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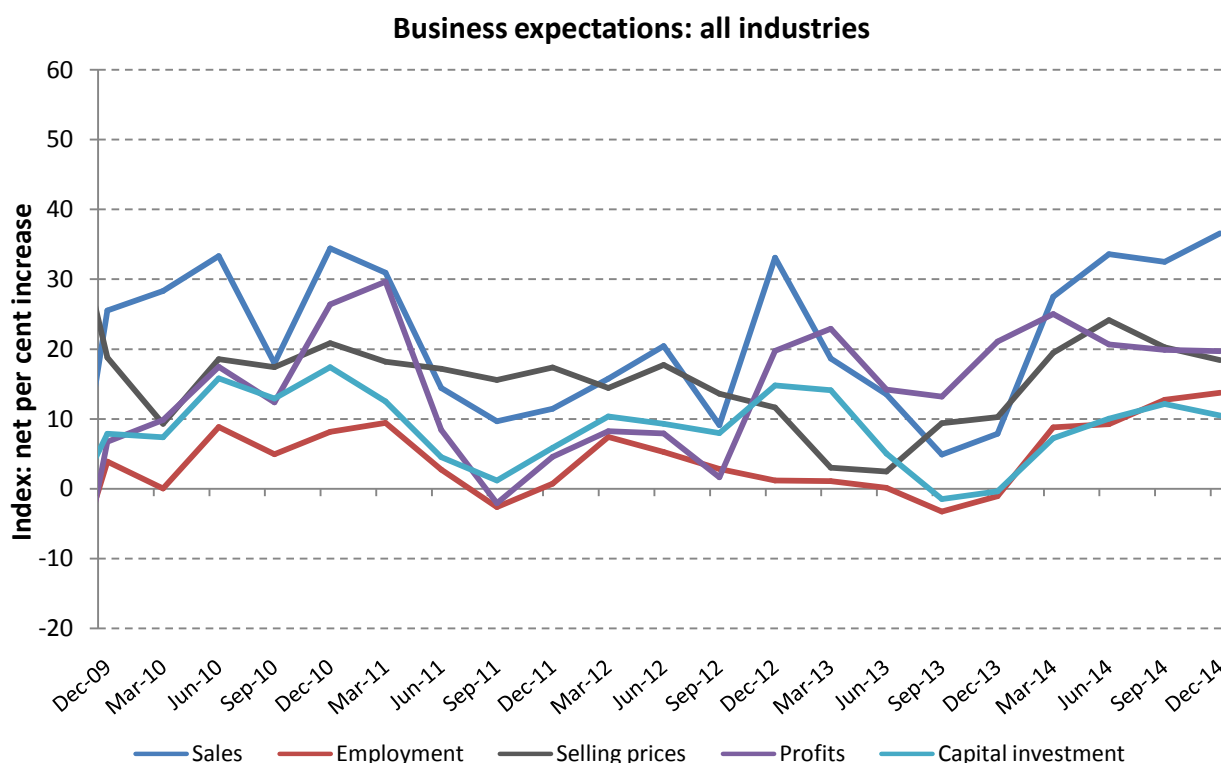
EMBARGOED – 1:00am, Tuesday 5 August 2014

## SALES EXPECTATIONS SOAR

### *Fourth quarter outlook for increased sales at 11-year high*

After stalling over the past three months, the outlook for sales has risen to the highest level since 2003, with 46 per cent of businesses expecting increased activity in the fourth quarter of the year while nine per cent anticipate fewer sales and the majority no change.

The upbeat response to Dun & Bradstreet's monthly *Business Expectations Survey* has taken the sales index to 36.6 points, well above its 10-year average of 13.08 points and a breakout from the relatively flat movements in the survey's other measures of profits, employment, capital investment and selling price expectations.

