

Friday, 1 June 2018

## May Business Confidence shows usual post-Budget decline to 117.1

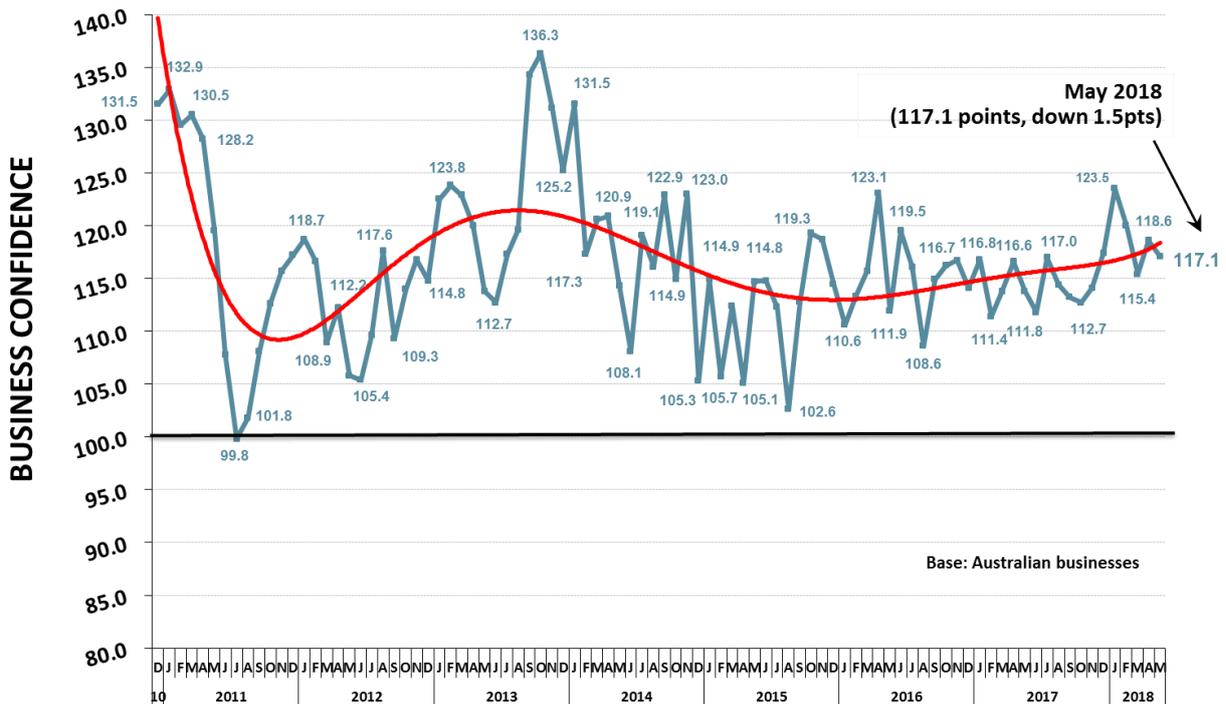
Roy Morgan Business Confidence was down 1.5pts (-1.3%) to 117.1 in May and is now 3.3pts higher than a year ago continuing its best start to a year since 2014.

Business Confidence traditionally falls in May following the Federal Budget and this year is no exception. Business Confidence has now decreased in seven out of eight years in May although the decline of 1.3% this year was the smallest May decline on record. Thus far the Federal Budget of 2015 remains the only year after which Business Confidence has increased.

Despite the overall fall in confidence this month businesses are more confident about the performance of the Australian economy over the next year with 54.4% (up 1.8ppts) expecting 'good times' for the Australian economy over the next year and an increasing majority of businesses, 53% (up 1.6ppts) saying the next 12 months is a 'good time to invest' in growing the business.

May Roy Morgan Business Confidence is now just below the latest weekly [ANZ-Roy Morgan Consumer Confidence](#), which is at 117.7 on May 26/27, 2018.

### Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-May 2018. Average monthly sample over the last 12 months=889.

