



NAB MONTHLY BUSINESS SURVEY MARCH 2019

CONDITIONS RISE WHILE CONFIDENCE CONTINUES A BELOW AVERAGE RUN

NAB Australian Economics

Key messages from the Survey: Survey results were mixed this month. Business conditions saw a welcome increase to above average levels with each subcomponent of the index rising. The employment index itself remains well above average, suggesting that for now, survey indicators of labour demand remain favourable. Against this, business confidence (the expectation for conditions going forward) weakened further in the month and continued the below average run. Other forward looking indicators – capacity utilisation and forward orders – showed some improvement but remain at or below average. The pattern of business conditions and confidence across states appears to have shifted somewhat with the gap between the east and west narrowing a little over recent months. Conditions remain most favourable in Tasmania and NSW, but have weakened in QLD and VIC. By industry, conditions remain most favourable in mining and weakest in retail. While the pickup in conditions this month is encouraging, conditions are well below the levels seen in early 2018 and forward indicators point to a risk of further slowing in momentum in the business sector. Elsewhere in the survey, measures of capex and cash flow generally continue to track down.

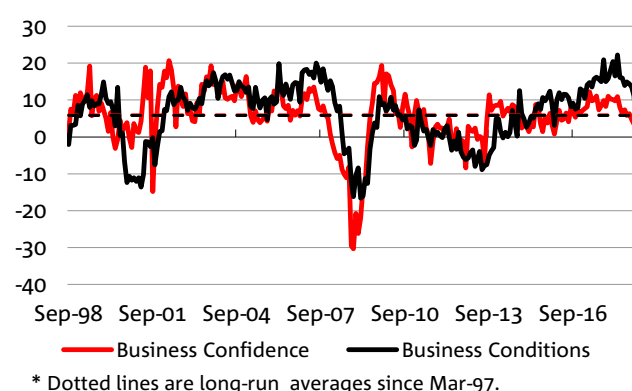
HIGHLIGHTS

- **How confident are businesses?** Business confidence fell 2 pts to 0 index points in the month, continuing its below average run of readings since October last year.
- **How did business conditions fare?** Business conditions rose to +7 index points to be 1 point above average. Trend business conditions remain around average.
- **What components contributed to the result?** The increase in March was driven by a rise in profitability (now +5 index points), trading conditions (+12 index points) and employment (+7 index points).
- **What is the survey signalling for jobs growth?** The employment index remains well above average and has been a consistently positive survey indicator over recent months. While it has eased through 2018, these levels imply employment growth of around 20k per month – enough to see the labour market hold onto recent gains.
- **Which industries are driving conditions?** Conditions rose across most industries except for *wholesale* and *recreational & personal services* which declined; *manufacturing* was unchanged in the month. In trend terms, the *mining* and services sectors are seeing the most favourable conditions, while *wholesale* and *retail* remain weakest.
- **Which industries are most confident?** Confidence fell in all industries except *manufacturing* which was flat, and *mining* which increased in the month. In trend terms, confidence is lowest in the services sectors as well as *wholesale* and *retail*. Confidence is highest in *transport & utilities*, *mining* and *construction*.
- **Where are we seeing the best conditions by state?** In the month, the improvement in conditions was concentrated in *NSW* and *SA* (though it remains negative). In trend terms, conditions are most favourable in *Tasmania*, followed by *NSW* and *VIC*. The remaining states now all record below average conditions (in trend terms) with *SA* the weakest.
- **What is confidence like across the states?** In the month confidence weakened in all states except *QLD* and *Tasmania*. In trend terms, confidence remains weakest with the eastern states (including Tas) and is at or below the national average in each of these states. *SA* is just above the national average and *WA* is most confident.
- **Are leading indicators suggesting further improvement?** The forward orders index improved in the month, but at -1 index points it is still below average and negative, pointing to a future weakening in conditions. Capacity utilisation edged higher but remains around average after having eased over recent months.
- **What does the Survey suggest about inflation and wages?** Overall survey measures of prices and inflation remain weak. Input costs growth – including labour costs and purchases prices – ticked down in the month. Output price growth was flat, though retail prices growth rose slightly.

TABLE 1: KEY STATISTICS

	Jan-19	Feb-19	Mar-19
	Net balance		
Business confidence	3	2	0
Business conditions	7	4	7
Trading	11	8	12
Profitability	5	1	5
Employment	5	5	7
Forward orders	2	-2	-1
Stocks	3	3	1
Exports	0	-1	0
	% change at quarterly rate		
Labour costs	0.6	0.8	0.6
Purchase costs	0.7	0.7	0.4
Final products prices	0.4	0.3	0.3
Retail prices	0.2	0.1	0.3
	Per cent		
Capacity utilisation rate	81.4	80.9	81.0

CHART 1: CONDITIONS RISE, CONFIDENCE BELOW AVERAGE



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 15- 22 March 2019, covering over 400 firms across the non-farm business sector.

