



# NAB Monthly Business Survey Jan-23

## New-year confidence boost as resilience continues

### NAB Group Economics

#### Summary

Business conditions picked back up in January after three months of easing in late 2022 - returning to a very high level at +18 index points. The rise was led by very strong trading conditions in the month, but both profitability and employment are also well above average. Interestingly, it was 'upstream' sectors such as wholesale, construction and manufacturing that led the improvement, though conditions also remain strong in consumer-facing retail and personal services sectors. Confidence rose back to around average, continuing to rebound from negative reads two months ago. Capacity utilisation picked up and forward orders strengthened, in line with a more optimistic outlook. Measures of cost growth also rose after easing through the second half of last year - though they remain well below their mid-2022 peaks. Price growth measures also rose. Overall, the survey suggests the economy has remained resilient to headwinds from inflation and higher interest rates. Demand has remained elevated, likely supported by strong population growth, and concerns about global growth prospects appear to have eased.

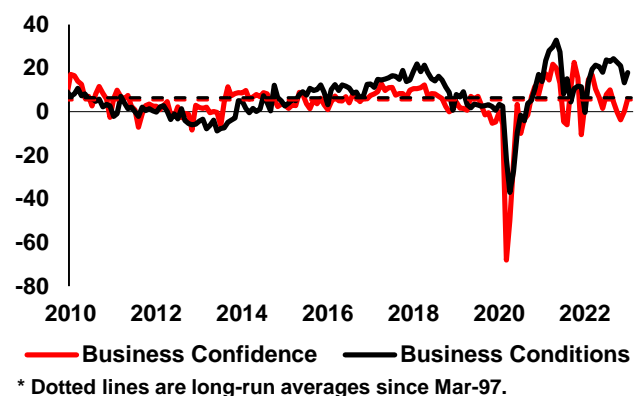
#### Survey Details

- **Business conditions** rose 5pts to +18 index points in January, after three months of softening conditions in late 2022. All three subcomponents rose, with trading conditions up 8pts to +28 index points, profitability up 3 to +17, and employment up 2pts (unrounded) to +10.
- **By industry** there was a sharp rise in mining and strong increases in wholesale (up 25pts), construction (up 12pts) and manufacturing (up 10pts). Conditions fell in finance, business and property (down 6pts) and held broadly steady in other sectors. In trend terms, conditions are strongest in transport & utilities, rec & personal, and wholesale.
- **Across the states** there were large rises in Tas, Qld and SA, after large falls in December, while Vic and NSW declined slightly. Looking through recent volatility, in trend terms conditions remain very strong across the states.
- **Business confidence** rose 6pts to +6 index points, back to around the long-run average. The transport & utilities and wholesale industries drove the increase in confidence, with others broadly steady. Across the states, confidence rose strongly in SA, WA, Tas and Vic and is now positive in trend terms everywhere except Qld.
- **Leading indicators** also edged higher. Forward orders picked up 3pts to +6 index points, with wholesale and transport & utilities leading the way. Capacity utilisation also rose to 85.7%, approaching the record highs seen in mid-2022.
- **Price and cost growth** also rose in the month after easing in late 2022. Purchase costs growth picked up to 3.2% in quarterly terms (was 2.6%) while labour costs growth rose to 2.7% (was 2.1%). Output price growth edged up to 1.7% (from 1.5%) in quarterly terms, with the retail component running at 2.7% (was 2.3%).

Table 1: Key Monthly Business Survey Statistics

	Nov-22	Dec-22	Jan-23
	Net balance		
Business confidence	-4	0	6
Business conditions	21	13	18
Trading	29	20	28
Profitability	21	13	17
Employment	13	9	10
Forward orders	5	3	6
Stocks	10	7	3
Exports	0	-1	-1
	% change at quarterly rate		
Labour costs	2.9	2.1	2.7
Purchase costs	3.8	2.6	3.2
Final products prices	1.9	1.5	1.7
Retail prices	2.8	2.3	2.7
	Per cent		
Capacity utilisation rate	85.1	83.8	85.7

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



All data seasonally adjusted and subject to revision. Survey conducted from 27 January to 2 February 2023, covering around 400 firms across the non-farm business sector.  
Next release date: 14 March 2023

## Monthly Focus: Are Cost Pressures Still Trending Down?

Elevated cost pressures drove inflation to very high levels in Australia over the course of 2022, and the evolution of these cost pressures will be critical in determining how quickly inflation abates. Measures of input cost growth showed promising signs in the second half of the year, easing from the very high rates seen around June and July. However, this month’s NAB Business Survey showed a reacceleration in key measures of cost and price growth in January (Chart 2).

