

**EMBARGOED UNTIL: 11:30AM AEDT, 21 OCTOBER 2021**

# **NAB QUARTERLY BUSINESS SURVEY 2021 Q3**

## **CONFIDENCE HIT BY LOCKDOWNS**

*NAB Australian Economics*



The imposition of lockdowns saw business conditions and confidence fall sharply in Q3, with confidence hit particularly hard. Conditions fell sharply but managed to remain in positive territory as businesses displayed resilience built up through past lockdown experiences and government support continued. Confidence, however, returned to negative territory and was down in all states and industries. The impact carried through to short-term expectations, with forward orders down and expectations for orders, investment, and employments over the next three months all deteriorating. Still, the promise of rising vaccination rates appeared to support some relative optimism about the medium term. Expectations for capital expenditure over the next 12 months remained healthy, as did expectations for employment over the longer horizon. These results support the view that the economy is well placed to rebound when lockdowns are lifted.

## **HIGHLIGHTS**

- **Business conditions** fell sharply in Q3, although the index remained in positive territory at +13 index points after reaching a record high in Q2. The sub-components - profitability, trading conditions and employment – all fell by more than 10pts. Conditions declined significantly in every state, most notably in NSW (down 25pts to +7 index points) and Victoria (down 17pts to +10 index points). Conditions improved in mining but fell across other industries led by a decline in personal & recreational services which fell 30pts and is now in negative territory.
- **Business confidence** also fell sharply in Q3, down 19pts to -1 index points. Confidence was down across the states, turning negative in NSW (down 25pts to -7 index points) and Victoria (down 18pts to -6 index points). Confidence also declined across all industries, with personal & recreation turning negative in the quarter (down 29pts to -14 index points). State and federal government policies ranked as the key drivers of confidence for both businesses experiencing deteriorating confidence and those experiencing improving confidence, reflecting the significant role of both lockdown restrictions and support measures in shaping the outlook.
- **Leading indicators** also fell as the hit to confidence carried through to short-term expectations, although the promise of rising vaccination rates appeared to support some relative optimism about the medium term. Forward orders dropped 17pts to +5 index points, expectations for orders in 3 months dropped by a similar amount, and capacity utilization was also down. Still, expectations for capital expenditure over the next 12 months remained at a relatively healthy level, easing only slightly to +26 index points. Similarly, while expectations for business conditions over the next three months dropped sharply to +8 index points, the fall in expectations for the next 12 months was less significant.
- **Labour indicators** followed a similar pattern. After a record high in Q2, the employment index fell to +11 index points in Q3 with expectations at a similar level for the next three months. However, expectations for the next twelve months remained elevated at +30 index points. Businesses continue to report difficulty in finding suitable labour – a challenge that emerged in the hot labour market earlier in the year and has only been exacerbated with the shift back into lockdown in Q3.
- **Survey measures of inflation**, which fell during lockdowns in 2020, instead continued their rise in Q3 2021. Purchase costs, final product prices and retail prices all edged higher on average after already reaching decade-highs in Q2. At the same time, labour cost indicators eased somewhat, suggesting price pressures remain transitory and relate more to disruption than sustained competition for labour among employers.

**TABLE 1: KEY QUARTERLY BUSINESS STATISTICS**

	2021q1	2021q2	2021q3		2021q1	2021q2	2021q3
	Net balance				Net balance		
Business confidence	18	18	-1	Trading	28	36	16
Business conditions				Profitability	22	30	11
Current	22	30	13	Employment	13	23	11
Next 3 months	28	35	8	Next 3 months	21	27	12
Next 12 months	31	33	19	Next 12 months	25	39	30
Capex plans (next 12)	34	37	26	Forward orders	14	22	5
% change				Stocks	5	10	2
Labour costs	0.8	1.0	0.7	Exports	-1	-1	-1
Purchase costs	0.6	0.9	1.1				
Final products prices	0.3	0.6	0.7	Retail prices (% change)	0.7	0.8	0.9
				Capacity utilisation rate (%)	82.3	84.8	80.1

All data seasonally adjusted, except purchase costs and exports. This survey was conducted from 17 August to 9 September 2021, covering over 900 firms across the non-farm business sector.  
**Next release: 3 February 2022.**

**Contacts: Alan Oster – Chief Economist, Brody Viney – Senior Economist**

© National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686

# NAB QUARTERLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 1: BUSINESS CONDITIONS & CONFIDENCE (NET BALANCE S.A.)

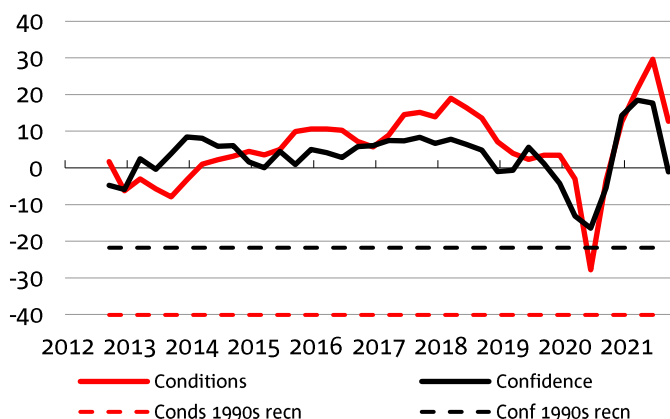
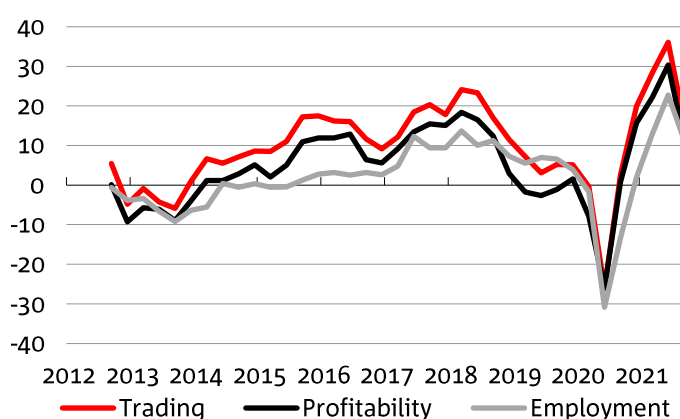


CHART 2: BUSINESS CONDITIONS COMPONENTS (NET BALANCE, S.A.)



