

Thursday, 7 March 2019

Business Confidence virtually unchanged in February at 105.6

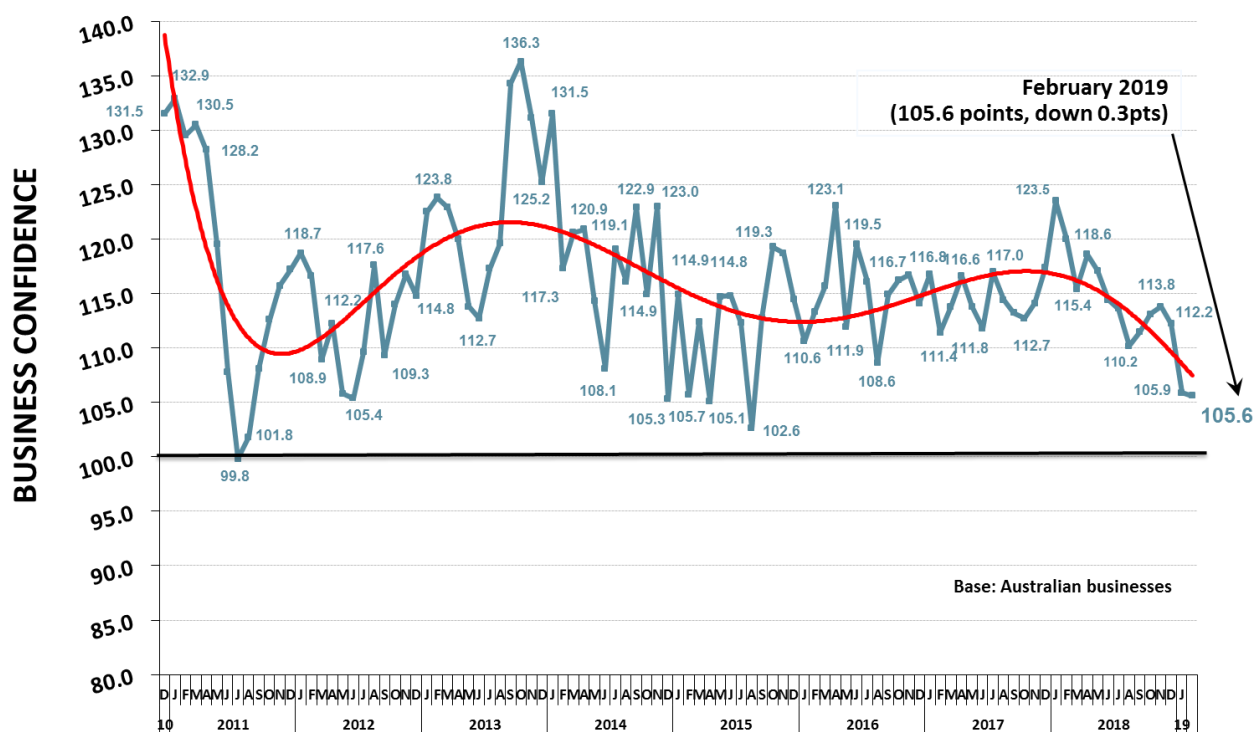
Roy Morgan Business Confidence was virtually unchanged at 105.6 (down 0.3pts) in February. However, the consecutive ratings under 110 are the weakest start to a year in the history of the Index dating back to 2011 and follow a slowing of the Australian economy to a GDP growth rate of only 0.2% during the December quarter 2018, the slowest quarterly growth since 2016.

Business Confidence in February 2019 is now 14.4pts below its level of a year ago in February 2018 and 10.3pts below its long-term average of 115.9. Australian businesses faces a packed political calendar with a NSW Election in March, an early Federal Budget in April and a Federal Election set to be held in May.

Although Business Confidence has started 2019 significantly below its level of a year ago there are important industries that have begun 2019 with high, and increasing Business Confidence led by Mining, Accommodation & food services, Electricity, gas, water & waste and Transport, postal & warehousing.

Roy Morgan Business Confidence in February is now significantly below the latest weekly [ANZ-Roy Morgan Consumer Confidence, which is at 114.8 on March 2/3, 2019.](#)

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Feb 2019. Average monthly sample over the last 12 months=836.

