

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER INSTITUTIONS

#### NAB74QON

**CHAIR:** You won't have the specifics—I'm sure it's different for individual businesses—but are you picking up any trends around the choices of small business to borrow and reinvest in their business or is it cash flow?

**Mr McEwan:** We are seeing a resurgence in areas like agriculture, which is having some very good times. I've got stats here on those, for example on equipment purchases in Australian businesses. Tractors are up by 146 per cent. Irrigation equipment is up 217 per cent. Earthmoving is up 133 per cent. Forklifts are up by 216 per cent. These are all productive activities. The interesting one, of course, is we are drinking a lot more coffee and coffee machines are up 155 per cent. There's something interesting going on there. You are seeing productive activity starting to happen.

...

**Mr McEwan:** I'm happy to give the committee other details of what we're seeing, but what we're also seeing—and we've talked about it being an uneven recovery—is that some businesses have done very well and therefore are paying down their loans much faster than we would have normally anticipated. So the growth in a bank's book may not be associated with what's happening here, in the sense that there's also a lot of pay-down happening. For example, those in the agriculture sector, as I raised in my opening comments, are paying down debts in good times, as they do, and there are other businesses doing exactly the same. So, whilst our lending applications, approvals and flow-through are very strong, there's a lot of cash in the system as people are paying down their debts as well.

#### Answer

The NAB Monthly Business Survey for April 2021 indicated that there are strong signs of the economy moving past the rebound phase of the recovery and into healthy growth territory. Business conditions rose to a record high in April of +32 index points, whilst business confidence also set a new high at +26 index points. Strong levels of business conditions and forward orders combined with strong business confidence and increasing capacity utilisation should drive an increase in business investment and further jobs growth.

In the 12 months to 31 January 2021, our Business and Private Bank (targeted at SMEs up to \$50m in lending) has lent on average \$2.5bn per month in new and increased lending. As stated at the hearing, NAB's agricultural equipment finance sales are up 130% year on year, with top purchases including irrigation equipment and forklifts.

As detailed in NAB's half-year financial results, there has been an 8.4% year on year growth in our Agribusiness lending as at 31 March 2021. The number of business transactions accounts opened at NAB is also up 16% year on year.

Risks remain though as the economic recovery is uneven and some customers such as those in international travel and hospitality, particularly in CBD areas, still face challenges.