



30 June 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:

The committee requests that you provide 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. The first update is due by 30 April 2020 and ongoing updates should be provided at the end of every month thereafter until the next hearing.

Answer:

30 June 2020

NAB is continuing to support our customers as they deal with the ongoing impacts of COVID-19.

This response provides NAB's update for June on actions to support retail customers, business customers and MLC Wealth customers.

Summary

NAB is cautiously optimistic about Australia's recovery from COVID-19 but with support measures still in place it is too early to determine how quickly recovery will occur.

Attached for the Committee's information are NAB's latest surveys including:

- NAB Economic Data Insights (for the week ending 20 June);
- NAB Economics Wellbeing Survey for Quarter 2 2020; and
- NAB Business Innovation Index 2020.

The NAB Business Innovation Index 2020 released on 29 June provides some insight into how business practices have changed due to COVID-19. Overall, the Index fell to 51.2 points in 2020, down from 57.6 in 2019, driven by falls in measures of businesses being able to do things "more quickly" and "cost efficiently". Innovation from businesses doing things "differently" though rose to 62.9 points (from 58.0 in 2019) demonstrating how businesses have adapted to circumstances. Businesses also expect that many of these innovations will be longer-lasting from the survey.

NAB loan deferrals

NAB has started to check in with customers to understand their situation. Early results show some customer segments are confident and have removed the deferral. Others are still unsure of their medium-term financial position.

NAB will continue to check in with customers and will continue to encourage them to start repaying their loans if they can. As we approach the end of the six-month deferral period, we will be having conversations with customers to determine what is appropriate for them given their individual circumstances.

<i>NAB loan repayment deferrals as at 19 June</i>	Number of accounts	Value of total loan balance which has been deferred
Total business loan deferrals¹	39,528	\$20.67bn
Total home loan deferrals²	98,189	\$39.14bn

Support for Retail Customers

NAB's commitment to supporting individual customers impacted by the pandemic is ongoing and continues to be multi-faceted. We continue to offer support to our individual mortgage customers by way of repayment pauses, access to redraw facilities, reducing repayments and assisting customers to access new fixed home loan rates. We also recognise the impacts the COVID-19 pandemic is having on different segments of our customers and detail below the support we are giving to our most vulnerable customers.

The need from customers for support and assistance remains strong; there have been almost 3.5 million visits to NAB's COVID-19 support pages to 26 June.

On 18 June NAB announced it was lowering its simple, no fee NAB Base Variable Rate special offer to a historical low as well as reducing fixed rates for new lending on one and two-year term. The NAB Base Variable Rate special offer has been reduced by 0.15 per cent per annum to 2.69 per cent p.a. for owner occupiers paying principal and interest who have at least a 20 per cent deposit. NAB fixed rates have been reduced for both owner-occupiers and residential investors paying principal and interest, with NAB Choice Package fixed rates now starting at 2.19 per cent p.a. for owner-occupiers and 2.49 per cent p.a. for residential investors.

NAB also welcomes the Federal Government's recently announced assistance packages, which will further support Australians and the broader economy:

- **HomeBuilder package:** Since the HomeBuilder package was announced two weeks ago, NAB has seen an increase in applications which meet the Government's applicable eligibility criteria.³ This indicates a clear interest in the scheme, which NAB will continue to track over time.
- **Arts and Entertainment package:** this package will help to support the industry in its recovery from the impact of COVID-19. This package will create jobs and assist in delivering cultural experiences to Australians.

¹ Includes NAB Business & Private Bank and NAB Corporate business accounts. Customers may have a number of accounts.

² Includes all NAB and Advantedge accounts.

³ To access HomeBuilder, owner-occupiers must meet the following eligibility criteria:

1) Be a natural person (not a company or trust); 2) Be aged 18 years or older; 3) Be an Australian citizen; 4) Meet one of the following two income caps: a) \$125,000 per annum for an individual applicant based on their 2018-19 tax return or later; or b) \$200,000 per annum for a couple based on both 2018-19 tax returns or later; 5) Enter into a building contract between 4 June 2020 and 31 December 2020 to either: a) build a new home as a principal place of residence, where the property value does not exceed \$750,000; or b) substantially renovate their existing home as a principal place of residence, where the renovation contract is between \$150,000 and \$750,000, and where the value of the existing property does not exceed \$1.5 million; 6) Construction must commence within three months of the contract date.

Support for Vulnerable Customers

As the wide-ranging effects of the COVID-19 pandemic become more apparent, NAB recognises the need to support those customers who are more in need.

NAB has a dedicated Customer Support Hub team available to support customers experiencing vulnerability, mostly supporting customers experiencing Family and Domestic Violence and Financial Abuse, including Elder Financial abuse. They also support customers experiencing financial difficulty including those on low incomes and customers impacted by natural disaster, most recently the bushfires.

Calls to the NAB Indigenous customer support line have remained steady throughout 2020, and the team continues to support enquiries from people who are in isolated remote communities where there is no branch. For example, on Thursday Island we have a branch, but during lock down people were unable to leave other islands in the Torres Strait. The NAB team continues to support Indigenous customers looking to meet our authentication requirements by using a letter of reference to support their identification.

NAB's customers with limited English can now access the interpreter service through Direct consumer servicing and NAB Assist, since it was implemented in May. NAB is supporting customers with limited English by making an interpreter service available to make communications between customers and bankers clearer. Bankers can quickly connect with an interpreter service, providing better customer service.

NAB continues to proactively offer customers with passbook accounts the option to obtain a Visa Debit Card and open a Classic Banking Account. Many older customers are taking up this option. Since the pandemic began, NAB has proactively called over 25,000 customers about digital banking education and support, which has seen 3,000 passbook customers apply for their first debit card, with nearly 80 per cent of these over 75.

Support for Business Customers

We continue to work with the Government on support for Australian businesses. In partnership with the Government, through the Coronavirus SME Guarantee Scheme, we have continued to provide eligible businesses with unsecured loans of up to \$250,000 over three years at 4.5% p.a. with no repayments required in the first six months. From its launch on 28 March to 19 June, NAB has approved 5,535 Business Support Loans under the Government's Scheme.

JobKeeper Payment

NAB strongly supports the Government's JobKeeper program and is supporting our customers by providing temporary access to funds ahead of government JobKeeper payments.

In total, since JobKeeper was announced (30 March) to 23 June NAB has approved 5,684 facilities (such as temporary excesses) to support JobKeeper payments.

On 12 May NAB launched a dedicated overdraft facility to support JobKeeper, with the ability to receive a short-term temporary excess available to manage any timing difference between paying wages and receiving the JobKeeper payment from the ATO. Customers are able to draw

upon the JobKeeper overdraft to make salary payments and then pay back the overdraft each month after they receive the JobKeeper payment from the Government.

NAB has a dedicated hotline for customers to access NAB's support for the JobKeeper payment for business customers (1800 JOB KEEPER).

Support for MLC Wealth Customers

MLC continues to support individuals and businesses affected by the pandemic. MLC teams have worked hard to process early release payments ensuring that money gets into the hands of those who need it as quickly as possible. As at 21 June, NULIS, MLC's superannuation trustee, has received 84,880 requests for early release payments, amounting to \$645 million. With the start of the new financial year approaching, we stand ready to receive and process requests from members who utilise the opportunity to withdraw a second amount from their super.

MLC has continued to assist advisers to meet the needs of their clients at this extraordinary time, for instance recently hosting a webinar on strategies to effectively service and connect with clients in the current COVID-19 environment. Recognising the important role advisers are playing in helping clients in financial distress a guest speaker also provided suggestions to the advisers on managing their own health and wellbeing.

To provide education and guidance to investors across Australia, an MLC media partnership with Fairfax has provided readers with information on "How the pandemic is reshaping retirement" and we have released a new retirement guide in the form of an online and mobile workbook "How to plan your finances in a changing world".

Ongoing Education for NAB Staff

On 10 June, NAB announced it was investing \$50 million to pay for every one of our 34,000 colleagues to receive a unique level of education and accreditation, in what will be an industry first in Australia and New Zealand.

We want NAB to have the best-qualified bankers in the industry. This training program includes a consistent understanding of ethics and conduct and will be delivered in partnership with the Financial Services Institute of Australasia.



NAB ECONOMICS DATA INSIGHTS

IMPACTS OF CORONAVIRUS ON CONSUMPTION BASED SPENDING AND BUSINESS PAYMENT INFLOWS

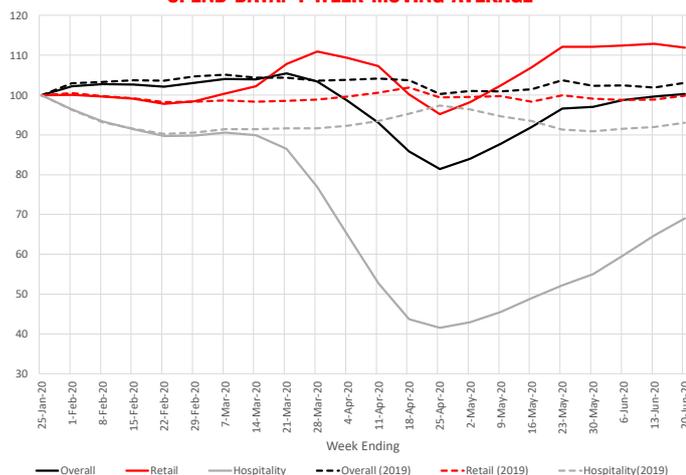
NAB Group Economics

June 2020

During these extraordinary times we have 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.

The key message from our latest Data Insights is the recovery in consumption spending is levelling off, with NAB's consumption spending index lower than at the same time last year and basically flat since the start of the year (pre-COVID 19). Payment inflows data also continues to slow. Although still mildly positive, the latest read is the slowest this year. The slowdown is particularly evident among Corporates.

SPEND DATA: 4 WEEK MOVING AVERAGE

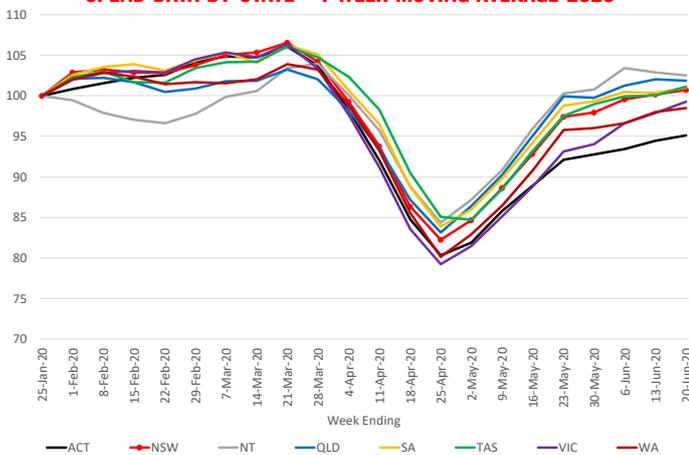


NAB's consumption spending index points to a levelling off in spending. Over the week ending June 20, consumption spending was just 0.3% higher in 4-week moving average terms than at the start of the year, and 2.7% lower than at the same time last year.

Relative to the start of 2020, spending is higher in just 5 states, led by the NT and QLD (but the rate of growth rate is tapering off in both states). Spending remains lowest in the ACT (by some margin), WA and VIC (but is improving as restrictions are slowly relaxed). Relative to last year, spending is lower in all states bar the NT and QLD (flat).

By industry, the recovery in Hospitality spend is continuing, with positive signs in all industry sub-sectors. But spending is still down 31% since the start of the year and among the worst performers, along with Admin & Support (-73%) and Transport, Postage & Warehousing (-43%). Construction (39%), Professional & Tech Services (25%) and Retail (12%) have recorded the highest growth since the start of 2020, but appears to be levelling off in all 3 sectors. Healthcare is among the big improvers, with spend now up some 4% since the start of the year.

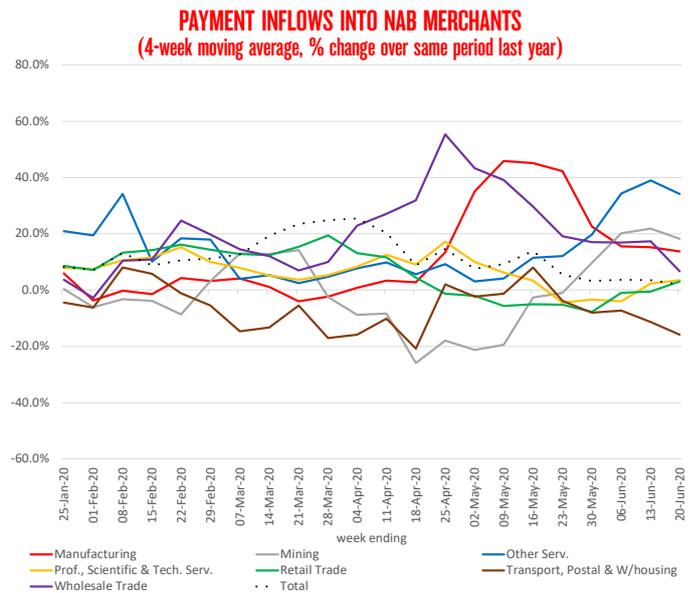
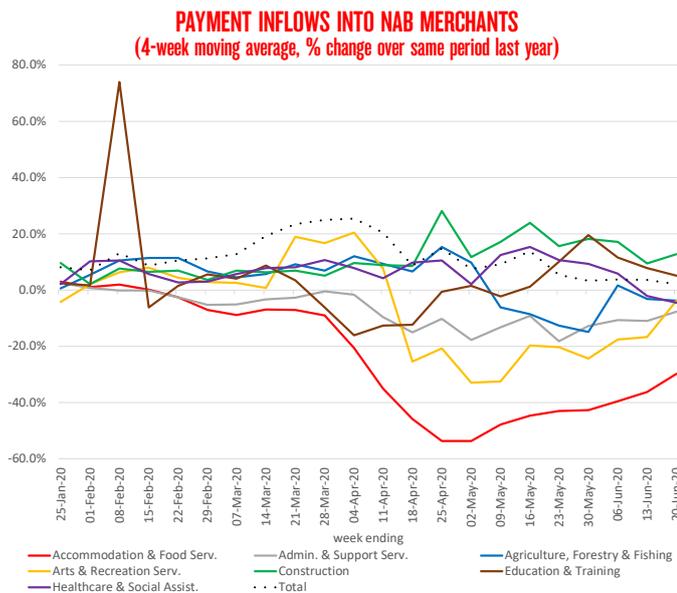
SPEND DATA BY STATE - 4 WEEK MOVING AVERAGE 2020



The softening in consumer spend is further evident in the fact that spending growth over the year is now positive in just 13 of 45 industry sub-sectors (16 in our last report) - led by Gambling (105%) and Residential Care Services (38%). Heavy falls are still being reported for Motion Picture & Sound Recording (-95%), Air & Space Transport (-85%), Rail Transport (-80%) and Admin & Support (-77%).

Payment Inflows into NAB merchants are also slowing, with the latest data showing inflows now just 2.1% higher in year on year terms in the week ending in June 20 - the weakest result this year. Inflows are down most for small firms, but the rate of decline has levelled off in recent weeks, while accelerating for mid-sized firms. Corporates are still positive and out-performing, but inflows are slowing quickly.

Inflows were strongest into Other Services (34%), Mining (18%), Manufacturing (14%) and Construction (13%), and weakest in Hospitality (-30%), and Transport Postal & Warehousing (-15.9%).



HIGHLIGHTS

Consumption Spending:

- NAB's consumption spending index points to a levelling off in spending. Over the week ending June 20, consumption spending was just 0.3% higher in 4-week moving average terms than at the start of the year, and 2.7% lower than at the same time last year.
- The NT (5.4%) and QLD (0.7%) are the only states recording higher levels of consumption spending relative to the same period last year. Spending is lower in all other states, led by the ACT (-8.8%), VIC (-6.6%) and NSW (-4.3%). Since the beginning of the year (pre-COVID-19), spending is higher in the NT (3.4%), QLD (1.3%) and SA/NT (0.5%). It is lower in all other states, with the ACT the clear under-performer (-6.6%).
- Only 5 sectors are seeing higher levels of spending since the start of 2020, led by Construction (39%) - supported by spending on Construction Services (Construction spend is also some 22% higher than at the same time last year). Retail spending is 12% higher since the start of the year, with Motor Vehicles & Parts Retailing up around 34%. Spending on Administration & Support Services remains dismal - down 74% since the start of 2020. The rate of spending decline on Hospitality, while still very weak (-31%) continues to slow, and is now just 26% lower than at the same time last year, after being as much as 56% lower in late-April.
- Reinforcing the trend weakening in consumption spending, spending by sub-division now higher in just 13 of 45 sectors when compared to the same period last year (16 in our previous report) - led by Gambling (105%), Residential Care Services (38%) and Internet Publishing & Broadcasting (26%) and Construction Services (23%).
- Spending was down most for Motion Picture & Sound Recording Activities (95%), Air & Space Transport (-85%) and Rail Transport (-80%). Another 8 industries are also reporting spending levels down 50% or more since the start of the year.

Payment Inflows:

- Payment Inflows continue to soften. Overall payment inflows into NAB merchants were just 2.1% higher in year on year terms in the week ending in June 20 - the weakest result this year. Inflows are now well down on the 20% plus levels seen through late-March/early-April.
- Inflows are down most for small firms (-8.5%) but the rate of decline has levelled off in recent weeks, while accelerating for mid-sized firms (-6.0%). Corporates are still positive and out-performing, but inflows are slowing quickly - now just 5.7% from 12.6% in our last data run.
- At the industry level, inflows were strongest into Other Services (34%), Mining (18%), Manufacturing (14%) and Construction (13%), but all sectors saw slower growth. Inflows were weakest in Hospitality (-30%), but a modest paced recovery is continuing, with inflows into Cafes & Restaurants now just 12% lower. Inflows were also down steeply and worsening in Transport, Postal & Warehousing (-16%). The biggest improvement was noted in Arts and Recreation, where the rate of decline slowed from -18% in our previous report to -4% now.
- Payment inflows over the 4 weeks ending June 20 increased in 31 of 66 sub-industries (down from 38 in our previous report), with the biggest gains recorded in Non-Metallic Mineral Product Manufacturing (139%), Exploration & Other Mining Support Services (119%) and Pulp, Paper & Converted Paper Product Manufacturing (76%).
- Inflows fell in 32 sub-industries, ranging from Heritage Activities (-85%) and Air & Space Transport (-53%) to Food Product Manufacturing (-0.3%) and Professional, Scientific & Technical Services except Computer System Design & Related (-1.1%).

NAB CONSUMPTION-BASED SPENDING* BY INDUSTRY SECTOR & SELECTED INDUSTRIES (4 weeks ending 20 June 2020)

	% change since same time last year**	% change since the start of year**	% change since previous week**
Accommodation & Food Services	-25.8%	-31.0%	6.7%
Administrative & Support Services (incl. Travel Agents)	-74.0%	-73.4%	-1.1%
Arts & Recreation Services	-9.0%	-9.4%	6.6%
Construction	21.6%	39.4%	-0.4%
Education & Training	-5.7%	-1.5%	-4.1%
Electricity, Gas & Water & Waste Services	-2.1%	8.3%	-1.5%
Healthcare & Social Assistance	-17.2%	4.1%	5.9%
Information, Media & Telecommunications	-5.8%	-8.9%	-2.7%
Professional, Scientific & Technical Services	-6.8%	25.4%	-0.8%
Rental, Hiring & Real Estate Services	-11.6%	-11.1%	1.3%
Retail Trade	12.1%	12.0%	-0.8%
Transport, Postal & Warehousing	-42.7%	-42.6%	-0.4%
TOTAL	-2.7%	0.3%	0.7%
Best Performers (Sub-Division)			
- Gambling Activities	105.2%	51.1%	1.9%
- Residential Care Services	38.0%	59.5%	4.6%
- Internet Publishing & Broadcasting	26.1%	28.3%	-4.2%
- Construction Services	22.6%	40.5%	1.6%
- Motor Vehicle & Motor Vehicle Parts Retailing	22.1%	33.9%	2.2%
- Building Cleaning, Pest Control & Other Support Serv.	20.9%	14.8%	-1.6%
- Other Store-Based Retailing	16.4%	16.5%	-0.6%
Worst Performers (Sub-Division)			
- Motion Picture & Sound Recording Activities	-95.2%	-96.7%	11.6%
- Air & Space Transport	-84.6%	-85.4%	-13.4%
- Rail Transport	-79.9%	-76.6%	-0.2%
- Administrative Services	-76.9%	-76.3%	-1.1%
- Creative & Performing Arts Activities	-74.6%	-69.2%	16.8%
- Heritage Activities	-63.6%	-76.0%	25.3%
- Other Transport	-61.9%	-65.8%	5.2%
- Social Assistance Services	-59.4%	-41.7%	12.0%
- Accommodation	-56.5%	-63.2%	13.3%

*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.

