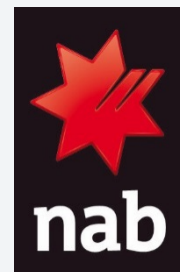


**EMBARGOED UNTIL: 11:30AM AEDT, 28 MARCH 2022**

# **NAB QUARTERLY BUSINESS SURVEY 2022 Q1**

## **CONFIDENCE AND CONDITIONS PULL BACK BUT REMAIN RESILIENT**



### **NAB Australian Economics**

Both confidence and conditions eased in Q1 following the post-Delta rebound in Q4. Importantly, however, the Russia/Ukraine conflict appears to have had little impact on confidence, with similar reads for both the first half of the survey sample (taken prior to Russia's invasion) and the second half. The pullback in both confidence and conditions in the quarter was fairly broad-based across states and industries, but in aggregate both measures remain above average and well into positive territory. However, recreation & personal services remains in negative territory, despite an end to lockdowns and the opening of state and international borders. Forward indicators remain healthy despite a modest pull back in near-term expectations while medium-term expectations were broadly stable. Encouragingly, expectations for capex and employment over the next 12 months remain very high, suggesting that businesses may be responding to ongoing strength in demand and elevated capacity utilisation through further expansion. The survey also continues to point to building price pressures in the economy, with both input and output price growth edging higher from the already strong rates recorded last quarter. Relatedly, it appears there has been no improvement in supply disruptions with almost half of firms still reporting availability materials as a constraint and the difficulty finding suitable labour remaining at near record levels.

### **HIGHLIGHTS**

- **Business conditions** fell 5pts to +9 index points in Q1. Profitability and trading conditions drove the decline, while employment edged lower. Conditions were softer in most states, led by declines in WA and Qld while NSW and Vic saw more modest declines. Tas and SA saw modest improvements in the quarter. The decline in conditions was broad-based across industries, though (with the exception of recreation & personal) all industries remain in positive territory.
- **Business confidence** fell 5pts but remains elevated at +14 index points. Confidence eased in all states except Qld, with Vic and NSW leading the declines – but remaining most optimistic. Outside of mining, which saw a large increase in the quarter, confidence was softer in most industries, led by a decline in finance, business & property. Construction and manufacturing also saw moderate pullbacks, while retail and transport & utilities edged lower. Wholesale was unchanged.
- **Leading indicators** softened in the quarter but remain elevated. In addition to an easing in confidence and forward orders, expected business conditions 3 and 12 months ahead were both lower, while expected capex in both the near and medium term were lower.
- **Labour indicators** point to ongoing strength in labour demand. The current and 3-month-expected employment indexes edged lower in the quarter, but remain elevated. Further out, expected employment at a 12-month horizon was unchanged at a very high level. Labour as a constraint on output edged lower but remains near its record high set last quarter at 84% - with the tightness in the labour market evident across most industries and states.
- **Price measures** point to an ongoing build-up in inflationary pressure. Purchase cost growth edged up further in the quarter from an already high rate, suggesting that supply constraints have persisted into 2022. Indeed, the share of firms reporting availability of materials as a constraint edged up further to almost 50% of firms. Labour cost (wage bill) growth edged up as well and continues to track at a high rate. Final product price growth also edged up, with the retail component seeing a larger gain.
- **There appears to have been little impact from the Russia/Ukraine conflict** on the survey data. The second half of the quarterly sample – surveyed after the war began – shows little difference in confidence and conditions to the first half of the survey sample. However, these responses were still collected early in the conflict and the impact of higher commodity prices as well as any further trade/supply chain disruption may not have fully flowed through.

**TABLE 1: KEY QUARTERLY BUSINESS STATISTICS**

	2021q3	2021q4	2022q1		2021q3	2021q4	2022q1
	<i>Net balance</i>				<i>Net balance</i>		
Business confidence	0	19	<b>14</b>	Trading	16	19	<b>12</b>
Business conditions				Profitability	10	13	<b>7</b>
Current	12	14	<b>9</b>	Employment	12	9	<b>8</b>
Next 3 months	9	29	<b>21</b>	Forward orders	4	16	<b>10</b>
Next 12 months	19	36	<b>34</b>	Stocks	1	5	<b>6</b>
Capex plans (next 12)	26	34	<b>33</b>	Exports	-1	-1	<b>-1</b>
	<i>% change</i>						
Labour costs	0.9	0.9	<b>1.0</b>	Retail prices (% change)	1.0	1.0	<b>1.3</b>
Purchase costs	1.2	1.3	<b>1.5</b>				
Final products prices	0.8	0.7	<b>0.8</b>	Capacity utilisation rate (%)	80.1	83.4	<b>83.4</b>

All data seasonally adjusted, except purchase costs and exports. This survey was conducted from 15 February to 10 March 2022, covering over 900 firms across the non-farm business sector.

**Next release: 21 July 2022.**

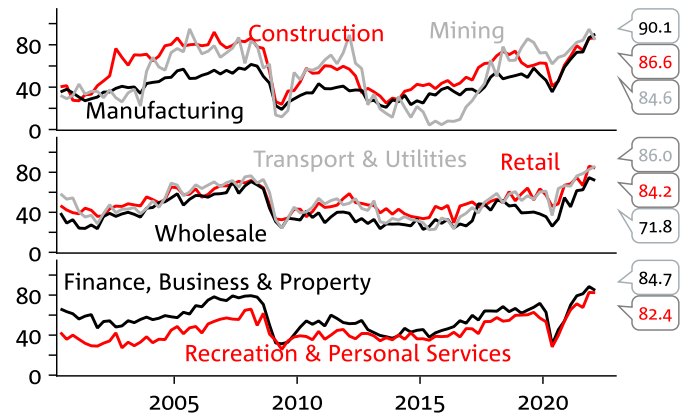
**Contacts: Alan Oster – Chief Economist, Brody Viney – Senior Economist**

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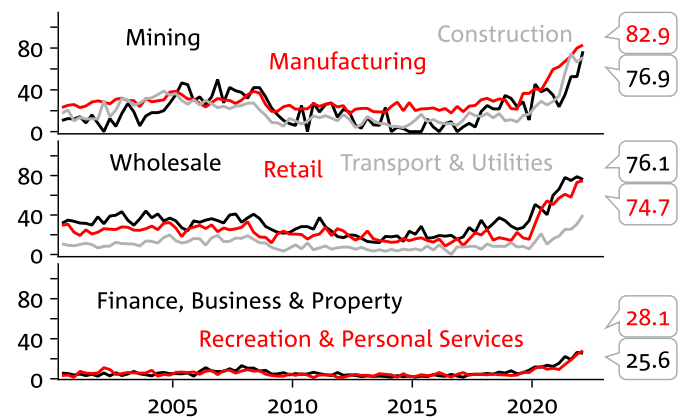
# QUARTERLY FOCUS: CONSTRAINTS ON OUTPUT AND WAGE EXPECTATIONS

