

Embargoed 1:00am Tuesday 6 January 2009

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## D&B NATIONAL BUSINESS EXPECTATIONS

# A tough year ahead for Australian firms

*Sales, profits and employment expectations continue to dive*

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***The latest D&B National Business Expectations Survey shows...***

### **Outlook for the March quarter 2009**

- Sales and profits expectations have dived further into negative territory, both down 59 points from the highs of the December quarter 2007
- Selling price expectations have climbed to the highest figure ever recorded by the survey
- The employment growth indicator is at an index of -14
- Capital investment expectations are down one point to an index of minus seven

### **Movements in the Australian dollar**

- Seven in ten (72%) firms have been negatively impacted by recent movements in the Australian dollar, a 60% increase since July

### **Credit market conditions**

- Forty three per cent of executives indicate that recent changes in credit market conditions have had a negative impact on their business, down from 48% last month

### **Petrol prices**

- Twenty six per cent of executives indicate that recent movements in petrol prices have positively impacted their business, up from 1% in October

### **Issues expected to influence operations in the March quarter 2009**

- Interest rates are the primary concern for 36% of executives, a 12% decline since the October survey
- Falling 2% since last month, 33% of executives now rate petrol prices as the primary influence on their business in the March 2009 quarter
- Wages growth is the primary concern for just 16% of executives

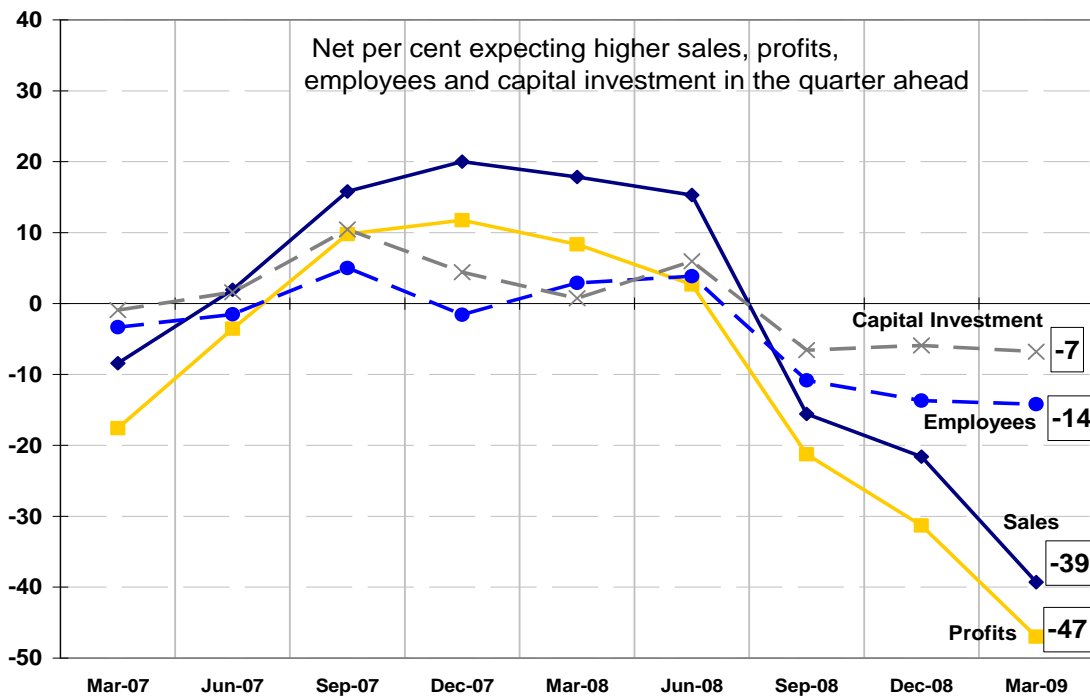
### **Actual for September quarter 2008**

- Forty four per cent of firms experienced lower sales, down 1% on the June quarter
- Fifty five per cent of firms recorded lower profits, up 2% on the June quarter
- Sixty six per cent of firms raised selling prices, up 6% on the June quarter
- Despite a three point rise on the June quarter 2008, the employment index remains in negative territory
- The capital investment index was unchanged at -3

Australian businesses are preparing for a challenging year, with executives anticipating further declines in sales, profits, employment and capital investment in the March 2009 quarter.

