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22 December 2020

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB Response to the Committee's Request on COVID-19

Question:

In correspondence dated 2 April 2020, the committee requested that a written update (to be published on the committee's website) outlining the measures that NAB has taken in response to the COVID-19 pandemic be provided at the end of every month until its next hearing, which was held on 11 September 2020.

The committee now requests that written updates (to be published on the committee's website) outlining the measures that NAB has taken in response to the COVID-19 pandemic be provided at the end of every quarter, with the first update due at the end of Q4 2020.

Answer:

22 December 2020

This response provides NAB's update for the December quarter on actions in response to the COVID-19 pandemic.

On 18 December NAB held its Annual General Meeting and the Chairman Philip Chronican and Group CEO Ross McEwan addressed the meeting. Their addresses to the AGM can be found here – https://news.nab.com.au/news_room_posts/nab-annual-general-meeting-2020/

Overview

Throughout the course of the 2020, NAB has been focused on supporting customers impacted by COVID-19, while continuing to provide support to customers impacted by the 2019-20 bushfires. Specific support measures for customers have included:

- Pausing 130,000 loans for customers struggling to make payments after COVID-19 hit;
- Providing \$2.4 billion in lending to businesses every month since April;
- Adding more than 1000 extra roles to our frontline team to ensure that NAB could meet the demand for COVID-19 support for our customers;
- Giving \$3m in grants to provide immediate help to customers hit by bushfires; and
- Launching a new \$1.2m Community Grants scheme to support natural disaster preparation and recovery.

NAB Economics Data Insights (week ending 5 December)

The NAB Economics team is publishing on a fortnightly basis aggregated customer transaction data categorised by industry segment to provide insight into the segments of the economy which are most affected by the impacts of COVID-19.

The latest release of data was for the week ending 5 December. It found that spending was up 5.7% year-on-year for the week and was positive in all States. Hospitality spending also grew for the fifth consecutive week, after having fallen in each week from 21 March to 31 October (33 weeks straight).

While spending in Greater Melbourne and regional Victoria has rapidly recovered following the easing of restrictions, CBD spending data was less buoyant, particularly in sectors such as hospitality. For example, a year ago, spending on cafes, restaurants & takeaways in the CBD captured 21% of all Greater Melbourne’s spend in this sector but in the week ending 5 December, it was only 11%. Spending in Sydney’s CBD was also well down on last year.

The detailed report is attached.

Monthly business survey

In the November NAB Monthly Business Survey, the business confidence measure increased nine points to +12 while business conditions rose seven points to +9. Overall, both confidence and conditions are now above average, and in a stronger position than the period right before the pandemic. Victoria recorded an improvement in business confidence, but it was one of just two states (along with Tasmania) to report a deterioration in conditions.

The detailed report is attached.

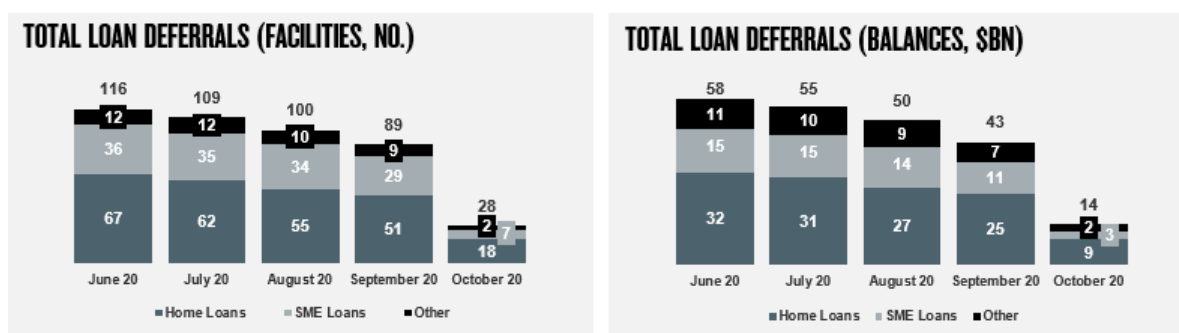
Ongoing support for customers

a) Loan deferrals

Key NAB data on temporary loan repayment deferrals as at 31 October 2020:

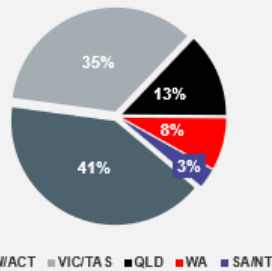
- Total loan deferrals (balances) of \$14bn, down from \$43bn in September and \$58bn in June.
- Home loan deferrals (balances) of \$9bn (3.4% of portfolio), down from \$25bn (9.6% of portfolio) in September and \$32bn (12.3% of portfolio) in June.
- SME loan deferrals (balances) of \$3bn (3.8% of portfolio), down from \$11bn (13.2% of portfolio) in September and \$15bn (17.6% of portfolio) in June.
- Total loan deferrals (no. of facilities) of 28,000, down from 89,000 in September and 116,000 in June.
- Home loan deferrals (no. of facilities) of 18,000 (2.4% of portfolio), down from 51,000 (6.8% of portfolio) in September and 67,000 (8.8% of portfolio) in June.
- SME loan deferrals (no. of facilities) of 7,000 (1.8% of portfolio), down from 29,000 (6.4% of portfolio) in September and 36,000 (8.0% of portfolio) in June.
- Expired or exited loan deferrals of \$29bn in the month of October.

NAB temporary loan repayment deferrals¹

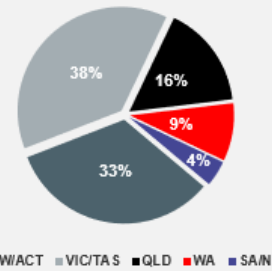


¹ COVID-19 temporary loan repayment data as reported to APRA with data categorised and reported on predominant loan purpose, which differs to a product-based categorisation used for the preparation of the Group’s financial results. SME lending defined as lending to clients with total loan facilities up to \$10m.

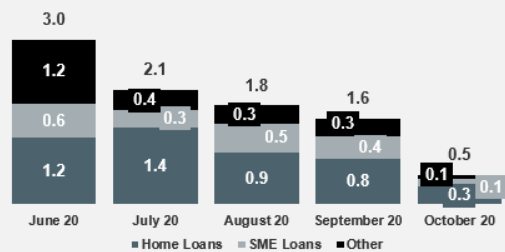
HOME LOAN DEFERRAL BALANCES BY STATE AS AT OCTOBER²



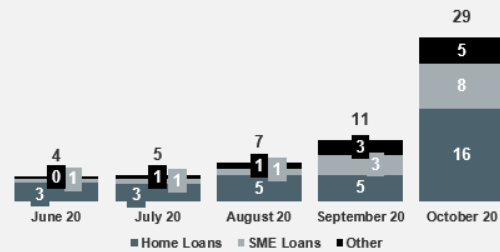
SME DEFERRAL BALANCES BY STATE AS AT OCTOBER²



TOTAL DEFERRALS NEW OR EXTENDED IN THE MONTH (BALANCES, \$BN)



TOTAL DEFERRALS EXPIRED OR EXITED IN MONTH (BALANCES, \$BN)



²Excludes loan deferrals that do not receive capital concession.

b) Approach to further customer support

NAB understands that some customers will need ongoing assistance and encourages customers who need support to contact NAB.

In early December, NAB CEO Ross McEwan sent a message of support to 4 million NAB customers (3,800,000 consumer customers and 200,000 business customers). The message outlined NAB's approach for any customers who are struggling to make loan repayments, and his expectations of how NAB will address the needs of these customers. It noted in particular his commitment that:

- Customers will be looked after fairly.
- NAB will consider the fact that loan payments aren't the only bill that needs paying.
- Customers get clear and simple information about the process and their options.
- Home foreclosure is absolutely a last resort.
- NAB gets customers to the other side in the best possible position.

c) SME Guarantee Scheme

NAB continues to be an active participant in the Federal Government's Coronavirus SME Guarantee Scheme. Under the first phase of the Government's scheme until 30 September, NAB approved more than 6,000 Business Support Loans, lending more than \$600m in total. Since 1 October, NAB is also offering loans of up to \$1 million under phase two of scheme. These loans can be used for a broader range of purposes such as business investment.

d) Show Starter

In December, NAB confirmed its participation in the Federal Government's Show Starter Loan Scheme. The scheme will offer a 100% Government guarantee on loans to the arts and the entertainment sector. Loans under the scheme are designed to help businesses in these sectors meet the costs of delivering or hosting a new arts or entertainment activity (such as an event or production) in the next 24 months. NAB will be focusing on supporting larger customers in these sectors under the scheme. NAB is currently developing a lending product to offer to customers under the scheme and intends to make this product available to customers in early 2021.

e) Support for first home buyers

NAB has seen a surge in first home buyer activity over the past three months, with buyers supported by historically low interest rates and government support, including the First Home Loan Deposit Scheme and HomeBuilder.

NAB data reveals regional areas and outer suburbs to be most in demand among first-time buyers as commute times become less of a factor in choosing a home location for many Australians. In the three months to 31 October, lending to first home buyers at NAB increased by 21 per cent against the 12-month average.

The growth in first home buyer lending has been across the country, although Victoria has had slower overall market activity due to its COVID-19 restrictions. However, even in Victoria a trend toward outer suburbs and regional areas has still emerged. The strongest growth among the States was seen in Queensland, with first home buyer activity up 39% during the three-month period. This was followed closely by WA (+37%), NSW/ACT (+31%) and SA/NT (+23%), while VIC/TAS had overall growth of 3%. Regional areas across the country recorded a 44% surge in first home buyer activity, with regional NSW the strongest (+57%).