Importantly, this is only a single month of data and survey measures can be volatile, so it is too early to say if the downward trend in cost pressures has reversed. In fact, looking at how costs and prices are evolving across industries reveals upstream pressures are largely still on an improving trajectory – though labour costs are putting pressure on services prices.

Chart 3 shows the recent evolution of purchase cost growth in key ‘upstream’ industries – sectors such as manufacturing, wholesale, construction and transport that rely heavily on inputs of materials and imported goods, as well as fuel. These industries were at the forefront of rising cost pressures in 2021 and 2022, with purchase cost growth peaking as high as 6% in quarterly terms at the height of the supply chain crisis in early 2022.

Importantly, all four of these industries have seen purchase cost growth easing steadily over the past six months. In January, this downward trend continued in manufacturing and construction, while wholesale saw only a small uptick. There was a larger rise in purchase costs in transport & utilities in January, but this likely reflects volatility in fuel prices rather than more fundamental supply issues – and even still purchase cost growth remained well below its 2022 peak.

Similarly, Chart 4 shows the evolution of labour costs in labour-intensive services industries such as retail, rec & personal services (which includes hospitality), and professional services, as well as construction. Labour cost growth encompasses both wage growth and employment increases, and peaked in mid-2022 in all four of these industries. In January, labour costs were flat in construction and professional services and only slightly higher in retail. Rec & personal services saw a larger uptick, possibly reflecting employment growth in the new year as well as wage pressures in a tight labour market.

In terms of prices in consumer-facing sectors (Chart 5), construction price growth continued to ease in January while retail saw only a modest uptick. Prices lifted more clearly in rec & personal services, possibly reflecting the uptick in labour costs. These services sector prices are likely to remain the key concern for inflation as other cost pressures continue easing.

Chart 2: Headline costs & price growth (% s.a., qly eq.)

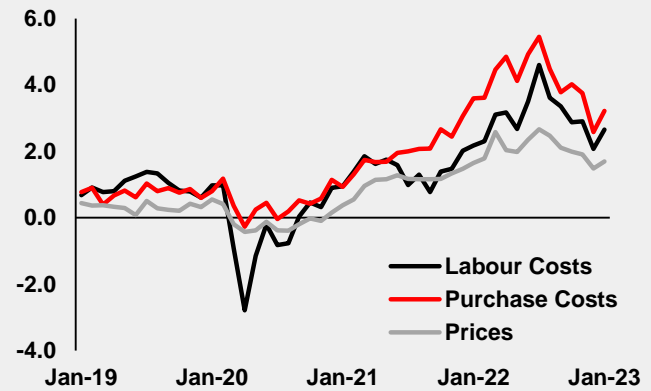


Chart 3: Purchase costs, key industries (%s.a., qly eq.)

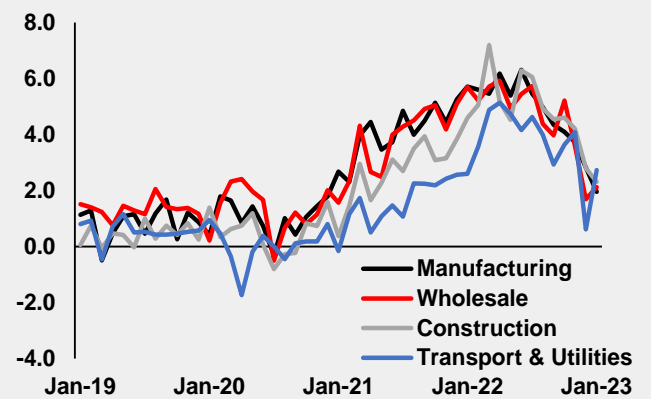


Chart 4: Labour costs, key industries (% s.a., qly eq.)

