



NAB MONTHLY BUSINESS SURVEY JULY 2020

CONDITIONS CONTINUE TO RECOVER, BUT CONFIDENCE REMAINS FRAGILE

NAB Australian Economics

Key messages from the Survey: This survey was conducted prior to the escalation to stage 4 restrictions in Victoria. Prior to that, the survey suggested that business conditions saw a further improvement in July – which was broad-based across states. Outcomes across industries were more mixed – with services continuing to improve, albeit from a low base, while transport & utilities and construction weakened. Confidence saw a significant deterioration across all industries and in each state, except SA and WA. The most significant deterioration in confidence occurred in NSW and Vic where concerns around the spread of the virus were escalating. While conditions have seen a notable improvement, it may reflect activity coming off a low base - forward orders saw only a marginal improvement and remain very weak. Capacity utilisation remains around 4ppt below levels seen in late 2019. In combination with fragile confidence, these factors suggest recent gains may be reversed – in addition to the fact that stage 4 lockdowns will further impact confidence and conditions in Victoria. Capex remains negative and suggests that firms will shelve expansion plans until there is a sustained recovery in capacity utilisation and confidence. The business sector has undergone a very large contraction and with uncertainty to remain elevated for some time it is likely that it will take an extended period to see a full recovery and that further government support will be needed to get there.

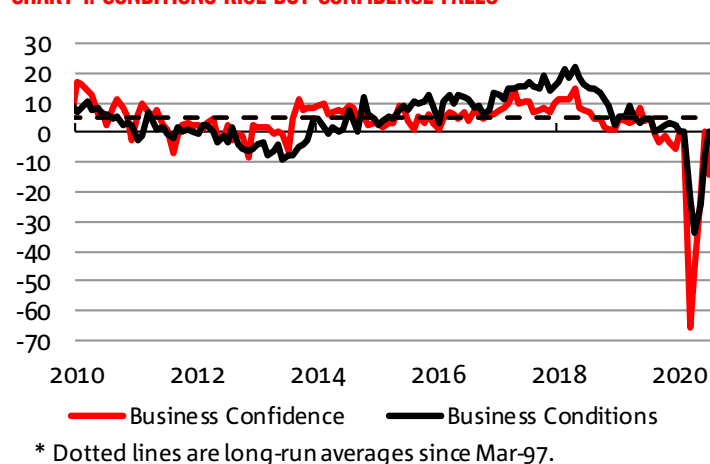
HIGHLIGHTS

- **How confident are businesses?** Confidence fell sharply in the month to -14 index points.
- **How did business conditions fare?** Conditions rose 8pts to 0 index points – continuing the rebound seen in recent months.
- **What components contributed to the result?** All three sub-components saw an improvement in the month with trading (+1 index points) and profitability (+2 index points) now again in positive territory. The employment index (-2 index points) also rose in the month but remains slightly negative.
- **What is the survey signalling for jobs growth?** The employment index has improved in recent months and is consistent with a likely stabilisation in employment as business halts shedding of workers.
- **Which industries are driving conditions?** The improvement in conditions was led by a large pickup in recreational and personal services, while wholesale, manufacturing and finance, business & property services also increased. Transport & utilities and construction saw large decreases, while mining and retail saw smaller falls. Conditions are weakest in construction, and negative in transport & utilities and finance, business & property. Retail and wholesale are strongest.
- **Which industries are most confident?** Confidence fell in all industries led by mining which saw a sharp decline. With the exception of retail and construction, which saw more modest falls, the other industries declined by 17-19pts. Confidence is now weakest in retail and construction.
- **Where are we seeing the best conditions by state?** Conditions increased across all states, led by gains in Tas and SA. NSW and Vic saw the smallest gains and are the weakest across the states by a notable margin.
- **What is confidence like across the states?** Confidence fell on the east coast – driven by sharp declines in NSW and VIC and a more modest decline in QLD. Confidence is now negative in all states except WA and Tas, with NSW and Vic significantly weaker than the rest.
- **Are leading indicators suggesting further improvement?** Forward orders and capacity utilisation saw marginal improvements but overall point to ongoing weakness.
- **What does the survey suggest about inflation and wages?** Unsurprisingly given the magnitude of the demand shock underway, the survey continues to point to very soft inflationary pressure.

