

Friday, 1 September 2023

Roy Morgan Business Confidence jumps 7.2pts to 94.7 in August – highest since February 2023

In August 2023 Roy Morgan Business Confidence was 94.7 (up 7.2pts since July). This is the highest Business Confidence for six months since February 2023 and the first increase in the index since the traditional ‘new year’s jump’ in January.

The Business Confidence survey was conducted after the RBA left interest rates unchanged for a second straight month in August at 4.1% and after the [ABS showed official inflation figures falling rapidly during the June quarter 2023](#), down 1% point to 6%.

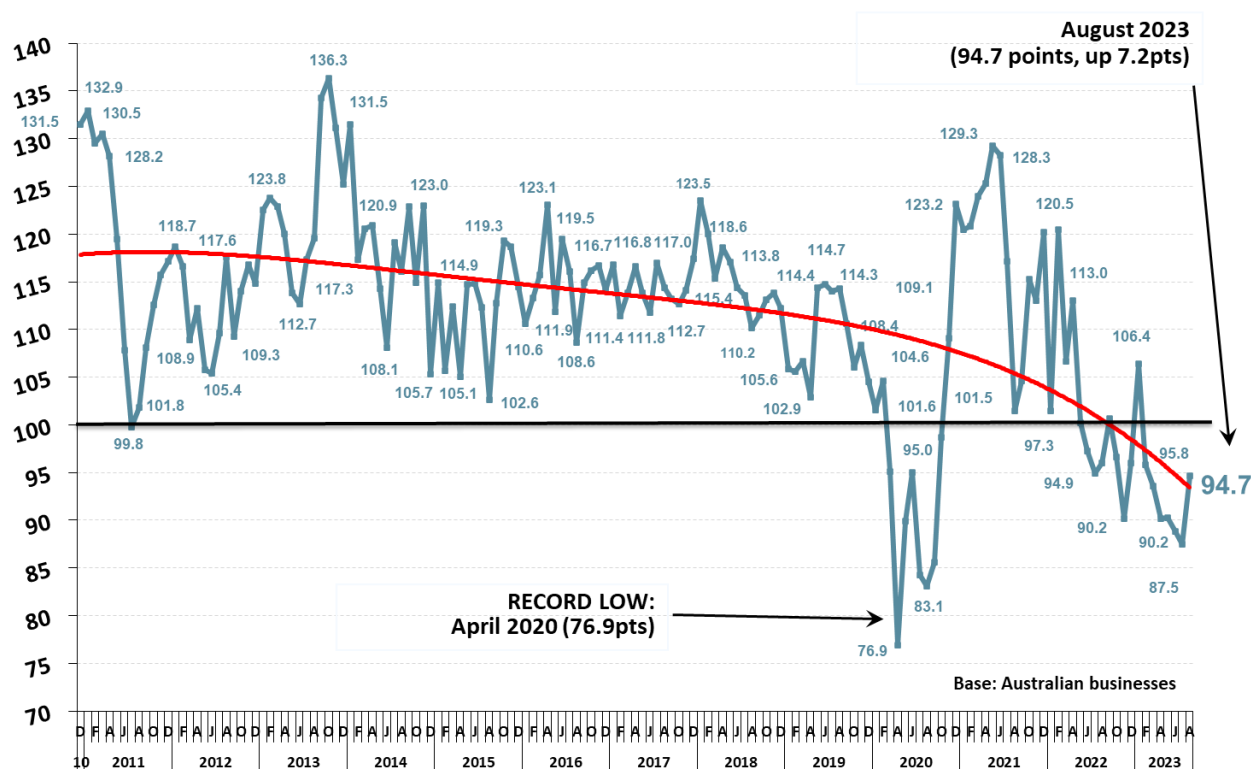
Business Confidence has now spent seven consecutive months below the neutral level of 100, the longest stretch in negative territory since October 2020 during the first year of the COVID-19 pandemic.

Businesses are increasingly positive about their own prospects over the next year with 45.7% (up 8% points) saying they will be ‘better off’ financially this time next year compared to only 21% (down 6% points) that say they will be ‘worse off’ – a positive net rating of 24.7% points.

However, a majority of businesses are worried about the performance of the Australian economy with 58.3% expecting ‘bad times’ for the economy over the next year and almost as many, 56.3%, expecting ‘bad times’ for the economy over the next five years.

Business Confidence is now 17.1pts below the long-term average of 111.8 but a large 16.6pts higher than the latest - [ANZ-Roy Morgan Consumer Confidence of 78.1 for August 21-27, 2023](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-August 2023. Average monthly sample over the last 12 months = 1,502.

