

EMBARGOED – 1:00am, Tuesday 7 July 2015

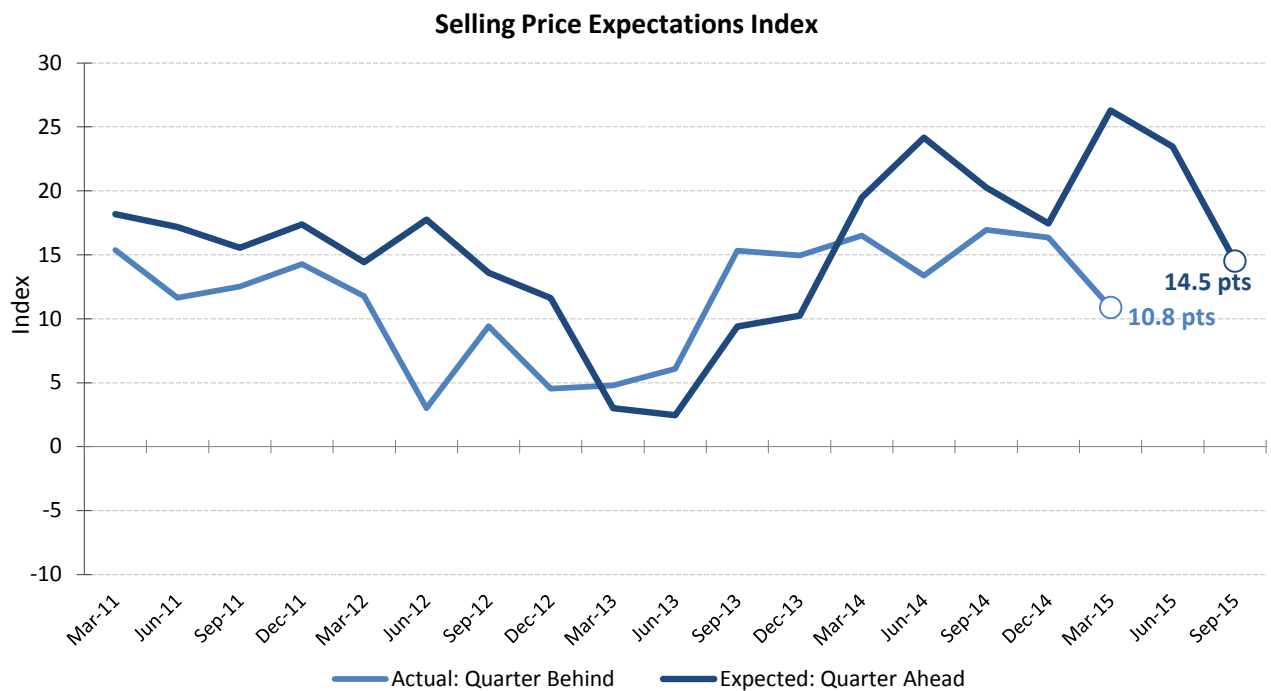
Prices expectations fall on soft demand

Near-term price expectations have dropped sharply, with persistent moderate activity in the economy leading more businesses to reconsider the level at which they sell their goods and services.

Reflecting soft official inflation data, Dun & Bradstreet's latest *Business Expectations Survey* reveals that the Selling Price Expectations Index for the third quarter has dropped to 14.5 points, down from 24 points last quarter and to its lowest level since 2013.

The correction comes as fewer businesses indicate that they will increase their prices in the next three months. Twenty-four per cent of businesses plan to raise their prices in Q3 2015, down from 31 per cent in the previous quarter. At the same time, more businesses plan to cut their selling prices, up from 8 per cent to 10 per cent.

Similarly, the Actual Selling Price Index has fallen to 10.9 points, with fewer businesses reporting they had lifted their prices in the three months to March. According to the survey, 24 per cent of businesses raised their prices during the first quarter of the year, compared to 26 per cent in the previous quarter, while 13 per cent reported having lowered their prices, up from 10 per cent.



The fall in selling price expectations is matched by other key measures in the *Business Expectations Survey*, with the outlook for sales, profits and employment declining, although capital investment plans have shown resilience and remain relatively unchanged.

