

Monday, 6 December 2021

Roy Morgan Business Confidence drops by 2.3pts to 113.0 in November as the international border opens for NSW & Victoria

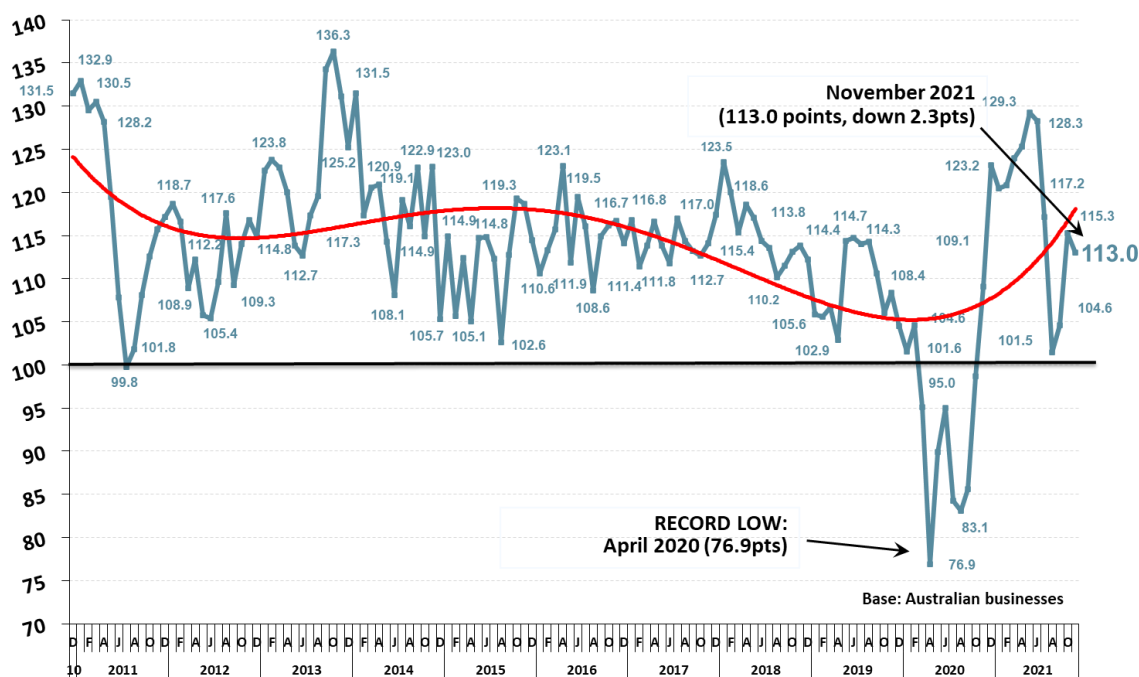
This month, November 2021, Roy Morgan Business Confidence dropped 2.3pts (-2%) to 113.0. The decrease came despite the end of long-running lockdowns in NSW, Victoria and the ACT during the prior month of October.

In addition to the end of the lockdowns, from November 1 the international border re-opened to all Australians after being closed for over 18 months since the early stages of the pandemic.

Business Confidence in November 2021 is still 3.9pts (+3.6%) higher than a year ago in November 2020 (109.1) but is just below the long-term average of 113.8. Businesses remain confident about the year ahead. An increasing majority of 56.1% of businesses expect 'good times' for the economy over the next 12 months and a large plurality of 49.8% say the next 12 months is a 'good time to invest in growing the business'.

Business Confidence for November was 7pts higher than the latest [ANZ-Roy Morgan Consumer Confidence of 106.0 for November 28/29, 2021](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Nov 2021. Average monthly sample over the last 12 months = 1,359.

Business Confidence in November 2021 is highest in Western Australia, but lowest in Queensland and Tasmania – both set to re-open in the next two weeks

Business Confidence in November was down slightly by 2.3pts from October but is still up 3.9pts (+3.6%) from a year ago in November 2020. The biggest increase from a year ago was in Western

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Australia in which Business Confidence increased by 25.2pts (+22%) to 139.6 to be higher than any other State.

