

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB Response to the Committee's Request on COVID-19

Question:

The committee requests that you provide a written update (to be published on the committee's website) outlining the measures that NAB has taken in response to the COVID-19 pandemic. The first update is due by 30 April 2020 and ongoing updates should be provided at the end of every month thereafter until the next hearing.

Answer:

29 May 2020

NAB's priority is to support our customers as they deal with the ongoing impacts of COVID-19. We are very aware of the human cost this crisis is having on our customers and their families. The measures we are taking as an organisation are about supporting them through this unprecedented economic crisis.

This response provides NAB's update for May on actions to support retail customers, business customers and MLC Wealth customers.

Summary

NAB welcomes the National Cabinet's plan to gradually restart the economy and reopen the doors of businesses across the country.

We support the National Cabinet's safe and steady approach to getting jobs and businesses back on track. We look forward to continuing to hear from the State and Territory Governments on their timing of measures to implement the National Cabinet's three step plan.

We appreciate there is a long way to go in the economic recovery process and we want to assure our customers NAB will be there for them. Balancing the reopening of the economy with preserving the gains made on the health front will be crucial.

The local and global economic situation remains unpredictable and NAB continues to closely monitor the environment and act accordingly.

We attach for the Committee's information:

- NAB Economics Data Insights for the week of 18-24 May; and
- Australian GDP Preview dated 29 May.

Governments continue to respond significantly to the crisis and we continue to work closely with them to support our customers and the community.

NAB supports the use of the COVIDSafe app and has been encouraging staff to download it. Further development of the app, and more testing of anyone with symptoms will be

important to providing the confidence to slowly loosen restrictions while preserving progress on the health front.

Support for Retail Customers

NAB's commitment to supporting individual customers impacted by the pandemic is ongoing and continues to be multi-faceted; pausing repayments, providing access to redraw facilities, reducing repayments or accessing new fixed home loan rates.

- There have been around 2.26m visits to COVID-19 support pages to 25 May.
- NAB has sent more than 9 million emails and 200,000 text messages to our customers with details of support measures.
- Our digital adoption campaign activity resulted in a 32% increase in new Internet banking registrations in March & April.
- We launched our first ever NAB WhatsApp channel as well as Apple Business Chat to give customers more ways to contact us for assistance.
- We have proactively called around 25,000 passbook customers and have set up approximately 2,800 of these customers with their first debit card.
- As at 22 May, NAB has approved 98,874 home loan deferrals with a balance of \$39.08bn. Application volumes are down around 40% compared to the first half of March.

NAB is adding 500 employees, including more than 400 external hires, to our customer support team as NAB starts checking-in with customers who have received a repayment pause to their home loans to help them through the impact of COVID-19.

In the coming weeks NAB bankers will be calling as many customers as possible to have a conversation and gain a deeper understanding of their situation.

This is an opportunity for us to speak to customers who have requested a payment pause and check how they are doing.

Deferrals have provided some immediate and much-needed relief, but if customers are able to make payments again, we will be encouraging them to do so. We don't want customers to be in debt any longer than they need to be. We want customers to choose what is best for them.

Some customers have already proactively contacted us to reverse their home loan deferrals and resume making payments because they felt ready to do so.

NAB's dedicated support team will outline the current position of the customer's home loan, the future impact of the repayment pause on their loan balance and discuss customers' plans for the months ahead.

NAB continues to offer home loan customers options about their repayments.

NAB has reduced direct debits in line with new minimum repayments if the customer opted to pay the minimum at the time the direct debit is set up and is still paying the current minimum.

NAB will not reduce direct debit repayments for customers who did not opt to pay the minimum, or initially opted to pay the minimum but have subsequently increased their direct debit to pay more than the minimum. This is to ensure that customers who have consciously opted to pay ahead are not penalised. These customers have the option to opt in to reduce their direct debit repayments via the NAB app.

This approach ensures that for customers currently paying ahead, the time taken to pay off their loan stays the same, unless they decide otherwise.

Support for Business Customers

NAB recognises this is a very difficult time for many of our business customers.

We continue to work with the Government on support for Australian businesses. In partnership with the Government, through the Coronavirus SME Guarantee Scheme, we have continued to provide eligible businesses with unsecured loans of up to \$250,000 over three years at 4.5% p.a. with no repayments required in the first six months. From its launch on 28 March to 22 May, NAB has approved 4,841 Business Support Loans under the Government's Scheme.

Support from the Federal Government and regulators has laid the foundations to keep the economy moving and keep as many people in jobs as possible.

Deferral of repayments

NAB supports the industry-wide Small Business Relief Package announced by the ABA on 20 March which will apply to more than \$100bn of existing small business loans. That package is facilitating the deferral of principal and interest repayments for loans to small businesses, in all sectors, impacted by the COVID-19 pandemic.

NAB also strongly supports the ABA's subsequent announcement extending the six-month deferral of loans, building on the Small Business Relief Package, to all businesses with up to \$10 million in total loan facilities. This has extended the availability of support to 98% of all businesses in Australia. At the end of the deferral period businesses will not be required to pay the deferred interest in a lump sum. Either the term of the loan will be extended, or the level of loan repayments will be increased.

NAB has provided 40,208 business loan deferrals with a balance of \$22bn as at 22 May.

JobKeeper Payment

NAB strongly supports the Government's JobKeeper program. It will be critical to efforts to keep people employed throughout this crisis. NAB is supporting our customers by providing temporary access to funds ahead of government JobKeeper payments.

In total, since JobKeeper was announced (30 March) NAB has approved 4,788 facilities (such as temporary excesses) to support JobKeeper payments.

On 12 May NAB launched a dedicated overdraft facility to support Job Keeper, with the ability to receive a short-term temporary excess available to manage any timing difference between paying wages and receiving the JobKeeper payment from the ATO. Customers will be able to draw upon the JobKeeper overdraft to make salary payments and then pay back the overdraft each month after they receive the JobKeeper payment from the Government.

NAB has a dedicated hotline for customers to access NAB's support for the JobKeeper payment for business customers (1800 JOB KEEPER).

NAB Staff returning to work

We are adopting a careful and cautious approach to how we re-enter our buildings, taking the time to ensure we do this in the safest possible way for our colleagues, as well as our customers and the community.

From a survey of our 34,000 colleagues in May we know that the overwhelming majority (80 per cent) of those currently working from home want to continue to have the flexibility to work remotely in the future.

We also know there are some staff who want to return to the office for a range of reasons, so we're providing flexibility in the first instance, to re-enter our buildings at a maximum of 20 per cent capacity.

We are introducing a range of additional measures to ensure we do this in a safe manner, including:

- An on-site nurses station.
 - Thermal cameras installed to measure body temperatures upon entry to buildings.
 - Lifts re-programmed so capacity is limited to two people.
 - No more hot-desking. Instead colleagues will be able to book dedicated desks via an app.
 - Blocking off spaces between desks to provide a safe physical distance between workstations.
 - Meeting rooms will be closed, along with collaboration and communal spaces.
 - Touchless water taps, removal of communal crockery and cutlery from kitchens.
 - Availability of PPE and hand sanitizer for those entering buildings.
- Extensive deep cleans of buildings, including individual workspaces.

Support for MLC Wealth Customers

MLC remains committed to supporting individuals and businesses affected by the pandemic and the resulting local and global market volatility impacting the retirement savings of all Australians.

We continue to monitor the liquidity and asset allocation of our funds as requests for early release of super payments continue. Our funds have sufficient liquidity to meet early release

payments and are well positioned to take advantage of market opportunities. As at 24 May, NULIS, MLC's superannuation trustee, has received 61,210 requests for early release payments, amounting to \$461m.

MLC is pleased to have been able to assist with promoting Lifeline's Crisis Support line in this difficult time. We have donated a tranche of 30 second television commercial spots as part of a campaign to highlight the fact Lifeline is taking a crisis call every 30 seconds, a huge uplift in volume.

A national study of adviser sentiment conducted by MLC Wealth Research revealed the top three topics between advisers and clients are investment and market performance, the importance of staying the course in the face of volatility, and Government support packages. MLC has been focussed on helping advisers meet client needs at this extraordinary time and has established a dedicated website with regularly updated information on the coronavirus in three main areas: market commentary, policy response and educational materials to use with clients.

Plans have commenced for the phased return of select employees to work premises. Re-entry will begin from Monday 15 June for a small portion of our workforce (up to but not exceeding 20%) and we are currently preparing our offices for a safe return.



NAB ECONOMICS DATA INSIGHTS

IMPACTS OF CORONAVIRUS ON CONSUMPTION BASED SPENDING AND BUSINESS PAYMENT INFLOWS

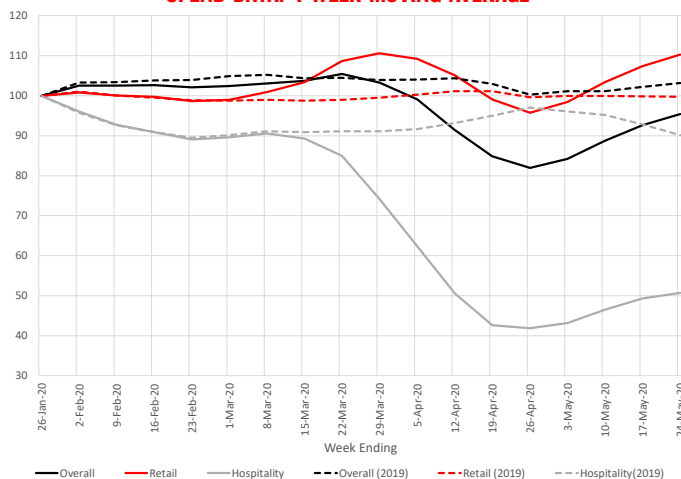
NAB Group Economics

May 2020

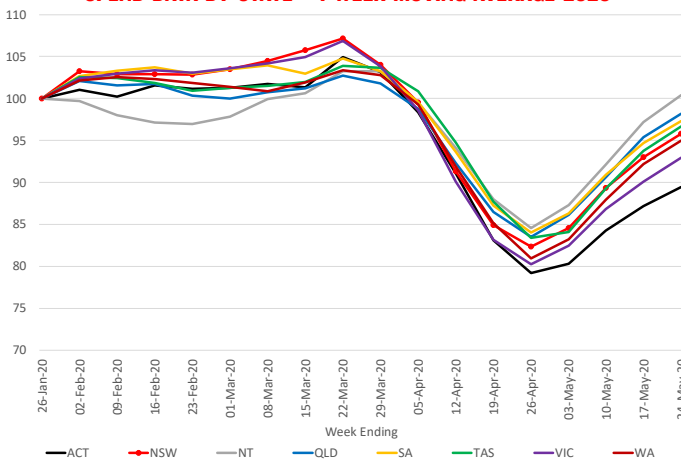
During these extraordinary times we have taken the decision to publish aggregated customer data categorised by industry segment with the view to helping provide clarity around which segments of the economy have been most affected by the broader macroeconomic trends at play. NAB takes data privacy very 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 trend improvement in consumption-based spending looks to have continued across most industries, although heavy falls are still being seen in key sectors such as Hospitality, Transport, Postal & Warehousing and Healthcare. Business payment inflows fell in most industries during May, with the heaviest falls in Hospitality and Arts & Recreation Services. Inflows in Manufacturing are however still quite strong.

