



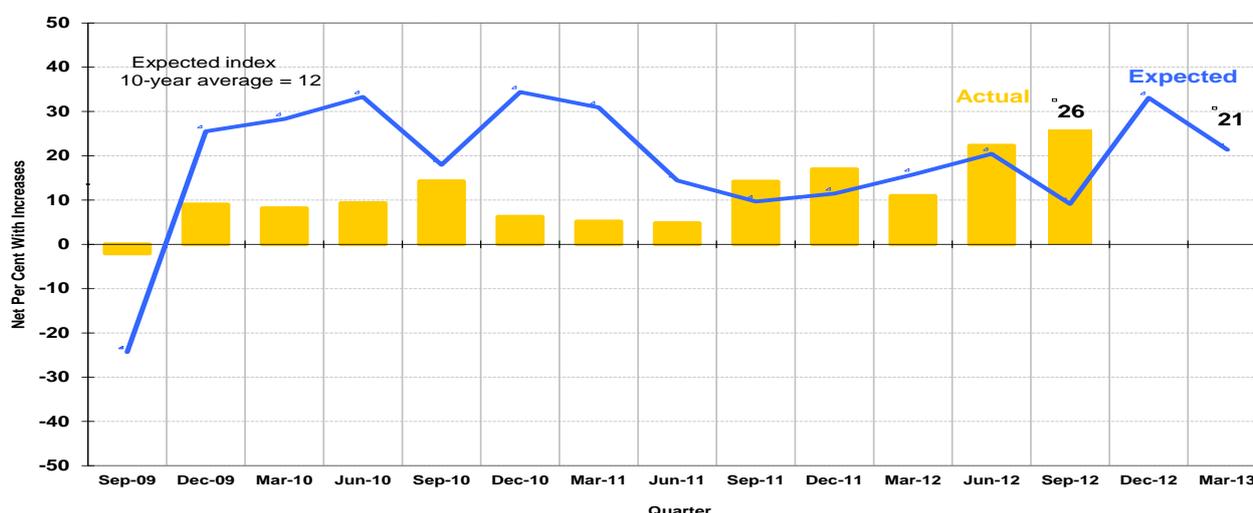
Tuesday, 4 December 2012 - EMBARGOED

## Outlook for 2013 a mixed bag

*Sales and employment expectations are down but profits are up*

The business outlook for 2013 is mixed, with Australian executives indicating that sales, inventories, selling prices and employment will fall but investment and profits will rise.

Dun & Bradstreet's latest *National Business Expectations Survey* reveals that sales expectations have fallen 12 points to an index of 21 however, the index remains that the second highest level in the last eight quarters. This follows September quarter results which reveal that 43 per cent of firms increased sales compared to the prior year. The inventories index aligns closely with sales, as business executives indicate they will hold back on stock purchases given lower expectations for sales. The index has fallen five points but remains 16 points above the 10-year average index of three.



Sales index – Set qtr 2009-Mar qtr 2013

The selling prices index is down seven points to five, the lowest level since the survey began in 1988 and 24 points below the 10-year average of 29. This result is consistent with ongoing low inflation. At the same time, employment expectations have weakened, moving in line with other forward indicators of labour demand. The index has fallen two points to minus one and is now two points below the 10-year average index. If current trends continue, it is likely the unemployment rate will rise in the months ahead.

Conversely, the profits index has risen four points to an index of 24. It is now at the highest level in eight quarters and is 19 points above the 10-year average index. Capital investment expectations are also up. The index rose two points to 17 and now sits 12 points above the average index (five) of the last 10 years.

According to Gareth Jones, Dun & Bradstreet's CEO, the outlook for the first quarter of the New Year is mixed, with expectations for some key indicators rising while others have fallen back.

"The encouraging aspects of the outlook are the rise in profit and capital investment expectations," said Mr Jones.

"Lower interest rates are likely to be a key factor influencing capital investment expectations, while on the profits front, other input costs rather than stronger sales, are likely to be impacting expectations.

Embargoed 1:00am Tuesday 4 December 2012

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“On the downside, we’ve seen expectations for sales and employment fall however, expectations are comparatively buoyant, as they remain solid compared to ten year averages.”

September quarter actuals reveal that the sales index rose four points and the profits index was up 15 points. The selling prices index also rose, up eight points to an index of 11, while inventories reached an index of 20.

After a positive run of 14 consecutive quarters, capital investment recorded a negative index of -4. The employment index was also at -4 but remains unchanged from the previous quarter.

According to Stephen Koukoulas, Dun & Bradstreet's economic advisor, businesses are ending the year on a reasonably positive note.

“Overall business conditions remain solid driven by a rise in net sales and profits during the September quarter,” said Mr Koukoulas.

“However, expectations for the quarter ahead are patchy, with a weaker outlook for employment and moderate sales. The most positive aspect of the outlook is a sharp rise in expected profits.

"There has been a sharp fall in expected selling prices, which suggests that inflation could fall further over the near term. The inflation outlook remains a critical element for consideration by the Reserve Bank of Australia and we are likely to see interest rates edge lower over coming months. A softer employment outlook and the prospect of higher unemployment could result in an interest rate cut at this month's meeting."