TABLE 1: KEY STATISTICS

	May-20	Jun-20	Jul-20
	Net balance		
Business confidence	-21	0	-14
Business conditions	-24	-8	0
Trading	-20	-6	1
Profitability	-20	-8	2
Employment	-31	-11	-2
Forward orders	-29	-9	-7
Stocks	-9	-6	-9
Exports	-9	-5	-3
	% change at quarterly rate		
Labour costs	-1.0	0.0	-1.0
Purchase costs	0.2	0.7	0.0
Final products prices	-0.3	0.2	-0.2
Retail prices	-0.1	1.1	0.4
	Per cent		
Capacity utilisation rate	74.6	76.6	76.9

CHART 1: CONDITIONS RISE BUT CONFIDENCE FALLS



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 22-31 July 2020, covering over 400 firms across the non-farm business sector.
Next release date: 8 September 2020.

NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 2: BUSINESS CONFIDENCE (NET BALANCE)

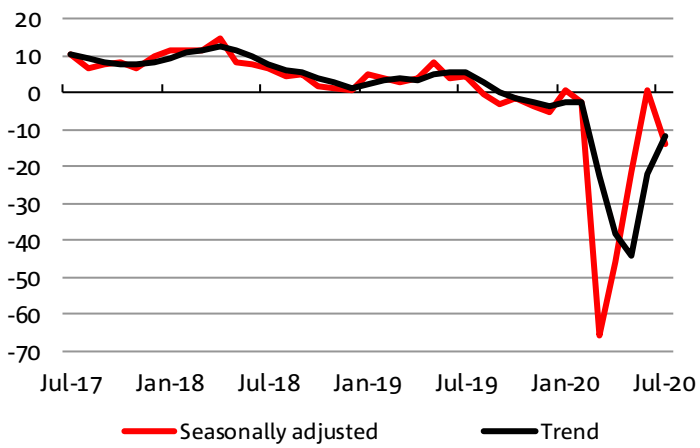


CHART 3: BUSINESS CONDITIONS (NET BALANCE)

