



# NAB Monthly Business Survey Apr-23

## Conditions slowly normalising but still high for now

### NAB Group Economics

#### Summary

Business conditions continued to ease in April but remained elevated, reflecting the enduring resilience of demand and a strong labour market. Trading conditions were lower but at +20 index points remain at a very high level, and the employment index has stabilised well above its historical average. Confidence, by contrast, is now mired below average (albeit it has also stabilised in recent months) suggesting firms expect the recent period of resilience to fade. Cost growth remained a challenge, with purchase cost growth picking back up after easing in recent months and labour cost growth still high. Nonetheless, price growth measures continued to gradually moderate with overall prices running at 1.1% in quarterly terms and retail prices at 1.4% (down from 1.7%). This may signal further gradual easing in inflation in the early part of Q2 after the most recent CPI release showed some easing in Q1, albeit inflation remains very elevated. We continue to expect consumption growth to slow as the effect of higher rates further impacts households, but how quickly and how sharply this occurs remains uncertain. For now, the survey suggests that the economy remains resilient.

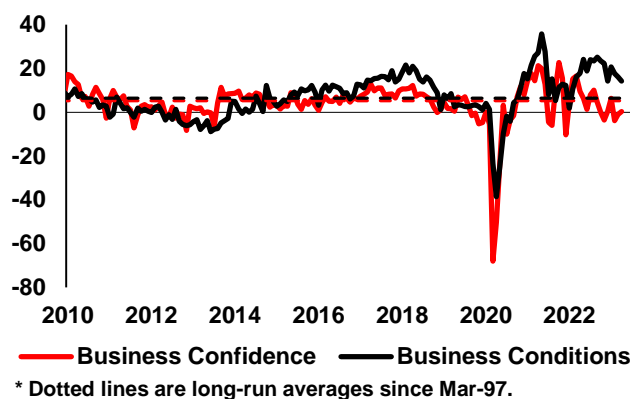
#### Survey Details

- **Business conditions** eased 2pts to +14 index points in April, continuing a trend of gradual easing but remaining at above-average levels. Trading conditions were down 4pts but are still very strong at +20 index points, while profitability also eased 2pts to +11 index points. Employment was broadly steady at +11 index points.
- **By industry** there were significant increases in transport & utilities (up 16pts) and wholesale (up 14pts) but these were more than offset by a 10pt fall in recreation & personal services. In trend terms, the level of conditions remains strong across the board, though construction continues to lag at +6 index points as profitability continues to weigh. Transport & utilities and mining remain strongest.
- **Across the states** conditions rose strongly in Tas, WA and SA but fell in NSW, Qld and Vic. In trend terms, conditions remained strong across the states with SA the softest at +7 index points.
- **Business confidence** rose 1pt to 0 index points. Wholesale led the increase (up 11pts), alongside small improvements in finance, business & property, retail and construction. Manufacturing was the key detractor, falling 9pts. In trend terms, confidence was still negative in retail, wholesale, and finance, business & property, and turned negative in recreation & personal services, but was positive in other sectors. Across the states, Qld remained weakest in trend terms with SA and NSW also in negative territory.
- **Leading indicators** softened, with forward orders down 2pts to +1 index points and capex also down 2pts to +6 index points. Capacity utilisation was steady at a relatively high 85.1%.
- **Price and cost growth** were mixed. Labour cost growth was steady at 1.9% in quarterly equivalent terms, but purchase cost growth rose to 2.3% (from 1.9% in March). Still, overall price growth was 1.1% (down from 1.3%) and inflation in the retail sector was 1.4% (down from 1.7%).

Table 1: Key Monthly Business Survey Statistics

	Feb-23	Mar-23	Apr-23
	Net balance		
Business confidence	-4	-1	0
Business conditions	18	16	14
Trading	26	24	20
Profitability	14	13	11
Employment	12	10	11
Forward orders	3	3	1
Stocks	7	5	6
Exports	1	1	1
	% change at quarterly rate		
Labour costs	2.6	1.9	1.9
Purchase costs	2.9	1.9	2.3
Final products prices	1.6	1.3	1.1
Retail prices	2.0	1.7	1.4
	Per cent		
Capacity utilisation rate	85.2	85.1	85.1

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



All data seasonally adjusted and subject to revision. Survey conducted from 21 to 28 April 2023, covering around 400 firms across the non-farm business sector.

Next release date: 13 June 2023.

## Monthly Focus: Revisiting the Conditions–Confidence Cycle

In the November 2022 NAB Monthly Business Survey, the monthly focus explored how business confidence and conditions often move in a cycle, reflecting the shifting balance between current conditions and the outlook.

