

# NAB Monthly Business Survey Mar-23



## Conditions hold up, price pressures ease

## NAB Group Economics

### Summary

Business conditions continued to show ongoing resilience in March, edging lower but remaining well above the long-run average. Trading conditions remain very elevated, indicating that businesses continue to experience strong demand, and conditions are generally strong across states and sectors. Business confidence appears to have stabilised but remains below long run averages at -1 index points with deeper negatives in retail and wholesale. Importantly, price and cost growth measures showed some easing in March. Both labour cost growth and purchase cost growth eased after holding up in January and February at very high levels, and output price growth measures also ticked lower, albeit they remain well above 'normal' rates of growth with retail prices growing at 1.6% in quarterly equivalent terms (down from 2%). These results support expectations that inflation likely peaked in Q4, with the full Q1 CPI set to show some improvement when the data is released later in April. Still, the rate of price growth and underlying pressures remains well above 'normal' levels, and any moderation in inflation is likely to be gradual with much further to go to bring inflation down to the RBA's target band.

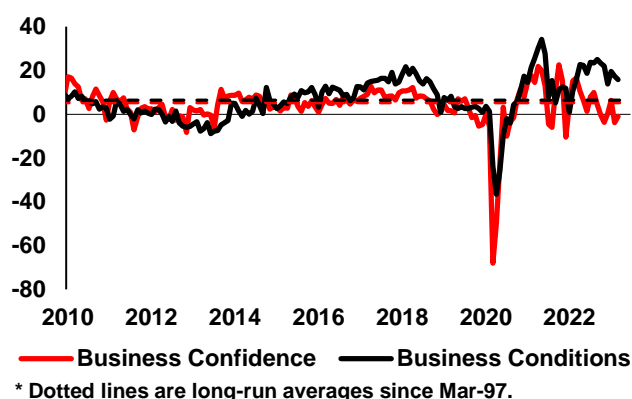
### Survey Details

- **Business conditions** eased 2pts (unrounded) to +16 index points in March, remaining well above the long-run average. Employment eased 2pts to +10 index points and profitability was down 1pt to +13 index points, while trading conditions were broadly flat (unrounded) - but remain very elevated +26 index points.
- **By industry** there were significant falls in mining (down 19pts) and retail (down 14pts) but an offsetting rise in transport & utilities (up 13pts) with other sectors broadly steady. In trend terms, all sectors remained at elevated levels, well above averages, with construction remaining lowest at +9 index points.
- **Across the states** conditions were significantly lower in Tas, Qld and SA, but all had been at very high levels in February. Conditions in NSW also eased slightly while Vic saw a rise, up 7pts. In trend terms conditions remained at a strong level across the states.
- **Business confidence** rose 3pts to -1 index point. There was a broad-based lift in confidence, led by manufacturing (up 8pts), while mining and construction edged lower. In trend terms confidence was still negative in retail, wholesale, and finance, business & property but confidence was positive in other sectors. Across the states, only Qld was below zero in trend terms.
- **Leading indicators** were little changed. Forward orders inched higher, up 1pt to +4 index points as much of the February fall in wholesale was reversed. Capacity utilisation was 85.1%.
- **Price and cost growth** showed some easing in March. Labour cost growth was 1.9% in quarterly equivalent terms (down from 2.6% in February), and purchase cost growth was 1.8%, down from 3%. Overall price growth was 1.2% (down from 1.6%) and inflation in the retail sector was 1.6% (down from 2%).

Table 1: Key Monthly Business Survey Statistics

	Jan-23	Feb-23	Mar-23
	Net balance		
Business confidence	6	-4	-1
Business conditions	19	17	16
Trading	28	25	26
Profitability	18	14	13
Employment	12	12	10
Forward orders	6	3	4
Stocks	5	7	5
Exports	-2	1	1
	% change at quarterly rate		
Labour costs	2.5	2.6	1.9
Purchase costs	3.0	3.0	1.8
Final products prices	1.6	1.6	1.2
Retail prices	2.5	2.0	1.6
	Per cent		
Capacity utilisation rate	85.8	85.2	85.1

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



All data seasonally adjusted and subject to revision. Survey conducted from 21 to 31 March 2023, covering around 400 firms across the non-farm business sector.

Next release date: 8 May 2023.

## Monthly Focus: Costs, Prices & Inflation in Q1

Inflation remains a key challenge facing the economy. After a Q4 CPI of 1.9% q/q (1.7% trimmed-mean), the ABS's monthly CPI indicator has suggested there may have been some moderation in inflation over the first months of 2023. However, this is only a partial indicator, and the NAB Business Survey provides additional information about the evolution of cost and price pressures in the business sector.

