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EMBARGOED – 1:00am, Tuesday 3 December 2013

JOB HOPES LIFT ON 2014 OUTLOOK

Employment index reaches 18-month high

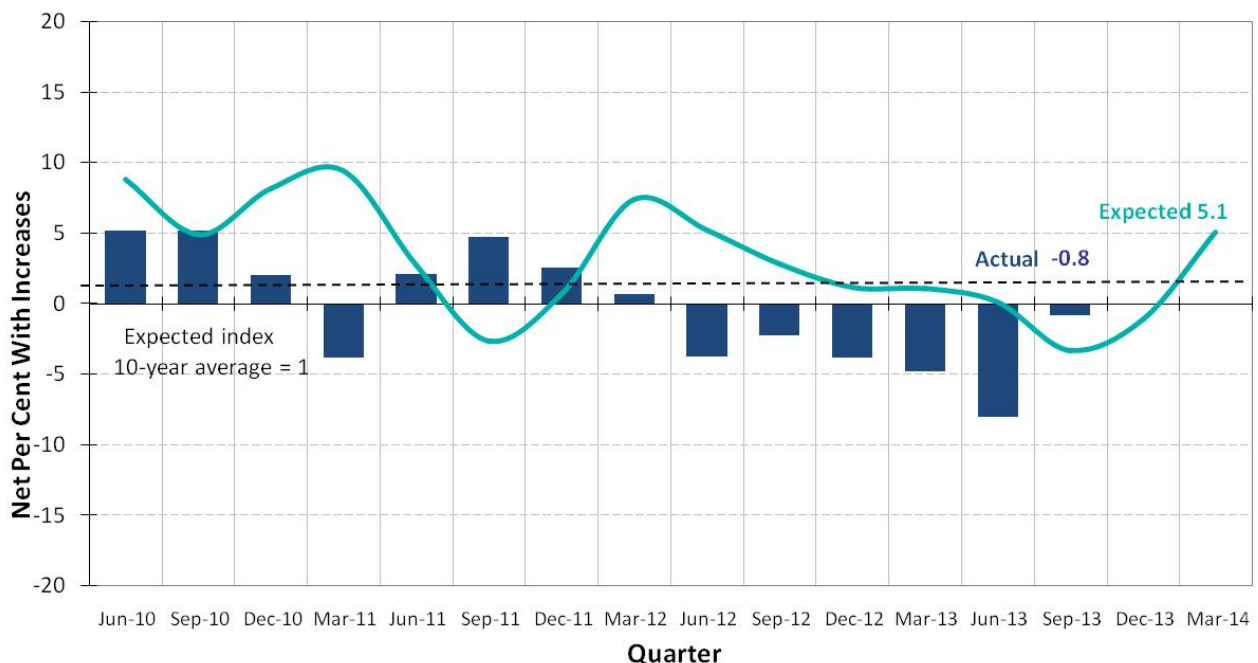
Twice as many businesses intend to hire staff in the New Year compared to the final months of 2013, reversing 18 months of weak expectations on employment and signalling that confidence in the economy is building.

Despite the International Monetary Fund forecasting that Australia’s unemployment rate will rise from its current official level of 5.7 per cent, to over six per cent in 2014, the most recent *Business Expectations Survey* from Dun & Bradstreet suggests that companies are more optimistic.

Ten per cent of businesses surveyed by D&B intend to take on new staff in the first quarter of 2014, while five per cent plan to reduce their employment activity. In the previous quarter, just four per cent of businesses indicated they would lift employment, and a year earlier the response was seven per cent.

The more positive outlook has taken D&B's employment index to 5.1 points, its highest level since the June quarter 2012 and above zero for the first time in six months. Meanwhile, actual employment reported by businesses for the September quarter of this year improved sharply from -8 points to -0.8 points.

D&B employment index: Jun Qtr 2010 to Mar Qtr 2014



Supporting their capacity to employ more staff, D&B’s survey has found that 25 per cent of businesses expect stronger sales in the first three months of next year; a lift from 15 per cent in the previous quarter. Additionally, 33 per cent anticipate higher profits; an increase from 28 per cent.

In more general positive findings, D&B’s survey also reveals that 70 per cent of respondents are more optimistic about growth in the New Year compared to 2013.

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"These findings on employment intentions are a particular bright note among generally improving business sentiment," said Danielle Woods, Director of Corporate Affairs at Dun & Bradstreet.

