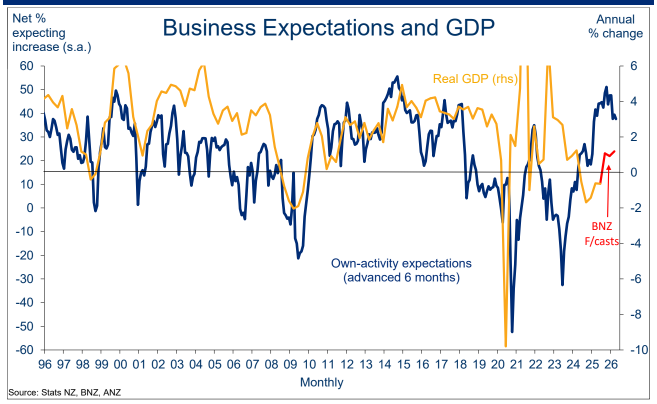
30 October 2025

Business optimism elevated

- **Businesses see light at the end of the tunnel**
- **But it may prove a longer tunnel than many think**
- **And job growth could well be slow in coming**
- **Pricing intentions high but unlikely to be fulfilled**
- **Inflation expectations anchored**

ANZ's business opinion survey continues to foretell a marked improvement in economic activity. It's been doing so for over a year now. We are comfortable with our view that activity will soon turn the corner but we can't help but think the initial pace of the expansion will disappoint many. Consistent with the ANZ survey, we do believe annual GDP growth can climb to around 3.0% but that's likely to be towards the tail end of 2026 rather than any time soon.

Optimism abounds



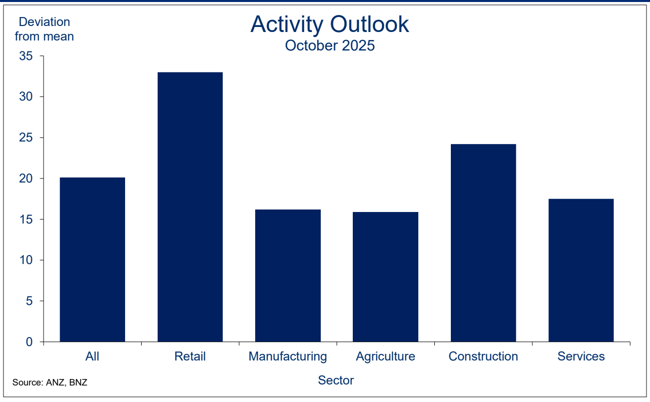
Similarly, as growth does begin to smoulder, we think the pace of job growth will be modest, at best, especially when it appears there is an element of hoarding in the labour market currently, and labour market conditions tend to lag that of the real economy.

Be that as it may, following a really nasty period in New Zealand's economic history, we'll take all the positive news that we can get and this survey is, unequivocally positive in its core messages. And these are messages delivered by businesses themselves so should be given some credence.

A quirk of the survey is that the retail sector is the most positive about the outlook relative to historic norms. This could be simply a function of seasonality as we head towards the Christmas and black Friday period. It could also reflect the fact that things have been so dire that retailers simply think there is only one way from here.

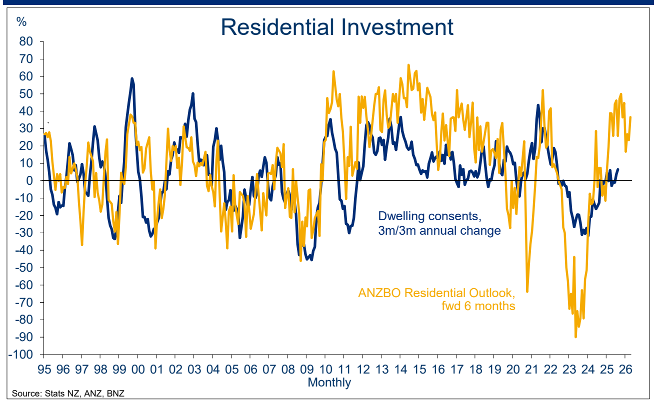
Whatever the reason, it's good to see all industries are net positive about the outlook even the beleaguered construction sector.