In periods of expansion, both conditions and confidence tend to be strong, while during a downturn both are often weak or negative. Importantly, there can also be periods in which the two measures diverge. Strong conditions and weak confidence can be a sign that risks are on the horizon, while improving confidence combined with weak conditions might suggest a recovery is about to get underway.

This cycle played out clearly during the initial COVID outbreak (Chart 2). From a relatively neutral pre-crisis position, both measures became deeply negative during the lockdown period. Importantly, confidence led conditions during the reopening phase as firms looked ahead to the end of health-related restrictions.

A similar sequence played out during both the Delta and Omicron outbreaks (Chart 3). However, in both of these instances, business conditions never actually fell into negative territory in the same way they did during the first lockdown – likely reflecting the many adaptations businesses and consumers made throughout the pandemic.

The same has been true of over the course of the past year as the RBA has rapidly increased interest rates to address elevated inflation (Chart 4). But in this case, there has been and even smaller change in conditions despite the significant fall in confidence.

Both confidence and conditions were both strong in April 2022 ahead of the first rate rise in May. While confidence initially deteriorated as rates lifted off, this was short lived and the economy enjoyed a strong period of expansion through the middle of the year, supported by rebounding services consumption and high commodity prices.

Later in 2022, confidence sank into negative territory despite conditions remaining essentially unchanged – largely reflecting fears about the outlook for global growth as central banks around the world raised rapidly raised rates. However, by January confidence had rebounded on the back of a strong Christmas shopping period.

The same cycle has been evident in recent months. Confidence fell below zero in February as the cash rate approached 3% - but confidence is now stabilising as expectations grow that rates are approaching their peak.

Importantly, while confidence usually leads conditions, the deterioration in conditions has been much less severe than the decline in confidence over the past year. This underlines resilience the economy has shown despite the unfolding challenges at play.

Chart 2: Initial COVID outbreak, Jan-2020 to Nov-2020

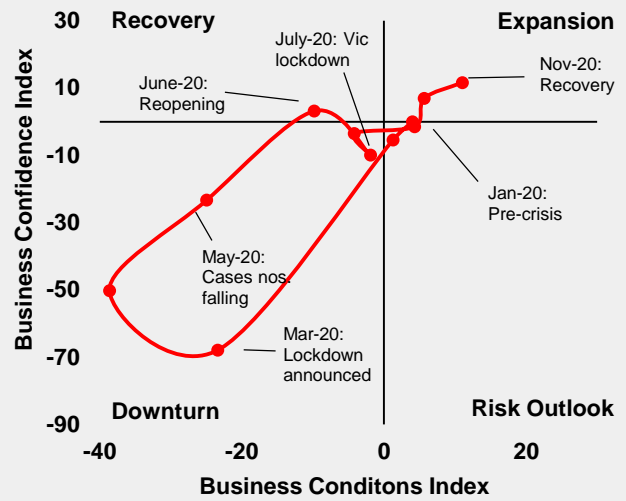


Chart 3: Delta and Omicron, Apr-2021 to Mar-2022

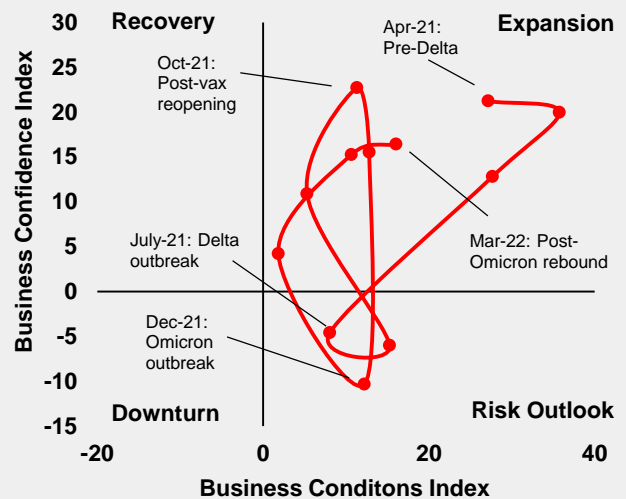
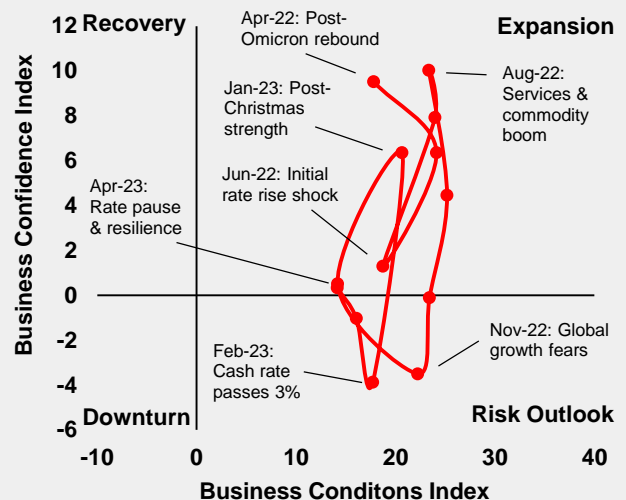