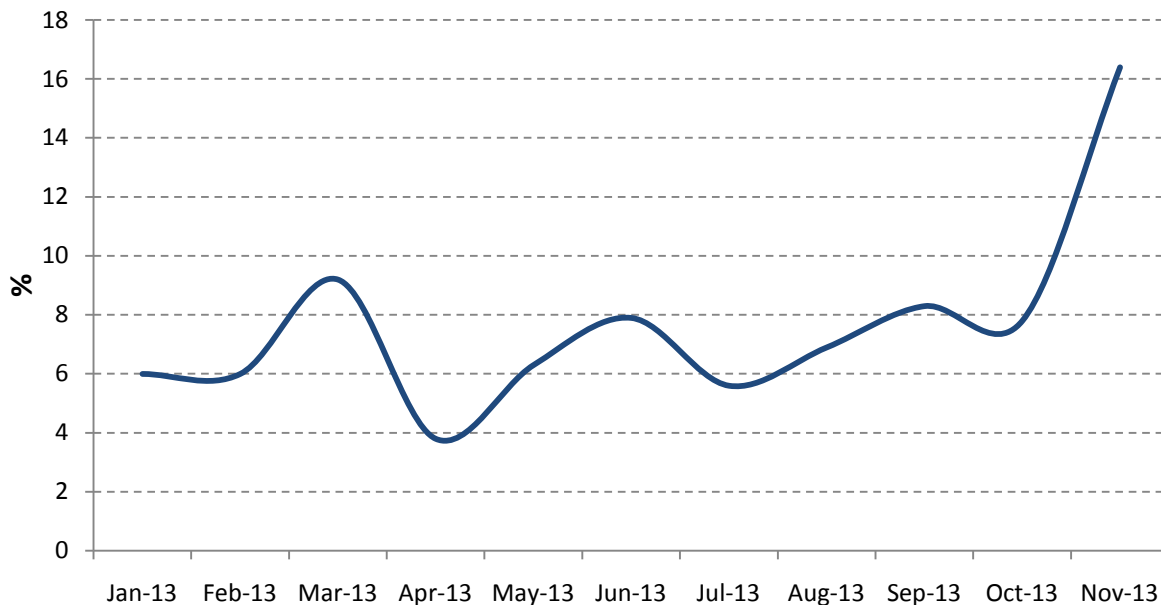
"While other business projections have been strengthening across the past couple of quarters, the employment expectations index had been continuing a steady downward trend," Ms Woods said.

"This turnaround, especially given the recent lift in the official jobless rate, provides hope that forecasts for unemployment beyond the six per cent mark may be over-estimations, and that Australian businesses are in reasonable shape.

"Given employment activity is essential to consumer spending and an indicator that the corporate sector is healthy and willing to invest, then a sustained pick-up in this index across the coming months would be significant for the economy," she added.

In further signs of confidence in future business conditions, capital investment expectations have lifted out of negative territory, with the D&B index rising from -0.4 points for Q4 2013 to 4.8 points; just below the survey's 10-year average of five points. Additionally, 16 per cent of the businesses surveyed in November intend to access new credit or finance to grow their operations in Q1 2014; the highest response recorded this year.

Intend to seek credit to grow operations



"The hint of optimism about the business climate that was evident around the September quarter 2013 is developing into a broadly based upswing," said Stephen Koukoulas, Economic Adviser to Dun & Bradstreet.

"Not only are firms optimistic about expected sales, profits and selling prices, but there is a clear uptrend now evident in expected capital expenditure and employment.

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“The current dynamics in the *Business Expectations Survey* suggests GDP growth will exceed 3 per cent in 2014,” he added.

“There is little prospect for further interest rate cuts with expected selling prices on the rise. Indeed, if the upward momentum in business conditions continues with similar momentum in the months ahead, the market will be correct to price in interest rate increases during 2014.

“This is a good news story, with the business sector increasingly positive about the economic outlook.”

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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 to above zero for the first time since Q2 2013, reaching 5.1 points.
- The sales index has risen strongly to 20.2 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 in the previous quarter to 24.3 points.
- Plans for capital investment have increased into positive territory, lifting to 4.8 points from -0.4 points in the previous quarter.
- The selling prices index has risen for a third consecutive quarter, up to 15.2 points from 10.2 points in the quarter previous.

