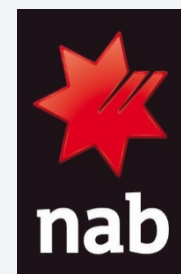


NAB MONTHLY BUSINESS SURVEY JULY 2021

CONFIDENCE AND CONDITIONS FALL FURTHER WITH ONGOING LOCKDOWNS

NAB Australian Economics



Key messages: The survey continues to show widespread impacts of lockdowns. Both conditions and confidence deteriorated sharply in the month, with the latter now back in negative territory. Unsurprisingly, due to its size and the severity of the lockdown in the state, NSW drove much of the result this month. Both confidence and conditions fell sharply following a full month of lockdown in the state. That said, conditions fell in all mainland states, with SA in particular also seeing a very large fall. Conditions softened in all industries, with the exception of mining – where it remains elevated. The forward-looking indicators also softened and, with forward orders now back in negative territory and capacity utilisation now back around average, suggest little improvement in conditions in the near term. Overall, the survey shows that the strength in the business sector seen in early-to-mid 2021 has faded on the back of fresh disruptions in the economy but it has not yet deteriorated to the lows seen in early 2020. With the survey showing a very strong momentum in the leadup to the recent lockdowns, the hope is that once restrictions are eased, the economy will rebound relatively quickly, consistent with the experience through the pandemic to date, and resume a strong growth trajectory – and a return to strong capex and employment plans.

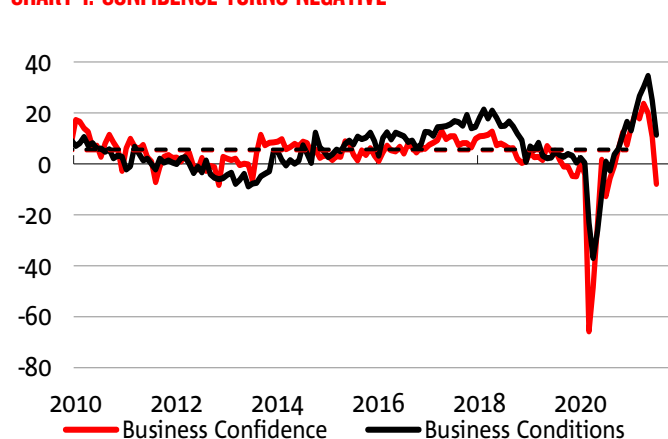
HIGHLIGHTS

- **How confident are businesses?** Confidence saw a large fall of 19pts to -8 index points and is now well below average.
- **How did business conditions fare?** Conditions declined 14pts to +11 index points but remains above the 6pt long-run average. For now, the deterioration has been less severe than 2020, but could worsen should lockdowns persist or become more widespread.
- **What components contributed to the result?** All three components of business conditions declined in the month, led by a fall of 20pts in trading conditions. Profitability declined 19pts to +6 index points and employment fell 8pts to +10 index points. All components remain in positive territory despite the deterioration over the past two months, reflecting the strength in the survey in the leadup to the recent out break of the delta strain.
- **Which industries are driving conditions?** Conditions declined across all non-mining industries, led by falls in transport & utilities and rec & personal services (down 29 and 25pts respectively). Wholesale declined by 19pts while the remaining industries declined by 8-11pts. Conditions are now in negative territory in transport & utilities and rec & personal but still positive in the remaining industries. Outside of mining, finance, business & property is strongest.
- **Which industries are most confident?** Transport & utilities, manufacturing and finance, business & property saw very large declines in the month and alongside wholesale, retail and rec & personal services are back in negative territory. Mining confidence is the outlier at 18 index points, though construction confidence also remains in positive territory.
- **Where are we seeing the best conditions by state?** Conditions declined in all mainland states, led by falls in SA and NSW. Tas which rose in the month, saw the strongest conditions, followed by QLD and WA. Conditions are now weakest in SA and NSW.
- **What is confidence like across the states?** Confidence fell across all states, led by a very large fall in NSW which is now weakest. QLD is also in negative territory while Vic, SA and Tas are just positive. WA is strongest at +7 index points.
- **Are leading indicators suggesting further improvement?** Forward orders fell sharply in the month and are now in negative territory and notably below their long-run average, while capacity utilisation fell back to around average levels.
- **What does the survey suggest about inflation?** Inflation indicators softened in the month from relatively strong rates last month. Purchase costs growth remains elevated as does final products prices growth, despite the easing in the month.

