

NAB Quarterly Business Survey 2022 Q4



Confidence down with constraints remaining tight

NAB Group Economics

Summary

Business confidence fell considerably in Q4 as concerns about global and domestic economic growth mounted. Still, business conditions remained strong, albeit easing from the highs seen in Q3. The easing in conditions was evident across industries and states, but all remained in positive territory. Leading indicators also remained fairly strong, including expectations for future business conditions and future employment – an outlook at odds with the low levels of confidence reported by firms. Supply-side constraints remained tight, with around 90% of firms reporting availability of labour as a constraint on output and around half of firms reporting availability of materials as a constraint (both largely unchanged). Cost pressures were also still elevated, although labour and materials cost growth eased slightly from Q3. Underlying wage indicators also edged down slightly after peaking in Q3, but wage costs remain the top issue affecting business confidence. Overall price growth edged lower, to 1%, but retail price growth was unchanged at 1.6% in the quarter.

Survey Details

- **Business conditions** eased 5pt in Q4, to +18 index points. Trading conditions, profitability and employment all declined but remained at high levels. Conditions were down in every industry, with the largest falls in mining, wholesale, and finance, business & property – but all industries and states were still in positive territory.
- **Business confidence** fell 9 points, to -1 index point. Confidence turned negative in most industries, but remains positive in transport & utilities and recreation & personal services. By state, confidence fell to negative reads in Vic and Qld and was down to zero in NSW and WA, but improved in SA and Tas.
- **Leading indicators** remain reasonable. Expected business conditions eased but were still elevated at +18 index points at 3-month and 12-month horizons. Forward orders continued to soften but were still around the long-run average at +7 index points and capacity utilisation was at 84.8%. Capex intentions also remained strong at +26 index points.
- **Labour indicators** also remain elevated. Expected employment in 3 months sits at +16 index points and 12-month expectations at +30 index points – both down from Q3 but still very elevated. Around 90% of firms continued to report that availability of labour is a constraint on output.
- **Price measures** remained high with only limited signs of easing. Purchase costs grew at 1.5% (down from 2% in Q3), and the share of firms reporting materials availability as a constraint remained around 50%. Labour cost growth was 1.8% (from 2.1% in Q3). Final product price growth was 1%, while retail price growth was unchanged 1.6%.
- **Wage costs and availability of labour** were once again the top issues affecting business confidence, reflecting the very tight labour market environment that businesses are facing. Still, expected annual wage growth per employee eased in the quarter, from 2.1% in Q3 to 1.8% in Q4. Pressure on margins also remains a top concern, albeit the profitability index remains elevated.

Table 1: Key Quarterly Business Survey Statistics

	2022q2	2022q3	2022q4		2022q2	2022q3	2022q4
	<i>Net balance</i>				<i>Net balance</i>		
Business confidence	6	9	-1	Trading	28	31	24
Business conditions				Profitability	20	20	16
Current	22	23	18	Employment	18	20	14
Next 3 months	33	31	18	Forward orders	19	15	7
Next 12 months	29	27	18	Stocks	14	16	12
Capex plans (next 12)	31	32	26	Exports	1	0	0
	<i>% change</i>						
Labour costs	1.6	2.0	1.5	Retail prices (% change)	1.8	1.6	1.6
Purchase costs	2.1	2.1	1.8				
Final products prices	1.2	1.3	1.0	Capacity utilisation rate (%)	85.2	86.0	84.8

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 21 November to 9 December 2022, covering over 900 firms across the non-farm business sector.

Next release date: 20 April 2023.

Quarterly Focus: Expectations for Wage Growth

After a period of subdued wage growth in recent years, official measures of wage growth began to pick up in 2022 as a tight labour market and significant minimum wage increase provided some support to wages.

The hourly wage price index (WPI) rose 1% q/q and 3.1% y/y in Q3, while the wider national accounts measure of aggregate compensation of employees (COE) grew 3.2% to be up 10% y/y.

The pickup has also been evident in NAB’s survey measures of wage pressures. The share of firms reporting moderate or substantial increases in wage pressures over the past six months has increased significantly, and remains at around 50% in Q4 (Chart 1). This is well above the pre-COVID level of around 15-20%. In total, around 85% of firms reported experiencing an increase in wage pressures to some extent over the past six months.

The quarterly measure of labour cost growth is also well-above pre-COVID levels. However, Q4 saw labour cost growth ease for the first time since mid-2021, reversing the pickup seen in Q3 (Chart 2). While this measure remains very elevated, it suggests some of the wage pressure seen in Q3 may have been temporary, possibly reflecting the higher-than-usual minimum wage increase.

Looking ahead, around 35% of firms expect to experience moderate or substantial increases in wage pressures in the next six months – broadly unchanged from Q3 and still well above the pre-pandemic norm (generally less than 20%) (Chart 3). Likewise, the share of the total expecting increased wage pressures was steady at 70%.

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). After strengthening across the past year, this measure eased slightly in Q4, to 1.8%. The distribution of responses was similar to Q3, with just under 40% of firms expecting wage growth of 3% or more over the coming year and around 25% expected wage growth of 1-3% (Chart 5).

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

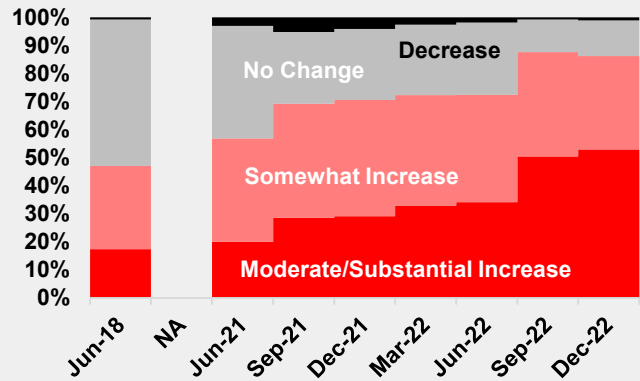


Chart 3: Labour Costs and COE Growth (Percent, SA)

