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Embargoed 1:00am Tuesday 9 March 2010

D&B NATIONAL BUSINESS EXPECTATIONS

Sales and profit expectations on the rise

Capital investment and stock levels increase to support anticipated growth

The latest D&B National Business Expectations Survey shows…

Outlook for the June quarter 2010

- Sales expectations are up five points to an index of 33 – the highest in six years and profits expectations have risen again – up eight points to 18, the highest in five years
- Capital investment expectations have risen to the highest level in almost seven years – an index of 15
- Expectations for growth in inventories in the June quarter are at the highest level in more than five years
- Employment expectations are back in positive territory to an index of nine, rising nine points since the March quarter
- Selling price expectations have risen nine points from the March quarter index of nine – the lowest level ever recorded in the survey

Credit access, debt levels and lagging trade payments

- Twenty eight percent of firms had less access to credit in the last quarter and 19 percent had much greater or moderately better access
- Thirty six percent of firms expect to reduce debt in the next three months, while 19 percent expect to increase debt and 43 percent plan to maintain current levels of debt
- Forty percent of executives are being negatively impacted by lagging business to business payment terms, a five percent rise since January

Issues expected to influence operations in the June quarter 2010

- Thirty eight percent of executives rank interest rates as the primary influence on their business in June quarter 2010. Meanwhile, 37 percent expect wages growth to be the primary influence and only 11 percent believe fuel prices will be their main concern in the quarter ahead – a fall of 12 percent since January

Actual for December quarter 2009

- Capital investment is positive for a third consecutive quarter, increasing to an index of 11 – the highest in more than six years.
- Thirty three percent of firms increased sales as compared to the December quarter 2008, while 24 percent of firms experienced lower sales
- Twelve percent of businesses increased staff and 11 percent reduced employee numbers in December quarter 2009 compared with a year earlier
- The profits index remained in negative territory at an index of - 1. Twenty five percent of firms increased profits while twenty six percent of firms recorded lower profit numbers
- The selling price index rose by five points to sixteen – twenty six percent of firms raised selling prices, while ten percent decreased prices

The confidence levels of Australians executives are continuing their upward trend for 2010 with sales, profits and capital investment indices all improving. The capital investment and sales index have both reached their highest points in six years and the profits index its highest point in five years. These findings from the latest Dun & Bradstreet Business Expectations Survey for the June quarter indicate a dramatic turnaround in the expectations of Australian business as compared to the lows of June 2009.

The expected sales index rose five points to 33 exceeding the strong positive level of the two previous quarters. The sales index is now the highest level in six years and is up 81 points on the trough of the June quarter 2009. Forty five percent of firms expect an increase in sales and 12 percent a decrease in sales in June quarter 2010. Wholesale executives have the highest profits expectations with 49 percent expecting an increase and 10 percent a decrease. This follows on from positive sales figures from the Australian Bureau of Statistics (ABS) that indicated a 7.5 percent (seasonally adjusted) improvement in the sales of goods and services for the wholesale sector from December 08 to December 09 quarter.

In further good news Australian firms' outlook for profits expectations has also continued to improve – the index of 18 for June quarter 2010 is the highest level in five years. Twenty nine percent of Australian executives surveyed now anticipate profits will increase in the June quarter and only 11 percent expect a fall. Executives from the wholesale sector have the highest profits expectations with 33 percent expecting an increase and just 10 percent a decrease. Again this comes on the back of ABS figures showing a slight improvement of 2.2 percent (seasonally adjusted) in company gross operating surplus for the wholesale sector from the September to December quarter of 2009.

Capital investment expectations moved up eight points from the previous quarter reaching the highest level in more than six years, twenty five percentage points higher than the June quarter of 2009. Seventeen percent of firms surveyed expect to increase capital investment, while just two percent are planning to decrease spending in this area. Wholesalers have the highest of capital investment expectations (an index of 19) and retailers the lowest (an index of 10). The growth in capital investment expectations echo Australian executive's confidence in the sales and profit outlooks as firms would not invest in infrastructure if they did not believe that they could adequately fund that investment.

Actual capital investment in December quarter 2009 is the highest in more than six years and has now had three positive quarters after five negative quarters from March 2008 to March 2009. Fourteen percent of firms had more capital investment and three percent less capital investment than in the December quarter of 2008. According to ABS figures business investment rose 5.5 percent (seasonally adjusted) in the December quarter from the quarter prior. During the same period the increase in capital investment was identified by the survey with the capital investment expectations index growing from -8 to positive 8. Continued growth in these expectations is a positive sign for business investment in Australia.

Like capital investment, inventory levels expectations are also increasing. Inventory expectations for the June quarter 2010 are at the highest level in more than five years. Seventeen percent of executives expect to increase inventories, while nine percent plan to reduce stock levels. The expectations of non-durables manufacturers have reached the highest level in six years with a net 12 percent of firms expecting to increase stock levels in the June quarter. The positive indexes for the past three quarters are the highest expectations for growth in inventories in more than four years a sign that Australian executives believe that increased stock levels are needed to match growing sales expectations.

