



Monday, 6 June 2022

Roy Morgan Business Confidence fell 12.8pts to 100.2 in May as Australians faced a pivotal Federal Election

In May 2022 Roy Morgan Business Confidence fell by 12.8pts (-11.3%) to 100.2. The sharp fall in May came as Australians geared up for a pivotal election on Saturday May 21 – won by the Anthony Albanese-led ALP for the party's fourth victory from Opposition since World War II.

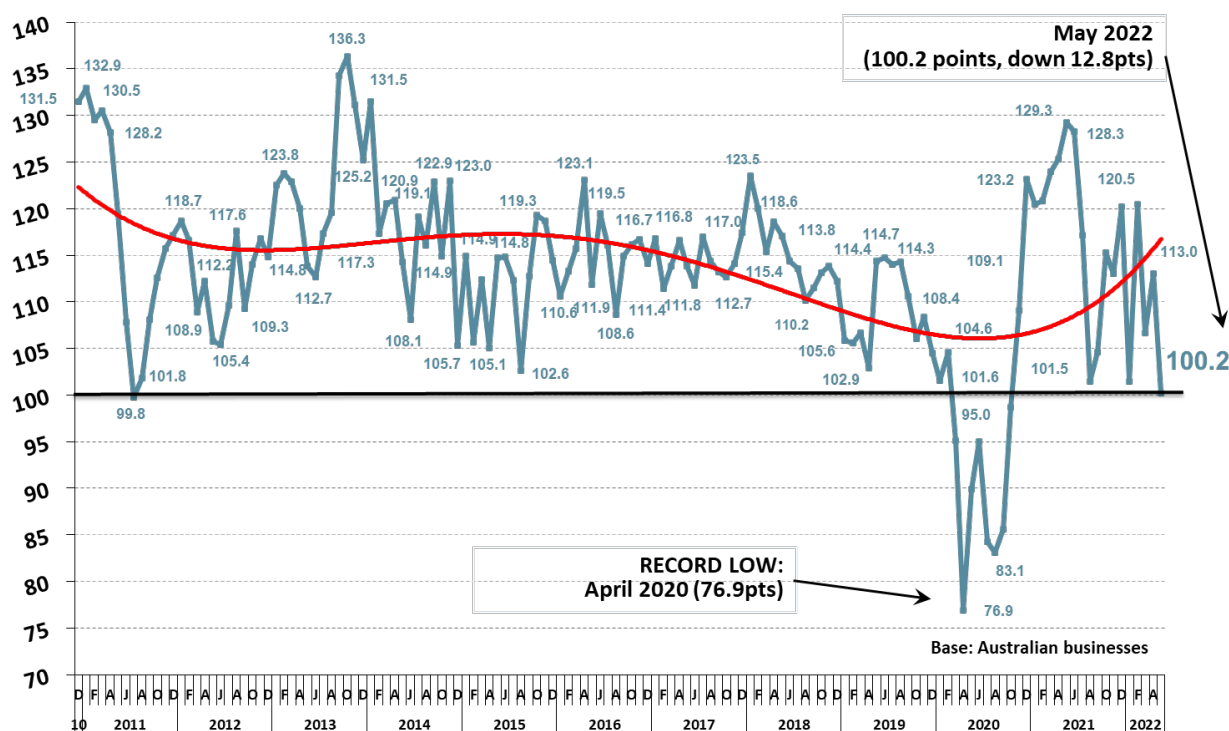
The plunge in Business Confidence came after the RBA's decision to raise interest rates in early May by 0.25% points to 0.35% for the first time in over a decade. The RBA's decision to increase interest rates followed the higher-than-expected ABS CPI result for the March quarter 2022 which showed an annual rate of inflation of 5.1% - the highest for over 20 years.

There were falls across the index, although businesses remain broadly positive about their own prospects with a clear plurality of 41.3% expecting the business to be 'better off' financially this time next year compared to only 20.1% that expect to be 'worse off' financially.

On a State-based level there were significant monthly decreases in NSW, down 23.4pts (-19.5%), Queensland, down 13.7pts (-12%) and Western Australia, down 18.9pts (-15.6%). Business Confidence was virtually unchanged in Victoria, down 0.5pts (-0.5%) and South Australia, up 0.2pts (+0.2%).

Business Confidence in May 2022 dropped to its lowest since October 2020 (98.7) during Victoria's second wave of COVID-19 and is now well below the long-term average of 113.6 but remains significantly higher than the latest [ANZ-Roy Morgan Consumer Confidence of 90.7 for May 23-29, 2022](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-May 2022. Average monthly sample over the last 12 months = 1,413.