Further information can be found here:

https://news.nab.com.au/news_room_posts/nab-reveals-first-home-buyer-hotspots-as-demand-surges/

f) Early Release Superannuation

As at 13 December, MLC's superannuation trustee has received 173,756 requests for early release payments, amounting to \$1.36 billion. Early access to superannuation has helped people dealing with tough times. However, it's only part of the picture. Superannuation is a long-term investment and sets people up for a comfortable and dignified retirement and over the last few months MLC has engaged with members to talk about how they can get their super savings back on track. Along with engagements with members through webinars and member consultations, MLC is also providing information on contribution strategies and has released a workbook about how customers can plan their finances in a changing world.

g) Regional and rural customers

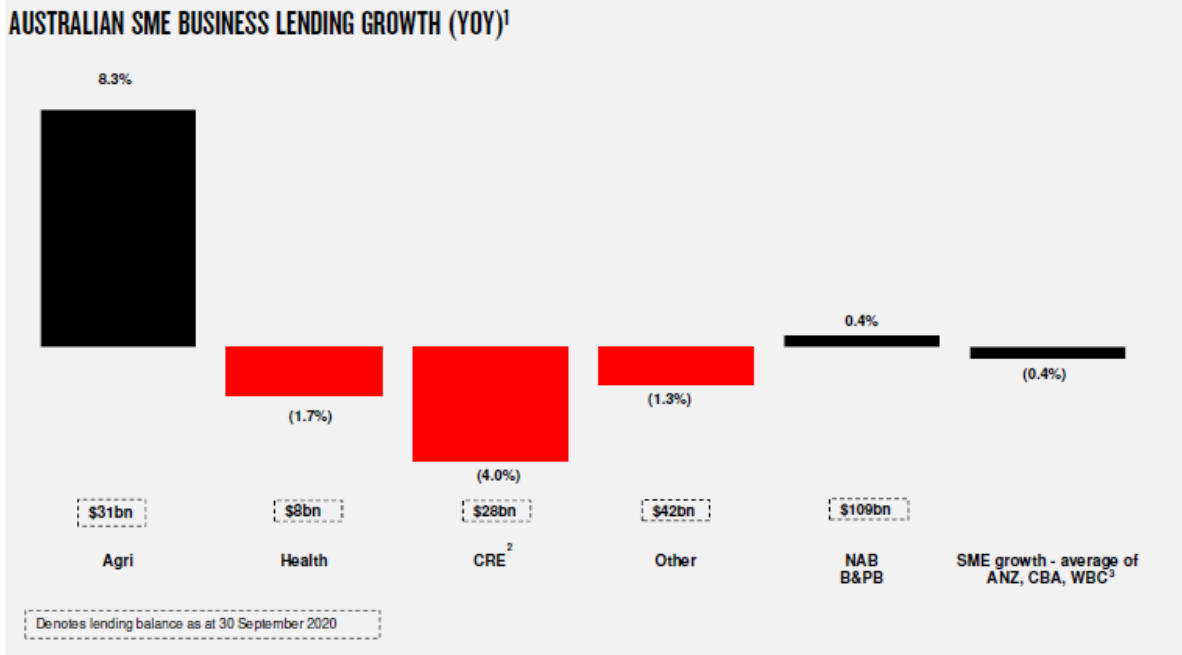
NAB CEO Ross McEwan undertook a three-day tour through regional Victoria in late November and was encouraged by the level of economic activity he observed and the feedback that he received from customers.

This experience was supported by data from NAB Economics which analysed tourism spending by Melbourne residents in regional Victoria. In the first two full weeks after travel from Melbourne to Victoria's regions was allowed (from 9 November), spending by Melbourne residents on accommodation, cafes, restaurants and takeaways, as well as pubs and bars in regional Victoria was well above the same period in 2019.

In the first full week following the easing of restrictions, spending in regional businesses on accommodation was up 22%, while spending at cafes, restaurants and takeaway was up 76%, and spending at pubs and bars up 39%, all compared to the same week in 2019. In the second week out of restrictions, accommodation was up 31%, cafes, restaurants and takeaways up 55% and pubs and bars up 27%, all compared to the same week in 2019.

As Australia's leading agribusiness bank, NAB's lending to Agribusiness grew 8.3% nationally in the 12-months to September 2020, the strongest segment in NAB's Business Banking division.

BUSINESS & PRIVATE BANKING – SME BUSINESS LENDING GROWTH



(1) Growth rates are on a customer segment basis and not industry
 (2) CRE primarily represents commercial real estate investment lending across a range of asset classes including Retail, Office, Industrial, Tourism and Leisure, and Residential
 (3) Represents NAB internal estimates of SME business lending growth for ANZ, CBA and WBC based on latest publicly available peer data



NAB ECONOMICS DATA INSIGHTS

IMPACTS OF CORONAVIRUS ON CONSUMPTION BASED SPENDING AND BUSINESS PAYMENT INFLOWS



NAB Group Economics

December 2020

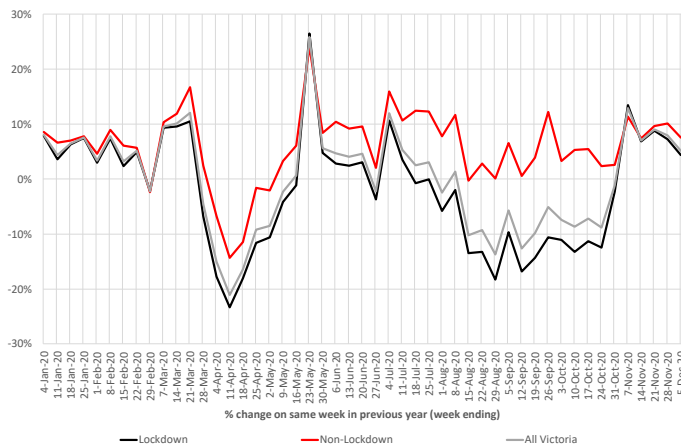
During these extraordinary times, NAB has taken the decision to publish aggregated customer data categorised by industry segment with the view to helping provide clarity around which segments of the economy have been most affected by the broader macroeconomic trends at play. NAB takes data privacy very seriously. All customer transaction data has been aggregated and no individual's data is specifically identified or analysed as part of this process. The data used in this report will not be sold or made publicly available, but insights from the data will be shared with the Australian people.

Slower spending growth this week, but still positive. Spending was up 5.7% y/y in the week ending December 5 (8.8% last week), and positive in all states, led by QLD and the NT. Hospitality spend also grew for the fifth consecutive week, after having fallen in each week from March 21 to October 31 (33 weeks straight).

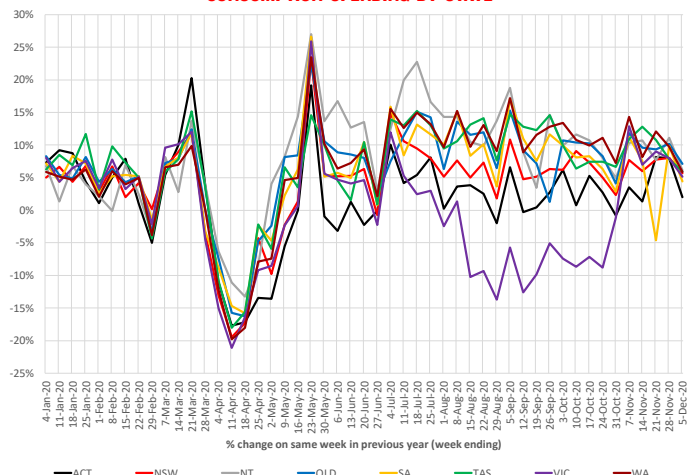
In this edition we take a closer look at how selected retail and hospitality spending in the CBDs of Melbourne and Sydney have fared this year. Unsurprisingly, Melbourne's CBD has seen big hits to spend this year. While spending in Greater Melbourne and regional Victoria has rapidly recovered, CBD data is much less buoyant, particularly in areas such as hospitality. For example, a year ago, cafes, restaurants & takeaways in the CBD captured 21% of all Greater Melbourne's spend in this sector. As of last week, it was only 11%. While Sydney avoided much of the second wave, spending in the Sydney CBD is also well down on last year. For more details see page 3.

Business inflows grew 7.7% in 6 week rolling y/y terms this week, with much of this again driven by Finance (Asset Management). Hospitality still struggling, but Arts & Rec, Retail and Transport (particularly Warehousing) out-performing.

