



NAB MONTHLY BUSINESS SURVEY OCTOBER 2019

CONDITIONS AND CONFIDENCE STILL LOW

NAB Australian Economics

Key messages from the Survey: This month's survey results continue to point to only modest outcomes in the business sector, though forward-looking indicators have improved slightly and may be pointing to a stabilisation in conditions. Conditions and confidence each saw a small improvement in the month with conditions edging up 1pt and confidence lifting 2pts – though both remain below average. The improvement in conditions was driven by an uptick in trading and profitability with the employment index flat. Ongoing reads of below-average trading conditions and profitability, will likely put at risk the continued strength in the employment component. In trend terms, the strength in mining appears to have faded over recent months, and the services sectors now see the best conditions. Retail and wholesale remain weakest. By state, NSW currently sees the best conditions while QLD and Vic are weakest. Inflationary pressure remains weak, with final products prices still growing at a low rate – notwithstanding a pick-up in retail price growth in the month and input price growth tracking at a higher pace. Overall, our read is that the survey continues to point to weak outcomes in the private sector, and that business' own outlook is for more of the same. Acknowledging that the impact of recent rate cuts will take time to flow through the economy, it appears that the support provided by both fiscal and monetary policy this year has done little to offset the slowdown in the business sector.

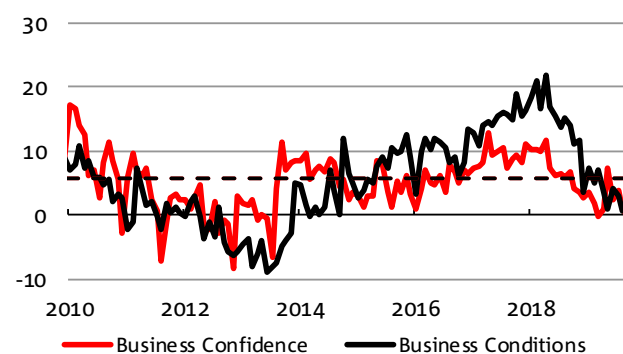
HIGHLIGHTS

- **How confident are businesses?** Confidence rose 2pts in October to +2 index points but remains below its long-run average of +6 index points.
- **How did business conditions fare?** Conditions ticked up 1pt in the month to +3 index points. Conditions have now recorded below average (+6 index points) reads for 7 consecutive months.
- **What components contributed to the result?** The small improvement was driven by an increase in trading and profitability – though both remain below average. The employment index was unchanged in the month.
- **What is the survey signalling for jobs growth?** Based on historical relationships, the survey suggests that employment will rise around 18k per month over the next 6 months.
- **Which industries are driving conditions?** Mining, construction and the services sectors improved in the month, with retail also edging higher, albeit still weak. Conditions for other industries deteriorated in the month. In trend terms, the services industries now see the best conditions, followed by mining. Retail and wholesale are weakest.
- **Which industries are most confident?** Confidence increased in construction, transport & utilities and rec & personal services and edged higher in manufacturing. In trend terms, a number of industries remain clustered around 3 index points including mining, construction, retail and finance, business & property services. Confidence is lowest in wholesale and manufacturing.
- **Where are we seeing the best conditions by state?** Conditions rose in all states except NSW and QLD in the month. In trend terms, conditions are most favourable in NSW, followed by WA and SA. VIC and QLD are weakest at 0 index points.
- **What is confidence like across the states?** Confidence rose in all states except WA, which fell sharply. In trend terms, confidence is highest in WA and Tas and weakest in QLD and Vic.
- **Are leading indicators suggesting further improvement?** Forward indicators have improved somewhat in recent months, but overall still point to a below-average trend in conditions. Forward orders rose in the month and are above average but remain negative in trend terms. Capacity utilisation declined slightly but remains above average.
- **What does the survey suggest about inflation and wages?** Retail prices growth saw a sharp rise in the month, though overall final products growth remained flat at a low level. Prices on the inputs side continue to track at a higher rate with labour costs growth flat in the month, while purchase costs edged lower.

TABLE 1: KEY STATISTICS

	Aug-19	Sep-19	Oct-19
	Net balance		
Business confidence	1	0	2
Business conditions	1	2	3
Trading	4	4	7
Profitability	-3	-2	0
Employment	2	4	4
Forward orders	-4	-2	3
Stocks	2	2	1
Exports	0	0	1
	% change at quarterly rate		
Labour costs	1.1	0.9	0.9
Purchase costs	0.7	0.8	0.7
Final products prices	0.3	0.1	0.1
Retail prices	0.2	0.1	0.9
	Per cent		
Capacity utilisation rate	82.1	81.8	81.7

CHART 1: CONDITIONS AND CONFIDENCE STILL LOW



* Dotted lines are long-run averages since Mar-97.

