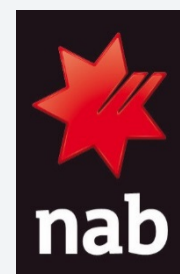


NAB MONTHLY BUSINESS SURVEY

SUBSCRIBER DETAILS - SEPTEMBER 2019

NAB Australian Economics



Key messages from the Survey: Business conditions recorded a sixth consecutive below-average month, pointing to ongoing weakness in the business sector. In the month, conditions edged up 1pt and confidence edged lower. While both conditions and confidence remain below average levels +6 index points – the broad-based trend decline since mid-2018 appears to have slowed. In the month, profitability and trading conditions remained below average, contrasting with the employment index, which edged up and is now above average. This mirrors official data that show ongoing strong employment growth but subdued consumer spending. At present, retail and wholesale (the goods distribution industries) are weakest – a reflection of conditions in the household sector. Manufacturing and construction are also weak, reflecting the dynamics in the housing sector and possibly some impact from global trade turmoil. Forward indicators remain mixed, but overall suggest that conditions are likely to continue a below-average trend. Likewise, price indicators suggest inflationary pressure is likely to remain weak. Recent rate cuts as well as the tax refunds appear to have driven some improvement in the retail sector, but with conditions remaining deeply negative it is unlikely to have been enough support to see a material turn-around in the sector.

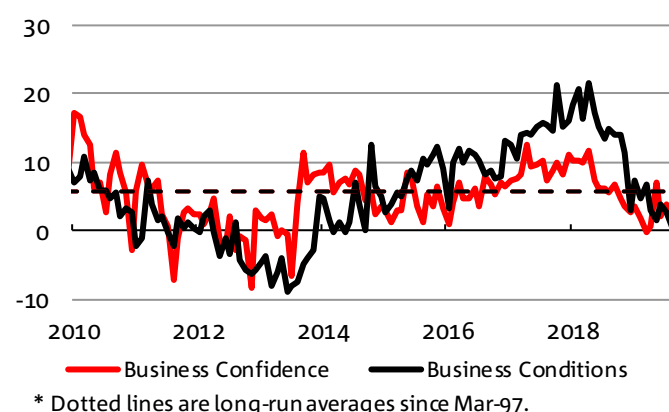
HIGHLIGHTS

- **How confident are businesses?** Confidence edged 1pt lower in September and now lies at 0 index points, compared with its long-run average of +6 index points.
- **How did business conditions fare?** Conditions ticked up 1pt in the month to +2 index points, recording its sixth consecutive below-average read.
- **What components contributed to the result?** Trading, profitability and employment all edged up 1pt in the month, with only the latter to record an above-average result.
- **What is the survey signalling for jobs growth?** Based on historical relationships, the survey suggests that employment will rise around 18k per month over the next 6 months – short of the outcomes seen over the past few months.
- **Which industries are driving conditions?** *Manufacturing* and *transport & utilities* saw sharp increases in the month, while *mining* (a relatively small survey weight) saw a large fall. In trend terms, *retail* and *wholesale* remain weakest, while *construction* and *manufacturing* are also negative. The *services* sectors and mining currently see the best conditions.
- **Which industries are most confident?** Confidence fell in all industries except *retail* and *construction* which rose and *recreation & personal services*, which was flat. Overall, *mining* remains most confident in trend terms, though it appears optimism has faded somewhat over recent months in the sector. *Manufacturing*, *construction* and *recreation & personal services* are weakest.
- **Where are we seeing the best conditions by state?** Conditions rose in *NSW*, *Vic* and *SA* in the month, while *WA* saw a sharp fall. In trend terms, conditions remain most favourable in *WA* and *NSW* which are above the national average. The other mainland states are clustered at -1 to 1 index point, while *Tas* remains weakest.
- **What is confidence like across the states?** Confidence fell in *VIC*, *QLD* and *Tas* in the month. In trend terms, confidence is compressed at 0 to +3 index points, with the exception of *WA*, which is a little stronger.
- **Are leading indicators suggesting further improvement?** Forward orders edged up in the month but remains negative (and below average). Capacity utilisation declined slightly but remains above average. These indicators in combination with business confidence point to a continuation of below-average business conditions.
- **What does the survey suggest about inflation and wages?** Final products prices growth (including retail) edged lower in the month and suggest overall weak rates of inflation. On the inputs side, purchase costs growth ticked up, while growth in labour costs edged lower. Notably, these costs continue to grow faster than output prices.

