



EMBARGOED – 1:00am, Tuesday 2 June 2015

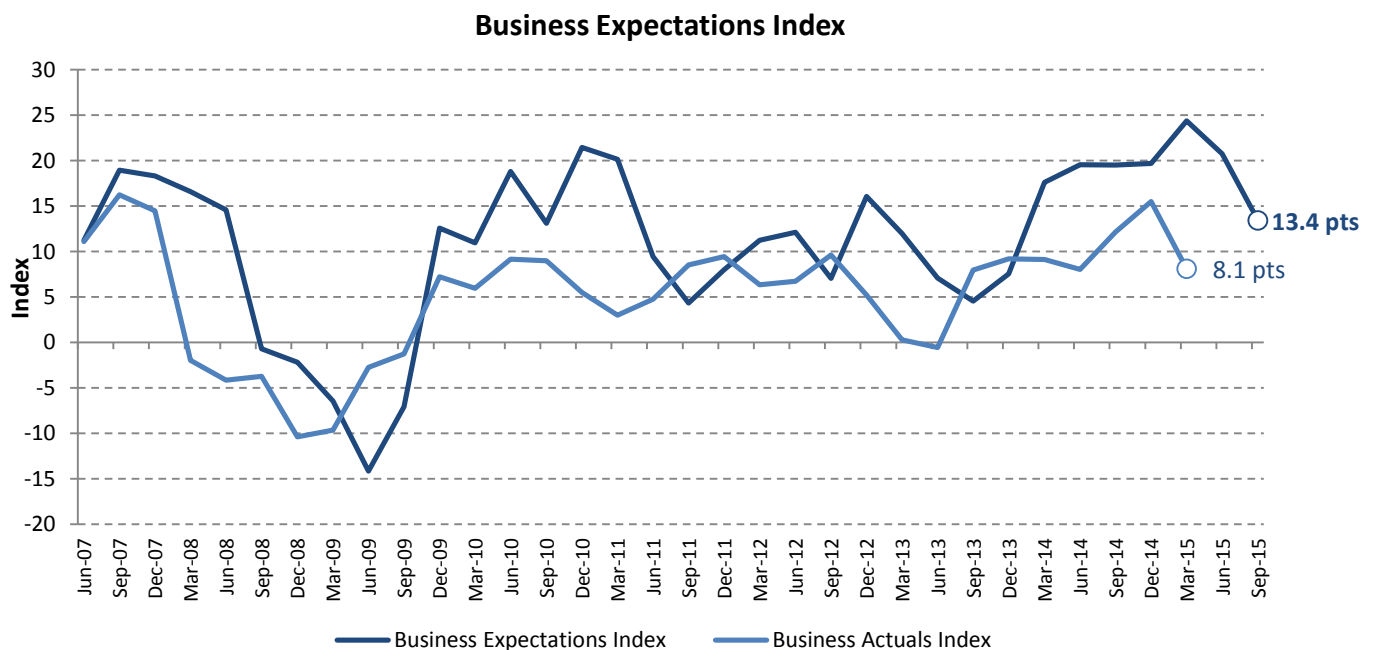
Budget fails to fire business *Expectations drop for new financial year*

Business expectations for the start of the next financial year have dropped sharply despite business friendly concessions in last month's Federal Budget.

According to Dun & Bradstreet's *Business Expectations Survey*, business executives have returned a weak third quarter outlook on their expected sales, profits, investments and employment levels, taking the Business Expectations Index down to 13.4 points from 20.7 points in the previous quarter and 19.5 points at the same time last year.

The sharp drop in third quarter expectations confirms that businesses are looking beyond this year for support from an economy that is growing at less than three per cent. Concerns about the current and short-term potential of the Australian economy were reinforced by last week's capital expenditure numbers from the ABS, which showed a seasonally-adjusted 4.4 per cent drop in Q1 2015.

During the same period, Dun & Bradstreet's survey found that business performance across sales, profits, employment and investment also fell, with the Business Actuals Index dropping from 15.5 points in Q4 2014 to 8.1 points in Q1 2015.



The Business Expectations Index is an aggregate of the survey's measures of sales, profits, employment and investment expectations.

"While this recent correction in the business outlook is from a relatively high point, its trajectory is worrying, as is the drop away in the actual performance reported by businesses for the past quarter," said Steve Brown, Director at Dun & Bradstreet–Australia & New Zealand.

"It appears that businesses, despite stimulatory news in the budget, have shelved expansion plans until the end of this year at the earliest.

