



NAB Monthly Business Survey Dec-23

Business conditions cool as retail inflation eases

NAB Group Economics

Summary

Business conditions eased further in December, continuing a cooling trend that gradually brought conditions back to around their long-run average over the course of 2023. Survey measures of trading conditions and employment fell in the month, while capacity utilisation also eased. The decline in conditions was led by manufacturing and construction. Elsewhere, conditions remained weak in retail but remained elevated in the services sectors. Business confidence rebounded on the back of a recovery in retail confidence but remains well below long run average. Importantly, there were clear signs of further easing in input cost pressures in the month - with labour and purchase cost growth easing. Retail price growth also fell sharply. Some price adjustment through the Black Friday and post-Christmas sales period is normal but the improvement in the survey's seasonally adjusted price measures likely signals some easing in the underlying pace of inflation. Overall, the survey results show that economic growth had eased considerably by the end of 2023 after performing better than expected for much of the year, and this slowing is beginning to translate into improvement in inflation indicators. Nonetheless, businesses remain cautious about the outlook with growth likely to remain subdued for the time being.

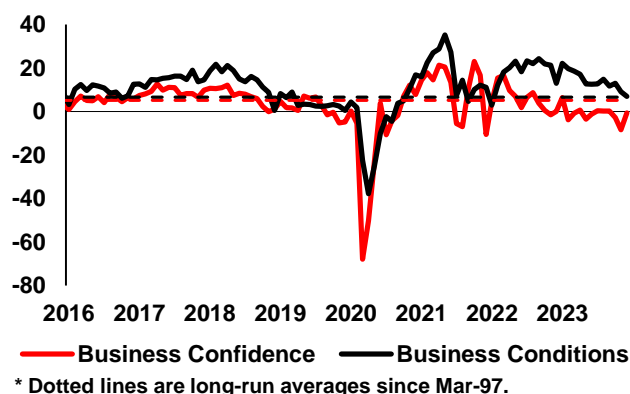
Survey Details

- **Business conditions** decreased 2pts to +7 index points, remaining just above the long-run average. Trading conditions fell 3pts to +10 index points and employment was also down 2pts (unrounded) to +7 index points, while profitability remained steady at +6 index points.
- **By industry** there were significant falls in manufacturing (down 16pts) and construction (down 12pts), while recreation & personal services strengthened 10pts and transport & utilities rose 9pts. In trend terms, the level of conditions remained positive across industries with manufacturing, retail and wholesale softest.
- **By state**, conditions fell in Tas (down 11pts), SA (down 9pts) and WA (down 4pts), while other states were broadly steady. In trend terms, conditions remained strong across the states, clustered between 10-17 index points with the exception of Vic at +5 index points.
- **Business confidence** rose 8pts to -1 index points. There was a broad-based lift in confidence, led by mining (up 28pts) and retail (up 24pts), while manufacturing edged lower. In trend terms, most industries remained in negative territory except for mining and transport & utilities. Across the states, trend confidence was negative except in Tas.
- **Leading indicators** were mixed. Forward orders rose 1pt to -3 index points despite large falls in transport & utilities, retail and mining. Capacity utilisation edged lower but at 82.7% remains above average.
- **Price and cost growth** declined sharply in the month. Labour cost growth eased to 1.8% in quarterly equivalent terms (from 2.3% in November), and purchase cost growth declined to 1.6% (from 2.5%). Overall price growth eased to 0.9% (from 1.2%), with retail price growth slowing to 0.6% (from 1.8%).

Table 1: Key Monthly Business Survey Statistics

	Oct-23	Nov-23	Dec-23
	Net balance		
Business confidence	-3	-8	-1
Business conditions	13	9	7
Trading	19	13	10
Profitability	12	6	6
Employment	8	8	7
Forward orders	-1	-4	-3
Stocks	1	0	2
Exports	-1	1	0
	% change at quarterly rate		
Labour costs	2.1	2.3	1.8
Purchase costs	2.0	2.5	1.6
Final products prices	1.1	1.2	0.9
Retail prices	1.8	1.8	0.6
	Per cent		
Capacity utilisation rate	83.8	83.6	82.7

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



All data seasonally adjusted and subject to revision. Survey conducted from 3 to 15 January 2024, covering around 500 firms across the non-farm business sector.

Next release date: 13 February 2024.

Monthly Focus: Retail Sector Demand and Profitability

With consumers under significant pressure from inflation and higher interest rates through 2023, significant attention has been focused on trends in activity and prices in discretionary sectors, in particular retail.

