

Friday, 3 August 2018

## July Business Confidence down for third straight month to 113.6

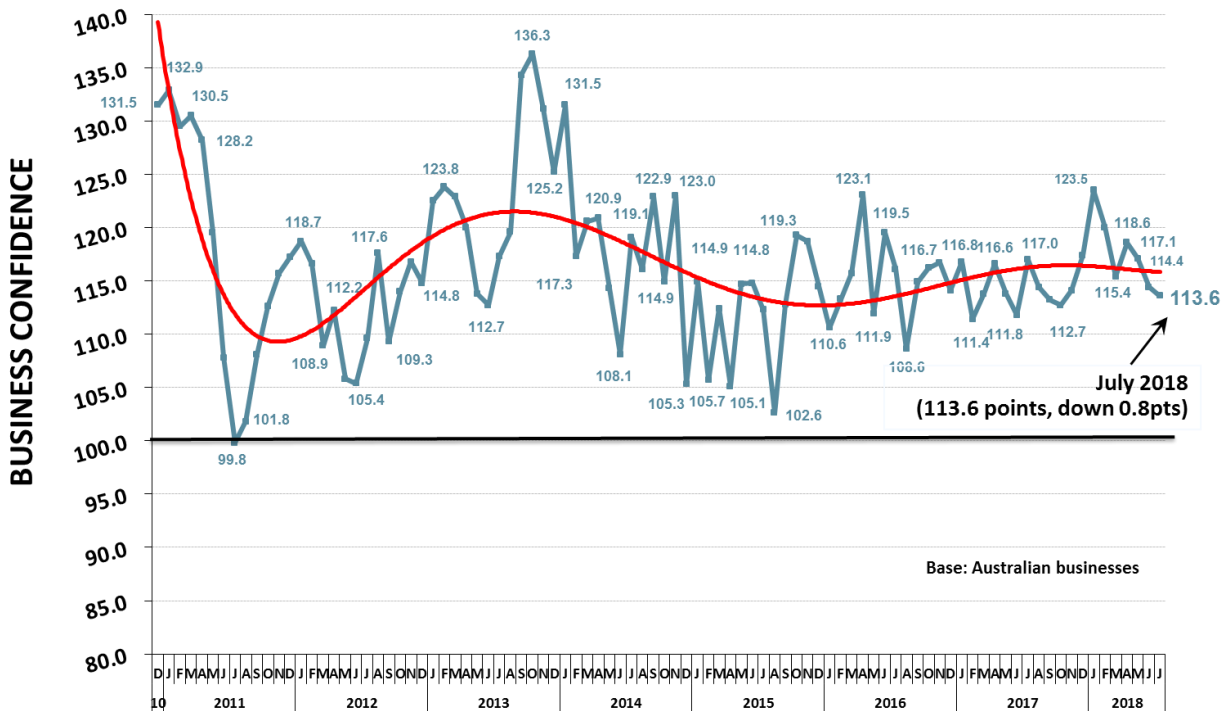
Roy Morgan Business Confidence was down 0.8pts (-0.7%) to 113.6 in July. Confidence has dropped below its level of a year ago for the first time in 2018 and is now 3.4pts lower than in July 2017 and 2.7pts below its long-term average of 116.3.

However, despite falling for three consecutive months following this year's Federal Budget, Business Confidence throughout the first seven months of 2018 has averaged 117.5 – above the long-term average and the highest yearly average since 2014.

Businesses remain largely positive with a majority of businesses, 50.9% (up 4.4ppts) saying now is a 'good time to invest in growing the business' and 50.5% (up 0.2ppts) expecting 'good times' for the Australian economy over the next five years.

July Roy Morgan Business Confidence remains clearly below the latest weekly [ANZ-Roy Morgan Consumer Confidence](#), which is at 119.8 on July 28/29, 2018.

### Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-July 2018. Average monthly sample over the last 12 months=878.

