



NAB MONTHLY BUSINESS SURVEY JUNE 2019

CONFIDENCE KICK SHORT-LIVED, CONDITIONS REMAIN BELOW AVERAGE

NAB Australian Economics

Key messages from the Survey: Overall, the survey results for June continue to suggest that the business sector has lost significant momentum over the past year or so. Business confidence largely unwound the bounce in May and while business conditions rose in the month, they remain below average. The recent run of results also suggest that the economy is unlikely to record a significant pickup in growth in Q2. Further, forward orders also remain below average (and are negative), suggesting a near-term turn around in business activity is unlikely. Capacity utilisation on the other hand saw a sharp rise in the month, though this comes after a notable weakening earlier in the year. Survey measures of inflationary pressure remain very weak, with output price growth remaining low and the retail prices showing an outright decline in the month. The weakening in momentum has been broad-based across the business sector over the past year, with all industries having weakened. Retail also continues to show ongoing malaise, with reported business conditions at a level last seen in the GFC - while manufacturing has also shown steep declines.

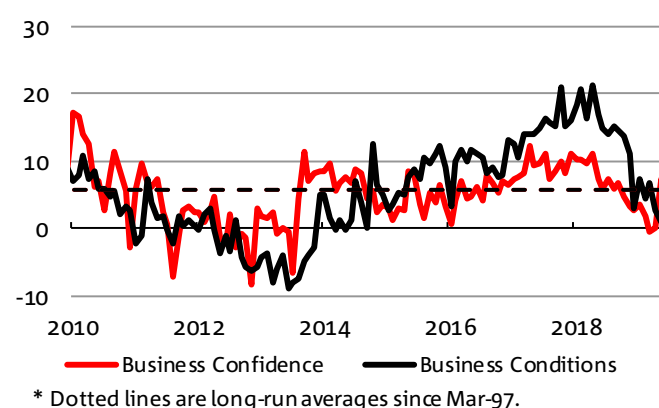
HIGHLIGHTS

- **How confident are businesses?** Confidence fell back to below average levels in June (now +2 index points from +7) after spiking last month, on the back of the election outcome and increased clarity around interest rate cuts.
- **How did business conditions fare?** Business conditions rose 2 pts in June, but at +3 index points, remain well below long-run average levels.
- **What components contributed to the result?** The rise in conditions was driven by an increase in the employment and trading sub-indexes. Profitability was unchanged at -2 index points, the negative print suggesting pressure on margins. Employment is now back above average while trading and profitability remain below their historical averages.
- **What is the survey signalling for jobs growth?** Based on historical relationships, the survey suggests that employment will likely grow around 20k per month over the next 6 months.
- **Which industries are driving conditions?** *Finance, business & property services* and *construction* saw sharp rises in the month, while *transport & utilities* and *retail* increased slightly. The other industries were flat or lower in the month, with *mining* down relatively sharply. In trend terms outside of *mining*, the *services sector* and *construction* see the strongest conditions. *Retail* continues to be the weakest across all industries, followed by *manufacturing, transport & utilities* and *wholesale*.
- **Which industries are most confident?** Confidence eased in all industries in the month, other than retail where there was a small increase. In trend terms, it remains highest in *mining*, followed by *finance, business & property services*. *Wholesale* and *transport & utilities* currently show the weakest levels of business confidence.
- **Where are we seeing the best conditions by state?** Conditions rose in all states except for *SA* in the month. In trend terms, conditions remain strongest in *SA* on the mainland, while *WA* is weakest (and the only state to record negative conditions).
- **What is confidence like across the states?** Confidence eased in all states in the month, with the sharpest falls occurring in *SA* and *Vic*. In trend terms, confidence is highest in *SA* and weakest in *Tas* (despite having notably stronger conditions).
- **Are leading indicators suggesting further improvement?** Leading indicators were mixed in the month but overall still suggest little improvement going forward. Forward orders were unchanged, and remain weak at -4 index points – with evidence of weakness across most industries. Capacity utilisation rose in the month, but after easing in early 2019, it is still well below levels seen in late 2018.
- **What does the Survey suggest about inflation and wages?** Overall, the survey continues to point to weak inflationary pressures in the economy. While labour costs growth lifted in the month, other input costs growth was unchanged. Final products price inflation was unchanged at a low level, while retail prices appear to have declined significantly in the month.

TABLE 1: KEY STATISTICS

	Apr-19	May-19	Jun-19
	Net balance		
Business confidence	0	7	2
Business conditions	3	1	3
Trading	7	3	6
Profitability	0	-2	-2
Employment	-2	2	5
Forward orders	-2	-4	-4
Stocks	1	1	-1
Exports	-1	-1	1
	% change at quarterly rate		
Labour costs	0.6	1.1	1.5
Purchase costs	0.6	0.8	0.8
Final products prices	0.2	0.2	0.2
Retail prices	0.4	0.1	-0.5
	Per cent		
Capacity utilisation rate	81.2	80.9	82.1

CHART 1: CONFIDENCE KICK SHORT-LIVED, CONDITIONS BELOW AVERAGE



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 18 - 28 June 2019, covering over 400 firms across the non-farm business sector.

