

NAB Quarterly Business Survey Q3 2024



Constraints linger despite easing capacity utilisation

NAB Economics

Summary

A range of business survey measures continued to soften in Q3, with signs that the current period of slow economic growth is beginning to bring supply and demand into better balance. Business conditions and confidence both fell in the quarter, as did expectations for conditions and employment over the next 12 months. There has also been a noticeable easing in capacity utilisation, albeit at 83.0% the level remains above historical averages. Still, there was little progress on cost growth pressures in the quarter and labour availability remained a significant constraint for one in three firms – effectively unchanged over the past year. On balance the softening in activity continues to gradually pass through to prices with retail price growth in the survey remaining at 0.7% in Q3 but wider product prices easing to 0.4%, led by softening in the recreation & personal services component.

Survey Details

- **Business conditions** fell 3pts to +2 index points. Trading conditions fell 4pts while the employment and profitability components fell 2pts with the latter now down to 0 index points.
- **By industry**, conditions fell most in manufacturing, wholesale, construction and mining, with small falls in recreation & personal services and finance, business & property. Retail conditions rose 11pts in the quarter but remained in negative territory at -2 index points, while transport & utilities conditions also rose.
- **By state**, conditions eased sharply in Tas (down 12pts) with NSW, SA, Vic and WA all also down, while conditions in Qld rose (up 4pts). The level of conditions was negative in Tas, SA, NSW and Vic while WA and Qld remain clearly positive.
- **Business confidence** fell 4pts to -6 index points, led by falls in mining as well as construction, recreation & personal services, manufacturing, and finance, business & property. Confidence in retail and wholesale was little changed in the quarter but remained among the most negative in a level sense, albeit all sectors bar transport & utilities reported negative confidence levels.
- **Leading indicators** continued to soften with expected business conditions down at both a 3-month and 12-month horizon. Forward orders remained negative at -4 index points and capacity utilisation eased to 83.0%, while capex plans also fell.
- **Labour indicators** were mixed. Expectations for employment in 3 and 12 months edged down slightly, but the share of firms reporting availability of labour as a constraint edged back up to 82% (from 79%).
- **Reported cost growth** edged up with labour costs growing at 1.2% and purchase costs growing at 1.0%.

Table 1: Key Quarterly Business Survey Statistics

	2024q1	2024q2	2024q3
	Net balance		
Business confidence	-3	-2	-6
Business conditions	10	5	2
Next 3 months	15	11	10
Next 12 months	17	15	12
Trading	15	9	5
Profitability	8	2	0
Employment	7	5	3
Forward orders	-3	-6	-4
Stocks	4	7	5
Exports	1	1	0
Capex plans (next 12m)	23	24	19
	% Change, quarterly		
Labour costs	1.4	1.1	1.2
Purchase costs	1.2	0.9	1.0
Final products prices	0.8	0.6	0.4
Retail prices	0.9	0.7	0.7
	Percent		
Capacity utilisation rate	83.9	83.6	83.0

All data seasonally adjusted, except purchase costs and exports. Survey conducted from 19 August to 5 September 2024, covering 800 firms across the non-farm business sector. **Next release date: 6 February 2025 (TBC).**

- **Price growth measures** were mixed, with overall final product price growth running at 0.4% q/q (down from 0.6%). Retail price growth was unchanged at 0.7% while recreation & personal services price growth was 0.4% (down from 0.6%).
- Wage costs remained the top **issue affecting business confidence**, though expected annual average wage growth for the financial year ahead was lower at 1.8% (from 2.3%). Pressure on margins, availability of labour and interest rates all remained 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 rose to 39% in Q2 (Chart 1), with the share of firms reporting at least some increase rising to 85% - likely reflecting the minimum wage rise that took effect in July.

Looking ahead, the share of firms expecting a moderate or substantial increase in wage pressures over the next 6 months eased to 21% (Chart 2), likewise in keeping with the seasonal pattern for this special question.

The rate of quarterly labour cost growth edged up to 1.2% q/q in Q3 (Chart 3), once again defying the expectations for easing as reported by firms in the prior quarter. Still, firms expected labour cost growth of just 0.8% q/q in the next three months.

The survey also asks firms about expected average wage growth for the financial year, with this measure easing noticeably from 2.3% to 1.8% in the Q3 survey.

As with labour costs, purchase cost growth also rose slightly in Q3, to 1.0% q/q (Chart 4). This ends a run of declines in purchase cost growth, but expected purchase cost growth for the next three months still points to further easing, at 0.7% q/q.

Despite ongoing cost pressures, overall final product price growth eased sharply to 0.4% q/q in Q3 (Chart 5). The fall exceeded expectations in the Q2 survey, and expected price growth in the Q3 survey points to a slight correction to 0.5% q/q.

Retail price growth was unchanged at 0.7% q/q in Q3 and expectations in the sector were for price growth of 0.6% over the next three months. In recreation & personal services, price growth was down to 0.4% q/q in Q3 but expected price growth was 0.6% q/q over the next three months, suggesting this may have been an outlier.

Overall, these results point to considerable progress on price inflation, while also suggesting the period of acute wage pressures facing businesses may be receding.

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

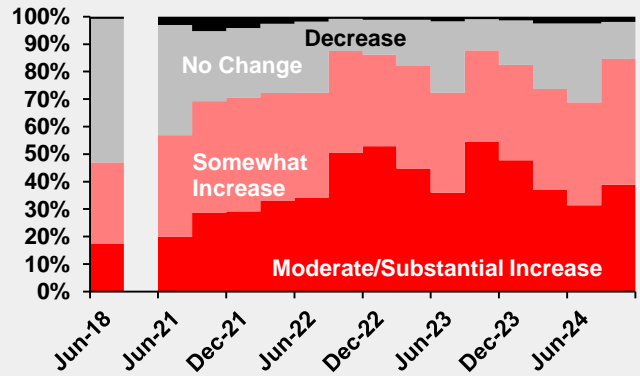


Chart 2: Wage Pressures – Next 6 Months (% S.A.)

