

Tuesday, 4 February 2020

Business Confidence drops to 9 year low of 101.6 in January

In January 2020 Roy Morgan Business Confidence dropped 2.9pts (-2.8%) to a nearly nine-year low of 101.6. Business Confidence has only been lower during the last decade when it briefly dipped below the neutral level of 100 in July 2011 (99.8) during the height of the European sovereign debt crisis.

Driving the fall is a broad-based decline in sentiment about the performance of businesses. Now only 34.5% (down 6.4ppts) of business leaders say their business is 'better off financially' now compared to a year ago and 44% (down 6.4ppts) expect their business to be 'better off financially' this time next year.

The January 2020 Business Confidence level is 4.3pts lower than it was year ago, and a significant 13.6pts below the long-term average of 115.2. Business Confidence is below the latest [ANZ-Roy Morgan Consumer Confidence, which is now at 108.5 in the first week after the Australia Day holiday.](#)

Business Confidence drops most for large businesses (200+ employees) over the last year

Business Confidence in January is down on a year ago for businesses of all sizes but the most pronounced decline is for large businesses with 200+ employees, down 18.4pts to 111.2.

Medium businesses with between 20-199 employees have also experienced a significant drop in confidence of 9.9pts to 123.8 but are again the most confident businesses by size.

Business Confidence for Small businesses of 5-19 employees is virtually unchanged at 120.2 in January while for Micro businesses of under 5 employees the index has dropped 4.2pts and is now just below the neutral level of 100 at 99.3.

WA is now most confident State for businesses ahead of Queensland and NSW

In January there is a clear split between the States with Business Confidence above the neutral level of 100 in WA, Queensland and NSW.

In contrast the index remains below the neutral level for both Victoria and Tasmania and has dropped back into negative territory for South Australia.

Michele Levine, CEO of Roy Morgan, says the decline in Business Confidence in January has followed a month of negative headlines as Australia deals with devastating bushfires and in recent weeks the threat of the new coronavirus has rattled global markets:

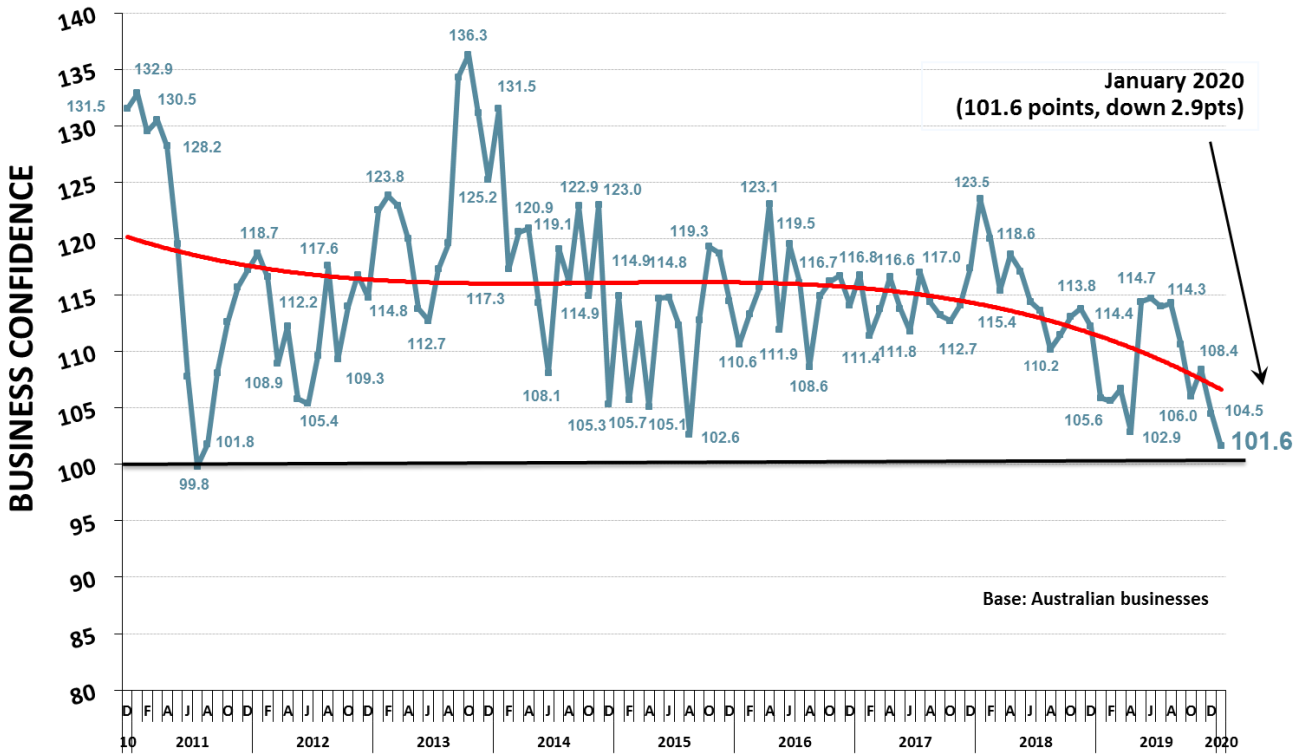
"Roy Morgan Business Confidence dropped 2.9pts to a nine-year low of 101.6 in January during a month in which devastating bushfires swept large tracts of rural and regional Australia and ended with the Government placing a moratorium on travellers from China visiting Australia.

