



NAB Quarterly Business Survey Q2 2024

Conditions ease as slow growth weighs on firms

NAB Economics

Summary

Business conditions eased in Q2 as slow economic growth and soft consumer demand growth weighed on firms' trading conditions and squeezed profitability. A range of forward-looking indicators were also soft, with confidence still negative, forward orders weakening further, and firms' expectations for future business conditions falling. From an inflation perspective, the pace of materials cost growth is easing but capacity utilisation is still elevated and labour availability remains a significant challenge for around a third of firms, with labour cost growth unchanged at an elevated rate and wages remaining the top concern reported by firms. Nonetheless, the slowdown in demand does appear to be impacting the scope for firms to pass on cost pressures with price growth edging lower and pressure on margins a key issue for half of firms – a sign that monetary policy is working its way through the economy.

Survey Details

- **Business conditions** fell 5pts to +5 index points. Trading conditions and profitability both fell 6pts while the employment index was 3pts lower (unrounded) – though all three components remained just above their long-run average.
- **By industry**, there were 6-7pt falls in recreation & personal services, finance, property & business, transport & utilities, and retail. Mining, manufacturing and wholesale also declined. The only rise in the quarter came in construction which rose 10pts to be back into positive territory, while the level of retail conditions remains deeply negative.
- **By state**, conditions eased across the board, with large falls in Tas (down 15pts) and SA (down 11pts). Overall conditions remain at positive levels with Vic and SA the softest (both +2 index points).
- **Business confidence** rose 1pt to -1 index point, with confidence up 10pts in retail and smaller rises in mining, construction and recreation & personal services. Offsetting these moves, confidence fell 9pts in wholesale and 6pts in manufacturing.
- **Leading indicators** softened. Expected business conditions fell at both a 3-month and 12-month horizon. Forward orders fell 4pts to -6 index points and capacity utilisation edged down to 83.6%, although capex plans remained broadly steady.
- **Labour indicators** also eased. Expectations for employment in the next 3 months fell 2pts to +8 index points while 12-month expectations eased 1pt to +18 index points. The share of firms reporting availability of labour as a constraint was broadly steady at 79%.
- **Reported cost growth** remained elevated with labour costs growing at 1.2% (unchanged) and purchase costs growing at 0.9% (down from 1.1%).

Table 1: Key Quarterly Business Survey Statistics

	2023q4	2024q1	2024q2
	Net balance		
Business confidence	-6	-2	-1
Business conditions	11	10	5
Next 3 months	14	14	10
Next 12 months	16	17	15
Trading	15	15	9
Profitability	7	8	2
Employment	10	7	5
Forward orders	-3	-2	-6
Stocks	4	3	7
Exports	2	1	1
Capex plans (next 12m)	24	23	24
	% Change, quarterly		
Labour costs	1.4	1.2	1.2
Purchase costs	1.3	1.1	0.9
Final products prices	0.7	0.8	0.6
Retail prices	1.0	0.9	0.7
	Percent		
Capacity utilisation rate	83.6	83.9	83.6

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 20 May to 6 June 2024, covering over 900 firms across the non-farm business sector. **Next release date: 17 October 2024.**

- **Price growth measures** were lower in Q2, with final product price growth running at 0.6% q/q (down from 0.8%). Retail price growth eased to 0.7% (down from 0.9%) while recreation & personal services price growth was 0.6% (down from 0.8%).
- Wage costs remained the top **issue affecting business confidence**. Expected annual average wage growth for the financial year ahead was also revised slightly higher at 2.3% (from 2.2%). 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.

Quarterly Focus: Wage Pressures & Price Expectations

The share of firms reporting a moderate or substantial increase in wage pressures in the past six months continued to ease, down to 31% in Q1 (Chart 1). Overall, the share of firms reporting at least some increase in wage pressures was around 70%.

Looking ahead, the share of firms expecting a moderate or substantial increase in wage pressures over the next 6 months edged higher, up to 33% (Chart 2). While the history of this data is limited, there does appear to be some seasonality with higher results in Q2 surveys.

The rate of quarterly labour cost growth was steady at 1.2% q/q in Q2, meaning that expectations for easing reported in the prior survey were not realised. Nonetheless, firms continued to report expected labour cost growth at 0.9% q/q for next three months (Chart 3). The survey also asks firms about expected average wage growth for the financial year, with this measure ticking up from 2.2% to 2.3% in Q2.

Purchase cost growth continued to ease in Q2, falling to 0.9% q/q (Chart 4). Expected purchase cost growth for the next three months suggests even further softening, down to 0.6% q/q.

Overall final product price growth eased to 0.6% q/q in Q2, while expected price growth over the next three months was unchanged at 0.5% q/q. Retail price growth eased to 0.7% q/q in Q2 and expectations in the sector were even lower at 0.4% q/q over the next three months. In recreation & personal services, price growth was 0.6% q/q in Q2 and expected price growth was 0.6% q/q over the next three months.

Firms' expectations of further easing in price growth remain encouraging, but whether these are realised will depend on the evolution of the economy, cost pressures and the strength of demand. We see gradual and uneven progress from here, with underlying trimmed-mean inflation likely to still be above the top of the RBA's target band at the end of 2024 before returning to the target range in 2025.

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

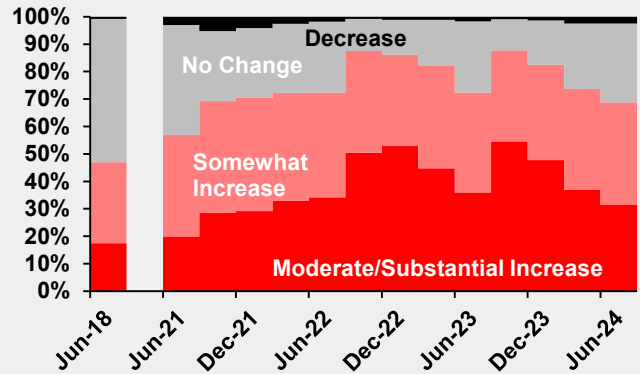


Chart 2: Wage Pressures – Next 6 Months (% S.A.)

