



# NAB Monthly Business Survey Oct-22

## Conditions still strong but confidence weaker

### NAB Group Economics

#### Summary

Conditions remained strong but business confidence weakened in October. By component, trading conditions and employment eased, but remain high alongside ongoing high levels of capacity utilisation. Conditions remained strong across industries and states. While activity indicators remained strong, business confidence eased in the month to 0 index points – below the long run average. The drop in confidence aligned with some softening in forward orders and reflected an increasingly negative global economic outlook and ongoing rate rises domestically. The slowing in purchase costs growth seen in September was partly reversed, with costs up 4.1% in quarterly terms, but labour cost growth continues to moderate after spiking in July – likely related to the recent minimum wage decision. Final product prices grew 2.0%, with retail price growth up to 3.0%, indicating the strong inflation seen in Q3 will likely continue into Q4. Overall, the survey suggests that firms are growing wary of the potential for a slower period ahead, despite ongoing strong demand.

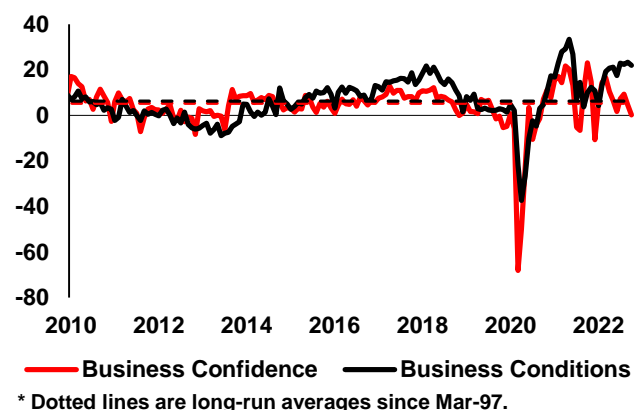
#### Survey Details

- **Business conditions** fell 1pt to +22 index points. Trading conditions fell 6pts to a still-strong +31 index points, and employment fell 2pts to +14 index points. Profitability edged up 1pt to +22 index points.
- **By industry** conditions fell in wholesale (down 29pts, largely correcting a very-high September reading to sit at +27 in trend terms), as well as retail (down 6pts but still strong at +27 in trend terms). Other sectors were broadly steady, with conditions well into positive territory in all sectors in trend terms.
- **Across the states** conditions rose in SA, Qld, and WA but fell in Tas, NSW and Vic. In trend terms conditions were elevated across the states with only SA lagging somewhat (albeit at +8 index points in trend terms).
- **Business confidence** fell 4pts to 0 index points, below the long-run average. Confidence fell sharply in transport & utilities, as well as in mining, manufacturing, finance, business & property, recreation & personal services, and wholesale. In trend terms, confidence is highest in recreation & personal services, manufacturing and transport & utilities and weakest in wholesale. Across the states, confidence fell sharply in Vic and also fell in NSW, Qld and SA.
- **Leading indicators** were mixed with capacity utilisation unchanged at 85.8% but forward orders down 7pts to +7 index points and capex also falling 8pts to +9 index points.
- **Costs growth** measures were also mixed. Purchase costs growth rose to 4.1% in quarterly terms (from 3.7% in September). Labour costs growth moderated further, to 2.7% (from 3.1% in September).
- **Price measures** remained elevated in October with overall price growth running at an unchanged 2.0% in quarterly terms. Retail prices accelerated to 3.0%, while price inflation for recreation & personal services eased to 1.5% (from 1.8% in September).

Table 1: Key Monthly Business Survey Statistics

	Aug-22	Sep-22	Oct-22
	Net balance		
Business confidence	9	5	0
Business conditions	22	23	22
Trading	29	37	31
Profitability	19	21	22
Employment	18	17	14
Forward orders	14	14	7
Stocks	18	14	11
Exports	1	-1	0
	% change at quarterly rate		
Labour costs	3.5	3.1	2.7
Purchase costs	4.3	3.7	4.1
Final products prices	2.4	2.0	2.0
Retail prices	3.2	2.3	3.0
	Per cent		
Capacity utilisation rate	86.2	85.8	85.8

Chart 1: Confidence & Conditions (Net Balance, SA)



All data seasonally adjusted and subject to revision. Survey conducted from 24 to 28 October 2022, covering over 400 firms across the non-farm business sector.  
**Next release date: 13 December 2022.**

## Monthly Focus: Labour Costs Growth & Minimum Wage Effects

The NAB Monthly Business Survey measure of labour costs growth has tracked higher in 2022 and accelerated further in Q3 – suggesting that official measures of the total wage bill as well as wage growth will show further rises when the National Accounts are released by the ABS next month.

