



# NAB Quarterly Business Survey 2022 Q3

## Conditions holding up as constraints tighten

### NAB Group Economics

#### Summary

Consistent with recent monthly survey outcomes, business conditions remained strong across states and industries in Q3. Business confidence also strengthened to be back above average. Capacity utilisation reached a record of 86.3% and more than 90% of firms reported availability of labour as a constraint on output, reflecting the tightness of the labour market. Around half of firms continue to also report availability of materials as a constraint. These supply-side constraints continue to be reflected in labour and purchase costs growth, which were both running at 2.1% in the quarter. Underlying wage indicators also edged higher with the forward-looking measure of expected annual wage growth per employee up to 2.1% in Q3 (from 2.0% in Q2). Wage costs remain the top issue affecting business confidence. Firms also continue to pass on these cost increases, with overall product prices growing 1.4% and retail prices growing 1.5% in the quarter.

#### Survey Details

- **Business conditions** were steady in Q3, at a strong +22 index points. Trading conditions and employment edged higher while profitability edged lower - all at high levels. By industry, conditions eased in manufacturing and retail but edged higher elsewhere, with conditions at fairly high levels across all industries and states.
- **Business confidence** strengthened, up 4pts to +9 index points. Confidence was higher across all industries except finance, business & property (down 5pts). Confidence is in positive territory across all industries and all states except Tasmania (though confidence improved there by a large 14pts).
- **Leading indicators** remain very strong. Expected business conditions in 3 months sit at +29 index points and 12-month expectations at +27 index points. Forward orders softened but remain robust at +14 index points, while capacity utilisation reached a survey-record 86.3%. Capex intentions also remain very strong.
- **Labour indicators** also remain elevated. Expected employment in 3 months sits at +27 index points and 12-month expectations at a very strong +38 index points. The tightness in the labour market also continued, with over 90% of firms reporting that availability of labour is a constraint on output.
- **Price measures** suggest inflation pressure remains. Purchase cost growth edged higher, to 2.1%, and the share of firms reporting materials availability as a constraint remains around 50%. Labour cost growth also accelerated to 2.1%, likely reflecting minimum wage impacts as well as broader wage growth and new hiring. Final product price growth rose to 1.4%, although retail price growth edged down to 1.5% for the quarter.
- **Wage costs and availability of labour** continue to be the top issues affecting business confidence, reflecting the very tight labour market environment that businesses are facing. Expected annual wage growth per employee continues to rise, from 2.0% in Q2 to 2.1% in Q3, suggesting wage growth is likely to strengthen over the coming year. Pressure on margins also remains a top concern, albeit the profitability index remains elevated.

Table 1: Key Quarterly Business Survey Statistics

	2022q1	2022q2	2022q3		2022q1	2022q2	2022q3
		<i>Net balance</i>				<i>Net balance</i>	
Business confidence	15	5	9	Trading	17	28	32
Business conditions				Profitability	11	21	19
Current	13	23	22	Employment	12	18	19
Next 3 months	27	34	29	Forward orders	14	20	14
Next 12 months	34	29	27	Stocks	8	13	18
Capex plans (next 12)	33	31	32	Exports	-1	1	0
		<i>% change</i>					
Labour costs	1.3	1.5	2.1	Retail prices (% change)	1.4	1.7	1.5
Purchase costs	1.7	2.0	2.1	Capacity utilisation rate (%)	83.5	85.1	86.3
Final products prices	0.9	1.1	1.4				

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 22 August to 8 Sept 2022, covering over 900 firms across the non-farm business sector.  
**Next release date: 9 February 2023 (estimated).**

## Quarterly Focus: Expectations for Wage Growth

With unemployment at around 3.5% for several months and inflation expected to peak above 7%, attention is focused on how quickly wages respond. The NAB Quarterly Business Survey contains a number of special questions that look at wage pressures in the business sector. These measures generally show an increase in wage growth.

Official measures of wage growth continued to pick up in Q2, with the wage price index (WPI) increasing 2.6% y/y (up from 2.4% in Q1). Broader measures of wage growth in the National Accounts also showed a pickup, with total compensation of employees (COE) up 7% and average COE per employee up 3.4% in Q2.

While the NAB survey does not directly measure wage growth in the same manner as the ABS, the labour costs growth measure in the survey is conceptually similar to COE (albeit at a business level rather than economy wide). The survey shows that quarterly labour costs growth accelerated to 2.1% in Q3, from 1.5% in Q2. That leaves labour costs 5.9% higher y/y (up from 4.5% in Q2) (Chart 1). This suggests COE growth may also edge higher when the Q3 National Accounts are released later in the year.

The share of firms reporting they have experienced moderate or substantial increases in wage pressures in the past six months also jumped higher in Q3, from 34% to 50% (Chart 2). This period included most the impact of the recent minimum wage and award wage increases for many industries. In total, almost 90% of firms experienced an increase in wage pressures over the past six months (up from around 70% in Q2 and less than 50% when this question was asked in 2018).

Looking ahead, 35% of firms expect to experience moderate or substantial increases in wage pressures in the next six months – down slightly from 47% in Q2 but still well above the pre-pandemic norm (generally less than 20%) (Chart 3). In total, around 70% expect to experience increased wage pressures in the next six months, also slightly down from Q2.

The survey also asks firms about their expectations for wage growth *per employee* for the financial year, responses to which have closely tracked the ABS’s WPI measure (Chart 4). This measure has continued to strengthen over recent surveys, reaching 2.1% in Q3 (up from 2.0% in Q2 and 1.7% in Q1). The distribution of responses was similar to Q2, with around 40% of firms expecting wage growth of 3% or more over the coming year, while around 25% expected wage growth of 1-3%.

These data provide further evidence that the strength of the labour market is gradually flowing through to wages, with the impact likely to become more evident in official data for Q3 and Q4 once available.

