



EMBARGOED – 1:00 am, Tuesday 5 April 2016

BUSINESS SENTIMENT CONTINUES FALL

The results from Dun & Bradstreet's March *Business Expectations Survey* have highlighted a second consecutive decline in expectations, with businesses issuing subdued forecasts for the three-month period to June 2016, despite reporting an improved actual performance over the previous quarter.

Dun & Bradstreet's Business Expectations Index, the average of the survey's measures of Sales, Profits, Employment and Capital Investment, has fallen to 12.7 points for the second quarter of 2016, down 6.2 points from 18.9 points for Q1 2016, and a fall of 7.4 points from 20.1 points for Q2 2015. Nonetheless, it is significantly higher than the 10-year average of 7.0 points.

All Expectations Indices – Sales, Employment, Profit, Capital Investment and Selling Prices – declined over the period. In contrast, the Actuals Index, which measures results from Q4 2015, has improved from 11.0 points to 12.7 points. As the final Index for the quarter, the report draws data from surveys undertaken over January, February and March 2016.



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

Head of Group Development for Dun & Bradstreet, Adam Siddique, stated that the credit data bureau's view is that the downward trend in expectations was cause for concern rather than alarm. "While two consecutive quarters of declining survey results clearly shows that businesses are realigning their trading expectations down from the highs of 2015, we aren't observing widespread evidence that supports an overly gloomy outlook," he said.

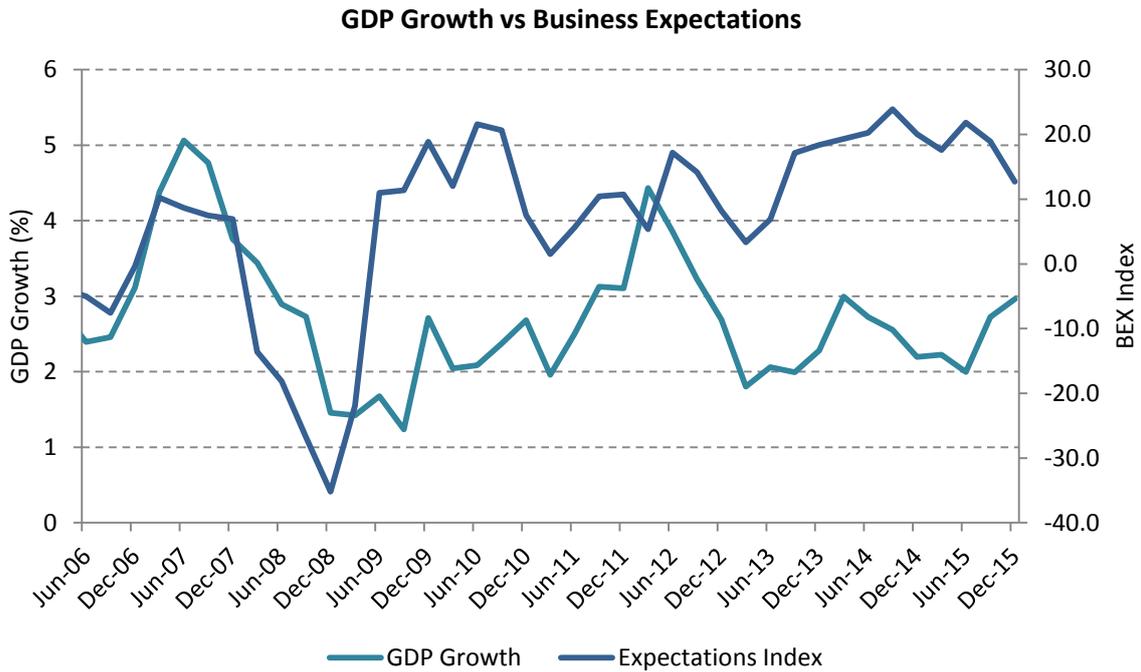
"Upcoming leading-indicator releases from the ABS, such as building approvals, will be pivotal in adding weight to any strong change in economic sentiment," Mr Siddique added.

According to Stephen Koukoulas, Economic Advisor to Dun & Bradstreet: "The latest business expectations data has cast a shadow over what had been a period of stronger economic performance. There has been a fall in each of the components of the Index, with the overall Business Expectations Index slipping to its lowest level in over two years.

