

**EMBARGOED UNTIL: 11:30AM AEDT, 3 FEBRUARY 2022**

# **NAB QUARTERLY BUSINESS SURVEY 2021 Q4**

## **PRE-OMICRON ECONOMY WAS CONFIDENT BUT FACING CONSTRAINTS**

*NAB Australian Economics*



Business confidence rebounded dramatically in Q4 of 2021 as lockdowns were lifted in major states and vaccination rates hit key milestones. The rebound followed a sharp fall that saw the confidence index turn negative during the Delta wave of the virus in Q3. Business conditions, by contrast, had remained in positive territory through Q3 and remained largely unchanged in Q4, with only slight improvement in NSW and Victoria despite the end of lockdowns. The confidence boost was supported by an improving outlook, with expectations for conditions in 3 months and 12 months' time rising to very high levels – albeit responses were captured largely prior to the emergence of the Omicron variant. Capacity utilisation, forward orders and capex plans all also lifted. Ongoing supply chain issues and border closures saw 85% of firms report availability of labour as a constraint on output, while 47% reported availability of materials as a constraint – both records in the history of the survey. As a result, both cost growth and retail price growth remained elevated. While the Omicron wave is likely to have dampened activity since these results were captured, they nonetheless highlight the recovery that was underway in late 2021, and suggest activity is likely to rebound once again in 2022 as the current virus wave recedes.

### **HIGHLIGHTS**

- **Business conditions** were steady at +12 index points in Q4. Profitability and trading conditions edged up, although the employment index eased in the quarter. Conditions edged up in NSW (up 2pts to +11 index points) and Vic (up 2pts to +7) and were steady in Qld but eased elsewhere. Wholesale, transport, construction, retail, and recreation & personal services all saw conditions improve while mining and finance, business & property eased.
- **Business confidence** rebounded in Q4, up 20pts to +18 index points. Confidence rose 33pts to reach +25 index points in NSW, and was up 28pts to +22 index points in Vic. Other states saw smaller rises, except Tas which saw confidence fall 5pts. All industries outside of mining saw confidence rise, with the largest rebounds seen in recreation & personal (up 33pts to +18) and finance, business & property (up 23 to +22).
- **Leading indicators** strengthened considerably, with capacity utilisation up to 83.3% and forward orders up 12pts to +16 points. With the Omicron variant yet to take hold, firms reported a very positive outlook for conditions in the next three months (up 22pts to +30 index points), and for the next 12 months (up 17pts to +36). Capex plans for the next 12 months also rose 8pts to +34 index points.
- **Labour indicators** point to a strengthening labour market. The employment index edged down in the quarter but expectations for employment in the next three months rose almost to pre-Delta levels and expectations for the next 12 months rose even higher still, passing +40 index points. A record 85% of firms reported availability of labour as a major constraint on firm output. The results mirror official labour market data in November and December, with record employment growth and the unemployment rate rapidly declining.
- **Survey measures of inflation** remained elevated in Q4. Purchase cost growth continued to rise, reaching 1.3%, as 47% of firms reported availability of materials as a major constraint on output. Labour costs, final product prices and retail prices also continued to grow at the rates seen in Q3. Retail prices grew at 1.0%, matching the official trimmed mean CPI print for the December quarter released last week.

**TABLE 1: KEY QUARTERLY BUSINESS STATISTICS**

	2021q2	2021q3	2021q4		2021q2	2021q3	2021q4
	<i>Net balance</i>				<i>Net balance</i>		
Business confidence	19	-2	18	Trading	37	15	17
Business conditions				Profitability	31	10	11
Current	31	12	12	Employment	23	11	9
Next 3 months	35	8	30	Forward orders	23	4	16
Next 12 months	33	19	36	Stocks	11	1	4
Capex plans (next 12)	37	26	34	Exports	-1	-1	-1
	<i>% change</i>						
Labour costs	1.0	0.8	0.8	Retail prices (% change)	0.9	1.0	1.0
Purchase costs	1.0	1.1	1.3				
Final products prices	0.6	0.7	0.7	Capacity utilisation rate (%)	84.9	80.1	83.3

All data seasonally adjusted, except purchase costs and exports. This survey was conducted from 16 November to 13 December 2021, covering over 900 firms across the non-farm business sector.  
**Next release: 21 April 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.)

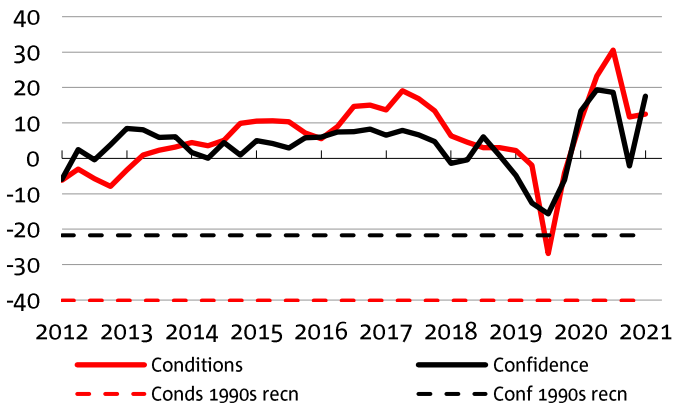
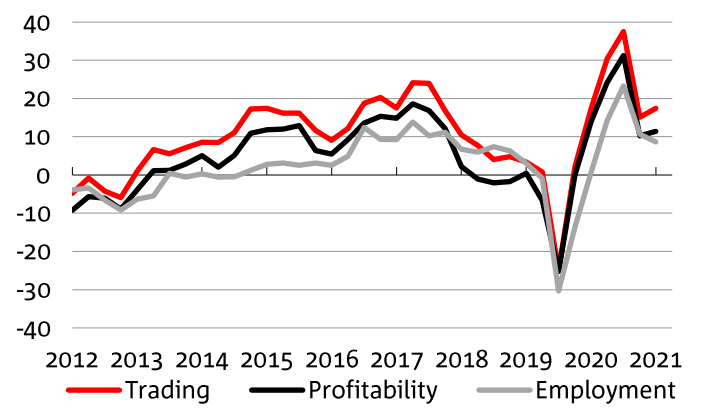


CHART 2: BUSINESS CONDITIONS COMPONENTS (NET BALANCE, S.A.)



