

NAB QUARTERLY BUSINESS SURVEY

2019 Q3

By Group Economics

Embargoed until:
11:30am Thursday 17 October 2019



CONFIDENCE DECLINES, WHILE CONDITIONS REMAIN BELOW AVERAGE

The business conditions index ticked up 1pt to +1 in Q3, but remains below average after trending lower since early 2018. Business confidence fell sharply (down 7pts) more than reversing the increase seen in Q2 and is now at -2 index points.

According to Alan Oster, NAB Group Chief Economist “There are tentative signs that the trend decline in business conditions since mid-2018 has slowed, but conditions remain below average with only a small increase in Q3”.

“Business confidence saw a sharp fall in Q3 more than reversing the surprising bounce in Q2. It appears that any post-election optimism has faded despite very low interest rates following the back to back interest rate cuts mid-year” said Mr Oster.

The increase in conditions was driven by a rise in WA and NSW as well as a small increase in QLD in Q3. Vic and SA saw a small deterioration, while Tas – which can be volatile – fell in the quarter. By industry, the services sectors continue to report the most favourable conditions (outside of mining), while retail and wholesale remain weakest, while manufacturing and construction are also weak.

“Over the past year the decline in conditions has been broad-based, but the deterioration in retail has been stark. This is unsurprising given the weakness we have seen in the consumer data, with both retail sales growth and overall consumption growth tracking at their lowest rates for some time” said Mr Oster.

With activity in the business sector remaining weak and some significant risks around the outlook, we take a special look at measures of capex in the business survey this quarter. Actual capex saw a small improvement but is around average with the measure having declined in previous quarters. The outlook deteriorated slightly with expectations at the 12-month horizon declining and shorter-term expectations flat. Overall, with capex measures at all horizons around average there is some risk to an optimistic outlook for investment over the next year.

“With consumption growth expected to remain weak and the downturn in housing construction to continue, the outlook for business investment is important. Mining investment looks to be stabilising and we expect some spill-overs from the large amount of infrastructure investment to the non-mining sector, but global uncertainty and weak demand are likely to see businesses become more cautious with investment decisions, even though they continue to hire and capacity utilisation remains above average” said Mr Oster.

The survey suggests that inflationary pressure remains weak, with particularly low growth in retail prices. Costs on the input side continue to track at a higher rate (though also relatively weak) suggesting ongoing pressure on margins.

“Overall, the survey fits with our view of the economy. Growth has slowed with a weak consumer and a fall in housing investment while price pressure remains weak. While we expect rate cuts to help that will take time (mainly in 2020). Tax cuts to date are not really helping the consumer (who have largely used them to reduce debt and/or increase their liquidity). Further support from fiscal policy would be very welcome. Business however remains cautious and less optimistic given weak demand and higher uncertainty” said Mr Oster.

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

Group Economics

Alan Oster
Group Chief Economist
+(61 3) 8634 2927

Jacqui Brand
Executive Assistant
+(61 3) 8634 2181

Dean Pearson
Head of Behavioural & Industry
Economics
+(61 3) 8634 2331

John Sharma
Economist
+(61 3) 8634 4514

Australian Economics and Commodities

Gareth Spence
Senior Economist
+(61 0) 436 606 175

Phin Ziebell
Economist – Australia
+(61 0) 475 940 662

Behavioural & Industry Economics

Robert De Iure
Senior Economist – Behavioural &
Industry Economics
+(61 3) 8634 4611

Brien McDonald
Senior Economist – Behavioural &
Industry Economics
+(61 3) 8634 3837

Steven Wu
Economist – Behavioural &
Industry Economics
+(61 3) 9208 2929

International Economics

Tony Kelly
Senior Economist
+(61 3) 9208 5049

Gerard Burg
Senior Economist – International
+(61 3) 8634 2788

Global Markets Research

Ivan Colhoun
Global Head of Research
+(61 2) 9237 1836

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.