



# NAB Monthly Business Survey Sept-23

## Cost pressures ease amid resilience in activity

### NAB Group Economics

#### Summary

Overall, the survey continues to point to ongoing resilience in activity with conditions down slightly in September but remaining above average at +11 index points, where the index has hovered since May. Importantly, capacity utilisation remains high and there has been gradual improvement in forward orders including some improvement in retail forward orders in the month – albeit still at depressed levels. Business confidence was steady and while still sitting well below average, has been broadly neutral for several months suggesting firms are less concerned about the outlook than was the case previously. The survey also showed some positive signs for inflation with cost pressures and price growth easing. Labour cost growth – which spiked to 4.0% in quarterly terms in July – fell to 2.0% in September, and purchase cost growth also eased materially, though both remain elevated. Output price growth eased, driven by an easing rec & personal (0.8%), while retail price growth remained elevated (1.8%). The upcoming Q3 CPI release is still expected to show strong inflation for the quarter as a whole with energy, rents, and a range of services prices likely to contribute strongly. Nonetheless, the September survey results suggest the momentum of some of the key cost pressures driving inflation may have started to step back in a welcome sign for the broader inflation outlook.

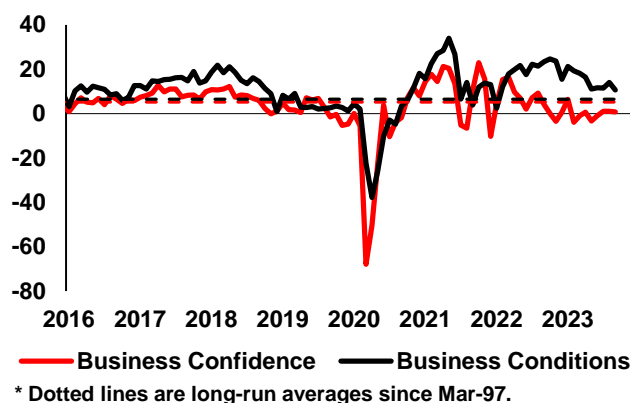
#### Survey Details

- **Business conditions** eased 3pts to +11 index points, reversing a small rise in August. All three sub-components eased, with trading conditions down 3pts, profitability down 5pts and the employment index down 1pt, but all remain above their historical average levels.
- **By industry** there were notable declines in conditions in mining (down 20pts), transport & utilities (down 13pts) construction (down 10pts) and retail (down 9pts). In trend terms, the level of conditions remains robust across industries with construction and wholesale the only industries below +10 index points.
- **By state**, there was a large fall in conditions in Qld (down 16pts) and smaller falls in the other mainland states, while Tas edged up in the month. In trend terms, conditions remain strong across the states, clustered between 10-14 index points with the exception of Tas at +17 index points.
- **Business confidence** was steady at +1 index point, where it has remained for several months. Confidence improved in retail (up 7pts) and in mining and transport & utilities. Across the states, confidence bounced in Tas albeit it remains negative in trend terms.
- **Leading indicators** improved. Forward orders rose 2pts to +2 index points, back into positive territory after turning negative mid-year. Capacity utilisation edged down but at 84.2% remains at robust levels.
- **Price and cost growth** stepped down in the month. Labour cost growth eased to 2.0% in quarterly equivalent terms, and purchase cost growth declined to 1.8%. Overall price growth also eased to 1.0%, and while retail price growth was unchanged at 1.8%, recreation & personal services price growth eased to 0.8%.

Table 1: Key Monthly Business Survey Statistics

	Jul-23	Aug-23	Sep-23
	Net balance		
Business confidence	1	1	1
Business conditions	12	14	11
Trading	18	19	16
Profitability	11	14	8
Employment	6	10	8
Forward orders	-1	0	2
Stocks	7	3	1
Exports	1	0	1
	% change at quarterly rate		
Labour costs	4.0	3.2	2.0
Purchase costs	2.7	2.9	1.8
Final products prices	1.9	1.7	1.0
Retail prices	2.6	1.8	1.8
	Per cent		
Capacity utilisation rate	84.7	85.1	84.2

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



All data seasonally adjusted and subject to revision. Survey conducted from 18 to 28 September 2023, covering around 400 firms across the non-farm business sector. Next release date: 14 November 2023.

## Monthly Focus: Cost and Price Movements in Q3

The September survey rounds out Q3, marking a timely opportunity to look at how cost and price growth measures in the survey have evolved ahead of the Q3 CPI release. The quarter has seen significant volatility across these measures, highlighting that while inflation is moderating the path is unlikely to be linear.

