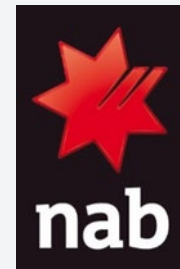


NAB MONTHLY BUSINESS SURVEY MARCH 2022

COSTS, PRICES GROWTH HIT RECORDS AS CONDITION SURGE HIGHER

NAB Australian Economics



Key messages: Business conditions surged higher in March and confidence also strengthened. Trading conditions and profitability rose markedly, suggesting demand remains strong, and employment also rose. The improvement was largely driven by the retail sector, which saw conditions rise 23pts, as well as recreation & personal services and finance, business & property. Confidence jumped in the transport, construction, and recreation & personal services sectors, and leading indicators also strengthened overall with capacity utilisation up to 83.1%. Across the states, WA saw a significant boost to conditions as the border fully reopened and conditions and confidence are now fairly strong across all jurisdictions. Overall, both conditions and confidence are now back around the levels last seen in the pre-Delta rebound, despite activity having more than recovered its pre-Covid level. Cost growth escalated further in the month, with labour cost growth hitting 2.7% in quarterly terms and purchase cost growth up to 4.2% – both tracking at considerably higher rates than at any other point in the history of the survey. However, firms seem to have been able to pass on at least some cost pressure with prices also rising at their fastest rate in the history of the survey at 2.3%. The escalation in price growth included prices in retail sector, which rose 3.7% in quarterly terms, likely supporting margins and helping to explain the very strong increase in the profitability index for the sector. The continued escalation in price growth over recent months suggests a strong Q1 CPI reading is likely when released later in the month and based on the monthly trend could well continue to build in Q2.

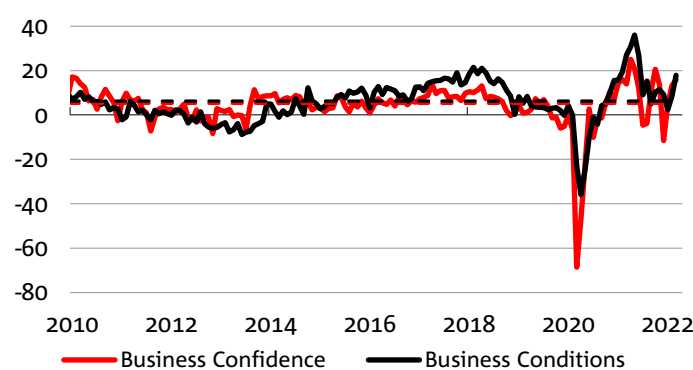
HIGHLIGHTS

- **How confident are businesses?** Business confidence rose 3pts in March to +16 index points, continuing the steady rise since December.
- **How did business conditions fare?** Conditions rose 9pts to +18 index points, the largest one-month jump since June 2020.
- **What components contributed to the result?** Trading conditions and profitability strengthened sharply, with trading conditions up 13pts to +24 index points and profitability up 8pts to +13 index points. Employment also improved.
- **Which industries are driving conditions?** The rise in conditions was driven by a large increase in retail (up 23pts) and solid gains in finance, business & property (up 12pts) and recreation & personal services (up 10pts). Conditions in other industries were largely unchanged. In trend terms, mining, wholesale, finance, business & property, and retail remain strongest.
- **Which industries are most confident?** Confidence rose sharply in transport (up 16pts), construction (15pts), recreation & personal services (up 11pts). In trend terms, confidence remains strong across all industries.
- **Where are we seeing the best conditions by state?** Conditions rose in all states – up markedly in WA (up 24pts) but there were also saw strong improvements in Vic (up 12pts), SA (up 7pts) and Tas (up 7pts). In trend terms, conditions remain strongest in WA but are now elevated across the board.
- **What is confidence like across the states?** Confidence rose in Tas (up 21pts), SA (up 14pts) and WA (up 13pts) while the other states were largely steady. As with conditions, confidence is strong across the board.
- **Are leading indicators suggesting improvement?** Forward orders continued to strengthen, up 3pts to +12 index points, while capacity utilisation also edged up to 83.1%.
- **What does the survey suggest about inflation?** Cost and price growth measures in the survey rose to record levels in the month. Purchase cost growth reached 4.2% in quarterly terms, while labour cost growth hit 2.7%. Price growth also rose to 2.3%, with retail price growth rising to 3.7%.

TABLE 1: KEY STATISTICS

	Jan-22	Feb-22	Mar-22
Net balance			
Business confidence	5	13	16
Business conditions	2	9	18
Trading	7	11	24
Profitability	2	5	13
Employment	-1	8	12
Forward orders	5	9	12
Stocks	-3	5	14
Exports	-2	0	-1
% change at quarterly rate			
Labour costs	1.9	1.8	2.7
Purchase costs	3.2	2.7	4.2
Final products prices	1.5	1.4	2.3
Retail prices	1.4	1.9	3.7
Per cent			
Capacity utilisation rate	81.8	82.6	83.1

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 21 to 31 March 2022, covering over 400 firms across the non-farm business sector. Next release date: 10 May 2022.

NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

BROAD-BASED COST PRESSURES DRIVE RECORD PRICE GROWTH

- The March survey saw all four major cost and price growth measures reach record levels as inflation pressures continue to build in the economy. Importantly, these cost and price pressures were broad-based across sectors.
- Overall labour cost growth reached 2.7% in quarterly terms in March - well above the previous peak of 2% in late 2006. That brings the three-month average to 2.1% for January-March 2022, also above the previous peak of 1.8% (Chart 2). Labour costs rose fastest in construction but rose at around 2% or more on average in most sectors.
- The acceleration in purchase cost growth was even more stark, reaching 4.2% in March, eclipsing the 3.2% rise seen in January. The three-month average was 3.4%, also the highest on record (Chart 3).
- On average over January-March, purchase costs rose 5% in wholesale, 4.8% in construction, and 4.7% in manufacturing – all industries that are heavily dependent on materials inputs. Retail followed with purchase costs up 3.5% as upstream costs continued to flow through. Purchase costs have now eclipsed their pre-2022 maximum in every industry except manufacturing (where the prior peak of 4.9% was recorded in the three months to December 2021).
- These broad cost pressures are passing through to final products prices, which rose 2.3% in the month, eclipsing the 1.5% rise in January. The three-month average increase was 1.7% overall, led by increases of 3.2% in wholesale prices and 2.7% in manufacturing (Chart 4).
- Looking at respondent-level data further reveals the relationships between costs and prices. Across all respondents to the monthly survey over the past three months, the correlation between purchase cost growth and price growth (Chart 5) has been much tighter than that between labour costs and prices (Chart 6). Still, both sources of cost pressure are playing a role.
- While the price measures in the survey do not correspond to official inflation statistics, the continued escalation in price growth over recent months suggests a strong Q1 CPI reading is likely when released later in the month.

CHART 5: PURCHASE COSTS & PRICES BY RESPONDENT (EXCL. ZEROS) (JAN, FEB & MARCH 2022) (JITTER)

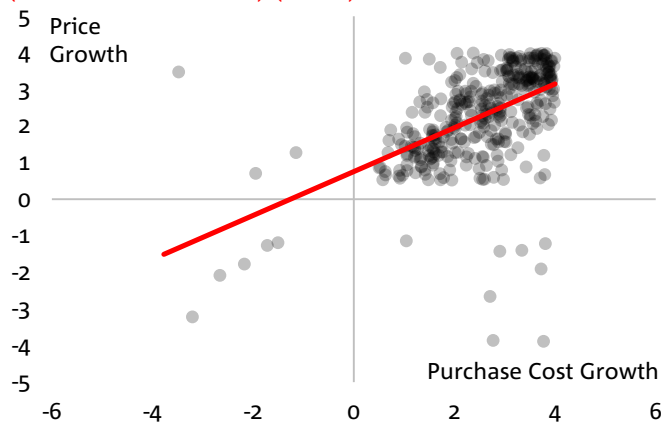


CHART 2: LABOUR COST GROWTH BY INDUSTRY (% AT QTLY RATE)

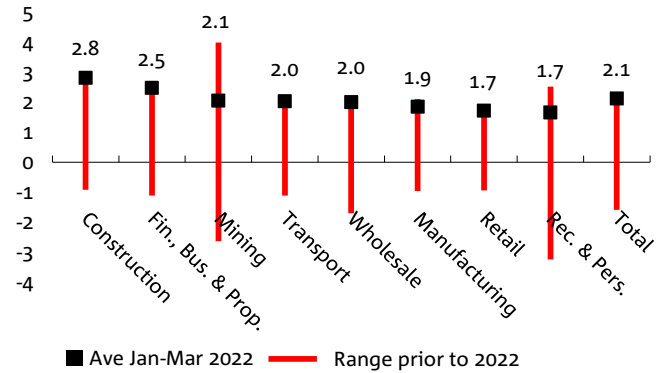


CHART 3: PURCHASE COST GROWTH BY INDUSTRY (% AT QTLY RATE)

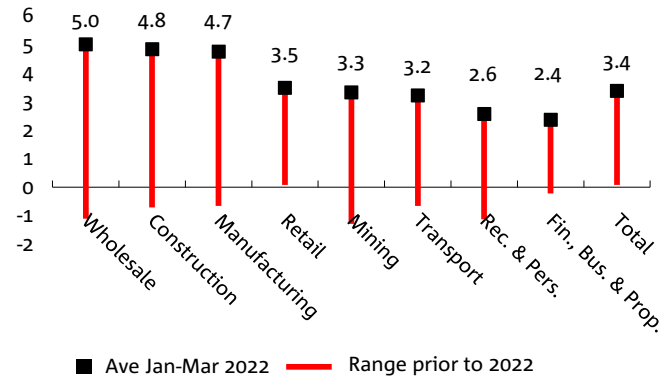


CHART 4: PRICE GROWTH BY INDUSTRY (% AT QTLY RATE)

