

EMBARGOED UNTIL: 11:30AM AEST, 10 MAY 2022

NAB MONTHLY BUSINESS SURVEY APRIL 2022

CONDITIONS RISE FURTHER ON REC. & PERSONAL SERVICES RECOVERY

NAB Australian Economics



Key messages: Business conditions continued to strengthen in April, while confidence eased but remained above its long-run average. Trading conditions and profitability continued to strengthen, while employment was steady. The gains came on the back of a long-awaited recovery in the recreation & personal services sector, where conditions rose 20pts. Both confidence and conditions now look fairly strong across most industries, with the exception of transport & utilities and construction where cost pressures have been most acute. Qld saw conditions strengthen considerably while conditions in Vic eased, but both conditions and confidence are fairly strong across the states with only Tas showing softer confidence levels. Capacity utilisation also continued to rise, reaching 83.9%. Cost pressures continued to build, with labour cost growth up to 3.0% and purchase cost growth reaching 4.6% (in quarterly terms) – both at new highs. However, output price inflation eased with final product prices rising 1.7% and retail prices up 2.1%. Still, these rates of price growth remain high in the history of the survey and the strength in underlying costs suggests inflationary pressure is likely to continue building over coming months. Overall, the survey highlights the ongoing strength in activity and the broad-based nature of the recovery, against a backdrop of cost pressures continuing to pose a significant challenge for businesses.

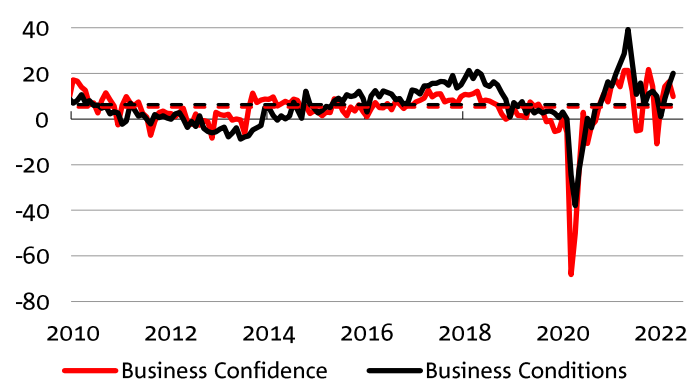
HIGHLIGHTS

- **How confident are businesses?** Business confidence eased 6pts to +10 index points, still above its long-run average after several months of steady increases in early 2022.
- **How did business conditions fare?** Conditions rose 5pts to +20 index points, building on gains in March.
- **What components contributed to the result?** Trading conditions and profits again drove the result, with trading conditions up 4pts to +27 index points and profitability up 9pts to +22 index points. Employment was steady at +10 index points.
- **Which industries are driving conditions?** The result was driven by a strong rise in conditions in recreation & personal services – which has lagged through the recent recovery period. Conditions in the sector rose 20pts in seasonally adjusted terms and now sit at +8 index points in trend terms. Conditions in manufacturing also improved (up 13pts), while conditions in retail eased but remained strong at +25 index points in trend terms. However, conditions in construction and transport & utilities weakened, pulled down by negative levels on the profitability index as cost pressures took a toll.
- **Which industries are most confident?** Confidence eased considerably in transport & utilities, recreation & personal services, and finance, business & property, but in trend terms the level of confidence remained high across industries.
- **Where are we seeing the best conditions by state?** Qld saw conditions rise 24pts and NSW and SA also made gains (both up 7pts), while conditions in Vic fell 8pts. In trend terms, conditions remained strong across the states.
- **What is confidence like across the states?** Confidence eased across the states, but in trend terms remained fairly strong everywhere except Tas (where conditions sit at +2 index points in trend terms).
- **Are leading indicators suggesting improvement?** Capacity utilisation continued to rise, reaching 83.9%, but forward orders eased slightly to +9 index points.
- **What does the survey suggest about inflation?** Cost pressures continued to climb after hitting record growth rates in March, with labour cost growth up to 3.0% and purchase cost growth reaching 4.6% (in quarterly terms). However, output price inflation eased from the levels seen in March, with final prices rising 1.7% overall and retail prices up 2.1%. Still, these rates of price growth remain high in the history of the survey and the strength in underlying costs suggests prices are likely to continue to rise over coming months.

TABLE 1: KEY STATISTICS

	Feb-22	Mar-22	Apr-22
	Net balance		
Business confidence	14	16	10
Business conditions	9	15	20
Trading	12	23	27
Profitability	5	12	22
Employment	8	10	10
Forward orders	9	12	9
Stocks	6	14	7
Exports	0	-1	1
	% change at quarterly rate		
Labour costs	1.9	2.8	3.0
Purchase costs	2.8	4.3	4.6
Final products prices	1.4	2.4	1.7
Retail prices	1.9	3.7	2.1
	Per cent		
Capacity utilisation rate	82.7	83.4	83.9

CHART 1: CONFIDENCE & CONDITIONS



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 22 to 29 April 2022, covering over 400 firms across the non-farm business sector.

Next release date: 14 June 2022.

