

Tuesday, 14 November 2023

## Roy Morgan Business Confidence up 3.3pts to 90.4 in October – before the RBA raised interest rates again to 4.35%

In October 2023 Roy Morgan Business Confidence was 90.4 (up 3.3pts since September). This increase to Business Confidence came before the RBA increased interest rates by 0.25% on Melbourne Cup Day to 4.35% - the highest official interest rates have been since December 2011.

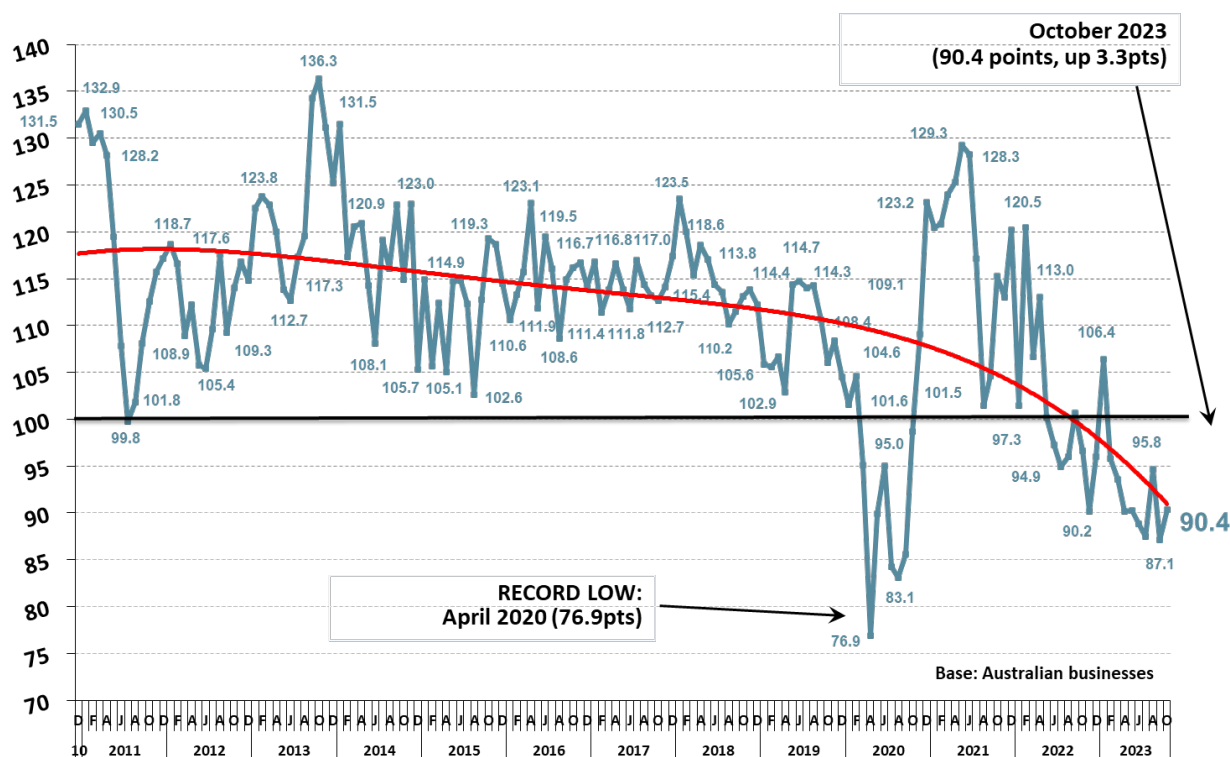
Business Confidence has now spent a record nine consecutive months below the neutral level of 100, the longest stretch in negative territory in the history of the index dating back over a decade to 2010.

A majority of businesses are worried about the performance of the Australian economy with 56.5% expecting 'bad times' for the economy over the next year and even more, 58.2%, 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 40.1% saying they will be 'better off' financially this time next year compared to only 29.2% that say they will be 'worse off' – a positive net rating of 10.9% points and the only index in positive territory.

Business Confidence is now 21.1pts below the long-term average of 111.5 but a large 16.1pts higher than the latest - [ANZ-Roy Morgan Consumer Confidence of 73.4 for November 6-12, 2023](#).

### Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Oct. 2023. Average monthly sample over the last 12 months = 1,523.

## Business Confidence is down from a year ago – largest falls in NSW and South Australia

Although Business Confidence increased by 3.3pts in October to 90.4, compared to a year ago the measure has dropped by 6.2pts (-6.4%) since October 2022.

