



NAB Monthly Business Survey Oct-23

Confidence remains low despite healthy conditions

NAB Group Economics

Summary

The broad theme of resilience in current indicators of activity but a weaker outlook in forward looking indicators continued in October. Business conditions remained strong (edging up slightly) while business confidence edged lower and remains well below average, with the relatively large gap of around 10pts between the two persisting in the month. Forward orders also eased a touch – especially in wholesale and manufacturing, while retail orders remained negative. Conditions held up across industries with construction and transport seeing a rise in the month, though wholesale (which turned negative) and manufacturing eased. Alongside that, capacity utilisation remained high and was broadly steady. Price pressures also remained elevated, despite a slight easing in labour and purchase costs growth, as well as output price inflation in the month. Retail price growth was unchanged, pointing to ongoing strength in inflation following the strong Q3 CPI print. Overall, the survey continues to support an assessment that the economy has remained resilient heading towards the end of the calendar year despite the many headwinds weighing on business confidence, while high rates of capacity utilisation and both input and output cost pressures point to ongoing inflation pressures – though they appear to have passed the peak.

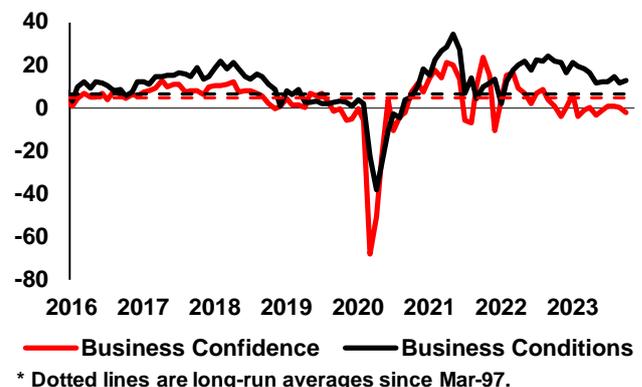
Survey Details

- **Business conditions** rose 1pt to +13 index points, remaining above the long-run average. Trading conditions rose 2pts to +20 index points and profitability was up 3pts to +12 index points, while employment eased 1pt to +8 index points. In trend terms, conditions and all three sub-components were steady in October.
- **By industry** there were significant increases in mining (up 21pts), construction (up 20pts) and transport & utilities (up 14pts). Manufacturing fell 8pts and wholesale fell -5pts. In trend terms, the level of conditions remains robust across industries with wholesale the only industry below +10 index points.
- **By state**, conditions rose significantly in Tas (up 37pts) and increased in SA (up 12pts), Qld (up 8pts), WA (up 5pts) while NSW was broadly flat and Vic fell 10pts. In trend terms, conditions were broadly steady across the states, clustered between 11-13 index points. Tas was stronger at +26 index points, noting the state’s small sample size.
- **Business confidence** fell 3pts to -2 index points driven by falls in most industries. In trend terms, only transport & utilities, construction and manufacturing remain in positive territory. Across the states, trend confidence was negative except in Vic and NSW (both around zero).
- **Leading indicators** eased. Forward orders declined 3pts to 0 index points, led by falls in mining, wholesale and manufacturing as well as recreation & personal. Capacity utilisation edged lower but at 84% remains high.
- **Price and cost growth** slowed in the month. Labour cost growth eased to 1.8% in quarterly equivalent terms, and purchase cost growth declined to 1.8%. While retail price growth was unchanged at 1.9%, overall price growth also eased to 1.0% – the slowest rate of price growth since July 2020.

Table 1: Key Monthly Business Survey Statistics

	Aug-23	Sep-23	Oct-23
	Net balance		
Business confidence	1	0	-2
Business conditions	15	12	13
Trading	20	18	20
Profitability	14	9	12
Employment	10	9	8
Forward orders	0	2	0
Stocks	3	1	2
Exports	1	1	-1
	% change at quarterly rate		
Labour costs	3.1	2.1	1.8
Purchase costs	2.8	2.0	1.8
Final products prices	18	11	1.0
Retail prices	18	19	1.9
	Per cent		
Capacity utilisation rate	85.0	84.1	84.0

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



All data seasonally adjusted and subject to revision. Survey conducted from 25 to 31 October 2023, covering around 400 firms across the non-farm business sector. **Next release date: 12 December 2023.**

Monthly Focus: Trends in Capacity Utilisation

With demand remaining resilient through 2023 and businesses facing lingering input and labour supply issues, business capacity utilisation has been a key indicator reflecting the balance between demand and supply.

