

NAB Monthly Business Survey June-23



Conditions still above average despite warning signs

NAB Group Economics

Summary

After falling over the first half of the year from very elevated levels, business conditions were steady in June, showing some resilience at above-average levels. By industry, retail conditions weakened but were offset by an improvement in construction conditions. The resilience came despite warning signs of slowing growth elsewhere in the survey in recent months, and leading indicators in the June survey continued to point to softness ahead with confidence at 0 index points and forward orders remaining in negative territory. Capacity utilisation also eased noticeably in June, to 83.5% – its lowest level since April 2022, though this remains well above the historical average. Cost pressures remain an issue, with labour cost growth jumping back up to 2.6% in quarterly terms (possibly reflecting firms factoring in minimum and award wage increases in advance of 1 July), while input cost growth remained at 2.3%. Overall product price growth moderated slightly but retail price growth also bounced in the month, to 1.6% in quarterly terms. In trend terms, retail prices continue to gradually moderate but remains elevated at 1.6%, while price growth in recreation & personal services also continues to track at an elevated 1.3%, signalling that underlying inflation will likely remain elevated when Q2 CPI is released later in the month.

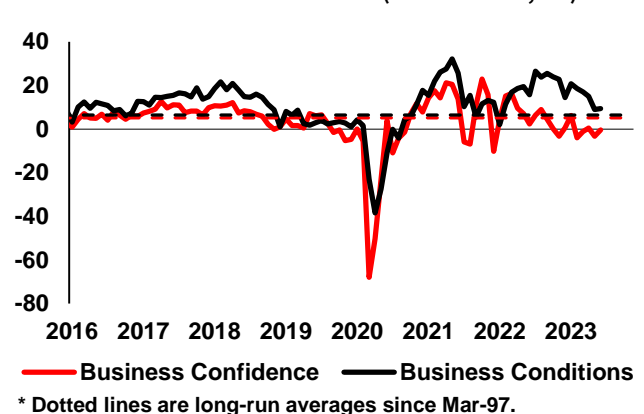
Survey Details

- **Business conditions** were steady at +9 index points in June. Trading eased 1pt to +14 index points, employment was steady at +5 index points and profitability rose slightly, up 2pts to +9 index points. Conditions have eased notably since January but remain just above their long run average.
- **By industry** there was a 12pt fall in retail conditions, while construction saw a 12pt increase and wholesale rose 5pts. In trend terms, outside of mining, transport & utilities remains strongest while retail and wholesale remain at robust levels. Construction is now back above its long run average after showing weakness over the past year.
- **By state**, SA saw a large fall and Qld also declined, while Tas saw a large pickup. In trend terms, however, conditions were little changed and remained at elevated levels across the board except for SA.
- **Business confidence** rose 3pts to 0 index points. There was a pickup in recreation & personal services and in finance, property & business, while retail and manufacturing declined. In trend terms, is now weakest in retail (-9 index points) and is also negative in wholesale and recreation & personal services.
- **Leading indicators** were mixed. Forward orders were up 2pts to -2 index points while capacity utilisation declined 1ppt, from 84.5% to 83.5% - the lowest level of capacity utilisation since April 2022 albeit still well above average.
- **Price and cost growth** were also mixed. Labour cost growth rose to 2.6% in quarterly equivalent terms (up from 2% in May) and purchase cost growth was unchanged at 2.3%. Final products prices growth was 1.1% (down from 1.3%), but the retail component rose 1.6% (up from 1.3%).

Table 1: Key Monthly Business Survey Statistics

	Apr-23	May-23	Jun-23
	Net balance		
Business confidence	1	-3	0
Business conditions	15	9	9
Trading	22	15	14
Profitability	12	7	9
Employment	11	5	5
Forward orders	1	-5	-2
Stocks	6	2	1
Exports	1	0	-1
	% change at quarterly rate		
Labour costs	1.9	2.0	2.6
Purchase costs	2.2	2.3	2.3
Final products prices	1.1	1.3	1.1
Retail prices	1.6	1.3	1.6
	Per cent		
Capacity utilisation rate	85.0	84.5	83.5

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



All data seasonally adjusted and subject to revision. Survey conducted from 20 to 30 June 2023, covering around 500 firms across the non-farm business sector.

Next release date: 8 August 2023.

Monthly Focus: Costs and Prices for Goods and Services

Looking at the retail sector (Chart 2), both purchase cost and labour cost growth have rebounded in recent months with trend growth rates reaching 2.5% and 2.4% respectively in June. On the other hand, prices appear to have continued to moderate, albeit gradually, as demand has eased.