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NAB MONTHLY BUSINESS SURVEY - THEMES OF THE MONTH

EMPLOYMENT BY INDUSTRY

- The labour market continues to be closely watched, with a slowdown in economic growth putting at risk employment demand that could result in a deterioration in the unemployment rate. This month, the survey measure of employment rebounded to be around twice its long-run average after trending lower in recent months. While, this is a welcome development, in trend terms the employment index is close to the long-run average.
- In trend terms, industries that currently see employment at above average rates include *mining*, *construction*, *wholesale* and *transport & utilities*.
- Industries with below average employment growth include *manufacturing* and *retail*. The latter is an unsurprising result given the current malaise facing the sector. *Manufacturing* has experienced large falls in activity over the past year (like the international experience) and this is now being reflected in the demand for labour.
- At present, the services sectors see around-average growth. While *mining* is more inclined to hire given its strong profitability.

CAPACITY UTILISATION BY INDUSTRY

- Like the employment index, firm's reported capacity utilisation has trended lower in 2019, but rebounded to above average levels in the month. The rise in capacity utilisation was fairly broad-based with a pickup across the services *industries*, *transport & utilities* as well as *retail*.
- Capacity utilisation is currently highest in the services sector (likely reflecting their outperformance of the other industries over the past year) and *construction*. Comparing to their average capacity utilisation rate over time, these industries are at or above average.
- Somewhat unsurprisingly, the capacity utilisation rate is below average in the goods distribution industries, including *wholesale* and *retail*.
- Mining is notably below its long-run average, and in combination with strong conditions, possibly reflecting the strength of new supply coming online in recent years following the investment boom in recent years.

CONDITIONS IN THE RETAIL SECTOR

- The *retail* sector remains the weakest of all industries with levels of business conditions last seen in the GFC. This suggests that activity in the sector is going backwards – and in line with other indicators suggesting both price and volumes growth has remained weak, while margins continue to face pressure.
- Smoothing data at the sub-industry level suggests there has been some improvement in car retailing and *other goods* in recent months, though both sectors remain very weak. *Food* retailing has deteriorated recently, while *household goods* retailing has also edged lower.
- Overall, the weakness in *retail* appears broad-based, with household spending constrained by slower income growth as well as restraint in the face of high debt levels and pressure on budgets after increased spending on 'essentials' in recent years.

CHART 2: EMPLOYMENT BY INDUSTRY (NET BAL.)

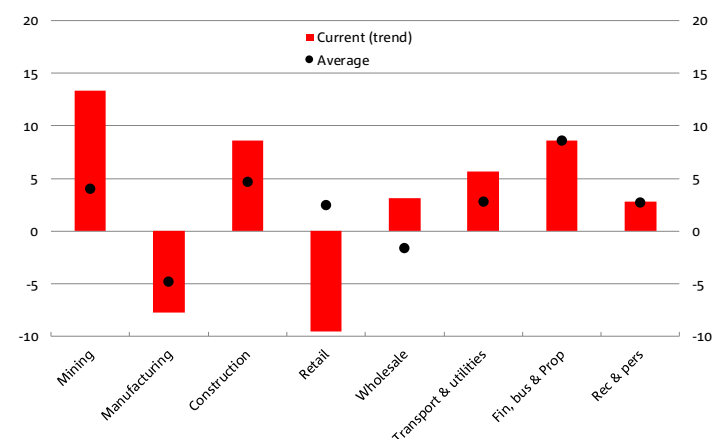


CHART 3: CAPACITY UTILISATION BY INDUSTRY (% TREND)

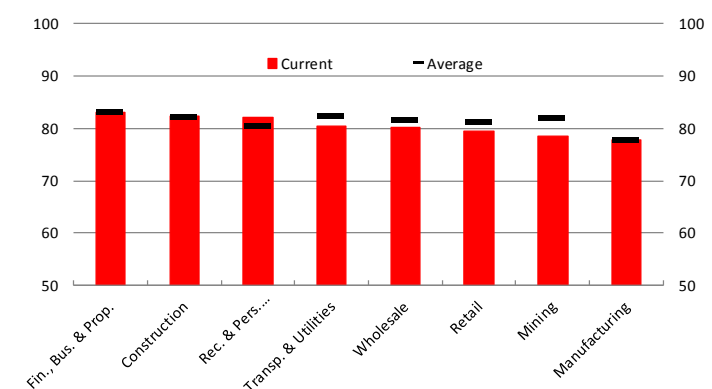
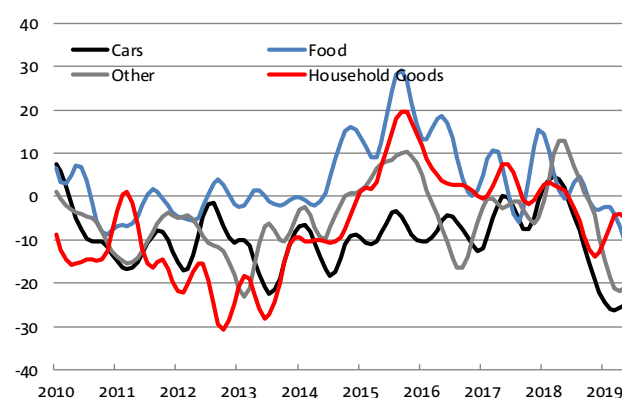


