



Decide with Confidence

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D&B Business Update

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Upcoming Events

- 3 March – ABS Business Indicators
- 4 March – RBA Board Meeting
- 11 March – D&B Business Expectations Survey

Stats and Facts

- CPI rose 0.9% in the December 2007 quarter and 3% through the year (ABS)
- The Australian economy grew by 1% (seasonally adjusted) in the September 2007 quarter (ABS)
- National accounts showed growth of more than 4% over the year to the September quarter, with domestic demand expanding by 5.5% (RBA)
- Australia imported more goods than it exported in 2006-07 however the value of exports grew faster than that of imports so the deficit was lower than the previous year (\$15 billion) (ABS)
- Lending to businesses has remained strong expanding by 24% over the year to December, its fastest pace since the late 1980s (RBA)
- According to the *ABS 2008 Year Book* around 70% of households own their home outright or with a mortgage (ABS)

World growth buffeted by global credit crunch

Aussie exporters to feel the pain of global risk aversion and domestic interest rate rises

Robust household spending, government investment and solid growth in imports and exports during 2007 led Dun & Bradstreet to raise its 2007 economic growth forecast for Australia to 4.1 per cent from 3.9 per cent.

According to D&B's *Global Economic & Risk Outlook Report* the Reserve Bank of Australia (RBA) will remain vigilant about inflationary pressures throughout 2008, making further rate hikes a possibility.

The combination of higher interest rates and a deterioration in global economic conditions are expected to slow economic growth to 3.5 per cent this year and 3.0 per cent in 2009. According to D&B Australia will not be immune to a slowdown in the US economy. The fallout from the US sub-prime mortgage crisis poses a threat to economies in the Asia-Pacific region, particularly in China, India and Vietnam, creating a more unstable trading environment for Australian exporters.



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A downturn in US demand for Asian imports would lead to lower demand from Asian countries for internationally-sourced products and services - bad news for the more than 40 per cent of Australian exporters who sell their products in the region.

Most exporters are small or medium-sized businesses operating in the manufacturing and wholesaling sectors, leaving these organisations particularly vulnerable to a slowdown in the region.

Source: Dun & Bradstreet

Inflationary pressure persists

Interest rate and petrol price concerns continue to increase

Inflationary pressure persists and interest rate and petrol price concerns continue to increase according to figures from the latest Dun & Bradstreet (D&B) Business Expectations Survey.

Sixty two per cent of firms anticipate that their selling prices will be higher in the coming quarter than the corresponding quarter in 2007, indicating that inflationary pressure is continuing to impact businesses.

Executive concerns regarding interest rates have increased significantly since the previous survey, up thirteen per cent. Thirty nine per cent of executives now rank interest rates as the most important influence on operations in the coming quarter. Retail executives continue to demonstrate the highest level of concern, with forty five per cent ranking interest rates as the most significant influence on operations.

Fuel price concerns have also increased, reaching their highest level in six months. Thirty one per cent of executives now rank the cost of fuel as the most important influence on operations. Meanwhile recent movements in petrol prices have had a negative impact on seventy eight per cent of businesses, a rise of 15 points since December.

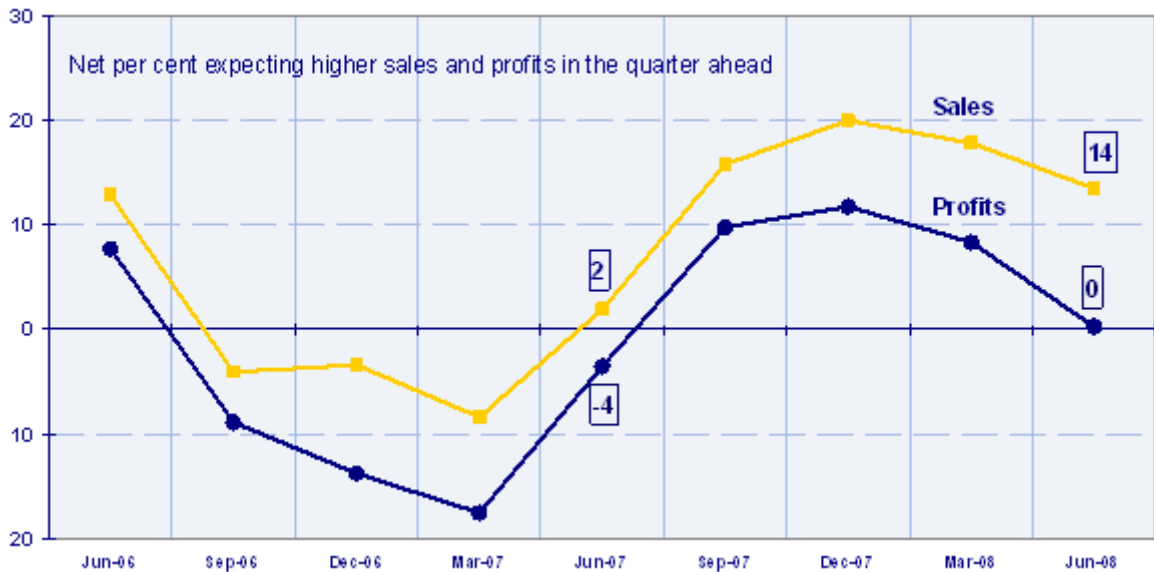
According to Dun & Bradstreet it is becoming increasingly clear that Australia has a two stroke economy. The resources industry continues to race along ensuring that Australia's macro figures remain robust. Yet elsewhere signs of stress are emerging with rising interest rates and fuel prices starting to have an impact.

