



NAB Quarterly Business Survey Q4 2023

Effects of monetary policy increasingly evident

NAB Economics

Summary

Softening demand and improving supply chains saw business' cost pressures and output constraints continue ease in Q4 as the economy showed increasing signs of the impact of tighter monetary policy settings. The quarter saw business conditions soften – continuing a steady easing that was evident over 2023 as the post-pandemic rebound faded and both higher inflation and interest rates began to weigh on activity. Business confidence turned significantly negative in the quarter as the outlook became increasingly clouded. However, the share of firms reporting materials availability as a significant constraint fell below 5% and purchase cost growth eased further. Likewise, labour cost growth eased as the impact of the minimum wage adjustment in Q3 waned, though wage pressure remains the most common issue affecting business confidence. Labour availability also remains a significant output constraint for 35% of firms. With activity slowing, pressure on margins is now a top issue and price growth slowed further in the quarter, in line with official data showing easing inflation.

Survey Details

- **Business conditions** declined 4pts to +9 index points in Q4, driven by declines across all three sub-components. Trading conditions fell 6pts to +12 index points, profitability declined 5pts to +5 and employment eased 1pt to +9.
- **By industry**, there was a broad-based decline in conditions, led by transport & utilities and mining (both from very high levels in Q3). In level terms, wholesale and retail were weakest, both at +5 index points. Similarly, conditions declined across most states led by Qld (down 9pts) and were weakest in Tas at +6 index points.
- **Business confidence** declined 4pts (unrounded) to -6 index points. Confidence fell in most industries (with the exception of transport & utilities) and remains very weak in retail at -20 index points. Similarly, confidence declined across all states except for Tas.
- **Leading indicators** softened in the quarter. Expected business conditions fell to +12 index points at a 3-month horizon, down from +17 in Q3, and forward orders turned negative at -3 index points. Capacity utilisation fell but remained elevated at 83.5%, while capex plans remained steady.
- **Labour indicators** were mixed. Expectations for employment in the next 3 months fell 3pts to +12 index points – its lowest level since Q4 2021 – while 12-month expectations rose 2pts to +24 index points. Around 80% of firms reported availability of labour as a constraint on output, down slightly from 83% in Q3.
- **Reported cost growth** continued to moderate gradually. Purchase costs grew at 1.2% (down from 1.4% in Q3). Labour cost growth was 1.2% (from 1.8% in Q3). Wage costs remain the top issue affecting business confidence, cited by two thirds of businesses, while expected wage growth per employee for the financial year was steady at 2.2%.
- **Price growth measures** eased in Q4. Final product price growth was 0.7% q/q (down from 0.9% in Q3) with retail price growth easing to 0.9% (down from 1.1%). Pressure on margins remained the second most significant issue affecting business confidence, affecting around half of firms.

Table 1: Key Quarterly Business Survey Statistics

	2023q2	2023q3	2023q4		2023q2	2023q3	2023q4
		<i>Net balance</i>				<i>Net balance</i>	
Business confidence	-4	-1	-6	Trading	17	18	12
Business conditions				Profitability	7	11	5
Current	12	13	9	Employment	10	10	9
Next 3 months	18	17	12	Forward orders	0	1	-3
Next 12 months	16	16	16	Stocks	5	5	3
Capex plans (next 12)	26	24	24	Exports	1	1	1
Labour costs	1.5	1.8	1.3	Retail prices (% change)	1.2	1.1	0.9
Purchase costs	1.4	1.4	1.2	Capacity utilisation rate (%)	84.6	84.6	83.5
Final products prices	0.8	0.9	0.7				

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 20 November to 8 December 2023, covering over 900 firms across the non-farm business sector. **Next release date: 18 April 2024.**

Quarterly Focus: Wage Pressures & Price Expectations

While wage pressures remain the number one issue affecting business confidence, there were some positive signs of an easing in Q4 in both input costs and output price growth.

The share of firms reporting a moderate or substantial increase in wage pressures in the past six months remained elevated at around 50% (Chart 1) - though notably the framing of this question meant this continued to capture the 2023 minimum wage rise taking effect.

Looking ahead, the share of firms expecting a moderate or substantial increase in wage pressures over the next 6 months remained at around 25% (Chart 2). This is similar to the share that expected moderate or substantial wage pressures prior to the pandemic.

The rate of labour cost growth also slowed in Q4, from 1.8% q/q to 1.3%, and firms' expectations for labour cost growth in the next three months also improved, easing to 0.9% q/q (Chart 3). Notably however, the survey also asks firms about expected average wage growth for the financial year, with this measure remaining stable in Q4 at 2.2%.

There has been considerable improvement in purchase cost pressures over the past year with a further easing to 1.2% q/q in Q4 (Chart 4). Expected cost growth for the next three months was even lower, at 0.8% q/q, suggesting firms continue to see an improving outlook for supply chains.

The easing in in costs growth appears to be passing through to prices alongside slower demand growth. Final price growth eased from 0.9% q/q to 0.7% in Q4 (Chart 5). Expected price growth over the next three months suggests a further moderation at 0.6% q/q.

Retail price growth dropped in Q4, to 0.9% q/q, but retail prices are expected to remain steady at that rate over the next three months. By comparison, recreation & personal services price growth eased to 0.7% q/q in Q4 and are expected to edge down further, to 0.6% q/q over the next 3 months.

Chart 1: Wage Pressures – Past 6 Months (% S.A.)

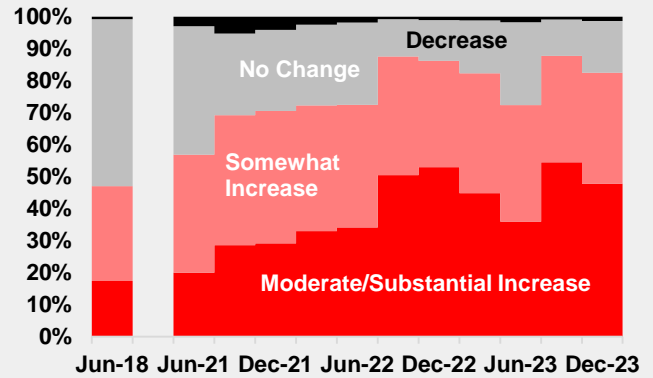


Chart 2: Wage Pressures – Next 6 Months (% S.A.)

