

Monday, 9 May 2022

Roy Morgan Business Confidence jumped 6.3pts to 113.0 in April after the Federal Budget but before this week's interest rate increase

In April 2022 Roy Morgan Business Confidence jumped by 6.3pts (+5.9%) to 106.7. The strong result for April came after Treasurer Josh Frydenberg handed down the Federal Budget at the end of March which included a slashing in the fuel excise by over 20 cents per litre.

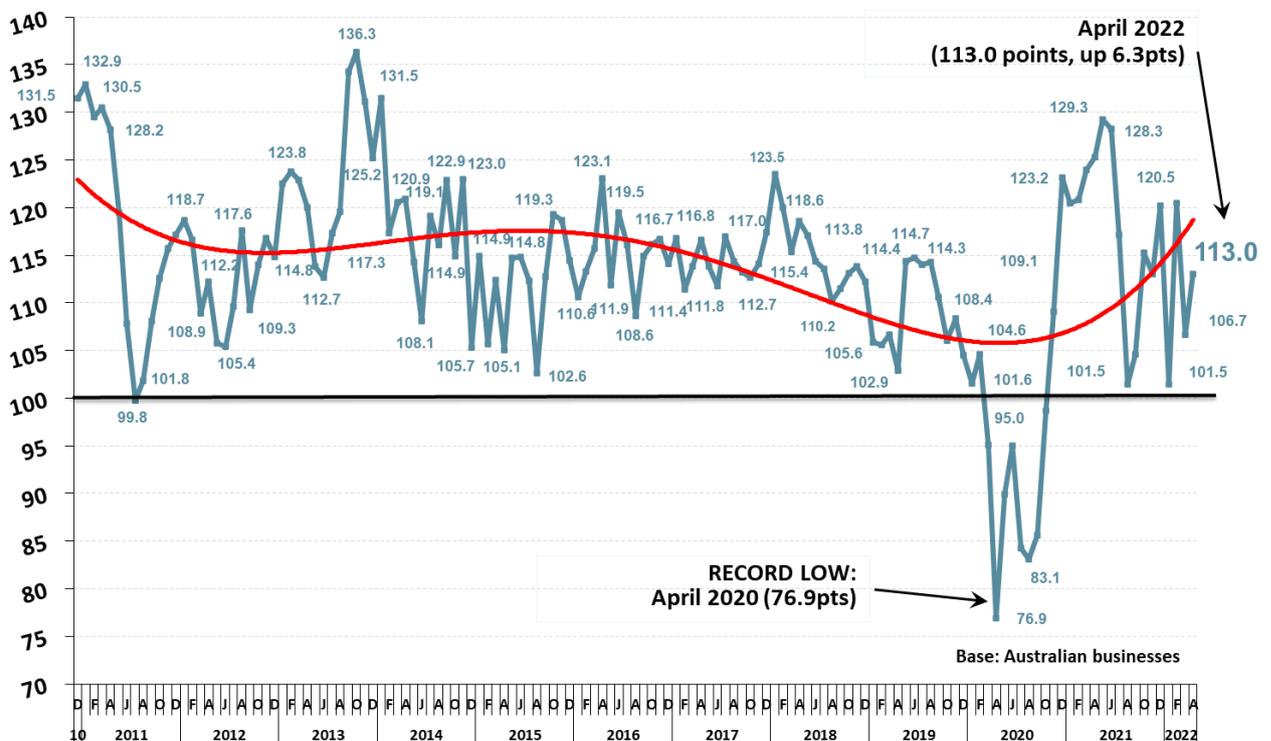
However, the rise in Business Confidence came before the RBA's decision to raise interest rates this week for the first time in over a decade following the higher than expected ABS CPI result for the March quarter 2022 showing an annual rate of inflation of 5.1% - the highest for over 20 years.

There were improvements across the index, and an increasing majority of businesses, 54%, expect 'good times' for the Australian economy over the next year while a slim majority, 51.6%, say the next 12 months will be a 'good time to invest in growing the business'.

