

Friday, 9 March 2018

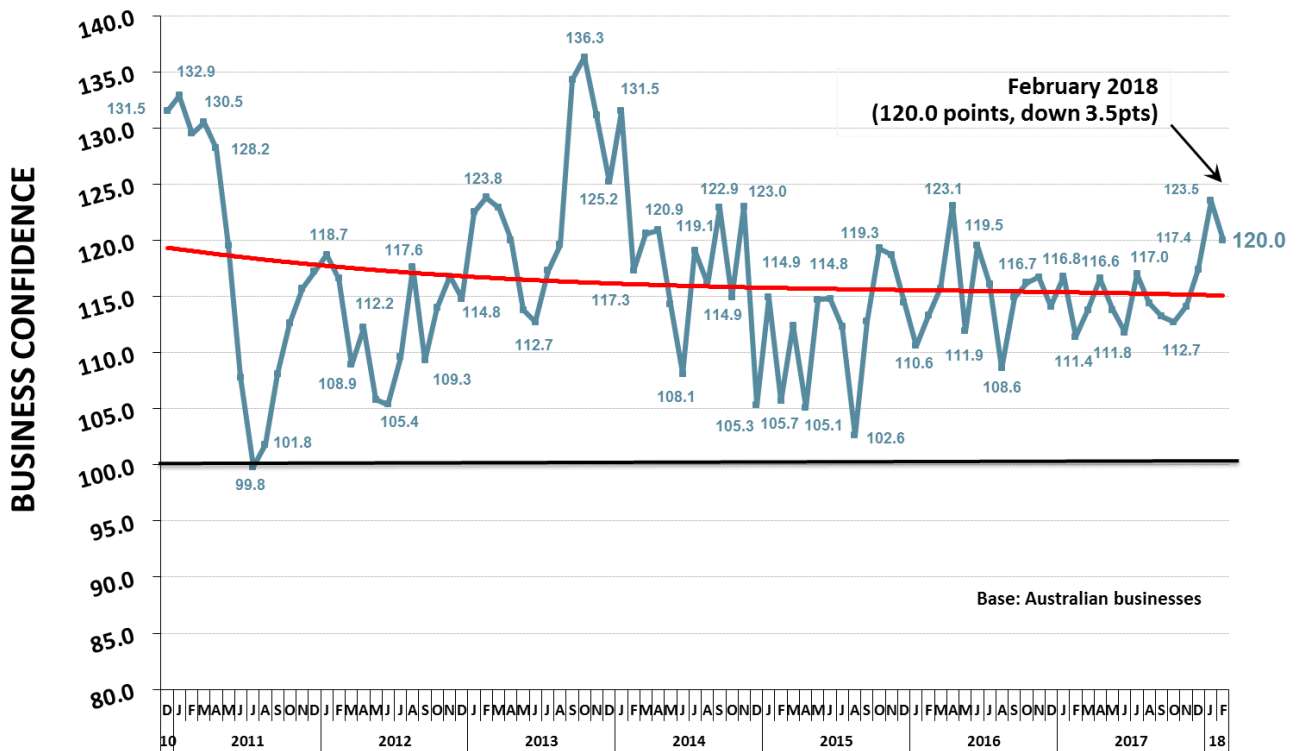
## Business Confidence in 2018 driven by larger businesses

Roy Morgan Business Confidence was down 3.5pts (-2.8%) to 120.0 in February following the usual seasonal trends which show a dip in Business Confidence usually follows a new year high. However, despite the month-on-month fall, Business Confidence has begun 2018 with the best two-month performance since 2014 – driven largely by businesses with an annual turnover of \$5 million or more.

A clear majority of businesses, 56.1% (up 0.8ppts), say now is a 'good time to invest' in growing the business. In addition a majority of businesses in February retained a positive viewpoint on the Australian economy with 55.8% (down 0.3ppts) expecting 'good times' for Australia over the next five years and 53.3% (down 6ppts) expecting 'good times' for Australia over the next 12 months.

