

NAB Quarterly ASX 300 Business Survey

by NAB Group Economics

Embargoed until: 11.30am Thursday 05 November 2015 September Quarter 2015



Business conditions among Australia's ASX 300 firms rose to a new survey high of +20 points (up +12 from +8 points in the previous quarter). The gap between very big and small business is now at its widest margin since this survey began. Conditions are strong in finance, business, property services and retail, but mining and construction remain negative. All sub-components of the index (trading, profitability and employment) improved. Of concern however, confidence slipped across all industries to be lower than the levels reported in NAB's main Quarterly Business Survey (which covers the broader economy) & SME surveys. Fewer non-mining firms are planning to increase cap-ex in the next 12 months. It should be noted that this survey took place prior to the change in leadership of the Federal Government.

- ASX 300 business conditions sub-components improved sharply over the quarter, with trading conditions outperforming, reaching a new survey high of +30 points (+21 previously). Profitability also improved, with the index rising +13 to +20 points.
- After many consecutive quarters being in the red, overall employment conditions turned positive, rising to +6 points (-5 previously). But employment conditions continue to vary widely across industries. Retail, transport/utilities and finance/banking/property were the only sectors to report a positive overall result in Q3, with employment conditions negative in all other industries, led by construction.
- Business confidence among Australia's largest firms deteriorated notably in Q3, down -11 to -4 points. Confidence weakened in all industries and was overall weakest in construction and mining.
- Capital-expenditure edged down in Q3 but was overall strong at +14 points (+20 previously). Non-mining cap-ex eased but remained high at +19. In contrast, mining cap-ex improved slightly but remains in negative territory. Looking forward, fewer non-mining firms are planning to increase cap-ex in the next 12 months, while more mining firms are planning to cut back. This is in contrast to the main Quarterly Business Survey.
- Looking ahead, ASX 300 firms may be anticipating lower domestic demand as forward orders, export orders and stock levels all fell. Large firms reported slightly higher overheads and labour costs in Q3, but purchase costs were broadly unchanged. Lower final product prices may suggest discounting by large firms.

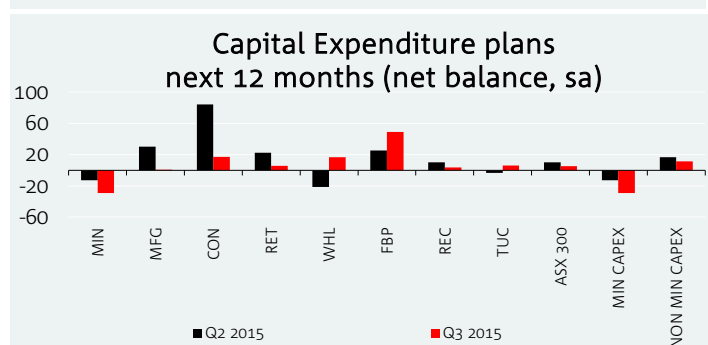
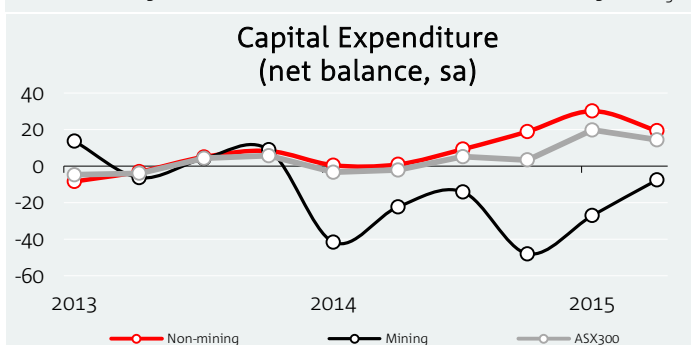
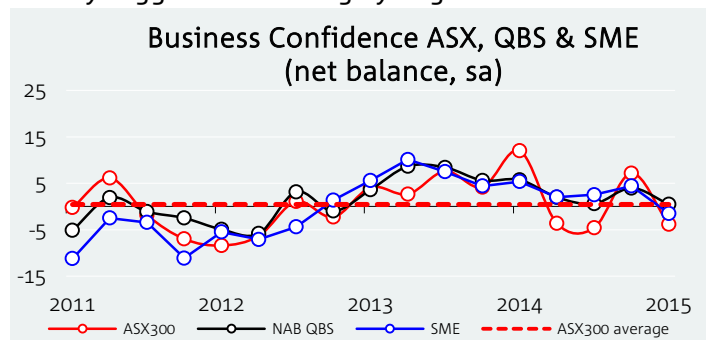
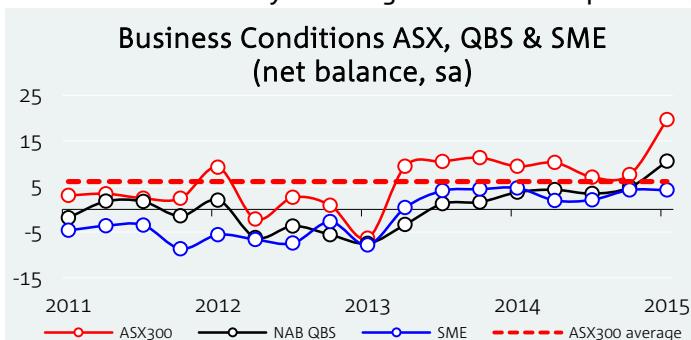


