

Friday, 2 November 2018

Business Confidence in October up for second straight month

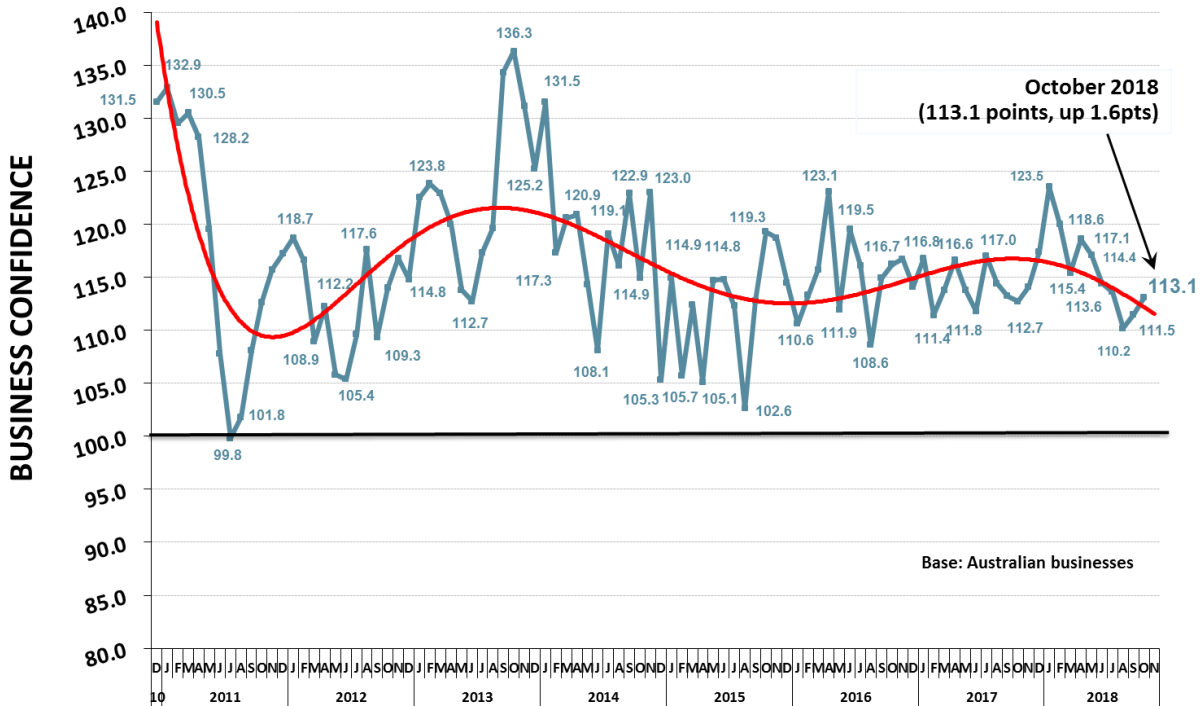
The end of October saw Roy Morgan Business Confidence up 1.6pts (+1.4%) to 113.1 continuing a rebound which began following the Liberal leadership instability in late August. Business Confidence is now almost back to where it was in July (113.6) prior to the leadership challenge.

In October Business Confidence is now 0.4pts above its level of a year ago in October 2017 and 3.1pts below its long-term average of 116.2. However, despite recent softness Business Confidence so far during 2018 has averaged 115.7 – the highest yearly average since 2014.

Businesses are largely positive in October with a majority of businesses, 52.2% (up 3.6ppts) expecting 'good times' for the Australian economy over the next 12 months and 50.7% (up 2.5ppts), saying now is a 'good time to invest in growing the business'.

Roy Morgan Business Confidence in October is now just below the latest weekly [ANZ-Roy Morgan Consumer Confidence](#), which is at 114.6 on October 27/28, 2018.

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Oct 2018. Average monthly sample over the last 12 months=857.

