

# NAB MONTHLY BUSINESS SURVEY NOVEMBER 2019

## CONDITIONS STABILISING

*NAB Australian Economics*

**Key messages from the Survey:** Business conditions tracked sideways in the month, and appear to have stabilised at low levels, after declining significantly between mid-2018 and 2019. At the industry level, the divergence between the goods related industries (the weakest) and the services sector (the strongest) widened. The construction and manufacturing sectors have stabilised after previous large falls. Mining has also seen a significant pull-back on lower commodity prices. By state, NSW and Tas currently see the best conditions, while Qld is now weakest. The recent optimism in forward-looking indicators unwound somewhat this month, with confidence falling back to 0 index points and forward orders reversing last month's increase, to again be below-average and negative. Capacity utilisation has eased over the past two months and is now back around average. Surveyed price measures suggest that inflationary pressure remains weak but has risen somewhat in recent months (including retail in the face of higher input costs). Businesses also continue to face margin pressures with input costs growth continuing to outpace the growth in final products prices. Overall, the business survey is consistent with ongoing weakness in GDP growth (especially private demand) and suggests there has been little improvement in Q4 for GDP. With conditions below average and confidence also weak, there is a risk that employment growth slows and that investment will remain weak despite spill-over demand from public sector spending and a stabilisation in mining.

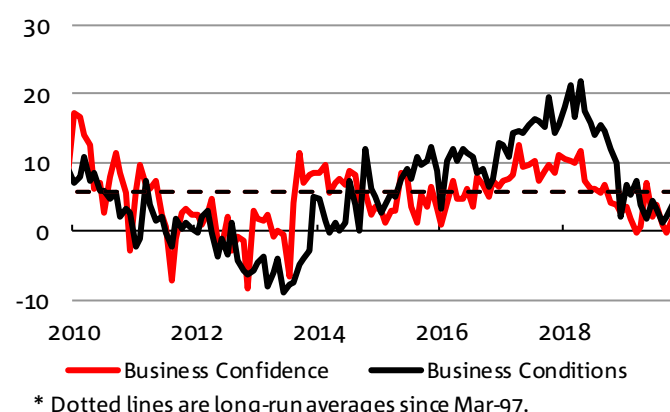
### HIGHLIGHTS

- **How confident are businesses?** Confidence fell 2pts in November to 0 index points – unwinding last month's increase.
- **How did business conditions fare?** Conditions were unchanged in the month at +4 index points.
- **What components contributed to the result?** A pickup in profitability was partially offset by a small fall in trading conditions in the month. The employment index was unchanged – and is the only component currently above average.
- **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 transport & utilities declined in the month, while rec & personal services edged lower. These declines were offset by an increase in the remaining industries, led by manufacturing; wholesale was flat. In trend terms, conditions are most favourable in the services industries and weakest in retail, wholesale and transport & utilities. Manufacturing and construction rank in the middle.
- **Which industries are most confident?** Confidence decreased in all industries in the month, except for retail and wholesale which increased slightly. In trend terms, confidence is highest in construction and retail, with wholesale weakest.
- **Where are we seeing the best conditions by state?** Conditions increased in Vic and Tas in the month and were lower across the other states, with notable falls in NSW and SA. Overall, in trend terms, conditions remain most favourable in NSW and Tas. Qld is weakest and the only state to record negative conditions.
- **What is confidence like across the states?** Confidence declined across all states except Vic which edged higher. In trend terms, confidence is highest in Tas and WA and weakest in Vic and Qld.
- **Are leading indicators suggesting further improvement?** Forward indicators softened in the month, after showing some improvement in recent months. Forward orders declined and are again negative, while capacity utilisation is now back around its long-run average.
- **What does the survey suggest about inflation and wages?** Overall, surveyed price measures suggest ongoing below-target inflation but have shown some building pressure in recent months. In the month, labour costs growth edged lower while other input costs growth was flat. Final products price growth increased, notwithstanding a decline in retail prices growth in the month, partly reversing last month's increase.

TABLE 1: KEY STATISTICS

	Sep-19	Oct-19	Nov-19
Net balance			
Business confidence	0	2	0
Business conditions	2	4	4
Trading	5	7	6
Profitability	-2	0	3
Employment	4	4	4
Forward orders	-2	3	-2
Stocks	2	1	3
Exports	0	1	0
% change at quarterly rate			
Labour costs	1.0	1.0	0.8
Purchase costs	0.7	0.7	0.7
Final products prices	0.2	0.2	0.4
Retail prices	0.1	0.8	0.5
Per cent			
Capacity utilisation rate	81.8	81.6	81.1

CHART 1: CONDITIONS STABILISING



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 19 - 29 November 2019, covering over 500 firms across the non-farm business sector.

Next release date: 28 January 2020.

