

Friday, 5 October 2018

Business Confidence in September rebounds after leadership instability

Roy Morgan Business Confidence was up 1.3pts (+1.2%) to 111.5 in September following the Liberal leadership instability in late August.

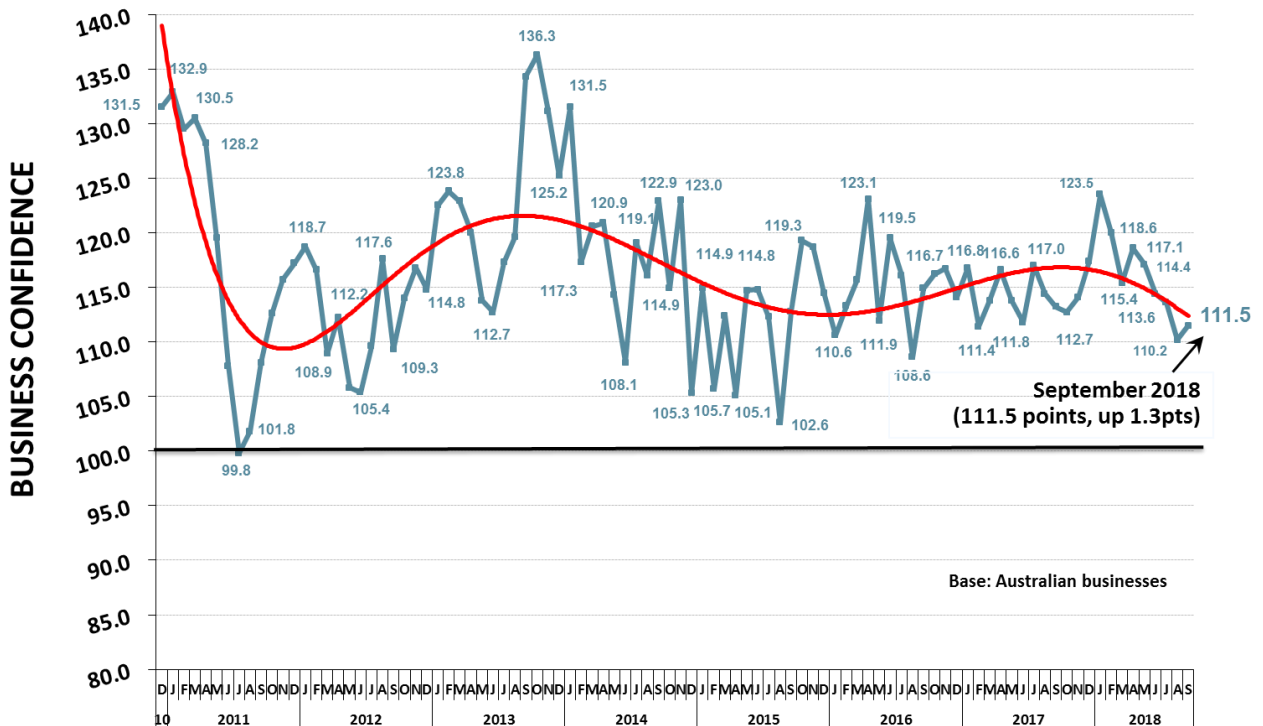
[Business Confidence in early August had improved on July before plunging in late August](#) when Immigration Minister Peter Dutton challenged former Prime Minister Malcolm Turnbull. However, Dutton's challenge was unsuccessful with former Treasurer Scott Morrison emerging as the ultimate beneficiary and Australia's new Prime Minister after winning a leadership ballot on August 24.

In September Business Confidence remained 1.7pts below its level of a year ago in September 2017 and 4.7pts below its long-term average of 116.2. However, despite recent softness Business Confidence so far during 2018 has averaged 116.0 – the highest yearly average since 2014.

Businesses remain largely positive in August with an increasing majority of businesses, 51% (up 0.5ppts) expecting 'good times' for the Australian economy over the next five years and nearly half, 48.2% (up 0.4ppts), saying now is a 'good time to invest in growing the business'.

