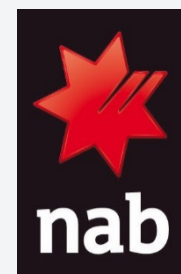


NAB MONTHLY BUSINESS SURVEY JANUARY 2021

BUSINESS CONFIDENCE RISES, WHILE CONDITIONS PULL BACK

NAB Australian Economics



Key messages: Business confidence rose in January to be well above long-run average, while business conditions fell, after reaching multi-year highs in December. Driving the fall in conditions, businesses reported trading conditions had pulled back to around long-run average levels after a very strong November and December. Profitability and employment also pulled back, though both are above their historic averages. The divergence in conditions across industries continues to track as expected, with retail and wholesale still strong, but recreation and personal services continuing to lag. This is also consistent with confidence that is slightly higher in services pointing to expectations of further recovery there. Elsewhere, key indicators of the level of activity recovered – capacity utilisation and capex – made modest gains, where both are just a little below pre-virus levels. Capacity utilisation also generally reflects the outcomes observed in other economic data, where retail has been operating at a higher level than it has in recent years while some sectors of personal services continue to be impacted by restrictions. As such, given conditions remain above average, notwithstanding the fall this month, and lead indicators continue to trend higher, the survey continues to point to an ongoing recovery.

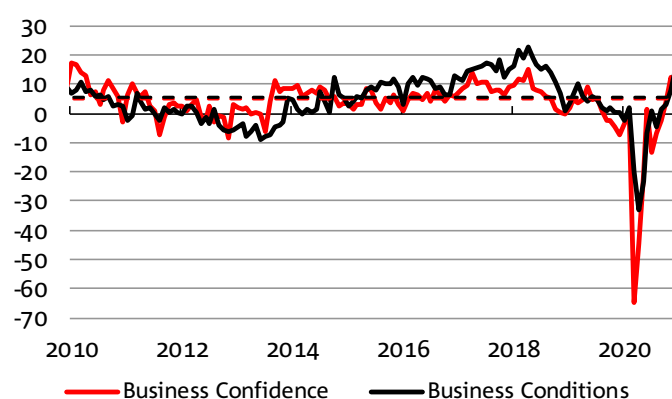
HIGHLIGHTS

- **How confident are businesses?** Confidence rose to an above average +10 index points.
- **How did business conditions fare?** Conditions pulled back to +7 index points from last month's very strong read – but remain just above average and back around November levels.
- **What components contributed to the result?** The decline in conditions was driven by a decline in all three sub-components with trading conditions leading the fall (down 11pts), while the employment index also saw a large pull-back in the month.
- **What is the survey signalling for jobs growth?** The employment index suggests jobs growth, with more firms reporting higher employment over the month than firms reporting lower employment and is above average, but does suggest the pace of growth moderated in the month.
- **Which industries are driving conditions?** The decline in conditions was broad-based across industries with the notable exception of rec & personal, which is slowly improving as restrictions ease. Wholesale led the decline in the month, though mining, manufacturing also saw sizeable declines. Overall, in trend terms conditions remain strongest in retail and weakest in construction followed by rec & personal.
- **Which industries are most confident?** The rise in confidence was led by an increase in rec & personal, though finance & business services, wholesale and manufacturing also rose. Mining and transport & utilities declined in the month. Overall in trend terms, rec & personal continues to lag the other industries, while retail and wholesale are most optimistic.
- **Where are we seeing the best conditions by state?** Conditions declined in all mainland states, led by a very sharp fall in SA. Nonetheless, in trend terms, conditions remain more favourable in the smaller states with Vic and NSW lagging.
- **What is confidence like across the states?** The rise in confidence was led by a gain in QLD (up 17 pts) while Tas and NSW also saw gains. WA and SA saw declines. In trend terms, confidence is highest in NSW, Vic and WA.
- **Are leading indicators suggesting further improvement?** Capacity utilisation edged up in the month and is now at its long-run average as well as being around its pre-COVID level. Forward orders edged lower and are just below average.
- **What does the survey suggest about inflation and wages?** Generally, price pressures remain soft with final products prices rising by a marginal amount in the month, while retail price inflation eased. On the input side price pressures eased.

