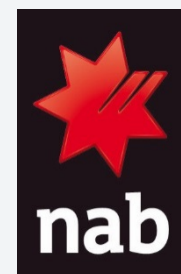


EMBARGOED UNTIL: 11:30AM AEST, 10 MAY 2021

NAB MONTHLY BUSINESS SURVEY APRIL 2021

CONFIDENCE AND CONDITIONS HIT NEW HIGHS

NAB Australian Economics



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.

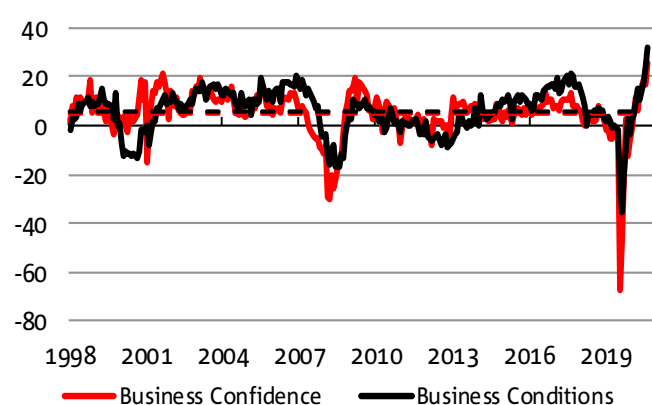
HIGHLIGHTS

- **How confident are businesses?** Confidence rose 9pts to +26 index points – a survey high.
- **How did business conditions fare?** Conditions rose 8pts to +32 index points, resetting last month's record high.
- **What components contributed to the result?** The rise in conditions was driven by further improvements in each sub-component. Trading conditions rose 5 pts to +40 index points, profitability was up 8pts to +33 index points, and employment rose 7pts to +22 index points. Each component is currently the highest on record.
- **What is the survey signalling for jobs growth?** Encouragingly, the employment index continues to strengthen, even as the JobKeeper program has come to an end and employment has recovered to its pre-COVID level.
- **Which industries are driving conditions?** The gain in the month was driven by large increases in mining and the services sectors with finance, business & property now the strongest non-mining industry. Manufacturing, wholesale and recreation & personal also all report conditions above 30 index points. Construction and transport & utilities are notably weaker than the rest – but still well into positive territory.
- **Which industries are most confident?** Confidence improved in all industries, led by a pickup in retail (after recording the weakest read last month). In trend terms, mining, construction and finance, business & property are most optimistic, while retail and wholesale are the least confident – but still healthy.
- **Where are we seeing the best conditions by state?** Conditions improved in all states, except for SA which was flat. Qld led the gains in the month, though WA, Tas and Vic also saw solid improvements. Overall, in trend terms conditions remain highest in WA and Qld, though all mainland states are now above +20 index points.
- **What is confidence like across the states?** Confidence was higher everywhere except WA, which was flat. In trend terms, confidence is clustered between 17-22 index points on the mainland, with Tas slightly less optimistic.
- **Are leading indicators suggesting further improvement?** Forward orders reset last month's record high – and point to a growing pipeline of work. Capacity utilisation also very high, and implies alongside the strength in activity, that firms may need to continue to hire workers and undertake investment in new projects to continue to grow.
- **What does the survey suggest about inflation?** Labour and input costs growth slowed marginally in the month, while inflation in final products prices edged higher – though retail price inflation eased slightly.

TABLE 1: KEY STATISTICS

	Feb-21	Mar-21	Apr-21
	Net balance		
Business confidence	19	17	26
Business conditions	18	24	32
Trading	24	35	40
Profitability	21	25	33
Employment	10	15	22
Forward orders	11	15	26
Stocks	3	11	7
Exports	-2	0	-1
	% change at quarterly rate		
Labour costs	1.1	1.9	1.6
Purchase costs	0.8	1.9	1.6
Final products prices	0.3	0.9	1.0
Retail prices	1.0	1.0	0.8
	Per cent		
Capacity utilisation rate	81.9	82.5	85.3

CHART 1: CONDITIONS AND CONFIDENCE REACH RECORD HIGHS



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

All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 21 to 30 April 2021, covering over 400 firms across the non-farm business sector.

Next release date: 8 June 2021.

