

FUTURE BUSINESS INDEX

Update:
December 2012



CommonwealthBank

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Treading carefully in 2013

Rising confidence within the mid-market has been balanced by a conservative approach to future business conditions.



Commonwealth Bank's latest *Future Business Index* demonstrates just how much business conditions can change in a quarter.

The previous *Index* reported a decrease in business confidence across a large portion of the Australian mid-market, however this time around, we are back to the highest levels ever recorded by the *Index*.

Such a positive turnaround is less a reflection on the vast improvement of business conditions. It's more a indication that businesses have become accustomed to current conditions and more prepared for what lies ahead.

Across the board there has been a marginal decrease in concern for virtually all major domestic and international factors potentially affecting business conditions, suggesting that whilst businesses are very aware of the challenges they are facing, there is a level of acceptance of these factors as business continue to persevere.

In a similar trend that is consistent across the vast majority of the mid-market, we are seeing the implementation of cost-saving initiatives on the rise whilst growth initiatives have fallen. This suggests that whilst optimism and preparedness has risen, businesses are not currently using this as an opportunity for risk taking and are instead adopting a 'wait and see' approach to future conditions.

The Retail sector has again performed exceedingly well, posting the highest score ever recorded on the *Index* as we progress into holiday season and beyond. Other sectors to see a boost in confidence during this *Index* are Business Services, Information, Media & Telecommunication, Finance & Insurance and Construction, whilst Transport & Logistic scored as the most confident sector in the country and most prepared for future conditions.

Whilst the Mining sector surprised some by recording a rise in confidence in the previous *Index*, the delayed effects of increased international competition and a potential economic slowdown in China have now come into effect during this *Index* which has seen confidence within the mining sector sharply drop. Manufacturing, Wholesale Trade and Agriculture also recorded noticeable declines on the *Index*.

From a state-based breakdown, we can see that the majority of Australian states and territories posted a rise in confidence with only New South Wales and the Australian Capital Territory having a fall on the *Index*. Victoria and Tasmania can proudly boast to be the only Australian states to have consistently recorded rises in confidence through all recordings of the *Index*.

Whilst the key challenges facing the mid-market remain, there is a shared attitude of optimism and stability that has placed many companies in good stead for sustaining a strong business through uncertainty.

This approach of cautiousness and resilience is a defining characteristic of Australia's mid-market. We hope this *Index* provides heartening information for the future of Australian business.

Symon Brewis-Weston
Executive General Manager, Corporate Financial Services
Commonwealth Bank

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About the survey

The Commonwealth Bank *Future Business Index* is based on a detailed quantitative survey of 438 financial decision-makers in public and private companies throughout Australia with turnover between \$10 million and \$100 million. Conducted by ACA Research, the *Future Business Index* is an indicator of what the business landscape will look like over the next six months, based on business confidence, predicted future activity and an organisation's ability to manage fluctuating business conditions. The survey sample includes businesses from a range of sectors including Retail, Business Services, Construction, Health & Education, Information Media & Telecommunications, Manufacturing, Mining, Transport & Logistics, Finance & Insurance, Agriculture and Wholesale Trade. The data has been weighted to reflect the latest Australian Bureau of Statistics Business Counts.

The *Index* seeks to identify:

- The level of confidence in business conditions over the next six months
- The challenges and threats businesses face over the next six months
- How prepared businesses are to navigate volatile conditions
- The use of financial facilities and risk planning
- Expected sources of growth and opportunities.

How the *Index* is calculated

- The Commonwealth Bank *Future Business Index* has been calculated by taking a net balance of future business conditions, net revenue and risk as indicated by 436 businesses with an annual turnover of \$10 to \$100 million.
- **Net Business Conditions** is a net balance of those companies that indicated business conditions will improve minus those that believe business conditions will decline.
- **Net Revenue** is a net balance of those companies that foresee an increase in revenue over the next six months minus those that predict a decline.
- **Net Well Preparedness** is a net balance of those that are 'well prepared' minus those that are 'somewhat' and 'not well prepared'.

About ACA Research

ACA Research is a full-service market research consultancy, with particular expertise in customised business-to-business thought leadership, executive research and syndicated multi-client studies throughout Australia, New Zealand and Asia. Through a high level of business and research experience, industry expertise and focus on high-quality outputs, ACA Research effectively supports business thought leaders in their decision-making activities.

Economic perspective



The mining-commodity boom and everything that hangs off that boom is a defining feature of the Australian economic landscape over the past decade. Higher commodity prices boosted incomes and triggered a mighty mining construction boom. But commodity prices have now fallen and the end of the mining construction cycle is in sight. We will need to find alternative sources of growth. The policy debate is now about transitioning the economy back to non-mining-led growth. The most encouraging result from this *Index* update is that Australian companies are preparing for this shift.

The *Index* shows that middle market companies expect the mining and infrastructure sectors to become less important drivers of growth in 2013. Businesses are looking for policy stimulus and a recovery in consumer confidence to take up the slack.

The sectoral and geographic outcomes evident in this *Index* update reflect these shifting growth drivers. Sentiment has improved noticeably in retail, transport and a range of service-related areas. In contrast, sentiment has deteriorated in mining and mining-dependent States like Western Australia. One of the other outcomes of the resources boom – the high Aussie dollar – is also weighing on some sectors like Manufacturing and Health & Education.

