



NAB Monthly Business Survey Feb-23

Confidence volatile but conditions still strong

NAB Group Economics

Summary

Business confidence fell back below zero in February, continuing a recent period of volatility. Still, business conditions remained strong with little change in the elevated levels of key subcomponents including trading conditions and employment. Conditions remain elevated across industries and states, with consumer-facing sectors clustered at a high level of around +20 index points and business-facing sectors clustered around +10 index points. Forward orders eased, weighed down by a significant decline in wholesale, but capacity utilisation remained elevated at 85.2%. Price and cost growth measures also remained high in February. Labour cost growth picked up further from a brief low of 2.1% in December, now at 2.8% in quarterly terms, while purchase cost growth was steady at 3.1%, though retail price growth eased slightly. Overall, the survey confirms the ongoing resilience of the economy through the first months of 2023 despite high inflation and the ongoing pass-through of higher interest rates to households. While we expect inflation likely peaked in Q4, price growth remains elevated and the survey suggests that while global goods-side pressures have abated somewhat, there has been less evidence of easing in services-side pressures (see page 2). NAB continues to expect a more material slowdown in demand, but this will likely come later in 2023 when the full effect of rate rises has passed through.

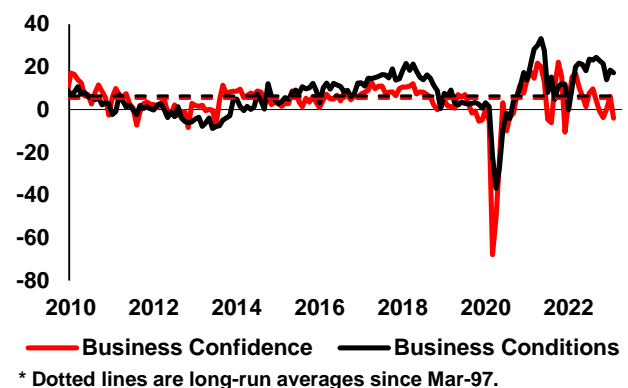
Survey Details

- **Business conditions** edged down 1pt to +17 index points in February, still a very strong level in the history of the survey. Trading conditions (+27 index points) and employment (+12) were steady at while profitability fell 4pts to +14.
- **By industry** there was a strong rise in retail (up 15pts) and a smaller lift in finance, business & property (up 3pts) but lower across other sectors, particularly wholesale (down 23pts) and construction (down 12pts). In trend terms, conditions remain strong across the board at around +20 index points in consumer-facing sectors like retail, wholesale, transport & utilities, and recreation & personal services, and around +10 index points in more business-facing sectors like mining, manufacturing, construction, and finance, business & property.
- **Across the states** there were declines in Tas, Qld, SA and NSW (though all remain elevated), while Vic saw a rise; WA was flat. In trend terms, conditions remain very strong across the states.
- **Business confidence** fell 10pts to -4 index points, after a rising into positive territory in January. The fall was driven by wholesale, recreation & personal services, and finance, business & property. Across the states, confidence eased across the board but was still positive in trend terms everywhere but NSW and Qld.
- **Leading indicators** eased slightly. Forward orders fell 3pts to +3 index points, largely driven by a significant decline in the wholesale sector. Capacity utilisation also eased slightly but remains elevated at 85.2%.
- **Price and cost growth** remained high in February. Labour cost growth rose to 2.8% in quarterly terms, after a brief low of 2.1% in December. Purchase costs growth remained at 3.1%. Output price growth was also steady at 1.6% in quarterly terms, with the retail component easing slightly to 1.9%.

Table 1: Key Monthly Business Survey Statistics

	Dec-22	Jan-23	Feb-23
	Net balance		
Business confidence	0	6	-4
Business conditions	14	18	17
Trading	21	27	27
Profitability	14	18	14
Employment	9	11	12
Forward orders	3	6	3
Stocks	7	4	8
Exports	-1	-2	1
	% change at quarterly rate		
Labour costs	2.1	2.4	2.8
Purchase costs	2.5	3.1	3.1
Final products prices	1.5	1.6	1.6
Retail prices	2.4	2.5	1.9
	Per cent		
Capacity utilisation rate	83.8	85.8	85.2

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



All data seasonally adjusted and subject to revision. Survey conducted from 20 to 28 February 2023, covering around 400 firms across the non-farm business sector.

