

E-COMMERCE FINANCE PITCH TRENDS ADVERTISING SALES PERFORMANCE INDEX MANAGEMENT SECURITY PROFIT INVESTMENT COMPLIANCE PRODUCTS WEBSITE ACCOUNT REPORT ENTREPRENEURSHIP POLICY

THE VOICE OF AUSTRALIAN BUSINESS OWNERS & MANAGERS

MYOB March 2012 Business Monitor:

- Economic sentiment
- Business performance & plans
- Political sentiment

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ECONOMIC SENTIMENT

Economic Recovery

SMEs increasingly pessimistic about Australia's economic recovery

Fewer than one fifth (19%) of business operators surveyed expected Australia's economy to improve within the following 12 months. This was the lowest percentage recorded since the March 2009 report found only 16% expected the economy to be 'better than now' over the next 12 months.

This most recent finding of 19% is little more than half the 35% uncovered by the March 2011 report and is almost one third of the 58% reported in November 2009.

Statistically similar to the September 2011 findings (21%), the result was reflective of the pessimism the Business Monitor found during the GFC, when around 14 – 17% of respondents expected a recovery within the next 12 months.

It is a dramatic turnaround from the positive sentiment experienced during 2009 and 2010 when 45% to 58% of respondents expected a turnaround in the next 12 months.

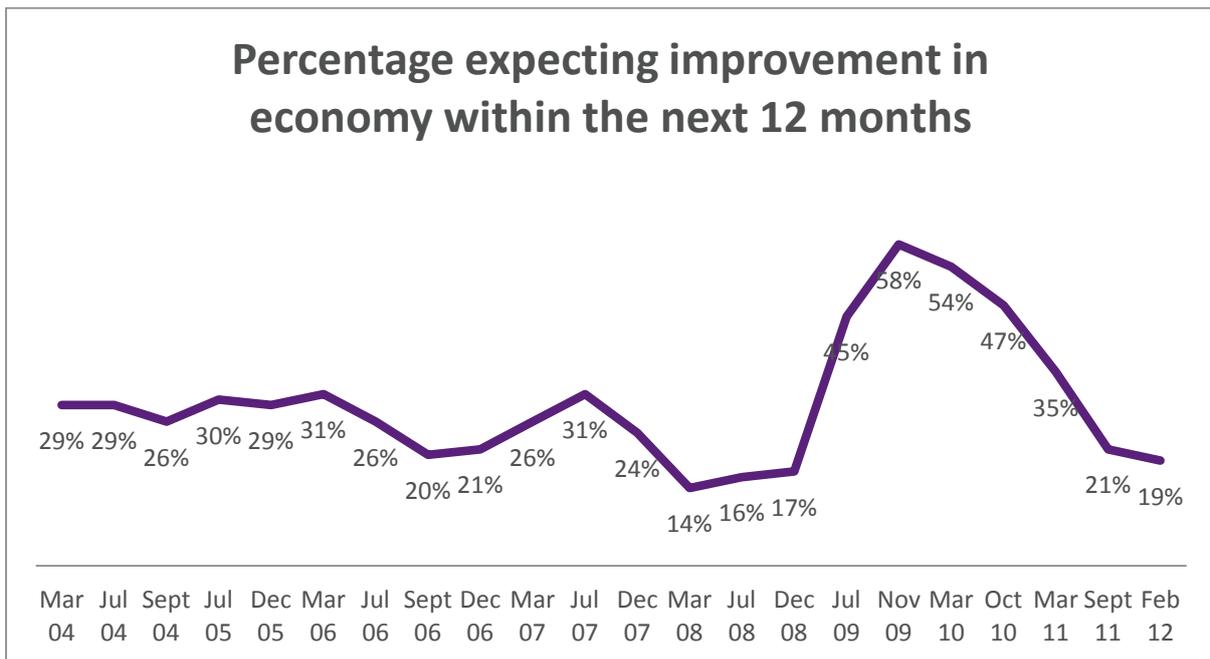


Figure 1: Percentage of business operators expecting an improvement in the economy within the next 12 months

Over two thirds of business operators felt that any improvement in the economy's present position was at least one year away (68%, a similar result to the 70% recorded in September 2011). Of this 68%, 23% thought economic recovery would take 12 to 18 months, 19% thought 18 to 24 months and 24% felt economic recovery was at least two years away. The expectations regarding the economy as a whole were consistent across all states.

Very few agribusiness operators expected economy to improve within 12 months

Of the eight industry groups reported, agriculture, forestry and fishing operators (categorised as one group for this survey) were the most pessimistic about their expectations of an economic recovery.

A tiny 2% of this group expected the economy to recover within the next 12 months, a drop of 15 percentage points from 17% in the September 2011 survey.

Conversely, finance and insurance companies were most likely to believe that the economy would recover within the next 12 months (29%).

	Expect recovery within next 12 months
1. Finance & Insurance Services	29%
2. Manufacturing & Wholesale	27%
3. Business, Professional & Property Services	23%
4. Construction & Trade	20%
5. Transport, Postal & Warehousing	17%
6. Retail & Hospitality	16%
7. Other Industry	16%
8. Agriculture, Forestry & Fishing	2%
TOTAL	19%

Operators of micro and older businesses expect a slower economic recovery

By business size, micro business operators remained the least optimistic about an economic recovery within 12 months (14%, compared to 25% of small to medium sized businesses).

By business age, operators of maturing (5 to 10 years) and established businesses (10+ years) remained the least optimistic about economic improvement within 12 months (13% and 14% respectively). This compared to 31% of operators of establishing businesses (2 to 5 years).

BUSINESS PERFORMANCE & PLANS

Business Revenue – Past 12 Months

Almost twice as many reported a fall in business revenue as reported a rise

The number of business operators who reported an increase in business revenue in the year to February 2012 (20%) was on par with the 19% reported in September 2011. This was almost half the number of business operators who reported decreases in their last year’s business revenue (38% for both February 2012 and September 2011).

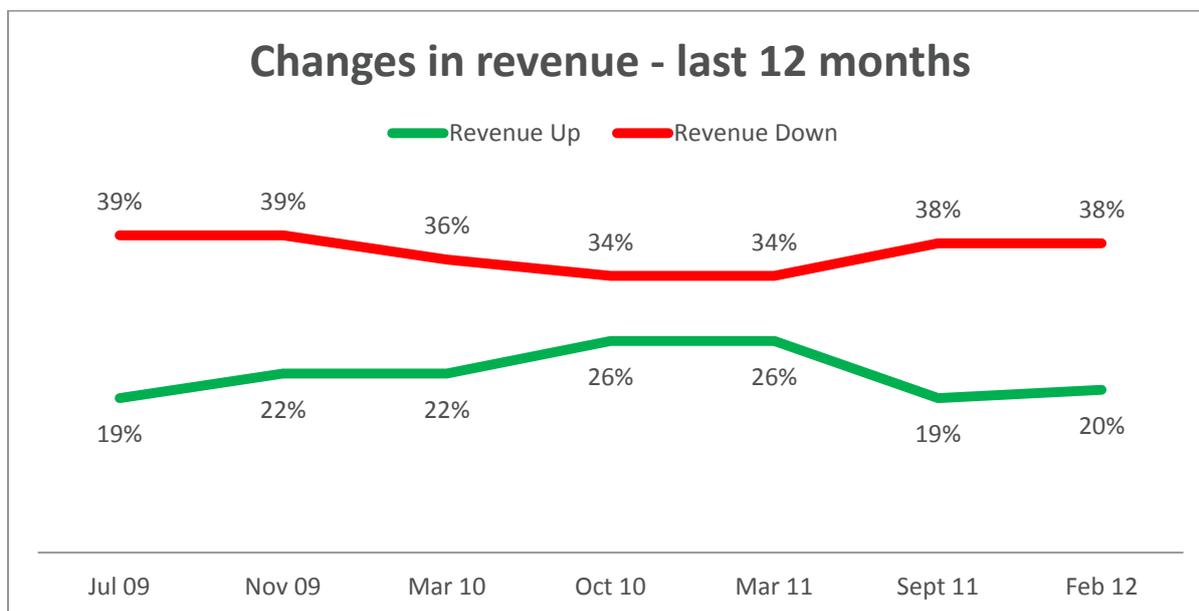


Figure 2: Proportion of business operators whose revenue has improved or deteriorated in the last 12 months

Start-up businesses bucking the revenue trend

Only operators of start-up businesses were more likely to report revenue increases in the last year (29%) than they were to report revenue decreases in that time (21%). The reverse was the case for operators of maturing businesses (43% decreases/17% increases) and established businesses (43% decreases/15% decreases).

