



Friday, 3 May 2019

## Business Confidence dips to 102.9 in run-up to Election

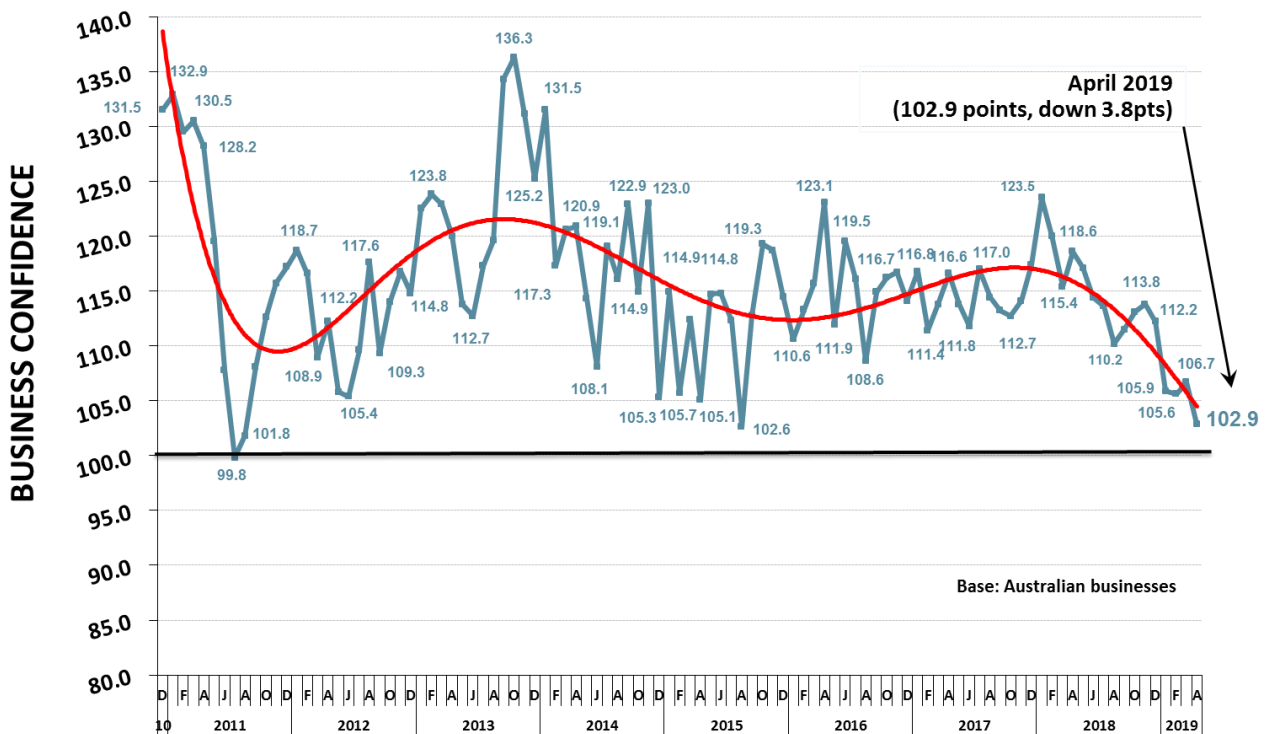
Roy Morgan Business Confidence dipped 3.8pts to a near four-year low of 102.9 in April after Treasurer Josh Frydenberg delivered the Federal Budget a month earlier than usual to allow for this month's Federal Election being held on May 18.

The Federal Budget was conspicuously targeted at consumers in the run-up to the Election with significant income tax cuts promised by the Morrison Government over the next few years. The fall in Business Confidence following a Federal Budget is not unusual with the index now falling in eight out of the last nine years following the Budget.

Roy Morgan Business Confidence continues to under-perform early in 2019 with an average rating so far this year of 105.3 a full 10pts below the monthly average of 115.3 during 2018. Business Confidence in April 2019 is now a significant 15.7pts below its level of a year ago in April 2018 and 12.8pts less than its long-term average of 115.7.

Business Confidence in April has now dropped considerably below the latest weekly [ANZ-Roy Morgan Consumer Confidence](#), which is at 117.6 on April 27/28, 2019.

### Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Apr 2019. Average monthly sample over the last 12 months=826.

### Confidence plunges about performance of the business over the next year

- The decrease in Business Confidence was driven by a decline in businesses expecting to be 'better off' this time next year with only 35.2% (down 14.4pts) expecting the business to be 'better off' financially this time next year (**the lowest figure for this indicator since January 2016**) while 21.8% (down 2.2pts) expect the business to be 'worse off' financially;
- In addition 36.8% (down 5.7pts) say the business is 'better off' financially than this time last year and 33.7% (down 4.7pts) say the business is 'worse off' financially than a year ago;

- Now 41% (down 4.6ppts) of businesses expect the Australian economy to have ‘good times’ over the next year while 47.9% (down 0.7ppts) expect the Australian economy to have ‘bad times’;
- Now fewer than half, 47.7% (down 1.8ppts) of businesses, say the next year will be a ‘good time to invest in growing the business’, while 38.9% (down 1.9ppts) say it will be a ‘bad time to invest’;
- A concerning development this month is that longer-term views of the economy have continued to deteriorate with **a record low** 42.6% (down 0.9ppts) expecting ‘good times’ for the Australian economy over the next five years and **a record high** 46.6% (up 1ppt) now expecting ‘bad times’ for the Australian economy over the next five years.

## Business Confidence down for Small & Medium businesses but unchanged for Large

Business Confidence has fallen over the past year for most businesses across Australia with significant falls for ‘Micro’, ‘Small’ and ‘Medium’ sized businesses – those with an annual turnover of less than \$50 million – while ‘Large’ businesses with an annual turnover greater than \$50 million have virtually the same Business Confidence as a year ago.

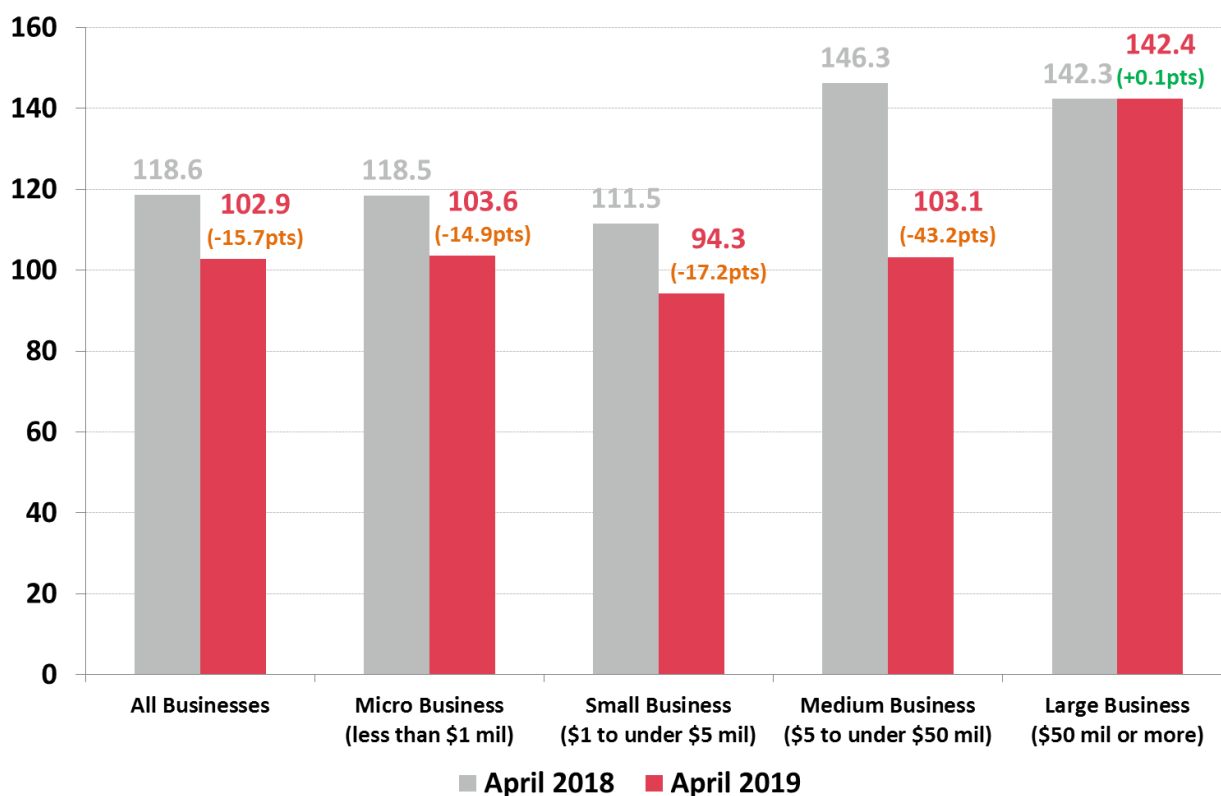
Overall Business Confidence in April 2019 is down 15.7pts on a year ago to 102.9.