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NAB MONTHLY BUSINESS SURVEY - THEMES OF THE MONTH

LABOUR MARKET CONDITIONS AND EMPLOYMENT

- While economic growth slowed sharply over the second half of 2018, the labour market continues to perform relatively strongly. While employment growth has slowed slightly, it has still been enough to see the unemployment rate decline to its lowest level since 2012. The unemployment rate in both *NSW* and *VIC* is also very low.
- The business survey has mirrored this pattern of behaviour. The activity side of the survey (trading conditions and profitability) has weakened substantially. While employment has also pulled back it has remained well above average.
- At current levels, and based on past relationships between the survey and official employment data the current level implies growth of around 20k per month. While this is lower than the rates seen in early to mid-2018, this should be enough to see the labour market hold onto recent gains in the unemployment rate for now.
- The employment index remains well above average across all states with the exception of *QLD* and *NSW*. The employment index is significantly above average (and highest) in *Tas*. *SA* and *VIC* also report well above average employment index. *NSW* which currently reports the best unemployment rate across all of the states, has employment readings in the Survey around average levels.
- The strength in employment is relatively broad-based across industries with each employment index above average. *Mining* is a standout with conditions well above average. Wholesale, construction and *finance, business & property services* all well above average. *Retail* is weakest, and likely reflects the ongoing structural change in the sector.
- While the labour market data – both official and survey based - have been particularly resilient to the slowing in economic growth to date, it is likely that activity in the labour market lags activity more generally. For now the survey suggests a still positive outlook for the labour market (though it has pulled back somewhat).
- While the rise in business conditions this month is positive at face value for the business sector, overall it suggests that growth is unlikely to have picked up materially in the March quarter. Further, forward indicators suggest there is some risk that the rebound this month may be short lived. Confidence is low (and has been for some time), forward orders are below average and capacity utilisation has declined to around average levels.

CHART 2: COMPONENTS OF CONDITIONS (DEVIATION FROM AVE, PPT)

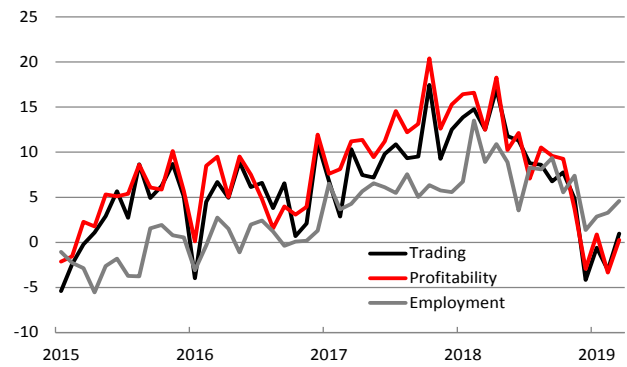


CHART 3: IMPLIED EMPLOYMENT GROWTH (TREND, %)

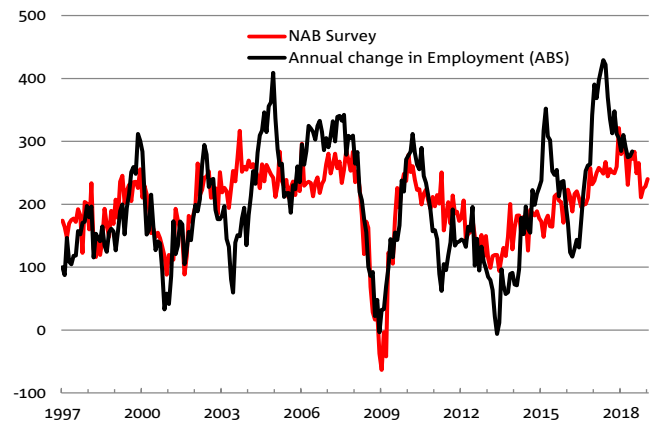


CHART 4: EMPLOYMENT BY STATE (NET BAL)

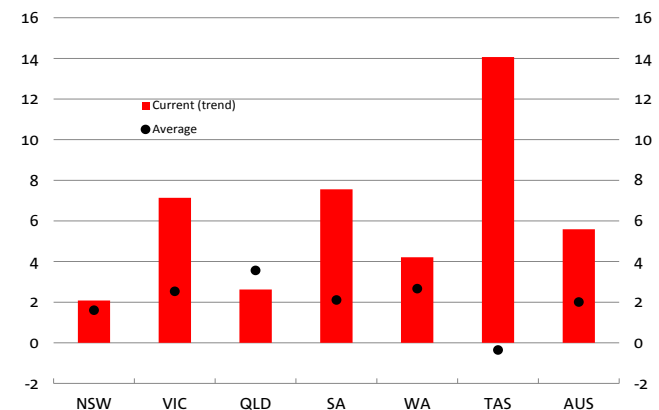
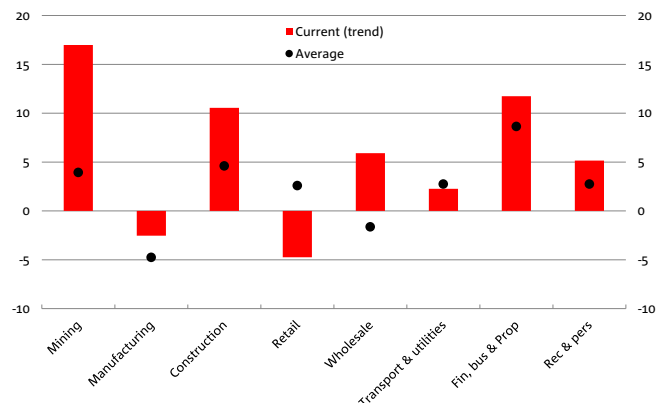


