



Thursday, 26 August 2021

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS REVIEW OF THE FOUR MAJOR BANKS – COVID-19 UPDATE

The House Standing Committee on Economics has requested that National Australia Bank (**NAB**) provide a written update outlining measures taken in response to the COVID-19 pandemic, two weeks prior to its appearance before the Committee. This response provides the Committee with NAB's update ahead of its appearance on Thursday 9 September 2021.

Overview

Since our last update to the Committee in March 2021, NAB continues to support customers impacted by COVID-19. As at July 31 and noted in our third quarter trading update, NAB's total loan deferral balances are less than \$1bn, down from the peak of \$58bn of deferral balances in June 2020.

We continue to offer various support measures for personal and business customers experiencing challenges as a result of the pandemic and lockdowns.

Please find attached three recent reports (referenced in this update) prepared by NAB Group Economics, for the Committee's information:

1. NAB Financial Wellbeing Report (published 20 August)
2. NAB Monthly Business Survey (July data)
3. NAB Economics Data Insights (published 26 August)

Expansion of the SME Recovery Loan Scheme

As Australia's largest business bank, we welcome the Federal Government's expansion of the eligibility criteria for businesses to access the SME Recovery Loan Scheme. We look forward to continuing to support businesses through our NAB Business Recovery Loan product and encourage our business customers to contact their banker for further information on the scheme.

We continue to support our customers

We encourage customers who are experiencing financial difficulty to contact NAB to discuss support that may be available. NAB Chief Executive Officer, Ross McEwan, emphasised this in recent correspondence to customers.

Our Customer Care team will work with each customer to understand if support measures are right for their circumstances and the options that may be available to them.

For business customers, this can include:

- Access to a NAB Business Recovery Loan (our SME Recovery Loan Scheme offering)
- Repayment deferrals of up to three months
- Refunds on merchant terminal fees for up to three months
- Waiving of certain fees and notice periods on Cash Deposit and Farm Management Deposit accounts

For personal customers, this can include:

- Home loan repayment deferrals on a month-to-month basis, access to redraw facilities and offset accounts
- Temporarily reduced payments or a temporary payment break on loans and credit cards
- Waiving fees and charges to access term deposits early

Playing our part in the vaccination rollout

We know that increased vaccination rates are Australia's pathway to recovery from COVID-19. NAB is pleased to be launching a pilot workplace vaccination program, in partnership with health authorities and our corporate flu vaccination provider.

Initially, this program will give our colleagues and their adult household members in many of the most impacted local government areas in Sydney the opportunity to be vaccinated with AstraZeneca.

We will expand the workplace vaccination program to more NAB colleagues across Australia as soon as we can.

Household financial stress has increased

NAB Group Economics recently released its latest Financial Wellbeing Report, noting that the financial stress associated with the pandemic has not been the same for all Australians.

In the quarter to June 2021, measures of financial stress rose for low income earners, but fell for high income earners. However, overall levels of financial stress increased for the second straight quarter, driven by an increase in concerns over day-to-day expenses including food, necessities, and utility bills. Concerns regarding not having enough finances to fund retirement remains the primary cause of financial stress.

The report also noted the difference in savings levels throughout the pandemic, with higher income earners having grown their savings, whilst savings have declined and debt levels have increased amongst lower income earners (who may have lost income during the pandemic).

The detailed report is attached.

Business conditions and confidence

Since NAB's last written update to the Committee in March, business confidence and conditions experienced record highs in May, before falling sharply in July. While the strength in these measures that was seen in early-to-mid 2021 has diminished, trends observed in 2020 demonstrate that business confidence and conditions should once again increase as restrictions are eased and activity levels rebound (partly due to pent-up demand during periods of lockdown).

NAB Monthly Business Survey results (figures noted are index points)

	February 2021	May 2021	July 2021
Business conditions	+15	+37	+11
Business confidence	+16	+20	-8

At a state level, NSW drove much of the decline across business confidence and business conditions, with South Australia also seeing a decrease in both measures (attributable to its snap lockdown). Western Australia recorded the highest level of business confidence amongst the states, with Tasmania recording the highest level of business conditions.

From an industry perspective, both business conditions and business confidence declined across all sectors except for mining, with transport and manufacturing experiencing notable declines.

The full report is attached.

Consumption continues to be challenged

NAB Group Economics Data Insights published on 26 August 2021 show the continued downturn in consumption levels across the economy. This is primarily attributable to lockdowns, however areas that have not been subject to lockdowns have also seen a decline in consumption.

Overall, consumption is now down 3% compared to the start of 2021, and is 16% lower compared to the same period in 2019. The retail and hospitality sectors have been impacted the greatest, with retail consumption having fallen 6% since the start of 2021 and hospitality down 30%. The data also illustrates the recovery in consumption that occurs as restrictions are eased, with an increase in consumption observed in South Australia, in line with the ending of their snap lockdown.

The complete report is attached.

NAB FINANCIAL WELLBEING SURVEY

INSIGHTS INTO HOUSEHOLD FINANCIAL STRESS AND HARDSHIP DURING COVID-19 & WHAT ARE THE KEY DRIVERS Q2 2021



August 2021

NAB Behavioural & Industry Economics

HOUSEHOLD FINANCIAL STRESS UP ON RISING CONCERNS OVER MONTHLY HOUSEHOLD EXPENSES. GROWING ECONOMIC DIVIDE BETWEEN LOW & HIGH-INCOME EARNERS, JOBLESS & EMPLOYED. FEWER AUSTRALIANS BELIEVE NOW IS A GOOD TIME TO BUY A HOME.

Key Messages: *This report explores financial stress (worry, fear and anxiety about our finances) and financial hardship (difficulty in meeting household living expenses and debts) in Australian households. The financial fallout of COVID-19 has been as challenging as the health risks, but the stress and hardship arising from the pandemic has not been the same for all Australians. The NAB Household Financial Stress Index lifted again in Q2 driven by rising concerns over food & necessities, utility bills, credit card repayments and other monthly household expenses. But, there is a growing economic divide as financial stress rose among lower income groups but fell for high income earners, with the gap now at its widest point since Q1 2020. This may in part reflect changing assistance measures and disproportionate impacts of lockdowns and other COVID restrictions on some in the community. Lower income earners were more concerned across all financial stress metrics. Stress also remains highest for the unemployed and for residents in NSW and VIC.*

For some Australians, savings have gone up during the pandemic as there have been less opportunities to spend in some areas. In particular, higher income groups appear to have accumulated more savings than in previous years. For those in a lower income bracket, a drop in income has caused savings to decline and debt to rise. In Q2, in net balance terms, savings fell for 45% of low-income earners and debt rose for 10%. This compares to just 3% of high-income earners who saw their savings fall, while debt levels fell rather than rose for 19%. Loans from family and friends contribute most to debt stress, followed by pay day loans. The number of people who experienced some form of financial hardship also rose (for the third straight quarter), particularly among lower income earners and the unemployed. Financial hardship remains highest for Australians who lost their main source of income because of COVID. Not having enough money for an emergency is the most common cause of hardship. With house prices continuing to rise, the number of Australians who thought now was a good time to buy a home fell, along with intentions to buy over the next year. NAB will continue to closely monitor any changes in financial stress and hardship, particularly as lockdown continues in NSW. Financial stress can impact mental health by creating anxiety and uncertainty in people's lives. This can create a vicious cycle impacting their ability to take action to improve their financial wellbeing.

Financial issues are the among the top causes of stress for Australians. The **NAB Household Financial Stress Index** rose again in Q2 (43.5 pts vs. 42.2 in Q1), for the second straight quarter driven by rising concerns over food & basic necessities, utility bills, credit card repayments and other monthly household expenses (insurances, car running costs, public transport etc.). Not having enough to finance retirement remains the number one driver of financial stress, also up in Q2. NAB's index is derived from how anxious Australians feel across 14 key household financial pressure points.

Financial stress rose for lower income earners (up 4.6 pts to 52.5) but fell for higher income earners (down 0.9 pts to 37.4), with the gap now at its widest since Q1 2020. Lower income earners were more concerned about all financial stress metrics, especially raising \$2,000 for an emergency (56.1 pts lower income; 34.2 pts higher income); major household items (56.5 vs. 37.4); monthly utility bills (52.1 vs. 33.9) and not having enough for food & basic necessities (47.4 pts vs. 29.4 pts). Financial stress rose for women (44.3 pts) but was unchanged for men (42.7 pts). By age, financial stress increased noticeably in the 30-49 age group (up 3.4 pts to 50.4). It remains highest for the unemployed (62.1 pts), particularly financing retirement (71.4 pts) and the ability to raise \$2,000 in an emergency (69.7 pts). Financial stress was highest in NSW (45.9 pts) and VIC (44.1 pts) and lowest in TAS (up however 6.7 pts to 39.0) and WA (39.6 pts). NSW recorded the highest levels of financial stress for all measures, except mortgage, rents & housing costs which was highest in VIC, and financing retirement (highest in QLD).

While almost 8 in 10 Australians reported trying to save in Q2 (9 in 10 among 18-29-year olds), nearly 1 in 2 saw their savings fall. Stress related to savings was noticeably higher in the under 50 age groups. That said, more Australians are optimistic that their income will increase over the next 12 months.

Fewer Australians made inroads into reducing their household debt levels in Q2. Credit card debt is still the most widely held, rising to a survey high 57% of all Australians (significantly up on Q1 at 41%). Home loans held rose slightly (44% vs. 41% in Q1) and was the most common debt held among 30-49 (62%) and 18-29 (37%) year olds. Around 22% of Australians overall had a personal loan (16% in Q1), rising to 32% of 18-29-year olds.

The number of Australians with BNPL loans also increased (21% vs. 18% in Q1), rising to 38% of 18-29-year olds. Around 17% of Australians had a loan from family or friends, reaching 34% among 18-29-year olds. Around 13% overall had an investment loan and 6% a loan from a pay day lender, but almost doubling (11%) in the 18-29 age group.

In terms of debt stress, loans from family and friends (59.5 pts) replaced pay day loans (57.7 pts) as the top concern, followed by personal loans (55.4 pts), and home loans (47.1 pts). Despite an uptick in the share of the population holding credit card debt, stress remains lowest for credit cards (43.6 pts), followed by investment loans (46.6 pts) and BNPL loans (46.3 pts). Men reported much higher levels of stress for payday loans (59.3 pts vs. 55.8 pts), investment loans (49.3 pts vs. 42.3 pts) and BNPL loans (48.5 pts vs. 44.4 pts), while women are more concerned about credit card debt (45.7 pts vs. 41.8 pts). By age, loans from family and friends (63.5 pts), pay day loans (68.2 pts), personal loans (62.0 pts) and home loans (51.8 pts) caused the highest stress in the 30-49 group, and investment loans (55.8 pts), BNPL (52.2 pts) and credit cards (56.8 pts) in the 18-29 group.

With house prices continuing to rise, the number of Australians who thought now was a good time to buy a home fell to just 29% in Q2 (40% in Q1) and an investment property to 25% (31% in Q1). Residents of WA (36%) and SA (35%) were the most optimistic about buying a home, with SA (28%) leading the way for investment property. Although house prices are expected to slow over the next year, the number of Australians who said they intend to buy a home in the next 12 months fell slightly to 13% (15% in Q1), with intentions for investment property unchanged at 9%. Home buying intentions are highest in NSW (15%), just ahead of WA (14%) and the ACT (14%). Intentions for buying investment property are strongest in the ACT (13%).

People can experience financial stress without experiencing **financial hardship** (difficulty in meeting household living expenses and debts). NAB's Financial Wellbeing Survey also identifies those who have struggled financially through 8 key metrics: not having enough money for an emergency; to pay a bill; for food & basics; to pay personal loans; for medical/health bills; to meet minimum credit card repayments; paying rent; and mortgages). If any of these triggers are met, NAB counts these people as in "financial hardship".

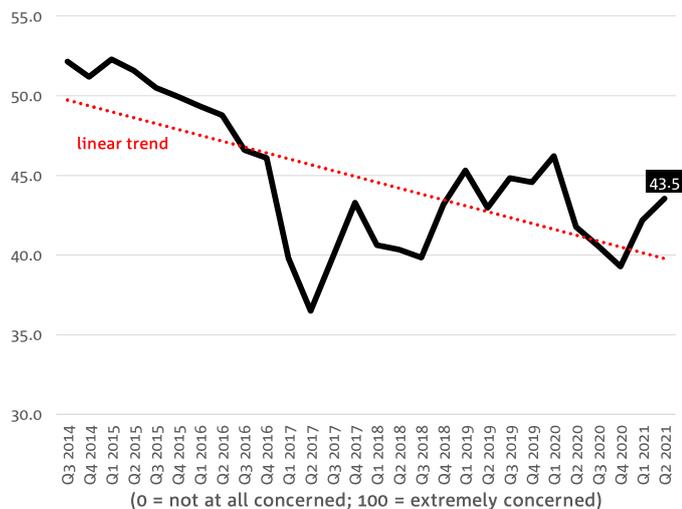
In Q2, the number of people who experienced some form of financial hardship in the past 3 months rose for the third straight quarter (38% vs. 35% in Q1 & 33% same time last year). On balance, the share of women who experienced hardship rose noticeably to 40% (34% in Q1), but was broadly unchanged for men (36%). Hardship rose to over 1 in 2 (52%) people in the 18-29 group (49%) in Q2, 47% in the 30-49 group (41% in Q1) and 20% for those aged 65+ (16% in Q1). Hardship also rose sharply among lower income earners (52% vs. 42% in Q1), and the unemployed (62% vs. 48% in Q1). Financial hardship remains highest for Australians who lost their main source of income because of COVID (70%).

Not having enough money for an emergency is the most common cause of financial hardship, impacting 1 in 5 (20%) Australians in Q2 (17% in Q1), and even more so among 18-29 year olds (28%), low income earners (30%), people who lost their main income because of COVID (34%) and the unemployed (42%). Being unable to pay a bill was the next biggest cause, affecting 16% overall, followed by not having enough for food or necessities (14%). Around 3 in 10 people who lost their income to COVID, were unemployed or 18-29 struggled to pay a bill on time, with 36% of unemployed people also not having enough for food & necessities.

What debt options did Australians experiencing financial hardship use to try and manage this? In Q2, loans from family and friends (39%) overtook credit cards (33%) as the most widely used option, with noticeably more people using this as a resort than in the previous quarter (32%). Significantly more women (42% vs. 35% men) borrowed from family & friends, while more men used credit cards (40% vs. 27% women), bank loans (20% vs. 7% women), or went into overdraft (11% vs. 6% women). By age, noticeably more young people (18-29) borrowed from family & friends (52%) or used an overdraft (14%). Considerably more low-income earners also leaned on family and friends for help (42%), while higher income earners relied more on credit cards (39%), bank loans (18%) and overdrafts (9%). Around 1 in 2 (50%) unemployed people leaned on family and friends and 1 in 4 (26%) used credit cards. Over 4 in 10 (43%) people who had lost their main source of income due to COVID also leant on family and friends. This group were also the most likely to have also used a bank loan (21%) or overdraft (18%) to manage.

NAB HOUSEHOLD FINANCIAL STRESS INDEX

NAB FINANCIAL STRESS INDEX: OVERALL



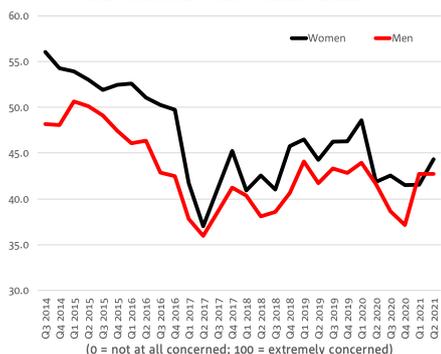
Anxiety is the biggest detractor from overall emotional wellbeing and financial stress is a key contributing cause. The **NAB Household Financial Stress Index** looks at the role our finances have on our wellbeing. This comprehensive measure of financial anxiety is derived from a number of key potential household pressures (including meeting the costs of healthcare, mortgage repayments, rent, credit cards, education, food & basic necessities, utility bills, insurances, holidays, entertainment, unexpected expenses, financing retirement, major household items, home improvements & maintenance).