The NAB labour costs measure captures changes in a business’s total wage bill, including changes in both hours worked and wage growth. Conceptually, it is close to the National Accounts measure of Compensation of Employees (COE). Quarterly growth in these measures have tracked closely together over time, and both rose strongly in Q2 (Chart 2).

Aggregating across the July, August, and September surveys, the NAB labour cost measure grew by a very strong 3.8% across Q3, indicating a potential further acceleration in COE growth. Notably, this measure eased back to 3.1% in October, indicating that much of the Q3 rise was concentrated in July, coinciding with the recent minimum wage and superannuation increase change taking effect across most industries.

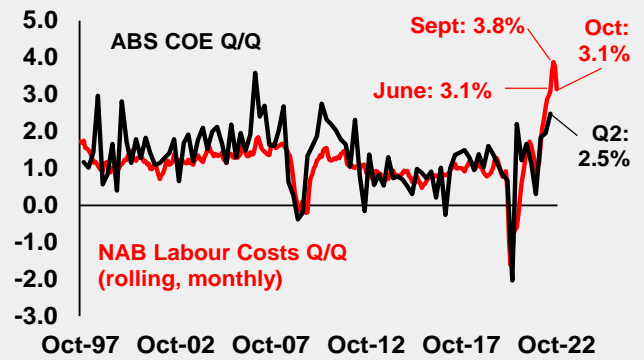
Looking at labour costs by industry reinforces that July was somewhat of an outlier (Chart 3). Survey-wide labour costs rose 1.5% m/m in July including a 1.6% increase in retail and a 1.5% increase in recreation & personal services, the two sectors most exposed to minimum and award wages. These sectors also have a significant weighting in our survey, driving the overall result (Chart 4).

Since July, monthly growth has eased to 0.9% across all industries as well as in the retail and recreation & personal services industries. This is still a strong growth rate by historical standards but is materially lower than the peak. Notably, while the minimum wage change only took effect in October for hospitality businesses, it appears many firms passed on the change immediately with no similar spike in costs growth in this month’s survey.

As noted above, employment growth could also be playing a role in driving labour costs growth. Chart 5 shows quarterly labour cost growth adjusted for changes in total employment and total hours worked using available labour force data. This is an imperfect mapping, but highlights that a steady component of the growth in labour costs over the past year has reflected employment growth.

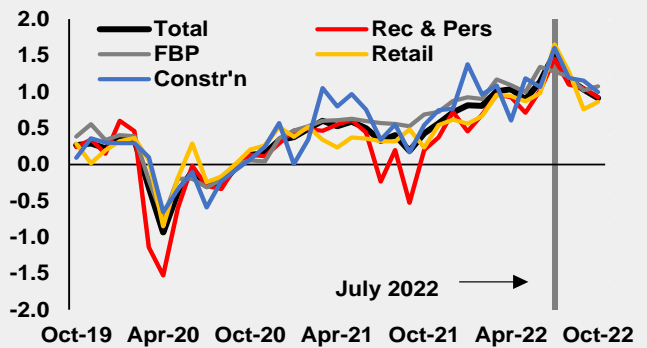
Importantly, these “adjusted” labour cost measures still show a clear acceleration across the year to around 3% in Q3. With employment effects removed, a range of factors are likely driving labour costs higher including bonus and non-wage payments, recruiting costs, and promotions. Still, the adjusted series indicates underlying wage growth likely also accelerated in Q3 as the minimum wage decision and tight labour market began to translate into changes in hourly pay for many workers. In line with this, we expect WPI to accelerate to around 0.9-1.0% Q/Q for Q3.

Chart 2: NAB Labour Costs & ABS COE Growth (%)



