



Wednesday, 31 March 2021

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

The Committee requested that NAB provide quarterly written updates (to be published on the Committee's website) outlining measures taken in response to the COVID-19 pandemic. This response provides the Committee with an update for Q1 2021.

Overview

Since the last update to the Committee in December 2020, NAB has continued to support customers impacted by COVID-19. NAB's total loan deferral balances are now less than \$1bn, down from the peak of \$58bn of deferral balances for our customers, in June 2020. NAB is continuing to work with the small number of customers who remain on temporary deferral arrangements to find the best way forward for them.

Separately, NAB has implemented various support measures for customers and communities impacted by the recent flooding in New South Wales.

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

1. NAB Economics Data Insights (week ending 20 March 2021)
2. NAB Monthly Business Survey (February data)
3. NAB Special Insight Report 'Life in the Lucky Country'

Support for flood-affected customers and communities

We encourage customers affected by the recent flooding in New South Wales and Queensland to contact NAB to discuss the financial relief available. This includes credit card and personal loan relief, deferral of principal and leasing payments, and waiving fees and charges for withdrawing term deposits early.

NAB has activated a Disaster Relief Fund of up to \$3 million, to support our customers and their communities impacted by the NSW floods. The program of support includes:

- \$2,000 grants to help provide immediate support for NAB customers who have had their homes severely impacted, covering costs such as temporary accommodation, food and clothing;
- \$2,000 grants for businesses, to help restart or reopen, cover the cost of damaged property/equipment, and for loss of stock or livestock;
- A \$100,000 donation to the NSW State Emergency Service; and
- A \$100,000 donation to GIVIT's Severe Storms and Flooding Appeal. NAB will further match up to \$100,000 of customer donations to GIVIT.

Insights on consumption levels

NAB Group Economics continues to publish aggregated customer transaction data fortnightly, categorised by industry segment. These publications provide insight into the segments of the economy which are most affected by the impacts of COVID-19.

The latest release of data was for the week ending 20 March. Following strong periods of consumption growth, the latest data shows a clear weakening here, relative to the start of 2021. The spike in retail consumption is returning to normal levels, after the increased spending on household goods and electronics throughout 2020. Retail consumption is down 6.6% nationally and hospitality consumption is down 4.2% from January 2021.

Year-on-year consumption growth at a state level has seen falls across the board, however the changes here are largely a reflection of the events of March 2020 with the onset of the pandemic. The states with the strongest year-on-year consumption growth gains in 2020 have generally recorded the largest falls, with the ACT at -8.9%, SA at -3.6% and Victoria at -2.4%.

The detailed report is attached.

Improved business confidence and conditions

Business confidence continues to rise and is currently at +16. This is the highest level since early 2010. It represents an increase across all states and all industry sectors, except retail. Business conditions are at +15, which is an increase from a drop in January and back on par with December 2020. This is the highest level recorded since August 2018. Conditions are strongest in mining and retail and are weakest in construction. Western Australia leads the nation in both business confidence and business conditions measures. Victoria has made gains in both measures, reflecting the State's growth as restrictions have continued to ease.

SME business confidence is at its highest level since NAB began tracking this measure in 2006. Victoria reported the largest gain here, reflecting improved small business conditions following the easing of lockdown restrictions. Overall, Victoria still lags behind the other states in these measures. The largest increase in SME business confidence was reported in the accommodation, cafes & restaurants sector, which experienced an increase of 48 points.

The complete report is attached.

Optimism about the future of Australia

The NAB Behavioural Economics team recently published its annual Special Insight Report: 'Life in the Lucky Country', measuring the views of 2,000 Australians of varied backgrounds on Australia's prosperity. Despite the events of 2020, results indicate that Australians have emerged more positive. More respondents than ever before agree that Australia is a great place to live (94% in 2021, 88% in 2020). This was driven by access to open spaces such as beaches and parks, Australia's relative success in managing COVID, and the general lifestyle and friendliness of people.

Australians are also far more optimistic about the future liveability of Australia. 68% of respondents think Australia will be a great place to live in 10 years' time, up from 55% from last year.

The full report is attached.

Support for first home buyers

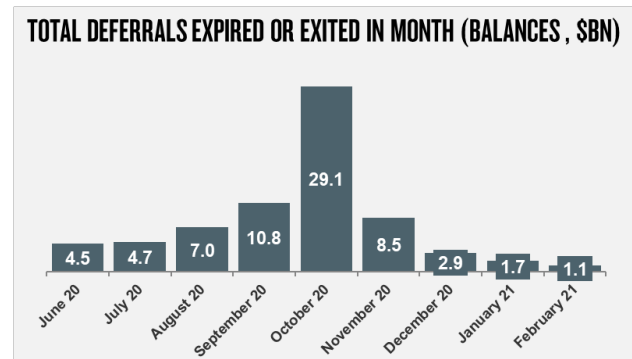
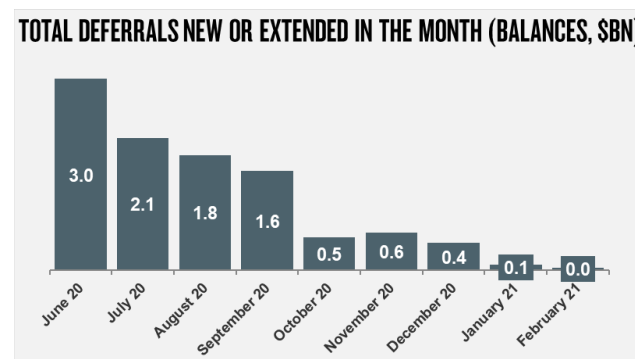
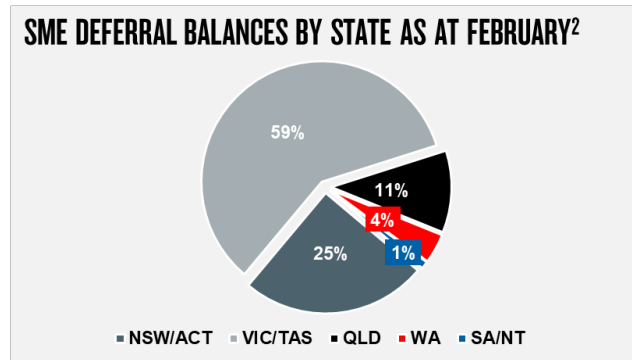
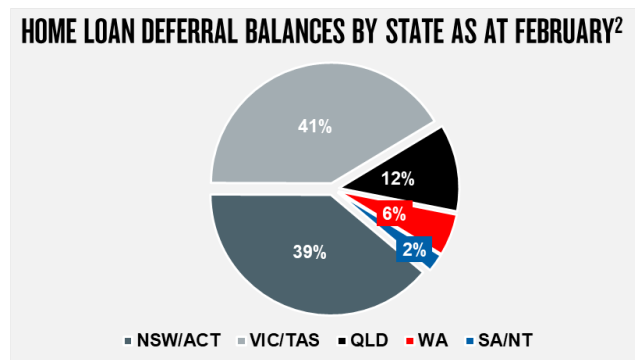
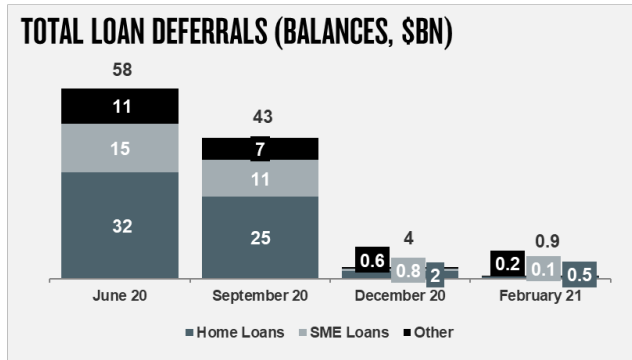
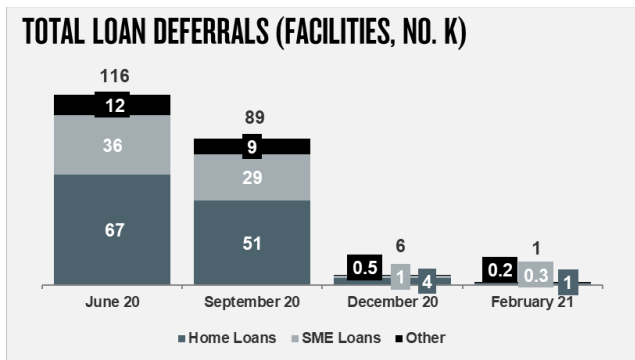
NAB continues to support the Federal Government's initiatives for first home buyers and has helped over 4,300 customers purchase their first home under the First Home Loan Deposit Scheme (FHLDS). We have also supported approximately 2,000 customers under the 'New Homes' extension of the FHLDS.

COVID-19 loan deferral data

NAB has a small number of customers that remain on temporary loan deferral arrangements.

As at 28 February 2021:

- **Total loan deferrals (balances)** of less than \$1bn, down from peak of \$58bn in June 2020.
- Home loan deferrals (balances) of \$0.5bn (0.2% of portfolio), down from peak of \$32bn (12.3% of portfolio) in June 2020.
- SME loan deferrals (balances) of \$0.1bn (0.2% of portfolio), down from peak of \$15bn (17.6% of portfolio) in June 2020.
- Other loan deferrals incl. loans to non-residents, loans to non-SME businesses and loans for personal purposes (balances) of \$239m (0.2% of portfolio), down from peak of \$10.693b (7% of portfolio) in June 2020.
- **Total loan deferrals (no. of facilities)** of 1,488, down from peak of 115,780 in June 2020.
- Home loan deferrals (no. of facilities) of 1,037 (0.1% of portfolio), down from peak of 67,012 (8.8% of portfolio) in June 2020.
- SME loan deferrals (no. of facilities) of 270 (0.1% of portfolio), down from peak of 36,422 (8.0% of portfolio) in June 2020.
- Other loan deferrals incl. loans to non-residents, loans to non-SME businesses and loans for personal purposes (no. of facilities) of 181 (0.01% of portfolio), down from a peak of 12,346 (0.8% of portfolio) in June 2020



Approach to customers requiring further support

NAB understands that some customers may need further assistance. We encourage customers in need of support to contact us.

The NAB Assist team will work with Personal Banking customers to find the best solution for them. In December 2020, NAB CEO Ross McEwan wrote to 4 million customers, to remind them that NAB will:

- treat every single customer fairly and individually;
- show understanding that loan repayments are not our customers' only bills;
- provide our customers with clear and simple information about their options; and
- work to get our customers to the other side in the best possible position.

Our Business Customer Care team continues to offer support to our Business Banking customers and will offer loans under the SME Recovery Loan scheme.

NAB welcomes the Federal Government's announcement of the scheme and believes the package is a thoughtful extension to existing SME Guarantee Scheme, with the increase in loan term from five to ten years a particularly welcome feature. We also welcome the extension of this scheme to customers affected by the recent floods. NAB is engaging closely with the Federal Department of Treasury on the final scheme details and is developing a loan product that will be available to customers from early April. NAB has approved more 6,500 Business Support Loans under phase 1 and phase 2 of the existing SME Guarantee Scheme.

Early release of superannuation

Our MLC Wealth business (to be sold to IOOF subject to regulatory approvals), has paid approximately \$1.36 billion in early release superannuation payments. The COVID-19 Early Release Scheme for superannuation played an important role in the pandemic. Given that superannuation is a long-term investment and sets people up for their retirement, MLC continues to engage with its members to talk about how they can get their super savings back on track.