Business Confidence is down slightly from a year ago – now highest in NSW and Tasmania

Business Confidence jumped by 7.2pts in August to 94.7, to its highest for six months since February 2023. However, despite this increase, the index is down by 1.3pts (-1.4%), compared to a year ago.

Despite the overall index being down compared to a year ago, at a State-based level there are three States which have increased and three States which have decreased. The three States to improve their Business Confidence are New South Wales, Tasmania and Queensland.

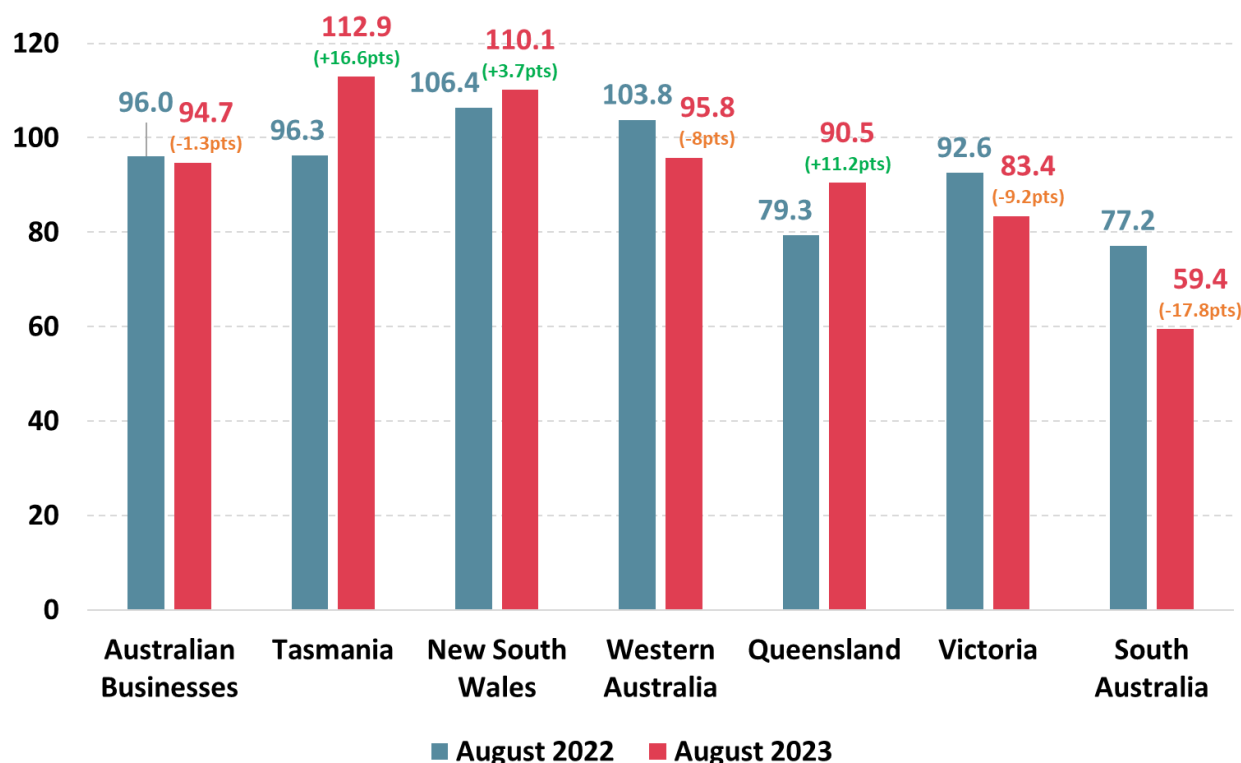
Business Confidence is now highest in Tasmania at 112.9, up 16.6pts (+17.3%) from a year ago, just ahead of New South Wales on 110.1 and up 3.7pts (+3.5%) on a year ago. New South Wales and Tasmania are the only two States with Business Confidence in positive territory above 100.

Business Confidence is also just above average in Western Australia at 95.8 in August, although this is down by 8pts (-7.7%) from a year ago. This is only the second time this year Business Confidence in Western Australia has dipped below the neutral level of 100.

The largest increase in Business Confidence for any mainland State over the last year was for Queensland, up 11.2pts (+14%) to 90.5 – although still just below the national average in August.

In contrast, Business Confidence in Victoria is down 9.2pts (-9.9%) to only 83.4 and has fallen a large 17.8pts (23%) to only 59.4 in South Australia. This is a record low Business Confidence reading for South Australia – the first time the indicator has ever dipped below 60.