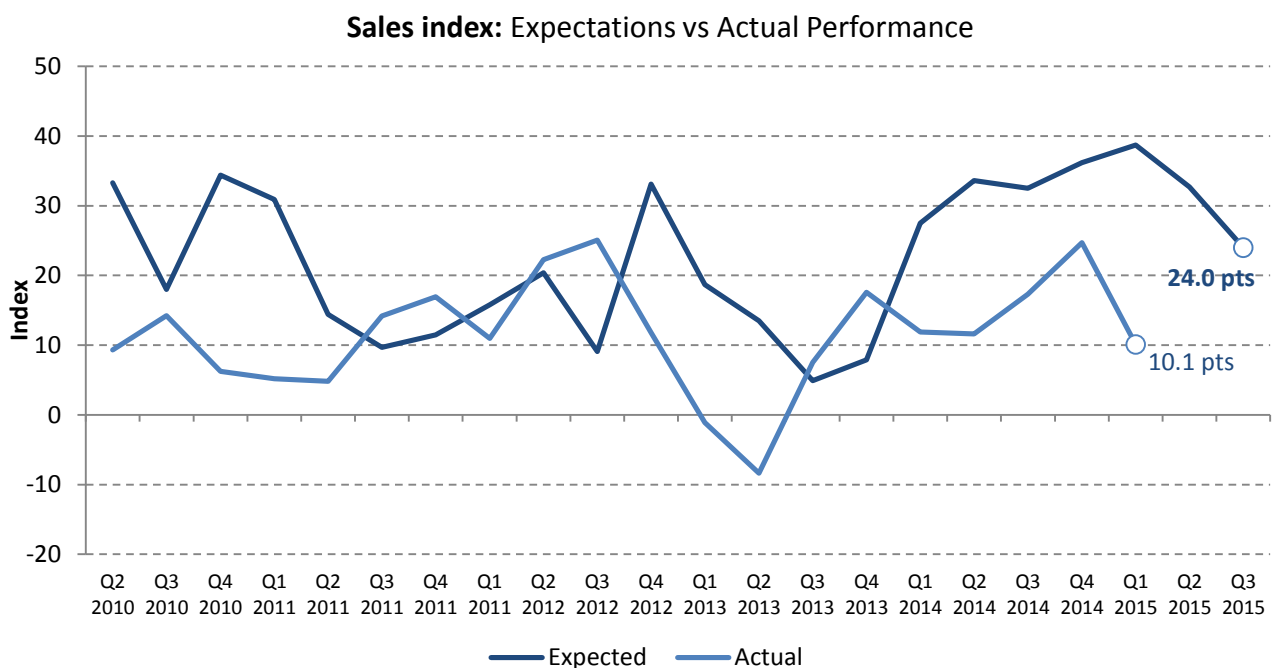
"Demand remains the key missing ingredient, as demonstrated by the latest capex figures and by what businesses are reporting through our monthly survey," Mr Brown added.



Twenty-four percent of businesses surveyed by Dun & Bradstreet reported a weak demand for their products and services as their biggest barrier to growth in the coming year; the most common response ahead of other factors including online selling by competitors (15 per cent), cash flow (14 per cent) and operating costs (13 per cent).

Additionally, the mood of consumers continues to worry businesses, with 38 per cent nominating consumer confidence as the issue that will most influence their operations in the third quarter of the year.

Reflecting business concerns about demand, the Sales Expectations Index for Q3 2015 has fallen sharply to 24 points, down from 32.7 points in the previous quarter and 32.5 points last year. The drop came with 38 per cent of businesses expecting increased sales in the next quarter, down from 43 per cent a year ago. At the same time, the proportion of businesses anticipating fewer sales climbed from 11 per cent to 14 per cent.



Compared to last year, sales expectations have fallen most noticeably in the manufacturing, wholesale and construction sectors. The proportion of manufacturers expecting increased sales in the third quarter of the year dropped from 52 per cent to 39 per cent, and from 52 per cent to 42 per cent among wholesalers. Meanwhile, the number of construction companies anticipating a fall in their sales levels climbed from 13 per cent to 22 per cent.