Sentiment may have improved but the trading environment clearly remains difficult for many corporates. Business concerns remain focussed in a couple of key areas. They include energy costs, the Aussie dollar and labour costs. The latter concern is particularly noteworthy. RBA inflation forecasts require slower growth in wages to ease domestic inflation pressures. If this slowing is not achieved then the RBA's ability to provide further interest rate cuts will be limited. The need for businesses to contain costs and pursue productivity measures is as great as ever.

Michael Blythe
Chief Economist
Commonwealth Bank

Executive summary

Although business confidence has bounced back, mid-market firms are looking to cost-cutting rather than sales growth to keep profits healthy over the next six months.

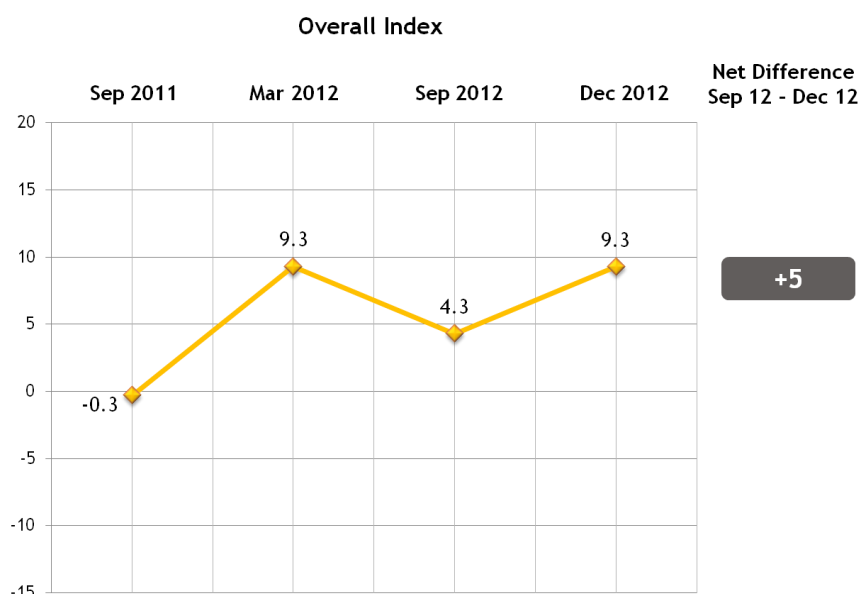
The outlook for mid-market organisations has strengthened over the last three months, with the Commonwealth Bank Future Business Index recovering 5 points to 9.3, equalling the high of March 2012. Eight out of 10 businesses say they expect conditions to improve or remain the same over the next six months.

But not all states and industry sectors are equally optimistic. Trade-exposed industries like Mining, Agriculture and Education have been impacted by weaker international markets and a strong dollar, while domestically-focused sectors have become more optimistic.

Looking across the country:

- Organisations in the Transport & Logistics, Information, Media & Technology and Business Services sectors are the most confident. The rebound in the volatile Transport & Logistics sector has been particularly impressive, moving from least confident to most confident in the space of three months.
- In contrast, the Mining sector has fallen from most confident to least confident, with 37% of miners now expecting profits to fall.
- Confidence among New South Wales and ACT business has declined markedly, making them the least optimistic in the country. But South Australian and Northern Territory organisations report a resurgence of optimism, bringing them back into positive territory.
- Victoria and Tasmania have risen to be the most optimistic region in Australia — the only states to consistently rise over the course of the Index.
- Smaller businesses are catching up with their larger peers on a range of measures, becoming more confident, better prepared for the future and more likely to seek growth opportunities.

Confidence has bounced back



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In review: export-oriented sectors have suffered

September to December 2012

	Industry		Turnover		State	
	Industry	Index Difference	Turnover	Index Difference	State	Index Difference
Increased	Transport & Logistics	38.7	\$10M - \$19M	9.4	SA/NT	21.0
	Business Services	20.2	\$20M - \$49M	3.3	VIC/TAS	7.8
	Info Media & Telco	13.1			QLD	7.7
	Finance & Insurance	9.3			WA	6.4
	Retail	7.6				
	Construction	2.2				
Decreased	Wholesale trade	-0.7	\$50M - \$99M	-8.9	NSW/ACT	-4.4
	Health & Education	-1.6				
	Manufacturing	-3.0				
	Agriculture	-3.8				
	Mining	-24.9				

While cost pressures have eased, the revenue outlook is mixed

The rise in confidence has been driven largely by easing cost pressures, rather than the prospect of revenue growth. While rising energy costs remain a key issue, the level of concern has declined since September 2011. Businesses have also become noticeably less worried about the potential impact of government policy decisions and carbon pricing.

Meanwhile the revenue outlook remains largely unchanged since September 2012, with 48% of businesses anticipating stronger sales over the next six months, and 20% expecting sales to decline.

Looking offshore, an economic slowdown in Asia, especially China, is most often identified by mid-market businesses as the factor with the greatest potential to impact their businesses. And there have been heightened concerns about the possibility of weaker economic conditions in the US, perhaps prompted by the approaching fiscal cliff.

Better prepared for future volatility

Mid-market organisations are better prepared than ever before to weather fluctuating business conditions. 45% say they are well prepared, up 4% since September 2012, and 51% say they are somewhat prepared. 82% have strong cost controls, while 79% have a well-defined business strategy.

Transport, logistics and agricultural businesses are most confident about their level of preparedness, with 58% saying they are well prepared. Meanwhile, 50% of retailers say they are well prepared for the future.

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Cost control, not growth, is the order of the day

Asked whether they would concentrate on cost management or growth initiatives over the next six months, almost three in five (57%) of businesses said that they would focus on reining in costs. The Mining sector has seen the largest shift in focus from growth to cost management since September 2012, with 70% of mining businesses now concentrating on cost cutting. In contrast, the newly confident Transport & Logistics sector is seeking to expand, with 61% of businesses saying they would look for growth opportunities.

