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EMBARGOED – 1:00am, Tuesday 1 July 2014

BRIGHT SIGNS FOR CREDIT GROWTH

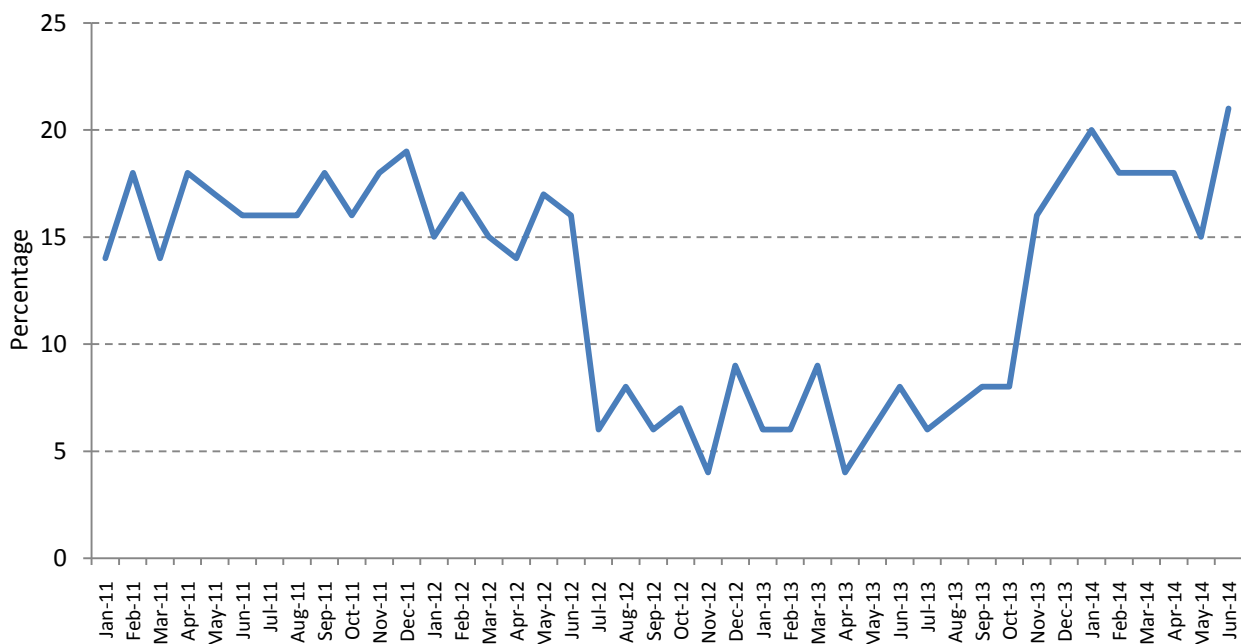
Business borrowing plans strengthen

The outlook for commercial borrowing is showing signs of improvement with survey findings that 21 per cent of businesses intend to seek credit to grow during the third quarter of the year, the strongest response since the beginning of 2011.

With interest rates remaining at record lows and the Australian Bureau of Statistics revealing that business lending in April increased by a seasonally-adjusted 5.8 per cent, Dun & Bradstreet’s forward-looking *Business Expectations Survey* suggests that commercial credit activity will improve further.

According to D&B’s research, borrowing plans fell sharply in mid-2012 and remained weak for the following 12 months as Australia’s economic performance softened and optimism dwindled on the uncertainty of a recovery. In the final quarter of 2013, following the Federal Election, optimism returned and business expectations began a steady improvement, accompanied by a willingness to take on debt.

Intention to seek credit to grow your business in the next three months



Coinciding with an improving appetite for finance, capital investment and hiring expectations have lifted in a sign that businesses are anticipating increased activity during the second half of the year.

With 18 per cent of businesses intending to increase their capital spending in Q3 2014, compared to six per cent that plan to pull back investment activity, D&B’s capital investment index has lifted to 12.1 points, up from 10.0 points the quarter before and -1.5 points a year earlier.

In addition, the employment expectations index has risen to 12.7 points, from 2.9 points in 2013, as 21 per cent of businesses expect to hire new staff and eight per cent plan to reduce their headcount. The employment index is now at a 10-year high and follows positive job vacancy data from the ABS which showed total vacancies increased by 2.6 percent in the three months to May.