Business Confidence dived in May and is well down on a year ago in all States

Business Confidence in May dropped significantly and was down 29.1pts (-22.4%) from a year ago to 100.2 reaching its lowest point since Victoria's second wave of COVID-19 in October 2020 (98.7). The Index peaked exactly a year ago in May 2021 at 129.3 and has now 'zig-zagged' for the last eight months since September 2021 without being able to establish a clear trend.

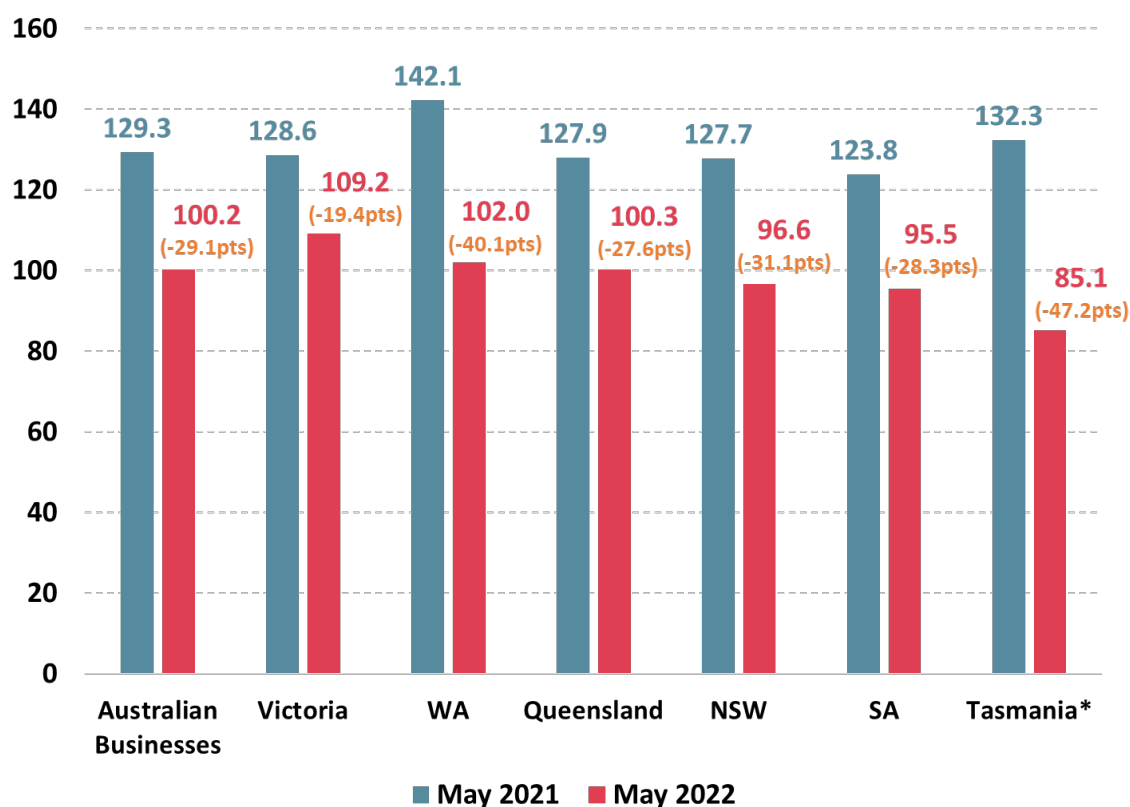
The index has dropped in all six States by at least 15% from a year ago and is now highest, and above the national average, in Victoria at 109.2, down 19.4pts (-15.1%). This is the smallest decline of any State although it is worth remembering Melbourne had entered its fourth lockdown in late May 2021.

The index is above the national average in Western Australia at 102.0 although the State has suffered the largest fall for any mainland State from a year ago, down 40.1pts (-28.3%) from a year ago.

Business Confidence in Queensland was in line with the national average at 100.3, down 27.6pts (-21.6%) from a year ago and is below the national average in NSW at 96.6, down 31.1pts (-24.4%). Both States have endured significant flooding in recent months due to the La Niña weather system

The two States with new Premiers once again have the lowest ratings – South Australia and Tasmania. In both States' Business Confidence is well below the neutral level of 100 at only 95.5, down 28.3pts (-22.9%) from a year ago in South Australia and at only 85.1, down 47.2pts (-35.7%) in Tasmania.

Business Confidence by State in May 2021 vs May 2022



Source: Roy Morgan Business Single Source, May 2021, n=1,388, May 2022, n=1,351. **Base:** Australian businesses.

*Tasmanian Business Confidence is measured over two months: April-May 2021 cf. April-May 2022.