TABLE 1: KEY STATISTICS

	Jul-19	Aug-19	Sep-19
	Net balance		
Business confidence	4	1	0
Business conditions	3	1	2
Trading	7	3	4
Profitability	0	-3	-2
Employment	0	2	3
Forward orders	-3	-4	-2
Stocks	0	2	2
Exports	0	0	0
	% change at quarterly rate		
Labour costs	1.0	1.1	0.9
Purchase costs	0.9	0.6	0.7
Final products prices	0.5	0.2	0.1
Retail prices	0.6	0.1	0.0
	Per cent		
Capacity utilisation rate	80.9	82.1	81.9

CHART 1: BELOW AVERAGE CONFIDENCE AND CONDITIONS



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 18 - 30 September 2019, covering over 400 firms across the non-farm business sector.

Next release date: 12 November 2019.

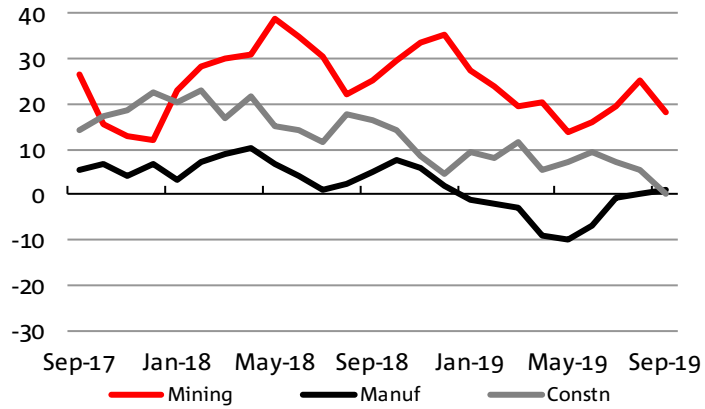
Contacts: Alan Oster – Chief Economist, Gareth Spence – Senior Economist

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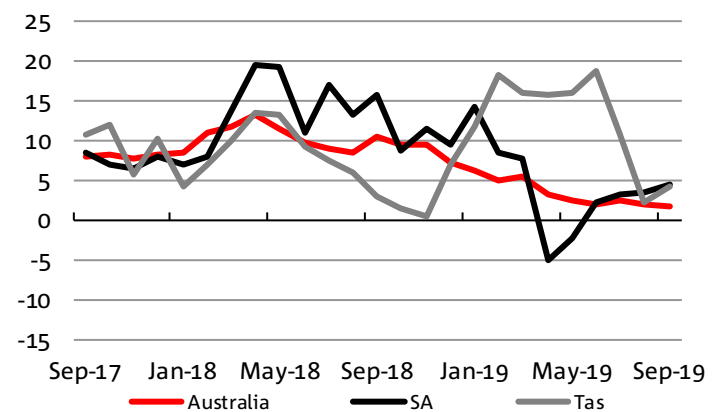
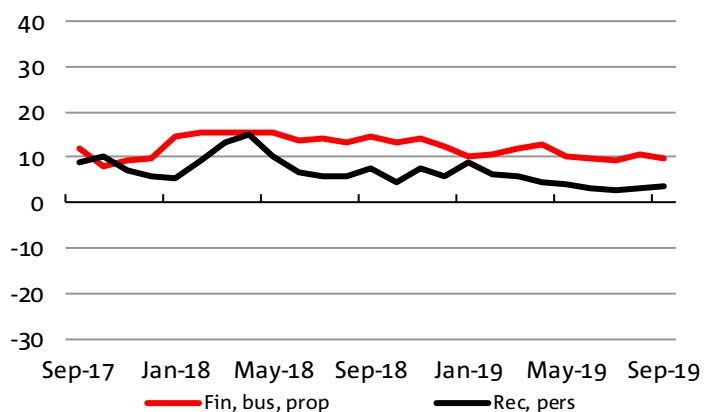
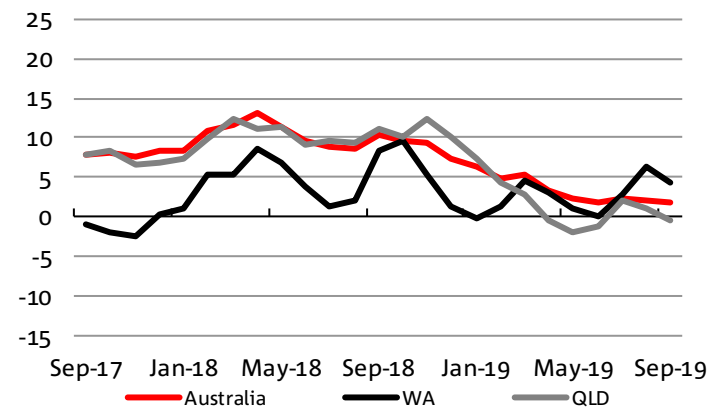
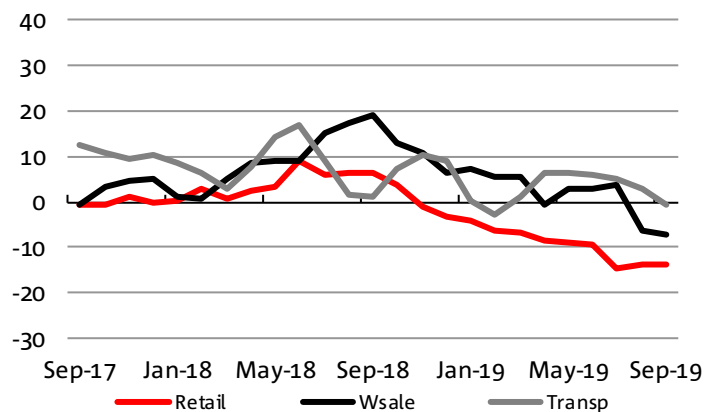
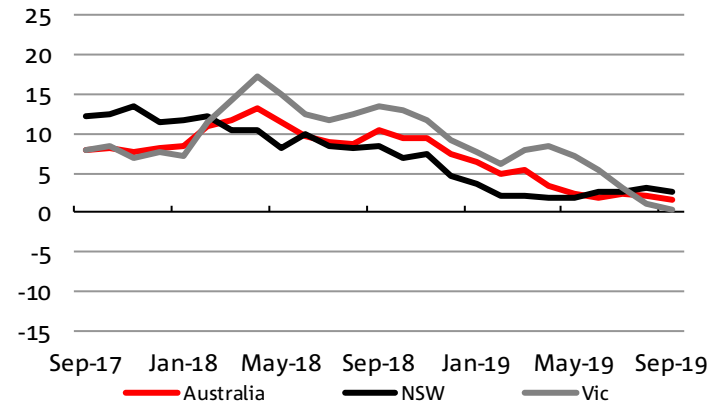
NAB MONTHLY BUSINESS SURVEY – SUBSCRIBER DETAILS

