



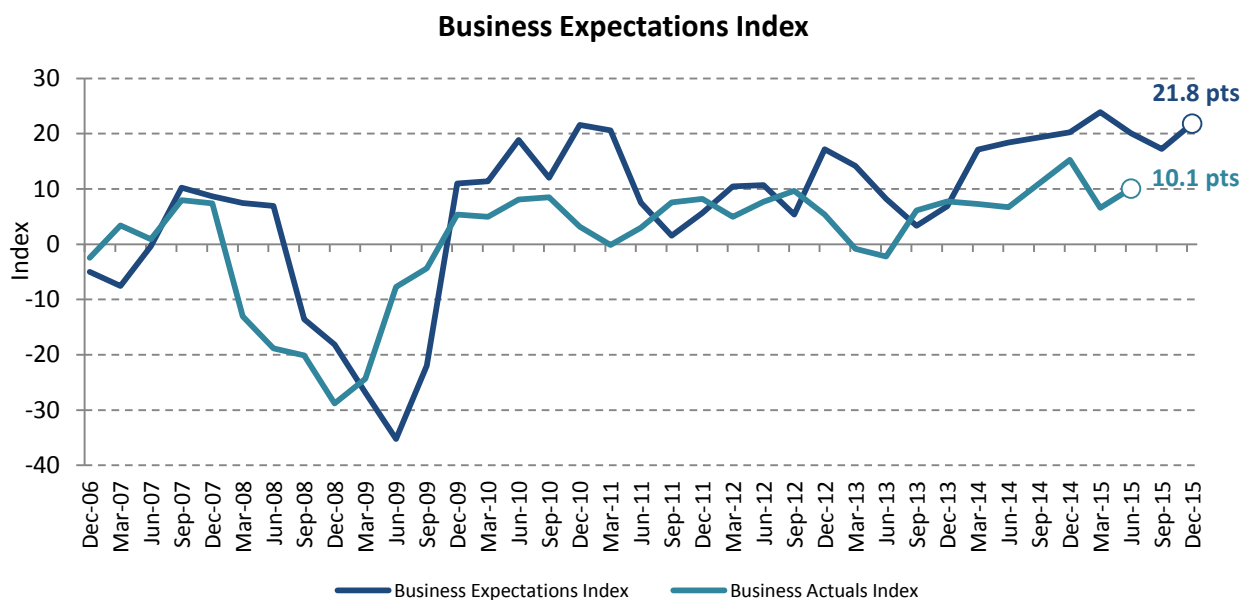
EMBARGOED – 1:00am, Tuesday 6 October 2015

## Positive outlook for final quarter

Businesses are expecting to see increased activity as we approach the end of the year, with profit, sales and employment activity all expected to rise during the final quarter.

According to Dun & Bradstreet’s latest *Business Expectations Survey*, the percentage of businesses with a positive outlook has increased to its highest level since January this year, with 66 per cent of survey respondents feeling more optimistic about growing their business in the year ahead.

Despite the optimistic sentiment, some questions remain regarding the lingering gap between expected and actual results. The two indexes are currently tracking similar trajectories after moving towards alignment during the first half of 2015. A pattern has been established, however, of actual results consistently falling short of expectations.



*The Business Expectations Index is an aggregate of the survey’s measures of sales, profits employment and investment expectations.*

Dun & Bradstreet’s Business Expectations Index, the average of the survey’s measures of sales, profits, employment and investment, has increased from its Q3 2015 low of 17.2 points, to reach 21.8 points for the December quarter. At this level the index is still below the 23.9 point peak for 2015 recorded in Q1, although it remains higher than the 20.3 points recorded for the same period last year.

According to Adam Siddique, Head of Group Development at Dun & Bradstreet, the Q4 survey results confirm the business community expects economic activity to rise across key areas as we close out the year.

“The leap in positive sentiment indicated by the initial Q4 results has evened out during the quarter to represent a less dramatic swing. Nevertheless, we have seen an unmistakable shift to a more positive outlook compared to the prior quarter in terms of both actual and expected results. It should also be noted that the majority of the indexes remain well above their 10-year averages, which is encouraging as we look to 2016,” Mr Siddique said.