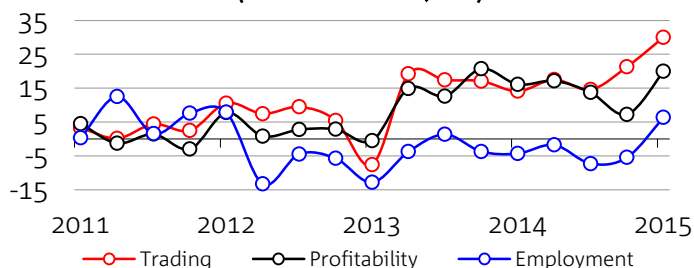
Table 1: Key business statistics**

	ASX 300			ASX 300			
	2015q2	2015q3 Net balance	NAB QBS 2015q3	2015q2	2015q3 Net balance	NAB QBS 2015q3	
Business confidence	7	-4	0	Trading	21	30	18
Business conditions				Profitability	7	20	11
Current	8	20	11	Employment	-5	6	1
Next 3 months	13	11	13	Forward orders	3	-3	5
Next 12 months	25	23	25	Stocks	7	6	2
Capex plans (next 12)	10	5	20	Exports	1	2	3
							% change
Labour costs	0.0	0.1	0.3	Retail prices	1.1	1.0	0.4
Purchase costs	0.0	0.0	0.5				percent
Final products prices	-0.1	-0.4	0.2	Capacity utilisation rate	86.5	88.1	80.9

** All data seasonally adjusted and subject to revision. Fieldwork for this Survey was conducted from 24 Aug to 9 Sep 2015, covering around 80 firms across the ASX 300.

Current Conditions

Business Components (net balance, sa)



Business conditions among most ASX 300 industries improved over the quarter. The largest gain was experienced in finance/business/property, but retail continued to lead the way. Mining, construction and recreational/personal services weakened - despite remaining positive for the latter.

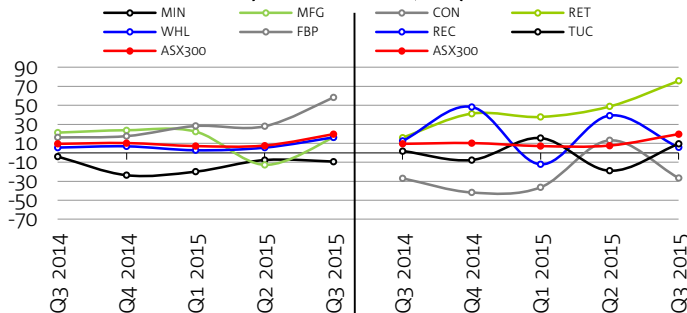
Business conditions for ASX 300 firms have risen to a new survey high, increasing +12 over the quarter to a final reading of +20 points. The improvement was led by gains across all sub-components of the index.

