



NAB MONTHLY BUSINESS SURVEY APRIL 2019

CONDITIONS AND EMPLOYMENT WEAKEN TO BELOW AVERAGE

NAB Australian Economics

Key messages from the Survey: Overall, our read of the signal from the business survey is that the surprise jump in conditions last month was unwound this month – with business conditions, confidence and forward orders now all below average (a la February). A key development in the Survey this month was the sharp decline in the employment index to a below average read – the first since late 2016. Future readings of this index should be closely watched as, for the most part, leading indicators of the labour market have remained positive to date but could be expected to decline based on the prior slowing in economic activity. Looking forward, business confidence and forward orders suggest ongoing weakness in private sector momentum with growth likely to remain weak in coming quarters. Capacity utilisation remains around average but no longer suggests a strong outlook for employment and capex. Overall, price pressures remain weak across the costs variables (including wage bill growth), suggesting that in addition to a slowing in the pace of activity in the business sector, there still remains spare capacity in the labour market.

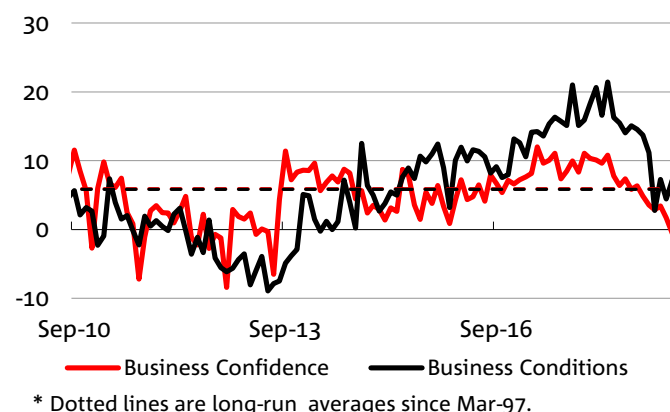
HIGHLIGHTS

- **How confident are businesses?** Business confidence ticked up slightly but still lies at the threshold of improving versus deteriorating confidence – and is still well below average.
- **How did business conditions fare?** Business conditions fell to +3 index points after the short-lived bounce last month. Abstracting from the recent volatility, trend business conditions are just below average, and well below the levels of early 2018. This suggests that the business sector has lost significant momentum but is not yet going backwards.
- **What components contributed to the result?** The decrease in the month was driven by falls across all three components with each of profitability (+1pts), trading conditions (+7pts) and employment (-1pts) now below average.
- **What is the survey signalling for jobs growth?** The employment index declined relatively sharply, and is now below average, after previously holding up better than the other activity indicators. Future readings will be important in assessing whether this is a sustained slowdown. At face value, the employment index based on historical relationships suggests ongoing employment growth of 14k per month – barely enough to see the labour market hold onto recent gains.
- **Which industries are driving conditions?** In the month, the decline in conditions was broad-based across industries with the exception of mining which increased. Overall, in trend terms, retail and wholesale remain weakest, while mining and the services industries remain most favourable.
- **Which industries are most confident?** Confidence is low across all industries and is negative in retail and wholesale.
- **Where are we seeing the best conditions by state?** Conditions declined across all mainland states, with the exception of SA. In trend terms, conditions are most favourable in *Tas*, followed by *NSW* and *VIC*. The remaining states are now all below average in trend terms with *SA* still the weakest.
- **What is confidence like across the states?** In the month confidence rose in all states except *VIC* and *QLD* which deteriorated. In trend terms, confidence is weakest in the eastern states and *Tas* with these states at 0 or below the threshold of improvement. Confidence in *WA* and *SA* are highest but still remain below average.
- **Are leading indicators suggesting further improvement?** The forward orders index was unchanged, but at -1 index points it is still below average and negative, pointing to a future weakening in conditions. Also confidence is weak and well below trend. Again that suggests little likelihood of future improvement. Capacity utilisation edged higher for the second month in a row, but remains around average and well below the levels of a year ago.
- **What does the Survey suggest about inflation and wages?** Overall survey measures of prices and inflation remain weak. Both input and output price growth measures edged lower in the month – though retail prices growth ticked up from low rates.

TABLE 1: KEY STATISTICS

	Feb-19	Mar-19	Apr-19
	Net balance		
Business confidence	2	-1	0
Business conditions	4	7	3
Trading	8	11	7
Profitability	1	5	1
Employment	5	6	-1
Forward orders	-2	-1	-1
Stocks	3	1	1
Exports	-1	0	-1
	% change at quarterly rate		
Labour costs	0.8	0.6	0.5
Purchase costs	0.7	0.5	0.5
Final products prices	0.3	0.3	0.2
Retail prices	0.1	0.3	0.4
	Per cent		
Capacity utilisation rate	80.9	81.0	81.1

CHART 1: CONDITIONS FALL AND CONFIDENCE WEAK



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 18 - 30 April 2019, covering over 400 firms across the non-farm business sector.