In recreation & personal services (Chart 3), purchase cost growth has also ticked higher, to 2.9% in trend terms, while labour cost growth also remains elevated at 2.3%. The rate of price growth is slightly lower than that seen in retail, but has also been slower to moderate.

The relationships between costs and prices are different across different industries. In retail, there is a very strong historical correlation between purchase costs and prices (Chart 4), while the relationship between labour costs and prices has been less pronounced outside of the recent period of very high inflation (Chart 5).

For services, which are more labour dependent, there is a much stronger correlation between labour costs and prices, while the relationship between purchase costs and prices is less pronounced (Charts 6 and 7).

Importantly, costs are just one of the factors that affects price setting, with the strength of demand and degree of competition also critical in shaping prices.

Chart 2: Retail Cost and Price Growth (%)

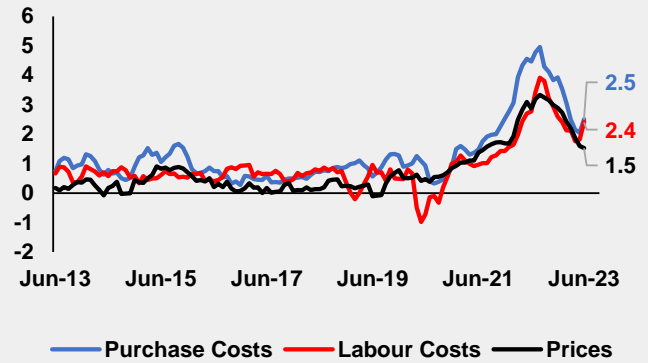


Chart 3: Rec. & Personal Cost and Price Growth (%)