TABLE 1: KEY STATISTICS

	Nov-20	Dec-20	Jan-21
	Net balance		
Business confidence	13	5	10
Business conditions	8	16	7
Trading	16	22	11
Profitability	14	13	9
Employment	-4	10	3
Forward orders	6	2	1
Stocks	-7	-1	1
Exports	-4	-4	-4
	% change at quarterly rate		
Labour costs	0.2	0.9	0.6
Purchase costs	0.4	1.0	0.7
Final products prices	-0.1	0.0	0.1
Retail prices	0.6	1.2	0.7
	Per cent		
Capacity utilisation rate	79.3	80.8	81.0

CHART 1: CONDITIONS PULL BACK BUT REMAIN HIGH



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

All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 18 January to 1 February 2021, covering over 400 firms across the non-farm business sector.

Next release date: 9 March 2021.

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

THE RETAIL AND WHOLESALE INDUSTRIES CONTINUE TO STAND OUT

- Business conditions in both the retail and wholesale industries have recorded very strong outcomes since around mid-2020 after persistently recording the weakest outcomes across the business sector in recent years.
- The strength in retail business conditions has been driven by well above average trading conditions and profitability in the sector. Employment (like the aggregate survey) has lagged.
- While volatile at the subsector level, the improvement in conditions appears to have been broad-based. In trend terms, car retailing and household goods retailing are at very high levels and have continued to strengthen in recent months. Food retailing is also at a high level when compared with recent years, with households eating in more amid the pandemic.
- Overall, the survey suggests that, beyond a brief period of restrictions on activity in April 2020, the retail sector has benefited from the support to household incomes via wage subsidies and income support, as well as the stage 2 tax cuts that were brought forward. Lower mortgage rates are also likely to have supported household cash flow. For the retail sector, these supports have offset the general economic hit from the pandemic.
- Anecdotal evidence as well as retail sales data suggest that there has been a significant amount of substitution away from spending on services (particularly international travel) towards goods consumption. Further, the shift to work from home (as well as brief periods of lockdown in eating out) has seen food boosted.
- The strength in retail demand has flowed to upstream wholesalers who are also seeing the benefits of the change to consumer spending habits. Again, trading conditions and profitability have driven the strength in this sector.
- The persistent improvement in conditions in retail sales has also boosted demand and has seen capacity utilisation rise to above average levels in the industry – and seen retail become highest across all industries in terms of capacity utilisation. This, like conditions, is in contrast to recent years where retail had operated well below its average level of capacity.

CHART 2: CONDITIONS IN RETAIL AND WHOLESALE (NET BAL., TREND)

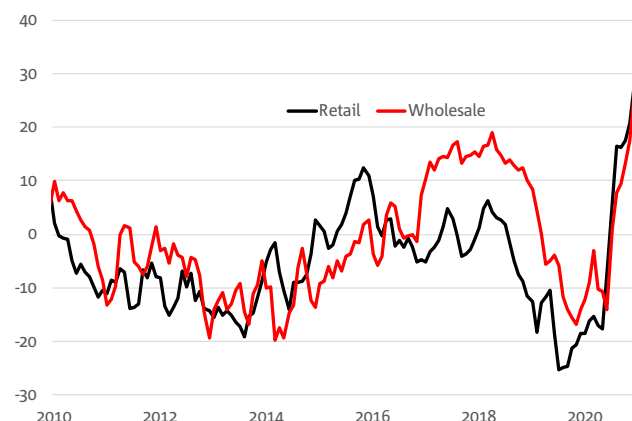


CHART 3: RETAIL SUB-SECTORS (NET BAL., TREND)

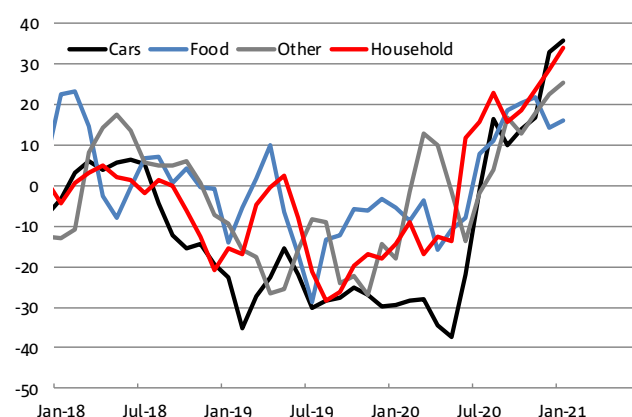
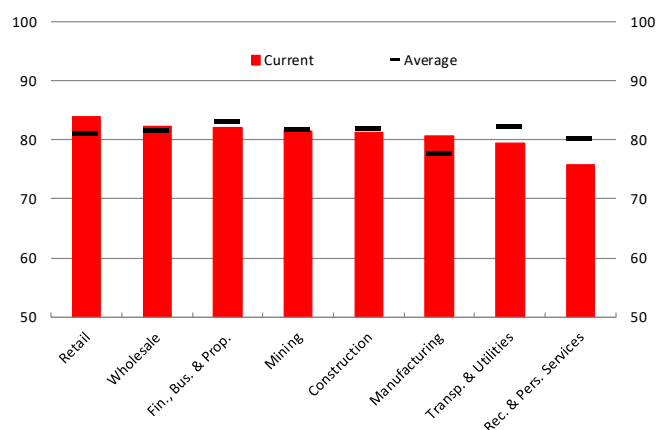