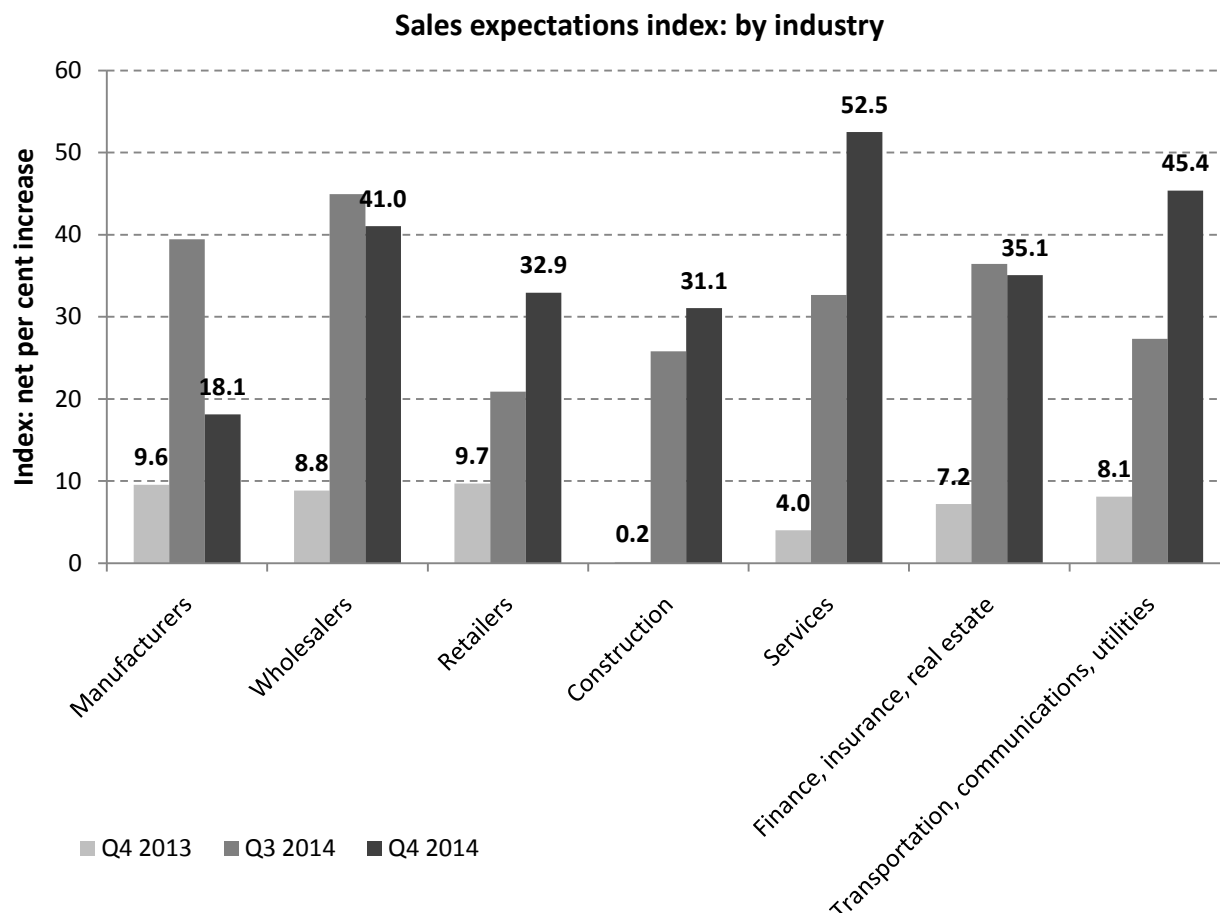


The sharp lift in the sales index has been driven by a particularly positive outlook from the services sector, of which 63 per cent expect increased selling during Q4 2014 while 11 per cent are anticipating a decline. This response has seen the services industry sales index jump to 52.5 points, up from just 4.0 points last year.

The transportation, utilities and construction sector has also returned a healthy response for sales in the fourth quarter with an index of 45.4 points, up from 8.1 points in Q4 2013. Meanwhile, retailers have shrugged off a recent run of poor activity recorded by the ABS to lift their sales expectations index to 32.9 points, up from 9.7 points.

Although ahead of last year's figures, on a quarterly basis manufacturers, wholesalers, and businesses in finance, insurance and real estate have lowered their outlook for sales activity.

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“These findings on December quarter expectations have continued the generally positive trend we’ve been seeing since the end of 2013,” said Gareth Jones, CEO of Dun & Bradstreet–Australia and New Zealand.

“While there has been a recent pullback in the profits and capital investment indices, there’s a clear upward trend developing this year and all of the survey’s measures are above their 2013 level.

“The sales outlook is particularly solid through to the end of the year, providing encouragement for those businesses concerned that the Federal Budget had knocked the wind out of consumer confidence and spending,” Mr Jones added.

According to D&B, two-in-three businesses are generally more optimistic about increased growth in the months ahead, a level that has been maintained for most of this year. Confidence at local levels, however, is varied when considered against other parts of the country.