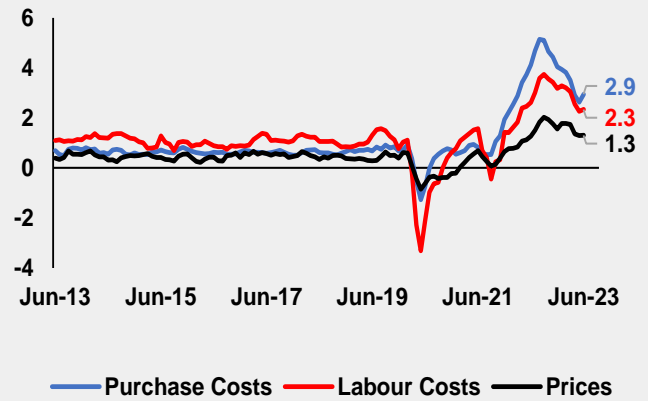


Chart 4: Retail Purchase Costs vs Prices

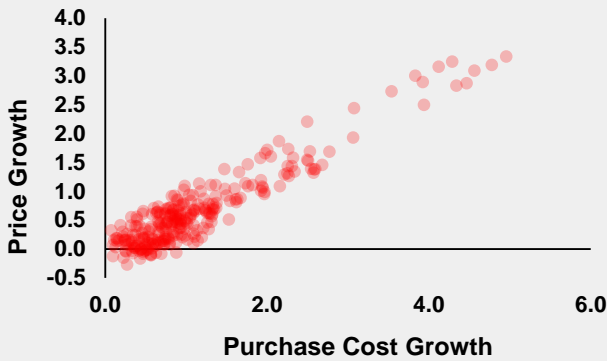


Chart 5: Retail Labour Costs vs Prices

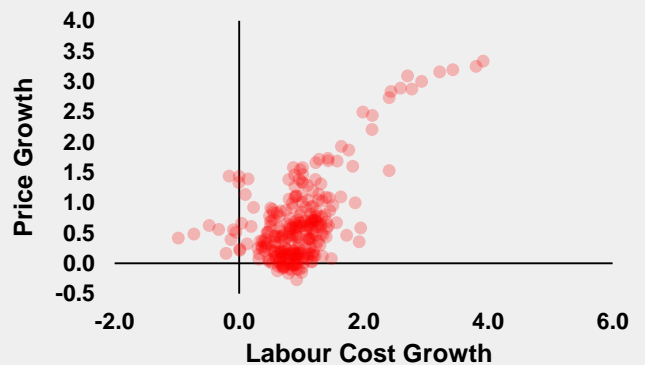


Chart 6: Rec. & Personal Purchase Costs vs Prices

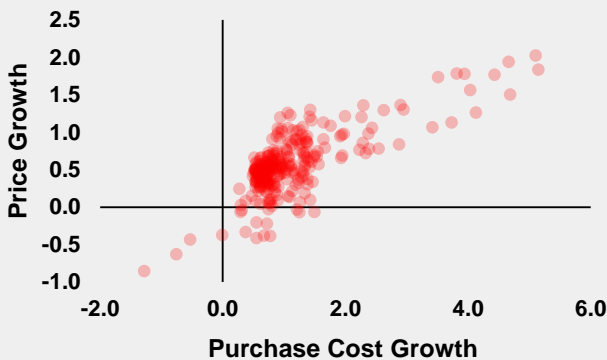
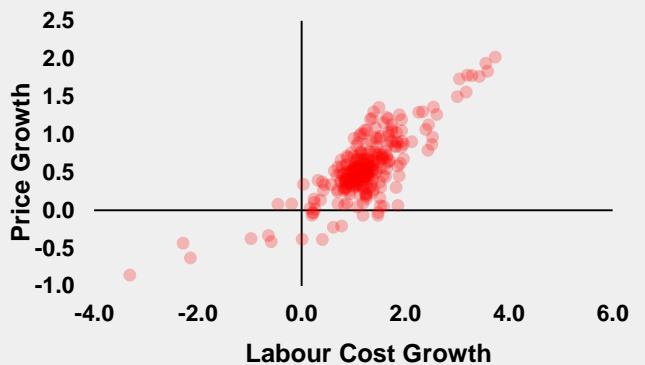


Chart 7: Rec. & Personal Labour Costs vs Prices



Note: Data in charts 2-7 show trends rates of growth in quarterly equivalent terms.

Business Conditions and Confidence

Chart 8: Business Confidence (Net Balance)

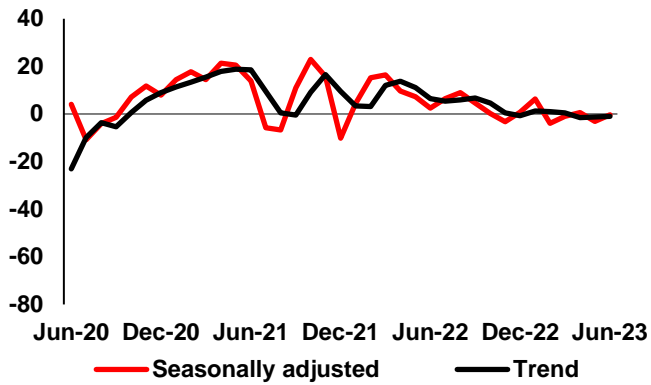


Chart 9: Business Conditions (Net Balance)

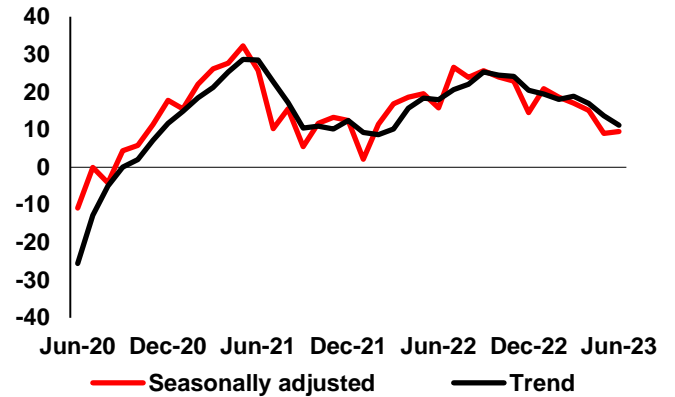


Chart 10: Components of Conditions (Net Balance, SA)

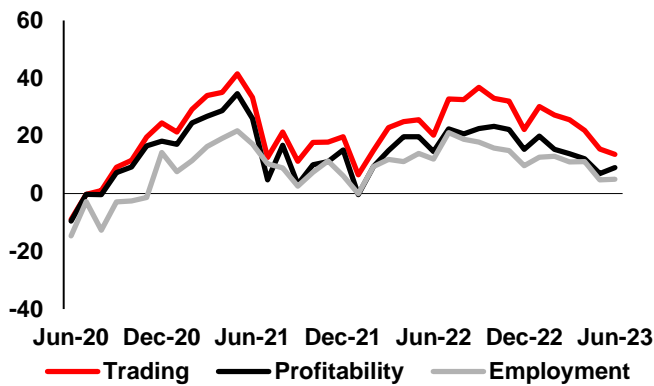


Chart 11: L-R Conditions & Confidence (Net Balance, SA)

