

New Zealand Institute of Economic Research (Inc)
Media release, 8 July 2014

Embargoed until 10am 8 July 2014

The NZIER Quarterly Survey of Business Opinion

Moderating from 20-year highs

The economic recovery moderated a little in the June 2014 quarter, according to NZIER's *Quarterly Survey of Business Opinion*. The moderation was widespread across indicators and sectors.

Business confidence eased from over 50% net optimists in the previous six months to 33% in the June quarter, excluding usual seasonal variations. Confidence has eased from its 20-year high, but remains elevated. Businesses are positive about the outlook, but are seeing slightly weaker growth than recent experience and expectations.

Actual results weaker than anticipated

Experienced domestic trading activity, which closely mirrors GDP growth, eased from 24% to 15% – consistent with annual economic growth moderating from 3.8% in March to a still-healthy 2.8% in June. Firms did not anticipate this moderation in our last survey.

Regional performance getting patchy

The QSBO shows solid levels of activity across all regions in the June 2014 quarter, but the momentum has eased over the past three months in some regions. In rural regions, part of this loss of momentum will be due to softening commodity prices. In Auckland, the driver is less obvious, but may relate to concerns about the housing market.

Growing inflationary pressures

Firms are beginning to raise prices at a faster pace, indicating CPI inflation of around 2.5% by the end of 2014.

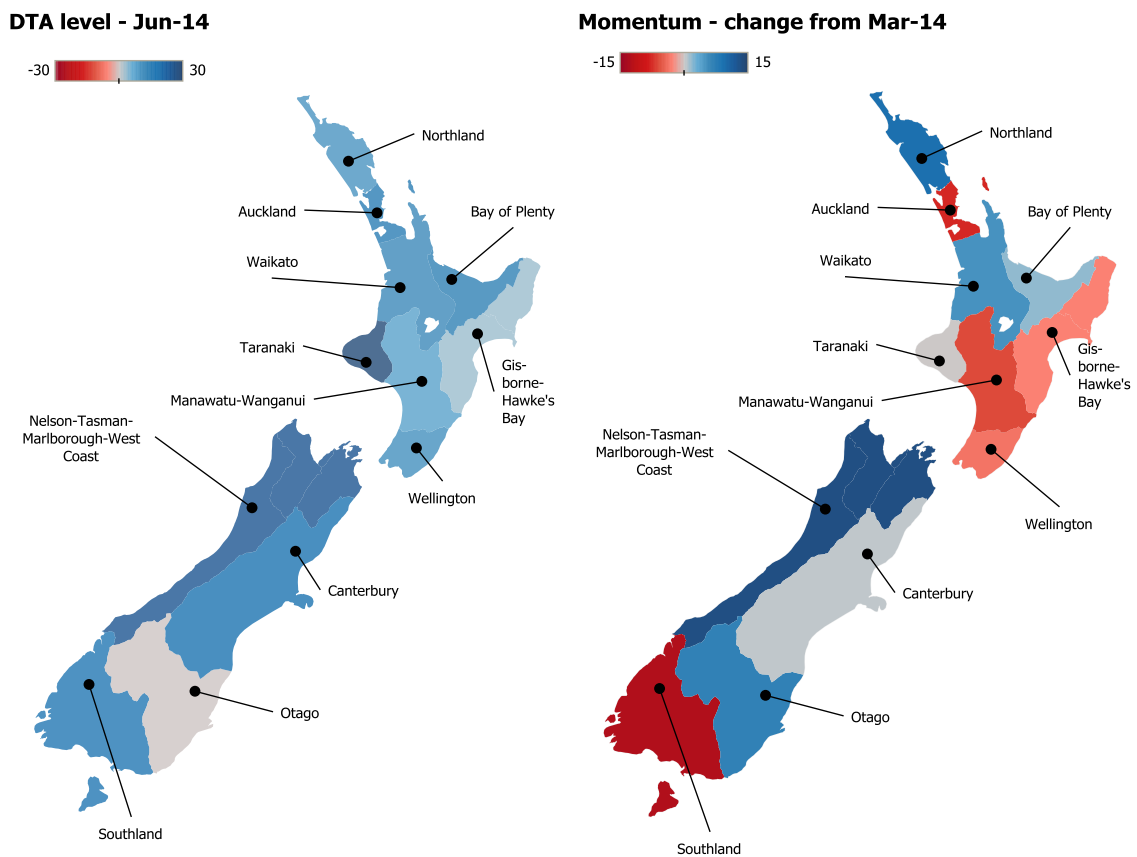
Medium term capacity pressures are emerging. More firms are reporting capacity and labour as increasing constraints to growing production and sales.

The Reserve Bank of New Zealand will be unlikely to change its mind on the pace of tightening monetary conditions based on our survey results.

For further information please contact:

Shamubeel Eaqub
Principal Economist
DDI (04) 470 1810
Mobile 021 573 218
Main (04) 472 1880
Email shamubeel.eaqub@nzier.org.nz

Figure 1 Solid growth across regions, but some slowing in momentum



Source: NZIER

Background

The New Zealand Institute of Economic Research has conducted its Quarterly Survey of Business Opinion since 1961. It is New Zealand's longest-running business opinion survey. Each quarter we ask around 2,500 firms about whether business conditions will deteriorate, stay the same, or improve. The responses yield information about business trends much faster than official statistics and act as valuable leading indicators about the future state of the New Zealand economy. Long term series derived from the survey are held at the NZIER and are available to NZIER members via our website at www.nzier.org.nz.