CHART 5: EMPLOYMENT BY INDUSTRY (NET. BAL)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 6: BUSINESS CONFIDENCE (NET BALANCE)

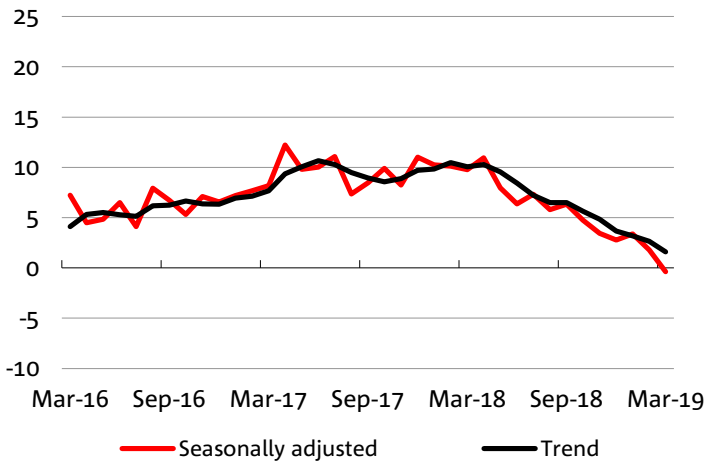


CHART 7: BUSINESS CONDITIONS (NET BALANCE)

