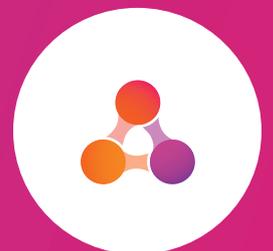


September Quarter Analysis 2019

Final Report

Australian Business Expectations Survey



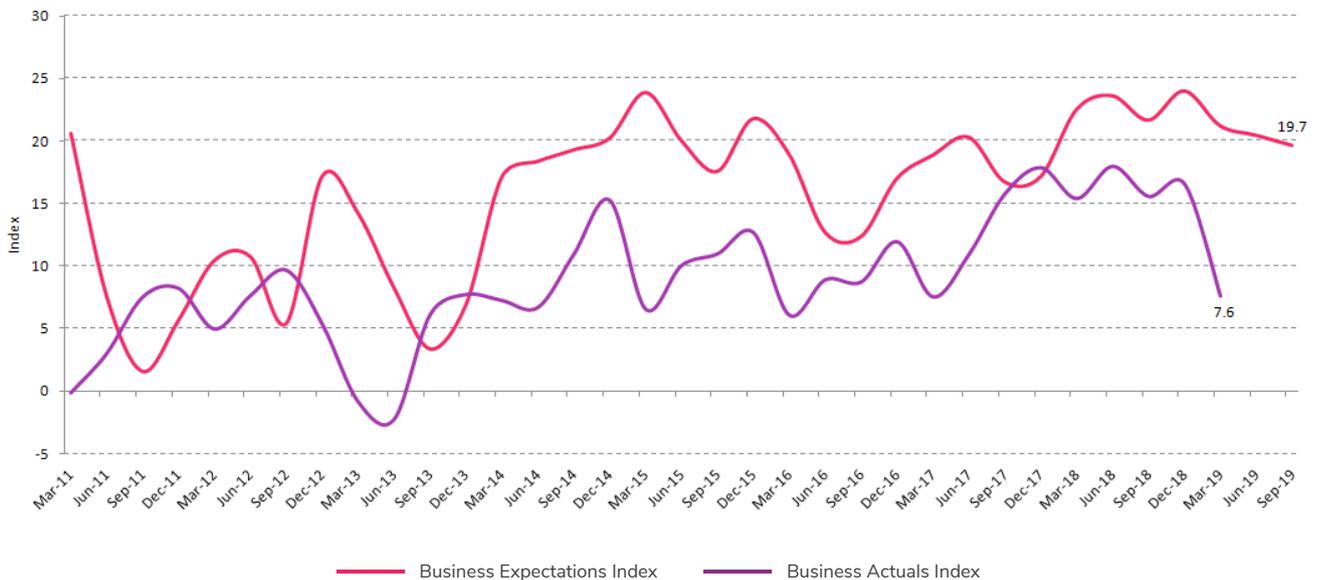
A few rays of sunshine in the gloom

The latest Business Expectations Survey from illion has revealed faltering confidence across the board, with businesses expressing a pessimistic view on the upcoming September 2019 quarter while reporting poor results from the March 2019 quarter. In particular, the Actuals index has fallen to its lowest point since March 2017.

“ Business expectations continued to track lower, with the actual performance of economic conditions sliding to its lowest point since the March 2017 quarter. Business activity is clearly reflecting pressures evident in the official data, which showed GDP growth slumping to its weakest point since the global financial crisis a decade ago. ”

