

Monday, 6 April 2020

Business Confidence hits a record low of 95.1 in March – declines accelerated throughout the month

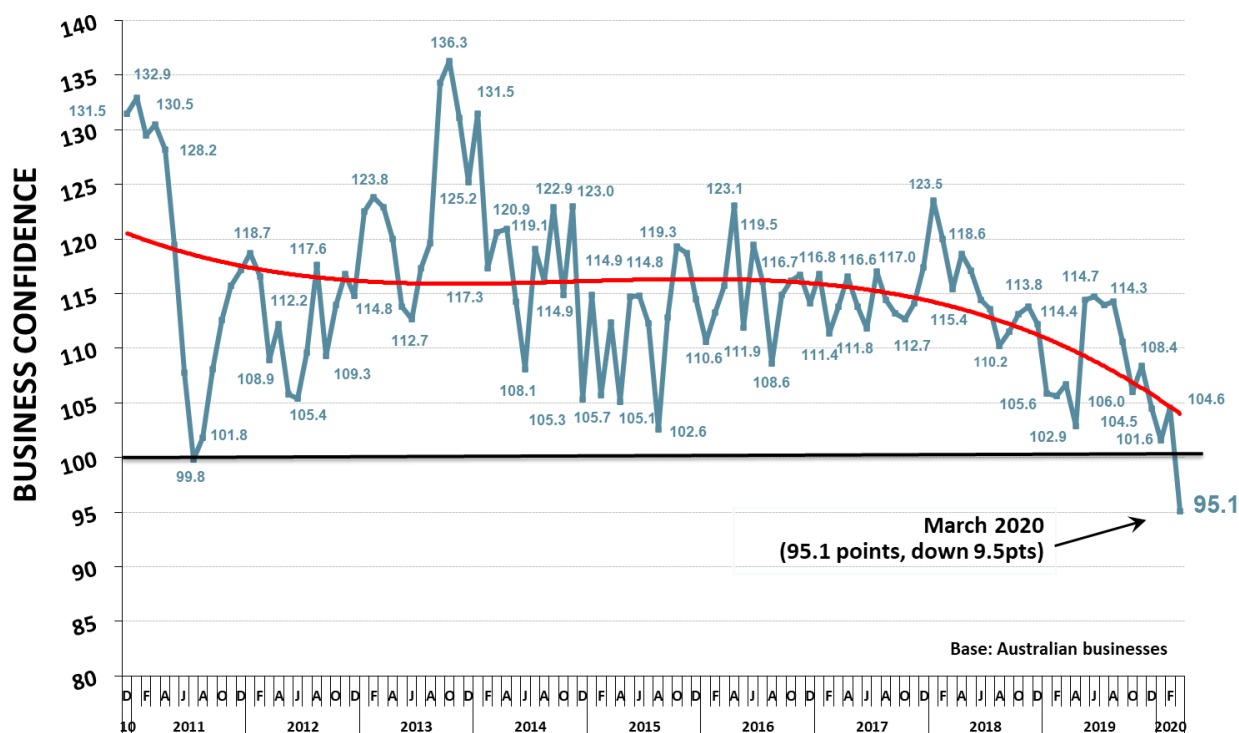
In March 2020 Roy Morgan Business Confidence was down 9.5pts (-9.1%) to 95.1 – a new record low, more than 4pts below the previous bottom of 99.8 the decade-old index hit in July 2011.

Analysing Business Confidence by dividing March into fortnights reveals a tale of two distinct halves. In the first two weeks of the month the index continued its recovery from the summer bushfires and averaged 107.5, an increase of 2.9pts from February.

However, this recovery was halted in mid-March, with the index averaging only 71.4 over the last half of the month. It plunged day-by-day through to the end of March as the COVID-19 coronavirus pandemic hit Australia and prompted increasing government restrictions to stop the spread of the virus.