September Roy Morgan Business Confidence remains clearly below the latest weekly [ANZ-Roy Morgan Consumer Confidence, which is at 118.1 on September 29/30, 2018](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Sep 2018. Average monthly sample over the last 12 months=869.

Small increase in September driven by greater confidence about the Australian economy

- Driving this month's small increase in Business Confidence was an increase in confidence about the performance of the Australian economy over the next year with 48.6% (up 1.5ppts) expecting 'good times' for the Australian economy while 43.8% (down 1ppt) expect 'bad times';
- However longer-term views on the Australian economy are little changed in September with 51% (up 0.5ppts) expecting 'good times' for the Australian economy over the next five years and 40.3% (unchanged) now expecting 'bad times';

- In contrast to indicators concerning the Australian economy a decreasing number of businesses, now 37.6% (down 2.7ppts), say the business is 'better off' financially than this time last year compared to 29.9% (down 1.6ppts) that say the business is 'worse off' financially;
- However, business are now more confident about the performance of the business over the next 12 months with 45.3% (up 0.6ppts) expecting to be 'better off' financially and 20.8% (down 0.3ppts) now expecting to be 'worse off' financially this time next year;
- Now slightly fewer than half of businesses, 48.2% (up 0.4ppts) say the next 12 months will be a 'good time to invest in growing the business', while 38.4% (down 3.6ppts) say it will be a 'bad time to invest'.

Business Confidence in September quarter 2018 hit by political uncertainty

Despite the month-on-month increase, Roy Morgan Business Confidence for the September quarter 2018 is down slightly on a year ago at 111.8 driven by declines in Australia's largest States.

Analysing the trends for Business Confidence by States shows the decrease in the September quarter has been driven by falls in the three largest States of New South Wales, Victoria and Queensland.

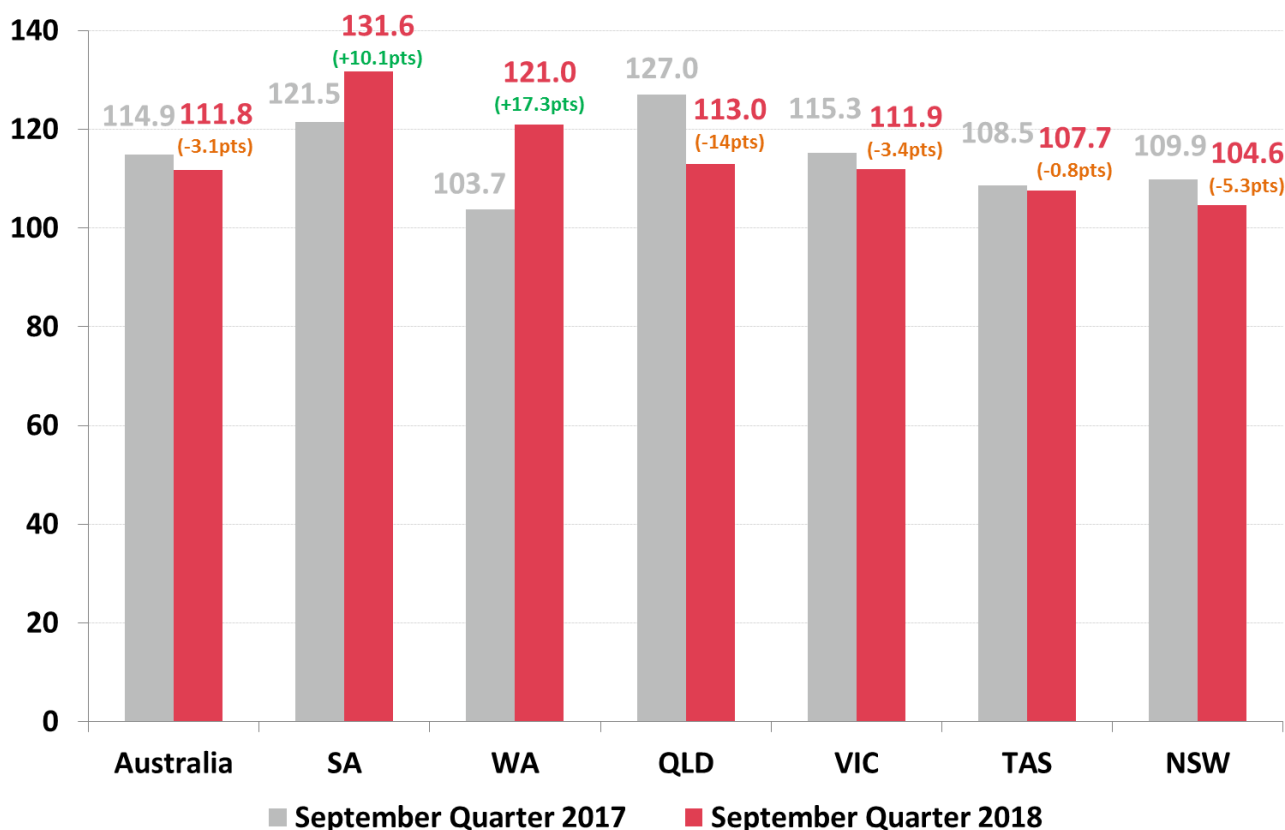
Business Confidence in New South Wales is down 5.3ppts on a year ago to 104.6 and Australia's largest State now has the lowest Business Confidence of any State with a State election set to be held in March 2019.