SPEND DATA: 4 WEEK MOVING AVERAGE



SPEND DATA BY STATE - 4 WEEK MOVING AVERAGE 2020



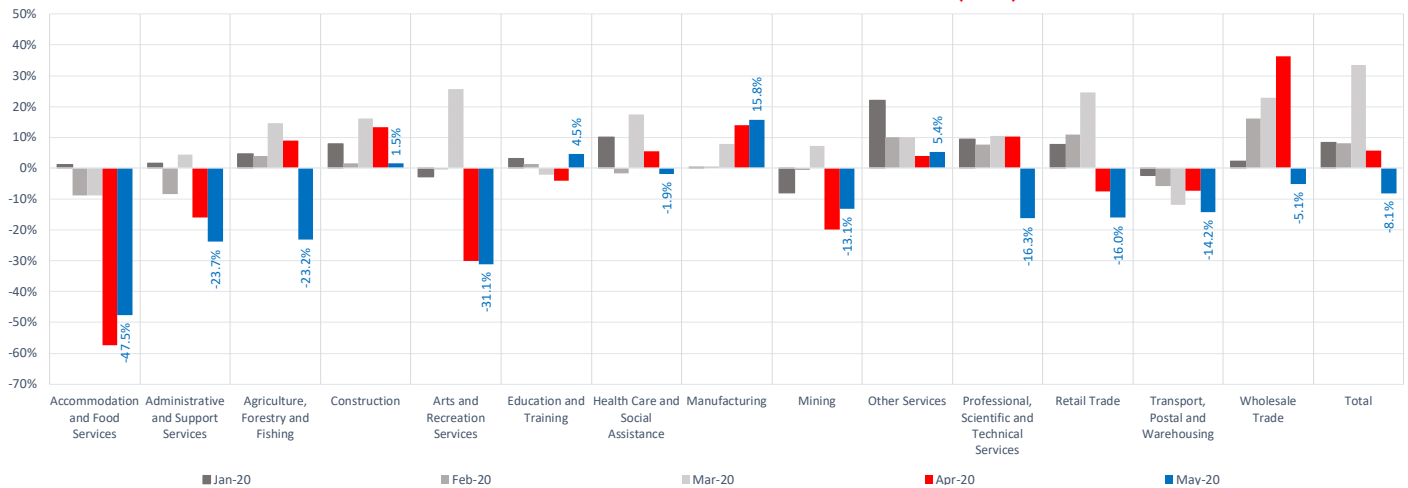
The overall trend in consumption spending continues to improve, but in 4-week moving average terms is down 7.8% over the same time last year and 5.8% since the start of 2020. The rate of spending decline eased further in all states and territories, and is now falling at single-digit levels in all areas bar the ACT.

By industry, spending is still falling very heavily in Administration & Support Services (down 85.9% since the start of the year). It is also very weak in Accommodation & Food Services (-49.3%) and Transport, Postal & Warehousing (-47.6%), although the pace of decline has slowed. In contrast, spending is up 29% in Professional, Scientific & Technical Services and Construction since the start of the year, but up only 1.0% and 7.4% respectively from the same time last year. Retail spend is 10% higher since the start of 2020 and from the same time last year.

Spending growth over the year is positive in 20 of 47 sub-industries - led by Gambling (71.5%), Internet Publishing & Broadcasting (44.2%) and Waste Collection (35.2%). Motion Picture & Sound Recording (-95.3%), Administration Services (-88.8%), Heritage Activities (-84.6%) and Rail (-83.8%) are down most.

Business payment inflows into NAB merchants fell 8.1% in May, after growing in the first 4 months of the year (based on data for the first 24 days of the month). Inflows into Corporates remain positive but have slowed sharply over the year. Inflows into medium and emerging firms are down heavily. By industry, the decline in inflows in Hospitality has slowed but is still down by around half over the same time last year (-47.5%). Inflows were strongest in Manufacturing (15.8%), underpinned by Pulp & Paper Manufacturing - see chart below.

PAYMENT INFLOWS INTO NAB MERCHANTS BY INDUSTRY (Y/Y) - ANZSIC 06



HIGHLIGHTS

Consumption Spending:

- Overall consumption spending growth slowed to 2.8% in 4-week moving average terms over the week ending May 24, from 4.4% in the previous week. Overall, spending is now down just 5.8% since the start of the year (compared to 14.9% two weeks ago). Spending is however 7.8% lower compared to the same time last year.
- Spending grew in all states and territories over the previous week in 4-week moving average terms, ranging from 3.3% in the NT to 2.6% in the ACT. But compared to the same time last year, it is still down heavily in most states and territories except the NT (2.0%), with the biggest falls in the ACT (-13.0%) and VIC (-10.3%).
- By industry, spending grew in nearly all sectors over the week, and 7 sectors also recorded higher levels of spending since the start of the year, led by Professional, Scientific & Technical Services (29.1%) and Construction (29.0%), although the rate of growth is significantly slower when compared to the same time last year at 1.0% and 7.4% respectively. Retail spending is also up around 10%. Spending on Administrative & Support Services (-85.9%) is still down heavily since the start of 2020. Hospitality is also down nearly 50%, but the rate of decline is slowing. Healthcare is also down 21.0%.
- By industry sub-division, spending is higher in 20 of 47 sectors compared to the same time last year, led by Gambling Activities (71.5%). But 13 sectors are now reporting falls of over 50% (12 in our previous report), ranging from -95.3% for Motion Picture & Sound Recording Activities to -55.4% for Building Construction.
- Relative to the last week, consumption spending grew in 37 industry sub-divisions (29 in our last update). Spending increased most for Water Transport (42.9%), Medical & Other Healthcare (13.0%) and Other Transport (11.9%). It fell most for Internet Service Providers, Web Search Portals & Data Processing (-10.9%) but is still well up year-on-year, followed by Creative & Performing Arts (-4.7%), Library & Other Information Services (-3.7%) and Building Construction (-3.4%).

Payment Inflows:

- Overall payment inflows into NAB merchants fell -8.1% over the year to May 2020, from 5.7% in the previous month (extrapolated from data to May 24).
- Payment inflows fell in most industries, led by Accommodation & Food Services (-47.5%) - albeit a touch better as the pace of decline in inflows into Cafes, Restaurants and Takeaway almost halved to a still very weak -32.3%. Inflows in Agriculture, Forestry & Fishing were negative for the first time this year (-29.5%), with inflows down in all industry sub-divisions. Payment inflows remain quite strong in Manufacturing (15.8%), supported by Pulp & Paper Manufacturing. Modest growth in inflows also recorded in Other Services (5.4%), Education & Training (4.5%) and Construction (1.5%).
- Inflows fell across all business sizes, particularly in medium (-24.2%) and emerging (19.0%) firms. Corporates were the exception, although inflows slowed sharply to just 9.2% in May from 36.1% in April.
- Overall payment inflows into the Retail sector fell -16.0% - more than double the rate in April (-7.4%). Inflows fell in all but 4 Retail industry groups - Department Stores (38.7%), Furniture, Floor Coverings, Houseware & Textile Goods (37.3%), Department Stores (24.1%), Recreational Goods Retailing (17.9%) and Specialised Food (12.3%). The heaviest falls were in Non-Store Retailing (-42.3%), Supermarket & Grocery Stores (-28.9%) and Fuel Retailing (-23.3%).
- By industry sub-division, payment inflows in May increased most for Pulp, Paper & Converted Paper Product Manufacturing (564.7%), Preschool and School Education (26.7%), Postal and Courier Pick-up & Delivery Services (24.7%), Exploration & Other Mining Support Services (23.7%) and Rail Transport (22.1%).
- Inflows fell most in Private Households Employing Staff & Undiff. Goods & Services Activities (-67.7%), Air & Space Transport (-62.2%) and Forestry & Logging (-57.3%). Accommodation (-47.3%) also among the weakest industry groups.

NAB CONSUMPTION-BASED SPENDING* BY INDUSTRY SECTOR & SELECTED INDUSTRIES (4 weeks ending 18-24 May 2020)

	% change since same time last year**	% change since the start of year**	% change since previous week**
Accommodation & Food Services	-43.7%	-49.3%	2.9%
Administrative & Support Services (incl. Travel Agents)	-85.9%	-85.9%	5.7%
Arts & Recreation Services	-11.2%	-16.7%	1.2%
Construction	7.4%	29.0%	2.0%
Education & Training	-28.3%	14.2%	1.3%
Electricity, Gas & Water & Waste Services	-1.2%	15.4%	0.2%
Healthcare & Social Assistance	-36.2%	-21.0%	11.4%
Information, Media & Telecommunications	4.1%	2.3%	-0.6%
Professional, Scientific & Technical Services	1.0%	29.1%	8.6%
Rental, Hiring & Real Estate Services	-14.0%	-15.2%	0.0%
Retail Trade	10.6%	10.3%	2.7%
Transport, Postal & Warehousing	-49.3%	-47.6%	3.2%
TOTAL	-7.8%	-5.8%	2.8%
Best Performers (Sub-Division)			
- Gambling Activities	71.5%	55.7%	1.1%
- Internet Publishing & Broadcasting	44.2%	45.6%	-0.2%
- Waste Collection, Treatment & Disposal Services	35.2%	-5.3%	-0.6%
- Construction Services	20.0%	42.1%	2.2%
- Library & Other Information Services	19.8%	48.3%	-3.7%
- Building Cleaning, Pest Control & Other Support Serv.	19.1%	19.9%	3.3%
- Food Retailing	18.2%	14.0%	-0.2%
- Other Store-Based Retailing	16.3%	14.9%	4.6%
Worst Performers (Sub-Division)			
- Motion Picture & Sound Recording Activities	-95.3%	-96.9%	1.1%
- Administrative Services	-88.8%	-88.7%	6.5%
- Heritage Activities	-84.6%	-90.2%	4.7%
- Rail Transport	-83.7%	-85.5%	4.5%
- Air & Space Transport	-82.9%	-83.7%	0.7%
- Creative & Performing Arts Activities	-75.6%	-74.6%	-4.7%
- Accommodation	-75.5%	-80.4%	9.8%
- Other Transport	-72.4%	-73.8%	11.9%

*This data excludes government services, taxes, direct to consumer manufacturers, mortgage and other credit facility repayments. Spending includes both online and offline transactions. Transaction data may include EFTPOS, Credit Card, BPAY, Bank Transfers, Direct Debits and PayPal services where available.

**Data is not seasonally adjusted.

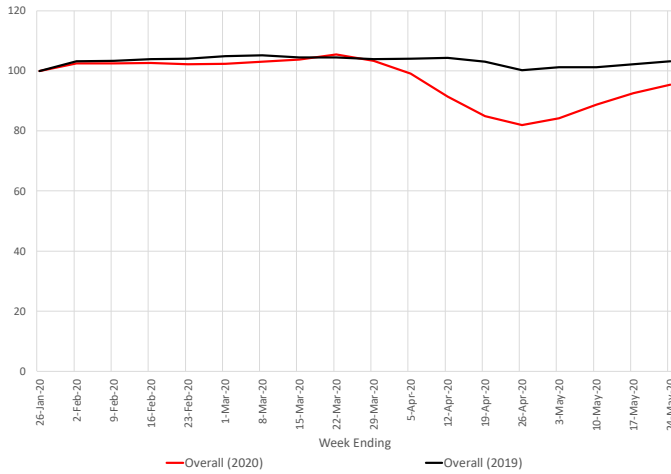
PAYMENT INFLOWS INTO NAB MERCHANTS - SELECTED INDUSTRIES (% Y/Y)*

	April 2020	May 2020
Accommodation & Food Services	-57.3%	-47.5%
Administration & Support Services	-15.9%	-23.7%
Agriculture, Forestry & Fishing	9.0%	-23.2%
Arts & Recreation Services	-30.1%	-31.1%
Construction	13.3%	1.5%
Education & Training	-4.1%	4.5%
Healthcare & Social Assistance	5.6%	-1.9%
Manufacturing	14.0%	15.8%
Mining	-19.8%	-13.1%
Other Services	4.0%	5.4%
Professional, Scientific & Technical Services	10.2%	-16.3%
Retail Trade	-7.4%	-16.0%
Transport, Postal & Warehousing	-7.2%	-14.2%
Wholesale Trade	36.2%	-5.1%
TOTAL	5.7%	-8.1%
Business Size		
- Small	-4.6%	-13.6%
- Emerging	0.4%	-19.0%
- Medium	-3.9%	-24.2%
- Large	7.4%	-11.1%
- Corporate	36.1%	9.2%
Best Performers (Sub-Division)		
- Pulp, Paper & Converted Paper Product Manufacturing	283.1%	564.7%
- Preschool & School Education	-20.4%	26.7%
- Postal & Courier Pick-up & Delivery Services	-17.1%	24.7%
- Exploration & Other Mining Support Services	-12.1%	23.7%
- Rail Transport	53.8%	22.1%
- Metal Ore Mining	21.2%	18.4%
Worst Performers (Sub-Division)		
- Private H/hold Employing Staff & Undiff. G&S Activities	638.8%	-67.7%
- Air & Space Transport	-54.1%	-62.2%
- Forestry & Logging	-1.4%	-57.3%
- Oil & Gas Extraction	-20.4%	-53.6%
- Motor Vehicle & Motor Vehicle Parts Wholesaling	-38.9%	-51.6%
- Heritage Activities	-76.8%	-49.0%
- Sports & Recreation Activities	-52.9%	-48.0%
- Creative & Performing Arts Activities	-7.8%	-47.4%
- Accommodation	-48.8%	-47.3%

* Payment Inflows are credits to a NAB merchant's account that is not a financing credit from NAB or a transfer from related accounts.