Reflecting the concern around consumers, the NAB Business Survey shows that confidence in the retail sector has remained in negative territory for most of the year. However, December saw a noticeable uptick in confidence, back to -2 index points (seasonally adjusted) – albeit this remains below the long-run average of +4.

As the economy has slowed, conditions in retail have steadily softened across the year, from elevated levels over 20 index points early in the year to zero index points in December, slightly below the long-run average of +3 index points. Driving this decline in conditions has been a steady decline in the profitability index, which has returned from very elevated levels to be around its long run average.

The easing in overall retail conditions and profitability comes despite capacity utilisation remaining elevated above average for most of the past two years.

There has been a gradual improvement in cost pressures in the sector, with purchase cost growth easing from over 5% at the peak of the global supply chain crisis in 2021-22 to 1.4% in quarterly equivalent terms in December. Labour cost growth has also moderated after peaking around the minimum wage adjustment in July but remains relatively elevated at 1.8% in December.

Price growth has also moderated over time, broadly following the easing in cost pressures. However, there was a sharp slowing in the pace of price growth in December, down to 0.6% in quarterly terms, that exceeded the easing in cost pressures seen in the month.

A number of factors may have played a role in this shift, including the effects of sales through the end of year period. Whether this slower pace of retail inflation is maintained into the new year will be a key question – but these are encouraging signs nonetheless.

Chart 2: Retail Conditions & Confidence (Net Bal., S.A.)

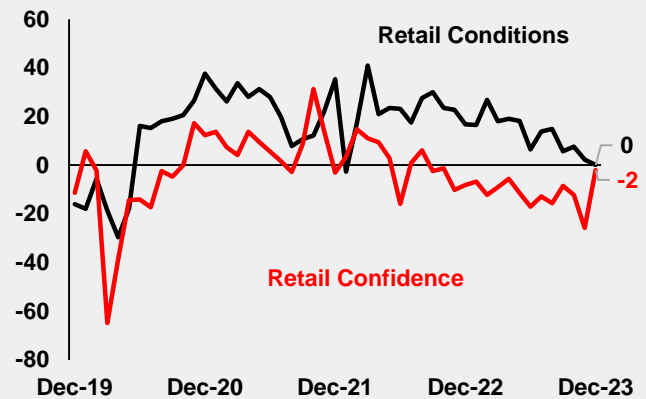


Chart 3: Retail Profitability (Net Bal., S.A.)

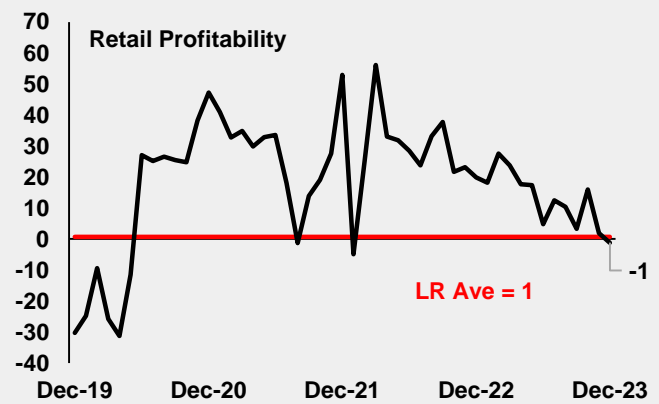


Chart 4: Retail Capacity Utilisation (% , S.A.)

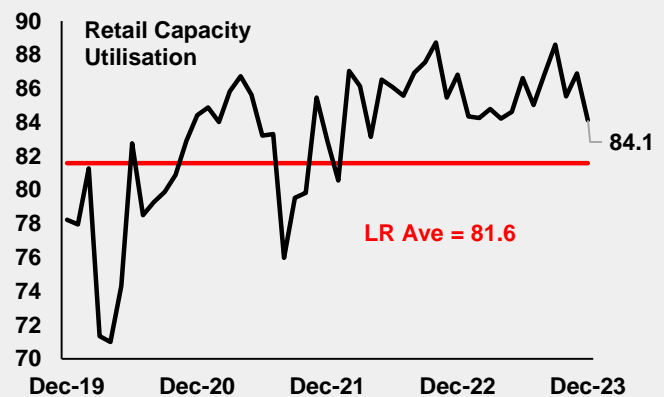


Chart 5: Retail Cost Growth (% , Qtly. Eq., S.A.)

