

FUTURE BUSINESS INDEX

Edition 3:
October 2012 – March 2013



CommonwealthBank

Contents

Mid-market companies battling but not beaten	3
Economic perspective	5
Executive summary	6
A subdued outlook	6
Conditions have remained steady	7
Most businesses are prepared for further volatility.....	7
Businesses continue to consolidate	8
Sector outlook	9
Sector findings at a glance	9
State outlook.....	11
State findings at a glance	11
Outlook for business conditions by state	11
Business conditions	12
The outlook for the next six months.....	12
Domestic factors	13
International factors	13
Revenue and profit.....	14
Revenue and profit outlook.....	14
Growth.....	15
Drivers of growth over the next six months	15
Expansion activities	16
Drivers of merger and acquisition activity.....	16
Risk.....	17
Preparedness for fluctuations in business conditions	17
Strategic planning and financial controls	18
Use of finance.....	18
Looking forward	19

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Mid-market companies battling but not beaten

A tough economic environment has dented business sentiment but the mid-market remains optimistic in spite of challenging times.



While overall business sentiment has softened in Commonwealth Bank's latest Future Business Index, it is pleasing that the environment is still considerably better than 12 months ago. Furthermore, the picture is by no means uniform with some sectors experiencing substantial growth in confidence.

This *Index* comes out against the backdrop of a weak global economy. As Europe's debt crisis rumbles on and a potential slowdown in Asia raises concern for companies with a focus on the region, it is, perhaps, unsurprising that our *Index* is down on six months ago and the mid-market is less optimistic about business conditions going forward.

The Mining sector has continued to grow in confidence but looking ahead, the state of Western Australia has seen a significant drop in confidence due to concerns about next increased competition from overseas and fears about slowing demand from China.

The Retail sector has experienced significant improvement in business confidence which is being driven in part by a greater ability to deal with future volatility. As Retail is often a bellwether sector for the broader economy, this is particularly heartening. Other sectors, including, Transport & Logistics, Construction and Business Services are in more challenging times as profits have fallen and their appetite for risk slowed.

At a state level, the overall business outlook is subdued with Victoria and Tasmania showing a slightly improved outlook overall. New South Wales and the Australian Capital Territory remain the most confident, despite experiencing a slight decrease in confidence. South Australia and the Northern Territory are the most pessimistic for the next period.

Looking back over the last six months, business conditions have remained steady with over half of mid-market companies reporting increased revenues and just under half reporting higher profits. That said, one third of mid-market companies saw profits fall during the period.

Despite tough times, most of the companies we spoke to said they were prepared for dealing with further volatility in the marketplace. Majority of companies have well defined business strategies, strong cost controls and many are looking to invest in their businesses over the next six months.

This is the fighting spirit we've come to expect from Australia's mid-market. We hope this *Index* makes for thought provoking and insightful reading.

Symon Brewis-Weston
Executive General Manager
Corporate Financial Services

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

About the survey

The Commonwealth Bank *Future Business Index* is based on a detailed quantitative survey of 436 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.

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Economic perspective



Readings from the Commonwealth Bank's *Future Business Index* highlight some of the themes running through the Australian economy at present. An increase in caution is evident across mid-market businesses. The "patchwork" nature of the Australian economy is evident in the wide range of outcomes across industry segments and between states. Rising concerns about Chinese economic prospects are evident in those domestic sectors most exposed to the China story. And rising concerns about cost pressures are evident in worries about energy costs and associated government policy decisions.

The *Index* remains in positive territory despite a sharp decline between March and September. The decline reflects a more pessimistic assessment of business conditions, revenue expectations and perceived ability to deal with future volatility. The more optimistic sectors are Mining, Health & Education and, somewhat surprisingly, Retail. It appears that carbon tax compensation payments and lower interest rates have provided a boost to business conditions and revenue expectations in the retail sector. The indications that economic policy still works in Australia is an encouraging sign for domestic economic prospects in the uncertain global environment.

Sectors that recorded a significant deterioration over the past six months include Construction & Transport and Logistics. These sectors may be feeling some of the impact from the deflating resources boom. This same driver probably accounts for the mining states, such as Western Australia and Queensland, recording weaker *Index* readings in September than at the time of the previous survey in March. A similar theme is evident in expectations that the expansion of mining and resource-related infrastructure will be a less important driver of growth over the next six months. The expectation is that a recovery in consumer confidence and policy stimulus will take up the slack.

Michael Blythe
Chief Economist
Commonwealth Bank

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Executive summary

Business sentiment has weakened over the last six months, falling back from the highs recorded in March 2012. Despite this, mid-market organisations are still more optimistic than they were a year ago with one in two expecting revenues to increase.

