

Tuesday, 9 June 2020

Business Confidence and Conditions

Confidence Rebuilding Slowly

- Both business confidence and conditions improved in May, reflecting the gradual move to lift restrictions on business operations and expectations of a recovery in economic activity.
- Business confidence improved for the second month in a row, lifting to -20.0 in May. It follows a reading of -45.5 in April and -65.2 in March. Despite the improvement, May's reading is still suggesting deep pessimism among businesses.
- Business conditions lifted from a record low of -33.7 in April to -23.8 in May, as many businesses look to re-start operations.
- All sub-indices improved, including trading (-18), profitability (-19) and employment (-31), although the employment index remains extremely weak.
- Forward orders also lifted in May, from -35 to -29, but it is still suggesting very weak demand.
- Confidence in all major industries improved. There was also broad based improvement in conditions across industries, except for mining. Conditions were the weakest in May in recreational & personal services (-37) followed by finance, business & property services (-27). The highest readings were in retail (-15) and wholesale (-12).
- Confidence lifted across all States and territories. Business confidence was better in Western Australia (-17) and then NSW (-18). Tasmania was the State with the weakest confidence. Victoria (-21), Queensland (-23) and South Australia (-22).
- The improvement in both confidence and conditions is encouraging, reflecting the easing restrictions to limit the spread of COVID-19. However, they both remain at low levels suggesting that a full recovery will take some time. We are a long way from restoring levels of activity to where they were before the crisis.

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