

Tuesday, 17 October 2023

Roy Morgan Business Confidence down 7.6pts to 87.1 in September – lowest for three years since September 2020

In September 2023 Roy Morgan Business Confidence was 87.1 (down 7.6pts since August). This is the lowest Business Confidence for three years since September 2020 when Victoria was in an extended lockdown and New South Wales was enduring significant COVID-19 outbreaks.

The Business Confidence survey was conducted after the RBA left interest rates unchanged for a third straight month in September at 4.1%. However, there were renewed concerns about inflation during September with average retail petrol prices hitting a record high of over \$2.05 per litre during September.

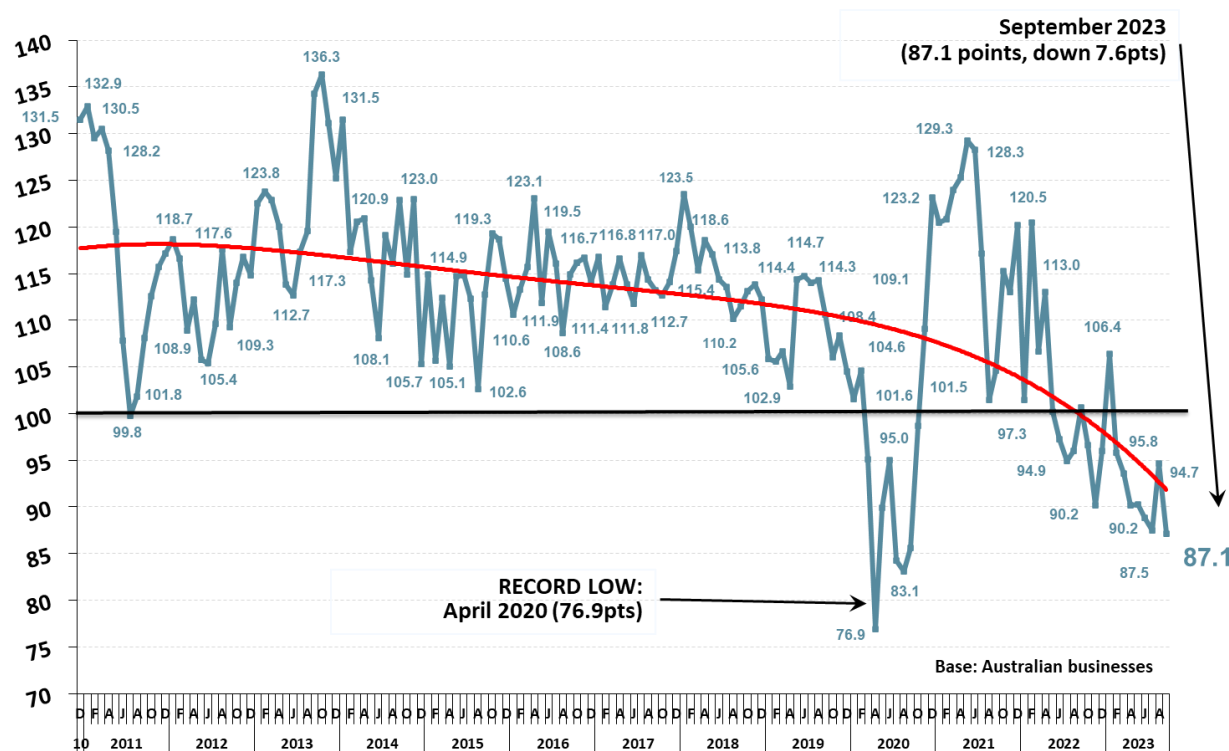
Business Confidence has now spent eight consecutive months below the neutral level of 100, the longest stretch in negative territory since October 2020 during the first year of the COVID-19 pandemic.

A majority of businesses are worried about the performance of the Australian economy with 55.2% expecting 'bad times' for the economy over the next year and even more, 63.1%, expecting 'bad times' for the economy over the next five years.