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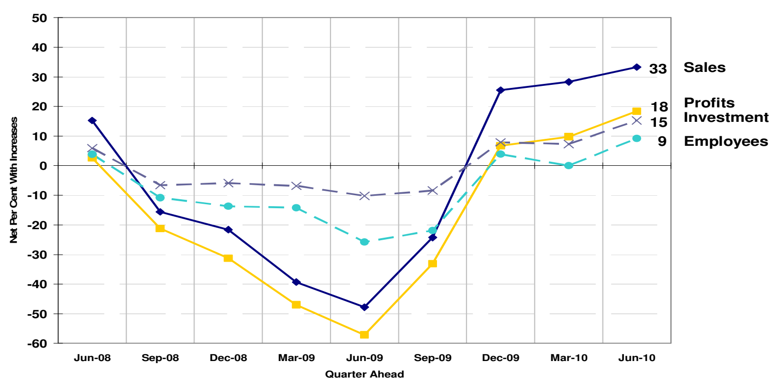
The interim index of the net proportion of firms with actual increases in inventory levels is three for the December 2009 quarter, up four points on the previous quarter. The increased contribution of stocks is seen as an important indicator of business confidence and represents a significant improvement since the low actual index of -11 for March quarter 2009. The retail sector has seen the greatest improvement returning to positive territory with an index of six, up 18 points from a low of -12 in March quarter 2009.

Expectations for selling prices have risen by nine percentage points to an index of 18, the first rise in five quarters. One in four (24 percent) firms expects to raise prices in the June quarter, while six percent expect to lower prices. This is a further indication that executives believe that the average Australian will be better off by the June quarter and therefore in a better position to pay slightly more for their goods and services. However, durables manufacturers have further reduced their selling prices expectations by a further two points to an index of 10 for June quarter 2010, their lowest prices expectations since June quarter 1999.

Employment expectations for June quarter 2010 are nine percentage points higher than the March quarter of 2010 reaching an index of 9. Fifteen percent of firms are planning to increase staff levels and six percent to reduce employee numbers. These figures are now a 35 percent improvement on the June quarter 2009 expected employment index figure of minus twenty six percentage points. All sectors now have positive expectations for growth in employment numbers. Retailers have the highest index of a net 13 with 18 percent expecting to increase employment and five percent expecting to decrease staff numbers.



D&B Expected Sales, Profits, Capital Investment and Employees Indices

According to Dun & Bradstreet's CEO Christine Christian, the expectation of improved sales and profits is an indication that Australian executives believe that the worst of the GFC is now firmly behind them.

"Not only are sales and profits levels improving from the lows of mid 2009, they are now reaching levels of confidence not seen since the middle of the decade," said Ms Christian.

"The return in confidence in the majority of key indicators such as sales, profits and employment and supporting indicators such as capital investment and inventory demonstrates a buoyancy not seem for some time."

"The critical factor now is how Australian executives respond to this environment. We need to meet these expectations to maintain the growth momentum of the December quarter if we are to continue to perform well. With reduced support from the Government's economic stimulus package combined with the impact of rising interest rates the months ahead may still hold some challenges."

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One in five (21 percent) executives report that they have significantly less access to credit in the last quarter and seven percent slightly less access. Only 19 percent report much greater or moderately better access to credit. Fifty one percent report no change in their access to credit in the last quarter. Retailers are in the worst situation with 40 percent having less access, 20 percent with better access and only 38 percent with no change in credit access.

Rising business-to-business payment days are still having a negative impact on four in ten (40 percent) firms, a rise of 5 percent in one month. Dun & Bradstreet's Trade Payment Analysis of the more than nine million current accounts receivable records contained on the D&B database - reveal that a deterioration in payment terms (2.1 days) in the December 2009 quarter has taken terms up to 53.9 days.

Thirty eight percent of firms surveyed rank interest rates as the major influence on their business and 37 percent consider wages growth to be their primary concern. Only 11 percent of executives believe fuel prices will be the primary influence on operations in the quarter ahead. This is a fall of 12 percent since last month and reflects the recent fall in petrol prices back towards the levels at the end of 2009.

With the rising improvement in profits expectations, 36 percent of executives plan to reduce their current business debt levels in the next three months, 18 percent reduce significantly and 18 per cent moderately. Nineteen percent expect to increase their business debt and 43 percent plan to maintain current debt levels.

According to Dr Duncan Ironmonger, Dun & Bradstreet's economic consultant, the latest D&B survey shows Australian business executives have very strong expectations for their firm's business performance in 2010. Some indicators are at their highest levels in more than five years.