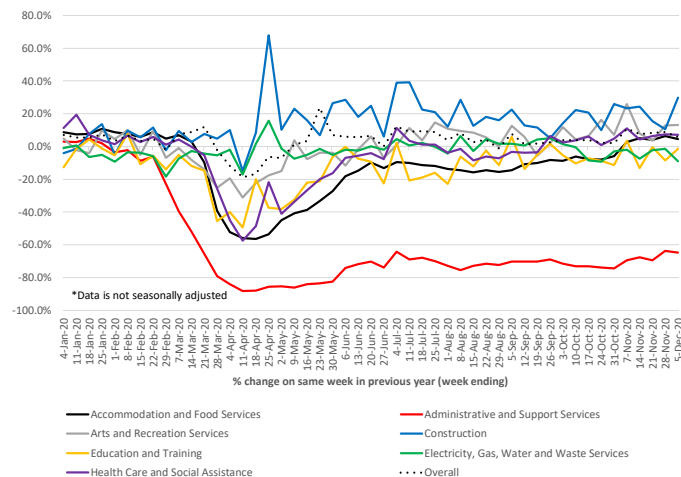
**CONSUMPTION SPENDING DATA: WEEKLY CHANGE (Y/Y)
VICTORIA - LOCKDOWN AREAS**



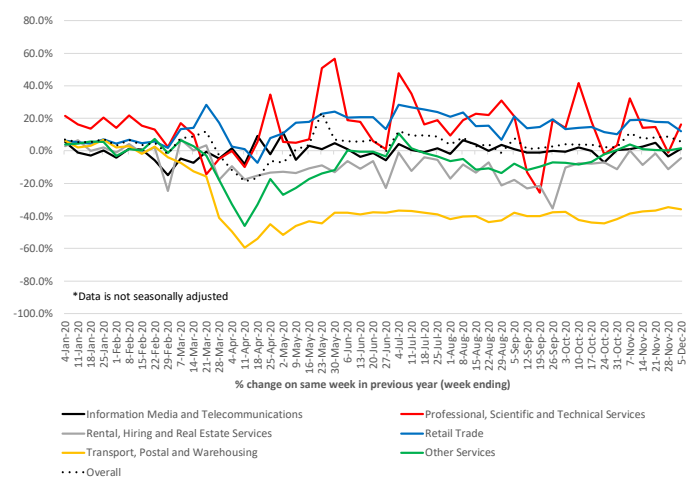
CONSUMPTION SPENDING BY STATE



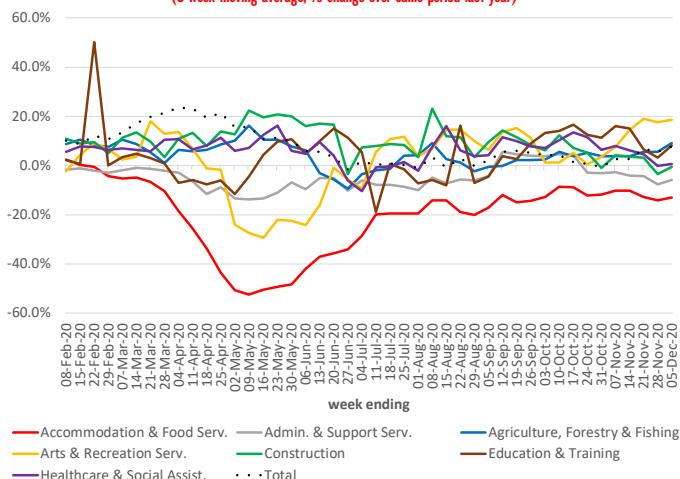
CONSUMPTION SPENDING: BY INDUSTRY



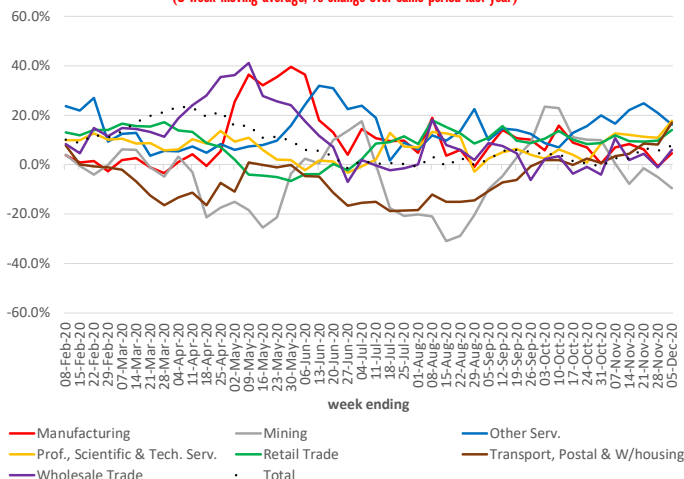
CONSUMPTION SPENDING: BY INDUSTRY



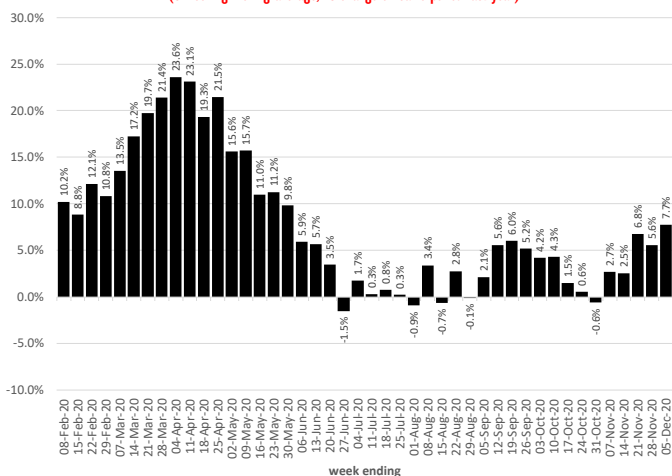
PAYMENT INFLOWS INTO NAB MERCHANTS
(6-week moving average, % change over same period last year)



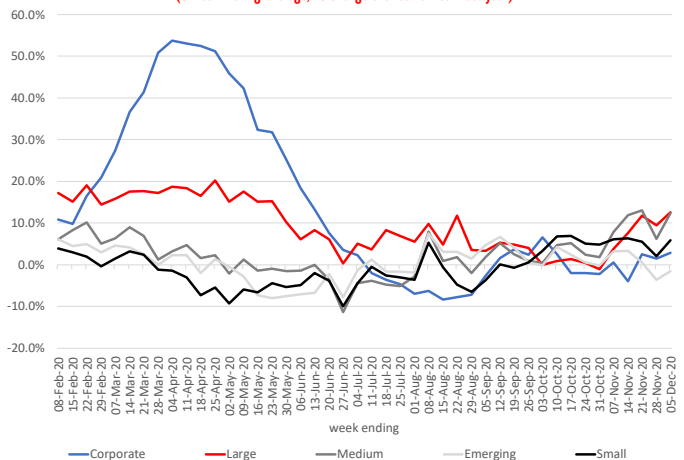
PAYMENT INFLOWS INTO NAB MERCHANTS
(6-week moving average, % change over same period last year)



PAYMENT INFLOWS INTO NAB MERCHANTS
(6-week moving average, % change over same period last year)



PAYMENT INFLOWS INTO NAB MERCHANTS - BY MERCHANT SIZE
(6-week moving average, % change over same week last year)



- NAB's Data Insights showed spending growth easing to 5.7% y/y in the week ending 5 December (8.8% last week).
- Growth eased across the country, but remained positive. Growth was highest in QLD (7.1%), followed by the NT (6.1%), TAS (5.9%), WA (5.8%) and NSW (5.7%). In VIC, growth slowed to 5.1%, with spending in regional areas (7.6%), still outstripping growth in Melbourne metro areas (4.3%). Spending growth was slowest in SA (4.4%) and the ACT (2.0%).
- While slowing from last week, Retail was 12.0% higher than the same week in 2019. Motor Vehicle Parts (27.6%), recorded the strongest growth, along with Hardware & Electrical. Car Sales (21.7%) were also up strongly but from a weak base. Fuel retailing remains very weak (-11.6%). Hospitality spend (4.5%) grew for the fifth straight week, supported by Cafes & Restaurants (13.1%) and Pubs (7.7%), with spending on Accommodation still down heavily relative to last year (-17.8%).
- Results were mixed in other sectors. Construction spend accelerated (29.9%) with Construction Services rebounding. Improvement was also evident in Arts & Recreation (13.0%), with Sports & Recreation (Gyms etc.) continuing to grow, offsetting slowing (but still rapid) growth in Gambling (26.1%). Professional & Technical Services (16.3%) rebounded after falling last week, with higher spending on Architects, Computer-related, and Legal & Accounting. Health spending (7.1%) also growing steadily, with Allied Health, Pathology and Medical Services particularly strong, Hospitals improving, but Child Care still weak.
- Admin & Support Services is still the weakest performing sector (-64.8%), with Travel Agents still very weak. Spending on Rental, Hiring & Real Estate Services (-4.6%) fell again, but improved from last week (-11.2%), driven by Agents & Property Operators. Overall spending on Transport, Postal & Warehousing was down -35.8% y/y. In Transport, there were signs sub-sectors like Airports (-66.4%) are starting to improve, but from a very low base. Couriers back to growth (5.3%) this week.
- Overall, payment inflows into NAB Merchants in 6 week rolling y/y terms for the week ending 5 December grew 7.7%, with much of this growth still being driven by inflows into Finance (Asset Management).
- By business size, inflows were highest for large (12.5%) and medium firms (12.4%). Corporate inflows were a little stronger at 2.9% (1.5%) last week, but fell for the second straight week in emerging firms (-1.6%).
- By industry, sectors showing strong growth included Arts & Recreation Services (18.6%), Professional, Scientific & Technical Services (17.7%), Transport, Postal & Warehousing (16.9%) - particularly Warehousing (50.5%) - and Other Services (16.3%). Retail inflows were also up 14.1%, with Department Stores, Recreational Goods, and Furniture continuing to out-perform.
- Inflows into Hospitality fell -12.9%. Cafes & Restaurants broke even, while inflows were down for Pubs & Taverns (-16.7%), Accommodation (-25.9%) and Clubs (-7.5%). Inflows into the Mining sector also fell for the fourth straight week (-9.5%), with heavy falls persisting in Coal Mining (-34.3%) and Exploration & Other Mining Support Services (-23.2%).

