

Friday, 11 June 2021

## Roy Morgan Business Confidence hit a 7-year high of 129.3 in May – largely before Victoria was plunged into a fourth lockdown

In May 2021 Roy Morgan Business Confidence increased 4pts (+3.2%) to 129.3. This was the highest level of Business Confidence in Australia for over seven years since January 2014 (131.5). Business Confidence has increased a massive 39.4pts (+43.8%) on its level of a year ago in May 2020 (89.9).

However, early indications from the first week of June are that Business Confidence has dropped in June with declines in the index evident in Victoria as well as New South Wales and Queensland following the fourth lockdown for Victoria and its capital city Melbourne which began in the last few days of May.

Business Confidence in May 2021 was 15.5pts above the long-term average of 113.8 and over two-thirds, 69.2%, expect 'good times' for the Australian economy over the next 12 months and a clear majority of 58.8% of businesses said the next 12 months is a 'good time to invest in growing the business'.

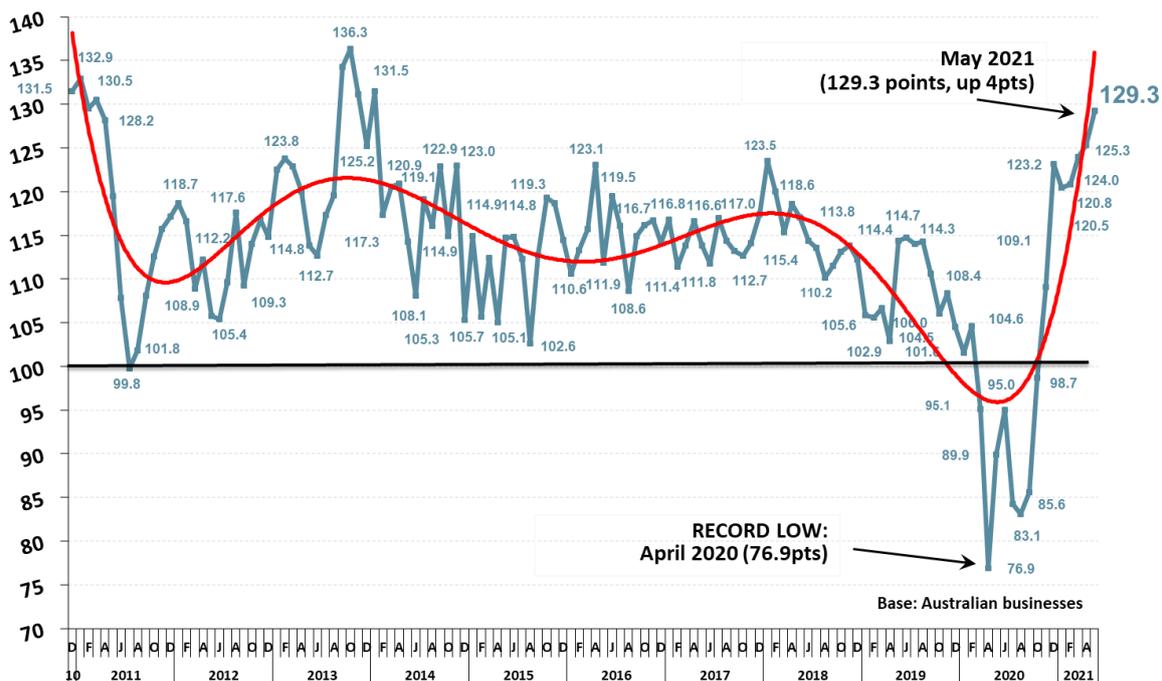
Business Confidence for May was 17.9pts (+16.1%) above the latest [ANZ-Roy Morgan Consumer Confidence of 110.7 for June 5/6, 2021](#).

### Business Confidence has had its best start to a year for a decade – since 2011

Business Confidence has now averaged 124.0 during the first five months of 2021, the best start to a year for the Index for a decade since 2011 – during the middle of the 'Mining Boom' when the index averaged a record high of 130.3 from January – May 2011.

The Business Confidence results for May were largely taken before the most recent outbreak of COVID-19 in Melbourne which caused the two-week lockdown of Melbourne – the fourth lockdown in the city since the pandemic began over a year ago in March 2020. The majority of the survey was taken after Treasurer Josh Frydenberg delivered this year's record-setting Federal Budget on May 11, 2021.

### Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-May 2021. Average monthly sample over the last 12 months = 1,323.

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**Business Confidence in May 2021 was highest in WA while Victoria, Queensland and NSW were all around national average prior to latest Victorian lockdown**

Business Confidence was significantly higher in all six Australian States than this time a year ago and Western Australia was again higher than anywhere else at 142.1, up 40.1pts (+39.3%) on May 2020.

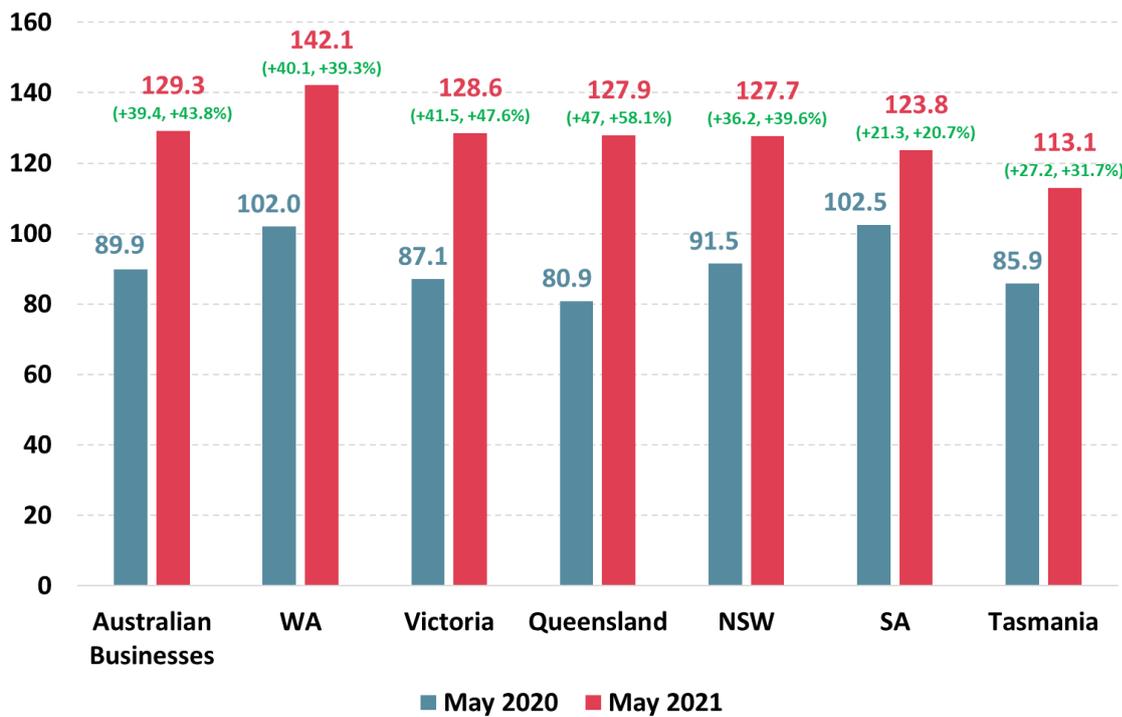
Prior to the current lockdown Business Confidence in Victoria had rebounded strongly and was up 41.5pts (+47.6%) from a year ago to 128.6 – second only to high-flying Western Australia.

However, the biggest increase in Business Confidence over the last year was in Queensland which saw a massive increase of 47pts (+58.1%) to 127.9 in May 2021.

Slightly behind their northern neighbour was New South Wales with Business Confidence of 127.7, up 36.2pts (+39.6%) on a year ago. Business Confidence in South Australia was down slightly in May and is now at 123.8, but this still represents an increase of 21.3pts (+20.7%) on a year ago.

Tasmanian Business Confidence lags the rest of the country at 113.1, although this still represents an increase of 27.2pts (+31.7%) on a year ago. The lower figure for the island State is no surprise given the considerable political uncertainty in Tasmania during the first half of May as the final results for the State Election were awaited. Nearly two weeks after the election it was finally confirmed that Premier Peter Gutwein’s Liberal Party had secured a slim majority of 13 seats in the 25 seat lower house.

**Business Confidence by State in May 2020 vs. May 2021**



**Source:** Roy Morgan Business Single Source, May 2020, n=1,749, May 2021, n=1,388. **Base:** Australian businesses. **Note:** \*The figure for Tasmania is a comparison of Mar-May 2020 and Mar-May 2021.

