

# Research Economy Watch

31 October 2023

## Businesses Reflect Positively on Election

- ANZ business survey feels initial boost from the election
- Outwardly consistent with near-trend growth in GDP and jobs
- Inflation gauges becoming sticky in their abatement
- Scant market reaction

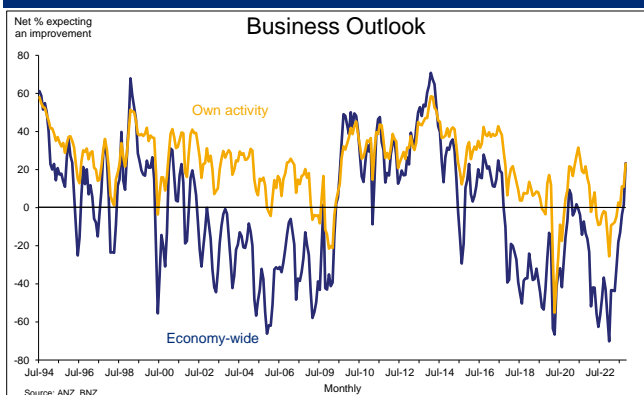
This afternoon’s ANZ business outlook survey showed a big jump in net confidence to +23.4% in October, from +1.5% in September. Own-activity expectations strengthened to +23.1%, from +10.9%. These are now back up to about average, having struggled in negative territory over the first half of the year.

How much of this can be put down to the election result of 14 October, and the shift to a centre-right government it has delivered? That’s hard to know. ANZ wasn’t crystal clear on the demarcation.

However, it was divulged that the roughly 25% of responses bunched around the 19/20 October mark were clearly better than the ones deemed as “early-October”. And demonstrably so for confidence. This appears suspiciously like some sort of election effect, and one that could more fully count its way into November’s survey results.

The other thing to keep in mind, however, is how much upward bias there might implicitly be in the ANZ survey from now on, given respondents tend to like centre-right governments as a matter of course.

### Hints of election boost

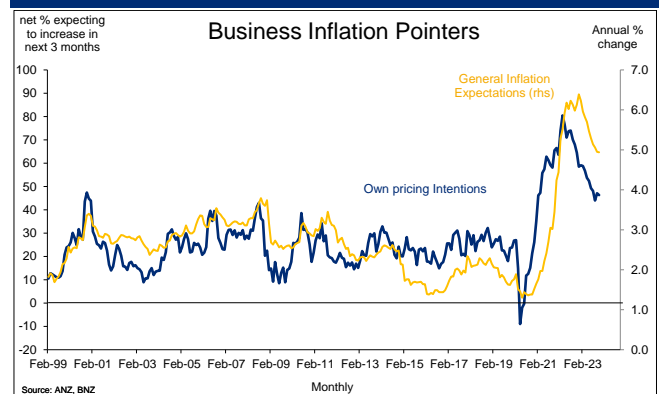


While the activity indicators were, in general, improved, the survey’s inflation gauges were hardly moved. General inflation expectations, for example, came in at 4.94%, from

ANZ Bank Business Outlook				
Net balance - next 12 months (All sectors)				
	Sep	Aug	Change	Average
General business outlook	23.4	1.5	21.9	5.0
Own business	23.1	10.9	12.2	24.7
Profits	-5.6	-13.2	7.6	6.1
Employment	5.6	1.2	4.4	7.4
Investment	3.8	-4.1	7.9	12.2
Exports	6.1	-0.4	6.5	26.5
Pricing intentions	46.3	47.1	-0.8	23.5
Cost expectations	76.0	78.6	-2.6	
Inflation expectations	4.94	4.95	-0.01	2.6
(Own activity outlook)				
Retail	28.3	-5.3	33.6	21.4
Manufacturing	36.4	10.5	25.9	26.4
Agriculture	8.0	-3.8	11.8	20.7
Construction	3.2	-26.8	30.0	17.8
Services	23.9	7.7	16.2	27.6

4.95%. Pricing intentions were +46.3%, from +47.1% in September. Note: this was weighed down by agriculture dropping to -4.0%, from +5.6%. Excluding this, pricing intentions averaged +50.3% in October, compared to 48.1% in September.

### And the rest



While these inflation indicators are still down a lot on where they were last year, and broadly consistent with our CPI forecasts, they have been looking much stickier on the way down over recent months.

Cost expectations painted a similar picture, at +76.0 in October, from +78.6 last month. Lower but still quite high.

The better news on inflation was arguably that reports of wage increases tailed off a bit further in October, to around 5% y/y, while expectations around wage inflation

for the coming 12 months remained relatively lower, circa 4%. This stuff is important for thinking about core inflation.

Still, overall, it's an increasingly positive vibe conveyed in today's ANZ business survey, consistent with trend-like expansion in GDP and jobs, and a recovered tone around investment. And we can reasonably presume stronger results will fill into November's survey, based on the election split in October's results alone.

While today's business survey results will arguably nurture the hawkish elements of the market, there was no discernible market reaction to it. Not with tomorrow's Q3 labour market reports in such focus, anyway. We remain of the view the RBNZ has finished raising its OCR and that there is a stretch of economic struggle to get through first, before we can feel assured about what the future holds for the business sector, under the new government.

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