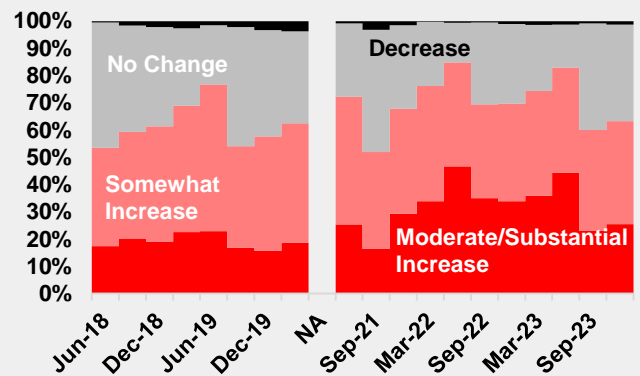


Chart 3: Q/Q Labour Cost Growth (% S.A.)

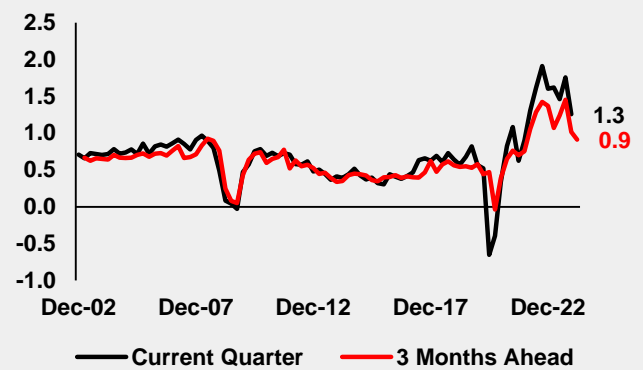


Chart 4: Q/Q Purchase Cost Growth (% S.A.)

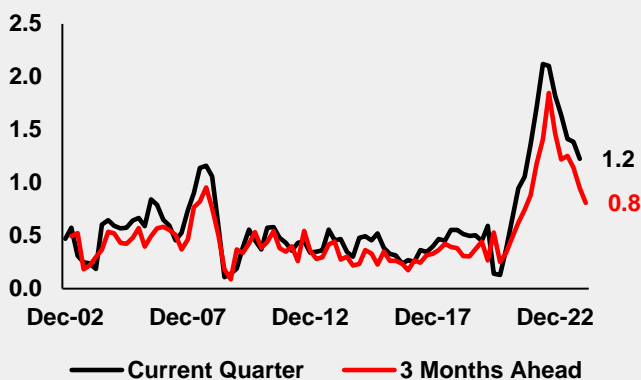
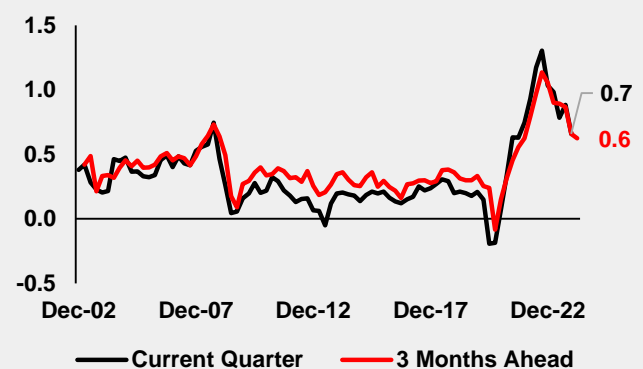


Chart 5: Q/Q Final Price Growth (% S.A.)



Business Conditions and Confidence

Chart 6: Conditions & Confidence (Net Balance, SA)

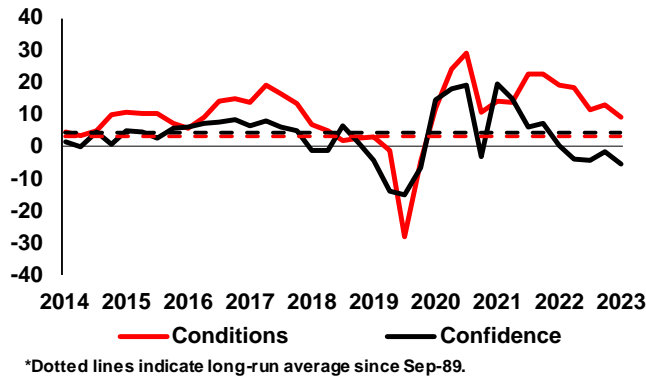
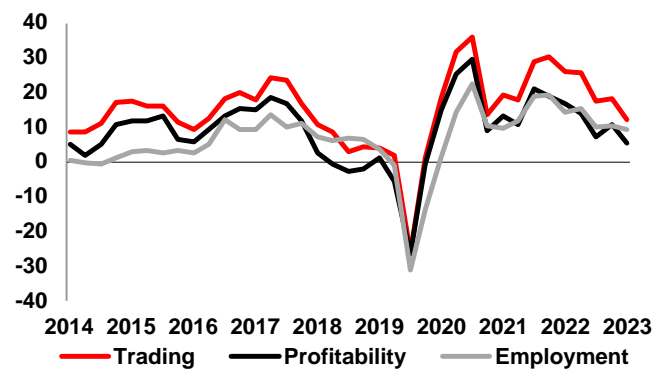


Chart 7: Conditions Components (Net Balance, SA)



Drivers of Business Confidence

Chart 8: Issues Affecting Confidence (Share of Firms)