**Larger businesses with turnover above \$50 million are the most confident while Micro businesses with turnover below \$1 million are the least confident**

Looking at businesses by size of turnover shows larger businesses with a turnover above \$50 million are the most confident with Business Confidence of 163.9 in May 2021, up 56pts (+51.8%) from a year ago.

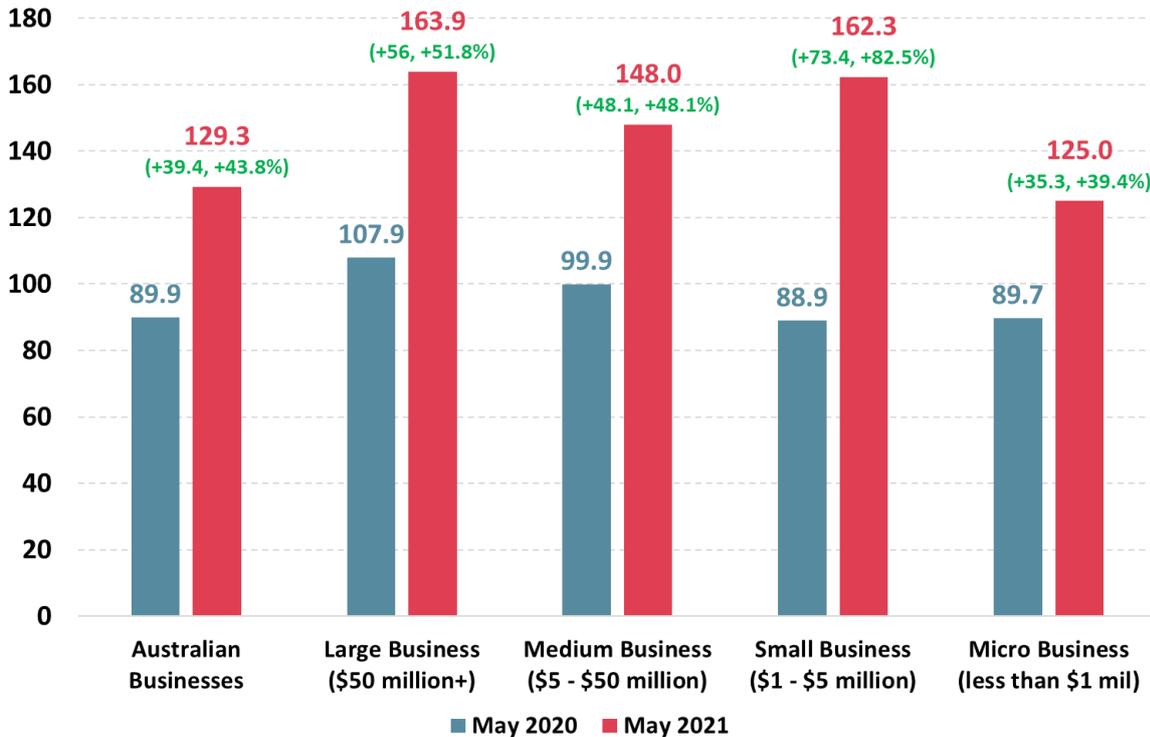
Throughout the COVID-19 pandemic larger businesses have maintained a higher than average Business Confidence with the index slipping below the neutral level of 100 for only four months between March – August 2020 during the nationwide lockdown (two months) and Victoria’s second wave (two months).

Just behind larger businesses are small businesses with turnover from \$1 – \$5 million with a Business Confidence of 162.3. Small businesses had the lowest Business Confidence a year ago and have seen easily the largest increase over the last year, up by 73.4pts (+82.5%).

The results by turnover show that it is micro businesses with a turnover of less than \$1 million that are the least confident – although still far more confident than a year ago – with Business Confidence of 125.0, an increase of 35.3pts (+39.4%) on May 2020.

Micro businesses have consistently had the lowest Business Confidence of any size of business during COVID-19 and were the only size of business to be below the neutral level of 100 for eight months in a row from March – October 2020.

### Business Confidence based on annual turnover size: May 2020 vs. May 2021



Source: Roy Morgan Business Single Source, May 2020, n=1,749, May 2021, n=1,388. Base: Australian businesses.