Queensland reported the largest proportion of business revenue losses

More than two fifths (44%) of business operators in Queensland reported business revenue decreases, although this was comparable with Western Australia and South Australia at 41% and New South Wales at 39%. The least negative result was noted in Victoria, where only 32% of respondents recorded business revenue decreases.

MYOB March 2012 Business Monitor Report

Performance by region – revenue gains and losses over the past year

	▲	▼
TOTAL AUS	20%	38%
New South Wales	21%	39%
Victoria	24%	32%
Queensland	16%	44%
South Australia	18%	41%
Western Australia	19%	41%



Pipeline work by region – increase/decrease in work or sales small to medium business operators have booked in the next quarter

	▲	▼
TOTAL AUS	31%	28%
New South Wales	32%	29%
Victoria	32%	25%
Queensland	29%	30%
South Australia	28%	25%
Western Australia	29%	30%



Figure 3: Performance by region and Pipeline work by region

Note: TAS, NT, ACT were excluded in state-based comparisons due to the small sample size for each, but they were included in overall national statistics.

Most industry sectors' revenue losses painted a bleak picture

The hardest hit industry sector in terms of reported revenue losses was construction and trades (46%), followed by manufacturing and wholesale (45%) and retail and hospitality (43%), just ahead of finance and insurance (41%).

Transport, postal and warehousing respondents were less pessimistic overall, with 28% recording a revenue drop.

Business revenue – last 12 months	% reporting a decrease in revenue
Construction & Trade	46%
Manufacturing & Wholesale	45%
Retail & Hospitality	43%
Finance & Insurance Services	41%
Business, Professional & Property Services	34%
Agriculture, Forestry & Fishing	31%
Transport, Postal & Warehousing	28%
Other Industry	37%
TOTAL	38%

Business Revenue – Pipeline Work

Pipeline work or sales still way behind late 2009/early 2010 position

Less than one third of business operators surveyed in the last two MYOB Business Monitors reported more work or sales than usual in their pipeline for the next three months (28% in February 2012, 30% in September 2011). This was significantly below the 37% of business operators who reported more than usual in November 2009 and March 2010.

Positively, however, slightly more business operators felt they had more work in the pipeline than less (net +3%) compared to -1% in September 2011.

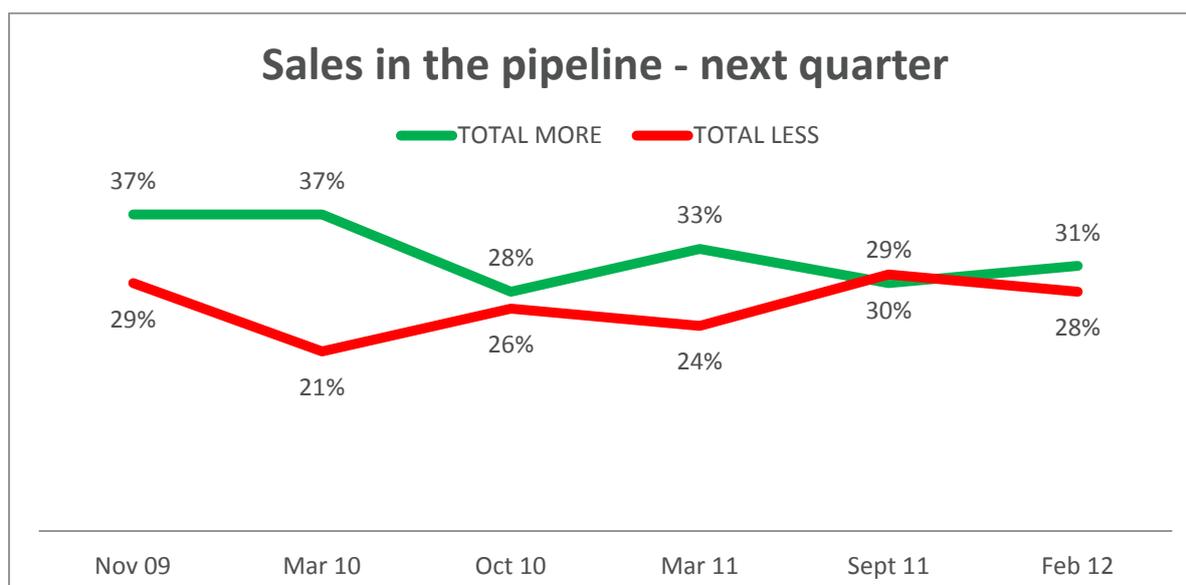


Figure 4: Proportion of business operators with more/less in the pipeline in the next quarter

Pipeline differences by state not statistically significant

By state, there were no statistically significant differences in the proportion of business operators expecting more in the pipeline in the next quarter, nor in the proportion expecting less in the pipeline in the next quarter.

Pipelines of agribusiness plus finance and insurance showed signs of recovery

Finance and insurance plus agriculture, forestry and fishing reported the most positive pipeline results (47% and 37% reported more than usual, respectively).

However, pipeline figures for construction and trades plus retail and hospitality were both below average with business operators more likely to report less in the pipeline than more.

Sales in the pipeline in the next quarter	More	Less
Finance & Insurance Services	43%	28%
Agriculture, Forestry & Fishing	37%	11%
Manufacturing & Wholesale	36%	34%
Transport, Postal & Warehousing	33%	24%
Business, Professional & Property Services	31%	26%
Construction & Trade	28%	40%
Retail & Hospitality	23%	32%
Other Industry	22%	26%
TOTAL	31%	28%

Retail and hospitality business operators were less positive about the volume of work they had in the pipeline in February 2012 than they were in September 2011. Only 23% of this industry group reported a fuller pipeline in this report compared with 35% in September 2011.

Start up and establishing businesses more likely to report fuller pipelines than established businesses

As would be expected, start up and establishing businesses were more likely to report increases growth in their pipeline (35% and 27% respectively) compared to only 23% of established businesses.

Business Revenue – Next 12 Months

Confidence in future revenue growth continued to recede

Less than one third of operators (30%) predicted that their revenue would have increased in a year's time. As can be seen in the graph below, the proportion of business operators expecting a revenue increase in the next 12 months has continued to decline since March 2010.

Predictably, those who have enjoyed revenue increases in the last year were more likely to expect revenue increases over the next year than those who had lost revenue (66% compared to 15%).

Overall, 39% expected their revenue to remain steady for the next 12 months and 24% expected it to decrease. 7% were unsure which direction it would head in.