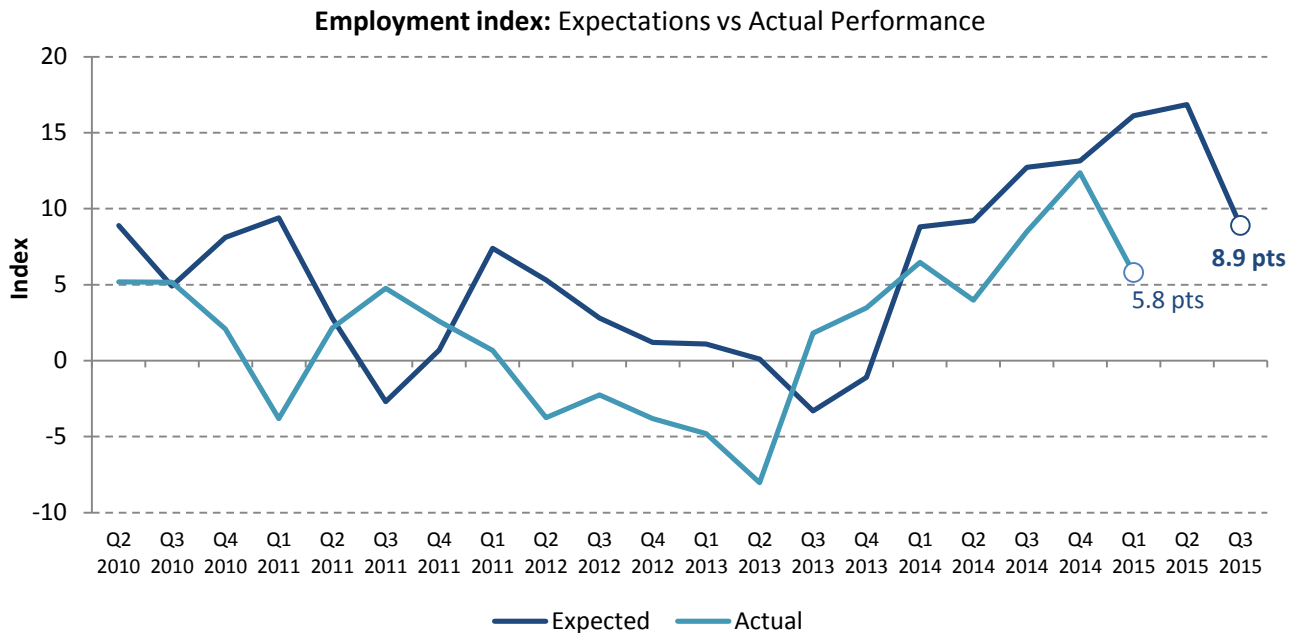
While the budget does not appear to have boosted the business outlook among most sectors, retailers have reversed the trend and are anticipating renewed spending. The Sales Expectations Index for retailers has risen to 34.5 points for Q3 2015 up from 30.8 points in the previous quarter and 20.9 points last year. According to the Dun & Bradstreet survey, 48 per cent of retailers expect increased sales, up from 45 per cent last quarter and 33 per cent last year.

Similarly, profit expectations among retailers have increased against the overall trend. Thirty-seven per cent of businesses in the retail sector have forecast higher profits next quarter, an increase from 32 per cent in the previous quarter and 24 per cent in the year prior. The response has taken the sector's Profit Expectations Index to 18.9 points, up from 16.3 points last quarter and just 1.3 points in 2014.

In comparison, profit expectations across all industries have fallen, with the index moving down to 12.6 points from 18.1 points in the previous quarter and 19.9 points in the previous year.



After showing some resistance through the beginning of the year, employment plans have also dropped sharply. The Employment Expectations Index for the third quarter of the year is 8.9 points, down from 16.8 points in the second quarter and 12.7 points last year. While 21 per cent of survey respondents intend to hire in the third quarter, 12 per cent plan to cut numbers and the majority leave their staffing levels unchanged.



“The economy appears to have hit a brick wall,” said Stephen Koukoulas, Economic Adviser to Dun & Bradstreet.

“The severe slumps in expected sales and employment are particularly worrying for the business outlook, while the actual performance of the economy has also undershot prior expectations.

“Businesses that reported relatively optimistic conditions early in 2015 are now facing the reality of an underperforming economy and their responses to this survey suggest there is some risk that the unemployment rate will rise further during the second half of 2015,” Mr Koukoulas added.

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MEDIA RELEASE



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

Expectations index for the September quarter 2015

- The **Employment** Expectations Index has fallen to 8.9 points, down from 16.8 points in the previous quarter and 12.7 points a year ago.
- The **Sales** Expectations Index has dropped to 24 points, from 32.7 points in the previous quarter and 32.5 points a year ago.
- **Profits** expectations for the quarter have eased, with the index at 12.6 points compared to 18.1 points in the previous quarter and 19.9 points last year.
- Plans for **capital investment** have been lowered, with the index moving to 11.8 points, from 12.6 points in the previous quarter and 12.1 points a year earlier.
- The **Selling Prices** Expectations Index has tumbled to 9.8 points from 23.5 points in the previous quarter and 20.3 points last year.