## DRIVERS OF BUSINESS CONFIDENCE

CHART 3: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE

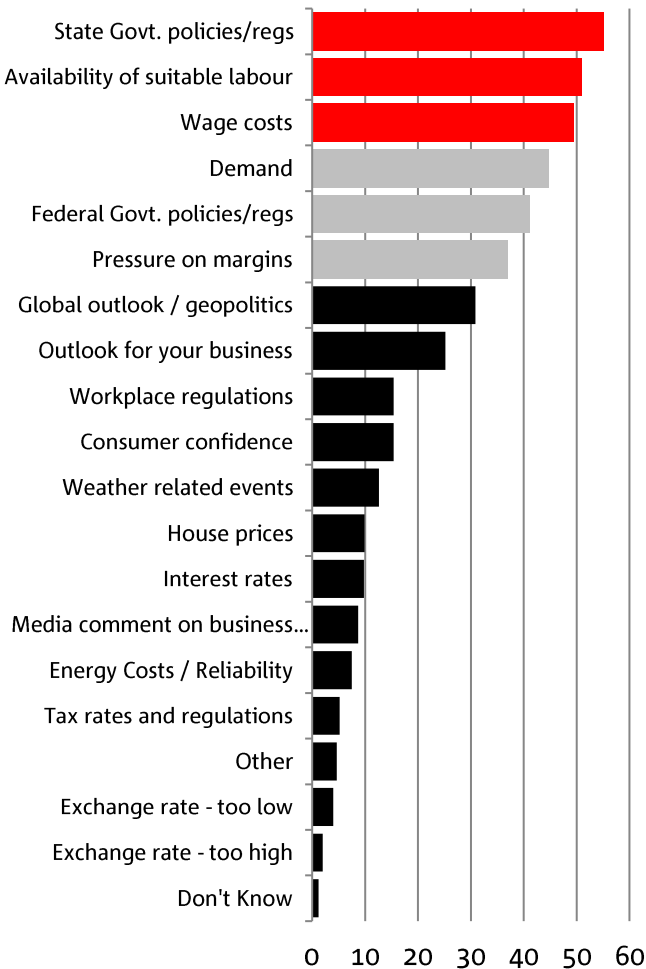


CHART 4: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE – DETERIORATING CONFIDENCE

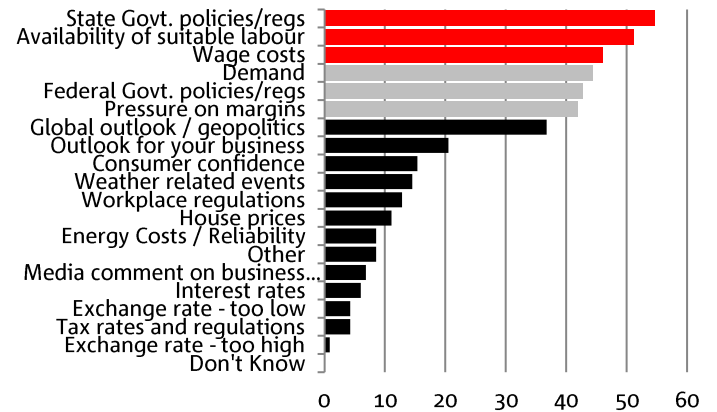
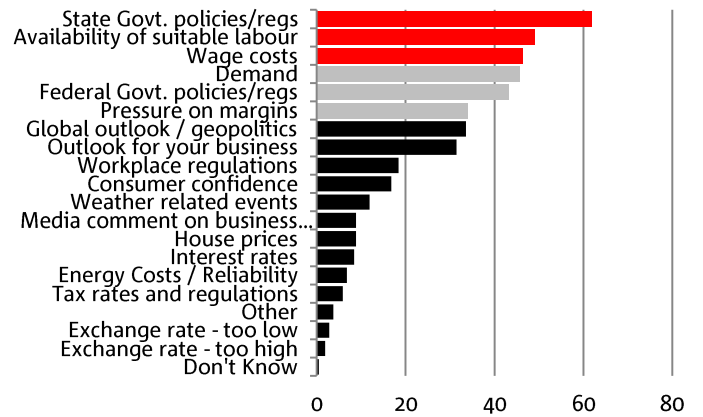
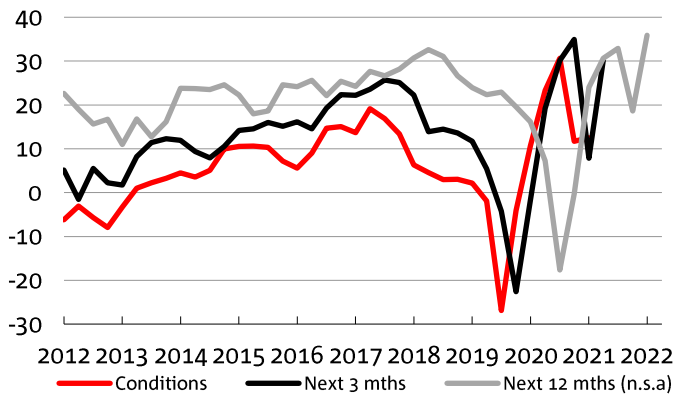


CHART 5: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE – IMPROVING CONFIDENCE