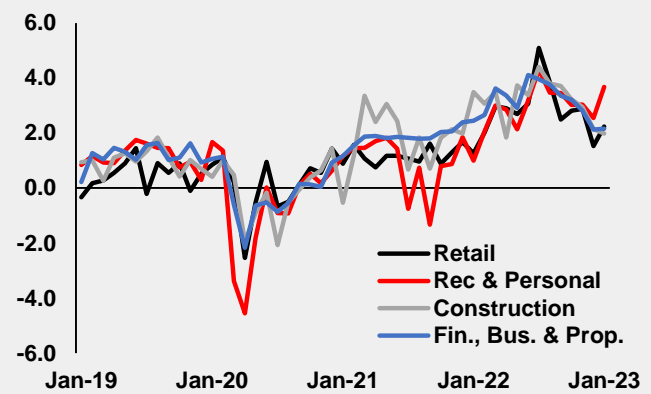
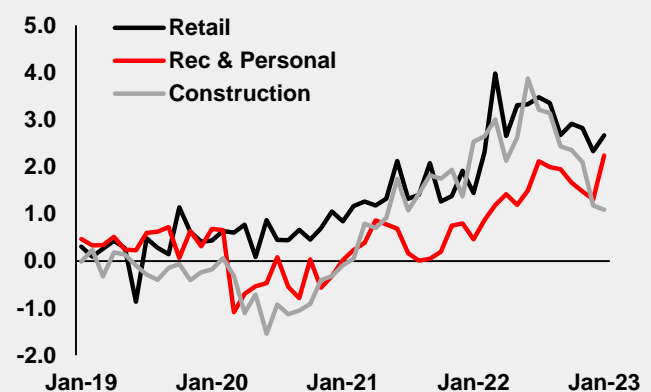


Chart 5: Price growth, key industries (% s.a., qly eq.)



## Business Conditions and Confidence

Chart 6: Business Confidence (Net Balance)

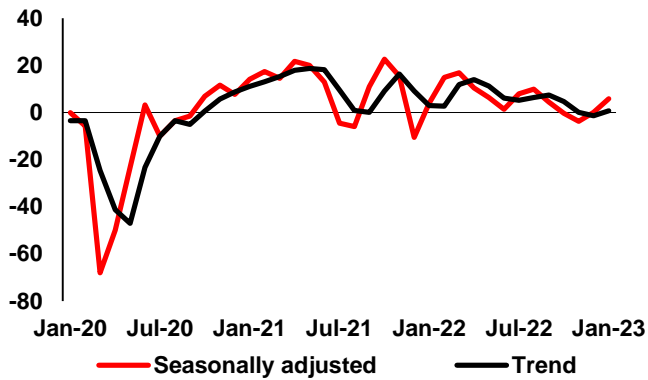


Chart 7: Business Conditions (Net Balance)

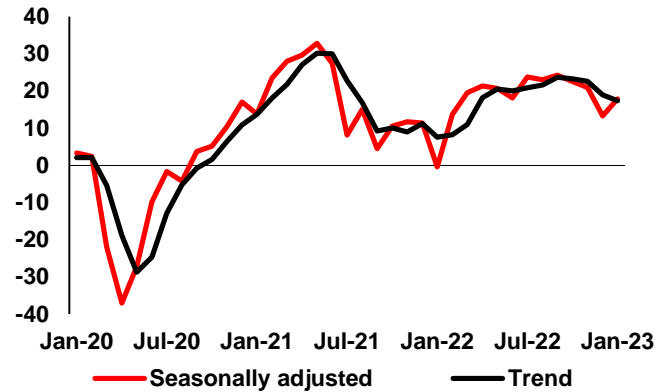


Chart 8: Components of Conditions (Net Balance, SA)

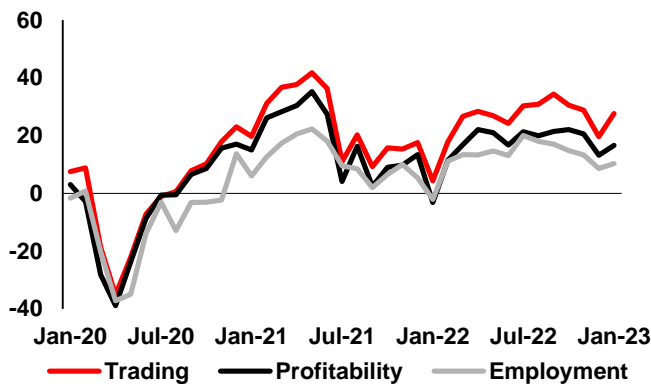


Chart 9: L-R Conditions & Confidence (Net Balance, SA)

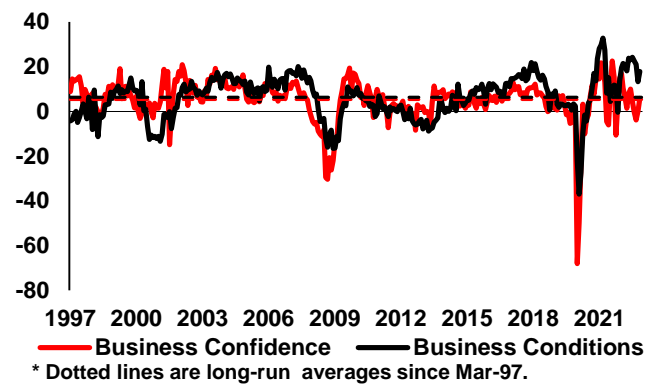


Chart 10: Conditions by Industry, Trend (Net Balance)

