

# MEDIA RELEASE



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## Aussie risk rating steady despite continued global turmoil

*US and UK downgraded as economic challenges bite*

Australia continues to be a safe haven for business, maintaining the third highest rating on the Dun & Bradstreet Global Risk Indicator (GRI\*) while the United States, United Kingdom and Austria have suffered downgrades amidst continued financial market turmoil and global inflationary pressures.

GDP growth forecasts have also been downgraded for many countries around the globe. Official figures for Q2 real GDP growth in the developed world show a reduction in economic activity and accordingly the 2008 world GDP forecast now stands at 2.7%. However this downturn is expected to be temporary with global GDP expected to gain momentum in 2009 to reach 2.9%.

The continued fall-out stemming from the US-led credit crunch is driving economic uncertainties and has hurt the risk rating of the world's largest economy. The United States' rating was downgraded earlier this year to DB1d.

Meanwhile the outlook for the United Kingdom remains downbeat. The economy continues to slow and two rating downgrades this year have pushed the UK down to DB2a. The US and UK, which remain the most exposed to the housing market woes, are also at risk of a prolonged economic downturn.

The former number one ranked country on the GRI, Austria, has had its rating downgraded due to increased macroeconomic and political uncertainty. Now at DB1c Austria's rating is on par with Australia.

While ratings for some of the world's most important economies – China, Japan and India – remain unchanged these countries are not immune to economic challenges and there are signs that difficulties could lie ahead.

According to Christine Christian, D&B's CEO, the latest rankings provide some very important reminders for the business community and Australian policy makers.

"The world is changing everyday and the rapid pace at which this change occurs clearly indicates the importance of understanding the global economy," said Ms Christian.

"Organisations which are involved in cross-boarder business or are looking to initiate new trading relationships must have a comprehensive and timely monitoring system in place to ensure they stay in business and ahead of the risk game.

"For policy makers the message is also clear – in a competitive global environment we cannot afford to stand still.

"To build strong trading relationships and attract foreign investment to our shores we must

Safest countries	
Global	Asia-Pacific
Switzerland	Australia
Australia	Hong Kong
Austria	Japan
Canada	Singapore
Finland	New Zealand
Germany	Korea (South)
Luxembourg	Taiwan
Norway	China
Sweden	Malaysia

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maintain a low risk rating and stable business environment. This requires ongoing reform and continued strong economic management."

According to the latest information from Dun & Bradstreet's Economic & Risk Outlook Report Australia is facing some challenges however the outlook continues to be stable. The current economic slowdown and continued inflationary pressures have caused D&B to revise its forecasts – real GDP growth is expected to reach 3.0% in 2008 and 2.7% in 2009 while inflation is expected to remain outside of the RBA's target inflation band in 2008 at 3.5% before dropping back to 3.0% in 2009. Unemployment is expected to remain below 5% for both 2008 and 2009.

GDP and Inflation Forecasts 2008		
	GDP Growth	Inflation
Global	2.7%	--
Australia	3.0%	3.5%
Austria	2.1%	3.3%
United States	1.4%	4.5%
United Kingdom	1.4%	3.6%
China	9.8%	6.9%
Japan	1.0%	1.4%
India	7.0%	13.0%

China is facing downward pressure on its risk rating due to soaring producer price inflation (near 10%), rising fuel prices and the closure of tens of thousands of factories in recent months.

Japan and India are also facing some economic uncertainty with the increasing cost of goods and real income compression impacting Japanese businesses and consumers while inflationary pressures and tighter monetary conditions in India have slowed economic growth to the lowest rate in three and a half years.

Ms Christian says the sub-prime lending crisis in the United States and global inflationary pressures has had significant detrimental impacts on developed economies throughout the world and have clearly been a factor in the re-ratings of the US and UK.

"Despite the impacts of the liquidity crisis and local economic challenges such as inflation, Australia has managed to retain its DB1c ranking.

"This is a positive sign however with economic conditions expected to remain challenging businesses cannot afford to ignore any warning signs that fiscal circumstances could impact customers or suppliers and ultimately cause financial distress.

"A thorough understanding of all credit partners coupled with timely global economic data could prevent businesses executives from a significant amount of pain."

### Media Notes

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on.

\*The GRI assesses 131 countries around the world, allocating the highest possible rating to countries that display the lowest degree of uncertainty associated with expected returns such as export payments, and foreign debt and equity servicing.

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