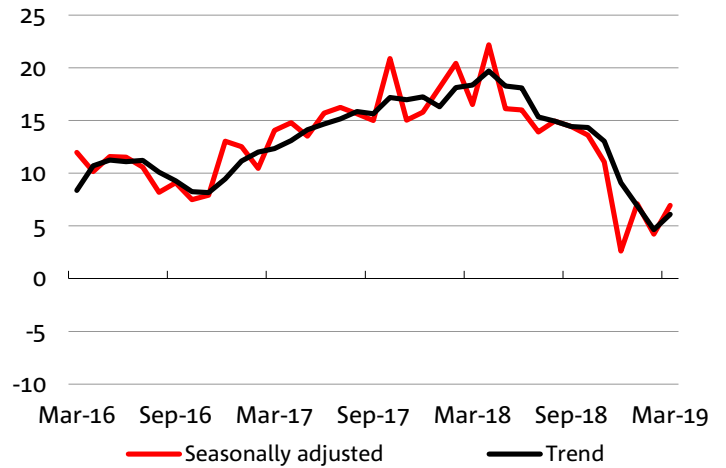


CHART 8: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

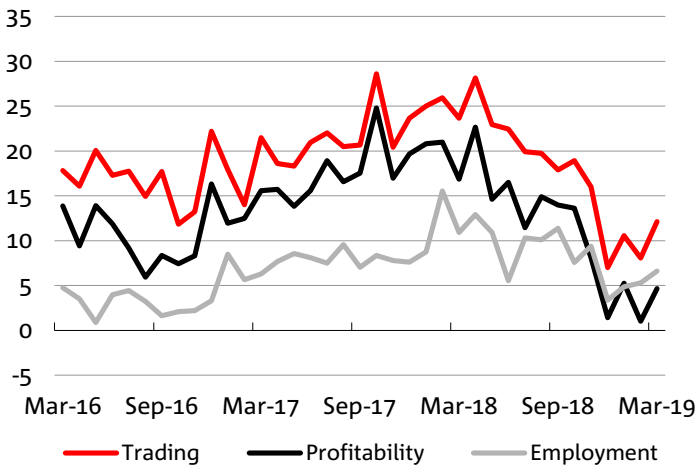


CHART 9: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

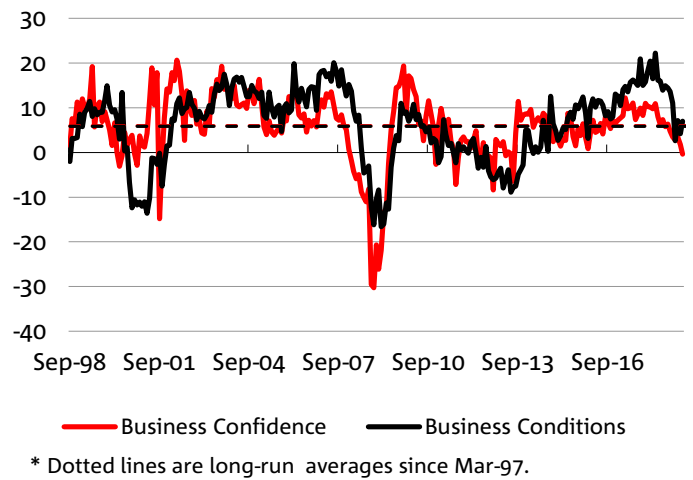


CHART 10: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

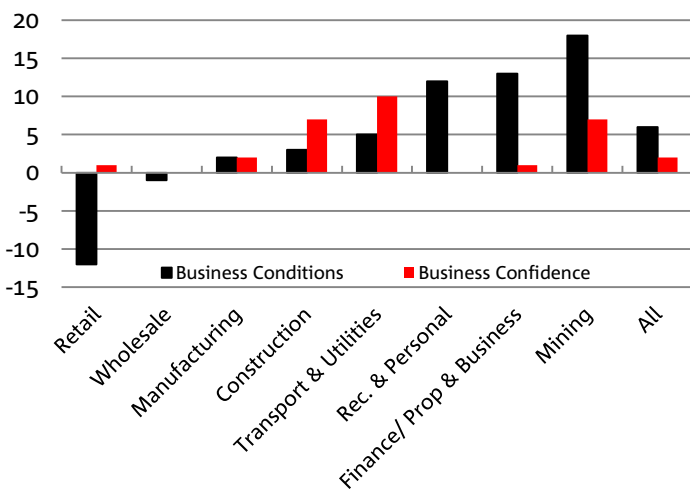
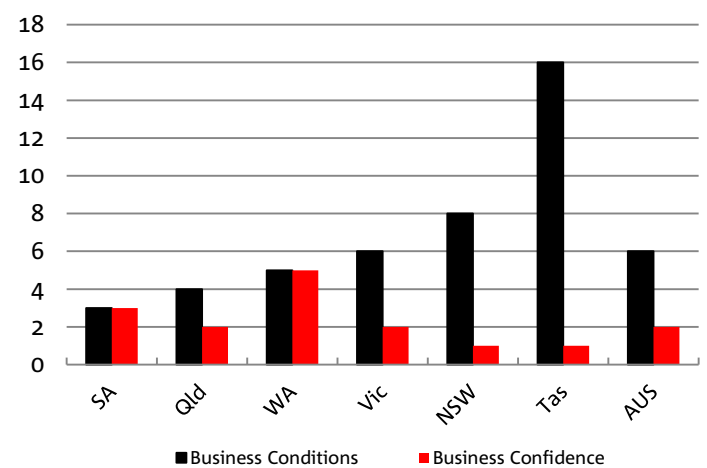


CHART 11: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 12: FORWARD ORDERS (NET BALANCE)

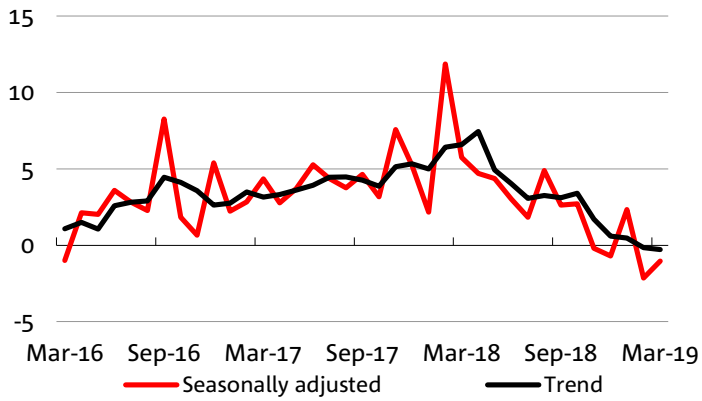


CHART 13: CAPITAL EXPENDITURE (NET BALANCE)

