

# BUSINESS EXPECTATIONS SURVEY IN AUSTRALIA

*Dun & Bradstreet 3rd Quarter Analysis 2017 - Final*

## Confidence down, late payments and business failures up

As slow wage growth and lacklustre GDP figures weigh on the economy, expectations for sales, profits and capital investment are down for the third quarter of 2017 according to Dun & Bradstreet's June *Business Expectations Survey*. Upbeat employment and selling prices expectations provide some positive news, but the forecast is for choppy waters ahead.

“The overall cautious tone of business expectations remains, with the final result confirming lower confidence for the September quarter. Actual activity also remained soft and lags well behind expectations. The on-going weakness in the economy, confirmed by the recent national accounts for the March quarter, has been forecast by the D&B Business Expectations Survey in recent months and, on current measures, the economy is expected to remain on a moderate growth trajectory into the second half of 2017.”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

**3**  
**year low**  
for Retail Actuals Index  
in March quarter

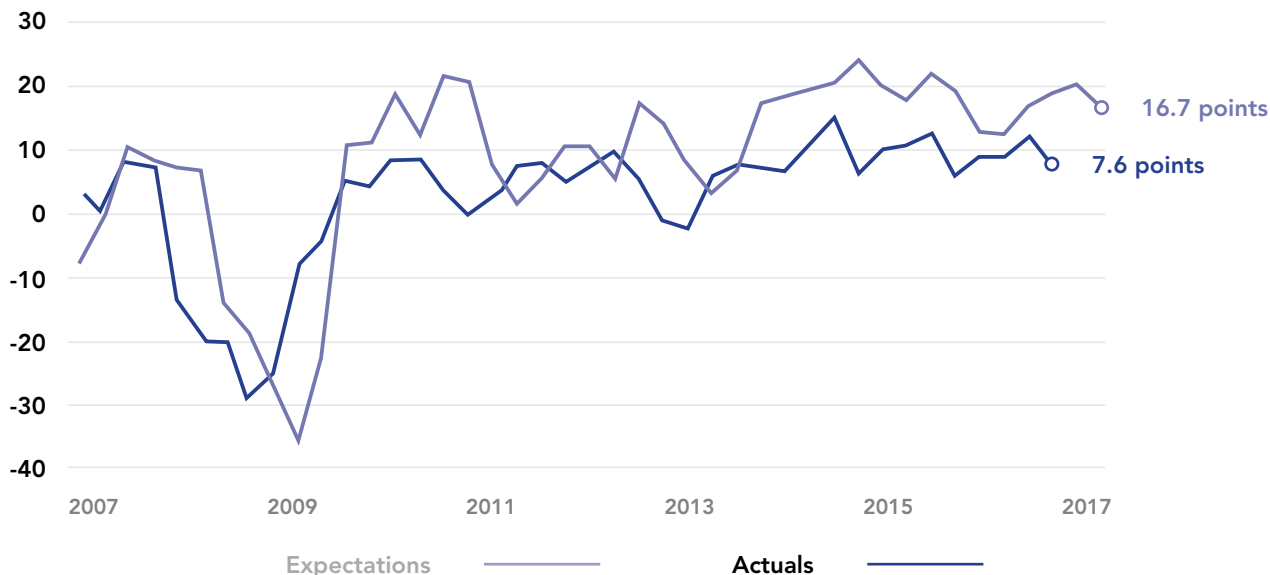
Business Actuals down  
**37%**  
in March Q

