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Tuesday, 12 November 2024

## Roy Morgan Business Confidence jumps 12.4pts to 106.7 in October as official inflation falls into the RBA's target range

In October 2024, Roy Morgan Business Confidence was 106.7 (up 12.4pts since September 2024) as official ABS monthly inflation dropped from 3.5% in July to 2.7% in August (announced in late September) and has now fallen to only 2.1% in September (announced in late October).

The official ABS quarterly inflation for September 2024 (also announced in late October) dropped to 2.8% - the lowest for well over three years since March 2021.

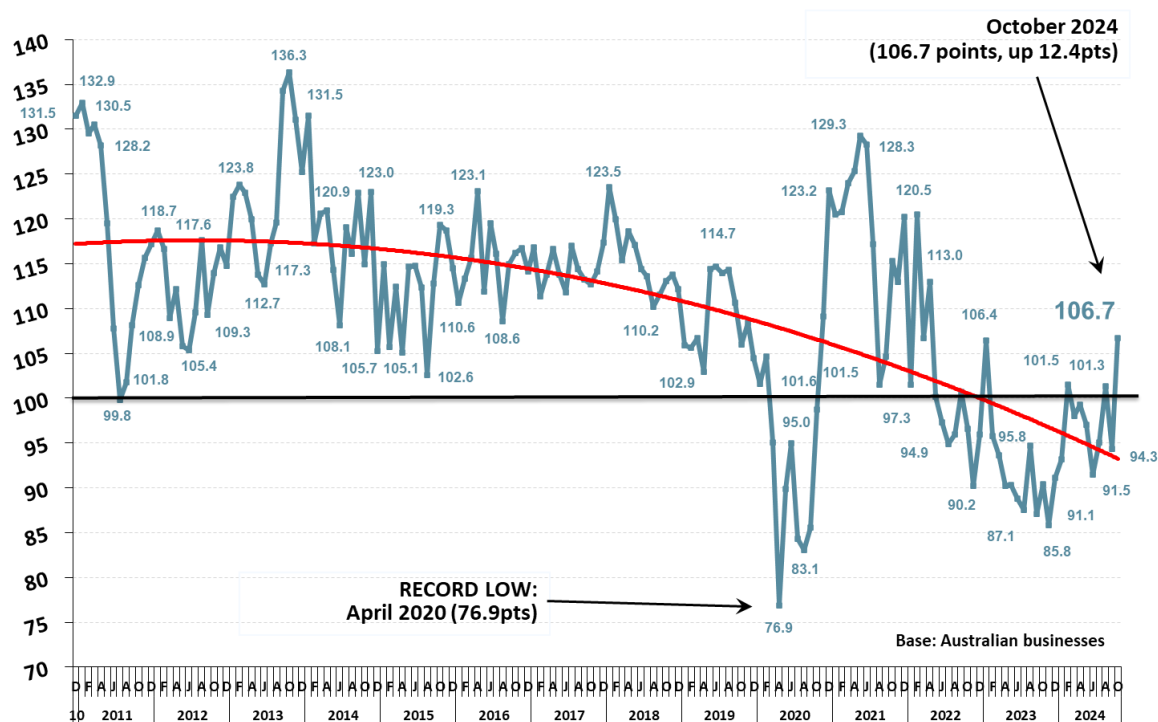
Roy Morgan Business Confidence has now improved to its most positive rating for well over two years since April 2022 and is the highest it has been since the Albanese Government was elected in May 2022.

Businesses became more confident about the next year in October as inflation dropped rapidly and returned to the RBA's target range of 2-3%. Now 46.3% (up 5.2ppts) of businesses expect to be 'better off' financially this time next year and a clear majority of 59% (up 6.8ppts) expect Australia will have 'good times' economically over the next 12 months.

The biggest driver of the positive move in Business Confidence related to investing in the growth of the business with 42.9% (up 6.9ppts) saying the next 12 months is a 'good time to invest in growing the business' compared to only 35.2% (down 10.4ppts) that say the next 12 months is a 'bad time to invest in growing the business' – a net positive movement of 17.3ppts.

Business Confidence is now 4.5pts below the long-term average of 111.2, but a large 20.2pts higher than the latest [ANZ-Roy Morgan Consumer Confidence of 86.7 for November 4-10, 2024](#).

### Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Oct 2024. Average monthly sample over the last 12 months = 1,591.

## Business Confidence is up significantly from a year ago – its highest since April 2022

Business Confidence for the month of October increased significantly on a month ago (up 12.4pts) and up by even more on a year ago, up 16.3pts on October 2023. The increase in Business Confidence from a year ago has been driven by large increases in States of New South Wales, Victoria, Queensland and South Australia with increases by at least 10 points.

