

Monday, 22 January 2024

Roy Morgan Business Confidence increased 5.3pts to 91.1 in December – after the RBA left interest rates unchanged at 4.35%

In December 2023 Roy Morgan Business Confidence was 91.1 (up 5.3pts since November). The rebound in Business Confidence came after the RBA left interest rates unchanged at 4.35% in its final meeting for the year in early December.

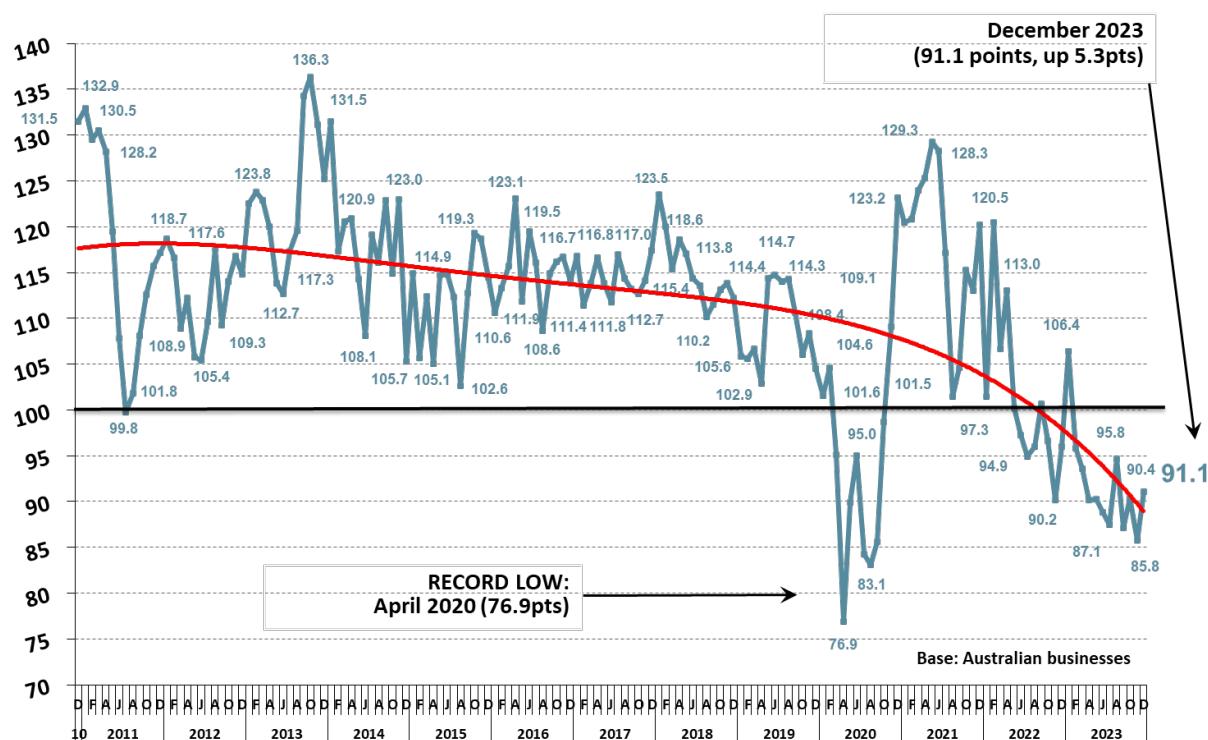
Business Confidence has now spent a record eleven consecutive months below the neutral level of 100, the longest stretch in negative territory in the history of the index dating back over a decade to 2010.

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 59% 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 42.8% saying they will be 'better off' financially this time next year compared to only 25.4% that say they will be 'worse off' – a positive net rating of 17.4% points.

Business Confidence is now a large 20.1pts below the long-term average of 111.2 but 6.3pts higher than the latest – [ANZ-Roy Morgan Consumer Confidence of 84.4 for January 15–21, 2024](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Dec. 2023. Average monthly sample over the last 12 months = 1,543.

