

EMBARGOED UNTIL: 11:30AM AEDT, 12 OCTOBER 2021

NAB MONTHLY BUSINESS SURVEY SEPTEMBER 2021

CONFIDENCE REBOUNDS ON THE BACK OF ROADMAPS, VACCINATION

NAB Australian Economics



Key messages: Business confidence rebounded strongly in September to be well above its long-run average, after falling well into negative territory in prior months. The improvement was driven by large shifts in confidence in NSW and Victoria following the announcement of reopening roadmaps in these states as well as rising vaccination rates across the country. Recreation & personal services, wholesale trade, and retail – some of the sectors worst affected by lockdowns – all saw a significant confidence boost, as did construction. Still, confidence generally reflects hope rather than reality and the prospect of full reopening remains in the future. Current business conditions deteriorated significantly across all states, particularly NSW and Victoria, as lockdowns and disruptions continued to weigh on activity (though in level terms conditions remained reasonable). In addition, capacity utilisation sank further, to 78.4 percent, and forward orders softened and turned negative. Overall, the economy has shown considerable resilience through the most recent round of lockdowns – supported by policy and adaptations learned through past lockdown experiences – but this resilience may be wearing thin. Firms are now focused on the promise of a rebound in activity when vaccination targets are met and restrictions are lifted in October and November. A strong rebound remains likely, although questions remain around consumer behaviour and policy settings as the country shifts to ‘living with COVID’.

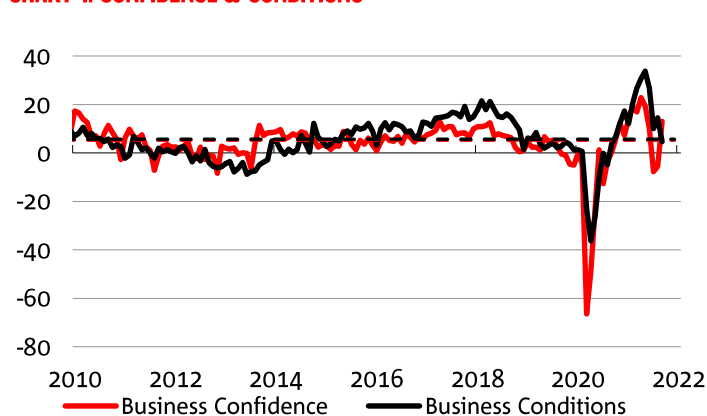
HIGHLIGHTS

- **How confident are businesses?** Confidence rose 19pts to +13 index points, returning to strongly positive territory.
- **How did business conditions fare?** Conditions fell 10pts to +5 index points in September, and are now just below average after holding up reasonably well through the prior months of lockdowns.
- **What components contributed to the result?** All components of conditions fell, with profitability (down 13pts to +2 index points) and employment (down 7pts to +1 index point). Trading conditions fell by a similar magnitude (9pts) but continue to hold up best, at +10 index points.
- **Which industries are driving conditions?** Conditions were lower across all industries except transport & utilities (which rebounded 27pts) and retail (up 1pt). The falls were largest in the mining sector (down 52pts, albeit from record highs), while recreation & personal services also fell heavily, turning negative in trend terms.
- **Which industries are most confident?** The rebound in confidence was led by wholesale trade and recreation & personal services (although the latter remained negative in trend terms). Most other sectors also saw strong improvements in confidence, although the mining sector saw confidence fall. Still, confidence remained strongest in mining and construction in trend terms, with low or negative levels recorded in other sectors.
- **Where are we seeing the best conditions by state?** Conditions deteriorated across all states in September but were still in positive territory everywhere in trend terms. The falls were steepest in NSW, SA, and Victoria.
- **What is confidence like across the states?** The rebound in confidence was largely driven by NSW, where confidence soared 42pts, as well as Victoria (up 16pts). Still, in trend terms the level of confidence remained low or slightly negative across all states, with Tasmania, WA, and SA strongest.
- **Are leading indicators suggesting improvement?** Capacity utilization also continued to deteriorate in September, down to 78.4 percent. Forward orders also fell back, to -1 index points, after rising in August, and capital expenditure was lower.
- **What does the survey suggest about inflation?** Price indicators remained relatively high, with purchase costs growth edging up and final product price inflation remaining steady. Growth in labour costs, however, declined after rising in August.

TABLE 1: KEY STATISTICS

	Jul-21	Aug-21	Sep-21
Net balance			
Business confidence	-8	-6	13
Business conditions	10	14	5
Trading	12	20	10
Profitability	6	15	2
Employment	11	9	1
Forward orders	-6	6	-1
Stocks	4	0	0
Exports	-2	-1	-2
% change at quarterly rate			
Labour costs	0.9	1.2	0.7
Purchase costs	1.9	1.8	1.9
Final products prices	1.1	1.1	1.1
Retail prices	1.3	1.2	2.0
Per cent			
Capacity utilisation rate	81.2	80.1	78.4

CHART 1: CONFIDENCE & CONDITIONS



* Dotted lines are long-run averages since Mar-97.