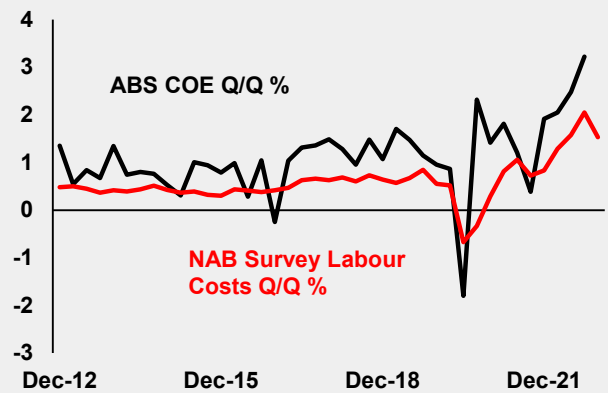


Chart 4: Wage Pressures in Next 6 Months (% of Firms)

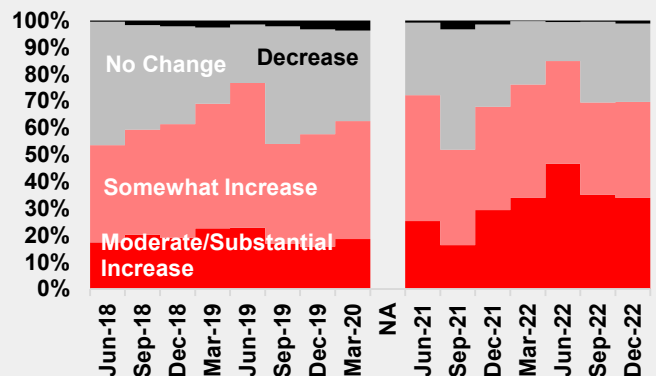


Chart 1: Expected wages vs ABS Wage Growth (%)

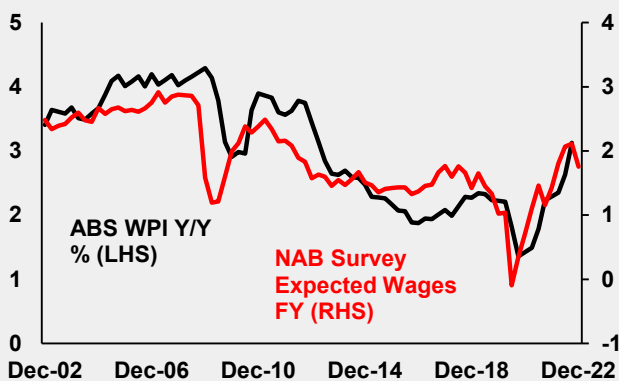
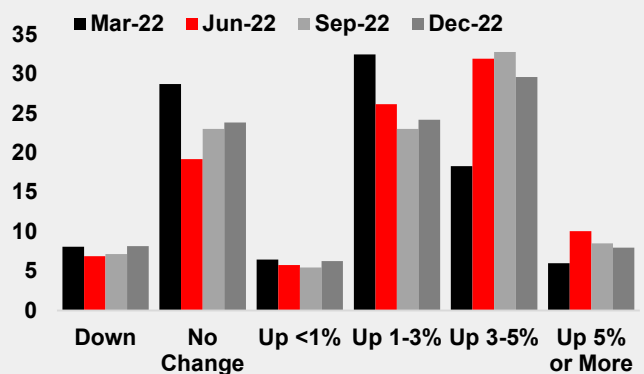


Chart 5: Distribution of wage growth expectations (% of firms)



Business Conditions and Confidence

Chart 6: Conditions & Confidence (Net Balance, SA)

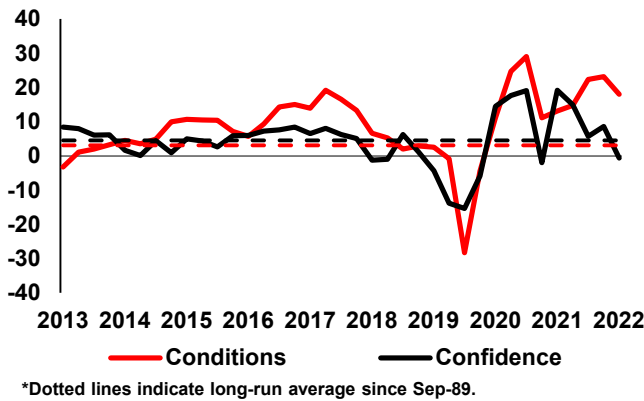
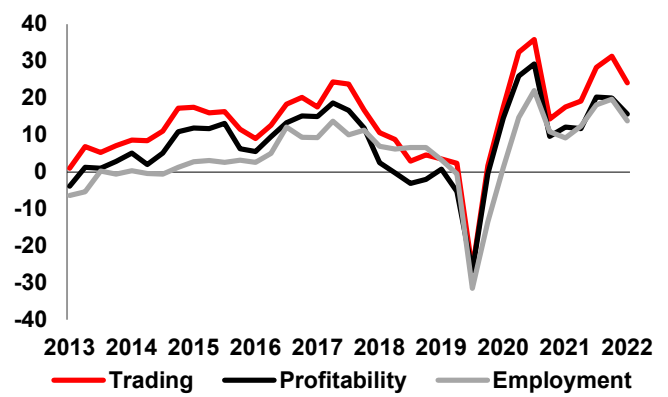


Chart 7: Conditions Components (Net Balance, SA)



Drivers of Business Confidence

Chart 8: Issues Affecting Confidence (Share of Firms)