Issues expected to influence operations in the September quarter 2015

- 65 per cent of businesses are **more optimistic** about growth in the next 12 months compared to 2014, while 26 per cent is less optimistic. Nine per cent is undecided.
- Consumer confidence (38 per cent) is identified as the issue most likely to influence business operations in the next quarter, followed by **cash flow** (16 per cent) and the **level of the dollar** (11 per cent).
- 24 per cent of businesses see **weak demand for their products and services** as the biggest barrier to growth in the year ahead, while 15 per cent consider **online selling by competitors** and 14 per cent **cash flow**.
- 34 per cent of businesses reported having a customer or supplier that became **insolvent**, or was otherwise unable to pay them in the past year.
- 46 per cent of businesses would choose to miss payments to **trade suppliers** if unable to pay all their bills on time, followed by a **credit card** (20 per cent) and **utilities bill** (10 per cent).
- 41 per cent of businesses think that the level of the Australian dollar **doesn't matter** for their business. 30 per cent would prefer a **higher dollar** and 24 per cent a **lower dollar**.
- 21 per cent of businesses intend to seek **finance or new credit** in the quarter ahead to help their business grow, while 73 per cent will not. Six per cent is undecided.

Actual results reported for the March quarter 2015

- **Actual employment** reported is down to 5.8 points from 12.4 points in the previous quarter and up from 6.5 points last year.
- **Sales** activity declined to 10.1 points from 24.7 points in the previous quarter and up from 11.9 points last year.
- The **Actual Profits** Index eased to 6.7 points from 11.6 points in the previous quarter, while is up slightly on the 2.4 points last year.
- **Capital investment** activity dropped to 5.9 points, from 12.5 points in the previous quarter and 8.2 points last year.
- **Selling prices** were reduced, with the index down to 12.1 points from 16.4 points in the previous quarter and 16.5 points last year.

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.

MEDIA RELEASE



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. The Business Expectations Index is a composite of four of the five indices surveyed: sales, profits, employment and capital investment.

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 preliminary indexes for the latest quarters are based on approximately 800 responses obtained during April and May 2015.

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) (24 points, down from 32.5)

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

Expectations

The September quarter 2015 sales expectations index is 24 points, down from 32.7 points in the previous quarter and 32.5 points in the year prior.

The index is now 10 points above its 10-year average of 14 points.

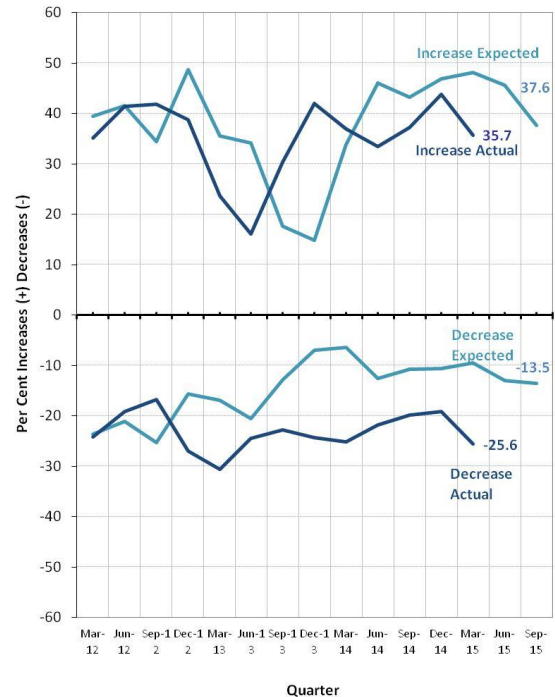
37.6 per cent of businesses expect an increase in their sales, while 13.5 per cent forecast a decrease, compared to the same time last year.