More confidence about own business nullified by worries about the Australian economy

- Although Business Confidence was virtually unchanged this month under the surface, increasing confidence about the prospect for respondents' own business was cancelled out by increasing concern about prospects for the Australian economy;
- Now over half of respondents, 50.7% (up 6ppts) expect the business to be 'better off' financially this time next year while 23.8% (down 1.6ppts) expect the business to be 'worse off' financially;
- In addition 40.1% (up 0.7ppts) say the business is 'better off' financially than this time last year while only 31.9% (down 2ppts) say the business is 'worse off' financially than a year ago;

- In contrast now a majority of 53.2% (up 2.6ppts) of respondents expect the Australian economy to have 'bad times' over the next year (**the highest figure for this indicator for over seven years since July 2011**) while only 40.7% (down 0.4ppts) expect the Australian economy to have 'good times' (**the lowest figure for this indicator for over seven years since July 2011**);
- Longer-term views are only slightly more optimistic with **a record low** 45.8% (down 3ppts) expecting 'good times' for the Australian economy over the next five years and **a record high** 43.9% (up 2.6ppts) now expect 'bad times' for the Australian economy over the next five years;
- A reduced plurality of businesses, now 44.9% (down 2.5ppts) say the next year will be a 'good time to invest in growing the business', while only 41.4% (up 0.5ppts) say it will be a 'bad time to invest'.

Business Confidence down overall but up for Mining, Accommodation and Utilities

Although Business Confidence was virtually unchanged in February the indicator has dropped significantly compared to this time a year ago. In the six months to February 2019 Business Confidence averaged 110.3, down 6.5ppts on the same six month period a year ago.

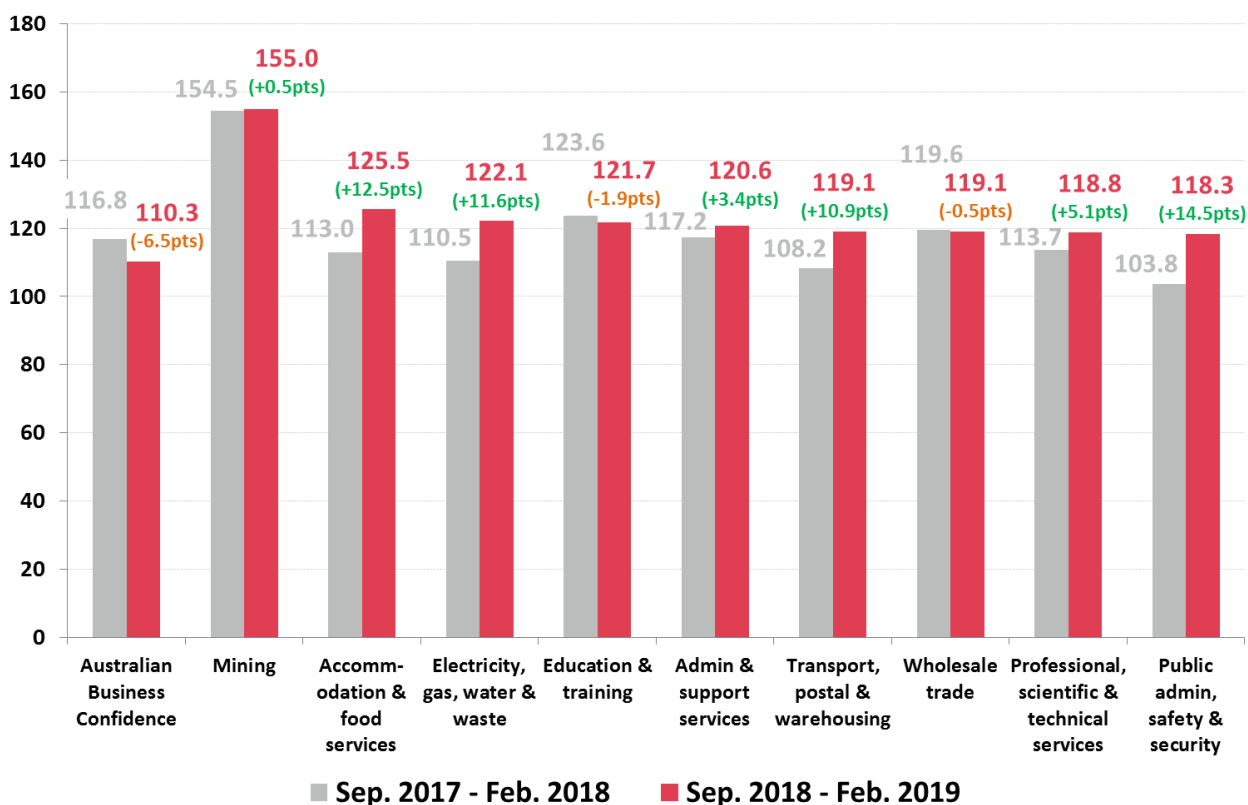
Analysing the trends for Business Confidence by different industries however shows that although the overall figure has declined there are several industries that have improved their Business Confidence significantly over the past year, or in the case of Mining have maintained a very high level of Business Confidence throughout now at 155.0 (up 0.5ppts from a year ago).