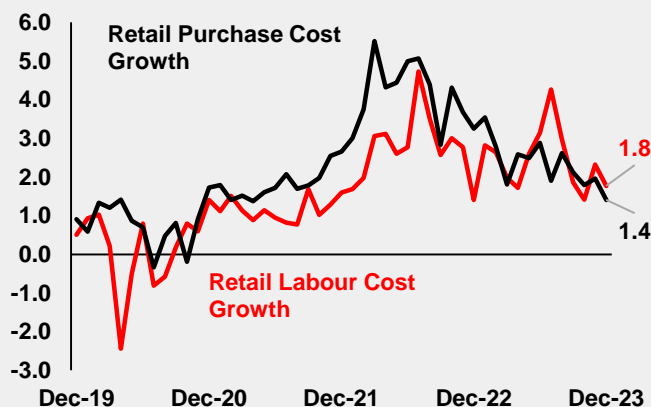
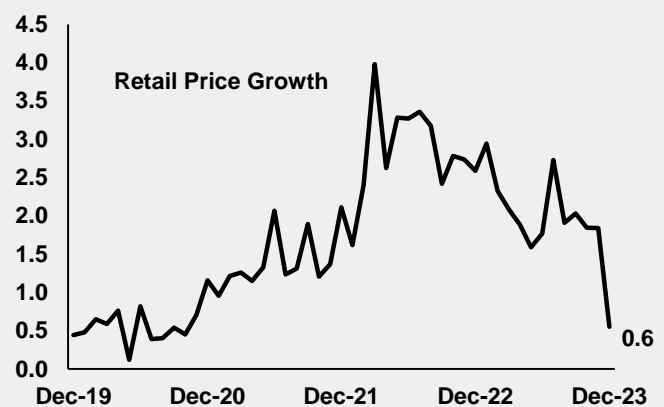


Chart 6: Retail Price Growth (% , Qtly. Eq., S.A.)



Business Conditions and Confidence

Chart 7: Business Confidence (Net Balance)

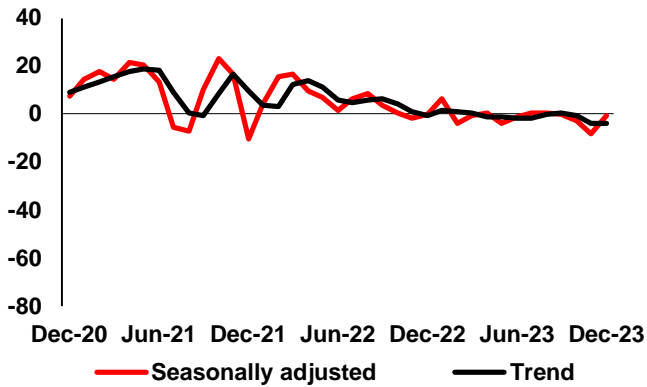


Chart 8: Business Conditions (Net Balance)

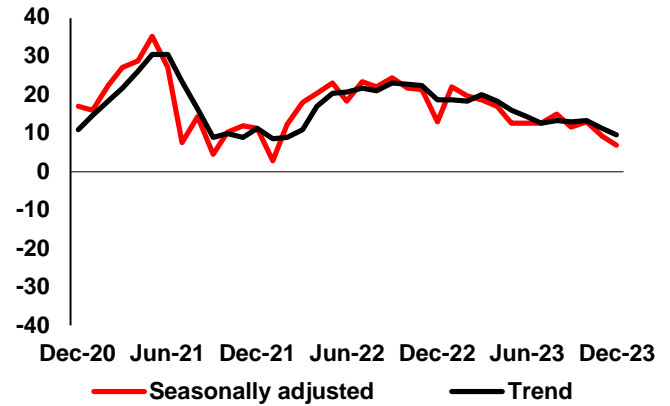


Chart 9: Components of Conditions (Net Balance, SA)

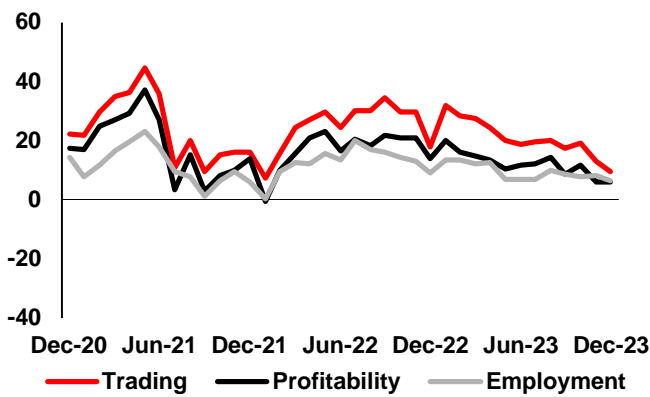


Chart 10: L-R Conditions & Confidence (Net Balance, SA)