Actual performance

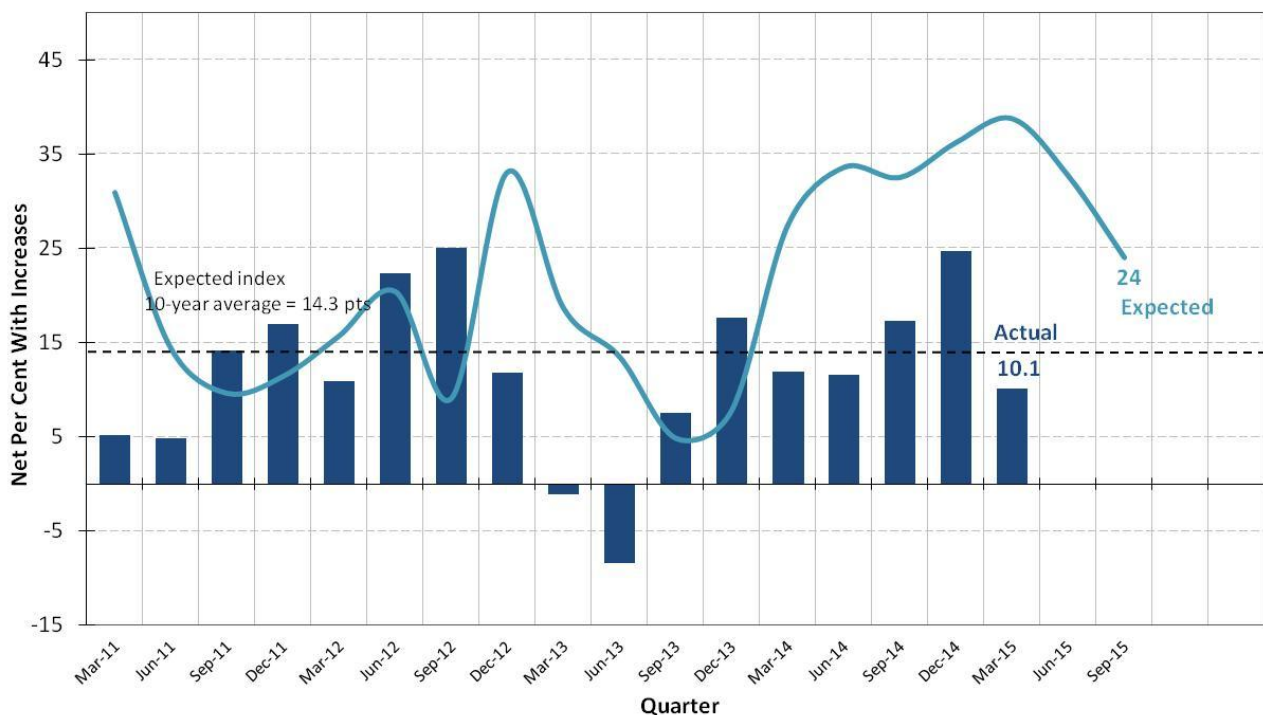
The actual sales index for the first quarter of 2015 is 10.1 points, down from 24.7 points in the previous quarter and from 11.9 points a year earlier.

35.7 per cent of firms reported increased 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 Mar Qtr 2011 to Sep Qtr 2015





Profits outlook

(Quarterly Net Index) (12.6 points, down from 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 2015 quarter is an index of 12.6 points, down from 18.1 points in the previous quarter and 19.9 points last year.

The outlook for profits is 4.8 points above the 10-year average index of 7.8.

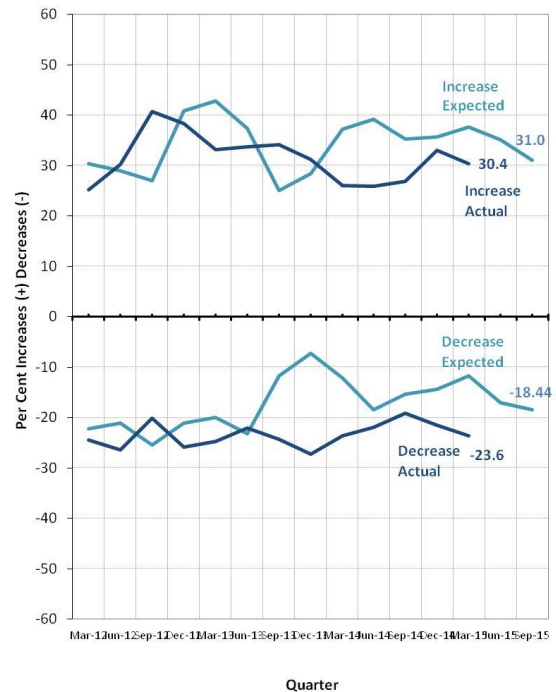
31 per cent of businesses expect an increase in their profits during the quarter ahead, while 18.5 per cent forecast a decrease, compared to last year.