A subdued outlook

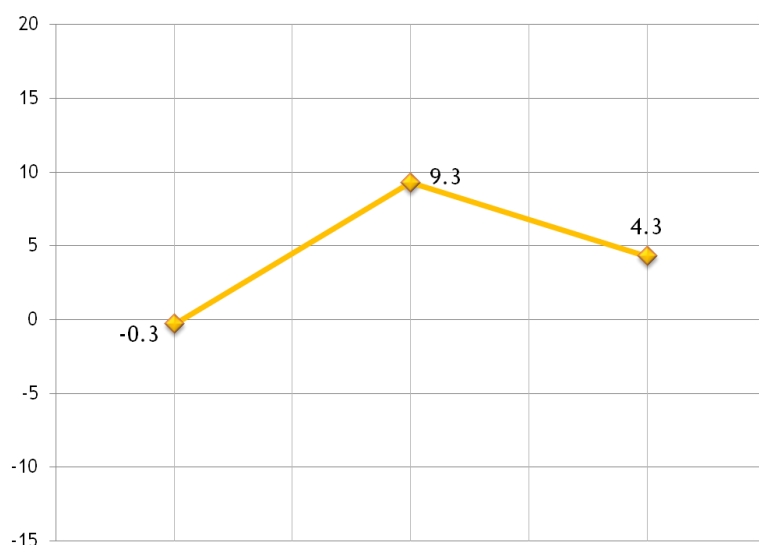
The third Commonwealth Bank *Future Business Index* reveals a subdued outlook for mid-market organisations over the next six months, with the overall *Index* declining 5 points from 9.3 to 4.3. Nonetheless, the fall was far from uniform, with mixed results across different states and sectors reflecting the complexities of Australia's multi-speed economy.

Looking across the country:

- Organisations from the Mining, Health, Education and Retail sectors are the most positive, while confidence in the Construction, Transport and Logistics sectors has fallen significantly.
- Retailers in particular have recorded an impressive turnaround, with the *Index* for the sector jumping 11.2 points, driven by improving business conditions and a greater preparedness to deal with future volatility.
- The Wholesale and Construction sectors are the most negative about future business conditions.
- Businesses in New South Wales and the ACT remain among the most optimistic in the country. But sentiment in Western Australia and South Australia has fallen back below the levels recorded 12 months ago.

While the *Future Business Index* has fallen, it still remains in positive territory

Overall Index



Net Difference

-5

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

In review: results across states and sectors remain mixed

March to September 2012

	Industry		Turnover		State	
	Industry	Index Difference	Turnover	Index Difference	State	Index Difference
Increased	Retail	11.2	\$50M - \$99M	11.2	VIC/TAS	2.2
	Mining	7.0				
Decreased	Manufacturing	-0.1	\$20M - \$49M	-3.2	QLD	-3.3
	Health & Education	-4.7	\$10M - \$19M	-7.6	NSW/ACT	-3.6
	Wholesale trade	-6.0			WA	-16.7
	Info Media & Telco	-6.1			SA/NT	-17.4
	Construction	-11.1				
	Business Services	-17.9				
	Transport & Logistics	-18.2				

Conditions have remained steady

Looking back over the last six months, business conditions for mid-market organisations have remained steady with 51% reporting increased revenues and 46% reporting higher profits. Companies in the Transport & Logistics, Finance & Insurance and Wholesale Trade sectors saw the largest revenue increases compared to their previous forecasts.

At the same time, an increasing number of organisations expect operating costs to rise over the next 6 months as surging energy costs continue to create financial pressure.

One third of mid-market organisations saw profits fall over the last six months. The Construction sector was hardest hit with more than one in two businesses experiencing a decrease.

Appetite for risk has fallen further and many organisations are less inclined to invest in more people or higher capital expenditure. This trend is far from uniform across states and sectors with Transport & Logistics companies, New South Wales and ACT businesses now most likely to increase expenditure. The Mining sector has become significantly less likely to undertake new capital investment with just 29% of mining companies saying they plan to increase expenditure, down from 45% in March 2012.

Most are prepared for further volatility

Most mid-market organisations say they are prepared for further fluctuations in business conditions, with a well-defined business strategy and strong cost controls.

Businesses in the Retail and Mining sectors are most likely to be well prepared. Those in the Business Services, Finance & Insurance and Transport & Logistic sectors are less certain. While the majority of businesses plan to continue at their current levels of finance, one in four intends to draw down on their cash reserves.

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Businesses continue to consolidate

Despite weakening confidence in business conditions, mid-market organisations say they will continue to invest in their current businesses over the next six months. 43% also say they will seek to expand in the domestic market.

This expansion is being driven in part by domestic demand and increasing consumer confidence will help to fuel economic growth. An increasing number of businesses see recovering consumer confidence as a significant factor in future growth.

Around one in four business are considering a merger or acquisition, with a significant number seeking an opportunity to snap up undervalued or distressed rivals.

Few mid-market business owners are looking to sell their businesses in the next 12 months. Those who aim to sell are likely to do so as part of a succession plan or in response to deteriorating business conditions.