## DRIVERS OF BUSINESS CONFIDENCE

CHART 3: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE



CHART 4: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE – DETERIORATING CONFIDENCE

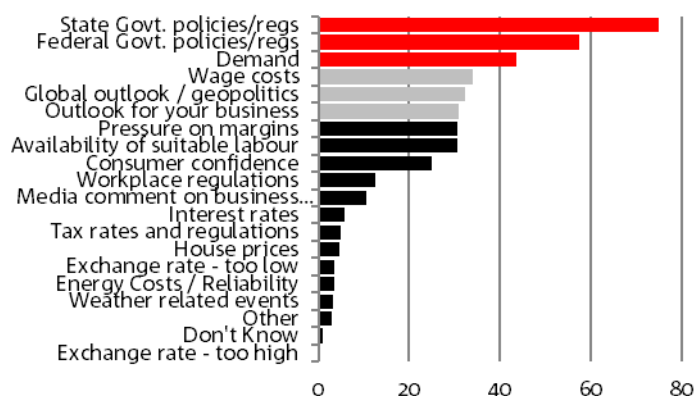
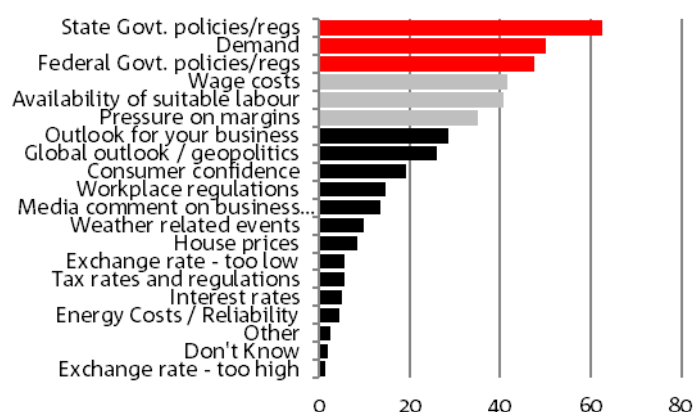
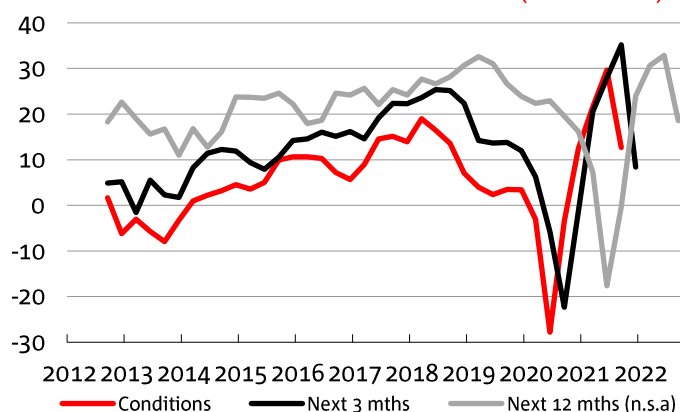


CHART 5: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE – IMPROVING CONFIDENCE