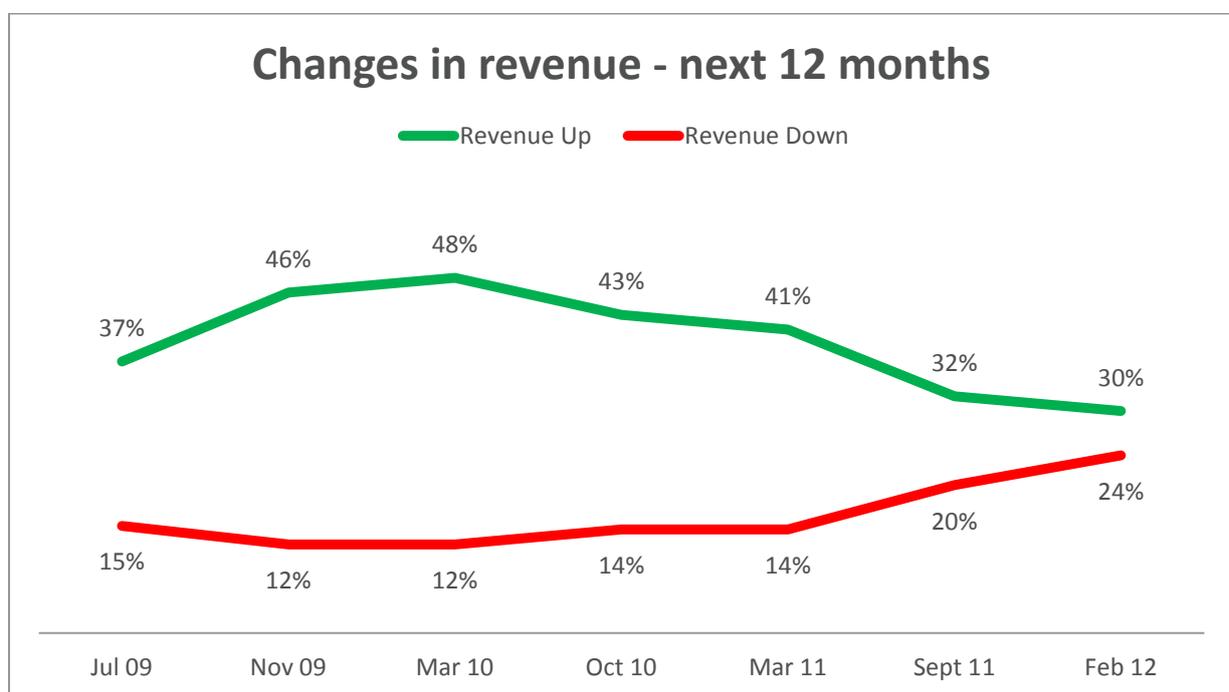


Figure 5: Proportion of business operators who expect their revenue to improve or deteriorate in the next 12 months

Despite two-speed economy, no differences were seen across different states

Similar to the pipeline data for the next three months, there were no statistically significant differences by state in terms of expected revenue growth.

Manufacturing and wholesale businesses most likely to expect tougher revenue

More than one third (36%) of business operators in manufacturing and wholesale expected to lose revenue over the next 12 months and 31% expected it to increase over that time. Agriculture, forestry and fishing operators were the second most pessimistic of the industries, with 27% of them expecting revenue declines compared with 19% expecting revenue increases in the year ahead.

Finance and insurance business operators were much more likely to expect a revenue increase in the next 12 months (50%) than a revenue decrease (17%).

Business revenue – next 12 months	Decrease	Increase
Manufacturing & Wholesale	36%	31%
Agriculture, Forestry & Fishing	27%	19%
Construction & Trade	24%	27%
Business, Professional & Property Services	23%	34%
Retail & Hospitality	23%	26%
Other Industry	22%	31%
Transport, Postal & Warehousing	20%	22%
Finance & Insurance Services	17%	50%
TOTAL	24%	30%

Medium sized and start-up businesses more optimistic

Medium-sized businesses and start-up businesses were also more likely to expect business revenue to increase in 12 months' time (53% and 51% respectively).

Impact of Business Website

Businesses with a website more likely to enjoy and expect revenue increases

The proportion of businesses with a website has remained relatively constant over the last three waves though has dropped slightly (36% in February 2012 compared to 38% in September 2011 and 39% in March 2011).

In the past 12 months, 27% of those with a business website had enjoyed revenue increases, compared with 17% of those without one. The comparable respective responses in September 2011 were closer together (at 23% and 17%).

In fact, this most recent survey found those with a website were also more likely to:

- Have more sales than usual in their three-month pipeline: 37% versus 27% of those without
- Intend to increase staff numbers this year: 25% versus 9%
- Intend to expand the number of overseas markets they work in: 16% versus 5%
- Expect the economy to improve within 12 months: 26% versus 16%
- Be satisfied with Federal Government support: 15% versus 10%
- And more...

Importantly, looking ahead, 42% of business operators with a website expected revenue to increase in the next 12 months compared to only 24% of business operators without a website.

Business website generated more leads, conversions, revenue than other media

A new question in this MYOB Business Monitor survey asked, “Thinking about your business and its development, which, if any, of the following changes have occurred as a result of having a business website or using other promotional media, or as a result of both?”

As indicated in the table, positive business changes were more likely to be due to having a business website than using other promotional media, or as a result of utilising both.

Business Change	Having Business Website %	Using Other Promotional Media %	Using Both %	No Change %
More customer enquiries or leads	46	10	17	23
Ability to compete better with customers	37	9	17	30
More interaction with customers	31	8	20	35
Increased revenue or income	31	9	17	36
Better customer lead conversion to sales	30	10	18	36
Opportunity to offer different types products or services	29	9	17	39
Opportunity to enter new business locations	29	9	14	37
Opportunity to sell internationally	26	9	10	41
Opportunity to enter new market categories	25	11	14	41
Less time spent on winning new business or customers	25	11	13	45
Spending less time on taking orders	21	7	7	54
Spending less time on business administration	19	10	7	57
Higher staff retention	11	8	6	60

Pulling out some of the key statistics, 46% of online business operators reported their website had increased customer leads and 37% said it enabled them to compete more effectively.

31% grew their revenue/income as a result, and customer interaction had improved for the same proportion. 30% said they enjoyed better conversion of leads to sales as a result.

Delving further into the positive business changes, having a business website has been of most benefit to the following respondents for the following reasons:

Enjoying more interaction with their customers:

- Victorian respondents (42%)

Increased revenue or income:

- Establishing businesses (45%)

Higher staff retention:

- Establishing businesses (20%)

Better customer lead conversions to sales:

- Establishing businesses (50%)

Opportunity to offer different types of products or services:

- Establishing business (41%)

Entering new business locations:

- Small businesses (42%)

Opportunity to sell internationally:

- Establishing businesses (41%)

Spending less time taking orders:

- Medium businesses (37%)

Spending less time on business administration:

- Establishing businesses (40%)

Less time spent to win new business or customers:

- Establishing businesses (37%)

Looking beyond the business website, this report found that the three most popular uses of the internet for business owners were paying bills on suppliers' websites, buying products and services online, and using internet engines to promote their business.

Fewer than one fifth using social media for business

Social media usage remained relatively steady. Only 21% of all business operators surveyed said they used social media in some way for business. This compared with 24% in September 2011.

The most popular social media activities for business were as follows:

- 20% use Skype or VOIP to make free business phone calls over the internet
- 19% network with business colleagues and/or clients on LinkedIn
- 18% connect with customers and fans via a business page on Facebook, YouTube or Google+
- 12% share news and updates via a blog (either via their own website or Wordpress/Blogger)
- 6% communicate via micro-blogging sites such as Twitter

Business Pressures

Most pressure from fuel prices, cash flow, price margins, profitability, interest rates

Fuel prices remained the key pressure on businesses in Australia for 2012 (40%), ahead of cash flow (33%), interest rates (32%) and price margins and profitability (32%).

