



# NAB Monthly Business Survey Dec-22

## Economy beginning to slow; inflation peak passed

### NAB Group Economics

#### Summary

Business conditions fell by 8pts in December, notching up a third successive decline. They remain well above average at +12 index points reflecting the extraordinary strength seen in early-to-mid 2022. Notwithstanding a small improvement in confidence in the month, the larger than usual gap to conditions persisted. With confidence still in negative territory (and well below average) and forward orders moderating further in the month, there are signs that conditions may ease further. On the prices side, the survey continues to suggest notable pressure on both inputs – including labour costs – and product prices. However, all three measures continue to ease and, if that trend continues, we could well have already seen the peak in inflationary pressures in Q4. Overall, the survey continues to point to a healthy level of activity with above average conditions and elevated capacity utilisation but a slowing in momentum with most indicators pulling back over the past three months or so – in line with our expectations for a slowing as the post-COVID rebound fades and rate rises continue to flow through.

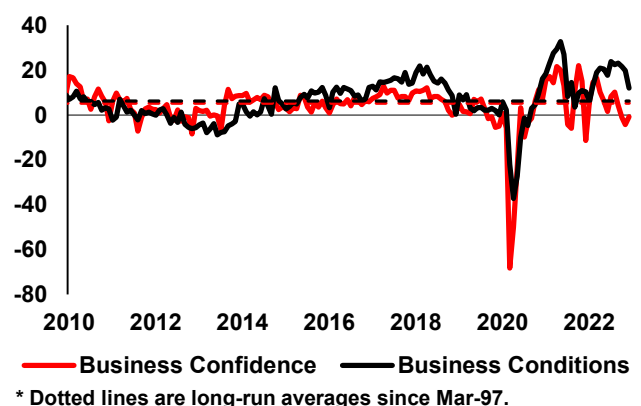
#### Survey Details

- **Business conditions** fell 8pts in December to +12 index points. The fall was driven by declines in all three sub-components, with trading conditions down 10pts to +18 index points, profitability down 8pts to +12 index points and employment down 5pts to +8 index points. Conditions are now 12pts off their most recent peak in July 2022.
- **By industry** the decline in conditions was broad-based, with all sectors weakening. Outside of mining, manufacturing led the declines, though other industries also recorded solid falls. Rec & personal and finance, business & property saw smaller falls than the other industries. In trend terms, conditions are strongest in transport & utilities and rec & personal.
- **Across the states** there was a broad-based decline in conditions, led by falls in SA and Tas. The eastern states were 6-9pts lower in the month while WA saw only a modest fall.
- **Business confidence** rose 3pts to -1 index points – but remains well below average. Confidence rose in WA, NSW and Vic, edged up in QLD and was flat in Tas. SA recorded the only fall in the month. The improvement in confidence was evident across most industries, with the exception of transport & utilities which declined. Overall, in trend terms confidence is strongest in rec & personal and construction.
- **Leading indicators** suggest conditions may ease further in coming months with forward orders edging down 2pts to +3 index points. Orders declined across most industries and are now close to long run average levels. Capacity utilisation also eased further but remains above average at 83.7%.
- **Price and cost growth** slowed in the month but remain elevated. On the inputs side, purchase costs growth slowed to 2.5% in quarterly terms (was 3.9%) while labour costs growth slowed to 2.0% (was 2.8%). Output price growth slowed from 2.0% to 1.5% in quarterly terms, with the retail component also slowing, but remaining elevated at 2.3%.

Table 1: Key Monthly Business Survey Statistics

	Oct-22	Nov-22	Dec-22
	Net balance		
Business confidence	-1	-4	-1
Business conditions	22	20	12
Trading	29	27	18
Profitability	21	19	12
Employment	14	13	8
Forward orders	7	5	3
Stocks	11	11	6
Exports	0	0	-1
	% change at quarterly rate		
Labour costs	2.8	2.8	2.0
Purchase costs	3.9	3.9	2.5
Final products prices	2.0	2.0	1.5
Retail prices	2.8	2.8	2.3
	Per cent		
Capacity utilisation rate	85.6	85.0	83.7

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



All data seasonally adjusted and subject to revision. Survey conducted from 4 to 9 January 2023, covering around 400 firms across the non-farm business sector.  
Next release date: 14 February 2023

## Monthly Focus: Price Pressures in the Survey

The business survey has broadly reflected the trends we have observed in the economy from other data sources. In addition to very strong trading conditions and demand for employment, supply side challenges have been reflected through very high capacity utilisation as well as extremely high price pressures on both the input (labour and purchase costs) and output side (final product prices).