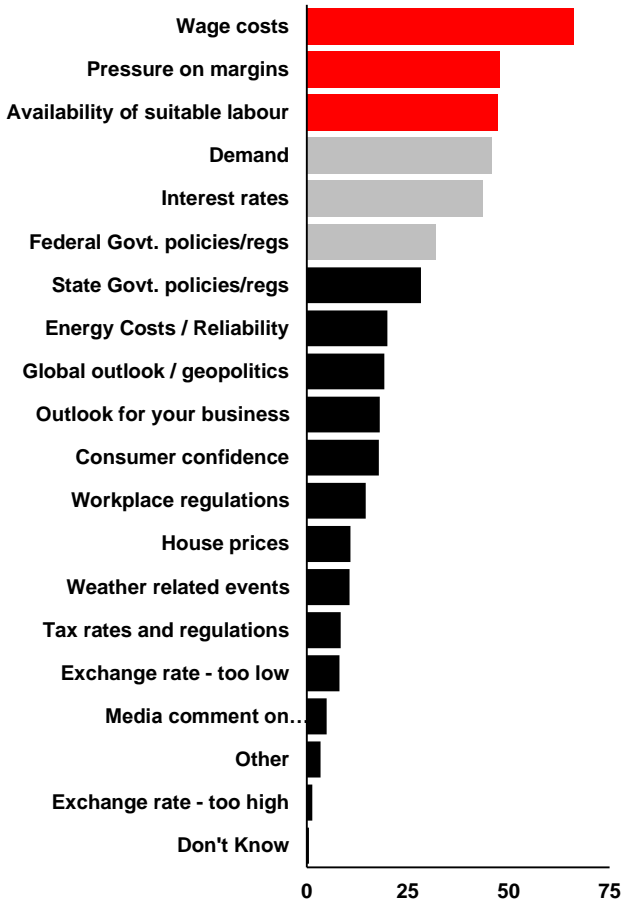


Chart 9: Issues Affecting Confidence (Share of Firms): Deteriorating Confidence

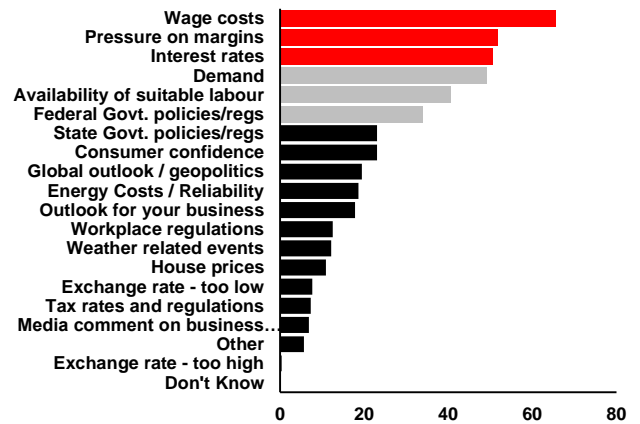
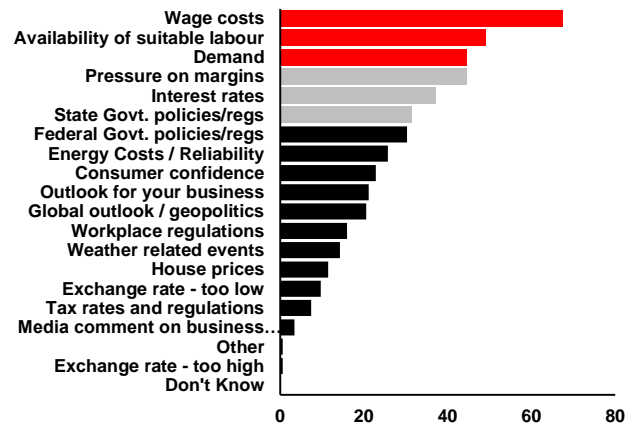


Chart 10: Issues Affecting Confidence (Share of Firms): Improving Confidence



Leading Indicators and Business Investment

Chart 11: Expected Conditions (Net Balance, SA)

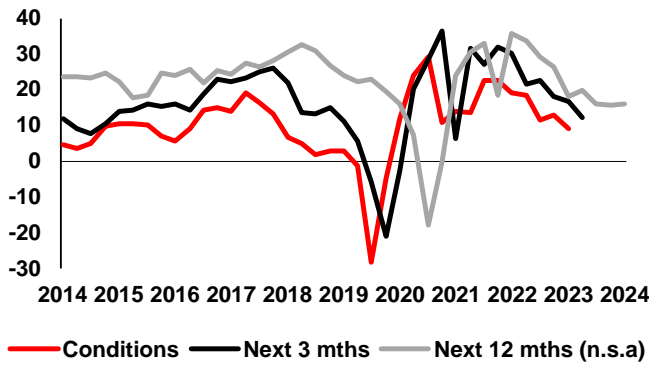


Chart 12: Expected Forward Orders (Net Balance, SA)

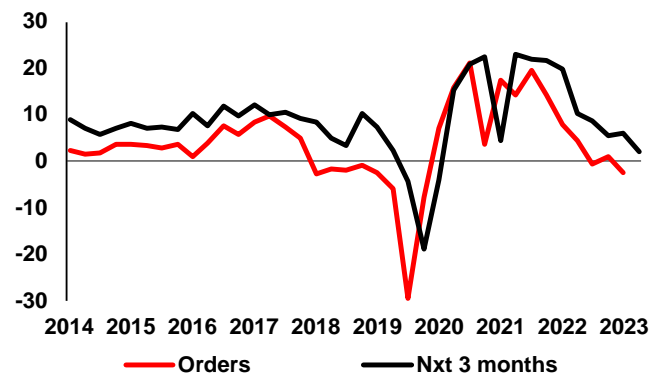


Chart 13: Capacity Utilisation (Percent, SA)

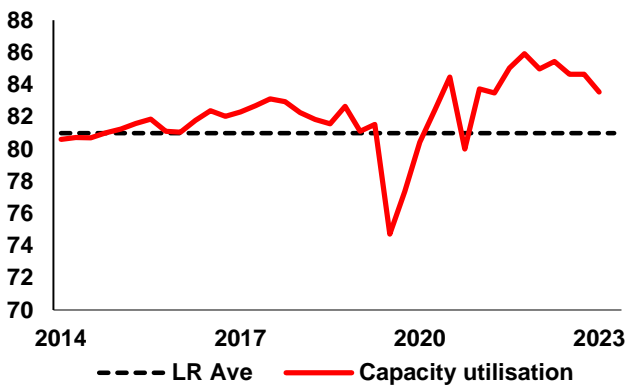


Chart 14: Capacity Utilisation (3Qtr Moving Average)

