

Tuesday, 18 June 2024

Roy Morgan Business Confidence drops 2.3pts to 97.0 in May after under-whelming Federal Budget

In May 2024, Roy Morgan Business Confidence was 97.0 (down 2.3pts since April 2024) and is still just marginally below the neutral level of 100.

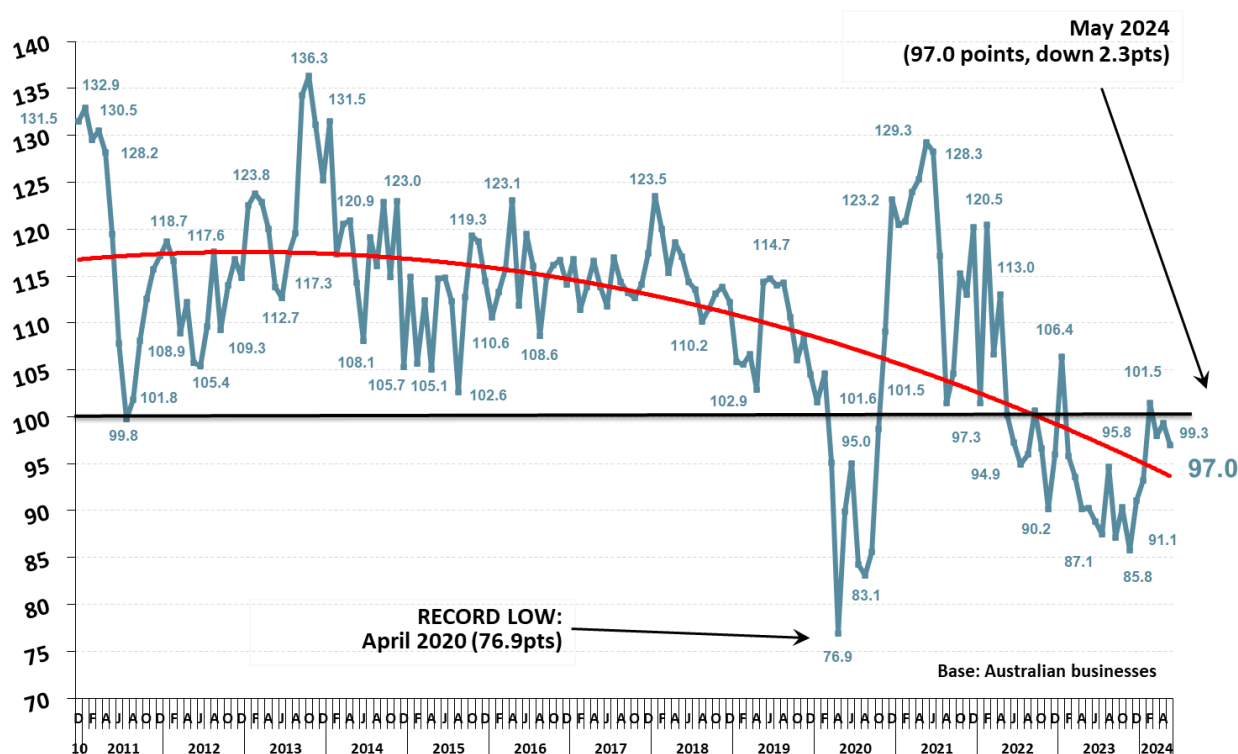
There were mixed results in May with businesses less confident about the next 12 months and whether it would be a 'good time' to invest in the business while at the same time there was more confidence (albeit at a low level) about the longer-term outlook for the Australian economy over the next five years.

Now, a plurality of businesses, 42.6% (up 6.1ppts) say the next 12 months is a 'bad time to invest in growing the business' compared to only 38% (down 3ppts) that say it is a 'good time to invest' – **the lowest figure for this indicator for over four years since April 2020**.

In contrast, there was a recovery in sentiment regarding the Australian economy over the longer-term with 32.4% (up 3.1ppts from a **record low in April**) of businesses, expecting 'good times' for the Australian economy over the next five years while an 55.2% (down 5.3ppts) expect 'bad times'.

Business Confidence is now 14.2pts below the long-term average of 111.2, but 16.7pts higher than the latest – [ANZ-Roy Morgan Consumer Confidence of 80.3 for June 10-16, 2024](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-May 2024. Average monthly sample over the last 12 months = 1,601.