Contacts: Alan Oster – Chief Economist, Gareth Spence – Senior Economist

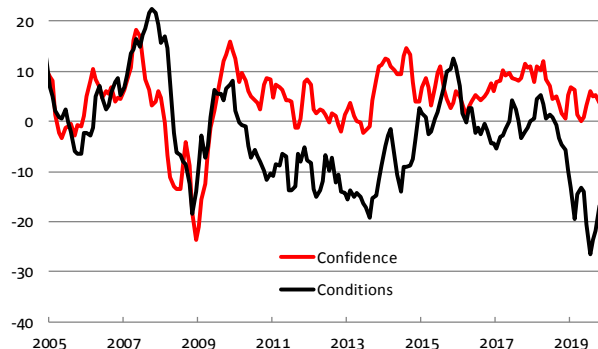
© National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686

# NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

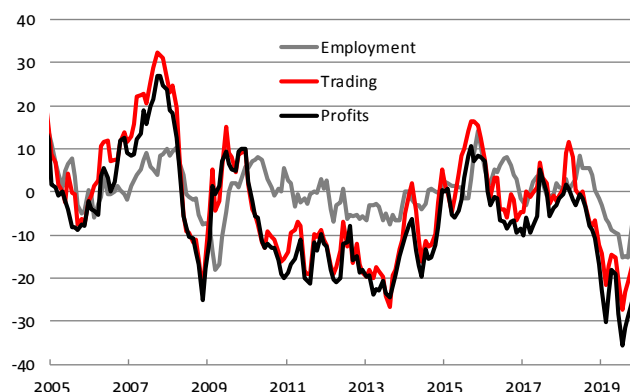
## RETAIL UPDATE

- Household consumption growth slowed to its weakest pace since the GFC at 1.2% y/y in the September quarter. Growth in spending on discretionary items has slowed sharply and while spending on essentials has held up better, it has also slowed. Spending on goods has been particularly weak.
- Unsurprisingly, the impact of the slowdown in consumer demand has been reflected in the business survey, with retail business conditions declining sharply since mid-2018 (in trend terms). Despite some improvement in recent months they remain at low levels.
- Confidence in the retail sector suggests that retailers expect an improvement in conditions from here (and have the second highest confidence across industries). However, this optimism comes from a low starting point with conditions at their weakest level since the GFC.
- All three components of the business conditions index are at low levels – though profitability is clearly weakest. While they remain lowest, the profitability and trading indexes have driven some improvement in recent months. Notwithstanding a flat outcome in the month, the employment index has also improved.
- While data at the sub-industry level are volatile, smoothing these data show a significant improvement in food retailing conditions in recent months – and it is now the only sub-industry to record positive conditions. Car retailing has also seen a material improvement but remains weak after reaching very low levels in early 2019. Household goods retailing has also seen some improvement but remains in very weak territory, while other retailing is weakest after deteriorating further in recent months.
- Other indicators for the retail industry also point to ongoing stress. Notwithstanding the recent pick-up in retail price growth, the costs of inputs have generally risen at a faster rate over recent years putting pressure on margins. Forward orders remain very weak, and capacity utilisation has trended lower over the past few years.
- The retail sector continues to face a raft of headwinds, with strong competition and weak consumer demand restraining price growth, at a time where costs have remained high. We see the headwinds from weak consumption growth to continue with the impacts of low wage growth and high household debt levels likely to persist for some time. Tax cuts appear to have been mostly saved and the impact of lower interest rates will take some time to flow through the economy - while these are positive, it is likely that policy makers will need to do more to support households and the retail sector.

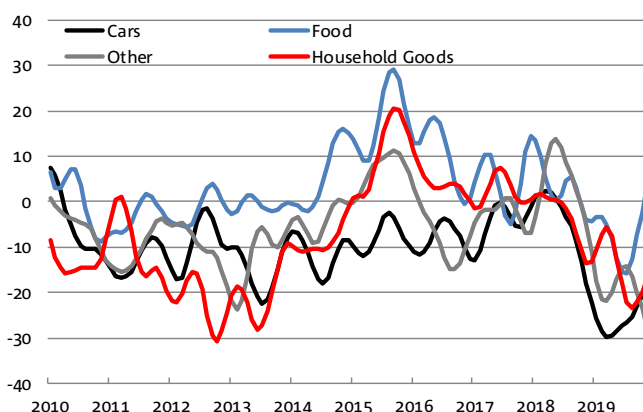
### CHART 2: CONDITIONS AND CONFIDENCE (NET. BAL, TREND)



