



NAB MONTHLY BUSINESS SURVEY JANUARY 2020

MORE OF THE SAME IN EARLY 2020

NAB Australian Economics

Key messages from the Survey: The picture painted by the first survey of 2020 is broadly similar to that at the end of 2019. While there has been no significant deterioration in overall terms – despite some state and industry evidence of a bushfire impact – the survey continues to suggest very little / to no growth in the private sector. In the month, conditions were unchanged +3 index points – continuing their below average run since April last year. Confidence edged higher but remains weak after reaching its lowest level since mid-2013 last month. A similar pattern across industries continues, with services still outperforming and goods distribution soft. There also appears to have been some impact – albeit only moderate – of the bushfires with conditions lower in NSW and Vic as well as rec & personal services in the month. Looking forward, businesses themselves do not anticipate a material improvement with forward orders still weak (and negative) and capacity utilisation having fluctuated around its average in recent months. Of note this month is the decline in the employment index, which had previously held up and at +1 is now just below average and implies employment growth of around 16k per month. Somewhat slower than recent labour market outcomes. We have not provided an in depth theme this month, but will release the results of a special bushfire related survey in coming weeks.

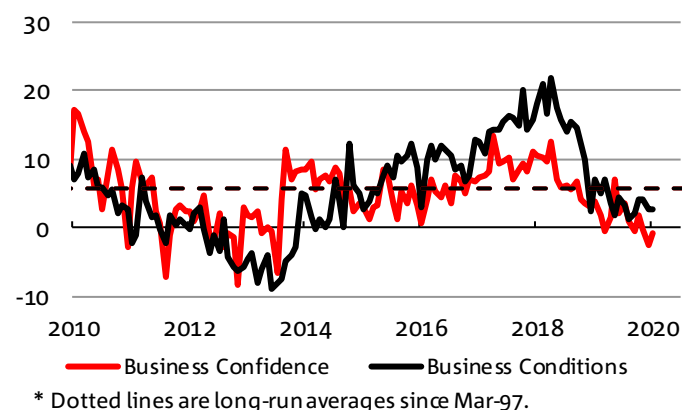
HIGHLIGHTS

- **How confident are businesses?** Confidence edged higher to -1 index points following two consecutive declines.
- **How did business conditions fare?** Conditions were unchanged in the month, continuing their below average run.
- **What components contributed to the result?** The employment index fell 3 points to +1 index point and trading edged 1pt lower to +5 index points. Profitability was up +1pt in the month.
- **What is the survey signalling for jobs growth?** Based on historical relationships, the survey suggests that employment will grow at 16k per month over the next 6 months, down from 19k per month in last month's survey.
- **Which industries are driving conditions?** Transport & utilities saw a sharp increase in the month with construction and finance, business and property also up. The other industries were weaker, particularly wholesale and manufacturing. In trend terms, the services sector continues to have strong conditions, while goods distribution including retail and wholesale remain weakest.
- **Which industries are most confident?** Confidence rose across most industries but was sharply lower in mining, while transport & utilities and rec & personal also saw moderate declines. In trend terms, confidence continues to be weakest in wholesale while manufacturing and rec & personal are also negative. Construction remains most optimistic.
- **Where are we seeing the best conditions by state?** Conditions were weaker in Vic, NSW and WA in the month, while SA, Tas and Qld all saw improvements. Overall, in trend terms, conditions remain most favourable in Tas followed by Vic and SA. The other states are below the national average with WA weakest at -2 index points.
- **What is confidence like across the states?** Confidence fell sharply in WA (unwinding the large increase last month) while the other states made gains, led by Vic. In trend terms, confidence is highest in WA and Tas and weakest in SA and Vic.
- **Are leading indicators suggesting further improvement?** Leading indicators were mixed with capacity utilisation edging higher in addition to the small improvement in confidence, while forward orders were unchanged. Overall, forward looking indicators continue to imply weak business conditions ahead.
- **What does the survey suggest about inflation and wages?** Final products price inflation rose slightly, notwithstanding a small decline in the pace of retail inflation. Input cost pressure rose slightly while labour costs growth was flat. The survey continues to suggest only modest inflation pressures in the economy.