Chart 1: Labour Costs and COE Growth (Percent, SA)

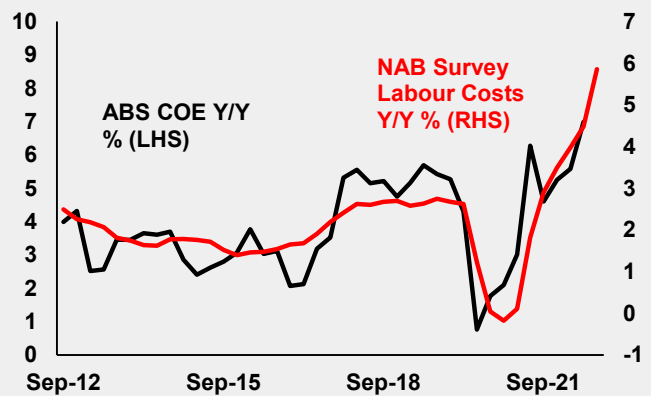


Chart 2: Wage Pressures in Past 6 Months (% of Firms)

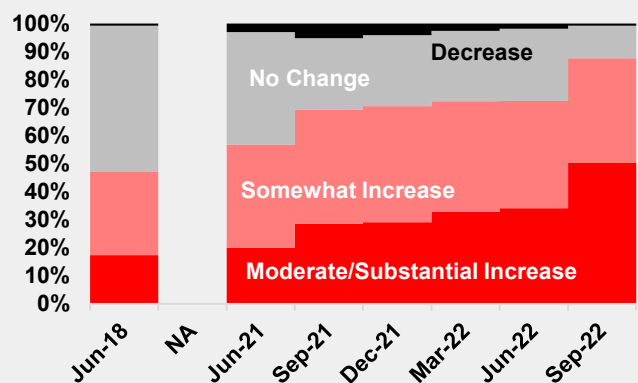


Chart 3: Wage Pressures in Next 6 Months (% of Firms)

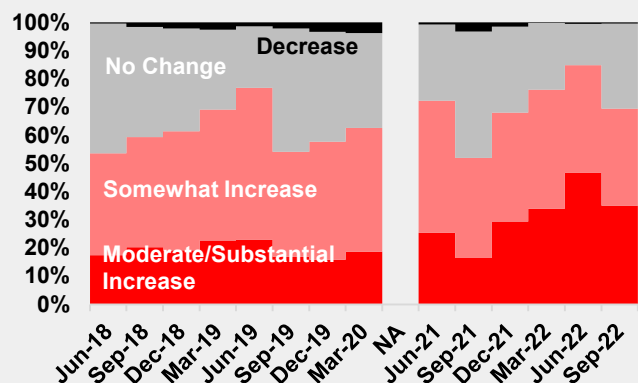
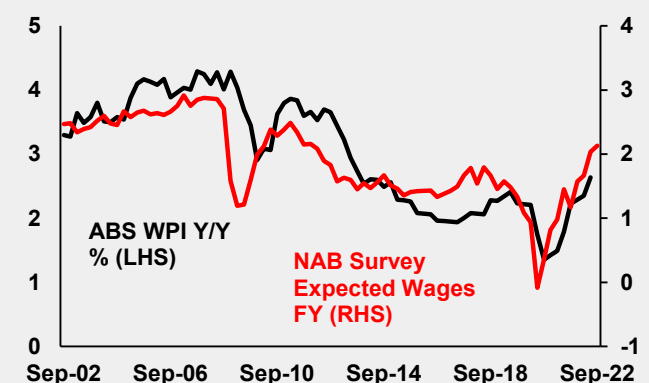


Chart 4: Expected wages vs ABS Wage Growth (%)



## Business Conditions and Confidence

Chart 5: Conditions & Confidence (Net Balance, SA)

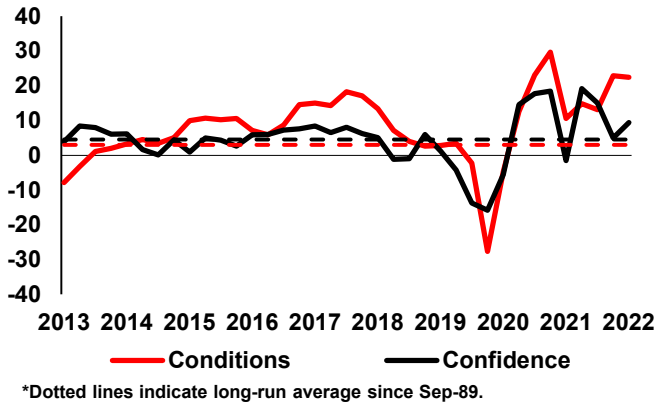
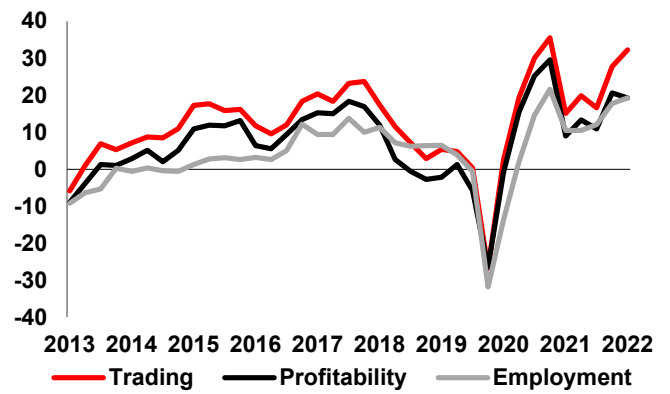


Chart 6: Conditions Components (Net Balance, SA)



## Drivers of Business Confidence

Chart 7: Issues Affecting Confidence (Share of Firms)

