

Monday, 11 November 2019

Federal Election bounce over – Business Confidence drops to lowest since April

Roy Morgan Business Confidence dropped 4.6pts (-4.2%) to 106.0 in October, putting it at its lowest level since the Federal Election in mid-May. The fall was heaviest in forward-looking indicators, with the largest decline concerning business prospects this time next year. Even so, a slim majority of businesses (50.4%) say the coming year is a ‘good time to invest in growing the business’.

The October 2019 Business Confidence level is 7.1pts lower than it was year ago and 9.5pts below the long-term average of 115.5. It is now also well below the latest [ANZ-Roy Morgan Consumer Confidence, which was at 113.5 on November 2/3, 2019](#).

Medium-sized businesses lead Business Confidence decline

Medium-sized businesses, with an annual turnover of between \$5 and \$50 million, have led the broad-based decline. Business Confidence among this group has dropped to just 105.1, down 33.1pts from October 2019 – a decline of 24%.

Micro businesses, Small businesses and Large businesses have also suffered declines, falling between 5.7pts to 9.3pts over the last year, putting them more in line with the overall decline of 7.1pts.

Business Confidence drops below neutral level in Victoria for the first time

The drop was widespread, with five states experiencing a decline. Victorian Business Confidence is below the neutral level of 100 for the first time since this survey began in 2010 while in South Australia it is the lowest of any State, having fallen below the neutral level of 100 for the first time in two years. NSW is the sole exception, with Business Confidence up in October, giving it the highest result of any State.

Michele Levine, CEO Roy Morgan, says the confidence boost that followed the re-election of the L-NP Government in May has worn off, with Business Confidence at pre-election levels:

“Roy Morgan Business Confidence dropped 4.6pts to 106.0 in October – a second straight monthly decline – putting the indicator at the level it was earlier in the year. Business Confidence averaged 105.3 in the pre-election period of January-April 2019.

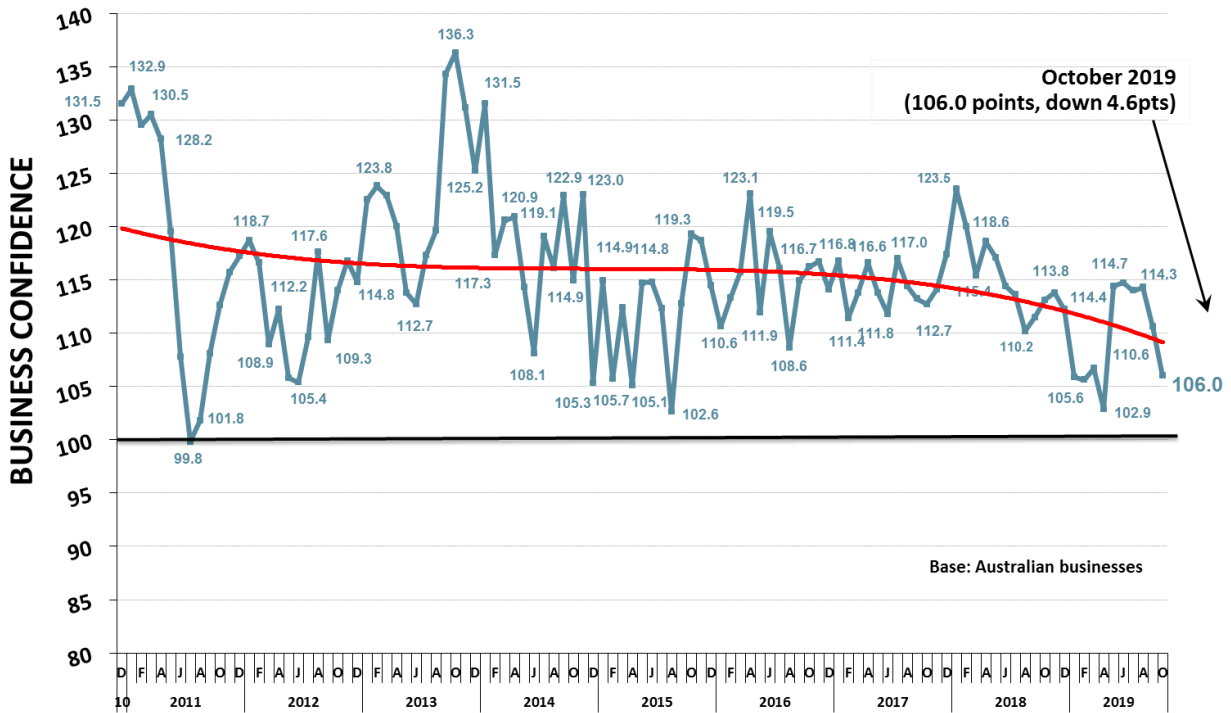
“The boost to confidence provided by an unexpected L-NP victory at the Federal Election has dissipated and analysis shows it is Medium-sized businesses leading the decline. “At an industry level there are some bright spots despite the drop. Business Confidence has improved, and is well above average, for: Public administration & defence, Property & business services, Wholesale, Finance & insurance and Information Media & Telecommunications.

“The overall decline in confidence in October has been most evident for indicators relating to the performance of the Australian economy going forward. The positive news is that on a more ‘self-aware’ level, a majority of businesses (50.4%) continue to say that the year ahead is a ‘good time to invest in growing the business’. Only a third (35.8%) say it is a ‘bad time to invest’.”