Issues expected to influence operations in the March quarter 2014

- 70 per cent of businesses are more optimistic about growth in 2014 compared to 2013, while a 23 per cent are less optimistic. Seven per cent are undecided.
- Cash flow is identified as the issue most likely to impact business operations in the next quarter (33 per cent), followed by interest rates (13 per cent) and the level of the dollar (13 per cent).
- 38 per cent of businesses have had customers or suppliers that became insolvent, or were otherwise unable to pay them, during 2013.
- 41 per cent of companies view the Christmas trading period as significant for their business, compared to 58 per cent which do not.
- 40 per cent of businesses expect no impact from the level of the Australian dollar, while 28 per cent expect a positive impact and 24 per cent a significant positive impact.
- 16 per cent of businesses intend to seek finance or new credit in the quarter ahead to help their business grow, while 80 per cent will not.

Actual results for the September quarter 2013

- Although actual employment levels increased from -8.3 points in the previous quarter to -0.8 points, the index has now been in negative territory for six consecutive quarters.
- Sales activity improved, with the index rising to 0.5 points from -8.3 points in the previous quarter.
- Profits rose in Q3 to 12.8 points, up from 11.6 points in the previous quarter.
- Capital investment activity stabilised, lifting from -4.2 points to 2.8 points quarter-on-quarter.
- Selling prices increased strongly in the June quarter, rising from 6.1 points to 14.9 points.

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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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 823 responses obtained during October and November 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.

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Sales outlook

(Quarterly Net Index) (Up from 7.9 points to 20.2)

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 20.2 points, up from 7.9 for the December quarter 2013.

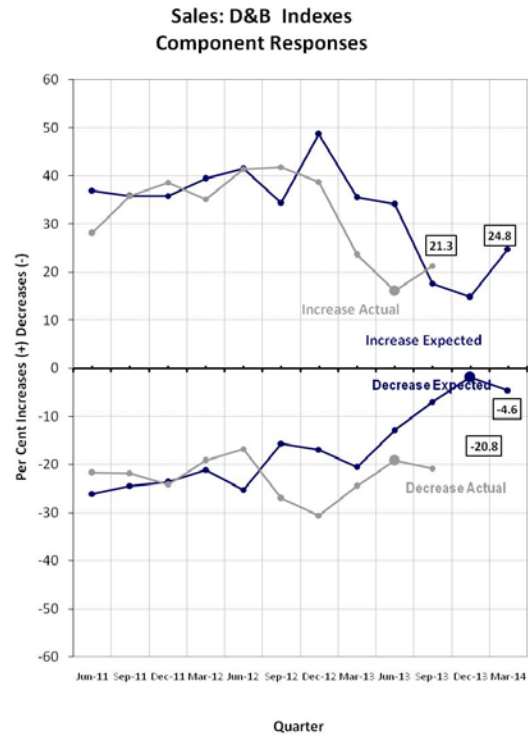
The index is now above its 10-year average of 11 points.

24.8 per cent of businesses expect an increase in their sales, while 4.6 per cent forecast a decrease, compared to the previous time last year.