Headline capacity utilisation in the NAB Monthly Business Survey hit a record high of 86.0% in July 2022 and again in January 2023, and since then has moderated gradually to 84.0% in October – well above the long run average of 81.3% (since the survey began in 1997).

Looking in more detail at industry and state trends provides further insight into the drivers of this moderation. For example, capacity utilisation in mining remains very elevated at 88.6% (6.3ppts above the industry average), but manufacturing has seen a steady softening from elevated levels in 2022 to 80.5% in October (2.3ppts above average) (Chart 2).

More recently, construction has also softened – likely reflecting a combination of easing supply constraints and softening demand as rates have risen – seeing capacity utilisation fall from over 88% early in the year to 85.8% in October (still 3.3ppts above average).

Transport & utilities has also seen a considerable easing in 2023, while wholesale has also dipped in recent months, with both industries now close to their long-run average (Chart 3). However, the broader finance, business & property industry has remained reasonably elevated in the 85-86% range through the year, to be running 2.4ppts above average in October.

Somewhat surprisingly, consumer-facing sectors have seen capacity utilisation hold up reasonably well – despite the significant pressures on household budgets (Chart 4). Retail capacity utilisation is now 5.6ppts above average at 87.1%, while recreation & personal services are also well above average at 84.7%.

Across the states, there has been some convergence with Qld, WA and Tas easing while NSW and Vic have held up. SA has also seen a pickup in recent months.

Chart 2: Capacity Utilisation, Ppt Diff from LR Ave, 3mma

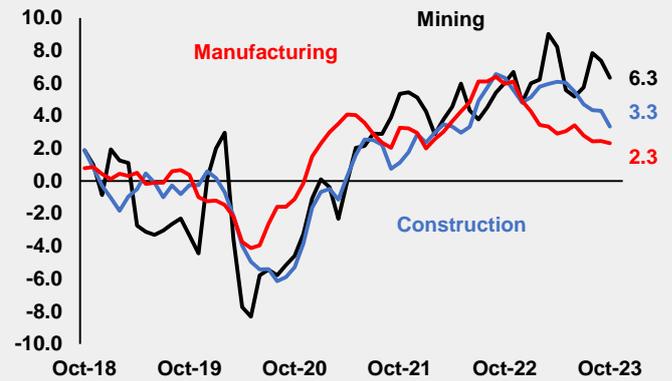


Chart 3: Capacity Utilisation, Ppt Diff from LR Ave, 3mma

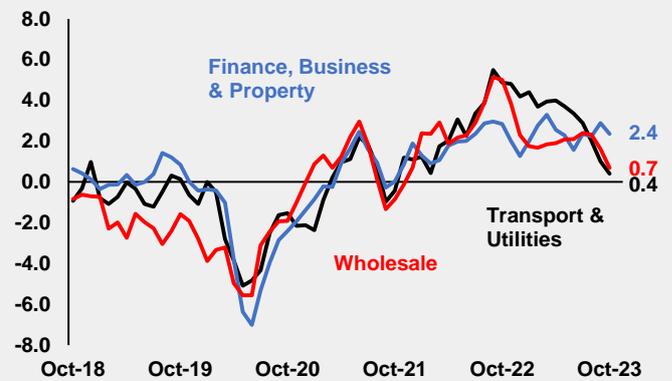


Chart 4: Capacity Utilisation, Ppt Diff from LR Ave, 3mma



Chart 5: Capacity Utilisation, Ppt Diff from LR Ave, 3mma

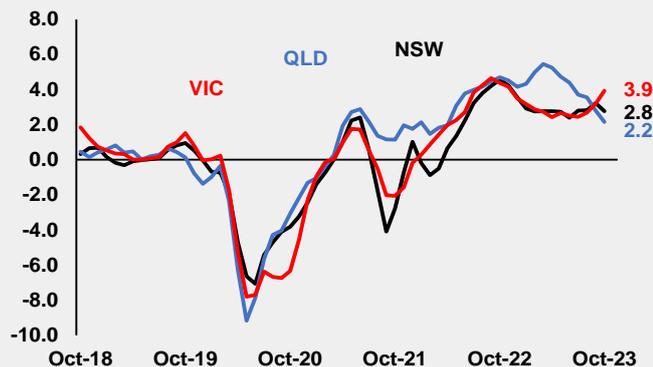
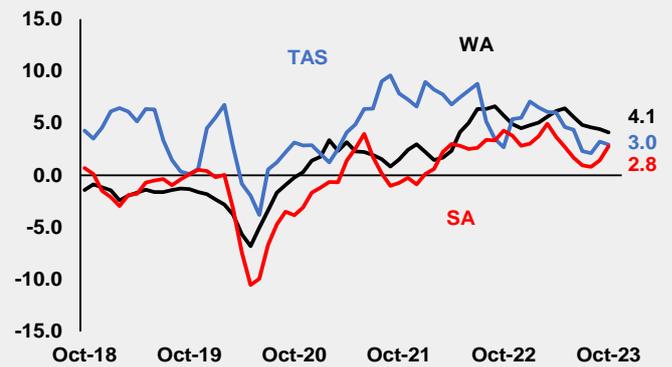