Business Expectations down  
**18%**  
for Q3

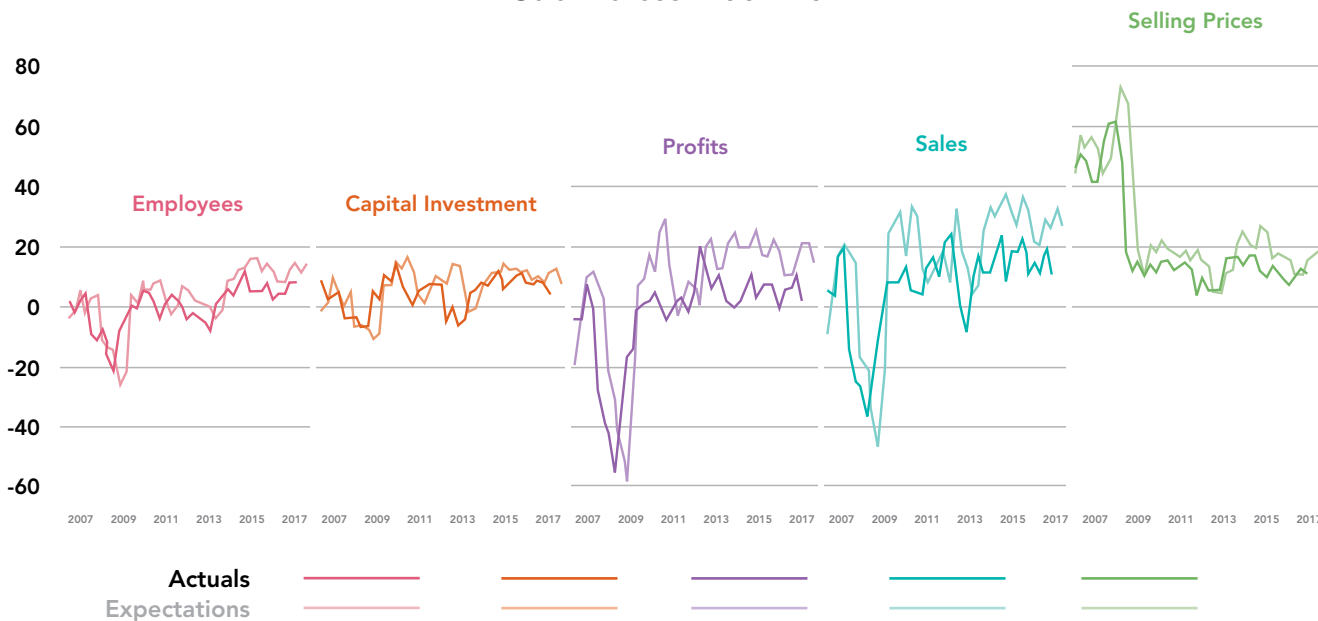
Skilled labour biggest  
barrier to growth for  
**17%**  
of businesses

# Q3 Summary – key indicators flashing red for the remainder of 2017

## Business Expectations

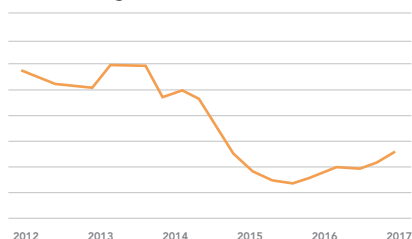


## Sub-indices 2007-2017

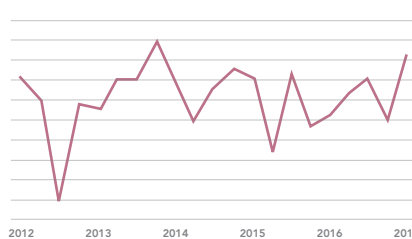


Aggregate indicators (positive minus negative scores) reveal a flat or declining trend, although all sub-indices besides Selling Prices remain above their 10-year averages.

