EMBARGOED: 1.00am, Tuesday 5 November 2013

MEDIA RELEASE

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EARNINGS OUTLOOK HITS 10-YEAR HIGH

New Year set to boost business activity

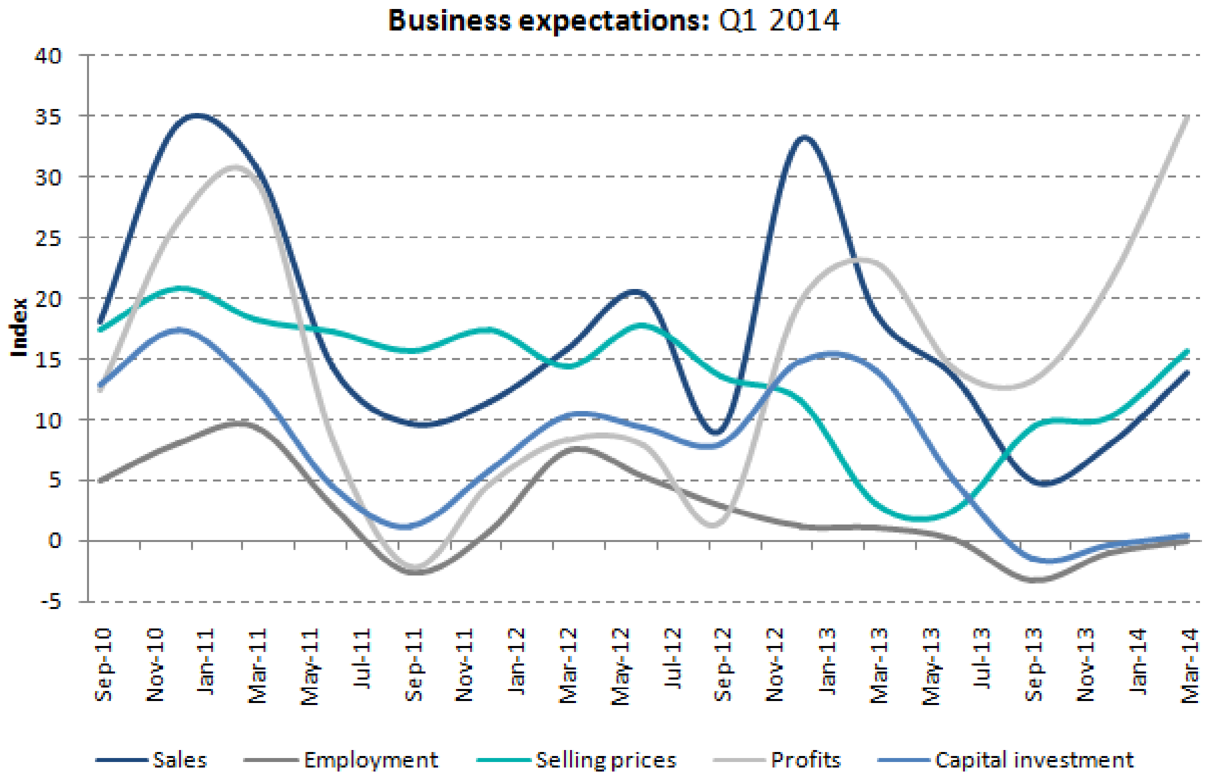
Company profit expectations have reached their highest level since 2003, with Australian businesses anticipating a jump in takings in the New Year on the back of stronger sales and firming selling prices.

Continuing initial positive forecasts for the lead-up to Christmas, Dun & Bradstreet's *Business Expectations Survey* shows that 36 per cent of companies expect to increase their earnings during Q1 2014. This response has taken the survey's profits index to a 10-year high of 34.9 points, up from 21.1 in the previous quarter and 22.9 at the same time last year.

After remaining downbeat through much of 2013, the business outlook appears to have turned a corner, with profit and sales expectations lifting for consecutive quarters while employment and investment intentions have stabilised.