### May decrease driven by decreasing confidence about performance of businesses

- The pre-Budget spike in this index was short-lived with 40.7% (down a significant 11.6ppts) now saying the business is 'better off' financially than this time last year compared to 30.2% (down 2ppts) saying the business is 'worse off' financially. Despite reversing April's pre-Budget improvement this index is still a net 1.7 points higher (+10.5 cf. +8.8) than two months ago;
- Although this index was down in May businesses are still fairly confident about their own performance going forward with 47.2% (down a large 12.2ppts) saying the business will be 'better off' financially this time next year compared to 15.6% (down 6.9ppts) expecting the business to be 'worse off';

- Businesses' views on the performance of the Australian economy over the next year have actually improved following the Federal Budget with 54.4% (up 1.8ppts) expecting 'good times' for the Australian economy while 38.1% (down 3ppts) expect 'bad times';
- However longer-term views on the Australian economy are virtually unchanged in May with 51.5% (down 0.1ppts) expecting 'good times' for the Australian economy over the next five years and 39% (unchanged) now expecting 'bad times';
- In good news for the economy an increasing majority of businesses, 53% (up 1.6ppts), say that the next 12 months will be a 'good time to invest in growing the business', while 38.5% (down 0.8ppts) that say it will be a 'bad time to invest'.

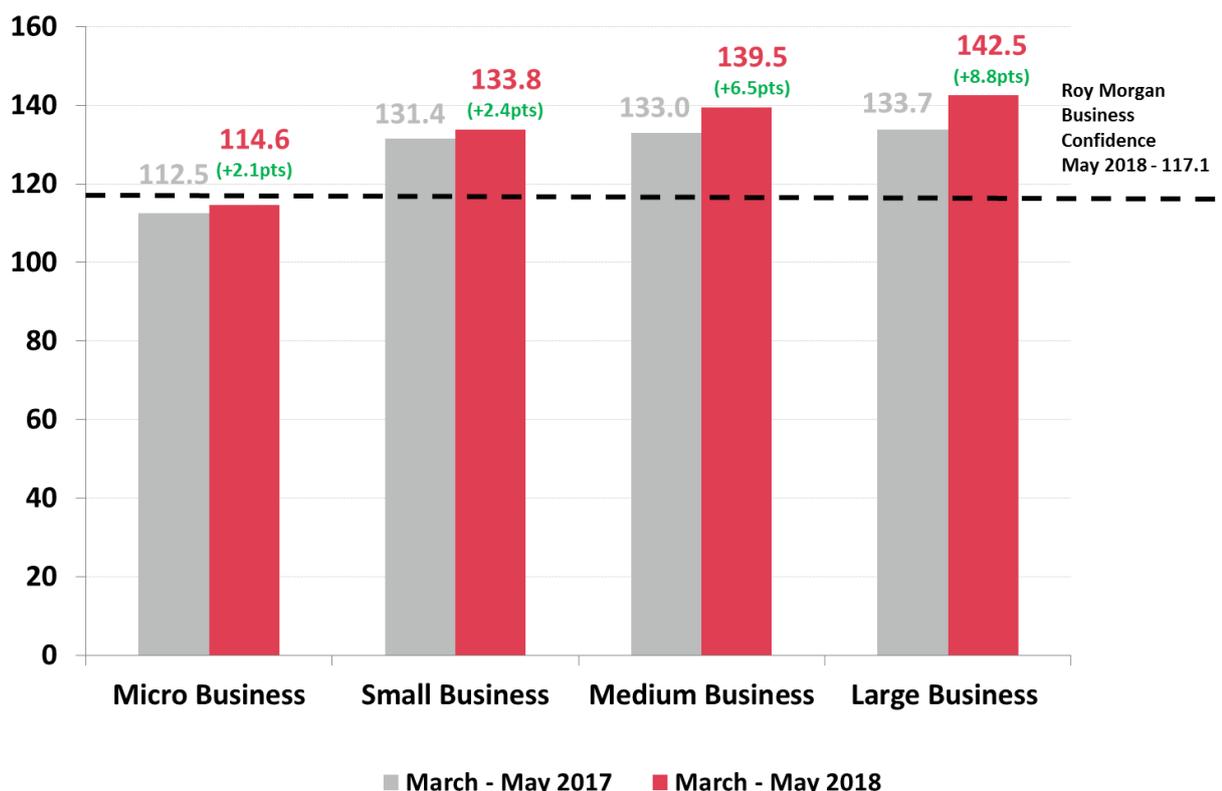
### Larger businesses have bigger increase in Business Confidence than smaller businesses