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

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

CAPACITY UTILISATION HITS A NEW HIGH

- Capacity utilisation has been a useful measure when tracking the impacts of pandemic-related shutdowns on activity over the last year. In April last year – the peak of shutdowns across the country – capacity utilisation fell by a large 9ppts. The impact was evident in all sectors – but particularly large in recreation & personal services.
- Capacity utilisation recovered its pre-COVID level in early 2021 and in April has risen to a new record high of 85.3% (including capacity utilisation from the NAB quarterly survey which began in 1989). While previously there had been some disparity in the recovery between industries, all industries are now above their pre-COVID levels and long-run average rates.
- Manufacturing and retail are the industries most above their long-run averages – reflecting the impacts of shifts in consumption towards goods, as well as the upstream impacts on manufactured products. There may also be some spill-over of the pickup in housing construction to manufacturing.
- High rates of capacity utilisation are encouraging as we look for a recovery in business investment and ongoing improvements in the labour market. Forward orders which also rose to a record high in April point to a building pipeline of work suggesting that capacity utilisation may see further upward pressure – and lead to ongoing expansions in both employment and capex.
- Indeed, the survey shows a very strong read for reported capex suggesting that strong expectations for capex in both the near- and medium-term in the NAB Quarterly Survey as well as the ABS capex survey may be starting to materialise.
- Capacity utilisation will also become an important indicator in assessing inflationary pressure – which is at a very weak starting point. For now, expectations of easy monetary policy have continued despite the rapidly unfolding recovery in the economy. Capacity utilisation suggests that we are past the recovery stage and may be entering a period of strong growth.
- The last time capacity utilisation was around these levels was in the lead up to the GFC – where inflation was substantially stronger, and the RBA was tightening policy. We will continue to monitor this closely going forward, as policy makers seek to drive down the unemployment rate further (and to well below pre-COVID levels). For now, the outlook for inflation remains weak in the near term, and there is a significant degree of uncertainty around when inflation will sustainably rise to the 2-3% target band.

CHART 2: CAPACITY UTILISATION (%)



CHART 3: CAPACITY UTILISATION (%)

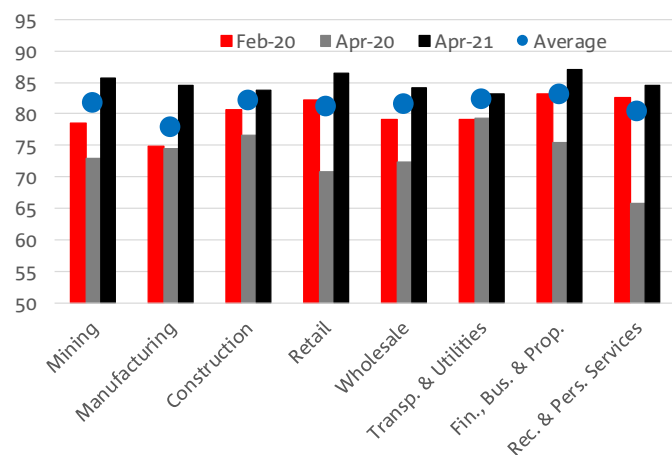
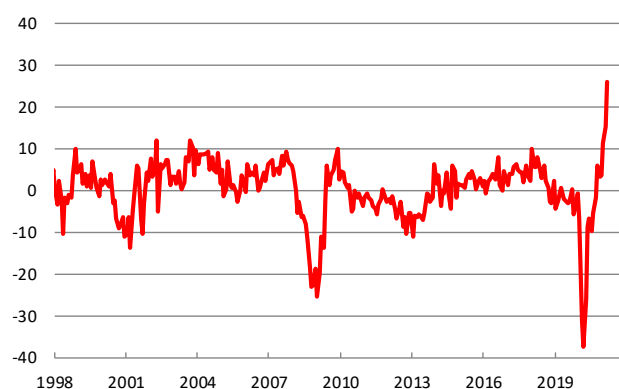


CHART 4: FORWARD ORDERS (NET BAL.)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