According to Adam Siddique, Head of Corporate Affairs at Dun & Bradstreet, the findings suggest that businesses will maintain their reserved outlook into the third quarter of the year.

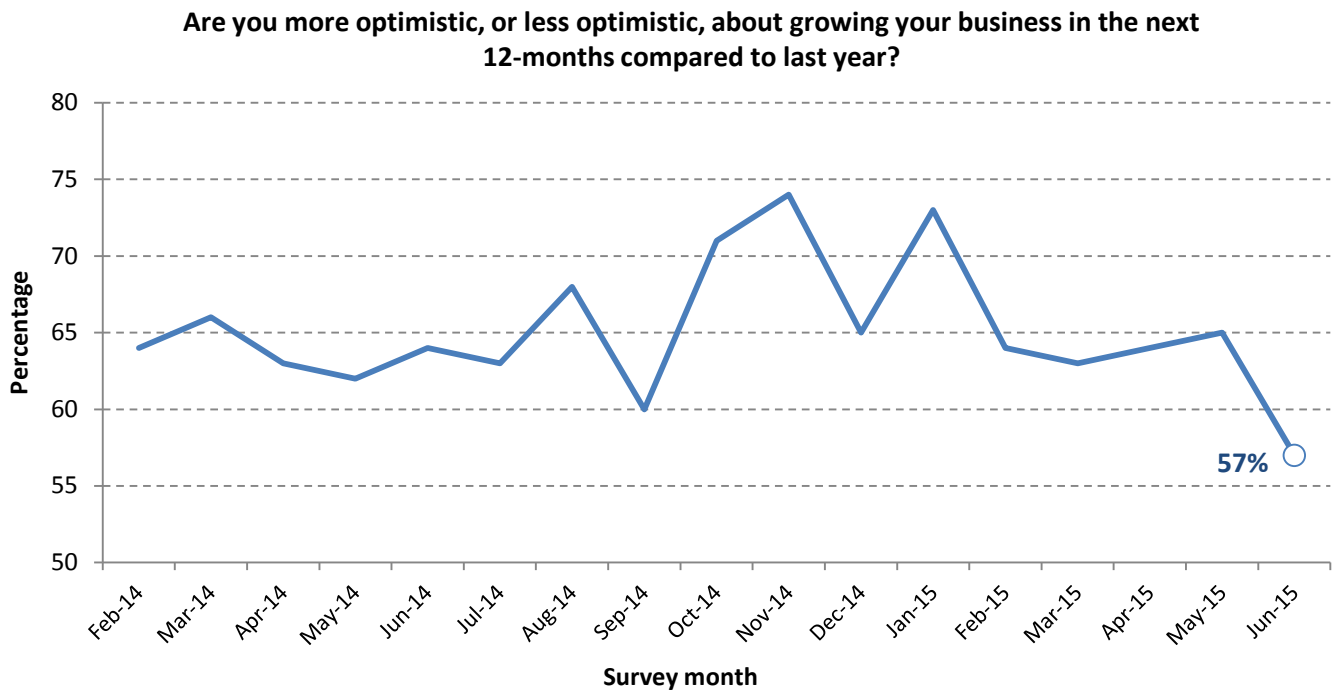
“Doubts about demand and the likelihood of increased spending in the economy continue to play out in our survey findings,” said Mr Siddique.

“In response, many businesses have lowered their selling price expectations in addition to also correcting their forward-expectations for sales activity and profits.



“Until we see some resilience in confidence levels, among both businesses and consumers, it’s likely that business expectations will continue to soften through the rest of the year.”

According to the Dun & Bradstreet survey, 57 per cent of businesses remain more optimistic about growing their operations this year, compared to last year, although this response is down from 65 per cent last month and a high of 73 per cent in January.