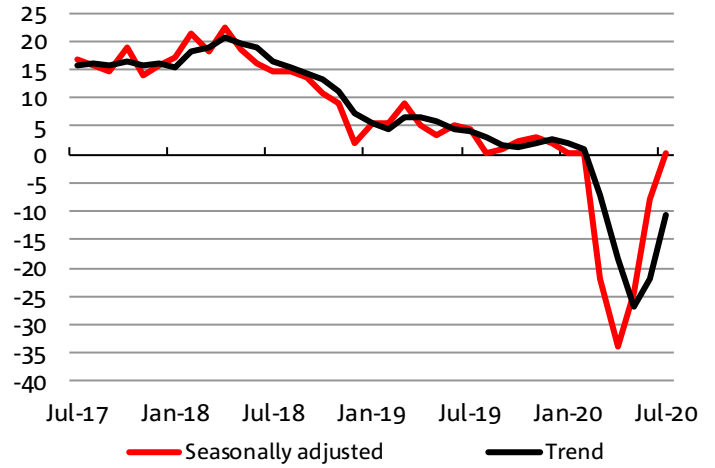


CHART 4: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

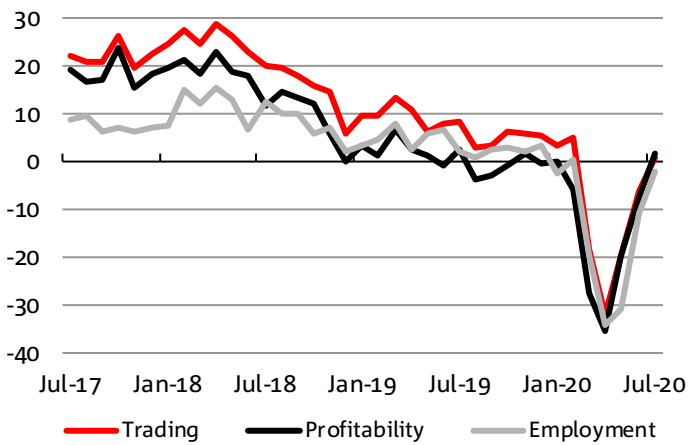


CHART 5: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

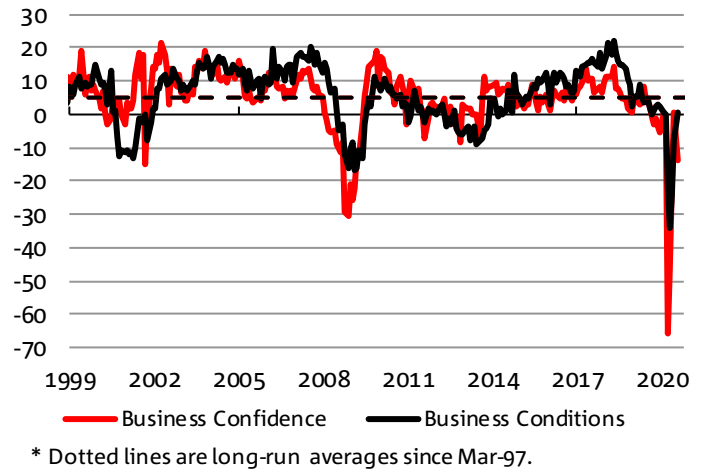


CHART 6: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

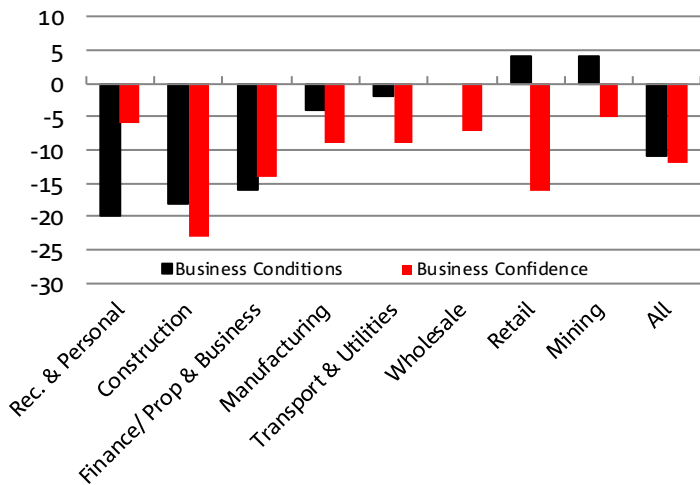
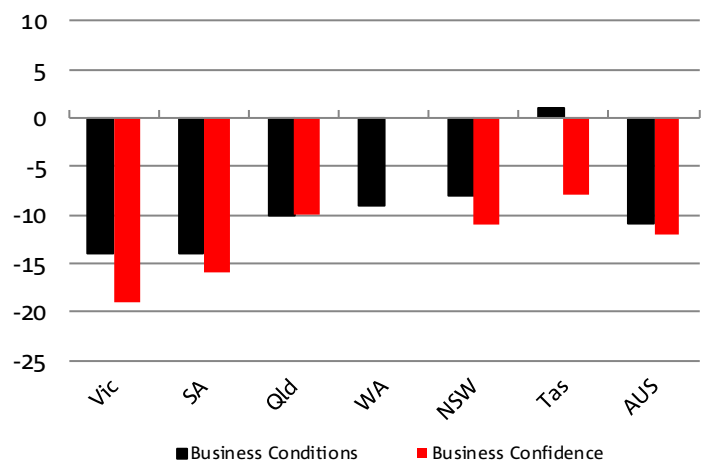


CHART 7: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 8: FORWARD ORDERS (NET BALANCE)

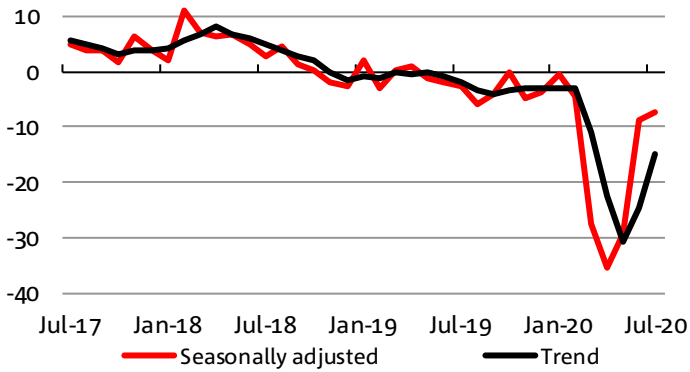


CHART 9: CAPITAL EXPENDITURE (NET BALANCE)