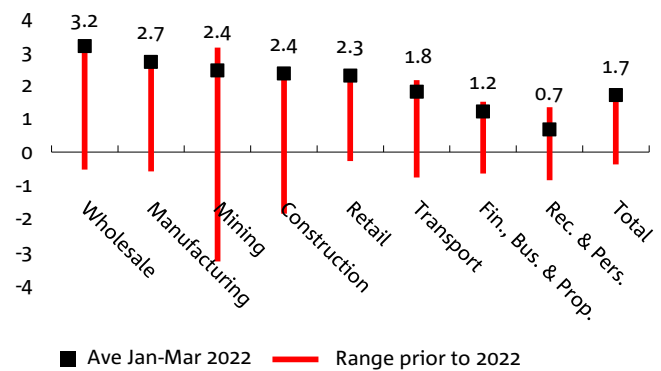


CHART 6: LABOUR COSTS & PRICES BY RESPONDENT (EXCL. ZEROS) (JAN, FEB & MARCH 2022) (JITTER)



Note: For clarity, Charts 5 and 6 exclude a large number of responses of zero growth in costs and/or prices which would otherwise be clustered on the axes. Exact values have been randomised within response buckets. Data are original and do not account for seasonality.

NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 7: BUSINESS CONFIDENCE (NET BALANCE)

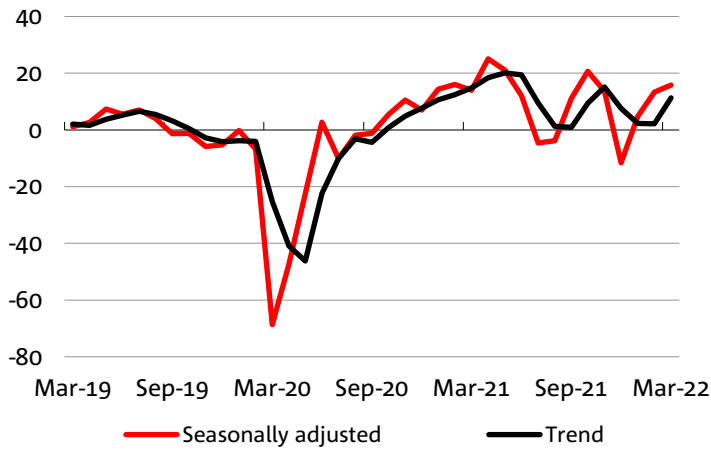


CHART 8: BUSINESS CONDITIONS (NET BALANCE)

