

# NAB Quarterly Business Survey Q1 2024



## Price growth edges lower despite reasonable economy

### NAB Economics

#### Summary

After signs of easing cost and price pressures through late 2023 as the economy slowed, the business survey suggests progress was more incremental through Q1. Business conditions appear to have stabilised at above-average levels and confidence also picked up (albeit still at negative levels), alongside improved but still weak forward orders. Capacity utilisation levels remain high. Materials availability issues appear to have abated but labour availability remained a significant issue for a third of firms and wage costs continue to be the top concern, alongside pressure on margins. With activity proving resilient, there was little improvement in cost growth measures in the quarter with both labour costs and materials cost growth still running at elevated levels – but forward-looking cost growth measures suggest firms expect some further moderation. Importantly, price growth measures are now tracking around a rate that, if maintained, would be consistent with inflation easing towards the top of the RBA’s target range.

#### Survey Details

- **Business conditions** were steady at +10 index points. Trading conditions were unchanged, profitability ticked up while the employment index eased.
- **By industry**, there were notable falls in retail (down 8pts to -4 index points) and construction (down 12pts to -1) as well as mining and manufacturing, offset by a 4pt rise in recreation & personal services – with conditions still at a high level across services sectors in the quarter.
- **By state**, conditions eased slightly in NSW, WA and Vic but rebounded in Tas. Overall conditions remain at reasonably positive levels across the board.
- **Business confidence** rose 4pts to -2 index points, with confidence rising most in mining, manufacturing, wholesale, and finance, business & property. A smaller rise in retail left confidence in the sector still very low at -18 index points. Confidence remained negative across the states.
- **Leading indicators** were mixed in the quarter. Expected business conditions fell to +12 index points at a 3-month horizon, down from +14 in Q4, but strengthened slightly over 12 months. Forward orders rose to -1 index point, capacity utilisation ticked up to 83.8%, while capex plans remained steady.
- **Labour indicators** eased. Expectations for employment in the next 3 months fell 3pts to +10 index points while 12-month expectations eased 5pts to +19 index points. Some 78% of firms reported availability of labour as a constraint on output.
- **Reported cost growth** eased only slightly from their Q4 rates, with labour costs growing at 1.2% and purchase costs growing at 1.1%.

**Table 1: Key Quarterly Business Survey Statistics**

	2023q3	2023q4	2024q1
	Net balance		
Business confidence	-1	-6	-2
Business conditions	13	10	10
Next 3 months	18	14	12
Next 12 months	16	16	17
Trading	19	14	14
Profitability	11	6	8
Employment	11	10	7
Forward orders	1	-3	-1
Stocks	5	4	2
Exports	1	2	0
Capex plans (next 12m)	24	24	23
	% Change, quarterly		
Labour costs	1.8	1.3	1.2
Purchase costs	1.4	1.2	1.1
Final products prices	0.9	0.7	0.7
Retail prices	1.2	0.9	0.8
	Percent		
Capacity utilisation rate	84.5	83.6	83.8

- **Price growth measures** were little changed in Q1, with final product price growth steady at 0.7% q/q. Retail price growth eased to 0.8% (down from 0.9%) while recreation & personal services price growth was steady at 0.7%.
- Wage costs remained the top issue **affecting business confidence**, although expected annual average wage growth for the financial year eased slightly, to 2%. Pressure on margins, availability of labour and interest rates all also continue to be among the leading issues affecting confidence for an above-average share of firms.

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 19 February to 7 March 2024, covering over 900 firms across the non-farm business sector. **Next release date: 18 July 2024.**

## Quarterly Focus: Wage Pressures & Price Expectations

The share of firms reporting a moderate or substantial increase in wage pressures in the past six months fell further in Q1, to around 35% (Chart 1), with the drop likely reflecting that the 2023 minimum wage rise has now passed out of this 6-month window. Overall, three-quarters of firms share reported experiencing at least some increase in wage pressures over the past six months.

Looking ahead, the share of firms expecting a moderate or substantial increase in wage pressures over the next 6 months remained at around 25%, where it has been since mind-2023 (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 only slightly in Q1, from 1.3% q/q to 1.2%, but firms' expectations for labour cost growth in the next three months continues to point to further easing, with this forward-looking measure at 0.9% q/q (Chart 3). The survey also asks firms about expected average wage growth for the financial year, with this measure also easing in Q1 from 2.3% to 2.0%.

The downward trend in purchase cost growth also continues in the quarter, falling from 1.2% q/q to 1.1% (Chart 4). Expected purchase cost growth for the next three months also pointed to further easing, at 0.8% q/q.

Final product price growth was steady at 0.7% q/q in Q1 (Chart 5). However, expected price growth over the next three months fell to 0.5% q/q, pointing to a renewed deceleration in price growth. Retail price growth eased to 0.8% q/q in Q1, with expectations in the sector pointing to price growth of 0.7% over the next three months. In recreation & personal services, price growth was steady at 0.7% q/q in Q1 while expected price growth was 0.6% q/q over the next three months.

Importantly, while firms' expectations of further easing are a positive sign, they are not determinative and the profile of inflation will continue to be shaped by the economy. We continue to forecast gradual progress, with inflation to be around the top of the RBA's target band by end-2024.

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

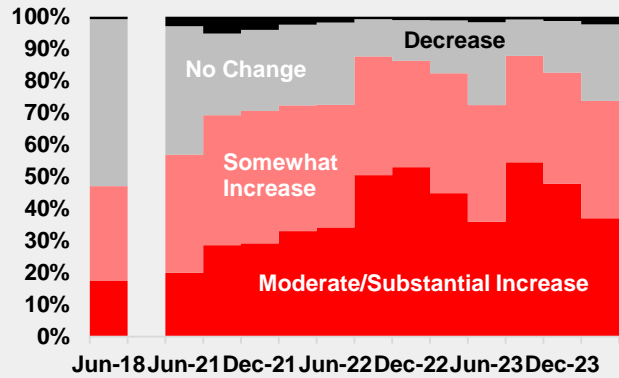


Chart 2: Wage Pressures – Next 6 Months (% S.A.)