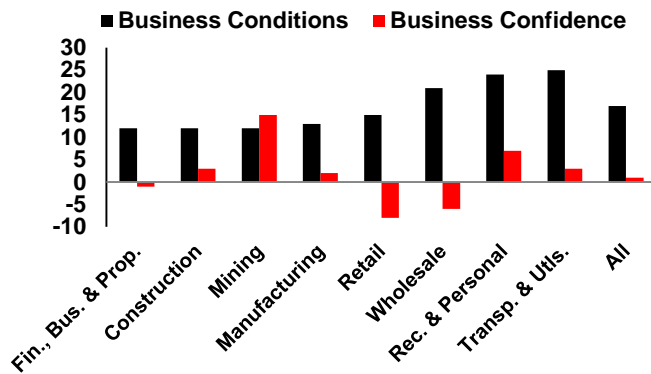
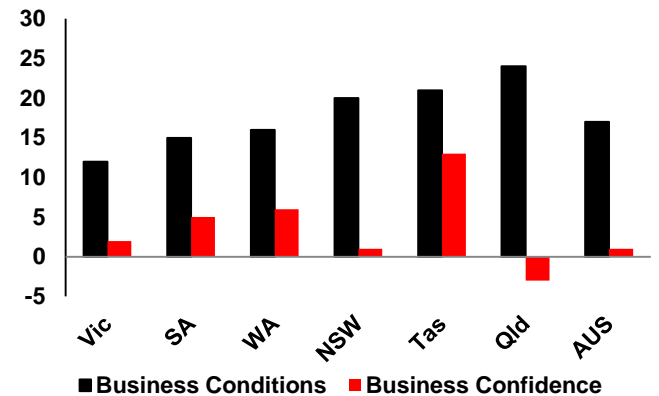


Chart 11: Conditions by State, Trend (Net Balance)



## Leading Indicators and Other Key Measures

Chart 12: Forward Orders (Net Balance)

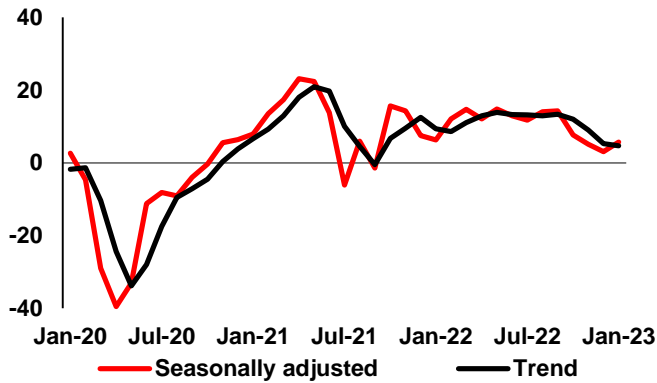


Chart 13: Capital Expenditure (Net Balance)

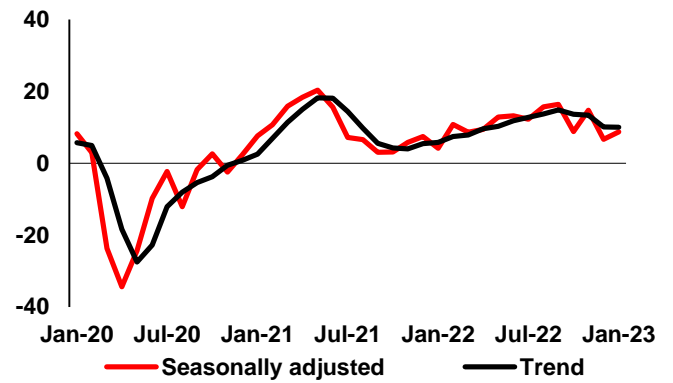


Chart 14: Capacity Util. & Unemployment (% SA)

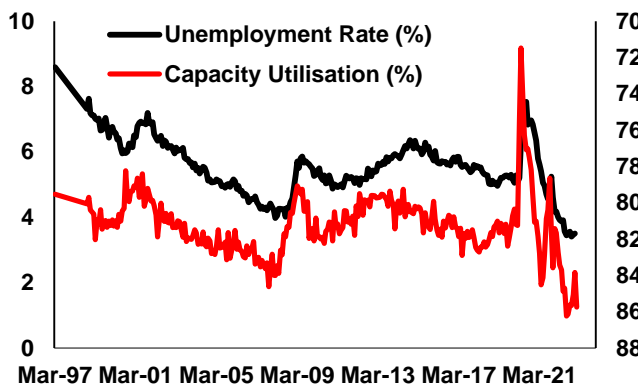


Chart 15: Capacity Util. by Industry (% 3mma)

