

Monday, 29 August 2022

Roy Morgan Business Confidence up 1.1pts to 96.0

In August 2022 Roy Morgan Business Confidence was 96.0 (up 1.1pts since July), the first monthly increase for four months since April 2022.

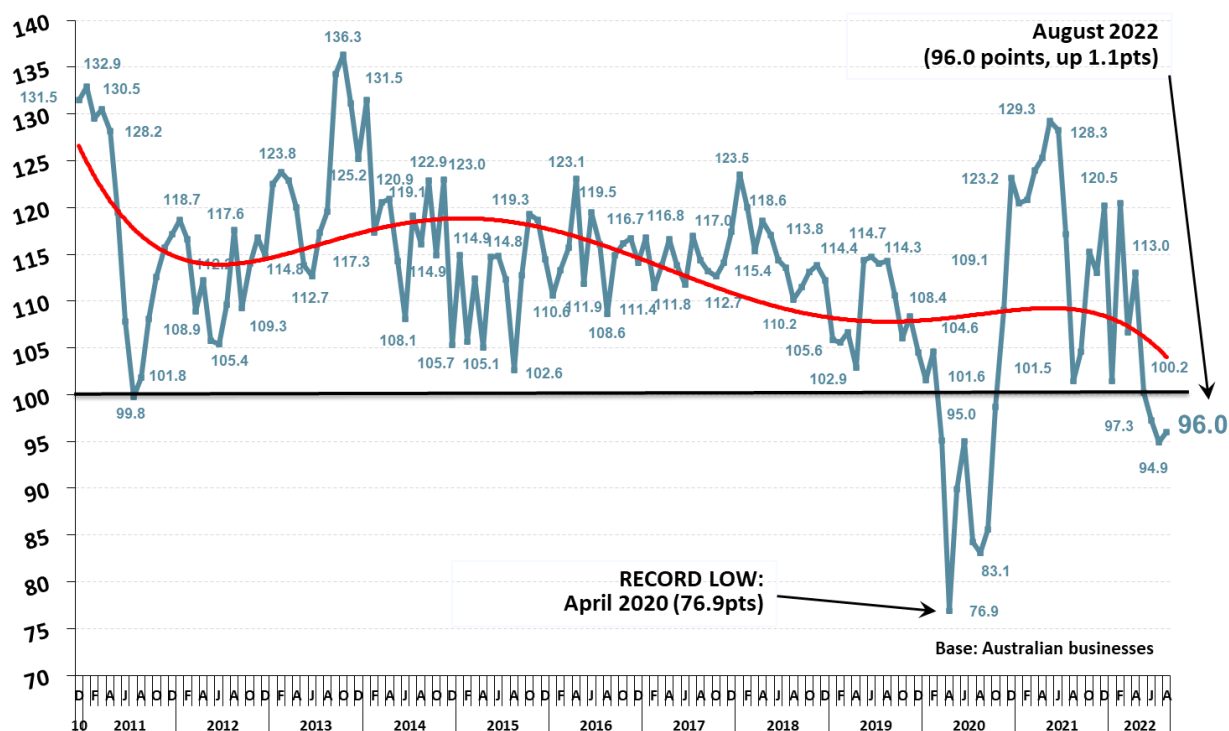
The increase was the first for Business Confidence since the RBA began increasing interest rates in early May for the first time in over a decade. The RBA has now increased interest rates by 1.75% over the last four months and is expected to raise interest rates again next week by a further 0.5%.

There were mixed results across the index in August with businesses growing more confident about longer-term prospects for the Australian economy while being more concerned about the next year and less likely to invest in growing the business in the next 12 months.

The positive moves that propelled the index higher was the 41.2% of businesses (up 3.6ppts) that now expect 'good times' for the economy over the next five years and the 43.5% of businesses (up 2.1ppts) that say they expect the business to be 'better off' financially this time next year.

Business Confidence is now 17.3pts below the long-term average of 113.3 but is significantly higher than the latest Consumer Confidence - [ANZ-Roy Morgan Consumer Confidence of 85.6 for August 15-21, 2022](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Aug 2022. Average monthly sample over the last 12 months = 1,442.

Business Confidence is down from a year ago in all States except NSW

Business Confidence in August is down by 5.5pts (-5.4%) from a year ago to 96.0 but is 12.9pts higher than two years ago in August 2020 (83.1) during Victoria's second wave of COVID-19.