In terms of labour costs growth, the survey suggests a gradual easing has continued to occur over the past 8 months after a sharp peak in July of 2022. Overall labour cost growth averaged 2.3% in quarterly equivalent terms over the course of Q1 – still well above the pre-COVID average of 1.1%. In the retail sector the average was 2.0%, while in the recreation & personal services sector growth has been stronger, averaging 2.8% across Q1. The elevated rate of labour cost growth likely reflects a combination of ongoing strength in employment and hours as well as underlying hourly wage growth in a tight labour market.

Purchase cost growth, which reflects costs of materials and other non-labour inputs, has shown a much steeper decline over recent months, albeit from a higher and more sustained peak in 2022. Overall purchase cost growth averaged 2.6% across Q1, down from over 5% in 2022 though still above the pre-COVID average of 0.9%. For the retail sector the average was 2.3% in Q1, while for recreation & personal services the average was 3.4%.

The moderation in these cost pressures is a positive sign, but the key question remains how quickly these easing pressures will flow through to the prices faced by consumers. This will depend on a range of factors including the strength of demand, which has so far been resilient.

In the survey, overall price growth averaged 1.5% across Q1 (down from a peak of over 2.5%), and for the retail sector price growth averaged 2.0% (down from a peak over 3%). However, there has been less moderation in price growth in recreation & personal services, which averaged 1.6% across Q1 – higher than in Q4 (1.5%) and only slightly lower than Q3 (2.0%). This likely reflects the strong ongoing rebound in services consumption, as well as the greater importance of labour costs in shaping service sector prices.

A simple mapping of the survey's retail and recreation & personal services price measures to the ABS's trimmed-mean CPI suggests price growth in these sectors was consistent with underlying inflation of around 1.5% q/q for Q1. This is broadly in line with NAB's most recent forecasts and supports the conclusion that inflation likely peaked in Q4 and has begun to moderate. Still, the survey indicates that inflation remains very elevated and is likely to only moderate gradually, especially given the ongoing strength of services-side inflation. This will be a critical component that policy makers including the RBA will be watching closely over coming months.

Chart 2: Labour Cost Growth (% SA, Qtly. Eq.)

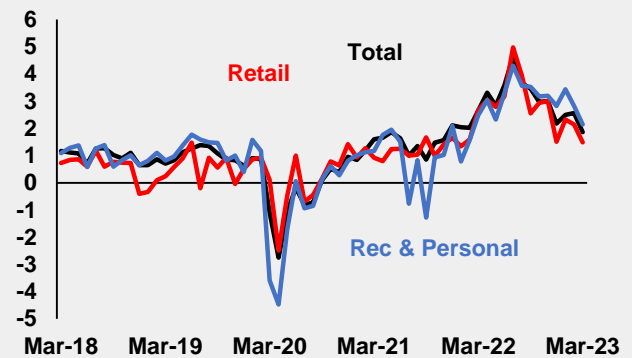


Chart 3: Purchase Cost Growth (% SA, Qtly. Eq.)

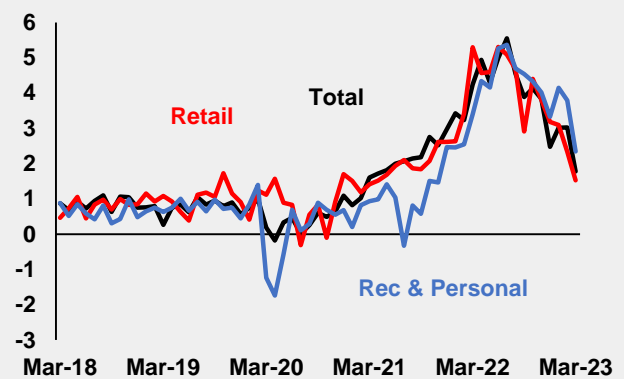


Chart 4: Price Growth (% SA, Qtly. Eq.)