Labour cost growth, which had been moderating gradually in the first half of the year, rose sharply in July to 4.0% in quarterly terms (Chart 2). This was similar to the rise seen in July 2022, with seeing large minimum and award wage rises taking effect in July in both years. Importantly, labour cost growth has moderated just as sharply in the months since, though the rate of growth remains well above pre-pandemic levels.

In terms of purchase costs, the recent downward trend was similarly disrupted by a rise in August (Chart 3), possibly reflecting movements in fuel prices as well as exchange rate impacts on import prices. This rise also appears to have been somewhat temporary.

These movements in cost growth appear to have been mirrored in overall price growth spiking to 1.9% in July and then correcting back down to 1.0% by September (Chart 4).

The magnitude of this volatility in price growth differed markedly across industries. In the retail sector, which tends to capture shifts in goods prices, there was only a modest rise in price growth, to 2.6% in July – well below the peak of 3.9% seen in 2022 (Chart 5). Retail price growth has since eased to 1.8% though it remains higher than was the case in May and June.

In recreation & personal services, where labour inputs are more significant, the price volatility has been dramatic (Chart 6). July saw price growth spike to 2.9% – the highest rate of price growth in the sector in the history of the survey – but this has reversed just as quickly to just 0.8% in September. Whether this recent moderation in services prices is sustained will be a key factor shaping the outlook for inflation over the coming months.

Chart 2: Labour Cost Growth, Total (Percent, Qtly. Eq.)

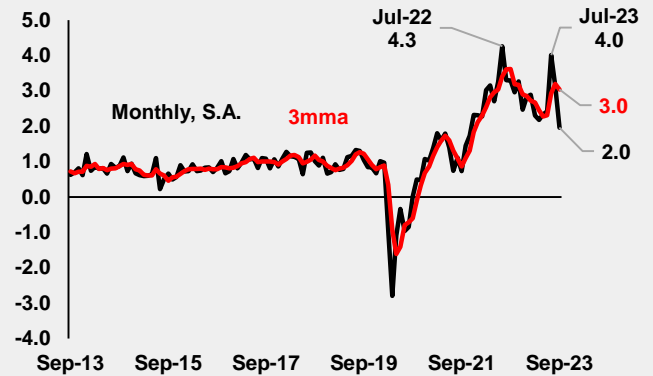


Chart 3: Purchase Cost Growth, Total (Percent, Qtly. Eq.)

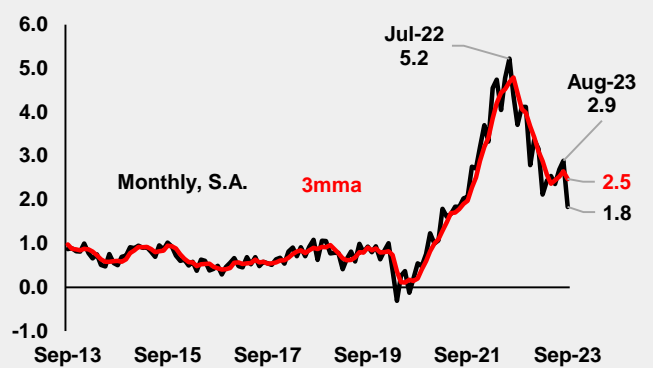


Chart 4: Price Growth, Total (Percent, Qtly. Eq.)

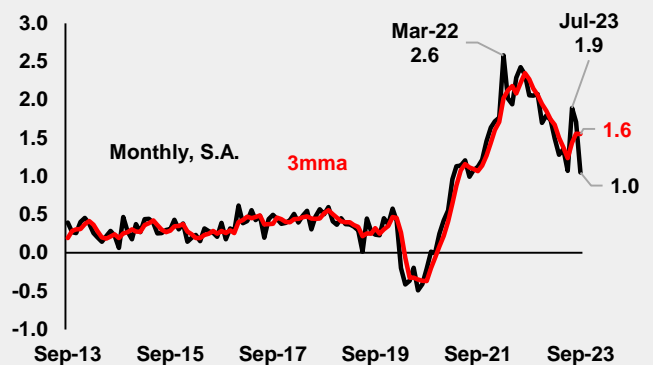


Chart 5: Price Growth, Retail (Percent, Qtly. Eq.)