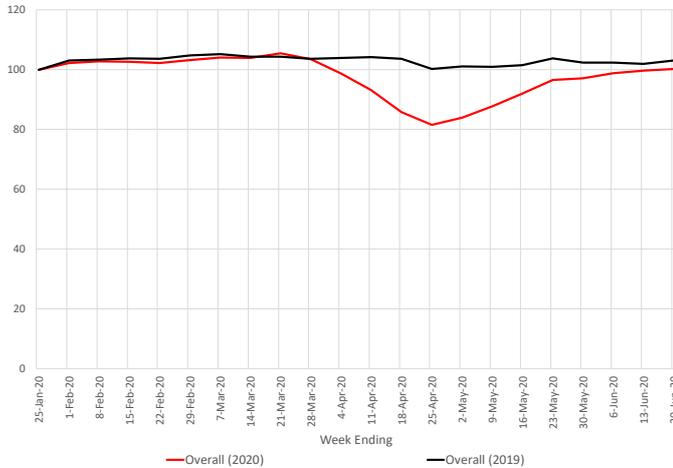
PAYMENT INFLOWS INTO NAB MERCHANTS - SELECTED INDUSTRIES (% Y/Y)*

	4-weeks ending 13 June 2020	4-weeks ending 20 June 2020
Accommodation & Food Services	-36.3%	-29.8%
Administration & Support Services	-10.9%	-7.7%
Agriculture, Forestry & Fishing	-3.2%	-3.8%
Arts & Recreation Services	-16.7%	-3.7%
Construction	9.5%	12.8%
Education & Training	7.8%	5.1%
Healthcare & Social Assistance	-2.1%	-4.5%
Manufacturing	15.2%	13.7%
Mining	21.8%	18.2%
Other Services	38.9%	34.2%
Professional, Scientific & Technical Services	2.3%	3.4%
Retail Trade	-0.5%	3.1%
Transport, Postal & Warehousing	-11.3%	-15.9%
Wholesale Trade	17.4%	6.7%
TOTAL	3.5%	2.1%
Business Size		
- Small	-8.7%	-8.5%
- Emerging	3.7%	3.6%
- Medium	-3.2%	-6.0%
- Large	-1.3%	-0.8%
- Corporate	12.6%	5.7%
Best Performers (Sub-Division)		
- Non-metallic Mineral Product Manufacturing	108.9%	138.5%
- Exploration & Other Mining Support Services	141.9%	119.0%
- Pulp, Paper & Converted Paper Product Manufacturing	73.0%	74.5%
- Pre-school & School Education	41.9%	57.1%
- Computer System Design & Related Services	43.7%	53.0%
- Gambling Activities	24.9%	48.8%
Worst Performers (Sub-Division)		
- Heritage Activities	-85.0%	-85.4%
- Air & Space Transport	-57.6%	-53.2%
- Sports & Recreation Activities	-46.7%	-44.8%
- Creative & Performing Arts Activities	-45.4%	-39.7%
- Base Chemical & Chemical Product Manufacturing	-29.5%	-38.0%
- Beverage & Tobacco Product Manufacturing	-10.7%	-36.7%
- Accommodation	-42.2%	-34.3%

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

PART 1: SPENDING PATTERNS: OVERALL, BY STATE & BY INDUSTRY

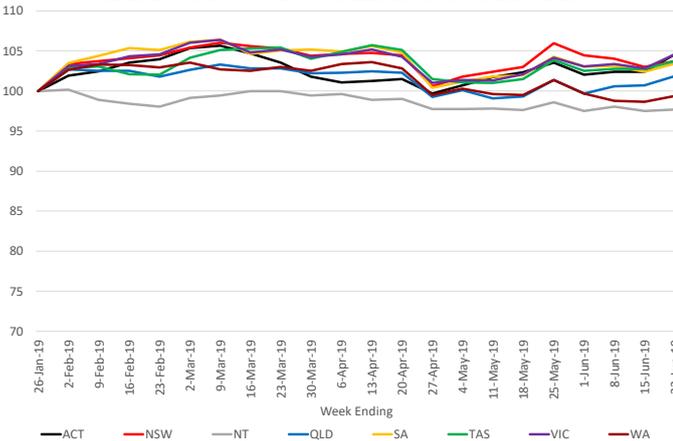
SPEND DATA: 4 WEEK MOVING AVERAGE - OVERALL



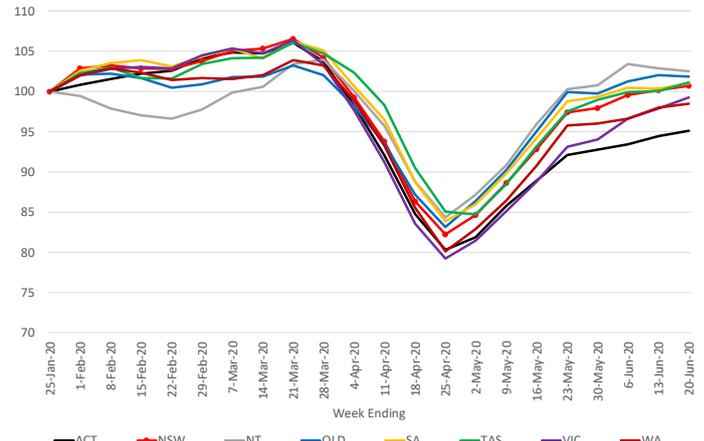
Note: Data excludes government services, taxes, direct to consumer manufacturers, mortgage and other credit facility repayments. Spending includes both online and offline transactions. Transaction data may include EFTPOS, Credit Card, BPAY, Bank Transfers, Direct Debits and PayPal services where available. NAB uses the four-week average measure to smooth volatile data.

The latest data is for the four weeks ending 20 June 2020.

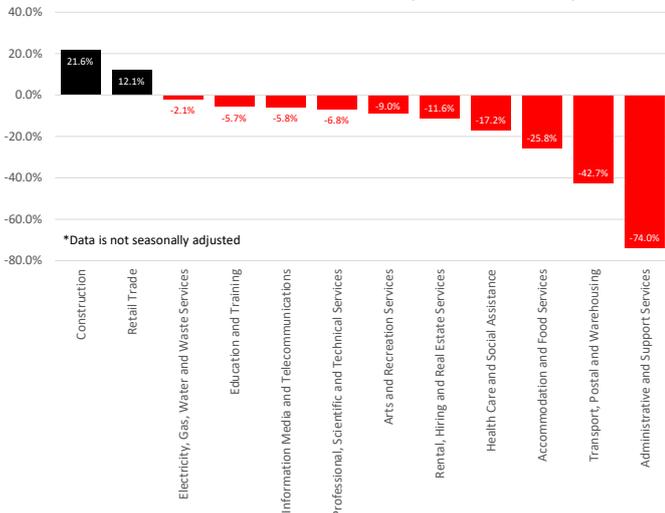
SPEND DATA BY STATE - 4 WEEK MOVING AVERAGE 2019



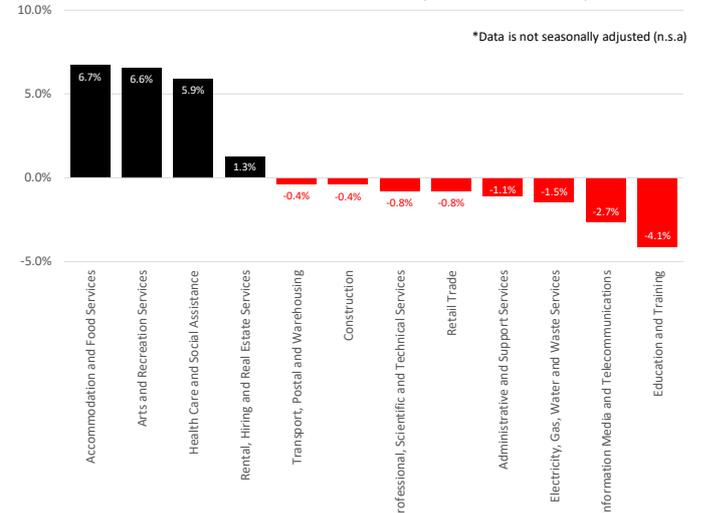
SPEND DATA BY STATE - 4 WEEK MOVING AVERAGE 2020



CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS YEAR BY INDUSTRY - WEEK ENDING 20 JUNE 2020 (4 WEEK MOVING AVG)*



CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS WEEK BY INDUSTRY - WEEK ENDING 20 JUNE 2020 (4 WEEK MOVING AVG)*

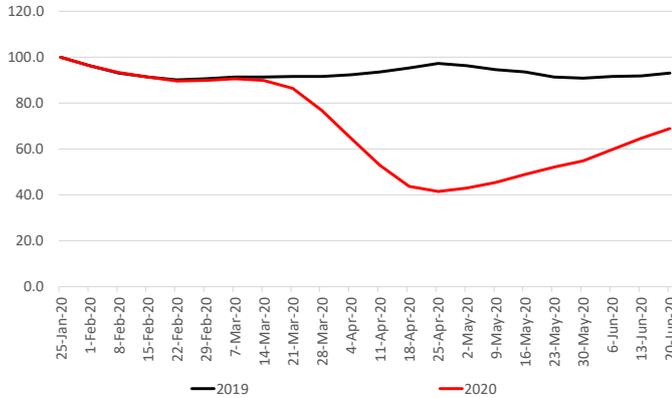


*Data is not seasonally adjusted (n.s.a)

SPENDING CHANGES BY INDUSTRY & INDUSTRY SUB-DIVISION

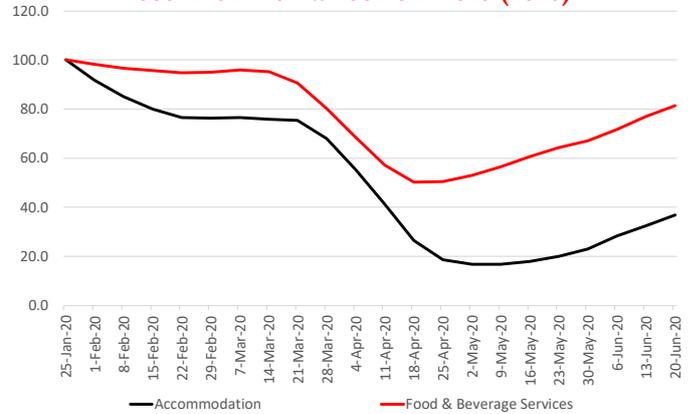
Down 25.8% from same time last year
Down 31.0% since start of the year
Up 6.7% over the previous week

ACCOMMODATION & FOOD SERVICES



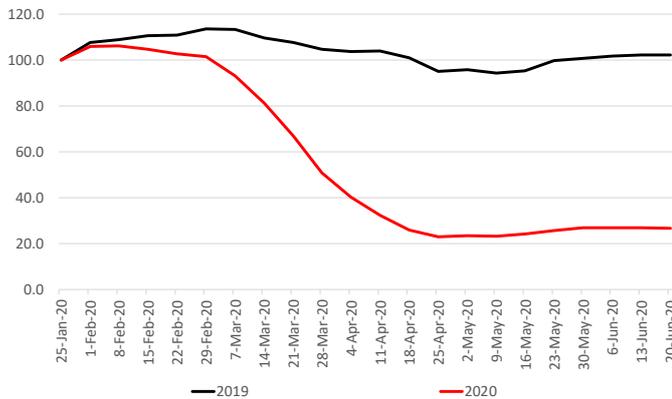
Food & Beverages still leading recovery in this sector (but still well down over the year).
Accommodation gaining traction, but still very weak.

ACCOMMODATION & FOOD SERVICES (2020)



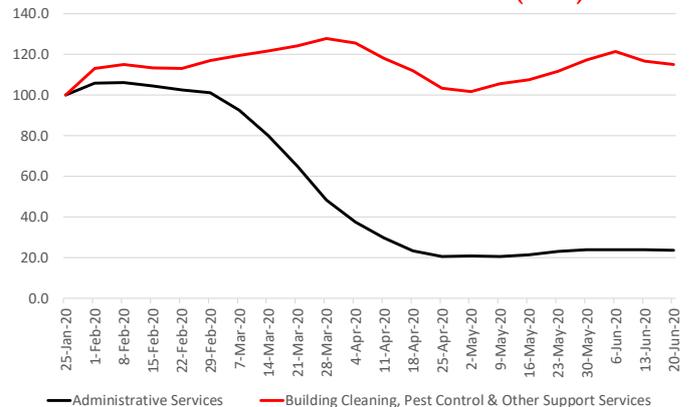
Down 74.0% from same time last year
Down 73.4% since start of the year
Down 1.1% over the previous week

ADMINISTRATIVE & SUPPORT SERVICES



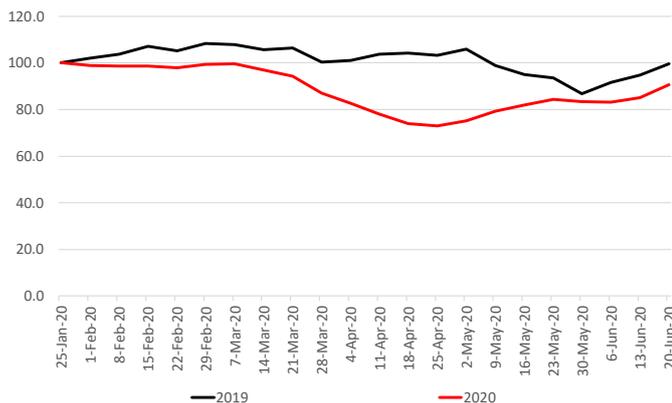
Spending on Building, Cleaning, Pest Control & Other Services growing, but spending on Admin Services has flat-lined at very weak levels.

ADMINISTRATIVE & SUPPORT SERVICES (2020)



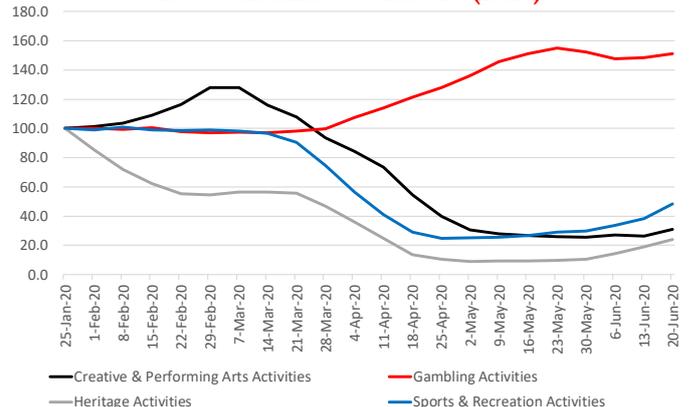
Down 9.0% from same time last year
Down 9.4% since the start of the year
Up 6.6% over the previous week

ARTS & RECREATION SERVICES



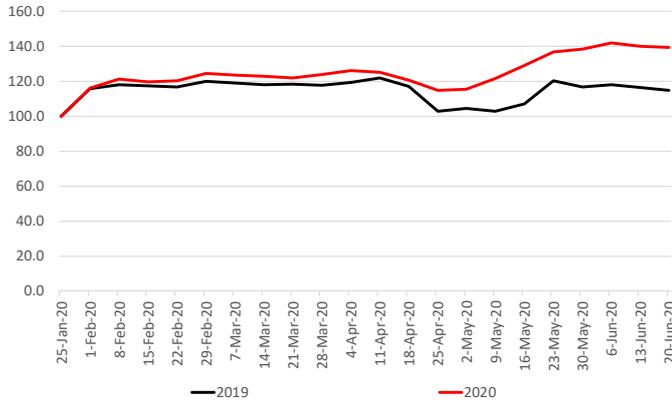
Spending in Arts & Recreation being supported solely by very strong growth in Gambling Activities
Sports & Recreation starting to turn up.

ARTS & RECREATION SERVICES (2020)



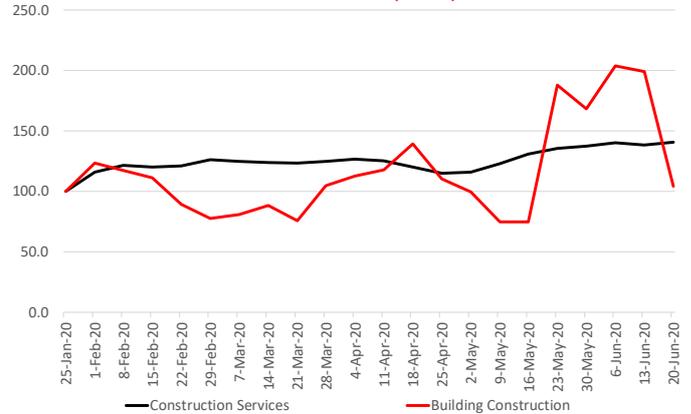
*Up 21.6% from same time last year
Up 39.4% since the start of the year
Down 0.4% over the previous week*

CONSTRUCTION



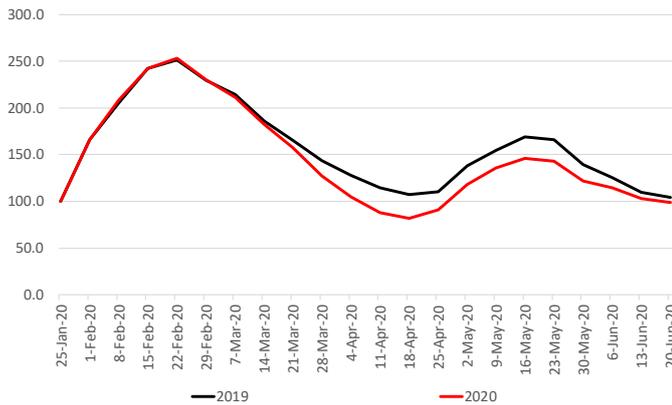
Acceleration in spending on Construction Services looks to have levelled out (but positive), as spending on Building Construction falls steeply.

CONSTRUCTION (2020)



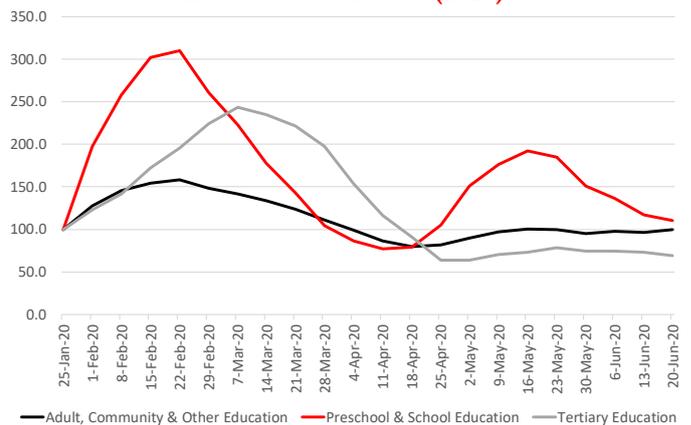
*Down 5.7% from same time last year
Down 1.5% since the start of the year
Down 4.1% over the previous week*

EDUCATION & TRAINING



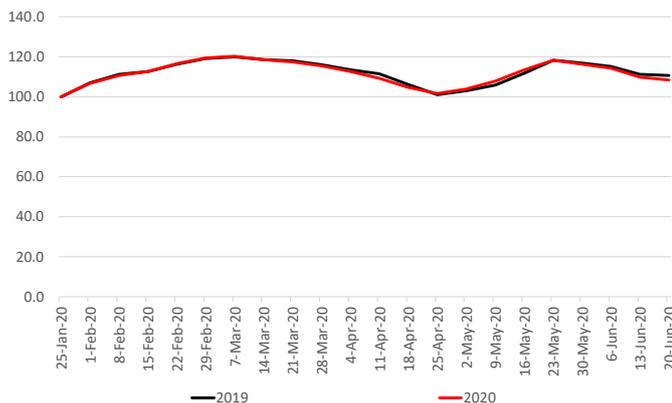
Recent acceleration in spending on Preschool & Schools Education tailing off, with spending on Tertiary falling further.

EDUCATION & TRAINING (2020)



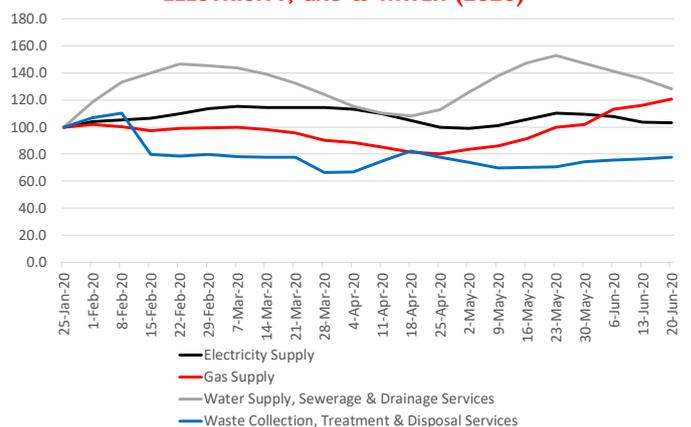
*Down 2.1% from same time last year
Up 8.3% since the start of the year
Down 1.5% over the previous week*

ELECTRICITY, GAS, WATER & WASTE SERVICES



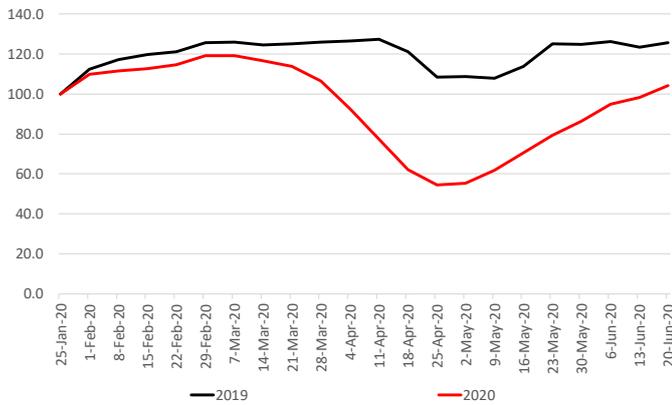
Spending on gas supply climbing in recent weeks, as spending on Water Supply, Sewerage & Drainage continues to slow.

ELECTRICITY, GAS & WATER (2020)



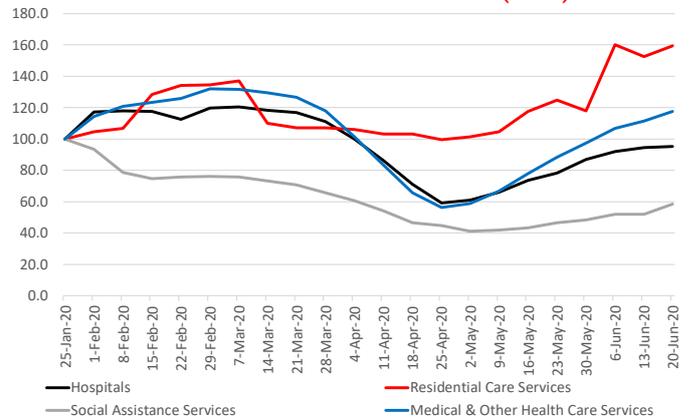
**Down 17.2% from same time last year
Up 4.1% since the start of the year
Up 5.9% over the previous week**

HEALTHCARE & SOCIAL ASSISTANCE



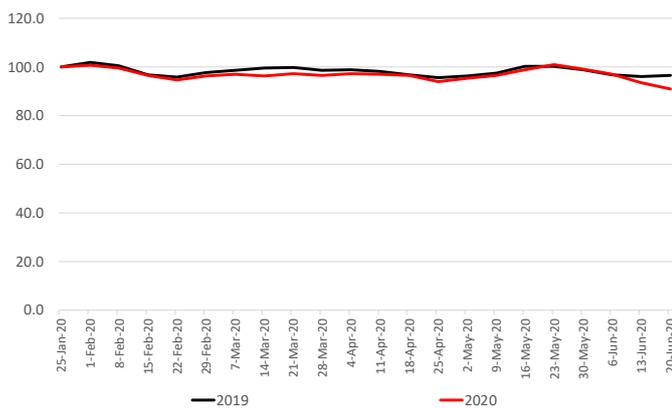
Spending growth lifts for Residential Care and climbing for Medical & Other Health Care Services. Spending on Hospitals has plateaued.