The March 2020 Business Confidence level is 11.6pts lower than it was year ago, and a significant 19.8pts below the long-term average of 114.9. Even so, Business Confidence for March overall is significantly higher than the latest [ANZ-Roy Morgan Consumer Confidence, which is now at only 65.3 in the final week of March.](#)

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Mar 2020. Average monthly sample over the last 12 months=979.

Biggest declines for Recreation & Personal Services, Retail and Finance & Insurance

Business Confidence in March was down significantly for industries almost across the board.

The biggest declines were for those industries particularly hard-hit by new social distancing and self-isolation directives, including Recreation & Personal Services (down 41%) and Retail (down 25%). Other industries to decline significantly include Finance & Insurance (down 23%), Community Services (down 22%) and Manufacturing (down 21%).

Increasing, rather than declining in March, Transport, Postal & Warehousing was up 24%, while there were relatively small declines for Construction (down 6%) and Education & Training (down 9%).

Business Confidence falls most in Tasmania, ACT, Victoria and South Australia in March

Business Confidence fell across all six States in March but in the first two weeks, before the COVID-19 coronavirus pandemic fully impacted Australia, there were increases in Business Confidence for NSW, Queensland and Western Australia.

Overall, for March, Business Confidence was down by 26% in Tasmania, 16% in the ACT, 13% in Victoria and 12% for South Australia. Despite a positive start to the month for the other States, the index fell by 9% in NSW, 4% in Queensland and by 2% in Western Australia for the month as a whole.

Michele Levine, CEO of Roy Morgan, says Business Confidence began March in recovery mode but the COVID-19 pandemic saw it plunge in the second half of the month:

"Roy Morgan Business Confidence hit the wall in mid-March and the growing recovery from the summer bushfires is now a distant memory, as Australia deals with the strict social distancing and self-isolation directives of Federal and State Governments to halt the spread of the COVID-19 coronavirus."

"Business Confidence for March dropped 9.5pts to 95.1 although the monthly figure hides the true decline in the index in the second half of the month. Business Confidence for the second half of March fell to only 71.4 and declined day-by-day into the end of the month."

"The Federal Government has now delivered three rounds of stimulus starting with \$23 billion on March 12, \$66 billion on March 22 and finally the \$130 billion 'Job Keeper' wage subsidy program at the end of the month. The 'Job Keeper' stimulus allows businesses that meet certain criteria to access \$1,500 per fortnight to retain employees who have been stood down from work, for as long as government-mandated shutdowns prevent businesses from returning to normal operations."

"This \$130 billion 'Job Keeper' stimulus arrived too late to impact on Business Confidence for March but the April results will be keenly watched to gauge whether this third stimulus package has stemmed the declines seen throughout the second-half of March. The previous two stimulus packages in March fell short and had negligible impacts on Business Confidence."

"The early assessment of the social distancing and self-isolation measures introduced to halt the spread of the COVID-19 coronavirus is positive. The rate of new cases in Australia has dropped significantly over the last two weeks and the latest figures from early April show that of around 5,700 cases reported over 2,300 have now recovered. Businesses will hope this 'bending of the curve' continues over the coming weeks and the economy can return to some level of normality as soon as possible."