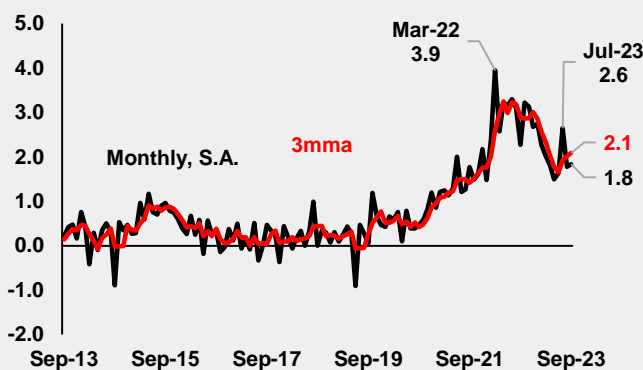
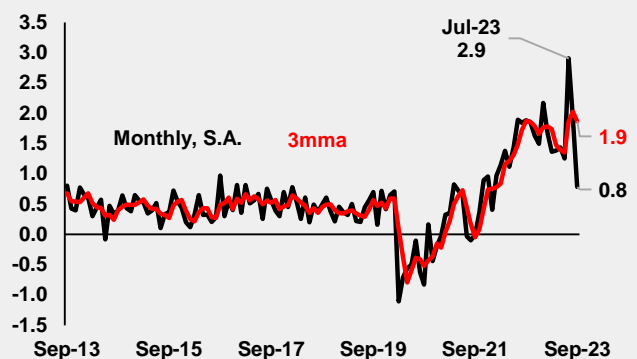


Chart 6: Price Growth, Rec & Personal (Percent, Qtly. Eq.)



## Business Conditions and Confidence

Chart 7: Business Confidence (Net Balance)

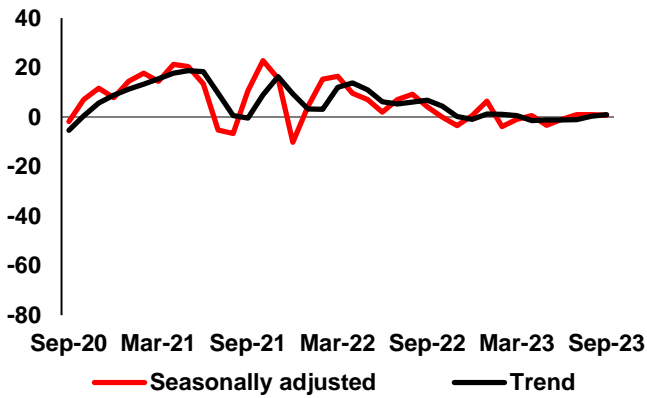


Chart 8: Business Conditions (Net Balance)

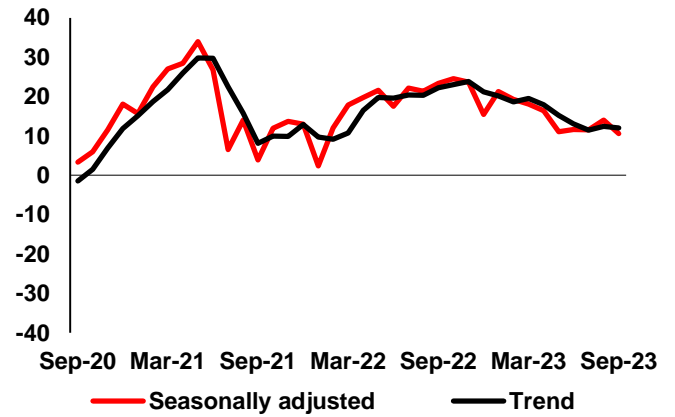


Chart 9: Components of Conditions (Net Balance, SA)

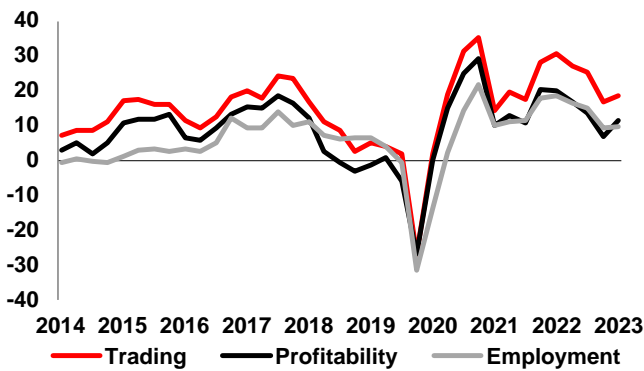


Chart 10: L-R Conditions & Confidence (Net Balance, SA)

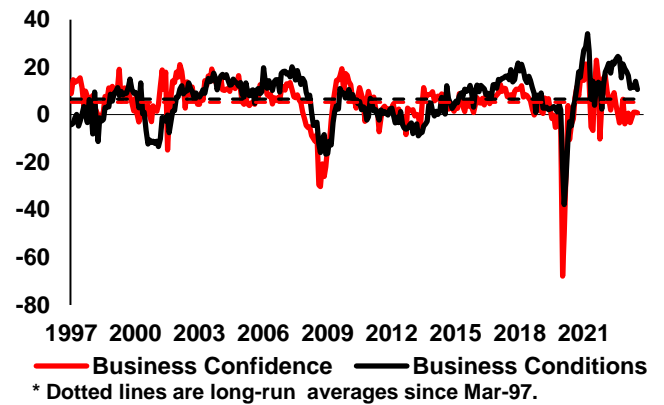


Chart 11: Conditions by Industry, Trend (Net Balance)