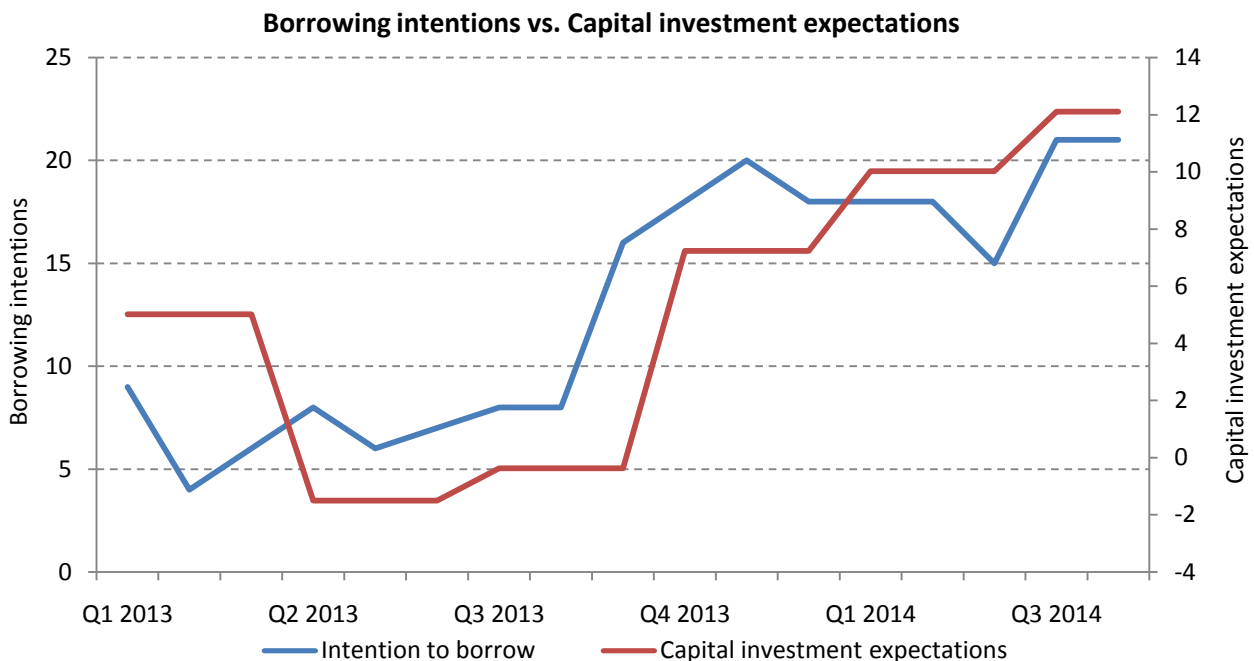


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“While sentiment has taken a hit since the release of the Federal Budget, the general outlook for business activity remains well above last year’s levels,” said Adam Siddique, Head of Group Development–Dun & Bradstreet.

“Significant to the broader economic picture is the continued lift in business investment and employment plans which are being bolstered by a more positive attitude towards accessing new finance.

“Credit is a driving force in the economy and a critical tool for business investment and expansion, making this recent upward trend in borrowing plans particularly encouraging,” Mr Siddique added.



As businesses report a greater willingness to borrow and invest, they also identify limited obstacles to expansion. When asked about their biggest barrier to growth in the year ahead, the most common response from businesses was ‘no major barrier’ (31 per cent). In addition, 64 per cent of respondents have indicated they are more optimistic about growth this year compared to 2013.

While investment and employment indices have extended past quarter gains, business expectations for sales, profits and selling prices have all declined from the previous quarter.