In Q2 2021, the NAB Household Financial Stress Index rose for the second consecutive quarter to 43.5 pts, up from 42.2 pts in the previous quarter and 41.8 pts at the same time last year. However, the index is still below the survey average (44.8 pts).

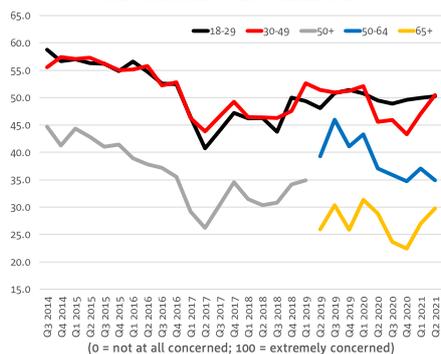
Australians reported higher stress over all components of the index in Q2, except mortgage, rent and housing costs, their children’s education and non-essentials which were unchanged. Household stress levels for all other components of the index increased, led by food and basic necessities (up 3.3 pts to 36.5), normal monthly utility bills (up 2.7 pts to 40.9), credit card repayments (up 2.5 pts to 34.6) and other monthly household expenses such as insurances, car running costs, public transport etc. (up 2.0 pts to 41.3)

Not having enough to finance retirement continues to be the number one driver of financial stress, with the level of concern also rising in Q2 (up 0.9 pts to 55.2). This was considerably higher than the next biggest drivers of financial stress - not being able to provide for our family’s future (up 1.5 pts to 48.0), home improvements & maintenance (up 1.2 pts to 46.0), and not being able to meet the cost of medical bills and healthcare costs (up 1.7 pts to 45.3).

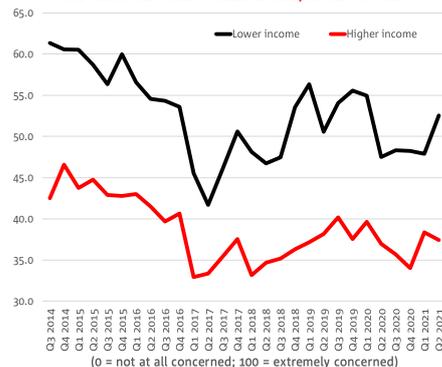
NAB FINANCIAL STRESS INDEX: GENDER



NAB FINANCIAL STRESS INDEX: AGE



NAB FINANCIAL STRESS INDEX: LOWER/HIGHER INCOME



Women reported higher levels of financial stress in Q2 (up 2.8 pts to 44.3 pts), but it was unchanged for men (42.7 pts). As a result, stress levels for women were higher than men after having reported lower stress in the previous quarter for the first time since NAB started tracking this in early-2014. Women reported higher stress levels for all measures, led by credit card repayments (up 5.6 pts to 34.4 pts), food & basic necessities (up 5.6 pts to 37.1 pts) and normal monthly utility bills (up 4.4 pts to 42.1 pts). Relative to men, women also reported much higher of stress levels over their ability to raise \$2,000 for an emergency (women 45.8 pts; men 40.4 pts) and their ability to fund retirement (women 57.0 pts; men 53.4 pts).

By age, stress fell in the 50-64 age group (down 2.2 pts to 34.9) in Q2. It increased noticeably in the 30-49 age group (up 3.4 pts to 50.4) and the over 65 group (up 2.8 pts to 29.8), with a modest increase also reported in the 18-29 group (up 0.3 pts to 50.3). The results continue to point to a significant financial stress gap between Australians under the age of 50 and those over the age of 50.

Financial stress was highest in the 18-29 age group for nearly all drivers, except being able to finance retirement, non-essential spending and home improvements and maintenance which caused the highest stress in the 30-49 age group. At the other end of the spectrum, the over 65 age group reported the lowest stress for all categories - see table.

Financial stress increased in lower income groups (up 4.6 pts to 52.5) but fell for higher income earners (down 0.9 pts to 37.4). As a result, the gap between lower and higher income earners widened to 15.1 pts) - the biggest gap since Q1 2020. Lower income earners were more stressed for all metrics, especially raising \$2,000 for an emergency (56.1 pts low income; 34.2 pts high income); major household items (56.5 pts low income; 37.4 pts high income); normal monthly utility bills (52.1 pts low income; 33.9 pts high income) and not having enough for food & basic necessities (47.4 pts low income; 29.4 pts in high income).

Financial stress was highest for unemployed Australians at 62.1 pts, with this group also reporting the highest stress for all measures, particularly financing their retirement (71.4 pts) and ability to raise \$2,000 if an emergency arose within the next month (69.7 pts) - see table below. Financial stress increased in all states in Q2, except for SA/NT where it was unchanged. Stress was reportedly highest in NSW (up 2.3 pts to 45.9) and VIC (up 1.3 pts to 44.1) and lowest in TAS (where it also increased most by 6.7 pts to 39.0 pts) and WA (up 0.3 pts to 39.6 pts) - see charts in Appendix 1 for historical timeseries by state.

NAB HOUSEHOLD FINANCIAL STRESS INDEX (100 = extremely concerned)

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
NAB Financial Stress Index	41.8	40.6	39.3	42.2	43.5
- NSW/ACT	43.9	43.2	41.3	43.7	45.9
- VIC	41.8	43.5	39.1	42.9	44.1
- QLD	40.9	36.0	37.7	41.4	41.9
- WA	41.1	38.8	38.2	39.3	39.6
- SA/NT	37.1	34.1	37.9	41.8	41.8
- TAS	35.2	34.6	33.6	32.3	39.0
- Women	41.9	42.6	41.5	41.5	44.3
- Men	41.6	38.6	37.1	42.8	42.7
- Age 18-29	49.4	48.9	49.6	49.9	50.3
- Age 30-49	45.6	45.9	43.2	47.1	50.4
- Age 50-64	37.2	35.9	34.8	37.1	34.9
- Age 65+	28.9	23.7	22.5	26.9	29.8
- Lower income (<\$35,000 p.a.)	47.5	48.3	48.2	47.9	52.5
- Higher income (\$100,000+ p.a.)	36.9	35.7	34.0	38.4	37.4

NAB HOUSEHOLD FINANCIAL STRESS INDEX: GENDER, AGE & INCOME (Q2 2021)

	All	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Unemp
Financing retirement	55.2	57.0	53.4	55.4	62.2	54.6	43.3	63.0	51.1	71.4
Providing for family's future	48.0	48.7	47.3	56.1	55.2	39.1	31.1	54.7	43.9	63.1
Non-essentials	46.0	47.5	44.4	51.2	52.6	39.4	35.3	56.6	40.7	61.2
Home improvement/maint.	45.3	46.2	44.4	49.1	52.2	40.5	34.6	54.0	38.7	61.7
Children's education	45.2	45.8	44.6	52.1	51.9	37.6	34.0	53.6	40.9	59.7
Medical bills/healthcare	44.3	46.0	42.7	51.1	50.8	37.7	33.1	56.5	37.4	62.1
Major household items	43.8	41.8	45.5	51.6	51.2	22.0	13.0	46.9	39.0	62.5
Personal loan repayments	43.5	43.3	43.6	50.2	49.7	31.9	29.8	53.7	36.4	65.0
Raising \$2,000 for emergency	43.1	45.8	40.4	52.6	50.2	34.4	30.2	56.1	34.2	69.7
Mortgage, rent, housing	41.6	42.0	41.3	48.4	48.2	31.7	27.3	48.0	35.1	55.1
Other monthly h/hold exp.	41.3	42.6	40.0	49.4	47.8	33.4	29.9	52.1	34.8	60.9
Normal monthly utility bills	40.9	42.1	39.7	48.8	47.8	33.0	29.1	52.1	33.9	61.3
Food/basic necessities	36.5	37.1	36.0	44.2	43.9	28.0	25.0	47.4	29.4	58.8
Credit card repayments	34.6	34.4	34.8	43.7	42.7	25.3	21.1	40.9	28.8	56.6
NAB Financial Stress Index	43.5	44.3	42.7	50.3	50.4	34.9	29.8	52.5	37.4	62.1

Not only did Australians living in NSW/ACT have the highest levels of financial stress, they also rated all measures highest, except mortgage, rents and housing costs which was highest in VIC, and financing retirement which was highest in QLD. Not having enough to finance retirement caused the most financial stress in all states - and by a large margin. Not being able to meet minimum credit card repayments caused the least stress in all states except TAS where stress rated lowest for children’s education - see table below for full detail.

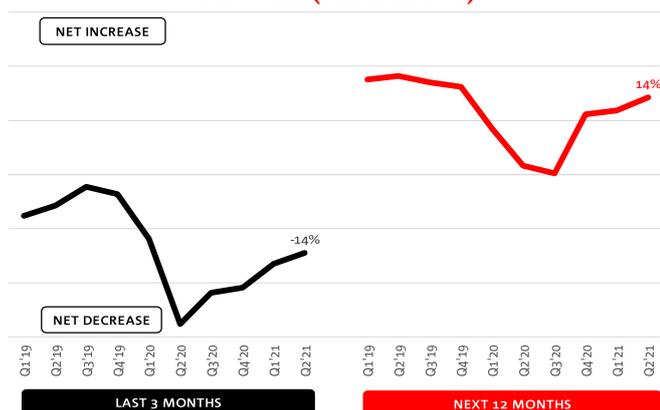
NAB HOUSEHOLD FINANCIAL STRESS INDEX: STATE (Q2 2021)

	AUS	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Medical bills/healthcare	45.3	49.0	45.4	43.9	40.1	41.0	41.9
Mortgage, rent, housing costs	41.6	44.0	44.4	37.7	39.4	37.5	35.1
Credit card repayments	34.6	37.8	35.0	32.2	28.7	34.1	31.9
Personal loan repayments	43.5	46.0	44.3	41.7	37.5	45.1	29.7
Children's education	43.8	46.9	45.3	38.9	41.5	41.7	32.7
Food/basic necessities	36.5	38.5	37.6	34.0	32.1	37.4	35.7
Normal monthly utility bills	40.9	43.3	41.6	38.5	36.8	40.1	40.4
Non-essentials	45.2	46.8	45.1	45.7	40.7	43.7	46.5
Raising \$2,000 in an emergency	43.1	44.6	43.3	43.2	37.6	43.7	39.6
Financing retirement	55.2	56.3	54.3	57.6	55.9	49.3	48.0
Providing for family's future	48.0	51.4	47.0	47.1	42.0	48.2	41.6
Other monthly h/hold expenses	41.3	43.9	42.2	39.1	36.5	38.8	42.0
Major household items	44.3	46.5	45.2	42.6	41.8	42.2	38.3
Home imp. & maintenance	46.0	48.3	46.9	43.8	43.4	42.5	42.6
NAB Household Financial Stress Index	43.5	45.9	44.1	41.9	39.6	41.8	39.0

THE IMPACT OF INCOME, SAVINGS & DEBT

The labour market recovery continues at a faster-than-expected pace. The unemployment rate declined again in June to 4.9% - its lowest level in over 10 years while resident employment is 1.2% above it pre-COVID-19 level. Other indicators point to strong labour demand - job vacancies are around 60% above pre-COVID levels and the NAB Business Survey employment measure is also high. Against this background, the net number of Australians who reported a decrease in their income level in the last 3 months improved to -14% (-16% in Q1 and -28% at the same time last year). Improvement was more pronounced for men and ranged from -12% in the over 65 group to -21% in the 18-29 group. By income, the situation worsened slightly in the lowest income group to -20% (-19% in Q1) but improved in the highest income group to -5% (-7% in Q1). Clearly the impact on income remains much bigger in lower income groups. More Australians also expect their income to increase over the next 12 months than decrease (+14%), up from +11% in Q1, and significantly better than in Q2 2020 (+2%). Men (+15%) are slightly more optimistic about the future than women (+13%), but by age optimism ranged from +27% in the 18-29 group to just +2% in the over 65 group. High income earners (+26%) are significantly more optimistic than low income earners (+1%).

WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF INCOME (NET BALANCE)

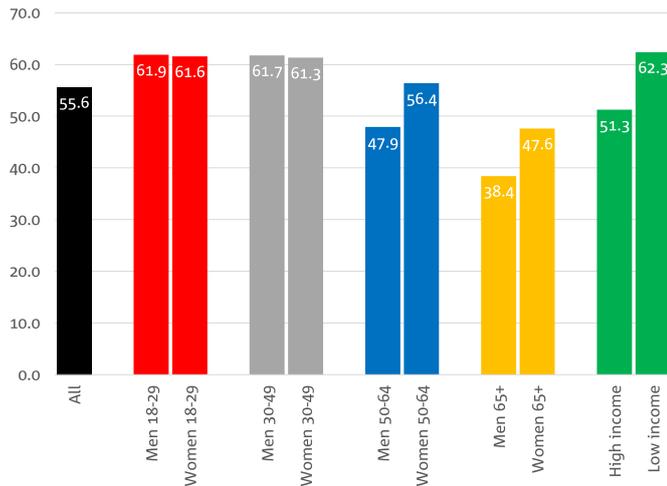


WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF INCOME (NET BALANCE)

	Last 3 months	Next 12 months
Overall	-14%	14%
Women	-19%	13%
Men	-10%	15%
Age 18-29	-21%	27%
Age 30-49	-13%	20%
Age 50-64	-12%	3%
Age 65+	-12%	2%
Low income	-20%	1%
High income	-5%	26%

LEVEL OF CONCERN OVER YOUR INCOME

(0 = not at all; 100 = extremely concerned)

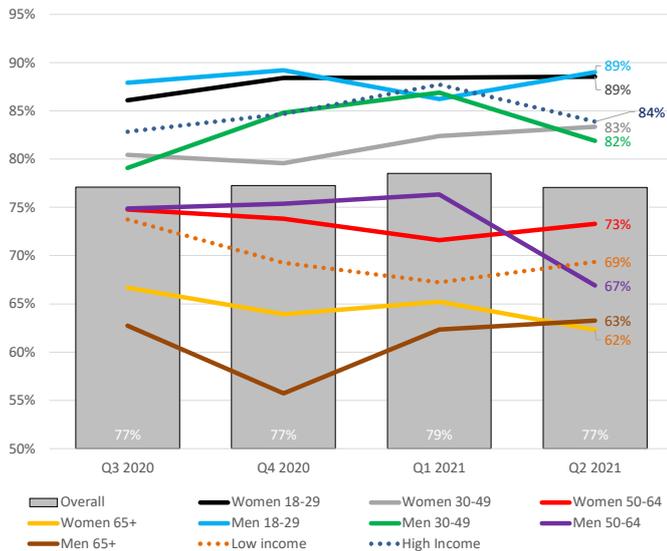


For the first time, Australians were also asked to rate their level of concern or stress over their income. Overall, they rated their stress at “moderate” levels scoring on average 55.6 pts out of 100 (where 100 signals extremely concerned).

Stress was however higher in under 50 age groups and at broadly similar levels between the 18-29 and 30-49 age groups and across women and men in both age groups. In the 50-64 age group, women reported significantly higher levels of stress (56.4 pts) than did men (47.9 pts). Income stress was lowest in the over 65 group, but again much higher for women (47.6 pts) than men (38.4 pts).

The lowest income earners (less than \$35,000 p.a.) reported much higher level of concern (62.3 pts) than high income (over \$100,000 p.a.) earners (51.3 pts).

PERCENTAGE OF AUSTRALIANS TRYING TO SAVE

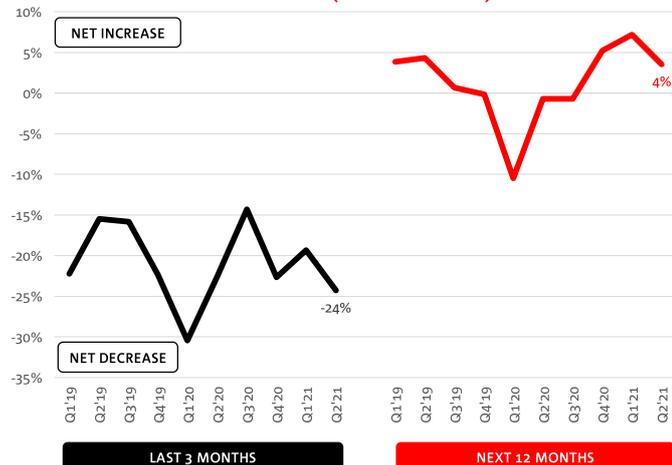


The importance of savings to the Australian psyche was again underlined in NAB’s survey results, with the Q2 survey confirming almost 8 in 10 (77%) Australians trying to save in Q2, though this was down slightly from 79% in the previous quarter.