CHART 4: RETAIL INDUSTRIES (NET. BAL, 13-PERIOD HENDERSON TREND)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

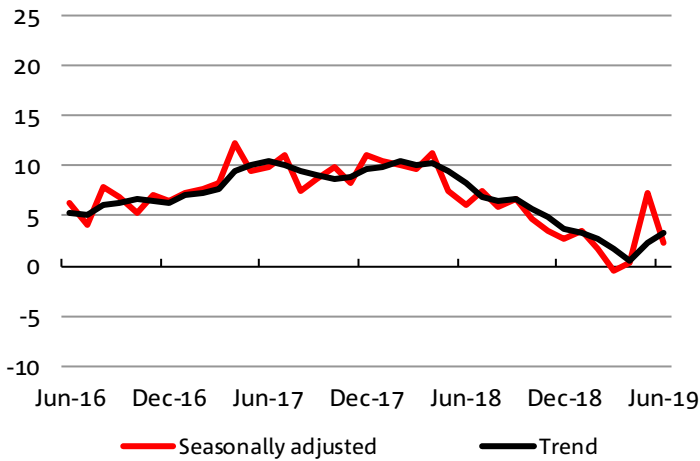


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

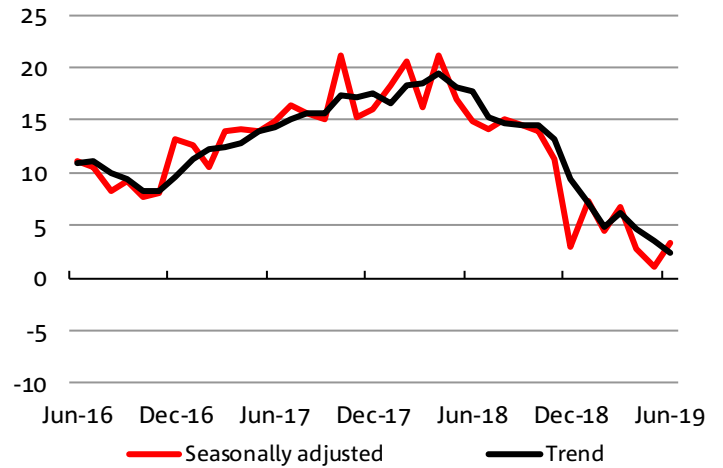


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

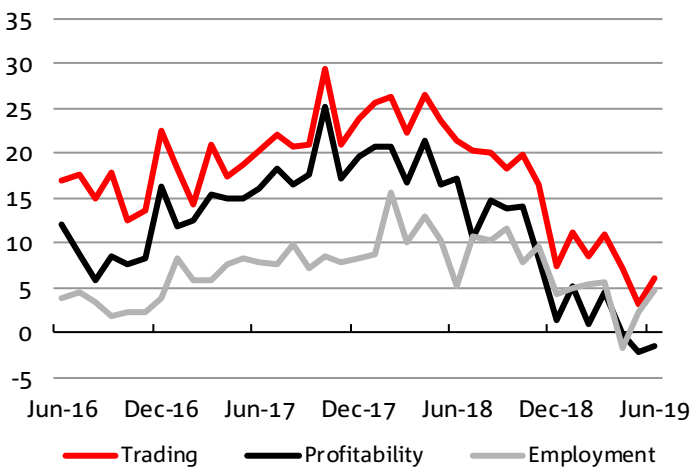


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

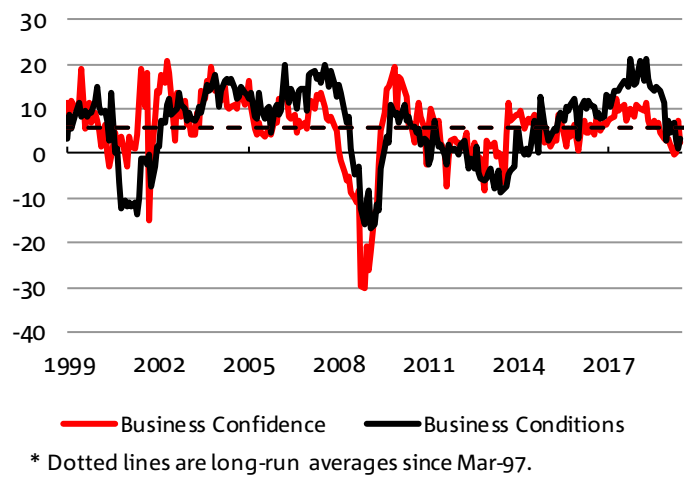


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)
[NEED TO ADJUST SCALE FOR RETAIL]