On the inputs side there has been a clear easing in cost pressures following a peak in July 2022 with a notable downtrend in these measures over the past 6 months. Following the easing in growth in December, labour costs are now tracking at around 2% in quarterly terms after peaking at 4.6% in July (and compared with a long-run average of 0.4%).

Purchase costs growth has slowed to 2.5% in December after peaking at 5.6% in July. The nature of pandemic disruptions saw a broad-based increase in purchase cost pressure driven by supply chain disruptions, elevated fuel and freight costs as well as the cost of other raw materials such as timber, steel and many other commodities. However, since peaking in aggregate in July, purchase cost growth also slowed across all industries. Both mining and transport & utilities have seen the largest easing (with both tracking at below average rates in December) likely a result of the easing in oil prices – with fuel a key input in each industry.

On the output side, final product price growth has also eased but remains high. Of particular interest are the rec & personal and retail industries whose prices are most directly reflected in the CPI. The increase in consumer inflation has been driven by both pressure on the inputs side and strength in consumer demand.

The moderation in price pressures to date is encouraging, though at face value both input and output prices continue to track at much too high rates. A simple model of core inflation based on the survey’s retail and personal & rec prices series suggests a CPI print of around 1¾% for Q4. NAB’s call – based on bottom-up analysis as well as a range of other factors – is for a rise of 1.6% in both headline and trimmed-mean terms when the official data is released.

A key theme of 2023 will be just how quickly inflation moderates after peaking in late 2022 – and ultimately whether the RBA has done enough to bring inflation back to target. Global indicators point to a substantial easing on the inputs side, though this is likely to take some time to fully flow through. On the demand side, consumer demand appears to be turning – and will be a key factor to watch in early 2023 as the full impact of rate rises flows through. We continue to expect inflation to track lower across 2023 and 2024, returning to around the top of the target band in late-2024.

Chart 2: Labour costs by industry (% Qtrly rate)

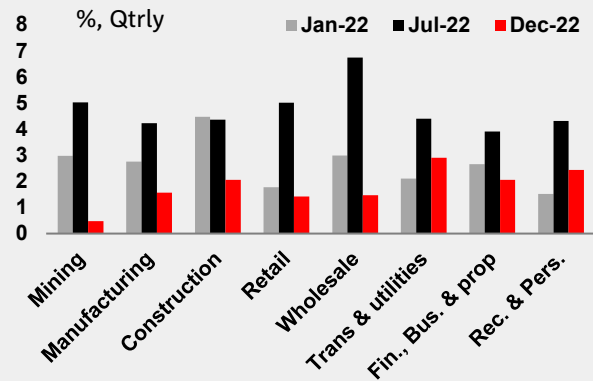


Chart 3: Purchase costs by industry (% Qtrly rate)

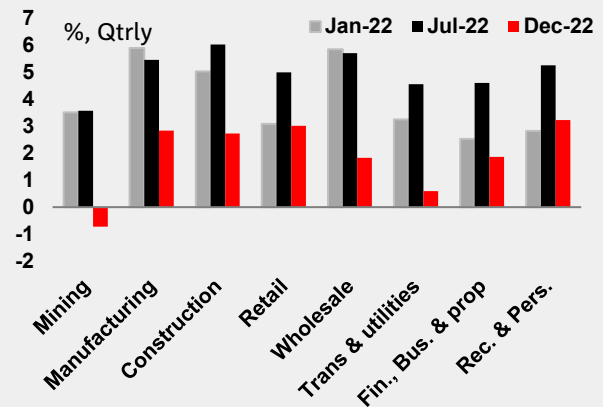
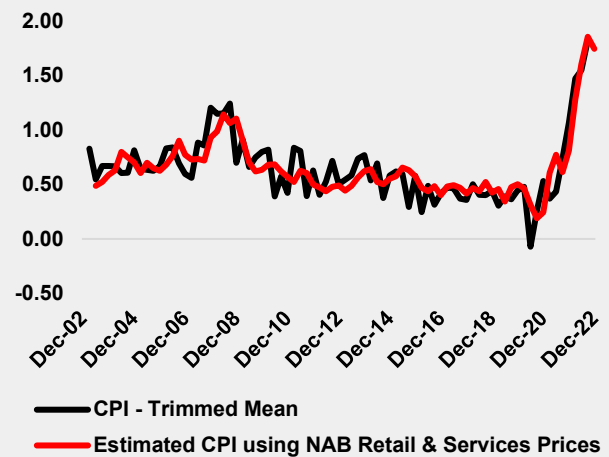