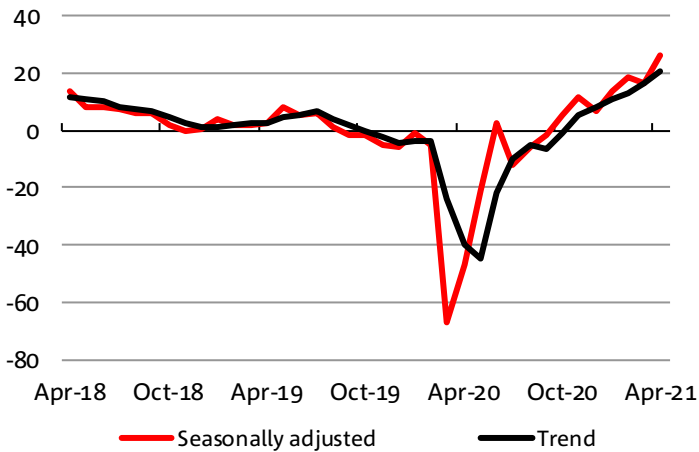


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

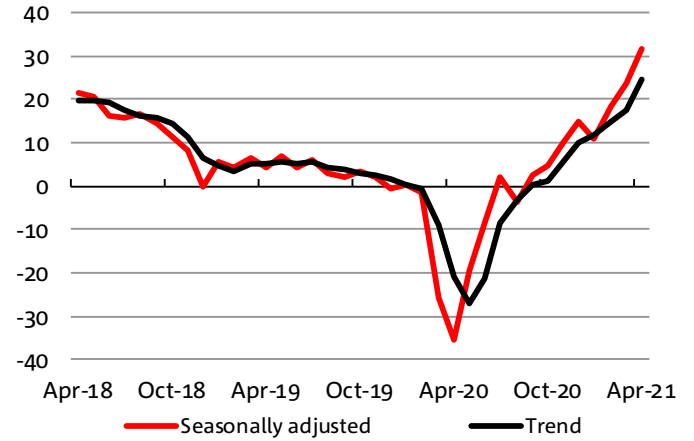


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

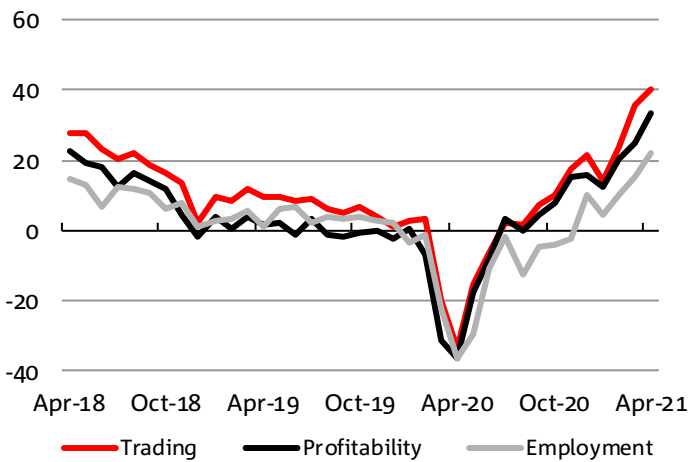


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

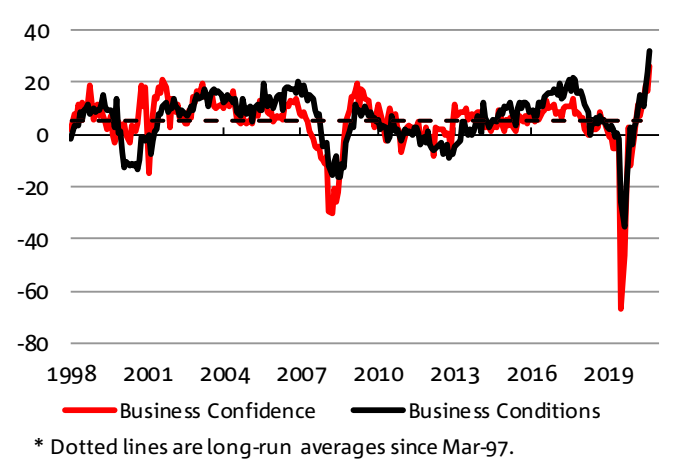


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

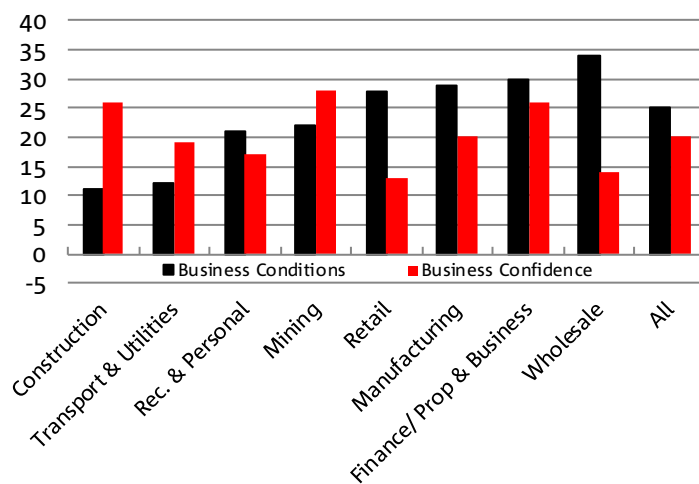
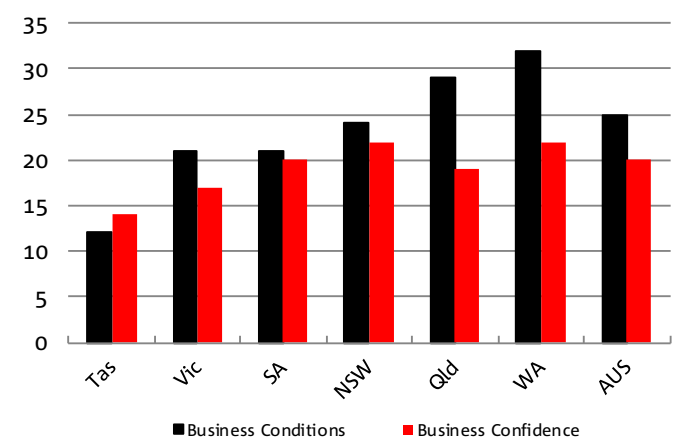


