

# NAB MONTHLY BUSINESS SURVEY SEPTEMBER 2020

## CONFIDENCE AND CONDITIONS IMPROVE

*NAB Australian Economics*

**Key messages from the Survey:** Overall, the survey saw a modest improvement in September. Conditions are around the levels seen in early 2020 but remain well below average. The improvement in conditions was driven by a rise in all three subcomponents – trading and profitability are in positive territory, likely reflecting improving activity as the economy opens up. The employment index remains negative, suggesting that business remains cautious and not yet ready to restore previous employment levels. The impact of the virus remains evident in Vic where conditions are notably weaker than the other states. On the other hand, conditions are now above average in WA, SA and Qld pointing to an ongoing recovery in those states. NSW remains negative but also improved in the month. Confidence saw further improvement in the month and is well above the March trough, but remains in negative territory. While confidence and conditions have rebounded relatively quickly, forward looking indicators remain soft after only seeing marginal gains in recent months. Forward orders remain very weak which likely is a driver of weak confidence and suggests that capacity utilisation will likely only gradually recover.

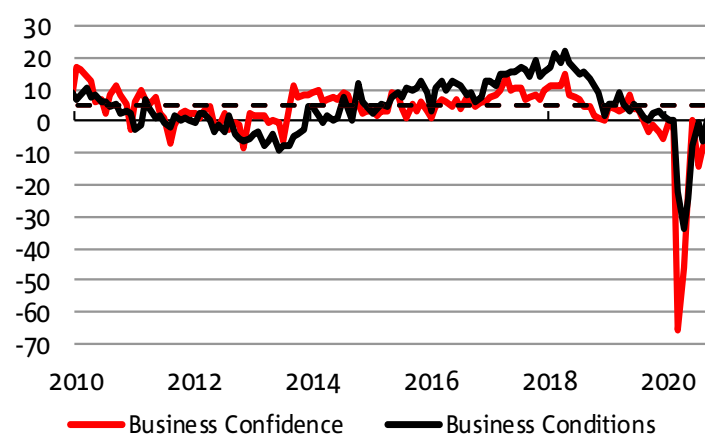
### HIGHLIGHTS

- **How confident are businesses?** Confidence rose 4pts to -4 index points building on last month's improvement.
- **How did business conditions fare?** Conditions rose 6 pts to 0 index points in the month.
- **What components contributed to the result?** The improvement in conditions was driven by an increase in all three sub-components. Trading conditions rose 8pts to +6 index points and profitability rose 5pts to +2 index points. The employment index also saw an improvement (up 8pts) but remains negative at -6 index points.
- **What is the survey signalling for jobs growth?** The employment index saw some improvement in the month, but remains quite negative. At face value, this suggests on average firms are still shedding workers.
- **Which industries are driving conditions?** Conditions rose in mining, manufacturing and construction, as well as personal & recreation and finance, business & property services. Retail, wholesale and transport & utilities edged lower in the month. Conditions remain most favourable in retail and are weakest in recreational & personal services.
- **Which industries are most confident?** Confidence rose in all industries except finance, business & property services which was flat. Transport & utilities was highest, followed by construction. Recreation & personal services remains weakest followed by retail – which suggests that businesses in the industry do not expect the favourable conditions to continue.
- **Where are we seeing the best conditions by state?** Conditions (s.a. basis) rose in all states except Tas which declined sharply, and Vic which edged lower. Conditions are now most favourable in WA, though Qld, SA and Tas are also positive. NSW lies just below the threshold of improving and deteriorating conditions, while Vic is weakest by some margin.
- **What is confidence like across the states?** Confidence is strongest in WA, while Tas is also positive. Confidence remains negative in all other states, with Vic weakest at -12 index points (s.a. basis).
- **Are leading indicators suggesting further improvement?** Forward orders saw a small improvement in the month, but remains well in negative territory suggesting the pipeline of work continues to deteriorate. Capacity utilisation rose, but remains notably below pre-COVID levels.
- **What does the survey suggest about inflation and wages?** Retail prices growth edged higher in the month, but final products prices more broadly remain soft. Purchase costs growth also rose but is low, while labour costs continue to fall. Overall, these measures point to ongoing softness in inflation.

**TABLE 1: KEY STATISTICS**

	Jul-20	Aug-20	Sep-20
	Net balance		
Business confidence	-14	-8	-4
Business conditions	0	-6	0
Trading	0	-2	6
Profitability	0	-3	2
Employment	-3	-14	-6
Forward orders	-7	-11	-7
Stocks	-9	-8	-5
Exports	-3	-4	-4
	% change at quarterly rate		
Labour costs	-1.0	-0.8	-0.2
Purchase costs	-0.1	0.1	0.4
Final products prices	-0.3	-0.3	-0.2
Retail prices	0.5	0.4	0.6
	Per cent		
Capacity utilisation rate	76.8	76.4	76.9

**CHART 1: CONDITIONS AND CONFIDENCE IMPROVE**



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 15-25 September 2020, covering over 400 firms across the non-farm business sector.