Chart 4: Modelled quarterly CPI



## Business Conditions and Confidence

Chart 5: Business Confidence (Net Balance)

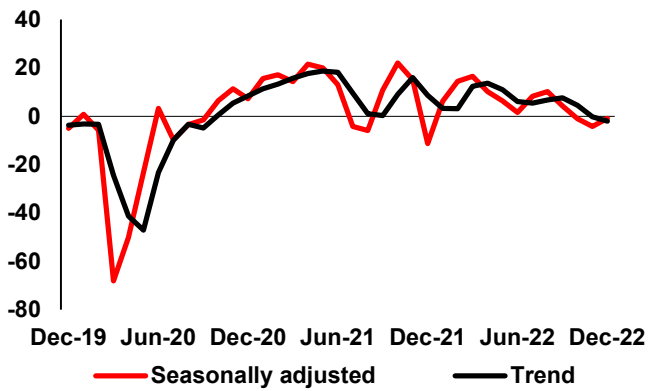


Chart 6: Business Conditions (Net Balance)

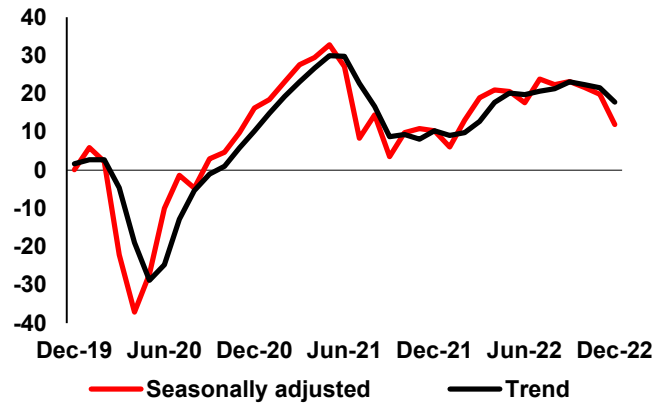


Chart 7: Components of Conditions (Net Balance, SA)

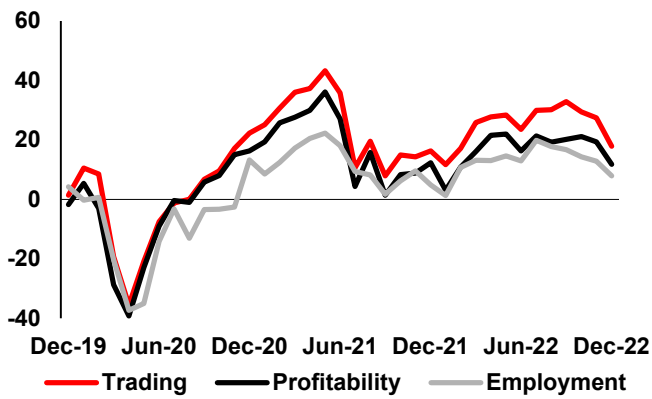


Chart 8: L-R Conditions & Confidence (Net Balance, SA)

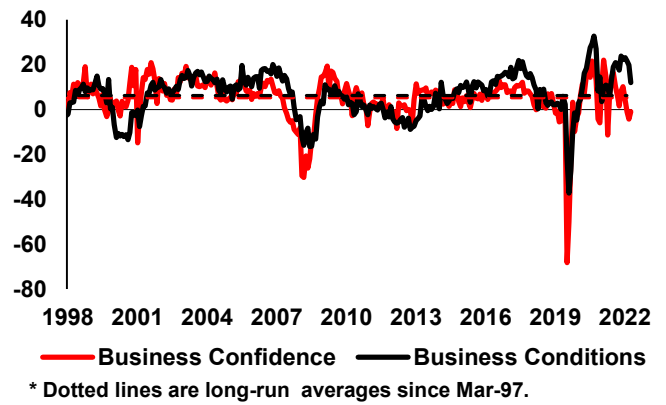


Chart 9: Conditions by Industry, Trend (Net Balance)