- Australia's labour market has continued to strengthen in early 2022, with further gains in employment growth seeing the unemployment rate reach a multi-decade low of 4% in February. It follows a period of significant turbulence for the labour market with lockdowns and the Omicron wave creating labour availability issues as workers were forced to isolate in large numbers.
- The impact of isolation requirements, and more recently, very low unemployment has been increasingly clear in the NAB Quarterly Business Survey. The share of firms reporting that finding suitable labour is a moderate or significant constraint on output has risen to record levels, sitting at 84% in Q1 of 2022.
- Importantly, the rise in firms reporting labour availability as a constraint has been consistent across all industries, with more than 80% of firms reporting it as such across almost every sector (Chart 1).
- A growing number of firms have also reported that availability of materials has been a constraint on output, with this measure reaching almost 50% in Q1 2022. However, this challenge is not so universal. Manufacturing, retail, and wholesale have been particularly heavily affected, whereas the finance, business & property and recreation & personal services sectors have been less so (Chart 2).
- With the labour market so tight, attention is now closely focused on whether wage growth will begin to accelerate. Measures of wage growth expectations in the Quarterly Survey indicate some pickup in wages is likely, but so far the signs are only limited.
- Since 2018, a special question in the survey has asked firms about their expectations for wages and salaries over the next 6 months (Chart 3). The share of firms expecting wages to be unchanged has fallen to around the levels seen in 2019, and the share that expect either moderate or substantial wage growth has risen to more than 30%. (Note this special question was paused for several quarters during the pandemic).
- The survey also contains a longer-running series on firms' expectations for changes in average wages per employee for each financial year. The series has tracked the ABS's Wage Price Index reasonably well (albeit at a lower level) (Chart 4). Consistent with the WPI, this measure of wage expectations has returned to around its pre-COVID level, but remains well below the level seen in the 2000s and early 2010s (when annual wage growth was notably above 3%).
- Together, these measures indicate firms are finding it increasingly difficult to find workers, and may be beginning to adjust their expectations for wage growth in recognition of the need to pay higher wages to attract staff. However, there is still some way to run before wage expectations reach historical highs. Future Quarterly Surveys will provide further evidence on how wage expectations are adjusting.

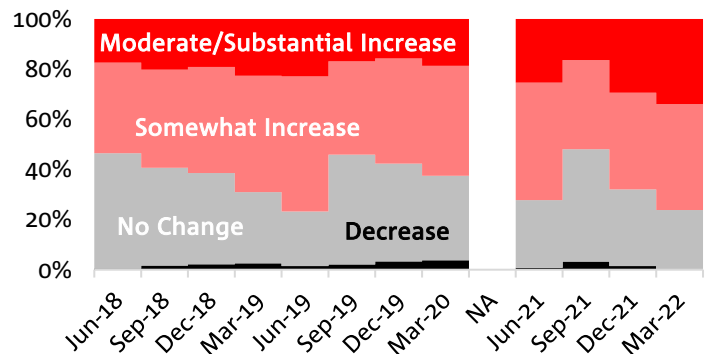
**CHART 1: DIFFICULTY FINDING SUITABLE LABOUR (% OF FIRMS)**



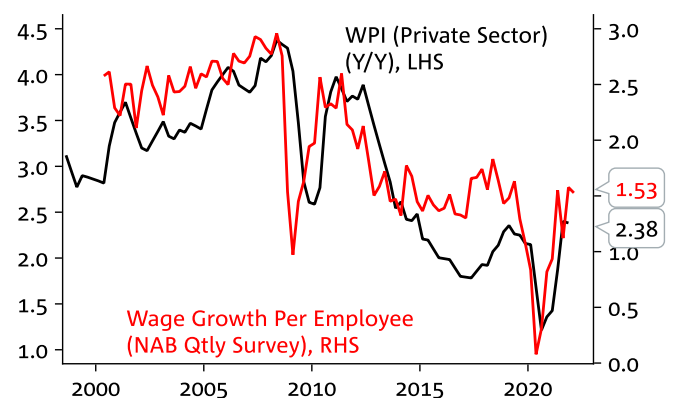
**CHART 2: AVAILABILITY OF MATERIALS (% OF FIRMS)**



**CHART 3: EXPECTED WAGE PRESSURES IN NEXT 6 MONTHS (% OF FIRMS)**



**CHART 4: EXPECTED WAGE GROWTH IN NEXT 12 MONTHS VS WPI**



# NAB QUARTERLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONDITIONS & CONFIDENCE (NET BALANCE S.A.)

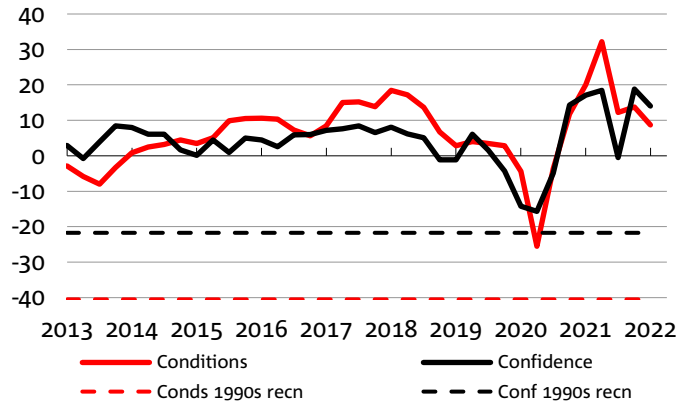
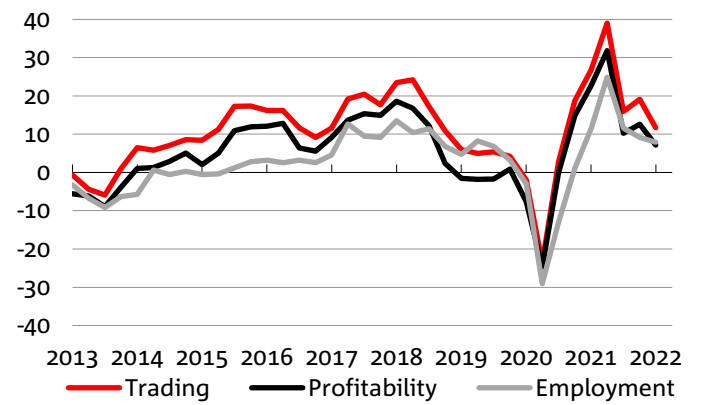


CHART 6: BUSINESS CONDITIONS COMPONENTS (NET BALANCE, S.A.)



## DRIVERS OF BUSINESS CONFIDENCE

CHART 7: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE

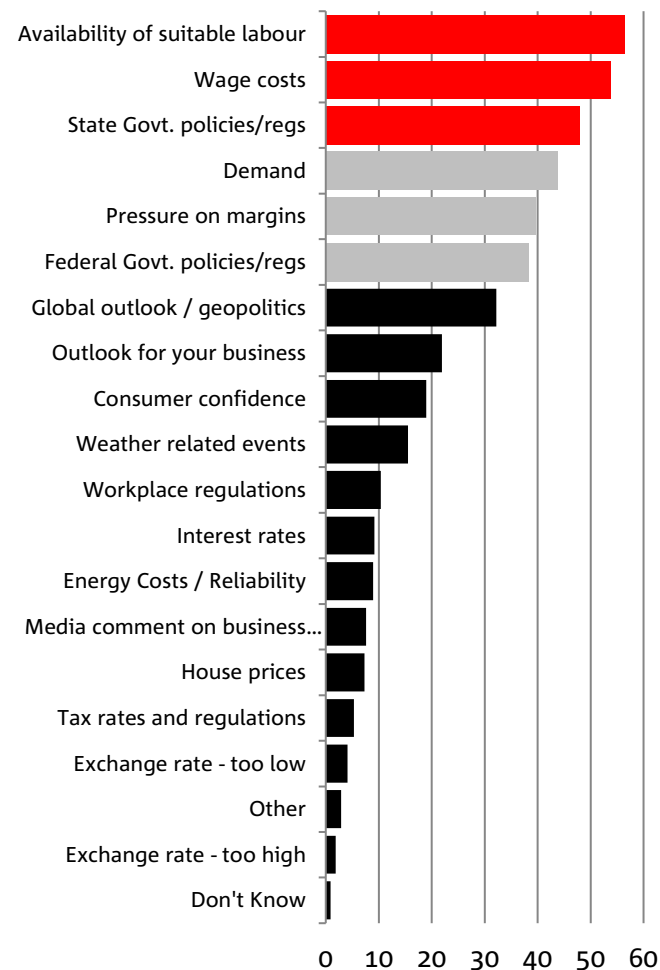


CHART 8: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE – DETERIORATING CONFIDENCE