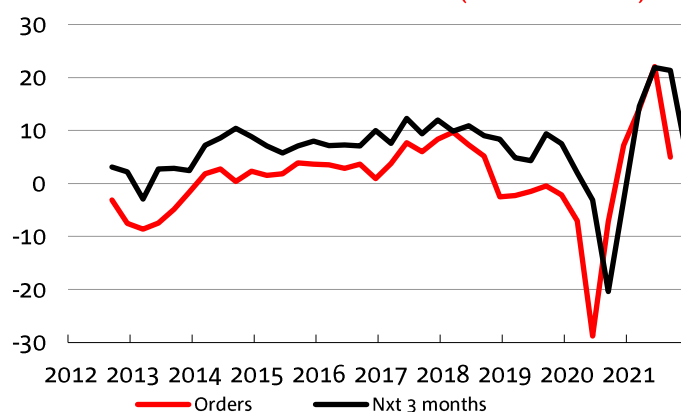


# NAB QUARTERLY BUSINESS SURVEY – LEADING INDICATORS & INVESTMENT

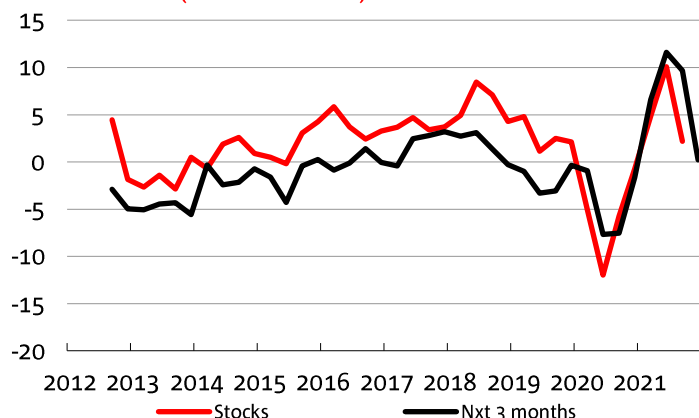
**CHART 6: BUSINESS CONDITIONS AND EXPECTATIONS (NET BALANCE)**



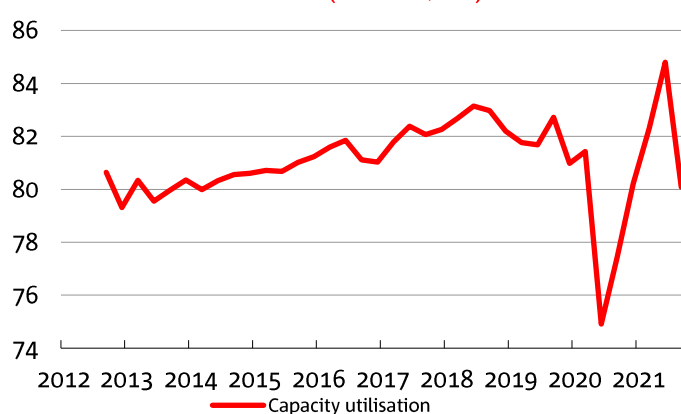
**CHART 7: FORWARD ORDERS & EXPECTATIONS (NET BALANCE S.A.)**



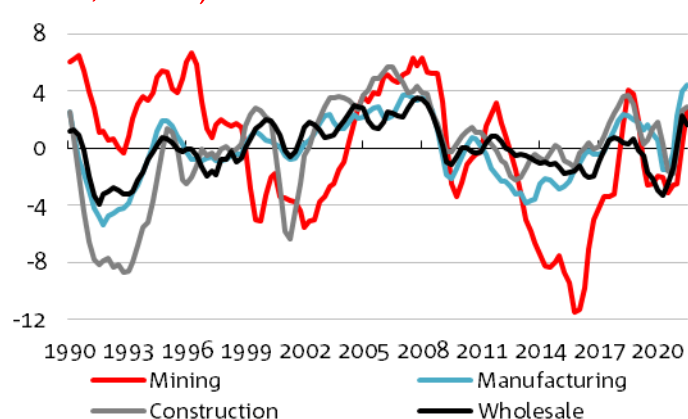
**CHART 8 STOCKS (NET BALANCE S.A.)**



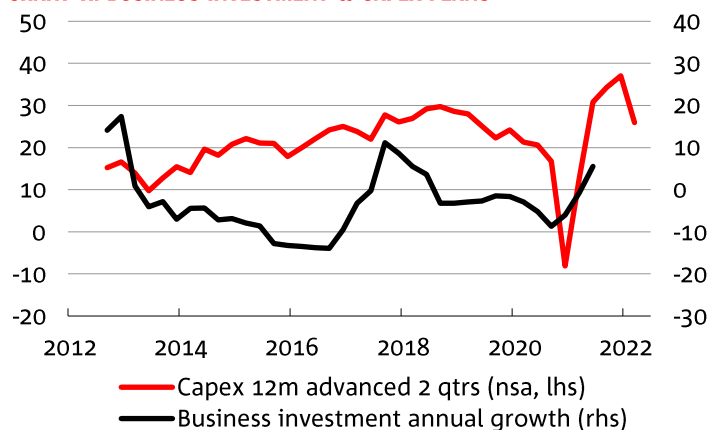
**CHART 9: CAPACITY UTILISATION (PER CENT, S.A.)**



**CHART 10: CAPACITY UTILISATION (PPT DEVIATION FROM LONG-RUN AVERAGE, 3 QTR MA)**



**CHART 11: BUSINESS INVESTMENT & CAPEX PLANS**



# NAB QUARTERLY BUSINESS SURVEY – LABOUR MARKET

CHART 12: EMPLOYMENT & EXPECTATIONS (NET BALANCE)

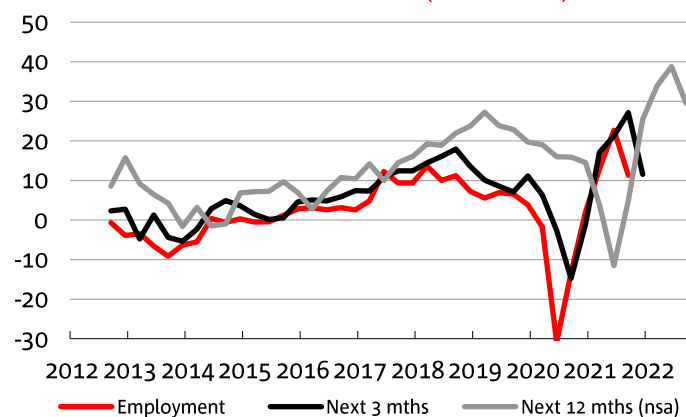


CHART 13: UNEMPLOYMENT RATE & LABOUR CONSTRAINTS

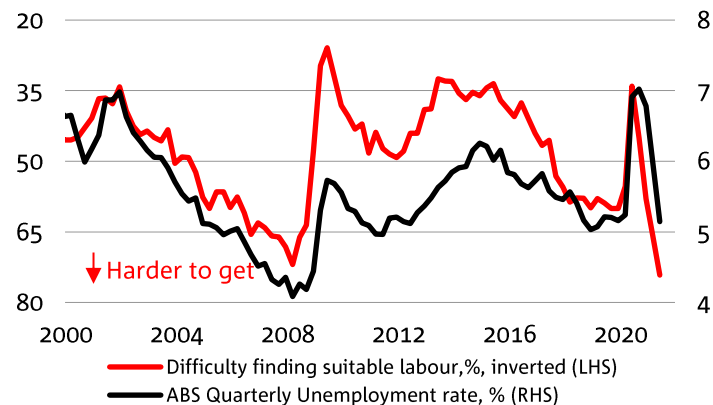


CHART 14: CHANGE IN AVERAGE HOURS WORKED (NSA)

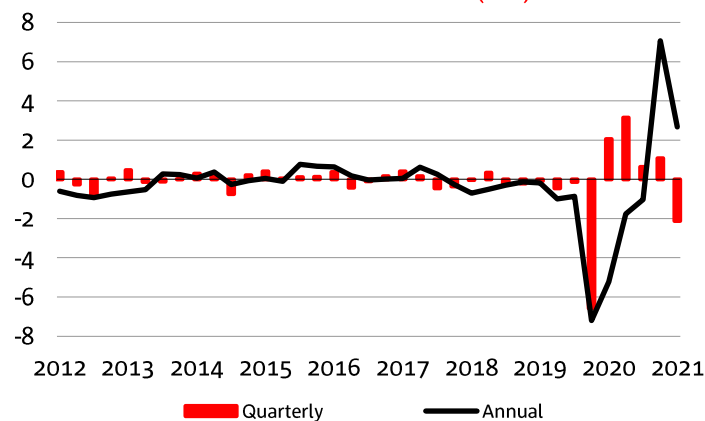


CHART 15: UNDERUTILISATION RATE & LABOUR CONSTRAINTS

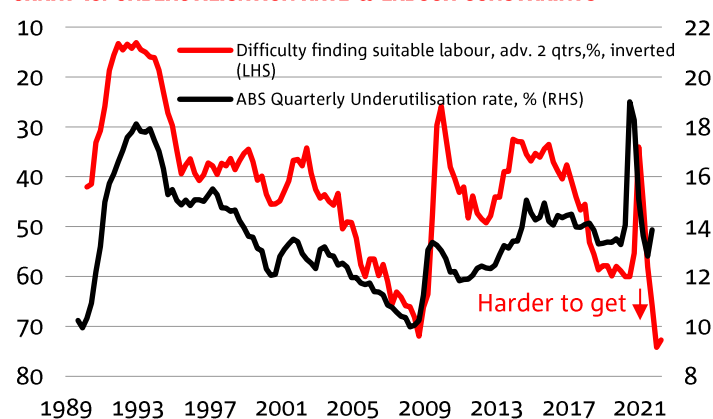


CHART 16: AVERAGE WEEKLY HOURS WORKED BY INDUSTRY (NSA)