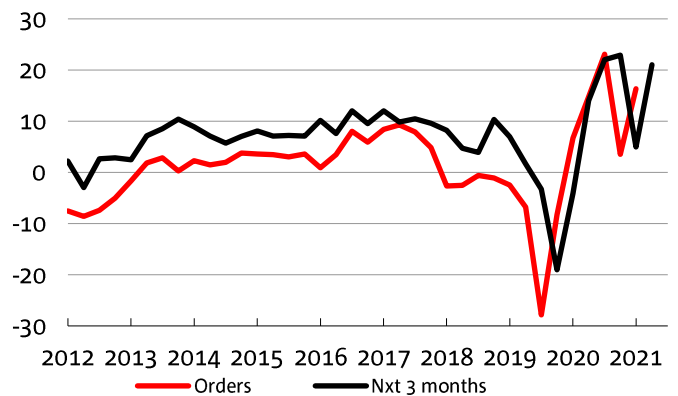


# NAB QUARTERLY BUSINESS SURVEY – LEADING INDICATORS & INVESTMENT

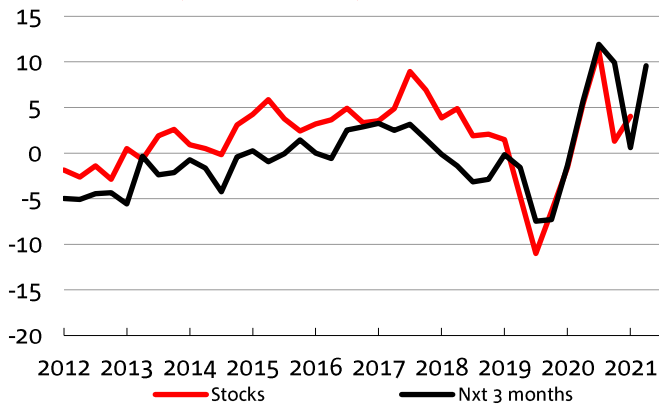
**CHART 6: BUSINESS CONDITIONS AND EXPECTATIONS (NET BALANCE)**



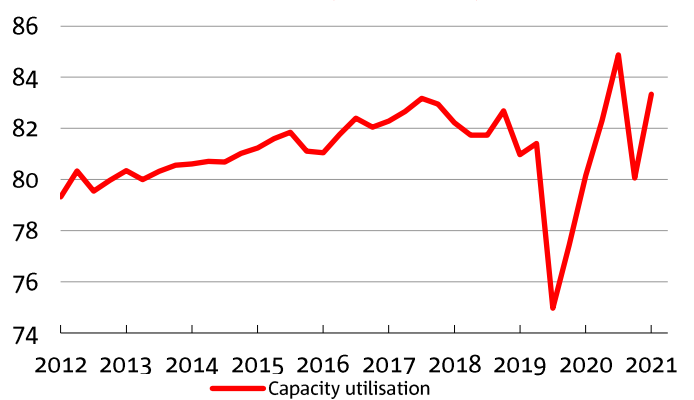
**CHART 7: FORWARD ORDERS & EXPECTATIONS (NET BALANCE S.A.)**



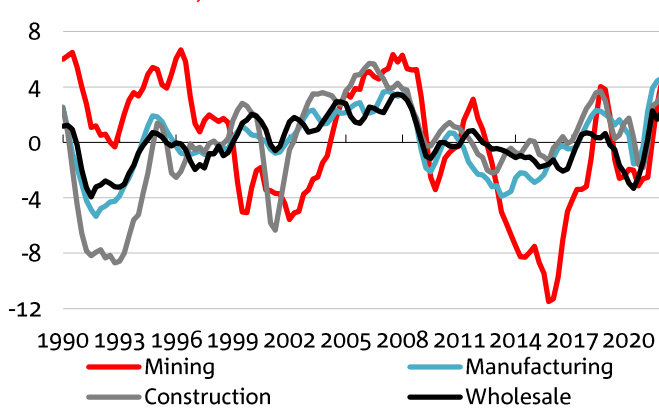
**CHART 8 STOCKS (NET BALANCE S.A.)**



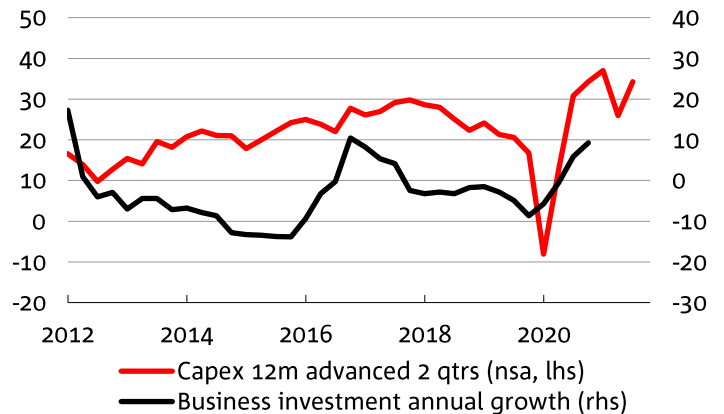
**CHART 9: CAPACITY UTILISATION (PER CENT, S.A.)**



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

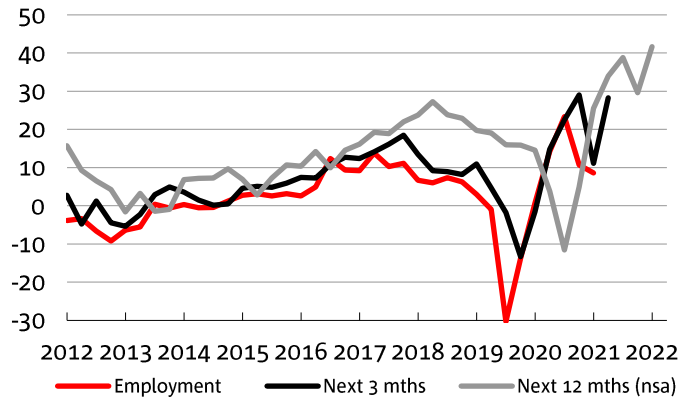


**CHART 11: BUSINESS INVESTMENT & CAPEX PLANS**

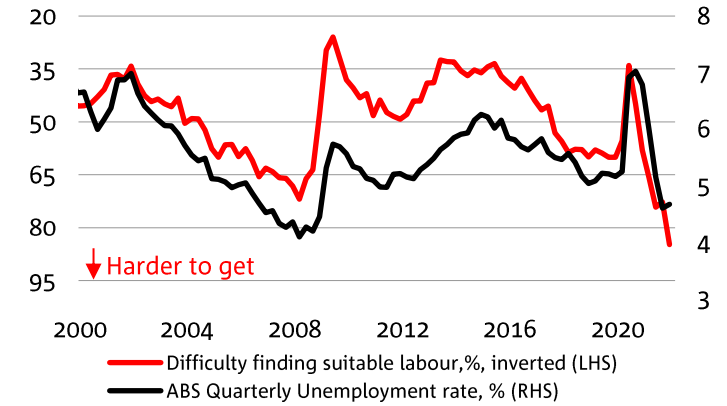