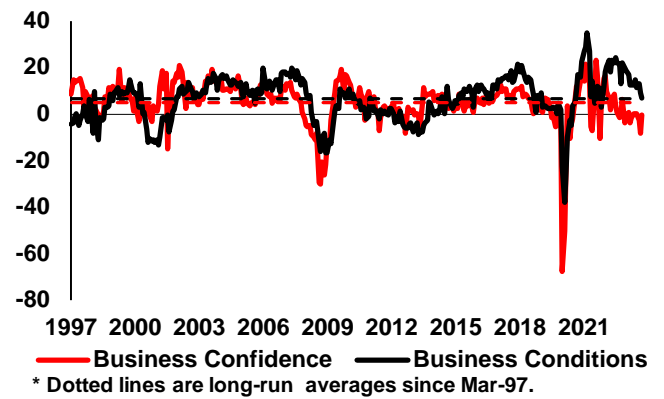


Chart 11: Conditions by Industry, Trend (Net Balance)

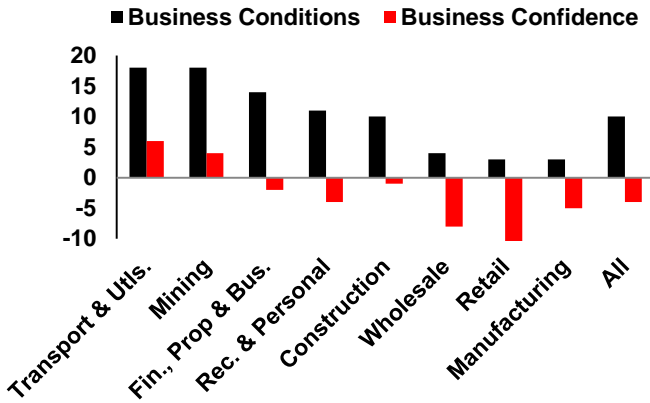
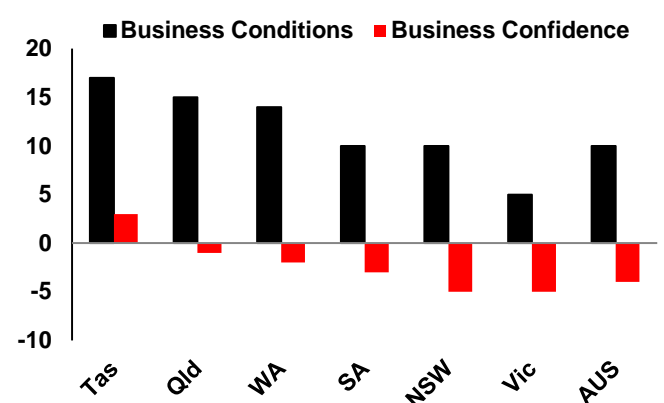


Chart 12: Conditions by State, Trend (Net Balance)



Leading Indicators and Other Key Measures

Chart 13: Forward Orders (Net Balance)

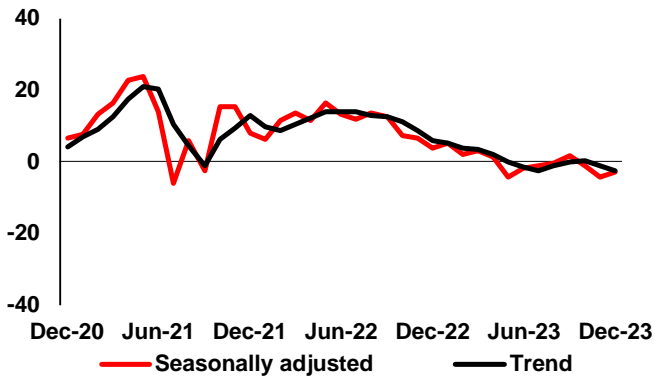


Chart 14: Capital Expenditure (Net Balance)

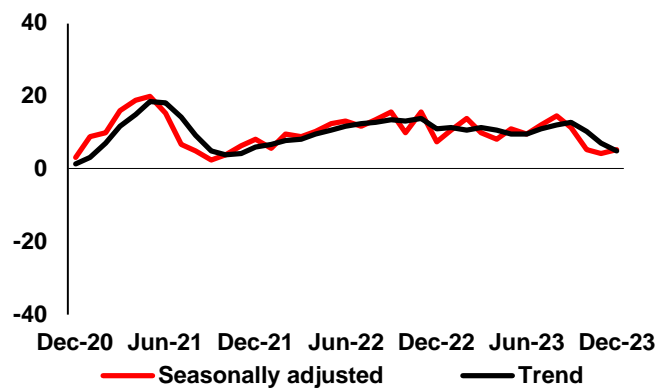


Chart 15: Capacity Util. & Unemployment (% SA)