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

THE LONG-AWAITED REC. & PERSONAL SERVICES RECOVERY

- April saw a significant pick-up in conditions in the recreation & personal services sector – a long-awaited recovery after a period of sustained weakness. The result brings the sector closer into line with retail, which has enjoyed greater strength throughout the pandemic.
- Retail and recreation & personal services have been two of the sectors most directly affected by COVID-related disruptions. Both have seen confidence fall well below pre-COVID averages with each new outbreak, with confidence recovering quickly as more positive news has emerged (Chart 2).
- However, business conditions in the two sectors have diverged for much of the pandemic (Chart 3). Conditions in the retail sector recovered quickly in 2020 and have largely remained above their pre-COVID average ever since, dipping more mildly with subsequent outbreaks. In contrast, conditions in recreation & personal services have remained depressed for a much more sustained period, only briefly rising above their pre-COVID average in mid-2021 and struggling to recover after the end of the Delta wave despite widespread easing of health restrictions.
- The divergence has largely been driven by differences in demand, with trading conditions in the two sectors diverging (Chart 4) but employment tracking in a more similar way (Chart 5). Reflecting this, capacity utilisation has generally also been lower in the recreation & personal services sector than in retail (Chart 6).
- Weak demand for services in the survey mirrors economy-wide weakness in services consumption relative to consumption of goods since the onset of the pandemic. This reflects not only the impact of restrictions and behavioural changes but also the greater capacity for businesses in retail to continue operating online and through delivery and pickup-up options.
- Still, the lingering weakness in recreation & personal services through the first months of 2022 – as the Omicron wave has receded – has remained a puzzle.
- Importantly, the April survey results show a long-awaited return to strength for the sector, with trading conditions 11.2pts above their pre-COVID average and overall conditions 12.6pts above. While these series can be volatile, this may be a sign that services demand is finally beginning to turn the corner.

CHART 5: EMPLOYMENT (DEV. FROM PRE-COVID AVE., S.A.)

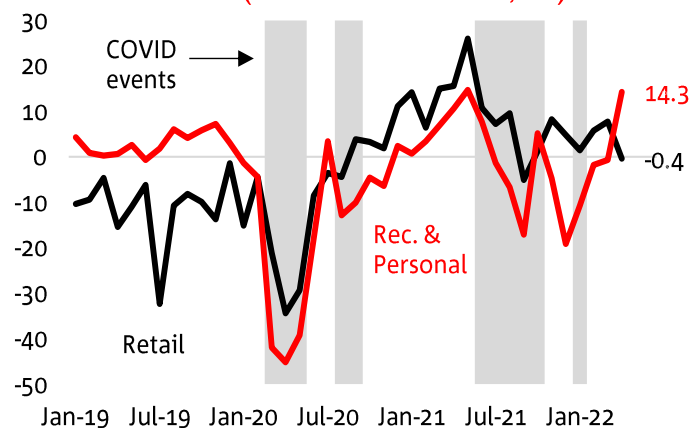


CHART 2: BUS. CONFIDENCE (DEV. FROM PRE-COVID AVE., S.A.)

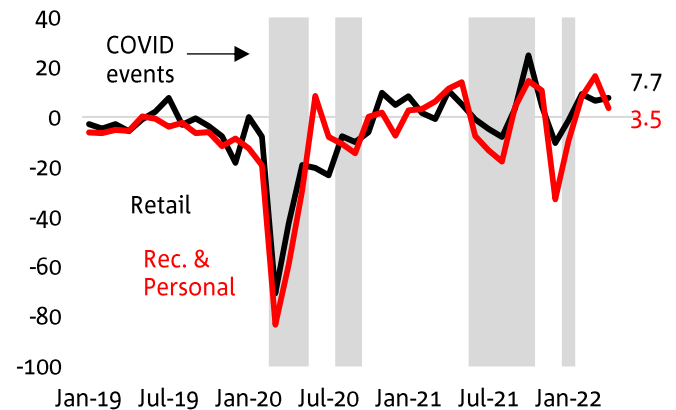


CHART 3: BUS. CONDITIONS (DEV. FROM PRE-COVID AVE., S.A.)

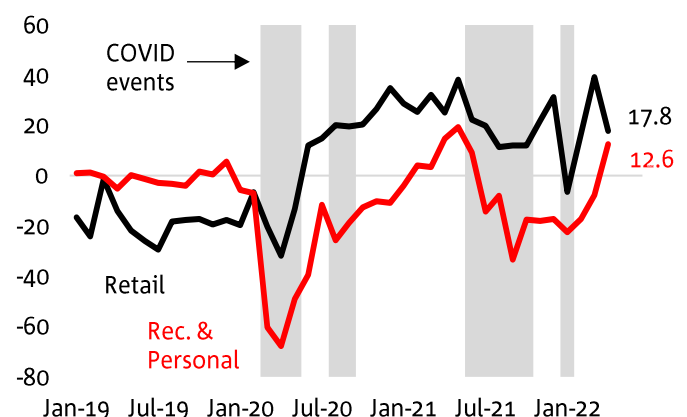


CHART 4: TRADING CONDITIONS (DEV. FROM PRE-COVID AVE., S.A.)