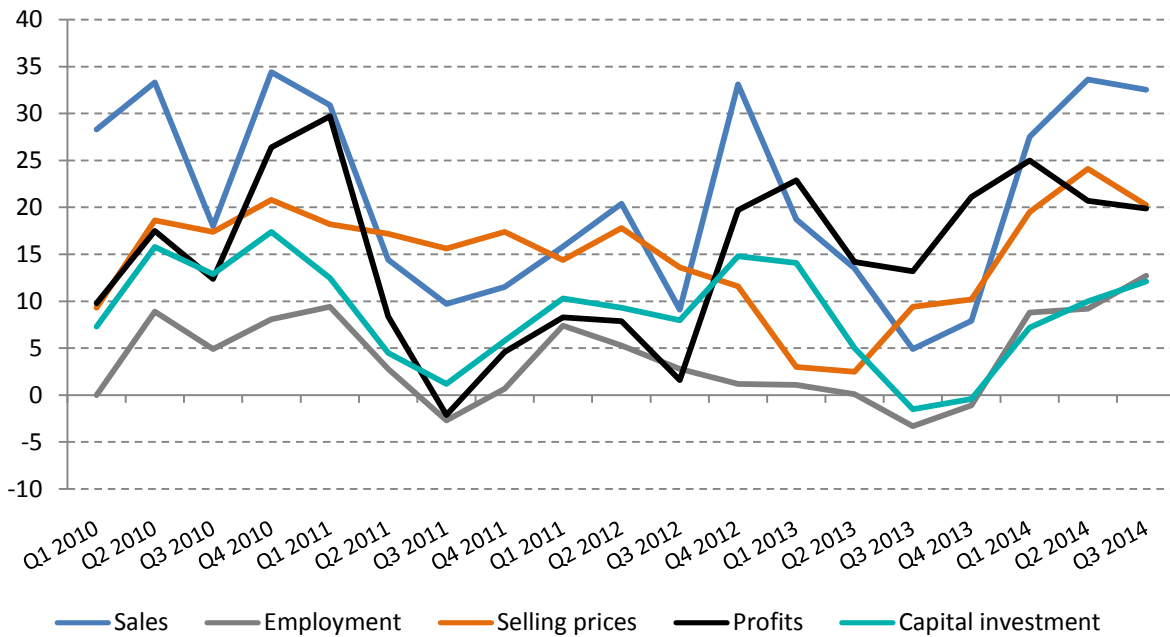
With 43 per cent of respondents anticipating increased sales compared to the 11 per cent expecting a reduction, the sales index is 32.5 points for Q3 2014, down from 33.6 points in the previous quarter although up from the 4.9 points measured a year earlier.

After increasing sharply into the first three months of 2014, the profits index has now declined for two consecutive quarters. D&B’s survey has found that 35 per cent of businesses expect higher earnings in the third quarter compared to 15 per cent which forecast a fall, and 50 which anticipate no change. These responses have taken the profits index to 19.9 points for Q3 2014, down from 20.7 points last quarter.



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Business Expectations: Q1 2010–Q3 2014



“Activity in the business sector remains mixed, however, the positive news on borrowing and capital investment intentions points to a degree of optimism, particularly in the non-mining sectors,” said Stephen Koukoulas, Economic Advisor to Dun & Bradstreet.

“While the lift in capital expenditure expectations in these areas is encouraging, the current levels do remain below the peaks seen in previous cycles.

“A further uptick in expected employment levels is also encouraging and bodes well for the unemployment rate remaining below six per cent in the current cycle,” Mr Koukoulas added.

“After a strong upswing in late 2013 and early 2014, expectations for sales, profits and selling prices have all edged lower, although they remain well above the levels of a year ago.

“Overall, it is a picture where the RBA is likely to extend the period of interest rates on-hold, which, with rates at current record lows, is likely to remain a positive influence for the business sector over the second half of 2014,” Mr Koukoulas concluded.

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

Expectations index for the September quarter 2014

- The **employment** expectations index has lifted to 12.7 points up from 9.2 points in the previous quarter, and -3.3 points a year ago.
- The **sales** index has eased slightly to 32.5 points, from 33.6 points in the previous quarter and 4.9 points a year earlier.
- **Profit** expectations for the quarter ahead have flattened out, with the index easing from 20.7 points last quarter to 19.9 points, while up from 13.2 points last year.
- Plans for **capital investment** have increased for a fourth consecutive quarter, lifting from 10.0 points to 12.1 points, and up from -1.5 points a year earlier.
- The **selling prices** index has fallen from 24.2 points to 20.3 points, although remains up on the 9.4 points measured at the same time last year.

Issues expected to influence operations in the September quarter 2014

- 64 per cent of businesses are **more optimistic** about growth in 2014 compared to 2013, while 28 per cent are less optimistic. Eight per cent is undecided.
- **Cash flow** is identified as the issue most likely to influence business operations in the next quarter (31 per cent), followed by **wages** and **salaries** (15 per cent) and **interest rates** (14 per cent each).
- 33 per cent of businesses had customers or suppliers that became **insolvent**, or were otherwise unable to pay them, during 2013.
- 46 per cent of businesses would choose to miss payments to **suppliers** if unable to pay all their bills on time, followed by a business **credit card** (22 per cent) and **business loan** (nine per cent).
- 54 per cent of businesses expect no impact from the current level of the **Australian dollar**, while 14 per cent expect a positive impact and 22 per cent a negative impact. 10 per cent is undecided.
- 21 per cent of businesses intend to seek **finance** or **new credit** in the quarter ahead to help their business grow, while 74 per cent will not. 5 per cent is undecided.