Driving the decline in Business Confidence has been ‘Medium’ sized businesses with an annual turnover of \$5 - \$50 million. Business Confidence for Medium sized businesses has declined by 43.2pts to 103.1 in April 2019 and is now just barely higher than the overall figure.

Business Confidence also declined for ‘Small’ sized businesses with an annual turnover of \$1 - \$5 million by 17.2pts to 94.3 and is again the lowest figure for any size of business. ‘Micro’ sized businesses with an annual turnover of less than \$1 million experienced a decline in line with the overall decline, down by 14.9pts to 103.6 in April 2019.

In contrast to smaller businesses Australia’s largest businesses with an annual turnover of \$50 million or more have not experienced the declines of their smaller counterparts. Business Confidence for ‘Large’ sized businesses is 142.4 in April 2019, virtually unchanged on a year ago and now significantly higher than businesses of all other sizes.

## Business Confidence by Business Size (Turnover) – April 2019 cf. April 2018



Source: Roy Morgan Business Single Source, April 2019, n=841 and April 2018, n=957.

**Michele Levine, CEO Roy Morgan, says the decline in Business Confidence in April continues a trend of low ratings for the indicator in 2019 as the political uncertainty surrounding the upcoming Federal Election continues to impact Australian businesses:**

*“Roy Morgan Business Confidence fell by 3.8pts 102.9 in April hitting its lowest rating for nearly four years since August 2015 (102.6). The lingering political uncertainty impacting Australian businesses is evident when analysing the latest Roy Morgan Poll which shows the ALP 51% cf. L-NP 49% on a two-party preferred basis only three weeks before election day.*

*“An indicator of the uncertainty in the business community is the high rate of businesses unable to provide an answer either way on a number of questions. A record high average of over 21.5% of businesses on each of the five questions couldn’t say whether they had a positive or negative response to the question.*

*“The increasing prospect of a tight election result will lead to continuing uncertainty during the next few weeks as there are now three possible outcomes to the election including narrow victories for the ALP or the L-NP or the prospect of another hung Parliament.*

*“Analysing the response of different sized businesses to the economic and political conditions over the past year shows that smaller and medium sized businesses with an annual turnover of less than \$50 million have seen significant declines in Business Confidence from this time a year ago. In contrast, Australia’s larger businesses are still very confident and have an impressive Business Confidence of 142.3 in April.*

*“Analysing Business Confidence by State shows declines in four States while two States were up. Business Confidence declined in Australia’s largest State of NSW as well as in Australia’s resource intense States of WA, SA and Queensland. Queensland now has the lowest Business Confidence of any State and is the only State with Business Confidence below the neutral level of 100.*

*“In contrast Business Confidence in Victoria and Tasmania increased in April and Australia’s island State now has the highest Business Confidence of any State.*

*“In April there were several industries that performed well despite the overall decline, including Public administration & defence, Community service, Professional, Scientific & Technical services and Information, Media & Telecommunications which all increased.*

*“Industries that under-performed in April and contributed to the overall decline in Business Confidence included Mining, Recreation & personal, Property & business services and Construction.”*

**Roy Morgan Business Confidence results in April are based on 841 interviews with a cross-section of Australian businesses. Business Confidence is now below the 8yr average (115.7).**

**For comments or more information please contact:**

**Michele Levine**

**CEO**

**Office: +61 (3) 9224 5215**

**Mobile: 0411 129 093**

[askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com)

### **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
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