MEDIA RELEASE

EMBARGOED – 1:00am, Tuesday 7 October 2014

BUSINESSES LOOK FOR A CHRISTMAS BOOST

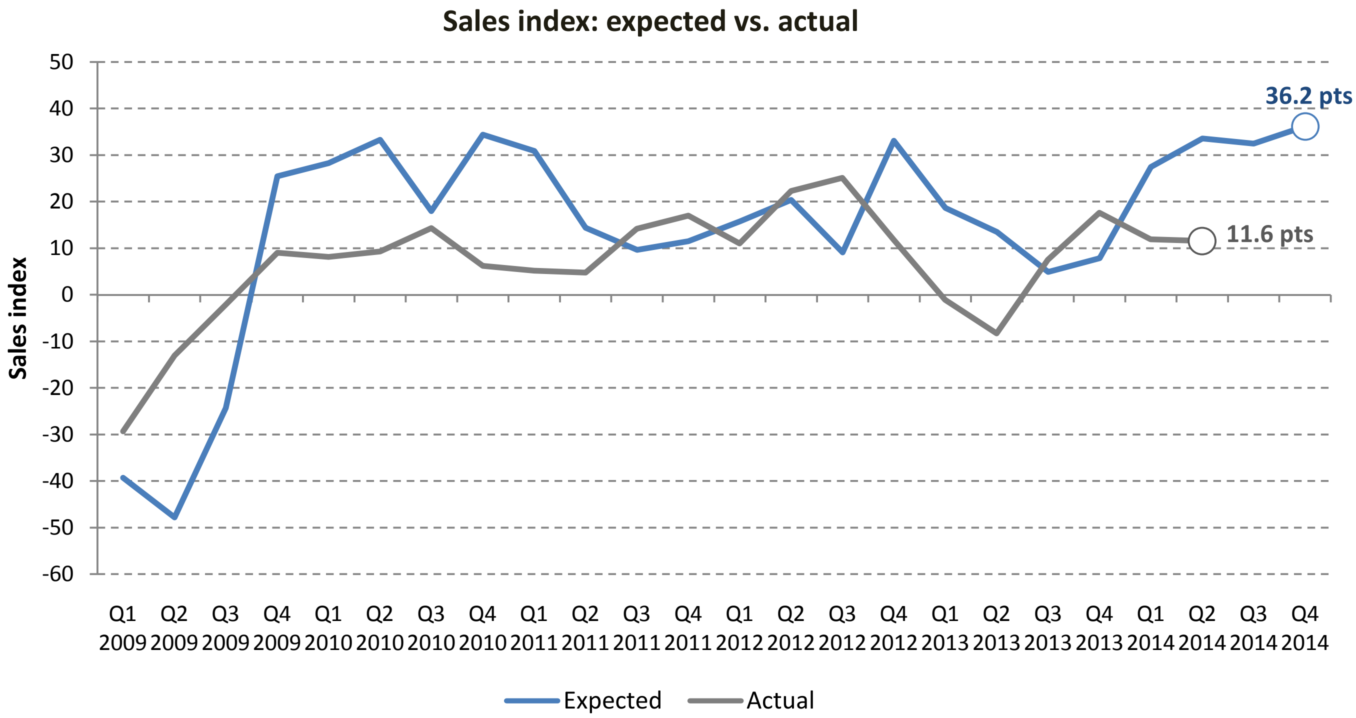
Retail and services sectors shrug off consumer concerns

Business owners are optimistic about seeing a jump in sales during the run-up to Christmas, with retailers and the services industry lifting their forecasts for the final quarter of the year despite signs that consumer confidence in Australia is faltering.

According to Dun & Bradstreet's latest *Business Expectations Survey*, 47 per cent of businesses expect higher sales levels compared to last year, while 11 per cent forecast a decline and 42 per cent similar trade. This positive outlook has lifted the sales expectations index to 36.2 points, up from 7.9 points at the same time last year.