The most consequential increases were in the two largest States with Business Confidence in New South Wales increasing by 20pts from a year ago to 111.6 – and now with the highest Business Confidence of any State. Business Confidence in Victoria increased by 19.6pts from a year ago to 104.4.

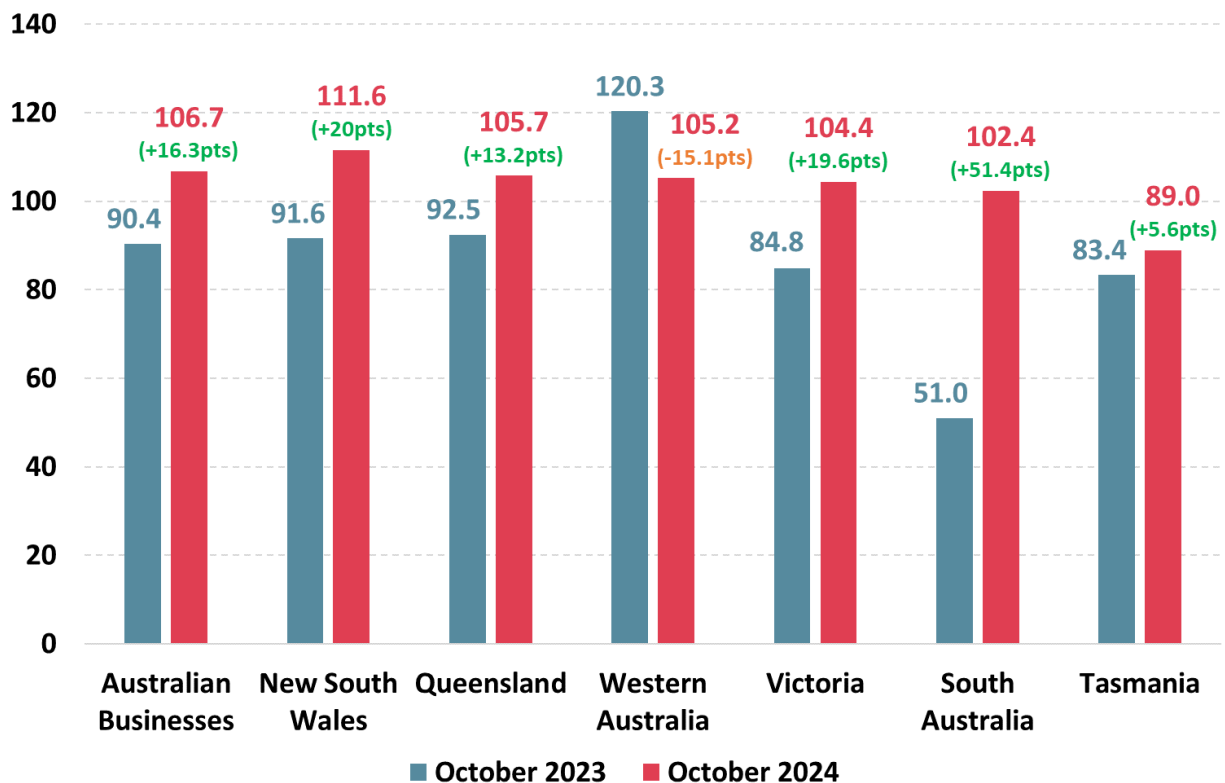
There was also a large increase in Queensland, up by 13.2pts from a year ago to 105.7. By far the largest increase was in South Australia, with Business Confidence in the State more than doubling and up 51.4pts from a year ago to 102.4 in October.

Business Confidence is now lowest in Tasmania at only 89.0 – the only State with Business Confidence below the neutral level of 100 and up only 5.6pts from a year ago - the smallest increase of any State.

Business Confidence in Tasmania has lagged in recent months as the Liberal-led Government has dealt with considerable instability. The Rockliff Liberal Government in Tasmania controls only 14 seats in the 35 seat House of Assembly and since the disintegration of the Jacqui Lambie Network (JLN) in late August has relied on the confidence and supply of four independents to retain Government.

Despite a significant decrease of 15.1pts from a year ago, Business Confidence is still in positive territory in Western Australia at 105.2.

### Business Confidence by State in October 2023 vs October 2024



**Source:** Roy Morgan Business Single Source, October 2023, n=1,805, October 2024, n=1,884. **Base:** Australian businesses.

### Public Administration & Defence, Education & Training, Finance & Insurance and Recreation & Personal are the four most confident industries during September & October 2024

Over the last two months there were 13 industries with Business Confidence in positive territory above the neutral level of 100 led by Public Administration & Defence, Education & Training, Finance & Insurance, Recreation & Personal, Professional, Scientific & Technical Services, Electricity, gas & water, Administrative & Support Services, Community Services, Manufacturing and Property & Business Services.