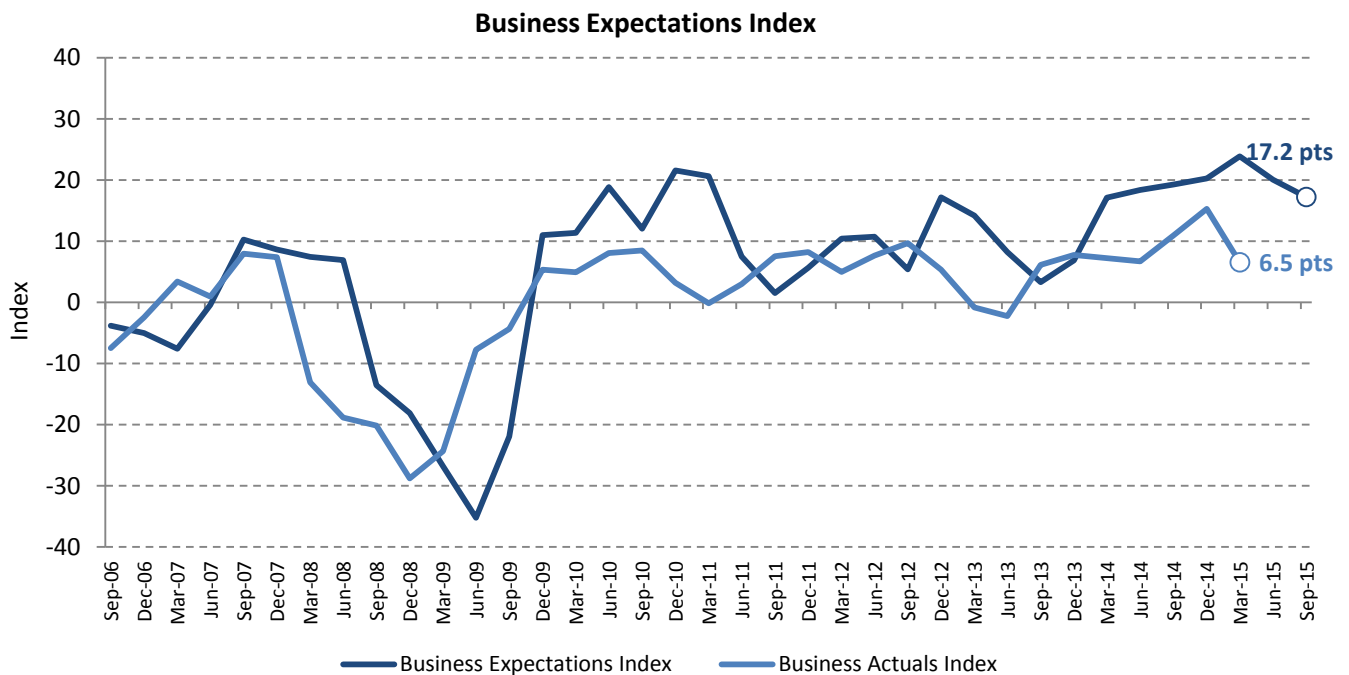


The decline in optimism comes as the *Business Expectations Survey* finds that one-in-four businesses (26 per cent) consider weak demand to be their biggest barrier to growth in the year ahead, the most common response in the survey. Additionally, 49 per cent of businesses view consumer confidence as the issue most likely to influence their operations.

Dun & Bradstreet’s Business Expectations Index, the average of the survey’s measures of sales, profits, employment and investment, has declined from its Q1 2015 peak of 23.9 points, to reach 17.2 points for the September quarter. At this level, the index is down on the 19.3 points for the same period last year, although it remains at a relatively high level for the post-GFC period.

Contributing to the decline in the aggregate index are falls in the employment outlook, with the Employment Expectations Index dropping to 11.7 points from 16.8 points last quarter and 12.7 points last year. According to Dun & Bradstreet, 21 per cent of businesses plan to hire in the third quarter of the year, while nine per cent will cut staff and the majority will keep employment levels unchanged.

Encouragingly, business spending plans have been maintained, with the Capital Investment Expectations Index reaching 12.8 points for Q3 2015, up marginally from 12.6 points in the previous quarter and 12.1 points in the year prior. Twenty-one per cent of businesses indicate they will increase their level of capital investment next quarter, while eight per cent will reduce spending.



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

“Business expectations remain a little softer than the recent peak at the start of 2015, with the aggregate Business Expectations Index easing during the September quarter,” said Stephen Koukoulas, Economic Adviser to Dun & Bradstreet.

“Interestingly, two key aspects for the economy – capital investment and employment – have gone in opposite directions.

“The outlook for employment has fallen to its lowest level in over a year, while expected investment is more resilient, in a sign that low interest rates and a lower Australian dollar may be helping the non-mining parts of the economy.

