

June Quarter Analysis 2019

Final Report

Australian Business Expectations Survey



Business expectations fall as the economy slows

The latest Business Expectations Survey from illion shows a slowing economy reflected in a downturn in expectations and results across most areas featured in the survey. The expectations index was down 13.2 per cent, pointing to economic weakness carrying through to the middle of 2019.

“ This fall in expectations is consistent with official indicators for the economy, which saw GDP growth fall in per capita terms through the second half of 2018. Meanwhile, the actual performance of the economy has fallen 3.1% over the year, despite being broadly flat in recent quarters. ”

Stephen Koukoulas
illion Economic Adviser

Business Expectations Index - Q2 2019



“ With tax policy issues dominating the May Federal election campaign, the domestic economy is on something of an uncertain path. Global economic conditions will also continue to influence the Australian business climate in 2019. ”

Simon Bligh
illion CEO



Employment dips
after a strong 2018



Index for actual
performance has
remained above
average of last
five years



Slowing economy
reflected in a downturn in
expectations and results
across most areas



Selling prices up
20% on previous year

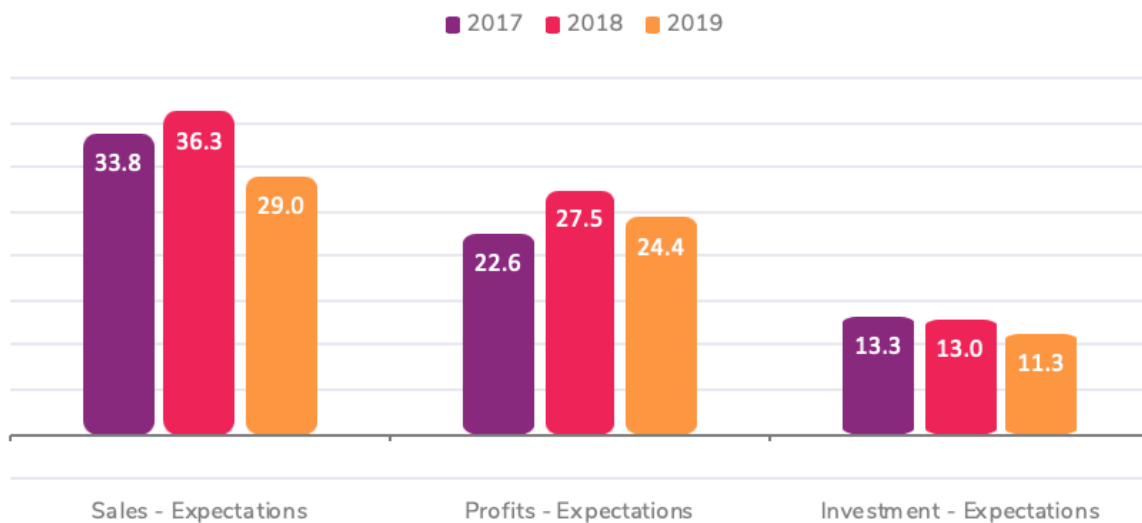
Sales, profits and investment expectations losing momentum

Expectations for sales – a category consistently linked to changes in 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).

Sales and profit expectations had previously improved through 2018. The results suggest continued slowdown through the middle of the year.