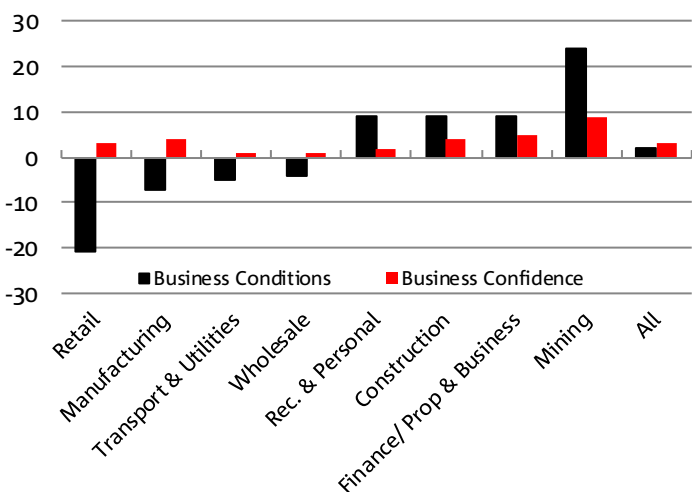
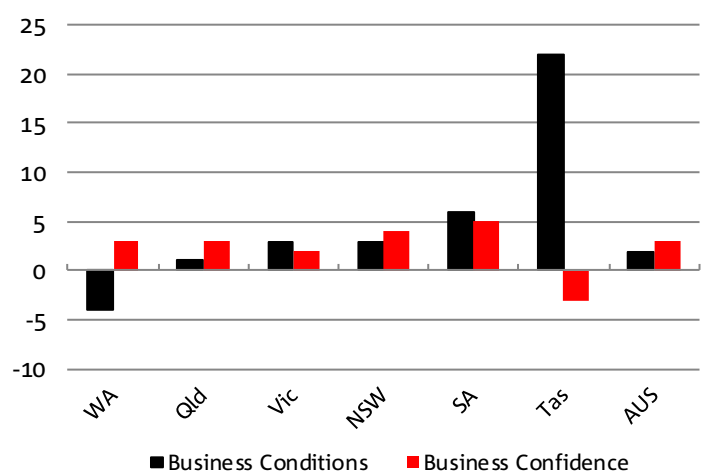


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)
NEED TO ALLOW NEGATIVES ON THE SCALE