All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 25 - 31 October 2019, covering over 400 firms across the non-farm business sector.

Next release date: 10 December 2019.

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

WHAT IS THE SURVEY SUGGESTING ABOUT EMPLOYMENT?

- The employment index was unchanged in the month at 4 index points. This level is consistent with employment growth of 18k per month over the next 6 months. While this is lower than the levels suggested in early 2018, it still points to relatively healthy employment growth.
- The contributors to the above-average level of the employment index include the mining industry, construction and the services sectors. The survey suggests weaker outcomes in manufacturing, transport & utilities, retail and wholesale.
- At present the employment index is highest in mining, where the survey suggests that employment continues to grow well above average in the sector.
- Finance, business & property services is also relatively high and above its own average. Rec & personal services is third highest – also with above average-levels for that industry.
- Employment in the construction sector is currently around average, despite the clear downturn in residential construction. This reflects in part the very high starting point of employment demand in the sector which has eased significantly since early 2018.
- Employment is very weak in retail and wholesale, with the index well into negative territory and well below average for these industries. This is unsurprising giving the weakening in trading and profitability reported in these sectors over the past year.
- Employment in manufacturing is above its industry average but suggests little growth in the industry.
- By state, the employment index is highest in Tasmania, followed by NSW and SA. These states are all currently well above their long-run averages.
- VIC, QLD and WA currently see weaker employment and below average outcomes in the survey.
- To date, official labour market data have continued to show strength despite the significant slowdown evident in the private sector. Employment has grown at well above the rate of population growth for some time, and the participation rate is at very high levels. The unemployment rate is around ¼ppt higher than its recent trough (and above recent estimates of full employment) but remains historically low at 5.2%. For now, the survey has mirrored official data suggesting that the labour market has held up well – notwithstanding ongoing weak wage growth and the weakening in activity. We continue to watch the survey for any deterioration in hiring intentions by businesses.

CHART 2: CONDITIONS COMPONENTS (NET. BAL, TREND)

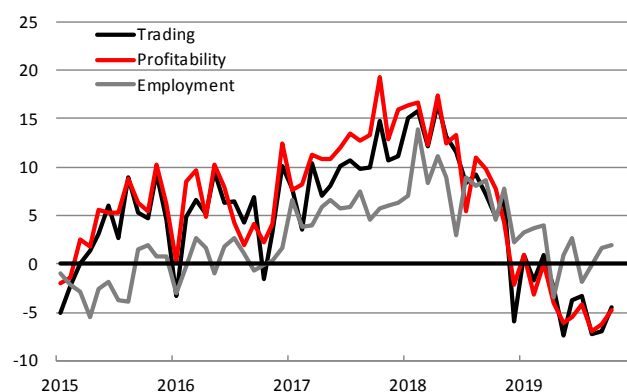


CHART 3: EMPLOYMENT BY INDUSTRY (NET. BAL, TREND)

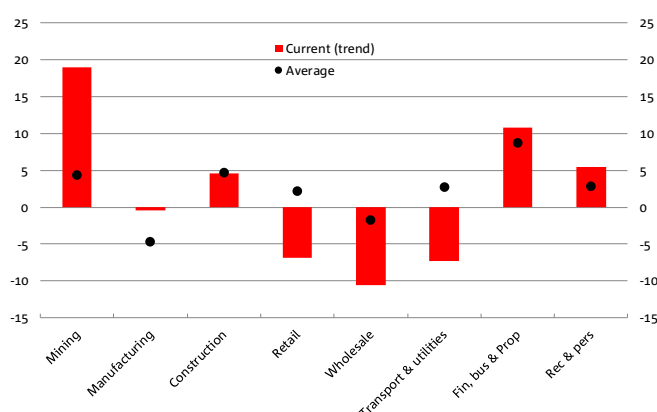
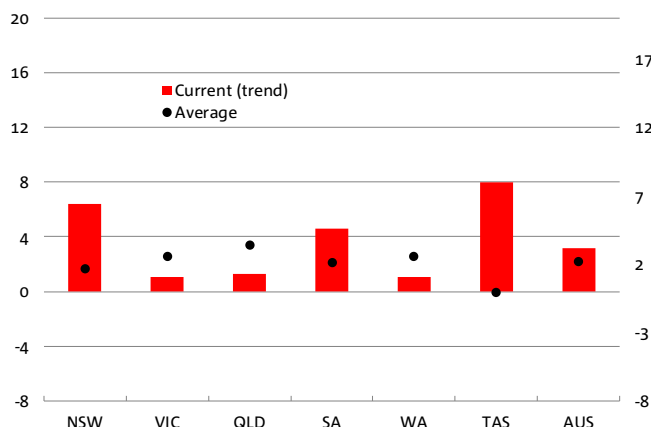