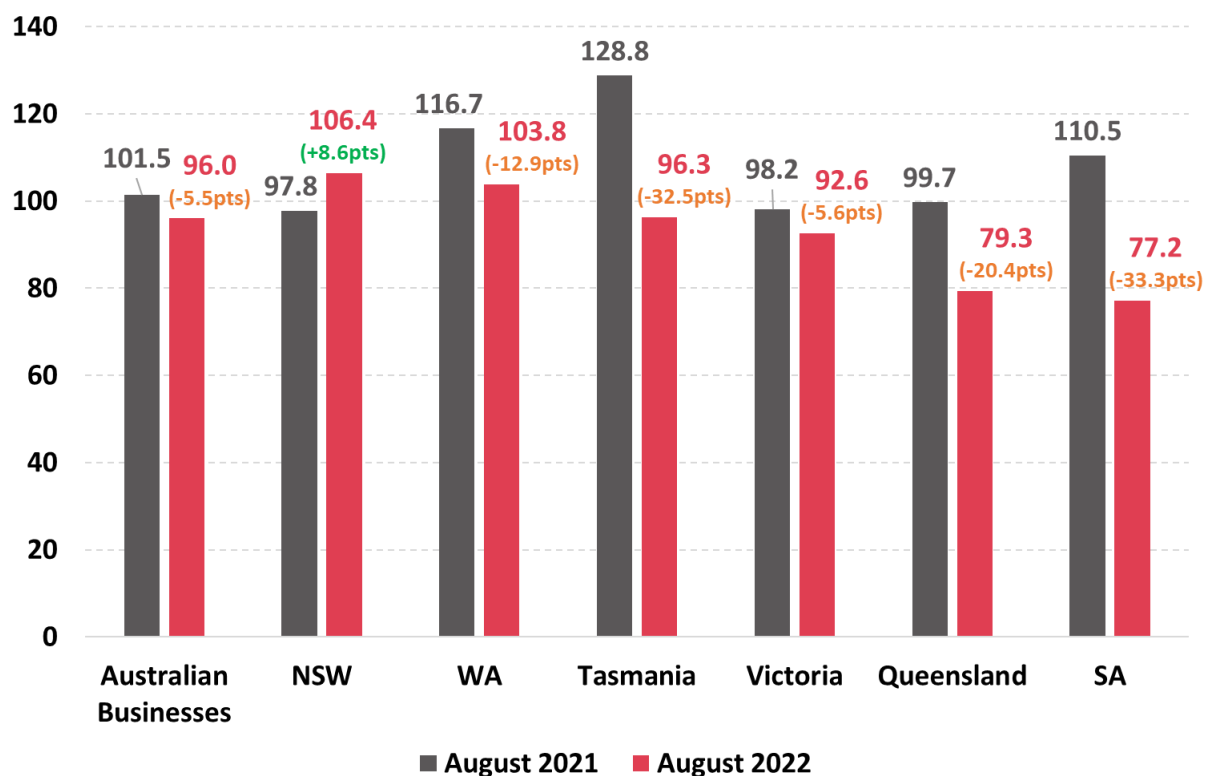
The index is down in all States except NSW which is now at 106.4, an increase of 8.6pts (+8.8%) on a year ago and now with the highest Business Confidence of any State. It's worth remembering that NSW entered a full lockdown late in June 2021 and spent the entire month of August last year in a lockdown.

The only other State with a positive Business Confidence above the neutral level of 100 in August is Western Australia at 103.8, although this represents a decline of 12.9pts (-11%) on a year ago.

Business Confidence is down from a year ago in the other four States. The largest fall was in South Australia, down 33.3pts (-30.2%) to 77.2 and now the lowest of any State. There were also big falls in Tasmania, down 32.5pts (-25.2%) to 96.3, and Queensland, down 20.4pts (-20.4%) to 79.3.

In Victoria, which faces a hotly contested State Election in under three months' time, Business Confidence was down marginally by 5.6pts (-5.7%) to 92.6 to be just below the national average.

Business Confidence by State in August 2021 vs August 2022



Source: Roy Morgan Business Single Source, August 2021, n=1,301, August 2022, n=1,398. **Base:** Australian businesses. *Tasmanian Business Confidence is measured over two months: July-August 2021 cf. July-August 2022.

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

The Education & Training industry was by far the most confident in July-August 2022 with Business Confidence almost 30% higher than the national average at 123.6. This represents a significant increase of 17pts (+16%) on a year ago when the flow of international students into the country was heavily constrained by Australia's closed international borders.