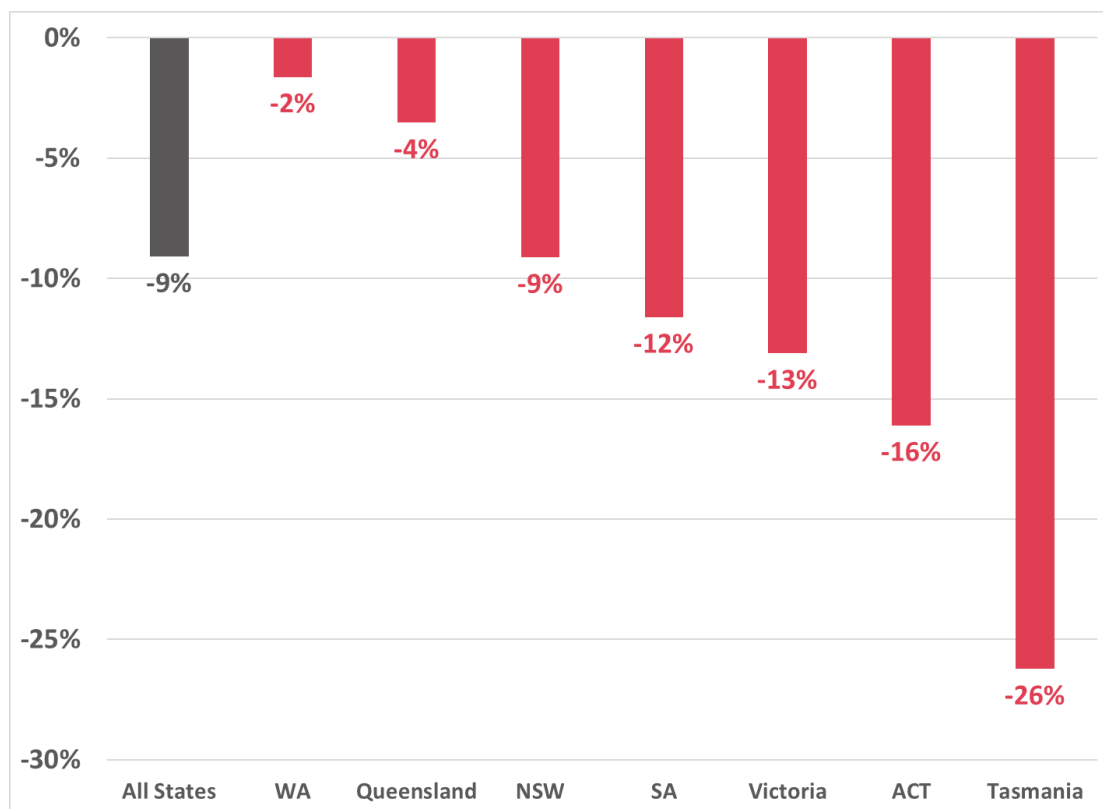
Plunge in Business Confidence in March driven by deteriorating outlook for the next year

- Views about the **Australian economy's performance over the next year** have deteriorated significantly in March as the impact from COVID-19 has grown, with only 30.3% (down 9.2ppts) expecting the Australian economy to have 'good times' economically over the next year while 62.7% (up 7.8ppts) expect 'bad times';
- Businesses are also less confident about the **longer-term outlook** with 44.6% (down 5.2ppts) expecting 'good times' for the Australian economy over the next five years compared to a plurality of 46.1% (up 2.6ppts) which expect 'bad times';
- In March there has been a sharp decline in those expecting the business will be 'better off' financially this time next year, down by 7ppts to 39.5%, while 29% (up 7.7ppts) expect the business to be 'worse off';
- In addition just over a third of businesses, 34.1% (down 1.5ppts), said the business is 'better off' financially than this time last year while an increasing 39.8% (up 4.7ppts) said the business is 'worse off';
- 46.2% (down 3.6ppts) of Australian businesses said the next year will be a 'good time to invest in growing the business', while 41.6% (down 1.4ppts) said it will be a 'bad time to invest';

The latest Roy Morgan Business Confidence results for March are based on 885 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](#).

% Change in Business Confidence by industry in March 2020 cf. February 2020

Source: Roy Morgan Business Single Source, February 2020, n=991, March 2020, n=885. *Small sample sizes of under 50 businesses interviewed in the Mining industry should be treated with caution.

% Change in Business Confidence by State & Territory in March 2020 cf. February 2020

Source: Roy Morgan Business Single Source, February 2020, n=991, March 2020, n=885. *Small sample sizes of under 50 businesses interviewed in Tasmania and the Australian Capital Territory (ACT) should be treated with caution.



For comments or more information please contact:

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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 |