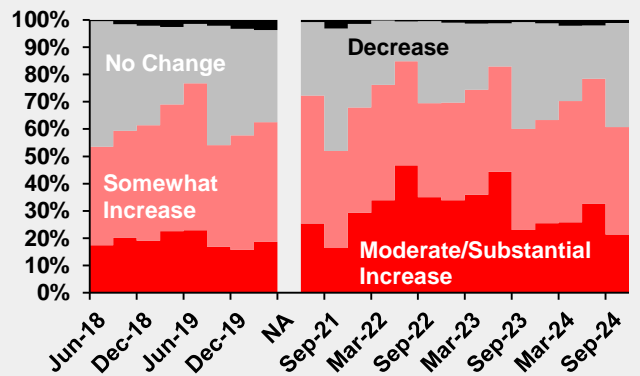


Chart 3: Q/Q Labour Cost Growth (% S.A.)

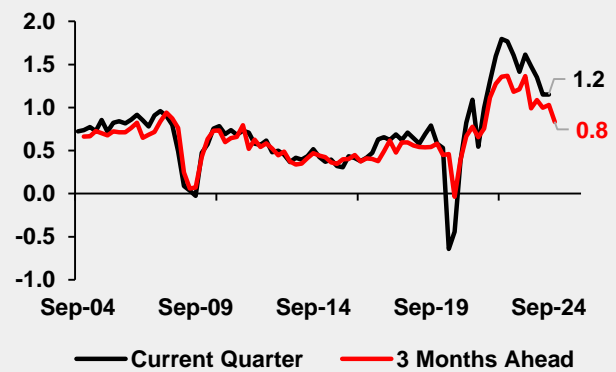


Chart 4: Q/Q Purchase Cost Growth (% S.A.)

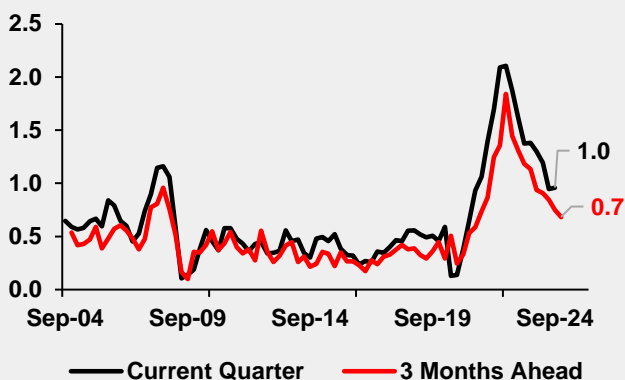
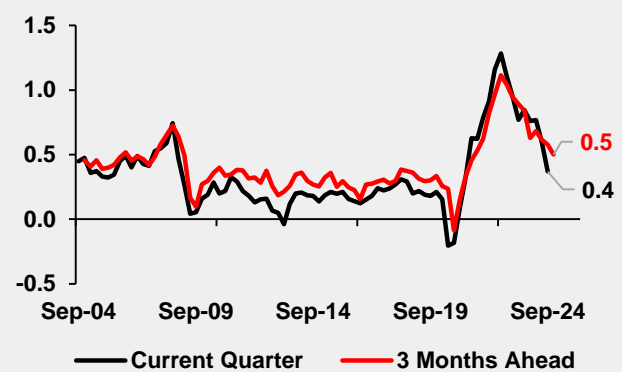


Chart 5: Q/Q Final Price Growth (% S.A.)



Business Conditions and Confidence

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

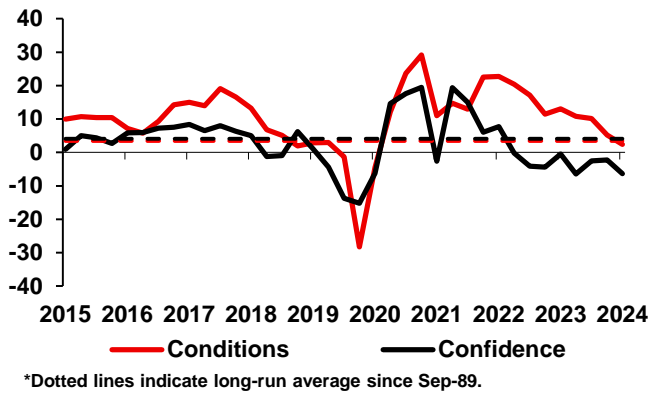
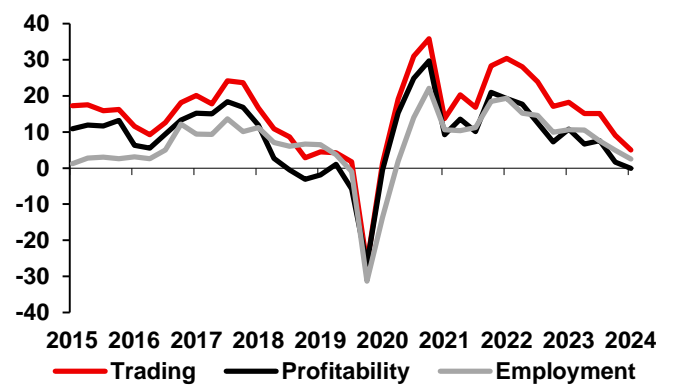


Chart 7: Conditions Components (Net Balance, SA)



Issues Affecting Business Confidence

Chart 8: Issues Affecting Confidence (Share of Firms)

