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D&B NATIONAL BUSINESS EXPECTATIONS

Executives expecting strong finish to financial year

Strong employment and selling price expectations point to capacity constraints

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 level in six years and profits expectations have risen again – up seven points to 17, the highest level in five years
- Capital investment expectations have risen to the highest level in almost seven years – an index of 16
- Expectations for growth in inventories in the June quarter are at the highest level in more than five years
- Selling price expectations have risen ten points from the March quarter index of nine – the lowest level ever recorded in the survey
- Employment expectations are back in positive territory to an index of nine, rising nine points since the March quarter

Credit access, debt levels and lagging trade payments

- Twenty seven percent of firms had less access to credit in the last quarter and 18 percent had much greater or moderately better access
- Twenty six percent of firms expect to reduce debt in the next three months, while 17 percent expect to increase debt and 50 percent plan to maintain current levels
- Forty three percent of executives are being negatively impacted by lagging business to business payment terms, an eight percent rise since January

Issues expected to influence operations in the June quarter 2010

- Thirty nine percent of executives rank wages growth as the primary influence on their business in June quarter 2010. Meanwhile, 31 percent expect interest rates to be the primary influence – a fall of seven percent since February. Seventeen percent believe fuel prices will be their main concern in the quarter ahead – a rise of six percent since February

Actual for December quarter 2009

- Capital investment is positive for a third consecutive quarter, increasing to an index of 12 – the highest in more than six years.
- Thirty four percent of firms increased sales as compared to the December quarter 2008, while 25 percent of firms experienced lower sales
- Eleven percent of businesses increased staff and ten percent reduced employee numbers in December quarter 2009 compared with a year earlier
- The profits index is no longer in negative territory at an index of zero. Twenty six percent of firms increased profits and twenty six percent of firms recorded lower profit numbers
- The selling price index rose by four points to fifteen – twenty six percent of firms raised selling prices, while 11 percent decreased prices

Australian executives are looking to finish the financial year strongly however strong expectations for employment growth and increased selling prices and concerns about wage increases point to capacity constraints in the economy. These are the findings from the latest Dun & Bradstreet *Business Expectations Survey* which examines business expectations for the June 2010 quarter.

The profits index is now at its highest level in five years and is 74 points higher than the trough in of the June quarter 2009. Almost one third of respondents (29 percent) expect their profits levels to increase in the June quarter. This comes on top of a number of improving profit forecasts in the first quarter from major retail firms such as Myer and David Jones. The retail sector however lost its top spot as the sector with the highest profit expectations with executives from the wholesale sector reaching an index of 23 for the quarter (32 percent expect an increase and 9 percent a decrease.)

The expected sales index rose five points to 33 exceeding the strong positive level of the two previous quarters. The sales index is now at 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 the June quarter 2010. Wholesale executives have the highest sales expectations with 50 percent expecting an increase and 9 percent a decrease. The wholesale sector enjoyed strong increases in both sales and profit expectations in the last quarter (thirteen and fourteen percentage points respectively). This reflects a continuation of the actual growth in sales and profits for the wholesale sector that occurred from September 2009 to December 2009 quarter - an increase of 20 points for sales and 27 for profits.

In response to these strong sales expectations inventory levels expectations are also increasing. Inventory level expectations for the June quarter 2010 are at the highest point in more than five years. Eighteen 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 more than seven years with a net 15 percent of firms expecting to increase stock levels in the June quarter.

The final 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 an important indicator of business confidence and represents a significant improvement since the low actual index of -11 for March quarter 2009.

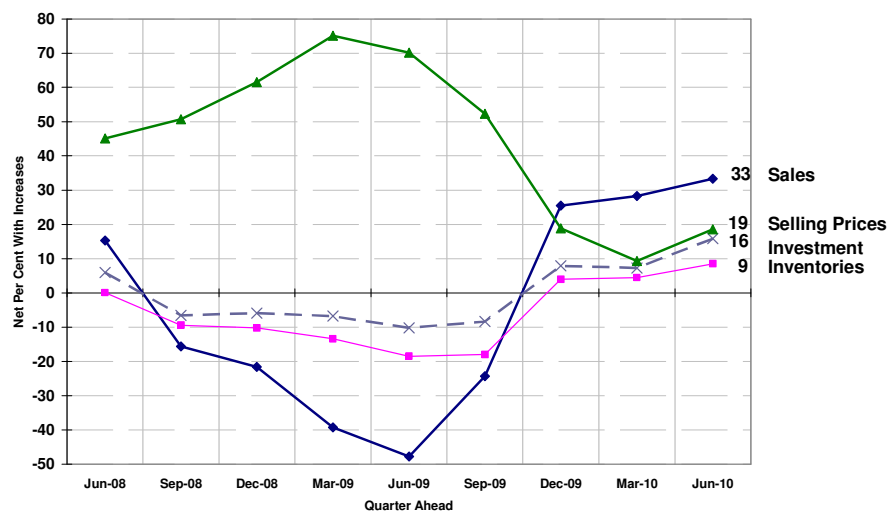
Capital investment expectations moved up nine points from the previous quarter reaching the highest level in more than six years, twenty six percentage points higher than the June quarter of 2009. Eighteen percent of firms surveyed expect to increase capital investment, while just two percent are planning to decrease spending in this area. Non-durables manufacturers have the highest of capital investment expectations (an index of 21) and retailers the lowest (an index of 9).