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

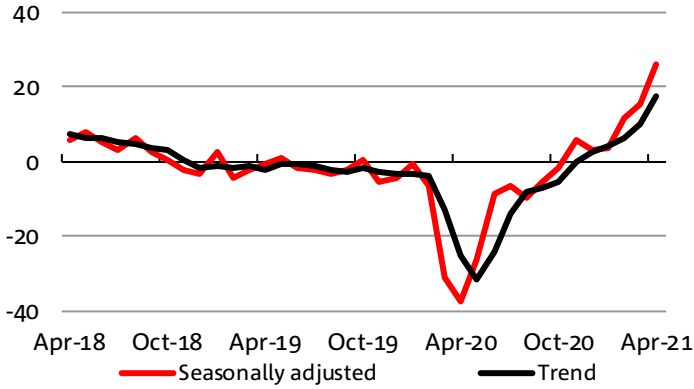


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

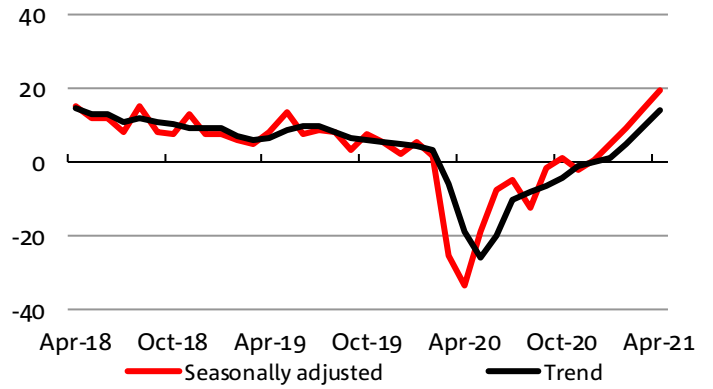


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

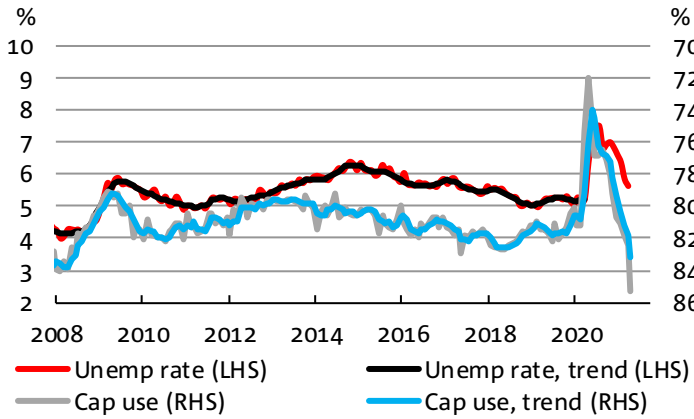


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