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NAB MONTHLY BUSINESS SURVEY - THEMES OF THE MONTH

A CLOSER LOOK AT EMPLOYMENT

- The employment index declined relatively sharply in the month and is now below average. Over recent months, the employment index had been one of the few positive indicators in the survey. While this is a worrying sign, we will watch future observations to see if this fall is reversed or if in fact it is signalling a slowing in the labour market.
- In the month, the decline in the employment index was concentrated in QLD, SA and WA, though it declined in all states. In trend terms, the employment index remains well above average in VIC and Tas, is around average in NSW and WA and well below average in SA and QLD.
- By industry, the largest falls occurred in retail, manufacturing and wholesale in the month – though the decline was broad-based with only construction and rec & personal services holding their ground.
- Forward expectations from the NAB Quarterly survey suggest that firms' hiring intentions over the next 3 and 12 months have eased, but for now remain elevated. An update on these measures will be available in July and, in combination with a few more months of labour market data, will provide a good guide to the impact of the slowing in activity to date on the labour market.

TASMANIA IN THE BUSINESS SURVEY

- Though business conditions have weakened fairly substantially in aggregate over the past year, conditions in Tasmania have held up better. While Survey data from the state can be more volatile than other states, even so in trend terms conditions have again risen in 2019.
- The rise in business conditions has been due to a pickup in trading conditions and profitability. Employment has also risen from its recent low in late 2018 but has levelled off recently.
- However, business confidence has weakened somewhat through 2019, suggesting that while current activity looks healthy in the state, businesses do not expect it to last.

CHART 2: EMPLOYMENT BY STATE (NET BAL)

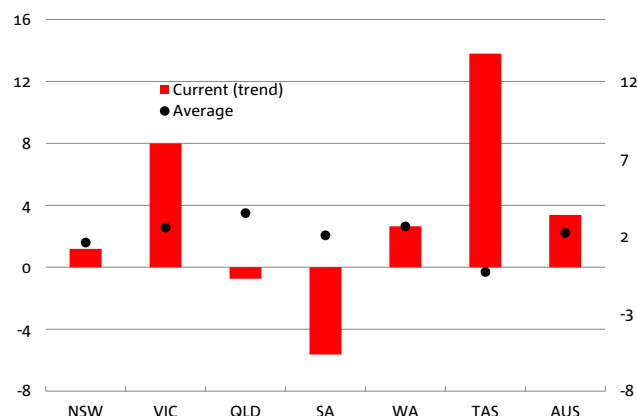


CHART 3: EMPLOYMENT BY INDUSTRY (NET. BAL)

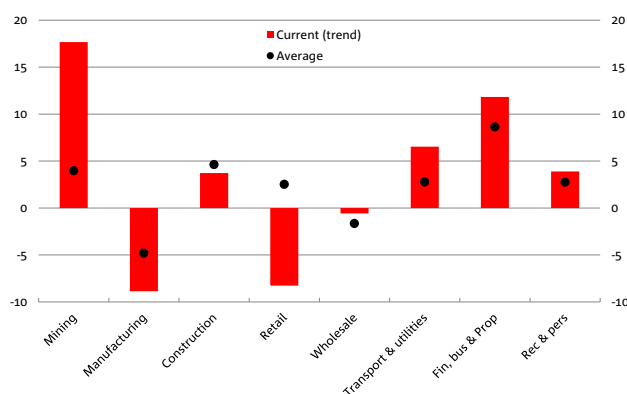


CHART 4: CONDITIONS AND CONFIDENCE (NET BAL)

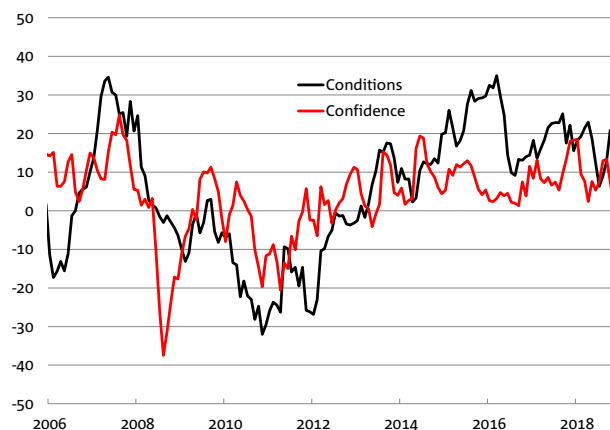
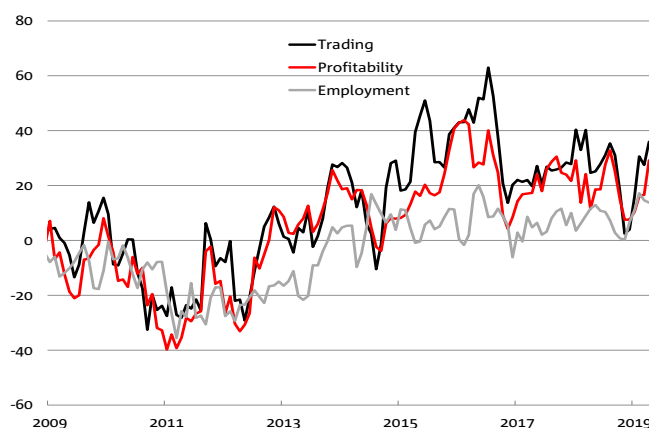