Next release date: 11 April 2023

Monthly Focus: Tracking Demand and Inflation Across Retail & Services

After a year of very high inflation driven largely by global supply-side shocks, inflation is widely tipped to have peaked in Q4 of 2022. However, RBA governor Phillip Lowe has stated that “over time, demand-side factors have become more prominent” in Australia’s inflation challenge, prompting the central bank to continue raising interest rates into the new year as it seeks to slow demand.

While the new ABS monthly CPI measure contained limited information about services inflation in January (and will also be limited in February), the NAB Monthly Business Survey covers a large share of both goods (retail) and services (recreation & personal services). As such, it provides an early indication of how pressures are evolving and feeding through to consumer prices.

Looking first at the retail sector, the survey suggests goods demand eased somewhat through the final months of 2022, though it remained at high levels (Chart 2). Retail business conditions averaged +18 index points over the past three months, including trading conditions of +25. Capacity utilisation is also down slightly from its peak in mid-2022 but still well above pre-COVID levels at 84.8%.

At the same time, supply-side cost pressures have eased considerably in the retail sector (Chart 3). Purchase cost growth (in quarterly terms) has come down from peaks as high as 5% in 2022 to 2.9% over the past three months, reflecting easing global supply issues and freight costs. Labour cost growth has also eased to around 2%.

On net, the survey shows retail price growth has gradually moderated from a peak of around 3.4% in mid-2022 to 2.3% over the three months to February, suggesting a gradual pass through from easing global cost pressures.

For recreation & personal services, demand has remained very strong after rebounding from COVID lockdowns (Chart 4). Business conditions were +22 index points over the past three months, with trading conditions at +31 and capacity utilisation at 84.3%.

Cost pressures on the services side are also elevated, with less obvious moderation than that seen in retail (Chart 5). Purchase cost growth was running at 3.8% over the past three months, and labour cost growth was 2.9%. Prices in recreation & personal services are also growing strongly, at 1.7% over the three months to February. While this is slightly below the price growth reported for retail, the trend appears broadly steady, suggesting neither rapid acceleration nor deceleration in services side inflation so far in 2023.

Given the importance of services prices to the outlook for monetary policy, these measures will continue to be an important reference point over coming months to assess the evolution of inflation in the economy.

Chart 2: Retail indicators (net balance, 3mma)

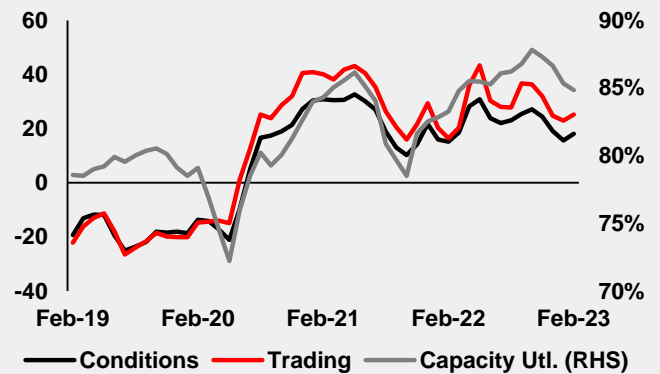


Chart 3: Retail costs & prices (qtlly eq., 3mma)

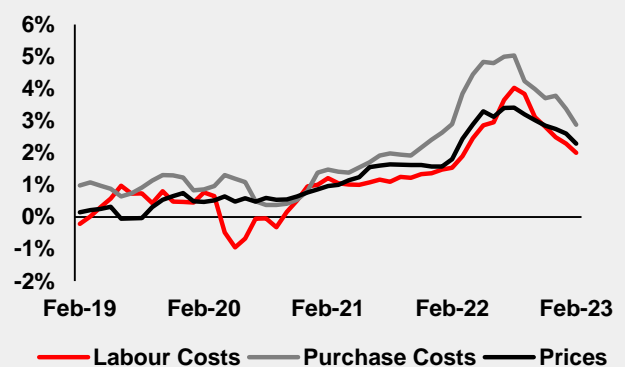


Chart 4: Rec. & pers. indicators (net balance, 3mma)