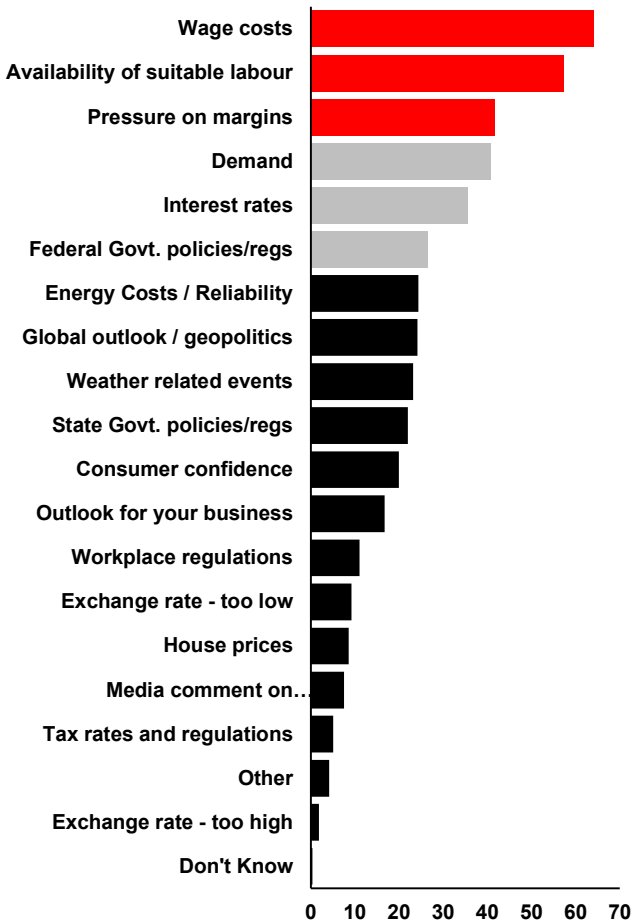


Chart 9: Issues Affecting Confidence (Share of Firms): Deteriorating Confidence

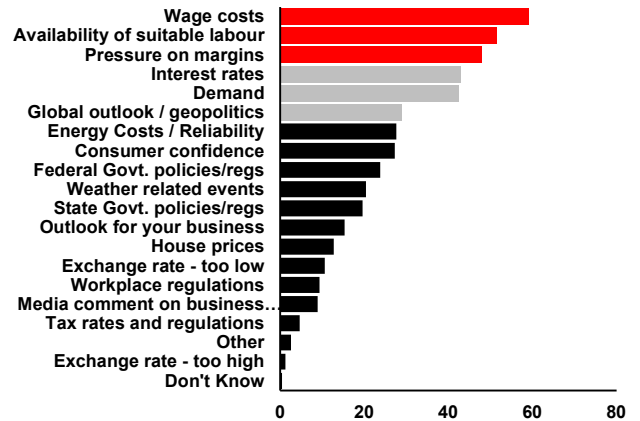
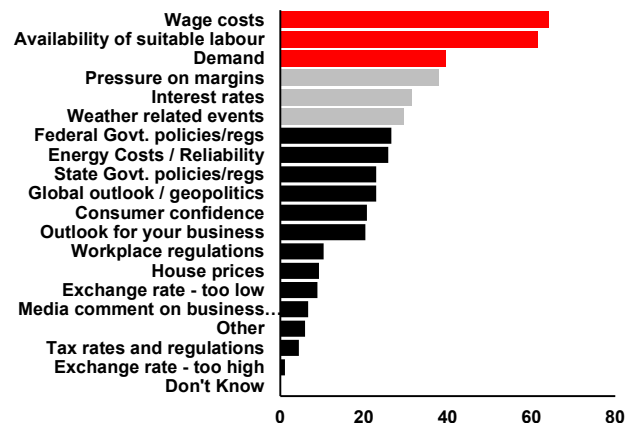


Chart 10: Issues Affecting Confidence (Share of Firms): Improving Confidence



Leading Indicators and Business Investment

Chart 11: Expected Conditions (Net Balance, SA)

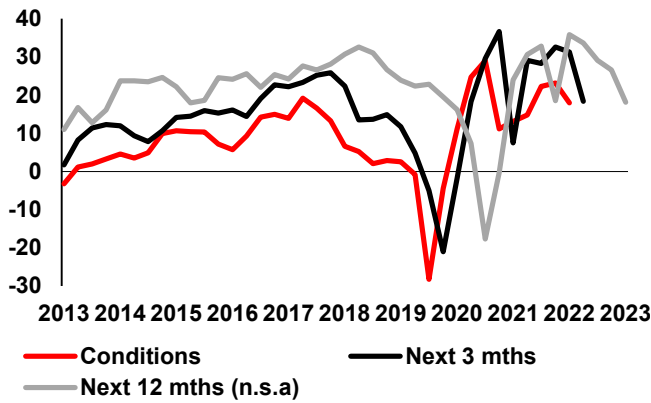


Chart 12: Expected Forward Orders (Net Balance, SA)

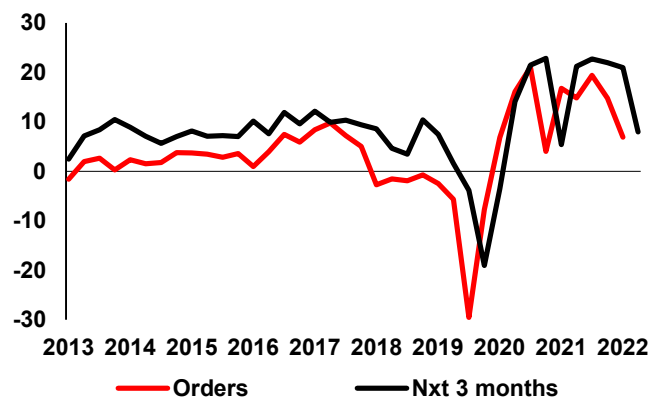


Chart 13: Capacity Utilisation (Percent, SA)

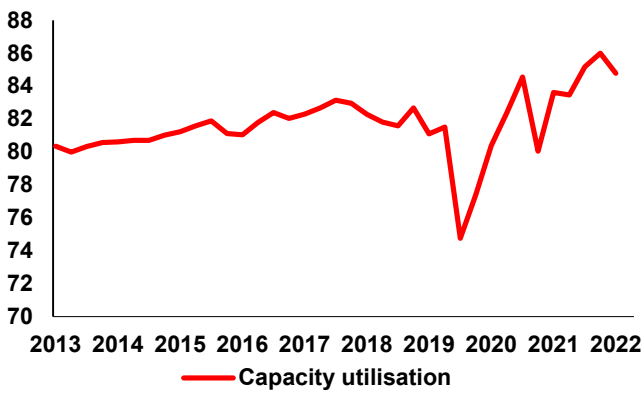


Chart 14: Capacity Utilisation (3Qtr Moving Average)

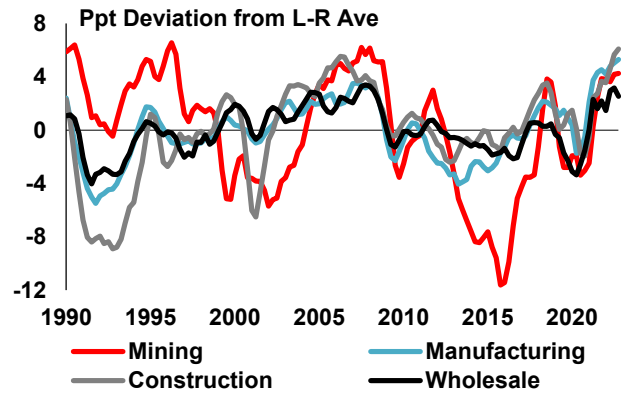


Chart 15: Stocks (Net Balance, SA)