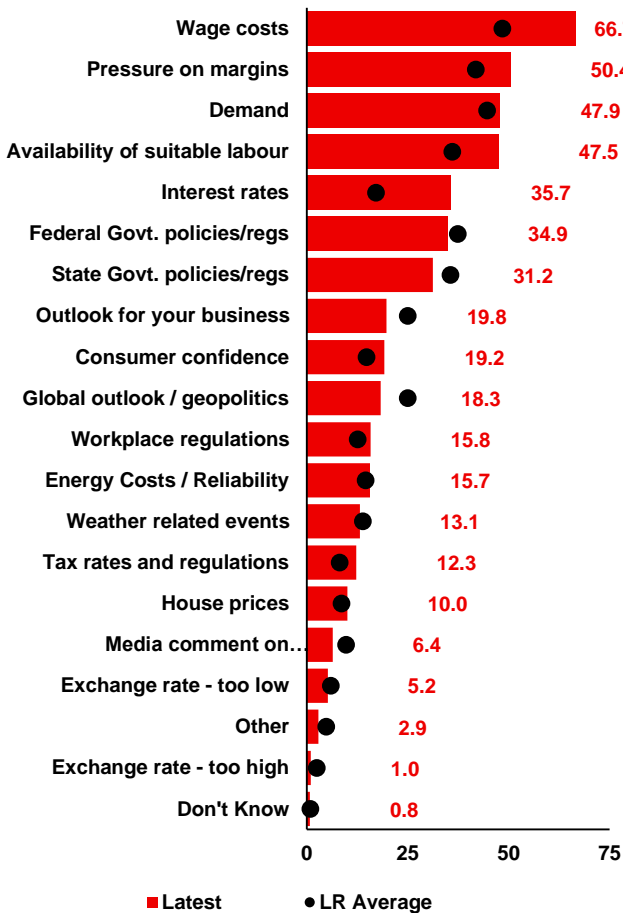


Chart 9: Evolution of Top Issues Affecting Confidence (Share of Firms): Issues #1 and #2

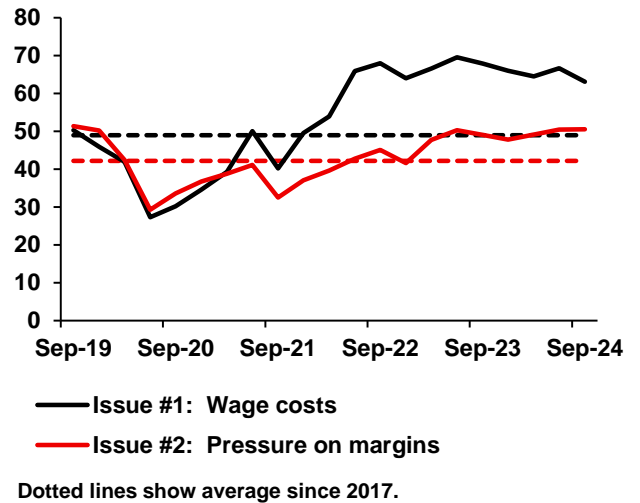
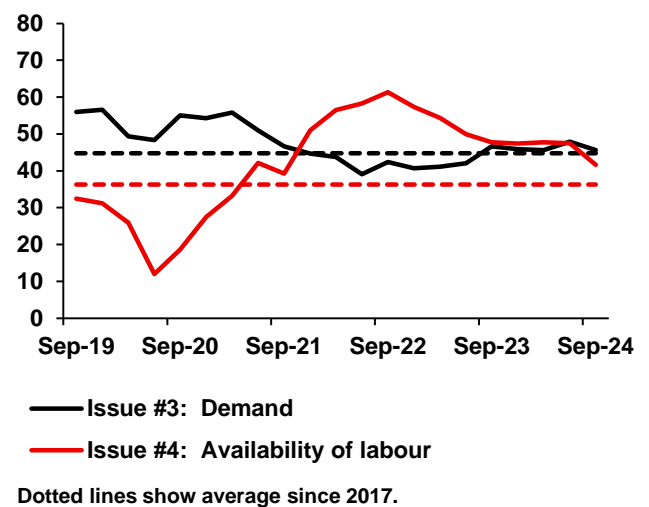


Chart 10: Evolution of Top Issues Affecting Confidence (Share of Firms): Issues #3 and #4



Leading Indicators and Business Investment

Chart 11: Expected Conditions (Net Balance, SA)

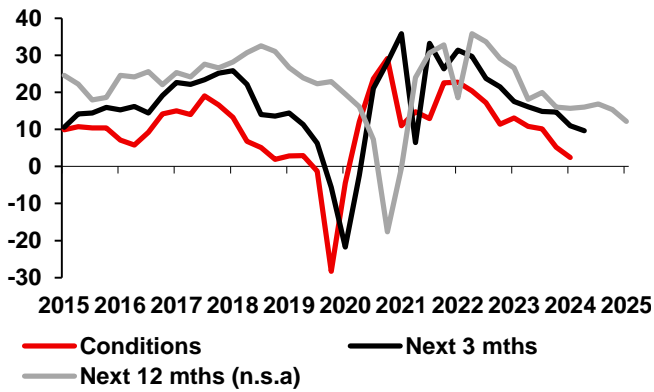


Chart 12: Expected Forward Orders (Net Balance, SA)

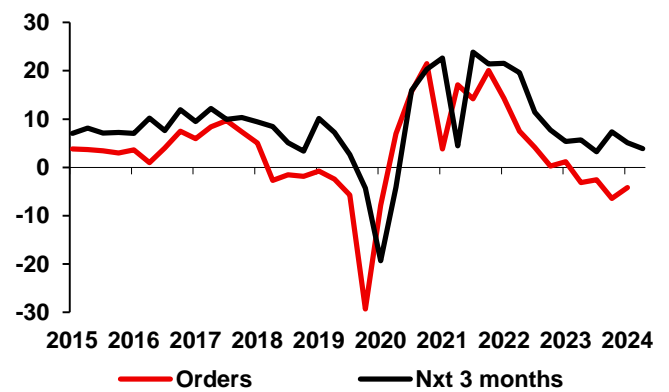


Chart 13: Capacity Utilisation (Percent, SA)

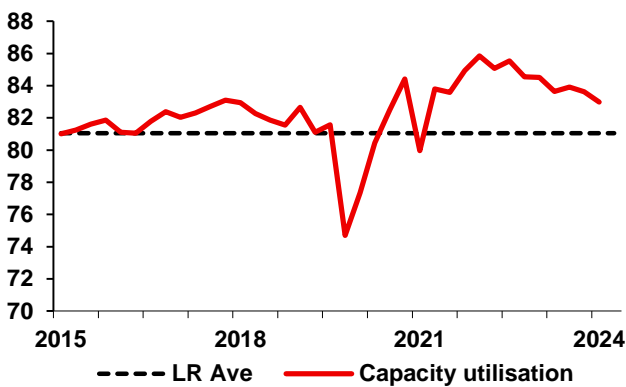


Chart 14: Capacity Utilisation (3qtr average deviation from long run average.)