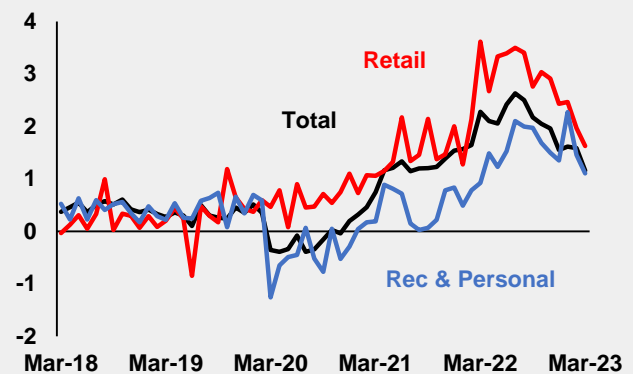
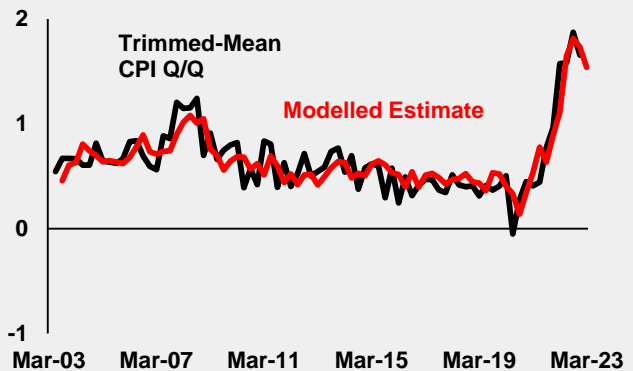


Chart 5: Retail and Services Inflation Model (%)



## Business Conditions and Confidence

Chart 6: Business Confidence (Net Balance)

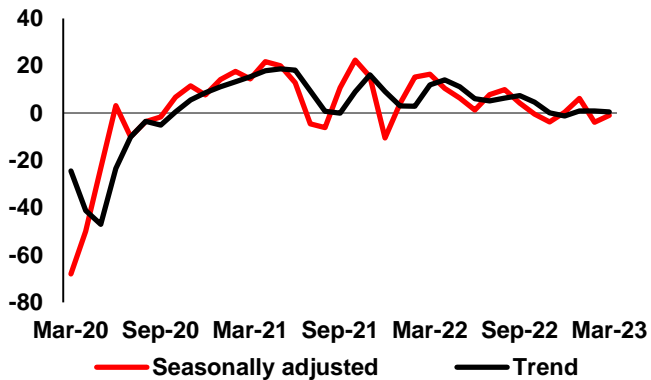


Chart 7: Business Conditions (Net Balance)

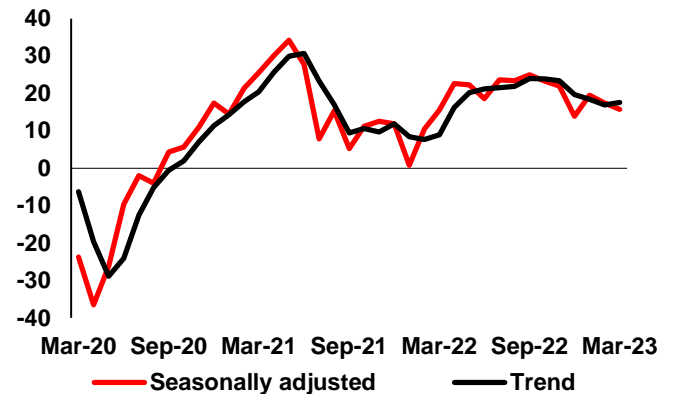


Chart 8: Components of Conditions (Net Balance, SA)

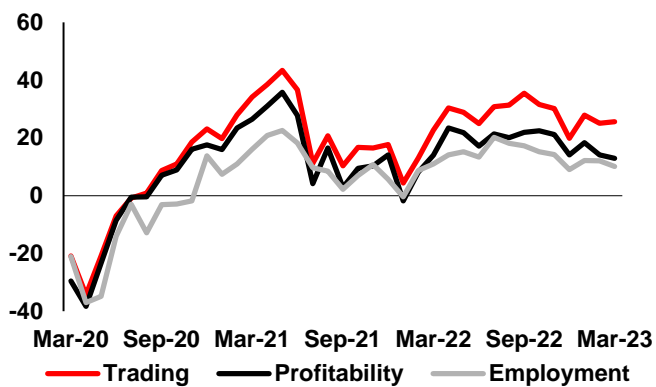


Chart 9: L-R Conditions & Confidence (Net Balance, SA)

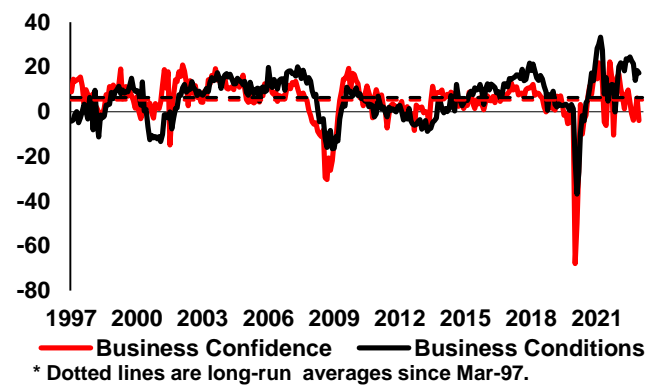


Chart 10: Conditions by Industry, Trend (Net Balance)