TABLE 1: KEY STATISTICS

	May-21	Jun-21	Jul-21
	Net balance		
Business confidence	20	11	-8
Business conditions	34	25	11
Trading	44	32	12
Profitability	38	25	6
Employment	25	18	10
Forward orders	26	15	-6
Stocks	7	10	4
Exports	1	-1	-2
	% change at quarterly rate		
Labour costs	1.7	1.6	0.9
Purchase costs	1.5	2.1	2.0
Final products prices	1.0	1.5	1.2
Retail prices	1.0	2.0	1.2
	Per cent		
Capacity utilisation rate	84.7	83.8	81.2

CHART 1: CONFIDENCE TURNS NEGATIVE



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

All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 20 to 30 July 2021, covering over 400 firms across the non-farm business sector.

Next release date: 14 September 2021.

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

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

DEVELOPMENTS IN STATE CONFIDENCE AND CONDITIONS

- This July Survey was conducted between 20 July and 30 July. Over this period, NSW remained locked down, SA underwent a short 7-day lockdown and Victoria had opened up – but saw a significant period of June in lockdown.
- Unsurprisingly, due to its size and the magnitude of the lockdowns, NSW drove much of the deterioration in the aggregate results. However, SA and WA also saw relatively large deteriorations in conditions, while QLD and Vic deteriorated further. Conditions are now most favourable in Tas, followed by Qld and WA. They are weakest in SA, followed by NSW and Vic.
- Confidence softened everywhere, and is now negative in NSW and Qld. The sharpest fall was in NSW, though Tas, Vic and SA also saw large falls. Confidence is now below average in every state except WA.
- NSW saw a very large hit to confidence and conditions in the month. Conditions fell 31pts to +2 index points. Reflecting the highs reached in recent months, each subcomponent remains positive, despite recording large falls in the month. Trading conditions declined 37pts to +5 index points, profitability fell 29pts to +1 index points and employment was down 20pts to +2 index points. Confidence was down 27pts in the month and is now at -21 index points – the weakest across the states.
- SA saw a large hit to conditions in the month, despite only having a 1 week lockdown. The decline was driven by a fall in all components.
- With disruptions to activity, capacity utilisation has pulled back from the very high levels seen in recent months to now be around its long-run average. While the deterioration has not been as large as the hit seen across the states in 2020, capacity utilisation is now back below its pre-COVID level in NSW, Vic and SA. QLD, Tas and WA remain elevated.
- The experience over the past year has been that once restrictions are eased, activity bounces back, and even shows some degree of pent-up demand. However, the experience of Victoria shows that long lockdowns see a more gradual recovery. Once the current lockdowns are eased in NSW we expect activity to rebound.
- For now, it appears that GDP will fall in the September quarter, due to both the lockdowns in NSW and elsewhere. We expect the economy to catch up the growth lost in Q3, with the rebound to begin in Q4 and continue into next year – this sees very strong growth over 2022.

CHART 2: CONFIDENCE AND CONDITIONS BY STATE (NET BAL., SA)

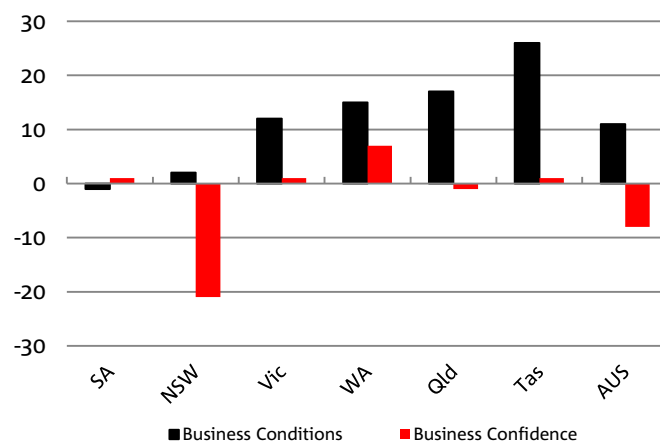


CHART 3: CONFIDENCE AND CONDITIONS BY INDUSTRY (NET BAL., SA)

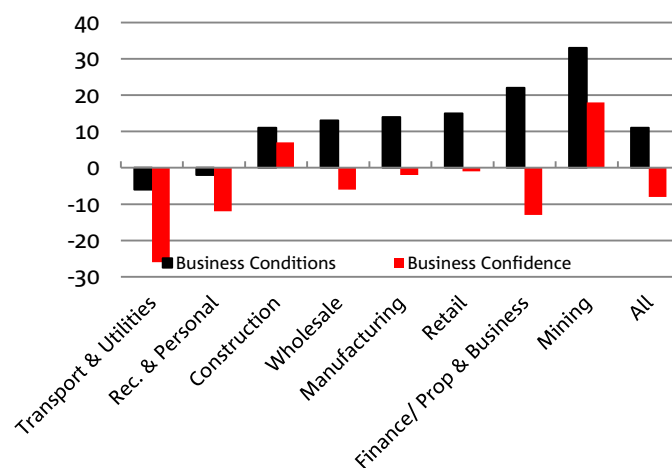
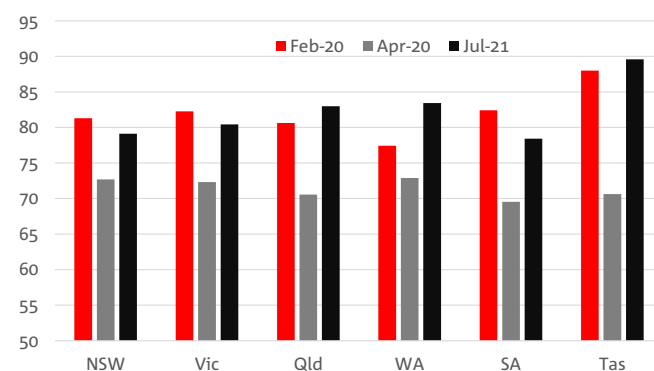


