



NAB Quarterly Business Survey Q1 2023

Constraints still tight but prices past their peak

NAB Group Economics

Summary

Most businesses continued to report facing constraints on output in Q1 of 2023. Labour shortages eased only slightly, despite the strong rebound in migration, with some 87% of firms reporting availability of labour as a constraint on output (down from a peak of 91% in 2022). There was somewhat more improvement on inputs as supply chains improved, with 43% of firms reporting materials as a constraint (down from a peak of 53%). Capacity utilisation also rose in Q1 to 85.5% and business conditions remained elevated, in line with the Monthly survey, though confidence fell. Importantly, cost and price growth measures showed some signs of moderation, supporting expectations that inflation may have peaked in Q4. Labour cost growth ticked down to 1.4% in Q1 (from 1.6%), although wage growth is still clearly the most significant issue affecting business confidence and the share of firms expecting wage pressures to increase over the next six months ticked higher, to 75%. On the input side, purchase cost growth eased slightly to 1.5% (from 1.8%). Importantly, overall price growth was broadly stable and retail price growth eased to 1% (from 1.5%).

Survey Details

- **Business conditions** eased 4pts to +16 index points. Trading conditions, profitability and employment all declined but remain above their long-term averages. Conditions rebounded in mining but were down across other sectors, though all states and sectors were strong with only construction (at +4 index points) below a level of +10.
- **Business confidence** fell 3pts, to -4 index points. Confidence was weakest in retail and wholesale, while transport & utilities and mining remained positive. By state, the largest falls were in Vic and NSW with SA and Tas holding up.
- **Leading indicators** remain resilient. Expected business conditions were around +20 index points at both 3-month and 6-month horizons, while forward orders eased only slightly, from +7 index points to +5. Capacity utilisation rose to 85.5% and 12-month capex intentions also remained strong at +27 index points.
- **Labour indicators** softened slightly but remain strong. Employment in the next 3 months sits at +18 index points (broadly unchanged), while 12-month expectations edged lower, to +26 index points (from +30 in Q4). Some 87% of firms reported availability of labour as a constraint on output.
- **Price and cost growth measures** showed signs of moderation but remain elevated. Purchase costs grew at 1.5% (down from 1.8% in Q4), and the share of firms reporting materials availability as a constraint edged lower, to 43%. Labour cost growth was 1.4% (from 1.6% in Q4). Final product price growth was 0.9%, while retail price growth was 1% (down from 1.5%).
- **Wage costs and availability of labour** remain clearly the top issues affecting business confidence. Expected annual wage growth per employee was little changed in Q1 at 1.9%, but the share of firms expecting wage pressures to increase over the next six months ticked higher, from 70% to 75%.

Table 1: Key Quarterly Business Survey Statistics

	2022q3	2022q4	2023q1		2022q3	2022q4	2023q1
		<i>Net balance</i>				<i>Net balance</i>	
Business confidence	8	-1	-4	Trading	32	27	22
Business conditions				Profitability	20	17	12
Current	23	20	16	Employment	20	15	13
Next 3 months	31	22	19	Forward orders	14	7	5
Next 12 months	27	18	20	Stocks	16	13	8
Capex plans (next 12)	32	26	27	Exports	0	0	0
		<i>% change</i>					
Labour costs	2.1	1.6	1.4	Retail prices (% change)	1.6	1.5	1.0
Purchase costs	2.2	1.8	1.5				
Final products prices	1.4	1.0	0.9	Capacity utilisation rate (%)	86.0	84.8	85.5

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 20 February to 9 March 2023, covering over 900 firms across the non-farm business sector. **Next release date: 20 July 2023.**

Quarterly Focus: Expectations for Wage Growth

The Q4 release of the hourly wage price index (WPI) showed an increase of 0.8% q/q – easing from the 1% lift recorded in Q3 – bringing wage growth to 3.3% over 2022. Broader measures also slowed slightly in Q4, with compensation of employees (COE) per hour rising 0.4% q/q (3.2% y/y).

Despite the quarterly easing, the rate of wage growth is now clearly higher than pre-pandemic and this pattern of moderation at a higher level is also evident in measures of wage growth in the NAB Business Survey.

The share of firms reporting moderate or substantial increases in wage pressures over the past six months eased to around 45% in Q1 of 2023, down from around 50% in late 2022 (Chart 1). This remains well above the pre-COVID level of around 15-20%. Importantly, more than 80% of firms continue to report experiencing an increase in wage pressures to some extent over the past six months.

The quarterly measure of labour cost growth continued to moderate in Q1, easing to 1.4% after peaking in Q3 of 2022 when the last minimum wage increase took effect (Chart 2). As with other measures, this also remains well above the pre-pandemic rate of labour cost growth.

Forward looking measures were little changed in Q1. The share of firms expecting to experience moderate or substantial increases in wage pressures in the next six months remains around 35%, while the total share expecting increased pressure ticked up to 75% (Chart 3).

Expected wage growth *per employee* over the financial year was little changed at 1.9% (Chart 4). The distribution of responses similar to Q4, with around 35% of firms expecting wage growth of 3% or more over the coming year and another 20% expecting wage growth of 1-3% (Chart 5).

On balance, the various indicators in the survey suggest the strong Q3 WPI may have been an outlier, but wage growth is still settling at a higher level than pre-pandemic. How wages play out in the year ahead will in part be shaped by the next national wage case, as well as how quickly the tightness of the labour market eases.