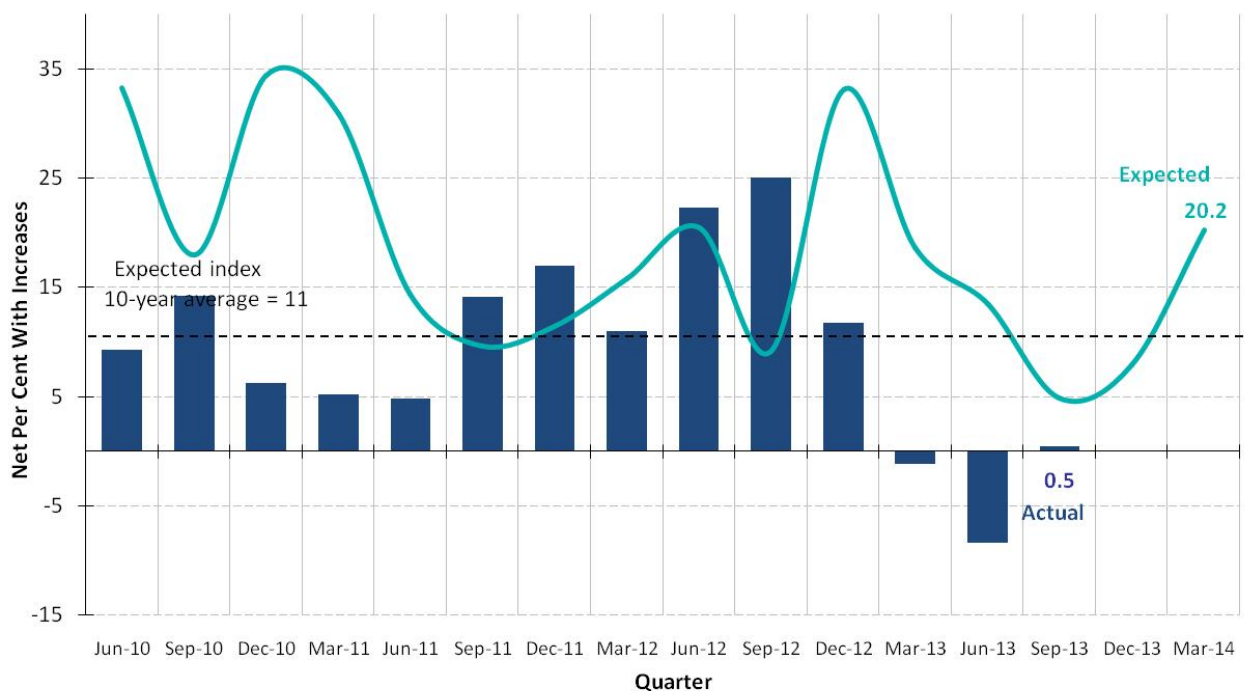
Actual performance

The actual sales index for the September quarter is 0.5 points, an increase from -8.3 points in the previous quarter.

21.3 per cent of firms increased their sales in the September quarter and 20.8 per cent had decreased sales compared to the previous year.



Sales: D&B Indexes Jun Qtr 2010 to Mar Qtr 2014





Profits outlook

(Quarterly Net Index) (Up from 21.1 points to 24.3)

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

Expectations

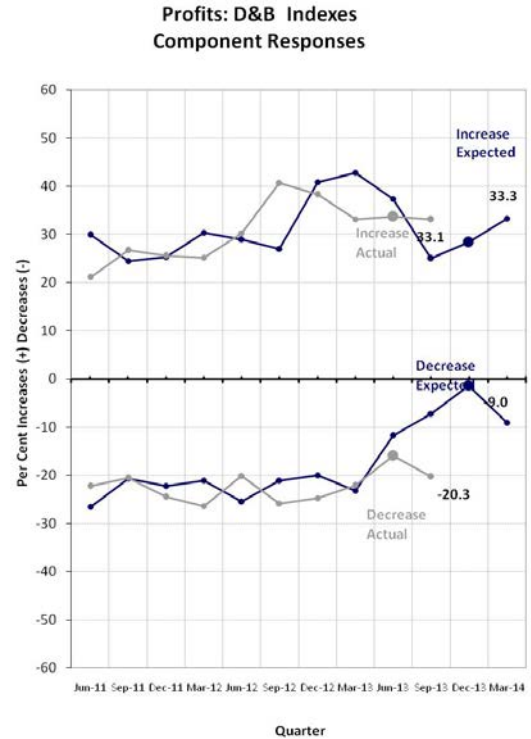
The outlook for profits in the March 2014 quarter is an index of 24.3 points, an increase from 21.1 points in the previous quarter. The outlook for profits is 19.3 points above the 10-year average index of 5.

33.3 per cent of businesses expect an increase in their profits during the March quarter, while 9.0 per cent forecast a decrease, compared to last year.