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. Sixteen percent of firms had more capital investment and four percent less capital investment than in the December quarter of 2008. The December 2009 quarter was the first quarter in exactly two years that all sectors had actual capital investment levels in positive territory.

Employment expectations for the June quarter 2010 are nine percentage points higher than the March quarter of 2010 reaching an index of 9. Fourteen percent of firms are planning to increase staff levels and five percent to reduce employee numbers.

These figures are a 35 percent improvement on the June quarter 2009 expected employment index of minus twenty six percentage points. All sectors now have positive expectations for growth in employment numbers, only the second time this has occurred since the June 2008 quarter. Retailers have the highest index of a net 10 with 14 percent expecting to increase employment and four percent expecting to decrease staff numbers.

While these results are positive for the Australian economy they do signal an increase in competition for labour and raw materials pointing to potential capacity constraints in the economy. In response, expectations for selling prices have risen by ten percentage points to an index of 19, the first rise in five quarters. This is a clear sign that executives are expecting to recoup some of their increased costs through increased prices signalling the return of inflationary pressures in the economy. One in four (26 percent) firms expects to raise prices in the June quarter, while seven percent expect to lower prices.



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

According to Dun & Bradstreet’s CEO Christine Christian, the improved expectations across all indices indicate that Australian executives believe that the 2010 financial year will be far more promising than the fiscal year that preceded it.

“There had clearly been a great deal of caution shown by Australian executives in the second half of last year, largely due to the wind down of the Government stimulus package,” said Ms Christian. “However much of this caution seems to have dissipated over the past quarter.”

“The return in confidence in the majority of key indices such as sales, profits and employment and an improvement in long term indicators such as capital investment and inventory demonstrates that businesses believe that this improvement will not just be short term. However, executives and policy makers must be alert to the signals on capacity constraints.”

One in five (19 percent) executives report that they have had significantly less access to credit in the last quarter and eight percent slightly less access. Only 18 percent report much greater or moderately better access to credit. Fifty percent report no change in their access to credit in the last quarter. Contrasting their high profit and sales expectations wholesalers are in the worst situation with 44 percent having less access, 18 percent with better access and 28 percent with no change in credit access.



MEDIA RELEASE

Decide with Confidence

Rising business-to-business payment days are still having a negative impact on four in ten (43 percent) firms, a rise of 8 percent in two months. Dun & Bradstreet's *Trade Payment Analysis* reveal that a deterioration in payment terms (2.1 days) in the December 2009 quarter has taken terms up to 53.9 days. If past history is repeated payments terms may rise again in the March quarter placing further pressure on the cash-flow of Australian businesses.

Thirty nine percent of firms surveyed rank wages growth as the major influence on their business and 31 percent consider interest rates to be their primary concern. Only 17 percent of executives believe fuel prices will be the primary influence on operations in the quarter ahead. This is a rise of six points since last month and reflects the rise in retail petrol prices in March.

With the rising improvement in profits expectations, 26 percent of executives plan to reduce their current business debt levels in the next three months, 11 percent reduce significantly and 15 per cent moderately. Seventeen percent expect to increase their business debt and 50 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 maintain very strong expectations for their firm's business performance in 2010. Capital investment expectations are at their highest levels in almost seven 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.

"However the latest ABS retail sales and building approvals statistics for February 2010 show negative movements in seasonally adjusted terms which must cause some concern to business executives. Moreover interest rates are expected to rise in the next few quarters as the Reserve Bank moves monetary policy to a more neutral position.

"Consequently, access to credit on favourable terms could be a restraint on business executives achieving their buoyant expectations for the short to medium term," 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 seven points to 17, with 29 percent of executives expecting profits to rise and 12 percent expecting a fall.

Employment expectations are up nine points an index of 9, with 14 percent of executives expecting an increase in staff and 5 percent expecting a reduction. Capital investment expectations are up nine points to an index of 16, with 18 percent of executives expecting an increase and 2 percent expecting to cut spending. Inventories expectations are up four points to an index of 9. The selling prices index is up 10 points to an index of 19, with 26 percent of firms expecting to raise prices and 7 percent expecting to decrease them.

Media Notes

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About the survey

D&B Australasia conducted the latest Business Expectations Survey in March 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 final indexes for the latest quarters are based on the 1,200 responses obtained in January – March 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.