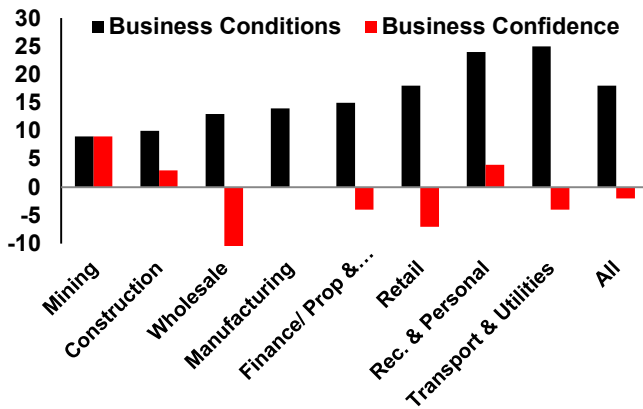
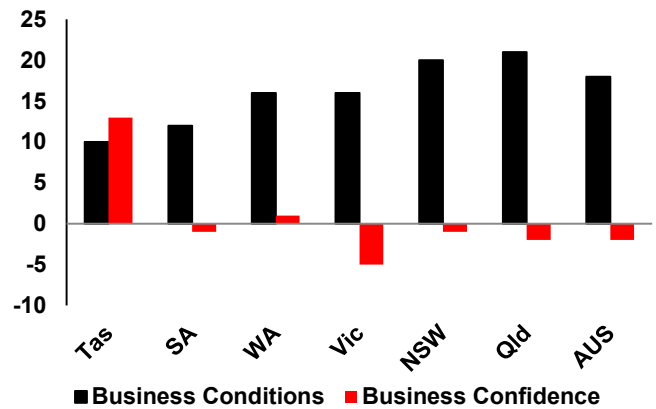


Chart 10: Conditions by State, Trend (Net Balance)



## Leading Indicators and Other Key Measures

Chart 11: Forward Orders (Net Balance)

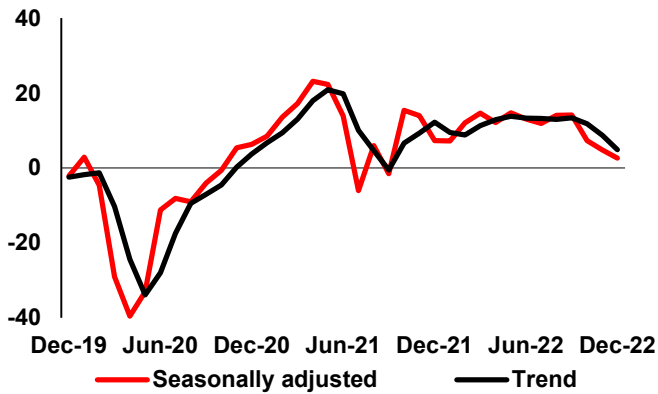


Chart 12: Capital Expenditure (Net Balance)

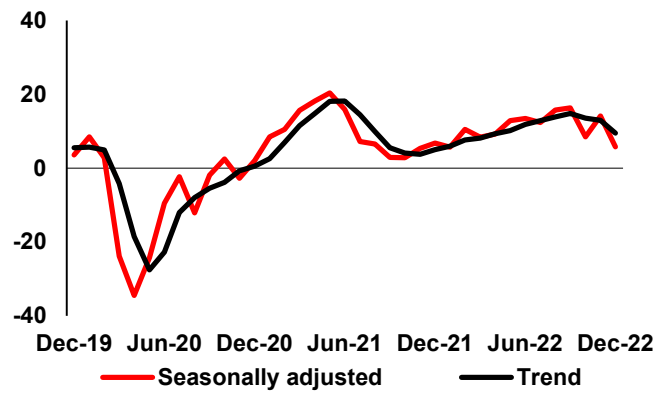


Chart 13: Capacity Util. & Unemployment (% SA)

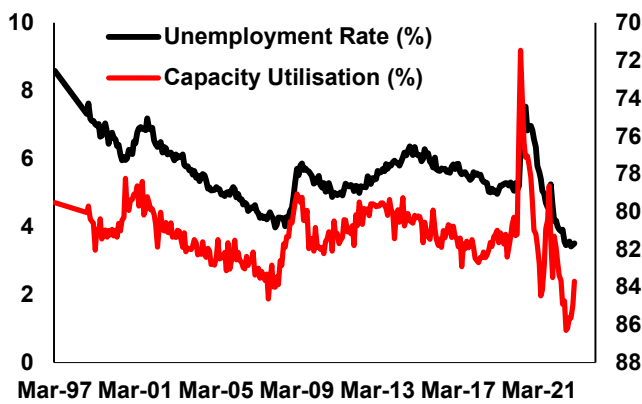


Chart 14: Capacity Util. by Industry (% 3mma)