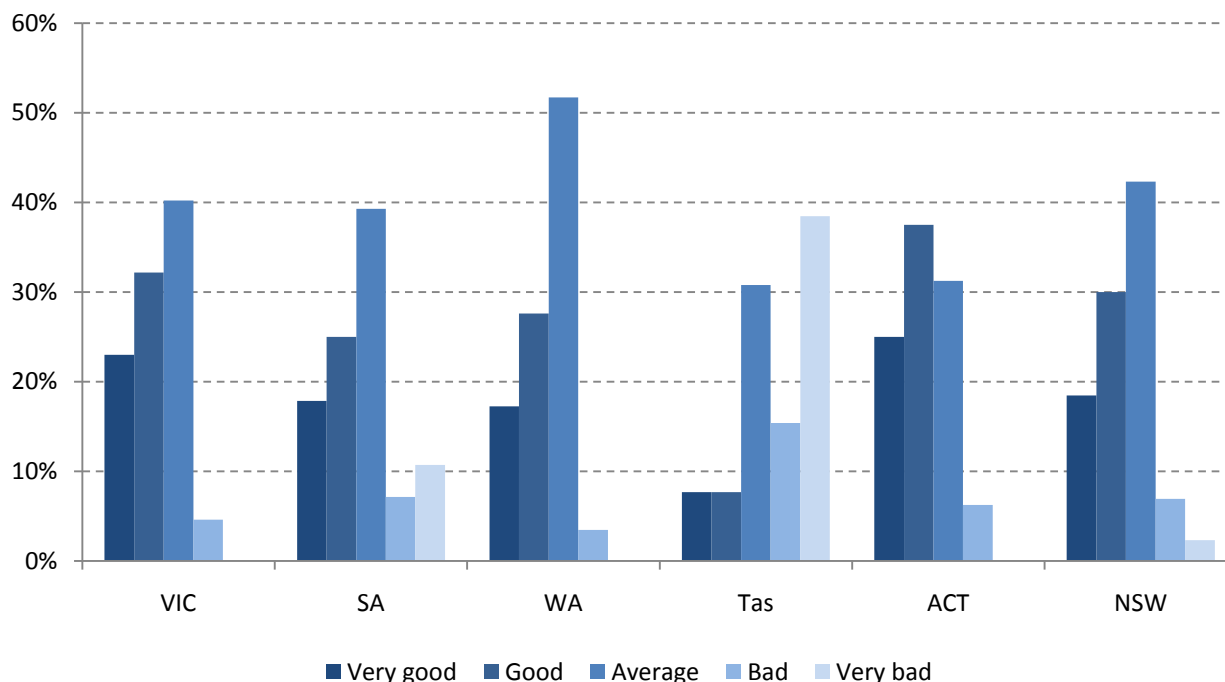
When asked to rate their local conditions compared with other states and territories, businesses in Tasmania were particularly downbeat, with the most common response being ‘very bad’ (39 per cent), while just eight per cent responded with ‘very good’.

Despite the relative strength of the Western Australian economy, the majority of businesses operating in the west consider conditions as ‘average’ when compared to other locations.

Most positive about local conditions are businesses in the Australian Capital Territory, with 38 per cent rating the ACT as ‘good’ and one-in-four ‘very good’. No respondents considered the local scene as ‘very bad’.

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**Rating of local business conditions vs. other states/territories**



“The surge in expected sales bodes well for economic growth over the latter part of this year, while the continued resilience in the outlook for employment suggests that the pace of job creation will move to a point where the unemployment rate edges lower over the next couple of quarters,” said Stephen Koukoulas, Economic Advisor to Dun & Bradstreet.

“The dip in expected selling prices indicates that the inflation rate probably peaked in the June quarter and will ease to the middle of the RBA’s two-to-three per cent target band,” Mr Koukoulas added.

“While expected capital expenditure and profits expectations are broadly flat, they remain well above the level of 2013 and fit with an overall picture of solid, if not spectacular, growth in the economy.”

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

### *Expectations index for the December quarter 2014*

- The **employment** expectations index has lifted to 13.7 points up from 12.7 points in the previous quarter, and -1.1 points a year ago.
- The **sales** index has risen to 36.6 points, from 32.5 points in the previous quarter and 7.9 points a year earlier.
- **Profit** expectations for the quarter are flat, with the index easing to 19.7 points from 19.9 points last quarter and 21.1 points last year.
- Plans for **capital investment** have softened for the first time in five quarters, from 12.1 points to 10.5 points quarter-on-quarter, while up from -0.4 points a year earlier.
- The **selling prices** index has fallen from 20.3 points to 18.4 points, although remains up on the 10.2 points measured at the same time last year.