Chart 6: Capacity Utilisation, Ppt Diff from LR Ave, 3mma



Business Conditions and Confidence

Chart 7: Business Confidence (Net Balance)

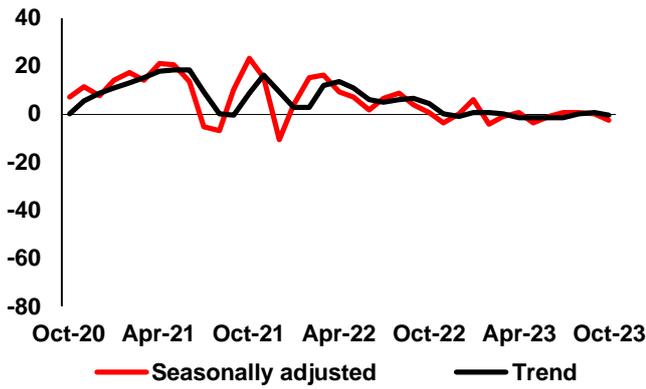


Chart 8: Business Conditions (Net Balance)

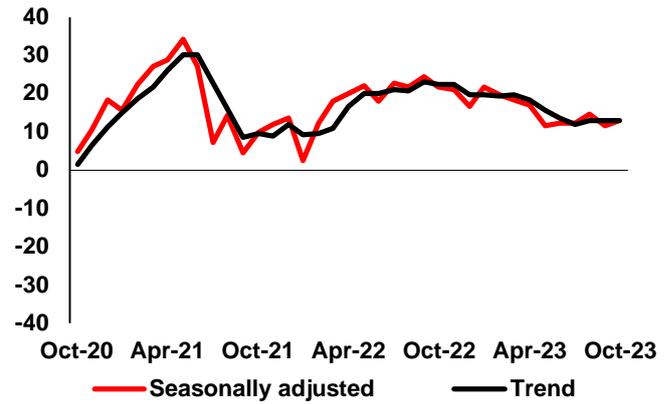


Chart 9: Components of Conditions (Net Balance, SA)

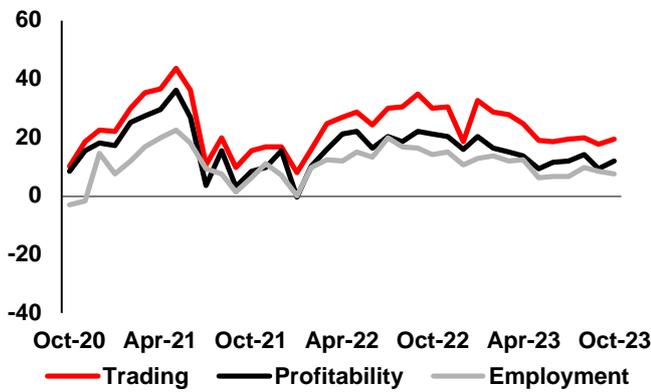


Chart 10: L-R Conditions & Confidence (Net Balance, SA)

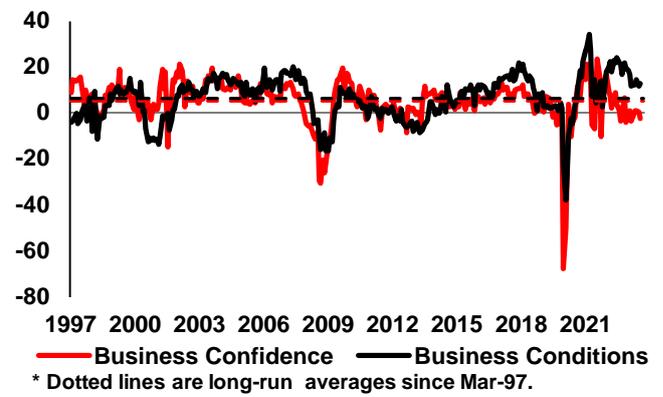


Chart 11: Conditions by Industry, Trend (Net Balance)

