



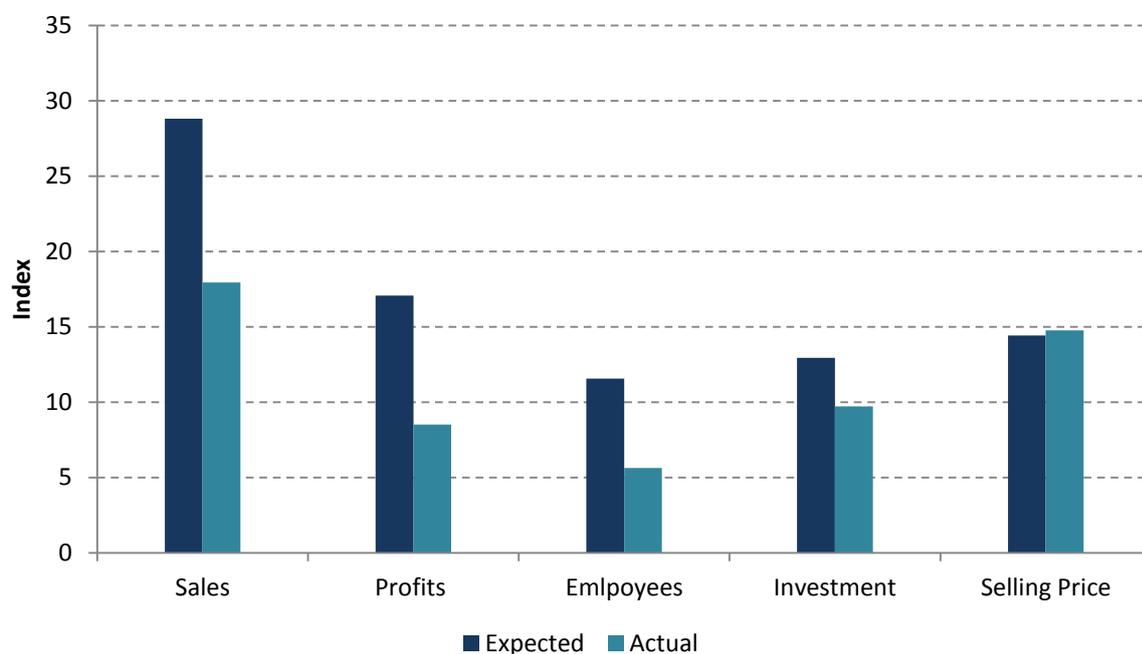
EMBARGOED – 1:00 am, Tuesday 1 December 2015

Optimism wanes as results fail to meet expectations

Dun & Bradstreet's latest Business Expectations Survey indicates a fairly subdued outlook for the first quarter of 2016, as results continue to fall short of expectations. As the new year approaches, business are reporting lowered expectations for activity across Sales, Profits, Employees and Capital Investment.

For the September quarter, Actual Indices (percentage of businesses reporting an actual increase in activity minus percentage of businesses reporting an actual decrease) fell short of Expectation Indices across all components except Selling Prices, which exceeded expectations by a marginal 0.33 points.

Expected vs Actual indices: Q3 2015



Meanwhile, the actual increase in both Selling Prices and Employees exceeded expectations for the September quarter: 25.2 per cent of businesses reported an increase in Selling Prices for Q3, compared to the 24.2 per cent that had expected an increase, while 23.0 per cent of businesses reported an increase in Employees for the quarter, compared to the 21.1 per cent that had expected an increase.

Interestingly, that the actual decrease in Employees for the September quarter outstripped the expected decrease by 7.9 percentage points – the most substantial discrepancy between expected and actual increase/decrease components seen for the quarter.

The muted outlook comes despite an improvement in Actual Indices for Profit, Capital Investment and Selling Prices in the September quarter compared to the June quarter. Only the Actual Sales Index decreased; the Actual Employees Index remained unchanged since the previous quarter.



Dun & Bradstreet’s Business Expectations Index, the average of the survey’s measures of Sales, Profits, Employees and Capital Investment, has fallen to 18.7 points, down 3.1 points from 21.8 points in Q4 of 2015. The Q1 2016 result is significantly lower compared to the previous corresponding period’s result of 23.9 points, which was the highest Business Expectations Index result since the December quarter of 2003.