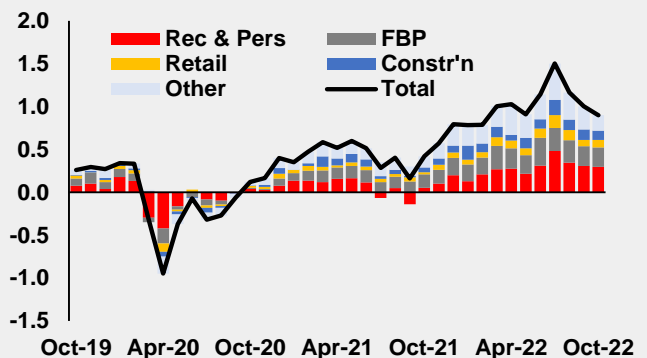
Source: NAB Economics, ABS

Chart 3: NAB Monthly Labour Costs Growth (%), Selected Industries



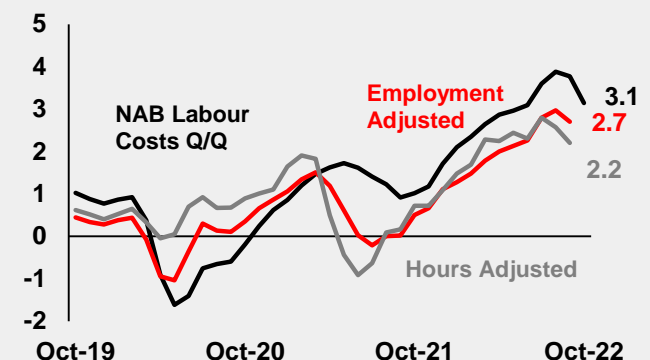
Source: NAB Economics

Chart 4: Contributions to Labour Costs Growth (%)



Source: NAB Economics

Chart 5: Labour Costs Growth, Volume Adjusted (%)



Source: NAB Economics, ABS

## Business Conditions and Confidence

Chart 6: Business Confidence (Net Balance, SA)

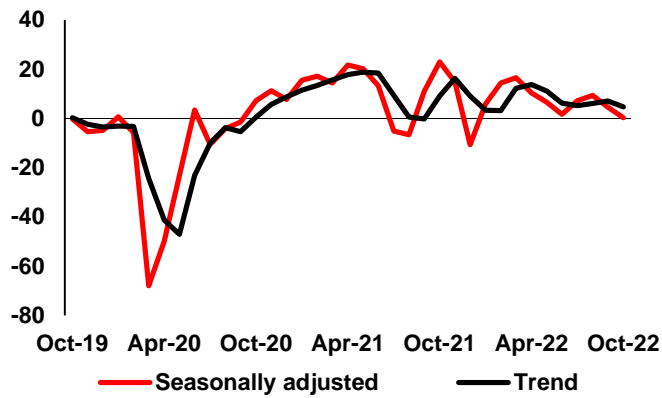


Chart 7: Business Conditions (Net Balance, SA)

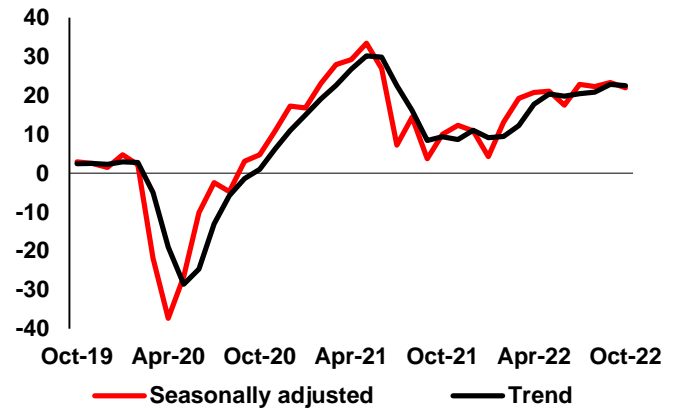


Chart 8: Components of Conditions (Net Balance, SA)

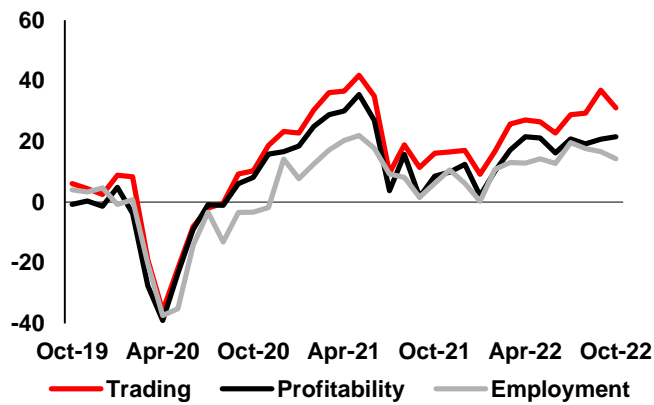


Chart 9: L-R Conditions & Confidence (Net Balance, SA)