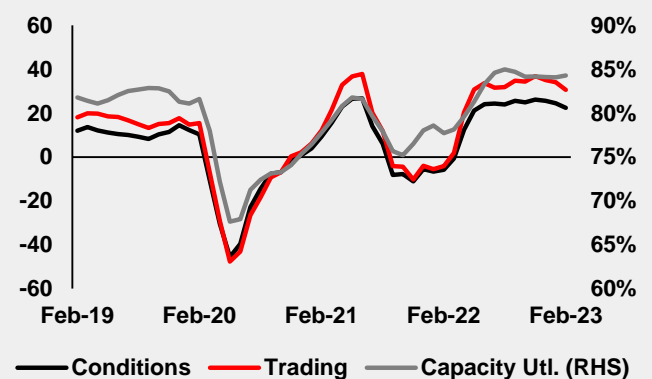
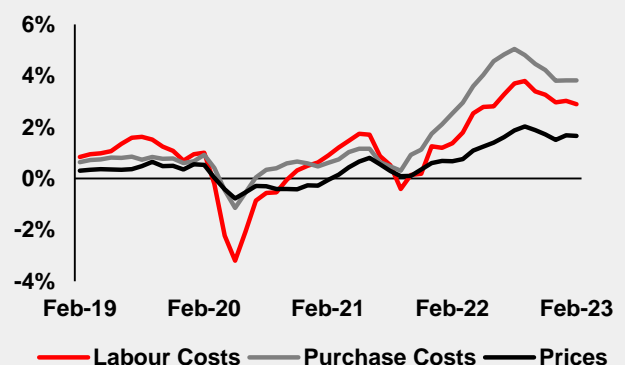


Chart 5: Rec. & personal costs & prices (qtlly eq., 3mma)



Business Conditions and Confidence

Chart 6: Business Confidence (Net Balance)

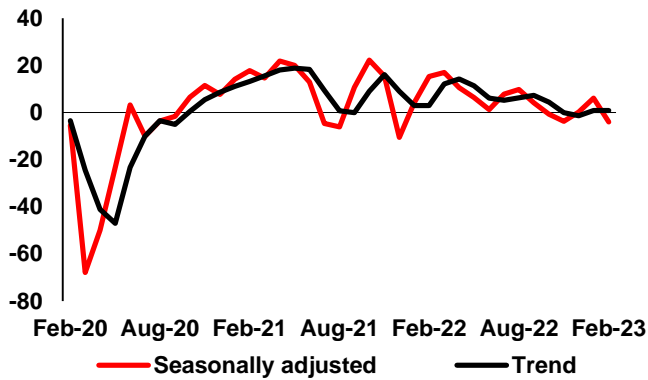


Chart 7: Business Conditions (Net Balance)

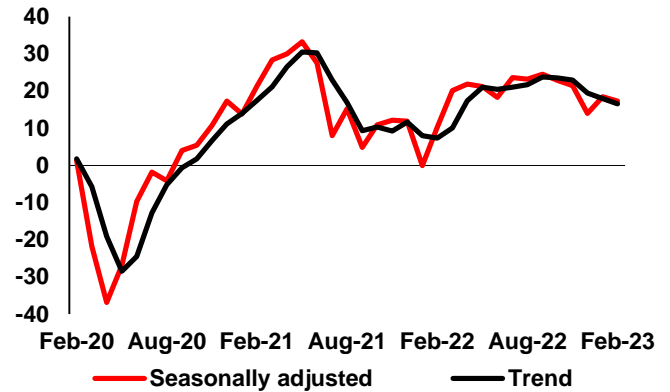


Chart 8: Components of Conditions (Net Balance, SA)

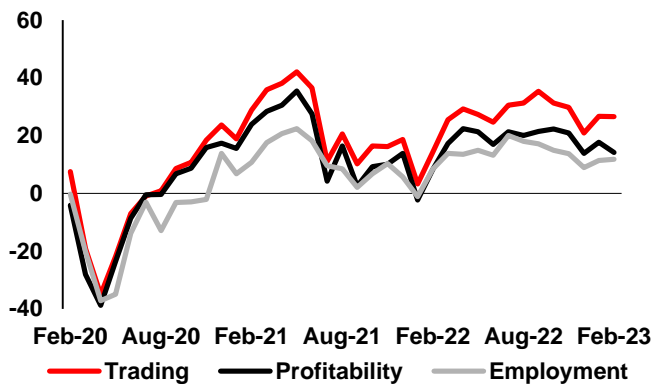


Chart 9: L-R Conditions & Confidence (Net Balance, SA)

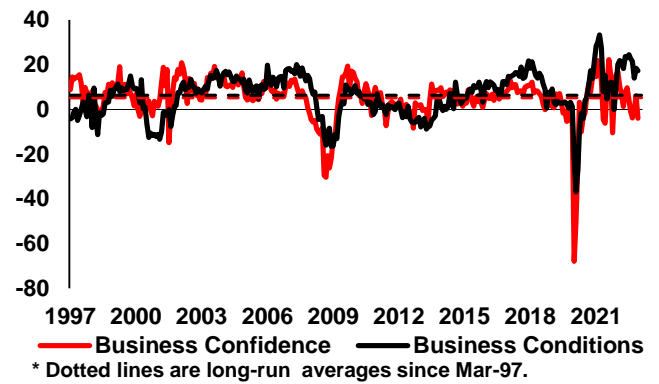


Chart 10: Conditions by Industry, Trend (Net Balance)