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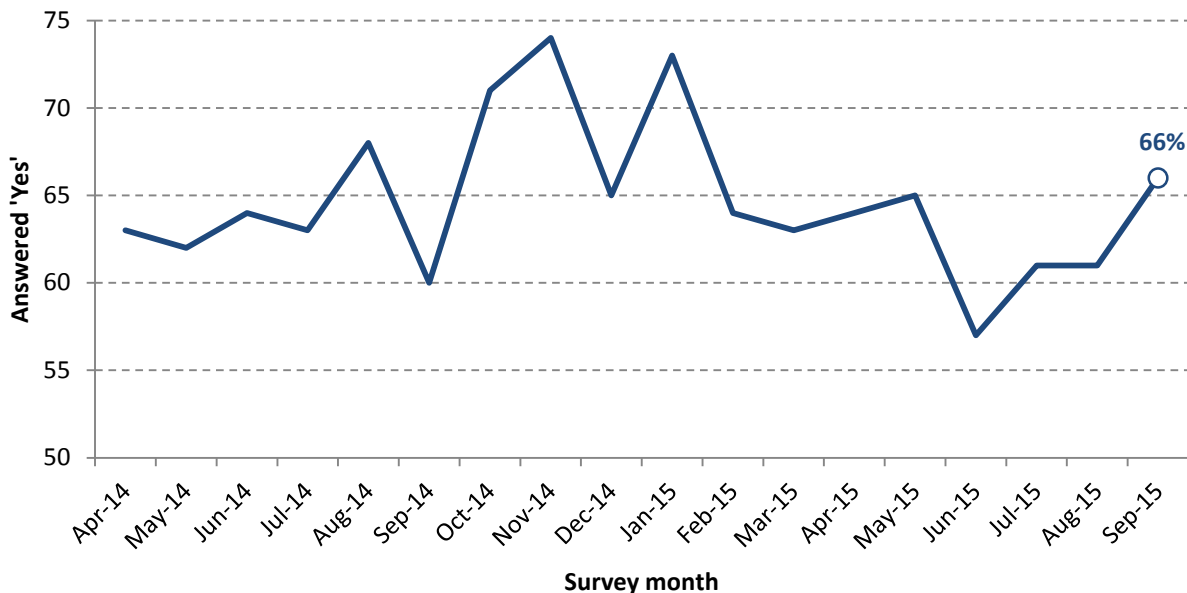


“The local economic climate is still facing external headwinds in the form of mixed data coming out of China and ongoing uncertainty surrounding when the US Federal Reserve will begin increasing interest rates. These macro-economic factors may well be fuelling unease regarding investment planning and the Australian dollar.

“Closer to home, it will be interesting to see how business responds to the recent leadership changes in Canberra, given the new Prime Minister’s focus on economic reform and restoring business confidence,” Mr Siddique added.

The broadly optimistic trend masks the only index to take a backward step during the quarter – Capital Investment Expectations fell from 12.8 points in Q3 to 11.9 points in Q4. This is still higher than the 10.4 points recorded for the same period last year; however, it does mark the lowest point of the year for this index, with 78.4 per cent of businesses expecting to either lower spending or leave current investment plans unchanged.

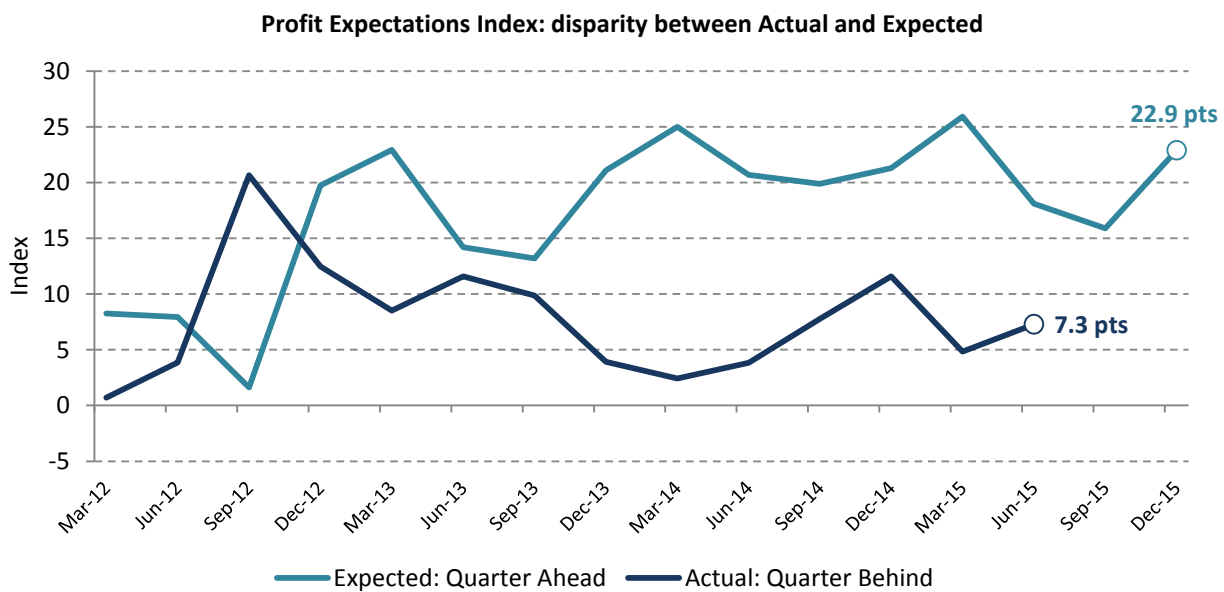
**Are you generally more optimistic, or less optimistic, about growing your business in the next 12-months compared to last year?**



