeded the metropolitan average as well. Confidence also increased in Perth (by 28 points to +53) and Darwin (by 25 points to +36) however was lower in Hobart (by 10 points to +49), the ACT (by nine points to +46) and NSW (by seven points to +51).

Regional confidence is above average in Queensland (up 10 points to +53), WA (up 34 points to +47) and Tasmania (down 18 points to +40). The confidence level was +28 in regional areas of NSW (down seven points), Victoria (down six points) and SA (up 12 points). Regional NT (up 16 points to +20) again displayed the lowest confidence.

The gap in confidence between small (up 8 points to +49) and medium businesses narrowed (down 8 points to +64).

By industry, confidence remains lowest in Retail (up 14 points to +26) but ranges from +40 in Wholesale Trade (down eight points) to +71 in Hospitality (up 36 points). Confidence also exceeded the national average registering +56 in Health and Community Services (no change), Building and Construction (up 5 points) and Communications, Property and Business Services (up 13 points).

Confidence by state and territory, sector and size

Trends by state – *net balance

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
National	+42	+42	+49	+42	+50
New South Wales	+46	+43	+56	+49	+42
Victoria	+43	+49	+48	+42	+56
Queensland	+43	+41	+48	+44	+55
South Australia	+34	+36	+45	+28	+51
Western Australia	+31	+24	+29	+22	+52
Tasmania	+60	+54	+57	+59	+43
Northern Territory	+12	+2	+28	+7	+27
Australian Capital Territory	+52	+54	+61	+56	+46

Metro and regional confidence – *net balance

	Metro	Regional	Total
National	+58	+38	+50
New South Wales	+51	+28	+42
Victoria	+68	+28	+56
Queensland	+59	+53	+55
South Australia	+61	+28	+51
Western Australia	+53	+47	+52
Tasmania	+49	+40	+43
Northern Territory	+36	+20	+27
Australian Capital Territory	+46	NA	+46

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

Confidence by business size

	Confident	Worried	*Net Balance
Total	64%	14%	+50
1-2 Employees	54%	19%	+35
3-4 Employees	57%	21%	+36
5-9 Employees	68%	12%	+56
10-19 Employees	78%	8%	+70
Total Small Business	64%	15%	+49
20-99 Employees	72%	12%	+60
100-199 Employees*	94%	0%	+94
Total Medium Business	74%	10%	+64

Note: rounding occurs.

*Note: sample size only 8.

Confidence by sector

	Confident	Worried	*Net Balance
Manufacturing	61%	17%	+44
Building and Construction	67%	11%	+56
Wholesale Trade	61%	21%	+40
Retail Trade	52%	26%	+26
Transport and Storage	63%	22%	+41
Communication Property & Business Services	66%	10%	+56
Finance and Insurance	62%	15%	+47
Health and Community Services	65%	9%	+56
Cultural, Recreational & Personal	66%	16%	+50
Accommodation, Cafes & Restaurants	76%	5%	+71

* 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 remain positive.

Key findings

SMB assessments of the current state of the economy have been easing throughout 2018 however remain positive on balance. Their expectations for the year ahead increased slightly yet remained lower than this time last year.

Last quarter

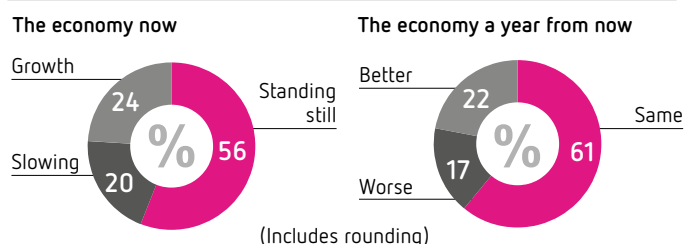
SMB assessments of whether the economy is growing or slowing down fell for the third survey in succession with the net balance decreasing from +11 to +4. This compares with +14 in December last year.

Perceptions deteriorated in all locations except for the NT (up 5 points to -24) and WA (unchanged at +4). It is highest in Tasmania (down 11 points to +17) and positive elsewhere, other than the NT. Tasmania was joined with an above average balance by Victoria (down one point to +7), the ACT (down three points to +7), and SA (down seven points to +5). Metropolitan SMBs (+3) have similar views to regional SMBs on this measure (+4).

Views about the economy in a year's time improved slightly with the net balance rising from +3 to +5. One year ago, the balance was +16.

The most optimistic state is WA (+22) while the lowest balance recorded was the NT (-9) with the ACT also negative (-1). Neutral balances were seen in NSW and Tasmania. In the remaining states the balances were +9 in SA, +6 in Victoria and +2 in Queensland.

There is a 13-point gap between metropolitan (down 11 points to +10) and regional SMBs (down 13 points to -3) on this measure.

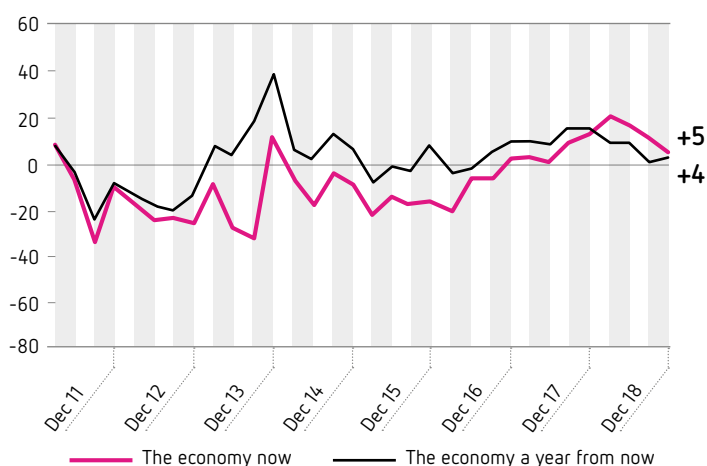


Perceptions of the economy – trends

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
The economy now					
Growth	29%	30%	29%	28%	24%
Slowing	15%	13%	14%	17%	20%
*Net Balance	+14	+17	+15	+11	+4
The economy a year from now					
Better	33%	27%	27%	23%	22%
Worse	17%	15%	15%	20%	17%
*Net Balance	+16	+12	+12	+3	+5

Perceptions of the economy

Long term trends – *net balance



Perceptions of the economy by state

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
The economy now								
Growth	27%	25%	21%	24%	19%	28%	11%	27%
Slowing	25%	18%	20%	19%	15%	11%	35%	20%
*Net Balance	+2	+7	+1	+5	+4	+17	-24	+7
The economy a year from now								
Better	20%	25%	16%	22%	32%	18%	16%	17%
Worse	20%	19%	14%	13%	10%	18%	25%	18%
*Net Balance	0	+6	+2	+9	+22	0	-9	-1

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

Expectations on key indicators for the next 12 months

SMB expectations for key business indicators in the year ahead remain upbeat in all areas except capital expenditure.

Key findings

Five of the six year ahead business indicators remained positive. Once again, the exception was Capital Expenditure. Year ahead expectations by SMBs for sales, profitability, wages and prices continue to display strength. Expectations for employment are not as strong but remain positive while capital expenditure stayed negative.

Next 12 months

Forty percent forecasted increased sales over the next 12 months with 10% expecting a fall. The net balance of +30 is unchanged from the 2017 result. SMBs in all States and Territories other than the NT (+8) were again upbeat about their sales performance over the next year. The net balances range elsewhere from +18 in the ACT to +40 in Queensland. SA (+34), Victoria (+32) and WA (+31) also exceeded the national balance.

The Health and Community Services sector is the most confident for the year ahead with a net +41 expecting improved sales. The Hospitality sector (+40) and the Cultural, Recreational and Personal Services sector (+38) are close behind. Least optimistic is Transport and Storage on +18.

Employment expectations for 2019 were four points higher on +14. The most optimistic location is Tasmania (+19) while the lowest expectations are found in the NT (+5).

By industry, Building and Construction is the most positive about employment conditions next year displaying a net balance of +23, followed by Cultural, Recreational and Personal Services (+20). Employment expectations are lowest in Transport and Storage (+5) and Finance and Insurance (+5).

Most SMBs are anticipating that wages will climb in 2019 with a net balance of +23 recorded (down two points). Expectations for wages in the year ahead range from +14 in the NT to +30 in Victoria. The Health and Community Services sector is forecasting the most widespread increase in wages over the next year (net balance of +36). Transport and Storage recorded the lowest balance (+17).

Price expectations were three points higher this survey with 32% expecting an increase and just 4% a fall in the prices they will charge over the next year. SMBs in Victoria (+35) and SA (+35) are the most likely to forecast increased prices with the NT at the lowest end of the spectrum (+13). By sector, balances ranged from +21 in Finance and Insurance to +43 in the Cultural, Recreational and Personal Services sector.

Profitability expectations lifted four points to +27. Queensland (+34) led WA (+30) on this measure. The lowest balance was +3 in the NT followed by the ACT at +16. At industry level, Hospitality (+47) displayed the highest annual profitability expectations. Finance and Insurance (+6) and Transport and Storage (+7) recorded much lower balances for Profitability expectations in 2018 than all other sectors with the next lowest being +21 in Wholesale Trade.

Capital expenditure expectations for the year ahead improved three points but the net balance remained negative at -2. Only in Victoria (+9) and Queensland (+2) were positive balances recorded. The lowest capital expenditure expectations for the next twelve months were observed in Tasmania (-16). By sector, positive balances were seen in Health and Community Services (+9), Cultural, Recreational and Personal Services sector (+8), Manufacturing (+2) and Building and Construction (+2). Retail (-17) recorded the lowest sector balance.

Expectations on key indicators over the next 12 months

	Expect an increase	Expect a decrease	*Net balance
Value of sales	40%	10%	+30
Size of workforce	19%	5%	+14
Wages bill	30%	7%	+23
Prices charged	32%	4%	+28
Profitability	40%	13%	+27
Capital expenditure	23%	25%	-2

Expectations on key indicators – Trends in *net balance

	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18
Value of sales	+40	+34	+34	+30	+30
Size of workforce	+13	+11	+11	+10	+14
Wages bill	+30	+25	+24	+25	+23
Prices charged	+28	+32	+26	+25	+28
Profitability	+34	+28	+30	+23	+27
Capital expenditure	+9	-6	+3	-5	-2

Concerns

A lack of work or sales and finding or keeping staff are the leading concerns among SMBs.

Key findings

Just over one in two SMBs (54%) indicated that their business faces no major problems which is consistent with previous findings. Lack of work or sales continues to be the number one concern mentioned just ahead of finding and keeping staff.