Stephen Koukoulas
illion Economic Adviser

Business Expectations index – Q3 2019



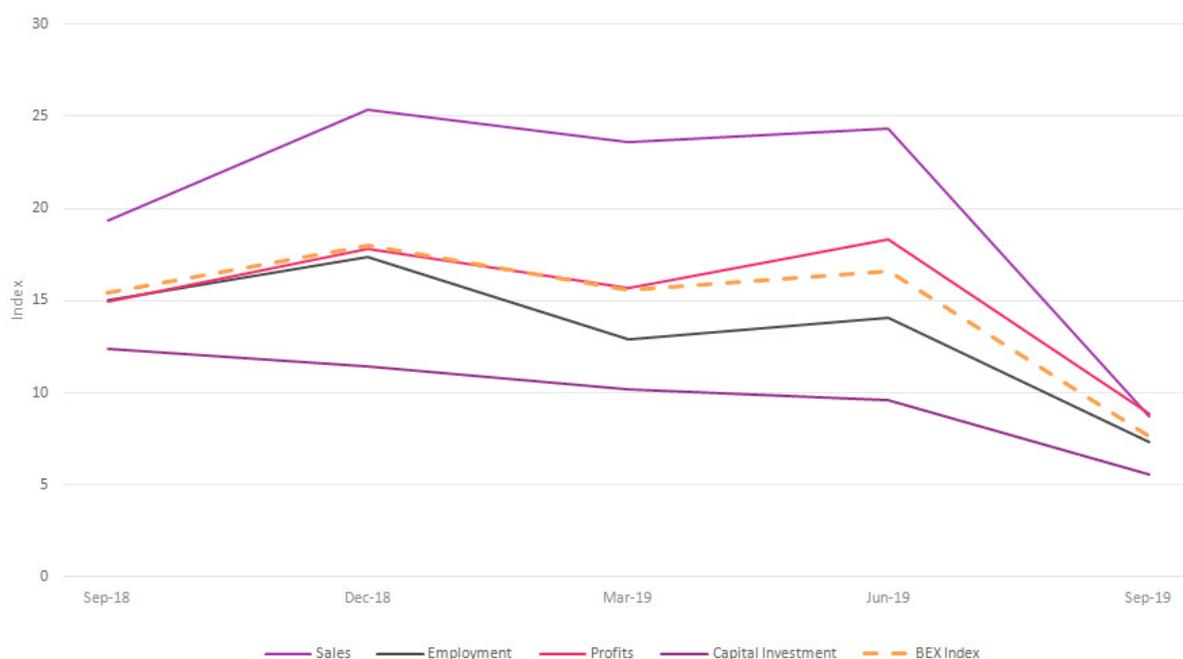
“ The Liberal victory in the May Federal Election produced no tangible change in the final month of our September quarter survey. The uptick that was forecast in the case of a Liberal win may have been offset by increasing concern over the Australian dollar, which is now at a ten-year low. ”

Simon Bligh
illion CEO

Actual performance plummet

The Expectations index fell slightly to 19.7 points, dragged down in particular by soft employment figures and a weak showing from the capital investment index, which fell to its lowest point since September 2017. The Actuals index was even harder hit, with the figure dropping to 7.6 points, less than half of its prior-quarter and year-earlier figures. There were double digit declines across all components of the Actuals index, particularly sales, which fell 64 per cent quarter-on-quarter and 54.8 per cent on a year-on-year basis.

Actual Index



“Uncertain conditions in the global economy will also continue to be a factor for Australian businesses throughout 2019.”

Simon Bligh
illion CEO



Actuals index at
lowest point since
March 2017



Sales, profit
expectations among
few bright points



Businesses are growing
concerned over our
weak dollar



Retail optimism bucks
negative trends

Sales, profit expectations offer some hope

One of the few bright spots among the gloom of downward momentum was an 8 per cent quarterly increase in expectations for sales, although the figure fell 1.3 per cent when compared with the same time last year. Expectations for profits remained fairly flat, continuing the trend from last quarter, but increased by 2.2 per cent on a year-on-year comparison. Meanwhile, the employment, capital investment and selling prices indices all registered quarterly and annual declines.

“The continued deterioration of the employment, capital investment and selling prices indices is consistent with official data showing a recent weakening in the labour market, weak business investment and ongoing low inflation.”

Stephen Koukoulas
Illion Economic Adviser

Index growth rates – expectations



Retail expectations buck negative trend

The retail sector again bucked the wider trends of the survey, showing a sharp improvement in expected performance, with the overall Expectations index improving by 44.8 per cent on the last quarter and 120.7 per cent on the year-earlier period. Although retailers in recent years have been hit hard by cautious consumers, weak wage growth, high debt and low savings, sentiment over the next quarter could potentially be buoyed by the recent interest rate cut, a bottoming in the housing market and a moderate pick up in real wage growth.

Retail sector index



“ The retail sector registered a sharp improvement in expectations, especially in sales and profits. This suggests that when the official data on retail sales for June and July are released, there could be a more positive tone as the income tax cuts and lower interest rates flow through to consumers. The imposition of GST on online retailers overseas may have been an additional factor behind the improved outlook from local retailers as consumers switch back to local suppliers. It is noteworthy that online retail sales continue to grow and in May 2019 made up 6.2 per cent of all transactions, up from 5.6 per cent a year earlier. ”