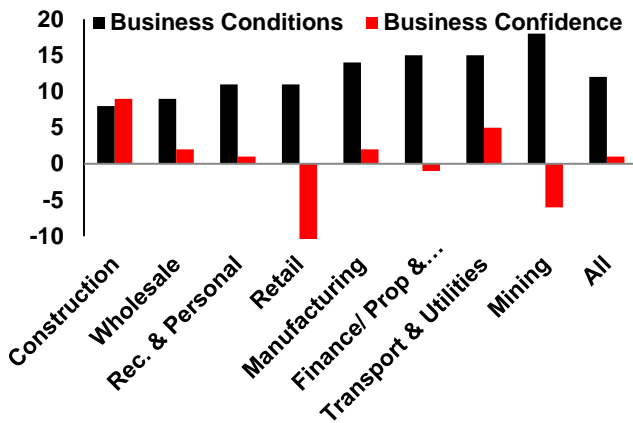
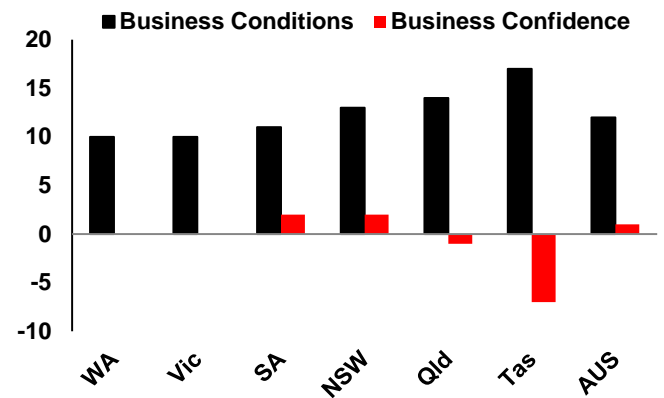


Chart 12: Conditions by State, Trend (Net Balance)



## Leading Indicators and Other Key Measures

Chart 13: Forward Orders (Net Balance)

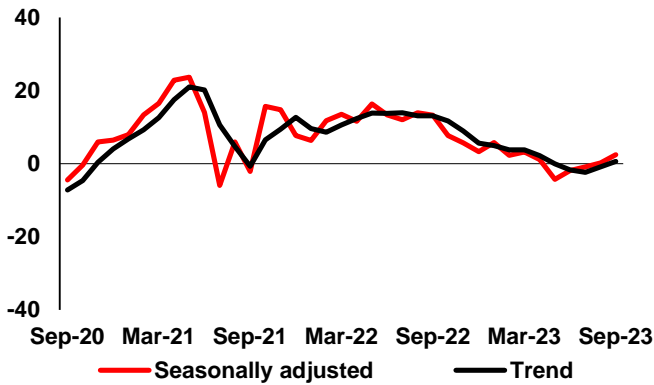


Chart 14: Capital Expenditure (Net Balance)

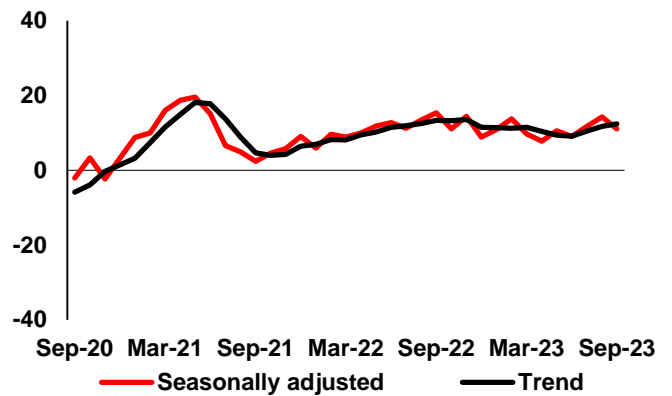


Chart 15: Capacity Util. & Unemployment (% SA)