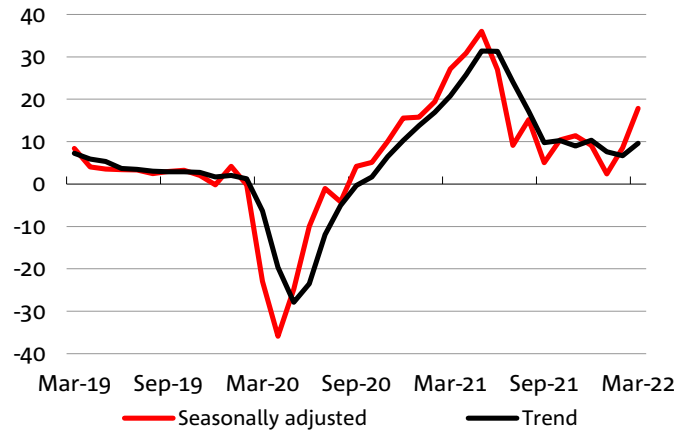


CHART 9: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

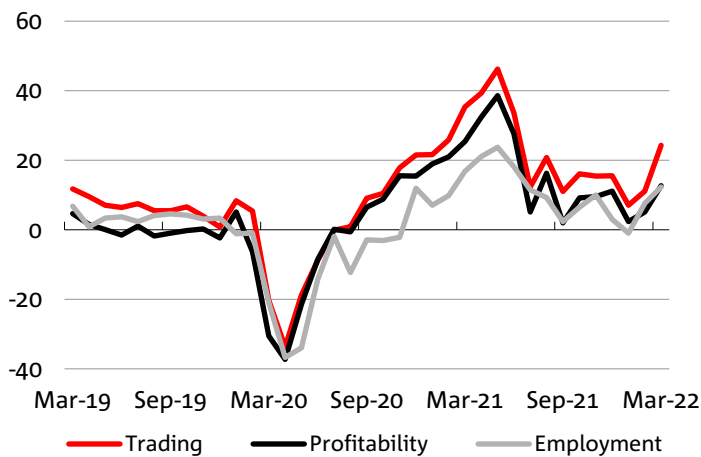


CHART 10: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

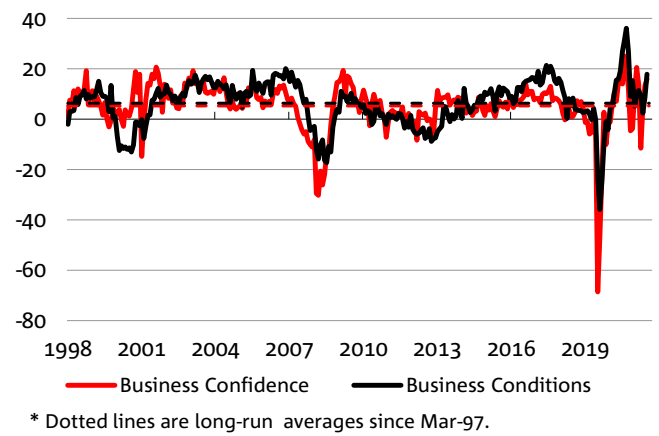


CHART 11: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

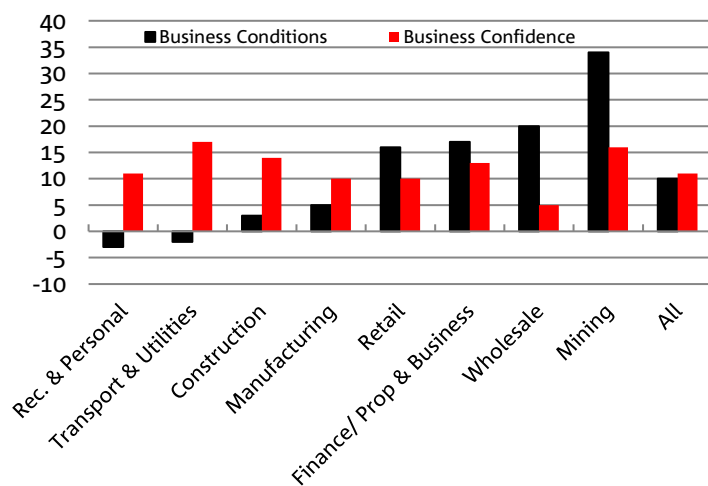
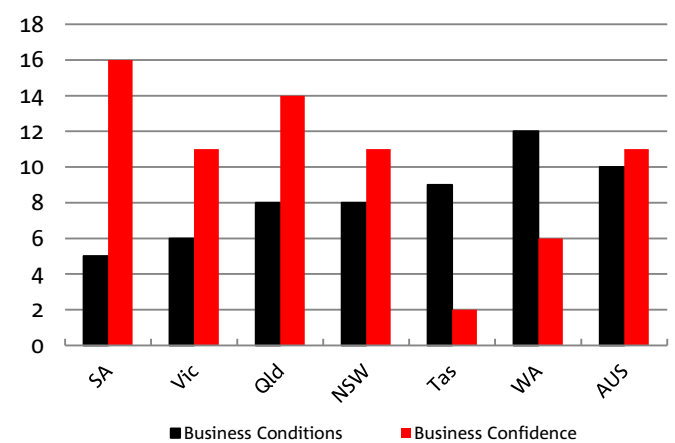


CHART 12: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 13: FORWARD ORDERS (NET BALANCE)

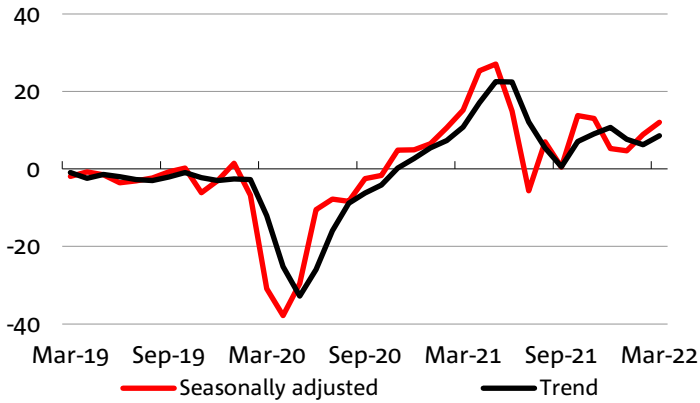


CHART 14: CAPITAL EXPENDITURE (NET BALANCE)