Business Confidence by State in August 2022 vs August 2023



Source: Roy Morgan Business Single Source, August 2022, n=1,398, August 2023, n=1,555. **Base:** Australian businesses. *Tasmanian Business Confidence is measured over two months: July-August 2022 cf. July-August 2023.

Education & Training is the most confident industry again – for the fifth straight month

Over the last two months only seven industries, Education & Training, Finance & Insurance, Community services, Accommodation & Food Services, Administration & Support Services, Recreation & Personal and Mining had Business Confidence in positive territory above the neutral level of 100.

The most confident industry was again Education & Training with Business Confidence of 118.0, although a decrease of 5.6pts (-4.5%) on a year ago. Education & Training has now had the highest Business Confidence of any industry for five straight months since April 2023.

The reasons for this soaring Business Confidence are well known as the industry has been perhaps the biggest beneficiary of the relaxation of pandemic restrictions during 2022-23 which led to a re-opening of Australia's borders and the return of tens of thousands of international students to Australia.

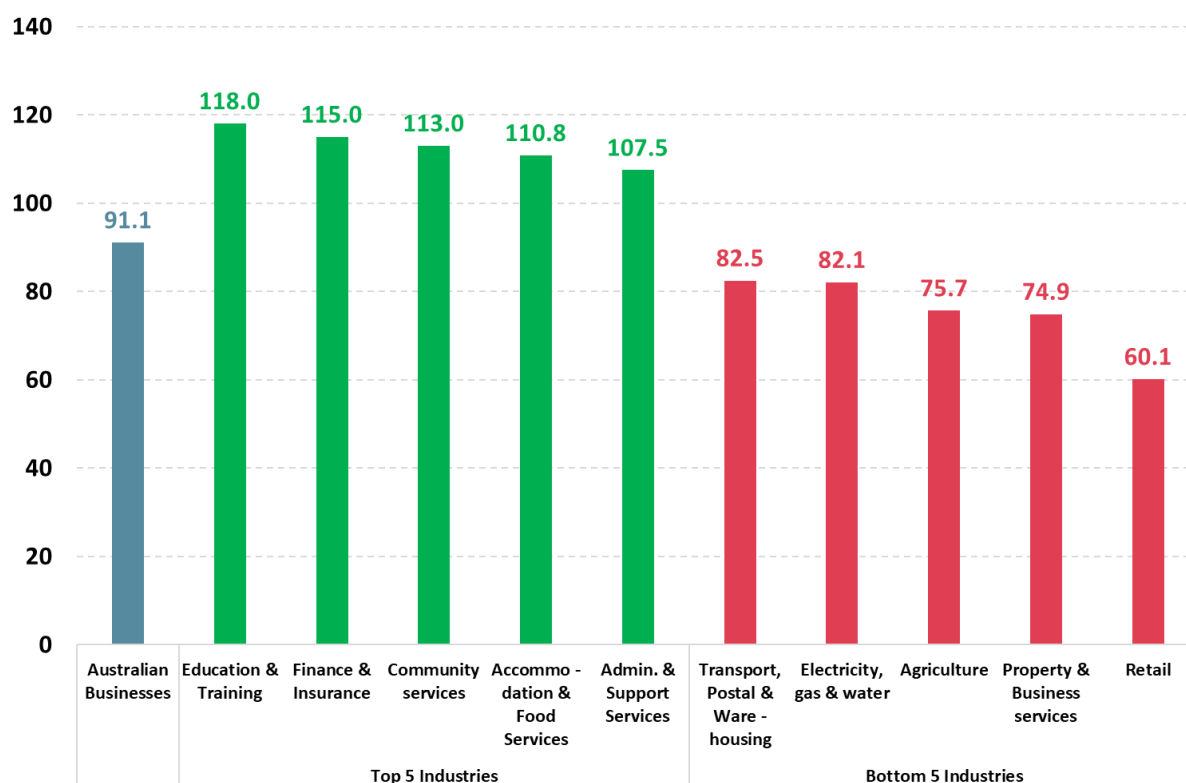
In second place is Finance & Insurance on 115.0, following a stunning increase of 46.2pts (+67.1%) on a year ago – the largest increase of any industry.

Following closely behind in third place is Community Services on 113.0, up 3.1pts (+2.8%) on a year ago just ahead of Accommodation & Food Services on 110.8, up 3.7pts (+3.4%) on a year ago and Administration & Support Services on 107.5, but down 1.8pts (-1.7%) on a year ago.

