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13 July 2011

Consumers struggle to manage debt burden

One in three Australians will struggle to meet credit commitments in the September quarter

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Almost one third of Australians will struggle to meet their credit commitments in the September quarter, and 37 percent intend to use their credit card to purchase something they could otherwise not afford. Twenty-one percent say their household debt will increase over the next three months, and almost half say an interest rate rise in the September quarter would negatively affect their household's finances.

These are some of the findings from the latest Dun & Bradstreet *Consumer Credit Expectations Survey* released today. The survey was conducted by Newspoll* and examines peoples' expectations for credit applications, credit usage, spending and debt performance in the September quarter 2011.

The number of credit applications and extensions has been trending steadily downward since June 2009. Only 19 percent of Australians intend to apply for a new credit product** in the next three months, down from 33 percent in June 2009.

Of Australians with a credit card, only 8 percent intend to apply for a credit limit increase in the next three months, compared to 14 percent in June 2009.

Key findings of the survey include:

- 21 percent of Australians expect their household debt levels to rise during the Sept quarter – remaining steady since mid 2009
- 26 percent of Australians intend to make a major purchase in the next 3 months – down six percentage points since June 2009
- 19 percent of Australians will apply for a new credit product - down 14 percentage points since June-2009.
- Of these, only 8 percent of Australians with a credit card intend to apply for a credit limit increase – down six percentage points since June 2009.
- 47 percent of Australians say a rise in interest rates will have a negative impact on their household's finances – down three percentage points since March 2011
- 37 percent expect to use a credit card for an otherwise unaffordable purchase – remaining steady since June 2009 despite a brief spike in early 2010

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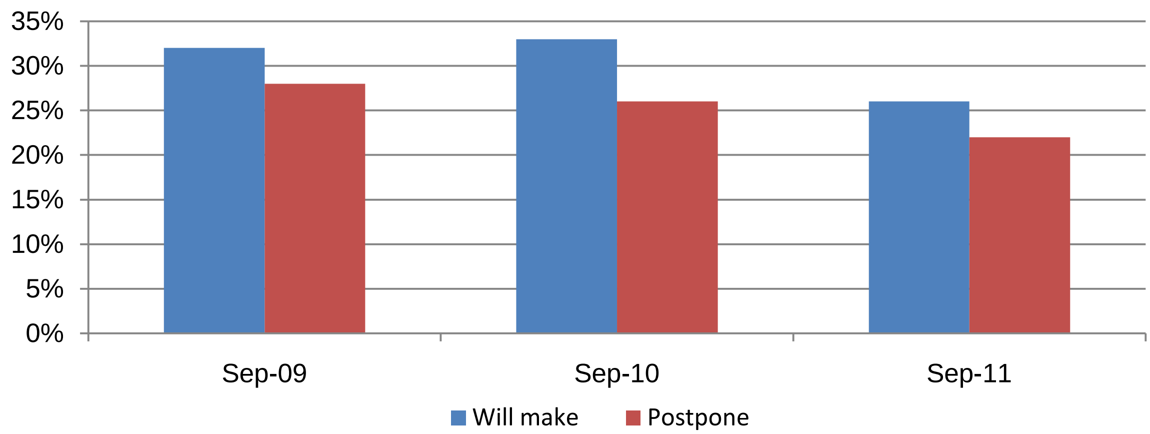
- 30 percent of Australians will have difficulty meeting their credit commitments in the next three months, down from 34 percent March 2011



Intention to make a major purchase - quarterly comparisons

Demographic
People with children in the household (36%) are more likely to say they will struggle to meet credit commitments, compared to people without children (27%). Of those who intend to make a major purchase, people with children (45%) are more likely to intend to use their credit card, compared to people without kids (28%).

People aged 18-34 with a credit card (46%) are more likely to say they'll use their credit card to buy something they otherwise could not afford over the next 3 months, compared to people aged 35-49 (38%) and aged 50-64 (29%). People aged 35-49 (27%) are more likely to think their household debt levels will be lower in 3 months, compared to people aged 50-64 (18%).