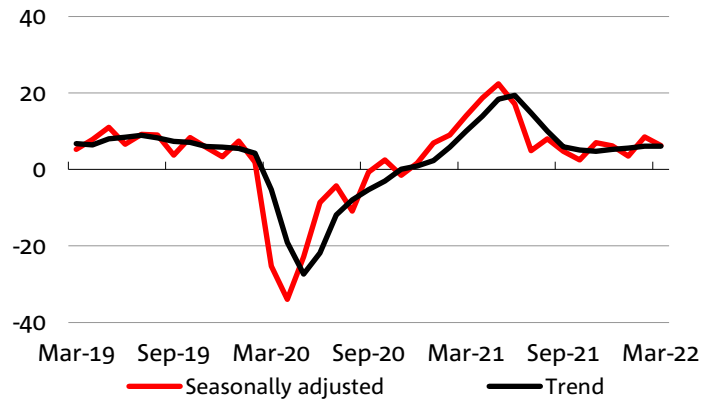


CHART 15: CAPACITY UTILISATION AND UNEMPLOYMENT

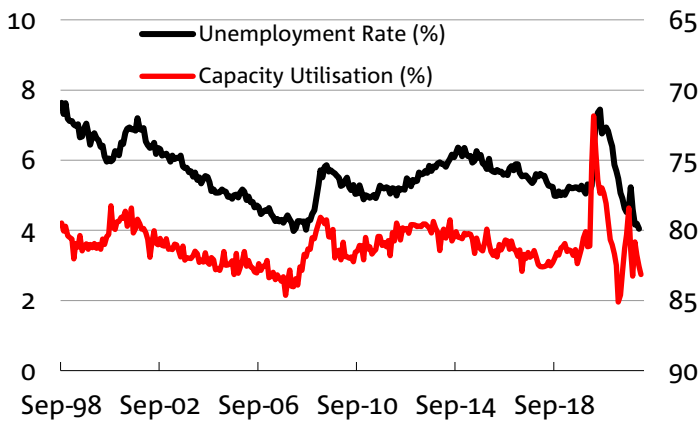


CHART 16: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

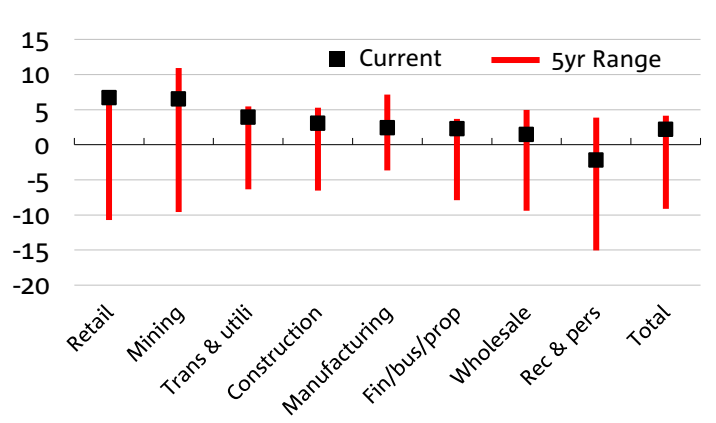


CHART 17: STOCKS (NET BALANCE)

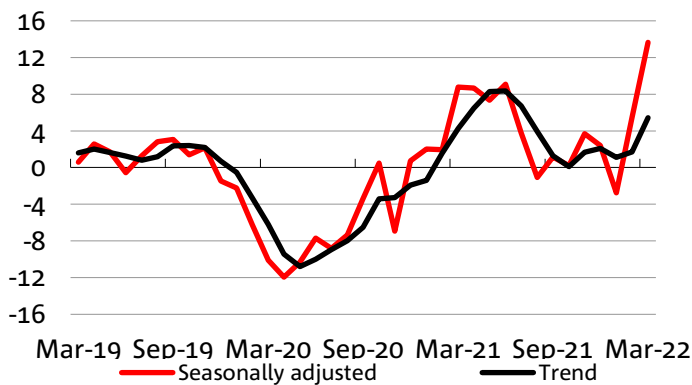


CHART 18: CASH FLOW (NET BALANCE)

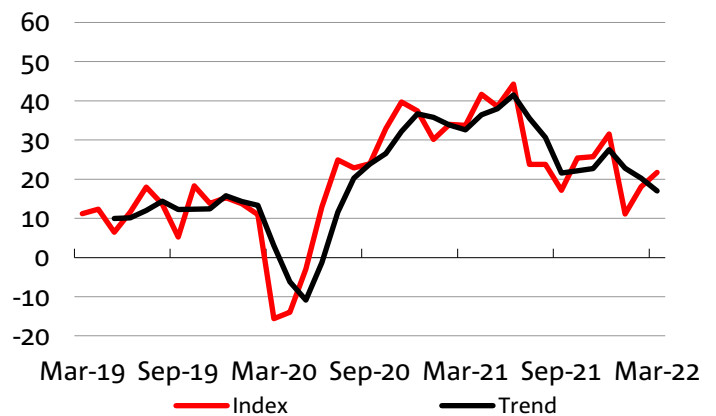


CHART 19: EXPORTS (NET BALANCE)

