

NAB Monthly Business Survey Nov-23



Confidence slides but conditions still above average

NAB Group Economics

Summary

Both the economic outlook and activity softened in the November business survey, with the easing evident across most states and industries. Business confidence saw a second consecutive decline and is now at its lowest level since 2012 (outside of the COVID period). Unsurprisingly, a further increase in rates saw confidence in the key consumer-facing sectors – retail and recreation & personal services – fall further into negative territory. Business conditions also eased and are now at their lowest level since early in 2022. Though they remain above average, they are now well off their recent peak in mid-2022 and at a component level, are being supported by strong employment with both trading and profitability close to their long-run averages. Forward orders softened and taken together with confidence suggest that businesses expect that conditions will weaken further. However, capacity utilisation remains high and continues to be reflected in elevated price pressures with both input cost and output price inflation still elevated. Though conditions and confidence had been broadly stable through mid-2023, this month's outcome suggests that growth in Q4 is unlikely to improve from the weak outcome in the Q3 national accounts, and while slower growth will eventually see an easing in inflation pressure, this will lag activity.

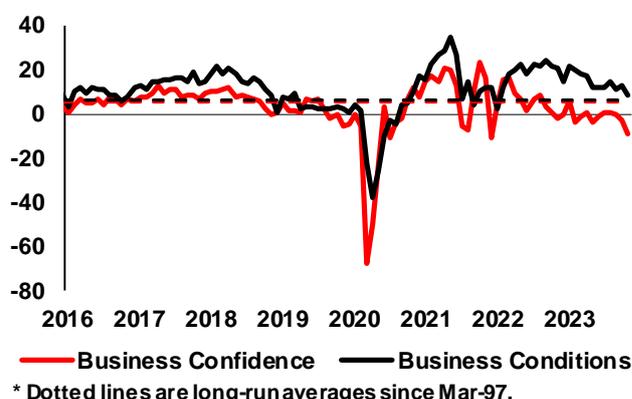
Survey Details

- **Business conditions** fell 4pts to +9 index points, remaining above the long-run average. Trading conditions fell 6pts to +13 index points and profitability was also down 6pts (unrounded) to +6 index points, while employment remained at +8 index points.
- **By industry** there were significant decreases in mining (down 23pts), transport & utilities (down 14pts), construction (down 10pts) and recreation & personal services (down 8pts), though wholesale rose 8pts. In trend terms, the level of conditions remains positive across industries with wholesale and retail the only industries below +10 index points.
- **By state**, conditions fell significantly in Tas (down 48pts after a very elevated October result) as well as SA (down 9pts) and NSW (down 5pts) with smaller falls in Qld and Vic and a 3pt rise in WA. In trend terms, the level of conditions was broadly comparable across the mainland states.
- **Business confidence** fell 6pts to -9 index points with falls in most industries including a 16pt fall in retail. In trend terms, only transport & utilities and construction remain in positive territory. Across all states, trend confidence was negative across the board.
- **Leading indicators** softened. Forward orders declined 3pts to -4 index points, led by falls in construction and recreation & personal services. Capacity utilisation edged lower but at 83.9% remains high.
- **Price and cost growth** accelerated in the month. Labour cost growth rose to 2.2% in quarterly equivalent terms, and purchase cost growth increased to 2.5%. Overall price growth rose to 1.2% with retail price growth up to 1.9%, while recreation & personal services prices were running at 1.0%.

Table 1: Key Monthly Business Survey Statistics

	Sep-23	Oct-23	Nov-23
	Net balance		
Business confidence	0	-3	-9
Business conditions	12	13	9
Trading	17	19	13
Profitability	9	11	6
Employment	9	8	8
Forward orders	2	-1	-4
Stocks	1	1	0
Exports	1	-1	1
	% change at quarterly rate		
Labour costs	2.2	2.0	2.2
Purchase costs	2.1	1.9	2.5
Final products prices	1.1	1.0	1.2
Retail prices	2.0	1.8	1.9
	Per cent		
Capacity utilisation rate	84.1	84.0	83.9

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



All data seasonally adjusted and subject to revision. Survey conducted from 20 to 28 November 2023, covering around 500 firms across the non-farm business sector. **Next release date: 23 January 2024.**

Monthly Focus: Implications of a gloomy outlook

Business confidence fell further in November and outside of the pandemic period is now around its lowest level since 2012 – a period where major advanced economy growth had slowed and domestic business conditions were significantly weaker than they are now. Outside of that period, confidence has only been as weak in the two major downturns during the survey’s history (including the GFC and 1990s recession)

While business conditions also weakened in the month, the gap between confidence and conditions remains unusually large. Though confidence is a forward-looking measure we do not necessarily expect it to have a tight leading relationship with activity. For example, if the low level of confidence is the result of negative news that does not persist, or due to the economic cycle, where strong conditions could reasonably be expected to slow, the gap could close partly through an improvement in confidence rather than a steep fall in conditions.