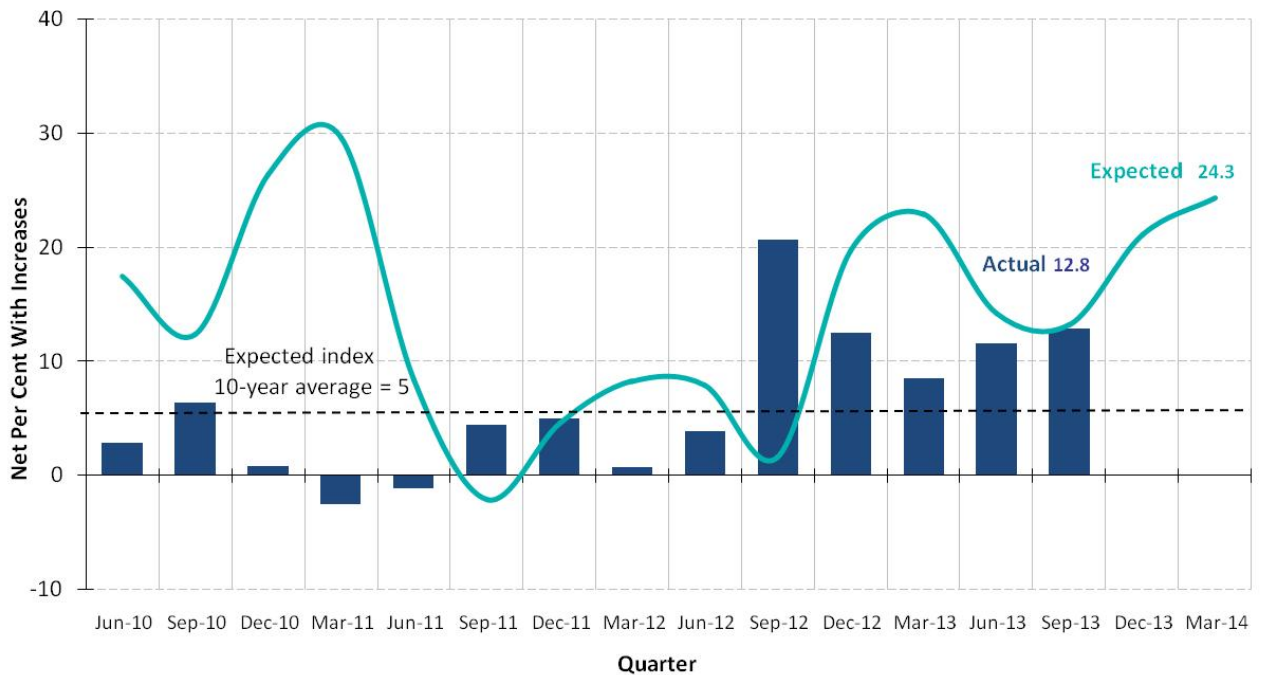
Actual performance

The actual net profits index for the September 2013 quarter is 12.8 points, up from 11.6 in the previous quarter.

33.3 per cent of businesses increased their profits, while nine per cent experienced a decrease.



Profits: D&B Indexes June Qtr 2010 to Mar Qtr 2014





Employment outlook

(Quarterly Net Index) (Up from -1.1 points to 5.1)

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 to 5.1 points up from -1.1 points in the previous quarter.

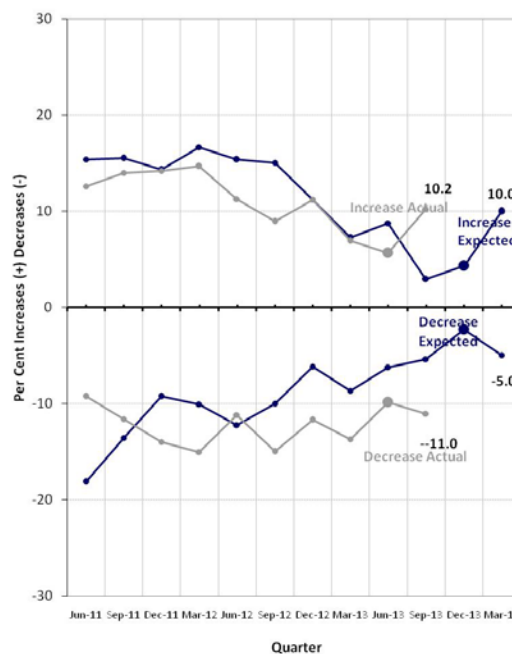
10 per cent of executives expect to employ more staff than compared to year ago, while five per cent expect to decrease their staff numbers.

