

EMBARGOED UNTIL: 11:30AM AEST, 13 SEPTEMBER 2022

NAB MONTHLY BUSINESS SURVEY AUGUST 2022

NO SIGNS OF SLOWDOWN YET AS STRONG CONDITIONS ROLL ON

NAB Australian Economics



Key messages: August saw the strength in the survey over recent months roll on, with business confidence and conditions both edging higher. Confidence reached +10 index points, continuing to rebound from the June low. Business conditions rose to +20 index points with trading conditions lifting, while employment and profitability are still strong. Conditions remain strong across the states and in most industries, although the construction sector saw both conditions and confidence fall. Low profitability remains a challenge in the construction sector and the brief rally in the July survey now looks like an outlier. Reinforcing the strong overall conditions, capacity utilisation remained at a very high level at 86.3%, and the near-term outlook is also positive with forward orders rising. Measures of cost growth eased slightly in the month after reaching record rates over recent surveys but remain very high by historical standards. Labour costs grew 3.5% in quarterly terms while purchase costs grew 4.4%. With demand strong, firms continue to pass costs through to consumers with overall product prices growing 2.4% and retail prices growing at an unchanged 3.3%. Recreation & personal services price growth was also unchanged at 2%. Overall, the survey showed no signs that the strong conditions of recent months – including the strength seen in official consumption and retail sales data – had begun to moderate yet.

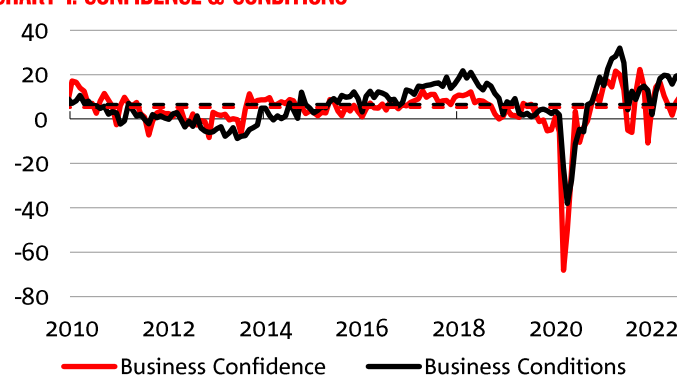
HIGHLIGHTS

- **How confident are businesses?** Business confidence rose 3pts (unrounded) to +10 index points.
- **How did business conditions fare?** Conditions rose 1pt to +20 index points, remaining well above the long-run average.
- **What components contributed to the result?** Trading conditions rose 4pts to +30 index points, while profitability eased 1pt (unrounded) to +16 index points and employment eased 2pts to also sit at +16 index points.
- **Which industries are driving conditions?** Conditions eased 8pts in construction, reversing the rally seen in July, and also eased in recreation & personal, finance, business & property, and mining – but all from high levels. All other industries saw conditions steady or rising, with the largest increases in retail (up 12pts), wholesale (up 9pts) and manufacturing (up 7pts). In trend terms, all industries were well into positive territory, with construction remaining weakest at +8 index points.
- **Which industries are most confident?** The construction sector saw a large fall in confidence (down 12pts) reversing a strong July number. Confidence was largely steady or improving in other sectors. In trend terms, transport and recreation & personal were both at a strong level at +11 index points while others were softer.
- **Where are we seeing the best conditions by state?** Conditions fell in SA (down 12pts) and Qld (down 7ps) but were steady or improving elsewhere and in trend terms are at strong levels across the board.
- **What is confidence like across the states?** Confidence rose 12pts in NSW but fell elsewhere – most notably down 12pts in Tas and 6pts in Vic. In trend terms, confidence is strongest in NSW and Vic at +8 index points and remains negative in Tas (-6 index points) and SA (-4 index points).
- **Are leading indicators suggesting improvement?** Capacity utilisation eased from the record level posted in July but remained very high at 86.3%. Forward orders strengthened, up 2pts to +13 index points, and capex rose 6pts to +15 index points.
- **What does the survey suggest about inflation?** Cost growth indicators eased from the records set in July but remained elevated. In quarterly terms, purchase costs grew 4.4% in July, and labour costs grew 3.5%. Price measures were little changed in the month, with overall product price growth of 2.4% and retail price growth of 3.3% in quarterly terms.

TABLE 1: KEY STATISTICS

	Jun-22	Jul-22	Aug-22
Net balance			
Business confidence	2	8	10
Business conditions	16	19	20
Trading	21	26	30
Profitability	14	18	16
Employment	12	18	16
Forward orders	12	11	13
Stocks	9	10	18
Exports	2	1	1
% change at quarterly rate			
Labour costs	3.1	4.5	3.5
Purchase costs	4.7	5.3	4.4
Final products prices	2.1	2.6	2.4
Retail prices	2.8	3.3	3.3
Per cent			
Capacity utilisation rate	84.9	86.7	86.3

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 22 to 30 August 2022, covering over 500 firms across the non-farm business sector.