The movements in confidence over the past year or so, have broadly correlated with movements in official interest rate and rate expectations. In trend terms, confidence eased to around average in around mid-2022 as the RBA began to lift rates. Confidence then declined to below average levels as the RBA continued to hike through late 2022 and expectations of further increases strengthened. As the RBA slowed the pace of hikes in 2023, confidence settled at around 0 index points. Over the past two months, the further increase in rates and expectations of further increases has seen confidence step lower – and has been particularly evident in the goods sectors and consumer sectors, with retail (-16 index points) and wholesale (-7 index points) the weakest, followed by recreation & personal services (-5 index points).

While confidence does not necessarily have a strong leading relationship with business conditions and the gap can “resolve” in numerous ways confidence is important for how businesses make investment and hiring decisions. These in themselves, are important for broader economic outcomes. Indeed, despite activity holding up relatively well and capacity utilisation remaining elevated, reported capex has eased over recent months (but remains just above average).

A key theme over 2023 has been the resilience that the economy (and households) have shown in the face of significant headwinds from higher rates and inflation. In part, strong population growth has been a driver of the resilience. With conditions and forward orders softening in November and confidence very weak it is likely GDP growth will remain well below trend (weighed down by the consumer) in Q4 following the soft outcome in Q3.

Chart 2: Confidence and conditions Gap

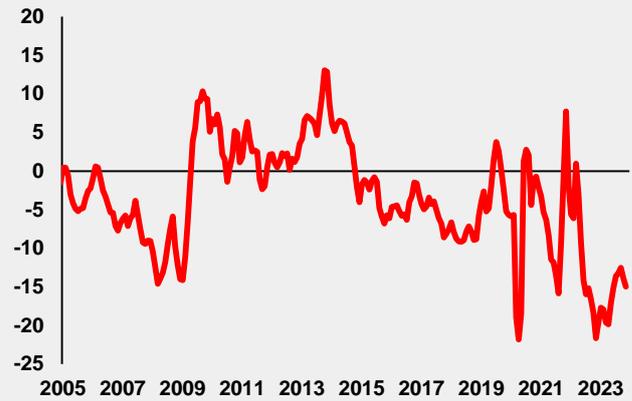


Chart 3: Confidence retail, wholesale and rec & personal (net bal., 3 month moving average)

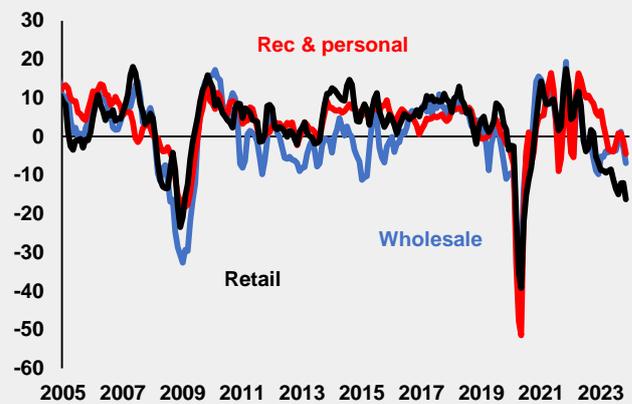
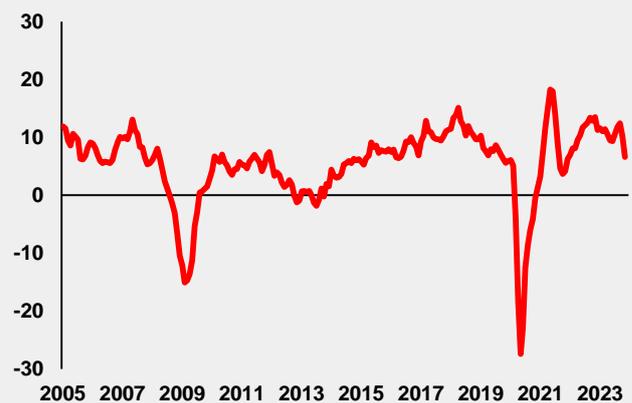


Chart 4: Capex (net bal.)