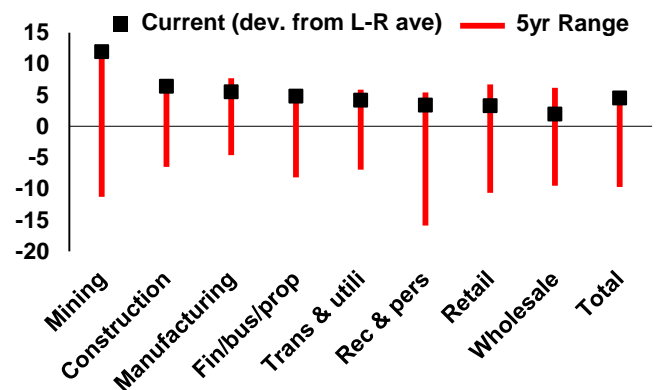


Chart 16: Stocks (Net Balance)

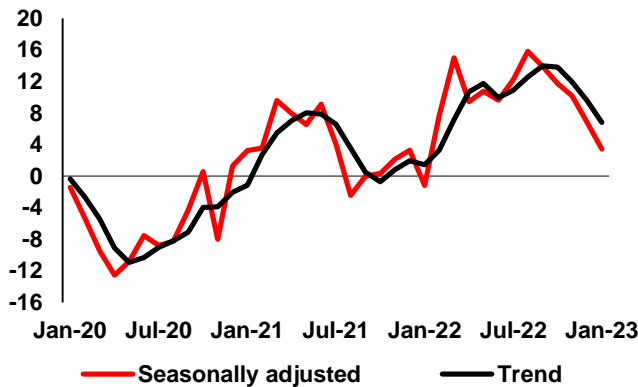


Chart 17: Cash Flow (Net Balance)

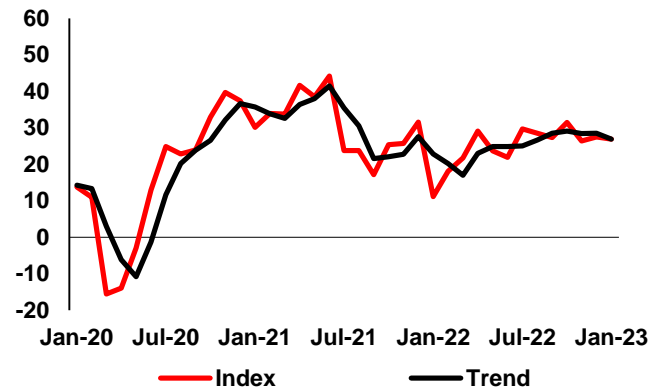


Chart 18: Exports (Net Balance)

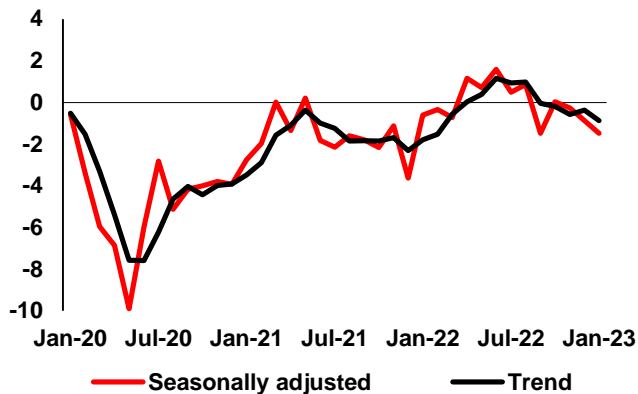
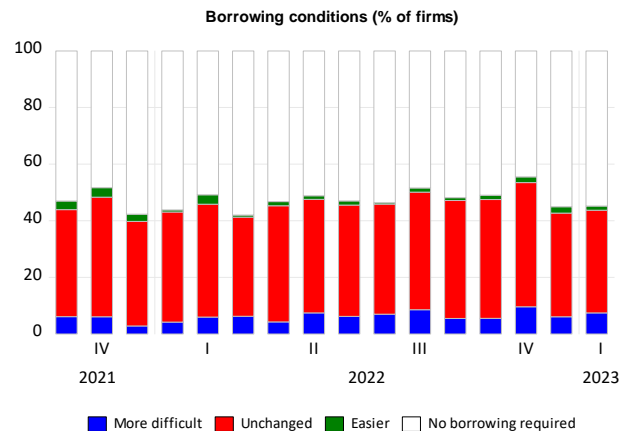