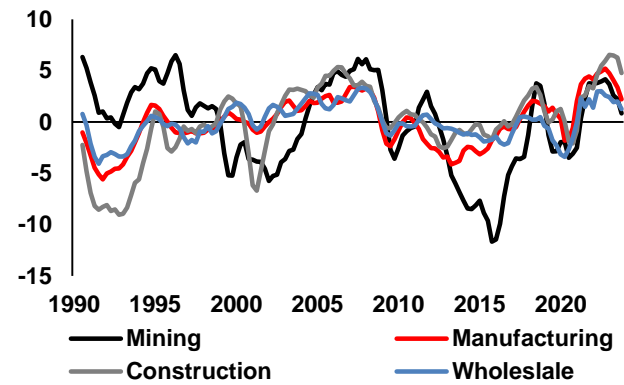


Chart 15: Stocks (Net Balance, SA)

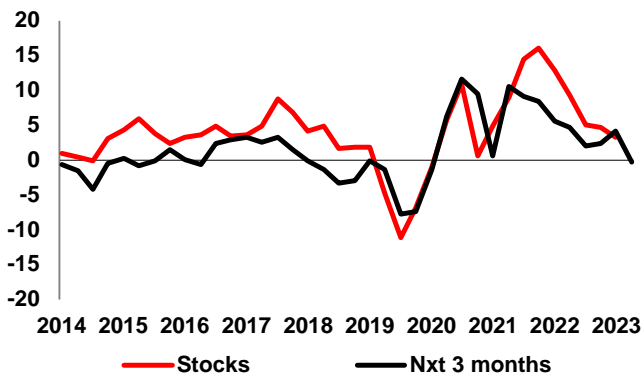
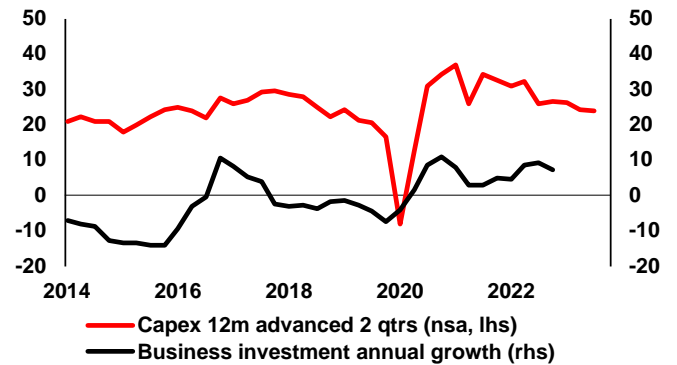


Chart 16: Expected Capex (Net Balance, SA)



Labour Market Indicators

Chart 17: Employment Expectations (Net Balance, SA)

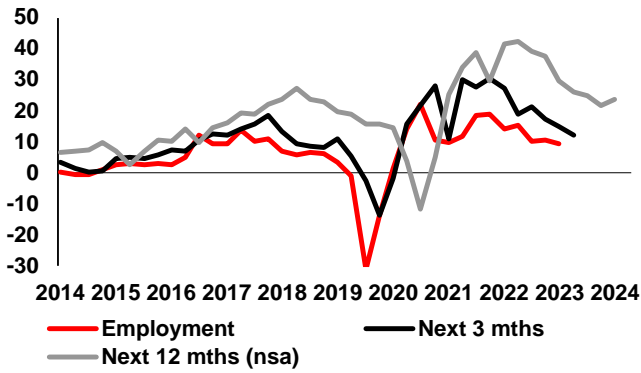


Chart 18: Labour Constraints & Unemployment Rate

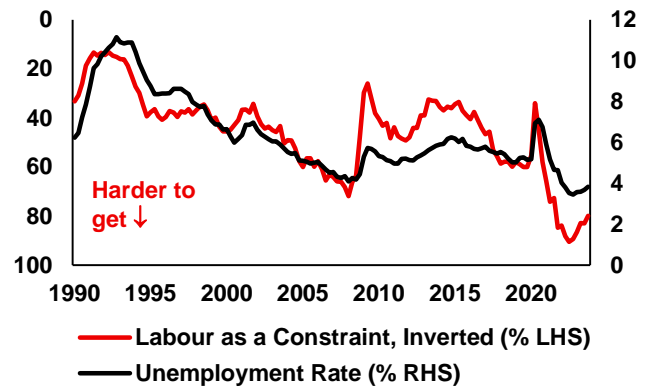


Chart 19: Change in Average Hours Worked (NSA)

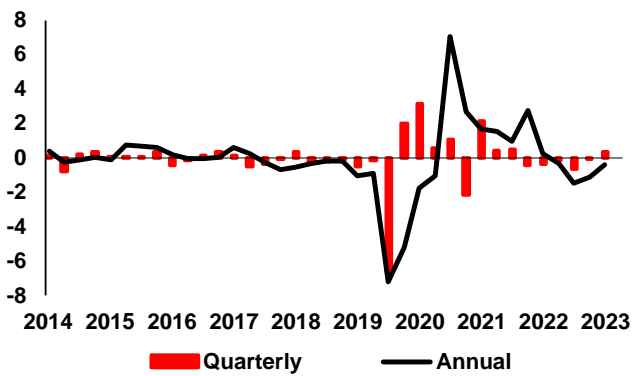


Chart 20: Average Hours Worked by Industry (NSA)

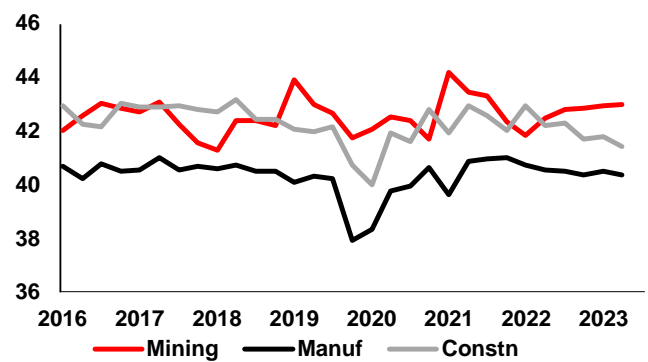


Chart 21: Average Hours Worked by Industry (NSA)