“The recent budget announcement allowing for accelerated depreciation for the small business sector may have also helped to support capital expenditure plans.

“The overall picture from the business sector is that the economy remains soft, neither sustaining bouts of optimism, nor falling back towards severe weakness.

“Until there is a clearer picture, official interest rates set by the Reserve Bank are likely to remain near current levels for a considerable period of time,” Mr Koukoulas added.

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

Expectations index for the September quarter 2015:

- The **Employment** Expectations Index has fallen to 11.7 points, down from 16.8 points in the previous quarter and 12.7 points a year ago.
- The **Sales** Expectations Index has dropped to 28.6 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 15.9 points compared to 18.1 points in the previous quarter and 19.9 points last year.
- Plans for **capital investment** are flat, with the index at 12.8 points, from 12.6 points in the previous quarter and 12.1 points a year earlier.
- The **Selling Prices** Expectations Index has tumbled to 14.5 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:

- 56 per cent of businesses are **more optimistic** about growth in the next 12 months compared to 2014, while 30 per cent is less optimistic. 13 per cent is undecided.
- **Consumer confidence** (49 per cent) is identified as the issue most likely to influence business operations in the next quarter, followed by the **level of the dollar** (12 per cent) and **cash flow** (11 per cent).
- 26 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 **operating costs** and 14 per cent view **online selling by competitors** as the main barrier.
- 36 per cent of businesses reported having a customer or supplier that became **insolvent**, or was otherwise unable to pay them in the past year.
- 42 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** (22 per cent) and **utilities bill** (11 per cent).
- 31 per cent of businesses would prefer a **higher Australian dollar** and 22 per cent a **lower dollar**, while 42 per cent think that **it doesn't matter**.
- 17 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. Ten per cent is undecided.

Actual results reported for the March quarter 2015:

- **Actual employment** reported is down to 5.1 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 4.8 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 6.2 points, from 12.5 points in the previous quarter and 8.2 points last year.
- **Selling prices** were reduced, with the index down to 10.9 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 final indexes for the latest quarters are based on approximately 1,200 responses obtained during April, May and June 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) (28.6 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 28.6 points, down from 32.7 points in the previous quarter and 32.5 points in the year prior.

The index is now 14.6 points above its 10-year average of 14 points.

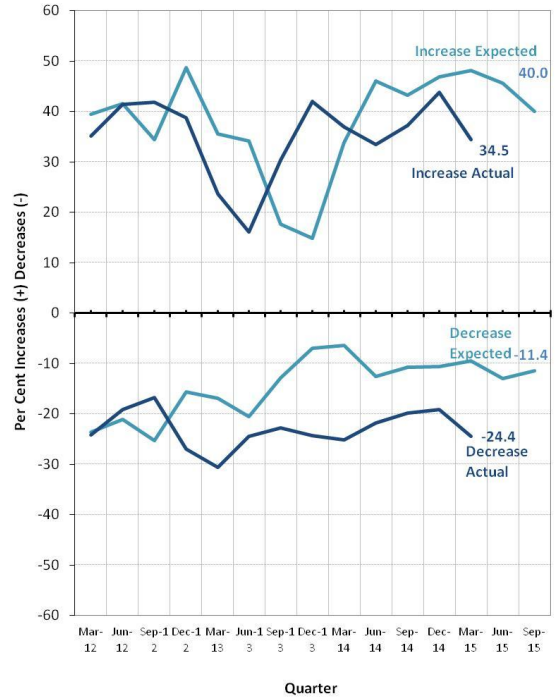
40 per cent of businesses expect an increase in their sales, while 11.4 per cent forecast a decrease, compared to the same time last year.