### *Issues expected to influence operations in the December quarter 2014*

- 63 per cent of businesses are **more optimistic** about growth in 2014 compared to 2013, while 28 per cent are less optimistic. Nine per cent is undecided.
- **Cash flow** is identified as the issue most likely to influence business operations in the next quarter (29 per cent), followed by **interest rates** (14 per cent) and the level of the dollar (12 per cent).
- 35 per cent of businesses reported having a customer or supplier that became **insolvent**, or was otherwise unable to pay them, during 2013.
- 49 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** (19 per cent) and **phone bill** (10 cent).
- 51 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. 13 per cent is undecided.
- 17 per cent of businesses intend to seek **finance** or **new credit** in the quarter ahead to help their business grow, while 76 per cent will not. Seven per cent is undecided.

### *Actual results reported for the June quarter 2014*

- **Actual employment** levels reported have eased from 6.5 points to 4.4 points, and up from -8.0 points last year.
- **Sales** activity fell compared to the previous quarter, from 11.9 points to 11.5 points, while the index was up on -8.3 points from the same time last year.
- The **actual profits** index fell to 2.0 points from 2.4 points last quarter and 11.6 points last year.
- **Capital investment** activity lifted slightly to 9.2 points from 8.2 points and -4.2 points in 2013.
- **Selling prices** were flat, moving from 16.5 points to 15.4 points quarter-on-quarter.

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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.

## 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 400 responses obtained during July 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) (Up from 32.5 to 36.6)*

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

### Expectations

The December quarter 2014 sales expectations index is 36.6 points, up from 33.6 points in the previous quarter and 7.9 points in the year prior.

The index is now 23.6 points above its 10-year average of 13 points.

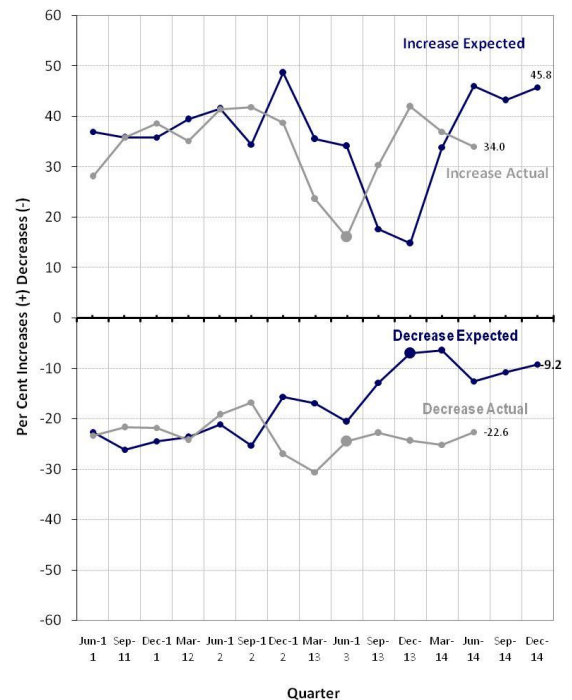
45.8 per cent of businesses expect an increase in their sales, while 9.2 per cent forecast a decrease, compared to the same time last year.