All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 17 to 30 September 2021, covering over 500 firms across the non-farm business sector.

Next release date: 9 November 2021.

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

HOPE AND HARDSHIP AS LOCKDOWNS COME AND GO

- Confidence and conditions moved in opposite directions in September, reflecting the contrast between the hope offered by states' reopening roadmaps and the ongoing hardship of lockdowns in major states.
- This pattern isn't entirely new. Over the past 18 months of disruptions, confidence has tended to react quickly and sharply to new developments in the pandemic – plunging when new lockdowns are set to be imposed and rising quickly in advance of reopening. Conditions, by contrast, have generally deteriorated more steadily when restrictions are applied and risen only after they ease.
- Looking at Victoria and NSW – the two states most affected by lockdowns – shows this pattern clearly. In seasonally adjusted terms, confidence fell dramatically in March 2020 but began to rise again the next month. Conditions, on the other hand, continued to deteriorate in April and only began to improve as restrictions started to ease in May.
- The same pattern repeated through Victoria's second lockdown and the period of restrictions in NSW over Christmas-New Year, with confidence leading conditions on the way down and the way up.
- As the delta variant began to spread in both states in June and July 2021, confidence fell again as businesses anticipated the health measures that would follow. The deterioration in conditions has been slower and more sustained, continuing in September even as confidence appears to have turned a corner.
- This pattern is also evident from an industry perspective. Confidence among recreation & personal services businesses – the sector most severely impacted by lockdowns – has reacted sharply to new outbreaks and lockdown announcements in major states but generally rebounded quickly in advance of reopening despite conditions remaining depressed.
- In September, recreation and personal services were no exception to the wider confidence rebound – in fact, the sector saw confidence improve 26pts, behind only wholesale trade in terms of improvement.
- Of course, confidence is not a foolproof predictor of the future. Still, the September confidence rebound suggests that businesses see the announced reopening roadmaps as sufficient to allow a substantial improvement in conditions in October and November.
- The pace and magnitude of the rebound in conditions remains uncertain. In particular, how consumer behaviour adjusts as states reopen with COVID present in the community – albeit a highly vaccinated community – remains unclear, while the specific rules around check-ins, exposure sites, and isolation requirements may also be critical to how quickly shoppers, drinkers, and diners return.

CHART 2: VIC CONFIDENCE AND CONDITIONS (NET BAL., SA)

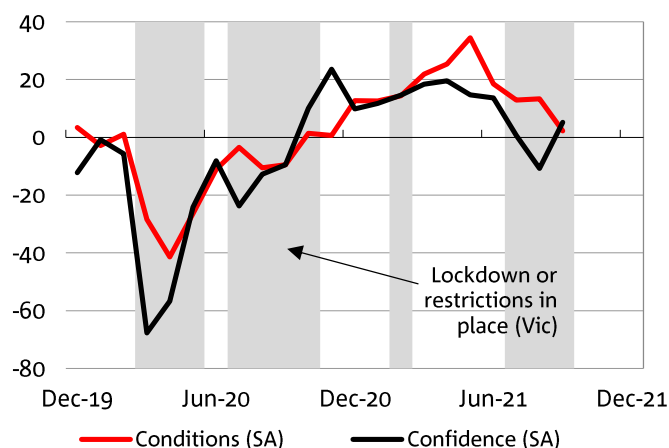


CHART 3: NSW CONFIDENCE AND CONDITIONS (NET BAL., SA)

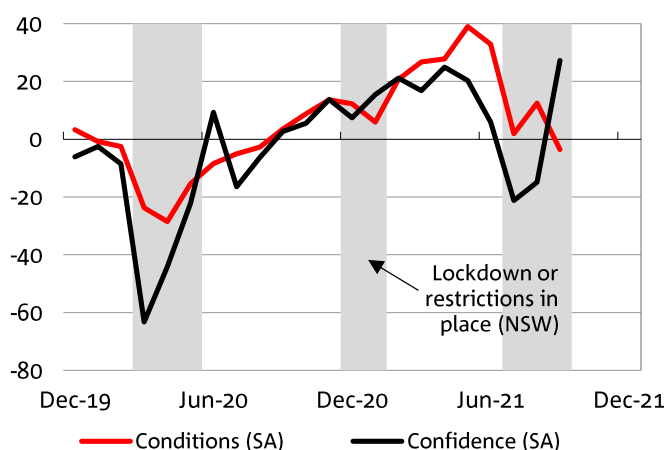
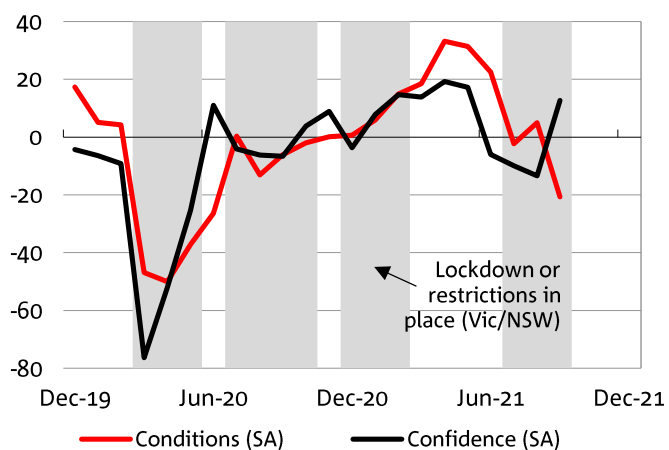