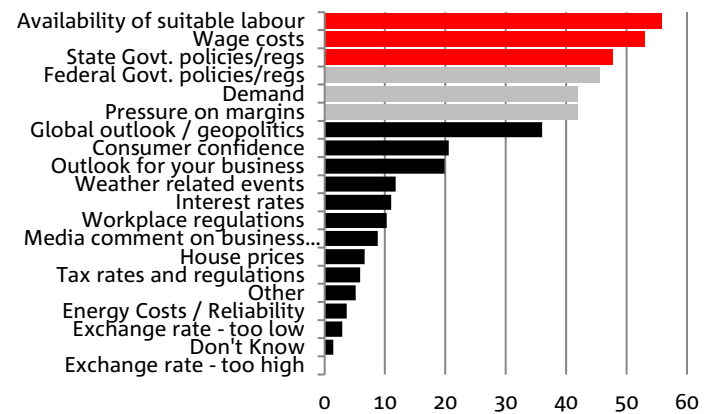
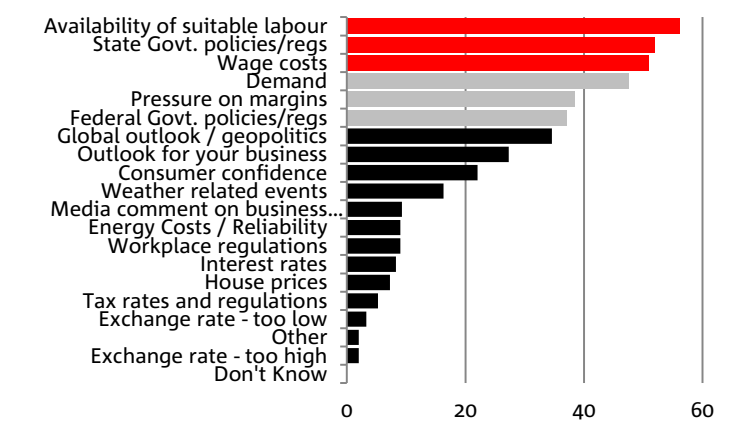
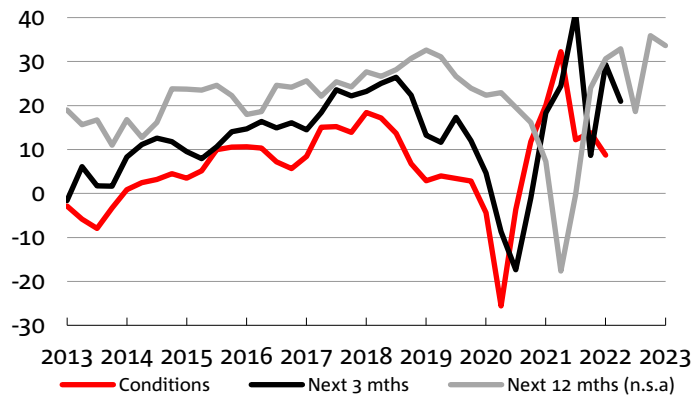


CHART 9: MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE – IMPROVING CONFIDENCE

