

Tuesday, 5 December 2023

Roy Morgan Business Confidence dropped 4.6pts to 85.8 in November – after the RBA raised interest rates again to 4.35%

In November 2023 Roy Morgan Business Confidence was 85.8 (down 4.6pts since October). The fall in Business Confidence came after 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.

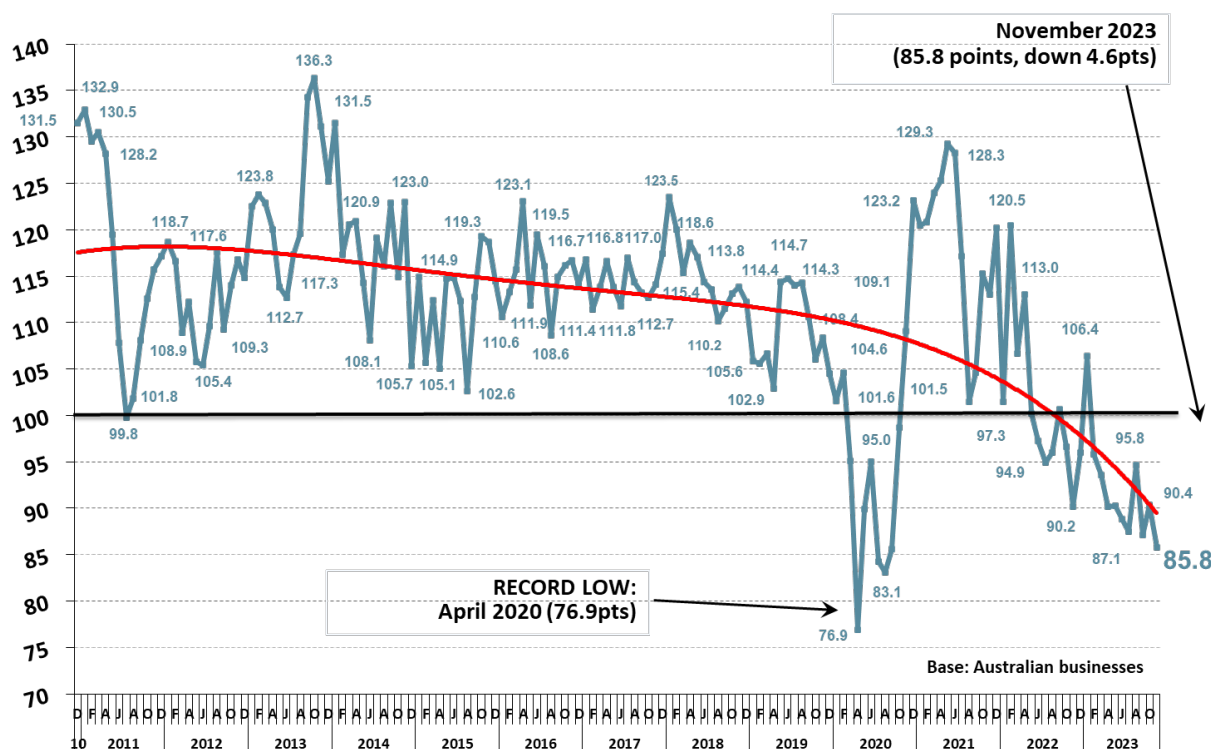
Business Confidence has now spent a record ten consecutive months below the neutral level of 100, the longest stretch in negative territory in the history of the index dating back over a decade to 2010.

Businesses are worried about the performance of the Australian economy with nearly two-thirds (64%) expecting 'bad times' for the economy over the next year and 61% 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 37.1% saying they will be 'better off' financially this time next year compared to only 27.0% that say they will be 'worse off' – a positive net rating of 10.1% points and still the only index in positive territory.

Business Confidence is now 25.5pts below the long-term average of 111.3 but a large 9.4pts higher than the latest – [ANZ-Roy Morgan Consumer Confidence of 76.4 for November 27 – December 3, 2023](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Nov. 2023. Average monthly sample over the last 12 months = 1,535.

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

Business Confidence for the month of November is not only down on a month ago (by 4.6pts to 85.8), but is also down compared to a year ago, down by 4.4pts since November 2022.