CHART 4: CAPACITY UTILISATION BY STATE (% SA)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

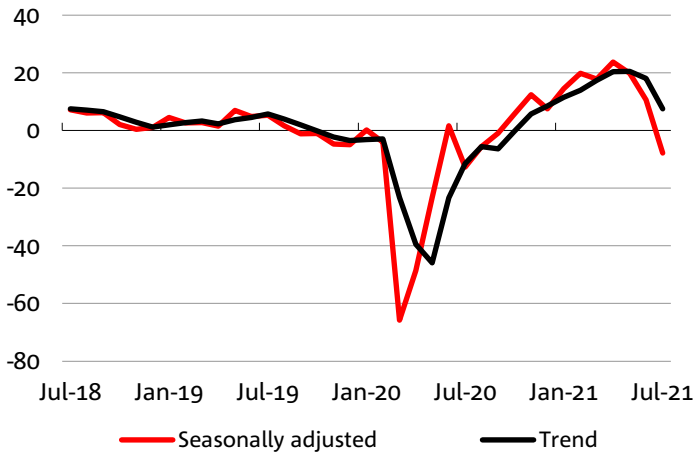


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

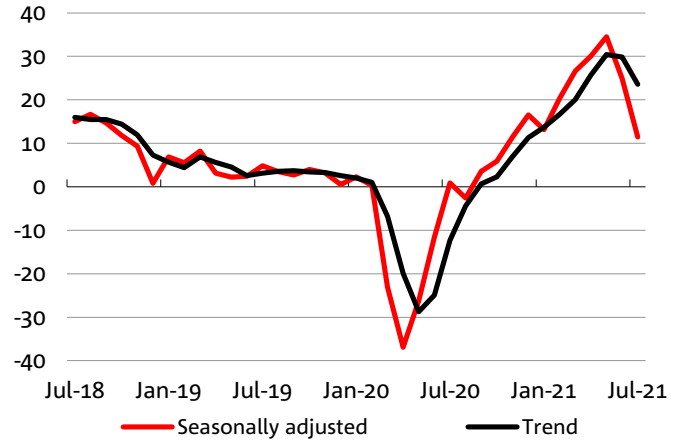


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

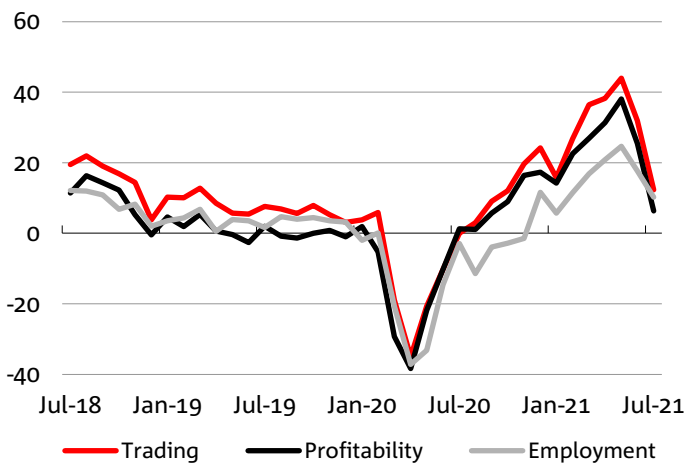


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

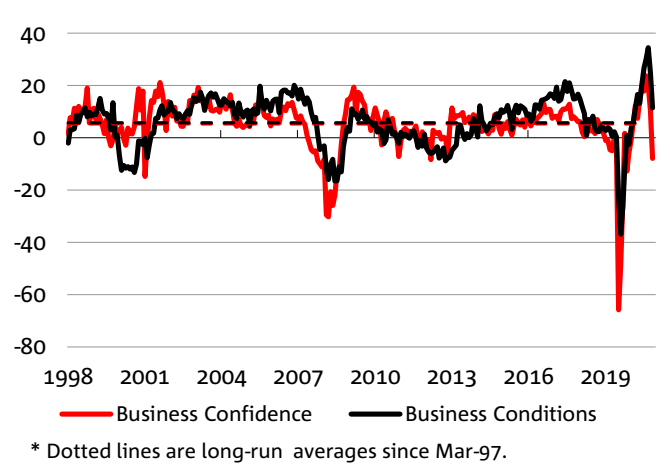


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

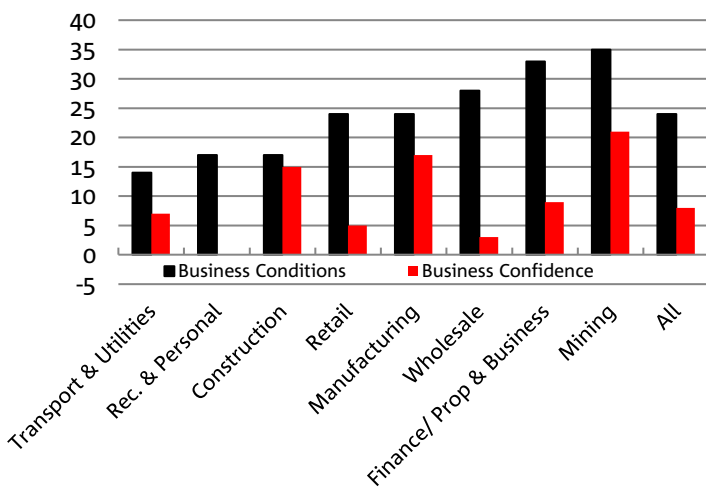
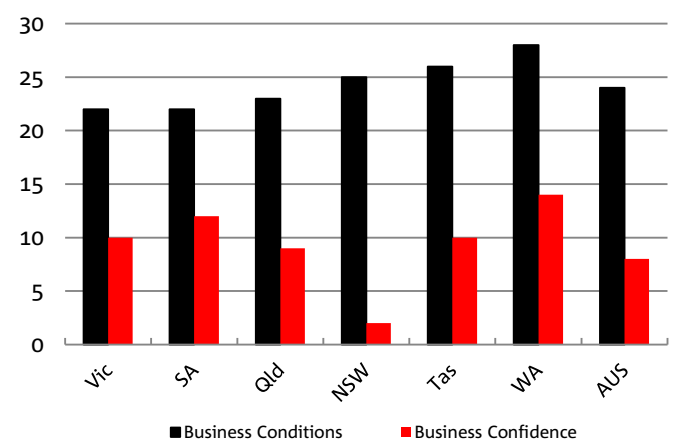