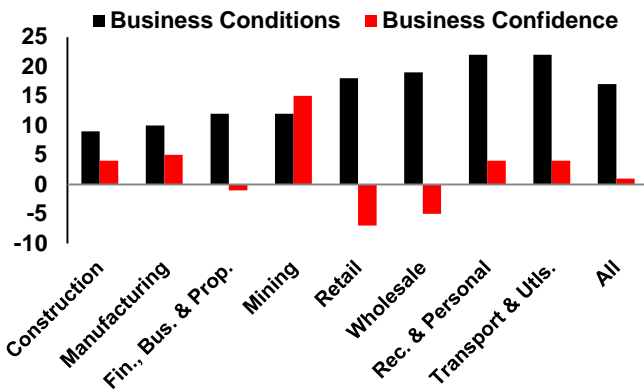
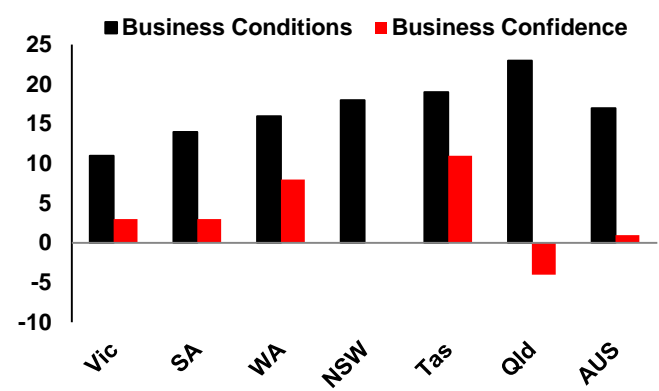


Chart 11: Conditions by State, Trend (Net Balance)



Leading Indicators and Other Key Measures

Chart 12: Forward Orders (Net Balance)

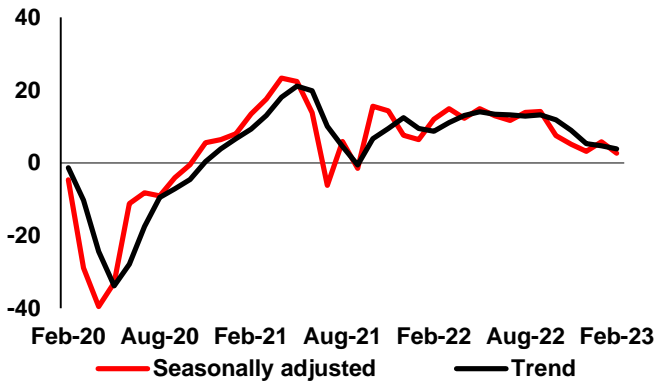


Chart 13: Capital Expenditure (Net Balance)

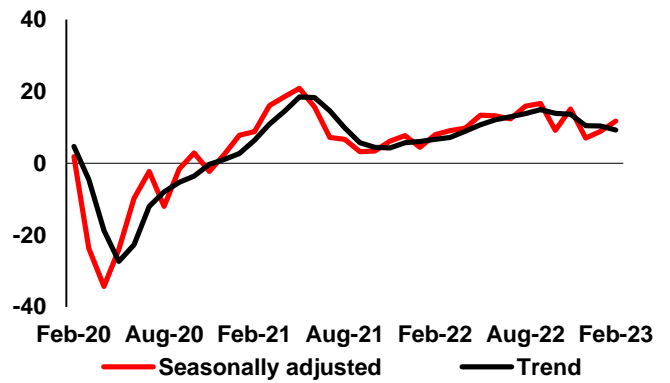


Chart 14: Capacity Util. & Unemployment (% SA)

