

Tuesday, 15 March 2022

## Roy Morgan Business Confidence jumped 19pts to 120.5 in February as Omicron variant rapidly receded

In February 2022 Roy Morgan Business Confidence jumped by 19pts (+18.7%) to 120.5. This is the biggest monthly increase during the pandemic and essentially returns Business Confidence to its pre-Omicron level came after the Omicron variant spread rapidly during December 2021 and early January 2022 but then quickly declined during February.

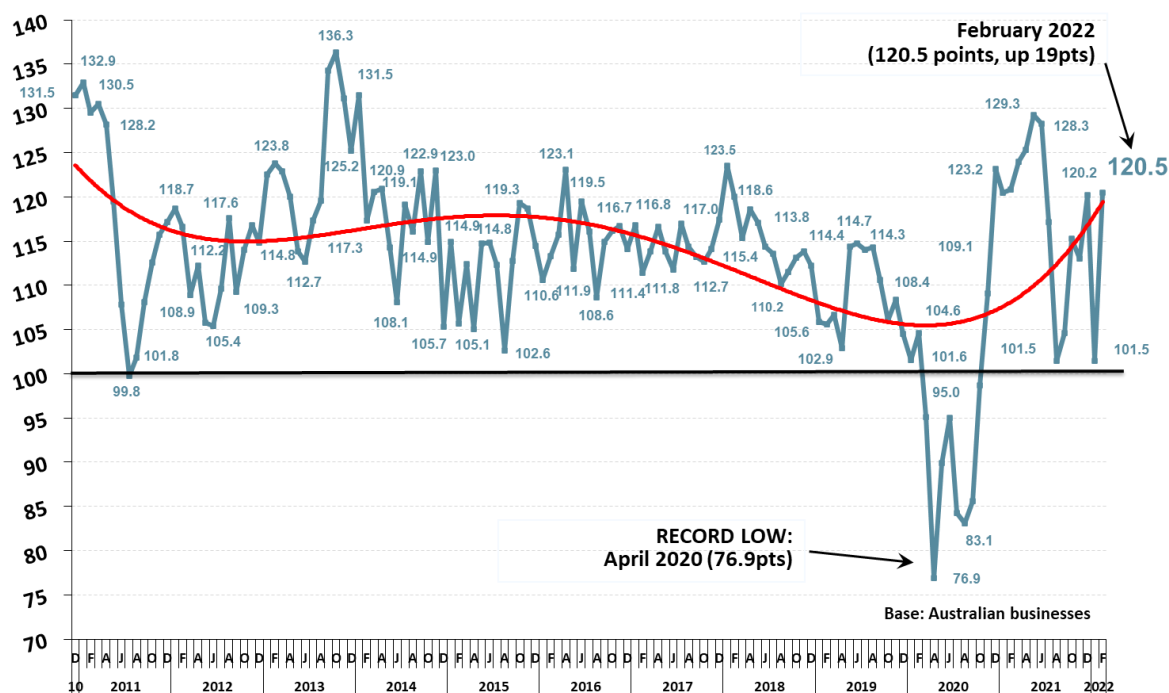
During the month of January there were over 2 million reported new COVID-19 cases around Australia, which represented the peak of the Omicron surge. The high cases continued into early February but were already rapidly declining from the month before and for the entire month there were around 720,000 cases of COVID-19 reported – fewer than half of the previous month.

There were positive moves across all aspects of the index and now over three-fifths of businesses, 62.3% say they expect 'good times' for the Australian economy over the next year while a majority of 53.1% of businesses saying that the next 12 months will be a 'good time to invest in growing the business'.

On a State-based level there were large monthly increases across the board in February led by Victoria, up a large 29.5pts (+30.6%) to 125.7, South Australia, up 25pts (+25.7%) to 122.5, Queensland, up 17pts (+18.3%) to 109.5 and Western Australia, up 14.6pts (+12.6%) to 130.4 – once again the highest Business Confidence in the nation as the State prepared to fully re-open its borders in early March.

Business Confidence in February 2022 jumped to the highest it had been since the start of the 'Delta wave' of COVID-19 in June 2021 (128.3). Business Confidence is now significantly higher than the latest [ANZ-Roy Morgan Consumer Confidence of 95.8 for March 7-13, 2022](#).

### Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Feb 2022. Average monthly sample over the last 12 months = 1,408.

## Business Confidence in February 2022 is almost identical to a year ago in February 2021

Business Confidence in February recovered strongly from the spread of the Omicron strain in January and increased 19pts (+18.7%) to 120.5. This result is almost identical to that of a year ago in February 2021 when the index was at 120.8 – the third of a record seven straight months above 120.

On a State-by-State basis Business Confidence is now significantly higher in Western Australia and Victoria compared to a year ago while the measure has dropped in the four other States of South Australia, New South Wales, Queensland and Tasmania.

Western Australia, which finally opened up to the rest of Australia in early March, had the highest Business Confidence of any State at 130.4, an increase of 10.8pts (+9.0%) on a year ago.