Attracting new customers (27%) remained the fifth most expected pressure, and competitive activity (27%) and meeting tax obligations (27%) were equal in sixth place. The table below shows how these pressures have ranked over the last four Business Monitors.

Cash flow has become more important since the last report as has meeting tax obligations, while price margins and profitability plus competitive activity have dropped in the rankings while still remaining quite high.

Pressure point on business	February 2012 rank	September 2011 rank	March 2011 rank	October 2010 rank
Fuel Prices	1 =	1	1	4
Cash Flow	2 ↑	4	3	2
Interest Rates	3 =	3	2	1
Price Margins, Profitability	3 ↓	2	4	3
Attracting New Customers	5 =	5	n/m	n/m
Competitive Activity	6 ↓	5	6	5
Meeting Tax Obligations	6 ↑	7	n/m	n/m

n/m= not measured previously

Key pressure points for next year, by industry

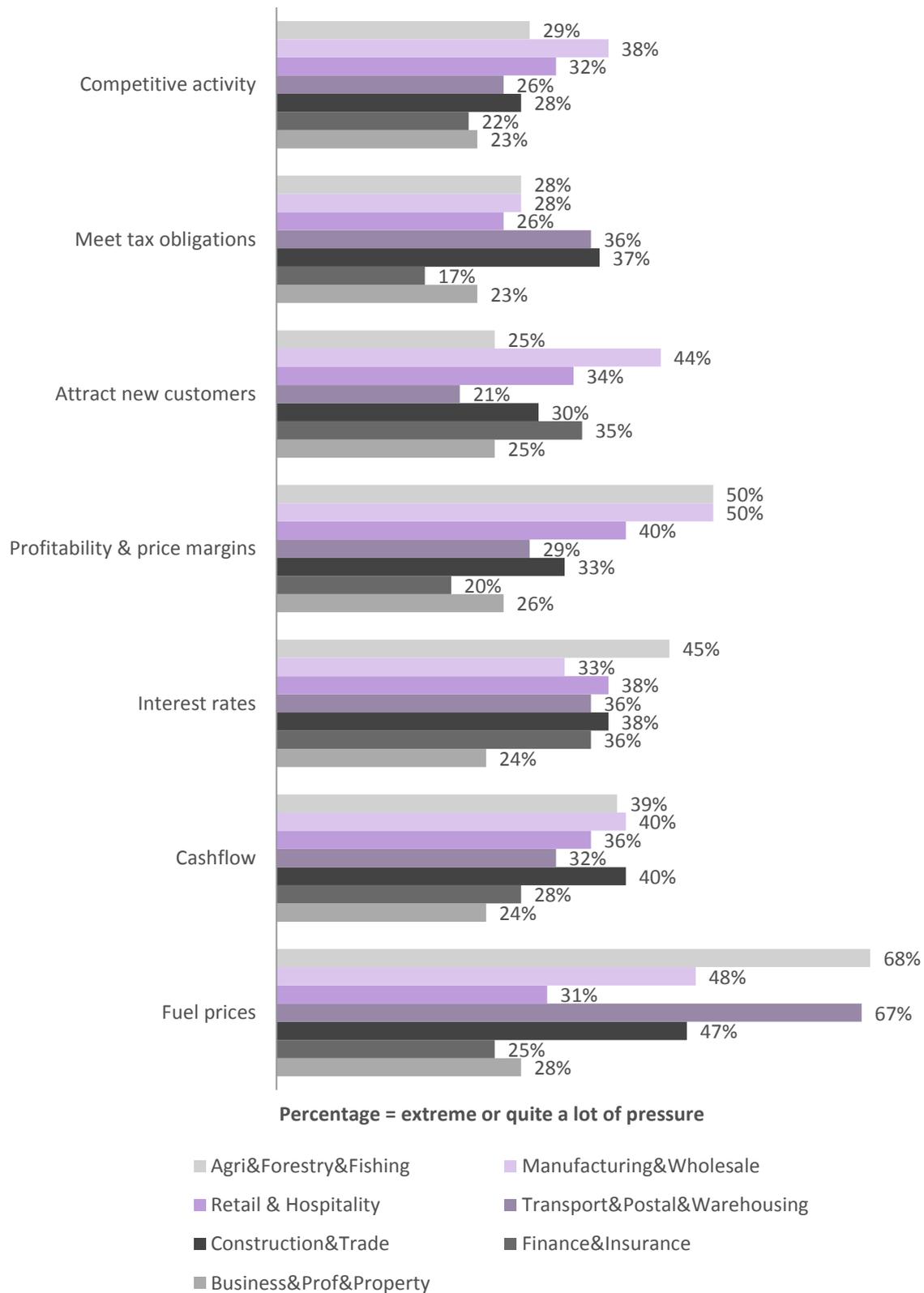


Figure 6: Pressure points for Australian small to medium business operators

Key differences in pressure points by segment:

- 1. Fuel prices the biggest expected pressure, staying at same record high**
 In the September 2011 and February 2012, two fifths (40%) of business operators expected fuel prices to place either an extreme amount or quite a lot of pressure on their business in the coming year. This was an increase of 3% on March 2011 and of 14% on October 2010, and was the highest score obtained ever by any anticipated business pressure point since this question was brought in for the March 2010 Business Monitor report. Industry-wise, fuel prices were expected to put the most pressure on operators in agriculture, forestry and fishing (68%) and in transport and warehousing (67%). Over half of the business operators in rural areas (53%) nominated fuel prices as a key business pressure.
- 2. More acute cash flow problems expected by those with revenue declines in the last year**
 Cash flow was expected to be the second greatest pressure on business in 2012, returning to the ranking it held in the October 2010 report. The businesses most likely to struggle with this in 2012 were those with revenue declines over the last year (49%) and those in the construction and trades (40%) and manufacturing and wholesale (40%).
- 3. Interest rates expected to exert great deal of pressure on some businesses**
 Interest rates remained the third largest pressure expected by business operators in 2012 (32%). Industry-wise, the pressure of rates was expected to be felt most strongly in agriculture, fishing and forestry (45%).
- 4. Businesses expected slightly less margin squeeze, with some distinct exceptions**
 Price margins and profitability were expected to put a significant squeeze on 32% of all business operators (compared to 37% of those in September 2011). More concern was placed on this issue by agriculture, forestry and fishing and manufacturing and wholesale business operators (50% each).
- 5. Attracting new customers going to be harder for some in year ahead**
 This issue remained the fifth most expected pressure on business operators in 2012 (at 29%). Those who most expected this to be a significant pressure were more likely to be in manufacturing and wholesale (44%).
- 6. Competitive activity remained (for six surveys) amongst top seven expected pressures**
 Just under one third (27% in February 2012, 31% in September 2011) of operators expected competitive activity to be a considerable pressure on their business in the next 12 months. Once again, those expecting the most pressure here those who suffered a revenue decline over the last year (40%) and small sized business owners (42%). Manufacturing businesses, too, were more likely to nominate competitive activity as a business pressure (39%).
- 7. Meeting tax obligations still set to challenge many business operators in 2012**
 Meeting tax obligations is usually related to revenue position, the timing of customer payments and consequent cash flow. So, this challenge was likely to put a great deal of pressure on certain businesses, especially those that suffered a revenue decline over the last year (40% in both February 2012 and September 2011). Business operators in the construction and trades sector were again the most affected industry-wise (37%).

Exploring the topic of interest rates and cash flow a little further...

One in four were funding the business in some way via their home loan

In response to a new question, 68% of operators were not currently using their property loan / mortgage in any way to fund their business, while 28% were doing so. 4% said they didn't know.

