

Friday, 31 May 2019

Business Confidence soars 11% to 114.4 as L-NP win election and majority say now is a ‘good time to invest’

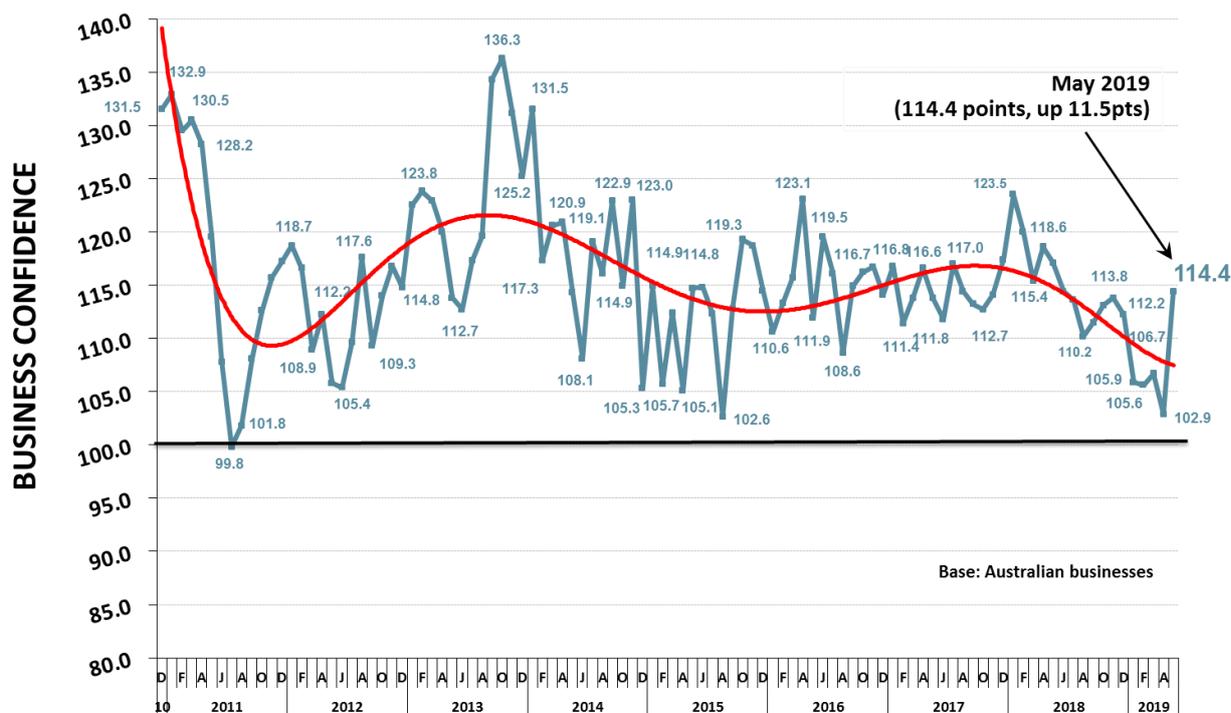
Roy Morgan Business Confidence jumped 11.5pts (+11.2%) to 114.4 in May in a month in which the L-NP Government was re-elected against the expectations of many. The increase was across the whole month although the small proportion of interviews conducted after the election had a higher level of Business Confidence (118.4) than the pre-election period (113.5).

As Roy Morgan has consistently pointed out a trio of important elections in Victoria, NSW and a national election have provided a great degree of political uncertainty over the past year. During this period Business Confidence has consistently trended downwards after reaching a recent high of 123.5 in January 2018.

The jump in Business Confidence in May is the biggest monthly increase since a 14.7pt (+12.3%) jump to 134.3 in September 2013 when the L-NP Government was first elected. Business Confidence in May 2019 is now only 2.7pts below its level of a year ago in May 2018 and 1.3pts less than its long-term average of 115.7.