The Business Expectations Survey revealed Retail continues to be the most optimistic sector in terms of Sales Expectations, with an index score of 51.5 points, against the aggregate score of 38 points. Across all sectors, 49 per cent of businesses expect sales to increase during the third quarter, up from 46.8 per cent at the same time last year and 40 per cent in Q3.

The Actual Selling Prices Index fell to its lowest level since Q4 2013 at 8.9 points, which may be a direct consequence of price reduction intentions flagged in the third quarter. This was reflected by 49 per cent of survey respondents expecting to increase sales in the fourth quarter, the highest percentage since Q4 2010.

The Actual Profit Index, along with Sales and, to a lesser extent, Employment, continues to track below expectations. This jars with the selling price reductions flagged by businesses in the third quarter, although it also suggests that while businesses are optimistic when it comes to potential income from goods sold, they are retaining some margin for further price reductions in order to strengthen demand.



*Indices in the Business Expectations Survey equal the difference between the percentage of businesses expecting an increase minus those expecting a decrease in sales, employment, selling prices, profits and capital investment.*

According to Stephen Koukoulas, Economic Adviser to Dun & Bradstreet, the generally upbeat tone in the Dun & Bradstreet survey has continued, although the pace of that expansion is uneven. “The Business Expectations Index remains solidly positive – firms are clearly benefiting from ongoing low interest rates and what is now a very competitive level for the Australian dollar of around 70 US cents”.

“Something of a concern in the survey is that actual levels of sales, employment, profits and capital expenditure have fallen well below expectations. In other words, the generally upbeat view of the business sector has not translated into an actual lift in business activity. This is something that has puzzled the Reserve Bank of Australia Governor, Glenn Stevens, for some time,” Mr Koukoulas noted.

“The range of economic news over the past month, including the generally positive tone of business expectations, means that the RBA is likely to keep interest rates steady at today’s Board meeting.”

Mr Koukoulas added, “The bulk of the survey responses pre-dated the political changes regarding the new Prime Minister and Ministry, so it is not clear whether this has filtered into a more positive business outlook. Next month’s survey will be able to shed some light on that”.

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## The latest D&B *Business Expectations Survey* shows:

### *Expectations index for the December quarter 2015:*

- The **Employment** Expectations Index has increased to 14.5 points, up from 11.7 points in the previous quarter and 13.2 points a year ago.
- The **Sales** Expectations Index has surged to 38.0 points, up from 28.6 points in the previous quarter and up slightly from 36.2 points a year ago.
- **Profits** expectations for the quarter have improved, with the index at 22.9 points compared to 15.9 points in the previous quarter and up slightly from 21.3 points last year.
- Plans for **Capital Investment** are down to 11.9 points from 12.8 points in the previous quarter, but up from 10.4 points a year earlier.
- The **Selling Prices** Expectations Index has risen to 16.2 points from 14.5 points in the previous quarter, but decreased compared to 17.5 points at the same time last year.

### *Issues expected to influence operations in the December quarter 2015:*

- 66 per cent of businesses are **more optimistic** about growth in the next 12 months compared to 2014, while 29 per cent are less optimistic and 5 per cent are undecided.
- **Consumer confidence** (41 per cent) is identified as the issue most likely to influence business operations in the next quarter, followed by the **level of the dollar** (18 per cent) and **cash flow** (11 per cent).
- 24 per cent of businesses see **weak demand for their products and services** as the biggest barrier to growth in the year ahead, while 12 per cent consider a **shortage of skilled labour** and another 12 per cent view **online selling by competitors** as the main barrier.
- 35 per cent of businesses reported having a customer or supplier that became **insolvent**, or was otherwise unable to pay them in the past year.
- 43 per cent of businesses would choose to miss payments to **trade suppliers** if unable to pay all their bills on time, followed by a **credit card** (19 per cent) and a **business loan or overdraft** (12 per cent).
- 35 per cent of businesses would prefer a **higher Australian dollar** and 14 per cent a **lower dollar**, while 46 per cent think that **it doesn't matter**.
- 15 per cent of businesses intend to seek **finance** or **new credit** in the quarter ahead to help their business grow, while 77 per cent will not. 7 per cent are undecided.