The latest Roy Morgan Business Confidence results for October are based on 1,104 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](#).

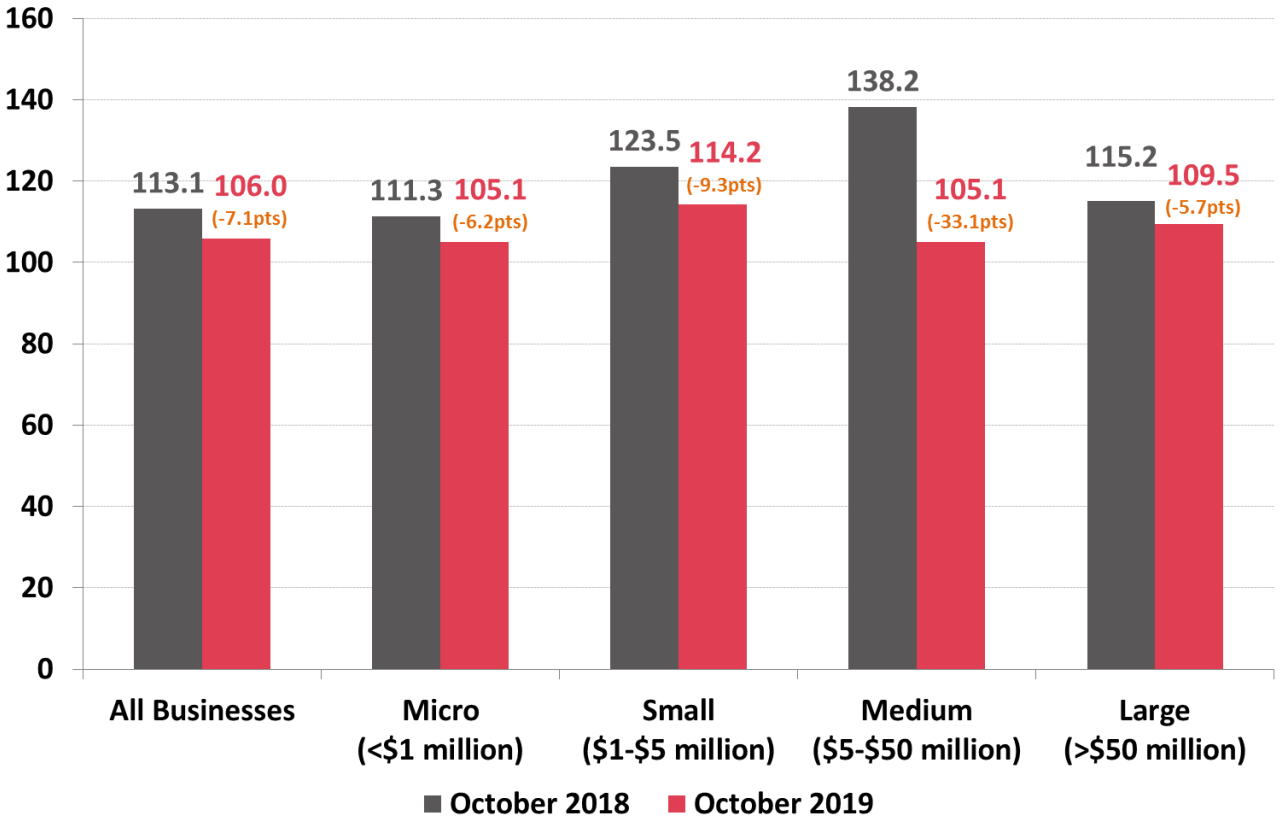
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Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Oct 2019. Average monthly sample over the last 12 months=912.

Business Confidence by size of business* in annual turnover (\$million): Oct. 2019 cf. Oct. 2018



Source: Roy Morgan Business Single Source, Oct. 2018, n=785; Oct. 2019, n=1,104. *Size of business: Micro Businesses have an annual turnover of less than \$1 million, Small Businesses have an annual turnover of \$1 million to less than \$5 million; Medium Businesses have an annual turnover of \$5 million to less than \$50 million and Large Businesses have an annual turnover of \$50 million or more.

Movements in underlying Business Confidence indicators in October

- A slim majority of businesses, 50.4% (down 2.1ppts), say the next year will be a 'good time to invest in growing the business', while only 35.8% (down 2.8ppts) say it will be a 'bad time to invest' (**the lowest figure for this indicator for over a year since February 2018**);
- An increasing number of businesses, 40.5% (up 6.1ppts), say the business is 'better off' financially than this time last year while only a third, 33.4% (down 1.7ppts) say the business is 'worse off';
- Just over two-fifths of businesses, 41.8% (down 9.9ppts), expect their business to be 'better off' financially this time next year while 20.3% (up 2.1ppts) expect the business to be 'worse off';
- A decreasing number of businesses (40.7%, down 5.8ppts) expect the Australian economy to have 'good times' economically over the next year while 52.4% (up 4.2ppts) expect 'bad times';
- In addition, just 44.1% (down 7ppts) of businesses expect 'good times' for the Australian economy over the next five years and 45.9% (up 2.9ppts) now expect 'bad times'.

Roy Morgan Business Confidence results in October are based on 1,104 interviews with a cross-section of Australian businesses. Business Confidence is now just below the 8yr average (115.5).

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 53909 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 75 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