

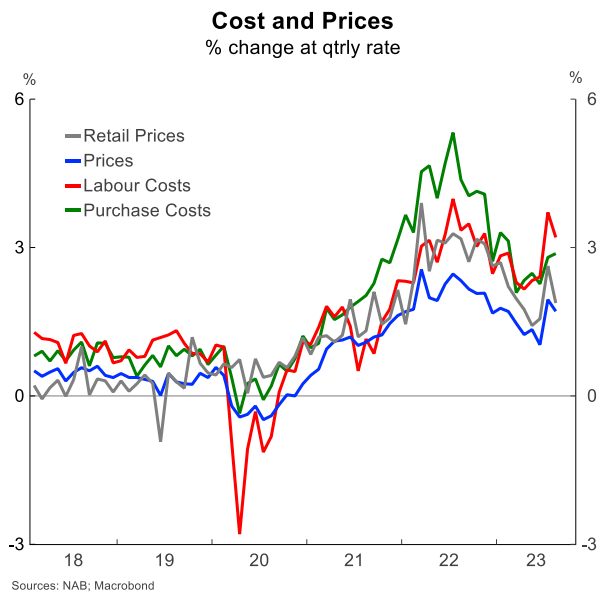
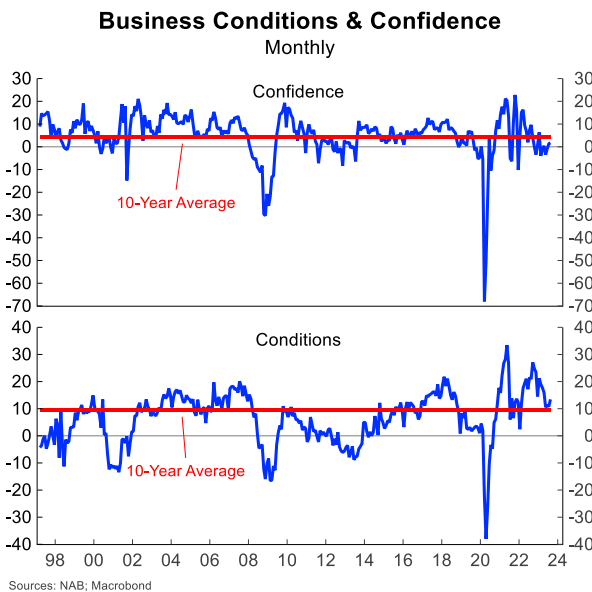


Tuesday, 12 September 2023



Business Confidence & Conditions Resilience Indicates Soft Landing is Intact

- Business conditions rose 3 index points to +13 in August, the strongest reading in four months. Resilient conditions have been a feature of this cycle despite consumer confidence having been deeply pessimistic for over 12-months.
- The bounce in conditions in August was underpinned by an improvement in all three sub-indices – trading (+18), profitability (+13) and employment (+9).
- Resilient conditions saw a marginal improvement in business confidence in August. The confidence index rose 1 index point to +2. The mood among businesses has now improved for three consecutive months but remains weak by historical standards.
- After a concerning spike in July, cost pressures moderated in August. Growth in input costs ticked up, while labour cost growth slowed, confirming that the pass through of the minimum wage increase drove the jump in July. Despite higher costs, growth in sale prices eased, with retail prices pulling back by almost 1 percentage point – the sharpest fall since April 2022. On face value, it seems firms are having more difficulty passing on higher costs to consumers.
- A step up in capacity utilisation to its highest level since March (85.1%), points to ongoing constraints on production, notwithstanding a recent moderation in demand. This is likely to continue to support business investment and credit growth, but also adds to inflation risks.
- Looking ahead, a stabilisation in forward orders over recent months suggests that while growth is slowing, the softening in demand is likely to remain orderly. The resilience in conditions is reflective of this and suggests that the RBA’s goal of achieving a soft economic landing remains intact.



Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Jarek Kowcza

Jarek.kowcza@bankofmelbourne.com.au

0481 476 436

Senior Economist

Pat Bustamante

pat.bustamante@bankofmelbourne.com.au

0468 571 786

Economist

Jameson Coombs

jameson.coombs@bankofmelbourne.com.au

0401 102 789

The Detail

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