The sales expectations index for the first quarter of the New Year has risen to 13.9 points, its highest level in 12-months, with 16 per cent of businesses anticipating increased activity while just two per cent expect weaker trade.

Further supporting healthier profit margins, 18 per cent of businesses plan to raise the prices of their goods and services in Q1 2014, compared to just two per cent that will discount. This result has taken D&B's selling prices index up to 15.6 points, its highest level since mid-2012. With official figures showing that the underlying rate of inflation increased at an annual rate of 2.8 per cent in the September quarter this year, which was above expectations, policymakers will be watchful for future gains in the selling prices index.



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"Although these are still early days, there's a clear shift in the near-term optimism of businesses," said Gareth Jones, CEO of Dun & Bradstreet.

"In recent years we've see a temporary improvement in the run towards Christmas, so it's encouraging to see that the business outlook into early 2014 isn't tailing off – indeed, there's a big lift when it comes to profit expectations and a strengthening in the forecast for sales.

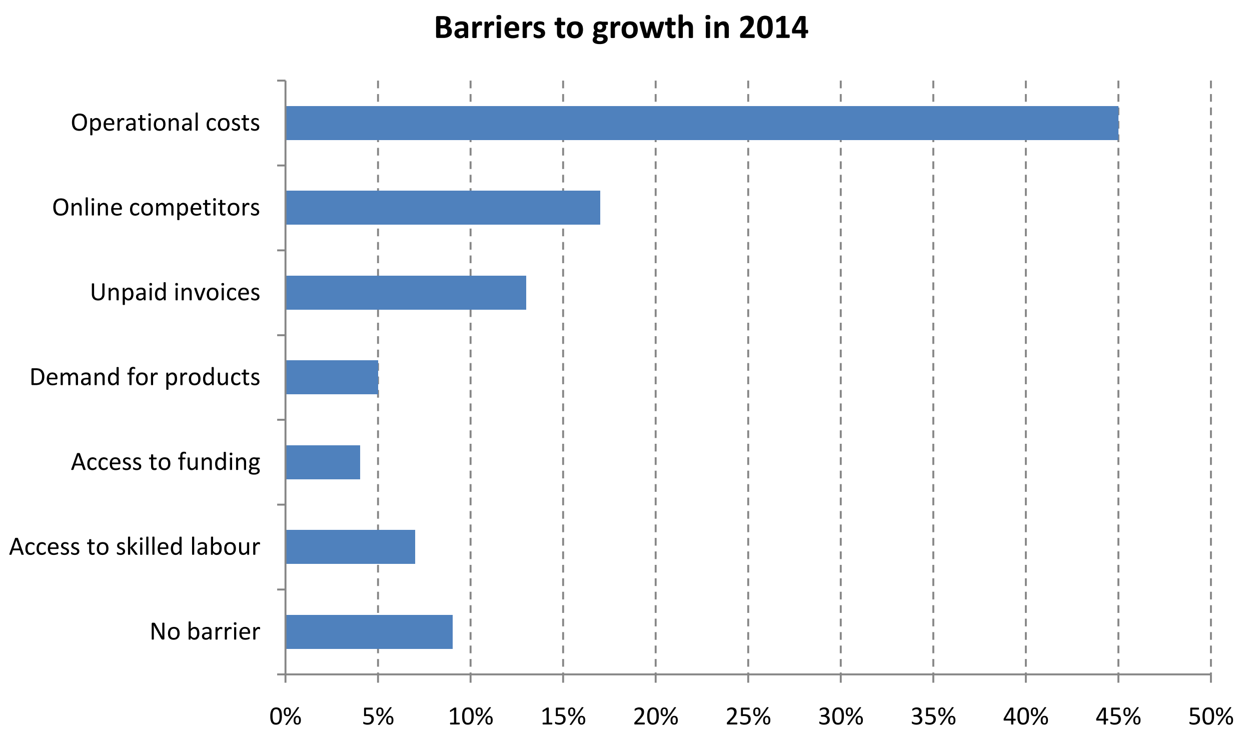
"We've recently seen the effect of rate cuts on consumer confidence levels through a rebounding property and sharemarket, and it now appears we're seeing that same positive impact finally filter through to the business sector.