CHART 4: CAPACITY UTILISATION (%)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

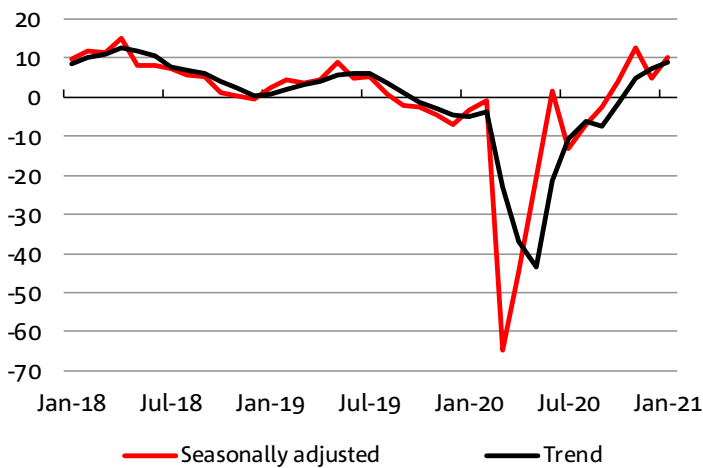


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

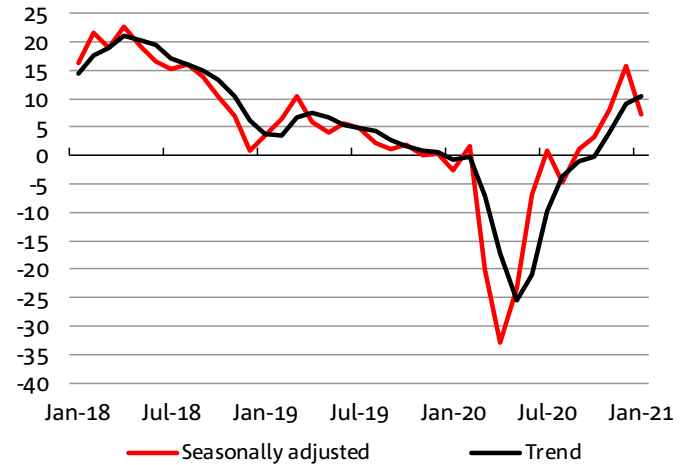


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

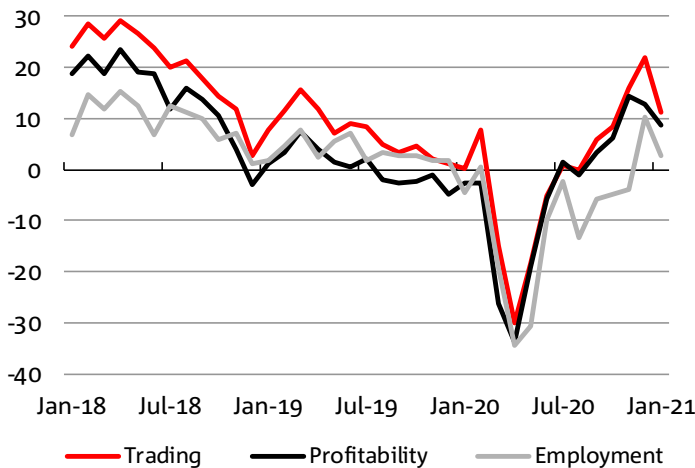


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

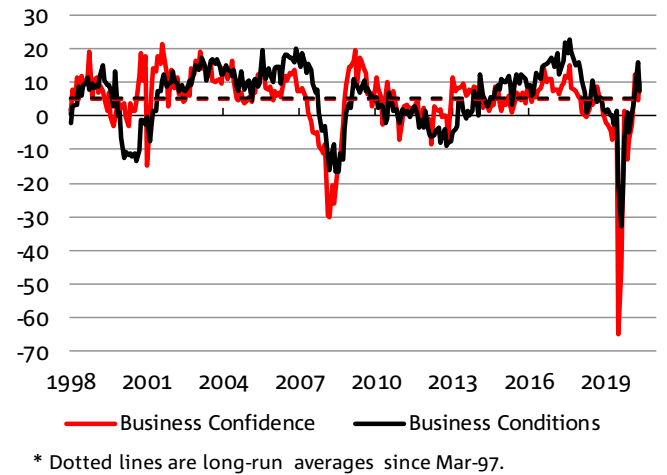


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

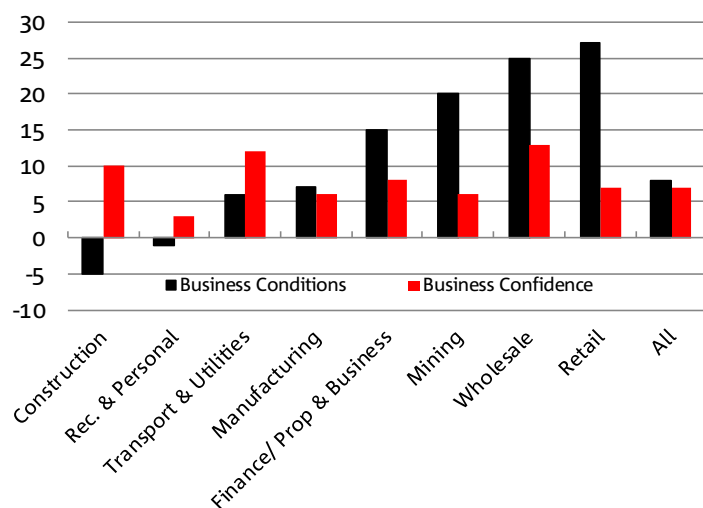
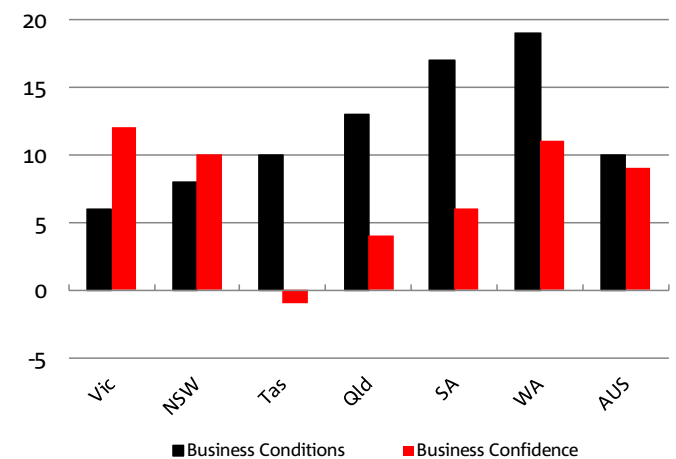


