

# Australian Economic Comment

## Biz conditions retrace, but remain above average

### Economics

#### Australia

#### Dec NAB business conditions fell back to +7.0 (after +9.5), but remain >average

NAB's survey of business conditions pulled back from +9.5 in November, to a still solid +7.0 in December (UBS: 'down' based on weaker PMIs, mkt: nf), the lowest since April, albeit still above its post-1997 average of +4.6. Notably, employment intentions softened again – and now shows much less strength than the ABS labour force survey – albeit it is still consistent with decent ~1½-2% jobs growth (vs reported growth of 2½-3%). Meanwhile, business conditions by industry show mining remains negative (-2 after -21); while non-mining (un-weighted average) retraced, albeit after surging to a 6-year high (+3.9, after +9.2).

Elsewhere however, ongoing subdued selling prices suggest very low CPI, and the wages bill is still on the weakest trend since the GFC. Capacity utilisation also eased to modestly below average, albeit after a 4-year high.

#### Business confidence also softer, but still in positive territory (+2.5 after +5.2)

Meanwhile, business confidence also softened to +2.5 in December (UBS: 'steady', mkt: nf, after +5.2), to now be a bit below its +5.8 average.

#### Implications: biz conditions stay positive, but January will be more important

Overall, NAB business conditions softened in December to the lowest since April, but notably remain at a solid level that's above average. Looking forward, more important will be the January data (due February 9) – given global growth/market worries really only intensified this year. For now, the big picture of business conditions point to an economy faring reasonably well given the large macro headwinds, but with little inflation or wage pressure.

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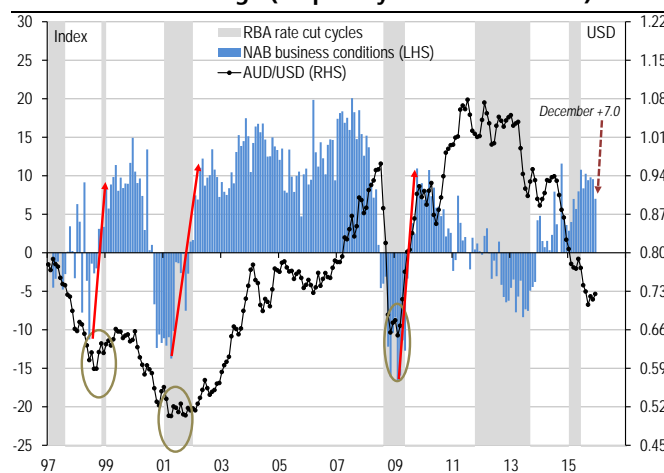
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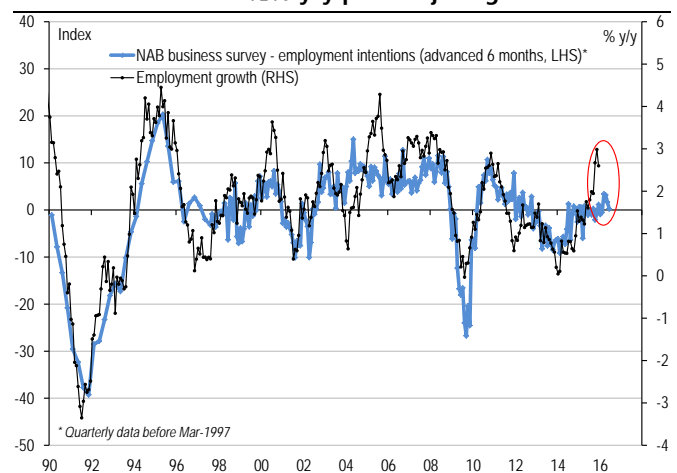
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**Figure 1: Business conditions retrace in December, but still remain above average (helped by low AUD & rates)**



**Figure 2: Employment intentions moderate, consistent with a still decent ~1½% y/y pace of jobs growth ahead**



# NAB business survey (December 2015)

Figure 3: NAB business survey (index)

	Confidence	Conditions	Trading	Profits	Employment	New orders	Stocks	Labour cost (%)	Sell price (%)	Cap. Util. (%)
Sep-15	6.0	9.4	15.4	10.1	3.4	3.9	1.5	0.7	0.4	81.2
Oct-15	3.1	9.8	15.8	9.5	3.2	-2.2	1.2	0.4	0.4	81.2
Nov-15	5.2	9.5	15.7	11.2	1.7	2.3	1.9	0.5	0.3	80.8
Dec-15	2.5	7.0	13.0	8.2	0.2	3.6	3.5	0.7	0.3	80.0