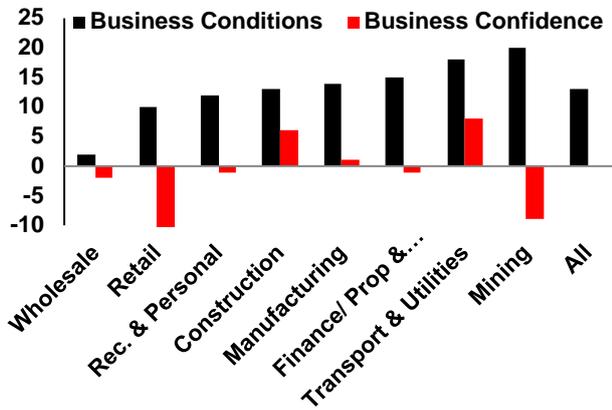
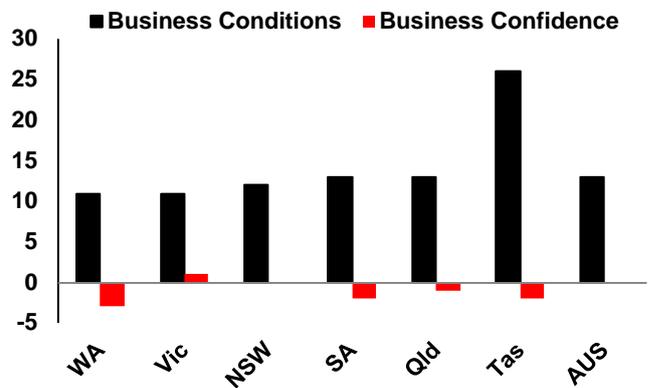


Chart 12: Conditions by State, Trend (Net Balance)



Leading Indicators and Other Key Measures

Chart 13: Forward Orders (Net Balance)

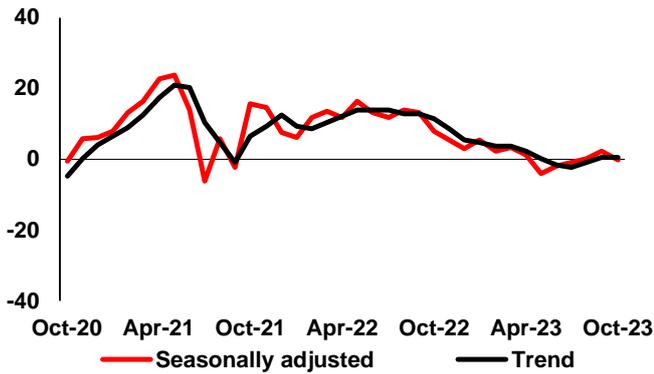


Chart 14: Capital Expenditure (Net Balance)

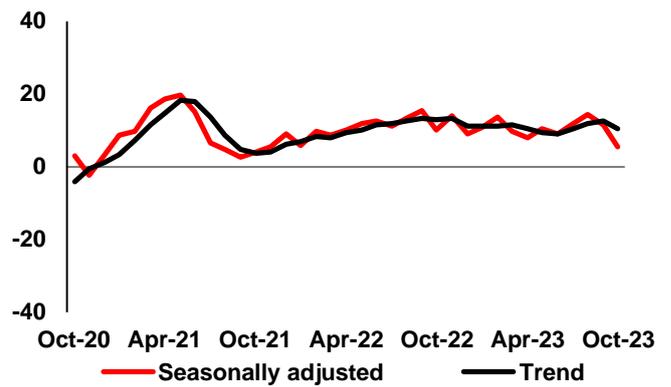


Chart 15: Capacity Util. & Unemployment (% SA)

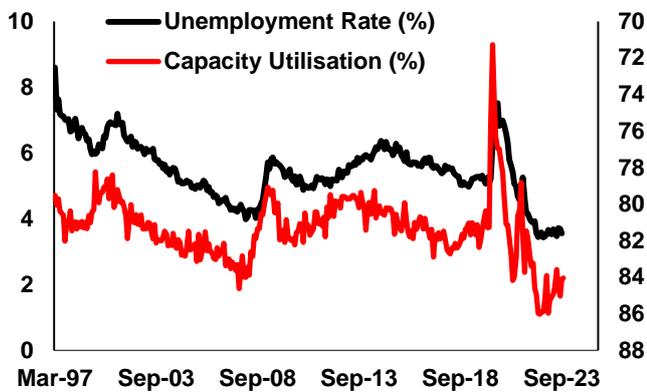


Chart 16: Capacity Util. by Industry (% 3mma)