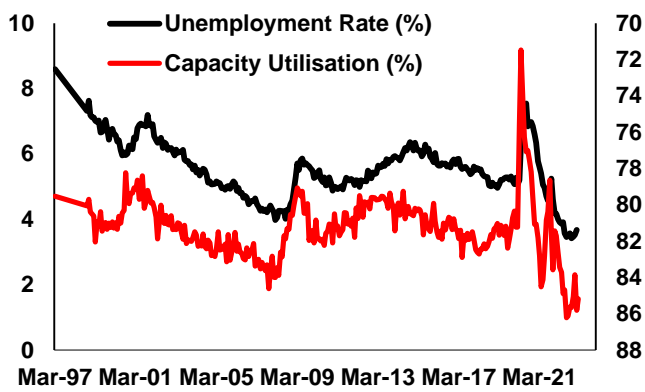


Chart 15: Capacity Util. by Industry (% 3mma)

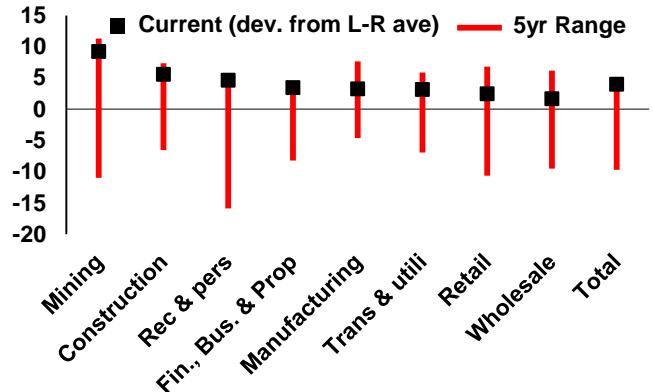


Chart 16: Stocks (Net Balance)

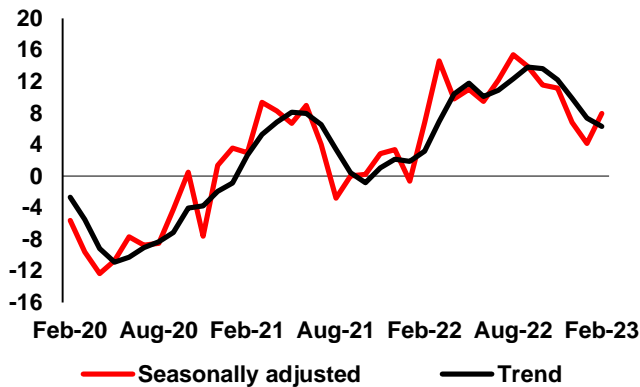


Chart 17: Cash Flow (Net Balance)

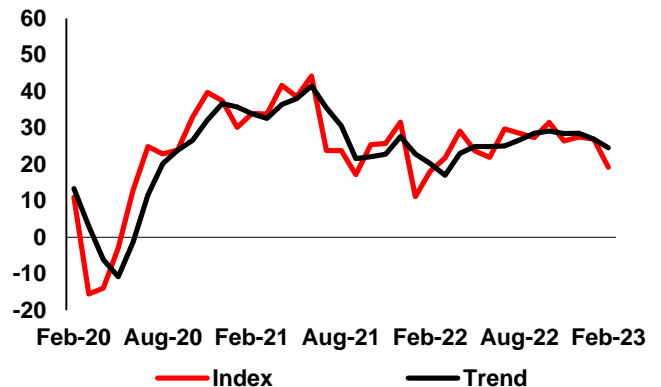


Chart 18: Exports (Net Balance)

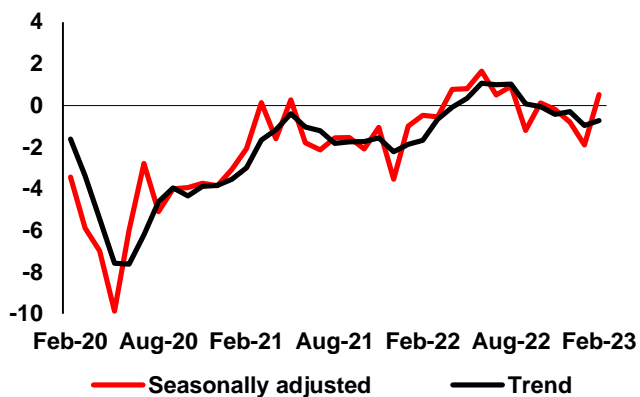
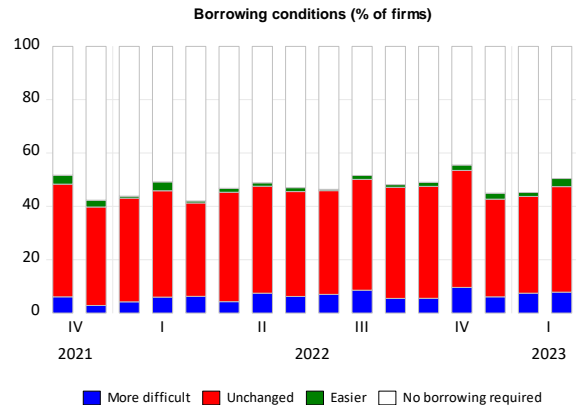