CHART 4: EMPLOYMENT BY STATE (NET. BAL, TREND)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

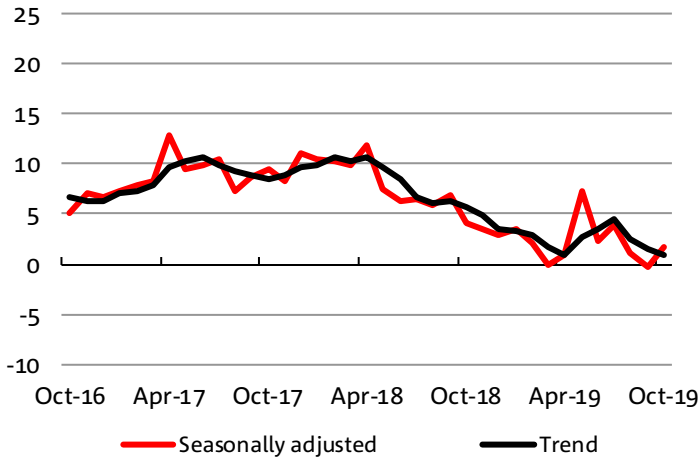


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

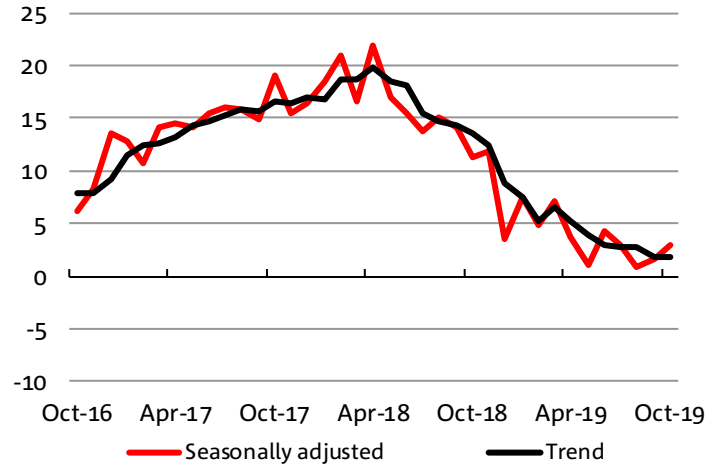


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

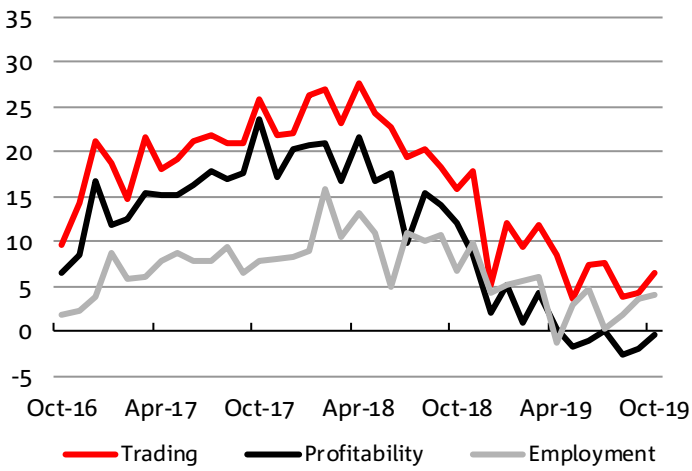


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

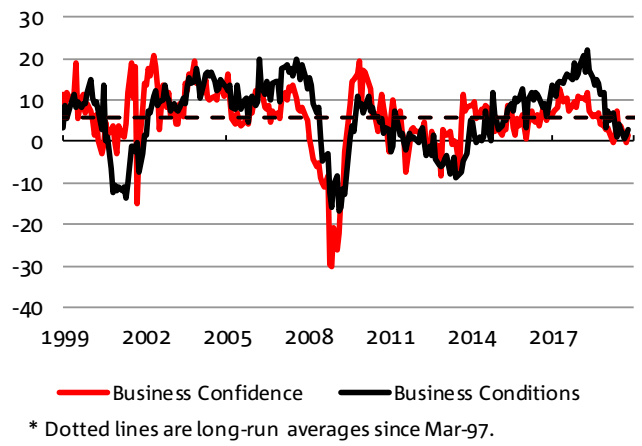


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

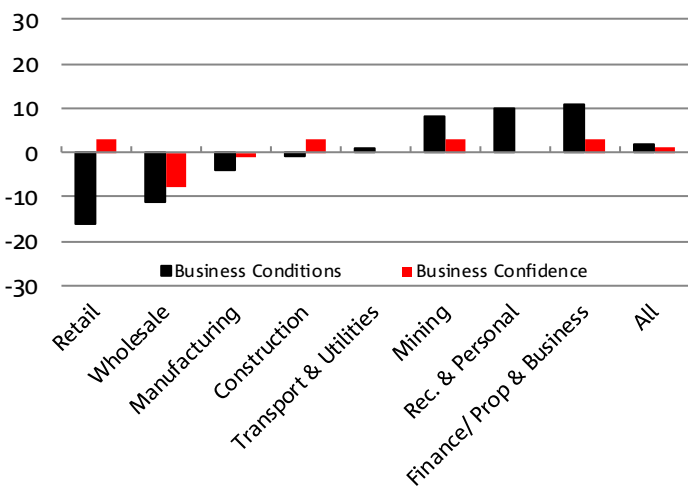
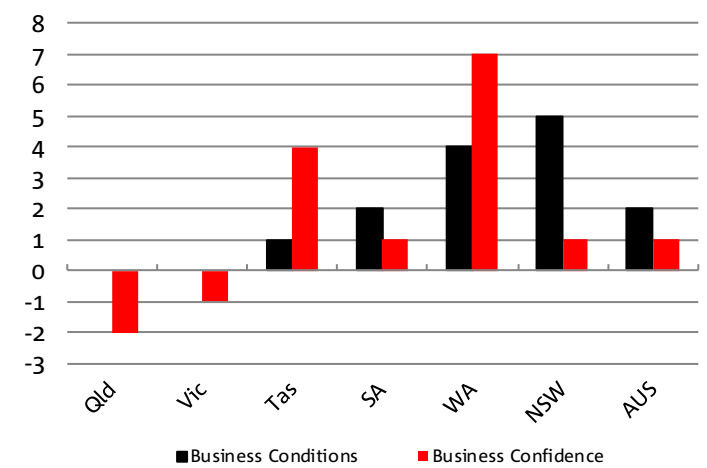