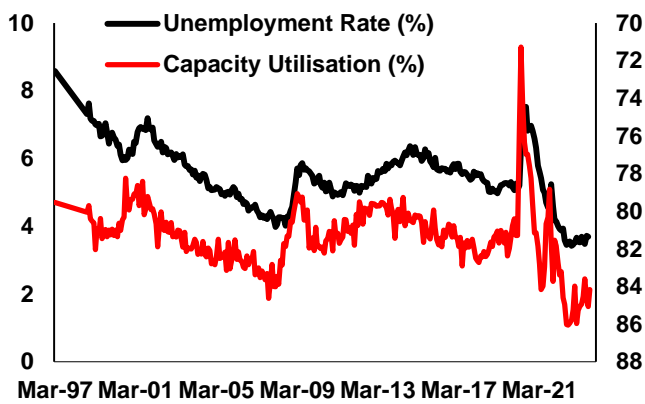


Chart 16: Capacity Util. by Industry (% 3mma)

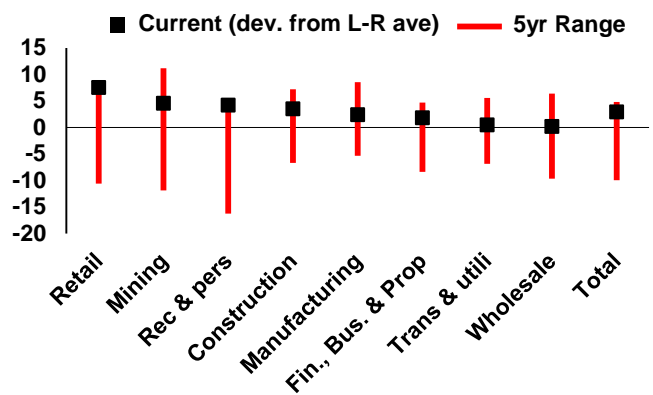


Chart 17: Stocks (Net Balance)

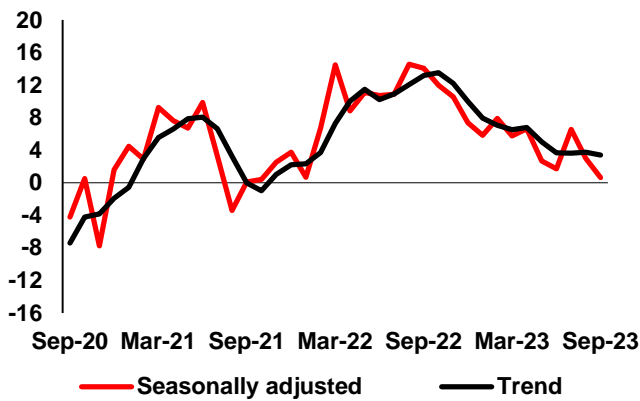


Chart 18: Cash Flow (Net Balance)

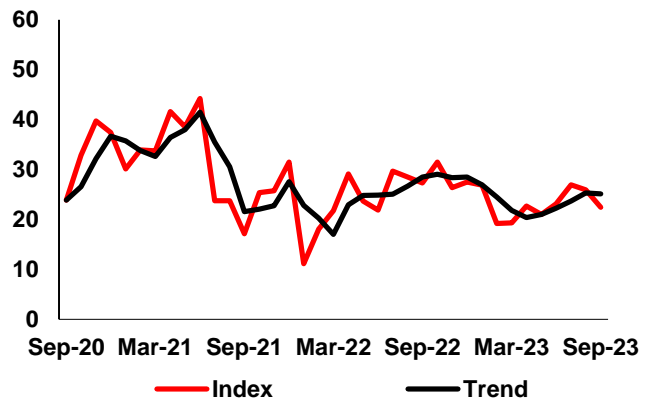


Chart 19: Exports (Net Balance)

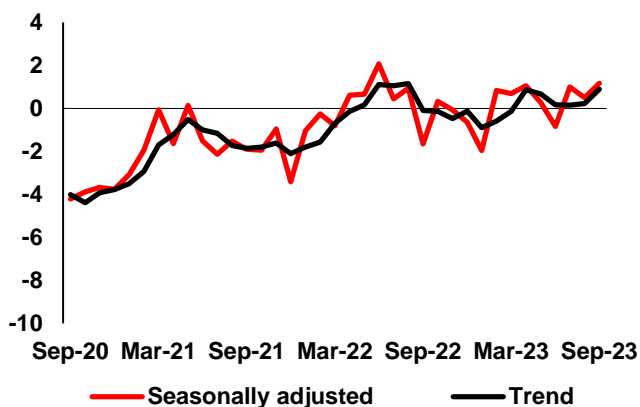
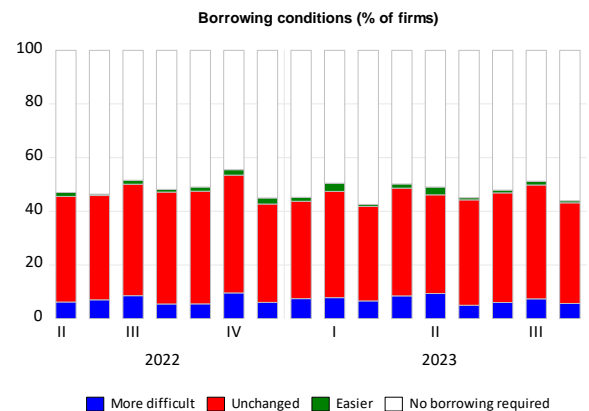