Chart 1: Wage Pressures in Past 6 Months (% of Firms)

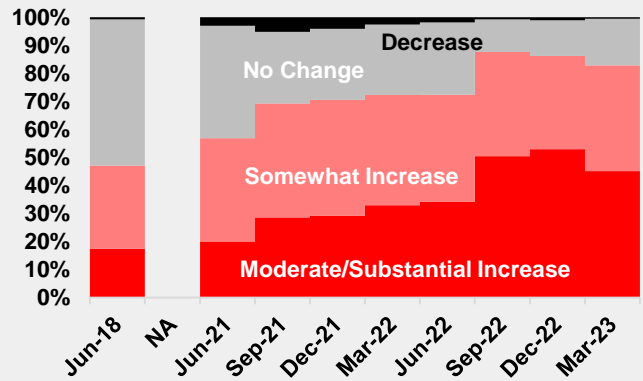


Chart 2: Labour Costs and COE Growth (Percent, SA)

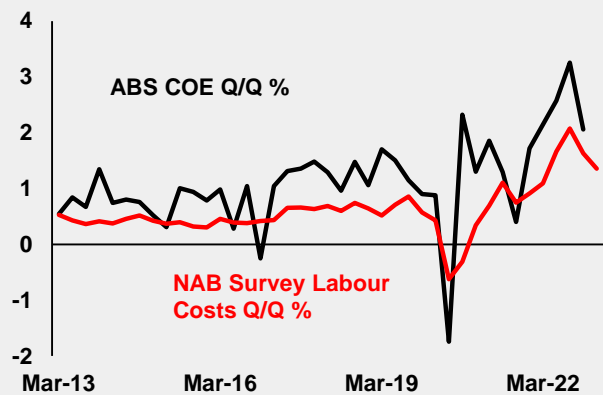


Chart 3: Wage Pressures in Next 6 Months (% of Firms)

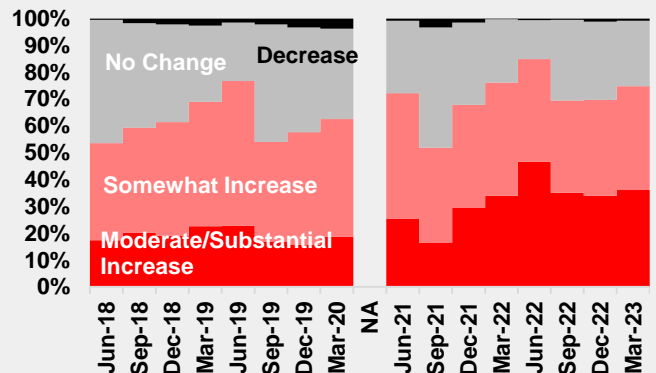


Chart 4: Expected wages vs ABS Wage Growth (%)

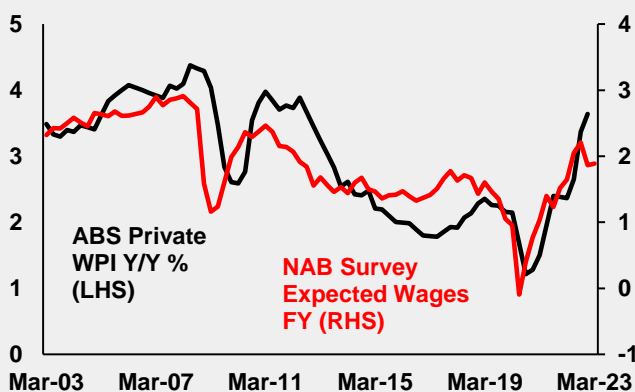
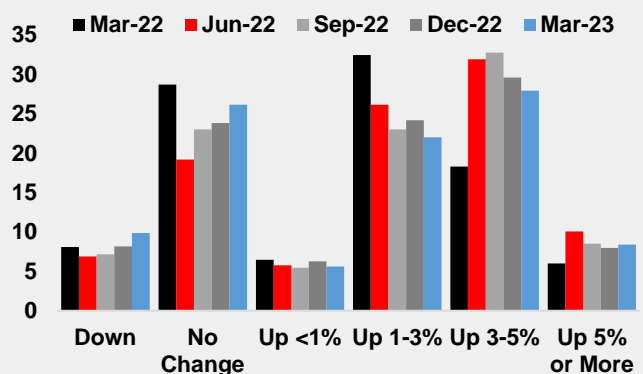


Chart 5: Distribution of wage growth expectations (% of firms)



Business Conditions and Confidence

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

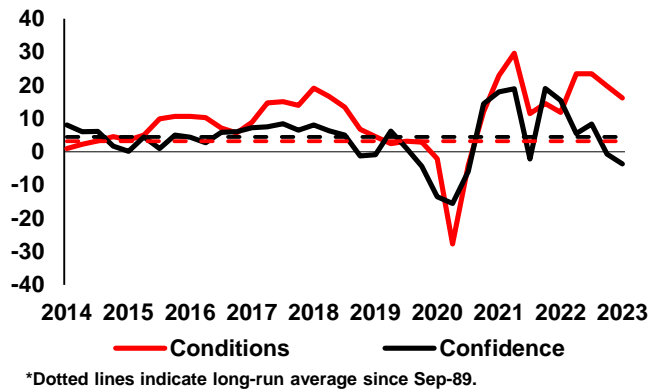
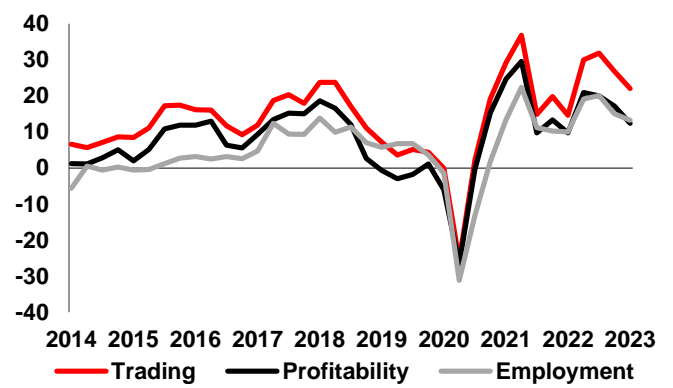


Chart 7: Conditions Components (Net Balance, SA)



Drivers of Business Confidence

Chart 8: Issues Affecting Confidence (Share of Firms)