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Sector outlook

Key findings

- The Retail sector has continued its long, steady recovery, with confidence reaching a new high of 17.8 in December 2012. Retailers have been buoyed by continued optimism that domestic demand will drive economic growth, particularly in the lead up to Christmas.
- The Transport & Logistics sector has recorded a massive turnaround in confidence, with improved revenue expectations and fewer concerns over rising operating costs, particularly energy costs. However, over the longer term, the sector has been one of the most volatile.
- Business Services, Finance & Insurance, and Information, Media & Telecommunications are also confident about the future, consolidating the upward trend in all three sectors over the last year.
- In contrast, confidence in the Mining sector may have peaked, falling 24.9 points since September, taking the sector from most confident to least confident among the sectors surveyed.
- Other export-exposed sectors remain subdued, including Agriculture and Manufacturing, despite a decline in the number of businesses concerned about the strength of the Australian dollar.
- Confidence is rising among smaller mid-market businesses, although those with an annual turnover of \$20–\$50 million continue to be the most confident segment.

Sector performance since September 2011: Future Business Index

	Sep 2011	Mar 2012	Sep 2012	Dec 2012	Change	Movement Sep – Dec 2012	Trend Sep 2011 – Dec 2012
Overall	-0.3	9.3	4.3	9.3	5	▲	Fluctuating
By sector							
Agriculture	-	-	4.5	0.7	-3.8	▼	Down
Business Services	15	20	2.1	22.3	20.2	▲	Up
Construction	5	10.3	-0.8	1.4	2.2	▲	Fluctuating
Finance & Insurance	-	-	3.1	12.4	9.3	▲	Up
Health & Education	17.3	18.7	14	12.4	-1.6	▼	Down
Information, Media & Telecommunications	1	14.7	8.6	21.7	13.1	▲	Up
Manufacturing	-8	-1.7	-1.8	-4.8	-3	▼	Down
Mining	1.3	10.7	17.7	-7.2	-24.9	▼	Fluctuating
Retail	-7	-1	10.2	17.8	7.6	▲	Up
Transport & Logistics	-2.3	15.7	-2.5	36.2	38.7	▲	Fluctuating
Wholesale Trade	-13.3	5.7	-0.3	-1	-0.7	▼	Fluctuating
By annual turnover							
\$10m–\$19m	-3.3	7	-0.6	8.8	9.4	▲	Fluctuating
\$20m–\$49m	-0.7	12	8.8	12.1	3.3	▲	Fluctuating
\$50m–\$99m	12	11.3	13.3	4.4	-8.9	▼	Down

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Key sector findings

	Net business conditions		Net revenue		Net preparedness		Future Business Index	
	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012
Overall	1	10	30	28	-17	-10	4.3	9.3
By sector								
Agriculture	-3	-13	29	0	-12	16	4.5	0.7
Business Services	4	36	38	39	-35	-7	2.1	22.3
Construction	-8	-3	20	19	-14	-12	-0.8	1.4
Finance & Insurance	10	23	34	25	-35	-11	3.1	12.4
Health & Education	13	-9	44	54	-15	-8	14	12.4
Information, Media & Telecommunications	8	24	42	60	-24	-20	8.6	21.7
Manufacturing	-5	-1	26	24	-26	-38	-1.8	-4.8
Mining	13	-14	45	-2	-6	-6	17.7	-7.2
Retail	8	27	21	25	1	1	10.2	17.8
Transport & Logistics	-6	36	27	57	-28	16	-2.5	36.2
Wholesale Trade	-14	-7	20	11	-7	-6	-0.3	-1
By annual turnover								
\$10m–\$19m	-5	13	23	25	-20	-12	-0.6	8.8
\$20m–\$49m	7	7	36	33	-17	-4	8.8	12.1
\$50m–\$99m	10	6	38	27	-8	-20	13.3	4.4

We analysed the outlook for each sector using three key metrics:

- **Net business conditions** shows the net percentage of businesses in the sector that forecast overall business conditions will improve, calculated by subtracting the percentage of businesses forecasting a decline from the percentage forecasting an improvement.
- **Net revenue** shows the net percentage of businesses in the sector that forecast their revenue will increase, calculated by subtracting the percentage of businesses forecasting a fall from the percentage forecasting a rise.
- **Net preparedness** shows the net percentage of businesses in the sector that are well prepared for future volatility, calculated by subtracting the percentage of businesses who say they are underprepared from the percentage who are well prepared.

The Commonwealth Bank *Future Business Index* for each sector is the average of these three metrics.

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State outlook

Key findings

- Mid-market organisations in South Australia and the Northern Territory have bounced back, with a 21 point jump in overall confidence, measured by the Index. Helping to drive the increase were higher profit expectations and reduced concerns over carbon pricing and fuel costs, leading to a higher appetite for risk.
- Confidence among Victorian and Tasmanian businesses has steadily improved since our survey began, taking them from the most pessimistic in the country in September 2011, to the most confident in December 2012.
- Queensland businesses are also feeling more optimistic, with expectations for rises in operating costs, salaries and wages declining.
- Western Australian businesses have recovered somewhat from the negative confidence reading of September 2012, although the outlook for the state remains subdued, with the mining sector feeling the impact of lower commodity prices and reduced profit expectations.
- Meanwhile confidence in New South Wales and the ACT has fallen significantly, with fewer businesses expecting profits to increase and more concern over increasing domestic competition.