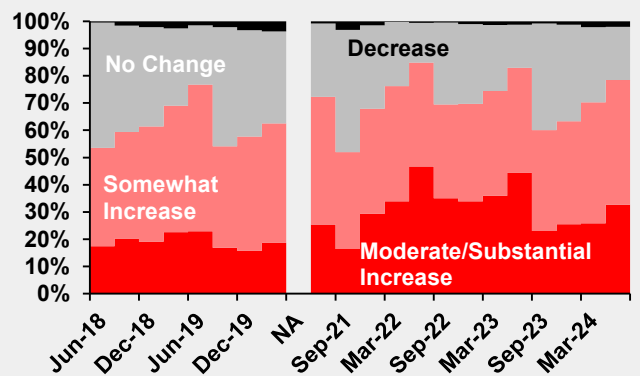


Chart 3: Q/Q Labour Cost Growth (% S.A.)

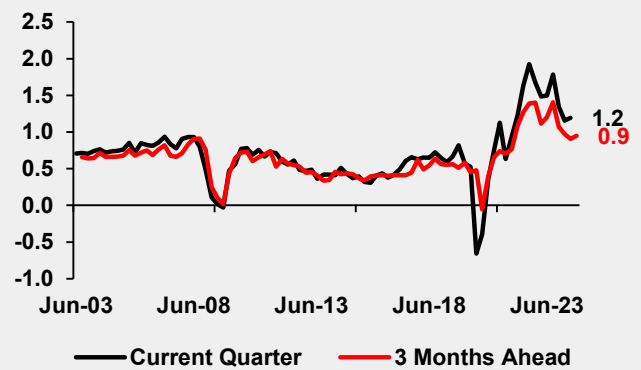


Chart 4: Q/Q Purchase Cost Growth (% S.A.)

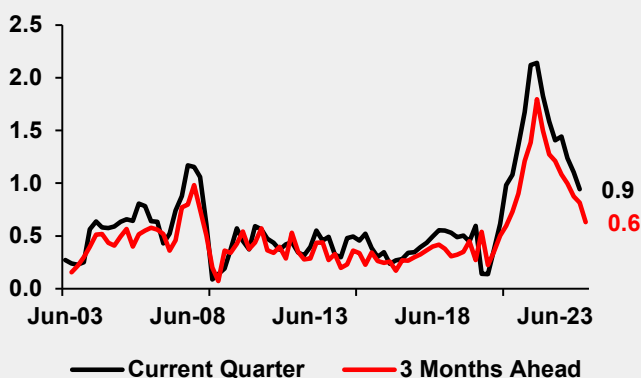
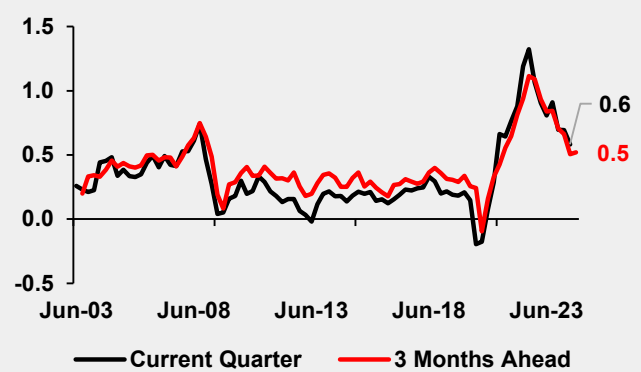


Chart 5: Q/Q Final Price Growth (% S.A.)



Business Conditions and Confidence

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

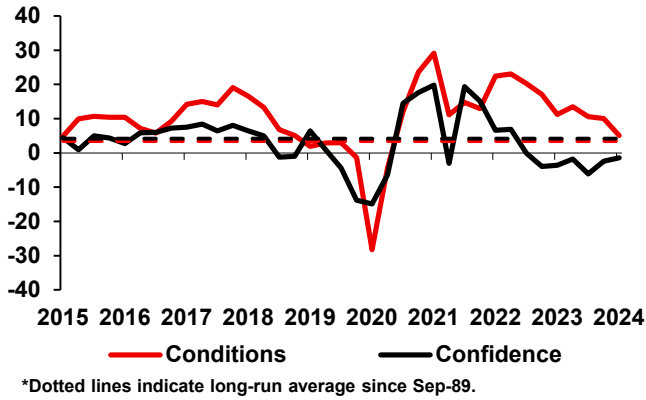
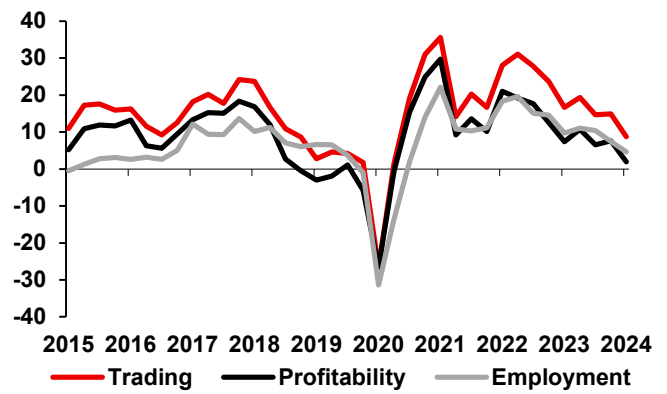


Chart 7: Conditions Components (Net Balance, SA)



Drivers of Business Confidence

Chart 8: Issues Affecting Confidence (Share of Firms)