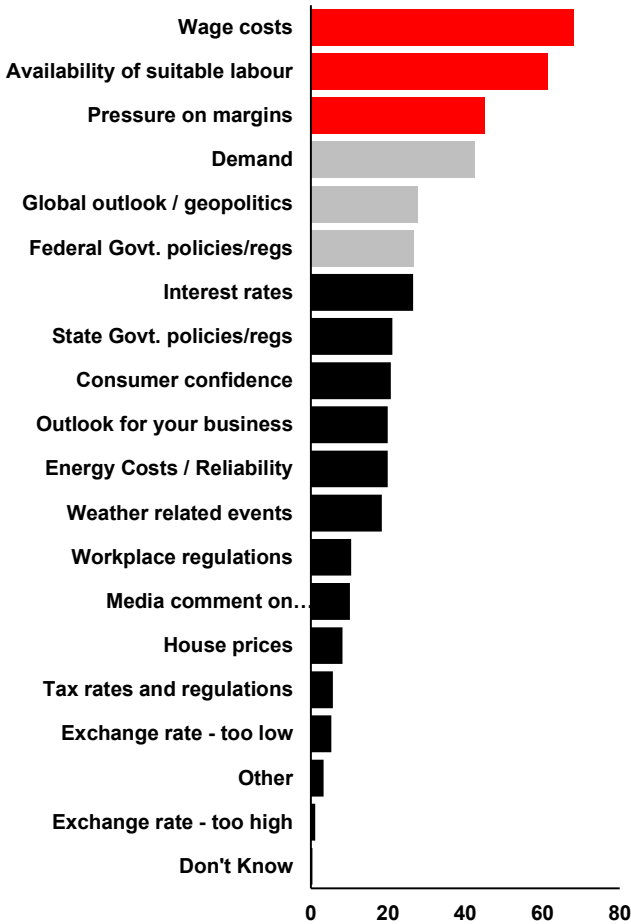


Chart 8: Issues Affecting Confidence (Share of Firms): Deteriorating Confidence

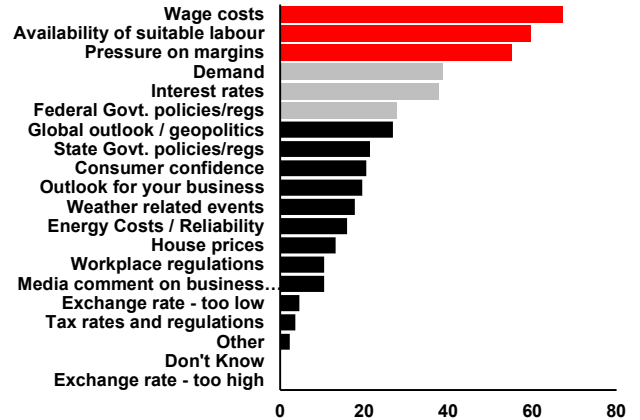
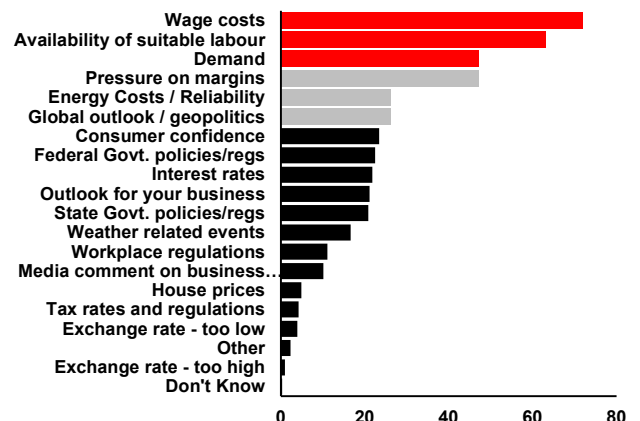


Chart 9: Issues Affecting Confidence (Share of Firms): Improving Confidence



## Leading Indicators and Business Investment

Chart 10: Expected Conditions (Net Balance, SA)

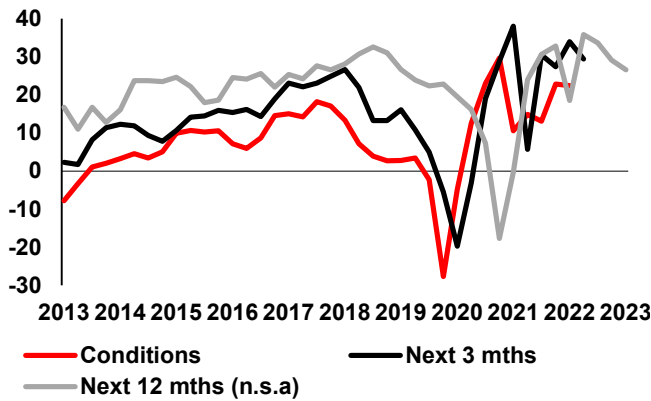


Chart 11: Expected Forward Orders (Net Balance, SA)

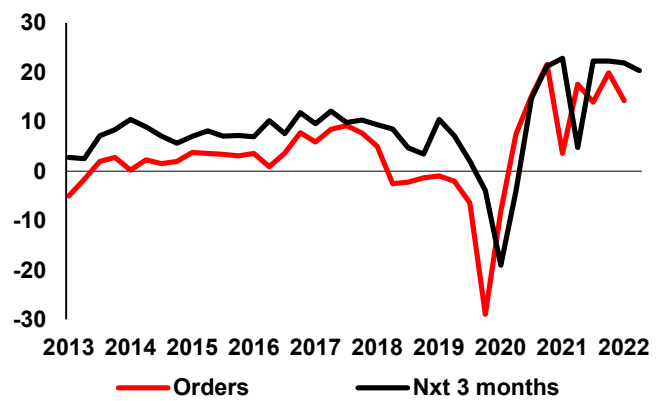


Chart 12: Capacity Utilisation (Percent, SA)

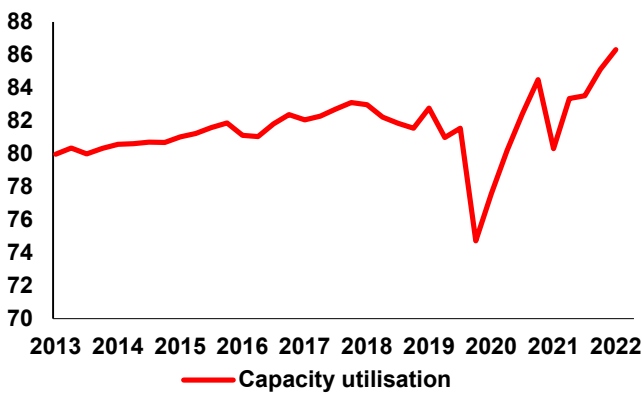


Chart 13: Capacity Utilisation (3Qtr Moving Average)

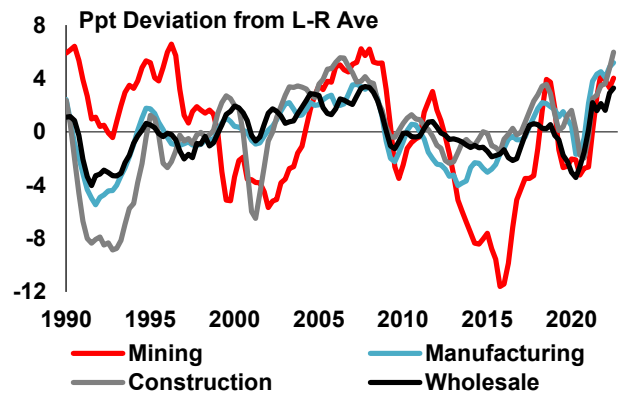


Chart 14: Stocks (Net Balance, SA)