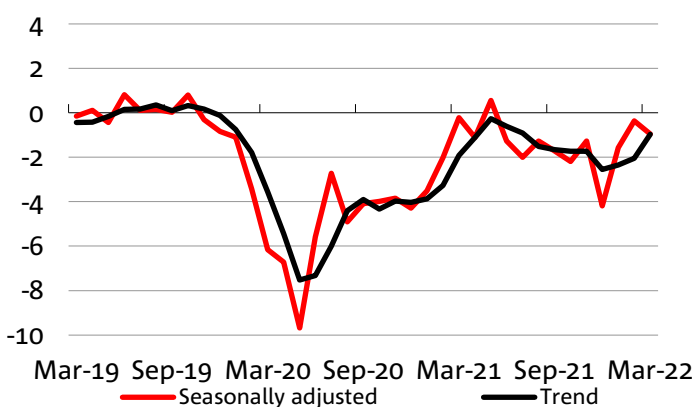
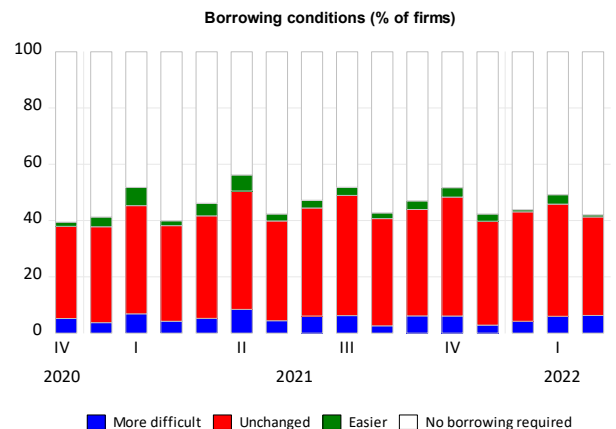