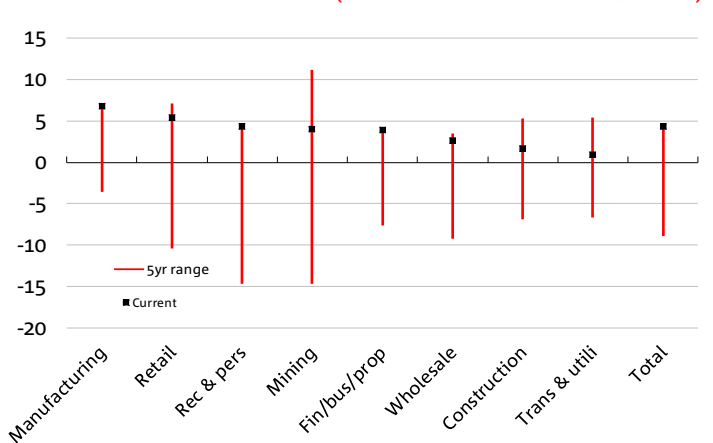


CHART 15: STOCKS (NET BALANCE)

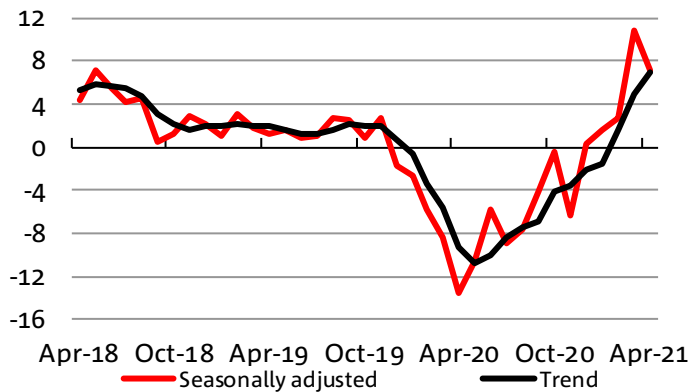


CHART 16: CASH FLOW (NET BALANCE)

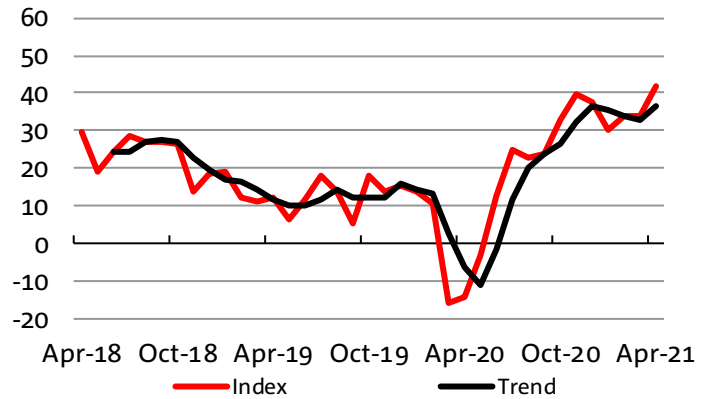


CHART 17: EXPORTS (NET BALANCE)

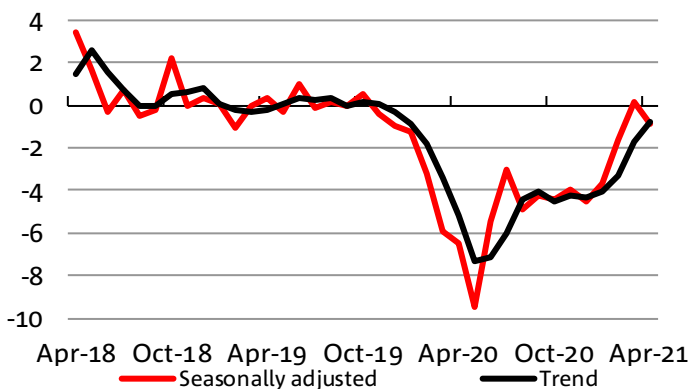
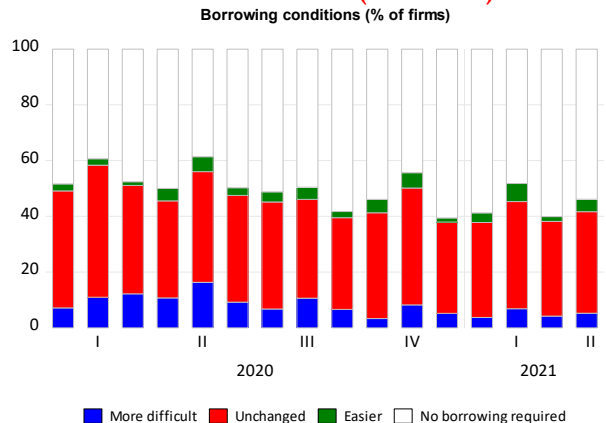