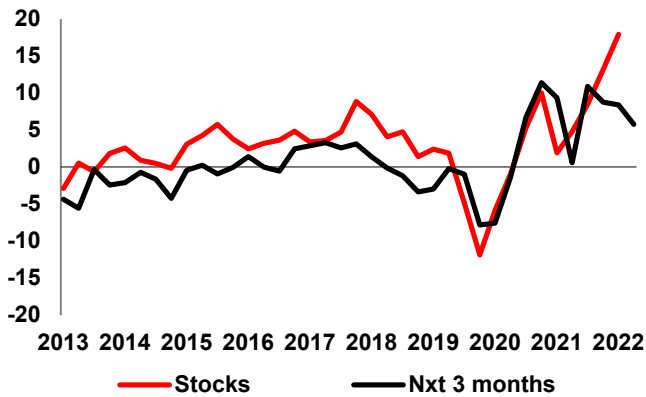
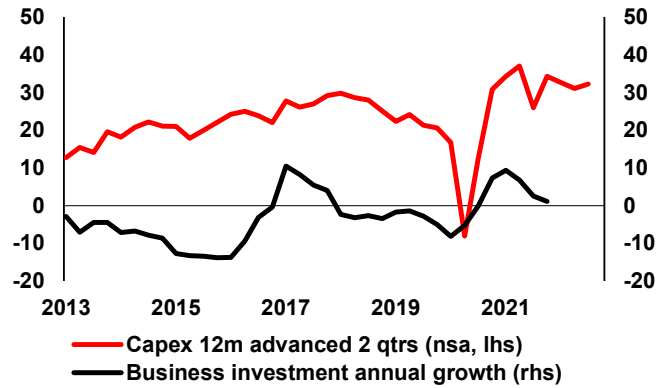


Chart 15: Expected Capex (Net Balance, SA)



## Labour Market Indicators

Chart 16: Employment Expectations (Net Balance, SA)

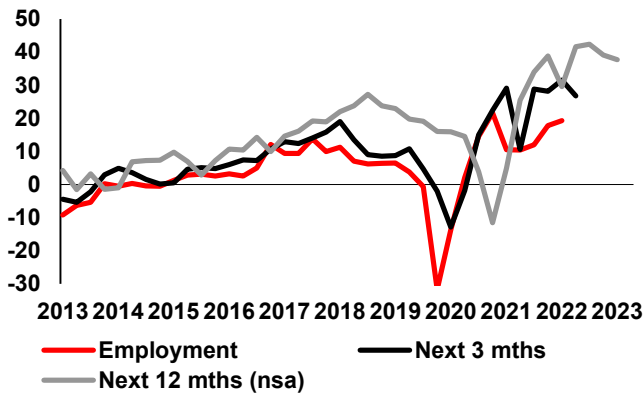


Chart 17: Labour Constraints & Unemployment Rate

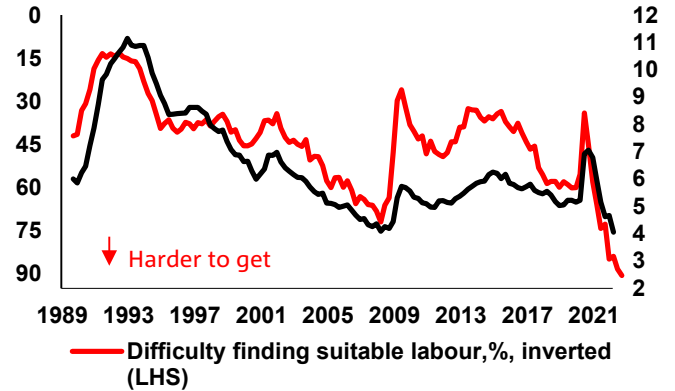


Chart 18: Change in Average Hours Worked (NSA)

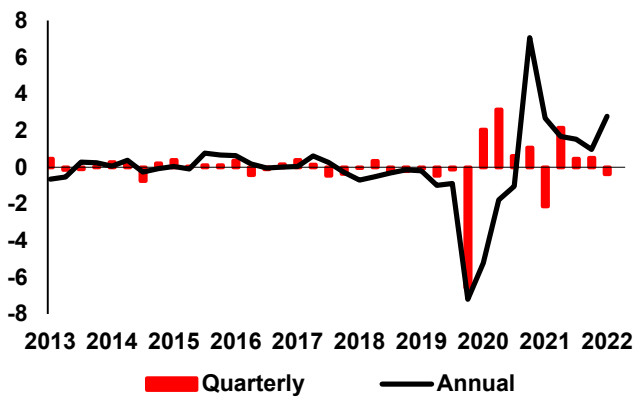


Chart 19: Labour Constraints & Underutilisation

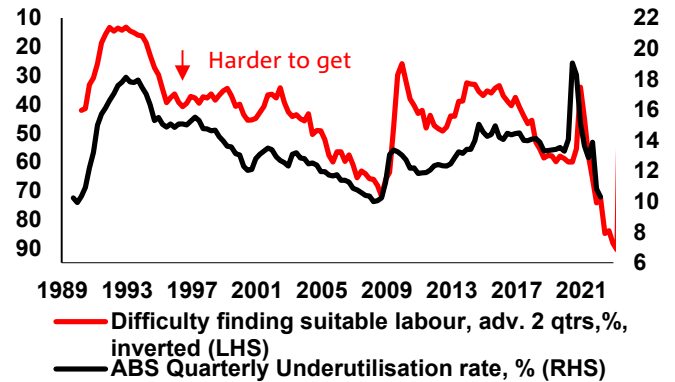


Chart 20: Average Hours Worked by Industry (NSA)

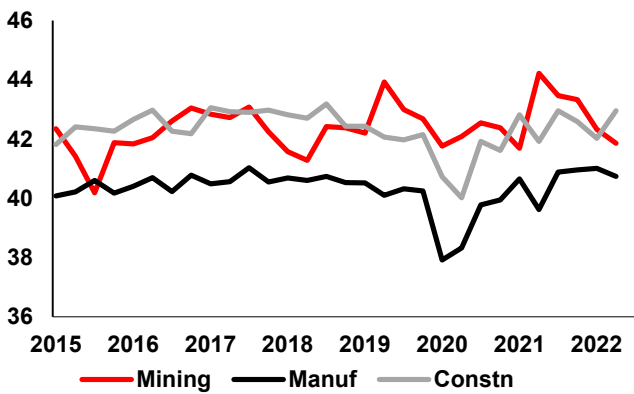


Chart 21: Average Hours Worked by Industry (NSA)