The most confident industry in September & October 2024 was Public Administration & Defence on 160.1, up a massive 48.9pts on a year ago followed by Education & Training on 127.3, up 6.7pts. Education & Training has now been amongst the top five most confident industries for over two years since June 2022.

In third place is Finance & Insurance on 121.6, up 20.7pts on a year ago ahead of Recreation & Personal on 112.0, up 16.9pts on a year ago and filling out the top five is Professional, Scientific & Technical Services on 111.0, and up 11.9pts on a year ago.

Other confident industries during September & October were Electricity, gas & water on 110.3, Administrative & Support Services on 108.8, Community Services on 108.3, Manufacturing on 104.7, Property & Business Services on 103.0, Accommodation & Food Services on 102.7, Wholesale on 101.9 and Retail on 101.9.

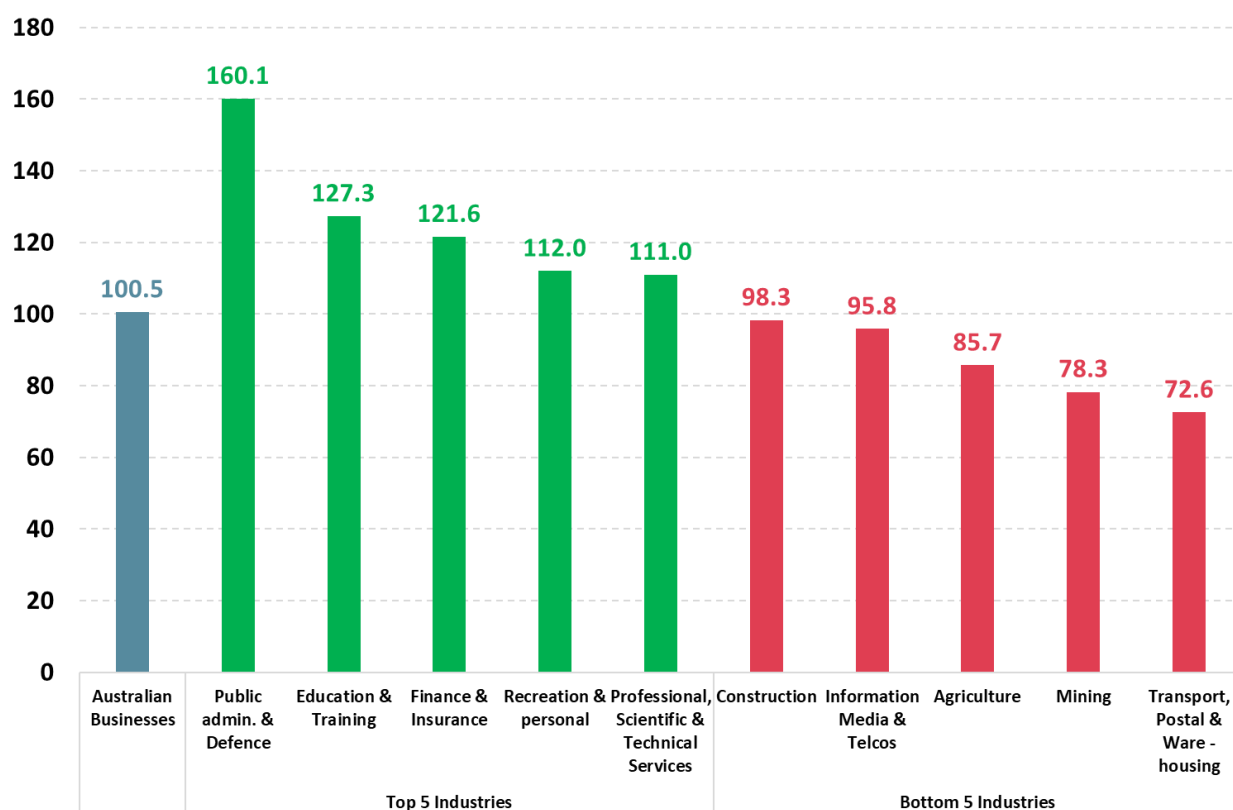
The five least confident industries are led by Transport, Postal & Warehousing on 72.6 and in line with the average for the industry so far this year of only 72.4 – more than 10pts lower than any other industry.

In second last place is Mining on 78.3 and down significantly in recent months. Mining is the only industry in the bottom five industries which has an average Business Confidence so far this year above 100 at 103.3.