Sales, profits and investments expectations - Q2 2019



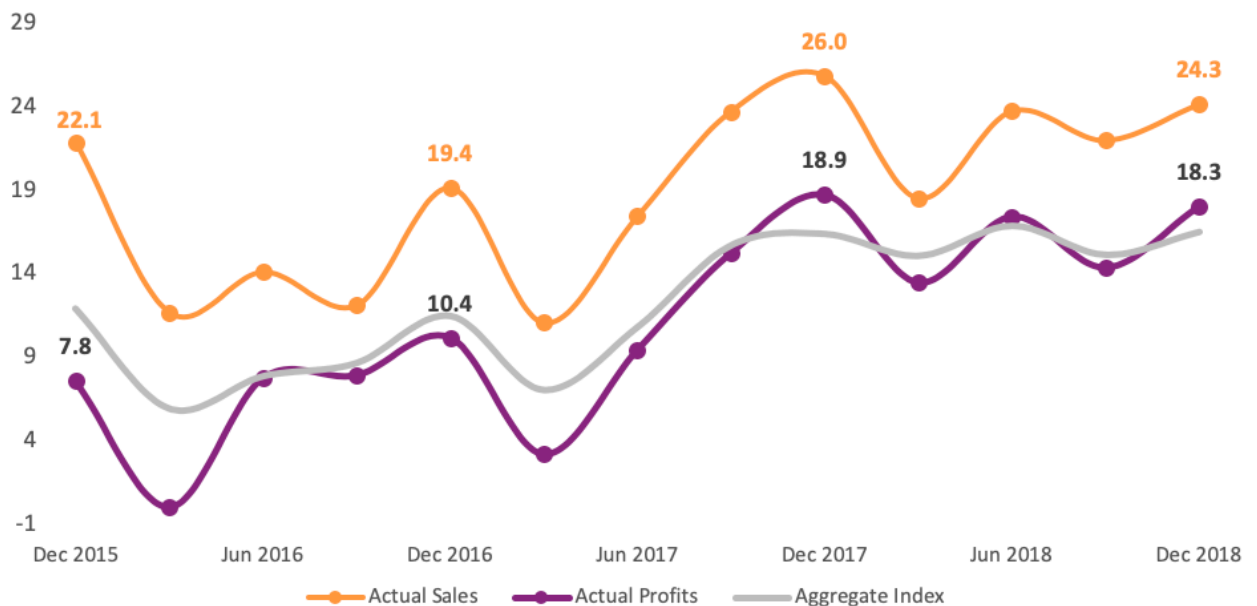
Sales and profits down year on year

In a broader reflection of the state of the economy, sales and profit figures reported by businesses for the last quarter of 2018 were also down over the year, with sales falling 6.5 per cent to 24.3 (December 2017: 26), and profits down 3.6 per cent to 18.3 (December 2017: 18.9).

“Despite this picture, the index for actual performance has remained above the average of the last five years, suggesting the economy is just under-performing rather than coming in for a hard landing.”

Stephen Koukoulas
Illion Economic Adviser

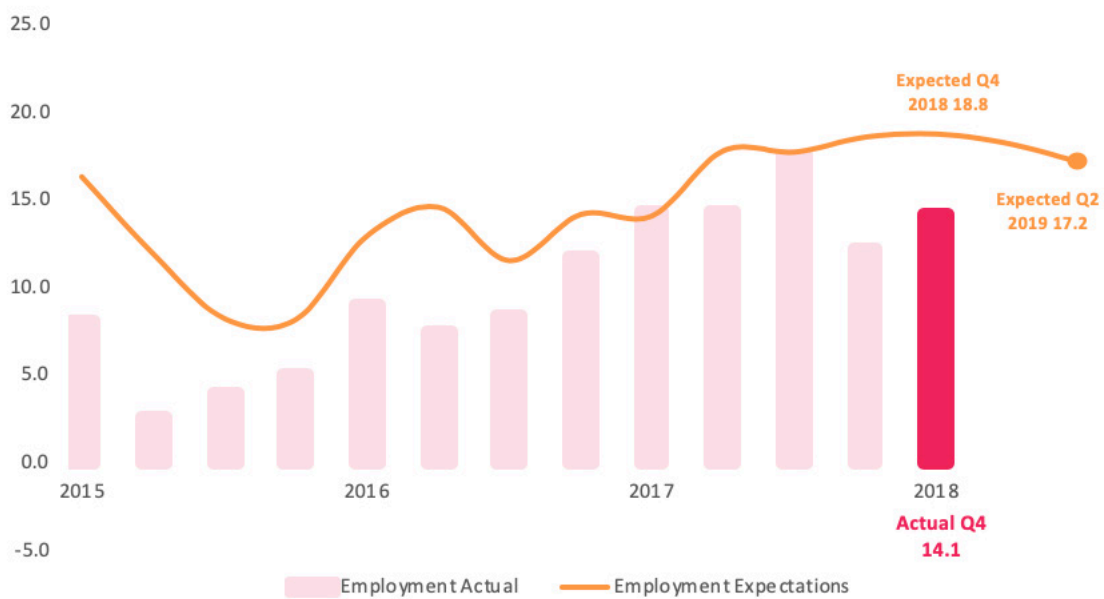
Actual sales and profits - Q2 2019



Employment dips after a strong 2018

The most recent results for employment suggest decelerating demand in the coming quarter. Business expectations for employment have historically been linked closely to trends in official employment data.