SPECIAL INSIGHT SERIES: IMPACTS OF COVID-19 ON SELECTED SPEND IN CBD'S

In response to the pandemic, many of Australia's office workers have worked from home since March. The pandemic has seen CBD office vacancies (i.e. the % of buildings without tenants) rise sharply, particularly in Sydney & Melbourne. Victoria's second wave saw working from home arrangements extended, with the majority of Melbourne office workers still required to work from home. While Melbourne's occupancy is the nation's worst, occupancy is still down across most capitals. This weeks special insight series takes a closer look at Melbourne and Sydney CBD spending on selected retail and hospitality sectors throughout the pandemic.

Melbourne's second wave saw an extended period of extensive restrictions on activity. Not only were office workers required to work from home, but from 9 July cafes, restaurants and pubs were closed (except for takeaway only) and from 2 August most retail was closed and a 5km travel limit was put in place. In addition to office workers not being allowed into work, many lived beyond the 5km limit and most businesses were required to close in any case. The 5km limit was relaxed to 25km in mid-October and retail and hospitality re-opened on 27 October. The 25km limit was scrapped on 9 November, but working from home requirements continue for many, including much of the Victorian Public Service.

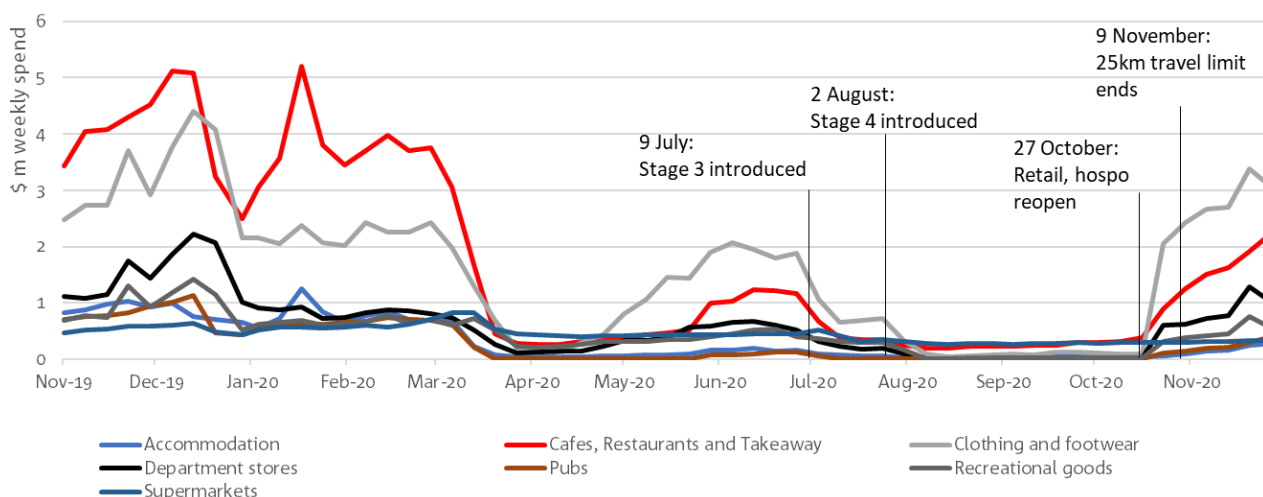
Since restrictions eased, Melbourne CBD has seen a partial recovery across much of retail and hospitality, although it is distinctly uneven in nature. Overall, Melbourne CBD cafe, restaurant and takeaway spending remains 50% down on year-ago levels, while pubs are off 57%, accommodation 69%, and department stores 29%. Perhaps surprisingly, clothing and footwear spending in Melbourne CBD was up 5% on year-ago levels last week.

While spending in Greater Melbourne and regional Victoria has rapidly recovered, CBD data is much less buoyant. Last week, CBD cafes, restaurants and takeaways accounted for 11% of Greater Melbourne's spending in this sector. By comparison, in the same week in 2019 it was 21% - in essence the CBD's share of spending in this sector is half what it was a year ago. The results are remarkably similar for pubs, down from 23% to 12%. Department stores and clothing and footwear retailers have fared somewhat better, with CBD clothing and footwear almost maintaining its pre-COVID spending share (21% to 19%) but department stores down from 21% to 15%.

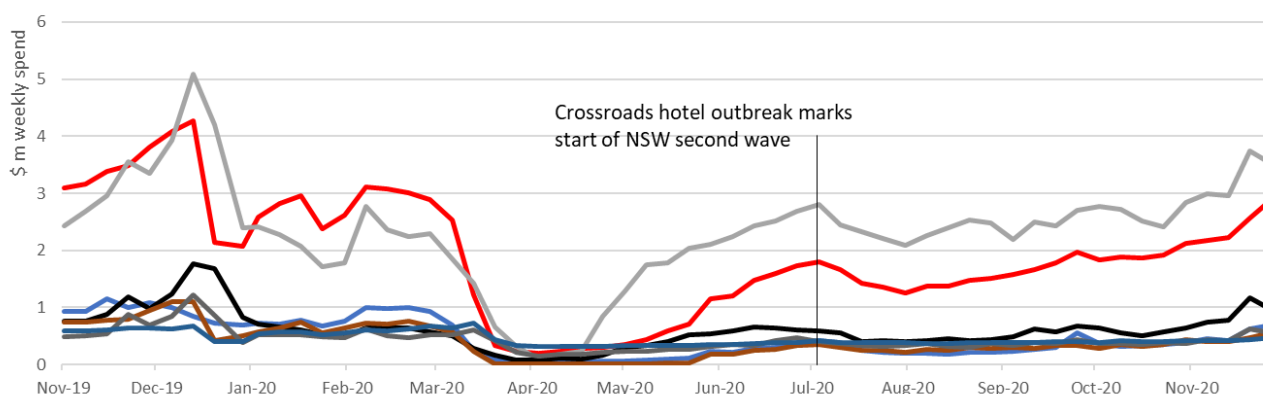
Sydney saw a series of coronavirus outbreaks from July, but avoided a widespread outbreak and did not impose harsh restrictions on activity. Nonetheless, occupancies at Sydney CBD offices continue to be impacted as many companies have held back sending all their staff back into city offices. Sydney CBD spending has been hit hard and remains below year-ago levels. Cafes, restaurants and takeaways are down 24% compared to a year ago, while pubs are off 41%.

While working from home restrictions are scheduled to ease further in Victoria in the new year, many (but by no means all) office workers across many parts of Australia have become accustomed to working from home and may not rush to return. This is likely to be an ongoing drag on CBD spending compared to the suburbs - many of which are booming.

MELBOURNE CBD SPENDING - SELECTED RETAIL AND HOSPITALITY (\$M WEEKLY, NAB TERMINAL DATA)



SYDNEY CBD SPENDING - SELECTED RETAIL AND HOSPITALITY (\$M WEEKLY, NAB TERMINAL DATA)



NAB CONSUMPTION-BASED SPENDING BY INDUSTRY SECTOR & SELECTED SUB-INDUSTRIES (year-on-year change on same week in previous year - week ending 5 December 2020)

	% change on same week in previous year**
Accommodation & Food Services (Hospitality)	4.5%
Administrative & Support Services (incl. Travel Agents)	-64.8%
Arts & Recreation Services	13.0%
Construction	29.9%
Education & Training	-1.5%
Electricity, Gas & Water & Waste Services	-9.1%
Healthcare & Social Assistance	7.1%
Information, Media & Telecommunications	1.4%
Other Services	1.6%
Professional, Scientific & Technical Services	16.3%
Rental, Hiring & Real Estate Services	-4.6%
Retail Trade	12.0%
Transport, Postal & Warehousing	-35.8%
TOTAL	5.7%
Best Performers (Sub-Division)	
- Building Construction	129.6%
- Internet Publishing & Broadcasting	32.2%
- Constuction Services	30.0%
- Building Cleaning, Pest Control & Other Support Services	27.3%
- Gambling Activities	26.1%
- Motor Vehicle & Motor Vehicle Parts Retailing	24.5%
- Waste Collection, Treatment & Disposal Services	22.7%
- Library & Other Information Services	19.4%
- Other Store-Based Retailing	16.4%
Worst Performers (Sub-Division)	
- Air & Space Transport	-91.7%
- Administrative Services	-68.7%
- Other Transport	-65.8%
- Motion Picture & Sound Recording Activities	-63.4%
- Rail Transport	-62.4%
- Road Transport	-27.4%
- Residential Care Services	-23.8%
- Water Transport	-21.3%
- Rental, Hiring & Real Estate Seervices (except Real Estate)	-20.0%

*This data excludes government services, taxes, direct to consumer manufacturers, mortgage and other credit facility repayments. Spending includes both online and offline transactions. Transaction data may include EFTPOS, Credit Card, BPAY, Bank Transfers, Direct Debits and PayPal services where available.