Business Confidence is up from a year ago – driven by increases in Victoria and Queensland

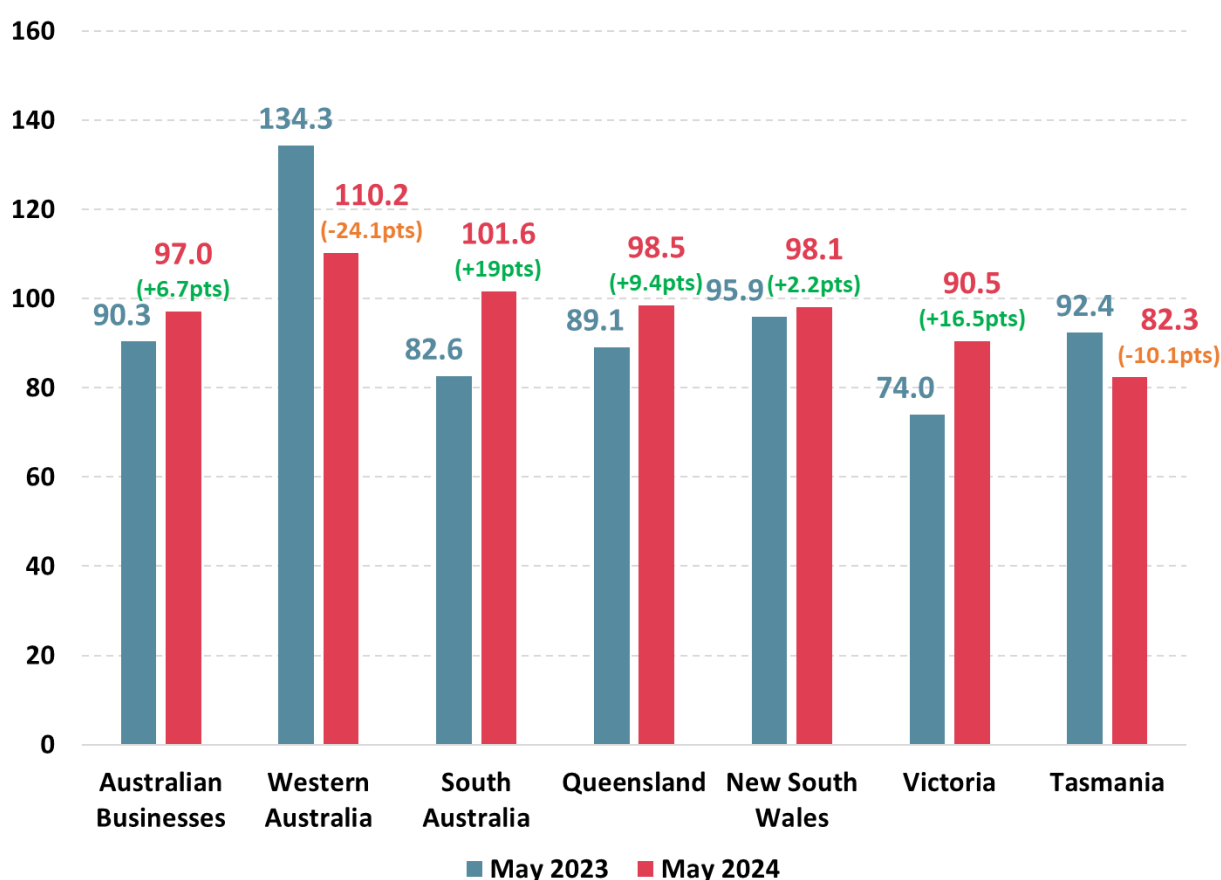
Business Confidence for the month of May was down slightly on April 2024 (down 2.3pts) but increased significantly on a year ago, up 6.7pts since May 2023.

The increase in Business Confidence from a year ago has been driven by large increases in Victoria, Queensland and South Australia with all three States up by at least nine points.

Business Confidence increased by the most in South Australia, up 19 pts over the last year to 101.6 – and now above the neutral level of 100 in May 2024. There was also a large rise in Victoria, up 16.5pts to 90.5, and a significant increase in Queensland, up 9.4pts to 98.5. Business Confidence in New South Wales is at 98.1 – up only 2.2pts from a year ago.

Despite falling, Business Confidence is still highest in Western Australia at 110.2, down a large 24.1pts from a year ago. There was also a marked decline in Tasmanian Business Confidence, down 10.1pts to 82.3 and is now the lowest of any State.

Business Confidence by State in May 2023 vs May 2024



Source: Roy Morgan Business Single Source, May 2023, n=1,492, May 2024, n=1,513. **Base:** Australian businesses.

*Tasmanian Business Confidence is measured over two months: April & May 2023 cf. April & May 2024.