Chart 19: Borrowing Conditions (% of Firms)



## Employment, Wages and Prices

Chart 20: Employment (Net Balance)

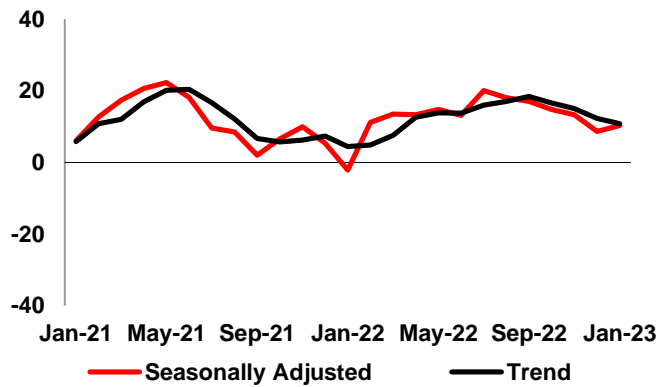


Chart 21: NAB vs ABS Employment (Net Balance, SA)

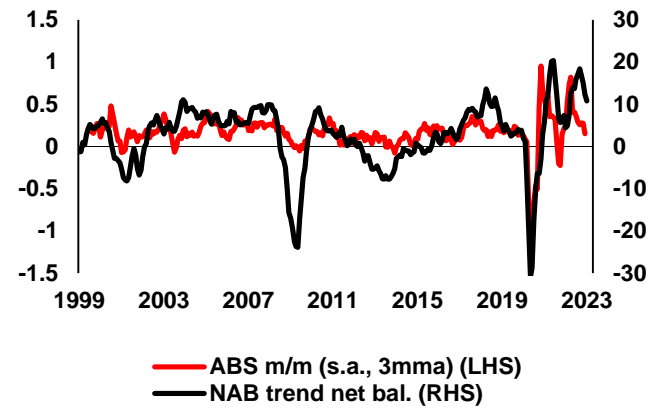


Chart 22: Employment by Industry (Net Balance, Trend)

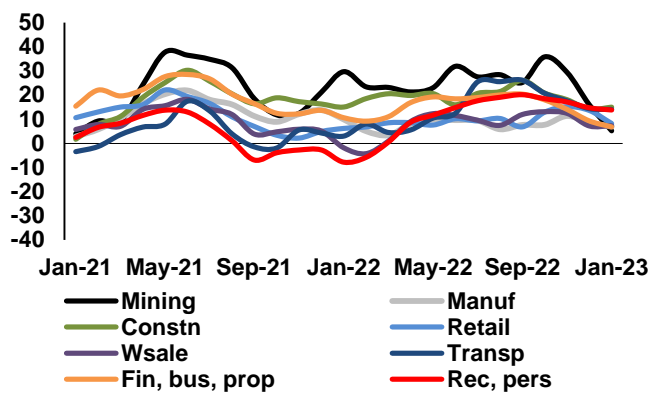


Chart 23: Labour Costs Growth, Qtly Eq. (% , SA)

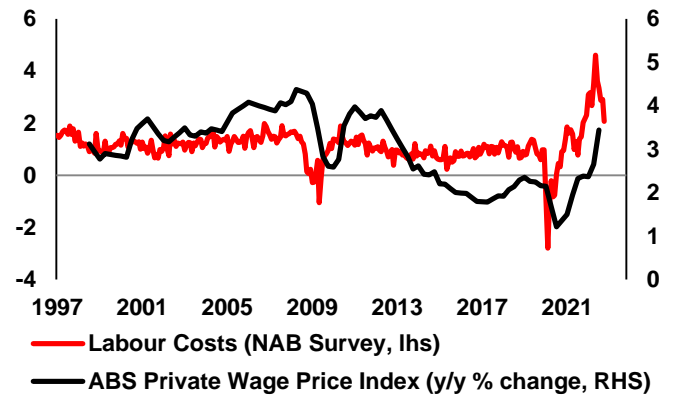


Chart 24: Costs & Price Growth, Qtly Eq. (% , SA)