Actual results for the March quarter 2014

- **Actual employment** levels increased from 3.5 points to 6.5 points, keeping the index in positive territory for a third consecutive quarter.
- **Reported sales** activity fell compared to the previous quarter, from 17.6 points to 11.9 points, while the index was up on -1.1 points from the same time last year.
- The **actual profits** index fell to 2.4 points, down from 3.9 points in the previous quarter.
- **Capital investment** activity lifted to 8.2 points from 6.0 points in the previous quarter.
- **Selling prices** were flat, moving from 14.9 points to 16.5 points, quarter-on-quarter.

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.

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 approximately 1,200 responses obtained during April-June 2014.

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 5 to 9.

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Sales outlook

(Quarterly Net Index) (Down from 33.6 to 32.5)

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

Expectations

The September quarter 2014 sales expectations index is 32.5 points, down from 33.6 points in the previous quarter.

The index is now 21.6 points above its 10-year average of 12 points.

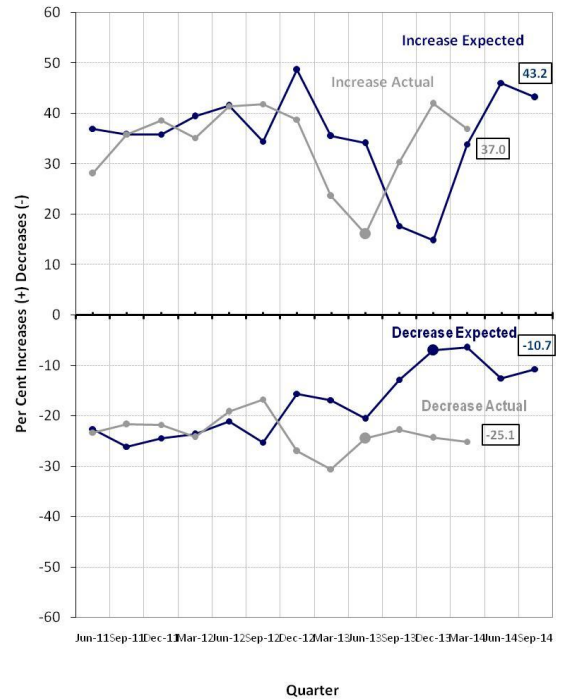
43.6 per cent of businesses expect an increase in their sales, while 10.2 per cent forecast a decrease, compared to the same time last year.

Actual performance

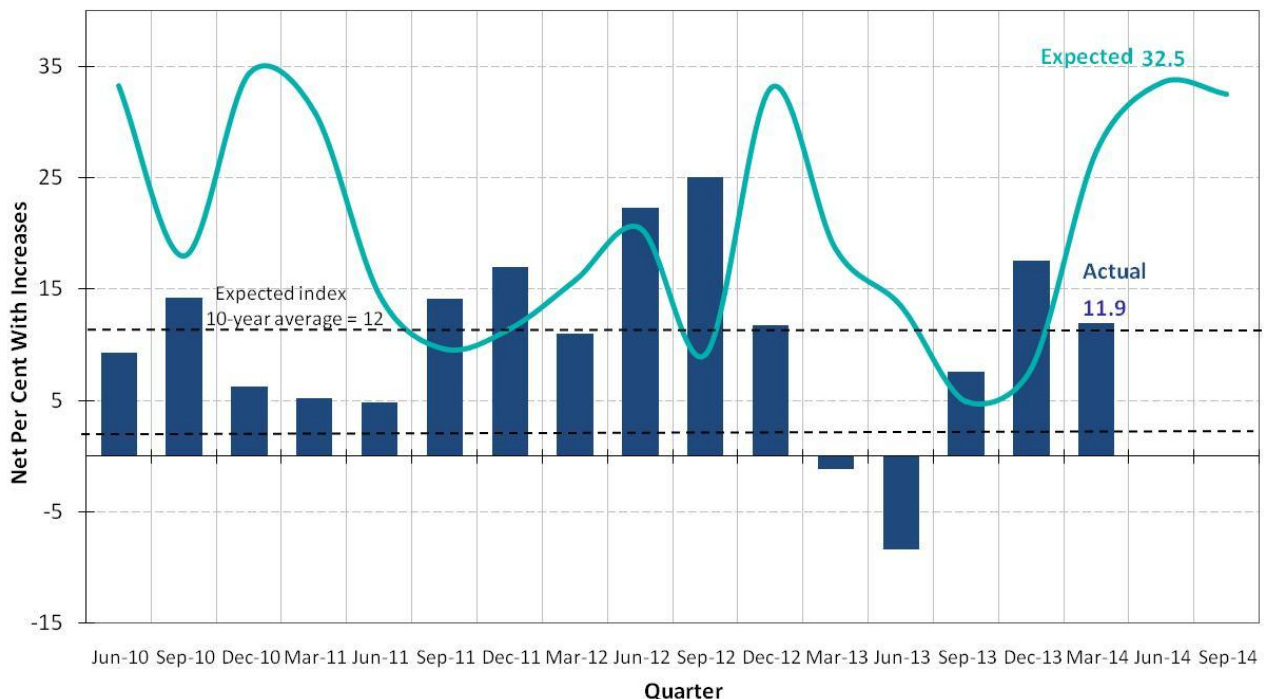
The actual sales index for the March quarter of 2014 is 11.9 points, a decrease from 17.6 points in the previous quarter.