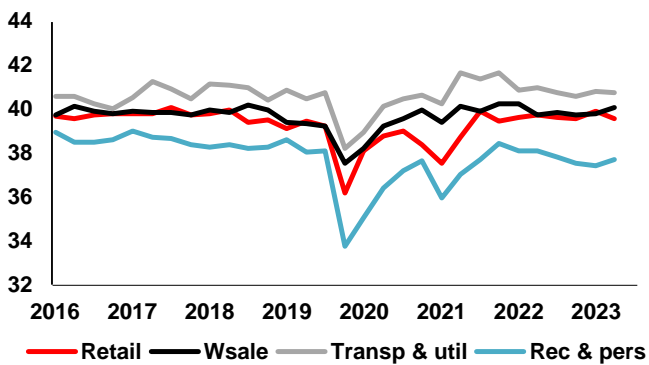
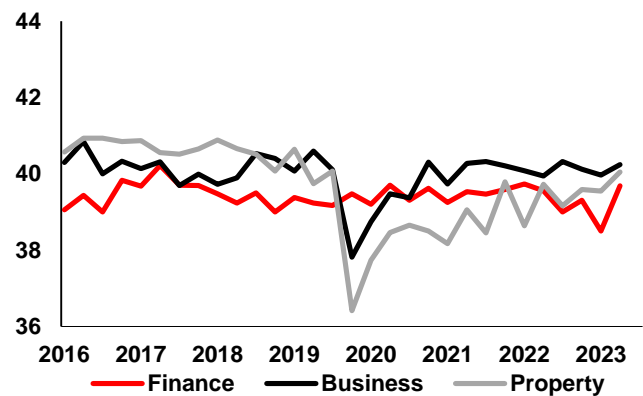


Chart 22: Average Hours Worked by Industry (NSA)



Major Constraints on Firm Output

Chart 23: Main Constraints on Firm Output (% of Firms)

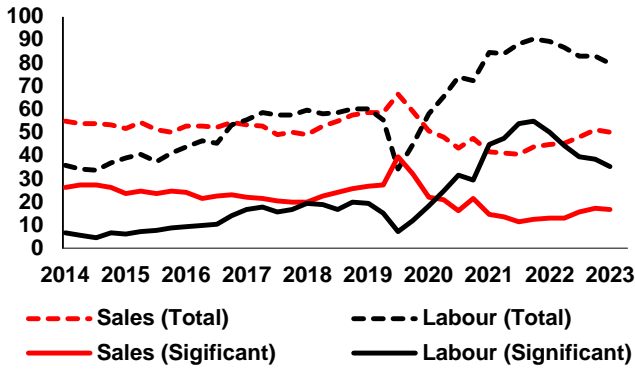
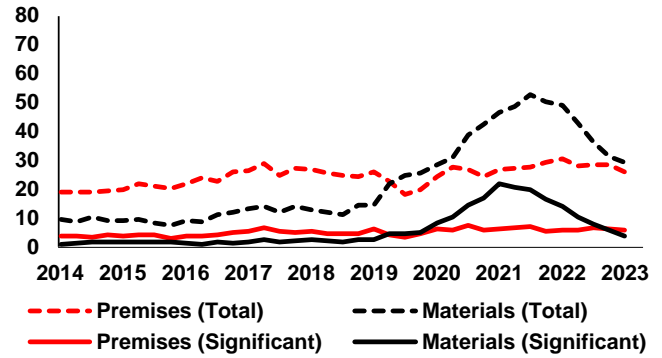


Chart 24: Main Constraints on Firm Output (% of Firms)



Inflation Pressures

Chart 25: Annualised Price Growth (Percent, SA)

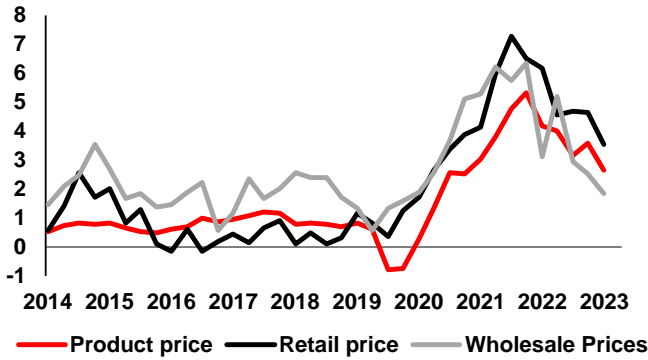
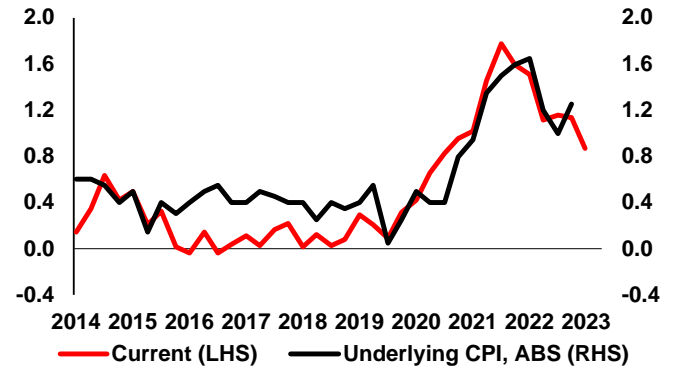


Chart 26: Retail Price Growth (Percent, SA)



Labour Costs

Chart 27: Labour Costs & Compensation of Employees Growth (Percent, SA)

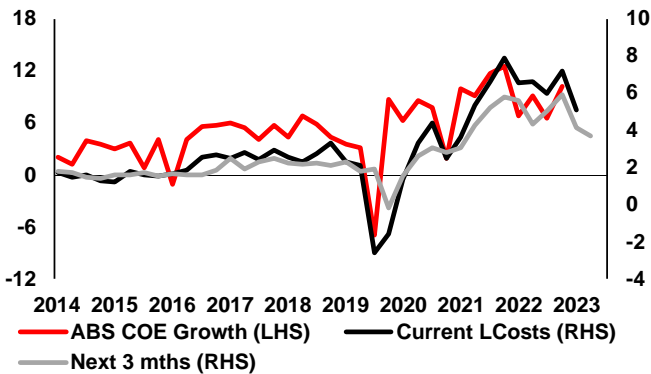
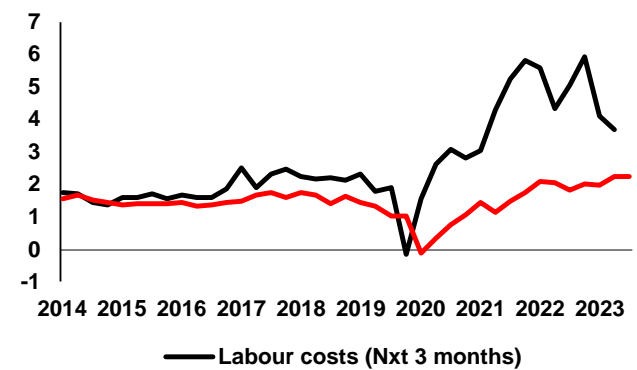