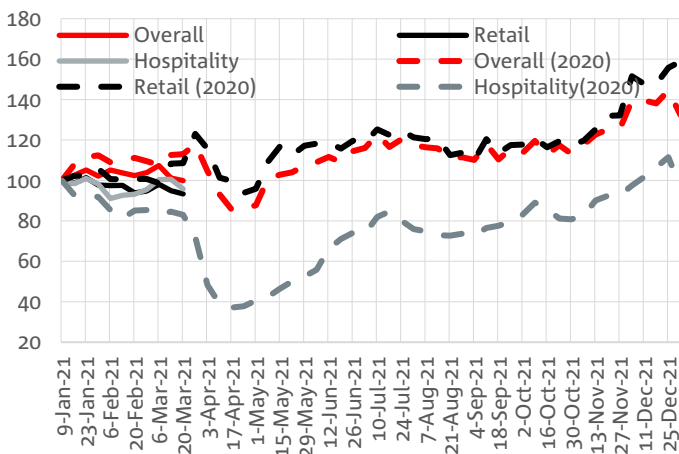
NAB ECONOMICS DATA INSIGHTS

WEEK ENDING 20 MARCH 2021

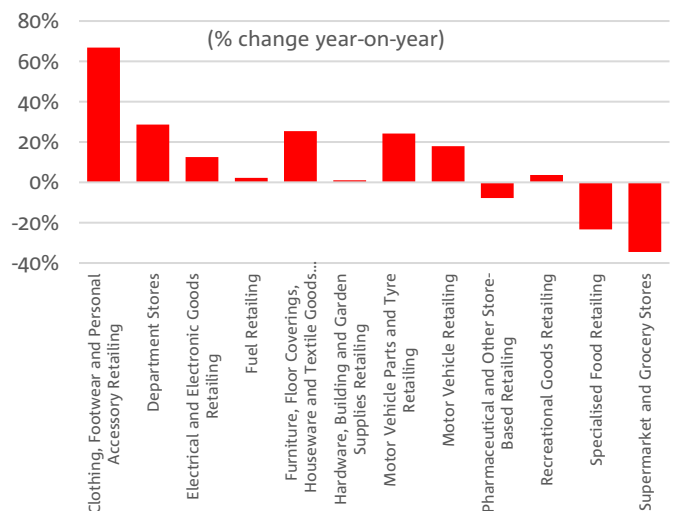
COMMENTS FROM NAB GROUP CHIEF ECONOMIST ALAN OSTER

- 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.
- As we are now squarely one year from the onset of the first Australian coronavirus lockdowns, what then can we deduce from the latest weekly data? Firstly, there is a clear weakening in the consumer data relative to where we were at the start of 2021, and this doesn't appear to be seasonal. Retail is down 6.6% from first week of January 2021 and hospitality down 4.2%. With total consumption essentially flat, some other services have gained.
- However, it is important to consider just how exceptional 2020 was for many parts of retail. Household goods, electronic goods and department stores all surged on people working from home, requiring extra equipment and upgrading their living spaces. But this trend was likely to have been a one-off, and we are now seeing retail return to more "normal" levels. Hospitality had a very tough 2020, and while the uptick late in the year was very welcome, the more subdued performance recently is less so.
- In index terms (2019 base), for the week ending 20 March 2021, the overall consumption series (+123) is above where it was for the same week 2020 (+109) on a weekly basis. In year on year growth terms for week 11 of 2021, growth was slightly negative (-2.3%). Bear in mind though that the same week 2020 was up 9%, so much of this y/y comparison now is really the base effects from the 2020 jump.
- State y/y growth likewise needs to be read in this context, with the headline changes largely a reflection of what happened a year ago. Some of the states with the sharpest falls, such as the ACT (-8.9%), NSW (-2.5%), SA (-3.6%), VIC (-2.4%) had recorded some of the strongest gains in 2020. In contrast, the slowest state for the same period 2020, WA, was virtually flat last week (-0.1%, y/y). With no lockdowns recently, state results are more aligned than they were for much of 2020.
- Overall inward credits growth slowed to around 1% last week. But again this reflects technical issues. In this case, a big fall in finance (around -7.2% and especially asset servicing down around -25.4%) has moved the dial substantially. If we exclude finance, business credits are up 7.5% y/y.
- JobKeeper is scheduled to end around a week from now. While our data showed many businesses heavily dependent on the program last year, it is now only contributing a small amount to business in aggregate. However, some industries (such as international tourism) are substantially more dependent than the headline data suggests.

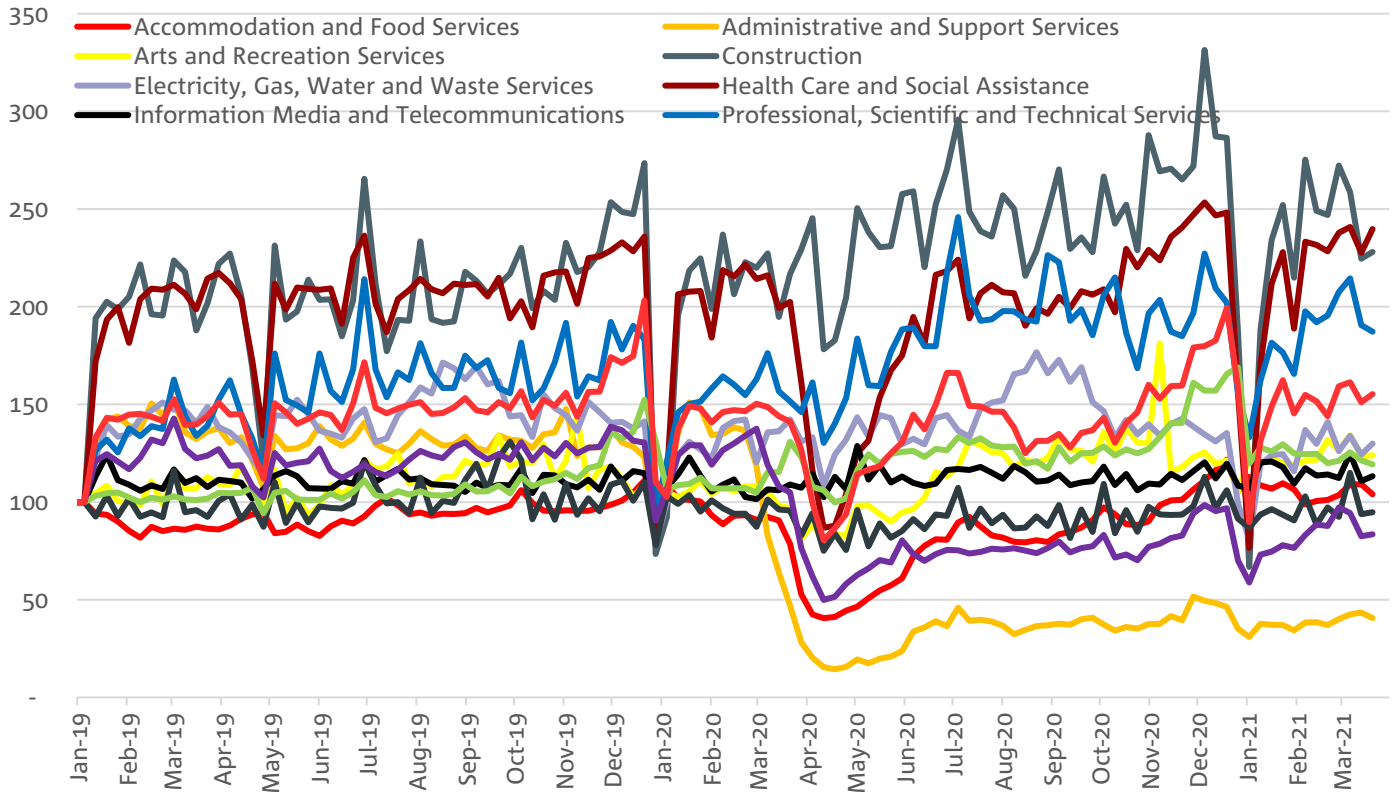
WEEKLY INDEX- BASE RESET ANNUALLY



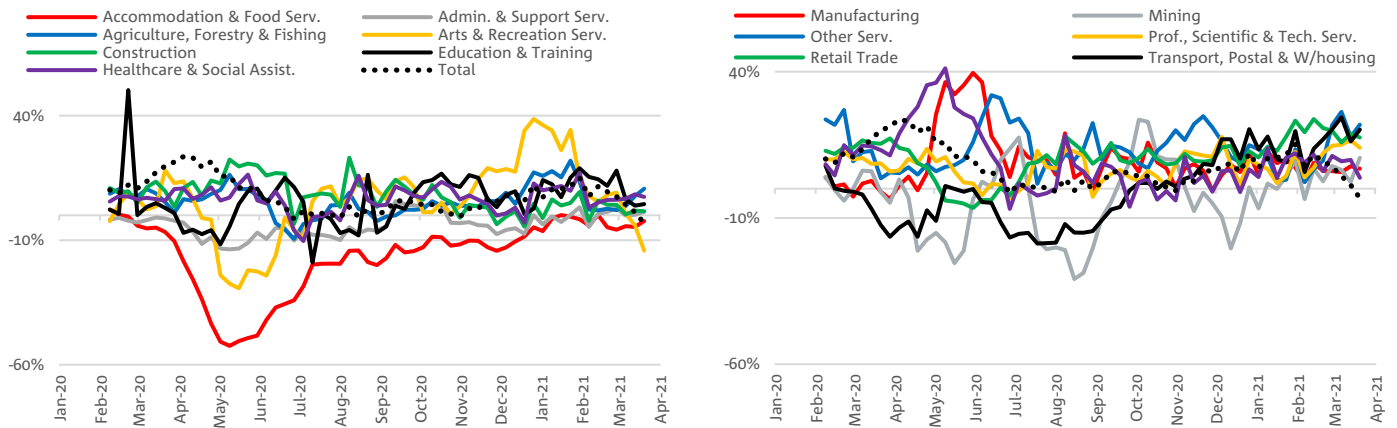
RETAIL TRADE BY INDUSTRY GROUP



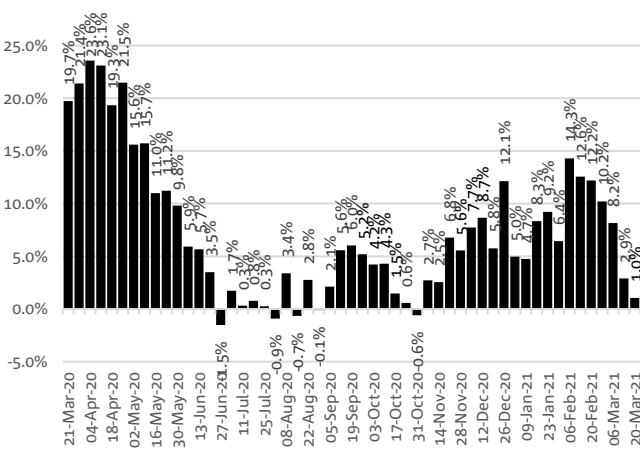
CONSUMPTION SPENDING BY INDUSTRY (INDEX, 100 = JAN 2019)



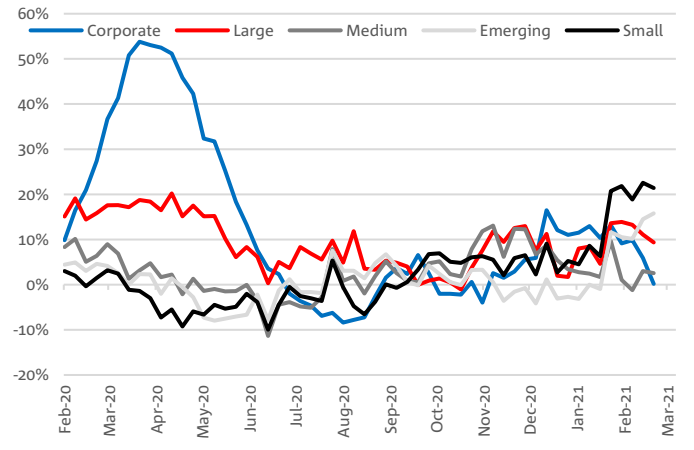
PAYMENT INFLOWS INTO NAB MERCHANTS (6 WEEK ROLLING AVERAGE YOY CHANGE)



PAYMENT INFLOWS INTO NAB MERCHANTS



RETAIL TRADE BY INDUSTRY GROUP



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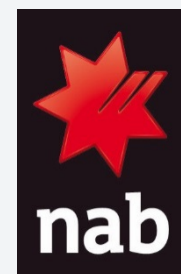
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NAB Australian Economics

Key messages: The survey results were strong in February. Business confidence rose further in February to reach 16 index points, its highest level since early 2010, with all states and industries reporting gains, except for retail. Business conditions bounced to return to around multi-year highs at 15 index points, after slipping in the month prior, with trading, profitability and employment conditions all marking solid improvements. Conditions remain very strong in retail, wholesale, mining and professional services, while construction, personal services and transport conditions continue to lag. Elsewhere, capacity utilisation and capex continue to rise and have now exceeded pre-virus levels and their long-run averages – an encouraging sign that the turnaround in business conditions and steady improvement in confidence is translating to higher capacity utilisation and increased investment. The survey continues to point to a robust recovery in the business sector, despite some tapering of government support beginning in late 2020. This is a positive sign for the economy, where ongoing strength in the business and household sector is needed to sustain the recovery.