The 28% were represented by 14% who were utilising a line of credit on their mortgage, 5% who had increased the value or amount of their mortgage, 5% who had redrawn against the amount repaid on their mortgage, and 4% who had accessed the cash funds sitting in their mortgage offset account.

Business, professional and property services businesses were most likely to use a property loan or mortgage to fund their business in some way (37%).

One in five business operators placed a lot of importance on the Official Cash Rate

Another new question added to the most recent MYOB Business Monitor research was: *"How much importance do you place on the official cash rate?"*

22% placed a lot of importance on it and 36% placed a 'fair bit'. 27% said the rate had a 'little bit' of importance and 11% did not find it important.

Changes Planned for Business Aspects

Majority expected activity across most key business aspects to remain steady

Respondents were asked whether their activity would increase, decrease or remain steady for 19 business aspects this year. Eight aspects were expected to increase for at least one in five operators.

- 1. Focus on customer retention strategies remained most likely increased business activity**
Over one third (37%) of business operators surveyed expected customer retention activity to increase this year (compared to 39% in September 2011). The business operators who expected to put the most effort into this defensive strategy were more likely to be:
 - In the retail and hospitality sector (58%)
 - A small business (51%)
 - A start-up business (50%)
 - Predicting increased revenue over the last year (50%)
 - A business with a website (48%)
- 2. Focus on customer acquisition strategies still next most likely increased business activity**
While the likelihood of a rise in this business activity had declined since the September 2011 (from 34% to 29% in February 2012), almost one third of business operators still expected to grow their focus here. Those most determined to do so were more likely to be:
 - A medium sized business (51%)

- A start-up business (43%)
- Have enjoyed revenue growth in 2011 (42%)
- A business with a website (40%)

3. Close to one third were planning to offer more, or more variety of, products or services

While a majority (59%) of operators said that they would not change their number or variety of products and services in the next year, 27% did intend to offer more for sale. Those who most wished to expand the number and variety of their offerings were more likely to:

- Own a medium sized business (49%)
- Have enjoyed business revenue increases in 2011 (41%)
- Have a business website (39%)
- Not be an established business (33%)

4. Around one quarter of business operators expected to pay their staff more

Around one quarter (23%) of business operators said they expected to pay their staff more this year. Of the demographic groups, those who most expected to do so:

- Had enjoyed business revenue increases in 2011 (39%)
- Were not sole operators (34%) - only 16% of sole operators will pay themselves more
- Have an annual business revenue greater than \$200k (34%)
- Have a business website (32%)

5. Around one quarter hoped to increase prices and margins on products or services sold

Introduced for the first time in the February 2012 study, this new measurement revealed that fewer than one quarter (23%) of business operators surveyed had the intention of increasing prices and margins this year. Those more likely to consider this approach include:

- Those who enjoyed revenue increases in 2011 (36%)
- Those in the retail and hospitality sector (32%)

6. One fifth of business operators hoped to increase online sales

While one half (51%) of operators expected their online sales to remain unchanged, just over one fifth (22%) expected them to increase this year. Most hopeful of this increase were:

- Those with a revenue increase in 2011 (37%)
- Those in manufacturing and wholesale (36%)
- Those who own a small business (36%)
- Those who have a business website (36%)
- Those with an annual business revenue of \$1m + (32%)

7. One fifth of business operators hoped to increase offline sales

While a majority (54%) of operators did not expect their offline sales levels to change, 22% did expect them to increase this year. Those most likely to were:

- Those who have enjoyed business revenue growth in the last year (38%)
- Medium businesses (37%)
- Those with a business website (30%)

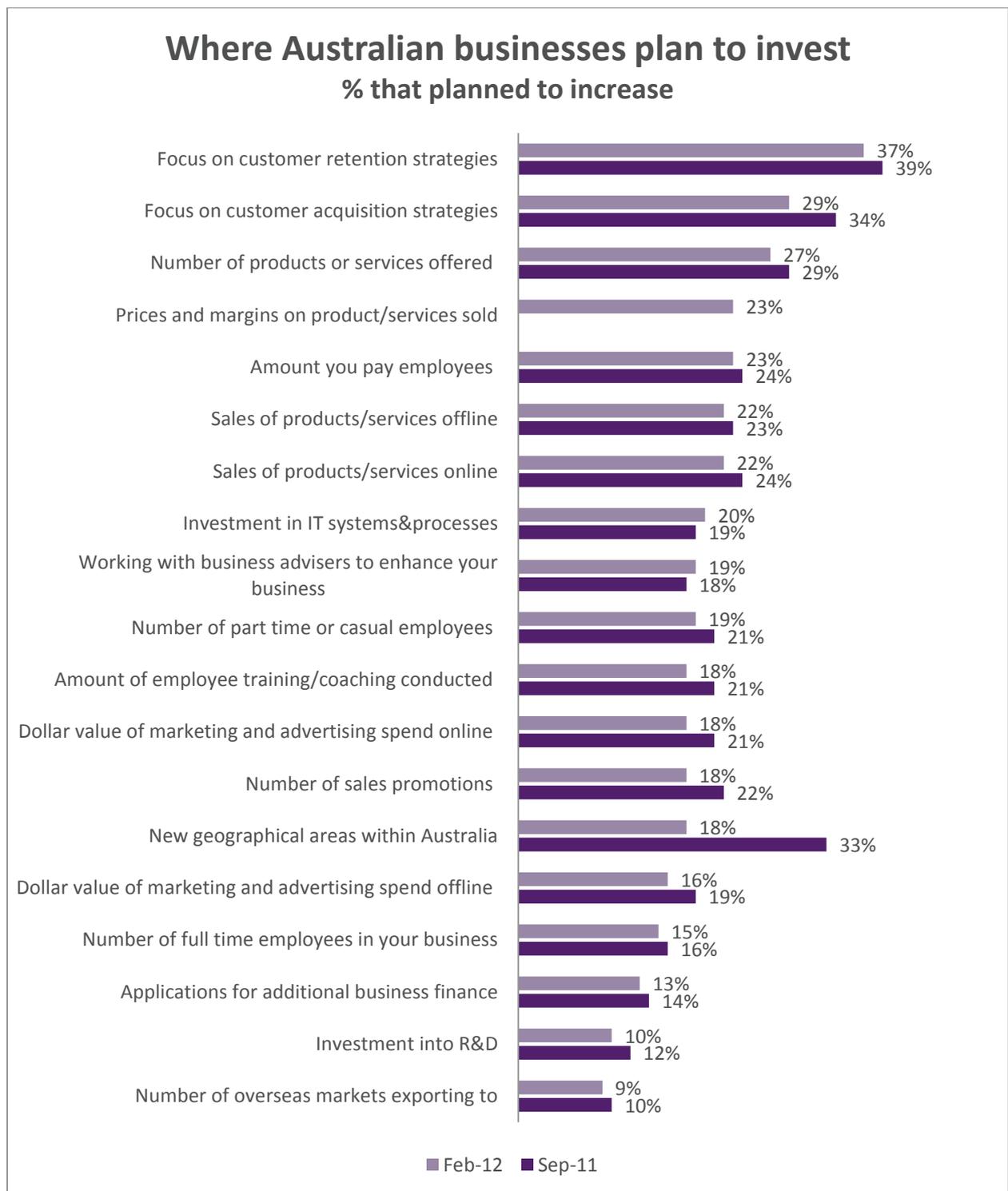


Figure 7: Where Australian businesses plan to invest

8. One fifth intended to invest in IT systems and processes for their business

One fifth (20%) of business operators surveyed indicated that they were likely to increase their investment in IT systems and processes in 2012. The most likely to do this were:

- Operators of medium businesses (34%)
- Businesses with an annual revenue of \$1-5m (34%)

- Businesses that enjoyed a revenue increase in 2011 (32%)
- Businesses with a website (26%)

Achievement of Milestones

More pride in achieving lifestyle milestones than business milestones

In answer to a new question, the personal/lifestyle or business milestones of which business operators in Australia were most proud, in rank order of 'very proud', follow.