February Roy Morgan Business Confidence remains just above the weekly ANZ-Roy Morgan Consumer Confidence, which is at 119.0 on March 3/4, 2018.

### Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Feb 2018. Average monthly sample over the last 12 months=933.

### February decline in Business Confidence driven by decline in confidence about next 12 months

- Now 43.5% (down 9.3ppts) say the business will be 'better off' financially this time next year compared to 17.1% (down 1.1ppts) expecting the business to be 'worse off' this time next year – a net negative movement of 8.2ppts;
- Businesses are also less confident about the performance of the Australian economy over the next year with 53.3% (down a large 6ppts) now expecting 'good times' for the Australian economy while 39.1% (up 3ppts) expect 'bad times';

- Longer-term views on the Australian economy were little changed in February with 55.8% (down 0.3ppts) expecting 'good times' for the Australian economy over the next five years and 35.1% (down 1.1ppts) now expecting 'bad times';
- Fewer businesses are confident about their own performance with 41.8% (down 2.9ppts) saying the business is 'better off' financially than this time last year compared to 26.3% (down 0.4ppts) that say the business is 'worse off';
- However an increasing majority of businesses, 56.1% (up 0.8ppts) are positive that the next 12 months will be a 'good time to invest in growing the business', much higher than the 33.0% (down 0.3ppts) that say it will be a 'bad time to invest'.

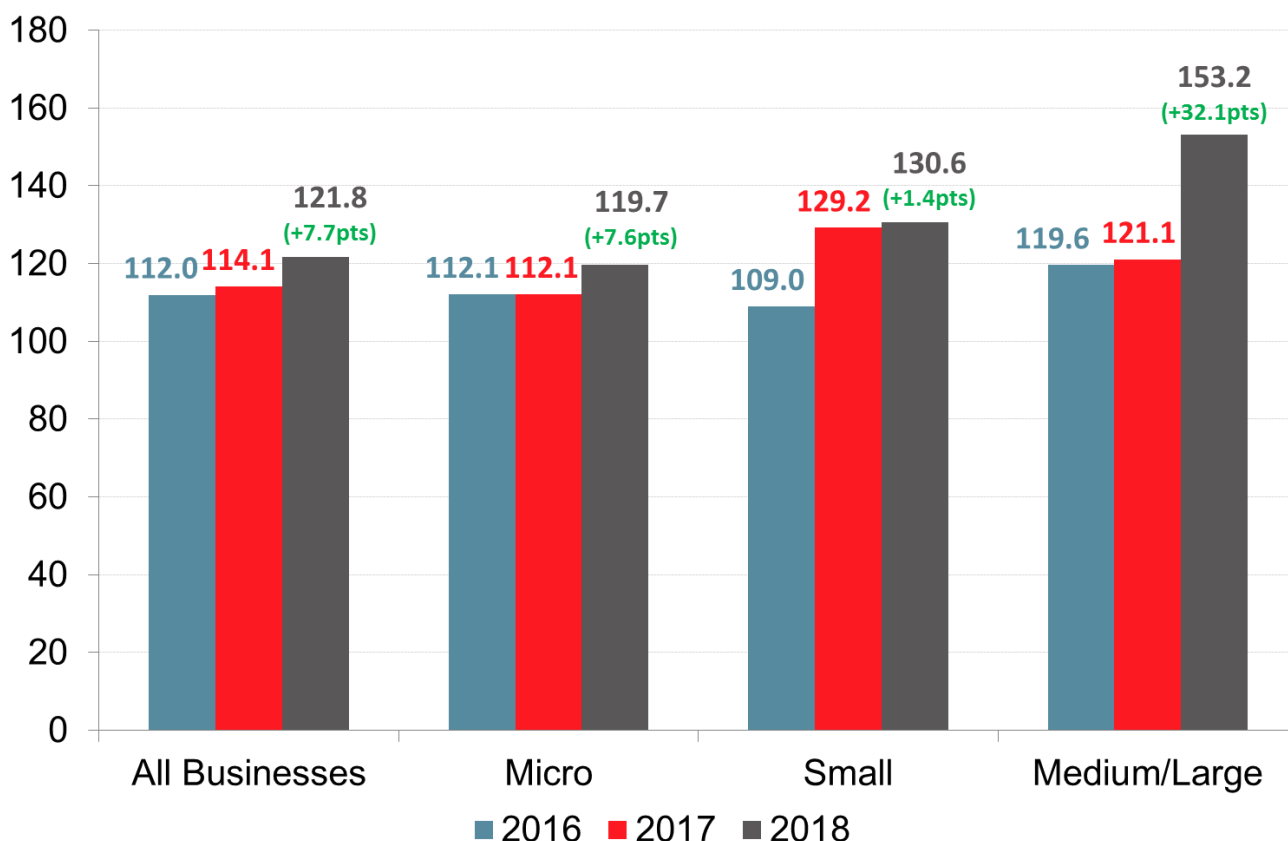
### Medium/Large Businesses drive Business Confidence to strong start in 2018 (Jan/Feb)