Trading conditions edged up to +30 points (+21 previously) and profitability increased +13 to +20 points in the September quarter.

Employment conditions among ASX 300 firms reached a Survey high of +6 (-5 previously), its first positive reading since Q1 2014. Employment conditions improved in all industries except construction and recreational and personal services. However, the majority of industries are still overall negative, except retail, transport/utilities and finance/banking/property.

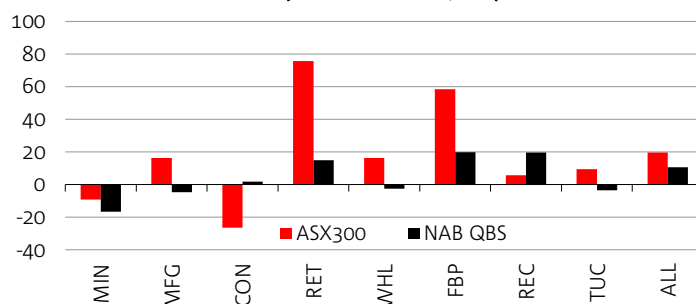
Business conditions were stronger for ASX 300 firms than for the QBS, with only recreational, personal services & construction weaker. Business conditions were significantly stronger for ASX 300 firms operating in retail and finance/business/property, compared to other industries.

ASX300 Business conditions by industry (net balance, sa)



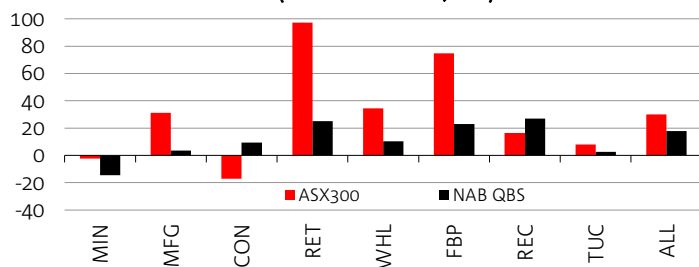
Excluding construction and recreational/personal services, ASX 300 firms experienced stronger trading conditions compared to the QBS average. Trading conditions were particularly strong in retail and finance/business/property.

Business conditions current quarter (net balance, sa)

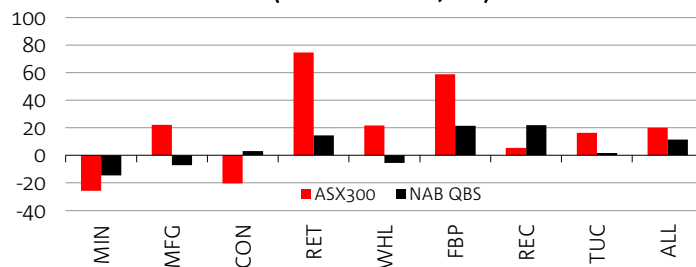


Profitability among ASX 300 firms was stronger when compared to the QBS, except in construction and recreational/personal services. Profitability was weakest (and negative) for ASX 300 mining and construction firms.

Trading conditions current quarter (net balance, sa)

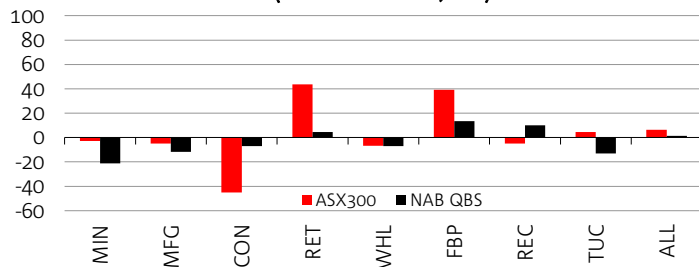


Profitability current quarter (net balance, sa)



Despite the overall robust reading in employment conditions for ASX 300 firms, the majority of industries remained in the red - albeit improving over the quarter. Retail & finance/business, property were the strongest.