### CHART 3: CONDITIONS COMPONENTS (NET. BAL, TREND)

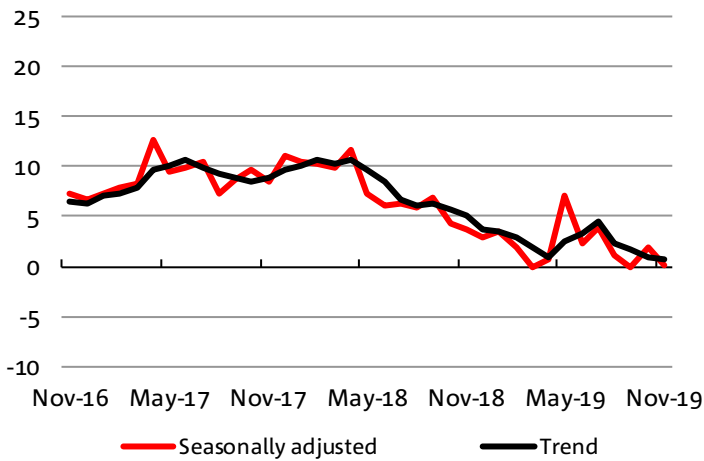


### CHART 4: RETAIL SUB-INDUSTRIES (NET. BAL, HENDERSON TREND)

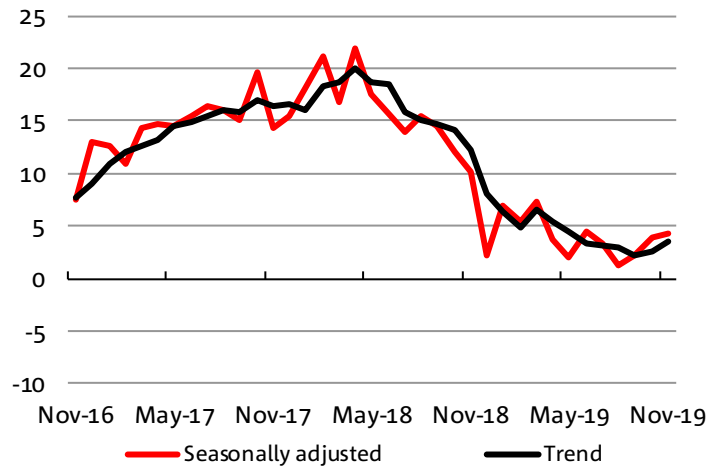


# NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

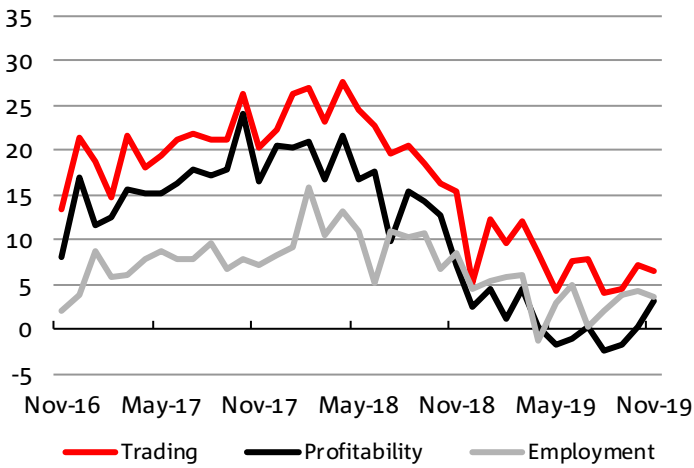
**CHART 5: BUSINESS CONFIDENCE (NET BALANCE)**



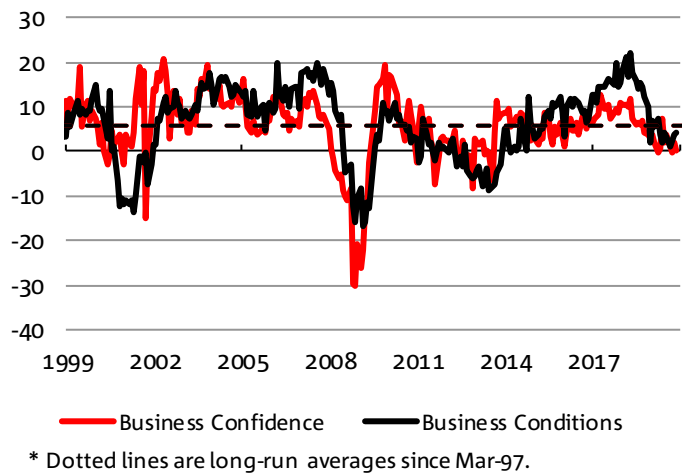
**CHART 6: BUSINESS CONDITIONS (NET BALANCE)**



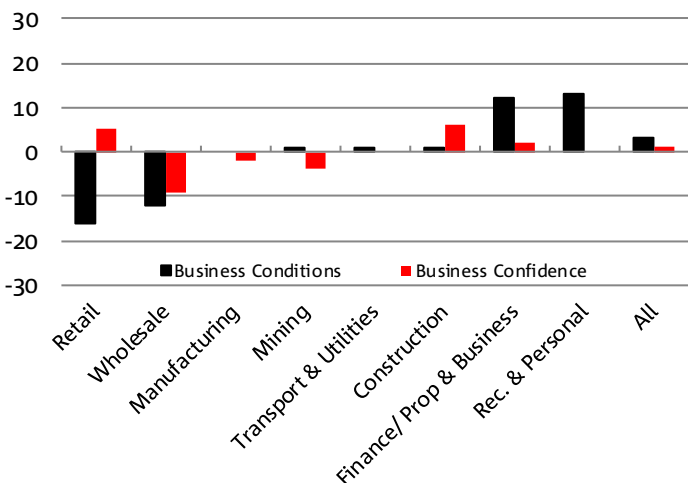
**CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.**