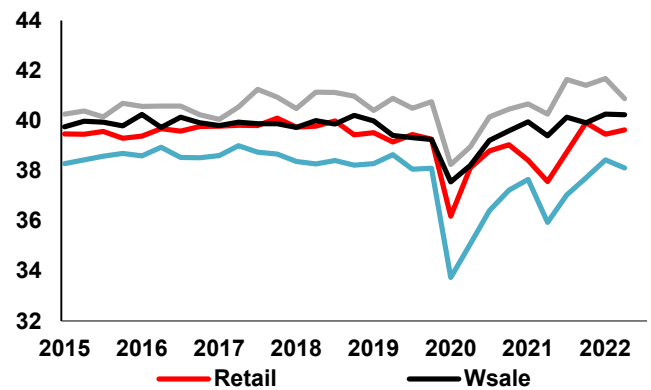
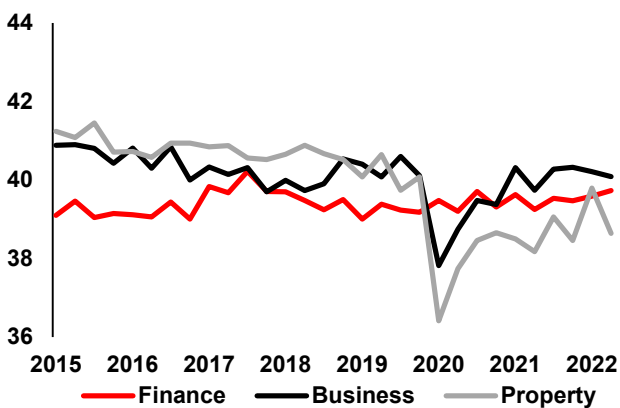


Chart 22: Average Hours Worked by Industry (NSA)



## Major Constraints on Firm Output

Chart 23: Main Constraints on Firm Output (% of Firms)

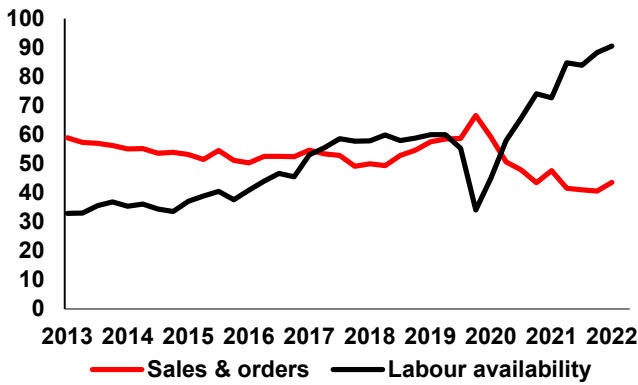
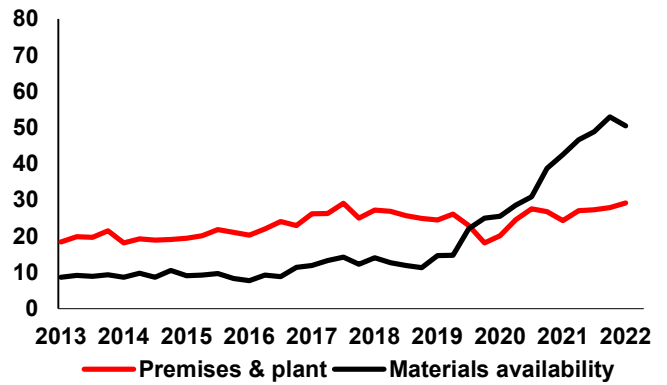


Chart 24: Main Constraints on Firm Output (% of Firms)



## Inflation Pressures

Chart 25: Annualised Price Growth (Percent, SA)

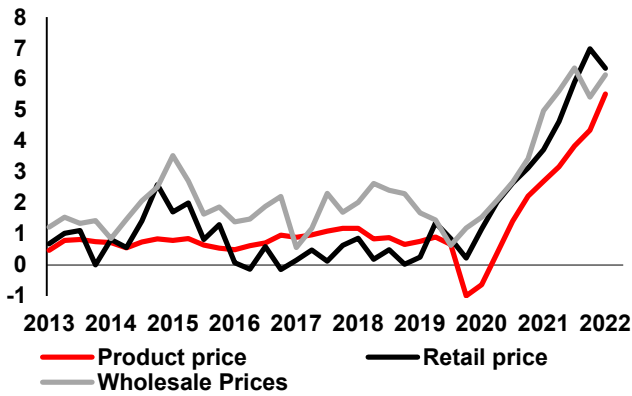
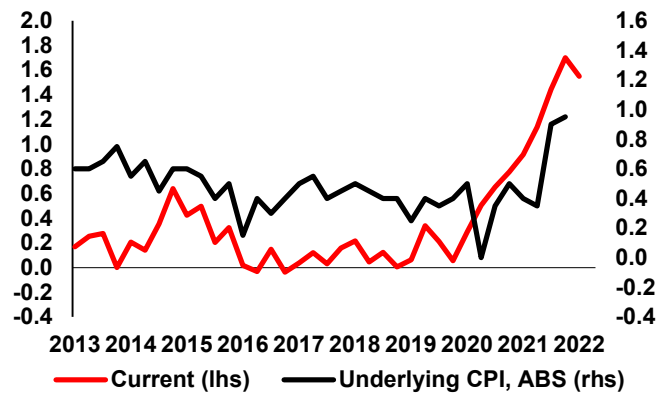


Chart 26: Retail Price Growth (Percent, SA)



## Labour Costs

Chart 27: Labour Costs & Compensation of Employees Growth (Percent, SA)

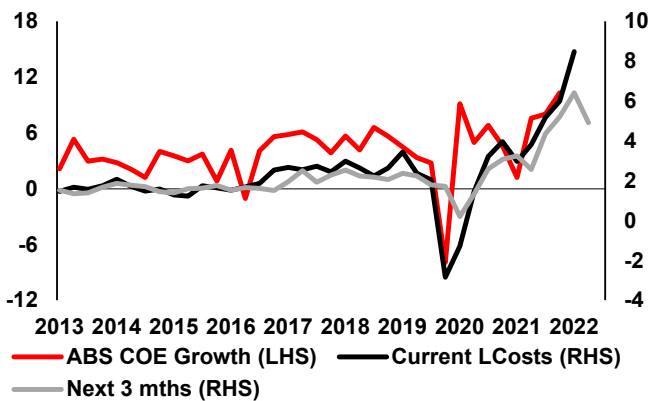
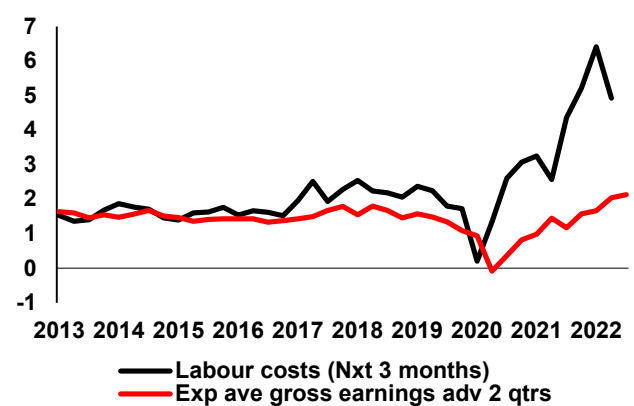