Employment current quarter (net balance, sa)



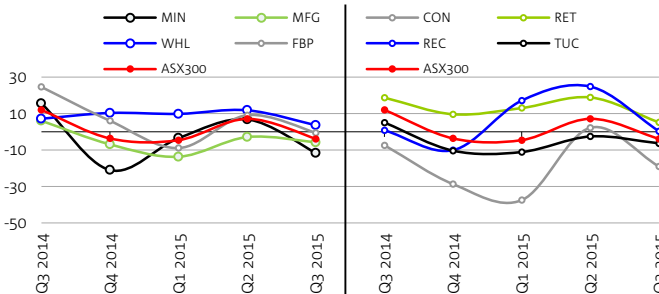
Key: MIN Mining MFG Manufacturing CON Construction RET Retail WHL Wholesale FBP Finance, Banking & Property REC Recreational & Personal Services TUC Transport, Utilities & Communication

Forward Indicators

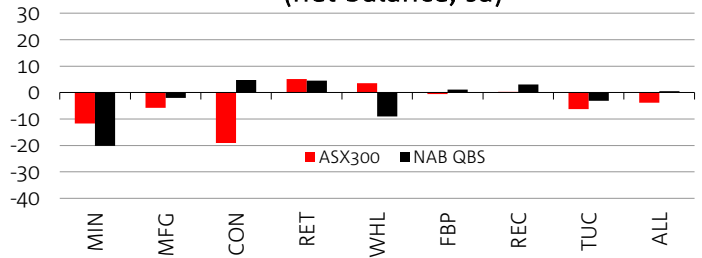
Business confidence in ASX 300 firms fell -11 to -4 points in Q3. Confidence declined in all industries, with the biggest falls in recreation and mining. Overall confidence remains weakest in construction. Retail and wholesale are the only sectors in positive territory.

Business confidence among ASX 300 firms has fallen below the QBS. Confidence is significantly lower among large constructions firms, with transport/utilities/communication and manufacturing also lower. Retail and wholesale are the only sectors currently out-performing the QBS.

ASX300 Business confidence by industry (net balance, sa)



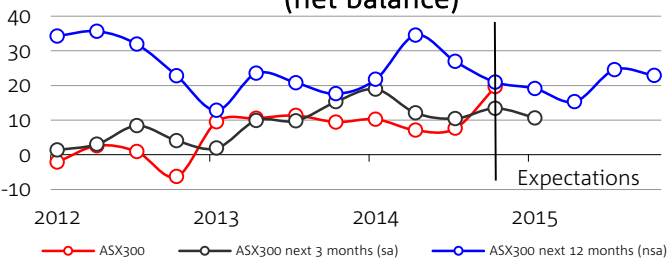
Business confidence current quarter (net balance, sa)



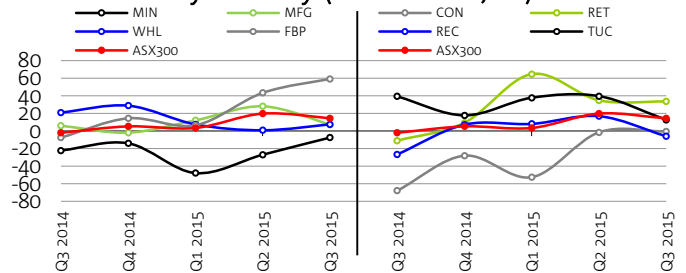
Despite the stronger reading in business conditions in the September quarter, the short term outlook remains soft, with trading and profitability expected to cool from its current peak. ASX 300 firms are also expecting employment conditions to ease.

Over the quarter, capital-expenditure for ASX 300 firms softened to +14 points (+20 previously), but remains above its long-term average of +9. Finance/banking/property led the way, but this biggest improvement was in mining (although still in the red).