PART 1: SPENDING PATTERNS: OVERALL, BY STATE & BY INDUSTRY

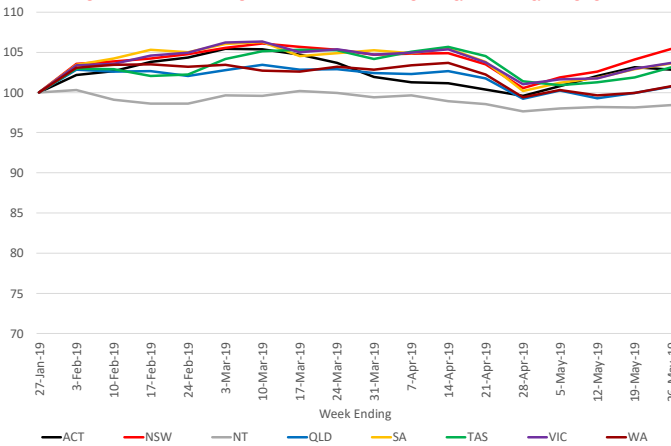
SPEND DATA: 4 WEEK MOVING AVERAGE - OVERALL



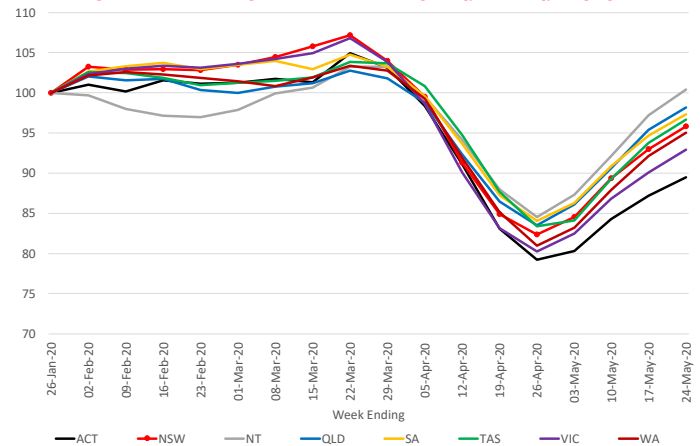
Note: Data excludes government services, taxes, direct to consumer manufacturers, mortgage and other credit facility repayments. Spending includes both online and offline transactions. Transaction data may include EFTPOS, Credit Card, BPAY, Bank Transfers, Direct Debits and PayPal services where available. NAB uses the four-week average measure to smooth volatile data.

The latest data is for the four weeks ending 18-24 May 2020.

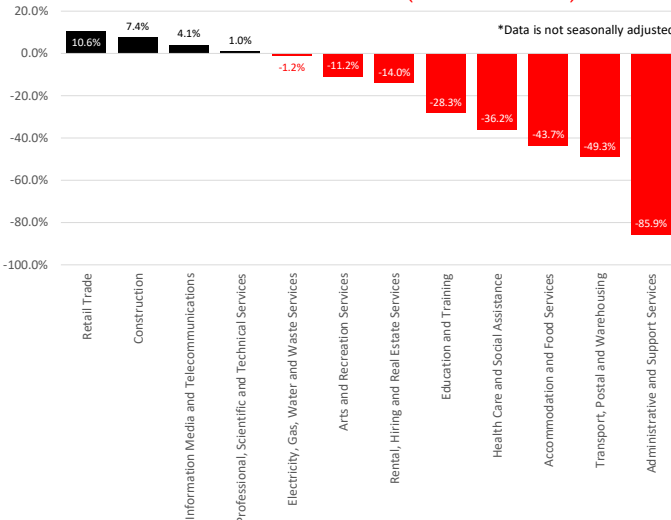
SPEND DATA BY STATE - 4 WEEK MOVING AVERAGE 2019



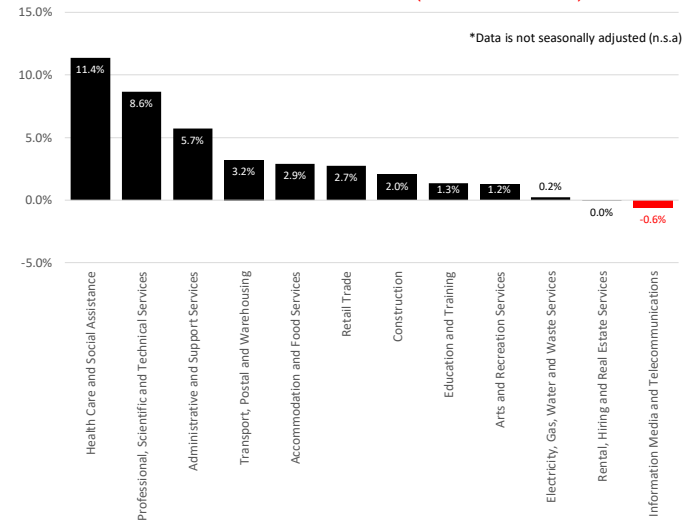
SPEND DATA BY STATE - 4 WEEK MOVING AVERAGE 2020



CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS YEAR BY INDUSTRY - WEEK ENDING 24 MAY 2020 (4 WEEK MOVING AVG)*



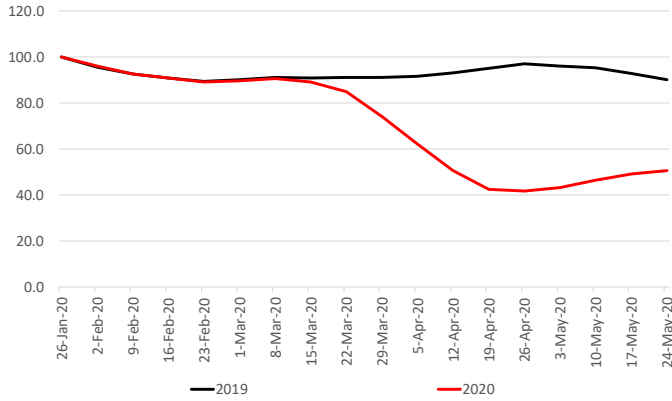
CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS WEEK BY INDUSTRY - WEEK ENDING 24 MAY 2020 (4 WEEK MOVING AVG)*



SPENDING CHANGES BY INDUSTRY & INDUSTRY SUB-DIVISION

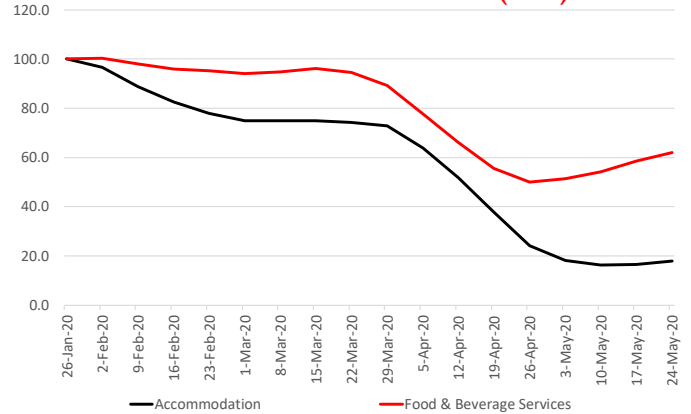
**Down 49.3% since start of the year
Up 2.8% over the previous week**

ACCOMMODATION & FOOD SERVICES



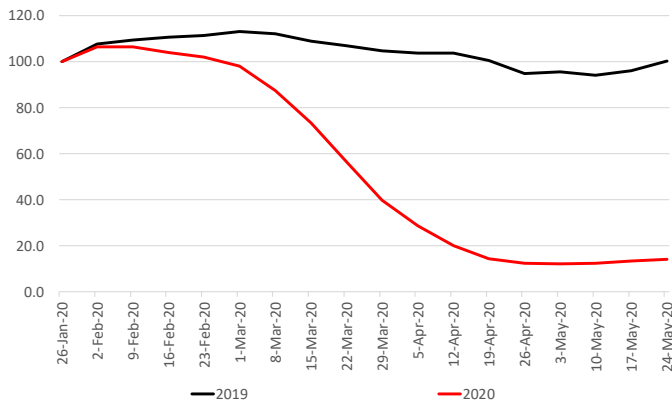
Food & Beverages leading modest recovery in this sector, with Accommodation still very weak.

ACCOMMODATION & FOOD SERVICES (2020)



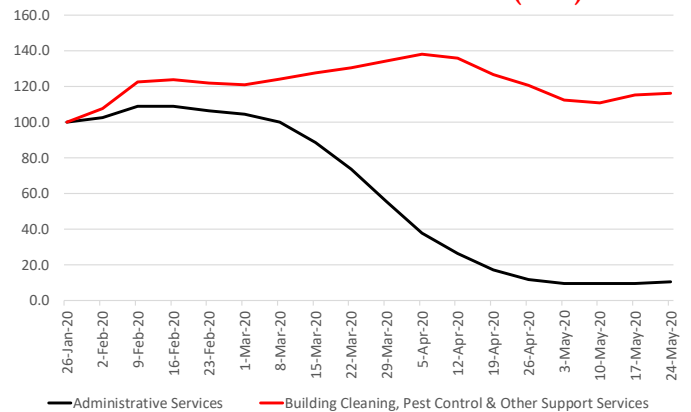
**Down 85.9% since start of the year
Up 5.7% over the previous week**

ADMINISTRATIVE & SUPPORT SERVICES



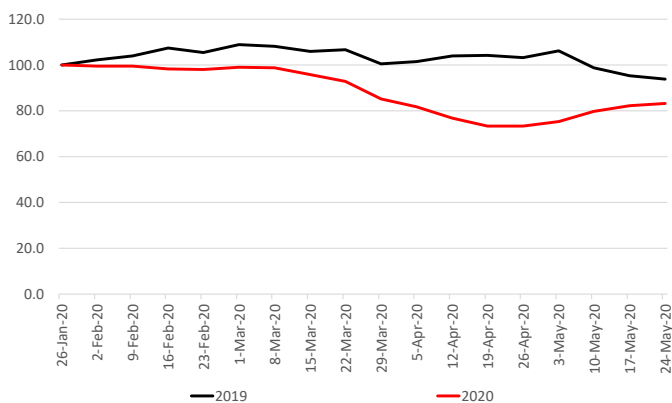
Spending on Building, Cleaning, Pest Control & Other Services holding up, but Admin very weak.

ADMINISTRATIVE & SUPPORT SERVICES (2020)



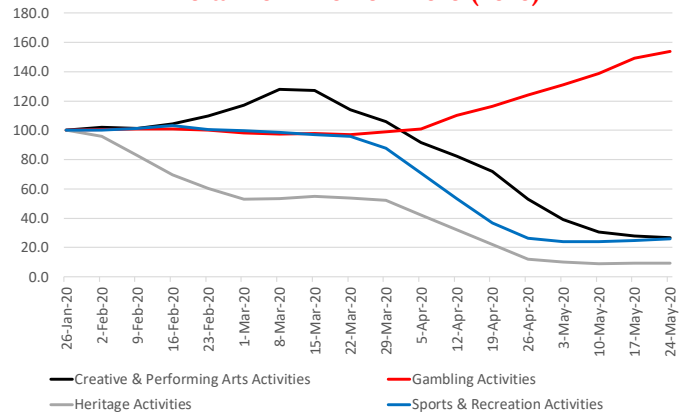
**Down 16.7% since the start of the year
Up 1.2% over the previous week**

ARTS & RECREATION SERVICES



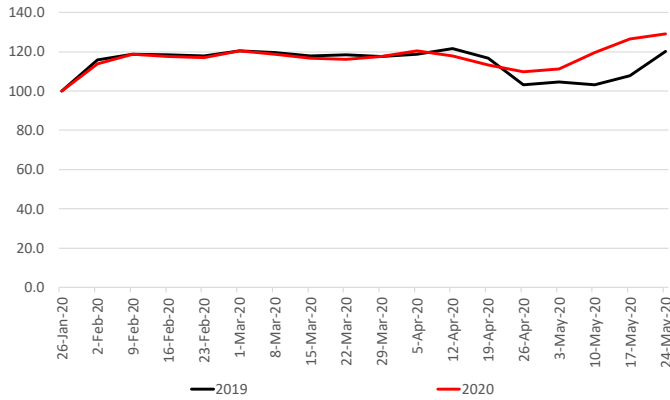
Spending in Arts & Recreation being supported solely by Gambling Activities.

