

# BUSINESS EXPECTATIONS SURVEY IN AUSTRALIA

*Dun & Bradstreet 2nd Quarter Analysis 2017*

## Business confidence is at an 18 month high

The Business Expectations Index is at its highest point since Q4 2015. Plans for capital investment are at a two-year high for the second quarter of 2017 as businesses look forward to higher sales and profits.

“ Overall, the business sector’s outlook for the economy has improved in the early part of 2017 with the Business Expectations Index rising to its highest level since December 2015. The Business Expectations Survey confirms that firms have a generally positive view for the economy. The critical issue will be whether this optimism translates to a lift in actual activity. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

**60%**

**more  
optimistic**

about growth in '17 > '16

**42%**

most concerned about  
**consumer  
confidence**

**2**

**year high**

for Capital Investment  
Expectations Index

**62%**

increase in Business  
Expectation Index  
**since 2016**

# Stabilising selling prices signal ongoing low interest rates

Expectations for selling prices have edged lower for the upcoming quarter. The Selling Prices Expectations Index slipped from 14.6 points in the March quarter to 14.3 points for the June quarter.

Some 21.4 percent of companies say they will increase selling prices in the June quarter 2017 compared to the same time last year, while 8.8 percent expect to decrease selling prices.

**Business expectations up despite dip in selling prices**



“With inflation and the stance of monetary policy key issues, the slight fall in expected selling prices suggests that inflation pressures remain subdued at least until the middle of 2017. This will mean that interest rates will remain low for an extended period and if inflation remains below the RBA target, there is some scope for an interest rate cut at some stage down the track.”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

## Businesses confident on growth in 2017

60.4 percent of businesses say they are more optimistic about business growth this year compared to 2016. 26.0 percent are less confident, while 13.5 percent are unsure. Manufacturers are the most optimistic (67.2 percent more optimistic; 24.1 percent less optimistic) while Construction firms are the least optimistic in net terms (58.6 percent more optimistic; 36.2 percent less optimistic). There appears to be considerable downside about the outlook for construction (36.2 percent of firms are less optimistic) and retailing (31.0 percent of firms are less optimistic.)

## Optimism strong for 2017



“ The degree of business optimism for 2017 is favourable, fitting with the recent trend in more broadly based data for the economy showing moderate growth. The softer tone for retailing is something of a concern, given its importance in the overall economy. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

## Capital investment continues to recover

Plans for capital investment are at a two-year high. For the June quarter 2017, 19.5 percent of companies say they will increase capital spending, compared to the 5.8 percent who expect to reduce capital spending. However, Finance, Insurance & Real Estate businesses flagged lower spending in Q2 2017.

### Capital investment expectations



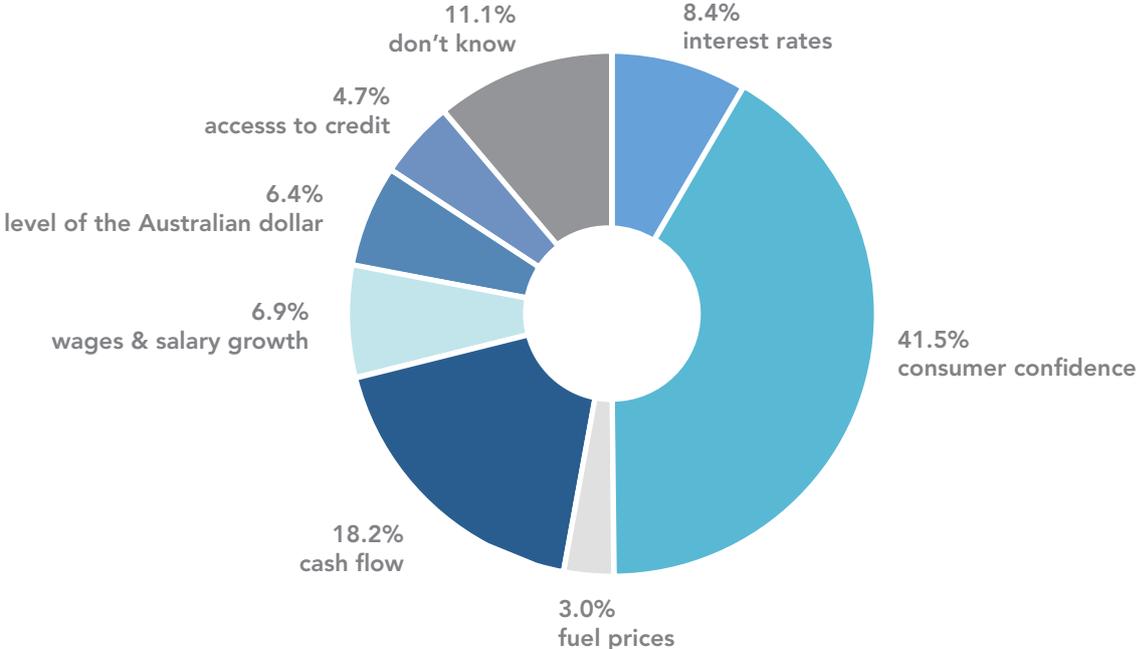
“ At odds with the recent Australian Bureau of Statistics data on business investment which showed further weakness, business expectations for capital expenditure have risen solidly over the last two quarters which could be signaling a turning point for this important part of the economy. If there is a pick up in business investment through 2017, it will present some upside to the overall economic growth outlook. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

# Consumer confidence still a major concern

Consumer confidence and a still cautious consumer remains a major concern to businesses, with 41.5 percent of companies identify this as the biggest influence on business operations. Cash flow was the second biggest concern at 18.2 percent. The least influential factors on business operations are fuel prices, access to credit, the level of the Australian dollar, and wages & salary growth.

Biggest perceived influence on business operations



“ Business is suggesting that policy should overwhelmingly be best directed at boosting consumer confidence. It is likely that a more confident consumer would be inclined to boost spending and lift the economy with it. Other areas, including the level of interest rates, wages and salaries and the level of the Australian dollar are low tier issues which is not surprising at one level given these indicators are generally at historical lows or have fallen markedly in recent years. ”

**Stephen Koukoulas, Dun & Bradstreet Economic Adviser**

### About the Business Expectations Survey

Dun & Bradstreet’s Business Expectations Survey is the only monthly survey to provide a comprehensive summary of key economic and financial conditions in Australia six months ahead of the latest quarterly national income accounts. The survey’s unique forecasting ability supports Dun & Bradstreet’s ongoing efforts to support business leaders, policy makers and commentators in responding to the changing dynamics of the Australian economy. Since March 1988, a sample of Australian business executives is asked 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 12 months to the latest completed year. In this issue, the interim indexes for the latest quarters are based on approximately 800 responses obtained in January and February 2017.

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