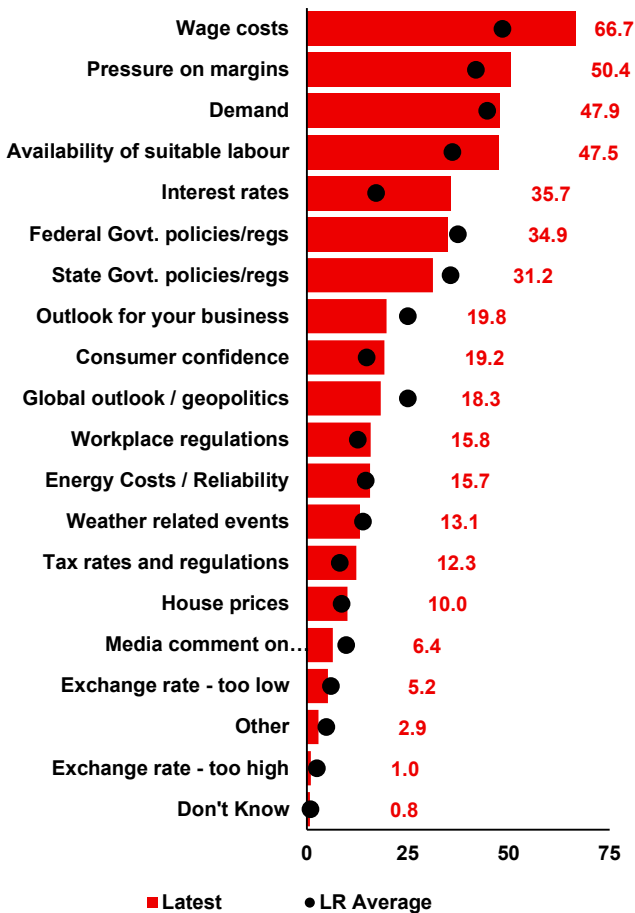


Chart 9: Issues Affecting Confidence (Share of Firms): Deteriorating Confidence

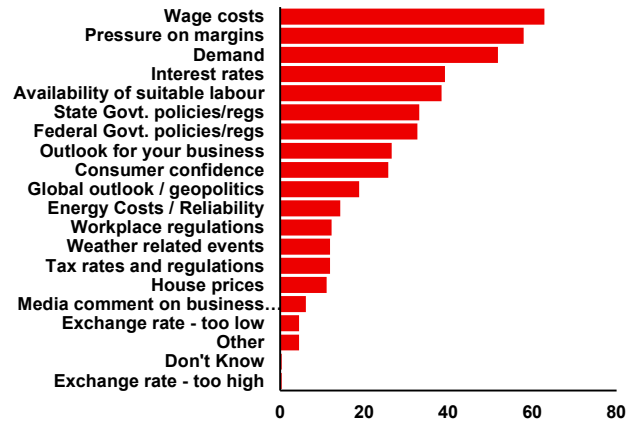
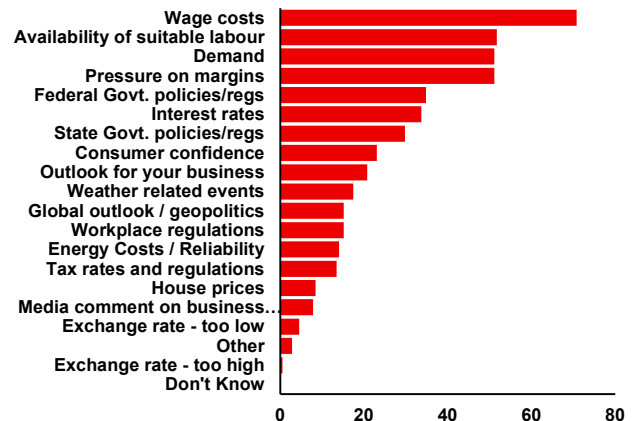


Chart 10: Issues Affecting Confidence (Share of Firms): Improving Confidence



Leading Indicators and Business Investment

Chart 11: Expected Conditions (Net Balance, SA)

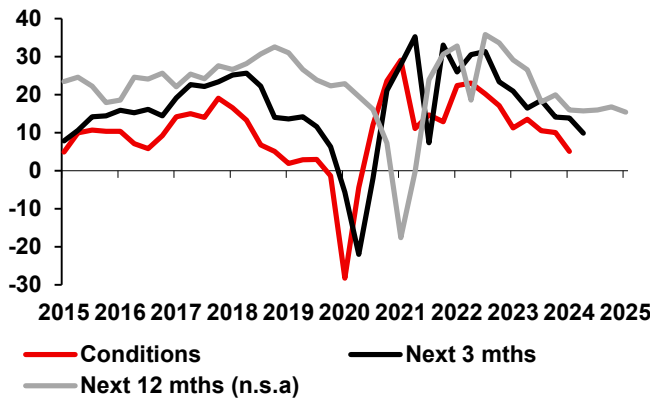


Chart 12: Expected Forward Orders (Net Balance, SA)

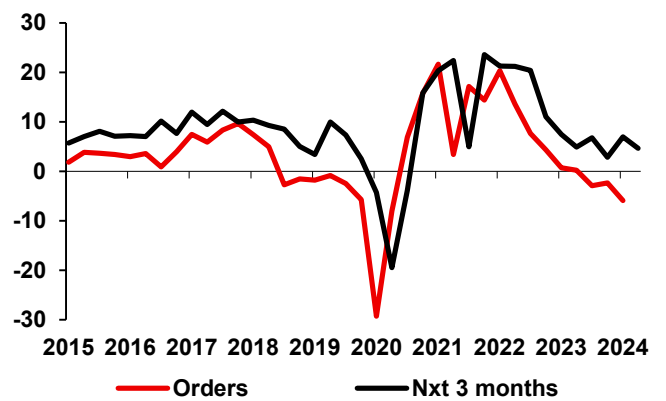


Chart 13: Capacity Utilisation (Percent, SA)

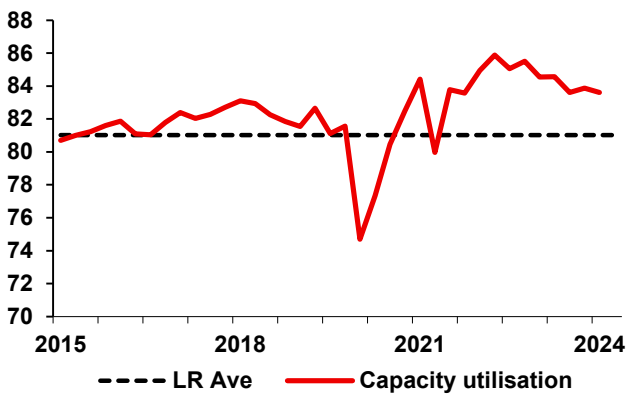


Chart 14: Capacity Utilisation (3qtr average deviation from long run average.)