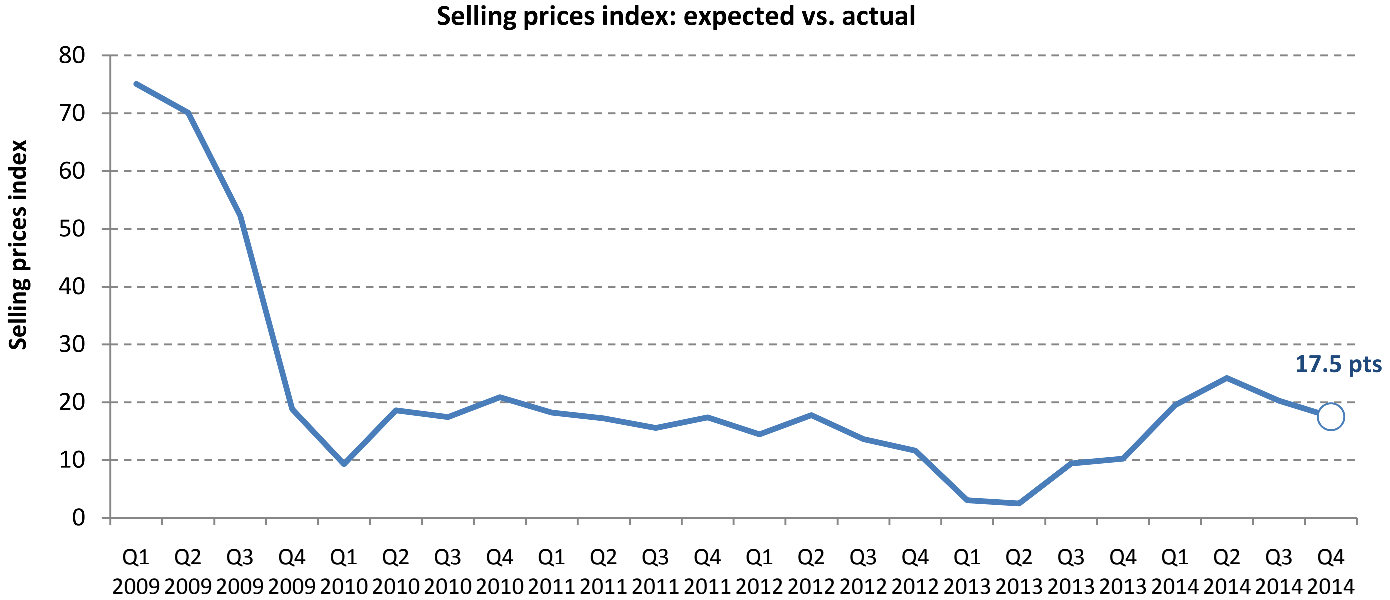
Despite disappointing figures from the ABS showing sales growth of just 0.1 per cent during August, concerns over consumer confidence, and a worrying rise in Dun & Bradstreet's *Consumer Financial Stress Index,* the retail and services sectors expect consumers to open their wallets in the months ahead. The retail sales index has risen to 27.1 points, up from 9.7 points last year, while the services sales index has jumped to 43.4 points, up from 4.0 points in 2013.

Expectations for increased has trade lifted across all other sectors surveyed, with the sales index for wholesalers hitting 41.7 points (up from 8.8); construction: 29.1 points (up from 0.2); transport, communications, utilities: 41.8 points (up from 8.1 points), and finance, insurance, real estate: 39.7 points (up from 7.2).



While an increasing number of businesses are expecting to sell more in the December quarter, discounting is not planned. Twenty-four per cent of businesses intend to raise the prices of their goods and services, while six per cent will cut prices, leaving the majority unchanged.

These pricing plans have lifted the selling prices index to 17.5 points, from 10.3 points last year, although it remains far from pre-GFC levels and well below its 10-year average of 27.1 points.