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Sector outlook

Key findings

- Mining, Health & Education, and Retail are the most positive sectors.
- The Mining sector has continued to grow in confidence, with the sector's overall *Future Business Index* reading surging from 1.3 to 17.7 in one year.
- Interestingly, Retail has experienced the greatest improvement in business confidence over the last 6 months, reaching positive territory for the first time with a jump of 11.2 points to 10.2.
- Transport & Logistics, Manufacturing & Construction are the least confident sectors.
- Organisations with an annual turnover of \$20-\$50 million continue to be more confident than smaller organisations, inline with previous results.

Sector findings at a glance

	Net business conditions		Net revenue		Net preparedness		Future Business Index		
	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Change
Overall	1	10	30	31	-17	-14	4.3	9.3	-5
By sector									
Agriculture	-3	-	29	-	-12	-	4.5	-	-
Business Services	4	26	38	54	-35	-20	2.1	20	-17.9
Construction	-8	23	20	38	-14	-32	-0.8	10.3	-11.1
Finance & Insurance	10	-	34	-	-35	-	3.1	-	-
Health & Education	13	4	44	39	-15	-8	14	18.7	-4.7
Information, Media & Telecommunications	8	18	42	30	-24	-4	8.6	14.7	-6.1
Manufacturing	-5	2	26	7	-26	-13	-1.8	-1.7	-0.1
Mining	13	7	45	36	-6	-12	17.7	10.7	7
Retail	8	-9	21	17	1	-12	10.2	-1	11.2
Transport & Logistics	-6	19	27	42	-28	-14	-2.5	15.7	-18.2
Wholesale Trade	-14	0	20	23	-7	-8	-0.3	5.7	-6
By annual turnover									
\$10m-\$19m	-5	12	23	25	-20	-16	-0.6	7	-7.6
\$20m-\$49m	7	8	36	37	-17	-9	8.8	12	-3.2
\$50m-\$99m	10	15	38	42	-8	-22	13.3	11.3	2

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

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.

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

State outlook

Key findings

- Organisations in NSW and the ACT are now the most confident across the nation, with revenues and profits holding steady. Business confidence in NSW and the ACT has fallen slightly since March due to concern over expected rises in operating costs and increased concern over domestic competition.
- Victoria and Tasmania have also edged higher, with improved expectations for revenue and profit.
- Confidence in Western Australia has declined sharply due to heightened concerns over the impact of international competition and a potential economic slowdown in China. Previously the most optimistic state in Australia, Western Australia is now among the most pessimistic, although Western Australian and New South Wales businesses are among the most likely to increase capital expenditure in the six months ahead.
- Sentiment in Queensland has also soured with declining Asian demand of particular concern. As a result, Queensland businesses are now less likely to invest in capital expenditure or enlarged headcount.
- South Australia and the Northern Territory are now the most pessimistic states with most businesses expecting operating costs to rise as well as revenues and profits to fall.

State findings at a glance

	Net business conditions		Net revenue		Net preparedness		Future Business Index		
	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Change
NSW and ACT	2	16	32	41	-3	-15	10.4	14	-3.6
Queensland	-3	9	22	35	-12	-26	2.7	6	-3.3
SA and NT	-16	15	14	32	-28	-25	-10.1	7.3	-17.4
Victoria and Tasmania	9	4	39	17	-30	-9	6.2	4	2.2
WA	-4	15	22	37	-23	-8	-2	14.7	-16.7

Outlook for business conditions by state

Net balance	Operating costs		Salaries and wages		Profit		Capital expenditure	
	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012
Overall	45	39	39	45	14	19	8	18
NSW and ACT	44	31	39	42	19	28	11	12
Queensland	40	58	32	54	12	16	3	52
SA and NT	62	31	31	42	-6	13	-14	-7
Victoria and Tasmania	48	37	37	39	18	7	8	10
WA	43	48	56	71	8	29	21	49