ARTS & RECREATION SERVICES (2020)



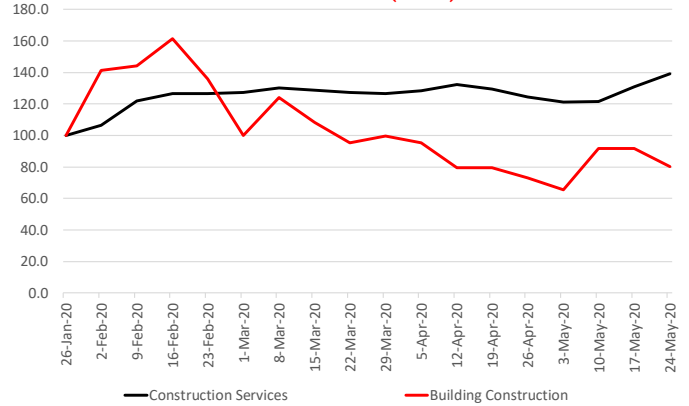
**Up 29.0% since the start of the year
Up 2.0% over the previous week**

CONSTRUCTION



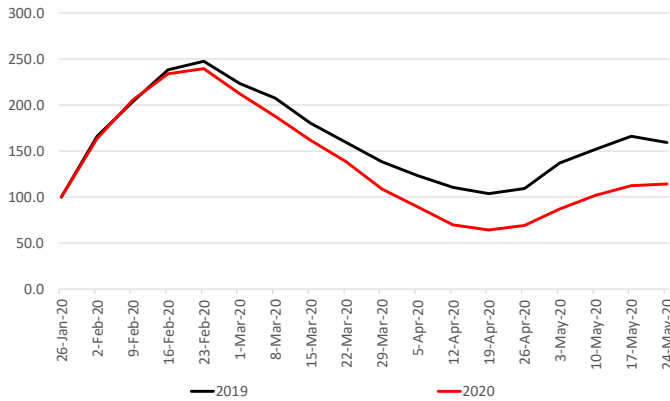
**Spending on Construction Activities up strongly
over year to date, but Building Construction down.**

CONSTRUCTION (2020)



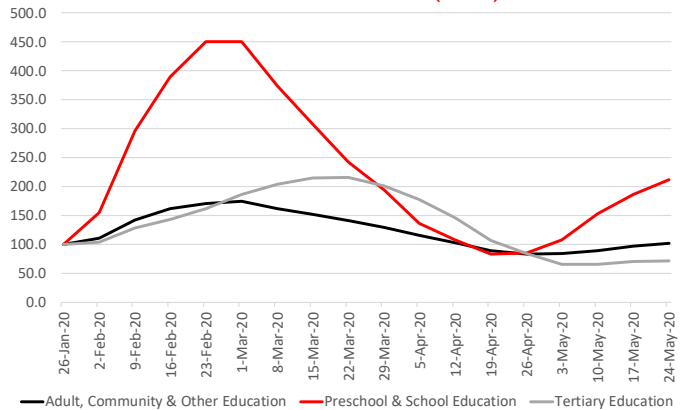
**Up 14.2% since the start of the year
Up 1.3% over the previous week**

EDUCATION & TRAINING



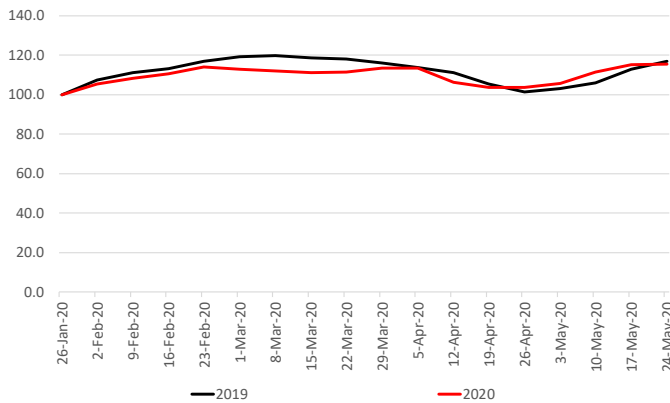
**Spending on Preschool & Schools Education
growing fastest; Tertiary floundering.**

EDUCATION & TRAINING (2020)



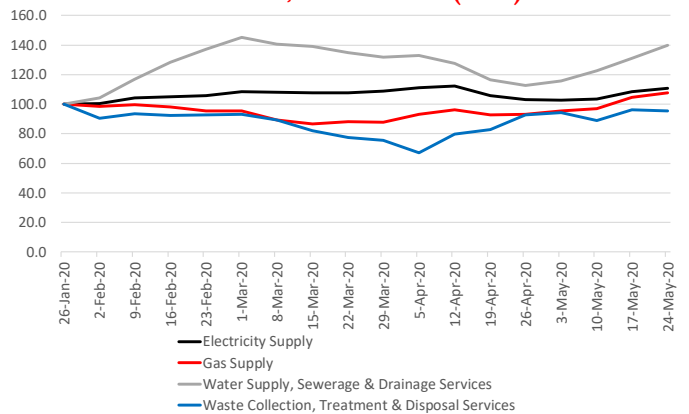
**Up 15.4% since the start of the year
Up 0.2% over the previous week**

ELECTRICITY, GAS, WATER & WASTE SERVICES



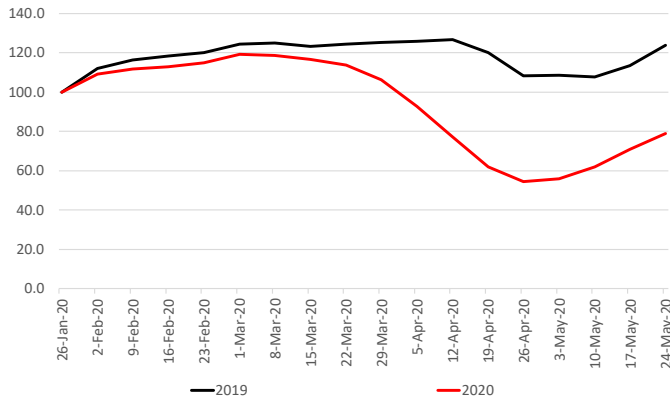
**Spending on utilities up in all sectors, bar Waste
Collection, Treatment & Disposal Services.**

ELECTRICITY, GAS & WATER (2020)



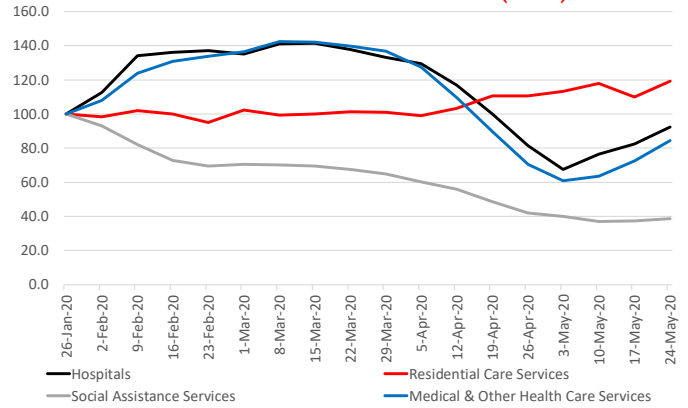
**Down 21.0% since the start of the year
Up 11.4% over the previous week**

HEALTHCARE & SOCIAL ASSISTANCE



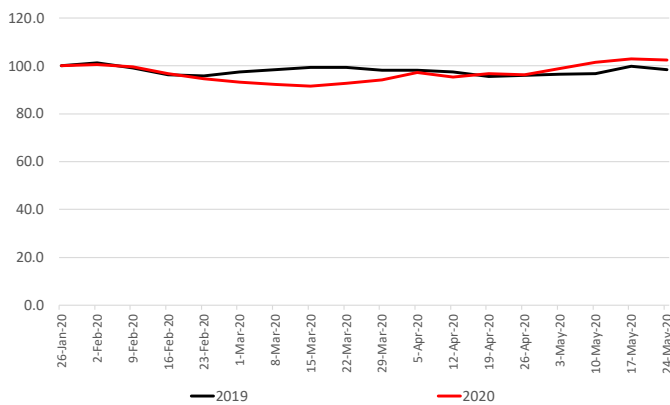
**Spending recovery accelerating in Hospitals and
Medical & Other Health Care Services.**

HEALTH CARE & SOCIAL ASSISTANCE (2020)



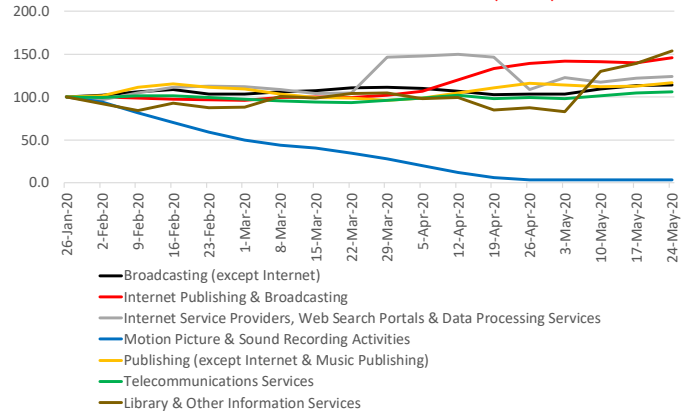
**Up 2.3% since the start of the year
Down 0.6% over the previous week**

INFORMATION, MEDIA & TELECOMMUNICATION



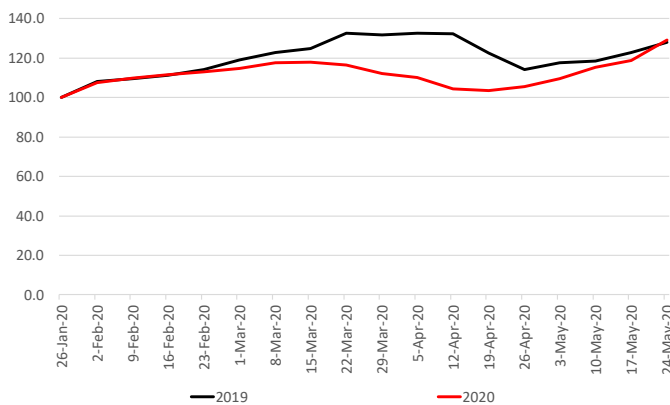
**Spend on Library & Other Information and Internet,
Publishing & Broadcasting up sharply this year.**

INFORMATION MEDIA & TELECOMS (2020)



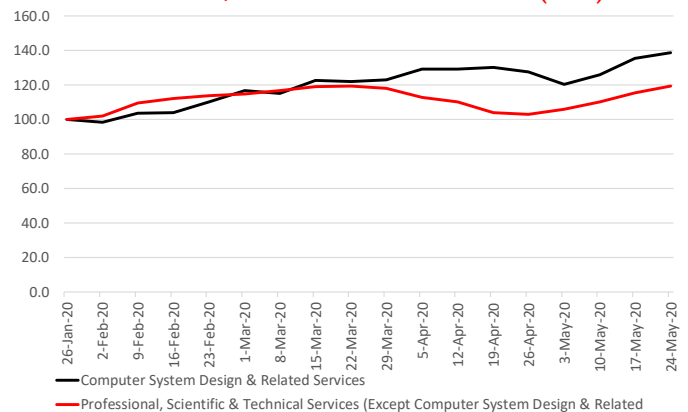
**Up 29.1% since the start of the year
Up 8.6% over the previous week**

PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES



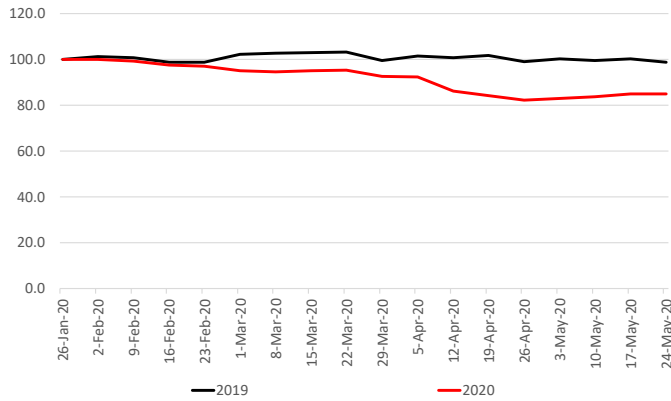
**Spending growth in all sub-divisions positive
through 2020 to date.**

PROFESSIONAL, SCIENTIFIC & TECHNICAL SERV. (2020)