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

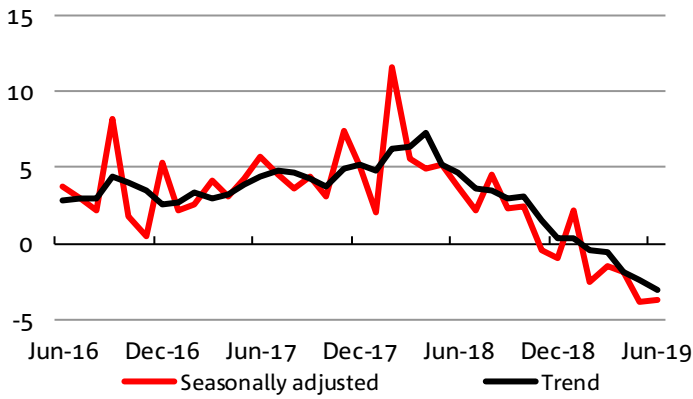


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

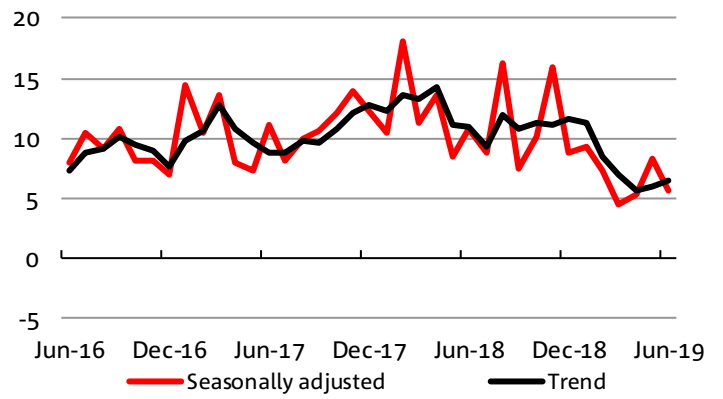


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

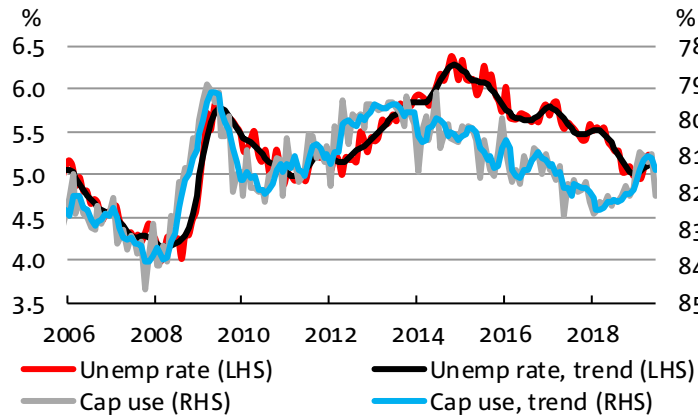


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

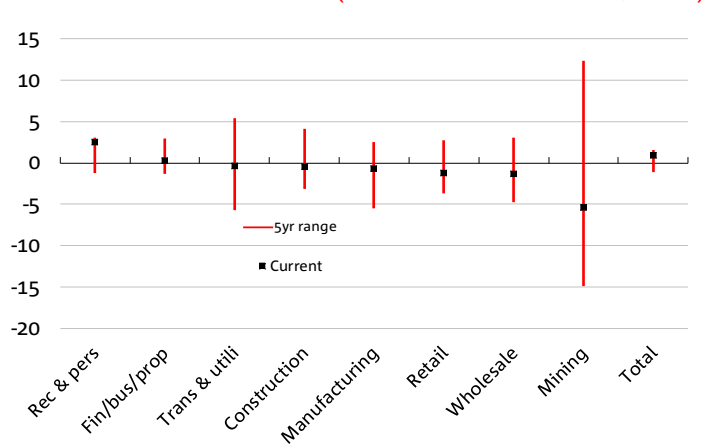


CHART 15: STOCKS (NET BALANCE)

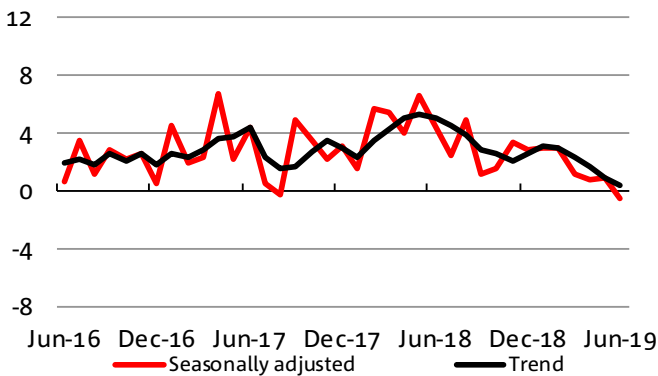


CHART 16: CASH FLOW (NET BALANCE)

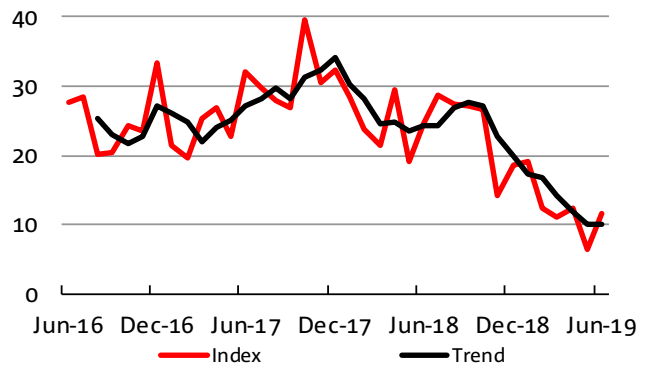


CHART 17: EXPORTS (NET BALANCE)

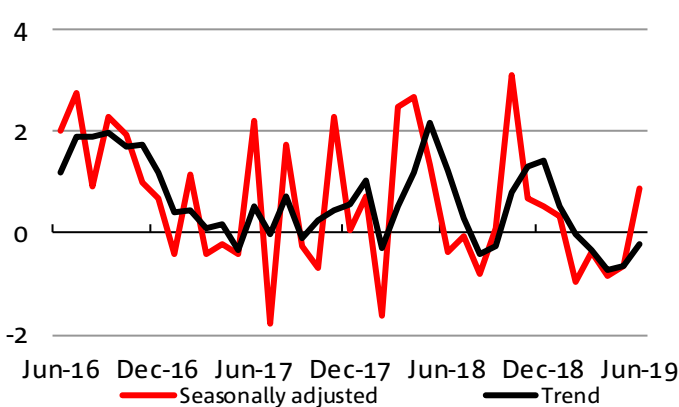
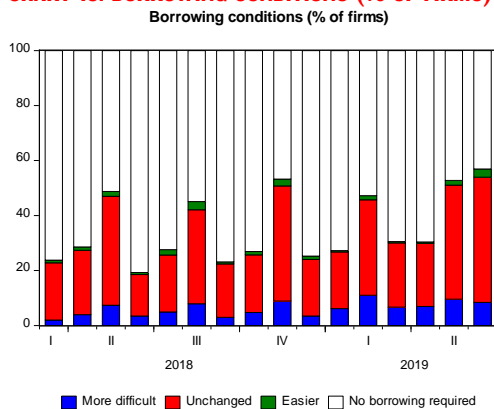