State performance since September 2011: Future Business Index

	Sep 2011	Mar 2012	Sep 2012	Dec 2012	Change	Movement Sep – Dec 2012	Trend Sep 2011 – Dec 2012
Overall	-0.3	9.3	4.3	9.3	5	▲	Fluctuating
NSW and ACT	0	14	10.4	6	-4.4	▼	Fluctuating
Queensland	3	6	2.7	10.4	7.7	▲	Up
SA and NT	4	7.3	-10.1	10.9	21	▲	Fluctuating
Victoria and Tasmania	-7	4	6.2	14	7.8	▲	Up
WA	5.7	14.7	-2	4.4	6.4	▲	Fluctuating

Key state findings

	Net business conditions		Net revenue		Net preparedness		Future Business Index	
	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012
Overall	1	10	30	28	-17	-10	4.3	9.3
NSW and ACT	2	11	32	27	-3	-19	10.4	6
Queensland	-3	15	22	28	-12	-11	2.7	10.4
SA and NT	-16	12	14	27	-28	-7	-10.1	10.9
Victoria and Tasmania	9	10	39	35	-30	-3	6.2	14
WA	-4	1	22	16	-23	-4	-2	4.4

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Outlook for business conditions by state

Net balance	Operating costs		Salaries and wages		Profit		Capital expenditure	
	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012
Overall	45	30	39	30	14	10	8	3
NSW and ACT	44	27	39	24	19	5	11	1
Queensland	40	27	32	23	12	10	3	6
SA and NT	62	35	31	43	-6	10	-14	-2
Victoria and Tasmania	48	26	37	31	18	20	8	-2
WA	43	45	56	39	8	4	21	15

Indicates value is significantly higher than other waves of the report.

Indicates value is significantly lower than other waves of the report.

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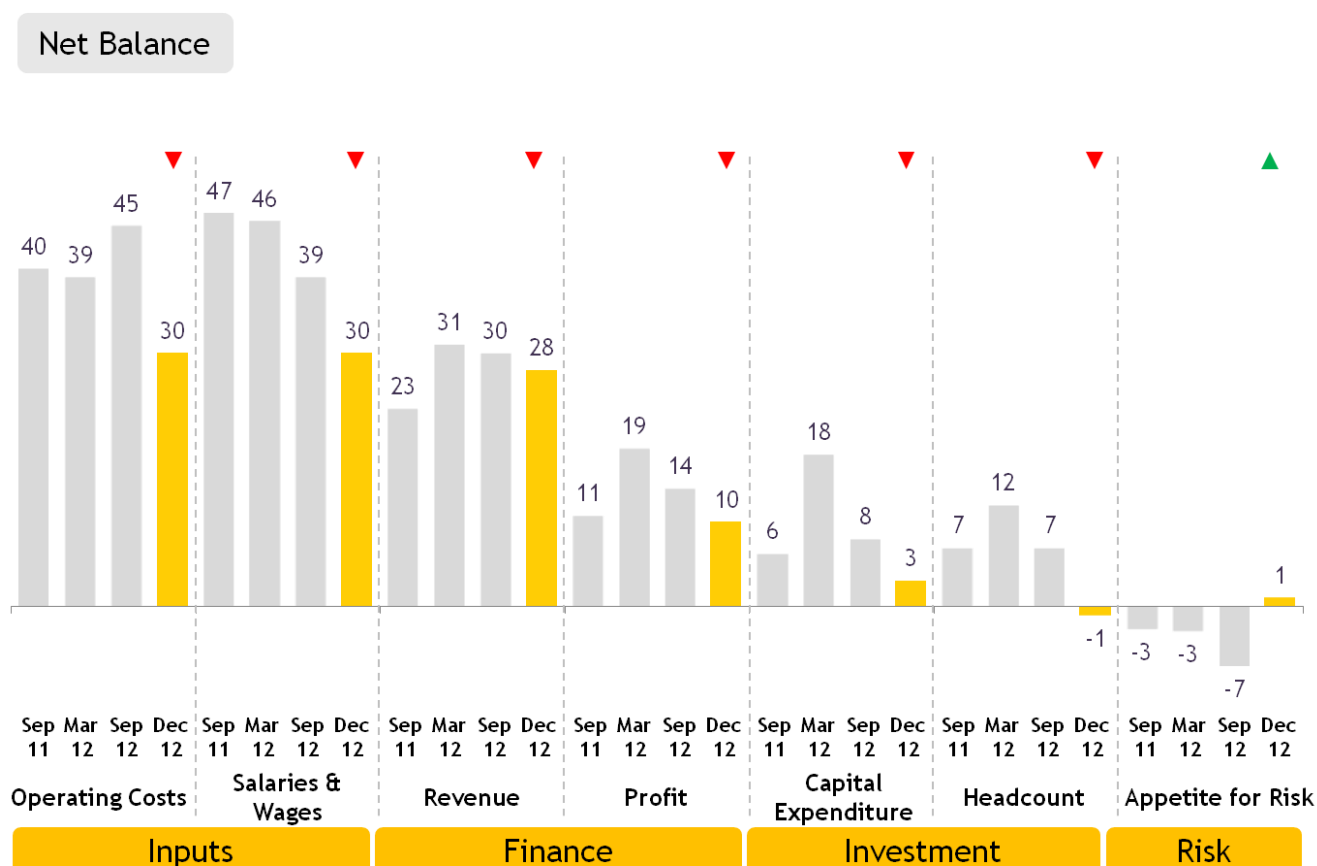
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Business conditions

