

EMBARGOED UNTIL: 11:30AM AEDT, 8 FEBRUARY 2022

NAB MONTHLY BUSINESS SURVEY JANUARY 2022

CONDITIONS DETERIORATE AS OMICRON PEAKS

NAB Australian Economics



Key messages: Business conditions deteriorated in January as the Omicron variant caused COVID-19 cases to reach unprecedented levels, triggering consumer caution and staff shortages. Profitability, trading conditions, and employment all fell, with the impact felt across almost all states and industries. Recreation & personal services continues to be hardest hit but retail, transport, and construction all saw large negative impacts. Nonetheless, business confidence rebounded to positive territory after the initial outbreak caused a sharp fall in confidence in December. The confidence rebound signals that, despite the disruption, firms were optimistic that the outbreak would be short-lived, and consistent with this, forward orders remained steady. There was also a rise in capacity utilisation, driven by manufacturing, transport, and wholesale. Cost pressures remained elevated, with purchase cost growth reaching a record 3.4% in quarterly terms. Strong wage bill growth continued while on the output side, final product price inflation remained elevated, although retail price inflation eased somewhat. With case numbers appearing to have peaked in late January, some staffing constraints should ease and conditions should improve in the coming months, but uncertainty remains about how quickly wider supply chain issues will be resolved.

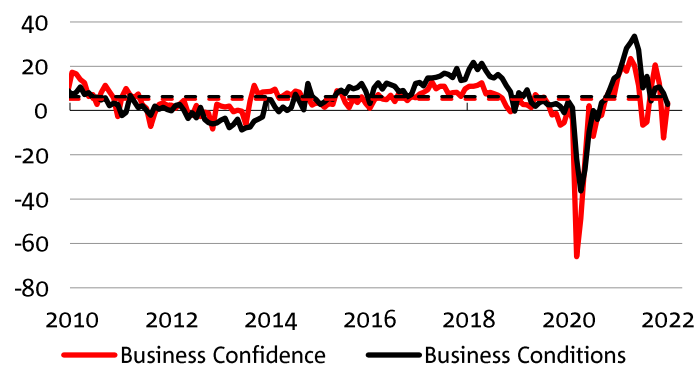
HIGHLIGHTS

- **How confident are businesses?** Business confidence rose 15pts in January to be back in positive territory at +3 index points, after a sharp fall in December when the Omicron wave began.
- **How did business conditions fare?** Conditions fell 5pts to +3 index points, declining below their long-run average.
- **What components contributed to the result?** All three components of conditions deteriorated, with large falls in profitability (down 8pts to +2 index points) and trading conditions (down 7pts to +7). Employment also fell (down 3pts to -1).
- **Which industries are driving conditions?** Conditions fell in almost all industries, with very large falls in retail (down 38pts), transport (down 30pts), and construction (down 16pts). In trend terms, outside of mining conditions remained strongest in finance, business, & property, wholesale, and retail, and weakest in recreation & personal services.
- **Which industries are most confident?** Confidence rose across all industries outside mining, with wholesale, transport & utilities, and recreation & personal services all recording large rebounds in confidence in January largely reversing the falls seen in December.
- **Where are we seeing the best conditions by state?** There were large falls in conditions in Vic (down 20pts), WA (down 14pts), SA (down 9pt), and NSW (down 7pts). Tas also fell (down 4pts) while Qld rose (up 6pts). In trend terms, conditions remain strongest in WA and Tas.
- **What is confidence like across the states?** The strong rebound in confidence was spread across the states, led by Qld and Tas (both up 22pts), followed by SA (up 19pts) and NSW & Vic (both up 11pts). Confidence also edged up in WA (up 4pts).
- **Are leading indicators suggesting improvement?** Forward orders were steady at +4 index points, while capital expenditure edged down 3pts to +3. Capacity utilisation rose, from 80.7% to 81.6%, driven by manufacturing, transport, and wholesale.
- **What does the survey suggest about inflation?** Purchase cost growth rose to a record 3.4% in January, while labour cost growth remained elevated at 1.9%. Final product price growth also remained elevated, but retail price inflation eased somewhat, from 2.0% to 1.3% in quarterly terms.

TABLE 1: KEY STATISTICS

	Nov-21	Dec-21	Jan-22
	Net balance		
Business confidence	13	-12	3
Business conditions	11	8	3
Trading	14	14	7
Profitability	9	10	2
Employment	11	2	-1
Forward orders	14	4	4
Stocks	4	1	-1
Exports	-1	-4	-1
	% change at quarterly rate		
Labour costs	1.4	1.9	1.9
Purchase costs	2.2	2.8	3.4
Final products prices	1.2	1.4	1.5
Retail prices	1.3	2.0	1.3
	Per cent		
Capacity utilisation rate	83.2	80.7	81.6

CHART 1: CONFIDENCE & CONDITIONS



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

All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 19 to 31 January 2022, covering over 400 firms across the non-farm business sector.