The tightening credit market continues to be a concern for executives. Currently sixty per cent of executives expect credit market conditions to have a detrimental impact on operations - this is up on the fifty seven per cent that recorded concern in October and November.

The outlook for growth in profits and sales has declined from high December quarter expectations. Thirty three per cent of executives expect an increase in profits and thirty six per cent expect an increase in sales.



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D&B expected sales and profits indexes (all firms)

Source: Dun & Bradstreet

Consumers use credit to bridge spending gap

One in four Aussies expects higher debt levels by April

An increasing number of Australian consumers expect to face financial difficulty with one in five turning to credit cards to cover expenses they couldn't otherwise afford and one in four expecting their debt levels to be higher in three months time, according to findings from a Newspoll survey conducted exclusively for Dun & Bradstreet (D&B).

The findings come as Dun & Bradstreet data reveals that the average dollar value of debt referred for collection in the December quarter 2007 increased by around \$400 from the previous quarter to more than \$1,200.

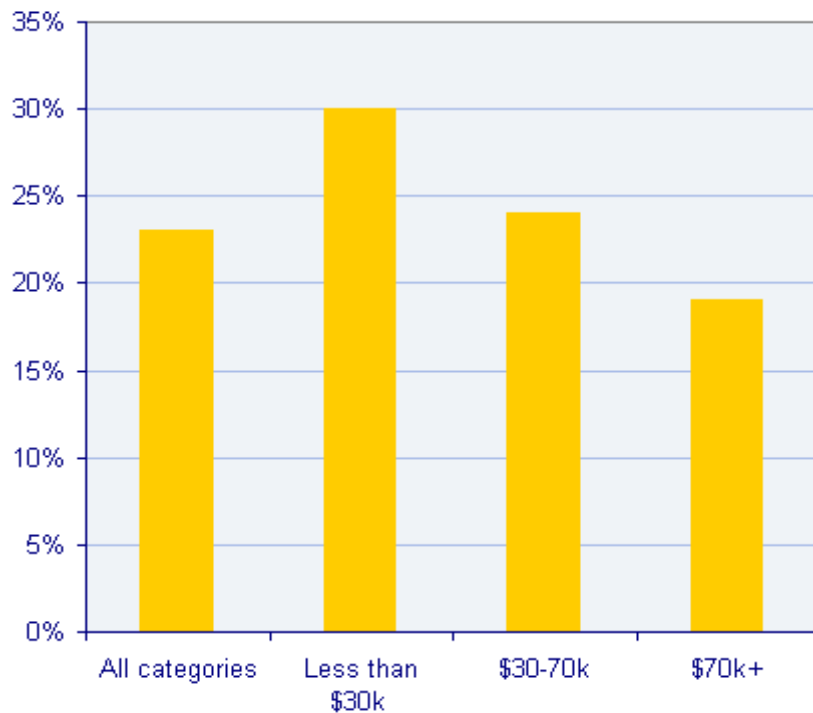
The Newspoll survey found that in the three months to April nineteen per cent of Australians plan to use their credit card to pay for items they otherwise couldn't afford. Females and those in the 18-24 age group have the greatest expectations that they will turn to their credit card to cover costs in the coming months.

Australians with incomes between \$30,000 - \$70,000 also have high expectations for problematic credit card use, demonstrating that consumer overindebtedness is an issue for both low and middle income earners.

For overall debt levels almost one in four (23%) Australians expect to be in more debt by April. Older Australians and those earning less than \$30,000 are most concerned that their debt levels will increase in the coming months with 25% of those aged over 50 and 30% of low-income households believing this to be the case.



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Consumers expecting household debt to increase in the coming three months (by income bracket)

Signs of stress for lower-income Australians are also evident in expected repayments patterns. When asked whether they expected to pay more than the required minimum payment off their credit card over any of the three months to April, one in five people earning less than \$30,000 said they didn't. That is close to double the national average.

Source: Dun & Bradstreet

Business payment terms on the rise

Company growth squeezed by credit crunch & poor payment patterns

The length of time Australian businesses take to pay each other is rising, placing additional pressure on company cash flows in an environment where access to credit has already tightened.

According to D&B's December 2007 quarter trade payments analysis, the average payment period across all industry sectors has risen to 52.6 days (more than 3.5 weeks past normal terms) after having eased in the middle of 2007.