The biggest improvement from a year ago was in Victoria in which Business Confidence was up 14.1pts (12.7%) on a year ago. This is the highest level of Business Confidence in Victoria since May 2021.

In third place is South Australia, which faces a State Election next week, with Business Confidence of 122.5, just above the national average. However, despite this good rating it represents a decline of 8.9pts (-6.8%) on a year ago.

Business Confidence in NSW is just below the national average at 119.8, a drop of 9.7pts (-7.5%) on a year ago and is lowest in Queensland at 109.5, down 3.2pts (-2.9%) on a year ago and Tasmania at 107.8, down 17.2pts (-13.8%).

### Business Confidence by State in February 2021 vs February 2022



**Source:** Roy Morgan Business Single Source, February 2021, n=1,237, February 2022, n=1,313.

**Base:** Australian businesses.

## Property & Business Services, Transport, Postal & Warehousing and Agriculture are the most confident industries while Recreation & Personal and Electricity, gas & water are the least

Property & Business Services was the most confident industry in the first two months of 2022 with Business Confidence at 131.3 although this is down slightly, by 1.5pts (-1.2%), on a year ago.

Also performing well were Transport, Postal & Warehousing with a Business Confidence of 124.0, an increase of 18.6pts (+17.7%) on a year ago and Agriculture on 123.7, but down by 13.1pts (-9.6%) on the first two months of 2021.

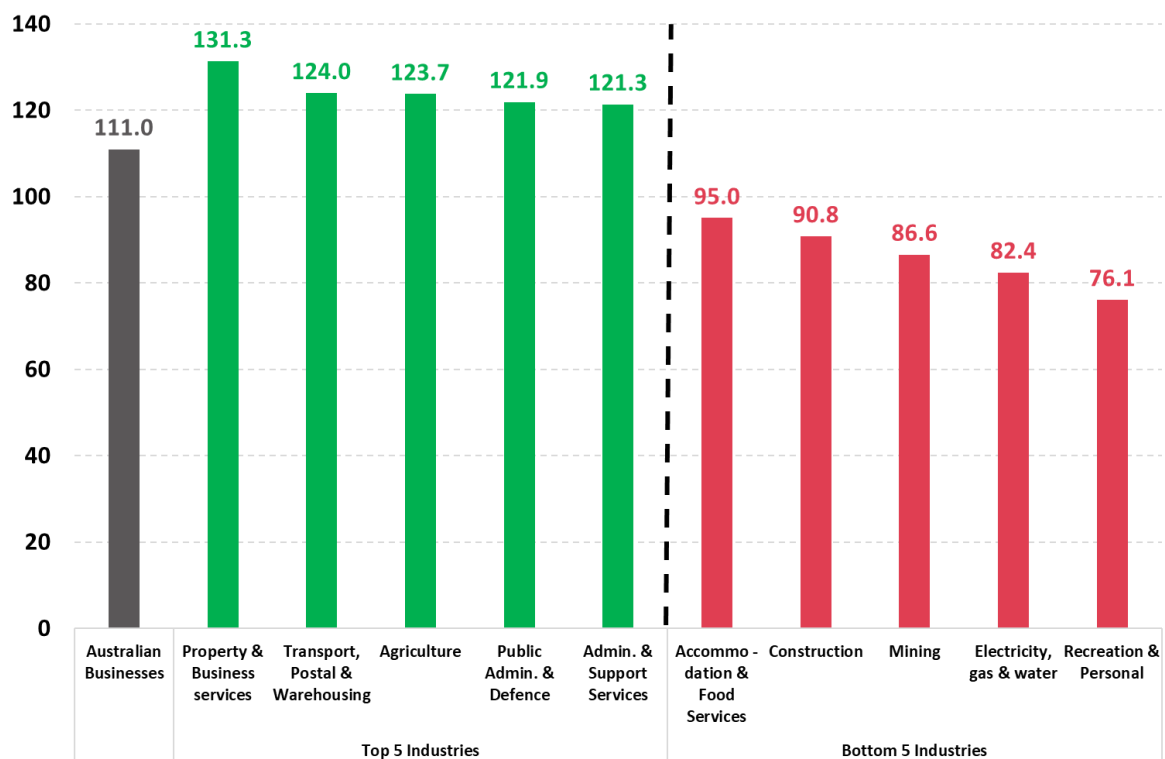
Rounding out the top five most confident industries over the first two months of 2022 are Public Administration & Defence on 121.9, but down 11.2pts (-8.4%) on a year ago, and Administration & Support Services on 121.3, an increase of 6.3pts (+5.4%) on a year ago.

There were five industries for which Business Confidence is lagging and was below the neutral level of 100 in early 2022. Unsurprisingly, it is Recreation & Personal which had the lowest Business Confidence of all industries in January and February 2022 at only 76.1, a drop of 24pts (-24%) on a year ago.

The emergence of the Omicron strain, which infected over 3 million Australians during January and February and forced millions of people into isolation, made it hard for businesses reliant on direct personal interactions to conduct business. The big reduction in the spread of COVID-19 in recent weeks means this industry should experience an increase in Business Confidence in the next few months.