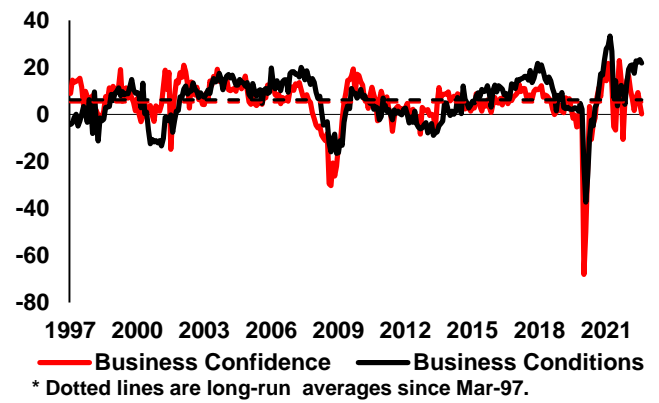


Chart 10: Conditions by Industry, Latest Month (Net Balance, SA)

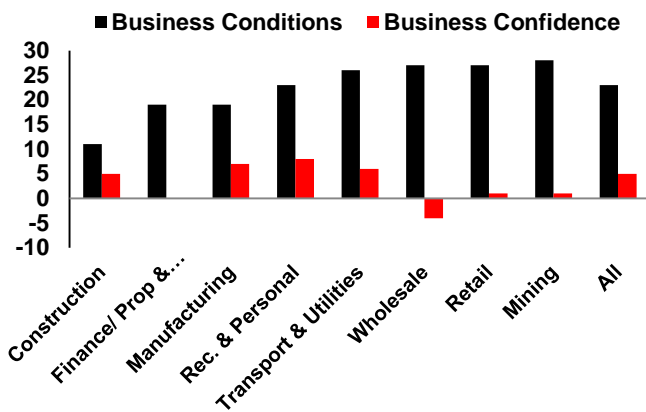
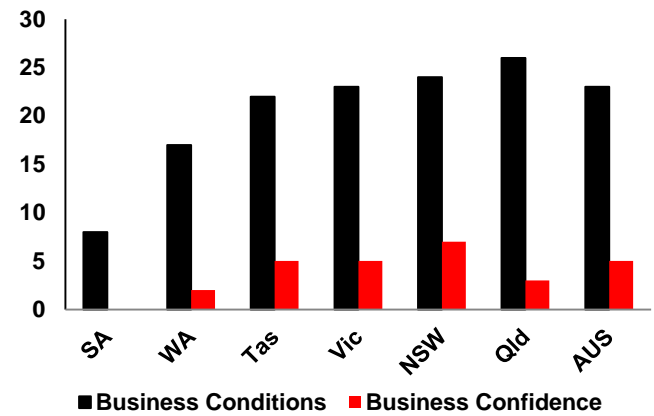


Chart 11: Conditions by State, Latest Month (Net Balance, SA)



## Leading Indicators and Other Key Measures

Chart 12: Forward Orders (Net Balance, SA)

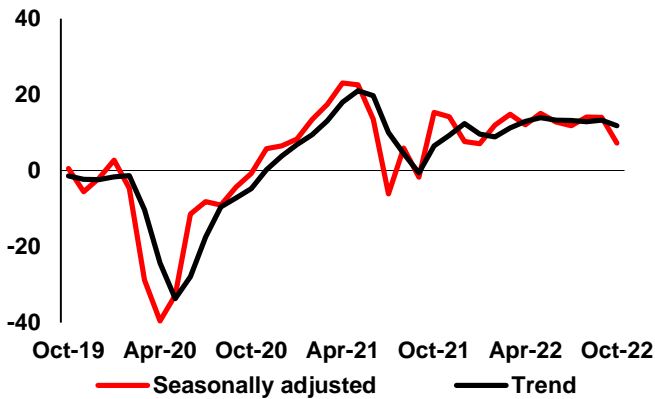


Chart 13: Capital Expenditure (Net Balance, SA)

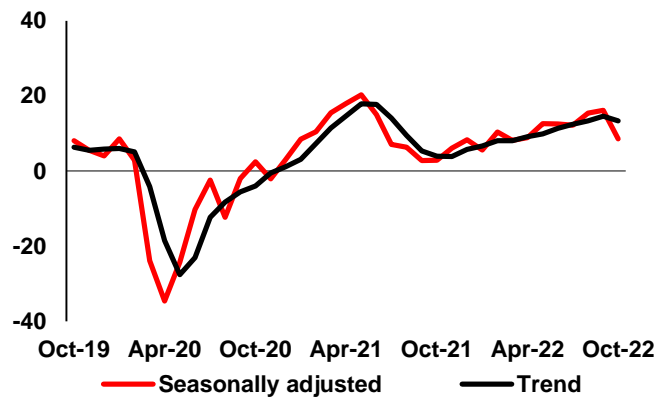


Chart 14: Capacity Util. & Unemployment (% , SA)