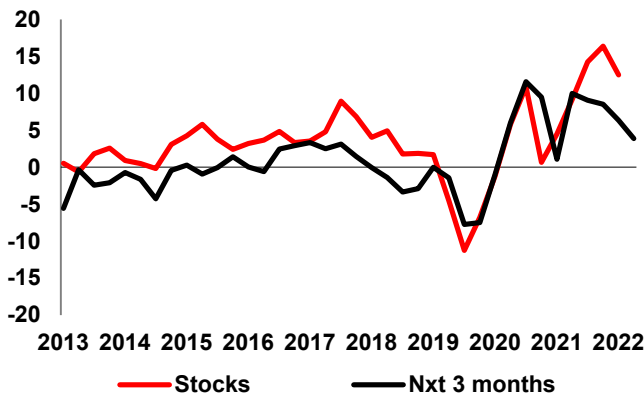
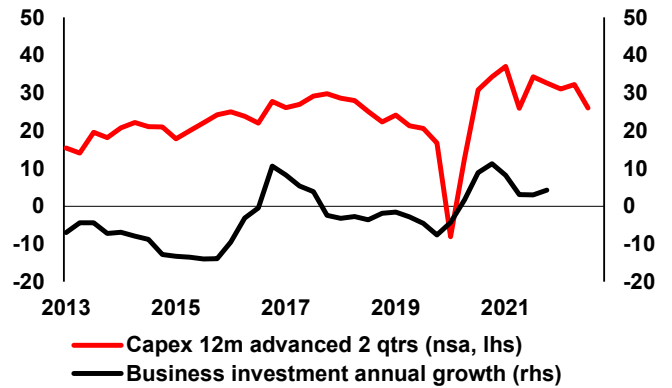


Chart 16: Expected Capex (Net Balance, SA)



Labour Market Indicators

Chart 17: Employment Expectations (Net Balance, SA)

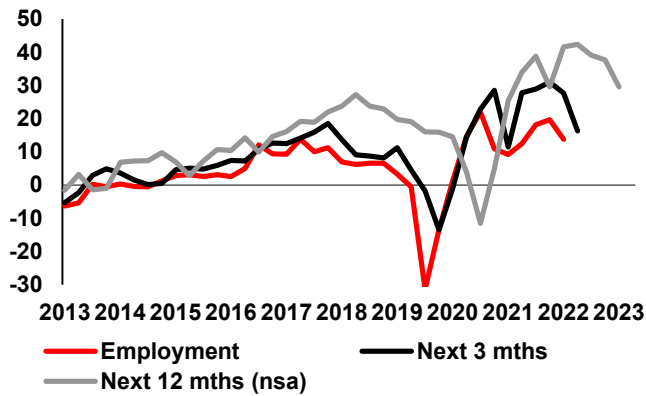


Chart 18: Labour Constraints & Unemployment Rate

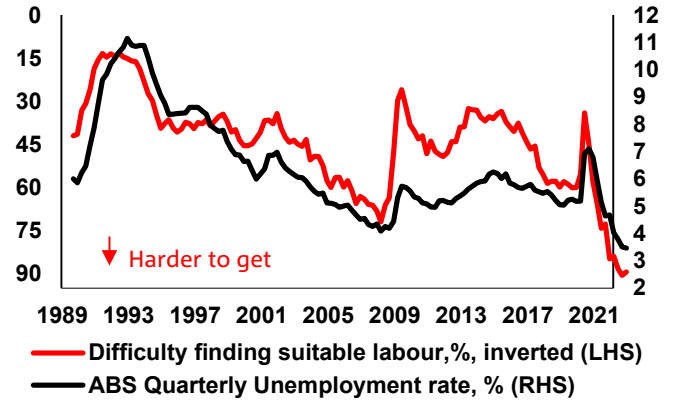


Chart 19: Change in Average Hours Worked (NSA)

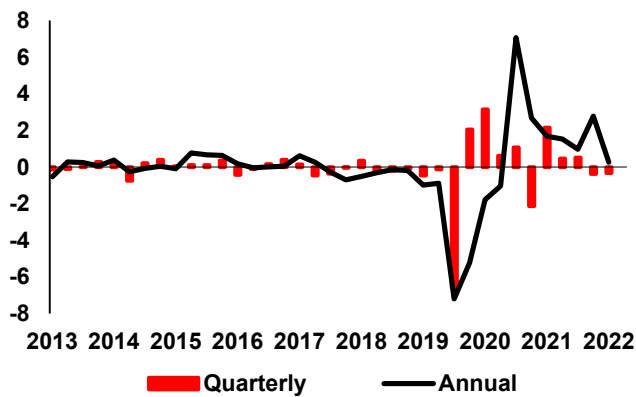


Chart 20: Labour Constraints & Underutilisation

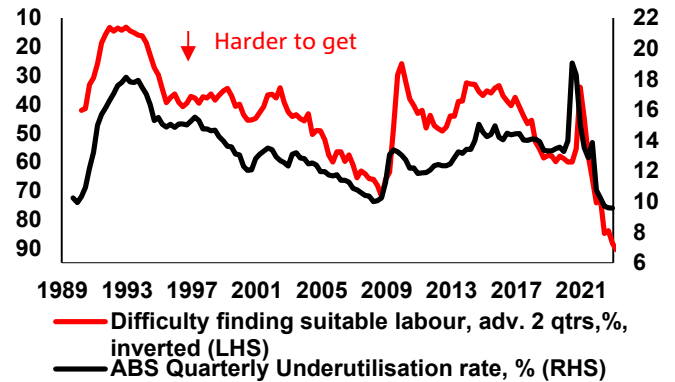


Chart 21: Average Hours Worked by Industry (NSA)