34.9 per cent of firms increased their sales in the March quarter and 25.6 per cent had decreased sales compared to the previous year.

Sales: D&B Indexes
Component Responses



Sales: D&B Index Jun Qtr 2010 to Sep Qtr 2014



Profits outlook

(Quarterly Net Index) (Down from 20.7 to 19.9)

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

Expectations

The outlook for profits in the September 2014 quarter is an index of 19.9 points, a decline from 20.7 points in the previous quarter.

The outlook for profits is 13.9 points above the 10-year average index of 6.

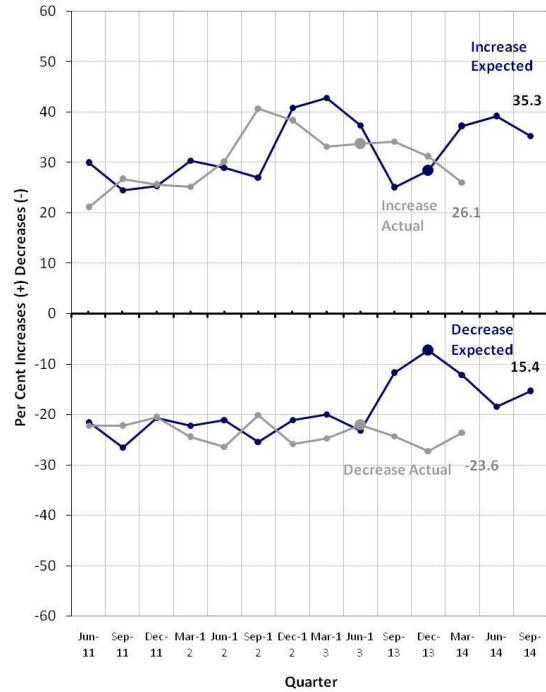
35.3 per cent of businesses expect an increase in their profits during the quarter ahead, while 15.4 per cent forecast a decrease, compared to last year.