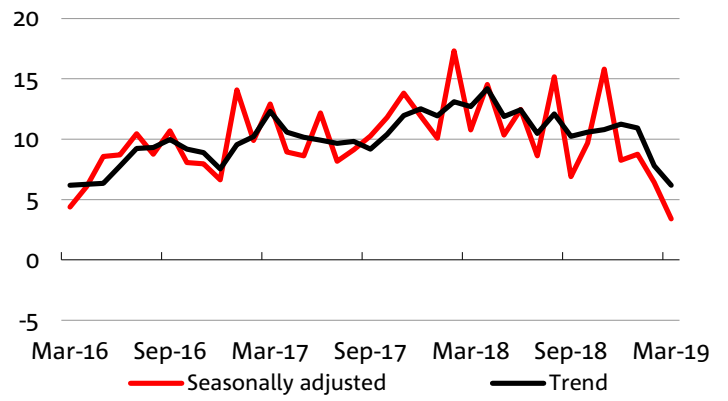


CHART 14: CAPACITY UTILISATION AND UNEMPLOYMENT

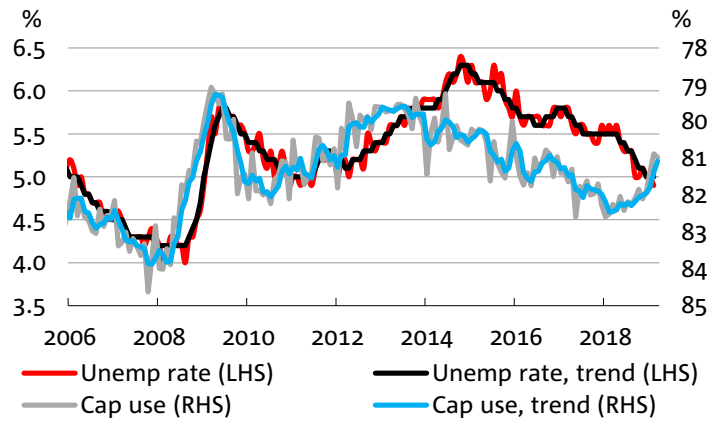


CHART 15: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

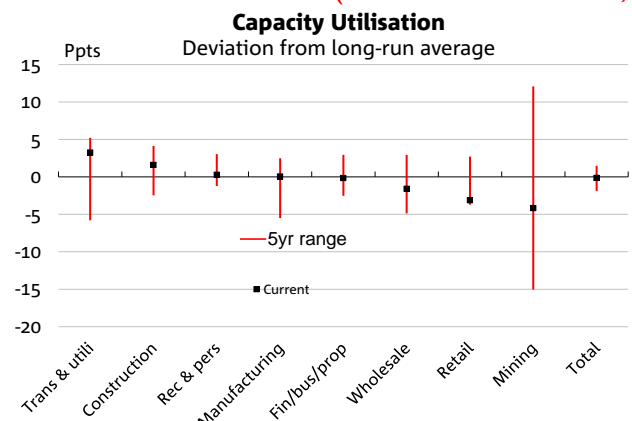


CHART 16: STOCKS (NET BALANCE)

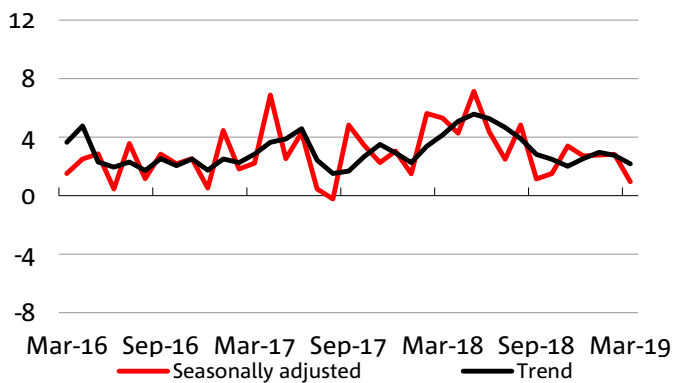


CHART 17: CASH FLOW (NET BALANCE)

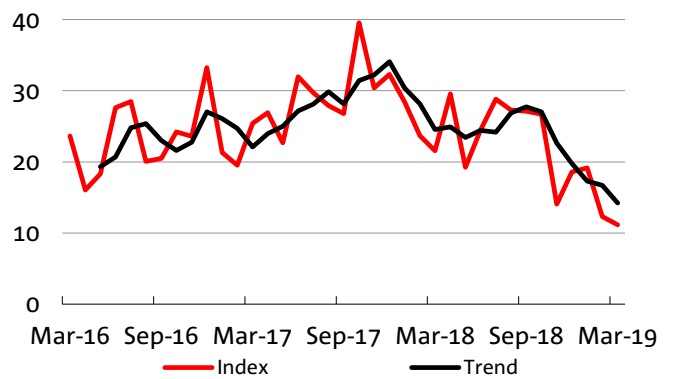


CHART 18: EXPORTS (NET BALANCE)

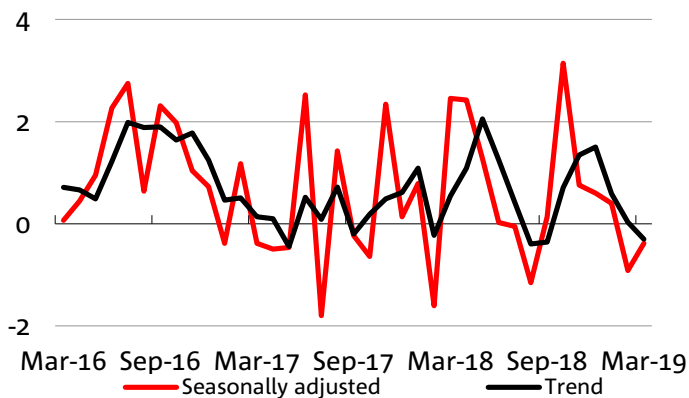
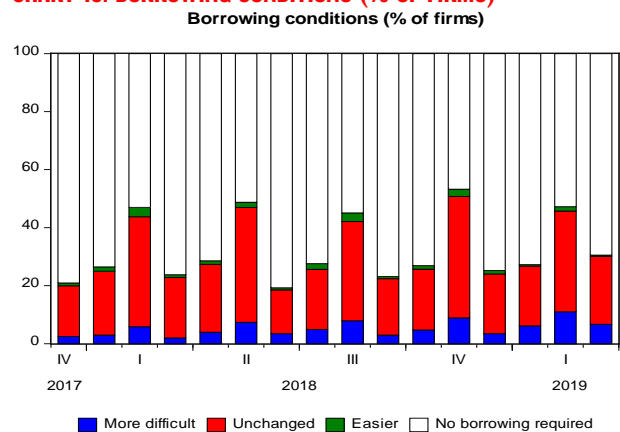