Victorian Business Confidence has also declined compared to this time a year ago with Business Confidence of 111.9 in the September quarter 2018, down 3.4ppts on a year ago and now just above the national average for the September quarter of 111.8 with the Andrews Government facing a State election late next month.

In contrast to the larger States Business Confidence in South Australia continues to impress, up a significant 10.1ppts from a year ago to 131.6 and following the State Election in March. Business Confidence in South Australia is higher than any other State as it also was in the [June quarter 2018 covered here](#).

Business Confidence has also increased strongly in Western Australia compared to this time last year up by a strong 17.3ppts to 121.0. Western Australia now the second highest Business Confidence of any State after languishing below other States for much of the last few years following the ending of the mining boom.

Business Confidence by State – September Quarter 2017 v September Quarter 2018



Source: Roy Morgan Business Single Source, Sept. Quarter 2017 n=2,715 and Sept. Quarter 2018, n=2,563.

Michele Levine, CEO Roy Morgan, says Business Confidence has begun to recover slightly from the political turmoil at the end of August with Business Confidence up in September and trending higher later in September compared to earlier in the month:

“Roy Morgan Business Confidence increased 1.3pts (+1.2%) in September to 111.5 breaking a streak of four straight monthly declines. Business Confidence had stabilised in early August before the emergence of leadership tensions late in the month culminated in a Federal leadership change and new Prime Minister Scott Morrison coming to power.

“As noted in our [August Business Confidence release](#) the political instability had a measurable impact on Business Confidence late in August and this continued into early September. Business Confidence in the second half of September was substantially higher than during the first half of September.

“However, although there are encouraging signs emerging, Business Confidence is now lower than a year ago and clearly below the long-run average of 116.2.

“Analysing Business Confidence by State over the last year shows falls in Business Confidence in the larger States of New South Wales, Victoria and Queensland have driven the overall figure down compared to a year ago. Importantly both Victoria and New South Wales face State elections during the next six months.

“Resisting the national trend are strong increases in Business Confidence in South Australia and Western Australia compared to this time last year. The improvement in South Australia has followed the election of a new Government in Adelaide whilst the recovery in the mining sector this year has helped boost Business Confidence in Western Australia.

“Analysing the performance of industries in September shows that the most confident industries are now Mining, Transport, postal & warehousing, Agriculture, forestry & fishing and Electricity, gas, water & waste which has increased to its highest confidence in over three years.

“In contrast there are several industries which have declined in September and are now below a neutral Business Confidence of 100 including Construction and Health care & social assistance which are both at their lowest since the first half of 2015. In addition the Business Confidence of Retail traders has now dropped to its lowest in over a year – since June 2017 – and has been underlined this week by the collapse of gourmet chocolate retailer Max Brenner.”

Roy Morgan Business Confidence results in September are based on 802 interviews with a cross-section of Australian businesses. Business Confidence is above the 8yr average (116.2).

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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