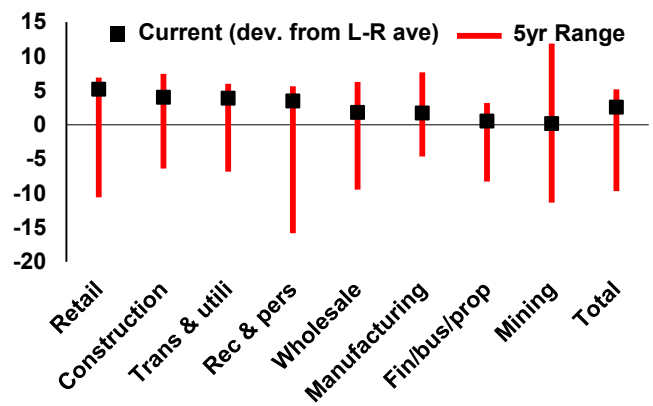


Chart 15: Stocks (Net Balance)

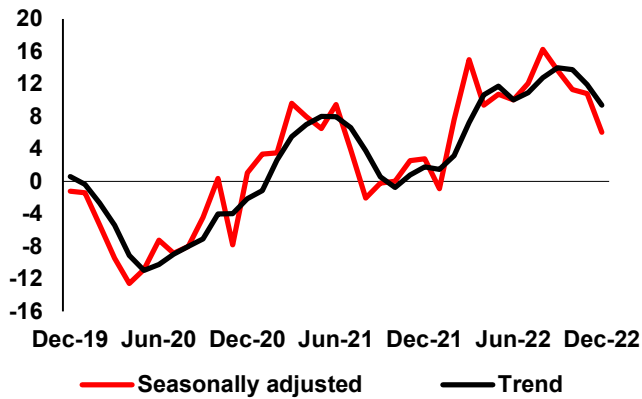


Chart 16: Cash Flow (Net Balance)

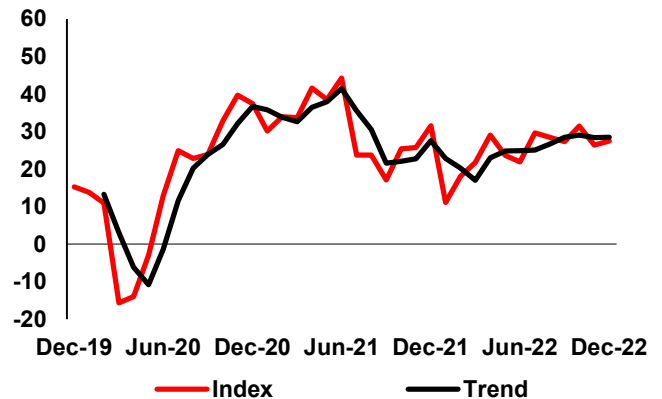


Chart 17: Exports (Net Balance)

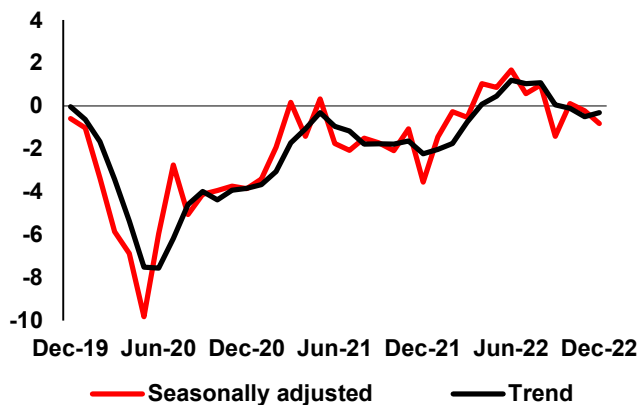
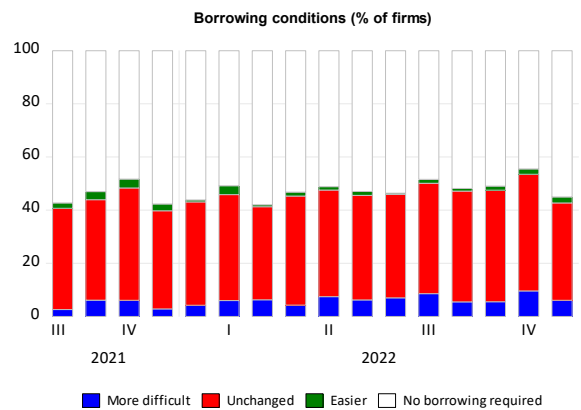


Chart 18: Borrowing Conditions (% of Firms)



## Employment, Wages and Prices

Chart 19: Employment (Net Balance)