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

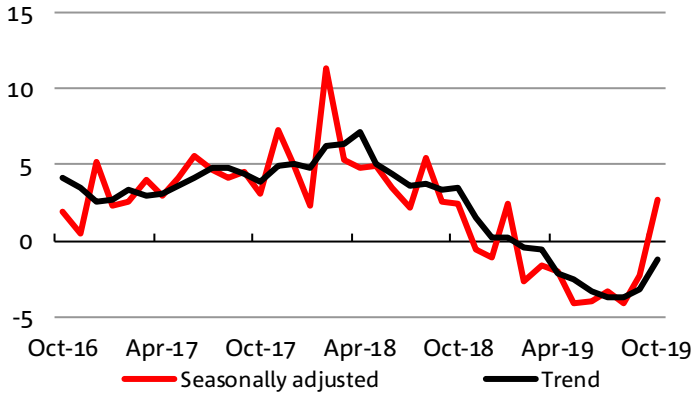


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

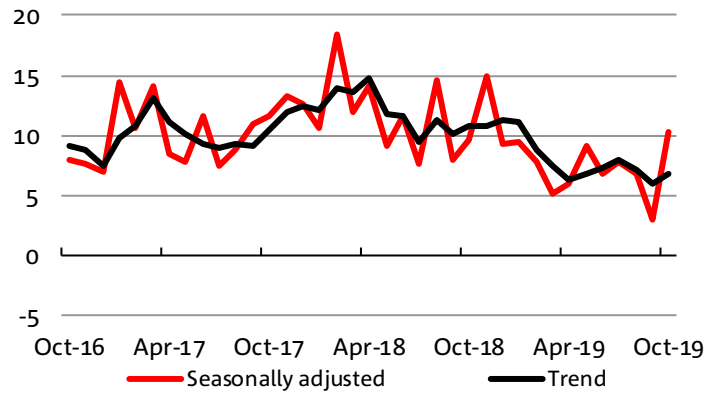


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

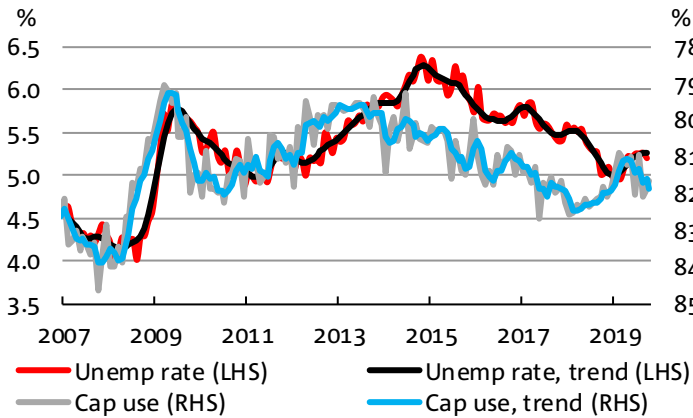


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