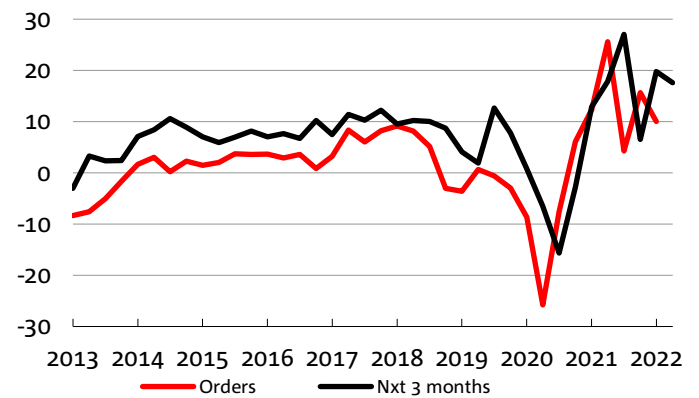


# NAB QUARTERLY BUSINESS SURVEY – LEADING INDICATORS & INVESTMENT

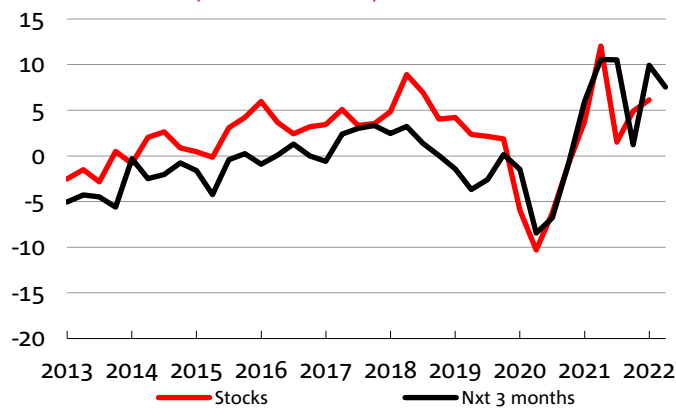
**CHART 10: BUSINESS CONDITIONS AND EXPECTATIONS (NET BALANCE)**



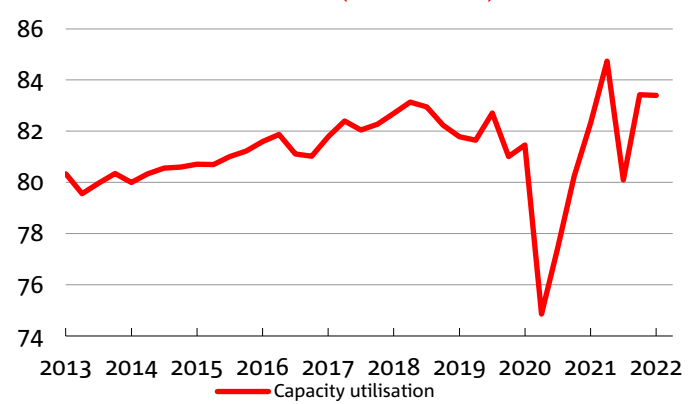
**CHART 11: FORWARD ORDERS & EXPECTATIONS (NET BALANCE S.A.)**



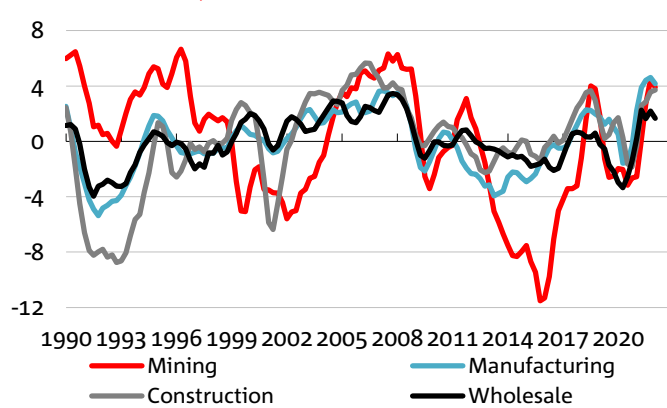
**CHART 12: STOCKS (NET BALANCE S.A.)**



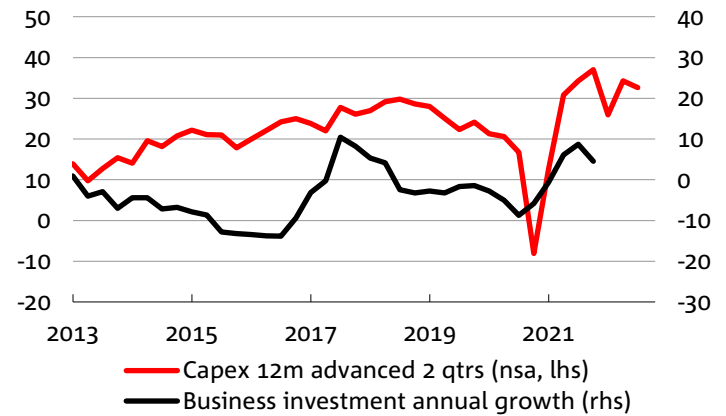
**CHART 13: CAPACITY UTILISATION (PER CENT, S.A.)**



**CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LONG-RUN AVERAGE, 3 QTR MA)**

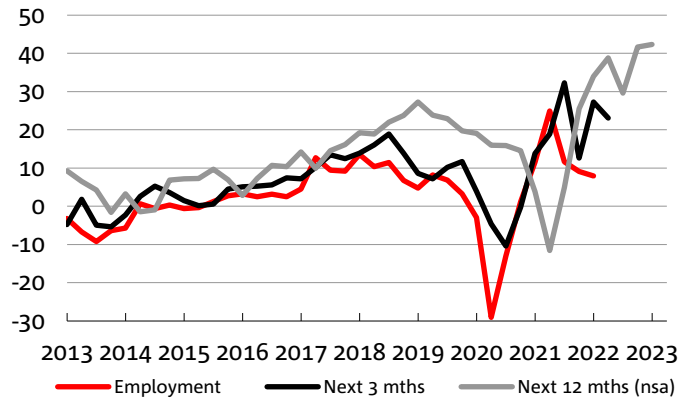


**CHART 15: BUSINESS INVESTMENT & CAPEX PLANS**

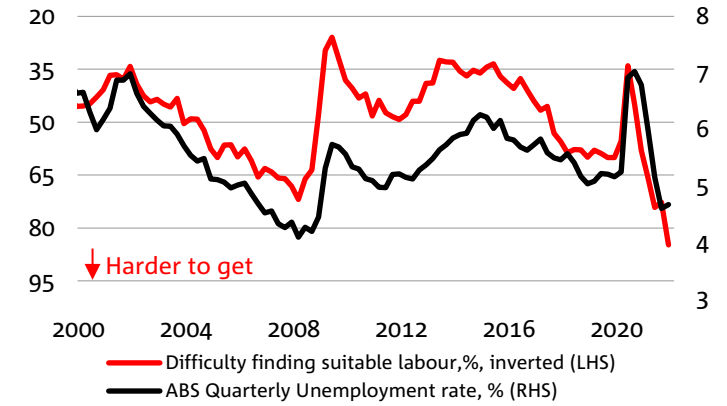


# NAB QUARTERLY BUSINESS SURVEY – LABOUR MARKET

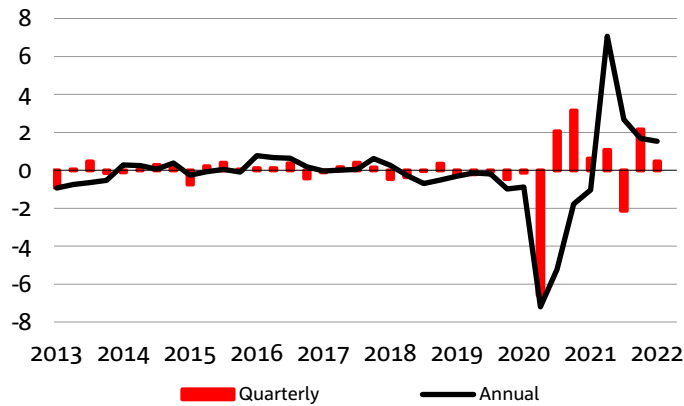
**CHART 16: EMPLOYMENT & EXPECTATIONS (NET BALANCE)**



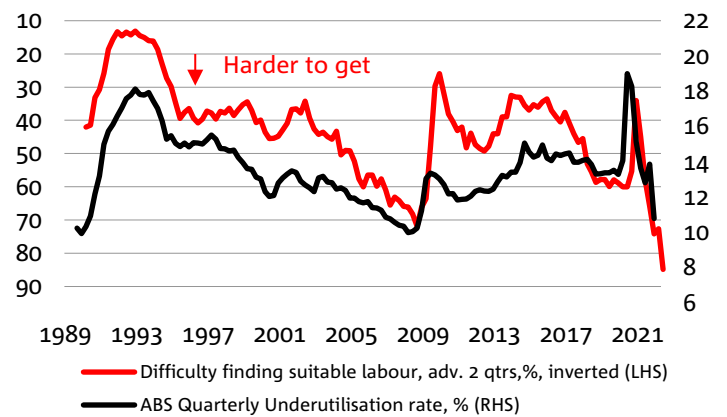
**CHART 17: UNEMPLOYMENT RATE & LABOUR CONSTRAINTS**



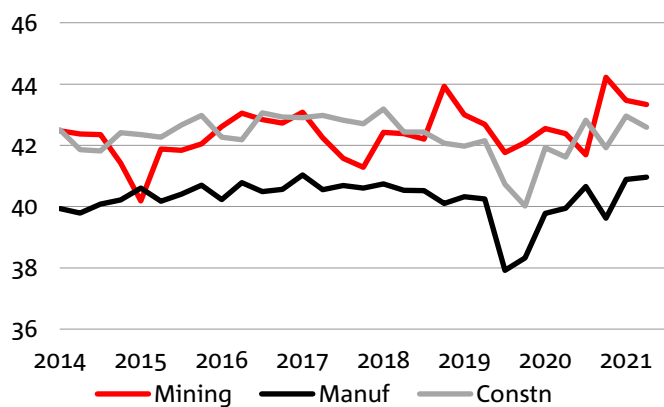