Chart 4: RBA rate hike cycle, Apr-2022 to Apr-2023



## Business Conditions and Confidence

Chart 5: Business Confidence (Net Balance)

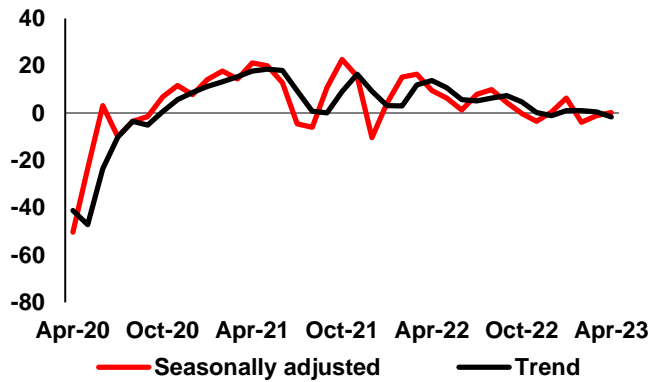


Chart 6: Business Conditions (Net Balance)

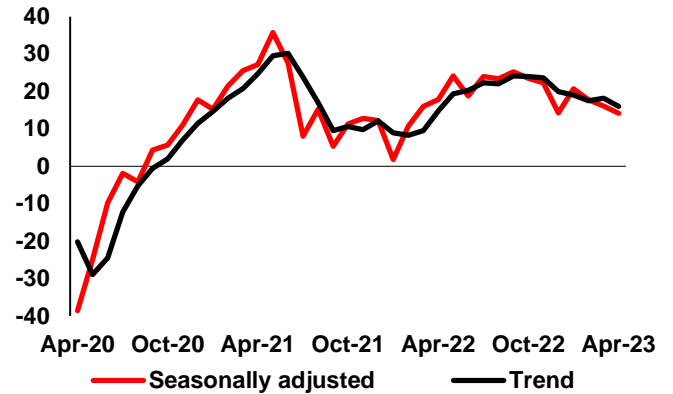


Chart 7: Components of Conditions (Net Balance, SA)

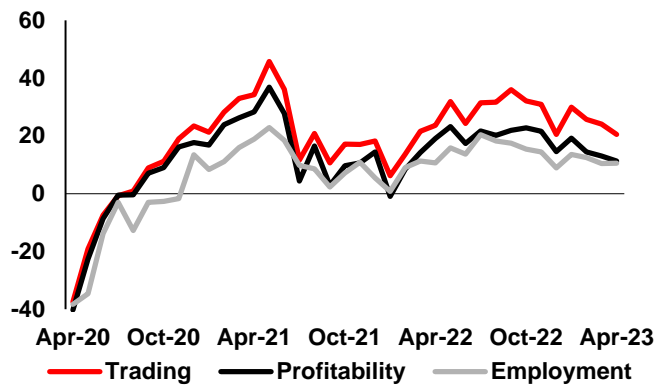


Chart 8: L-R Conditions & Confidence (Net Balance, SA)

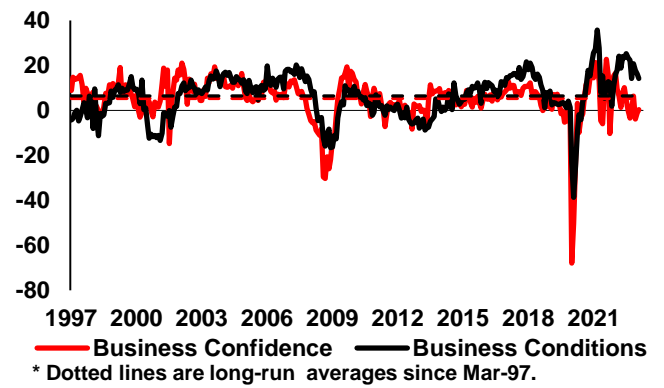


Chart 9: Conditions by Industry, Trend (Net Balance)