Chart 28: Expected Labour Costs & Average Earnings Growth (Percent, SA)



## Details by Industry

Chart 29: Conditions by Industry (Net Balance, SA)

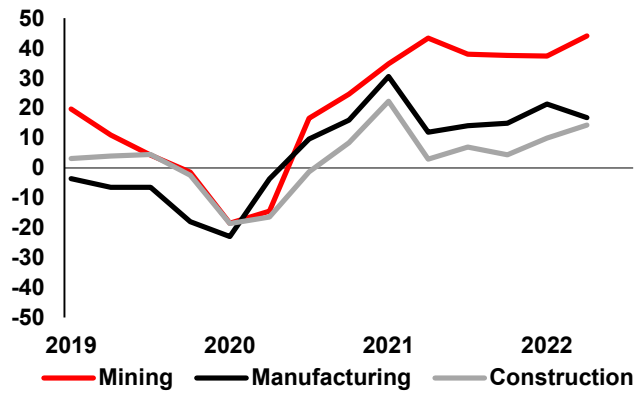


Chart 30: Confidence by Industry (Net Balance, SA)

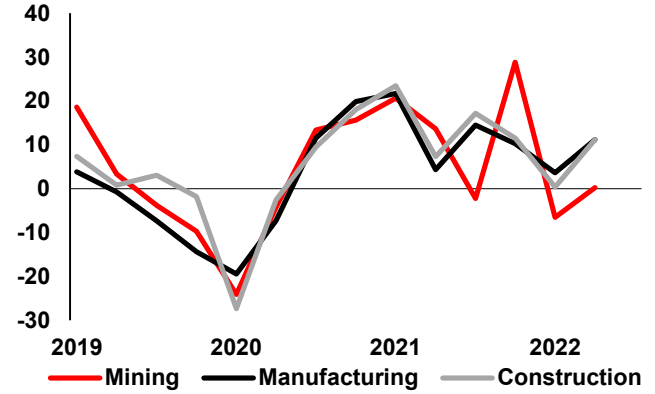


Chart 31: Conditions by Industry (Net Balance, SA)

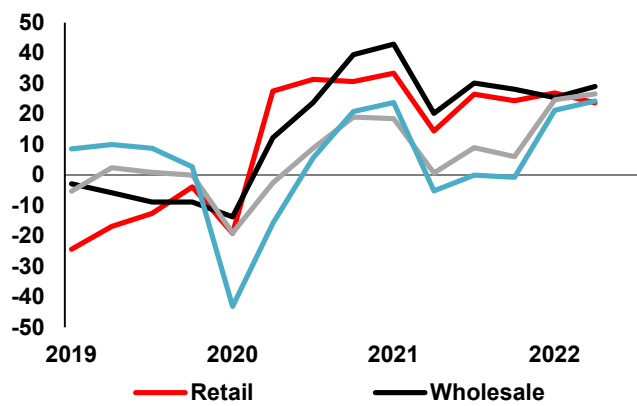


Chart 32: Confidence by Industry (Net Balance, SA)

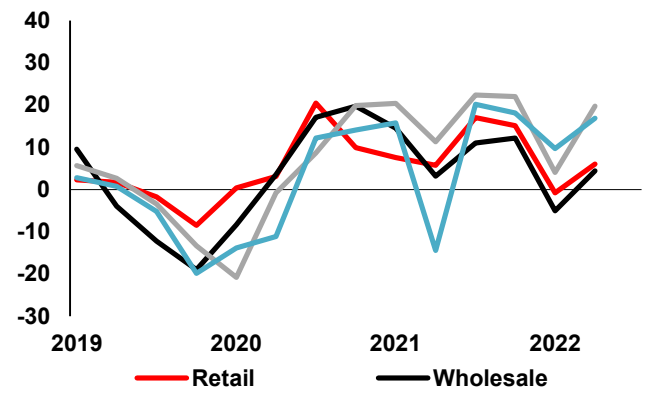


Chart 33: Conditions by Industry (Net Balance, SA)

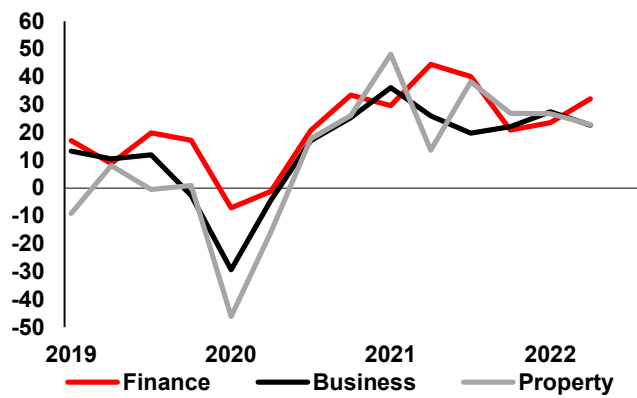
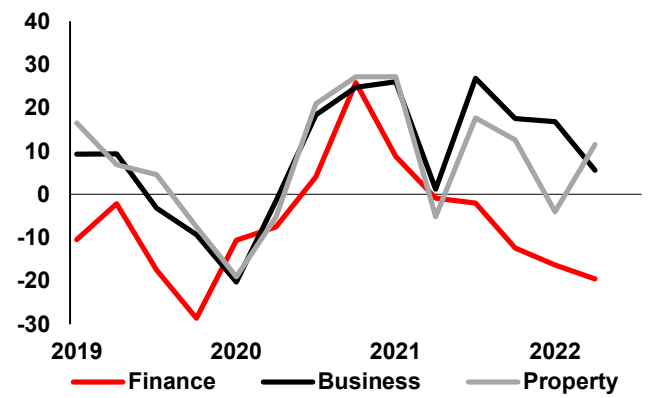