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

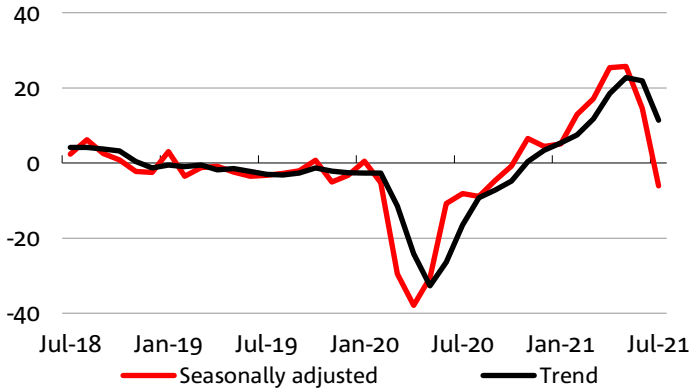


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

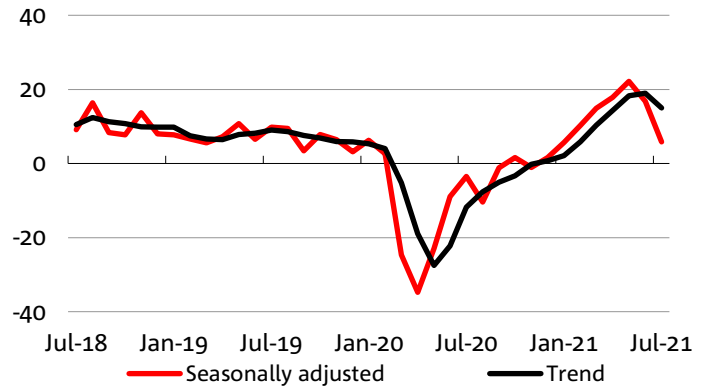


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

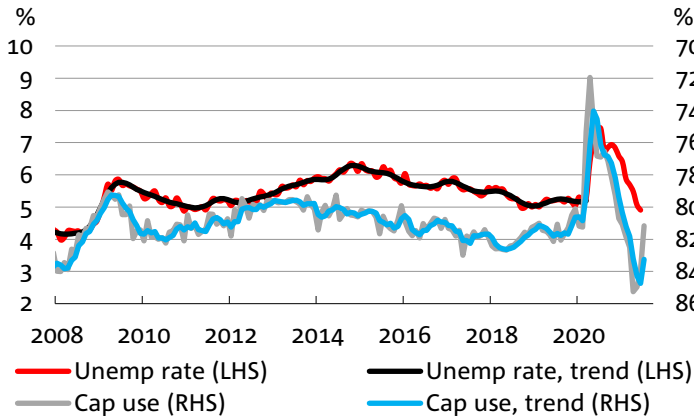


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