### *Actual results reported for the June quarter 2015:*

- **Actual employment** reported is up to 5.6 points from 5.1 points in the previous quarter and 4 points last year.
- **Sales** activity increased to 19.0 points from 10.1 points in the previous quarter and up from 11.6 points last year.
- The **Actual Profits** Index surged to 7.3 points from 4.8 points in the previous quarter and 3.8 points last year.
- **Capital investment** activity rose to 8.3 points, from 6.2 points in the previous quarter and 7.4 points last year.
- **Selling prices** were reduced, with the index down to 8.9 points from 10.9 points in the previous quarter and 13.4 points last year.

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#### About Dun & Bradstreet

Established in 1887, Dun & Bradstreet is Australia and New Zealand's longest established credit information bureau. Backed by its extensive financial database, D&B helps businesses to make informed credit decisions, and consumers to access personal credit information.

D&B works across the entire credit lifecycle to deliver data-driven solutions in sales and marketing, credit reporting and debt management. Through analysis of financial and behavioural information, D&B also provides current and predictive assessments of the economy, business conditions and credit activity.

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## About the survey

Each month business owners and senior executives representing the manufacturing; wholesale; retail; construction; transport, communications and utilities; finance, insurance and real estate; and services sectors across Australia are asked if they expect increases, decreases or no changes in their upcoming quarterly sales, profits, employment, capital investment 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. The Business Expectations Index is a composite of four of the five indices surveyed: sales, profits, employment and capital investment.

## Methodology

Each month D&B asks a sample of executives if they expect an increase, decrease or no change in their quarter-ahead sales, profits, employees, capital investment 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 interim indexes for the latest quarters are based on approximately 1,200 responses obtained during July, August and September 2015.

## Charts and tables

It is 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 five to nine in the D&B *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 6 to 10.

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## Sales outlook

*(Quarterly Net Index) (38.0 points, up from 28.6)*

The positive and negative components of the D&B net indexes are shown in the adjacent chart.

### Expectations

The December quarter 2015 Sales Expectations Index is 38.0 points, up from 28.6 points in the previous quarter and 36.2 points in the year prior.

The index is now 24.9 points above its 10-year average of 13.1 points.

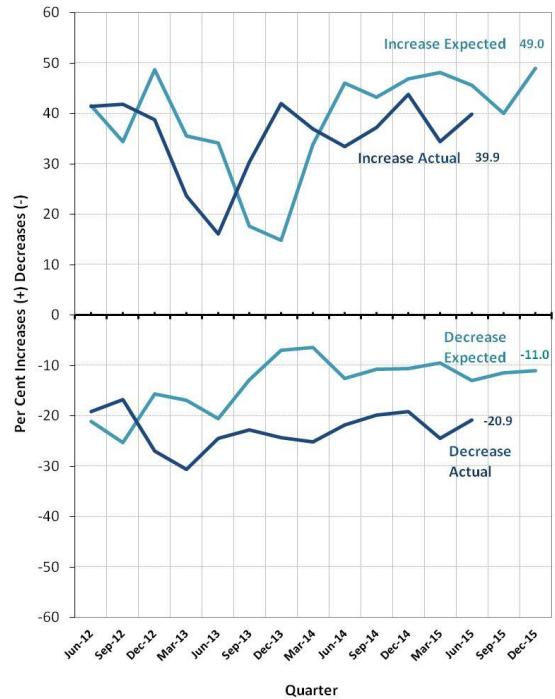
49.0 per cent of businesses expect an increase in their sales, while 11.0 per cent forecast a decrease, compared to the same time last year.