Next release date: 11 October 2022.

Contacts: Brody Viney – Senior Economist, Gareth Spence – Senior Economist, Alan Oster – Chief Economist

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

CONSUMER DEMAND REMAINS HIGH DESPITE PRESSURES

- With inflation running at more than 6% and interest rates rising rapidly over recent months, household budgets are under increasing pressure. So far, however, there is little evidence that these pressures are impacting consumer spending behaviour, which has remained strong over recent months.
- The strength in consumption was evident in the recent National Accounts data, which saw total household consumption increase 2.2% in Q2. Monthly data provided by the ABS's retail trade release also showed a 1.3% increase in nominal retail spending in July.
- The more-timely NAB Monthly Business Survey shows little sign of slowing in early-to-mid Q3, with both personal & rec and retail sector conditions remaining strong.
- In the retail sector, trend business conditions edged higher, from +26.0 index points in July to +26.6 index points in August (Chart 2). While there are some conceptual differences, this index has broadly tracked the growth of ABS retail turnover (excluding hospitality), suggesting sales may rise again when ABS data for August is released.
- The other major consumer-facing sector in the NAB survey is personal & recreation services, which includes industries such as accommodation, food and hospitality services, and travel. For these industries, conditions softened slightly in August but remained very strong at +23.5 index points (down from +23.9 index points) (Chart 3).
- Historically, this index has tracked ABS measures of hospitality sector turnover less well, but through the pandemic the two have moved closely together, suggesting another strong result to come.
- In terms of the outlook, trend confidence has fallen in retail but this is largely the result of a very low June survey reading (Chart 4). Confidence has also eased in personal & rec but remains positive (Chart 5).
- Importantly, the strength in conditions in these industries is allowing businesses to continue to pass through higher costs to consumers, with price growth in both industries remaining high in August (Chart 6). This suggests ongoing strength in inflation at least through Q3.