Chart 19: Borrowing Conditions (% of Firms)



Employment, Wages and Prices

Chart 20: Employment (Net Balance)

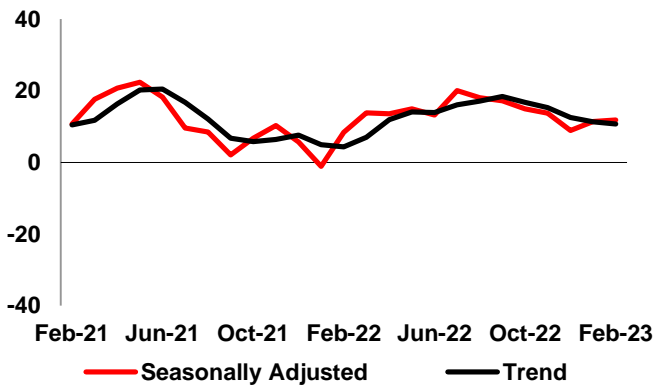


Chart 21: NAB vs ABS Employment (Net Balance, SA)

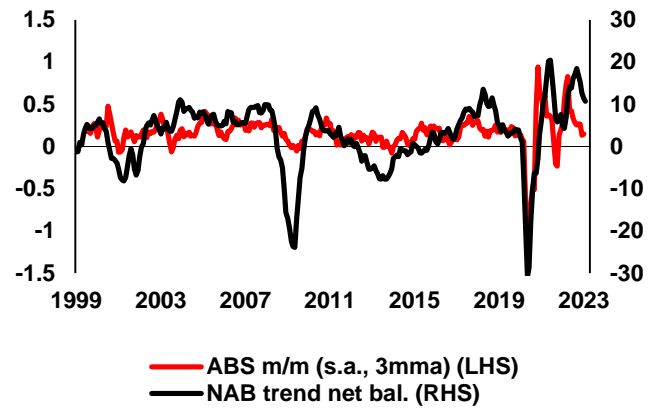


Chart 22: Employment by Industry (Net Balance, Trend)

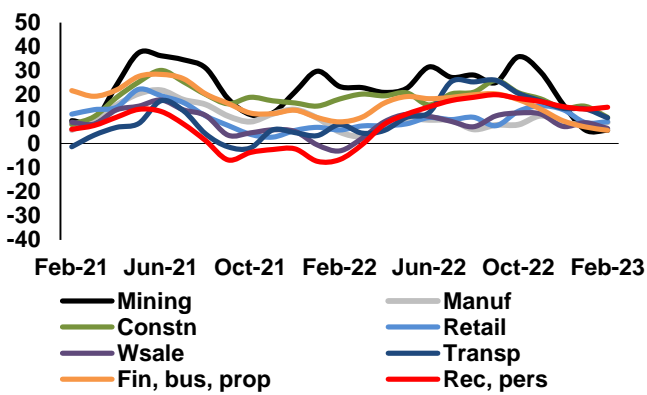


Chart 23: Labour Costs Growth, Qtly Eq. (% , SA)

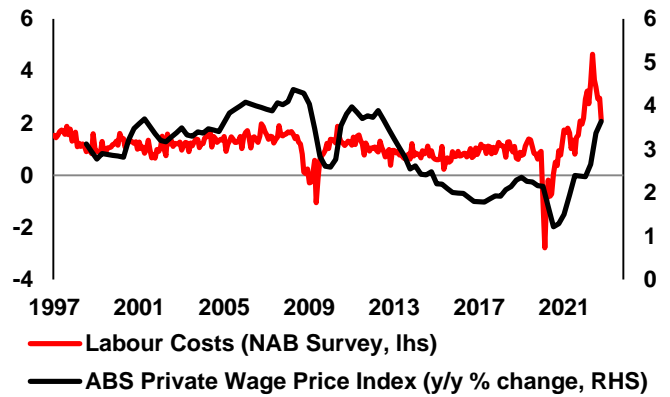


Chart 24: Costs & Price Growth, Qtly Eq. (% , SA)