### Over two-thirds of businesses expect 'good times' for the economy over the next 12 months and a clear majority say the next 12 months is a 'good time to invest in growing the business'

- Businesses are very confident about the **Australian economy's performance over the next year** with over two-thirds, 69.2% (up 4.2ppts), expecting 'good times' for the Australian economy over the next year (**the highest figure for this indicator for over seven years since November 2013**) while only 28.1% (down 4.3ppts), expect 'bad times';
- In good news businesses are also confident about **the longer-term outlook with 56.2%** (up 0.8ppts) expecting 'good times' for the Australian economy over the next five years compared to 36.3% (down 2.3ppts) which expect 'bad times';
- In addition, a clear majority of businesses, 58.8% (down 0.7ppts), said the next 12 months is a **'good time to invest in growing the business'**, while 33.4% (up 2.2ppts) said it will be a 'bad time to invest';
- Nearly half of all businesses, 48.3% (up 5.1ppts), said the business was 'better off' financially than this time a year ago (**the highest figure for this indicator for over three years since April 2018**) while under a third, 28.9% (down 4.5ppts), said the business is 'worse off';
- An unchanged majority of all businesses, 52.3%, expect the business will be 'better off' financially this time next year, while only 11.9% (down 1.5ppts) expected the business to be 'worse off' (**the lowest figure for this indicator for over seven years since March 2014**).

**Michele Levine, CEO of Roy Morgan, says Business Confidence increased for a fourth straight month in May to 129.3, however, early indications from the first week of June are that the index has fallen as Melbourne has endured a two-week lockdown – the longest since 2020:**

*“Business Confidence increased to a new seven-year high of 129.3 in May, up 4pts (+3.2%) on April and an increase of a massive 39.4pts (+43.8%) on a year ago in May 2020 during the initial nation-wide lockdown.*

*“The [latest Australian GDP estimates for the March quarter 2021 from the ABS released in early June](#) show that after a short and sharp recession during the first half of 2020 the economy has grown 1.1% over the year to March 2021 following three strong quarters of growth.*

*“However, the early indications from the first week of June are that the latest Victorian lockdown has provided a hit to Business Confidence with the index down in Victoria as well as in other States including NSW and Queensland as Victorian authorities deal with the largest outbreak since that experienced in NSW over the Christmas and New Year’s period.*

*“The two-week lockdown of Melbourne from May 28 – June 10 is easily the longest lockdown since the end of the JobKeeper wage subsidy at the end of March. Both Greater Brisbane (March 29 – April 1, 2021) and Greater Perth (April 24-26, 2021) have had short three-day lockdowns since JobKeeper ended that proved effective in halting the spread of the virus and weren’t extended.*

*“In May the most confident industries were Public Administration & Defence, Wholesale, Community Services, Finance & Insurance, Agriculture and Transport, Postal & Warehousing all of which had Business Confidence above 130 and have been consistently near the top of the index over the last few months and throughout the pandemic.*

*“There are several industries which are still lagging well below average and these include Recreation & Personal, Accommodation & Food Services, Mining, Manufacturing and Education & Training all of which have Business Confidence below 120 and many of which have been hit hard by the pandemic up-ending and disrupting business models.*

*“Perhaps the biggest take-out from this month’s Roy Morgan Business Confidence is the split between larger businesses and those micro businesses with a turnover of less than \$1 million. Micro businesses have a Business Confidence of 125.0 in May which is significantly below that of businesses with a turnover above \$1 million.*

*“These businesses have been hit hard by the pandemic and remain especially vulnerable to further outbreaks of COVID-19 and the lockdowns introduced to stop the spread. In any additional government support packages that are forthcoming in response to further outbreaks and lockdowns there must be due consideration given to the micro businesses that may be the hardest hit but also have the least political influence to secure government support.”*

The latest Roy Morgan Business Confidence results for May are based on 1,388 detailed interviews with a cross-section of Australian businesses from each State and Territory. Detailed findings are available to purchase on a monthly or annual subscription as part of the [Roy Morgan Business Confidence Report](#).

**For comments or more information please contact:**

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To learn more about Roy Morgan’s [Business Confidence](#), [Consumer Confidence](#) and [Inflation Expectations](#) data call (+61) (3) 9224 5309 or email [askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com).

**About Roy Morgan**

Roy Morgan is Australia’s largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 79 years’ experience 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
50,000	±0.4	±0.4	±0.3	±0.2

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