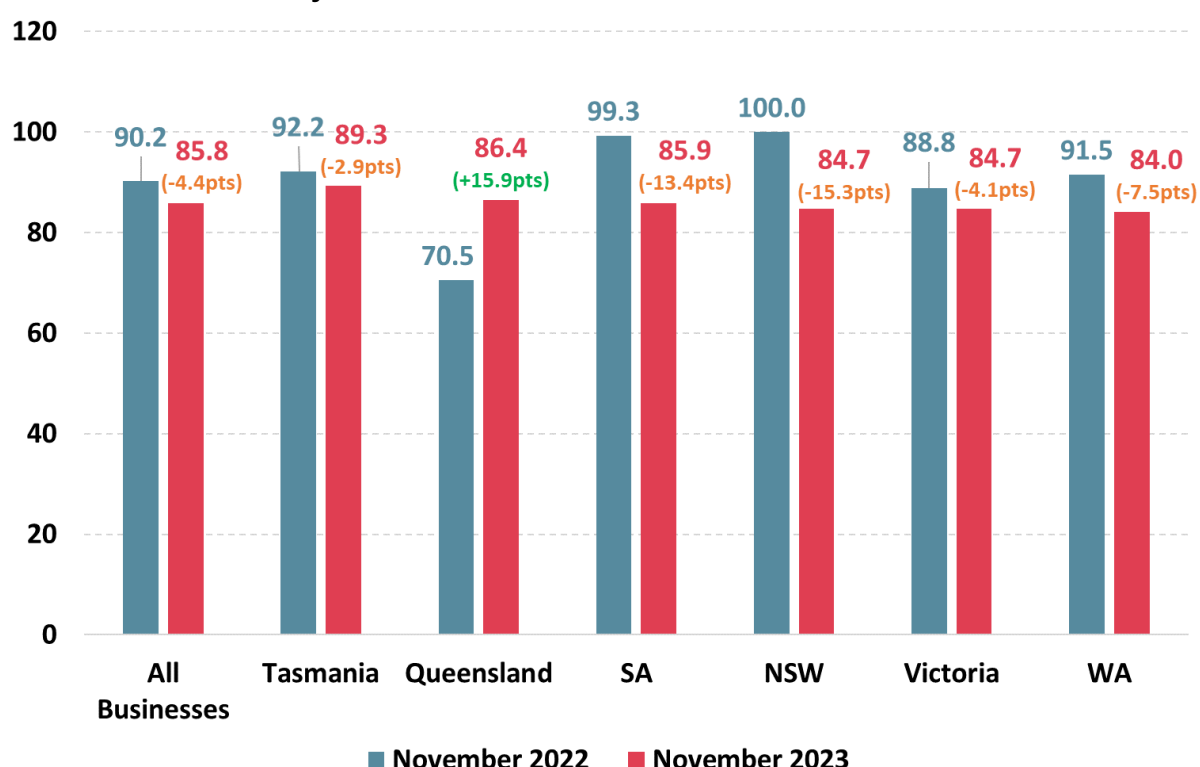
The fall in Business Confidence from a year ago has been driven by falls in New South Wales, down by 15.3pts to 84.7, and South Australia, down by 13.4pts to 85.9.

There were also falls in Victoria, down 4.1pts to 84.7, Tasmania, down 2.9pts to 89.3, and in Western Australia, down by 7.5pts to only 84.0 – the lowest figure for Business Confidence in that State for over three years since August 2020.

The one exception to the downward trend was in Queensland in which Business Confidence increased substantially, up 15.9pts from a year ago to 86.4 – now the highest of all the mainland States.

This is the first time in the history of Roy Morgan's Business Confidence Index – stretching back over a decade to December 2010 – that Business Confidence in all six States has been below 90.

Business Confidence by State in November 2022 vs November 2023



Source: Roy Morgan Business Single Source, November 2022, n=1,374, November 2023, n=1,519. **Base:** Australian businesses. *Tasmanian Business Confidence is measured over two months: Oct-Nov. 2022 cf. Oct-Nov. 2023.