**Next release date: 10 November 2020.**

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

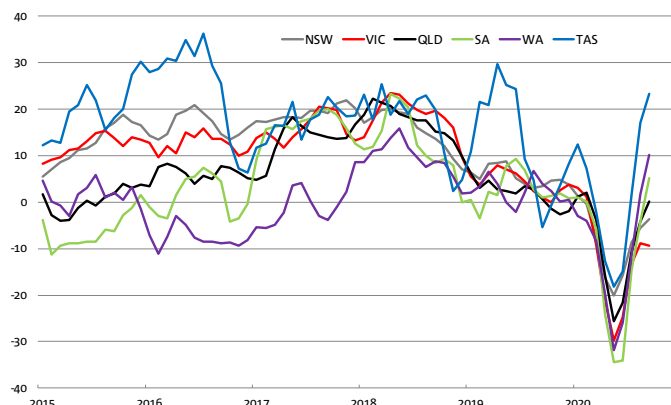
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# NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

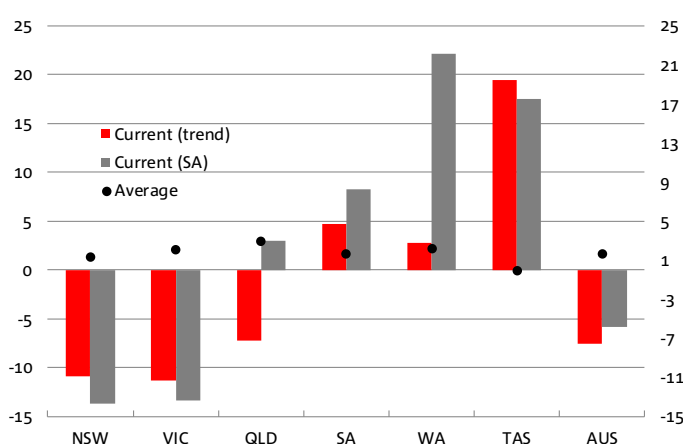
## STATE OUTCOMES

- While all states saw a significant deterioration across survey variables in early 2020 as the country entered wide-spread lockdowns, the rebound in survey variables across states has been uneven.
- In trend terms, business conditions are now highest in Tas, followed by WA and SA. Qld is around the 0 index point threshold of improving/deteriorating and NSW and Vic remain in negative territory. In seasonally adjusted terms, the gap is even wider, with WA seeing further gains in the month while Victoria was slightly softer.
- Trading conditions (in trend terms) have recovered to positive territory in all states except Victoria. They remain below average everywhere, except Tasmania. With further gains in the month of September, the seasonally adjusted numbers now show above average reads in WA and Qld, and more positive reads in NSW and SA. Vic softened a little in the month.
- The employment index – a sub-component of conditions – shows that in trend terms, SA, WA and Tas are seeing a better recovery in the labour market. The two largest states continue to see very weak reads for this component – and at face value see employment levels still falling.
- It is important to remember that despite the recent improvements in conditions across most states, that in a levels sense, activity generally remains substantially below pre-COVID levels. This is best captured by the survey measure of capacity utilisation.
- Capacity utilisation across the states has also seen a varied recovery. All states except for Vic have seen a notable rebound since reaching a trough in April, but with the exception of WA, capacity utilisation remains notably below pre-COVID levels across the states.
- Victoria saw a small increase in capacity utilisation in the month, but has seen a much more tepid recovery in activity – an unsurprising result give the occurrence, and severity, of the second-round lockdowns.
- As Victoria gains control over the virus, and state borders begin to re-open we expect that activity nationwide will continue to recover. While confidence and conditions have come off their lows seen in March and April, activity in a levels sense is yet to fully recover. This is evident in the partial, but not complete rebound in capacity utilisation.
- It is likely that the economy will require ongoing support to ensure the fastest possible bounce-back. As the pipeline of work rebounds and capacity utilisation rises business will be able to again focus on growth, at which point both employment and capex intentions will also begin to recover.

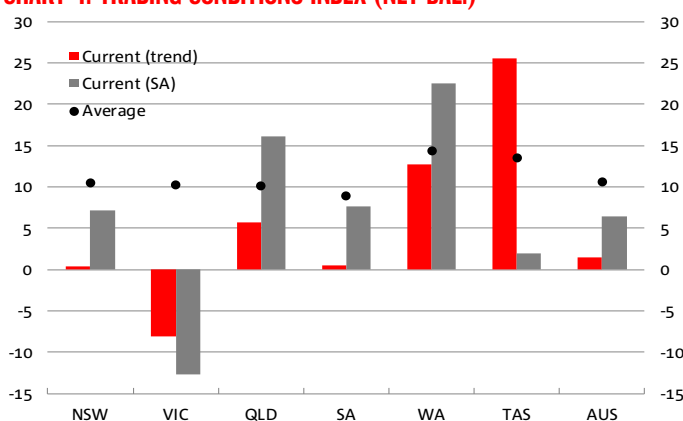
### CHART 2: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)



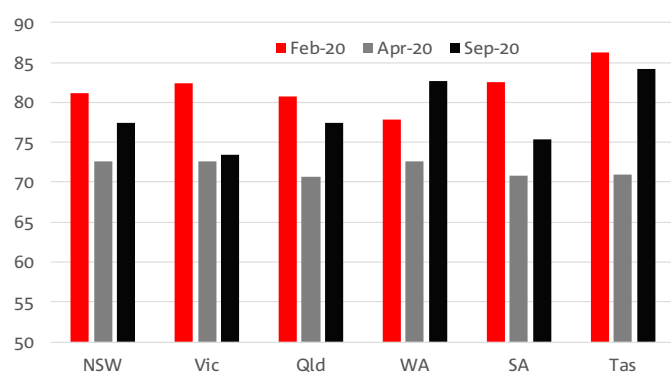
### CHART 3: EMPLOYMENT INDEX (NET BAL.)