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

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

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Business conditions

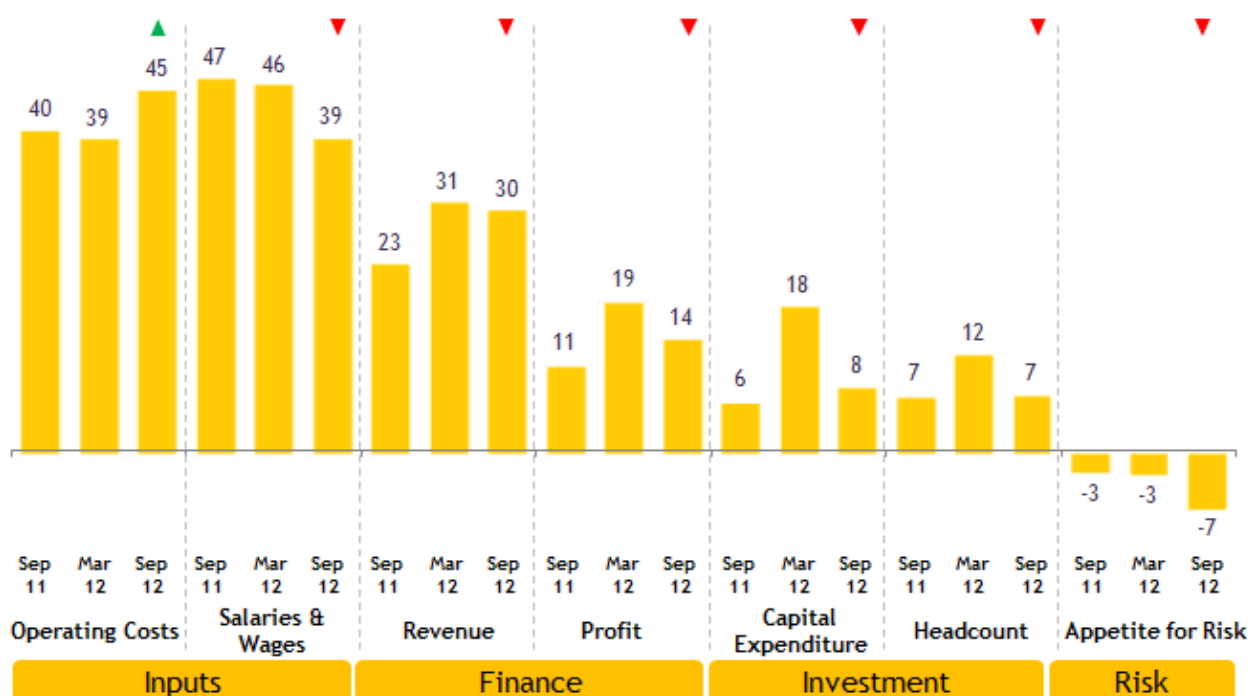
Key findings

- Mid-market organisations have reported weaker expectations for business conditions over the next six months with only 27% anticipating an improvement and 26% forecasting a decline.
- Nonetheless, 50% predict that their revenue will increase while 44% also anticipate a rise in profits.
- Majority of companies – 59% – across the country expect operating costs to rise significantly. Almost three-quarters say that rising energy costs will impact their businesses.
- Global economic weakness remains a concern for internationally exposed businesses with Asia now replacing Europe as a source of anxiety.

The outlook for the next six months

Concerns over rising operating costs have revived although salaries and wages appear well controlled. While revenue and profit expectations have remained largely steady, appetite for risk has declined to new lows.

Net Balance



Base: All respondents (Sep 2012 n=436) (Mar 2012 n=437) (Sep 2011 n=427). Q8. 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

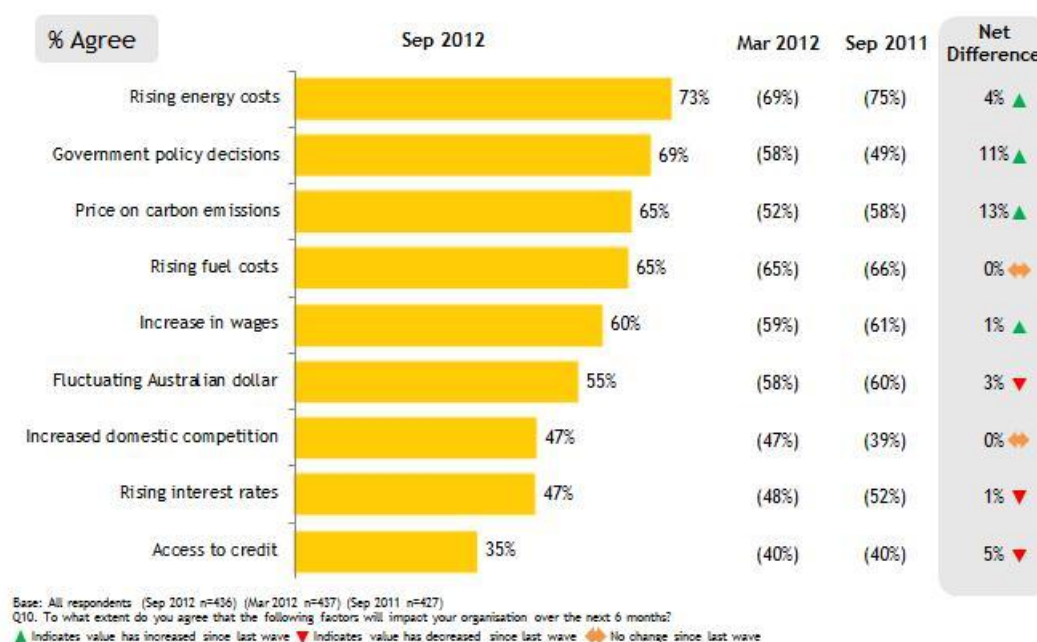
Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