Savings aspirations were strongest in the 18-29 age group, with 9 in 10 (89%) women and men in this group trying to save. Aspirations were also broadly similar in the 30-49 group (83% women; 82% men), though the number of men trying to save in this age group was down from 87% in the previous quarter. A similar pattern was evident in the 50-64 group where savings intentions fell heavily for men to 67% (76% in Q1). They were also overtaken by women where intentions lifted slightly to 73%. In the over 65 group, the opposite occurred with the number of men trying to save up slightly to 63%, and the share of women doing so down slightly to 62%.

Aspirations improved in the lowest income group to 69% (67% in Q1) but fell slightly in the highest income group to 84% (88% in Q1). Savings aspirations however remain much larger in the higher income group.

WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF SAVINGS (NET BALANCE)



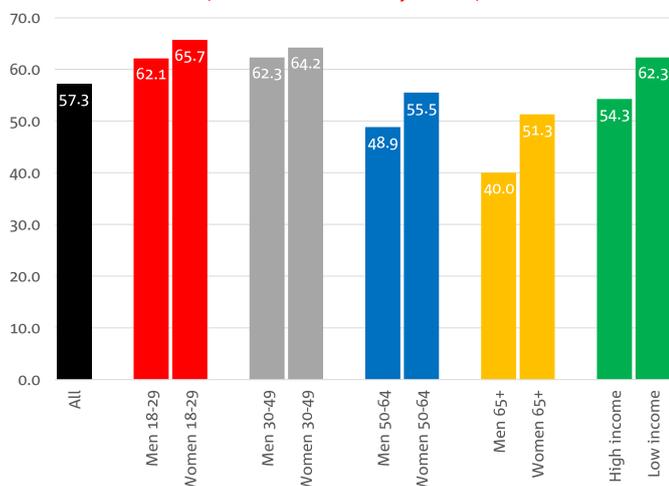
WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF SAVINGS (NET BALANCE)

	Last 3 months	Next 12 months
Overall	-24%	4%
Women	-36%	0%
Men	-13%	7%
Age 18-29	-25%	27%
Age 30-49	-22%	11%
Age 50-64	-22%	-10%
Age 65+	-30%	-18%
Low income	-45%	-25%
High income	-3%	28%

Despite trying to save, more Australians saw their level of savings fall than increase in Q2. Moreover, the net number of Australians who reported a decrease in their savings increased to -24% (-19% in Q1). Despite almost 8 in 10 people wanting to save, nearly 1 in 2 (47%) said their savings had fallen in the past 3 months (and 1 in 2 substantially). By gender, the number of women who reported a decrease in savings rose to -36% (-25% in Q1) but was unchanged for men at -13%. By age, the net number who reported a decrease in their savings in the last 3 months ranged from -30% in the over 65 group to -22% in the 30-49 and 50-64 groups. By income, a net -45% in the lowest income groups said their savings had fallen, compared to just -3% in the highest income group.

Australians were also slightly less optimistic about the future, with the net number expecting their savings to increase falling to +4% (+7% in Q1). Expectations among men were a little weaker at +7% (+10% in Q1) and weaker for women at 0% (+5% in Q1). Noticeably more Australians under the age of 50 expect their savings to increase (led by the 18-29 group at +2), but more people over 50 expect their savings to fall - particularly in the over 65 age group (-18%). Looking ahead, more low-income earners expect their savings to decrease (-25%), whereas more higher income earners expect it to increase (+28%).

LEVEL OF CONCERN OVER YOUR SAVINGS (0 = not at all; 100 = extremely concerned)



For the first time, Australians were also asked to rate their level of concern or stress over their level of savings.

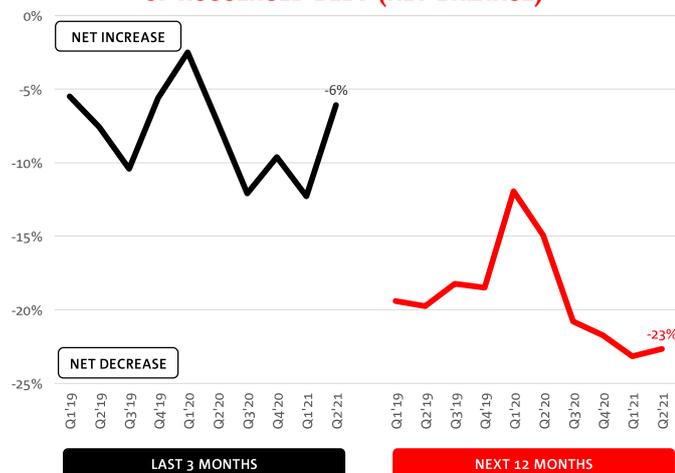
Overall, they rated their stress at “moderate” levels scoring on average 57.3 pts. This was slightly higher than for income stress (55.6 pts).

Stress was noticeably higher in the under 50 age groups, with women reporting slightly higher stress than men in the 18-29 (women 65.7 pts; men 62.1 pts) and in the 30-49 group (women 64.2 pts; men 62.3 pts).

Men and women over the age of 50 reported much lower stress over their savings. Women in these age groups however reported much higher stress than men in both 50-64 group (women 55.5 pts; men 48.9 pts) and over 65 group (women 51.3 pts; men 40.0 pts).

Savings stress was considerably higher in the lowest income group (62.3 pts) when compared to the highest income group (54.3 pts).

WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF HOUSEHOLD DEBT (NET BALANCE)

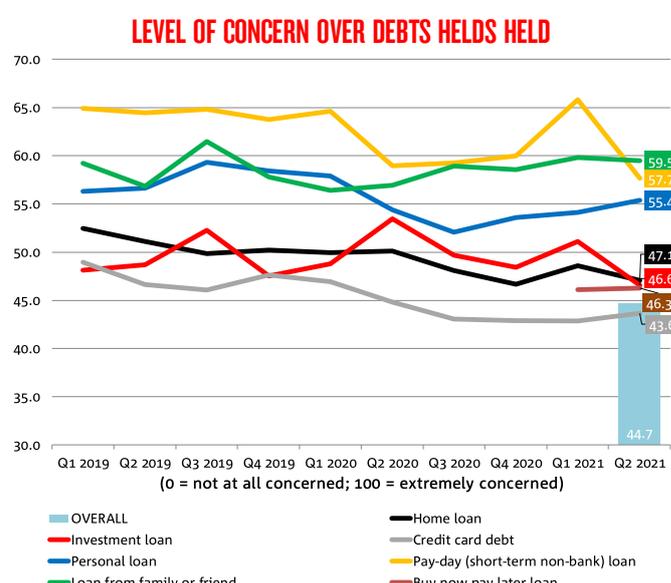
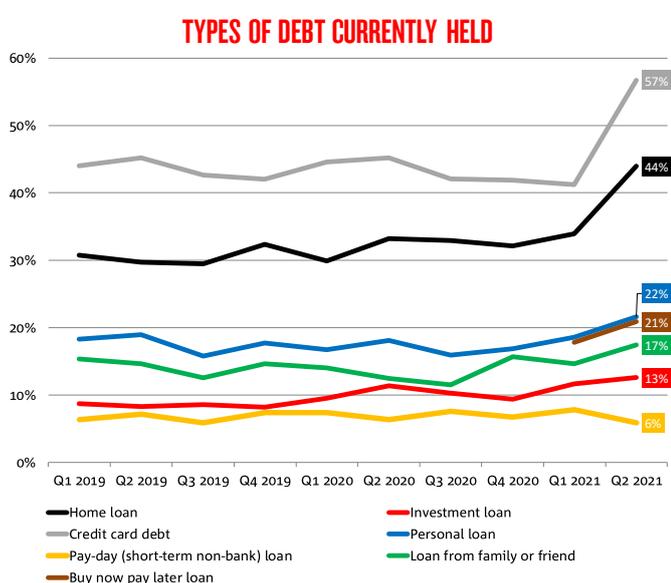


WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF HOUSEHOLD DEBT (NET BALANCE)

	Last 3 months	Next 12 months
Overall	-6%	-23%
Women	-3%	-22%
Men	-9%	-23%
Age 18-29	-2%	-27%
Age 30-49	-5%	-22%
Age 50-64	-14%	-27%
Age 65+	-4%	-15%
Low income	10%	-4%
High income	-19%	-34%

Fewer Australians also made inroads into reducing household debt levels in Q2. When asked how it had changed over the past 3 months, in net terms more people still said it decreased than increased (-6%) - i.e. the number who said it decreased out-weighed the number who said it increased - but that was down from -12% in the previous quarter and approaching levels last seen mid-last year. Slightly more women (-3%) reported making inroads into reducing household debt levels over the past 3 months but this was well down from -16% in Q1. The number of men making inroads was unchanged at -9%. We also noted declines in the net number of people in all age groups who said that their debt levels had increased, except in the 50-64 group where it increased slightly to -14% (-13% in Q1). By income, a net +10% of people in the lowest income groups indicated that their debt levels had increased in Q2, but in contrast -19% in the high-income group said their debt levels had fallen.

When asked what they expect to happen to their level of debt in the next 12 months, the net number who expected to see it fall was unchanged at -23%. The survey revealed little difference in expectations between women (-22%) and men (-23%). However, relative to expectations last quarter we noted an increase in the net number of Australians expecting to reduce their debt levels relative to the previous quarter in all age groups, except the 30-49 group (unchanged). While the number of Australians in the lowest income group who expect their debt levels to fall in the next 12 months outweighs those expecting their debt levels to climb (-4%), this remains well below expectations in the highest income group.



In this section, we look at the types of debt currently held by Australians, and the level of stress each of these debts cause them.

Credit card debt is still the most widely held form of debt, with the overall number of people holding this debt rising sharply in Q2 to a survey high 57%, from a survey low 41% in Q1. The number of men holding credit card debt reached 60% in Q2 (47% in Q1) and 53% for women (35% in Q1). By age, there was a large increase in the number of people in the over 65 group holding credit card debt to 78% (42% in Q1). The number holding credit card debt also rose in all other age groups, with a particularly large jump also recorded in the 50-64 group to 66% (43% in Q1). Credit card debt holdings were the same for low and high-income earners (53%).

The number with home loans increased slightly to 44% (41% in Q1) and it was the most common type of debt held in the 30-49 (62%) and 18-29 (37%) age groups. It was also 3 times more common for high income earners (64%) than low income earners (20%). Around 22% overall had a personal loan (16% in Q1), with this type of debt most common in the 18-29 (32%) and 30-49 age groups (29%).

The number of Australians with BNPL loans increased to 21% (18% in Q1) and was slightly more common for women (22%) than men (20%). By age, it was noticeably higher in the 18-29 (38%) and 30-49 (24%) groups than in the 50-64 (12%) and over 65 group (6%)

Overall, 17% of all Australians indicated they had a loan from family or friends, but this doubled in the 18-29 group (34%). Around 13% had an investment loan, but more men (16%) than women (10%), with the 30-49 group the biggest holder by age (17%). Only 6% overall had loans from a pay day lender, but this almost doubled to 11% in the 19-29 age group.

TYPE OF DEBTS HELD: GENDER & AGE

	All	Women	Men	18-29	30-49	50-64	65+
Credit card debt	57%	53%	60%	36%	51%	66%	78%
Home loan	44%	44%	44%	37%	62%	45%	19%
Personal loan	22%	21%	22%	32%	29%	12%	8%
Buy now pay later loan (BNPL)	21%	22%	20%	38%	24%	12%	6%
Loan from family or friend	17%	16%	18%	34%	20%	9%	5%
Investment loan	13%	10%	16%	11%	17%	14%	5%
Pay-day (short-term non-bank) loan	6%	5%	6%	11%	8%	2%	2%

For the first time Australians were asked to rate their level of concern or stress from their overall level of debt. On average, they scored 44.7 pts out of 100. This was well below the level of stress associated with their savings (57.3 pts) or income (55.6 pts). Women (45.8 pts) reported higher stress levels than men (43.6 pts) By age, the 18-29 group (52.2 pts) reported much higher levels of stress than any other age group.

Individually, loans from family and friends (59.5 pts) replaced pay day loans (57.7 pts) for generating the most stress. Personal loans were the next biggest driver of debt stress (55.4 pts), followed by home loans (47.1 pts). Despite being the most commonly held type of debt, stress was lowest for credit card debt (43.6 pts), followed by investment loans (46.6 pts) and BNPL loans (46.3 pts).

The table below highlights some key differences by gender. Men reported much higher levels of stress than did women for payday loans (59.3 pts vs. 55.8 pts), investment loans (49.3 pts vs. 42.3 pts) and BNPL loans (48.5 vs. 44.4 pts). Women however were more concerned about credit card debt (45.7 pts vs. 41.8 pts).

By age, loans from family and friends (63.5 pts), pay day loans (68.2 pts), personal loans (62.0 pts) and home loans (51.8 pts) caused the highest stress in the 30-49 group, and investment loans (55.8 pts), BNPL (52.2 pts) and credit cards (56.8 pts) in the 18-29 group.

LEVEL OF CONCERN OVER DEBTS HELD: GENDER & AGE

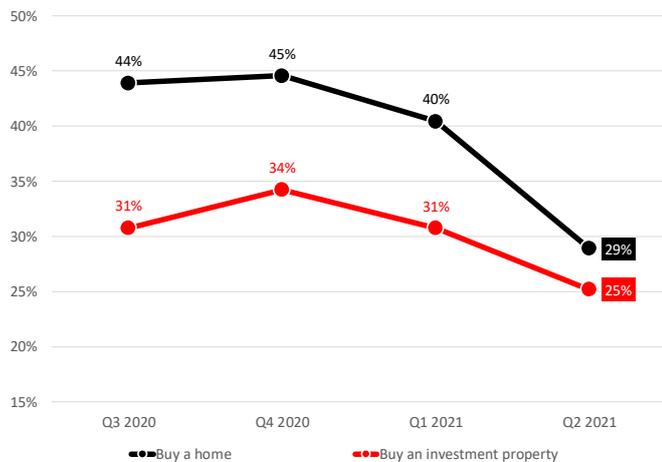
	All	Women	Men	18-29	30-49	50-64	65+
Loan from family or friend	59.5	59.5	59.5	55.8	63.5	61.6	55.1
Pay-day (short-term non-bank) loan	57.7	55.8	59.3	48.9	68.2	52.8	37.7
Personal loan	55.4	54.8	56.0	52.8	62.0	46.6	39.4
Home loan	47.1	46.4	47.8	48.9	51.8	39.8	35.3
Investment loan	46.6	42.3	49.3	55.8	54.4	31.7	17.9
Buy now pay later loan	46.3	44.4	48.5	52.2	43.9	44.7	27.8
Credit card debt	43.6	45.7	41.8	56.8	55.5	35.7	31.2
Overall Level of Debt	44.7	45.8	43.6	52.2	43.9	44.7	27.8

ATTITUDES TO BUYING PROPERTY

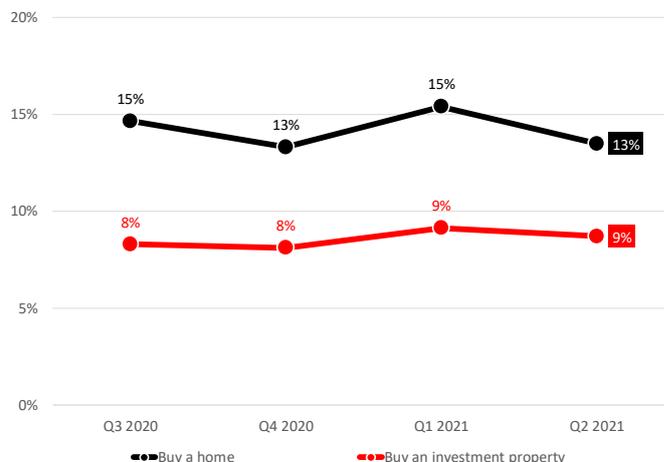
Since September 2020, capital city house prices have risen by 14%, leaving them 12% higher than their pre-COVID-19 (February 2020) level. Over this period, price growth outside the capital cities has been even more rapid, but in recent months regional prices have been growing at around the same pace.