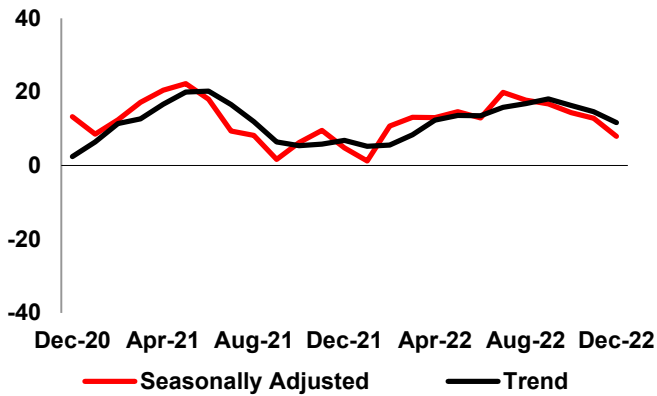


Chart 20: NAB vs ABS Employment (Net Balance, SA)

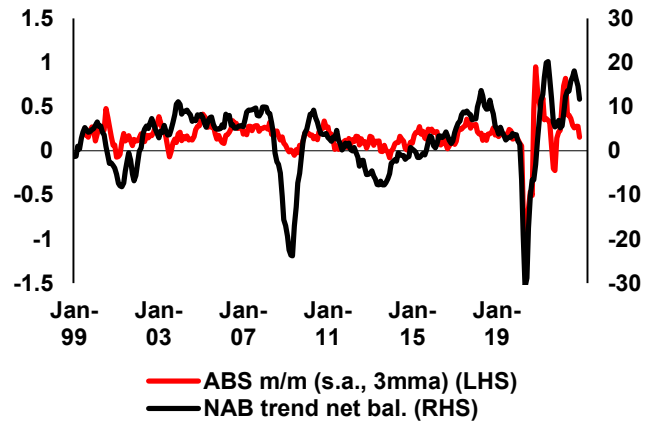


Chart 21: Employment by Industry (Net Balance, Trend)

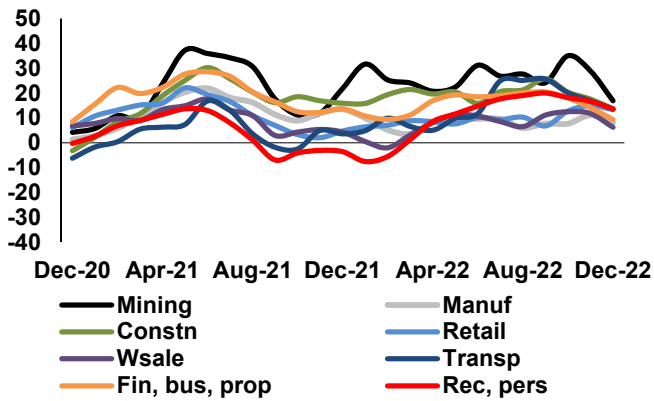


Chart 22: Labour Costs Growth, Qtly Eq. (% , SA)

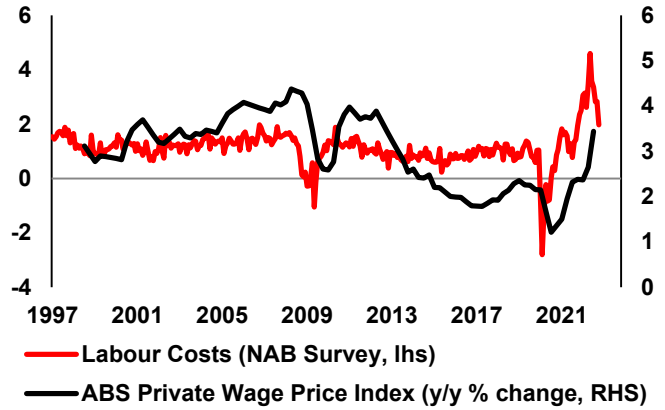


Chart 23: Costs & Price Growth, Qtly Eq. (% , SA)

