

Monday, 8 February 2021

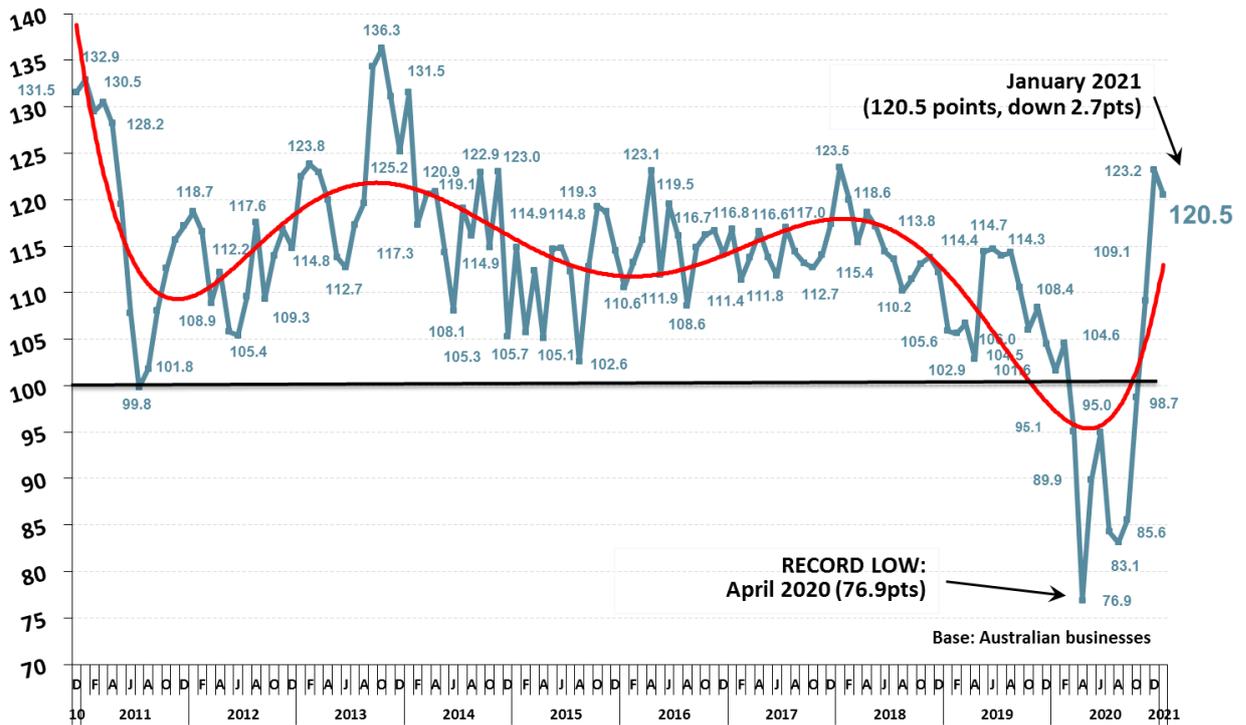
Roy Morgan Business Confidence down 2.7pts to 120.5 in January – Majority of businesses expect ‘good times’ for the next 12 months

In January 2021 Roy Morgan Business Confidence was down 2.7pts (-2.2%) to 120.5 – the first decline in the index since August 2020 after four straight months of gains. Despite the fall Business Confidence is now 7.1pts above the long-term average of 113.4.

The good news is that a clear majority of 61.7% of businesses expect ‘good times’ for the Australian economy over the next 12 months and a majority of 52.9% of businesses said the next 12 months is a ‘good time to invest in growing the business’.

Business Confidence is now 18.9pts higher than it was a year ago at 101.6 in January 2020. Business Confidence for January is now clearly above the latest [ANZ-Roy Morgan Consumer Confidence of 111.4 for February 6/7, 2021](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Jan 2021. Average monthly sample over the last 12 months = 1,286.

Business Confidence to start 2021 is significantly higher than a year ago

Business Confidence did drop slightly in January but this followed four months of solid increases to end 2020. Business Confidence is now 37.4pts (+45%) higher than at the start of Victoria’s second wave of COVID-19 in August 2020 and 18.9pts (+18.6%) higher than a year ago in January 2020 (101.6).

On a State based level Business Confidence is higher in all States than a year ago and significantly higher in NSW, Victoria, WA and SA – up by at least 15% in all four States compared to January 2020.

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Business Confidence is now highest in Western Australia at 140.6 in January and has increased by 27.6pts (+24.5%) from a year ago.