Consequently, NAB revised up its forecast for house prices in 2021 based on the faster than expected growth in prices over recent months. From here we see the monthly pace of growth slowing - but continuing at a solid rate. Alongside the near-term upgrade, we have pulled back the growth in prices in 2022 as affordability constraints begin to bind. Overall, we see dwelling prices up around 18.5% in 2021 and 3.6% in 2022. We still expect prices for house prices to lift at a faster rate than for units, which have been more impacted in major cities by slowing population growth.

IS IT A GOOD TIME TO BUY PROPERTY NOW - YES



DO YOU INTEND TO BUY IN NEXT 12 M - YES



With house prices continuing to grow rapidly, the number of Australians who said now was a good time to buy a home fell to just 29% in Q2 (40% in Q1) and an investment property to 25% (31% in Q1). Australians living in WA (36%) and SA (35%) were the most optimistic states for buying a home now, with SA (28%) also leading the way for investment property, with intentions lowest in QLD (22%).

Although house prices are expected to slow over the next year, the number of Australians who said they intend to buy a home in the next 12 months fell slightly to 13% (15% in Q1), with intentions for investment property unchanged at 9%. By state, intent to buy a home in the next 12 months was highest in NSW (15%), just ahead of WA (14%) and the ACT (14%), and lowest in TAS (10%). Intentions for buying investment property in the next 12 months were strongest in the ACT (13%) and lowest in QLD (4%) - see tables below.

IS IT NOW A GOOD TIME TO BUY: STATES

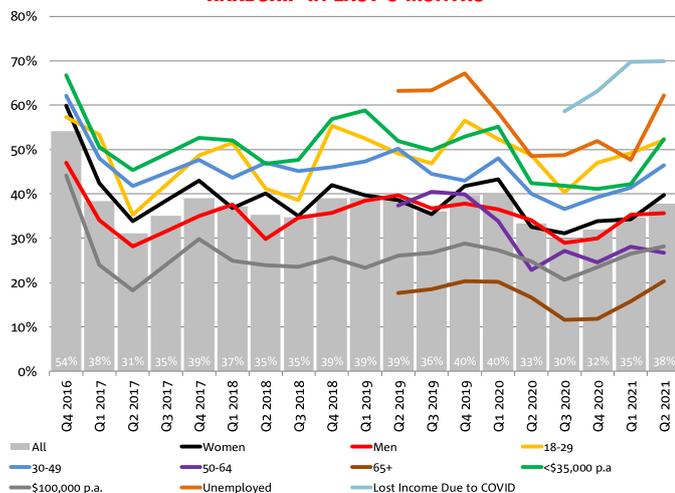
		NSW	VIC	QLD	SA	WA	TAS	ACT
Home	Q2 2021	26%	32%	23%	35%	36%	25%	24%
	Q1 2021	38%	38%	44%	44%	44%	36%	44%
	Q4 2020	40%	47%	48%	41%	53%	41%	34%
	Q3 2020	43%	41%	46%	36%	56%	41%	35%
Investment property	Q2 2021	25%	26%	22%	28%	26%	26%	27%
	Q1 2021	30%	26%	32%	34%	35%	40%	29%
	Q4 2020	32%	36%	40%	29%	29%	32%	20%
	Q3 2020	32%	29%	33%	22%	34%	26%	32%

DO YOU INTEND TO BUY IN THE NEXT 12 MONTHS: STATES

		NSW	VIC	QLD	SA	WA	TAS	ACT
Home	Q2 2021	15%	13%	11%	11%	14%	10%	14%
	Q1 2021	17%	16%	13%	18%	11%	11%	22%
	Q4 2020	12%	14%	16%	13%	11%	12%	20%
	Q3 2020	17%	20%	8%	12%	10%	11%	14%
Investment property	Q2 2021	11%	10%	4%	9%	7%	8%	13%
	Q1 2021	10%	9%	9%	13%	7%	3%	10%
	Q4 2020	10%	9%	7%	9%	1%	4%	8%
	Q3 2020	11%	9%	6%	4%	5%	2%	21%

HOUSEHOLD FINANCIAL HARDSHIP

NUMBER OF AUSTRALIANS THAT EXPERIENCED FINANCIAL HARDSHIP IN LAST 3 MONTHS



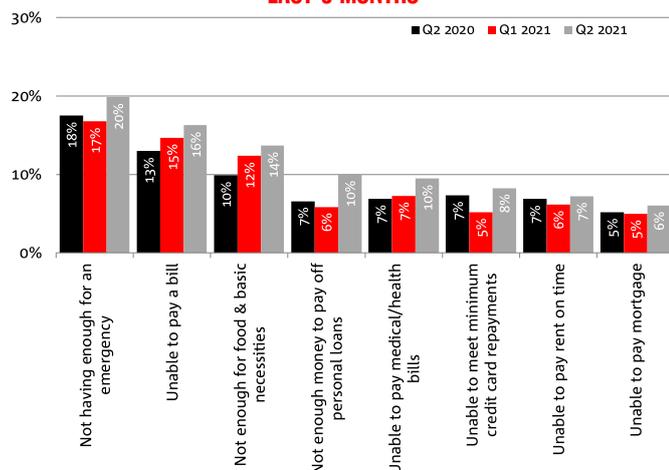
In Q2, the number of people who experienced some form of financial hardship in the past 3 months rose for the third straight quarter to an above average 38% (35% in Q1 and 33% at the same time last year).

The number of women who experienced hardship rose noticeably to 40% (34% in Q1), whereas it was broadly unchanged for men (36%).

By age, financial hardship rose to over 1 in 2 (52%) people in the 18-29 group (49%) in Q2, to 47% in the 30-49 group (41% in Q1) and to 20% in the over 65 group (16% in Q1). It fell slightly in the 50-64 group to 27% (28% in Q1).

Hardship also rose sharply in Q2 in the lowest income group to 52% (42% in Q1), for unemployed people to 62% (48% in Q1). It was highest for Australians who lost their main source of income because of COVID (70%) but was unchanged from the previous quarter.

TYPE OF FINANCIAL HARDSHIP EXPERIENCED IN THE LAST 3 MONTHS



Not having enough money for an emergency is still the most common cause of financial hardship. In Q2, it impacted 1 in 5 (20%) Australians (17% in Q1). It was a bigger problem for women (22%), in the 18-29 age group (28%), for low income earners (30%), people who lost their main income because of COVID (34%) and the unemployed (42%).

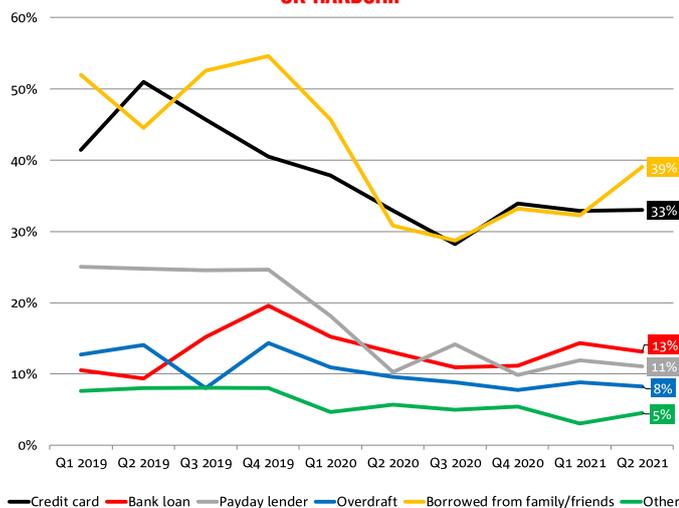
Being unable to pay a bill was the next biggest cause of hardship, affecting 16% overall, followed by not having enough for food or basic necessities (14%). Around 3 in 10 people who lost their income to COVID, were unemployed or 18-29 struggled to pay a bill on time, with 36% of unemployed people also not having enough for food & basic necessities.

Other areas where some groups struggled more than others included personal loan repayments for 1 in 5 18-29 year olds, unemployed people or those that lost their main income to COVID, and being unable to pay medical bills for the unemployed (25%). Australians who lost their income due to COVID were also most vulnerable to hardship from not having enough to meet mortgage payments (15%).

TYPE OF FINANCIAL HARDSHIP EXPERIENCED IN THE LAST 3 MONTHS: KEY GROUPS

	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Unemp	Income lost to COVID
Not enough for an emergency	22%	17%	28%	21%	18%	12%	30%	14%	42%	34%
Unable to pay a bill	19%	14%	29%	18%	11%	7%	25%	12%	31%	29%
Not enough for food & basics	17%	11%	24%	15%	10%	6%	23%	8%	36%	26%
Not enough to pay pers. loans	10%	11%	20%	13%	4%	2%	13%	8%	21%	22%
Unable to pay med/health bills	10%	9%	15%	10%	7%	5%	17%	7%	25%	21%
Not meet min credit card repay	8%	8%	13%	10%	6%	3%	10%	6%	15%	18%
Unable to pay rent on time	6%	8%	16%	8%	4%	1%	13%	3%	16%	18%
Unable to pay mortgage	5%	7%	10%	8%	4%	1%	6%	6%	10%	15%

TYPE OF DEBT USED TO MANAGE FINANCIAL STRESS OR HARDSHIP



What debt options did Australians who said they had experienced financial hardship over the last 3 months use to try and manage this?

In Q2, loans from family and friends (39%) overtook credit cards (33%) as the most widely used option, with noticeably more people using this as a resort than in the previous quarter (32%).

The number of people using all other options was broadly unchanged and ranged from 13% using bank loans and 5% resorting to ‘other’ measures to manage financial hardship.

The table below shows significantly more women (42%) than men (35%) borrowed from family & friends to manage hardship, whereas more men used credit cards (40% men; 27% women), bank loans (20% men; 7% women), or went into overdraft (11% men; 6% women).

By age, noticeably more Australians in the 18-29 group used borrowed from family & friends (52%) or used an overdraft (14%), while those over the age of 65 used credit cards (39%) and in the 50-64 group ‘other’ measures (10%). Australians under 50 were also much more likely to have turned to a bank loan or payday lender.

Considerably more low-income earners also leaned on family and friends for help (42%), but noticeably more in the highest income group used credit cards (39%), bank loans (18%) and overdrafts (9%).

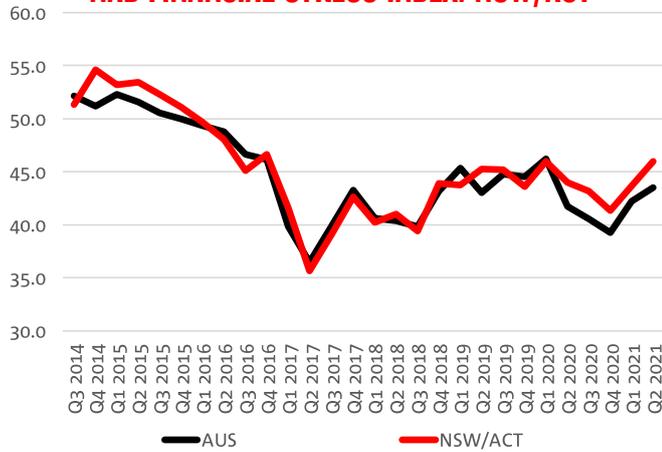
Around 1 in 2 (50%) unemployed people leaned on family and friends and 1 in 4 (26%) used credit cards. Over 4 in 10 (43%) people who had lost their main source of income due to COVID also leant on family and friends. This group were also the most likely to have also used a bank loan (21%) or overdraft (18%) to manage.

TYPE OF DEBT USED TO MANAGE FINANCIAL HARDSHIP IN PAST 3 MONTHS BY KEY GROUPS

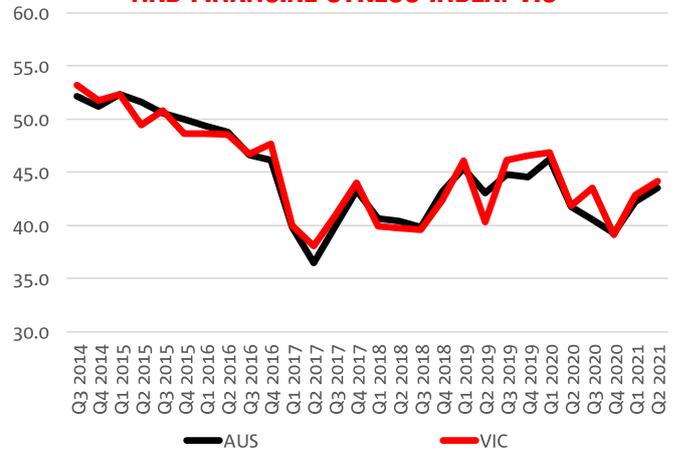
	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Unemp	Income lost to COVID
Borrowed from family/friends	42%	35%	52%	39%	30%	13%	42%	31%	50%	43%
Credit card	27%	40%	32%	34%	27%	39%	25%	39%	26%	39%
Bank loan	7%	20%	18%	16%	4%	1%	9%	18%	4%	21%
Payday lender	12%	10%	14%	12%	9%	4%	11%	14%	9%	14%
Overdraft	6%	11%	14%	8%	4%	0%	5%	9%	2%	18%
Other	7%	2%	2%	4%	10%	6%	6%	3%	10%	2%

APPENDIX 1: FINANCIAL STRESS INDEX: BY STATE

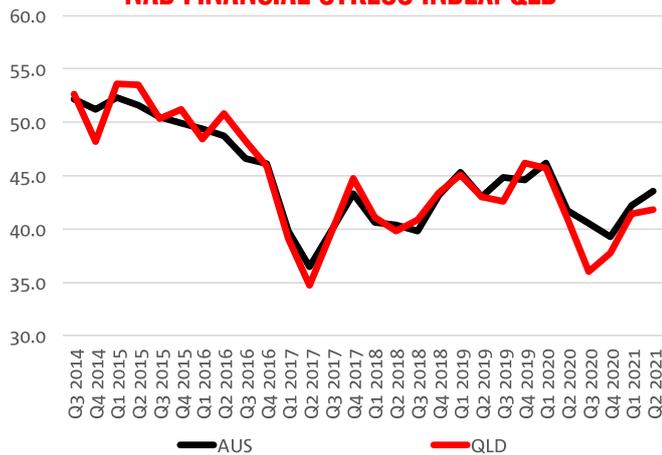
NAB FINANCIAL STRESS INDEX: NSW/ACT



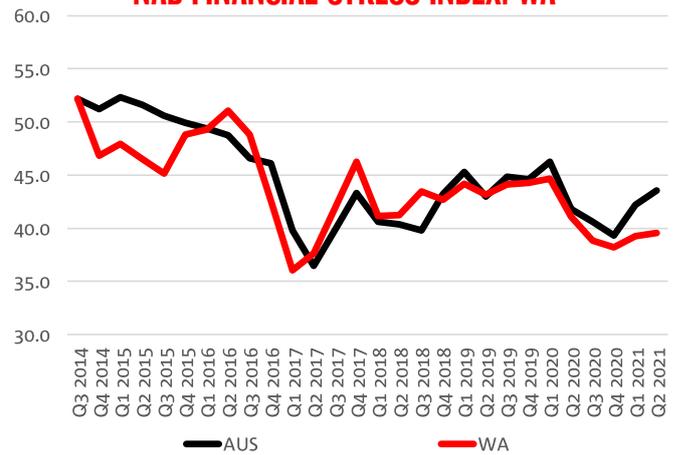
NAB FINANCIAL STRESS INDEX: VIC



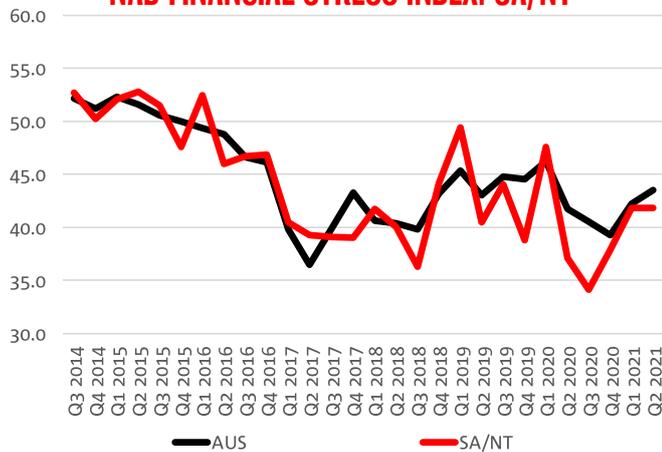
NAB FINANCIAL STRESS INDEX: QLD



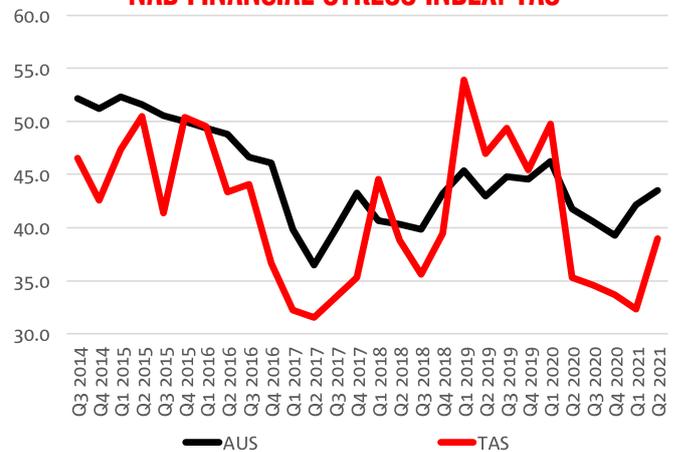
NAB FINANCIAL STRESS INDEX: WA



NAB FINANCIAL STRESS INDEX: SA/NT



NAB FINANCIAL STRESS INDEX: TAS



CONTACTS

Dean Pearson
Head of Behavioural & Industry Economics
Dean.Pearson@nab.com.au
+613 8634 2331

Robert De Iure
Associate Director Economics
Robert.De.Iure@nab.com.au
+613 8634 4611

Brien McDonald
Associate Director Economics
Brien.McDonald@nab.com.au
+613 8634 3837

AUTHORS

Dean Pearson & Robert De Iure

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.