Milestone	Quite Proud	Very Proud
Having a child/children	12%	54%
Seeing my child/children do well in their studies and/or sports	16%	49%
Getting married/settling down with my partner	19%	48%
Buying my first property	28%	43%
Starting my own business	31%	41%
Growing my business to a level that gives me a comfortable living	36%	34%
Paying off most or all of my mortgage	23%	34%
Reaching my first month or year of profit in the business	32%	33%
Making my first sale	29%	32%
My graduating from university	17%	24%
Helping others start their own business	21%	12%

Business operators took more pride in achieving several personal/lifestyle milestones than they did in achieving business milestones, though the latter still ranked highly.

At number one was having a child/children. Of the 75% who did, 54% were very proud while 12% were quite. Ranking second was seeing them do well at studies or sport (49% very, 16% quite).

The third-ranked milestone was getting married or settling with a partner (48% very, 19% quite) - irrelevant to 16% - then buying their first property (43% very, 28% quite) - irrelevant to 14%.

In contrast, 'starting your own business' ranked fifth. Of the 88% of owners and managers surveyed who had started the business, 41% of them were very proud of this and 31% were quite proud.

The overall pride in growing their business to a level that provided them with a comfortable living was high (70%), but with only 34% very proud they were not as intensely proud as with some other milestones. 10% had not reached the comfortable living stage yet or said they didn't know.

The same was true of reaching their first month or year of profit in the business (33% very proud, 32% quite) - irrelevant to 15% - and of making their first sale (32% very proud, 29% quite proud) - irrelevant to 21%.

Graduating from university was low on the pride register (41%) as it did not apply to 43% of those surveyed. Having said that, if they had graduated from university, two thirds (66%) of business operators were very proud and a further 22% were quite proud of this achievement.

Sacrifices Made in Starting a Business

Starting a business means extra work hours, fewer holidays, household cut-backs

When asked (a new question): *“Since you started in the business, have you made any of the following sacrifices in order to support your business”*, the sacrifices nominated by business operators were:

Possible Sacrifice	Incidence
Worked extra hours in the business	64%
Taken fewer holidays	53%
Cut back on family/household expenses	45%
Missed an important family occasion to work in the business	32%
Delayed investment in new equipment or technology	29%
Not taken any holidays at all	29%
Cut back on/not used contractors/casuals/part time employees	25%
Taken on another job or work outside the business	21%
Sold a property or other assets to put more cash into the business	17%
Postponed or cancelled sustainability measures in business	10%
Retrenched one or more full-time employees	9%
Cut full time employee working hours back to part time	9%
Moved child/children from private to public school	4%
Have not needed to make any sacrifices to help business	13%

Just under two-thirds (64%) of all business operators surveyed have had to put in extra hours, with those most likely to have had to do so being in retail and hospitality (74%) or in a small business

(73%). Interestingly, those less likely to have had to work extra hours in their business were city dwellers (58%, compared to their regional and rural counterparts at 68%).

Of further interest was the almost unnoticeable correlation between hours worked and revenue result. 71% of business operators who experienced a rise in revenue in the prior 12 months had worked extra hours, compared to 69% who saw their revenue fall despite working extra hours.

Those more likely to have had to cut back on family and/or household expenses were more likely to be in agriculture, forestry and fishing (63%), in rural Australia (57%), female rather than male business operators (53% compared to 38%), and micro businesses (53%).

In addition, those who have missed an important family occasion to work in the business were most likely to be in a business with \$1-5m annual revenue (48%) or in the retail and hospitality sector (43%).

Those who have delayed investment in IT or new technology were more likely to be in agriculture, forestry and fishing (53%) and to reside in rural Australia (44%).

Those who had not taken any holidays at all since they started in the business were more likely to be in agriculture, forestry and fishing (46%) and to have struggled with revenue losses in the last year (37%). They were also more likely to be micro businesses (36%) and located in Queensland (37%).

On average, 25% of business operators surveyed say that they have cut back on or not used contractors, casuals or part-time employees. This defensive action has been taken by 39% of business operators in South Australia and 32% of business operators in Queensland, yet by only 14% of business operators in Western Australia. Rural Australia and retail and hospitality business operators were also more likely to have cut back on such staff (37% and 33% respectively).

One fifth (21%) of business operators say that they had taken on another job or work outside the business in order to support their main business. They were more likely to be in rural Australia (31%), and to have suffered business revenue losses in the last year (29%).

Just under one in five business operators (17%) had sold a property or other assets to put more cash in the business. Those more likely to have had to do this were in agriculture, forestry and fishing (33%).

One in ten business operators has postponed or cancelled sustainability measures in his or her business in order to better support its financial well-being. Those most likely to have had to do this owned a small business (18%).

POLITICAL SENTIMENT

Sentiment about Federal Government

Majority of business operators remained dissatisfied with Federal Government

One in two small to medium business operators (52%) surveyed in February 2012 were dissatisfied with the Federal Government’s support for helping businesses such as theirs succeed. Only 11% said they were satisfied with the support provided and 36% were neutral on the subject.

Over the past two years the proportion of dissatisfied business operators has increased significantly, from 31% in November 2009. However, the latest result was lower than the highest level of performance dissatisfaction recorded by the study – 56% in September 2011 and July 2008.

Note there have been minor changes to the wording of this question, with it changing from:

“How satisfied are you with the Federal Government’s level of support for small businesses like yours at this time?” prior to the March 2011 report, to: “How satisfied are you with the Federal Government’s current level of support for small businesses like yours in terms of helping your business succeed?” from that point on.

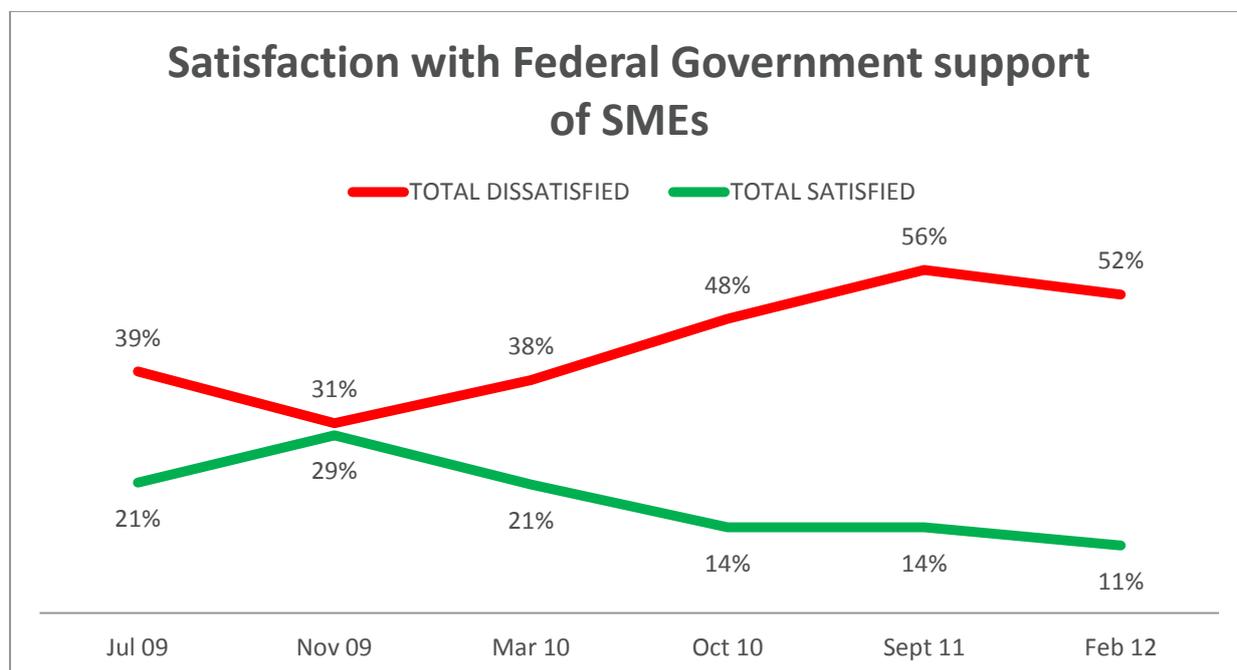


Figure 8: Proportion of business operators satisfied/dissatisfied with Federal Government support

Operators of longest established businesses and micro businesses most dissatisfied

By far the most dissatisfied with the Federal Government’s support were operators of established (10+ years) businesses (65%) and micro businesses (59%).

