

EMBARGOED UNTIL: 11:30AM AEST, 19 JULY 2018

NAB QUARTERLY BUSINESS SURVEY

SUBSCRIBER DETAILS: JUNE QUARTER 2018

NAB Australian Economics



After strengthening to historically high levels in Q1, business conditions eased in Q2 but remain well above average. Conditions remain favourable across all states and most industries. Business confidence weakened in Q2 but remains a little above average. Overall, leading indicators continue to suggest favourable business conditions in 2018 and some tightening in the labour market. They also point to favourable conditions for business investment growth.

HIGHLIGHTS

- The quarterly NAB Business Survey provides a more in-depth probe into the conditions facing Australian business than the monthly survey, and also examines additional information about how firms perceive the outlook for their industries.
- Business conditions (an average of trading conditions/sales, profitability and employment) decreased by 2pts to +15, easing back a little from the highs seen in Q1 - the monthly business survey suggests that conditions have held steady late in the quarter. The decrease was a result of falling profitability and employment conditions, while trading conditions remained flat. Overall, conditions remain favourable, and a pattern of broad-based strength remains evident at the industry level, with most industries at or above average in Q2. Conditions are particularly favourable in the mining sector, likely reflecting higher commodity prices, growing exports, abating cost pressures and rising productivity. Conditions in retail are still weakest.
- Business confidence edged slightly lower to +7 (from a revised +8), to be just above average, where it has hovered for some time. Confidence increased sharply in TAS in the quarter and is now the highest of all the states. Of the mainland states, confidence is strongest in WA and QLD, both well above the national average, likely reflecting the renewed confidence in the mining sector which remains high (+32 compared to a long-run average of +5). Confidence in the construction industry edged lower in Q2 but remains at a high level – while the housing market is cooling the pipeline of work remains high, and the construction sector is also being supported by the high level of infrastructure-related work as well.
- Leading indicators were mixed in Q2. Capacity utilisation ticked up to be at its highest level since 2009, with utilisation highest in the mining and construction industries. The forward orders index fell in the quarter, and even further in the monthly survey taken at quarter end, but it remains above average. While this suggests some weakening in future conditions we do not foresee a significant slowing in business activity as yet. In fact, expectations for business conditions over the next three months were unchanged, and for next twelve months remain high despite easing slightly. Consistent with the rise in capacity utilisation, capex and employment plans for the next 12 months remain elevated.
- Labour indicators suggest little change in momentum in the labour market. The employment index declined in the quarter but remains above average. Growth in labour costs (a wage bill measure) was flat, but is expected to increase slightly over the next three months. We expect the labour market to tighten gradually over 2018 in line with firm's difficulty in finding suitable labour remaining elevated – notwithstanding a small decline in the quarter.
- Survey inflation indicators tracked sideways in the quarter. The range of both input and final price indicators (labour costs, purchase costs and final products prices) suggest little, if any significant price pressures. Retail prices growth also tracked sideways at a very low rate. Wholesale price inflation slowed in the quarter, suggesting some further downstream price weakness.
- Looking at the construction industry in more detail, conditions declined across all sub-sectors with construction services turning negative after previous declines. Confidence was generally weaker with the exception of non-residential building which rose notably in the quarter.

TABLE 1: KEY QUARTERLY BUSINESS STATISTICS

	2017q4	2018q1	2018q2		2017q4	2018q1	2018q2
	<i>Net balance</i>				<i>Net balance</i>		
Business confidence	7	8	7	Trading	21	22	22
Business conditions				Profitability	17	17	15
Current	16	17	15	Employment	11	13	8
Next 3 months	26	24	24	Forward orders	9	9	6
Next 12 months	31	33	31	Stocks	4	5	8
Capex plans (next 12)	29	30	29	Exports	2	0	2
	<i>% change</i>						
Labour costs	0.7	0.6	0.6	Retail prices (% change)	0.1	0.1	0.1
Purchase costs	0.4	0.4	0.4	Capacity utilisation rate	82.5	82.7	82.8
Final products prices	0.3	0.3	0.3				

All data seasonally adjusted, except purchase costs and exports. Fieldwork for this Survey was conducted from 23 May to 13 June 2018, covering more than 900 firms across the non-farm business sector.

Next release date is 18 October 2018

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NAB QUARTERLY BUSINESS SURVEY – SUBSCRIBER DETAILS

TRADING CONDITIONS AND EXPORTS

TABLE 2: TRADING CONDITIONS BY INDUSTRY (NET BALANCE, S.A.)

June quarter 2018	Mining	Manuf	Constn	Retail	Wsale	Tran. & utils	Rec. & pers.	Fin. prop. & bus.	Australia
Trad. conds: current	63	15	25	2	14	38	22	31	22
Trad. conds: previous	17	27	35	13	19	20	19	23	22
Trad. conds: change	47	-12	-10	-11	-5	18	3	8	0

CHART 1: BUSINESS CONDITIONS COMPONENTS (NET BALANCE, S.A.)