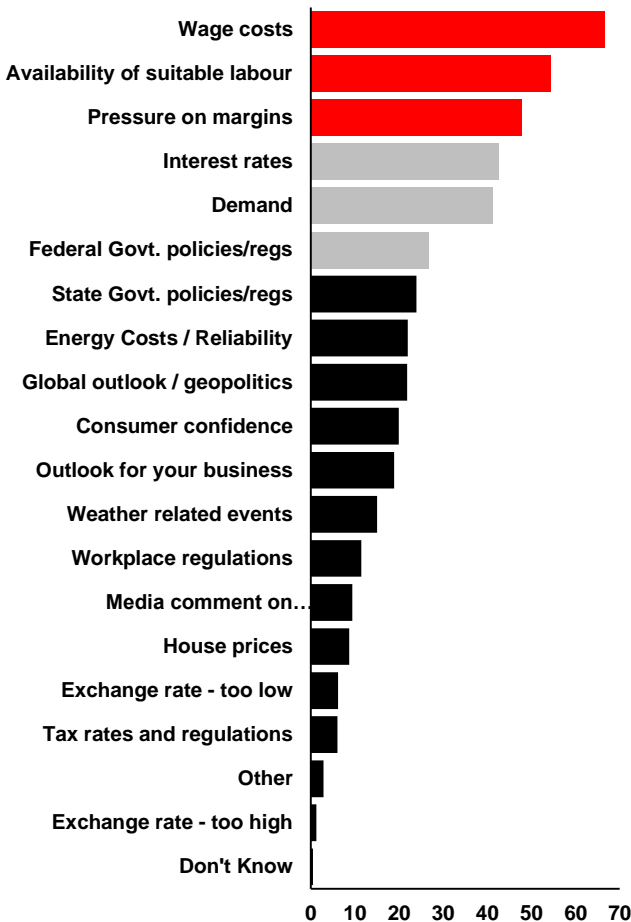


Chart 9: Issues Affecting Confidence (Share of Firms): Deteriorating Confidence

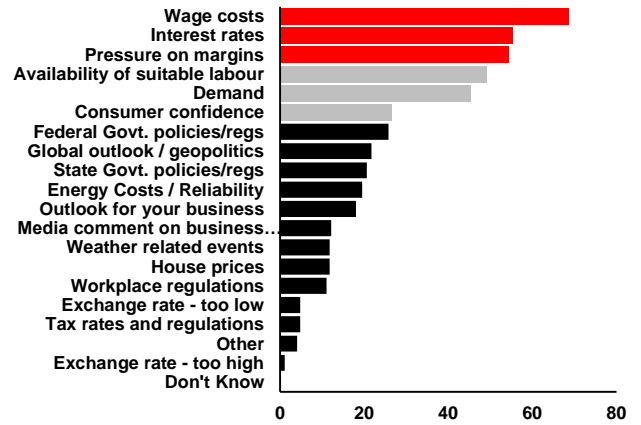
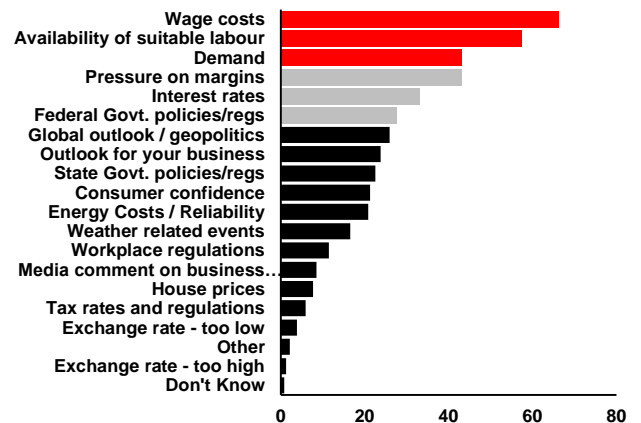


Chart 10: Issues Affecting Confidence (Share of Firms): Improving Confidence



Leading Indicators and Business Investment

Chart 11: Expected Conditions (Net Balance, SA)

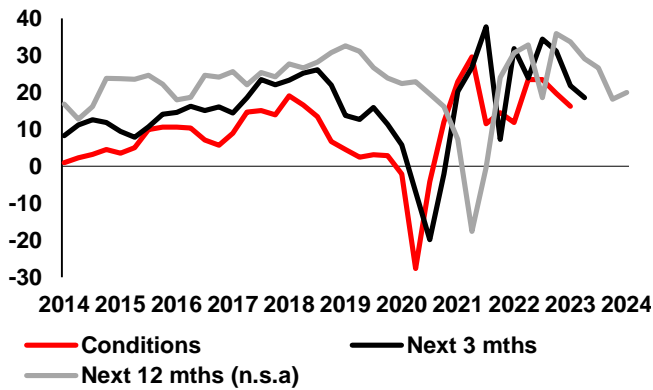


Chart 12: Expected Forward Orders (Net Balance, SA)

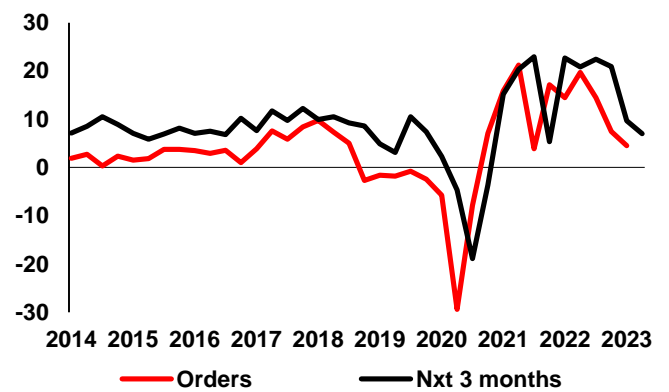


Chart 13: Capacity Utilisation (Percent, SA)

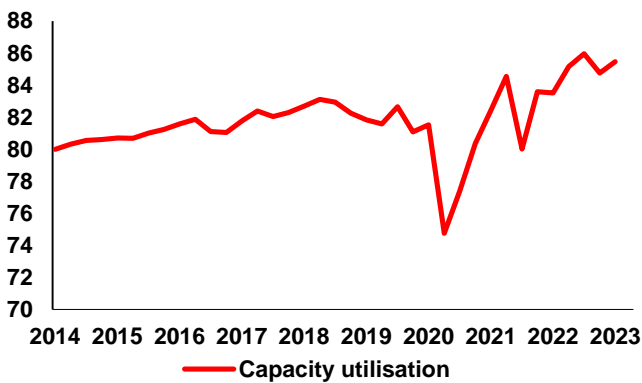


Chart 14: Capacity Utilisation (3Qtr Moving Average)

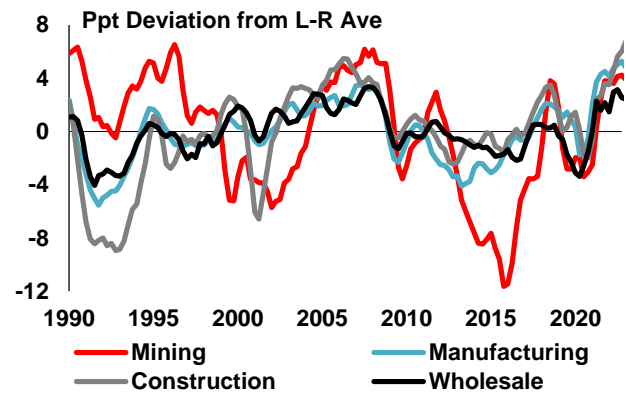


Chart 15: Stocks (Net Balance, SA)