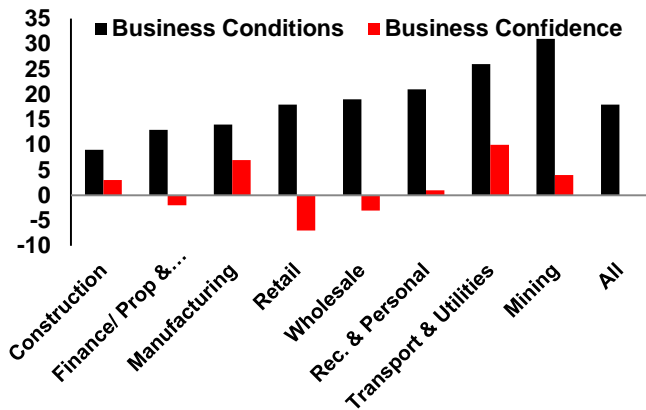
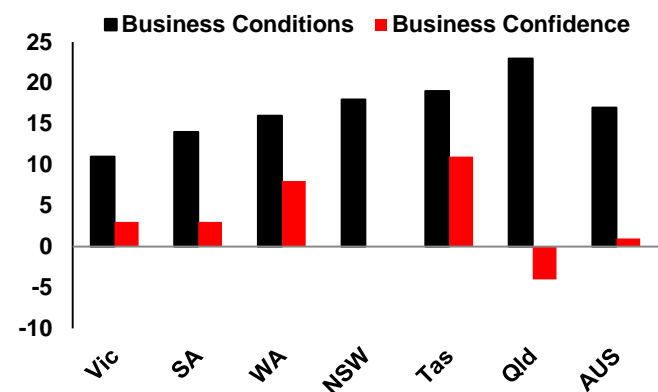


Chart 11: Conditions by State, Trend (Net Balance)



## Leading Indicators and Other Key Measures

Chart 12: Forward Orders (Net Balance)

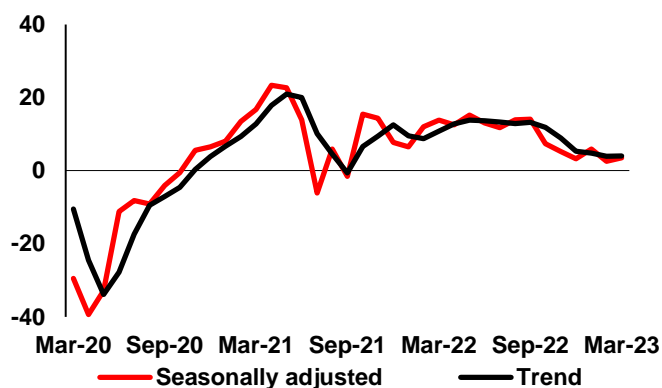


Chart 13: Capital Expenditure (Net Balance)

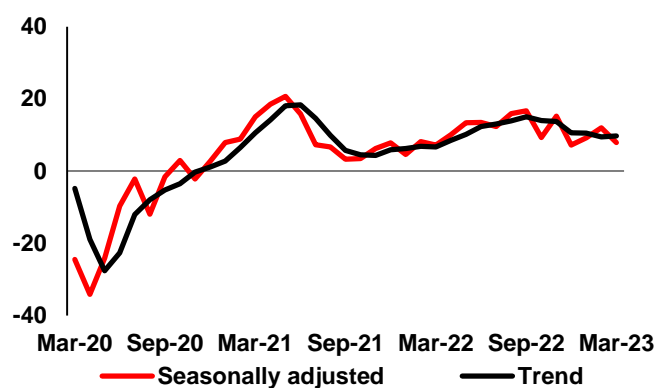


Chart 14: Capacity Util. &amp; Unemployment (% SA)