Last quarter

A lack of work or sales was mentioned by 10% of SMBs as a current concern. This compares with 12% in the previous two quarters. It was mentioned most of all in the NT (21%), and least in SA (4%). This concern was raised to a lesser degree in metropolitan than regional areas – 8% versus 12%. By sector, it stood out in Retail (19%) and was mentioned least in Cultural, Recreational and Personal Services (2%).

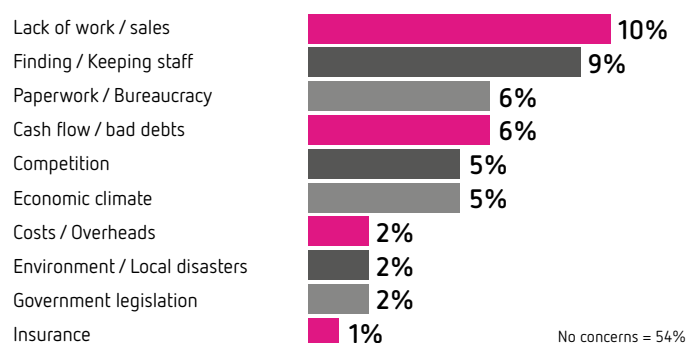
Next on the list of concerns mentioned spontaneously was finding or keeping staff (unchanged at 9%) followed by cash flow, bad debts or profitability (6%) and paperwork or bureaucracy (6%). These were unchanged from the last survey.

Finding or keeping staff caused most concern in the NT and ACT (13% in each) and in the Building and Construction and Communications, Property and Business Services sectors (also 13% in each).

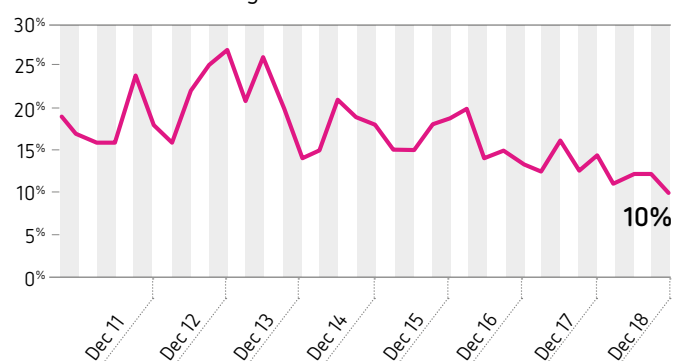
Thirteen per cent of SMBs mentioned difficulties in finding quality staff, which compares with 10% in the 2017 December quarter. The leading difficulties experienced were again a lack of qualifications (19%) followed by a lack of skilled candidates (15%).

Prime concerns

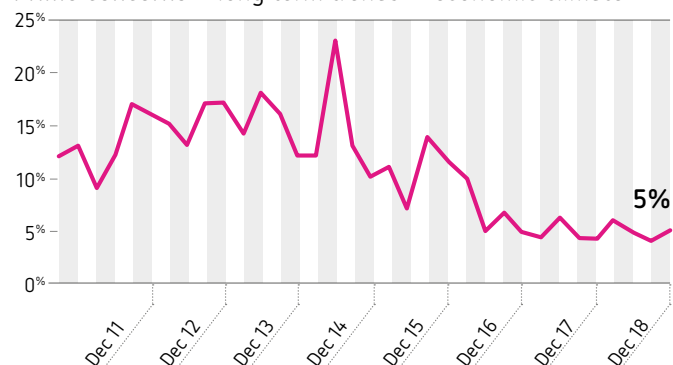
As far as your business is concerned, what problems, if any, are you facing at the moment?



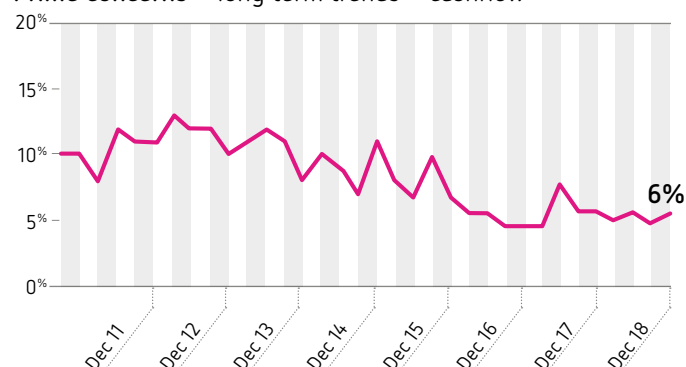
Prime concerns – long term trends – lack of work or sales



Prime concerns – long term trends – economic climate



Prime concerns – long term trends – cashflow



Sales

Sales performance and expectations continue to be positive on balance.

Key findings

Over the last year, the SMB sales performance has been quite consistent and positive on balance. Expectations have also remained positive but decreased in the latest survey relative to last quarter and December 2017.

Last quarter

The net balance was one point higher at +2. This is one point lower than a year earlier.

Sales results were above the national average in SA (+15), Tasmania (+9) and Victoria (+5) and at the average in Queensland and WA. SMBs in the NT (-7) found sales conditions the most difficult, followed by NSW (-3). The sales net balance was positive in the ACT (+1).

By industry, Wholesale Trade reported the best sales result last quarter (+19) followed by Health and Community Services (+14). Above average balances were also witnessed in Building and Construction (+3), Transport and Storage (+4), Finance and Insurance (+5), Manufacturing (+5) and Hospitality (+6). Negative balances were recorded in Retail Trade (-16) and Cultural, Recreational and Personal Services (-7).

Current quarter

For the current quarter, 29% of SMBs forecast higher sales with 18% expecting a fall generating a net balance of +11 (down 14 points on last survey and seven points on the December 2017 result).

Sales expectations were negative in the NT (-16) but positive elsewhere ranging from +1 in the ACT to +28 in Tasmania. Above average balances were also evident in Victoria (+13), SA (+15) and WA (+14). SMBs in NSW (+11) matched the national average while those in Queensland (+7) displayed below average sales expectations.

By sector, expectations are negative in Transport and Storage (-3) and Finance and Insurance (-5) but positive elsewhere ranging from +8 in Cultural, Recreational and Personal Services to +22 in Retail Trade.

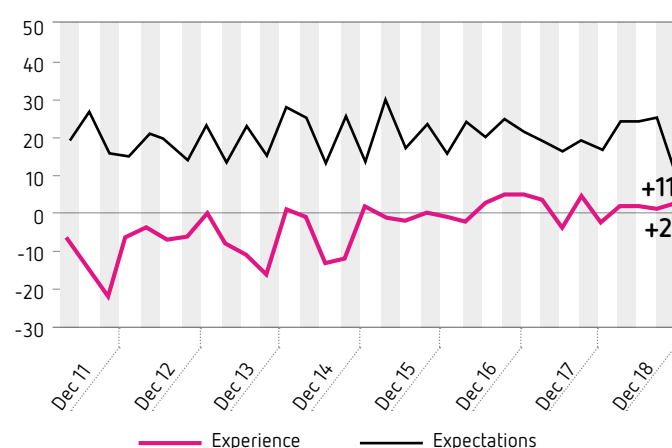
Next 12 months

Forty percent of SMBs expect their sales will increase in the next twelve months and 10% predict a fall. The latest net balance score of +30 is the same as last December quarter.

Value of sales

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Last Quarter					
Experienced increase	25%	29%	27%	27%	25%
No change	52%	44%	46%	44%	49%
Experienced decrease	22%	27%	25%	26%	23%
*Net Balance	+3	+2	+2	+1	+2
Current Quarter					
Expect increase	30%	37%	35%	37%	29%
No change	56%	49%	49%	50%	49%
Expect decrease	12%	13%	11%	12%	18%
*Net Balance	+18	+24	+24	+25	+11

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

Flat employment results continue but SMBs expect 2019 to be positive for this indicator.

Key findings

The employment balance moved from a slightly positive to a neutral balance, continuing the trend observed since December 2014 in which the net balance has fluctuated in the narrow band of -3 to +2. SMBs hold less positive expectations for this indicator relative to last quarter.

Last quarter

In nine per cent of SMBs, employee numbers increased but the same proportion shed staff.

The territories were at each end of the spectrum with the highest net balance recorded in the ACT at +5 and the lowest in the NT at -5. Elsewhere, positive balances were seen in Victoria (+1), SA (+2) and WA (+3) while negative balances were found in NSW (-1) and Queensland (-1) with a neutral balance emerging in Tasmania.

By sector, positive results were seen in Cultural, Recreational and Personal Services (+10), Building and Construction (+3), Health and Community Services (+3) and Finance and Insurance (+2). Negative balances were displayed by Wholesale Trade (-10), Retail (-7), Transport and Storage (-6) and Manufacturing (-3) with a neutral balance recorded for Communications, Property and Business Services and Hospitality.

Forty-three percent of SMBs reported barriers to taking on new staff. This was 45% last survey. A lack of work or sales remains the most common barrier mentioned by 37%, (down four points). Business growth remains the primary factor behind increased employment.

Current quarter

The survey found 12% expecting to hire staff and 6% foreseeing lower employee numbers generating a net balance of +6 which compares with +10 last survey.

Expectations are positive in all states and territories except the NT (-8). They range elsewhere from +2 in Queensland to +13 in SA.

By industry, expectations are only negative in the Hospitality sector (-3). In others, they range from +2 in Manufacturing to +19 in Health and Community Services.

Next 12 months

Year ahead expectations became more positive with 19% anticipating a rise and 5% a fall. The net balance of +14 is four points higher than in December 2017.