"It appears that the missing pieces for a sustained improvement now lie with credit, investment and employment activity," Mr Jones added.

D&B's *Business Expectations Survey* has found that only eight per cent of companies intend to access new finance to grow their operations; an indication that the defensive approach adopted by many businesses this year still prevails. These findings follow official numbers from the Reserve Bank of Australia that show September business credit fell by 0.1 per cent.

With businesses still focusing on core operations over expansion, D&B's survey has found that investment plans are low and relatively unchanged from the previous quarter. D&B's capital investment index has moved marginally from -0.4 points to 0.5 points, with just one per cent of businesses intending to increase spending. Meanwhile, despite lifting slightly, the employment index is -0.1 points for Q1 2014, its third consecutive quarter below zero as only two per cent of executives plan to hire new staff.

In further evidence that caution remains despite an improving business outlook, businesses are split on whether 2014 will be a more prosperous than 2013. While 36 per cent of businesses are more optimistic about growth, the same percentage is less optimistic, with 28 per cent of respondents undecided. The issues most expected to impact growth in 2014 are operating costs, online trading of competitors and unpaid invoices.



In the near-term, however, the business sector is showing renewed confidence about its trading performance as domestic and international economic conditions stabilise.

"The business expectations results are unambiguously good news for the economy," said Stephen Koukoulas, Economic Advisor to Dun & Bradstreet.

"There is a clear and quite unmistakable broadening and quickening in the optimism from the business community with low interest rates, a lower Australian dollar and perhaps some post-election optimism encouraging the business sector to ramp up its outlook for profits, sales and selling prices in particular.

"If this more optimistic tone from businesses is sustained deeper into the New Year, economic growth in Australia will be on track to easily exceed three per cent.

"Meanwhile, the results on expected selling prices suggest that an acceleration in inflation is possible during the next few quarters," Mr Koukoulas added.

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

Outlook for the March quarter 2014

- The employment expectations index has increased slightly, but remains in negative territory at -0.1 points.
- The sales index has risen to 13.9 points, up from 7.9 points in the previous quarter.
- Profit expectations for the quarter ahead have lifted, with the index increasing from 21.1 points to 34.9 points.
- Plans for capital investment have increased slightly compared to the previous quarter, easing up to an index of 0.5 points from -0.4 points.
- The selling prices index has risen for a third consecutive quarter, up to 15.6 points from 10.2 points in the quarter previous.

Issues expected to influence operations in the March quarter 2014

- 36 per cent of businesses are more optimistic about growth in 2014 compared to 2013, while an equal 36 per cent are less optimistic. Twenty-eight per cent are undecided.
- Cash flow is identified as the biggest barrier to growth (29 per cent), followed by fuel costs (23 per cent) and interest rates (13 per cent).
- 45 per cent of businesses have had customers or suppliers that became insolvent, or were otherwise unable to pay them, during 2013.
- 12 per cent of businesses hold concerns about the potential for online scams or fraud to impact their operations.
- 59 per cent of businesses expect no impact from the level of the Australian dollar, while seven per cent expect a small positive impact and 21 per cent a significant positive impact.
- 73 per cent of businesses do not intend to seek finance or new credit in the quarter ahead to help their business grow, while eight per cent will.

Actual results for the September quarter 2013

- Although actual employment levels increased from -8.3 points in Q2 to -5 points, the index has now been in negative territory for six consecutive quarters.
- Sales activity improved, with the index rising to -3.8 points from -8.3 points in the previous quarter.
- Profits rose significantly in Q3 to 24.7 points, up from 11.6 points in the previous quarter.
- Capital investment activity stabilised, lifting from -4.2 points to 0.3 points quarter-on-quarter.
- Selling prices surged during the June quarter, rising from 6.1 points to 19.5 points.