CHART 5: CONDITIONS COMPONENTS (NET. BAL., TREND)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 6: BUSINESS CONFIDENCE (NET BALANCE)

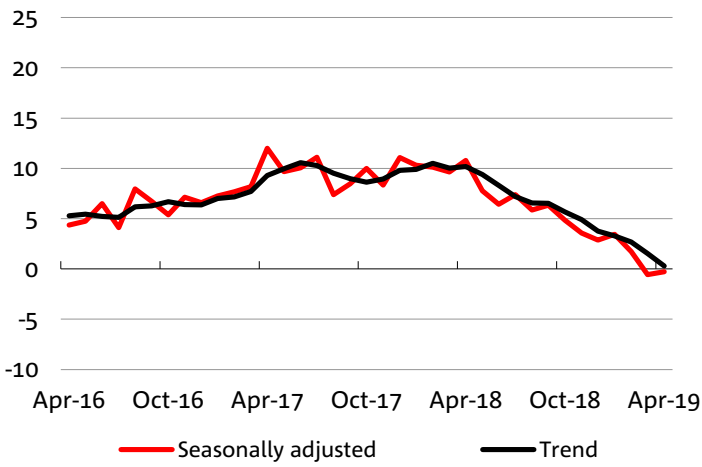


CHART 7: BUSINESS CONDITIONS (NET BALANCE)