CHART 5: NAB PERSONAL & REC CONFIDENCE AND CONDITIONS

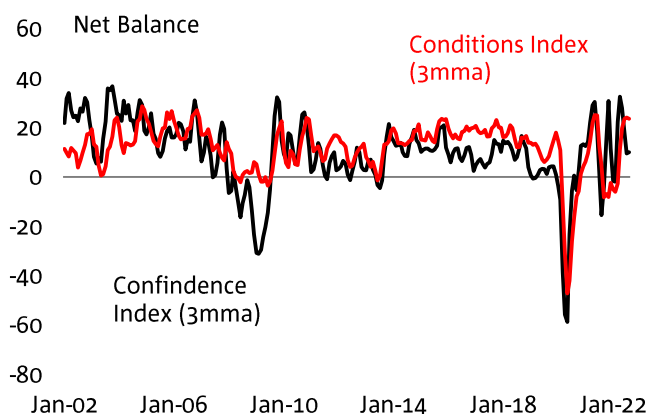


CHART 2: ABS RETAIL (EX HOSPITALITY) VS NAB RETAIL

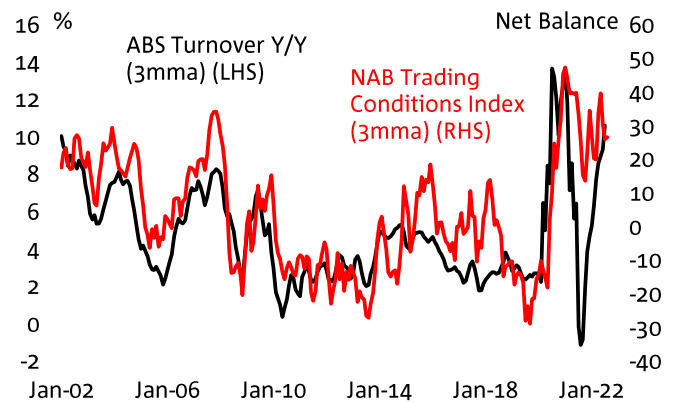


CHART 3: ABS HOSPITALITY VS NAB REC & PERSONAL

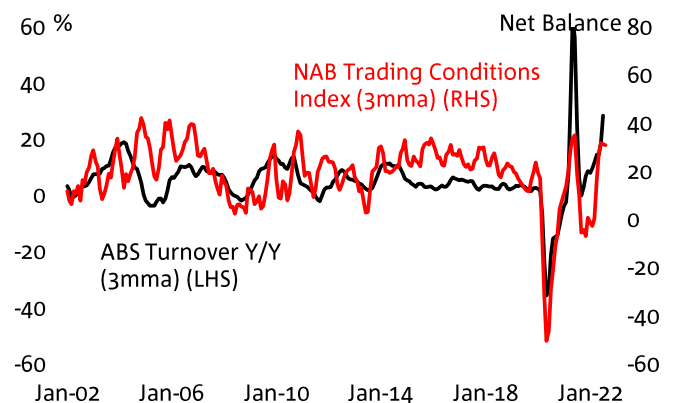


CHART 4: NAB RETAIL CONFIDENCE AND CONDITIONS

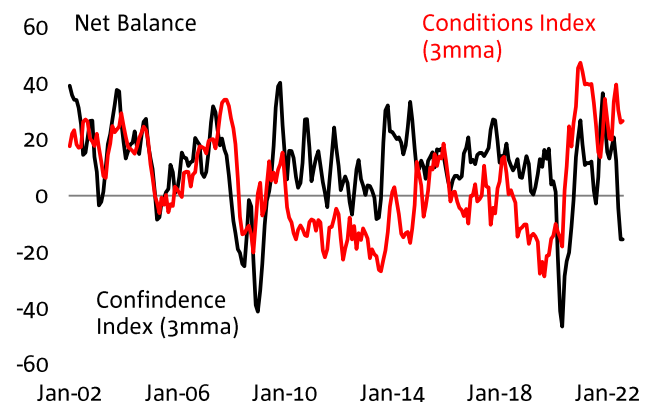
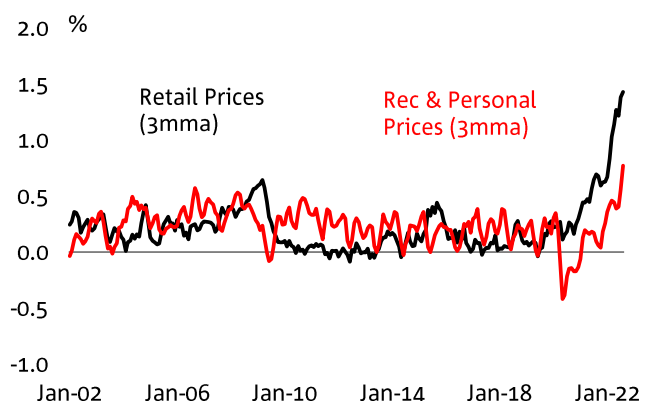


CHART 6: PRICE GROWTH (QUARTERLY EQUIVALENT)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 7: BUSINESS CONFIDENCE (NET BALANCE)

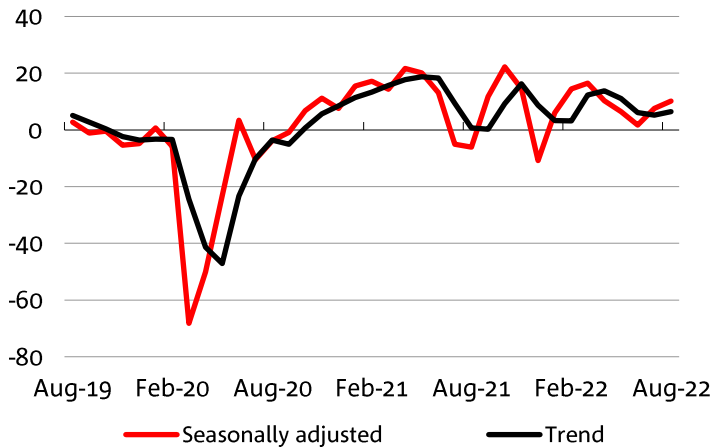


CHART 8: BUSINESS CONDITIONS (NET BALANCE)