"[A special Roy Morgan survey conducted in January](#) showed that around a quarter of Australian businesses (26%) have been affected in some way by the bushfires. This level of impact was always bound to have a negative bearing on Business Confidence and the emergence of the 'Novel Coronavirus' in China has added significant new uncertainty to short-term economic forecasts.

"Novel Coronavirus was identified in the first week of January in central China and the first case was reported in Australia on the Australia Day weekend. The Government's decision to prevent travellers from China visiting Australia while the virus outbreak continues has dealt a significant blow to the tourism industry trying to recover from the bushfires. [China is Australia's largest source of tourism with over 1.4 million Chinese visiting our shores in 2018/19 – an average of around 120,000 per month.](#)

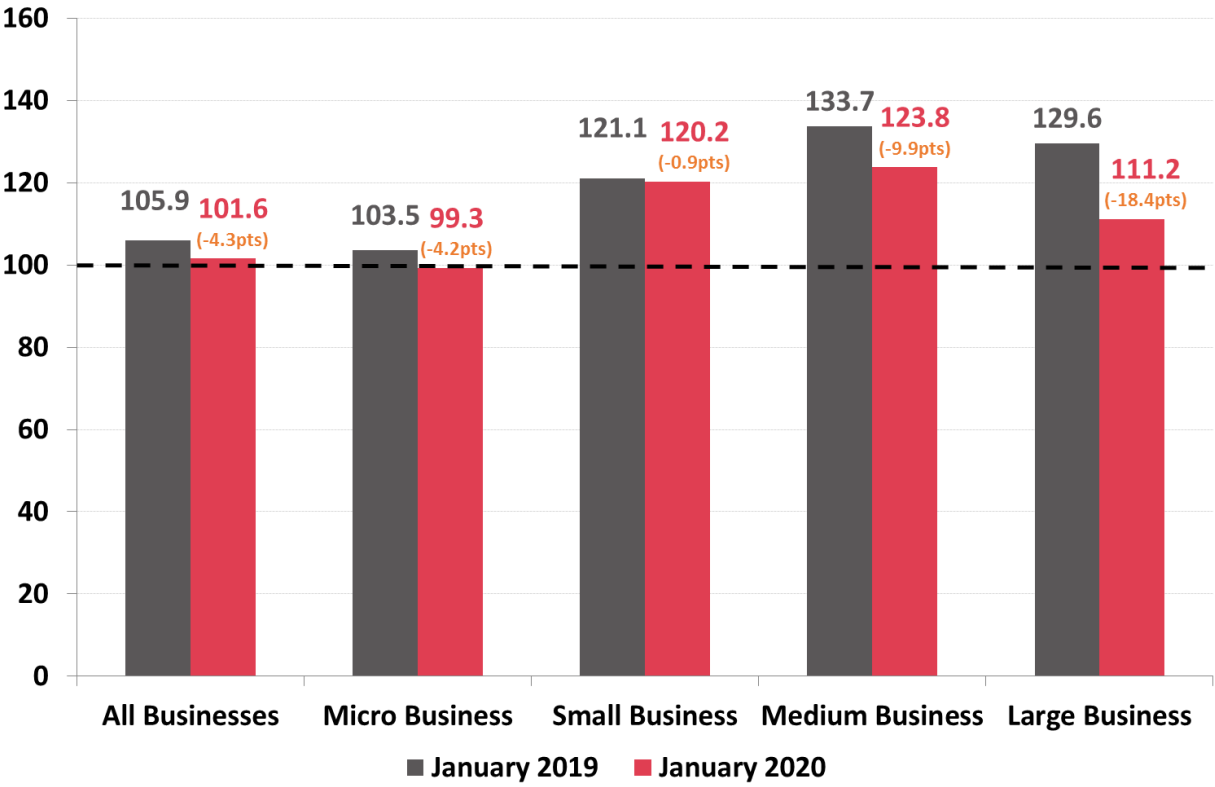
"At present the biggest factor surrounding the viral outbreak is the uncertainty about how serious the situation is and whether its economic impact on China, and countries such as Australia will be long-lasting or temporary. Unfortunately it is impossible to accurately estimate at this point although one immediate result is an increase in economic uncertainty which itself has a negative influence of future economic expectations looking forward."

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Jan 2020. Average monthly sample over the last 12 months=961.

Business Confidence by business size (employee numbers)*: January 2020 cf. January 2019



Source: Roy Morgan Business Single Source, January 2019, n=825, January 2020, n=923. *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.

Decline in Business Confidence driven by fall in confidence about business' performance

- In January just over a third of businesses, 34.5% (down 6.4ppts), say the business is 'better off' financially than this time last year while an increasing 37.9% (up 8.1ppts) say the business is 'worse off';
- In addition, a declining plurality of 44% (down 6.4ppts), expect the business will be 'better off' financially this time next year while only 16.8% (down 3.2ppts) expect the business to be 'worse off';
- An unchanged 47.7% say the next year will be a 'good time to invest in growing the business', while 40.9% (up 1.6ppts) say it will be a 'bad time to invest';
- Views about the Australian economy's performance over the next year have also continued to decline in January, with a **record low** 35.6% (down 4.7ppts) expecting the Australian economy to have 'good times' economically over the next year while 55.5% (down 1.2ppts) expect 'bad times';
- The comparative good news is that views on the performance of the Australian economy over the longer-term has improved with 44.1% (up 1.9ppts) of businesses expect 'good times' for the Australian economy over the next five years and 46.7% (down 6.5ppts) expect 'bad times'.

The latest Roy Morgan Business Confidence results for January are based on 923 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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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