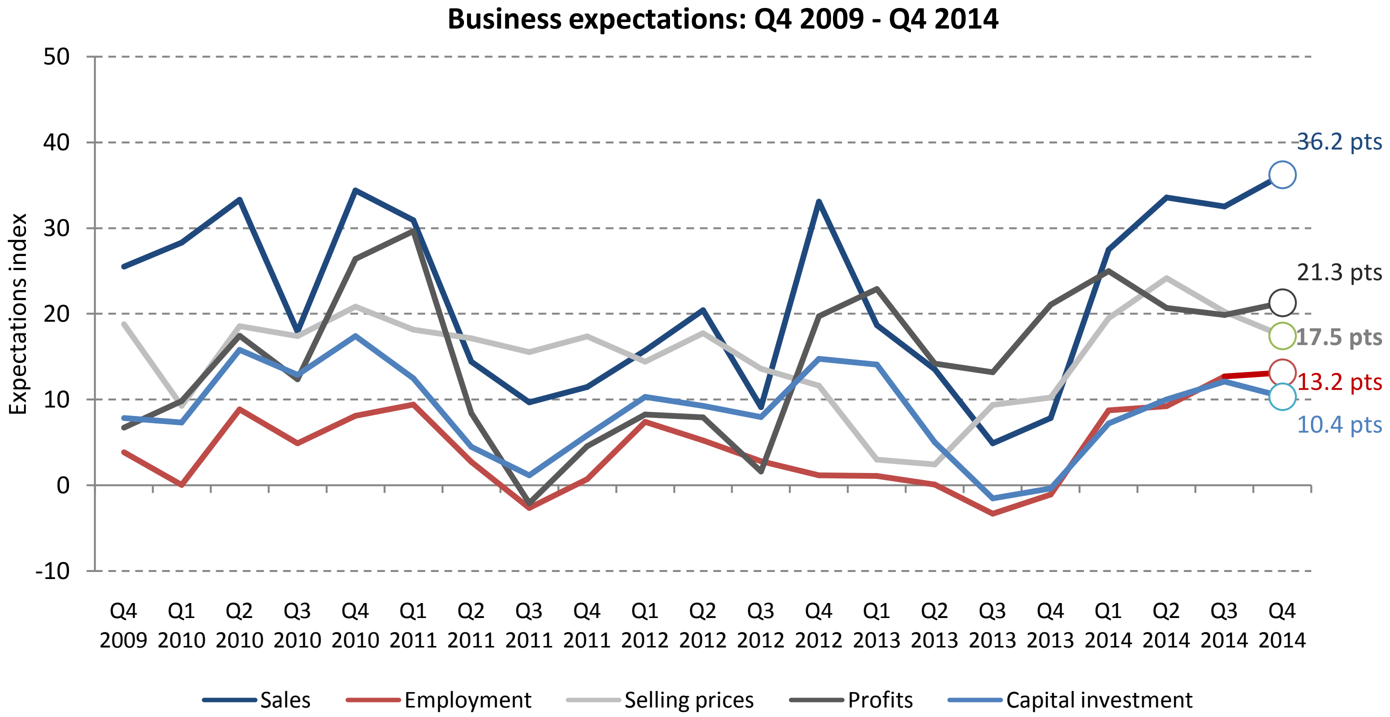


According to Dun & Bradstreet director Steve Brown, businesses look set to finish 2014 in relatively healthy shape.

"While we often see an uptick in business expectations for the Christmas period, the current outlook appears stronger and more broad-based than recent years," said Mr Brown.

"In addition to higher sales and profits, expectations for increased capital investment and employment are stronger than in 2013, borrowing intentions are stable, and the proportion of businesses more optimistic about growth this year, compared to last year, is holding at the 60 per cent mark."

"These latest numbers consolidate 12-months of generally positive expectations from the business sector. Questions remain, however, on the health of consumer finances, and whether Australians are willing and able to increase their discretionary spending over the next few months."



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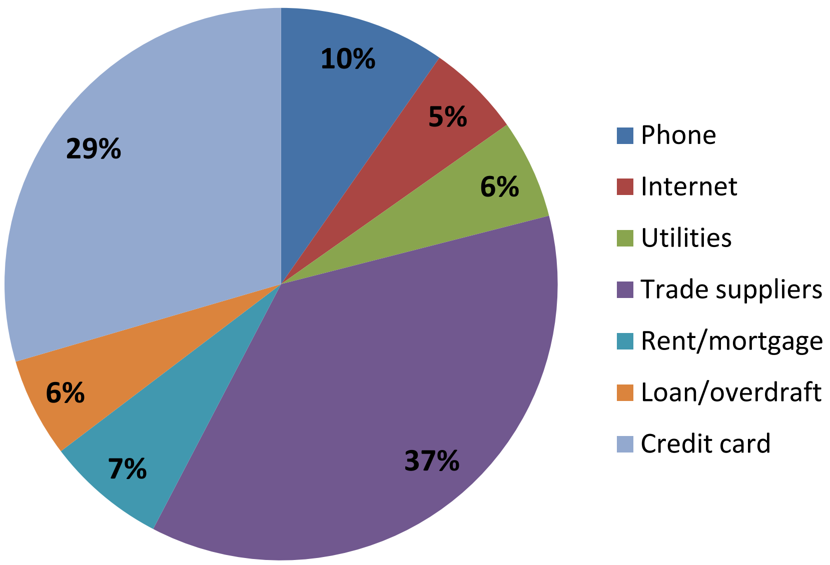
Despite expectations of rising sales and steady profits, cash flow continues to be an area of concern for businesses, with 31 per cent indicating it is the issue most likely to impact their operations during Q4 2014. This follows last month's company insolvencies report from ASIC which revealed that inadequate cash flow or high cash use was the most common cause of business failure in the 2013–14 financial year.

Underscoring the difficulties facing businesses in regulating their cash flow are additional findings from D&B's *Business Expectations Survey* that show 35 per cent of businesses have had a customer or supplier become insolvent or otherwise unable to pay them during the year.

Trade suppliers are the most likely to be overlooked by businesses unable to meet all of their payment obligations, followed by a credit card and phone bill.