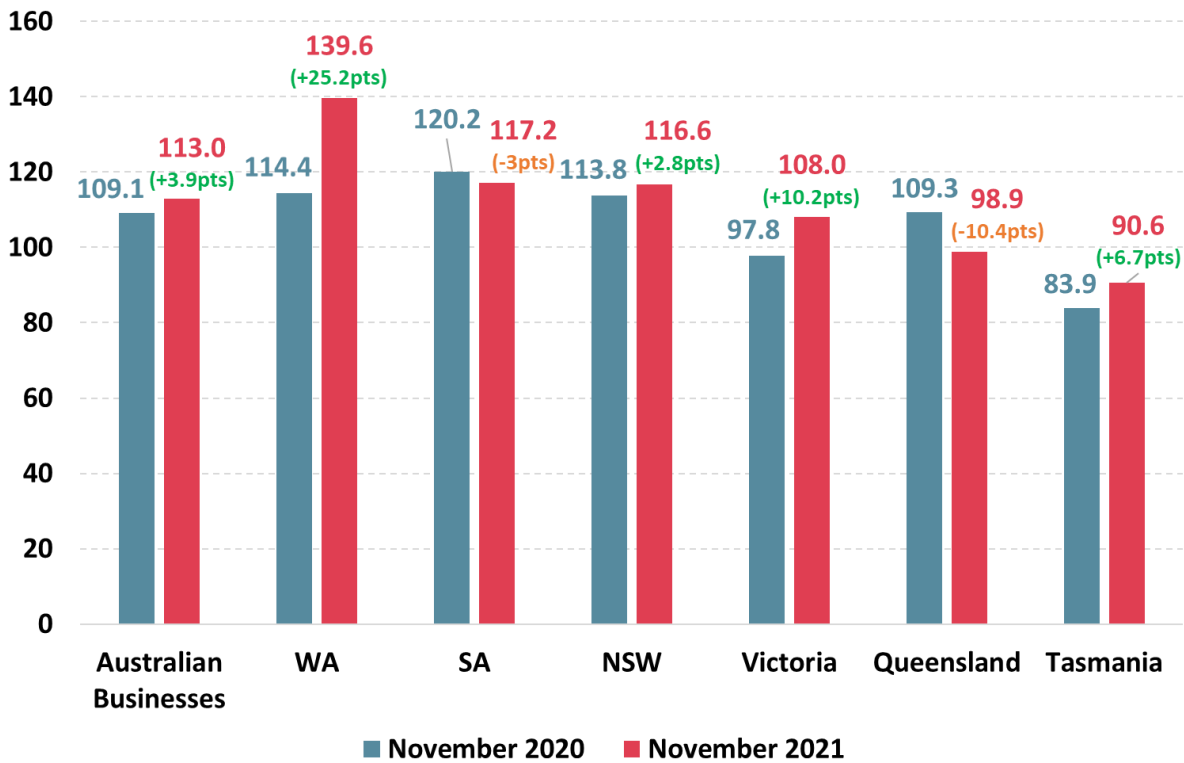
Western Australia’s borders remain closed to most of Australia and are not set to re-open to all domestic travellers until well into next year. At least for now, these strong border policies are not having a negative impact with Business Confidence at a far higher level than any other State.

Business Confidence is above the national average in both South Australia (117.2) and NSW (116.6) although little changed in either State from a year ago. South Australia re-opened its borders to the Eastern States of NSW and Victoria towards the end of November and despite an outbreak of the Delta variant in the past week has vowed to keep its border open to all Australians in the run-up to Christmas.

Business Confidence in Victoria is just below the national average at 108.0 in November, however this is a significant increase of 10.2pts (+10.4%) from a year ago after Victoria exited a record sixth lockdown in mid-October.

Business Confidence in both Queensland and Tasmania is lagging in November and below the neutral level of 100 with both States set to re-open their borders to all of Australia in the next two weeks. In Queensland the indicator is at 98.9, a drop of 10.4pts (-9.5%) on a year ago, and is at only 90.6 in Tasmania, although this represents an increase of 6.7pts (+8%) on a year ago.

Business Confidence by State in November 2020 vs November 2021



Source: Roy Morgan Business Single Source, Nov. 2020, n=1,298, Nov. 2021, n=1,368. **Base:** Australian businesses.

Agriculture, Accommodation & Food Services and Wholesale are the most confident industries while Mining, Retail and Electricity, gas & water are the least confident

Agriculture is again clearly the most confident industry in October-November 2021 with Business Confidence at 135.9, over 20pts higher than the national figure. Confidence in the industry has soared by 33.2pts (+32.3%) from a year ago.