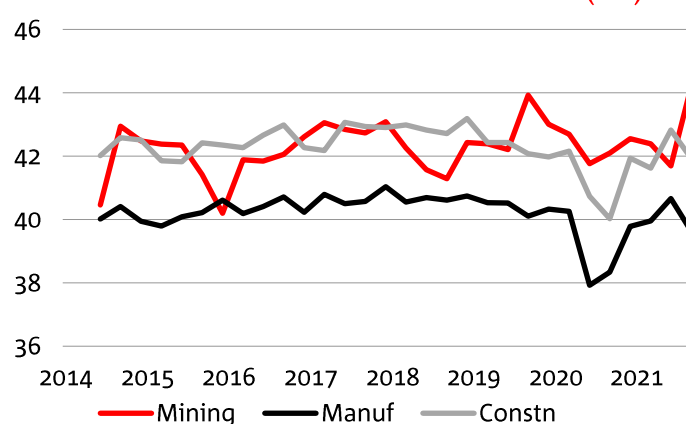


CHART 17: AVERAGE WEEKLY HOURS WORKED BY INDUSTRY (NSA)

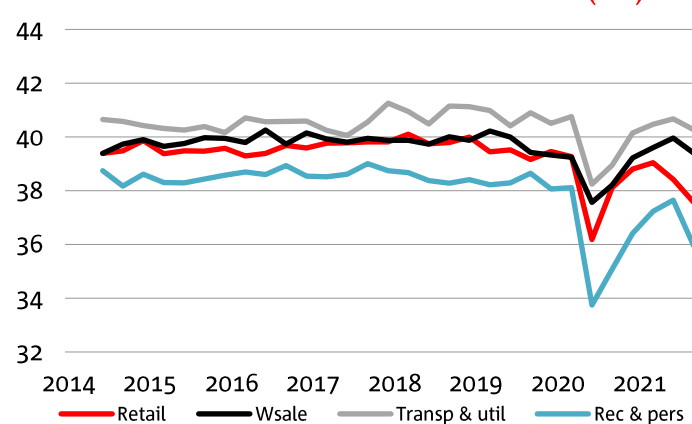
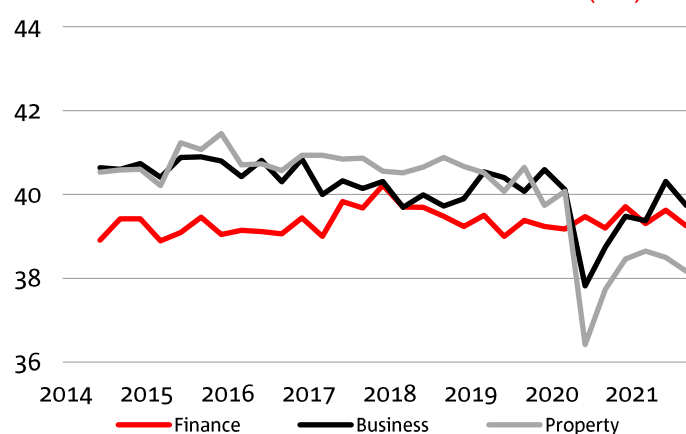


CHART 18: AVERAGE WEEKLY HOURS WORKED BY INDUSTRY (NSA)



# NAB QUARTERLY BUSINESS SURVEY - MAJOR CONSTRAINTS ON FIRM OUTPUT

CHART 19: MAIN CONSTRAINTS ON FIRM OUTPUT

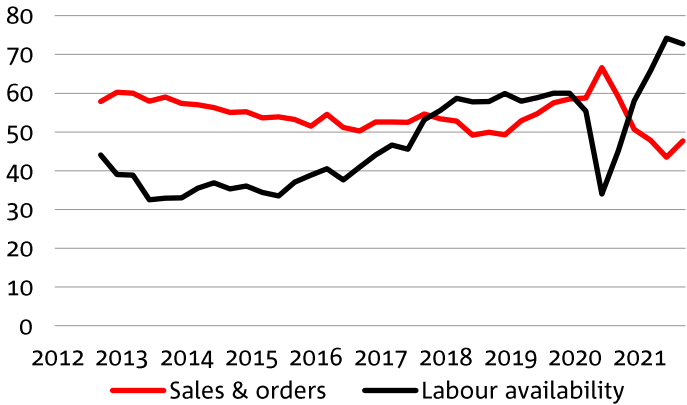
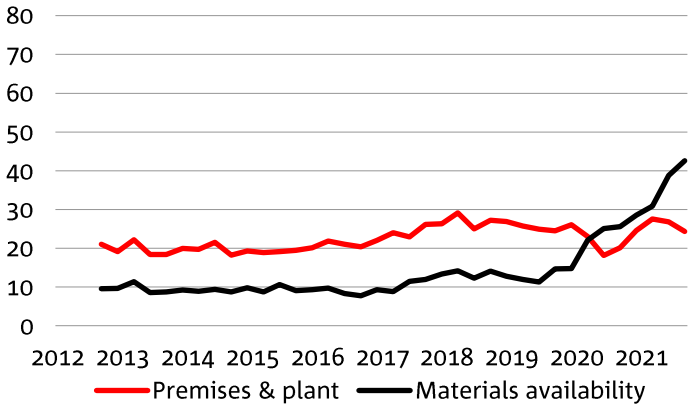


CHART 20: MAIN CONSTRAINTS ON FIRM OUTPUT



## INFLATION PRESSURES

CHART 21: PRICES (% ANN, SA)