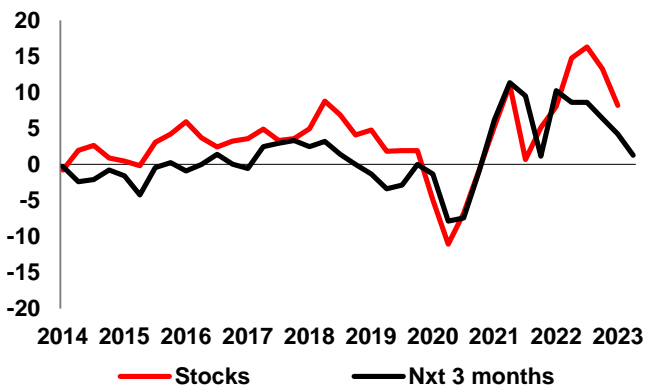
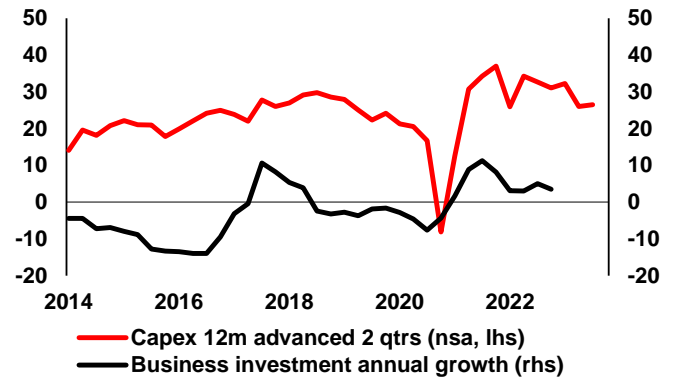


Chart 16: Expected Capex (Net Balance, SA)



Labour Market Indicators

Chart 17: Employment Expectations (Net Balance, SA)

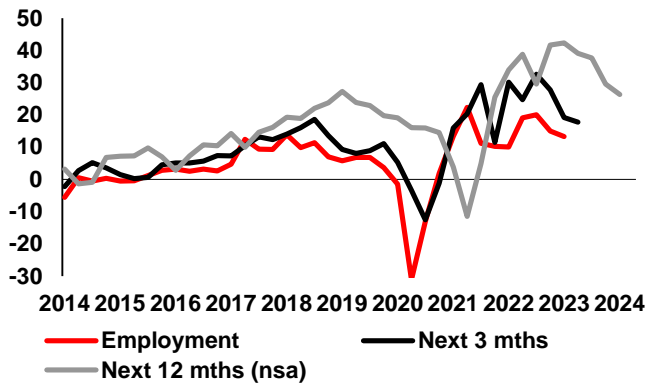


Chart 18: Labour Constraints & Unemployment Rate

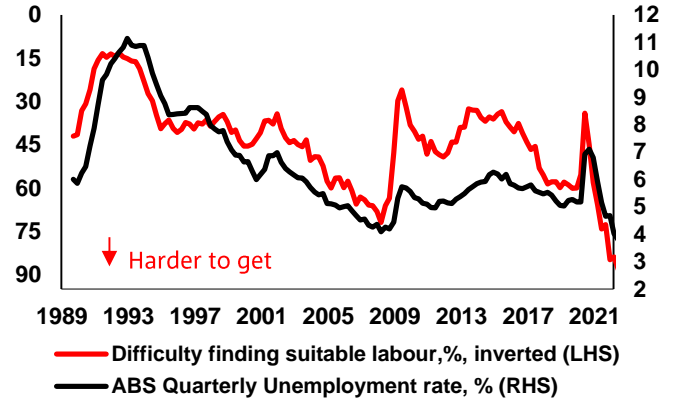


Chart 19: Change in Average Hours Worked (NSA)

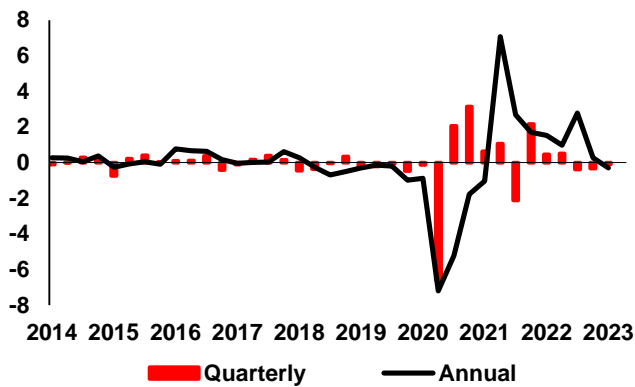


Chart 20: Labour Constraints & Underutilisation

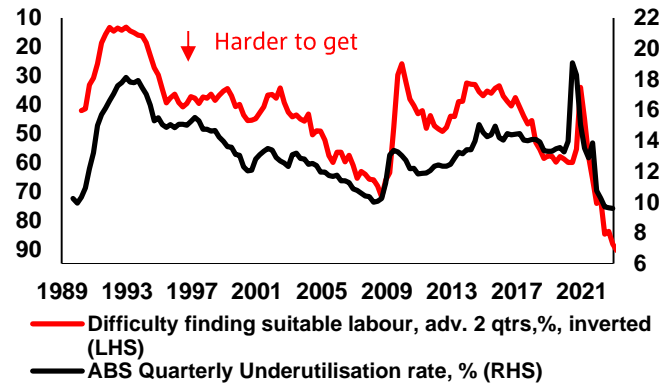


Chart 21: Average Hours Worked by Industry (NSA)