**CHART 18: CHANGE IN AVERAGE HOURS WORKED (NSA)**



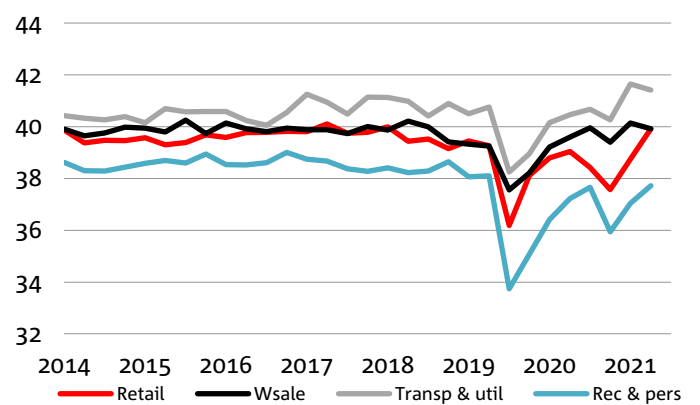
**CHART 19: UNDERUTILISATION RATE & LABOUR CONSTRAINTS**



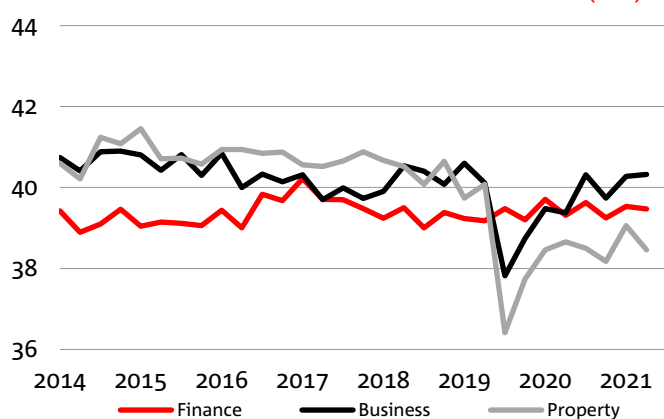
**CHART 20: AVERAGE WEEKLY HOURS WORKED BY INDUSTRY (NSA)**



**CHART 21: AVERAGE WEEKLY HOURS WORKED BY INDUSTRY (NSA)**



**CHART 22: AVERAGE WEEKLY HOURS WORKED BY INDUSTRY (NSA)**



# NAB QUARTERLY BUSINESS SURVEY - MAJOR CONSTRAINTS ON FIRM OUTPUT

CHART 23: MAIN CONSTRAINTS ON FIRM OUTPUT

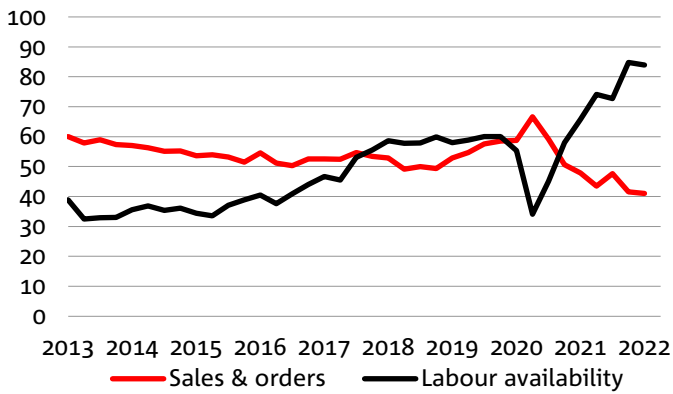
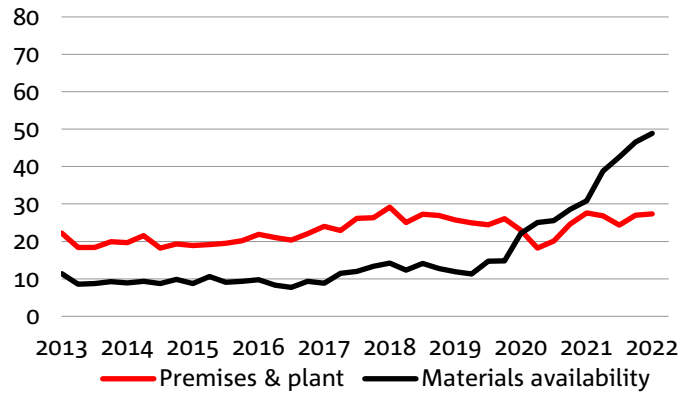


CHART 24: MAIN CONSTRAINTS ON FIRM OUTPUT



## INFLATION PRESSURES

CHART 25: PRICES (% ANN, SA)

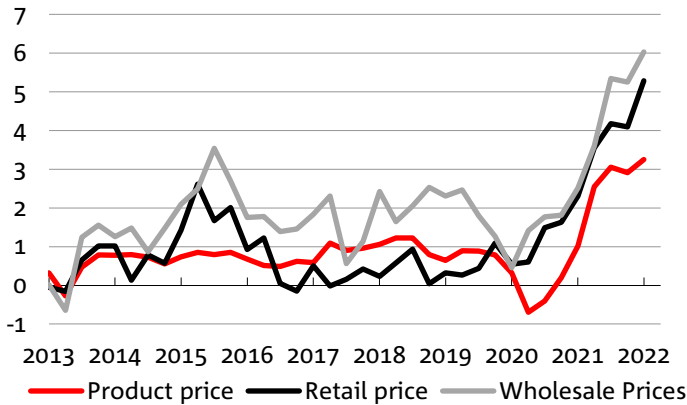
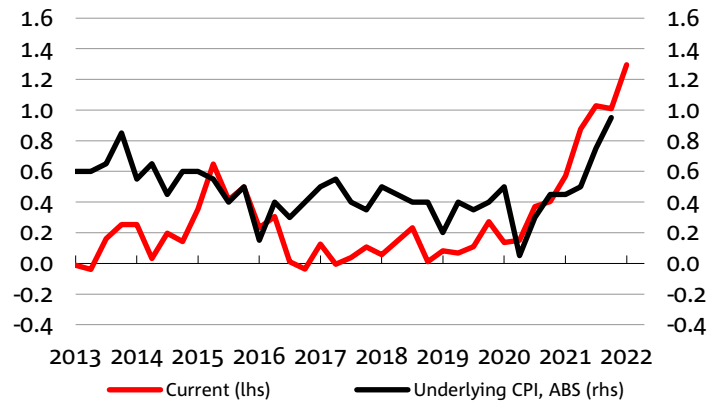


CHART 26: RETAIL PRICES (% P.Q.)



## LABOUR COSTS (DETAILS)

CHART 27: LABOUR COSTS & COMPENSATION OF EMPLOYEES

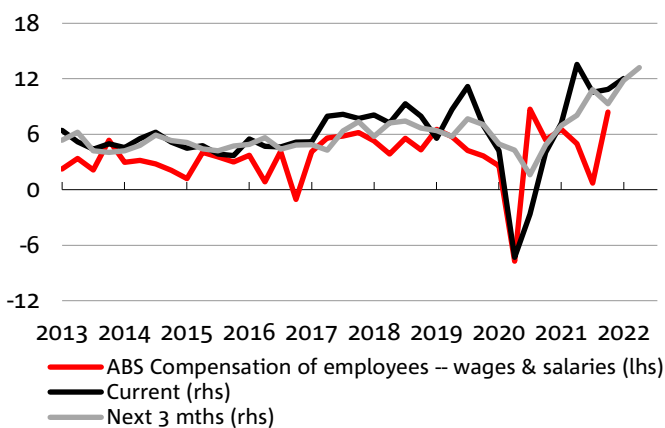
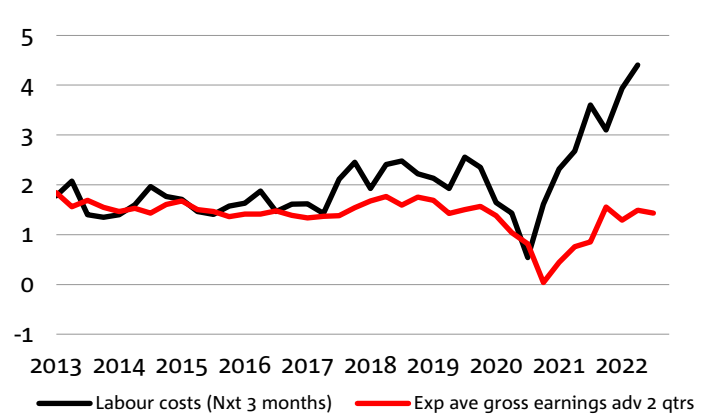