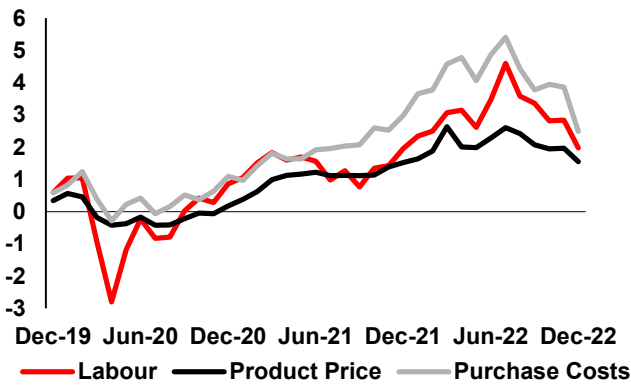
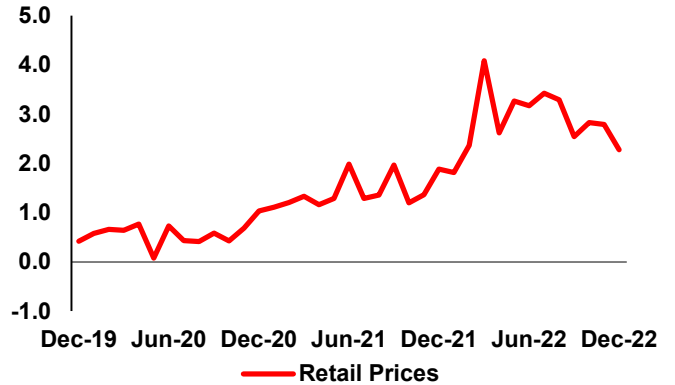


Chart 24: Retail Price Growth, Qtly Eq. (% , SA)



## Conditions and Confidence by State and Industry

Chart 25: Conditions by State (Net Balance, Trend)

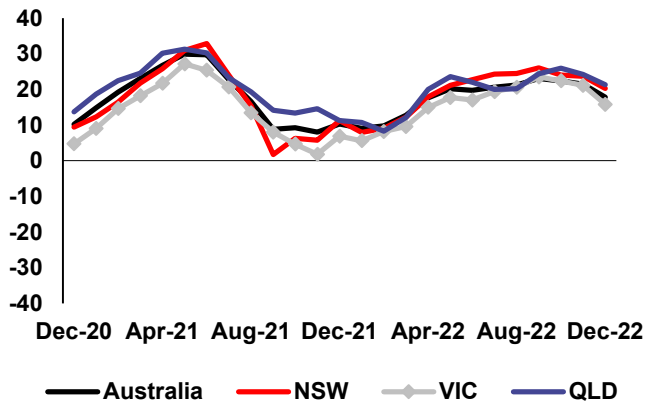


Chart 26: Conditions by State (Net Balance, Trend)

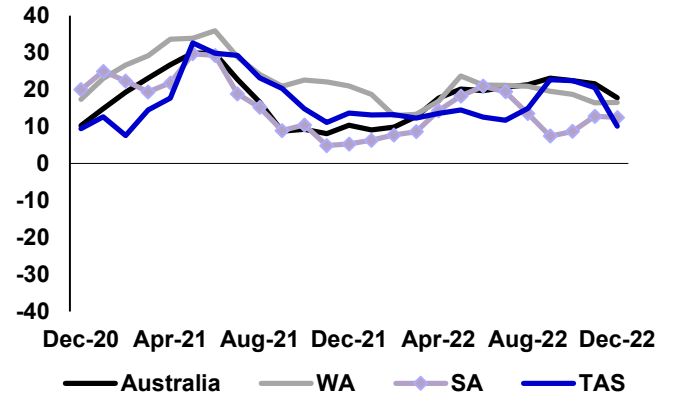


Chart 27: Confidence by State (Net Balance, Trend)

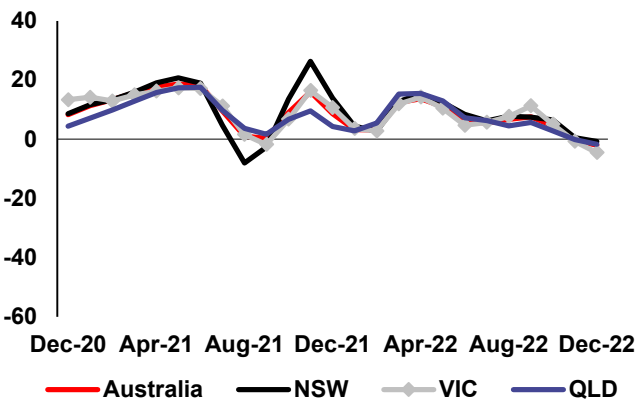


Chart 28: Confidence by State (Net Balance, Trend)