EMPLOYMENT

EMPLOYMENT BY INDUSTRY (NET BALANCE) – 3-MONTH MOVING AVERAGE



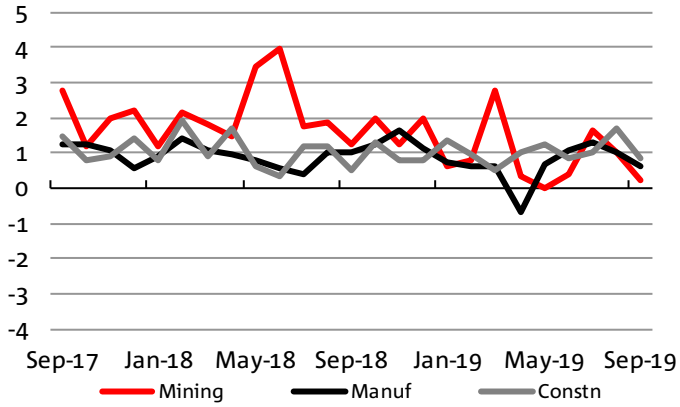
EMPLOYMENT BY STATE (NET BALANCE) – 3-MONTH MOVING AVERAGE



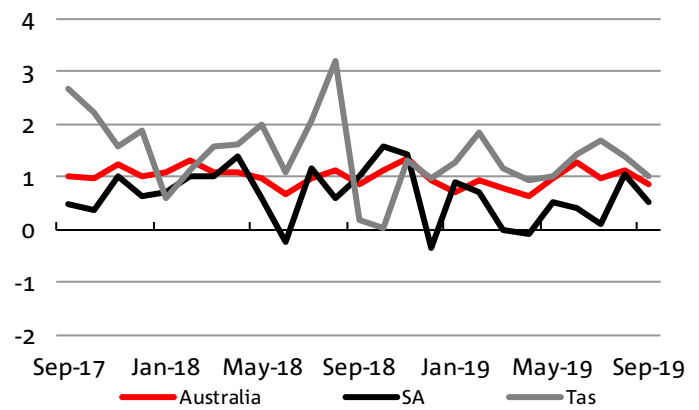
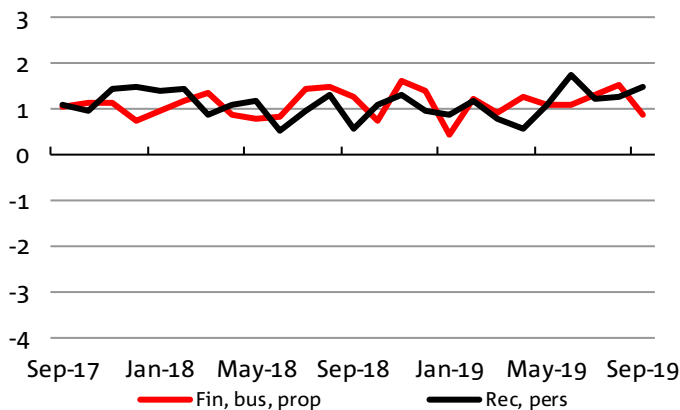
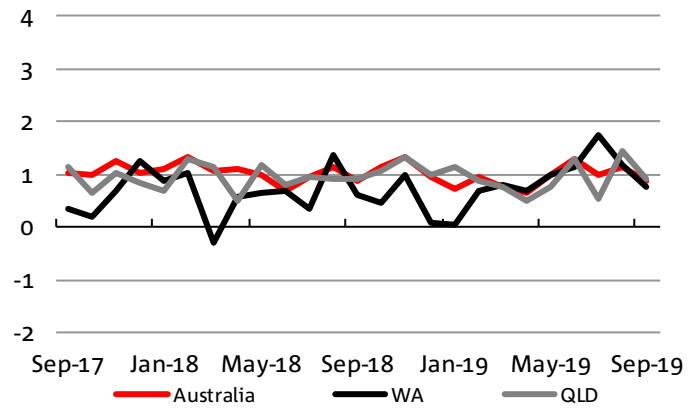
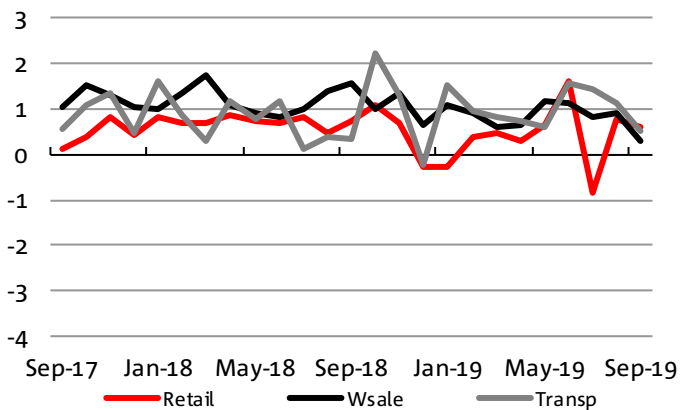
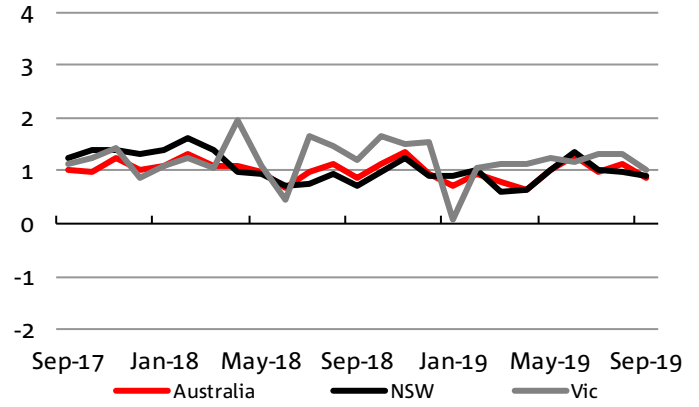
NAB MONTHLY BUSINESS SURVEY – SUBSCRIBER DETAILS