Bill least likely to pay if not enough money



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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 13.2 points up from 12.7 points in the previous quarter, and -1.1 points a year ago.
- The **sales** index has risen to 36.2 points, from 32.5 points in the previous quarter and 7.9 points a year earlier.
- **Profit** expectations for the quarter are up, with the index at 21.3 points from 19.9 points last quarter and 21.1 points last year.
- Plans for **capital investment** have eased to 10.4 points, from 12.1 points quarter-on-quarter, and up from -0.4 points a year earlier.
- The **selling prices** index has fallen from 20.3 points to 17.5 points, although it remains up on the 10.2 points measured at the same time last year.

Issues expected to influence operations in the December quarter 2014

- 60 per cent of businesses are **more optimistic** about growth in 2014 compared to 2013, while 32 per cent is 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 the **level of the Australian dollar** (18 per cent), and **wages & salary** growth (11 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.
- 37 per cent of businesses would choose to miss payments to **trade suppliers** if unable to pay all their bills on time, followed by business **credit cards** (30 per cent) and **phone bills** (10 per cent).
- 50 per cent of businesses expect no impact from the current level of the **Australian dollar**, while 22 per cent expect a positive impact and 21 per cent a negative impact. Seven 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 77 per cent will not. Six per cent is undecided.

Actual results reported for the June quarter 2014

- **Actual employment** levels reported are down to 4.0 points compared to 6.5 points last quarter, but up from -8.0 points last year.
- **Sales** activity fell compared to the previous quarter, from 11.9 points to 11.6 points, while the index was up on -8.3 points from the same time last year.
- The **actual profits** index lifted to 4.0 points from 2.4 points last quarter, although it is down from 11.6 points last year.
- **Capital investment** activity fell slightly to 7.4 points from 8.2 points and -4.2 points in 2013.
- **Selling prices** were down marginally, moving from 16.5 points to 13.4 points quarter-on-quarter.

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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 July, August and September 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.

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.

Sales outlook

(Quarterly Net Index) (Up from 32.5 to 36.2)

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 36.2 points, up from 32.5 points in the previous quarter and 7.9 points in the year prior.

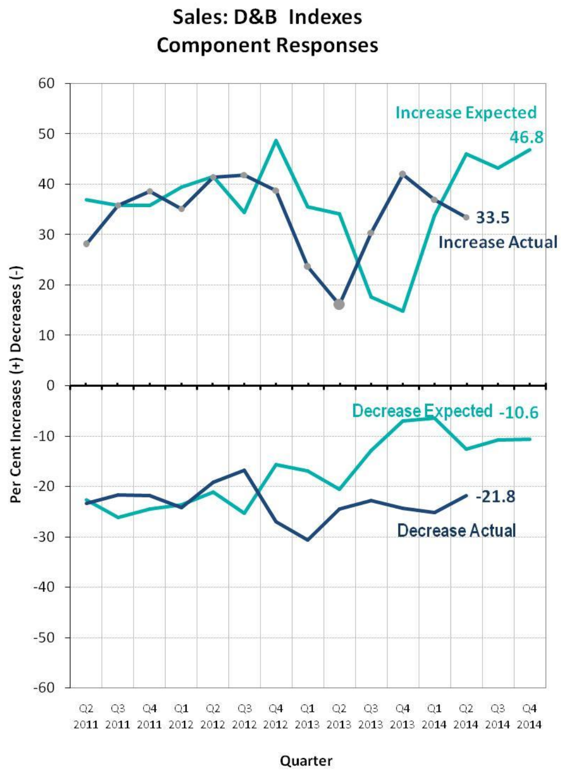
The index is now 26.2 points above its 10-year average of 13 points.