On a State-based level there were monthly increases in WA, up 19pts (+18.7%), Queensland, up 15.3pts (+15.5%), NSW, up 6.5pts (+5.7%) and a small increase in Victoria, up 0.9pts (+0.8%). The only exception was in SA, in which Business Confidence plunged 13.5pts (-12.4%) following the thumping election victory for the ALP, led by new Premier Peter Malinauskas, in late March.

Business Confidence in April 2022 is still below the long-term average of 113.7 but remains significantly higher than the latest [ANZ-Roy Morgan Consumer Confidence of 90.7 for April 25 – May 1, 2022](#).

Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-Apr 2022. Average monthly sample over the last 12 months = 1,416.

FOR IMMEDIATE RELEASE

Business Confidence in South Australia dives in April following ALP State Election victory

Business Confidence in April improved on March but was well down on a year ago in most States – with the exception of NSW. The improvement in April followed the Federal Budget handed down in late March which delivered an immediate cut to the petrol excise of nearly 25 cents per litre. The cut to the excise immediately took the pressure off the soaring fuel price and, combined with a fall in energy prices during March, the price of petrol declined nearly 50 cents per litre by mid-April to around \$1.65 per litre.

However, despite the monthly increase in April, Business Confidence is down substantially on a year ago when the index enjoyed a record run of seven consecutive months above 120 from December 2020 through to June 2021 and the beginning of long lockdowns in NSW, Victoria and the ACT.

Overall Business Confidence at 113.0 in April was down 12.3pts (-9.8%) on a year ago, a similar fall to that experienced in Western Australia which was down 12.4pts (-9.3%) to 120.8 – the highest of any State.

The one exception to the declines on a year ago was in New South Wales which had the second highest Business Confidence of any State in April at 120.0, up 1.1pts (+0.9%) on a year ago. New South Wales was the only State which had higher Business Confidence than a month ago, and a year ago, as the State emerged from a series of devastating floods during March – particularly in Northern NSW.

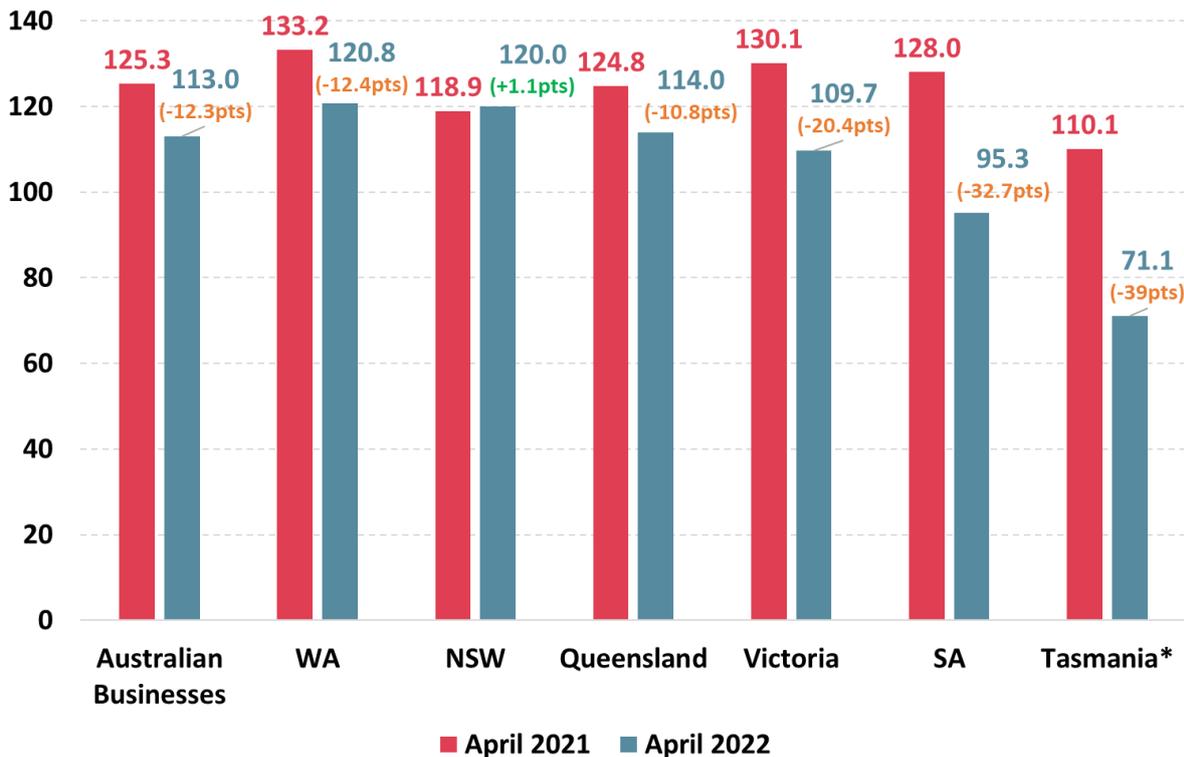
Business Confidence in Queensland was at 114.0 in April, slightly above the national average for the month, but down 10.8pts (-8.6%) on a year ago. There was a steeper fall in Victoria, down 10.8pts (-15.7%) from a year ago to 109.7 – but still well into positive territory above the neutral level of 100.