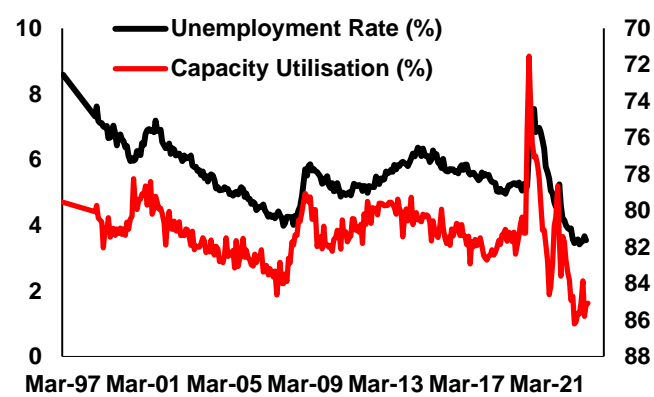


Chart 15: Capacity Util. by Industry (% 3mma)

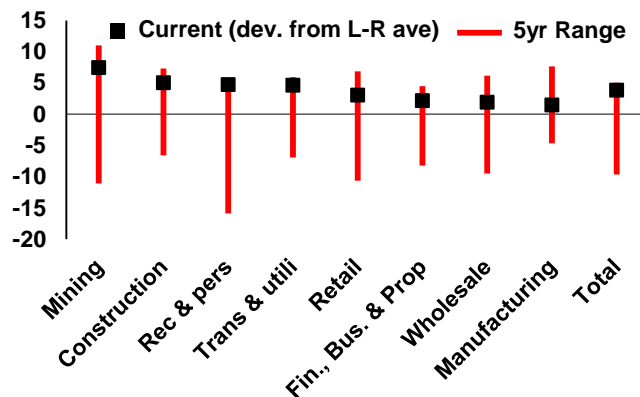


Chart 16: Stocks (Net Balance)

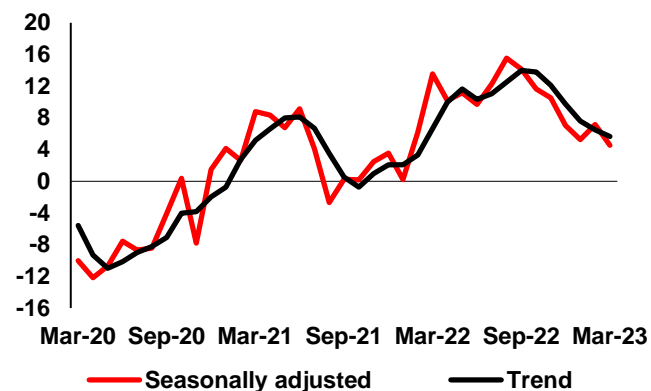


Chart 17: Cash Flow (Net Balance)

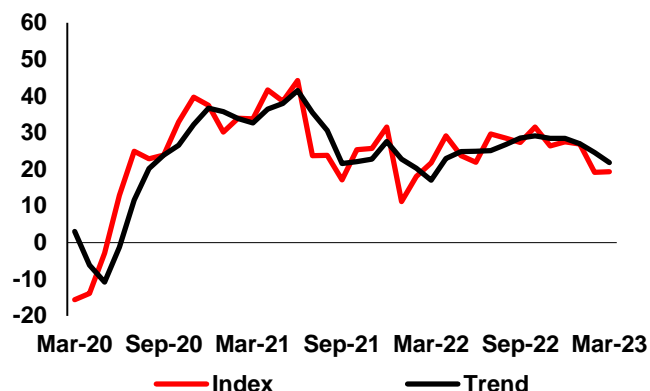


Chart 18: Exports (Net Balance)

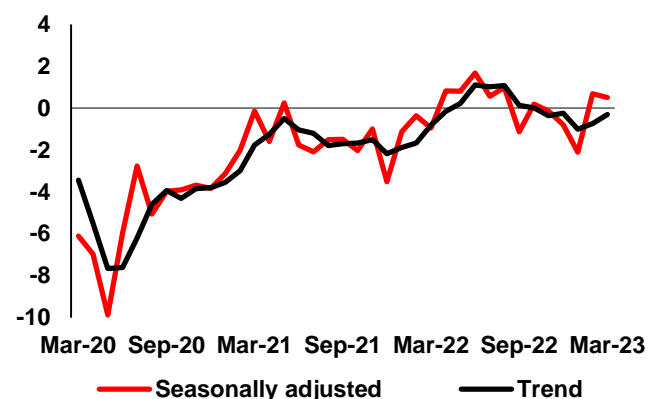
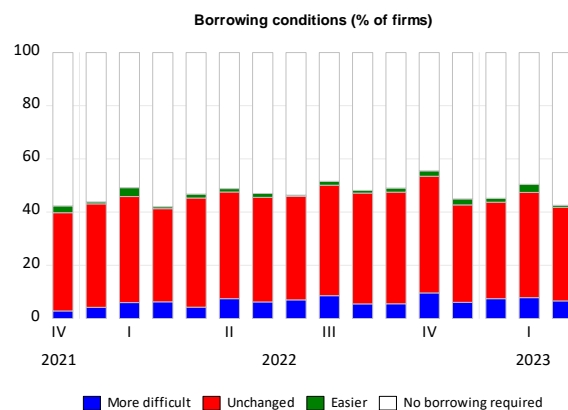