Satisfaction with Federal Government support was related to business success

Business operators who suffered revenue losses in 2011 were the most dissatisfied with the Federal Government's support for businesses like theirs (63%), and conversely were the least satisfied with that support (5%). On the other hand, business operators who enjoyed revenue gains in 2011 were less dissatisfied (40%) and more satisfied (22%) with the Federal Government's support.

There was no significant difference across the states or industries in terms of dissatisfaction or satisfaction with Federal Government support.

More felt Federal Government disrespected their business needs than respected

The low level of satisfaction reported by SMEs was closely aligned with the level of respect they felt the Federal Government showed.

In a new question: *"How much respect or disrespect do you believe the Federal Government demonstrates to businesses like yours?"*, half (51%) of the business operators surveyed felt that it demonstrated disrespect; 36% were neutral on the point; and only 12% felt it demonstrated respect.

Those who were more likely to feel disrespected by the Federal Government were in an established (10+ years) business (64%), in agriculture, forestry and fishing (63%), resided in Queensland (59%) and had experienced a revenue fall in the previous 12 months (63%).

Message to Canberra: Five policies or initiatives that would win most votes

Making business life easier by reducing the paperwork burden and investing further in city transport infrastructure were among the top political initiatives that would turn business operators' election votes towards the party that proposed them.

The top initiatives were:

1. Investing more in transport infrastructure in major states and cities (68%)
2. Simplifying GST and BAS reporting processes (67%)
3. Abolishing the Federal Carbon Tax (61%)
4. Providing more government funding for business innovation and R&D (60%)
5. Introducing a 'Buy Aussie Made' policy for central and local government procurement where possible (60%)

Message to Canberra: Five policies or initiatives most likely to lose votes

The top five initiatives that would turn operators' votes against the party that proposed them were:

1. The sale of state assets to assist reducing government debt levels – 54%
2. The introduction of a heavy transport fuel levy – 50%

3. The creation of a common currency and economic zone with New Zealand – 39%
4. The adoption of Andrew Wilkie’s proposed poker machine reforms – 33%
5. The abolition of the intended rise of the Superannuation Guarantee Levy from 9% to 12% over the next four years – 32%

Investment in transport infrastructure most attractive vote getter

Two-thirds (68% in February 2012, 66% in September 2011) of business operators surveyed would vote for a party proposing more Federal Government investment in transport infrastructure in Australia’s major states and cities. This potential initiative unsurprisingly appealed most to business operators in the transport and warehousing sector (86%).

Simplifying the GST/BAS reporting process remained a major vote getter

Two-thirds of (67%) felt that simplifying the GST/BAS reporting process would encourage them to vote for the party offering it. This issue continued to be one of the two most appealing initiatives. It was judged the most important of all potential initiatives tested, by a very slight margin, in the September 2011 and in the March 2011 surveys. Those by far the most likely to back this initiative with their vote this time around were business operators in Queensland (79%).

Almost two thirds of business operators wanted the Federal Carbon Tax abolished

Almost two thirds of business operators (61% in both February 2012 and September 2011) would be inclined to vote for the political party that abolished the carbon tax.

While types of business operators were relatively equally opposed to the carbon tax, those who most favoured its abolition were business operators with a revenue of \$5m+ (80%) and established businesses (69%).

Slightly more claimed to understand the carbon tax’s business impact than not

In response to one of two new questions on the carbon tax, over half the business operators surveyed (54%) said that they understood quite well (37%) or understood very well (17%) the likely impact of the tax on their business. However, 42% of business operators said that they did not understand it very well (33%) or did not understand it at all (9%).

It is for this reason that MYOB created its free 16-page [Carbon Tax Toolkit](#) for business owners.

Those who claimed to have a good understanding of the impact of the carbon tax on their business were males (60%) and business operators of medium businesses (60%). Those who claimed to have a poor understanding of the impact of the carbon tax on their business were females (51%) and were in agriculture, forestry and fishing (51%).

Nearly five times as many expected negative impact as expected positive impact

In response to a second question on the carbon tax, only 11% felt that it might have a quite positive (8%) or very positive (3%) impact on their business. 50% expected that the impact on their business would be quite negative (31%) or very negative (19%). The remainder didn't expect either a positive or negative impact.

Those who most expected the carbon tax to have a negative impact on their business were in agriculture, forestry and fishing (71%), transport and warehousing (63%), and in micro businesses (also 63%).

Government investment in innovation, research and development a vote-getter

Two-thirds of business operators surveyed (60% in February 2012, 63% in September 2011) would vote for increased government funding for business innovation, research and development.

There were no significant differences by location, sector or business type for this issue.

Three fifths wanted introduction of government 'Buy Aussie Made' policy

Around three-fifths (58% in February 2012, 61% in September 2011) of all business operators surveyed would vote for the introduction of a 'Buy Aussie Made' policy for all central or local government procurement where possible.

Keenest on this policy were business operators in the agriculture, forestry and fishing sector (81%), in rural Australia (76%), and in established businesses (74%), the same three segments that were also keenest on this policy in September 2011.

Almost two thirds would vote for late tax payment penalty waiver for start-ups

A policy to waive any penalty interest charges on late tax payments for start-up businesses in their first two years of operation would attract the votes of nearly two thirds of business operators surveyed in February 2012 (58%) just as it did in the September 2011 survey (57%).

There were no statistically significant differences by segment, even those operating a start-up.

Sale of state assets might reduce government debt, would most reduce party votes

More than half (54% in February 2012, up from 49% in September 2011) of all operators surveyed would vote against a proposal to implement the sale of state assets to assist reducing government debt levels. Only one quarter (25% in both reports) would support this policy with their vote.

Those most opposed to the sale were business operators in established businesses (64%), micro businesses (62%) and Queensland respondents (63%).

Heavy transport fuel levy would result in heavy loss of votes for party

One half (50% in February 2012, 48% in September 2011) of business operators surveyed would vote against this policy, and fewer than one third (31%) would vote for it.

Those most likely to vote against had the greatest distances to travel - agriculture, forestry and fishing (70%), transport and warehousing (69%), rural Australia (60%) and Queensland (58%, compared to 45% in Victoria).

Sentiment about State Governments

Business operator dissatisfaction with own State Government relatively steady

Overall, business operators were dissatisfied with their State Government's efforts to make things better rather than worse for their business. Half of those surveyed (51% in February 2012, 50% in September 2011) were dissatisfied with the support.

This level of dissatisfaction was some way behind the peak average recorded in June 2008 (63%).