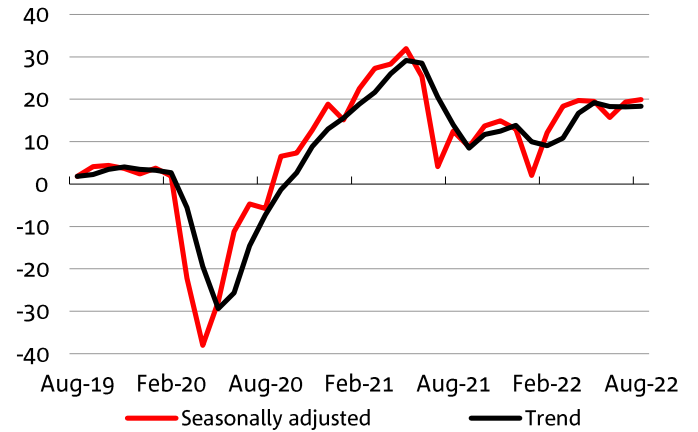


CHART 9: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

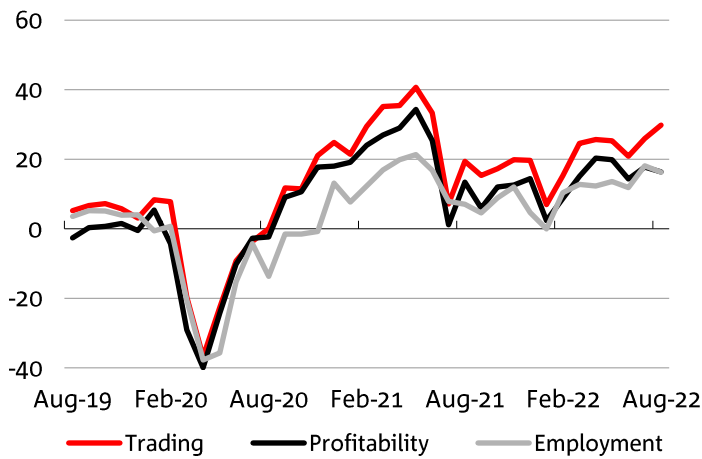


CHART 10: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

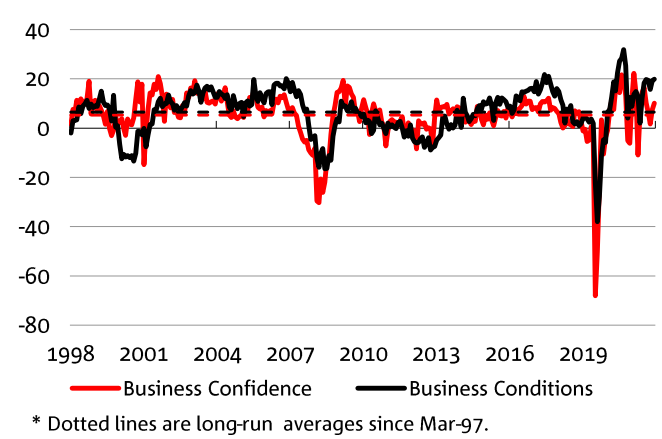


CHART 11: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

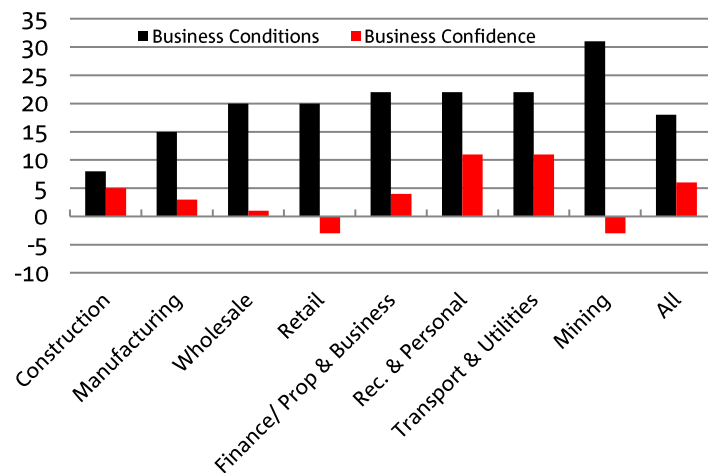
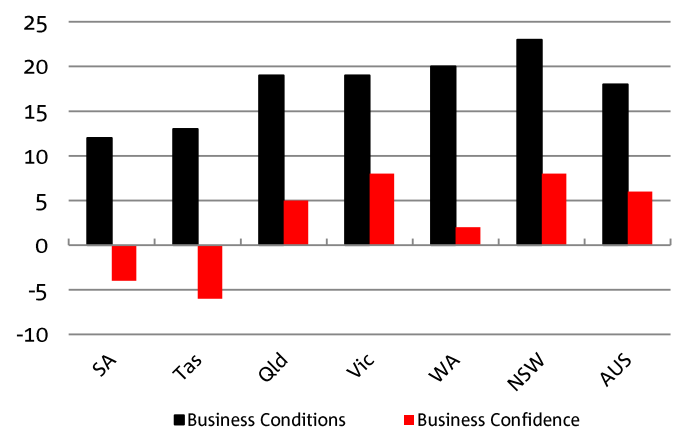


CHART 12: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 13: FORWARD ORDERS (NET BALANCE)

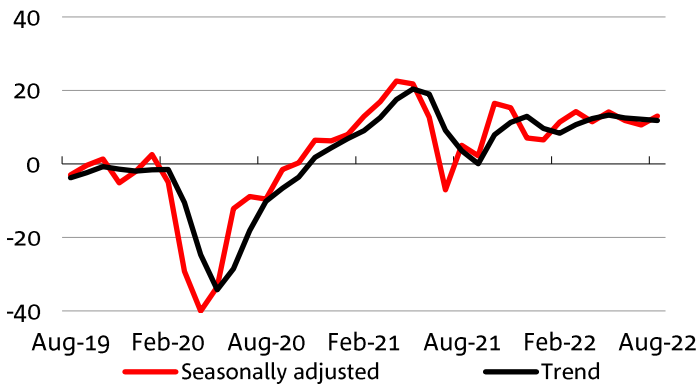


CHART 14: CAPITAL EXPENDITURE (NET BALANCE)