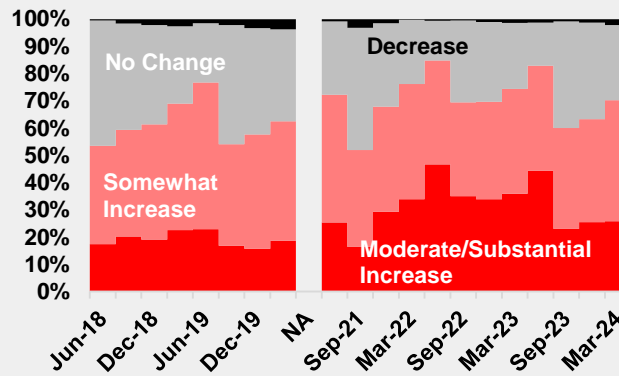


Chart 3: Q/Q Labour Cost Growth (% S.A.)

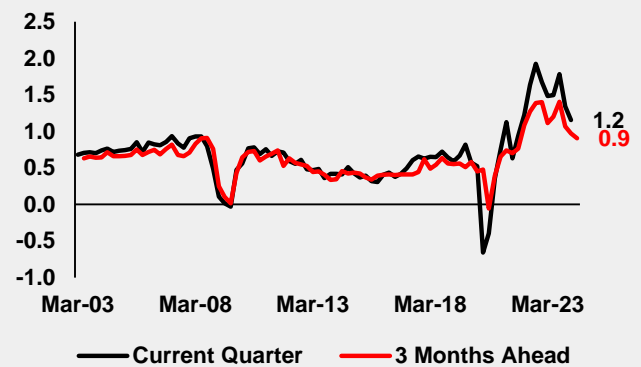


Chart 4: Q/Q Purchase Cost Growth (% S.A.)

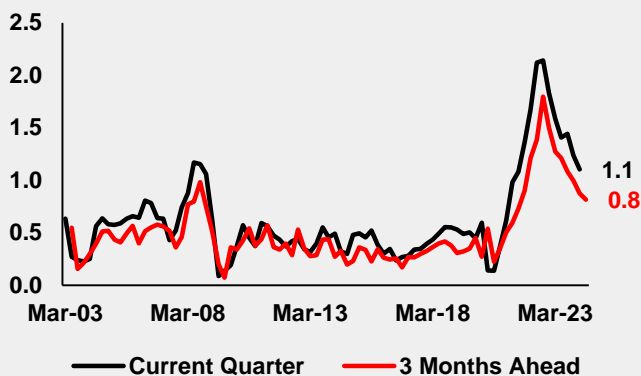
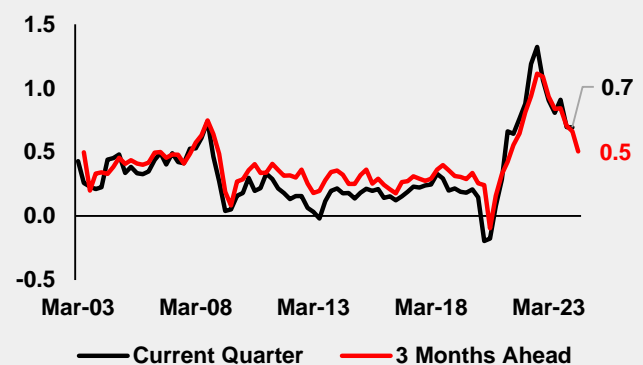


Chart 5: Q/Q Final Price Growth (% S.A.)



## Business Conditions and Confidence

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

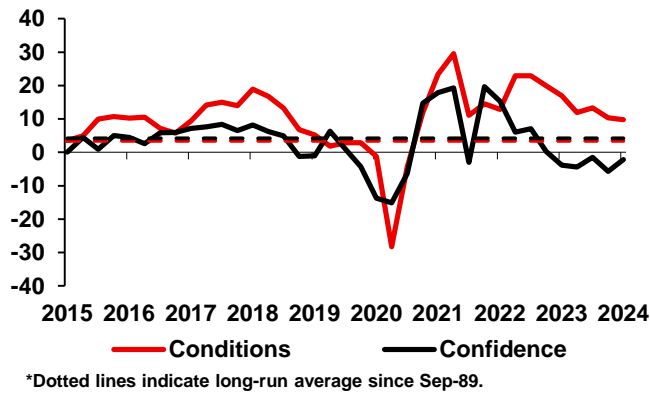
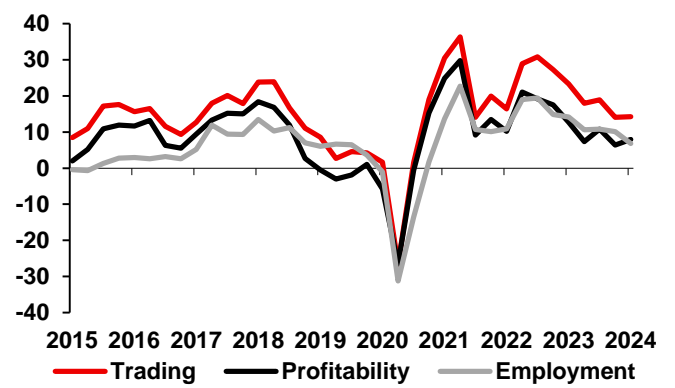


Chart 7: Conditions Components (Net Balance, SA)



## Drivers of Business Confidence

Chart 8: Issues Affecting Confidence (Share of Firms)

