

Thursday, 10 February 2022

Roy Morgan Business Confidence plunges 18.7pts to 101.5 in January as Omicron variant sweeps Australia

In January 2022 Roy Morgan Business Confidence plunged by 18.7pts (-15.6%) to 101.5. This is the biggest monthly plunge in the index in points during the pandemic and the largest fall in percentage terms since April 2020 at the start of the pandemic when the index dropped 18.2pts (-19.1%).

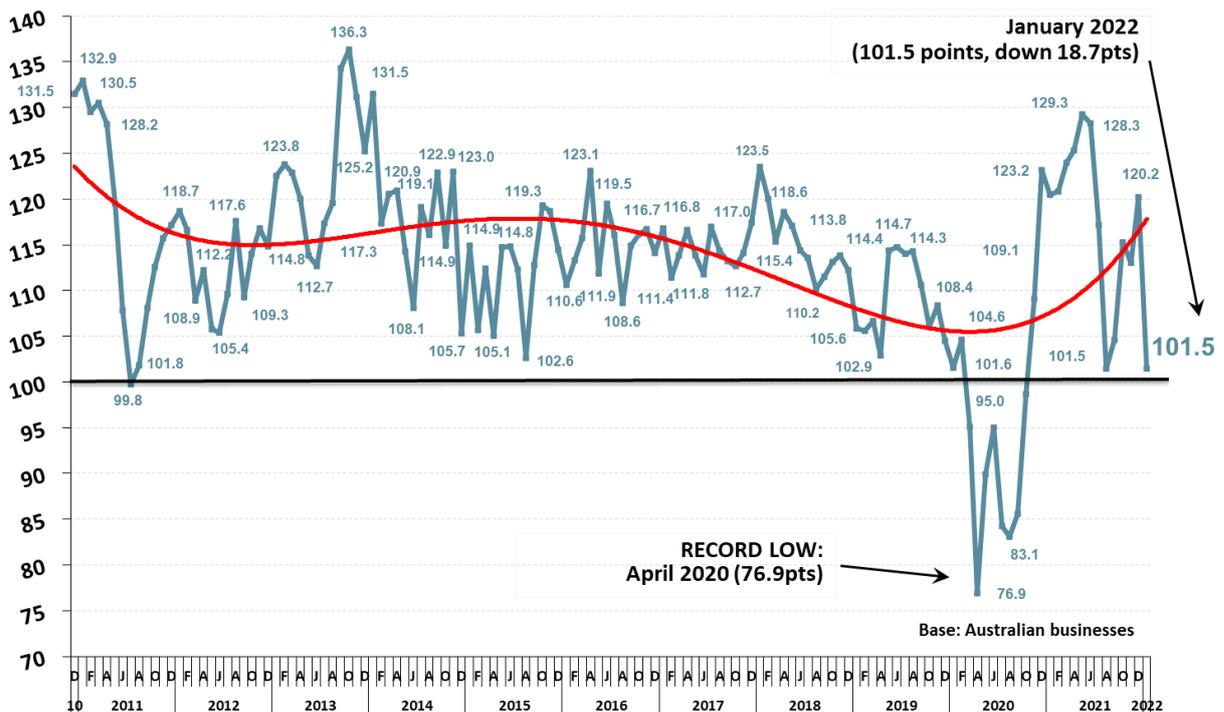
The plunge in January came as the Omicron variant swept Australia causing the infection of over 2 million Australians with COVID-19 and forcing millions more into isolation for being close contacts of confirmed cases. The disruption to businesses caused problems throughout the economy and led to breakdowns in supply chains which are only now being gradually rectified.

On a State-based level there were monthly decreases across the board in January led by NSW, down 17.1pts (-13.7%) to 107.6, Victoria, down 22.6pts (-19%) to 96.3, Queensland, down 23.4pts (-20.2%) to 92.5 and South Australia, down 12.3pts (-11.2%) to 97.4.

Despite the large fall in January Business Confidence remained marginally in positive territory above the neutral level of 100. The two indices to drive the positive result relate to conditions over the next year with a large plurality of 49.8% of businesses expecting 'good times' for the Australian economy over the next year and a clear plurality of 44.5% saying they expect the business to be 'better off' this time next year.

Business Confidence in January 2022 plunged to the same mark it was at during the middle of the 'Delta wave' of COVID-19 last year in August 2021 (101.5) and is now well below the long-term average of 113.7. Nevertheless, Business Confidence is still marginally higher than the latest [ANZ-Roy Morgan Consumer Confidence of 99.9 for January 31 – February 6, 2022](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Jan 2022. Average monthly sample over the last 12 months = 1,402.