Next release date: 8 March 2022.

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

CAPACITY UTILISATION EBBS AND FLOWS THROUGH THE PANDEMIC

- Capacity utilisation rose in the January survey, reaching 81.6% after dipping to 80.7% in December. The rise in utilisation during the Omicron outbreak contrasted with the way capacity utilisation has evolved through past outbreaks, when utilisation has generally fallen.
- Across the states, utilisation fell more than 8pts below its long-run average in every state amidst the onset of the coronavirus pandemic in 2020 (Charts 2 and 3). Utilisation then recovered to around its long-run average in early 2021 (earlier in WA and Tas) and rose to around 5pts above average by mid-year. Lockdowns during the Delta outbreak caused sharp falls in NSW and Vic before another rebound in October and November.
- More recently, however, the states have been less aligned. NSW has seen utilisation falling through December and January, as has WA (to a lesser extent). Vic and SA have stayed around their long-run average, while Tasmania remains well above. Qld saw utilisation fall in December but recover in January, possibly reflecting border issues.
- By industry, the sectors most directly affected by lockdown orders have seen the largest swings in capacity utilisation. Recreation & personal services saw utilisation fall more than 15pts below its long-run average in 2020, with retail seeing a similar fall to more than 10pts below average (Chart 4). Retail saw a faster and stronger recovery before the Delta outbreak, and again saw utilisation rise faster as lockdowns ended in the lead up to Christmas in 2021.
- While both of these sectors have been impacted by the Omicron outbreak, utilisation in recreation & personal services has stayed lower, more than three points below long-run average.
- Other sectors were similarly affected in 2020 but have seen less severe impacts on utilisation in subsequent outbreaks. Key sectors in the supply chain such as manufacturing, transport, and wholesale have stayed around or above average (Chart 5). While these three sectors saw utilisation dip in December, they all saw a rise in utilisation in January.
- Construction and finance, business and property were affected by the Delta outbreak to some extent, but largely remained at above-average utilisation, while mining has steadily risen since 2020 (Chart 6).

CHART 2: CAPACITY UTILISATION BY STATE – DEVIATION FROM LONG-RUN AVERAGE (S.A.)

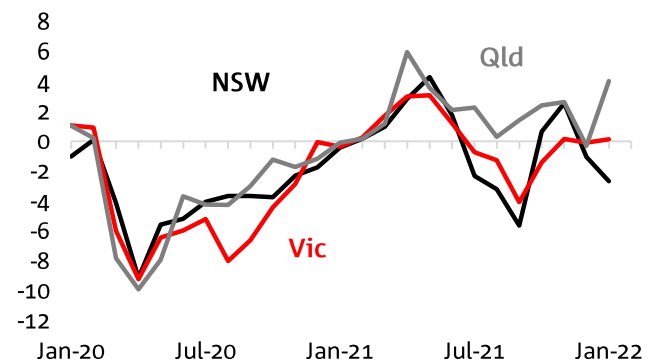
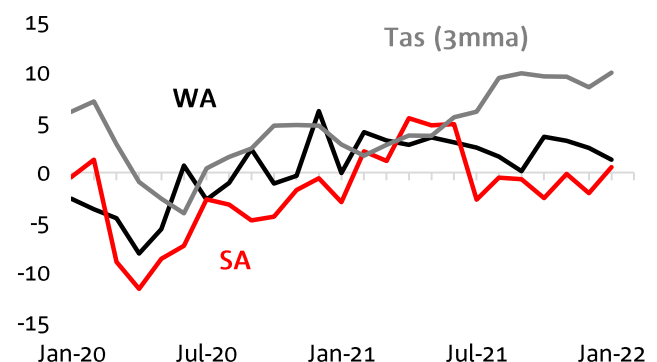


CHART 3: CAPACITY UTILISATION BY STATE (CONT.)



NB: Tasmania shown as 3-month-moving-average due to volatility.

CHART 4: CAPACITY UTILISATION BY INDUSTRY – DEVIATION FROM LONG-RUN AVERAGE (S.A.)

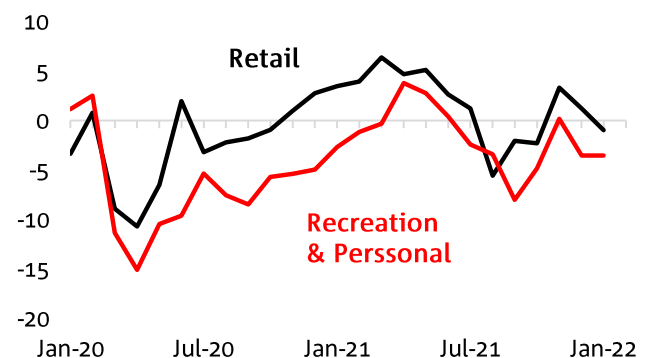


CHART 5: CAPACITY UTILISATION BY INDUSTRY (CONT.)