# NAB QUARTERLY BUSINESS SURVEY – LABOUR MARKET

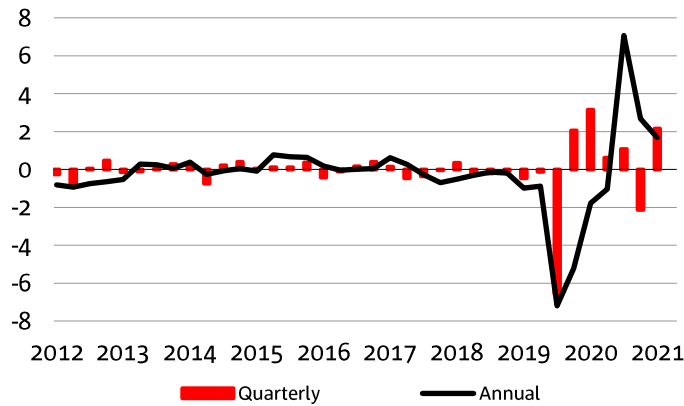
**CHART 12: EMPLOYMENT & EXPECTATIONS (NET BALANCE)**



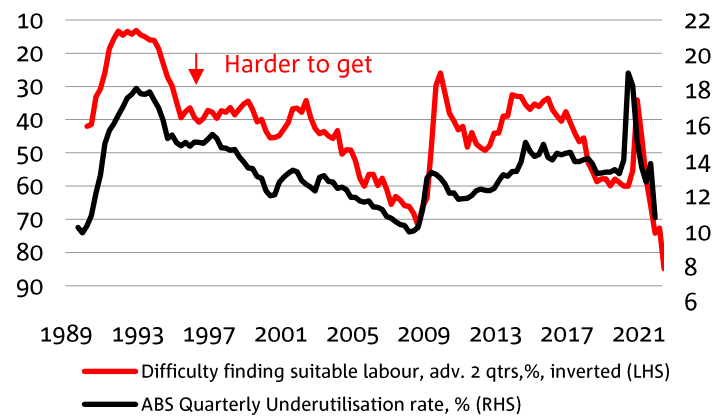
**CHART 13: UNEMPLOYMENT RATE & LABOUR CONSTRAINTS**



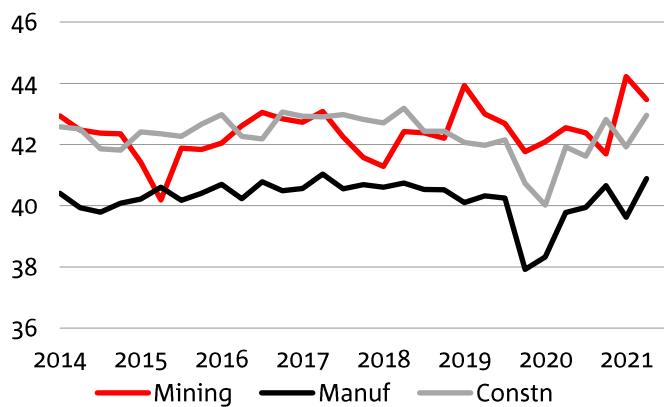
**CHART 14: CHANGE IN AVERAGE HOURS WORKED (NSA)**



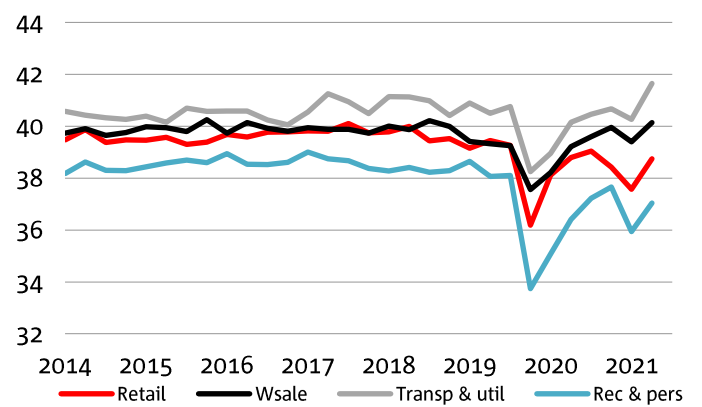
**CHART 15: UNDERUTILISATION RATE & LABOUR CONSTRAINTS**



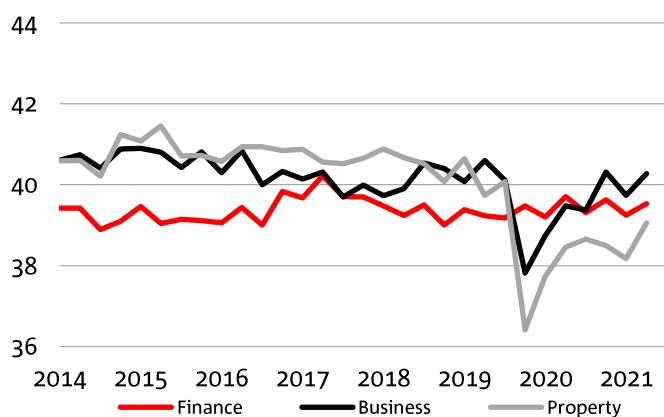
**CHART 16: AVERAGE WEEKLY HOURS WORKED BY INDUSTRY (NSA)**



**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

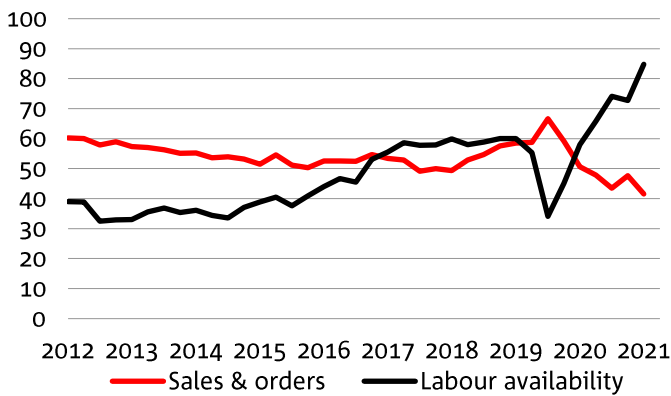
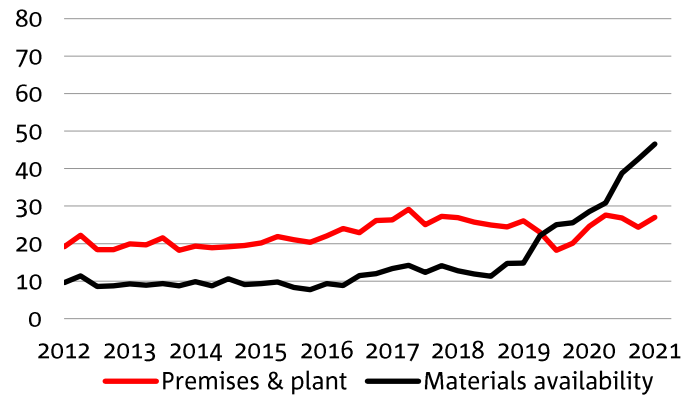