Nevertheless, businesses remain relatively positive about their own prospects over the next year with 38.3% saying they will be 'better off' financially this time next year compared to only 30.5% that say they will be 'worse off' – a positive net rating of 7.8% points and the only index in positive territory.

Business Confidence is now 24.5pts below the long-term average of 111.6 but a large 10.7pts higher than the latest - [ANZ-Roy Morgan Consumer Confidence of 76.4 for October 9-15, 2023](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Sept. 2023. Average monthly sample over the last 12 months = 1,514.

Business Confidence is down significantly from a year ago – largest falls in NSW and Victoria

Business Confidence dropped by 7.6pts in September to 87.1, to its lowest for three years since September 2023. In addition to the monthly fall, Business Confidence is also down a significant 13.6pts (-13.5%) from a year ago.

The big fall in Business Confidence from a year ago has been driven by falls in Australia's three largest States of NSW, Victoria and Queensland. In contrast, the three smaller States of WA, SA and Tasmania have all seen increased Business Confidence compared to September 2022.

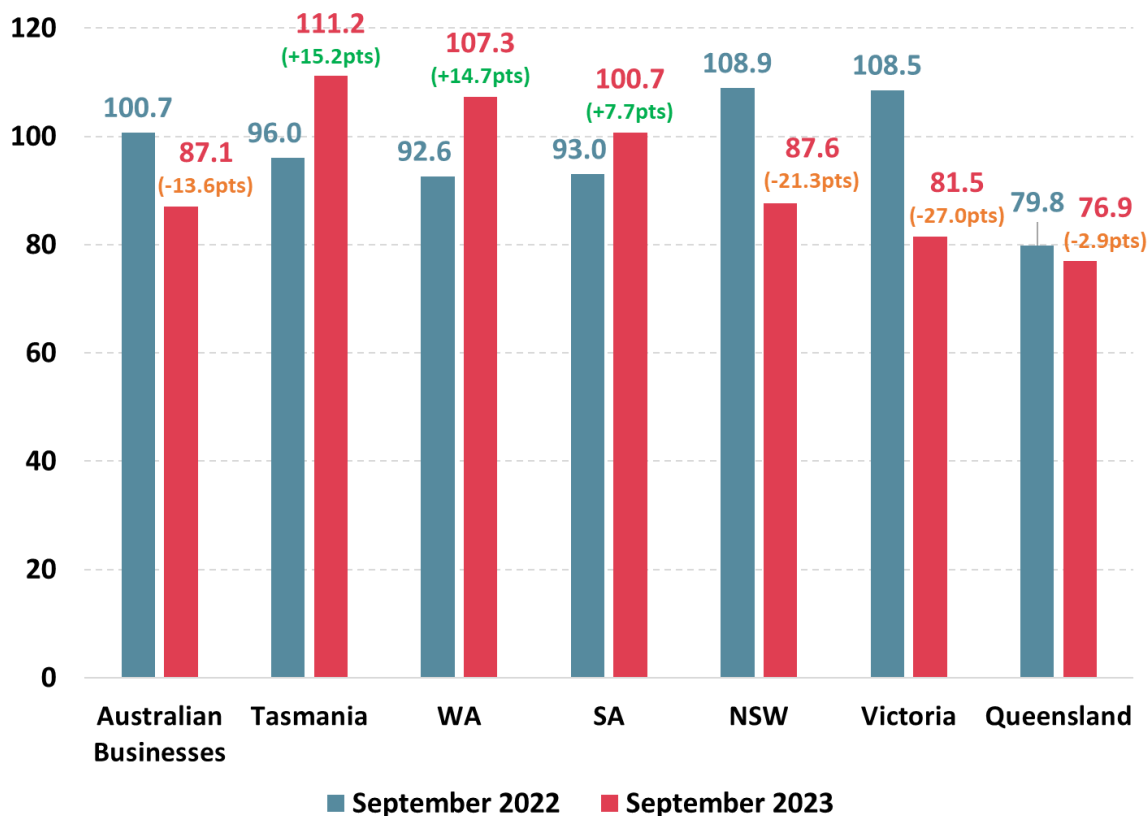
Business Confidence is now highest in Tasmania at 111.2, up 15.2pts (+15.8%) from a year ago, just ahead of Western Australia on 107.3, and up 14.7pts (+15.9%) on a year ago. In South Australia Business Confidence has increased by 7.7pts (+8.2%) from a year ago and is marginally in positive territory at 100.7, just above the neutral level of 100.

