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D&B NATIONAL BUSINESS EXPECTATIONS

New Year expected to bring continued economic turbulence

Selling prices index hits highest level ever recorded

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, down 50 and 49 points respectively from the highs of the December quarter 2007
- Selling price expectations have climbed 17 points to an index of 79, the highest figure ever recorded by the survey
- Despite a three point rise on the December quarter 2008, the employment growth index remains in negative territory
- Capital investment expectations are up one point an index of minus five

Credit market conditions

- One in four (26%) executives indicate that recent changes in credit market conditions have had a negative impact on their business

Movements in the Australian dollar

- Two thirds (67%) of firms have been negatively impacted by recent movements in the Aussie dollar – a 55% increase since July

Petrol prices

- Two thirds (68%) of executives indicate that petrol prices have negatively impacted their business – down from 93% in September

Issues expected to influence operations in the March quarter 2009

- 48% of executives rank interest rates as their primary concern in the quarter ahead, a 15% increase since July
- Petrol price concerns have fallen 19% since July, 28% of executives now rate petrol prices as their primary concern
- Only 18% of executives rate wages growth as their primary concern

Actual for September quarter 2008

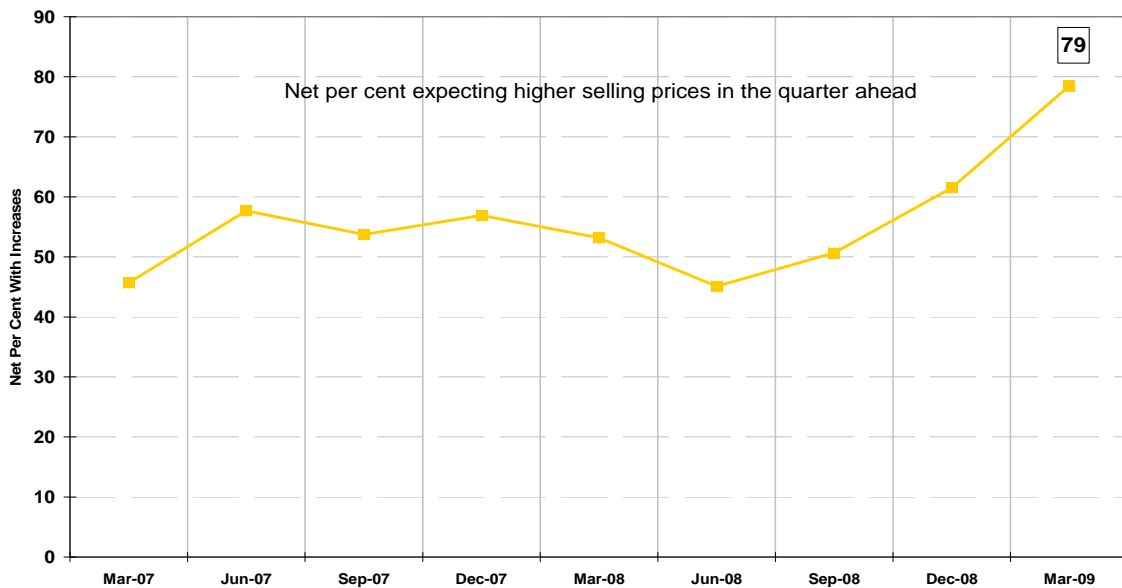
- Selling price rises were up 11 points on the June quarter 2008
 - Despite a six point rise on the June quarter 2008 the sales index remains negative
 - The profits index is negative and below the previous low of the March quarter 1991
 - Despite a seven point rise on the June quarter 2008 the employment index remains negative
 - The capital investment index improved slightly to an index of minus two
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Australian executives are expecting further economic turbulence in the New Year as credit market conditions, a volatile Australian dollar and inflationary pressures impact profit and investment prospects for 2009.