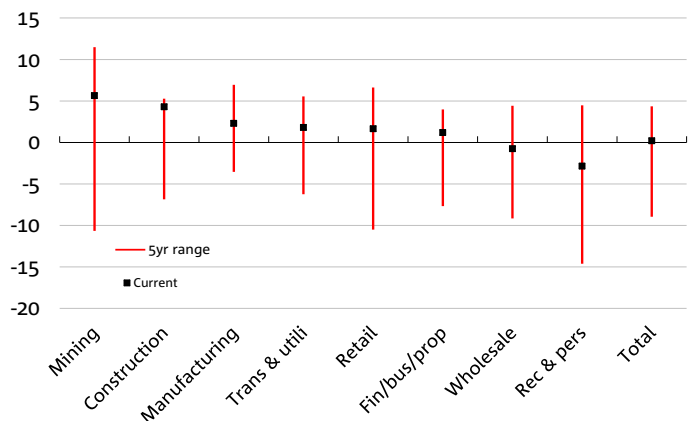


CHART 15: STOCKS (NET BALANCE)

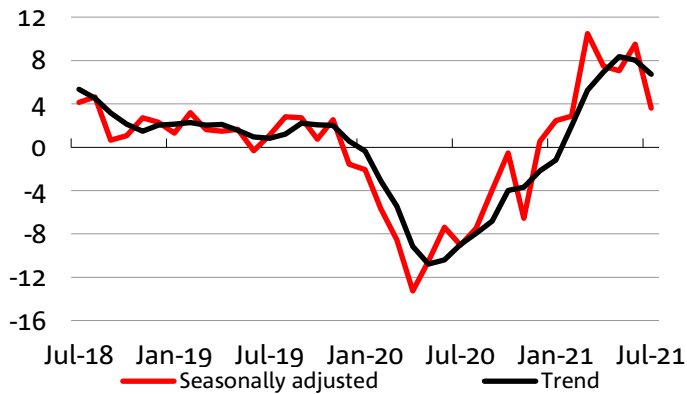


CHART 16: CASH FLOW (NET BALANCE)

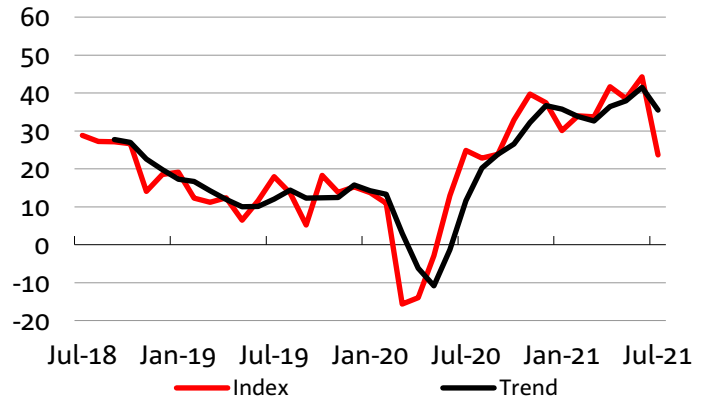


CHART 17: EXPORTS (NET BALANCE)

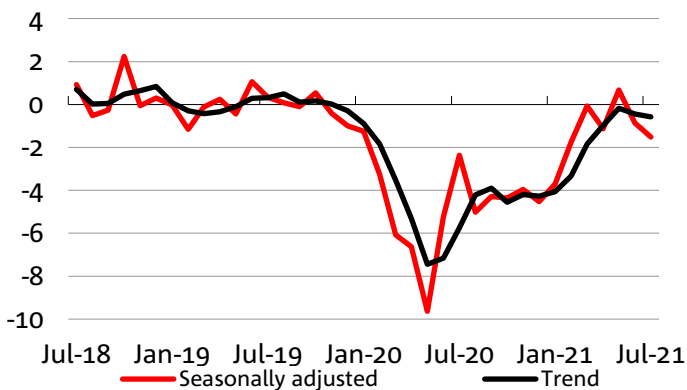
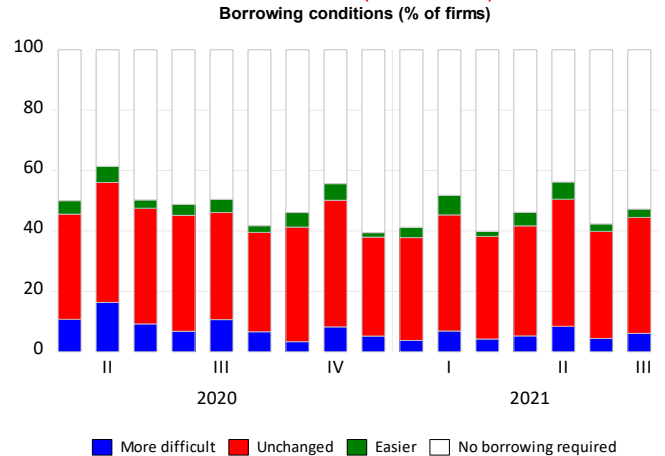