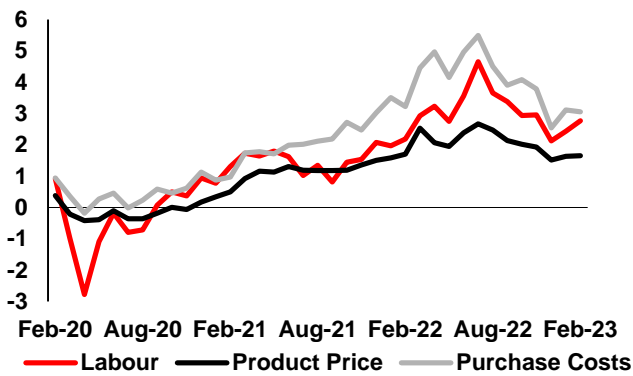
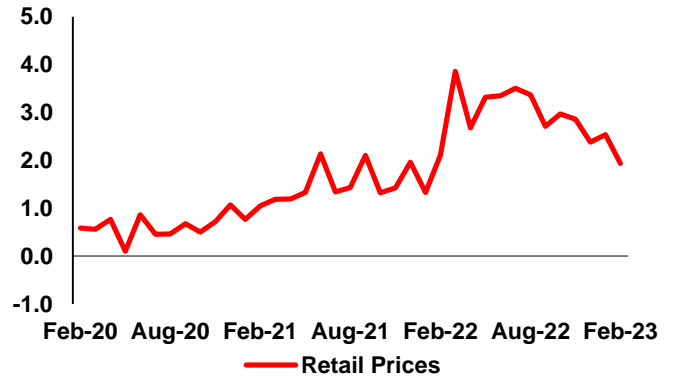


Chart 25: Retail Price Growth, Qtly Eq. (% , SA)



Conditions and Confidence by State and Industry

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

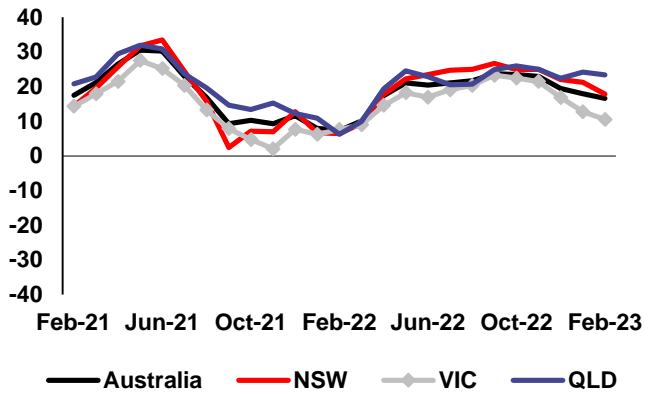


Chart 27: Conditions by State (Net Balance, Trend)

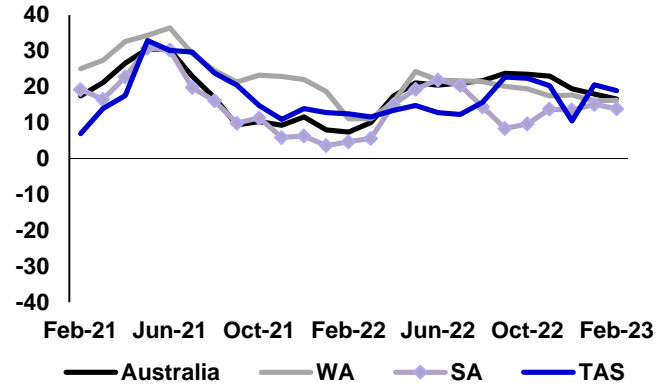


Chart 28: Confidence by State (Net Balance, Trend)

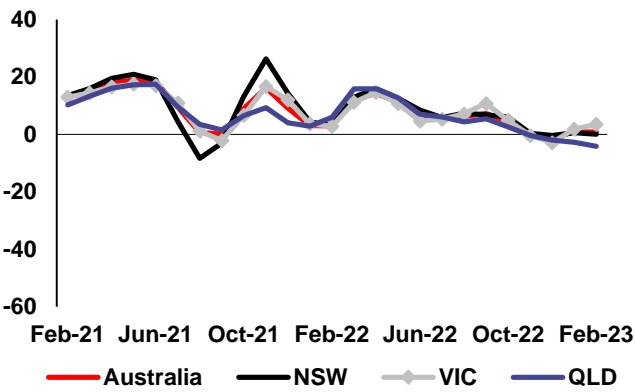


Chart 29: Confidence by State (Net Balance, Trend)