Key findings

- Business conditions seem set to become more positive, with 31% of mid-market organisations saying they expect conditions to improve (up 4% since September 2012) and 48% saying they expect no change (up 1%). Only around one in five businesses expect conditions to decline.
- The improved outlook has been largely driven by an expectation that cost pressures will moderate, rather than a perception that sales rise. Only 48% of mid-market businesses now expect operating costs to increase over the next six months, down from 59% in September 2012. 18% now expect operating costs to fall, up from 14%.
- Similarly, the proportion of businesses expecting salaries and wages to increase has fallen from 51% in September 2012 to 42% in December.
- But while 48% of businesses expect sales to rise (down marginally from 50% in September), one in five expects sales to fall. And despite the prospect of lower costs, 31% of mid-market businesses also expect profits to fall.
- As a result, the proportion of businesses planning to increase capital expenditure or headcount has fallen to the lowest level since the survey began (30% and 26% respectively).

The outlook for the next six months



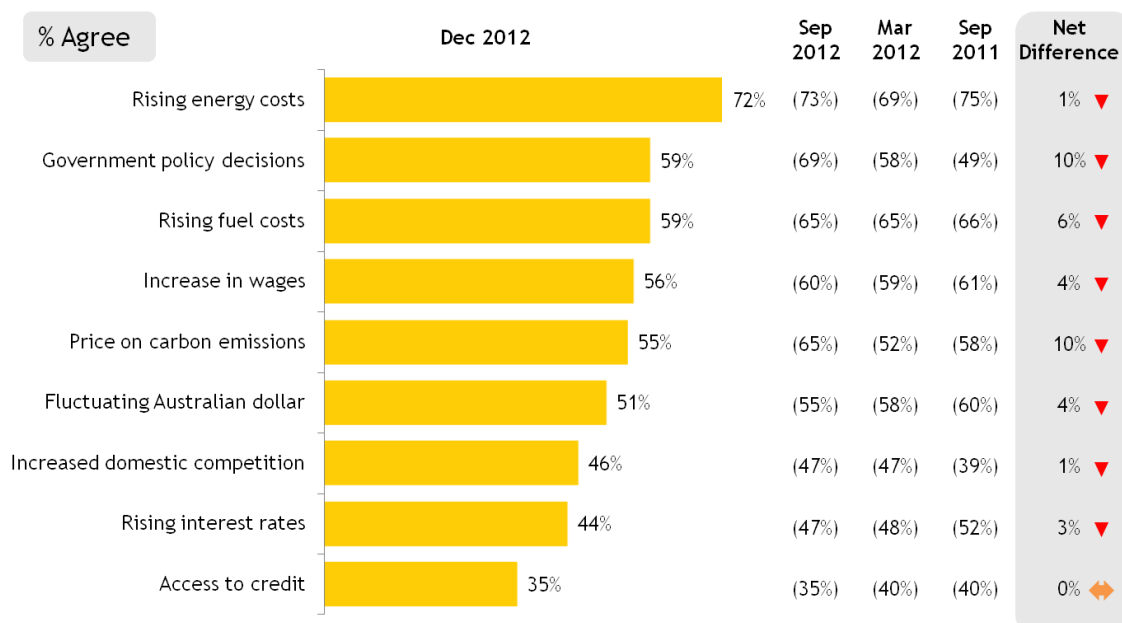
Base: All respondents (Dec 2012 n=438) (Sep 2012 n=436) (Mar 2012 n=437) (Sep 2011 n=427). Q6. Compared to previous 6 months, indicate if you expect an increase, decrease or no change in the following aspects over the next 6 months? SINGLE RESPONSE. Net balance is % increase minus % decrease
 ▲ Indicates value has increased since last wave ▼ Indicates value has decreased since last wave

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Domestic factors

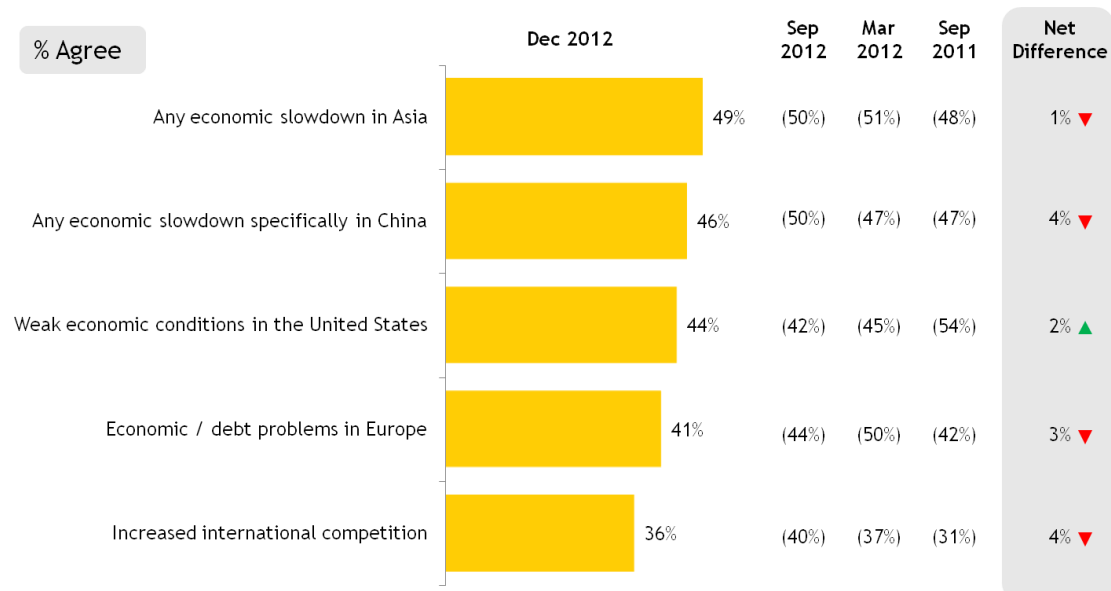
Rising energy costs still top the list of business concerns, although worries about the impact of government policy and carbon pricing have eased. While 51% of businesses believe currency fluctuations will have an impact over the next six months, mid-market organisations seem to have increasingly accepted a high Australian dollar as a fact of life.