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

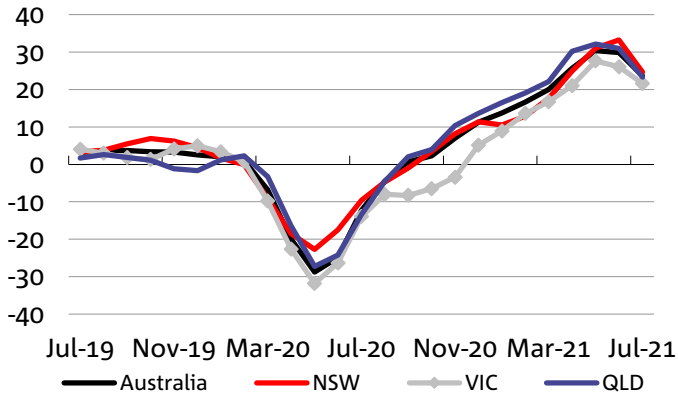


CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

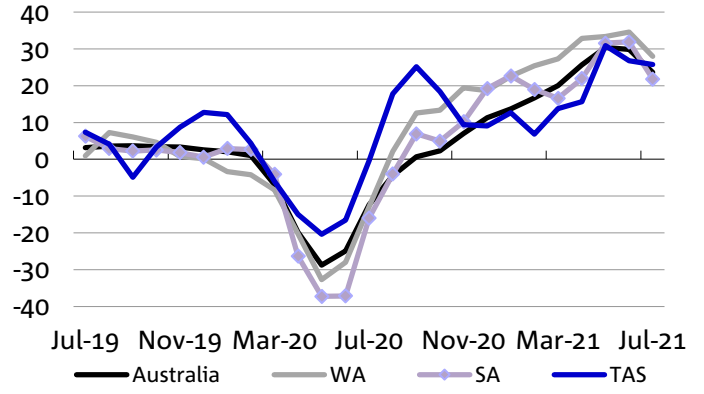


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

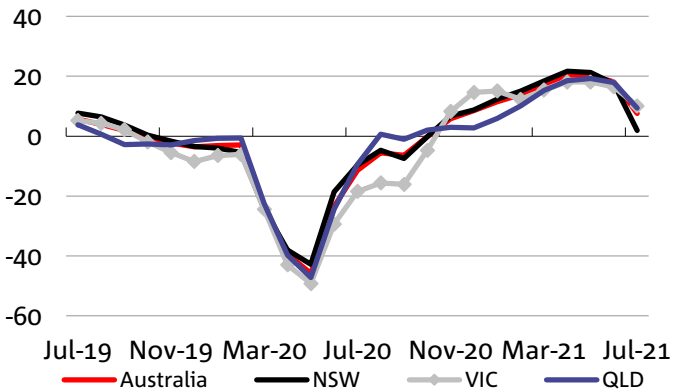


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

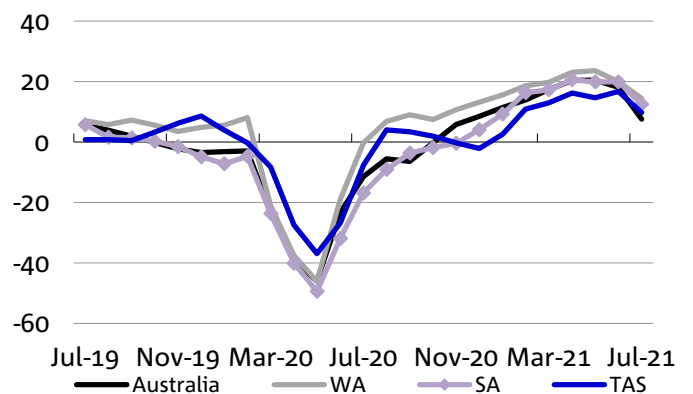


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

