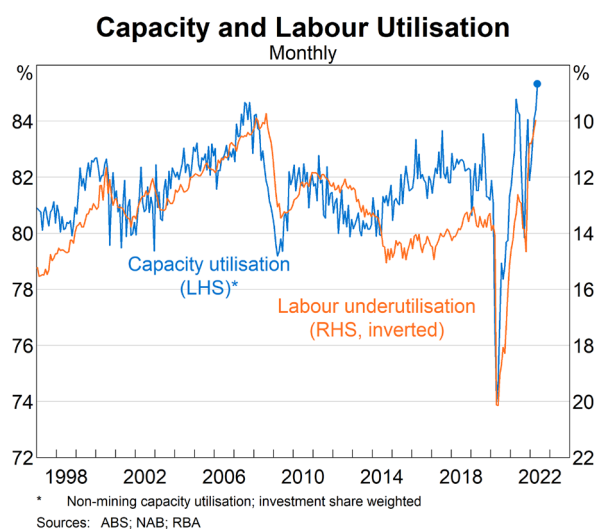
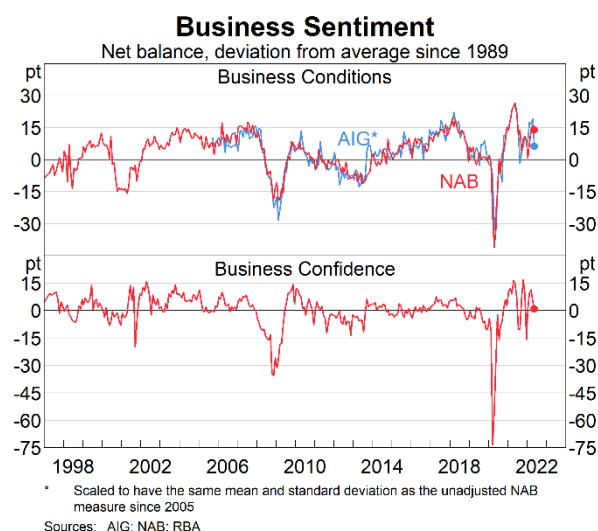
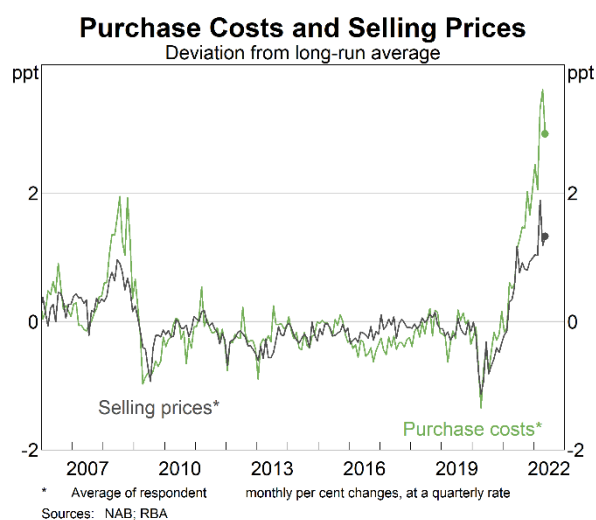
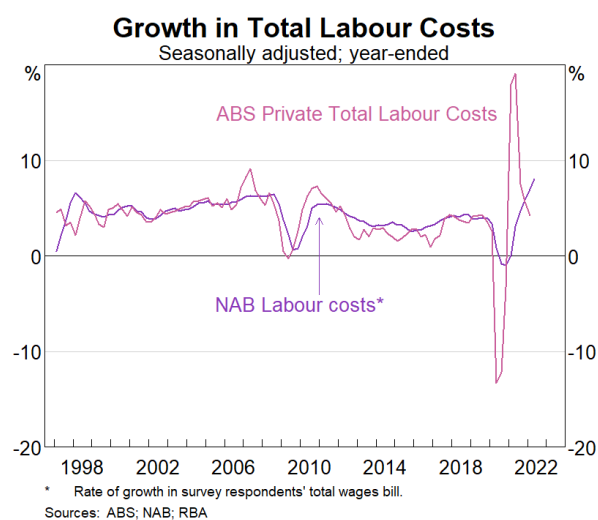


NAB MONTHLY SURVEY¹ – MAY 2022

The May 2022 NAB monthly survey is consistent with the read from other recent surveys², indicating that nominal pressures increased a little further in the month. Capacity utilisation also increased further.