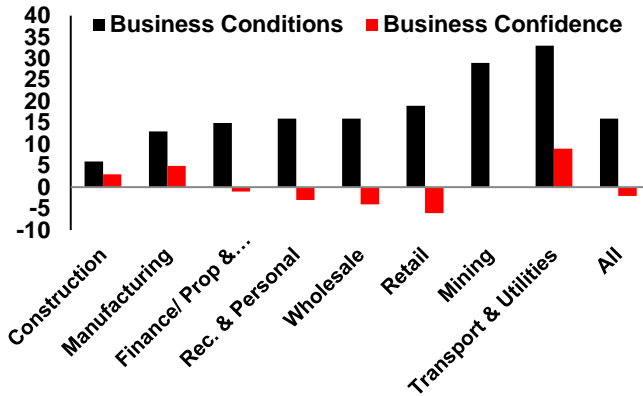
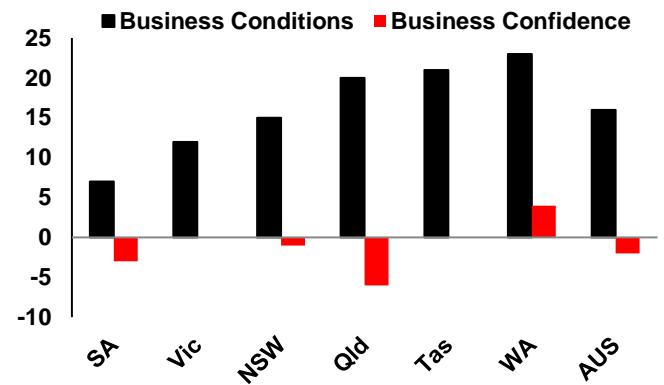


Chart 10: Conditions by State, Trend (Net Balance)



## Leading Indicators and Other Key Measures

Chart 11: Forward Orders (Net Balance)

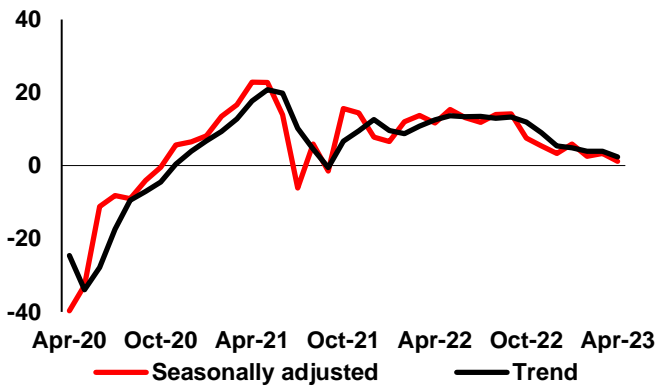


Chart 12: Capital Expenditure (Net Balance)

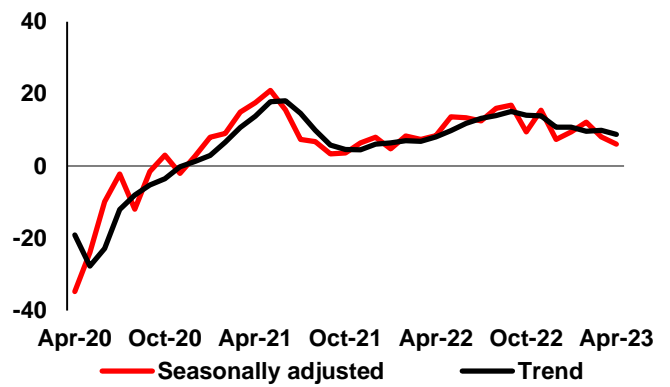


Chart 13: Capacity Util. & Unemployment (% SA)

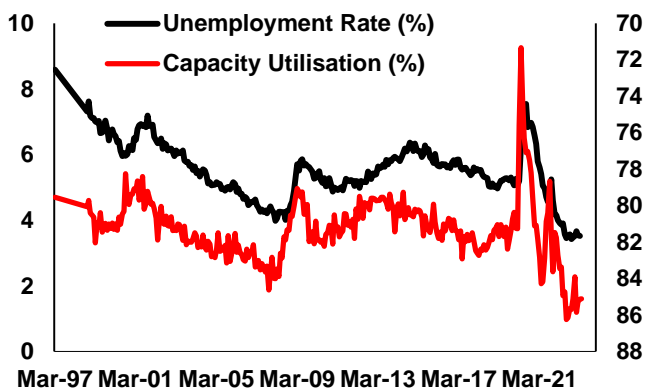


Chart 14: Capacity Util. by Industry (% 3mma)