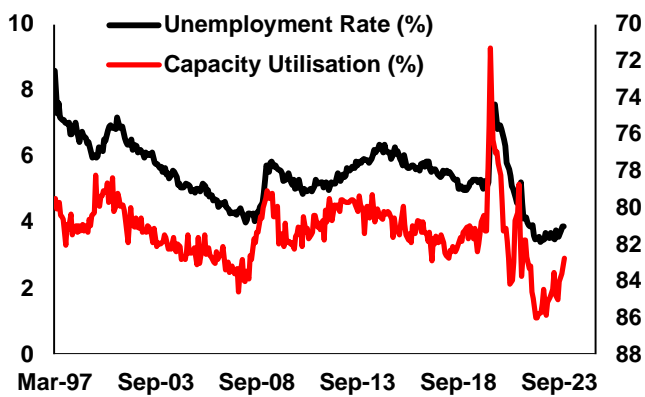


Chart 16: Capacity Util. by Industry (% 3mma)

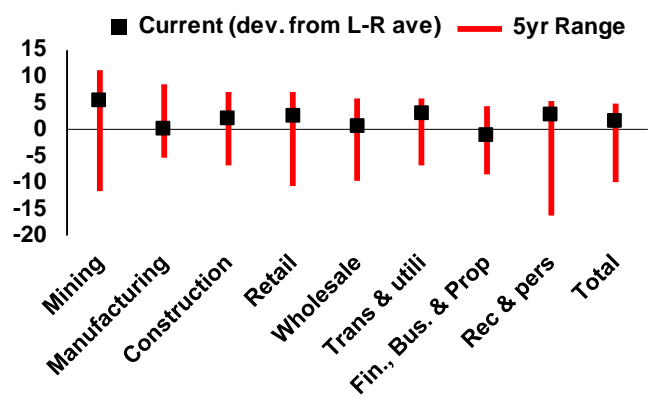


Chart 17: Stocks (Net Balance)

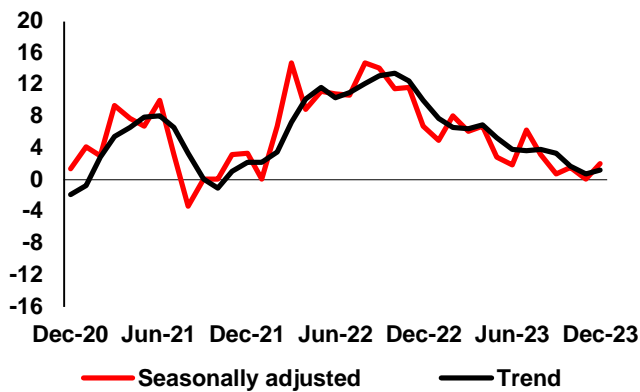


Chart 18: Cash Flow (Net Balance)

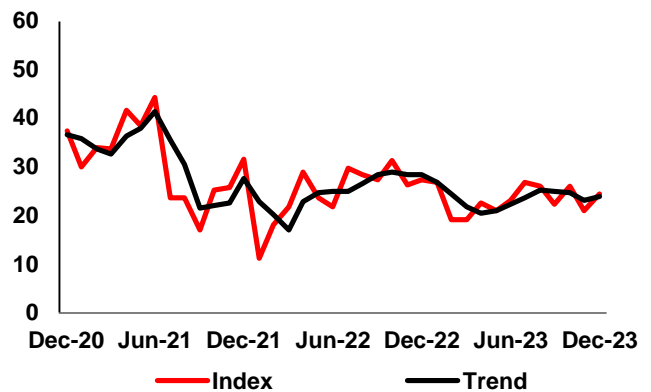


Chart 19: Exports (Net Balance)

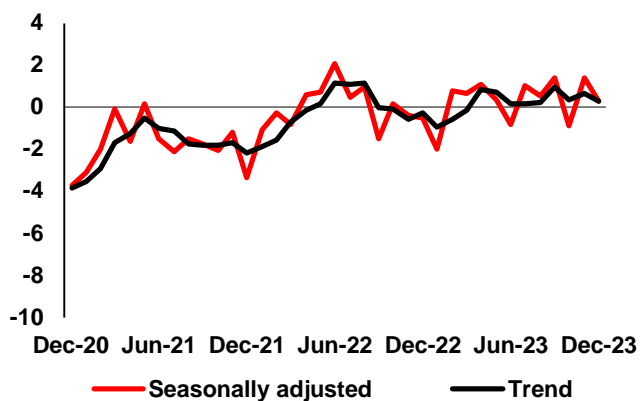
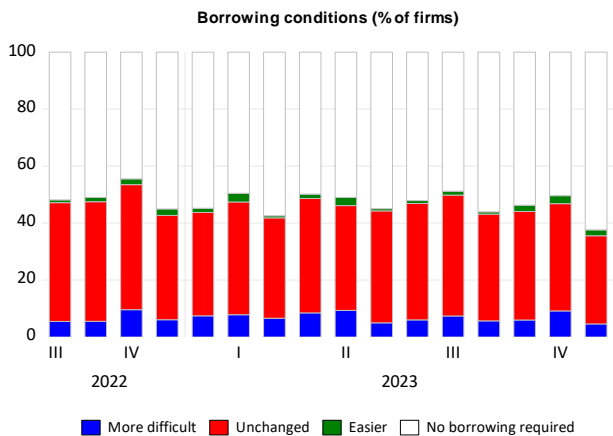