CHART 20: MAIN CONSTRAINTS ON FIRM OUTPUT



## INFLATION PRESSURES

CHART 21: PRICES (% ANN, SA)

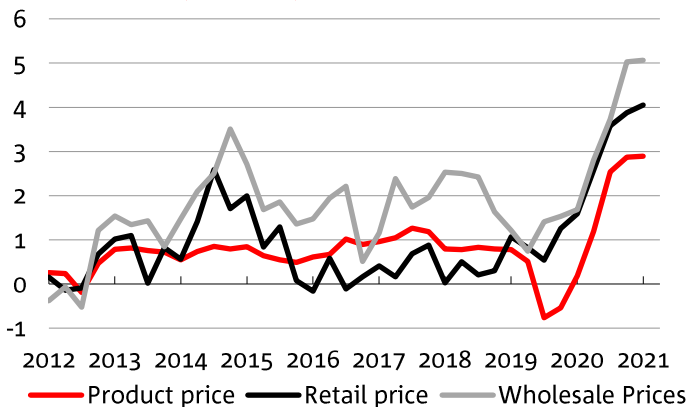
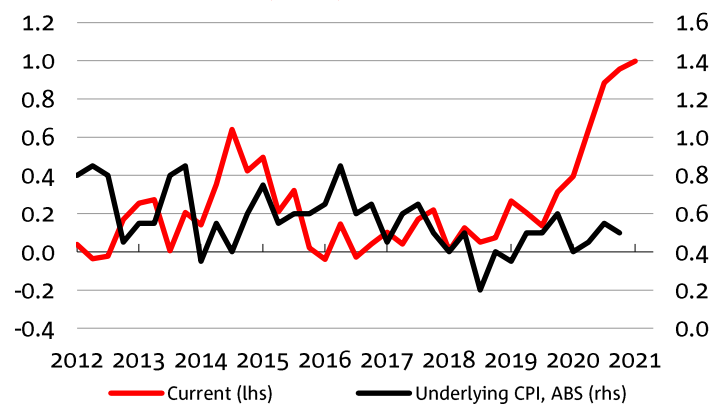


CHART 22: RETAIL PRICES (% P.Q.)



## LABOUR COSTS (DETAILS)

CHART 23: LABOUR COSTS & COMPENSATION OF EMPLOYEES

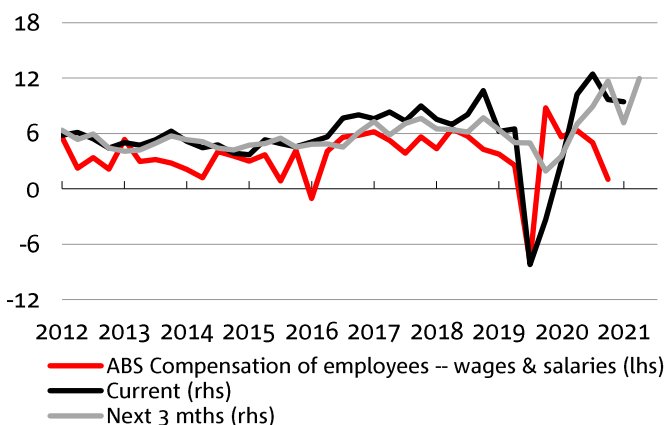
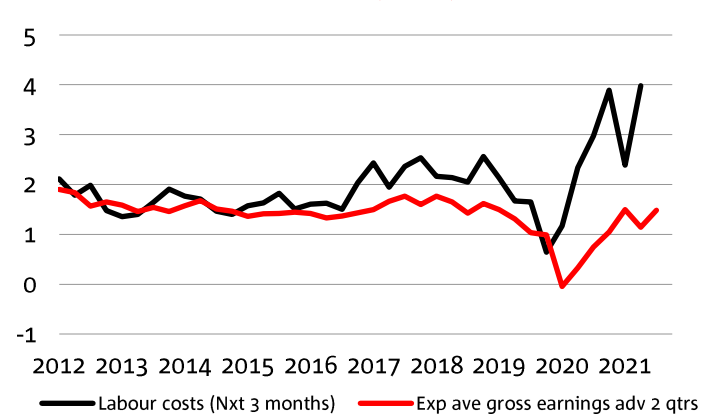


CHART 24: EXPECTED LABOUR COSTS (% ANN)