Actual performance

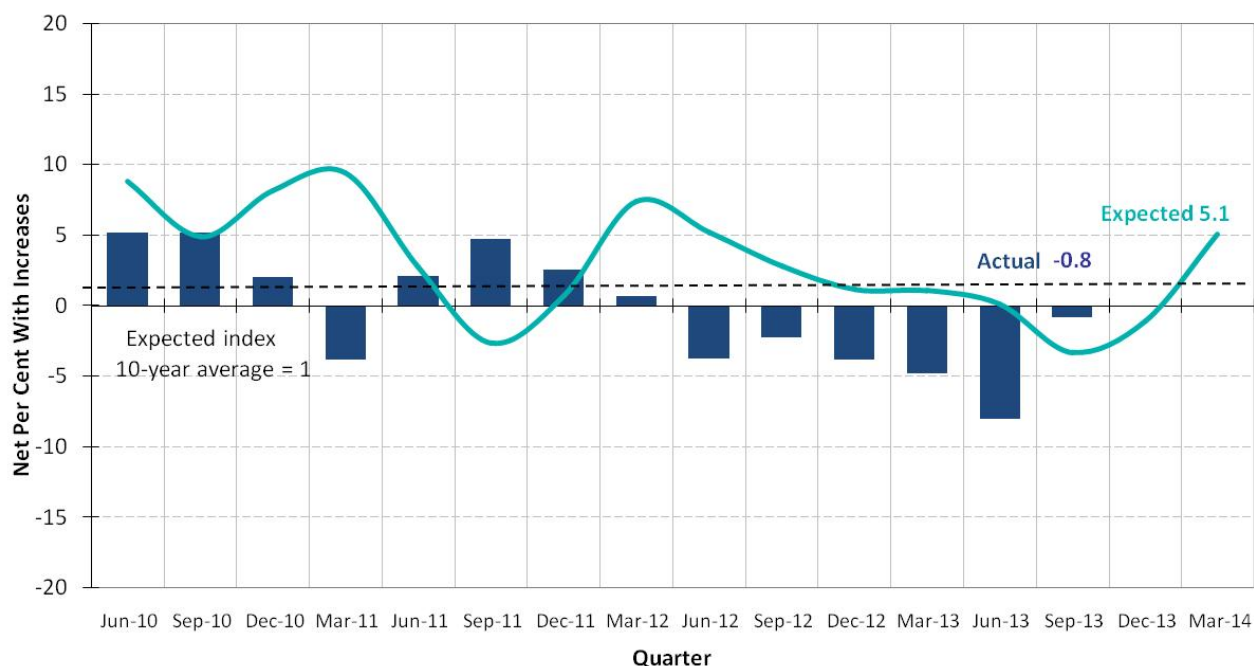
In the September quarter, 10.2 per cent of businesses hired new staff, compared to the 11 per cent that reduced their employment levels.

At -0.8 points, the actual index increased 7.2 points from the previous quarter.

Employees: D&B Indexes
Component Responses



Employees: D&B Indexes Jun Qtr 2010 to Mar Qtr 2014





Capital Investment outlook

(Quarterly Net Index)(Up from -0.4 points to 4.8)

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 4.8 points.

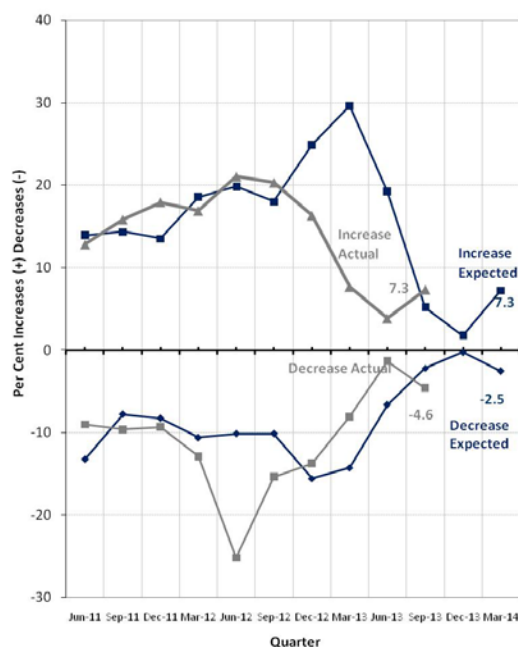
7.3 per cent of businesses expect an increase in their investment level, while 2.5 per cent forecast a decrease compared with a year earlier.