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

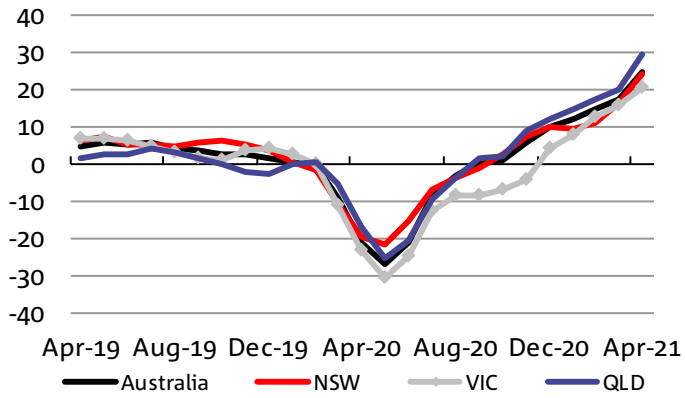


CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

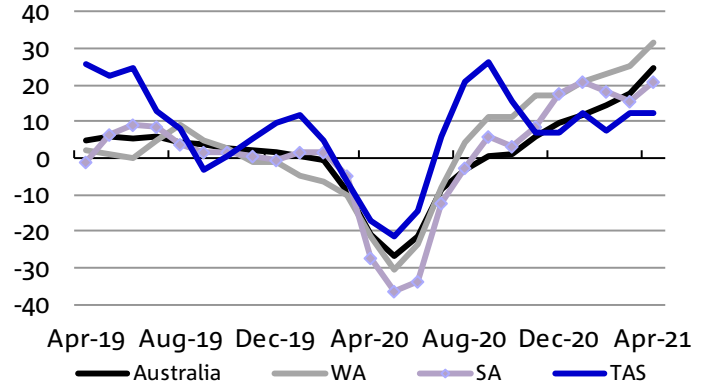


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

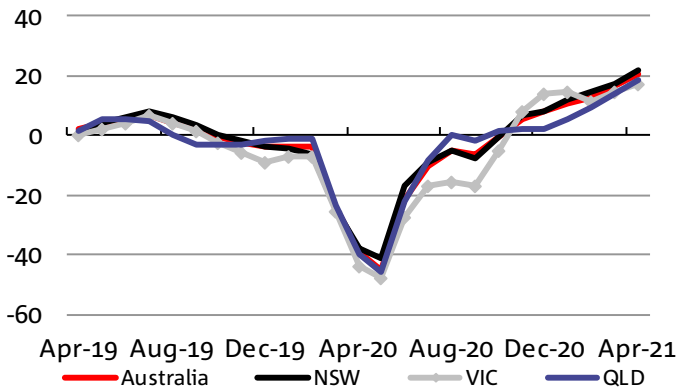


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

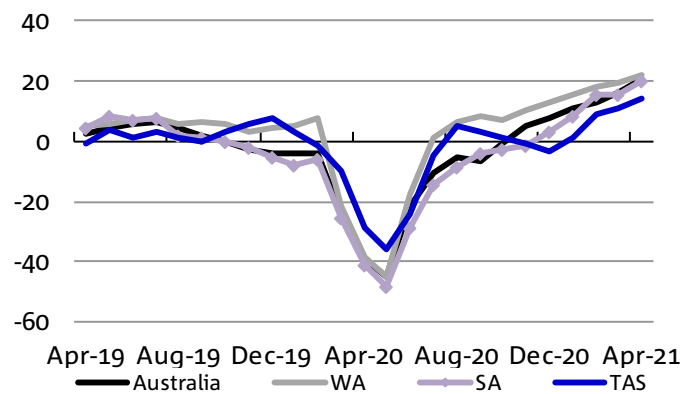


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