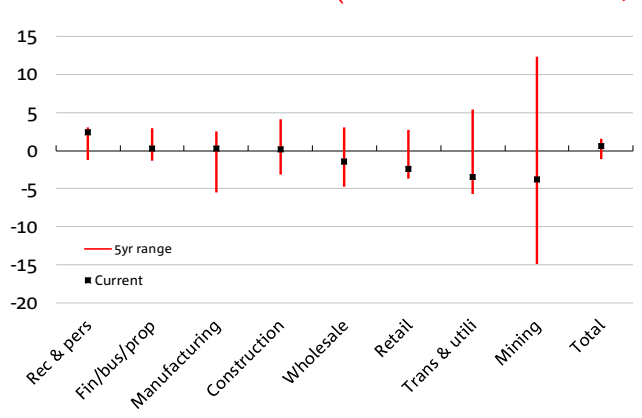


CHART 15: STOCKS (NET BALANCE)

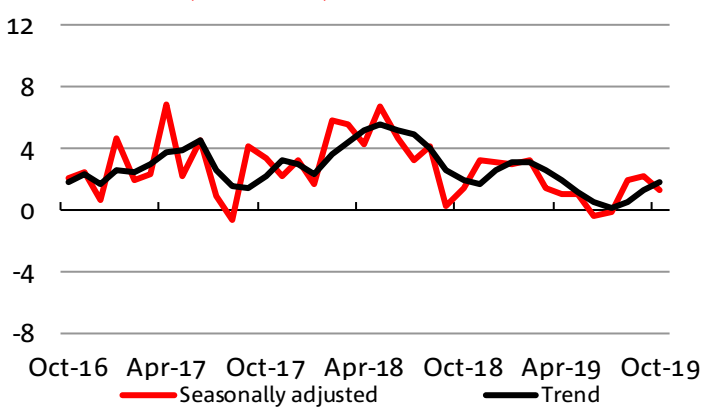


CHART 16: CASH FLOW (NET BALANCE)

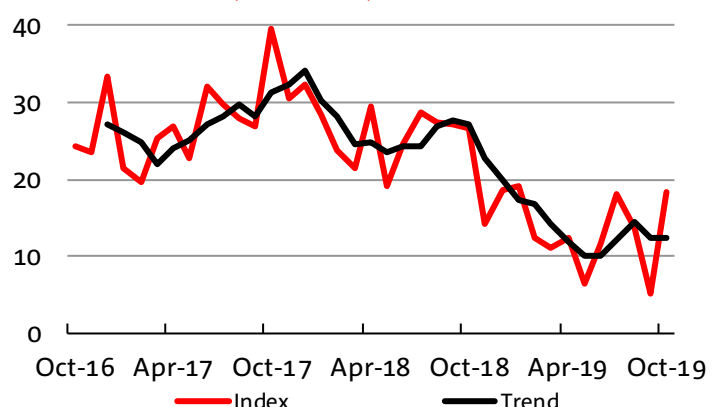


CHART 17: EXPORTS (NET BALANCE)

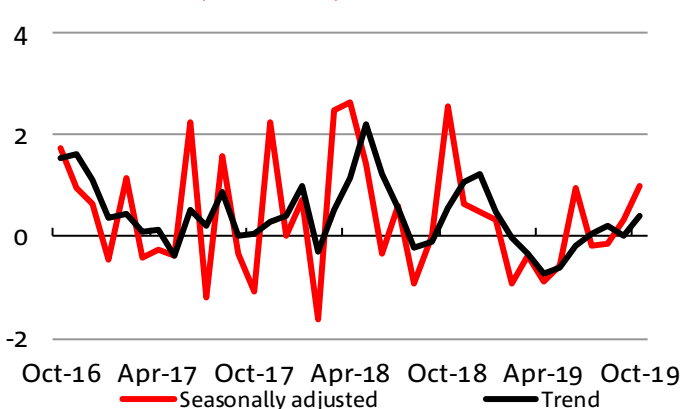
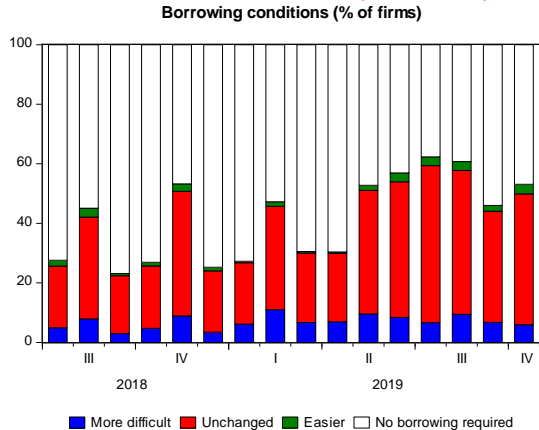