Chart 20: Borrowing Conditions (% of Firms)



Employment, Wages and Prices

Chart 21: Employment (Net Balance)

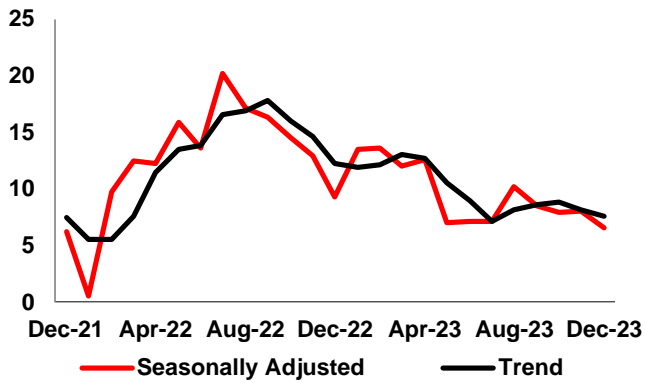


Chart 22: NAB vs ABS Employment (Net Balance, SA)

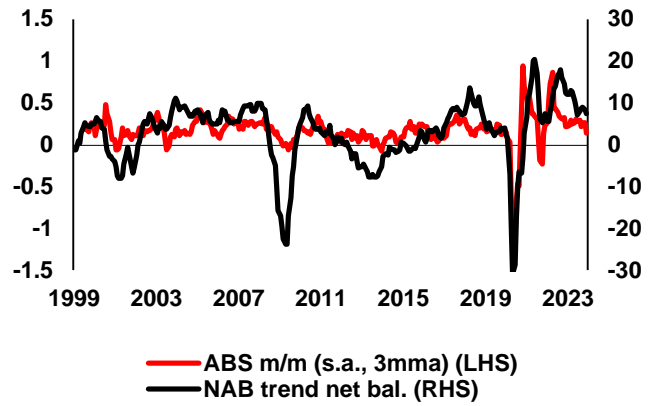


Chart 23: Employment by Industry (Net Balance, Trend)

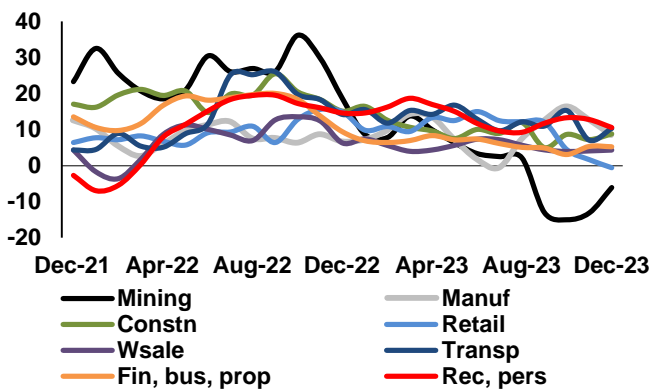


Chart 24: Labour Costs Growth, Qtly Eq. (% , SA)

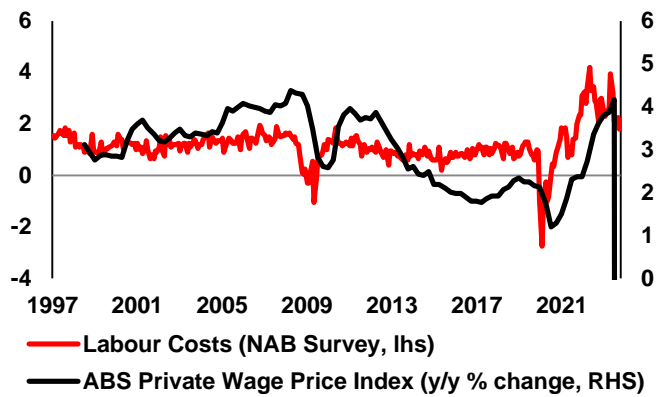


Chart 25: Costs & Price Growth, Qtly Eq. (% , SA)