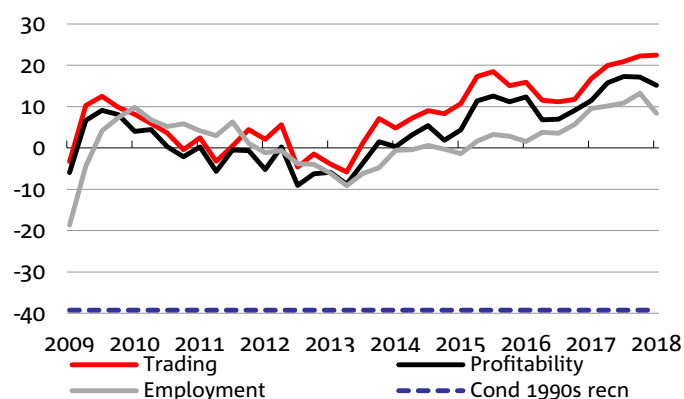
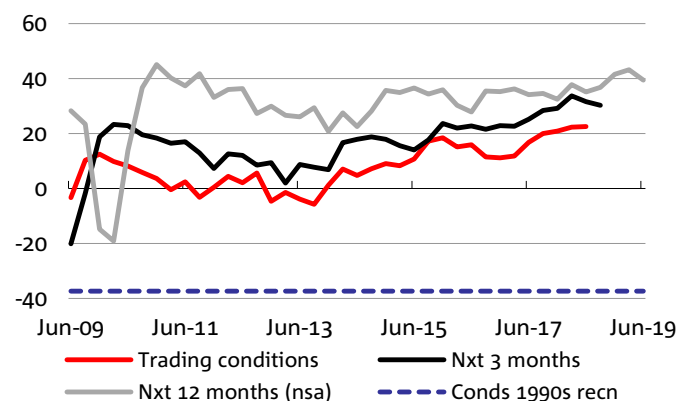


CHART 2: TRADING CONDITIONS (NET BALANCE)



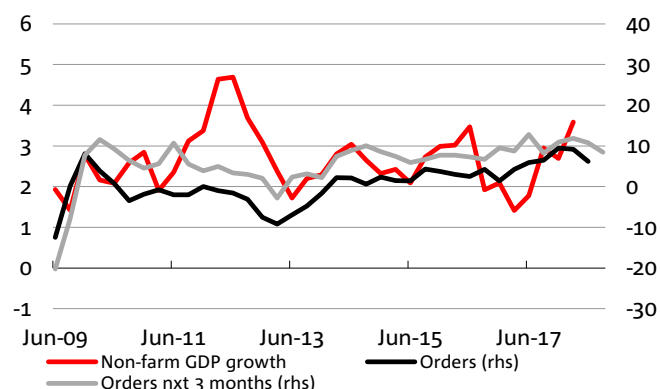
- The exports index rose by 2pts in the quarter reversing its decline in Q1, and is around its historical average. Expectations for exports fell relatively sharply in the quarter, though they also remain above average. Export expectations (3-months ahead) are positive for all industries with the exception of wholesale. Manufacturing remains strongest (+24) followed by Transport (+20) and mining (+14).

FORWARD ORDERS

TABLE 3: FORWARD ORDERS BY INDUSTRY (NET BALANCE, S.A.)

June quarter 2018	Mining	Manuf	Constn	Retail	Wsale	Tran. & utils	Rec. & pers.	Fin. prop. & bus.	Australia
Orders: current	30	5	11	7	12	3	2	7	6
Orders: previous	16	10	17	4	22	8	5	6	9
Orders: change	13	-5	-6	3	-10	-5	-2	1	-3

CHART 3: NON-FARM GDP ANNUAL GROWTH & FORWARD ORDERS



NAB QUARTERLY BUSINESS SURVEY – SUBSCRIBER DETAILS

LABOUR MARKET

CHART 4: EMPLOYMENT & EXPECTED EMPLOYMENT (NET BALANCE)

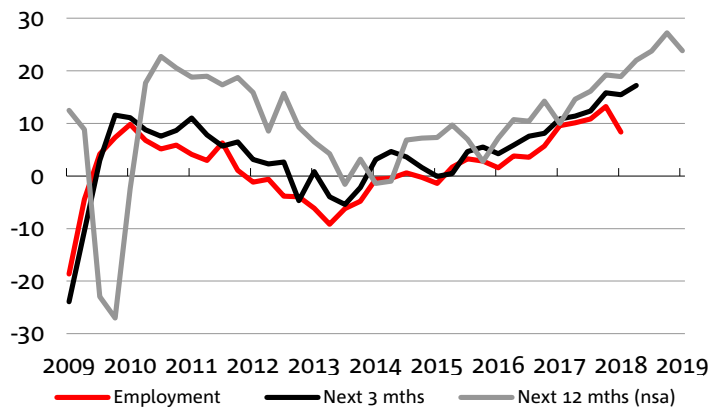


CHART 5: LABOUR COSTS & COMPENSATION OF EMPLOYEES (% ANN, SA)