Chart 34: Confidence by Industry (Net Balance, SA)



## Construction Sub-Industry Details

Chart 35: Conditions by Construction Sub-Industry (Net Balance, SA)

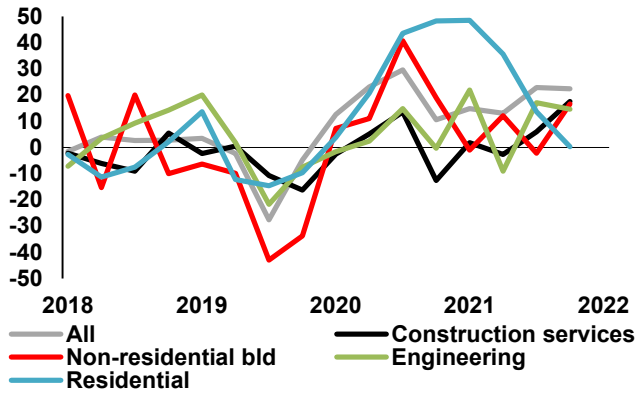


Chart 36: Confidence by Construction Sub-Industry (Net Balance, SA)

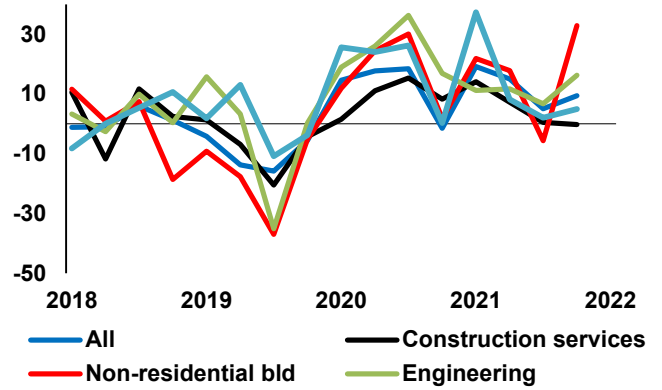


Chart 37: Employment by Construction Sub-Industry (Net Balance, SA)

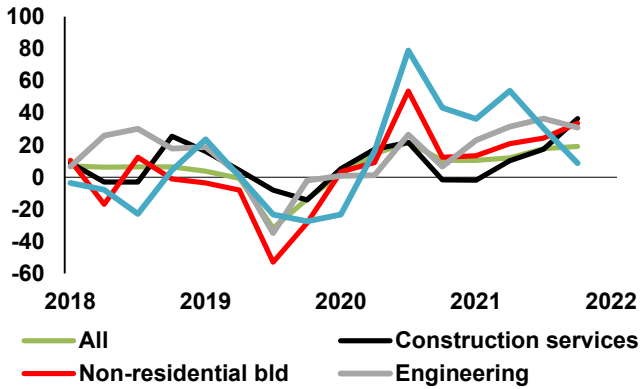
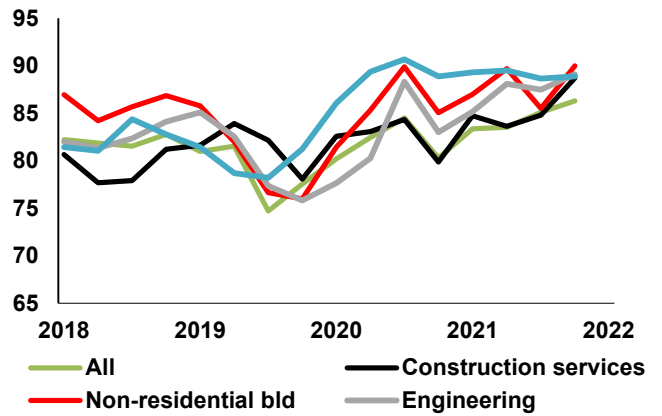


Chart 38: Capacity Utilisation by Construction Sub-Industry (Percent, SA)





## Details by State

Chart 39: Conditions by State (Net Balance, SA)

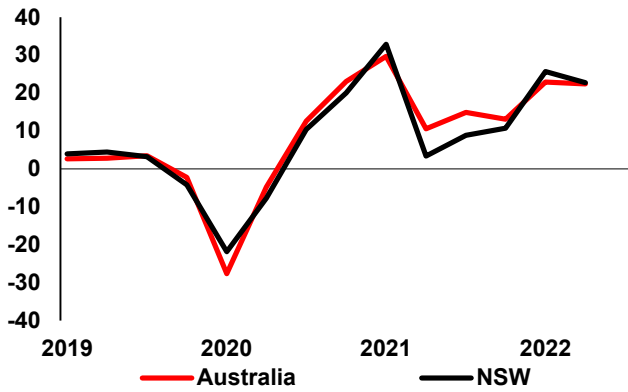


Chart 40: Confidence by State (Net Balance, SA)

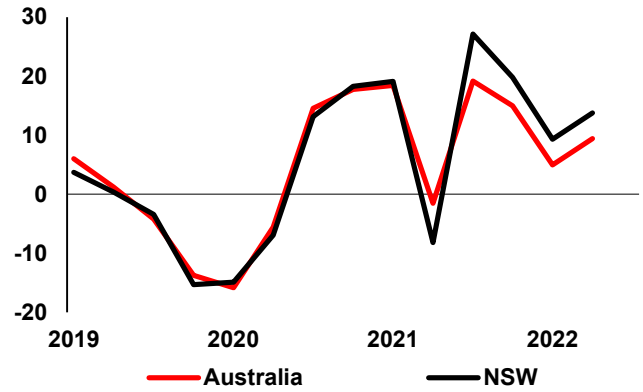


Chart 41: Conditions by State (Net Balance, SA)

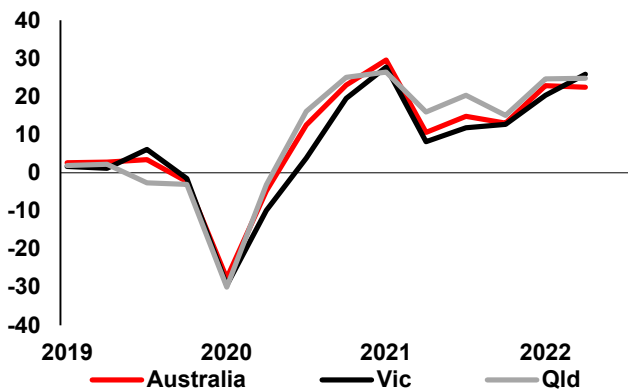


Chart 42: Confidence by State (Net Balance, SA)