Victoria is also in a far better position than a year ago according to the State's businesses with Business Confidence up 25.1pts (+25.5%) to 123.7.

In 2021 Business Confidence in both New South Wales, up 18.8pts (+18.7%) to 118.9 and South Australia, up 26.7pts (+29%) to 118.7 is starting the year in a much stronger position than 2020.

However in two States there is little difference in Business Confidence compared to this time a year ago. In Queensland Business Confidence is virtually identical at 108.7, up 3.4pts (+3.2%) while in Tasmania the measure is still below the neutral level of 100 at only 92.5, an increase of 3pts (+3.3%).

Of course, the business conditions in much of Australia during last January were heavily impacted by devastating bushfires in many States that as well as causing significant local destruction led to several large smoke clouds forcing people indoors for days on end in Australia's largest cities.

Business Confidence by State in January 2020 vs. January 2021



Source: Roy Morgan Business Single Source, January 2020, n=923, January 2021, n=1,021. **Base:** Australian businesses.

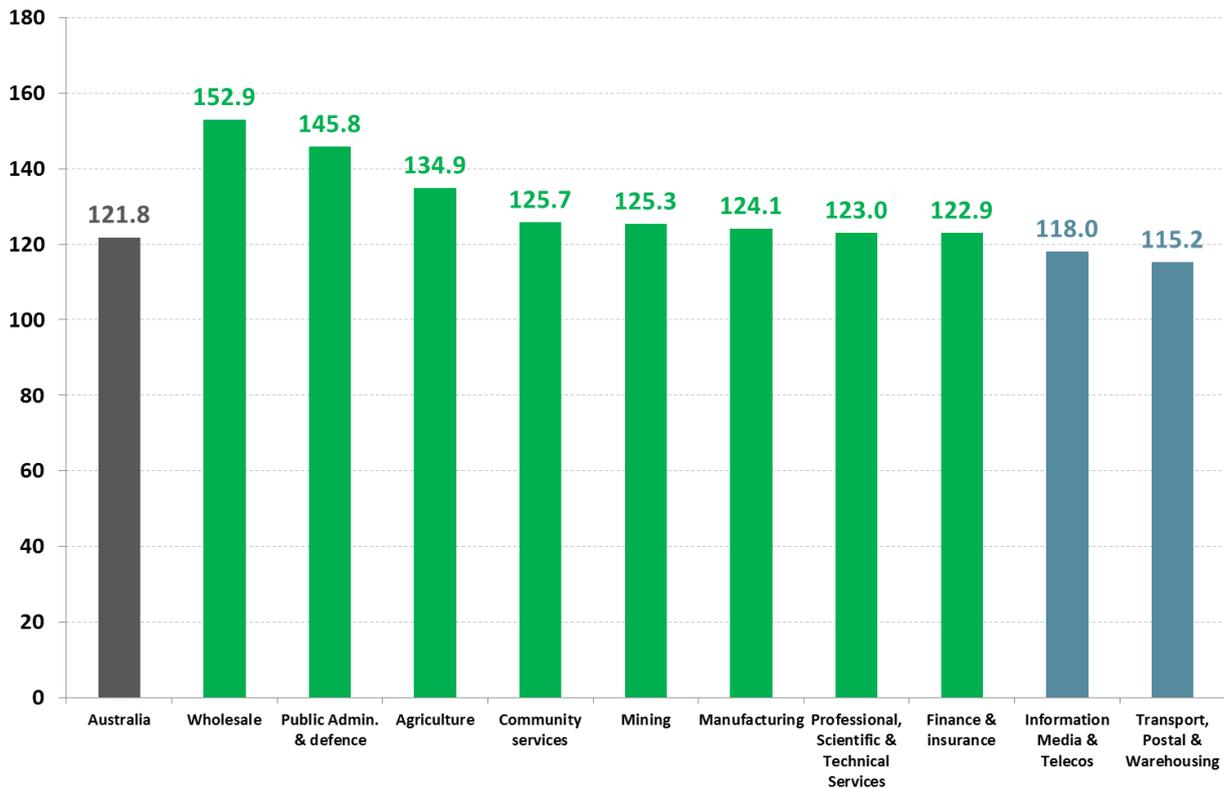
Wholesale, Public Administration & Defence and Agriculture are the most confident industries

All but two industries had positive Business Confidence ratings above the neutral level of 100 in December 2020/January 2021 and 17/18 industries have a higher rating now than they did a year ago. The only exception is Mining which still retains an above average Business Confidence of 125.3.