Base: All respondents (Dec 2012 n=438) (Sep 2012 n=436) (Mar 2012 n=437) (Sep 2011 n=427)
 Q7. To what extent do you agree that the following factors will impact your organisation over the next 6 months?
 ▲ Indicates value has increased since last wave ▼ Indicates value has decreased since last wave ↔ No change since last wave

International factors

The risk of a slowdown in Chinese and Asian demand remains a key concern for many sectors, especially Mining, Wholesale Trade and Transport. Health & Education businesses are increasingly concerned about the impact of international competitors.



Base: All respondents (Dec 2012 n=438) (Sep 2012 n=436) (Mar 2012 n=437) (Sep 2011 n=427)
 Q7. To what extent do you agree that the following factors will impact your organisation over the next 6 months?
 ▲ Indicates value has increased since last wave ▼ Indicates value has decreased since last wave ↔ No change since last wave

Revenue and profit

Key findings

- While revenue expectations have remained largely steady over the last quarter, profit expectations have declined slightly, despite falling cost pressures.
- Most sectors have become less confident of future revenue and profit increases, with only Transport & Logistics and Information, Media & Telecommunications companies recording a significant jump in the proportion of businesses expecting revenue to rise.
- The Mining sector is the most pessimistic about future sales revenue, on the back of lower commodity prices. Twenty-eight per cent of mining companies forecast lower revenue over the next six months, up from 10% in September, while only 26% believe revenue will rise, down from 55%.
- The gap between larger and smaller organisations has narrowed, but not disappeared. Larger mid-market organisations with annual turnover between \$50m and \$99m recorded the most significant fall in the proportion of businesses expecting stronger sales, down 11 percentage points to 48%.

Revenue and profit outlook

	Revenue				Profit			
	Expect increase		Expect decrease		Expect increase		Expect decrease	
	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012	Sep 2012	Dec 2012
Overall	50%	48%	20%	20%	44%	41%	30%	31%
By sector								
Agriculture	39%	37%	10%	37%	48%	30%	21%	37%
Business Services	57%	54%	19%	15%	45%	44%	31%	23%
Construction	43%	47%	23%	28%	31%	28%	35%	48%↑
Finance and Insurance	63%	51%	29%	26%	62%	42%	31%	20%
Health and Education	56%	59%	12%	5%	42%	38%	26%	32%
Information, Media & Telecommunications	45%	67%	3%	7%	39%	56%	28%	24%
Manufacturing	53%	45%	27%	21%	45%	45%	36%	32%
Mining	55%	26%	10%	28%	57%	24%	10%	37%
Retail	45%	46%	24%	21%	42%	47%↑	32%	25%
Transport and Logistics	44%	63%	17%	6%	57%	61%	20%	14%
Wholesale Trade	46%	38%	26%	27%	40%	34%	33%	41%
By annual turnover								
\$10m–\$19m	45%	46%	22%	21%	41%	40%	32%	32%
\$20m–\$49m	54%	51%	18%	18%	48%	44%	28%	28%
\$50m–\$99m	59%	48%	21%	21%	47%	38%	30%	31%

Indicates value is significantly higher than other waves of the report.

Indicates value is significantly lower than other waves of the report.

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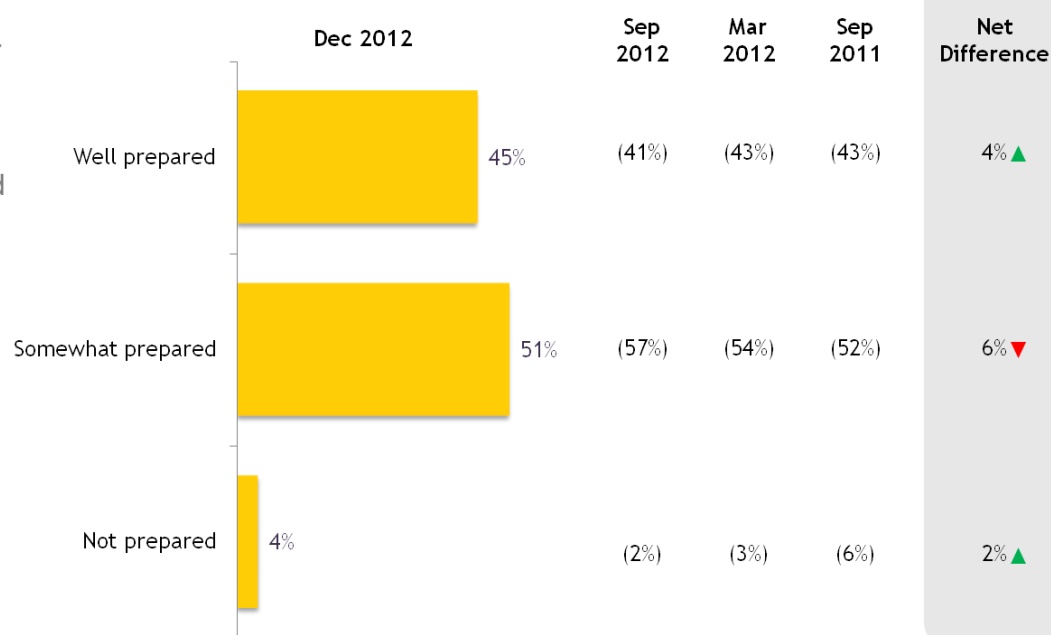
Risk