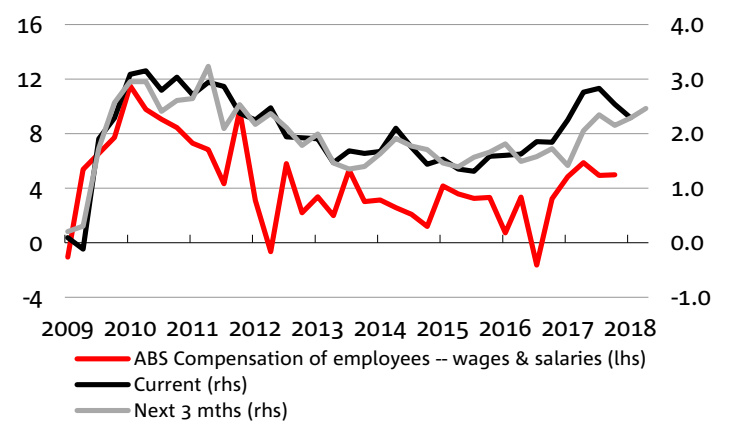


CHART 6: UNEMPLOYMENT RATE AND LABOUR CONSTRAINTS

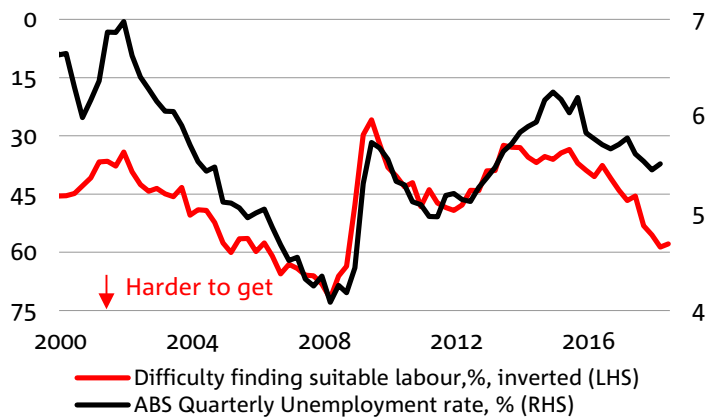
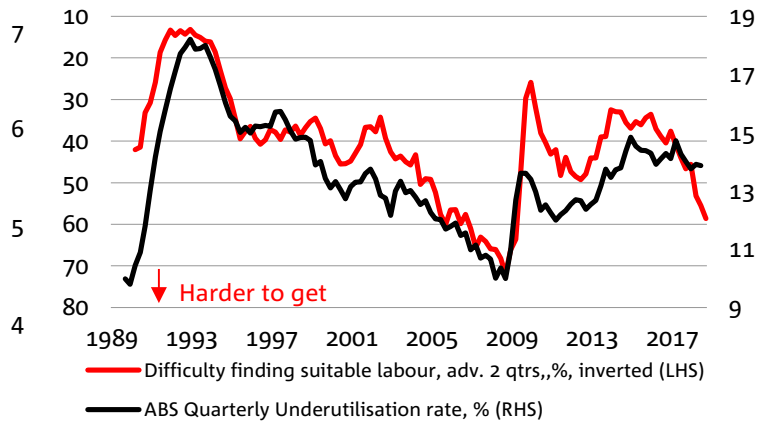


CHART 7: UNDERUTILISATION RATE AND LABOUR CONSTRAINTS



COSTS & MARGINS

CHART 8: SALES MARGINS (NET BALANCE)

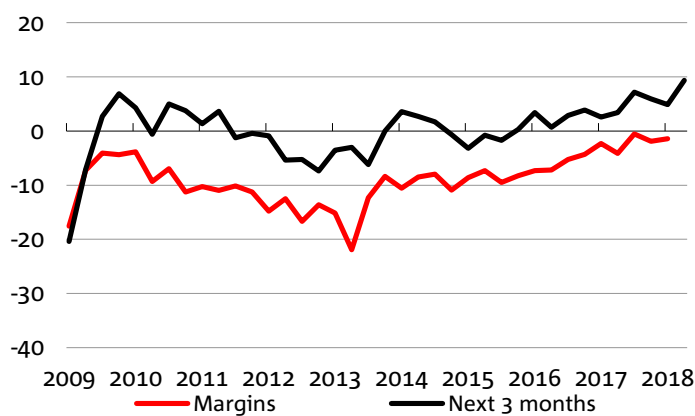
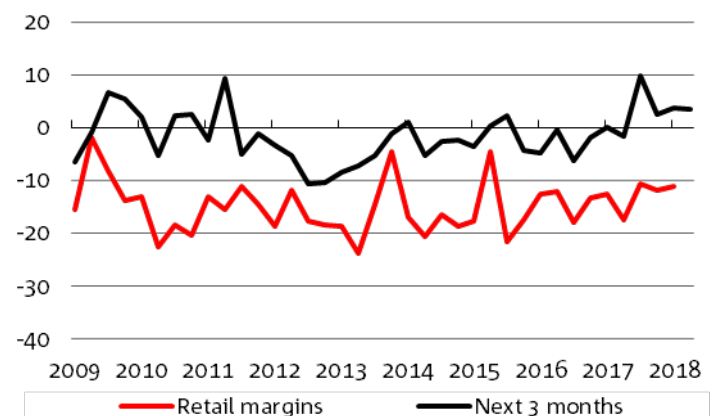


CHART 9: RETAIL SALES MARGINS (% ANN, SA)



NAB QUARTERLY BUSINESS SURVEY – SUBSCRIBER DETAILS

LABOUR COSTS & CAPACITY UTILISATION BY INDUSTRY

CHART 10: LABOUR COSTS BY INDUSTRY (ANNUALISED QTLY % CHG, SA)

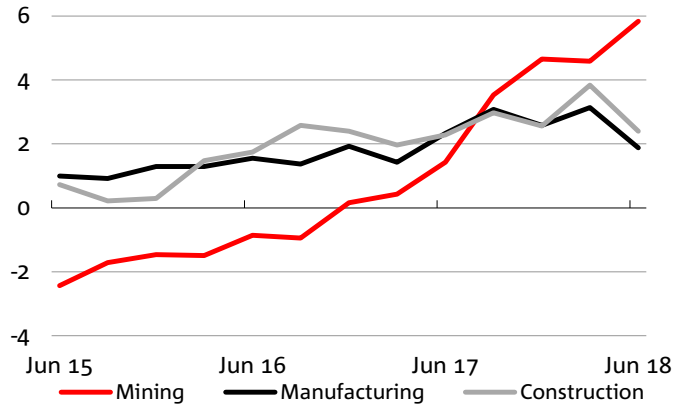


CHART 13: CAPACITY UTILISATION BY INDUSTRY (SA, PER CENT)

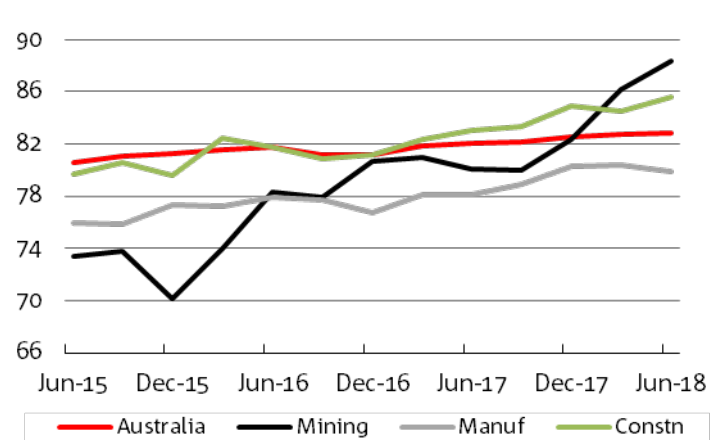


CHART 11: LABOUR COSTS BY INDUSTRY (ANNUALISED QTLY CHG, SA)