CHART 4: CONFIDENCE AND CONDITIONS, REC. & PERSONAL SERVICES (NET BAL., SA)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

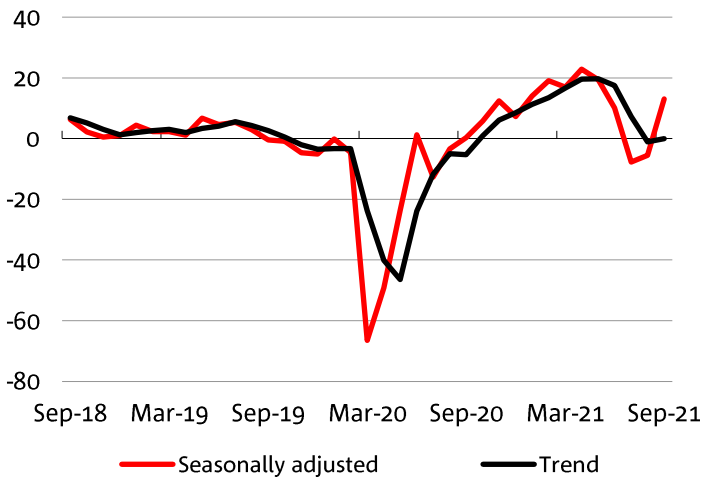


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

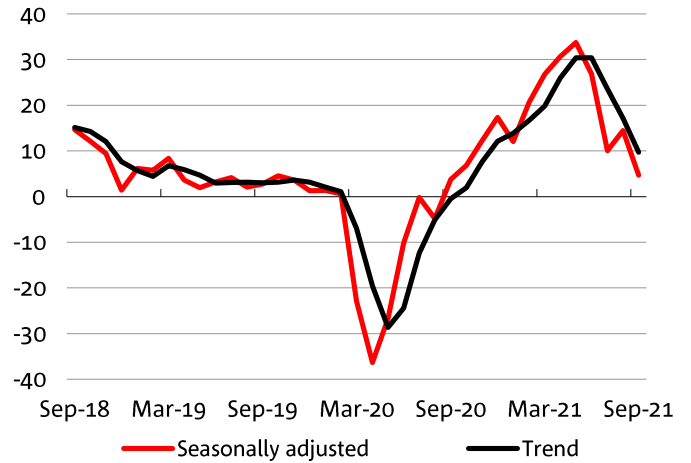


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

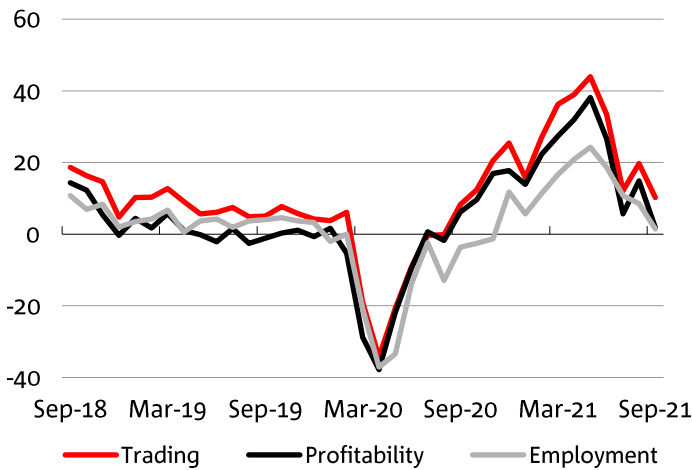


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

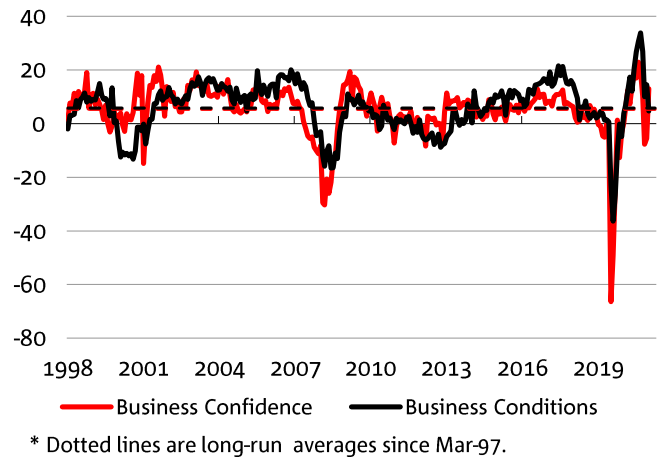


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

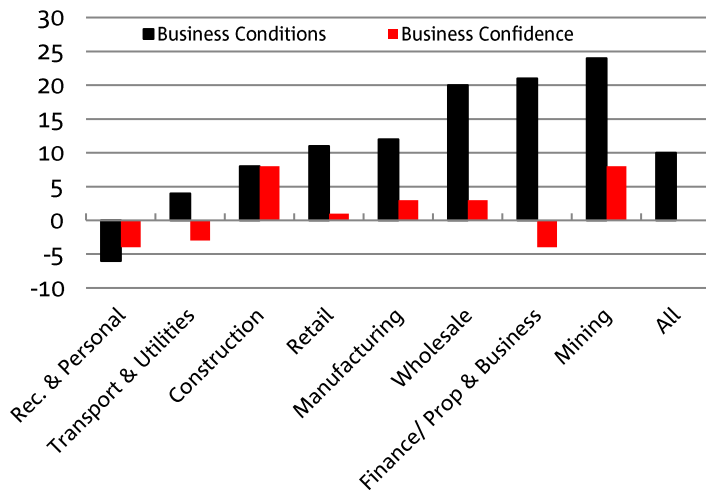
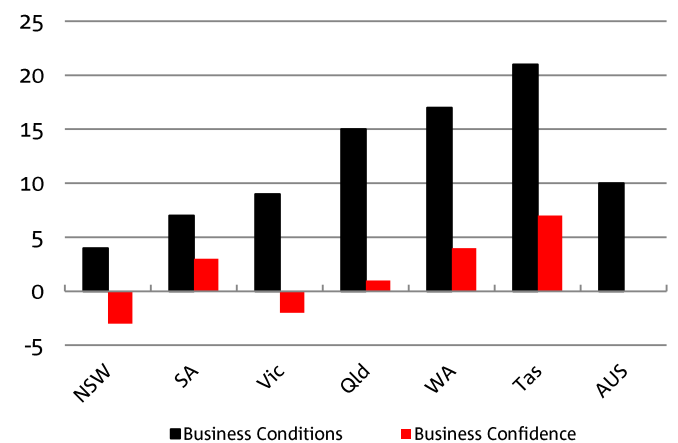


