MEDIA RELEASE

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D&B NATIONAL BUSINESS EXPECTATIONS

Drag on Australia's growth coming to an end

Executives confident conditions will hold up as we head towards Christmas

The latest D&B National Business Expectations Survey shows…

Outlook for the December quarter 2009

- Expectations for growth in inventories have reached the highest level in five years – 20 percent of firms plan to increase stock while 12 percent expect to decrease inventories
- Selling price expectations have fallen to the lowest level in more than four years – 30 percent of firms expect to increase prices and 9 percent intend to cut prices
- Capital investment expectations are at the highest level in two years – 16 percent of firms expect an increase in this area and seven percent expect a decrease
- Sixteen percent of businesses are expecting to increase and 9 percent decrease staff
- Sales and profits expectations have risen significantly– 46 percent of respondents expect an increase in sales and 31 percent expect an increase in profits

Credit market conditions, debt levels and lagging trade payment days

- The negative impact of credit market conditions on firms has risen two percentage points in the last month – 45 percent reported a negative impact while 7 percent experienced a positive impact
- Forty six percent of executives are being negatively impacted by lagging business to business payment terms
- Thirty five percent of firms plan to reduce their debt levels and ten percent of firms are planning to increase current debt levels

Issues expected to influence operations in the December quarter 2009

- Thirty seven percent of executives rank wages growth as the primary influence on their business in December quarter 2009, while 33 percent expect interest rates to be their main concern and 15 percent believe fuel prices will have the most significant influence

Actual for June quarter 2009

- Forty percent of firms experienced lower sales as compared to the June quarter 2008, while 27 percent increased sales
- Thirty nine percent of firms recorded lower profits while 19 percent increased profits
- Thirty two percent of firms raised selling prices, while 15 percent decreased prices
- Twenty percent of firms had fewer staff and 12 percent had more staff in the June quarter of 2009
- Seventeen percent of firms spent more on capital investment (the highest in more than five years), while nine percent decreased expenditure in this area.

The drag on growth from the drawdown in inventories appears to be coming to an end, with Australian firms planning a significant re-stocking of inventories and expecting a boost in sales in the months ahead. However despite this promising outlook, the improvement comes off a low comparative base, with expectations measured against the December 2008 quarter, Australia's first quarter of negative economic growth in seventeen years.

These findings are from the latest D&B *Business Expectations Survey*, which shows that inventory expectations are at the highest level in five years. Twenty percent of executives expect to increase inventories in the December 2009 quarter, while 12 percent plan to decrease stock levels. This demonstrates that firms now have sufficient confidence in the economy to re-stock inventory levels following the cutbacks that were implemented over the past year. In particular, expectations in the retail sector have risen to the highest level in six years, with 28 percent of firms expecting to increase stock levels.

Firms' intentions to increase inventory levels are also reflected in sales expectations for the December quarter. The sales index has risen 51 percentage points since the previous quarter, the largest one-quarter rise in the history of the survey. Further highlighting the significance of the turn around forty six percent of firms expect an increase in sales in the December 2009 quarter, while 19 percent expect a decrease. This comes on the back of June quarter actual results where 46 percent of firms experienced lower sales. The expectations of non-durables manufacturers (e.g. food and beverage production) have improved more than others, with the index increasing by 56 points as compared to the previous quarter. However the retail sector also rose significantly, with a 53 percentage point increase. This reflects an improvement in the volume of retail sales which rose two percent in trend terms (1.3 percent in seasonally adjusted terms) in the June quarter (ABS statistics).

Expectations for selling prices have fallen by 54 percent since the March quarter 2009. Three in ten (30 percent) firms expect to raise prices in the December quarter, while nine percent expect to lower prices. Retail executives have experienced the most significant drop in expectations for increased prices, falling 57 percentage points since the March 2009 to nineteen percentage points. In current prices, retail sales fell 1.4 percent (seasonally adjusted) in the month of June however the volume of sales rose by 1.31% in the June quarter, demonstrating that the retail sector has used discounting to improve sales volumes. Although the retail sector is now re-stocking it may be forced to continue discounting in the months ahead as the impact of the government stimulus wanes. In addition, if interest rate rises occur before year's end, household spending will likely fall, increasing pressure on retailers to continue their discounting strategy in order to maintain sales volumes.

Capital investment expectations have improved strongly with 16 percent of firms expecting to increase investment and seven percent planning to decrease spending in this area. These figures come on the back of recent Australian Bureau of Statistic's (ABS) data which revealed that private gross fixed capital expenditure rose 1.9 percent in volume in the June quarter (seasonally adjusted). In addition, the actual capital investment index for the June quarter revealed that seventeen percent of firms increased capital investment – this was the first time in six quarters that the index showed growth. Retailers' expectations for capital investment growth have risen markedly, up nineteen percentage points since the previous quarter. However these intentions may come under pressure if retailers are forced to continue discounting in the coming months.

Signs of improvement in employment are evident, with the actual employment index for the June quarter 2009 revealing that twelve percent of firms increased employee numbers as compared to the previous year. This improvement in employment conditions is reflected in expectations for the December quarter, with sixteen percent of firms expecting to increase staff. Nine percent of firms expect to reduce employee numbers in the December quarter.