HEALTH CARE & SOCIAL ASSISTANCE (2020)



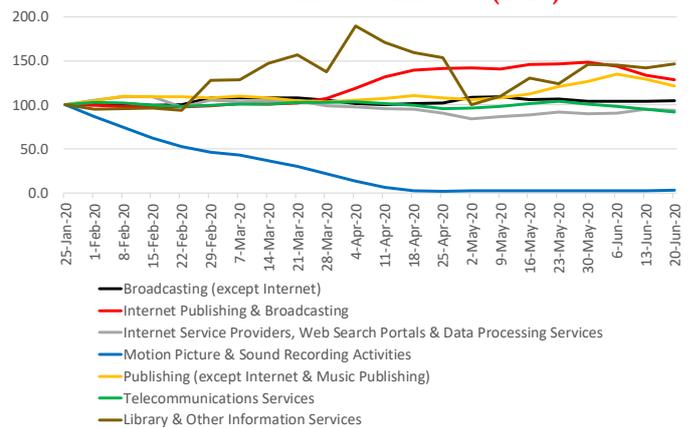
**Down 5.8% from same time last year
Down 8.9% since the start of the year
Down 2.7% over the previous week**

INFORMATION, MEDIA & TELECOMMUNICATION



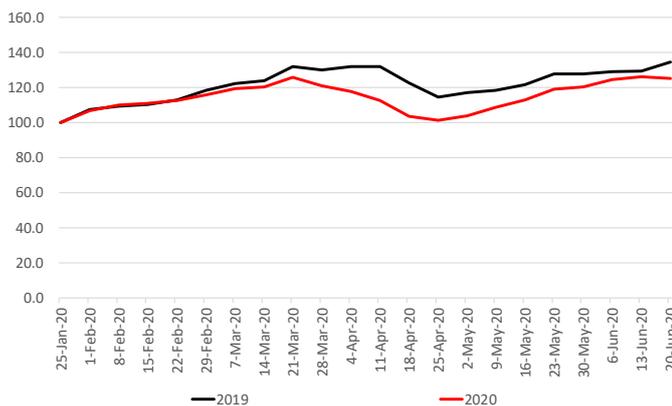
Spending growth has eased in most sectors, with Library & Other Information Services now out-performing.

INFORMATION MEDIA & TELECOMS (2020)



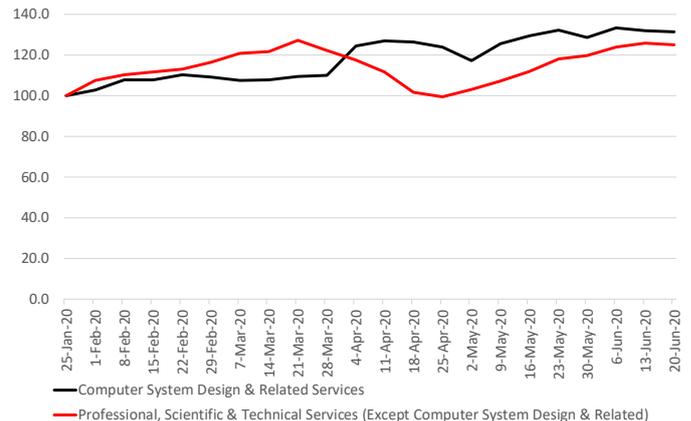
**Down 6.8% from same time last year
Up 25.4% since the start of the year
Down 0.8% over the previous week**

PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES



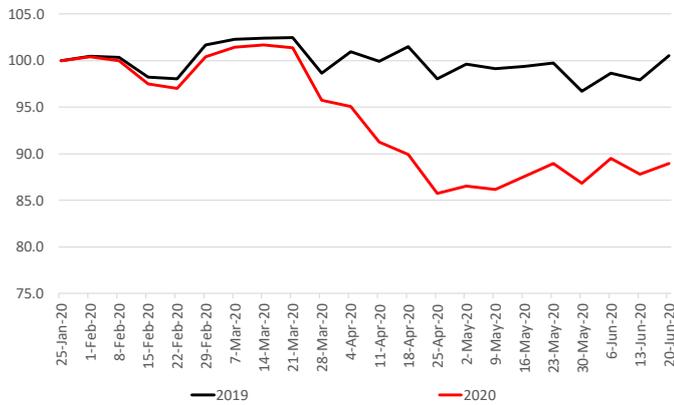
Spending growth positive in all industry sub-divisions in the year to date, but have plateaued in recent weeks.

PROFESSIONAL, SCIENTIFIC & TECHNICAL SERV. (2020)



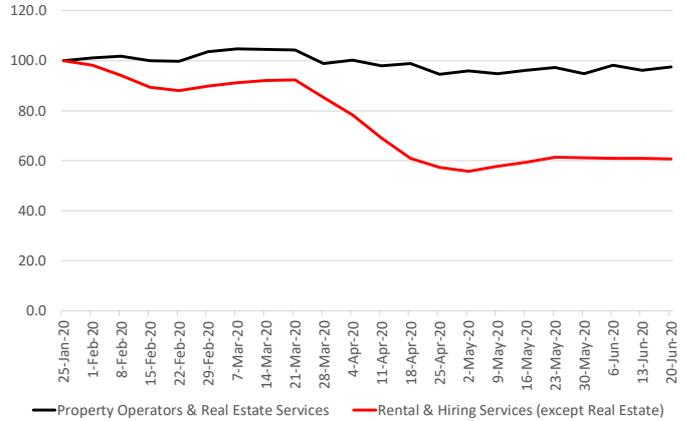
Down 11.6% from same time last year
Down 11.1% since the start of the year
Up 1.3% over the previous week

RENTAL, HIRING & REAL ESTATE SERVICES



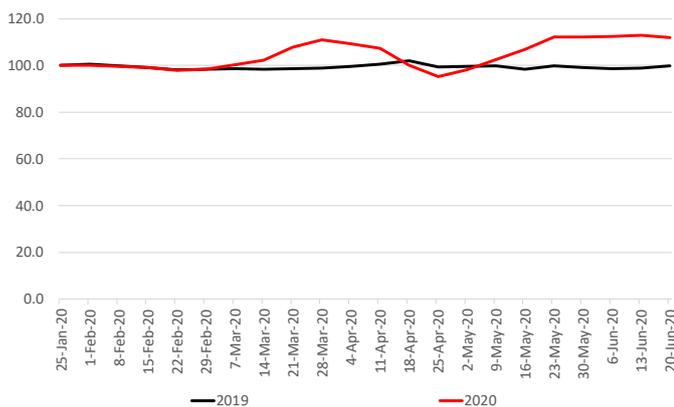
Overall spending still down over the year to date, but much less so for Property Operators & Real Estate Services.

RENTAL, HIRING & REAL ESTATE SERVICES (2020)



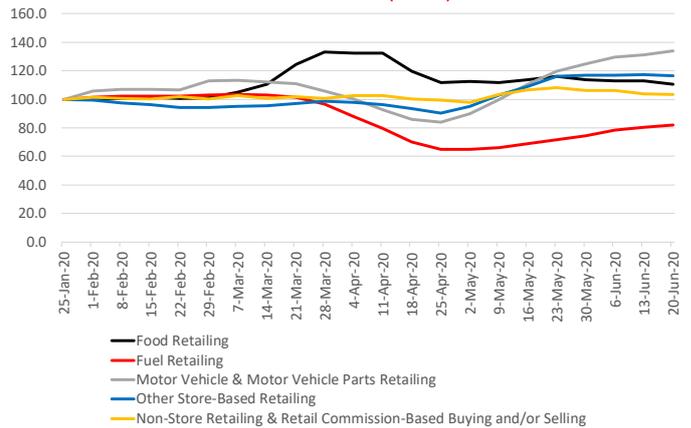
Up 12.1% from same time last year
Up 12.0% since the start of the year
Down 0.8% over the previous week

RETAIL TRADE



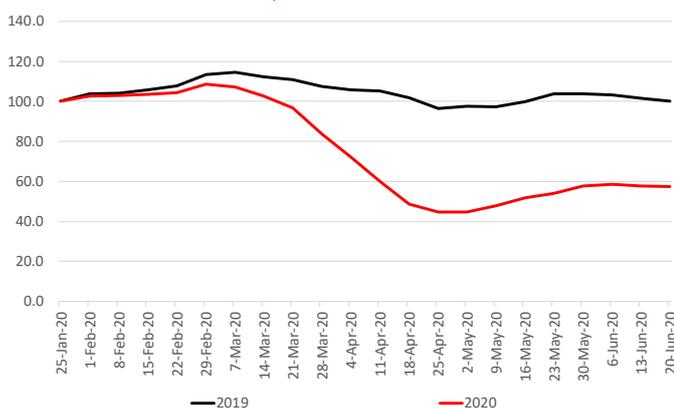
Spending over the year to date positive in all sectors (bar Fuel). Spending on Motor Vehicle & Parts continues to rise, but others have slowed.

RETAIL TRADE (2020)



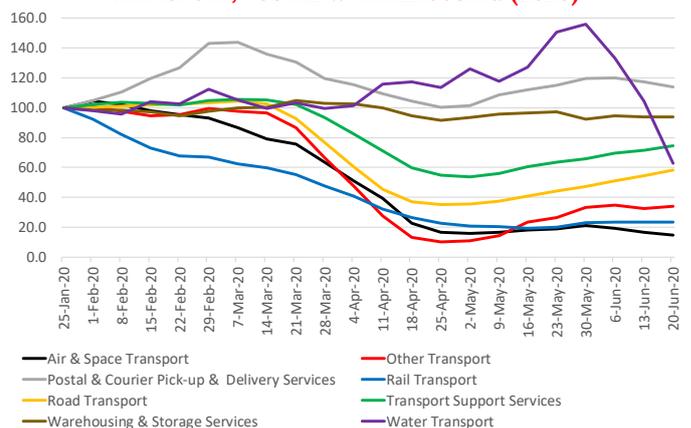
Down 42.7% from same time last year
Down 42.6% since the start of the year
Down 0.4% over the previous week

TRANSPORT, POSTAL & WAREHOUSING



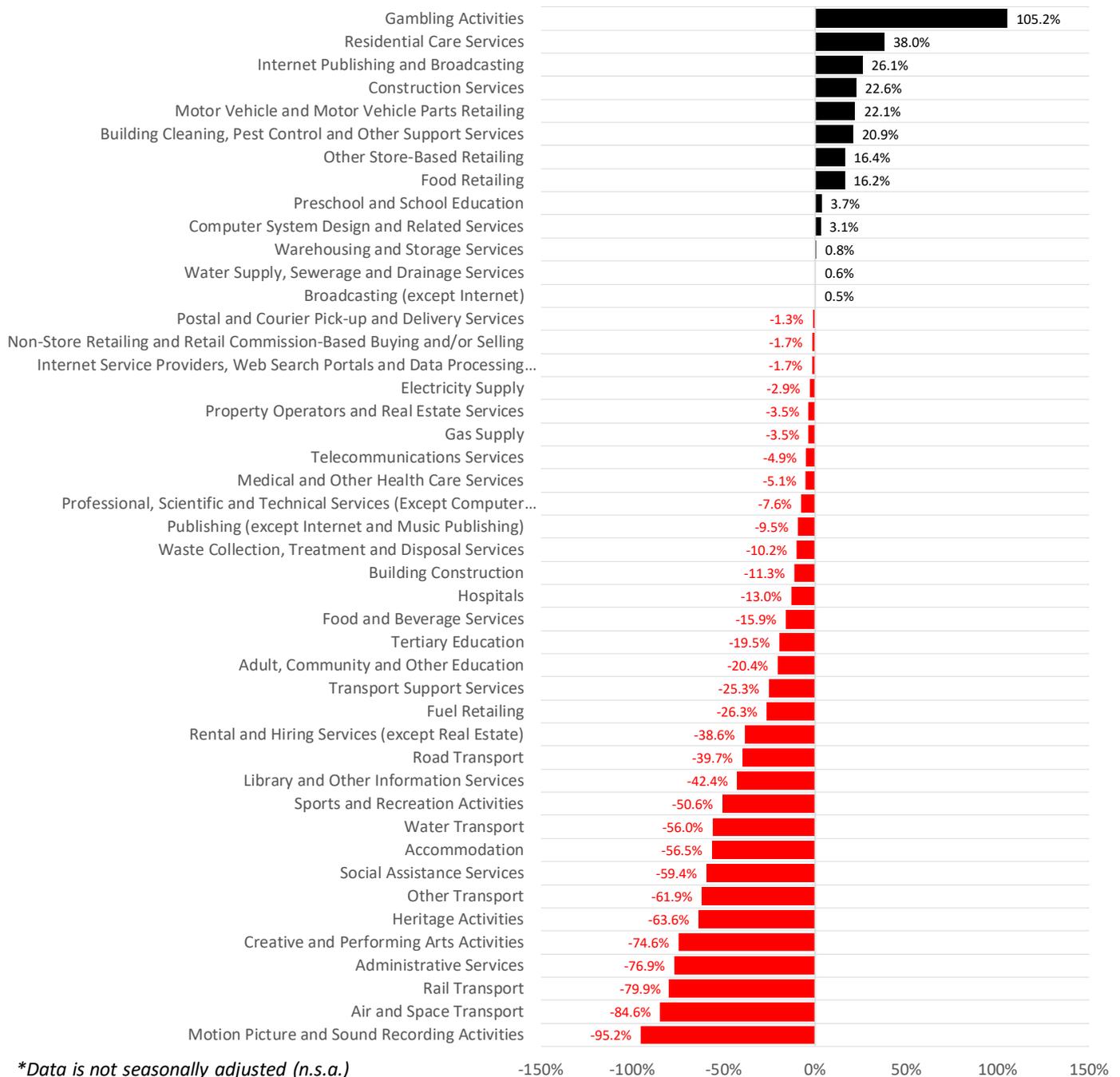
Spending on water transport falling rapidly, but recovery continuing in Transport Support Services and Road Transport (albeit still very weak).

TRANSPORT, POSTAL & WAREHOUSING (2020)

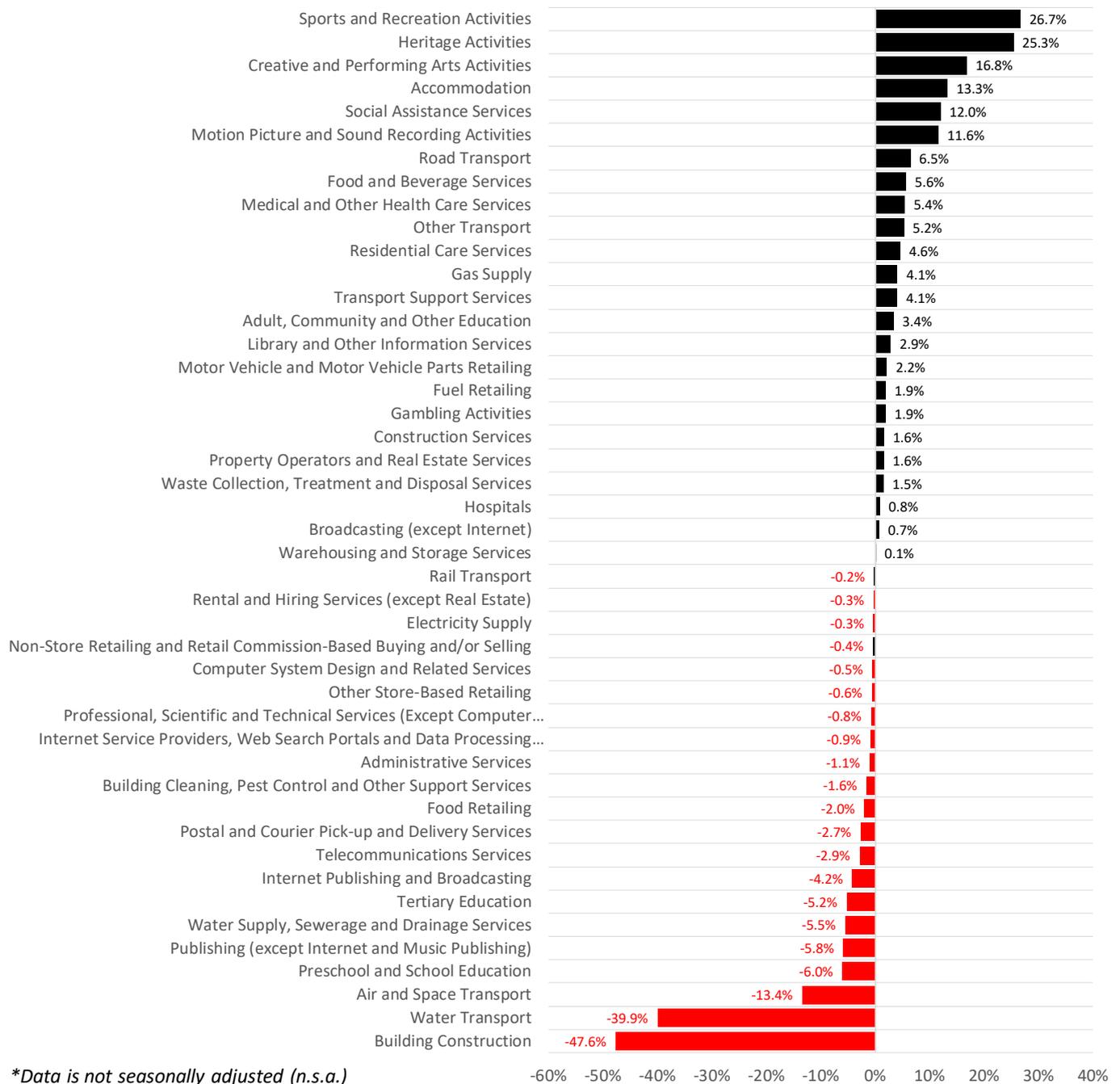


CONSUMPTION SPENDING BY INDUSTRY SUB-DIVISION - RANKED

CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS YEAR BY INDUSTRY SUB-DIVISION - WEEK ENDING 20 JUNE 2020 (4 WEEK MOVING AVG)*



CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS WEEK BY INDUSTRY SUB-DIVISION - WEEK ENDING 20 JUNE 2020 (4-WEEK MOVING AVG)*



*Data is not seasonally adjusted (n.s.a.)

PART 2: PAYMENT INFLOWS INTO NAB MERCHANTS BY INDUSTRY

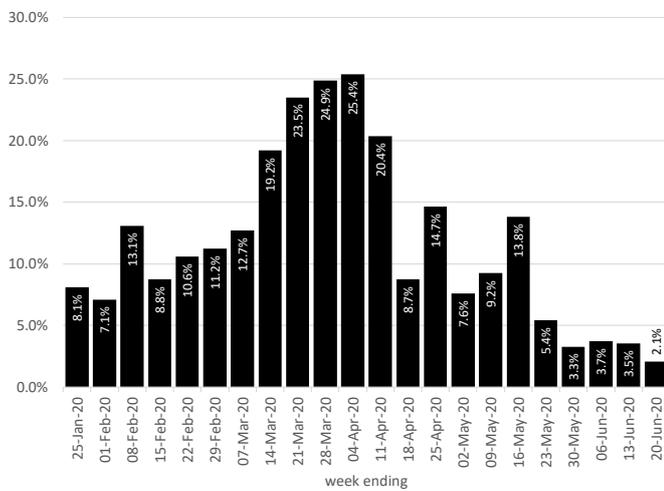
We have moved to replicating a 4-week moving average methodology - currently used in our consumption spending - to payment inflows.

This data shows that growth in overall payment inflows slowed 2.1% to the 4 weeks ending June 20 compared to the same period last year. Payment inflows have now been slowing for 3 consecutive weeks.

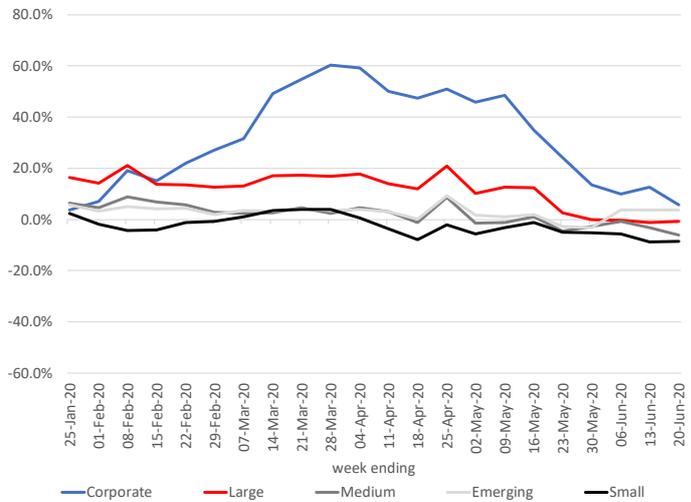
Payment inflows by business size show Corporates are still out-performing, but inflows continue slowing - now up just 5.7% over the year (down from 12.6% in the previous week).

Inflows down most for small businesses (-8.5%), but rate of decline has levelled off in recent weeks. Rate of decline is however accelerating for medium-sized firms (-6.0% from -3.2% in the previous week).

PAYMENT INFLOWS INTO NAB MERCHANTS
(4-weeking moving average, % change on same period last year)

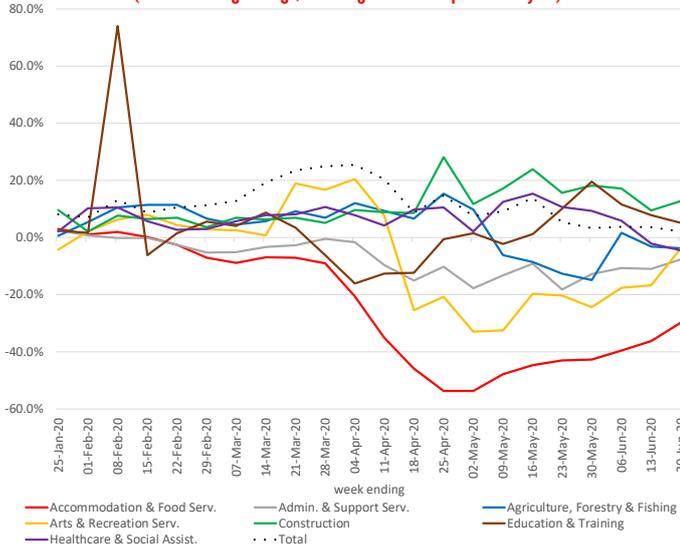


PAYMENT INFLOWS INTO NAB MERCHANTS - BY MERCHANT SIZE
(4-week moving average, % change over same week last year)

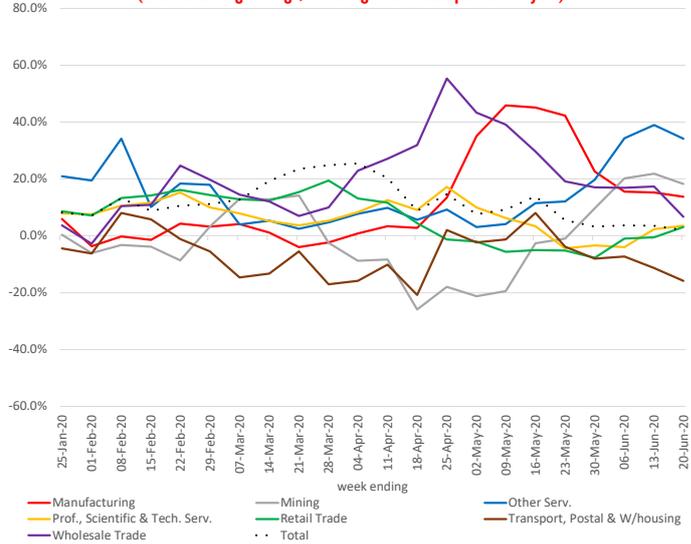


Big discrepancies in payment inflows still being seen across industries. Modest paced recovery is continuing in Accommodation & Food Services and Arts & Recreation Services (but still negative). Steady gains also seen in Retail. Slowing inflows in Manufacturing and Agriculture continuing. Payment inflows into Other Services and Mining also easing, but still the two industries reporting the highest growth in inflows.