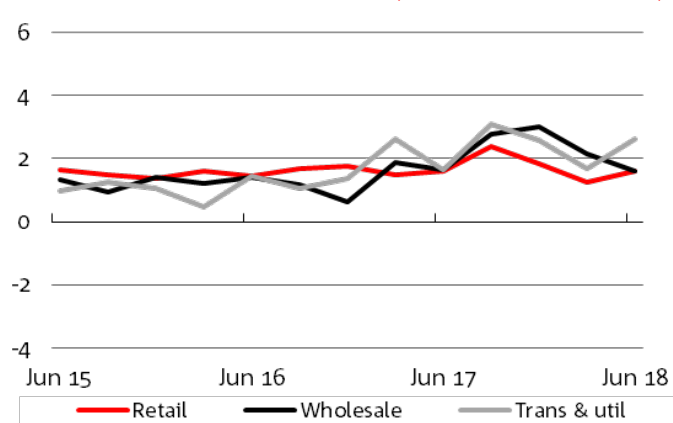


CHART 14: CAPACITY UTILISATION BY INDUSTRY (SA, PER CENT)

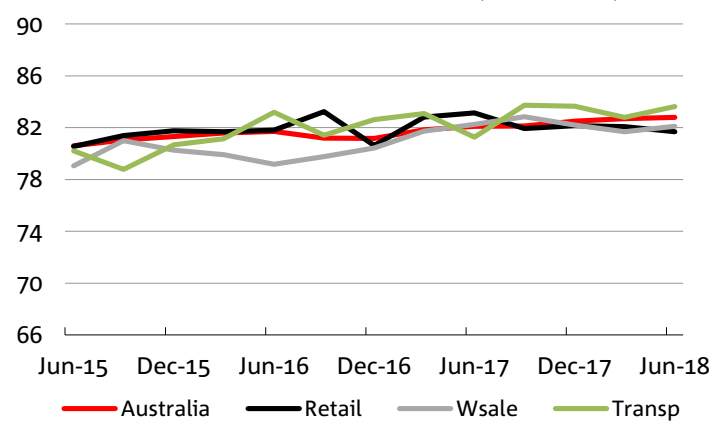


CHART 12: LABOUR COSTS BY INDUSTRY (ANNUALISED QTLY CHG, SA)

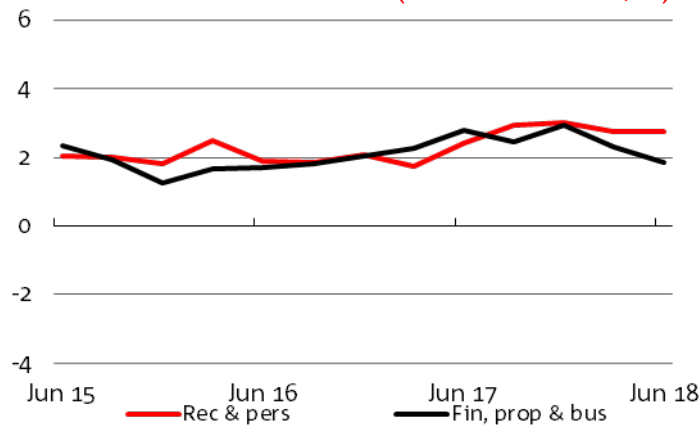
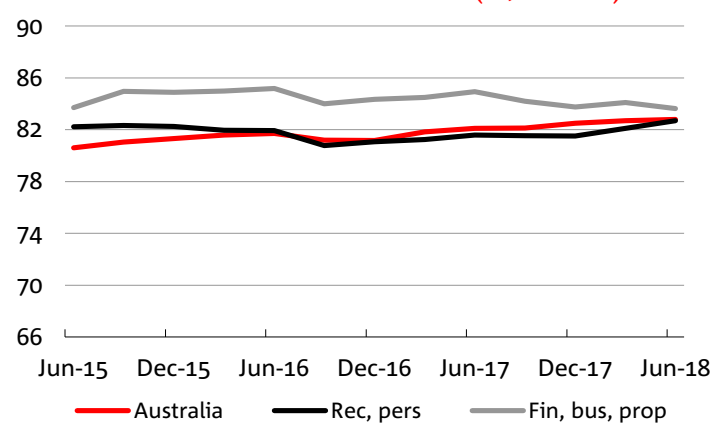


CHART 15: CAPACITY UTILISATION BY INDUSTRY (SA, PER CENT)



NAB QUARTERLY BUSINESS SURVEY – SUBSCRIBER DETAILS

MORE DETAILS ON STATES – BUSINESS CONDITIONS

CHART 16: BUSINESS CONDITIONS BY STATE- NSW (NET BALANCE)

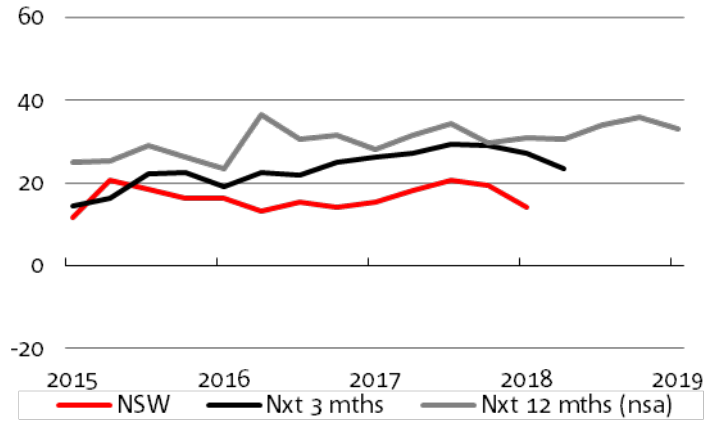


CHART 17: BUSINESS CONDITIONS BY STATE -VICTORIA (NET BALANCE)