Chart 19: Borrowing Conditions (% of Firms)



## Employment, Wages and Prices

Chart 20: Employment (Net Balance)

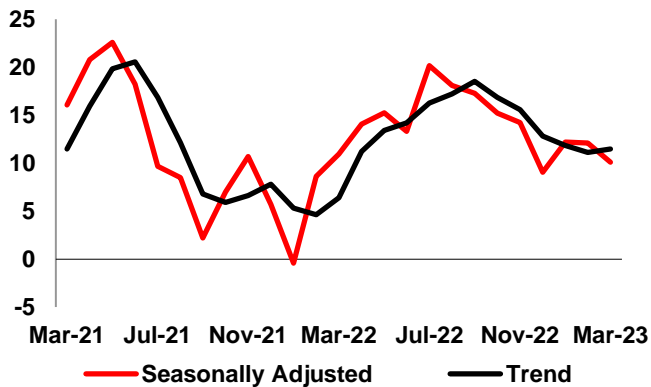


Chart 21: NAB vs ABS Employment (Net Balance, SA)

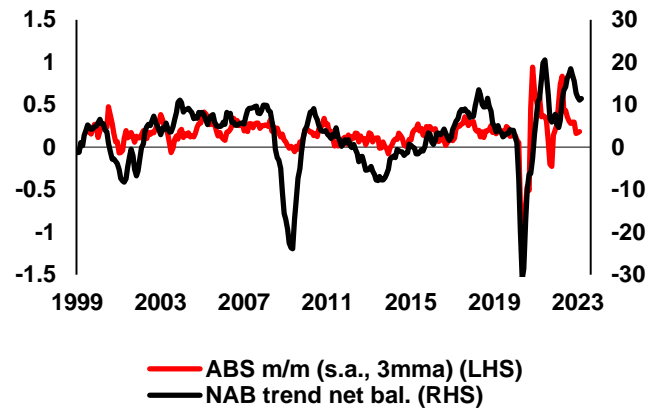


Chart 22: Employment by Industry (Net Balance, Trend)

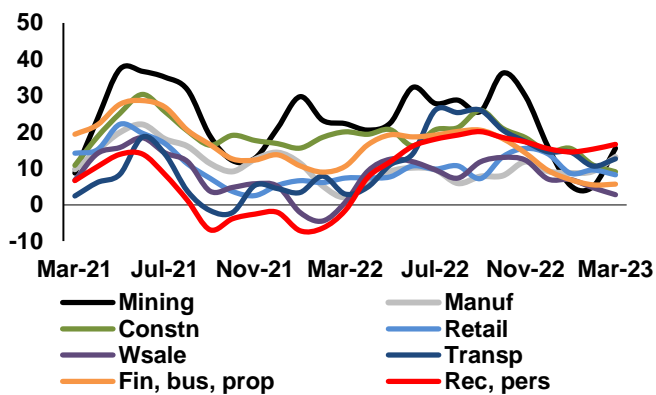


Chart 23: Labour Costs Growth, Qtly Eq. (% , SA)

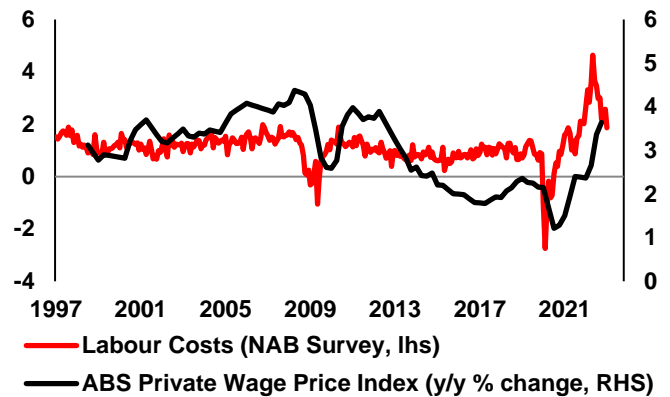


Chart 24: Costs &amp; Price Growth, Qtly Eq. (% , SA)