### CHART 4: TRADING CONDITIONS INDEX (NET BAL.)

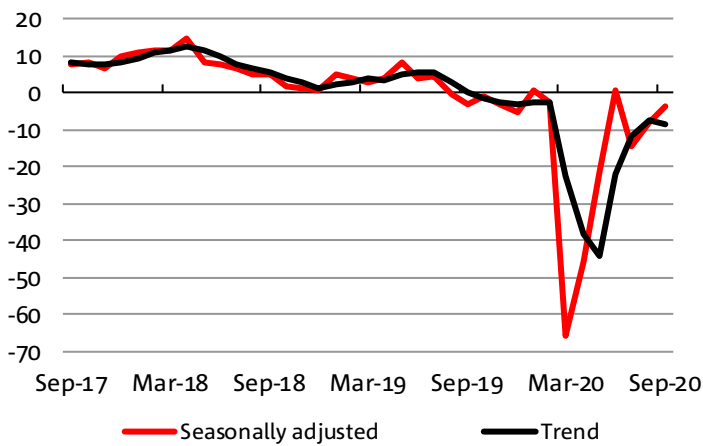


### CHART 5: CAPACITY UTILISATION BY STATE (%)

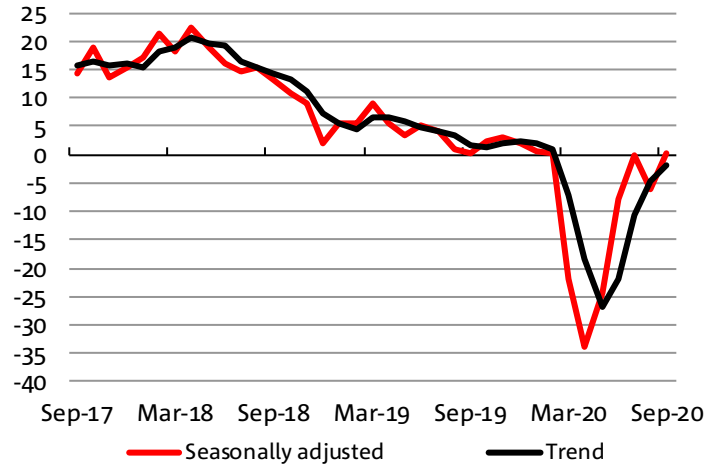


# NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

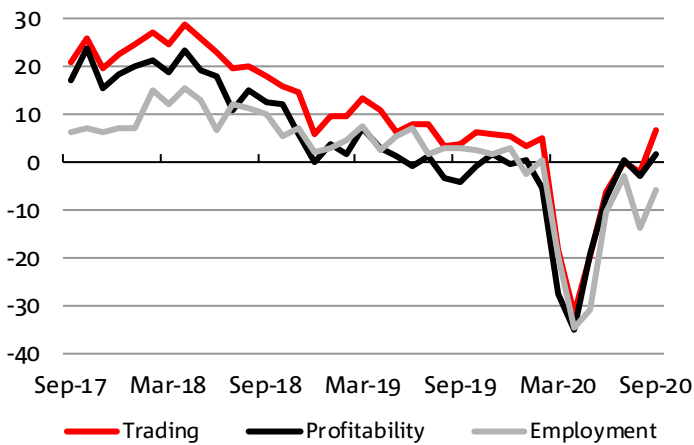
**CHART 6: BUSINESS CONFIDENCE (NET BALANCE)**



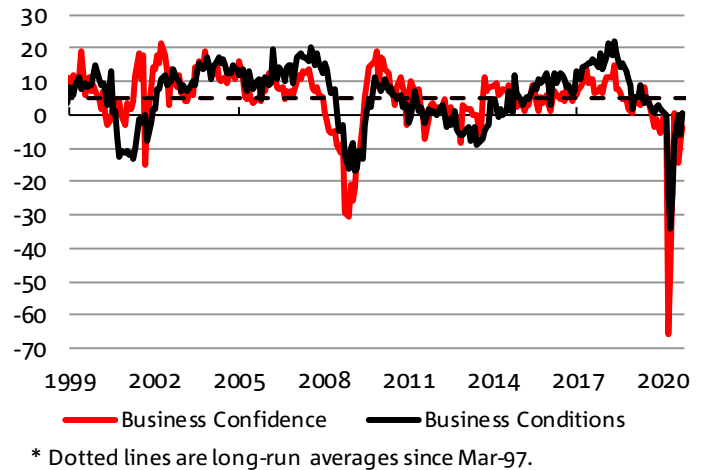
**CHART 7: BUSINESS CONDITIONS (NET BALANCE)**



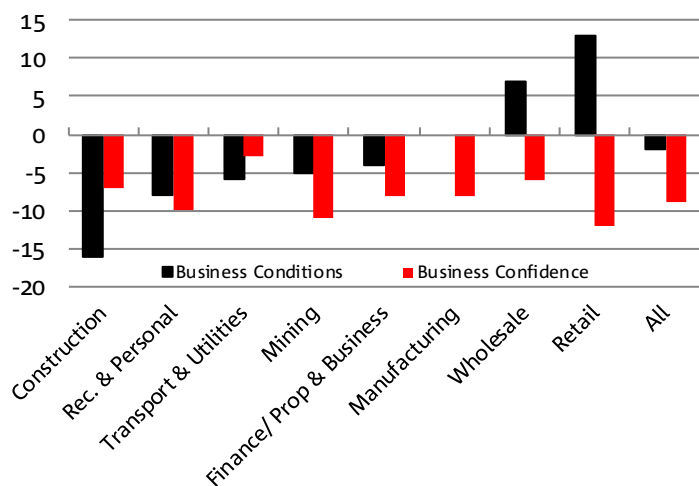