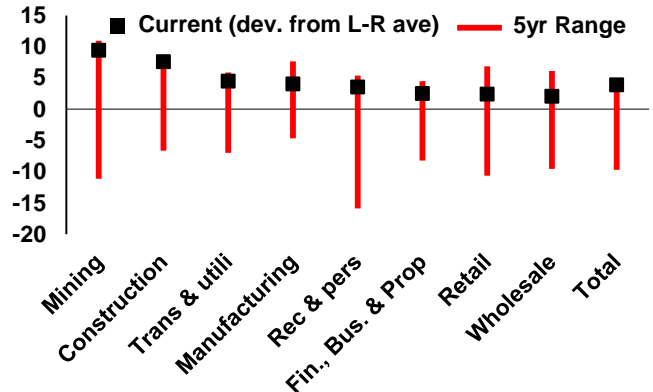


Chart 15: Stocks (Net Balance)

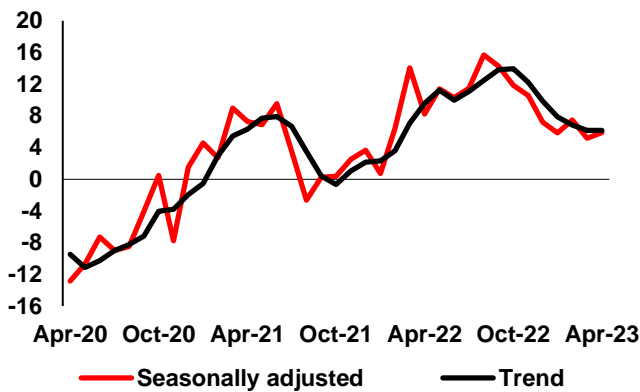


Chart 16: Cash Flow (Net Balance)

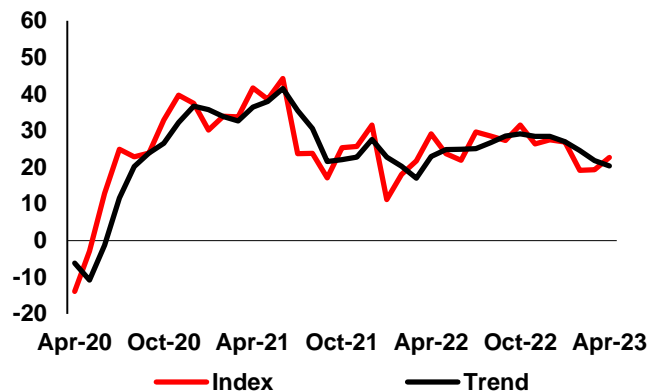


Chart 17: Exports (Net Balance)

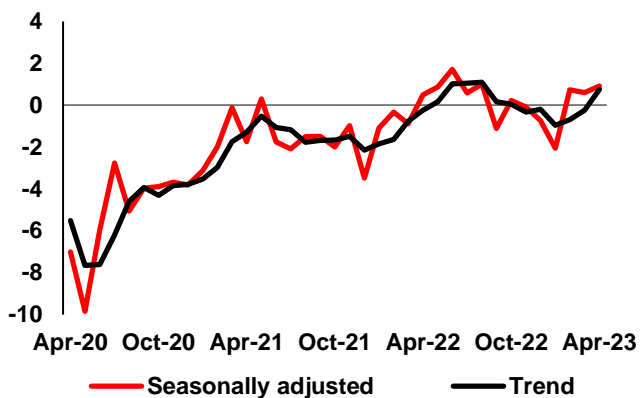
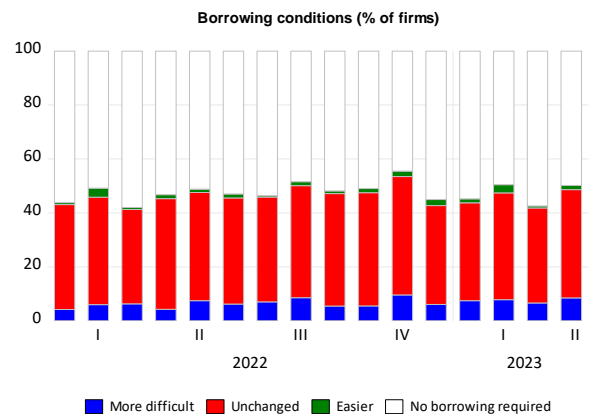