- NAB's measure of **total labour costs** increased by 0.8 per cent in May, supported by a slight rise in the employment index. There was some variation across industries; mining labour costs increased by 1.5 per cent, construction 1.1 per cent, manufacturing by 1.0 per cent, and personal services 0.6 per cent.
- **Selling prices** increased by 0.6 per cent in the month, which is consistent with the April survey. Purchase costs increased by 1.3 per cent in the month, a lower rate than the previous two months.
- The **business confidence index** declined by 6 index points to be just below its long run average in May. The **business conditions index** declined by 3 index points, reflecting small declines in the trading and profitability sub-indices.

For more charts, please see [Business Surveys Dashboard](#).



Next release: 12 July 2022

Regional and Industry Analysis / June 2022

1 For more information about the interpretation of wages and labour cost information in surveys, please see: [D22/136381](#). The sample size in May increased to 550 firms across the non-farm business sector.

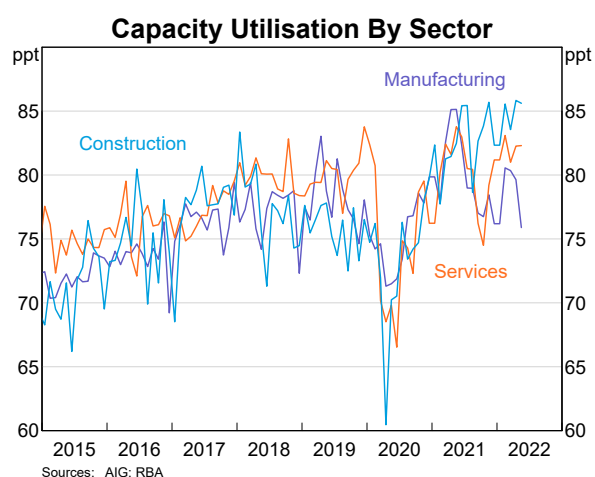
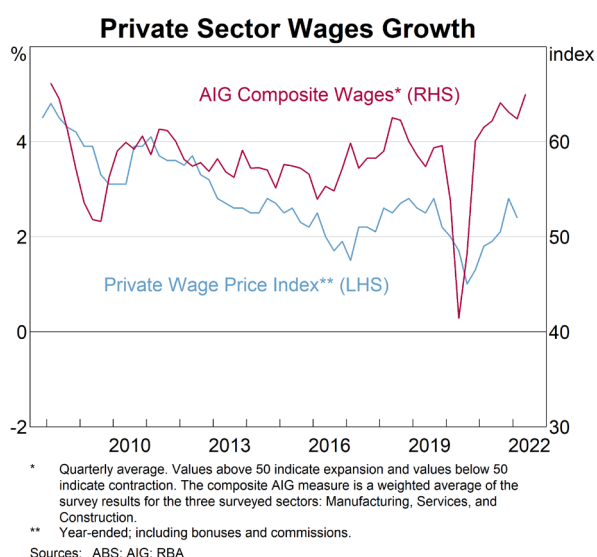
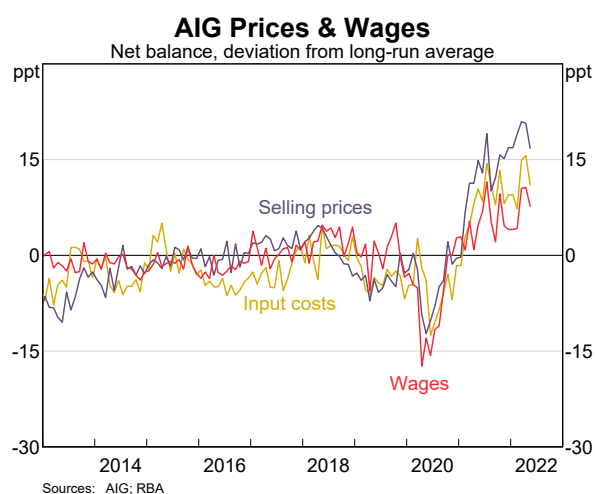
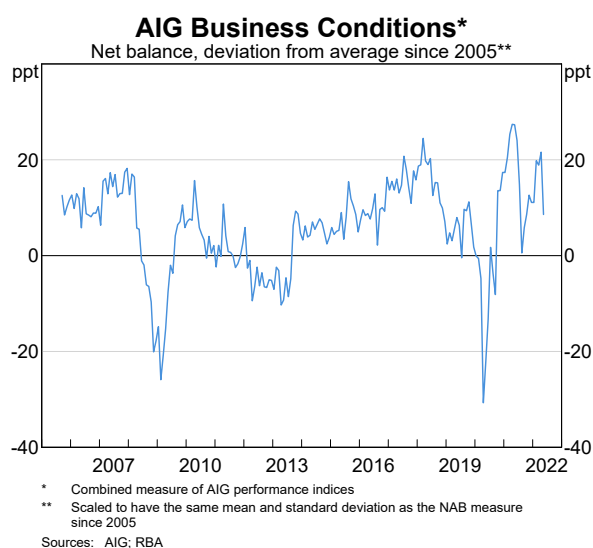
2 See [D22/145130](#).

