

**MEDIA RELEASE**

## Businesses confidence edges up

**2 October 2018** – Optimism has returned to Australia’s retail sector following a pessimistic quarter, with business confidence improving overall, according to [illion’s](#) Business Expectations Index released today.

The analysis measures the outlook for sales, profit, employment and capital investment.

The turnaround in sentiment in the retail sector shows sales expectations rising sharply (from 14.7 points to 35.2 points), with profit expectations jumping from 5.3 points to 23.7 points.

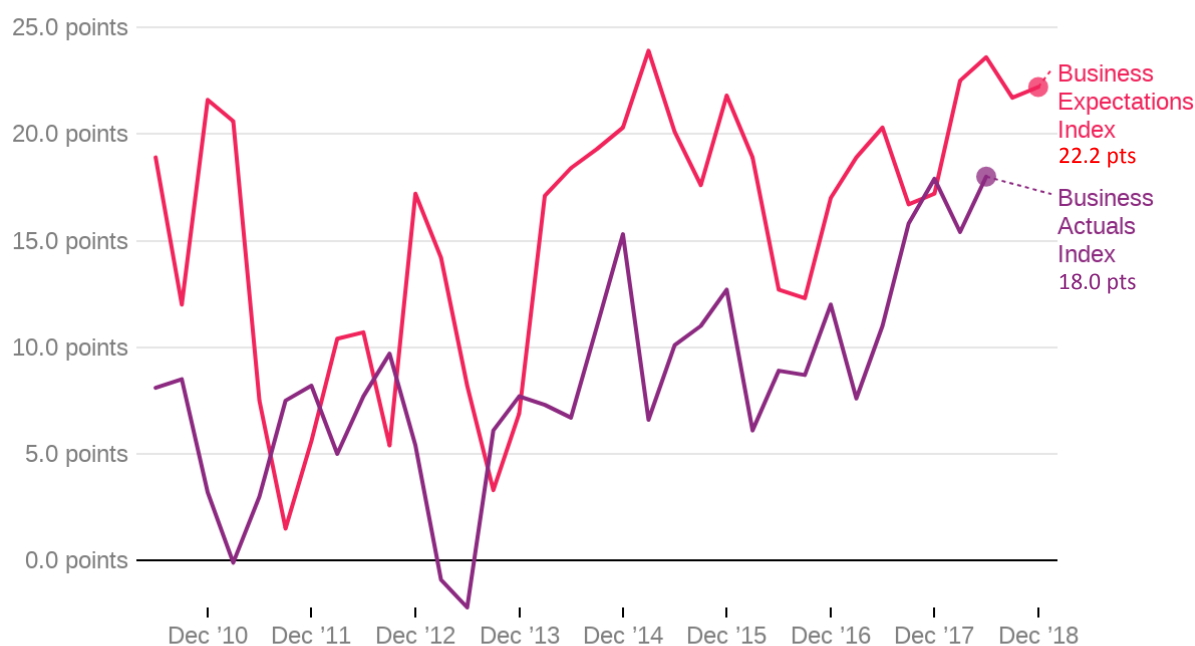
illion Economic Adviser, Stephen Koukoulas, said retailers are mildly optimistic about the end of year sales period.

“The performance of the retail sector has a significant impact on the overall economy, given that retail spending accounts for around one-quarter of all GDP.”

illion CEO, Simon Bligh, said the latest survey results paint a fairly confident picture despite businesses remaining cautious about employment and capital investment.

“There are still some areas of concern, particularly on the employment front. The recent turmoil in federal politics, as well as risks from global trade protection policies, could potentially affect business sentiment over the final three months of the year.”

Business Expectations, December Quarter 2018 and Business Actuals, June Quarter 2018



Mr Koukoulas said the results are solid, but not spectacular.

“The picture for employment is particularly problematic. Despite strong figures in the prior quarter, expectations for the final quarter of 2018 have plummeted. The pace of employment could stall over the remainder of 2018.”

The analysis showed businesses are increasingly concerned over the impact of interest rate changes, with one-in-ten (11.1 per cent) firms surveyed stating interest rates were likely to have the most significant impact on their operations over the December quarter. In contrast, only 7.3 per cent of businesses surveyed in July and 6.3 per cent of businesses in August cited interest rates as their biggest concern.

Mr Koukoulas concluded, “Increases in bank interest rates over the past few months, independent of changes in official interest rates, suggest a vulnerability to future monetary policy tightening. However, the RBA is unlikely to increase official interest rates any time soon, given the general weakness in the consumer side of the economy and recent declines in house prices.”

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**About the illion Australian Business Expectations Survey**

Each month, illion asks a sample of executives if they expect an increase, decrease or no change in their quarter-ahead sales, profits, employees, capital investment and selling prices compared with the same quarter a year ago. The executives are also asked for actual changes over the twelve months to the latest completed quarter. In this issue, the final indexes for the latest quarter are based on approximately 1,200 responses obtained during July, August and September 2018.