



NAB Monthly Business Survey Aug-23

Employment index rises as resilience continues

NAB Group Economics

Summary

Business conditions rose 3pts in August, continuing a run of resilience through the middle of the year where conditions have remained well above average despite the broader slowing in the economy. Trading conditions, profitability and employment all rose, with a broad-based uptick in conditions across most industries. Capacity utilisation also rose back above 85%. The confidence and forward orders measures both edged up though they remain below average, weighed down by deep negatives in the retail sector. Car retailing and personal & household goods have been driving this result, in part reflecting normalising order books as backlogs are cleared. Cost and price growth measures remained elevated in the survey. Labour cost growth eased from the spike seen in July but was still elevated at 3.2% in quarterly equivalent terms, while elevated purchase cost growth continued in the month, running at 2.9%. Output price growth also remained high at 1.7% and is well above the recent low of 1% in June. Growth in both retail and services prices moderated more clearly in the month but also remain elevated. With the recent National Accounts release showing GDP growth remained subdued but still positive through Q2, the survey results for August suggest the economy has remained resilient into Q3.

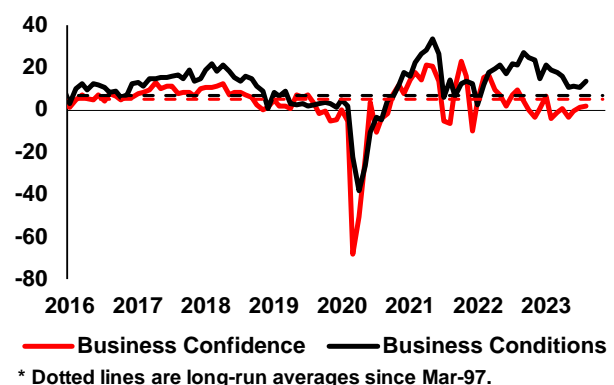
Survey Details

- **Business conditions** strengthened 3pts to +13 index points, driven by increases across all three sub-components. Trading conditions rose 1pt to +18 index points, profitability increased 2pt to +13 index points, and employment was up 3pts to +9 index points. In trend terms, conditions remain well above long-run average levels.
- **By industry** manufacturing conditions rose 18pts while wholesale conditions fell 16pts, with most other industries seeing small rises in the month. In trend terms, the level of conditions is still high across industries with mining (+26 index points) and transport & utilities (+18) the strongest and other sectors ranging between +9 to +14 index points.
- **By state**, Tas saw conditions fall (down 16pts), and NSW and SA also declined, while Qld (up 10pts) and Vic (up 8pts) rose. In trend terms, conditions remained strong across most states, though SA remains soft at +4 index points.
- **Business confidence** edged up to +2 index points. Confidence was mixed across industries and fell sharply in mining (down 35pts). In trend terms, confidence remained weakest in retail at -14pts, with mining and finance, business & property also in negative territory. Across the states, Tas remained weakest with QLD and Vic also negative.
- **Leading indicators** strengthened. Forward orders were up 1pt to 0 index points and capacity utilisation rose, reaching 85.1%. In trend terms, forward orders remained negative despite slightly improving in the month, with retail continuing to weigh on the overall result.
- **Price and cost growth** were mixed. Labour cost growth fell to 3.2% in quarterly equivalent terms, partially reversing the increase in July. Purchase cost growth was broadly steady at 2.9%, with construction and wholesale seeing large increases. There was a slight fall in output price growth, to 1.7%, driven by a softening in retail and recreation & personal services price growth (both 1.9% in quarterly terms).

Table 1: Key Monthly Business Survey Statistics

	Jun-23	Jul-23	Aug-23
		Net balance	
Business confidence	-1	1	2
Business conditions	11	11	13
Trading	17	17	18
Profitability	10	11	13
Employment	6	6	9
Forward orders	-2	-1	0
Stocks	2	7	3
Exports	-1	1	0
	% change at quarterly rate		
Labour costs	2.4	3.7	3.2
Purchase costs	2.3	2.8	2.9
Final products prices	1.0	1.9	1.7
Retail prices	1.6	2.6	1.9
	Per cent		
Capacity utilisation rate	83.6	84.7	85.1

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



All data seasonally adjusted and subject to revision. Survey conducted from 15 to 29 August 2023, covering around 500 firms across the non-farm business sector.
Next release date: 10 October 2023.

Monthly Focus: Subsectors Driving Divergence in Retail Indicators

For a number of months, the NAB Business Survey has shown a wide divergence between current business conditions and more forward-looking indicators. This has been particularly evident in retail, where conditions remain above average at +11 index points (in three-month-average terms) while both forward orders and confidence are deeply negative (Chart 2).