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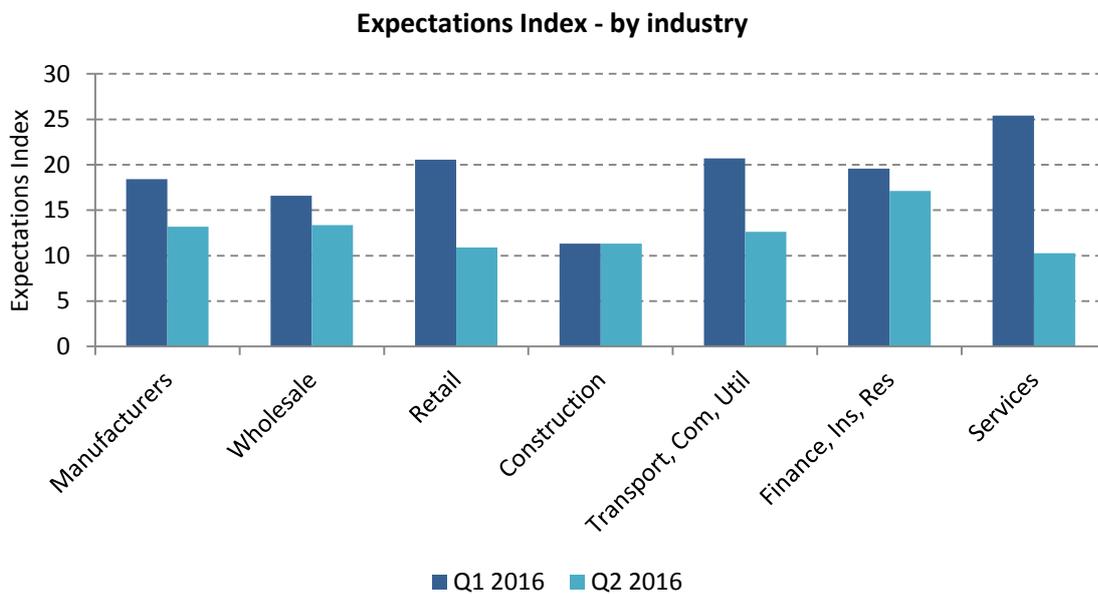


“The BEI is consistent with GDP growth of around 2.5 per cent, which is a little weaker than the 3 per cent growth rate recorded in the year to the end of 2015,” Mr Koukoulas noted.



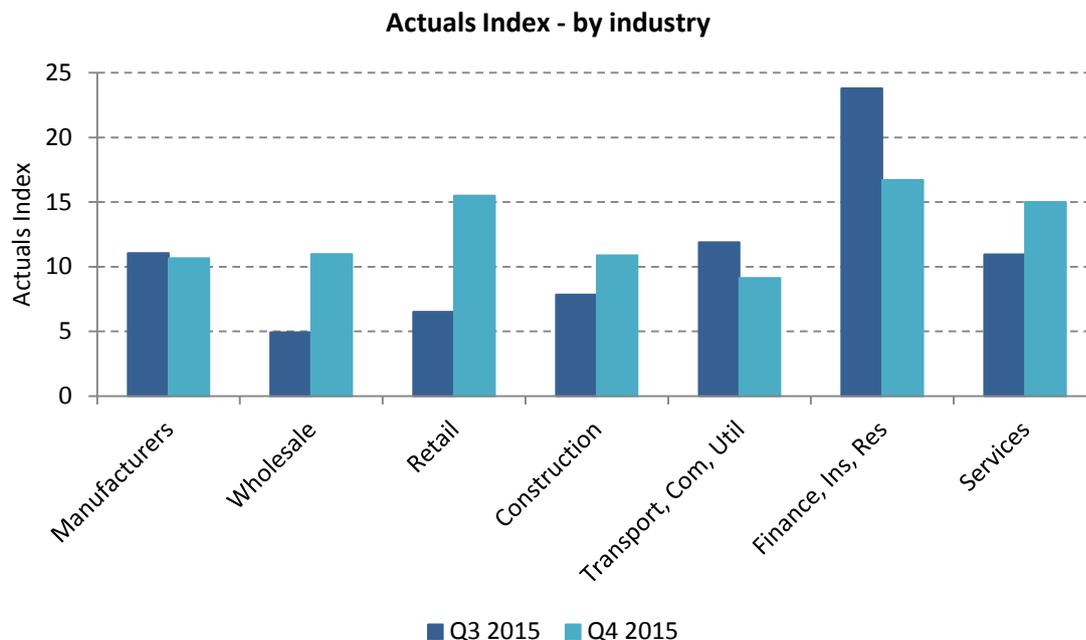
Mr Koukoulas added: “It is difficult to pinpoint why businesses are reporting a souring in the business expectations climate, other than perhaps the issues that may be thrown up in the looming federal election and ongoing uncertainty surrounding global economic conditions, especially in China.”