Chart 20: Borrowing Conditions (% of Firms)



## Employment, Wages and Prices

Chart 21: Employment (Net Balance)

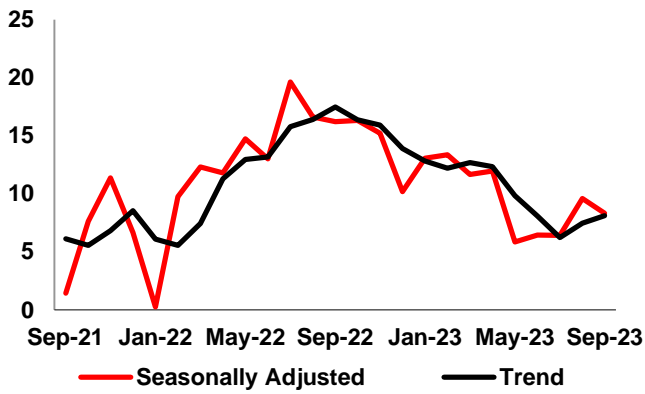


Chart 22: NAB vs ABS Employment (Net Balance, SA)

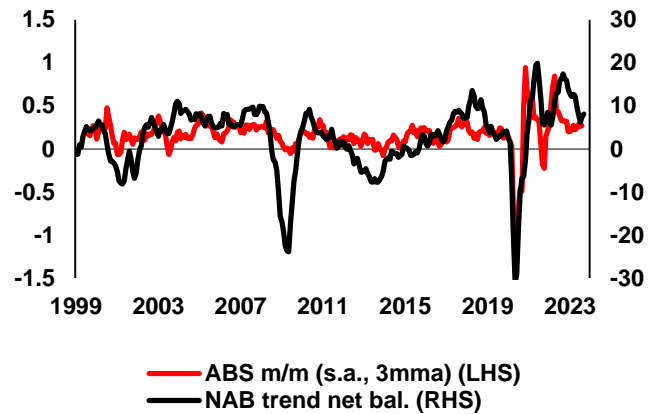


Chart 23: Employment by Industry (Net Balance, Trend)

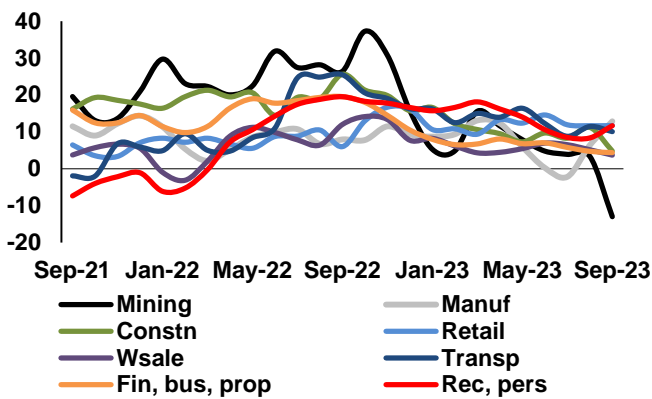


Chart 24: Labour Costs Growth, Qtly Eq. (% , SA)

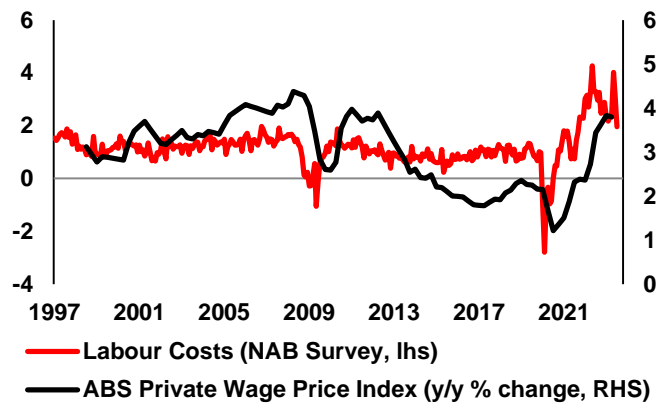


Chart 25: Costs & Price Growth, Qtly Eq. (% , SA)