Responses from retail businesses can be split into food retail, personal & household goods, car retailing, and residual ‘other’ retail businesses. Samples sizes are small at this level of disaggregation but nonetheless help shed light on what is driving the overall survey results for the retail sector.

For example, business conditions remain at elevated levels in food, car retail, and the ‘other’ category, but are much lower for personal & household goods retail (Chart 3). This dynamic has been mirrored in official data on retail sales, which has shown falling real consumption of clothing and household goods.

In terms of forward orders, the negative overall result is being driven by car retail as well as personal & household goods, with the food and ‘other’ subsectors showing forward orders closer to neutral.

The forward orders measure reflects the net balance of responses on changes in “forward orders from customers”. Given that supply chains for cars and other large consumer durable goods were significantly disrupted during the pandemic, the negative readings for these measures may reflect declining backlogs of customer orders as supply has improved. This would align with ABS data on non-commercial vehicle import volumes, which have been elevated in recent quarters as supply issues have resolved (Chart 5). The survey’s measure of stocks in the car retail subsector has also recovered as forward orders declined (Chart 6).

Overall, forward orders in the survey remain below average, with retail only around 10% of the sample. Nonetheless, the subsector results help explain some of the gap between current and forward-looking measures.

Chart 2: Retail Sector Indicators (Net Balance, 3mma)

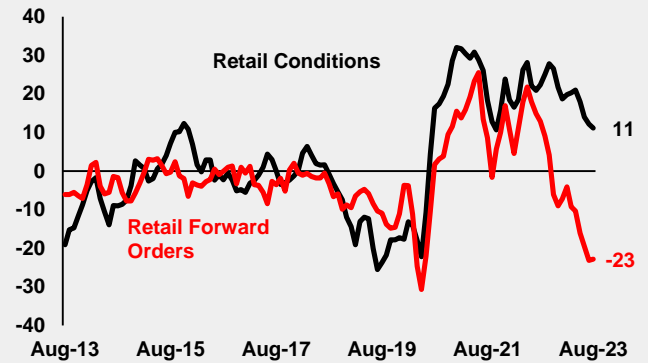


Chart 3: Business Conditions, Retail Subsectors (3mma)

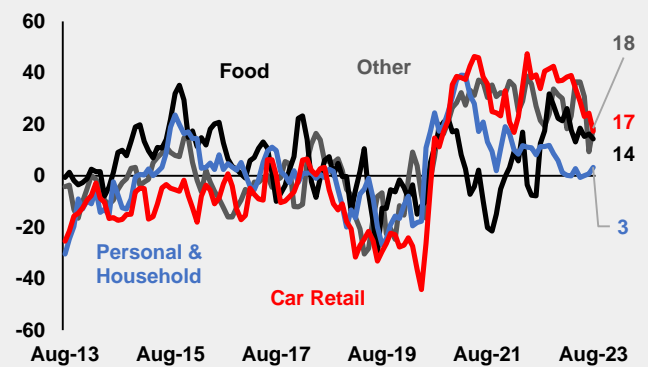


Chart 4: Forward Orders, Retail Subsectors (3mma)

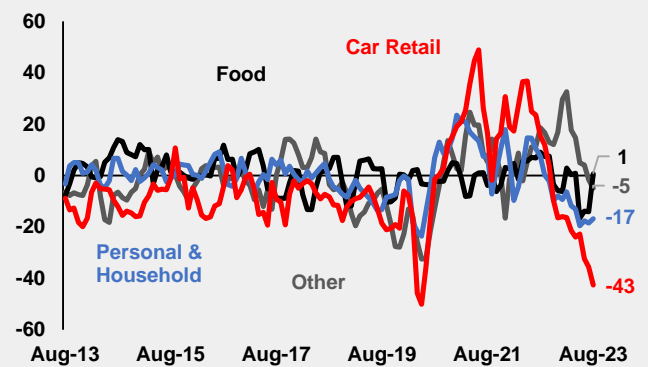


Chart 5: ABS real vehicle imports to Australia (Qtly)

