

Friday, 7 September 2018

Business Confidence in August hit by political uncertainty

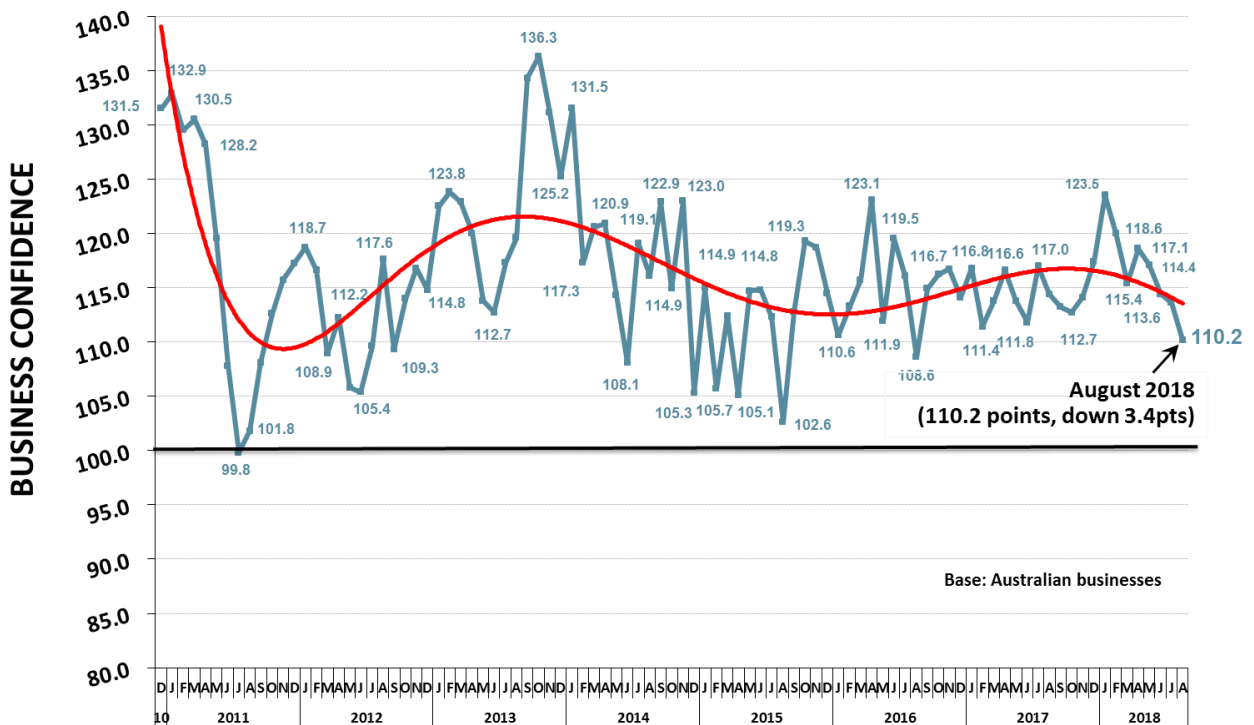
Roy Morgan Business Confidence was down 3.4pts (-3%) to 110.2 in August, however analysing Business Confidence throughout August shows Consumer Confidence before August 20 was (115.0) while it plunged to (99.5) during the last third of the month beginning the week of the leadership challenge (August 20-31, 2018).

In August Business Confidence remained below its level of a year ago and is now 4.2pts lower than in August 2017 and 6.1pts below its long-term average of 116.3. However, despite now falling for four consecutive months, Business Confidence throughout the first eight months of 2018 has averaged 116.6 – above the long-term average and the highest yearly average since 2014.

Businesses remain largely positive in August with a majority of businesses, 50.5% (unchanged) expecting ‘good times’ for the Australian economy over the next five years and nearly half, 47.8%, saying now is a ‘good time to invest in growing the business’.

August Roy Morgan Business Confidence remains clearly below the latest weekly [ANZ-Roy Morgan Consumer Confidence](#), which is at 117.7 on September 1/2, 2018.

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-August 2018. Average monthly sample over the last 12 months=874.