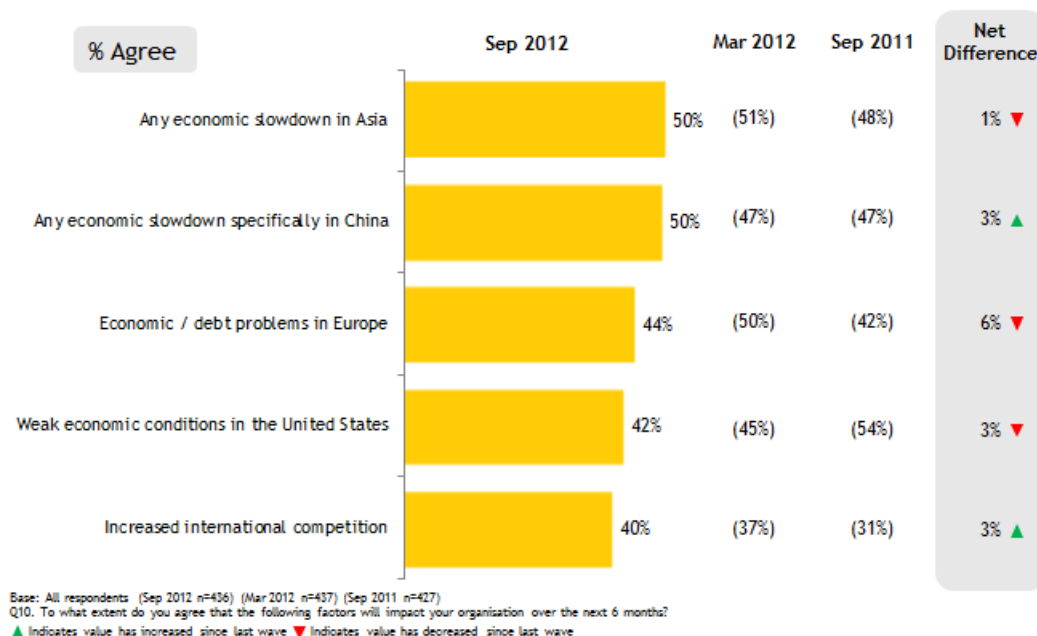
Domestic factors

Rising energy costs remain a key concern along with the impact of government decisions and carbon pricing. Access to credit has declined in importance reflecting business' reduced risk appetite.



International factors

The potential for an economic slowdown in Asia, particularly China, has eclipsed the European debt crisis as a source of concern, especially in the Mining and Manufacturing sectors.



Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Revenue and profit

Key findings

- Revenue and profit expectations have remained largely steady with 50% of businesses expecting revenues to rise and 44% anticipating higher profits over the next six months. The number of businesses forecasting a decline in profits has increased from 25% in March 2012 to 30% in September.
- Revenue growth expectations have fallen across a range of sectors, including Business Services, Information, Media & Telecommunications and Construction, with 13% fewer businesses expecting higher revenues in the six months ahead. Expectations among manufacturers has bounced back with more than half now forecasting a lift in sales.
- Larger organisations continue to be more optimistic than smaller organisations, with 59% of those in the \$50 million to \$99 million turnover range forecasting increased revenues compared to only 45% in the \$10 million to \$19 million range.

Revenue and profit outlook

	Revenue				Profit			
	Expect increase		Expect decrease		Expect increase		Expect decrease	
	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012
Overall	50%	49%	20%	18%	44%	44%	30%	25%
By sector								
Agriculture	39%	–	10%	–	48%	–	21%	–
Business Services	57%	63%	19%	9%	45%	59%	31%	23%
Construction	43%	56%	23%	18%	31%	49%	35%	30%
Finance and Insurance	63%	–	29%	–	62%	–	31%	–
Health and Education	56%	51%	12%	12%	42%	37%	26%	15%
Information, Media and Telecommunications	45%	55%	3%	25%	39%	62%	28%	28%
Manufacturing	53%	35%	27%	28%	45%	34%	36%	29%
Mining	55%	51%	10%	15%	57%	63%	10%	15%
Retail	45%	39%	24%	22%	42%	29%	32%	29%
Transport and Logistics	44%	54%	17%	12%	57%	39%	20%	22%
Wholesale Trade	46%	45%	26%	22%	40%	47%	33%	28%
By annual turnover								
\$10m–\$19m	45%	46%	22%	21%	41%	43%	32%	23%
\$20m–\$49m	54%	51%	18%	14%	48%h	45%	28%	27%
\$50m–\$99m	59%	56%	21%	14%	47%	46%	30%	28%

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

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

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Growth

Key findings

- More subdued revenue and profit forecasts have led to a decline in risk appetite, dampening growth activities. Only one in three businesses plan to increase capital expenditure over the next six months, down from 38% in March 2012, while 23% anticipate a reduction in headcount, up from 19%.
- There are still significant variations between sectors and regions, with Transport & Logistics companies and New South Wales as well as ACT businesses now most likely to increase expenditure. In contrast, the Mining sector has become significantly less likely to undertake new capital investments with just 29% of miners saying they plan to increase expenditure, down from 45% in March 2012.
- Transport and Logistics companies are among those most inclined to increase investment in their current business along with Health & Education businesses.
- Miners are by far the most likely businesses to undertake merger and acquisition activity, perhaps driven by the opportunity to acquire undervalued properties in an increasingly difficult trading environment.
- Only one in five businesses plans to expand overseas, reflecting both the challenges posed by a high Australian dollar and the comparatively subdued state of many overseas markets. In contrast, 43% intend to expand onshore.