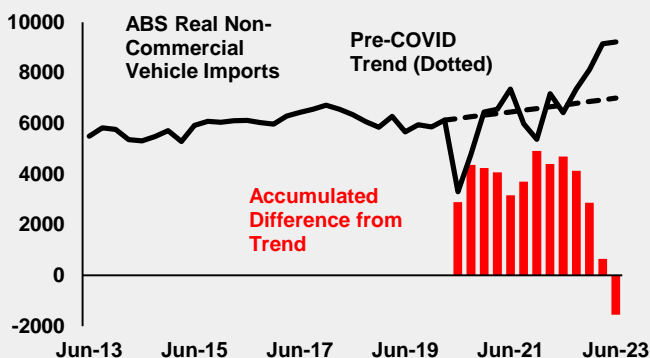
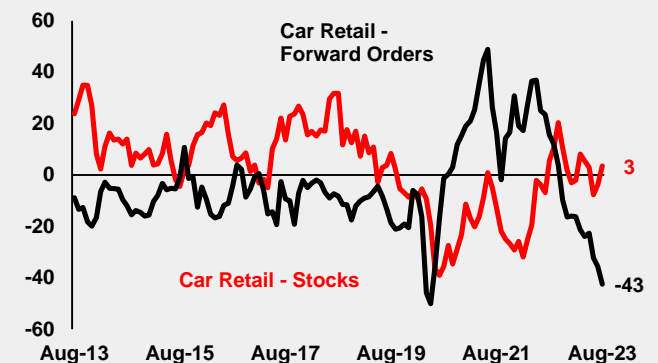


Chart 6: Car Retail, Forward Orders & Stocks (3mma)



Business Conditions and Confidence

Chart 7: Business Confidence (Net Balance)

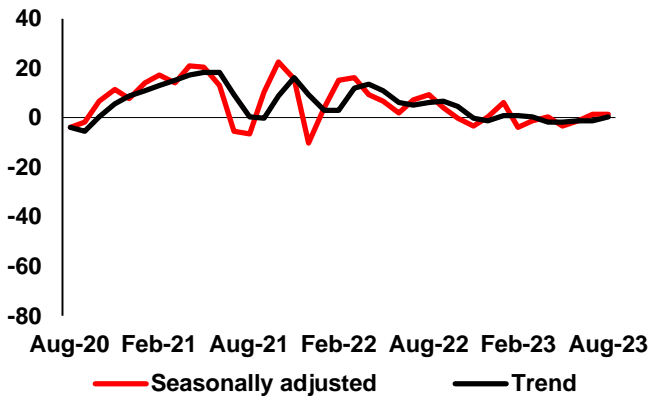


Chart 8: Business Conditions (Net Balance)

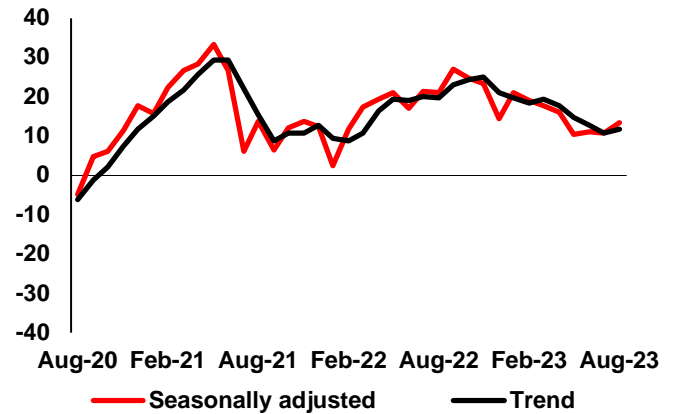


Chart 9: Components of Conditions (Net Balance, SA)

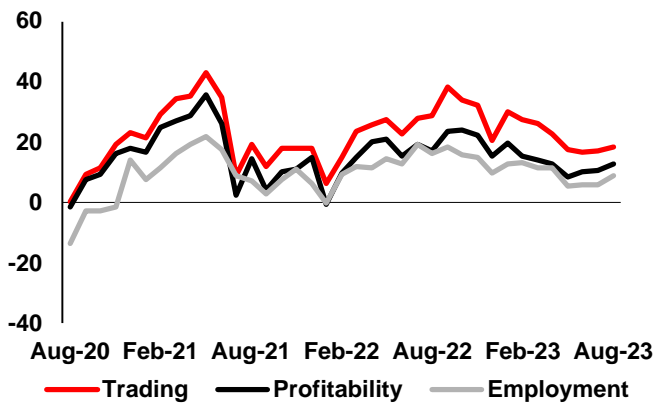


Chart 10: L-R Conditions & Confidence (Net Balance, SA)

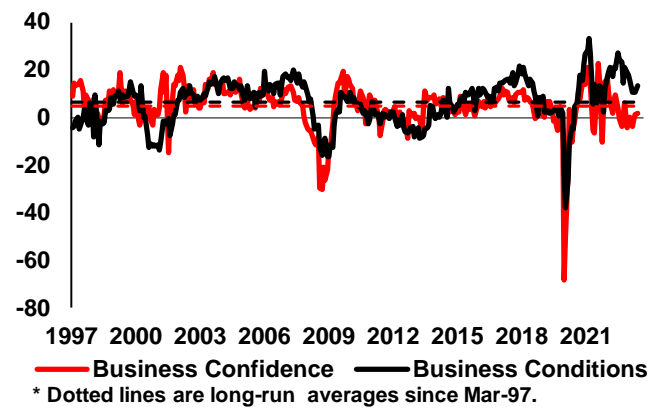


Chart 11: Conditions by Industry, Trend (Net Balance)