Business Conditions and Confidence

Chart 5: Business Confidence (Net Balance)

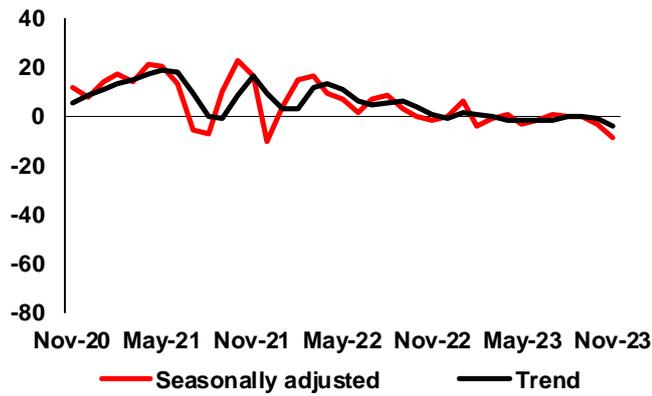


Chart 6: Business Conditions (Net Balance)

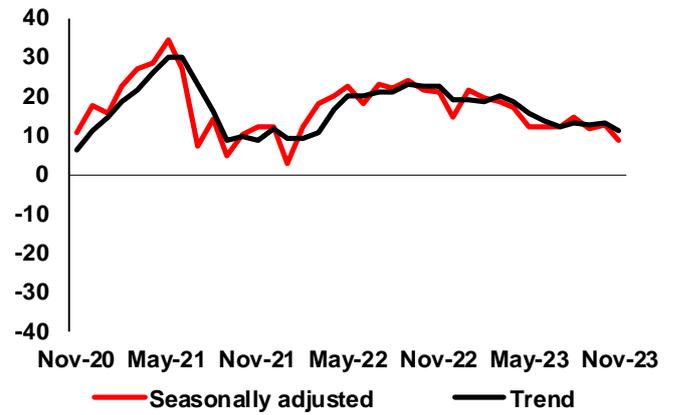


Chart 7: Components of Conditions (Net Balance, SA)

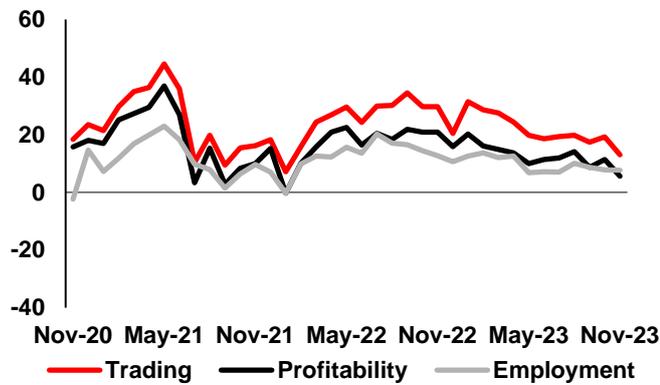


Chart 8: L-R Conditions & Confidence (Net Balance, SA)

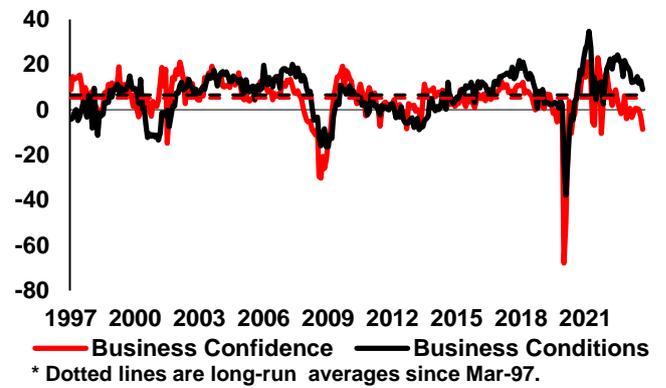


Chart 9: Conditions by Industry, Trend (Net Balance)