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

CHART 19: BUSINESS CONDITIONS (NET BALANCE) BY STATE

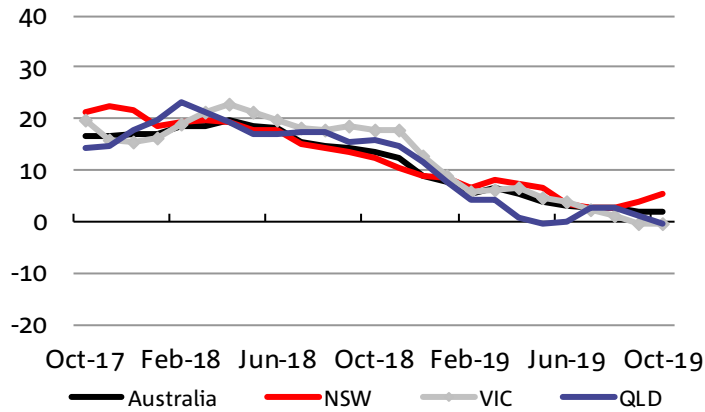


CHART 20: BUSINESS CONDITIONS (NET BALANCE) BY STATE

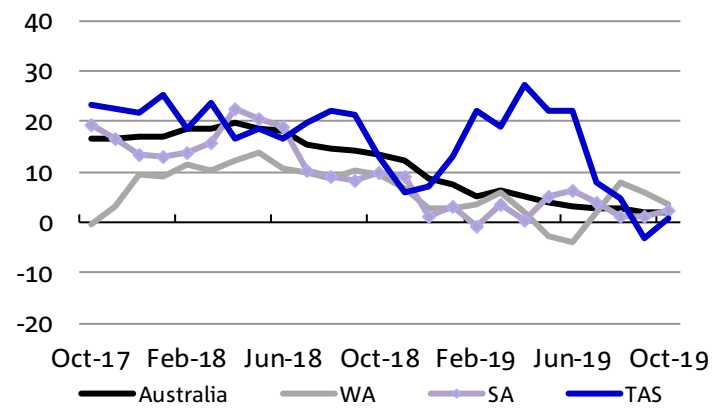


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

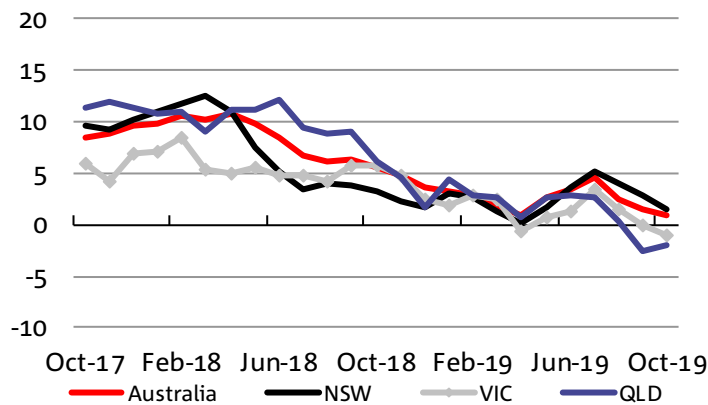


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

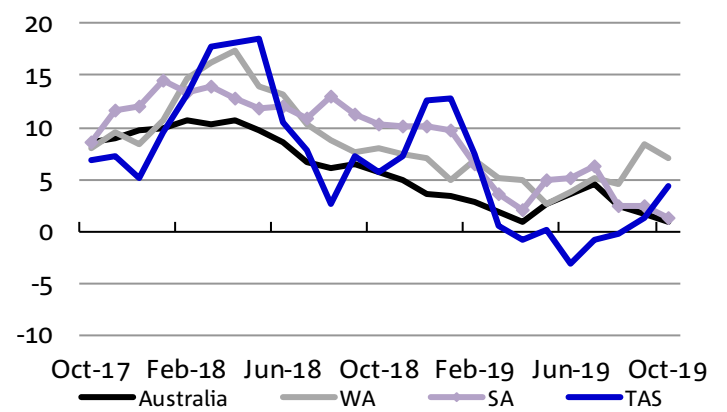