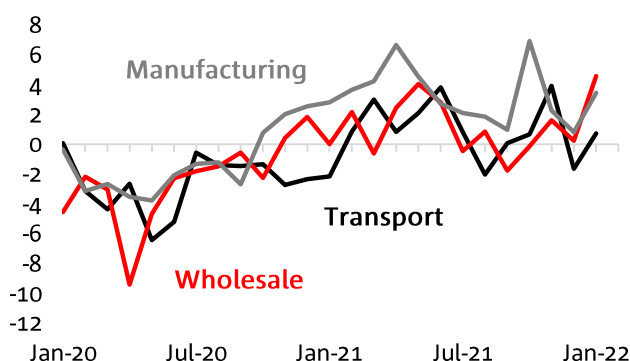
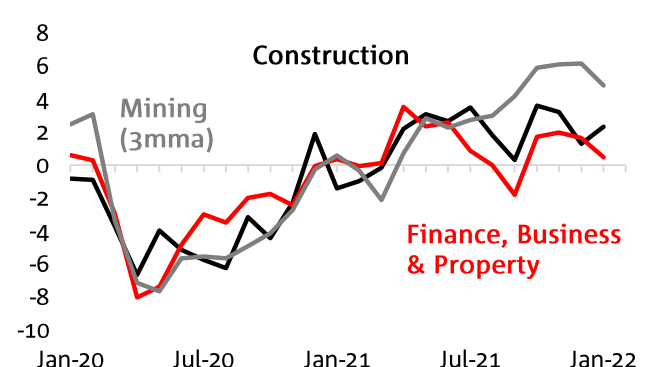


CHART 6: CAPACITY UTILISATION BY INDUSTRY (CONT.)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 7: BUSINESS CONFIDENCE (NET BALANCE)

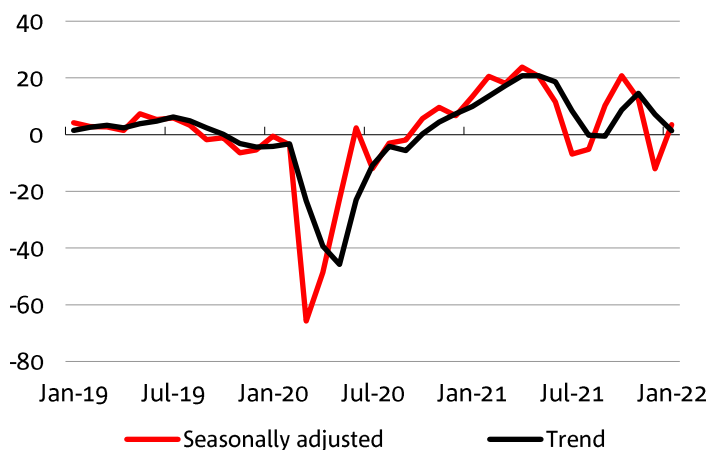


CHART 8: BUSINESS CONDITIONS (NET BALANCE)