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



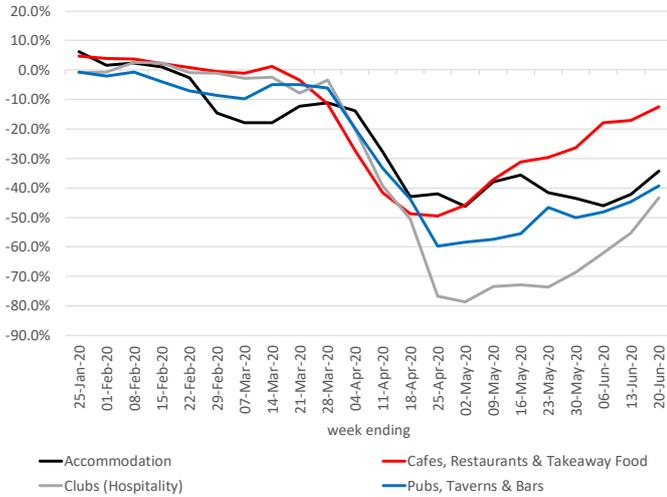
PAYMENT INFLOWS INTO NAB MERCHANTS
(4-week moving average, % change over same period last year)



INDUSTRY DEEP DIVES: ACCOMMODATION & FOOD SERVICES & RETAIL TRADE

ACCOMMODATION & FOOD SERVICES

(4-weeking moving average, % change on same period last year)

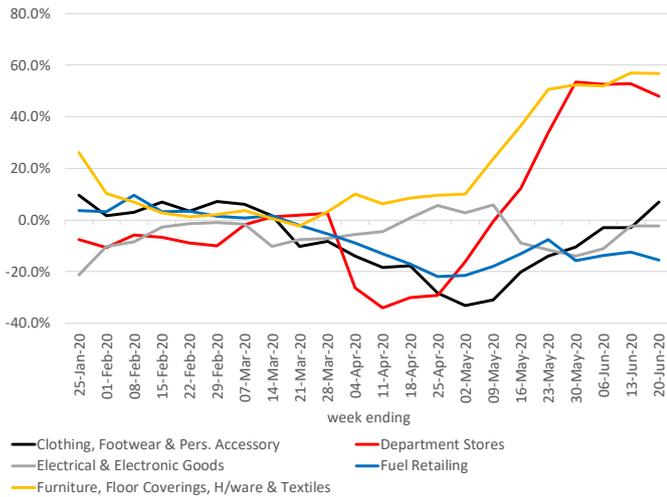


Inflows now improving in all industry groups as mandated restrictions continue to be gradually lifted.

*Cafes, Restaurants & Takeaways still leading the way, with inflows into Accommodation also recovering in recent weeks (but still down heavily).
Inflows into Clubs (Hospitality) also saw slowest rate of decline since early-April.*

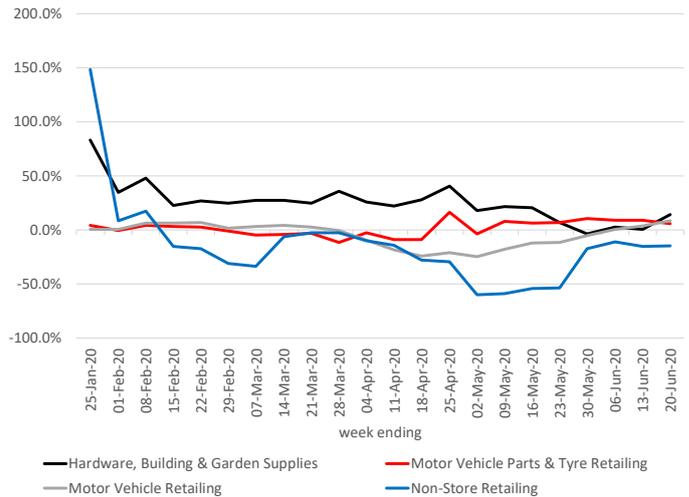
RETAIL TRADE: PART 1

(4-weeking moving average, % change on same period last year)



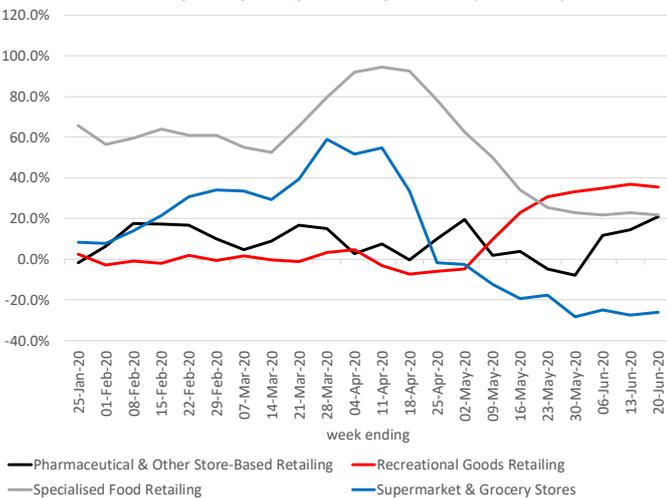
RETAIL TRADE: PART 2

(4-weeking moving average, % change on same period last year)



RETAIL TRADE: PART 3

(4-weeking moving average, % change on same period last year)



Inflows into Retail sector now rising in 9 industry groups and negative in only 4.

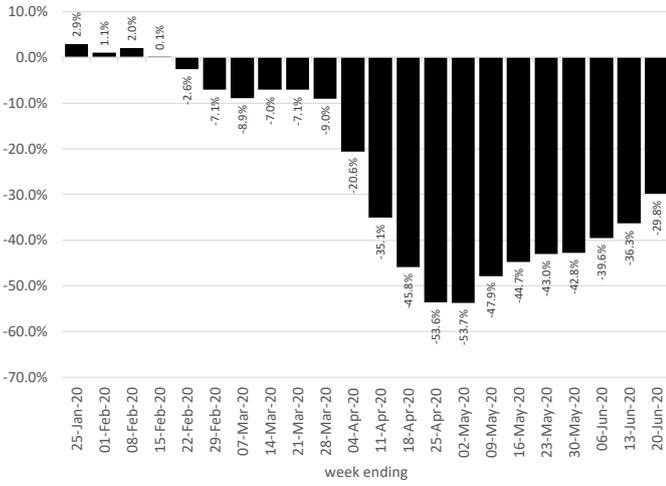
Biggest increases reported in Furniture, Floor Coverings, Houseware & Textile Goods.

Recreational Goods and Department stores still out-performing but rate of growth has levelled off and slowing a touch.

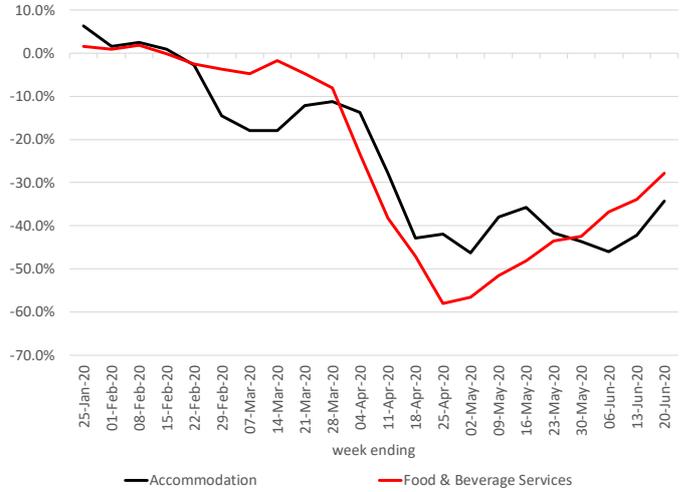
Heaviest falls in payment inflows were in Supermarkets & Grocery Stores, with inflows also down heavily in Fuel and Non-Store Retailing.

PAYMENT INFLOWS BY INDUSTRY & INDUSTRY SUB-DIVISION

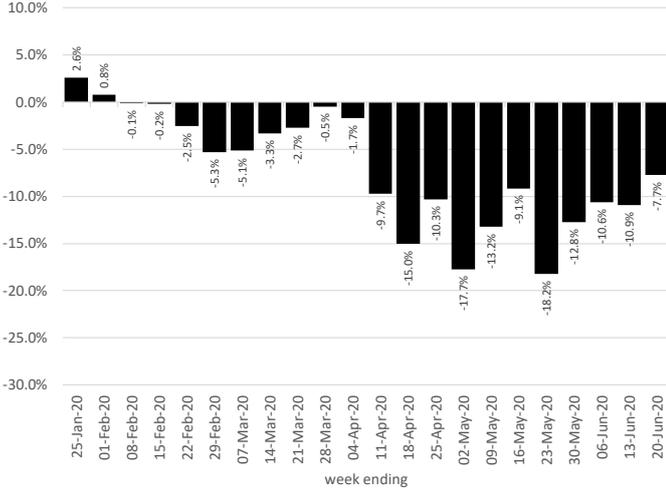
ACCOMMODATION & FOOD SERVICES
(4-week moving average, % change on same period last year)



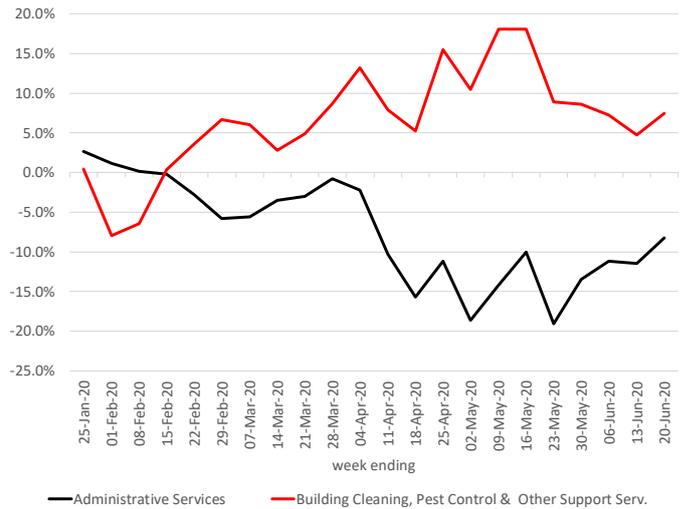
ACCOMMODATION & FOOD SERVICES
(4-week moving average, % change on same period last year)



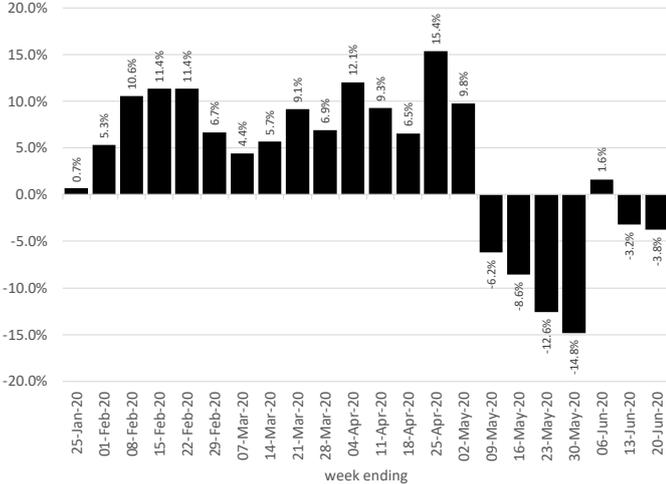
ADMINISTRATIVE & SUPPORT SERVICES
(4-week moving average, % change on same period last year)



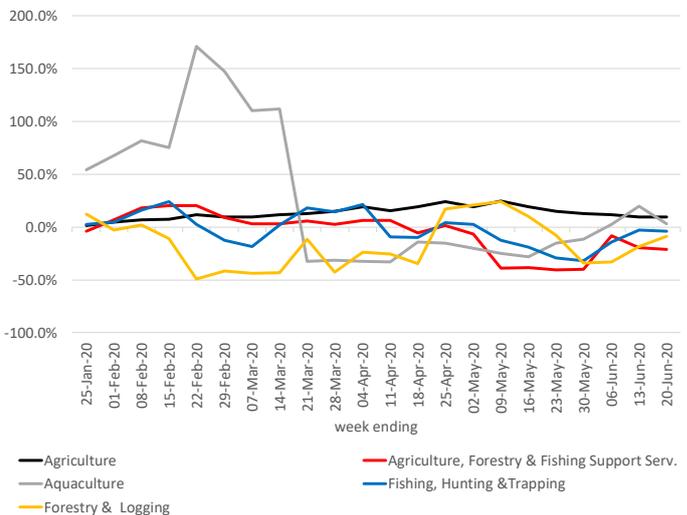
ADMINISTRATIVE & SUPPORT SERVICES
(4-week moving average, % change on same period last year)



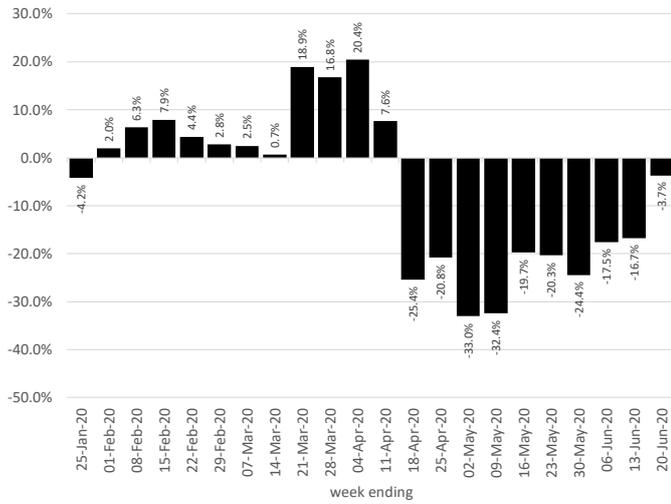
AGRICULTURE, FORESTRY & FISHING
(4-week moving average, % change on same period last year)



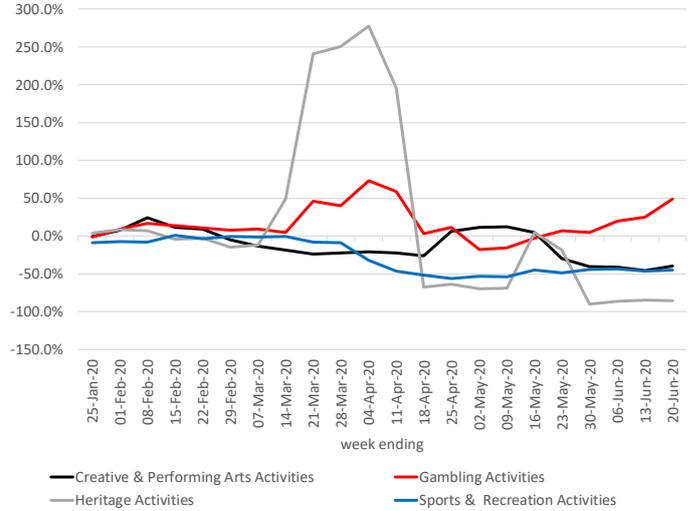
AGRICULTURE, FORESTRY & FISHING
(4-week moving average, % change on same period last year)



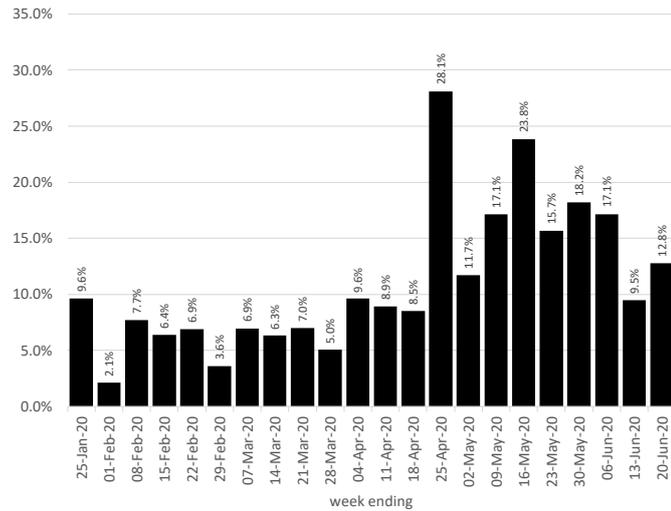
ARTS & RECREATION SERVICES (4-week moving average, % change on same period last year)



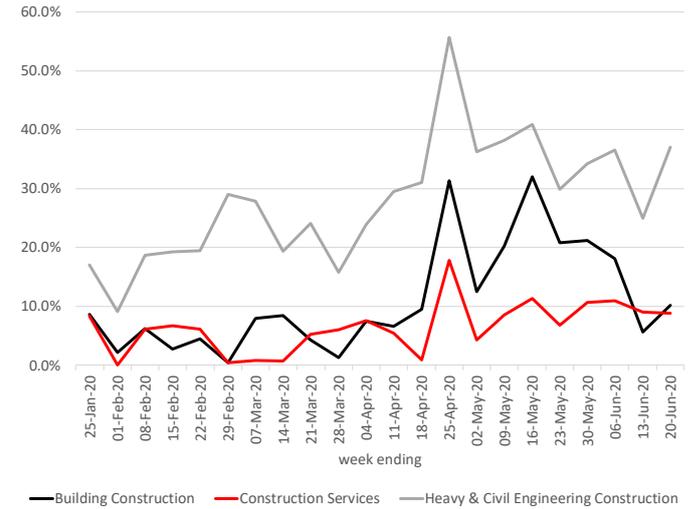
ARTS & RECREATION SERVICES (4-week moving average, % change on same period last year)



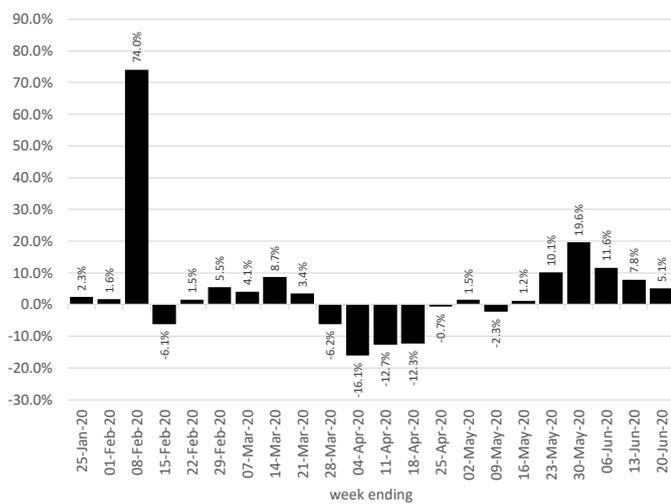
CONSTRUCTION (4-week moving average, % change on same period last year)



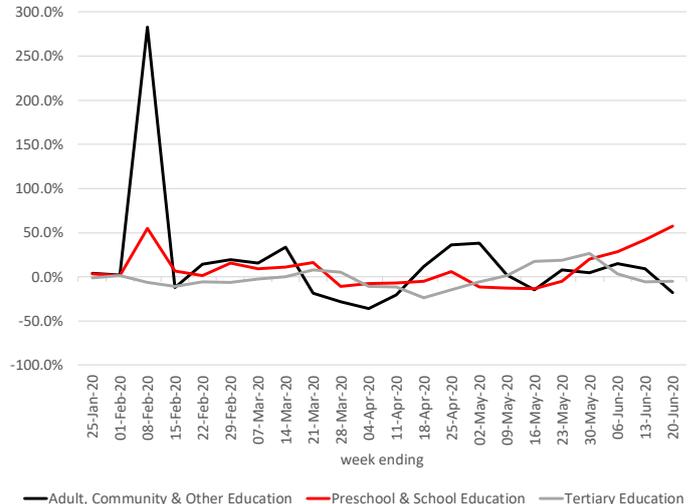
CONSTRUCTION (4-week moving average, % change on same period last year)



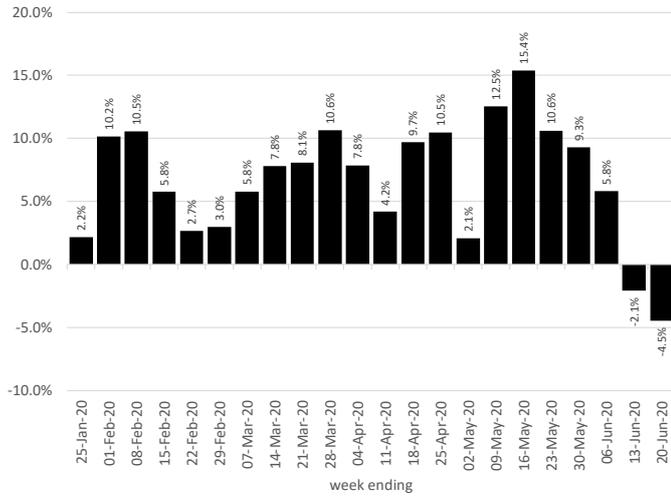
EDUCATION & TRAINING (4-week moving average, % change on same period last year)



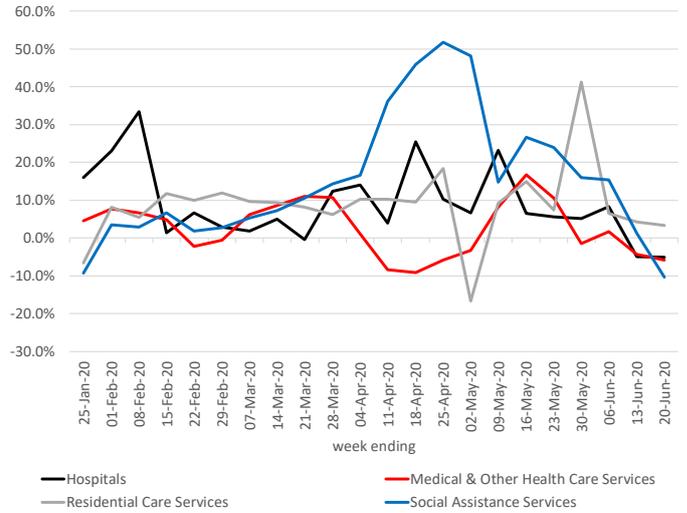
EDUCATION & TRAINING (4-week moving average, % change on same period last year)



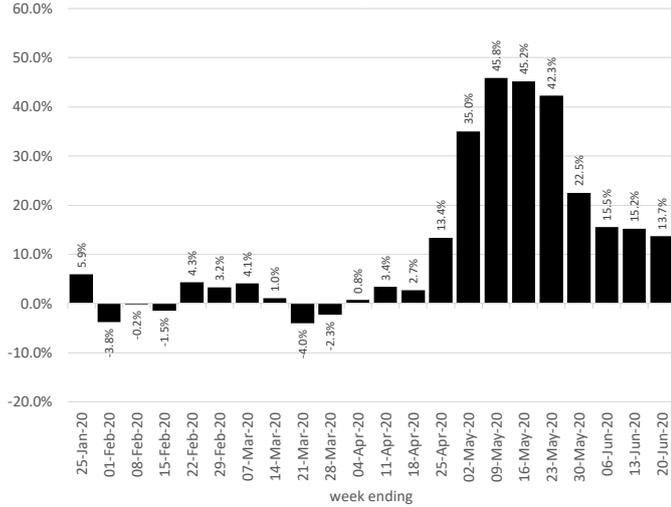
HEALTH CARE & SOCIAL ASSISTANCE (4-week moving average, % change on same period last year)