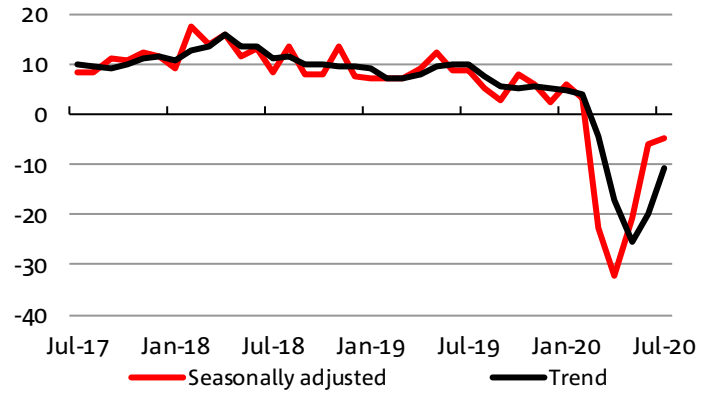


CHART 10: CAPACITY UTILISATION AND UNEMPLOYMENT

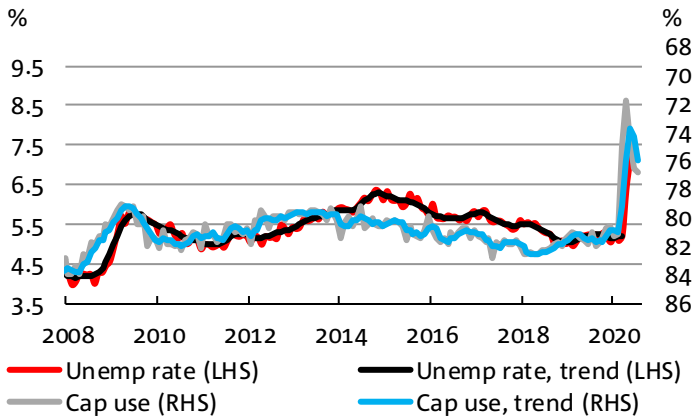


CHART 11: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

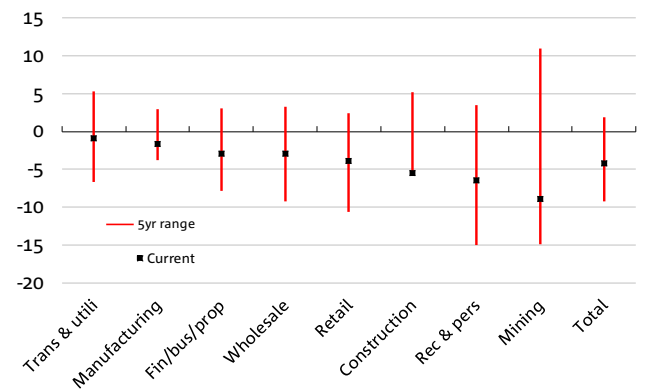


CHART 12: STOCKS (NET BALANCE)

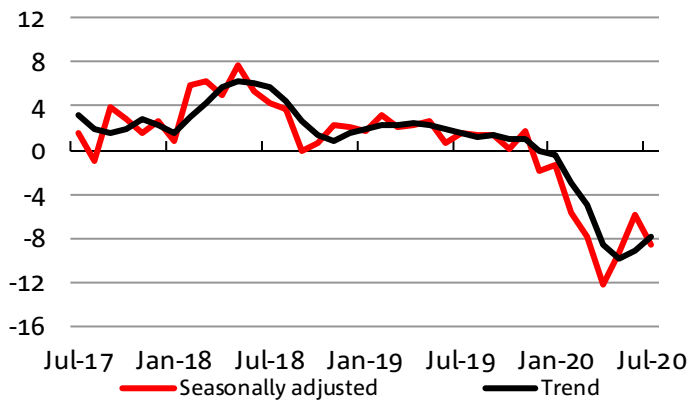


CHART 13: CASH FLOW (NET BALANCE)

