

NAB MONTHLY BUSINESS SURVEY

June 2018

By Group Economics

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CONFIDENCE AND CONDITIONS HOLD STEADY

The business conditions index ticked up by 1pt to +15 index points in June, after easing in the previous month. The business confidence edged down 1pts to +6 index points, to be around its long-run average level.

According to Alan Oster, NAB Group Chief Economist “The business conditions index held broadly steady in June after pulling back last month, and remains well above average, suggesting conditions are strong in the business sector. Conditions remain favourable across most states and industries.”

Outcomes across industries were mixed in the month. Manufacturing, construction, wholesale and finance, business & property services rose, while mining and transport & utilities were lower. Despite the decline in the month, conditions in trend terms remain most favourable in mining, while retail remains noticeably weaker.

“In trend terms, conditions in the mining sector remain highest even as the mining boom continues wind down, while the retail sector remains clearly the weakest. The construction sector is also reporting robust conditions reflecting the large pipeline of infrastructure work and significant pipeline of housing construction underway” Mr Oster said.

The trading (sales) and profitability indexes rebounded in June after decline last month. The employment index recorded a second consecutive decline, but remains above average.

According to Mr Oster “The employment index fell for a second month in a row but remains above average. Our mapping of this measure to the official employment statistics suggests that employment will continue to grow at a slightly stronger rate than the population over 2018, which should see the unemployment rate decline and a gradual pickup in wages growth.”

Surveyed wages and prices measures were again weak. Labour costs, purchase costs and final product price growth all edged lower in the month, while retail product price growth was negligible.

“The survey continues to suggest relatively robust growth in the economy but also suggests that broader inflationary pressures remain weak with slow rates of both purchase price and final products price inflation. Labour cost growth remains weak, though there is some evidence of a pickup in specific industries.”

Leading indicators were a little mixed in June with capacity utilisation edging higher but forward orders declining for a second month – though they remain above average.

“Overall, the survey is consistent with our outlook for the economy of 2018. Despite easing a little recently, leading indicators remain positive suggesting continued growth in output and employment. Higher profitability and trading conditions as well as high rates of capacity utilisation also remain conducive to higher business investment. This growth will be necessary to reduce the amount of spare capacity in the economy, which should in time see a rise in prices and wages growth, which we consider key to the path of monetary policy over the next few years” Mr Oster said.

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

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