

BUSINESS EXPECTATIONS SURVEY IN AUSTRALIA

Dun & Bradstreet 4th Quarter Analysis 2017 - Preliminary

Uplift in business sentiment

Australian businesses are looking ahead to the final quarter of 2017 with renewed optimism, suggesting businesses are becoming more confident in navigating a challenging economic landscape. In Dun & Bradstreet's July *Business Expectations Survey*, companies forecast a lift in sales, profits, employment, investment and selling prices in the December quarter, and reported improved business conditions in the June quarter.

“Business expectations across the key aspects of the economic outlook have bounced back solidly, pointing to a lift in economic activity into the latter part of 2017. Also encouraging was a rise in the actual performance of the economy in the June quarter, a result that bodes well for the official GDP figures which are released in early September.”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

Business Expectations up

16%
for Q4

26%

of SA businesses
most concerned about
utility costs

Business Actuals up

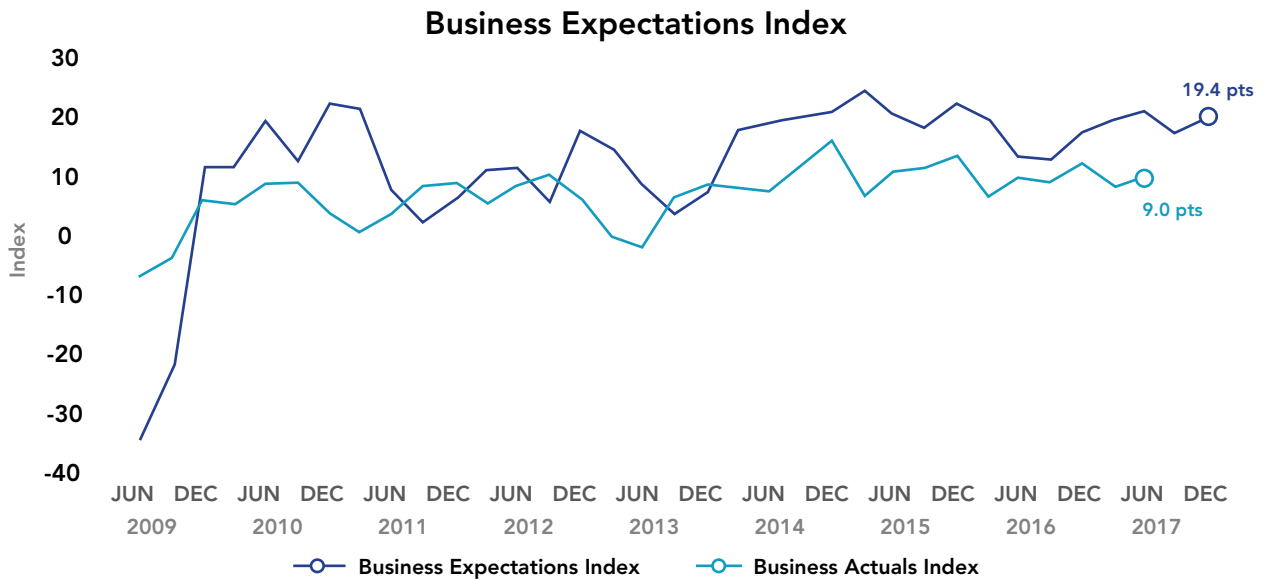
18%
in Q2

Selling prices expectations at

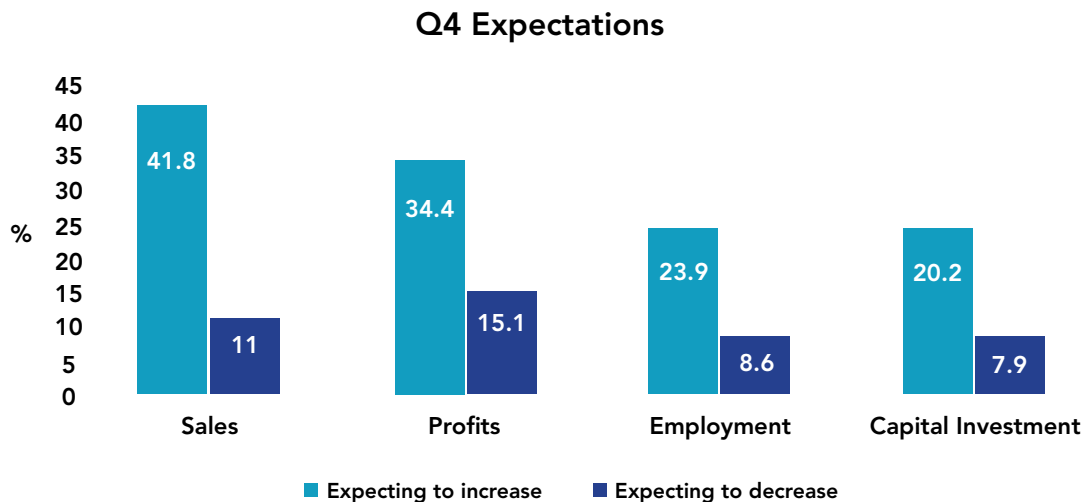
2.5 yr
high for Q4

On a growth trajectory?

The Business Expectations Index rose to 19.4 points for the December quarter of 2017, up 16.2 percent from 16.7 points from the September quarter 2017, and up 14.1 percent from 17.0 points in the previous corresponding period. The preliminary Q4 2017 result is more than double the 10-year average of 9.5 points. Meanwhile, the Actuals Index climbed 18.4 percent from 7.6 points in the March quarter to 9.0 points in the June quarter.



More to look forward to in the December quarter



“ The uptick in employment expectations should be a positive factor for the economy over the remainder of 2017 and if sustained, will support incomes and therefore household spending. The more positive tone from expected and actual investment is likely driven by ongoing low interest rates and stronger performance of the global economy, both of which are very important drivers of business investment plans. Suffice to say, the expectations and actual performance for sales and profits fit with the big-picture scenario of the economy still growing, but not at rapid pace. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