Actual performance

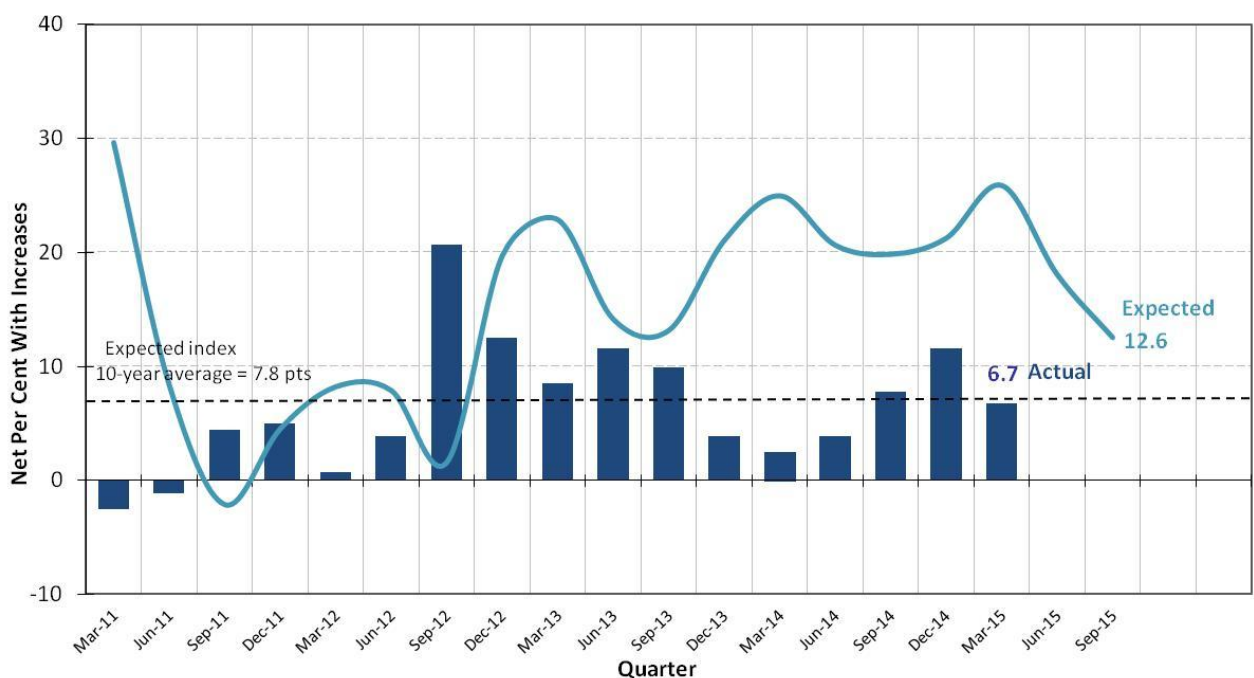
The actual profits index for the March 2015 quarter is 6.7 points, down from 11.6 points in the previous quarter and above the 2.5 points recorded a year earlier.

30.4 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 Mar Qtr 2011 to Sep Qtr 2015





Employment outlook

(Quarterly Net Index) (8.9 points, down from 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 2015 has dropped to 8.9 points, down from 16.8 points in the previous quarter and up from 12.7 points a year earlier.

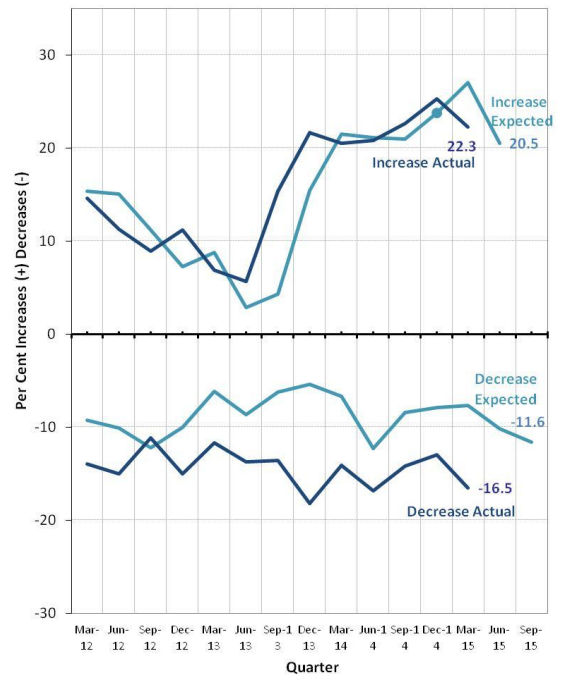
20.5 per cent of executives expect to employ more staff than compared to year ago, while 11.6 per cent expect to decrease their staff numbers.