**Data is not seasonally adjusted.

PAYMENT INFLOWS INTO NAB MERCHANTS BY INDUSTRY SECTOR & SELECTED SUB INDUSTRIES (6-week moving avg, year-on-year chg on same period in previous year, 6-wks ended 5 December 2020)

	6-weeks ending 5 December 2020
Accommodation & Food Services	-12.9%
Administration & Support Services	-5.9%
Agriculture, Forestry & Fishing	9.1%
Arts & Recreation Services	18.6%
Construction	-0.6%
Education & Training	8.2%
Healthcare & Social Assistance	0.8%
Manufacturing	4.7%
Mining	-9.5%
Other Services	16.3%
Professional, Scientific & Technical Services	17.7%
Retail Trade	14.1%
Transport, Postal & Warehousing	16.9%
Wholesale Trade	5.9%
TOTAL	7.7%
Business Size	
- Small	5.9%
- Emerging	-1.6%
- Medium	12.4%
- Large	12.5%
- Corporate	2.9%
Best Performers (Sub-Division)	
- Postal & Courier Pick-up & Delivery Services	122.5%
- Other Transport	59.2%
- Warehousing & Storage Facilities	50.5%
- Gambling Activities	44.5%
- Motor Vehicle & Motor Vehicle Parts Wholesaling	43.3%
- Rail Transport	40.2%
- Metal Ore Mining	21.5%
Worst Performers (Sub-Division)	
- Private H/holds Emp. Staff & Undiff. G&S Producing Activities	-53.4%
- Air & Space Transport	-42.0%
- Coal Mining	-34.3%
- Creative & Performing Arts Activities	-32.8%
- Accommodation	-25.9%
- Exploration & Other Mining Support Services	-23.2%
- Forestry & Logging	-20.9%

* Payment Inflows are credits to a NAB merchant's account that is not a financing credit from NAB or a transfer from related accounts.

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NAB MONTHLY BUSINESS SURVEY NOVEMBER 2020

FURTHER GAINS AS THE ECONOMY CONTINUES TO OPEN UP



NAB Australian Economics

Key messages: Business conditions and confidence rose in November, continuing to suggest a rapid rebound in the economy as restrictions are eased and state borders open up. While renewed optimism in Victoria drove the improvement in confidence, Victoria was one of only two states to report a deterioration in conditions, although we expect conditions to improve as the impact of its recent severe lockdown wears off. Overall both confidence and conditions are now above average, and stronger than the period right before the pandemic – albeit this partly reflects some “snapback” following the containment of the virus. Encouragingly, other lead indicators improved in the month: capacity utilisation saw a large gain and forward orders turned positive, the latter suggesting that the pipeline of work has begun to build. That said, there is some way to go before a full recovery is reached. Capacity utilisation remains around 1.4ppt below its long-run average, while the capex and employment indexes remain in negative territory. Even with the significant improvement in trading conditions and profitability, businesses will likely to need to see a sustained improvement in forward orders and a complete recovery in capacity utilisation before renewed hiring and investment plans are put in place.

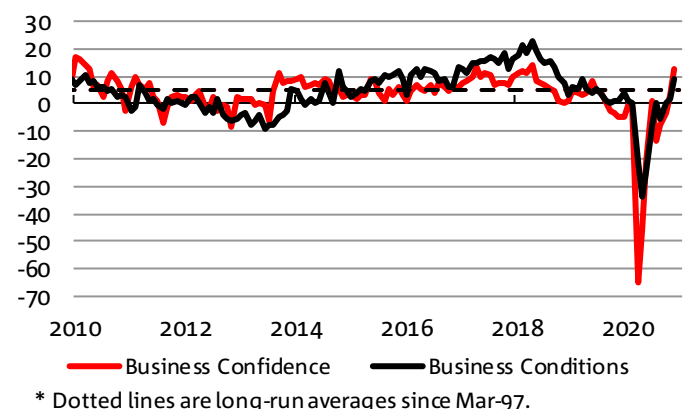
HIGHLIGHTS

- **How confident are businesses?** Confidence rose 9pts to +12 index points – its fourth consecutive monthly gain.
- **How did business conditions fare?** Conditions rose 7pts in the month, to an above-average 9 index points.
- **What components contributed to the result?** Trading and profitability (both up 10pts) saw further large gains in the month and both are now well above average. The employment index edged higher but remains negative.
- **What is the survey signalling for jobs growth?** At face value, the employment index continues to suggest job shedding, with more firms reporting lower employment relative to the previous month. Hiring will likely lag the improvement in the other components.
- **Which industries are driving conditions?** Conditions rose in all industries, except wholesale. Mining, construction and retail saw the largest gains in the month. Overall, all industries are now in positive territory, with the exception of construction and recreation & personal services, which saw a neutral index reading. Retail continues to be the standout with very strong conditions at +28 index points.
- **Which industries are most confident?** Confidence rose in all industries except construction and mining – with the largest gains concentrated in retail and wholesale. In seasonally adjusted terms, confidence is now well into positive territory across all industries, except for mining which is a little softer at +3 index points.
- **Where are we seeing the best conditions by state?** Conditions rose in all states except Vic (down 2pts) and Tas (down 8pts) in the month. Overall conditions are strongest in WA and positive in all states except Vic.
- **What is confidence like across the states?** Confidence improved across the mainland, led by large gains in Vic and NSW. Tas was weaker in the month. Confidence is now strongest in VIC and NSW but is positive everywhere except SA and Tas.
- **Are leading indicators suggesting further improvement?** Forward orders saw a 9pt improvement in the month and is now above average. Capacity utilisation also saw a further recovery in the month, rising a solid 1.4ppt and is now just 0.8ppt below its pre-COVID level despite the large hit to activity that occurred in Q2.
- **What does the survey suggest about inflation and wages?** Inflation pressure generally remains soft, and input price growth continues to outpace growth in final products prices. Retail inflation edged higher in the month but remains soft.

TABLE 1: KEY STATISTICS

	Sep-20	Oct-20	Nov-20
	Net balance		
Business confidence	-3	3	12
Business conditions	0	2	9
Trading	5	7	17
Profitability	2	5	15
Employment	-6	-5	-5
Forward orders	-7	-3	6
Stocks	-5	-1	-7
Exports	-4	-4	-4
	% change at quarterly rate		
Labour costs	-0.2	0.4	0.1
Purchase costs	0.4	0.4	0.4
Final products prices	-0.2	-0.1	-0.1
Retail prices	0.6	0.2	0.5
	Per cent		
Capacity utilisation rate	77.0	77.9	79.3

CHART 1: CONDITIONS AND CONFIDENCE IMPROVE



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 17-27 November 2020, covering over 550 firms across the non-farm business sector.

Next release date: 27 January 2020.

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NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

STATE AND INDUSTRY DEVELOPMENTS

- In trend terms, business conditions continued to improve in November, with most states above their pre-COVID readings. Victoria is a notable exception – this is unsurprising given the extended lockdowns – but has also begun to improve. The positive readings in most states suggest a solid expansion is underway, although we note the level of activity remains low, given all states saw large hits to activity earlier in the year.
- The recovery in business conditions continues to be driven by the trading and profitability components. In contrast, the employment index remains negative and below average, despite seeing some improvement.
- By state, employment conditions improved across the board, except in Victoria, where it turned down after a sharp improvement last month. Overall, the survey points to weaker labour market outcomes on the east coast, with the three largest states all reporting a negative employment index. In contrast, the other states all report positive (and above average) outcomes in employment.
- On the level of activity, capacity utilisation continued to recover in the month. In aggregate, it rose 1.4ppt to 79.3%. This is a substantial rebound from the 10ppt fall earlier in the year, but the measure remains below its long-run average of 81.0%, suggesting that there is further recovery to go.
- By state, capacity utilisation in Victoria saw a notable improvement in the month – as restrictions were eased, encouragingly NSW, WA and Tas also saw gains. Qld and SA saw flatter outcomes. Overall, the bulk of states remain below their pre-COVID levels of activity, with the exception of SA and Tas who are a little above.
- We will continue to watch how quickly capacity utilisation recovers across the states with complete containment of the virus and borders having opened internally. There will likely be ongoing impacts of international border closures for some time, and the impact across states is likely to be varied.
- The pandemic has had a significant impact across most industries and every state. That said, the survey suggest that the economy is continuing to bounce back – and this is quite encouraging following the significant rebound in activity reported in last week’s national accounts.
- We expect another solid reading for growth in Q4 but for economic activity to remain below pre-COVID levels for some time. Only by the end of 2021 will the economy have reached its pre-COVID level of GDP, and likely sometime after that, will the labour market have recovered.

CHART 2: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

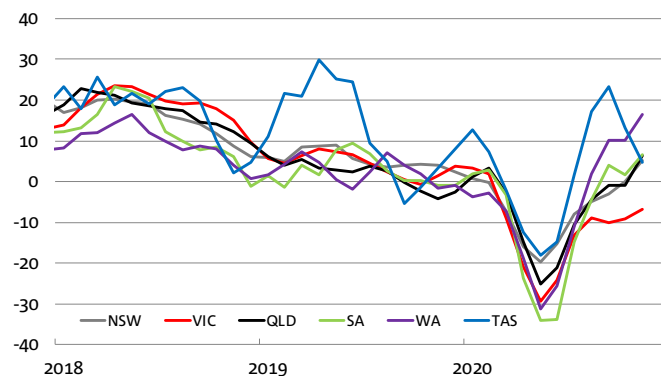


CHART 3: EMPLOYMENT INDEX (NET BAL.)