Size of workforce

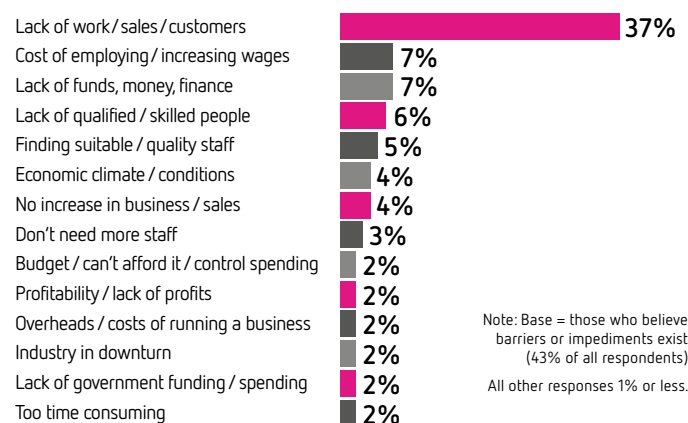
	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Last Quarter					
Experienced increase	7%	9%	9%	10%	9%
No change	85%	80%	82%	81%	83%
Experienced decrease	8%	11%	9%	9%	9%
*Net Balance	-1	-2	0	+1	0
Current Quarter					
Expect increase	12%	12%	13%	16%	12%
No change	82%	82%	82%	78%	79%
Expect decrease	5%	5%	4%	6%	6%
*Net Balance	+7	+7	+9	+10	+6

Size of workforce – trends in *net balance

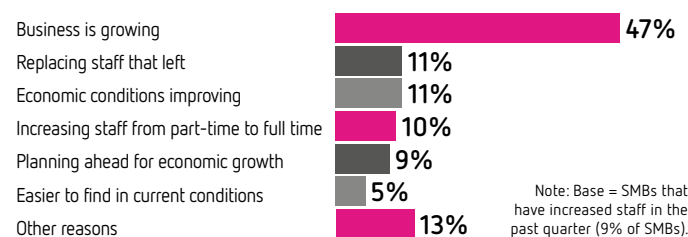


* Net balance is defined as the difference between the percentage with a positive outlook and the percentage with a negative outlook.

What are the barriers to taking on new employees?



Why SMBs have increased employment



Wages bill

Wages results and expectations were lower but still positive.

Key findings

Wages results and expectations have been positive without varying significantly over the last three years.

Last quarter

Higher wages were recorded by 21% of SMBs with a fall reported by 12%. The net balance of +9 is three points lower than last quarter but the same as recorded this time last year.

The wages balance was highest in the ACT (+27) and above average in Tasmania (+15), SA (+15) and NSW (+10). Other locations' results were +8 in both Victoria and WA, +7 in the NT and +5 in Queensland.

Sector-wise, wages growth was most widespread in Finance and Insurance (+16) followed closely by Wholesale Trade (+15) with an above average balance also evident in Communications, Property and Business Services (+13) and Transport and Storage (+10). In other industries, the net balances ranged from +1 in Hospitality to +9 in Building and Construction.

Current quarter

This quarter, 19% of SMBs anticipate higher wages while nine percent foresee a fall producing a net balance of +10 which is eight points lower than last quarter and six points under the December 2017 result.

Balances are positive in all states and territories ranging from +3 in the NT to +26 in Tasmania. Also above average were the ACT (+15), Victoria (+14), and Queensland (+11).

By sector, a negative wages balance of -1 emerged for Finance and Insurance with the next lowest result being +4 in Transport and Storage. Wages growth is most likely in Manufacturing (+25) followed by Hospitality (+14) and Cultural, Recreational and Personal Services (+14).

Next 12 months

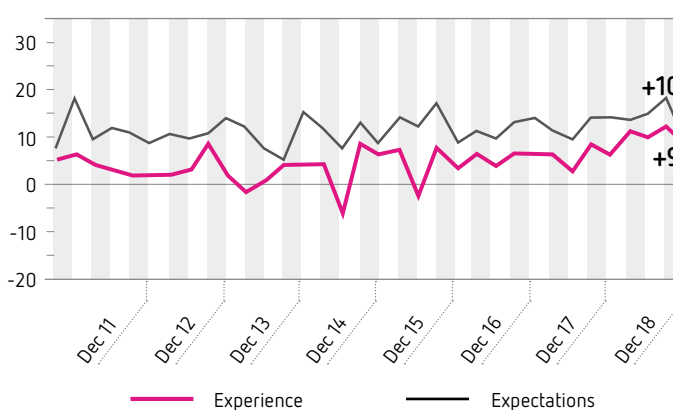
Expectations for wages growth over the next year have varied minimally in the last four surveys. Thirty percent expect wages growth and 7% expect a decline.

The net balance of +23 is two points lower than in December 2017 and one point lower than in 2016.

Wages bill – trends

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Last Quarter					
Experienced increase	19%	25%	19%	24%	21%
No change	68%	59%	68%	60%	62%
Experienced decrease	10%	13%	9%	12%	12%
*Net Balance	+9	+12	+10	+12	+9
Current Quarter					
Expect increase	21%	23%	23%	24%	19%
No change	72%	67%	67%	68%	66%
Expect decrease	5%	9%	7%	6%	9%
*Net Balance	+16	+14	+15	+18	+10

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 continue to be positive.

Key findings

Prices growth last quarter and expectations for the current quarter were lower than observed last survey and one year earlier but still positive. Expectations for growth in the year ahead have increased relative to this time in 2017.

Last quarter

The net balance of +10 is down four points on the previous quarter and compares with +17 last December. Price rises were indicated by 15% and falls by 5% of SMBs.

Net balances were above the national average in Tasmania (+16), the ACT (+16), Victoria (+13) and SA (+12). Elsewhere, the balances recorded were +10 in the NT, +9 in both NSW and in Queensland and +4 in WA.

By sector, Wholesale Trade (+23) recorded the most widespread prices growth with the lowest balance witnessed in Building and Construction (0).

Current quarter

The prices net balance for this quarter fell four points to +13. One year ago, this indicator was at +14.

Expectations ranged from +4 in the NT to +19 in the ACT.

By sector, price rises are most likely in Cultural, Recreational and Personal Services (+27) and least likely in Hospitality (+4).

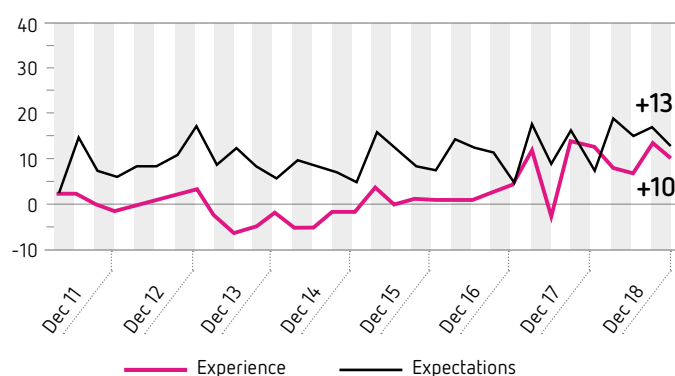
Next 12 months

During 2019, almost one in three (32%) SMBs believe their prices will rise with 4% predicting a fall. The balance of +28 is three points higher than last December.

Prices charged – trends

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Last Quarter					
Experienced increase	21%	14%	13%	19%	15%
No change	74%	77%	77%	73%	74%
Experienced decrease	4%	6%	6%	5%	5%
*Net Balance	+17	+8	+7	+14	+10
Current Quarter					
Expect increase	16%	23%	19%	18%	16%
No change	79%	72%	73%	77%	74%
Expect decrease	2%	4%	4%	1%	3%
*Net Balance	+14	+19	+15	+17	+13

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.

Capital expenditure

The capital expenditure balance and expectations for the year ahead remain negative.

Key findings

A negative balance was recorded for capital expenditure by SMBs over the last year and expectations for 2019 are also negative.

Last 12 months

During the last 12 months, 21% of SMBs lifted their capital expenditure and 29% decreased it. The net balance of -8 compares with -6 this time last year.

In Tasmania, a positive net balance was recorded of +2. Elsewhere capital expenditure ranged from -2 in Queensland to -16 in the NT.

Capital expenditure last year was negative in all sectors but Hospitality (+13) and Cultural, Recreational and Personal Services (+1). The lowest balance was -18 recorded in both Retail and Communications, Property and Business Services.

Next 12 months

There was an improvement of three points in capital expenditure expectations over the coming year, however the balance remained negative at -2.

Expectations were highest in Victoria (+9) followed by Queensland (+2) with negative balances recorded in other locations ranging from -1 in the ACT to -16 in Tasmania.

By industry, Health and Community Services recorded the highest net balance (+9) followed by Cultural, Recreational and Personal Services (+8) with a positive balance also seen in Manufacturing (+2) and Building and Construction (+2). The lowest balance was recorded in Retail (-17).

Capital expenditure – trends

	Dec 15	Dec 16	Dec 17	Dec 18
Last Quarter				
Experienced increase	30%	24%	21%	21%
No change	33%	38%	45%	40%
Experienced decrease	34%	25%	27%	29%
*Net Balance	-4	-1	-6	-8
Current Quarter				
Expect increase	28%	25%	20%	23%
No change	35%	42%	48%	38%
Expect decrease	34%	22%	25%	25%
*Net Balance	-6	+3	-5	-2

Note: Prior to 2015 this question was asked about the last 3, next 3 and next 12 months but now it is only asked in the December quarter survey about the last 12 and next 12 months.

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

Access to finance

Access to finance continues to become more difficult for SMBs.

Key findings

SMBs' ability to access finance is critical for capital expenditure and growth. Access to finance is at its lowest level since March 2013.

Last quarter

The net balance for obtaining finance decreased by four points to -21 and this compares with +2 one year ago and +16 in December 2016. The last time SMBs found it so difficult to access finance was in March 2013 when the net balance was also -21.

Negative balances were recorded in all locations. SMBs in the NT (-39) found it hardest to access finance; those in Tasmania found it easiest (-2).

By sector, SMBs in Wholesale Trade (-7) found it easiest. The Finance and Insurance sector experienced the most difficulty (-47) followed by Hospitality (-32) and Retail (-32).

Small (-21) and medium size (-16) businesses both continue to find it difficult to access finance. Last survey the balances were -17 for small businesses and -20 for medium size businesses.

Fourteen percent of SMBs sought finance which is unchanged from last quarter. Of those, 71% were successful which is also the same as in the September quarter survey.

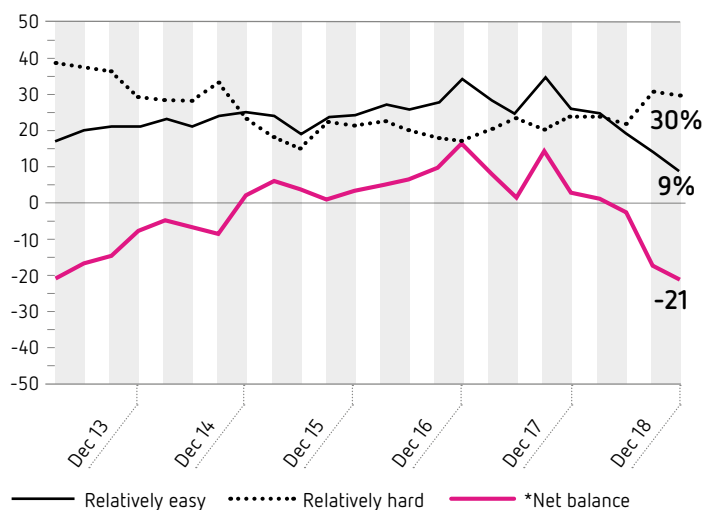
The incidence of seeking finance ranged from 11% in Tasmania to 19% in Queensland.