Employment expectations - Q2 2019



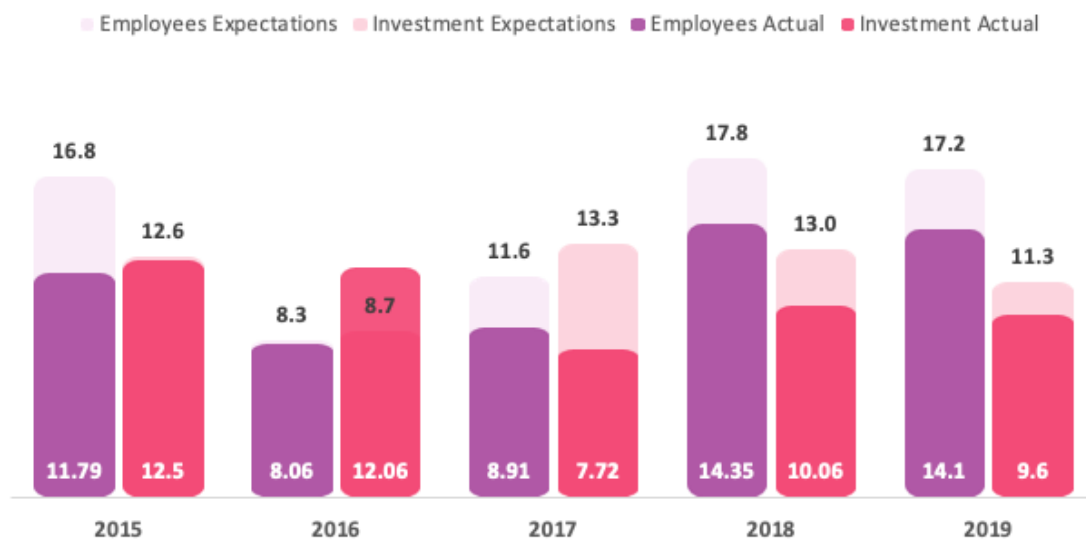
“ Though there was strength in this area through most of 2018, these results suggest we are unlikely to see further progress in reducing the unemployment rate in the coming months. ”

Stephen Koukoulas
Illion Economic Adviser

Actual performance follows expectations down for investment and employment

The results also show a noteworthy decline in the performance of business investment and employment levels, which the survey suggested downside risk for. Figures for both areas were down annually in addition to the downward slide in expectations they suffered.

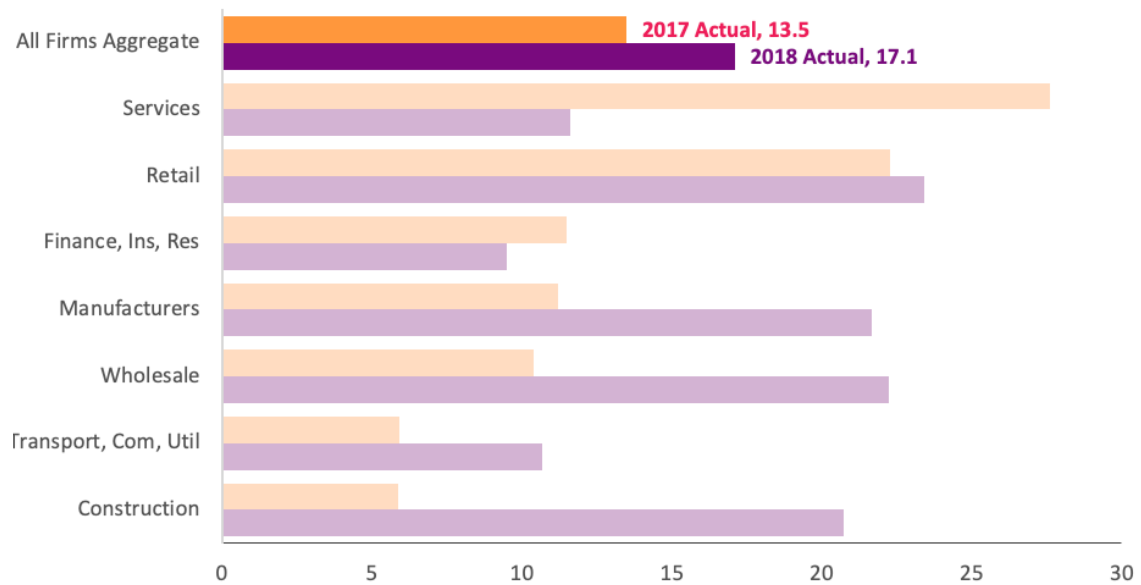
Employment expectations - Q2 2019



Selling prices up annually

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. This result suggests there is some upside risk to inflation, though the recent run of official data on the topic has been minimal.

Key sectors driving employment expectations - Q2 2019



“ 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 moving to reduce official interest rates to record lows, though how low exactly, and when the cut will be delivered, remain to be seen. ”

Stephen Koukoulas
illion Economic Adviser

Our methodology

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.

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.

Have a question?
Contact us today.

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