### Actual performance

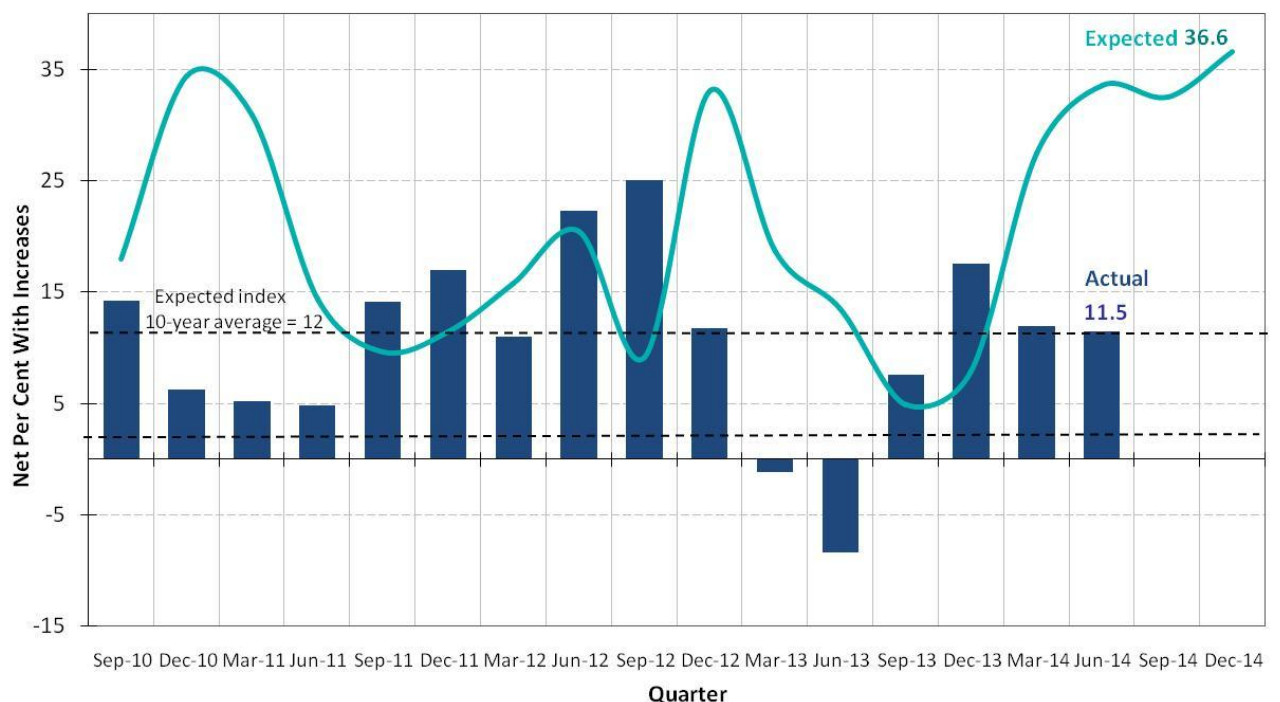
The actual sales index for the June quarter of 2014 is 11.5 points, a decrease from 11.9 points in the previous quarter and up on -8.3 points in 2013.

34.0 per cent of firms reported increased sales in the June quarter and 22.6 per cent had decreased sales compared to the previous year.

Sales: D&B Indexes  
Component Responses



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



## Profits outlook

(Quarterly Net Index) (Down from 19.9 to 19.7)

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 2014 quarter is an index of 19.7 points, a decline from 19.9 points in the previous quarter and 21.1 points last year.

The outlook for profits is 12.9 points above the 10-year average index of 7.

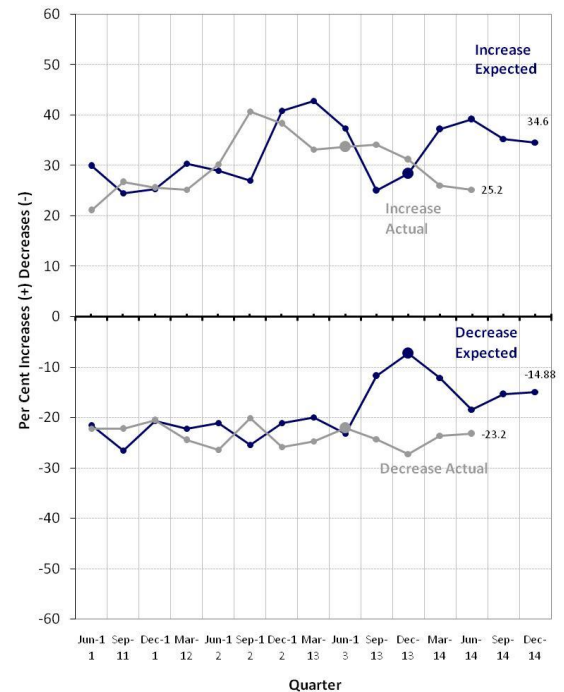
34.6 per cent of businesses expect an increase in their profits during the quarter ahead, while 14.9 per cent forecast a decrease, compared to last year.