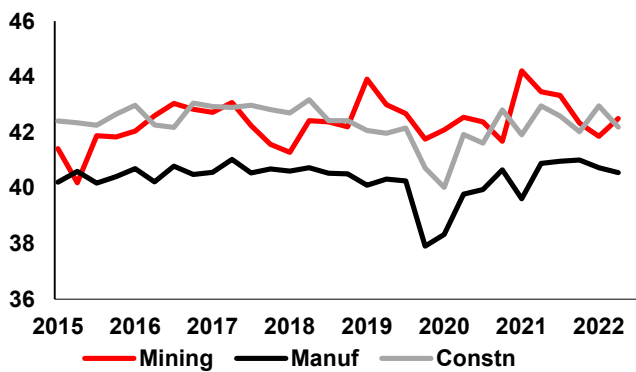


Chart 22: Average Hours Worked by Industry (NSA)

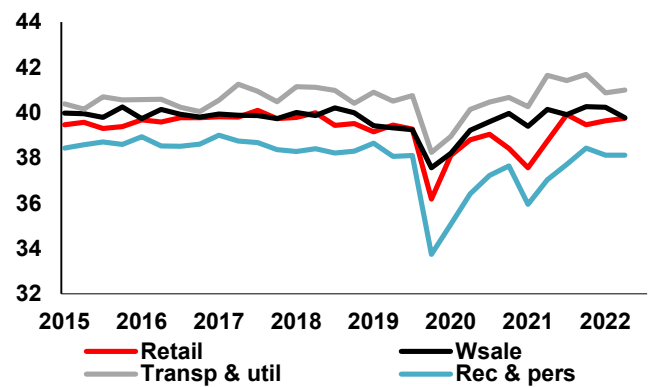
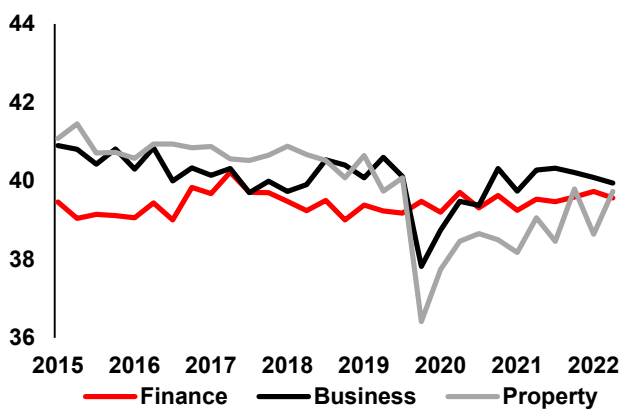


Chart 23: Average Hours Worked by Industry (NSA)



Major Constraints on Firm Output

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

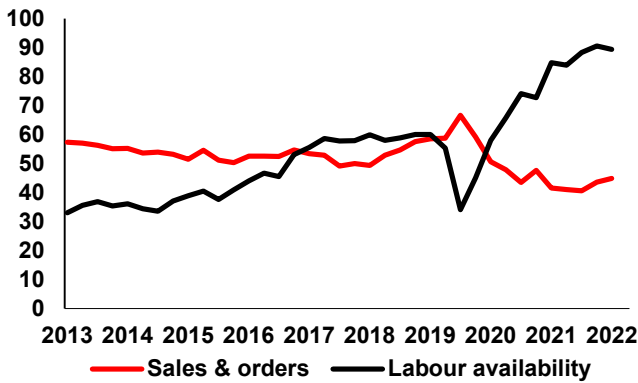
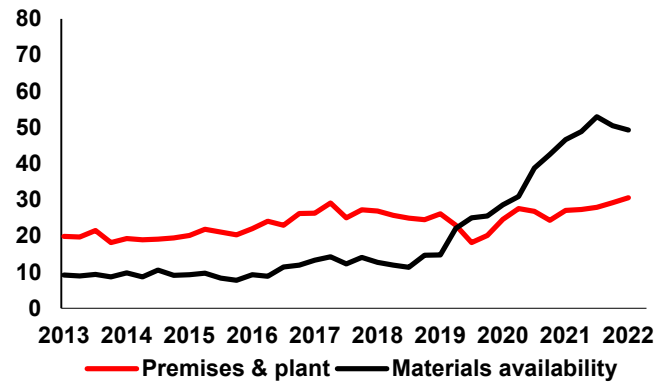


Chart 25: Main Constraints on Firm Output (% of Firms)



Inflation Pressures

Chart 26: Annualised Price Growth (Percent, SA)

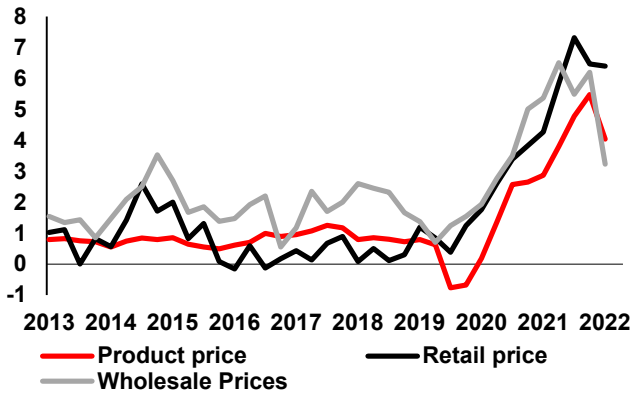
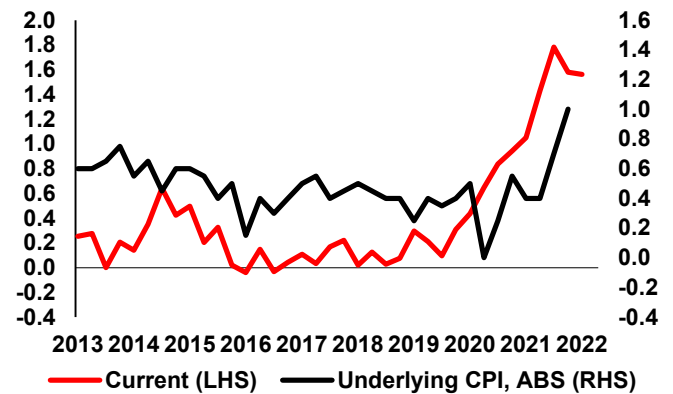


Chart 27: Retail Price Growth (Percent, SA)



Labour Costs

Chart 28: Labour Costs & Compensation of Employees Growth (Percent, SA)