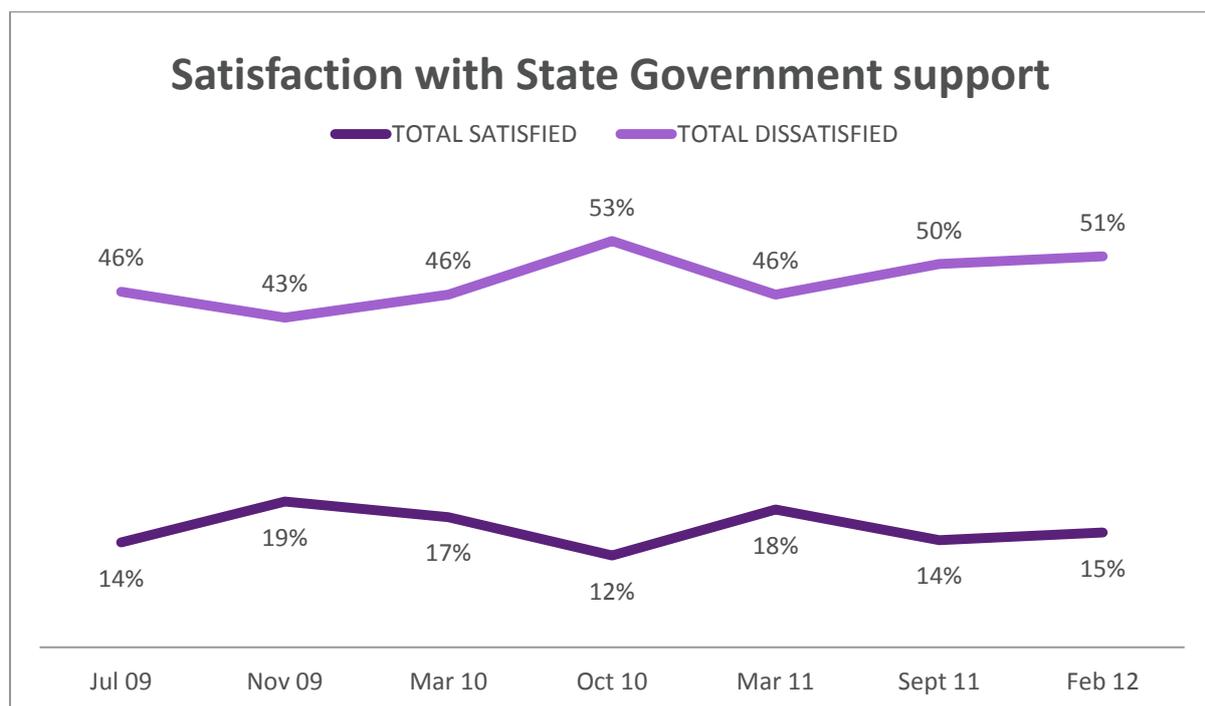


Figure 9: Proportion of business operators satisfied/dissatisfied with State Government support of SMEs

Micro business operators now most dissatisfied with State Government

60% of micro business operators were dissatisfied with their State Government's efforts to make things better rather than worse for their business, and only 12% were satisfied in this respect.

Satisfaction with Labor State Government in Queensland has evaporated

The Queensland Government's leadership during the state's floods had reduced dissatisfaction from a high of 64% in October 2010 to 46% in March 2011. However, dissatisfaction in February 2012 amongst Queensland business owners and managers returned to a level higher than any seen since 2009 (68%). Only 12% of the state's business operators were satisfied.

Dissatisfaction with the State Government in South Australia was also at its highest level seen since 2009 (67%), but was not statistically different from the dissatisfaction recorded in 2010 (59%). Only 6% of the state's business operators were satisfied in this latest survey – the lowest proportion of any state.

The State Government in New South Wales experienced a similar imbalance, with 41% of the state's operators dissatisfied and only 17% satisfied. This level of dissatisfaction is similar to that recorded in September 2011 (43%), but well below the high of 55% dissatisfaction recorded in March 2011 when the Premier at the time was voted out.

The State Government in Victoria also attracted more than twice the level of dissatisfaction (46%) than satisfaction (18%) in terms of helping its businesses in that state. Dissatisfaction has been increasing in this state, from a low of 32% in March 2011 and 41% in September 2011.

This result was replicated with the Western Australian Government (46% dissatisfied and 18% satisfied). There was no significant difference in this state's operators' level of dissatisfaction since the previous wave.

Note that the responses of business operators from Tasmania, the Northern Territory and the Australian Capital Territory were excluded in this comparison due to the small sample size for each.

Across industry sectors, there were no statistically significant differences with satisfaction around the performance of State Government support.

About the study

The MYOB Business Monitor has been running since 2004 as part of MYOB's commitment to understanding the mindset, needs, experiences and expectations of Australian small to medium business owners and managers.

This March 2012 MYOB Business Monitor report presents the summary findings for key indicators from a national survey of **1,043** business operators in February 2012.

The businesses participating in the online survey are defined as those with 0 employees ('sole traders'), 1-4 employees ('micro businesses'), 5-19 employees ('small businesses') and 20-199 employees ('medium businesses').

Results have been weighted to reflect the business population distribution according to the Australian Bureau of Statistics (ABS) for company size, length of time operating, region, and selected industry divisions (refer to ABS publication *COUNTS OF AUSTRALIAN BUSINESSES, INCLUDING ENTRIES & EXITS, JUNE 2007 TO JUNE 2009 - 8165.0*).

Some industry segments have been grouped as 'Other Industries' (see next page) for the purposes of providing sample segments of reasonable size, and with a lower margin of error.

This research report was prepared by *Gundabluey Research* and fieldwork was completed by *Colmar Brunton* (a Millward Brown Company) for:

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INDUSTRY, LOCATION AND BUSINESS SIZE SAMPLE SEGMENTS

The sample segments surveyed in February 2012 very closely paralleled those in the previous MYOB Business Monitor research, conducted in September 2011. Results have been reweighted to reflect their actual proportions of all GST registered businesses in Australia.

Industry	Weighting	02/12	09/11
Professional and Business Services	26%	281	241
Construction and Trades	17%	168	150
Retail and Hospitality	11%	139	129
Agriculture	10%	54	49
Manufacturing and Wholesale	8%	79	82
Finance and Insurance	7%	70	47
Transport, Postal and Warehousing	7%	62	49
Other Industries* (included in total results)	15%	197*	254*
Total	100%	1,043	1,003

(*Other Industries, combined because their sample segment numbers on their own have too high a margin of error, include these sectors: Communication Services; Cultural & Recreational Services; Education; Electricity, Gas & Water Supply Services; Health & Community Services; Mining; and Personal & Other Services.)

The sample distribution across the five main states was similar to the sample obtained in September 2011. Again, the results have been reweighted to their population proportions of Australia:

State	Weighting	02/12	09/11
New South Wales (NSW)	33%	348	334
Victoria (VIC)	25%	280	254
Queensland (QLD)	20%	214	199
Western Australia (WA)	10%	96	99
South Australia (SA)	7%	72	78
Other States and Territories (ACT, NT & NT)	5%	33	39
Total	100%	1,043	1,003

While the segments by business size (number of employees in the business) remained very close to their actual proportion of all businesses registered for GST in Australia, their results have been reweighted to the proportions of all GST registered businesses in Australia, as indicated below:

Number of Employees/Business Type (Unweighted numbers)	Weighting	02/12	09/11
0 Employees/Sole Traders	60%	608	595
1-4 Employees/Micro Businesses	24%	260	250
5-19 Employees/Small Businesses	11%	123	114
20-199 Employees/Medium Businesses	4%	52	44
0-199 Employees/Sole, Micro, Small, Medium Businesses	99%	1,043	1,003