Actual performance

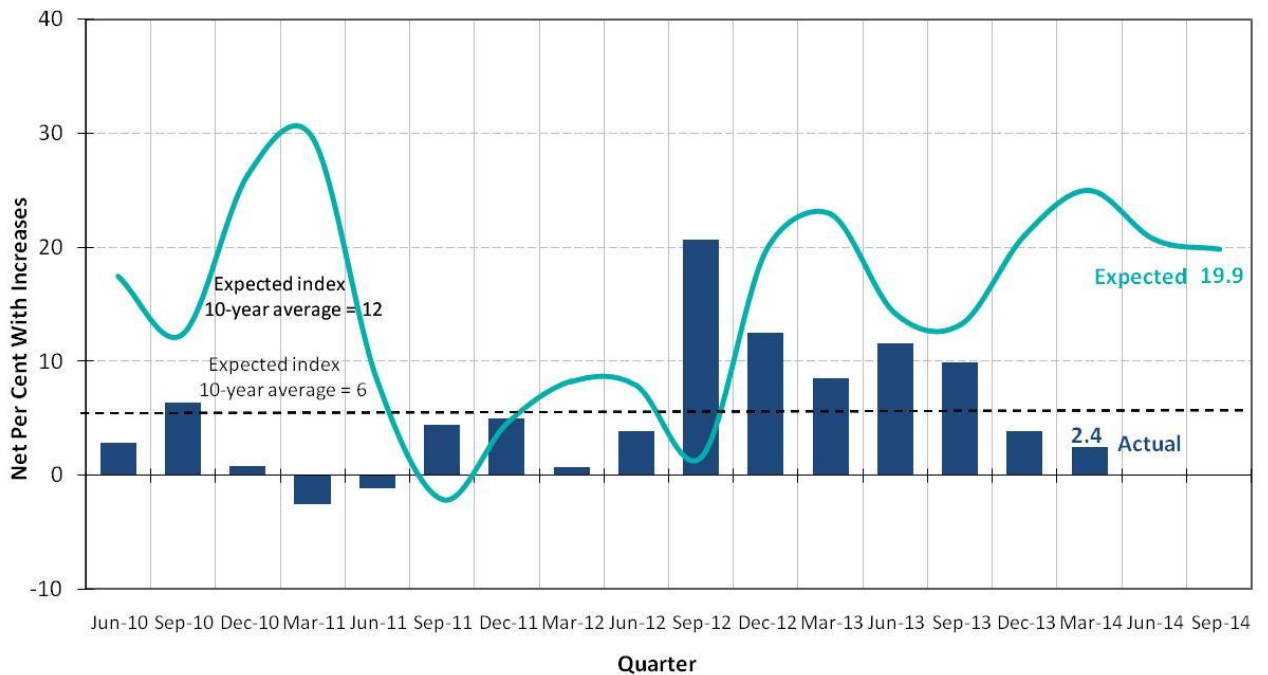
The actual net profits index for the March 2014 quarter is 2.4 points, down from 3.9 in the previous quarter.

26.1 per cent of businesses increased their profits, while 23.6 per cent experienced a decrease.

Profits: D&B Indexes
Component Responses



Profits: D&B Index June Qtr 2010 to Sep Qtr 2014



Employment outlook

(Quarterly Net Index) (Up from 9.2 to 12.7)

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

Expectations

The employment outlook for the September quarter 2014 has risen to 12.7 points, from 9.2 points in the previous quarter.

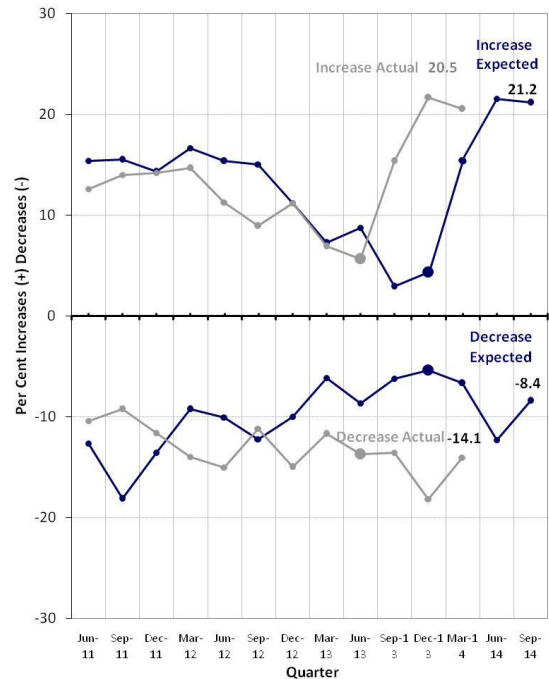
21.2 per cent of executives expect to employ more staff than compared to year ago, while 8.4 per cent expect to decrease their staff numbers.