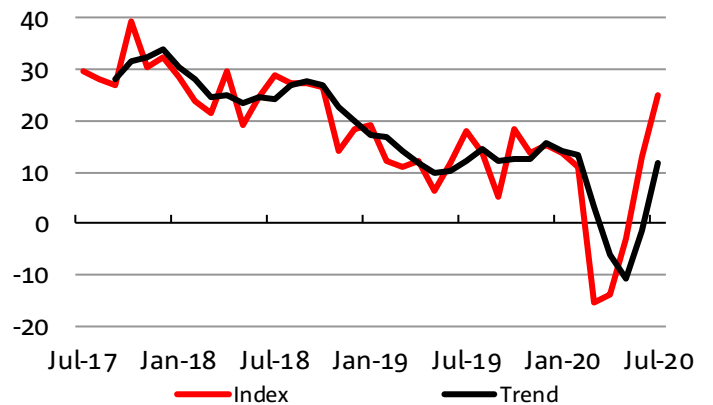


CHART 14: EXPORTS (NET BALANCE)

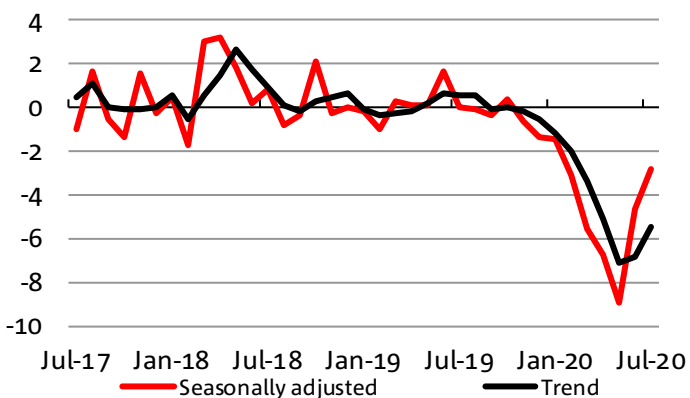
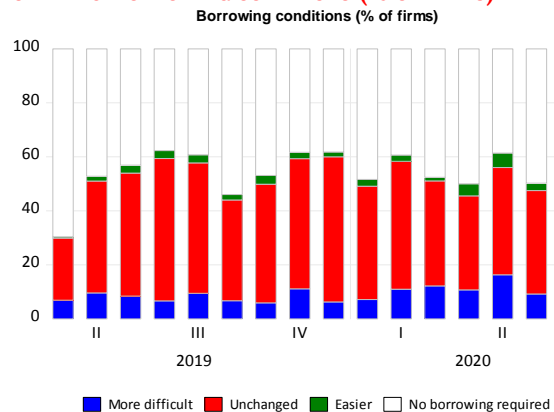