Stephen Koukoulas
illion Economic Adviser

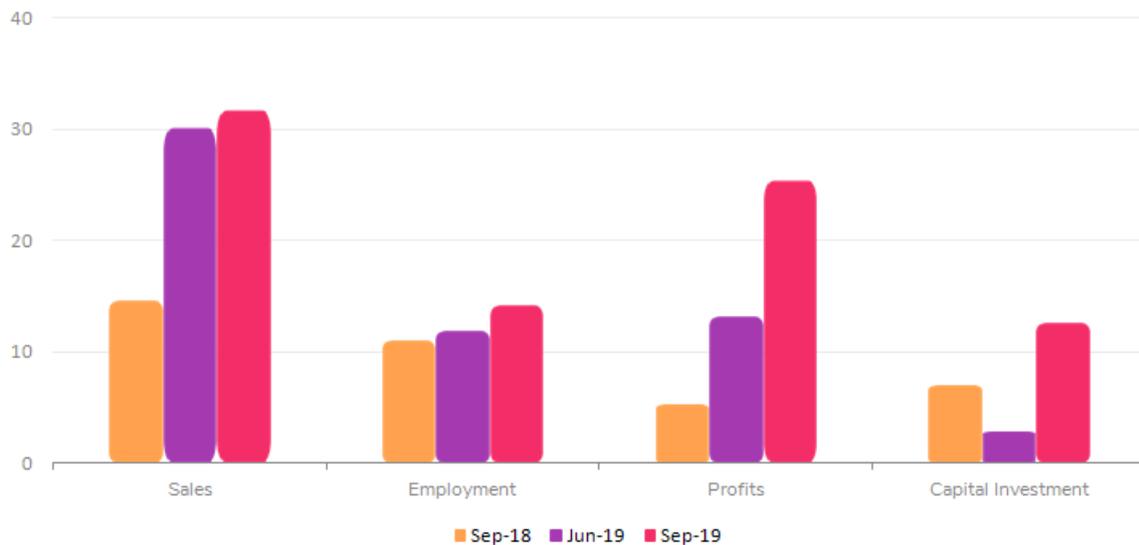
Retailers look to solid improvement

Retailers are expecting a solid improvement in sales over the September quarter, with the index improving by 5.3 per cent on a quarterly basis and a 116.5 per cent compared with the year-earlier period. Profit expectations are also high, with a quarterly increase of 93.2 per cent, while year-on-year expectations more than tripled; employment and capital investment expectations also saw similar levels of growth.

“In announcing the interest rate cut in July 2019 to a record-low of 1.0 per cent, Reserve Bank governor Phillip Lowe noted: ‘Consumption growth has been subdued, weighed down by a protracted period of low income growth and declining housing prices...The main domestic uncertainty continues to be the outlook for consumption’. The RBA, which is expecting consumer spending and the overall economy to pick up in late 2019 and 2020, may be pleased to see the rise in retail expectations as indicative of support for its positive outlook. ”

Stephen Koukoulas
Illion Economic Adviser

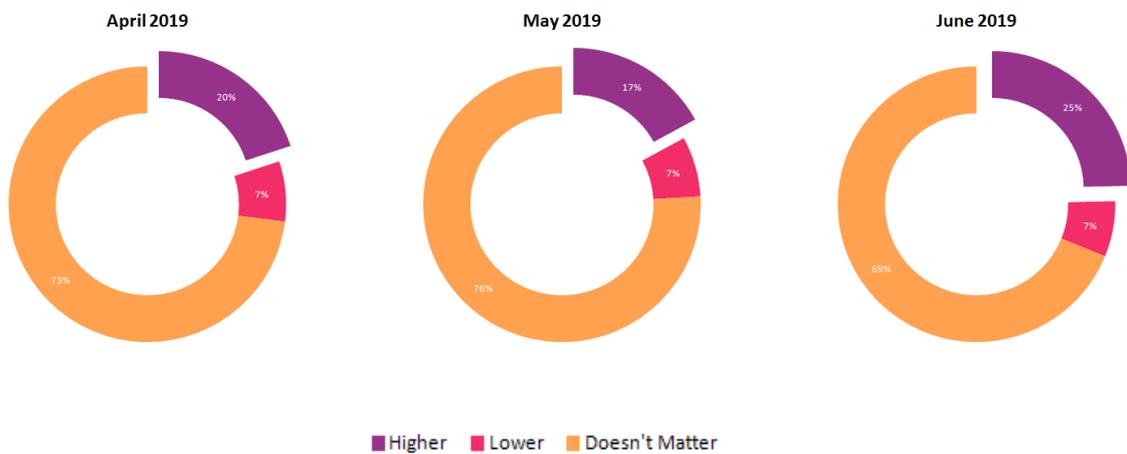
Retail – Expectations index



Concern over weak dollar

In the BEX Supplementary Survey conducted over the month of June, almost 25 per cent of businesses told us they would prefer the Australian dollar to be higher than its current level, compared with only 17 per cent expressing concern in May and 20 per cent concerned in April.

Would your business benefit if the Australian dollar was higher or lower than its current level?



“ The recent fall in the Australian dollar to a 10-year low below US70¢ appears to have created some concerns for business. Concerns about the weak dollar seem to stem from manufacturers' and wholesalers' plans to increase capital investment, since a lower dollar adds to the cost of imported machinery and equipment. ”

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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