TABLE 1: KEY STATISTICS

	Nov-19	Dec-19	Jan-20
Net balance			
Business confidence	0	-2	-1
Business conditions	4	3	3
Trading	7	6	5
Profitability	3	1	2
Employment	4	4	1
Forward orders	-2	-1	-1
Stocks	2	-1	0
Exports	0	-1	-1
% change at quarterly rate			
Labour costs	0.9	0.9	0.9
Purchase costs	0.7	0.5	0.7
Final products prices	0.4	0.3	0.5
Retail prices	0.5	0.5	0.3
Per cent			
Capacity utilisation rate	81.1	80.9	81.3

CHART 1: MORE OF THE SAME



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 21 January – 3 February 2020, covering over 400 firms across the non-farm business sector.

Next release date: 10 March 2020.

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NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 2: BUSINESS CONFIDENCE (NET BALANCE)

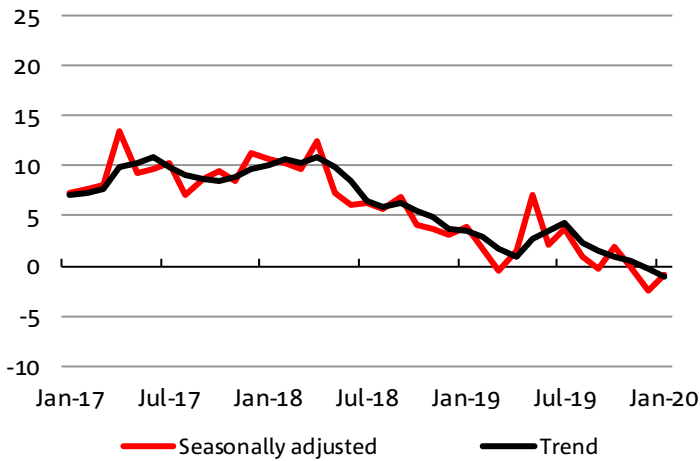


CHART 3: BUSINESS CONDITIONS (NET BALANCE)