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

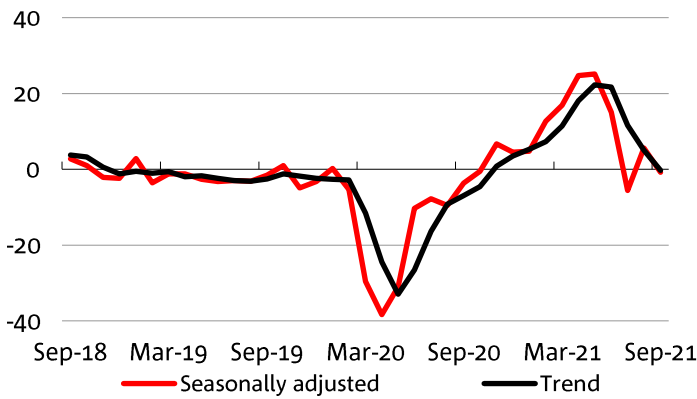


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

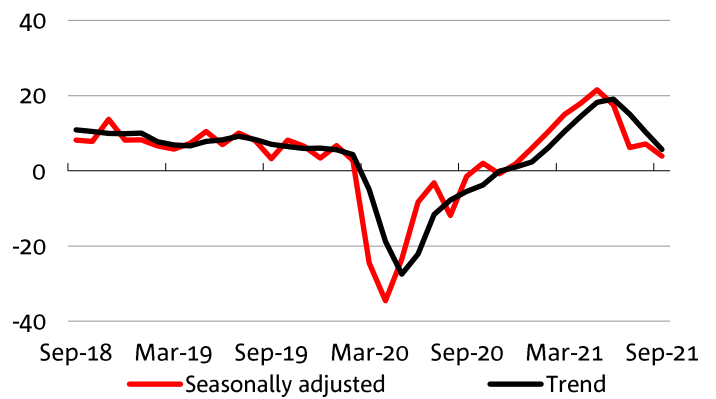


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

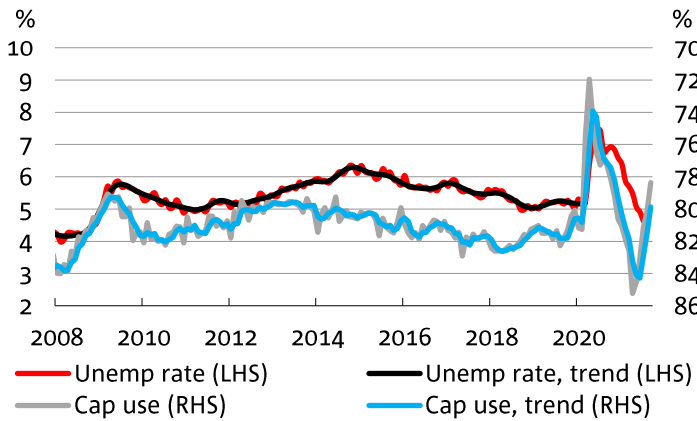


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

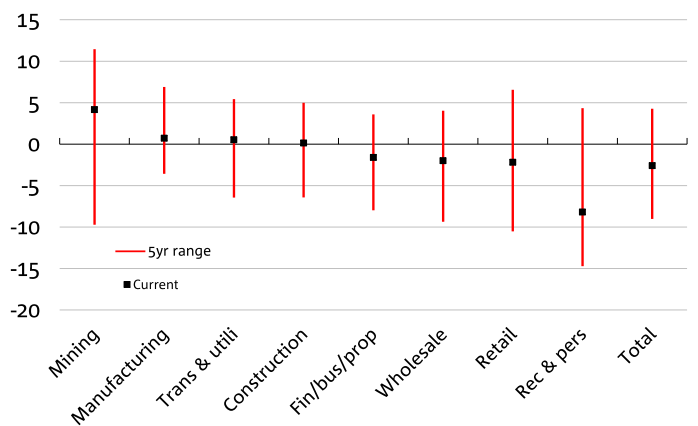


CHART 15: STOCKS (NET BALANCE)

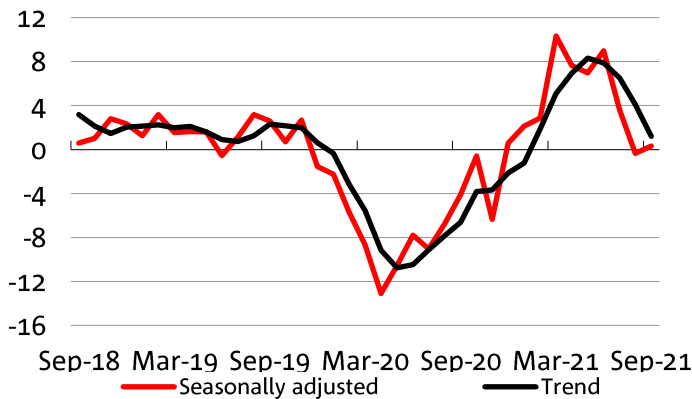


CHART 16: CASH FLOW (NET BALANCE)

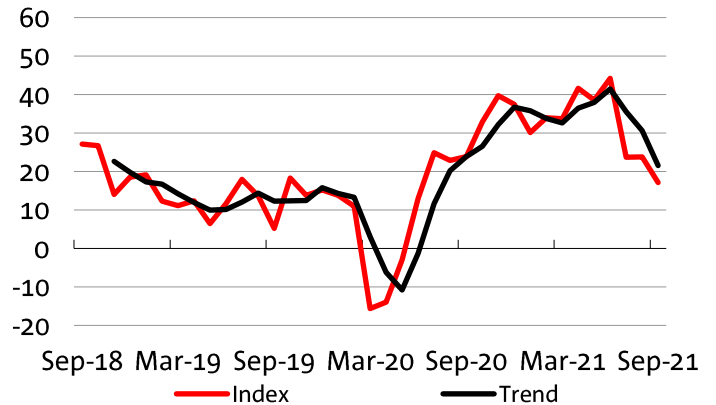


CHART 17: EXPORTS (NET BALANCE)