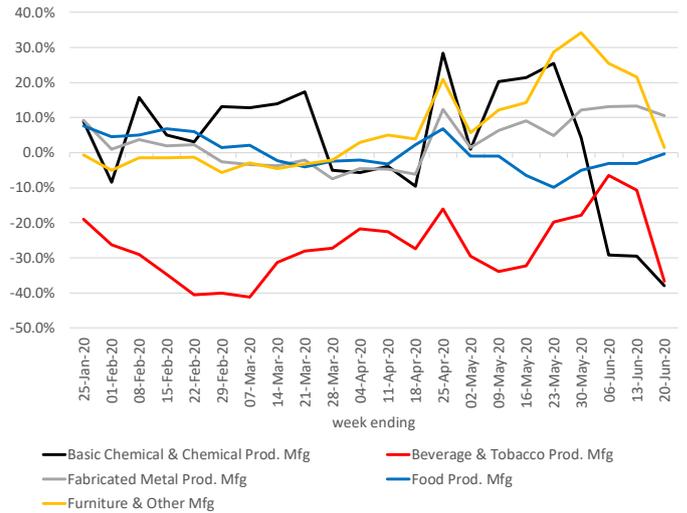
HEALTH CARE & SOCIAL ASSISTANCE (4-week moving average, % change on same period last year)



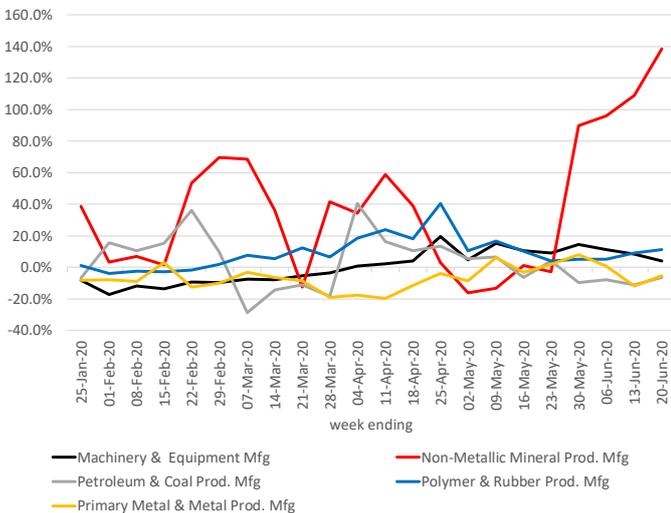
MANUFACTURING (4-week moving average, % change on same period last year)



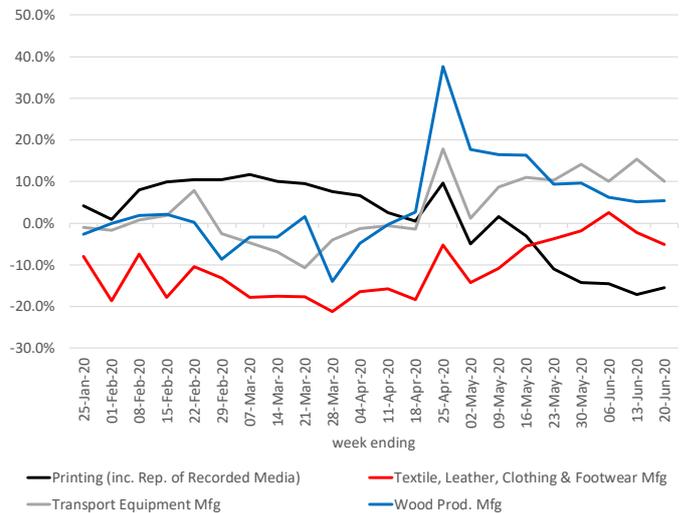
MANUFACTURING (1) (4-week moving average, % change on same period last year)



MANUFACTURING (2) (4-week moving average, % change on same period last year)

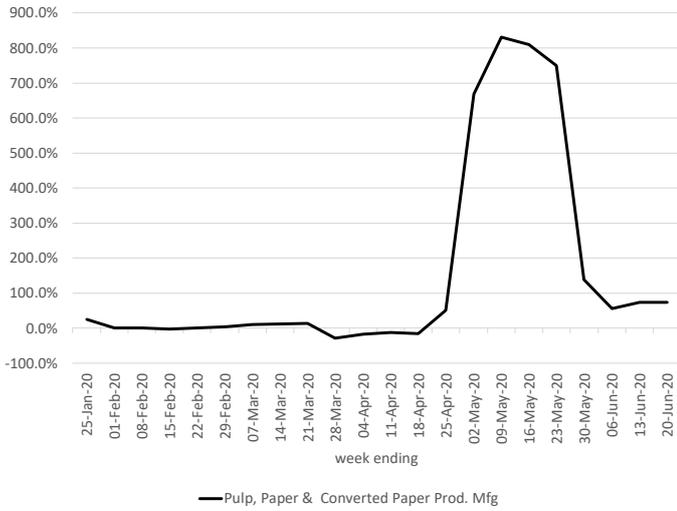


MANUFACTURING (3) (4-week moving average, % change on same period last year)



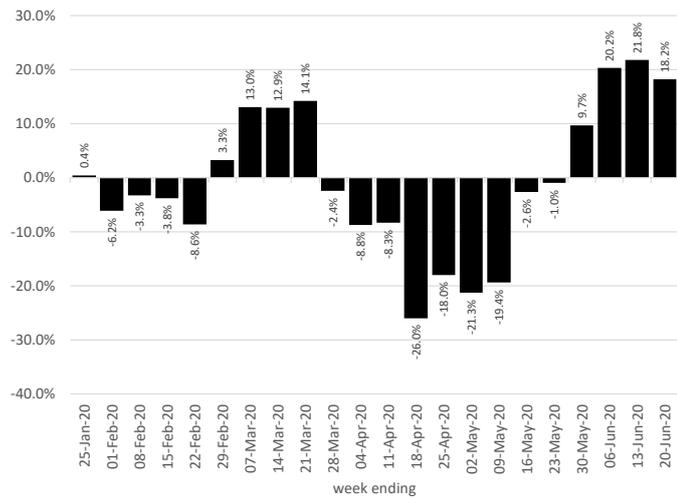
MANUFACTURING (4)

(4-week moving average, % change on same period last year)



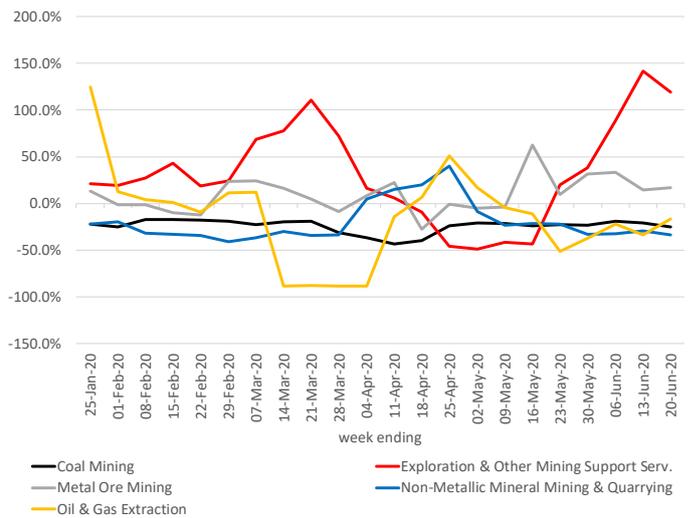
MINING

(4-week moving average, % change on same period last year)



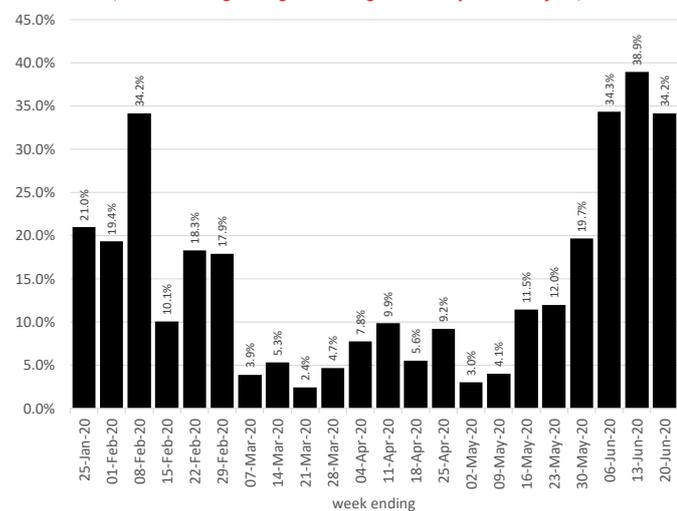
MINING

(4-week moving average, % change on same period last year)



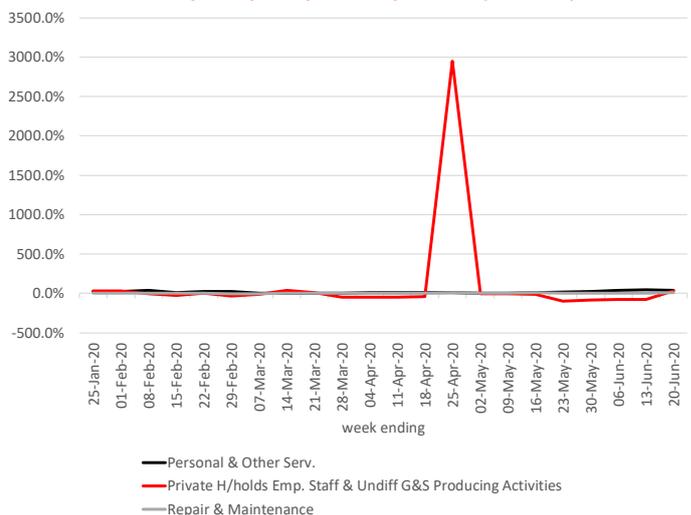
OTHER SERVICES

(4-week moving average, % change on same period last year)

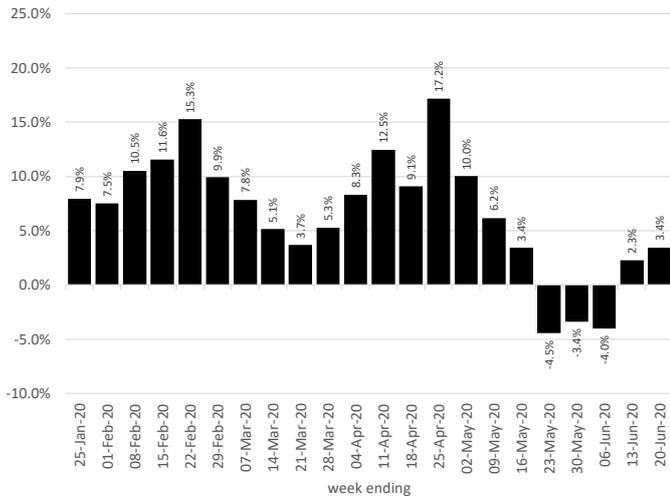


OTHER SERVICES

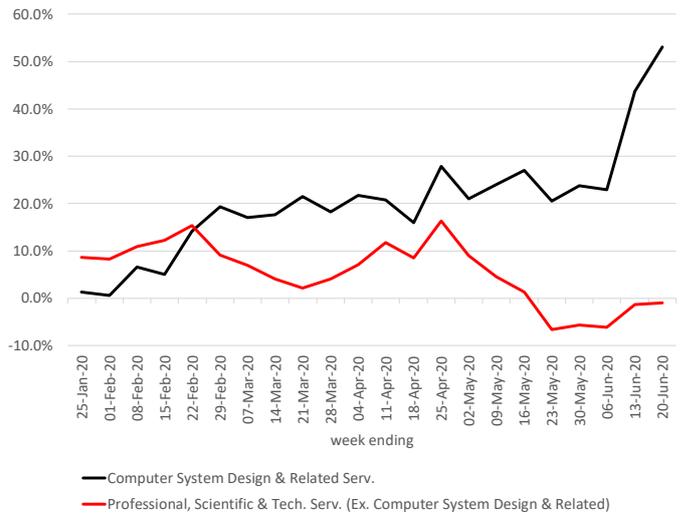
(4-week moving average, % change on same period last year)



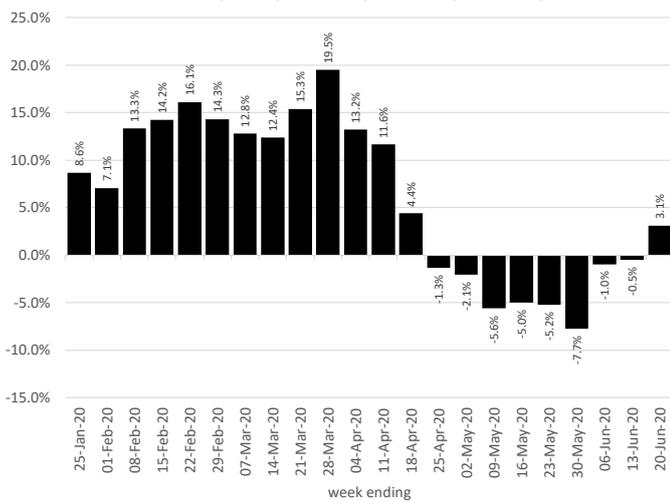
PROFESSIONAL, SCIENTIFIC & TECH SERVICES (4-week moving average, % change on same period last year)



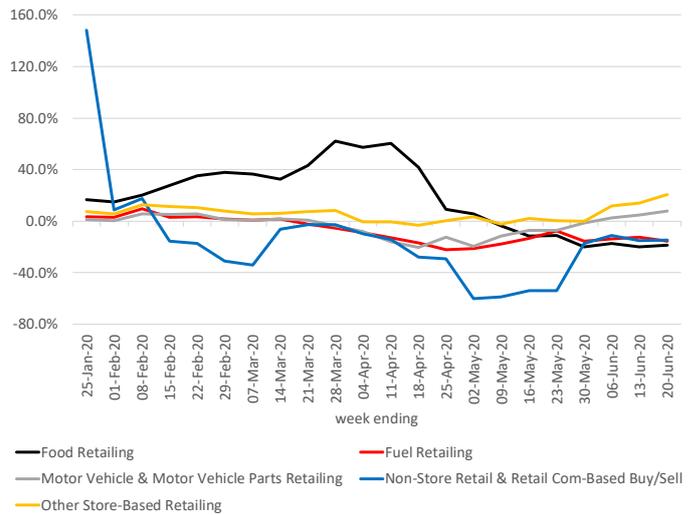
PROFESSIONAL, SCIENTIFIC & TECH SERVICES (4-week moving average, % change on same period last year)



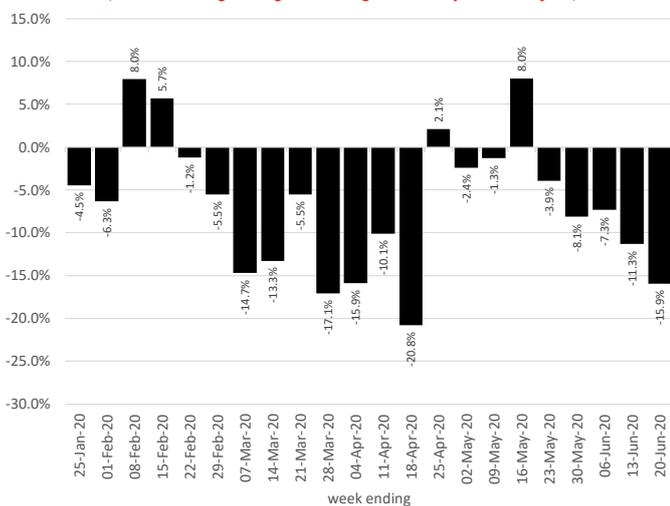
RETAIL TRADE (4-week moving average, % change on same period last year)



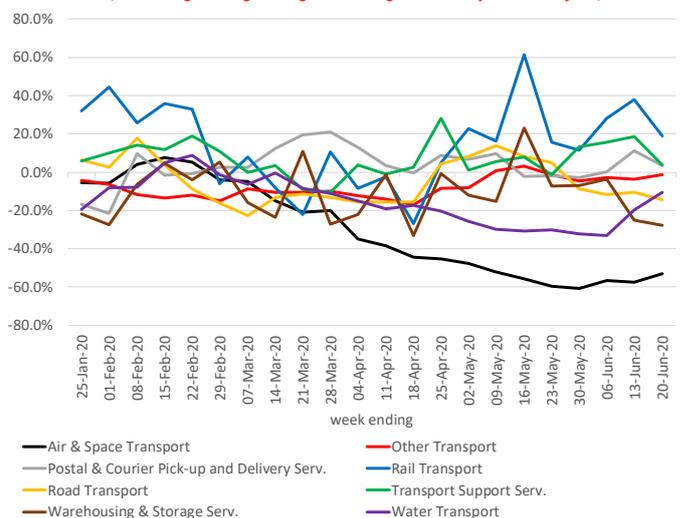
RETAIL TRADE (4-week moving average, % change on same period last year)



TRANSPORT, POSTAL & WAREHOUSING (4-week moving average, % change on same period last year)

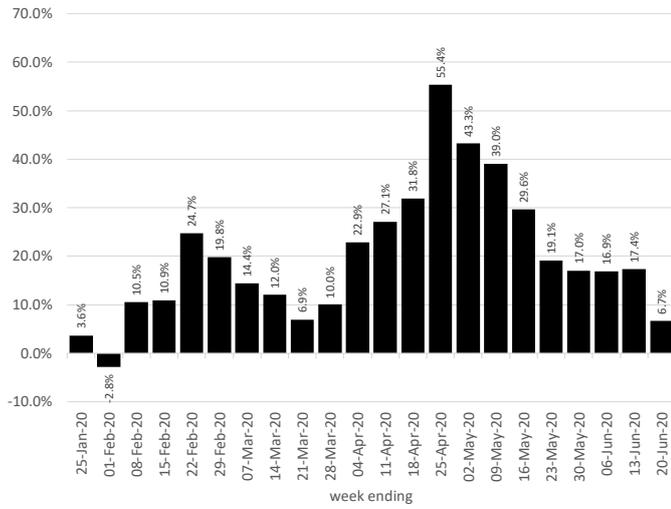


TRANSPORT, POSTAL & WAREHOUSING (4-week moving average, % change on same period last year)



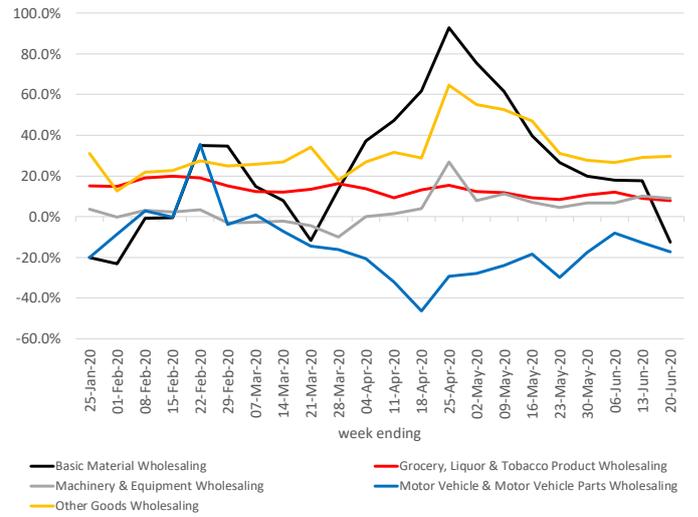
WHOLESALE TRADE

(4-week moving average, % change on same period last year)



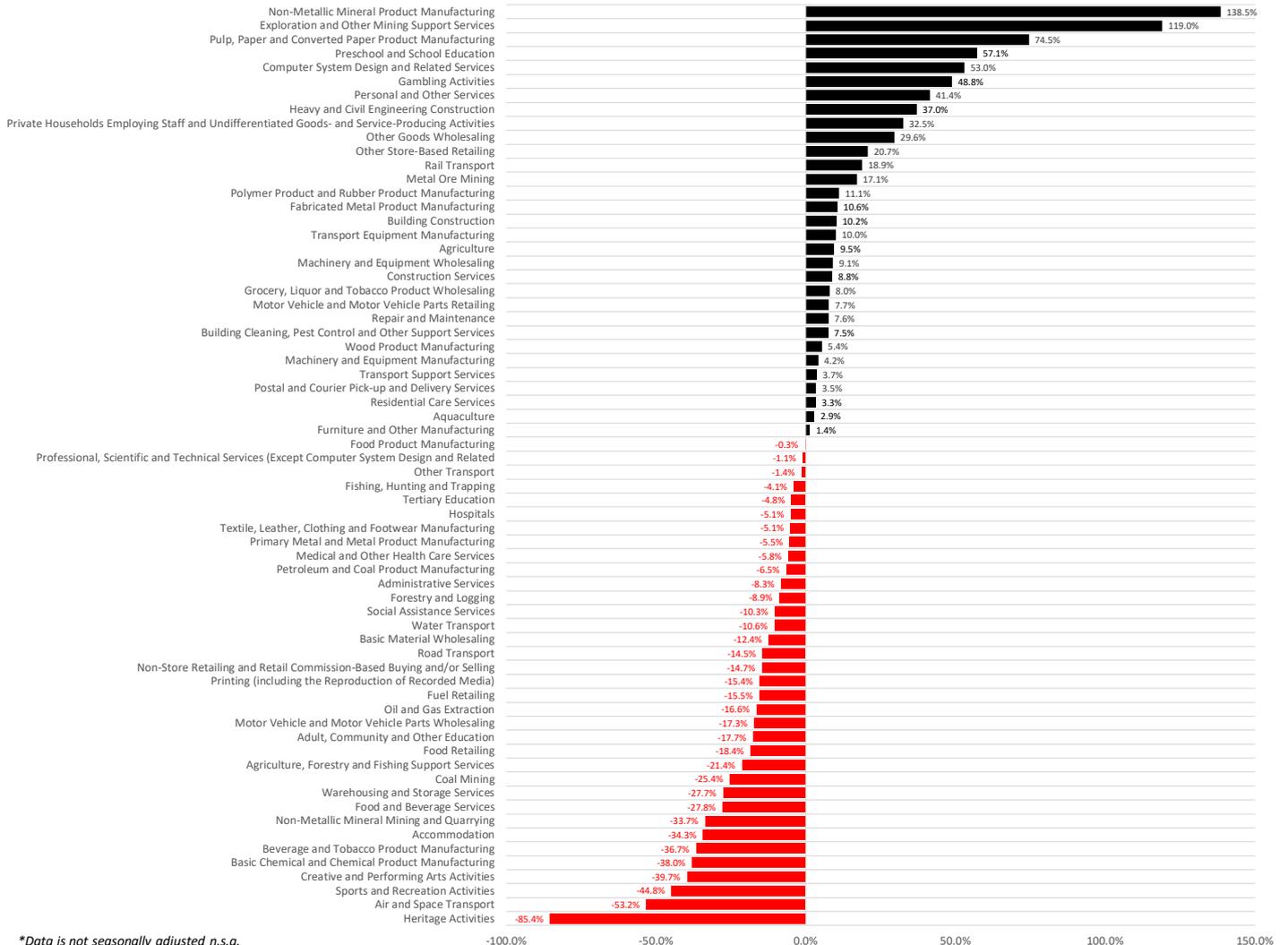
WHOLESALE TRADE

(4-week moving average, % change on same period last year)



PAYMENT INFLOWS BY INDUSTRY SUB-DIVISION - RANKED

CHANGE IN PAYMENT INFLOWS INTO NAB MERCHANTS OVER PREVIOUS YEAR
BY INDUSTRY SUB-DIVISION - WEEK ENDING 20 JUNE 2020 (4-WEEK MOVING AVG)*



*Data is not seasonally adjusted n.s.a.