October's small increase driven by greater confidence about the Australian economy

- Driving this month's small increase in Business Confidence was an increase in confidence about the performance of the Australian economy over the next year with 52.2% (up 3.6ppts) expecting 'good times' for the Australian economy while 42.5% (down 1.3ppts) expect 'bad times';
- However longer-term views on the Australian economy have deteriorated slightly in October with 49.5% (down 1.5ppts) expecting 'good times' for the Australian economy over the next five years and 41.2% (up 0.9ppts) now expecting 'bad times';

- An increasing number of businesses, now 41.3% (up 3.7ppts), say the business is 'better off' financially than this time last year compared to 29.4% (down 0.5ppts) that say the business is 'worse off' financially;
- However, business are on balance slightly less confident about the performance of the business over the next 12 months with 45.2% (down 0.1ppts) expecting to be 'better off' financially and 22.8% (up 2ppts) now expecting to be 'worse off' financially this time next year;
- When it comes to investing in the business for future growth now a bare majority of businesses, 50.7% (up 2.5ppts) say the next 12 months will be a 'good time to invest in growing the business', while 37.3% (down 1.1ppts) say it will be a 'bad time to invest'.

Business Confidence up for micro businesses over 12 months but down for larger businesses

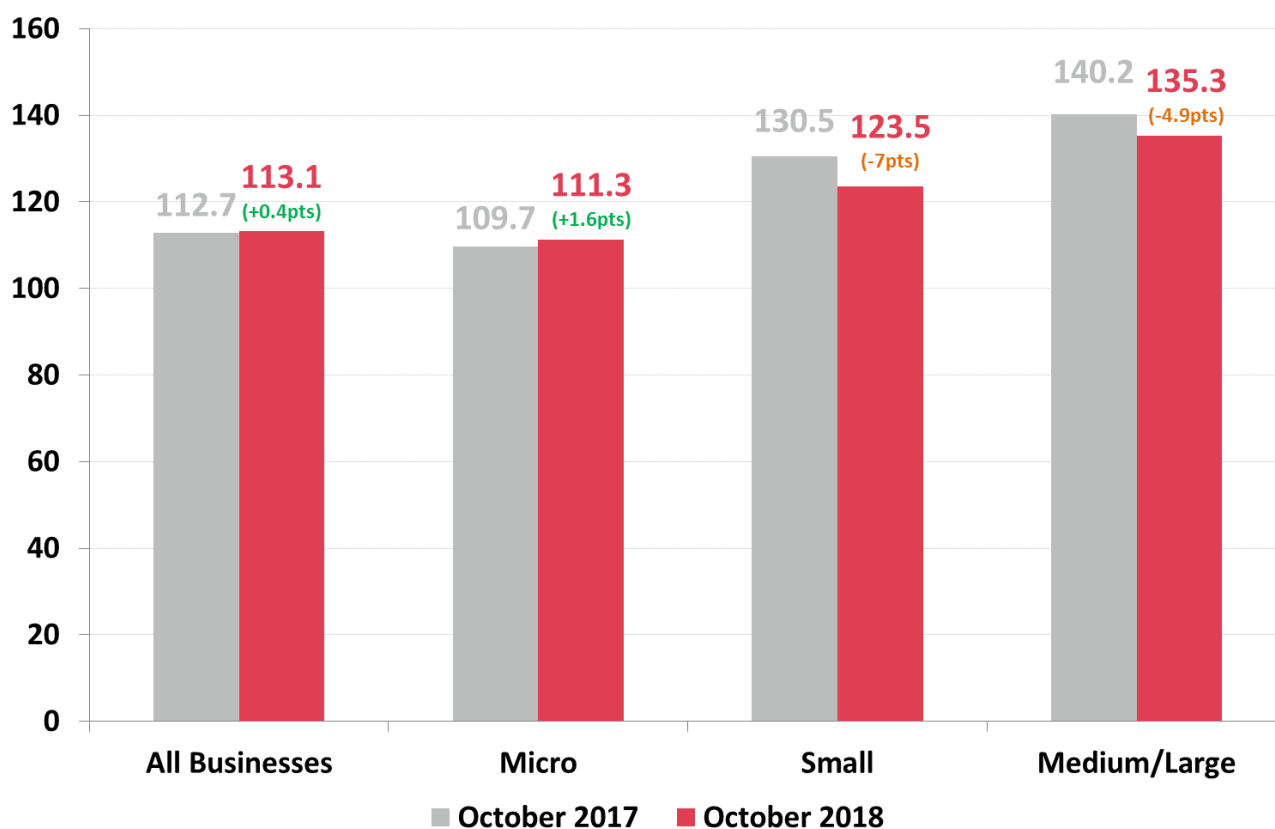
Roy Morgan Business Confidence in October is up slightly on a year ago at 113.1, up 0.4ppts on October 2017 but this small increase has been driven by micro businesses with turnovers of less than \$1 million annually while larger businesses have as a group seen a decline in Business Confidence since this time last year.