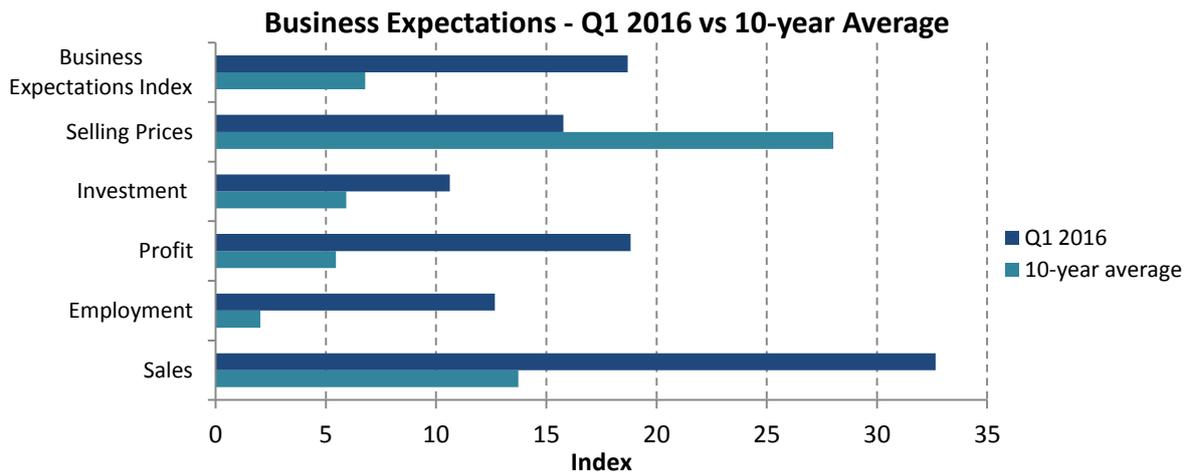
The Business Expectations Index is an aggregate of the survey’s measures of sales, profits employment and investment expectations.

Out of the seven industry sectors surveyed, five showed a decrease in their individual Expectations Index compared to the previous quarter. The exceptions were Transport, Communication & Utilities and Services. The former showed a 5.3-point increase from 15.9 points to 21.2 points, while the latter showed a more modest 1.4-point increase from 26.5 points to 27.9 points – the highest score across all sectors.

Transport, Communication & Utilities was also the only industry in which the Actuals Index for the third quarter of 2015 eclipsed the Expectations Index. Its individual Actuals score for the quarter was 14.7 points: 1.5 points higher than its Expectations score of 15.9 points.

While the results of the survey indicate uncertainty heading into the new year, all indices except Selling Prices are well above their respective ten-year averages. At 18.7 points, the Business Expectations Index is itself 11.9 points above its ten-year average of 6.8 points.

Sales expectations continued to track lower across all industries except Transport, Communication & Utilities. Within this sector, 47.5 per cent of businesses expect sales to increase in the March quarter of 2016 compared to the March period of 2015, while 17 per cent expect a decrease in sales. Expectation indices for employment, investment and selling prices all increased in this sector, with only the Profit Expectations Index dropping from 25.2 point to 18.5 points.



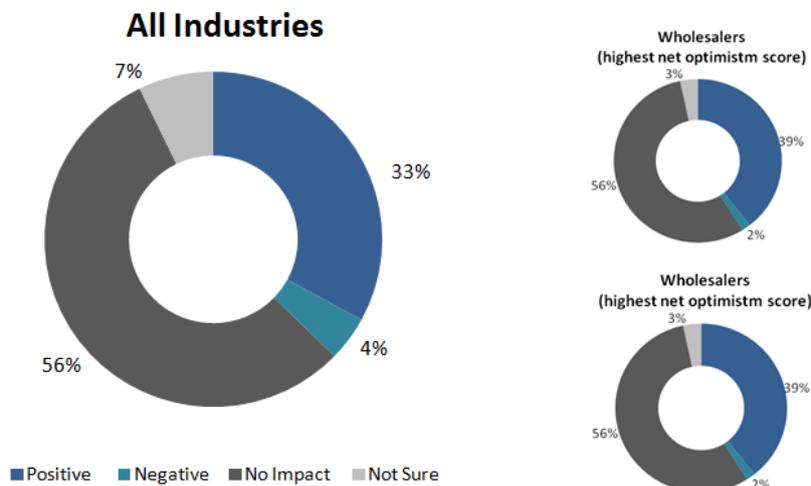
According to Adam Siddique, Head of Group Development at Dun & Bradstreet, business confidence remains historically strong, although the cooling in housing market activity may present challenges in the year ahead.

“There can be no doubt the Sydney and Melbourne housing markets are now slowing down, which is to be expected after a period of spectacular growth. In light of the Treasury’s recent cut to its growth forecast, from 3% to 2.75%, it will be interesting to see how business confidence fares if this key driver of economic activity begins to fade,” Mr Siddique said.