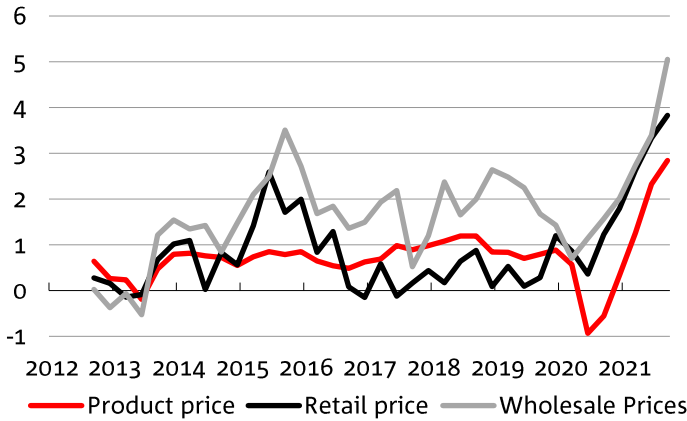
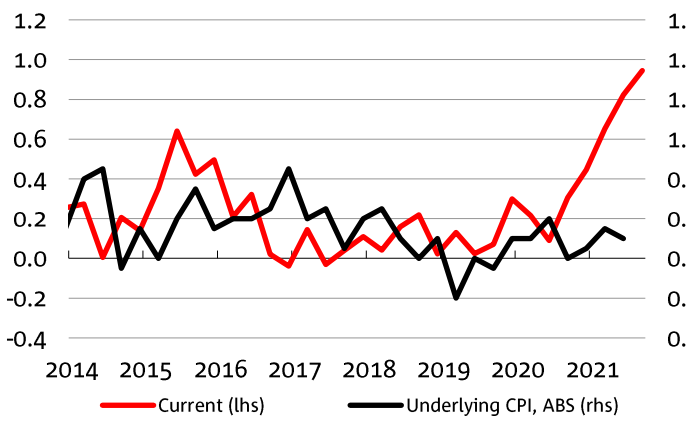


CHART 22: RETAIL PRICES (% P.Q.)



## LABOUR COSTS (DETAILS)

CHART 23: LABOUR COSTS & COMPENSATION OF EMPLOYEES

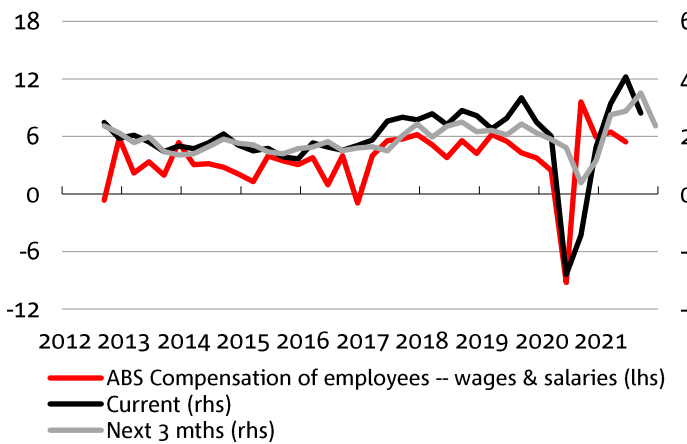
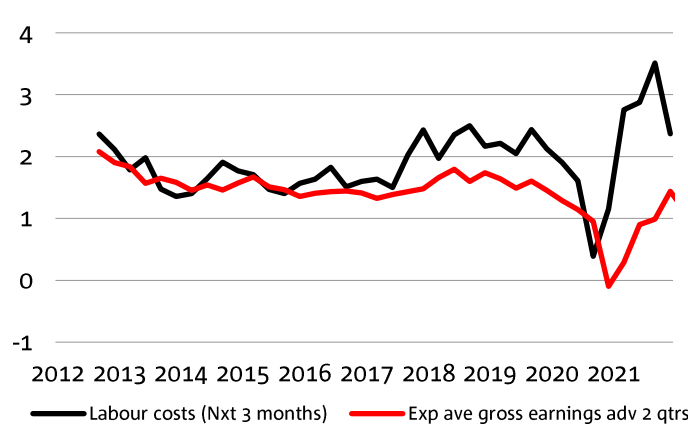


CHART 24: EXPECTED LABOUR COSTS (% ANN)