NAB MONTHLY BUSINESS SURVEY JULY 2021

CONFIDENCE AND CONDITIONS FALL FURTHER WITH ONGOING LOCKDOWNS

NAB Australian Economics



Key messages: The survey continues to show widespread impacts of lockdowns. Both conditions and confidence deteriorated sharply in the month, with the latter now back in negative territory. Unsurprisingly, due to its size and the severity of the lockdown in the state, NSW drove much of the result this month. Both confidence and conditions fell sharply following a full month of lockdown in the state. That said, conditions fell in all mainland states, with SA in particular also seeing a very large fall. Conditions softened in all industries, with the exception of mining – where it remains elevated. The forward-looking indicators also softened and, with forward orders now back in negative territory and capacity utilisation now back around average, suggest little improvement in conditions in the near term. Overall, the survey shows that the strength in the business sector seen in early-to-mid 2021 has faded on the back of fresh disruptions in the economy but it has not yet deteriorated to the lows seen in early 2020. With the survey showing a very strong momentum in the leadup to the recent lockdowns, the hope is that once restrictions are eased, the economy will rebound relatively quickly, consistent with the experience through the pandemic to date, and resume a strong growth trajectory – and a return to strong capex and employment plans.

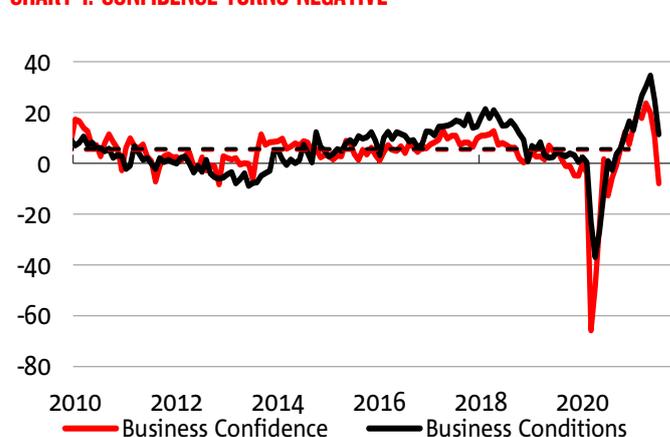
HIGHLIGHTS

- **How confident are businesses?** Confidence saw a large fall of 19pts to -8 index points and is now well below average.
- **How did business conditions fare?** Conditions declined 14pts to +11 index points but remains above the 6pt long-run average. For now, the deterioration has been less severe than 2020, but could worsen should lockdowns persist or become more widespread.
- **What components contributed to the result?** All three components of business conditions declined in the month, led by a fall of 20pts in trading conditions. Profitability declined 19pts to +6 index points and employment fell 8pts to +10 index points. All components remain in positive territory despite the deterioration over the past two months, reflecting the strength in the survey in the leadup to the recent out break of the delta strain.
- **Which industries are driving conditions?** Conditions declined across all non-mining industries, led by falls in transport & utilities and rec & personal services (down 29 and 25pts respectively). Wholesale declined by 19pts while the remaining industries declined by 8-11pts. Conditions are now in negative territory in transport & utilities and rec & personal but still positive in the remaining industries. Outside of mining, finance, business & property is strongest.
- **Which industries are most confident?** Transport & utilities, manufacturing and finance, business & property saw very large declines in the month and alongside wholesale, retail and rec & personal services are back in negative territory. Mining confidence is the outlier at 18 index points, though construction confidence also remains in positive territory.
- **Where are we seeing the best conditions by state?** Conditions declined in all mainland states, led by falls in SA and NSW. Tas which rose in the month, saw the strongest conditions, followed by QLD and WA. Conditions are now weakest in SA and NSW.
- **What is confidence like across the states?** Confidence fell across all states, led by a very large fall in NSW which is now weakest. QLD is also in negative territory while Vic, SA and Tas are just positive. WA is strongest at +7 index points.
- **Are leading indicators suggesting further improvement?** Forward orders fell sharply in the month and are now in negative territory and notably below their long-run average, while capacity utilisation fell back to around average levels.
- **What does the survey suggest about inflation?** Inflation indicators softened in the month from relatively strong rates last month. Purchase costs growth remains elevated as does final products prices growth, despite the easing in the month.

TABLE 1: KEY STATISTICS

	May-21	Jun-21	Jul-21
	Net balance		
Business confidence	20	11	-8
Business conditions	34	25	11
Trading	44	32	12
Profitability	38	25	6
Employment	25	18	10
Forward orders	26	15	-6
Stocks	7	10	4
Exports	1	-1	-2
	% change at quarterly rate		
Labour costs	1.7	1.6	0.9
Purchase costs	1.5	2.1	2.0
Final products prices	1.0	1.5	1.2
Retail prices	1.0	2.0	1.2
	Per cent		
Capacity utilisation rate	84.7	83.8	81.2

CHART 1: CONFIDENCE TURNS NEGATIVE



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

All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 20 to 30 July 2021, covering over 400 firms across the non-farm business sector.

Next release date: 14 September 2021.

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

© National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686

NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

DEVELOPMENTS IN STATE CONFIDENCE AND CONDITIONS

- This July Survey was conducted between 20 July and 30 July. Over this period, NSW remained locked down, SA underwent a short 7-day lockdown and Victoria had opened up – but saw a significant period of June in lockdown.
- Unsurprisingly, due to its size and the magnitude of the lockdowns, NSW drove much of the deterioration in the aggregate results. However, SA and WA also saw relatively large deteriorations in conditions, while QLD and Vic deteriorated further. Conditions are now most favourable in Tas, followed by Qld and WA. They are weakest in SA, followed by NSW and Vic.
- Confidence softened everywhere, and is now negative in NSW and Qld. The sharpest fall was in NSW, though Tas, Vic and SA also saw large falls. Confidence is now below average in every state except WA.
- NSW saw a very large hit to confidence and conditions in the month. Conditions fell 31pts to +2 index points. Reflecting the highs reached in recent months, each subcomponent remains positive, despite recording large falls in the month. Trading conditions declined 37pts to +5 index points, profitability fell 29pts to +1 index points and employment was down 20pts to +2 index points. Confidence was down 27pts in the month and is now at -21 index points – the weakest across the states.
- SA saw a large hit to conditions in the month, despite only having a 1 week lockdown. The decline was driven by a fall in all components.
- With disruptions to activity, capacity utilisation has pulled back from the very high levels seen in recent months to now be around its long-run average. While the deterioration has not been as large as the hit seen across the states in 2020, capacity utilisation is now back below its pre-COVID level in NSW, Vic and SA. QLD, Tas and WA remain elevated.
- The experience over the past year has been that once restrictions are eased, activity bounces back, and even shows some degree of pent-up demand. However, the experience of Victoria shows that long lockdowns see a more gradual recovery. Once the current lockdowns are eased in NSW we expect activity to rebound.
- For now, it appears that GDP will fall in the September quarter, due to both the lockdowns in NSW and elsewhere. We expect the economy to catch up the growth lost in Q3, with the rebound to begin in Q4 and continue into next year – this sees very strong growth over 2022.

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

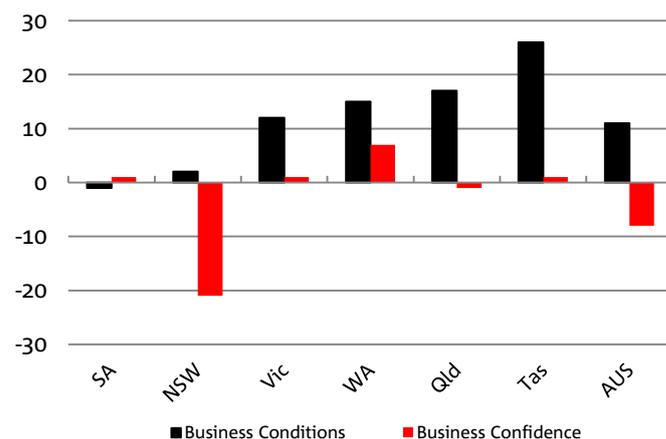


CHART 3: CONFIDENCE AND CONDITIONS BY INDUSTRY (NET BAL., SA)

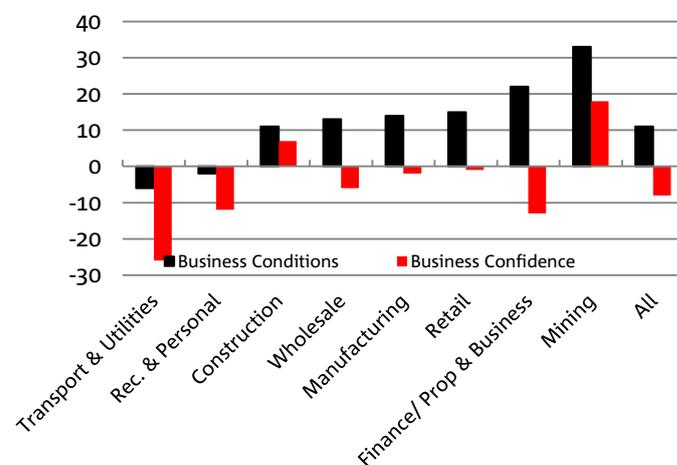
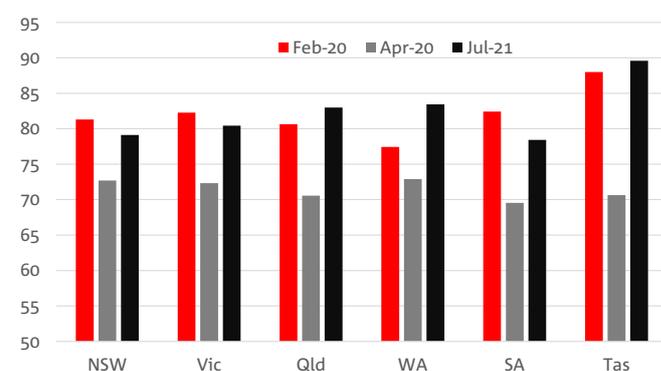


CHART 4: CAPACITY UTILISATION BY STATE (% SA)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

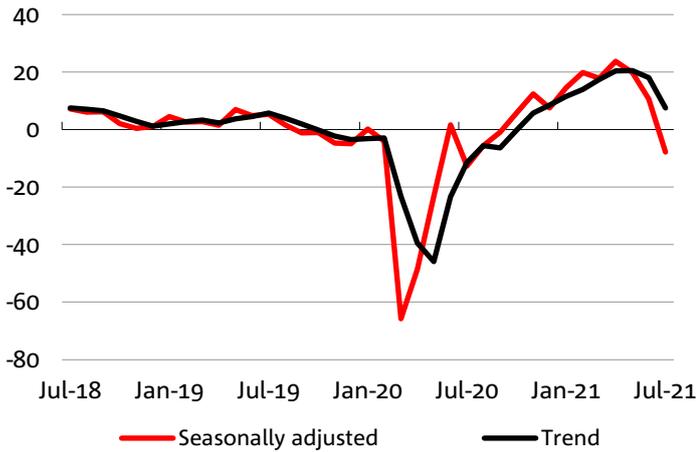


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

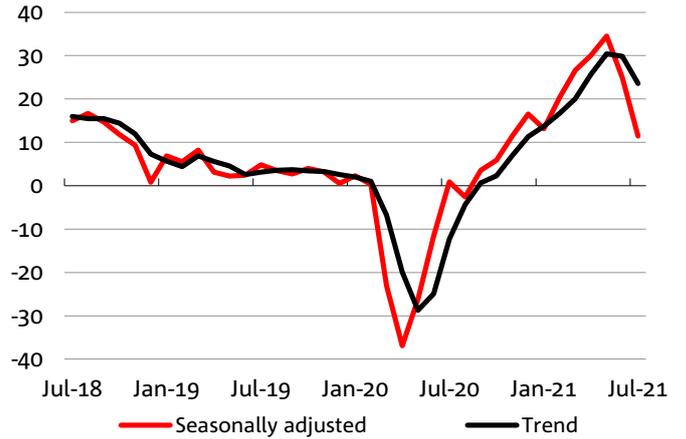


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

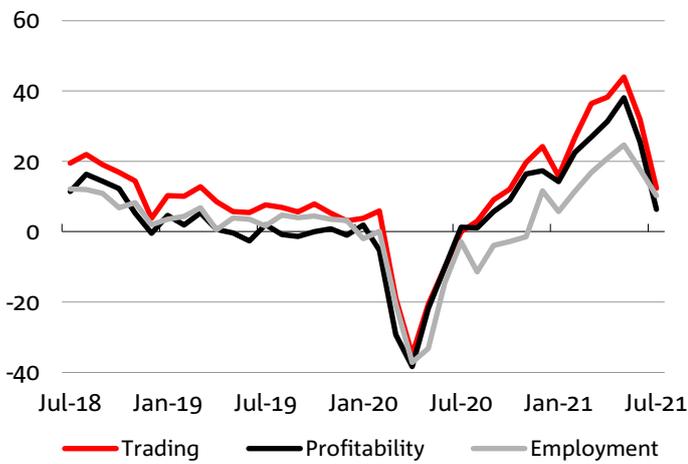


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

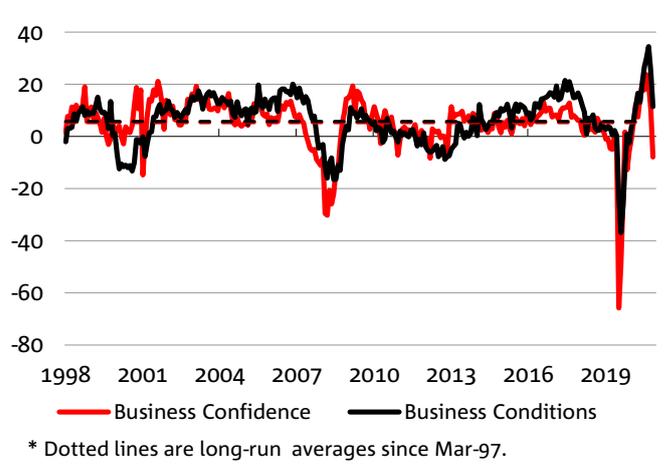


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

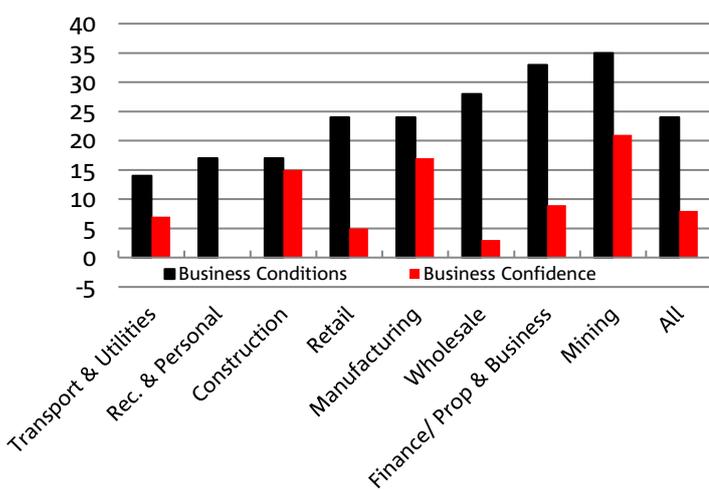
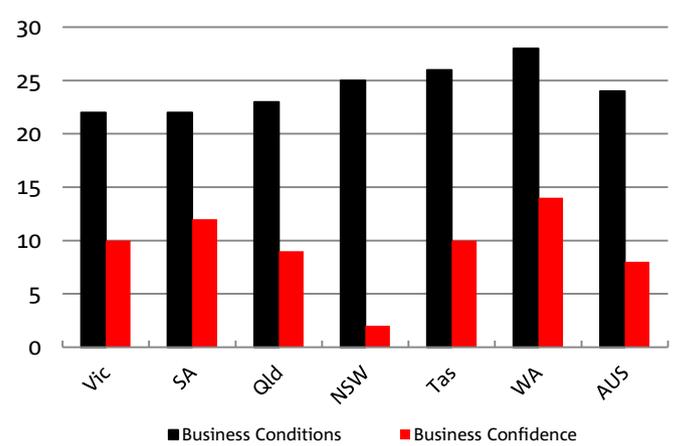


