

New Zealand Institute of Economic Research (Inc)  
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## The NZIER Quarterly Survey of Business Opinion

### Synchronised moderation a warning sign

The economy is coming off the boil, according to the NZIER's *Quarterly Survey of Business Opinion*. The moderation between December 2013 and September 2014 was widespread across indicators and sectors.

Business confidence has fallen from 50% net optimists in late 2013 to 20% in the September 2014 quarter, excluding usual seasonal variations. Confidence has moderated across all sectors and regions.

When businesses are optimistic they are more likely to hire and invest – but not always. In the last six to nine months, intentions have been positive, but actual hiring, investment and sales have not followed.

Moderating confidence and mixed economic news in recent months suggest a more uncertain economic outlook.

### Actual results weaker than anticipated

Experienced domestic trading activity, which closely mirrors GDP growth, was broadly stable over the last six months at 14% – consistent with annual economic growth moderating from 3.8% in the first half of 2014 to a still-healthy 2.8% in the second half of 2014. Firms did not anticipate this moderation in our last survey; the outlook remains difficult to predict.

### Pricing pressures rise, but capacity pressures ease

Costs and prices have risen in the last six months, consistent with CPI inflation of around 2.5% by early 2015. This is consistent with past capacity pressures in resources and the labour market.

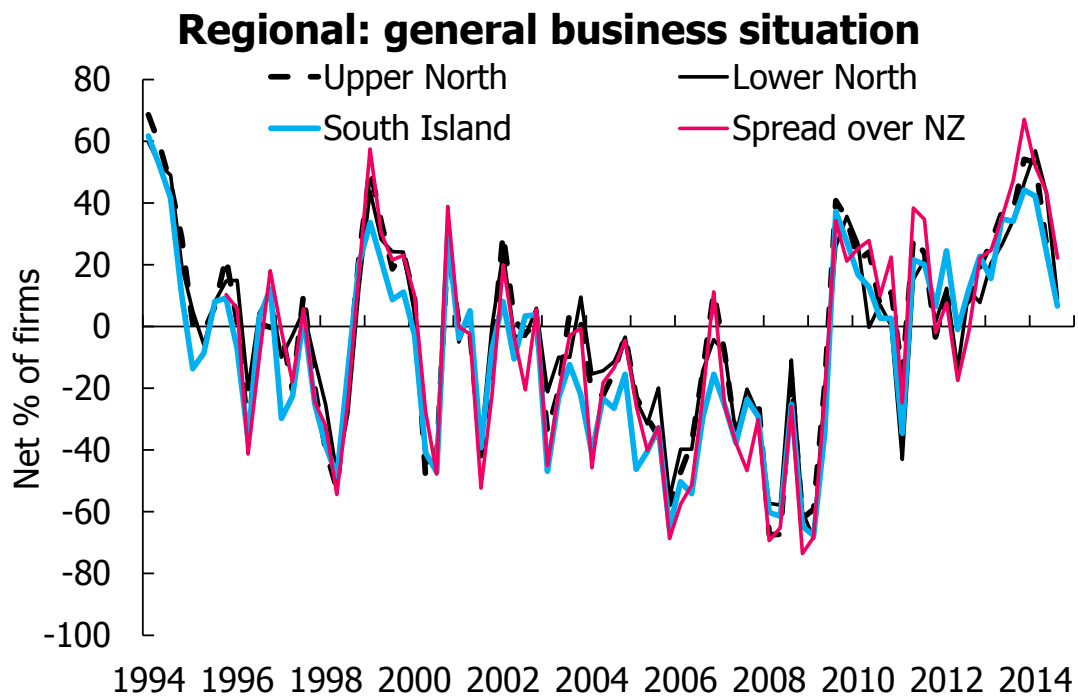
While prices rose, future price pressures measured by capacity constraints eased a touch in the latest survey.

A moderation in activity and mixed messages on capacity means the Reserve Bank of New Zealand will take a wait and see approach to the next move in interest rates.

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Figure 1 Business confidence moderates across regions



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](http://www.nzier.org.nz).