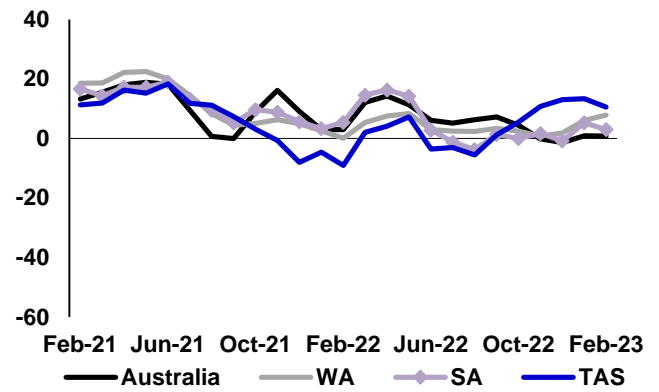


Chart 30: Conditions by Industry (Net Balance, Trend)

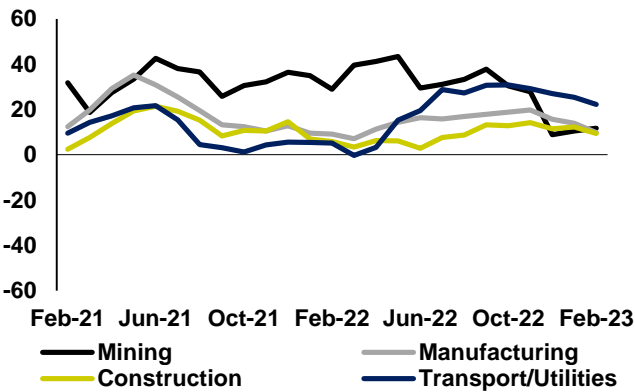


Chart 31: Conditions by Industry (Net Balance, Trend)

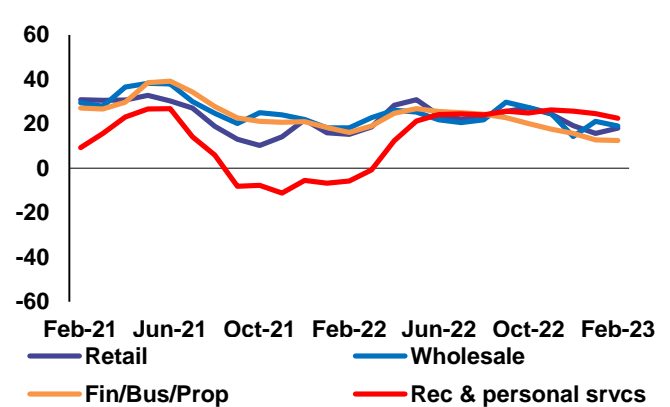


Chart 32: Confidence by Industry (Net Balance, Trend)

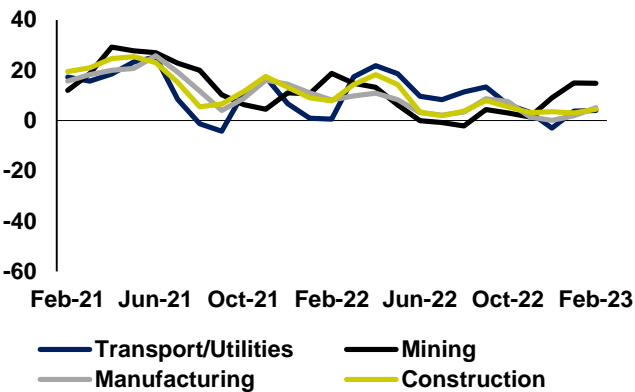
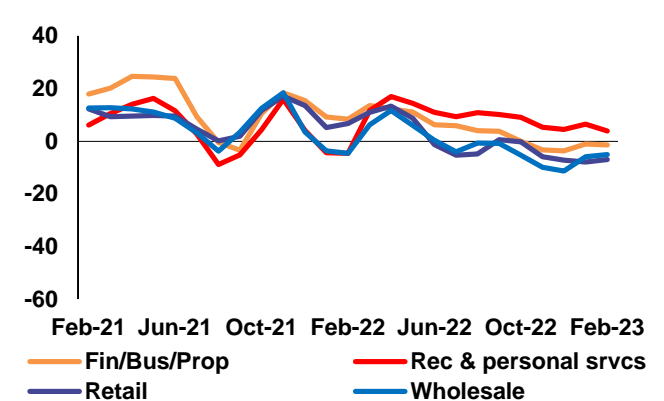


Chart 33: Confidence by Industry (Net Balance, Trend)



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Appendix: list of series available to subscribers[^]

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.