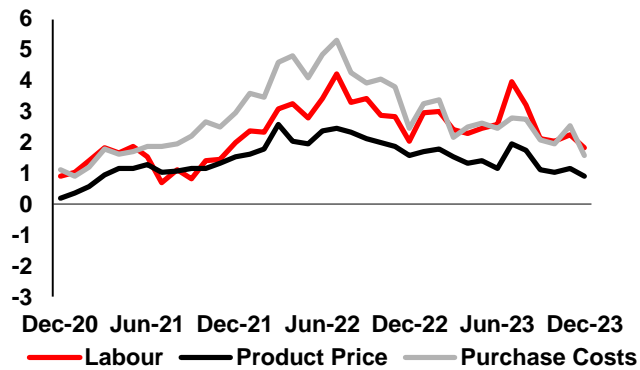
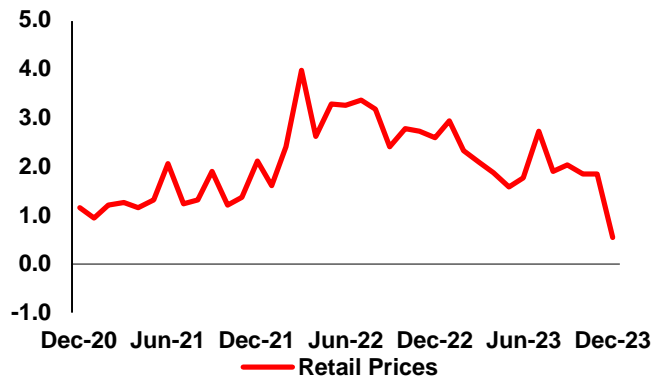


Chart 26: Retail Price Growth, Qtly Eq. (% , SA)



Conditions and Confidence by State and Industry

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

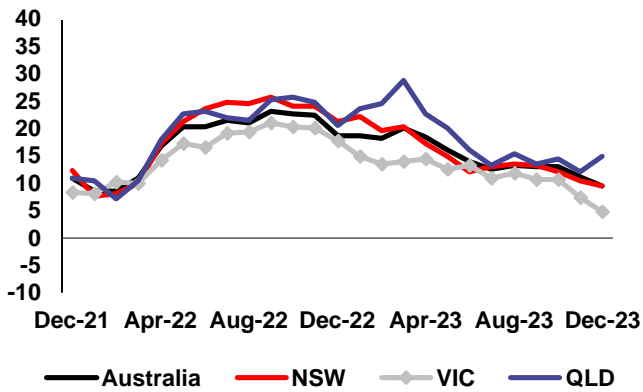


Chart 28: Conditions by State (Net Balance, Trend)

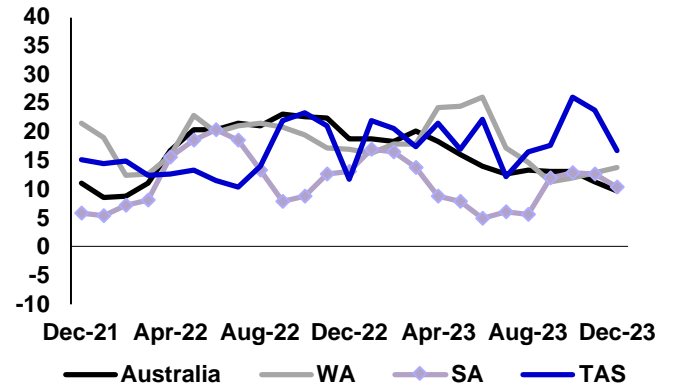


Chart 29: Confidence by State (Net Balance, Trend)

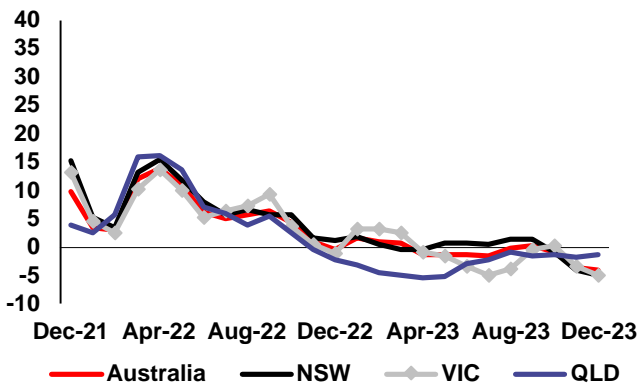


Chart 30: Confidence by State (Net Balance, Trend)