Actual performance

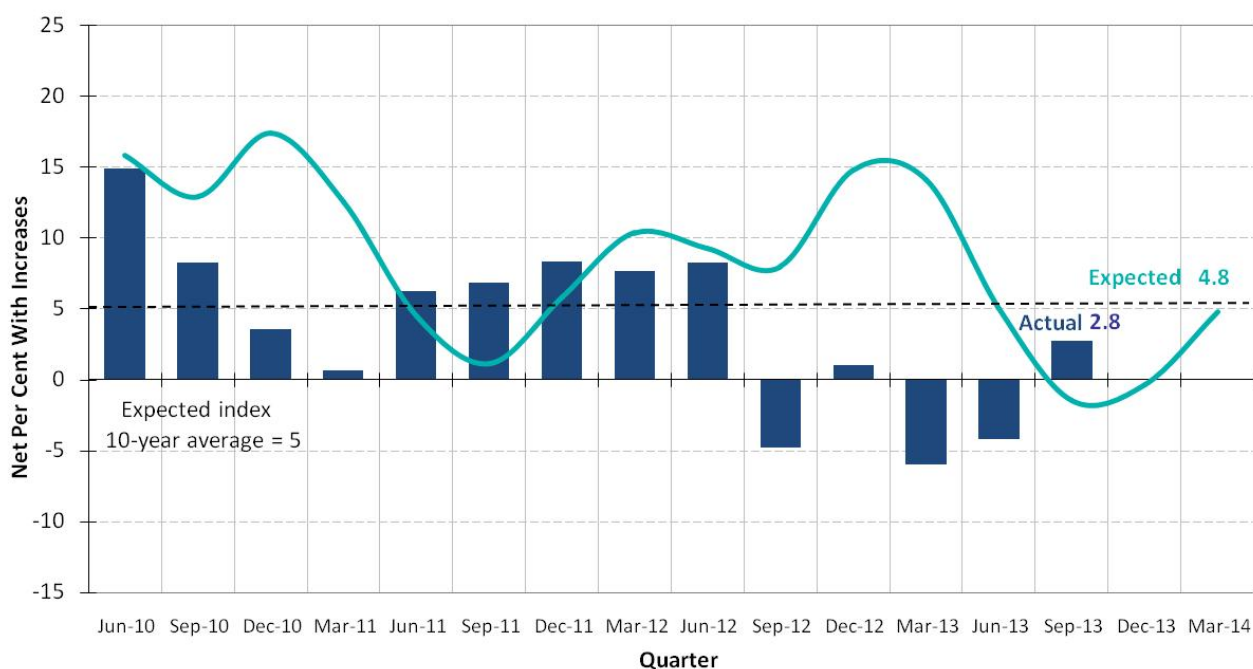
For the September quarter 2013, the actual index for investment is 2.8 points.

7.3 per cent of firms increased their capital investment in the September quarter while 4.6 per cent decreased capital spending.

Capital Investment: D&B Indexes
Component Responses



Capital Investment: D&B Indexes Jun Qtr 2010 to MarQtr 2014





Selling Prices outlook

(Quarterly Net Index) (Up from 10.2 point to 15.2)

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 15.2 points, up from a level of 10.2 in the previous quarter.

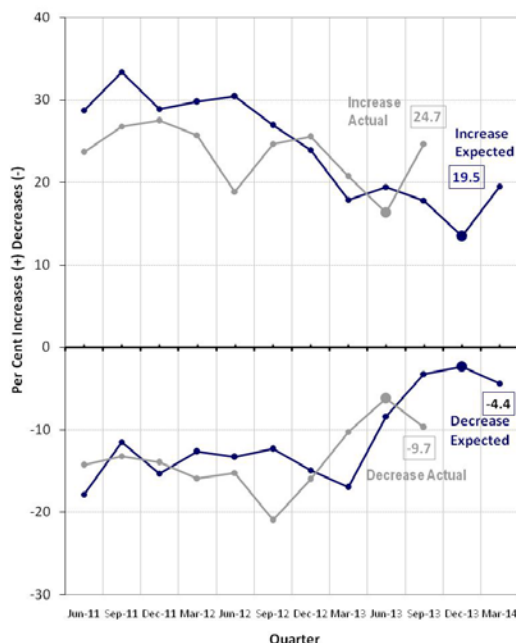
The proportion of firms expecting to have higher selling prices in the March quarter 2014 is 19.5 per cent, with 4.4 per cent expecting to have lower prices.

Actual performance

At 14.9 points, the actual prices index for the June 2013 quarter has increased by 8.8 points on the previous quarter.

24.7 per cent of businesses increased the level of their selling prices, while 9.7 per cent had decreased, compared to the same time the previous year.

Selling Prices: D&B Indexes
Component Responses



Selling Prices: D&B Indexes Jun Qtr 2010 to MarQtr 2014