“Housing, along with construction and other related activities, has underpinned growth following the end of the mining boom. The lack of business investment in non-mining areas of the economy suggests there will be no obvious candidates to pick up the slack should this turn into a sustained easing in the housing market.

The recent trend of Actual and Expected results gradually aligning in the headline and component indices has continued, and this is something we’ll track with interest as we head into 2016,” Mr Siddique added.

What impact will the recent political changes in Prime Minister and Treasurer have on your business?



MEDIA RELEASE



September's federal leadership spill continues to have an underwhelming effect on business sentiment: based on survey the aggregated 55.6 per cent of survey respondents expect the change in Prime Minister and Treasurer to have no impact on their business. 33.0 per cent believe it will have a positive effect, while just 4.3 per cent expect a negative effect. The remaining 7.2 per cent are unsure.

The highest net optimism scores (percentage of businesses expecting a positive impact minus percentage of business expecting a negative impact) is seen in the Wholesale industry (37.6 points), while the lowest is seen in the Transport, Communication and Utilities industry (22.5 points).

According to Stephen Koukoulas, Economics Advisor to Dun & Bradstreet, "While off the recent highs, business expectations remain firm, tracking solidly above the long run averages. The Governor of the Reserve Bank of Australia, commenting on current economic conditions, noted this last week, 'Business surveys indicate that firms report conditions to be, if anything, above their long-term average in some key sectors'.

"The disappointing aspect for the economy is that 'actual' conditions for sales, profits, employment and capital expenditure remain below these positive expectations, a point borne out in recent economic growth figures" Mr Koukoulas noted.

Mr Koukoulas added, "While nearly two-thirds of business surveyed said that the recent political changes in Prime Minister and Treasurer would have no impact on their businesses, one-third were upbeat, saying the change would have a positive impact. Only 1 in 25 firms said the change would be negative."

===

For more information please contact:

James Malkin
malkinj@dnb.com.au
+61 3 9828 3273

MEDIA RELEASE



The latest D&B Business Expectations Survey shows:

Expectations index for the March quarter 2016:

- The **Employment** Expectations Index has decreased to 12.7 points, down from 14.5 points in the previous quarter and 16.1 points a year ago.
- The **Sales** Expectations Index has dropped to 32.7 points, down from 38.0 points in the previous quarter and 38.7 points a year ago.
- **Profits** expectations for the quarter have fallen to 18.8 points, compared to 22.9 points in the previous quarter and 25.9 points at the same time last year.
- Plans for **Capital Investment** are down to 10.6 points from 11.9 points in the previous quarter and 14.9 points in Q1 2015.
- The **Selling Prices** Expectations Index has dropped to 15.8 points, down from 16.2 points in the previous quarter and 26.3 points at the same time last year.

Issues expected to influence operations in the March quarter 2016:

- 64.5 per cent of businesses are **more optimistic** about growth in the next 12 months compared to 2015, while 27.5 per cent are less optimistic and 8 per cent are undecided.
- **Consumer confidence** (38.8 per cent) is identified as the issue most likely to influence business operations in the next quarter, followed by **cash flow** (12.7 per cent) and the **level of the dollar** (11.2 per cent).
- 27.1 per cent of businesses see **weak demand for their products and services** as the biggest barrier to growth in the year ahead, while 14.9 per cent see **utilities and operating costs as the biggest barrier**. 13.2 per cent consider **cash flow** and 10 per cent view a **shortage of skilled labour** as the main barrier.
- 28.7 per cent of businesses reported having a customer or supplier that became **insolvent**, or was otherwise unable to pay them in the past year.
- 54.2 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** (17.3 per cent).
- 27.8 per cent of businesses would prefer a **higher Australian dollar** and 14.4 per cent a **lower dollar**, while 54.4 per cent think that **it doesn't matter**. 3.4 per cent are unsure.
- 13.7 per cent of businesses intend to seek **finance** or **new credit** in the quarter ahead to help their business grow, while 79.3 per cent will not, and 7 per cent are undecided.
- While the majority (54.5 per cent) of businesses say the recent **change in Prime Minister and Treasurer** will have **no effect** on their business, 34.2 per cent expect it to have a **positive impact**, with just 5.7 per cent expecting a **negative impact**. 5.6 per cent are unsure.