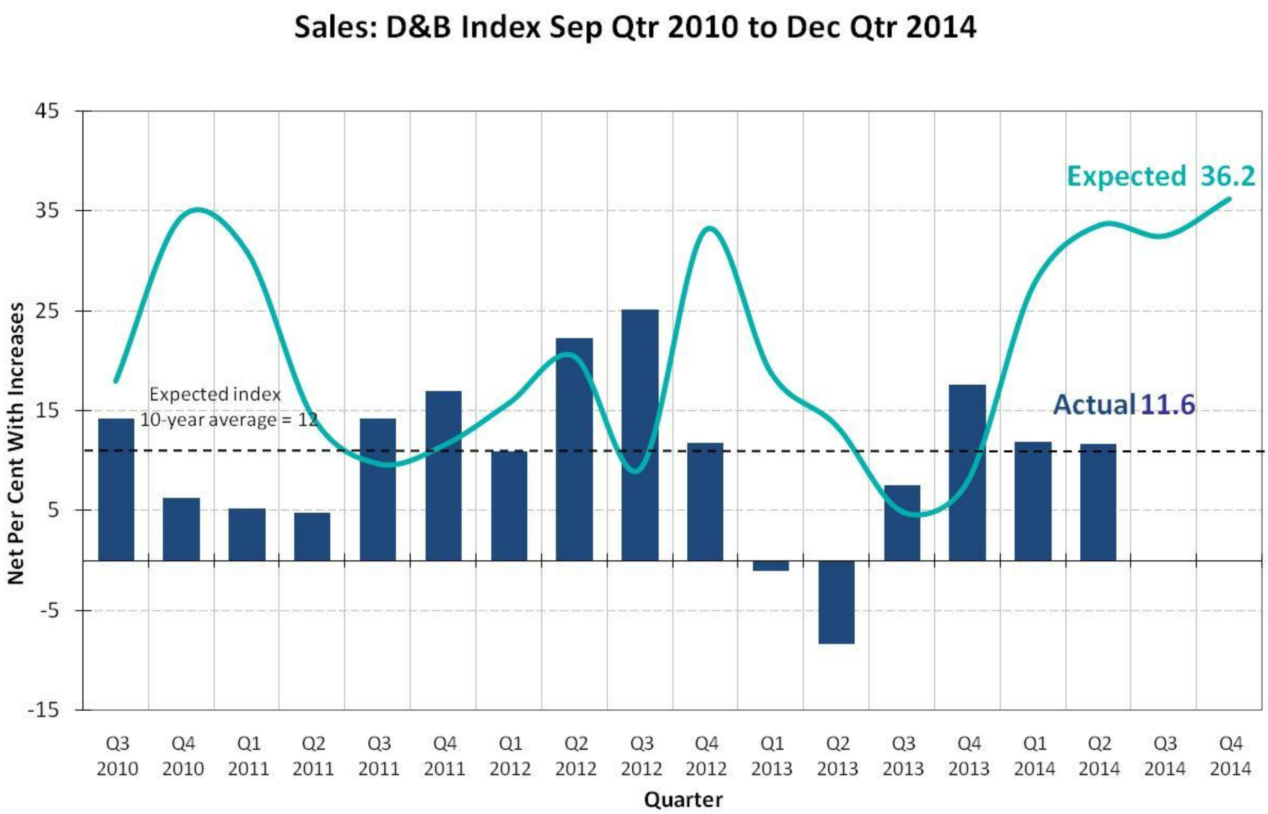
46.8 per cent of businesses expect an increase in their sales, while 10.6 per cent forecast a decrease, compared to the same time last year.

Actual performance

The actual sales index for the June quarter of 2014 is 11.6 points, a decrease from 11.9 points in the previous quarter and up on -8.3 points in 2013.

33.5 per cent of firms reported increased sales in the June quarter and 21.8 per cent had decreased sales compared to the previous year.





Profits outlook

(Quarterly Net Index) (Up from 19.9 to 21.3)

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

Expectations

The outlook for profits in the December 2014 quarter is an index of 21.3 points, up from 19.9 points in the previous quarter and 21.1 points last year.

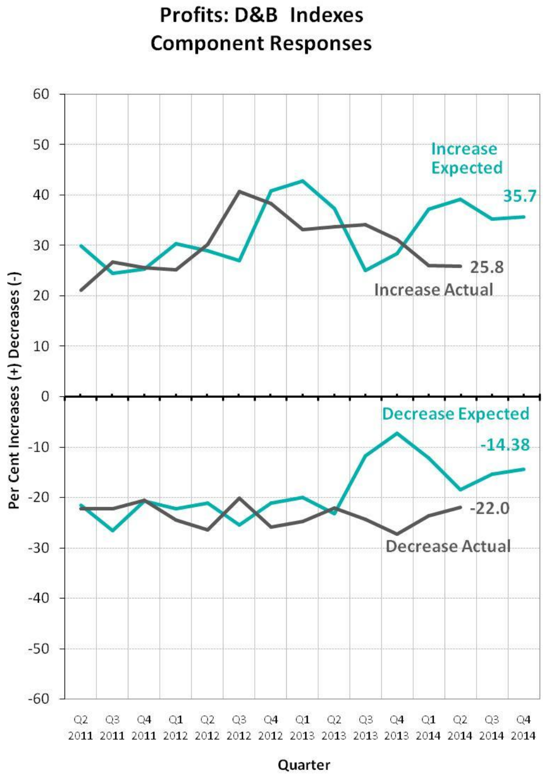
The outlook for profits is 14.3 points above the 10-year average index of 7.