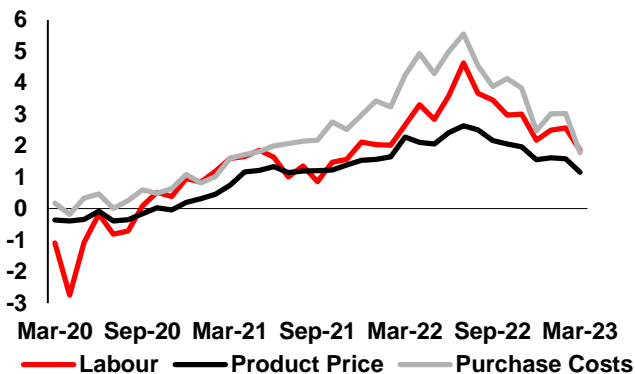
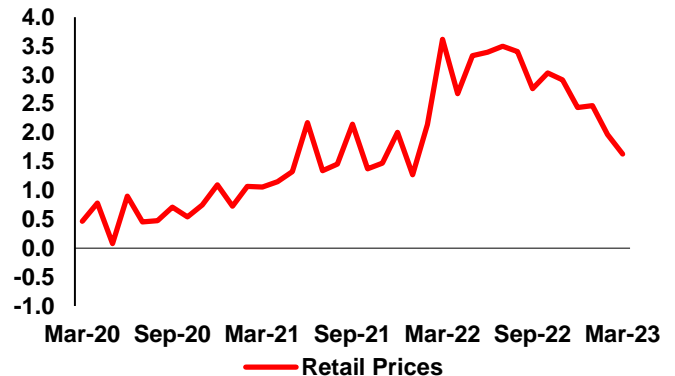


Chart 25: Retail Price Growth, Qtly Eq. (% , SA)



## Conditions and Confidence by State and Industry

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

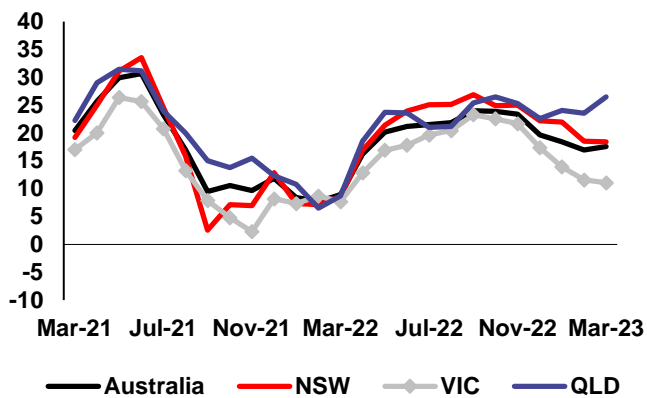


Chart 27: Conditions by State (Net Balance, Trend)

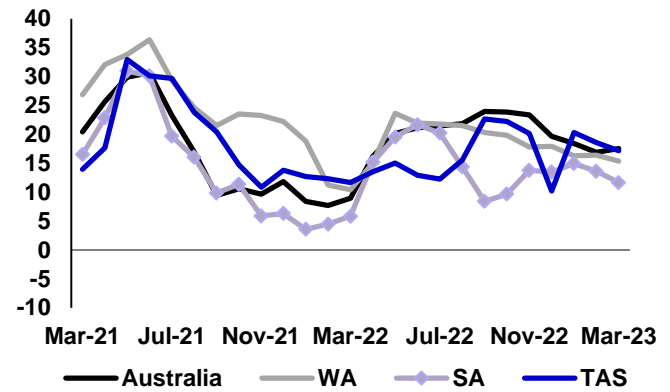


Chart 28: Confidence by State (Net Balance, Trend)

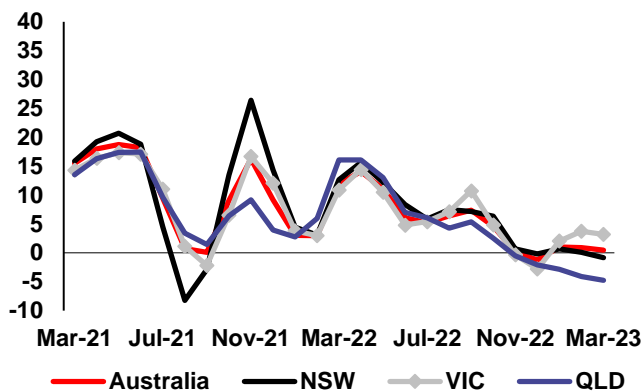


Chart 29: Confidence by State (Net Balance, Trend)