FOR IMMEDIATE RELEASE

Business Confidence in January 2022 is almost identical to two years ago pre COVID-19 and is now highest in Western Australia (115.8), New South Wales (107.6) and Tasmania (101.8)

Business Confidence in January was down 18.7pts (-15.6%) from December and down 19pts (-15.8%) from a year ago. However, despite the big monthly fall Business Confidence is nearly identical to its level from two years ago in January 2020 (101.6) before the onset of the COVID-19 pandemic.

There is a big difference between how Australia began 2021 and how the country has fared in the early weeks of 2022. One year ago Business Confidence was in the middle of a record seven-month streak above 120 (December 2020 – June 2021). This high Business Confidence was powered by virtually no cases of COVID-19 across the country and record Government spending to support the economy.

In contrast, this year began with reduced Government stimulus spending and a record case-load of COVID-19 with over 2 million Australians infected with the virus in January and millions more people forced to isolate, particularly in the three largest States of NSW, Victoria and Queensland.

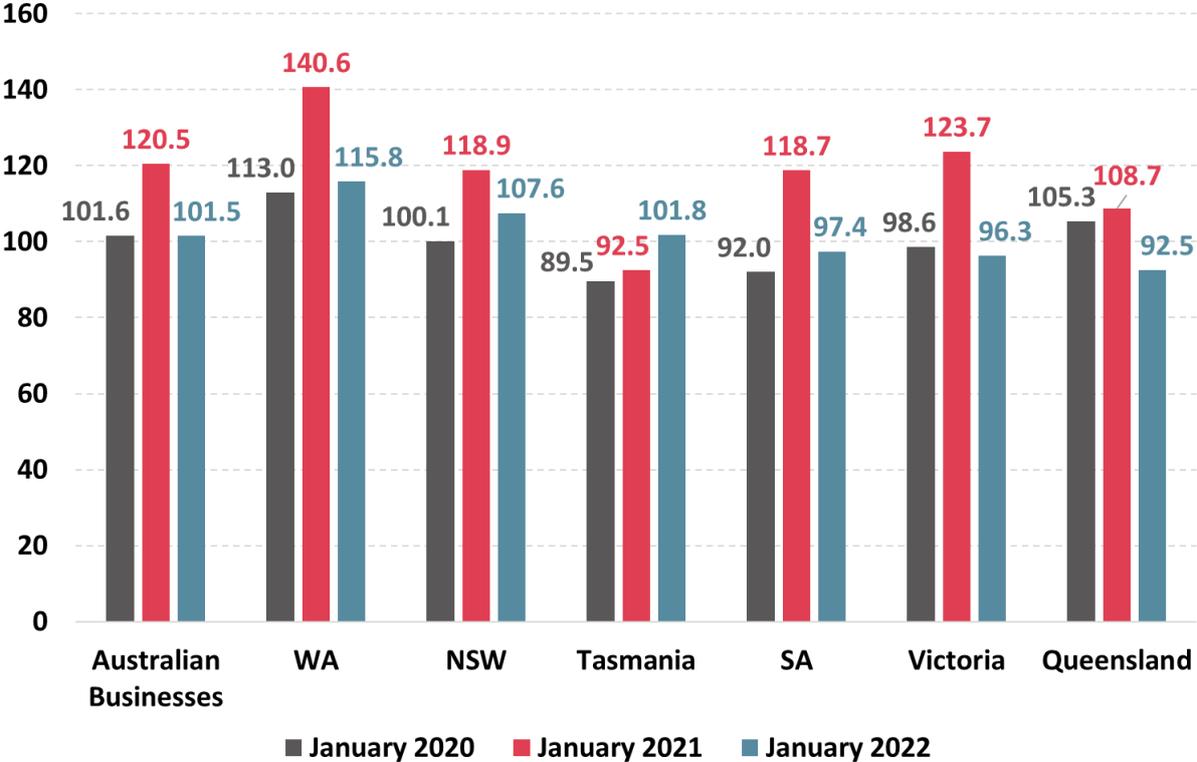
In January 2022 Business Confidence was lower in all mainland States than a year ago and was highest in the isolated, and relatively COVID-free, Western Australia at 115.8. However, this still represents a fall of 24.8pts (-17.7%) on a year ago.

In second place is NSW with Business Confidence of 107.6 in January, down 11.3pts (-9.5%) from a year ago while Tasmania is also in positive territory on 101.8. Tasmania is the only State which now has higher Business Confidence than a year ago, up 9.3pts (+10.1%).

The other three States, South Australia, Victoria and Queensland, all have Business Confidence in negative territory below the neutral level of 100 – and all are down significantly on January 2021.