The big fall in Business Confidence from a year ago has been driven by falls in Australia's two largest States of NSW and Victoria as well as falls in South Australia and Tasmania. In contrast, there were increases in both Queensland and Western Australia compared to a year ago.

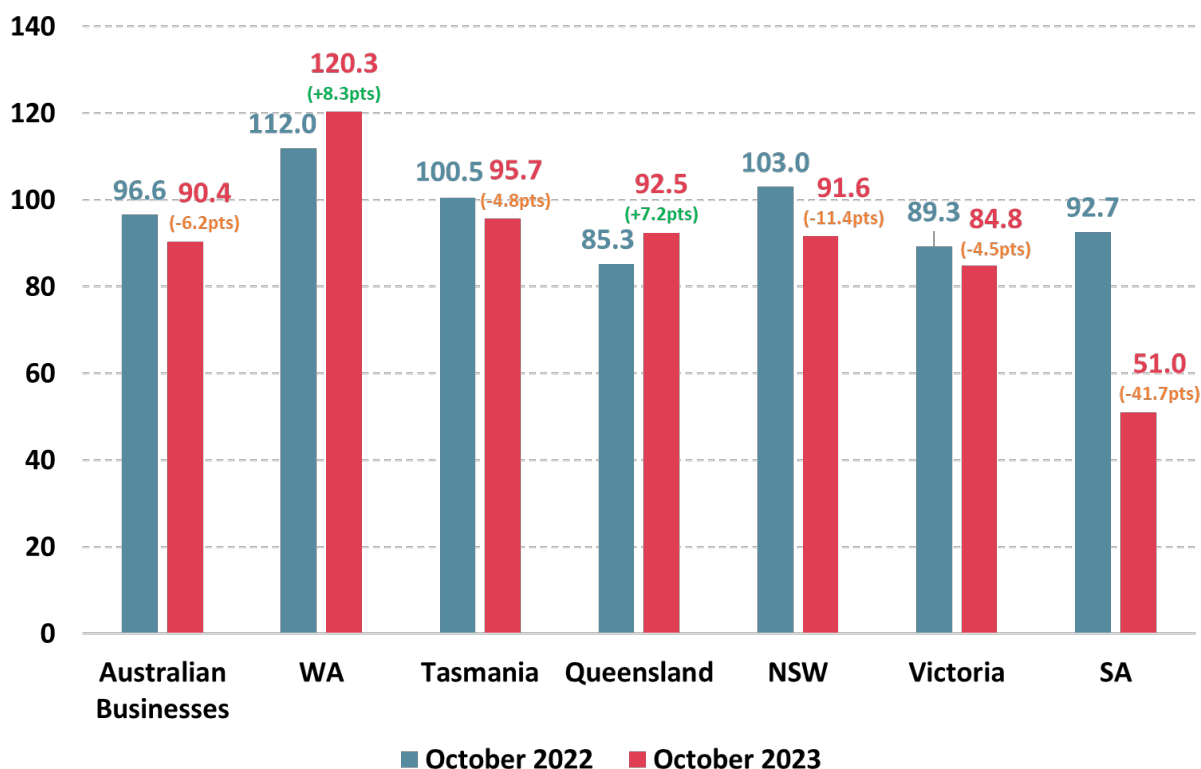
Business Confidence is now lowest of all in South Australia at only 51.0 in October, down a large 41.7pts (44.9%) from a year ago – clearly the largest drop of any State. Business Confidence is also well below the national average in Victoria at only 84.8, down 4.5pts (-5.1%) from a year ago.

In Australia's largest State of New South Wales Business Confidence has fallen by 11.4pts (-11.1%) from a year earlier to 91.6 – and is now just above the national average of 90.4.

Business Confidence is now clearly the highest in Western Australia at 120.3, up 8.3pts (+7.4%) from a year ago. Business Confidence in Western Australia has averaged over 120 so far during 2023 – nearly 30pts above the national average.

Other States with higher-than-average Business Confidence in Tasmania at 95.7, but down 4.8pts (-4.8%) from a year ago, and in Queensland at 92.5, following an increase of 7.2pts (+8.4%).

### Business Confidence by State in October 2022 vs October 2023



**Source:** Roy Morgan Business Single Source, October 2022, n=1,693, October 2023, n=1,805. **Base:** Australian businesses. \*Tasmanian Business Confidence is measured over two months: Sept-Oct. 2022 cf. Sept-Oct. 2023.

### Administration & Support Services and Education & Training are the most confident industries in October while the least confident industries are Retail and Agriculture

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

The most confident industry in September-October was Administration & Support Services with a Business Confidence of 127.2, an increase of 19pts (+17.5%) on a year ago. This is the most confident the industry has been for over two years since mid-2021.