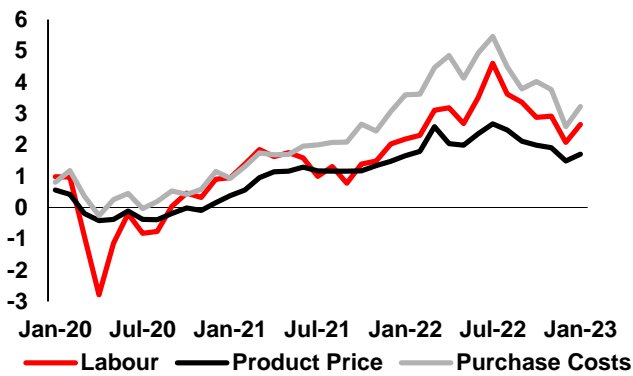
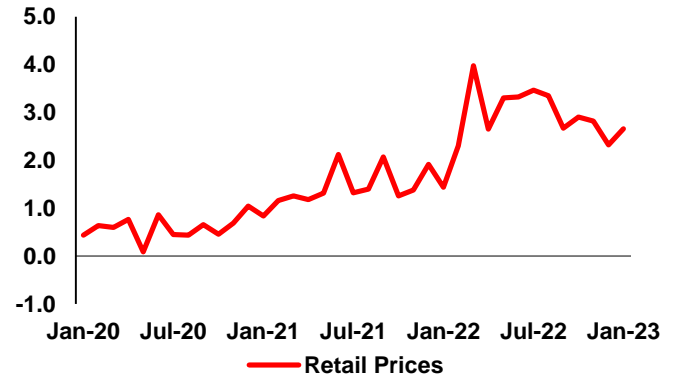


Chart 25: Retail Price Growth, Qtly Eq. (% , SA)



## Conditions and Confidence by State and Industry

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

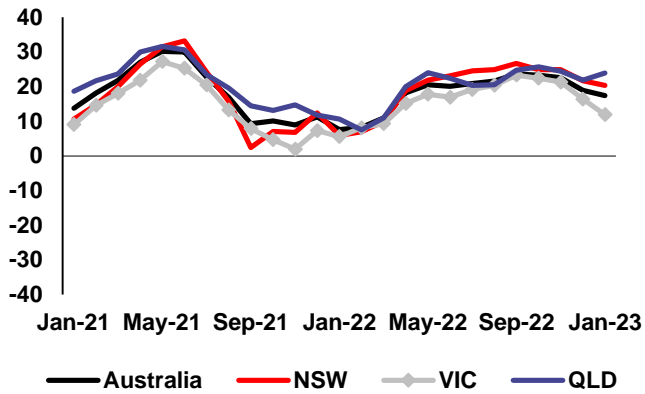


Chart 27: Conditions by State (Net Balance, Trend)

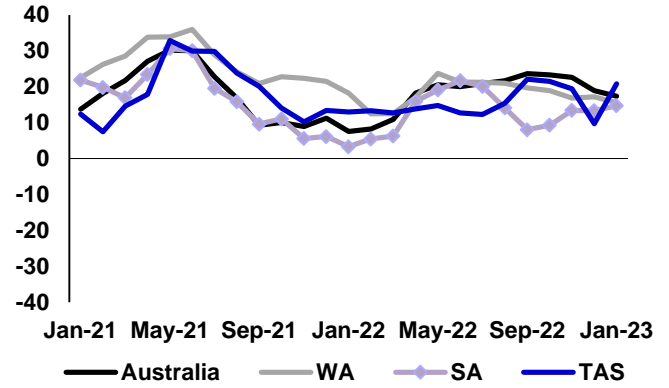


Chart 28: Confidence by State (Net Balance, Trend)

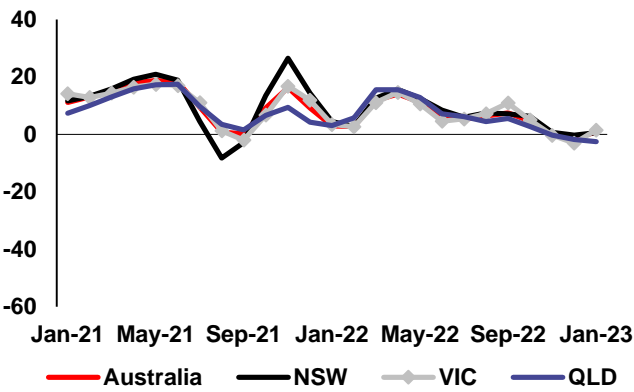


Chart 29: Confidence by State (Net Balance, Trend)