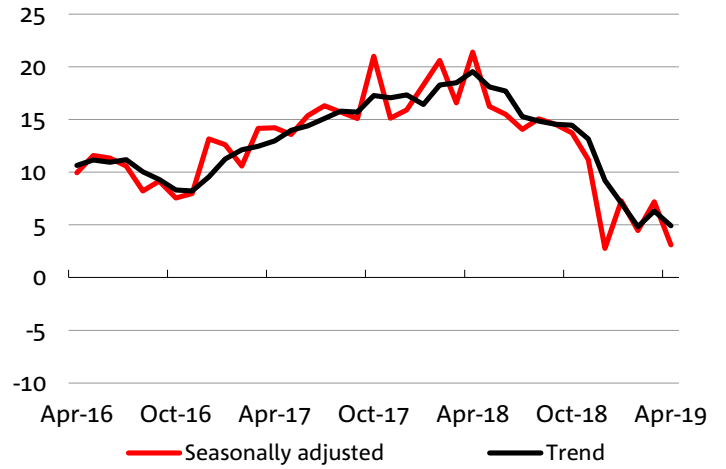


CHART 8: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

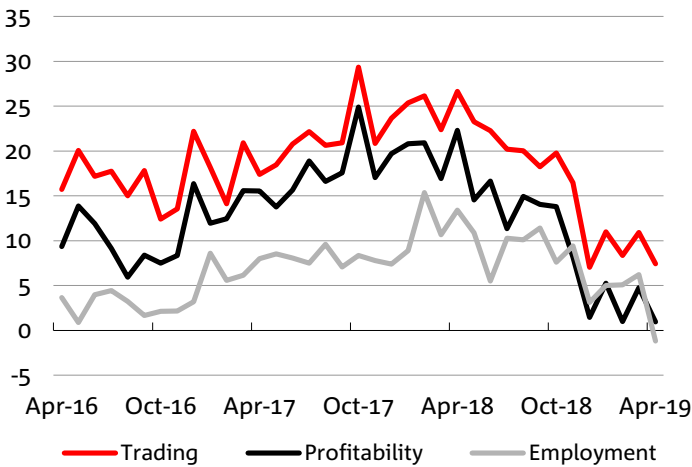


CHART 9: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

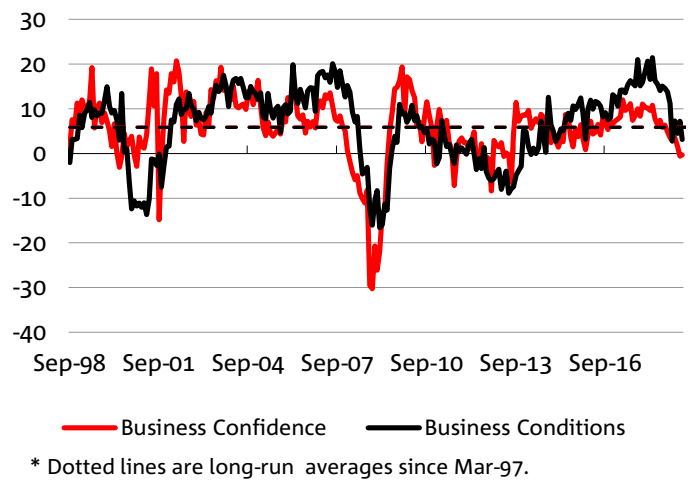


CHART 10: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

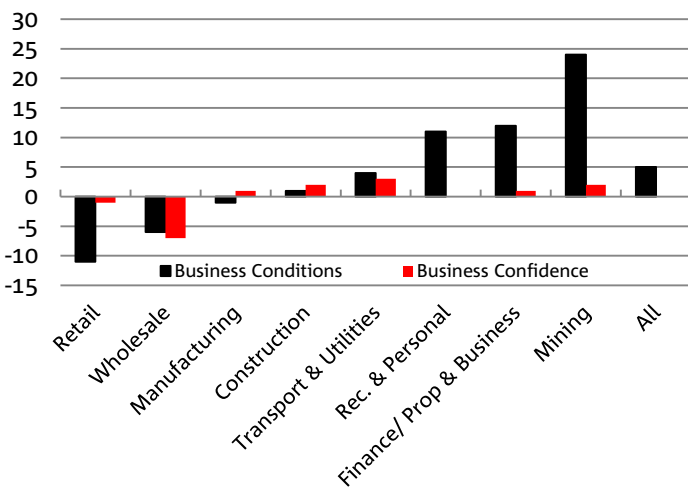
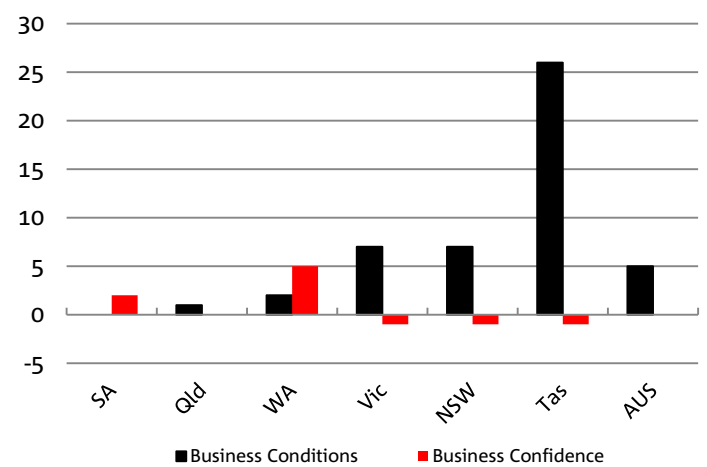


CHART 11: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 12: FORWARD ORDERS (NET BALANCE)

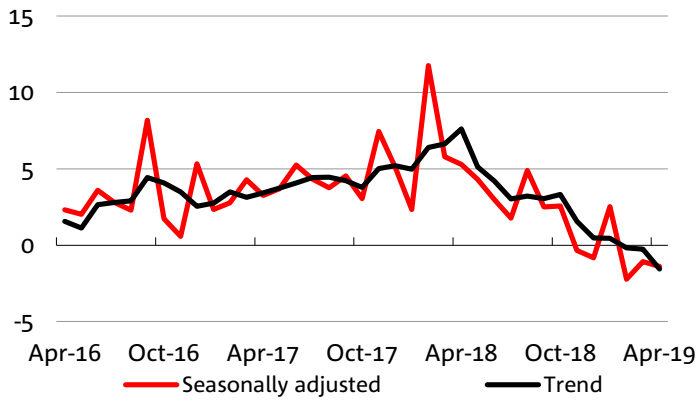


CHART 13: CAPITAL EXPENDITURE (NET BALANCE)

