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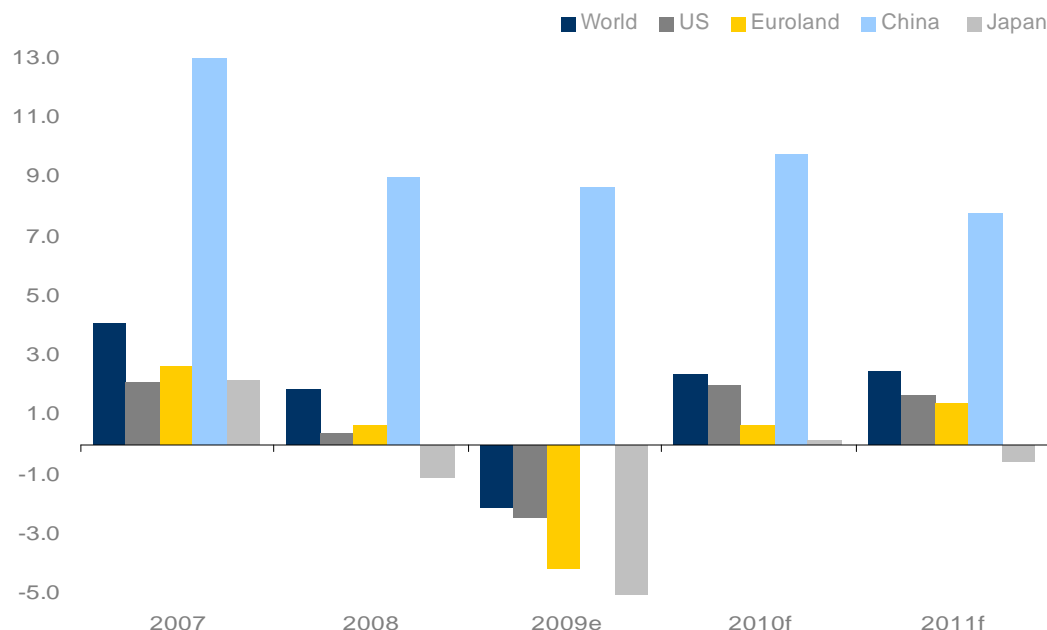
Sixteen countries downgraded since the start of 2010

Macroeconomic outlook shifts Australia's risk trend to "improving"

Sixteen countries around the globe have had their country ratings downgraded since the start of 2010, demonstrating that economic and commercial risk are still prevalent despite the global recovery. However, the continuing improvement in the local macroeconomic environment has resulted in Australia's risk trend being upgraded – the nation has also been rated one of the safest countries in which to invest globally.

Dun & Bradstreet's latest *Economic & Risk Outlook Report* reveals the global recovery now underway will continue throughout 2010 however, rates of recovery will be markedly different across regions and countries. Asian growth is likely to remain much faster than the United States and Europe as continued high levels of unemployment undermine consumer confidence despite demand being supported by continued fiscal and monetary measures in these markets. On the corporate side, considerable spare capacity in many developed economies could result in a reluctance to invest and take on more workers.

Regardless, conditions have improved markedly from early 2009. Global growth is expected to reach 2.4 percent in 2010, while the US (2.0 percent), Europe (0.7 percent) and Japan (0.2 percent) will lag behind China (9.8 percent).



GDP growth actuals and forecasts

The *Economic & Risk Outlook Report* also reveals the latest *Country Risk Indicator* rankings which assess the safety of investing in more than 131 countries globally. Australia is equal first at DB1d, (the fourth highest possible rating) a ranking which is on par with Canada, Norway and Switzerland. Positively for this group, economic conditions are expected to continue improving throughout 2010, particularly in Australia and Canada.



According to Damian Karmelich, Director of Corporate Affairs at Dun & Bradstreet, a continuation of improving economic conditions would bode well for Australia's reputation as one of the safest countries in which to invest.