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

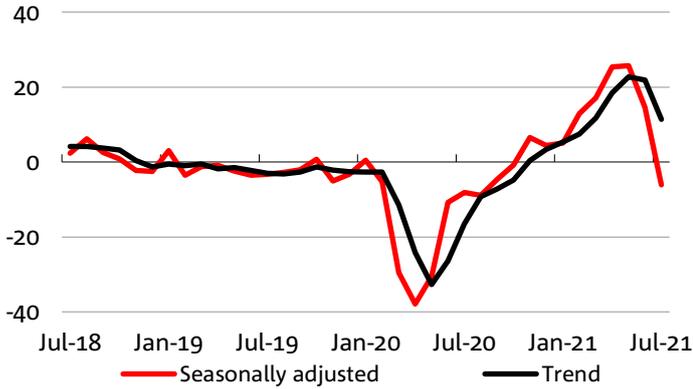


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

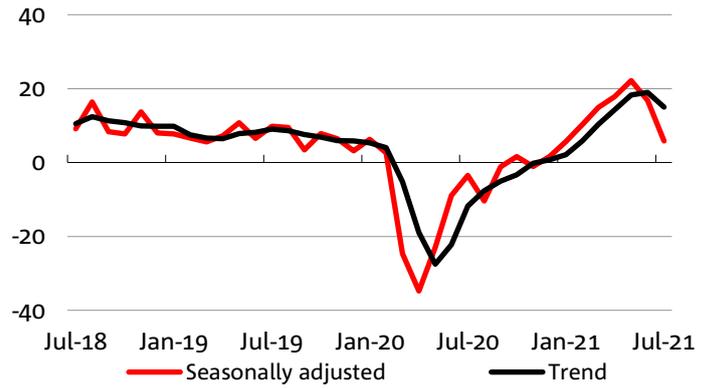


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

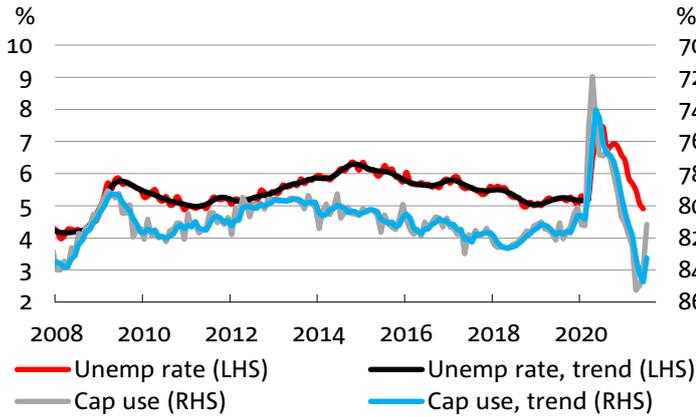


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

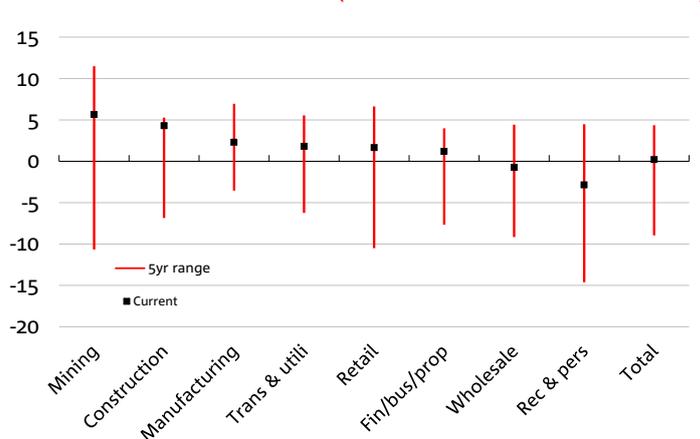


CHART 15: STOCKS (NET BALANCE)

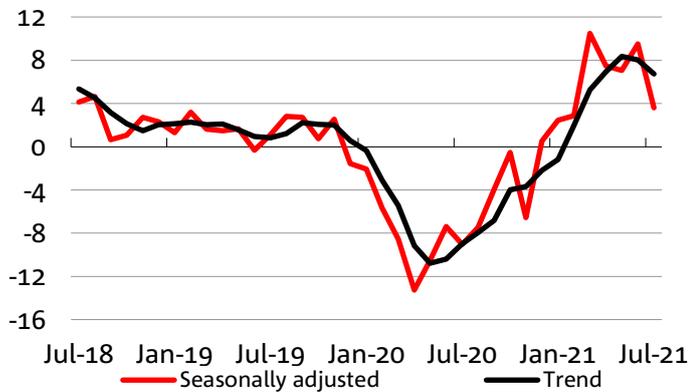


CHART 16: CASH FLOW (NET BALANCE)

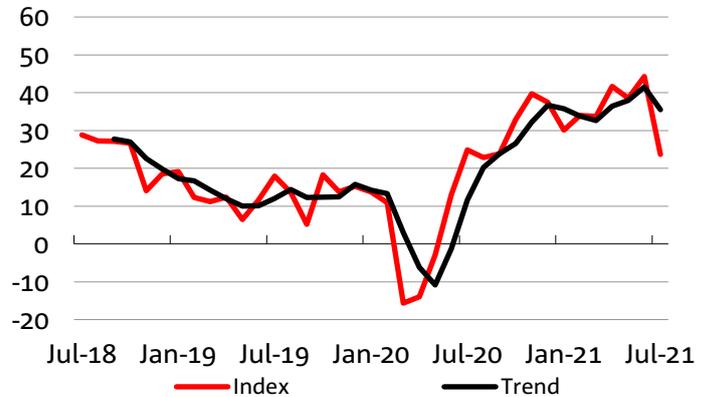


CHART 17: EXPORTS (NET BALANCE)

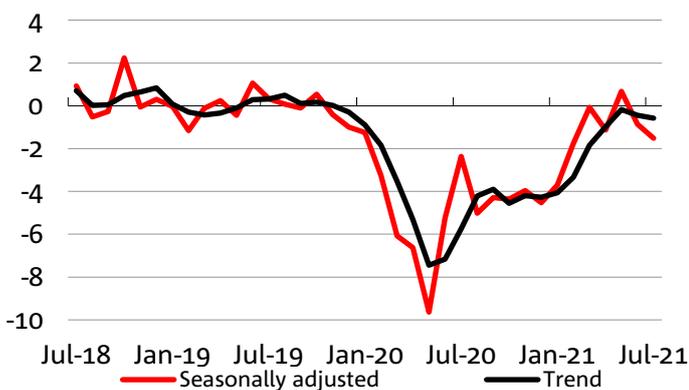
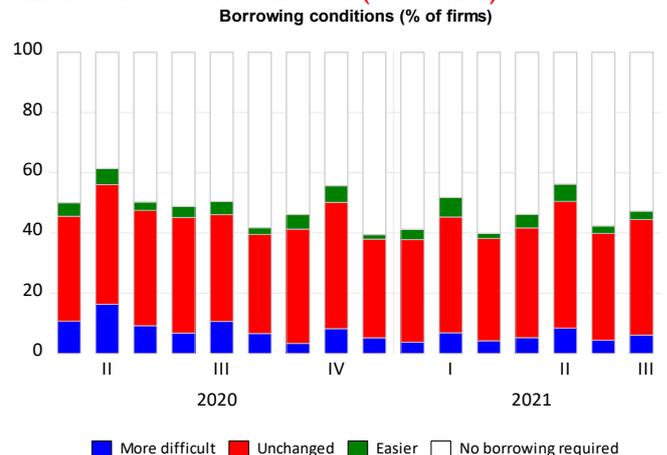


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

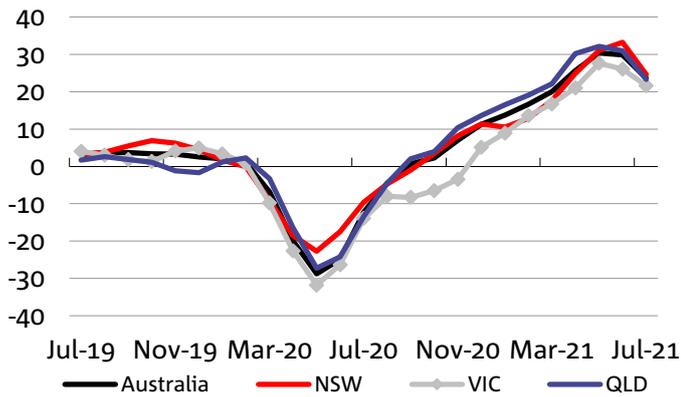


CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

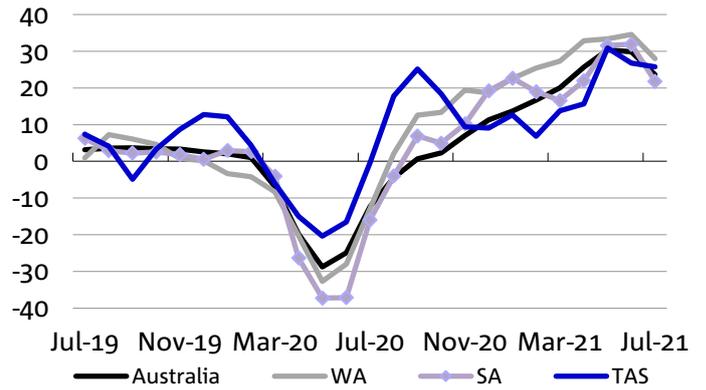


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

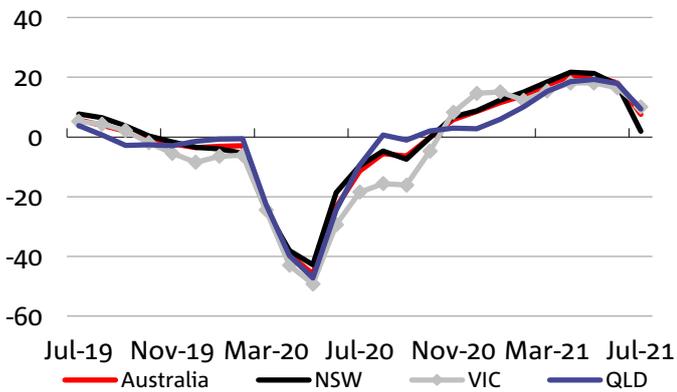


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

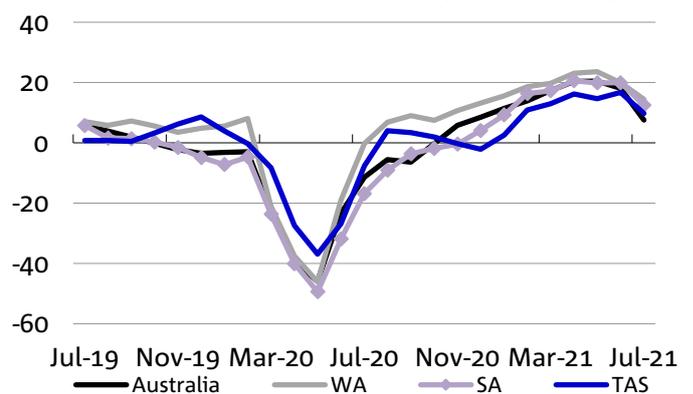


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

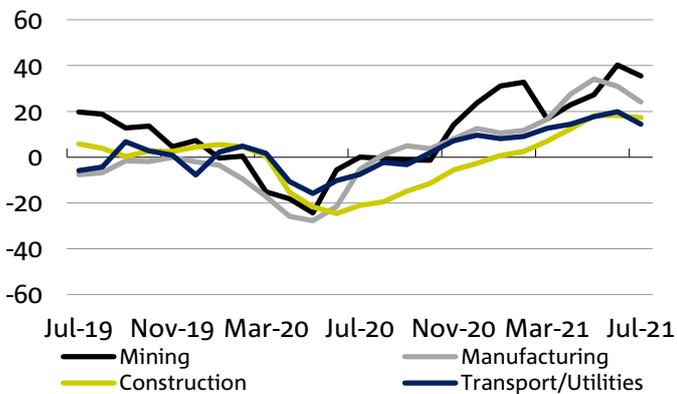


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

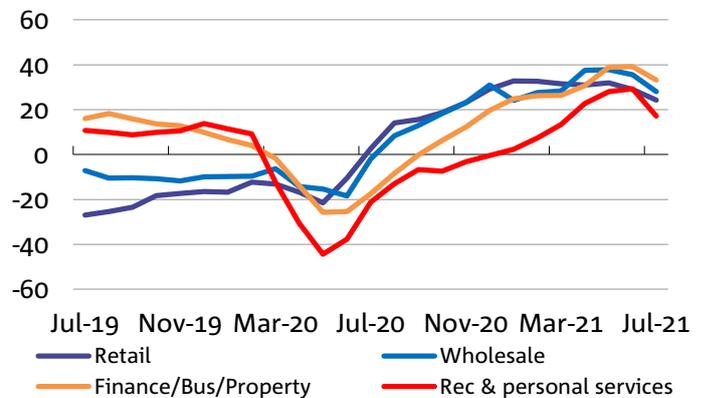


CHART 25: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)