Accommodation & Food Services most confident industry in the last two months as Australians enjoy being able to travel for the school holidays in late April

Accommodation & Food Services was again the most confident industry in April-May 2022 with Business Confidence at 131.5, up 16.8pts (+14.6%) on a year ago. Information Media & Telecommunications is also flying high now with Business Confidence of 129.0, up 6.7pts (+5.5%) on a year ago.

Accommodation & Food Services and Information Media & Telecommunications were two of only three industries to have higher Business Confidence now compared to a year ago.

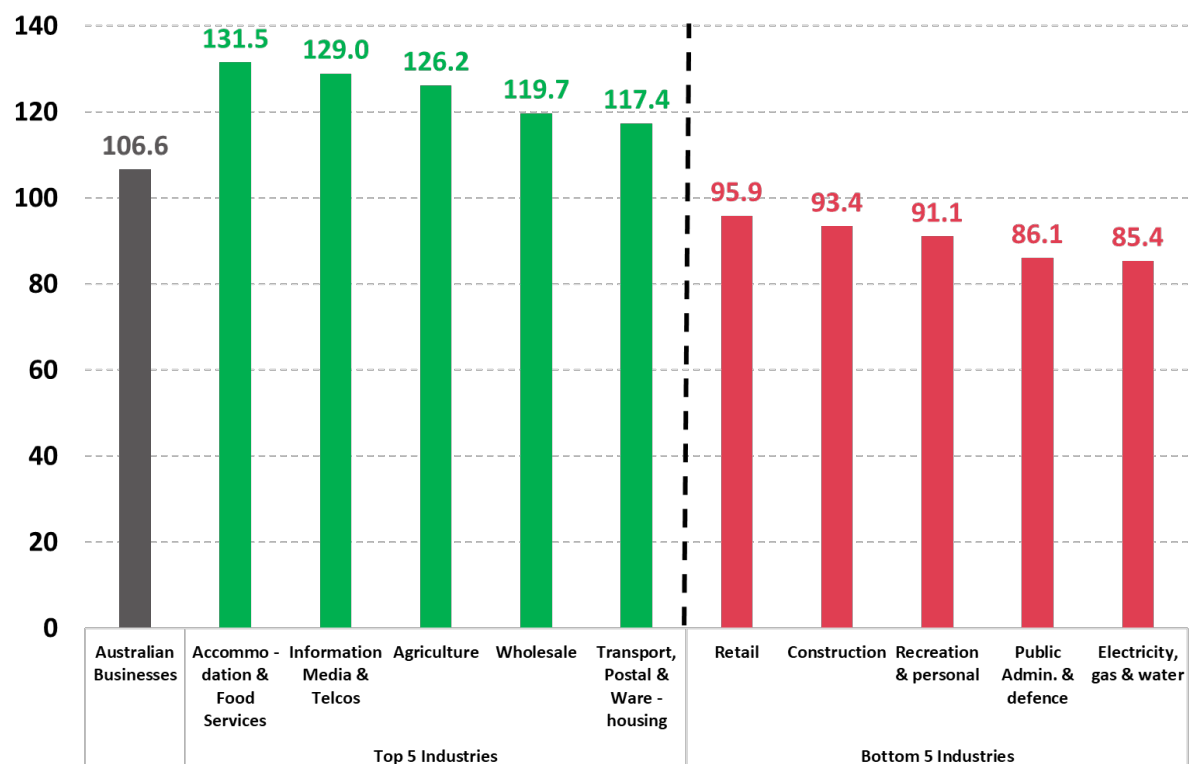
The high Business Confidence for Accommodation & Food Services is unsurprising when one considers the school holiday period in late April, including consecutive long weekends over Easter and ANZAC Day, was the first chance many Australians have had to travel anywhere in the country in over two years.

Other confident industries with Business Confidence over 10pts higher than the national average included Agriculture on 126.2, but down 20.4pts (-13.9%) on a year ago, Wholesale on 119.7, down 27.5pts (-18.7%) on a year ago and Transport, Postal & Warehousing on 117.4, down 13.7pts (-10.5%) on a year ago.

There were however several laggards with Business Confidence well below the neutral level of 100 including Retail on 95.9, down 27pts (-22%) on a year ago, Construction on 93.4, down 24.6pts (-20.9%) and Recreation & Personal on 91.1, down 23.7pts (-20.7%) on a year ago.

The industry to suffer the largest decline in Business Confidence was Public Administration & Defence on 86.1, down 73.5pts (-46.1%) on a year ago – the largest percentage fall of any industry compared to early 2021. However, the industry with the lowest Business Confidence of all was Electricity, gas & water on only 85.4, down 13.9pts (-14%) on a year ago.