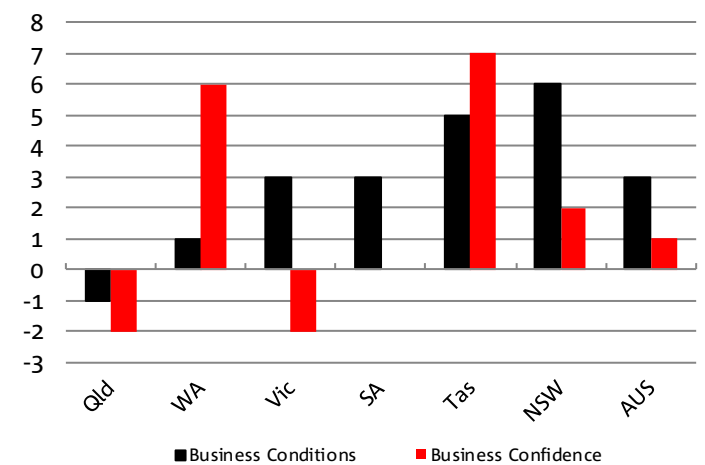
**CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE**



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

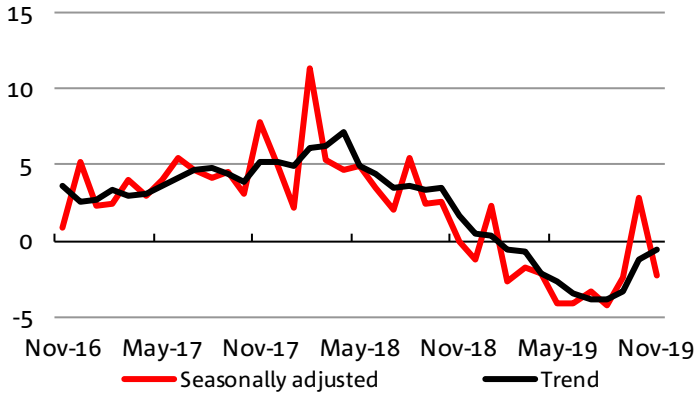


**CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)**

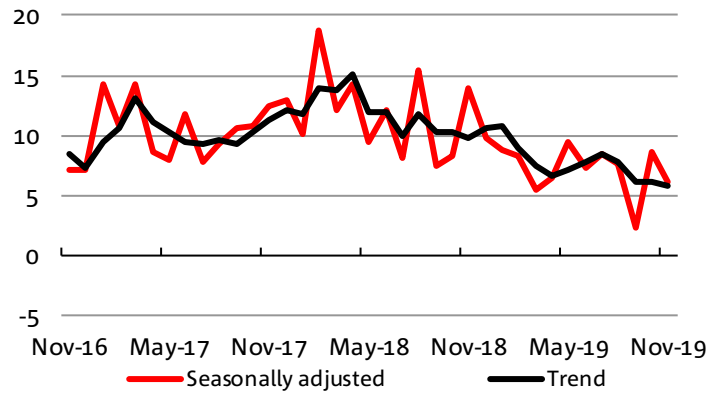


# NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

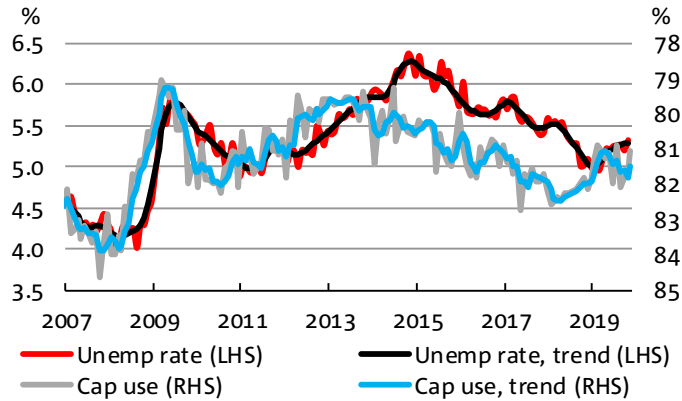
**CHART 11: FORWARD ORDERS (NET BALANCE)**