### July decrease driven by a drop in expectations about the performance of the economy

- Driving this month's overall decrease is a drop in expectations about the performance of the Australian economy over the next year with 49.3% (down 4.9ppts) expecting 'good times' for the Australian economy while 43.7% (up 5.1ppts) expect 'bad times';
- However longer-term views on the Australian economy are little changed in July with 50.5% (up 0.2ppts) expecting 'good times' for the Australian economy over the next five years and 38.7% (down 1.1ppts) now expecting 'bad times';

- Now 40.9% (down 2.6ppts), say the business is 'better off' financially than this time last year compared to 30.6% (up 2.8ppts) saying the business is 'worse off' financially;
- Businesses' confidence about their performance in the next 12 months has increased slightly with 48.1% (up 0.8ppts) expecting to be 'better off' financially and 20.9% (down 1.5ppts) now expecting to be 'worse off' financially this time next year;
- A slim majority of businesses 50.9% (up 4.4ppts) now say the next 12 months will be a 'good time to invest in growing the business', while 37.9% (down 3.3ppts) say it will be a 'bad time to invest'.

## Business Confidence driven higher over last year by Mining, Education & Finance

Despite the small month-on-month fall, Roy Morgan Business Confidence for the six months to July 2018 is 116.5 up 2.4pts on the same six month period a year ago.

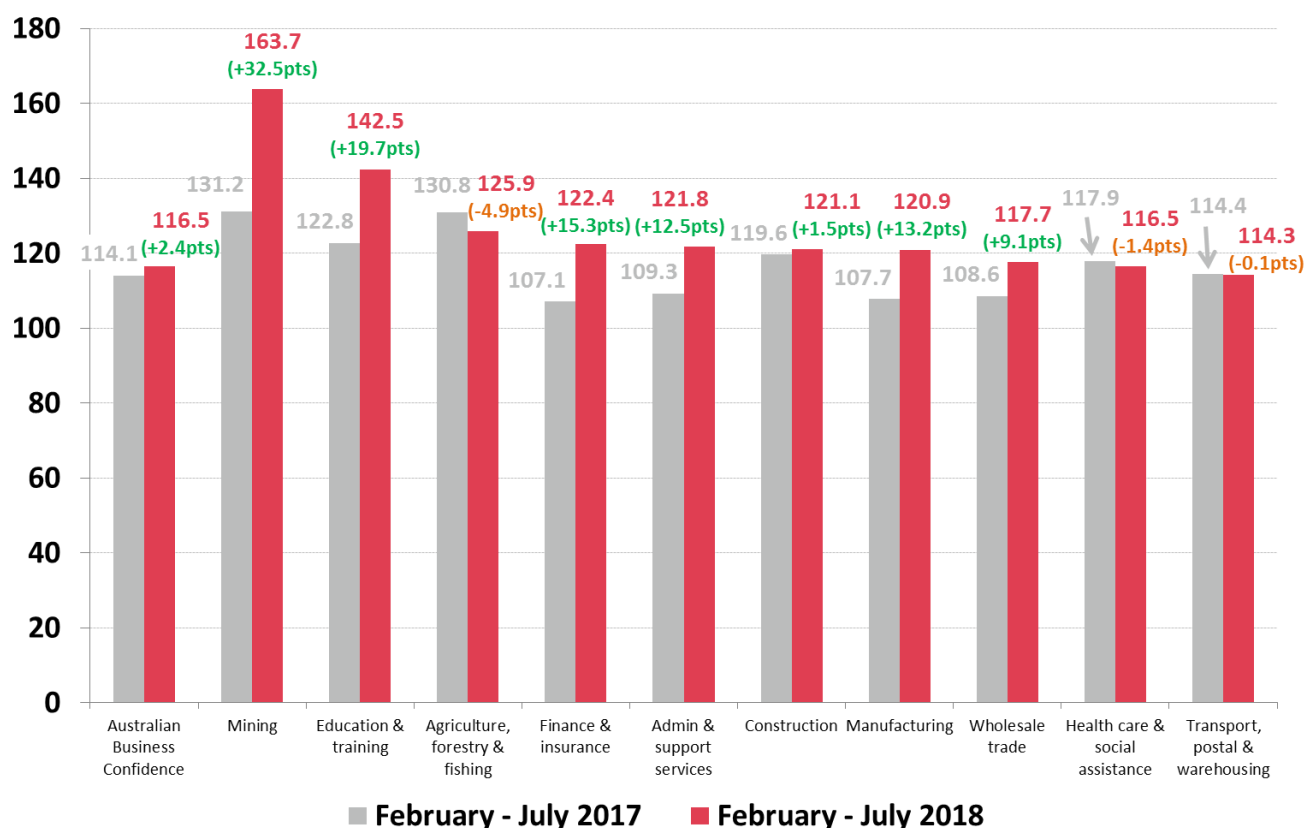
Analysing the trends for Business Confidence by the ten most confident Industries shows the increase from a year ago has been driven by a large increase in confidence for Mining businesses and also strong increases for Education & training, Finance & insurance, Administration & support services and Manufacturing.