**CHART 8: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.**



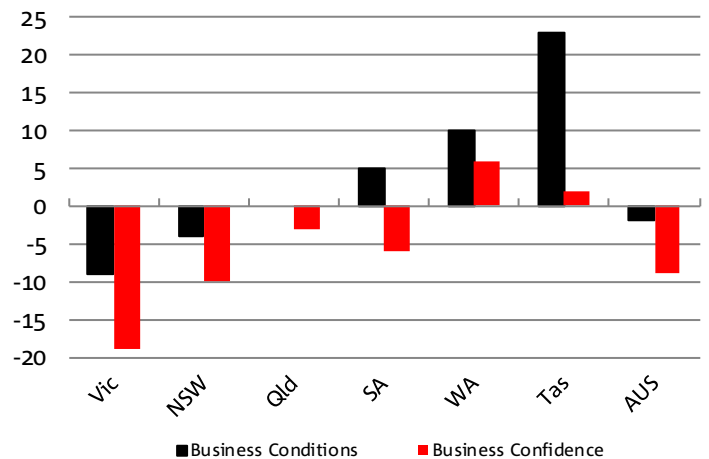
**CHART 9: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE**



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

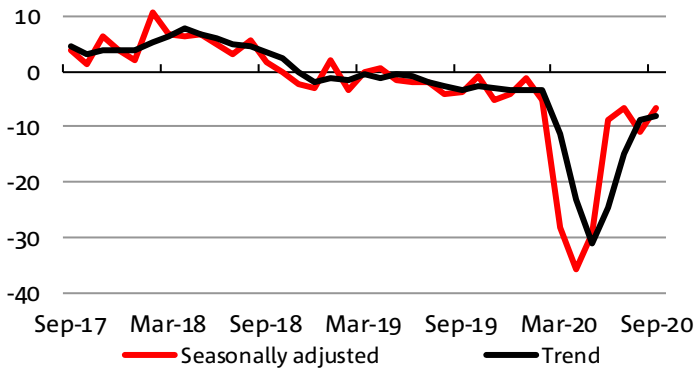


**CHART 11: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)**

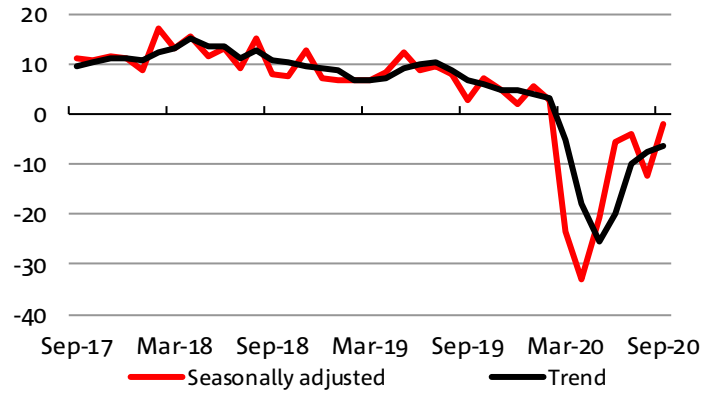


# NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

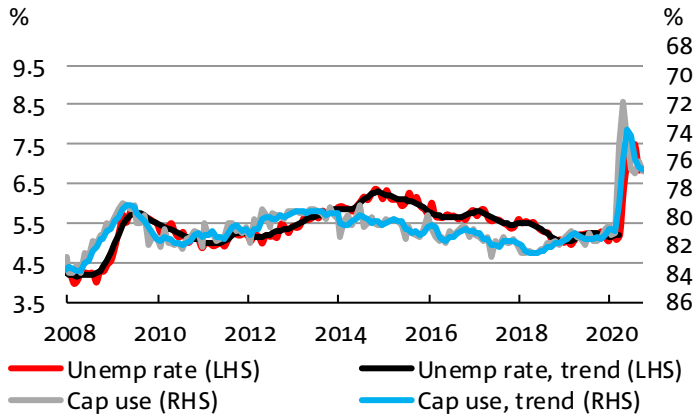
**CHART 12: FORWARD ORDERS (NET BALANCE)**