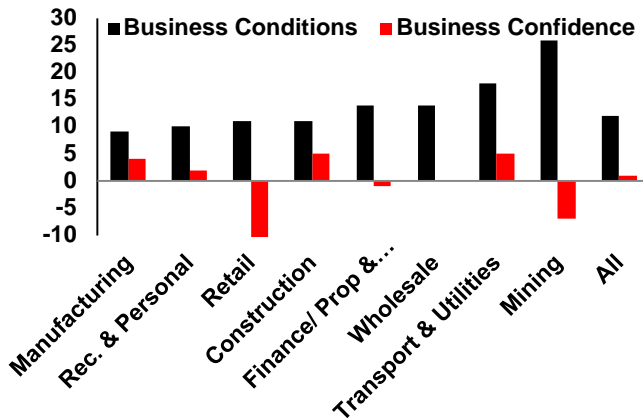
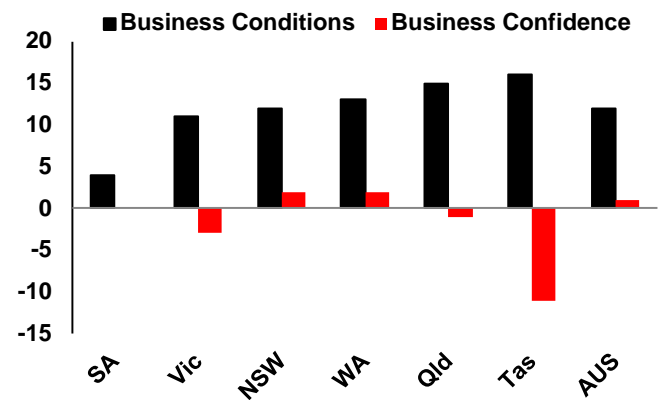


Chart 12: Conditions by State, Trend (Net Balance)



Leading Indicators and Other Key Measures

Chart 13: Forward Orders (Net Balance)

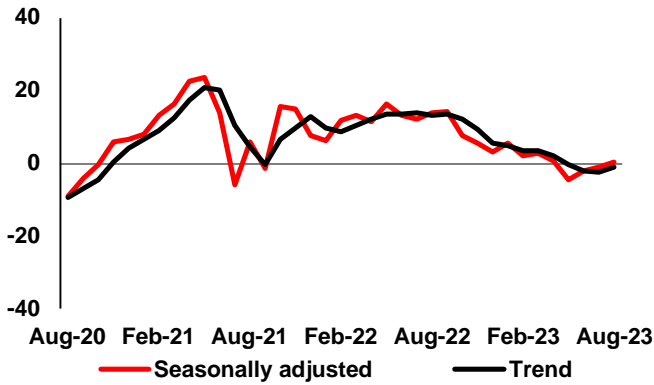


Chart 14: Capital Expenditure (Net Balance)

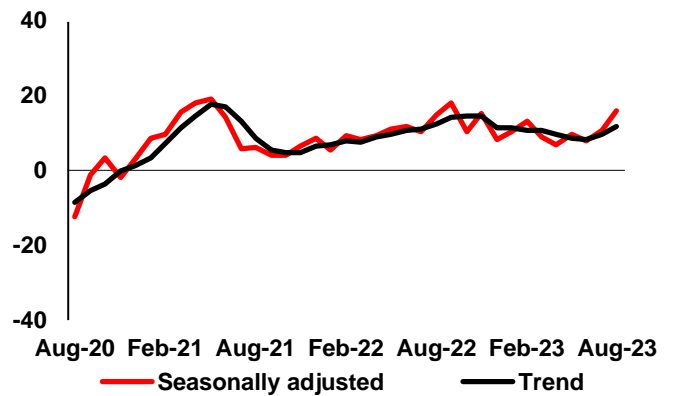


Chart 15: Capacity Util. & Unemployment (% SA)