Chart 28: Expected Labour Costs & Average Earnings Growth (Percent, SA)



Details by Industry

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

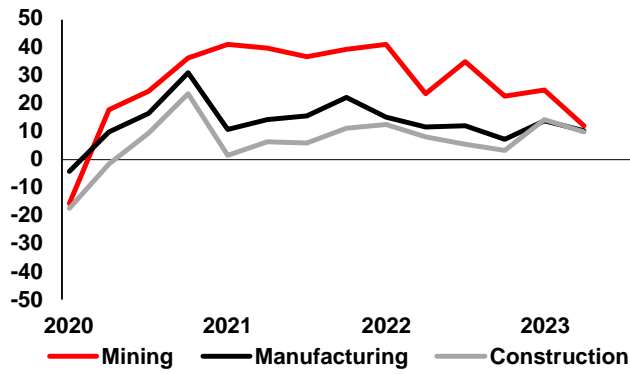


Chart 30: Confidence by Industry (Net Balance, SA)

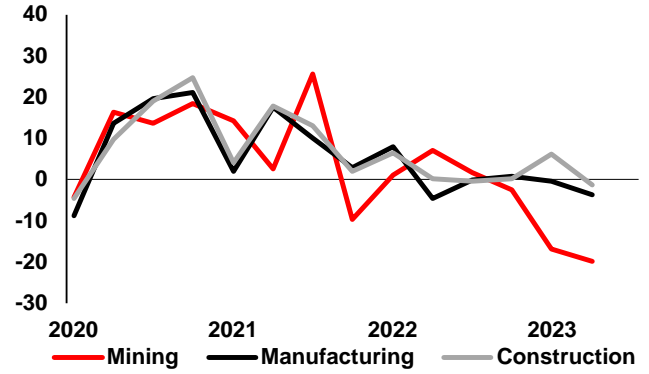


Chart 31: Conditions by Industry (Net Balance, SA)

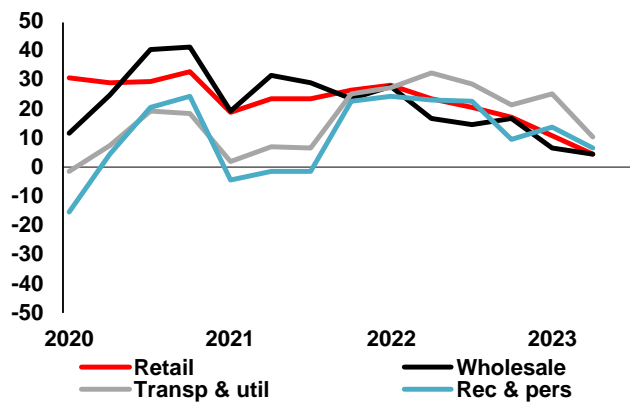


Chart 32: Confidence by Industry (Net Balance, SA)

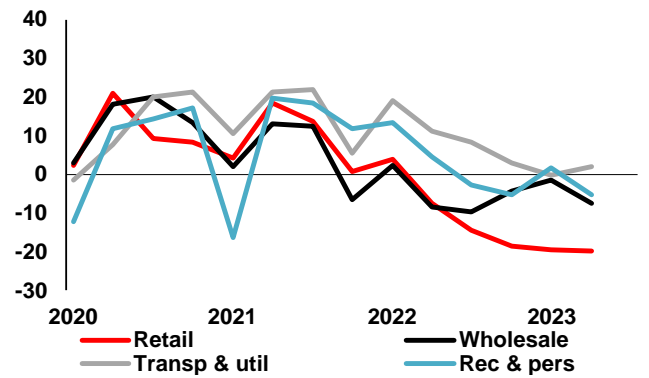


Chart 33: Conditions by Industry (Net Balance, SA)

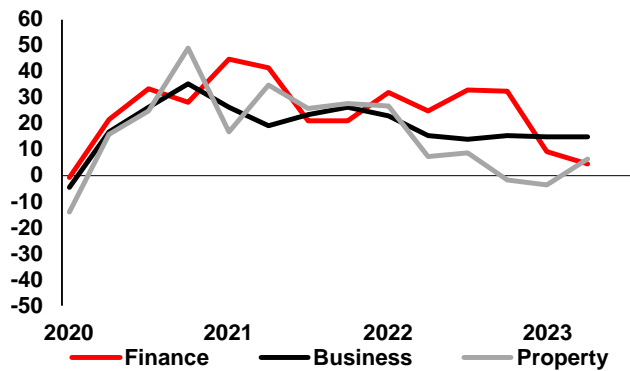
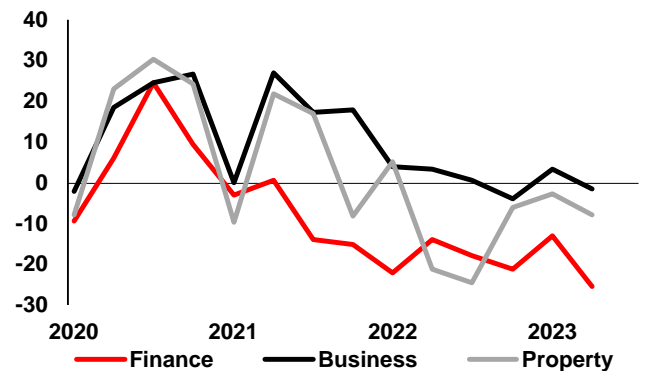


Chart 34: Confidence by Industry (Net Balance, SA)



Construction Sub-Industry Details

Chart 35: Conditions by Construction Sub-Industry (Net Balance, SA)