In fact, of Australia's 10 industries with the highest Business Confidence in the 6 months to February 2019 a clear majority of seven have increased their Business Confidence and only three have declined compared to this time a year ago.

Among the leading industries to experience the largest increases in Business Confidence over the last year are Accommodation & food service now with a Business Confidence of 125.5, up 12.5ppts on a year ago and the utilities of Electricity, gas, water & waste now on 122.1, up 11.6ppts on a year ago.

Other industries to increase their Business Confidence over the last year included Transport, postal & warehousing now at 119.1, up 10.9ppts, Public administration, safety & security now at 118.3, up 14.5ppts and Professional, scientific & technical services now at 118.8, up 5.1ppts.

Business Confidence by leading industries – 6 months to Feb. 2019 cf. 6 months to Feb. 2018



Source: Roy Morgan Business Single Source, Sept 2017 – Feb 2018, n=5,299 and Sept 2018 – Feb 2019, n=4,835.

Michele Levine, CEO Roy Morgan, says although Business Confidence has started 2019 in a weaker position than a year ago the indicator is likely to experience a significant boost in the second half of 2019 as uncertainty surrounding the NSW & Federal elections is resolved:

“Roy Morgan Business Confidence was virtually unchanged at 105.6 in February, although down by a significant 14.4pts on a year ago in February 2018 (120.0). Business Confidence has begun 2019 clearly impacted by uncertainty surrounding the political environment with key elections in New South Wales (March) and a Federal Election (May) as well as continuing concerns regarding the state of the Australian housing market.

“These factors are clearly weighing on a substantial portion of the economy although analysing Business Confidence by industry shows that many industries are in fact performing well in 2019.

“Mining continues to be the standout industry with a Business Confidence of 155.0 for the six months to February 2019, virtually unchanged on a year ago whilst there have been large increases over the last year for Accommodation & food services on 125.5 (up 12.5pts), Electricity, gas, water & waste on 122.1 (up 11.6pts) and Transport, postal & warehousing on 119.1 (up 10.9pts).

“Analysis by State shows Business Confidence increasing in South Australia which regains the mantle with the highest Business Confidence of any State and also up in New South Wales as both sides of politics make promises to the electorate, and businesses, in lieu of this month’s election.

“Business Confidence declined in Australia’s other four States of Victoria, Western Australia, Tasmania and Queensland. Queensland again has the lowest Business Confidence of any State and the only State to have a rating below the neutral mark of 100.

“Looking forward the political uncertainty in New South Wales and Federally is likely to prevent a significant improvement to Business Confidence until the second half of the year although the Federal Budget due in early April is expected to be stimulatory to the economy as the Morrison Government tries to retain power at the Federal Election in May.

“This week’s poor GDP result showing the [Australian economy grew by only 0.2% in the December quarter 2018](#) increases the pressure on both the Federal Government to stimulate the economy in April’s Federal Budget and also the RBA to lower interest rates to boost the flagging economy. However, given the RBA’s reluctance to get involved in the political discourse it is unlikely the bank will move on interest rates until the Federal election is done and dusted in May.”

Roy Morgan Business Confidence results in February are based on 843 interviews with a cross-section of Australian businesses. Business Confidence is above the 8yr average (115.9).

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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.



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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
10,000	±1.0	±0.9	±0.6	±0.4
50,000	±0.4	±0.4	±0.3	±0.2