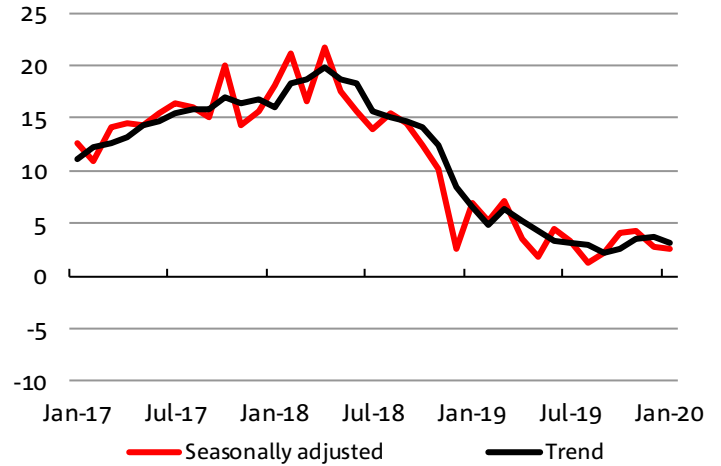


CHART 4: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

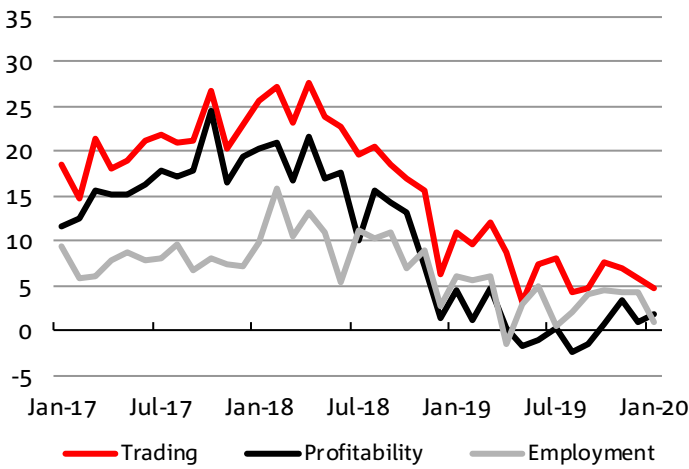


CHART 5: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

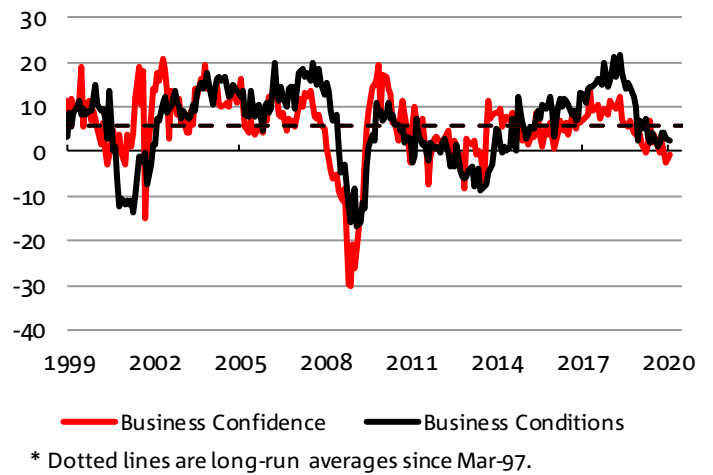


CHART 6: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

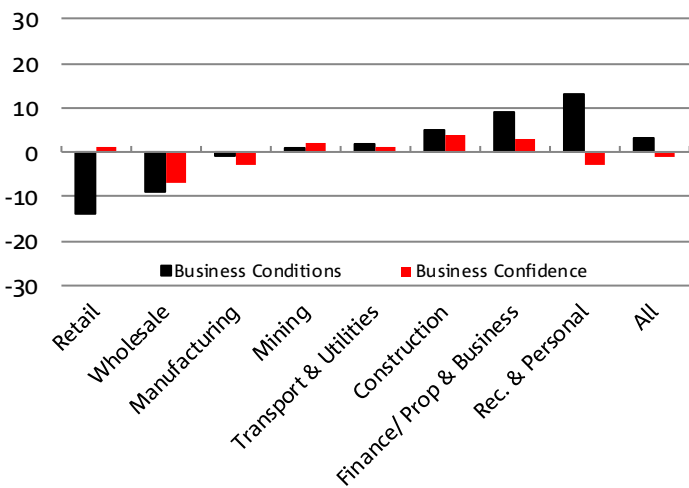
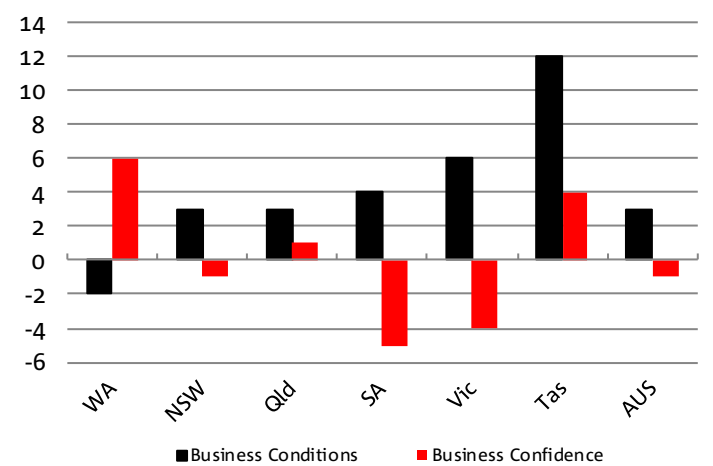


CHART 7: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 8: FORWARD ORDERS (NET BALANCE)

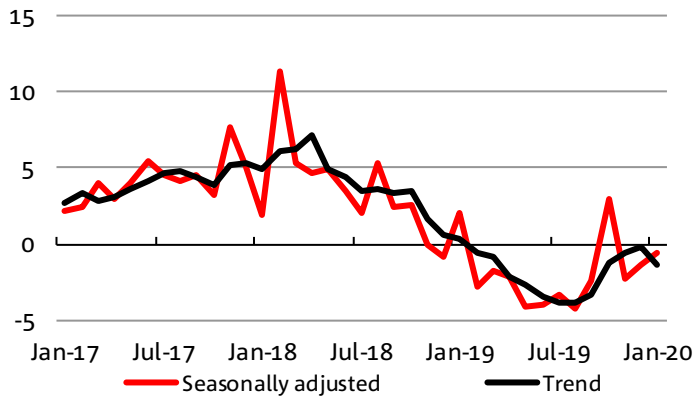


CHART 9: CAPITAL EXPENDITURE (NET BALANCE)