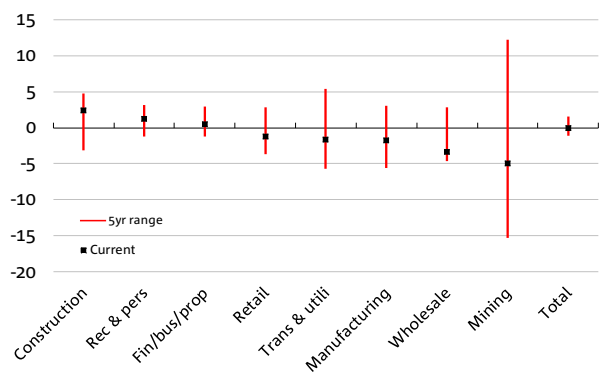
**CHART 12: CAPITAL EXPENDITURE (NET BALANCE)**



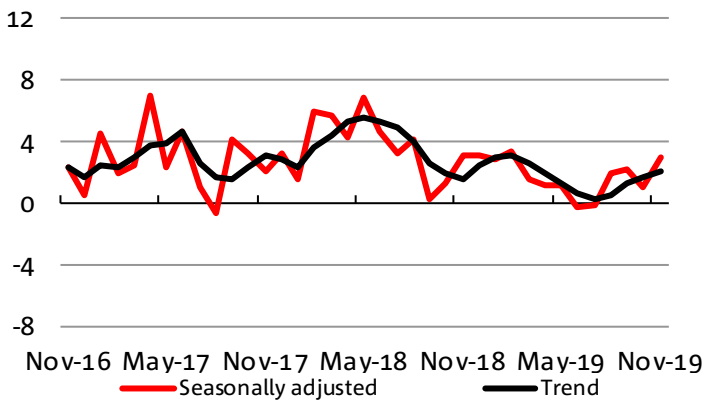
**CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT**



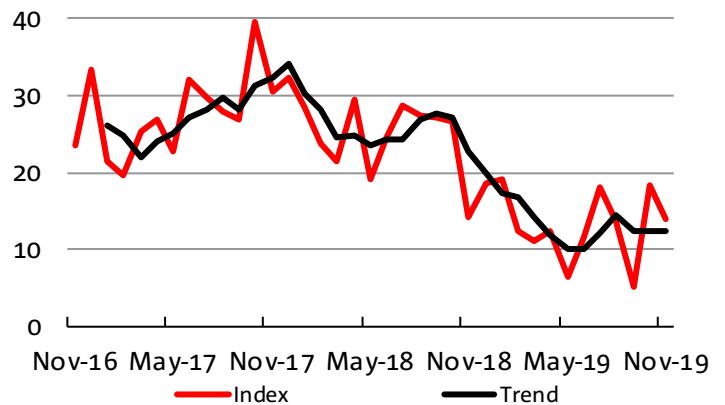
**CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)**