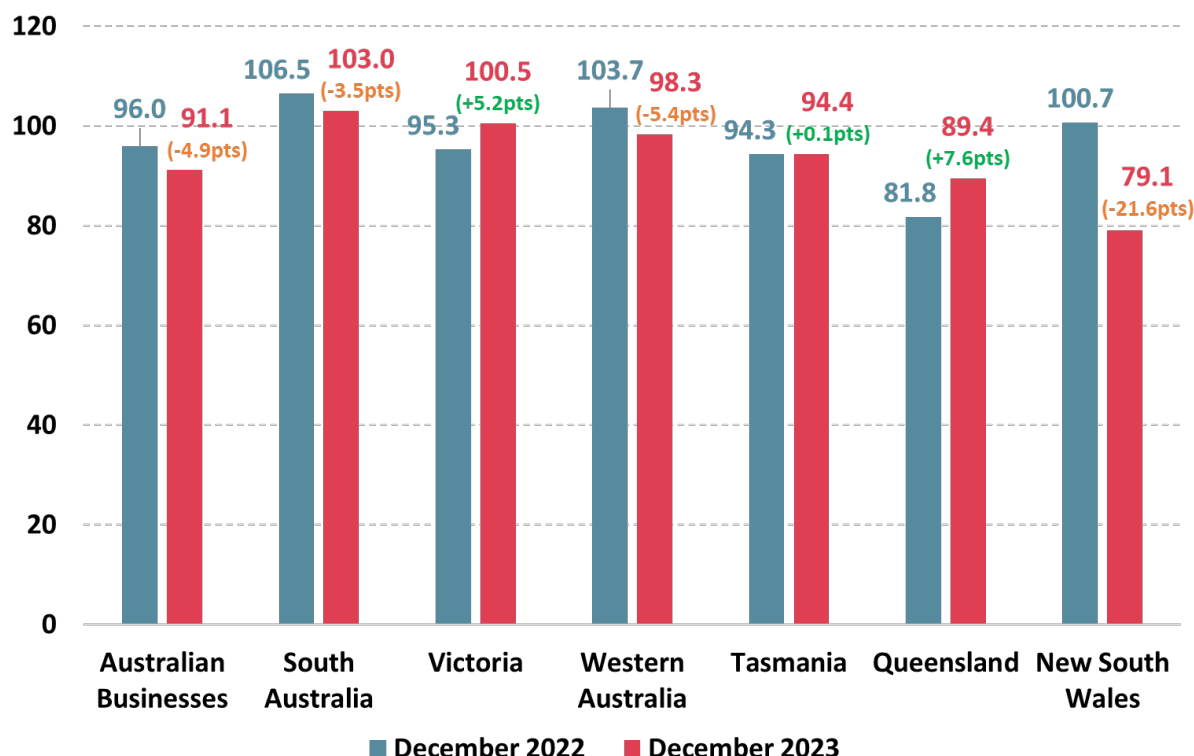
Business Confidence is down from a year ago – largest falls in NSW and Western Australia

Business Confidence for the month of December increased on a month ago but compared to a year ago is down by 4.9pts since December 2022.

The fall in Business Confidence from a year ago has been driven by falls in New South Wales, down by a large 21.6pts to 79.1, Western Australia, down by 5.4pts to 98.3, and South Australia, down by 3.5pts to 103.0 – but still the highest of any State to end the year.

In contrast, there were increases in Business Confidence for Queensland, up 7.6pts to 89.4 and in Victoria, up 5.2pts to 100.5. In Tasmania, the index was virtually unchanged on a year ago at 94.4.

Business Confidence by State in December 2022 vs December 2023



Source: Roy Morgan Business Single Source, December 2022, n=1,410, December 2023, n=1,497. **Base:** Australian businesses. *Tasmanian Business Confidence is measured over two months: Nov-Dec. 2022 cf. Nov-Dec. 2023.

Administration & Support Services, Community Services and Education & Training are the most confident industries in December while the least confident industries are Retail and Agriculture

Over the last two months only six industries, Administration & Support Services, Community Services, Education & Training, Professional, Scientific & Technical Services, Electricity, gas & water and Recreation & Personal had Business Confidence in positive territory above the neutral level of 100.

The most confident industry in November-December was Administration & Support Services with a Business Confidence of 115.9, an increase of 5.2pts on a year ago. Community Services is the second most confident industry on 115.2, up 11pts on a year ago.