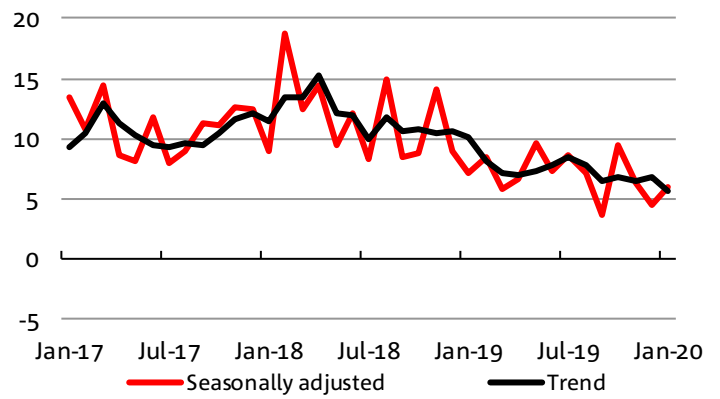


CHART 10: CAPACITY UTILISATION AND UNEMPLOYMENT

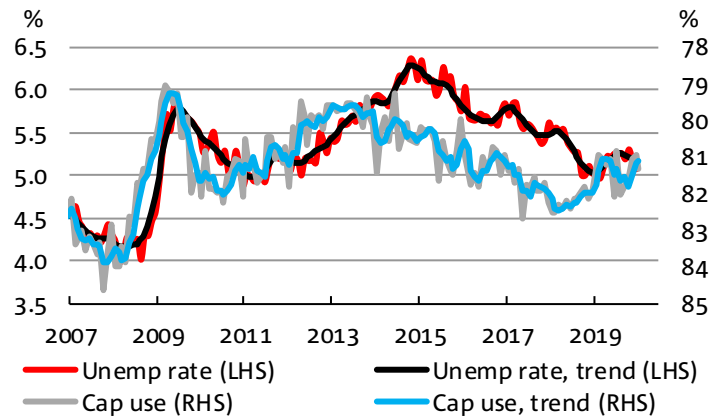


CHART 11: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

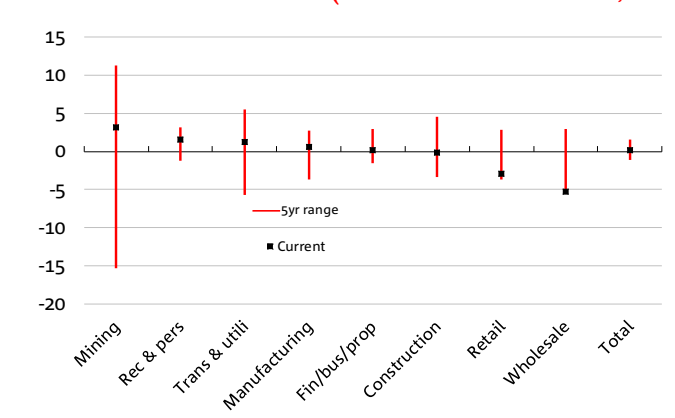


CHART 12: STOCKS (NET BALANCE)

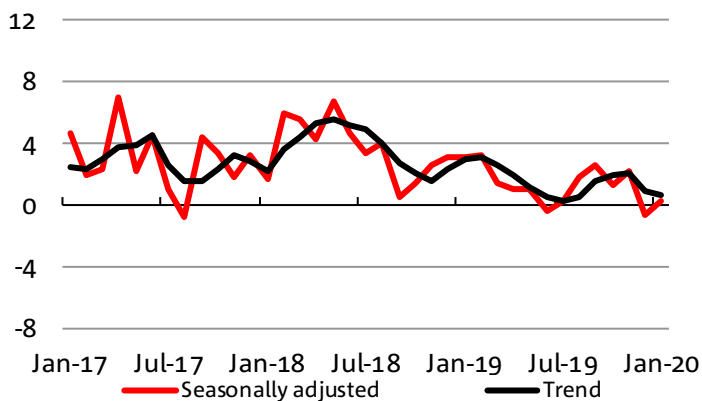


CHART 13: CASH FLOW (NET BALANCE)