The rebound for Business Confidence in May means the index is now only just below the latest weekly [ANZ-Roy Morgan Consumer Confidence, which is at 118.6 on May 27/28, 2019](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec2010-May2019. Average monthly sample over the last 12 months=838.

Confidence rebounds as political uncertainty clears with L-NP election victory

- The increase in Business Confidence in May from a month ago was driven by large increases in sentiment about prospects for the business over the next year and also about improving expectations for the Australian economy over the next 12 months and next five years;

- Now 44.5% (up 9.3ppts) of businesses expect their business to be 'better off financially this time next year while just 15.7% (down 6.1ppts) expect the business to be 'worse off financially';
- In addition 36.1% (down 0.7ppts) say the business is 'better off financially than this time last year and 30.8% (down 2.9ppts) say the business is 'worse off financially than a year ago';
- A plurality of 47.4% (up 6.4ppts) of businesses expect the Australian economy to have 'good times' over the next year while 41.3% (down 6.6ppts) expect the Australian economy to have 'bad times';
- A clear majority of businesses, 52% (up 9.4ppts), expect 'good times' for the Australian economy over the next five years (**the highest figure for this indicator for over a year since February 2018**) and just 35.4% (down 11.2ppts) now expect 'bad times' for the Australian economy over the next five years (**the lowest figure for this indicator for over a year since February 2018**).
- Now a majority of 51.3% (up 3.6ppts) of businesses, say the next year will be a 'good time to invest in growing the business', while 36% (down 2.9ppts) say it will be a 'bad time to invest' (**the lowest figure for this indicator for over a year since February 2018**);

Business Confidence up from a year ago for four out of five leading industries

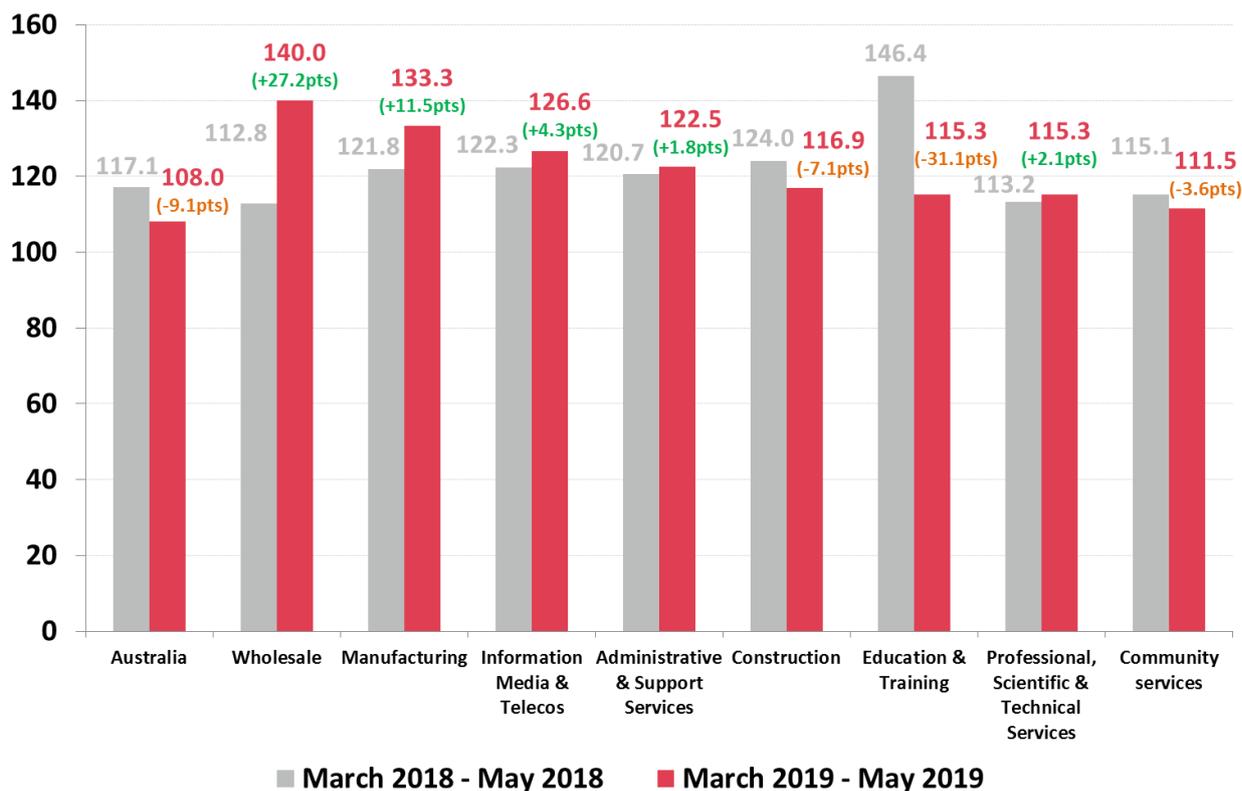
Analysing the leading industries in the three months to May 2019 compared to a year ago shows that although overall Business Confidence for this three month period is down 9.1pts to 108.0 there are several industries for which Business Confidence has 'bucked' this trend and increased significantly.