CHART 28: EXPECTED LABOUR COSTS (% ANN)



# NAB QUARTERLY BUSINESS SURVEY – CONSTRUCTION INDUSTRY DETAILS

CHART 29: BUSINESS CONDITIONS BY INDUSTRY

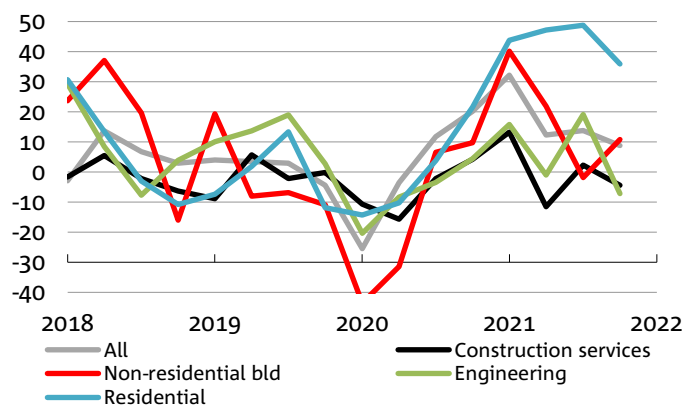


CHART 30: BUSINESS CONFIDENCE BY INDUSTRY

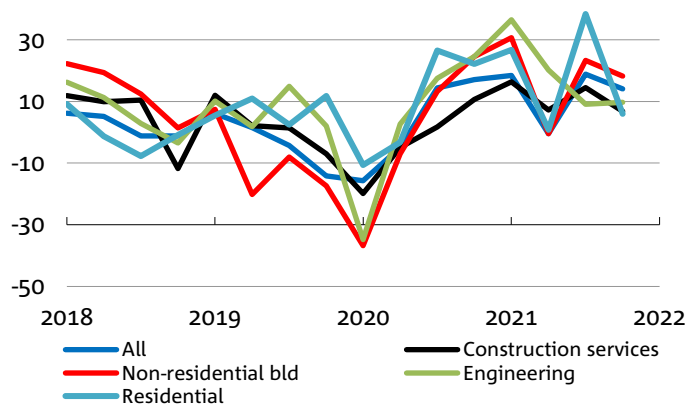


CHART 31: EMPLOYMENT CONDITIONS BY INDUSTRY

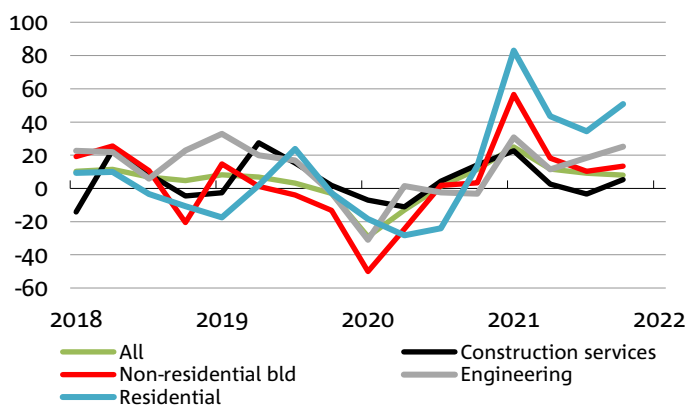
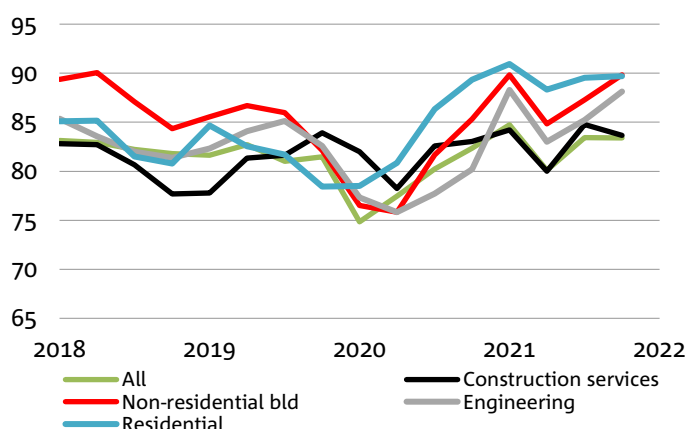


CHART 32: CAPACITY UTILISATION BY INDUSTRY



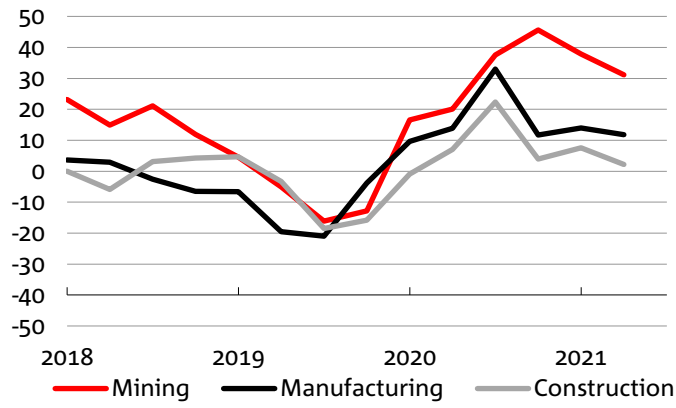
## FINANCIAL MARKET EXPECTATIONS

- Around 75% of respondents expect short-term interest rates to rise in the next 6 months with the average increase in rates of 48bps up from 25bps last quarter. [NAB Economics expects](#) that the RBA will be going to normalise rates in August, lifting the cash rate by 15bps. We then expect the two further 25bps rises in September and November and 3 hikes in each of 2023 and 2024 which should see the cash rate reach around 2.25% by end 2024.
- The average expectation is for the AUD/USD exchange rate to be US72.4c in six months slightly lower than the previous expectation in Q4 2021. This is largely in line with the depreciation in the AUD/USD since the time of the last survey on the back of strong rate expectations in the US. However, the AUD/USD has strengthened to almost US75c since the current survey was concluded on the back of strengthening commodity prices while the fallout from the war in Europe has been relatively contained. NAB Economics still sees the AUD appreciating from here in line with the strength in commodity prices, ending 2022 around US77c.