Business Confidence for Top 5 & Bottom 5 Industries in April – May 2022



Source: Roy Morgan Business Single Source, April - May 2022, n=2,704. **Base:** Australian businesses.

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

Businesses were in neutral territory heading into the Federal Election as sentiment about the Australian economy dived in May before Australians voted in the new ALP Government

- A decreasing plurality of businesses, 38.6% (down 7.9ppts), said the **business is 'better off' financially than this time a year ago** while just under a third, 32.5% (up 1.1ppts), said the business is 'worse off';
- In addition, there was also a contraction in confidence about business' prospects over the next year with 41.3% (down 6.3ppts) of businesses, **(the lowest figure for this indicator for over two years since March 2020)** expecting the **business will be 'better off' financially** this time next year, while an unchanged 20.1% expect the business will be 'worse off';
- However, now a majority of businesses, 51.8% (up 9.1ppts) expect 'bad times' for **Australia's economic performance over the next year (the highest figure for this indicator for well over a year since October 2020)** while under half, 45.1% (down 8.9ppts), expect 'bad times' **(the lowest figure for this indicator for well over a year since October 2020)**;



- Businesses are even more negative on **the longer-term outlook for the Australian economy** with a majority of 54.4% (up 8.2ppts) expecting 'bad times' for the Australian economy over the next five years **(the highest figure for this indicator for well over a year since September 2020)** compared to just 38.6% (down 7.7ppts) which expect 'bad times' **(the lowest figure for this indicator for well over a year since September 2020)**;
- A rising plurality of businesses, 47.3% (up 7ppts) say the next 12 months will be a **'bad time to invest in growing the business'**, while only 43.8% (down 7.8ppts) said it will be a 'good time to invest' in growing the business **(the lowest figure for this indicator for nearly two years since August 2020)**.

Michele Levine, CEO of Roy Morgan, says Business Confidence fell back to neutral in the lead-up to the Federal Election as higher-than-expected inflation, and the RBA beginning a new cycle of interest rate increases, dented the confidence of businesses about the next 12 months:

"Roy Morgan Business Confidence fell sharply in the lead-up to the Federal Election, down 12.8pts (-11.3%) to 100.2 – effectively in line with the neutral level of 100. The RBA's decision to increase interest rates by 0.25% to 0.35% in early May clearly played a big part in knocking confidence.

"The increase to the official interest rates was the first in Australia for over a decade and marks the end of a period of record low interest rates over the last two years during the COVID-19 pandemic. The RBA has indicated they are set to increase interest rates several more times over the next year or two as they seek to 'tamp down' on the increasing level of inflation.

"Rising inflation and interest rates are a large challenge facing the new ALP Government led by Prime Minister Anthony Albanese. The last time the Australian economy faced these issues was during the term of the Rudd-Gillard Governments in 2009-10 following the Global Financial Crisis.

"The RBA increased interest rates on seven occasions by 1.75% to 4.75% from October 2009 – November 2010 to control inflation and a similar level of increases during the current cycle will mean official interest rates will hit 2% early next year – the highest they have been since early 2016.

"There were declines across the index in May but although businesses are now negative about prospects for the Australian economy, the good news is they are still largely positive about their own situations. In May over two-fifths of businesses, 41.3%, expect the business will be 'better off financially' this time next year while only around a fifth, 20.1%, say they will be 'worse off financially'.

"On an industry-level Business Confidence is highest for Accommodation & Food Services, Information Media & Telecommunications, Agriculture, Wholesale and Transport, Postal & Warehousing. Notably, the industry with the lowest Business Confidence is Electricity, gas & water, which has been in the news in the last week as gas prices on Australia's East Coast have soared.

"The typical price of gas for businesses on contract is around \$10 a gigajoule, however for those relying on the spot price the market is now pricing gas at \$40 a gigajoule – an increase of around 400%. This level of increase will prove impossible to sustain for businesses that buy their gas via the spot market and could lead to businesses closing their doors if nothing is done to bring the price back down.

"As yet the new Albanese Government has decided against enforcing the Australian Domestic Gas Reservation Mechanism to force gas marked for export into the domestic supply and is hoping the Australian Energy Market Operator's decision to enact the 'gas supply guarantee mechanism' to increase domestic gas supplies will ease price pressures."

The latest Roy Morgan Business Confidence results for May are based on 1,351 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:

Michele Levine
CEO, Roy Morgan
Office: +61 (3) 9224 5215
Mobile: 0411 129 093

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.

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