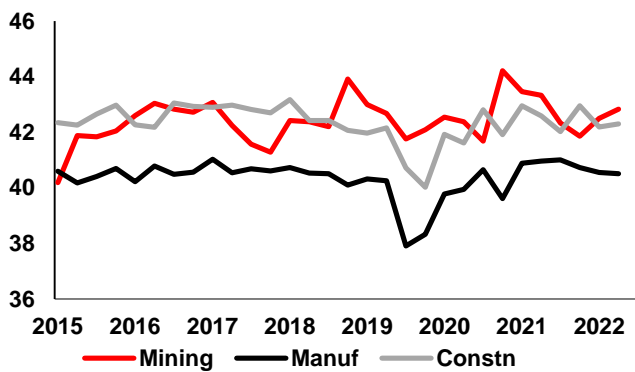


Chart 22: Average Hours Worked by Industry (NSA)

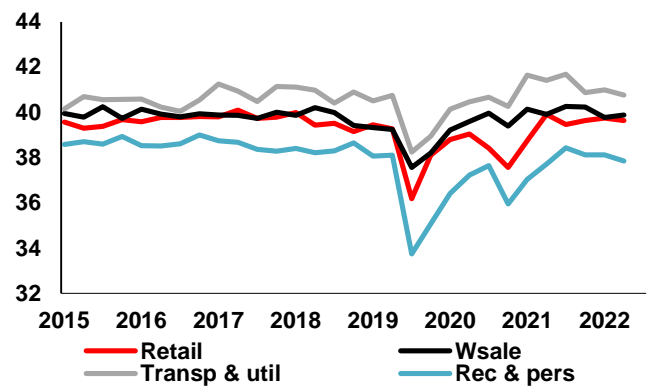
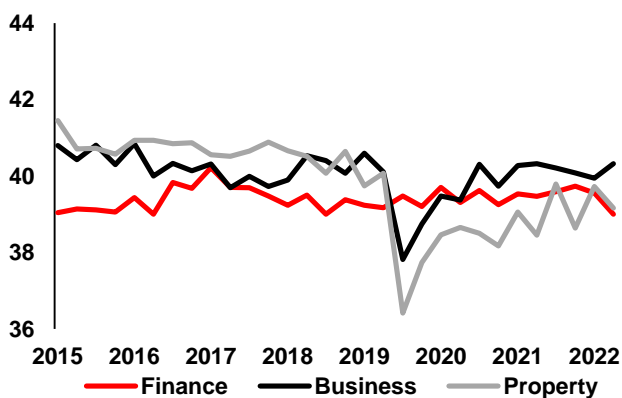


Chart 23: Average Hours Worked by Industry (NSA)



Major Constraints on Firm Output

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

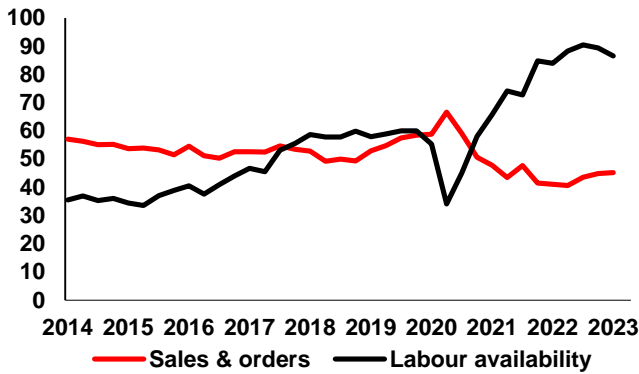
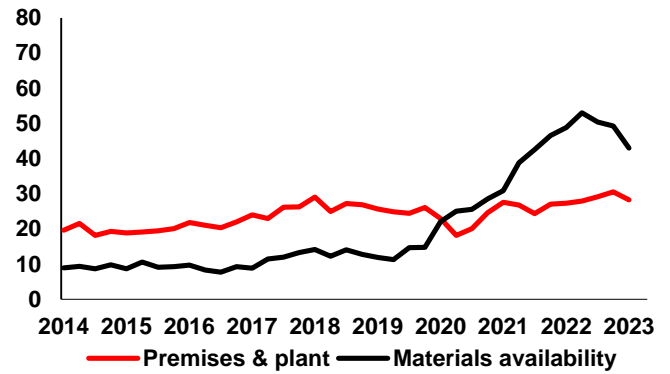


Chart 25: Main Constraints on Firm Output (% of Firms)



Inflation Pressures

Chart 26: Annualised Price Growth (Percent, SA)

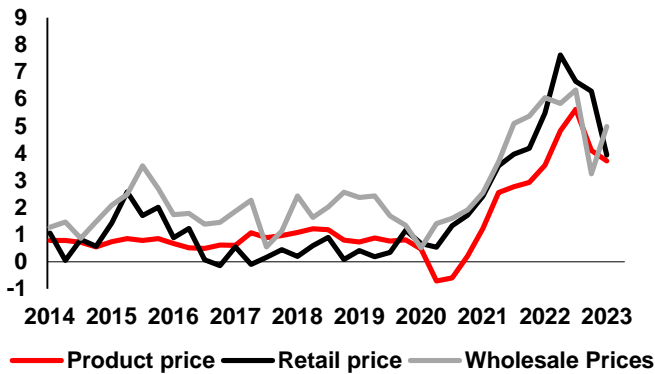
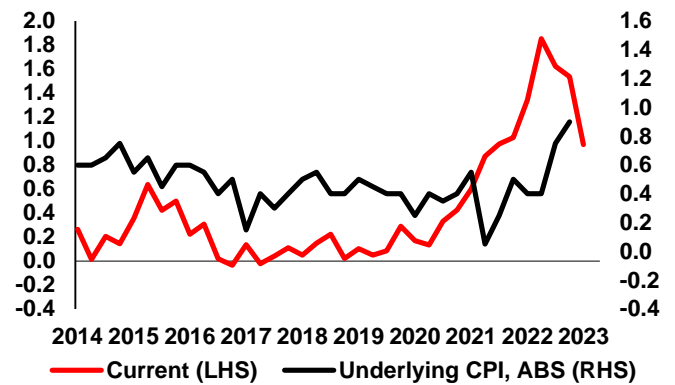


Chart 27: Retail Price Growth (Percent, SA)