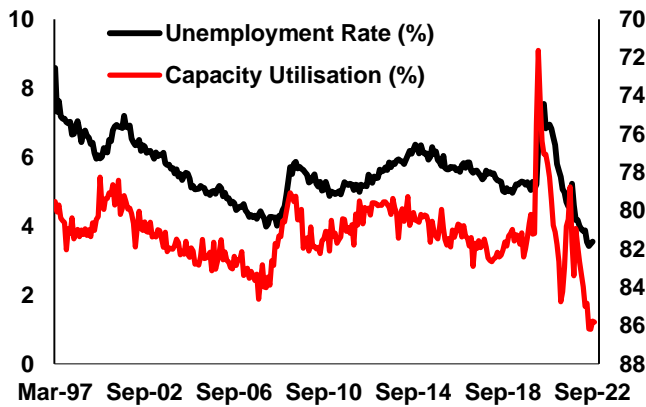


Chart 15: Capacity Util. by Industry (% , 3mma)

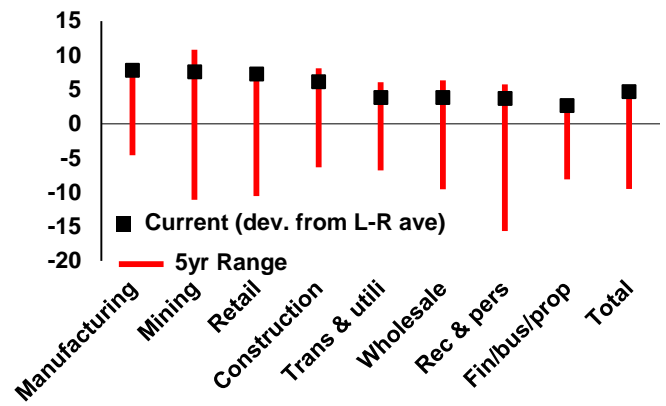


Chart 16: Stocks (Net Balance, SA)

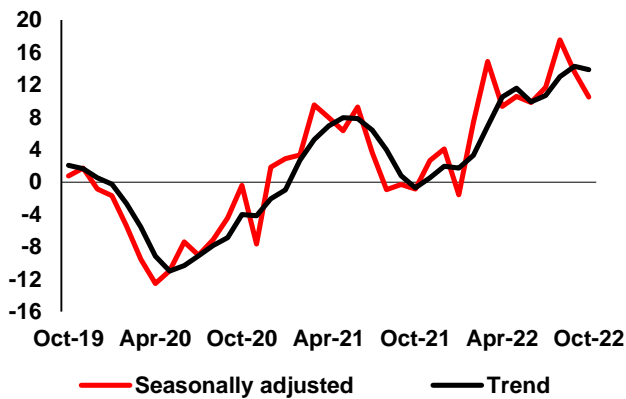


Chart 17: Cash Flow (Net Balance, SA)

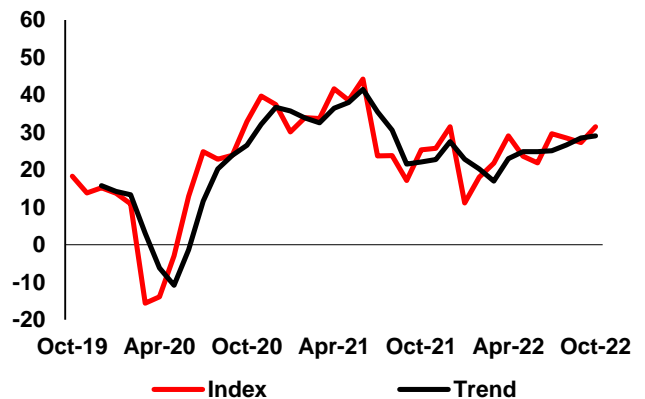


Chart 18: Exports (Net Balance, SA)