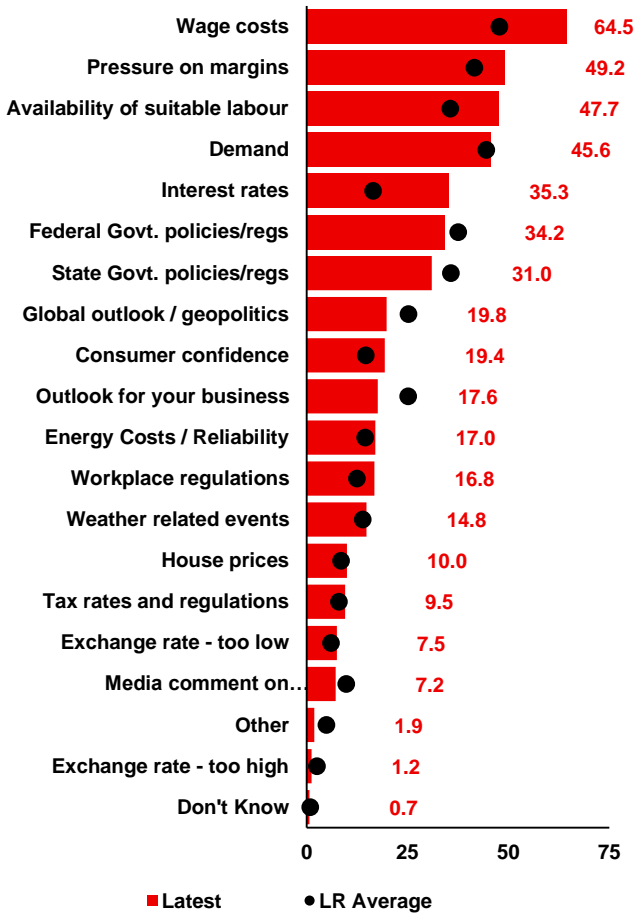


Chart 9: Issues Affecting Confidence (Share of Firms): Deteriorating Confidence

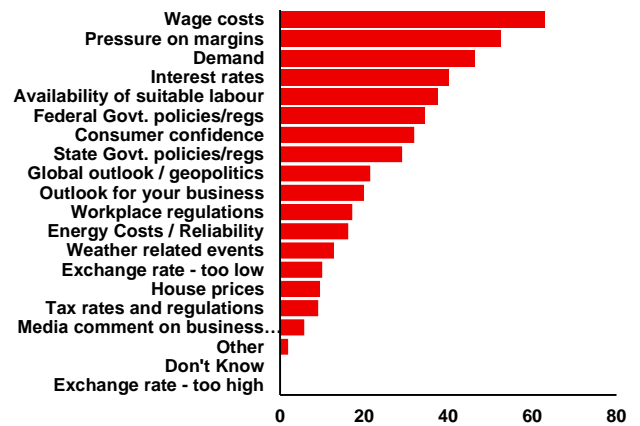
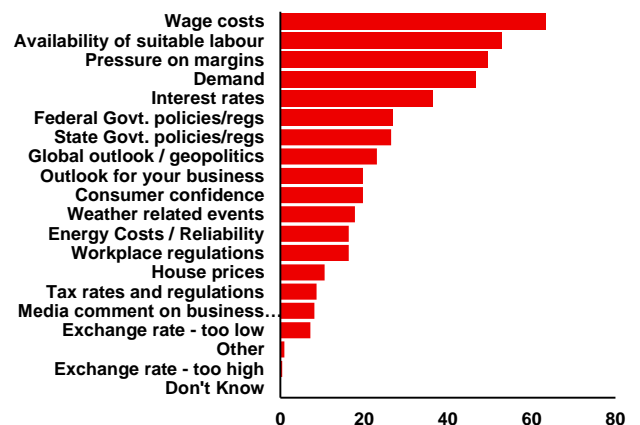


Chart 10: Issues Affecting Confidence (Share of Firms): Improving Confidence



## Leading Indicators and Business Investment

Chart 11: Expected Conditions (Net Balance, SA)

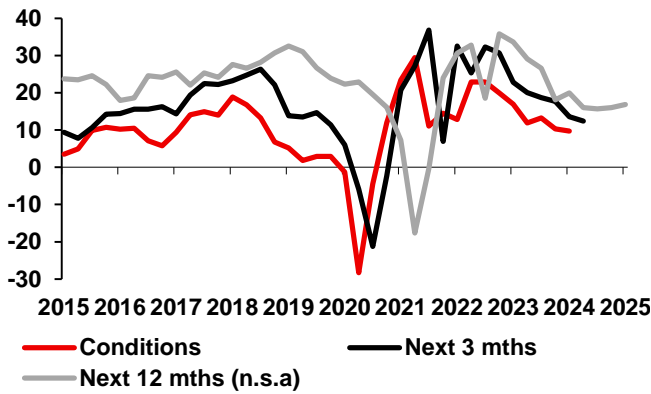


Chart 12: Expected Forward Orders (Net Balance, SA)

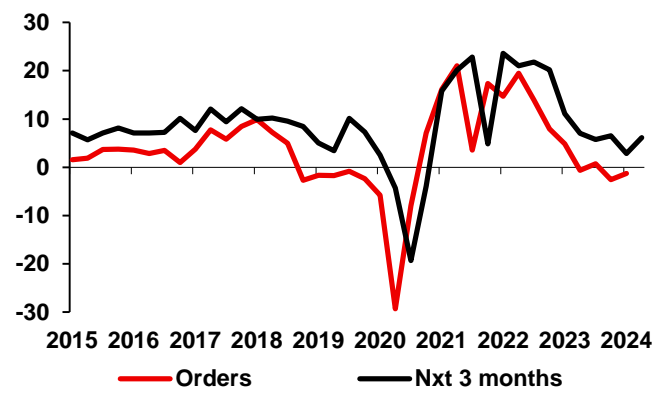


Chart 13: Capacity Utilisation (Percent, SA)

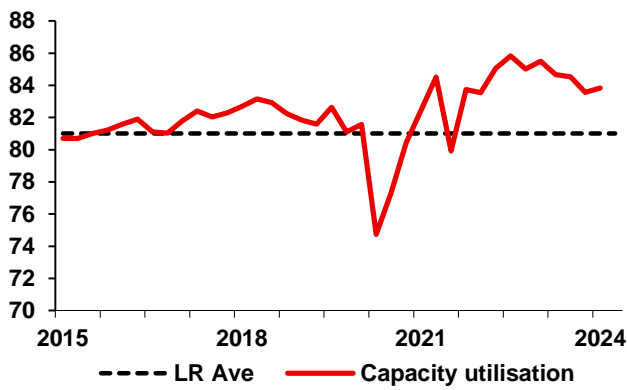


Chart 14: Capacity Utilisation (3Qtr Moving Average)

