

Friday, 5 June 2020

Business Confidence jumps in May, up 13pts to 89.9 – highest in Western Australia & South Australia

In May 2020 Roy Morgan Business Confidence was up 13pts (+16.7%) to 89.9 and recovering significantly from the record low reached in April.

The good news in May is that for the first time in 2020 a majority of businesses, 50.5% (up 7.4ppts), said they expect the business will be 'better off financially this time next year compared to only 18.7% (down 8.9ppts) that expect to be 'worse off'.

In addition more businesses, now 46.3% (up 10.4ppts), said that the next year will be a 'good time to invest in growing the business' compared to 43.3% (down 4.9ppts) that said it will be a 'bad time to invest'.

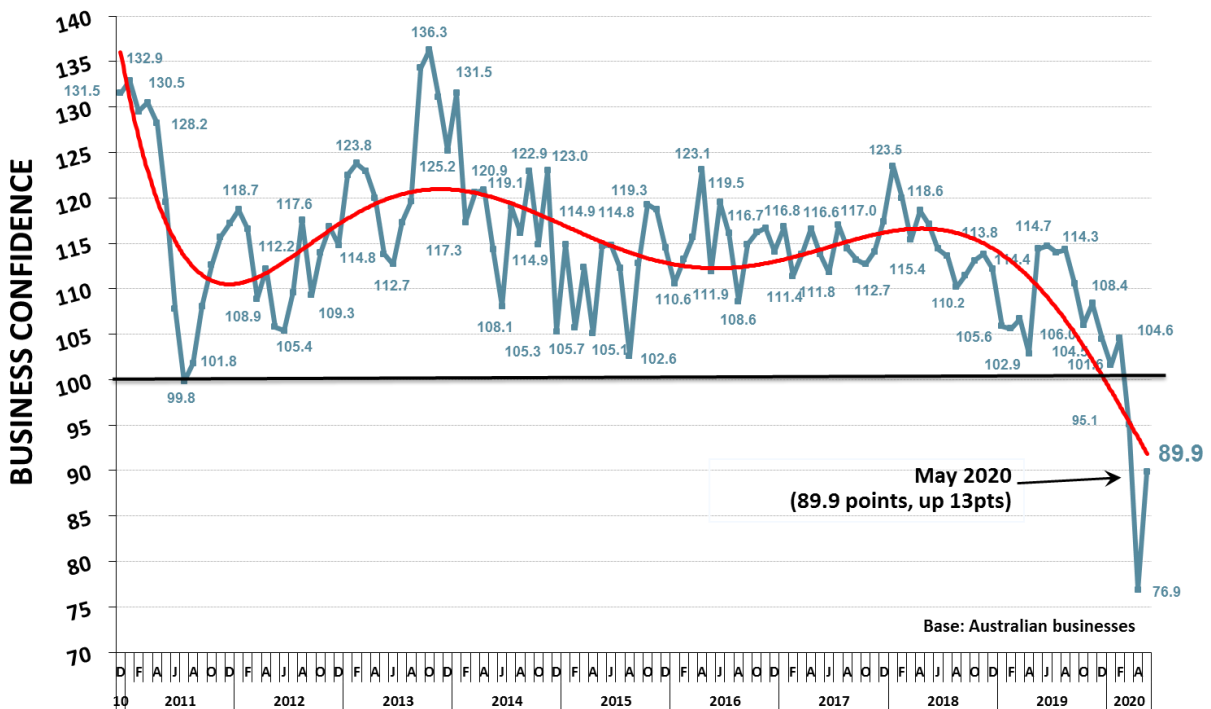
Overall the May 2020 Business Confidence level is 24.5pts lower than both the level it was a year ago and the long-term average of 114.4. Business Confidence for May is also nearly 10pts below Consumer Confidence – the latest [ANZ-Roy Morgan Consumer Confidence of 98.3 for May 30/31](#).

The latest Roy Morgan Business Confidence results for May are based on 1,749 detailed interviews with a nation-wide cross-section of Australian businesses from each State and Territory as part of the Roy Morgan Business Survey.