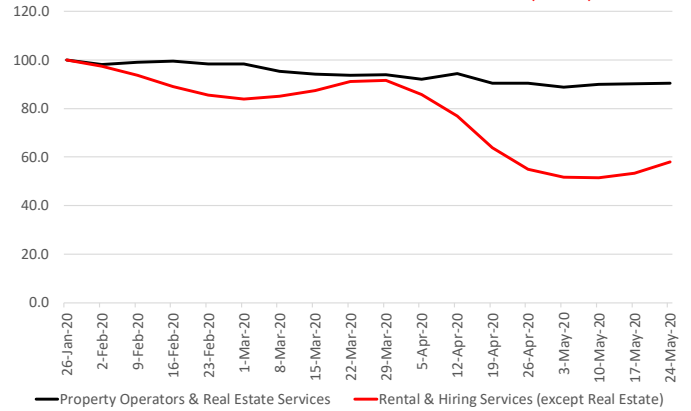
**Down 15.2% since the start of the year
Flat (0.0%) over the previous week**

RENTAL, HIRING & REAL ESTATE SERVICES



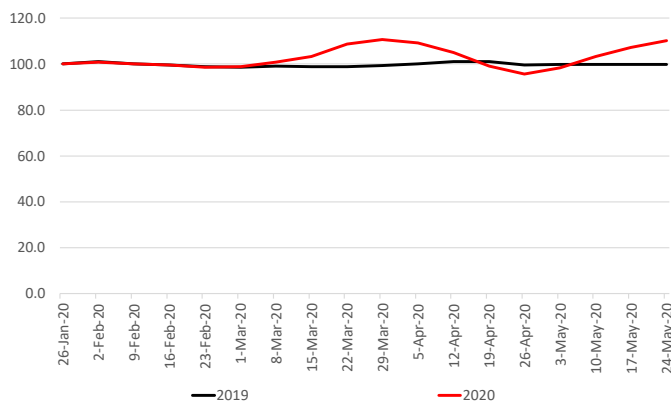
**Overall spending down, but much less so for
Property Operators & Real Estate Services.**

RENTAL, HIRING & REAL ESTATE SERVICES (2020)



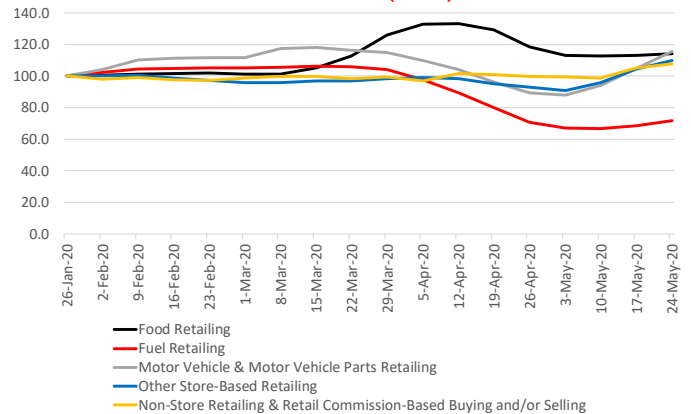
**Up 10.3% since the start of the year
Up 2.7% over the previous week**

RETAIL TRADE



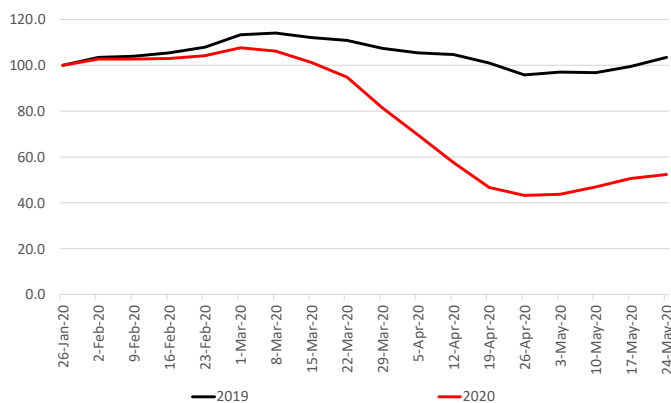
**Spending growth in all Retail sub-sectors up over
the year to date, except Fuel Retailing.**

RETAIL TRADE (2020)



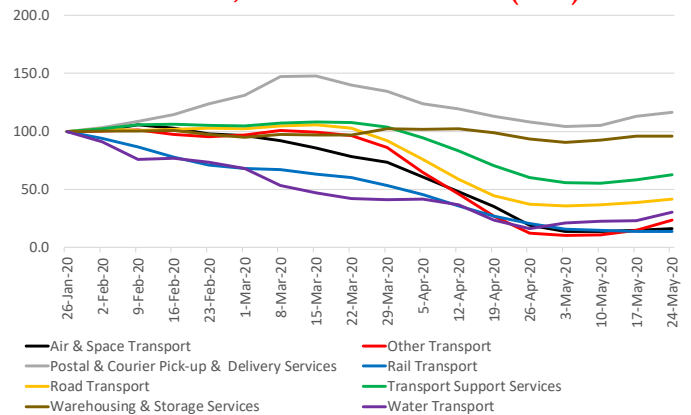
**Down 47.6% since the start of the year
Up 3.1% over the previous week**

TRANSPORT, POSTAL & WAREHOUSING



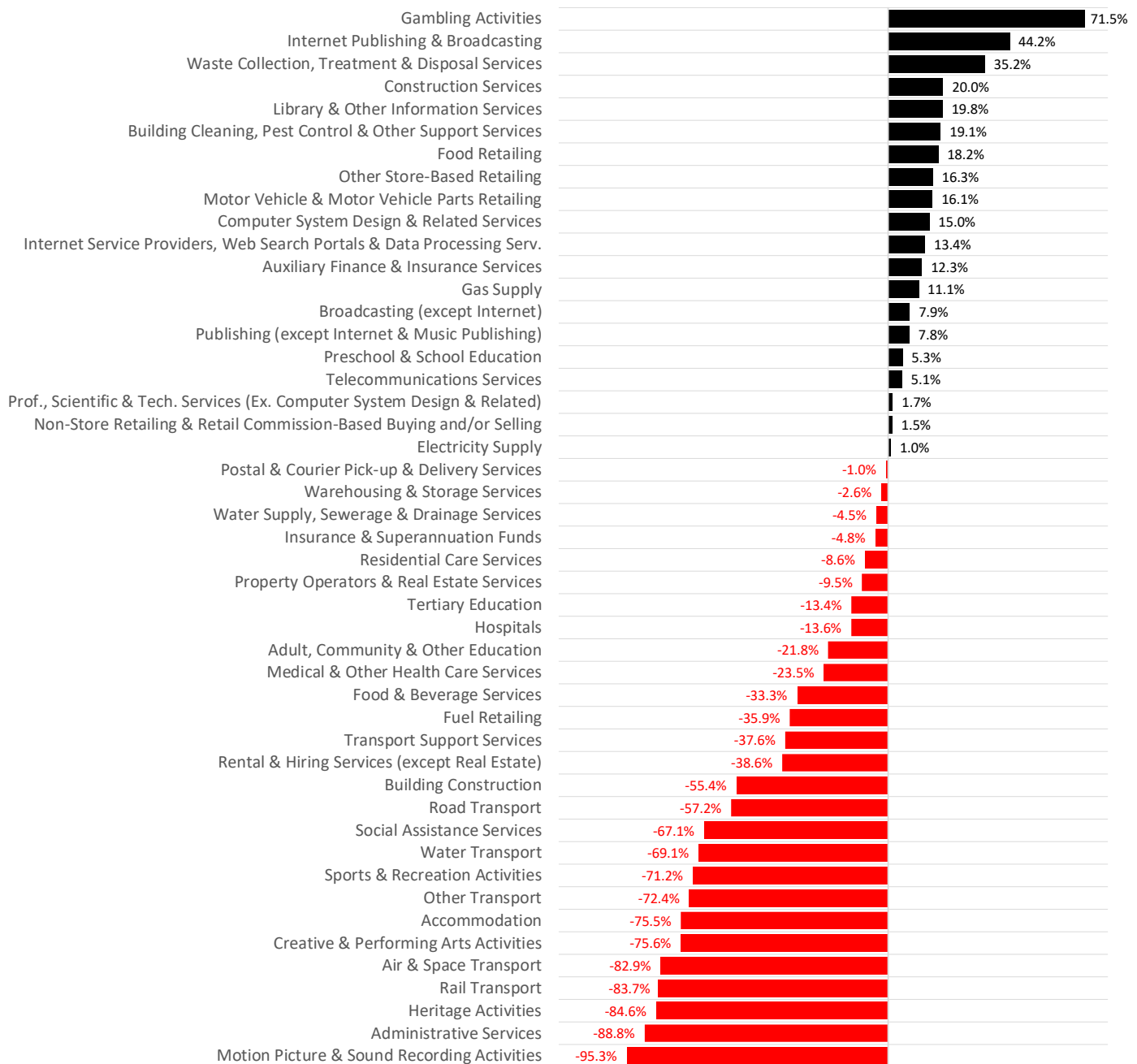
**Postal & Courier Pick-up/Delivery Services positive,
but most other sub-industries struggling.**

TRANSPORT, POSTAL & WAREHOUSING (2020)



CONSUMPTION SPENDING BY INDUSTRY SUB-DIVISION - RANKED

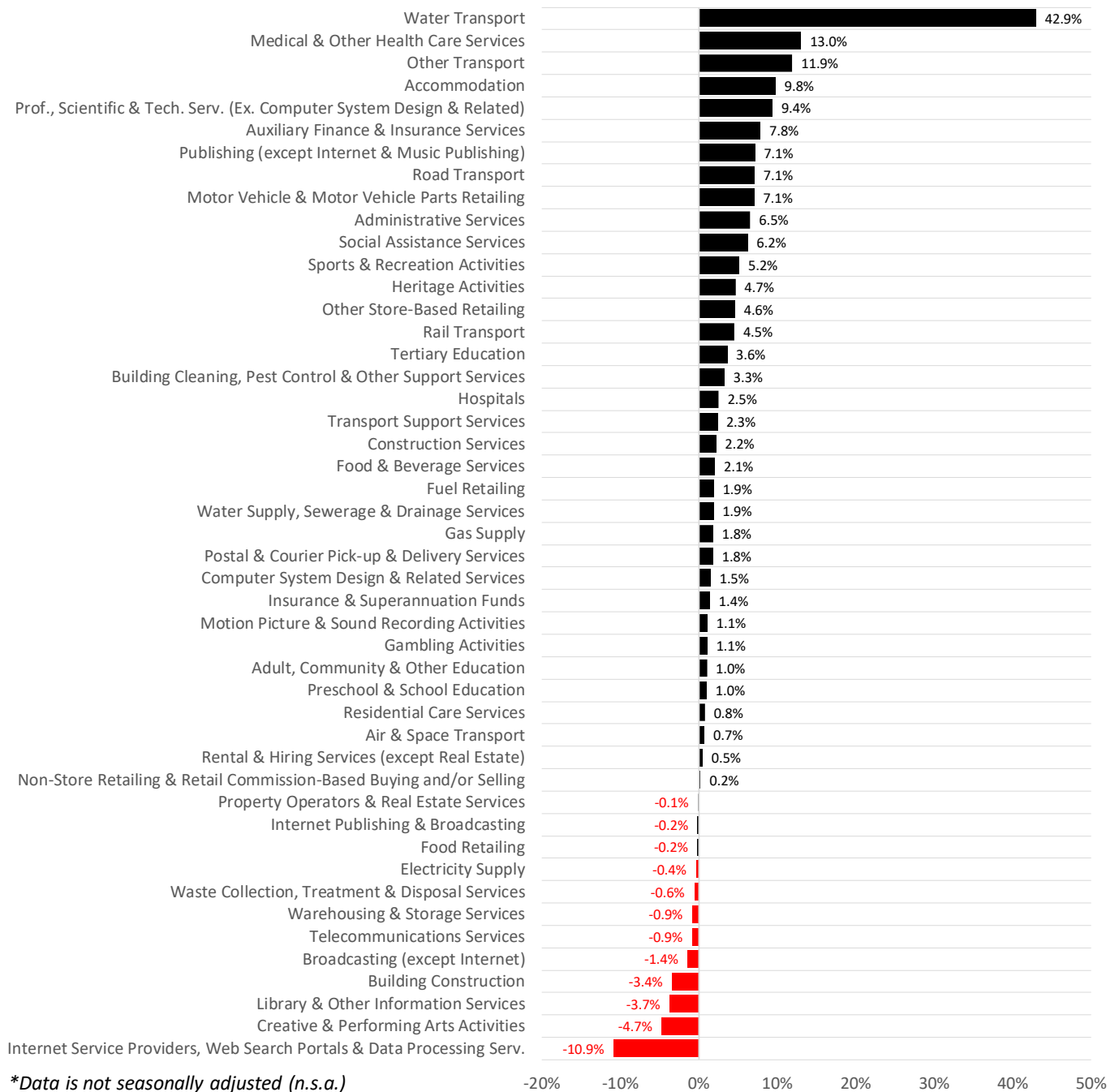
CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS YEAR BY INDUSTRY SUB-DIVISION - WEEK ENDING 24 MAY 2020 (4 WEEK MOVING AVG)*



*Data is not seasonally adjusted (n.s.a.)