## Late Payments 2012-2017



## Business Failures 2012-2017

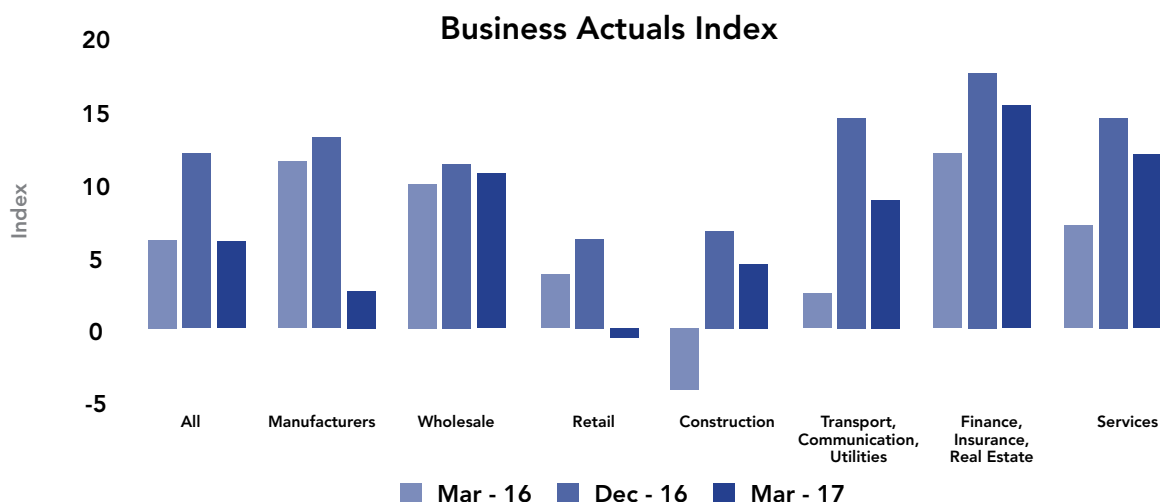


# Results confirm weak start to 2017

Business activity in the March quarter fell 37 percent, with sales, profits and capital investment down significantly, despite a significant boost in employment on the previous year. The Business Actuals Index was lower across all sectors, with Retail and Manufacturing the hardest hit.

“ The components of the survey are providing a leading indicator on the hard data for the economy, particularly the apparent conflict between a downturn in sales and the rise in employment. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

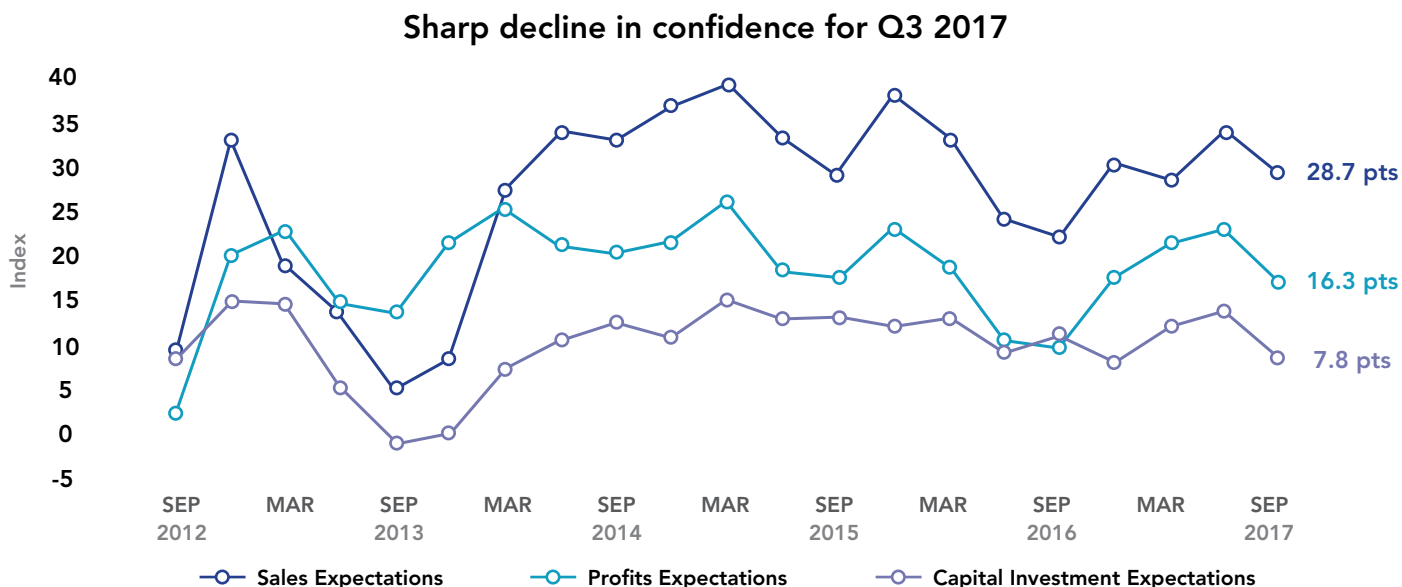


# Outlook bleak for sales, profits and capex

Expectations for sales, profits, and capital investment were down for the September quarter compared to the June quarter. Expectations for selling prices are up, while the outlook for employment also improved quarter-on-quarter.