Business Conditions expectations (net balance)



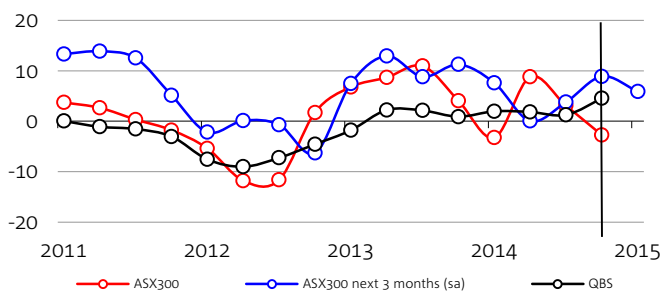
ASX300 Capital expenditure by industry (net balance, sa)



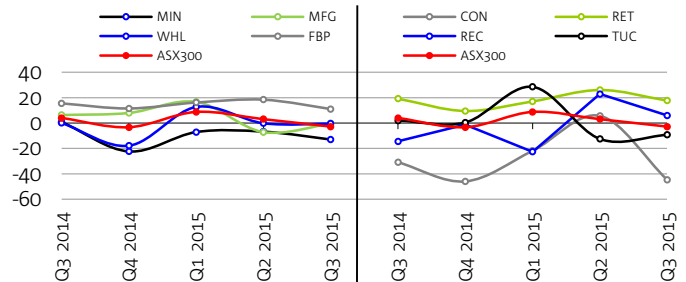
Among ASX 300 firms, forward orders fell again and now sits in negative territory (-3 points), which may suggest that large firms are anticipating an easing in demand conditions. The outlook for forward orders in the short term also remains soft.

Forward orders across ASX 300 industries declined, with construction experiencing the largest fall. Retail, finance/property and recreational and personal services were strongest.

Forward orders (net balance, sa)



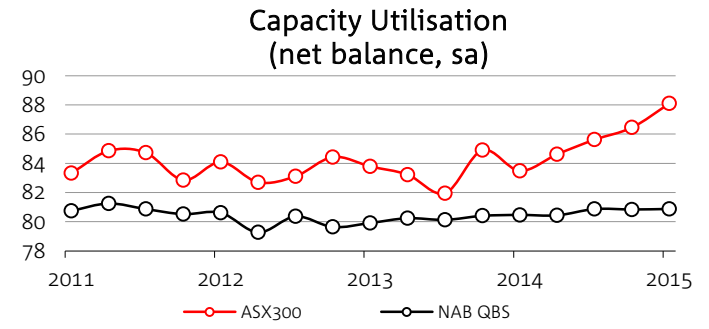
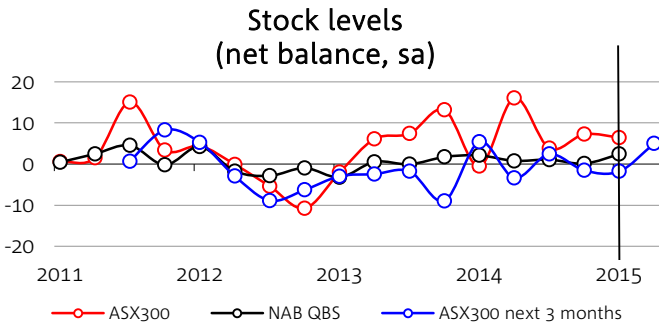
ASX300 Forward orders by industry (net balance, sa)



Stocks and Capacity Utilisation

ASX 300 stock levels edged down a little, but near-term expectations are higher. QBS stock levels increased.