In third last place is Agriculture on 85.7, but still up a significant 17.2pts on a year ago. Agriculture has had low Business Confidence for longer than any other and has now been in negative territory below the neutral level of 100 since September 2022 and has averaged only 82.6 since then.

Business Confidence in the Information, Media & Telecommunications is at only 95.8 while the Construction industry is at 98.3, just below the neutral level of 100.

### Business Confidence for Top 5 and Bottom 5 Industries in September & October 2024



**Source:** Roy Morgan Business Single Source, September & October 2024, 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 12.4pts to 106.7 in October as businesses expect 'good times' over the next year and say the next 12 months is a 'good time to invest' in growing the business:**

- In October, a third of businesses, 33% (up 4.8ppts), said their **business is 'better off' financially than this time a year ago**, while 35.9% (down 6.8ppts), said the business is 'worse off' – a net negative rating of 2.9ppts, although still slightly negative, **this is the highest for over 18 months since March 2023;**



- Businesses' views on their prospects for the next year improved in October and are the most positive of the five indicators with 46.3% (up 5.2ppts) expecting the **business will be 'better off' financially** this time next year, while only around a fifth, 20.6% (down 4.4ppts), expect the business will be 'worse off';
- Confidence regarding the performance of the **Australian economy over the next year** improved significantly in October with a majority of 59% (up 6.8ppts), expecting 'good times' (**the highest figure for this indicator for well over two years since February 2022**) while only 36.8% (down 7.9ppts) expect 'bad times' (**the lowest figure for this indicator for well over two years since February 2022**);
- In addition, businesses were more optimistic about the long-term future of the **Australian economy over the next five years** with 35.6% (up 4.4ppts) expecting 'good times' over the next five years compared to a majority of 54.6% (down 4.5ppts) expecting 'bad times';
- Net sentiment on whether now is a **'good or bad time to invest in growing the business'** improved significantly in October with only 42.9% (up 6.9ppts) saying the next 12 months will be a **'good time to invest'** in growing the business and only around a third, 35.2% (down 10.4ppts) who say the next 12 months will be a **'bad time to invest'** (**the lowest figure for over three years since June 2021**).

**Michele Levine, CEO of Roy Morgan, says Business Confidence increased rapidly in October, up 12.4pts to 106.7 to its highest in well over two years as inflation continued to decline and businesses grew more confident about investing in growth and prospects for the economy:**

*"Roy Morgan Business Confidence increased 12.4pts to 106.7 in October, driven by a surge in confidence about investing in growing the business. This is the highest Business Confidence has been for well over two years since April 2022 (113.0) just before the election of the Albanese Government.*

*"Now a rising plurality of businesses, 42.9% (up 6.9ppts), say the next 12 months is a 'good time to invest' in growing the business compared to only 35.2% (down 10.4ppts) that say it's a 'bad time to invest' – a net movement of 17.3ppts.*

*"There were also large increases in confidence related to the performance of the Australian economy going forward with 59% (up 6.8ppts) expecting 'good times' for the economy over the next year and 35.6% (up 4.4ppts) expecting 'good times' for the economy over the next five years.*

*"There was good news for businesses in late September with the official [ABS monthly inflation figure for August showing annual inflation dropping to 2.7% \(down 0.8% points from July\)](#). This decline continued with annual inflation falling 2.1% (monthly) for September – announced in late October.*

*"In addition, the [quarterly annual inflation figure fell 1% to 2.8% for the September quarter 2024](#) – the lowest for over three years since the March 2021 quarter during the middle of the pandemic – and within the RBA's target range of 2-3% for the first time since 2021.*

*"The rapid reduction in inflation in recent months is building expectations amongst many, including businesses, that the Reserve Bank will soon be embarking on a new cycle of interest rate cuts – as their central bank counterparts overseas have already begun.*

*"On a State-by-State basis Business Confidence is now in positive territory in five States including New South Wales (111.6), Queensland (105.7), Western Australia (105.2), Victoria (104.4) and South Australia (102.4). The indicator is now in negative territory below 100 in only Tasmania (89.0).*

*"At an industry level, it is Public Administration & Defence which is the most confident industry in the months of September & October with a Business Confidence rating of 160.1 ahead of Education & Training (127.3), Finance & Insurance (121.6) and Recreation & Personal (112.0).*

*"At the other end of the scale are several industries with low Business Confidence led by Transport, Postal & Warehousing on only 72.6, Mining on 78.3 and Agriculture on 85.7. The Transport, Postal & Warehousing industry has been among the least confident industries this year and is the only industry for which confidence has averaged under 80 throughout the first ten months of the year."*

The latest Roy Morgan Business Confidence results for October are based on 1,884 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