The two States with new Premiers now have the lowest ratings – South Australia and Tasmania.

South Australia’s new Premier Peter Malinauskas came to power in late March following an easy victory for the ALP in the recent State Election, but the change in Government has not impressed businesses. Business Confidence in South Australia is at only 95.3, down 32.7pts (-25.6%) on a year ago and below the neutral level of 100. South Australia was also the only State to experience a decline in Business Confidence during the month of April – directly after the State Election.

There is also very low Business Confidence in Tasmania at only 71.1, down 39pts (-35.5%) from a year ago after the shock resignation of former Tasmanian Premier Peter Gutwein in early April. Gutwein stood down unexpectedly to be replaced by his deputy Jeremy Rockliff less than a year after winning a historic State Election victory in May 2021.

Business Confidence by State in April 2021 vs April 2022



Source: Roy Morgan Business Single Source, April 2021, n=1,320, April 2022, n=1,353. **Base:** Australian businesses. *Tasmanian Business Confidence is measured over two months: March-April 2021 cf. March-April 2022.

Accommodation & Food Services soars in April as Australia enjoys back-to-back long weekends and unrestricted holidays for the first time in over two years

Accommodation & Food Services was clearly the most confident industry in March-April 2022 with Business Confidence soaring to 151.4, up a large 30.4pts (+25.1%) on a year ago. Accommodation & Food Services was one of only three industries to have higher Business Confidence now compared to a year ago.

The exceptional result for the industry was unsurprising when one considers many Australians went on holiday in April as we experienced the Easter long weekend and the ANZAC Day long weekend on consecutive weekends – which were also the school holidays in most States. The holiday period was also the first time since the COVID-19 pandemic began more than two years ago that Australians were free to travel wherever they felt like either interstate or overseas.

