



Dun & Bradstreet's **U.S. Business Trends Report** examines recent failure and delinquency trends on approximately 34 million active U.S.-based businesses in D&B's global database, summarizing data trends for the 12 month period ending March 31, 2011. Using delinquency rates and balances past due, business owners can proactively manage cash flow issues and monitor customers who are unable to meet their financial obligations.

D&B tracked key indicators for the past year and identified mixed signals about the state of the economy. D&B's delinquency and failure statistics have thus far been consistent with the economic recovery witnessed in 2010. However, Q1 2011 results show an increase in delinquency rates. If this trend continues further into 2011, an economic slowdown is possible. In order to protect themselves in current economic situations, business owners should err on the side of caution and perform rigorous analytics before making business decisions. In challenging economic times, looking at past performance and historical trends may not be enough. Predictive scores, and the ability to forecast delinquencies and failures, are crucial elements in the decision making process. A refinement or balancing of historical inputs with predictive indicators can significantly enhance the bottom line.

Economic Snapshot

Having staged a healthy recovery from 2009's difficult recession in 2010, the economy is once again slowing. In Q1 2011, the economy suffered a broad-based slowdown. In Q1, delinquencies rose to levels last seen during the height of the financial crisis. With inflation continuing to mount, unemployment levels remaining unsettlingly high, and the housing market stuck in a severe depression, there are few reasons to expect growth to accelerate in the coming quarters. Accordingly, D&B expects that businesses will continue to face high levels of uncertainty and risk across a number of sectors and regions throughout the remainder of the year.

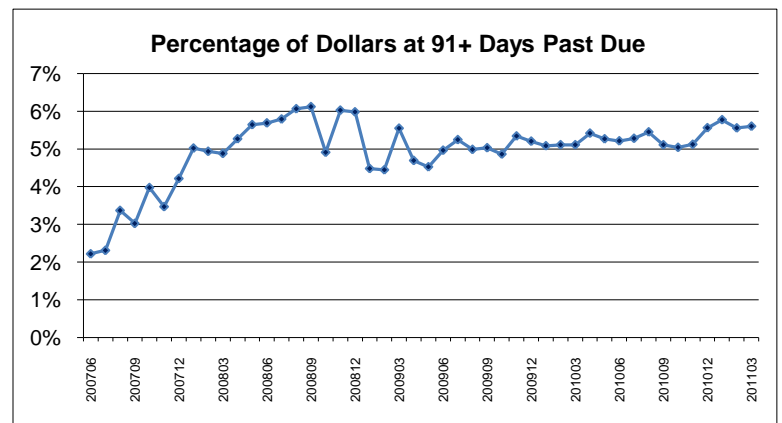
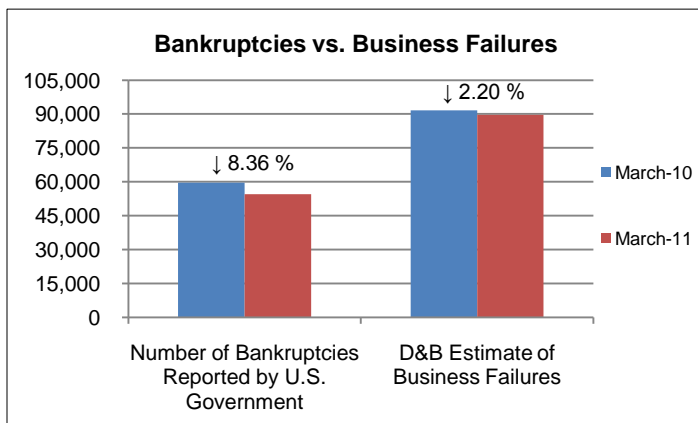
The following are highlights of the key insights found in D&B's U.S. Business Trends Report.

Overall Business Bankruptcies, Failures and Delinquencies

Both business bankruptcies and business failures continued to decline in Q1 2011, with business failures declining at a slower pace. Business bankruptcies, as reported by the U.S. courts, fell by 8.4%, whereas business failures fell by only 2.2% during the 12 months ending March 2011. Business failures better reflect the state of the economy as formal bankruptcies tend to understate the overall failure rate by not capturing hidden failures.