### Actual performance

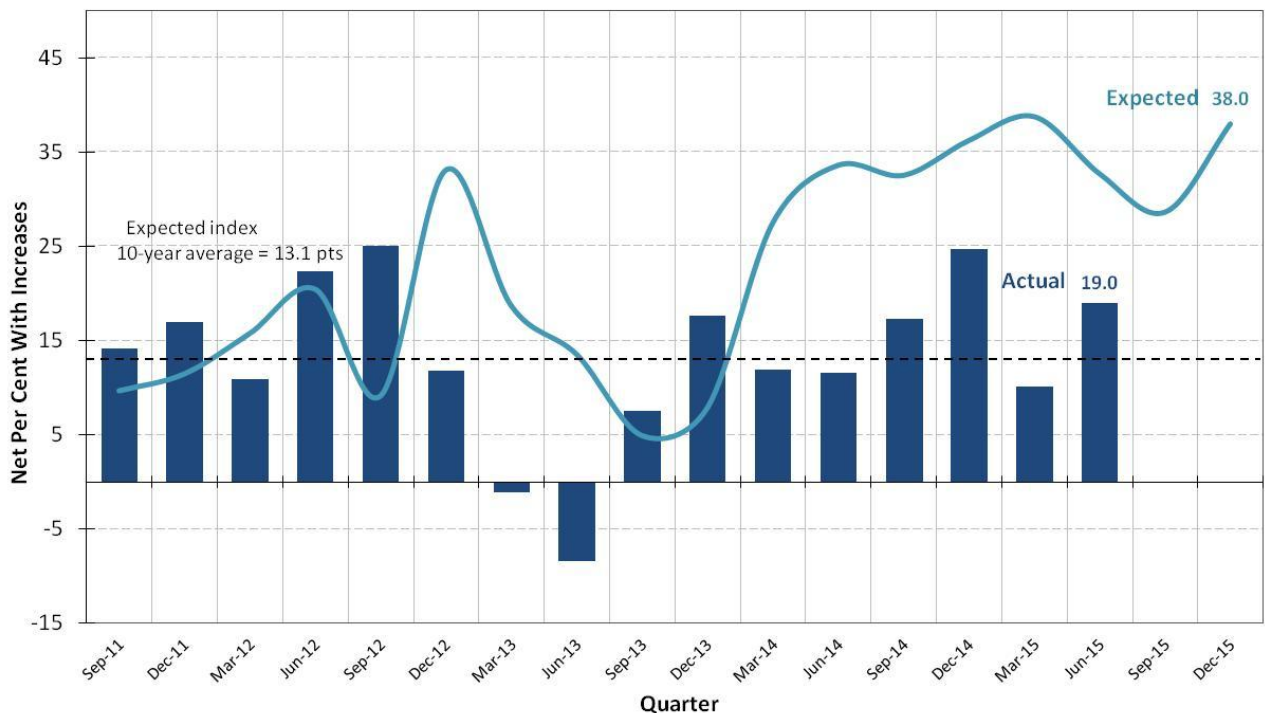
The Actual Sales Index for the second quarter of 2015 is 19.0 points, up from 10.1 points in the previous quarter and 11.6 points a year earlier.

39.9 per cent of firms reported increased sales in the June quarter and 20.9 per cent had decreased sales compared to the previous year.

Sales: D&B Indexes  
Component Responses



Sales: D&B Index Sep Qtr 2011 to Dec Qtr 2015





## Profits outlook

(Quarterly Net Index) (22.9 points, up from 15.9)

The positive and negative components of the D&B net indexes are shown in the adjacent chart.

### Expectations

The outlook for profits in the December 2015 quarter is an index of 22.9 points, up from 15.9 points in the previous quarter and 21.3 points last year.

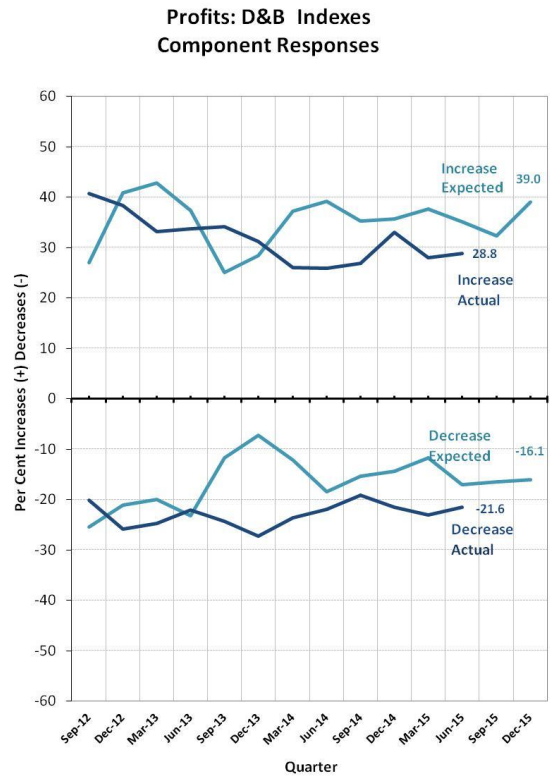
The outlook for profits is 17.1 points above the 10-year average index of 6.8.

39.0 per cent of businesses expect an increase in their profits during the quarter ahead, while 16.1 per cent forecast a decrease, compared to last year.