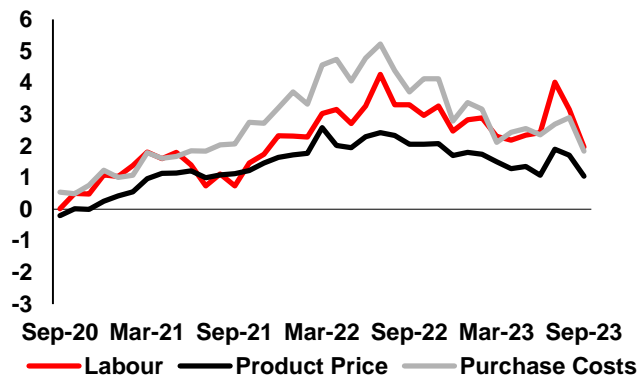
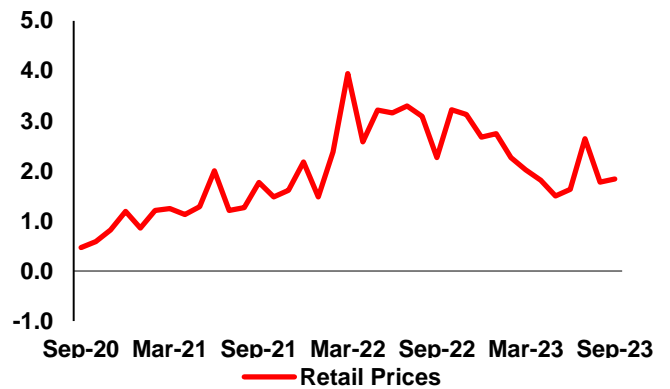


Chart 26: Retail Price Growth, Qtly Eq. (% , SA)



## Conditions and Confidence by State and Industry

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

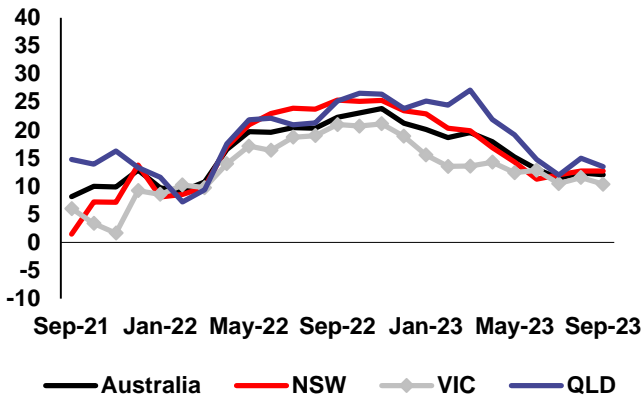


Chart 28: Conditions by State (Net Balance, Trend)

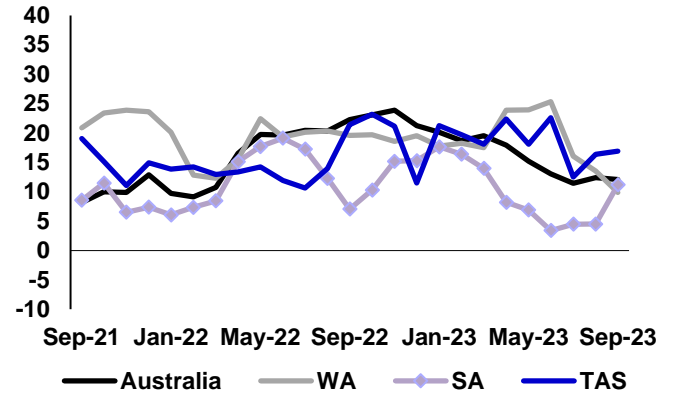


Chart 29: Confidence by State (Net Balance, Trend)

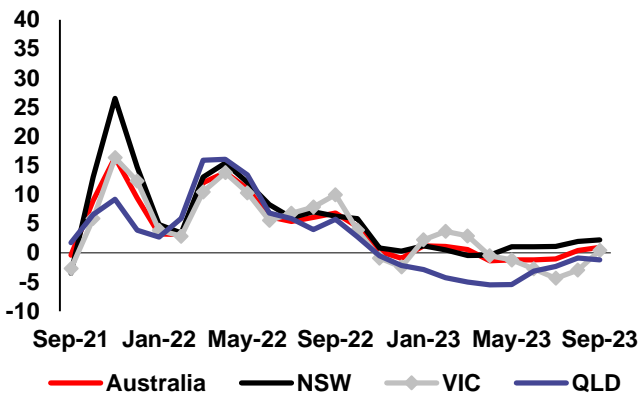


Chart 30: Confidence by State (Net Balance, Trend)