# NAB QUARTERLY BUSINESS SURVEY – CONSTRUCTION INDUSTRY DETAILS

CHART 25: BUSINESS CONDITIONS BY INDUSTRY

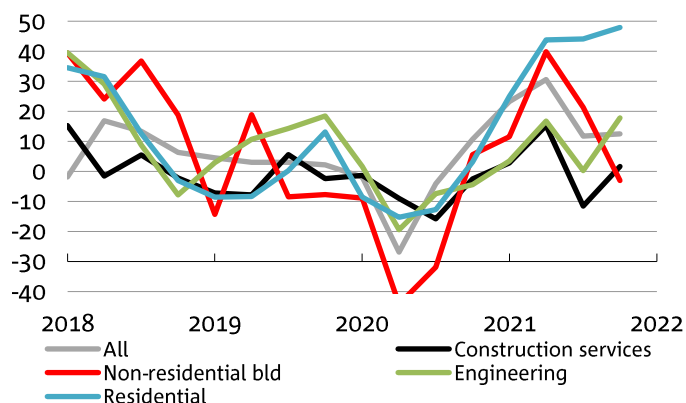


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY

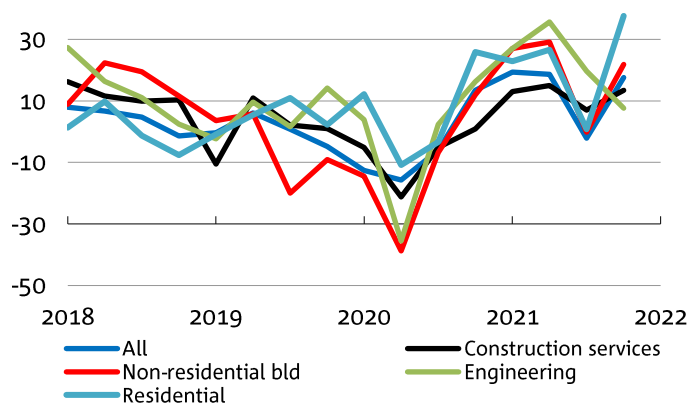


CHART 27: EMPLOYMENT CONDITIONS BY INDUSTRY

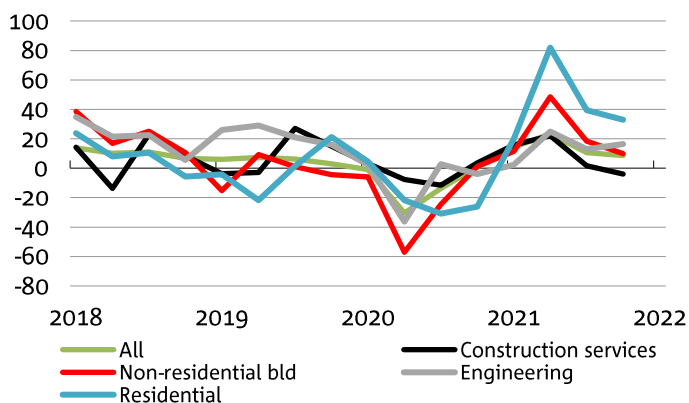
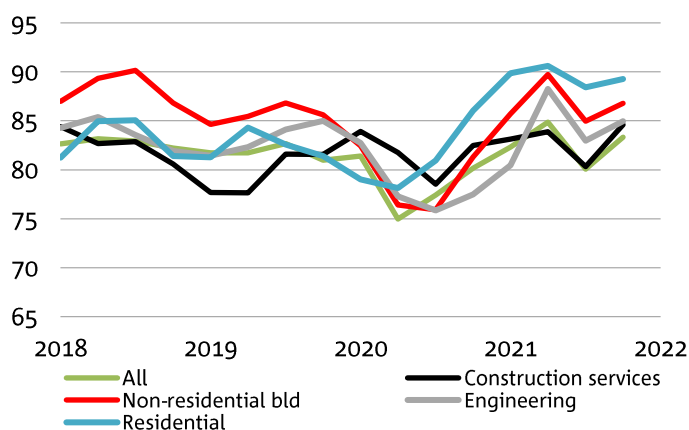


CHART 28: CAPACITY UTILISATION BY INDUSTRY

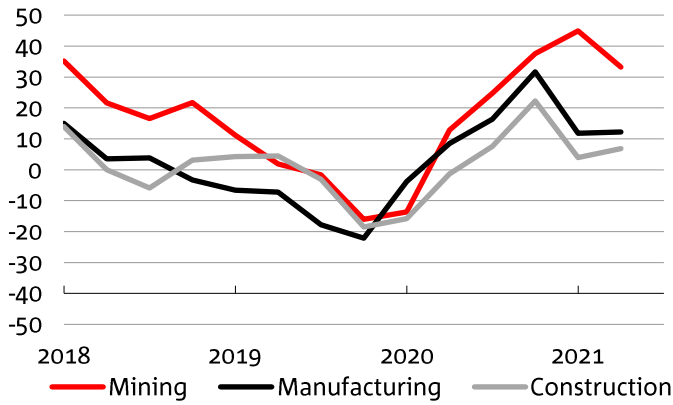


## FINANCIAL MARKET EXPECTATIONS

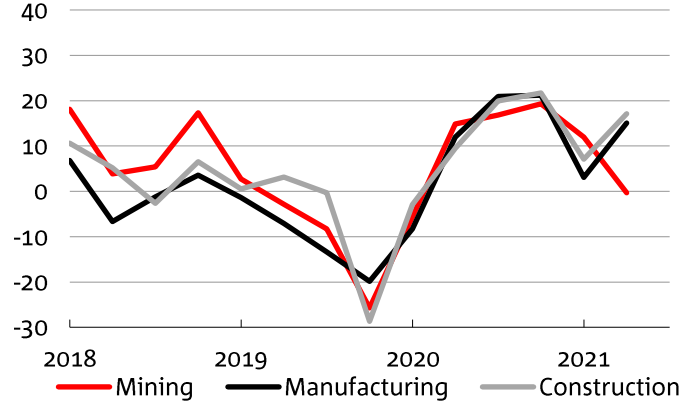
- A slight majority of surveyed businesses now expect interest rates to rise in the next 12 months, with an average expected increase of 27 basis points. [NAB Economics expects](#) that the cash rate will remain on hold (at 0.1%) at late-2022, with the RBA now expected to take its first steps towards normalising monetary policy in November.
- The average expectation is for the AUD/USD exchange rate to be US73.56c in six months, marginally lower than in the Q3 survey. NAB Economics sees the AUD/USD spending the first half of 2022 inside US70c-75c range before appreciating to around US77c by the end of 2022.