BRIEFING EA: AIG BUSINESS SURVEYS – MAY 2022¹

Today's release of AIG's business surveys suggests that despite declining in May, nominal pressures remained at elevated levels compared with their historical averages. Capacity utilisation remained elevated in the construction and services sectors and fell in the manufacturing sector; labour shortages and materials delays continued to constrain activity across all sectors.

- The composite **AIG Business conditions** index declined in May with falls across all three sectors. AIG attributed this to federal election uncertainty, poor weather, and normalising activity in the manufacturing sector following strong post-pandemic recovery.
- The **services sector** led the decline, although there was variation across specific industries. Conditions in hospitality and personal services continued to improve, while conditions declined in health, education & community services.
- The composite **AIG Wages index** remained near historical peaks in the quarter. The input costs and selling prices indices declined in the month, but remained at near historical peaks.

For more charts, please see: [Business Surveys Dashboard](#)



Next Release: 7 July 2022

Regional & Industrial Analysis / June 2022

1 For more information regarding the interpretation of wages and labour cost information in business surveys, please see: [D22/136381](#).

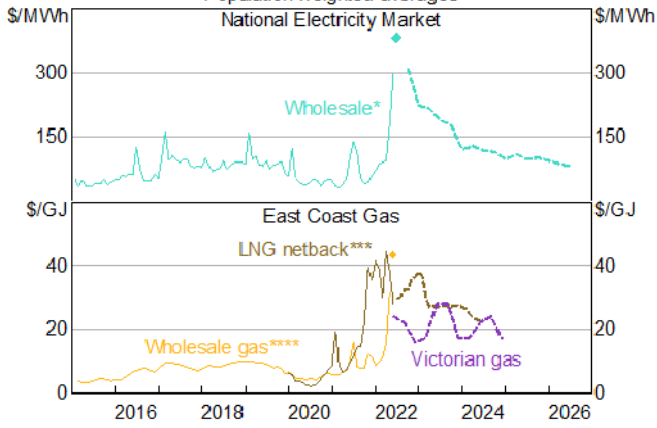
From:
Sent: Monday, 20 June 2022 3:03 PM
To: Notes policy groups
Subject: Note EA: An Update on Liaison Messages - June 2022

Liaison indicates that underlying demand remains elevated across most industries, and investment intentions remain at or above average. Firms across many industries continue to face rising input costs and supply chain issues, which are feeding into higher prices. The labour market remains tight, which combined with stronger inflation and firms' (now realised) expectations of a large FWC wage decision, is feeding into higher expected wage increases.