Actual performance

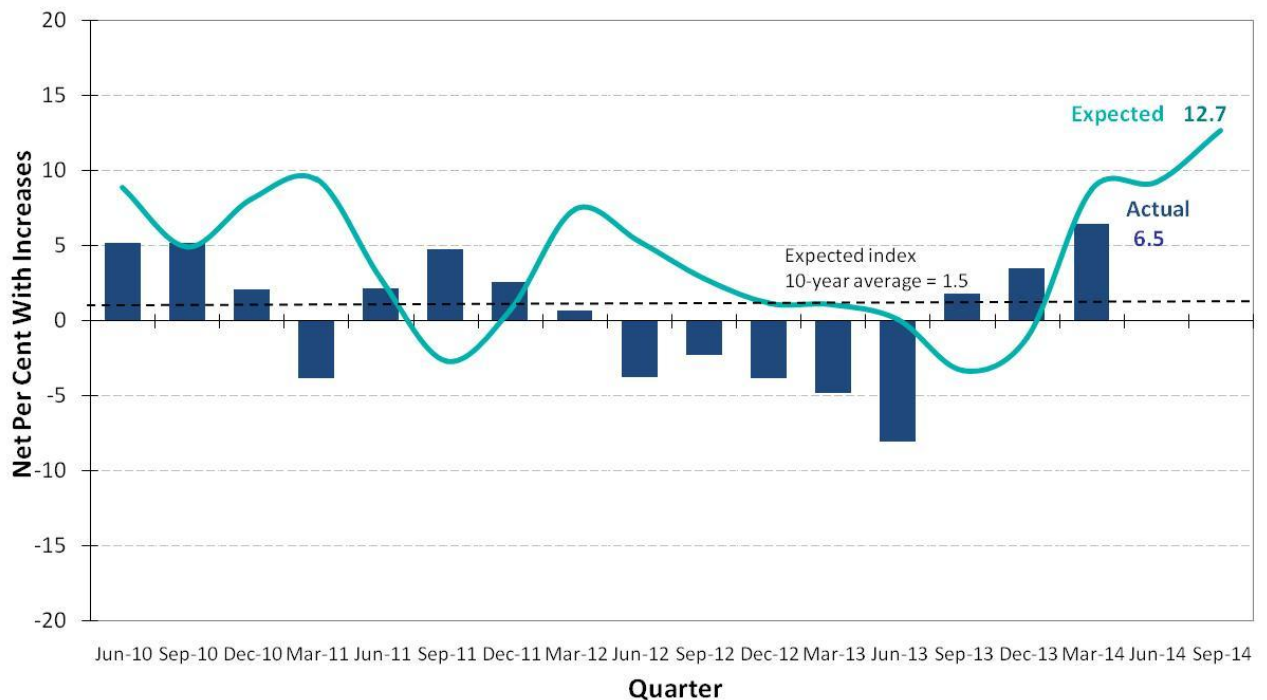
In the March quarter 2014, 20.5 per cent of businesses hired new staff, compared to the 14.1 per cent that reduced their employment levels.

Rising to 12.7 points, the actual index has now increased for three consecutive quarters.

**Employees: D&B Indexes
Component Responses**



Employment: D&B index Jun Qtr 2010 to Sep Qtr 2014



Capital Investment outlook

(Quarterly Net Index)(Up from 10.0 to 12.1)

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

Expectations

The capital investment outlook for the September quarter 2014 is up from 10 points to 12.1 points.

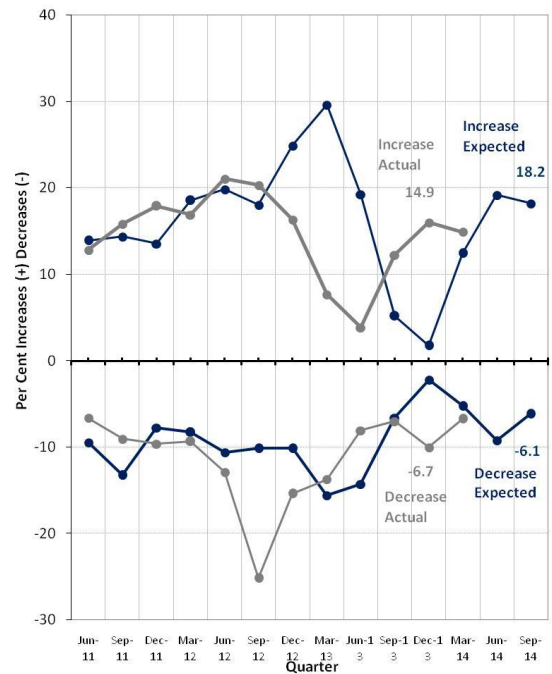
18.2 per cent of businesses expect an increase in their investment level, while 6.1 per cent forecast a decrease compared with a year earlier.