The latest *Dun & Bradstreet (D&B) Business Expectations Survey* reveals that one in four (26%) executives have been negatively impacted by changing credit market conditions and two thirds (67%) have been hurt by the dramatic fall in the value of the Aussie dollar since July. Wholesale businesses reported the largest swing from a net 31% positive in July to a net 67% negative in the current survey.

Despite a 25% decline in the number of businesses impacted by recent movements in petrol prices, 68% of firms indicate that fuel costs are having a detrimental affect on operations.

Inflationary pressures are set to continue into the New Year with 81% of executives indicating they will raise selling prices in the March quarter 2009. Selling price expectations have risen by 34% over the past nine months to reach the highest level ever recorded by the survey. Now at an index of 79, this indicator is the only index in positive territory.



D&B Expected Selling Prices Index (All Firms)

The sales and profits indexes have declined by 50 and 49 points respectively from the highs of the December quarter 2007. The slowdown in consumer spending noticed by 27% of firms and the poor results experienced in the first three quarters of 2008 are reflected in executive expectations for the New Year. Forty eight per cent of firms now anticipate declining sales while 51% have the same expectation for profits.

The employment index has recovered slightly however 18% of executives expect to have fewer staff in the quarter ahead than they did a year ago. Meanwhile capital investment expectations are up one point to an index of minus five. Eight per cent of firms expect to decrease capital investment.

According to Damian Karmelich, Dun & Bradstreet's Director of Corporate Affairs, financial turmoil is driving deteriorating conditions across the globe and hurting executive expectations for the New Year.



"The sub-prime lending crisis is having significant detrimental impacts on developed and emerging economies throughout the world and Australia has not escaped the fallout," said Mr Karmelich.

"The credit crisis has made it more difficult for Australian businesses to access funds – it has also caused significant volatility in the Australian dollar. As a result, executive confidence has declined sharply, with expectations falling to levels not seen since the 1990s.

"Australia remains one of the few OECD economies in which central bank rates can influence the day-to-day functioning of national credit markets however with selling price expectations at record levels, inflationary pressures could weigh on the Reserve Bank's decisions for further interest rate cuts.

"Economic conditions will remain challenging for some time however we expect that Australian businesses will weather the current turbulence better than other nations."

Interest rates are the top concern for executives, with five in ten (48%) indicating that rates will be their primary issue in the quarter ahead (up 6% since the previous survey). More than half (53%) of retail executives rank interest rates as their primary concern in the March quarter 2009.

Recent falls in petrol prices have led to a further easing in executive concerns (down 19% since July). Twenty eight per cent of executives now anticipate that fuel prices will have the most significant influence on their operations in the quarter ahead. Meanwhile wages growth concerns have decreased – 18% of firms now rate wages growth as their primary concern.

According to Dr Duncan Ironmonger, Dun & Bradstreet's economic consultant, although GDP growth will be lower in 2009 than it has been over the last few years it will remain positive.

"The Federal government will provide further fiscal stimulus as necessary and the lower value of the Australian dollar will encourage domestic spending and exports whilst discouraging imports. This situation will help to maintain domestic production and jobs, with unemployment expected to stay below 5.5% in 2009," said Dr Ironmonger.

"Despite the slowdown in world growth Australia will not experience a recession.

"However inflation will remain above the Reserve Bank's target band of 2-3% and this may delay a further reduction in official interest rates this week."

The D&B index for expected sales is down eight points to -30, with 18% of executives expecting an increase in sales and 48% expecting a decrease. The profits index is down six points to -37, with 14% of executives expecting profits to rise and 51% expecting a fall.

Employment expectations are up three points to an index of -11, with 7% of executives expecting an increase in staff and 18% expecting a reduction. Capital investment expectations are up one point to an index of minus five, with 3% of executives expecting an increase and 8% expecting to cut spending. Inventories expectations are unchanged at an index of -10.

The selling prices index is up 71 points to an index of 79, with 81% of firms expecting to raise prices and 2% expecting to decrease them.

Media Notes

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