CHART 20: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

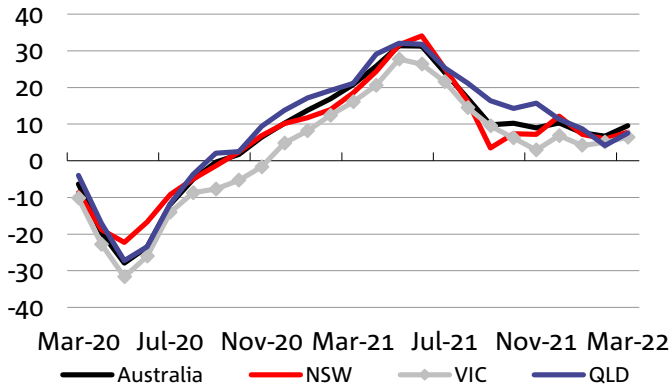


CHART 22: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

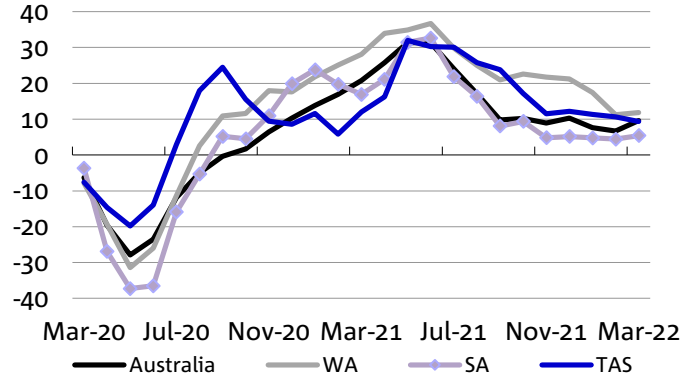


CHART 23: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

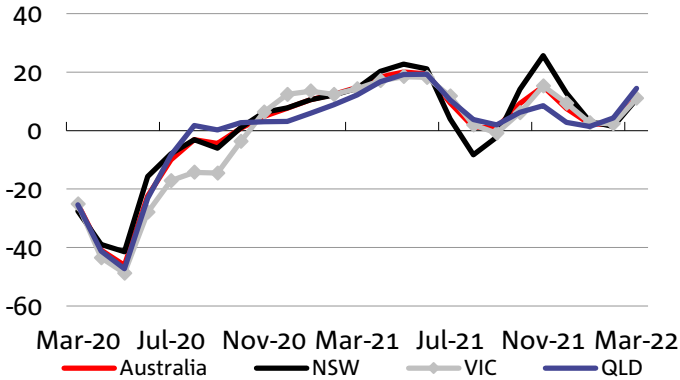


CHART 24: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

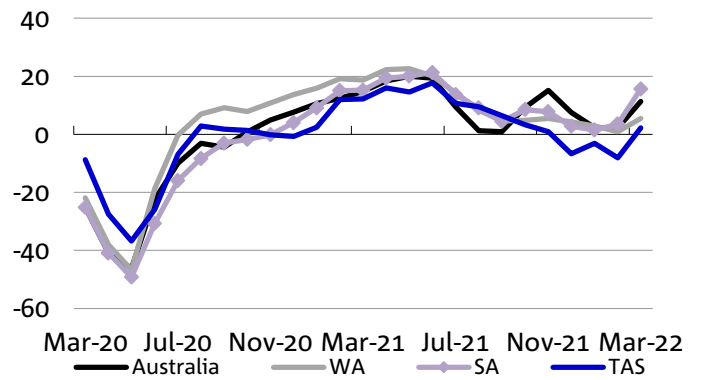


CHART 25: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

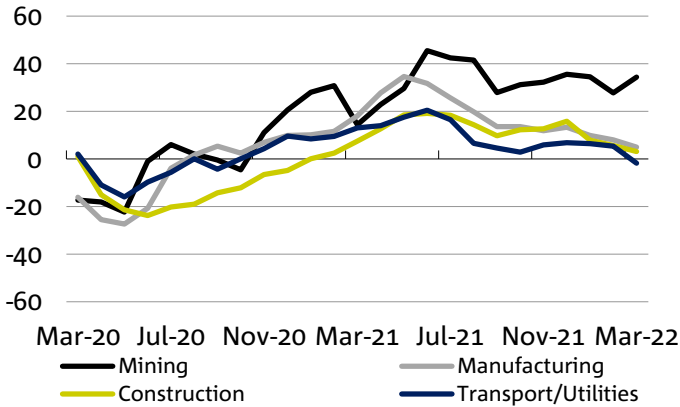


CHART 26: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

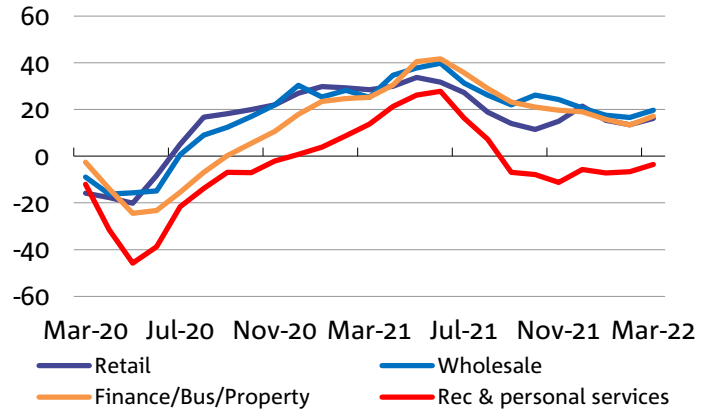


CHART 27: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

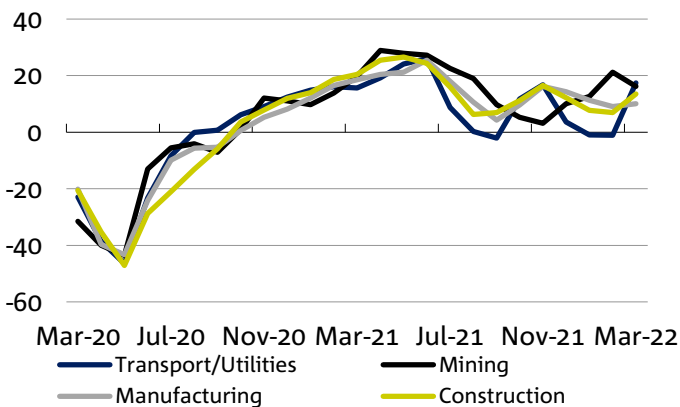
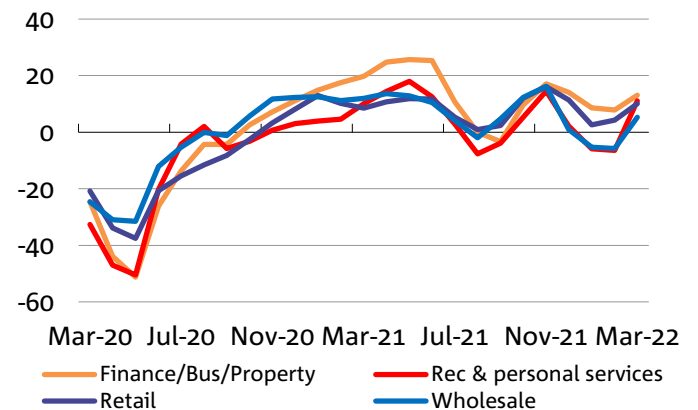


CHART 28: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 29: EMPLOYMENT

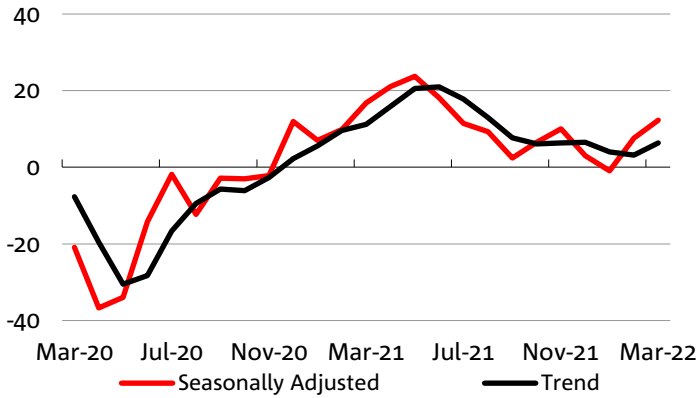


CHART 30: EMPLOYMENT (NAB VS ABS)

