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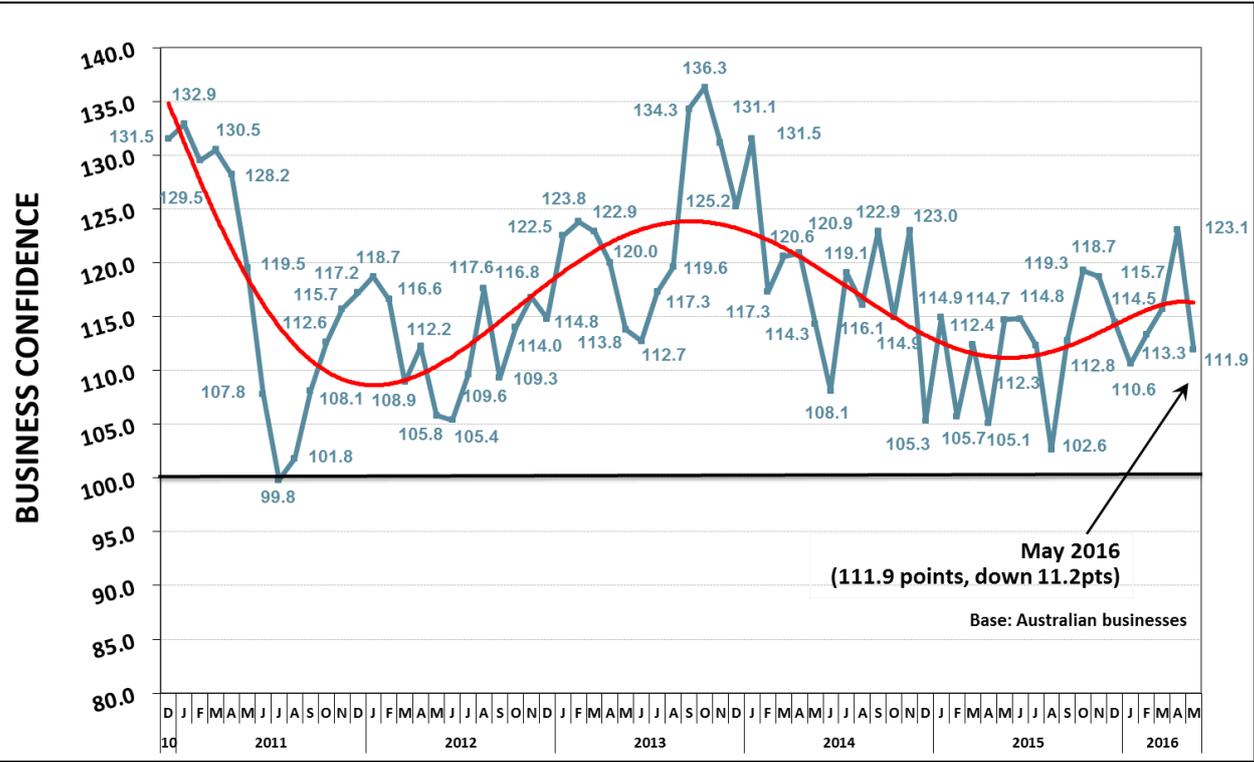
Business Confidence plunges in May – down 9.1% to 111.9 following Federal Budget and Election uncertainty

Roy Morgan Research’s Business Confidence fell in May (down 9.1% to 111.9) and is now at its lowest since a 2016 low of 110.6 in January. The fall in Business Confidence comes even after a slight improvement on the Australian share-market in May – the All Ordinaries closed yesterday at 5,361.90 (up 0.9% or 45.90pts from April 29, 2016).

However, the large drop in Business Confidence is likely more tied to a poorly received Federal Budget delivered by Treasurer Scott Morrison in early May and the uncertainty surrounding the upcoming Federal Election. The most recent Morgan Poll showed the ALP (52.5%) in front of the L-NP 47.5% on a two-party preferred basis despite Prime Minister Malcolm Turnbull (57%) being clearly ahead of Opposition Leader Bill Shorten (24%) as ‘Better PM’. The uncertainty surrounding the Federal Election has even led to speculation of another ‘hung Parliament’.