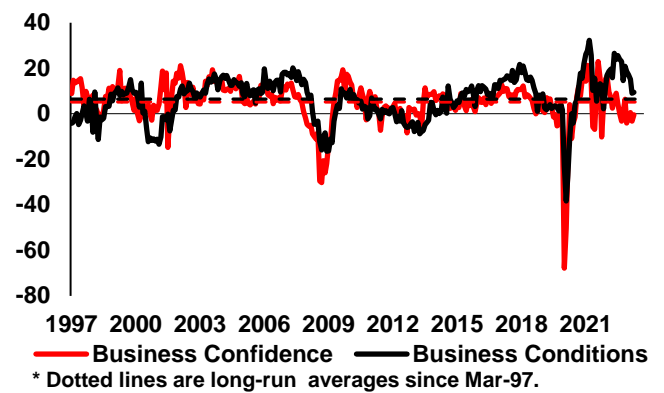


Chart 12: Conditions by Industry, Trend (Net Balance)

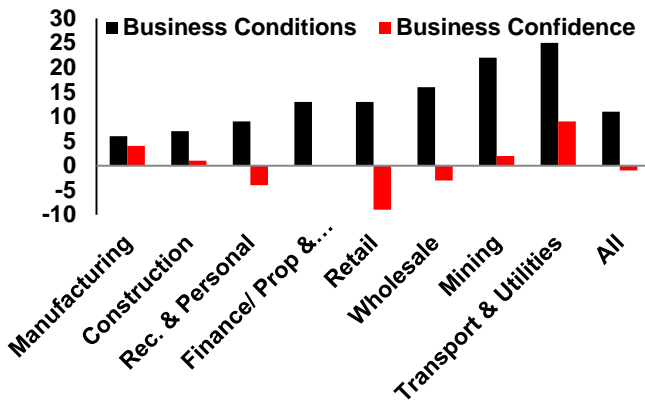
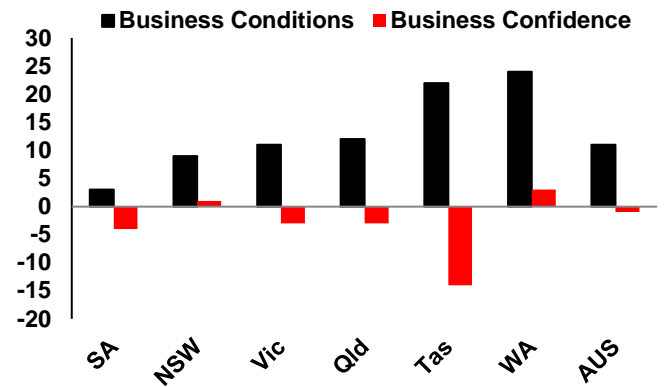


Chart 13: Conditions by State, Trend (Net Balance)



Leading Indicators and Other Key Measures

Chart 14: Forward Orders (Net Balance)

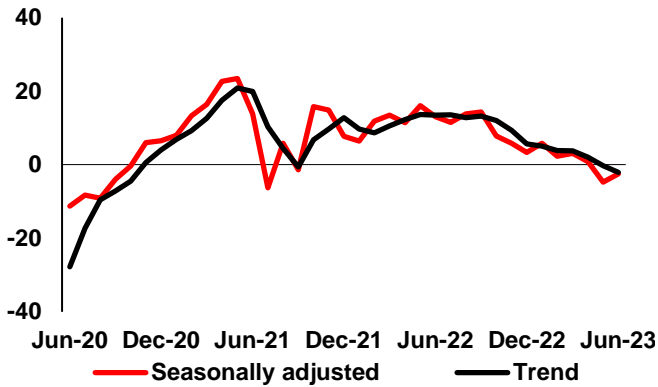


Chart 15: Capital Expenditure (Net Balance)

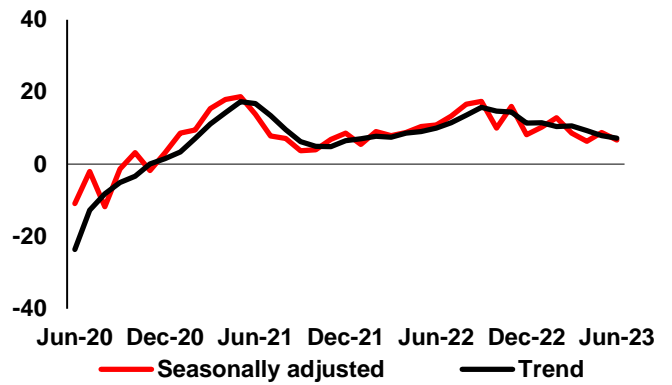


Chart 16: Capacity Util. & Unemployment (% SA)