LABOUR COSTS

LABOUR COSTS BY INDUSTRY (PER CENT) –
% CHANGE AT A QUARTERLY RATE, SEASONALLY ADJUSTED



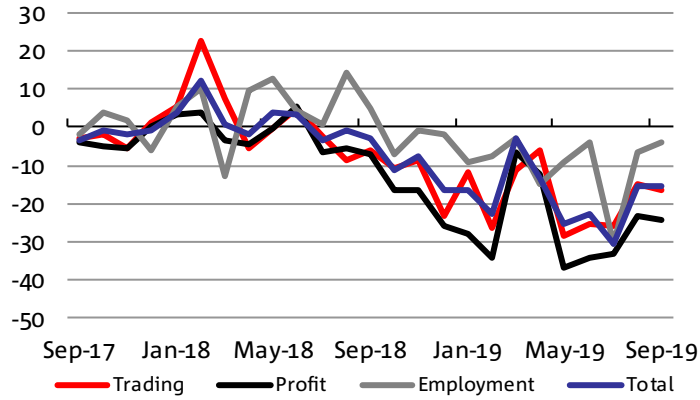
LABOUR COSTS BY STATE (PER CENT) –
% CHANGE AT A QUARTERLY RATE, SEASONALLY ADJUSTED



NAB MONTHLY BUSINESS SURVEY – SUBSCRIBER DETAILS

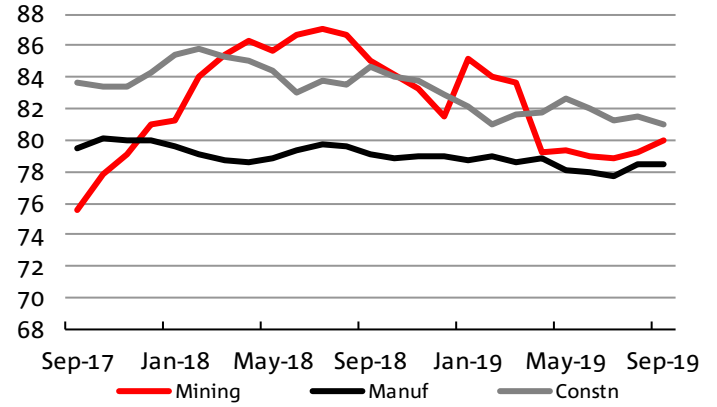
RETAIL FOCUS

RETAIL CONDITIONS BY COMPONENT – (NET BALANCE)

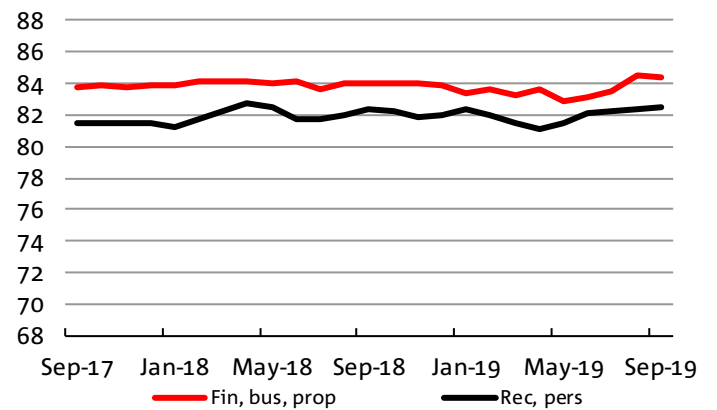
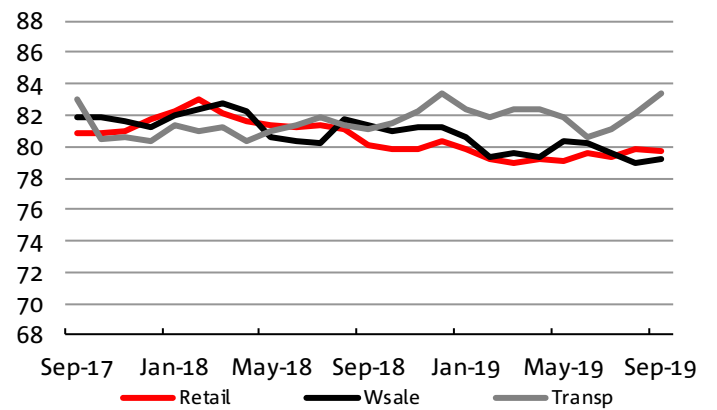
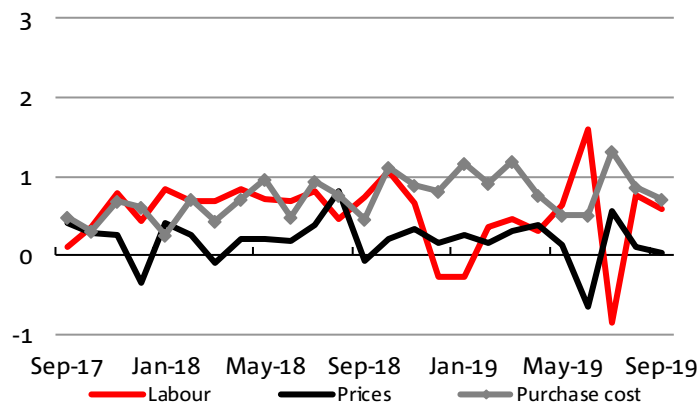