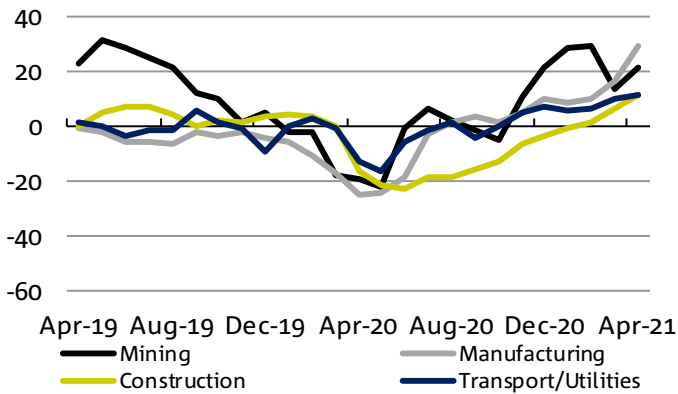


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

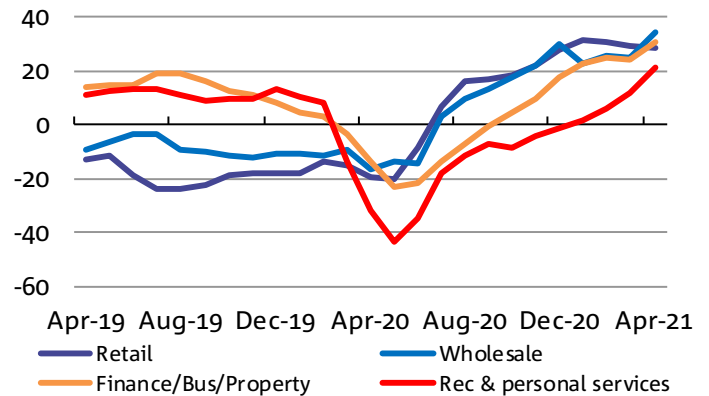


CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

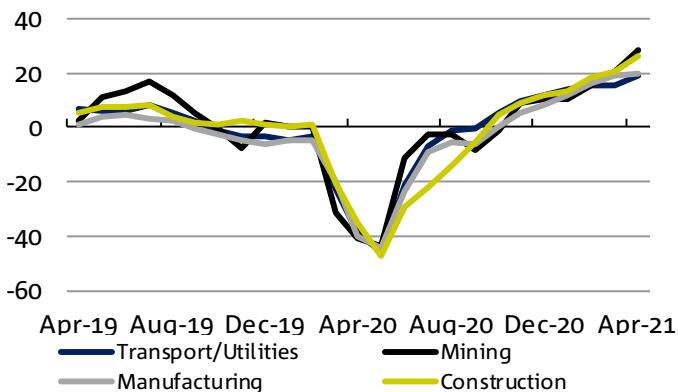
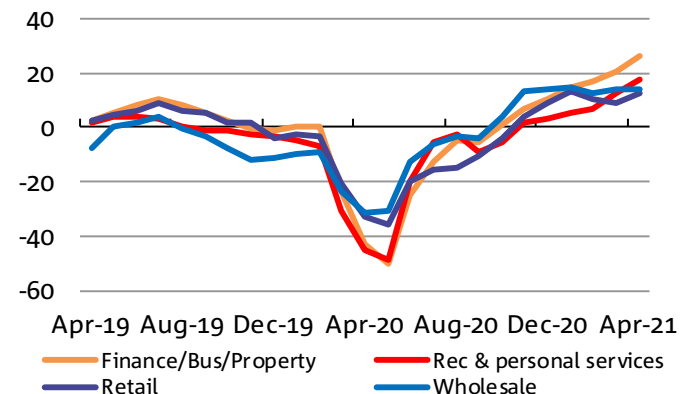


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 27: EMPLOYMENT

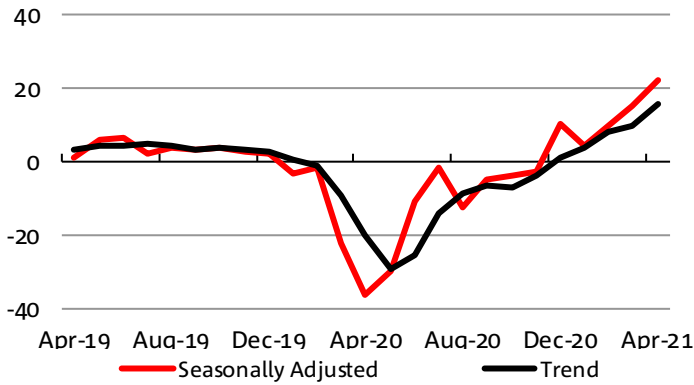


CHART 28: EMPLOYMENT (NAB VS ABS)