“ The consistent fall in expectations for sales, profits and capital expenditure is concerning. If these trends are reflected in future data, the outlook for the economy will be problematic and it may cause the Reserve Bank of Australia to revisit its upbeat view on future growth. ”

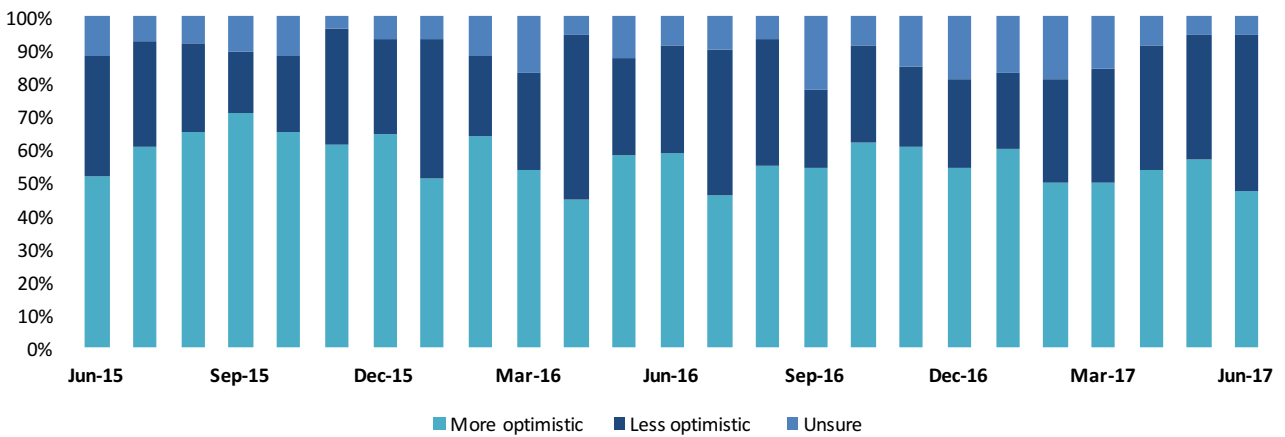
Stephen Koukoulas, Dun & Bradstreet Economic Adviser



# Retail sector less optimistic

Retail businesses saw multi-year lows across expected sales, profits, and capital investment, as well as in actual sales and profits. The industry's Actuals Index for the March quarter fell to its lowest point since the third quarter of 2014. Of the retail businesses surveyed, 47.2 percent are less optimistic about growing their business in 2017 compared to last year.

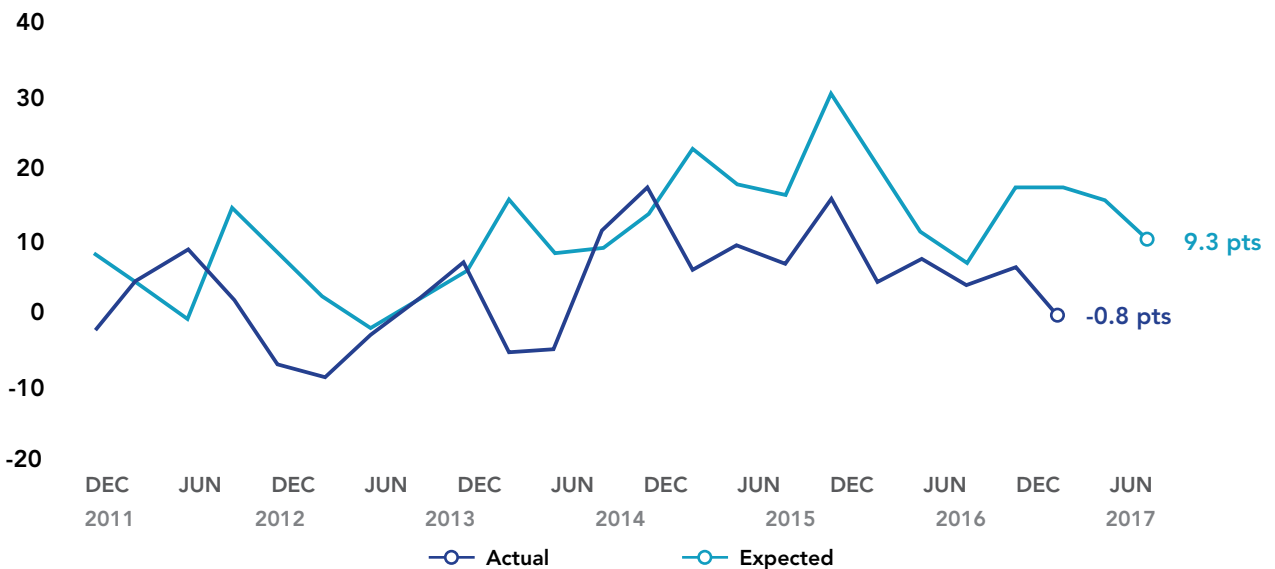
Retail: Are you generally more optimistic, or less optimistic, about growing your business in 2017 compared to last year?