The latest *Dun & Bradstreet (D&B) Business Expectations Survey* reveals that 54% of firms anticipate declining sales in the March 2009 quarter, while 59% have the same expectation for profits. Meanwhile 20% of executives expect to have fewer staff in the March quarter than they did a year ago and 10% of firms expect to decrease capital investment.

The decline in sales and profits expectations reflects the slowdown in consumer spending which has been noticed by 27% of firms and the poor results experienced in the first three quarters of 2008. Falling employment and capital investment expectations reveal the impacts of global and local economic conditions on Australian firms.



*D&B Expected Sales, Profits, Employment & Capital Investment Indexes (All Firms)*

Selling price expectations have reached the highest level ever recorded by the survey following a 30% increase over the past nine months. Despite suggestions that inflation is coming under control as a result of the slowing economy, 79% of executives indicate that they will raise prices in the March 2009 quarter.

Changing credit market conditions and a falling Aussie dollar continue to impact firms, with four in ten (43%) businesses negatively impacted by the credit market and seven in ten (72%) hurt by the dramatic fall in the value of the dollar since July. Wholesale businesses have reported the largest swing, with 43% indicating a positive impact in July and 84% now indicating that the dollar is negatively affecting their operations.

Recent downward movements in petrol prices are showing through, with an 89% decline in the number of executives negatively affected by fuel costs since September. Just 4% of firms now report a negative impact while 26% report a positive affect.

According to Christine Christian, Dun & Bradstreet's CEO, the challenges of late 2008 will continue, with activity remaining depressed and corporate investment falling in 2009.



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“The challenges experienced by Australian firms in the second half of 2008 caused executive confidence to decline to levels not seen in the D&B survey since the 1990s,” said Ms Christian.

“As a consequence of the marked slowdown in Australia’s growth, the Reserve Bank cut the cash rate by a cumulative three percentage points between September and December 2008, the fastest ever loosening in monetary policy.

“Executives will be hoping that the loosening in monetary policy, government measures to address the financial crisis and the post Christmas sales will encourage spending throughout 2009. However regardless of the outcome of these measures, business activity will remain depressed in 2009.”

Recent reductions in the official cash rate have shown through in a 12% decline in executive concerns regarding interest rates since October. However despite the decline, this issue remains the primary concern for executives in the March quarter. Thirty six per cent of firms indicate that interest rates will have the greatest impact on their business; this increases to 42% for wholesale executives.

Thirty three per cent of executives anticipate that fuel prices will have the most significant influence on their operations in the March quarter, a decrease of 2% since last month. Meanwhile wages growth concerns have increased by 2%, with 16% of firms now rating this issue as their primary concern.

According to Dr Duncan Ironmonger, Dun & Bradstreet’s economic consultant, the slowing of Australia’s economy may have further to go in 2009.

“The D&B survey indicates that 2009 will be a challenging year for Australian firms,” said Dr Ironmonger.

“However the Federal Government and Reserve Bank have acted promptly to stimulate economic growth and have indicated that they will do more as necessary throughout 2009.

“Although world growth is slowing sharply, lower oil prices are helping to contain household and business costs and the lower value of the Australian dollar is encouraging exports and domestic spending. These factors, combined with new public infrastructure projects, will provide further stimulus to GDP growth in 2009.”

*The D&B index for expected sales is down 17 points to -39, with 15% of executives expecting an increase in sales and 54% expecting a decrease. The profits index is down 16 points to -47, with 12% of executives expecting profits to rise and 59% expecting a fall.*

*Employment expectations are unchanged at an index of -14, with 6% of executives expecting an increase in staff and 20% expecting a reduction. Capital investment expectations are down one point to an index of minus seven, with 3% of executives expecting an increase and 10% expecting to cut spending. Inventories expectations are down three points to an index of -13.*

*The selling prices index is up 13 points to an index of 75, with 79% of firms expecting to raise prices and 4% expecting to decrease them.*

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### Media Notes

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