The survey revealed particularly pessimistic forecasts from the Retail and Services sectors, both of which reported sharp declines in expectations for the upcoming quarter. Based on the latest data, the Retail sector reported a 47.1% decline in expectations for Q2 2016, compared with Q1 2016, while the Services sector’s expectations more than halved. The only sector which did not report a decline over the month was the Construction sector, with expectations remaining unchanged compared with the previous quarter.





Despite the pessimistic Expectations data, however, businesses reported a stronger actual performance over the previous quarter (Q4 2015), with the result marking the Actuals Index's third consecutive increase. The Wholesale, Retail, Construction and Services sectors all reported strong increases in their Actuals Indices. In particular, the Retail sector saw strong sales growth over the quarter, with the Actual Sales Index more than doubling from 12.7 in Q3 2015 to 29.4 in Q4. This marks a sharp contrast with data from the latest Expected Sales Index in the sector, which nearly halved from 20.6 points to 10.9 points.



Despite these improvements, some negative sentiments were seen in the Manufacturing sector, as well as the Transport, Communication and Utilities sector, both of which saw slight declines in their Actuals Indices, while the Finance, Insurance and Real Estate sector's Actuals Index fell significantly, from 23.8 points to 16.7 points.

“While it is not yet time to be too concerned about the slide in expectations, any further deterioration in the months ahead would present challenges for the economy and would result in the need to recast our assessment of the state of the business landscape,” Mr Koukoulas noted.

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The latest D&B Business Expectations Survey shows:

Expectations index for the June quarter 2016:

- The **Employment** Expectations Index has decreased to 8.3 points, down from 12.0 points in the previous quarter and 16.8 points a year ago.
- The **Sales** Expectations Index has dropped to 23.6 points, down from 32.7 points in the previous quarter and 32.7 points a year ago.
- **Profits** expectations for the quarter have fallen to 10.2 points, compared to 18.5 points in the previous quarter and 18.1 points at the same time last year.
- Plans for **Capital Investment** are also down, with the index at 8.7 points, from 12.6 points in the previous quarter and 12.6 points in Q2 2015.
- The **Selling Prices** Expectations Index has decreased to 13.7 points, down from 15.1 points in the previous quarter and 23.5 points at the same time last year.

Issues expected to influence operations in the June quarter 2016:

- 61.0 per cent of businesses are **more optimistic** about growth in the next 12 months compared to 2015, while 30.2 per cent are less optimistic and 8.8 per cent are undecided.
- **Consumer confidence** (42.3 per cent) is identified as the issue most likely to influence business operations in the next quarter, followed by **the level of the Australian dollar** (12.3%) and **cash flow** (11.4%)
- 22.5 per cent of businesses see **weak demand for their products and services** as the biggest barrier to growth in the year ahead, while 14.7 per cent see **a shortage of skilled labour** as the biggest barrier.
- 38.2 per cent of businesses reported having a customer or supplier that became **insolvent**, or was otherwise unable to pay them in the past year.
- 51.2 per cent of businesses would choose to miss payments to **trade suppliers** if unable to pay all their bills on time, followed by a **business credit card** (16.8 per cent).
- 25.9 per cent of businesses would prefer a **higher Australian dollar** and 15.7 per cent a **lower dollar**, while 54.1 per cent think that **it doesn't matter**. 4.3 per cent are unsure.
- 15.2 per cent of businesses intend to seek **finance** or **new credit** in the quarter ahead to help their business grow, while 78.8 per cent will not, and 6 per cent are undecided.

Actual results reported for the December quarter 2015:

- **Actual employment** for the December quarter was up significantly, with the index at 8.5 points, compared to 5.5 points in the previous quarter, but down from 12.4 points last year.
- **Sales** activity was up at 22.4 points, compared to 19.1 points in the previous quarter, but down from 24.7 points last year.
- The **Actual Profits Index** decreased from 8.5 points in Q3 2015 to 8.0 points, and 11.6 points recorded at the same time last year.
- **Capital Investment** activity increased to 11.9 points, up from 10.8 points in the previous quarter, but down from 12.5 points last year.
- **Selling prices** were down slightly, with the index at 11.2 points compared to 13.3 points in the previous quarter and 16.4 points last year.