Chart 18: Borrowing Conditions (% of Firms)



## Employment, Wages and Prices

Chart 19: Employment (Net Balance)

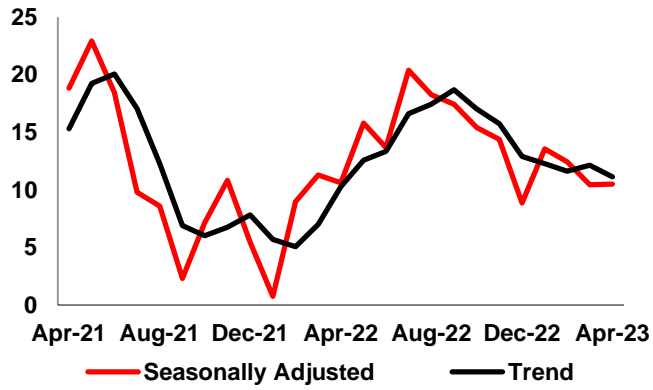


Chart 20: NAB vs ABS Employment (Net Balance, SA)

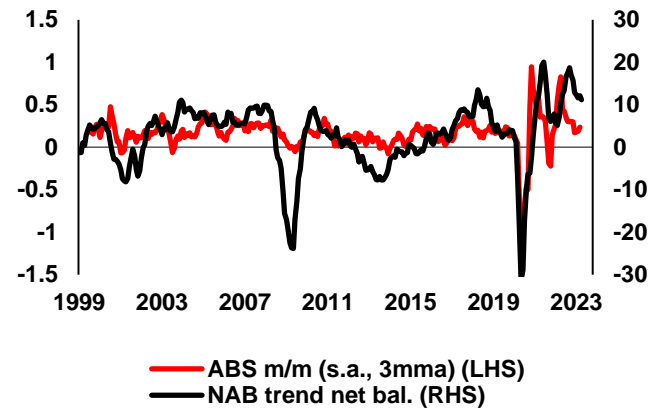


Chart 21: Employment by Industry (Net Balance, Trend)

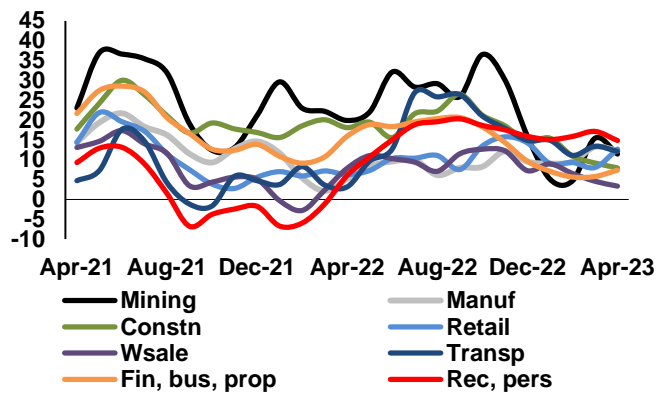


Chart 22: Labour Costs Growth, Qtly Eq. (% , SA)

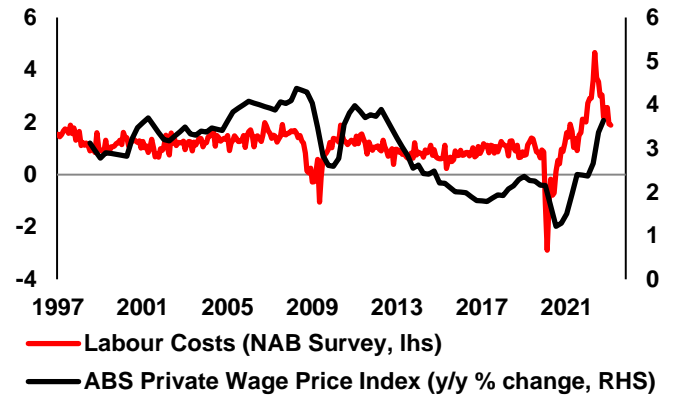


Chart 23: Costs & Price Growth, Qtly Eq. (% , SA)