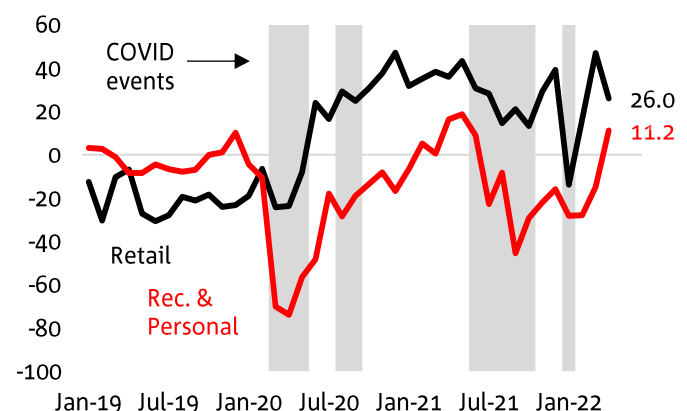
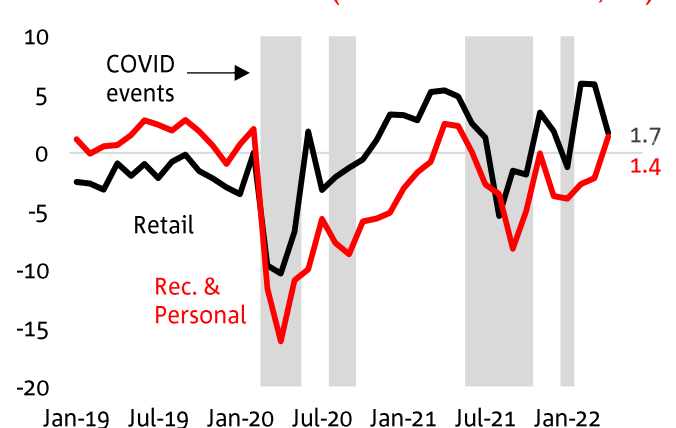


CHART 6: CAPACITY UTILISATION (DEV. FROM PRE-COVID AVE., S.A.)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 7: BUSINESS CONFIDENCE (NET BALANCE)

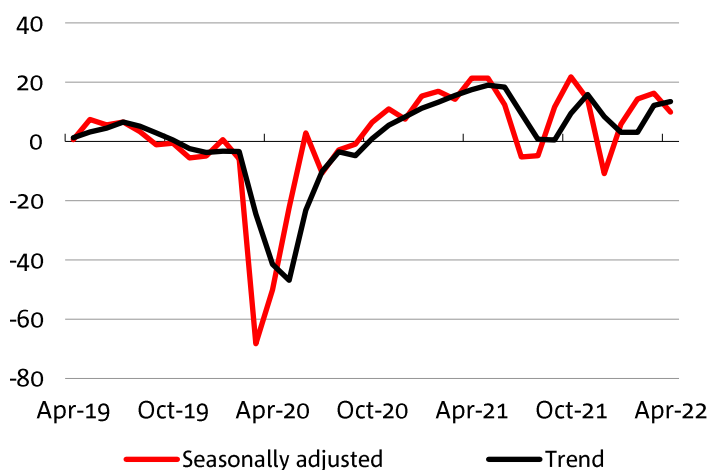


CHART 8: BUSINESS CONDITIONS (NET BALANCE)