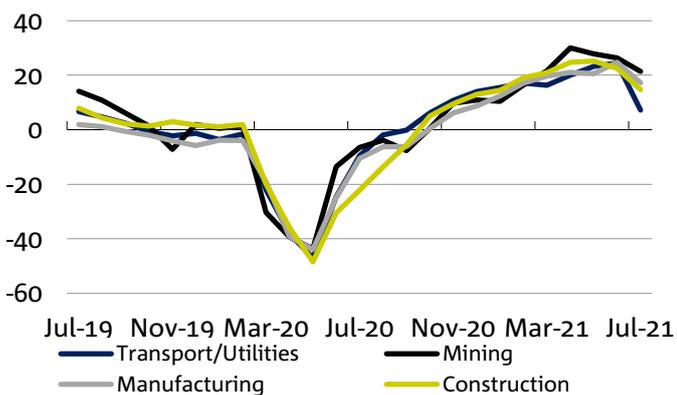
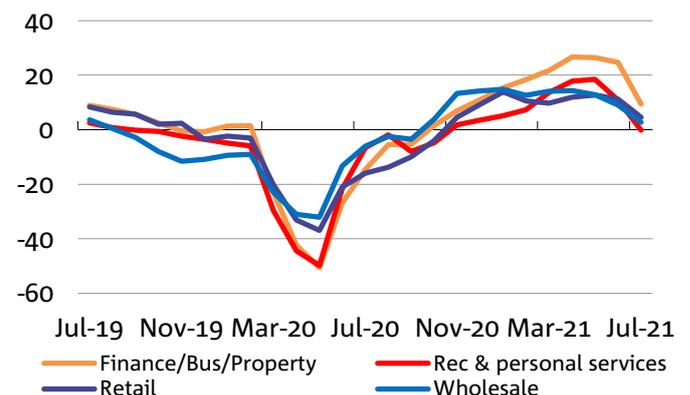


CHART 26: BUSINESS CONFIDENCE BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 27: EMPLOYMENT

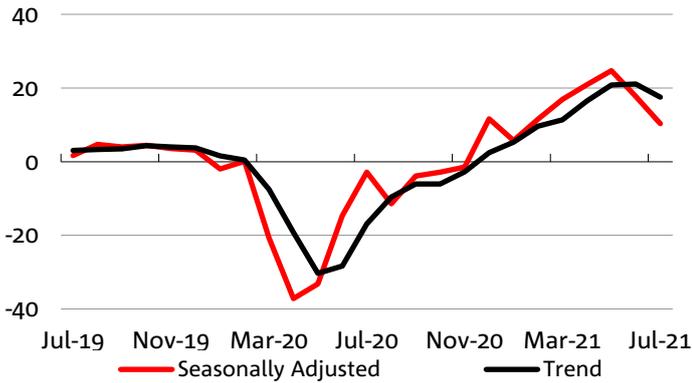


CHART 28: EMPLOYMENT (NAB VS ABS)

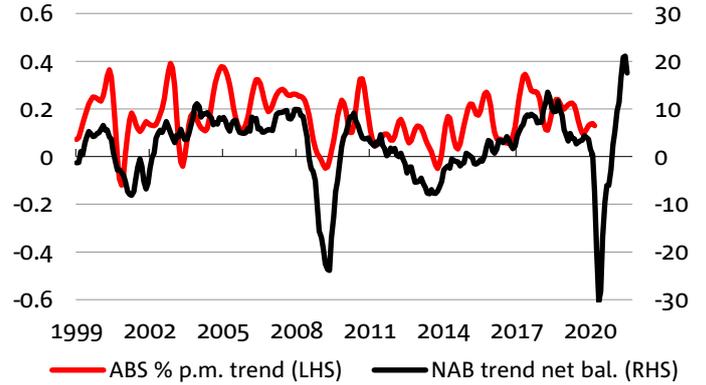


CHART 29: EMPLOYMENT BY INDUSTRY

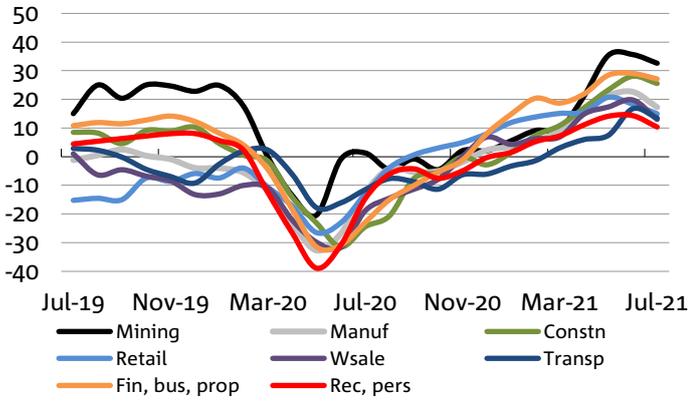


CHART 30: LABOUR COSTS GROWTH

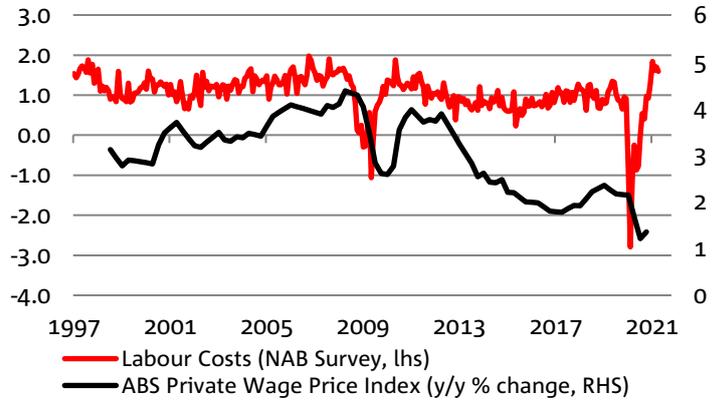


CHART 31: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

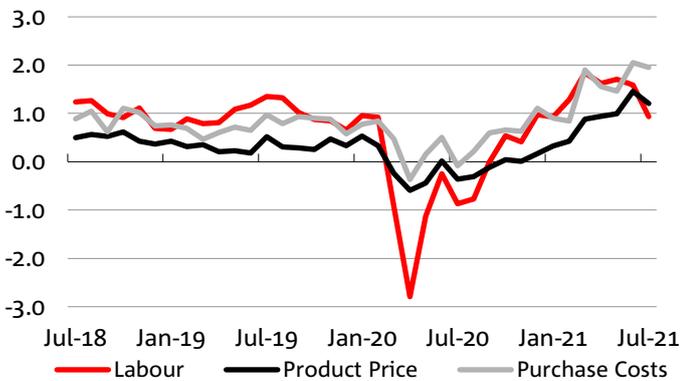
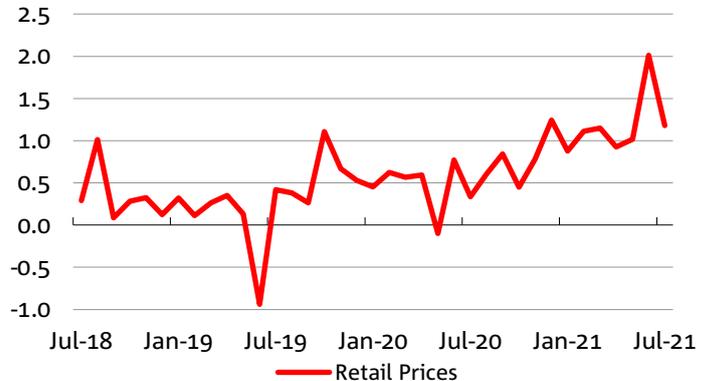


CHART 32: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



CONTACTS

Gareth Spence, Senior Economist

gareth.spence@nab.com.au

+61 0 436 606 175

Alan Oster, Group Chief Economist

Alan.Oster@nab.com.au

+61 0 414 444 652

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.

APPENDIX: LIST OF SERIES AVAILABLE TO SUBSCRIBERS[^]

MONTHLY BUSINESS SURVEY*

Business Confidence	Net balance
Business Conditions	Net balance
Trading Conditions	Net balance
Profitability	Net balance
Employment	Net balance
Forward Orders	Net balance
Stocks	Net balance
Exports	Net balance
Capital Expenditure (Capex)	Net balance
Cash Flow	Net balance
Labour Costs	% change at quarterly rate
Purchase Costs	% change at quarterly rate
Final Prices	% change at quarterly rate
Capacity Utilisation	Per cent
Borrowing Demand & Conditions	%; net balance

All series available on an industry basis for:

Mining
Manufacturing
Construction
Retail trade
Wholesale trade
Transport / Utilities
Finance / Property / Business Services
Recreation / Personal Services

All available on a state basis for:

New South Wales
Victoria
Queensland
WA
SA/NT
Tasmania

*All data available in original, seasonally adjusted and trend terms.

[^]Subscribers also receive a copy of the Subscriber details publication which contains a variety of extra charts and tables.

QUARTERLY BUSINESS SURVEY*

Business Confidence
Business Conditions (current, next 3 mth, next 12 mth)
Trading conditions (current, next 3 mth, next 12 mth)
Profitability (current, next 3 mth, next 12 mth)
Employment (current, next 3 mth, next 12 mth)
Forward orders (current, next 3 mth)
Stocks (current, next 3 mth)
Export orders (current, next 3 mth)
Capital expenditure (current, next 3 mth, next 12 mth, fiscal year)
Required rate of return on investment
Cash flow
Labour costs (current, next 3 mth)
Purchase costs (current, next 3 mth)
Final prices (current, next 3 mth)
Capacity Utilisation
Borrowing index (current, next 3 mth)

Borrowing demand (current, next 3 mth)

Constraints on output (demand, labour, materials, premises & plant, finance/working capital)

Constraints on profit (capital, demand, high AUD, low AUD, interest rates, labour, tax, wages, energy costs, other)
Constraint on employment (demand, confidence, cashflow, suitable labour, high wages, government policy, labour not at full capacity, other, don't know)

All series available on an industry basis for:

Mining (sub-groups: Mining Extraction, Mining Services)
Manufacturing (sub-groups: food beverage & tobacco, textile clothing footwear & leather, wood & paper product, printing publishing & recorded media, petroleum coal chemical & associated products, non-metallic mineral product, metal product, machinery & equipment, other)
Construction (sub-groups: Residential Building, Non-residential Building, Other Construction, Construction Services)
Retail trade (sub-groups: Food, Personal & Household Goods, Motor Vehicle Retailing & Services, Other Retail)
Wholesale trade
Transport / Utilities
Finance / Property / Business Services (sub-groups: Finance, Insurance, Services to Finance & Insurance, Property Services, Business Services)
Recreation / Personal Services (Sub-groups: Motion picture, Radio & Television Services, Libraries Museums & the Arts), Sports & Recreation, Personal Services, Accommodation Cafes & Restaurants, Health Services, Education, Other Services)

All series available on a state basis for:

New South Wales
Victoria
Queensland,
WA
SA/NT
Tasmania

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

Margins (current, next 3 mth)
Overheads (current, next 3 mth)
Productivity growth
Number of employees
Hours worked
Gross Sales
Output/sales growth (current fiscal year)
Average earnings (current fiscal year)

Short term interest rate
Exporters hedged FX exposure (%)
Importers hedged FX exposure (%)
Months hedged (exporters)
Months hedged (importers)
Favourable hedge position (% of exporters)
Favourable hedge position (% of importers)
Affected vs not affected by AUD
Response to AUD (downsized, reduced, overheads, hedging, import substitution, focus on domestic market, other, don't know)
Driver of trading conditions (demand, wages/jobs, house prices, rates, exchange rate, tax/govt policy, seasonal, finance/working capital, company specific, other)
What will improve confidence (lower rates, more suitable labour, easier funding, government policy, higher demand, higher AUD, lower AUD, easier compliance, other)



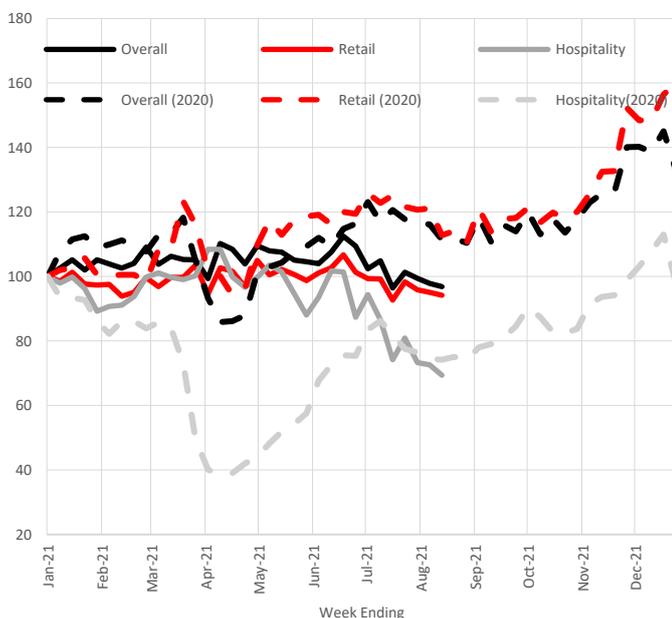
NAB ECONOMICS DATA INSIGHTS

WEEK ENDING 21 AUGUST 2021

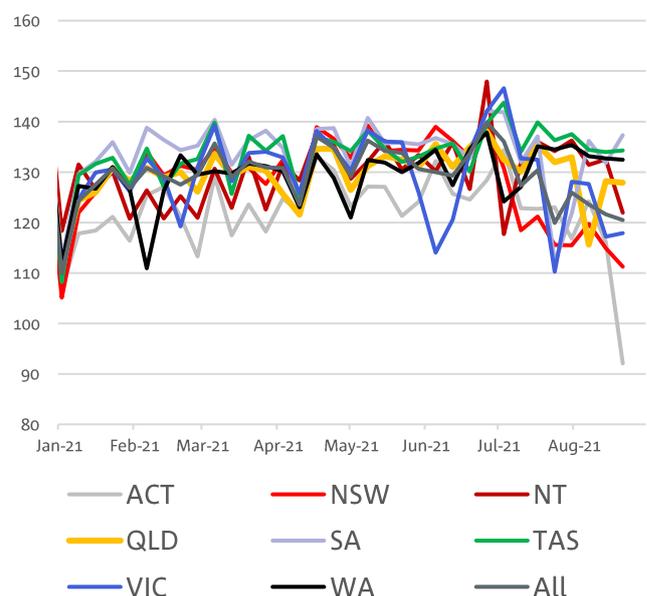
COMMENTS FROM NAB GROUP CHIEF ECONOMIST ALAN OSTER

- During these extraordinary times, NAB has taken the decision to publish aggregated customer data categorised by industry segment with the view to helping provide clarity around which segments of the economy have been most affected by the broader macroeconomic trends at play. NAB takes data privacy very seriously. All customer transaction data has been aggregated and no individual's data is specifically identified or analysed as part of this process. The data used in this report will not be sold or made publicly available, but insights from the data will be shared with the Australian people.
- The delta wave shows no signs of ending any time soon, with New South Wales, Victoria and the ACT all still in lockdown, joined recently by New Zealand. Cases in New South Wales continue to rise and the situation in Victoria has become more serious over the past week. The impact on consumption (particularly retail and hospitality), is clear: our fortnightly tracking data shows another weak print. Hospitality is in real trouble and now in a weaker position than the same time in 2020.
- These challenges continue to hit consumption, although much more so for those states in lockdown. In index terms (with a 2019 base), the ACT was weakest (92), reflecting a very sharp contraction amid the first lockdown since early 2020. New South Wales unwound further (111), while Victoria looks to have stabilised, albeit at a low level (118). Interestingly, Queensland was still somewhat subdued (128), despite emerging from lockdown.
- Compared to the start of 2021, consumption is now down around 3%. In 2019 (the last comparatively more "normal" year), consumption was up almost 16% in the same week, compared to the start of that year. Retail results are even softer - now down almost 6% since the start of the year, below the "normal" seasonal pattern.
- Hospitality is down over 30% since the start of the year (compared to being down 5.6% in the same week in 2019), clearly reflecting ongoing lockdowns and border closures. Pubs, restaurants, cafes, and accommodation, all continue to struggle. It is unlikely that this will meaningfully pick up until Victoria and New South Wales emerge from lockdown.
- Inward credits data continues to show more resilience than consumption, although with weakness in retail and hospitality. The index stood at 101.8 in the week ending 21 August (annual base reset), compared to 107.7 in the same week in 2019. The pick-up in retail two weeks ago has now unwound, although there was a small jump in hospitality. There will clearly be challenges over the coming months, but the overall inward credits data has proven more resilient than we expected, at least so far.