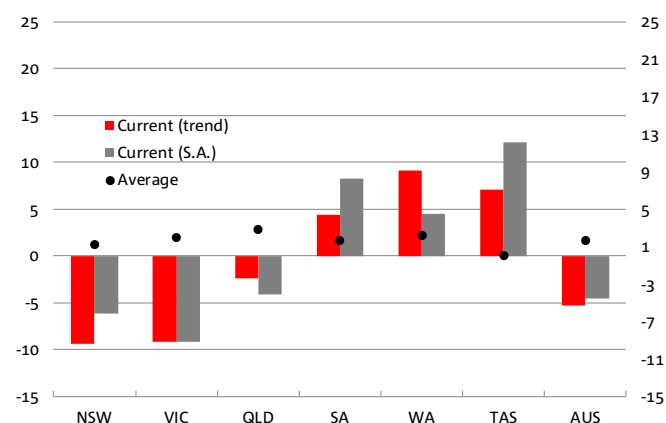
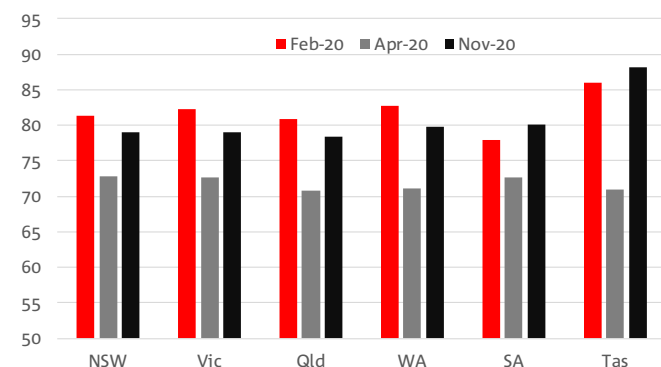


CHART 4: CAPACITY UTILISATION BY STATE (%)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

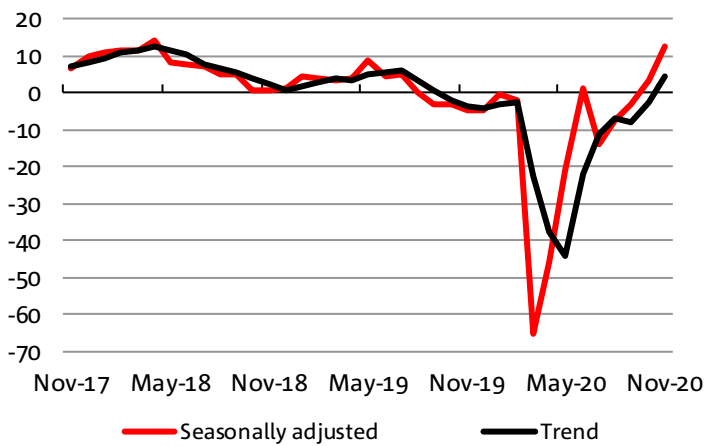


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

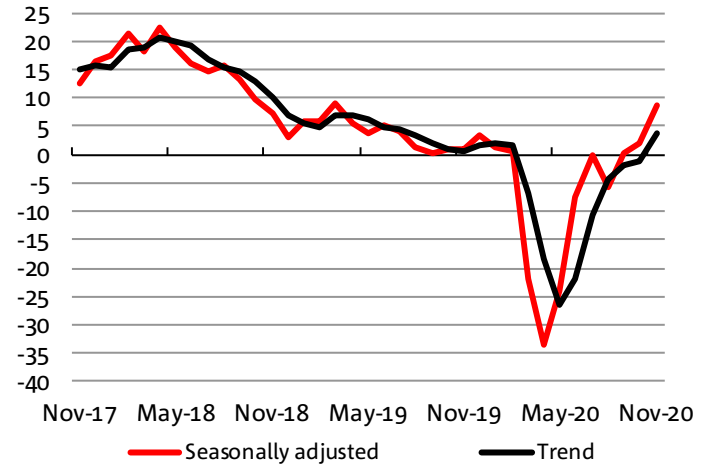


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

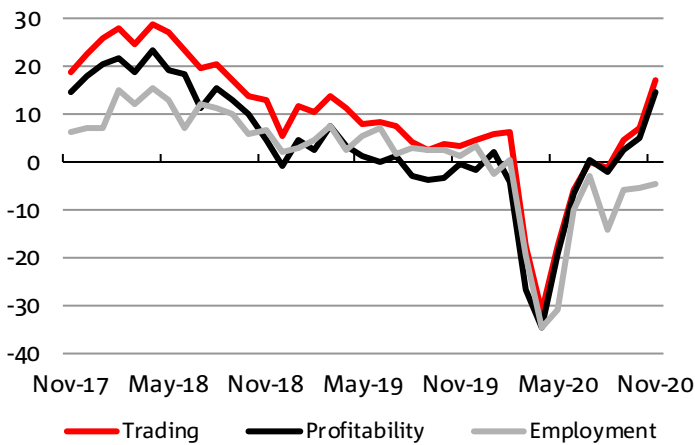


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

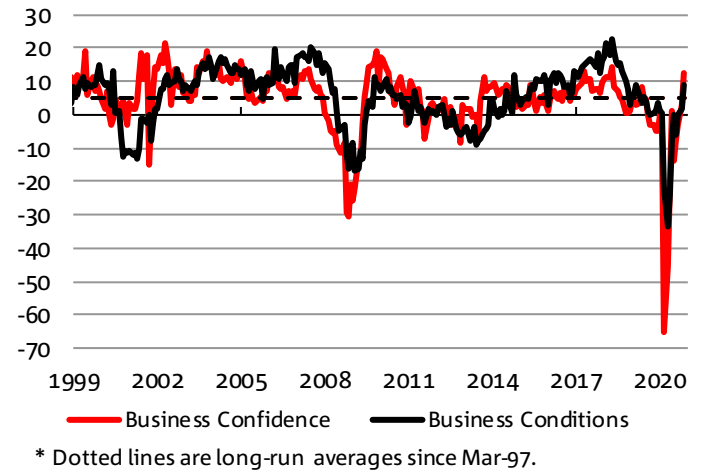


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

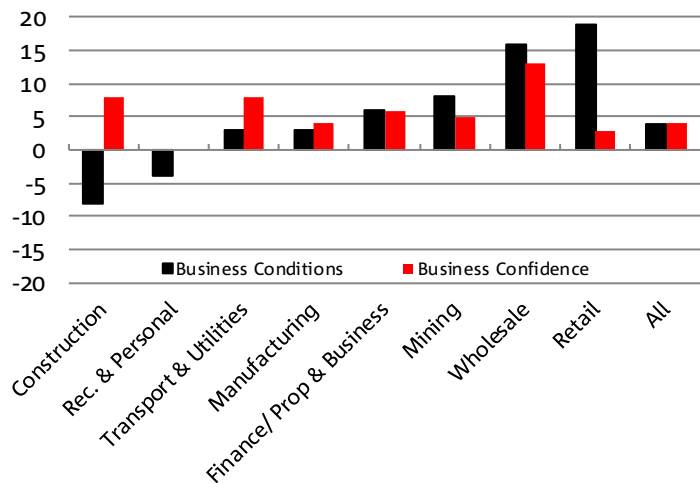
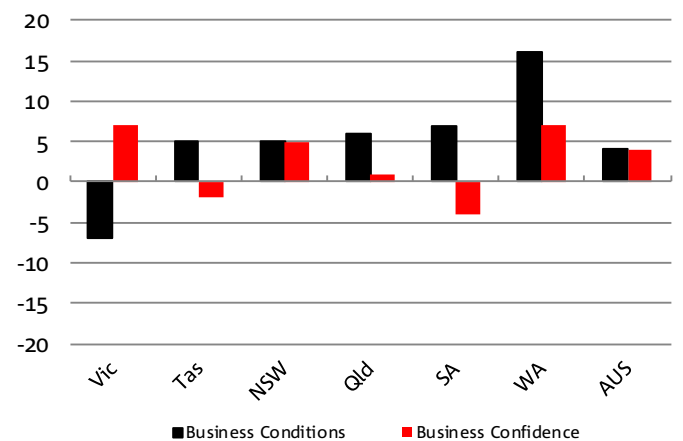