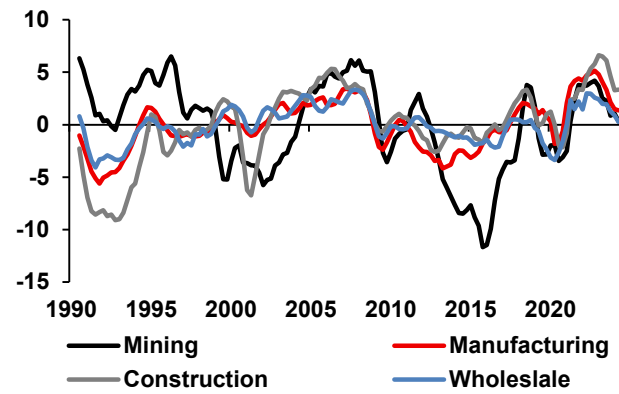


Chart 15: Stocks (Net Balance, SA)

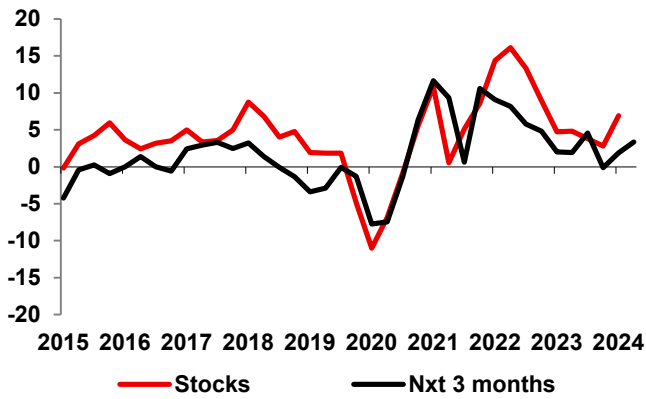
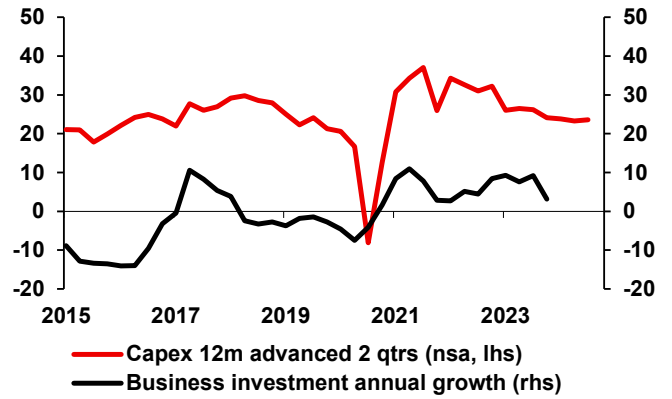


Chart 16: Expected Capex (Net Balance, SA)



Labour Market Indicators

Chart 17: Employment Expectations (Net Balance, SA)

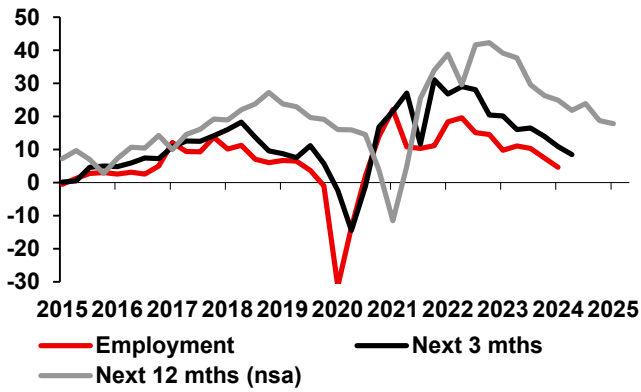


Chart 18: Labour Constraints & Unemployment Rate

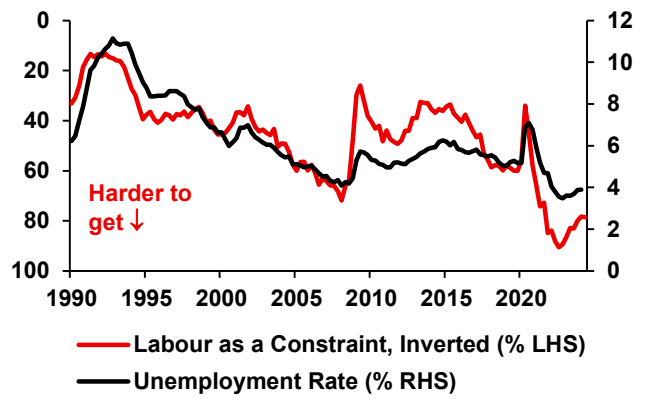


Chart 19: Change in Average Hours Worked (NSA)

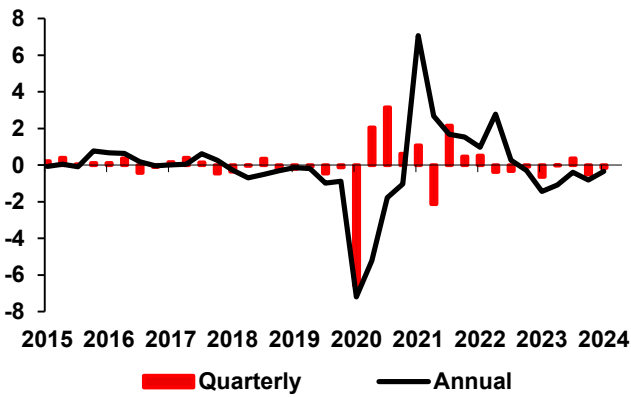


Chart 20: Average Hours Worked by Industry (NSA)

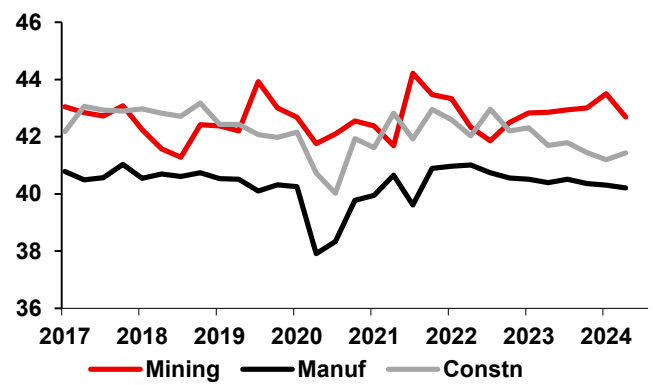


Chart 21: Average Hours Worked by Industry (NSA)