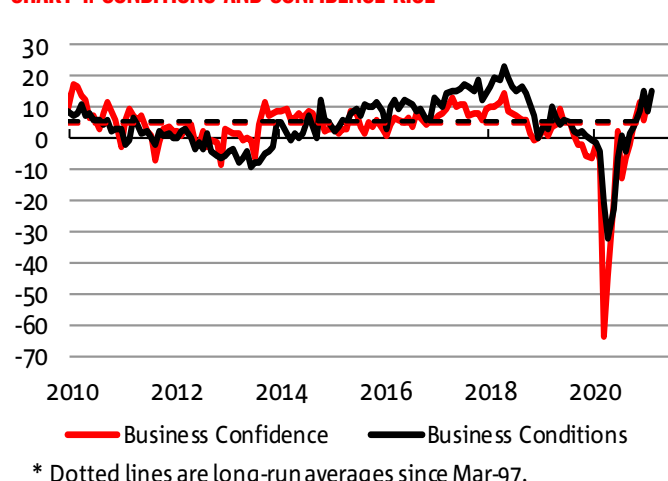
HIGHLIGHTS

- **How confident are businesses?** Confidence rose 4pts to a well-above average +16 index points.
- **How did business conditions fare?** Conditions rebounded to +15 index points – matching its December reading, which was the highest level recorded since August 2018.
- **What components contributed to the result?** All three sub-components rose in the month, with trading conditions leading the rise (up 8pts) and smaller gains in the employment index (up 5pts) and profitability (up 4pts).
- **What is the survey signalling for jobs growth?** The employment index suggests continued above-average jobs growth, with more firms reporting higher employment over the month than firms reporting lower employment.
- **Which industries are driving conditions?** The rise in conditions was broad-based across industries with the exception of retail, rec & personal and mining, although all three remain at strong levels in the range of 18 to 22 index points. Wholesale led the improvement in the month (up 29pts), but all industries reported conditions in positive territory. Overall, in trend terms conditions remain strongest in mining and retail, while weakest in construction.
- **Which industries are most confident?** Confidence rose across all industries except retail which fell 4pts. Mining led the gains in the month although rec & personal and manufacturing also recorded large increases. In trend terms, rec & personal and retail confidence lags the other industries, suggesting businesses in these areas are the least optimistic about further gains for their industry.
- **Where are we seeing the best conditions by state?** The improvement in conditions was led by large gains in NSW and WA, which offset falls in Tas and SA. In trend terms, WA is highest, while NSW, Vic and Tas are lagging, albeit recording similar above-average conditions at 9-11 index points.
- **What is confidence like across the states?** Confidence rose across states and all states are recording strong levels. In trend terms, confidence is highest in WA and lowest in Tasmania.
- **Are leading indicators suggesting further improvement?** Capacity utilisation edged up in the month and is now above its long-run average and its pre-COVID level. Forward orders also rose and are now well above average.
- **What does the survey suggest about inflation and wages?** Generally, price pressures remain soft with final product price growth remaining sluggish, although retail price inflation picked up. Labour costs growth also strengthened.

TABLE 1: KEY STATISTICS

	Dec-20	Jan-21	Feb-21
	Net balance		
Business confidence	6	12	16
Business conditions	15	9	15
Trading	23	13	21
Profitability	14	13	17
Employment	10	3	8
Forward orders	3	3	8
Stocks	0	2	2
Exports	-4	-4	-2
	% change at quarterly rate		
Labour costs	0.8	0.7	1.0
Purchase costs	1.0	0.7	0.6
Final products prices	0.1	0.2	0.2
Retail prices	1.1	0.7	1.0
	Per cent		
Capacity utilisation rate	80.8	81.1	81.8

CHART 1: CONDITIONS AND CONFIDENCE RISE



All data seasonally adjusted and subject to revision. Fieldwork for this survey was conducted from 18 February to 1 March 2021, covering over 530 firms across the non-farm business sector. **Next release date: 13 April 2021.**

NAB MONTHLY BUSINESS SURVEY - THEME OF THE MONTH

CAPACITY UTILISATION POINTS TO FURTHER INCREASES IN ACTIVITY

- Capacity utilisation increased further in February, rising to 81.8% – its highest level since mid-to-late 2019. Capacity utilisation has now risen by 9.7ppts since reaching a trough in activity in April 2020.
- By industry, the gains in capacity utilisation were led by an increase in transport & utilities and wholesale, but all industries saw an increase. Capacity utilisation continues to be highest in retail trade and wholesale but is now also above average in manufacturing as well. In contrast, utilisation remains below average in construction, mining and recreation & personal services (which continues to see ongoing restrictions). Finance business & property services and transport & utilities are broadly around average.
- The survey measure of capacity utilisation has tracked activity fairly well over the past year – capturing not just the timing of impacts from major lockdowns but also the impact of changing consumer spending patterns across industries. This is clearest in retail and wholesale, which has benefited from increased spending due to remote working, online shopping and substitution away from spending on services which were restricted.
- With capacity utilisation now above average, it suggests that the economy is likely to have recovered its pre-COVID level in Q1 2021, a little earlier than NAB forecasts. Beyond this, capacity utilisation will be an important indicator of inflationary pressure in the economy, although there is elevated uncertainty around the underlying pace of growth in the economy.
- Increased capacity utilisation will put upward pressure on employment and capital expenditure (capex) plans going forward. Notably, capex had lagged the recovery in the survey's activity variables through 2020, but has now turned positive and is at its highest level since mid-2019.
- By industry, capex is currently highest in retail and above average in all industries with the exception of mining and rec & personal services. Encouragingly, 12-month expectations from the Q4 NAB Quarterly Business survey are at a relatively high level in aggregate. Beyond this, the ABS capex survey points to a further substantial rise in 2021/22 – though the first estimates in this data only have a loose relationship with final outcomes.
- Business investment is likely to be a key swing variable over the next couple of years. As a share of GDP business investment had fallen to a relatively low level, with little evidence of a material pickup in the pipeline. The impact of interest rates on investment remains uncertain, with demand and cashflow alongside capacity utilisation likely the key determinants. For now, the rebound in business conditions and capacity utilisation is encouraging. However, uncertainty remains high and a likely impediment to investment so we will continue to closely watch business confidence.

CHART 2: CAPACITY UTILISATION (%)



CHART 3: CAPACITY UTILISATION BY INDUSTRY (%)

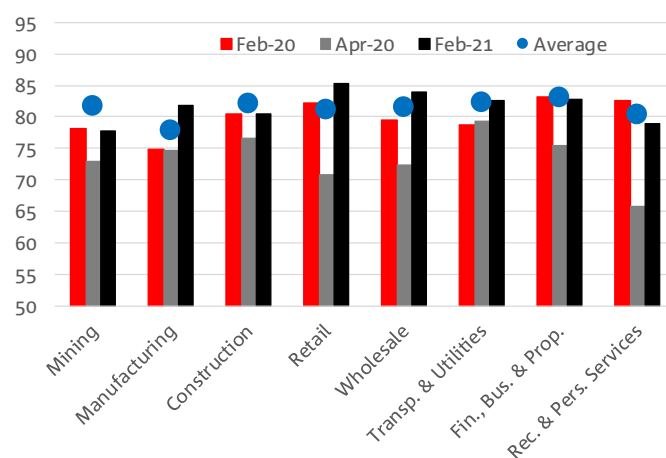
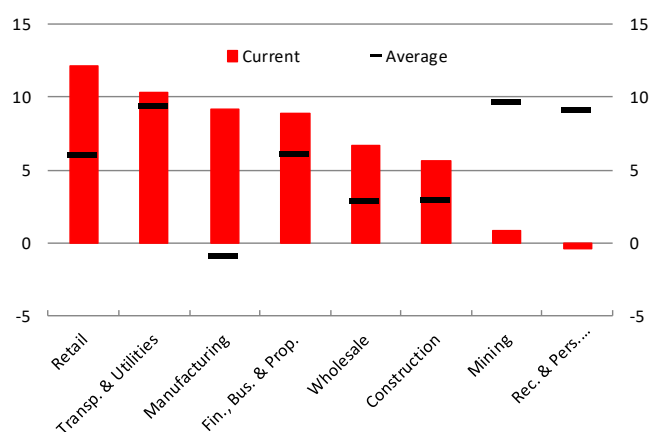


CHART 4: CAPEX BY INDUSTRY (%)



NAB MONTHLY BUSINESS SURVEY – CONDITIONS AND CONFIDENCE

CHART 5: BUSINESS CONFIDENCE (NET BALANCE)

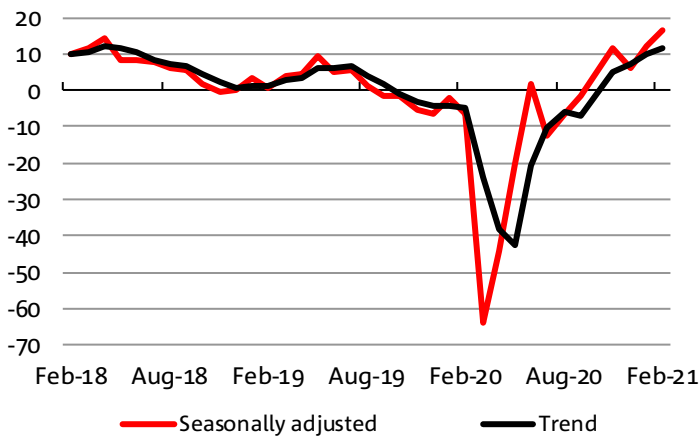


CHART 6: BUSINESS CONDITIONS (NET BALANCE)

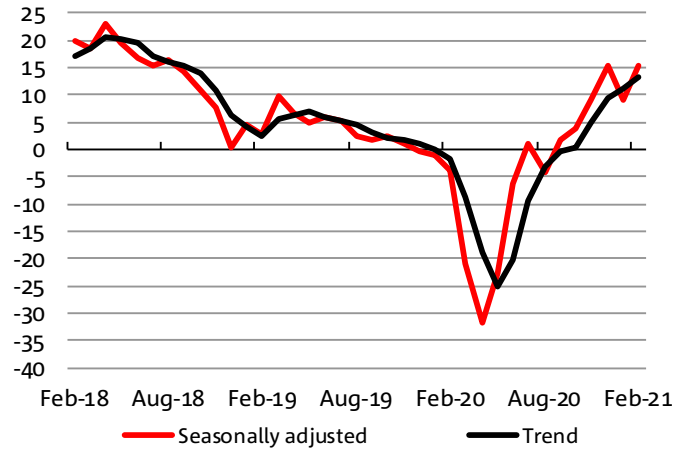


CHART 7: COMPONENTS OF BUSINESS CONDITIONS, NET BALANCE, S.A.

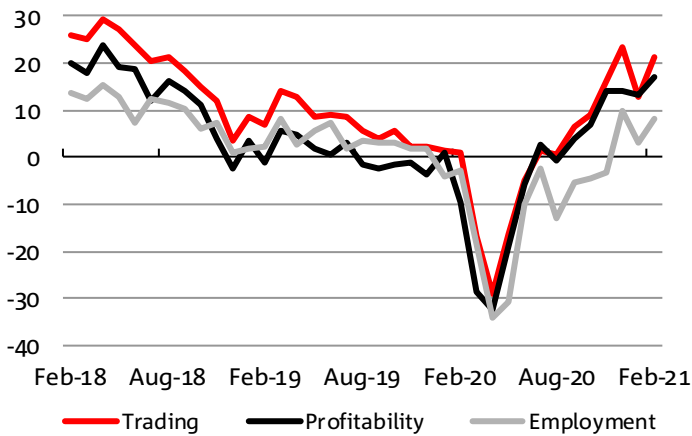


CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE

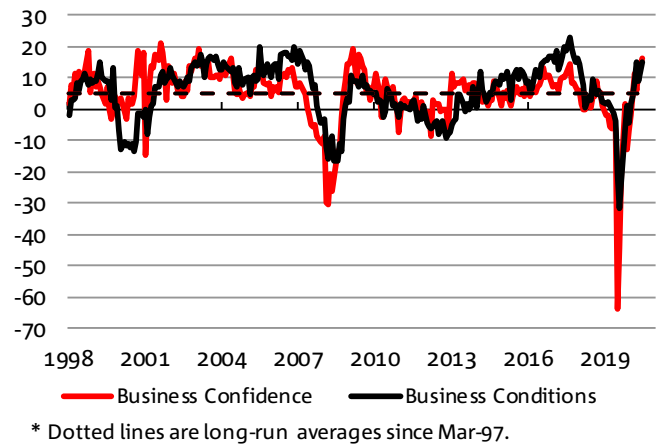


CHART 9: BUSINESS CONDITIONS BY INDUSTRY, LATEST MONTH (TREND)

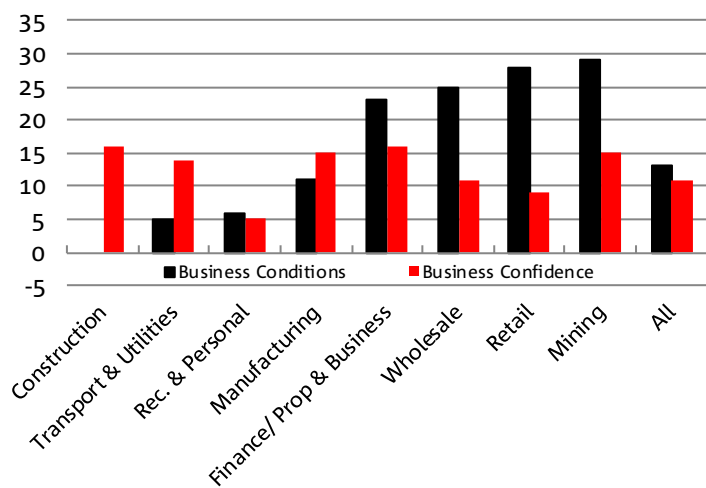
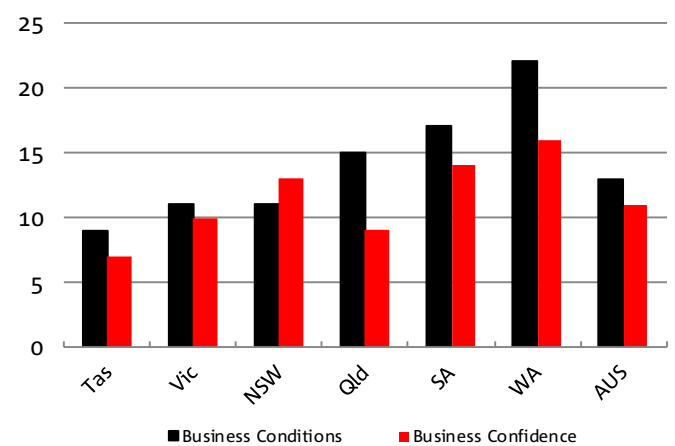


