

Tuesday, 2 August 2022

Roy Morgan Business Confidence down 2.4pts to 94.9 – lowest since September 2020

In July 2022 Roy Morgan Business Confidence was 94.9 (down 2.4pts since May). This is the third straight monthly fall and the first time the index fell for three straight months since the long lockdowns in New South Wales and Victoria in August 2021.

The RBA increased interest rates by 0.50% in July and has now increased interest rates again by 0.50% in August to 1.85%. This is the largest four-monthly increase (+1.75%) to interest rates for nearly three decades since 1994 when the RBA increased interest rates by 2% in only three months.

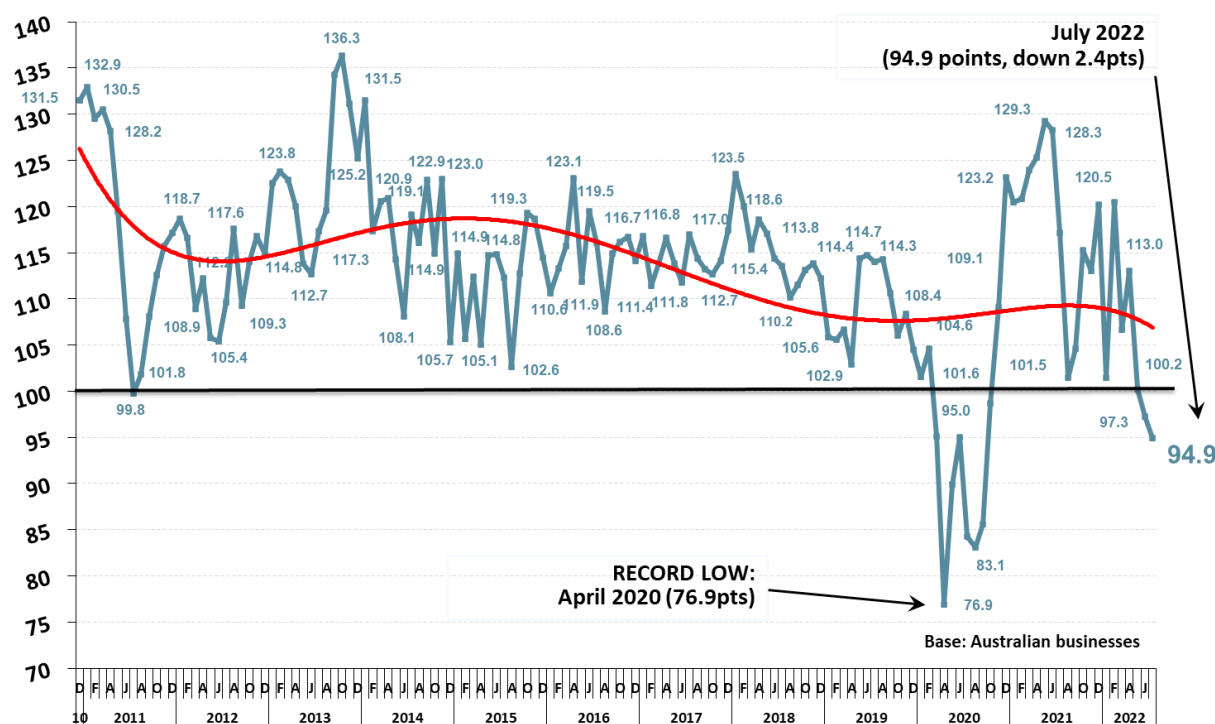
Australia's interest rates (1.85%) are now the highest they have been for over six years since May 2016 (2%).

The monthly decline in Business Confidence was driven by a fall in confidence about the prospects for the Australian economy over the next five years with only 37.6% of businesses now expecting 'good times' for the economy over the next five years, down 2ppts from a month ago.

However, despite the monthly fall, businesses are still more optimistic than pessimistic when it comes to their own business prospects. A plurality of 41.4% (down 0.1ppts) expecting the business to be 'better off' this time next year and a rising plurality of 38.8% (up 0.2ppts) saying the business is 'better off' financially than this time a year ago.

Business Confidence in July 2022 dropped to its lowest since September 2020 (85.6) during Victoria's second wave of COVID-19 and is now 18.5pts below the long-term average of 113.4 but remains significantly higher than the latest [ANZ-Roy Morgan Consumer Confidence of 84.1 for July 25-31, 2022](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-July 2022. Average monthly sample over the last 12 months = 1,434.