Professional, Scientific & Technical Services, Education & Training and Finance & Insurance are the three most confident industries during April & May 2024

Over the last two months there were nine industries with Business Confidence in positive territory above the neutral level of 100: Professional, Scientific & Technical Services, Education & Training, Finance & Insurance, Information Media & Telecommunications, Administrative & Support Services, Property & Business Services, Community Services, Public Administration & Defence and Wholesale.

The most confident industry in April & May 2024 was Professional, Scientific & Technical Services on 113.8, up 18.6pts on a year ago. In second place is Education & Training on 119.1, but down 9.8pts on a year ago when confidence in the sector was soaring after the full re-opening of Australia's borders in late 2022.

In third place is Finance & Insurance on 110.9, up 4.4pts on a year ago. The Finance & Insurance industry has been amongst the most confident this year and has been in the top three most confident industries throughout the last four months since February 2024.

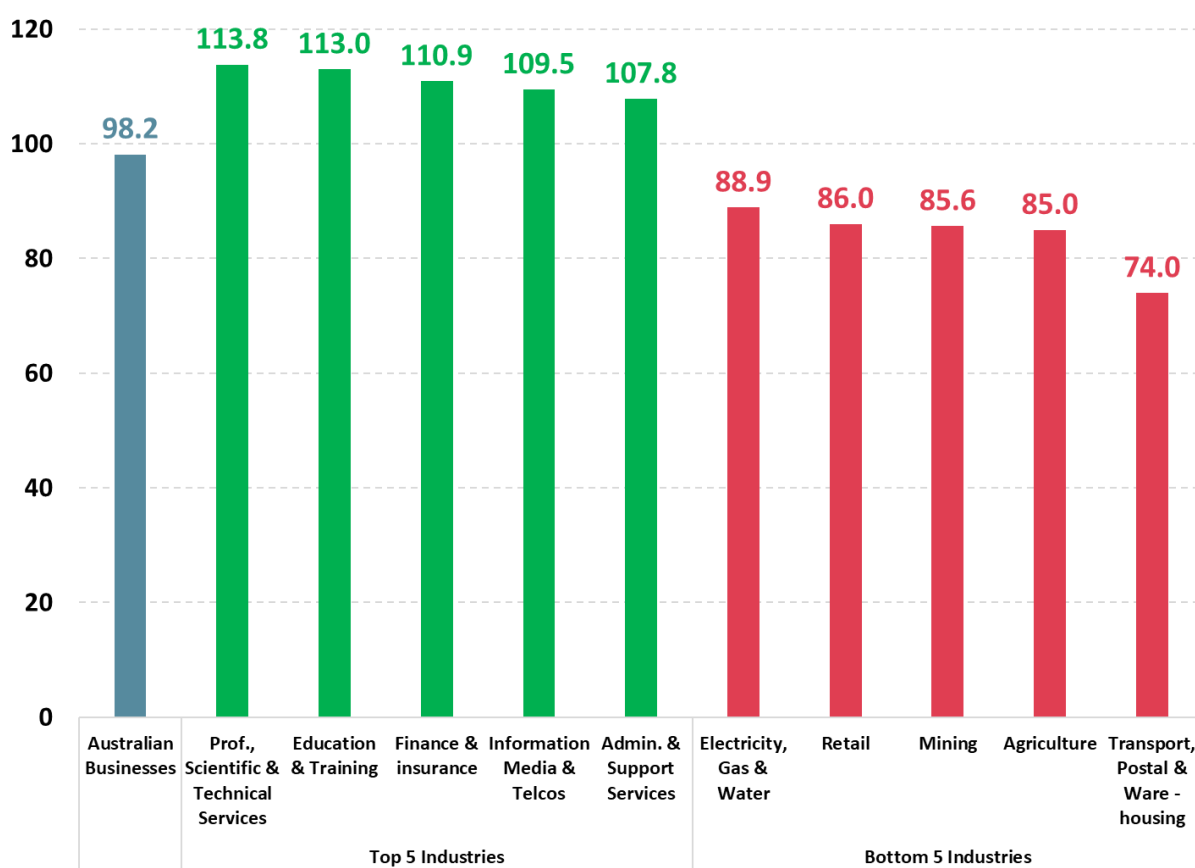
Other confident industries during the months of April & May include Information Media & Telecommunications on 109.5, up 2.6pts on a year ago, Administration & Support Services on 107.8, up 22.8pts on a year ago, Property & Business Services on 102.9, up 22.5pts on a year ago, Community Services on 102.6, up 3.8pts on a year ago and Public Administration & Defence on 101.6, up 6.5pts on a year ago.

The five least confident industries are led by Transport, Postal & Warehousing on only 74.0, following a decline of 26.1pts on a year ago – the largest decline of any industry. The Transport, Postal & Warehousing industry has been clearly the least confident since Summer began and has had the lowest confidence of any industry since early December.