Retail surprisingly positive



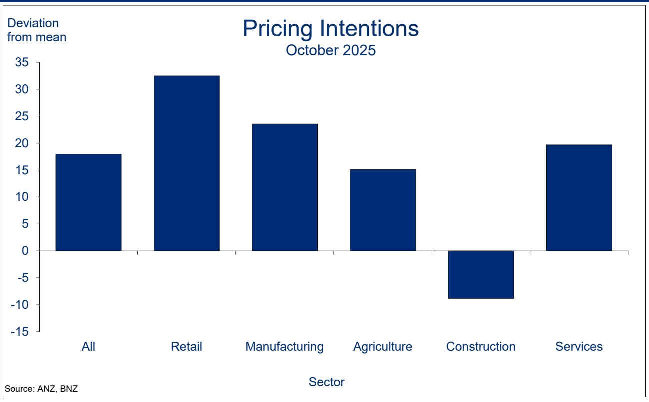
In conjunction with a positive activity indicator for construction, expectations for residential investment portend a decent pick up in new residential dwelling permits in the year ahead. While there is little sign of such yet, there is at least evidence that permit numbers are troughing.

Hope for builders too



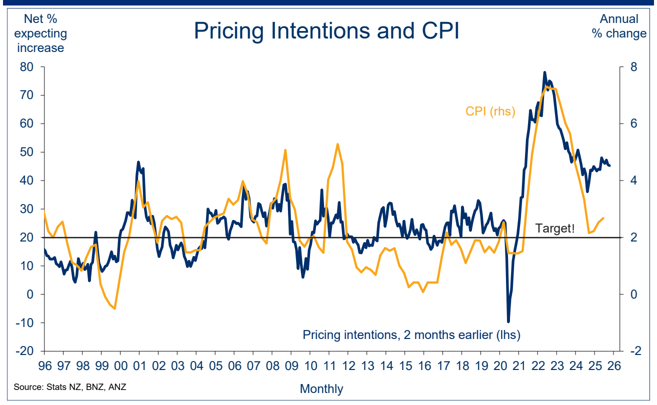
While there is some optimism, folk in the construction sector are very guarded in their expectation that increased activity will be matched with increased profitability. The construction sector, relative to average, is the most pessimistic with regard to earnings. This may reflect ongoing competition resulting in the ability to raise prices, relative to averages, being the lowest of all the sectors surveyed.

Pricing intentions mixed



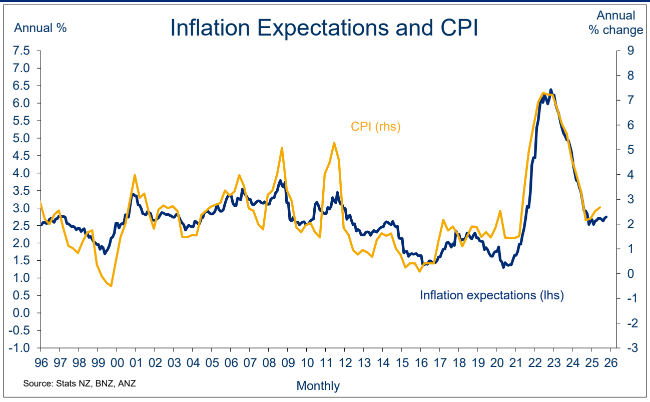
At face value, it is problematic that a net 43.9% of businesses intend raising their prices. Historically, this would be consistent with headline CPI inflation of around 4.5%. Was this to be believed then the RBNZ would be soon turning its eyes toward a possible tightening in monetary policy. Fortunately, the relationship between pricing intentions and actual inflation is another relationship that seems to have gone astray so won't garner much attention down at the Bank.

A bit strange?



We can instead relish the fact that inflation expectations edged only marginally higher to 2.75% from 2.71% and this increase was purely seasonal in nature.

That's more like it



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