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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.

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 initial indexes for the latest quarters are based on the 408 responses obtained during October 2013.

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.

About Dun &Bradstreet

Established in 1887, Dun & Bradstreet is Australia and New Zealand's oldest 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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Sales outlook

(Quarterly Net Index) (Up from 7.9 points to 13.9)

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

Expectations

The March quarter 2014 sales expectations index is 13.9 points, up from 7.9 for the December quarter 2013.

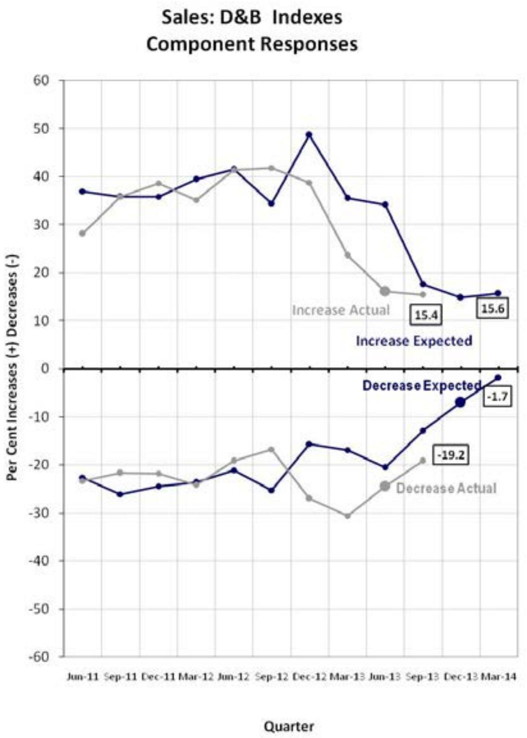
The index is now above its 10-year average of 11 points.

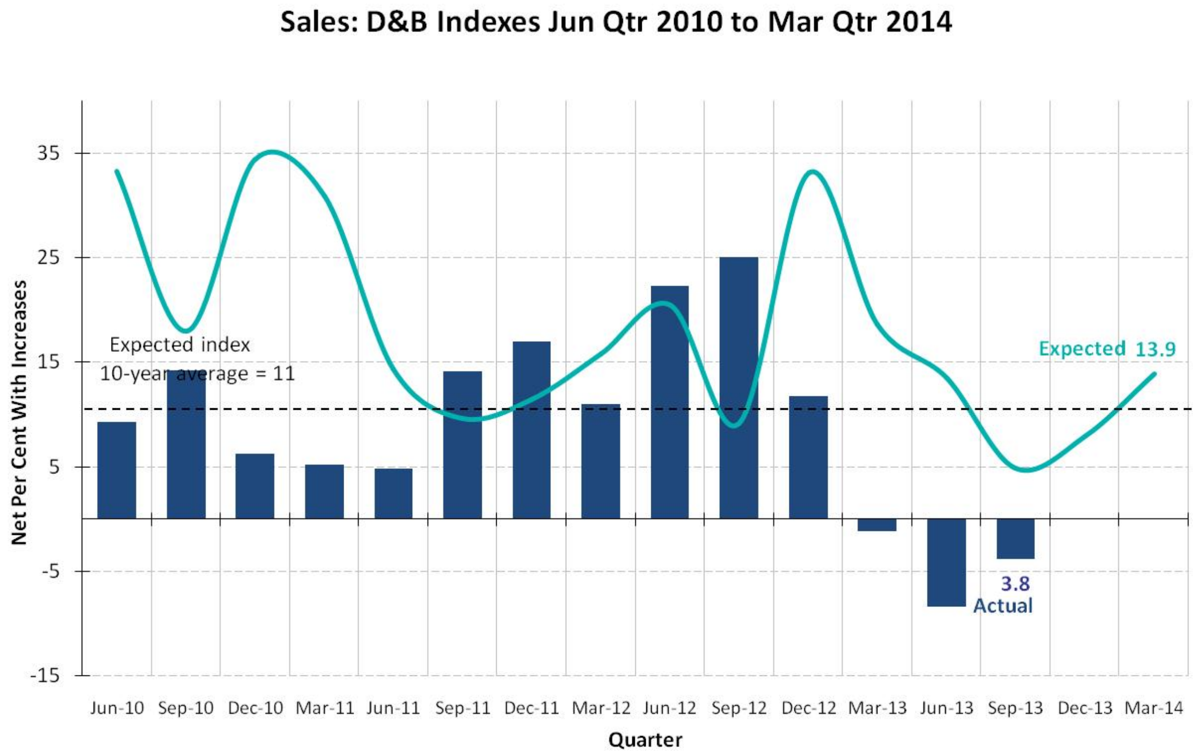
15.6 per cent of businesses expect an increase in their sales, while 1.7 per cent forecast a decrease, compared to the previous time last year.