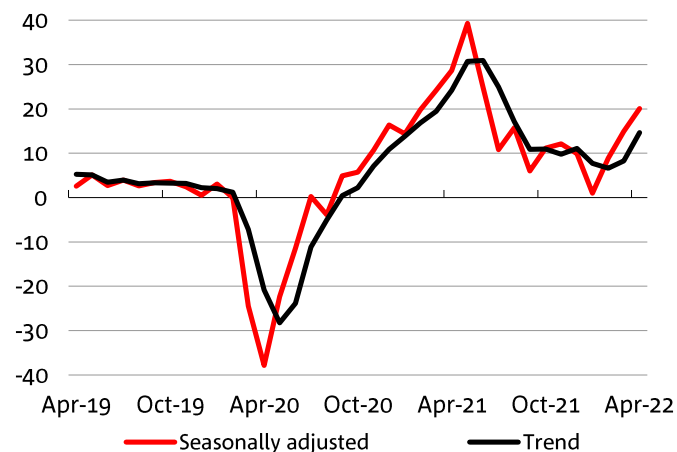


CHART 9: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

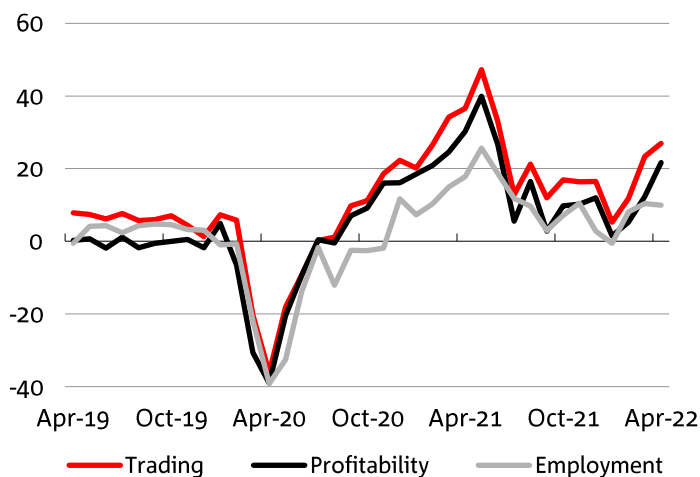


CHART 10: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

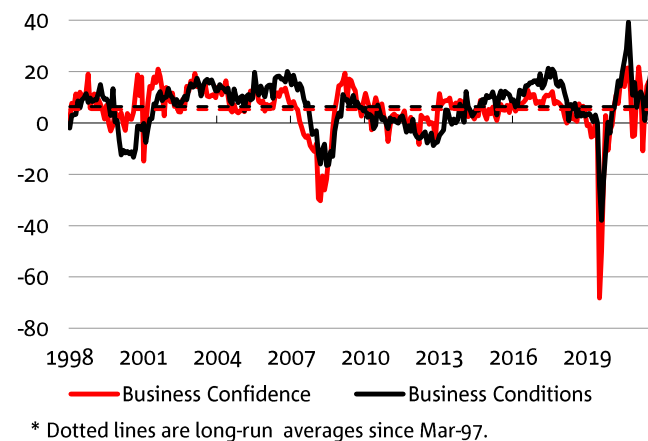


CHART 11: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

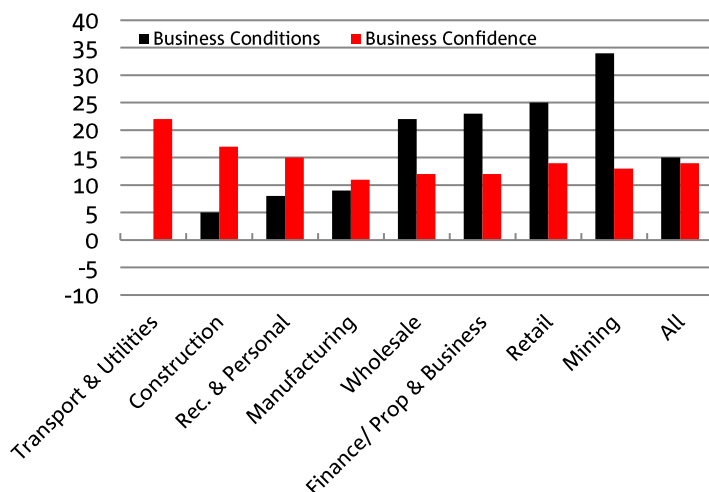
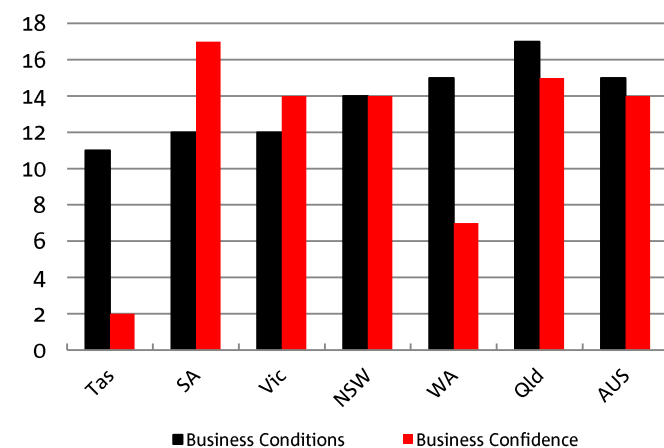


CHART 12: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 13: FORWARD ORDERS (NET BALANCE)

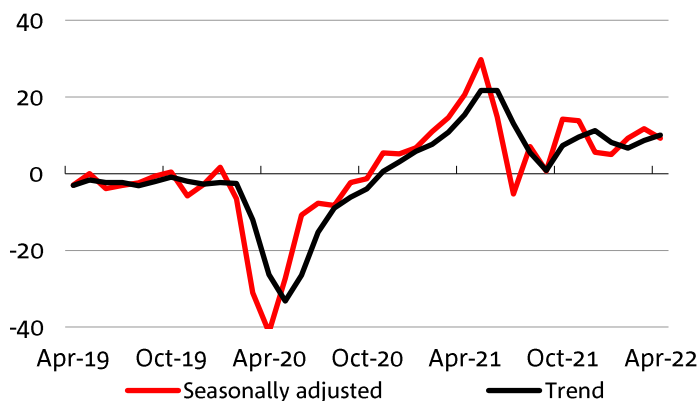


CHART 14: CAPITAL EXPENDITURE (NET BALANCE)