Labour Costs

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

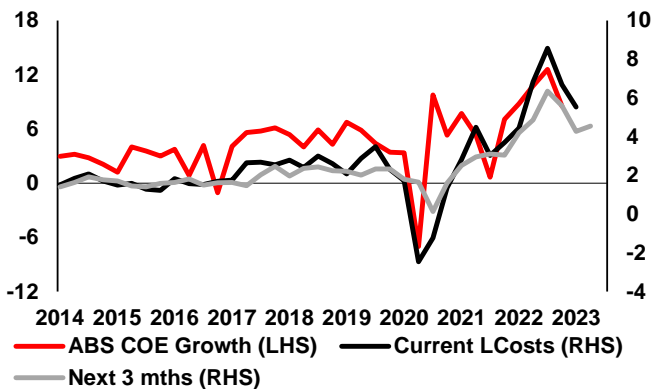
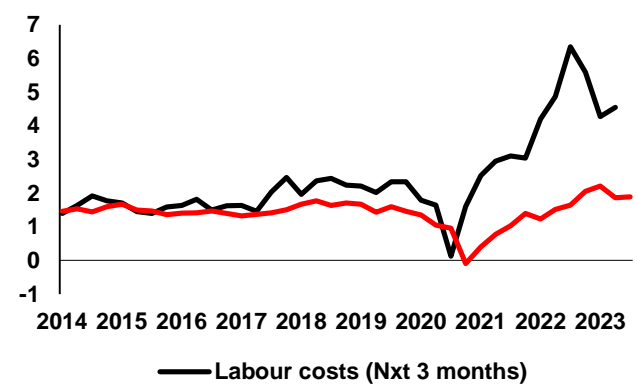


Chart 29: Expected Labour Costs & Average Earnings Growth (Percent, SA)



Details by Industry

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

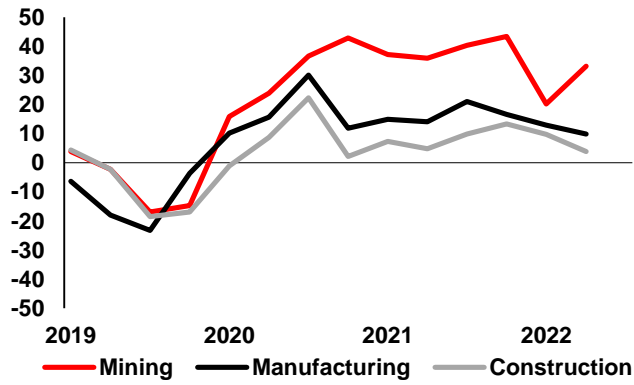


Chart 31: Confidence by Industry (Net Balance, SA)

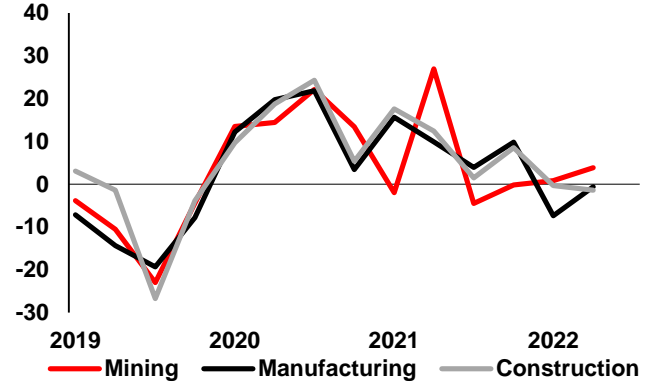


Chart 32: Conditions by Industry (Net Balance, SA)

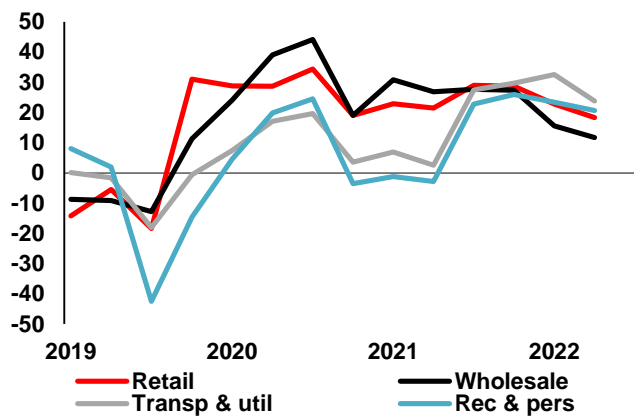


Chart 33: Confidence by Industry (Net Balance, SA)

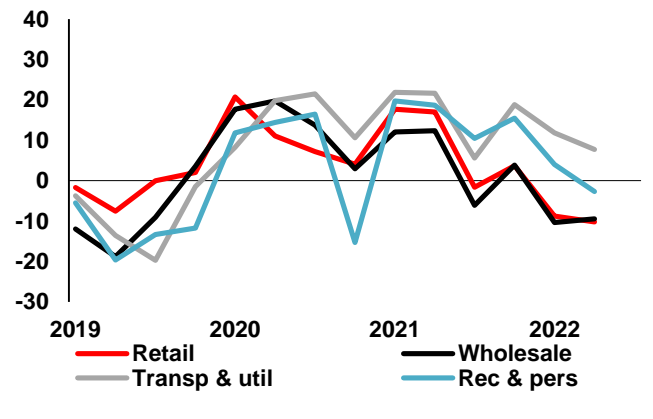


Chart 34: Conditions by Industry (Net Balance, SA)

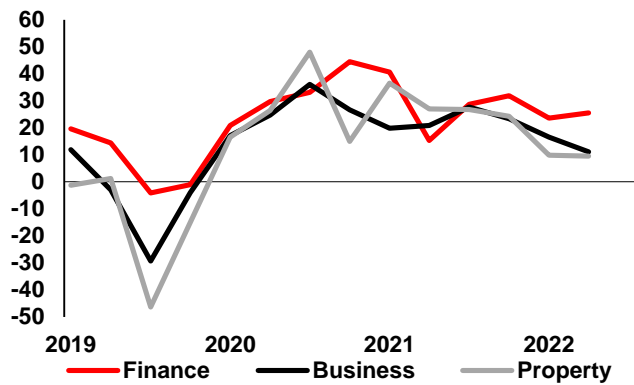
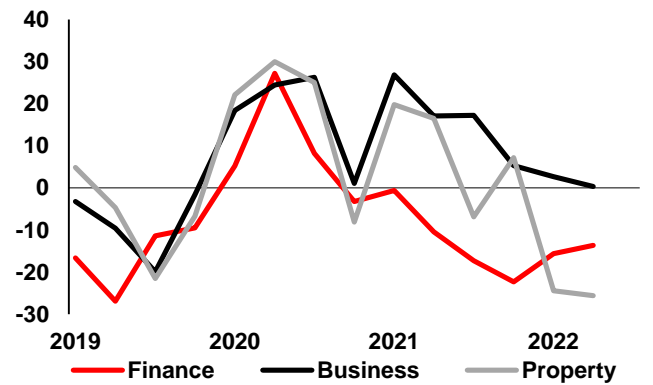