However, people aged 35-49 (39%) are more likely than people aged 50-64 (21%) to say it will be difficult to meet their credit obligations in the next 3 months. Furthermore, if interest rates were to rise in the next 3 months, people aged 35-49 (55%) are more likely to say it would have a negative impact on their household finances, compared to people aged 50-64 (39%).

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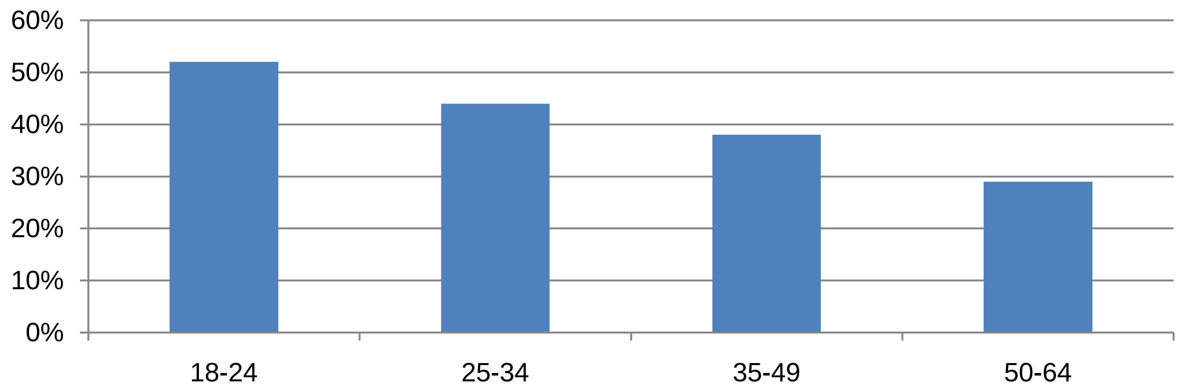

Credit card use for otherwise unaffordable purchases

Income level
Twenty percent of people with low household income, those earning under $40,000 a year, intend to make a major purchase in the next three months, compared to 36 percent of high income households, those earning over $80,000.

Only 14 percent of people with a low household income intend to apply for new credit**, compared to 25 percent of people with a high household income.
45 percent of people with a low household income have a credit card, compared with 81 percent of people with a high household income.

People with a blue collar main income earner (34%) are more likely to say they will face difficulty meeting credit obligations in the next three months, compared to people with a white collar main income earner (27%).

Area
Thirty-seven percent of people in the South Australia and Northern Territory anticipate difficulty meeting credit commitments.

People in South Australia and Northern Territory (21%) are less likely to say they'll use their credit card to pay for things they otherwise could not afford, compared to people in other states.

Fifty-six percent of West Australians are more likely to say an increase in interest rates would have a negative impact on household finances, compared to 46 percent of people in NSW, 43 percent in Queensland and 44% in South Australia and Northern Territory.

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Dun & Bradstreet CEO Christine Christian said the data indicate consumers remain heavily reliant on credit despite the downward trend in anticipated access to new lines of credit.

“Consumer concern about the effects of a rate rise on household finances does not seem to be deterring Australian from utilising credit. We have seen credit use remain consistent throughout the recession and beyond,” Ms Christian said.

“Yet the reliance on credit for household purchases in spite of apprehension about their ability to meet these commitments is worrying, as an issue that can affect their future credit rating and ability to access credit - often when they need it the most.”

“In particular we are seeing the most likely demographics to use credit, particularly as a last resort, are also the least able to manage that debt.”

Consumers can obtain a copy of their personal credit report for free from Dun & Bradstreet by visiting www.dnbcreditreport.com.au

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Notes
* This Newspoll study was conducted online 23-26 June 2011 among 1,226 respondents aged 18-64 nationally.
** New credit includes a new credit card, new debit card, new mortgage, new personal loan, new loan for a rental property or investment, or a credit limit increase on their credit card.