Actual performance

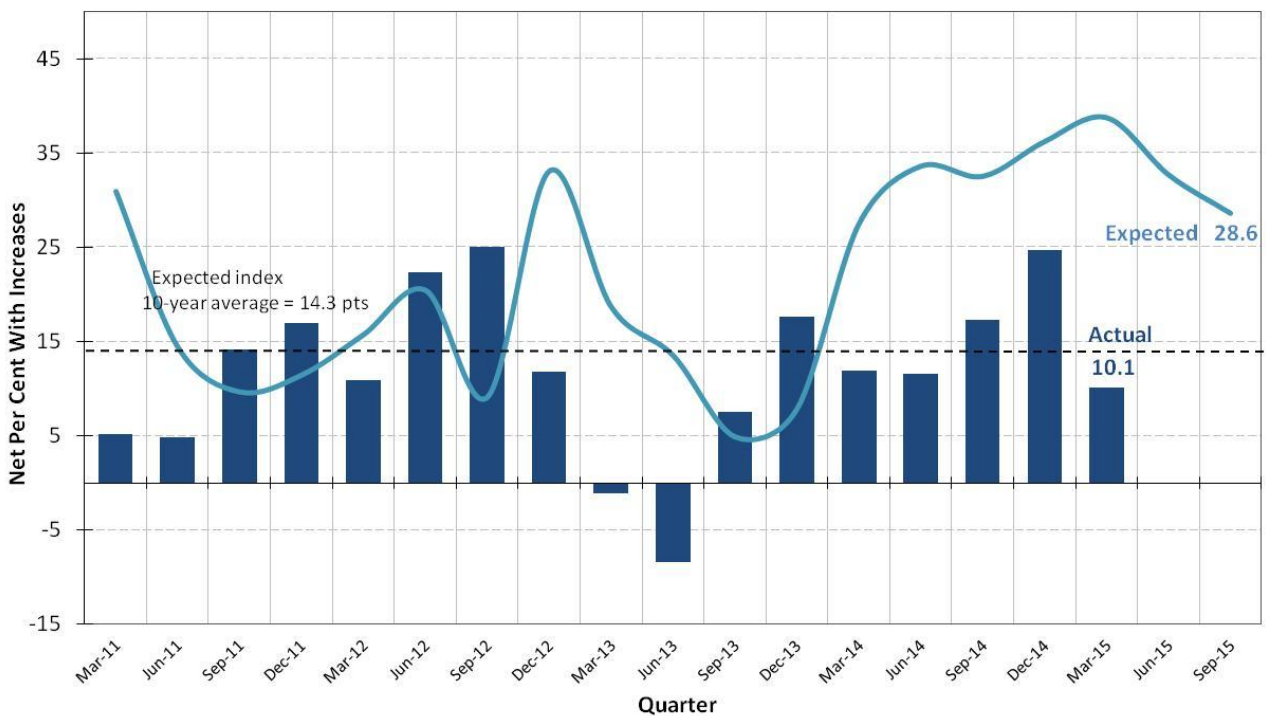
The actual sales index for the first quarter of 2015 is 10.1 points, down from 24.7 points in the previous quarter and from 11.9 points a year earlier.

34.5 per cent of firms reported increased sales in the March quarter and 24.4 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) (15.9 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 15.9 points, down from 18.1 points in the previous quarter and 19.9 points last year.

The outlook for profits is 8.1 points above the 10-year average index of 7.8.

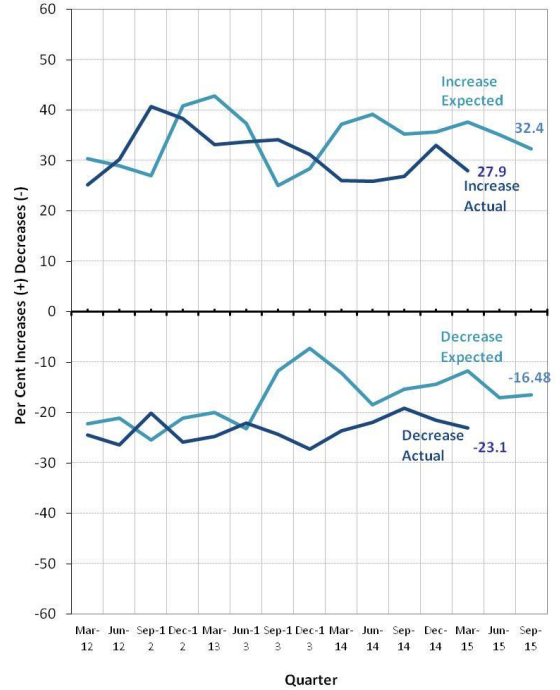
32.4 per cent of businesses expect an increase in their profits during the quarter ahead, while 16.5 per cent forecast a decrease, compared to last year.