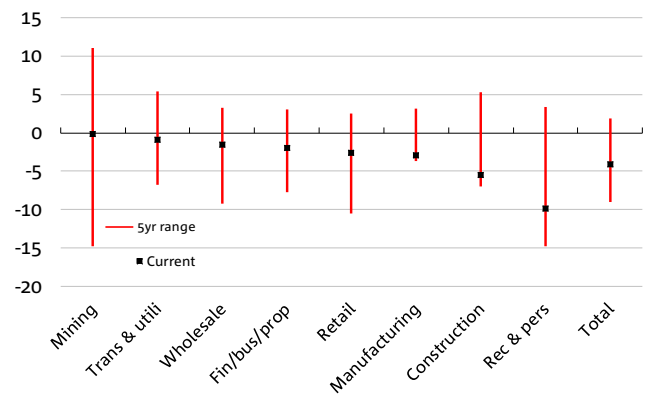
**CHART 13: CAPITAL EXPENDITURE (NET BALANCE)**



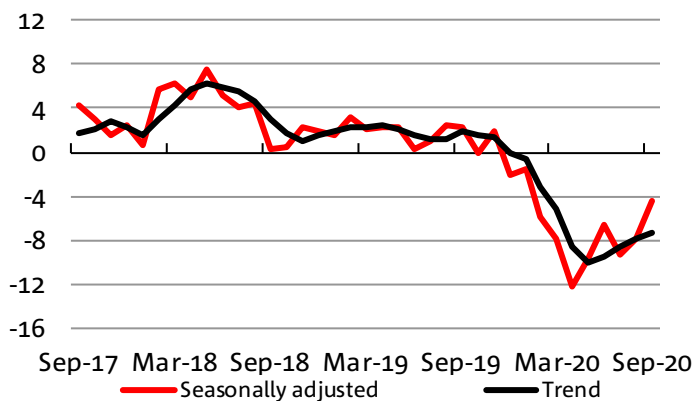
**CHART 14: CAPACITY UTILISATION AND UNEMPLOYMENT**



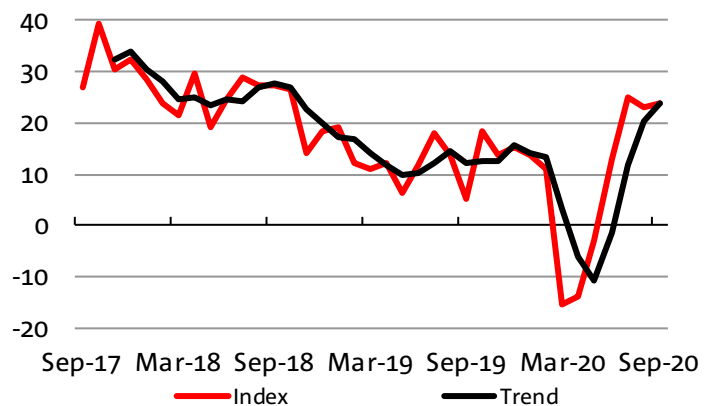
**CHART 15: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)**