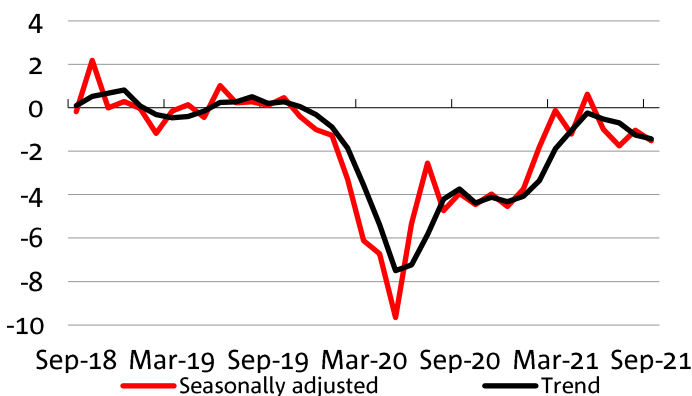
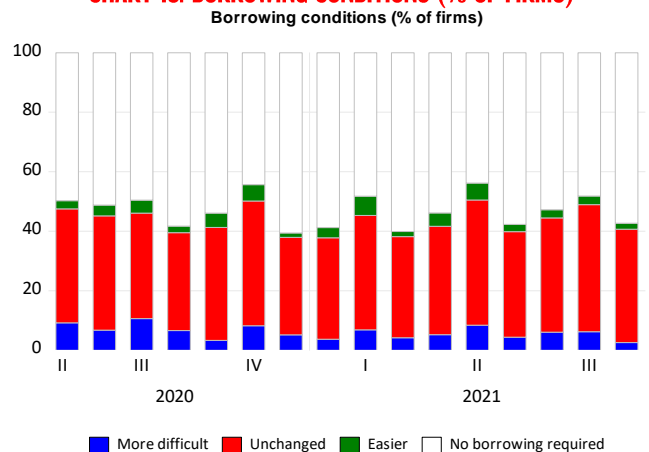