# NAB QUARTERLY BUSINESS SURVEY – MORE DETAILS ON INDUSTRY

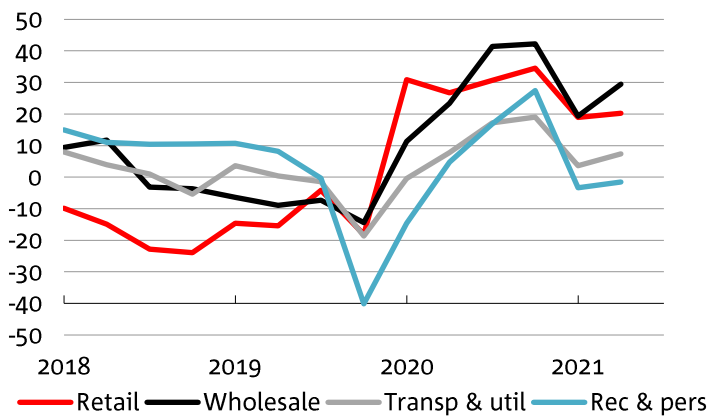
**CHART 29: BUSINESS CONDITIONS BY INDUSTRY**



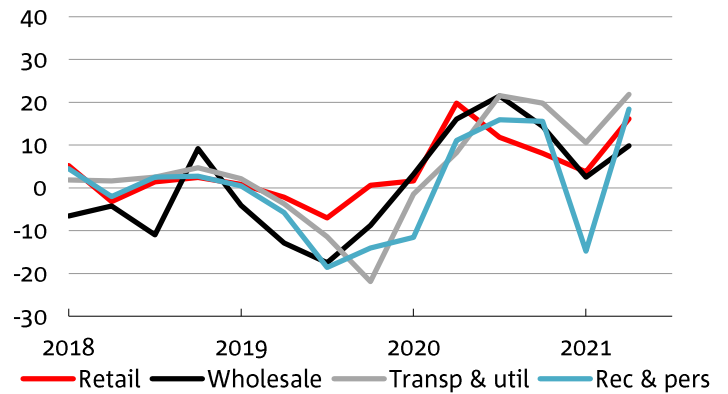
**CHART 32: BUSINESS CONFIDENCE BY INDUSTRY**



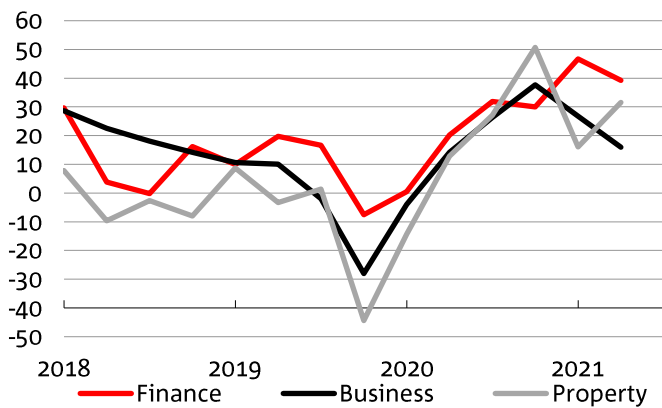
**CHART 30: BUSINESS CONDITIONS BY INDUSTRY**



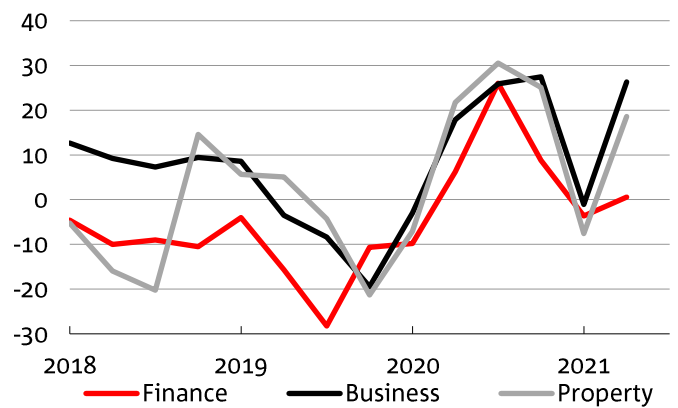
**CHART 33: BUSINESS CONFIDENCE BY INDUSTRY**



**CHART 31: BUSINESS CONDITIONS BY INDUSTRY**

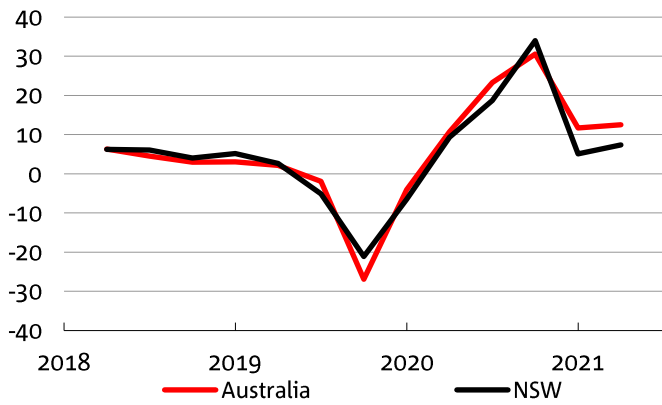


**CHART 34: BUSINESS CONFIDENCE BY INDUSTRY**

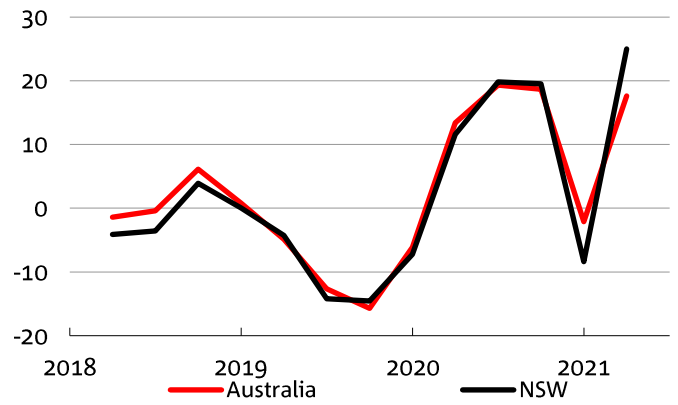


# NAB QUARTERLY BUSINESS SURVEY – FURTHER DETAILS BY STATE

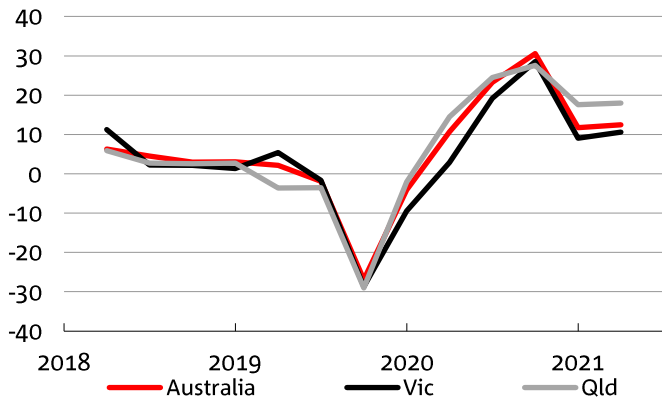
**CHART 35: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)**