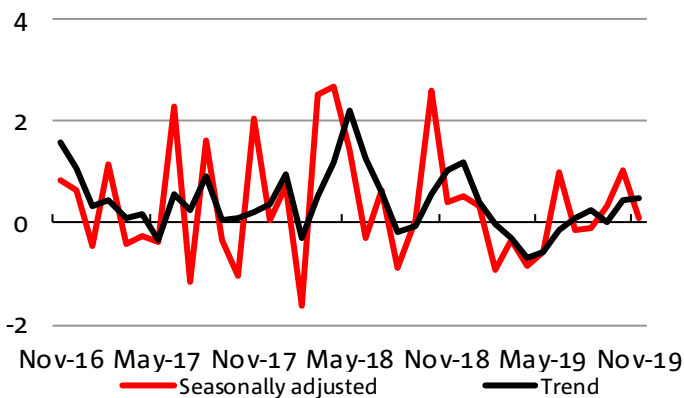
**CHART 15: STOCKS (NET BALANCE)**



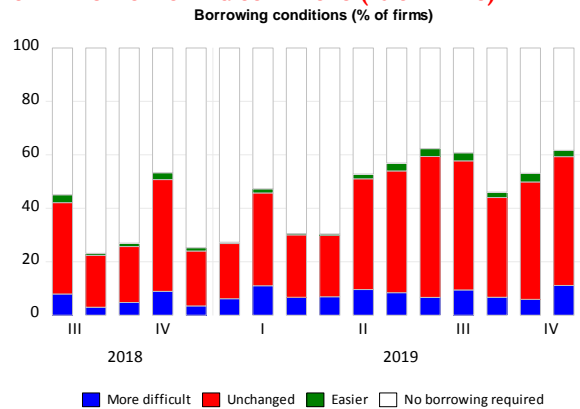
**CHART 16: CASH FLOW (NET BALANCE)**



**CHART 17: EXPORTS (NET BALANCE)**

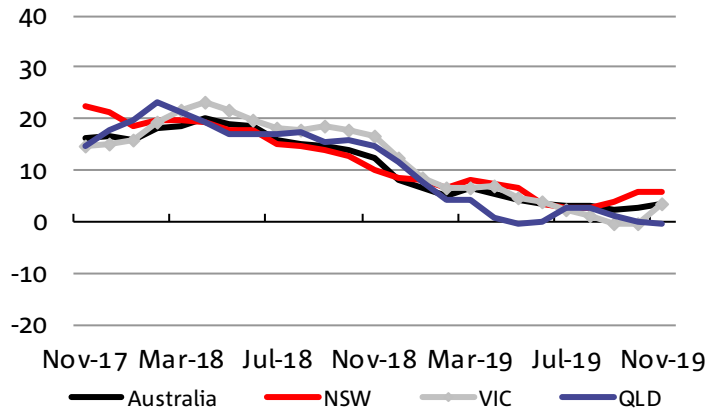


**CHART 18: BORROWING CONDITIONS (% OF FIRMS)**

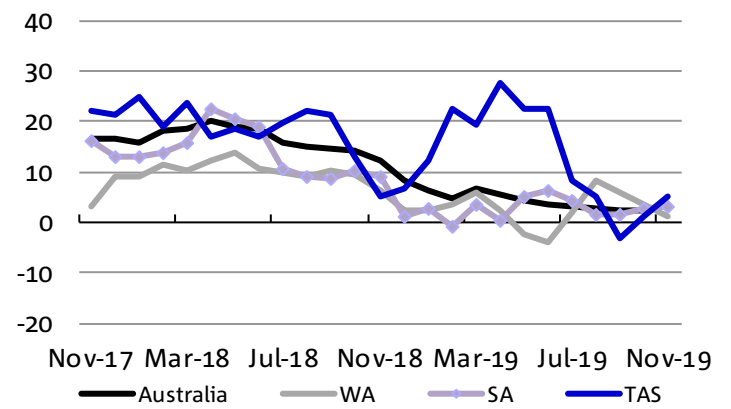


# NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

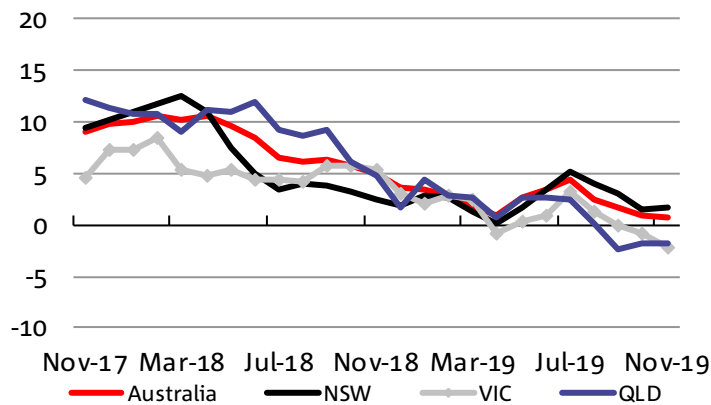
**CHART 19: BUSINESS CONDITIONS (NET BALANCE) BY STATE**



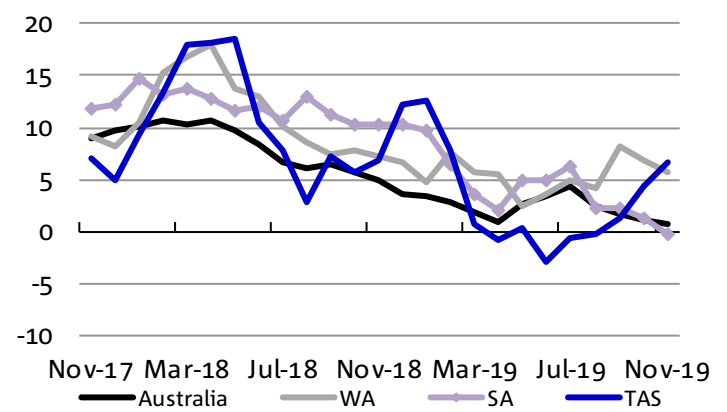