In third place is Education & Training with a Business Confidence of 114.1, up 2.6pts on a year ago. The industry has been amongst the top four most confident industries throughout 2023 with an average of 121.6 – the highest of any industry and over 10pts higher than any other industry.

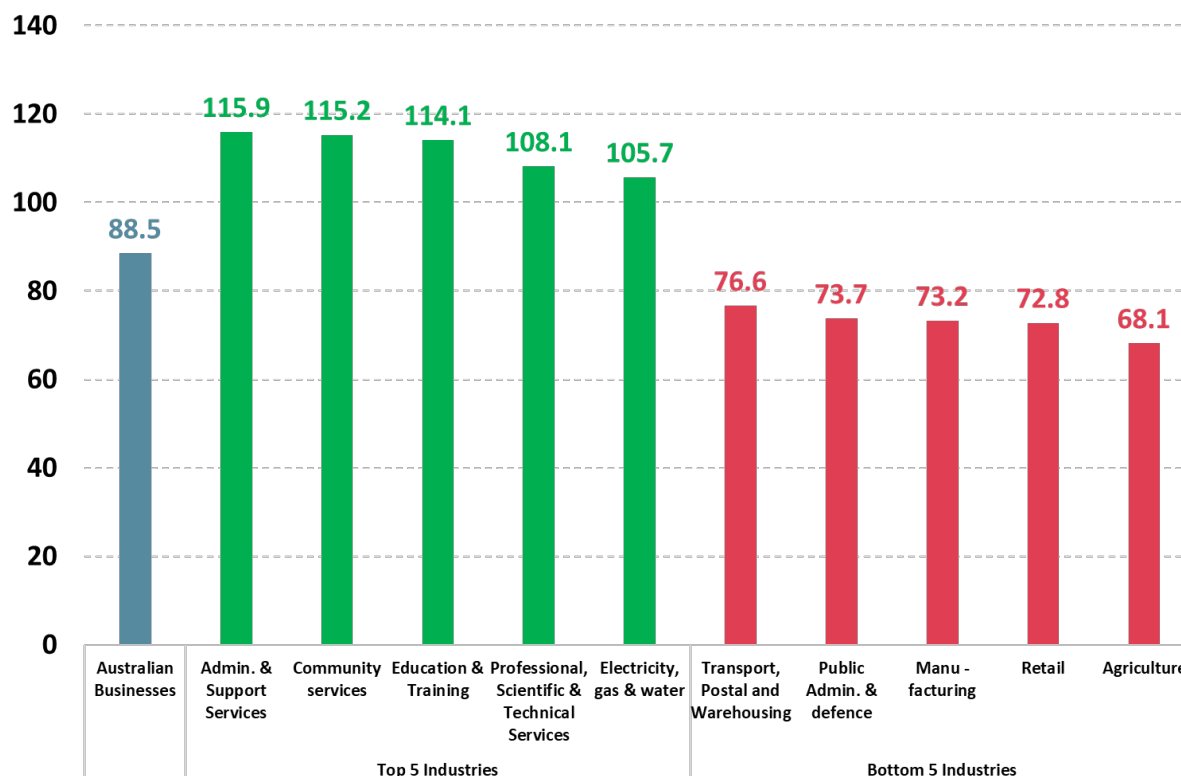
Professional, Scientific & Technical Services is now the fourth most confident industry on 108.1 following an increase of 12.6pts while the largest increase from a year ago has been for fifth-placed Electricity, gas & water on 105.7, following a large increase of 57.5pts on a year ago.

The five least confident industries are led by Agriculture on only 68.1, following a decline of 22.1pts from a year ago. Agriculture was the least confident industry throughout 2023 averaging only 77.7.

In second last place is Retail which has Business Confidence of 72.8, down 3.7pts on a year ago and has experienced subdued Retail Sales in recent months as the pandemic savings buffer ran down. Average annual retail sales growth in 2022 ran at a record high of 11.5% whereas in 2023 this figure dropped significantly to under 3.5%.

The two industries to experience the largest falls in Business Confidence over the last year are Transport, Postal & Warehousing, down 24.3pts to 76.6, and Public Administration & Defence, down 24.2pts to 73.7.

