

NAB MONTHLY BUSINESS SURVEY

April 2021

Embargoed until:
11:30am Monday 10 May 2021



By Group Economics

BUSINESS CONFIDENCE AND CONDITIONS HIT NEW HIGHS

Key messages: This month's survey saw another very strong result, with many aggregate indicators reaching new highs. Business conditions reset last month's record high, with trading, profitability and employment all reaching fresh highs. Business confidence also set a new record and implies that conditions will remain strong in the near term. This is also suggested by forward orders and capacity utilisation which also toppled previous highs. The strength in capacity utilisation points to an expansion in business investment and ongoing hiring, even as we pass the rebound phase in the economy and move through the JobKeeper hurdle. Indeed, reported cashflow has maintained its strength over recent months and the survey measure of capex is also at a new high – suggesting that the strong expectations for business investment in the NAB Quarterly Survey may be beginning to materialise. The services sectors and mining led the gains in the month, but all sectors are well into positive territory. By state, conditions have also strengthened everywhere in 2021. Price pressures appear to be building with survey measures trending higher, but for now official measures and the inflation outlook remain soft.

Business conditions rose to a fresh record high in April (now +32 index points), while business confidence also set a new survey high (now +26 index points). The improvement in conditions was driven by further gains in each sub-component which all individually are now at their highest level on record. Trading rose 5pts to +40 index points, employment was up 7pts to +22 index points and profitability rose 8pts to +33 index points.

“The April survey result is simply stunning – with many variables reaching survey highs. Conditions reset last month's high, driven by further gains across trading conditions, profitability and employment. Confidence has also set a new high – pointing to ongoing strength in conditions in the near term”.

The gains in conditions in the month were driven by increases in Mining and the services sectors, but all industries (and states) are now well into positive territory. Outside of Mining, Finance, business & property now reports the strongest conditions, though wholesale and recreation & personal all report conditions above +30 index points.

“It looks like we have moved past the rebound phase of the recovery and are now seeing healthy growth in most of the economy. After lagging in the rebound phase, the services sectors are now showing strength. Retail continues to see healthy conditions but does have slightly softer confidence than the other industries suggesting less improvement from the already high level in conditions” said Mr Oster.

Forward orders increased by 11pts to +26 index points (another new record) suggesting that the pipeline of activity continues to build, even with pre-COVID levels of capacity utilisation having been restored.

“Forward orders topped their previous high by 11pts in the month. This gives us confidence that even though activity has rebounded strongly, and capacity utilisation is now high, that conditions will maintain their strength in the near term”.

Capacity utilisation also reached a new high in the month at 85.3%, driven by large increases in the services industries. Most other sectors also saw solid increases, except for Retail and Transport & utilities which were lower in the month.

“The pickup in capacity utilisation is very encouraging. It appears the economy has now more than recovered in a levels sense and if such high capacity utilisation is maintained, it is increasingly likely the expectations for business investment we have seen in our surveys and the ABS data will materialise. It should also result in ongoing employment growth” said Mr Oster.

“Indeed, reported capex has risen strongly in recent months and is also now very high, suggesting that the expectations we have seen in the NAB Quarterly Business Survey and the ABS Capex release may be beginning to materialise. This would be a big turnaround from the sluggish growth in business investment over recent years” said Mr Oster.

“On the flipside, higher capacity utilisation is also typically associated with cost pressures. Our measures of labour and input costs have definitely trended higher in recent months but for now official measures of wages and inflation remain muted” said Mr Oster.

For more information, please see the NAB Monthly Business Survey report.

Group Economics

Alan Oster
Group Chief Economist
+(61 0) 414 444 652

Jacqui Brand
Executive Assistant
+(61 0) 477 716 540

Dean Pearson
Head of Behavioural &
Industry Economics
+(61 0) 457 517 342

Australian Economics and Commodities

Gareth Spence
Senior Economist
+(61 0) 436 606 175

Phin Ziebell
Senior Economist
+(61 0) 475 940 662

Behavioural & Industry Economics

Robert De Iure
Senior Economist –
Behavioural & Industry
Economics
+(61 0) 477 723 769

Brien McDonald
Senior Economist –
Behavioural & Industry
Economics
+(61 0) 455 052 520

Steven Wu
Senior Economist –
Behavioural & Industry
Economics
+(61 0) 472 808 952

International Economics

Tony Kelly
Senior Economist
+(61 0) 477 746 237

Gerard Burg
Senior Economist –
International
+(61 0) 477 723 768

Global Markets Research

Ivan Colhoun
Global Head of Research
+(61 2) 9293 7168

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.