Drivers of growth over the next six months

	Domestic demand		Recovery of consumer confidence		Expansion of mining and resource related infrastructure		International demand		Policy change	
	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012	Sep 2012	Mar 2012
Overall	30%	35%	28%	18%	14%	21%	14%	14%	14%	7%
Agriculture	32%	-	18%	-	19%	-	23%	-	8%	-
Business Services	25%	33%	21%	12%	15%	27%	16%	13%	21%	12%
Construction	24%	36%	43%	15%	10%	24%	10%	13%	13%	9%
Finance & Insurance	40%	-	25%	-	5%	-	27%	-	3%	-
Health & Education	37%	35%	22%	23%	4%	11%	18%	15%	16%	16%
Information, Media & Telecommunications	39%	31%	36%	32%	0%	15%	10%	9%	15%	9%
Manufacturing	36%	39%	25%	20%	19%	19%	8%	19%	11%	0%
Mining	4%	22%	0%	0%	51%	39%	31%	33%	13%	3%
Retail	31%	39%	34%	24%	9%	18%	8%	10%	17%	5%
Transport & Logistics	18%	27%	21%	15%	27%	24%	18%	20%	15%	3%
Wholesale Trade	31%	42%	43%	18%	10%	23%	9%	8%	8%	5%

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

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

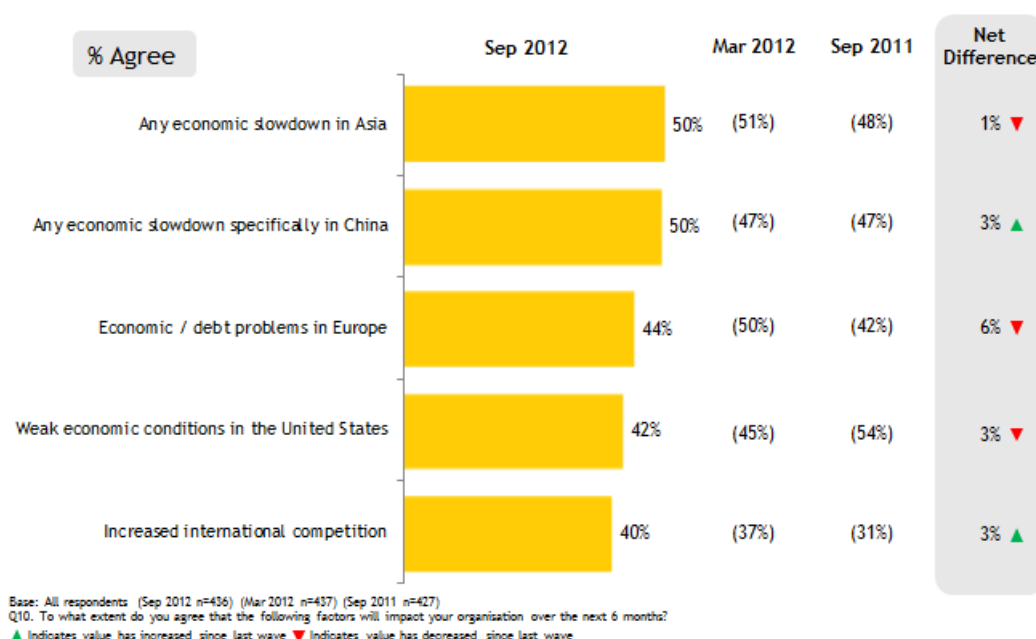
Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

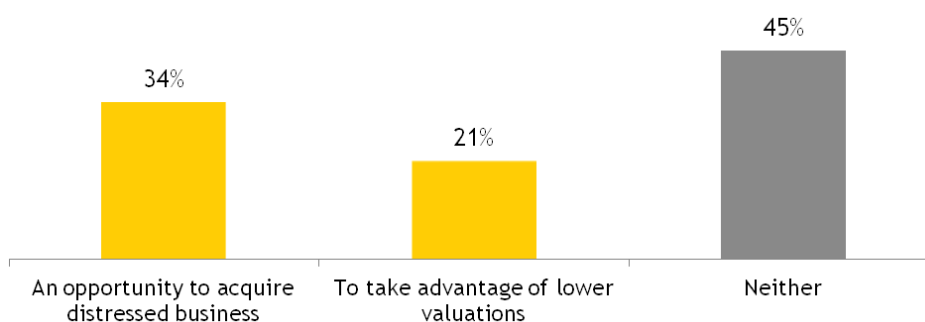
Expansion activities

Increased investment in the current business is overwhelmingly the preferred growth option for mid-market organisations although they have also become marginally more likely to seek an M&A or expand overseas.



Drivers of merger and acquisition activity

A challenging trading environment is helping to drive merger and acquisition activity with businesses seeking to snap up undervalued or distressed rivals.



Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

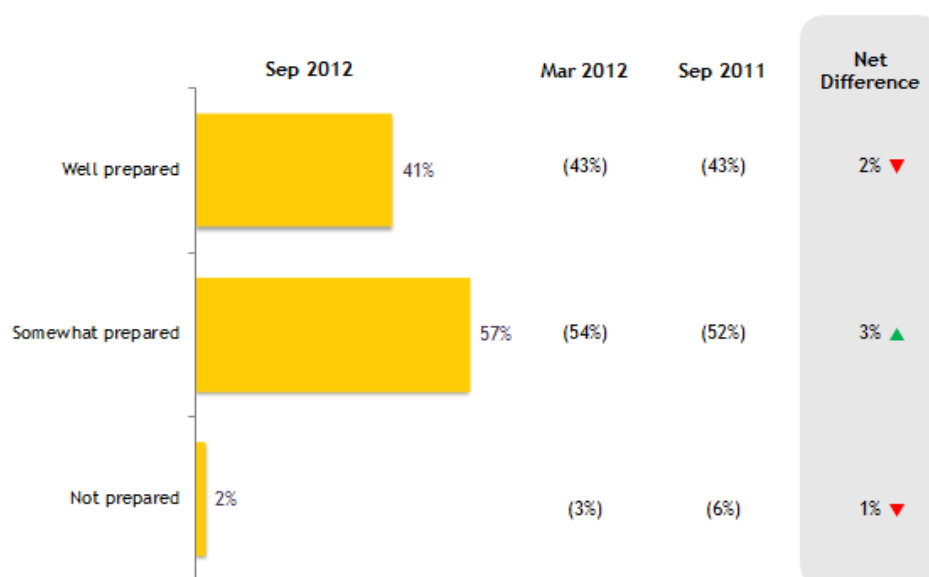
Risk

Key findings

- While most organisations say they are prepared for continuing fluctuations in business conditions, only 41% say they are 'well prepared', fewer than in March 2012.
- Nonetheless, 80% claim to have a well-defined business strategy and strong cost controls while 72% say they have well-prepared risk management plans, suggesting that mid-market organisations are generally well placed to cope with future volatility.
- Around one in three plan to use debt to fund new capital investments or business expansion with Finance and Insurance businesses by far the most likely to use debt funding (51%), followed by wholesalers (41%) and agribusinesses (40%).
- Similarly, 47% of Finance and Insurance companies say they will use borrowings for day-to-day cash flow, along with 34% of mining companies and 33% of construction businesses.
- One in four mid-market businesses plan to increase their use of Australian dollar hedging.

Preparedness for fluctuations in business conditions

41% of businesses say they are well prepared for further fluctuations in business conditions over the next six months — 2% fewer than in March 2012.



Base: All respondents (Sep 2012 n=436) (Mar 2012 n=437) (Sep 2011 n=427)
 Q11. 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

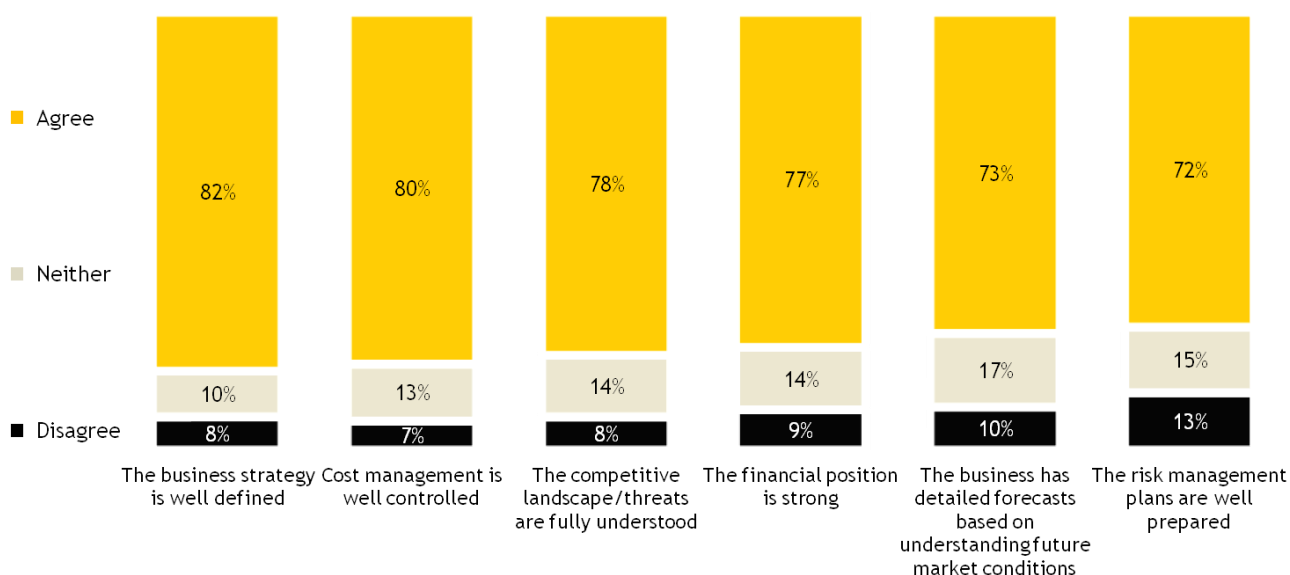
Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Strategic planning and financial controls