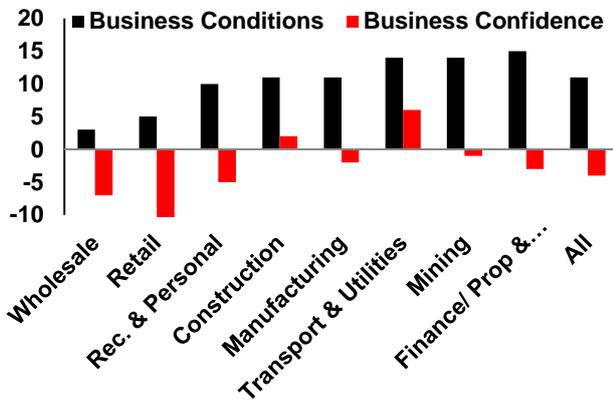
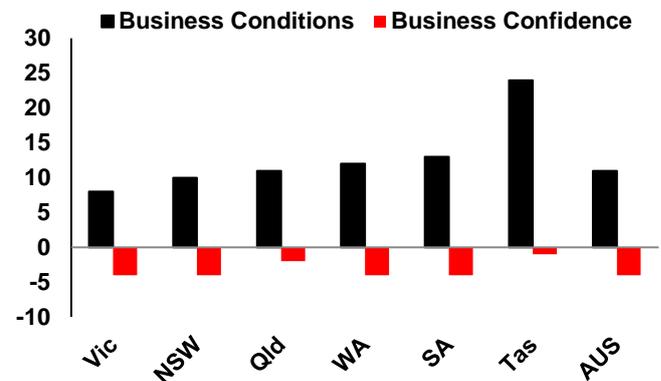


Chart 10: Conditions by State, Trend (Net Balance)



Leading Indicators and Other Key Measures

Chart 11: Forward Orders (Net Balance)

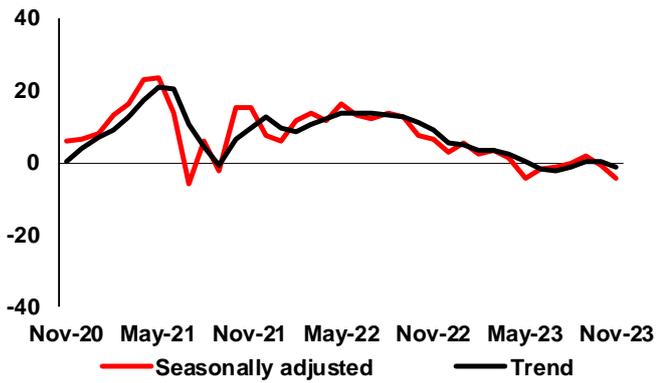


Chart 12: Capital Expenditure (Net Balance)

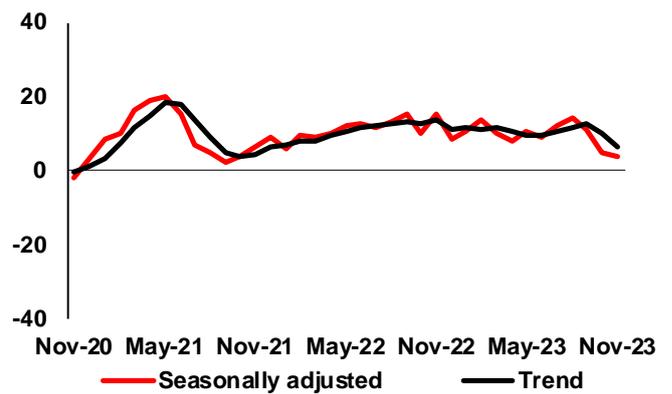


Chart 13: Capacity Util. & Unemployment (% SA)

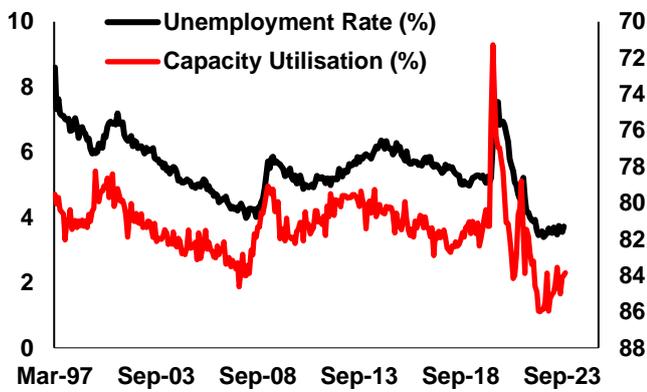


Chart 14: Capacity Util. by Industry (% 3mma)