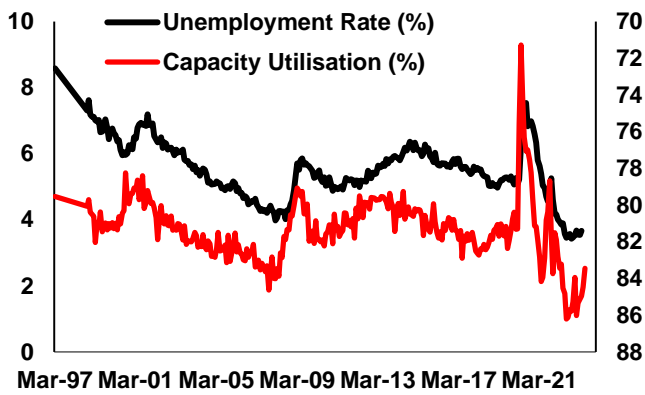


Chart 17: Capacity Util. by Industry (% 3mma)

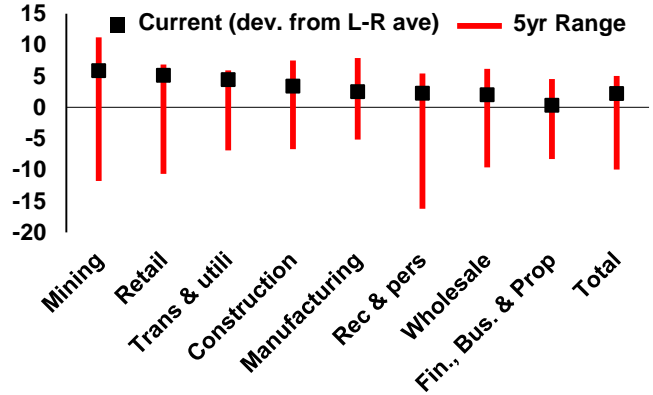


Chart 18: Stocks (Net Balance)

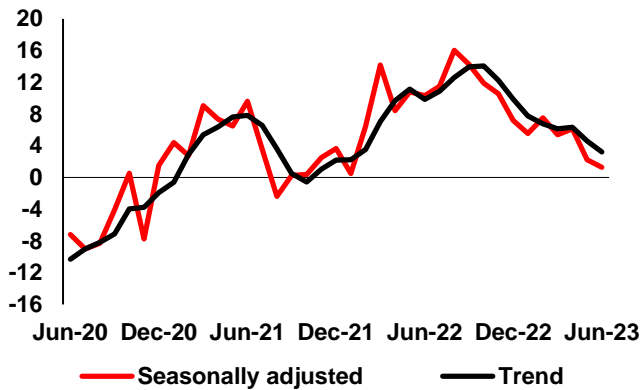


Chart 19: Cash Flow (Net Balance)

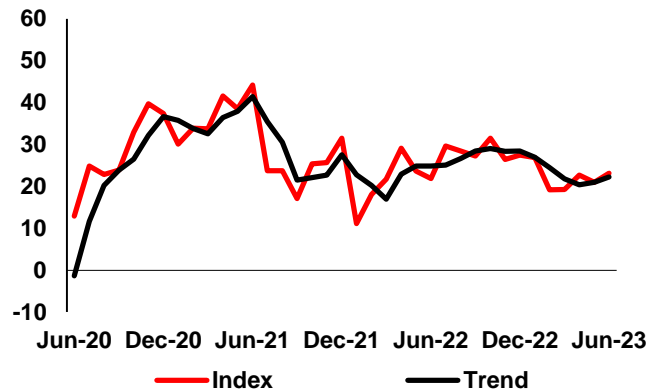


Chart 20: Exports (Net Balance)

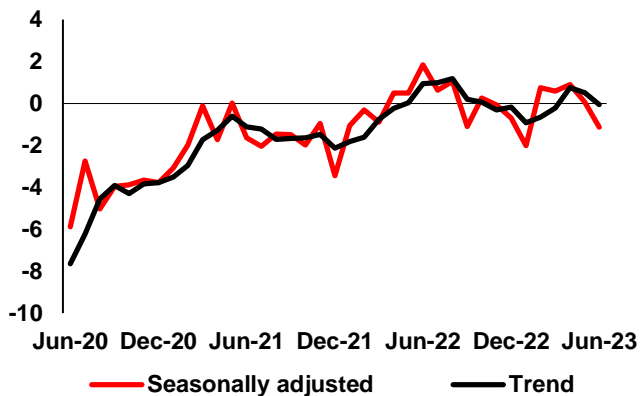
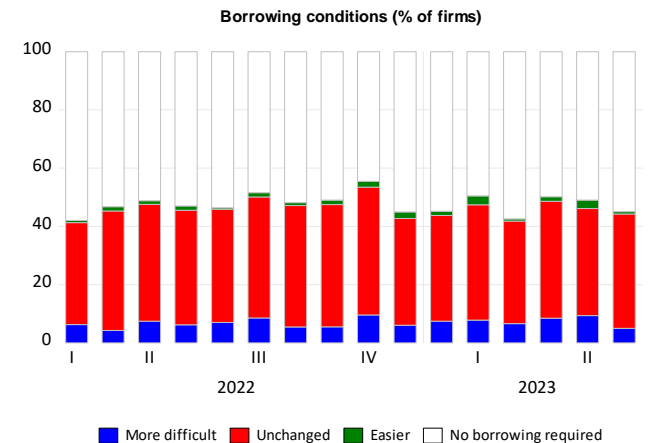