Actual performance

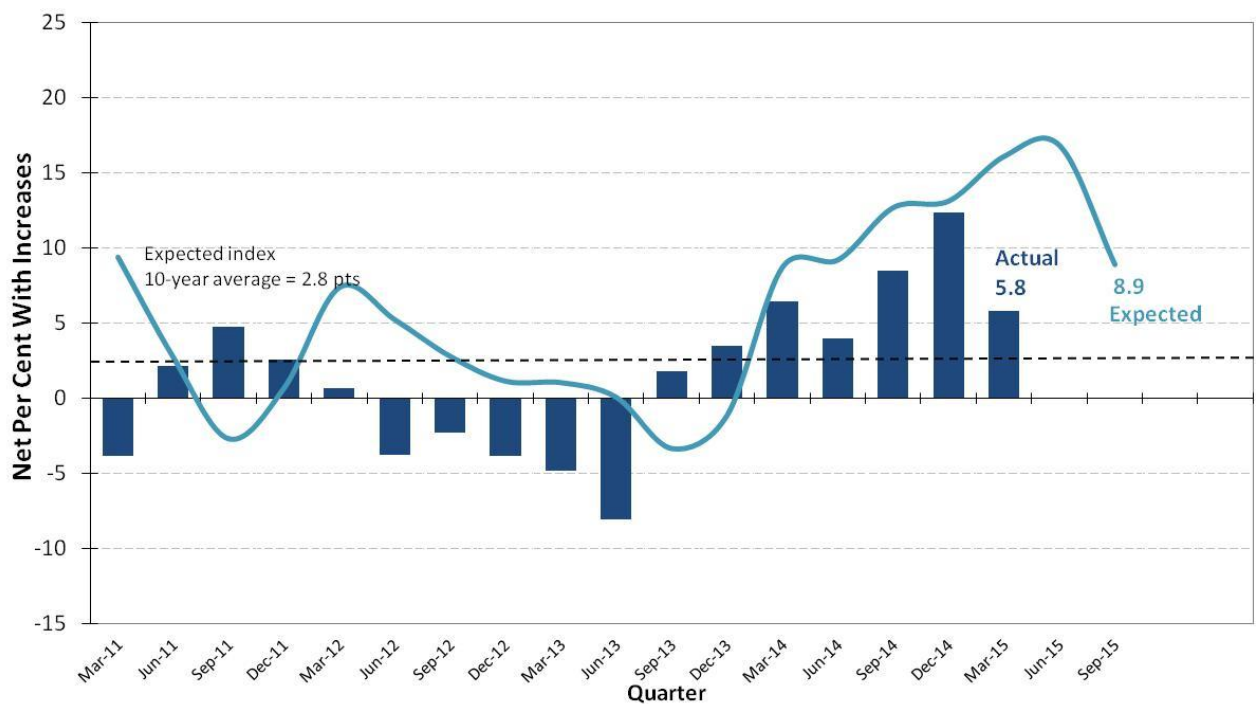
In the March quarter 2015, 22.3 per cent of businesses hired new staff, compared to the 16.5 per cent that reduced their employment levels.

At 5.8 points, the actual employment index is down from 12.4 points last quarter and up from 6.5 points last year.

Employees: D&B Indexes
Component Responses



Employment: D&B index Mar Qtr 2011 to Sep Qtr 2015





Capital Investment outlook

(Quarterly Net Index)(11.8 points, down from 12.1)

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

Expectations

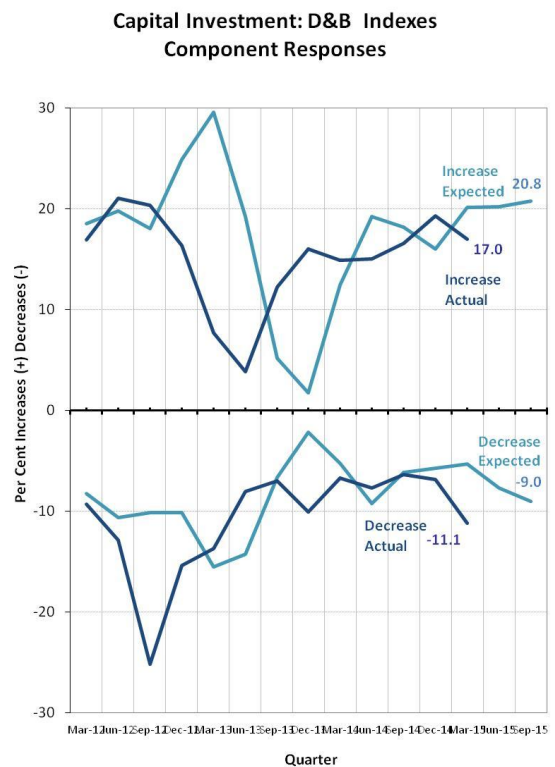
The capital investment outlook for the September quarter 2015 is 11.8 points, down from 12.1 points last year.

20.8 per cent of businesses expect an increase in their investment level, while 9 per cent forecast a decrease compared with a year earlier.