However, although only micro businesses have seen an increase in Business Confidence over the last year they still have the lowest Business Confidence of any size of business by turnover at 111.3 in October, up by 1.6ppts from a year ago.

Small businesses with annual turnover of between \$1 million to less than \$5 million have experienced a decline in Business Confidence by 7ppts over the last year to 123.5 in October but are still clearly above the national average for Business Confidence.

Although Medium and Large businesses with an annual turnover of at least \$5 million now have a lower Business Confidence than a year ago, down 4.9ppts to 135.3 in October, these larger businesses still have easily the highest Business Confidence of any size business.

Comparison of Business Confidence by size of business October 2018 cf. October 2017



Source: Roy Morgan Business Single Source, October 2017, n=919; October 2018, n=785. *Size of business: Micro Business has annual turnover of less than \$1 million, Small Business has annual turnover of \$1 million to less than \$5 million; Medium Business has annual turnover of \$5 million to less than \$50 million and Large Business has annual turnover of \$50 million or more.

Michele Levine, CEO Roy Morgan, says Business Confidence has continued recovering from the political turmoil in late August although new uncertainty over the Government's stability after the loss at the Wentworth by-election in late October could weigh on confidence:

"Roy Morgan Business Confidence increased 1.6pts (+1.4%) in October to 113.1 consolidating on the improvement in Business Confidence in September which followed the leadership tensions in the Federal Government in late August. Business Confidence is now almost back to its level in July (113.6).

"Analysing trends in Business Confidence by size of business based on annual turnover shows that it is micro businesses with annual turnovers of less than \$1 million that have boosted Business Confidence over the last year increasing their Business Confidence by 1.6pts to 111.3 in October.

"In contrast, businesses with an annual turnover of \$1 million to \$5 million (small businesses) and businesses with annual turnovers of \$5 million or more (medium and large businesses) have experienced small declines in Business Confidence since October 2017.

"Business Confidence for small businesses has declined 7pts to 123.5 while Business Confidence for medium and large businesses is down 4.9pts to 135.3. Clearly Business Confidence for these larger businesses remains significantly higher than for micro businesses but the gap has closed.

"Looking at individual industries shows Business Confidence for Rental, hiring & real estate, Construction, Wholesale trade and Retail trade is lower than a year ago. However, Business Confidence has improved for several industries including Information media and telecommunications, Public administration, safety & security, Professional, scientific & technical services and Manufacturing.

"The slowdown in residential real estate is clearly weighing on Business Confidence in businesses involved in real estate and construction while the intense media focus on the Finance Royal Commission (FRC) is providing a constant flow of poor headlines for some of Australia's largest companies including the big banks as well as finance and insurance companies like AMP.

"The scope of the Finance Royal Commission to dig deeply into the conduct of these large businesses is providing a clear warning to other larger businesses in Australia that if the public and political focus turns in their direction their conduct could also face intense scrutiny. This 'chilling' effect on bigger businesses combined with the policy uncertainty as we face a Federal Election early next year are powerful drivers that explain why Business Confidence for larger businesses in Australia is down from a year ago.

"Analysing Business Confidence by State shows increases in New South Wales, Queensland, Tasmania and South Australia which again has the highest Business Confidence of any State. The good news for the relatively new Government in South Australia is that Business Confidence in the State has consistently been the highest in Australia for over a year now.

"Despite the overall monthly trend Business Confidence fell in both Victoria and Western Australia which once again has the lowest Business Confidence of any State."

Roy Morgan Business Confidence results in October are based on 785 interviews with a cross-section of Australian businesses. Business Confidence is above the 8yr average (116.2).

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About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 75 years' experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
1,000	±3.0	±2.7	±1.9	±1.3
5,000	±1.4	±1.2	±0.8	±0.6
10,000	±1.0	±0.9	±0.6	±0.4
50,000	±0.4	±0.4	±0.3	±0.2