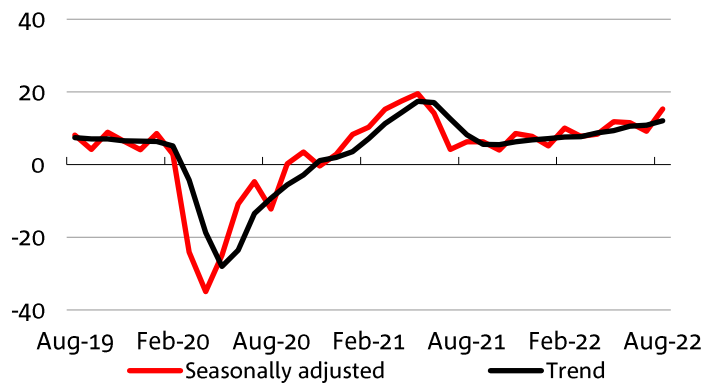


CHART 15: CAPACITY UTILISATION AND UNEMPLOYMENT

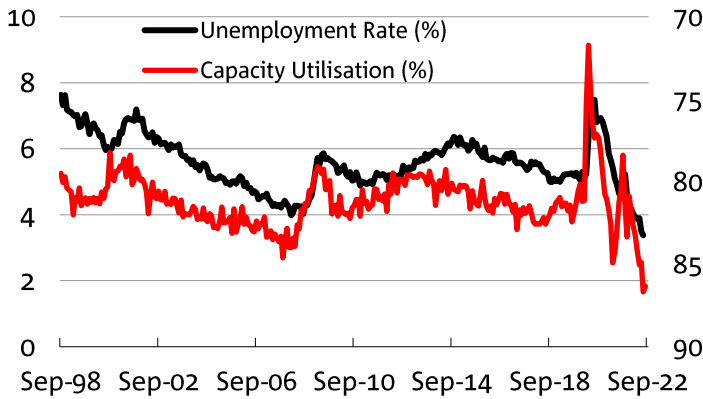


CHART 16: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

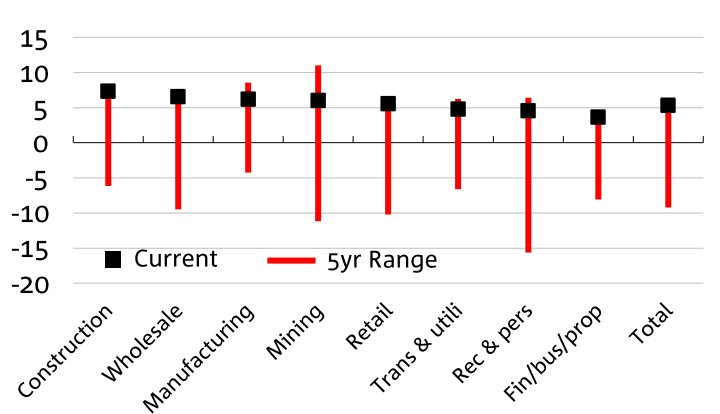


CHART 17: STOCKS (NET BALANCE)

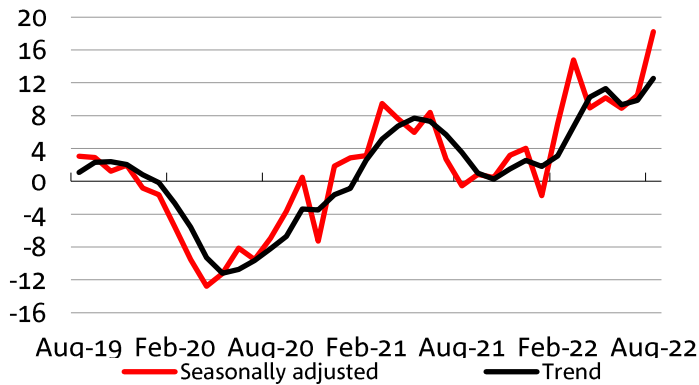


CHART 18: CASH FLOW (NET BALANCE)

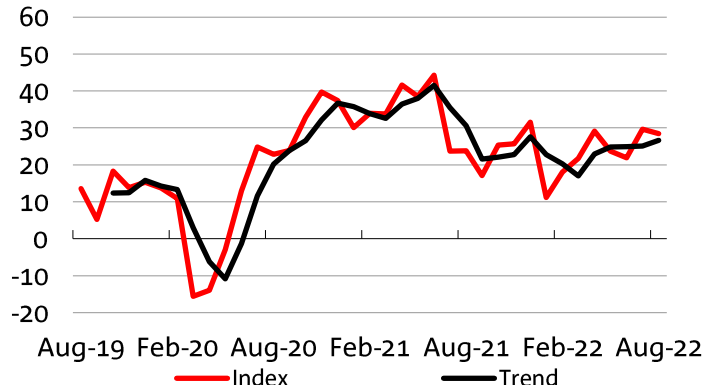


CHART 19: EXPORTS (NET BALANCE)

