



Confidence Index

QUARTER 2, 2018



Executive summary

The start of new financial year presents business leaders with a chance to seek out new opportunities to get ahead. From strategies that leverage smart technology to drive efficiency and productivity, to sourcing skills and talent to disrupt the status quo, CEOs around the country use this time to make long-term strategic decisions for the year ahead.

In FY2019, the goals set will be buoyed by confidence; with leaders expecting the next 12 months to see increases to employee headcount, profitability and sales revenue.

As leaders reset and refocus, they should look to combine their instincts with diverse perspectives to lay the foundations for successful decision making and positive growth in the coming months.

About the Confidence Index

The Executive Connection *Confidence Index* is a quarterly survey measuring the confidence of Australian business leaders of small-to-medium enterprises. The results provide insight into the challenges and opportunities faced by leaders and their

confidence in the Australian business environment.

The Executive Connection members are CEOs and business leaders of predominantly small-to-medium enterprises (SMEs) with up to 200 employees and annual revenue

of between \$2 million and \$100+ million per year.

The Executive Connection Confidence Index Quarter 2, was conducted in June 2018 and includes 150 responses from Chief Executives and business owners around the country.

Starting out strong

Despite the likelihood of a Federal Election to take place in the next 12 months, an overwhelming 91 per cent of CEOs expect overall economic conditions in Australia to increase or remain the same in that period of time; the highest levels of confidence seen since December 2017.

While Q2 market indicators from NAB suggested both business confidence and conditions had dipped following their historic highs in April¹, the data from The Executive Connection suggests CEOs of small-to-medium enterprises are embracing changes in the market, including wage growth, employment and steady inflation.

Eyes on the prize

A range of Federal Budget announced measures come into effect from 1 July, including the newly introduced corporate tax rate of 27.5 per cent, which has been extended to businesses with a turnover of less than \$50 million. These changes will be welcomed by businesses looking to invest in new products, services, people and opportunities in the year ahead.

With the book now closed on FY2018, CEOs are firmly focused on the year ahead. Confidence Index data shows that over the next 12 months, CEOs are expecting to see increases in sales revenue (84 per cent), profitability

(71 per cent) and employee headcount (62 per cent).

Despite the positive employment outlook, businesses will continue to fight for the right talent. Recent data from the Australian Bureau of Statistics² reveals in the three months to May 2018, Australia hit record levels of job vacancies waiting to be filled; up a significant 21.4 per cent from the same period in 2017.

The Confidence Index findings suggest that leaders are putting their efforts into developing budget, strategies and innovation that will lead to tangible business outcomes and grow the bottom line.



“We’ve seen the price of the top 10 commodities, including coal, go through the roof; putting Australia in a really strong position going into the next 12 months. We’re also seeing the US economy grow from

strength-to-strength, as well as strong gains in the commercial construction space. All in all, the current business conditions are probably the best we’ve seen since 2006.”

Tom Esplin
Managing Partner, 180 Partners