Education & Training is the second most confident industry with Business Confidence of 120.6, an increase of 1pt (+0.8%) on a year ago. Education & Training has been amongst the top two most confident industries throughout 2023 and has an average Business Confidence of 123.1 so far this year, over 30pts higher than the national average.

In third place is Electricity, gas & water with Business Confidence of 118.2, following a large increase of 30.9pts (+35.4%) on a year ago, ahead of Information Media & Telecommunications on 113.5 and up 1.1pts (+1.0%).

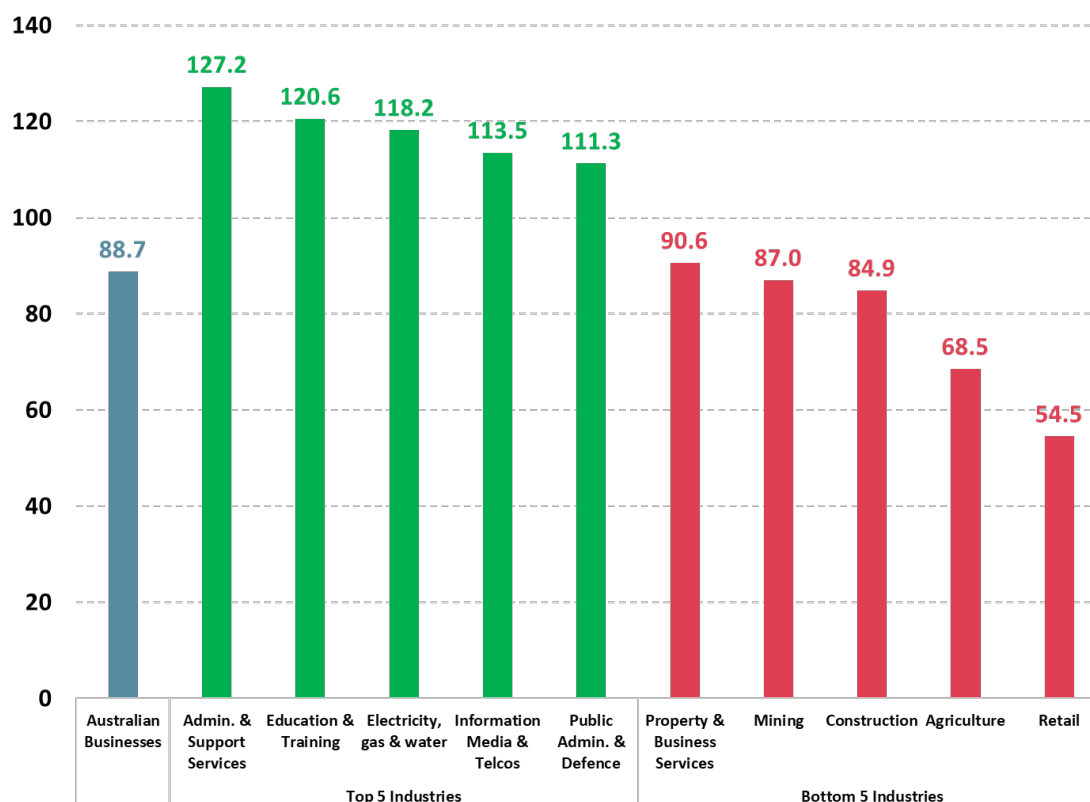
The two industries which have experienced the largest increases in Business Confidence over the last year are Public Administration & Defence, up 32.3pts (+40.8%) to 111.3 and Finance & Insurance following an increase of 34.7pts (+52.5%) on a year ago to be just in positive territory at 100.9.

Other industries to improve their confidence compared to a year ago include Manufacturing, up 2.5pts (+2.5%) on a year ago to 102.4 and Community Services marginally in positive territory at 100.4 and up 0.5pts (+0.5%) 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 54.5, and down by 38.3pts (-41.3%) from a year ago heading into the most important retailing period of the year. The latest [ARA-Roy Morgan pre-Christmas forecasts predict total pre-Christmas retail sales of \\$78.4 billion \(up 0.8% on a year ago\)](#) (seasonally adjusted figure of \$67.1 billion).

Two other industries have experienced large falls in Business Confidence over the last year including the important primary export industries of Agriculture, down 32.5pts (-32.2%) from a year ago to only 68.5 and the Mining industry, down 33.6pts (-27.9%) from a year ago to 87.0.