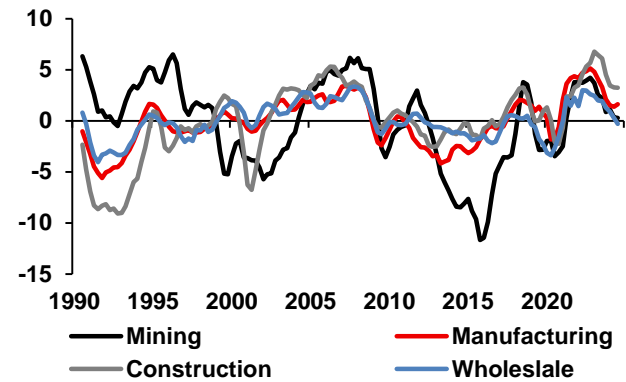


Chart 15: Stocks (Net Balance, SA)

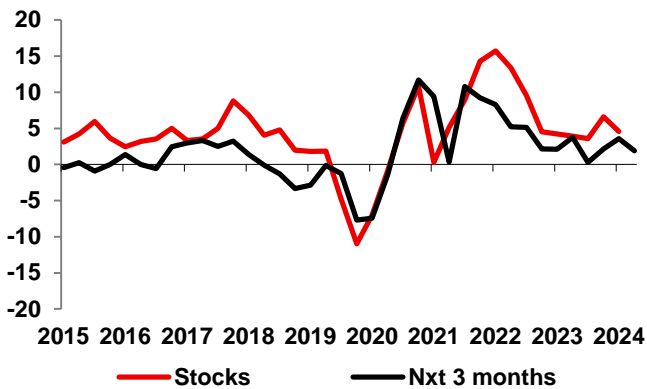
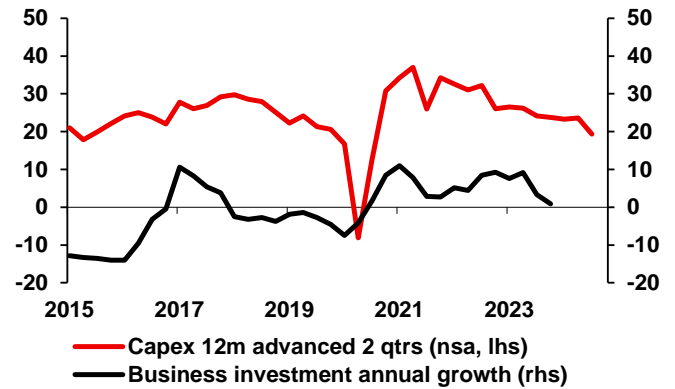


Chart 16: Expected Capex (Net Balance, SA)



Labour Market Indicators

Chart 17: Employment Expectations (Net Balance, SA)

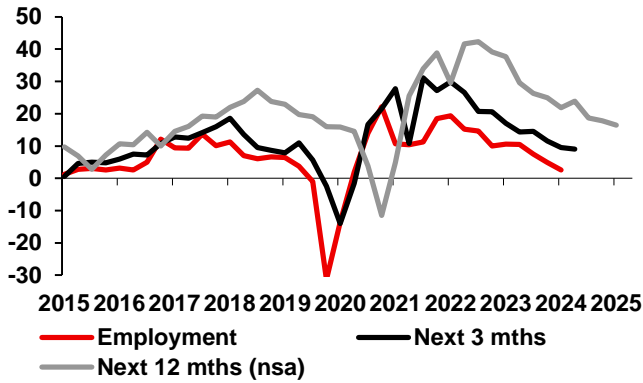


Chart 18: Labour Constraints & Unemployment Rate

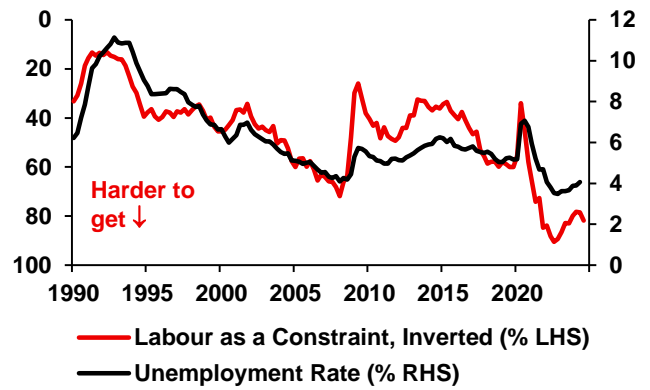


Chart 19: Change in Average Hours Worked (NSA)

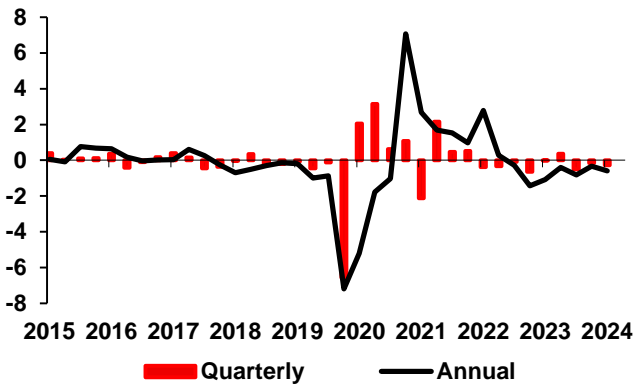


Chart 20: Average Hours Worked by Industry (NSA)

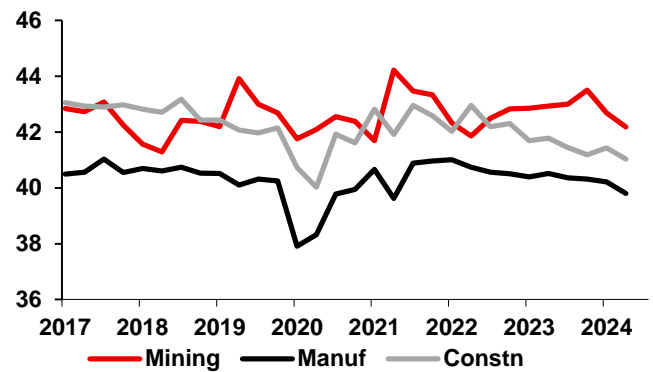


Chart 21: Average Hours Worked by Industry (NSA)