Actual performance

The actual sales index for the September quarter is -3.8 points, an increase from -8.3 points in the previous quarter.

15.4 per cent of firms increased their sales in the September quarter and 19.2 per cent had decreased sales compared to the previous year.





Profits outlook

(Quarterly Net Index) (Up from 21.1 points to 34.9)

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

Expectations

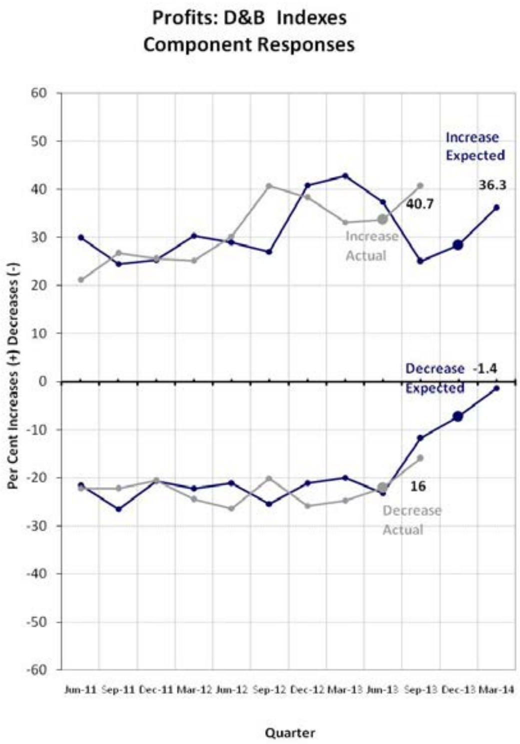
The outlook for profits in the March 2014 quarter is an index of 34.9 points, an increase from 21.1 points in the previous quarter. The outlook for profits is 29.9 points above the 10-year average index of 5.