Wholesale had the highest Business Confidence at 152.9 in December 2020/January 2021 up 23.3pts (+18%) on the same period a year ago. Following closely behind are Public Administration & Defence on 145.8 (up 15.2pts, +11.6%), Agriculture on 134.9 (up 32.5pts, +31.8%) and Community Services on 125.7 (up 15.2pts, +13.7%).

Also well into positive territory are Manufacturing (124.1), Professional, Scientific & Technical Services (123.0), Finance & Insurance (122.9), Information Media & Telecommunications (118.0), Transport, Postal & Warehousing (115.2) Retail (115.0) and Education & Training (114.5).

Business Confidence for Top 10 Industries in December 2020/January 2021



Source: Roy Morgan Business Single Source, December 2020 & January 2021, n=2,607. **Base:** Australian businesses. **Note:** In the chart above green bars represent Business Confidence in positive territory above 100 and blue bars represent Business Confidence in positive territory above 100 but below the national average.

Business Confidence off three-year high in January but still very positive about their own prospects, investing in growing the business and Australia's economic performance

- Businesses remain confident about the **Australian economy's performance over the next year** with over three-fifths, 61.7% (down 1.4ppts), expecting 'good times' for the Australian economy over the next year while only just over a third, 35.4% (up 1.4ppts), expected 'bad times';
- In good news businesses have grown more confident about **the longer-term outlook with 57.1%** (up 0.9ppts) expecting 'good times' for the Australian economy over the next five years compared to 34.7% (down 3.1ppts) which expect 'bad times' (**the lowest figure for this indicator for four years since January 2017**);
- Well over a third of businesses, 37.8% (up 0.7ppts), said the business was 'better off' financially than this time a year ago (**the highest figure for this indicator for over a year since December 2019**) while 37.8% (down 2ppts), said the business is 'worse off' (**the lowest figure for this indicator for a year since February 2020**);
- A majority of businesses are still confident about their own performance over the next year with 50.1% (down 4.5ppts) expecting the business will be 'better off' financially this time next year, while only 16% (up 3.6ppts) expected the business to be 'worse off'.
- In addition, despite a decrease, a majority of businesses, 52.9% (down 6.8ppts), said the next 12 months is a **'good time to invest in growing the business'**, while 33.2% (up 2.3ppts) said it will be a 'bad time to invest';



Michele Levine, CEO of Roy Morgan, says Business Confidence increased by a record 40.1pts (+48.3%) during the last four months of 2020 so it's no surprise to see a slight pullback in January as many States grappled with minor outbreaks of COVID-19:

"Business Confidence soared at a record-breaking rate during the closing months of 2020 as Australia got comprehensively on top of COVID-19 and in early December State borders opened up for a brief period as there were no local cases of the virus for several weeks.

"This run was halted in mid-December with an COVID-19 outbreak in Sydney's Northern Beaches and since then there have been separate outbreaks connected to the hotel quarantine program in Sydney (again), Brisbane, Perth and Melbourne.

"Despite the small decrease in January Business Confidence remains riding high at 120.5 in January which is 7.1pts above the long-term average and 18.9pts above its level of a year ago.

"Early last year Australia was grappling with bushfires in many States. As well as the destruction of property and wildlife in many places there were heavy smoke hazes over Australia's major cities including Sydney and Melbourne that kept people indoors and depressed confidence even before most people had heard of the virus that became known as COVID-19.

"There is much good news and positivity to take from what businesses are thinking to start the new year. A clear majority of 61.7% of businesses expect the Australian economy will have 'good times' over the next year and 52.9% say the next 12 months is a 'good time to invest in growing the business.'

"Business Confidence is up in every State of Australia compared to January 2020 and is at least 15pts higher in Western Australia (140.6), Victoria (123.7), New South Wales (118.9) and South Australia 118.7) than it was a year ago.

"Most industry sectors are confident as well and only the two (Accommodation & Food Services and Recreation & Personal) that have been hardest hit by the pandemic and the associated restrictions are in negative territory below 100.

"There have been calls for targeted support for businesses heavily reliant on travel and tourism after the ending of the JobKeeper wage subsidy program next month and today's figures show there is merit in these appeals. As long as international borders remain closed and domestic borders are liable to shut with less than 24 hours' notice it is very difficult for businesses reliant on tourists to attract customers."

The latest Roy Morgan Business Confidence results for January are based on 1,021 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 75 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

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