Chart 21: Borrowing Conditions (% of Firms)



Employment, Wages and Prices

Chart 22: Employment (Net Balance)

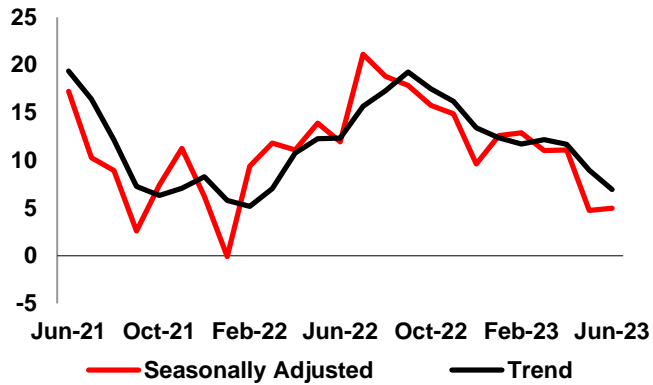


Chart 23: NAB vs ABS Employment (Net Balance, SA)

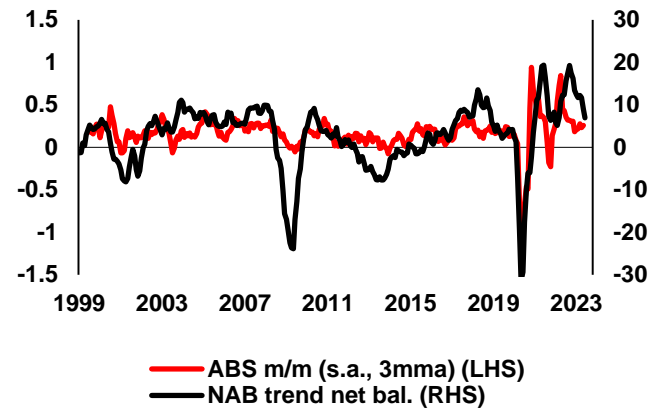


Chart 24: Employment by Industry (Net Balance, Trend)

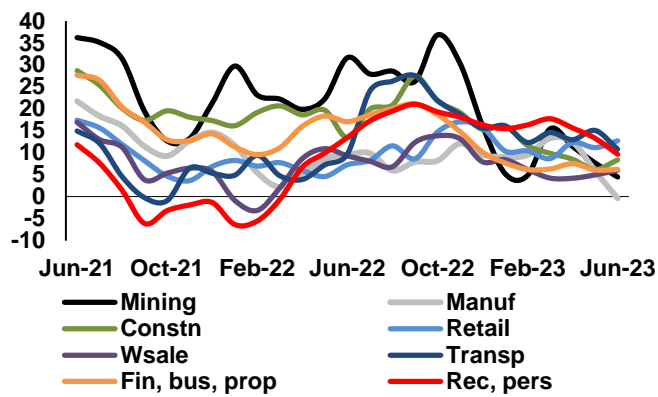


Chart 25: Labour Costs Growth, Qtly Eq. (% , SA)

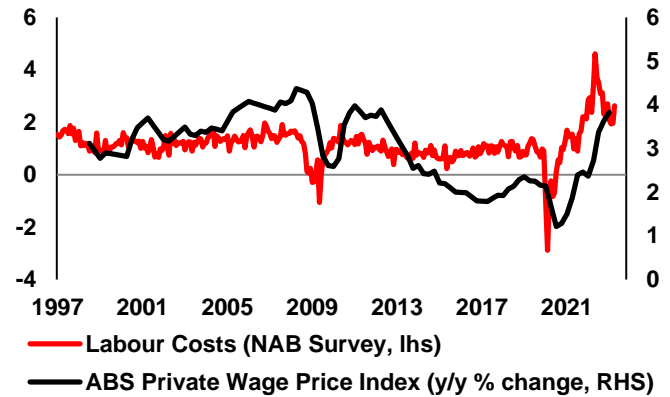


Chart 26: Costs & Price Growth, Qtly Eq. (% , SA)