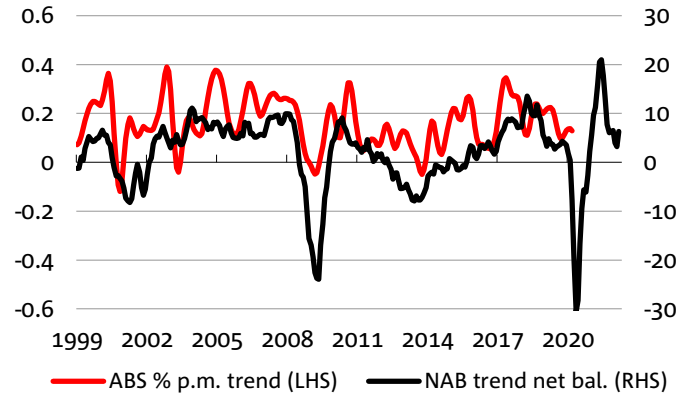


CHART 31: EMPLOYMENT BY INDUSTRY

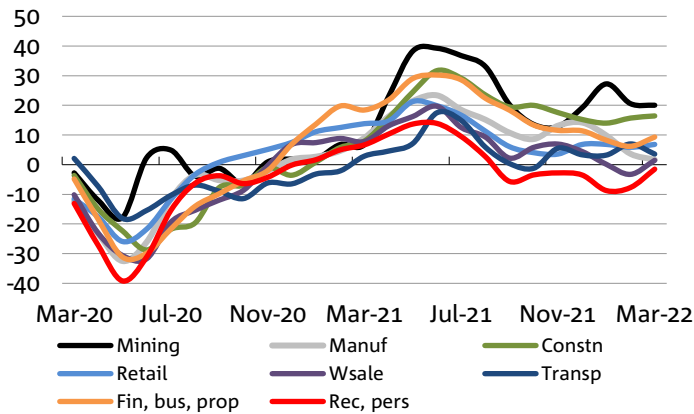


CHART 32: LABOUR COSTS GROWTH

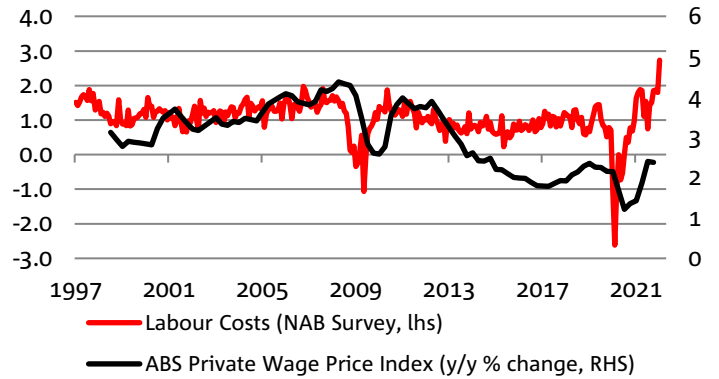


CHART 33: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

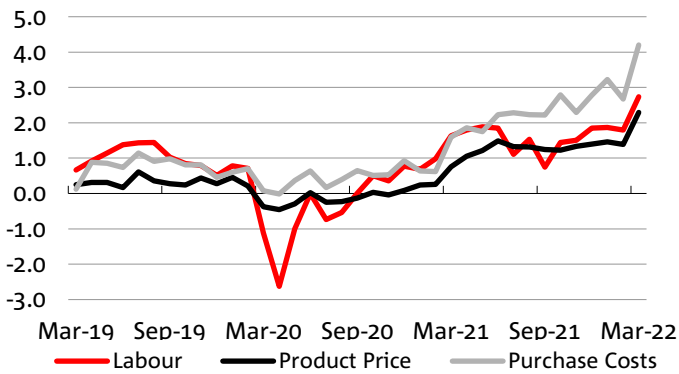
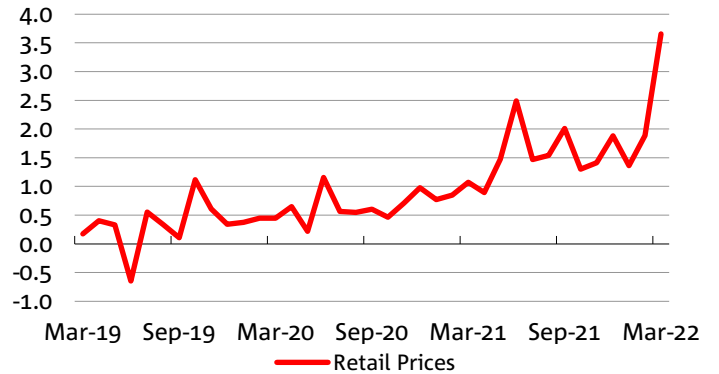


CHART 34: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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)