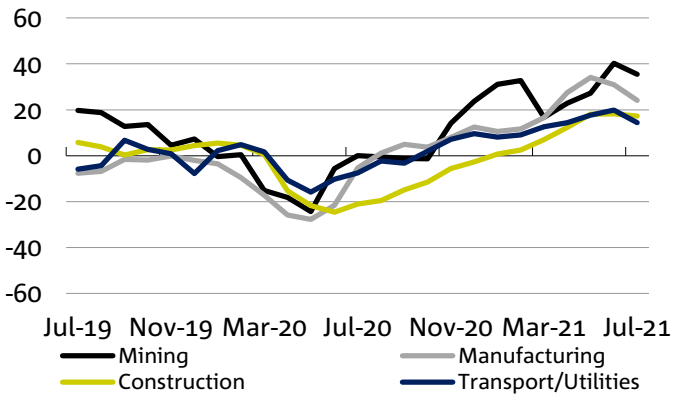


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

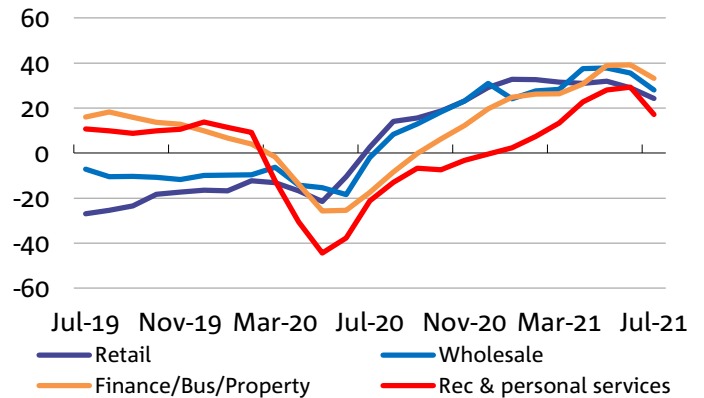


CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

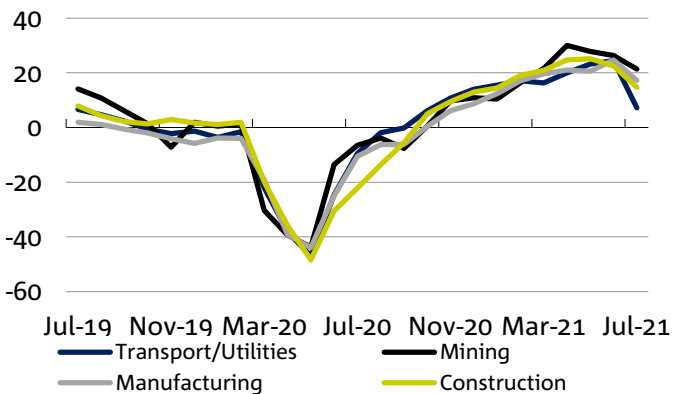
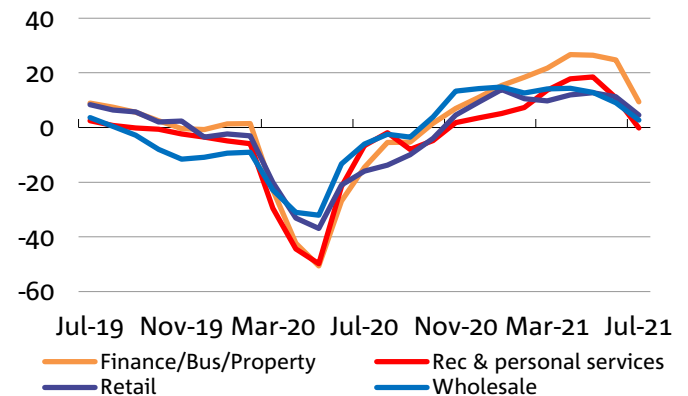


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 27: EMPLOYMENT

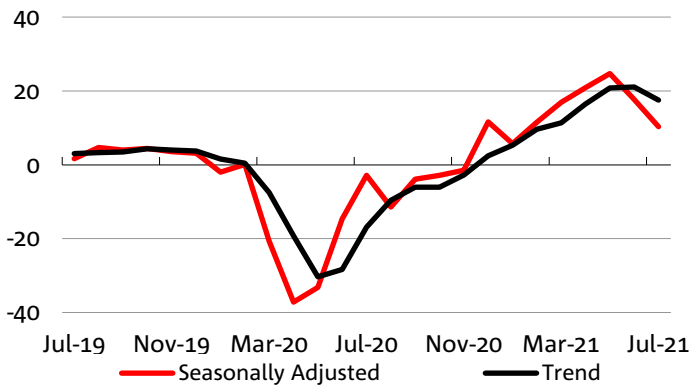


CHART 28: EMPLOYMENT (NAB VS ABS)