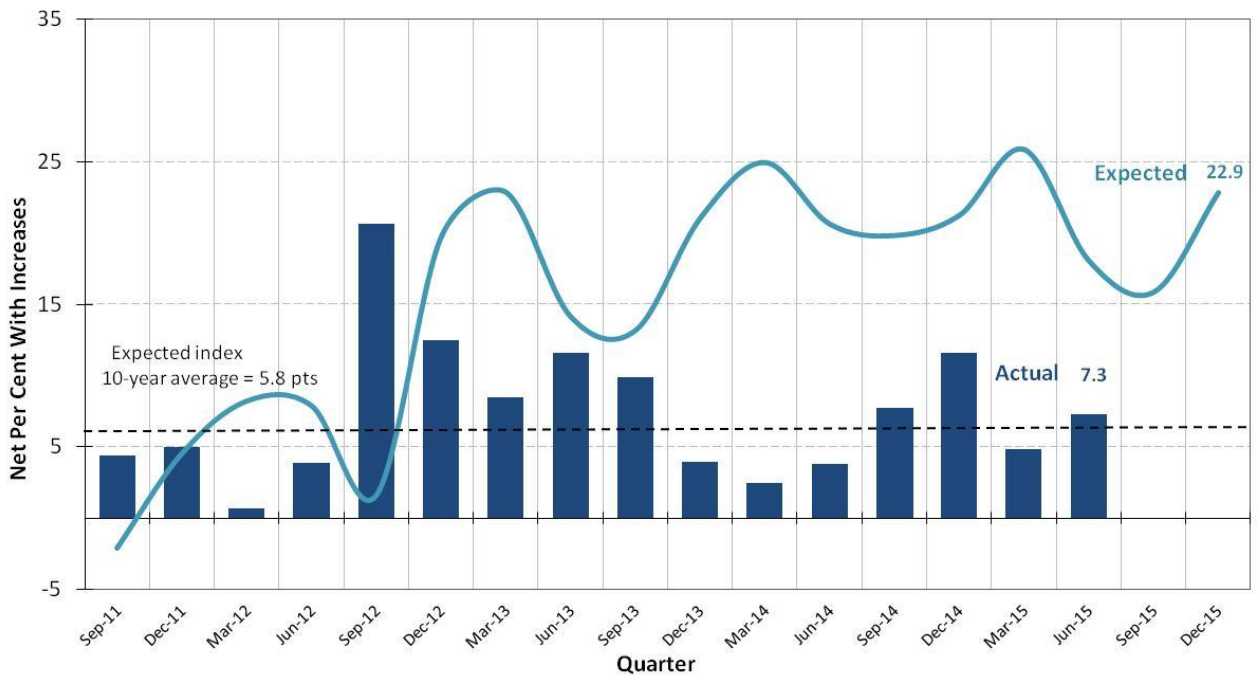
### Actual performance

The actual profits index for the December 2015 quarter is 7.3 points, up from 4.8 points in the previous quarter and above the 3.8 points recorded a year earlier.

28.8 per cent of businesses increased their profits, while 21.6 per cent experienced a decrease.



## Profits: D&B Index Sep Qtr 2011 to Dec Qtr 2015





## Employment outlook

(Quarterly Net Index) (14.5 points, up from 11.7)

The positive and negative components of the D&B net indexes are shown in the adjacent chart.

### Expectations

The employment outlook for the December quarter 2015 has increased to 14.5 points, up from 11.7 points in the previous quarter and 13.2 points a year earlier.

The outlook for employment is 12.5 points above the 10-year average index of 2.0.

Some 23.5 per cent of executives expect to employ more staff compared to a year ago, while 9.0 per cent expect to decrease their staff numbers.