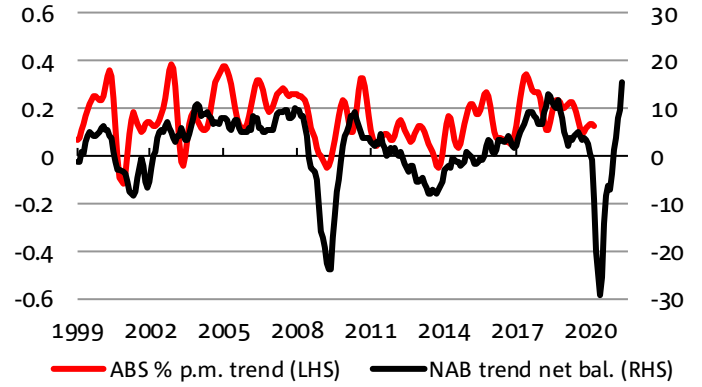


CHART 29: EMPLOYMENT BY INDUSTRY

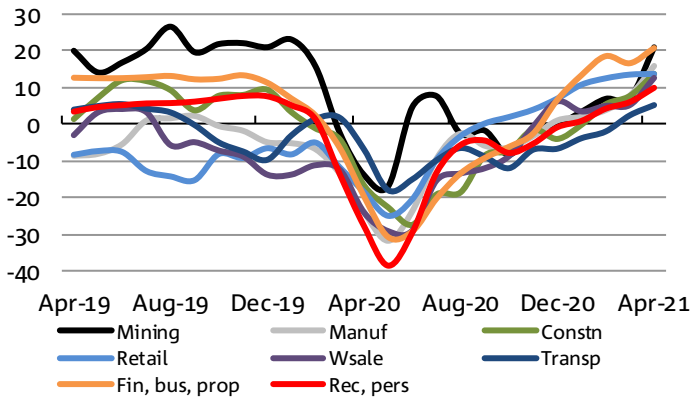


CHART 30: LABOUR COSTS GROWTH

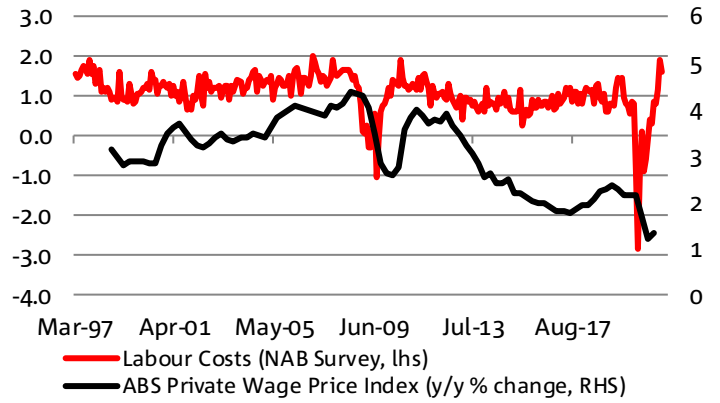


CHART 31: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

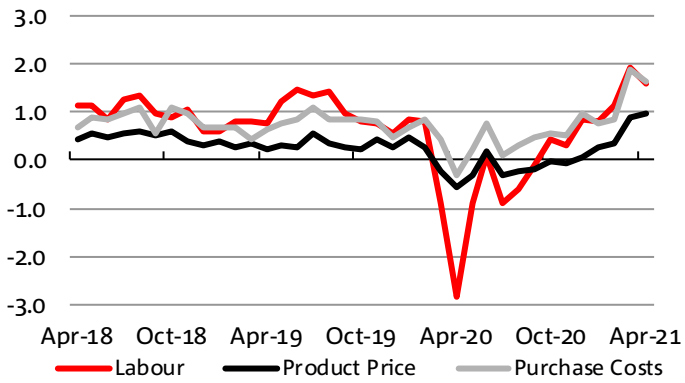
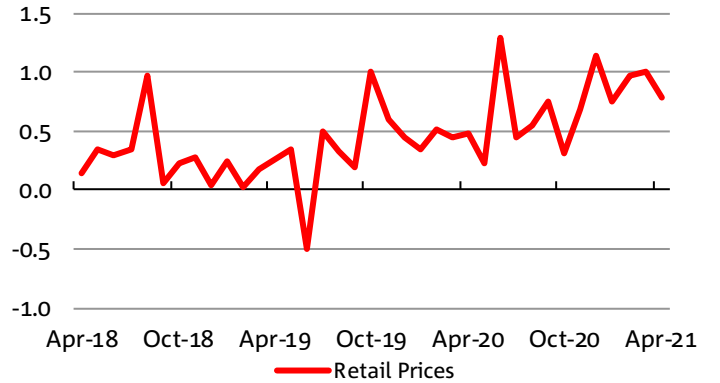


CHART 32: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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)