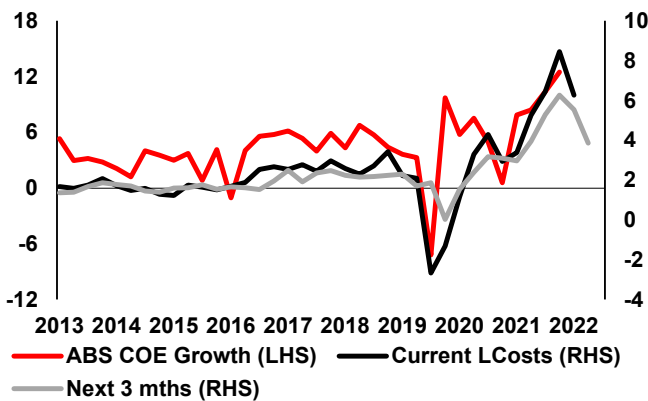
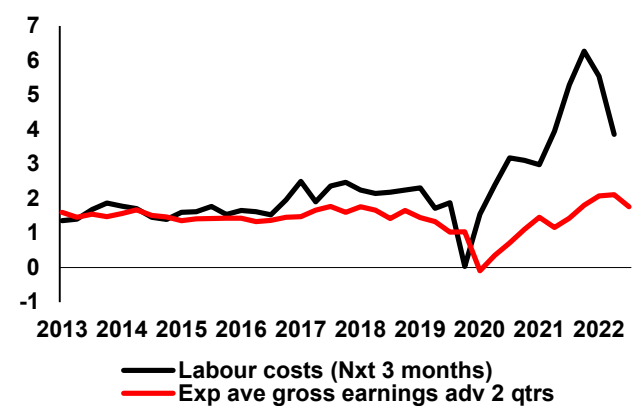


Chart 29: Expected Labour Costs & Average Earnings Growth (Percent, SA)



Details by Industry

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

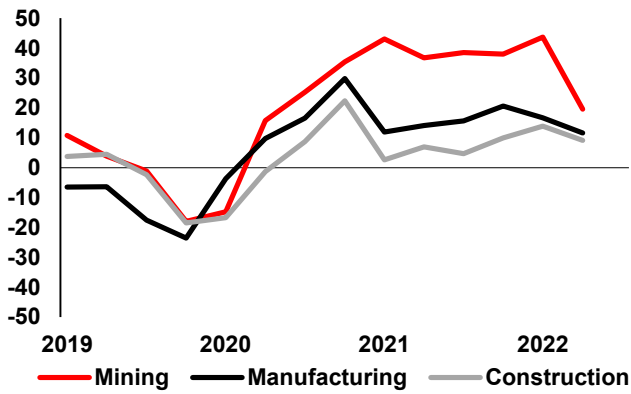


Chart 31: Confidence by Industry (Net Balance, SA)

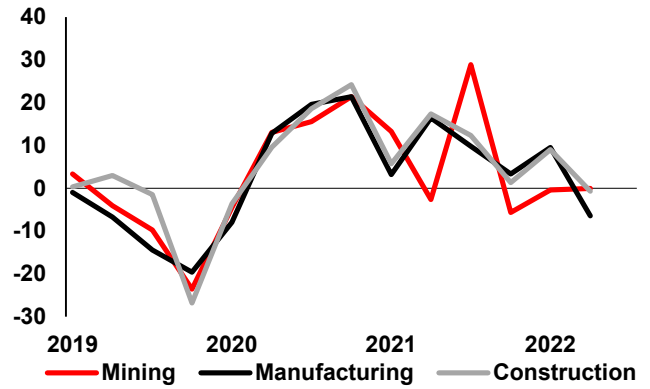


Chart 32: Conditions by Industry (Net Balance, SA)

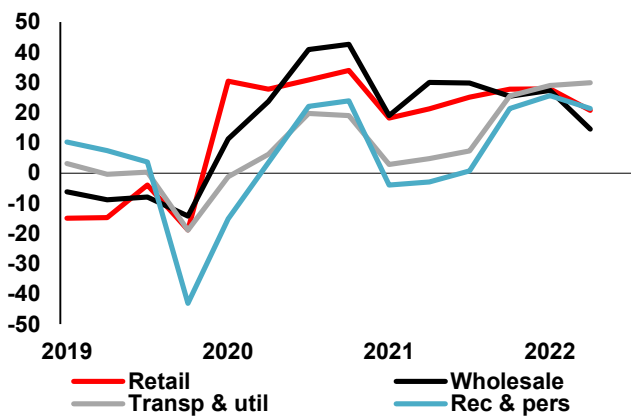


Chart 33: Confidence by Industry (Net Balance, SA)

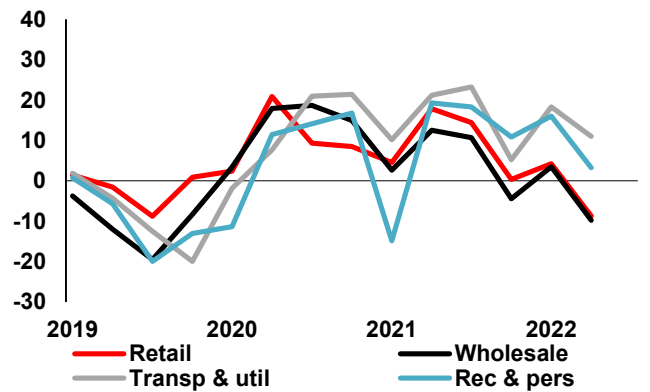


Chart 34: Conditions by Industry (Net Balance, SA)

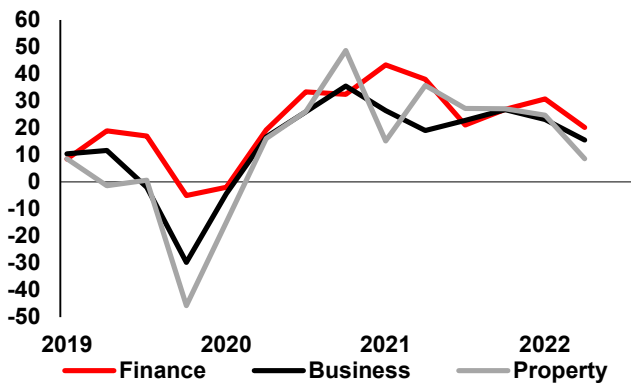
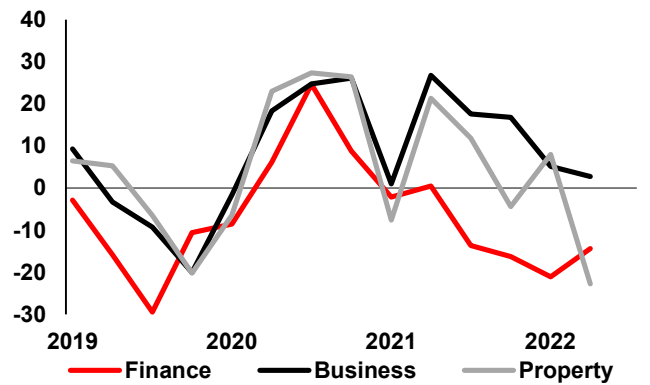