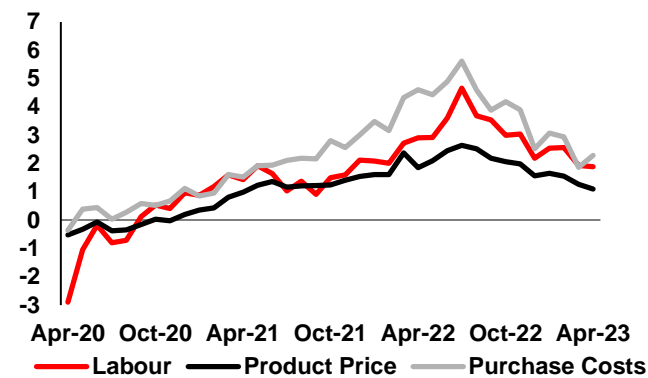
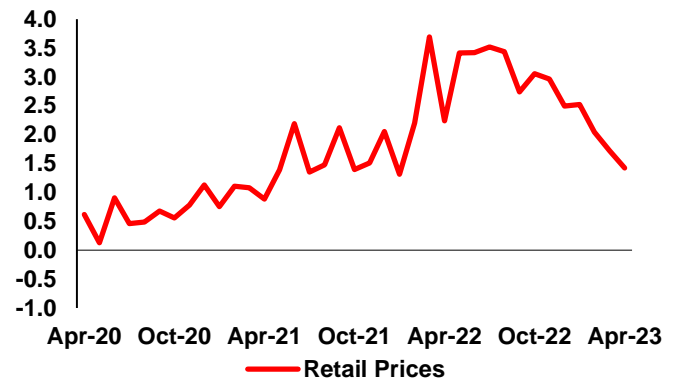


Chart 24: Retail Price Growth, Qtly Eq. (% , SA)



## Conditions and Confidence by State and Industry

Chart 25: Conditions by State (Net Balance, Trend)

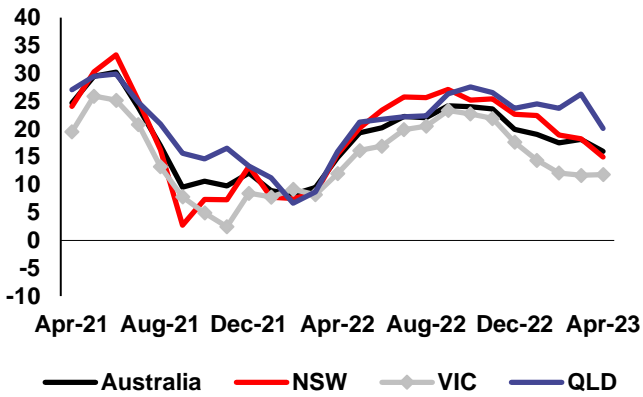


Chart 26: Conditions by State (Net Balance, Trend)

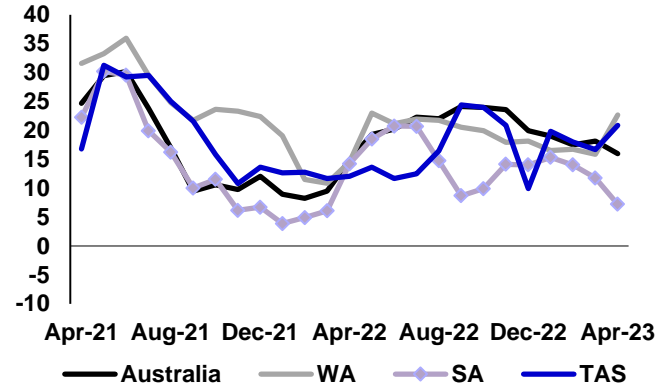


Chart 27: Confidence by State (Net Balance, Trend)

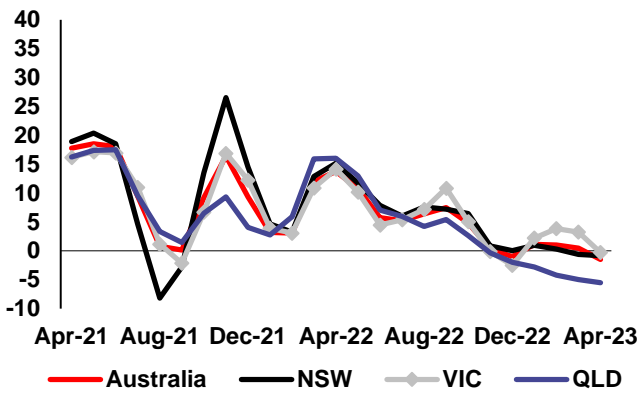


Chart 28: Confidence by State (Net Balance, Trend)