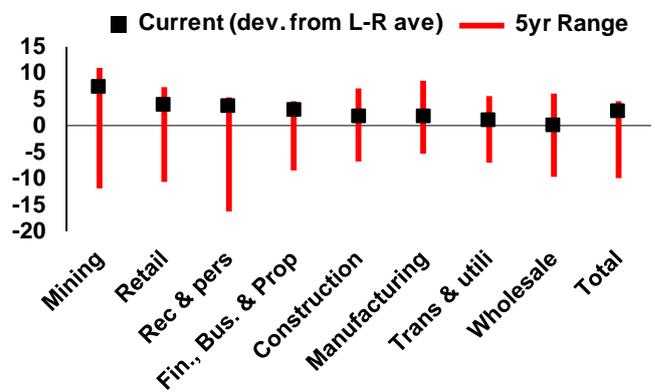


Chart 17: Stocks (Net Balance)

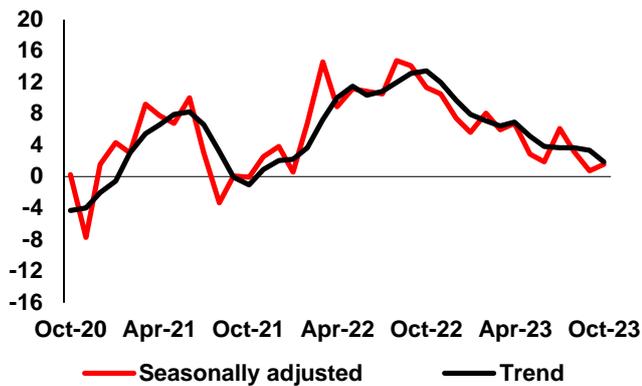


Chart 18: Cash Flow (Net Balance)

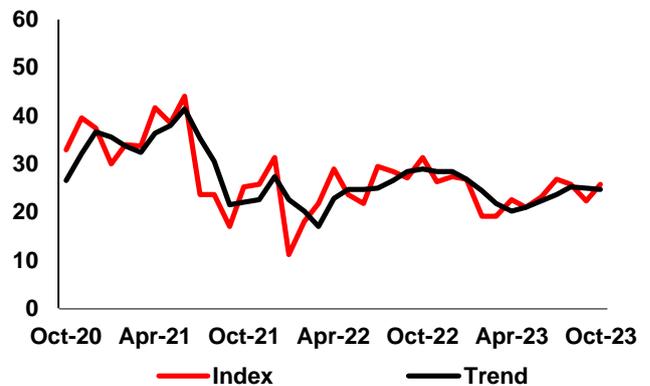


Chart 19: Exports (Net Balance)

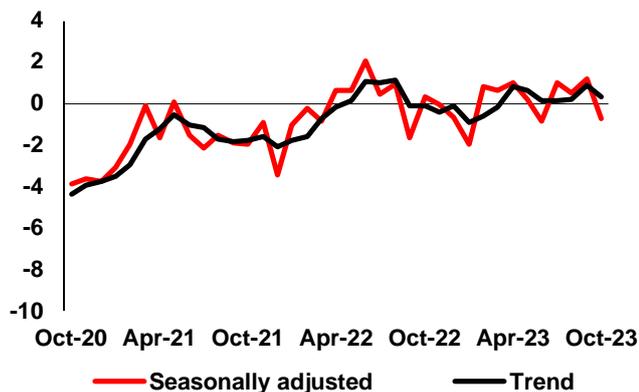
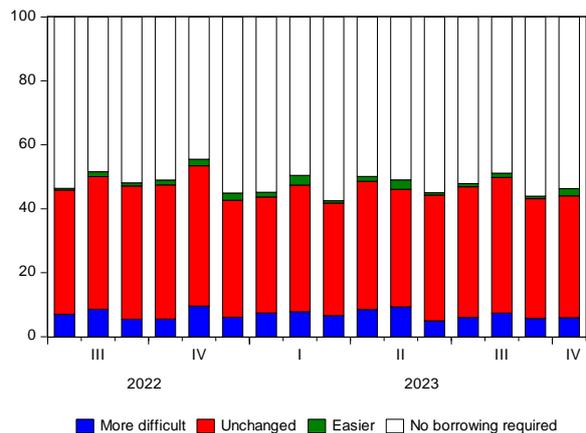