Actual results reported for the September quarter 2015:

- **Actual employment** reported between the June and September quarters remained even at 5.6 points, but down from 8.5 points last year.
- **Sales** activity fell to 17.9 points, down from 19.0 points in the previous quarter and 17.3 points last year.
- The **Actual Profits Index** increased from 7.3 points in Q2 2015 to 8.5 points, and is higher than the 7.8 points recorded at the same time last year.
- **Capital investment** activity increased to 9.7 points, up from 8.3 points in the previous quarter and 10.2 points last year.
- **Selling prices** spiked, with the index up to 14.8 points from 8.9 points in the previous quarter, but down from 16.9 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 interim indexes for the latest quarters are based on approximately 800 responses obtained during October and November 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.

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) (32.7 points, down from 38.0)

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

Expectations

The March quarter 2016 Sales Expectations Index is 32.7 points, down from 38.0 points in the previous quarter and 38.7 points in the year prior.

The index is now 19 points above its 10-year average of 13.7 points.

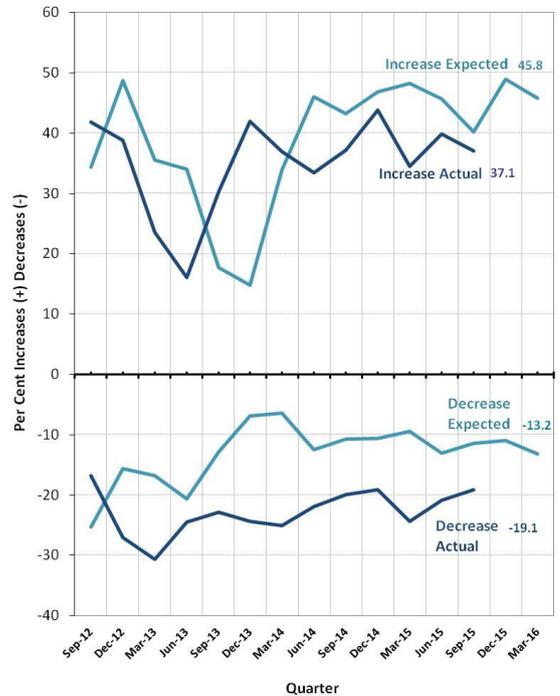
45.8 per cent of businesses expect an increase in their sales, while 13.2 per cent forecast a decrease, compared to the same time last year.

Actual performance

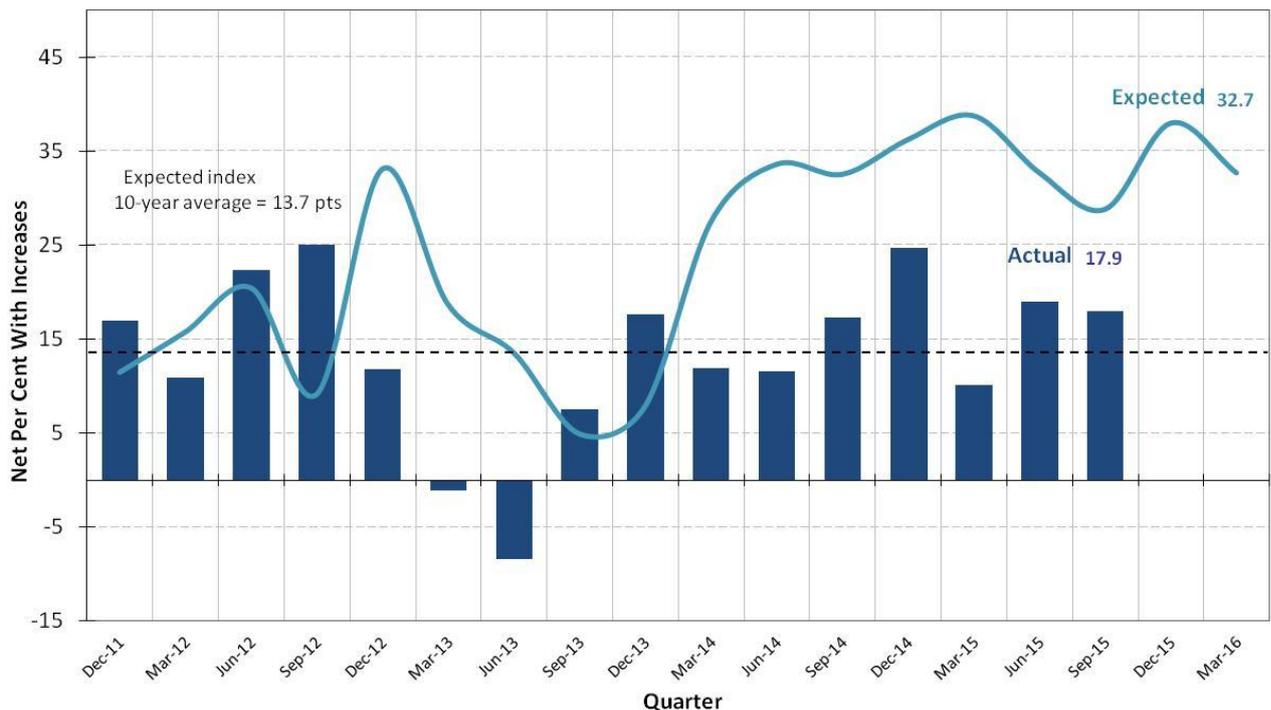
The Actual Sales Index for the third quarter of 2015 is 17.9 points, down from 19.0 points in the previous quarter but up from 17.3 points a year earlier.