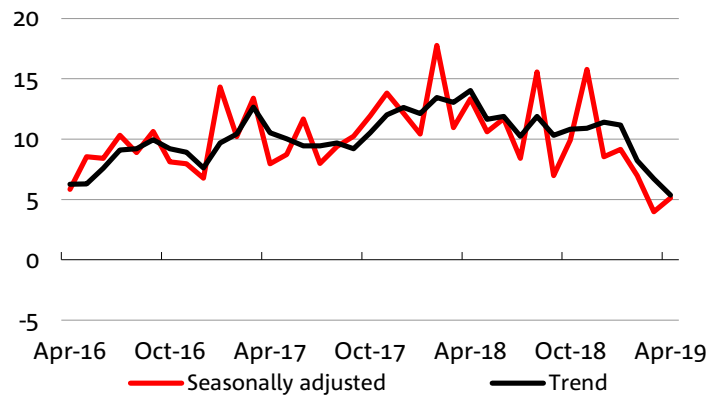


CHART 14: CAPACITY UTILISATION AND UNEMPLOYMENT

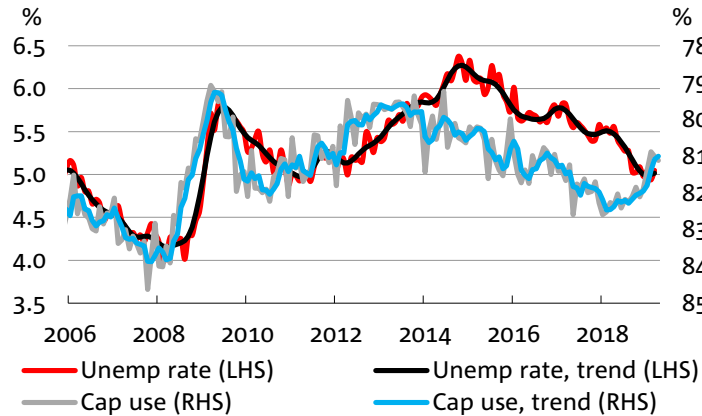


CHART 15: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

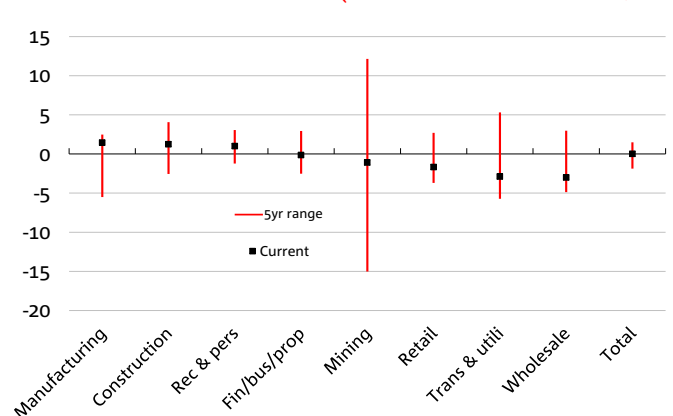


CHART 16: STOCKS (NET BALANCE)

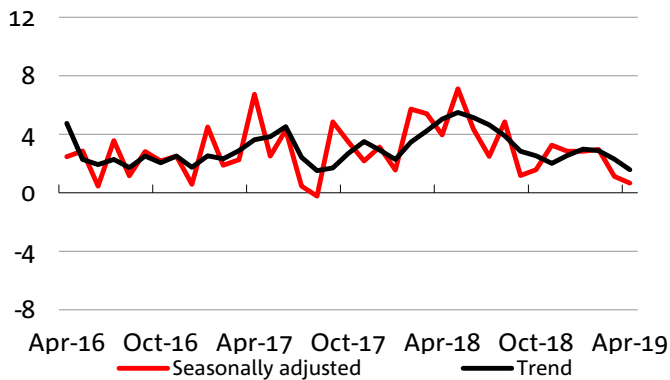


CHART 17: CASH FLOW (NET BALANCE)

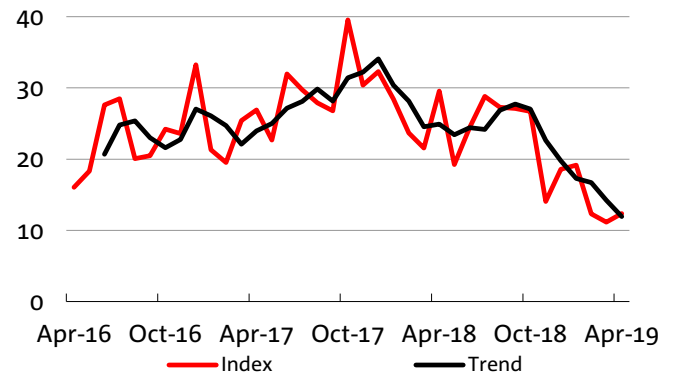


CHART 18: EXPORTS (NET BALANCE)

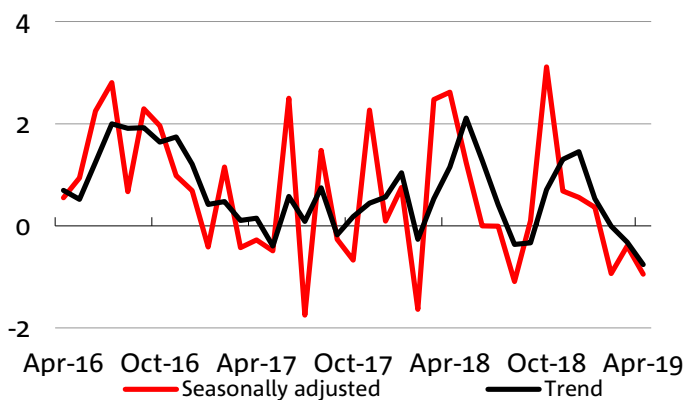
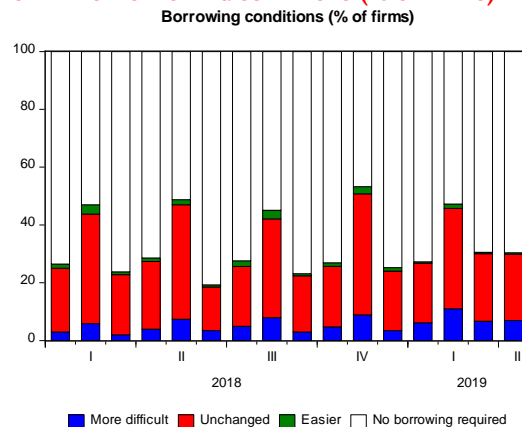