Chart 35: Confidence by Industry (Net Balance, SA)



Construction Sub-Industry Details

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

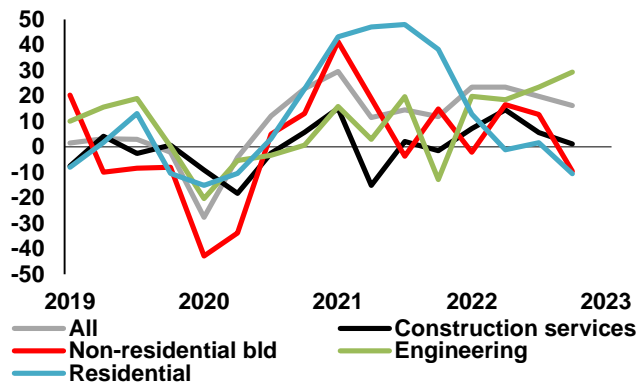


Chart 37: Confidence by Construction Sub-Industry (Net Balance, SA)

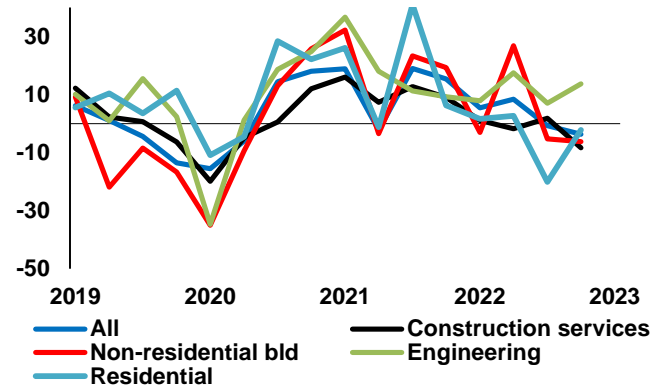


Chart 38: Employment by Construction Sub-Industry (Net Balance, SA)

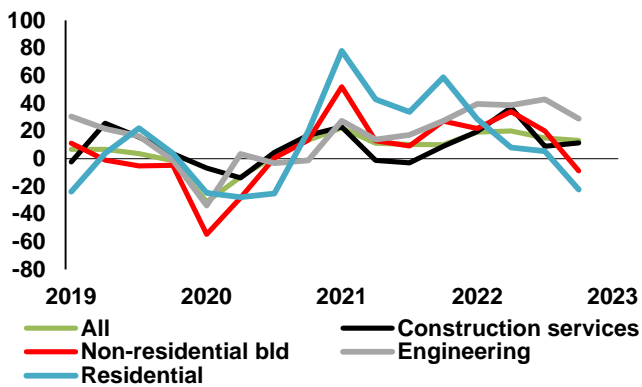
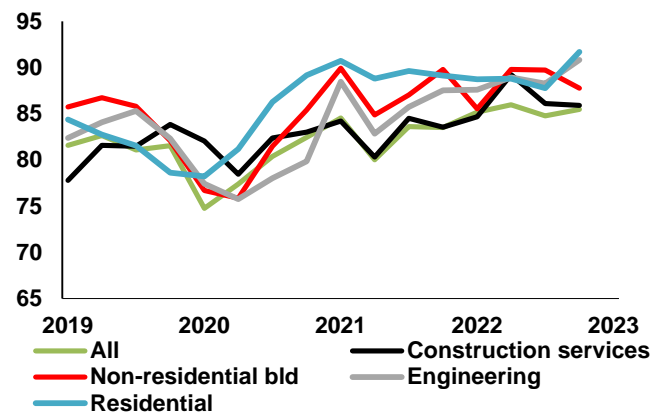


Chart 39: Capacity Utilisation by Construction Sub-Industry (Percent, SA)



Details by State

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

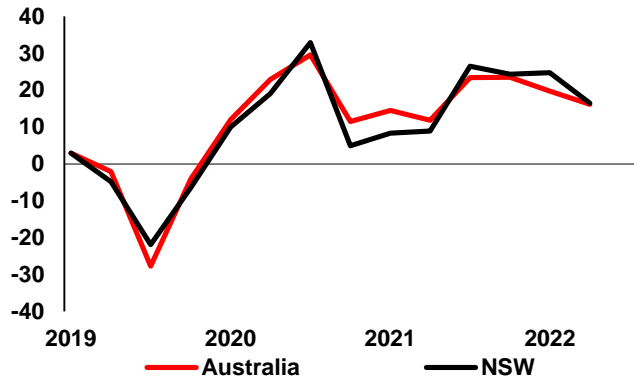


Chart 41: Confidence by State (Net Balance, SA)

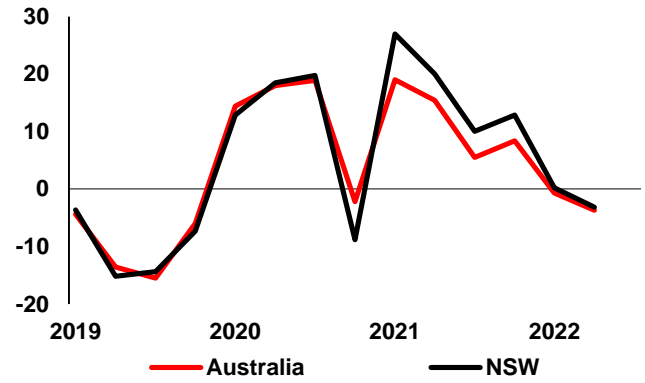


Chart 42: Conditions by State (Net Balance, SA)

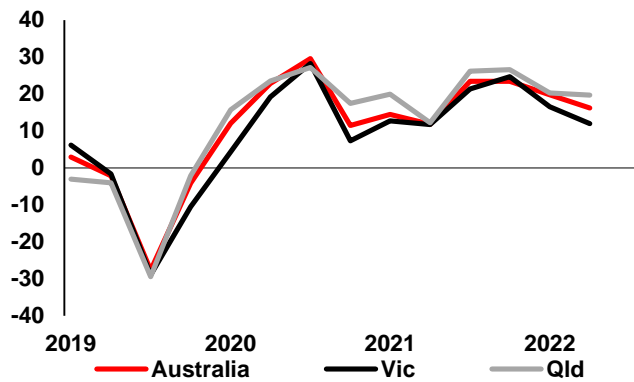


Chart 43: Confidence by State (Net Balance, SA)