CHART 15: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

CHART 16: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

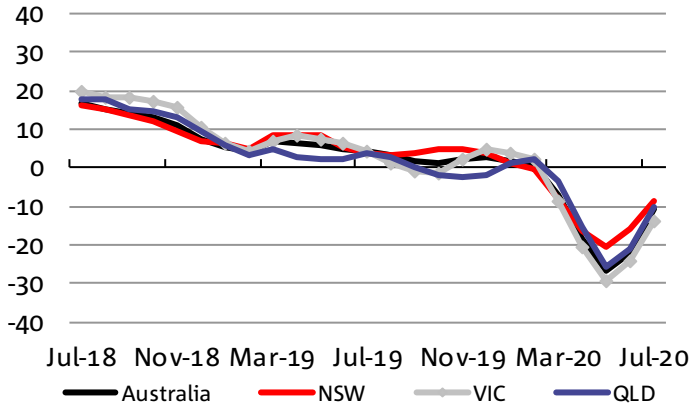


CHART 17: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

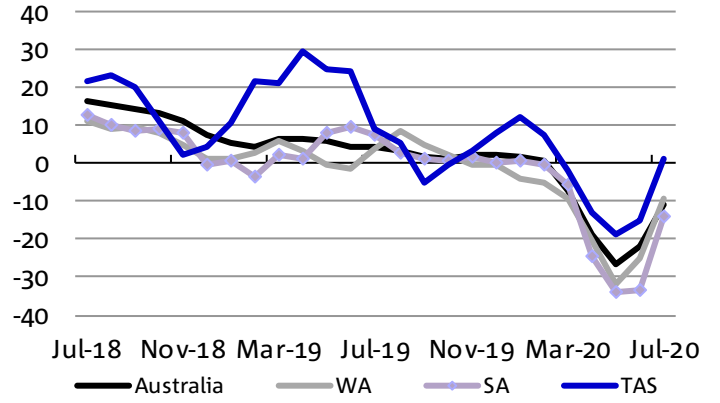


CHART 18: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

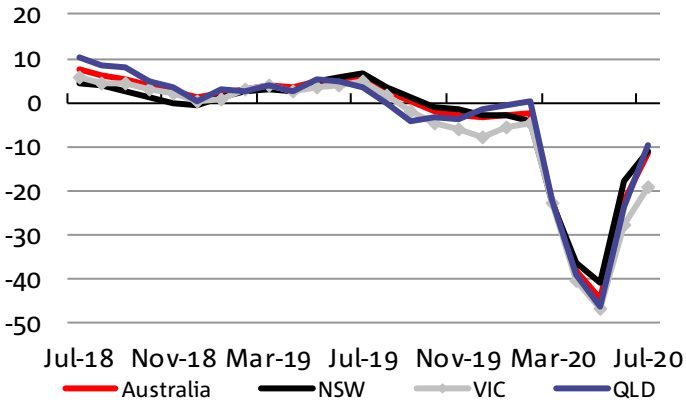


CHART 19: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

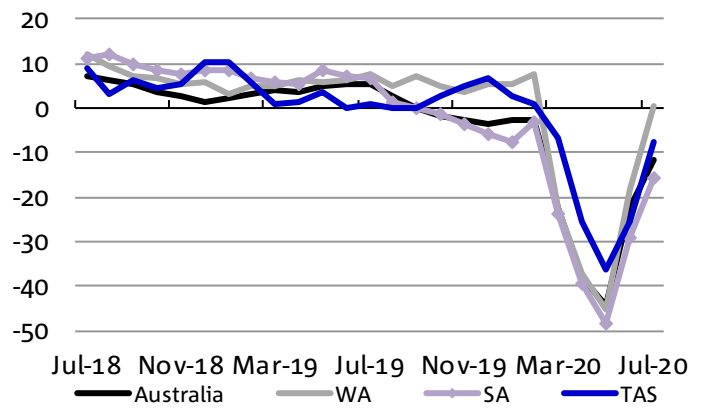