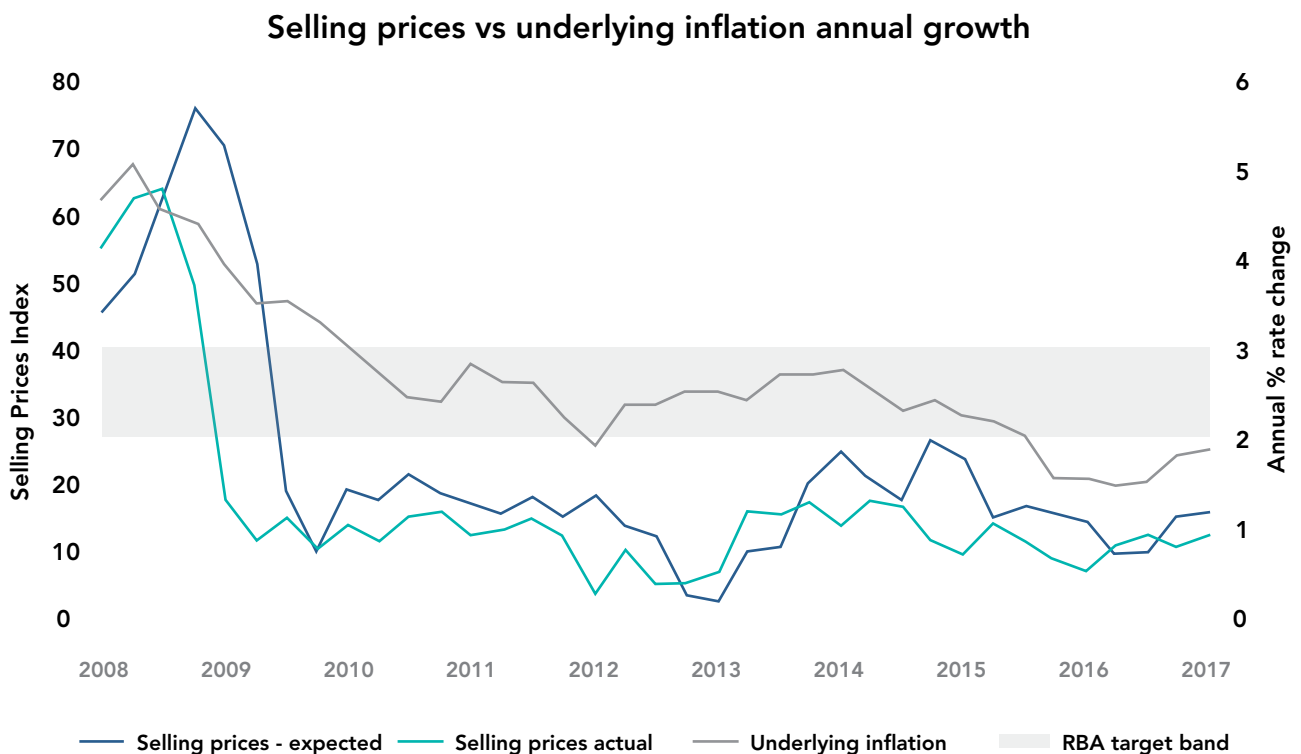
Selling prices set to rise

Some 27.5 percent of businesses expect to increase selling prices in Q4 2017 compared to Q4 2016, while just 6.6 percent expect to lower prices. This outlook follows an increase in actual selling prices in the June quarter, with 21.0 percent of companies raising prices compared to the 9.3 percent that dropped prices.

“ One of the most important aspects of the Business Expectations Survey is a sharp and now sustained lift in expected selling prices. For the past two years, underlying inflation (selling prices in other words), has been below the bottom of the RBA target band. This has been the fundamental issue that has allowed the Reserve Bank of Australia to set the interest rate at a record low 1.5 percent.

Expected selling prices have jumped in the December quarter, which points to an eventual increase in the official inflation rate over the next few quarters. If this does come to pass, the market speculation about the need for interest rate hikes may become more intense. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

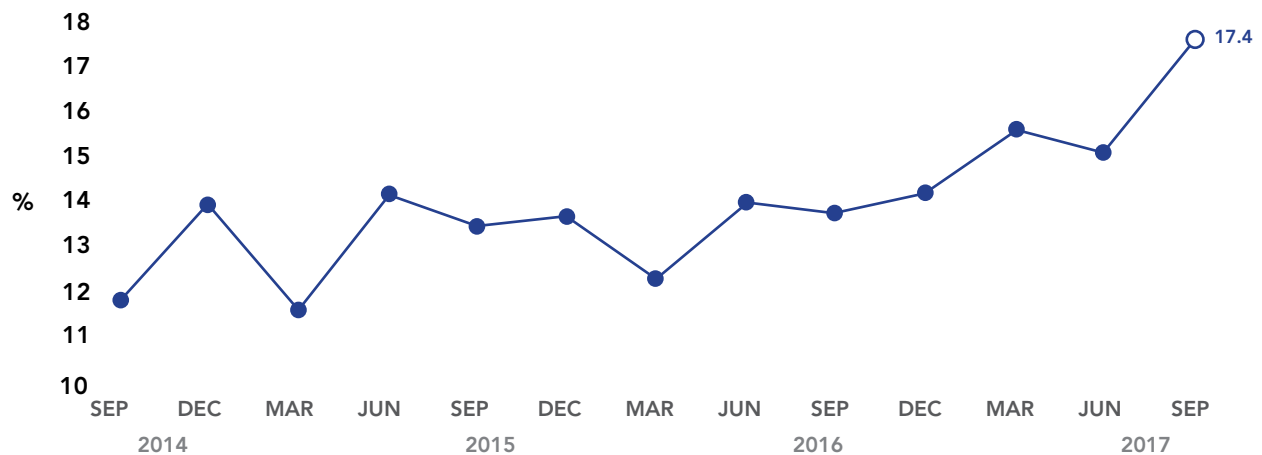


Energy crisis weighs on businesses

The surging cost of utilities is of increasing concern, with Australian businesses now identifying 'utilities and operational costs' as the biggest barrier to business growth. Some 17.4 percent of all businesses identified this as their biggest barrier in the July survey.

Businesses based in South Australia are the most impacted by utilities and operating costs: 26.3 percent identify this as their biggest barrier, indicating that South Australia's energy crisis is weighing on businesses despite the state government's recently-announced \$550 million Energy Plan.

Companies increasingly identify 'utilities and operating costs' as the biggest barrier to growth



Some 27.8 percent of South Australian companies believe business conditions in their state are 'bad' (19.4 percent) or 'very bad' (8.3 percent) compared with the rest of Australia. At the other end of the spectrum, more than two-thirds of companies based in the ACT believe business conditions in their region are superior to the rest of Australia, while just 7.7 percent feel they are worse off.

“ Economic conditions and the outlook in South Australia remain soft. South Australia has not benefitted from the population surge evident in the eastern states and as a result, the boost to household wealth from a strong housing market has been absent. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

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 preliminary indexes for the latest quarter are based on approximately 400 responses obtained during July 2017.

Contact:
Bryony Duncan-Smith
DuncanSmithB@dnb.com.au
+61 3 9828 3675