37.1 per cent of firms reported increased sales in the September quarter and 19.1 per cent had decreased sales compared to the previous year.

Sales: D&B Indexes
Component Responses



Sales: D&B Index Dec Qtr 2011 to Mar Qtr 2016





Profits outlook

(Quarterly Net Index) (18.8 points, down from 22.9)

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

Expectations

The outlook for profits in the March 2016 quarter is an index of 18.8 points, down from 22.9 points in the previous quarter and 25.9 points last year.

The outlook for profits is 13.3 points above the 10-year average index of 5.5 points.

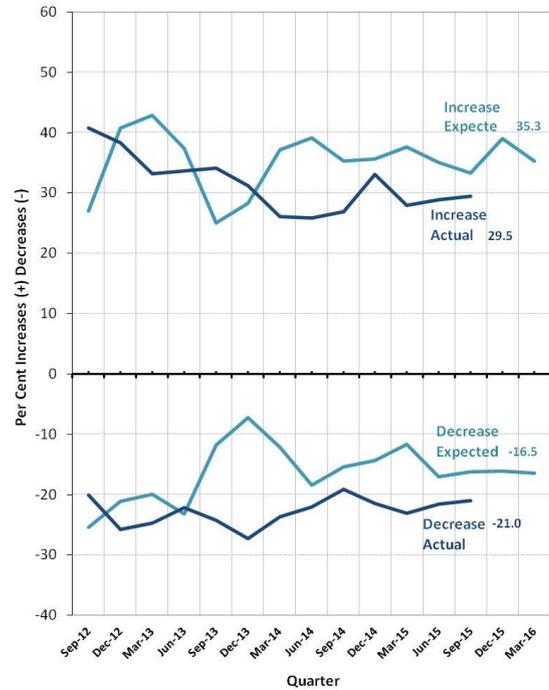
35.3 per cent of businesses expect an increase in their profits during the quarter ahead, while 16.5 per cent forecast a decrease, compared to last year.

Actual performance

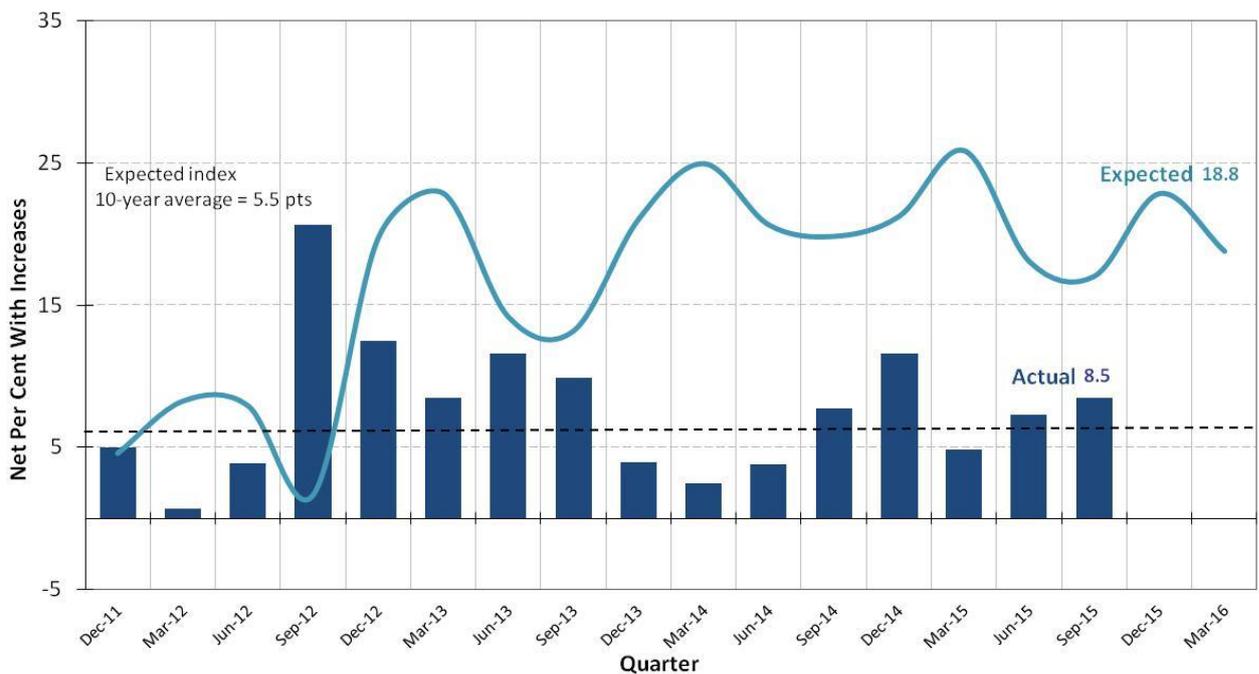
The actual profits index for the September 2015 quarter is 8.5 points, up from 7.3 points in the previous quarter and above the 7.8 points recorded a year earlier.