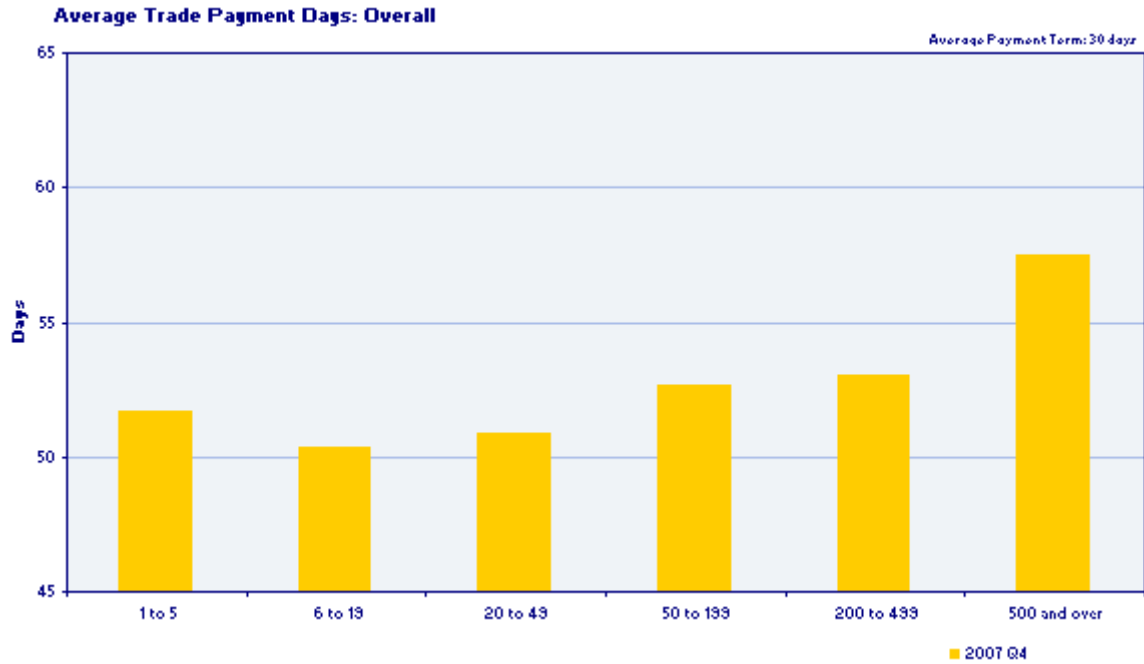
Public companies and big businesses (500+ employees) continue to be the worst offenders, averaging 58 and 57.7 days respectively to pay their debts in the December 2007 quarter.

The gap between public and private companies has jumped significantly to 5.5 days with public companies now taking 58 days and private companies 52.5 to pay their bills.



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While big businesses have consistently been the worst payers, the latest data shows their payment terms are deteriorating at a faster pace than the rest of the business community. The gap between businesses with 500+ employees and those with 200-499 employees has jumped to 4.5 days and is above the long term gap trend of around three days.



Payments by business size

Payment terms for Federal Government agencies also increased quarter-on-quarter, up 2.5 days to 56 days in the December quarter.

Dun & Bradstreet's Global Risk Report shows that Australia is not alone in its payment problems - it is the fourth worst payer in the Asia-Pacific region. India is the worst paying nation with 55.2% of payments made at 30 days or more past terms in the September quarter of 2007. In Australia 42.3% of payments are made at 30 days or more past terms.

Source: *Dun & Bradstreet*

More rate rises on the horizon

The Reserve Bank of Australia's (RBA) latest statement on monetary policy stresses the uncertainty in the outlook for the global economy and indicates that more interest rate rises may be needed throughout the year.

According to the RBA the situation in the global economy and financial markets remains a major source of uncertainty. A sharper downturn in the world economy than is currently forecast is a possibility. Demand and activity in Australia could also be constrained to a greater extent than assumed due to tighter credit supply. If these possibilities occur the flow on affect could be a quicker fall in inflation than currently forecast.



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The alternate possibility is that domestic demand does not moderate sufficiently to achieve the forecast reduction in inflation or that inflation expectations rise making a reduction in inflation even more difficult to achieve.

The RBA states that the risk of inflation remaining uncomfortably high for some time is considerable and suggests that monetary policy will need to be tighter in the period ahead if a shift in economic risks to the downside does not occur.

Source: RBA

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About D&B

Dun & Bradstreet (D&B) is at the forefront of business information. The world's leading provider of business-to-business credit, marketing and purchasing information and receivables management services, D&B manages the world's most valuable commercial database.

A trusted source of business information, D&B's database is refreshed more than one million times a day to ensure the provision of accurate and comprehensive data for effective decision making.

D&B has been enabling business-to-business commerce worldwide for hundreds of years. The Australasian operation also provides business-to-consumer commerce through its consumer credit bureau.