CHART 19: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

CHART 20: BUSINESS CONDITIONS (NET BALANCE) BY STATE

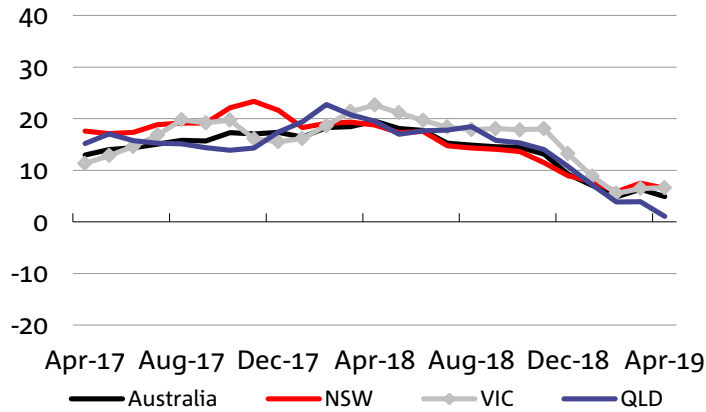


CHART 21: BUSINESS CONDITIONS (NET BALANCE) BY STATE

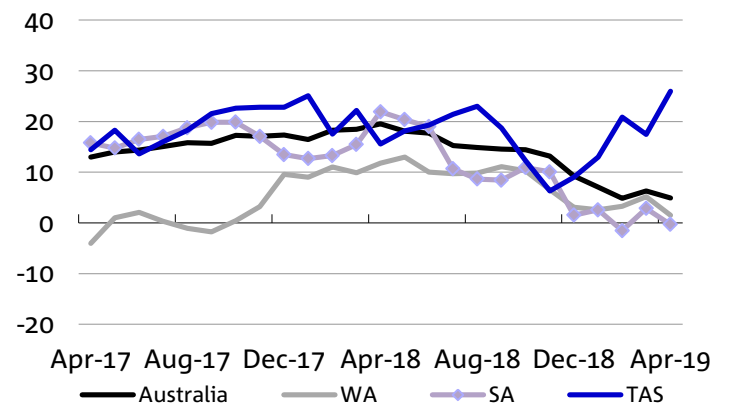


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

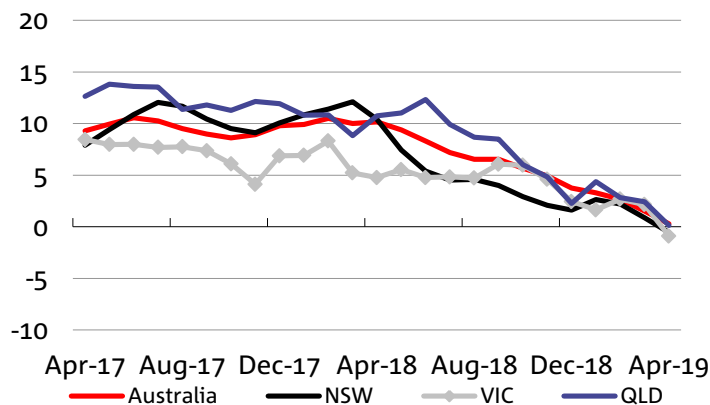


CHART 23: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

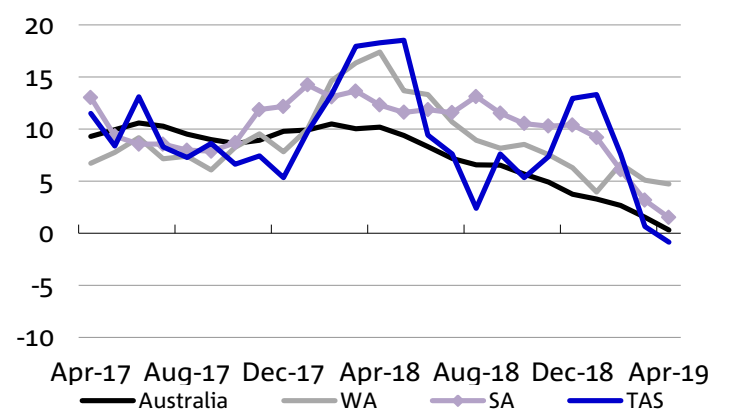


