

NAB MONTHLY BUSINESS SURVEY

May 2018

By Group Economics

Embargoed until:
11:30am Tuesday 12 June 2018



DESPITE A PULL BACK, BUSINESS CONDITIONS REMAIN STRONG

The business conditions index decreased by 6pts to +15 index points, easing back from the historical highs seen in April. The business confidence index fell by 5pts to +6 index points, to be around its long-run average level.

Conditions eased in most industries in May, with the exception of transport & utilities and retail but overall conditions remain at or above average levels. In trend terms, conditions remain strongest in mining.

According to Alan Oster, NAB Group Chief Economist “Despite the easing in the business conditions index in May, conditions remain robust in the business sector. Conditions remain well above average across most states and industries.”

“Some comfort is provided by the improvement in retail conditions in May after turning negative last month, though as suggested by the survey for some time, the retail sector continues to lag conditions in most other industries” Mr Oster said.

Trading conditions (sales), profitability and employment conditions reversed their gains made in April but all remain at a relatively high level.

According to Mr Oster “While the employment index dropped in May, following a strong result in April, it remains above average and suggests a solid pace of employment growth over coming months. Overall the survey continues to suggest an improvement in labour market conditions going forward, which we would expect to translate to a gradual pick-up in wage growth over the next year.”

“While the survey continues to suggest a relatively robust economy, it indicates relatively subdued outcomes for both wages and inflation growth. Both of these variables remain key to the outlook for monetary policy in 2018.”

Leading indicators weakened in May but generally hover at relatively solid levels.

“The Survey results for May are consistent with our outlook for the Australian economy. Despite the easing in conditions, the survey continues to suggest a broad-based strength across industries and most states. Both business conditions and leading indicators continue to suggest a pick-up in economic growth and that, over time, jobs growth should see the unemployment rate fall towards 5%. The outlook for the labour market and evidence of a pick-up in wage growth remain key for monetary policy. Evidence of a genuine pick-up in wages growth and a flow-through to inflation more broadly will provide a launch pad for the RBA to begin lifting rates from current record lows. We don’t expect this to occur until May 2019, as while the survey continues to point to a growing economy, strength in employment and a decline in the unemployment rate, these factors are yet to materialise in a significant pick-up in wages” Mr Oster said.

For more information, please see the NAB Monthly Business Survey report.

Group Economics

Alan Oster
Group Chief Economist
+(61 3) 8634 2927

Jacqui Brand
Personal Assistant
+(61 3) 8634 2181

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

Australian Economics and Commodities

Tony Kelly
Senior Economist
+(61 3) 9208 5049

Gareth Spence
Senior Economist
+(61 4) 75 940 662

Phin Ziebell
Economist – Agribusiness
+(61 4) 75 940 662

Behavioural & Industry Economics

Robert De lure
Senior Economist –
Behavioural & Industry
Economics
+(61 3) 8634 4611

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

Steven Wu
Economist – Behavioural &
Industry Economics
+(613) 9208 2929

International Economics

Gerard Burg
Senior Economist –
International
+(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

Ivan Colhoun
Chief Economist, Markets
+(61 2) 9237 1836

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.