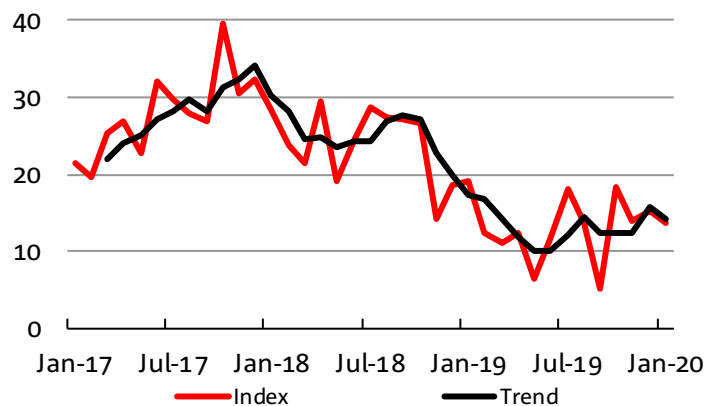


CHART 14: EXPORTS (NET BALANCE)

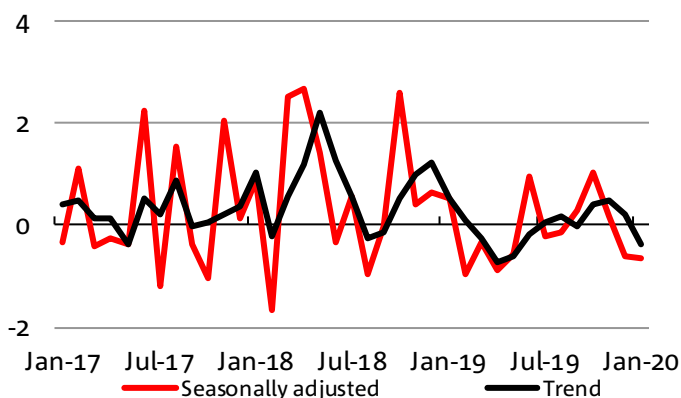
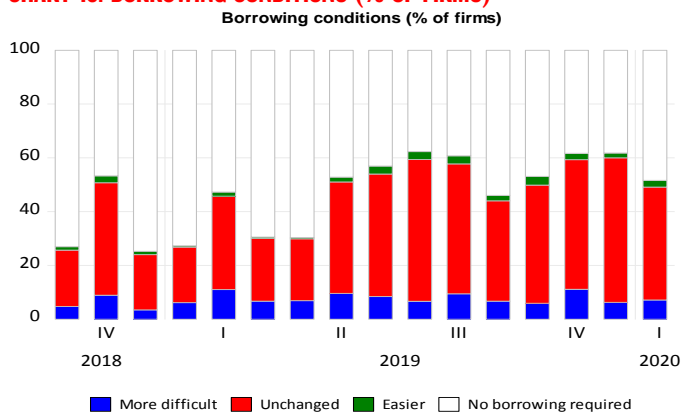