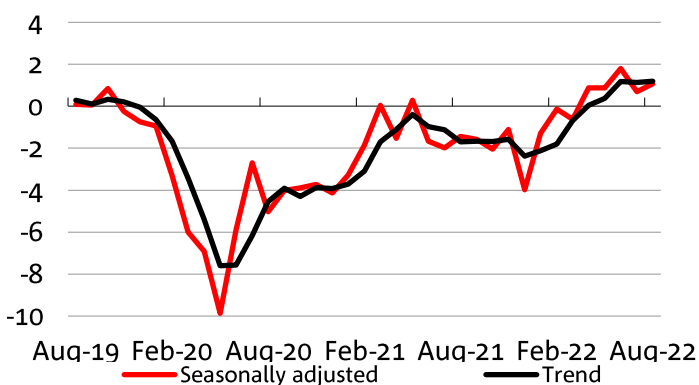
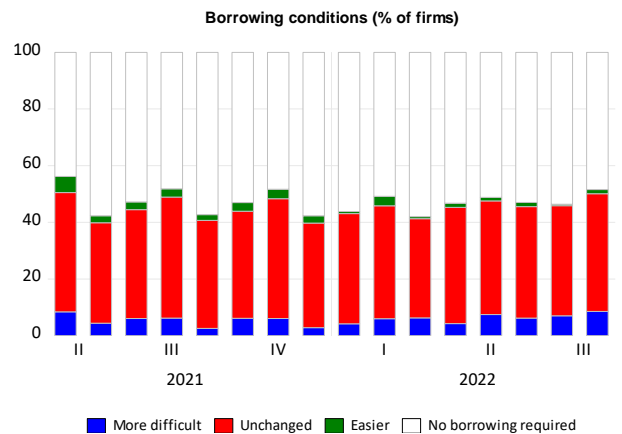