Other industries with Business Confidence below the neutral level of 100 in January – February 2022 were Electricity, gas & water on 82.4, down 31.5pts (-27.7%) from a year ago, Mining on 86.6, down a massive 58.5pts (-40.3%), Construction on 90.8, down 29.2pts (-24.3%) and Accommodation & Food Services on 95.0, virtually unchanged from a year ago.

### Business Confidence for Top 5 and Bottom 5 Industries in January - February 2022



**Source:** Roy Morgan Business Single Source, January - February 2022, n=2,739. **Base:** Australian businesses.

**Note:** In the chart above green bars represent Business Confidence in positive territory above 100 and above the national average, blue bars represent Business Confidence in positive territory above 100 but below the national average, and red bars represent Business Confidence well below the national average and below the neutral level of 100.

### Businesses are very confident about the year ahead with majorities expecting to be 'better off' this time next year and 'good times' for the Australian economy over the next year

- A clear plurality of businesses, 53.1% (up 8.6ppts), expect the **business will be 'better off' financially** this time next year, **the highest figure for this indicator for over a year since December 2020**, while only 17.2% (down 5.9ppts) expect the business to be 'worse off';
- In addition, there was a big rise in confidence about **Australia's economic performance over the next year** with over three-fifths of businesses, 62.3% (up 12.5ppts), expecting 'good times' for the Australian economy over the next year while only around a third, 33.4% (down 13.6ppts), expect 'bad times';



- Now just over two-fifths of businesses, 40.2% (up 8.1ppts), said the **business is 'better off' financially than this time a year ago** while fewer than a third, 30.9% (down 6.9ppts), said the business is 'worse off';
- Businesses have regained a great deal of confidence about **the longer-term outlook** with a majority of 52.5% (up 9ppts) expecting 'good times' for the Australian economy over the next five years compared to 40.5% (down 9.2ppts) which expect 'bad times';
- In addition, businesses are split on whether now is a **'good time to invest in growing the business'** with a majority of 53.1% (up 8.6ppts), saying the next 12 months is a 'good time to invest', while just over a third, 36.8% (down 12.6ppts) said it will be a 'bad time to invest'.

**Michele Levine, CEO of Roy Morgan, says the Omicron variant ripped through Australia in January but by February businesses were already moving on with Business Confidence jumping 19pts (+18.7%) to 120.5 – the highest since June 2021:**

*"Roy Morgan Business Confidence jumped by 19pts (+18.7%) in February to 120.5, its highest mark since the beginning of the Delta wave of COVID-19 in June 2021 (128.3). The stunning rebound came after the Omicron wave spread rapidly around Australia during January and sent the measure plunging.*

*"The quick recovery in the index came as the highly contagious, but relatively mild, Omicron variant dissipated during February which again highlights the underlying strength of the Australian economy. Also heading in the right direction is the latest [Roy Morgan unemployment and under-employment estimates for February – now at a total of 16.3% of the workforce](#), the lowest since the COVID-19 pandemic began.*

*"Australian businesses grew increasingly confident about the year ahead in February with nearly two-thirds, 62.3% (up 12.5ppts), saying they expect 'good times' for the Australian economy over the next year and a majority of 53.1% (up 8.6ppts) saying now is a 'good time to invest in growing the business'.*

*"This underlying strength was on display in the December quarter of 2021 with the [ABS estimating Australian GDP grew by 3.4%](#) - the fastest rate of economic growth for 45 years since 1976. Although the emergence of the Omicron strain caused havoc for the economy early this year the quick rebound in Business Confidence suggests GDP growth should quickly return to its previous trajectory.*

*"However, there are clearly concerns that are set to impact on the next few months including the uncertainty of the Federal Election, due in May, and the impact of the Russian invasion of Ukraine. The heavy sanctioning of Russia following the invasion has led to rapid increases in the prices of many commodities including oil, gas, coal and other metals as well as foodstuffs including wheat.*

*"Russia (and Ukraine) are large exporters of many of these key goods and the sanctions and restrictions brought in have already led to significant price rises. For instance, for the first time Australians are now paying over \$2 a litre for petrol – and this price could escalate further if the situation continues to deteriorate.*

*"The impact of higher inflation will be felt by all Australians over the next few months and this is set to lead to interest rate increases later this year, although likely after the Federal Election. The handling of an inflationary environment most Australians have never experienced is set to provide the first big test for whichever party is elected in May.*

*"The latest [Roy Morgan Poll on Federal voting intention taken in the first week after the Russian invasion of Ukraine shows the ALP 56.5% well in front of the L-NP 43.5% on a two-party preferred basis](#) with Opposition Leader Anthony Albanese heavily favoured to lead the ALP to victory."*

The latest Roy Morgan Business Confidence results for February are based on 1,313 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](#).

**For comments or more information please contact:**

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To learn more about Roy Morgan's [Business Confidence](#), [Consumer Confidence](#) and [Inflation Expectations](#) data call (+61) (3) 9224 5309 or email [askroymorgan@roymorgan.com](mailto: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 80 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