Actual performance

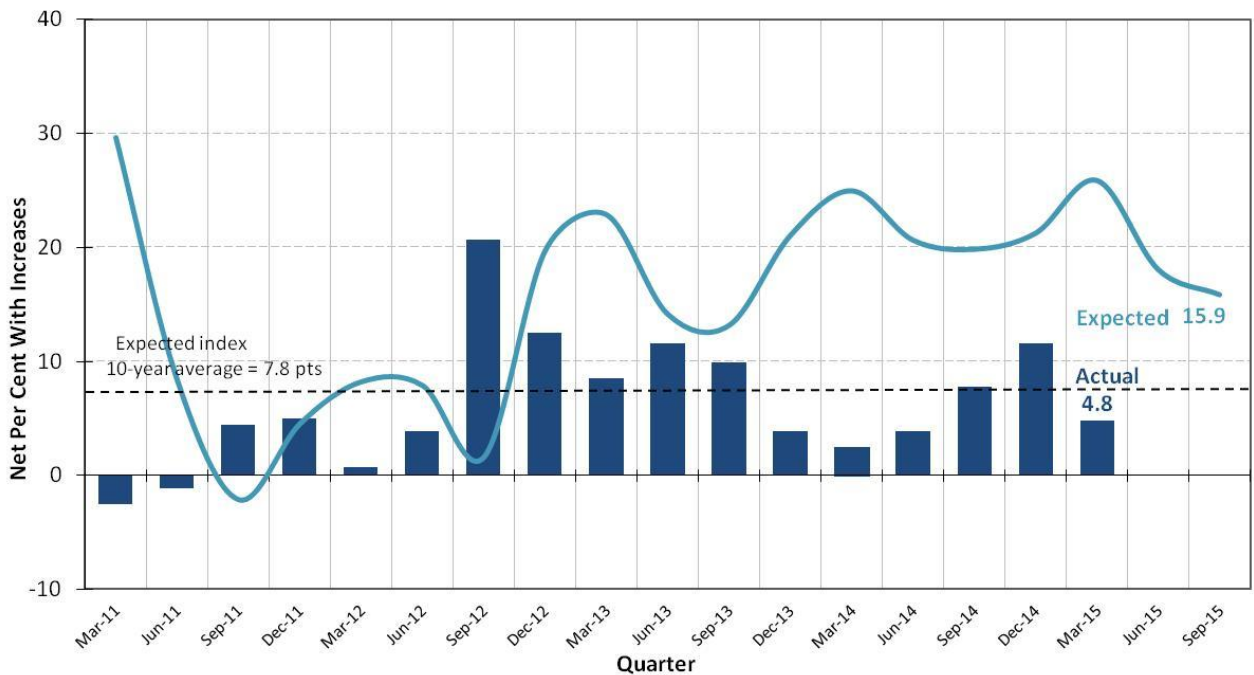
The actual profits index for the March 2015 quarter is 4.8 points, down from 11.6 points in the previous quarter and above the 2.4 points recorded a year earlier.

27.9 per cent of businesses increased their profits, while 23.1 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) (11.7 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 11.7 points, down from 16.8 points in the previous quarter and up from 12.7 points a year earlier.

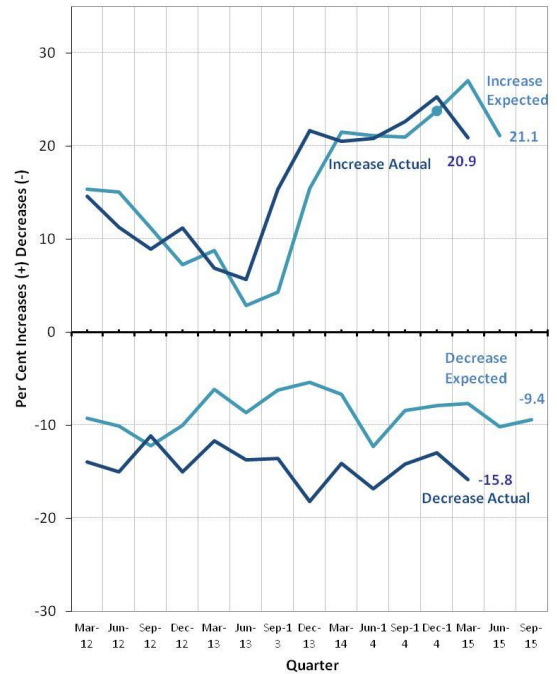
21.1 per cent of executives expect to employ more staff compared to year ago, while 9.4 per cent expect to decrease their staff numbers.