However, in contrast to the smaller, States Business Confidence has fallen significantly in all three of the larger States. The largest fall has been in Victoria, down 27pts (-24.9%) from a year ago to only 81.5.

In Australia's largest State of New South Wales Business Confidence has fallen by 21.3pts (-19.6%) from a year earlier to 87.6 – and is now just above the national average of 87.1.

Business Confidence is now the lowest in Queensland at only 76.9 and has dropped by 2.9pts (-3.6%) from a year ago. Although this is only a minor decline from a year ago, Business Confidence in Queensland was already the lowest of any State this time a year ago.

Business Confidence by State in September 2022 vs September 2023



Source: Roy Morgan Business Single Source, September 2022, n=1,359, September 2023, n=1,498. **Base:** Australian businesses. *Tasmanian Business Confidence is measured over three months: July-Sept. 2022 cf. July-Sept. 2023.

Information Media & Telecommunications is now the most confident industry, while the Retail industry is the least confident heading into the Christmas retailing season

Over the last two months only eight industries, Information Media & Telecommunications, Education & Training, Accommodation & Food Services, Finance & Insurance, Administration & Support Services, Community services, Manufacturing and Electricity, gas & water had Business Confidence in positive territory above the neutral level of 100.

The most confident industry was Information Media & Telecommunications with Business Confidence of 122.7, an increase of 15.9pts (+14.9%) on a year ago. This is most confident the industry has been for over five years and the most confident since the COVID-19 pandemic began in early 2020.

Education & Training is clearly the second most confident industry with Business Confidence of 120.1, although a decrease of 7.7pts (-6%) on a year ago.

There are three industries with high Business Confidence filling out the top five industries led by Accommodation & Food Services on 116.7, an increase of 1.7pts (+1.5%) on a year ago.

The largest increase in Business Confidence over the last year has been for Finance & Insurance following a massive increase of 46.5pts (+67%) on a year ago just ahead of Administration & Support Services on 115.0 after an increase of 11.9pts (+11.6%) compared to a year ago.