The strong start to 2018 for Roy Morgan Business Confidence has been broad based across different sized businesses however the larger the business the bigger the increase in Business Confidence over the last year.

Large Businesses with more than 200 employees have averaged Business Confidence of an impressive 142.5 over the last three months, up a significant 8.8pts from a year ago. Business Confidence has also improved strongly for Medium sized Businesses with 20-199 employees over the last year, up by 6.5pts to 139.5.

Small Businesses with between 5-19 employees have seen Business Confidence increase by 2.4pts to 133.8 over the last year while Micro Businesses with under 5 employees have seen the smallest improvement from a year ago, up just 2.1pts to 114.6.

### Business Confidence by size of business\* (employee numbers) in the 3 months to May 2018



Source: Roy Morgan Business Single Source, March – May 2017, n=3,156 and March – May 2018, n=2,629.

\*Micro Businesses are under 5 employees, Small Businesses are 5-19 employees, Medium-sized Businesses are 20-199 employees and Large Businesses are 200 employees or more.

**Michele Levine, CEO Roy Morgan, says the Federal Budget rewarded taxpayers with income tax cuts but businesses are still waiting for the Turnbull Government's promised cut to the company tax rate from 30% to 25%:**

*"Roy Morgan Business Confidence fell 1.5pts (-1.3%) in May to 117.1 following last month's Federal Budget. The highlight of the Federal Budget was undoubtedly the Government's pledge to give Australians their biggest income tax cuts in over a decade which should provide a significant boost to consumer spending in the year ahead.*

*"There were some 'goodies' for businesses as well including an extension to the instant tax write-off for spending under \$20,000 which is particularly useful for smaller businesses. There were also wage subsidies for employers to take on older workers and new investments in public infrastructure.*

*"However the Federal Government's long-promised business tax cuts first promised early in 2017 remain stalled in the Senate and the hold-up is no doubt a source of frustration for many businesses.*

***"In addition to the disappointments surrounding the Federal Budget businesses are set to be concerned in the next six months by the Fair Work Commission's decision on Friday to raise the minimum wage by 3.5% to almost \$720 per week.***

***"The increase in the minimum wage will provide a further deterrent to businesses thinking of hiring young and unskilled staff and increase their endeavors to cut employment costs by implementing new and more cost-effective ways of doing business.***

*"Analysing Roy Morgan Business Confidence by State reveals South Australia is again Australia's most confident mainland State ahead of New South Wales with both of these States increasing their Business Confidence in May against the overall trend.*

*"Business Confidence in Victoria is just below the national average while falls in Business Confidence in Western Australia and Queensland drove the decline in the national figure. The sunshine State now has the lowest Business Confidence of any State.*

*"The star performers on an industry level in May include Mining, Education & training, Finance & insurance, Accommodation & support services and Wholesale trade. In contrast there are now four industries with sub-100 Business Confidence including Arts & recreational services, Public Administration, safety & security and Electricity, gas, water & waste.*

*"History shows that businesses often experience a let-down in May and Business Confidence has now declined in seven out of eight years in May following the Federal Budget. However, the decline in May was primarily driven by falls in the two indices that rose the most pre-Budget.*

*"The good news is that an increasing majority of businesses now expect 'good times' for the Australian economy over the next year and an increasing majority of businesses say now is a 'good time to invest' in growing the business."*

**Roy Morgan Business Confidence results in May are based on 863 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.



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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%
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