August decrease driven by political instability in late August which impacted views on the performance of businesses over the next year

- Driving this month's fall in Business Confidence was a decrease in confidence about businesses' performance in the next 12 months with 44.7% (down 3.4pts) expecting to be 'better off' financially and 21.1% (up 0.2pts) now expecting to be 'worse off' financially this time next year;

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- Now 40.3% (down 0.6ppts), say the business is 'better off' financially than this time last year compared to 31.5% (up 0.9ppts) saying the business is 'worse off' financially;
- Expectations about the performance of the Australian economy over the next year dropped slightly with 47.1% (down 2.2ppts) expecting 'good times' for the Australian economy while 44.8% (up 1.1ppts) expect 'bad times';
- However longer-term views on the Australian economy are little changed in August with 50.5% (unchanged) expecting 'good times' for the Australian economy over the next five years and 40.3% (up 1.6ppts) now expecting 'bad times';
- Slightly fewer than half of businesses 47.8% (down 3.1ppts) now say the next 12 months will be a 'good time to invest in growing the business', while 42% (up 4.1ppts) say it will be a 'bad time to invest'.

Business Confidence in August hit by Liberal leadership turmoil late in month

The month-on-month fall in Roy Morgan Business Confidence in August was driven entirely by a plunge in Business Confidence in the last third of August after leadership speculation began in the Federal Government on Monday August 20.

Business Confidence for the first two-thirds of August between August 1-19, 2018 was 115.0, a small increase of 1.4pts from July Business Confidence (113.6). However, Business Confidence for the last third of the month for the period of August 20-31, 2018 plunged to 99.5 bringing the overall figure for August down to 110.2.

Analysing key demographics show that the plunge in Business Confidence was across the board however to a far greater degree for some key demographics than others.

Business Confidence was down through August in Australia's three largest States and plunged by clearly the most in Victoria, down by over 30%, but was down by less than 10% in Queensland. Business Confidence in Australia's largest State of NSW was down at a similar level to the fall nationally, down by 15%.

Analysing Business Confidence by annual turnover shows that the biggest plunge in Business Confidence was for businesses turning over less than \$100K annually.

Business Confidence for this sector dropped by over 25% while there was also a large plunge for businesses with a turnover of over \$2m, down just over 20%. In contrast to smaller and larger businesses, there was less impact on medium-sized businesses with a turnover between \$100K to \$2m for which Business Confidence was down by almost 5%.

Michele Levine, CEO Roy Morgan, says the leadership turmoil in the Federal Government had a big impact on Business Confidence in late August but the recovery in Consumer Confidence in the weeks since the leadership change show the negative impact should already be behind us:

"Roy Morgan Business Confidence fell 3.4pts (-3%) in August to 110.2 for a fourth straight monthly decline and is now at its lowest for two years since August 2016 (108.6). However, a closer look at Business Confidence throughout the month shows the fall was due to a sharp loss of confidence in the final third of August following leadership tensions in the Federal Government.

"Business Confidence throughout the first two-thirds of August came in at 115.0 before falling to 99.5 for the period of August 20-31, 2018 when leadership tensions arose. Business Confidence fell across the board in late August and analysis of some key demographics reveal that the hit to confidence was significantly larger in some constituencies than others.

"Business Confidence plunged in Victoria by over a third in late August while in Queensland, the home of leadership challenger Peter Dutton, Business Confidence fell by less than 10%. Business Confidence in our largest State of NSW largely tracked the national results, down by 15%.

"It's worth noting that new Prime Minister Scott Morrison's electorate of Cook is located just to the south of former PM Malcolm Turnbull's electorate of Wentworth – both in coastal Sydney.

"Analysing the impact of the leadership turmoil on businesses by annual turnover shows the biggest negative impact was for smaller businesses with an annual turnover of under \$100K and larger businesses with an annual turnover of over \$2m.

“Both these types of businesses had declines in Business Confidence of over 20% in late August while medium-sized businesses with a turnover between \$100K to \$2m were less impacted with Business Confidence down by just under 5% compared to earlier in the month.

“Despite the sharp falls in Business Confidence in late August the good news is that the leadership turmoil appears to have been short-lived. The weekly [ANZ-Roy Morgan Consumer Confidence Rating](#) has increased in both of the last two weeks, up by 3.6pts (+3.2%) since Morrison became PM indicating that Australians are inclined to look beyond short-term leadership tensions when assessing the state of the economy.”

Roy Morgan Business Confidence results in August are based on 812 interviews with a cross-section of Australian businesses. Business Confidence is above the 8yr average (116.3).

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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
2,500	±1.9	±1.7	±1.2	±0.8
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