Actual performance

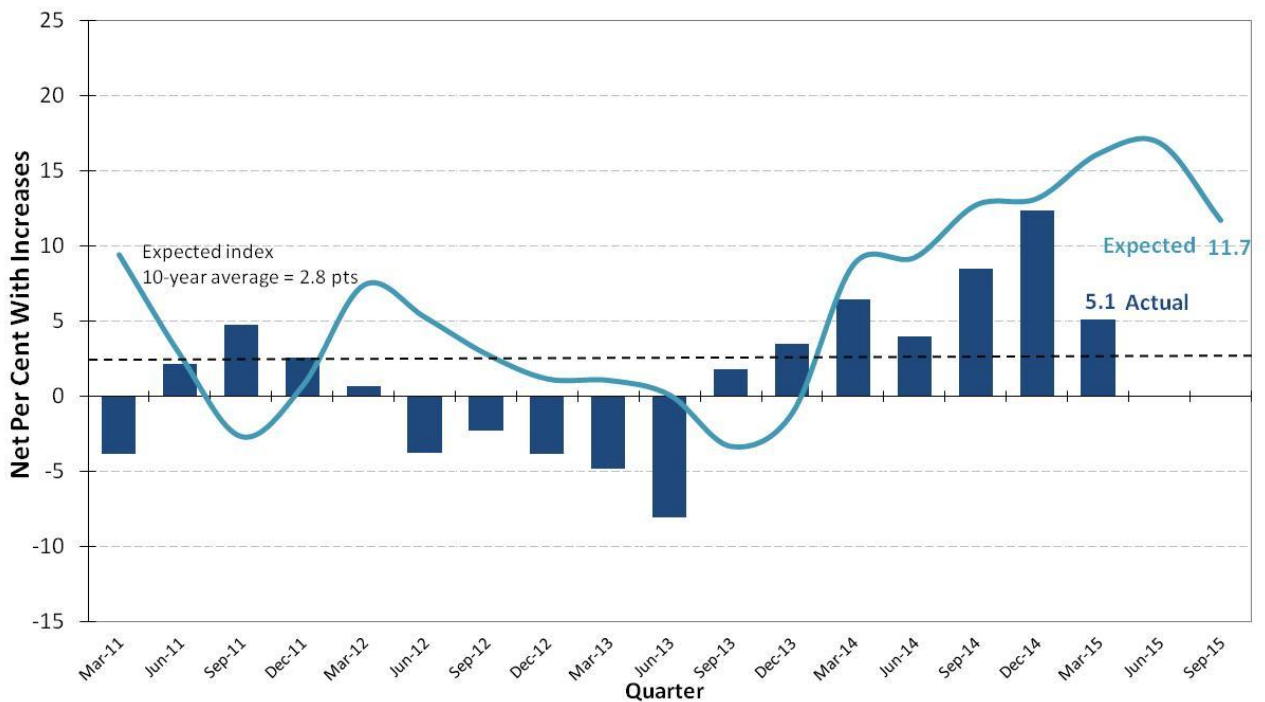
In the March quarter 2015, 20.9 per cent of businesses hired new staff, compared to the 15.8 per cent that reduced their employment levels.

At 5.1 points, the actual employment index is down from 12.4 points last quarter and 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)(12.8 points, up 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 12.8 points, up from 12.6 in the previous quarter and 12.1 points last year.