CHART 10: BUSINESS CONDITIONS BY STATE, LATEST MONTH (TREND)



NAB MONTHLY BUSINESS SURVEY – FORWARD AND OTHER INDICATORS

CHART 11: FORWARD ORDERS (NET BALANCE)

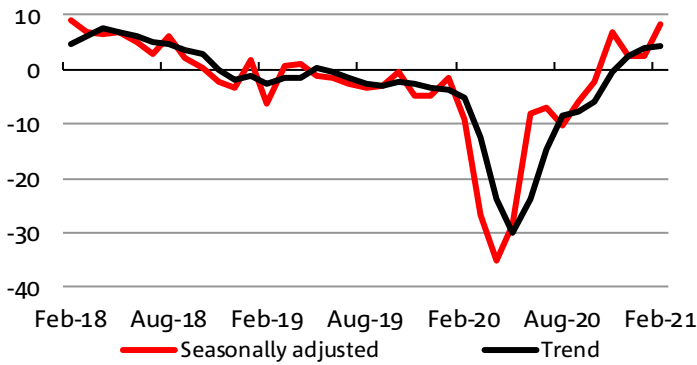


CHART 12: CAPITAL EXPENDITURE (NET BALANCE)

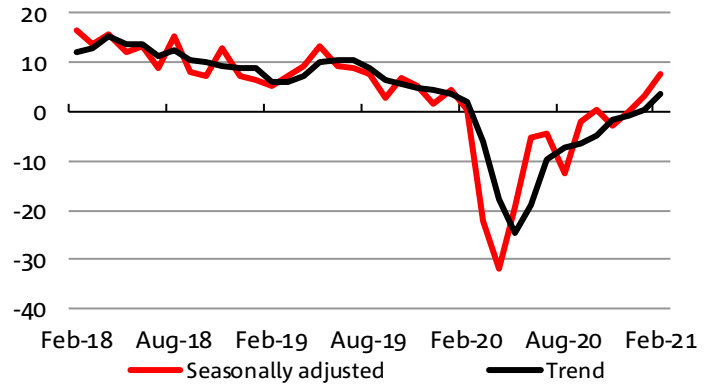


CHART 13: CAPACITY UTILISATION AND UNEMPLOYMENT

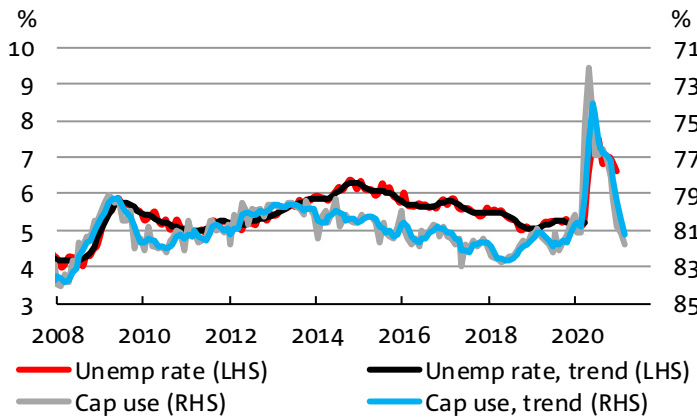


CHART 14: CAPACITY UTILISATION (PPT DEVIATION FROM LR AVE, TREND)

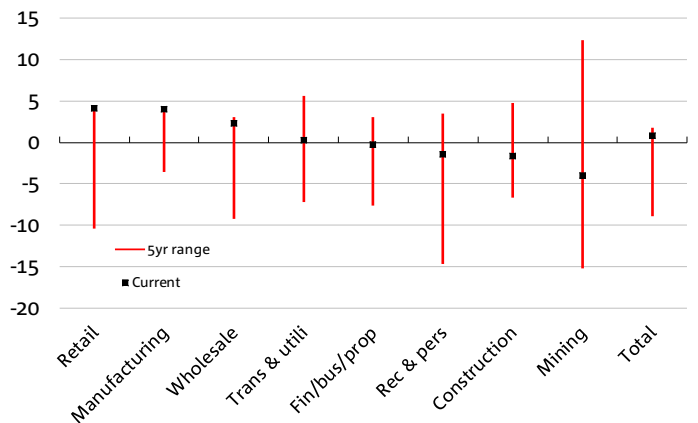


CHART 15: STOCKS (NET BALANCE)

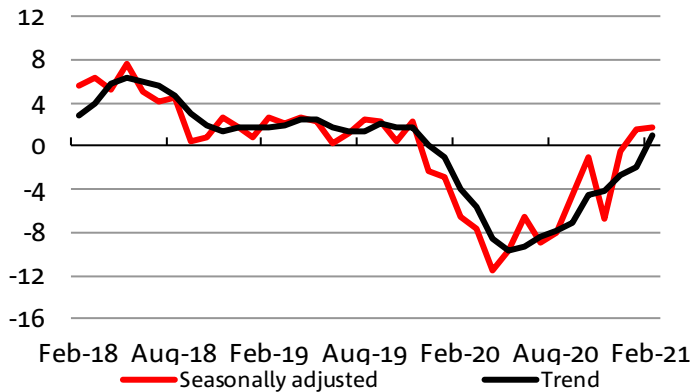


CHART 16: CASH FLOW (NET BALANCE)

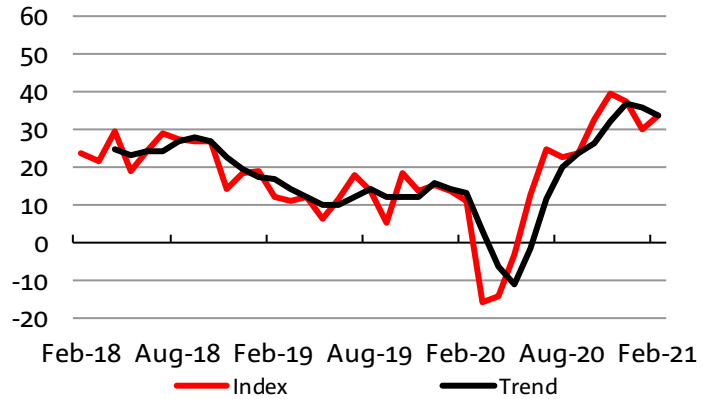


CHART 17: EXPORTS (NET BALANCE)

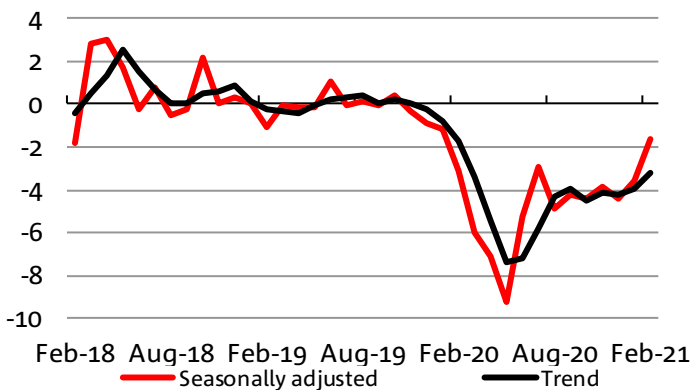
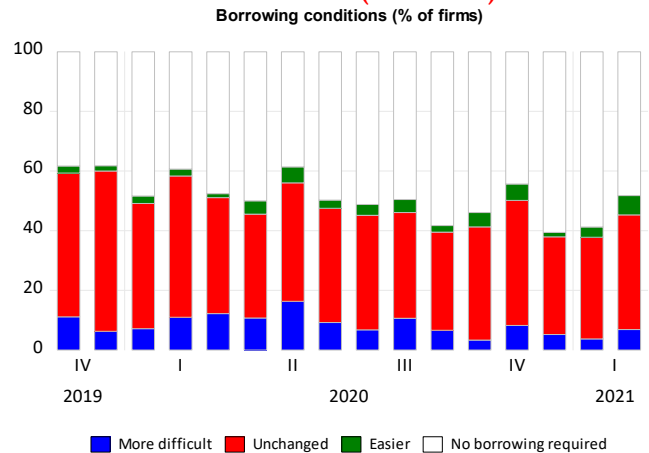


CHART 18: BORROWING CONDITIONS (% OF FIRMS)



NAB MONTHLY BUSINESS SURVEY - DETAIL BY STATE AND INDUSTRY

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

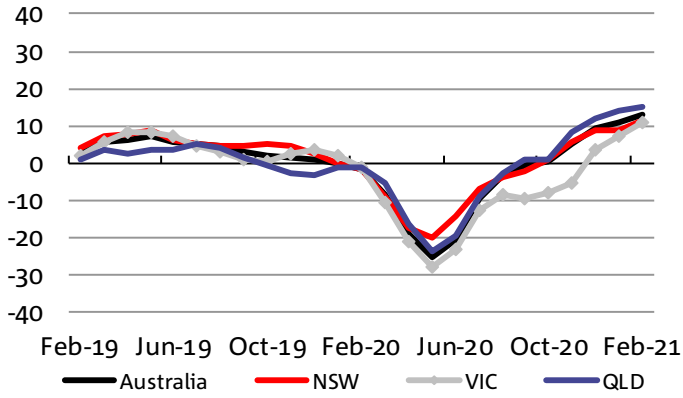


CHART 20: BUSINESS CONDITIONS BY STATE (NET BAL., TREND)

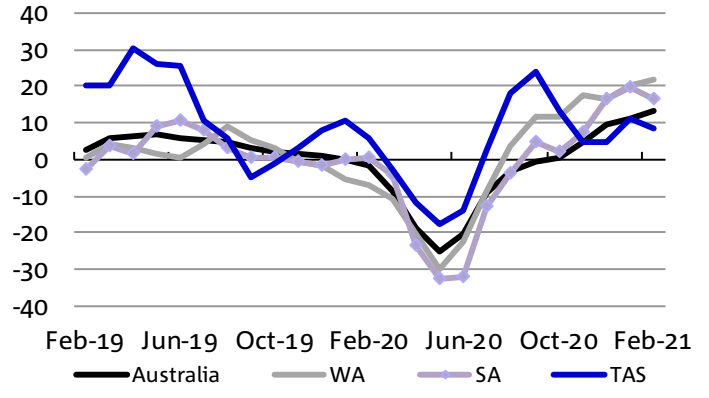


CHART 21: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

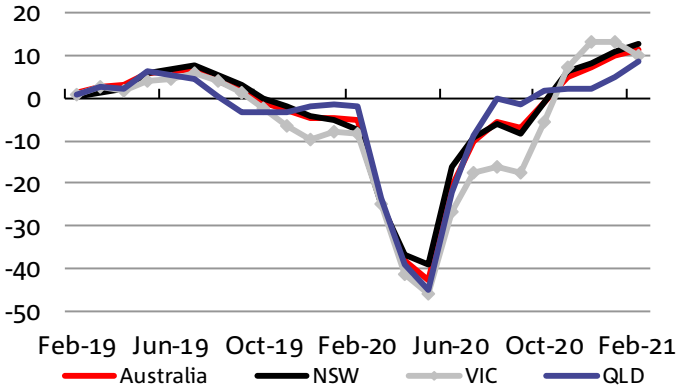


CHART 22: BUSINESS CONFIDENCE BY STATE (NET BAL., TREND)

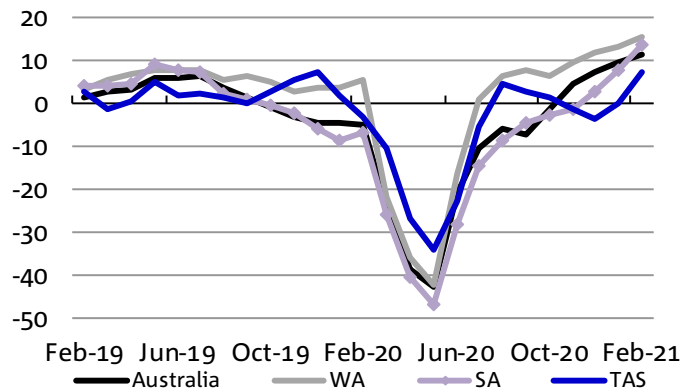


CHART 23: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)