Administration & Support Services and Information, Media & Telecommunications are the most confident industries in November while the least confident industries are Retail and Construction

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

The most confident industry in October-November was Administration & Support Services with a Business Confidence of 122.9, an increase of 15pts on a year ago. Information Media & Telecommunications is the second most confident industry on 117.9, up 8.8pts on a year ago.

In third place is Electricity, gas & water with Business Confidence of 113.0, following a large increase of 53.8pts on a year ago – the largest increase of any industry compared to a year ago.

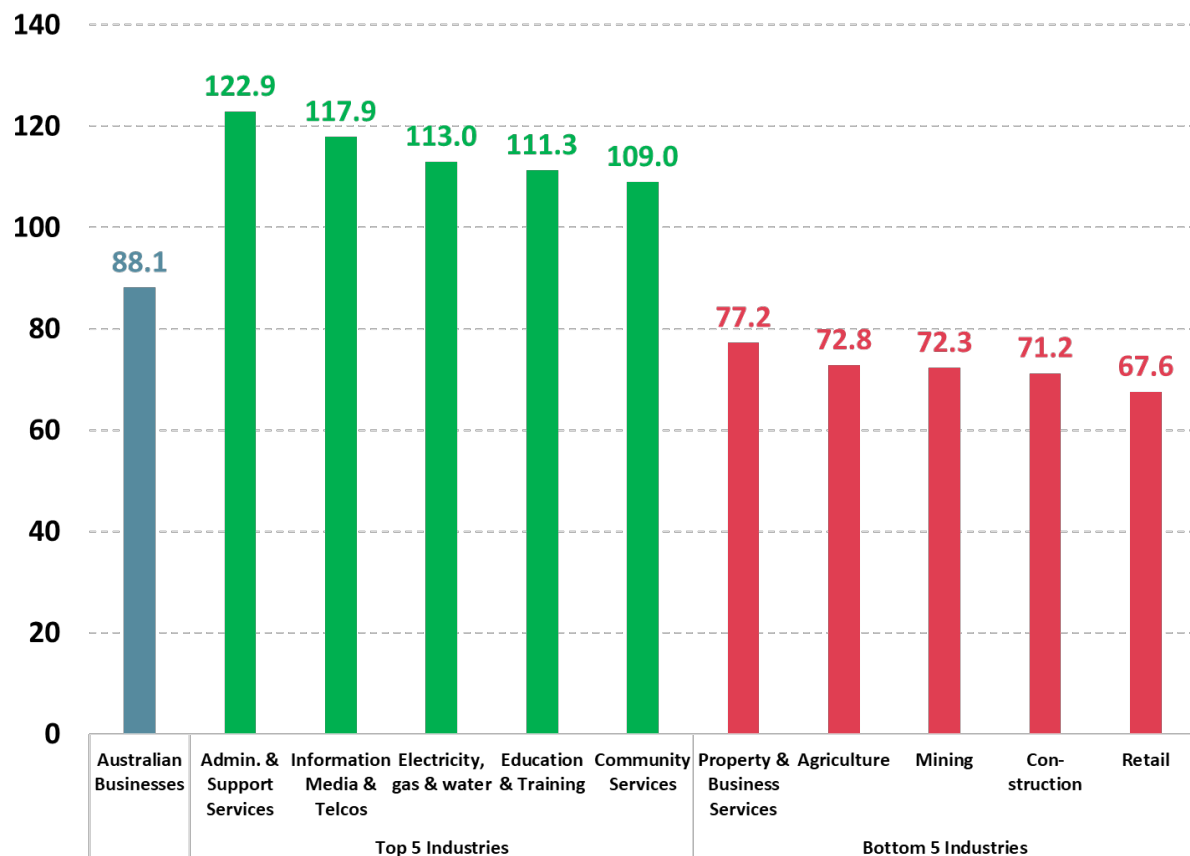
Education & Training is now the fourth most confident industry with Business Confidence of 111.3, virtually unchanged on a year ago. Education & Training has been amongst the top four most confident

industries throughout 2023 and has an average Business Confidence of 122.1 so far this year, over 30pts higher than the national average.

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 67.6, and down by 8pts 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).

The four industries to experience the largest falls in Business Confidence over the last year are led by Property & Business Services, down a large 34.6pts to 77.2 and the Mining industry, down 34.3pts to 72.3. Two other industries to experience significant falls are Agriculture, down 22.1pts to 72.8 and Construction, down 10.1pts to only 71.2.

