

## **MEDIA RELEASE**

FROM 12:01AM MONDAY 6 MAY 2019

### **Aussie business confidence drops to an 18-month low**

- **Business Expectations down 13.2 per cent**
- **Reserve Bank expected to cut interest rates**

Business confidence for the second quarter of 2019 has fallen sharply, as uncertainty over the Australian election result and global issues like Brexit and US-China trade disruptions continue to put a dampener on the economy, according to illion's latest Business Expectations analysis.

Sales, profits and investment have all weakened from the levels at the same time in 2018, and point to concerns for the economy over the remainder of the financial year.

The illion Business Expectations Index for the June quarter stands at 20.5 points, down 13.2 per cent year-on-year, and at the lowest level since the December 2017 quarter.

Expectations for sales, which are typically linked to economic momentum, were hit hardest, falling 20 per cent to 29.0 (June 2018: 36.3).

This same pessimism also affected expectations for investment and profits. Both areas registered double digit annual falls, falling 11.3 per cent for profits to 24.4 (June 2018: 27.5) and down 12.9 per cent for investment to 11.3 (June 2018: 13.0).

Profit and sales expectations had previously improved by 22 per cent and 7 per cent respectively in 2018.

illion CEO Simon Bligh said the results suggest the continued economic slowdown through the middle of the year, spurred on by a falling property market in the two biggest cities of Sydney and Melbourne.

"One of the biggest challenges facing whichever government is elected nationally on May 18 will be to restore business confidence in the coming financial year," Mr Bligh said.

"With continued international uncertainty over Brexit, and instability elsewhere, Australian businesses need a strong and resilient domestic economy to encourage them to invest and employ more staff.

"Currently, expectations for the three key indicators of sales, profits and investment have all fallen sharply in 2019, pointing to tough times ahead, whichever party is elected in Canberra."

The flip side to the growing pessimism and falling sales and profits is the relatively strong performance of selling prices, which are up 20 per cent on the previous year, despite falling short of the last quarter.

The standout sectors were construction, transport, wholesale, manufacturing and retail, while services and finance & insurance were laggards, suggesting those sectors most exposed to the findings of the Hayne Banking Royal Commission are continuing to readjust to its findings.

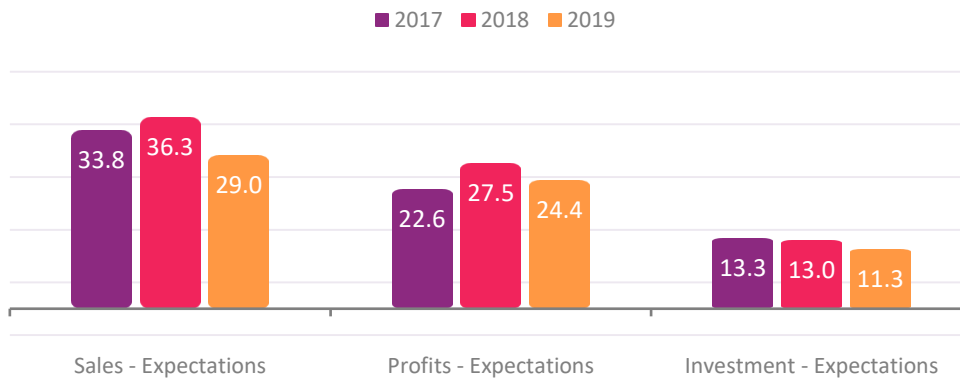
illion Economic Adviser Stephen Koukoulas said the softening of confidence and associated reduced inflationary pressures would likely trigger easier monetary policy in coming months.

"Overall, the business expectations survey paints a picture of a slowing economy, which fits the broader market narrative. This will likely see the Reserve Bank of Australia move to reduce official interest rates to record lows, though how low exactly, and when the cut will be delivered, remain to

be seen. The slide in business expectations suggests the interest rate cuts should be sooner rather than later.”

Uncertainty over the United Kingdom’s proposed exit from the European Union continues to weigh heavily on business expectations. Australia’s annual two-way trade with the European Union, including the United Kingdom, is worth \$98 billion<sup>1</sup>. Australian exports to China last financial year totalled \$123 billion.

### Sales, profits and investment expectations losing momentum



	Sales - % change	Profits - % change	Investment - % change
2017	43%	122%	53%
2018	7%	22%	-2%
2019	-20%	-11%	-13%

### Leverage free insight

Each month, illion asks a sample of up to 1,200 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. The analysis from illion’s monthly [Business Expectations Survey](#) provides a leading indicator of sentiment across the business landscape to help you plan for economic trends. To read the [full analysis from last quarter](#) download the report.

### Ends

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We leverage consumer and commercial credit registries, which comprise data on over 24 million individuals and over 2 million commercial entities, to provide end-to-end customer management solutions to clients in the financial services, telecommunications, utilities and government sectors.

<sup>1</sup> Department of Foreign Affairs & Trade – Australia’s Trade in Goods and Services <https://dfat.gov.au/about-us/publications/trade-investment/australias-trade-in-goods-and-services/pages/australias-trade-in-goods-and-services-2016.aspx>