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

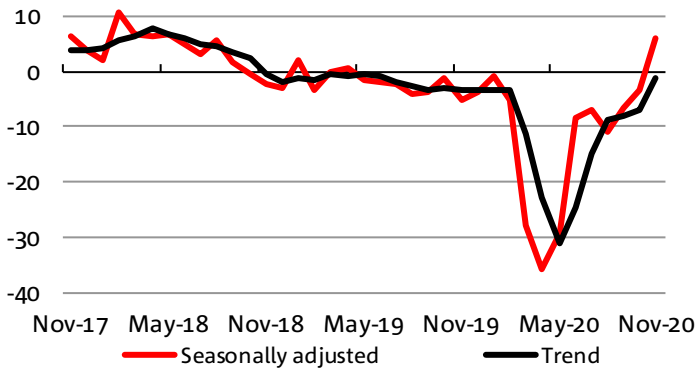


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

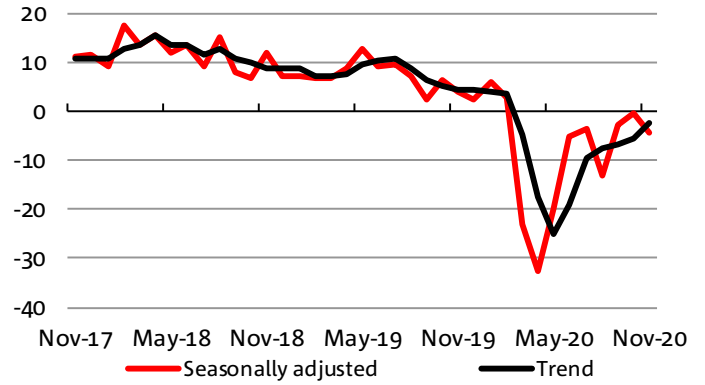


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

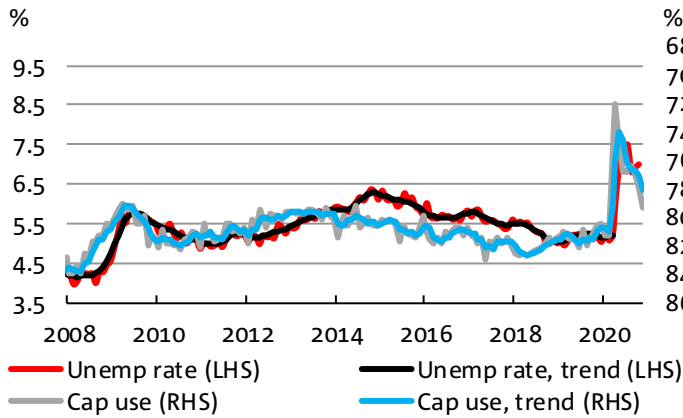


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

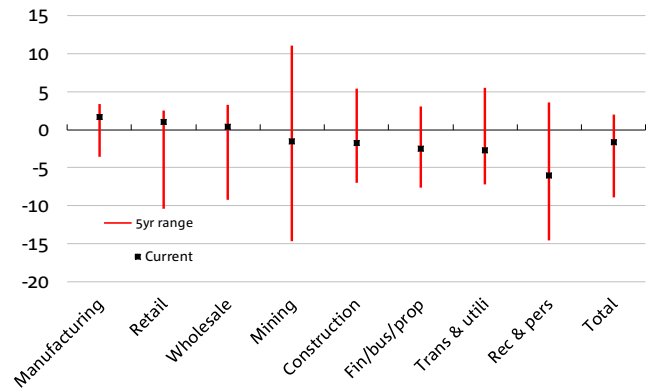


CHART 15: STOCKS (NET BALANCE)

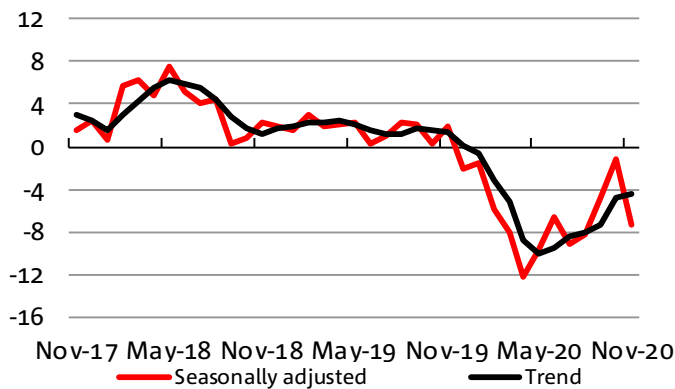


CHART 16: CASH FLOW (NET BALANCE)

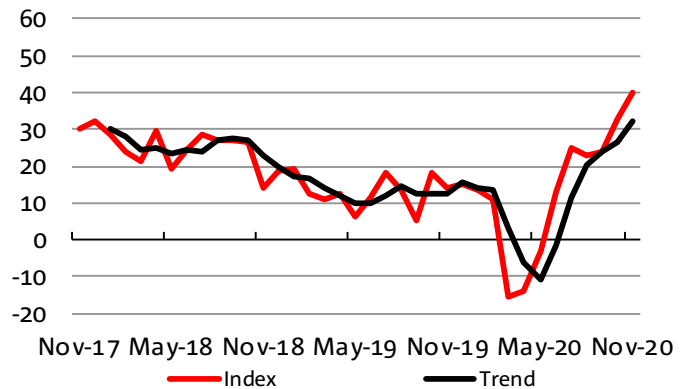


CHART 17: EXPORTS (NET BALANCE)

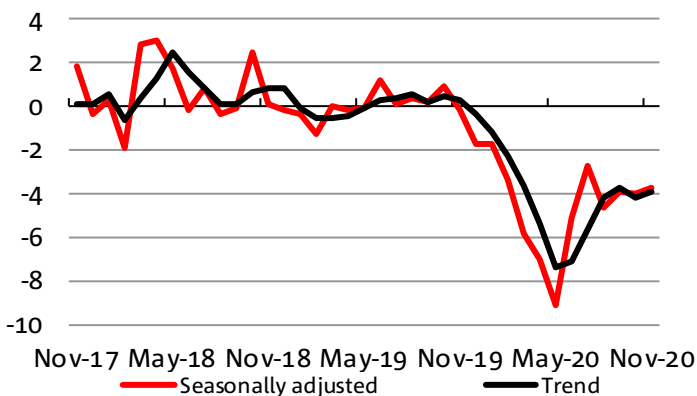
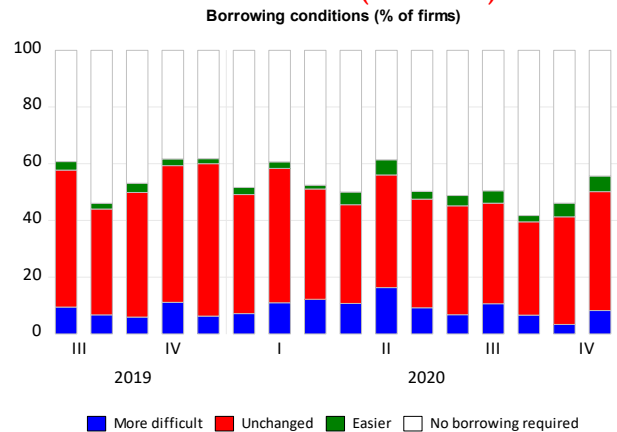