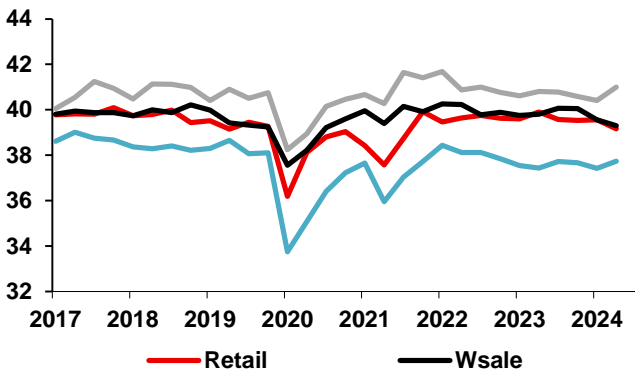
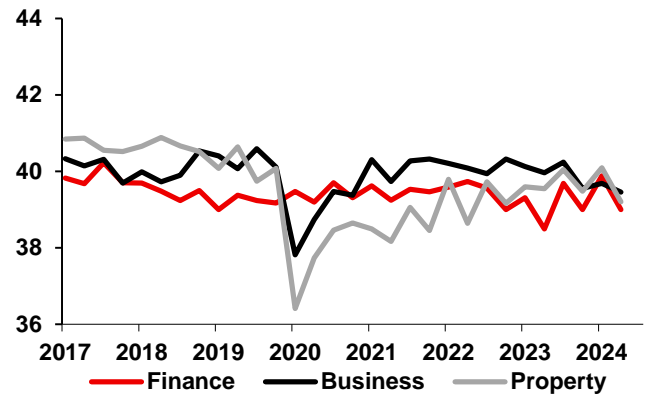


Chart 22: Average Hours Worked by Industry (NSA)



Major Constraints on Firm Output

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

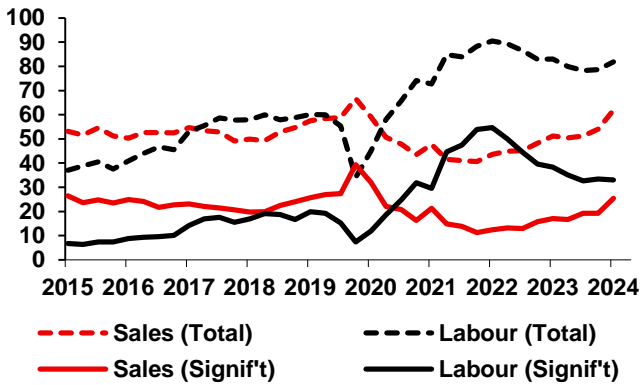
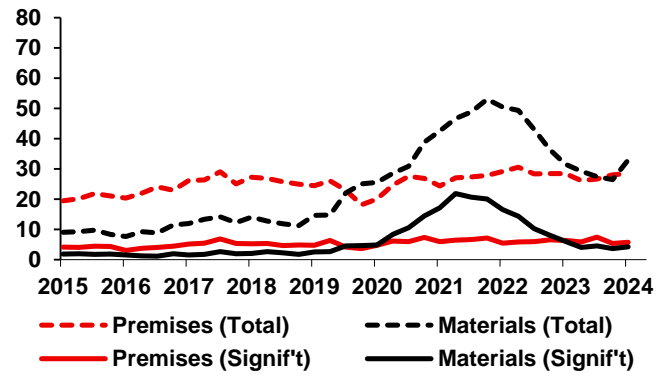


Chart 24: Main Constraints on Firm Output (% of Firms)



Inflation Pressures

Chart 25: Annualised Price Growth (Percent, SA)

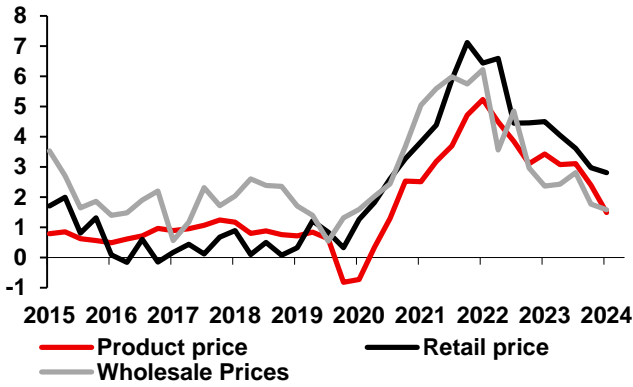
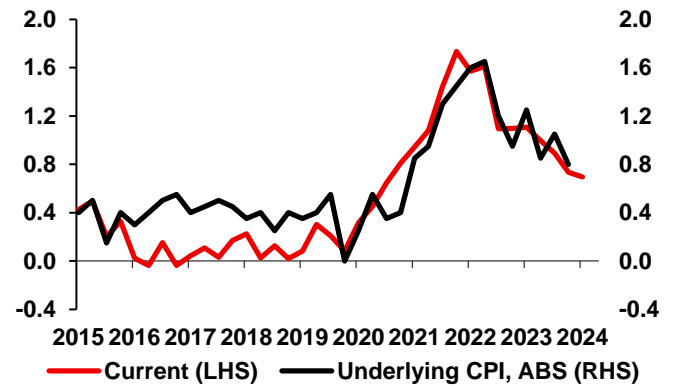


Chart 26: Retail Price Growth (Percent, SA)



Labour Costs

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

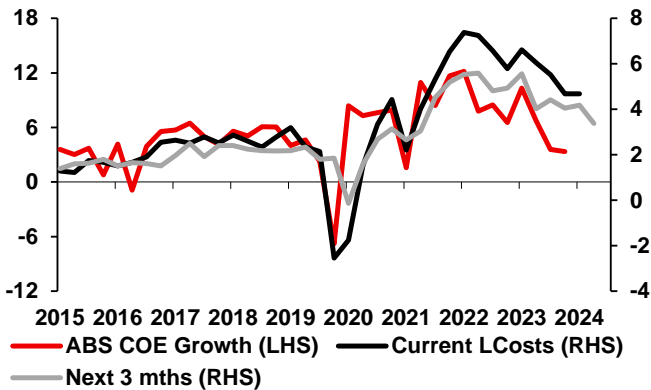
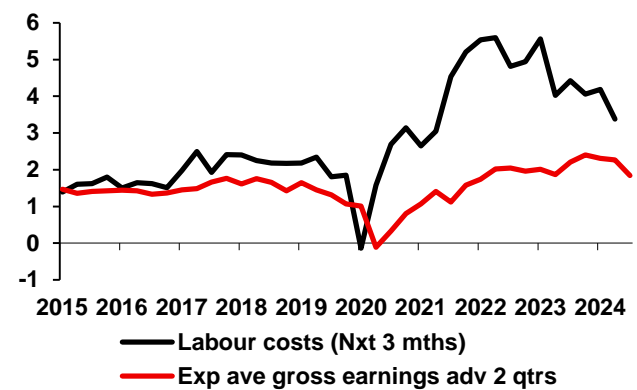