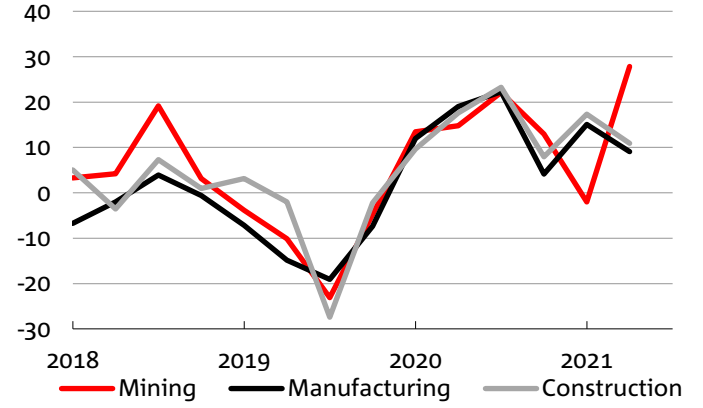


# NAB QUARTERLY BUSINESS SURVEY – MORE DETAILS ON INDUSTRY

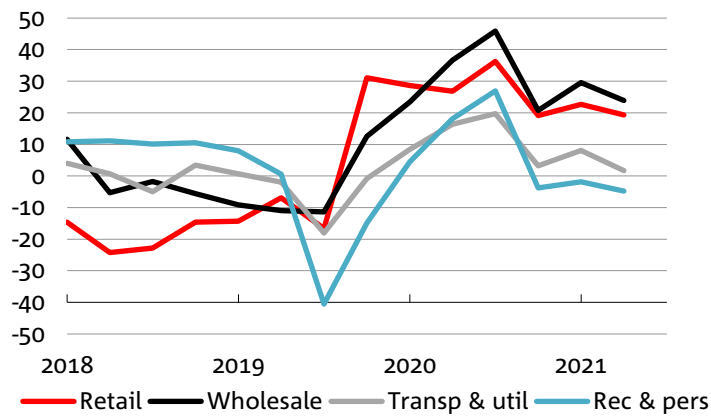
**CHART 33: BUSINESS CONDITIONS BY INDUSTRY**



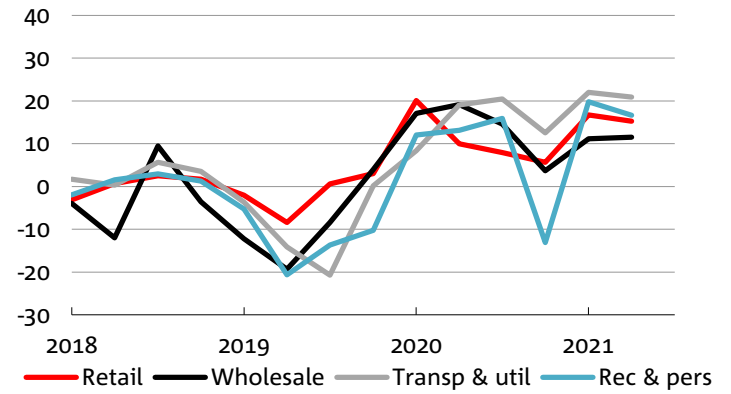
**CHART 34: BUSINESS CONFIDENCE BY INDUSTRY**



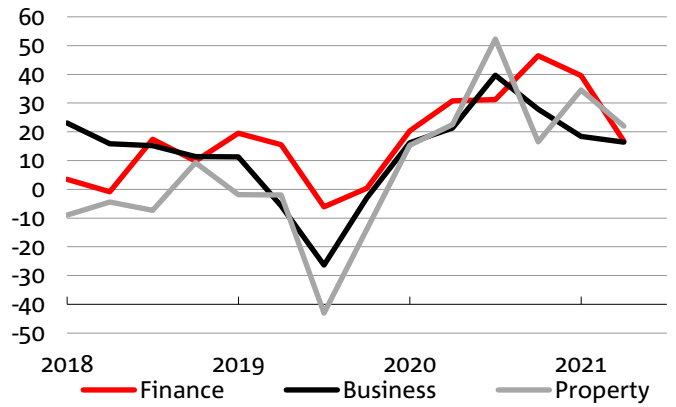
**CHART 35: BUSINESS CONDITIONS BY INDUSTRY**



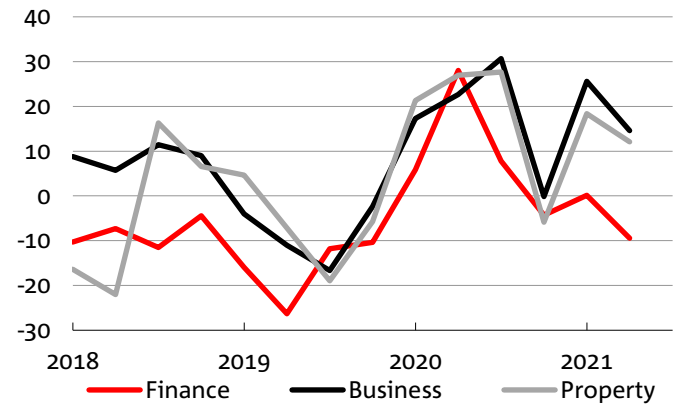
**CHART 36: BUSINESS CONFIDENCE BY INDUSTRY**



**CHART 37: BUSINESS CONDITIONS BY INDUSTRY**



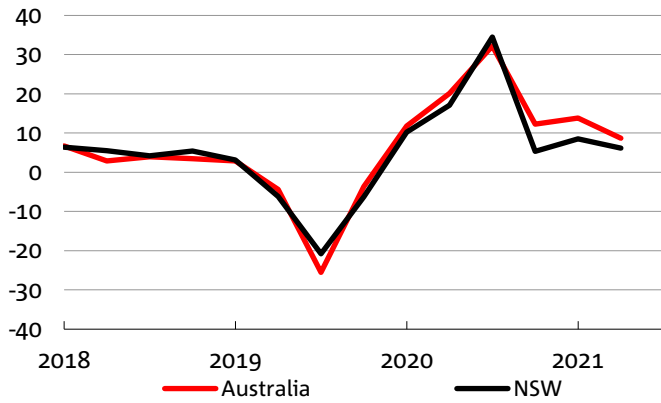
**CHART 38: BUSINESS CONFIDENCE BY INDUSTRY**



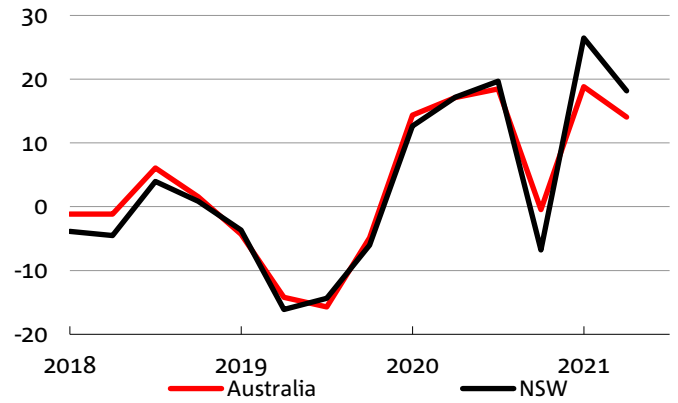


# NAB QUARTERLY BUSINESS SURVEY – FURTHER DETAILS BY STATE

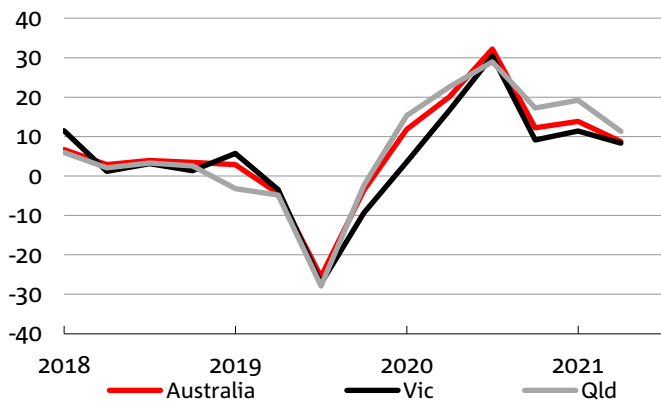
**CHART 39: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)**