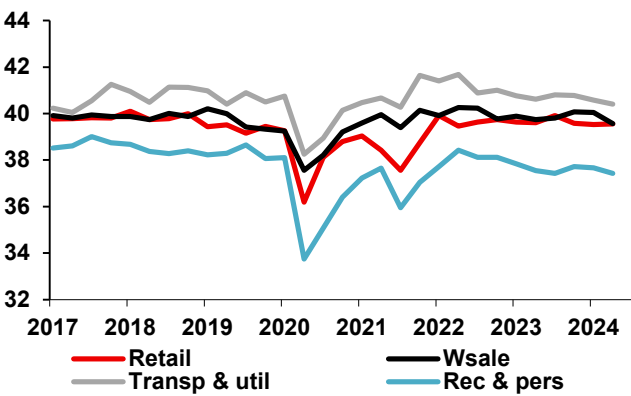
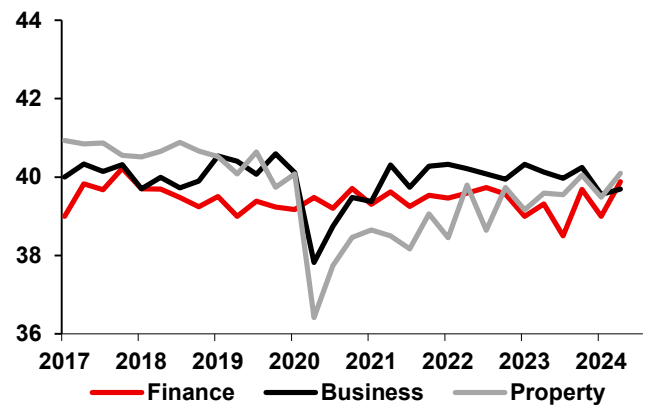


Chart 22: Average Hours Worked by Industry (NSA)



Major Constraints on Firm Output

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

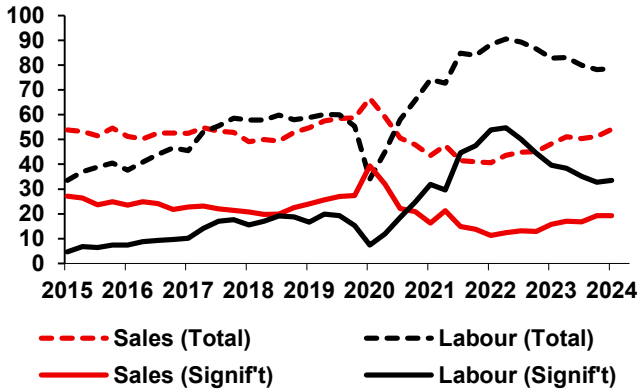
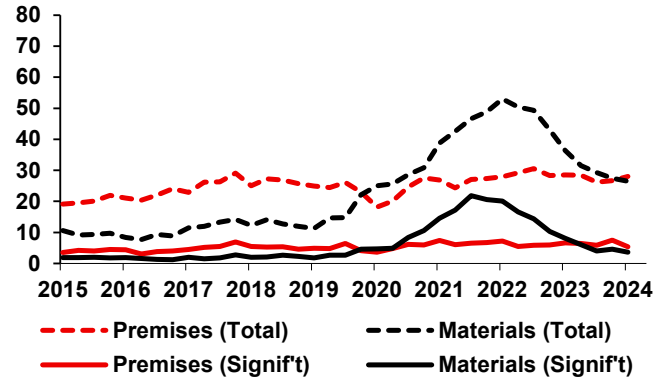


Chart 24: Main Constraints on Firm Output (% of Firms)



Inflation Pressures

Chart 25: Annualised Price Growth (Percent, SA)

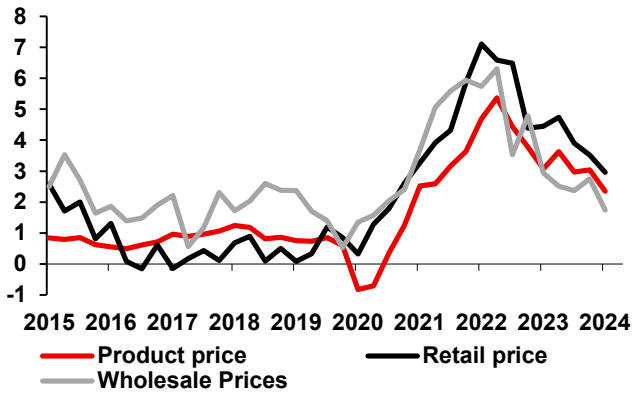
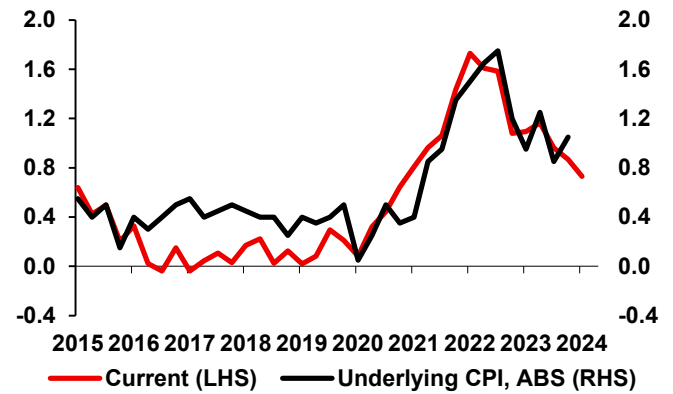


Chart 26: Retail Price Growth (Percent, SA)



Labour Costs

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

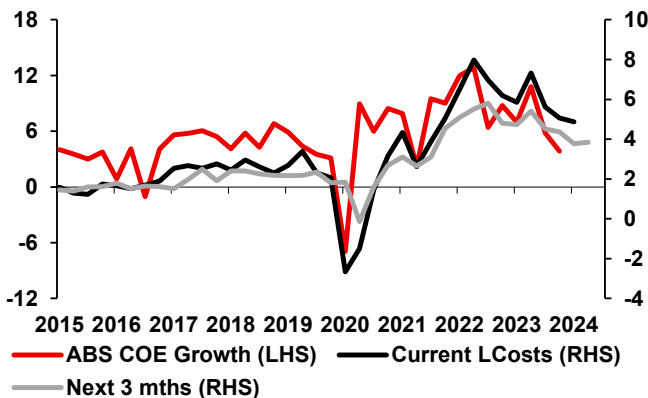
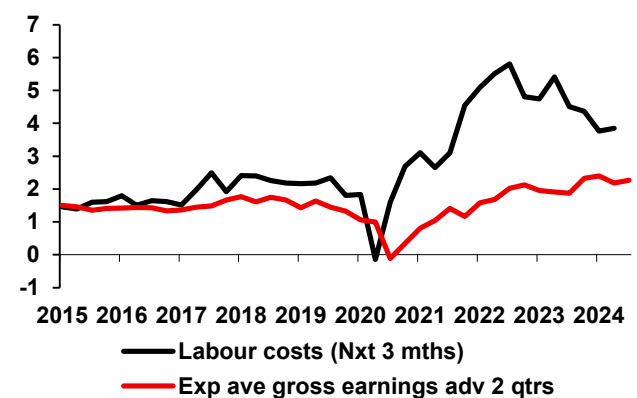