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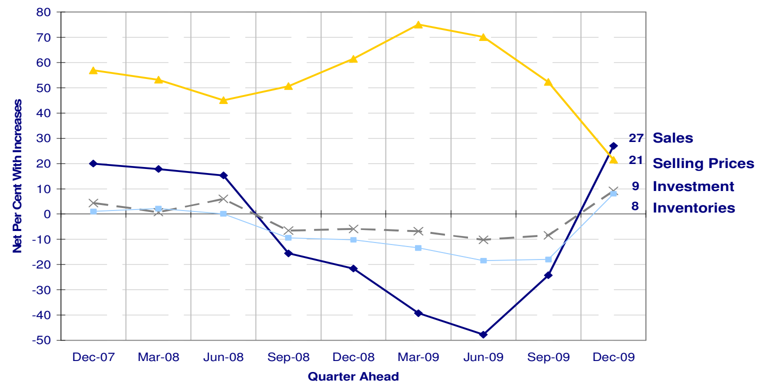

D&B Expected Sales, Selling Prices, Capital Investment and Inventories Indexes

The profits index made a strong advance, with thirty one percent of executives now anticipating that profits will increase in the December quarter, while 20 percent expect profits to decrease. The wholesale sector has the highest profit expectations, with 34 percent of executives in this sector expecting a rise and 17 percent expecting a fall in profits. The retail sector profit expectations also improved to a net eleven percent up 41 percentage points since the September quarter.

According to Dun & Bradstreet's CEO Christine Christian, the positive results from the *Business Expectations Survey* are an indication that executives have enough confidence in Australia's recovery to believe that conditions will hold up as we head towards Christmas, a traditional boom time for many sectors.

"We have seen a substantial improvement in executive expectations in recent months with key indexes such as inventories, capital investment, sales and profits all entering positive territory for the first time since September 2008 quarter. However it is important we remember that we are coming off a comparatively low base as firms are measuring their expectations against the December quarter of 2008 when Australia experienced negative growth.

"Although Australia appears to be one of the only OECD countries to survive the crisis with only one quarter of economic contraction there are still some uncertainties about the speed with which Australia will return will return to sustained and significant growth.

"For business this presents new challenges. Successfully responding to those challenges requires a strategy similar to that which was critical for survival during the downturn. That strategy is an unwavering focus on the fundamentals of risk and cash flow management."

Credit market conditions continue to have a negative impact on Australian business. Forty five percent of firms indicated that credit market conditions are detrimentally impacting their business (an increase of two percent in one month), while seven percent report a positive impact (down 9 percent in a month).

Rising business-to-business payment days have also had a negative impact on almost five in ten (46 percent) firms. With payment terms still well above average 30 day terms (at 54.8 days), firms will continue to face cash flow pressures which will in turn inhibit the potential for growth.

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Thirty five percent of firms plan to reduce their debt levels in the December quarter while ten percent plan to increase debt. If the economy rebounds more sharply than expected and is followed up by a period of economic sluggishness, the increased ratio of debt could cause problems for some firms. If the pullback is particularly sharp, a new round of bad debts could emerge if credit terms are not tightly managed during the growth period.

Thirty seven percent of executives expect wages growth to be the primary influence on operations in the quarter ahead, a rise of 16 per cent since June and the highest level recorded since April 2007. Thirty three percent of firms rank interest rates as a major influence on their business, a 25 percent fall since February 2009. However this figure may increase if interest rates rise in the final quarter of 2009. Meanwhile, 15 percent of firms consider petrol costs to be their primary business influence, a 15 percent fall since June 2009.

Despite this fall, the recent rise in fuel prices has resulted in a 26 percent increase in the past month in the number of executives reporting negative affects on their business from fuel costs. Fifty three percent of firms now report a negative impact. Durables manufacturers have seen the greatest impact with fifty nine percent now reporting a negative impact up from only 24 percent one month earlier.

According to Dr Duncan Ironmonger, Dun & Bradstreet's economic consultant, last week's national accounts give a mixed view of Australia's economic performance in the June quarter.

"Both consumer spending and business capital equipment investment were strong due to the cash stimulus and the extra depreciation allowances. However, the volumes of production by manufacturing, mining, construction, transport, wholesale and property and business services industries were still well below the June quarter 2008," said Dr Ironmonger.

"Although interest rates remained unchanged last week it now seems likely the Reserve Bank will increase rates from the historically low cash rate of 3 percent as soon as there are clear signs that growth is sustained or that inflation begins to rise".

"The D&B survey indicates that executives are expecting large rises in sales, profits, employment, inventories and capital expenditure in the December quarter 2009. These expectations combine with the lowest anticipation for selling price rises in more than four years. If this occurs the RBA will have a difficult task deciding when to make the next move," said Dr Ironmonger.

The D&B index for expected sales is up 51 points to 27, with 46 percent of executives expecting an increase in sales and 19 percent expecting a decrease. The profits index is up 44 points to 11, with 31 percent of executives expecting profits to rise and 20 percent expecting a fall.

Employment expectations are up 29 points an index of 7, with 16 percent of executives expecting an increase in staff and 9 percent expecting a reduction. Capital investment expectations are up 17 points to an index of 9, with 16 percent of executives expecting an increase and 7 percent expecting to cut spending. Inventories expectations are up 26 points to an index of 8. The selling prices index is down 31 points to an index of 21, with 30 percent of firms expecting to raise prices and 9 percent expecting to decrease them.

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About the survey

D&B Australasia conducted the latest Business Expectations Survey in August 2009. 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 801 responses obtained in July - August 2009.

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.