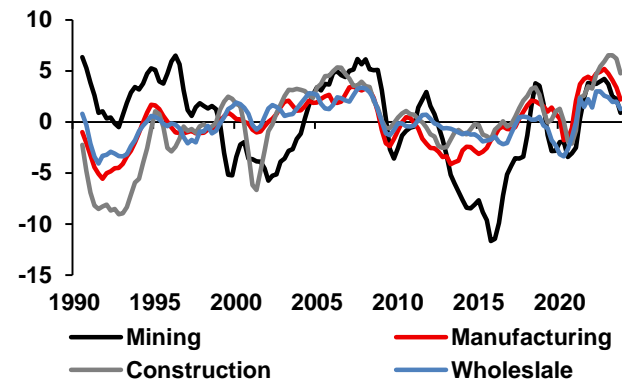


Chart 15: Stocks (Net Balance, SA)

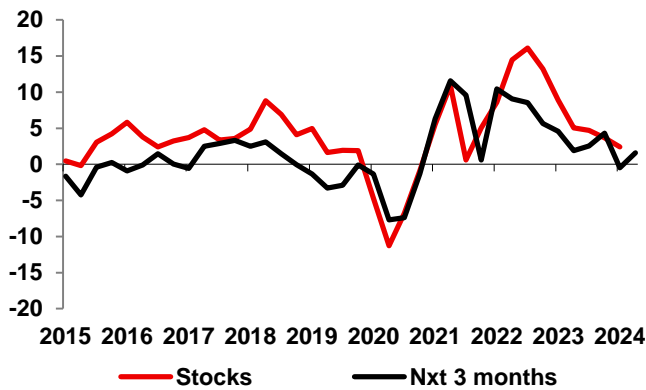
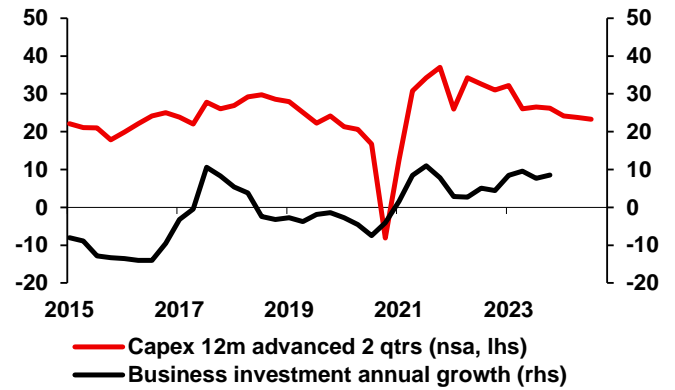


Chart 16: Expected Capex (Net Balance, SA)



## Labour Market Indicators

Chart 17: Employment Expectations (Net Balance, SA)

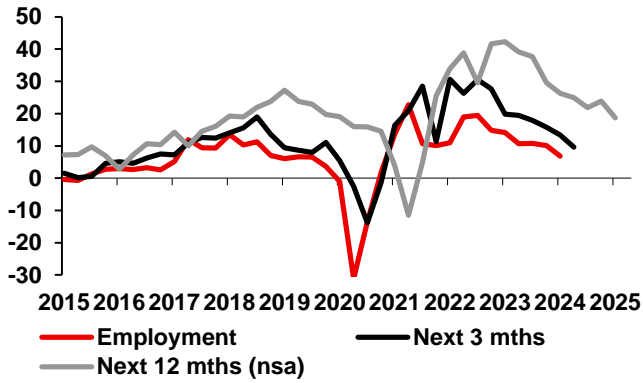


Chart 18: Labour Constraints & Unemployment Rate

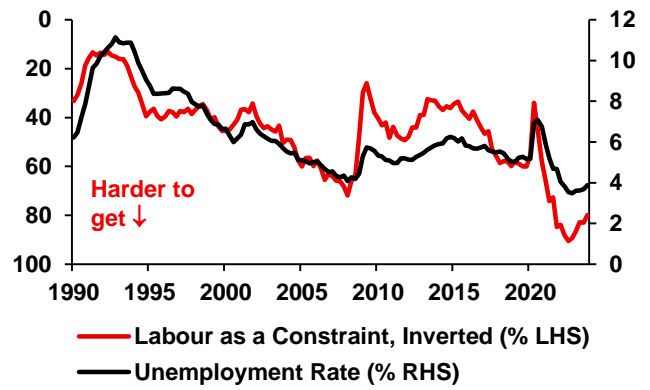


Chart 19: Change in Average Hours Worked (NSA)

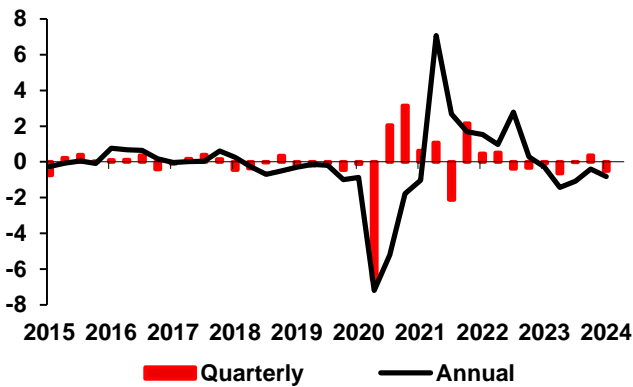


Chart 20: Average Hours Worked by Industry (NSA)

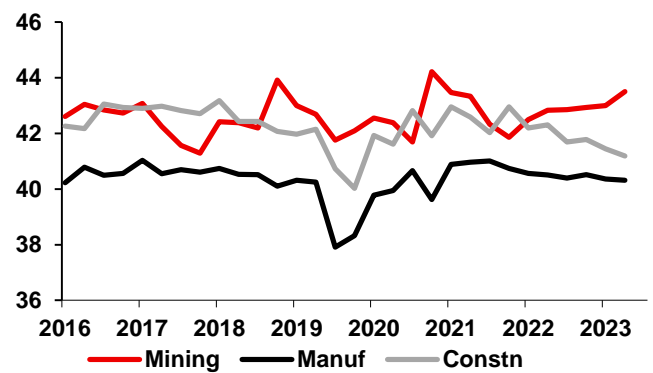


Chart 21: Average Hours Worked by Industry (NSA)