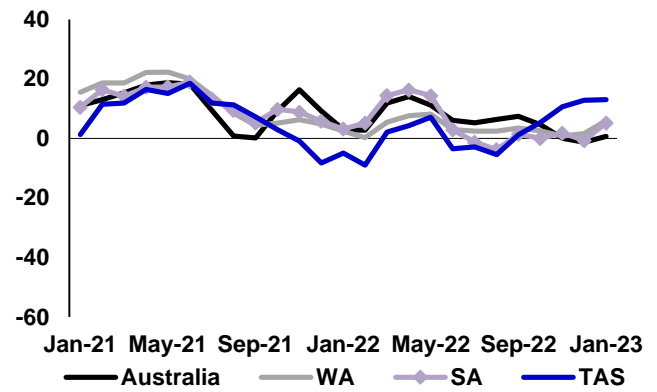


Chart 30: Conditions by Industry (Net Balance, Trend)

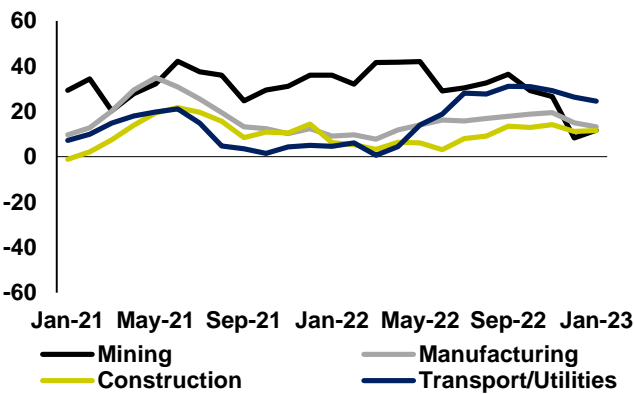


Chart 31: Conditions by Industry (Net Balance, Trend)

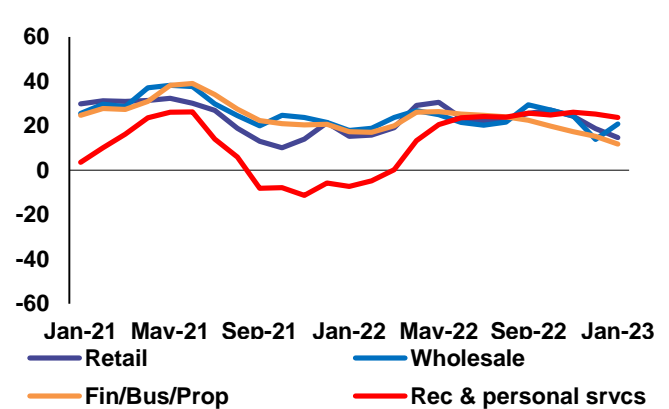


Chart 32: Confidence by Industry (Net Balance, Trend)

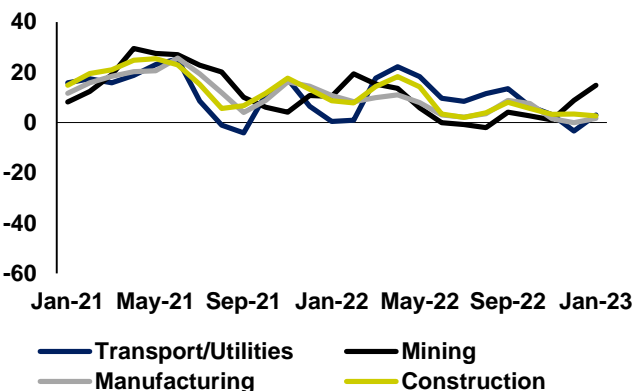
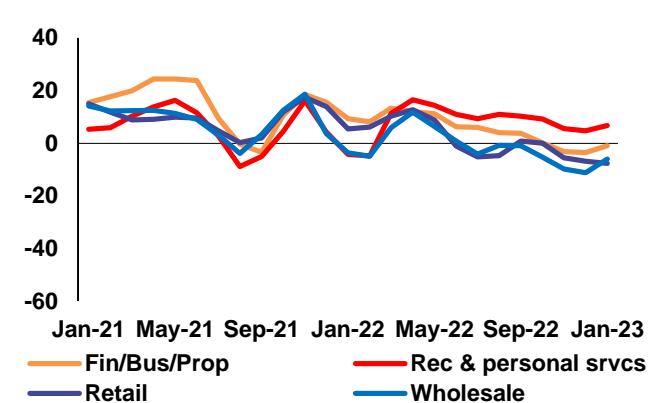


Chart 33: Confidence by Industry (Net Balance, Trend)



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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.