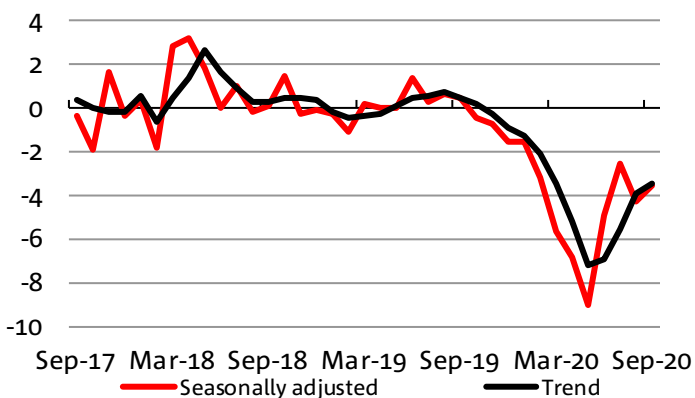
**CHART 16: STOCKS (NET BALANCE)**



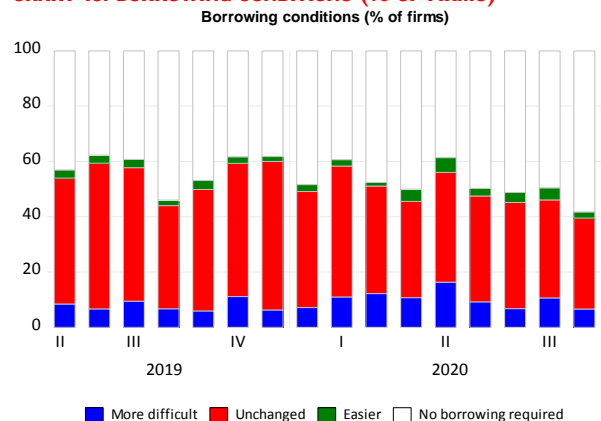
**CHART 17: CASH FLOW (NET BALANCE)**



**CHART 18: EXPORTS (NET BALANCE)**

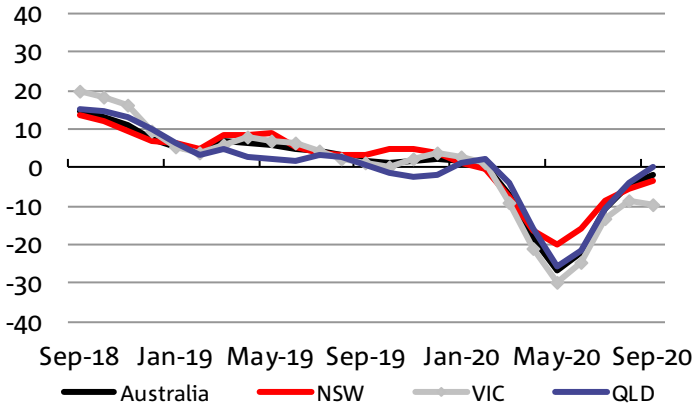


**CHART 19: BORROWING CONDITIONS (% OF FIRMS)**

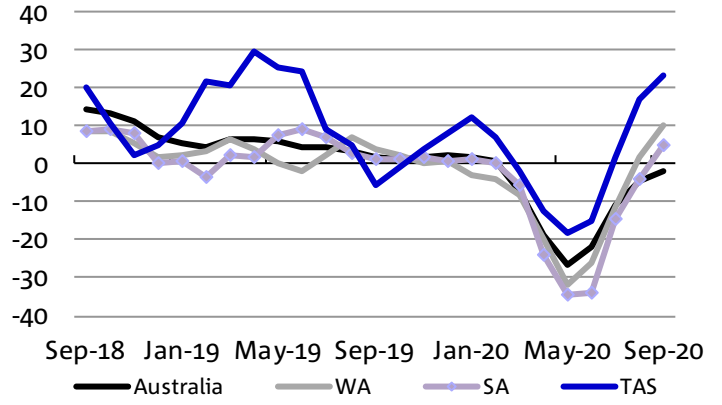


# NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

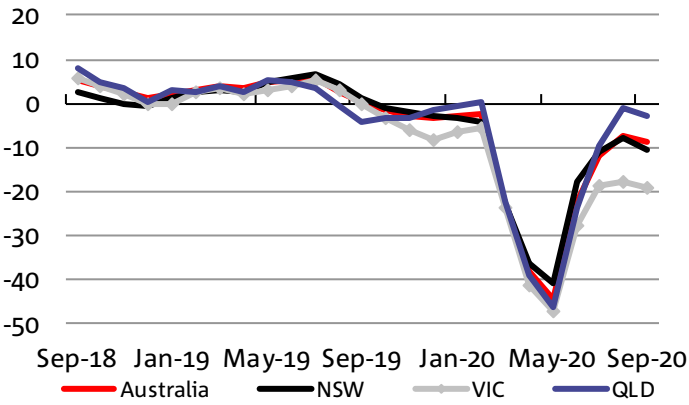
**CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)**



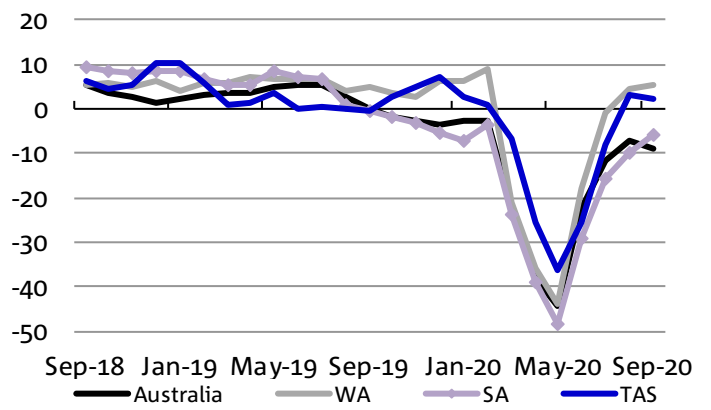
**CHART 21: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)**



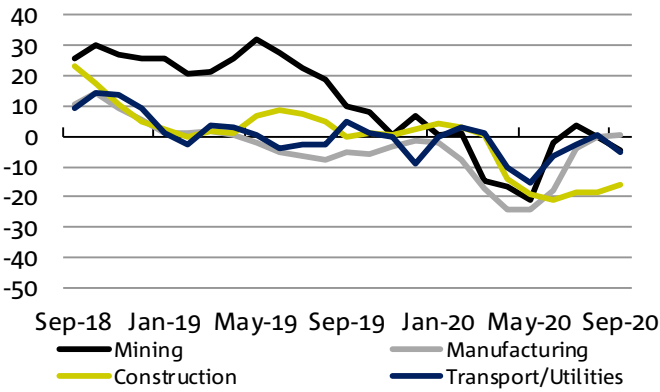
**CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)**