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

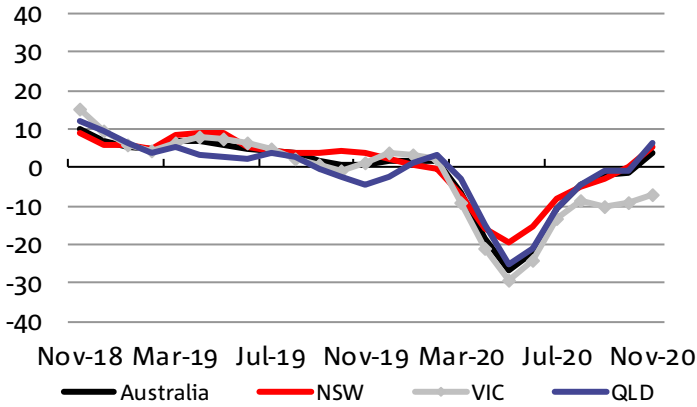


CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

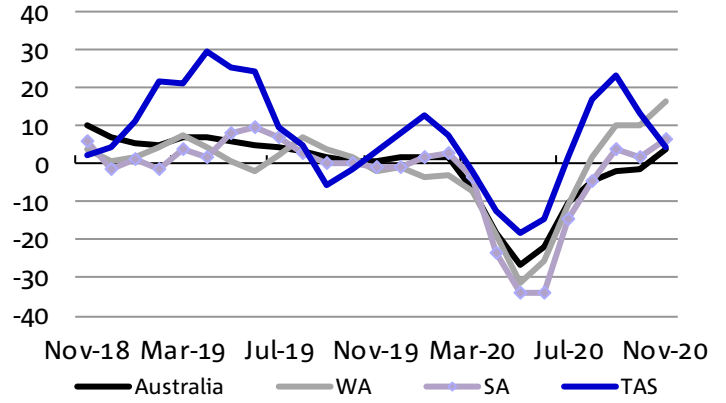


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

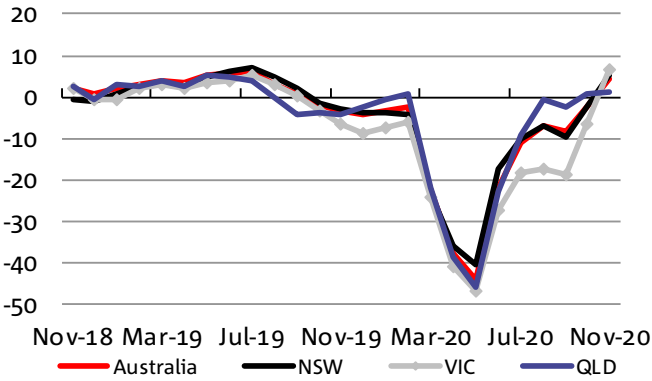


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

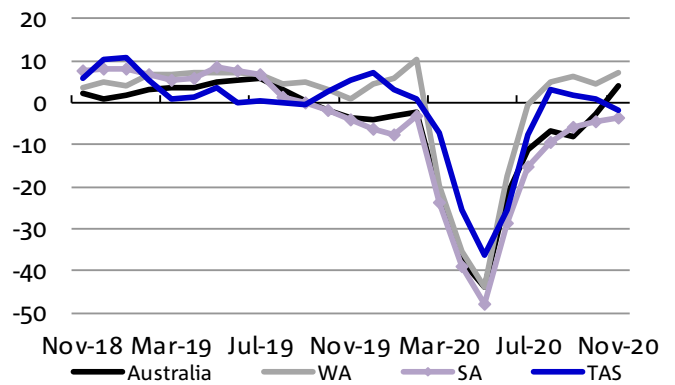


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

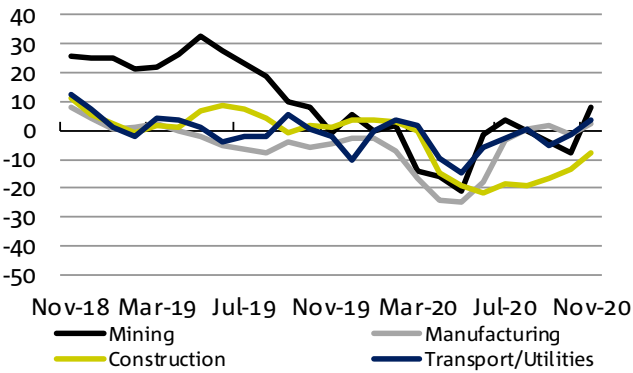


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

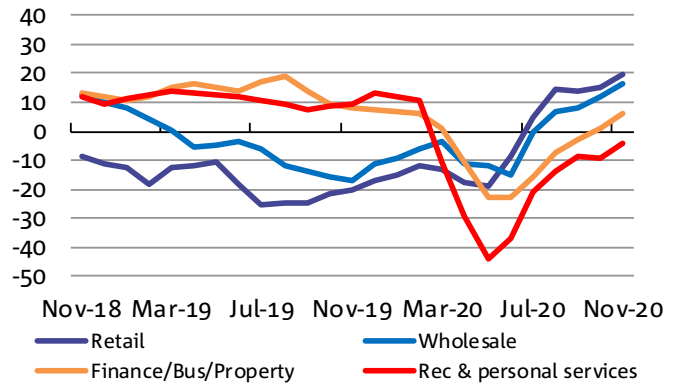


CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

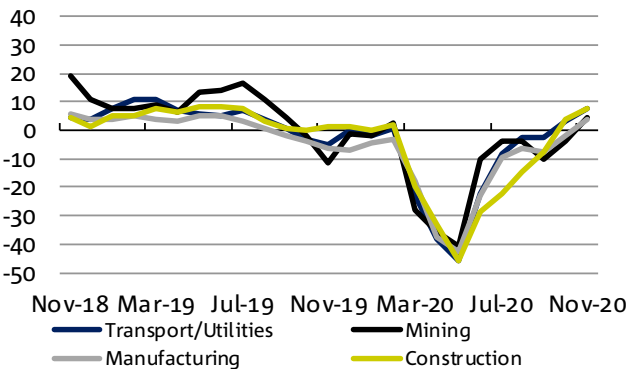
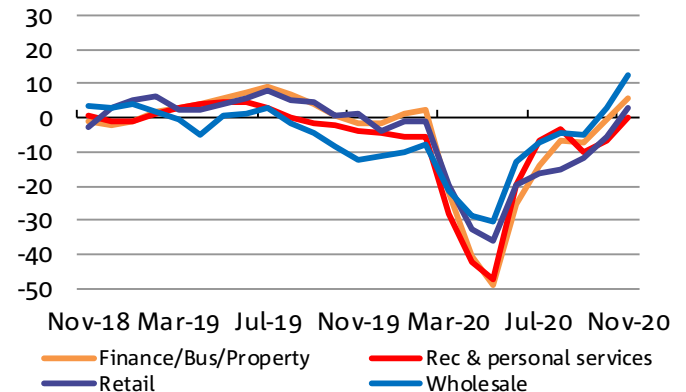


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 27: EMPLOYMENT

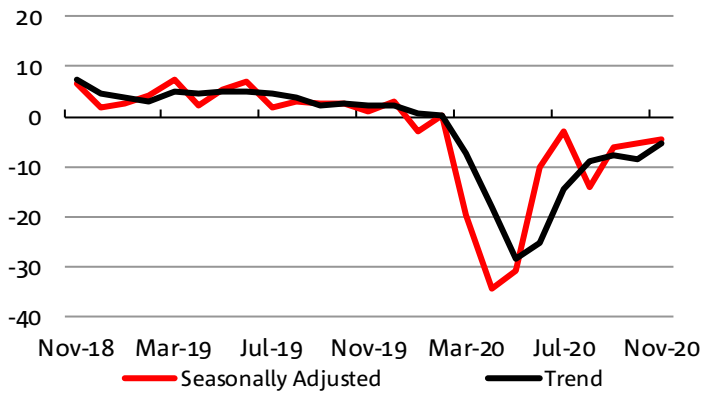


CHART 28: EMPLOYMENT (NAB VS ABS)

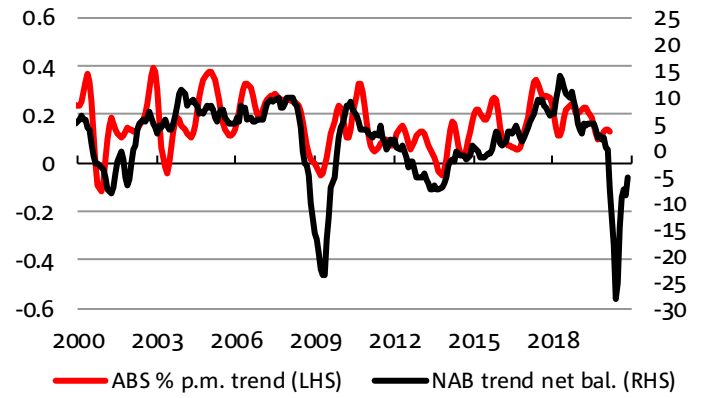


CHART 29: EMPLOYMENT BY INDUSTRY

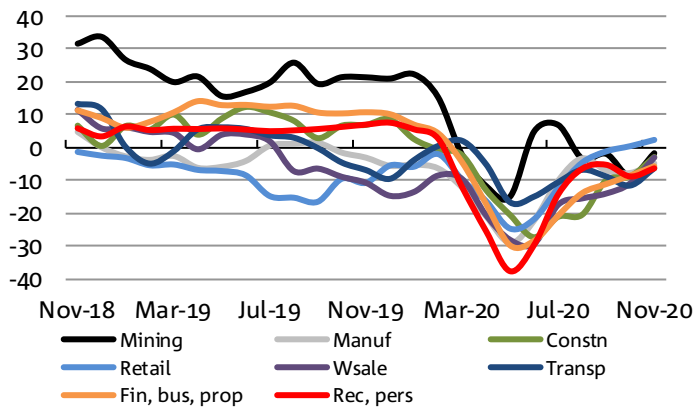


CHART 30: LABOUR COSTS GROWTH

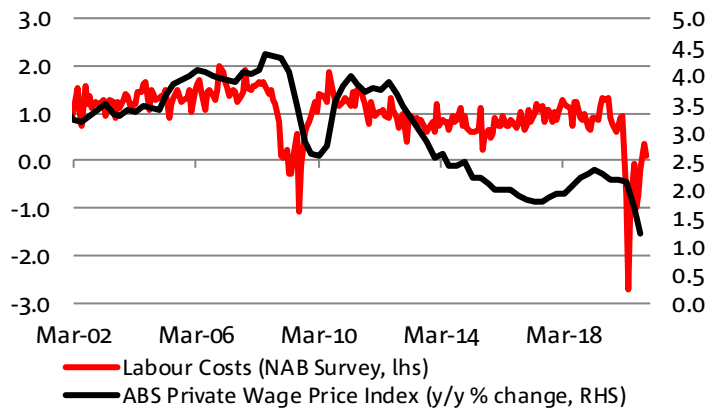


CHART 31: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

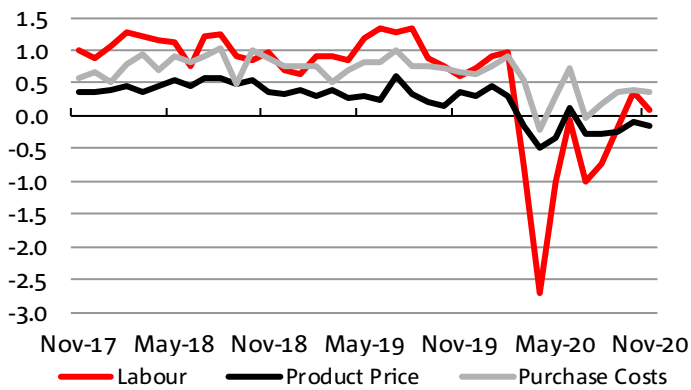
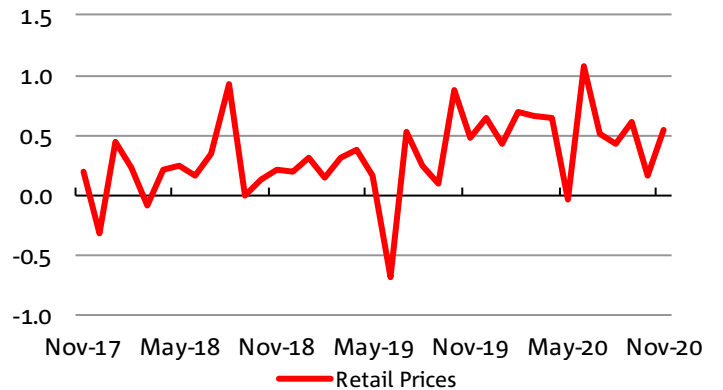


CHART 32: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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

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.