SMBs in the Hospitality sector (25%) were the most likely to have sought finance. Least likely were those in the Wholesale Trade sector (5%).

Access to finance – trends

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Last Quarter					
Relatively easy	26%	25%	19%	14%	9%
Average	50%	51%	59%	55%	61%
Relatively hard	24%	24%	22%	31%	30%
*Net Balance	+2	+1	-3	-17	-21

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.

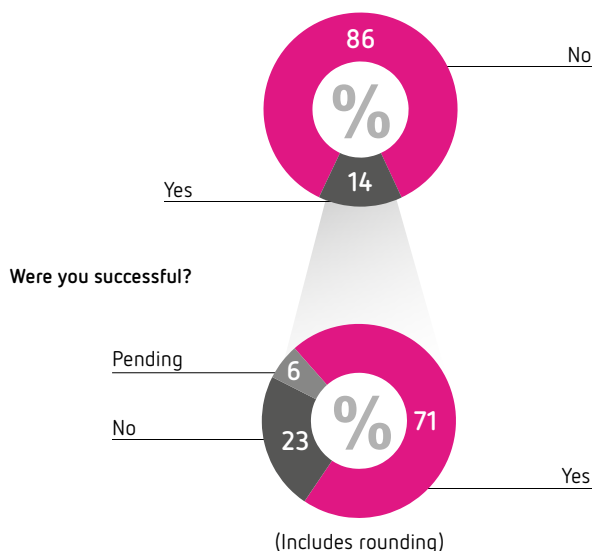
Ease of accessing finance – by business size (Dec 2018)

	Easy	Difficult	*Net Balance
Total	9%	30%	-21
1-2 Employees	10%	37%	-27
3-4 Employees	8%	37%	-29
5-9 Employees	9%	25%	-16
10-19 Employees	7%	22%	-15
Total Small Business	9%	30%	-21
20-99 Employees	21%	37%	-16
100-199 Employees	6%	21%	-15
Total Medium Business	19%	35%	-16

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 remains negative, however SMBs still hold positive expectations for the quarter and year ahead.

Key findings

Profitability performance remained negative and expectations are less positive than last survey.

Last quarter

Since March 2008 only one positive net balance has been recorded for profitability and that was in March 2015. This survey we again observed a negative score which was -1 due to a profit rise recorded by 24% against a 25% fall. The previous quarter net balance was -6. One year ago, it was -3.

Profitability performance was weakest in the NT (-14) followed by NSW (-7) with a negative balance also observed in Victoria (-2) and Queensland (-1). There were positive results in the ACT (+13), SA (+12), WA (+9) and Tasmania (+4).

The best sector result was in Health and Community Services (+18) followed by Wholesale Trade (+8). Hospitality (+5), Building and Construction (+2), Manufacturing (+1) and Communications, Property and Business Services (+1) also showed positive balances. Retail (-25) struggled on profitability as did Transport and Storage (-14), Finance and Insurance (-2) and Cultural, Recreational and Personal Services (-2).

Current quarter

Profitability expectations for the current quarter fell nine points to +12 which is four points lower than December 2017.

Profitability expectations are strongest in Tasmania (+19) and above average in Victoria (+17), Queensland, SA and WA (+15 in each). The lowest, and only negative balance was in the NT (-9).

Expectations are neutral in Finance and Insurance but positive in other industries ranging from +5 in Transport and Storage to +23 in Manufacturing.

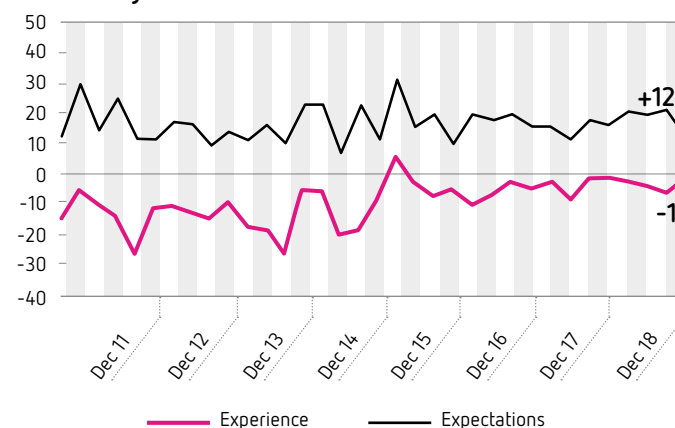
Next 12 months

Expectations for the year ahead improved with 40% expecting increased profitability and 13% foreseeing a decrease. The net balance of +27 compares with +23 in 2017 and +30 in 2016.

Profitability

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Last Quarter					
Experienced increase	20%	25%	22%	23%	24%
No change	55%	47%	49%	45%	49%
Experienced decrease	23%	27%	25%	29%	25%
*Net Balance	-3	-2	-3	-6	-1
Current Quarter					
Expect increase	28%	34%	32%	36%	30%
No change	57%	50%	51%	48%	46%
Expect decrease	12%	14%	13%	15%	18%
*Net Balance	+16	+20	+19	+21	+12

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.

Exports

There was no change in the export incidence with just over one in ten SMBs exporting in 2018.

Key findings

There has been no shift in the proportion of SMBs exporting during the last year.

Last 12 months

Eleven percent of SMBs exported goods or services in the last year. This is unchanged from last year and compares with 15% in 2016 and 11% in 2015.

SMBs in NSW (13%) were most likely to export and those in the NT were the least likely (2%). The metropolitan and regional incidences were 13% and 8% respectively.

Manufacturing (26%), Wholesale Trade (27%) and Communications, Property and Business Services (27%) stood out as the main exporters. In other sectors, the exporting incidence ranges from 0% in Health and Community Services to 9% in Transport and Storage.

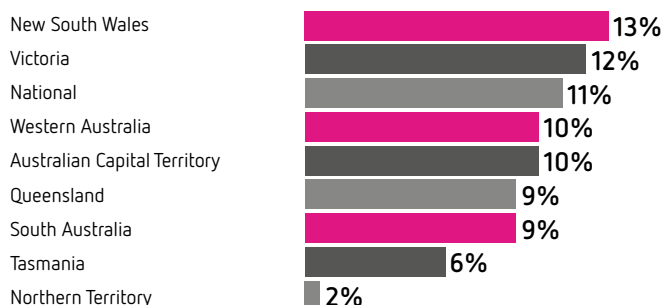
New exporters

Two percent of the SMBs not exporting in the last year expect to do so in the next quarter (1% last time). This intention ranges from 1% in Victoria, Queensland and SA to 4% in WA. By industry, the highest incidence was in Wholesale Trade at 5%.

Exporting and business growth

We also discovered that 39% of SMBs are seeking growth for their business and 7% of those expect their growth will mainly come from exports. This represents almost 3% of the total base which is consistent with the December 2017 result.

Proportion of SMBs exporting in the last year – by state and territory



Government Policies

Government policies 27

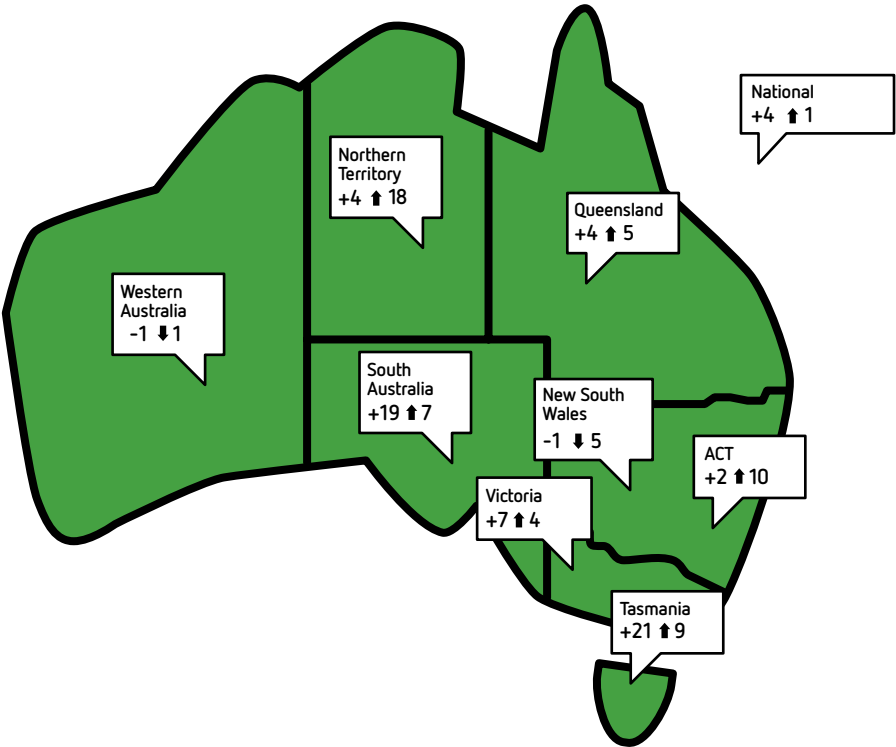
Assessment of Federal Government policies28

Assessment of state and territory government policies29

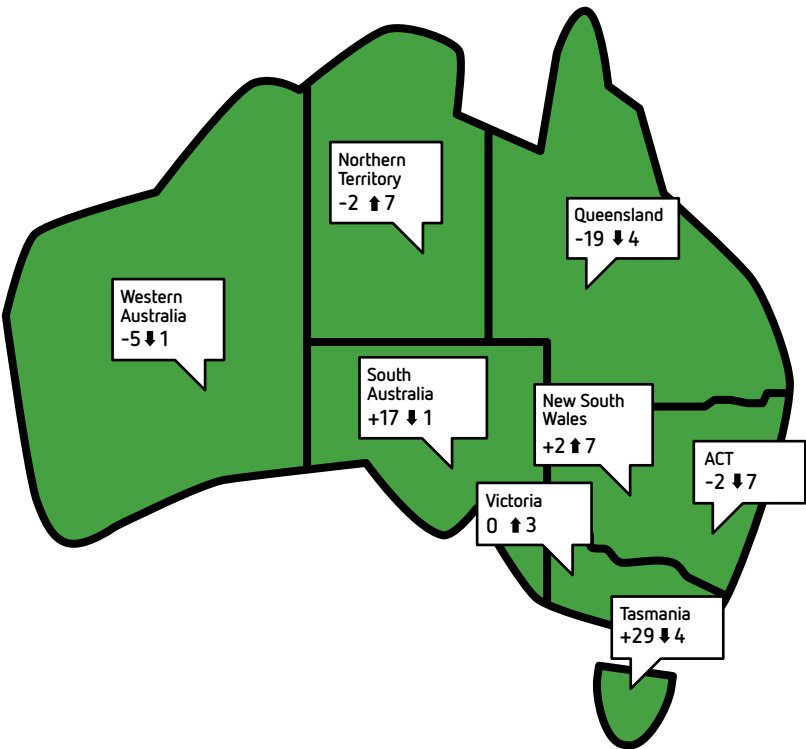
Government policies

The maps below show the net balance of attitudes to Federal, state and territory government policies. This is calculated from the proportion believing the government is supportive less the proportion believing it to be working against small business interests. Also displayed is the change in net balance compared with the previous quarter.