Chart 20: Borrowing Conditions (% of Firms)



Employment, Wages and Prices

Chart 21: Employment (Net Balance)

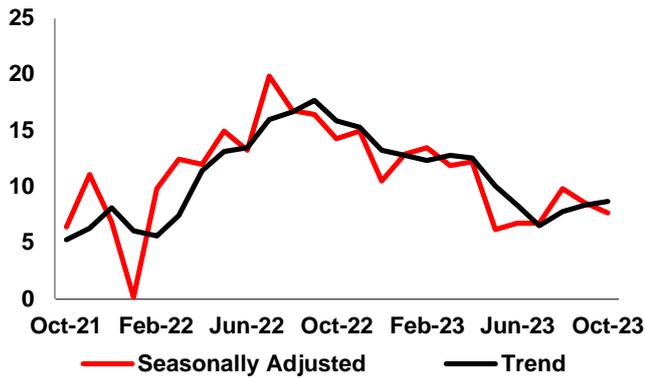


Chart 22: NAB vs ABS Employment (Net Balance, SA)

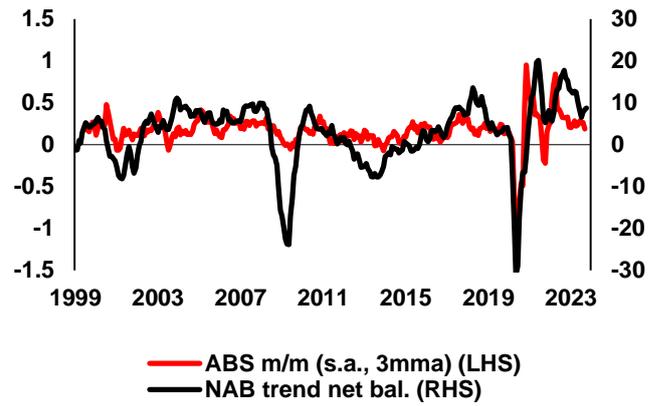


Chart 23: Employment by Industry (Net Balance, Trend)

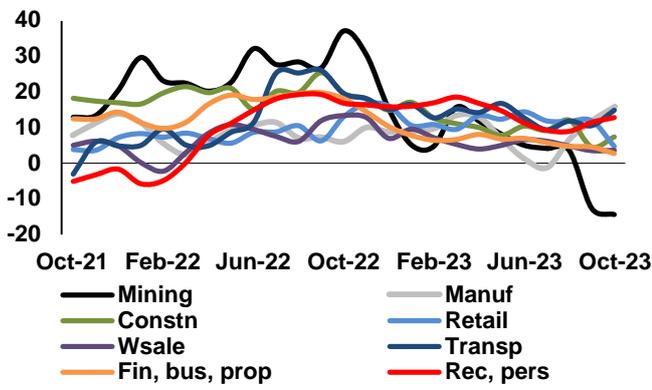


Chart 24: Labour Costs Growth, Qtly Eq. (% , SA)

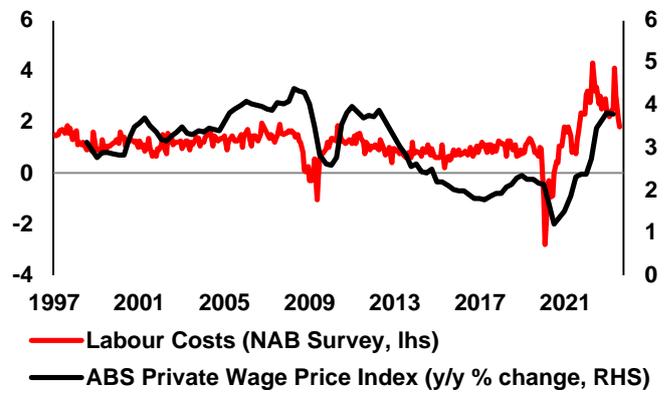


Chart 25: Costs & Price Growth, Qtly Eq. (% , SA)