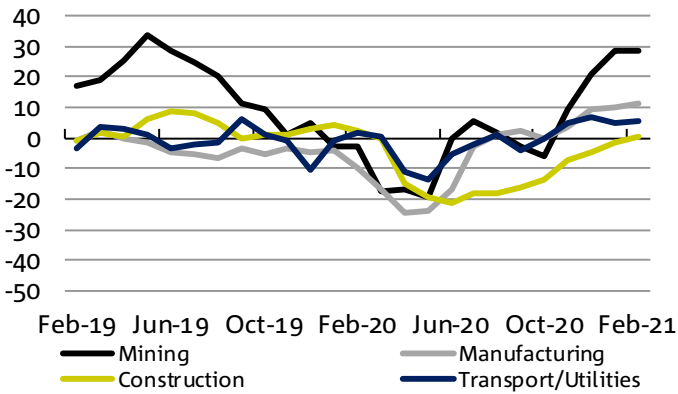
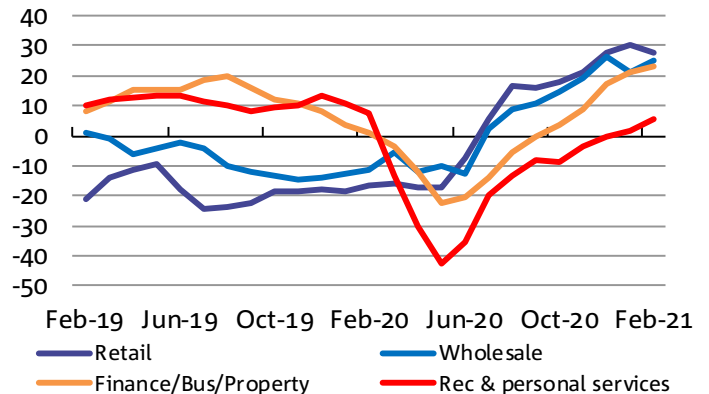


CHART 24: BUSINESS CONDITIONS BY INDUSTRY (NET BAL., TREND)



NAB MONTHLY BUSINESS SURVEY - EMPLOYMENT, WAGES AND PRICES

CHART 25: EMPLOYMENT

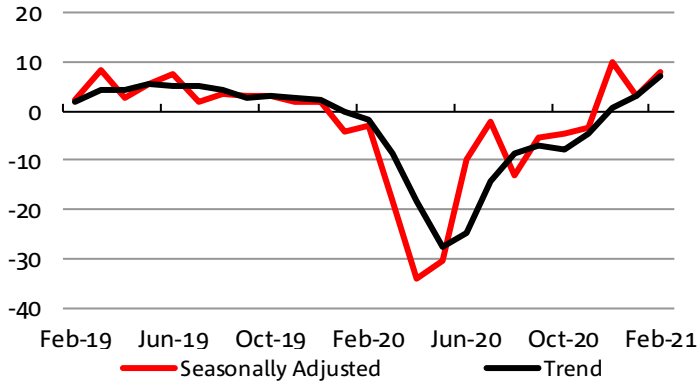


CHART 26: EMPLOYMENT (NAB VS ABS)

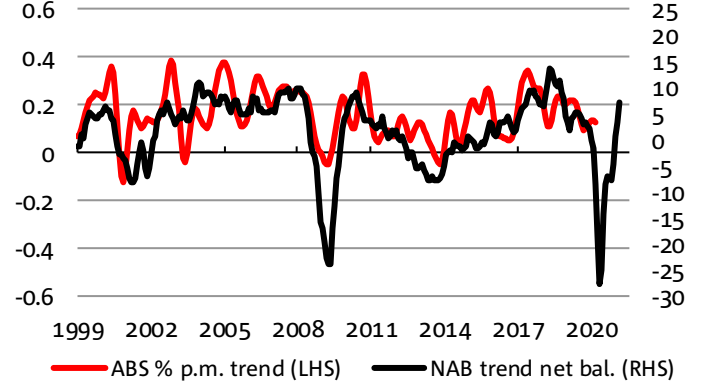


CHART 27: EMPLOYMENT BY INDUSTRY

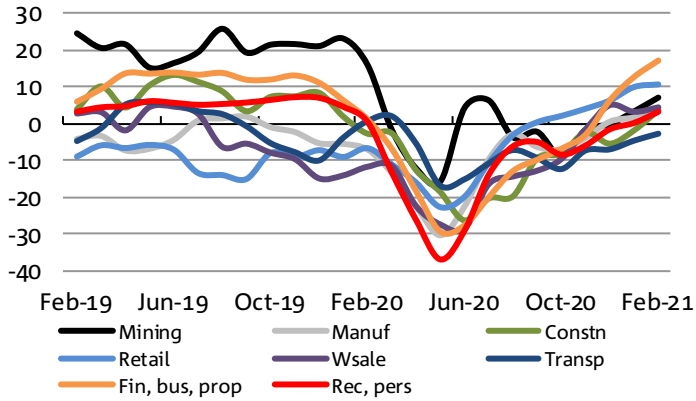


CHART 28: LABOUR COSTS GROWTH

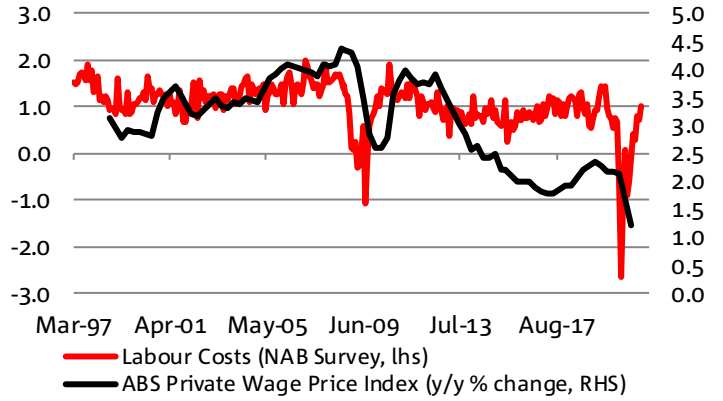


CHART 29: COSTS AND PRICES (% CHANGE AT A QUARTERLY RATE)

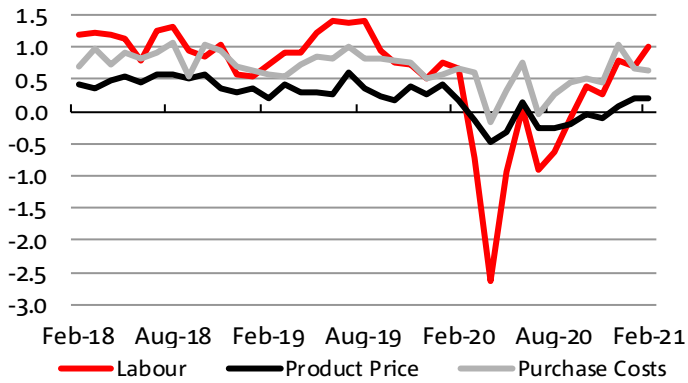
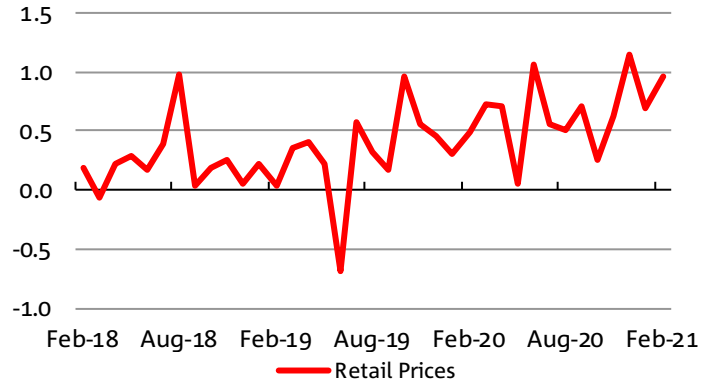


CHART 30: RETAIL PRICES (% CHANGE AT A QUARTERLY RATE)



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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 SPECIAL INSIGHT REPORT

LIFE IN THE 'LUCKY COUNTRY' 2021: IS AUSTRALIA STILL A GREAT PLACE TO LIVE, WHAT MAKES IT GREAT & WHAT OF THE FUTURE?



NAB Behavioural & Industry Economics

February 2021

By most measures (economic and social) Australia stacks up remarkably well against other countries as a place to live and work. This enviable position often sees Australia labelled the “Lucky Country”, a phrase coined in the 1964 book of the same name by historian Donald Horne. While the term has come to embrace all that is good about Australian society, in reality Horne viewed Australia’s prosperity as a function of luck rather than merit. But do Australians agree, what do we value most and what do we fear losing?

In this special report, NAB again asked over 2,000 Australians from all walks of life to explore life in our lucky country. NAB Behavioural Economics has been conducting this annual pulse check since 2016. In 2020, Australia faced enormous challenges - from widespread bushfires to COVID-19. So has our view of our country changed, do we value the same things post COVID and what of our perceptions of the future? What emerges is a much more positive nation, not just in terms of valuing what we have today but also where our country is headed. While many Australians still don’t feel they have a voice in shaping our nation’s future, there are opportunities both economically and socially to harness this growing optimism.

EXECUTIVE SUMMARY:

Is Australia still the “lucky country”? Overwhelmingly Australians believe it is. Despite the challenges our nation has faced over the past year, more people than ever said Australia is a great place to live. This year, 94% agreed that Australia was a great place to live - a significant improvement on 2020 (88%). Australians were more positive in all states, led by the NT (100%) and QLD (95%). SA was lowest at a still very respectable 92%. Australians in the over 65 age group (97%) were again the most positive about living in Australia, but optimism improved in all groups - from 86% to 94% in the 18-29 group, 85% to 93% in the 50-64 group, and 86% to 92% in the 30-49 group.

What makes Australia such a great place to live? For most Australians (over 7 in 10 or 72%), it’s our access to open spaces, beaches, parks etc. that makes our country so special, and significantly more of us are in agreement than last year (63%). Not surprising given Australia’s relative success in containing outbreaks of COVID-19, safety and security came in second (up one place from 2020) and with substantially more people in agreement compared to last year (68% vs. 58% in 2020). Coming in third was our general lifestyle and friendliness of our people (62% vs. 61% in 2020), down one place from last year. The next biggest drivers of liveability are: our clean environment and unique natural wonders (57%); access to affordable and quality healthcare (56%); and our democratic system of government (55%). All these factors added to the liveability of noticeably Australians than in 2020. Despite the many challenges facing the local economy during 2020, almost 1 in 2 (45%) Australians cited our relatively stable and strong economy as a positive factor - up more than any other factor relative to last year (30%). This result likely reflected a much more robust economic environment than many had feared at the start of the COVID pandemic.

Australians were more positive about nearly all liveability factors in 2021. Only two on balance were net detractors of liveability - quality, availability and physical condition of our public transport networks and our entertainment options (restaurants, cinema, theatre, sports, etc.) where perceptions may have suffered from periods of lock down and social distancing.

Will Australia still be great 10 years from now? While concerns remain, there has been a significant mindset shift, with Australians also far more optimistic about the future liveability of our country. When asked if Australia would still be a great place to live in 10 years’ time, almost 7 in 10 (68%) said yes, up from only 55% just 12 months ago. Fewer than 1 in 10 (9%) people believe Australia won’t be a great place to live in 2030 - half the number of a year ago (18%), with a further 1 in 4 (23%) unsure (down slightly from 27% in 2020).

South Australians are the most optimistic about the future, with 3 in 4 (75%) indicating Australia will still be a great place to live (64% in 2020). Around 7 in 10 people in TAS (71%), WA (70%), QLD (69%) and VIC (68%) also expect the status quo to be maintained, with a significant increase in the number of optimists - particularly in TAS (20% higher) and VIC (17% higher). Australians living in the ACT (66%) and NSW (64%) are also more positive than last year but scored below the national average. In the NT however, the number of positive responses fell to just 55% (75% in 2020) - by far the lowest in the country.

Men (70%) remain somewhat more positive about our future liveability than women (65%), but both reported significantly higher outcomes than last year. By age, around 7 in 10 (69%), Australians under the age of 49 see a rosy future, slightly more than in the 50-64 (65%) and over 65 (66%) age groups. While more people in all age groups were positive about the future than 12 months ago, this was most apparent in the 50-64 group (where the number of positive responses was up 19%).

Income did not overly influence perceptions of life in Australia. That said, future liveability was viewed positively by noticeably more people in the highest income group earning over \$100,000 p.a. (72%) than in the lowest group earning less than \$35,000 p.a. (64%) - although this was also up from 47% last year.

What might change over the next decade? To understand what's driving perceptions of the future, we asked Australians if liveability factors would improve or deteriorate in the next 10 years. On the positive side, areas where optimists outweighed pessimists were: entertainment (+12%); economy (+11%); public transport (10%); telecommunications (+10%); inclusion (+8%); roads (+8%); education (+6%); healthcare (+4%); and people & lifestyle (+3%). The number of pessimists however out-weigh optimists for: cost of living (-19%); taxes (-13%); travel time (-12%); housing (-8%); open spaces (-7%); immigration (-6%); safety (-6%); and law & order (-3%). Australians expect all other aspects of liveability to stay broadly unchanged.

While some things are expected to get worse, Australians are more confident about almost all aspects of future liveability than last year. For example, a net +11% of Australians expect the economy to improve in the next 10 years (compared to a net -14% expected it to deteriorate last year - a change of +25%). Other aspects of liveability that showed a big improvement relative to last year include: jobs (+22%); environment (+21%); social welfare (+17%); healthcare (+16%); democracy (+14%); personal safety (+13%); aged care (+13%); income & wealth (+12%); living costs (+12%); roads (+10%); and utilities (+10%). A marked turnaround in sentiment from last year when only 5 of the 26 liveability factors rated more positively.