Business Confidence in the Wholesale industry is now the highest of any industry at 140.0 in March – May 2019, up a significant 27.2pts on a year ago.

Other industries with exceptionally high Business Confidence in the three months to May include Manufacturing on 133.3, up 11.5pts on a year ago, Information Media & Telecommunications on 126.6, up 4.3pts on a year ago, and Administration & Support services also on 122.5, up by 1.8pts.

Business Confidence in the Construction industry is above average at 116.9pts, although this is down 7.1pts on a year ago, and for Professional, Scientific & Technical services Business Confidence has increased 2.1pts to 115.3 to now be level with Education & Training.

Top Industries by Business Confidence (>110) – March – May 2019 cf. March – May 2018



Source: Roy Morgan Business Single Source, March – May 2018, n=2,629 and March – May 2019, n=2,656.

Michele Levine, CEO Roy Morgan, says the jump in Business Confidence in May shows that businesses have finally got what they've been waiting for – an end to political uncertainty that has put downward pressure on the index over the last 12-18 months:

“Roy Morgan Business Confidence jumped by 11.5pts to 114.4 in May as Australians went to the polls and elected an L-NP Government to a third term against the expectations of many. Business Confidence has now recovered to its highest for nearly a year since June 2018 (114.4).

“The increase in Business Confidence from a month ago was evident throughout the entire month of May and driving the big monthly increase were big jumps in sentiment about prospects for businesses and the Australian economy over the next year.

“In May a majority of 51.3% (up 3.6ppts) of businesses say now is a ‘good time to invest’ in growing the business and a majority of 52% (up 9.4ppts) of businesses now expect ‘good times’ for the Australian economy over the next five years.

“Looking at the Australian States shows Business Confidence in positive territory above 100 in all six States for the first time so far in 2019 and big increases across most States in May led by Victoria, Queensland, Western Australia, South Australia and Tasmania. Only in New South Wales was Business Confidence virtually unchanged from a month ago.

“Analysing Business Confidence by industries shows several industries have had significant increases over the last year led by the Wholesale industry now at 140.0 ahead of Manufacturing on 133.3, Information Media & Telecommunications on 126.6 and Administration & Support services on 122.5. Other industries performing well include Construction on 116.9 and Professional, Scientific & Technical services on 115.3.

“Industries under-performing include Finance & insurance, Accommodation & Food services and Electricity, gas & water which are all well below the neutral level of 100. The clearing of political uncertainty with the return of a majority L-NP Government in May should provide these industries with a positive ‘boost’ over the next few months.”

Roy Morgan Business Confidence results in May are based on 1,000 interviews with a cross-section of Australian businesses. Business Confidence is now below the 8yr average (115.7).

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About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 75 years' experience in collecting objective, independent information on consumers.



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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
10,000	±1.0	±0.9	±0.6	±0.4
50,000	±0.4	±0.4	±0.3	±0.2