"Expectations for growth in sales are the highest in six years. These are boosting profits expectations, so executives have raised their intentions to make strong increases in staff numbers, capital investment and inventories," said Dr Ironmonger.

"The latest national accounts for December quarter 2009 show a third consecutive quarter of much stronger trend growth in real GDP after three quarters of virtually no growth. However, part of the strong growth was due to government incentives for investment in vehicles and for first home owners. Although these ended on 31 December, other fiscal stimulus measures are still in place and below average interest rates still provide a monetary stimulus.

"Last week's Reserve Bank's decision to increase official interest rates was a positive vote on the forward prospects for the economy. The Bank indicated that the pace of decline in business credit was lessening and lenders are starting to become more willing to lend," Dr Ironmonger said.

The D&B index for expected sales is up five points to 33, with 45 percent of executives expecting an increase in sales and 12 percent expecting a decrease. The profits index is up eight points to 18, with 29 percent of executives expecting profits to rise and 11 percent expecting a fall.

Employment expectations are up nine points an index of 9, with 15 percent of executives expecting an increase in staff and 6 percent expecting a reduction. Capital investment expectations are up eight points to an index of 15, with 17 percent of executives expecting an increase and 2 percent expecting to cut spending. Inventories expectations are up three points to an index of 8. The selling prices index is up 9 points to an index of 18, with 24 percent of firms expecting to raise prices and 6 percent expecting to decrease them.

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About the survey

D&B Australasia conducted the latest Business Expectations Survey in February 2010. Each quarter 1,200 business owners and senior executives representing major industry sectors across Australia are asked if they expect increases, decreases or no changes in their upcoming quarterly Sales, Profits, Employment, Capital Investment, Inventories and Selling Prices. Since its introduction in Australia in 1988, the Survey has proven to be a highly reliable measure of economic performance.

NOTE: The index figures used in the Survey represent the net percentage of Survey respondents expecting higher sales, profits, etc., compared with the same quarter of the previous year. The indices are calculated by subtracting the percentage of respondents expecting decreases from the percentage expecting increases.

Copies of these results can be viewed and downloaded from the D&B website at: www.dnb.com.au

Methodology

Each quarter D&B asks a sample of executives in manufacturing, wholesale and retail businesses across Australia if they expect an increase, decrease or no change in their quarter-ahead sales, profits, employees, capital investment, inventories and selling prices compared with the same quarter a year ago.

The executives are also asked for actual changes over the twelve months to the latest completed quarter.

The Australian survey began in March 1988 obtaining some 900 responses in the third month of each quarter. Since the middle of 1999, the survey has been conducted monthly, initially with about 300 responses each month. From September 2000, responses have been obtained from 400 executives each month.

From July 2005, to simplify the interpretation of the survey data, the results have been presented as a sequence of preliminary, interim and final indexes. The 400 responses from the first month of each quarter give preliminary estimates of the quarter-ahead expectations and the quarter behind actual indexes. The 400 responses from the second month of the quarter are combined with those from the first month as interim estimates of the indexes based on 800 responses. The 400 responses from the third month are combined with those from the first two months to give the final expectations and actual indexes based on all 1,200 responses obtained during each quarter.

In this issue, the interim indexes for the latest quarters are based on the 800 responses obtained in January – February 2010.

Charts & Tables

Positive and Negative Component Responses. It is the common practice to present the results of business expectations surveys as indexes showing the net balance of the positive and negative responses. However, this method of aggregating responses loses relevant information about the relative proportions and rates of change of the two (positive and negative) groups.

Accordingly, the detailed charts at the top of pages 5 to 10 in the Dun & Bradstreet National Business Expectations Survey show separately the positive and negative components of each of the various indexes. These charts help provide a better insight into the expectations and performance of Australian business than that shown by movements in the simple aggregation of the positive and negative responses.

The aggregate net balance indexes are shown in the charts at the bottom of pages 5 to 10 and in the tables on pages 11 to 13.

About D&B

D&B is the world's leading provider of business-to-business credit, marketing and purchasing information and receivables management services. D&B manages the world's most valuable commercial database with information on more than 130 million companies.

Information is gathered in 209 countries, in 95 languages or dialects, covering 186 monetary currencies. The database is refreshed more than one million times daily as part of D&B's commitment to provide accurate, comprehensive information for its more than 150,000 customers.

The Australasian operations were bought out by the senior management group in August 2001. It was the first MBO of a wholly owned subsidiary in D&B's history worldwide.

Today Lazard Carnegie Wylie owns an approximate 90% stake in DBA and the local management team a 10% stake.

Strategies for future growth include developing DBA's commercial and consumer credit referencing business; expanding its receivables management outsourcing business; maintaining its lead in the development of unique credit and risk scoring products; and developing new products specifically tailored to the Australasian market. DBA currently employs over 500 people in Australia and New Zealand.