For the first time in nearly two years Accommodation & Food Services are set to benefit from extensive domestic travel over the Summer months as borders in Queensland and Tasmania come down. South Australia’s domestic border was brought down in late November. This industry now has the second highest Business Confidence of any industry heading into this period at 127.0, following a massive increase of 44.3pts (+53.5%) on a year ago.

Other industries with high Business Confidence include a few familiar names with Wholesale on 125.3, although this is down by 5.5pts (-4.2%) on a year ago, and Transport, Postal & Warehousing on 124.4, down by 6pts (-4.6%) on a year ago.

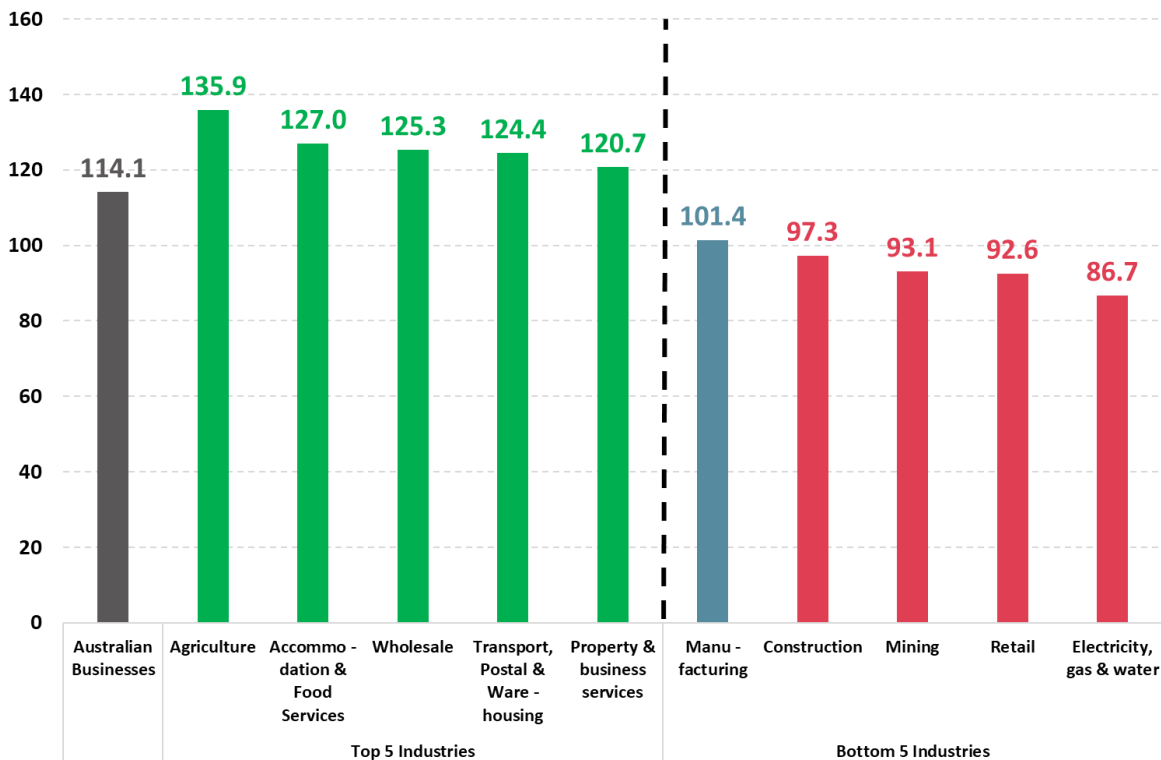
Both of these industries have been hit by problems with supply chains in recent months as the cost of shipping goods from China has increased substantially while at the same time delays in delivery time have increased significantly as people world-wide undertake a record level on online ordering of goods.

Also flying high with strong Business Confidence is Property & Business Services on 120.7, although this is down 8.1pts (-6.3%) on a year ago as concerns about inflation mount. The latest [Inflation Expectations for the month of November hit a seven year high of 4.9%](#). The concern is that higher inflation will lead to an increase in interest rates which will dampen a soaring property market.

There are four industries that have Business Confidence well below the national average and below the neutral level of 100 over the last two months. Lowest of all is Electricity, gas & water with Business Confidence of only 86.7, down 22.8pts (-20.8%) on a year ago.

Other industries with low levels of Business Confidence include Construction on 97.3, down 3.2pts (-3.2%) on a year ago, Mining on 93.1, down a significant 38.9pts (-29.5%) on a year ago, and Retail on 92.6, an increase of 3.2pts (+3.6%) on a year ago.