The pressure high inflation and rising interest rates are placing on consumer spending habits is clear when one considers the Retail industry has the lowest Business Confidence of all at only 60.1, and down 13.1pts (-17.9%) from a year ago.

Two other industries with low Business Confidence are Property & Business Services on 74.9, down 36.2pts (-32.6%) from a year ago – the largest fall of any industry, and Agriculture on 75.7 and down 13.6pts (-15.2%) on a year ago.

Business Confidence for Top 5 and Bottom 5 Industries in July – August 2023



Source: Roy Morgan Business Single Source, July - August 2023, n=3,141. **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.

Business Confidence up 7.2pts to 94.7 in August as businesses grow more confident about their own prospects and the Australian economy's performance going forward:

- In August, just over a third of businesses, 35.1% (up 4.6ppts), said their **business is 'better off' financially than this time a year ago**, while almost half, 44.2% (down 2ppts), said the business is now 'worse off';
- Businesses are increasingly positive about their own prospects for the next year, with 45.7% (up 8ppts) expecting the **business will be 'better off' financially** this time next year, while under a quarter, 21% (down 6ppts), expect the business will be 'worse off';



- However, views on whether now is a **'good or bad time to invest in growing the business'** deteriorated on a month ago with 41.8% (down 6.2ppts) saying the next 12 months will be a **'good time to invest'** in growing the business and an increasing plurality, 47.4% (up 5.4ppts) who say the next 12 months will be a **'bad time to invest'**;
- In August businesses were more positive about **Australia's economic performance over the next year** with 39.8% (up 6.5ppts), expecting 'good times' while a decreasing majority of 58.3% (down 7.7ppts) expect 'bad times';
- Businesses were also more positive on **the longer-term outlook for the Australian economy** with 38.3% (up 7.6ppts) expecting 'good times' for the Australian economy over the next five years while a decreasing majority of 56.3% (down 6.5ppts) expect 'bad times'.

Michele Levine, CEO of Roy Morgan, says Business Confidence recovered lost ground in August, rising 7.2pts to 94.7, to its highest in six months as the RBA left interest rates unchanged for a second straight month:

"Roy Morgan Business Confidence was up 7.2pts to 94.7 in August. Despite the increase, Business Confidence has now spent seven straight months in negative territory. This is the longest stretch below 100 since October 2020 at the end of Victoria's second wave of COVID-19 – almost three years ago.

"The increase to Business Confidence came after the RBA left interest rates unchanged for a second straight month at an 11-year high of 4.1%. The indications are that the RBA believes it has done enough to bring down Australia's high inflation levels and the recent data is promising.

"The latest [ABS Monthly CPI reading for July 2023 showed inflation at 4.9%](#), down from 5.4% in June and a high of 8.4% in December 2022. If annual inflation keeps falling at a rate of 0.5% points per month it will be between the RBA's preferred band of 2-3% by the end of the year.

"A look at the key indicators shows that businesses are increasingly confident about their own circumstances with 45.7% (up 8% points) expecting the business will be 'better off' financially this time next year compared to 21% (down 6% points) who say they will be 'worse off' financially – a net positive of 24.7% (+14% points).

"The real concern businesses have is about the fortunes for the Australian economy going forward. A majority of 58.3% of businesses expect 'bad times' for the Australian economy over the next year and almost as many, 56.3%, expect 'bad times' over the next five years.

"On a State-by-State basis Business Confidence is now highest in Tasmania (112.9) and New South Wales (110.1) while the index is lowest in Victoria (83.4) and lowest of all in South Australia at only 59.4. This is a record low reading for South Australia beating the previous low of only 60 reached in July 2020 as neighbouring Victoria was plunged into a renewed lockdown.

"At an industry level it is Education & Training which continues to fly high at 118.0 in July-August 2023 – around 30% higher than the national average. Also performing well are Finance & Insurance on 115.0, Community Services on 113.0, Accommodation & Food Services on 110.8, Administration & Support Services on 107.5, Recreation & Personal on 107.3 and Mining on 102.3.

"The challenging retail conditions with high inflation and interest rates are hitting the consumer hard and it is the Retail industry which now has the lowest Business Confidence at only 60.1, down 13.1pts (-17.9%) from a year ago. Other industries with low Business Confidence include Property & Business Services on 74.9, Agriculture on 75.7 and Electricity, gas & water on 82.1."

The latest Roy Morgan Business Confidence results for August are based on 1,555 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