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

CHART 19: BUSINESS CONDITIONS (NET BALANCE) BY STATE

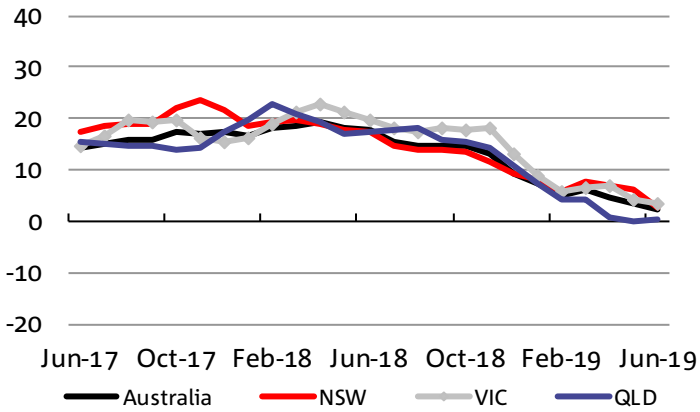


CHART 20: BUSINESS CONDITIONS (NET BALANCE) BY STATE

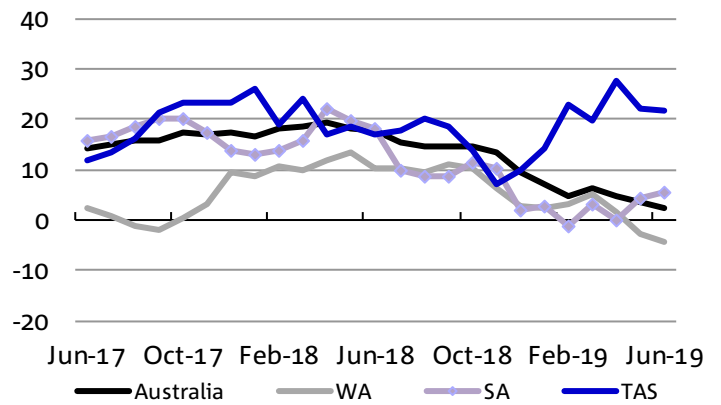


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

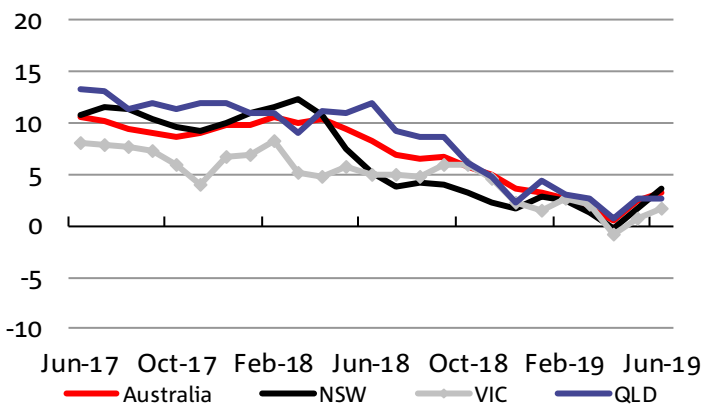


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

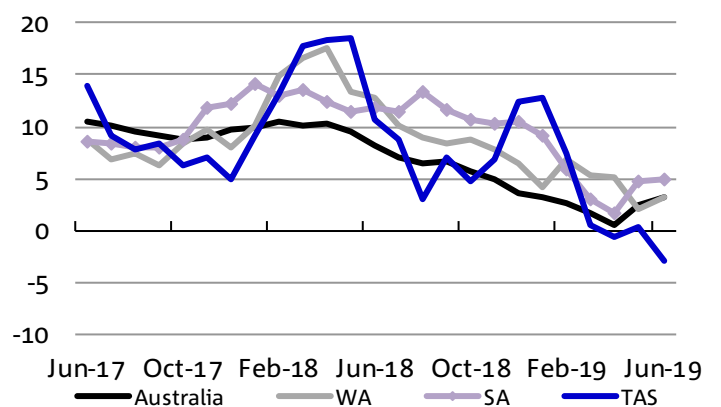