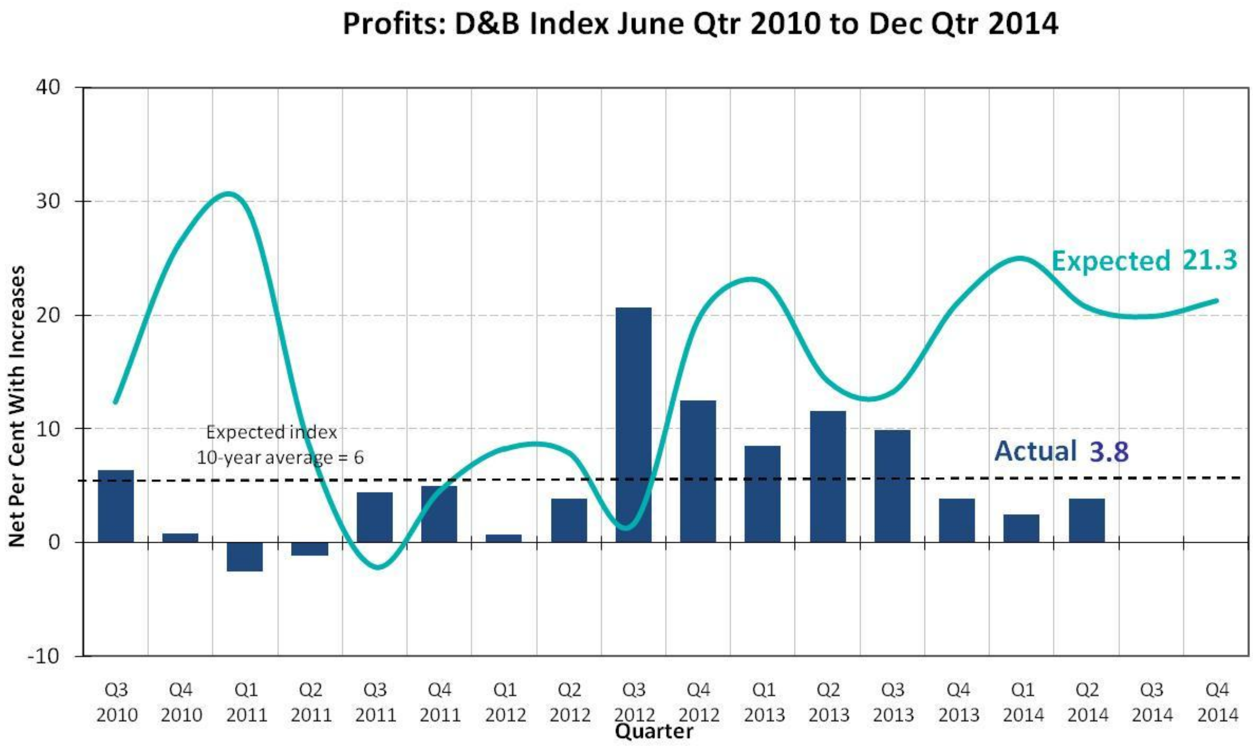
35.7 per cent of businesses expect an increase in their profits during the quarter ahead, while 14.4 per cent forecast a decrease, compared to last year.

Actual performance

The actual profits index for the June 2014 quarter is 3.8 points, up from 2.4 points in the previous quarter and down on the 11.6 points recorded a year earlier.

25.8 per cent of businesses increased their profits, while 22 per cent experienced a decrease.





Employment outlook

(Quarterly Net Index) (Up from 12.7 to 13.2)

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

Expectations

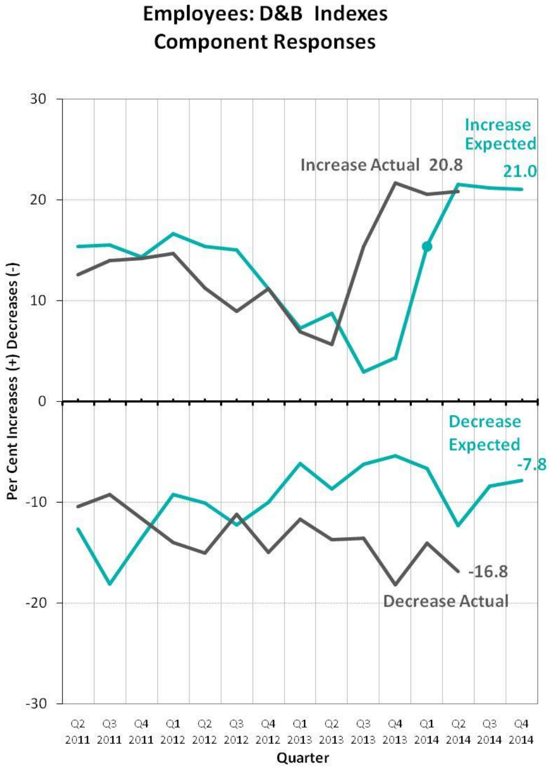
The employment outlook for the December quarter 2014 has risen to 13.2 points, from 12.7 points in the previous quarter and -1.1 points a year earlier.