Chart 35: Confidence by Industry (Net Balance, SA)



Construction Sub-Industry Details

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

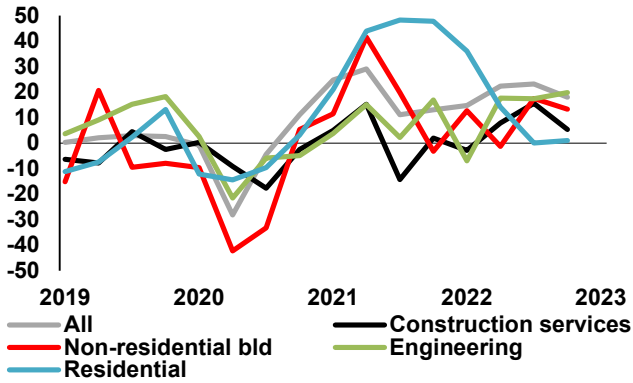


Chart 37: Confidence by Construction Sub-Industry (Net Balance, SA)

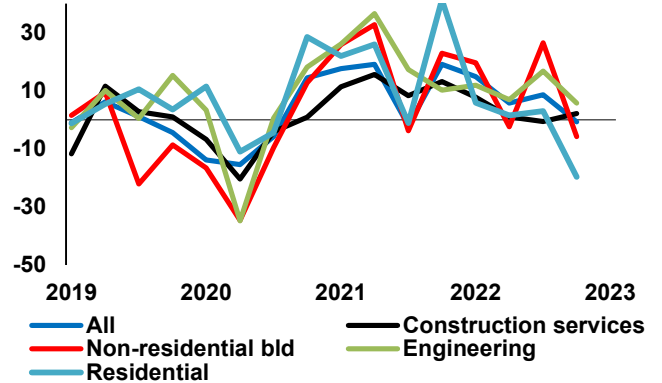


Chart 38: Employment by Construction Sub-Industry (Net Balance, SA)

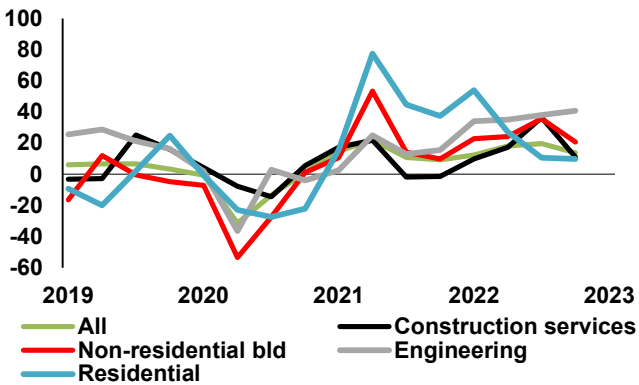
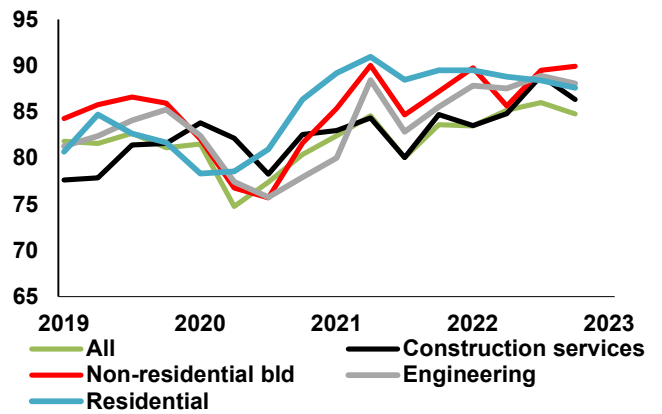


Chart 39: Capacity Utilisation by Construction Sub-Industry (Percent, SA)



Details by State

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

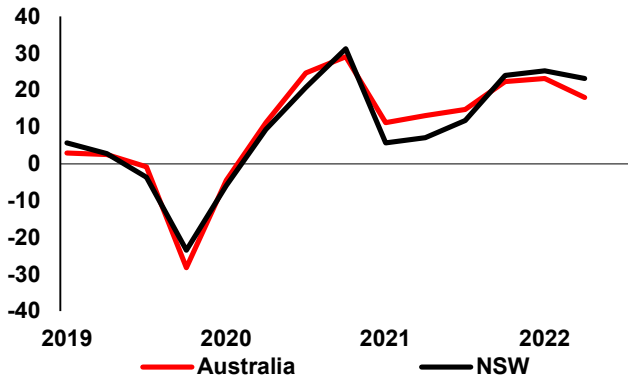


Chart 41: Confidence by State (Net Balance, SA)

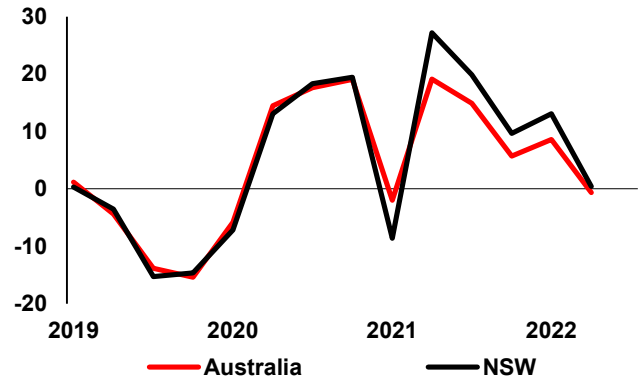


Chart 42: Conditions by State (Net Balance, SA)