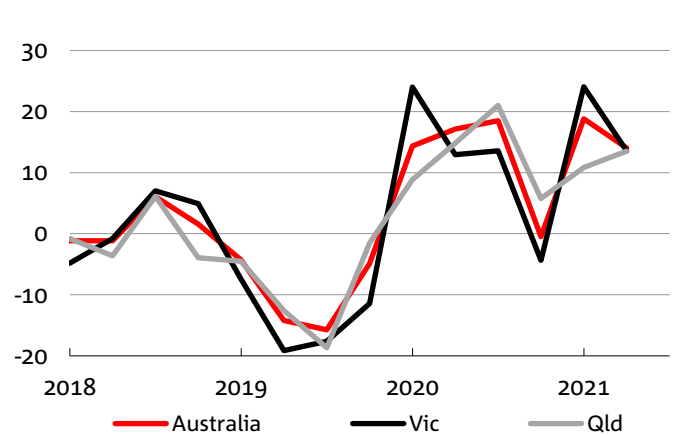
**CHART 40: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)**



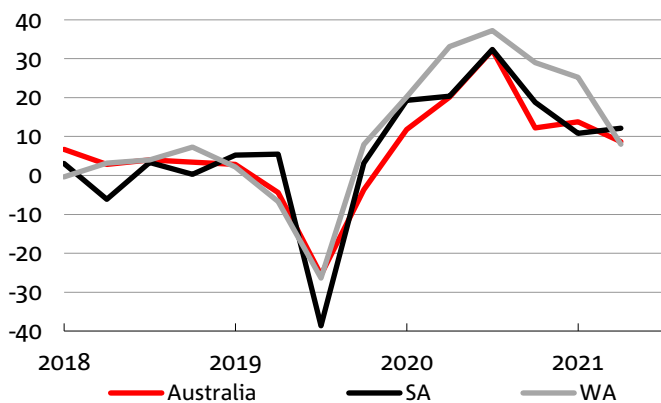
**CHART 41: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)**



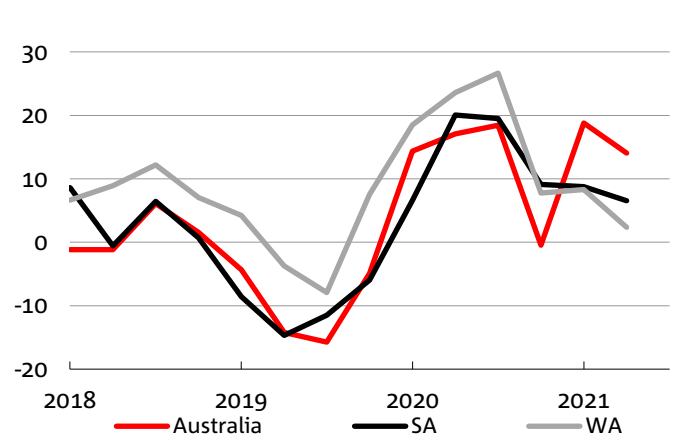
**CHART 42: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)**



**CHART 43: BUSINESS CONDITIONS BY STATE (NET BALANCE, S.A.)**



**CHART 44: BUSINESS CONFIDENCE BY STATE (NET BALANCE, S.A.)**



# NAB QUARTERLY BUSINESS SURVEY – DATA APPENDIX

	Quarterly					Monthly				
	2021q1	2021q2	2021q3	2021q4	2022q1	2021m10	2021m11	2021m12	2022m1	2022m2
Confidence	17	18	0	19	14	21	13	-12	4	13
Conditions	20	32	12	14	9	10	11	9	2	9

	Quarterly					Monthly				
	2021q1	2021q2	2021q3	2021q4	2022q1	2021m10	2021m11	2021m12	2022m1	2022m2
Trading	27	39	16	19	12	16	15	15	8	10
Profitability	23	32	10	13	7	9	9	11	2	5
Employment	12	25	12	9	8	6	11	3	-1	8

	Quarterly <sup>(a)</sup>					Monthly				
	2021q4	2022q1	2022q2	2022q4	2023q1	2021m10	2021m11	2021m12	2022m1	2022m2
Conditions	14	9	NA	NA	NA	10	11	9	2	9
Conds. next 3m	9	29	21	NA	NA					
Conds. nxt 12m	24	31	33	36	34					
Orders	16	10	NA	NA	NA	14	13	5	4	9
Orders next 3m	7	20	18	NA	NA					

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

	Quarterly <sup>(a)</sup>					Monthly				
	2021q2	2021q3	2021q4	2022q1	2022q2	2021m10	2021m11	2021m12	2022m1	2022m2
Capacity utilis.	84.7	80.1	83.4	83.4	NA	81.4	83.2	80.8	81.7	82.5
Stocks current	12	1	5	6	NA	0	3	2	-1	6
Stocks next 3m	11	11	1	10	8					

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

	2021q1	2021q4	2022q1
Constraints on output (% of firms)*			
Sales & orders	47.9	41.5	41.0
Labour	65.8	84.8	83.9
Premises & plant	27.6	27.0	27.3
Materials	30.9	46.6	48.8

\* not s.a.

	Quarterly <sup>(a)</sup>					Monthly				
	2021q4	2022q1	2022q2	2022q4	2023q1	2021m10	2021m11	2021m12	2022m1	2022m2
Empl current	9	8	NA	NA	NA	6	11	3	-1	8
Empl next 3m	13	27	23	NA	NA					
Empl nxt 12m	25	34	39	42	42					

(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>2021q1</u>	<u>2021q2</u>	<u>2021q3</u>	<u>2021q4</u>	<u>2022q1</u>	<u>2021m10</u>	<u>2021m11</u>	<u>2021m12</u>	<u>2022m1</u>	<u>2022m2</u>
Business conditions										
NSW	17	34	5	9	<b>6</b>	13	12	8	1	8
VIC	17	30	9	11	<b>8</b>	1	3	16	-4	6
QLD	23	29	17	19	<b>11</b>	14	21	-1	6	7
SA	20	32	19	11	<b>12</b>	1	5	8	0	5
WA	33	37	29	25	<b>8</b>	20	19	23	9	3

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2021q1</u>	<u>2021q2</u>	<u>2021q3</u>	<u>2021q4</u>	<u>2022q1</u>	<u>2021m10</u>	<u>2021m11</u>	<u>2021m12</u>	<u>2022m1</u>	<u>2022m2</u>
Business confidence										
NSW	17	20	-7	26	<b>18</b>	30	20	-12	0	14
VIC	13	14	-4	24	<b>14</b>	23	14	-10	3	13
QLD	15	21	6	11	<b>14</b>	13	9	-14	9	18
SA	20	20	9	9	<b>7</b>	15	5	-10	9	11
WA	24	27	8	8	<b>2</b>	6	5	-1	3	0

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## 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.