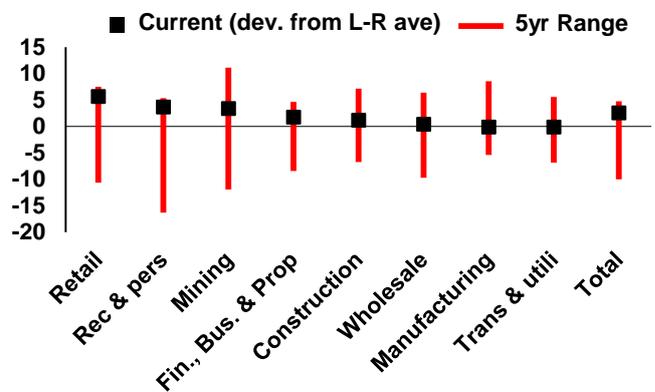


Chart 15: Stocks (Net Balance)

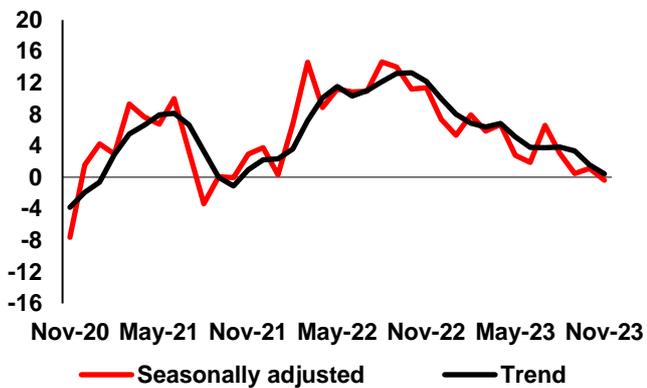


Chart 16: Cash Flow (Net Balance)

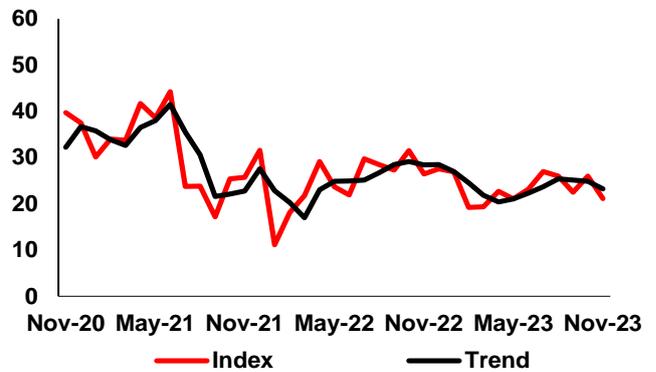


Chart 17: Exports (Net Balance)

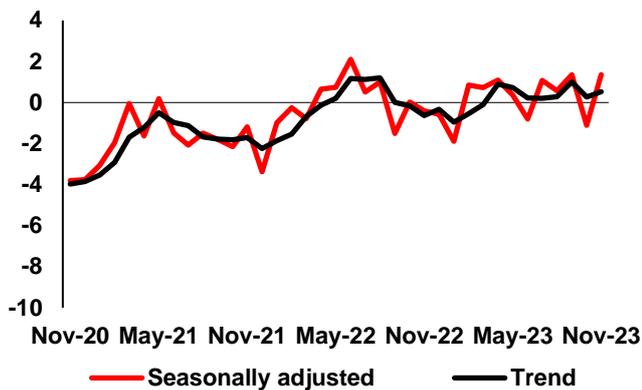
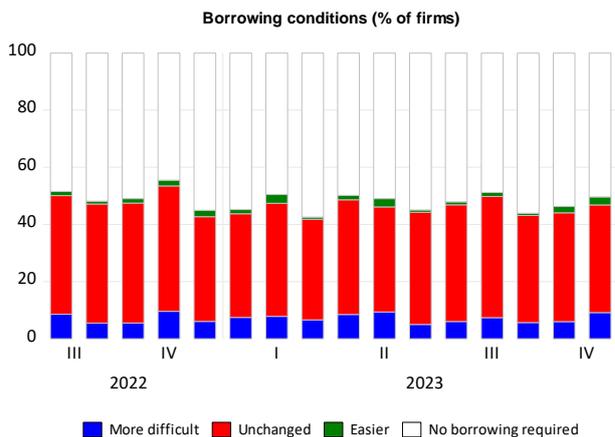


Chart 18: Borrowing Conditions (% of Firms)