The level of Business Confidence in May is clearly negative for the economy overall and now below the 5yr average (116.7). The weakest indicators in May relate to the upcoming year, which suggests the impact of election uncertainty. Net expectations of business performance over the next 12 months have dropped to 20.6ppts (down 17.5ppts in May) and net views of whether the next 12 months will be a ‘good/bad time to invest’ are now 12.1ppts (down 14.2ppts). Roy Morgan Business Confidence results are based on 1,016 interviews with a cross section of businesses across Australia.

Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source (Australia), December 2010-May 2016. Average monthly sample last 12 months = 1,002.

FOR IMMEDIATE RELEASE

The fall in Business Confidence in May was mainly due to decreased confidence about the year ahead. Now 38.6% (down 12ppts) of businesses say they expect business to be better off financially than it is now while 18.0% (up 5.5ppts) believe it to be worse off. In addition 51.2% (down 4.4ppts) say the next 12 months is a good time to invest in growing the business while 39.1% (up 9.8ppts) say it is a bad time.

Although Business Confidence has declined substantially in May, ANZ-Roy Morgan Consumer Confidence has held steady over the past month and is now at 115.7 (May 21/22, 2016), virtually unchanged from just over a month ago on April 16/17, 2016 (115.8).

Norman Morris, Industry Communications Director, Roy Morgan Research says:

“Business Confidence fell significantly following Scott Morrison’s first Federal Budget – now at 111.9 – down 11.2pts (down 9.1%) since April. Business Confidence is now virtually back to where it started the year in January (110.6).

“There are several factors that appear to be weighing on Business Confidence. Clearly businesses have an underwhelming view of Morrison’s first Federal Budget. Given the imminent Federal Election, it appears many thought the L-NP Government would be keen to provide more incentives for business in the Federal Budget than it did. However, the Government did provide tax cuts for small businesses (with turnover under \$5 million) by reducing the corporate tax rate for these businesses to 27.5% from the current 28.5%.

“Larger businesses weren’t so lucky, although the Government has pledged to reduce the corporate tax rate for larger businesses to 25% (from the current 30%) over the next decade if re-elected in July. This large tax cut is aimed at providing investment certainty for larger businesses undertaking major projects with substantial investment expenditure.

“The other key factor weighing on Business Confidence is clearly the uncertainty surrounding the Federal Election result and who will govern Australia for the next three years. The latest Morgan Poll shows the ALP 52.5% cf. L-NP 47.5% - now ahead of the Government by the largest margin since Malcolm Turnbull became PM last September. However, Turnbull (57%) is still clearly preferred to Shorten (24%) as ‘Better PM’.

“This contradiction is illustrative of the tight nature of this year’s Federal Election – and the prospect which businesses obviously consider the worst possible outcome – of another ‘hung Parliament’ in Australia looms large with Independents and Minor Party MPs in position to once again grab the balance of power. Unfortunately for businesses, the longest Federal Election campaign for more than 60 years ensures there will be little clarity on this issue until July – at the earliest.

“Looking at the States shows Business Confidence in May was dragged lower almost across the board. There were significant falls in New South Wales, Victoria, Queensland, Western Australia and Tasmania. However, bucking the trend, South Australia saw Business Confidence boosted to its highest level this year following following the announcement in late April that the submarine tender to French shipbuilder DCNS would involve significant investment in the State as part of the \$50 billion contract.”

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Related research findings

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[Click here](#) to purchase the **Consumer Confidence – Monthly Detailed Report** in Australia.

[Click here](#) to purchase the **Consumer Banking Satisfaction Monthly Report** in Australia.

About Roy Morgan Research Consumer Single Source

Roy Morgan Single Source is based on over 50,000 interviews each year and has been designed and engineered to represent the ideal source model. It provides an integrated understanding of consumers; what they are like, what they consume, what they buy, what they think, what they want, what they watch, read and listen to. The overriding benefit of Roy Morgan Single Source is the strategic insights it offers in the ability to link many aspects. Not only can an organization's profitable customers be delineated by what they think, do, watch, but so can non customers. Hence brand positioning, product differentiation, merchandising, efficient media planning, market expansion and line extension opportunities can all be considered in the light of the correct understanding of the marketplace.

About Roy Morgan Research

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has over 70 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%
5,000	±1.4	±1.2	±0.8	±0.6
7,500	±1.1	±1.0	±0.7	±0.5
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2