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 final indexes for the latest quarters are based on approximately 1,200 responses obtained during January, February and March 2016.

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 six to 10 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 six to 10.

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Sales outlook

(Quarterly Net Index) (23.6 points, down from 32.7)

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

Expectations

The June quarter 2016 Sales Expectations Index is 23.6 points, down from 32.7 points in the previous quarter and 32.7 points in the year prior.

The index is now 9.6 points above its 10-year average of 14.0 points.

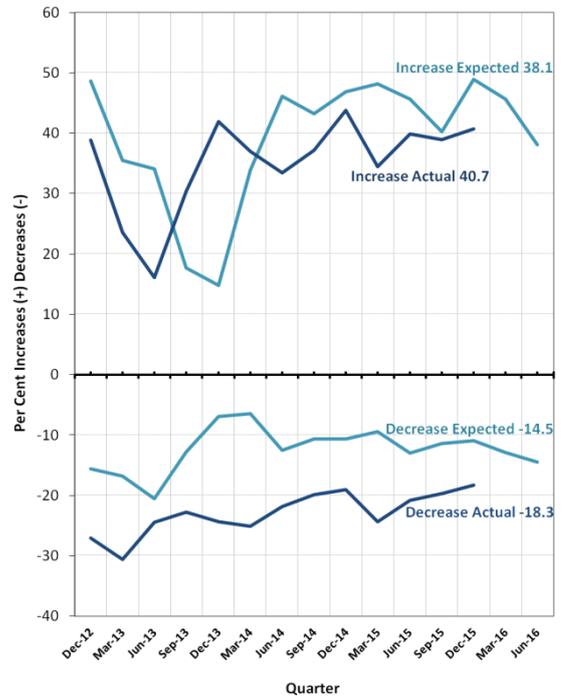
38.1 per cent of businesses expect an increase in their sales, while 14.5 per cent forecast a decrease, compared to the same time last year.

Actual performance

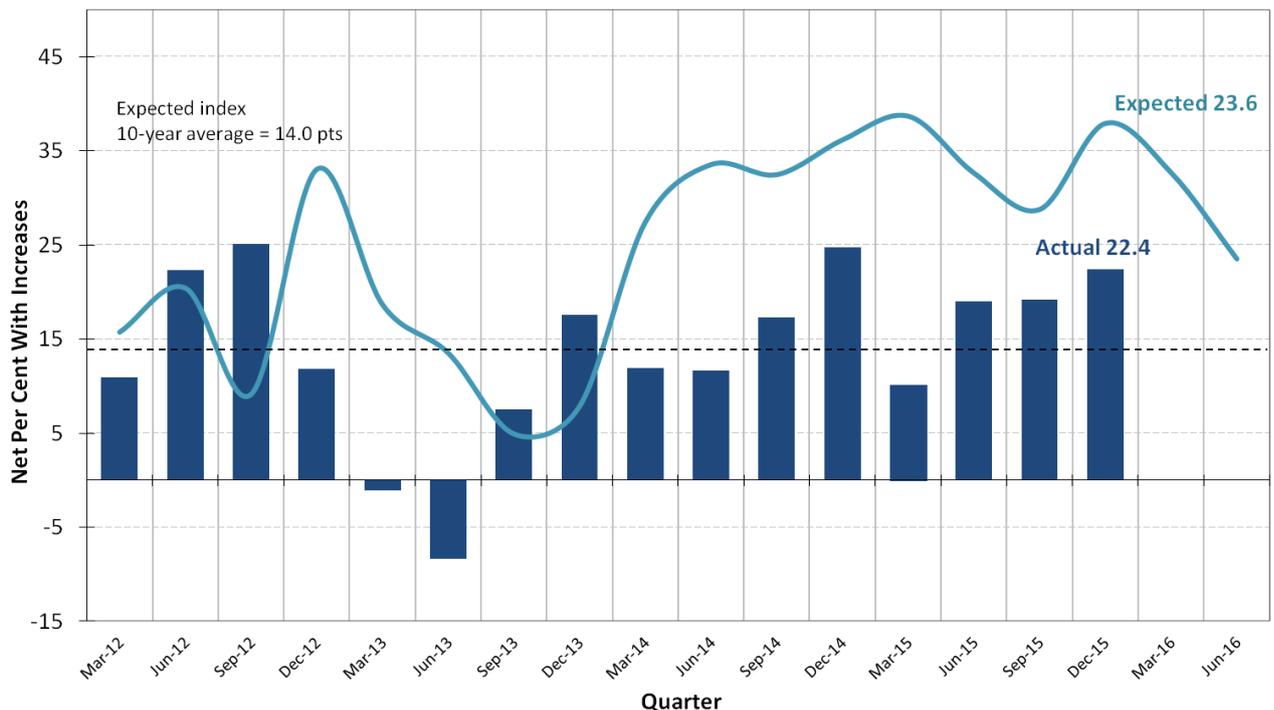
The Actual Sales Index for the fourth quarter of 2015 is 22.4 points, up from 19.1 points in the previous quarter but down from 24.7 points a year earlier.