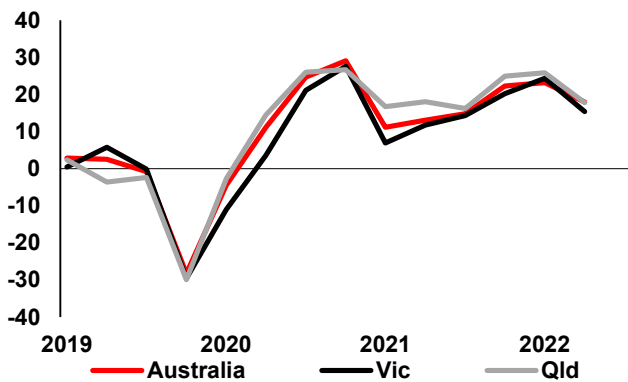


Chart 43: Confidence by State (Net Balance, SA)

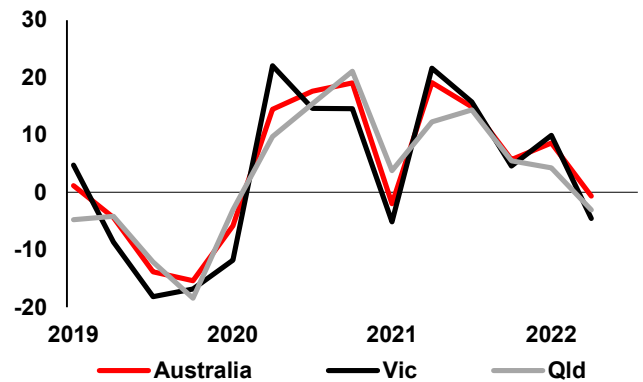


Chart 44: Conditions by State (Net Balance, SA)

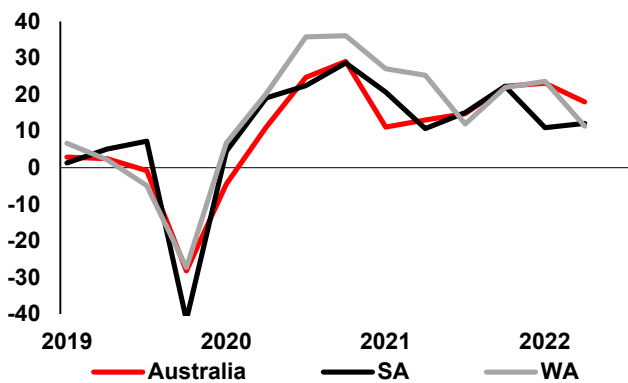
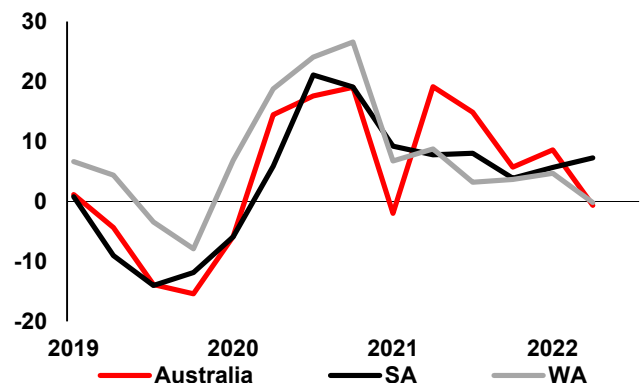


Chart 45: Confidence by State (Net Balance, SA)



Data Appendix

	2021q4	2022q1	Quarterly			2022q4	2022m8	2022m9	Monthly		
			2022q2	2022q3	2022q4				2022m10	2022m11	2022m12
Confidence	19	15	6	9	-1	10	4	-1	-4	-1	
Conditions	13	15	22	23	18	22	23	22	20	12	

	2021q4	2022q1	Quarterly			2022q4	2022m8	2022m9	Monthly		
			2022q2	2022q3	2022q4				2022m10	2022m11	2022m12
Trading	18	19	28	31	24	30	33	29	27	18	
Profitability	12	12	20	20	16	19	20	21	19	12	
Employment	9	12	18	20	14	18	17	14	13	8	

	Quarterly ^(a)					Monthly				
	2022q3	2022q4	2023q1	2023q3	2023q4	2022m8	2022m9	2022m10	2022m11	2022m12
Conditions	23	18	NA	NA	NA	22	23	22	20	12
Conds. next 3m	33	31	18	NA	NA					
Conds. nxt 12m	19	36	34	27	18					
Orders	15	7	NA	NA	NA	14	14	7	5	3
Orders next 3m	22	21	8	NA	NA					

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

	Quarterly ^(a)					Monthly				
	2022q1	2022q2	2022q3	2022q4	2023q1	2022m8	2022m9	2022m10	2022m11	2022m12
Capacity utilis.	83.5	85.2	86.0	84.8	NA	86.2	85.6	85.6	85.0	83.7
Stocks current	9	14	16	12	NA	16	14	11	11	6
Stocks next 3m	10	9	9	6	4					

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

	Quarterly ^(a)					Monthly				
	2022q3	2022q4	2023q1	2023q3	2023q4	2022m8	2022m9	2022m10	2022m11	2022m12
Empl current	20	14	NA	NA	NA	18	17	14	13	8
Empl next 3m	31	28	16	NA	NA					
Empl nxt 12m	30	42	42	38	30					

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

	2021q4	2022q3	2022q4
Constraints on output (% of firms)*			
Sales & orders	41.5	43.6	44.9
Labour	84.8	90.5	89.4
Premises & plant	27.0	29.2	30.5
Materials	46.6	50.4	49.3

* not s.a.

Data Appendix - States

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2021q4</u>	<u>2022q1</u>	<u>2022q2</u>	<u>2022q3</u>	2022q4	<u>2022m8</u>	<u>2022m9</u>	2022m10	2022m11	2022m12
Business conditions										
NSW	7	12	24	25	23	25	27	20	24	17
VIC	12	14	20	24	15	23	26	18	19	10
QLD	18	16	25	26	18	24	21	33	18	13
SA	11	15	22	11	12	3	4	19	15	3
WA	25	12	22	24	11	22	13	21	15	13

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2021q4</u>	<u>2022q1</u>	<u>2022q2</u>	<u>2022q3</u>	2022q4	<u>2022m8</u>	<u>2022m9</u>	2022m10	2022m11	2022m12
Business confidence										
NSW	27	20	10	13	0	13	6	1	-5	2
VIC	22	16	5	10	-5	10	9	-4	-8	-2
QLD	12	14	5	4	-3	6	3	-1	-3	-2
SA	8	8	4	6	7	-2	4	-2	3	-5
WA	9	3	4	5	0	3	1	2	-3	4

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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*

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.