**CHART 20: BUSINESS CONDITIONS (NET BALANCE) BY STATE**



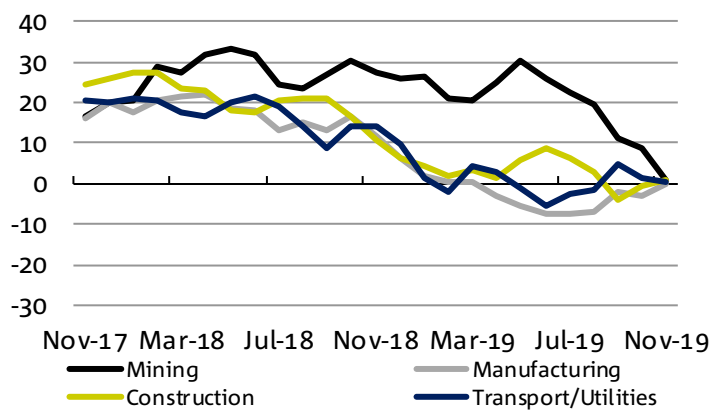
**CHART 21: BUSINESS CONFIDENCE BY STATE (NET BALANCE)**



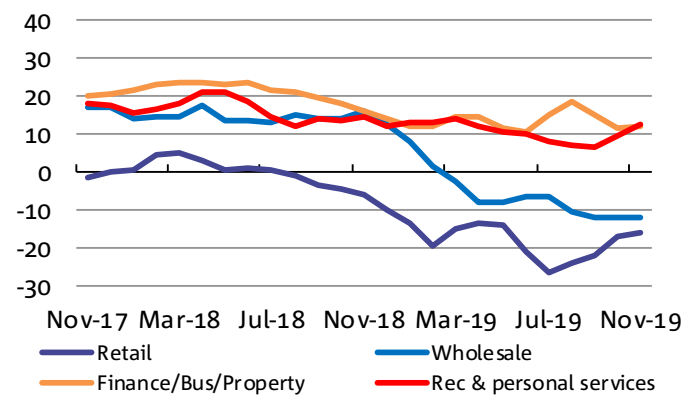
**CHART 22: BUSINESS CONFIDENCE BY STATE (NET BALANCE)**



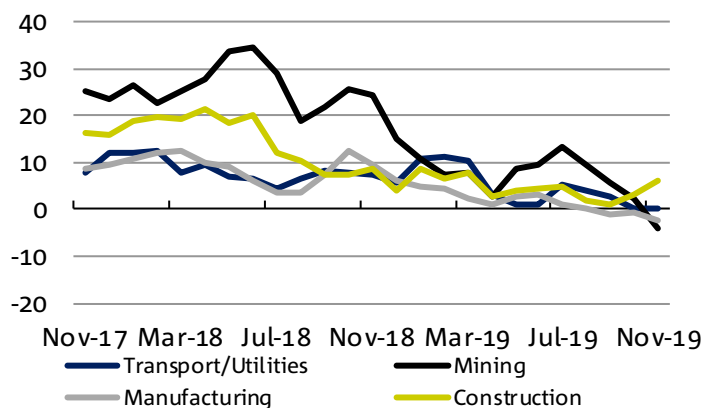
**CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)**



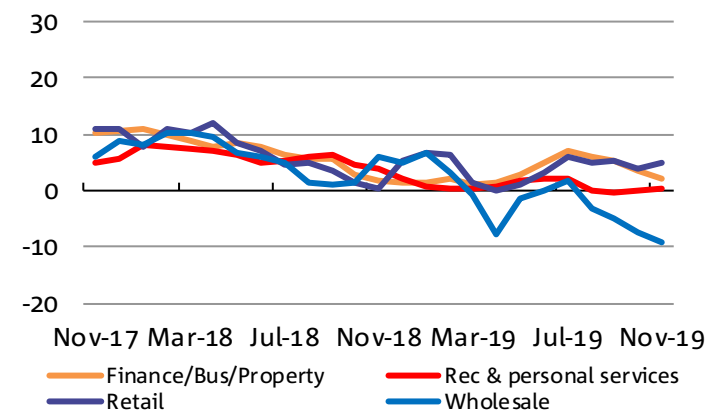
**CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)**



**CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)**

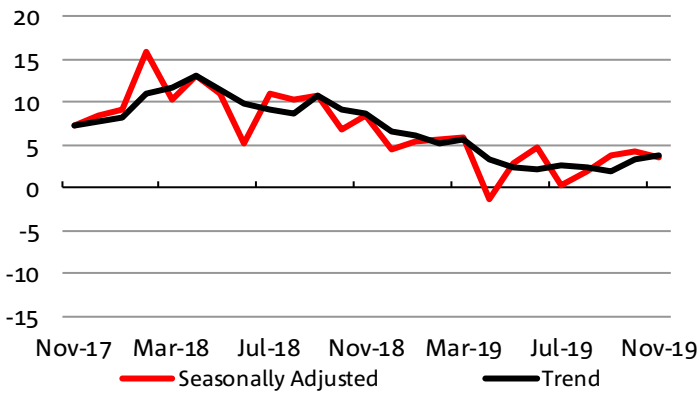


**CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)**

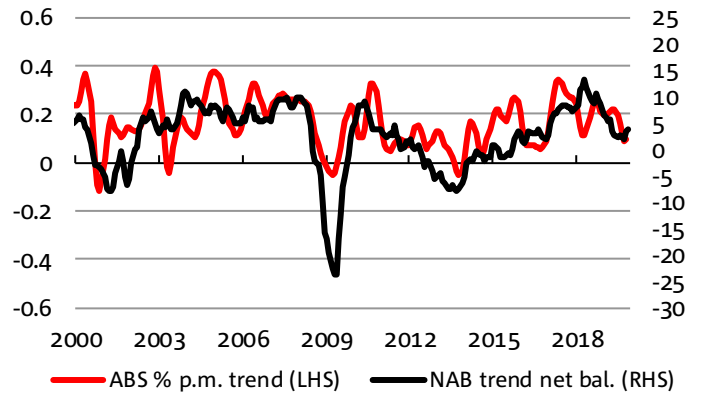


# NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

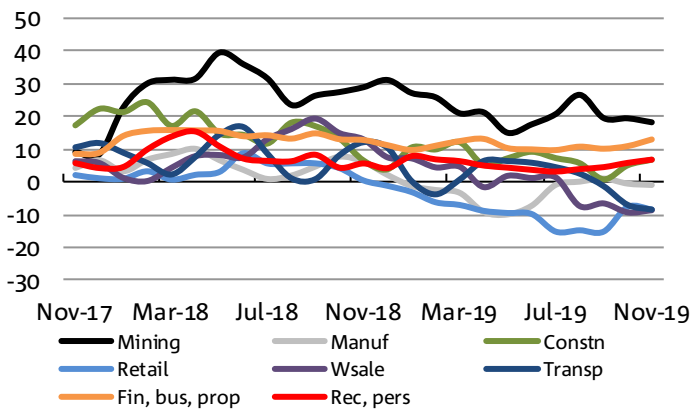
**CHART 27: EMPLOYMENT**



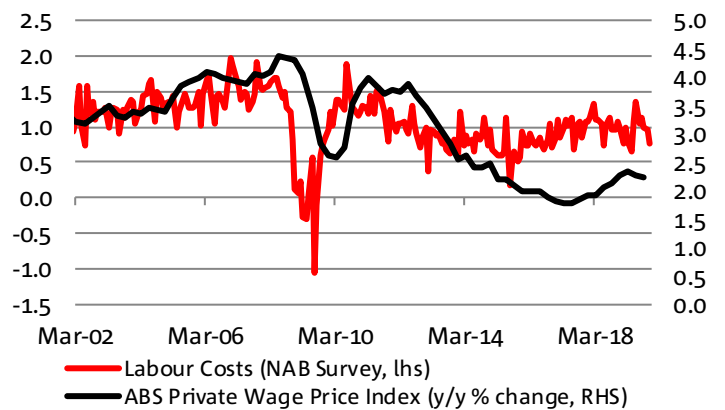
**CHART 28: EMPLOYMENT (NAB VS ABS)**



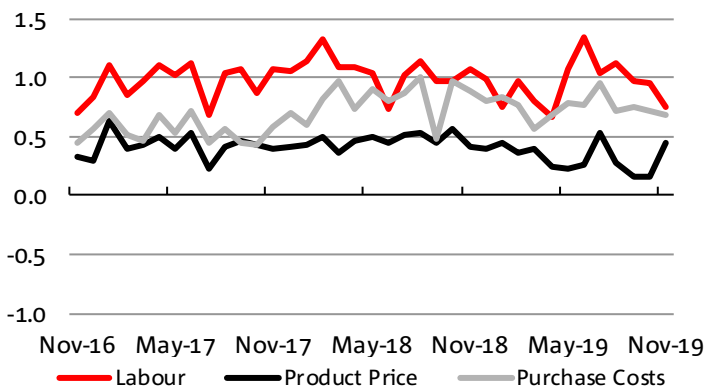
**CHART 29: EMPLOYMENT BY INDUSTRY**



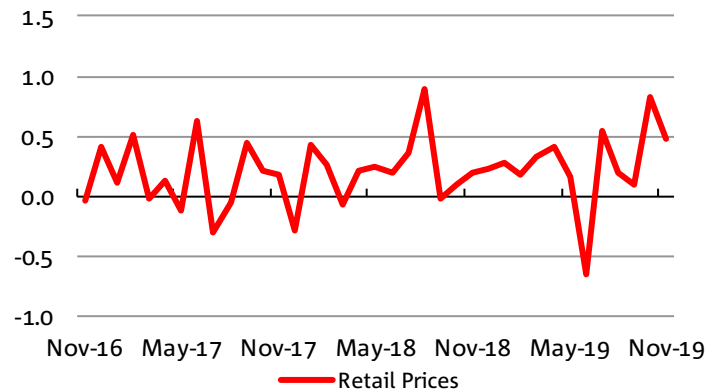
**CHART 30: LABOUR COSTS GROWTH**



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



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



## CONTACTS

Alan Oster, Group Chief Economist

[Alan.Oster@nab.com.au](mailto:Alan.Oster@nab.com.au)

+613 8634 2927

Gareth Spence, Senior Economist

[gareth.spence@nab.com.au](mailto:gareth.spence@nab.com.au)

+61 0 436 606 175

### 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.

## APPENDIX: LIST OF SERIES AVAILABLE TO SUBSCRIBERS<sup>^</sup>

### 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.

<sup>^</sup>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)	
<b><i>All series available on an industry basis for:</i></b>	
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)	
<b><i>All series available on a state basis for:</i></b>	
New South Wales	
Victoria	
Queensland,	
WA	
SA/NT	
Tasmania	

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