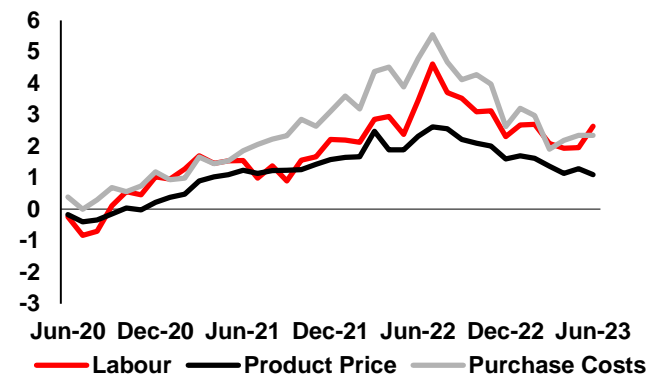
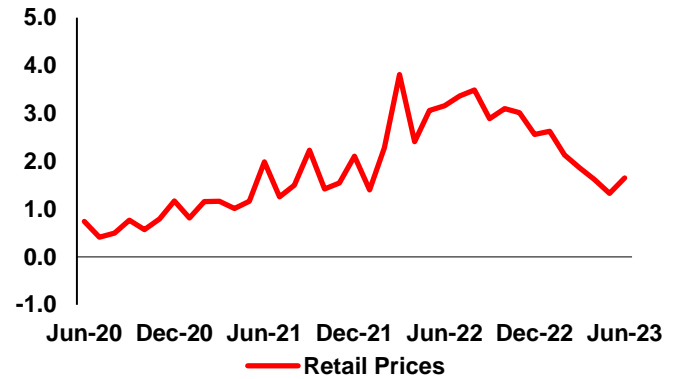


Chart 27: Retail Price Growth, Qtly Eq. (% , SA)



Conditions and Confidence by State and Industry

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

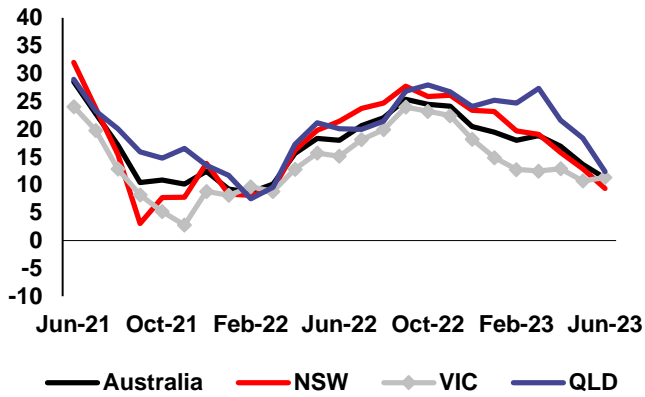


Chart 29: Conditions by State (Net Balance, Trend)

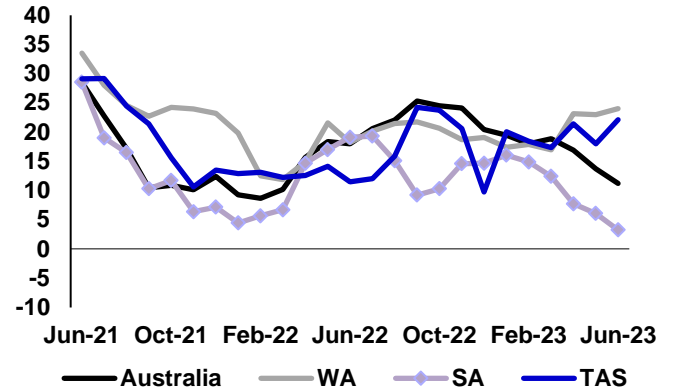


Chart 30: Confidence by State (Net Balance, Trend)

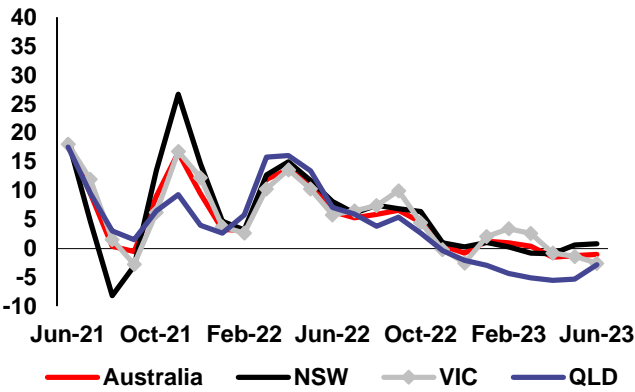


Chart 31: Confidence by State (Net Balance, Trend)