Accommodation & Food Services was the second most confident industry with Business Confidence almost 20% higher than the national average at 113.2. This figure is 14.6pts (+14.8%) higher than a year ago and continues the strong results seen for this industry during 2022 as travel restrictions around Australia were removed and people were finally able to take long-delayed holidays.

The star performer over the last year has been the Mining industry which now has Business Confidence of 112.9, an increase of 43.8pts (+63.4%) on a year ago. This is clearly the largest increase of any industry over the last year and is not surprising when one considers Australia has enjoyed a series of record high trade surpluses. The most recent data available shows [Australia with a monthly trade surplus of \\$17.7 billion in June 2022](#) built largely on resource exports of coal, gas and iron ore.

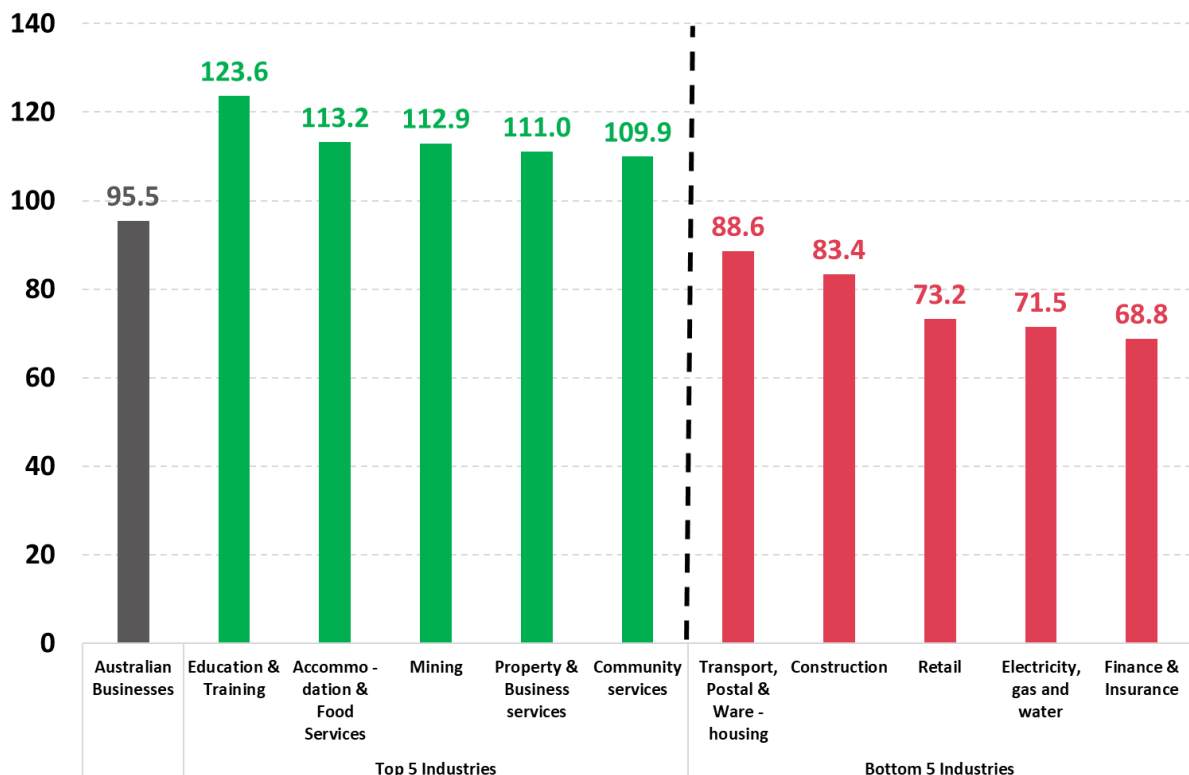
These three industries are among only seven with Business Confidence higher than the neutral level of 100 in July-August 2022.

Other industries with Business Confidence over 10pts higher than the national average include Property & Business Services on 111.0, but down 5.2pts (-4.4%) on a year ago, Community Services on 109.9, down 1.8pts (-1.6%) on a year ago, Administrative & Support Services on 109.3, up 4.3pts (+4.1%) on a year ago and Professional, Scientific & Technical Services on 105.7, up 4.9pts (+4.8%) on a year ago.

Three industries have very low Business Confidence in July-August 2022 more than 20% below the national average of 95.5. These industries include Finance & Insurance, which is the lowest of all on only 68.8, down a large 33.0pts (-32.4%) on a year ago, Electricity, gas & water on 71.5, down 38.6pts (-35.1%) on a year ago, and Retail on 73.2, down a massive 44.3pts (-37.7%) on a year ago.