Employment, Wages and Prices

Chart 19: Employment (Net Balance)

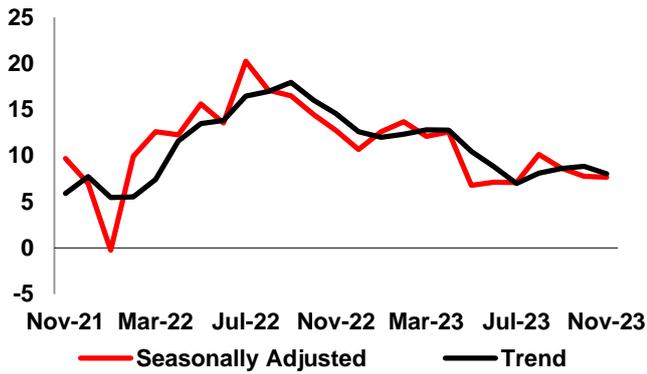


Chart 20: NAB vs ABS Employment (Net Balance, SA)

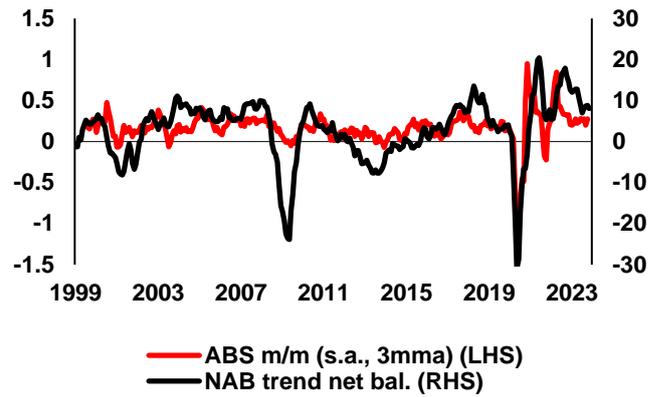


Chart 21: Employment by Industry (Net Balance, Trend)

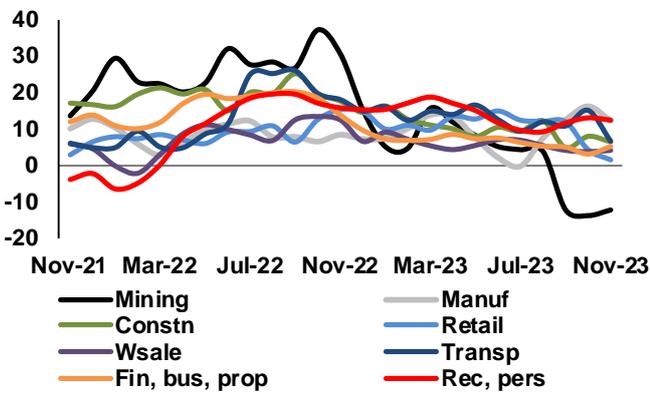


Chart 22: Labour Costs Growth, Qtly Eq. (% , SA)

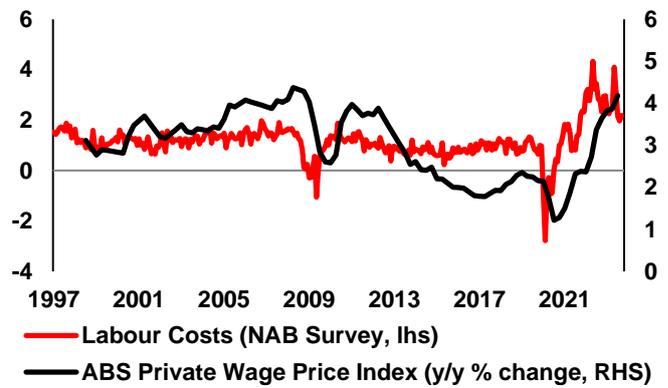


Chart 23: Costs & Price Growth, Qtly Eq. (% , SA)