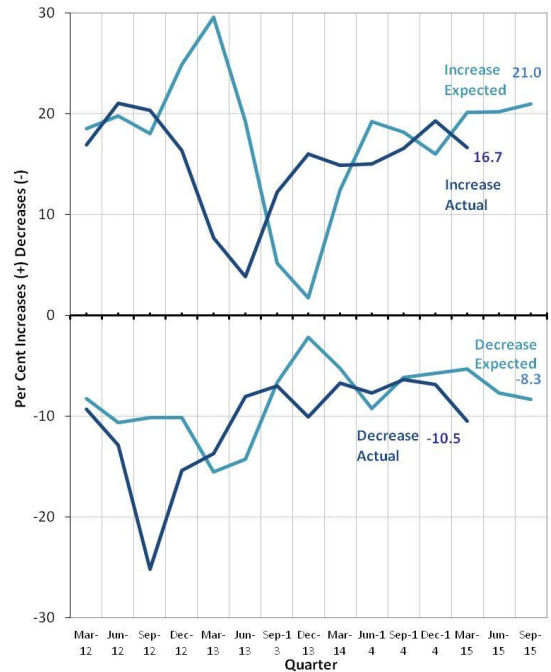
21 per cent of businesses expect an increase in their investment level, while 8.3 per cent forecast a decrease compared with a year earlier.

Actual performance

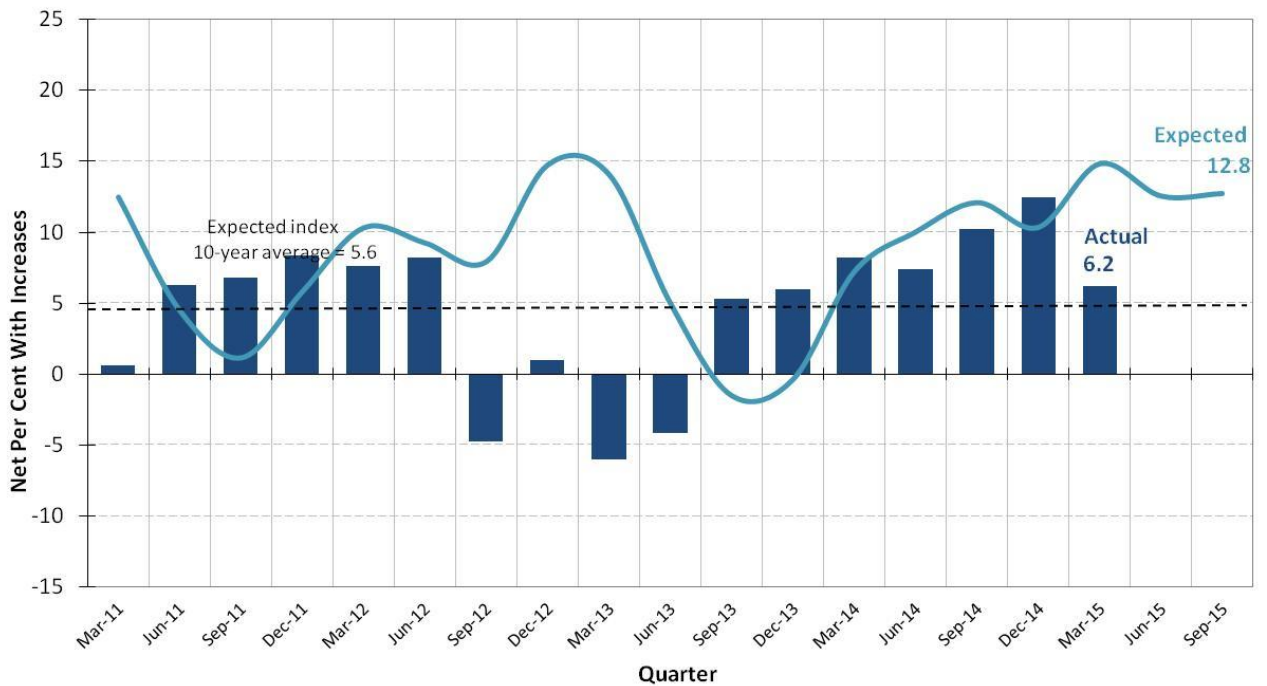
For the March quarter 2015, the actual index for investment is 6.2 points.

16.7 per cent of firms increased their capital investment in the March quarter while 10.5 per cent decreased capital spending.

Capital Investment: D&B Indexes
Component Responses



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





Selling Prices outlook

(Quarterly Net Index) (14.5 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 14.5 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 24.4 per cent, with 9.9 per cent expecting to have lower prices.

Actual performance

At 10.9 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.

23.9 per cent of businesses increased the level of their selling prices, while 13.0 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