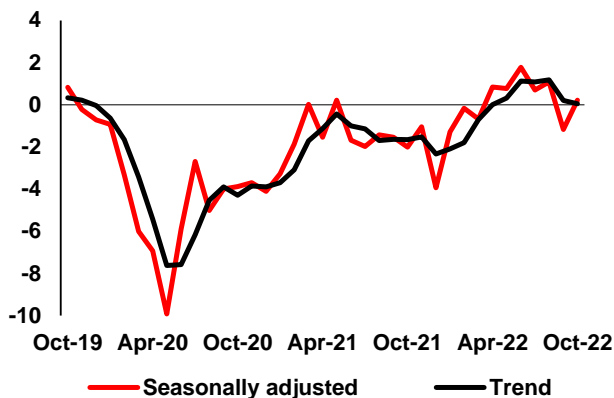
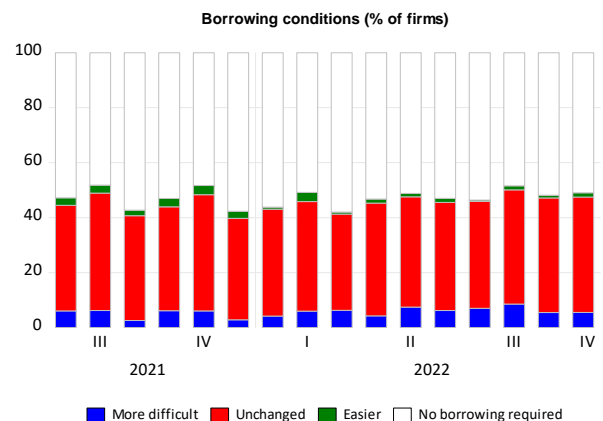


Chart 19: Borrowing Conditions (% of Firms)



## Employment, Wages and Prices

Chart 20: Employment (Net Balance, SA)

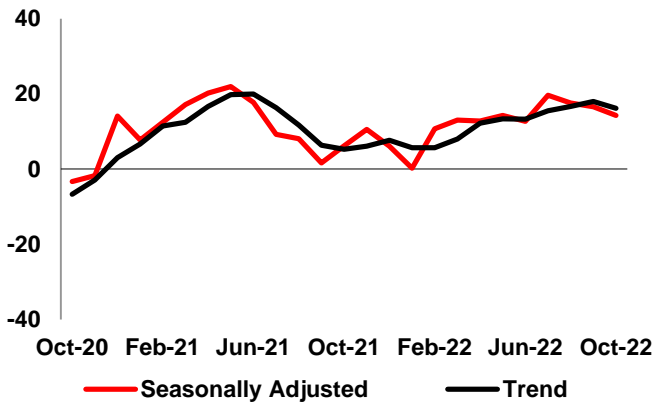


Chart 21: NAB vs ABS Employment (Net Balance, SA)

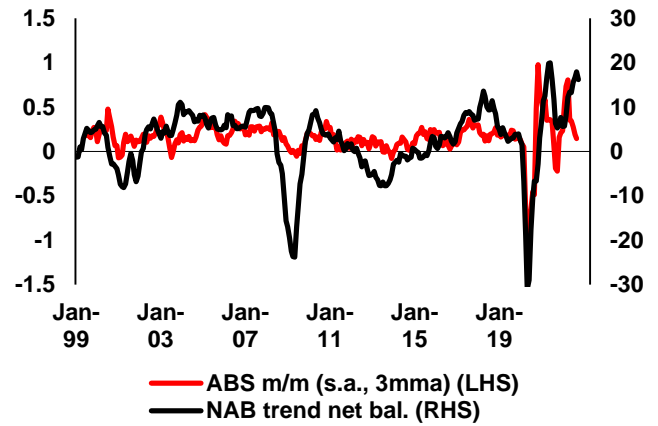


Chart 22: Employment by Industry (Net Balance, SA)

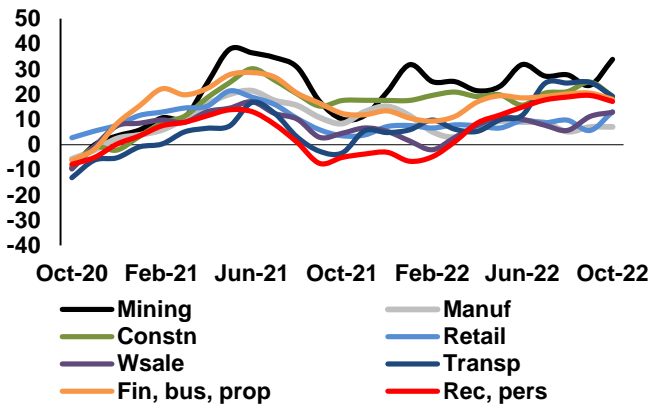


Chart 23: Labour Costs Growth, Qtly Eq. (% , SA)