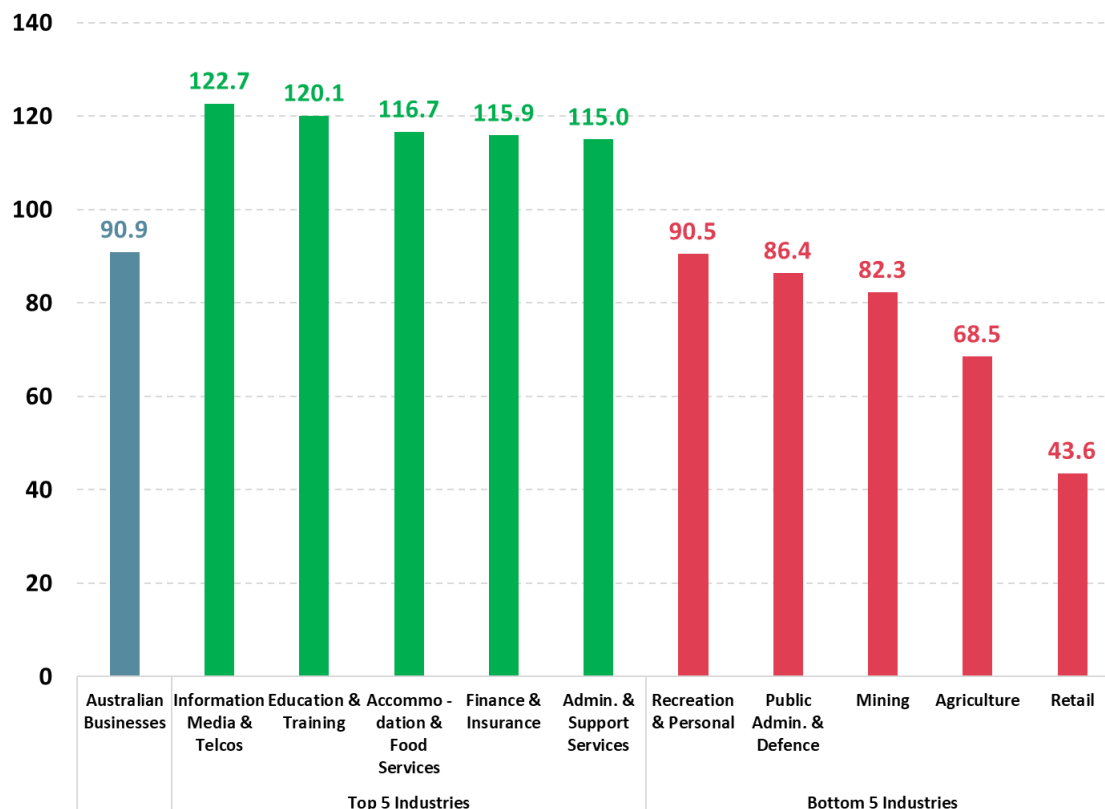
Other industries to improve their confidence compared to a year ago include Community Services, up 7.1pts (+7.2%) on a year ago, Manufacturing on 103.9, up 2.5pts (+2.5%) on a year ago and Electricity, gas and water on 101.8, up 16.8pts (+19.8%) on a year ago.

The pressure that 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 43.6, and more than halving from a year ago, down 44.1pts (-50.3%) from a year ago.

This is an all-time record low reading of Business Confidence for the Retail industry heading into the most important retailing period of the year. The just released [ARA-Roy Morgan pre-Christmas forecasts predict total pre-Christmas retail sales of \\$78 billion \(up 0.4% on a year ago\)](#) (seasonally adjusted figure of \$66.8 billion).

Two other industries have experienced large falls in Business Confidence over the last year including the important primary export industries of Agriculture, down 28.5pts (-29.4%) from a year ago to only 68.5 and the Mining industry, down 30pts (-26.7%) from a year ago to just 82.3.

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



Source: Roy Morgan Business Single Source, August-September 2023, n=3,053. **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 dropped 7.6pts to 87.1 in September as businesses grew increasingly concerned about their own prospects over the next year:

- In September, under a third of businesses, 31.3% (down 3.8ppts), said their **business is 'better off' financially than this time a year ago**, while almost half, 46.1% (up 1.9ppts), said the business is now 'worse off';
- Businesses have grown less confident about their prospects for the next year, with 38.3% (down 7.4ppts) expecting the **business will be 'better off' financially** this time next year, while almost a third, 30.5% (up 9.5ppts), expect the business will be 'worse off' – **a record high for this indicator**;
- However, in September businesses were more positive about **Australia's economic performance over the next year** with 42.5% (up 2.7ppts), expecting 'good times' while a decreasing majority of 55.2% (down 3.1ppts) expect 'bad times';
- Businesses were less more positive on **the longer-term outlook for the Australian economy** with 31.7% (down 6.6ppts) expecting 'good times' for the Australian economy over the next five years while an increasing majority of 63.1% (up 6.8ppts) expect 'bad times' – **a new record high for this indicator**;
- Views on whether now is a **'good or bad time to invest in growing the business'** deteriorated again for a second straight month, with 38.3% (down 3.5ppts) saying the next 12 months will be a **'good time to invest'** in growing the business (**the lowest figure for this indicator for over three years since the start of the COVID-19 pandemic in April 2020**) and a majority of 51.7% (up 4.3ppts) who say the next 12 months will be a **'bad time to invest'**.