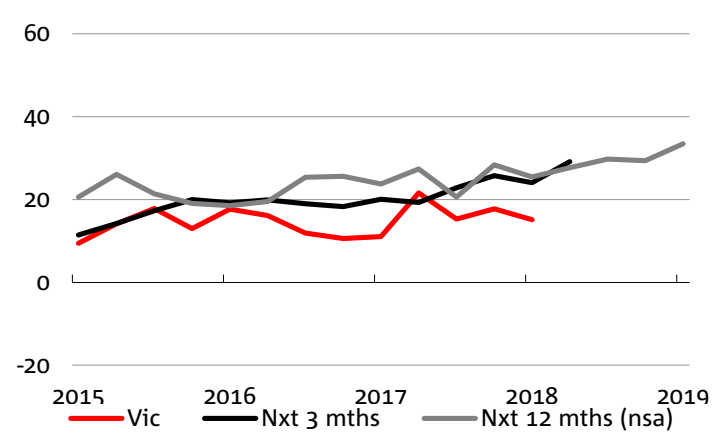


CHART 18: BUSINESS CONDITIONS BY STATE- QLD (NET BALANCE)

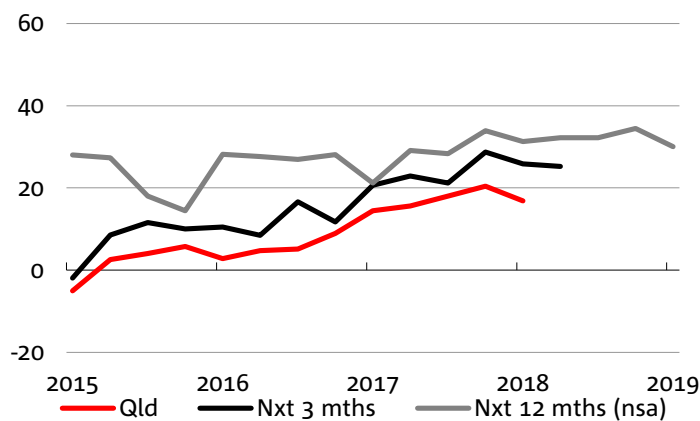


CHART 19: BUSINESS CONDITIONS BY STATE- SA (NET BALANCE)

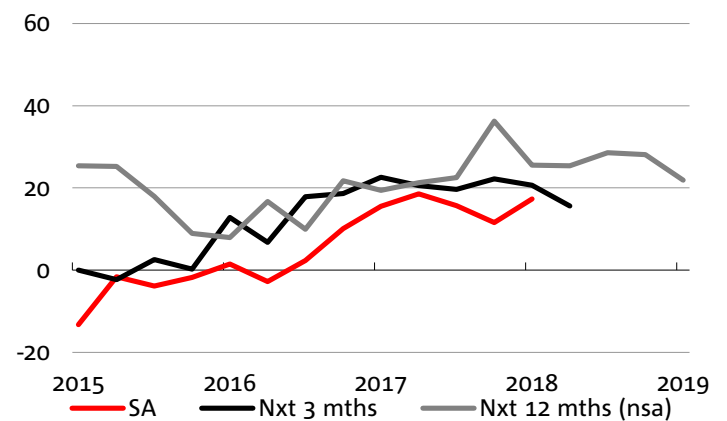


CHART 20: BUSINESS CONDITIONS BY STATE WA (NET BALANCE)

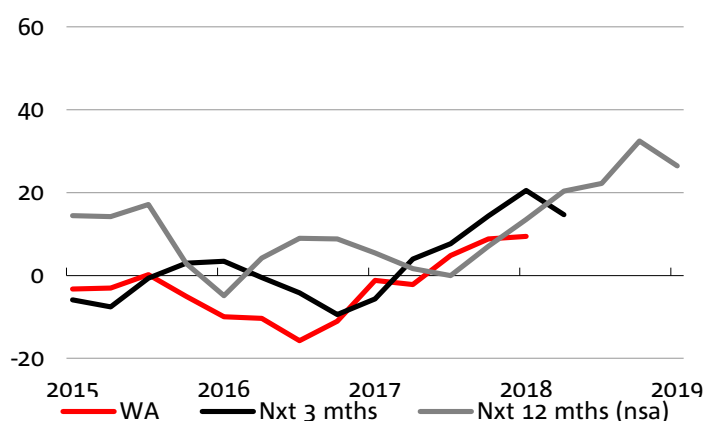
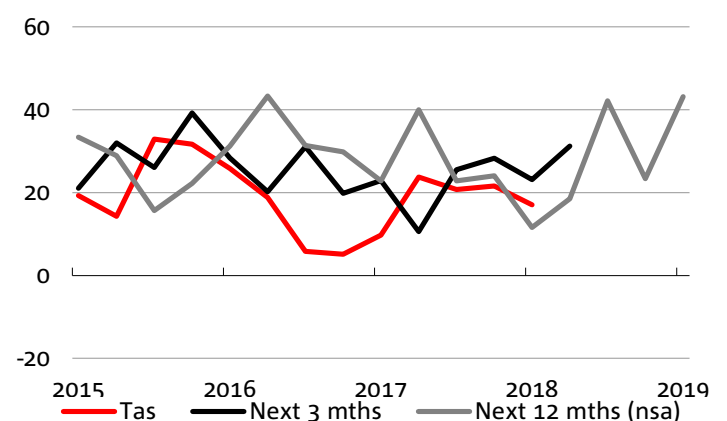