-120% -100% -80% -60% -40% -20% 0% 20% 40% 60% 80%

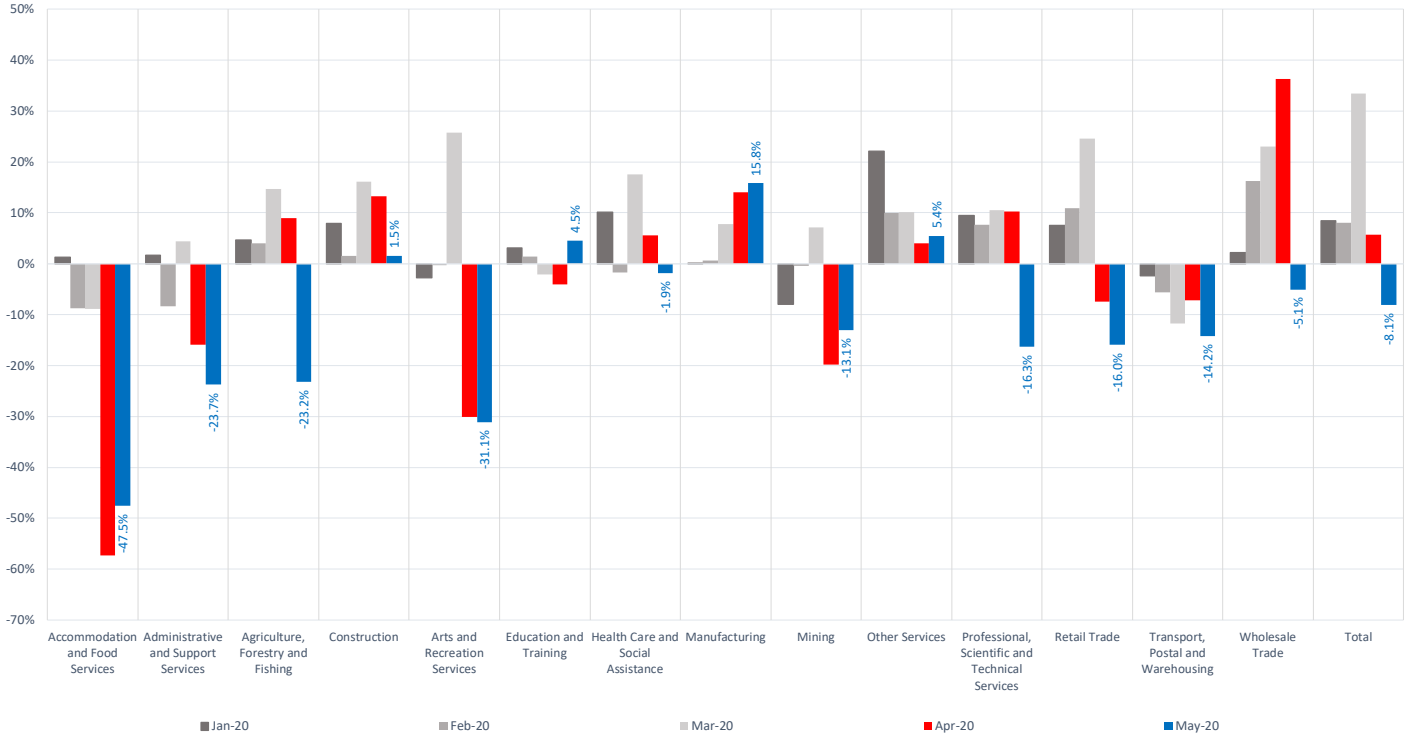
CHANGE IN CONSUMPTION SPENDING OVER THE PREVIOUS WEEK BY INDUSTRY SUB-DIVISION - WEEK ENDING 24 MAY 2020 (4-WEEK MOVING AVG)*



PART 2: PAYMENT INFLOWS INTO NAB MERCHANTS BY INDUSTRY

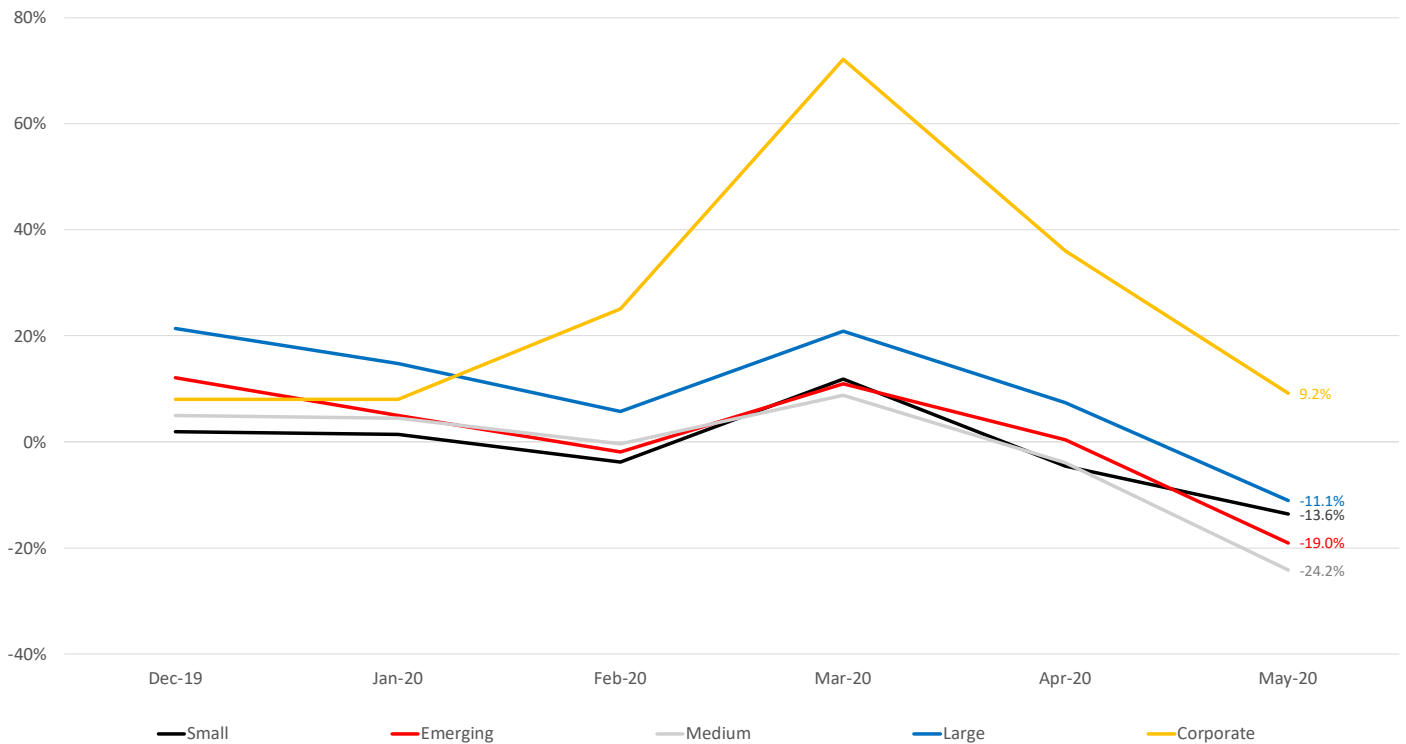
Overall payment inflows fell -8.1% over the year to May 2020, down from 5.7% in the previous month. Data has been extrapolated for May 2020 based on the available data to May 24.

PAYMENT INFLOWS INTO NAB MERCHANTS BY INDUSTRY (Y/Y) - ANZSIC 06



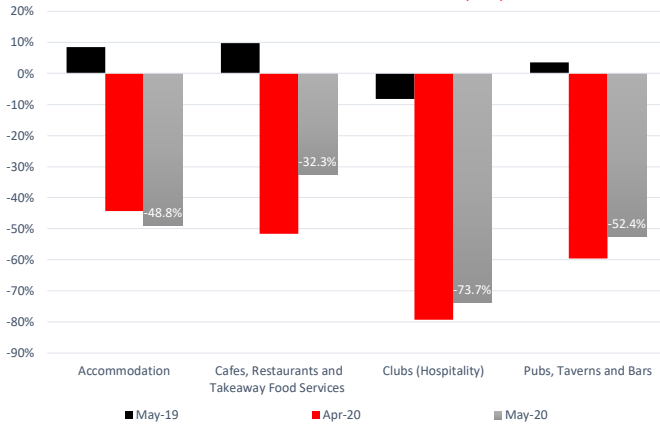
Inflows down by all sizes of businesses, but remain positive for corporates

PAYMENT INFLOWS INTO NAB MERCHANTS BY MERCHANT SIZE (Y/Y)



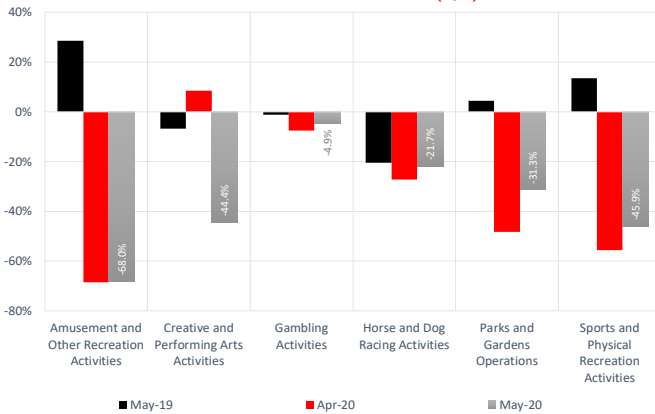
INDUSTRY DEEP DIVE: ACCOMMODATION & FOOD SERVICES, ARTS & RECREATION SERVICES & RETAIL TRADE

**PAYMENT INFLOWS INTO NAB MERCHANTS:
ACCOMMODATION & FOOD SERVICES (Y/Y)**



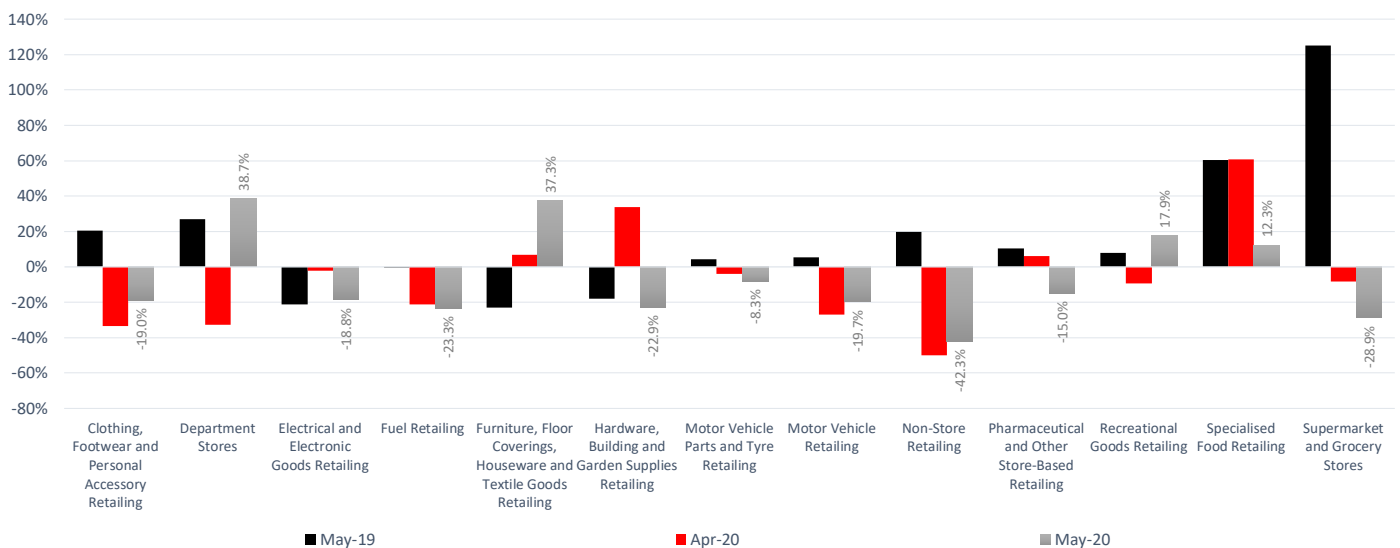
Inflows still falling steeply across industry groups, but stabilising in all industry groups except Accommodation.