Business Confidence in South Australia is on 97.4, down 21.3pts (-17.9%) just ahead of Victoria on 96.3, down 27.4pts (-22.2%) and Queensland on only 92.5, down 23.4pts (-20.2%). All three States have had significant outbreaks of the ‘Omicron variant’ of COVID-19 during the early weeks of 2022.

Business Confidence by State in January 2020 vs. January 2021 vs January 2022



Source: Roy Morgan Business Single Source, Jan. 2020, n=923, Jan. 2021, n=1,021, Jan. 2022, n=1,426.
Base: Australian businesses.

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 turnover shows that Business Confidence is heavily correlated to the level of turnover. Larger businesses with a turnover above \$50 million are the most confident with Business Confidence of 133.5 in December 2021/ January 2022, although this is down 9.1pts (-6.4%) from a year ago.

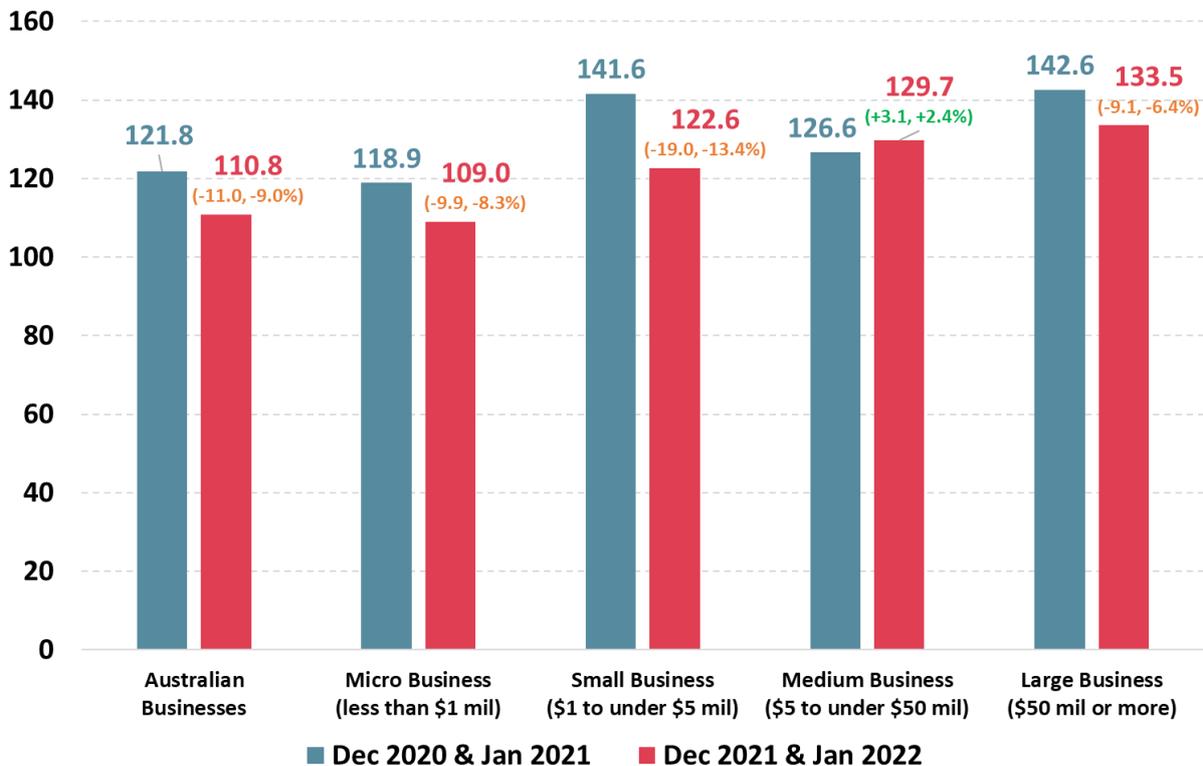
Just behind larger businesses are medium businesses with turnover from \$5 – \$50 million with a Business Confidence of 129.7. Medium businesses are the only turnover sector to have higher Business Confidence now than a year ago, at 129.7, up 3.1pts (+2.4%) from the same period last year.

Small businesses with turnover from \$1 - \$5 million have suffered the biggest fall in Business Confidence compared to the same period a year ago now at 122.6, down a large 19pts (-13.4%).

The results by turnover show that it is micro businesses with a turnover of less than \$1 million that are the least confident with Business Confidence of 109.0, a decrease of 9.9pts (-8.3%) on a year ago.

Micro businesses have consistently had amongst the lowest Business Confidence of any size of business since December 2020 when the index soared as Australia opened up after Victoria's second wave. In contrast larger businesses have had amongst the highest Business Confidence particularly over the last few months as the 'Delta wave' subsided and Australia's vaccination rates increased significantly.

