

# Research Economy Watch

30 April 2026

## Intense cost pressure

- **Cost pressure hurting business**
- **Confidence, profitability under pressure**
- **Denting employment intentions**
- **Inflation indicators high**
- **But with mixed changes**
- **Nothing to alter our economic, policy views**

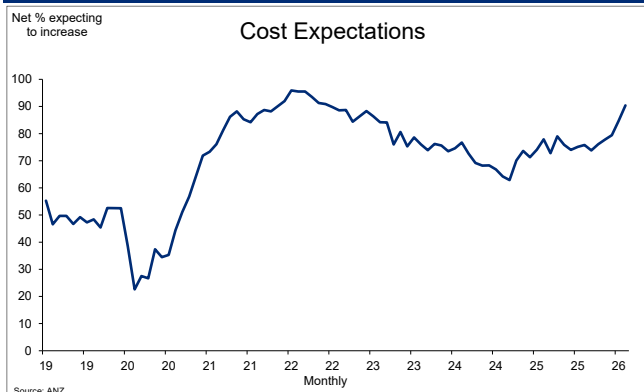
We had a feeling that today's April ANZ Business Opinion survey was going to look generally weaker than the March results but not as weak as the late March responses.

That is indeed what a lot of the headline indicators revealed, including firms' own activity expectations, business confidence, profit expectations, and investment intentions.

In late March there was intense fear as fuel prices had been rocketing higher and concerns grew around security of fuel supply. Some of that intensity has eased. While significant risks remain as crude oil is today back near post-conflict highs, domestic fuel prices are well off their highs.

Even if the intensity of concern from late March has eased a touch, businesses are under duress. Confidence and profit expectations are negative, as cost expectations continue to lift.

### Cost pressures

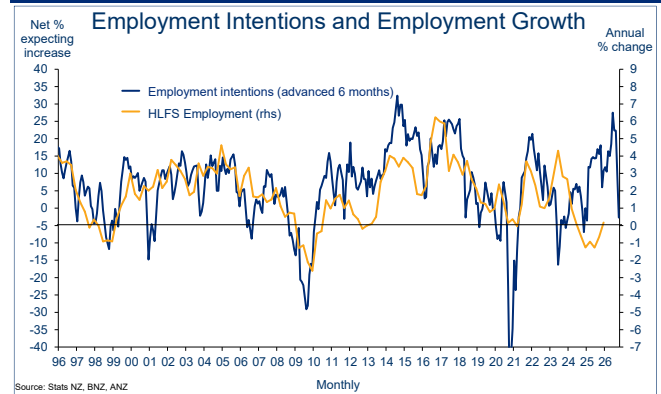


One exception to the general worse-than-March-but-not-as-bad-as-late-March theme was employment intentions. Employment intentions in April eased to -2.7. That was not only lower than March's 9.4 but also lower than late March when it was around -1.

Employment intentions were particularly weak in retail and services, but positive in manufacturing. This is consistent with the messages from the PSI and PMI surveys.

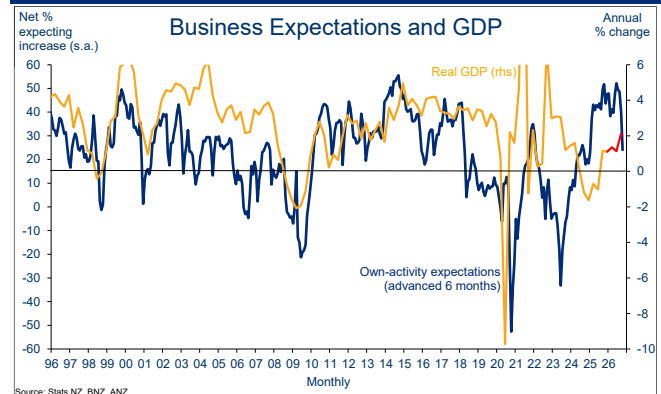
If employment intentions were to persist at their current level, they would be consistent with minimal employment growth. Easing employment intentions support our decision to nudge our near-term employment forecasts lower earlier this week. They are also consistent with upward pressure on the unemployment rate.

### Stalling



The own activity index at 19.6 is consistent with positive, albeit low, annual economic growth. Whereas the late March result was indicating close to zero growth, April's outcome points to annual growth of around 1%. Own activity expectations were weakest in retail at net zero.

### Lower, but positive



Inflation indicators were elevated as one would expect. But not as high as they might have been, and with mixed movements with inflation expectations rising but pricing intentions easing a tad.

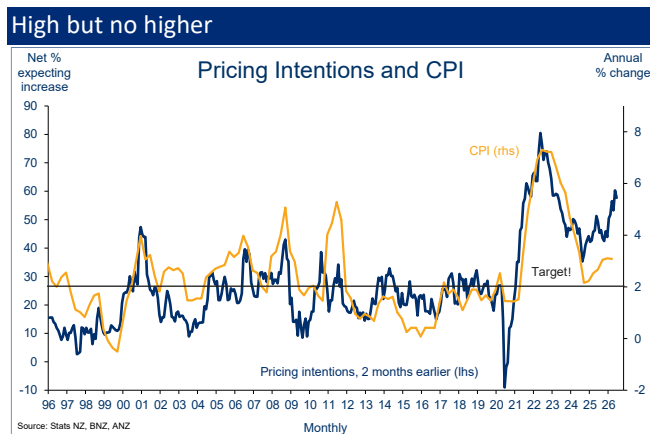
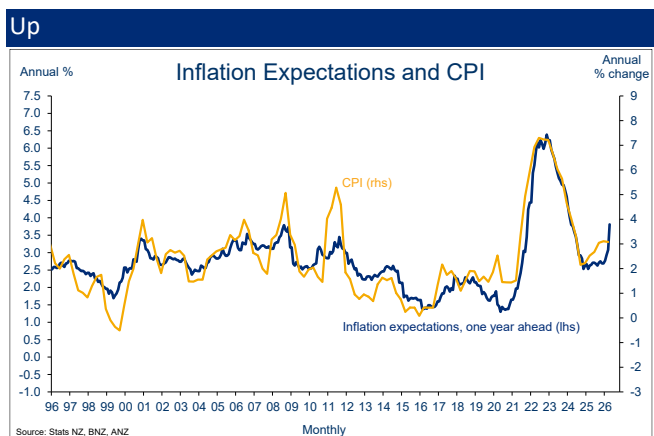
Inflation expectations rose to 3.81 in April. This was higher than March's 3.08 and higher than late March's 3.70. It is moving the wrong way for the RBNZ, but the bank has been clear it expects short term inflation expectations indicators to move higher.

At its April MPR, the Bank expected Q2 CPI inflation at 4.2%. Our current forecast is 4.5%. If that is where annual inflation turns out to be in Q2, inflation expectations are likely to rise further.

For a central bank monitoring the degree of cost pass through the height of this indicator will be of concern. The tick down suggests of no more concern than it was last month.

At face value, inflation expectations suggest some downside risk to our view that headline inflation will lift to around 4.5% in Q2, while pricing intentions suggest there is upside risk. The balance of these indicators gives us no reason to alter that view.

In fact, for all the ups and downs in the survey, there was nothing to fundamentally change any of our economic or policy views.



Pricing intentions are elevated with a net 57.7 of firms intending to lift prices in April. That is high in an historical context but eased a touch from March's 60.3 and eased further from around 67 in late March.

The mild easing raises questions around the degree of pricing power firms have in the face of more intense cost pressures.

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