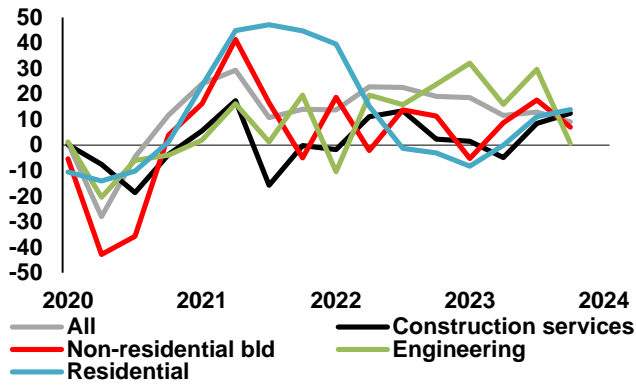


Chart 36: Confidence by Construction Sub-Industry (Net Balance, SA)

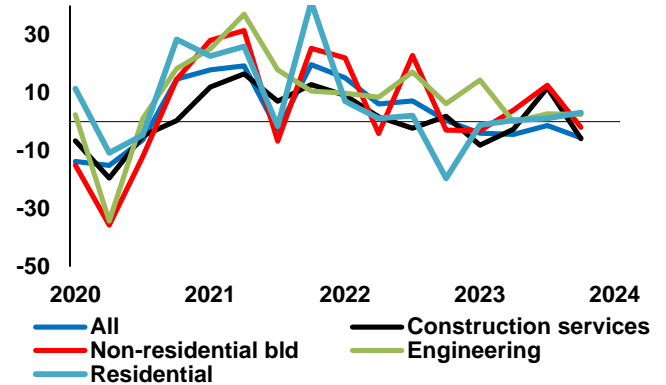


Chart 37: Employment by Construction Sub-Industry (Net Balance, SA)

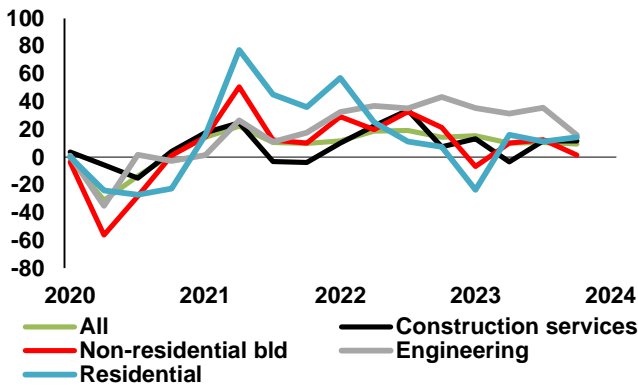
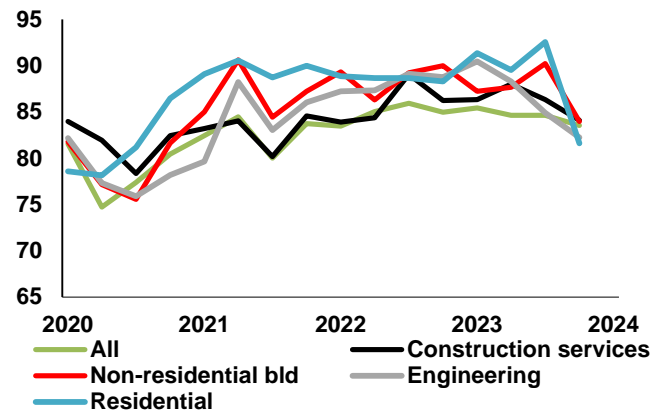


Chart 38: Capacity Utilisation by Construction Sub-Industry (Percent, SA)



Details by State

Chart 39: Conditions by State (Net Balance, SA)

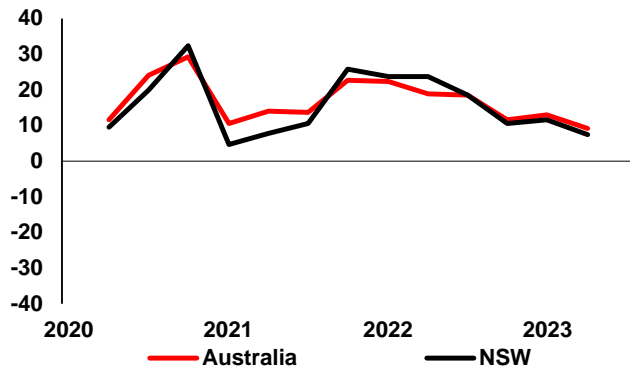


Chart 40: Confidence by State (Net Balance, SA)

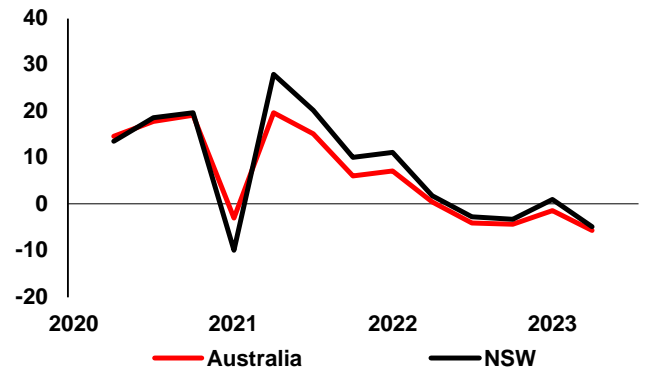


Chart 41: Conditions by State (Net Balance, SA)

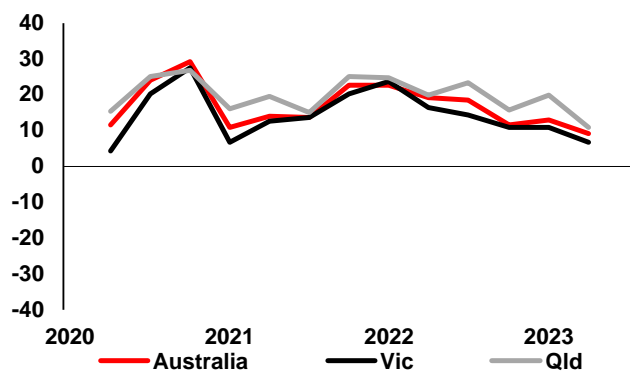


Chart 42: Confidence by State (Net Balance, SA)