CHART 21: BUSINESS CONDITIONS BY STATE- TASMANIA (NET BALANCE)



NAB QUARTERLY BUSINESS SURVEY – SUBSCRIBER DETAILS

MORE DETAILS ON STATES - EMPLOYMENT

CHART 22: EMPLOYMENT BY STATE- NSW (NET BALANCE)

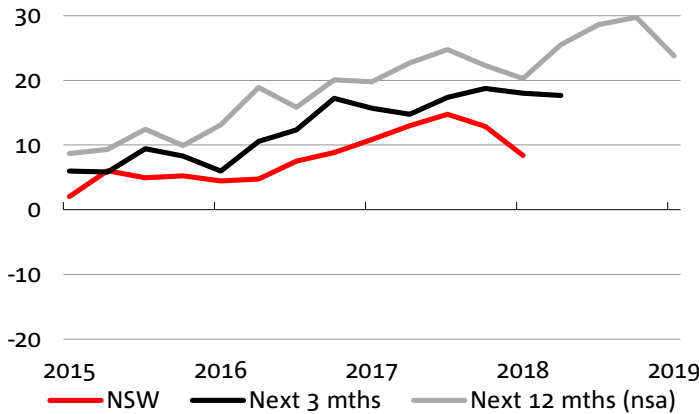


CHART 23: EMPLOYMENT BY STATE- VICTORIA (NET BALANCE)

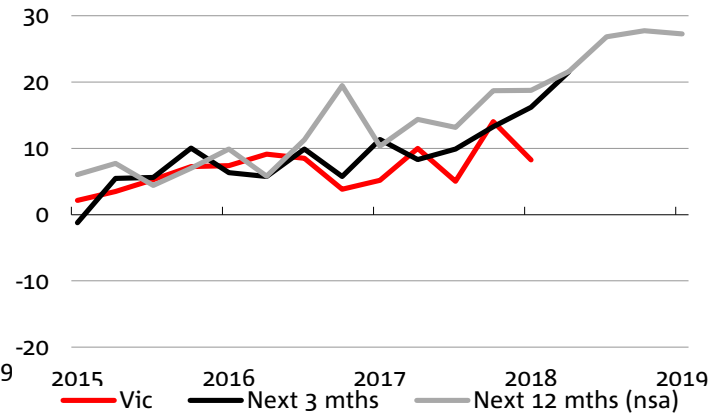


CHART 24: EMPLOYMENT BY STATE – QLD (NET BALANCE)

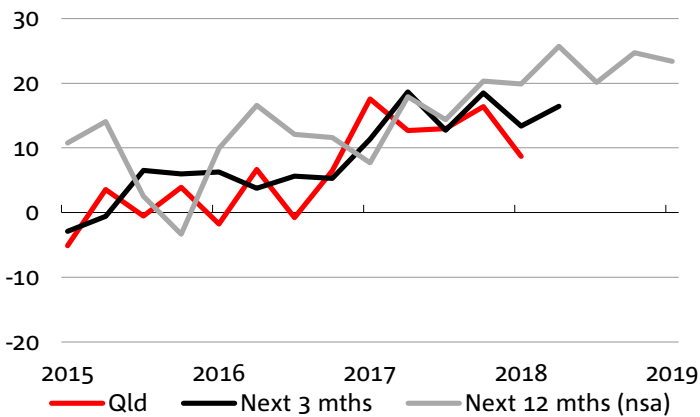


CHART 25: EMPLOYMENT BY STATE- SOUTH AUSTRALIA (NET BALANCE)

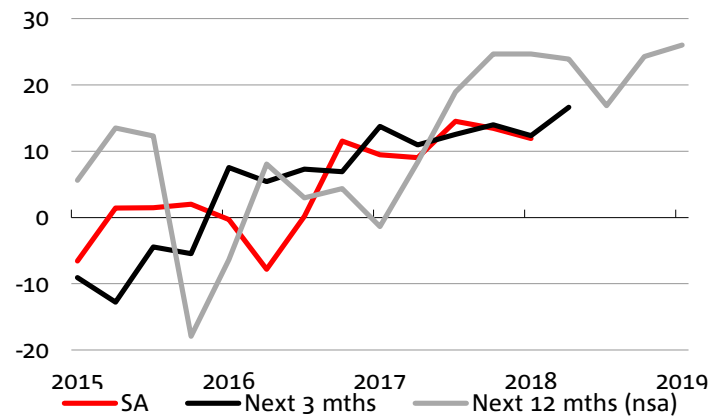


CHART 26: EMPLOYMENT BY STATE- WEST. AUSTRALIA (NET BALANCE)

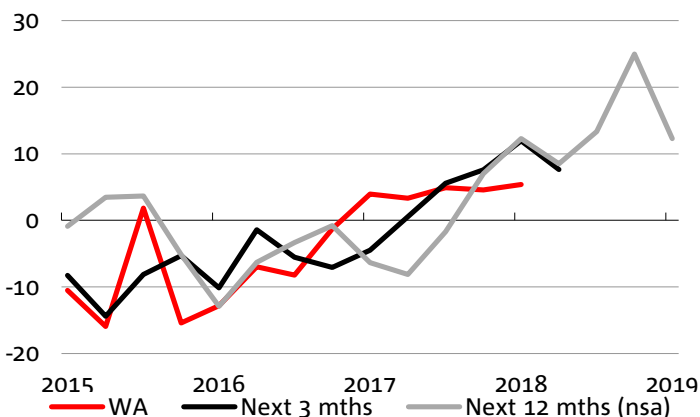
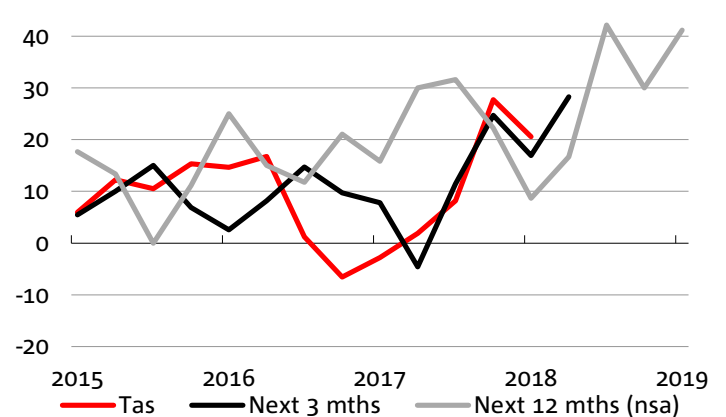