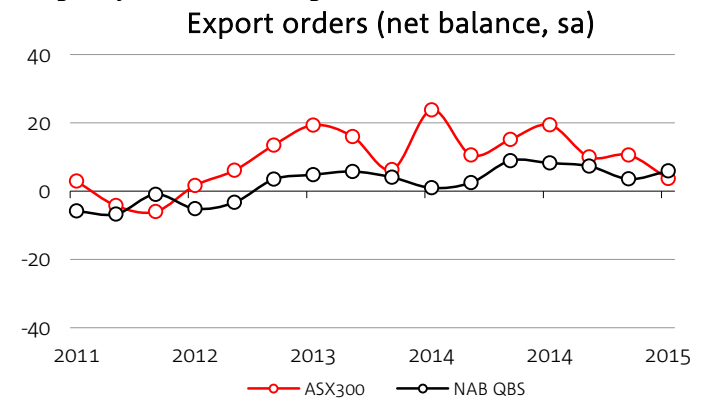
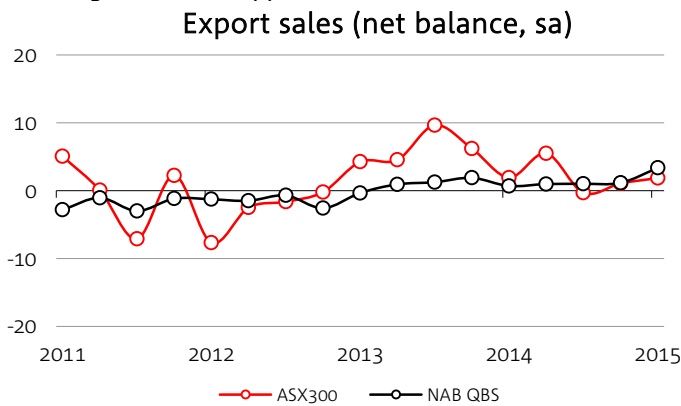
For ASX 300 firms, capacity utilisation continued its upward trend to 88% (from 86.2% in Q2). QBS remained unchanged.



Exports

Export sales for ASX 300 firms increased slightly, likely reflecting continued support from the AUD.

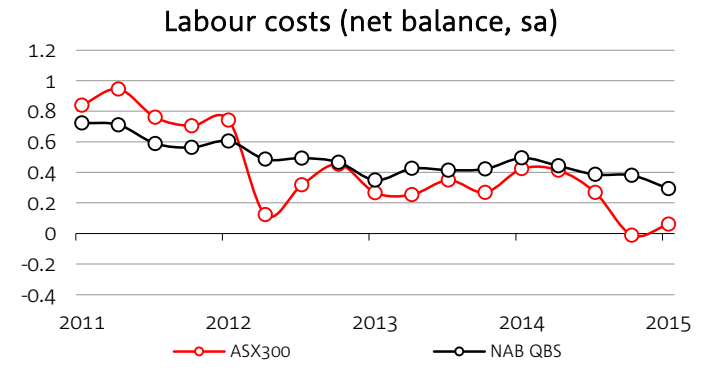
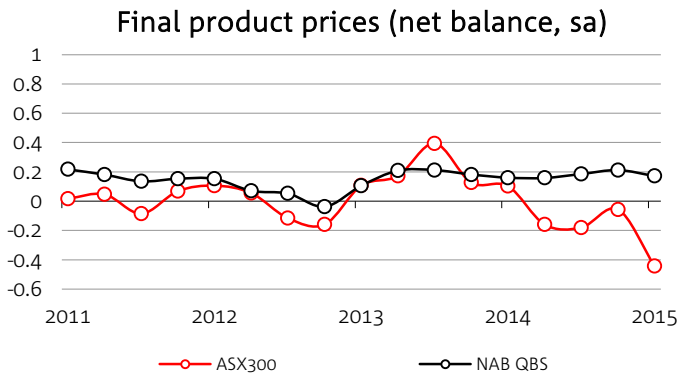
But, export orders for Australia's largest firms decreased marginally, while increasing in the QBS.



Prices and costs

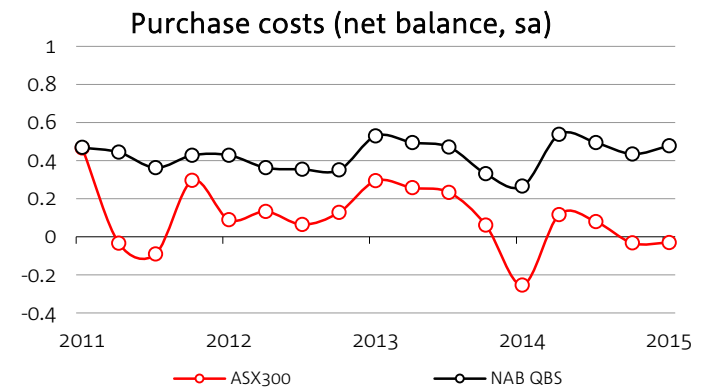
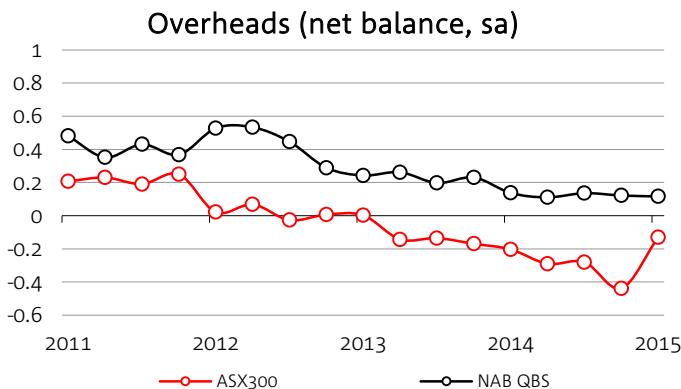
Final product prices declined significantly for ASX 300 firms, but remained broadly unchanged for QBS firms.