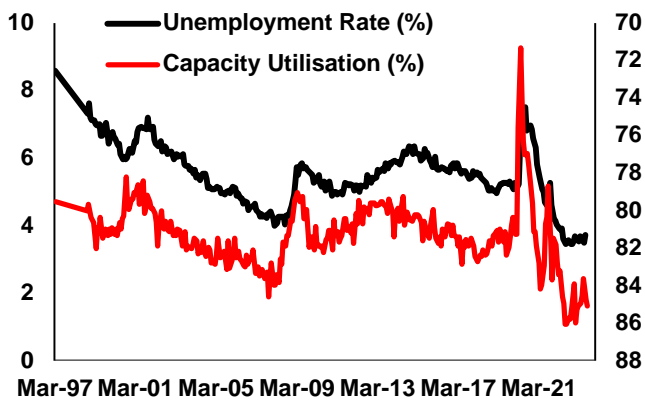


Chart 16: Capacity Util. by Industry (% 3mma)

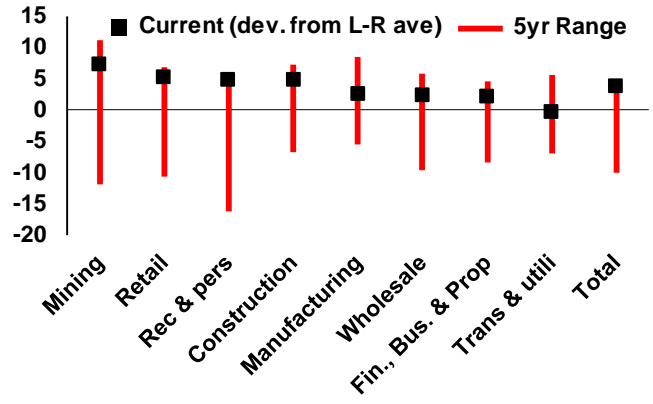


Chart 17: Stocks (Net Balance)

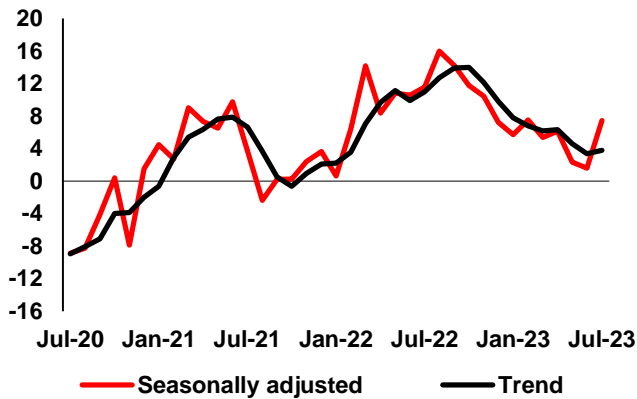


Chart 18: Cash Flow (Net Balance)

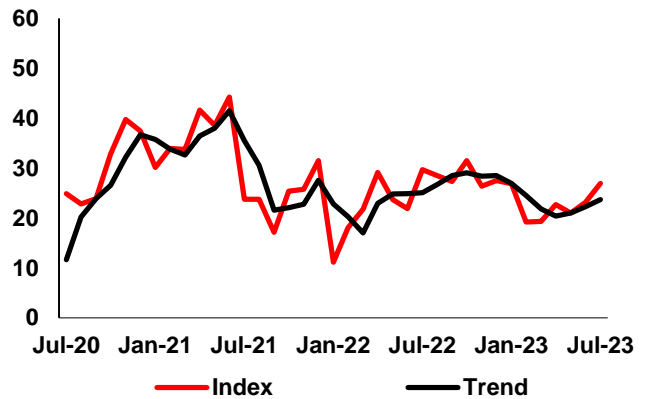


Chart 19: Exports (Net Balance)

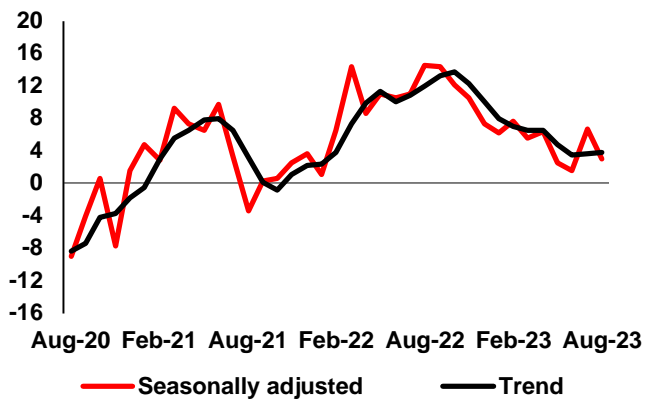
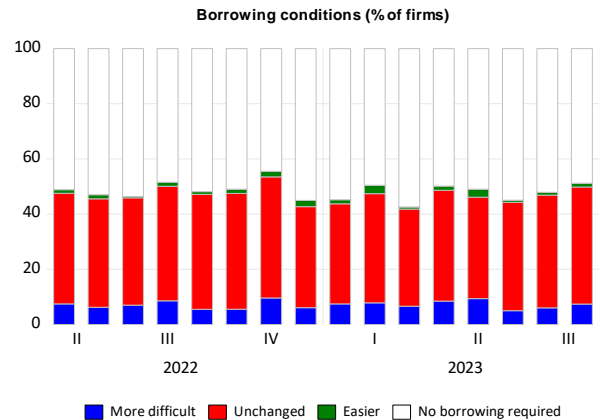