Does Australia have a clear & shared vision where we are headed in the next 10 years? Only 3 in 10 (30%) Australians think so, but a significant improvement on last year (18%). The importance of having a shared vision for our future cannot be underestimated. A compelling vision enables its people to buy into and anticipate the future with confidence. It can inspire individuals and organisations to commit to the future and give it their best.

Opinions vary according to where we live. Consensus was highest in the ACT (34%), which also jumped from last place in 2020 (12%), and in SA where the number of positive responses nearly doubled to 34% (18% in 2020). More people in all other states also said Australia had a shared vision for the future. TAS was the exception, with the number of positive responses falling to 20% (24% in 2020) - the lowest in the country.

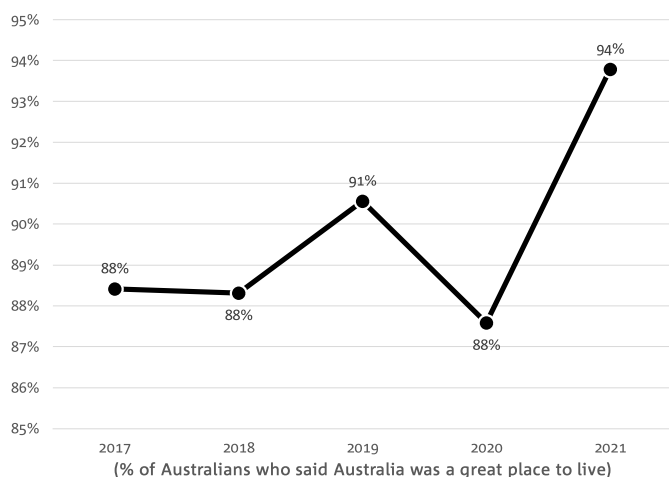
Young people aged 18-29 are still the most positive, with almost 4 in 10 (38%) believing we have a vision (23% last year). Conversely, only 23% of Australians in the 50-64 age group think we do, although this was up from just 14%. More men (35%) also believe we have a clear vision for the future than women (25%).

Do Australia believe they have a voice in shaping where our nation is headed? While only 1 in 3 (33%) of us believe we do, this is up from 25% in 2020. That said, almost 1 in 2 (49%) Australians do not think they have a voice (down from 60%). Across the country, NSW (35%), VIC (35%) and SA (34%) stood out as the most positive, replacing TAS (27%) who led the way last year (37%). The number of Australians living in the ACT (29%), WA (29%) and WA (31%) who indicated they did have a voice was below the national average.

Australians in the youngest age group (18-29) were the most positive about having a voice in shaping our future (41%). This stepped down to 34% in the 30-49 group, 31% in the over 65 group and just 26% in the 50-64 group. More Australians in all age groups however believed they were being heard than last year. More men (38%) felt they had a voice than women (29%). Australians in the lowest income group (31%) were the least positive about being heard.

More Australians than ever agree it's a great place to live!...

AUSTRALIA: A GREAT PLACE TO LIVE NOW



NAB Economics has been conducting its annual pulse check survey of “Life in the Lucky Country” since 2017. Despite the challenges our nation has faced over the past year - from widespread bushfires to COVID - more people than ever said Australia is a great place to live.

In the 2021 survey, the number of positive responses reached 94% and represented a significant improvement from 2020 (88%).

Australians were more positive in all states, led by the NT (100%) but from a smaller sample size, and QLD (95%). SA was lowest at a very respectable 92%.

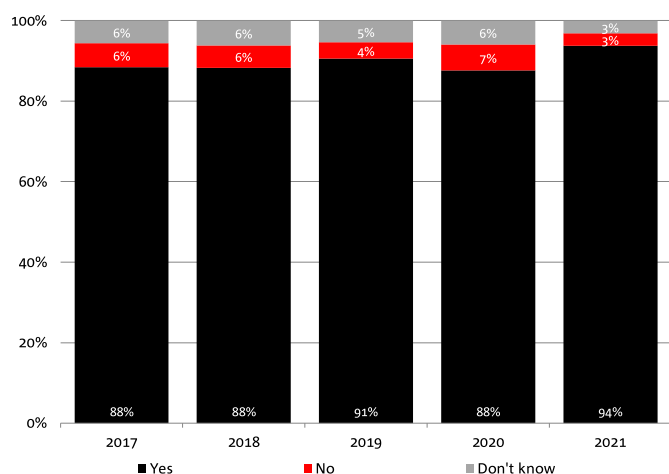
While optimism was higher in all states, it lifted significantly in the NT (84% in 2020 to 100% in 2021), the ACT (78% in 2020 to 93% in 2021) and TAS (82% in 2020 to 93% in 2021).

Australians in the over 65 age group (97%) were again the most positive about living in Australia, but optimism also improved sharply in all other groups - from 86% to 94% in the 18-29 group, 85% to 93% in the 50-64 group, and 86% to 92% in the 30-49 group.

There was again little difference in perceptions between women (94%) and men (93%), with both also experiencing a noticeable uplift in sentiment from last year’s survey.

Income did not appear to play a role influencing perceptions of liveability in Australia. Indeed, the number of Australians who said it was a great place to live ranged from just 93% in the lowest income group (earning less than \$35,000 p.a.) to 96% in the \$75-100,000 p.a. income group.

AUSTRALIA - A GREAT PLACE TO LIVE NOW?



AUSTRALIANS WHO BELIEVE AUSTRALIA IS A GREAT PLACE TO LIVE NOW

	AUST	NSW*	ACT	VIC	QLD	SA#	NT+	WA	TAS	18-29	30-49	50+	50-64	65+	Men	Women
2017	88%	89%	n.a.	84%	91%	92%	n.a.	88%	85%	85%	85%	92%	n.a.	n.a.	87%	89%
2018	88%	88%	n.a.	86%	92%	91%	n.a.	87%	92%	86%	86%	92%	n.a.	n.a.	89%	88%
2019	91%	89%	n.a.	91%	92%	88%	n.a.	92%	96%	90%	90%	91%	n.a.	n.a.	90%	91%
2020	88%	86%	78%	88%	90%	90%	84%	89%	82%	86%	86%	n.a.	85%	95%	86%	89%
2021	94%	93%	93%	94%	95%	92%	100%	94%	93%	94%	92%	n.a.	93%	97%	93%	94%

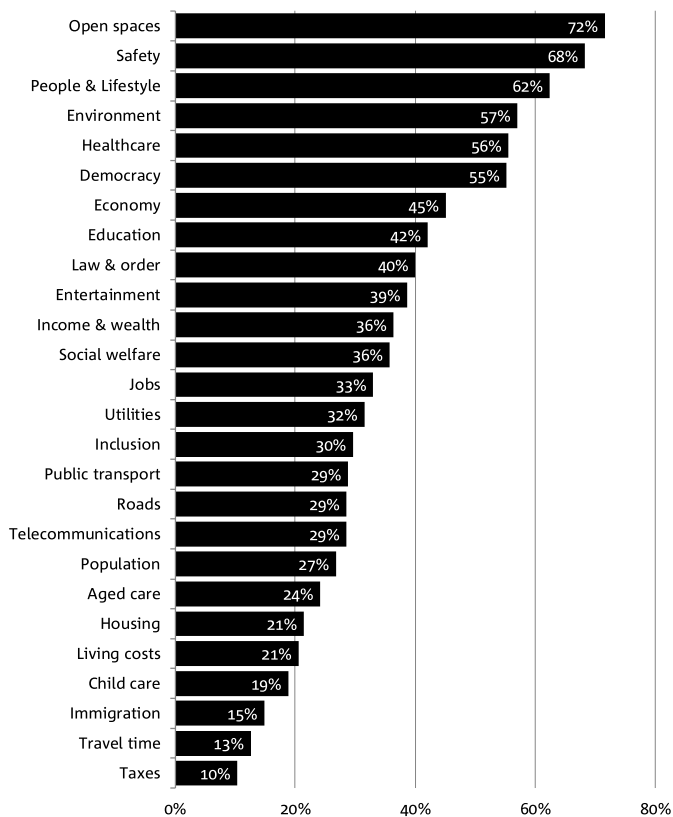
*Data prior from 2017-19 refers to NSW/ACT.

#Data from 2017-19 refers to SA/NT

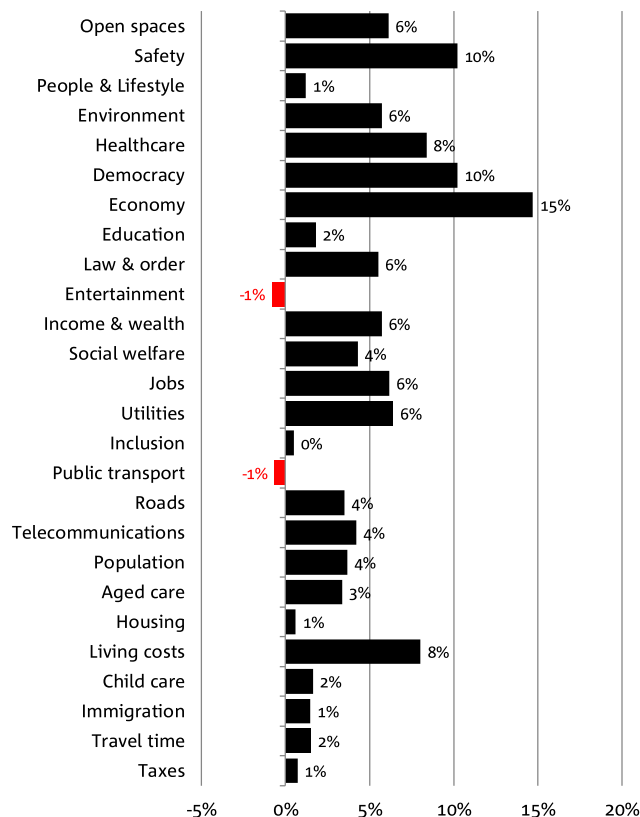
+ Limited sample size

We're more positive about nearly all drivers of liveability ...

WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021



HOW HAVE PERCEPTIONS OF AUSTRALIA CHANGED SINCE LAST YEAR?



What is it that makes Australia a great place to live?

The ranking of key drivers was broadly unchanged in 2021. For most Australians (over 7 in 10 or 72%), it's still our access to open spaces, beaches, parks etc. that make it special - and it added to liveability according to more people than in 2020 (63%). Our relative safety or security arising from crime, terrorism etc. (68%), which also added to liveability according to significantly more Australians than in 2020 (58%), replaced general lifestyle and friendliness of our people (62%) in second place.

The next biggest attractions were our clean environment and unique natural wonders (57%), access to affordable and quality healthcare (56%) and our democratic system of government (55%), with all these factors adding to liveability according to noticeably Australians than in the 2020 survey.

Despite the many challenges facing the local economy during 2020 as a result of COVID, almost 1 in 2 (45%) Australians cited our relatively stable and strong economy as a positive factor. This also resonated more strongly with more Australians relative to last year (30%) than any other factor - likely reflecting a much more robust bounce from the economic downturn than many had feared at the start of the COVID pandemic.

Our levels of taxes (10%), lack of congestion and travel times to get to work (13%), level of migrant intake or immigration (15%) and access to affordable and quality childcare (19%) were identified as positive drivers of liveability in our country by the least number of Australians.

The chart above on the right shows a greater sense of optimism for nearly all liveability factors in 2021. Only two resonated positively with fewer Australians (and only marginally so) - quality, availability and physical condition of our public transport networks (down 1%) and our entertainment options (restaurants, cinema, theatre, sports, etc. (down 1%) where perceptions may have suffered from periods of lock down and social distancing.

Australians were more upbeat about all other things that make our nation a great place to live compared to last year, particularly the economy (+15%), safety (+10%), democracy (+10%), living costs (+8%), healthcare (+8%), open spaces (+6%), environment (+6%), law & order (+6%), income & wealth (+6%), jobs (+6%) and utilities (+6%).

See appendix 1 for top 15 drivers in each state.

And we're more optimistic about the future!...

Perhaps having now experienced an unprecedented shock to how they live work and play as a result of the COVID pandemic, Australians are far more optimistic about future liveability in their country than they were in 2020. When asked if Australia would still be a great place to live in 10 years' time, almost 7 in 10 (68%) said yes, up from 55% in 2020. Less than 1 in 10 (9%) people believe Australia won't be a great place to live, half the number in 2020 (18%), and 1 in 4 (23%) remain unsure (down slightly from 27% in 2020).