Business Confidence plunges from a year ago in all States except NSW

Business Confidence in July is down by 22.3pts (-19.1%) from a year ago to 94.9 reaching its lowest point since Victoria's second wave of COVID-19 in September 2020 (85.6). The Index peaked just over a year ago in May 2021 at 129.3 and has now fallen for three straight months for the first time this year.

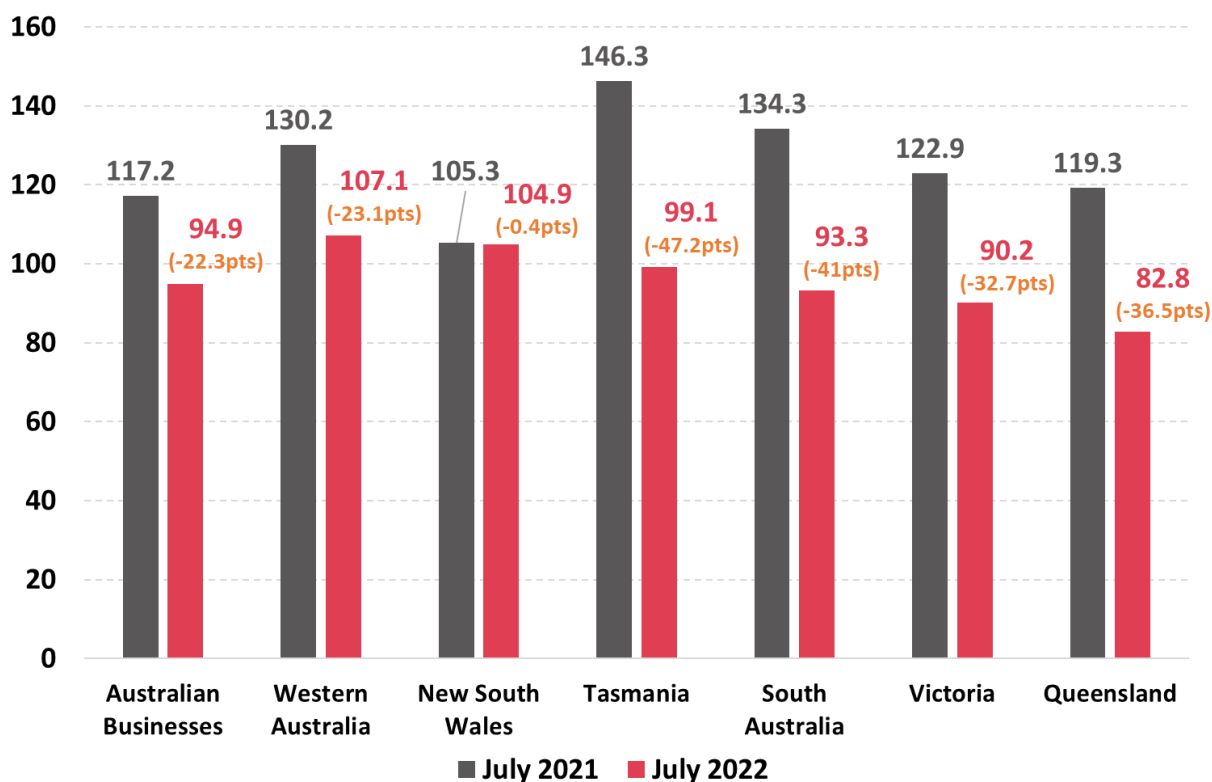
The index has dropped by more than 20pts in five States but is virtually unchanged in New South Wales at 104.9, down only 0.4pts (-0.4%) on a year ago. It's worth remembering that New South Wales entered a full lockdown late in June 2021 and spent the entire month of July last year in a lockdown.

Business Confidence is now highest in Western Australia at 107.1, although down 23.1pts (-17.7%) from a year ago. Western Australia and New South Wales are now the only States with Business Confidence in positive territory above the neutral level of 100.

Business Confidence has fallen significantly from a year ago in the other four States by at least 30pts. The largest fall was in Tasmania, down 47.2pts (-32.3%) to 99.1 and index has fallen by almost as much in South Australia down by 41pts (-30.5%) to 93.3.

The index is well below the national average in Victoria at 90.2, down 32.7pts (-26.6%) from a year ago, and lowest of all in Queensland at only 82.8, down 36.5pts (-30.6%) from July 2021.

Business Confidence by State in July 2021 vs July 2022



Source: Roy Morgan Business Single Source, July 2021, n=1,341, July 2022, n=1,641. **Base:** Australian businesses.

*Tasmanian Business Confidence is measured over two months: June-July 2021 cf. June-July 2022.