Chart 20: Borrowing Conditions (% of Firms)



Employment, Wages and Prices

Chart 21: Employment (Net Balance)

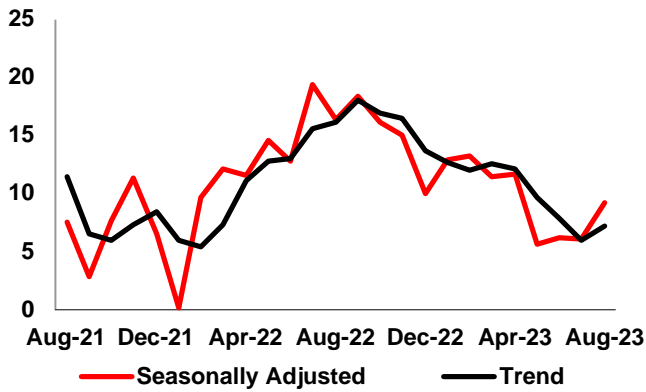


Chart 22: NAB vs ABS Employment (Net Balance, SA)

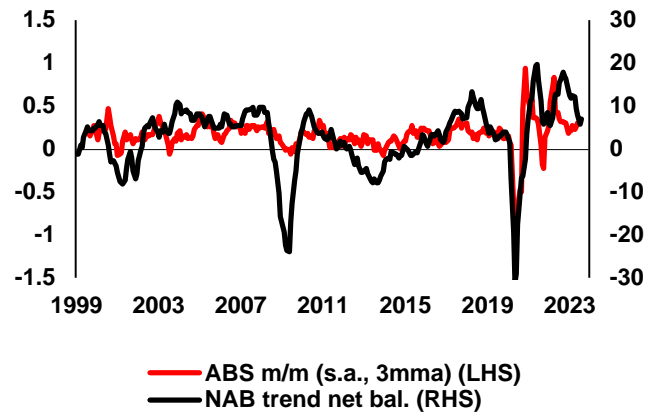


Chart 23: Employment by Industry (Net Balance, Trend)

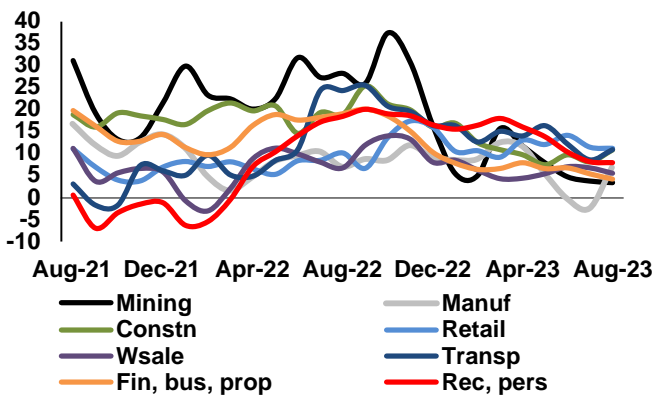


Chart 24: Labour Costs Growth, Qtly Eq. (% , SA)

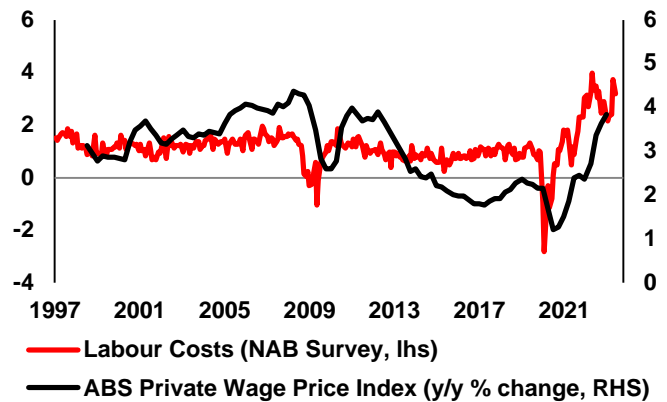


Chart 25: Costs & Price Growth, Qtly Eq. (% , SA)