Chart 28: Expected Labour Costs & Average Earnings Growth (Percent, SA)



Details by Industry

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

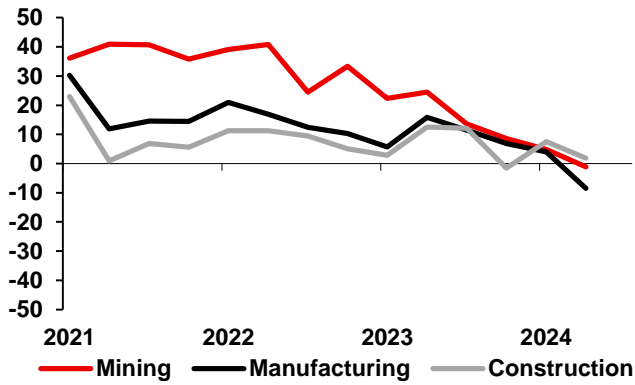


Chart 30: Confidence by Industry (Net Balance, SA)

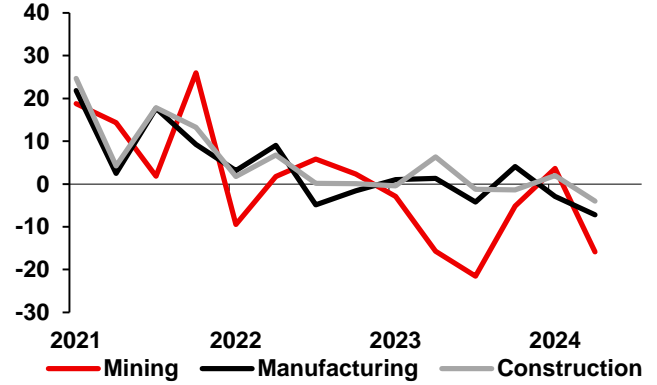


Chart 31: Conditions by Industry (Net Balance, SA)

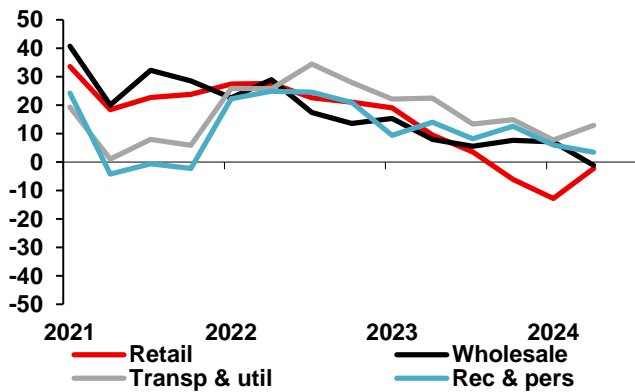


Chart 32: Confidence by Industry (Net Balance, SA)

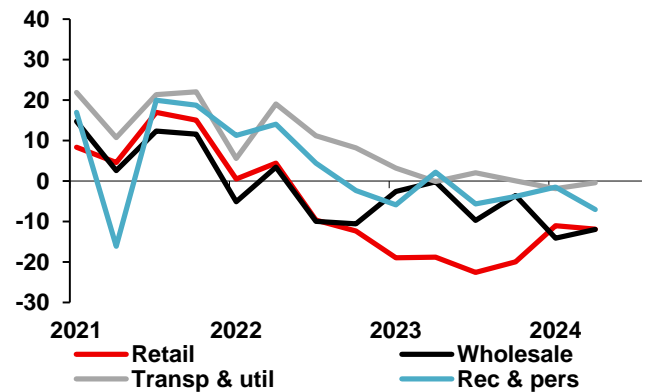


Chart 33: Conditions by Industry (Net Balance, SA)

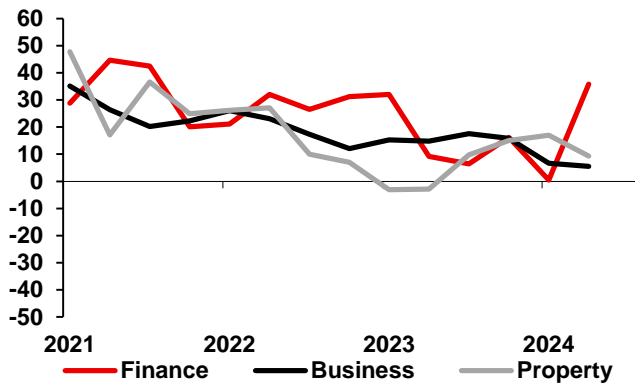
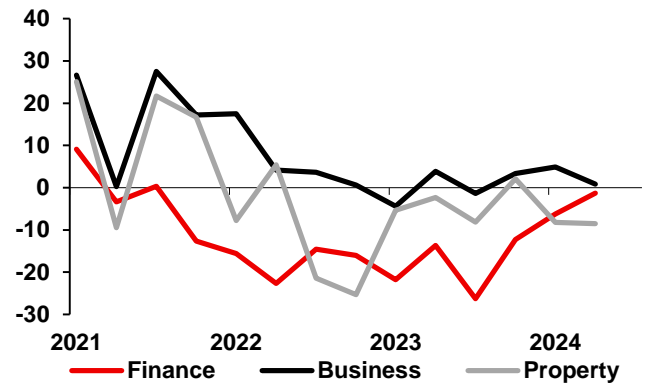


Chart 34: Confidence by Industry (Net Balance, SA)