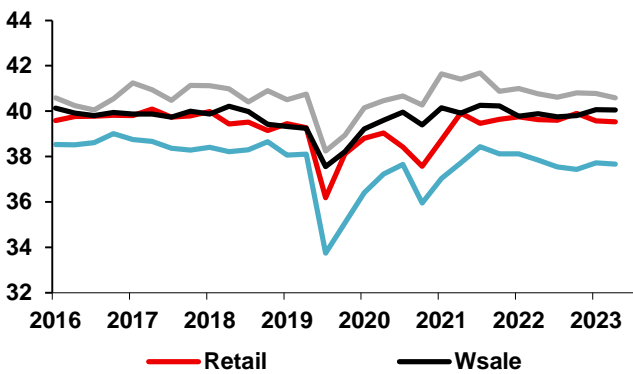
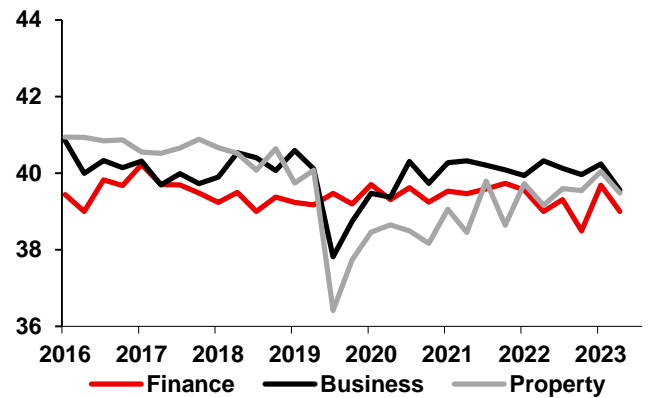


Chart 22: Average Hours Worked by Industry (NSA)



## Major Constraints on Firm Output

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

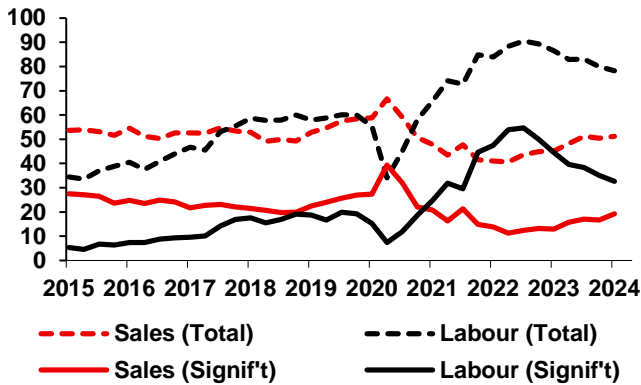
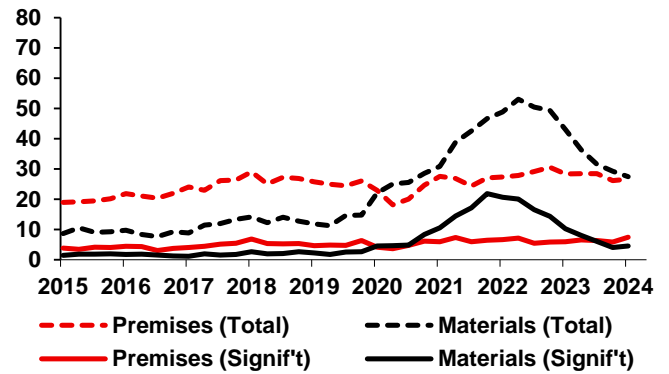


Chart 24: Main Constraints on Firm Output (% of Firms)



## Inflation Pressures

Chart 25: Annualised Price Growth (Percent, SA)

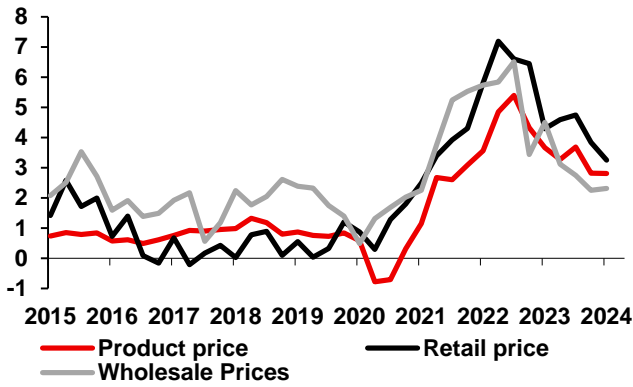
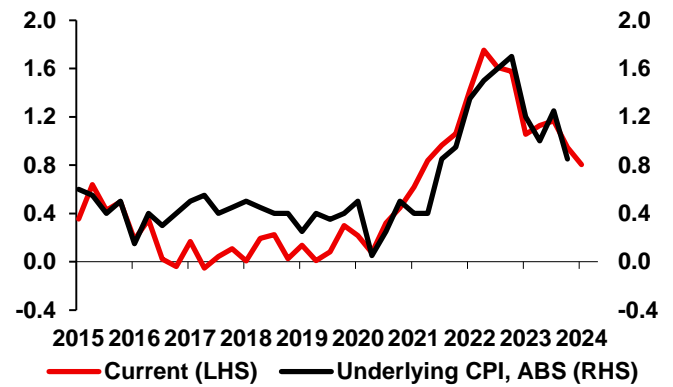


Chart 26: Retail Price Growth (Percent, SA)



## Labour Costs

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

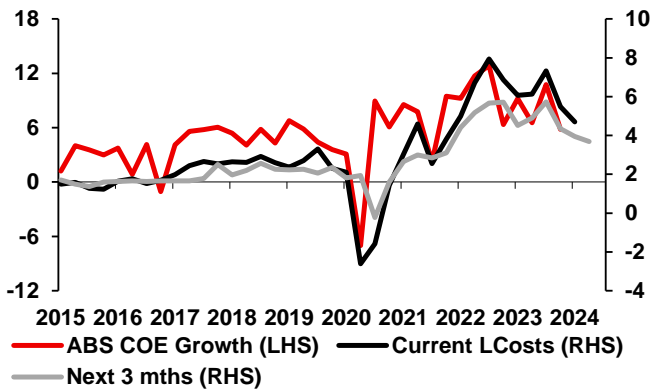
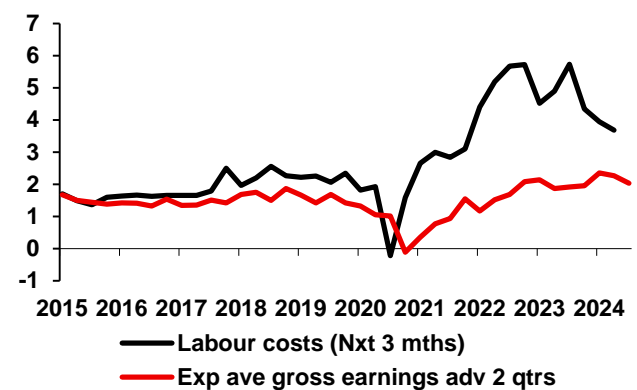