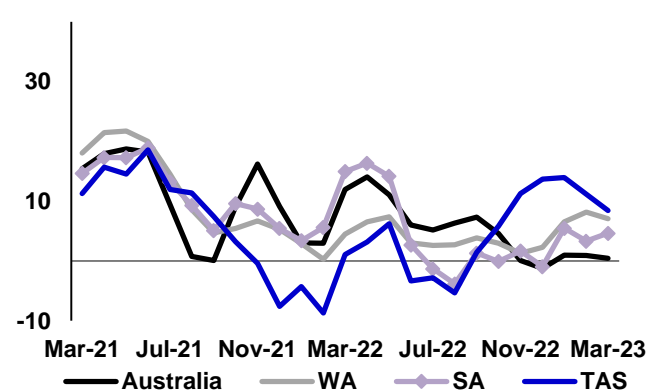


Chart 30: Conditions by Industry (Net Balance, Trend)

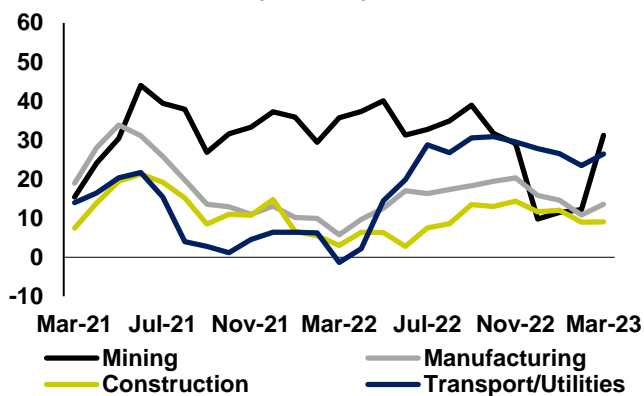


Chart 31: Conditions by Industry (Net Balance, Trend)

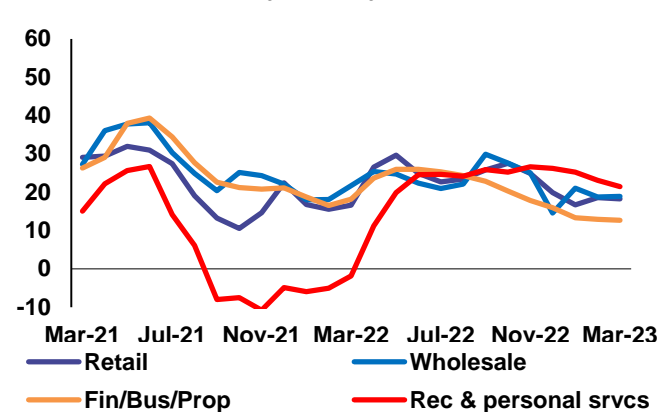


Chart 32: Confidence by Industry (Net Balance, Trend)

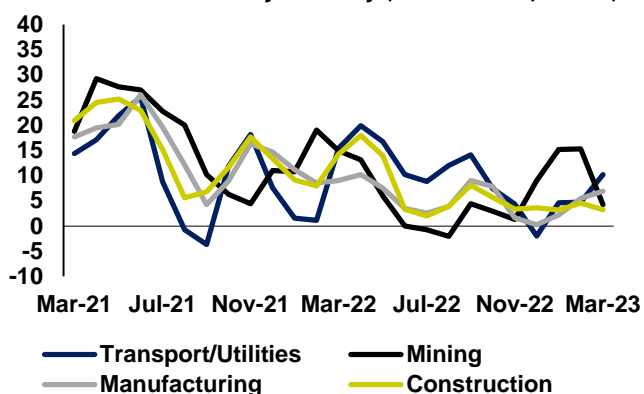
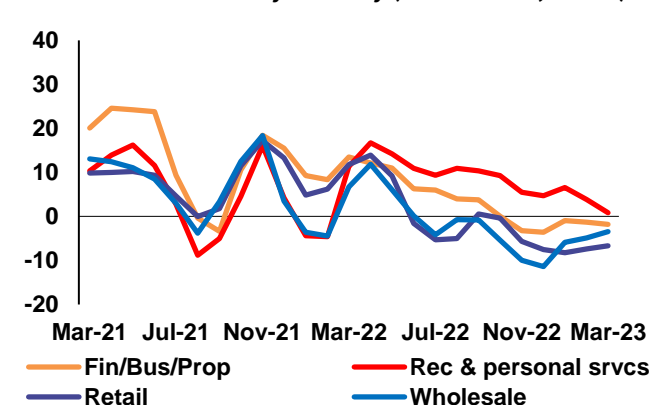


Chart 33: Confidence by Industry (Net Balance, Trend)



## 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<sup>\*</sup>

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

<sup>\*</sup>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.