The survey began in May 2010, and now adding 12,000 new interviews each year, covers businesses from every industry of all sizes across Australia. Business Confidence delivers rich firmographics such as turnover, industry, size, location and satisfaction with banks, insurance and more. It is weighted to represent total businesses in Australia according to ABS data.

Detailed findings are available to purchase on a monthly or annual subscription as part of the [Roy Morgan Business Confidence Report](#).

Roy Morgan Monthly Business Confidence – Australia



Source: Roy Morgan Business Single Source, Dec 2010-May 2020. Average monthly sample over the last 12 months=1,070.

FOR IMMEDIATE RELEASE

Business Confidence increases and is in positive territory above 100 in WA and SA

Business Confidence in Australia increased by an impressive 16.7% in May and the biggest increase was in South Australia with an increase of 33.6pts (+48.9%) to 102.5. Joining South Australia in positive territory above 100 is Western Australia with Business Confidence of 102.0.

Both States have handled the COVID-19 pandemic exceptionally well and there are no active cases of COVID-19 in South Australia and no community transmission of the virus since early May. There has been no community transmission of COVID-19 in Western Australia for even longer, since April 23.

Business Confidence is around the national average in both New South Wales (91.5) and Victoria (87.1) – the two States with the largest number of cases of COVID-19.

Business Confidence is now significantly below the national average in both Queensland (80.9) and Tasmania (75.7). Both of these States are heavily reliant on domestic tourism and both have closed their borders to interstate tourists.

Queensland Premier Anastacia Palaszczuk announced early in May that Queensland's borders may remain closed for three or more months until at least September. The Palaszczuk Government faces a State Election in late October.

Most confident industries are Property and business services, Public administration and defence, Transport, Postal & Warehousing, Education & Training and Manufacturing

Business Confidence in May was up significantly in many industries with six industries now having a positive rating above 100 compared to only two in April.

Property and Business services now has the highest Business Confidence of any industry at 114.7. The industry will be further buoyed by this week's announcement of the Federal Government's \$688 million 'HomeBuilder' scheme to stimulate renovations and the housing market.

Other industries in positive territory above 100 include Public administration and defence (112.5), Transport, Postal & Warehousing (109.2), Education & Training (107.2), Manufacturing (104.8) and Agriculture (103.4).

Michele Levine, CEO of Roy Morgan, says Business Confidence has rebounded strongly in May from the record low in April but is still in negative territory well below 100 at only 89.9:

*"Roy Morgan Business Confidence continued a recovery that began in [mid-April](#) and was up 13pts (+16.7%) in May to 89.9. **For the first time this year a majority of businesses 50.5% (up 7.4pts)** say they expect the business will be 'better off' financially this time next year.*

"The turnaround in sentiment has been quickest in South Australia (102.5) and Western Australia (102.0) which both have a positive Business Confidence above the neutral level of 100 in May. Both States are opening up their economies at a faster rate than their counterparts in the east as community transmission of COVID-19 in these States has been non-existent for the last few weeks.

"However, for the Australian economy to really get moving, it is vital for the two largest States NSW and Victoria to improve their Business Confidence. The two States comprise about two-thirds of Australia's \$1.9 trillion economy and both continue to have low Business Confidence well below the neutral level of 100: NSW (91.5) and Victoria (87.1).

"It is incumbent upon the Governments of NSW Premier Gladys Berejiklian and Victorian Premier Daniel Andrews to boost Business Confidence in their two States and encourage businesses to invest and seek opportunities for growth in the year ahead.