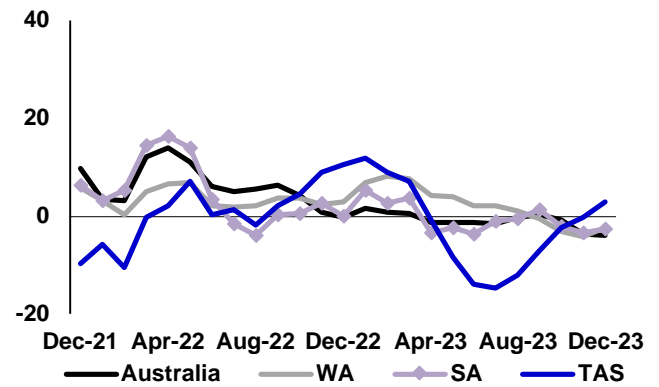


Chart 31: Conditions by Industry (Net Balance, Trend)

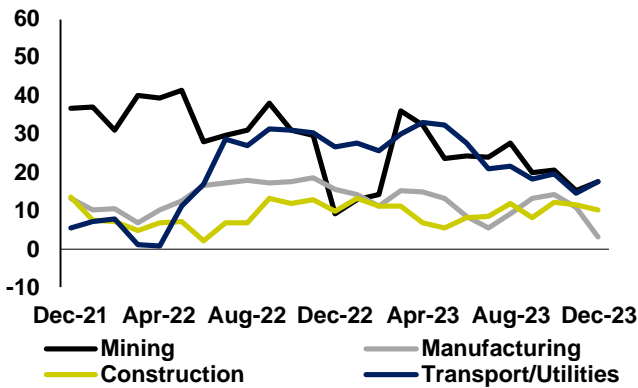


Chart 32: Conditions by Industry (Net Balance, Trend)

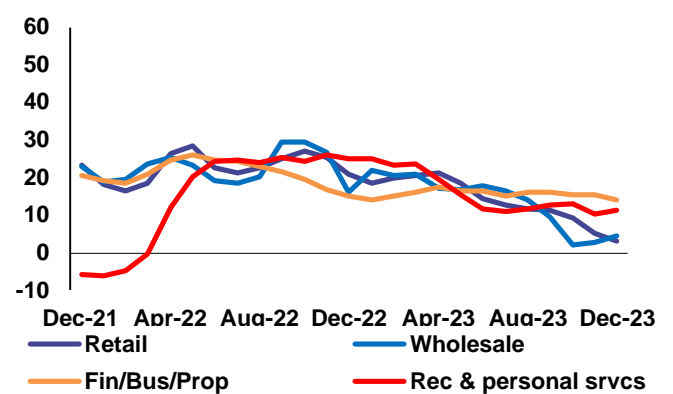


Chart 33: Confidence by Industry (Net Balance, Trend)

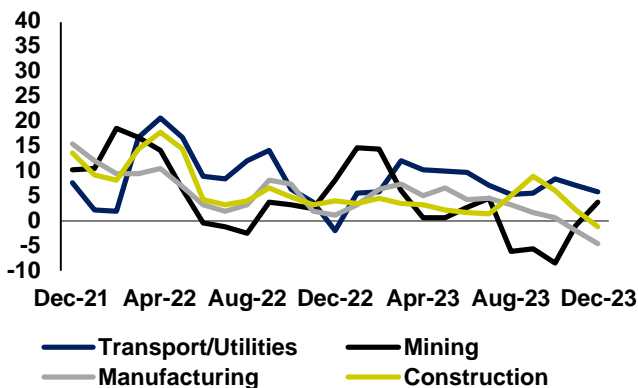
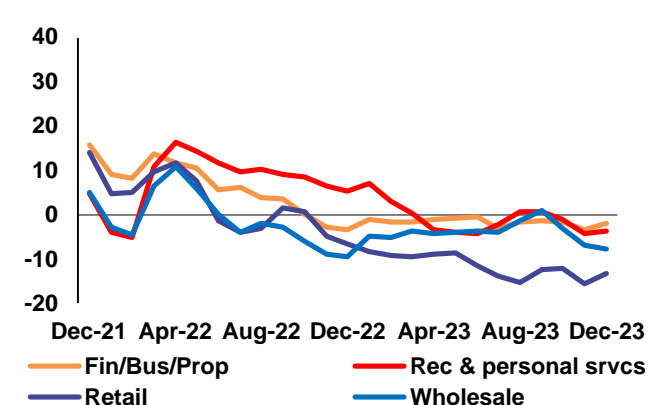


Chart 34: Confidence by Industry (Net Balance, Trend)



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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.