Construction Sub-Industry Details

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

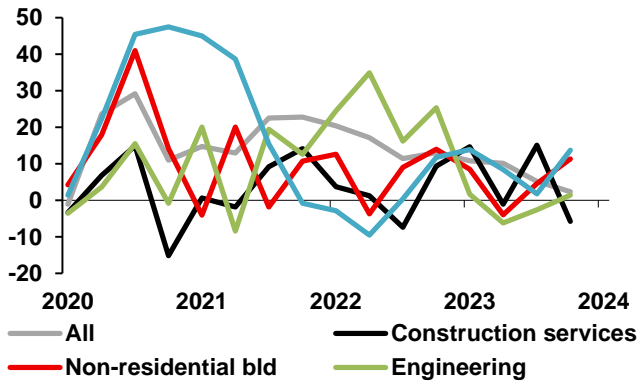


Chart 36: Confidence by Construction Sub-Industry (Net Balance, SA)

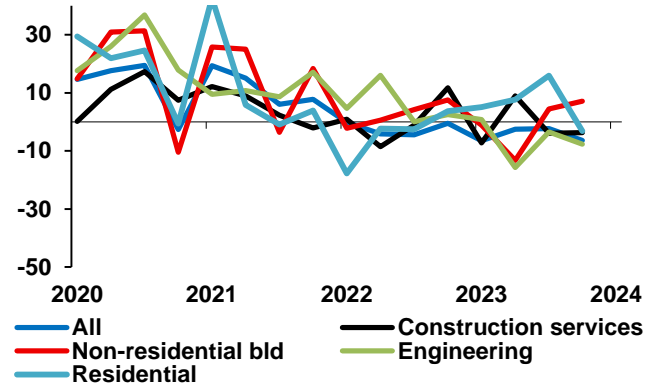


Chart 37: Employment by Construction Sub-Industry (Net Balance, SA)

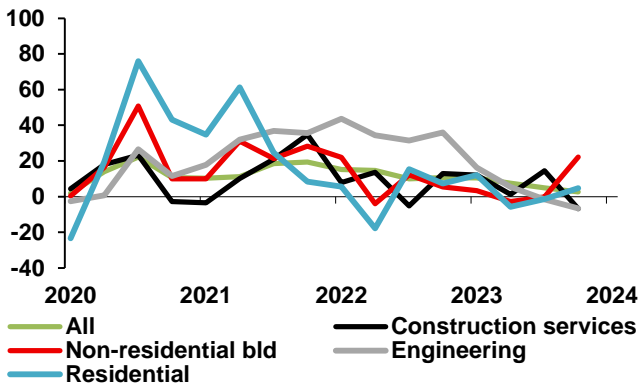
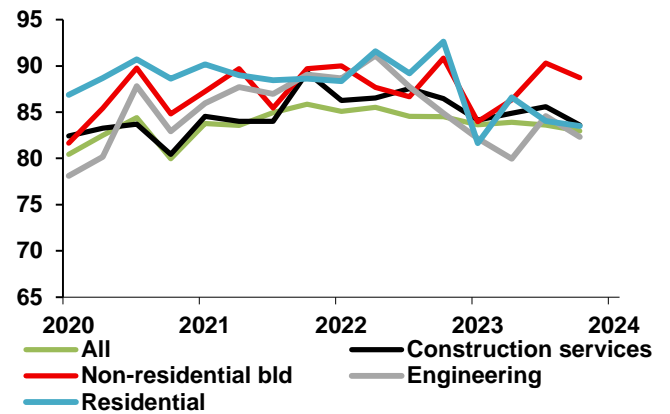


Chart 38: Capacity Utilisation by Construction Sub-Industry (Percent, SA)



Details by State

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

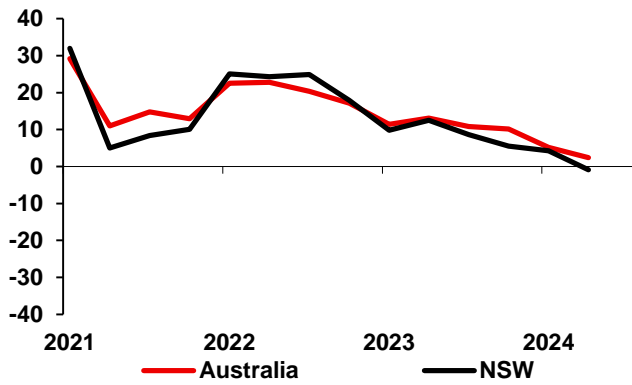


Chart 40: Confidence by State (Net Balance, SA)

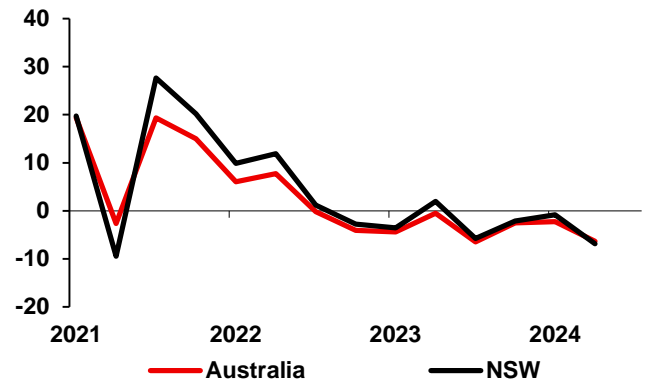


Chart 41: Conditions by State (Net Balance, SA)

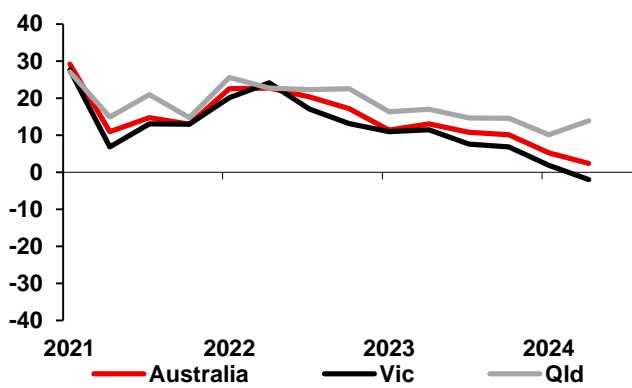


Chart 42: Confidence by State (Net Balance, SA)