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

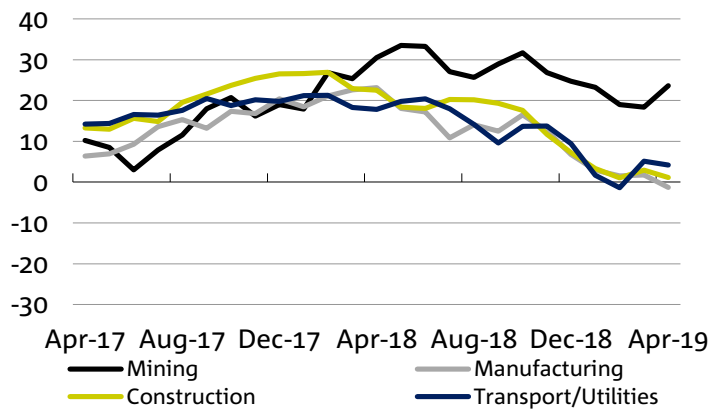


CHART 25: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

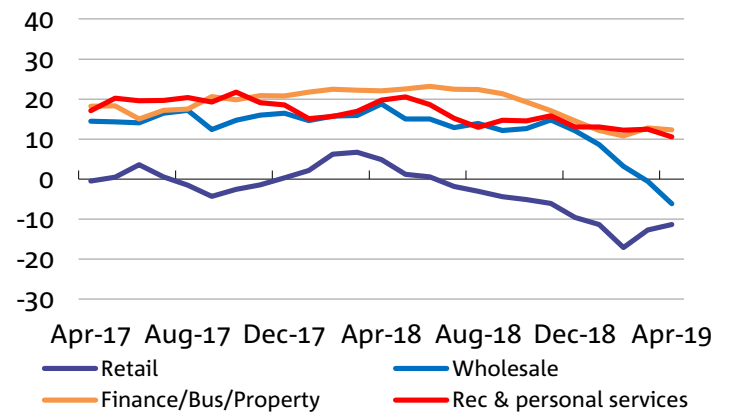


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)

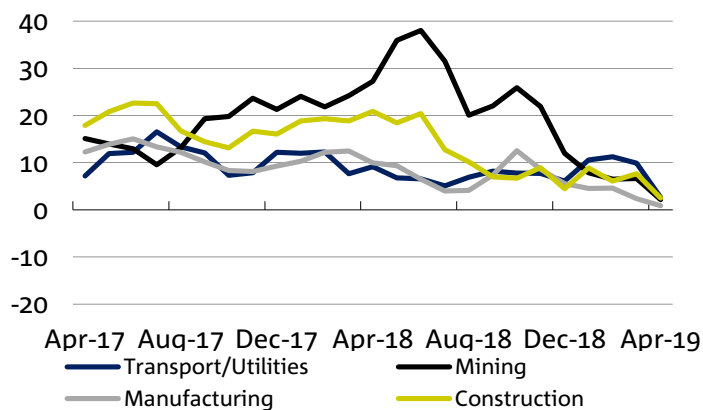
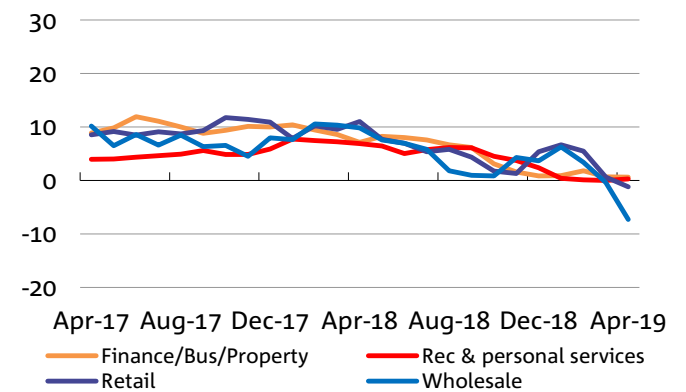


CHART 27: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 28: EMPLOYMENT

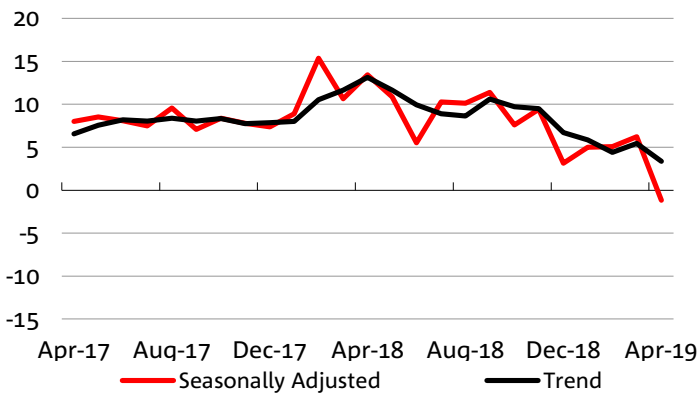


CHART 29: EMPLOYMENT (NAB VS ABS)