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

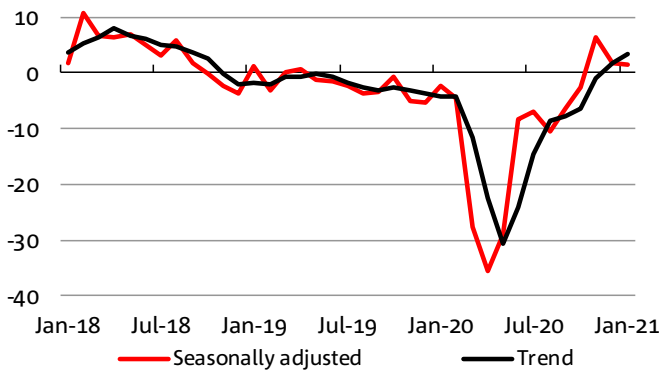


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

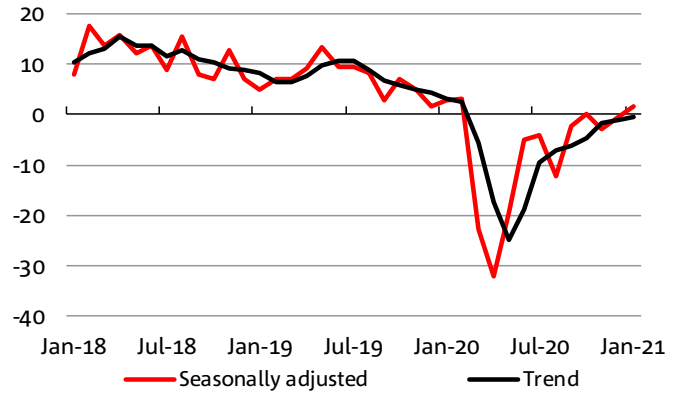


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

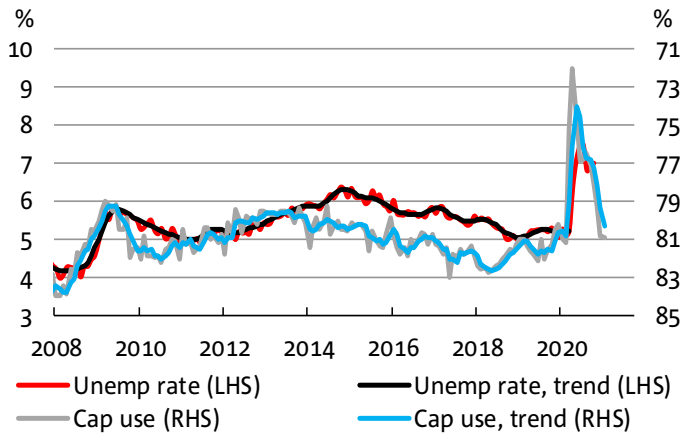


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

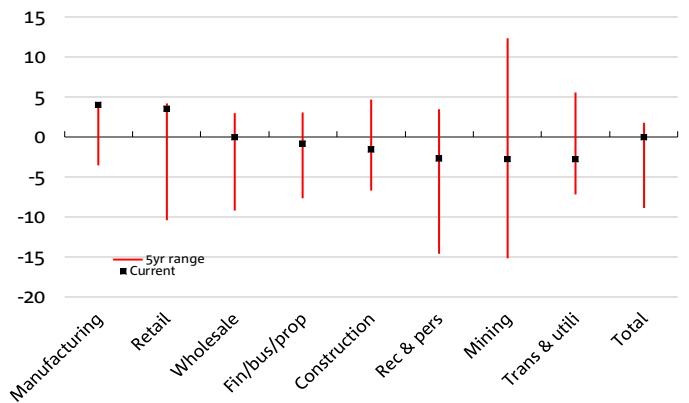


CHART 15: STOCKS (NET BALANCE)

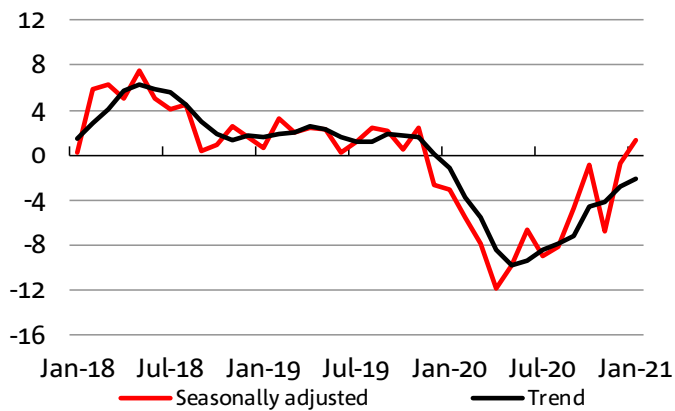


CHART 16: CASH FLOW (NET BALANCE)

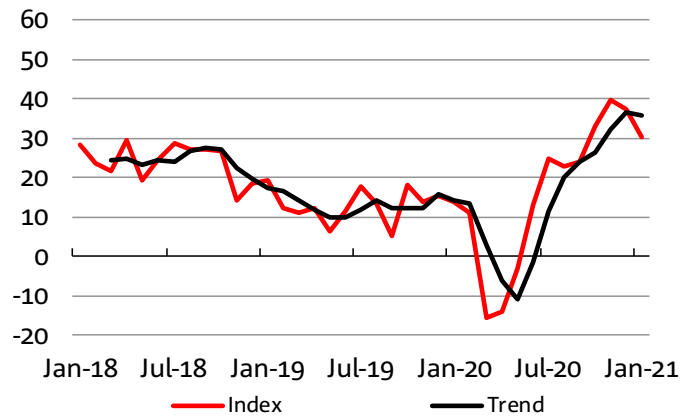


CHART 17: EXPORTS (NET BALANCE)