In second last place is Agriculture which has had low Business Confidence for longer than any other and is now at 85.0, but up 11pts from a year ago. Confidence in the Agriculture industry has been in negative territory below the neutral level of 100 since September 2022 and has averaged only 82.4 since then.

Other industries with low Business Confidence are Mining on 85.6, down 14.4pts on a year ago, Retail on 86.0, but up 0.9pts and Electricity, Gas & Water on 88.9, but up a large 52.3pts. All three industries have had low Business Confidence in recent years and have averaged below 100 over the last five years.

Business Confidence for Top 5 and Bottom 5 Industries in April & May 2024



Source: Roy Morgan Business Single Source, April & May 2024, n=3,499. **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 2.3pts to 97.0 in May as businesses grew less confident about the Australian economy and their own prospects over the next 12 months:

- In May, just under a third of businesses, 30.6% (down 0.2ppts), said their **business is 'better off' financially than this time a year ago**, while 39.9% (up 1.8ppts), said the business is 'worse off';
- Businesses' views on their prospects for the next year deteriorated for a second straight month in May, with 39.6% (down 4.4ppts) expecting the **business will be 'better off' financially** this time next year, while nearly a quarter, 24.8% (up 3ppts), expect the business will be 'worse off';



- Confidence regarding the performance of the **Australian economy over the next year** was virtually unchanged in May with 52% (down 0.1ppts), expecting 'good times' while 45% (up 1ppt) expect 'bad times';
- However, businesses were more positive on the **longer-term outlook for the Australian economy** with 32.4% (up 3.1ppts) expecting 'good times' for the economy over the next five years while a majority of 55.2% (down 5.3ppts) expect 'bad times';
- Views on whether now is a '**good or bad time to invest in growing the business**' were down in May with only 38% (down 3ppts) saying the next 12 months will be a '**good time to invest**' in growing the business (**the lowest figure for this indicator since the early days of the pandemic in April 2020**) and 42.6% (up 6.1ppts) who say the next 12 months will be a '**bad time to invest**'.

Michele Levine, CEO of Roy Morgan, says Business Confidence decreased marginally in May, down 2.3pts to 97.0, as decreasing confidence about the economic and business prospects over the next year slightly outweighed an increase in confidence about the longer-term prospects:

"Roy Morgan Business Confidence was down 2.3pts to 97.0 in May to sit marginally below the neutral level of 100 in the month the Federal Budget was delivered.

"The results for May show that businesses were not impressed with Treasurer Jim Chalmers' Federal Budget and there was no boost to confidence. This should not be a surprise as a look at historical trends shows Business Confidence has now declined in 9/14 years in May following the Federal Budget.

"The biggest driver of the decline in May related to businesses' prospects over the next year with only 38% of businesses (down 3ppts) saying the next 12 months will be a 'good time to invest in growing the business' – the lowest figure for this indicator for over four years since April 2020. In contrast, now 42.6% (up 6.1ppts) say the next 12 months will be a 'bad time to invest in growing the business.'

"In addition, now only 39.6% (down 4.4ppts) of businesses expect the business will be 'better off' financially this time next year, compared to almost a quarter, 24.8% (up 3ppts), that expect to be 'worse off' – a net negative movement of 7.4ppts from a month ago.

"On a State-by-State basis Business Confidence is in positive territory in only two States (Western Australia (110.2) and South Australia (101.6)) and in negative territory in the four other States (Queensland (98.5), New South Wales (98.1), Victoria (90.5) and Tasmania (82.3)).

"At an industry level, it is Professional, Scientific & Technical Services which is the most confident industry in the months of April-May with a Business Confidence rating of 113.8 ahead of second-placed Education & Training (113.0) and third-placed Finance & Insurance (110.9).

"Also performing well are Information Media & Telecommunications on 109.5, Administration & Support Services on 107.8, Property & Business Services on 102.9, Community Services on 102.6, Public Administration & Defence on 101.6 and Wholesale just above the neutral level of 100 at 101.3.

"At the other end of the scale are several industries with persistently low Business Confidence led by Transport, Postal & Warehousing on only 74.0 and Agriculture on 85.2. Business Confidence in Agriculture has now been below the neutral level of 100 for 20 months and averaged only 82.4.

"Looking forward the next week contains an important RBA meeting on interest rates, the first since the Federal Budget delivered by Treasurer Jim Chalmers a month ago which failed to provide any boost to the level of Business Confidence."

The latest Roy Morgan Business Confidence results for May are based on 1,513 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