# NAB QUARTERLY BUSINESS SURVEY – CONSTRUCTION INDUSTRY DETAILS

CHART 25: BUSINESS CONDITIONS BY INDUSTRY

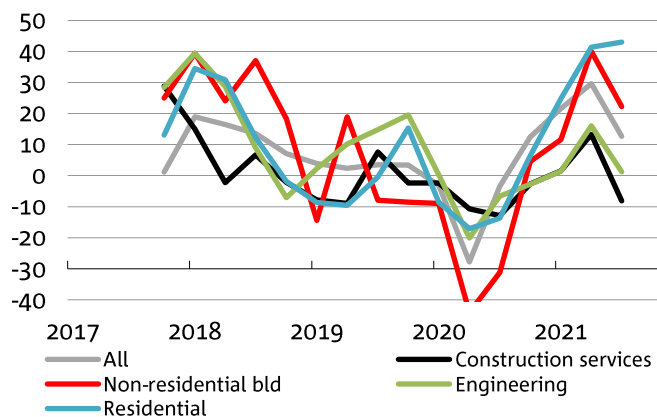


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY

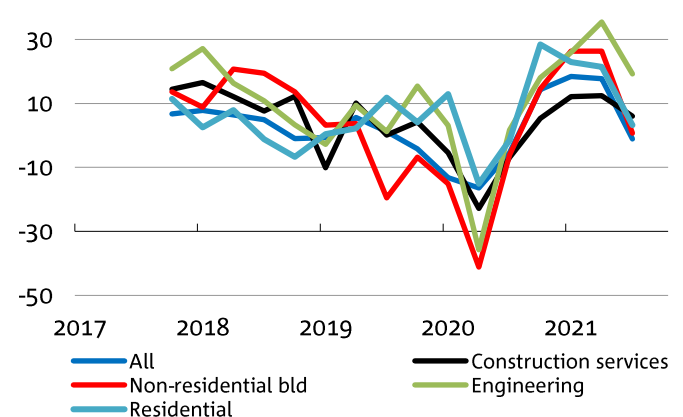


CHART 27: EMPLOYMENT CONDITIONS BY INDUSTRY

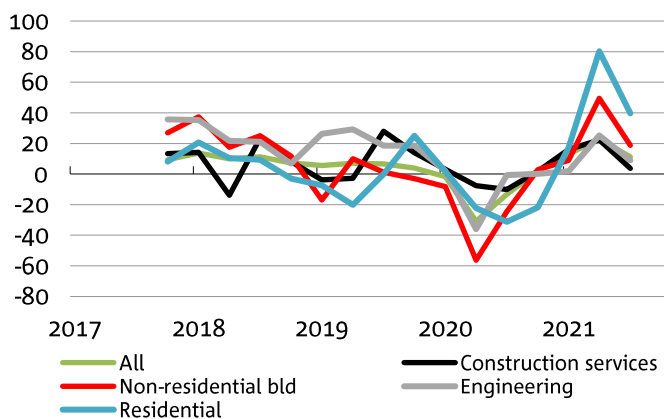
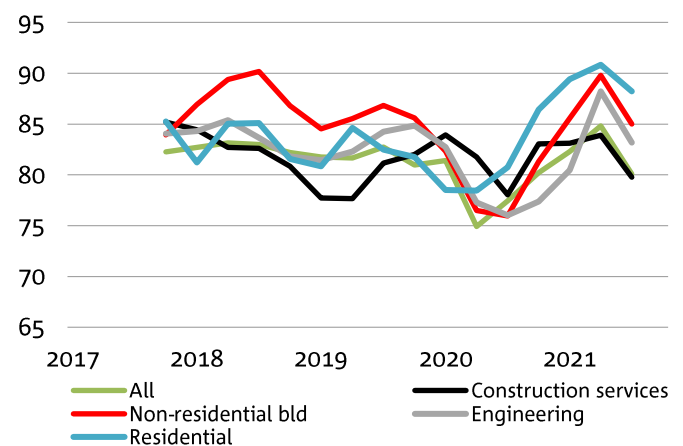


CHART 28: CAPACITY UTILISATION BY INDUSTRY



## FINANCIAL MARKET EXPECTATIONS

- On average, surveyed businesses expect little change in short-term interest rates over the next 12 months. A majority expect no change, and the average expected change is just 12bps. [NAB Economics expects](#) that the cash rate will remain on hold (at 0.1%) until early 2024, with the most recent lockdowns leading to a longer period of spare capacity in the economy.
- The average expectation is for the AUD/USD exchange rate to be US73.65c in six months. This is somewhat lower than in the prior Q2 survey but close to the prevailing exchange rate at the time of the Q3 survey. NAB Economics sees the AUD/USD ending the year around US72c before appreciating to around US78c over 2022 and levelling off at around US77c by end 2023.