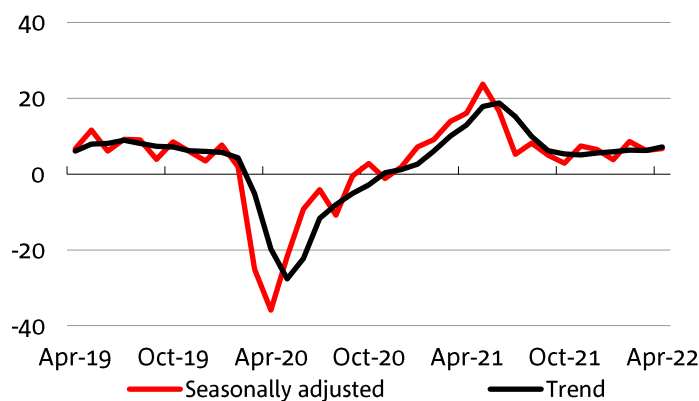


CHART 15: CAPACITY UTILISATION AND UNEMPLOYMENT

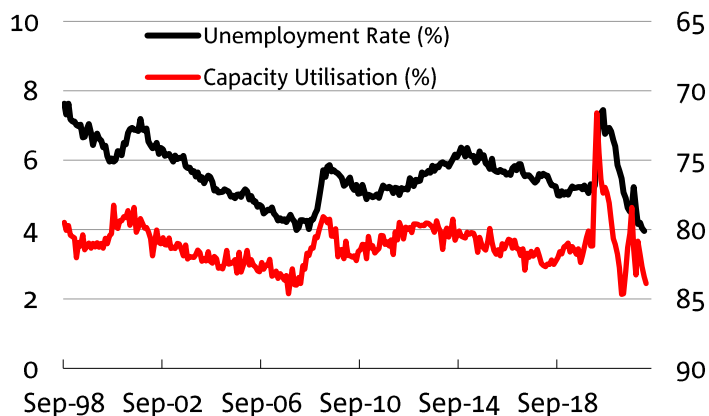


CHART 16: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

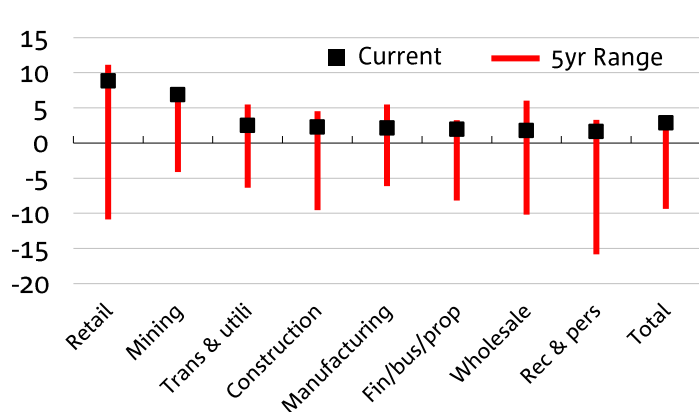


CHART 17: STOCKS (NET BALANCE)

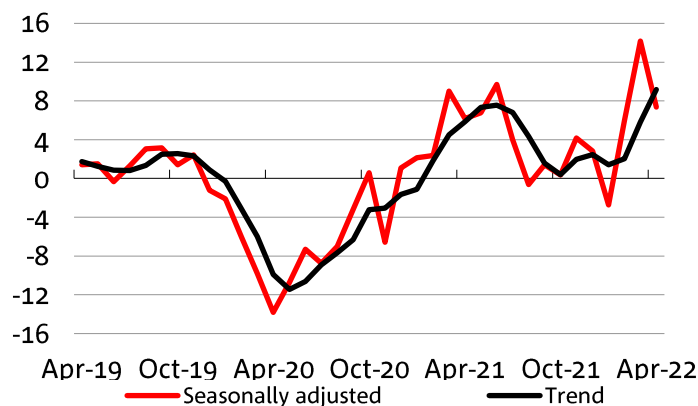


CHART 18: CASH FLOW (NET BALANCE)

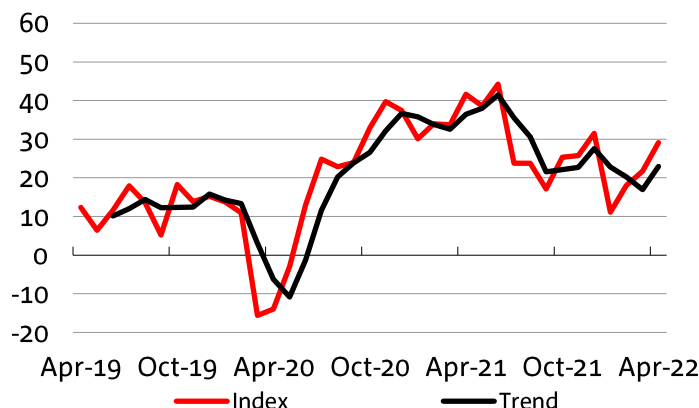


CHART 19: EXPORTS (NET BALANCE)

