

Research Economy Watch

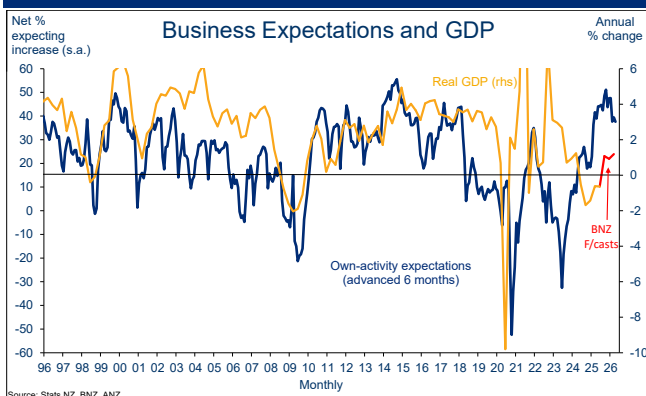
30 October 2025

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



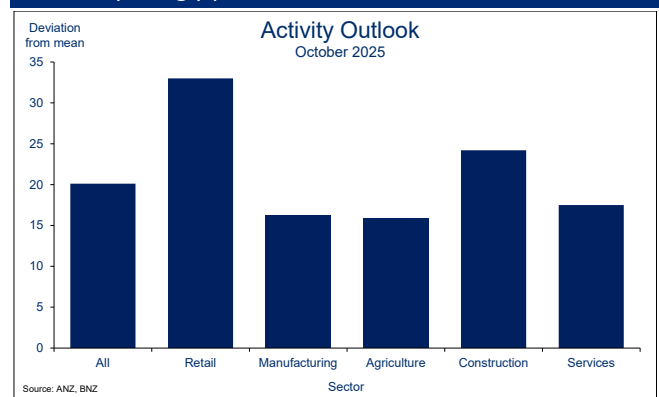
Similarly, as growth does begin to smoulder, we think the pace of job growth will be modest, at best, especially when it appears there is an element of hoarding in the labour market currently, and labour market conditions tend to lag that of the real economy.

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.

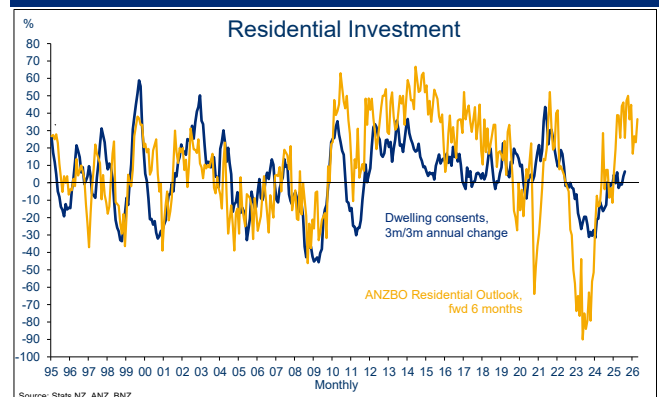
Whatever the reason, it's good to see all industries are net positive about the outlook even the beleaguered construction sector.

Retail surprisingly positive



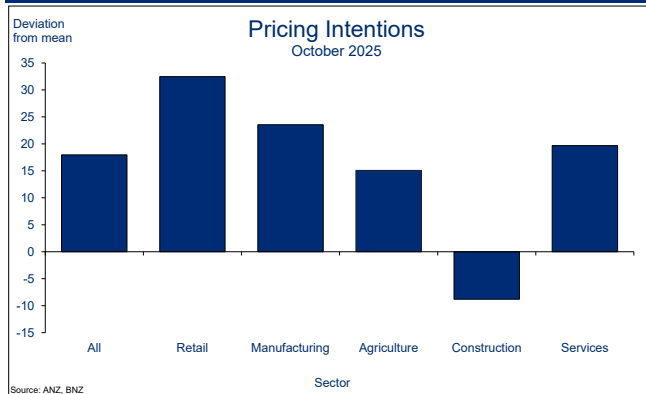
In conjunction with a positive activity indicator for construction, expectations for residential investment portend a decent pick up in new residential dwelling permits in the year ahead. While there is little sign of such yet, there is at least evidence that permit numbers are troughing.

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.

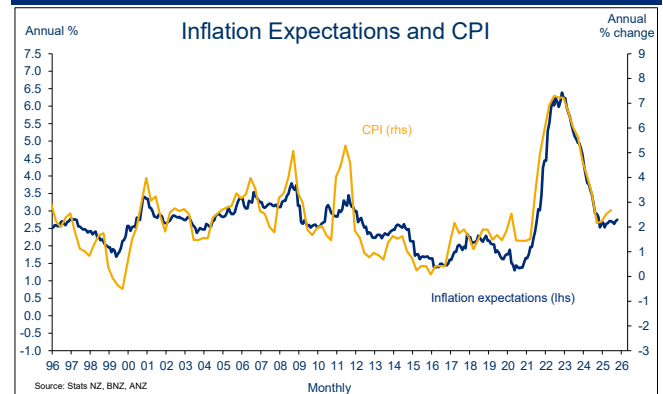
Pricing intentions mixed



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.

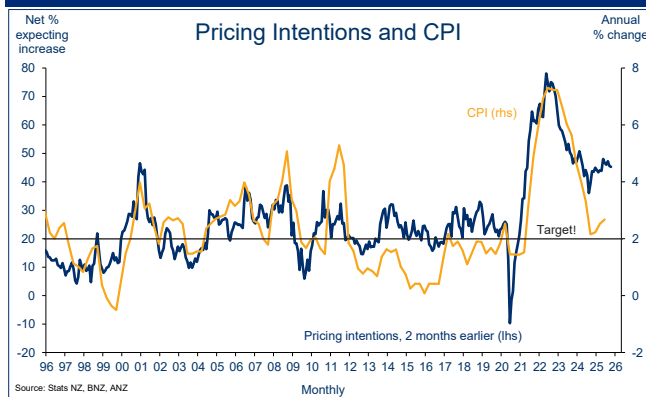
We can instead relish the fact that inflation expectations edged only marginally higher to 2.75% from 2.71% and this increase was purely seasonal in nature.

That's more like it



stephen_toplis@bnz.co.nz

A bit strange?



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.