There are two standout industries with Business Confidence more than 10% above the national average. Business Confidence for Mining companies is now at 163.7, up 32.5pts on a year ago while Education & training companies now have a Business Confidence of 142.5, up 19.7pts on a year ago.

Other industry sectors to increase strongly include Finance & insurance up 15.3pts to 122.4, Manufacturing up 13.2pts to 120.9 and Wholesale trade up 9.1pts to 117.7.

Of the ten most confident industries only three experienced a decline over the last year including Agriculture, forestry & fishing down 4.9pts to 125.9, Health care & social assistance down 1.4pts to 116.5 and Transport, postal & warehousing which was virtually unchanged and now at 114.3.

## Business Confidence by Industry Top 10 – 6 months to July 2017 cf. 6 months to July 2018



Source: Roy Morgan Business Single Source, February – July 2017 n=5,997 and February – July 2018, n=5,275.

**Michele Levine, CEO Roy Morgan, says despite a third monthly decline in a row majorities of Australian businesses say now is a 'good time to invest in growing the business' and expect 'good times' for the Australian economy over the next five years:**

*"Roy Morgan Business Confidence fell 0.8pts (-0.7%) in July to 113.6 for a third straight monthly decline and is now at its lowest since October 2017. For the first time this year Business Confidence has also dipped below its level of a year ago but the strong start to the year means Business Confidence in 2018 is still enjoying its best year since 2014.*

*"Analysing Business Confidence by leading industries compared to a year ago shows it's businesses in the Mining sector and Education & training businesses that have had the largest positive impact on Business Confidence over the last year.*

*"The strong performance of Mining and Education & training businesses continues the trend from earlier this year when we last analysed Business Confidence by industry category [here](#). Other industries to perform strongly compared to a year ago include Finance & insurance, Administration and support services, Manufacturing and Wholesale trade.*

*"Analysing Business Confidence by State shows falls in the larger States and New South Wales now has the lowest Business Confidence of any State. This is the first time Australia's largest State has lagged the rest of the country on this indicator for more than four years since February 2014.*

*"Despite the overall monthly fall both Western Australia and Tasmania bucked the overall trend and increased in July. Tasmania now has the highest Business Confidence of any State.*

*"Towards the end of July there was some good news for businesses which traditionally prefer certainty rather than uncertainty. The victories for Labor at the 'Super Saturday' by-elections removed the temptation for Prime Minister Malcolm Turnbull to call an early election later this year.*

*"Turnbull has since confirmed he plans on calling the next Federal Election in May 2019 and has re-affirmed the Government's pledge to legislate further business tax cuts when Parliament resumes in the coming weeks. However, the removal of this election uncertainty came too late to have much impact on the monthly Business Confidence reading for July."*

**Roy Morgan Business Confidence results in June are based on 949 interviews with a cross-section of Australian businesses. Business Confidence is above the 8yr average (116.3).**

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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.

**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
2,500	±1.9	±1.7	±1.2	±0.8
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