Labour costs increased for ASX 300 firms, but edged down for QBS firms.



Overheads increased slightly for ASX 300 firms, but are still overall negative. QBS was broadly unchanged.

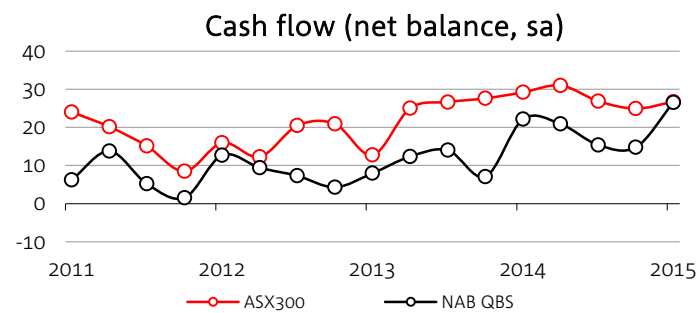
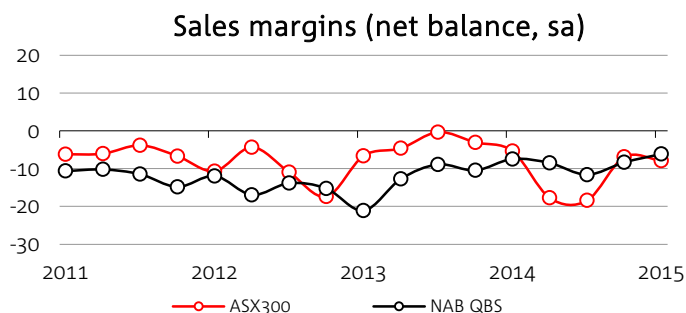
Purchase costs remained slightly negative for Australia's largest firms and ticked up marginally for QBS.



Margins and cash flow

Sales margins for ASX 300 firms edged marginally downwards, while QBS ticked up a notch.

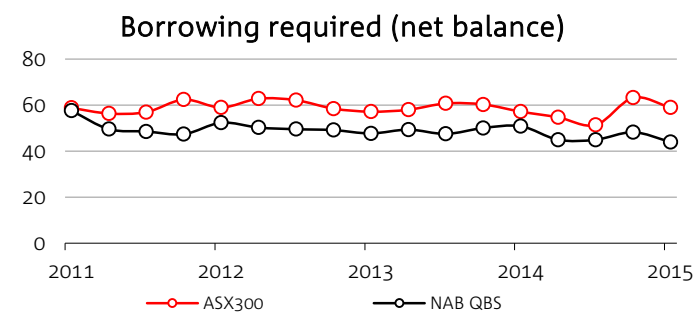
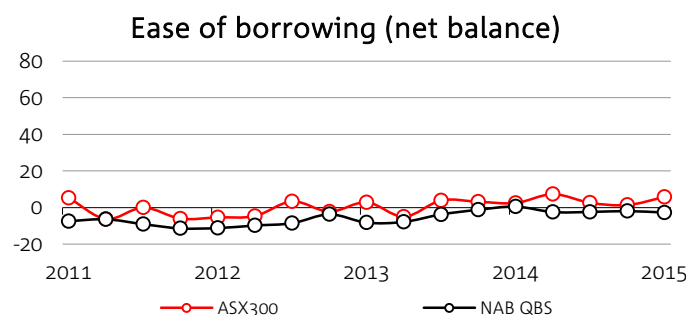
Cash flow for both ASX 300 & QBS firms is now on par, with both increasing over the quarter.