CAPACITY UTILISATION

CAPACITY UTILISATION BY INDUSTRY (PER CENT) – 3 MONTH MOVING AVERAGE



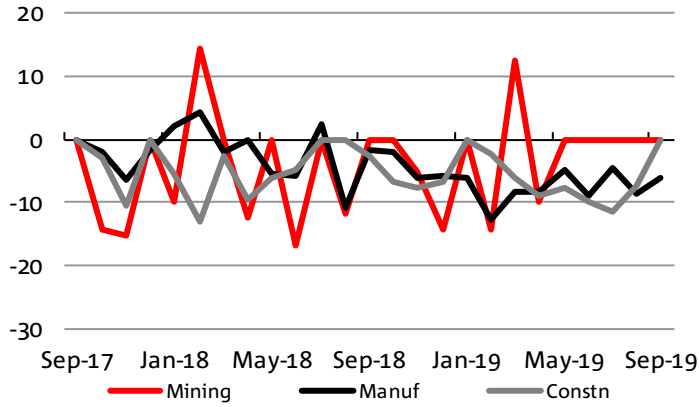
RETAIL COSTS & PRICES – PERCENTAGE CHANGE AT A QUARTERLY RATE



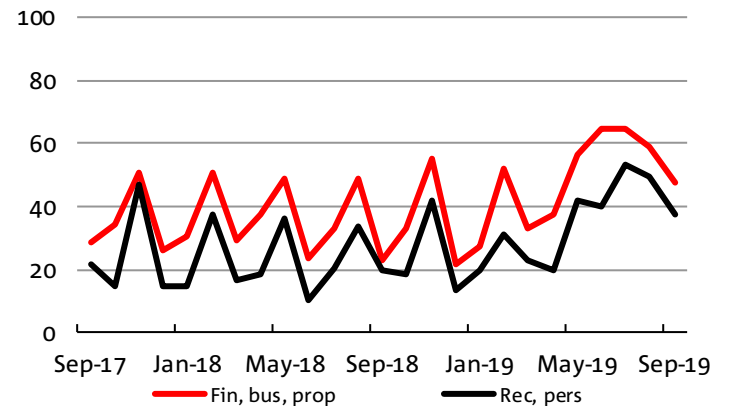
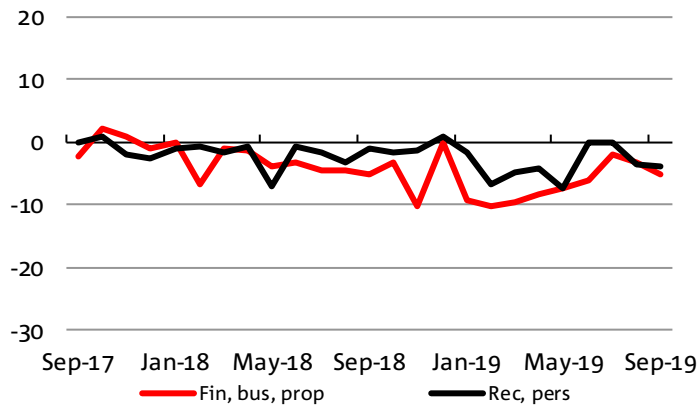
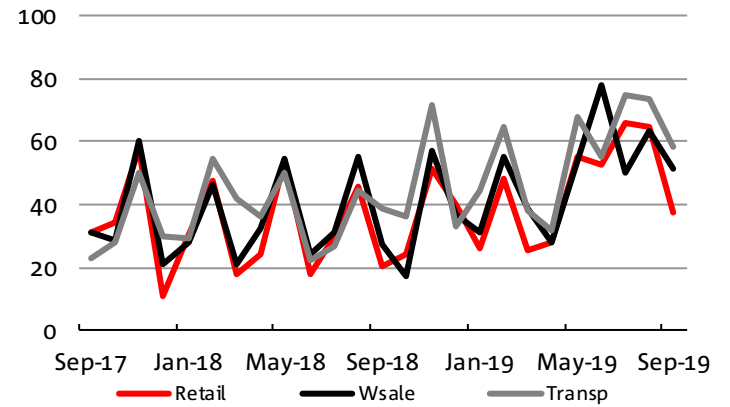
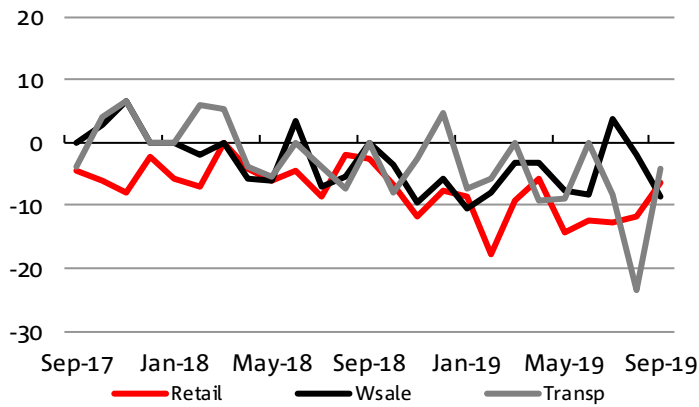
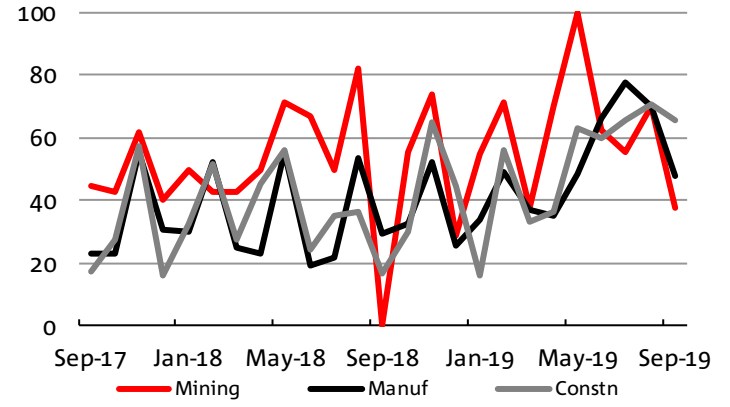
NAB MONTHLY BUSINESS SURVEY – SUBSCRIBER DETAILS