Attitudes to Federal Government policies



Attitudes to state and territory government policies



Assessment of Federal Government policies

SMB views of the Federal Government remain positive.

Key findings

SMB ratings of the Federal Government have stayed positive for the fourth quarter in succession. However, the majority (62%) feel that it has no impact at all.

Last quarter

Twenty-one percent of SMBs feel Federal Government policies are supportive of SMBs while 17% disagree. The net balance of +4 is one point higher than it has been in each of the past three quarters and seven points above the balance recorded in December 2017.

The leading reason for a positive response related to tax cuts / company / business taxation (16%).

SMBs with a negative view were spontaneously most critical of the Federal Government for high or increasing taxes (11%) and excessive bureaucracy (11%).

SMBs in Tasmania (+21) rated the Federal Government most favourably for their support of small business followed by those in SA (+19). A positive rating was also observed in Victoria (+7), Queensland (+4), the NT (+4) and the ACT (+2) but balances were negative in NSW (-1) and WA (-1).

The most positively-inclined sector was Health and Community Services (+21) with two negative balances recorded in Hospitality (-16) and Communications, Property and Business Services (-2).

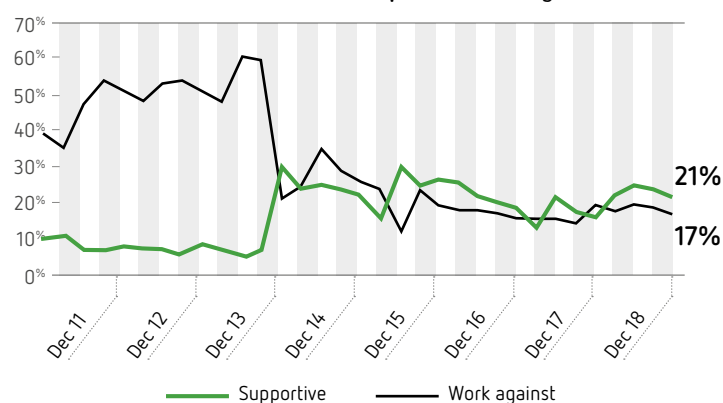
Attitudes to Federal Government policies – trends

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?

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Supportive	17%	22%	24%	23%	21%
Work against	20%	19%	21%	20%	17%
No impact	63%	59%	55%	57%	62%
*Net Balance	-3	+3	+3	+3	+4

* 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 again stand out as popular with SMBs.

Key findings

This quarter an average of 16% 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 -2. This is five points higher from last survey.

Only the Tasmanian, SA and NSW Governments generated positive net balances. The Queensland Government remains the most widely criticised by SMBs.

Last quarter

The best rating was again recorded in Tasmania (down four points to +29) ahead of the SA Government (down one point to +17). Ratings of the NSW Government improved by seven points to reach a positive balance of +2. Elsewhere, balances ranged from zero in Victoria (up three points) to -19 in Queensland (down four points).

Ratings improved in the NT but remained negative (up seven points to -2). They decreased in WA (by one point to -5) and the balance in the ACT moved from positive to negative (down seven points to -2).

The main appeals of the Tasmanian Government are that it offers incentives, subsidies and grants (13%) and is supportive of small businesses (13%). For the SA Government, the highest praise related to reducing payroll tax (12%) followed by good policies to date (11%) and small business management training schemes (10%).

The leading criticism levelled at the Queensland Government is a perceived lack of understanding small business needs (14%) followed by policies working against small business interests (13%).

Attitudes to state or territory government policies (Dec 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	20%	14%	9%	30%	9%	33%	21%	16%
Work against	18%	14%	28%	13%	14%	4%	23%	18%
No impact	63%	71%	63%	56%	78%	62%	55%	66%
*Net Balance	+2	0	-19	+17	-5	+29	-2	-2

Note: Rounding occurs.

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

	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
New South Wales	+1	+5	+4	-5	+2
Victoria	-12	-8	-10	-3	0
Queensland	-11	-19	-16	-15	-19
South Australia	-30	-19	+18	+18	+17
Western Australia	-6	-15	-7	-4	-5
Tasmania	+13	+19	+36	+33	+29
Northern Territory	+10	-8	-7	-9	-2
Australian Capital Territory	-12	+9	-2	+5	-2

* 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

National	31
New South Wales	32
Victoria.....	33
Queensland.....	34
South Australia	35
Western Australia	36
Tasmania	37
Northern Territory.....	38
Australian Capital Territory.....	39

Small and medium business outlook – National

Confidence is at its strongest level in nine years. SMBs see the economy as having softened over 2018, however more optimism exists than pessimism about its health over the next 12 months. For key performance indicators, results were mixed and expectations for the current quarter weakened however, SMBs are generally upbeat about the year ahead and remain positive of the Federal Government.

- Confidence increased eight points to +50 which is the highest level since December 2009 when it was +52.
- The leading influence on confidence is having an established, solid business followed by specific business strengths. Decreasing sales impacted most on SMBs who are worried.
- SMB assessments of the current state of the economy decreased seven points to +4 but this continues a run of positive balances that began in December 2016 and expectations for the economy in a year's time improved slightly from +3 to +5.
- Mixed results were observed in the latest quarter key performance indicators. Sales became marginally more positive while profitability became less negative. The balances for wages and prices were less positive while for employment it fell marginally to be neutral. Capital expenditure was more negative than a year earlier.
- Expectations for next quarter weakened for all five key performance indicators but continue to be positive on balance. Year ahead expectations were positive for each key performance indicator improving for employment, prices and profitability, unchanged for sales and slightly lower for wages. The capital expenditure expectations were less negative.
- SMB ratings of the Federal Government became marginally more positive. The Government's main appeal is that it offers a better tax environment for businesses. Excessive bureaucracy and high taxation are the leading concerns.

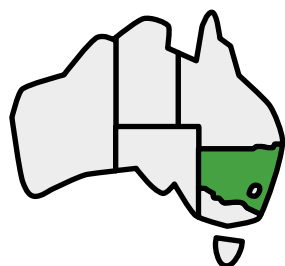
Trends in the past three months' experience and current expectations – National

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

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	+3	+1	+2	+18	+25	+11	+30	+30
Employment	-1	+1	0	+7	+10	+6	+10	+14
Wages	+9	+12	+9	+16	+18	+10	+25	+23
Prices	+17	+14	+10	+14	+17	+13	+25	+28
Profitability	-3	-6	-1	+16	+21	+12	+23	+27
Capital Expenditure	-6***	NA	-8***	NA	NA	NA	-5	-2

* 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 was lower but still very positive. Last quarter was quite challenging reducing expectations for key performance indicators in the current quarter, however year ahead expectations reflect an optimistic outlook. The NSW Government's rating became positive.

- In NSW, confidence fell seven points to +42. This is eight points under the national average.
- Confidence is driven by having specific business strengths and an established, solid business. Falling sales are the greatest concern of those SMBs worried about their prospects.
- Last quarter, balances were negative for sales, employment and profitability and became less positive for employment and prices. Over the year, the capital expenditure balance became more negative.
- Expectations for the current quarter fell for each key indicator but remain positive. Year ahead expectations for key business indicators, other than capital expenditure, are again positive and quite strong in each case.
- SMB support for the policies of the NSW Government became positive with the rating up from -5 to +2. Favourable opinion is influenced most by infrastructure development or believing the Government is helpful and interested in small business. Leading criticisms were lack of policies, direction, support and incentives for small business, excessive bureaucracy and too much focus on big business.

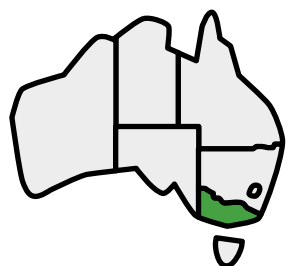
Trends in the past three months' experience and current expectations – New South Wales

Confidence in own business prospects in next 12 months	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	60%	58%	65%	66%	60%
Negative	14%	15%	9%	17%	18%
*Net Balance	+46	+43	+56	+49	+42

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	+5	-2	-3	+12	+13	+11	+33	+23
Employment	-4	-1	-1	+3	+10	+5	+6	+17
Wages	+7	+14	+10	+14	+20	+6	+28	+17
Prices	+28	+20	+9	+12	+18	+13	+25	+23
Profitability	+3	-9	-7	+13	+13	+5	+25	+21
Capital Expenditure	-7***	NA	-13***	NA	NA	NA	-5	-11

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

**This is for the last three months.



Small and medium business outlook – Victoria

SMB confidence rose in Victoria to its highest level in seven years and the strongest in the country. Key indicator performances were mixed however, expectations are positive, especially for the year ahead. The Victorian Government improved its rating among SMBs.

- Confidence lifted 14 points to a net balance of +56 which is the highest in the nation and the best score since March 2011 when it was also +56.
- The top two drivers of confidence are being an established, solid business and having specific business strengths. Worried SMBs cited decreasing sales ahead of other concerns.
- Last quarter, the balances became positive for sales and employment and less negative for profitability. The wages and prices balances were slightly less positive with capital expenditure less negative over the year.
- For the current quarter, expectations for each of the five key performance indicators remained positive but only prices improved. However, key indicator expectations for the year ahead, including capital expenditure all improved and are above the national average.
- Victorian SMBs have become less critical of the recently re-elected State Government with its net balance improving from a negative (-3) to neutral position. Those with a positive opinion see it as supportive and helpful towards small business, spending money and promoting building. The main concerns expressed by SMBs unimpressed with the Victorian Government relates to taking too much notice of unions, lack of incentives and policies working against small business interests.