**PAYMENT INFLOWS INTO NAB MERCHANTS:
ARTS & RECREATION SERVICES (Y/Y)**



Overall payment inflows negative in all industry groups. Amusement & Other Recreation Services down most, but biggest decline noted in Creative & Performing Arts Activities relative to last month.

**PAYMENT INFLOWS INTO NAB MERCHANTS:
RETAIL TRADE (Y/Y)**

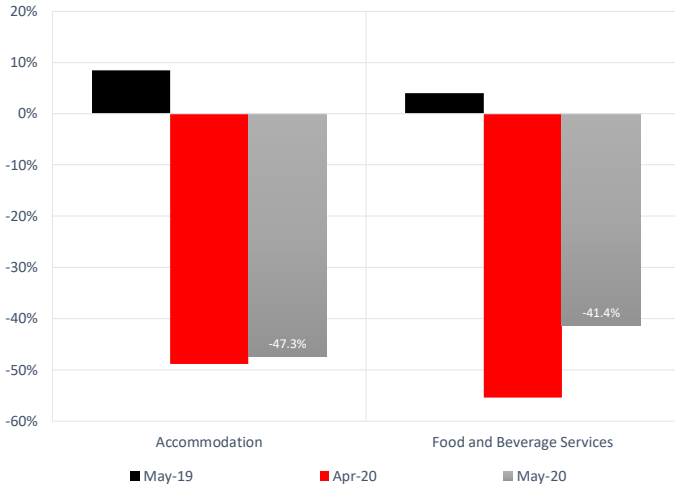


Inflows falling in all but 4 groups - Furniture, Floor Coverings, Houseware & Textile Goods, Department Stores, Recreational Goods and Specialised Food.

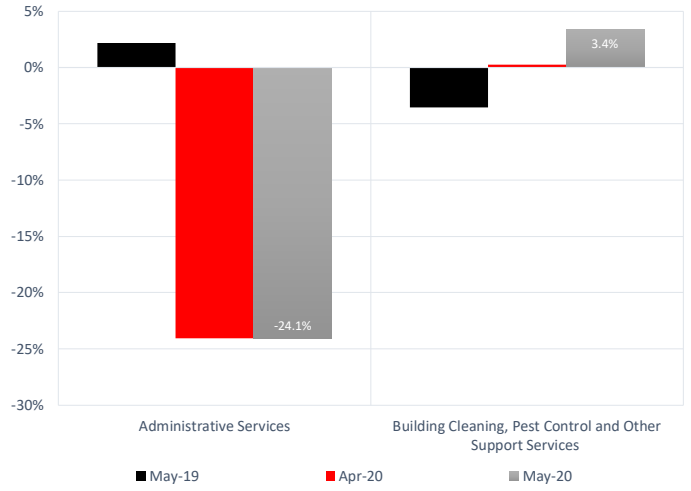
Biggest falls in Non-Store Retailing, Supermarket & Grocery Stores and Fuel Retailing.