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NAB BUSINESS INNOVATION INDEX 2020

HOW HAS INNOVATION CHANGED IN AUSTRALIA POST COVID-19?



NAB Behavioural & Industry Economics

July 2020

NAB's Business Innovation Index tumbled to survey lows in the wake of COVID-19. But, the overall index masks fundamental changes in the way many businesses now operate. Around the country, businesses are applying their ingenuity to adapt to a new world post the virus.

Amid widespread supply-chain and cashflow disruptions, forced business closures and labour shedding, innovation arising from the ability of a business to do things "more quickly" and "cost efficiently" sank. But crises also bring change and adaptation. Innovation from businesses doing things "differently" rose sharply and across all sizes of business except for micro businesses.

Necessity is clearly the mother of invention. Recreational & Personal Services, Accommodation, Cafes & Restaurants - among the sectors hit hardest by the pandemic - were the most innovative in 2020. They were also the only industries to report higher overall levels of innovation relative the last year - an impressive performance under the most challenging of circumstances.

Australian businesses also believe these changes will be lasting. By industry, sectors most impacted by government imposed restrictions such as Retail, Recreational & Personal Services, Accommodation, Cafes & Restaurants were (along with Construction), the most likely to retain changes made in response to the COVID-19 pandemic, post the crisis.

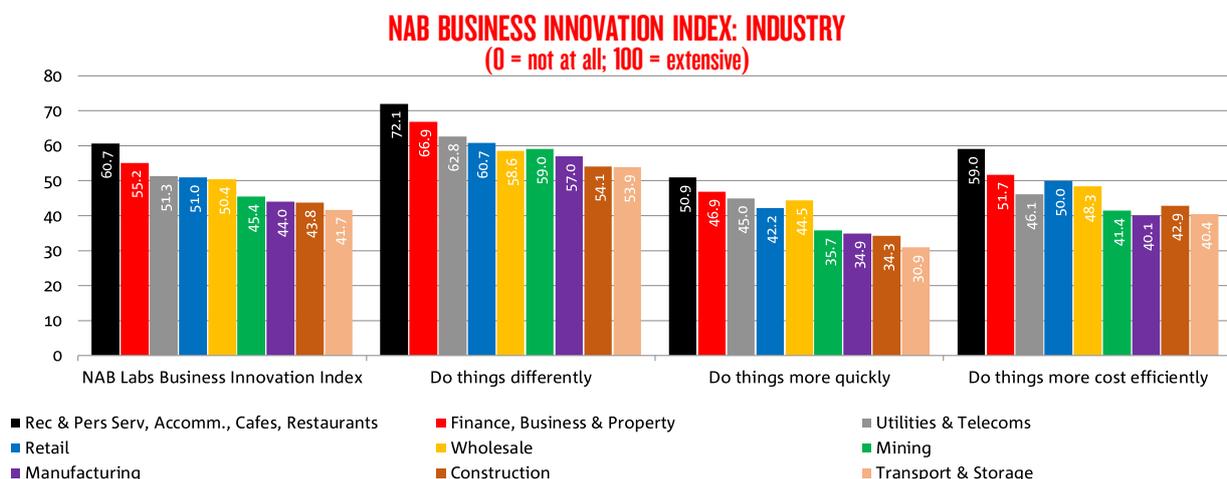
The **NAB Business Innovation Index** fell to a survey low 51.2 points in 2020, down from 57.6 in 2019 and a survey high 67.6 in 2016. NAB's measure of innovation is based on the extent to which a business has changed anything in the business that has allowed it to do things differently, more quickly, or more cost efficiently.

Innovation stemming from doing things more quickly and more cost efficiently fell heavily, with both measures slipping to new survey low levels (42.4 points and 48.3 points respectively). But innovation from doing things differently rose sharply to 62.9 points, from 58.0 points in 2019.

Recreational & Personal Services, Accommodation, Cafes & Restaurants were the most innovative sectors in 2020 (replacing Utilities & Telecoms in 2019). These were the only sectors to report higher innovation (60.7) relative to last year (57.6). This reflected a large uplift in innovation associated with doing things differently (up 13.4 to 72.1). They also led all industries for doing things more quickly and cost efficiently.

All firms reported lower innovation from doing things more quickly (ranging from just 4.0 points in the Recreational & Personal Services, Accommodation, Cafes & Restaurants sector to falls of 20 points or more in the Transport & Storage, Manufacturing and Utilities & Telecoms industries).

Doing things more cost efficiently was also more challenging in all industries (except in the Recreational & Personal Services, Accommodation, Cafes & Restaurants sector where it was basically unchanged), with particularly large falls noted in Utilities & Telecoms, Transport & Storage, Manufacturing and Mining.



Innovation fell for all sizes of business. It fell most for micro-businesses (to 45.1 points from 55.0 points in 2019), to rank lowest overall. Innovation was lowest for all index components, with particularly steep falls for doing things more quickly (down 16.5 to 37.3) and cost efficiently (down 11.7 to 44.6). Micro-businesses were also the only firms to report lower innovation from doing things differently (down 1.6 to 53.4).

Medium-sized business again scored highest for overall innovation (55.7), but were lower than in 2019 (59.4). They scored highest for doing things differently (69.5) and much higher than in 2019 (60.0). They also led for cost efficiency (52.6 versus 59.7 in 2019) and, along with medium/large firms, speed (45.0 versus 58.5 points in 2019).

Medium/large firms were the next most innovative (51.0), but were down on 2019 (57.7). A significant increase in doing things differently (up 12.5 to 68.4) was however offset by much lower innovation from doing things more quickly (down 13.9 to 45.0) and cost efficiently (down 7.9 to 49.6).

Small businesses fell to 51.0 points (58.3 in 2019), with innovation lower across all index components, except doing things differently (up 4.3 to 63.0). The index fell most for micro-businesses who rank lowest overall. Innovation was lowest for all index components, with particularly steep falls for doing things more quickly and cost efficiently. Micro-businesses were also the only firms to report lower innovation from doing things differently.

When asked to rate the extent any of the changes made within their organisation would be retained post the COVID-19 pandemic, on average, businesses scored 74.9 points out of 100, suggesting many recent innovations will be longer lasting.

Interestingly, medium-sized firms said they will continue to implement nearly all their changes, scoring 96.8 points, and are also significantly more likely to do so than any other size of business. Medium/large firms were the least likely to retain any changes, scoring just 59.7.

By industry, Retail (88.0) and Recreational & Personal Services, Accommodation, Cafes & Restaurants (86.0) and Construction (85.8), were the most likely to retain changes made post the COVID-19 pandemic. Mining (51.0) and Utilities & Telecoms (56.3) were the least likely to do so.

The NAB Business Innovation Index is based on a survey of over 1,600 businesses across Australia of all sizes.

As Australia's largest business bank, NAB is also uniquely placed to see how our business customers are responding to the challenges of COVID-19.

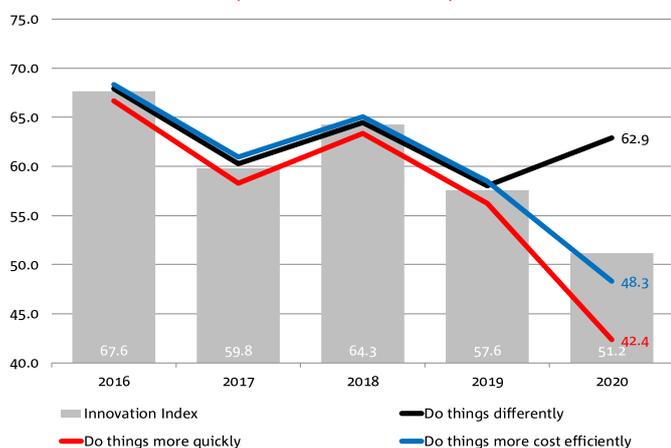
In a separate survey, we asked our business bankers to describe the best examples they have seen of their customers adapting and potentially thriving in this new world. We were overwhelmed with the number of responses.

Examples include: a manufacturer of printed floor mats designing mats to assist with social distancing; cabinet makers producing plastic protection shields for supermarket checkouts; tech companies providing "ibots" to assist call centre volumes; motels being used as quarantine centres; real estate agents embracing online auctions; brewers moving into hand sanitiser; restaurants previously dine in only, matching historical sales through takeaway only; valuers undertaking virtual property inspections; pharmacies using mobile terminals to take prescriptions to customers' homes; a lamb producer shifting from meat exports to producing boots and jackets; and, aged care homes helping residents stay connected with loved ones through virtual interactions with family.

A wider selection of responses are shown in Appendix 1.

NAB BUSINESS INNOVATION INDEX

NAB BUSINESS INNOVATION INDEX
(0= not at all; 100 = extensive)



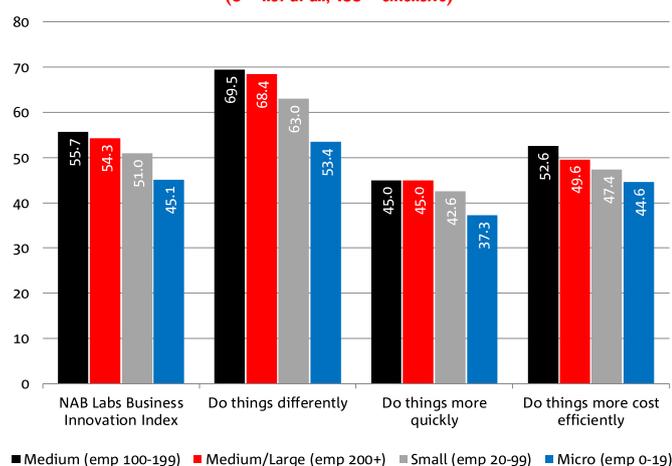
The NAB Business Innovation Index provides a unique measure of innovation that is more intuitive and easily applicable to all business, regardless of size, type, industry or location. The Index is based on the extent to which firms’ have “tweaked”, “adjusted”, “improved” or “changed” anything in their business that allowed them in the past year to do things differently; more quickly; and more cost efficiently.

The economic impact of the COVID-19 pandemic has clearly impacted innovation as many businesses have been forced to adapt and change the way they operate. Consequently, the NAB Business Innovation Index fell to a survey low 51.2 points in 2020 (where 100 is “extensive”). This was down from 57.6 points in 2019 and a survey high 67.6 points in 2016.

Not surprisingly, amid widespread supply chain disruptions, forced business closures and labour shedding, innovation stemming from doing things more quickly and more cost efficiently fell heavily, with both measures slipping to new survey low levels of 42.4 points and 48.3 points respectively.

But innovation stemming from doing things differently rose sharply to 62.9 points, from 58.0 points in 2019.

NAB BUSINESS INNOVATION INDEX: BUSINESS SIZE
(0 = not at all; 100 = extensive)



In 2020, innovation fell for all sizes of business. It fell most for micro-businesses - to 45.1 points from 55.0 points in 2019 - to rank lowest overall. Innovation was lowest for all index components, with particularly steep falls for doing things more quickly (down 16.5 to 37.3 points) and cost efficiently (down 11.7 to 44.6 points). Micro-businesses were also the only firms to report lower innovation from doing things differently (down 1.6 to 53.4 points).

Medium-sized business again scored highest for overall innovation (55.7 points), but lower than in 2019 (59.4 points). They scored innovation highest for doing things differently at 69.5 points - and much higher than in 2019 (60.0 points). They also led the way for doing things more cost efficiently at 52.6 points (59.7 points in 2019) and, along with medium/large firms, more quickly at 45.0 points (58.5 points in 2019).

Medium/Large firms were the next most innovative (51.0 points), but also less so than in 2019 (57.7 points). A significant increase in innovation from doing things differently (up 12.5 to 68.4 points) was however offset by much lower innovation from doing things more quickly (down 13.9 to 45.0 points) and cost efficiently (down 7.9 to 49.6 points).

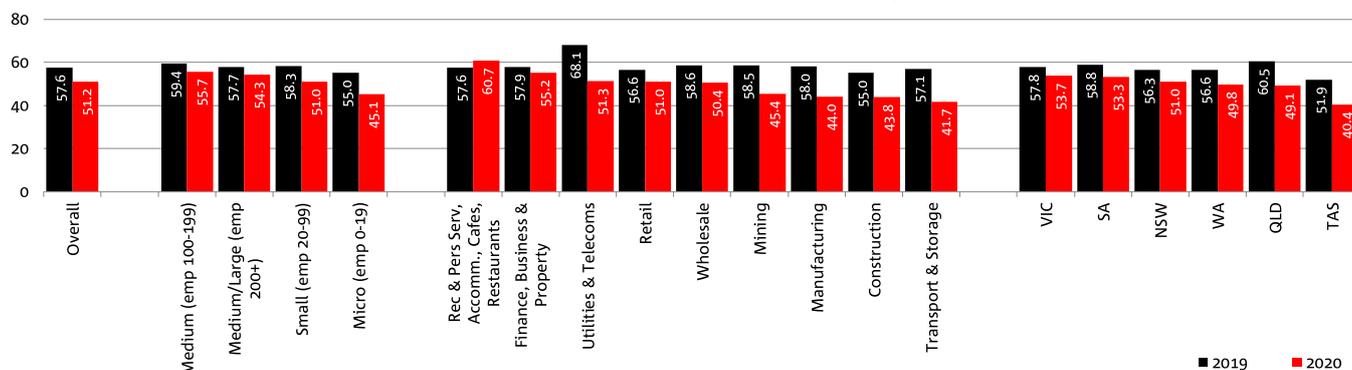
The Innovation Index for small businesses fell to 51.0 points (58.3 points in 2019), with innovation lower across all index components, except doing things differently (up 4.3 to 63.0 points).

The Personal, Recreational Services & Hospitality sector - one of the hardest hit by the pandemic - was the most innovative in 2020 (replacing Utilities & Telecoms in 2019). It was also the only industry to report higher innovation (60.7 points) relative the last year (57.6 points). This reflected a large uplift in innovation associated with doing things differently (up 13.4 to 72.1 points). It also led all industries for doing things more quickly (down 4.0 to 50.9 points) and cost efficiently (down 0.2 to 59.0 points). Innovation was lowest in Transport & Storage (down 3.5 to 41.7 points).

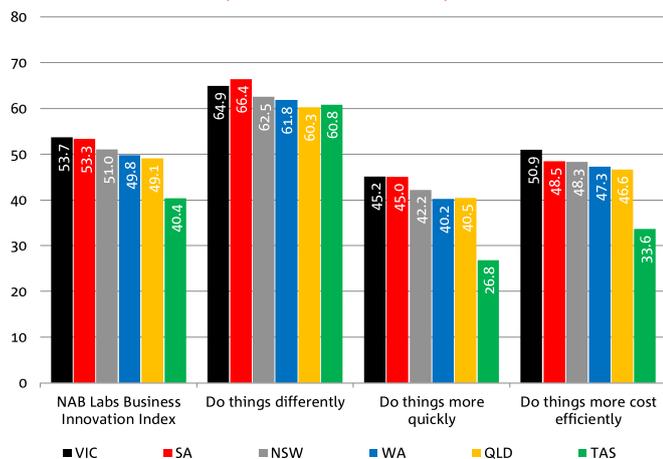
All firms reported lower innovation from doing things more quickly (ranging from just 4.0 points in the Recreational & Personal Services, Accommodation, Cafes & Restaurants sector to falls of 20 points or more in the Transport & Storage, Manufacturing and Utilities & Telecoms industries). Doing things more cost efficiently was also more challenging in all industries (except in the Recreational & Personal Services, Accommodation, Cafes & Restaurants sector where it was basically unchanged), with particularly large falls noted in Utilities & Telecoms (down 23.3 points), Transport & Storage (down 19.6 points), Manufacturing (down 18.9 points) and Mining (down 18.2 points).

Innovation arising from doing things differently contributed most to innovation in all industries. But while this type of innovation increased in Recreational & Personal Services, Accommodation, Cafes & Restaurants, Finance, Business & Property Services, Retail and Wholesale Trade industries relative to last year, it was lower in all other industries (particularly Utilities & Telecoms (down 6.5 points) and Transport & Storage (down 3.5 points)).

NAB BUSINESS INNOVATION INDEX 2020 (score out of 100 where 0 = "not at all" & 100 = "extensively")



NAB BUSINESS INNOVATION INDEX: STATES (0 = not at all; 100 = extensive)



Innovation was lower in all states over the past year, with particularly in TAS (down 11.5 to 40.4 points) and QLD (down 11.3 to 49.1). VIC (down 4.1 to 53.7 points) replaced QLD as the most innovative state in 2020, just ahead of SA (down 5.6 to 53.3 points). TAS remained the least innovative by some margin.

All states reported higher innovation from doing things differently post-COVID-19 except TAS (down 1.1 to 60.8 points). SA led the way (up 7.7 to 66.4 points), with QLD trailing (up 5.0 to 60.3 points). Doing things differently was the biggest driver of innovation in all states.

All states reported lower innovation from doing things more cost effectively and quickly. VIC (down 6.5 to 50.9 points) led the way for cost efficiency and doing things more quickly (45.2 points). Just ahead of SA.

TAS was the least innovative state across both measures (and by a significant margin), and recorded much lower levels of innovation in both areas relative to the previous year.

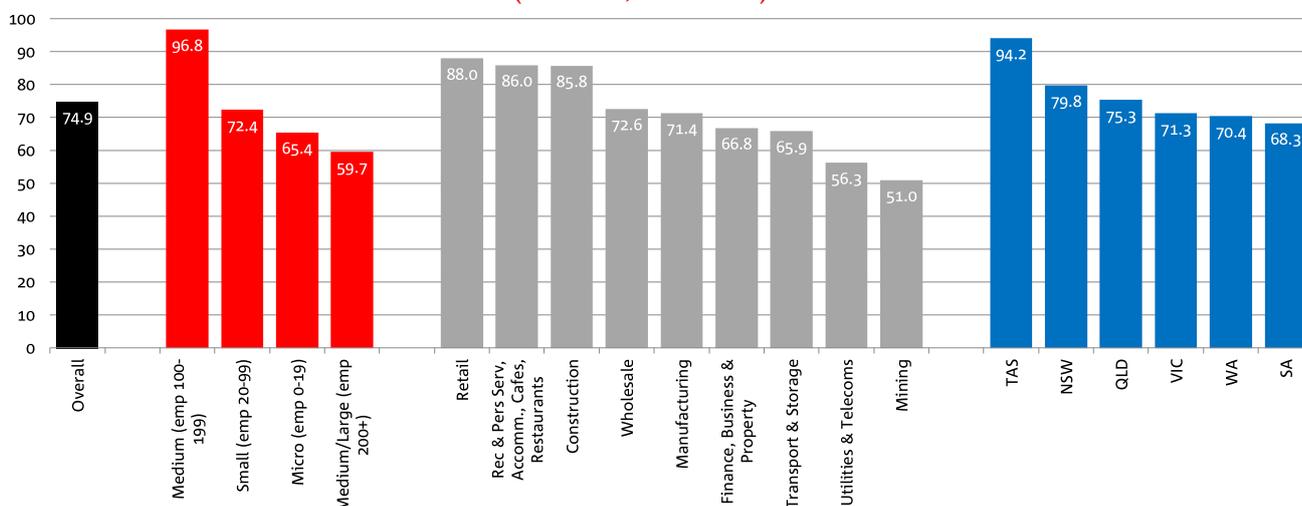
Australian businesses were asked to rate the extent any of the changes made within their organisation will be retained post the COVID-19 pandemic. On average, businesses scored 74.9 points out of 100 (where 100 = extensive), suggesting that many changes will be retained.

Interestingly, medium-sized firms said they will continue to implement nearly all their changes, scoring 96.8 points, and are also significantly more likely to do so than any other size of business. At the other extreme, medium/large firms were the least likely to retain any changes, scoring just 59.7 points.

By industry, sectors that were among the hardest hit by government imposed restrictions such as Retail (88.0 points) and Recreational & Personal Services, Accommodation, Cafes & Restaurants (86.0 points) were along with Construction firms (85.8 points), the most likely to retain changes made post the COVID-19 pandemic. Mining (51.0 points) and Utilities & Telecoms (56.3 points) were the least likely to do so.

Nearly all the changes implemented by businesses operating in TAS (94.2 points) are expected to be maintained post the pandemic. This is significantly higher than in all other states. Businesses in SA (68.3 points) were the least likely to retain the current status quo.

EXTENT CHANGES MADE IN WITHIN YOUR ORGANISATION WILL BE RETAINED POST COVID-19
 (0 = not at all; 100 = extensive)



APPENDIX 1: THE VIEW FROM NAB BUSINESS BANKERS

THE BEST EXAMPLES NAB BANKERS HAVE SEEN OF THEIR CUSTOMERS INNOVATING TO ADAPT AND POTENTIALLY THRIVE IN THIS NEW WORLD?

“One customer manufactures printed floor mats and is now designing mats to assist with social distancing.”

“A cabinet making business has changed into making plastic protection shield used in supermarket checkouts.”

“Tech company is working with large corporates on the ibot to assist call centre volumes.”

“Changing production lines to suit product demand.”

“Adapting manufacturing to produce locally rather than rely on imports.”

“A motel customer has used his motel as a quarantine for returning travellers as he has available rooms with no travel to the town. This has allowed him to achieve about a 30% occupancy as opposed to 0%. With JobKeeper and deferred repayments the customer has been able to manage cash flow.”

“Online auctions for real estate agents with client selling 10 out of 11 properties that went up for auction across March and April via this medium.”

“Eatery places providing takeaway services, lunch time deliveries to workplaces.”

“Move into new different markets - beer brewer moving into hand sanitiser.”

“I have a client who effectively had a steel manufacturing plant, but diversified 5 years ago into residential lifts and medical equipment. When COVID-19 hit and Chinese steel manufacturing stopped orders, he was able to open up the plant from 5 years ago within days and start supplying again to clients. Most of the clients still came through them with small \$100K per month orders. But they are now 5X the orders and the client didn't have to invest any more than he had in EF or staff.”

“Restaurant that went from no takeaway only dine in, to now on occasion matching sales on a takeaway only basis compared to historical dine in. In turn increasing profitability with reduced costs.”

“Valuers undertaking virtual property inspections for their panel reports.”