Chart 28: Expected Labour Costs & Average Earnings Growth (Percent, SA)



## Details by Industry

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

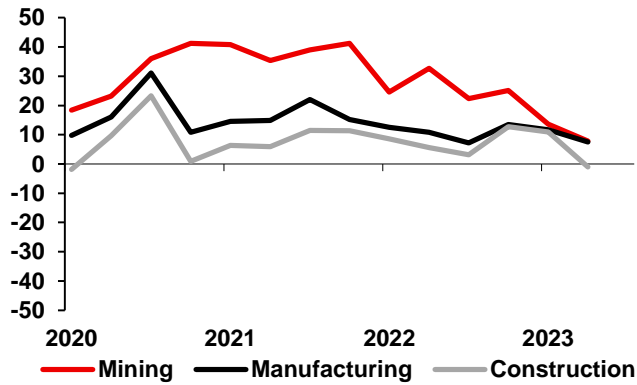


Chart 30: Confidence by Industry (Net Balance, SA)

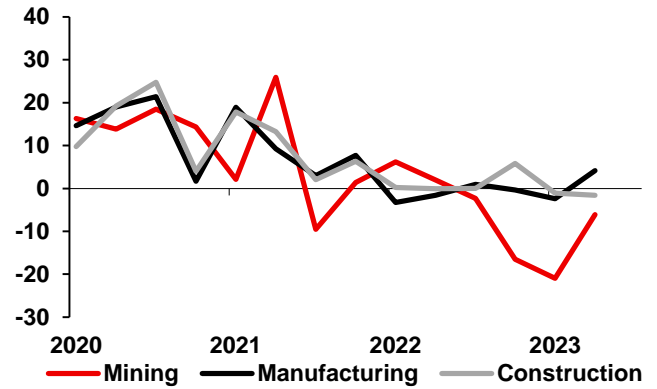


Chart 31: Conditions by Industry (Net Balance, SA)

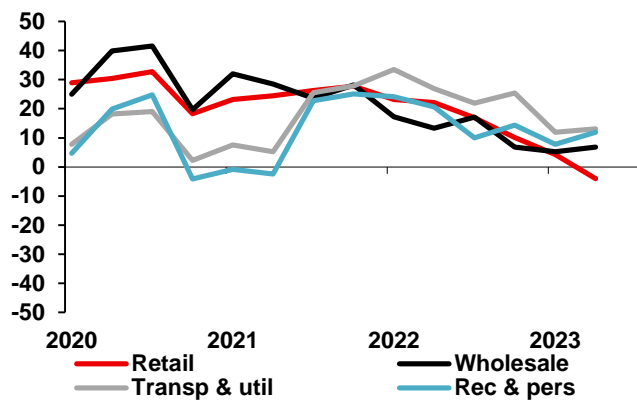


Chart 32: Confidence by Industry (Net Balance, SA)

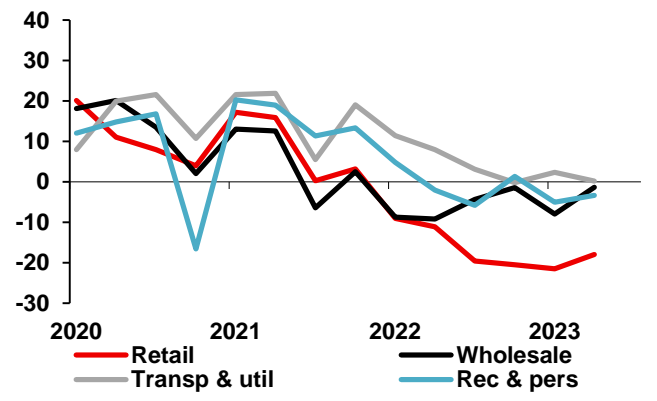


Chart 33: Conditions by Industry (Net Balance, SA)

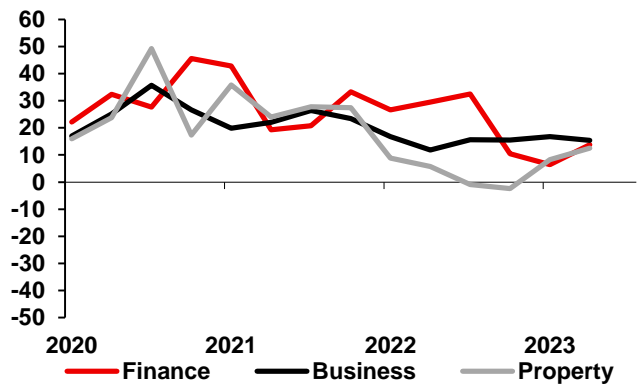
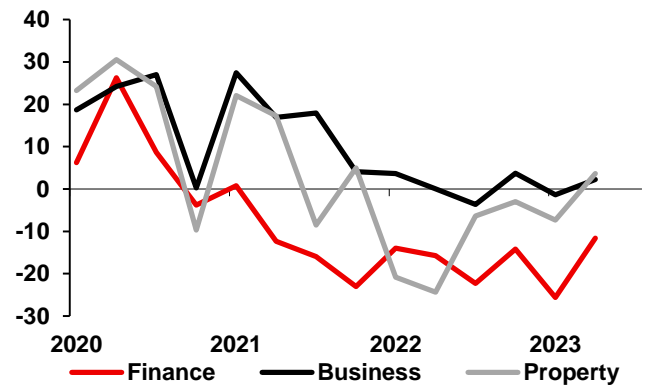


Chart 34: Confidence by Industry (Net Balance, SA)