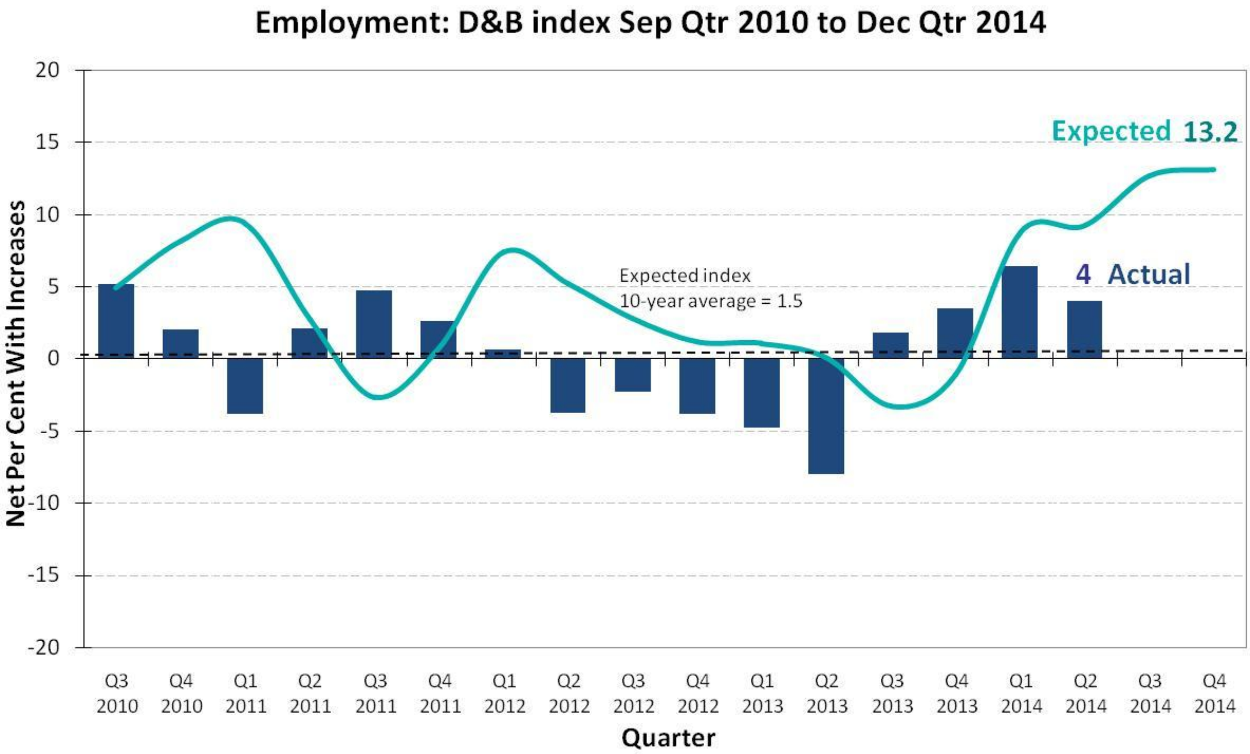
21.0 per cent of executives expect to employ more staff than compared to year ago, while 7.8 per cent expect to decrease their staff numbers.

Actual performance

In the June quarter 2014, 20.8 per cent of businesses hired new staff, compared to the 16.8 per cent that reduced their employment levels.

At 4.0 points, the actual employment index is down marginally from 6.5 last quarter.





Capital Investment outlook

(Quarterly Net Index)(Down from 12.1 to 10.4)

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

Expectations

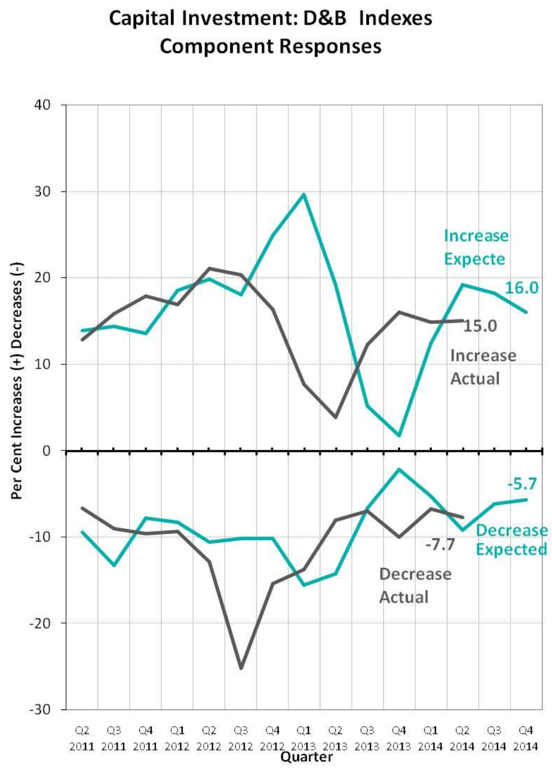
The capital investment outlook for the December quarter 2014 is down from 12.1 points last quarter to 10.4 points.