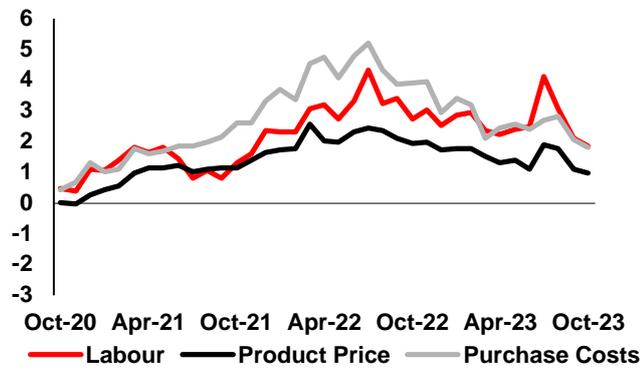
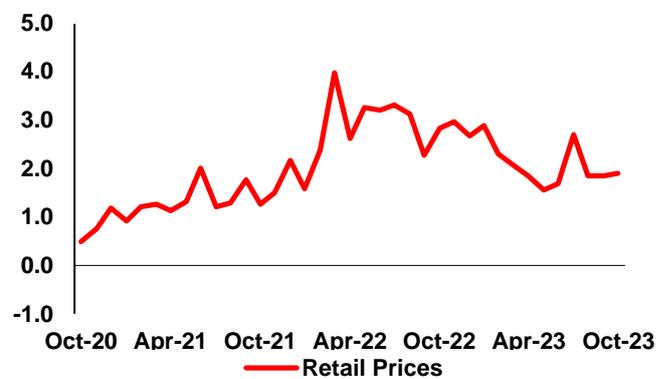


Chart 26: Retail Price Growth, Qtly Eq. (% , SA)



Conditions and Confidence by State and Industry

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

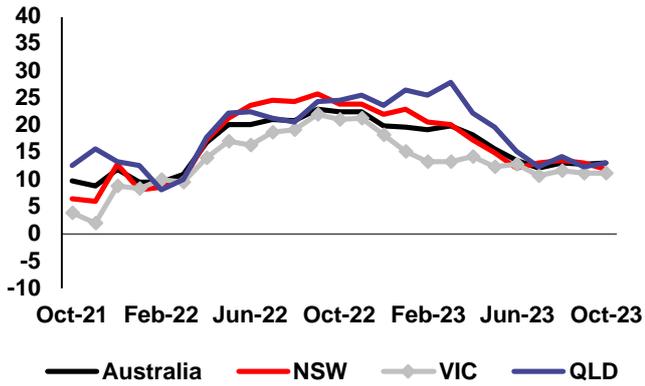


Chart 28: Conditions by State (Net Balance, Trend)

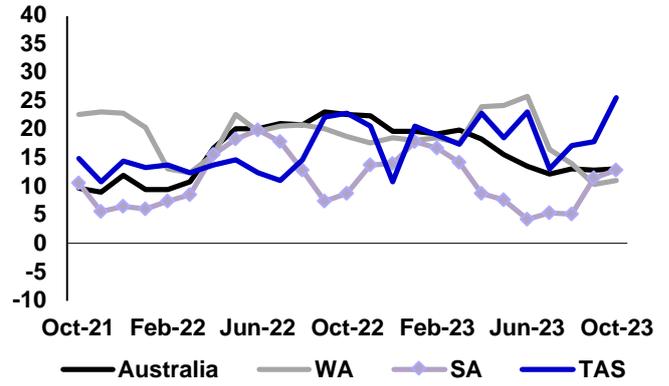


Chart 29: Confidence by State (Net Balance, Trend)

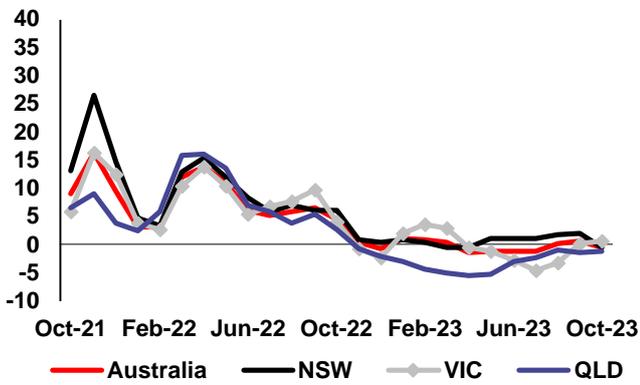


Chart 30: Confidence by State (Net Balance, Trend)