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

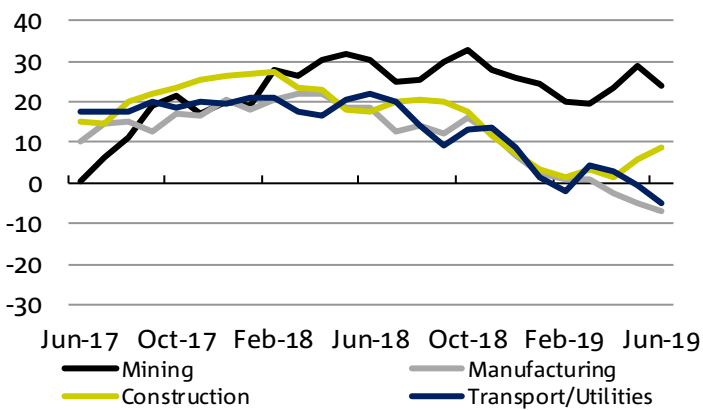


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

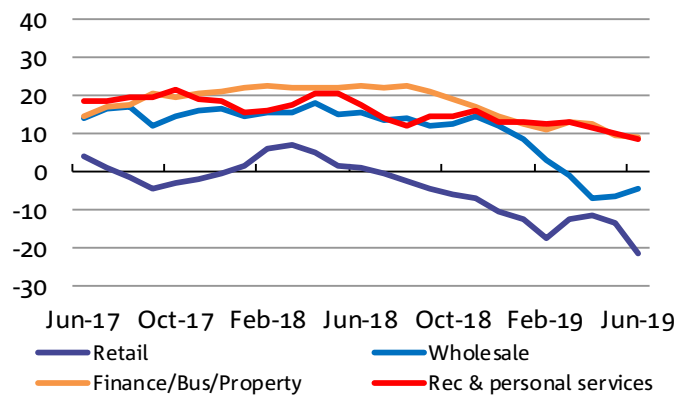


CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)

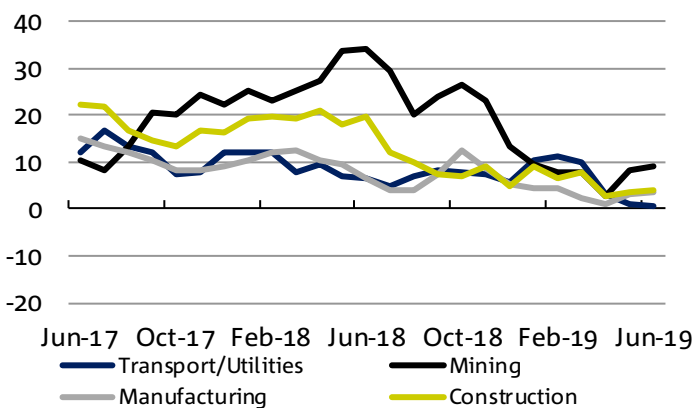
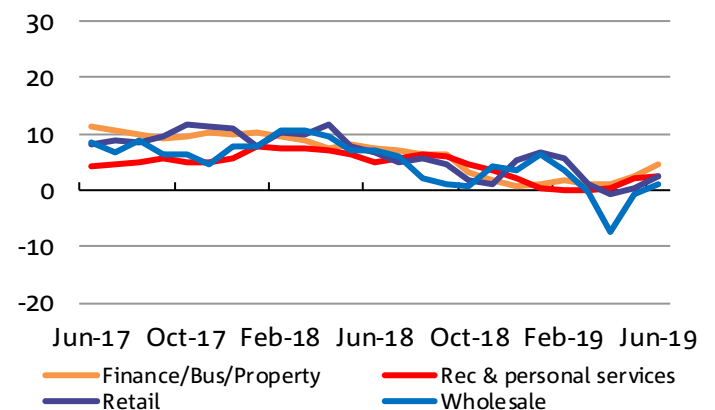


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 27: EMPLOYMENT

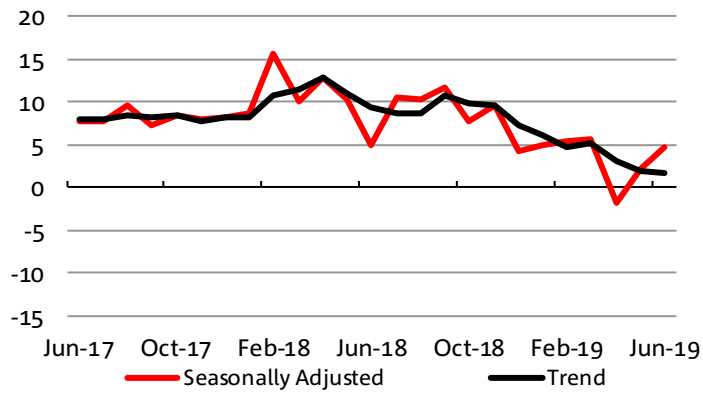


CHART 28: EMPLOYMENT (NAB VS ABS)