### Actual performance

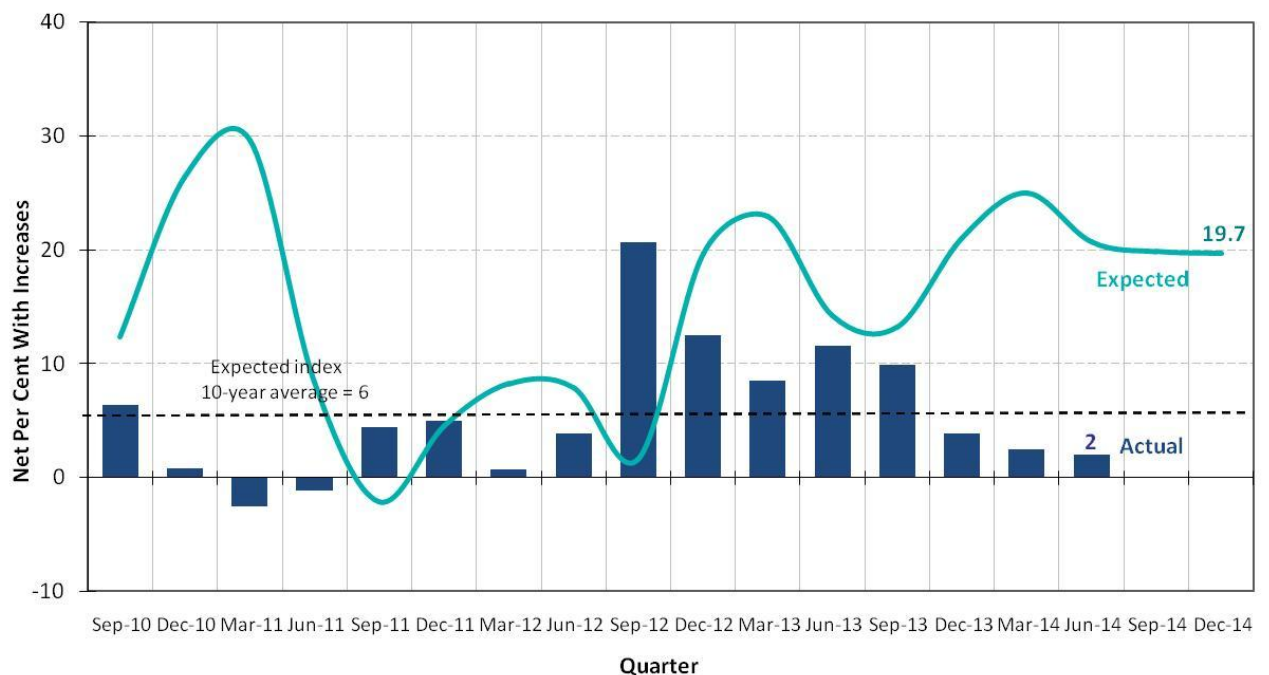
The actual profits index for the June 2014 quarter is 2.0 points, down from 2.4 points in the previous quarter and 11.6 a year earlier.

25.2 per cent of businesses increased their profits, while 23.2 per cent experienced a decrease.

Profits: D&B Indexes  
Component Responses



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





## Employment outlook

(Quarterly Net Index) (Up from 12.7 to 13.7)

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 2014 has risen to 13.7 points, from 12.7 points in the previous quarter and -1.1 points a year earlier.

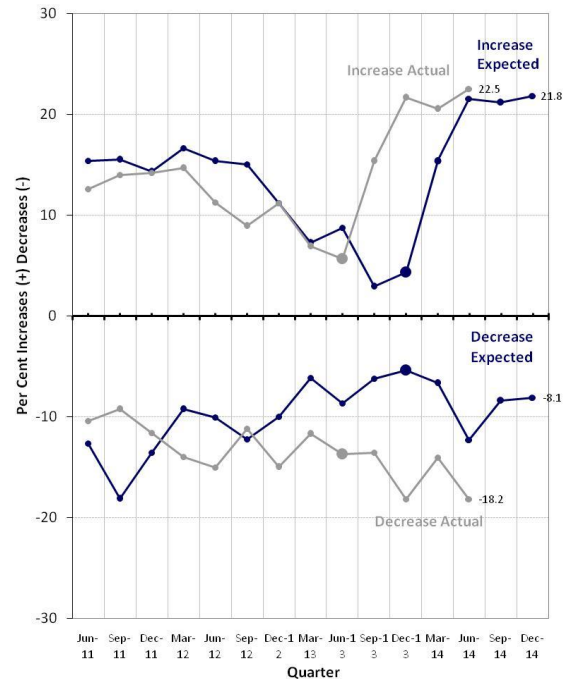
21.8 per cent of executives expect to employ more staff than compared to year ago, while 8.1 per cent expect to decrease their staff numbers.