CHART 19: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

CHART 20: BUSINESS CONDITIONS (NET BALANCE) BY STATE

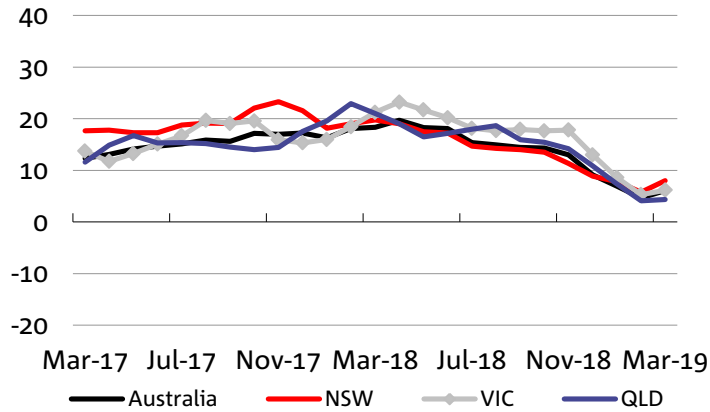


CHART 21: BUSINESS CONDITIONS (NET BALANCE) BY STATE

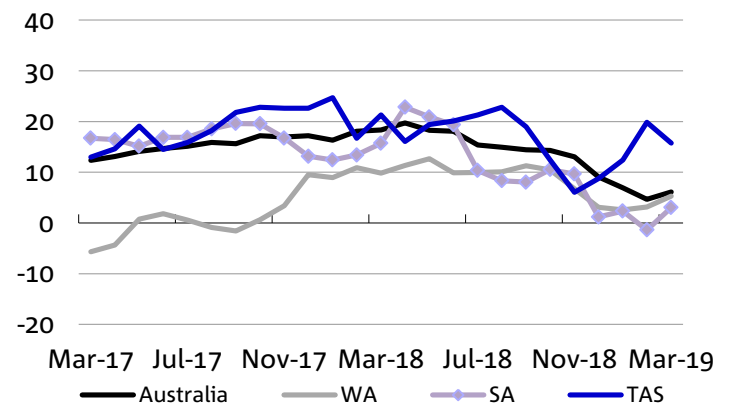


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

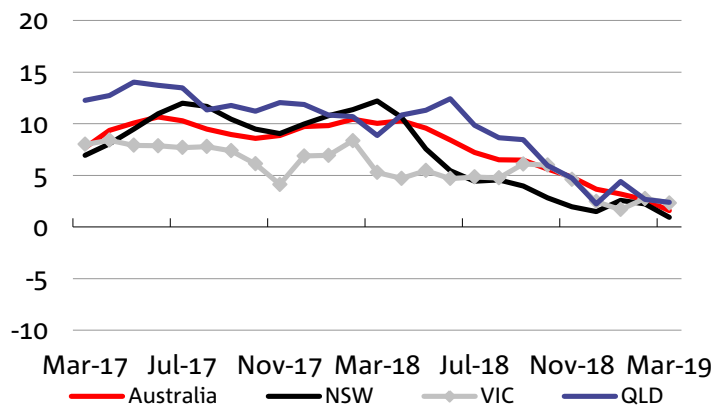


CHART 23: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

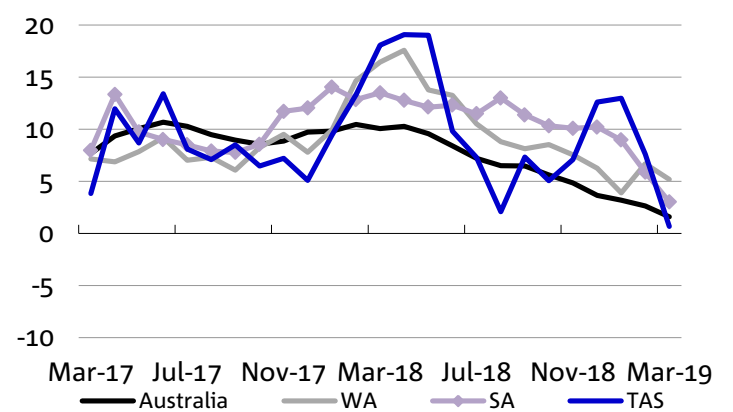