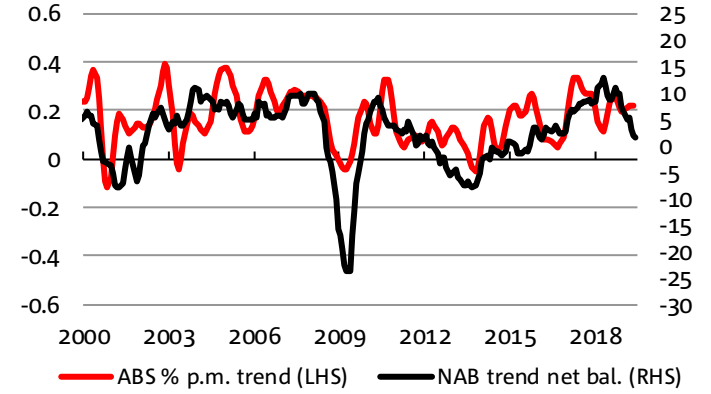


CHART 29: EMPLOYMENT BY INDUSTRY

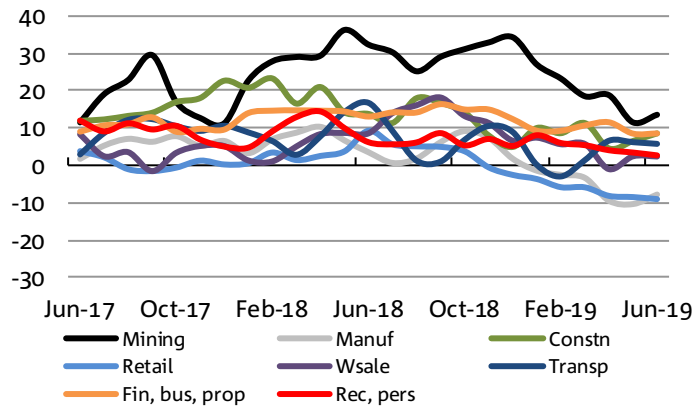


CHART 30: LABOUR COSTS GROWTH

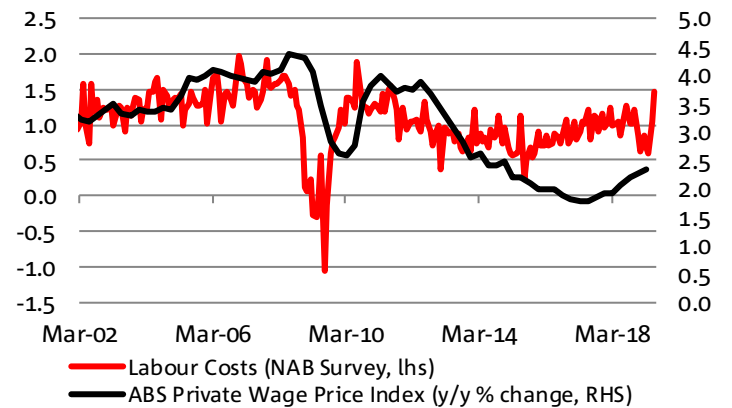


CHART 31: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

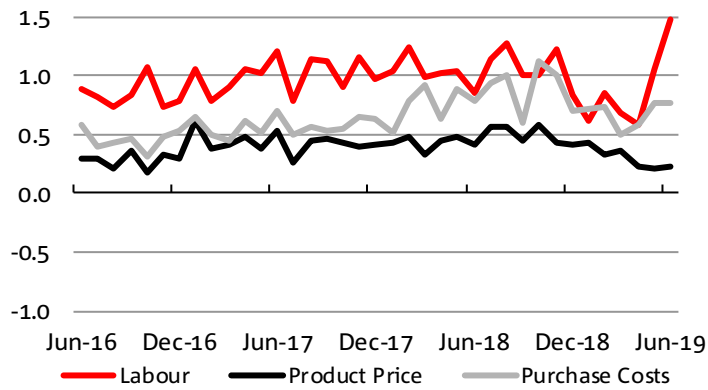
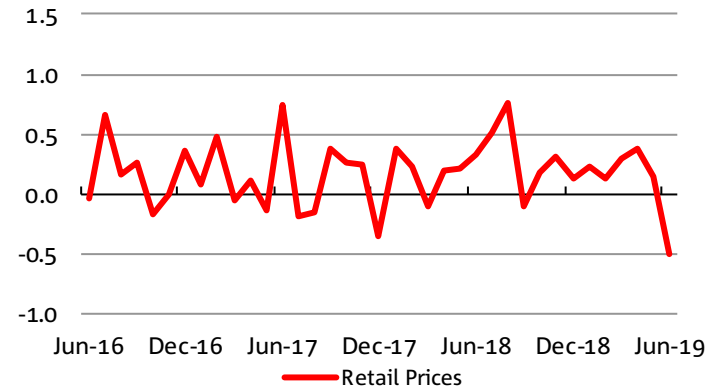


CHART 32: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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.