Chart 28: Expected Labour Costs & Average Earnings Growth (Percent, SA)



Details by Industry

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

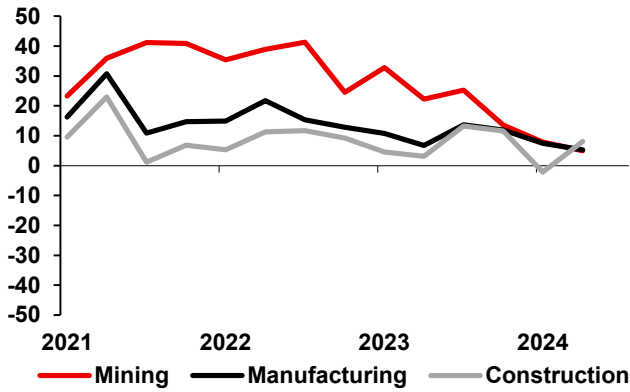


Chart 30: Confidence by Industry (Net Balance, SA)

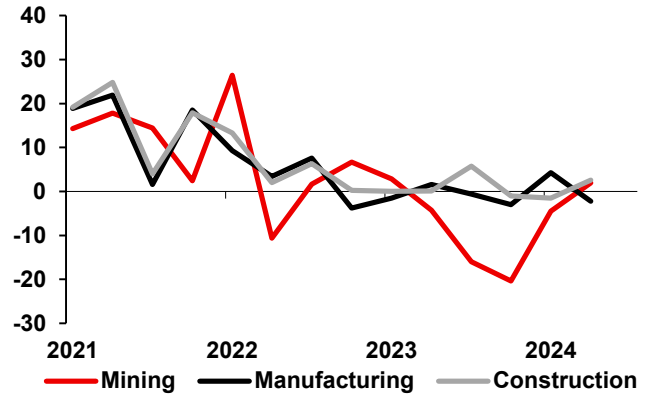


Chart 31: Conditions by Industry (Net Balance, SA)

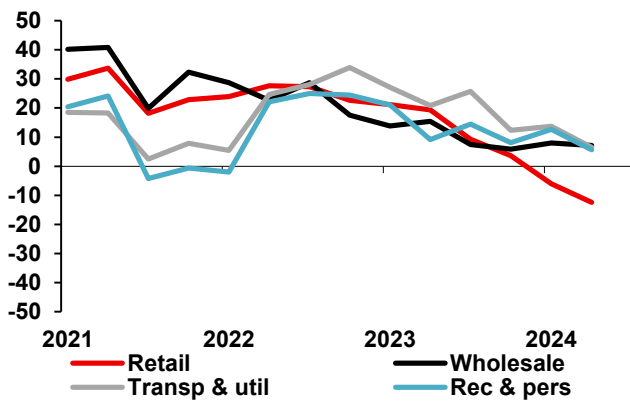


Chart 32: Confidence by Industry (Net Balance, SA)

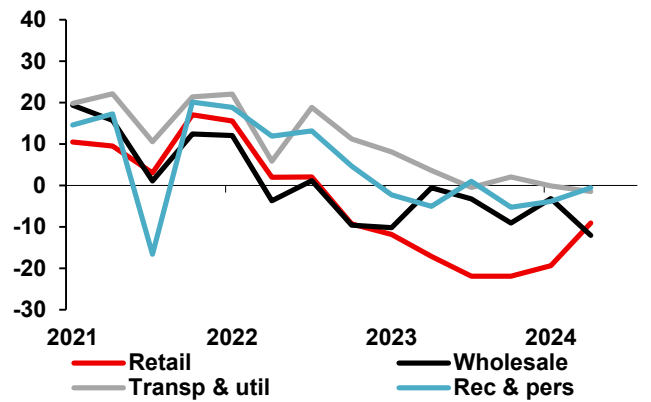


Chart 33: Conditions by Industry (Net Balance, SA)

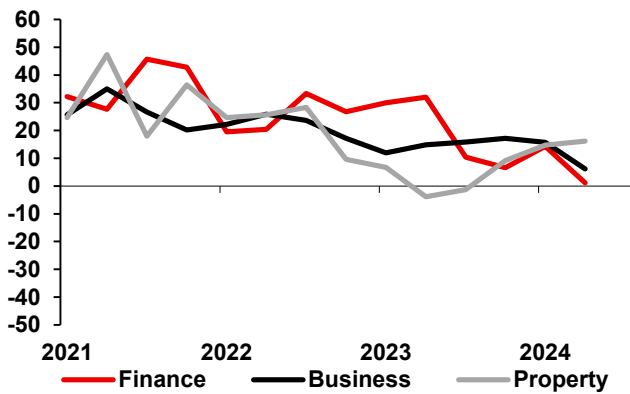
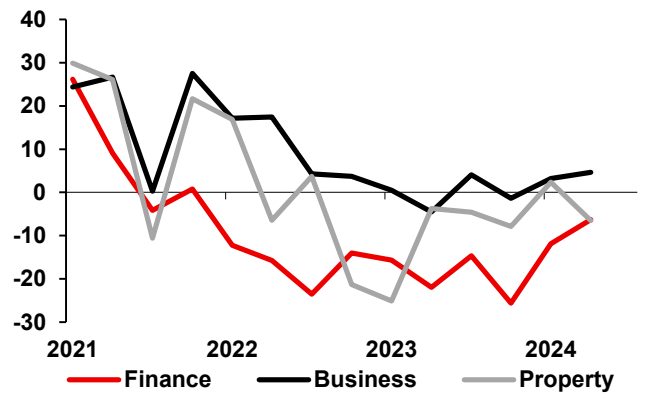