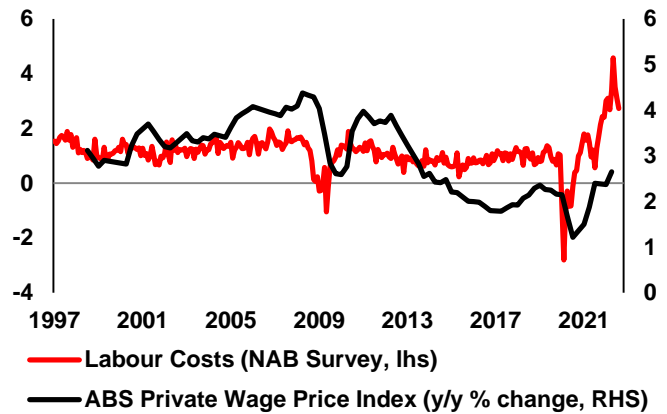


Chart 24: Costs & Price Growth, Qtly Eq. (% , SA)

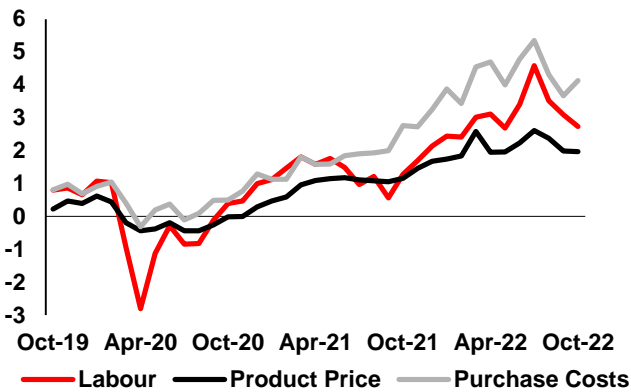


Chart 25: Retail Price Growth, Qtly Eq. (% , SA)



## Conditions and Confidence by State and Industry

Chart 26: Conditions by State (Net Balance, SA)

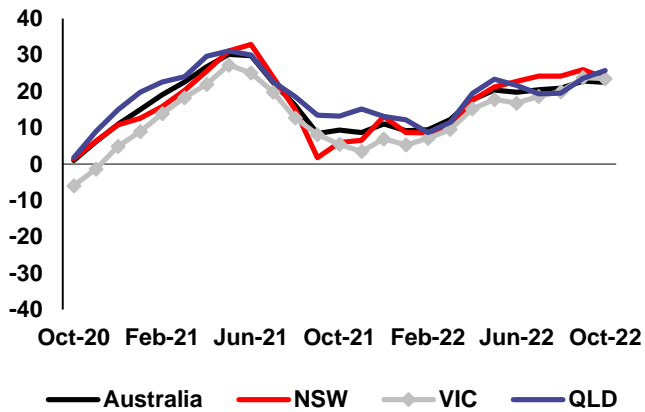


Chart 27: Conditions by State (Net Balance, SA)

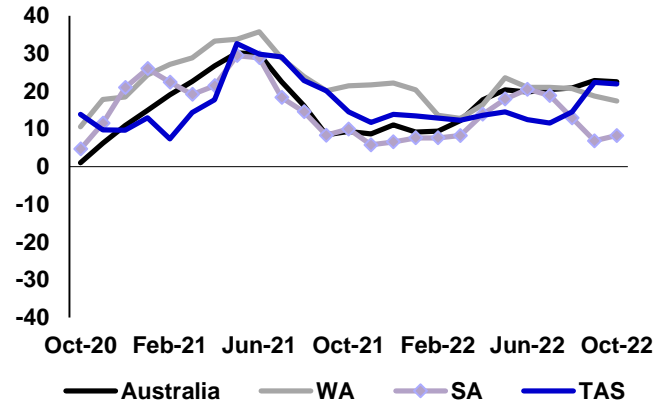


Chart 28: Confidence by State (Net Balance, SA)

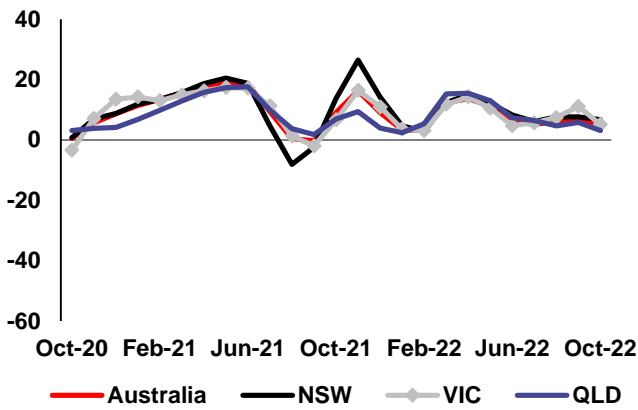


Chart 29: Confidence by State (Net Balance, SA)