- Wholesale domestic energy prices have increased further in June and are now around levels three to four times higher than at the start of the year. Wholesale prices are now being administered by AEMO following its suspension of the National Electricity Market on 15 June. Higher wholesale prices are expected to partially flow through to higher retail electricity prices from 1 July 2022. Liaison contacts are yet to report significant increases to businesses' electricity prices and some will be protected from current wholesale prices due to multi-year contracts. However, the large increases in wholesale prices are creating financial stress for some smaller electricity retailers.
- Non-labour costs are increasing broadly for most goods-related firms, driven by cost increases for materials, freight and energy. Most retailers have increased prices, or expect to increase prices over coming months, because of the persistence and magnitude of cost increases. Many retailers are also increasing prices more frequently than before the pandemic.
- Global supply chain issues have persisted, and firms continue to respond by holding elevated levels of inventory or diversifying their supply sources. A few contacts report a slight improvement in supply out of Asia alongside reports of lockdowns easing in some parts of China.
- Demand for labour remains strong and most firms expect to increase headcount over the coming year, although some contacts expressed concerns about their ability to achieve higher headcount given the tight labour market. Voluntary staff turnover remains elevated, and reports of labour availability issues remain widespread. These issues are further exacerbated by elevated levels of illness-related absenteeism. There is yet to be a material improvement in labour availability following the reopening of the international borders.
- Liaison indicates that year-ended private sector wages growth is around 3 per cent in the June quarter to date, with higher average wages growth at many firms being driven by larger increases for workers with skills in high demand. Recent liaisons confirm that firms' wage expectations are picking up, with the pick-up expected to be more broad-based over the year ahead.
- Demand for new detached housing and greenfield land is lower compared with this time last year, driven by rising interest rates, increased prices of new detached homes, and some instances of hesitancy to enter into contracts with builders. However, sales remain above pre-COVID levels, supported by relatively low interest rates, strong employment outcomes and a build-up of household savings.

Domestic Energy Prices*

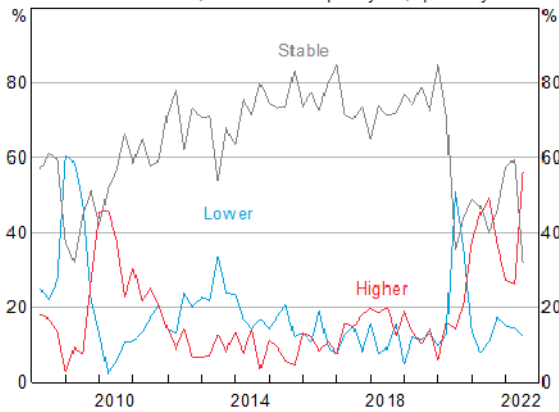
Population weighted averages



* Dashed lines are forwards and futures
 ** Diamond is average electricity price in June to date
 *** ACCC estimated export parity price from Qld
 **** Diamond is average Victorian gas price in June to date, excluding periods of \$800 maximum price
 Sources: ABS; AEMO; ASX; RBA

Expectations for Wages Growth

Share of firms, relative to the past year, quarterly



Source: RBA

For more, please see: [An Update on Liaison Messages - June 2022](#)

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 v: www.rba.gov.au

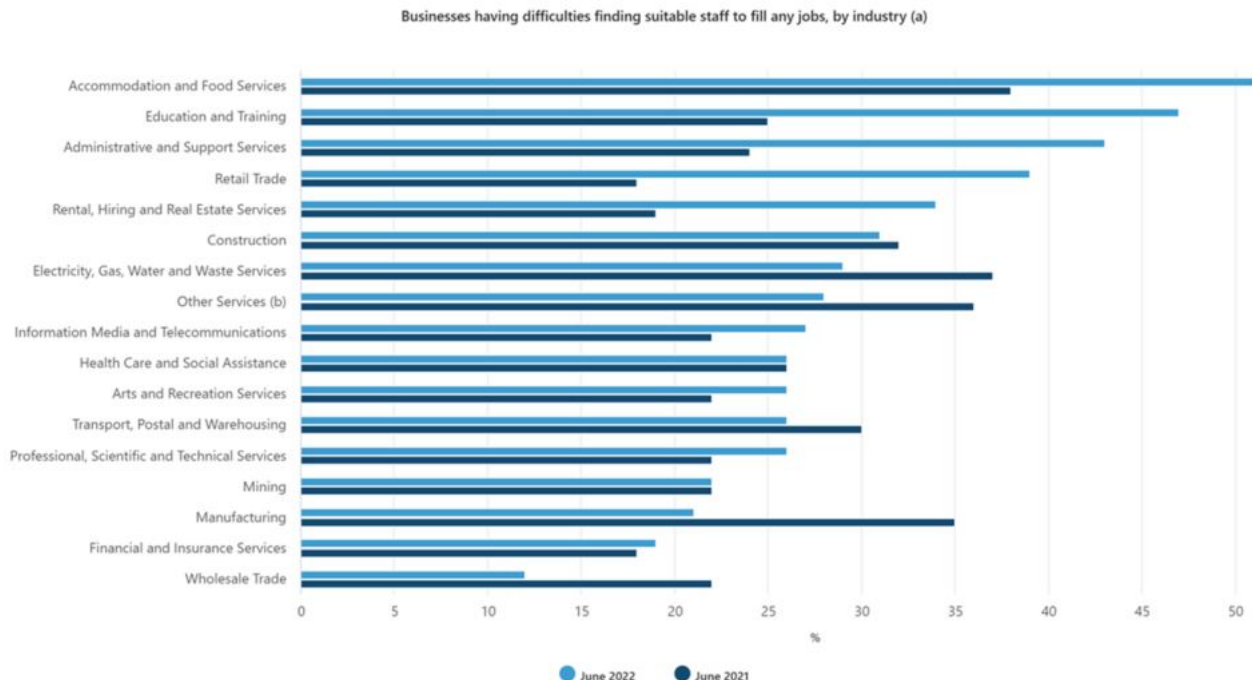
From:
Sent: Thursday, 23 June 2022 1:38 PM
To: HOLLOWAY, James; COCKERELL, Lynne
Cc:
Subject: RE: 850 tomorrow and releases [SEC=OFFICIAL]
Attachments: Businesses having difficulties finding suitable staff to fill any jobs, by industry (a).png