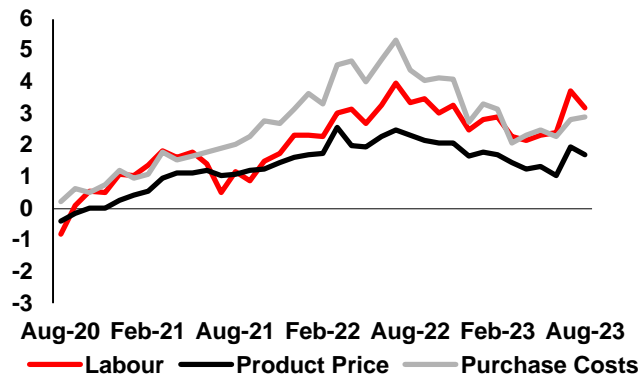
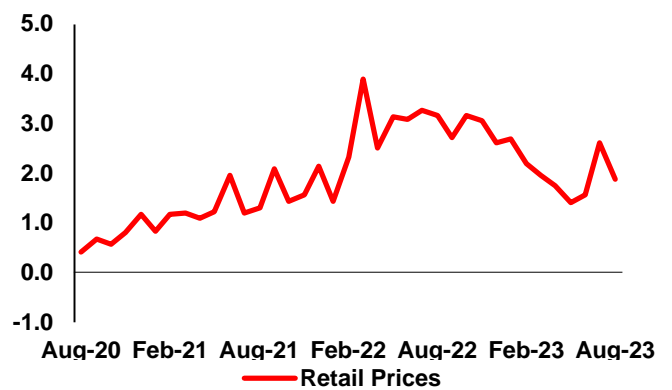


Chart 26: Retail Price Growth, Qtly Eq. (% , SA)



Conditions and Confidence by State and Industry

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

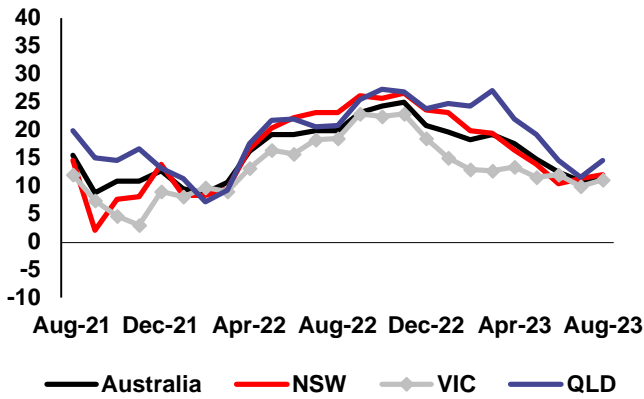


Chart 28: Conditions by State (Net Balance, Trend)

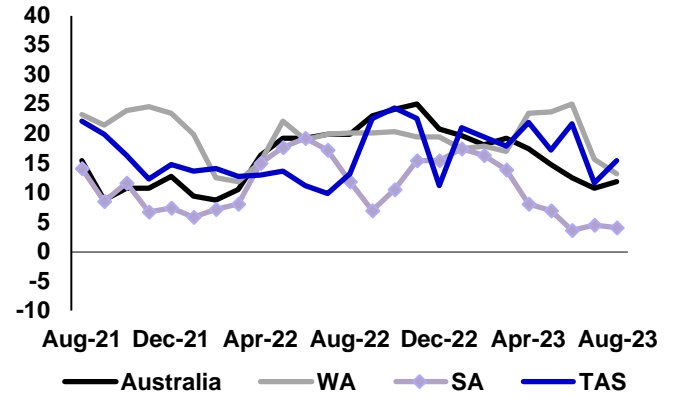


Chart 29: Confidence by State (Net Balance, Trend)

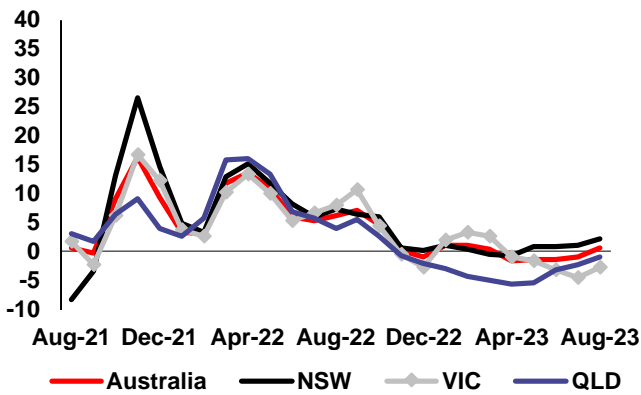


Chart 30: Confidence by State (Net Balance, Trend)