CHART 15: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

CHART 16: BUSINESS CONDITIONS (NET BALANCE) BY STATE

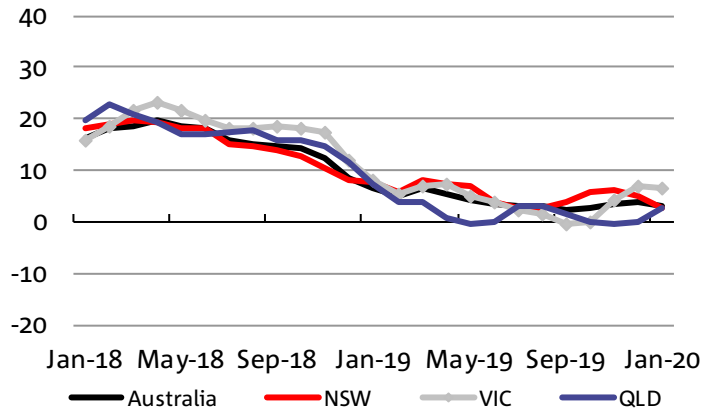


CHART 17: BUSINESS CONDITIONS (NET BALANCE) BY STATE

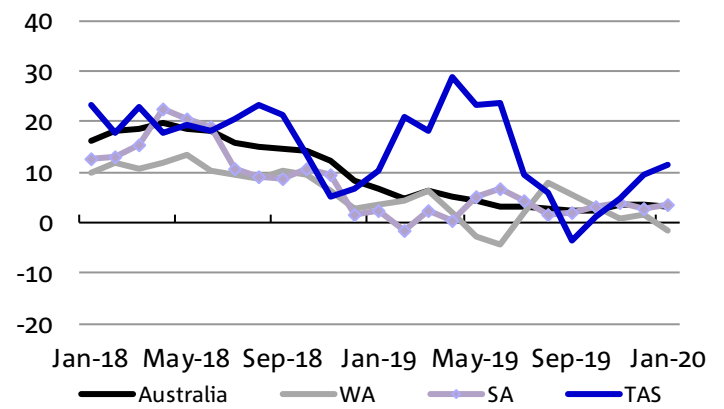


CHART 18: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

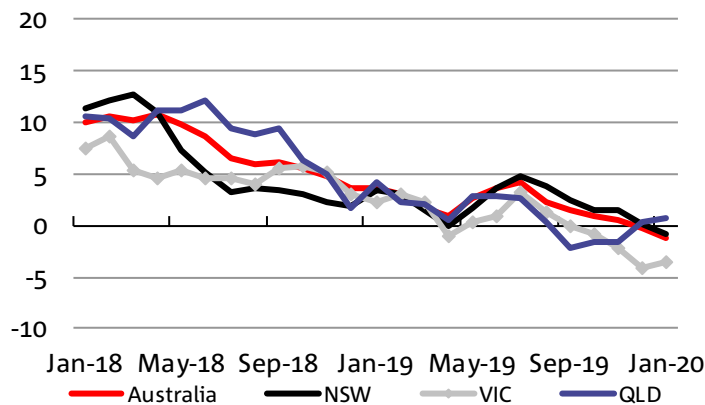


CHART 19: BUSINESS CONFIDENCE BY STATE (NET BALANCE)

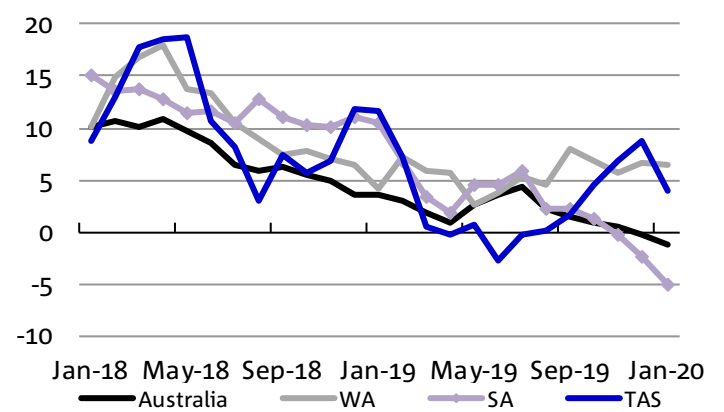


CHART 20: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

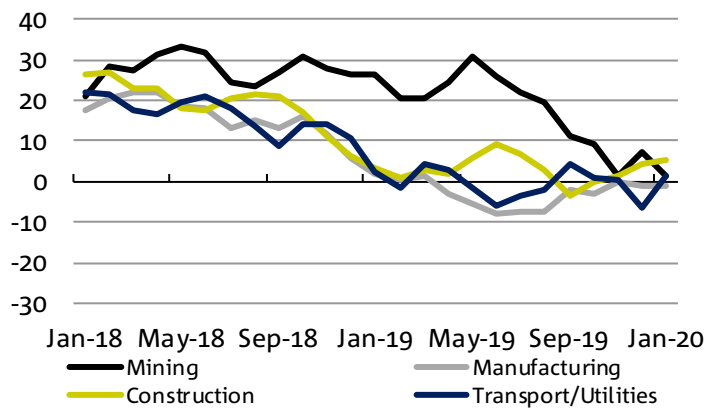


CHART 21: BUSINESS CONDITIONS BY INDUSTRY (NET BALANCE)