CHART 20: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

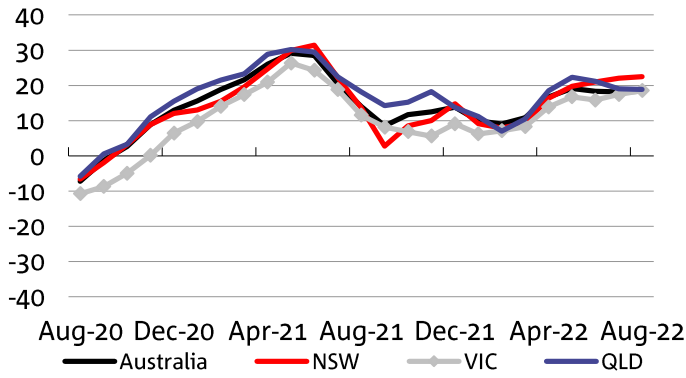


CHART 22: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

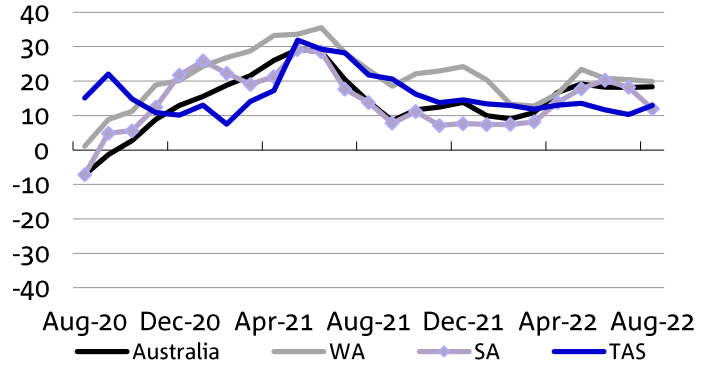


CHART 23: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

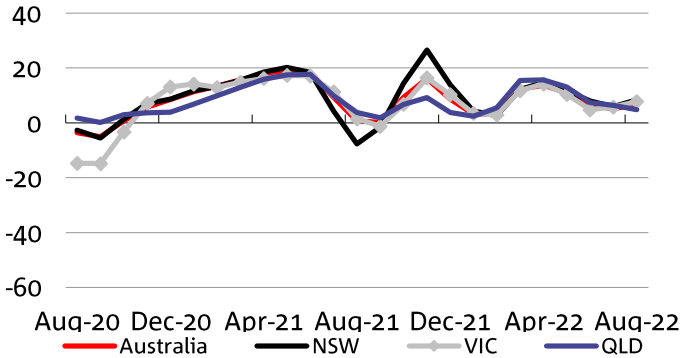


CHART 24: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

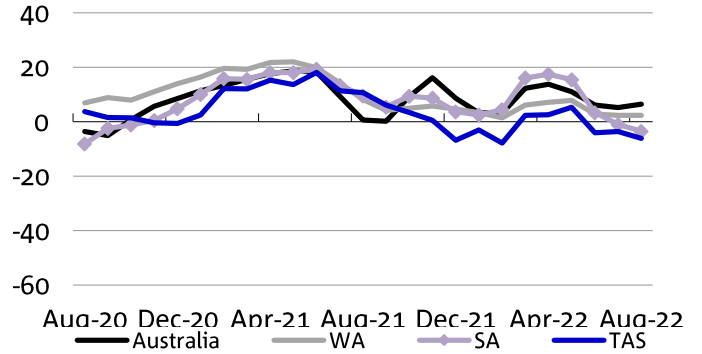


CHART 25: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

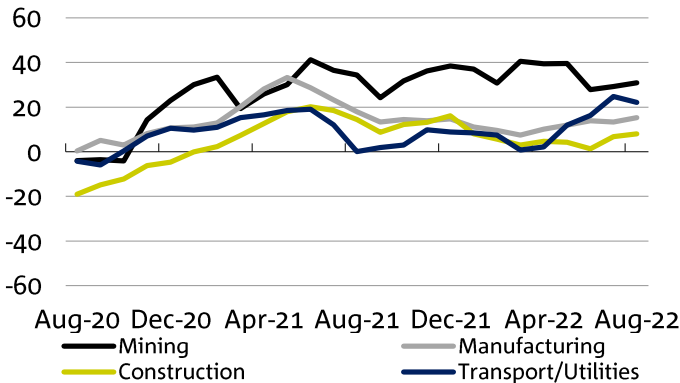


CHART 26: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

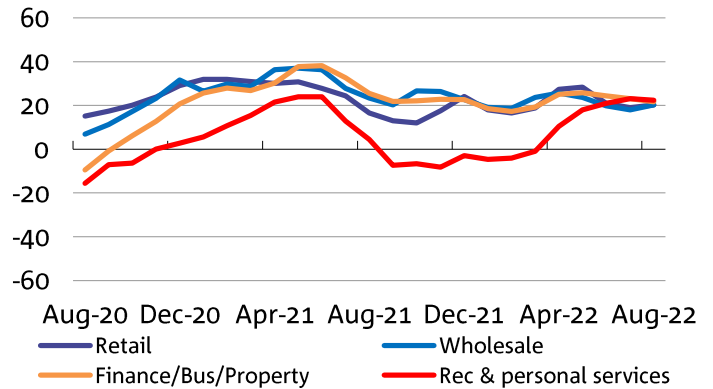


CHART 27: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

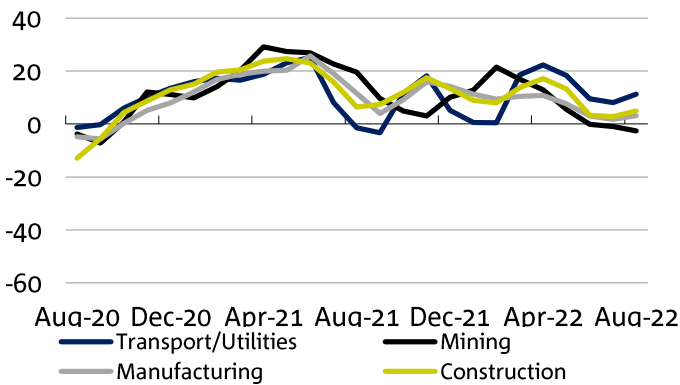
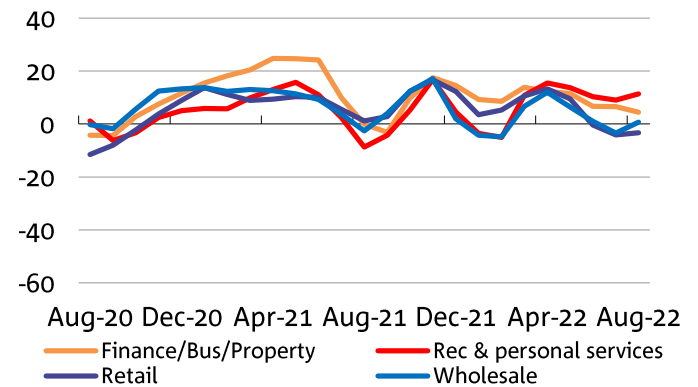


CHART 28: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 29: EMPLOYMENT

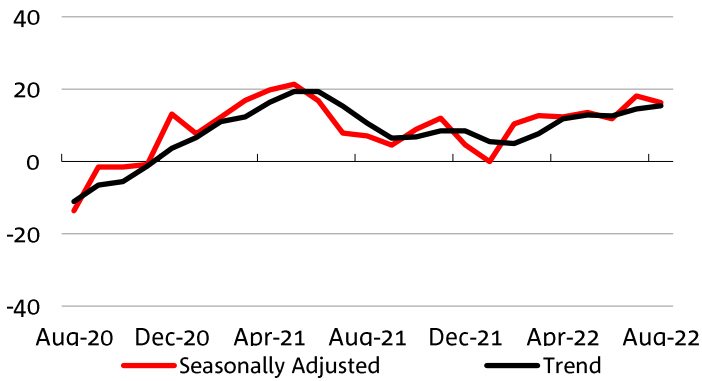


CHART 30: EMPLOYMENT (NAB VS ABS)