“Customers have been working on overseas markets to export their lemons due to a drop in domestic consumption.”

“Pharmacies using mobile terminals to take prescriptions to their customers' homes.”

“One of my customers operates restaurants, and he is now heavily marketing his brands via online tools i.e. Instagram and getting about 70% of normal sales.”

“My customer has a water plant facility, he moved away half of the plant to make way for hand sanitiser production. This is now the most profitable arm of his business within the span of around 8 weeks. He now has contracts from major companies.”

“Companies changing to new products. Have a lamb producer who mostly exports meat to overseas restaurants. Has changed and produces boots and jackets from the lamb's wool.”

“Putting funds aside for a three-year plan to try and combat any profit / cashflow losses. So, planning now to ensure financial stability.”

“Most customers who are in difficult situation, have been putting measures to reduced fixed costs.”

“A customer who relies on both kitchen wholesale products for sales and to a lesser extent, commercial kitchen manufacturing, has placed his focus on project works, whereby commercial kitchen fit out projects are now his main focus and the key driver of reduced overall incomes.”

“Our Aged Care clients have done an extraordinary job in keeping their residents safe, helping them stay connected in a virtual sense while heightening the sense of community within facilities to compensate for lower face to face time with loved ones.”

“In general, clients have focussed on cashflow and cut all unnecessary costs and treated every dollar going with great care.”

“Collaborative partnerships on brand development with other impacted businesses.”

“Landlords negotiating rental agreements to ensure sustainability of tenancies at a lower level.”

“Customer in real estate software business adapting new software to allow for virtual inspections including virtual maintenance inspections.”

“Wineries who have conducted online Virtual Gourmet Weekends and preparing and selling gourmet takeaway platters and produce including their wine. Also offering free delivery.”

“We have clients on both spectrums. Some have let staff go that were not performing or didn't really need, and when they open properly again plan rebuild the business to be leaner. Some are re-thinking their stock levels. Some are using the downtime to invest in technology, CRM and more efficiencies. Then we also have other clients who are doing everything they can to keep staff on and employed. One client is getting free 1-day old bread from the local bakery for their staff (bus drivers) who are financially vulnerable.”

“Many Berry farms in the region have had a reduction in the number of pickers due to the closure of state and federal borders. By combining their workforces and assisting on competitor properties all local growers are able to maintain a profitable yield.”

“Hotel closed but have ramped up their bottle shop operations.”

“Clients who have adhered to strong P&I repayments historically have had the most capacity to adjust (low leverage) and have been more inclined to look at opportunities that are coming out of the pandemic.”

“Converting short term accommodation to some permanent accommodation.”

“Restaurants already remodelled to get by (takeaway and delivery) seeking to buy other businesses going for very low prices. The strategy is for additional brand names, hence extra points of sale (marketing) whilst not adding much extra overhead, as foods can come from existing kitchens whilst keeping shop fronts shut. Also for recovery when the eventual stepped reopening occurs, there's the option to selectively re-open stores when the time is right, but now with more businesses than before, offering more potential with the right management.”

“No one customer has completely pivoted, apart from standard of offering their services more online. However, many have reviewed and reduced unnecessary expenses early, which have left more cash in their business and less need to call on the bank for help.”

“Tapping equity markets over debt to maintain financial flexibility (specifically in the health sector where longer term growth metrics remain robust). Re-directing funds from capex to IT investment and staff training (i.e. Aged Care) to better meet needs of residents during pandemic.”

“Not letting the whole staff go. keeping the same number of staff with half pay so that business doesn't lose any employees and the business can come out stronger on the other side.”

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NAB AUSTRALIAN WELLBEING SURVEY Q2 2020

PART 1: AUSTRALIA'S EMOTIONAL WELLBEING POST COVID-19



June 2020

NAB Behavioural & Industry Economics

Australia's wellbeing levels staged a "V-shape" recovery in the June quarter, led by significantly lower levels of anxiety, as Coronavirus restrictions started to ease across the country. But, the gap between those reporting high and low wellbeing remains concerning - with the unemployed, young Australians and low income earners among those with the lowest wellbeing. And, as the economic impacts of the virus continue to play out it remains unclear whether wellbeing will continue to rally. By state, VIC reported the lowest wellbeing and SA the highest. Our pets continue to be the key contributor to wellbeing, while debts (outside of mortgages) were the key detractor.

New NAB research provides a timely look at loneliness. While on average loneliness is only moderate, nearly 1 in 10 Australians rate their loneliness very high. Stereotypes of aging tend to paint older people in many cultures as sad and lonely, but NAB's research suggests the opposite - the loneliest people in Australia are aged 18-29 with young men the loneliest of any demographic group.

The **NAB Australian Wellbeing Index** lifted 1.6 points to 64.4 in Q2 and has now returned to survey average levels. Improved wellbeing during the June quarter reflected significantly lower levels of anxiety. Happiness and life satisfaction were also rated higher. Life worth was a little lower, but continues to contribute most to our overall sense of personal wellbeing.

The unemployed continue to report the lowest levels of wellbeing across all of the 58 demographic groups tracked in this report. When people become unemployed, their wellbeing falls sharply. While this reflects the impact on people's income, it also reflects factors such as loss of social status, connection, life structure, purpose and control. That said, wellbeing improved among the unemployed during Q2, perhaps reflecting the ongoing support of JobKeeper and JobSeeker.

By state, wellbeing is highest in SA, followed by TAS. Despite low levels of anxiety, wellbeing is lowest in VIC, where happiness, life satisfaction and life worth are weakest of all states and territories. Happiness was highest in QLD.

Our pets continue to have a positive impact on wellbeing for most Australians and by a sizeable margin. Levels of pet adoption and fostering have risen significantly in the past few months, both here and around the world. While human relationships are of course critical to wellbeing, particularly during COVID-19, animals often provide a less demanding one and have been a key source of ongoing companionship for many Australians during lockdown and social isolation.

Pets can also help reduce anxiety and loneliness. Interacting with animals can lower blood pressure, slow the heart rate, and affect the body's levels of stress-reducing hormones, particularly cortisol and dopamine. And through our pet's exchanges with others animals (and their owners), facilitate conversation and promote positive social interactions.

Other key positive wellbeing contributors include: family and personal relationships; our homes; personal safety; and standard of living. All these drivers contributed positively for more people than in the previous survey as social isolation measures were put in place.

Conversely, debts (outside of mortgages) continue to be the key detractor of wellbeing for the highest number of Australians, although slightly less so than in Q1. This was followed by events such as abuse or victimisation, lack of time, substance use or abuse and mortgages. But each of these had a negative impact for fewer people in net terms than in the previous quarter.

NAB WELLBEING INDEX (100 = extremely concerned)

	Q2 2019	Q1 2020	Q2 2020
Overall Wellbeing Index	65.7	62.8	64.4
- Satisfied Life	66.3	65.2	65.4
- Worthwhile Life	69.9	68.4	68.0
- Happy Yesterday	66.9	64.5	66.6
- Not Anxious Yesterday	59.6	53.2	57.7

A comparison of those in the highest wellbeing group (the over 65s) compared to those in the lowest group (unemployed people) reveals some interesting differences.

On balance, people in the highest wellbeing group derive greater benefits from all key wellbeing drivers - and in most cases significantly more. The home they live is the biggest contributor to wellbeing in the over 65 age group, and for more than twice as many people than in the unemployed group.

Other key findings suggest mental wellbeing made a net positive contribution to the wellbeing of 42% of Australians aged over 65, but detracted from the wellbeing of a net -16% of unemployed people. Retirement funding also weighed very heavily on the unemployed (-32%) compared to over 65s (+20%).

Finally, given the lockdown and social distancing measures introduced by the government during COVID-19, in this survey new NAB research provides a timely look at loneliness among Australians.

A desire for social connection is fundamental to our wellbeing, and so being deprived of it can have mental and physical consequences. Loneliness has been linked to increased cardio-vascular disease, poor mental health and even early mortality, along with increased social and health care costs.

Loneliness was a growing social problem even prior to the virus as many societies had become increasingly fragmented. There are many theories why this might be the case.

In his ground-breaking book "Bowling Alone", written over two decades ago, Harvard University political scientist Robert Putman, wrote about the increasing disconnect between people and their families, friends, local communities, and institutions. Putman demonstrated this by noting that while the number of people bowling in the United States had continued to grow, the number bowling in organised leagues had continued to fall, robbing people of important social interaction. And, as more and more social spaces disappeared (from sports clubs to churches), our opportunities for social connections were continuing to fall.

Society has changed in other ways since this important book was published. Ironically, while we are more connected than ever before through social media and other digital interactions, our physical connections have never been fewer. COVID-19 has accelerated this development.

Another trend that has grown exponentially since the virus has of course been the number of people working from home. While many Australians have reported this to have been a positive experience (and indeed many want it to continue, at least part-time, going forward), for some this no doubt has added to their sense of loneliness and isolation.

The number of people experiencing fewer opportunities for social interaction through changing work circumstances was rising even prior to COVID-19 as the gig economy saw more people self-employed or having to move more often between jobs. Finally, changes in our living arrangements - including the growing urban sprawl and more people living single and living alone - may have also compounded some issues of isolation.

What does our research show?

When asked how lonely they felt, on average Australians self-scored 36.8 points out of a possible 100 - suggesting loneliness is moderate. But, nearly 1 in 10 (or 8%) Australians rated their loneliness 'high' (90+ points) and a further 16% 'medium' (70-89 points). This suggests nearly 1 in 4 Australians experienced quite high feelings of loneliness during the quarter.

So, who are the loneliest people? Stereotypes of aging tend to paint older people in many cultures as sad and lonely. For many reasons (such as the loss of a partner or immobility), older people are often thought of as being more solitary and lonely, but our research suggests the opposite is true.

The loneliest people in Australia are aged 18-29 (49.7 points) - with young men (53.5 points) having the highest levels of loneliness of any demographic group.

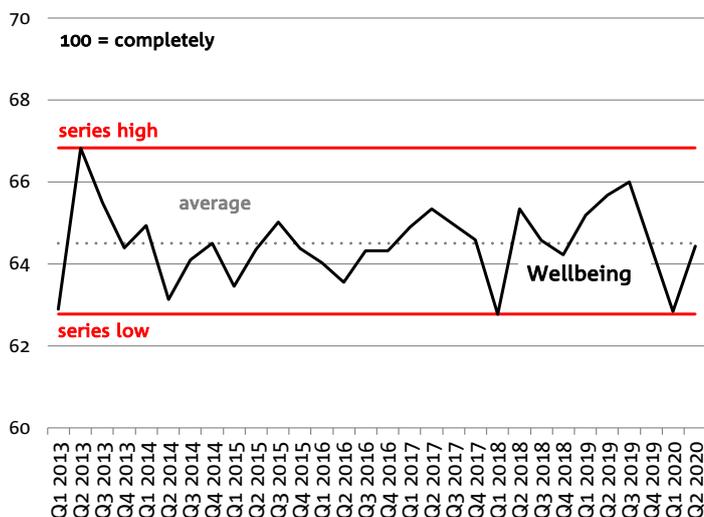
While older people tend to have smaller social networks than younger people, the number of close friends is often unrelated to age. While younger people often have larger social networks, particularly in the age of social media, these can feel impersonal and lead to unfavourable comparisons.

That said, it is surprising that given many older Australians may have experienced greater levels of self-imposed social isolation because of COVID-19 health concerns (notwithstanding some recent easing in restrictions), they continue to report much lower levels of loneliness than younger people.

Other groups reporting higher levels of loneliness include single people, people living in a rented apartment or in a single person household, and full time and professional workers. In contrast, loneliness fell heavily for Australians engaged in home duties in Q2. This is perhaps not surprising as children and many workers were still home practising social distancing. Loneliness also fell noticeably for men aged 50-64.

PART 1: OUR PERSONAL WELLBEING

NAB AUSTRALIAN WELLBEING INDEX



Australian wellbeing has bounced from survey low levels in the March quarter as Conronavirus restrictions started being slowly lifted across the country.

In Q2, the NAB Australian Wellbeing Index lifted 1.6 points to 64.4 and has now returned to survey average levels (64.5 points).

Improved wellbeing during the June quarter was led by significantly lower levels of anxiety, with the “not anxious yesterday” measure rising a healthy 4.6 points to 57.7 points.

It does however remain of some concern that 38% of Australians still self report “high” levels of anxiety.

Happiness levels (up 2.1 points to 66.6) and life satisfaction (up 0.2 points to 65.4) were also rated higher.

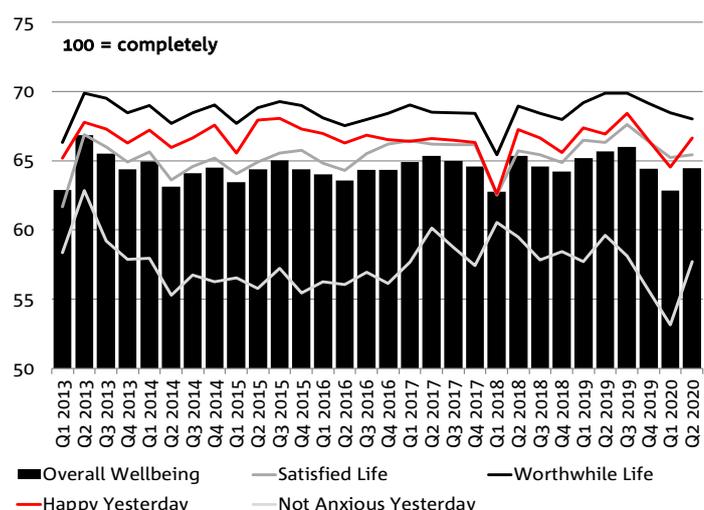
Our sense of life worth was a little lower (down 0.4 points to 68.0 points), but it continues to contribute the most to our overall sense of personal wellbeing.

The overall average continues to mask gaps in wellbeing across our 58 monitored demographic groups.

The chart below on the left ranks overall wellbeing from highest to lowest in each demographic group, and the chart on the right shows how wellbeing in each group has changed over the quarter.

Encouragingly, most demographic groups reported higher wellbeing during the quarter. Only 3 reported lower wellbeing scores of any note - widows (down 3.1 points to 68.3) and younger Australians aged 18-29, both women (down 0.5 points to 56.5) and men (down 1.4 points to 59.5).

NAB AUSTRALIAN WELLBEING INDEX



By state, wellbeing was highest in SA (66.2 points) underpinned largely by much lower levels of anxiety than in any other state bar VIC. TAS (66.0 points) was next, but reported the highest levels of life satisfaction, and life worth.

Despite relatively low levels of anxiety, overall wellbeing was lowest in VIC (62.5 points) and the state also reported the lowest happiness, life satisfaction and life worth. Happiness was highest in QLD.

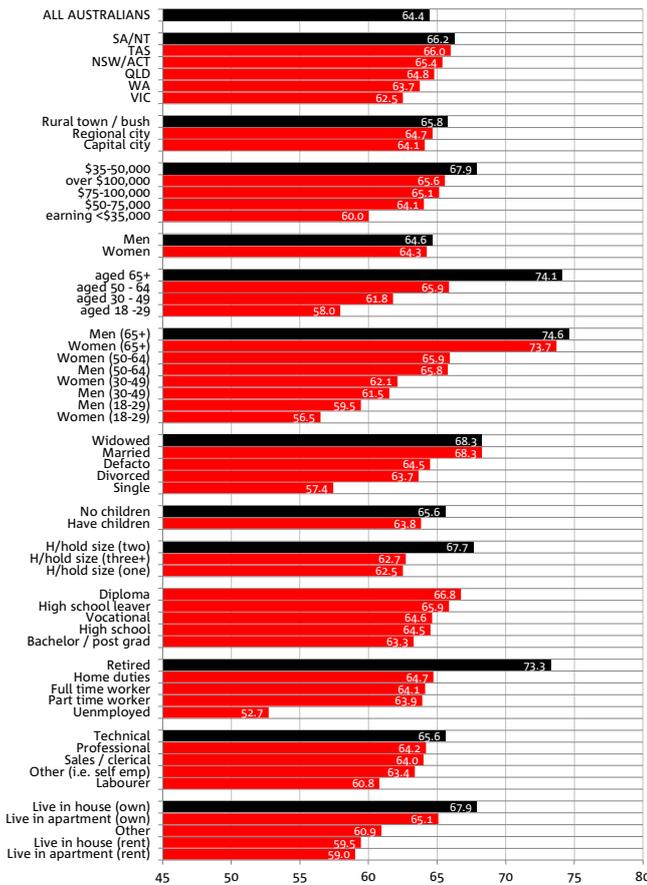
Women and men reported broadly similar levels of overall wellbeing, but men rated their life satisfaction and happiness somewhat higher than women. Women were less anxious, particularly in the 18-29 and 30-49 age groups.

By age, wellbeing continues to be significantly higher in the over 65 age group, and for all components of the Wellbeing Index.

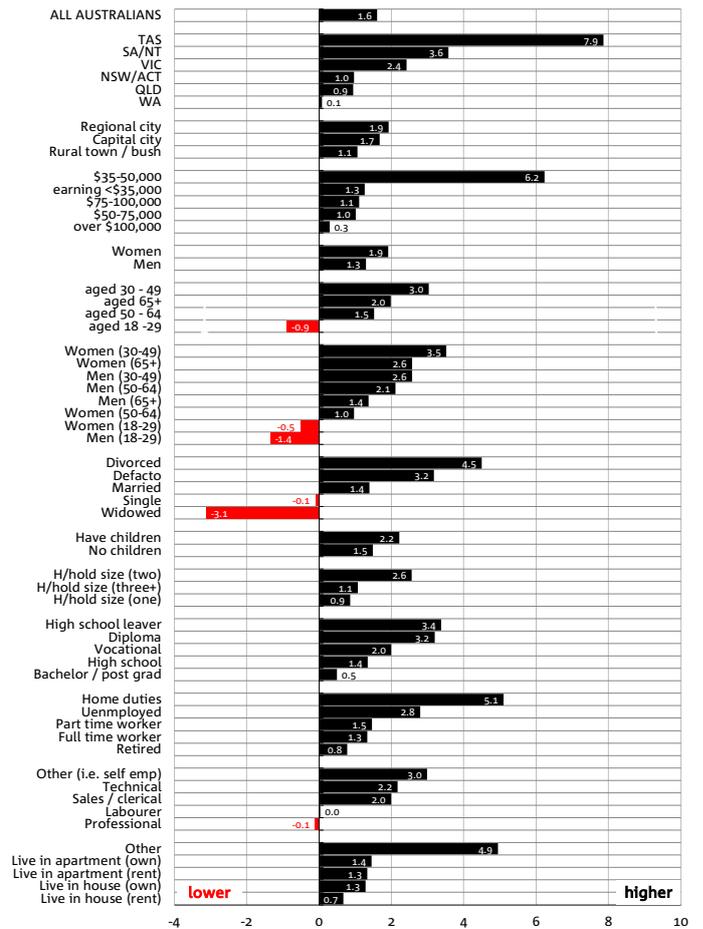
Australians earning between \$35-50,000 p.a. (67.9 points) reported the highest wellbeing in Q2, replacing the over \$100,000 p.a. income group. They also self-rated their wellbeing higher across all measures.

Wellbeing was lowest for Australians earning less than \$35,000 p.a. (60.0 points) and for all survey measures.

NAB AUSTRALIAN WELLBEING INDEX - ALL CATEGORIES
(100 = completely)

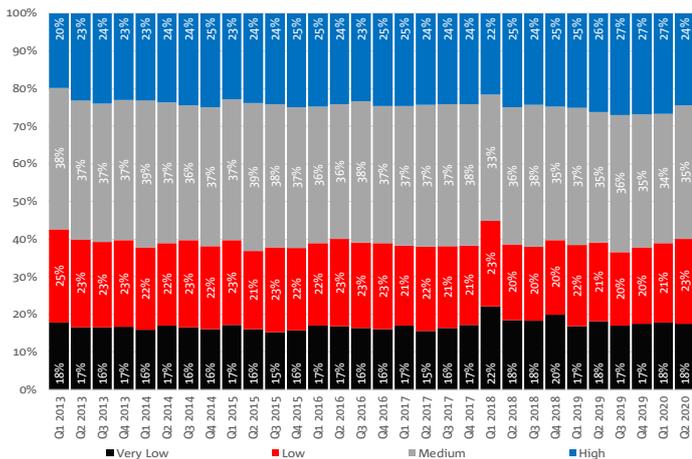


AUSTRALIAN WELLBEING INDEX (QUARTERLY CHANGE)

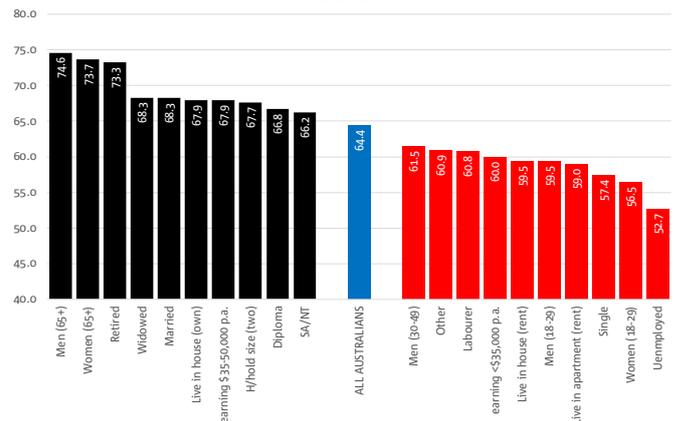


THE WELLBEING GAP

WELLBEING: DISTRIBUTION



TOP 10 HIGHEST & BOTTOM 10 LOWEST WELLBEING GROUPS Q2 2020



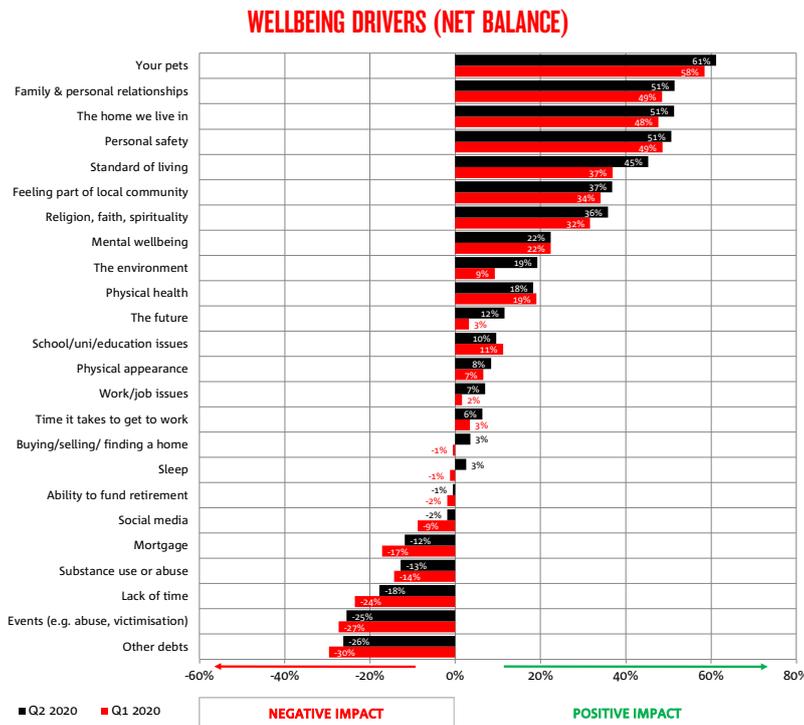
The point of tracking wellbeing is not only to determine whether overall levels are changing through time, but equally, and perhaps more importantly, to see how wellbeing and its components are distributed. When you simply add up total wellbeing you can miss levels of inequality.