29.5 per cent of businesses increased their profits, while 21.0 per cent experienced a decrease.

Profits: D&B Indexes
Component Responses



Profits: D&B Index Dec Qtr 2011 to Mar Qtr 2016





Employment outlook

(Quarterly Net Index) (12.7 points, down from 14.5)

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

Expectations

The employment outlook for the March quarter 2016 has decreased to 12.7 points, down from 14.5 points in the previous quarter and 16.1 points a year earlier.

The outlook for employment is 10.7 points above the 10-year average index of 2.0.

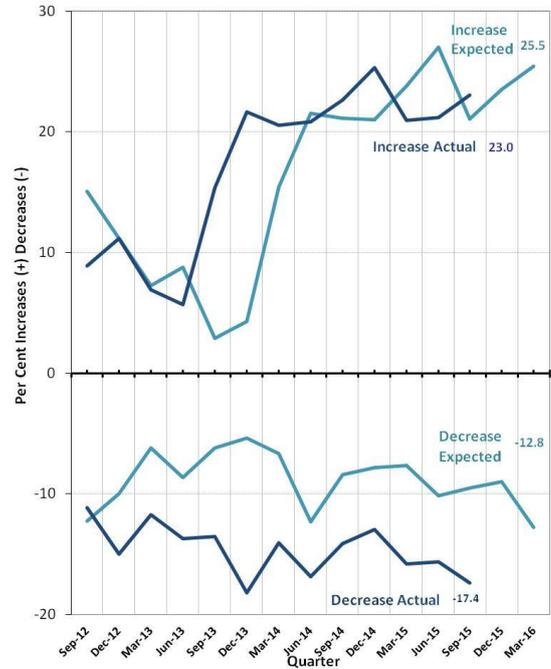
Some 25.5 per cent of executives expect to employ more staff compared to a year ago, while 12.8 per cent expect to decrease their staff numbers.