### Actual performance

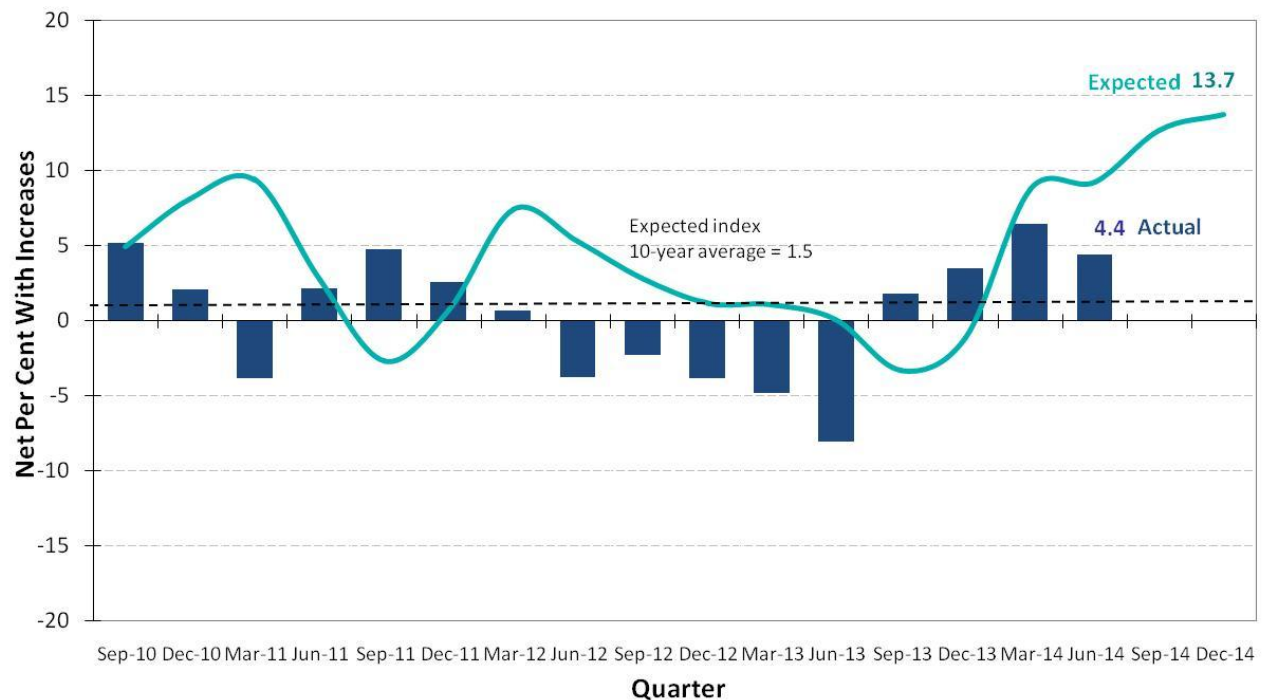
In the June quarter 2014, 22.5 per cent of businesses hired new staff, compared to the 18.2 per cent that reduced their employment levels.

At 4.4 points, the actual employment index is down from 6.5 last quarter.

Employees: D&B Indexes  
Component Responses



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





## Capital Investment outlook

(Quarterly Net Index)(Down from 12.1 to 10.5)

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 2014 is down from 12.1 points to 10.5 points.

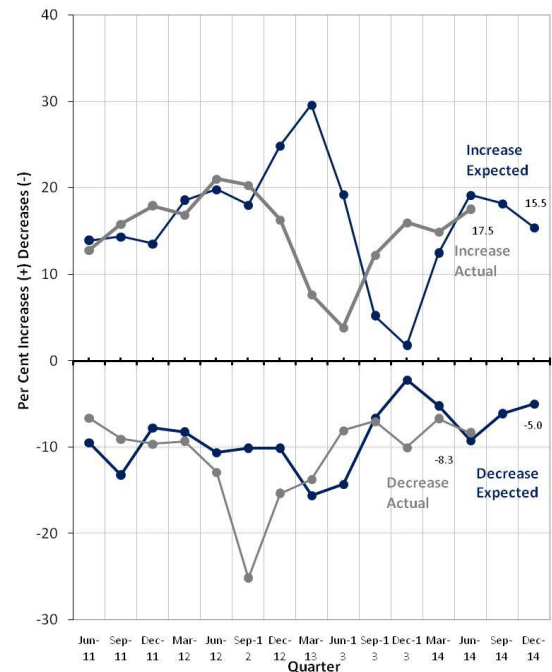
15.5 per cent of businesses expect an increase in their investment level, while 5.0 per cent forecast a decrease compared with a year earlier.