40.7 per cent of firms reported increased sales in the September quarter and 18.3 per cent had decreased sales compared to the previous year.

Sales: D&B Indexes
Component Responses



Sales: D&B Index Mar Qtr 2012 to Jun Qtr 2016





Profits outlook

(Quarterly Net Index) (10.2 points, down from 18.5)

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

Expectations

The outlook for profits in the June 2016 quarter is an index of 10.2 points, down from 18.5 points in the previous quarter and 18.1 points last year.

The outlook for profits is 4.7 points above the 10-year average index of 5.5 points.

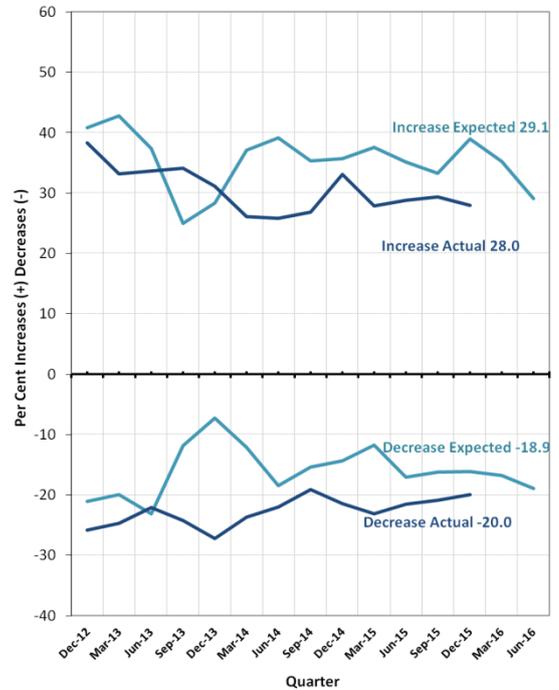
29.1 per cent of businesses expect an increase in their profits during the quarter ahead, while 18.9 per cent forecast a decrease, compared to last year.

Actual performance

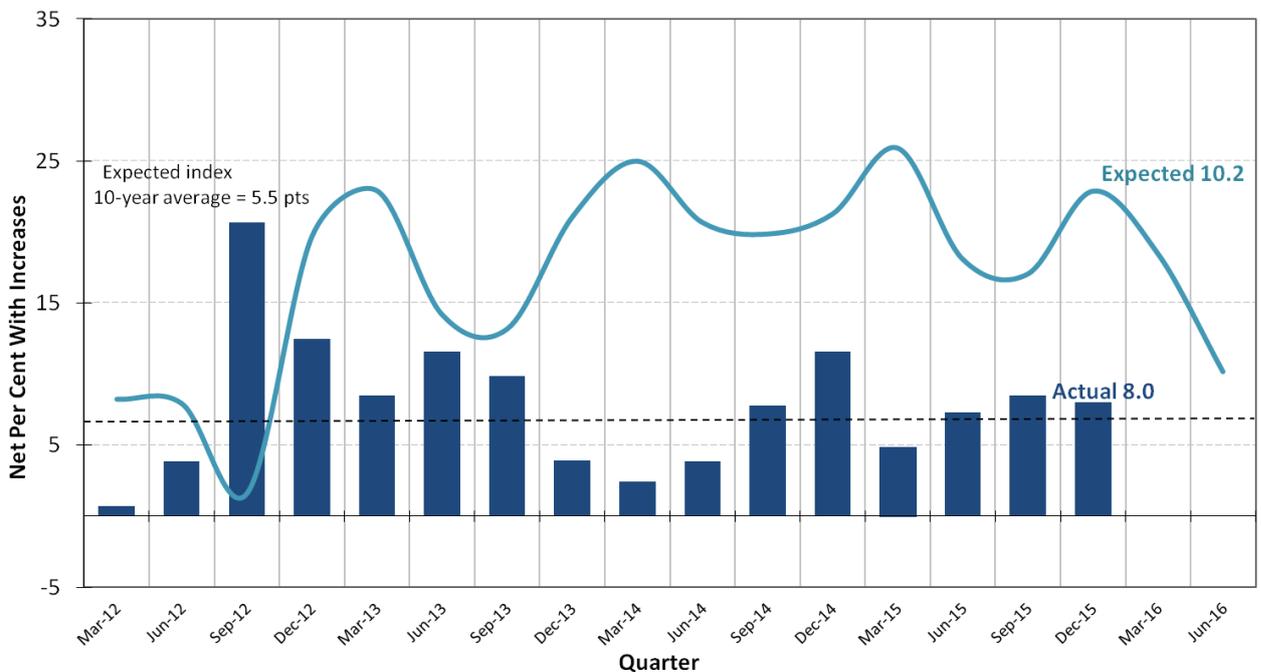
The Actual Profits Index for the December 2015 quarter is 8.0 points, down from 8.5 points in the previous quarter and 11.6 points recorded a year earlier.