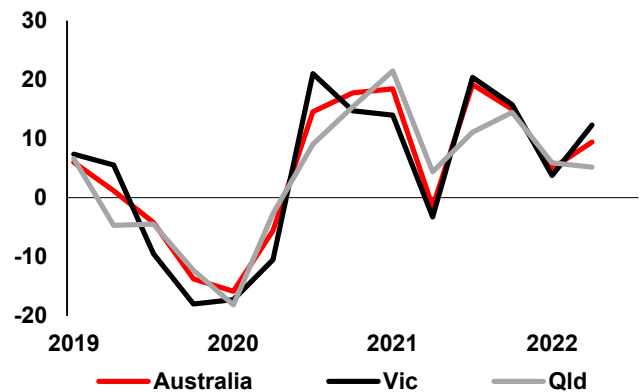


Chart 43: Conditions by State (Net Balance, SA)

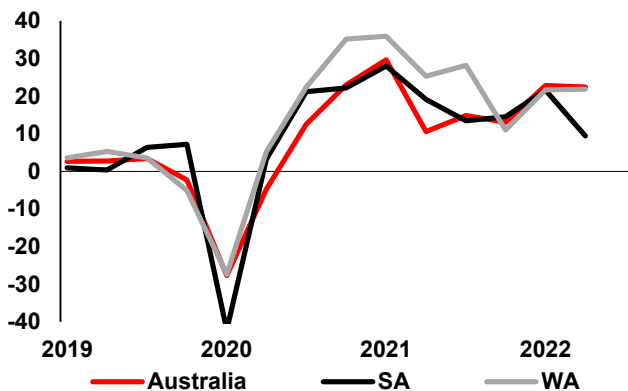
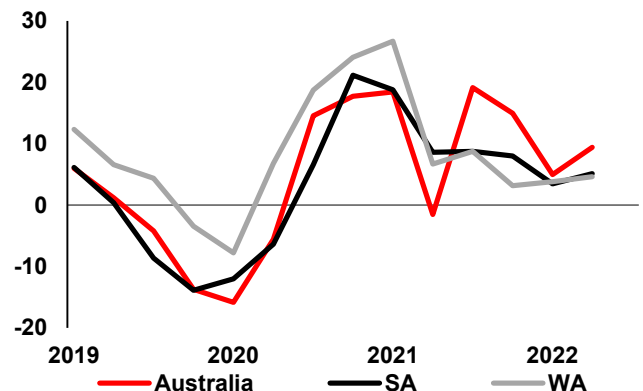


Chart 44: Confidence by State (Net Balance, SA)



## Data Appendix

	2021q3	2021q4	Quarterly			Monthly				
			2022q1	2022q2	2022q3	2022m5	2022m6	2022m7	2022m8	2022m9
Confidence	-1	19	15	5	<b>9</b>	6	2	8	10	5
Conditions	11	15	13	23	<b>22</b>	20	17	22	22	25

	2021q3	2021q4	Quarterly			Monthly				
			2022q1	2022q2	2022q3	2022m5	2022m6	2022m7	2022m8	2022m9
Trading	15	20	17	28	<b>32</b>	25	22	28	29	38
Profitability	9	13	11	21	<b>19</b>	21	16	20	19	19
Employment	10	10	12	18	<b>19</b>	14	12	19	17	16

	Quarterly <sup>(a)</sup>				2023q3	Monthly				
	2022q2	2022q3	2022q4	2023q2		2022m5	2022m6	2022m7	2022m8	2022m9
Conditions	23	<b>22</b>	NA	NA	NA	20	17	22	22	25
Conds. next 3m	27	34	<b>29</b>	NA	NA					
Conds. nxt 12m	33	19	36	29	<b>27</b>					
Orders	20	<b>14</b>	NA	NA	NA	14	12	11	14	15
Orders next 3m	22	22	<b>20</b>	NA	NA					

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

	Quarterly <sup>(a)</sup>					Monthly				
	2021q4	2022q1	2022q2	2022q3	2022q4	2022m5	2022m6	2022m7	2022m8	2022m9
Capacity utilis.	83.4	83.5	85.1	<b>86.3</b>	NA	85.0	84.8	86.2	86.2	85.8
Stocks current	5	8	13	<b>18</b>	NA	10	9	11	18	15
Stocks next 3m	1	11	9	8	<b>6</b>					

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

	Quarterly <sup>(a)</sup>				2023q3	Monthly				
	2022q2	2022q3	2022q4	2023q2		2022m5	2022m6	2022m7	2022m8	2022m9
Empl current	18	<b>19</b>	NA	NA	NA	14	12	19	17	16
Empl next 3m	28	32	<b>27</b>	NA	NA					
Empl nxt 12m	39	30	42	39	<b>38</b>					

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

	2021q3	2022q2	2022q3
Constraints on output (% of firms)*			
Sales & orders	47.7	40.6	<b>43.6</b>
Labour	72.7	88.3	<b>90.5</b>
Premises & plant	24.3	27.9	<b>29.2</b>
Materials	42.5	53.0	<b>50.4</b>

\* not s.a.

## Data Appendix - States

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2021q3</u>	<u>2021q4</u>	<u>2022q1</u>	<u>2022q2</u>	<b>2022q3</b>	<u>2022m5</u>	<u>2022m6</u>	<b>2022m7</b>	<b>2022m8</b>	<b>2022m9</b>
Business conditions										
NSW	3	9	11	26	<b>23</b>	23	20	25	24	30
VIC	8	12	13	20	<b>26</b>	18	16	18	22	30
QLD	16	20	15	25	<b>25</b>	22	8	27	22	19
SA	19	13	15	22	<b>9</b>	20	21	15	2	3
WA	25	28	11	22	<b>22</b>	22	16	22	21	9

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2021q3</u>	<u>2021q4</u>	<u>2022q1</u>	<u>2022q2</u>	<b>2022q3</b>	<u>2022m5</u>	<u>2022m6</u>	<b>2022m7</b>	<b>2022m8</b>	<b>2022m9</b>
Business confidence										
NSW	-8	27	20	9	<b>14</b>	8	7	4	13	7
VIC	-3	20	16	4	<b>12</b>	4	-2	15	9	10
QLD	4	11	14	6	<b>5</b>	11	0	8	7	4
SA	9	9	8	3	<b>5</b>	6	-11	3	-1	4
WA	7	9	3	4	<b>5</b>	3	-1	5	3	1

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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

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 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.