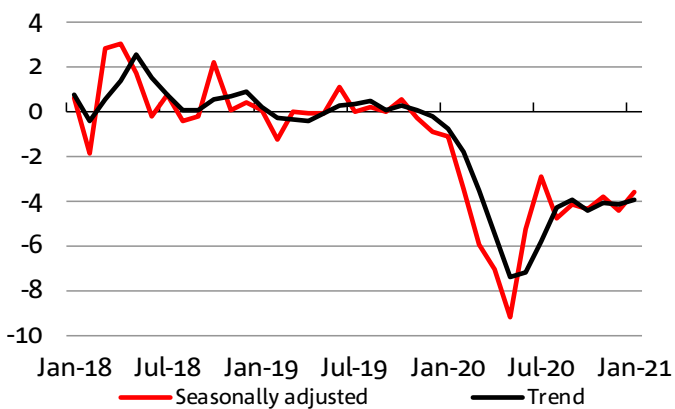
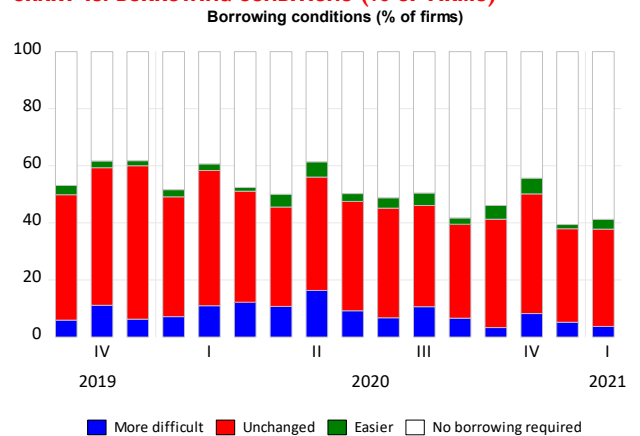