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



Source: Roy Morgan Business Single Source, November-December 2023, n=3,016. **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 5.3pts to 91.1 in December as businesses grew increasingly confident about their own performance and that now is a good time to invest in growing:

- In December, under a third of businesses, 30.6% (up 1.5ppts), said their **business is 'better off financially than this time a year ago'**, while almost half, 45.0% (down 1.2ppts), said the business is now 'worse off';
- Businesses grew more confident about their prospects for the next year in December, with 42.8% (up 5.7ppts) expecting the **business will be 'better off financially'** this time next year, while just over a quarter, 25.4% (down 1.6ppts), expect the business will be 'worse off';
- Businesses were slightly more positive about **Australia's economic performance over the next year** with 35.2% (up 0.4ppts), expecting 'good times' while almost two-thirds, 63.6% (down 0.7ppts) expect 'bad times';
- Businesses were also negative on **the longer-term outlook for the Australian economy** with 37% (up 2.2ppts) expecting 'good times' for the Australian economy over the next five years while a decreasing majority of 58.7% (down 2.5ppts) expect 'bad times';
- Views on whether now is a **'good or bad time to invest in growing the business'** improved in December with 46.8% (up 5.1ppts) saying the next 12 months will be a **'good time to invest'** in growing the business and 44% (down 5.8ppts) who say the next 12 months will be a **'bad time to invest'**.



Michele Levine, CEO of Roy Morgan, says Business Confidence increased 5.3pts to 91.1 in December after the RBA left interest rates unchanged in the lead-up to Christmas:

"Roy Morgan Business Confidence rebounded 5.3pts to 91.1 in December. The index has now spent a record eleven straight months (since February 2023) in negative territory below 100.

"Driving the increase in Business Confidence in December was positive views about the businesses' performance over the next year with 42.8% of businesses (up 5.7ppts on a month ago) expecting to be 'better off financially' this time next year and 46.8% (up 5.1ppts) saying that the next 12 months will be a 'good time to invest in growing the business'.

"The RBA's decision to leave interest rates unchanged at 4.35% in December has appeared justified in recent weeks with [ABS annual inflation dropping to 4.3% for November 2023](#) – down from 4.9% (October 2023) and down by over 1% point from September 2023 (5.6%).

"This is the lowest inflation for two years since January 2022 and the first time interest rates have been higher than inflation since the early months of the pandemic when Australia experienced a brief period of deflation.

"The good news for businesses is that the RBA has not raised interest rates in the current cycle when the latest published inflation figure has been under 5% and all indications are that inflation is set to drop further in coming months to well under 4%.

"On a State-by-State basis Business Confidence is in positive territory in only two States – SA (103.0) and Victoria (100.5). The measure is in negative territory in the four other States of WA (98.3), Tasmania (94.4), Queensland (89.4) and is lowest of all at only 79.1 in NSW (79.1).

"At an industry level it is Administration & Support Services which is again the most confident industry in November-December with a Business Confidence rating of 115.9 ahead of Community Services on 115.2 – both industries over 30% above the national average.

"Also performing well is Education & Training on 114.1. This industry has had higher Business Confidence in 2023 than any other averaging an exceptional 121.6 throughout the year over 30% higher than the national average during the year of 91.8.

"At the other end of the scale are several industries with persistently low Business Confidence led by Agriculture on only 68.1. Agriculture has been the poorest performing industry throughout 2023 averaging only 77.7; and even lower during the last six months at only 70.8.

"The retail industry has also faced a challenging period during the last six months averaging only 62.5 since July and with Business Confidence of only 72.3 in December. Retailers have faced persistently high inflation, the highest interest rates for 12 years and a lull after the pandemic spending boom of 2020-22 that has seen retail sales growth plummet.

"Looking forward the next six months look to include similar challenges although later in the year there is hope of a stronger end to the year with the potential for interest rates to be cut, inflation coming down and the stage 3 tax cuts increasing consumer's take home pay from mid-year.

"Other industries with low Business Confidence include Manufacturing on 73.2, Public Administration & Defence on 73.7, Transport, Postal & Warehousing on 76.6, Construction on 77.4 and Wholesale on 79.3."

The latest Roy Morgan Business Confidence results for December are based on 1,497 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