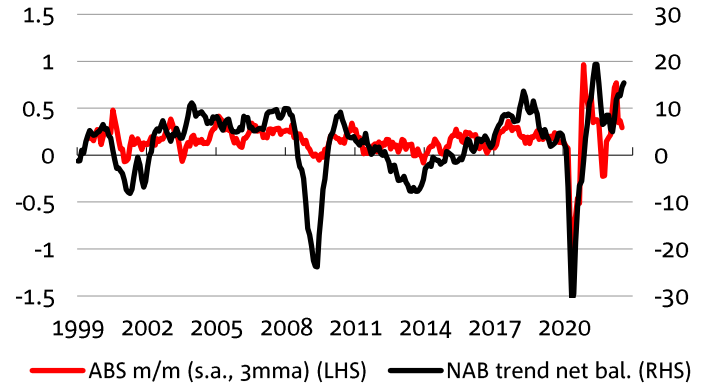


CHART 31: EMPLOYMENT BY INDUSTRY

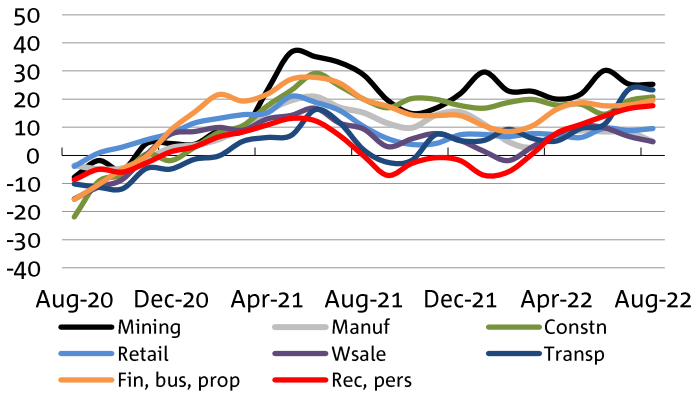


CHART 32: LABOUR COSTS GROWTH

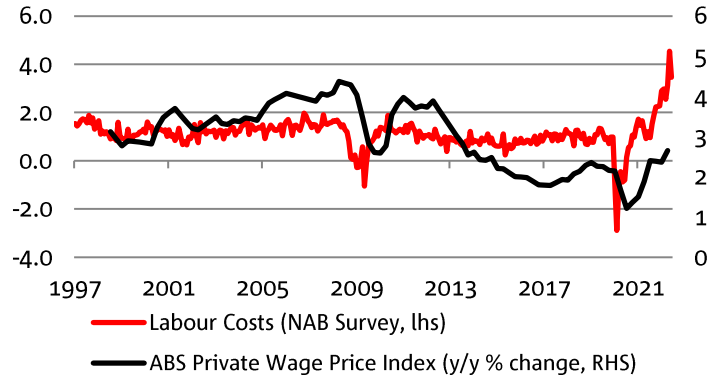


CHART 33: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

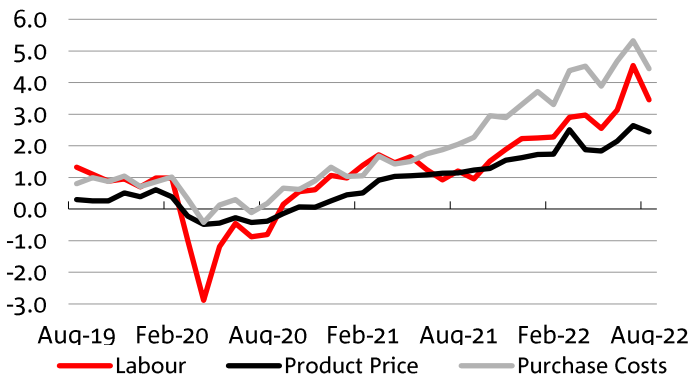
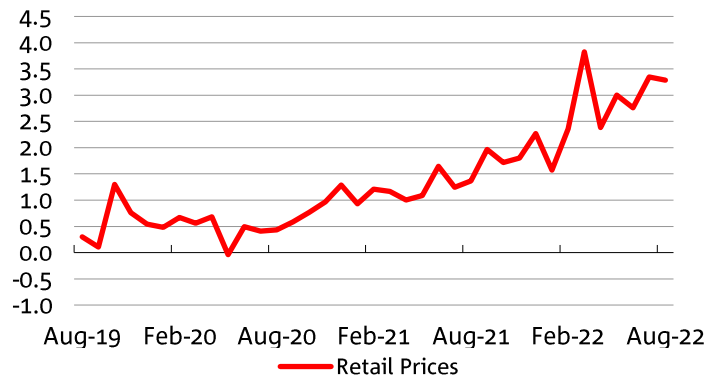


CHART 34: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



CONTACTS

Brody Viney, Senior Economist

brody.viney@nab.com.au

+61 0 452 673 400

Gareth Spence, Senior Economist

gareth.spence@nab.com.au

+61 0 436 606 175

Alan Oster, Group Chief Economist

Alan.Oster@nab.com.au

+61 0 414 444 652

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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)