28.0 per cent of businesses increased their profits, while 20.0 per cent experienced a decrease.

Profits: D&B Indexes
Component Responses



Profits: D&B Index Mar Qtr 2012 to Jun Qtr 2016





Employment outlook

(Quarterly Net Index) (8.3 points, down from 12.0)

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

Expectations

The employment outlook for the June quarter 2016 has decreased to 8.3 points, down from 12.0 points in the previous quarter and 16.8 points a year earlier.

The outlook for employment is 6.1 points above the 10-year average index of 2.2 points.

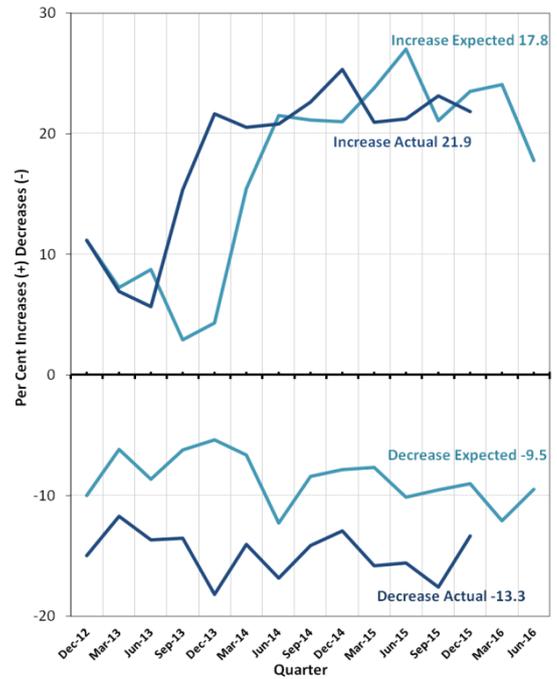
Some 17.8 per cent of executives expect to employ more staff compared to a year ago, while 9.5 per cent expect to decrease their staff numbers.