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

Confidence in own business prospects in next 12 months	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	57%	61%	62%	57%	67%
Negative	14%	12%	14%	15%	11%
*Net Balance	+43	+49	+48	+42	+56

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	-1	0	+5	+20	+27	+13	+23	+32
Employment	-1	0	+1	+4	+9	+8	+6	+15
Wages	+4	+10	+8	+18	+20	+14	+19	+30
Prices	+15	+15	+13	+12	+12	+16	+25	+35
Profitability	-9	-9	-2	+17	+28	+17	+15	+28
Capital Expenditure	-12***	NA	-5***	NA	NA	NA	-6	+9

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

**This is for the last three months.



Small and medium business outlook – Queensland

Confidence increased from an already above average level to the highest balance recorded in the state for over 10 years despite a challenging quarter. While expectations for the current quarter on key performance indicators are down, the year ahead outlook is quite optimistic. The State Government continues to be unpopular with SMBs.

- Net confidence increased 11 points among Queensland SMBs to +55 which is the second highest nationally and the highest recorded in this state since March 2008 when it was +60.
- Confidence derives mainly from being an established solid business ahead of specific business strengths. Concerned SMBs identified cost pressures, lower sales and unfavourable government policies as key issues.
- Last quarter saw lower balances on the key performance indicators. Sales, wages and prices became less positive while employment and profitability became negative as did capital expenditure over the year.
- Expectations for the five key indicators this quarter remain positive but are all lower. However, year ahead expectations for the key indicators are all positive and increased for sales, prices and profitability. Capital expenditure expectations have become positive. The sales and profitability expectations are highest in Australia.
- The State Government remains the least popular in Australia with its net rating falling four points to -19. SMBs with a positive opinion feel the Government is supportive and helpful, not interfering with or placing barriers to business growth. The leading criticisms were not understanding small business needs and policies working against their interests.

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

Confidence in own business prospects in next 12 months	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	62%	60%	63%	60%	68%
Negative	19%	19%	15%	16%	13%
*Net Balance	+43	+41	+48	+44	+55

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	+3	+12	+2	+19	+34	+7	+26	+40
Employment	+3	+5	-1	+10	+7	+2	+16	+9
Wages	+18	+19	+5	+14	+17	+11	+25	+20
Prices	+11	+13	+9	+16	+24	+10	+22	+31
Profitability	0	+5	-1	+16	+22	+15	+22	+34
Capital Expenditure	+2***	NA	-2***	NA	NA	NA	-4	+2

* 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 became more confident than they have been for more than eight years. Key indicator performances last quarter were strong, particularly for sales. Expectations for the current quarter and year ahead are optimistic. The SA Government remains positively perceived.

- A big rise of 23 points generated net confidence of +51 in SA which is one point above the national average. It is also the highest confidence level in this state since March 2010 when it was +52.
- Three factors are equally influential on confidence - being an established, solid business, having specific business strengths and healthy sales. Dominating the concerns identified was decreasing sales.
- Last quarter, sales, employment and profitability moved into positive territory with prices also improving markedly. Wages became marginally less positive. All balances were above the average with the sales performance best in the nation. Capital expenditure over the year became less negative.
- For this quarter, expectations are positive for all key indicators improving for employment and prices but lower on the other three indicators. The year ahead expectations are quite strong and higher for sales, employment, prices and profitability. The expectations for capital expenditure became less negative.
- The SA Government's rating (down one point to +17) remains the second most popular state or territory government for SMBs. Reducing payroll tax, good policies to date and small business management training schemes are the main factors behind a positive rating. Too much focus on big business and not understanding small business were the top two criticisms.

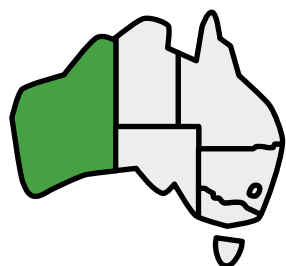
Trends in the past three months' experience and current expectations – South Australia

Confidence in own business prospects in next 12 months	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	54%	55%	58%	54%	64%
Negative	20%	19%	13%	26%	13%
*Net Balance	+34	+36	+45	+28	+51

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	+6	0	+15	+23	+28	+15	+33	+34
Employment	+3	-5	+2	+11	+10	+13	+16	+18
Wages	+20	+16	+15	+21	+14	+9	+30	+26
Prices	+13	+3	+12	+16	+14	+18	+28	+35
Profitability	-14	-6	+12	+14	+22	+15	+20	+24
Capital Expenditure	-6***	NA	-3***	NA	NA	NA	-13	-4

* 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 increased significantly with the balance at its highest level in five years. The latest quarter saw more favourable business conditions and improved performances on key indicators. Expectations for both the current quarter and year ahead are positive. The WA Government is still regarded negatively by SMBs.

- Confidence more than doubled from +22 to +52 which is two points above the national average and 21 points higher than one year ago. This is the highest balance recorded in WA since December 2013 when it was +56.
- Being an established, solid business, favourable business conditions and healthy sales are the main reasons underlying confidence. Worried SMBs in WA again highlight lower sales as their primary concern.
- The latest quarter results saw higher and positive balances recorded for each key performance indicator. However capital expenditure over the year became more negative.
- Current quarter and year ahead expectations are lower but positive for all key indicators. Capital expenditure expectations decreased and became negative.
- Support for the WA Government fell one point to -5. Payroll tax was the most frequently mentioned concern, followed by the view that the WA Government does not understand small business. Those with a positive view praised it for providing employment and training schemes and trying to help small business.

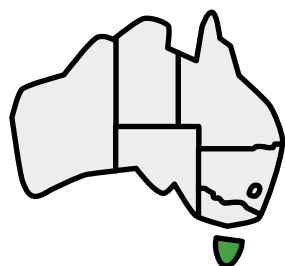
Trends in the past three months' experience and current expectations – Western Australia

Confidence in own business prospects in next 12 months	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	55%	52%	53%	49%	67%
Negative	24%	28%	24%	27%	15%
*Net Balance	+31	+24	+29	+22	+52

	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
*Net balance								
Sales	-2	-7	+2	+23	+32	+14	+38	+31
Employment	-5	+1	+3	+13	+13	+7	+20	+12
Wages	-3	0	+8	+15	+15	+9	+30	+23
Prices	+4	-1	+4	+19	+13	+5	+27	+17
Profitability	-12	-13	+9	+17	+27	+15	+35	+30
Capital Expenditure	-5***	NA	-15***	NA	NA	NA	0	-6

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

**This is for the last three months.



Small and medium business outlook – Tasmania

Confidence fell but remained widespread among Tasmanian SMBs. Last quarter's key performance indicator results were positive along with expectations for the quarter and year ahead. The Tasmanian Government maintains its position as the most popular in Australia among SMBs.

- Confidence decreased 16 points to +43, which is seven points below the national average but still reflecting widespread optimism among Tasmanian SMBs.
- Being an established, solid business, favourable economic conditions and having specific business strengths drove confidence. Worried SMBs nominated falling sales and competitive pressures as their principal concerns.
- Last quarter saw improved and positive balances for sales, wages, prices and profitability with employment falling to a neutral level. Capital expenditure became positive during the year.
- Expectations this quarter for the key performance indicators are mostly lower but all positive, with Tasmania leading the nation for sales, wages and profitability. Year ahead expectations are also mostly lower, however all are quite positive. However, the capital expenditure net balance for 2019 fell into negative territory.
- SMB support for the Tasmanian Government's policies was four points lower at +29 but it remains clearly the most popular in Australia. Those with a positive opinion referred to its incentives, subsidies and grants and being helpful and supportive towards small business. Excessive bureaucracy and policies which work against small business interests were the most common criticisms.

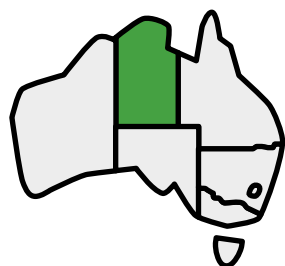
Trends in the past three months' experience and current expectations – Tasmania

Confidence in own business prospects in next 12 months	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	73%	63%	65%	66%	57%
Negative	13%	9%	8%	7%	14%
*Net Balance	+60	+54	+57	+59	+43

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	+16	-10	+9	+36	+49	+28	+38	+25
Employment	+1	+6	0	+19	+14	+10	+12	+19
Wages	+27	+9	+15	+22	+27	+26	+31	+27
Prices	+19	+14	+16	+17	+16	+17	+34	+32
Profitability	+13	0	+4	+30	+41	+19	+37	+22
Capital Expenditure	-8***	NA	+2***	NA	NA	NA	+6	-16

* 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

While confidence lifted, the NT remains the least confident state or territory. Last quarter was difficult and expectations for the quarter ahead are low, however NT SMBs are positive for the year ahead on the five key performance indicators. The NT Government once again has a negative rating.

- Confidence lifted 20 points to +27 but this is still 23 points below the national average and 15 points behind the next lowest level recorded in NSW.
- Falling sales are the main concern while an unfavourable business environment and competitive pressures also was impactful. The key driver of confidence is having specific business strengths followed by healthy sales.
- Last quarter, negative balances were again recorded for sales and profitability while employment became negative. Each of those indicator balances were the lowest in Australia. Capital expenditure became much more negative during 2018.
- This quarter, expectations for sales, employment and profitability became more negative and the balances for all five key indicators are the lowest in the nation. Year ahead expectations are also lower albeit positive for the five key indicators. The outlook for capital expenditure remains weak.
- SMB support for the Northern Territory Government increased seven points but remains negative at -2. Positive ratings are driven mostly by the view that it offers incentives, subsidies and grants. The leading criticisms relate to payroll tax and that the Government policies work against small business interests.

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

Confidence in own business prospects in next 12 months	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	43%	42%	57%	45%	55%
Negative	31%	40%	29%	38%	28%
*Net Balance	+12	+2	+28	+7	+27

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	+5	-14	-7	+7	-1	-16	+31	+8
Employment	-14	+3	-5	+5	-1	-8	+9	+5
Wages	+3	+9	+7	-3	-1	+3	+15	+14
Prices	+12	+10	+10	+12	+6	+4	+29	+13
Profitability	+5	-14	-14	+7	-2	-9	+28	+3
Capital Expenditure	-2***	NA	-16***	NA	NA	NA	-15	-12

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

**This is for the last three months.



Small and medium business outlook – Australian Capital Territory

Confidence fell but remains widespread among SMBs in the ACT. Sales were harder to come by last quarter and expectations for most key indicators for the current quarter and year ahead are lower. However, most SMBs are optimistic about their key indicator performances in 2019. The ACT Government has lost support and is now negatively perceived on balance.

