

MEDIA RELEASE

Expected selling prices up amid growing concerns over consumer confidence

Business Expectations – Quick Update Preliminary Results, March Quarter 2019

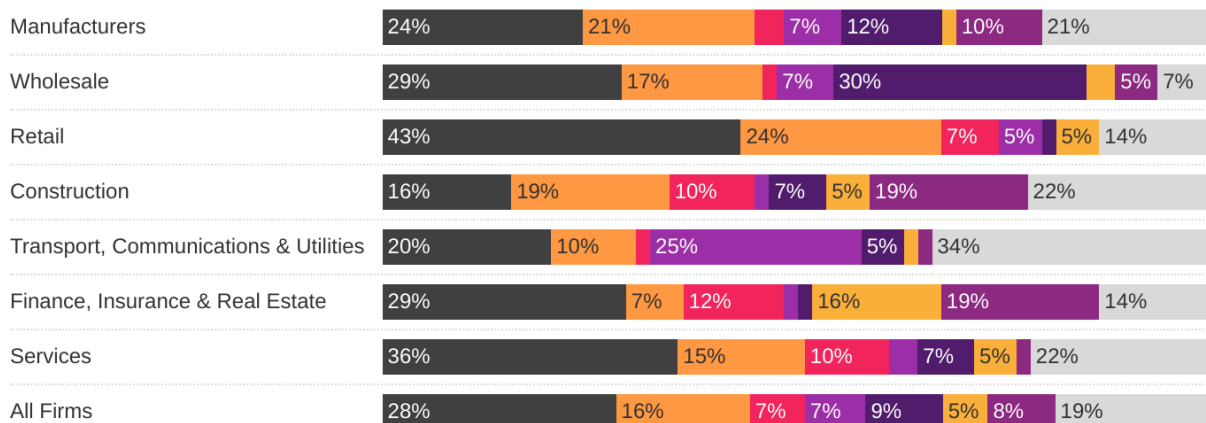
7 November 2018 – The illion business expectations survey retained a positive outlook for the March quarter – with business expectations rising 4.5% annually to 23.2 points, while actual performance increased 5.3% to 16.6 points. Both measures remain firm.

The business expectations survey asked firms which issue would likely have the biggest influence on business activity in the March quarter of 2019. There was a sharp rise in responses suggesting consumer confidence was the key issue, most notably in retail and services. Concerns about consumer confidence last peaked in July this year.

Which issue will influence your business the most in the March 2019 quarter?

Consumer confidence
 Cash flow
 Wages & salary growth
 Fuel prices
 Level of Australian dollar

 Access to credit
 Interest rates
 Don't know



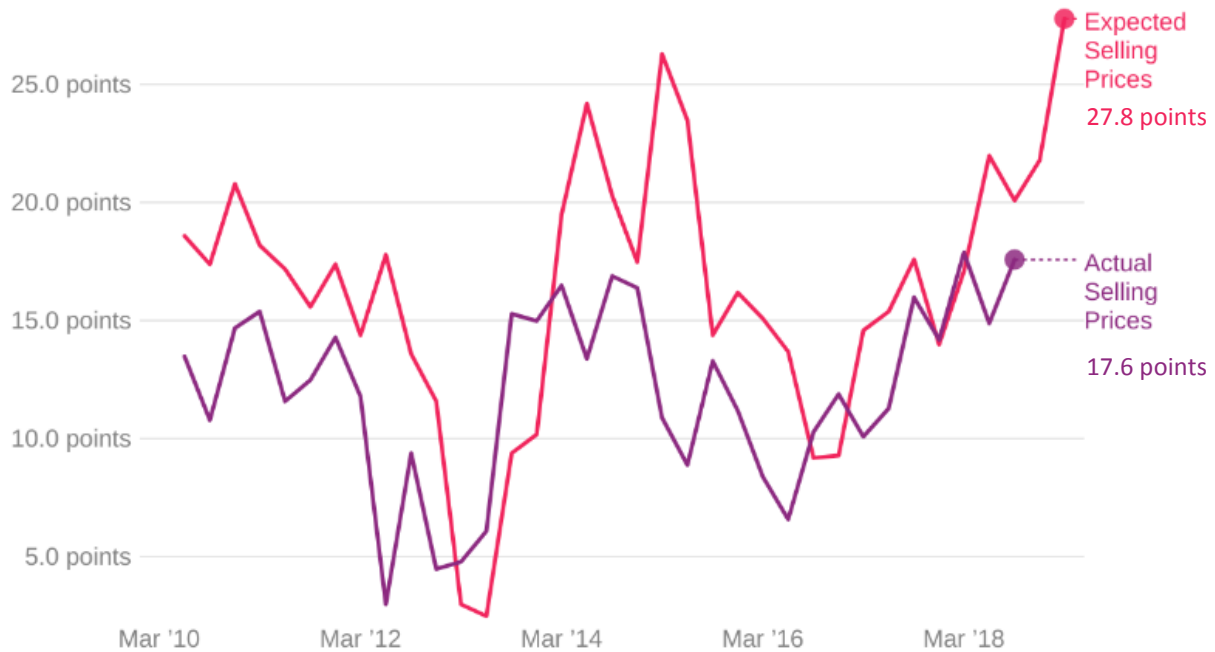
Source: [illion Data Registries](#)

The latest business expectations survey, which was conducted before the Wentworth by-election, indicates the economy is growing at a solid (but not spectacular) pace. The results align with the range of official economic data, which shows the economy expanding at a rate close to the long run average. The signs of a sustained lift in activity that would force the Reserve Bank to hike interest rates remain absent.

One standout from the survey that will require close observation was the lift in expected selling prices, which jumped 21.6% between quarters to its highest level since September 2009, suggesting

there are some upside inflation risks going into 2019. This follows actual selling prices being revised up in the December quarter.

Expected Selling Prices, 2010-2018



If this lift in expected selling prices flows through to actual inflation over the next few quarters, it would likely see a return of inflation to the Reserve Bank's target and present issues for interest rate settings in the new year.

The other components of the business expectations results were mixed – expected profits and employment continue to move higher, which is a positive sign for the economy into 2019. As an offset to this positive news, expected sales were broadly flat while expected capital investment stepped lower still.

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