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

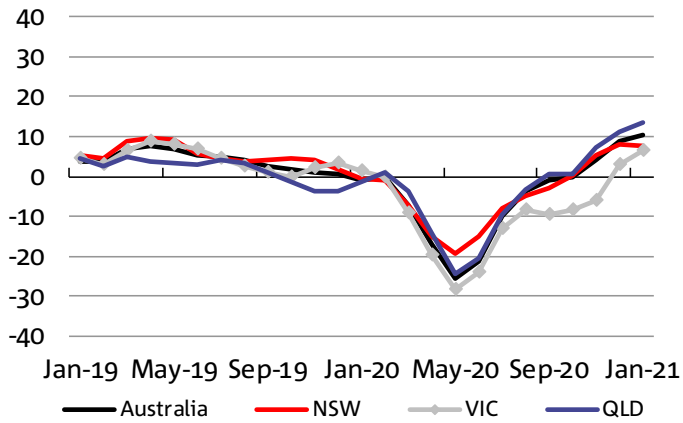


CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

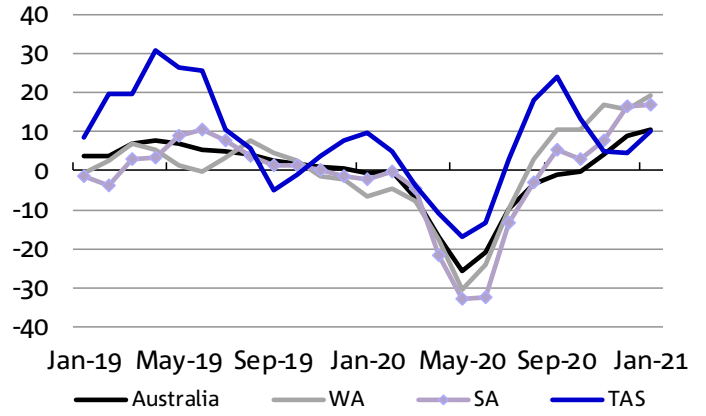


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

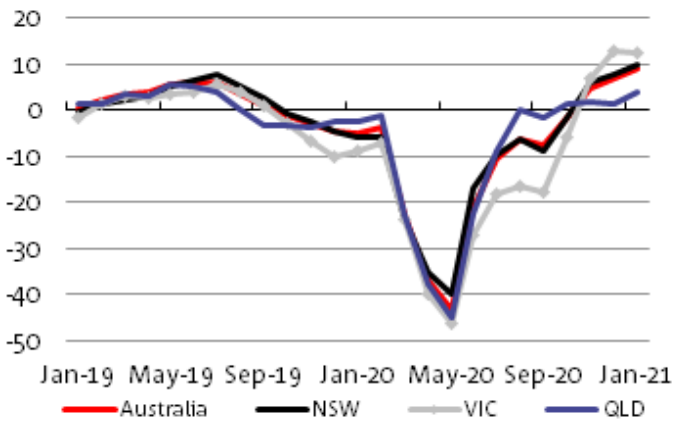


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