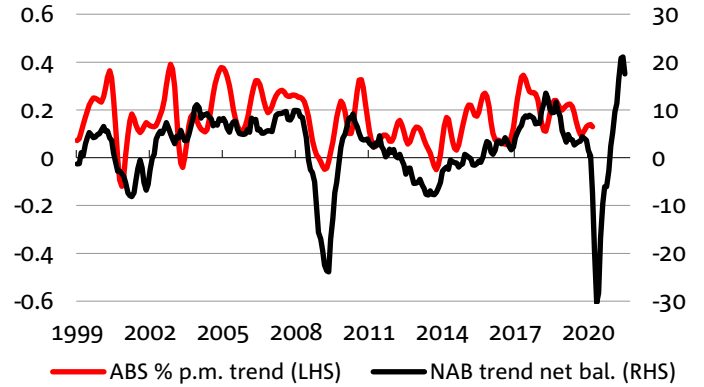


CHART 29: EMPLOYMENT BY INDUSTRY

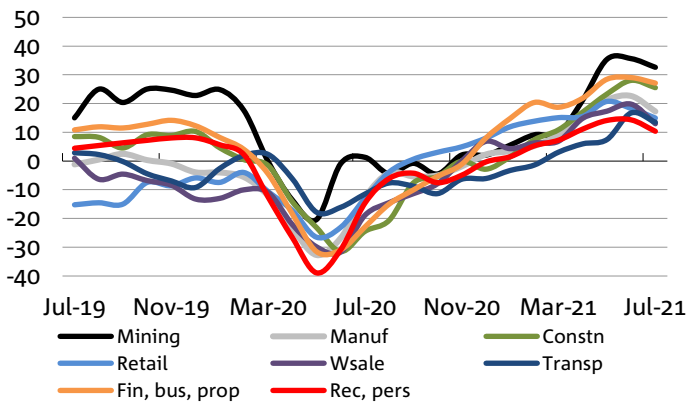


CHART 30: LABOUR COSTS GROWTH

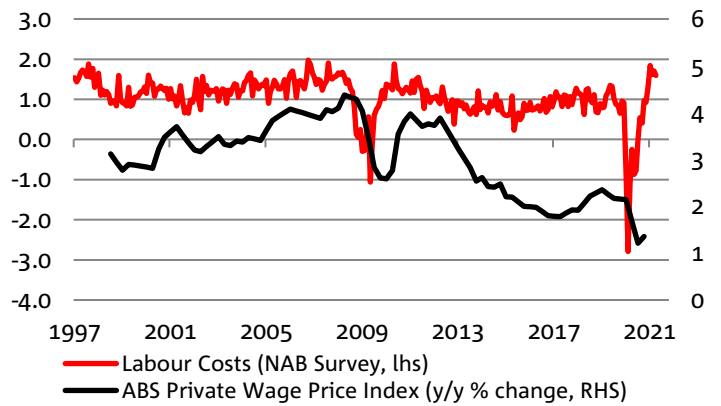


CHART 31: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

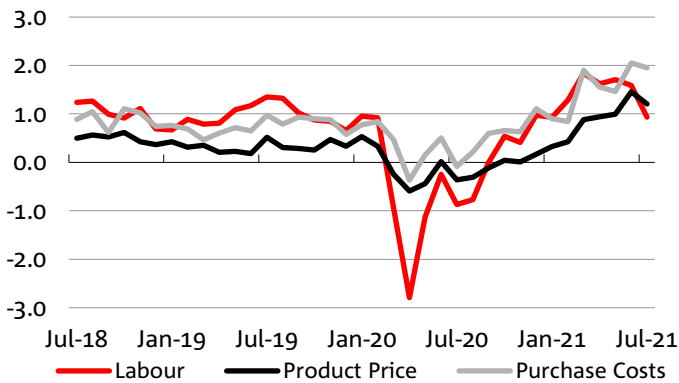
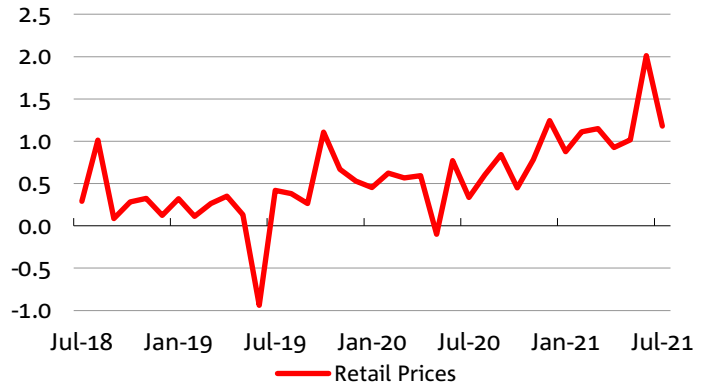


CHART 32: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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)