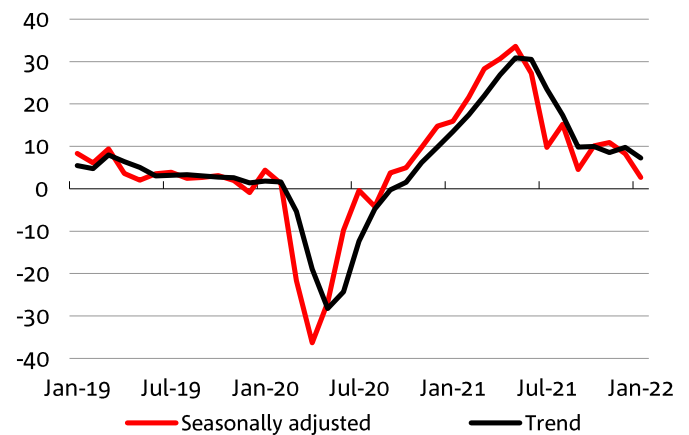


CHART 9: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

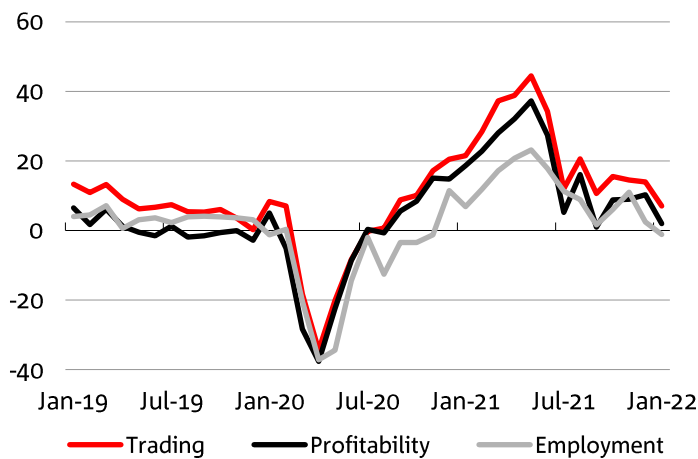


CHART 10: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

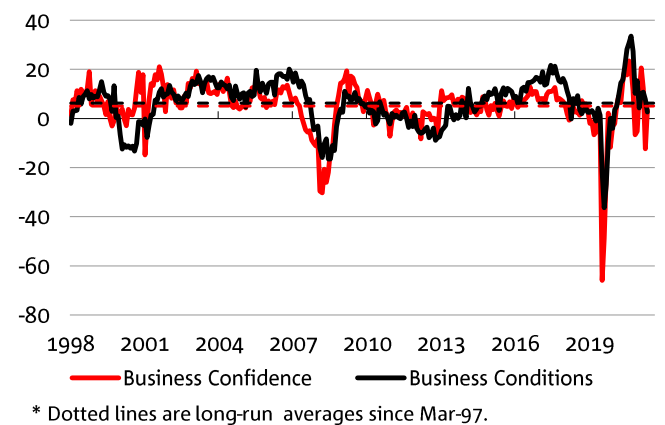


CHART 11: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

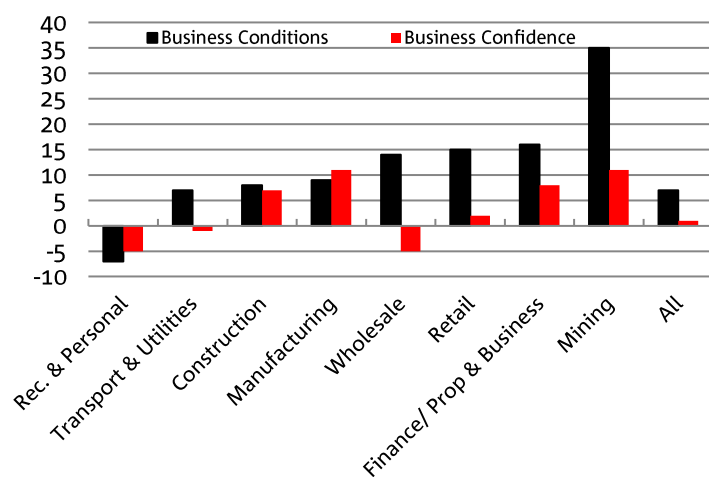
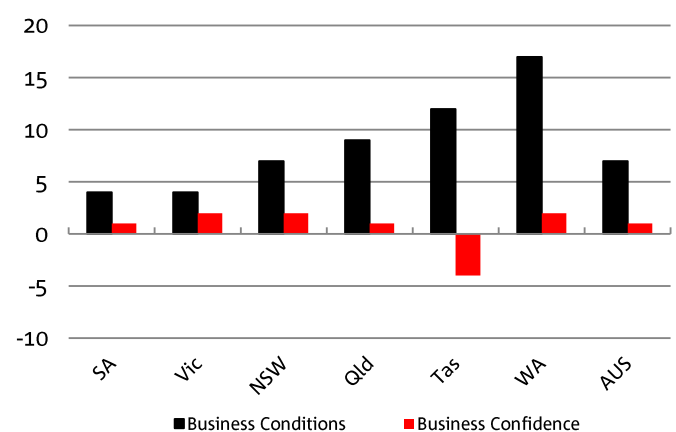


CHART 12: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 13: FORWARD ORDERS (NET BALANCE)

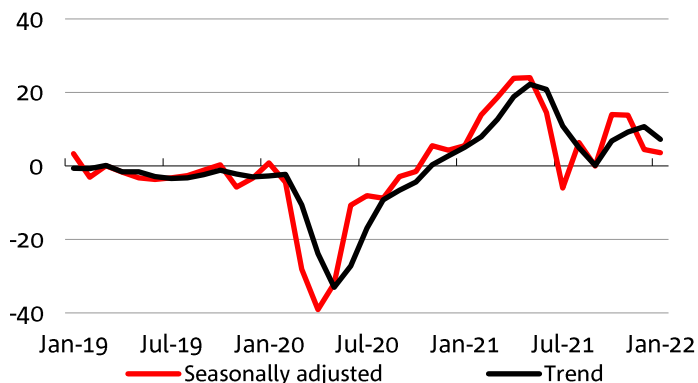


CHART 14: CAPITAL EXPENDITURE (NET BALANCE)