CHART 27: EMPLOYMENT BY STATE – TASMANIA (NET BALANCE)



NAB QUARTERLY BUSINESS SURVEY – SUBSCRIBER DETAILS

BORROWING CONDITIONS

CHART 28: EASE OF BORROWING INDEX (NSA, NET BALANCE, EASIER LESS MORE DIFFICULT)

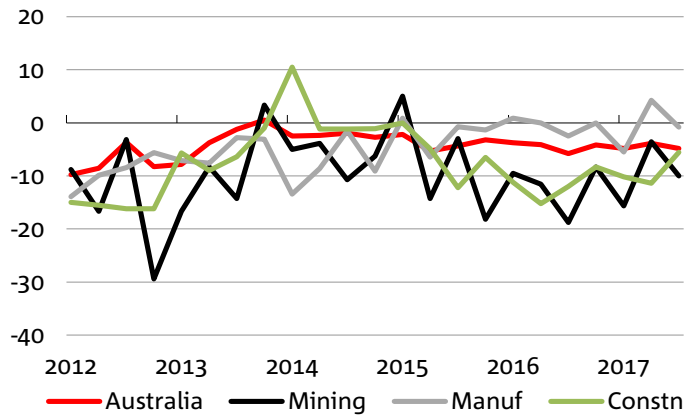


CHART 31: RESPONDENTS REQUIRING NO BORROWING (NSA, PER CENT)

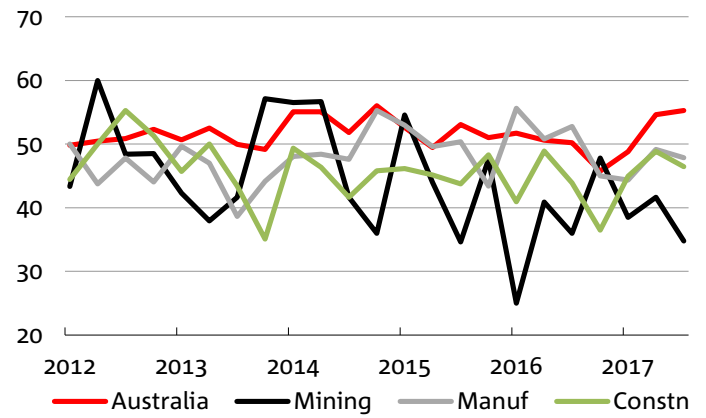


CHART 29: EASE OF BORROWING INDEX (NSA, NET BALANCE, EASIER LESS MORE DIFFICULT)

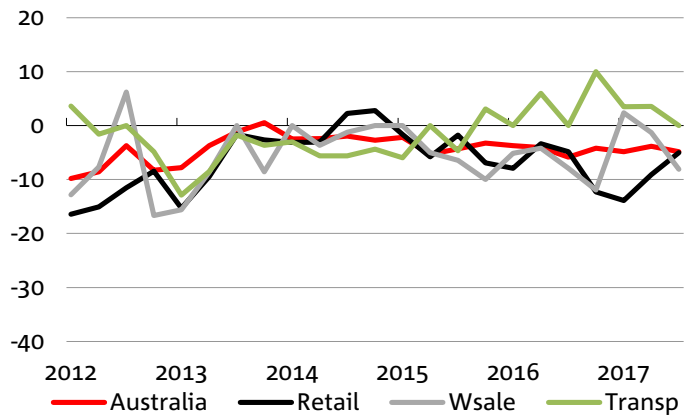


CHART 32: RESPONDENTS REQUIRING NO BORROWING (NSA, PER CENT)

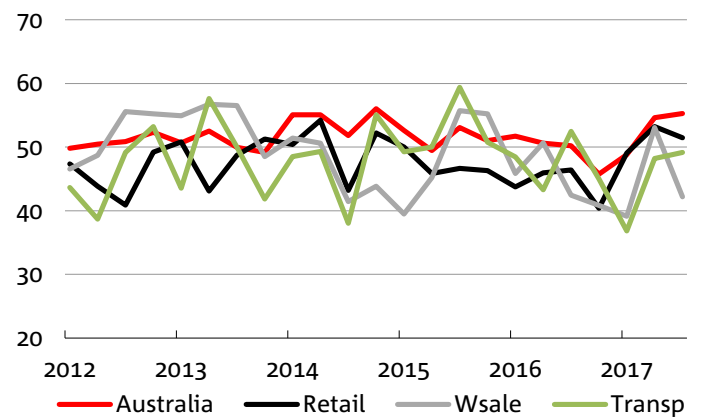


CHART 30: EASE OF BORROWING INDEX (NSA, NET BALANCE, EASIER LESS MORE DIFFICULT)