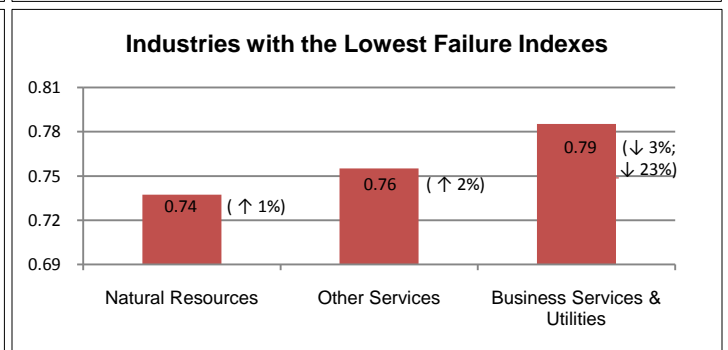
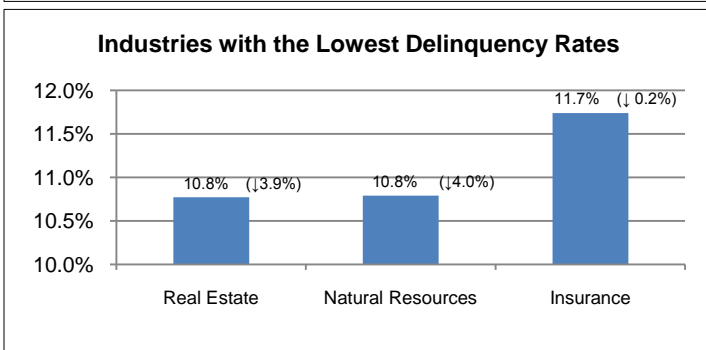
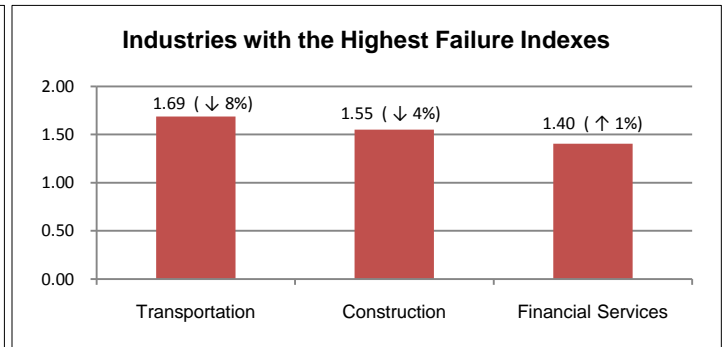
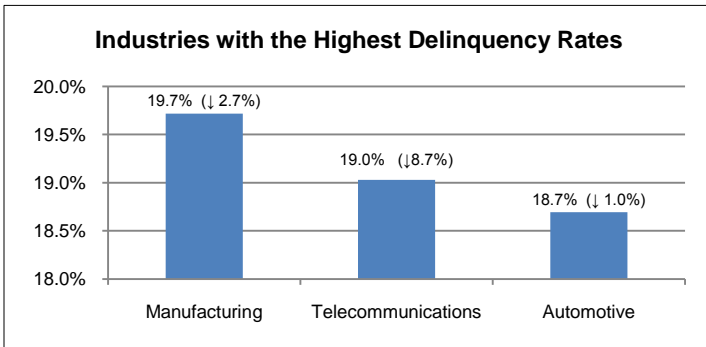
D&B reported 89,675 business failures in the 12 months ending in March 2011, compared to 91,696 failures in the 12 months ending in March 2010. However, when looking at annualized failure statistics quarterly, there was an increase from Q4 2010 to Q1 2011. For the 12 months ending in December 2010, D&B reported 87,797 business failures.

During the recovery, delinquency rates (percentage of 91+ days past due information) stabilized at approximately 5% for the year with some month-to-month fluctuations. However, there is some cause for concern as D&B saw a spike in delinquency rates in December 2010 that continued into Q1 2011. The percentage of past due dollars are only slightly lower than during the peak of the recession, implying that businesses are still struggling to pay their lenders and vendors.



Delinquency and Failure by Industry

Delinquency rates¹ and failure indexes² varied by industry from Q4 2010 to Q1 2011. The industries with the highest and lowest failure rates remained the same while there was an overall decline in failure rates across the majority of industries. In Q1 2011, D&B reported a slight increase in failure rates for the Other Services, Natural Resources and Financial Services industries. The industries with the highest and lowest delinquency rates also stayed the same. There was a decline in the percent of businesses with severe delinquent payments across the board, but by a smaller percentage than previously reported.



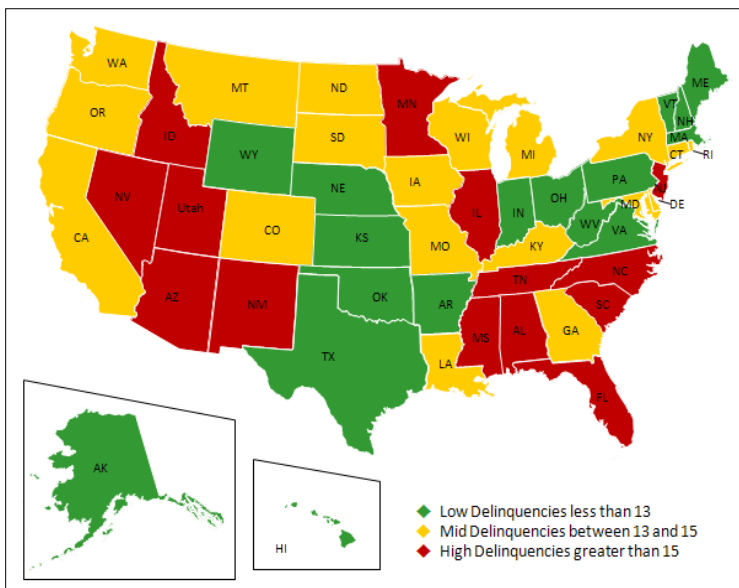
¹ Delinquency Rate is the percentage of 91+ days past due amount against the total amount owed – and is a leading indicator of a company’s likelihood to fail.

² Failure Index is calculated as a failure rate for industry divided by average failure rate for U.S. overall in the same year.

Delinquency and Failure by State

D&B also reported variations in delinquency rates and failure indexes among states from Q4 2010 to Q1 2011. Nevada remained the state with both the highest failure and delinquency rates. Alabama, Mississippi, Arizona, and Utah followed as the states with the highest delinquency rates, whereas West Virginia and Alaska remained the states with the lowest delinquency rates. California and Colorado followed Nevada with highest failure rates due to ongoing instability in the housing market and a drop-off in tourism, while North Dakota continued to have the lowest failure rates, confirming the stability of agriculture in the Midwest.

Delinquency Rates



Failure Indexes