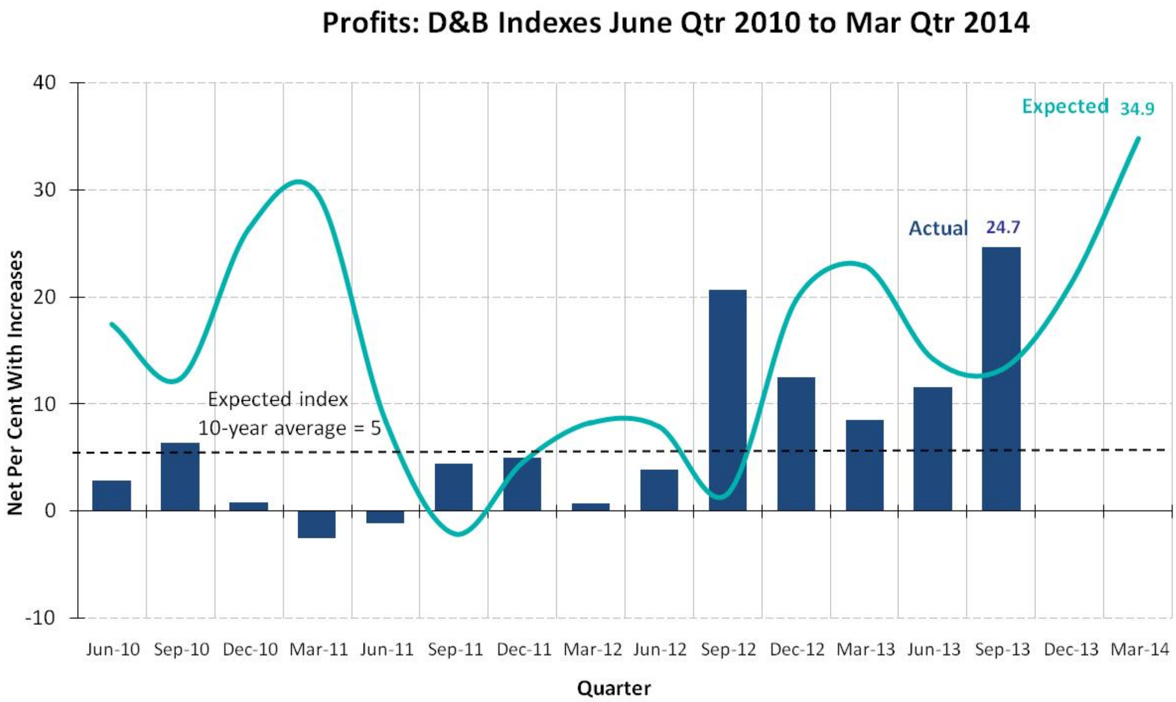
36.3 per cent of businesses expect an increase in their profits during the March quarter, while 1.4 per cent forecast a decrease, compared to last year.

Actual performance

The actual net profits index for the September 2013 quarter is 24.7 points, up from 11.6 in the previous quarter.

40.7 per cent of businesses increased their profits, while 16 per cent experienced a decrease.





Employment outlook

(Quarterly Net Index) (Up from -1.1 point to -0.1)

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

Expectations

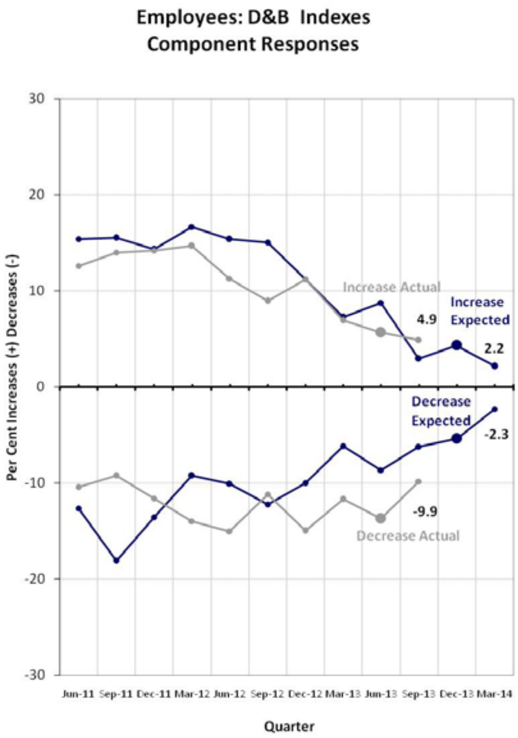
The employment outlook for the March quarter 2014 has risen marginally to -0.1 points up from -1.1 points in the previous quarter.