## Construction Sub-Industry Details

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

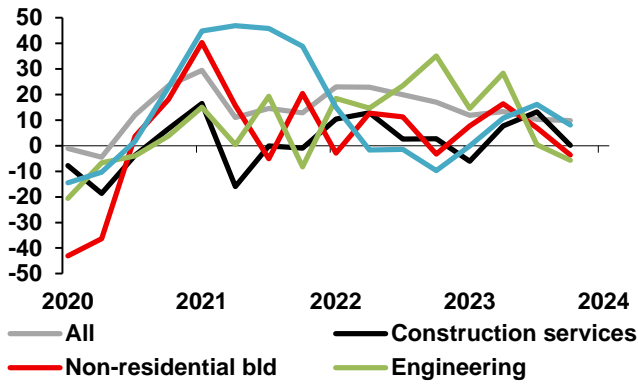


Chart 36: Confidence by Construction Sub-Industry (Net Balance, SA)

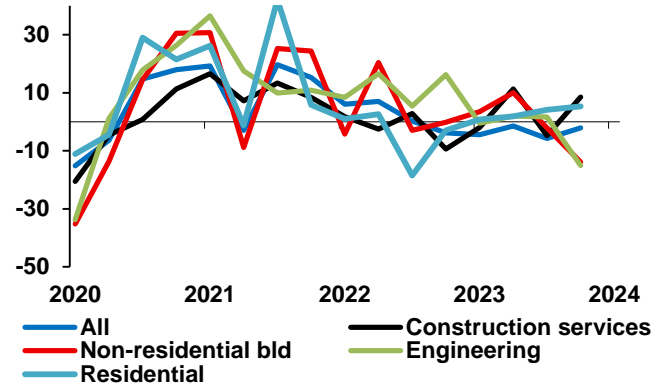


Chart 37: Employment by Construction Sub-Industry (Net Balance, SA)

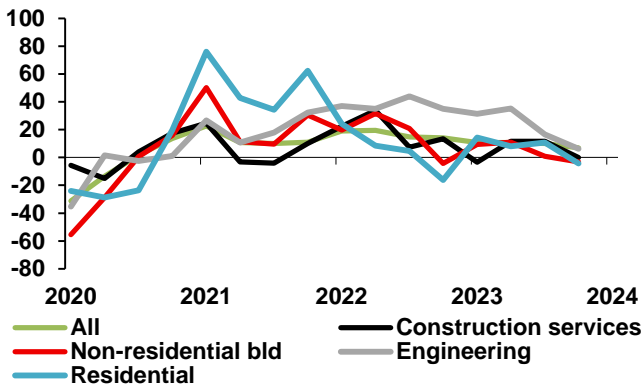
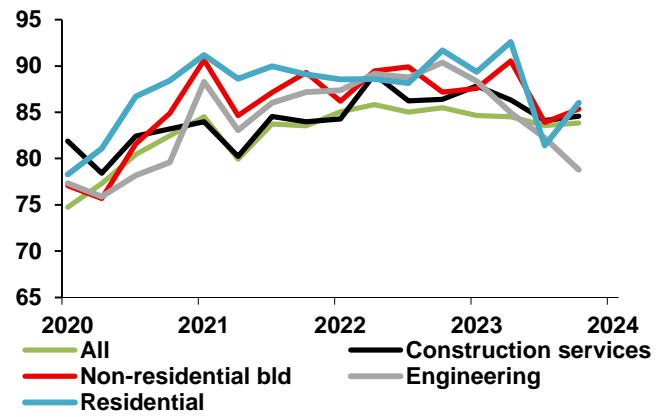


Chart 38: Capacity Utilisation by Construction Sub-Industry (Percent, SA)





## Details by State

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

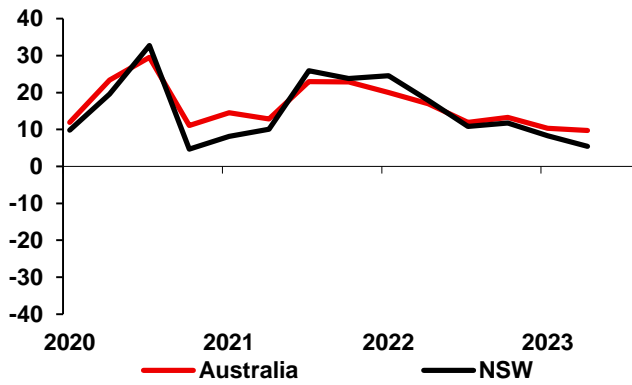


Chart 40: Confidence by State (Net Balance, SA)

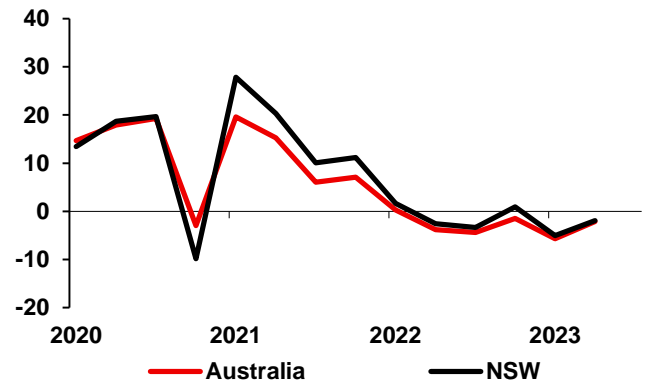


Chart 41: Conditions by State (Net Balance, SA)

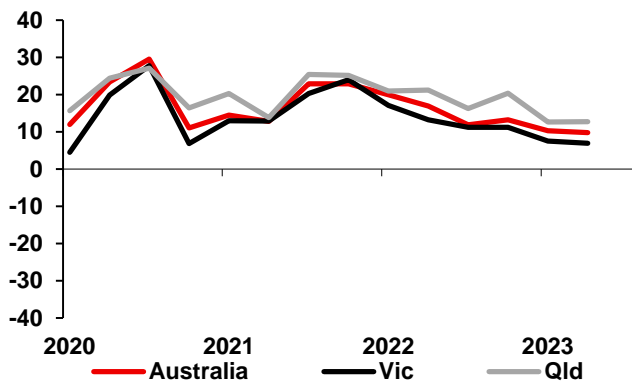


Chart 42: Confidence by State (Net Balance, SA)