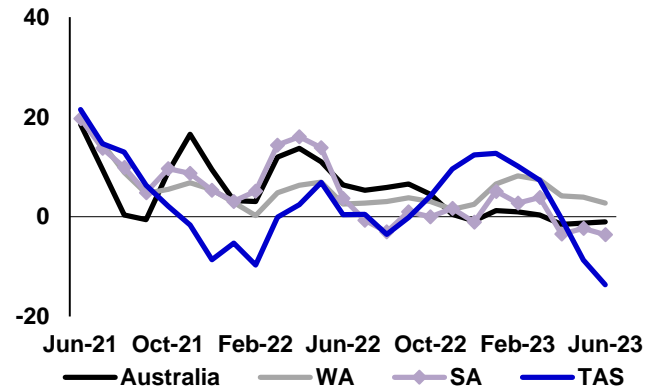


Chart 32: Conditions by Industry (Net Balance, Trend)

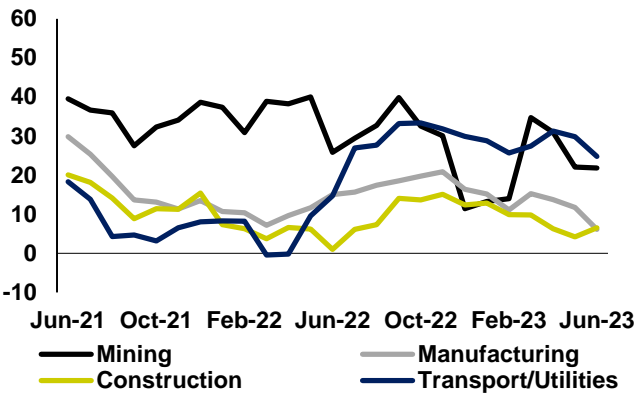


Chart 33: Conditions by Industry (Net Balance, Trend)

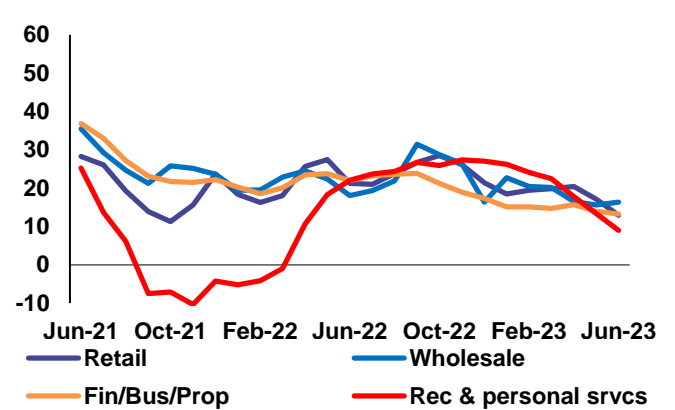


Chart 34: Confidence by Industry (Net Balance, Trend)

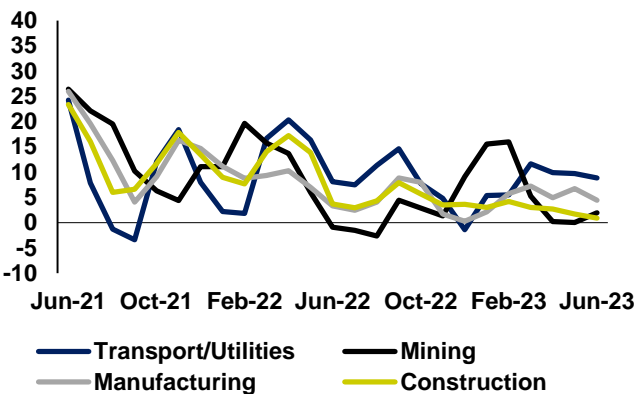
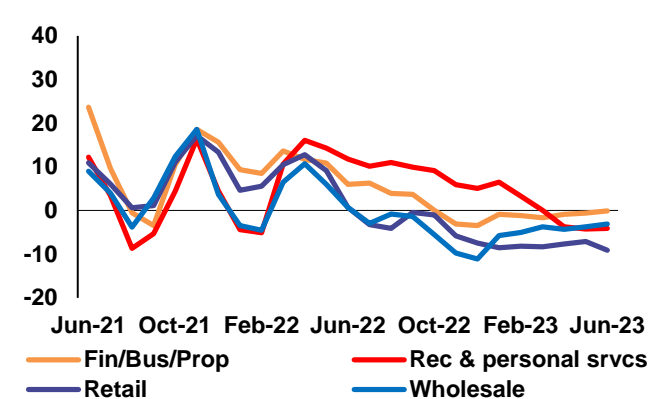


Chart 35: Confidence by Industry (Net Balance, Trend)



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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.