Release:

[Business Conditions and Sentiments, June 2022 | Australian Bureau of Statistics \(abs.gov.au\)](https://abs.gov.au)

Key points:

- Almost a third of employing businesses (31%) are having difficulty finding suitable staff – mostly medium & large firms.
 - Broad based by industry. Interestingly – much more so relative to a year ago for Accom & food services, Education, Admin support and retail trade, not so much for others.
- 30% of firms surveyed expect to increase wages over coming months
 - Medium and large businesses were more likely than small businesses to expect to increase wages or salaries over the next three months (both 49% compared with 29%).
- Nearly half (46%) of all businesses experienced increases in their operating expenses.
 - When considering the month ahead, 44% of businesses expect operating expenses to increase. The proportion of businesses expecting an increase is the highest recorded since the question was first asked in July 2020.
- More than two in five businesses (41%) faced supply chain disruptions. This has remained steady since it peaked in January 2022 (47%). But the share that found disruptions were affecting business ‘to a great extent’ edged up to be a touch above previous peaks through covid.



(a) Proportions are of employing businesses.

(b) Includes repair and maintenance, personal (e.g. hairdressers) and other services.

Source: Australian Bureau of Statistics, Business Conditions and Sentiments June 2022

From: ELLIS, Luci
Sent: Monday, 4 July 2022 2:30 PM
To:
Cc: EA - PWL Wages; LOWE, Phil; BULLOCK, Michele
Subject: RE: Graph changes [SEC=OFFICIAL]

Thanks and team, much appreciated.

Phil & Michele: FYI, especially the gap between initial claim and actual outcome for Vic teachers noted below.

From:
Sent: Monday, 4 July 2022 2:03 PM
To: ELLIS, Luci
Cc: EA - PWL Wages
Subject: RE: Graph changes [SEC=OFFICIAL]

Hi Luci,

Below are a few bullet points, drawn from a mix of union press releases and media articles covering recent strike actions. I would just note that unions' wage claims are generally a bit vague at present. In many cases, no specific increase is noted on a union's website; and when a specific demand is quoted in the press or on a union website, it's unclear whether they want it as a one-off or over multiple years. Perhaps this makes sense given the fluid environment for CPI outcomes. The general theme though is that unions want wage increases that keep up with the rising cost of living, and they don't seem to be calling for much beyond that.

RIA also wanted me to note that: a message from recent liaisons is that unions often push for very large increases but that ultimately the agreements they negotiate are far less. Perhaps it is more likely they will achieve their demands in the current environment, but most firms we talk to (not public sector) still expect new EBAs will only be a little higher than the agreements they are replacing.

As a recent example, the Australian Education Union were pushing for 7% raises in Vic earlier in the year but Vic teachers ultimately accepted 2%.

Bullet points for slide:

"

Current union wage claims:

- NSW Public Service Assoc.: 5.2% + wage cap abolishment
- NSW Teachers: 5-7.5%
- QLD Nurses: 5.1%
- CFMEU: min. 5.5%
- Finance Sector Union: 6%

"

Please let me know if anything more is needed,