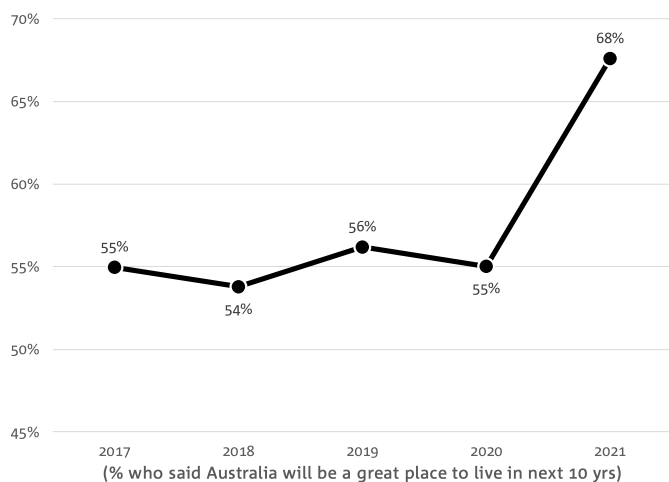
South Australians are the most optimistic about the future, with 3 in 4 (75%) indicating Australia will still be a great place to live (64% in 2020). Around 7 in 10 people in TAS (71%), WA (70%), QLD (69%) and VIC (68%) also expect the status quo to be maintained, with a significant increase in the number of optimists - particularly in TAS (20% higher) and VIC (17% higher). Australians living in the ACT (66%) and NSW (64%) are also more positive than last year but scored below the national average. In the NT however the number of positive responses fell to just 55% (75% in 2020) - by far the lowest in the country (but from a smaller sample size).

Men (70%) remain somewhat more positive about future liveability in Australia than women (65%), but both reported significantly higher outcomes than in the 2020 survey.

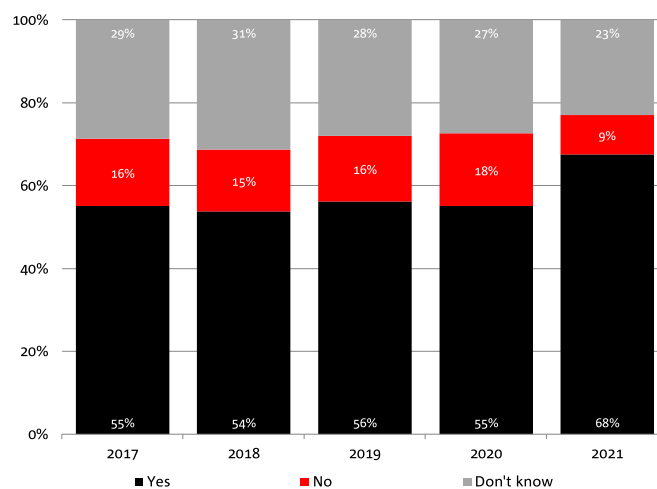
By age, around 7 in 10 (69%), Australians under the age of 49 see a rosy future, slightly more than in the 50-64 (65%) and over 65 (66%) age groups. While more people in all age groups were positive about the future than in 2020, this was most apparent in the 50-64 group (where the number of positive responses was up 19%).

Income did not influence perceptions of living in Australia now. But future liveability was viewed positively by noticeably more people in the highest income group earning over \$100,000 p.a. (72%) than in the lowest group earning less than \$35,000 p.a. (64%) - although this was also up from 47% in the 2020 survey.

AUSTRALIA: A GREAT PLACE TO LIVE IN NEXT 10 YRS



AUSTRALIA - A GREAT PLACE TO LIVE IN NEXT 10 YRS



AUSTRALIANS WHO BELIEVE AUSTRALIA WILL STILL BE A GREAT PLACE TO LIVE IN 10 YEARS' TIME

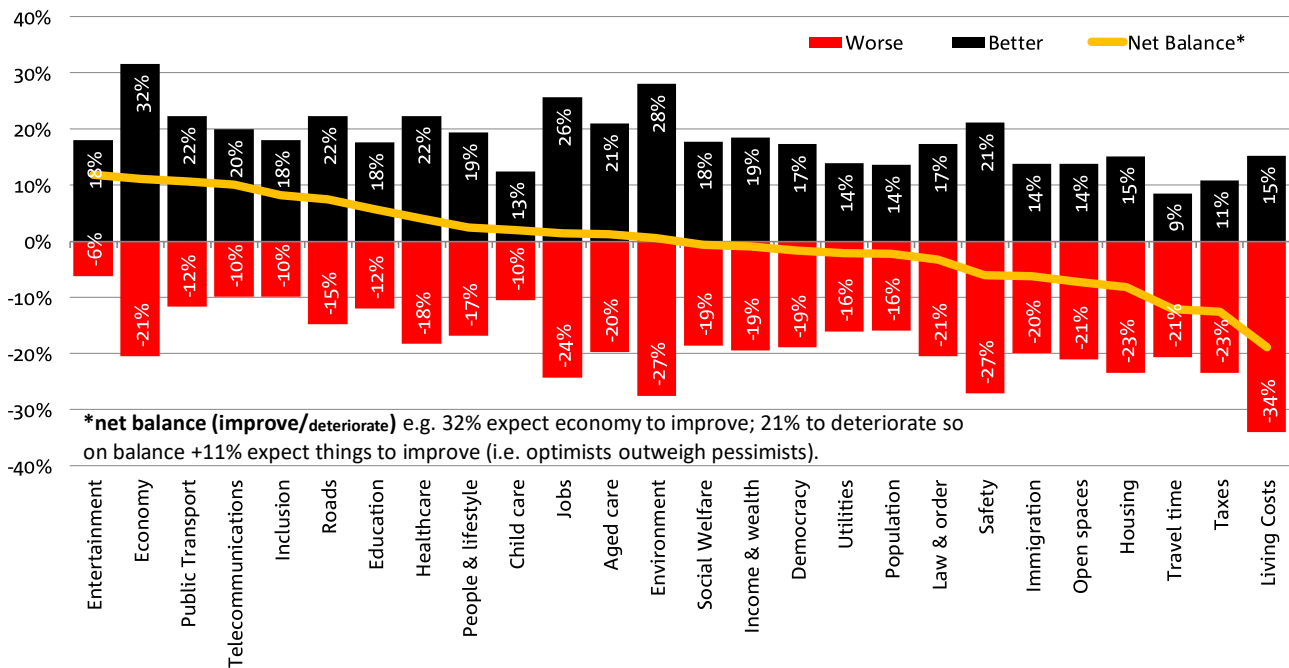
	AUST	NSW*	ACT	VIC	QLD	SA#	NT+	WA	TAS	18-29	30-49	50+	50-64	65+	Men	Women
2017	55%	55%	n.a.	53%	56%	57%	n.a.	58%	46%	60%	55%	52%	n.a.	n.a.	58%	52%
2018	54%	55%	n.a.	52%	56%	53%	n.a.	51%	50%	56%	56%	51%	n.a.	n.a.	55%	53%
2019	56%	57%	n.a.	58%	51%	56%	n.a.	60%	54%	63%	56%	53%	n.a.	n.a.	60%	52%
2020	55%	55%	49%	51%	57%	64%	75%	55%	51%	62%	56%	n.a.	46%	56%	57%	53%
2021	68%	64%	66%	68%	69%	75%	55%	70%	71%	69%	69%	n.a.	65%	66%	70%	65%

*Data prior from 2017-19 refers to NSW/ACT
 #Data from 2017-19 refers to SA/NT
 + Limited sample size

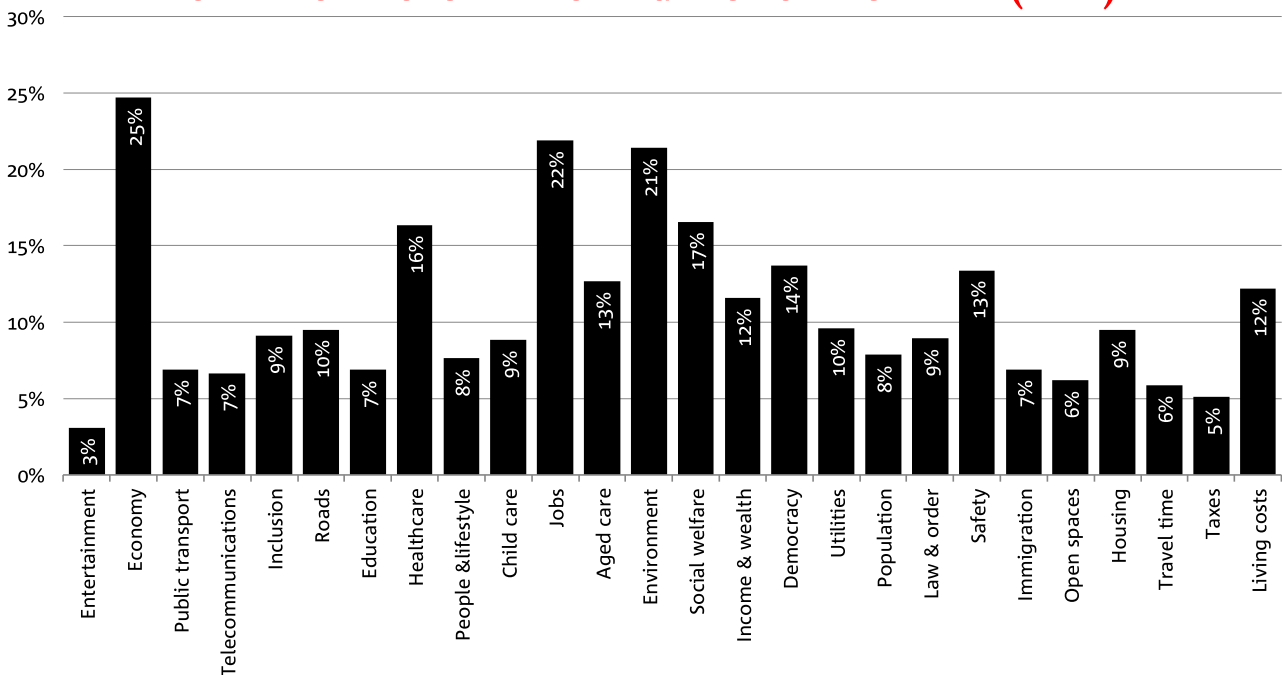
Australians are still split about what will improve and get worse...

To understand what's driving perceptions of the future, we asked Australians if these liveability factors would improve or deteriorate in the next 10 years. The first chart below summarises the results. On the positive side, areas where optimists outweighed pessimists were entertainment (+12%), economy (+11%), public transport (10%), telecommunications (+10%), inclusion (+8%), roads (+8%), education (+6%), healthcare (+4%) and people & lifestyle (+3%). The number of pessimists however out-weigh optimists over cost of living (-19%), taxes (-13%), travel time (-12%), housing (-8%), open spaces (-7%), immigration (-6%), safety (-6%) and law & order (-3%). Australians expect all other aspects of liveability to stay broadly unchanged - i.e. the number of optimists and pessimists are basically similar.

WILL IT GET BETTER OR WORSE IN THE NEXT 10 YEARS?



HOW PERCEPTIONS HAVE CHANGED SINCE LAST YEAR (NET*)



While some things are expected to get worse, the chart above on the bottom also suggests that Australians are more confident about all aspects of future liveability than they were last year. For example, a net +11% of Australians expect the economy to improve in the next 10 years, but a net -14% expected it to deteriorate last year - a change of +25%. Other aspects of liveability that showed a big improvement relative to last year included jobs (+22%), environment (+21%), social welfare (+17%), healthcare (+16%), democracy (+14%), personal safety (+13%), aged care (+13%), income & wealth (+12%), living costs (+12%), roads (+10%) and utilities (+10%).

Moreover, all aspects of future liveability were rated more positively than last year - a marked turnaround in sentiment from the 2020 survey when only 5 of the 26 aspects rated more positively.

See appendix 2 for state details.

Relatively few people still believe Australia has a clear and shared vision for the future or have a voice in helping shape that future...

We live in a world of constant change and the influences shaping our world are complex, uncertain and as 2020 showed can be extremely volatile. Against this backdrop, the importance of having a shared vision for our future cannot be underestimated. A compelling vision enables its people to buy into and anticipate the future with confidence. It can inspire individuals and organisations to commit to the future and give it their best. But do Australians believe we have cleared shared vision for where we are headed as a nation in 10 years' time?

Only 3 in 10 (30%) Australians think so. While this is a relatively disappointing result, it does represent a significant improvement on the number last year who thought Australian had a clear shared vision (18%) for the next 10 years.

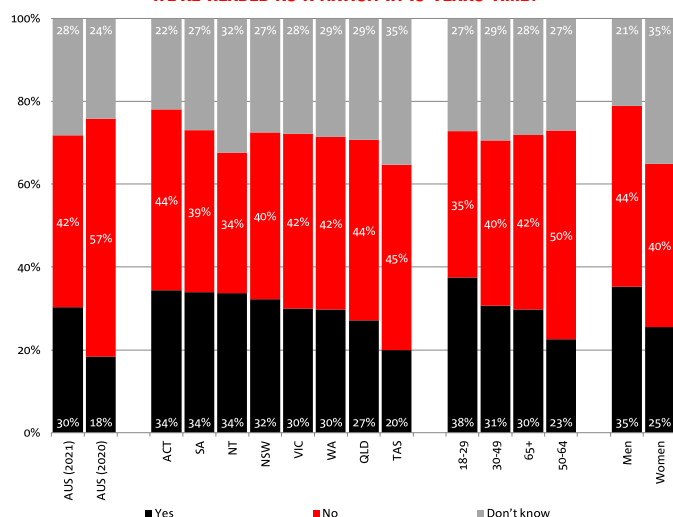
But this number varies according to where we live. It was highest in the ACT (34%), which also jumped from last place in 2020 (12%), and in SA where the number of positive responses nearly doubled to 34% (18% in 2020). More people in all other states also said Australia had a shared vision for the future. TAS was the exception, with the number of positive responses falling to 20% (24% in 2020) - the lowest in the country.