Other industries with far lower than average Business Confidence include Construction on 83.4, down 21.9pts (-20.8%) on a year ago, Transport, Postal & Warehousing 88.6, down 30.3pts (-25.5%) on a year ago and Agriculture on 89.3, following a large drop of 42.1pts (-32%) on a year ago.

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



Source: Roy Morgan Business Single Source, July-August 2022, n=3,039. **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 positive about their own prospects but continue to expect 'bad times' for the Australian economy's performance over the next year and next five years

- A decreasing plurality of businesses, 37.2% (down 1.6ppts), said the **business is 'better off' financially than this time a year ago** while over a third, 36.8% (up 0.1ppts), said the business is 'worse off';
- Businesses are increasingly positive about their own prospects for the next year with 43.5% (up 2.1ppts) of businesses, expecting the **business will be 'better off' financially** this time next year, while just over a quarter, 26.9% (down 1.1ppts) expect the business will be 'worse off';
- However, an increasing majority of businesses, 58.3% (up 0.5ppts) expect 'bad times' for **Australia's economic performance over the next year** while under half, 39.8% (down 0.9ppts), expect 'good times';



- Businesses are more positive on the **longer-term outlook for the Australian economy** with 41.2% (up 3.6ppts) of businesses expecting 'good times' for the Australian economy over the next five years while an increasing majority of 53.6% (down 4.2ppts) expect 'bad times' over the next five years;
- However, businesses are wary about investing in growing their business with only 43.5% (down 0.5ppts) saying the next 12 months will be a '**good time to invest in growing the business**', (**the lowest figure for this indicator for two years since August 2020**) while a clear plurality of 49.4% (up 1.4ppts) said it will be a 'bad time to invest' in growing the business.

Michele Levine, CEO of Roy Morgan, says Business Confidence was up in August for the first time since the RBA began to increase interest rates in May and the rating remains significantly higher than the comparable figure for Consumer Confidence now at only 85.6:

"Roy Morgan Business Confidence increased by 1.1pts to 96 in August, the first increase for the index in four months. The increase was driven by more confidence about the performance of the economy over the next five years, up 2.1% points to 43.5%, and businesses becoming increasingly confident about their prospects over the next 12 months, up 3.6% points to 41.2%.

"Although those indicators are moving in the right direction, businesses are increasingly concerned about the short-term performance of the Australian economy with a majority of 58.3% (up 0.5ppts) expecting 'bad times' for Australia's economic performance over the next year.

"Despite this month's increase in the headline figure, the index is down 17 points (-15%) since the RBA began the current cycle of interest rate increases. The RBA has now raised official interest rates at four straight meetings by a total of 1.75% to 1.85%, the fastest rate of increases since 1994, and they are now at their highest for over six years since early 2016.

"The cycle of increases is set to continue next week when the RBA is expected to raise interest rates for a fifth straight month. However, the growing confidence in August suggests interest rate increases are not impacting businesses as negatively as they are hitting consumers – the most recent [ANZ-Roy Morgan Consumer Confidence Rating for late July is at only 85.6](#) – over 10 points lower.

"The larger impact of interest rate rises on consumers is not surprising when one considers that the average size of bank loans and mortgages in today's economy are far larger than they were in previous periods and even small changes to interest rates will have a larger impact than they used to.

"On an industry basis the most confident industries in July-August 2022 are Education & Training at 123.6, Accommodation & Food Services at 113.2 and Mining at 112.9 – all of which are significantly more confident than a year ago and over 15% above the national average.

"The three industries have benefited from the end of pandemic restrictions with international students returning to Australia in large numbers, and the re-opening of internal borders allowing Australians to take holidays this year that have been delayed for the last two years.

"Resource companies have benefited from increased demand for energy products in the wake of Russia's invasion of Ukraine as well as the rebounding world economy as countries have re-opened this year. [Australia's trade surplus hit a record high of \\$17.7 billion in June](#) based largely on booming resource exports of gas, coal and iron ore.

"In contrast there are three industries for which Business Confidence is at very low levels more than 20% below the national average including Finance & Insurance, down 33pts (-32.4%) to 68.8, Electricity, gas & water, down 38.6pts (-35.1%) to 71.5 and Retail, down a large 44.3pts (-37.7%) to 73.2."

The latest Roy Morgan Business Confidence results for August are based on 1,398 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