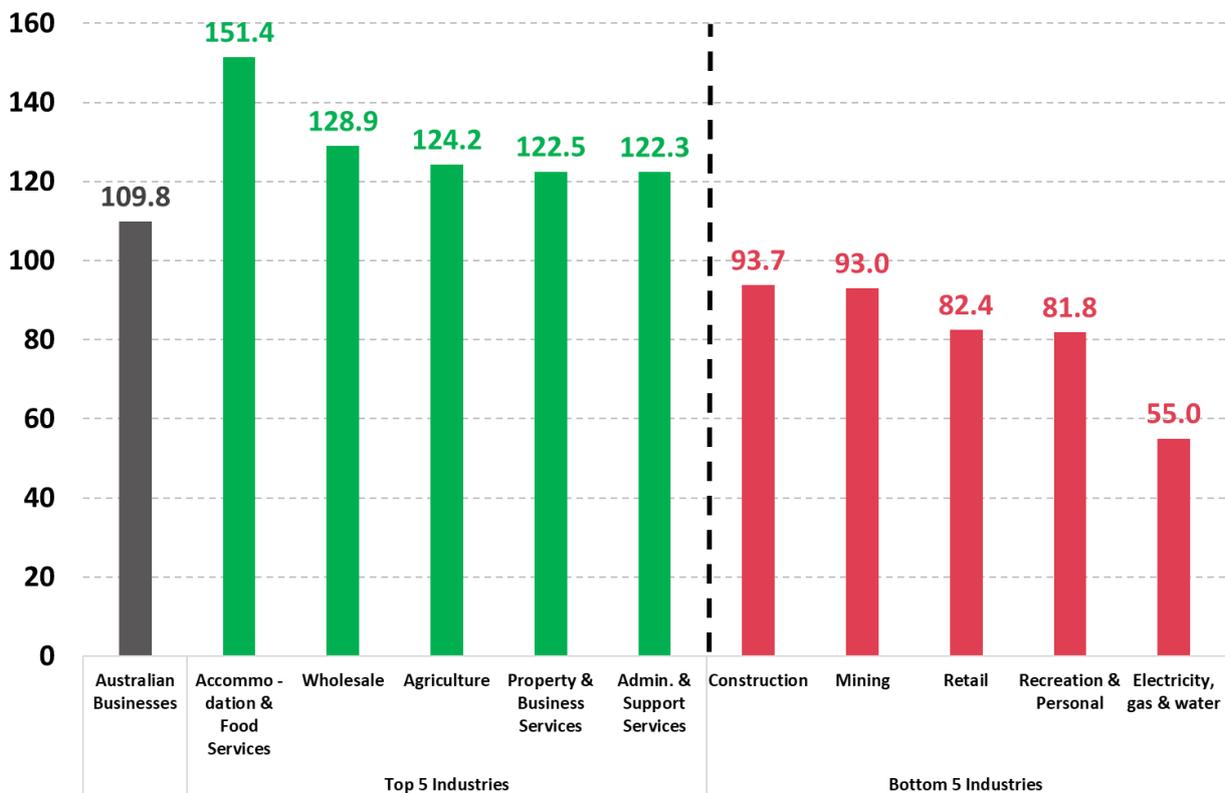
Other confident industries with Business Confidence over 10pts higher than the national average included Wholesale on 128.9, but down 16.3pts (-11.2%) on a year ago, Agriculture on 124.2, down 20.1pts (-13.9%) on a year ago, Property & Business Services on 122.5, down 3.4pts (-2.7%) on a year ago and Administration & Support Services on 122.3, down 9.3pts (-7%) on a year ago.

There were however several laggards with Business Confidence well below the neutral level of 100 including Construction on 93.7, down 22.7pts (-19.5%) on a year ago, Recreation & Personal on 81.8, down 25.9pts (-24%) on a year ago and Electricity, gas & water on only 55, down 19.6pts (-26.3%) on a year ago.

The industry to suffer the largest decline in Business Confidence was Retail on 82.4, down 55.5pts (-40.2%) on a year ago – the largest percentage fall of any industry compared to early 2021. As concerns about inflation and rising interest rates continue to mount Retailers are facing the prospect of consumers tightening their spending after two years of stimulus-fueled ‘boom times’.

Mining was one of the industries with the lowest Business Confidence over the last two months, but nevertheless it is one of only three industries to improve from a year ago, up 13.1pts (+16.3%) to 93.0.

Business Confidence for Top 10 Industries in March – April 2022



Source: Roy Morgan Business Single Source, March - April 2022, n=2,736. **Base:** Australian businesses. **Note:** In the chart above green bars represent Business Confidence in positive territory above the national average.