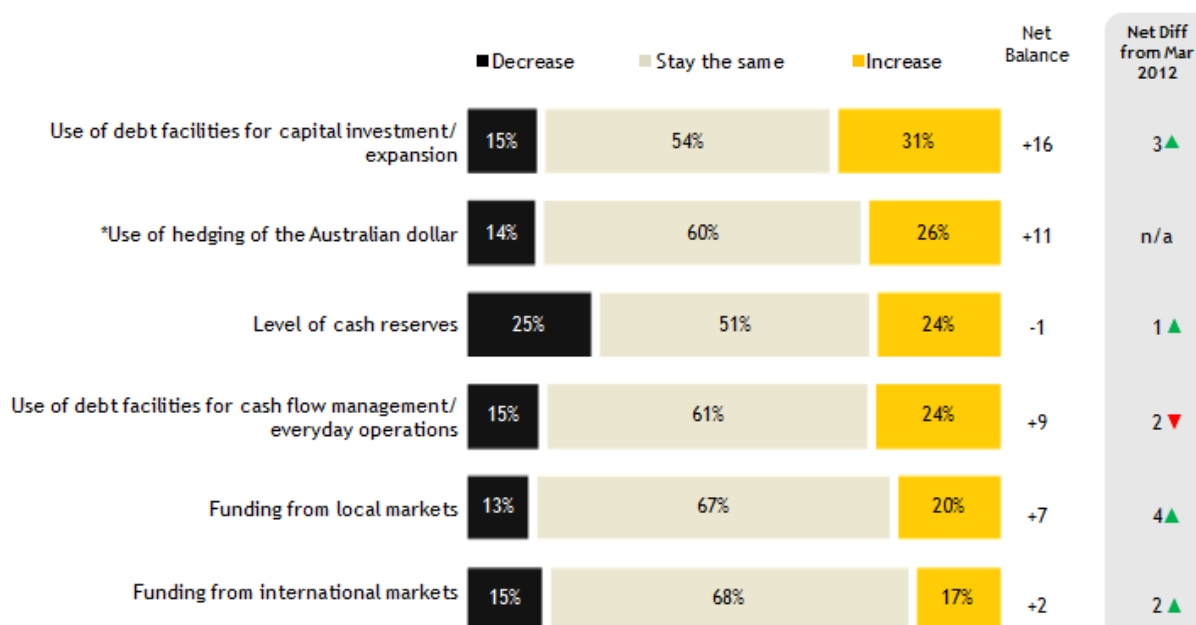
The vast majority of mid-market businesses say they have well-defined business strategies and cost controls, with a strong financial position underpinning their ability to weather future volatility.



Base: All respondents (Sep 2012 n=436) Question not asked in previous waves. Q12. 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

Use of finance

While mid-market businesses have become slightly more likely to use debt to fund capital investment, most intend to continue at their current levels of funding although one in four plan to decrease their cash reserves.



*Use of hedging of the Australian dollar was not asked in previous waves. Q13. Based on your assessment of business conditions over the next 6 months, do you expect the following to increase, decrease or stay the same? SINGLE RESPONSE. Note: Do not use is excluded. ▲ Indicates value has increased since last wave ▼ Indicates value has decreased since last wave | balance is % increase minus % decrease

Future Business Index: Edition 3

October 2012 – March 2013

17 October 2012

Looking forward

It is likely that the next six months will see mid-market companies testing their business planning and preparedness strategies as an uncertain business environment likely continues.

An overriding theme continues in this *Index*, is that predicting the future continues to remain difficult as we weather a highly volatile economic environment.

With many companies saying they aim to grow despite tough times, there is room for cautious optimism as we look to the months ahead. Over 40% of companies are looking to expand in the Australian market. This growth is being fuelled by domestic demand and increasing consumer confidence which is seen as a significant factor in future growth. On top of this, over half of the companies we spoke to expect to see revenue rise over the next six months, a really positive indicator given the poor macro environment.

Global weakness alongside a high dollar; continuing competition for skilled labour; rising energy, fuel and operational costs; and the uneven growth performance of different regions will remain key concerns for internationally exposed businesses.

We expect to see a relatively cautious approach to capital expenditure until the business environment becomes more stable. However, it's evident that Australia's mid-market companies are implementing preparedness strategies to plan for an uncertain future.

For further information, please contact:

Sarah Gibbons

Public Relations Advisor

Commonwealth Bank

P: 02 9118 1706 | M:0406 681 515

E: sarah.gibbons@cba.com.au

Important information: This report is published solely for information purposes. As this report has been prepared without considering your objectives, financial situation or needs, you should before acting on the information in this report, consider its appropriateness to your circumstances and if necessary seek the appropriate professional advice. The information in this report is based on a survey of 436 financial decision-makers and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to the accuracy, reliability or completeness of any statement made in this report. Commonwealth Bank of Australia ABN 48 123 123 124.