Young people aged 18-29 are still the most positive, with almost 4 in 10 (38%) believing we have a vision (23% in 2020). Conversely, only 23% of Australians in the 50-64 age group think we do, although this was up from just 14% in 2020.

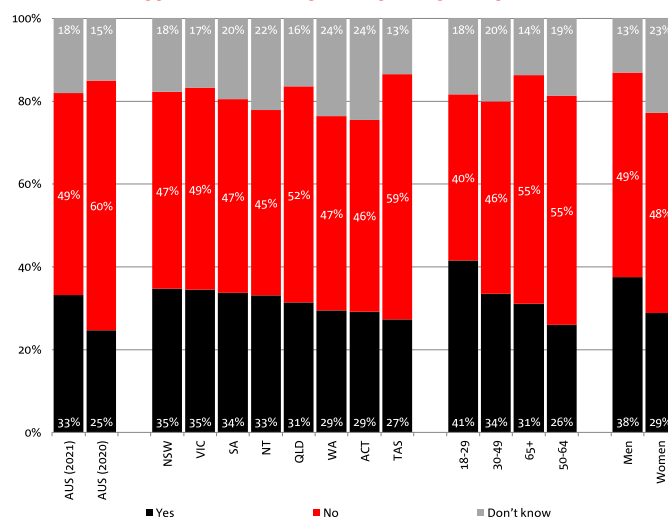
More men (35%) also believe we have a clear vision for the future than women (25%).

There did not appear to be a strong correlation by income. While the number of Australians who believe we have a shared vision for the future was smallest in the lowest income group (27%), it was highest in the \$50-75,000 p.a. income group (37%).

DOES AUSTRALIA HAVE A CLEAR SHARED VISION FOR WHERE WE'RE HEADED AS A NATION IN 10 YEARS TIME?



DO YOU BELIEVE YOU HAVE A VOICE IN SHAPING WHERE AUSTRALIA HEADED AS A NATION IN 10 YEARS TIME?



One in 2 (49%) Australians also don't think they have a voice in shaping where our nation is headed in 10 years' time (but down from 60% in the 2020 survey). Encouragingly, 1 in 3 (33%) Australians overall now believe they do (up from 25% in 2020).

Across the country, NSW (35%), VIC (35%) and SA (34%) stood out as the most positive, replacing TAS (27%) who led the way last year (37%). The number of Australians living in the ACT (29%), WA (29%) and WA (31%) who indicated they did have a voice was below the national average.

Australians in the youngest age group (18-29) were the most positive about having a voice in shaping our future (41%). This stepped down to 34% in the 30-49 group, 31% in the over 65 group and just 26% in the 50-64 group. More Australians in all age groups however believed they were being heard than in the 2020 survey.

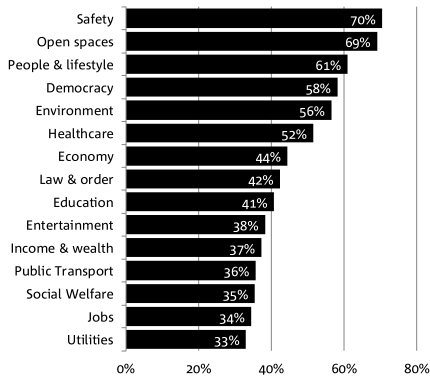
More men (38%) felt they had a voice than women (29%).

Australians in the lowest income group (31%) were the least positive about being heard, and those earning between \$50-100,000 p.a. the most positive (37%).

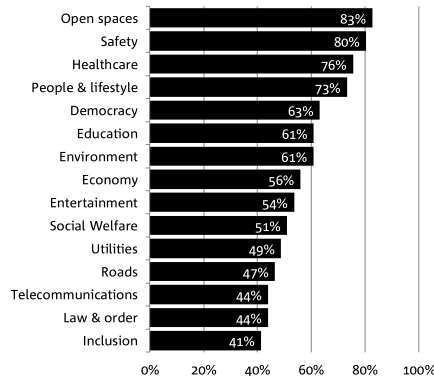
APPENDIX 1

WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 10 BY STATE/TERRITORY

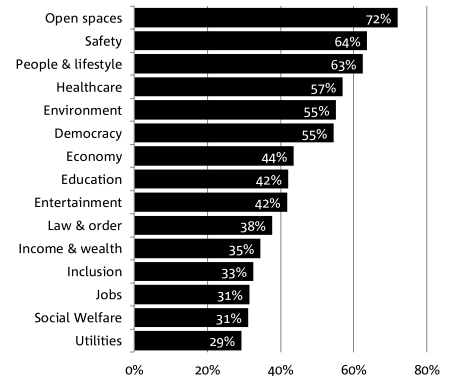
WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 NSW



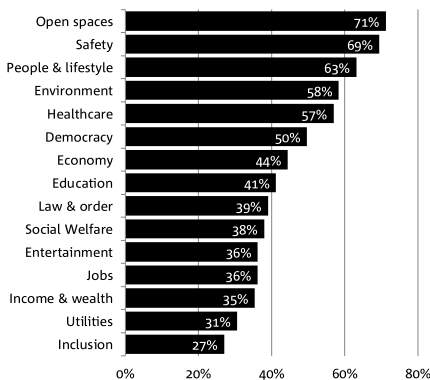
WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 ACT



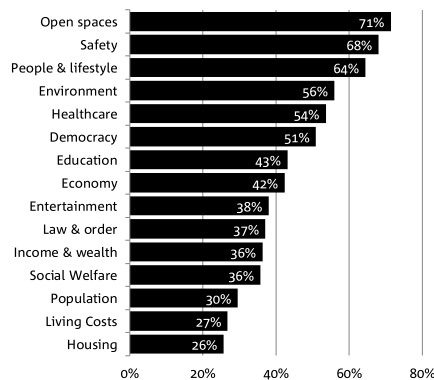
WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 VIC



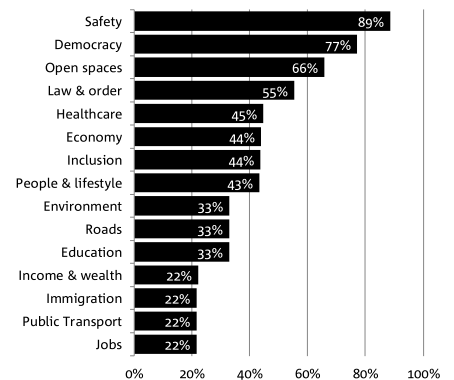
WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 QLD



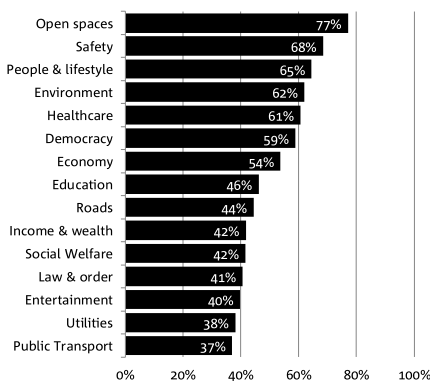
WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 SA



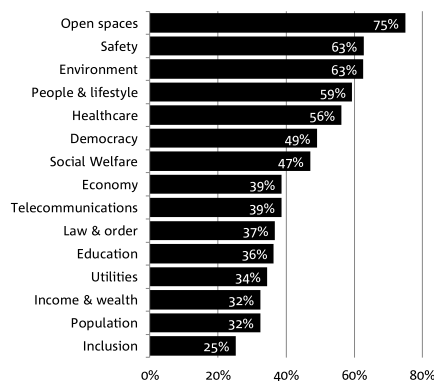
WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 NT



WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 WA



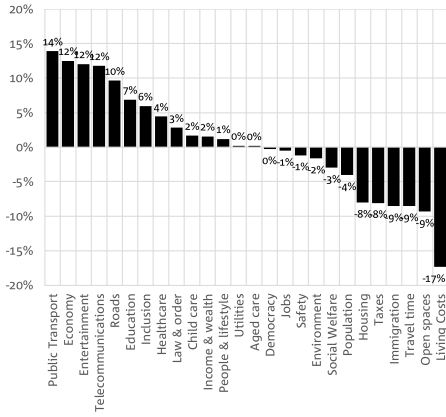
WHAT MAKES AUSTRALIA A GREAT PLACE TO LIVE 2021: TOP 15 TAS



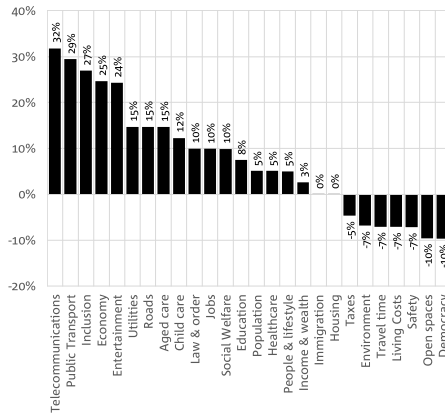
APPENDIX 2

WILL LIVEABILITY FACTORS IMPROVE OR DETERIORATE IN THE NEXT 10 YEARS? BY STATE/TERRITORY?

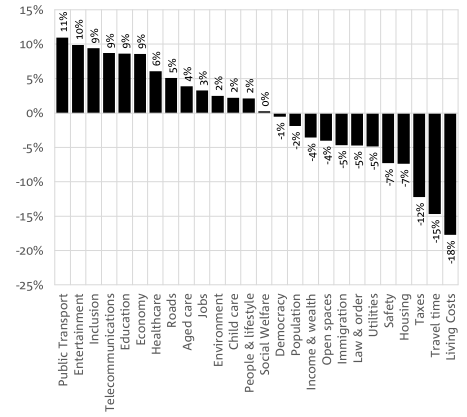
IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): NSW



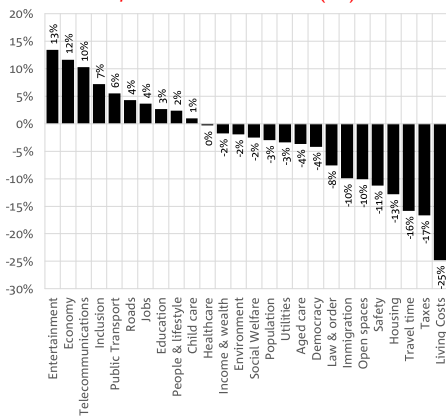
IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): ACT



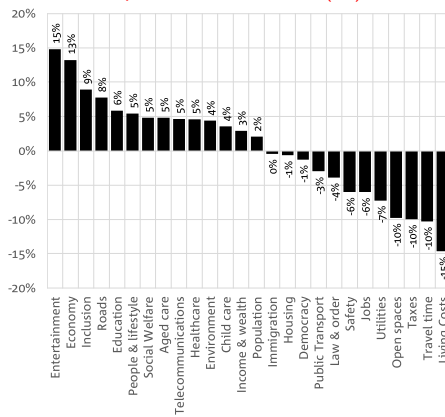
IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): VIC



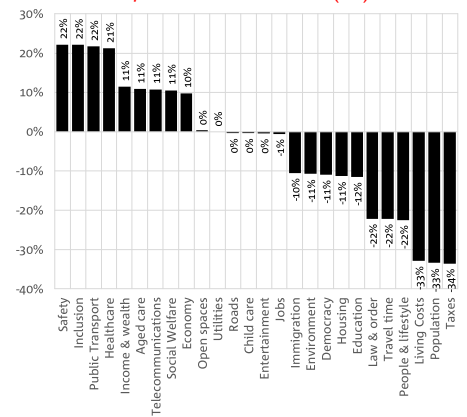
IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): QLD



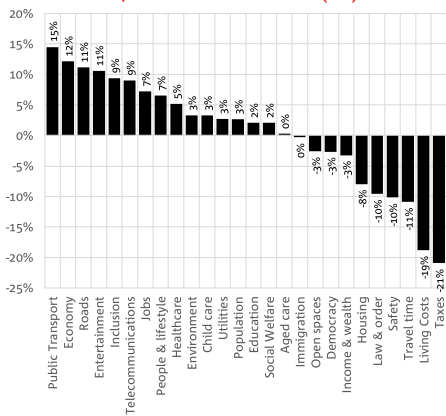
IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): SA



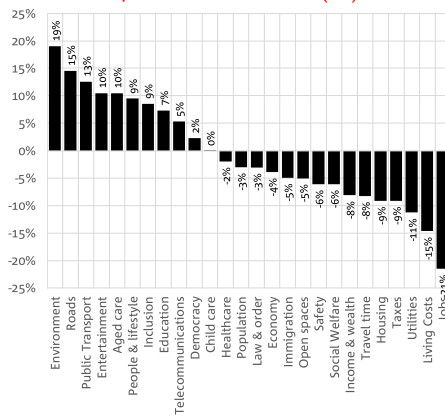
IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): NT



IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): WA



IMPROVE/DETERIORATE IN NEXT 10 YRS (NET): TAS



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