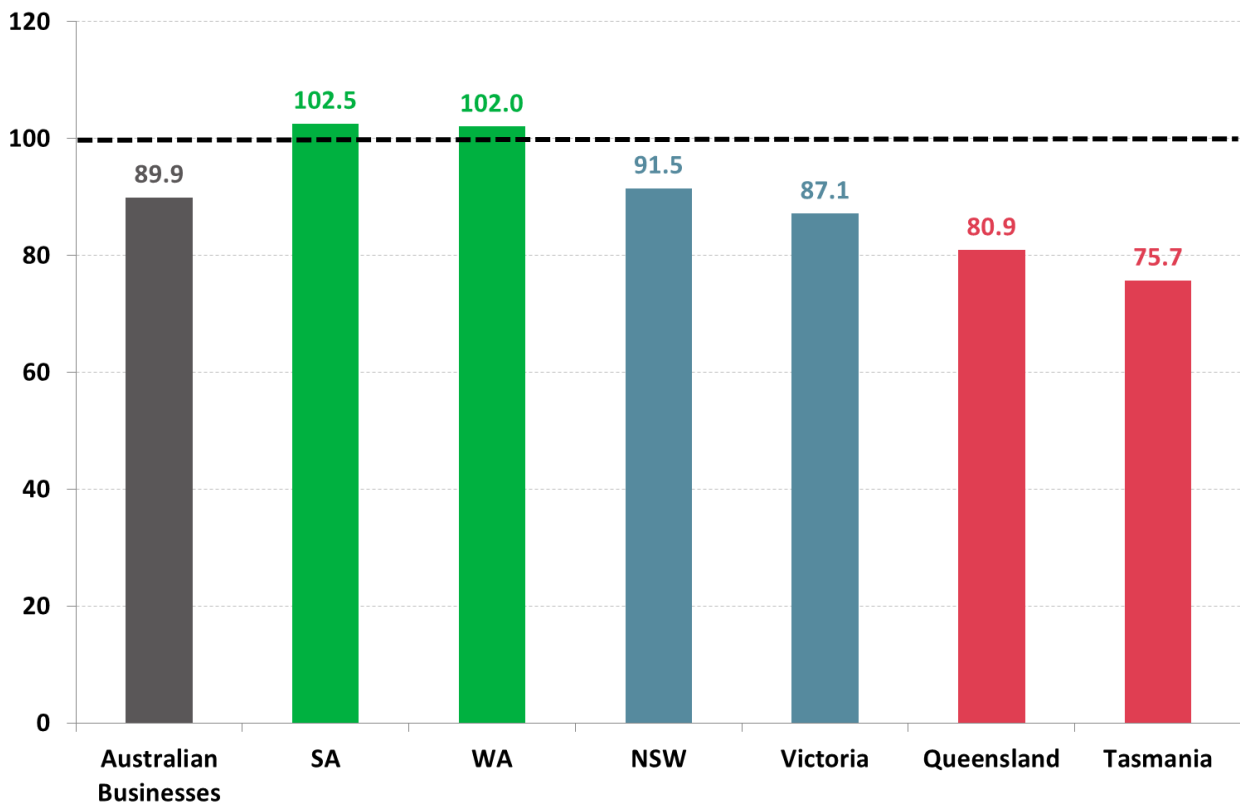
"Business Confidence in Queensland and Tasmania is now lagging the rest of the nation. Both States are heavily reliant on domestic tourism and with their borders closed to the larger States these industries will continue to suffer.

"[Tasmanian Premier Peter Gutwein announced this week](#) that his government will spend at least \$3.1 billion on infrastructure in the island State over the next two years. The news is a welcome development that indicates the Premier recognises that more needs to be done to reboot the island's economy as industries such as tourism and travel are set to suffer for an extended period with borders (both domestic and international) remaining closed."

Rebound in Business Confidence in May driven by increasing confidence about the next year

- In May, businesses **grew significantly more confident about the next year** with a majority of 50.5% (up 7.4ppts) expecting the business will be 'better off' financially this time next year, while only 18.7% (down 8.9ppts) expect the business to be 'worse off';
- Businesses are also growing more confident about the **Australian economy's performance over the next year** with 32.1% (up 5.8ppts) expecting the Australian economy to have 'good times' economically over the next year while a reduced, but still large majority, of 64.9% (down 8.3ppts) expect 'bad times';
- Businesses are becoming more confident about **the longer-term outlook** with 44.7% (up 7.9ppts) expecting 'good times' for the Australian economy over the next five years compared to 48.0% (down 10.4ppts) which expect 'bad times';
- There has also been a big jump of 10.4ppts to 46.3% for businesses that said the next year will be a 'good time to invest in growing the business', while 43.3% (down 4.9ppts) said it will be a 'bad time';
- However, there has been little change to how businesses rate themselves financially compared to a year ago. Nearly two-thirds, and a new record high of 65.3% (up 0.5ppts), say the business is 'worse off' financially than this time last year while only 16.1% (up 1.3ppts) say the business is 'better off'.