CHART 20: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

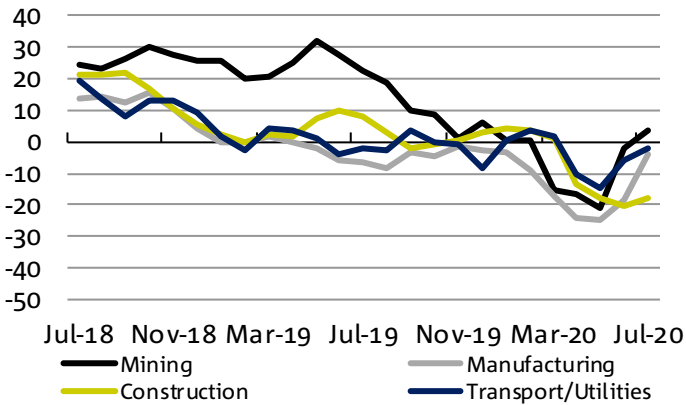


CHART 21: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

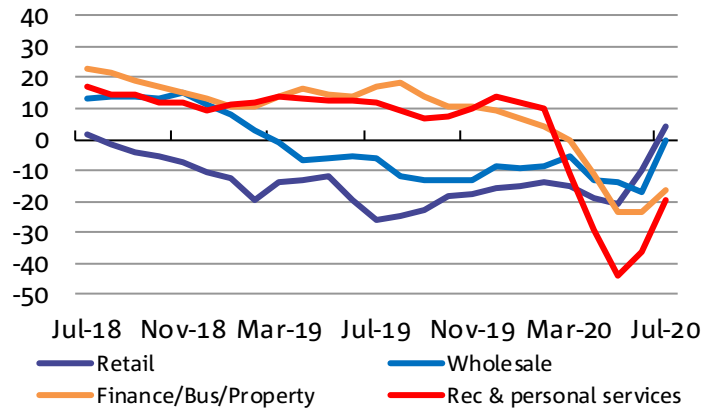


CHART 22: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

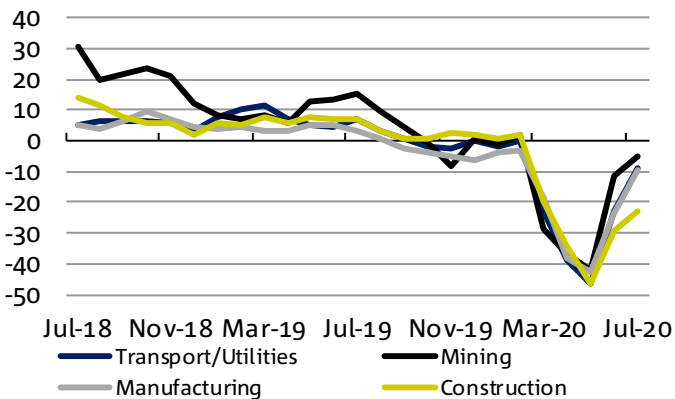
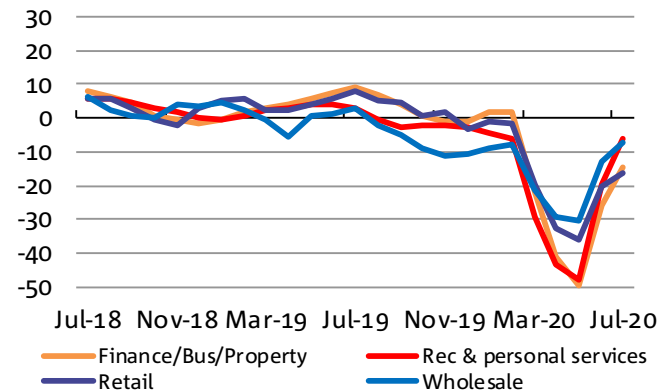


CHART 23: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 24: EMPLOYMENT

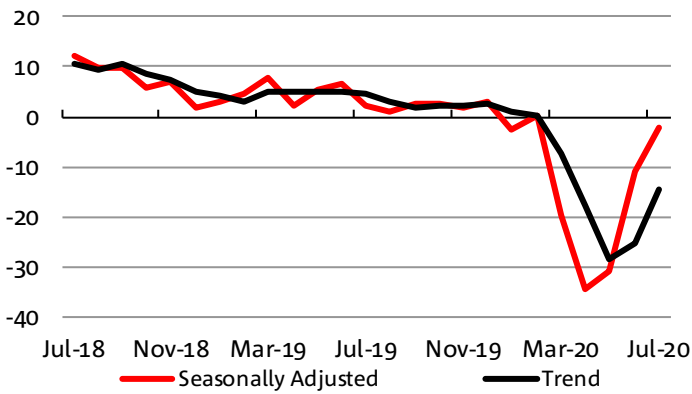


CHART 25: EMPLOYMENT (NAB VS ABS)