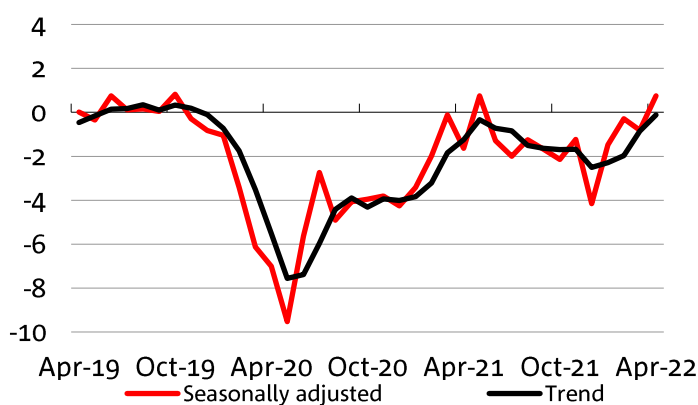
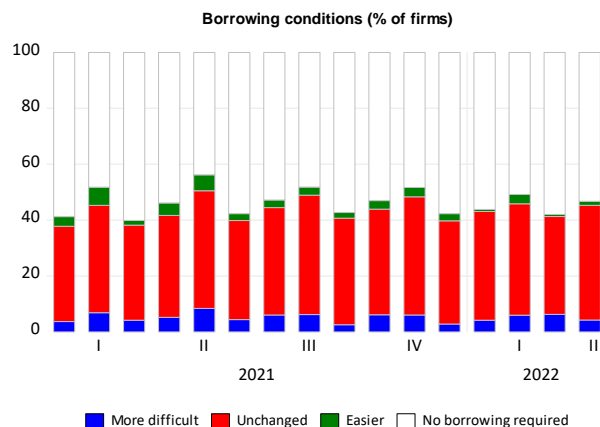