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

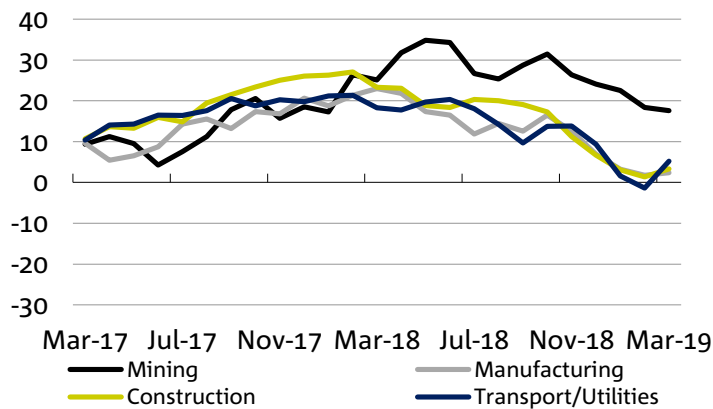


CHART 25: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

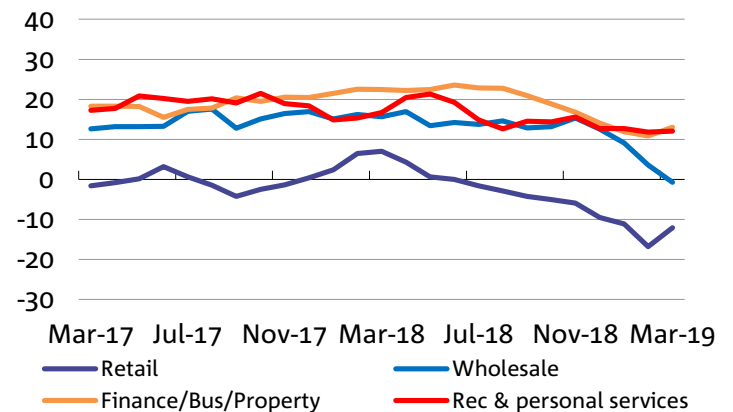


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)

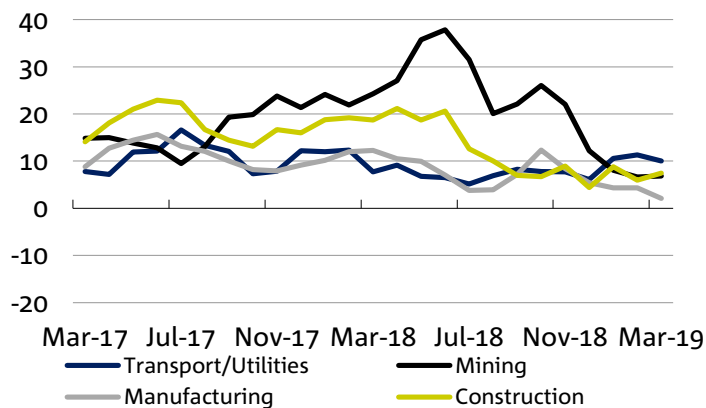
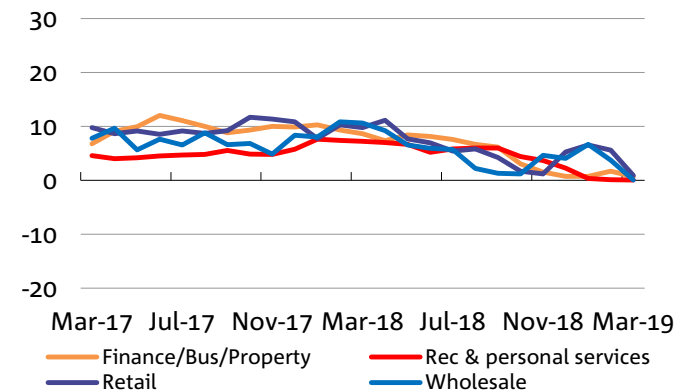


CHART 27: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 28: EMPLOYMENT

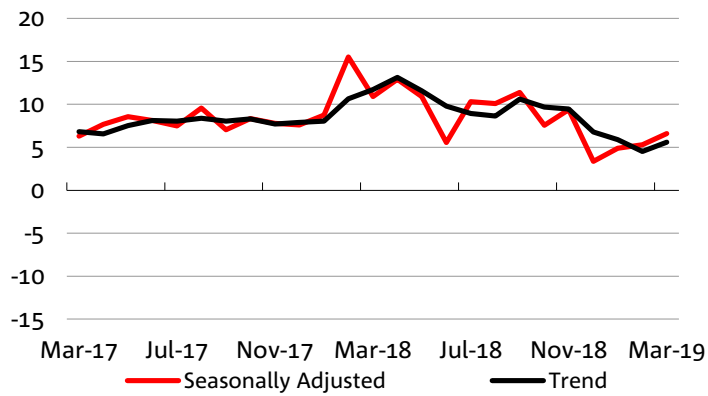


CHART 29: EMPLOYMENT (NAB VS ABS)