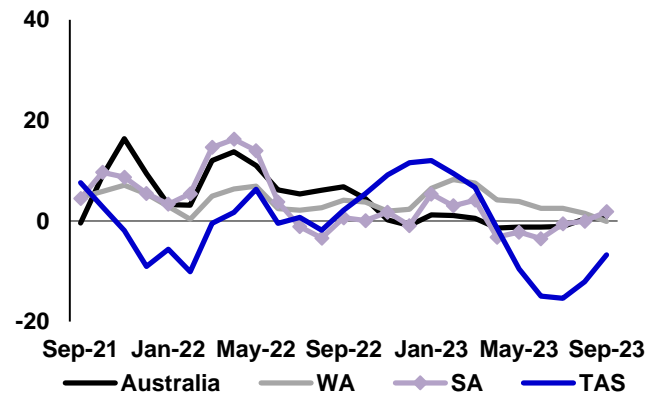


Chart 31: Conditions by Industry (Net Balance, Trend)

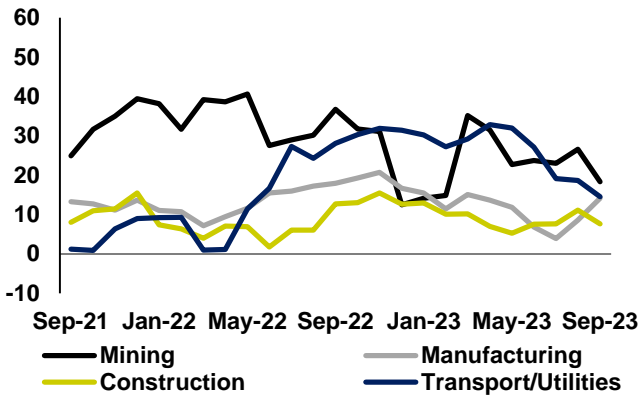


Chart 32: Conditions by Industry (Net Balance, Trend)

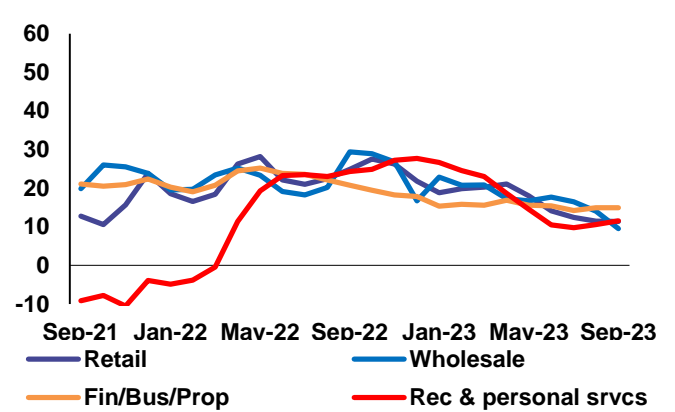


Chart 33: Confidence by Industry (Net Balance, Trend)

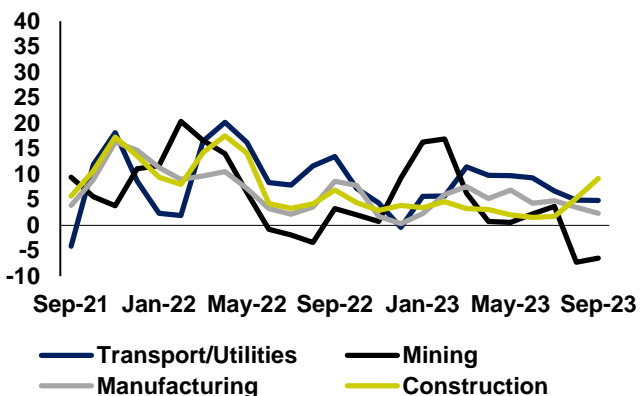
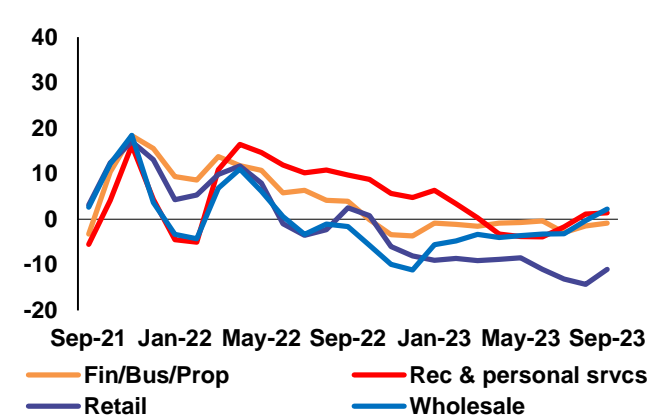


Chart 34: Confidence by Industry (Net Balance, Trend)



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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.