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



**Source:** Roy Morgan Business Single Source, September-October 2023, n=3,303. **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 increased 3.3pts to 90.4 in October as businesses grew increasingly confident about their own performance over the next year:**

- In October, under a third of businesses, 32.3% (up 1ppt), said their **business is 'better off' financially than this time a year ago**, while around two-fifths, 40.8% (down 5.3ppts), said the business is now 'worse off';
- Businesses grew more confident about their prospects for the next year in October, with 40.1% (up 1.8ppts) expecting the **business will be 'better off' financially** this time next year, while almost a third, 29.2% (down 1.3ppts), expect the business will be 'worse off';
- However, in October businesses were less positive about **Australia's economic performance over the next year** with 41.3% (down 1.2ppts), expecting 'good times' while an increasing majority of 56.5% (up 1.3ppts) expect 'bad times';
- Businesses were more positive on the **longer-term outlook for the Australian economy** with 35.3% (up 3.6ppts) expecting 'good times' for the Australian economy over the next five years while a decreasing majority of 58.2% (down 4.9ppts) expect 'bad times';
- Views on whether now is a **'good or bad time to invest in growing the business'** were virtually unchanged in October with 39.8% (up 1.5ppts) saying the next 12 months will be a **'good time to invest'** in growing the business (**the third lowest figure for this indicator in over three years since the start of the COVID-19 pandemic in April 2020**) and an increasing majority of 51.9% (up 0.2ppts) who say the next 12 months will be a **'bad time to invest' – the highest figure for this indicator in over a decade since May 2012**.

**Michele Levine, CEO of Roy Morgan, says Business Confidence increased marginally in October, up 3.3pts to 90.4 – before the RBA raised interest rates to 4.35% last week:**

*"Roy Morgan Business Confidence was up 3.3pts to 90.4 in October. However, despite the monthly increase, the measure has now spent a record nine straight months (since February 2023) in negative territory below 100.*

*"The increase in Business Confidence in October was driven by greater confidence from businesses about their financial situation. Now 40.1% of businesses (up 1.8ppts on a month ago) say they expect to be 'better off' financially this time next year and just 32.3% (up 1ppt) said they are 'better off' financially than a year ago.*

*"However, an increasing majority of businesses, now 51.9%, say that now is a 'bad time to invest in growing the business' – the highest figure for this indicator for over a decade since May 2012. In contrast, only 39.8% of businesses say now is a 'good time to invest in growing the business.'*

*"The RBA's decision to increase interest rates in November, up 0.25% to 4.35%, was the first increase under new RBA Governor Michele Bullock and came after higher-than-expected [ABS annual inflation figures for the year to September 2023 – 5.6%](#), up 0.4% points from August 2023 (5.2%).*

*"The increase to interest rates in November adds to the likelihood that interest rates will increase again in December, or early in 2024, as inflation pressures in the economy persist. A big driver of the up-tick in the inflation figures is the record high petrol prices. Average retail petrol prices in Australia have now averaged over \$2 per litre for over three months – since mid-August.*

*"On a State-by-State basis Business Confidence is once again clearly highest in Western Australia at 120.3 in line with the year-long average of 120.4. Western Australia has been the most confident State for most of the year and that trend has continued in the last few months.*

*"Business Confidence is below the neutral level of 100 in all other States but higher than the national average in Tasmania (95.7), Queensland (92.5) and NSW (91.6). The measure is now lowest of all in SA at only 51.0 following a massive fall of 41.7pts (-44.9%) from a year ago.*

*"At an industry level it is Administration & Support Services which is the most confident industry in September-October with a Business Confidence rating of 127.2 – the most confident the industry has been for over two years.*



*"In second place is Education & Training on 120.6 which has been the most consistently confident industry so far this year – averaging a sky-high Business Confidence of 123.1 during the first ten months of the year – more than 10pts higher than any other industry so far in 2023.*

*"Also performing well are Electricity, gas & water on 118.2, Information Media & Telecommunications on 113.5, Public Administration & Defence on 111.3, Manufacturing on 102.4, Finance & Insurance on 100.9 and Community Services on 100.4.*

*"The challenging conditions for the retail industry are well known and with high inflation and rising interest rates, which are now at their highest level for 12 years, the industry has clearly the lowest Business Confidence at only 54.5 – dropping by more than 40% from a year ago.*

*"The latest [ARA-Roy Morgan pre-Christmas retail sales forecasts released last week](#) show expected spending of \$78.4 billion (\$67.1 billion seasonally adjusted) in the run-up to Christmas. This represents an increase of only 0.8% on a year ago – well below the current level of annual inflation reported by the ABS which is currently estimated at around 5.5%."*

The latest Roy Morgan Business Confidence results for October are based on 1,805 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](mailto: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