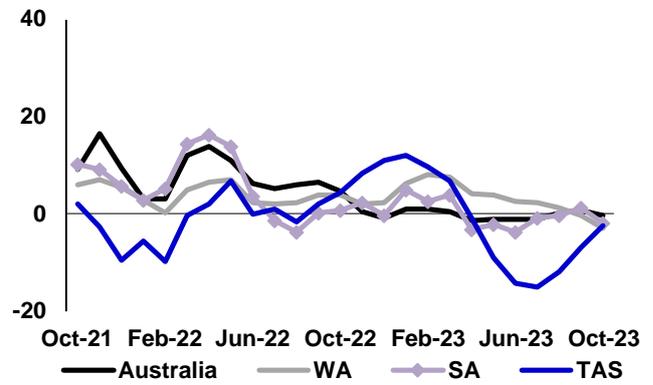


Chart 31: Conditions by Industry (Net Balance, Trend)

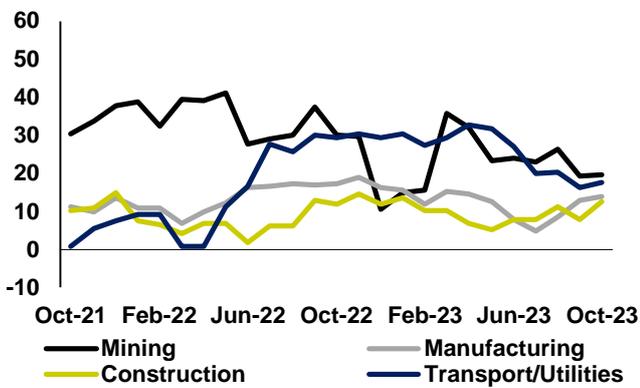


Chart 32: Conditions by Industry (Net Balance, Trend)

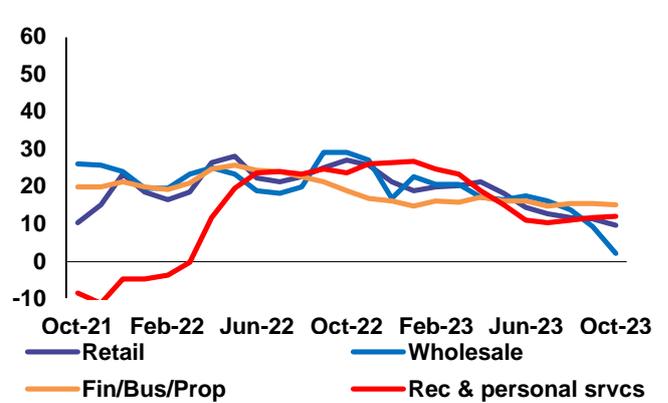


Chart 33: Confidence by Industry (Net Balance, Trend)

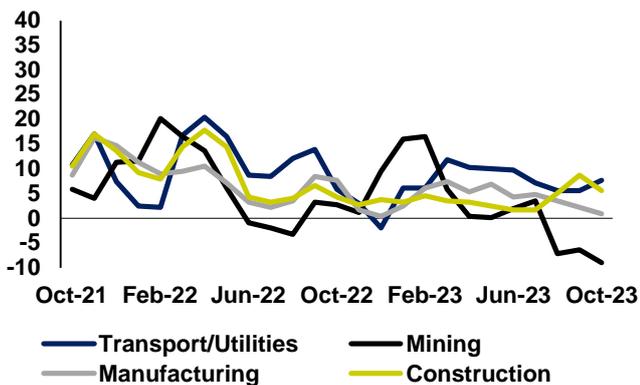
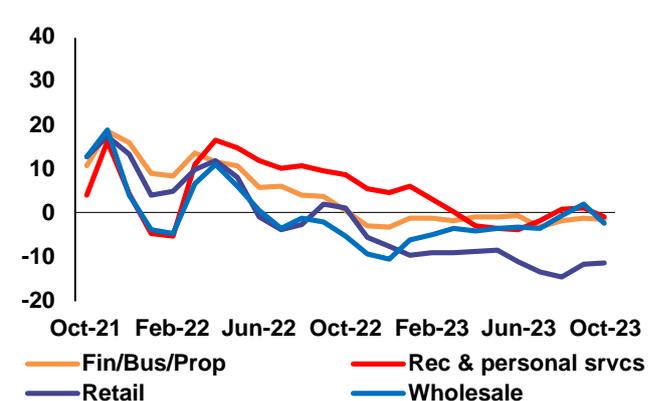


Chart 34: Confidence by Industry (Net Balance, Trend)



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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.