Property & Business Services, Community Services and Education & Training are the most confident industries in the last two months

The Property & Business Services industry was the most confident in June-July 2022 with Business Confidence at 117.0, down 17.7pts (-13.16%) on a year ago. Community Services are also performing well with Business Confidence of 113.9, although down 9.9pts (-8%) on a year ago.

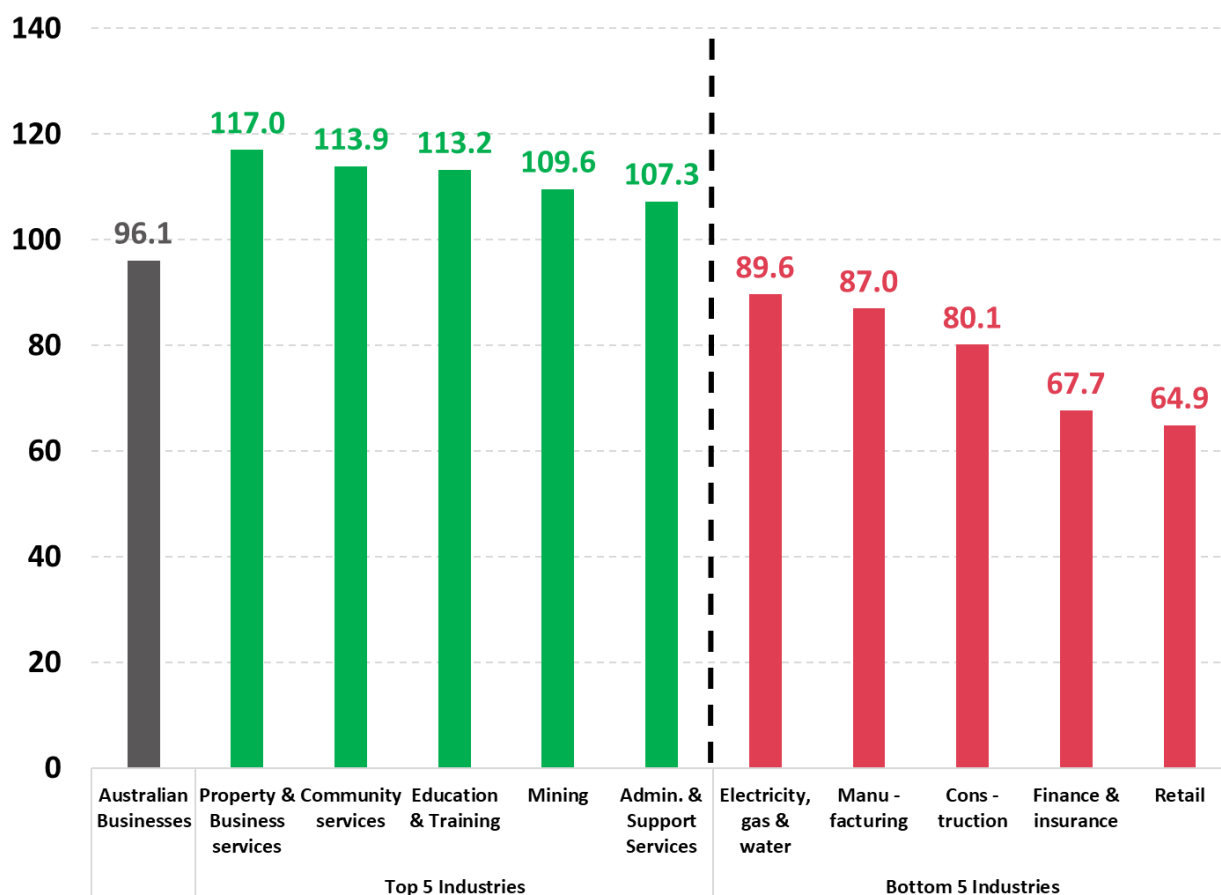
These two industries are among nine with Business Confidence higher than the neutral level of 100 in June-July 2022 although all 18 industries measured had a lower rating now compared to a year ago.

Other industries with Business Confidence over 10pts higher than the national average include Education & Training on 113.2, but down 15.3pts (-11.9%) on a year ago, Mining on 109.6, down 2.9pts (-2.6%) on a year ago and Administration & Support Services on 107.3, down 14.7pts (-12.0%) on a year ago.

Two industries have very low Business Confidence in June-July 2022 – Finance & Insurance on only 67.7, down a large 43.3pts (-39%) on a year ago, and Retail on only 64.9, down a massive 62.2pts (-48.9%) on the same time a year ago. Both industries are now a massive 30% below the national average.