Key findings

- Mid-market organisations are better prepared than ever before for fluctuating business conditions, although there are significant variations between states and sectors.
- Transport, logistics and agricultural businesses are most confident about their level of preparedness, with 58% saying they are well prepared. Meanwhile 50% of retailers say they are well prepared for the future.
- Business in Western Australia, Victoria and Tasmania are most ready to face future volatility, with 48% rating themselves as well prepared, a significant increase since our September survey. Those in New South Wales and the ACT are least ready, with only 40% saying they are well prepared, a drop of 8%.
- 82% of businesses say their cost management is well controlled, while 79% say they have a well-defined business strategy. Seventy-three per cent say they are in a strong financial position, down 4% since September, and 70% have risk management plans in place — suggesting that the mid-market segment is in a strong position to face future volatility.

Preparedness for fluctuations in business conditions

45% of businesses say they are well prepared for further fluctuations in business conditions over the next six months — the highest level recorded so far.



Base: All respondents (Dec 2012 n=438) (Sep 2012 n=436) (Mar 2012 n=437) (Sep 2011 n=427)
 Q8. Overall, how well prepared is your organisation for any fluctuations in business conditions over the next 6 months? SINGLE RESPONSE
 ▲ Indicates value has increased since last wave ▼ Indicates value has decreased since last wave

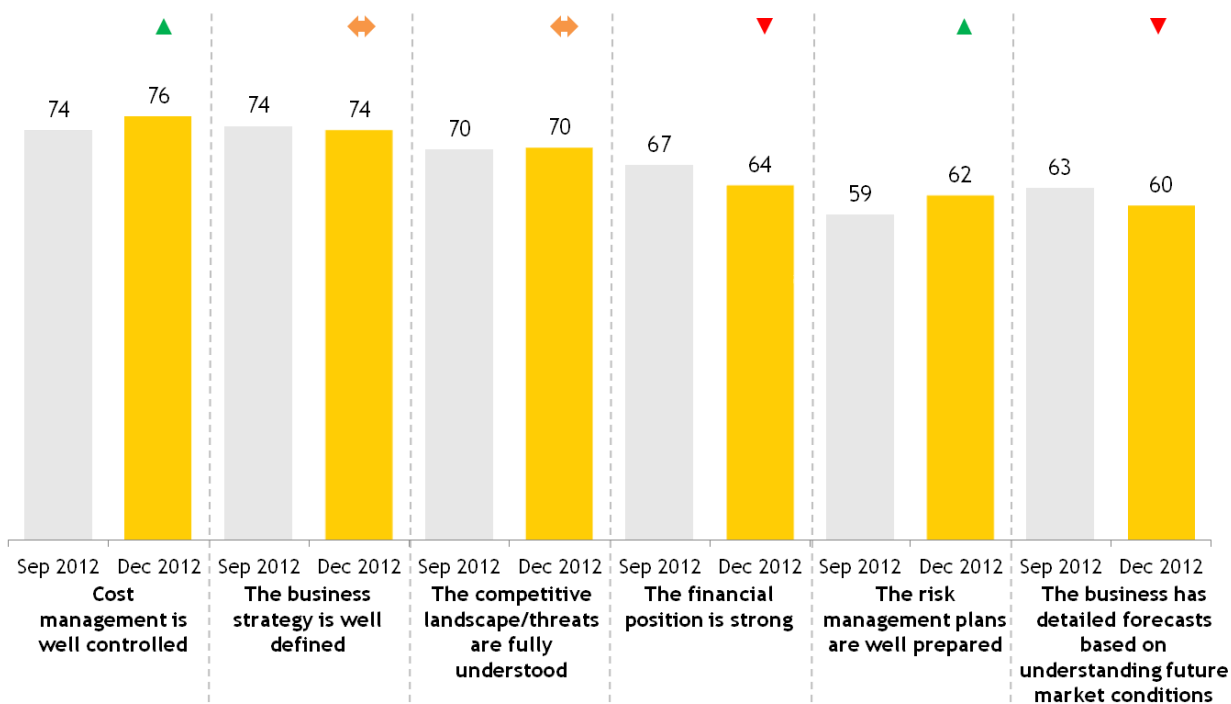
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Strategic planning and financial controls

Mid-market businesses continue to have well-defined business strategies and cost controls, although there has been a slight decline in the proportion of organisations who say they are in a strong financial position.

Net Balance



Base: All respondents (Dec 2012 n=438) (Sep 2012 n=436) Question not asked in wave 1 and 2. Q9. Thinking about your organisation over the next six months, can you please indicate the extent to which you agree or disagree with the following statements? PROMPT, SINGLE RESPONSE

Netbalance is % agree minus % disagree

▲ Indicates value has increased since last wave ▼ Indicates value has decreased since last wave ↔ No change since last wave

Future Business Index: Update

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Growth

Key findings

- Although risk appetite has recovered somewhat in the wake of rebounding business confidence, most businesses remain more focused on cost cutting than growth as a source of improved profitability.
- Asked whether they would concentrate on cost management or growth initiatives over the next six months, 57% of businesses said that they would focus on reining in costs.
- However, two sectors bucked the trend, with 61% of Transport & Logistics firms looking to expand, along with 57% of Information, Media & Telecommunications businesses.
- Larger businesses are more focused on cost management than smaller firms, with the \$10m–\$19m turnover segment most likely to seek growth opportunities.