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

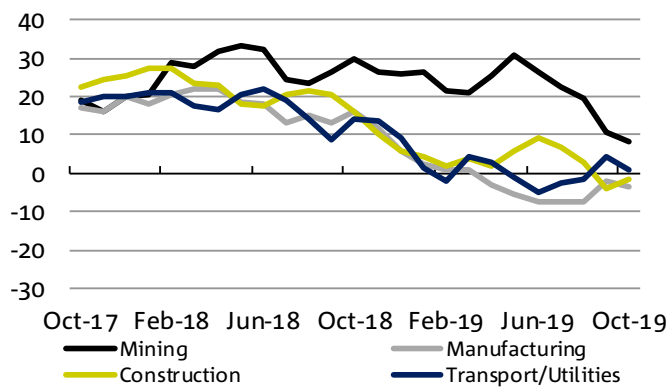


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

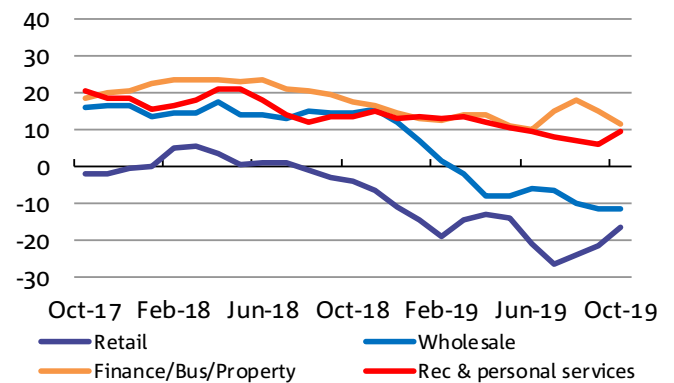


CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)

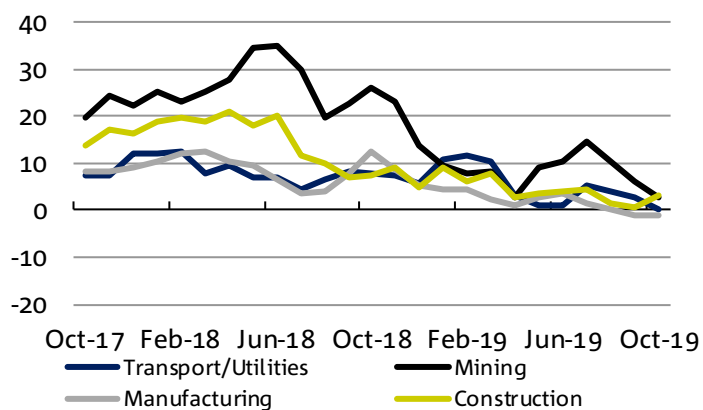
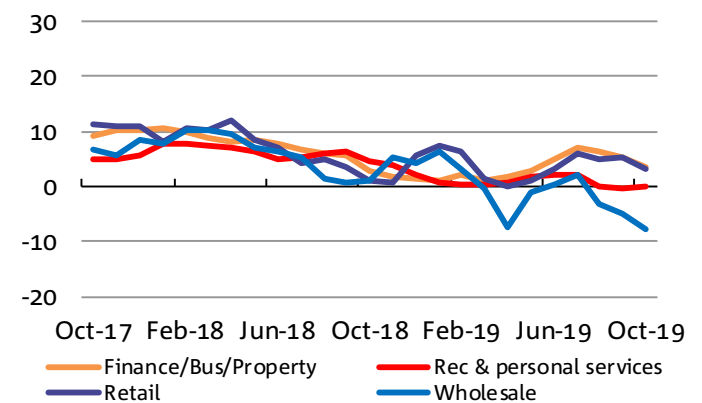


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 27: EMPLOYMENT

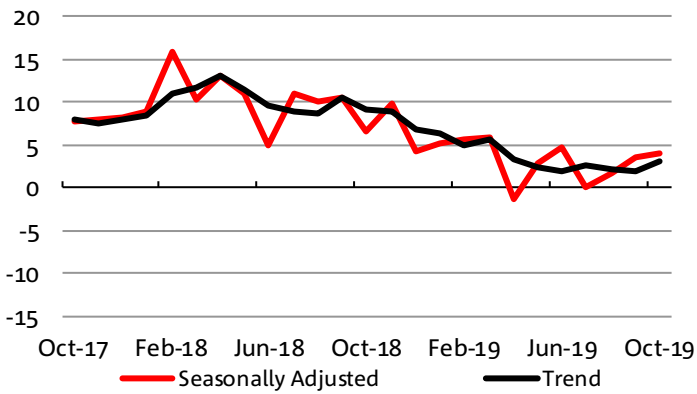


CHART 28: EMPLOYMENT (NAB VS ABS)