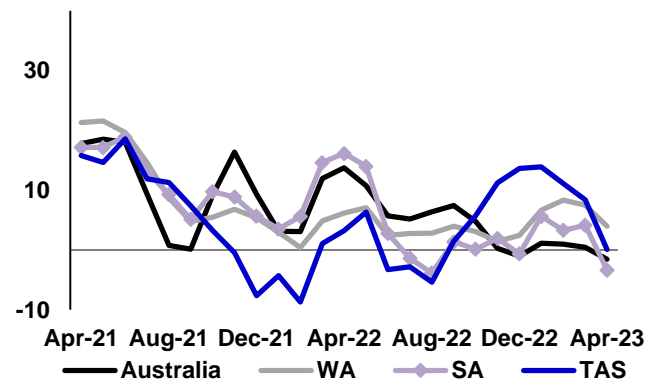


Chart 29: Conditions by Industry (Net Balance, Trend)

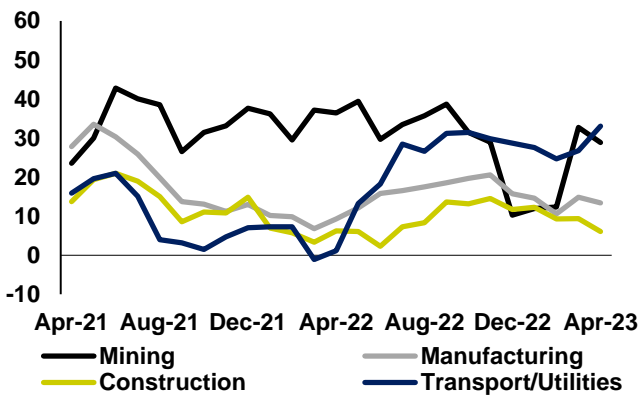


Chart 30: Conditions by Industry (Net Balance, Trend)

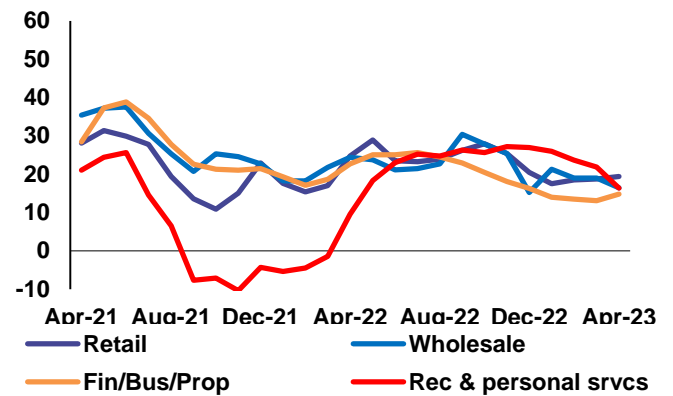


Chart 31: Confidence by Industry (Net Balance, Trend)

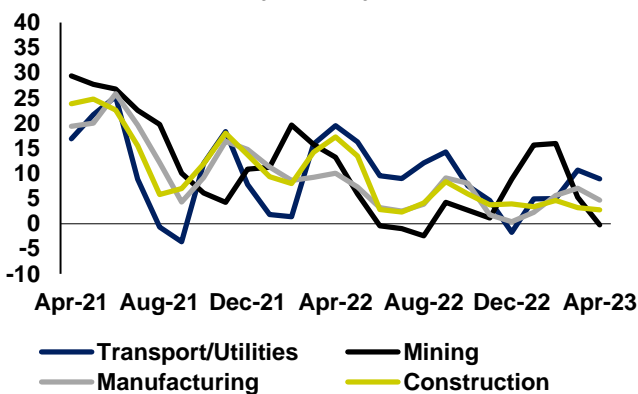
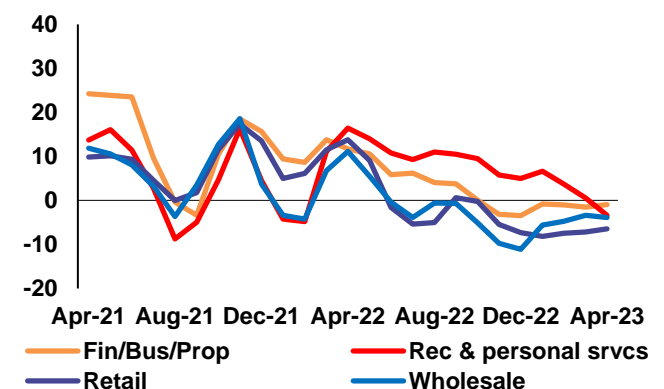


Chart 32: Confidence by Industry (Net Balance, Trend)



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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.