Managing costs or seeking growth?

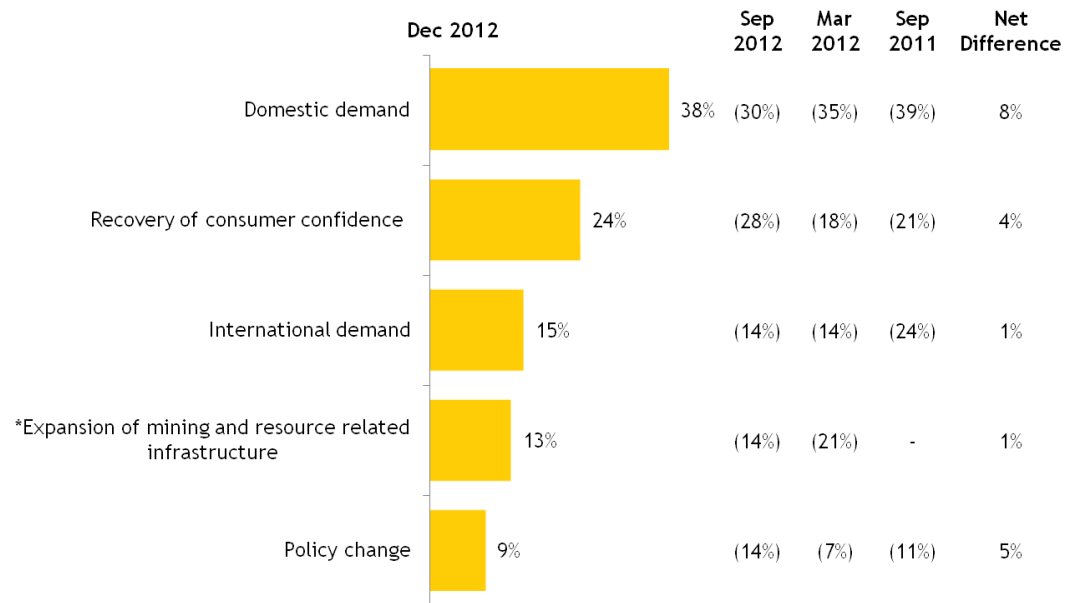
	Cost management				Growth initiatives			
	Sep 2012	Dec 2012	Difference	Movement	Sep 2012	Dec 2012	Difference	Movement
Overall	52%	57%	5%	▲	48%	43%	-5%	▼
By sector								
Agriculture	63%	63%	0%	↔	37%	37%	0%	↔
Business Services	46%	51%	5%	▲	54%	49%	-5%	▼
Construction	56%	65%	9%	▲	44%	35%	-9%	▼
Finance & Insurance	49%	53%	4%	▲	51%	47%	-4%	▼
Health & Education	59%	66%	7%	▲	41%	34%	-7%	▼
Information, Media & Telecommunications	46%	43%	-3%	▼	54%	57%	3%	▲
Manufacturing	51%	63%	12%	▲	49%	37%	-12%	▼
Mining	52%	70%	18%	▲	48%	30%	-18%	▼
Retail	52%	59%	7%	▲	48%	41%	-7%	▼
Transport & Logistics	59%	39%	-20%	▼	41%	61%	20%	▲
Wholesale Trade	43%	51%	8%	▲	57%	49%	-8%	▼
By annual turnover								
\$10m–\$19m	52%	56%	4%	▲	48%	44%	-4%	▼
\$20m–\$49m	52%	58%	6%	▲	48%	42%	-6%	▼
\$50m–\$99m	48%	62%	14%	▲	52%	38%	-14%	▼

Future Business Index: Update

December 2012

Drivers of growth over the next six months

Business are increasingly looking to domestic demand to drive new growth, although fewer expect a recovery in consumer confidence to generate sales



*Not prompted in Sep 2011

Base: Excludes those that see no growth over the next 6 months (Dec 2012 n=434) (Sep 2012 n=430) (Mar 2012 n=437) (Sep 2011 n=427)

Q10. What do you believe will be the single biggest driver of economic growth in the next 6 months? PROMPT SINGLE RESPONSE

▲ Indicates value has increased since last wave ▼ Indicates value has decreased since last wave ◆ No change since last wave

Future Business Index: Update

December 2012

Looking forward

While conditions remain challenging, mid-market organisations can look to the future from a position of strength.

The rate of change in the three months since our last report illustrates both the extent of the challenges still facing Australian businesses and the speed with which conditions can evolve.

Internationally exposed businesses are grappling with weak global markets, a high dollar and the prospect of rising energy costs. Meanwhile, locally focused businesses continue to look to a recovery in domestic demand to create new opportunities for growth.

The next six months will reveal whether that recovery is within sight, or whether they have longer to wait.

In the midst of this uncertainty, it is comforting to see that Australia's mid-market organisations can look to the future from a position of strength. Our survey suggests that the overwhelming majority have strong cost controls, well defined business strategies and strong balance sheets. Many have already been tested by the difficult economic conditions of the last few years, and have emerged stronger than before.

Much will depend on how the Australian and global economies perform over the next few months. We look forward to bringing you more insights in our next update, in April 2013.

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