### Actual performance

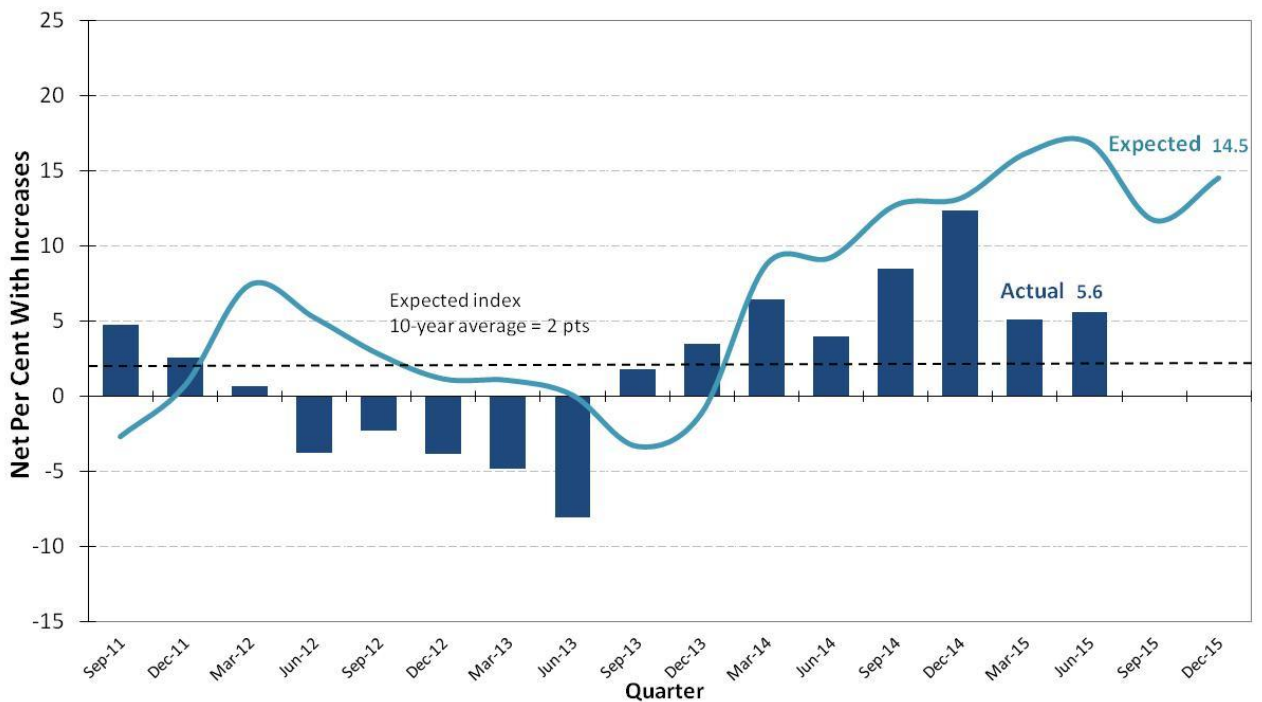
In the June quarter 2015, 21.2 per cent of businesses hired new staff, compared to the 15.6 per cent that reduced their employment levels.

At 5.6 points, the actual employment index is up from the 5.1 points last quarter and the 4.0 points recorded at the same time last year.

Employees: D&B Indexes  
Component Responses



Employment: D&B index Sep Qtr 2011 to Dec Qtr 2015







## Capital Investment outlook

(Quarterly Net Index) (11.9 points, down from 12.8)

The positive and negative components of the D&B indexes are shown in the adjacent chart.

### Expectations

The capital investment outlook for the December quarter 2015 is 11.9 points, down from 12.8 in the previous quarter and up from 10.4 points last year

The outlook for capital investment is 6.5 points above the 10-year average index of 5.4.

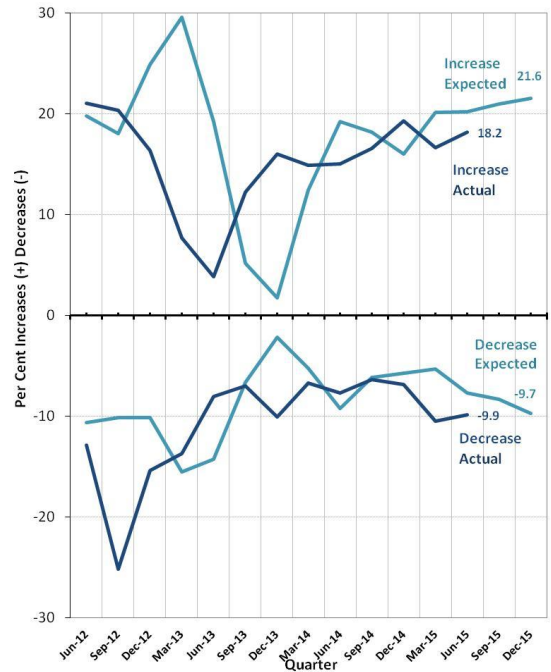
While 21.6 per cent of businesses expect an increase in their investment level, 9.7 per cent forecast a decrease compared with a year earlier.

