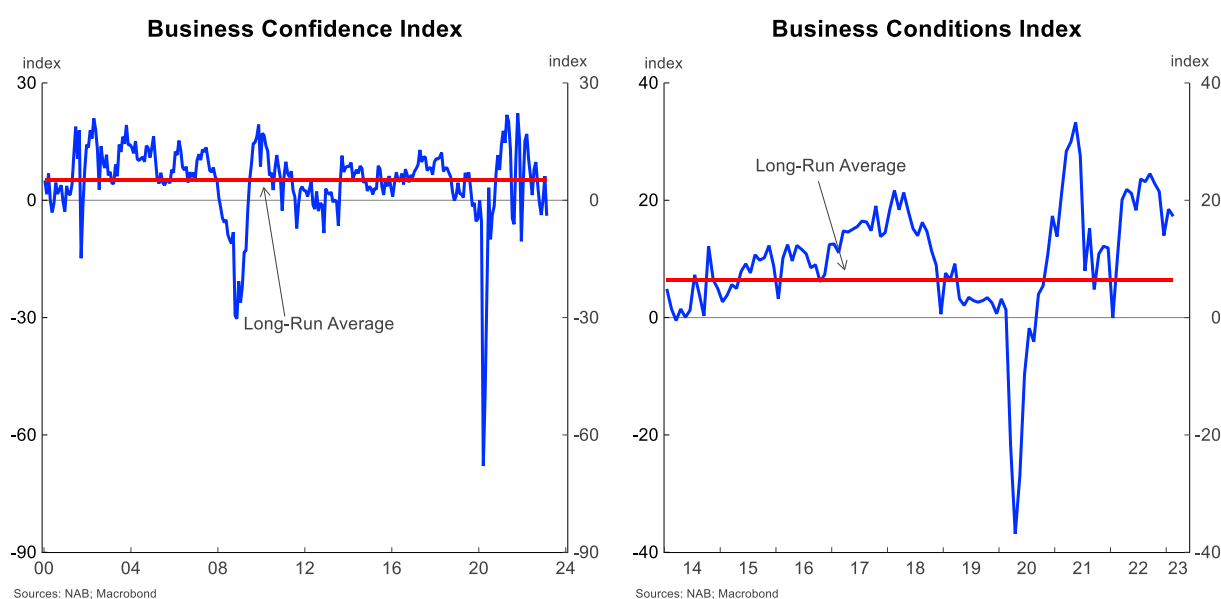


Tuesday, 14 March 2023

Business Confidence & Conditions

Confidence Drops as Outlook Sours

- After a brief reprieve over the holiday period, the mood among businesses has slipped back into pessimistic territory. Business confidence dropped 10 index points to -4 – the weakest reading since December 2021. It's also the biggest monthly drop in 14 months.
- Conditions also eased 1 index point, to +17, but remain elevated and well above the long-run average. This suggests that economic momentum, while slowing from its 2022 pace, remained buoyant in the early part of 2023. However, forward orders declined, suggesting conditions are likely to weaken in future months.
- Conditions declined across five of the eight industries and remain in positive territory across all industries. By region, conditions pulled back in four of the six states measured, but also remain firmly in positive territory across all regions.
- Cost pressures remain in focus ahead of the RBA's April meeting. Quarterly growth in purchase costs and final prices was unchanged at 3.1% and 1.6%, respectively, while growth in labour costs rose to 2.8%, from 2.4%. Growth in retail prices has declined over recent months, while price pressures in services have yet to demonstrate a similar material slowing.
- The RBA will also be watching the monthly inflation indicator, due 29 March, for signs of continued easing of price pressures. Amid the SVB-related ructions and a signal from the RBA that a pause could be on the table, risks have increased notably that the RBA will refrain from hiking next month.



Jarek Kowcza, Senior Economist
Ph: +61 481 476 436

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Jarek Kowcza
Jarek.kowcza@banksa.com.au
0481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@banksa.com.au
0468 571 786

Economist

Jameson Coombs
jameson.coombs@banksa.com.au
0401 102 789

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