Actual performance

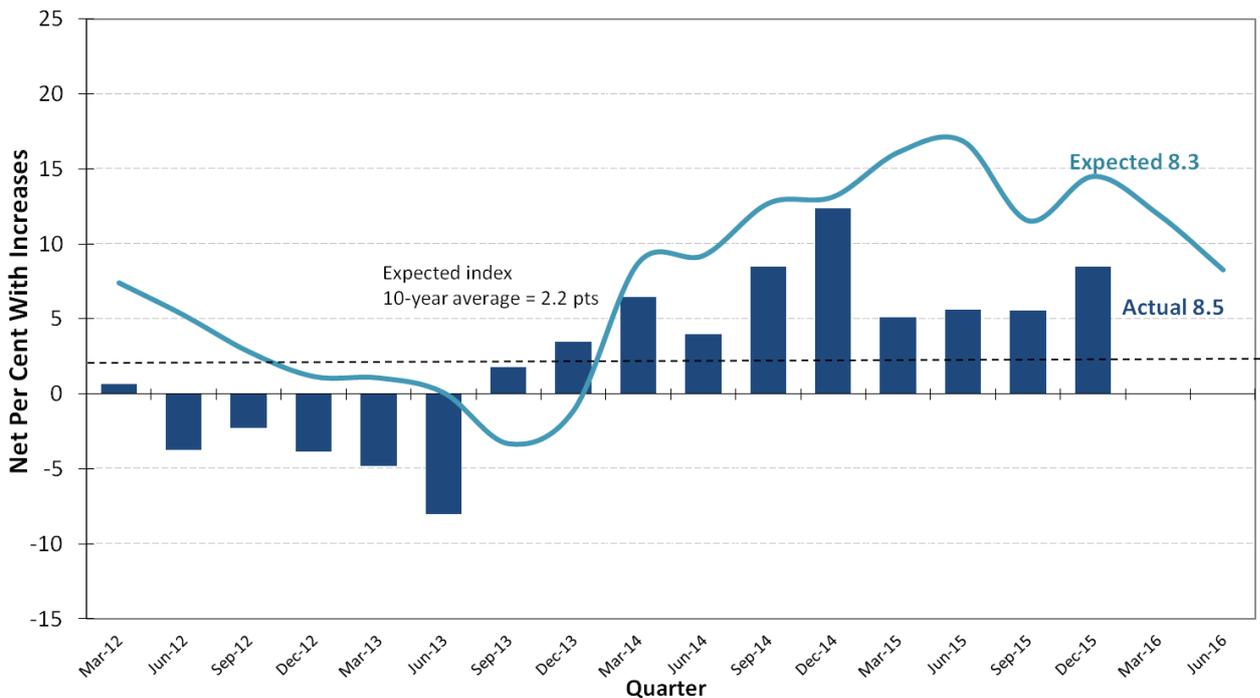
The Actual Employment Index for the December 2015 quarter is 8.5 points, up from 5.5 points in the previous quarter but down from 12.4 points a year earlier.

In the December quarter 2015, 21.9 per cent of businesses hired new staff, compared to the 13.3 per cent that reduced their employment levels.

Employees: D&B Indexes
Component Responses



Employment: D&B index Mar Qtr 2012 to Jun Qtr 2016





Capital Investment outlook

(Quarterly Net Index) (8.7 points, down from 12.6)

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

Expectations

The capital investment outlook for the June quarter 2016 is 8.7 points, down from 12.6 in the previous quarter and 12.6 points last year.

The outlook for capital investment is 2.6 points above the 10-year average index of 6.1 points.

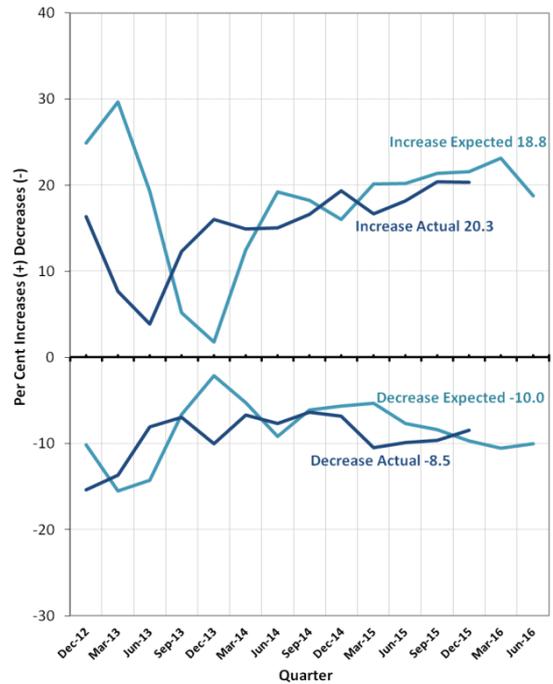
While 18.8 per cent of businesses expect an increase in their investment level, 10.0 per cent forecast a decrease compared with a year earlier.