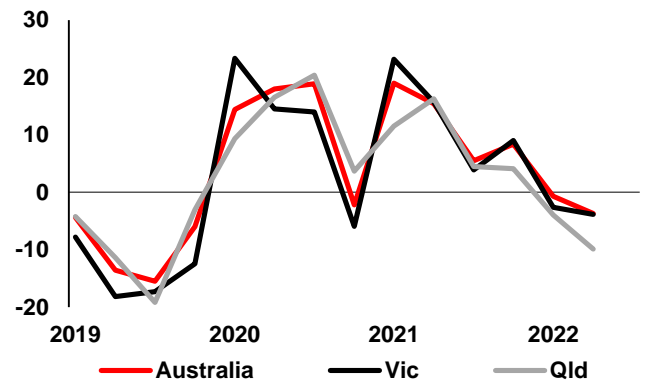


Chart 44: Conditions by State (Net Balance, SA)

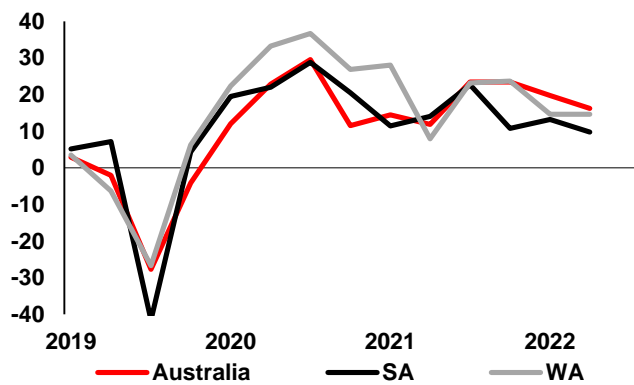
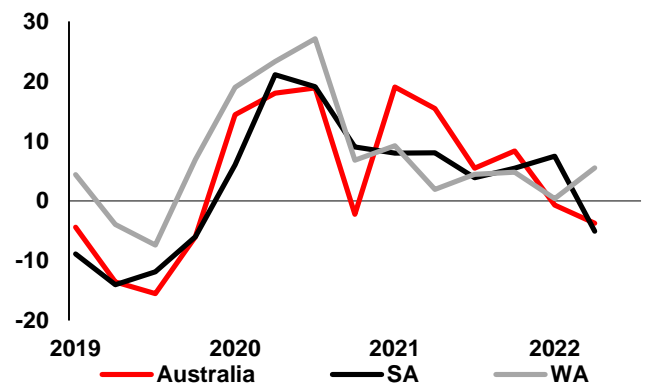


Chart 45: Confidence by State (Net Balance, SA)



Data Appendix

	Quarterly					Monthly				
	2022q1	2022q2	2022q3	2022q4	2023q1	2022m11	2022m12	2023m1	2023m2	2023m3
Confidence	15	5	8	-1	-4	-4	0	6	-4	-1
Conditions	12	23	23	20	16	22	14	19	17	16

	Quarterly					Monthly				
	2022q1	2022q2	2022q3	2022q4	2023q1	2022m11	2022m12	2023m1	2023m2	2023m3
Trading	15	30	32	27	22	30	20	28	25	26
Profitability	10	21	20	17	12	21	14	18	14	13
Employment	10	19	20	15	13	14	9	12	12	10

	Quarterly ^(a)					Monthly				
	2022q4	2023q1	2023q2	2023q4	2024q1	2022m11	2022m12	2023m1	2023m2	2023m3
Conditions	20	16	NA	NA	NA	22	14	19	17	16
Conds. next 3m	31	22	19	NA	NA					
Conds. nxt 12m	36	34	29	18	20					
Orders	7	5	NA	NA	NA	5	3	6	3	4
Orders next 3m	21	10	7	NA	NA					

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

	Quarterly ^(a)					Monthly				
	2022q2	2022q3	2022q4	2023q1	2023q2	2022m11	2022m12	2023m1	2023m2	2023m3
Capacity utilis.	85.2	86.0	84.8	85.5	NA	85.1	83.8	85.8	85.2	85.1
Stocks current	15	16	13	8	NA	11	7	5	7	5
Stocks next 3m	9	9	6	4	1					

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

	Quarterly ^(a)					Monthly				
	2022q4	2023q1	2023q2	2023q4	2024q1	2022m11	2022m12	2023m1	2023m2	2023m3
Empl current	15	13	NA	NA	NA	14	9	12	12	10
Empl next 3m	28	19	18	NA	NA					
Empl nxt 12m	42	42	39	30	26					

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

	2022q1	2022q4	2023q1
Constraints on output (% of firms)*			
Sales & orders	41.0	44.9	45.2
Labour	83.9	89.4	86.5
Premises & plant	27.3	30.5	28.3
Materials	48.8	49.3	43.1

* not s.a.

Data Appendix - States

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2022q1</u>	<u>2022q2</u>	<u>2022q3</u>	<u>2022q4</u>	2023q1	<u>2022m11</u>	<u>2022m12</u>	2023m1	2023m2	2023m3
Business conditions										
NSW	9	26	24	25	16	26	20	20	16	20
VIC	12	21	25	17	12	20	13	8	13	12
QLD	12	26	27	20	20	21	14	37	20	23
SA	14	23	11	13	10	17	4	25	12	-2
WA	8	23	24	15	15	17	15	17	17	12
TAS	19	26	16	4	10	15	3	43	10	-1

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2022q1</u>	<u>2022q2</u>	<u>2022q3</u>	<u>2022q4</u>	2023q1	<u>2022m11</u>	<u>2022m12</u>	2023m1	2023m2	2023m3
Business confidence										
NSW	20	10	13	0	-3	-4	3	4	-6	0
VIC	16	4	9	-3	-4	-7	2	11	-2	0
QLD	16	4	4	-4	-10	-3	-2	-3	-7	-4
SA	8	4	5	7	-5	3	-4	17	-3	0
WA	2	4	5	0	6	-2	5	16	3	2
TAS	1	-22	-10	4	-8	11	11	20	2	3

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[^]

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.