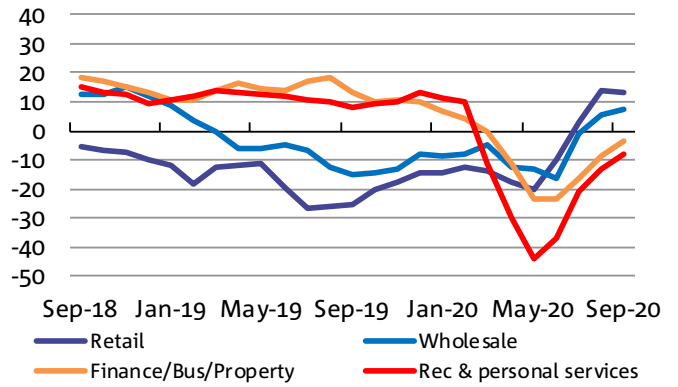
**CHART 23: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)**



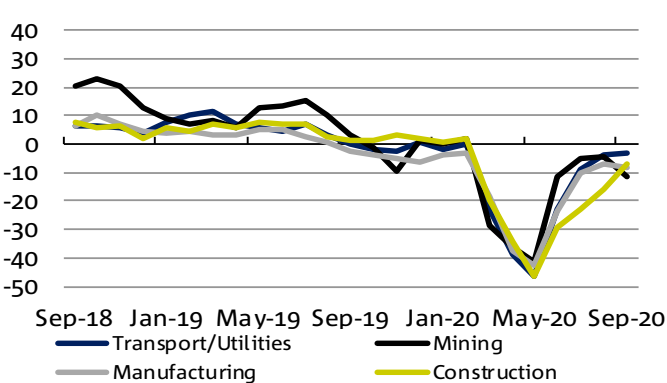
**CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)**



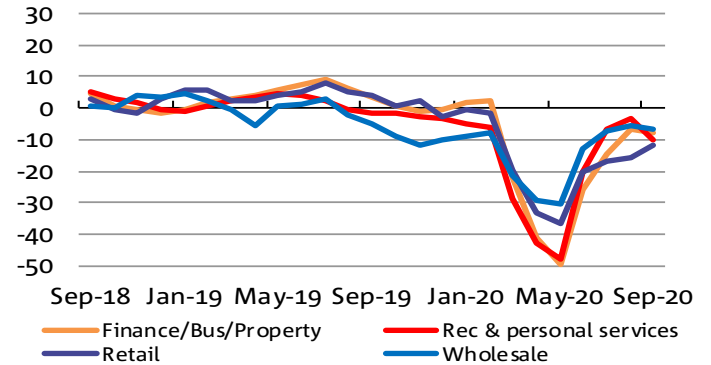
**CHART 25: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)**



**CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)**

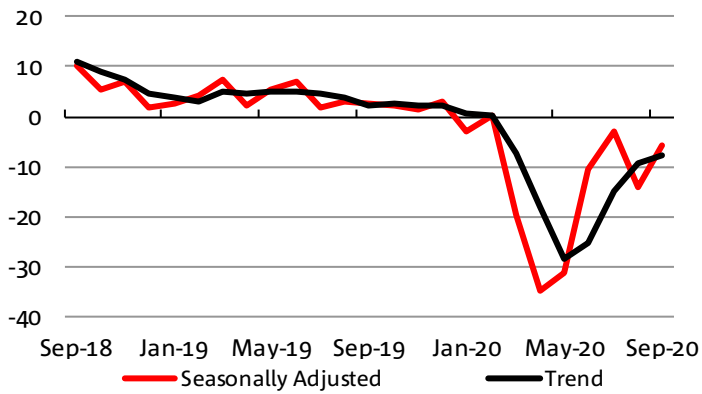


**CHART 27: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)**

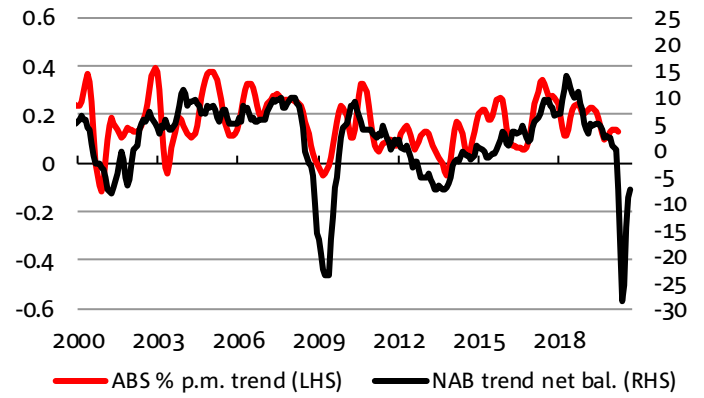


# NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

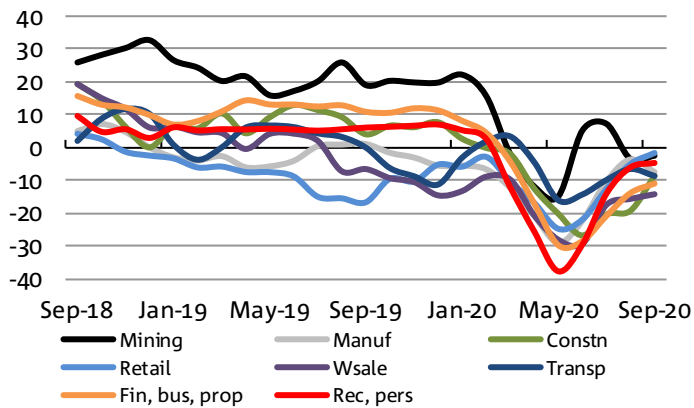
**CHART 28: EMPLOYMENT**



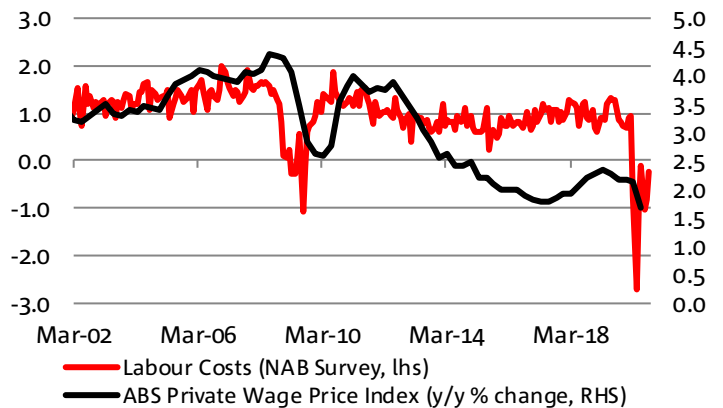
**CHART 29: EMPLOYMENT (NAB VS ABS)**



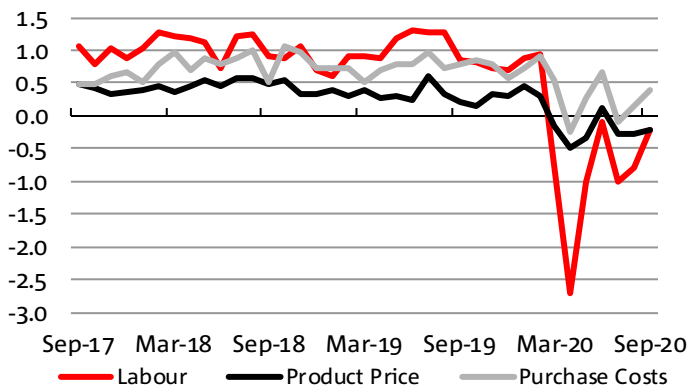
**CHART 30: EMPLOYMENT BY INDUSTRY**



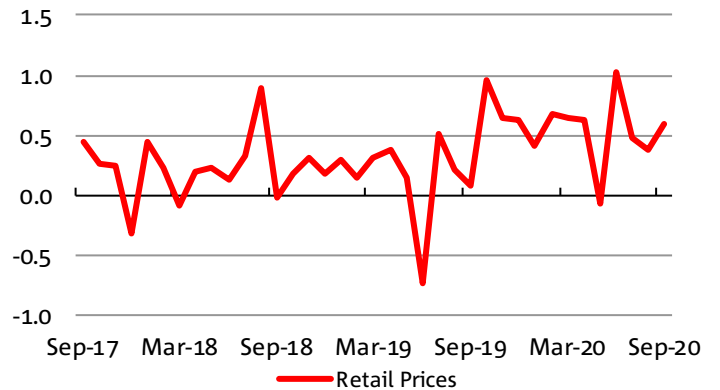
**CHART 31: LABOUR COSTS GROWTH**



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



**CHART 33: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)**



## CONTACTS

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## 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  
Business Conditions (current, next 3 mth, next 12 mth)  
Trading conditions (current, next 3 mth, next 12 mth)  
Profitability (current, next 3 mth, next 12 mth)  
Employment (current, next 3 mth, next 12 mth)  
Forward orders (current, next 3 mth)  
Stocks (current, next 3 mth)  
Export orders (current, next 3 mth)  
Capital expenditure (current, next 3 mth, next 12 mth, fiscal year)  
Required rate of return on investment  
Cash flow  
Labour costs (current, next 3 mth)  
Purchase costs (current, next 3 mth)  
Final prices (current, next 3 mth)  
Capacity Utilisation  
Borrowing index (current, next 3 mth)  
  
Borrowing demand (current, next 3 mth)  
  
Constraints on output (demand, labour, materials, premises & plant, finance/working capital)  
  
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.

Margins (current, next 3 mth)  
Overheads (current, next 3 mth)  
Productivity growth  
Number of employees  
Hours worked  
Gross Sales  
Output/sales growth (current fiscal year)  
Average earnings (current fiscal year)  
  
Short term interest rate  
Exporters hedged FX exposure (%)  
Importers hedged FX exposure (%)  
Months hedged (exporters)  
Months hedged (importers)  
Favourable hedge position (% of exporters)  
Favourable hedge position (% of importers)  
Affected vs not affected by AUD  
Response to AUD (downsized, reduced, overheads, hedging, import substitution, focus on domestic market, other, don't know)  
Driver of trading conditions (demand, wages/jobs, house prices, rates, exchange rate, tax/govt policy, seasonal, finance/working capital, company specific, other)  
What will improve confidence (lower rates, more suitable labour, easier funding, government policy, higher demand, higher AUD, lower AUD, easier compliance, other)