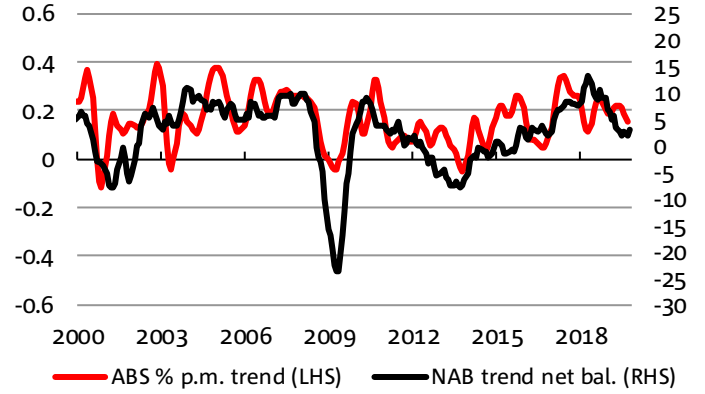


CHART 29: EMPLOYMENT BY INDUSTRY

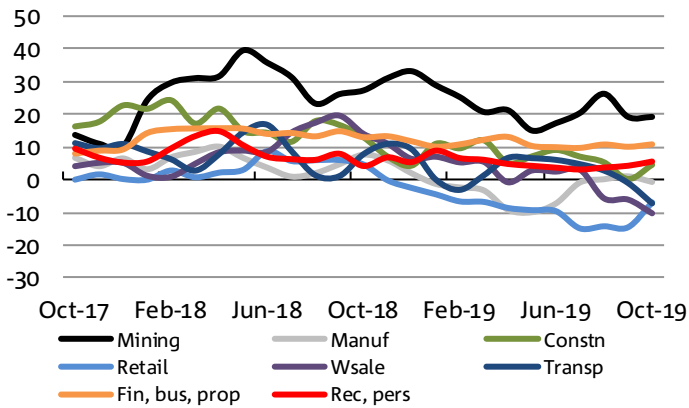


CHART 30: LABOUR COSTS GROWTH

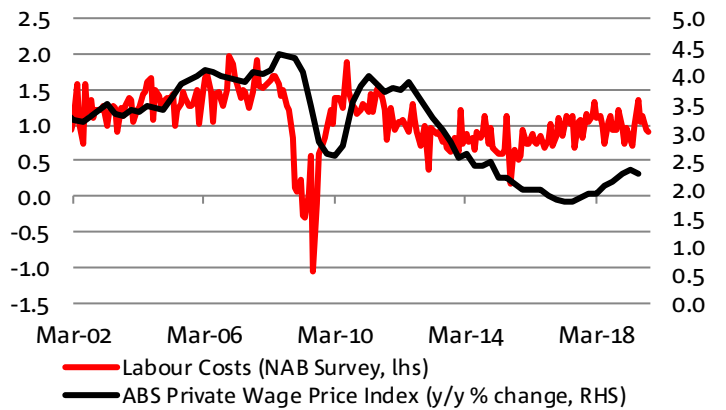


CHART 31: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

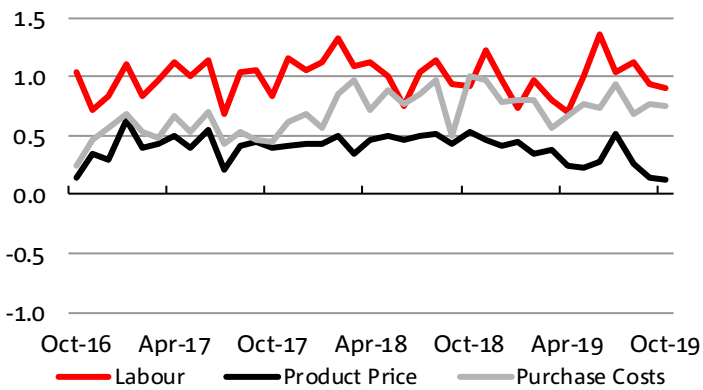
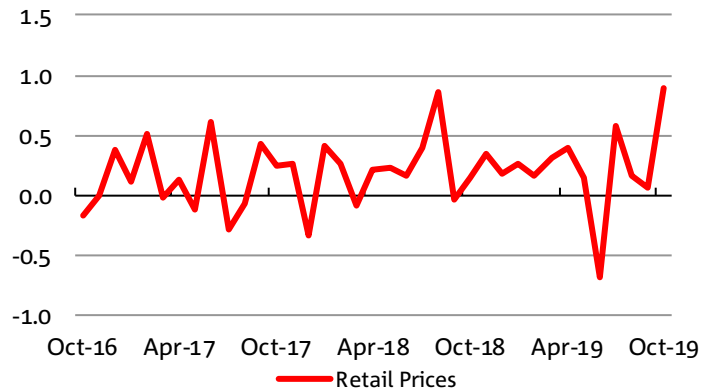


CHART 32: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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)	
All series available on an industry basis for:	
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)	
All series available on a state basis for:	
New South Wales	
Victoria	
Queensland,	
WA	
SA/NT	
Tasmania	

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