CREDIT DEMAND & AVAILABILITY

EASE OF BORROWING INDEX BY INDUSTRY (% OF FIRMS) – EASIER SUBTRACT MORE DIFFICULT



DEMAND FOR CREDIT BY INDUSTRY (% OF FIRMS) – BORROWING REQUIRED IN MONTH



NAB MONTHLY BUSINESS SURVEY – SUBSCRIBER DETAILS

STATE DETAILED TABLE

Sep-2019

Monthly Business Survey Data: By State

	NSW	VIC	QLD	South Aust.	Western Aust.	Tasmania	Australia
Bus. conf.: current	1	-3	-5	0	14	-4	0
Bus. conf.: previous	1	3	-2	0	4	-3	1
Bus. conf.: change	0	-6	-3	0	10	-1	-1
Bus. conf. trend: current	3	0	-3	2	8	2	2
Bus. conf. trend: previous	4	2	0	2	4	0	2
Bus. conf. trend: change	-1	-2	-3	0	4	2	0
Bus. conds: current	9	-1	0	2	-5	-8	2
Bus. conds: previous	2	-3	1	-1	10	0	1
Bus. conds: change	7	2	-1	3	-15	-8	1
Bus. conds trend: current	4	-1	1	1	6	-4	2
Bus. conds trend: previous	2	1	3	1	8	5	2
Bus. conds trend: change	2	-2	-2	0	-2	-9	0

FORWARD INDICATORS DETAILED TABLE

	Jul-19	Aug-19	Sep-19		Jul-19	Aug-19	Sep-19
Employment				Price of final products			
Much less	1	0	0	3% or more	5	4	2
Less	12	12	9	2% to less than 3%	5	5	1
Unchanged	73	72	75	1.5% to less than 2%	2	4	1
More	13	15	16	1% to less than 1.5%	1	4	1
Much more	1	1	0	0.5% to less than 1%	1	3	1
Index	0	4	6	Less than 0.5%	2	2	0
Forward orders				No change	77	65	87
Much less	1	1	2	Less than -0.5%	2	1	1
Less	15	15	12	-0.5% to less than -1%	1	2	1
Unchanged	42	37	35	-1% to less than -1.5%	1	1	1
More	11	12	14	-1.5% to less than -2%	1	2	0
Much more	0	1	0	-2% to less than -3%	0	2	2
Not applicable	31	35	37	-3% or more	1	3	0
Index	-4	-3	0	Average (%)*	0.3	0.2	0.1
Stocks				Current output level			
Much less	1	0	0	Full capacity	11	14	15
Less	12	10	9	90% of full capacity	29	27	27
Unchanged	43	40	40	80% of full capacity	29	30	29
More	9	12	12	70% of full capacity	17	17	16
Much more	0	1	1	60% of full capacity	8	5	5
Not applicable	36	37	38	Below 60%	4	3	3
Index	-3	3	4	No response	4	3	3
				Capacity utilisation rate	80.6	82.0	82.3

Figures are expressed as quarterly percentage changes.