Actual performance

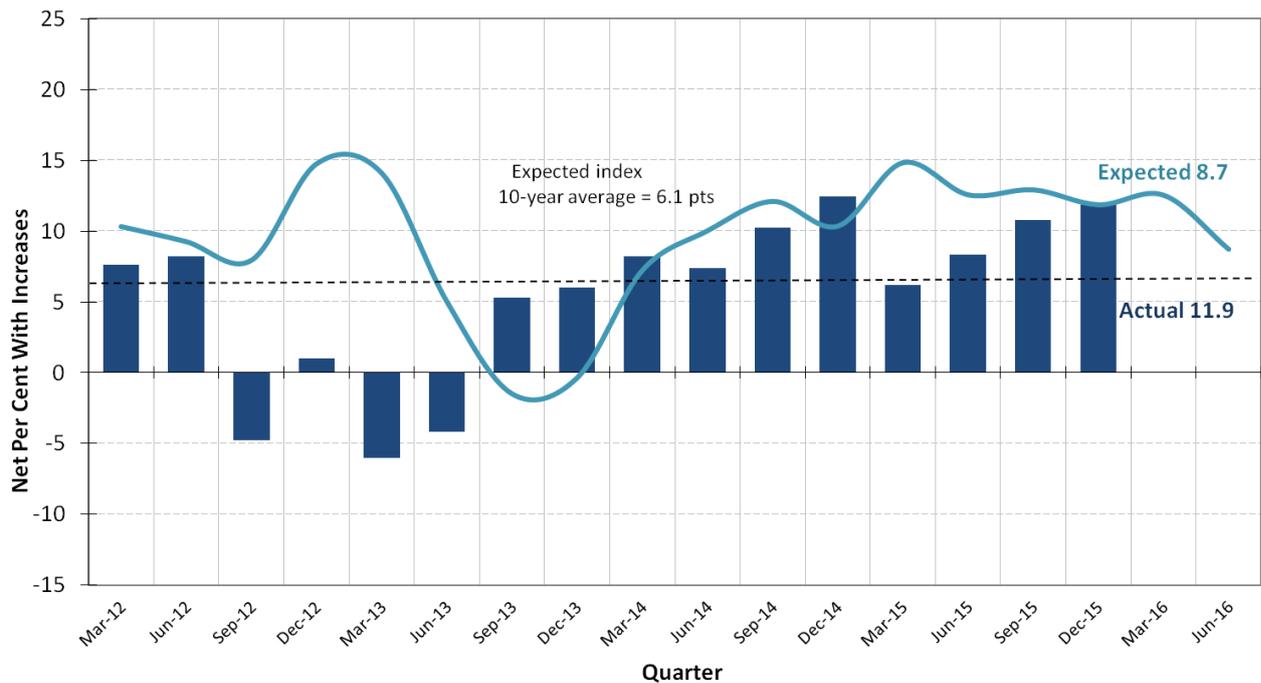
For the December quarter 2015, the actual index for investment is 11.9 points, up from 10.8 in the previous quarter but down from 12.5 a year ago.

20.3 per cent of firms increased their capital investment in the December quarter, while 8.5 per cent decreased capital spending.

Capital Investment: D&B Indexes
Component Responses



Capital Investment: D&B Index Mar Qtr 2012 to Jun Qtr 2016





Selling Prices outlook

(Quarterly Net Index) (13.7 points, up from 15.1)

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 June quarter 2016 is 13.7 points, down from 15.1 points in the previous quarter and 23.5 points recorded a year earlier.

The outlook for selling prices is 14.1 points lower than the 10-year average of 27.8 points.

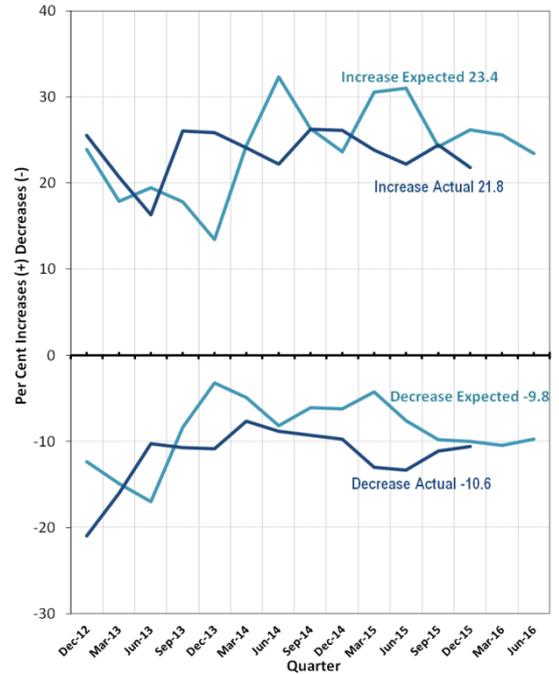
The proportion of firms expecting to have higher selling prices in the quarter ahead is 23.4 per cent, with 9.8 per cent expecting to have lower prices.

Actual performance

At 11.2 points, the actual Selling Prices Index for the December 2015 quarter is down from 13.3 points in the previous quarter and 16.4 points last year.

21.8 per cent of businesses increased the level of their selling prices, while 10.6 per cent had decreased, compared to the same time the previous year.

Selling Prices: D&B Indexes
Component Responses



Selling Prices: D&B Index Mar Qtr 2012 to Jun Qtr 2016