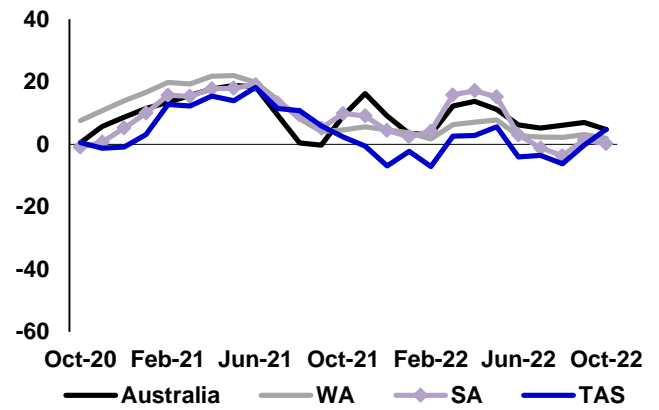


Chart 30: Conditions by Industry (Net Balance, SA)

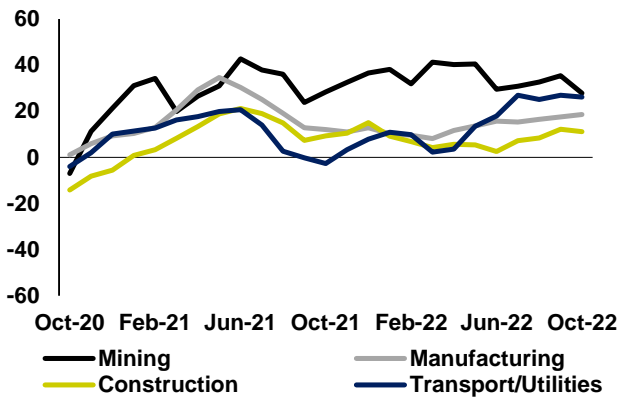


Chart 31: Conditions by Industry (Net Balance, SA)

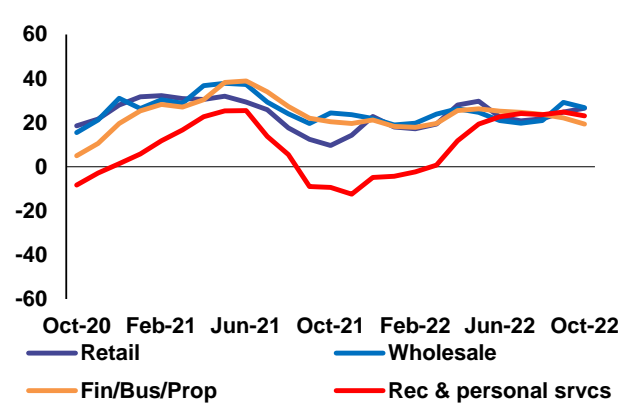


Chart 32: Confidence by Industry (Net Balance, SA)

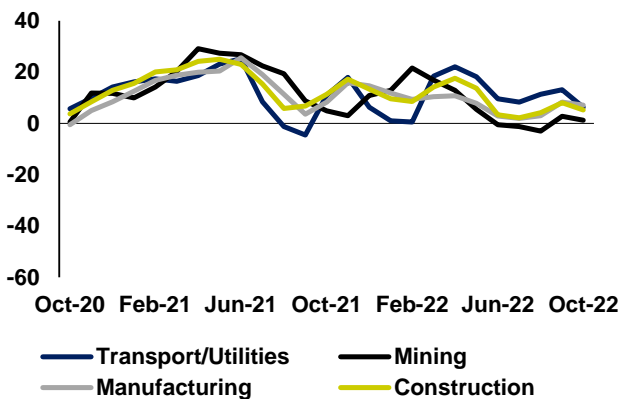
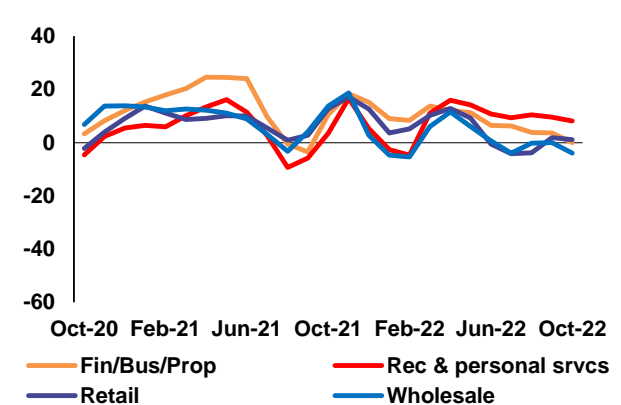


Chart 33: Confidence by Industry (Net Balance, SA)



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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.