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

CHART 19: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

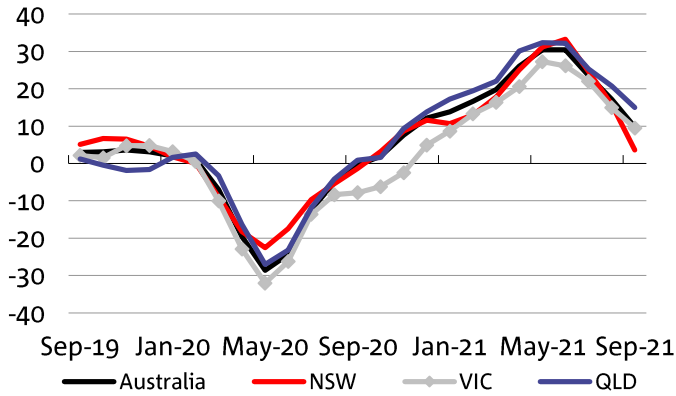


CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

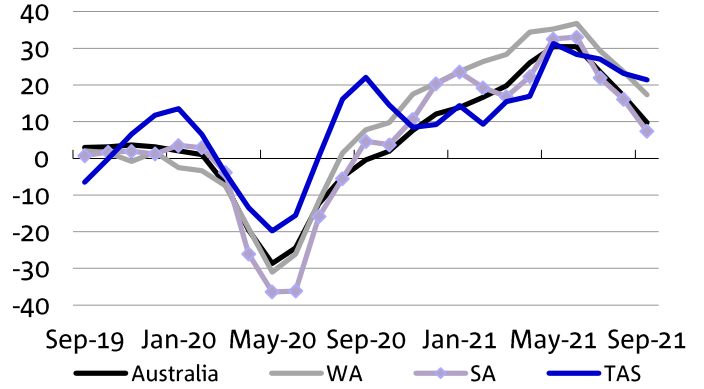


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

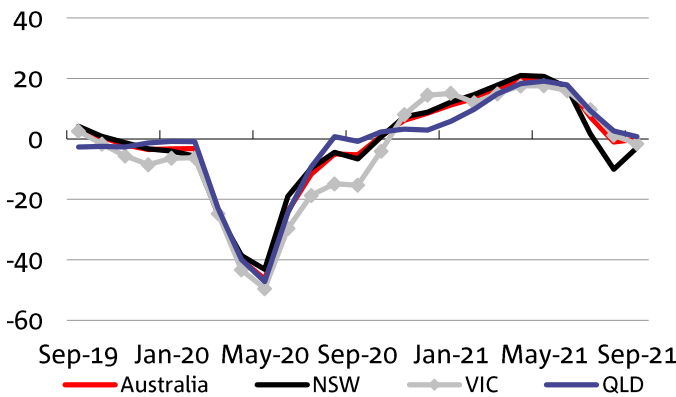


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

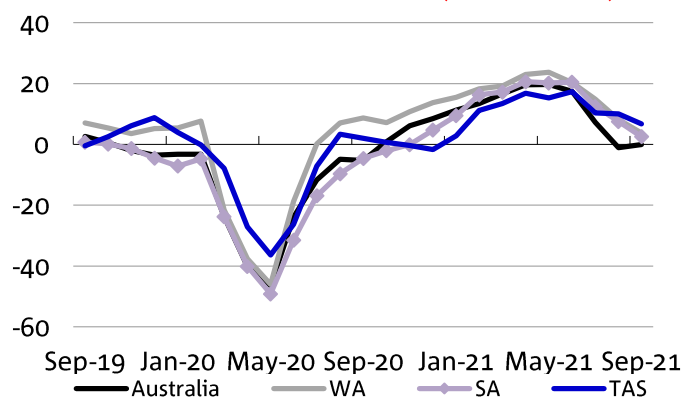