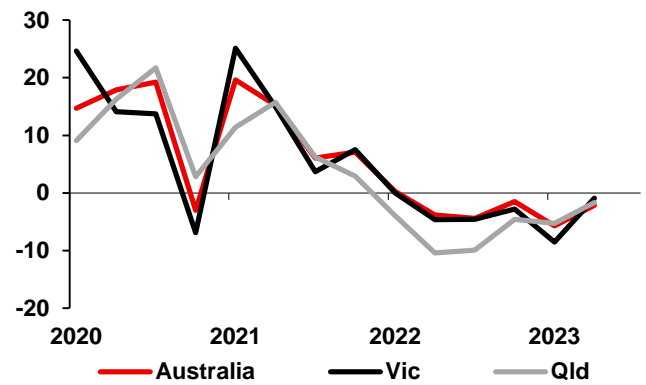


Chart 43: Conditions by State (Net Balance, SA)

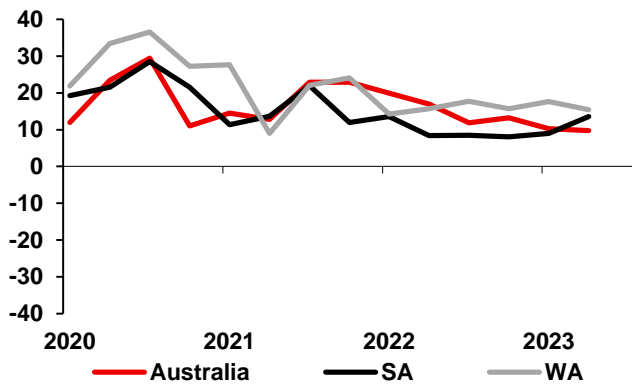
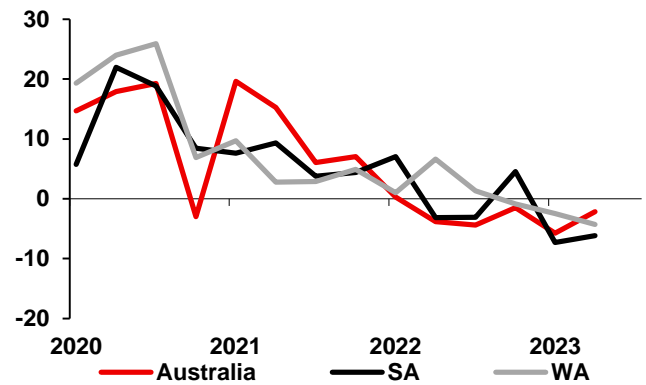


Chart 44: Confidence by State (Net Balance, SA)



## Data Appendix

	Quarterly					Monthly				
	2023q1	2023q2	2023q3	2023q4	2024q1	2023m11	2023m12	2024m1	2024m2	2024m3
Confidence	-4	-4	-1	-6	<b>-2</b>	-8	0	1	0	1
Conditions	17	12	13	10	<b>10</b>	10	10	7	10	9

	Quarterly					Monthly				
	2023q1	2023q2	2023q3	2023q4	2024q1	2023m11	2023m12	2024m1	2024m2	2024m3
Trading	23	18	19	14	<b>14</b>	15	14	10	14	14
Profitability	13	7	11	6	<b>8</b>	7	7	6	10	6
Employment	14	11	11	10	<b>7</b>	9	7	5	6	6

	Quarterly <sup>(a)</sup>					Monthly				
	2023q4	2024q1	2024q2	2024q4	2025q1	2023m11	2023m12	2024m1	2024m2	2024m3
Conditions	10	<b>10</b>	NA	NA	NA	10	10	7	10	9
Conds. next 3m	18	14	<b>12</b>	NA	NA					
Conds. nxt 12m	18	20	16	16	<b>17</b>					
Orders	-3	<b>-1</b>	NA	NA	<b>NA</b>	-4	-3	-2	-3	-1
Orders next 3m	6	3	<b>6</b>	NA	NA					

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

	Quarterly <sup>(a)</sup>					Monthly				
	2023q2	2023q3	2023q4	2024q1	2024q2	2023m11	2023m12	2024m1	2024m2	2024m3
Capacity utilis.	84.7	84.5	83.6	<b>83.8</b>	NA	83.6	82.9	83.7	83.4	83.2
Stocks current	5	5	4	<b>2</b>	NA	1	3	3	1	3
Stocks next 3m	2	3	4	0	<b>2</b>					

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

	Quarterly <sup>(a)</sup>					Monthly				
	2023q4	2024q1	2024q2	2024q4	2025q1	2023m11	2023m12	2024m1	2024m2	2024m3
Empl current	10	<b>7</b>	NA	NA	NA	9	7	5	6	6
Empl next 3m	16	13	<b>10</b>	NA	NA					
Empl nxt 12m	30	26	25	24	<b>19</b>					

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

	2023q1	2023q4	2024q1
Constraints on output (% of firms)*			
Sales & orders	45.2	50.4	<b>51.2</b>
Labour	86.5	79.9	<b>78.3</b>
Premises & plant	28.3	26.2	<b>26.7</b>
Materials	43.1	29.3	<b>27.4</b>

\* not s.a.

## Data Appendix - States

	<i>Quarterly</i>					<i>Monthly</i>				
	2023q1	2023q2	2023q3	2023q4	2024q1	2023m11	2023m12	2024m1	2024m2	2024m3
Business conditions										
NSW	18	11	12	8	5	9	10	8	9	5
VIC	13	11	11	8	7	5	6	8	4	7
QLD	21	16	20	13	13	15	17	11	9	11
SA	8	9	8	9	14	10	2	6	15	-3
WA	16	18	16	18	15	17	13	8	17	26
TAS	8	4	11	6	23	6	-8	18	13	28

	<i>Quarterly</i>					<i>Monthly</i>				
	2023q1	2023q2	2023q3	2023q4	2024q1	2023m11	2023m12	2024m1	2024m2	2024m3
Business confidence										
NSW	-3	-3	1	-5	-2	-9	-1	0	0	0
VIC	-5	-5	-3	-9	-1	-11	2	5	2	2
QLD	-10	-10	-5	-5	-2	-5	2	-2	-1	3
SA	-3	-3	5	-7	-6	-4	2	4	-4	-2
WA	7	1	-1	-2	-4	-4	0	3	3	5
TAS	-7	-7	-10	0	-2	-9	12	-12	-11	-13

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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.