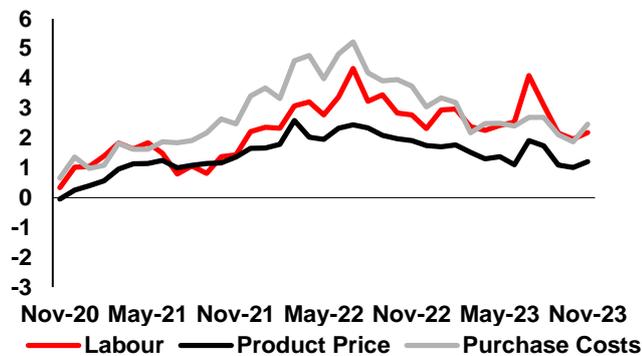
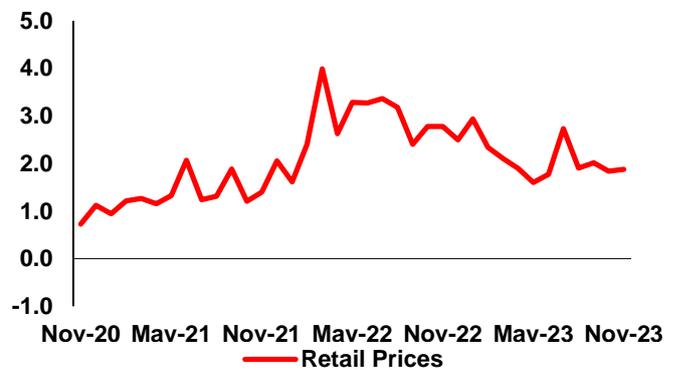


Chart 24: Retail Price Growth, Qtly Eq. (% , SA)



Conditions and Confidence by State and Industry

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

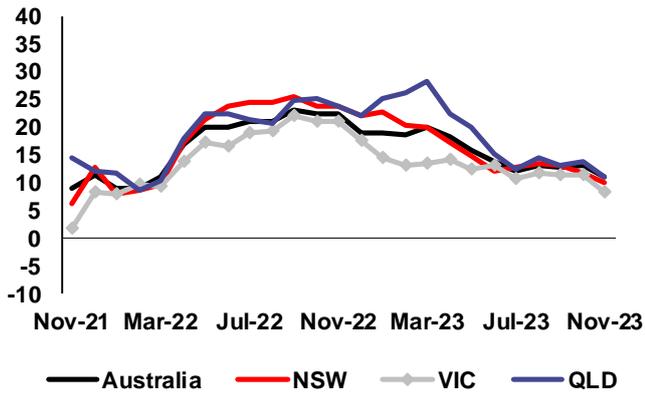


Chart 26: Conditions by State (Net Balance, Trend)

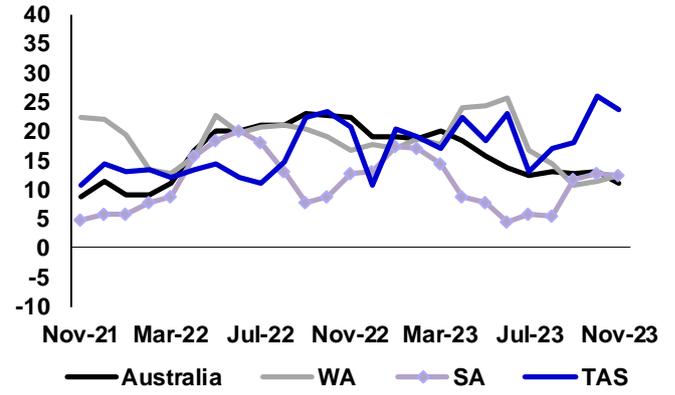


Chart 27: Confidence by State (Net Balance, Trend)

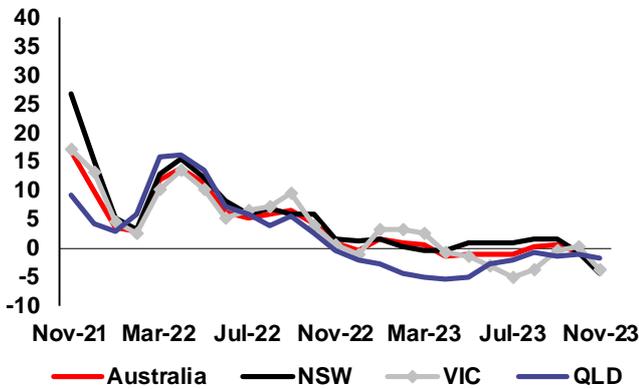


Chart 28: Confidence by State (Net Balance, Trend)