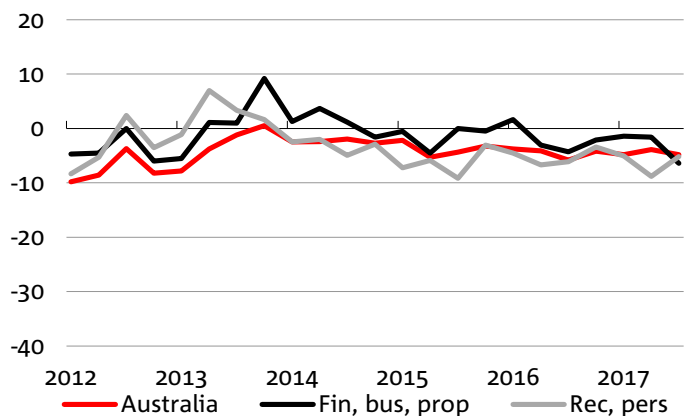
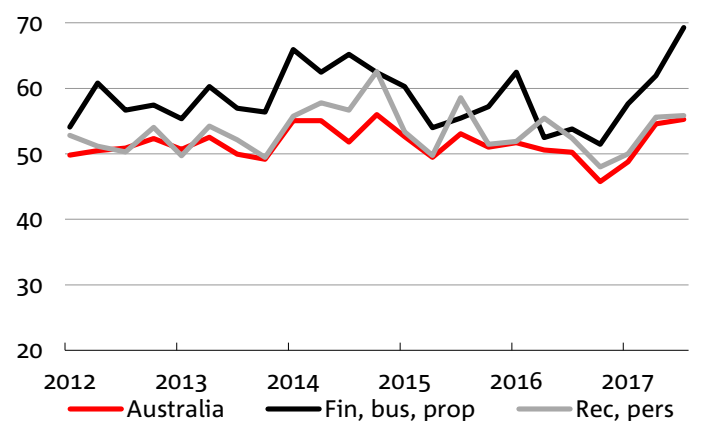


CHART 33: RESPONDENTS REQUIRING NO BORROWING (NSA, PER CENT)



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APPENDIX: LIST OF SERIES AVAILABLE TO SUBSCRIBERS^

MONTHLY BUSINESS SURVEY*

Business Confidence

Net balance

Business Conditions	Net balance
Trading Conditions	Net balance
Profitability	Net balance
Employment	Net balance
Forward Orders	Net balance
Stocks	Net balance
Exports	Net balance
Capital Expenditure (Capex)	Net balance
Cash Flow	Net balance
Labour Costs	% change at quarterly rate
Purchase Costs	% change at quarterly rate
Final Prices	% change at quarterly rate
Capacity Utilisation	Per cent
Borrowing Demand & Conditions	%; net balance

All series available on an industry basis for:

Mining
Manufacturing
Construction
Retail trade
Wholesale trade
Transport / Utilities
Finance / Property / Business Services
Recreation / Personal Services

All available on a state basis for:

New South Wales
Victoria
Queensland
WA
SA/NT
Tasmania

*All data available in original, seasonally adjusted and trend terms.

^Subscribers also receive a copy of the Subscriber details publication which contains a variety of extra charts and tables.

QUARTERLY BUSINESS SURVEY*

Business Confidence	Margins (current, next 3 mth)
Business Conditions (current, next 3 mth, next 12 mth)	Overheads (current, next 3 mth)
Trading conditions (current, next 3 mth, next 12 mth)	Productivity growth
Profitability (current, next 3 mth, next 12 mth)	Number of employees
Employment (current, next 3 mth, next 12 mth)	Hours worked
Forward orders (current, next 3 mth)	Gross Sales
Stocks (current, next 3 mth)	Output/sales growth (current fiscal year)
Export orders (current, next 3 mth)	Average earnings (current fiscal year)
Capital expenditure (current, next 3 mth, next 12 mth, fiscal year)	Short term interest rate
Required rate of return on investment	Exporters hedged FX exposure (%)
Cash flow	Importers hedged FX exposure (%)
Labour costs (current, next 3 mth)	Months hedged (exporters)
Purchase costs (current, next 3 mth)	Months hedged (importers)
Final prices (current, next 3 mth)	Favourable hedge position (% of exporters)
Capacity Utilisation	Favourable hedge position (% of importers)
Borrowing index (current, next 3 mth)	Affected vs not affected by AUD
	Response to AUD (downsized, reduced, overheads, hedging, import substitution, focus on domestic market, other, don't know)
Borrowing demand (current, next 3 mth)	Driver of trading conditions (demand, wages/jobs, house prices, rates, exchange rate, tax/govt policy, seasonal, finance/working capital, company specific, other)
Constraints on output (demand, labour, materials, premises & plant, finance/working capital)	What will improve confidence (lower rates, more suitable labour, easier funding, government policy, higher demand, higher AUD, lower AUD, easier compliance, other)
Constraints on profit (capital, demand, high AUD, low AUD, interest rates, labour, tax, wages, energy costs, other)	
Constraint on employment (demand, confidence, cashflow, suitable labour, high wages, government policy, labour not at full capacity, other, don't know)	
<i>All series available on an industry basis for:</i>	
Mining (sub-groups: Mining Extraction, Mining Services)	
Manufacturing (sub-groups: food beverage & tobacco, textile clothing footwear & leather, wood & paper product, printing publishing & recorded media, petroleum coal chemical & associated products, non-metallic mineral product, metal product, machinery & equipment, other)	
Construction (sub-groups: Residential Building, Non-residential Building, Other Construction, Construction Services)	
Retail trade (sub-groups: Food, Personal & Household Goods, Motor Vehicle Retailing & Services, Other Retail)	
Wholesale trade	
Transport / Utilities	
Finance / Property / Business Services (sub-groups: Finance, Insurance, Services to Finance & Insurance, Property Services, Business Services)	
Recreation / Personal Services (Sub-groups: Motion picture, Radio & Television Services, Libraries Museums & the Arts), Sports & Recreation, Personal Services, Accommodation Cafes & Restaurants, Health Services, Education, Other Services)	
<i>All series available on a state basis for:</i>	
New South Wales	
Victoria	
Queensland,	
WA	
SA/NT	
Tasmania	

*Data available in original, seasonally adjusted and trend terms.