Analysing Roy Morgan Business Confidence by size of business\* reveals the strong start for Business Confidence in 2018 is primarily driven by the Medium/ Large businesses. Business Confidence of larger firms is up a stunning 32.1pts to 153.2 for the first two months of 2018 and now clearly the most confident sized business.

Other size businesses have also increased in confidence in the first two months, although not to this degree.

The Business Confidence of Micro businesses has increased in line with the broader figures in the economy, up 7.6pts to 119.7, although this is still slightly below the overall national average of 121.8, while Small businesses are little changed from a year ago with Business Confidence up only 1.4pts to 130.6.

### Comparison of Business Confidence by size of business first two months (2016 v 2017 v 2018)



**Source:** Roy Morgan Business Single Source, Jan-Feb 2016, n=2,206; Jan-Feb 2017, n=1,970; Jan-Feb 2018, n=1,755.

\*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 despite this month's fall Roy Morgan Business Confidence is up nearly 10pts from a year ago and this is the best start to a year since 2014 with Medium and Large size businesses driving the bulk of the increase early in 2018:**

*"Roy Morgan Business Confidence fell 3.5pts (-2.8%) in February to 120 but despite the fall Business Confidence has had its strongest two month period since early 2014. Business Confidence is now just above the latest ANZ-Roy Morgan Consumer Confidence at 119.0, up 2.5pts (+2.1%) since the final weekend of December and the best start to a year for Consumer Confidence since 2013.*

*"Breaking down the Roy Morgan Business Confidence of different size businesses in the first two months of 2018 reveals that it is Medium and Large businesses – those with an annual turnover of \$5 million or more – that are driving the strong start to 2018.*

*"Business Confidence for Medium and Large businesses has increased a stunning 32.1pts to 153.2 for the combined opening months of 2018 compared to a year ago while Small businesses are virtually unchanged on a year ago on 130.6 and Micro businesses are on 119.7 – up 7.6pts on a year ago.*

*"Analysing Roy Morgan Business Confidence by State shows declines across most States in February however Business Confidence has increased significantly in Western Australia. Combining the first two months of 2018 together shows Western Australia enjoying its best start to a year since 2013 and Australia's largest State of New South Wales with its most confident start to a year since 2011.*

*"Analysing the performance of industries in February shows that the most confident industries are Personal, repair & other services at a new record high, Education & training at a more than four year high and Electricity, gas, water & waste and Wholesale trade both at their highest for over two years.*

*"The strong performance was broad-based with only one industry, Public administration, safety & security, lagging with confidence below 100, while other industries significantly below average include Transport, postal & warehousing, Accommodation & food services and Professional, scientific & technical services."*

**Roy Morgan Business Confidence results in February are based on 896 interviews with a cross-section of Australian businesses. Business Confidence is above the 8yr average (116.4).**

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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%
5,000	±1.4	±1.2	±0.8	±0.6
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2