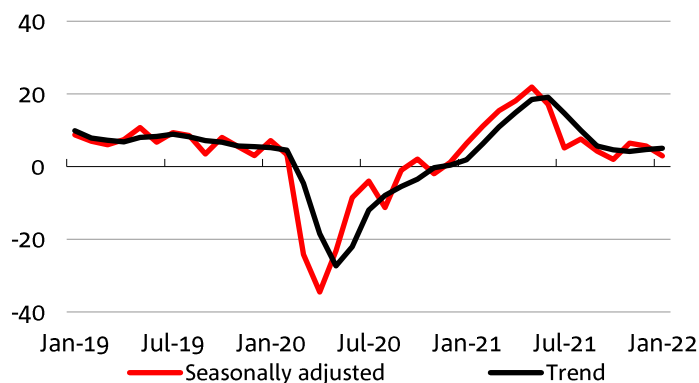


CHART 15: CAPACITY UTILISATION AND UNEMPLOYMENT

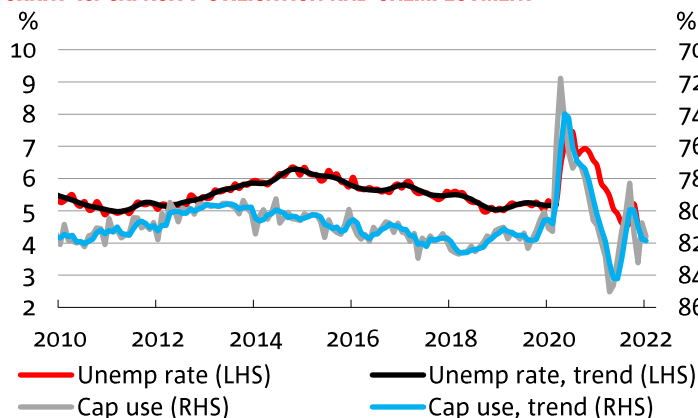


CHART 16: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

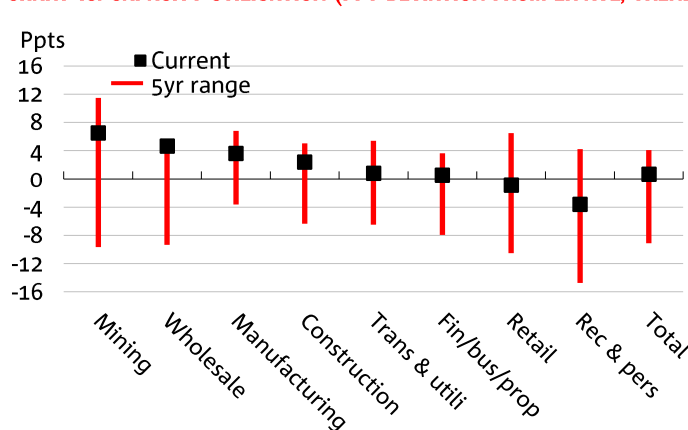


CHART 17: STOCKS (NET BALANCE)

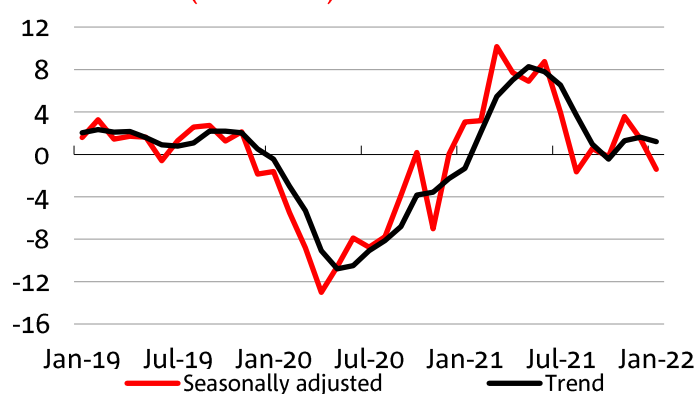


CHART 18: CASH FLOW (NET BALANCE)

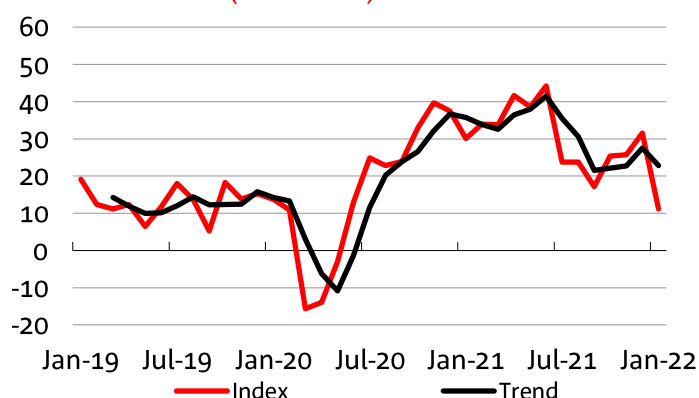


CHART 19: EXPORTS (NET BALANCE)

