

# Research Economy Watch

30 September 2024

## Business survey questions RBNZ acceleration

- **Business growth expectations soar**
- **Rate cuts to spur construction?**
- **Hiring intentions surprisingly strong**
- **Pricing intentions rising**
- **We await tomorrow's QSBO**

If you were looking for a reason why the RBNZ should cut rates 50 basis points at its October meeting, this wasn't it.

The September ANZ Survey of Business Opinion was unequivocally strong.

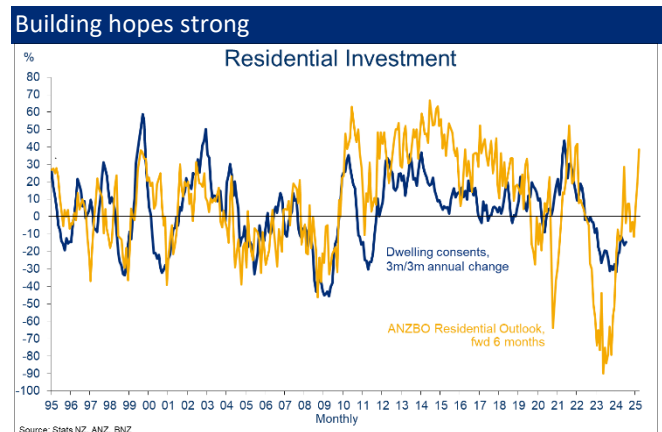
A net 45% of businesses now expect their activity to increase over the next 12 months. On a seasonally adjusted basis this was the strongest reading since August 2017 and is consistent with GDP growth approaching 4.0%.



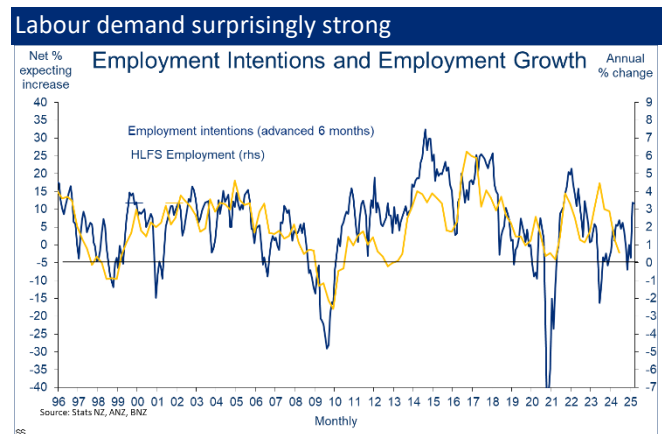
The reading needs to be taken with a dose of caution as the question being answered is do you think things will get **better** over the next twelve months, not how much better. When you are at an economic low, and a central bank has just cut rates, you'd expect a jump. Nonetheless, the extent of the jump cannot be ignored.

Other positive growth indications came from a sharp jump in residential construction hopes and an increase in export intentions.

Incidentally, profit expectations also rose.

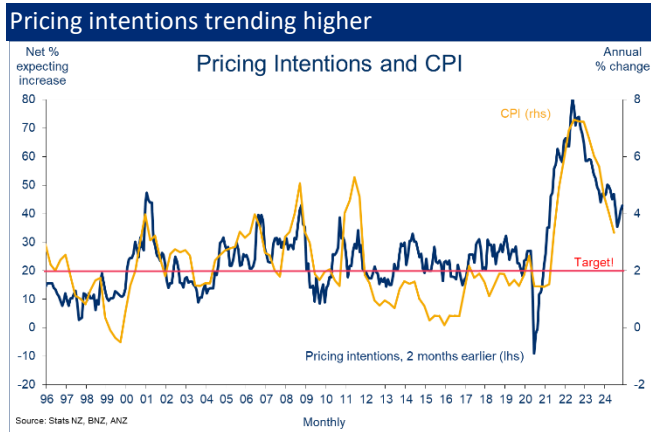


And, somewhat surprisingly, for the second consecutive month a net 12% of businesses expect to take on more staff. This portends a much stronger labour market than we are forecasting.



And for the third consecutive month pricing intentions have risen. This inflationary pulse was further supported by an increase in wage expectations and rising capacity utilisation.

Inflation expectations were unchanged at 2.92% and cost increases moderated. This is good news for disinflation but not enough to offset the other aforementioned factors.



The RBNZ has indicated that tomorrow’s QSBO is really important to it. We will now await this with strong interest. There is a good chance of some deviation between the two series because the QSBO asks about three month ahead perceptions not twelve month. But if it too reveals stronger growth and higher inflationary pressures after just one rate cut there will be little reason for the RBNZ to accelerate the process.

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