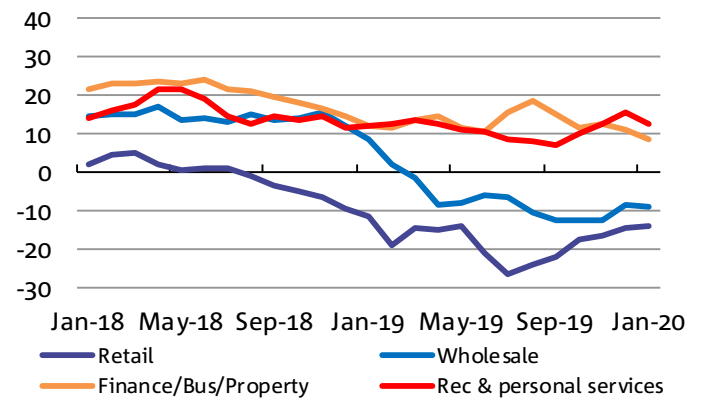


CHART 22: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)

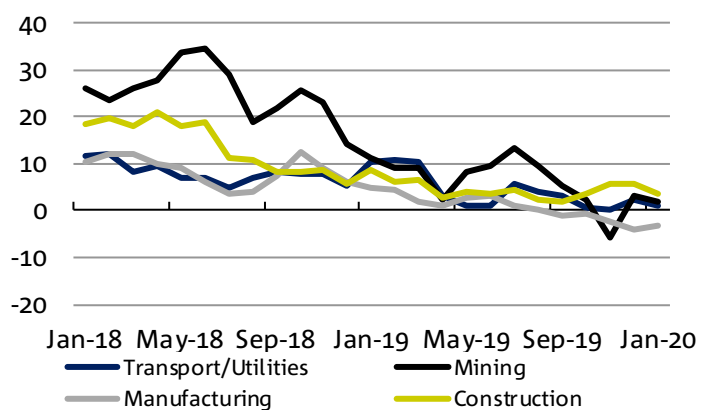
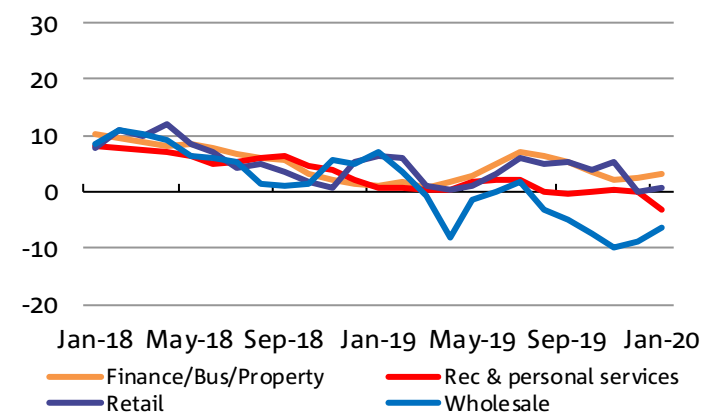


CHART 23: BUSINESS CONFIDENCE BY INDUSTRY (NET BALANCE)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 24: EMPLOYMENT

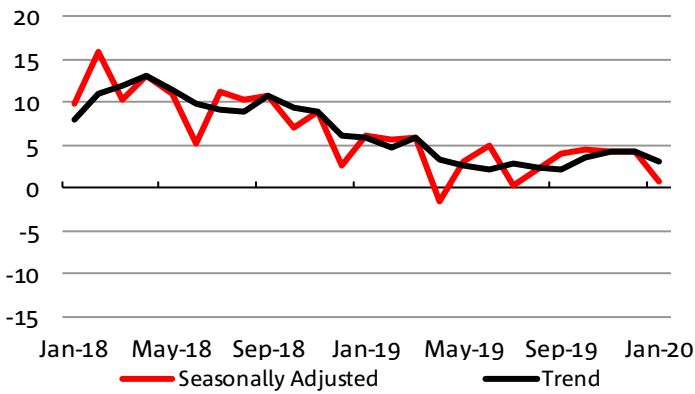


CHART 25: EMPLOYMENT (NAB VS ABS)