Actual performance

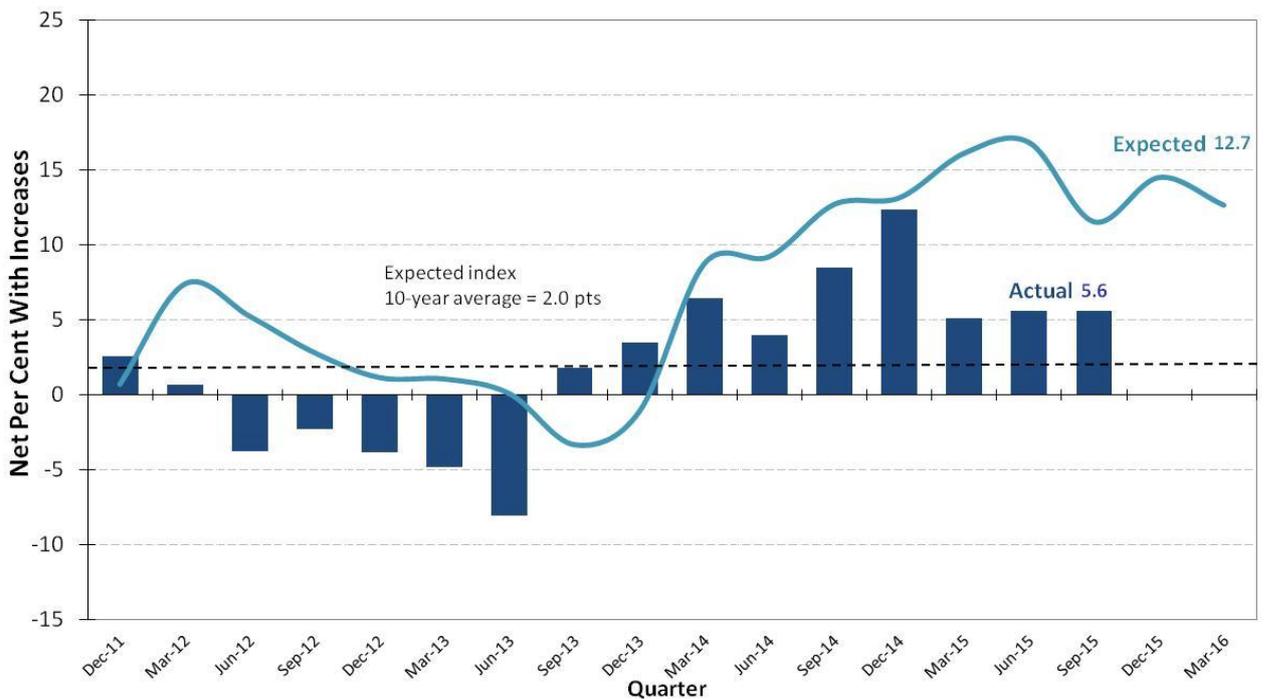
In the September quarter 2015, 23.0 per cent of businesses hired new staff, compared to the 17.4 per cent that reduced their employment levels.

At 5.6 points, the actual employment index is unchanged from the 5.6 points last quarter but down from the 8.5 points recorded at the same time last year.

Employees: D&B Indexes
Component Responses



Employment: D&B index Dec Qtr 2011 to Mar Qtr 2016





Capital Investment outlook

(Quarterly Net Index) (10.6 points, down from 11.9)

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

Expectations

The capital investment outlook for the March quarter 2016 is 10.6 points, down from 11.9 in the previous quarter and 14.9 points last year

The outlook for capital investment is 4.7 points above the 10-year average index of 5.9 points.

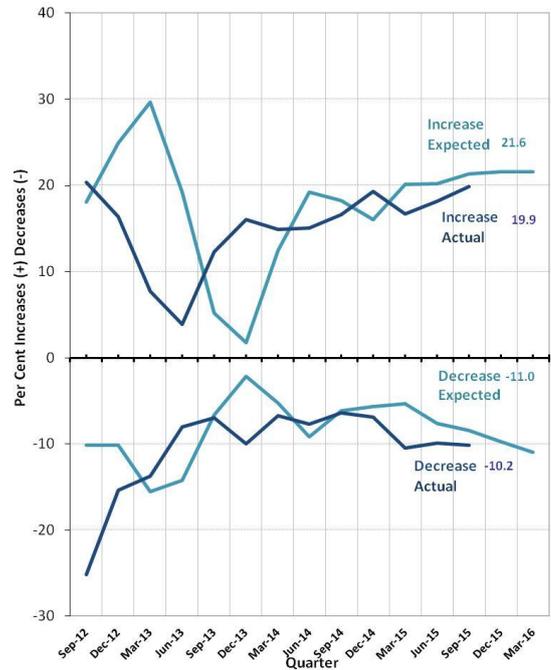
While 21.6 per cent of businesses expect an increase in their investment level, 11.0 per cent forecast a decrease compared with a year earlier.