Business Confidence based on annual turnover size: Dec 2020/Jan 2021 vs. Dec 2021/Jan 2022



Source: Roy Morgan Business Single Source, December 2020 – January 2021, n=2,607 and December 2021 – January 2022, n=3,123. **Base:** Australian businesses.

Businesses are still largely confident about their own performance over the next year but became increasingly concerned about the Australian economy over the next few years

- Despite a drop in confidence, a clear plurality of businesses, 44.5% (down 5.9ppts), expect the **business will be 'better off' financially** this time next year, while only 23.1% (up 5.5ppts) expect the business to be 'worse off';
- However, fewer than a third of businesses, 32.1% (down 8.5ppts), said the **business is 'better off' financially than this time a year ago** while an increasing plurality, 37.8% (up 5.8ppts), said the business is 'worse off';



- There was a big fall in confidence about **Australia's economic performance over the next year** but there are still a narrow plurality of businesses, 49.8% (down 13.3ppts), expecting 'good times' for the Australian economy over the next year while nearly as many, 47% (up 13ppts), expect 'bad times';
- Businesses have also lost confidence about **the longer-term outlook** with only 43.5% (down 9.6ppts) expecting 'good times' for the Australian economy over the next five years compared to 49.7% (up 8.3ppts) which expect 'bad times';
- In addition, businesses are split on whether now is a '**good time to invest in growing the business**' with 44.5% (down 10.9ppts), saying the next 12 months is a 'good time to invest', while a rising plurality of 49.4% (up 12.9ppts) said it will be a 'bad time to invest'.

Michele Levine, CEO of Roy Morgan, says Business Confidence took a significant hit in January as the 'Omicron variant' of COVID-19 swept around Australia with over 2 million cases causing huge disruptions to business activity across many sectors of the economy:

"Roy Morgan Business Confidence plunged by 18.7pts (-15.6%) in January to 101.5, its lowest mark since the middle of the 'Delta wave' of COVID-19 in August 2021 (101.5). The big drop was the largest points drop of the pandemic although was in second place on percentage terms behind the large drop experienced right at the beginning of the pandemic when the index dropped 18.2pts (-19.1%)."

"The 'Omicron variant' of COVID-19 emerged in Australia in early December but its full impact was felt after Christmas and throughout the first half of January as over two million Australians were infected with the virus and millions more were forced to isolate for at least 1 week after being close contacts of confirmed cases."

"Thankfully, as quickly as the 'Omicron variant' emerged and spread around Australia, the case load has rapidly reduced in the last few weeks after peaking in mid-January. The highly vaccinated Australian population also meant the death rate from the 'Omicron variant' has been far lower than earlier strains of the virus although the sheer number of cases has meant many Australians have been hospitalized and several have died during this period."

"The long-term impact of the 'Omicron variant' is harder to judge but it does suggest the virologists are right when they say that the more a virus mutates and changes the less deadly it becomes – even if it does become more contagious at the same time. The two generally go 'hand-in-hand'."

"Although we may now be past the worst aspects of the COVID-19 pandemic, the challenges of inflation and potentially increasing interest rates, loom large as economic disruptors on the horizon. There is also the small matter of a Federal Election due in the next few months to add to the uncertainty."

"The hit to Business Confidence by the 'Omicron variant' was widespread in January with confidence falling in all six States in January. Nevertheless, Business Confidence remains in positive territory above 100 in WA (115.8), NSW (107.6) and Tasmania (101.8). The index was lagging in South Australia (97.4), Victoria (96.4) and Queensland (92.5) in January."

"On an industry level the most confident industries were Agriculture (135.6), Public Administration & Defence (127.1), Property & Business Services (125.3) and Wholesale (121.6). Agriculture was one of the rare industries to have higher Business Confidence now than a year ago. Those with the lowest Business Confidence included Electricity, gas & water (79.5), Construction (86.6), Education & Training (88.8) and Recreation & Personal (91.5)."

"The most positive take-out from the January Business Confidence result is that businesses are still more confident about the year ahead than not. A large plurality of 49.8% of businesses say they expect 'good times' for the Australian economy over the next year and almost as many, 44.5%, say they expect the business to be 'better off' financially this time next year."

"The positive ratings on these two indicators are why Business Confidence remained in positive territory despite the widespread outbreak of the 'Omicron variant' around Australia during January."

The latest Roy Morgan Business Confidence results for January are based on 1,426 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:

Michele Levine
 CEO, Roy Morgan
 Office: +61 (3) 9224 5215
 Mobile: 0411 129 093

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.

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 80 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