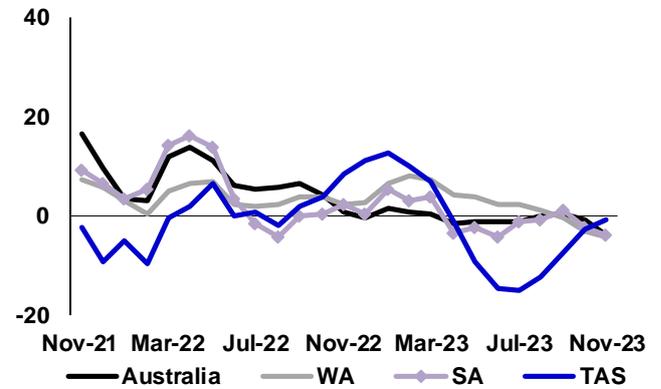


Chart 29: Conditions by Industry (Net Balance, Trend)

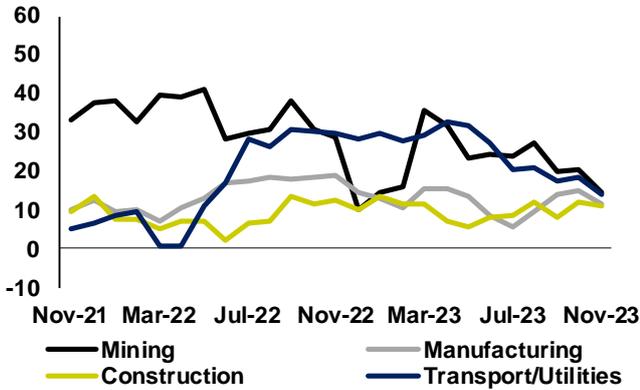


Chart 30: Conditions by Industry (Net Balance, Trend)

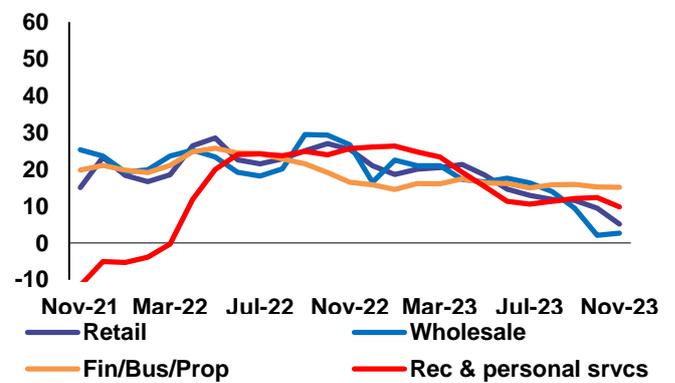


Chart 31: Confidence by Industry (Net Balance, Trend)

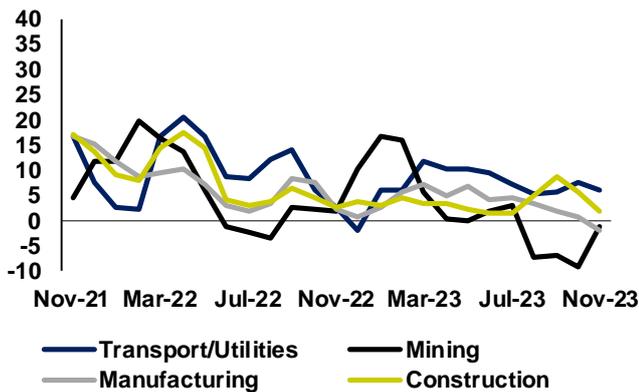
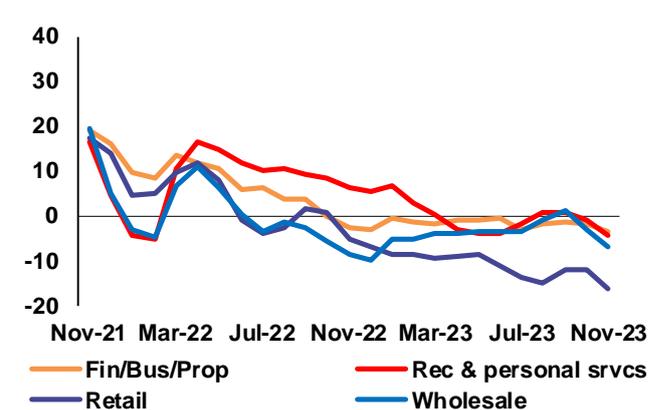


Chart 32: Confidence by Industry (Net Balance, Trend)



Authors

Brody Viney

Senior Economist
Brody.Viney@nab.com.au
+61 0 452 673 400

Gareth Spence

Head of Australian Economics
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

Important notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.

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.