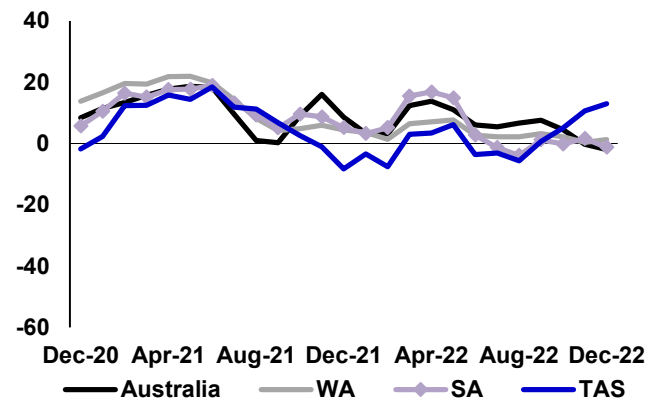


Chart 29: Conditions by Industry (Net Balance, Trend)

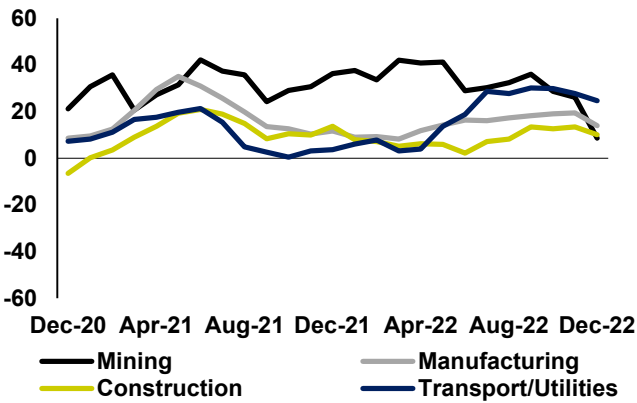


Chart 30: Conditions by Industry (Net Balance, Trend)

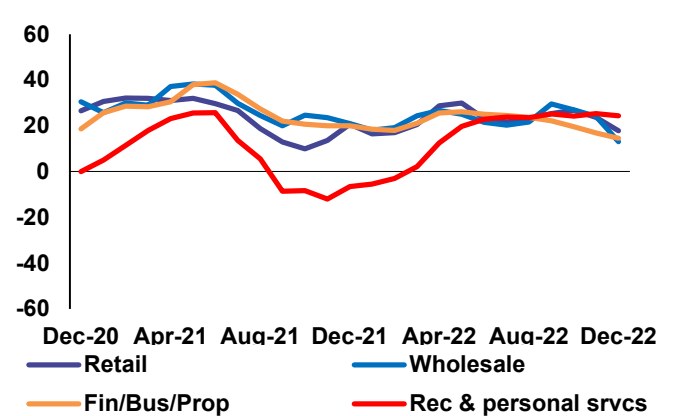


Chart 31: Confidence by Industry (Net Balance, Trend)

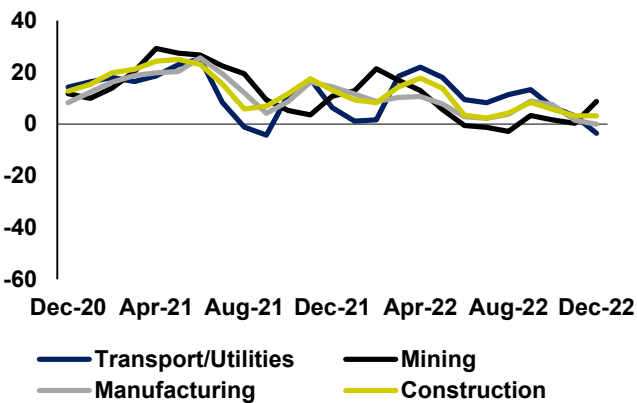
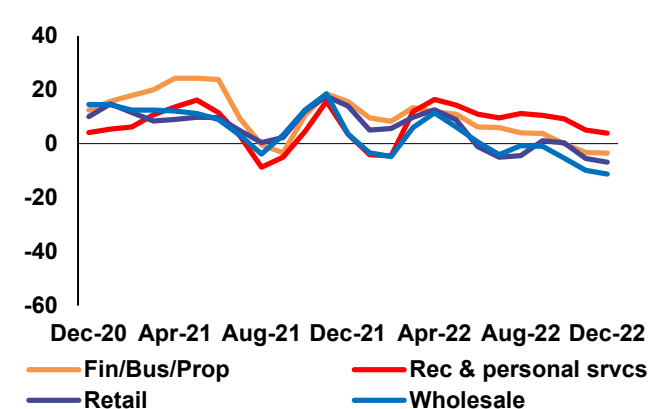


Chart 32: Confidence by Industry (Net Balance, Trend)



## Authors

### **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

## Important notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.

## 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.