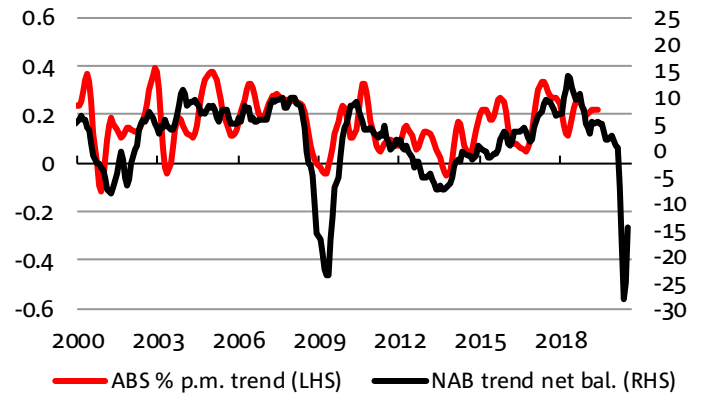


CHART 26: EMPLOYMENT BY INDUSTRY

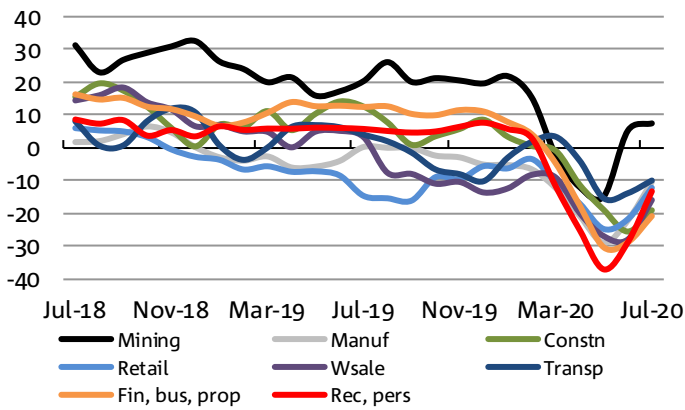


CHART 27: LABOUR COSTS GROWTH

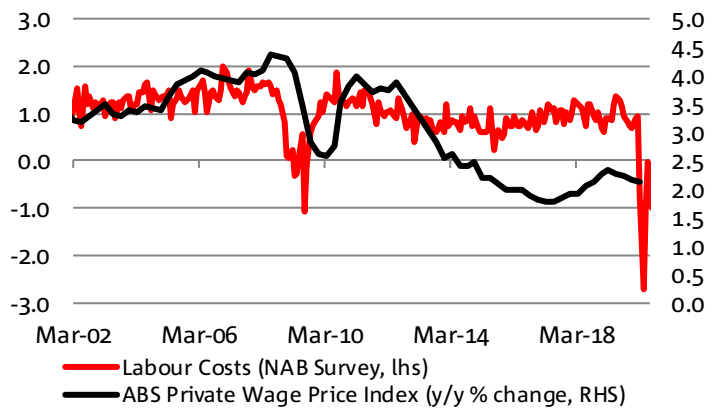


CHART 28: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

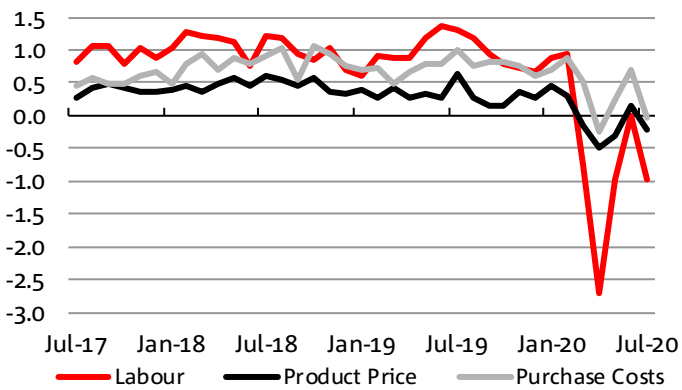
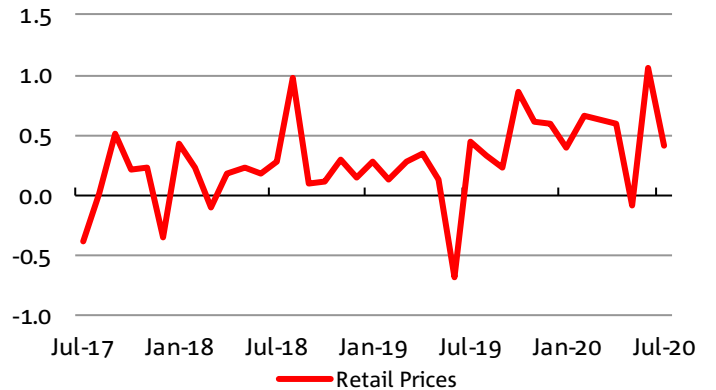


CHART 29: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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.