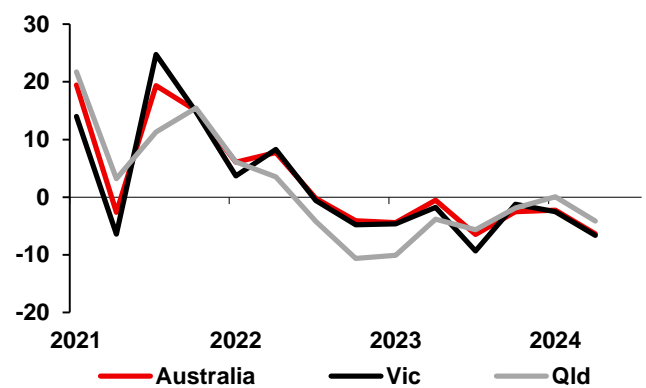


Chart 43: Conditions by State (Net Balance, SA)

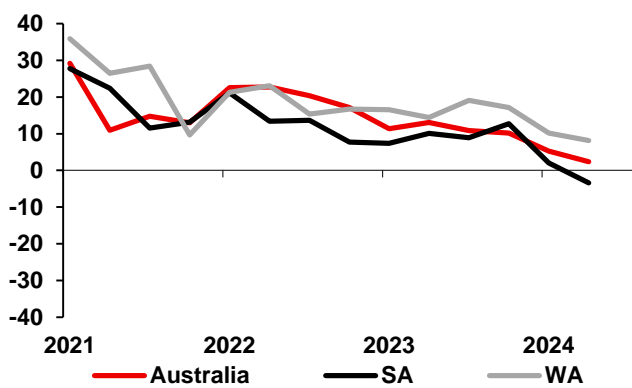
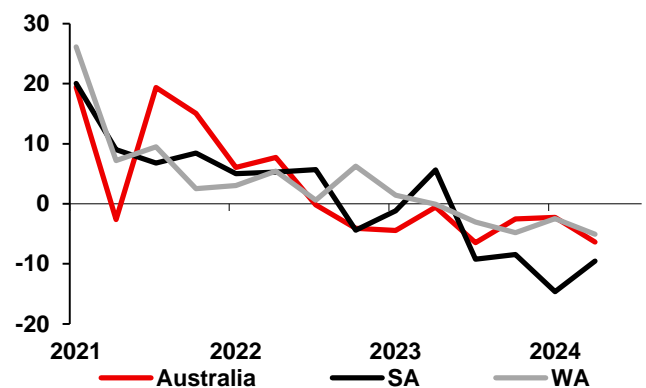


Chart 44: Confidence by State (Net Balance, SA)



Data Appendix

	Quarterly					Monthly				
	2023q3	2023q4	2024q1	2024q2	2024q3	2024m5	2024m6	2024m7	2024m8	2024m9
Confidence	-1	-6	-3	-2	-6	-3	3	0	-5	-2
Conditions	13	11	10	5	2	7	5	6	4	7

	Quarterly					Monthly				
	2023q3	2023q4	2024q1	2024q2	2024q3	2024m5	2024m6	2024m7	2024m8	2024m9
Trading	18	15	15	9	5	12	12	10	8	12
Profitability	11	7	8	2	0	4	2	2	2	5
Employment	11	11	7	5	3	6	0	7	1	5

	Quarterly ^(a)					Monthly				
	2024q2	2024q3	2024q4	2025q2	2025q3	2024m5	2024m6	2024m7	2024m8	2024m9
Conditions	5	2	NA	NA	NA	7	5	6	4	7
Conds. next 3m	15	11	10	NA	NA					
Conds. nxt 12m	16	16	16	15	12					
Orders	-6	-4	NA	NA	NA	-7	-7	-5	-5	-5
Orders next 3m	7	5	4	NA	NA					

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

	Quarterly ^(a)					Monthly				
	2023q4	2024q1	2024q2	2024q3	2024q4	2024m5	2024m6	2024m7	2024m8	2024m9
Capacity utilis.	83.6	83.9	83.6	83.0	NA	83.3	83.4	82.7	83.0	83.1
Stocks current	4	4	7	5	NA	5	2	4	2	5
Stocks next 3m	4	0	2	4	2					

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

	Quarterly ^(a)					Monthly				
	2024q2	2024q3	2024q4	2025q2	2025q3	2024m5	2024m6	2024m7	2024m8	2024m9
Empl current	5	3	NA	NA	NA	6	0	7	1	5
Empl next 3m	12	10	9	NA	NA					
Empl nxt 12m	25	22	24	18	17					

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

	2023q3	2024q2	2024q3
Constraints on output (% of firms)*			
Sales & orders	51.2	54.1	61.9
Labour	83.1	78.6	81.9
Premises & plant	28.5	28.0	28.5
Materials	31.6	26.5	33.0

* not s.a.

Data Appendix - States

	<i>Quarterly</i>					<i>Monthly</i>				
	2023q3	2023q4	2024q1	2024q2	2024q3	2024m5	2024m6	2024m7	2024m8	2024m9
Business conditions										
NSW	12	9	6	4	-1	9	3	7	2	5
VIC	11	8	7	2	-2	1	0	-1	-4	2
QLD	17	15	15	10	14	12	19	17	17	24
SA	10	9	13	2	-3	0	-7	-2	-2	-8
WA	14	19	17	10	8	7	6	3	4	6
TAS	14	7	21	7	-5	17	-3	17	-12	-10

	<i>Quarterly</i>					<i>Monthly</i>				
	2023q3	2023q4	2024q1	2024q2	2024q3	2024m5	2024m6	2024m7	2024m8	2024m9
Business confidence										
NSW	2	-6	-2	-1	-7	-1	0	0	-7	-2
VIC	-2	-9	-1	-3	-7	-2	0	5	-3	-5
QLD	-4	-6	-2	0	-4	-2	9	-1	-3	4
SA	6	-9	-8	-15	-10	-15	-5	-9	-15	-5
WA	0	-3	-5	-2	-5	-3	6	1	-1	0
TAS	-9	-2	-3	-8	-5	-4	16	-5	-9	1

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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.