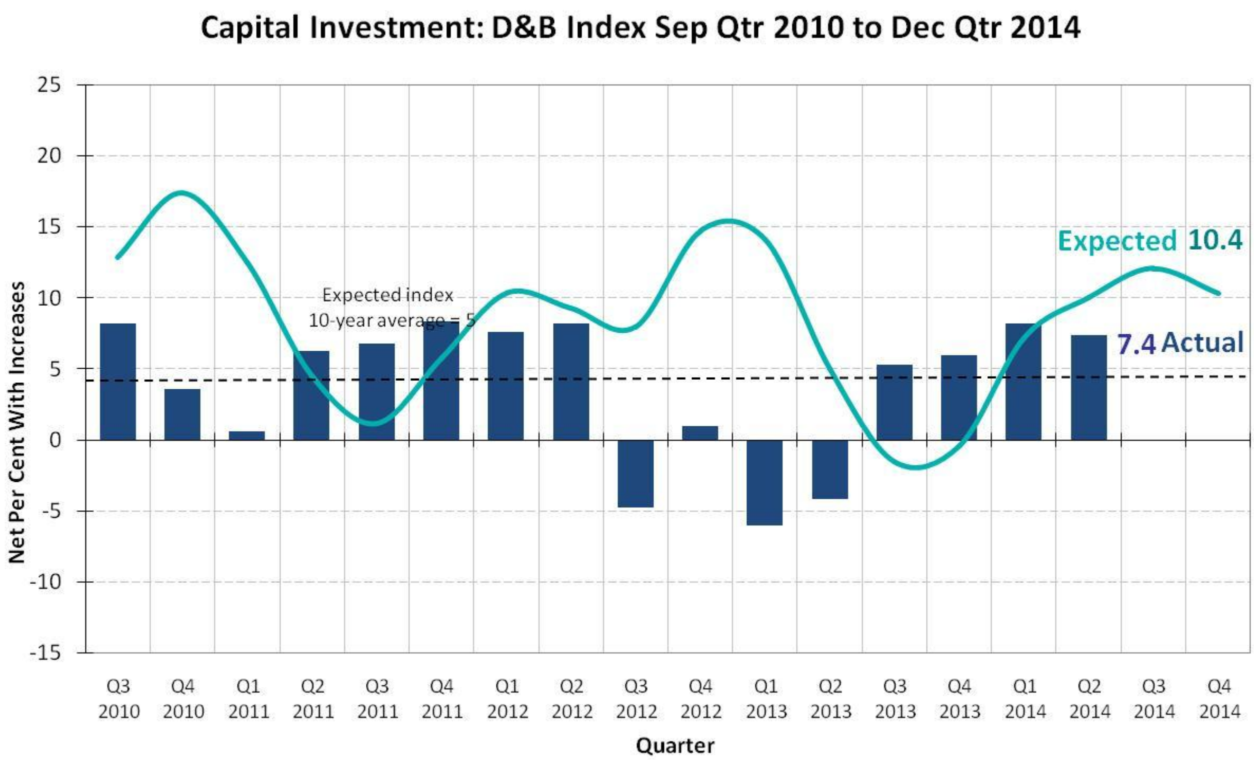
16.0 per cent of businesses expect an increase in their investment level, while 5.7 per cent forecast a decrease compared with a year earlier.

Actual performance

For the June quarter 2014, the actual index for investment is 7.4 points.

15.0 per cent of firms increased their capital investment in the June quarter while 7.7 per cent decreased capital spending.





Selling Prices outlook

(Quarterly Net Index) (Down from 20.3 to 17.5)

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 17.5 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 23.7 per cent, with 6.2 per cent expecting to have lower prices.

Actual performance

At 13.4 points, the actual prices index for the June 2014 quarter is down from 16.5 points in the previous quarter.

22.2 per cent of businesses increased the level of their selling prices, while 8.8 per cent had decreased, compared to the same time the previous year.