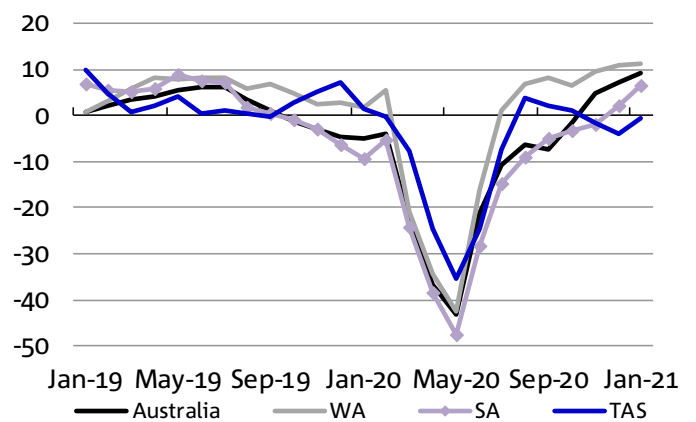


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

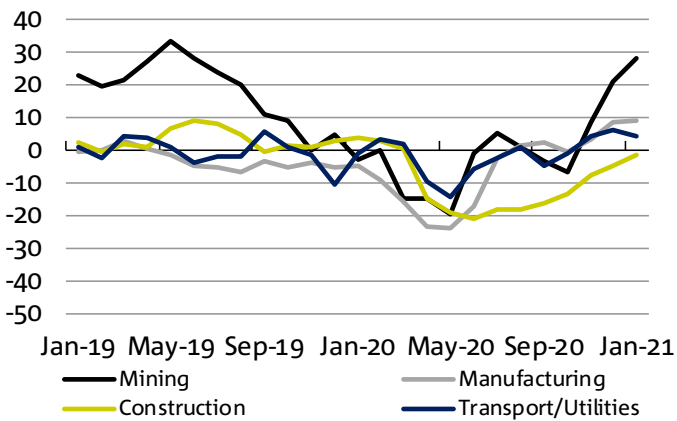
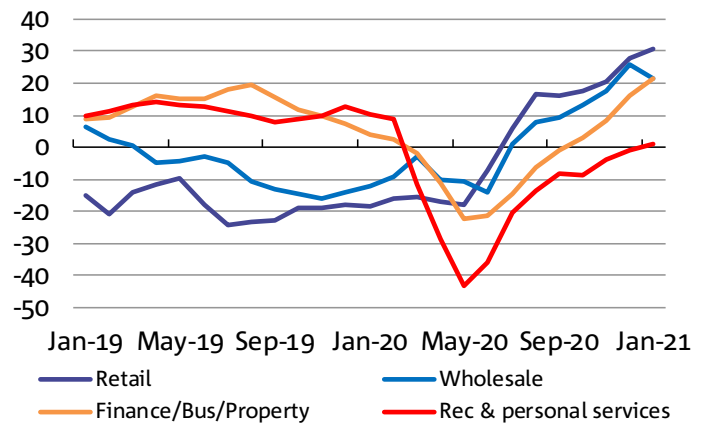


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 25: EMPLOYMENT

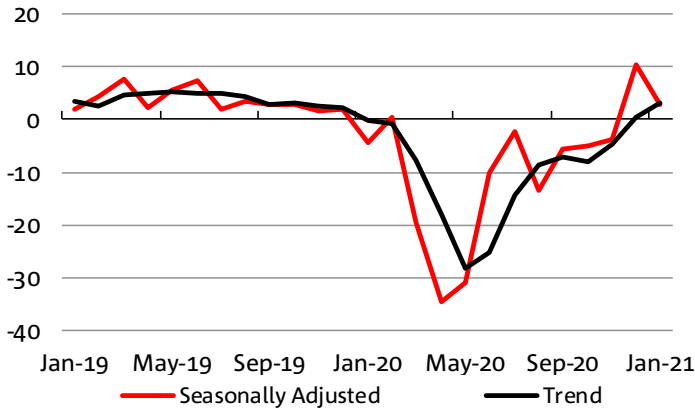


CHART 26: EMPLOYMENT (NAB VS ABS)

