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D&B NATIONAL BUSINESS EXPECTATIONS

Executive expectations continue to fall

Sales, profits, employment and capital investment set to deteriorate further in the June quarter

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

Outlook for the June quarter 2009

- Sales and profits expectations continue to dive, 53% of firms anticipate declining sales and 60% expect declining profits
- Selling price expectations have eased slightly however three in four businesses (74%) expect to raise prices in the June quarter
- The employment growth indicator has dropped to the lowest level recorded by the survey
- Capital investment expectations have declined further, with 10% of firms expecting to decrease capital investment

Impacts of the Aussie dollar, credit market and petrol prices

- Seven out of ten (68%) firms have been negatively impacted by recent movements in the Australian dollar, a 56% increase since July
- Rising 43% since last month, 57% of firms have been negatively impacted by changes in credit market conditions
- Fifty three per cent of executives indicate that recent movements in petrol prices have positively impacted their business, up from 26% in December and 1% in October

Issues expected to influence operations in the June quarter 2009

- Fifty five per cent of executives rank interest rates as the primary influence on their business in the June 2009 quarter, an increase of 19% since last month
- A fall of 14% since last month has 19% of firms ranking petrol prices as their primary concern
- Just 17% of executives expect wages growth to be their primary concern

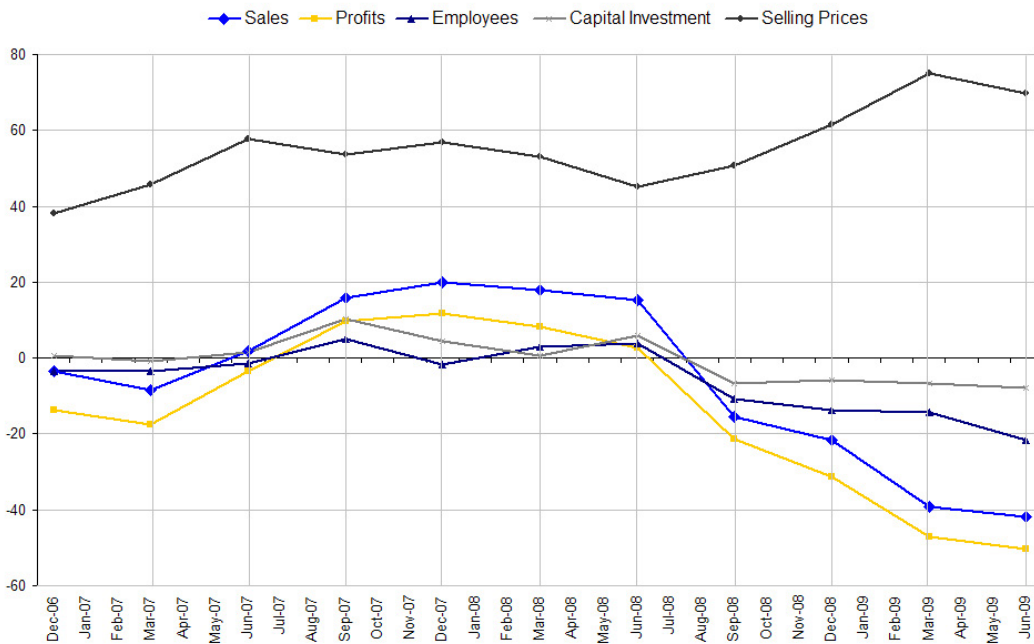
Actual for December quarter 2008

- Forty two per cent of firms experienced lower sales, down 3% on the September quarter
- Fifty seven per cent of firms recorded lower profits, up 2% on the September quarter
- Sixty six per cent of firms raised selling prices, unchanged on the September quarter
- The employment index moved further into negative territory
- The capital investment index fell two points to -3

Australian firms have had a difficult start to the New Year and executives are anticipating the quarter ahead will be the most challenging yet. The latest Dun & Bradstreet (D&B) *Business Expectations Survey* reveals that an increasing number of firms expect sales, profits, employment and capital investment to weaken further in the June 2009 quarter.

The impacts of global and local economic conditions are evident in executives' expectations for the June quarter, with 53% of firms anticipating declining sales and 60% having the same expectation for profits. Expectations for employment and capital investment are following the same downward trend, with 24% of firms expecting to cut back on staff and 10% anticipating a need to decrease capital investment.

Selling price expectations rose by 30% between the March and December quarters of 2008, hitting the highest level ever recorded by the survey in the March quarter of 2009. Expectations have dropped back 5% however three in four (74%) firms continue to expect that they will need to raise prices in the quarter ahead.



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

Changing credit market conditions and a falling Aussie dollar continue to impact firms, with six in ten (57%) businesses negatively impacted by the credit market and seven in ten (68%) hurt by the falling value of the dollar. Wholesale businesses have reported the largest swing, with 43% indicating a positive impact from the falling dollar in July and 73% now noting a negative affect.

Downward movements in petrol prices are showing through with a 91% decline in the number of executives negatively affected by fuel costs since September. Fewer than 2% of firms now report a negative impact while 53% report a positive affect.

According to Christine Christian, Dun & Bradstreet's CEO, the latest survey reveals a further drop in business sentiment and demonstrates that Australian executives are feeling the very real pressures stemming from the recessionary global climate and slowing local economic conditions.



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“Credit and financial risks have increased markedly since the global financial crisis fully erupted in October 2008 and with the economy set to weaken further during 2009, cash flow problems are becoming a significant burden for Australian firms,” said Ms Christian.

“There is no doubt that businesses are facing a significantly heightened risk environment in 2009. As a consequence, an unwavering focus on business fundamentals and proper cash flow management is absolutely critical to maintaining the sustainability of Australian firms.

“The recently announced government stimulus package will provide some assistance to Australian firms however without a solid focus on the fundamentals the pressures for some businesses will likely become insurmountable.”

The dramatic reductions in the official cash rate since October have impacted executives' views on the issues that will influence their operations most in the June 2009 quarter. Fifty five per cent of executives rank interest rates as the primary influence on their business in the quarter ahead, an increase of 19% since last month. This increases to 67% for retail executives.

Recent falls in fuel prices have also had an impact on Australian firms. Only 19% of executives anticipate that fuel prices will have the most significant influence on their operations in the June quarter, a decrease of 14% since last month. Meanwhile 17% of firms rank wages growth as their primary concern, an increase of 1%.

According to Dr Duncan Ironmonger, Dun & Bradstreet's economic consultant, the extent of the economic slowdown that will be experienced in Australia remains unknown.

“The D&B survey indicates that Australian firms are expecting 2009 to be exceptionally challenging,” said Dr Ironmonger.

“However the prompt and substantial fiscal stimulus packages from the Federal Government and the record sharp reductions in interest rates by the Reserve Bank should offset a significant amount of the impact that the world financial crisis and global recession are having on Australian firms.

“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. Consequently, the worst expectations of Australian businesses may not eventuate.”

The D&B index for expected sales is down 3 points to -42, with 11% of executives expecting an increase in sales and 53% expecting a decrease. The profits index is down 3 points to -50, with 10% of executives expecting profits to rise and 60% expecting a fall.

Employment expectations are down 8 points an index of -22, with 2% of executives expecting an increase in staff and 24% expecting a reduction. Capital investment expectations are down one point to an index of minus eight, with 2% of executives expecting an increase and 10% expecting to cut spending. Inventories expectations are unchanged at an index of -13.

The selling prices index is down 5 points to an index of 70, with 74% of firms expecting to raise prices and 4% expecting to decrease them.

Media Notes

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