CHART 20: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

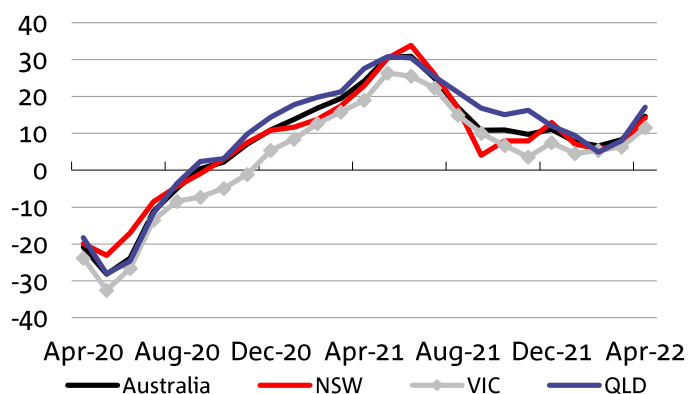


CHART 22: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

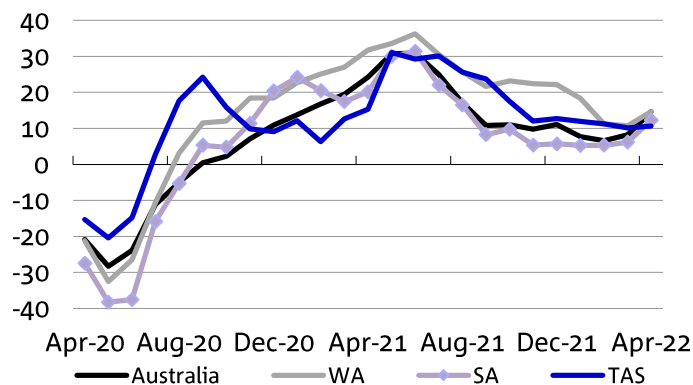


CHART 23: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

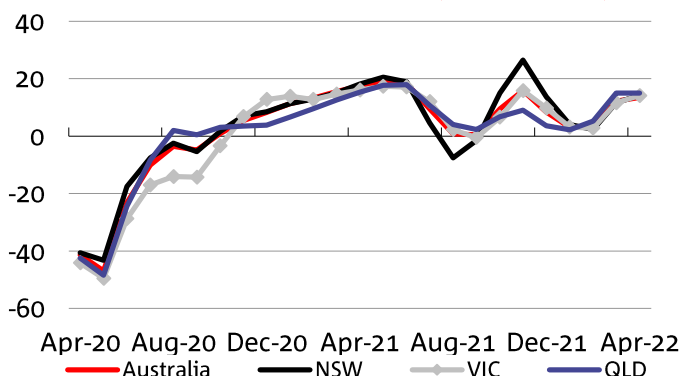


CHART 24: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

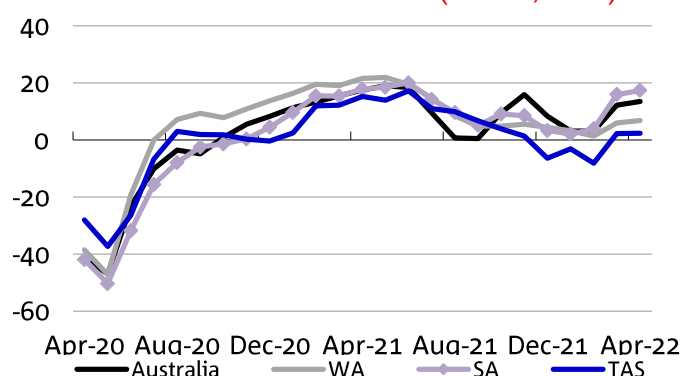


CHART 25: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

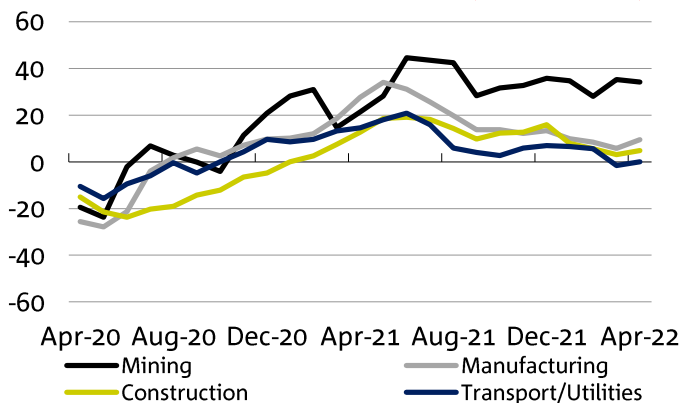


CHART 26: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

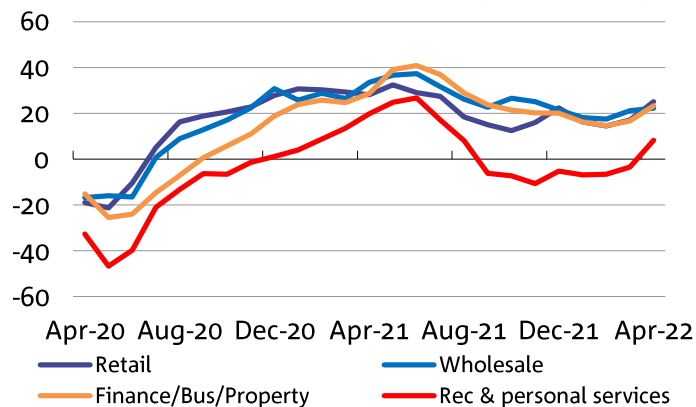


CHART 27: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

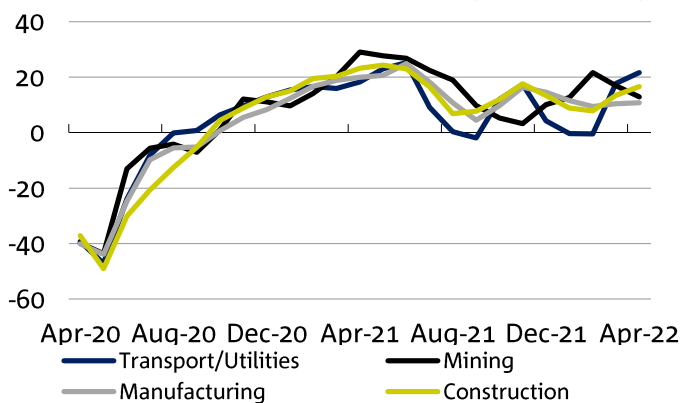
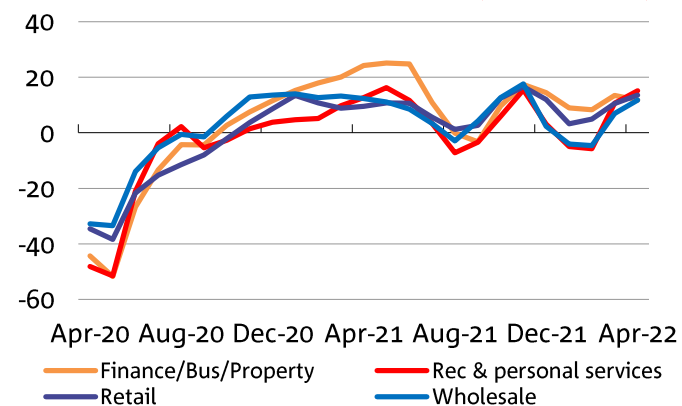


CHART 28: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 29: EMPLOYMENT

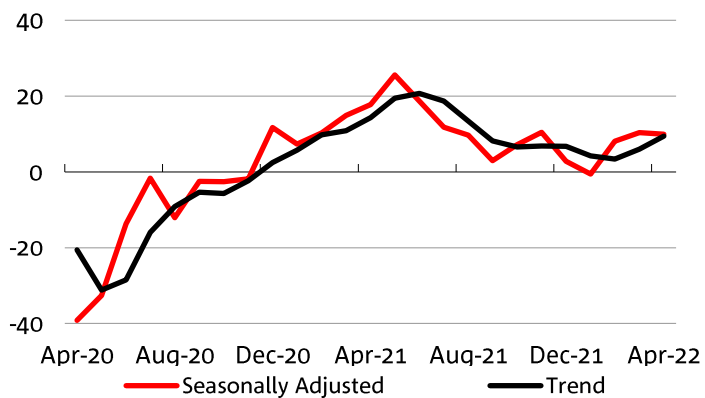


CHART 30: EMPLOYMENT (NAB VS ABS)