Chart 34: Confidence by Industry (Net Balance, SA)



Construction Sub-Industry Details

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

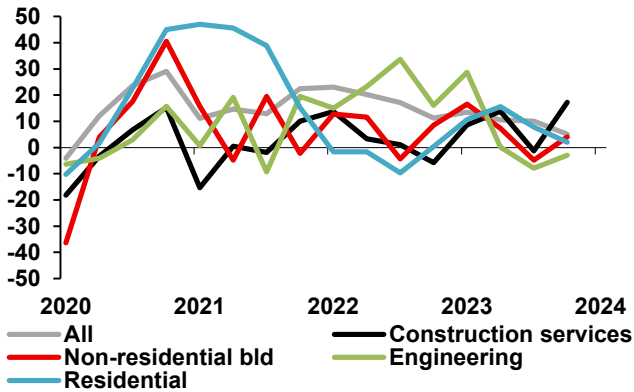


Chart 36: Confidence by Construction Sub-Industry (Net Balance, SA)

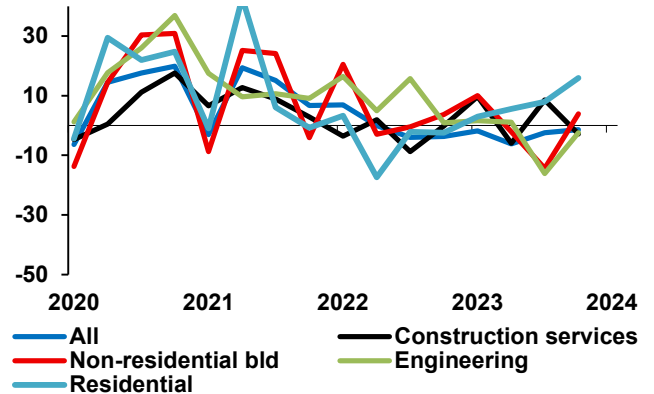


Chart 37: Employment by Construction Sub-Industry (Net Balance, SA)

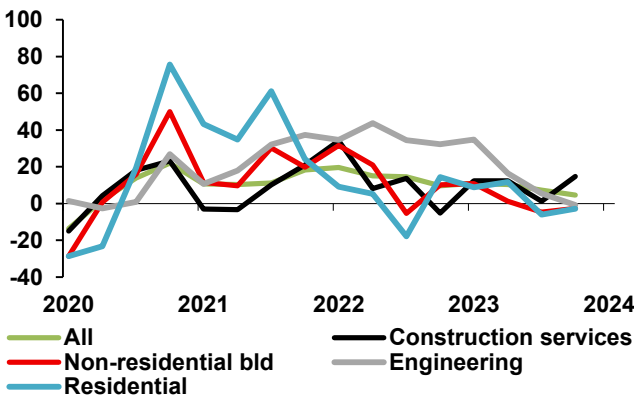
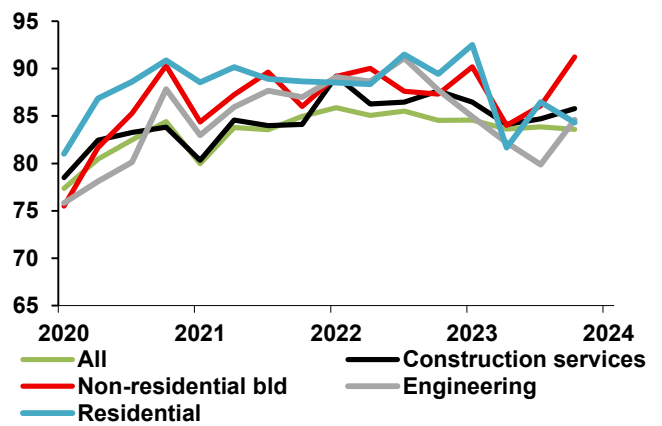


Chart 38: Capacity Utilisation by Construction Sub-Industry (Percent, SA)



Details by State

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

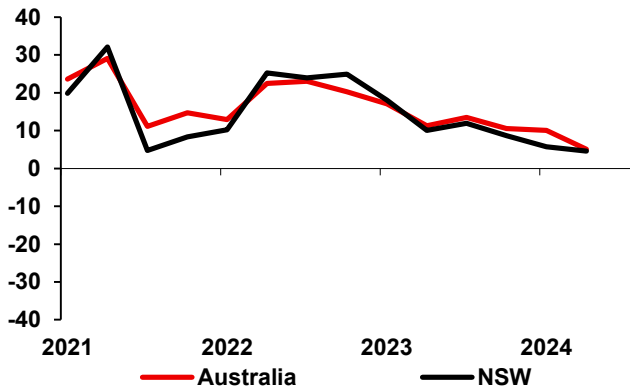


Chart 40: Confidence by State (Net Balance, SA)

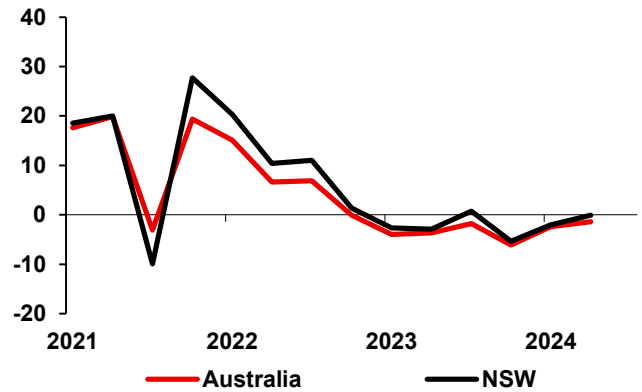


Chart 41: Conditions by State (Net Balance, SA)

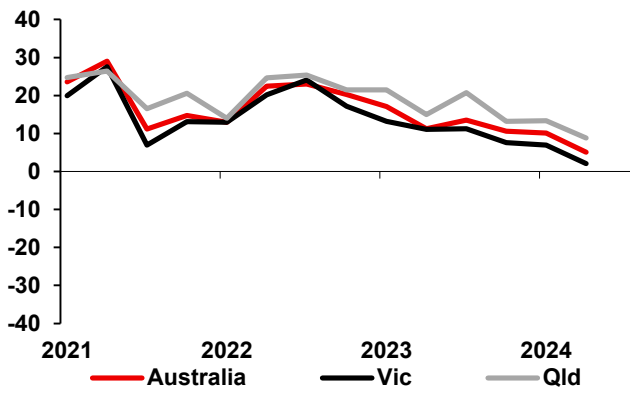


Chart 42: Confidence by State (Net Balance, SA)