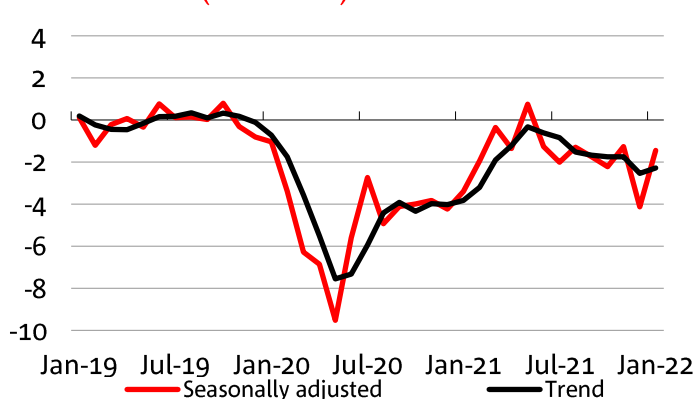
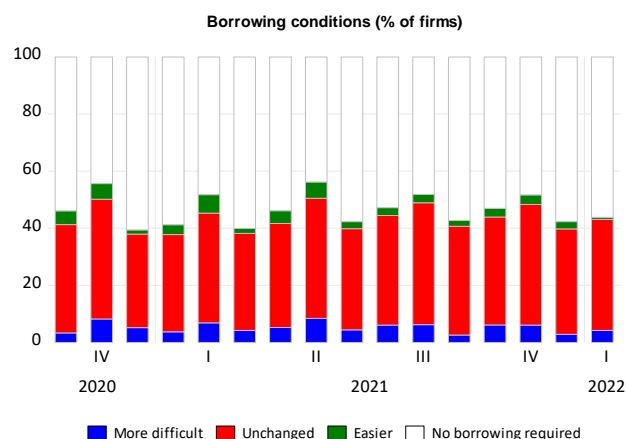