Business Confidence for Top 5 and Bottom 5 Industries in October-November 2021



Source: Roy Morgan Business Single Source, October-November 2021, n=3,029. **Base:** Australian businesses.

Note: In the chart above green bars represent Business Confidence in positive territory above 100 and above the national average, blue bars represent Business Confidence in positive territory above 100 but below the national average, and red bars represent Business Confidence well below the national average and below the neutral level of 100.

A majority of businesses expect there will be 'good times' for the Australian economy over the next year and an increasing plurality say the business will be 'better off' this time next year

- An increasing majority of businesses are confident about the **Australian economy's performance over the next year** with 56.1% (up 1ppt), expecting 'good times' for the Australian economy over the next year while 41.4% (down 0.7ppts), expect 'bad times';



- An increasing plurality of businesses, 49.7% (up 0.7ppts), expect the **business will be 'better off financially'** this time next year, while only 17.4% (up 3.1ppts) expect the business to be 'worse off';
- In addition, a large plurality of businesses, 49.8% (down 5.2ppts), said the next 12 months is a '**good time to invest in growing the business**', while 39.8% (up 2.3ppts) said it will be a 'bad time to invest';
- Businesses have grown less confident about **the longer-term outlook** with a slim plurality of 46.6% (down 6ppts) expecting 'good times' for the Australian economy over the next five years compared to 45.2% (up 3.7ppts) which expect 'bad times';
- Nearly two-fifths of businesses, 39.7% (up 3.8ppts), said the business is 'better off' financially than this time a year ago while just under a third, 33.2% (down 2.7ppts), said the business is 'worse off'.

Michele Levine, CEO of Roy Morgan, says Business Confidence has suffered a setback in November, down 2.3pts (-2%) from October, but is still over 10pts higher than the recent low reached in August 2021 (101.5):

"Business Confidence dropped by 2.3pts (-2%) to 113.0 in November despite the end of lockdowns in NSW, Victoria and the ACT in early to mid-October. However, domestic borders around most of Australia remained closed during the month with it now easier to travel to London or New York for Sydneysiders and Melburnians than to travel across the country to Perth or Brisbane.

"The good news on domestic borders is that South Australia did open its borders towards the end of November while Queensland and Tasmania are both on track to re-open their domestic borders during the next two weeks – despite the emergence of the new 'Omicron variant' of COVID-19.

"This leaves Western Australia with closed borders continuing until early 2022 and this policy hasn't overly worried businesses in the State in November. Business Confidence in WA is now at 139.6, up 25.2pts (+22%) on a year ago – and more than 25pts higher than the national average.

"The two other States with higher Business Confidence than the national average are NSW (116.6) and South Australia (117.2) which both now have open domestic borders although South Australia is exercising a degree of caution after the emergence of the 'Omicron variant'.

"The ongoing closure of the domestic borders of Queensland and Tasmania, two States which rely heavily on the tourism industry, is clearly depressing sentiment in both States. In November, Queensland (98.9) and Tasmania (90.6) were the only States in which Business Confidence was below the neutral level of 100.

"For businesses looking to solidify their spending and investment plans it's vital that State Governments stick to the roadmaps for easing restrictions and re-opening borders that they've outlined. If there's anything businesses hate most it is uncertainty about the future and with a highly vaccinated population, there should be no reason for new domestic border closures once restrictions ease.

"The top 5 industries for Business Confidence are led by some familiar names including Agriculture on 135.9, Wholesale on 125.3 and Transport, Postal & Warehousing on 124.4. Also scoring highly is Accommodation & Food Services on 127.0 as the end of lockdowns in Australia's biggest States, as well as the relaxation of domestic Australian border restrictions, gives more certainty to holiday makers.

"Looking forward it appears likely the next few months will be dominated by discussions concerning next year's Federal Election – due by May 2022. Although the Morrison Government is well behind at present ([latest Roy Morgan Poll shows ALP 55.5% cf. L-NP 44.5% on a two-party preferred basis](#)), they will back themselves to bridge the gap as they did in 2019.

"It remains to be seen if the L-NP can make up the current deficit of over 10% points or whether they will fall short this time around. Perhaps the worst result of all for businesses would be the uncertainty of a hung Parliament if neither the L-NP nor ALP can secure a majority of seats."

The latest Roy Morgan Business Confidence results for November are based on 1,368 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:

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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 79 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

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