# NAB QUARTERLY BUSINESS SURVEY – MORE DETAILS ON INDUSTRY

CHART 29: BUSINESS CONDITIONS BY INDUSTRY

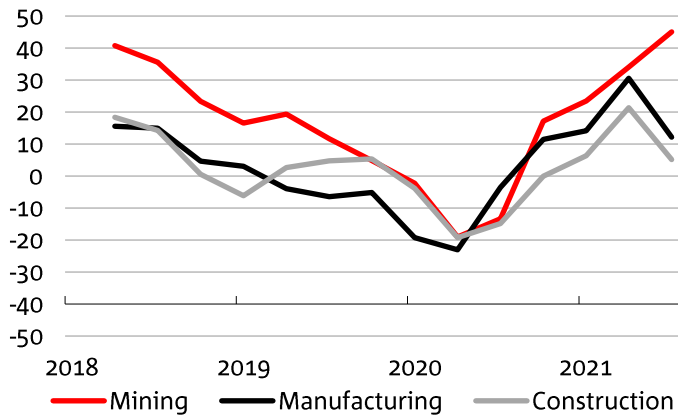


CHART 32: BUSINESS CONFIDENCE BY INDUSTRY

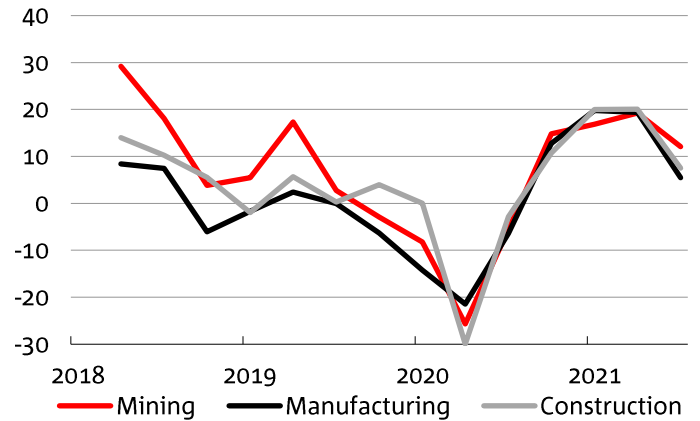


CHART 30: BUSINESS CONDITIONS BY INDUSTRY

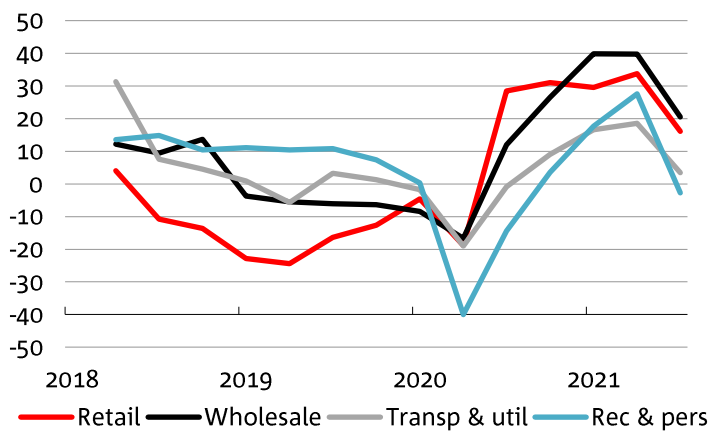


CHART 33: BUSINESS CONFIDENCE BY INDUSTRY

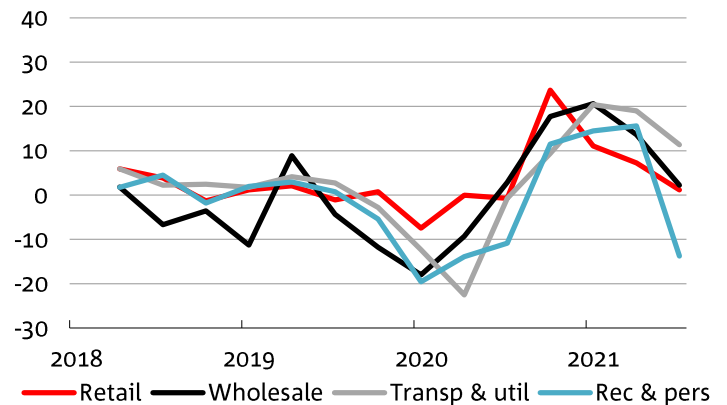


CHART 31: BUSINESS CONDITIONS BY INDUSTRY

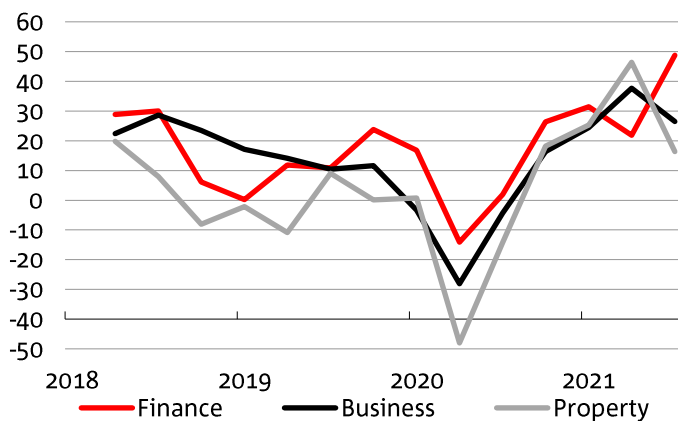
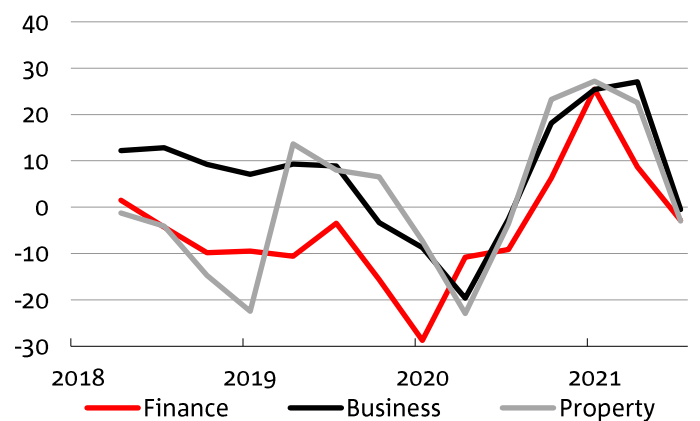


CHART 34: BUSINESS CONFIDENCE BY INDUSTRY



# NAB QUARTERLY BUSINESS SURVEY – FURTHER DETAILS BY STATE

CHART 35: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)

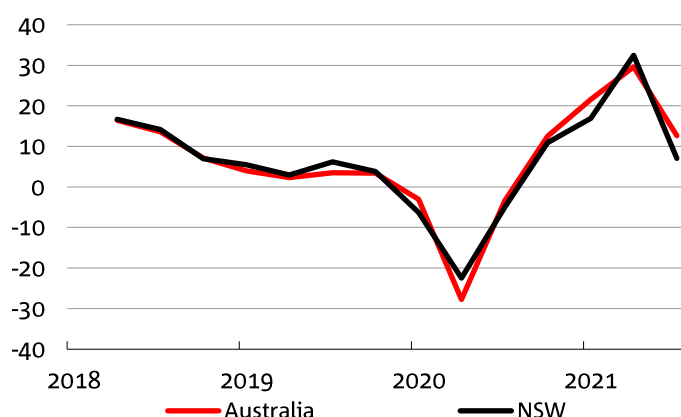


CHART 38: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)

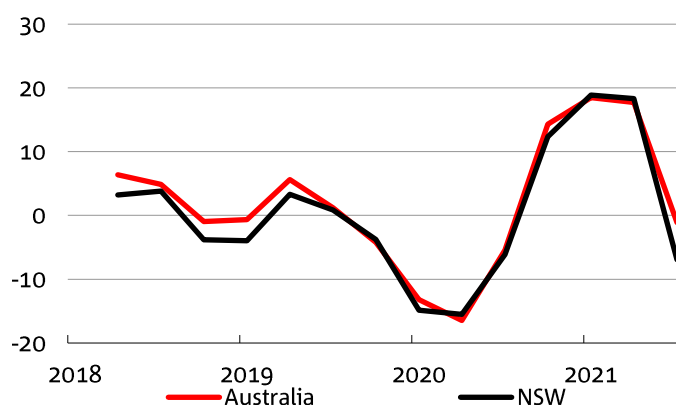


CHART 36: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)

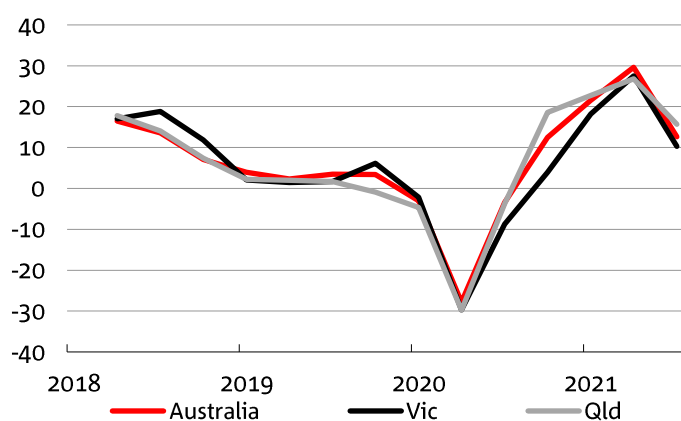


CHART 39: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)

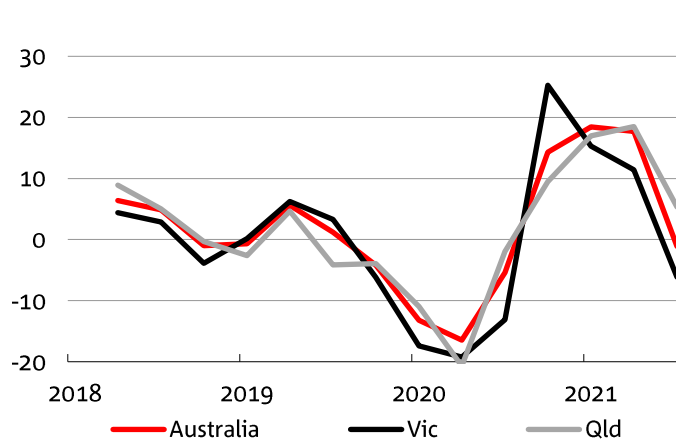


CHART 37: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)