CHART 20: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

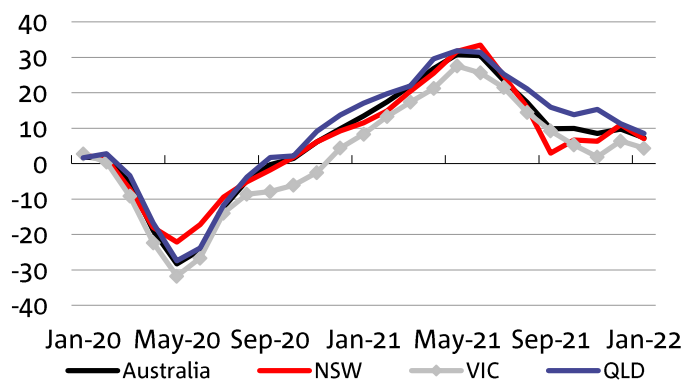


CHART 22: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

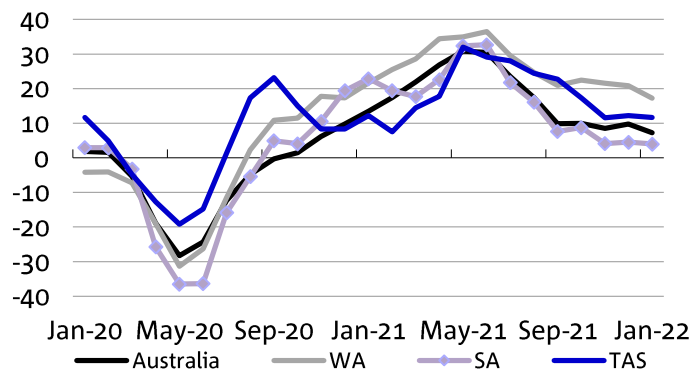


CHART 23: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

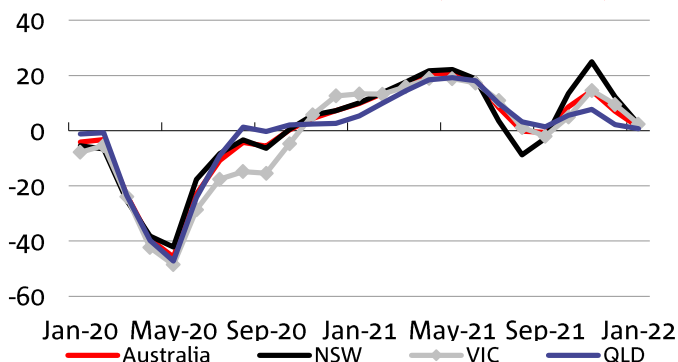


CHART 24: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

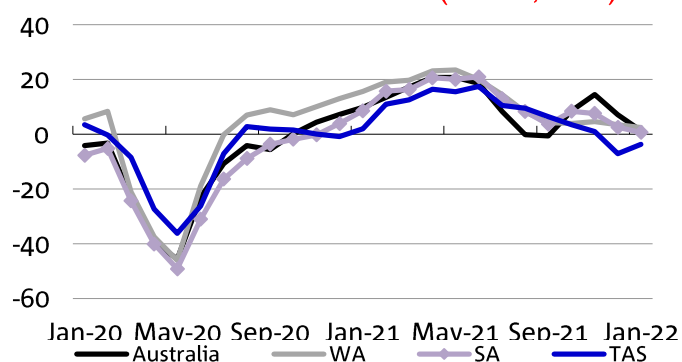


CHART 25: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

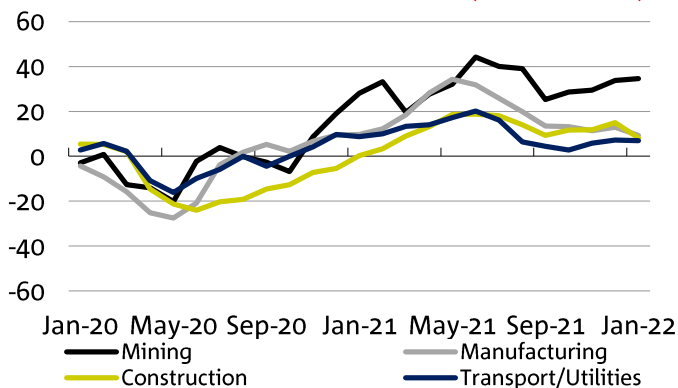


CHART 26: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

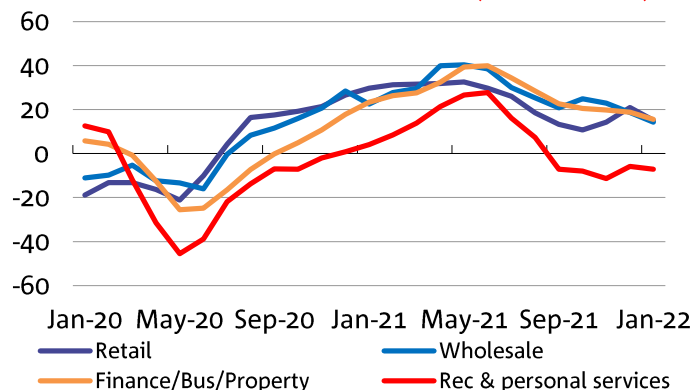


CHART 27: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

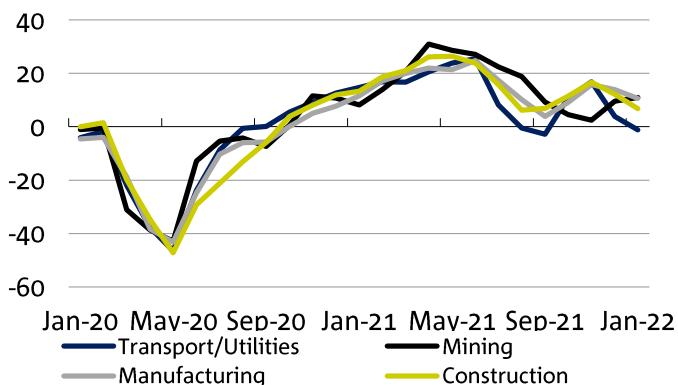
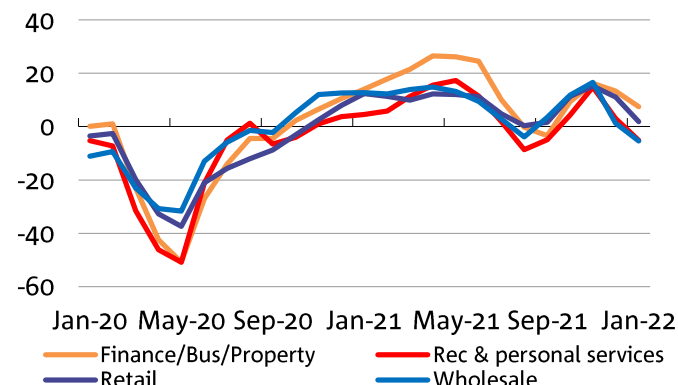


CHART 28: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 29: EMPLOYMENT

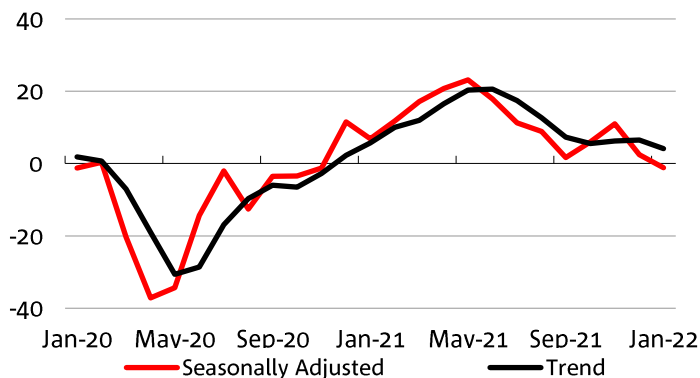


CHART 30: EMPLOYMENT (NAB VS ABS)