Actual performance

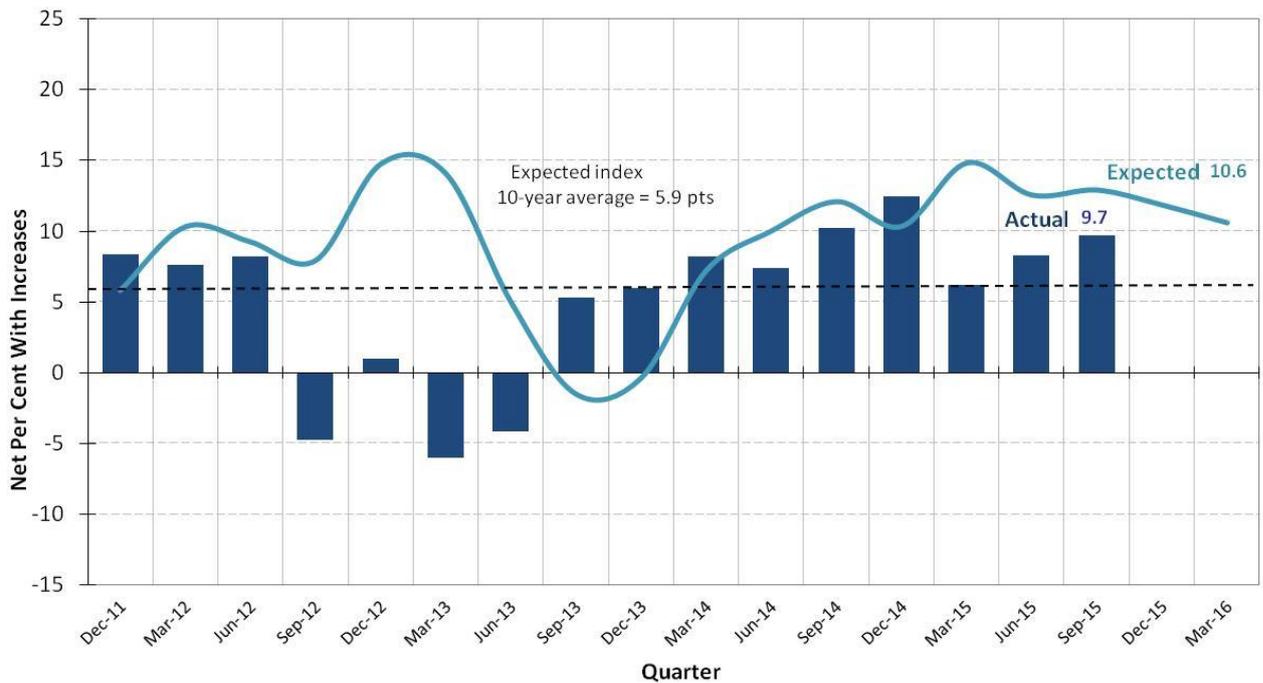
For the September quarter 2015, the actual index for investment is 9.7 points, up from 8.3 in the previous quarter but down from 10.2 a year ago.

19.9 per cent of firms increased their capital investment in the June quarter, while 10.2 per cent decreased capital spending.

Capital Investment: D&B Indexes
Component Responses



Capital Investment: D&B Index Dec Qtr 2011 to Mar Qtr 2016





Selling Prices outlook

(Quarterly Net Index) (15.8 points, down from 16.2)

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 March quarter 2016 is 15.8 points, down from 16.2 points in the previous quarter and down from the 26.3 points recorded a year earlier.

The outlook for selling prices is 12.2 points lower than the 10-year average of 28 points.

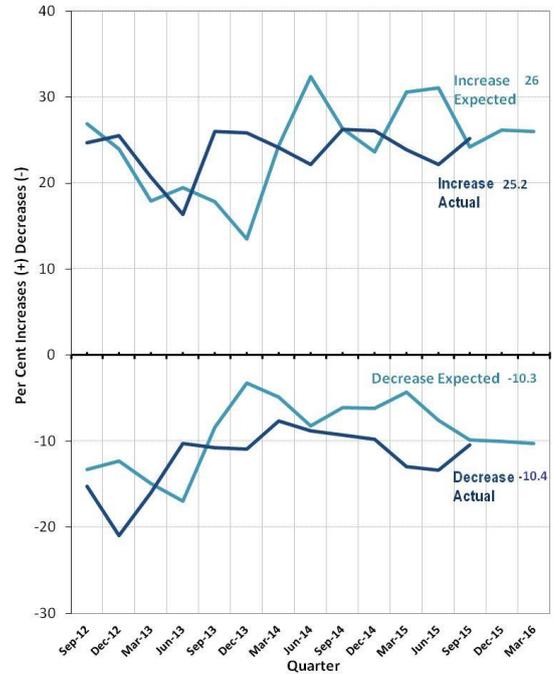
The proportion of firms expecting to have higher selling prices in the quarter ahead is 26.0 per cent, with 10.3 per cent expecting to have lower prices.

Actual performance

At 14.8 points, the actual Selling Prices Index for the September 2015 quarter is up from 8.9 points in the previous quarter but down from 16.9 points last year.

25.2 per cent of businesses increased the level of their selling prices, while 10.4 per cent had decreased, compared to the same time the previous year.

Selling Prices: D&B Indexes
Component Responses



Selling Prices: D&B Index Dec Qtr 2011 to Mar Qtr 2016