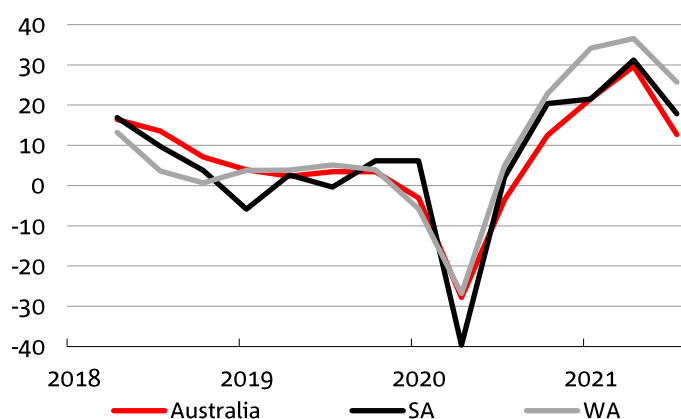
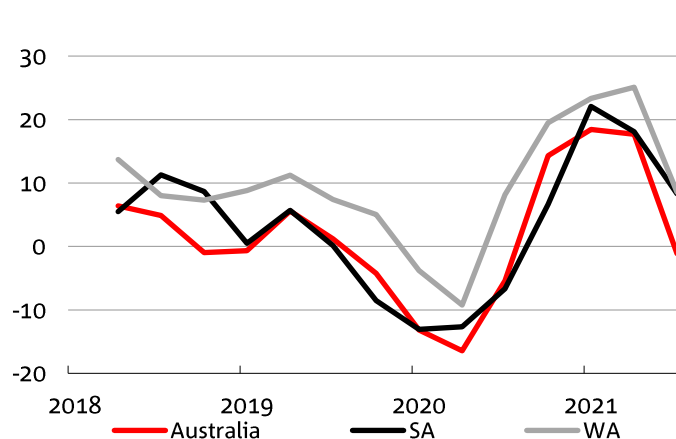


CHART 40: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)





# NAB QUARTERLY BUSINESS SURVEY – DATA APPENDIX

		Quarterly				Monthly				
	2020q3	2020q4	2021q1	2021q2	2021q3	2021m5	2021m6	2021m7	2021m8	2021m9
Confidence	-5	14	18	18	-1	19	10	-8	-6	13
Conditions	-3	12	22	30	13	34	27	10	14	5

		Quarterly				Monthly				
	2020q3	2020q4	2021q1	2021q2	2021q3	2021m5	2021m6	2021m7	2021m8	2021m9
Trading	3	20	28	36	16	44	33	12	20	10
Profitability	1	16	22	30	11	38	27	6	15	2
Employment	-13	2	13	23	11	24	19	11	9	1

		Quarterly <sup>(a)</sup>				Monthly				
	2021q2	2021q3	2021q4	2022q2	2022q3	2021m5	2021m6	2021m7	2021m8	2021m9
Conditions	30	13	NA	NA	NA	34	27	10	14	5
Conds. next 3m	28	35	8	NA	NA					
Conds. nxt 12m	-18	0	24	33	19					
Orders	22	5	NA	NA	NA	25	15	-6	6	-1
Orders next 3m	22	21	6	NA	NA					

(a) Quarter to which expectation applies. Business conditions next 12 months not seasonally adjusted.

		Quarterly <sup>(a)</sup>					Monthly			
	2020q4	2021q1	2021q2	2021q3	2021q4	2021m5	2021m6	2021m7	2021m8	2021m9
Capacity utilis.	80.2	82.3	84.8	80.1	NA	84.5	83.1	81.2	80.1	78.4
Stocks current	-1	5	10	2	NA	7	9	4	0	0
Stocks next 3m	-2	7	12	10	0					

(a) Quarter to which expectation applies. All data are seasonally adjusted.

	2020q3	2021q2	2021q3
Constraints on output (% of firms)*			
Sales & orders	59.1	43.5	47.7
Labour	45.0	74.2	72.7
Premises & plant	20.1	26.8	24.3
Materials	25.6	38.8	42.5

\* not s.a.

		Quarterly <sup>(a)</sup>				Monthly				
	2021q2	2021q3	2021q4	2022q2	2022q3	2021m5	2021m6	2021m7	2021m8	2021m9
Empl current	23	11	NA	NA	NA	24	19	11	9	1
Empl next 3m	21	27	12	NA	NA					
Empl nxt 12m	-12	5	25	39	30					

(a) Quarter to which expectation applies. Employment conditions next 12 months not seasonally adjusted.

# NAB QUARTERLY BUSINESS SURVEY – DATA APPENDIX – STATE TABLES

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2020q3</u>	<u>2020q4</u>	<u>2021q1</u>	<u>2021q2</u>	<u>2021q3</u>	<u>2021m5</u>	<u>2021m6</u>	<u>2021m7</u>	<u>2021m8</u>	<u>2021m9</u>
Business conditions										
NSW	-5	11	17	32	7	39	33	2	12	-4
VIC	-9	4	18	28	10	34	18	13	13	2
QLD	-4	19	23	27	16	29	28	19	15	11
SA	2	20	21	31	18	36	32	-3	19	6
WA	5	23	34	37	26	37	36	15	20	17

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2020q3</u>	<u>2020q4</u>	<u>2021q1</u>	<u>2021q2</u>	<u>2021q3</u>	<u>2021m5</u>	<u>2021m6</u>	<u>2021m7</u>	<u>2021m8</u>	<u>2021m9</u>
Business confidence										
NSW	-6	12	19	18	-7	20	6	-21	-15	27
VIC	-13	25	15	11	-6	15	14	1	-11	5
QLD	-2	9	17	19	5	22	7	-1	2	1
SA	-7	7	22	18	8	21	17	-1	6	2
WA	8	20	23	25	9	23	14	8	3	1

## CONTACTS

Brody Viney, Senior Economist

[brody.viney@nab.com.au](mailto:brody.viney@nab.com.au)

+61 0 452 673 400

Gareth Spence, Senior Economist

[gareth.spence@nab.com.au](mailto:gareth.spence@nab.com.au)

+61 0 436 606 175

Alan Oster, Group Chief Economist

[Alan.Oster@nab.com.au](mailto:Alan.Oster@nab.com.au)

+61 0 414 444 652

### 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.

## 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\*

The Quarterly NAB Business Survey provides a more in-depth probe into the conditions facing Australian business than the monthly survey, and also examines additional information about how firms perceive the outlook for their industries.

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

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)

\*Data available in original, seasonally adjusted and trend terms.