Figure 4: Non-mining conditions retrace sharply

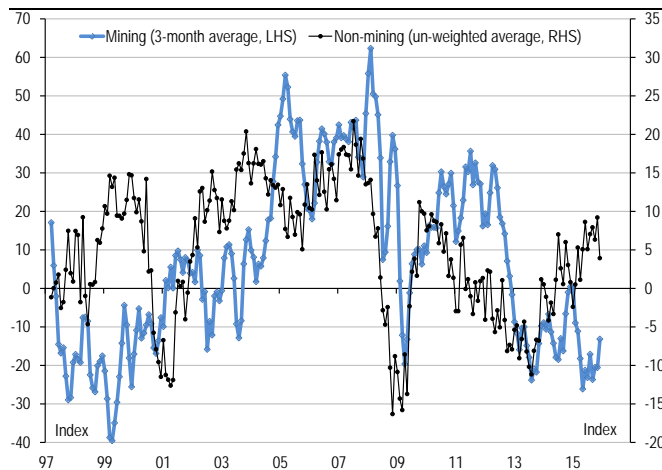


Figure 5: Capacity utilisation eased from a 4-year high

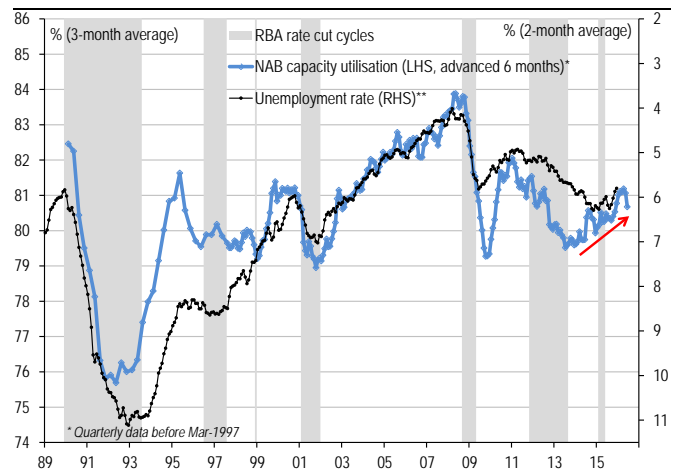


Figure 6: Business & consumer confidence bit below ave

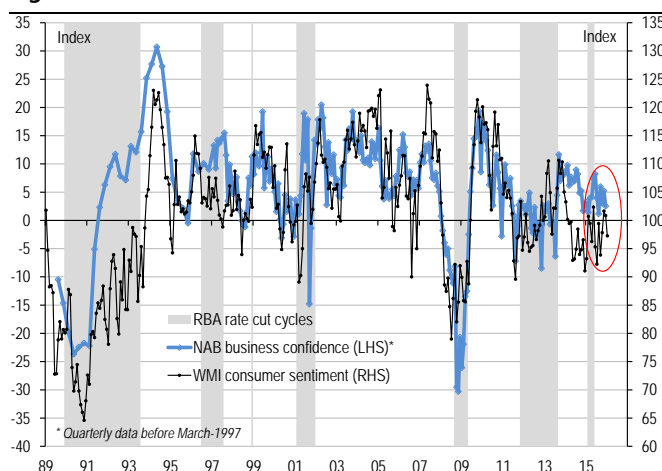


Figure 7: Conditions imply faster pace of GDP growth

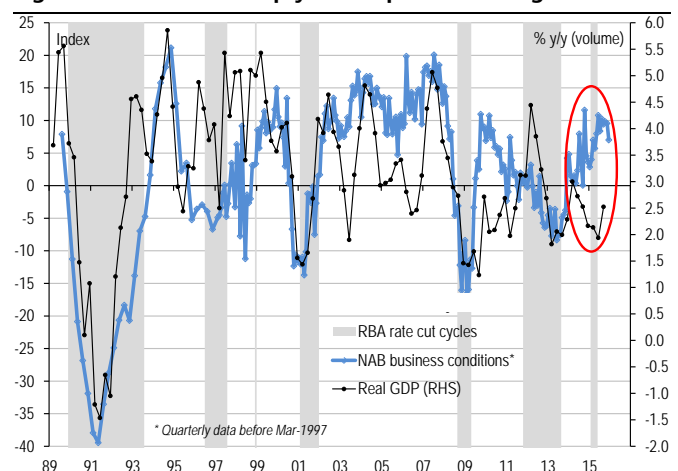


Figure 8: Selling prices still indicate relatively low CPI

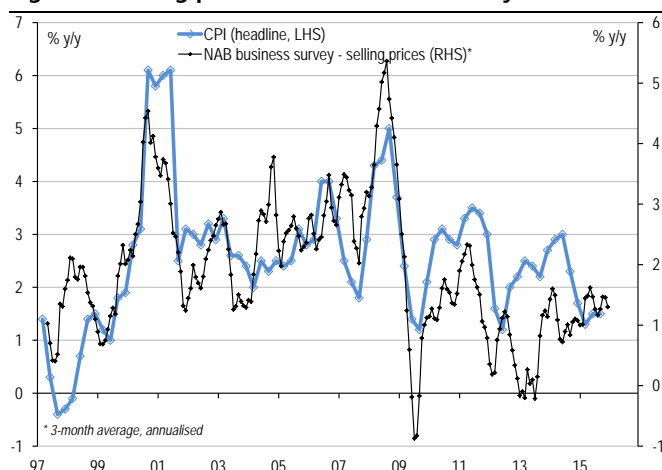
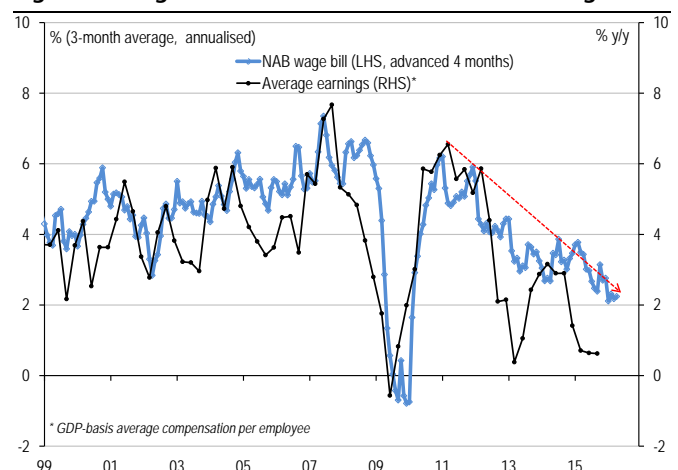


Figure 9: Wages bill remains weak & is still trending down



Source: ABS, NAB, RBA, Westpac Melbourne Institute, UBS

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