Actual performance

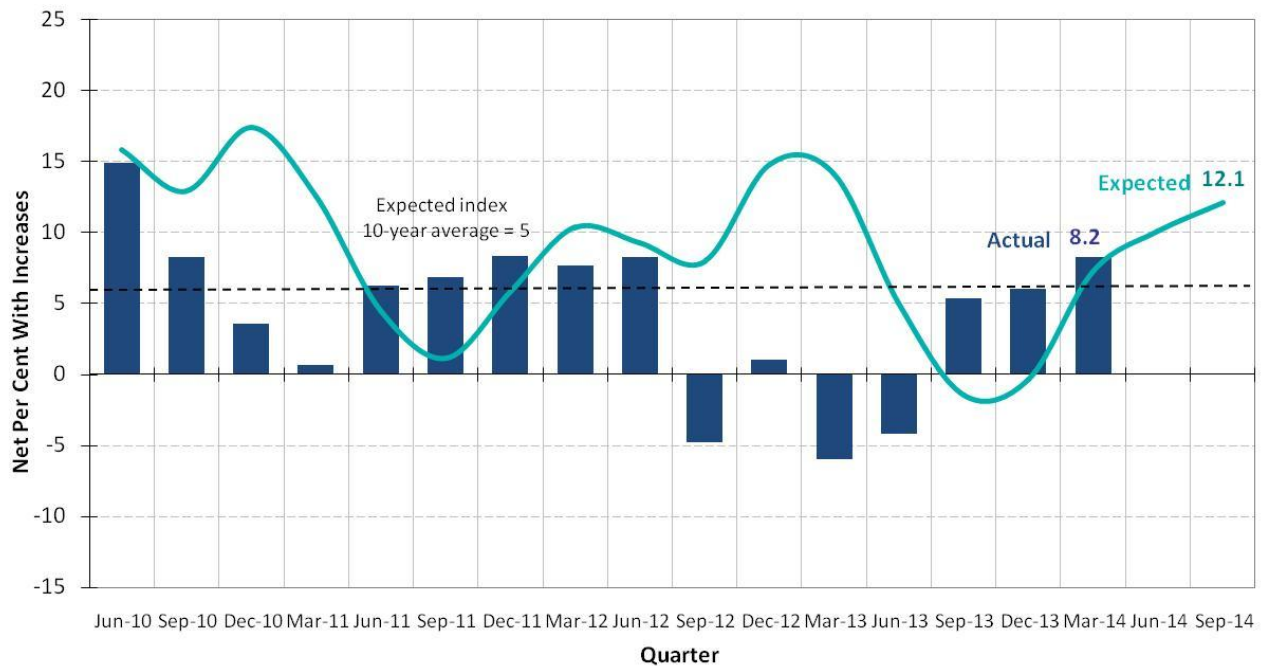
For the March quarter 2014, the actual index for investment is 8.2 points.

14.9 per cent of firms increased their capital investment in the March quarter while 6.7 per cent decreased capital spending.

Capital Investment: D&B Indexes
Component Responses



Capital Investment: D&B Index Jun Qtr 2010 to Sep Qtr 2014



Selling Prices outlook

(Quarterly Net Index) (Down from 24.2 to 20.3)

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 September quarter 2014 is 20.3 points, down from a level of 24.2 points in the previous quarter.

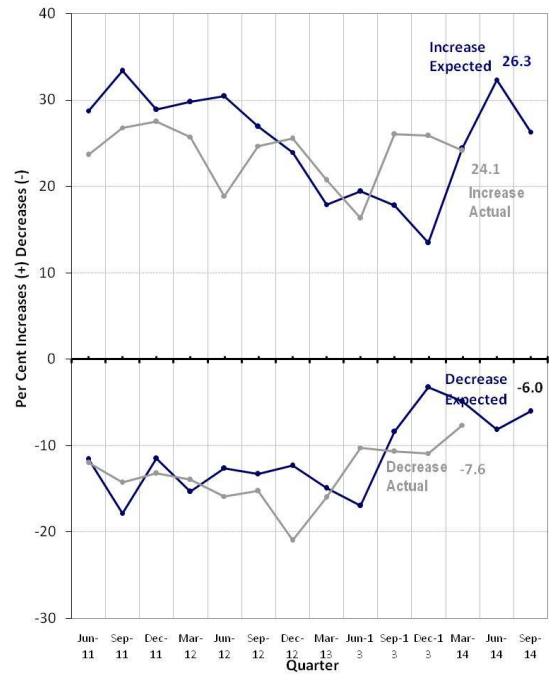
The proportion of firms expecting to have higher selling prices in the quarter ahead is 26.3 per cent, with 6.0 per cent expecting to have lower prices.

Actual performance

At 16.5 points, the actual prices index for the March 2014 quarter is up marginally from 15.3 points in the previous quarter.

24.1 per cent of businesses increased the level of their selling prices, while 7.6 per cent had decreased, compared to the same time the previous year.

Selling Prices: D&B Indexes
Component Responses



Selling Prices: D&B Index Jun Qtr 2010 to Sep Qtr 2014