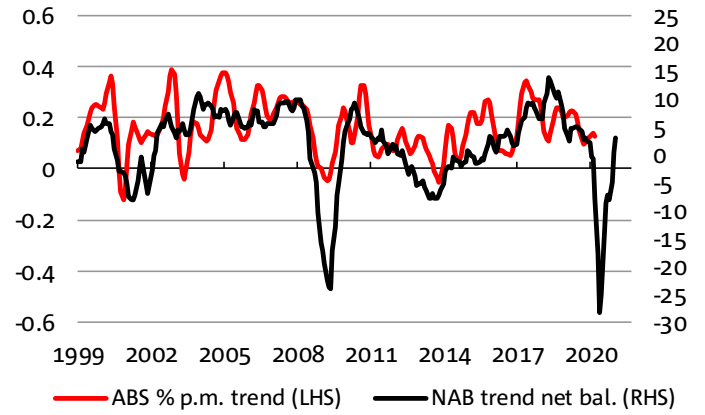


CHART 27: EMPLOYMENT BY INDUSTRY

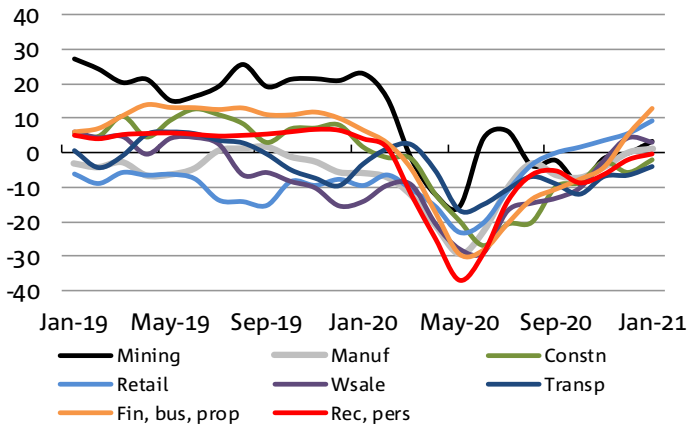


CHART 28: LABOUR COSTS GROWTH

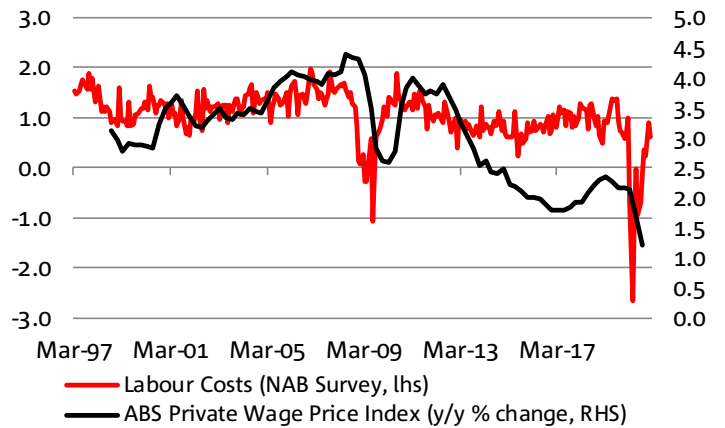


CHART 29: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

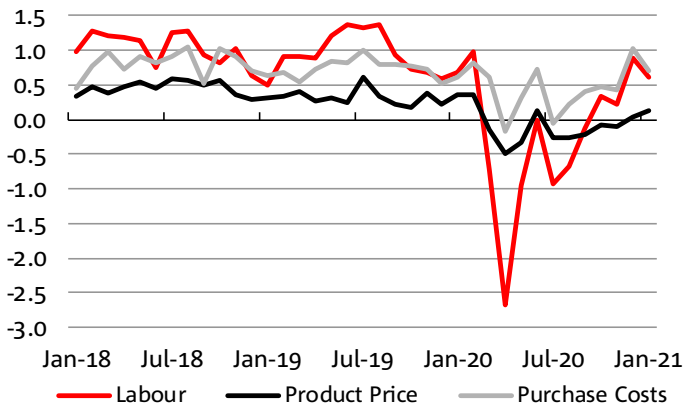
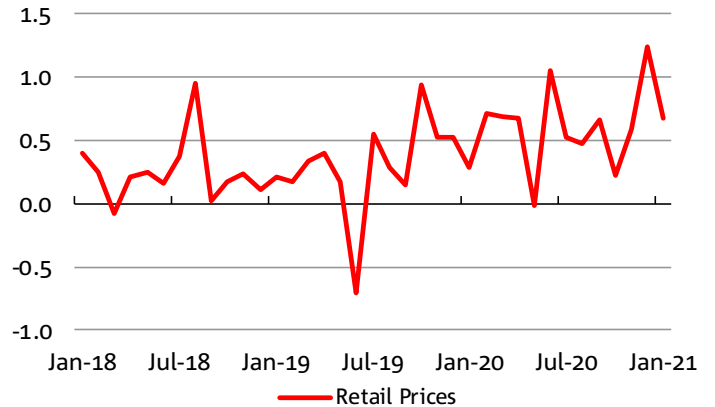


CHART 30: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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
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)