Businesses are confident about the year ahead with a majority expecting ‘good times’ for the Australian economy and that the next 12 months is a ‘good time to invest in growing the business’

- A growing majority of businesses, 54% (up 3.5ppts) expect ‘good times’ for **Australia’s economic performance over the next year** while under half, 42.7% (down 3.8ppts), expect ‘bad times’;
- A slim majority of businesses, 51.6% (up 4.9ppts) say the next 12 months will be a **‘good time to invest in growing the business’**, while about two-fifths, 40.3% (down 3.1ppts) said it will be a ‘bad time to invest’;
- In addition, a growing plurality of businesses, 47.6% (up 4.6ppts), (**the highest figure for this indicator for nearly a year since June 2021**) expect the **business will be ‘better off’ financially** this time next year, while only 20.1% (down 1.6ppts) expect the business to be ‘worse off’;
- An increasing plurality of businesses, 46.5% (up 5.4ppts), said the **business is ‘better off’ financially than this time a year ago** while just under a third, 31.4% (down 1.5ppts), said the business is ‘worse off’;
- Businesses are evenly split on **the longer-term outlook for the Australian economy** with 46.3% (up 1.6ppts) expecting ‘good times’ for the Australian economy over the next five years compared to a 46.2% (down 1.9ppts) which expect ‘bad times’.

Michele Levine, CEO of Roy Morgan, says Business Confidence rebounded in April after Treasurer Josh Frydenberg cut the petrol excise in half in late March; but before the higher-than-expected inflation figure led the RBA to increase interest rates for the first time in a decade:

“Roy Morgan Business Confidence rebounded strongly in April, up 6.3pts (+5.9%) to 113.0. The ‘bounce’ in the index continues the recent trend of ‘zig-zagging’ up and down now into its seventh straight month since COVID-19 lockdowns ended in NSW, Victoria and the ACT in October 2021.

“There have been several competing influences on Business Confidence during this period including the re-opening of the Australian economy, the emergence of the highly disruptive ‘Omicron variant’ – which has now swept Australia in two distinct waves, flooding and wild weather in Queensland and NSW and rapid increases in energy prices following Russia’s invasion of Ukraine in late February.

“Soaring energy prices following Russia’s invasion led to petrol prices jumping to a record high of \$2.13 per litre in mid-March. Treasurer Josh Frydenberg delivered an immediate cut to the petrol excise of around 25 cents per litre at the Federal Budget in late March and this action, as well as declining energy prices worldwide, meant the petrol price at the pump dropped by almost 50 cents a litre by mid-April.

“The large reduction in petrol prices has clearly reduced inflationary pressures in recent weeks, but nevertheless the ABS Inflation figures for the year to March 2022 showing annual inflation ‘rocketing’ to 5.1% forced the RBA’s hand when it raised interest rates for the first time in over a decade. The RBA increased interest rates by 0.25% to 0.35% and signalled there will be further interest rate increases over the next few months.

“There were improvements across the index in April with a rising majority of 54% (up 3.5ppts) of businesses expecting ‘good times’ for the Australian economy over the next 12 months and a majority of 51.6% (up 4.9ppts) saying the next 12 months is a ‘good time to invest in growing the business’.

“However, obviously this increasing confidence was before the higher-than-expected inflation figure announced at the end of April and the subsequent decision of the RBA to commence increasing interest rates the very next week.

“The last time the RBA set about increasing interest rates was from October 2009 through to November 2010. During that period of just over a year the RBA increased interest rates on seven occasions by 1.75% to 4.75%. A similar cycle of interest rate increases conducted over the next year would see official interest rates rise to around 2% - the highest they have been since early 2016.

“Responding to elevated inflationary pressures and increasing interest rates, which both directly impact on cost of living, will be the first big challenge for the new Government set to be elected in two weeks’ time at this year’s Federal Election. The latest [Roy Morgan Poll on Federal Voting Intention shows the ALP is in a strong position to secure victory leading by 11% points on a two-party preferred basis: ALP 55.5% cf. L-NP 44.5%.](#)”

The latest Roy Morgan Business Confidence results for April are based on 1,353 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