Michele Levine, CEO of Roy Morgan, says Business Confidence has dropped significantly in September, down 7.6pts to 87.1 – now at its lowest for three years since September 2020:

"Roy Morgan Business Confidence was down 7.6pts to 87.1 in September. The measure has now spent eight straight months in negative territory below 100. This is only the second time the indicator has spent such an extended period below 100 matching the eight months spent below 100 during the outbreak of COVID-19 three years ago in 2020.

"The drop in Business Confidence in September was driven by falling confidence about the financial situation of businesses. Now only 31.3% of businesses (down 3.8ppts on a month ago) say they are 'better off' financially than this time a year ago and just 38.3% (down 7.4ppts) said they expect to be 'better off' financially this time next year.

*"Even more concerningly, businesses are increasingly worried about their own prospects over the next year with an **all-time record high 30.5% (up 9.5ppts) of businesses** saying they now expect to be 'worse off' financially this time next year.*

"Although the RBA left interest rates unchanged in September for a third straight month at 4.1%, there are growing concerns of a renewed bout of inflationary pressure. Average retail petrol prices in Australia have now averaged over \$2 per litre for over two months – since mid-August.

"This is the first time ever that petrol prices have stayed at such a high level for an extended period, and this is adding to concerns that inflationary pressures will continue to pressure the RBA to raise interest rates further before the end of the year. The RBA meets again on Melbourne Cup Day and again on the first Tuesday of December before taking a two-month break.

"In addition, the latest [ABS Monthly CPI reading for August 2023 showed inflation at 5.2%](#), up from 4.9% in July. This is the first increase in the official monthly inflation since April following three months of falls. If this trend continues on the back of rising petrol prices the RBA may be forced to raise interest rates once more.

"On a State-by-State basis Business Confidence is now highest in the smaller States of Tasmania (111.2), Western Australia (107.3) and South Australia (100.7) – and up on a year ago in all three.

"However, importantly for the national economy Business Confidence has fallen significantly from a year ago in both New South Wales, down 21.3pts to 87.6 and Victoria, down 27pts to 81.5 and is lowest of all in Queensland at only 76.9 (down 2.9pts from a year ago).

"The low Business Confidence in Australia's largest States which comprise around 75% of Australia's economy and population underscores the challenges facing the nation. As long as Business Confidence remains sluggish in New South Wales, Victoria and Queensland the national economy will struggle to return to long-term growth averages.

“At an industry level it is Information Media & Telecommunications which is the most confident industry in August-September with Business Confidence of 122.7 – the most confident the industry has been for over five years since January 2018 well before the pandemic.

“In a clear second place is Education & Training on 120.1 which has been the most consistently confident industry so far this year – averaging a sky-high Business Confidence of 124.4 during the first nine months of the year.

“Also performing well are Accommodation & Food Services on 116.7, Finance & Insurance on 115.9, Administration & Support Services on 115.0, Community Services on 104.7, Manufacturing on 103.9 and Electricity, gas & water on 101.8.

“The challenging conditions for the retail industry are well known and with high inflation and interest rates at their highest level for a decade the industry has clearly the lowest Business Confidence at only 43.6 – dropping by more than 50% from a year ago.

“Last week [Roy Morgan released the annual pre-Christmas retail sales forecasts in conjunction with the Australian Retailers Association \(ARA\) showing expected spending of \\$78 billion \(\\$66.8 billion seasonally adjusted\) in the run-up to Christmas.](#) This sounds like a lot of money (and it is), but it represents an increase of only 0.4% on a year ago – well below the current level of inflation estimated at around 5%.”

The latest Roy Morgan Business Confidence results for September are based on 1,498 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