Petrol prices are expected to have the greatest influence operations during the March quarter 2013. Thirty nine per cent of businesses nominated fuel prices are their primary concern, up 10 points from last month. Interest rates fell by the same amount (10 points), with 23 per cent of executives ranking interest rates as the primary influence on their business.

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

### *Outlook for the March quarter 2013*

- Sales expectations are down 12 points to an index of 21, the second highest in the last eight quarters and now 9 points above the 10-year average index of 12;
- Profits expectations are up four points to an index of 24, its highest in eight quarters and now 19 points above the 10-year average index;
- Employment expectations are down two points to an index of minus one, now two points below the 10-year average index;
- The inventories index is down five points to an index of 19, the second highest in ten years and is now 16 points above the 10-year average index of 3;
- Capital investment expectations are up two points at an index of 17, 12 points above the average index (5) of the last 10 years;
- The selling prices index is down seven points to an index of 5, the lowest since the survey began in 1988 and now 24 points below the 10-year average of 29.

### *Issues expected to influence operations in the March quarter 2013*

- 39 per cent of firms believe fuel prices will have the greatest influence in the quarter ahead – up 10 points from last month;
- 23 per cent of executives rank interest rates as the primary influence on their business – down 10 points in one month;
- 14 per cent of firms expect wages growth to be the primary influence on operations – down two percentage points from last month;
- 10 per cent of firms believe access to credit will be the most important business influence in the quarter ahead – down eight points in one month.

### *Actual results for the September quarter 2012*

- The net sales index is up four points; 43 per cent of firms increased sales compared to the September quarter 2011, while 17 per cent experienced lower sales;
- The profits index was up 15 points to an index of 19, 40 per cent of firms increased profits and 21 per cent recorded lower earnings;
- After a positive run of 14 consecutive quarters, capital investment recorded the first negative index since March Quarter 2009 with a net index of -4. This is down 12 points on the index of 8 for the three previous quarters;
- Only eight per cent of firms increased staff while 12 per cent reduced employee numbers; the net index of minus four is unchanged on the previous quarter;
- The selling price index rose 8 points to an index of 11; 25 per cent of firms raised prices and 14 per cent decreased prices;
- Inventories have risen to an index of 20, the highest since March quarter 2002; 35 per cent had more and 15 per cent less.

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## About the Survey

D&B Australasia conducted the latest Business Expectations Survey in October 2012. Each quarter 1,200 business owners and senior executives representing major industry sectors across Australia are asked if they expect increases, decreases or no changes in their upcoming quarterly Sales, Profits, Employment, Capital Investment, Inventories and Selling Prices. Since its introduction in Australia in 1988, the Survey has proven to be a highly reliable measure of economic performance.

The index figures used in the Survey represent the net percentage of Survey respondents expecting higher sales, profits, etc., compared with the same quarter of the previous year. The indices are calculated by subtracting the percentage of respondents expecting decreases from the percentage expecting increases.

## Methodology

Each quarter D&B asks a sample of executives in manufacturing, wholesale and retail businesses across Australia if they expect an increase, decrease or no change in their quarter-ahead sales, profits, employees, capital investment, inventories and selling prices compared with the same quarter a year ago.

The executives are also asked for actual changes over the twelve months to the latest completed quarter.

The Australian survey began in March 1988 obtaining some 900 responses in the third month of each quarter. Since the middle of 1999, the survey has been conducted monthly, initially with about 300 responses each month. From September 2000, responses have been obtained from 400 executives each month.

From July 2005, to simplify the interpretation of the survey data, the results have been presented as a sequence of preliminary, interim and final indexes. The 400 responses from the first month of each quarter give preliminary estimates of the quarter-ahead expectations and the quarter behind actual indexes. The 400 responses from the second month of the quarter are combined with those from the first month as interim estimates of the indexes based on 800 responses. The 400 responses from the third month are combined with those from the first

two months to give the final expectations and actual indexes based on all 1,200 responses obtained during each quarter.

In this issue, the preliminary indexes for the latest quarters are based on the 400 responses obtained in October 2012.

## Charts & Tables

It is the common practice to present the results of business expectations surveys as indexes showing the net balance of the positive and negative responses. However, this method of aggregating responses loses relevant information about the relative proportions and rates of change of the two (positive and negative) groups.

Accordingly, the detailed charts at the top of pages 5 to 10 in the Dun & Bradstreet National Business Expectations Survey show separately the positive and negative components of each of the various indexes. These charts help provide a better insight into the expectations and performance of Australian business than that shown by movements in the simple aggregation of the positive and negative responses.

The aggregate net balance indexes are shown in the charts at the bottom of pages 4 to 9 and in the tables on pages 10 to 12.

## About D&B

Dun & Bradstreet is the world's leading provider of credit, marketing and purchasing information and receivables management services.

D&B manages the world's most valuable commercial database with information on more than 200 million companies, including 3 million in Australia, and millions of consumers. Information is gathered in 193 countries, in 95 languages or dialects, covering 186 monetary currencies. The database is refreshed more than 1.5 million times daily as part of D&B's commitment to provide accurate, comprehensive information for its more than 150,000 customers.

D&B's data provides insights which improve business decision-making and outcomes.