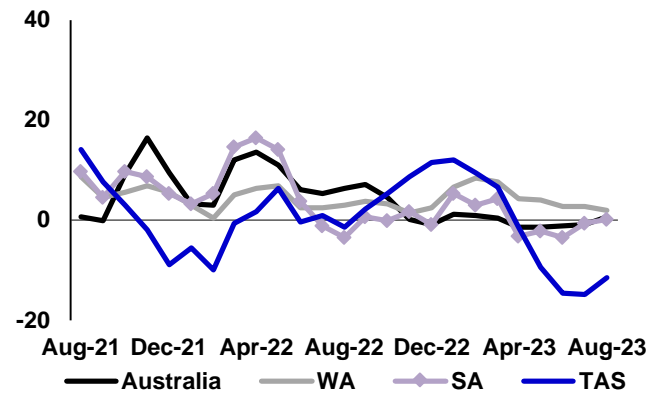


Chart 31: Conditions by Industry (Net Balance, Trend)

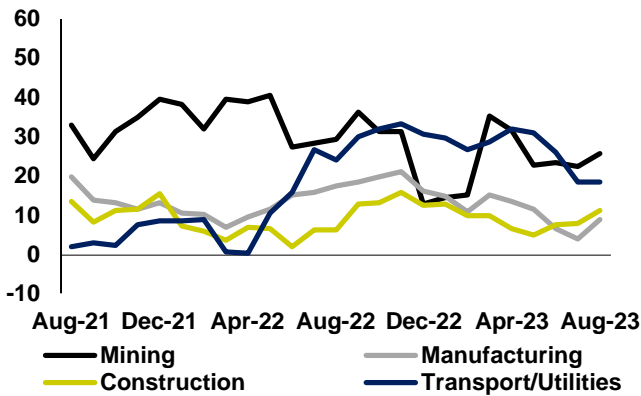


Chart 32: Conditions by Industry (Net Balance, Trend)

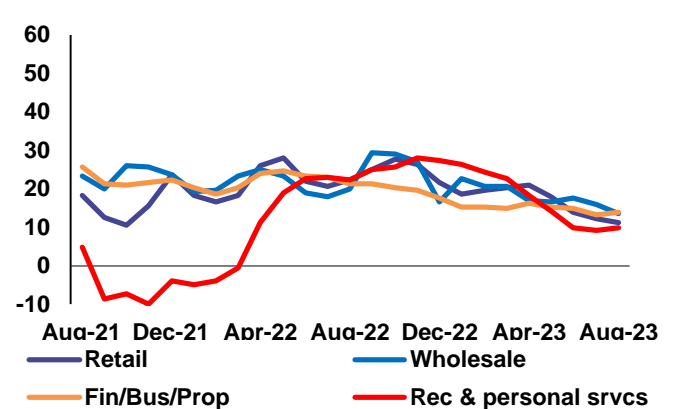


Chart 33: Confidence by Industry (Net Balance, Trend)

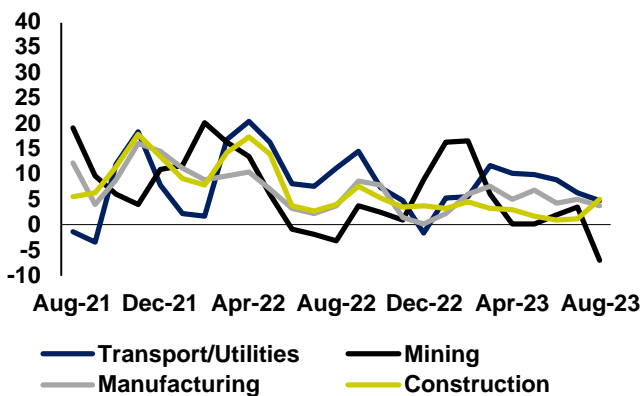
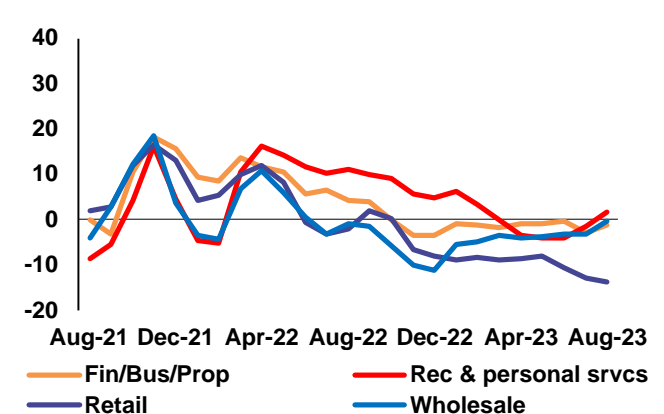


Chart 34: Confidence by Industry (Net Balance, Trend)



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 0 422 081 046

Alan Oster

Group Chief Economist
Alan.Oster@nab.com.au
+61 0 414 444 652

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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.