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



Source: Roy Morgan Business Single Source, September-October 2023, n=3,324. **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 decreased 4.6pts to 85.8 in November as businesses grew increasingly worried about their performance of the Australian economy going forward:

- In November, under a third of businesses, 29.1% (down 3.2pts), said their **business is 'better off' financially than this time a year ago**, (the lowest figure for this indicator for over two years since **September 2021**) while almost half, 46.2% (up 5.4pts), said the business is now 'worse off';
- Businesses grew slightly less confident about their prospects for the next year in November, with 37.1% (down 3pts) expecting the **business will be 'better off' financially** this time next year (the lowest figure for this indicator for well over four years since **April 2019**), while just over a quarter, 27% (down 2.2pts), expect the business will be 'worse off';
- Following the RBA's decision to raise interest rates in early November businesses were far less positive about **Australia's economic performance over the next year** with only 34.8% (down 6.5pts), expecting 'good times' while almost two-thirds, 64.3% (up 7.8pts) expect 'bad times' – the largest negative swing of any indicator;



- Businesses were similarly negative on the **longer-term outlook for the Australian economy** with 34.8% (down 0.5ppts) expecting 'good times' for the Australian economy over the next five years while an increasing majority of 61.2% (up 3ppts) expect 'bad times';
- Views on whether now is a '**good or bad time to invest in growing the business**' improved slightly in November with 41.7% (up 1.9ppts) saying the next 12 months will be a '**good time to invest**' in growing the business and a plurality of 49.8% (down 2.1ppts) who say the next 12 months will be a '**bad time to invest**'.

Michele Levine, CEO of Roy Morgan, says Business Confidence decreased by 4.6pts to 85.8 in November after the RBA raised interest rates for the first time in five months, up 0.25% to 4.35%:

"Roy Morgan Business Confidence was down 4.6pts to 85.8 in November. The index has now spent a record ten straight months (since February 2023) in negative territory below 100. This is the lowest Business Confidence for over three years since September 2020 (85.6).

"The decrease in Business Confidence in November was driven by growing concern about the Australian economy's performance into the future. Now 64.3% of businesses (up 7.8ppts on a month ago) expect 'bad times' for the economy over the next year and almost as many, 61.2% (up 3ppts on a month ago), expect 'bad times' for the economy over the next five years.

"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 of 5.6%](#), up 0.4% points from August 2023 (5.2%).

"However, since this decision in early November, the latest [ABS annual inflation figures for the year to October 2023 have dropped significantly, down 0.7% points to 4.9%](#) - the equal lowest since February 2022 – before the RBA even began raising interest rates.

"This reduces the likelihood the RBA raises interest rates again in the months ahead. The RBA has not raised interest rates in the current cycle when the latest published inflation figure has been under 5%.

"On a State-by-State basis Business Confidence is low in all six States. For the first time in the history of the index the indicator is below 90 in all six States ranging from 89.3 in Tasmania to as low as 84.0 in Western Australia – the lowest figure in that State for over three years since August 2020.

"At an industry level it is Administration & Support Services which is again the most confident industry in October-November with a Business Confidence rating of 122.9 ahead of Information Media & Telecommunications on 117.9 – both industries over 30% above the national average.

"Also performing well are Electricity, gas & water on 113.0, Education & Training on 111.3, Community Services on 109.0, Public Administration & Defence on 101.3, Professional, Scientific & Technical Services on 100.7 and Accommodation & Food Services on 100.5.

"The challenging conditions for the retail industry are well known with persistent inflation and the highest interest rates for 12 years crimping consumers ability to spend up big. These factors mean the Retail industry continues to have clearly the lowest Business Confidence at only 67.6 – the only industry with a confidence rating below 70.

"The [ARA-Roy Morgan pre-Christmas retail sales forecasts](#) 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 level of inflation reported by the ABS which is estimated at around 4.9%.

"Other industries with low Business Confidence include Property & Business Services on 77.2, Agriculture on 72.8, Mining on 72.3 and Construction on only 71.2."

The latest Roy Morgan Business Confidence results for November are based on 1,519 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