The chart above on the left shows the distribution of wellbeing from very low to high through time. While around 1 in 4 Australians have consistently reported high levels of wellbeing throughout the survey's history, almost 4 in 10 Australians continue to report low to very low levels of wellbeing. As a result, the gap between those on high and low levels of wellbeing remains wide and has not narrowed.

The chart on the right shows the highest and lowest wellbeing groups.

The highest wellbeing in the June quarter included people over the age of 65, both men (74.6 points) and women (73.7 points), retirees (73.3 points), widows and married Australians (68.3 points), people who live in and own a house (67.9 points) and surprisingly people in the \$35-50,000 p.a. income bracket (67.9 points). Wellbeing remains lowest for unemployed Australians (52.7 points), young Australians, both women (56.5 points) and men (59.5 points), single people (57.4 points), people living in a rented apartment (59.0 points) or house (59.5 points) and for people in the lowest income group (60.0 points).

WHAT ARE THE KEY DRIVERS OF OUR OVERALL WELLBEING?



Our pets contributed positively to the personal wellbeing of most Australians. In Q2, a net 61% said their pets made a positive contribution (up from 58% in Q1).

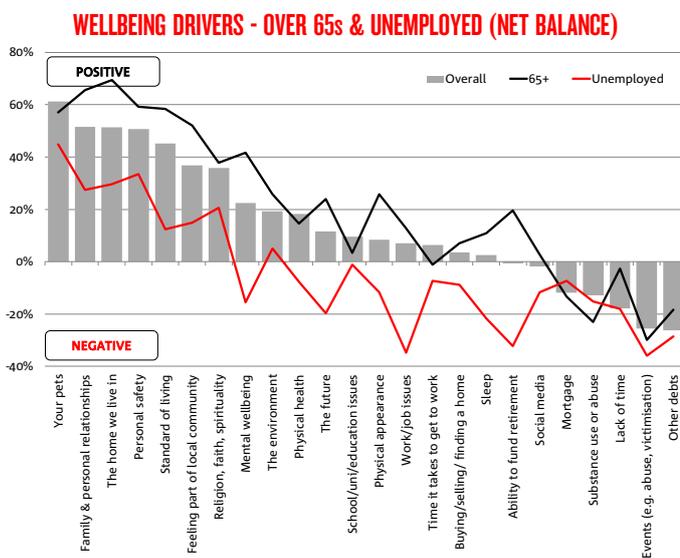
Other key areas that contributed positively for most people included family and personal relationships (51%), our homes (51%), personal safety (51%) and standard of living (45%). All these drivers also contributed positively for more people than in the previous survey as social isolation measures were put in place.

Other debts continued to detract from overall wellbeing for most Australians in Q2, although down slightly (-26% vs. -30% in Q1), followed by events such as abuse or victimisation (-25% vs. -27% in Q1). Other factors that detracted from the wellbeing of a significant number of people included lack of time (-18%), substance use or abuse (-13%) and mortgages (-12%). But each of these had a negative impact for fewer people in net terms than in the previous quarter.

The chart on the left compares wellbeing drivers in the highest wellbeing group (people over 65) to the lowest group (unemployed people). It shows more people in the highest wellbeing group derive greater benefits from all key wellbeing drivers - and in most cases significantly more - and that only 8 of 24 drivers add positively to wellbeing for unemployed people compared to 18 of 24 in the over 65 age group.

The home they live is the biggest contributor to wellbeing in the over 65 age group, and for more than twice as many people than in the unemployed group (69% vs. 30%). Pets were the biggest contributor for unemployed people (45%), but even here their impact was less positive than in the over 65 group (57%).

Other key findings suggest mental wellbeing made a net positive contribution to the wellbeing of 42% of Australians aged over 65, but detracted from the wellbeing of a net -16% of unemployed people. Retirement funding also weighed very heavily on the unemployed (-32%) compared to over 65s (+20%).



Other areas, where there were significant discrepancies included standard of living (58% for over 65s vs. 12% for the unemployed), the future (24% for over 65s vs. -20% unemployed) and family & personal relationships (69% for the over 65s vs. 40% unemployed).

There were however two areas that detracted less from the wellbeing of unemployed people than for people in the over 65 age group - their mortgages (-7% for the unemployed vs. -13% for over 65s) and, interestingly, substance use and abuse (-15% for the unemployed vs. -23% for the over 65s).

SPECIAL FEATURE: LONELINESS

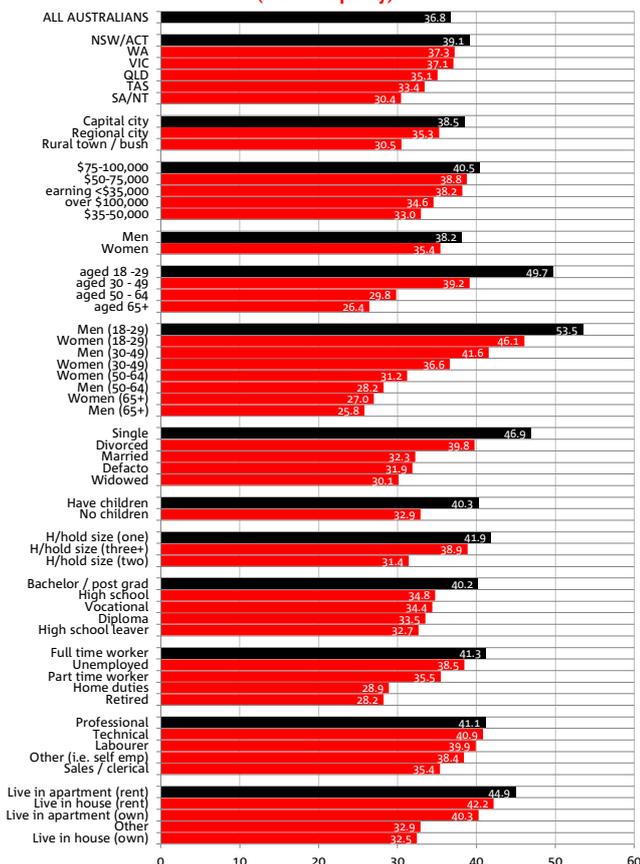
Human beings are social creatures and naturally seek the companionship of others as part of their wellbeing. Feeling like we're part of a group and having people we can really talk to is important for our wellbeing. NAB's wellbeing research for example has found that family & personal relationship and feeling part of our local community consistently rate among the main positive contributors to our sense of personal wellbeing.

Given the lockdown and social distancing measures introduced by the government, we look at how this impacted loneliness among Australians in Q2. When asked how lonely they felt, on average Australians self-scored 36.8 points out of 100 (where 100 is "completely" lonely). This was up slightly from 35.2 points in the Q1 survey and 35.5 points in Q4 2019 survey when we first asked this question - suggesting the impact on loneliness has at best been modest. That said, nearly 1 in 10 (or 8%) Australians rated their loneliness 'high' (90+ points) and a further 16% 'medium' (70-89 points). This suggests nearly 1 in 4 Australians experienced quite high feelings of loneliness during the quarter.

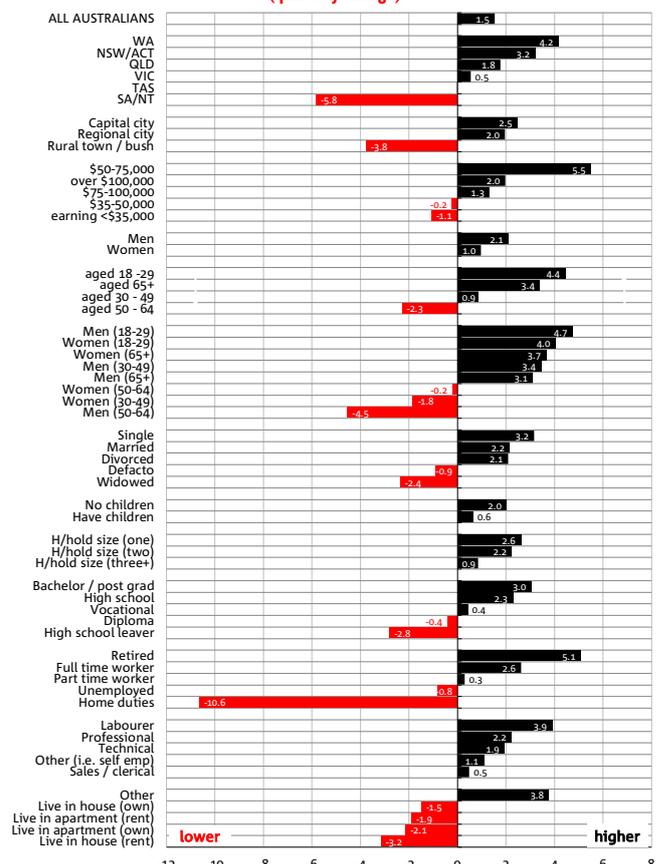
The charts below show self-rated loneliness in all demographic groups and how that has changed from the previous survey. In Q2, the loneliest people were aged 18-29 (49.7 points) - both young men (53.5 points) and women (46.1 points) - single people (46.9 points), people living in a rented apartment (44.9 points) or in a single person household (41.9 points) and full-time workers (41.9 points) and professional workers (41.3 points).

Interestingly, loneliness increased most among people earning between \$50-75,000 p.a. (up 5.5 points), retired people (up 5.1 points), in the 18-29 age group (up 4.4 points) and particularly for young men (up 4.7 points) and in WA (up 4.2 points). In contrast, loneliness fell heavily for Australians engaged in home duties (down 10.6 points), which is perhaps not surprising as many workers and children were forced to work and study from home. It also fell noticeably in SA/NT (down 5.8 points) and for men aged 50-64 (down 4.5 points).

HOW LONELY DO WE FEEL?
(100 = completely)

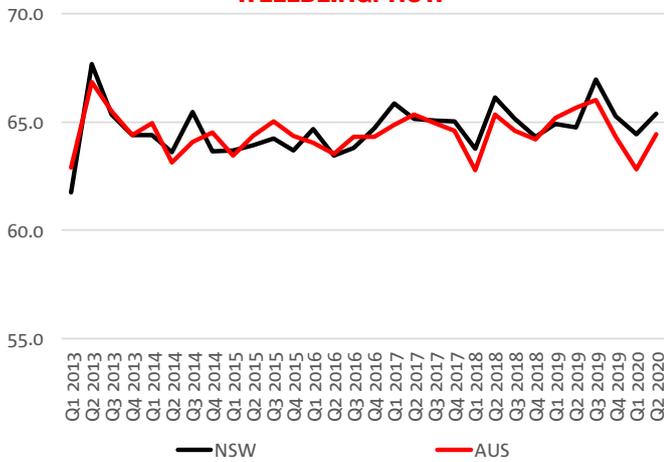


HOW LONELY DO WE FEEL?
(quarterly change)

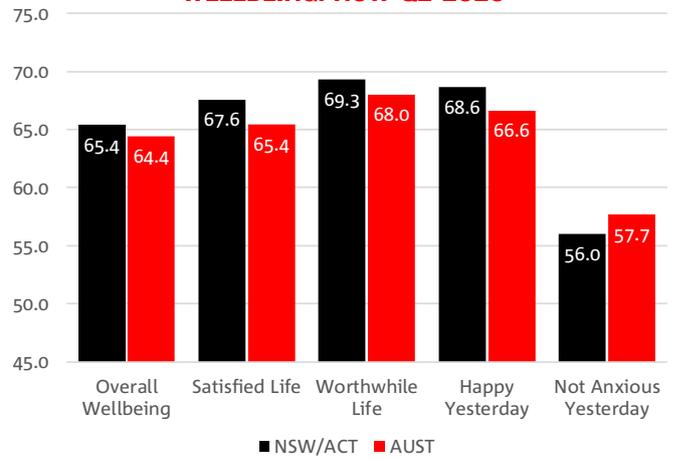


APPENDIX 1: WELLBEING BY STATE

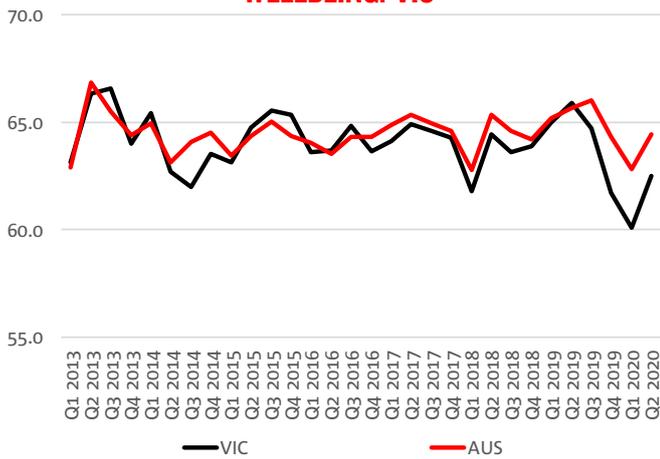
WELLBEING: NSW



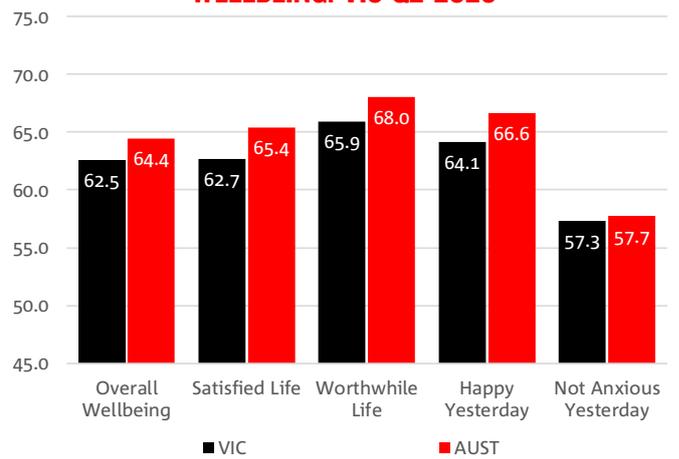
WELLBEING: NSW Q2 2020



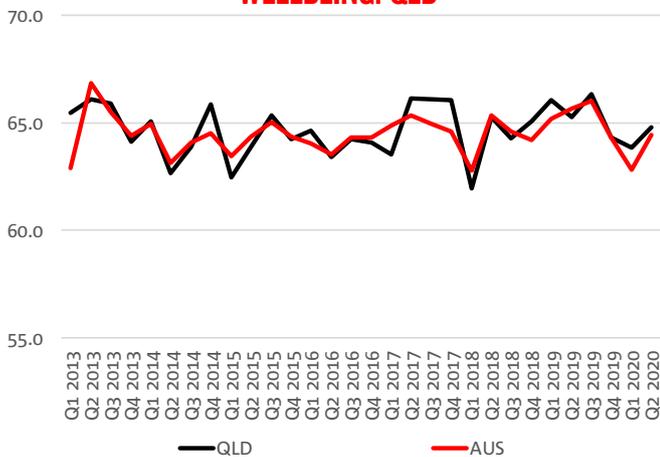
WELLBEING: VIC



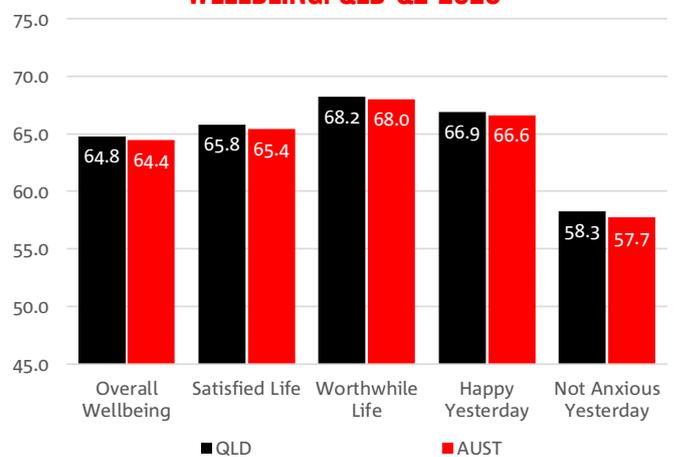
WELLBEING: VIC Q2 2020



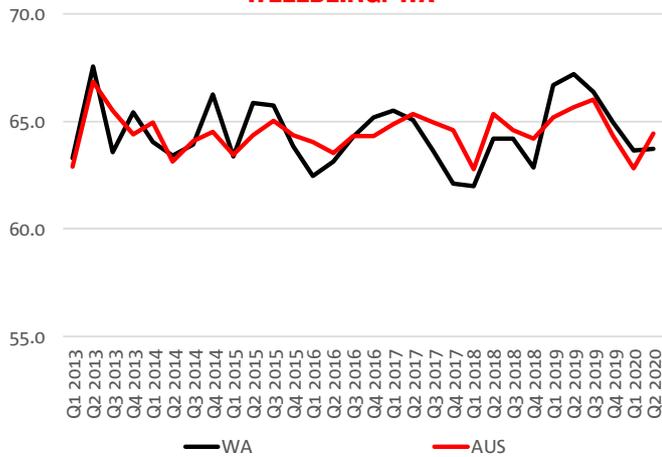
WELLBEING: QLD



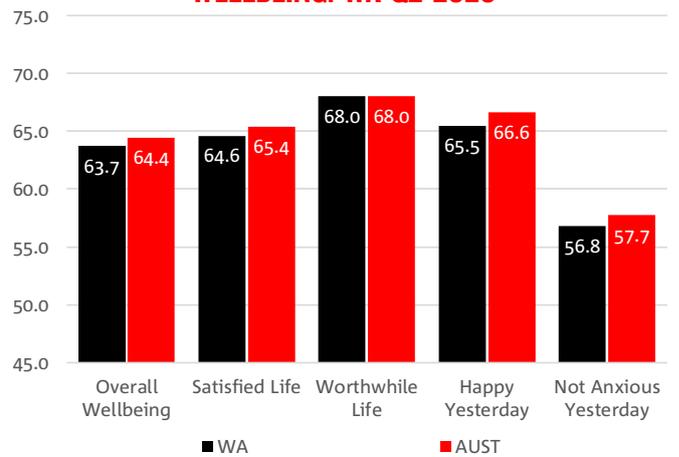
WELLBEING: QLD Q2 2020



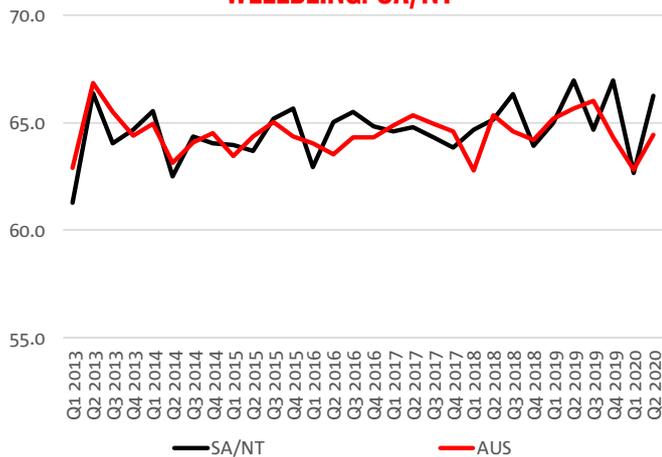
WELLBEING: WA



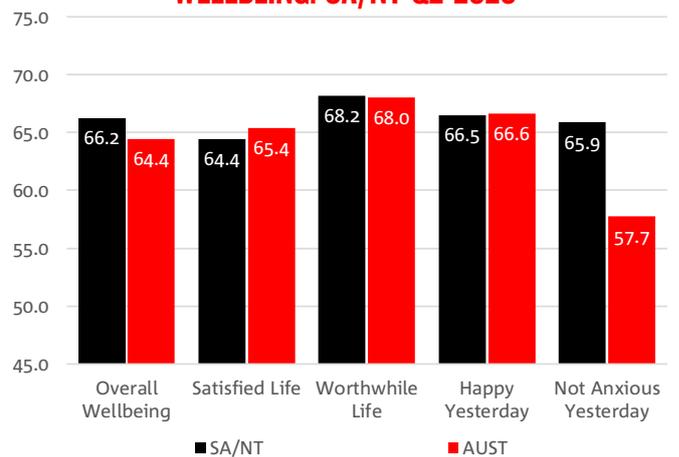
WELLBEING: WA Q2 2020



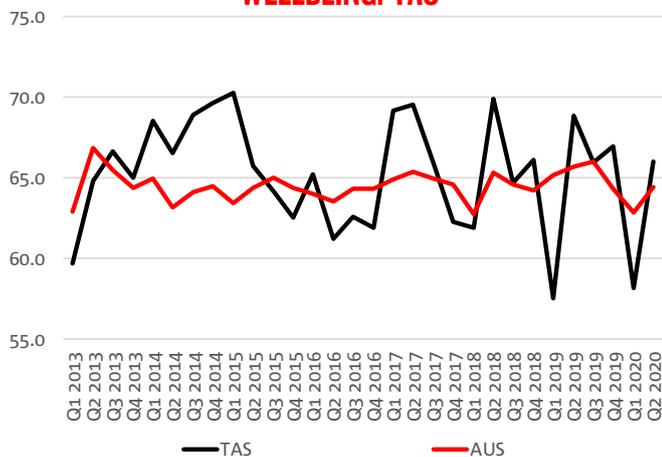
WELLBEING: SA/NT



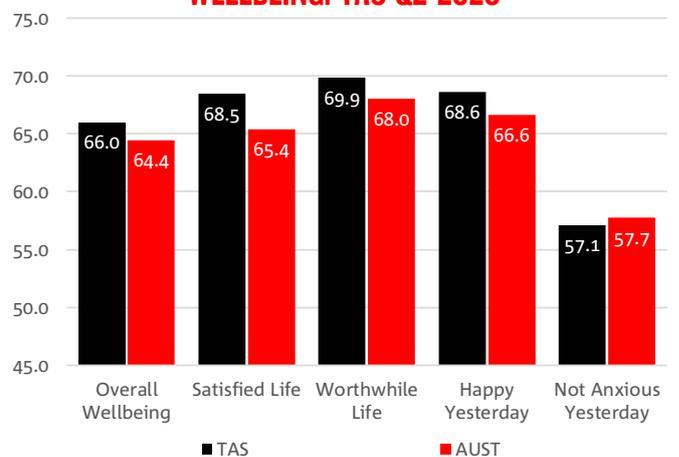
WELLBEING: SA/NT Q2 2020



WELLBEING: TAS



WELLBEING: TAS Q2 2020



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