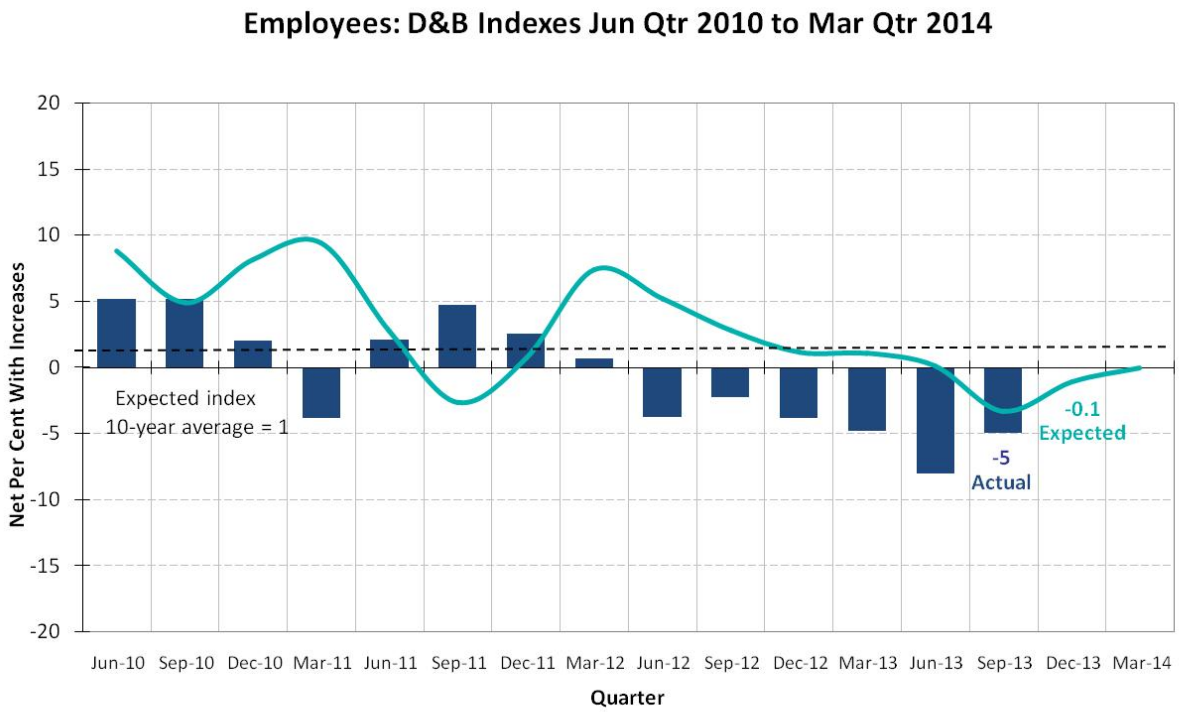
2.2 per cent of executives expect to employ more staff than a year ago, while 2.3 per cent expect to decrease their staff numbers.

Actual performance

In the September quarter, 4.9 per cent of businesses hired new staff, compared to the 9.9 per cent that reduced their employment levels.

At -5 points, the actual index increased 3.0 points from the previous quarter.





Capital Investment outlook

(Quarterly Net Index)(Up from -0.4 points to 0.5)

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

Expectations

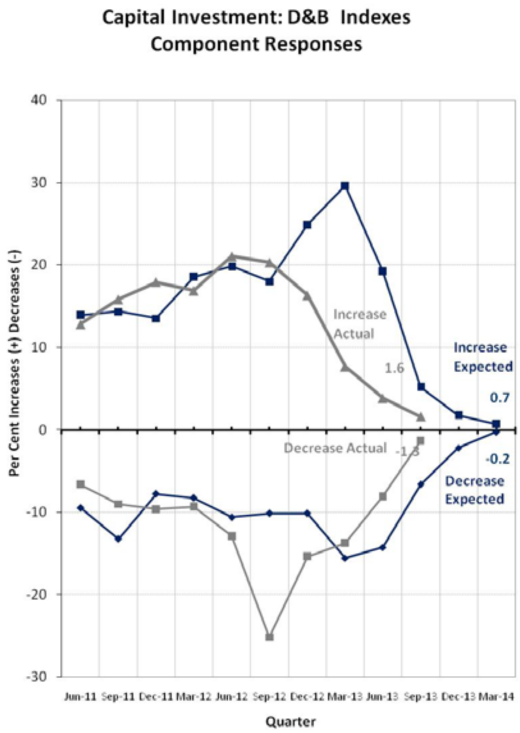
The capital investment outlook for the March quarter 2014 is up from -0.4 points to 0.5 points.