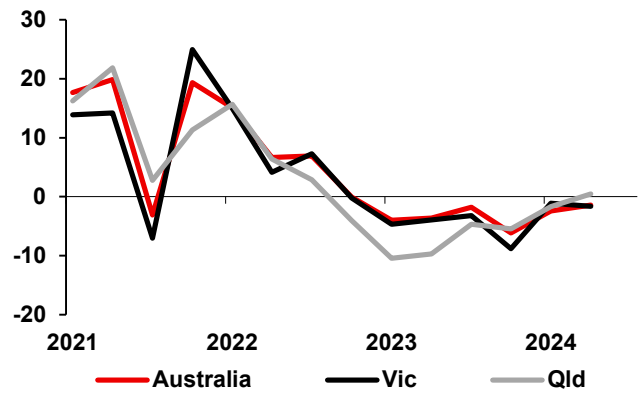


Chart 43: Conditions by State (Net Balance, SA)

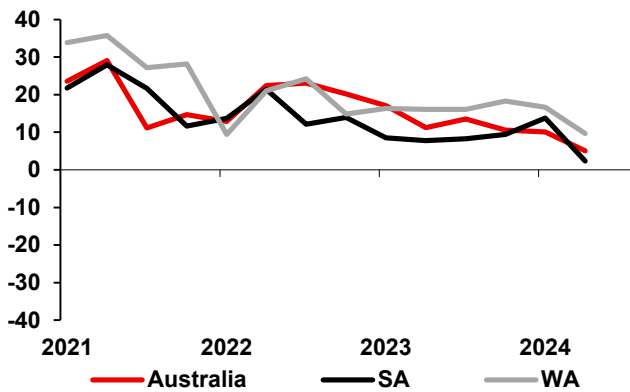
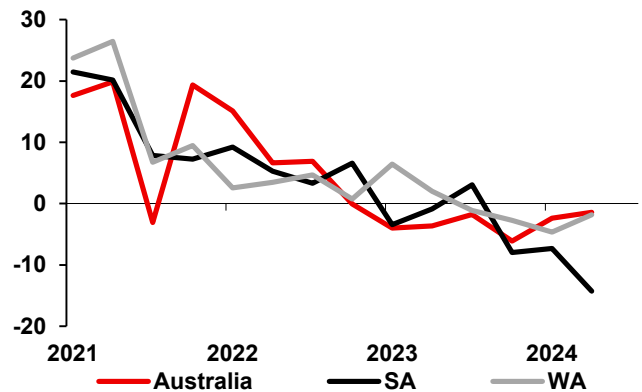


Chart 44: Confidence by State (Net Balance, SA)



Data Appendix

	Quarterly					Monthly				
	2023q2	2023q3	2023q4	2024q1	2024q2	2024m2	2024m3	2024m4	2024m5	2024m6
Confidence	-4	-2	-6	-2	-1	0	1	2	-2	4
Conditions	11	14	11	10	5	10	9	7	6	4

	Quarterly					Monthly				
	2023q2	2023q3	2023q4	2024q1	2024q2	2024m2	2024m3	2024m4	2024m5	2024m6
Trading	17	19	15	15	9	15	16	13	11	10
Profitability	7	11	7	8	2	10	6	6	3	2
Employment	10	11	10	7	5	6	7	2	5	0

	Quarterly ^(a)					Monthly				
	2024q1	2024q2	2024q3	2025q1	2025q2	2024m2	2024m3	2024m4	2024m5	2024m6
Conditions	10	5	NA	NA	NA	10	9	7	6	4
Conds. next 3m	14	14	10	NA	NA					
Conds. nxt 12m	20	16	16	17	15					
Orders	-2	-6	NA	NA	NA	-4	-2	-8	-7	-6
Orders next 3m	3	7	5	NA	NA					

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

	Quarterly ^(a)					Monthly				
	2023q3	2023q4	2024q1	2024q2	2024q3	2024m2	2024m3	2024m4	2024m5	2024m6
Capacity utilis.	84.6	83.6	83.9	83.6	NA	83.5	83.2	83.2	83.3	83.5
Stocks current	5	4	3	7	NA	1	3	2	5	1
Stocks next 3m	2	5	0	2	3					

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

	Quarterly ^(a)					Monthly				
	2024q1	2024q2	2024q3	2025q1	2025q2	2024m2	2024m3	2024m4	2024m5	2024m6
Empl current	7	5	NA	NA	NA	6	7	2	5	0
Empl next 3m	14	11	8	NA	NA					
Empl nxt 12m	26	25	22	19	18					

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

	2023q2	2024q1	2024q2
Constraints on output (% of firms)*			
Sales & orders	48.2	51.2	54.1
Labour	82.8	78.3	78.6
Premises & plant	28.5	26.7	28.0
Materials	36.4	27.4	26.5

* not s.a.

Data Appendix - States

	<i>Quarterly</i>					<i>Monthly</i>				
	2023q2	2023q3	2023q4	2024q1	2024q2	2024m2	2024m3	2024m4	2024m5	2024m6
Business conditions										
NSW	10	12	9	6	5	9	6	9	9	2
VIC	11	11	8	7	2	4	7	0	1	0
QLD	15	21	13	13	9	10	12	8	10	16
SA	8	8	9	14	2	14	-3	14	0	-7
WA	16	16	18	17	10	18	26	15	6	5
TAS	3	13	7	22	7	15	33	52	16	-4

	<i>Quarterly</i>					<i>Monthly</i>				
	2023q2	2023q3	2023q4	2024q1	2024q2	2024m2	2024m3	2024m4	2024m5	2024m6
Business confidence										
NSW	-3	1	-5	-2	0	0	0	0	-1	1
VIC	-4	-3	-9	-1	-2	2	3	2	-2	1
QLD	-10	-5	-5	-2	0	-1	4	4	-2	9
SA	-1	3	-8	-7	-14	-6	-5	-9	-14	-2
WA	2	-1	-3	-5	-2	3	6	7	-2	6
TAS	-4	-11	-1	-4	-6	-10	-10	17	-3	17

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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.