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

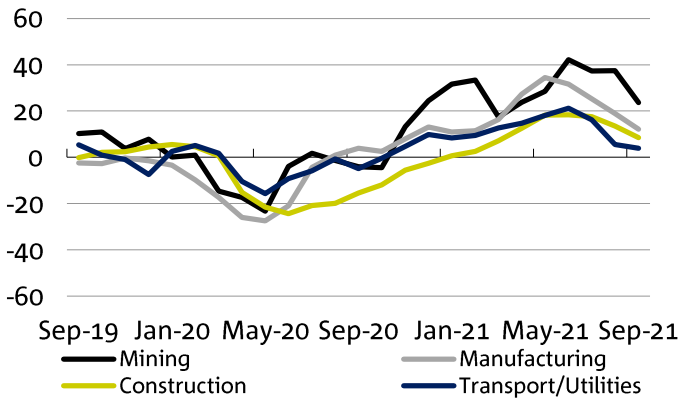


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

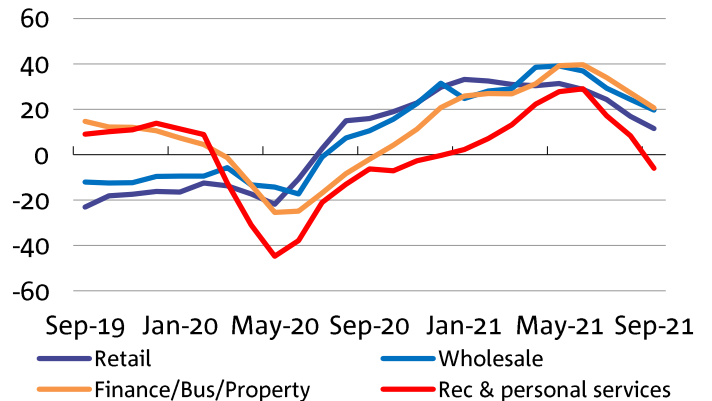


CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

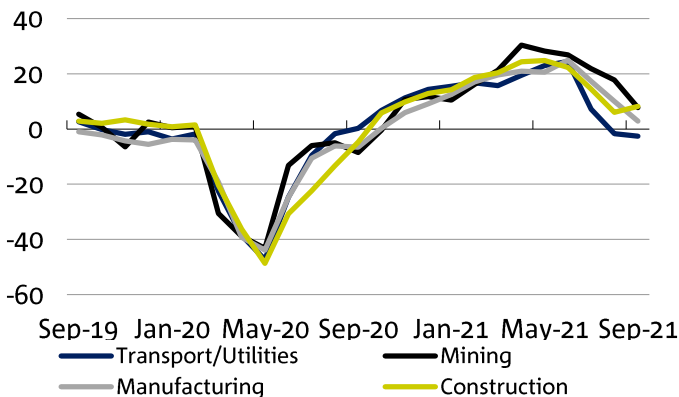
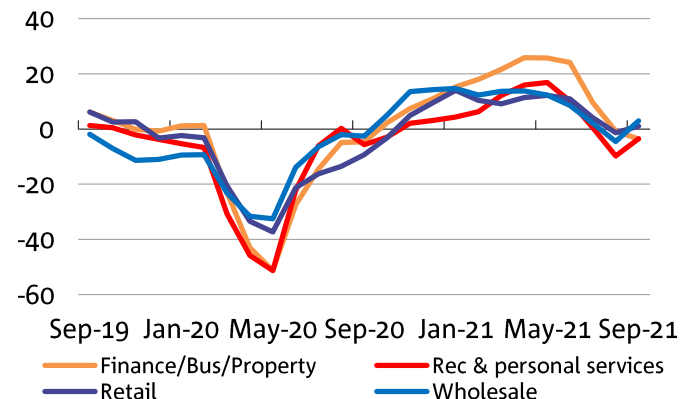


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 27: EMPLOYMENT

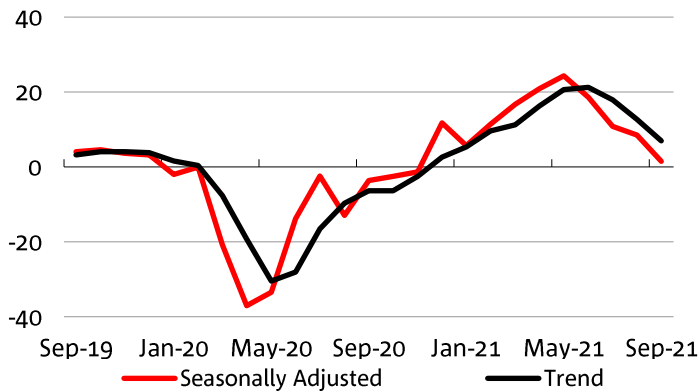


CHART 28: EMPLOYMENT (NAB VS ABS)