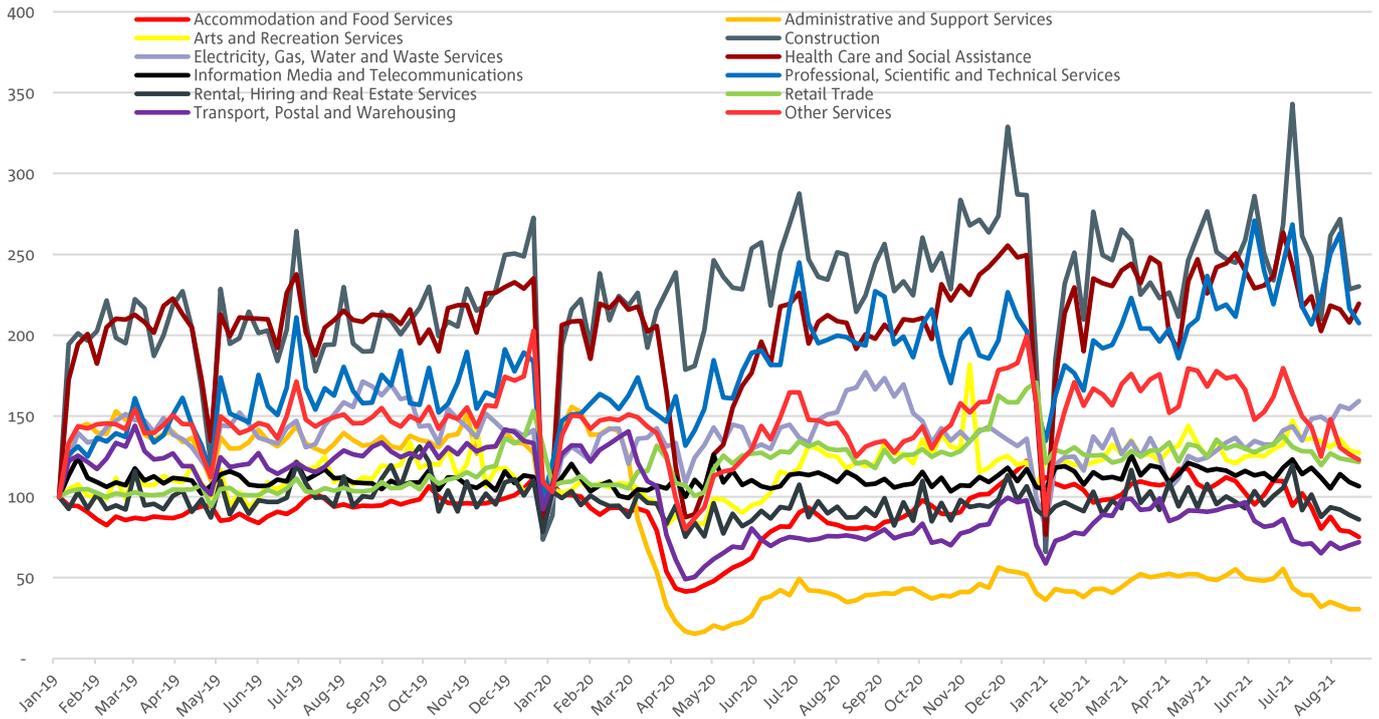
WEEKLY INDEX- BASE RESET ANNUALLY



CONSUMPTION BY STATE (2019 BASE INDEX)

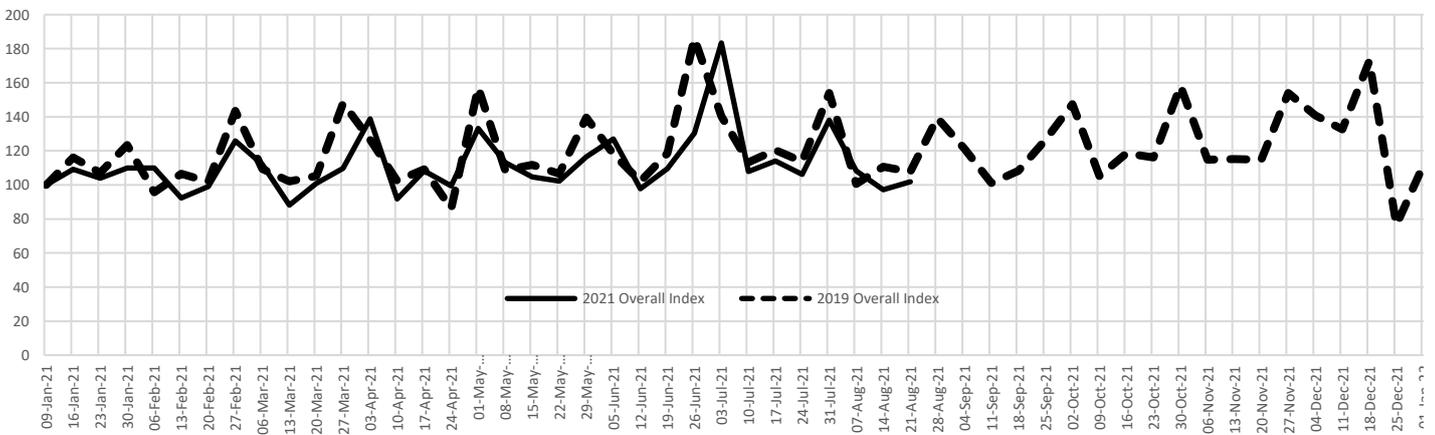


CONSUMPTION SPENDING BY INDUSTRY (INDEX, 100 = JAN 2019)

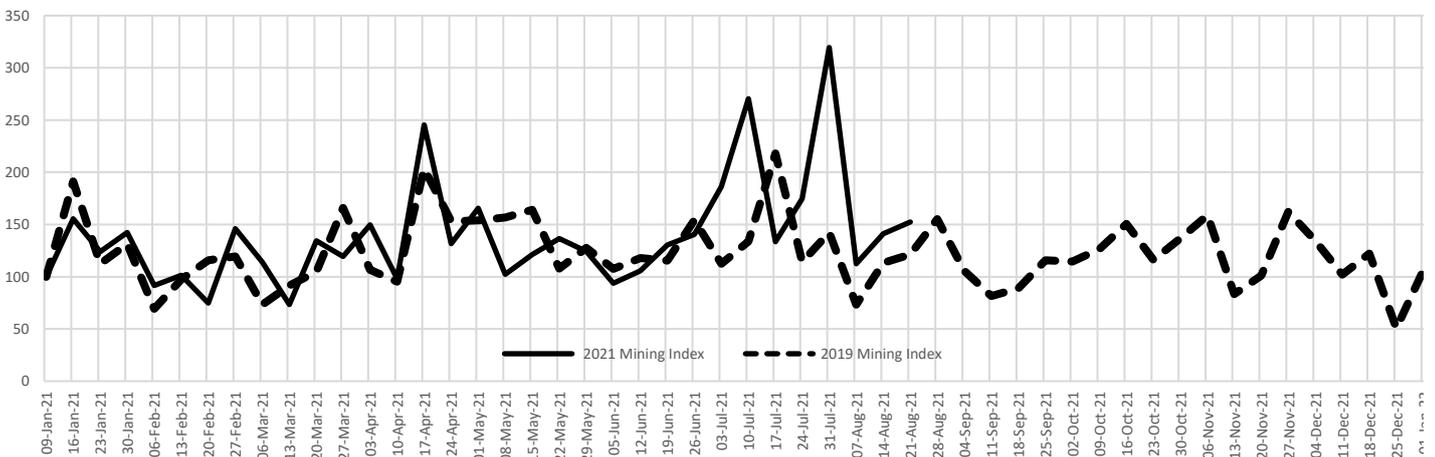


PAYMENT INFLOWS INTO NAB MERCHANTS – BASE RESET ANNUALLY

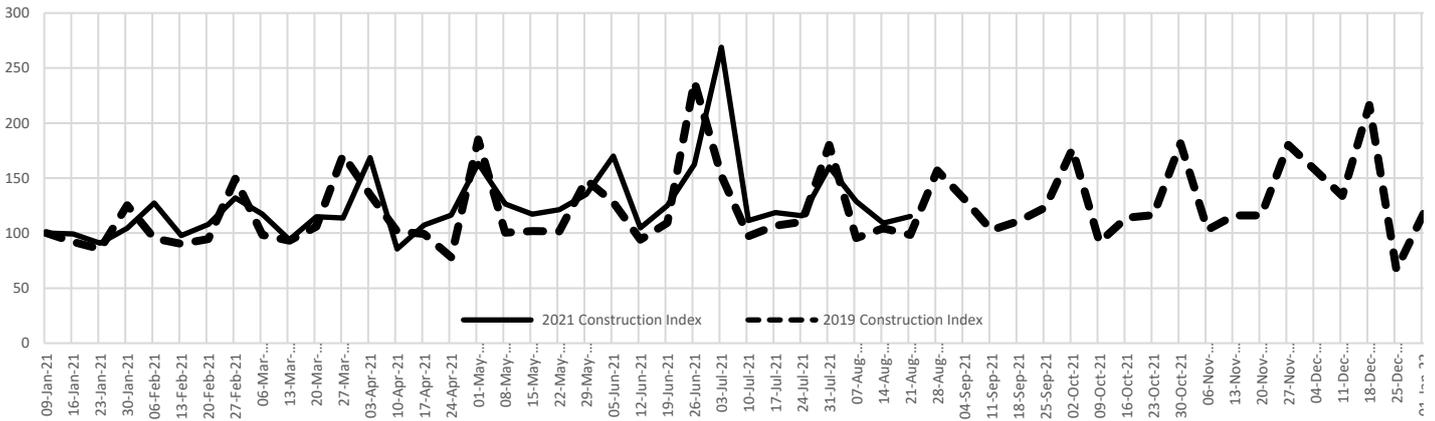
Overall



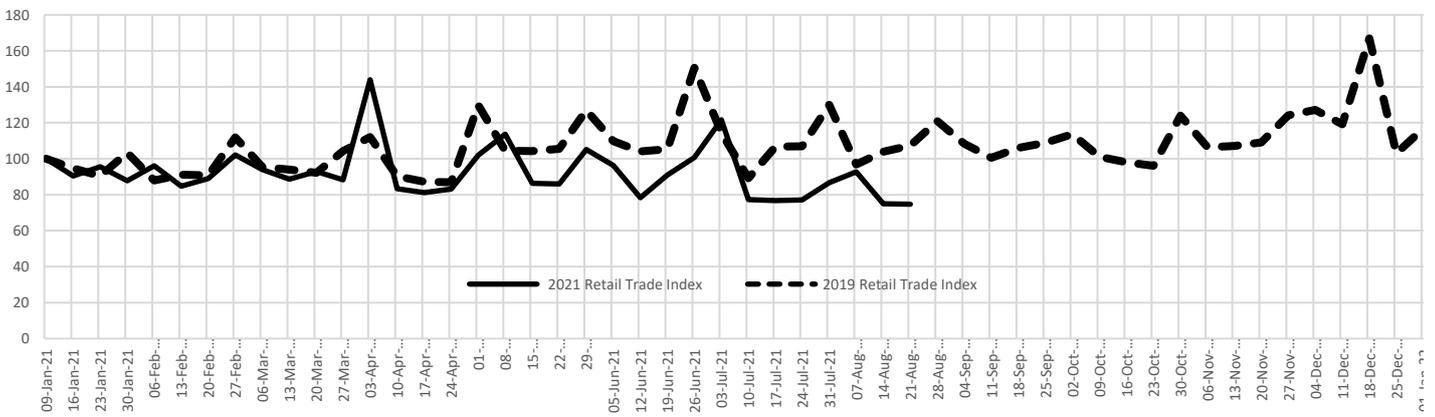
Mining



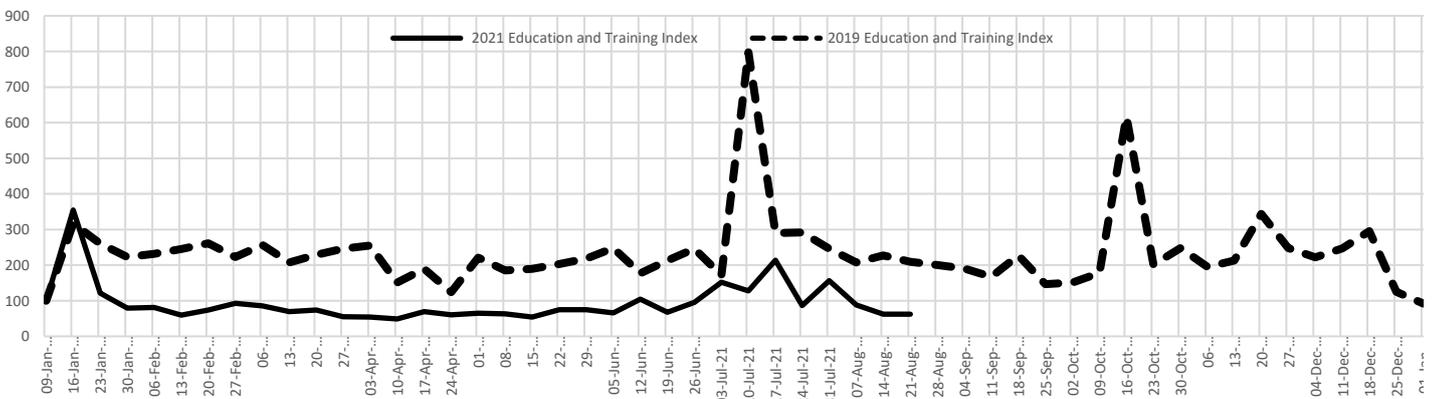
Construction



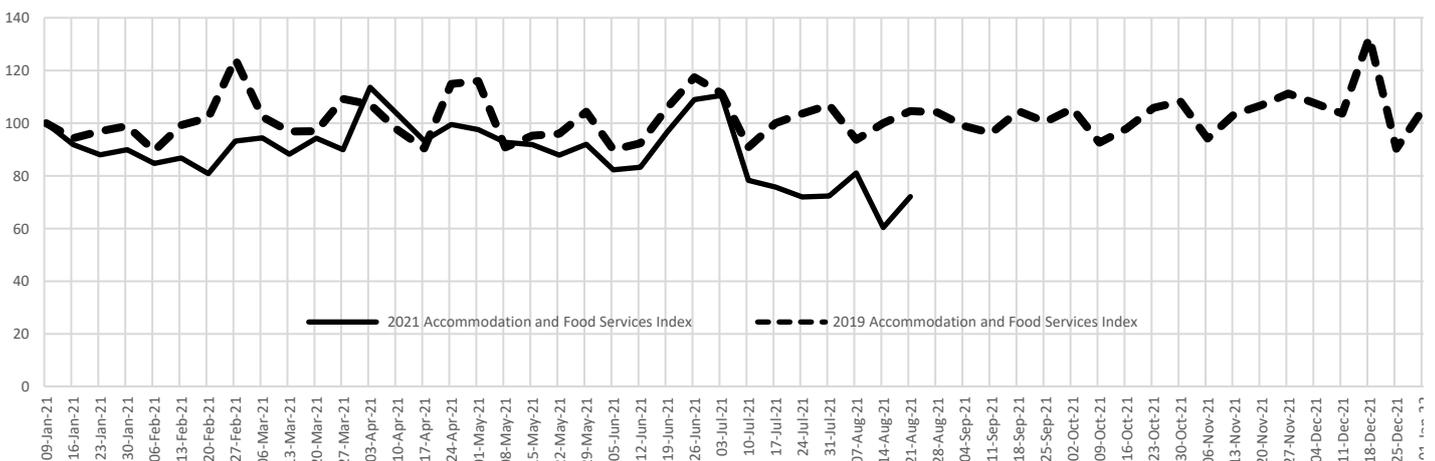
Retail



Education



Hospitality



AUTHORS

Alan Oster

Group Chief Economist
Alan.Oster@nab.com.au
+(61 0) 414 444 652

Brien McDonald

Associate Director - Economics
Brien.McDonald@nab.com.au
+(61 0) 455 052 520

Steven Wu

Associate Director - Economics
Steven.A.Wu@nab.com.au
+(61 0) 472 808 952

Dean Pearson

Head of Behavioural & Industry Economics
Dean.Pearson@nab.com.au
+(61 0) 457 517 342

Robert De Iure

Associate Director - Economics
Robert.De.Iure@nab.com.au
+(61 0) 477 723 769

Phin Ziebell

Associate Director - Economics
Phin.Ziebell@nab.com.au
+(61 0) 475 940 662

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.