- There was a 10-point drop in the ACT net balance to +46, which is four points under the national average.
- Confidence was driven by healthy sales, having specific business strengths and being an established, solid business. For those lacking confidence, falling sales dominated concerns.
- Last quarter, key performance indicator balances were all positive, falling for sales but rising for employment, prices, wages and profitability. Capital expenditure became negative in 2018.
- Expectations for this quarter are positive on all five key indicators but substantially lower for sales and profitability and down for employment and wages. The prices balance increased. Year ahead expectations on the five key performance indicators were again positive although lower for each one other than prices. The capital expenditure balance was less negative.
- The net rating of the ACT Government by SMBs has become negative falling seven points to -2. The major concerns are excessive bureaucracy, policies working against small business interests and too many costs. The leading reason for positive opinion 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	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18
Positive	64%	67%	69%	69%	63%
Negative	12%	13%	8%	13%	17%
*Net Balance	+52	+54	+61	+56	+46

*Net balance	Actual experience**:			Expectation for next 3 months:			Expectation for next 12 months:	
	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Sep 2018	Dec 2018	Dec 2017	Dec 2018
Sales	+18	+7	+1	+44	+35	+1	+36	+18
Employment	+16	+2	+5	+9	+15	+9	+17	+13
Wages	+12	+9	+27	+18	+28	+15	+31	+28
Prices	+18	+9	+16	+22	+13	+19	+25	+32
Profitability	+15	-2	+13	+34	+35	+7	+33	+16
Capital Expenditure	+5***	NA	-5***	NA	NA	NA	-4	-1

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

**This is for the last three months.

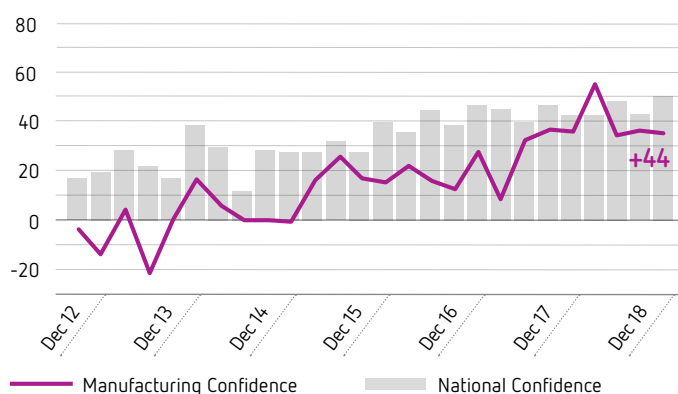
Industry Snapshots

Manufacturing.....	41
Building and Construction.....	41
Wholesale Trade.....	42
Retail Trade	42
Transport and Storage.....	43
Communications, Property and Business Services.....	43
Finance and Insurance	44
Health and Community Services.....	44
Cultural, Recreational and Personal Services.....	45
Accommodation, Cafes and Restaurants	45

Industry snapshots

Manufacturing

Manufacturing Confidence



Confidence increased and is at one of the highest levels recorded for this sector. This quarter and year ahead look promising on key indicator expectations.

Confidence increased eight points to +44 which is six points under the national average. Nevertheless, this is the second highest balance recorded in this sector since March 2010.

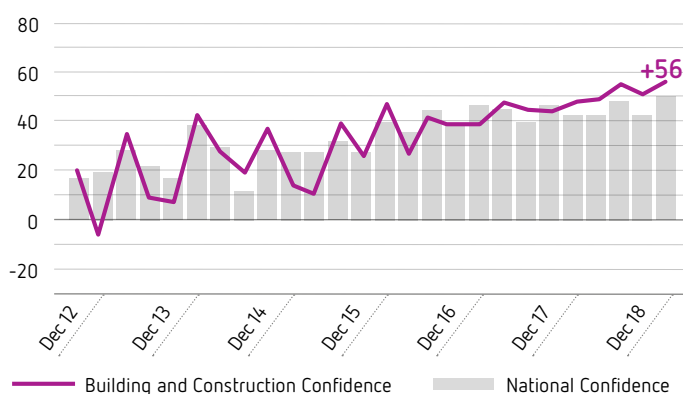
Falling sales had the greatest influence on those without confidence followed by cost pressures. The primary factor driving confidence is being an established, solid business followed by having specific strengths.

Last quarter revealed a negative balance for employment (-3) but positive balances for prices (+16), wages (+6), sales (+5) and profitability (+1). Capital expenditure was negative at -6.

For this quarter, expectations for key indicators are all positive and above average for each but employment. Year ahead indicator expectations are above average for sales (+35), profitability (+32) and wages (+27). The outlook for other indicators is positive including capital expenditure.

Building and Construction

Building and Construction Confidence



SMBs in this sector remain more confident than most which is reflected in both their latest results and expectations for key indicators.

Confidence increased from +51 to +56 keeping this industry above the national average and ranking equal second highest.

Having specific strengths, being an established, solid business and healthy sales contributed most to confidence. Decreasing sales dominated concerns.

The latest quarter's key indicator results were above the national average for sales (+3), employment (+3) and profitability (+2). The wages balance was at the average (+9) while prices were neutral. Capital expenditure for the past 12 months was negative (-10).

This quarter, SMBs in Building and Construction display confidence levels around the average for each key indicator - profitability (+15), sales (+11), prices (+10) wages (+9) and employment (+5).

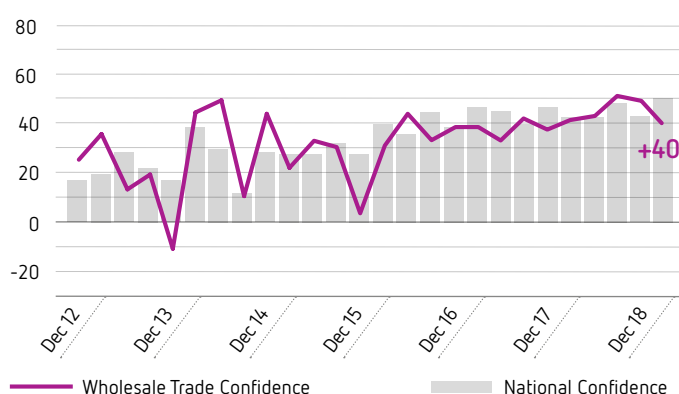
For the year ahead, they are quite optimistic about each key indicator - sales (+28), profitability (+28), prices (+23), employment (+23) and wages (+21). For capital expenditure, the net balance of +2 is four points above the average.

Industry snapshots



Wholesale Trade

Wholesale Trade Confidence



Confidence decreased and is below the national average. However, this sector recorded some good results last quarter and is quite optimistic about most indicators in the quarter and year ahead.

The confidence net balance fell eight points to +40 in this sector, 10 points below average.

Those who are confident mentioned being a solid, established business ahead of other factors. Among worried businesses, lower sales generated most concern.

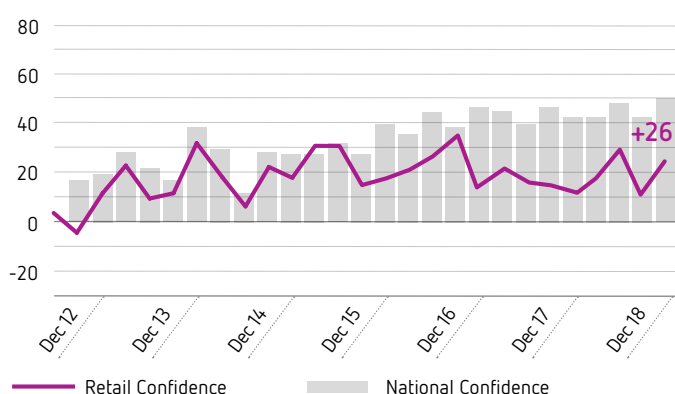
This sector was the best performed last quarter for sales (+19), and prices (+23). It was also above average for wages (+15) and profitability (+8) but well under for employment (-10). Over the last year, capital expenditure was negative (-5).

Current quarter expectations are above average for sales (+16), prices (+14), employment (+8) and profitability (+17). They are three points below average for wages (+7). Year ahead expectations are positive but below average for sales (+23), employment (+7), wages (+20) and profitability (+21). The prices balance is at the average (+28) but capital expenditure (-9) is below it.



Retail Trade

Retail Trade Confidence



A difficult quarter kept the Retail sector lower on confidence than all others, but much more conducive business conditions are anticipated for this quarter and for 2019.

Retailer confidence increased by 14 points but remains lowest of all sectors at +26, which is almost half the national average.

Decreasing sales, cost pressures and an unfavourable business environment are the main concerns expressed. Being an established, solid business is the primary reason for confidence.

Last quarter was difficult with the lowest balances by sector recorded for profitability (-25), sales (-16), employment (-7) and for capital expenditure (-18) over the full year. Prices (+15) and wages (+5) were positive.

More favourable sales conditions are foreseen for the current quarter with the balance (+22) highest of all sectors. Also, above the national average are expectations for wages (+13) and prices (+15) with the balances being positive for profitability (+9) and employment (+3).

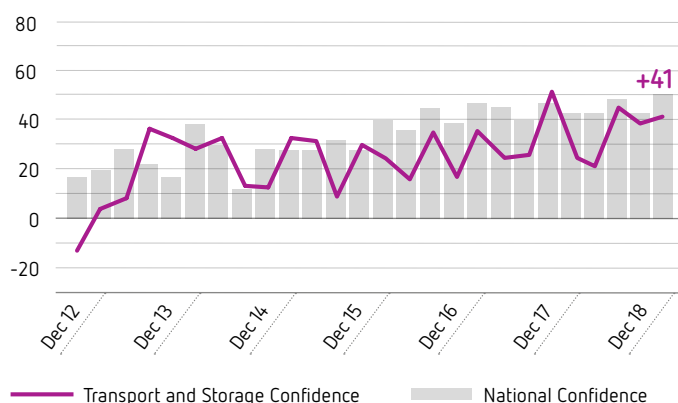
Year ahead expectations are positive and above or near the national average for prices (+34), sales (+31), wages (+28), profitability (+24) and employment (+12). The most negative balance of all industries was recorded for capital expenditure expectations at -17.