PAYMENT INFLOWS BY INDUSTRY SUB-DIVISION

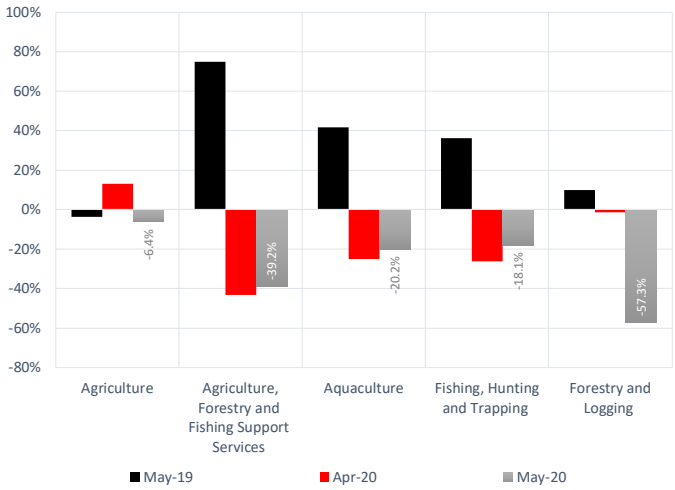
**PAYMENT INFLOWS INTO NAB MERCHANTS:
ACCOMMODATION & FOOD SERVICES (Y/Y)**



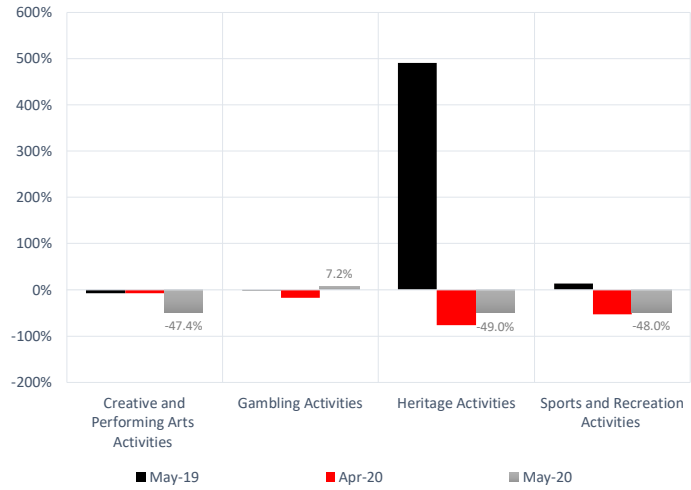
**PAYMENT INFLOWS INTO NAB MERCHANTS:
ADMINISTRATION & SUPPORT SERVICES (Y/Y)**



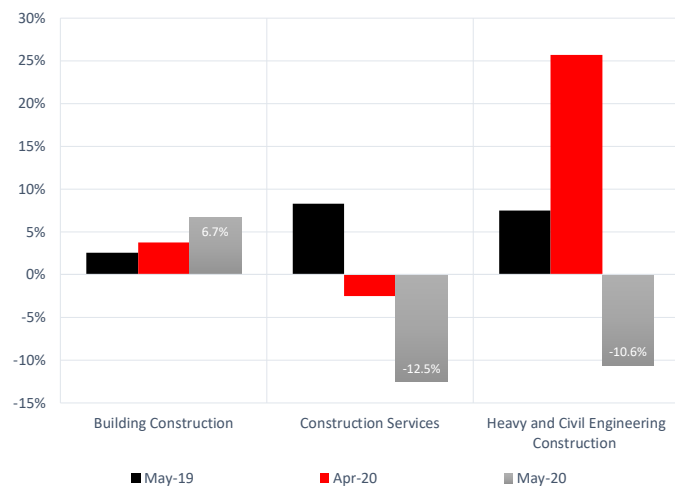
**PAYMENT INFLOWS INTO NAB MERCHANTS:
AGRICULTURE, FORESTRY & FISHING (Y/Y)**



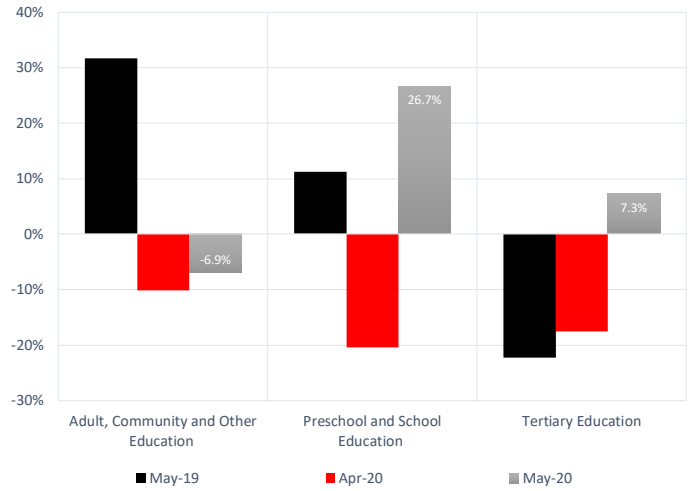
**PAYMENT INFLOWS INTO NAB MERCHANTS:
ARTS & RECREATION SERVICES (Y/Y)**



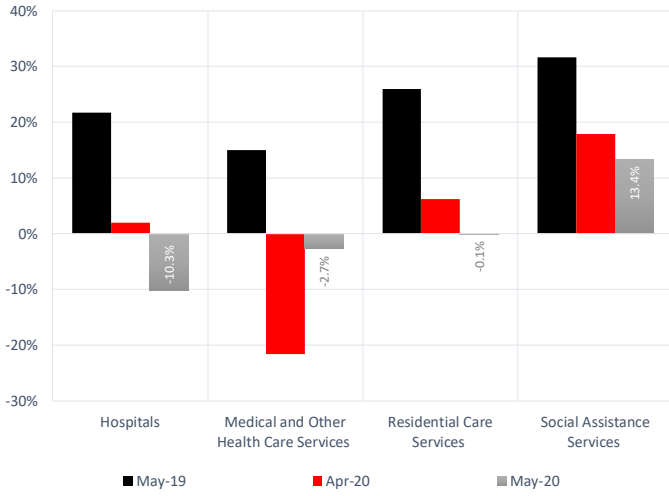
**PAYMENT INFLOWS INTO NAB MERCHANTS:
CONSTRUCTION (Y/Y)**



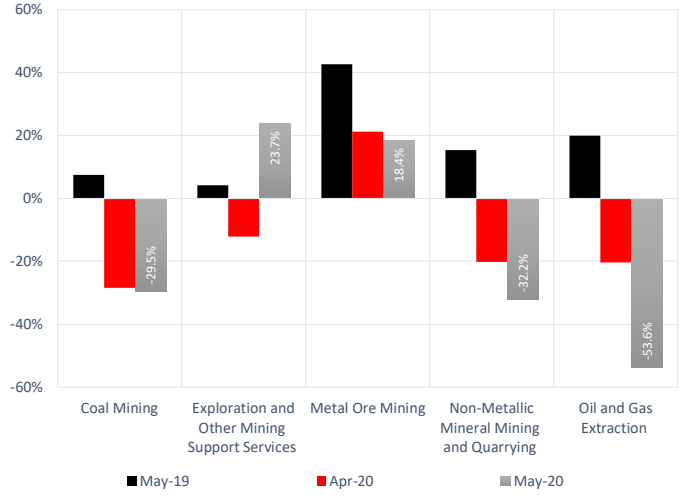
**PAYMENT INFLOWS INTO NAB MERCHANTS:
EDUCATION & TRAINING (Y/Y)**



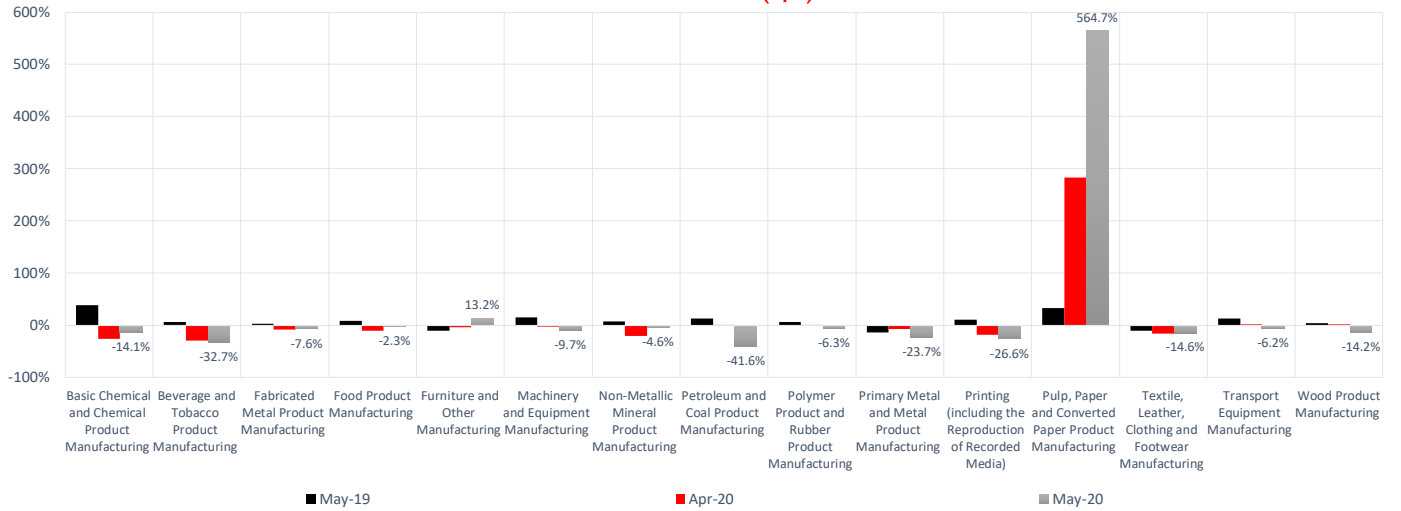
**PAYMENT INFLOWS INTO NAB MERCHANTS:
HEALTH CARE & SOCIAL ASSISTANCE (Y/Y)**



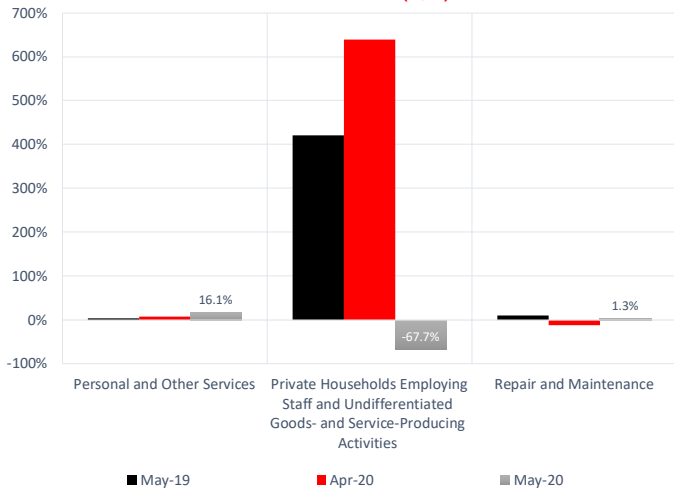
**PAYMENT INFLOWS INTO NAB MERCHANTS:
MINING (Y/Y)**



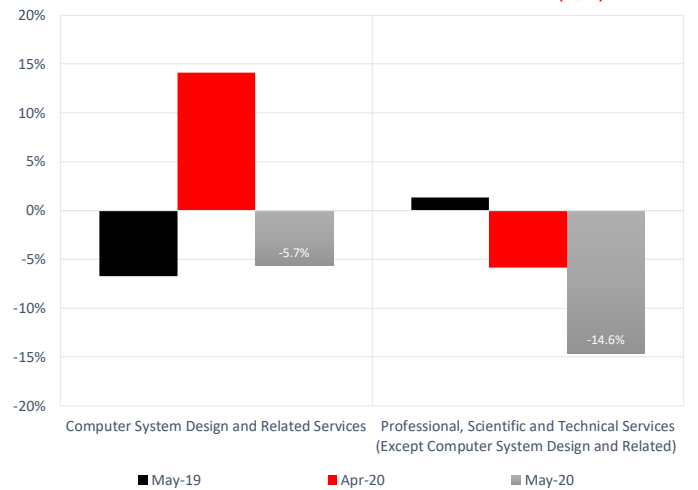
**PAYMENT INFLOWS INTO NAB MERCHANTS:
MANUFACTURING (Y/Y)**



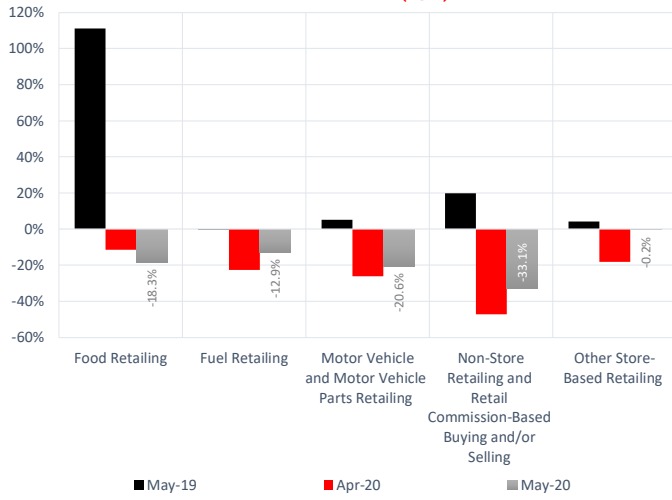
**PAYMENT INTO NAB MERCHANTS:
OTHER SERVICES (Y/Y)**



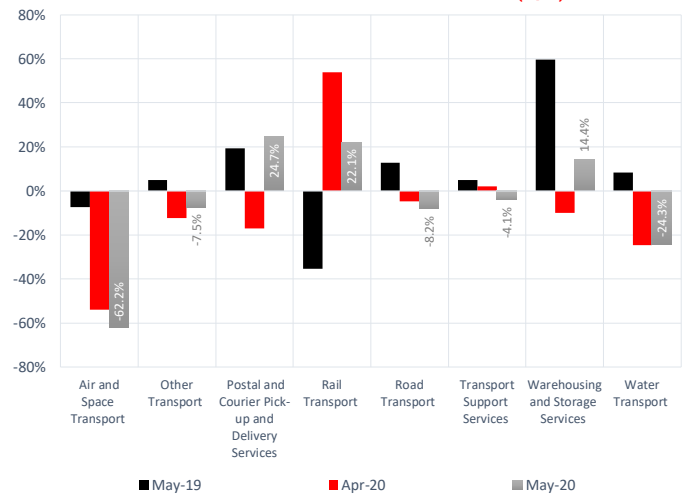
**PAYMENT INFLOWS INTO NAB MERCHANTS:
PROFESSIONAL, SCIENTIFIC & TECHNICAL SERV. (Y/Y)**



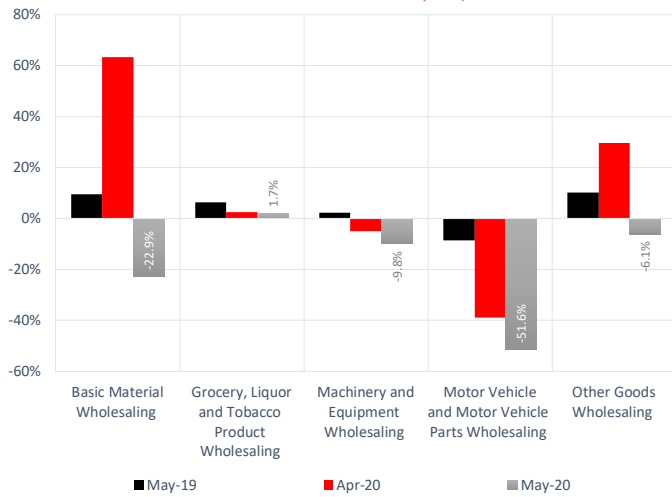
**PAYMENT INFLOWS INTO NAB MERCHANTS:
RETAIL TRADE (Y/Y)**



**PAYMENT INFLOWS INTO NAB MERCHANTS:
TRANSPORT, POSTAL & WAREHOUSING (Y/Y)**



**PAYMENT INFLOWS INTO NAB MERCHANTS:
WHOLESALE TRADE (Y/Y)**



PAYMENT INFLOWS BY INDUSTRY SUB-DIVISION - RANKED

PAYMENT INFLOWS INTO NAB MERCHANTS INDUSTRY SUB-DIVISION RANKED (MAY 2020, Y/Y)



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AUSTRALIAN GDP PREVIEW

Q1 2020 – the calm before the storm

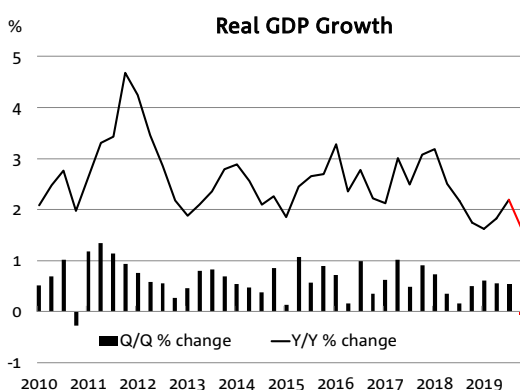


NAB Economics

29 May 2020

Bottom line: We expect GDP fell slightly in Q1 by 0.1% with downside risks centred on spending on services and the extent to which stocks were run down. This would be the first quarterly fall since Q1 2011, but will be dwarfed by a large fall in Q2 suggested by more timely indicators. The coronavirus pandemic clearly weighed on activity at the end of Q1, although below-trend annual growth of 1.6% in Q1 also reflects weak private-sector demand over the past year, which is consistent with softer wage and price growth leading into the crisis. With the RBA and Government having already undertaken unprecedented policy steps late in Q1, labour market indicators are likely to be a focus of policy going forward. We continue to expect a large fall in GDP in Q2 of around 8.5% before a small rise in Q3 and stronger growth in Q4. However, we only expect the level of GDP to recover to pre-crisis levels in mid-2022. As such, we expect only a partial recovery in the unemployment rate and for it to remain high at 7.3% by the end of 2021.

- **We expect next week's GDP print for Q1 to show a small fall** in output with the major impact of coronavirus containment measures occurring late in the quarter. The key partials released to date suggest a small contribution from net exports, a small subtraction from business investment and a flat contribution from dwelling investment. Based on retail sales data and internal modelling of the services component of consumption we see a small contribution from consumption with the strength in retail offset by a fall in stocks. Overall, this will see year-ended growth continue at a well-below trend rate leading into Q2.
- **Looking forward**, we expect a large fall in output in Q2 of around 8.5% followed by return to growth in Q3 and a more substantial rebound in activity in Q4. We think it is unlikely that the level of activity will fully recover to pre-COVID levels before mid-2022. In year-average terms, this sees GDP decline by 4.3% this year before rising by over 4% in 2021. With GDP data relatively lagged, more timely indicators already suggest Australia has entered a downturn of unprecedented speed and magnitude, seen most clearly in the labour market. We expect that the unemployment rate will rise to over 10% by year's end and then partially recover in 2021, remaining above 7% reflecting the delayed recovery in the level of activity.
- The **key risks for our forecasts** in the quarter relate to household consumption where retail sales appear to have been a key support with considerable uncertainty around how much of this surge was met by a run-down in existing stocks. Further out we see two key risks to our forecast recovery. We implicitly assume containment measures do not need to be reimposed domestically (although that is a clear risk globally), and therefore any second wave of infection would trigger revisions to our forecast recovery. Secondly, while the 'enemy is known' the large hits to both business and consumer confidence may have ongoing impacts on activity. Should confidence remain depressed, it is likely that the recovery could be more protracted. Against that, the unprecedented, front-loaded support by policy-makers will assist both households and business to recover more quickly than in previous downturns. Structurally, slowing population growth based on a fall in migration presents a risk to both the demand and supply side of the economy as well.
- **Policy implications:** The outcome for Q1 is unlikely to have any policy impact, with unprecedented action by both fiscal and monetary authorities in March. However, we expect ongoing support from both arms of policy. The cash rate is unlikely to rise for an extended period, with inflation remaining well below target and other central banks also likely to keep rates low. The cash rate is also unlikely to see further reductions with negative rates ruled out by Governor Lowe and the RBA focus now firmly on end-user rates via the yield curve target, as well as ensuring sufficient liquidity in bond markets and the free flow of credit to households and business. We think that fiscal policy-makers will have to do more as current schemes wind down to provide support in the recovery phase.



Real GDP Forecasts

	Q/Q		Y/Y	Contribution to Q/Q
	Dec-19	Mar-20	Mar-20	Mar-20
Household Consumption	0.4	0.3	1.2	0.1
Dwelling Investment	-3.4	-0.7	-8.6	0.0
Underlying Business Investment	-1.5	-1.8	-5.3	-0.2
Underlying Public Final Demand	0.1	0.7	4.7	0.2
Domestic Final Demand	0.1	0.2	1.2	0.2
Stocks (a)	0.2	-0.3	-0.3	-0.3
GNE	0.3	-0.1	0.9	n.a.
Net exports (a)	0.1	0.4	1.0	0.4
Exports	0.0	1.4	2.9	0.3
Imports	-0.5	-0.4	-1.9	0.1
Real GDP	0.5	-0.1	1.6	n.a.

(a) Contribution to GDP growth

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