### Actual performance

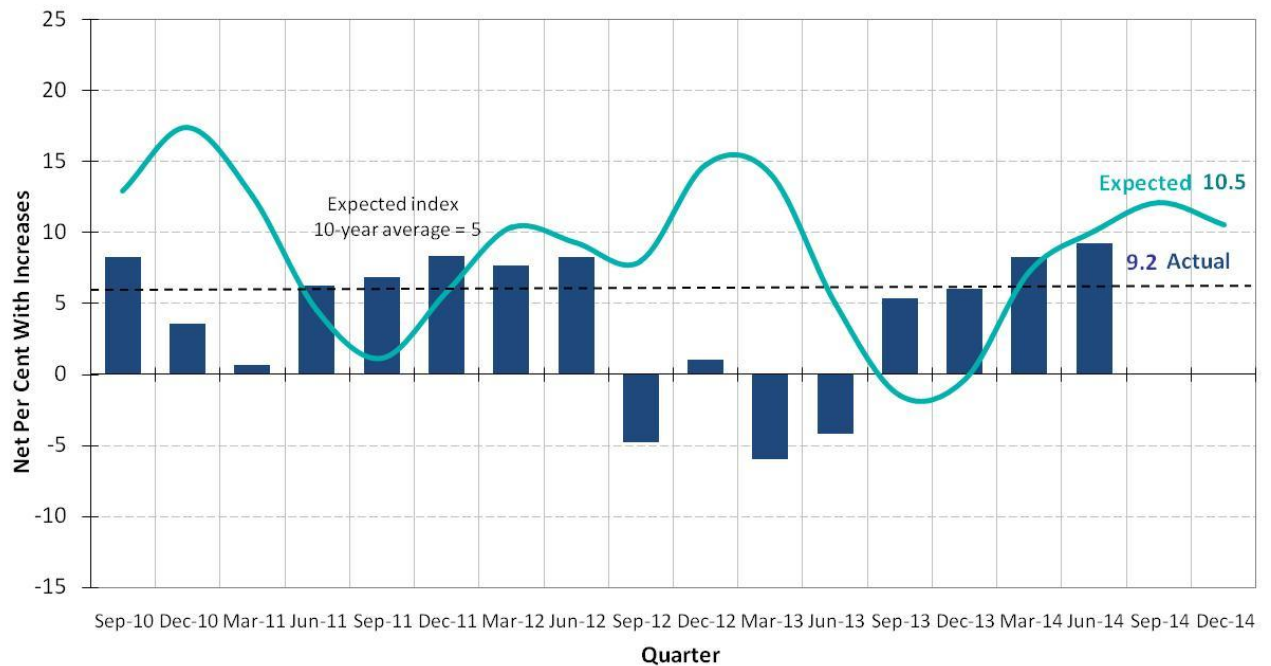
For the June quarter 2014, the actual index for investment is 9.2 points.

17.5 per cent of firms increased their capital investment in the March quarter while 8.3 per cent decreased capital spending.

Capital Investment: D&B Indexes  
Component Responses



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



## Selling Prices outlook

(Quarterly Net Index) (Down from 20.3 to 18.4)

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 2014 is 18.4 points, down from a level of 20.3 points in the previous quarter, and up from 10.2 a year earlier.

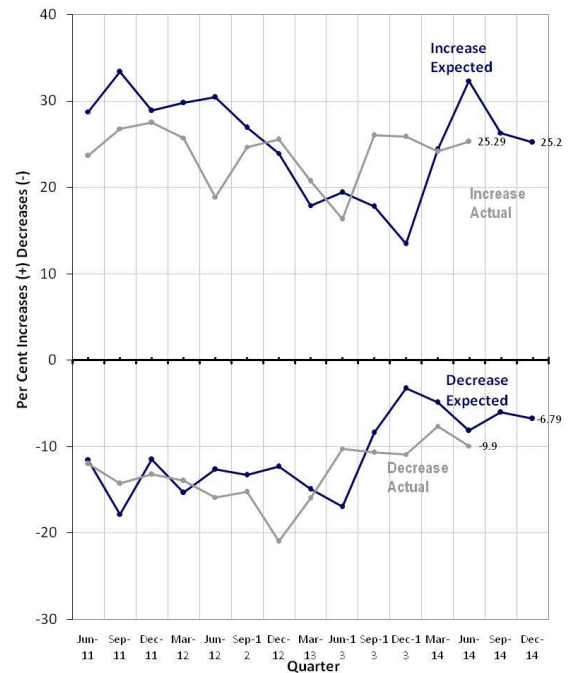
The proportion of firms expecting to have higher selling prices in the quarter ahead is 25.2 per cent, with 6.8 per cent expecting to have lower prices.

### Actual performance

At 15.4 points, the actual prices index for the June 2014 quarter is down marginally from 16.5 points in the previous quarter.

25.3 per cent of businesses increased the level of their selling prices, while 9.9 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 2010 to Dec Qtr 2014