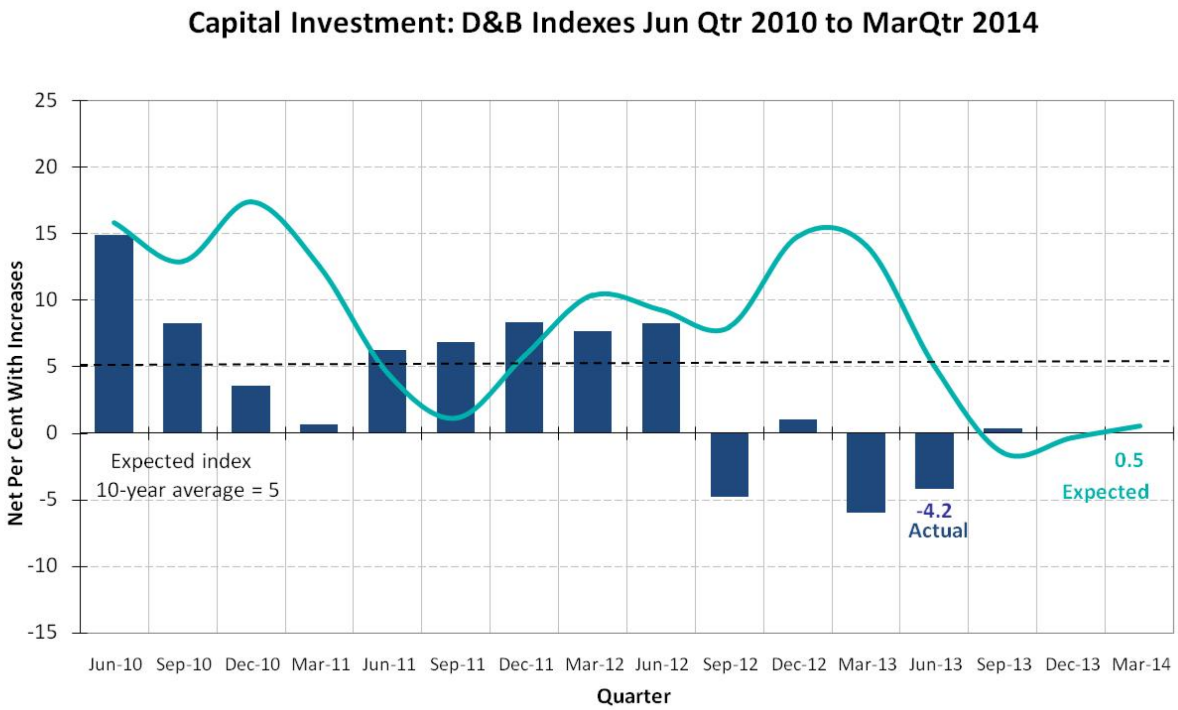
0.7 per cent of businesses expect an increase in their investment level, while 0.2 per cent forecast a decrease compared with a year earlier.

Actual performance

For the September quarter 2013, the actual index for investment is 0.3 points.

1.6 per cent of firms increased their capital investment in the September quarter while 1.3 per cent decreased capital spending.





Selling Prices outlook

(Quarterly Net Index) (Up from 10.2 point to 15.6)

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 March quarter 2014 is 15.6 points, up from a level of 10.2 in the previous quarter.

The proportion of firms expecting to have higher selling prices in the March quarter 2014 is 17.9 per cent, with 2.4 per cent expecting to have lower prices.

Actual performance

At 19.5 points, the actual prices index for the June 2013 quarter has increased by 13.4 points on the previous quarter.

25.6 per cent of businesses increased the level of their selling prices, while 6.2 per cent had decreased, compared to the same time the previous year.