Business Confidence by State in May 2020

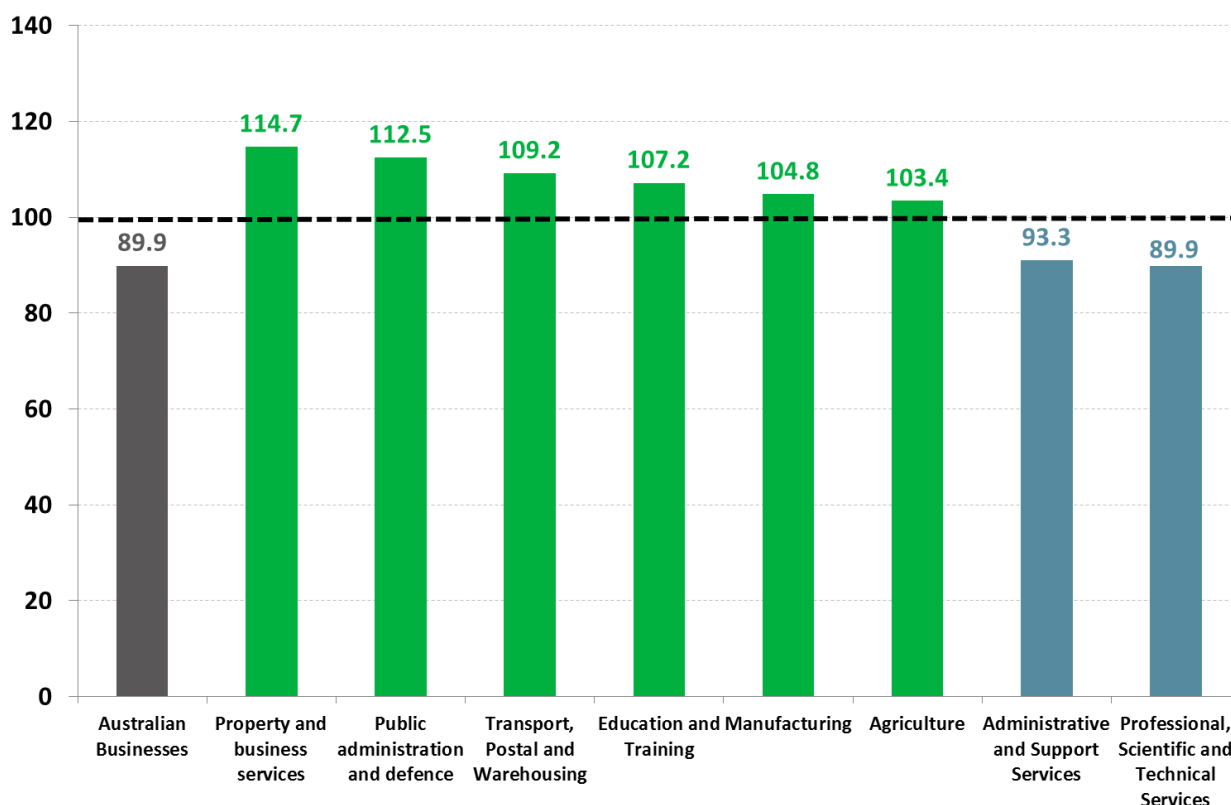


Source: Roy Morgan Business Single Source, May 2020, n=1,749. **Base:** Australian businesses.

*Small sample sizes of under 50 businesses interviewed in Tasmania should be treated with caution. Note: In the chart above green bars represent Business Confidence in positive territory above 100; blue bars represent Business Confidence close to the national average; red bars represent Business Confidence well below the national average.



Business Confidence by industry in May 2020



Source: Roy Morgan Business Single Source, May 2020, n=1,749. **Base:** Australian businesses. Note: In the chart above green bars represent Business Confidence in positive territory above 100; blue bars represent Business Confidence close to the national average; red bars represent Business Confidence well below the national average.

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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