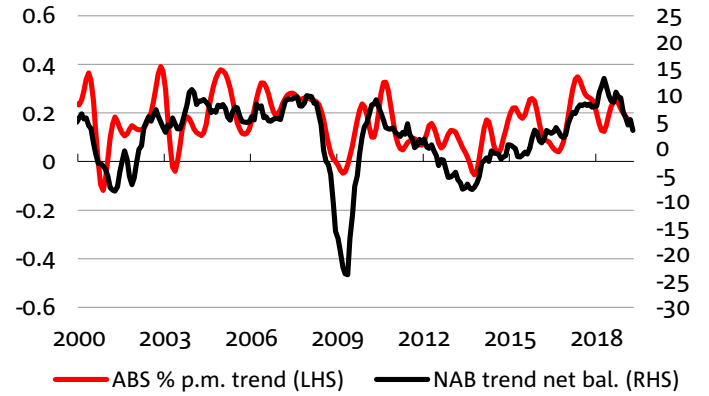


CHART 30: EMPLOYMENT BY INDUSTRY

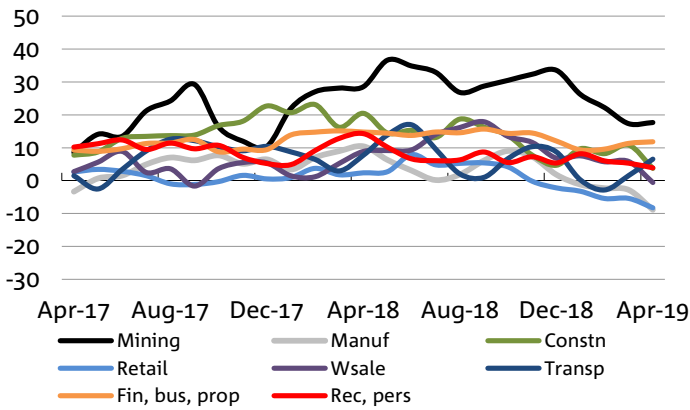


CHART 31: LABOUR COSTS GROWTH

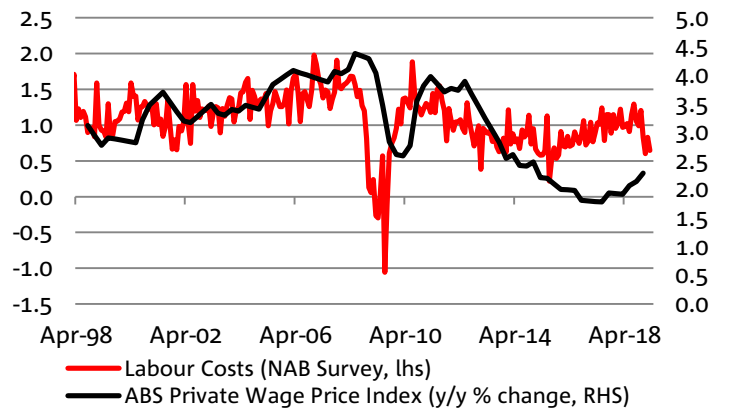


CHART 32: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

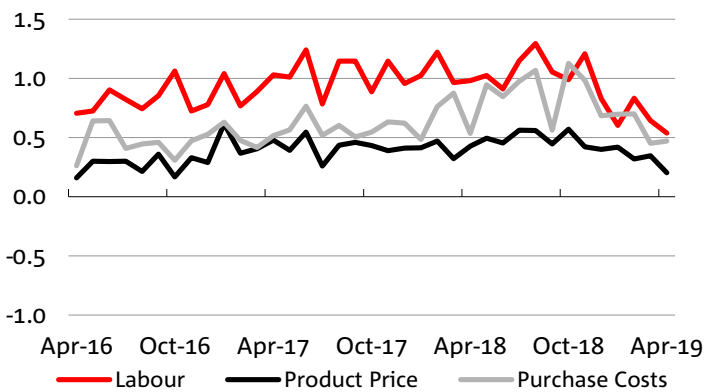
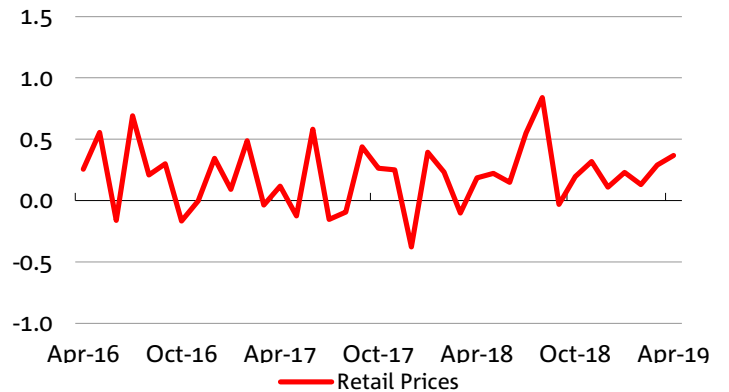


CHART 33: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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.