Credit conditions

Credit conditions for ASX 300 improved marginally and remained broadly unchanged for the QBS.

ASX 300 firms indicated a slight decrease in credit demand, but still relatively high in net terms.



Data appendix

ASX 300 Q1 2015	Mining	Manuf	Constn	Retail	Wsale	Trans & utils	Rec & pers	Fin, prop & bus	ASX 300	NAB QBS
Bus. conf.: current	-12	-6	-19	5	4	-6	0	-1	-4	0
Bus. conf.: previous	7	-3	2	19	12	-3	25	9	7	4
Bus. conf.: change	-19	-3	-21	-14	-8	-4	-25	-10	-11	-4
Bus. conds: current	-9	16	-27	76	16	9	6	58	20	11
Bus. conds: previous	-8	-13	13	49	5	-19	39	28	8	5
Bus. conds: change	-2	29	-40	27	11	28	-34	30	12	6
Trad. conds: current	-2	31	-17	97	34	8	16	75	30	18
Trad. conds: previous	27	-5	-3	63	24	-5	60	31	21	11
Trad. conds: change	-29	37	-14	34	10	13	-44	44	9	7
Profitability: current	-26	22	-20	75	22	16	5	59	20	11
Profitability: previous	-18	-18	-10	43	9	-7	55	31	7	4
Profitability: change	-8	41	-11	32	13	23	-49	28	13	7
Employment: current	-3	-5	-45	44	-7	5	-5	39	6	1
Employment: previous	-26	-11	48	42	-16	-40	4	23	-5	-1
Employment: change	23	6	-93	2	9	44	-9	16	12	3

net balance	Conditions - current	Conditions - next 3 months	Conditions - next 12 months	Confidence - next 3 months
ASX300	20	11	23	-4
QBS	11	13	25	0

net balance	Trading	Employment	Profitability	Sales margins	Forward orders	Stocks
ASX300	30	6	20	-8	-3	6
QBS	18	1	11	-6	5	2

CONTACTS:	Dean Pearson	Robert De lure	Karla Bulauan
Alan Oster Chief Economist (03) 8634-2937 0414 444 652	Head of Behavioural & Industry Economics (03) 8634 3221 0457 517 342	Senior Economist - Behavioural & Industry Economics (03) 8634-4611 0477 723 769	Economist - Behavioural & Industry Economics (03) 8641-4028 0477 706 768

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Australian Economics & Commodities

Riki Polygenis
Head of Australian Economics
+61 3 8679 9534

James Glenn
Senior Economist - Australia
+(61 3) 9208 8129

Vyanne Lai
Economist - Australia
+(61 3) 8634 0198

Amy Li
Economist - Australia
+(61 3) 8634 1563

Phin Ziebell
Economist - Agribusiness
+(61 4) 55 051 024

Industry & Behavioural Economics

Dean Pearson
Head of Behavioural & Industry
Economics
+(61 3) 8634 2331

Robert De Iure
Senior Economist - Behavioural &
Industry Economics
+(61 3) 8634 4611

Brien McDonald
Senior Economist - Behavioural &
Industry Economics
+(61 3) 8634 3837

Karla Bulauan
Economist - Behavioural &
Industry Economics
+(61 3) 8641 4028

International Economics

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist - International
+(61 3) 9208 5049

Gerard Burg
Senior Economist - Asia
+(61 3) 8634 2788

John Sharma
Economist - Sovereign Risk
+(61 3) 8634 4514

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst - FI
+61 29237 1076

Andrew Jones
Credit Analyst
+61 3 8641 0978

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44207710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 2155

Derek Allassani
Research Production Manager
+44 207 710 1532

Asia

Christy Tan
Head of Markets
Strategy/Research, Asia
+852 2822 5350

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.