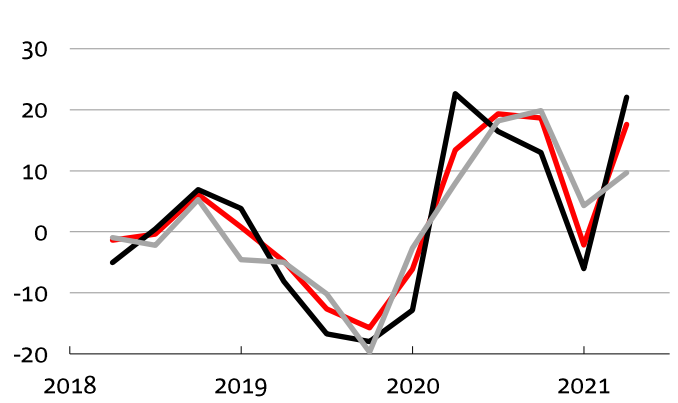
**CHART 38: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)**



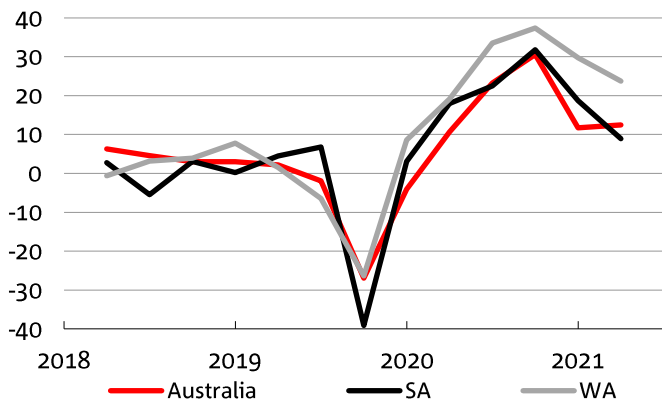
**CHART 36: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)**



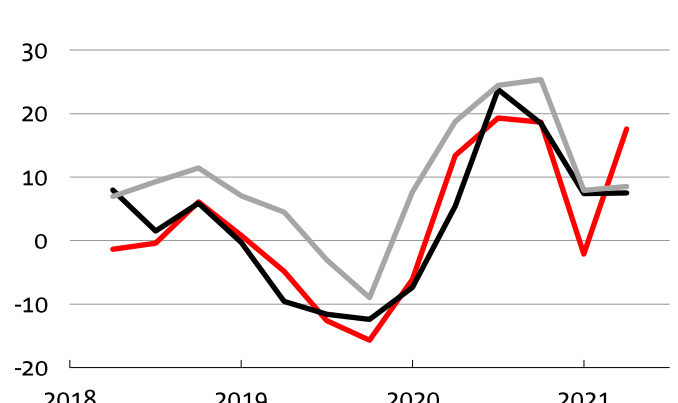
**CHART 39: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)**



**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				
	2020q4	2021q1	2021q2	2021q3	2021q4	2021m8	2021m9	2021m10	2021m11	2021m12
Confidence	13	19	19	-2	<b>18</b>	-5	10	21	12	-12
Conditions	11	23	31	12	<b>12</b>	15	4	10	11	8

	Quarterly					Monthly				
	2020q4	2021q1	2021q2	2021q3	2021q4	2021m8	2021m9	2021m10	2021m11	2021m12
Trading	17	30	37	15	<b>17</b>	21	10	16	14	14
Profitability	14	24	31	10	<b>11</b>	16	0	9	9	10
Employment	1	14	23	11	<b>9</b>	9	1	6	11	2

	Quarterly <sup>(a)</sup>					Monthly				
	2021q3	2021q4	2022q1	2022q3	2022q4	2021m8	2021m9	2021m10	2021m11	2021m12
Conditions	12	<b>12</b>	NA	NA	NA	15	4	10	11	8
Conds. next 3m	35	8	<b>30</b>	NA	NA					
Conds. nxt 12m	0	24	31	19	<b>36</b>					
Orders	4	<b>16</b>	NA	NA	NA	6	0	14	13	4
Orders next 3m	23	5	<b>21</b>	NA	NA					

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

	Quarterly <sup>(a)</sup>					Monthly				
	2021q1	2021q2	2021q3	2021q4	2022q1	2021m8	2021m9	2021m10	2021m11	2021m12
Capacity utilis.	82.3	84.9	80.1	<b>83.3</b>	NA	80.2	78.3	81.3	83.2	80.6
Stocks current	5	11	1	<b>4</b>	NA	-2	1	0	3	1
Stocks next 3m	6	12	10	1	<b>10</b>					

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

	2020q4	2021q3	2021q4
Constraints on output (% of firms)*			
Sales & orders	50.7	47.7	<b>41.5</b>
Labour	58.0	72.7	<b>84.8</b>
Premises & plant	24.6	24.3	<b>27.0</b>
Materials	28.6	42.5	<b>46.6</b>

\* not s.a.

	Quarterly <sup>(a)</sup>					Monthly				
	2021q3	2021q4	2022q1	2022q3	2022q4	2021m8	2021m9	2021m10	2021m11	2021m12
Empl current	11	<b>9</b>	NA	NA	NA	9	1	6	11	2
Empl next 3m	29	11	<b>28</b>	NA	NA					
Empl nxt 12m	5	25	34	30	<b>42</b>					

(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>2020q4</u>	<u>2021q1</u>	<u>2021q2</u>	<u>2021q3</u>	<u>2021q4</u>	<u>2021m8</u>	<u>2021m9</u>	<u>2021m10</u>	<u>2021m11</u>	<u>2021m12</u>
Business conditions										
NSW	9	19	34	5	7	14	-6	13	12	8
VIC	3	19	29	9	11	14	2	1	3	14
QLD	14	24	28	18	18	16	12	14	19	-4
SA	18	23	32	19	9	19	7	1	5	7
WA	19	34	37	30	24	22	25	20	18	22

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2020q4</u>	<u>2021q1</u>	<u>2021q2</u>	<u>2021q3</u>	<u>2021q4</u>	<u>2021m8</u>	<u>2021m9</u>	<u>2021m10</u>	<u>2021m11</u>	<u>2021m12</u>
Business confidence										
NSW	12	20	20	-8	25	-15	26	29	20	-11
VIC	23	16	13	-6	22	-13	6	23	15	-10
QLD	8	18	20	4	10	2	1	13	8	-13
SA	5	24	18	7	8	6	3	15	4	-8
WA	19	24	25	8	9	3	2	6	5	-2

# 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.