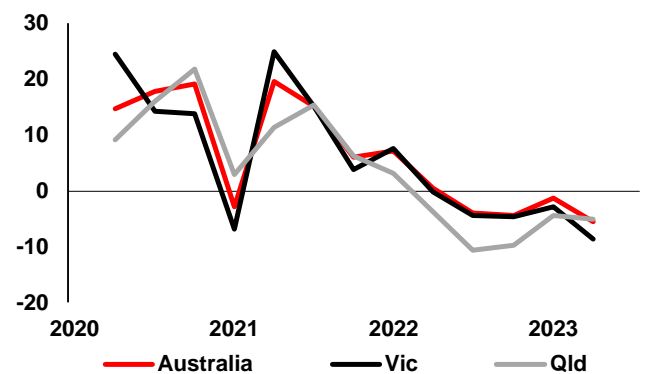


Chart 43: Conditions by State (Net Balance, SA)

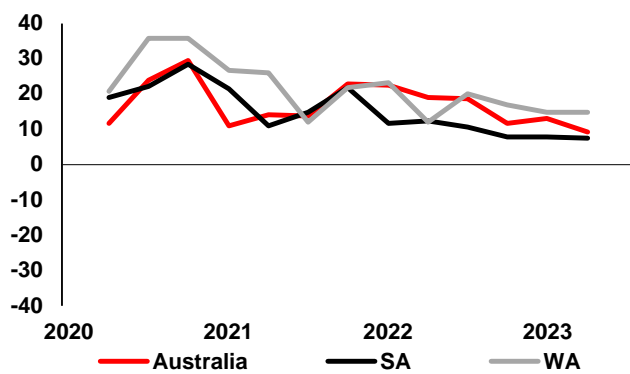
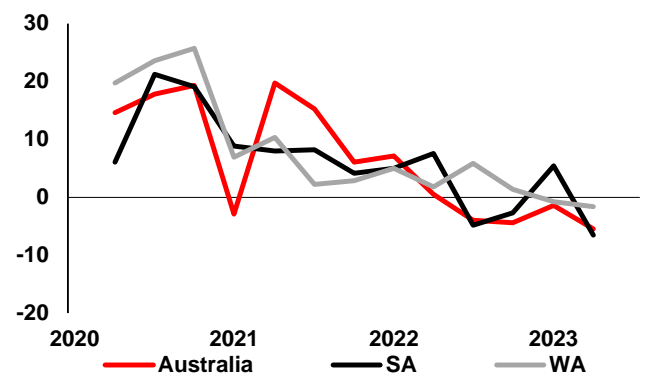


Chart 44: Confidence by State (Net Balance, SA)



Data Appendix

	2022q4	2023q1	Quarterly			2023q4	2023m8	2023m9	Monthly		
			2023q2	2023q3	2023q4				2023m10	2023m11	2023m12
Confidence	0	-4	-4	-1	-6	0	0	-3	-8	-1	
Conditions	19	19	12	13	9	15	12	13	9	7	

	2022q4	2023q1	Quarterly			2023q4	2023m8	2023m9	Monthly		
			2023q2	2023q3	2023q4				2023m10	2023m11	2023m12
Trading	26	26	17	18	12	20	17	19	13	10	
Profitability	17	14	7	11	5	14	9	12	6	6	
Employment	14	15	10	10	9	10	9	8	8	7	

	2023q3	Quarterly ^(a)			2024q4	2023m8	2023m9	Monthly		
		2023q4	2024q1	2024q3				2023m10	2023m11	2023m12
Conditions	13	9	NA	NA	NA	15	12	13	9	7
Conds. next 3m	18	17	12	NA	NA					
Conds. nxt 12m	27	18	20	16	16					
Orders	1	-3	NA	NA	NA	0	2	-1	-4	-3
Orders next 3m	5	6	2	NA	NA					

(a) Quarter to which expectation applies. Business conditions next 12 months not seasonally adjusted.

	2023q1	Quarterly ^(a)				2023m8	2023m9	Monthly		
		2023q2	2023q3	2023q4	2024q1			2023m10	2023m11	2023m12
Capacity utilis.	85.4	84.6	84.6	83.5	NA	85.0	84.0	83.8	83.6	82.7
Stocks current	9	5	5	3	NA	3	1	1	0	2
Stocks next 3m	5	2	2	4	0					

(a) Quarter to which expectation applies. All data are seasonally adjusted.

	2023q3	Quarterly ^(a)			2024q4	2023m8	2023m9	Monthly		
		2023q4	2024q1	2024q3				2023m10	2023m11	2023m12
Empl current	10	9	NA	NA	NA	10	9	8	8	7
Empl next 3m	17	15	12	NA	NA					
Empl nxt 12m	38	30	26	22	24					

(a) Quarter to which expectation applies. Employment conditions next 12 months not seasonally adjusted.

	2022q4	2023q3	2023q4
Constraints on output (% of firms)*			
Sales & orders	44.9	51.2	50.4
Labour	89.4	83.1	79.9
Premises & plant	30.5	28.5	26.2
Materials	49.3	31.6	29.3

* not s.a.

Data Appendix - States

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2022q4</u>	<u>2023q1</u>	<u>2023q2</u>	<u>2023q3</u>	<u>2023q4</u>	<u>2023m8</u>	<u>2023m9</u>	<u>2023m10</u>	<u>2023m11</u>	<u>2023m12</u>
Business conditions										
NSW	24	19	11	12	7	13	11	12	8	9
VIC	16	14	11	11	7	14	13	6	4	5
QLD	20	23	16	20	11	20	7	16	14	15
SA	12	10	8	8	7	11	8	19	10	2
WA	12	20	17	15	15	14	9	14	16	12
TAS	5	10	3	10	6	11	15	52	5	-6

	<i>Quarterly</i>					<i>Monthly</i>				
	<u>2022q4</u>	<u>2023q1</u>	<u>2023q2</u>	<u>2023q3</u>	<u>2023q4</u>	<u>2023m8</u>	<u>2023m9</u>	<u>2023m10</u>	<u>2023m11</u>	<u>2023m12</u>
Business confidence										
NSW	2	-3	-3	1	-5	1	0	-4	-9	-2
VIC	0	-4	-5	-3	-9	-1	5	-3	-12	1
QLD	-4	-11	-10	-4	-5	-3	1	-2	-5	2
SA	8	-5	-3	5	-7	1	0	-7	-4	2
WA	2	6	1	-1	-2	-1	-6	-2	-4	-1
TAS	1	-7	-7	-9	-1	-14	1	6	-8	10

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 0 436 606 175

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.