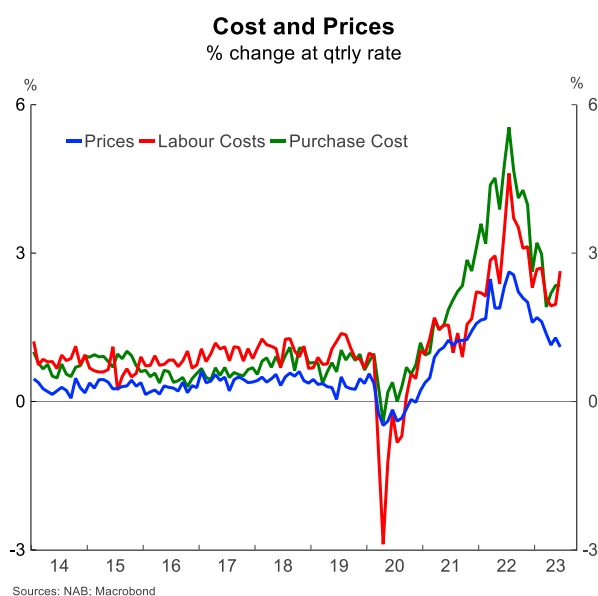
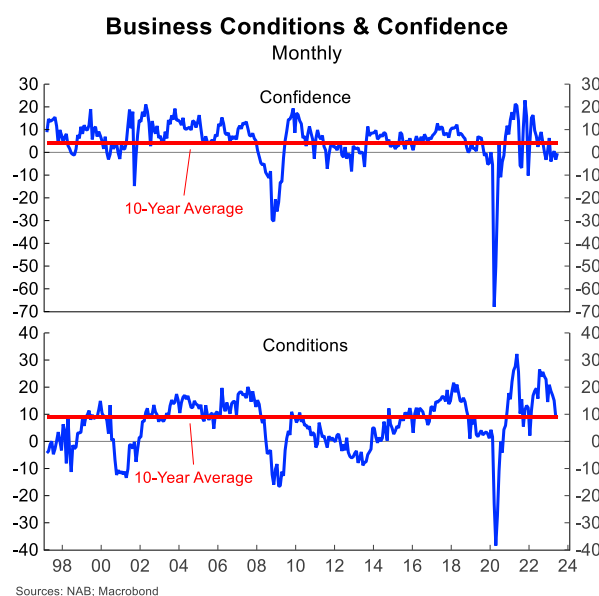


Tuesday, 11 July 2023

# Business Confidence & Conditions

## Upside Inflation Risks Remain

- Business conditions remained unchanged at +9 index points in June, after recording declines over the past four consecutive months. This was the equal softest read since January 2022 and suggests that solid conditions enjoyed over the past 18 months are coming to an end.
- Trading conditions continued to ease for a fifth consecutive month. Profitability and employment edged higher, only partially retracing the sharp falls recorded in May. Forward looking indicators, particular forward orders, continue to point to soft conditions ahead.
- The slow unwind in capacity utilisation continued, a trend that started in January. Notwithstanding this decline, utilisation remains elevated (83.5%) and above average levels. This shows that while conditions are easing, there is still some strength in the economy.
- Business confidence increased to a flat reading of 0 index points. Confidence has been volatile recently, highlighting the elevated uncertainty facing many businesses.
- Growth in labour costs and retail prices reaccelerated in June. The Reserve Bank (RBA) has flagged that it will monitor the potential for elevated labour costs to translate into persistent inflation. Growth in the cost of other inputs was unchanged.
- The persistence of inflationary pressures in the face of weakening demand will concern the RBA. In July, the RBA signalled that downside risks to the economy, and upside risks to inflation, have become more balanced. Today's outcome suggests the upside risks to inflation will remain a significant concern.



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