See Quarterly Business Survey for technical data and definitions. All data in original terms. Seasonally adjusted data are available by direct subscription and/or external data providers (such as Bloomberg, Thomson Reuters & Ecwin).

NAB MONTHLY BUSINESS SURVEY – SUBSCRIBER DETAILS

MORE DETAILED TABLES

	Jul-19	Aug-19	Sep-19		Jul-19	Aug-19	Sep-19
	%	%	%		%	%	%
Business confidence for next period				Total labour costs			
Significant improvement	1	1	1	3% or more	12	15	3
Minor improvement	29	22	20	2% to less than 3%	16	14	3
No change	54	54	61	1.5% to less than 2%	6	8	2
Minor deterioration	13	21	14	1% to less than 1.5%	5	6	3
Significant deterioration	2	1	3	0.5% to less than 1%	4	5	3
Index	6	0	2	Less than 0.5%	2	2	2
Business conditions				Purchase costs			
Very poor	2	2	1	No change	48	45	79
Poor	16	18	16	Less than -0.5%	0	1	1
Satisfactory	60	59	61	-0.5% to less than -1%	1	1	0
Good	19	18	18	-1% to less than -1.5%	2	0	0
Very good	2	3	4	-1.5% to less than -2%	0	0	0
Index	3	1	4	-2% to less than -3%	2	1	1
				Average (%)#			
				0.9			
				1.1			
				0.3			
Trading				Average (%)#			
Very poor	3	2	1	0.4			
Poor	16	20	18	0.5			
Satisfactory	56	54	56	0.3			
Good	22	21	18				
Very good	4	3	6				
Index	8	3	5				
Profitability							
Very poor	3	3	2				
Poor	19	23	21				
Satisfactory	53	52	53				
Good	21	19	19				
Very good	2	3	5				
Index	1	-3	1				

Figures are expressed as quarterly percentage changes.

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CONTACTS

Alan Oster, Group Chief Economist

Alan.Oster@nab.com.au

+613 8634 2927

Gareth Spence, Senior Economist

gareth.spence@nab.com.au

+61 0 436 606 175

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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*

Business Confidence	Margins (current, next 3 mth)
Business Conditions (current, next 3 mth, next 12 mth)	Overheads (current, next 3 mth)
Trading conditions (current, next 3 mth, next 12 mth)	Productivity growth
Profitability (current, next 3 mth, next 12 mth)	Number of employees
Employment (current, next 3 mth, next 12 mth)	Hours worked
Forward orders (current, next 3 mth)	Gross Sales
Stocks (current, next 3 mth)	Output/sales growth (current fiscal year)
Export orders (current, next 3 mth)	Average earnings (current fiscal year)
Capital expenditure (current, next 3 mth, next 12 mth, fiscal year)	Short term interest rate
Required rate of return on investment	Exporters hedged FX exposure (%)
Cash flow	Importers hedged FX exposure (%)
Labour costs (current, next 3 mth)	Months hedged (exporters)
Purchase costs (current, next 3 mth)	Months hedged (importers)
Final prices (current, next 3 mth)	Favourable hedge position (% of exporters)
Capacity Utilisation	Favourable hedge position (% of importers)
Borrowing index (current, next 3 mth)	Affected vs not affected by AUD
	Response to AUD (downsized, reduced, overheads, hedging, import substitution, focus on domestic market, other, don't know)
Borrowing demand (current, next 3 mth)	Driver of trading conditions (demand, wages/jobs, house prices, rates, exchange rate, tax/govt policy, seasonal, finance/working capital, company specific, other)
Constraints on output (demand, labour, materials, premises & plant, finance/working capital)	What will improve confidence (lower rates, more suitable labour, easier funding, government policy, higher demand, higher AUD, lower AUD, easier compliance, other)
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)	
<i>All series available on an industry basis for:</i>	
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)	
<i>All series available on a state basis for:</i>	
New South Wales	
Victoria	
Queensland,	
WA	
SA/NT	
Tasmania	

*Data available in original, seasonally adjusted and trend terms.