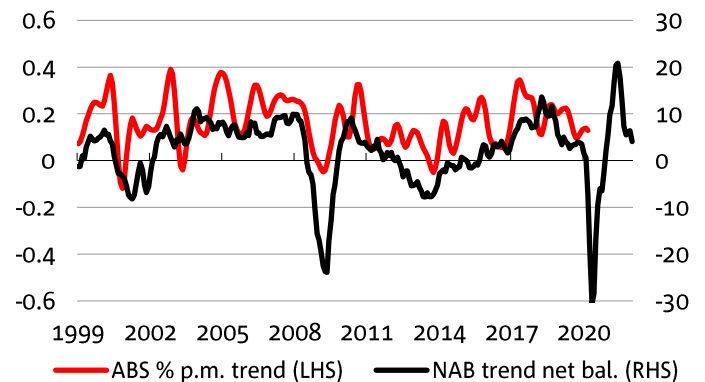


CHART 31: EMPLOYMENT BY INDUSTRY

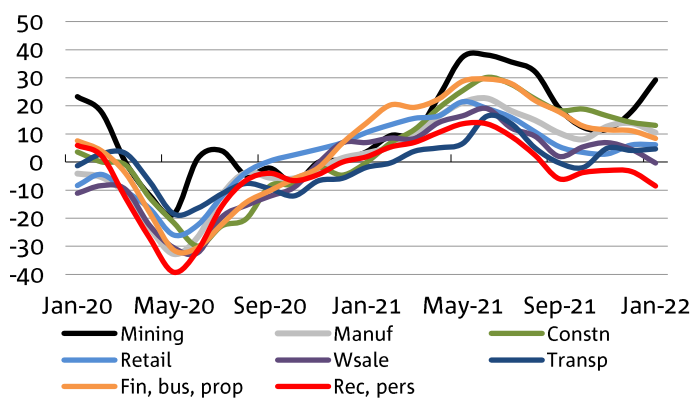


CHART 32: LABOUR COSTS GROWTH

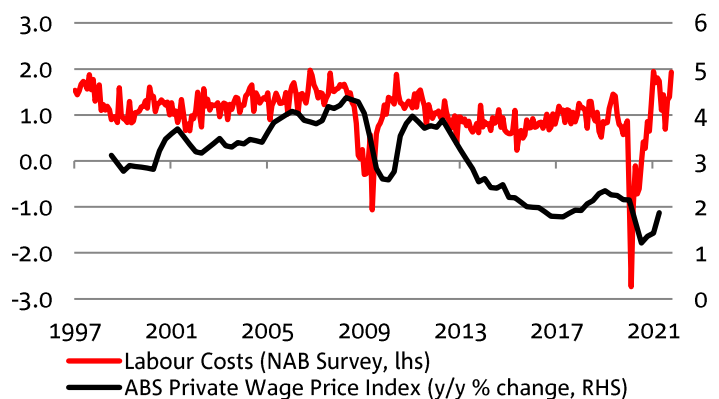


CHART 33: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

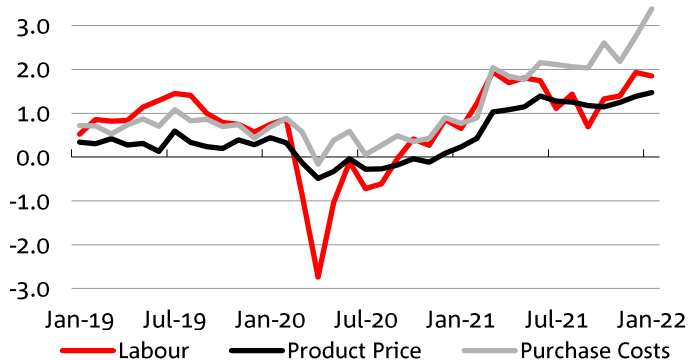
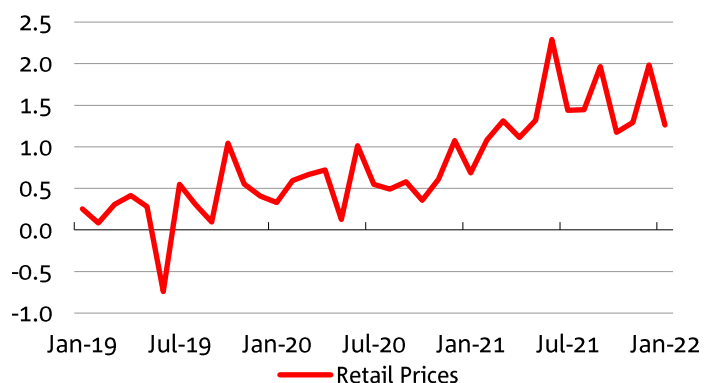


CHART 34: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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)