Other industries with far lower than average Business Confidence include Electricity, gas & water on 89.6, down 16.4pts (-15.5%) on a year ago, Manufacturing on 87.0, down 11.2pts (-11.4%) on a year ago and Construction on just 80.1, following a large drop of 47.7pts (-37.3%) on a year ago.

Business Confidence for Top 5 and Bottom 5 Industries in June – July 2022



Source: Roy Morgan Business Single Source, June-July 2022, n=2,936. **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 are still positive about their own prospects but continue to be worried about the Australian economy's performance over the next year and next five years

- An increasing plurality of businesses, 38.8% (up 0.2ppts), said the **business is 'better off' financially than this time a year ago** while over a third, 36.7% (up 2.9ppts), said the business is 'worse off';
- Businesses are still broadly positive about their own prospects over the next year with 41.4% (down 0.1ppts) of businesses, expecting the **business will be 'better off' financially** this time next year, while over a quarter, 28% (up 2.4ppts) expect the business will be 'worse off' (**the highest figure for this indicator for over two years since March 2020**);
- However, a majority of businesses, 57.8% (down 0.8ppts) expect 'bad times' for **Australia's economic performance over the next year** while under half, 40.7% (up 2ppts), expect 'good times';
- Businesses are overall slightly less positive on **the longer-term outlook for the Australian economy** with 37.6% (down 2ppts) of businesses expecting 'good times' for the Australian economy over the next



five years (the lowest figure for this indicator for nearly two years since September 2020) while an increasing majority of 57.8% (up 3.1ppts) expect 'bad times' over the next five years (the highest figure for this indicator for nearly two years since September 2020);

- Businesses are also wary about investing in growing their business with only 44% (down 1.4ppts) saying the next 12 months will be a 'good time to invest in growing the business', while 48% (up 3.5ppts) said it will be a 'bad time to invest' in growing the business.

Michele Levine, CEO of Roy Morgan, says Business Confidence fell for a third straight month in July to 94.9 and is down 18.1pts (16%) since hitting a high of 113.0 in April. Since April the RBA has commenced the fastest interest rate increasing cycle for nearly 30 years since 1994:

"Roy Morgan Business Confidence fell for a third straight month in July, down 2.4pts to 94.9, and is now down 22.3pts (-19%) from a year ago in July 2021 – the first full month of lockdown last year in NSW.

"Despite the declines Business Confidence is holding up relatively well and is over 10 points higher than the latest [ANZ-Roy Morgan Consumer Confidence Rating of 84.1](#). This gap has been consistent all year with Business Confidence averaging 104.9 this year compared to only 92.3 for Consumer Confidence.

"Although businesses are concerned about the state of the Australian economy with 57.8% expecting 'bad times' for Australia's economic performance over the next year, and next five years, they are broadly positive about their own situation. Now a plurality of 41.4% expect the business to be 'better off financially' this time next year compared to only 28% that expect to be 'worse off'.

"The weakness in Business Confidence clearly relates closely to the high inflation and increasing interest rates the Australian economy is currently dealing with. The recent [ABS CPI figure for the year to June 2022 was reported at 6.1%](#) - the highest annual rate for over 20 years since 2001.

"The high inflation is the reason the RBA began raising interest rates for the first time in over a decade at its meeting in early May. Since then the RBA has increased interest rates four times by a total of 1.75% to 1.85% - the highest interest rates have been in over six years since mid-2016.

"In a historical context of the past 30 years interest rates are still well below the long-term average of 4.13% since 1992. However, given the larger size of bank loans and mortgages in today's economy even small changes to interest rates will have a larger impact than they used to. Not even the most hawkish predictions of market watchers suggest official interest rates will approach the average above 4%.

"On an industry basis the most confident industries in June-July 2022 are Property & Business Services at 117.0, Community Services at 113.9 and Education & Training at 113.2 – all over 15pts above the national average.

"In contrast there are three industries for which Business Confidence has plunged over the last year including Construction – down 47.7pts (-37.3%) to 80.1, Finance & Insurance – down 43.3pts (-39%) to 67.7 and Retail – down a massive 62.2pts (-48.9%) to only 64.9.

"The low reading for the Retail Industry shows as inflation and interest rates rise customers will firstly cut back on their discretionary expenditure while non-discretionary expenditure on essentials such as food and drinks continues. The latest [ABS Retail Sales figures just released for the month of June](#) show that although the annual rate of growth was high at 12%, the month-on-month increase was only 0.2% - well down on the comparable monthly figure in April of +0.9% - before interest rates began to increase."

The latest Roy Morgan Business Confidence results for July are based on 1,641 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.

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