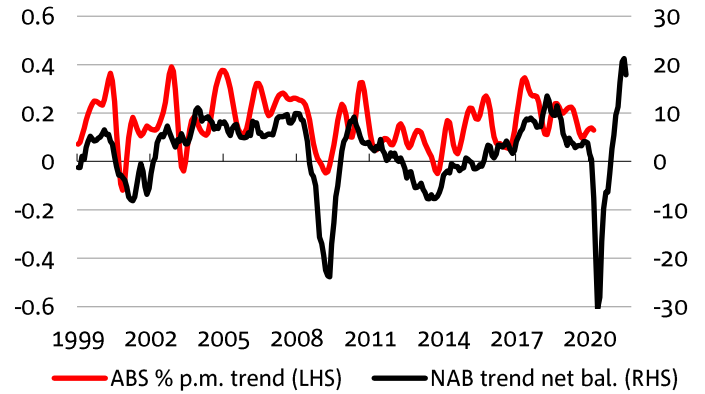


CHART 29: EMPLOYMENT BY INDUSTRY

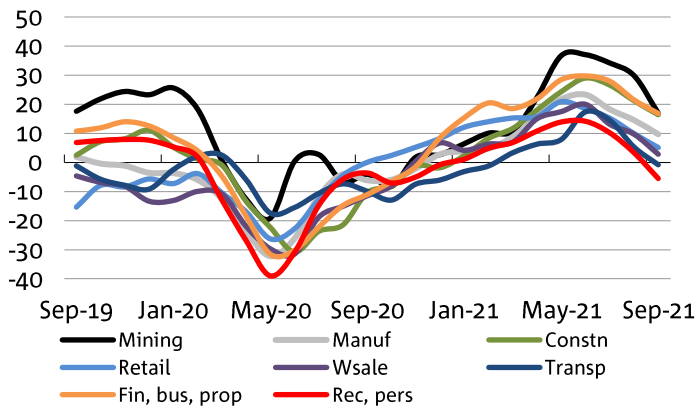


CHART 30: LABOUR COSTS GROWTH

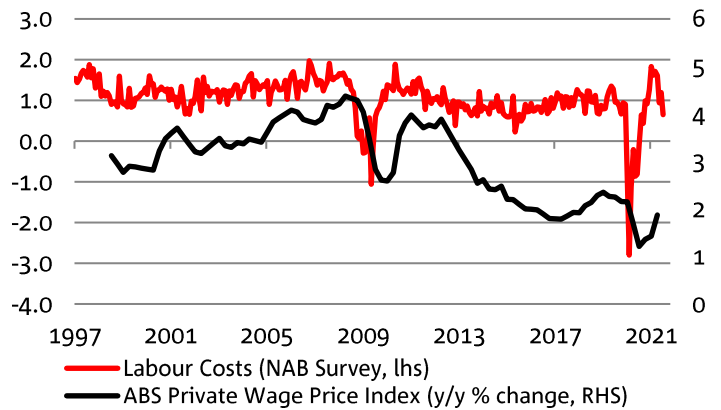


CHART 31: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

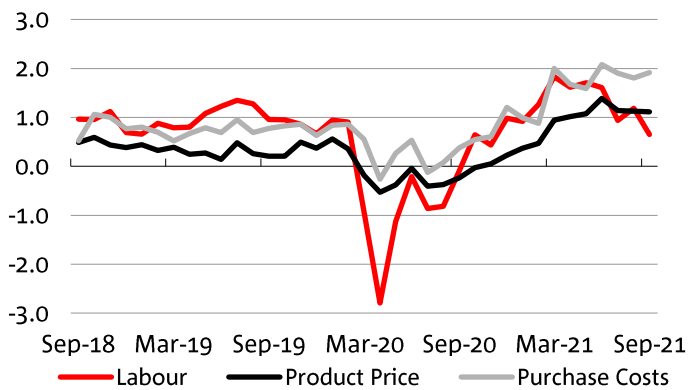
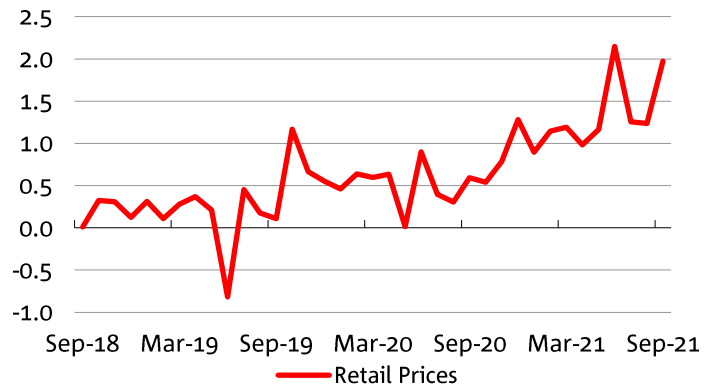


CHART 32: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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

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

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

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)