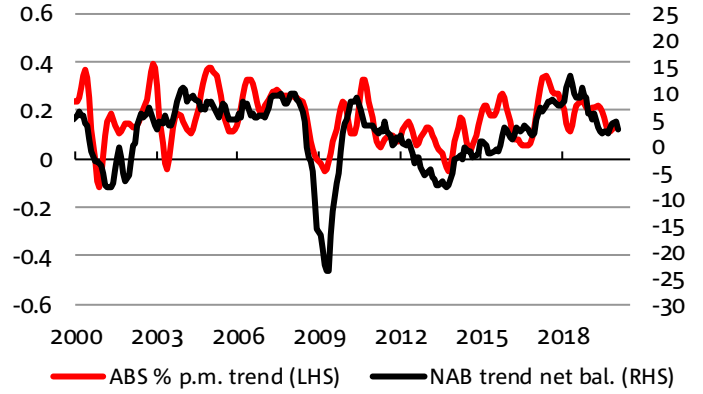


CHART 26: EMPLOYMENT BY INDUSTRY

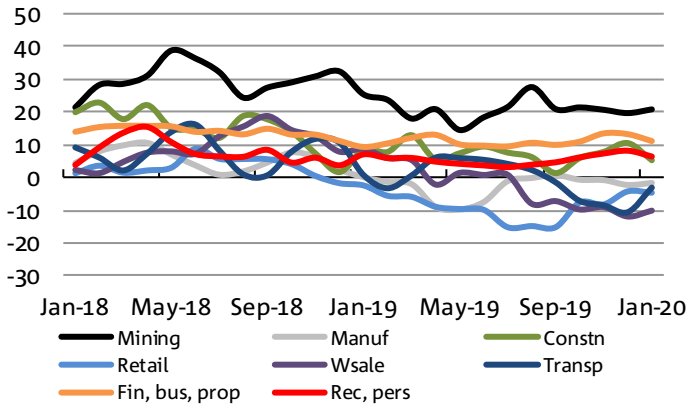


CHART 27: LABOUR COSTS GROWTH

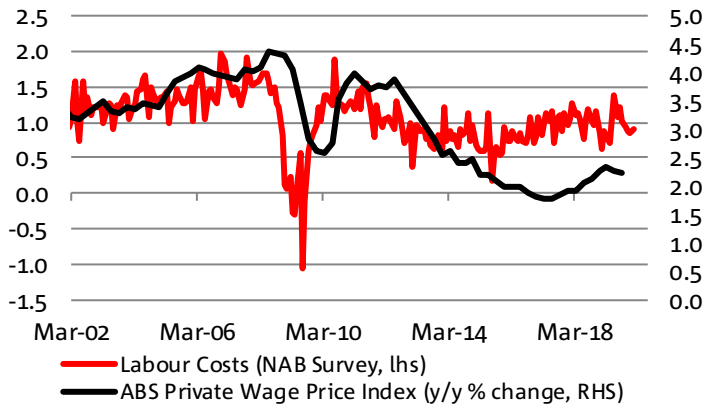


CHART 28: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

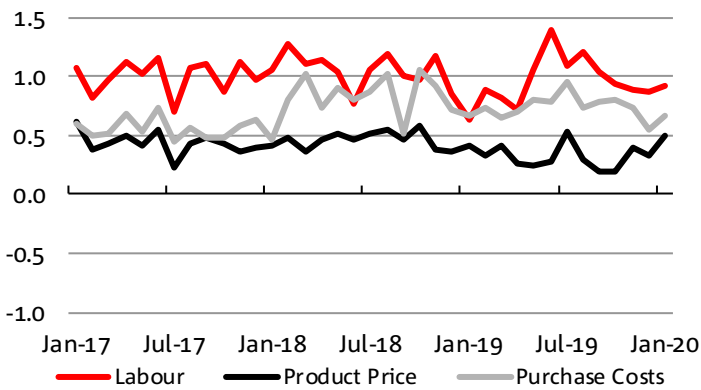
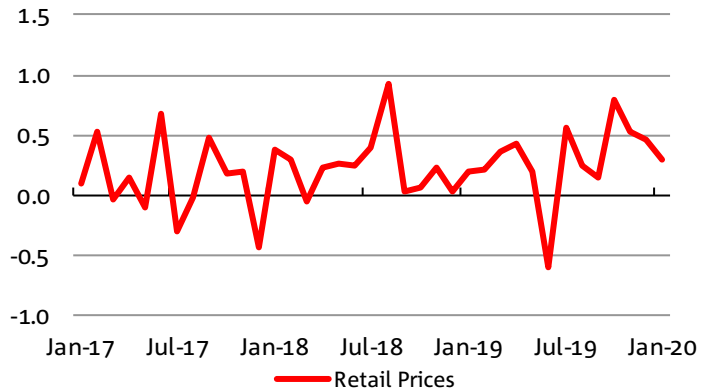


CHART 29: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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.