“ The Retail sector remains weak, in terms of both expectations and actual performance. Weak consumer spending, which is driven by record low wage growth and near record high under-employment, remains one of the major concerns for the economy. Without a solid upswing in retail spending, bottom line GDP growth is unlikely to reach the 3 percent level both Treasury and the RBA are hoping for. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

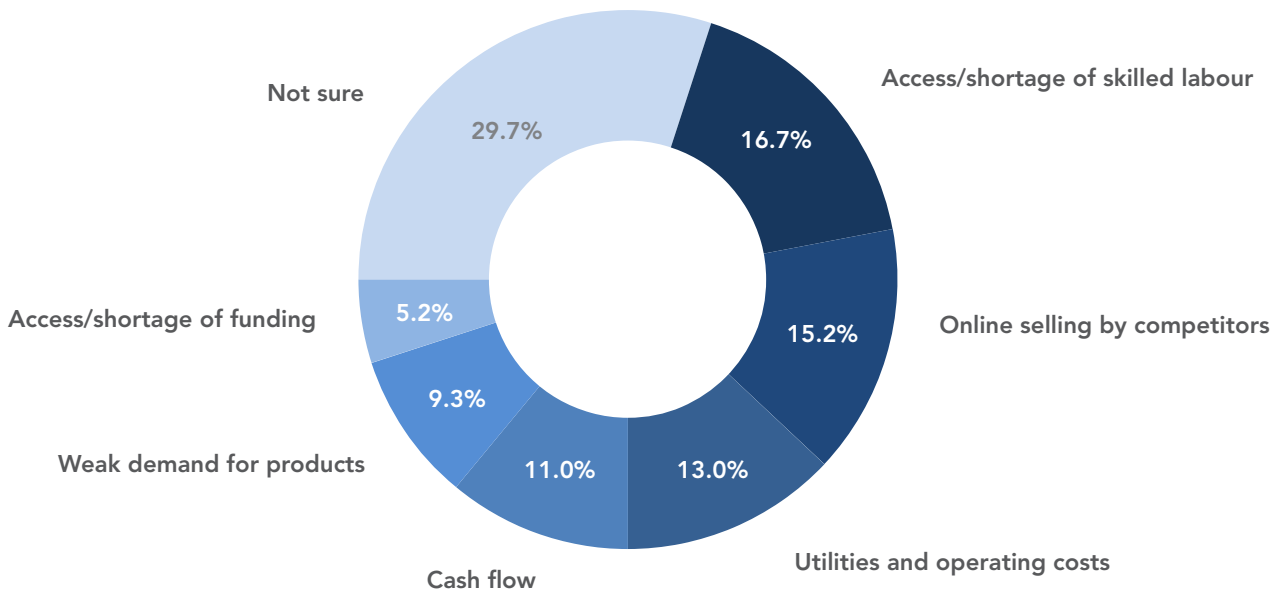
## Retail sector moves into negative territory



# Online selling and access to skilled labour impede growth

'Online selling by competitors' and 'Access/shortage of skilled labour' were identified as primary barriers to growth in the year ahead by 15.2 percent and 16.7 percent of businesses, respectively. Services and Construction were most wary about labour shortages, while Retail and Wholesale largely drove concerns over online selling.

What do you see as the biggest barrier to growing your business in the year ahead?



## 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.

In this issue, the final indexes for the latest quarters are based on approximately 1,220 responses obtained during April, May and June 2017.

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