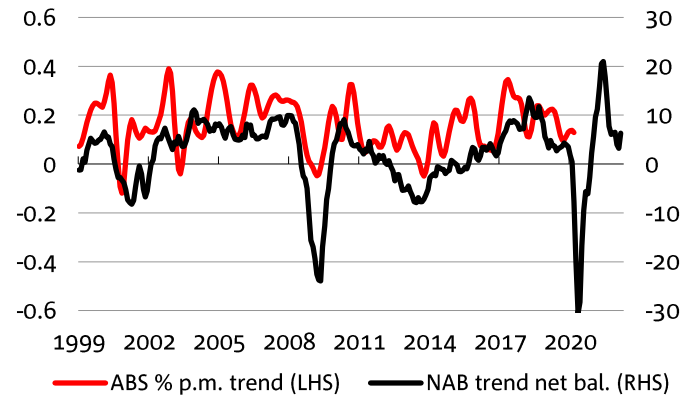


CHART 31: EMPLOYMENT BY INDUSTRY

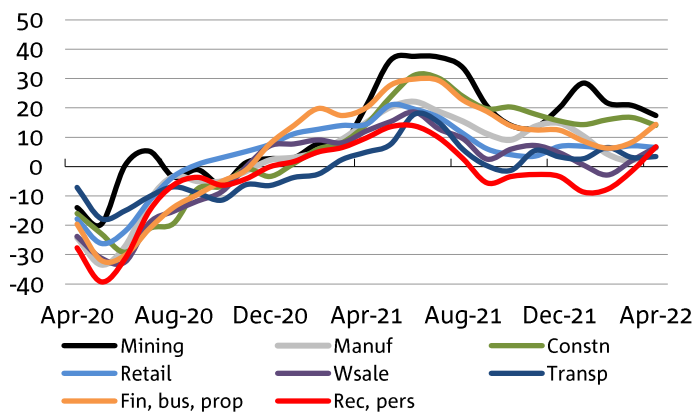


CHART 32: LABOUR COSTS GROWTH

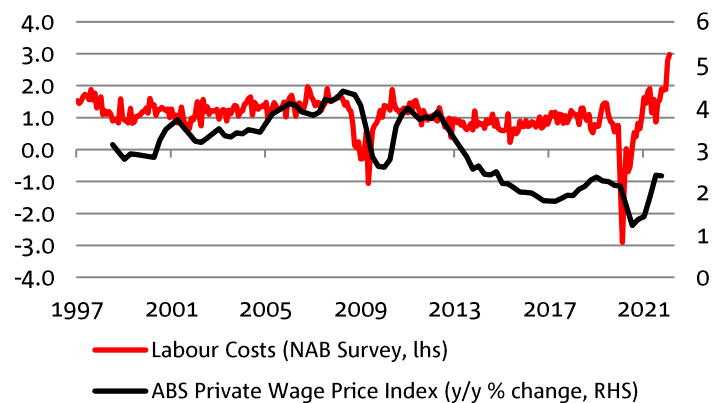


CHART 33: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

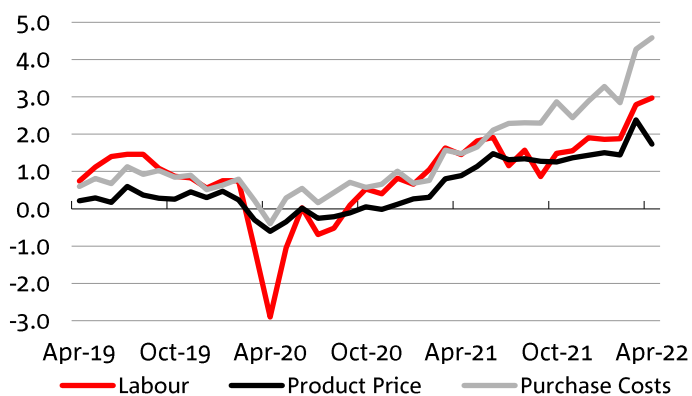
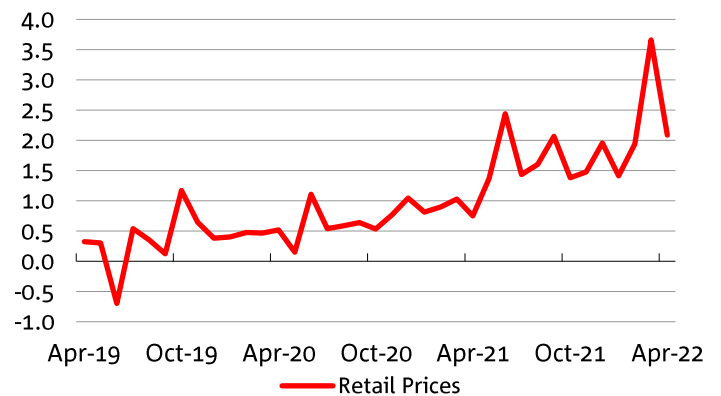


CHART 34: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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)