Industry snapshots



Transport and Storage

Transport and Storage Confidence



Confidence lifted slightly but remained below the national average. Key indicator results last quarter were modest at best, tempering expectations; however, they are positive for 2019.

Confidence in this sector increased two points generating a net balance of +41. This is nine points under the average.

The main driver of confidence is being an established, solid business followed by healthy sales and specific business strengths. Falling sales created the greatest concern.

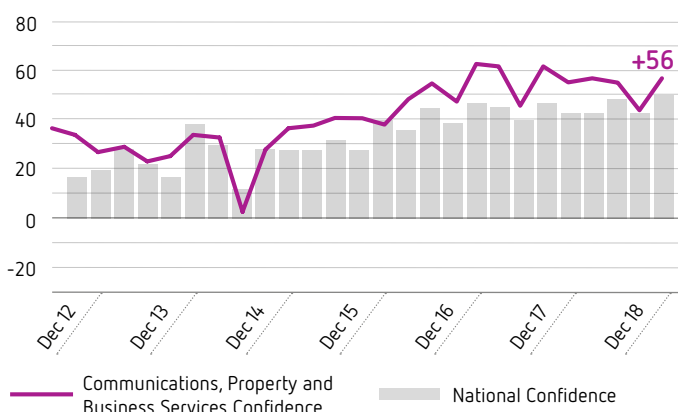
This industry recorded below average balances for prices (+4), profitability (-14), and employment (-6). A positive balance was observed for sales (+4) and wages (+10). The capital expenditure balance was negative but the third highest recorded by sector (-1).

Expectations this quarter are below average for sales (-3), profitability (+5) and wages (+4). The balance for prices (+15) was above the average while employment (+6) was at the average. Expectations for the year ahead are below average for each key indicator – prices (+22), sales (+18), wages (+17), profitability (+7), employment (+5) and capital expenditure (-6).



Communications, Property and Business Services

Communications, Property and Business Services Confidence



Confidence lifted and is equal second highest by sector. Last quarter's results were not particularly encouraging but key indicator expectations for this quarter and the year ahead are quite positive.

A rise of 13 points lifted net confidence in this sector to +56 which is the equal second highest level recorded.

Confidence was driven more from being an established, solid business than other factors. The main worry was falling sales.

Last quarter, key indicator results were modest – wages (+13), prices (+7), sales (+1), profitability (+1) and employment (0). The capital expenditure result (-18) was the most negative of all sectors (along with Retail Trade which also recorded -18).

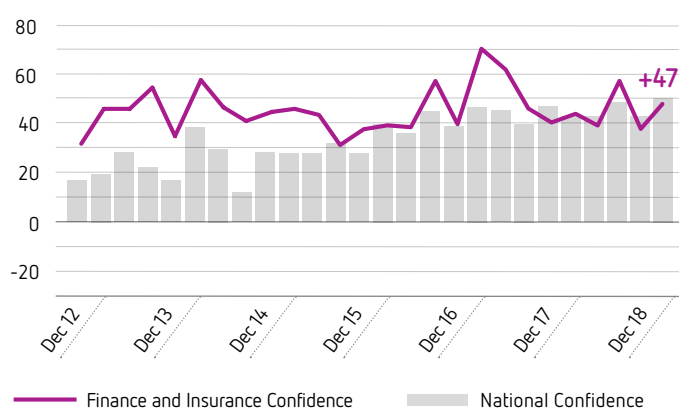
This quarter's expectations are above or near the average for each key performance indicator – profitability (+16), prices (+15), sales (+13), wages (+9), and employment (+4). The year ahead expectations point to a successful 2019 for most SMBs in this industry – profitability (+35), sales (+33), prices (+27), wages (+19) and employment (+15). The capital expenditure balance was -5.

Industry snapshots



Finance and Insurance

Finance and Insurance Confidence



Confidence increased to be just under the national average. Last quarter was solid; however, expectations are subdued for this quarter and 2019.

Net confidence increased nine points with the current balance of +47 three points under the national average.

Having specific business strengths was the main driver of confidence. Decreasing sales were the primary concern of worried SMBs within this sector but government policies also generated criticism.

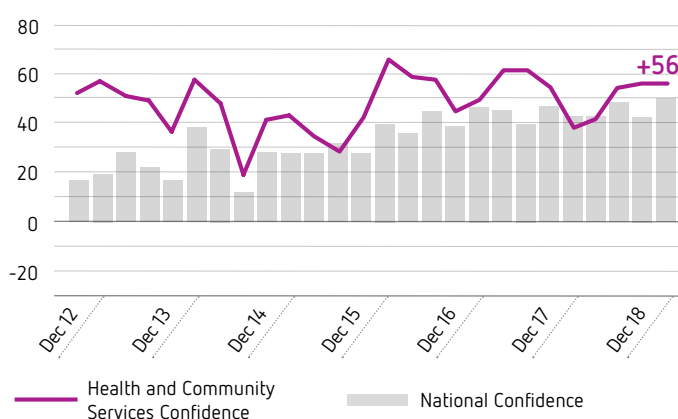
Last quarter, this sector achieved better than average results for prices (+17), wages (+16), sales (+5) and employment (+2) with profitability (-2) one point under the national average. Capital expenditure for the year was negative (-5).

This quarter, most key indicator expectations are under the national average – prices (+6), profitability (0), wages (-1) and sales (-5). The employment balance (+7) was one point above the average (-1). Year ahead expectations are positive but below the national average - prices (+21), wages (+21), sales (+15), profitability (+6) and employment (+5). The capital expenditure balance is negative (-6).



Health and Community Services

Health and Community Services Confidence



Confidence was unchanged but equal second highest by sector. Last quarter was positive based on key indicator performances and SMBs in this industry are among the most optimistic about the current quarter and year ahead.

Confidence was unchanged at +56 and six points above the national average.

Confident businesses were those that were already established and solid operators, with specific business strengths and healthy sales also influential. Declining sales is the dominant issue for the worried SMBs.

Last quarter, this sector was one of the better performed especially for sales (+14), prices (+18) and profitability (+18). Other key indicator balances were positive too - employment (+3) and wages (+8). The capital expenditure balance for the year was just under the national average (-9).

For this quarter, all key performance indicator expectations are positive - sales (+15), employment (+19), prices (+9), wages (+8) and profitability (+12).

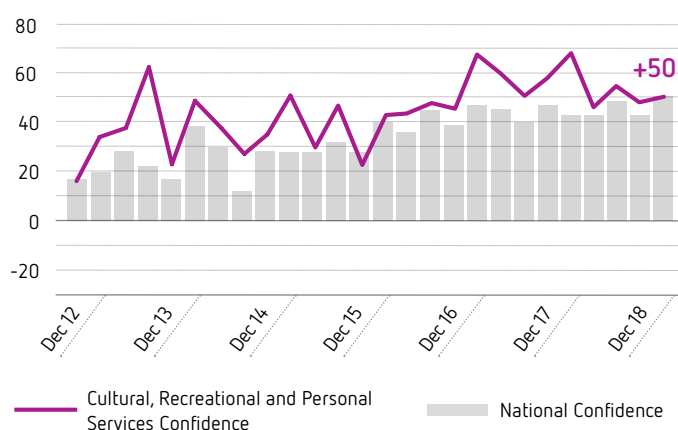
Year ahead expectations are highest of all sectors for sales (+41) wages (+36) and capital expenditure (+9). They are positive and around the national average for employment (+16), profitability (+26), and prices (+28).

Industry snapshots



Cultural, Recreational and Personal Services

Cultural, Recreational and Personal Services Confidence



Confidence rose slightly to meet the national average. Last quarter proved challenging but key indicator expectations predict a strong quarter and year ahead.

A 3-point rise generated a net balance in this sector of +50 which matches the national average.

Being an established, solid business was most influential on confidence. Falling sales and cost pressures stood out in reasons given by worried SMBs in this sector.

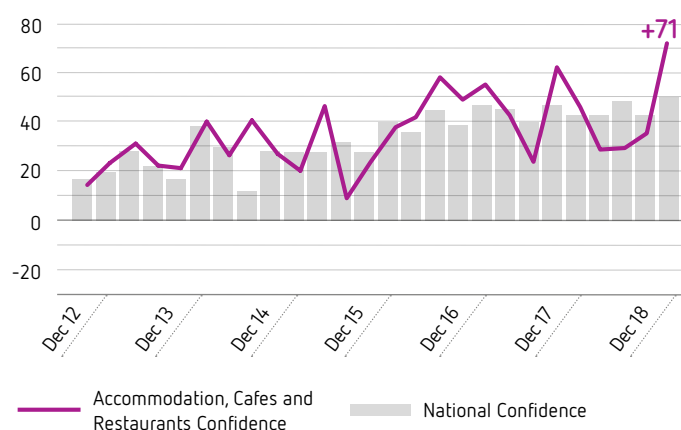
Below average and negative balances were recorded last quarter for sales (-7) and profitability (-1). The wages balance (+4) was under the average. Other balances were +10 for both employment and prices, and +1 for capital expenditure.

This quarter, expectations for each indicator are all positive and above average for employment (+11), wages (+14) and prices (+27). The prices balance was the highest by sector. Sales (+8) and profitability (+7) were below the national average. Year ahead expectations are highest by sector for prices (+43) and above average for sales (+38), profitability (+30), wages (+25), employment (+20) and capital expenditure (+8).



Accommodation, Cafes and Restaurants

Accommodation, Cafes and Restaurants Confidence



Hospitality has recently been relatively low on confidence however, a significant increase to a record high level for this sector sees it leading all industries. Last quarter was a good one and expectations for key indicators are very positive for the current quarter and year ahead.

Hospitality has recorded lower confidence than most sectors to date in 2018 however, the balance more than doubled this latest survey from +35 to +71 and this is a record high for the industry. It is also 15 points higher than the next highest sector score.

Specific business strengths, having an established, solid business and healthy sales drove confidence. Cost pressures are the main concern of SMBs in Hospitality.

The key indicator results last quarter were mostly positive and above average for sales (+6), prices (+15) and profitability (+5). Other balances were +1 for wages and zero for employment. For the year, this sector recorded the highest capital expenditure balance of +13.

This quarter, expectations are above average for sales (+13) and wages (+14) but below average for profitability (+10), prices (+4), and employment (-3). For the year ahead, a very optimistic outlook is presented, especially for profitability (+47), sales (+40) and prices (+34) with positive balances recorded for wages (+19) and employment (+9). The capital expenditure balance was negative (-7).

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