### Actual performance

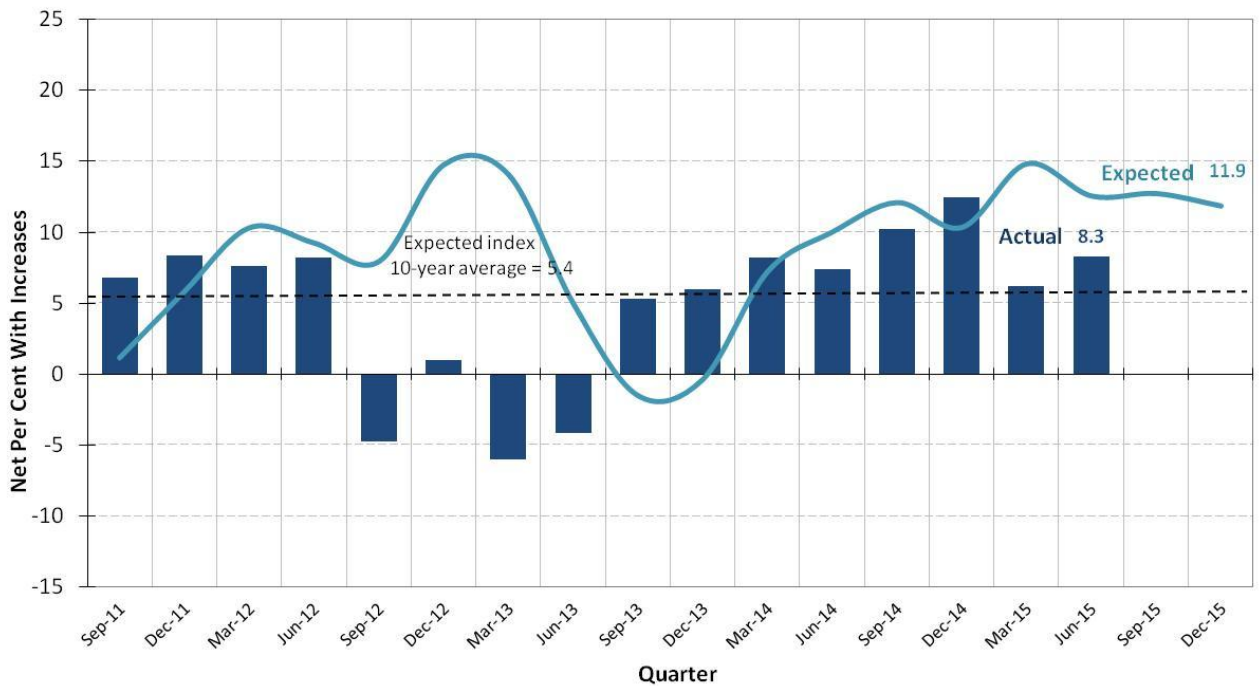
For the June quarter 2015, the actual index for investment is 8.3 points, up from 6.2 in the previous quarter and 7.4 a year ago.

18.2 per cent of firms increased their capital investment in the June quarter, while 9.9 per cent decreased capital spending.

Capital Investment: D&B Indexes  
Component Responses



Capital Investment: D&B Index Sep Qtr 2011 to Dec Qtr 2015





## Selling Prices outlook

(Quarterly Net Index) (16.2 points, up from 14.5)

The positive and negative components of the D&B net indexes are shown in the adjacent chart.

### Expectations

The Selling Prices Expectations Index for the December quarter 2015 is 16.2 points, up from 14.5 points in the previous quarter and down from the 17.5 points recorded a year earlier.

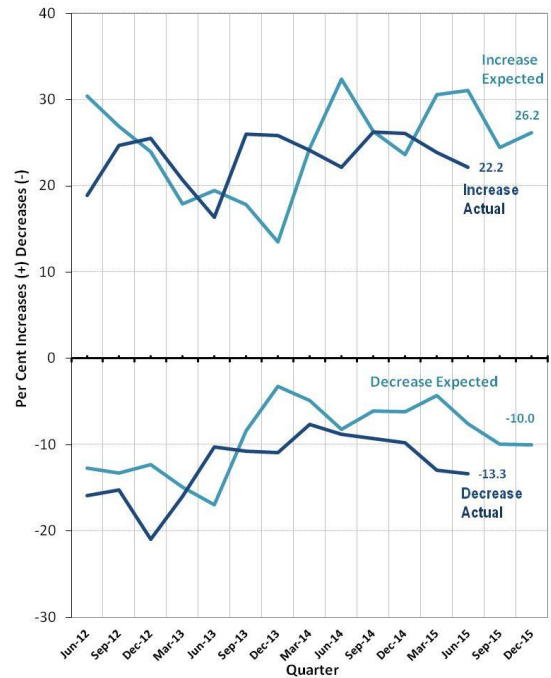
The proportion of firms expecting to have higher selling prices in the quarter ahead is 26.2 per cent, with 10 per cent expecting to have lower prices.

### Actual performance

At 8.9 points, the actual Selling Prices Index for the June 2015 quarter is down from 10.9 points in the previous quarter and 13.4 points last year.

22.2 per cent of businesses increased the level of their selling prices, while 13.3 per cent had decreased, compared to the same time the previous year.

Selling Prices: D&B Indexes  
Component Responses



Selling Prices: D&B Index Sep Qtr 2011 to Dec Qtr 2015