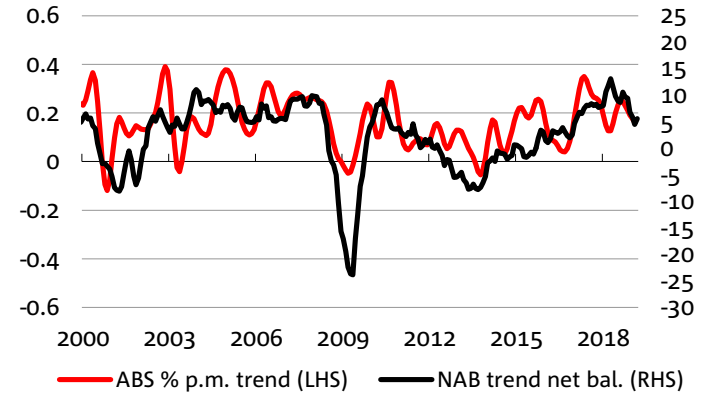


CHART 30: EMPLOYMENT BY INDUSTRY

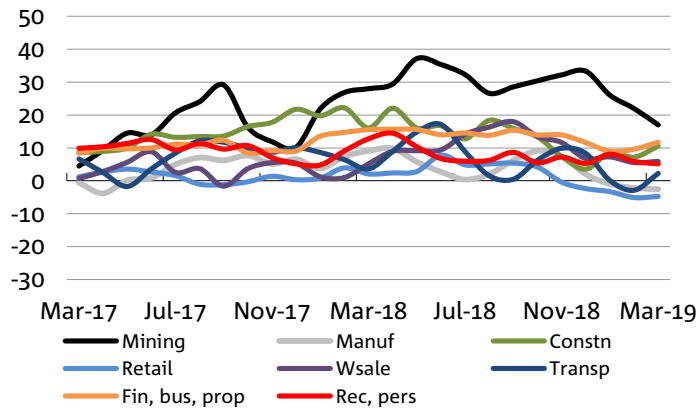


CHART 31: LABOUR COSTS GROWTH

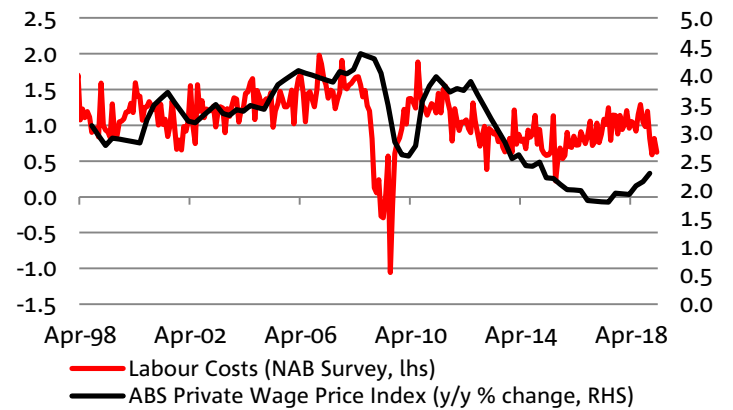


CHART 32: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

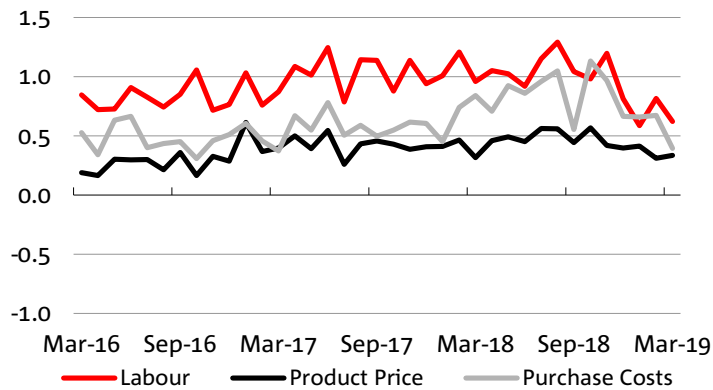
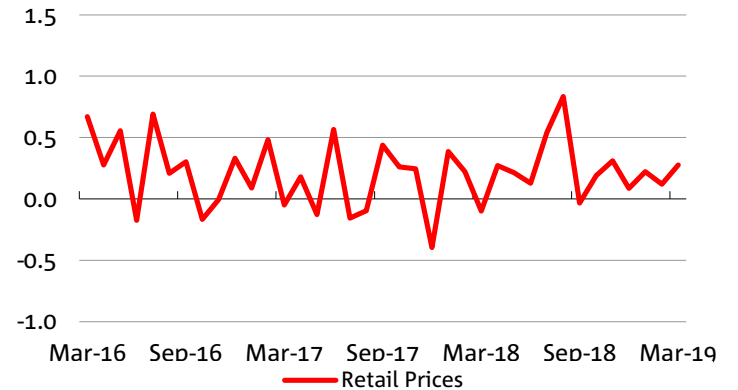


CHART 33: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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.