

# Research Economy Watch

30 July 2025

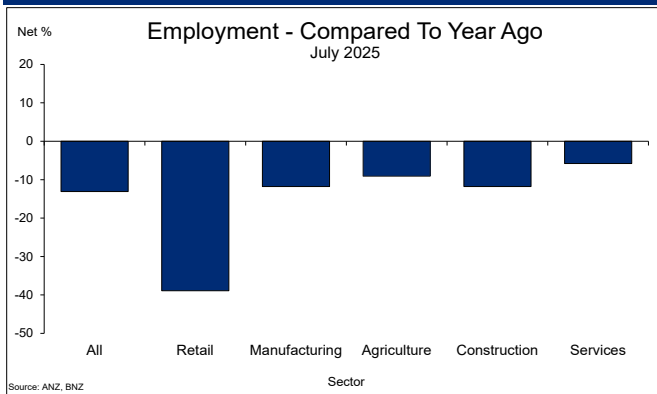
## Business expectations hold firm

- **Optimism yet to show in actual outcomes**
- **Sharp decline in retail employment**
- **Agriculture outperforming the rest of the economy**
- **Residential construction optimism drops sharply**
- **Inflation expectations steady**

The ANZ Business Survey continues to portray a positive economic outlook. Forward-looking indicators for growth, investment and employment were little changed in July and remain firmly optimistic. This buoyancy is a far cry from current conditions and is yet to show up meaningfully in actual economic outcomes.

A good example of this divergence is in the employment indicators. Hiring intentions were positive again in July, where a net 11.8% of firms expect to increase employment in the next 12 months. Such a lift in employment would represent a marked turnaround and would seem unlikely given the net 13.1% of firms who reported fewer numbers employed than a year ago. Net labour shedding over the last year has been broad based across industries, but particularly harsh in the retail sector with that indicator at -38.9%. We already expect Q2 employment growth will be negative in next Wednesday's official figures. Today's data raises doubts about employment heading into Q3 too.

### Net labour shedding



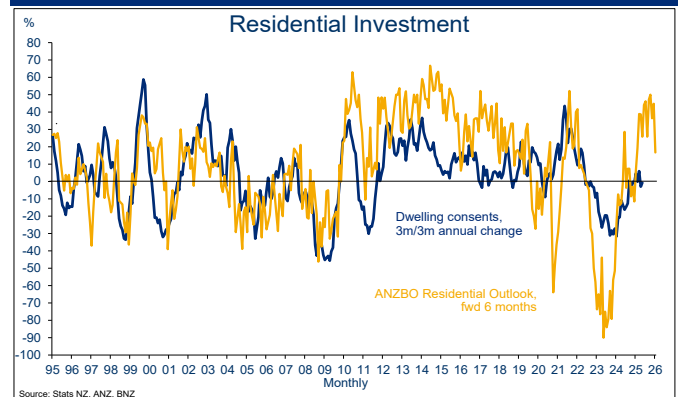
Looking at the details there were three items that caught our eye. Export intentions lifted slightly from 13.9 to 14.6, defying ongoing global trade tensions. That said, while moving in the right direction, they are still below their long-run average (24.9) suggesting headwinds are still being felt. With this in mind, we await confirmation on 1 August of the new tariff rate for exports from New Zealand to the US.

The clear exception in the export figures is in agriculture at 33.3. It is important to remember just how much weaker the

economy would be if not for the current strength in the primary sector.

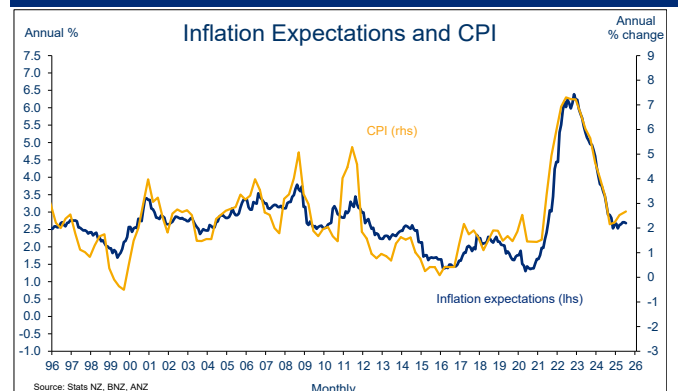
Elsewhere, residential construction activity expectations dropped abruptly from 44.8 to 16.7, its lowest reading since last July. To some extent we were dubious about the previous strength, and the current reading is much more consistent with our economic forecasts. We expect residential building activity to slowly recover over the remainder of the year. However, it is worth keeping an eye on this indicator given its sharp movement in July. Monthly building consents data are released on Friday. They have been tracking sideways for the last 12 months.

### Better times ahead?



Lastly, if there was one piece of comfort for the Reserve Bank in today's data, it was the slight easing in inflation expectations from 2.71% to 2.68%. These have been stable around 2.7% in recent months and are consistent with the RBNZ meeting its target. The central bank will be watching consumer inflation expectations (Friday) and the RBNZ's own Survey of Expectations (next Thursday) for further confirmation that inflation expectations remain anchored.

### Under control



Overall, there was nothing in today's data to stand in the way of another OCR cut at the RBNZ's August meeting. Q2 labour market data and the PMI/PSI for July remain the key releases ahead of the RBNZ decision on 20 August.

[matt\\_brunt@bnz.co.nz](mailto:matt_brunt@bnz.co.nz)

# Contact Details

## BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Matt Brunt**  
Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Mike Jones**  
BNZ Chief Economist

## Main Offices

**Wellington**  
Level 2, BNZ Place  
1 Whitmore St  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**  
80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**  
111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**Analyst Disclaimer:** The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

**New Zealand:** The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

**USA:** If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.