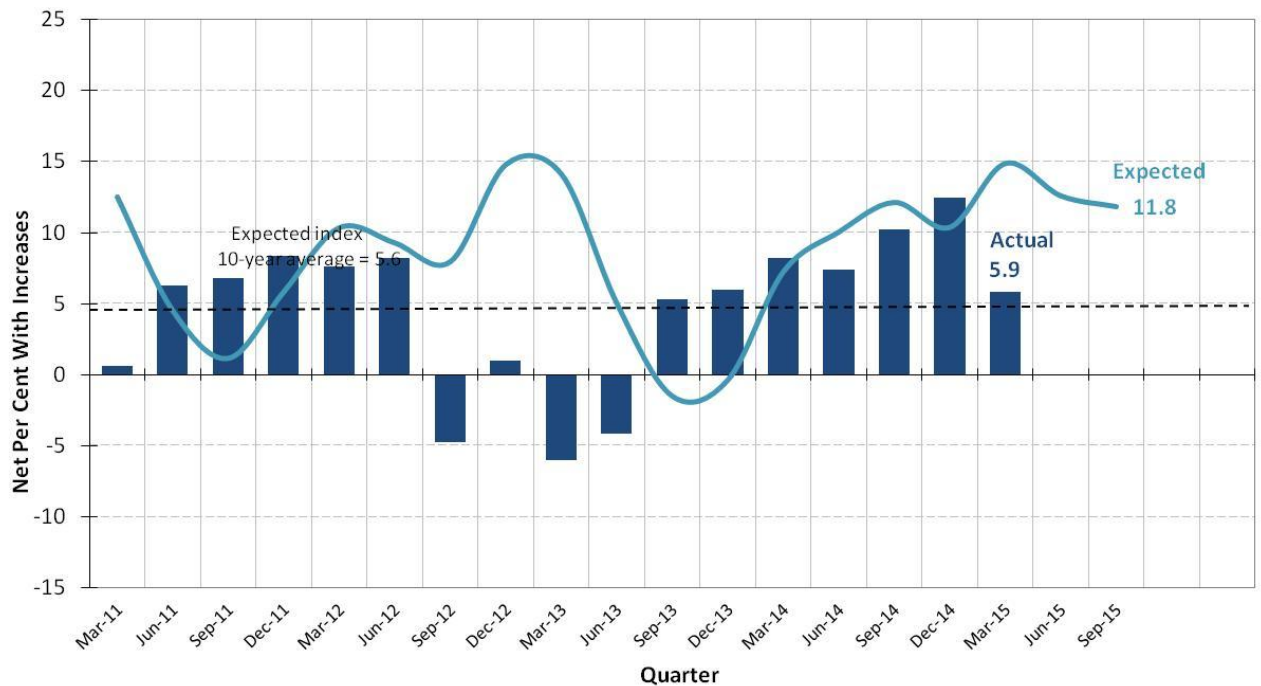
Actual performance

For the March quarter 2015, the actual index for investment is 5.9 points.

17 per cent of firms increased their capital investment in the March quarter while 11.1 per cent decreased capital spending.



Capital Investment: D&B Index Mar Qtr 2011 to Sep Qtr 2015





Selling Prices outlook

(Quarterly Net Index) (9.8 points, down from 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 2015 is 9.8 points, down from 23.5 points in the previous quarter and 20.3 points a year earlier.

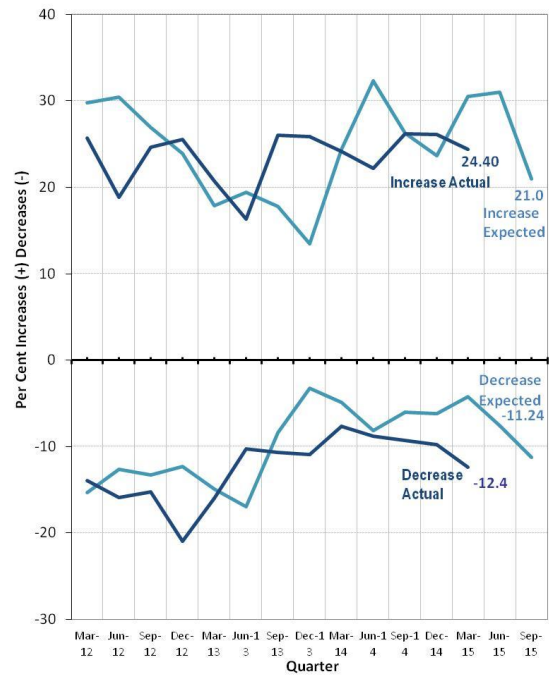
The proportion of firms expecting to have higher selling prices in the quarter ahead is 21 per cent, with 11.2 per cent expecting to have lower prices.

Actual performance

At 12.1 points, the actual prices index for the March 2015 quarter is down from 16.4 points in the previous quarter and 16.5 points last year.

24.4 per cent of businesses increased the level of their selling prices, while 12.4 per cent had decreased, compared to the same time the previous year.

Selling Prices: D&B Indexes
Component Responses



Selling Prices: D&B Index Mar Qtr 2011 to Sep Qtr 2015