"Australia has been classified as a low risk environment for business investment, demonstrating the strength of our nation's economy at a time when the recovery in many other developed nations remains sluggish," said Mr Karmelich.

"However to maintain strong trading relationships and attract foreign investment to our shores, we must at the very minimum, maintain our current rating.

"As the rest of the developed world recovers global competition will intensify. Therefore, we need to ensure our focus on reform, strong economic management and sound risk practices continue."

Key trading nations for Australia, including the United States, United Kingdom and China are currently rated DB2a, DB2b and DB3d respectively. These ratings are the 5th, 6th and 11th highest on the *County Risk Indicator*.

Japan has been downgraded to DB2c and its trend is categorised as deteriorating. More positively, Korea (South) is one of just five countries to have received a rating upgrade thus far this year – the country is now rated DB2d, the 8th highest possible ranking.

Dun & Bradstreet's *Economic & Risk Outlook Report* states that Australia avoided recession in 2009 and its outlook for 2010 is solid. With its economic cycle now more closely linked to Asia-Pacific economies than the OECD, Australia should continue to be buoyed by emerging market demand for commodities. However, a fall in prices is a potential risk. The remaining risk factor is inflation though Dun & Bradstreet's CPI inflation forecast for 2010 remains at 2.3 percent.

In line with this outlook Dun & Bradstreet has raised its previous forecast of 1.8 percent real GDP growth in 2010 to 3.3 percent, though growth is expected to fall back in 2011 to 2.4 percent.

"Dun & Bradstreet has upgraded its country risk trend to improving as the macroeconomic outlook steadily recovers. We have also upgraded the GDP growth forecast for 2010 from 1.8 percent to 3.3 percent," said Mr Karmelich.

"The critical factor now is how Australia's executives respond to this improving environment. We need to maintain our growth momentum in the quarters ahead if we are to continue to perform well as a nation.

Country rating downgrades 2010
Algeria
Argentina
Belgium
Chile
Colombia
Greece
Iran
Guatemala
Iceland
Japan
Kuwait
Netherlands
Nigeria
Spain
UAE (downgraded twice)
Yemen



“However, with reduced support from the Government's economic stimulus package and the impact of rising interest rates, the months ahead will continue to pose some challenges for consumers and firms.”

The outlook for key trading partners is mixed. Japanese based firms are expected to face significant pressures throughout 2010 as they continue to consolidate and struggle to maintain market share worldwide. These trends could flow through to result in payment delays to their suppliers. Meanwhile, the risk of the Chinese economy overheating has increased slightly since the start of 2010 although authorities are still averse to withdrawing fiscal stimulus measures. In addition, China's payment performance profile has deteriorated – the nation settled 32.8 percent of accounts at 30+ days past due in the December quarter 2009, an 11.4 percent increase year-on-year.

Country	GDP growth %	
	2010	2011
World	2.4	2.5
Australia	3.3	2.4
USA	2.0	1.7
UK	0.5	1.9
China	9.8	7.8
India	7.5	7.5
Japan	0.2	-0.5
Vietnam	5.5	6.0
New Zealand	1.8	2.2
Korea (Sth)	4.3	4.3
<i>Forecasts as at April 2010</i>		

While the payment performance of Korean based firms has improved and payment risks are expected to ease throughout 2010 as firms' profitability improves, certain sectors (shipbuilding, construction and real estate) remain weak and are therefore a significant payment risk. The performance of Indian based firms has also improved over the past 12 months, with just under 30 percent of accounts settled at 30 or more days over terms, yet payment performance could deteriorate throughout 2010 as price pressures and interest rates increase.

Recent economic indicators suggest the recovery in the United States remains relatively fragile. The continuation of restrictive credit conditions and ongoing difficulties in the financial sector will limit private consumption and new investment throughout 2010. In the United Kingdom domestic demand is expected to remain weak, which will have flow on affects for any Australian firms exporting to the region.

Media Notes

For further information please contact:
Danielle Woods
T: 02 8270 2926 / 0417 270 130
E: woodsd@dnb.com.au