

Research Economy Watch

6 October 2026

QSBO: growth continues, inflation elevated

- **QSBO points to growth**
- **Employment intentions skyrocket**
- **Pricing indicators elevated, but a bit less so**
- **Sales, supplies, and labour constraints on growth**
- **Further monetary stimulus removal ahead**

This morning's NZIER Quarterly Survey of Business Opinion (QSBO) was robust. Indeed, some of the real economy indicators were outright strong. Businesses see growth ahead.

We were looking for the survey to be consistent with ongoing economic recovery amid elevated inflationary pressures. That was certainly the general flavour of the survey, but, as always in such a rich survey, there were a few indicators that are worth keeping an eye on to see how things develop from here.

Firms' reports of domestic trading activity in Q3 and expectations for the Q4 look consistent with ongoing economic growth.

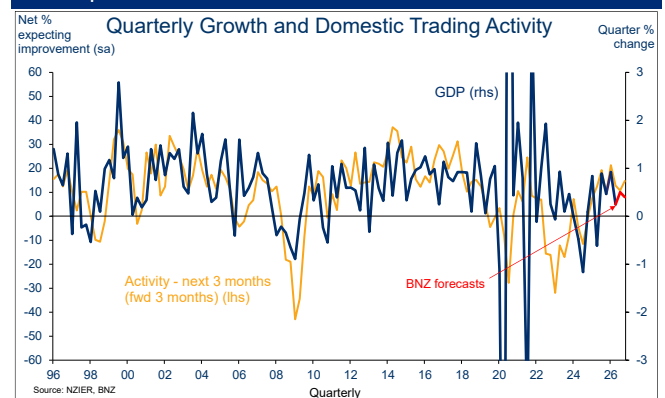
A highly commendable outcome given the survey responses were received between 9-28 September, during the latest run up in fuel prices, and the wider context of:

- no clear pathway to resolve Middle East tensions;
- rising interest rates;
- election uncertainty;
- a very strong El Nino weather threat to primary production ahead.

Despite this, activity expectations rose and even point to some upside risk to our own growth forecasts for the second half of 2026. The indicators are at levels consistent annual GDP growth of a touch over 2% per annum.

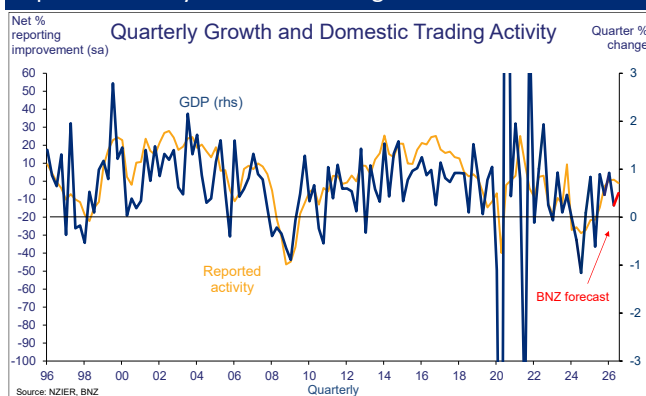
The QSBO activity indicators point to growth travelling faster than the RBNZ anticipated and should offer solid reassurance for a central bank that was worried about growth at its last meeting.

And expectations for more

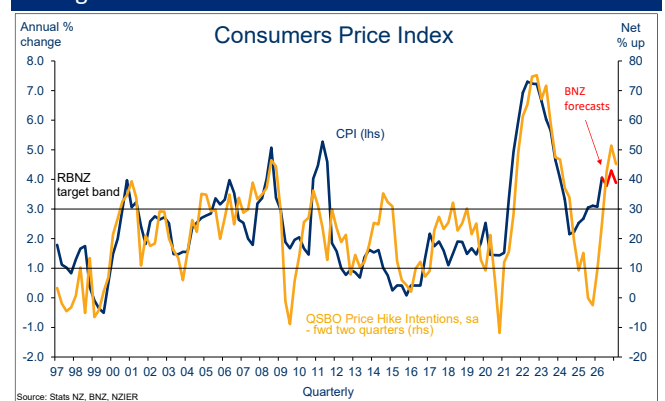


Inflation gauges remain elevated as expected, although they did ease a bit from the previous quarter. On a seasonally adjusted basis, a net 45% of firms expect to raise prices over the coming three months. A tad fewer than in the previous survey when a net 51% expected to lift prices.

Reported activity consistent with growth



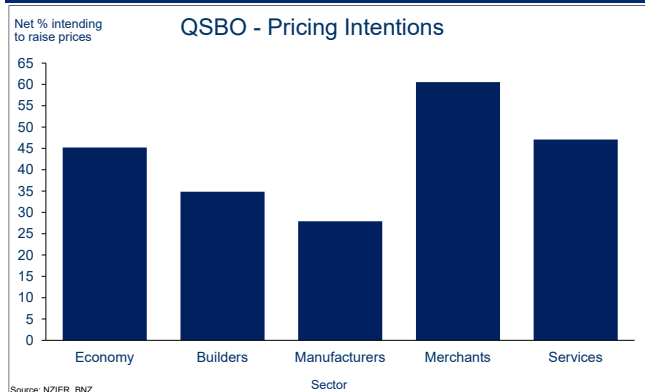
Pricing intentions consistent with 4-5% CPI inflation



This is a move in the right direction, but firms' pricing intentions still look far too high to be consistent with the midpoint of the RBNZ's inflation target. Judging by historical relationships, these sorts of pricing intentions would be consistent with annual CPI inflation around 4.5%.

We wonder if there is additional upside risk to CPI inflation given the distribution of intentions to raise prices across sectors. Pricing intentions were strongest among merchants while lowest among manufacturers.

Intentions to lift prices most widespread among Merchants



That said, firms reporting price increases became less widespread. The RBNZ may take some solace from this, where a net 26% of firms reported raising prices in Q3 compared to a net 41% of firms that reported price increases in the previous survey. This is worth keeping an eye on.

Reported price increases and pricing intentions look consistent with our forecasts that annual CPI inflation may ease a bit in Q3 before lifting again in Q4. From Q2's 4.1%, we forecast annual CPI inflation to ease to 3.8% in Q3 before lifting to 4.3% in Q4. However, the more fuel prices push higher, and the more the NZ dollar falls, the more upside risk there is to our Q4 view. As it is, our 4.3% forecast is already well above the RBNZ's 3.9% projection for Q4. Our Q3 pick is a tick below the Bank's 3.9%.

To us, solid activity and still elevated inflation indicators maintain reason for the RBNZ to continue lifting the OCR. Ahead of the Bank's 28 October meeting there is still relevant data in the form of September's Selected Prices on 16 October and the Q3 CPI on 22 October.

The positive vibes in the QSBO were very visible in firms' employment intentions. These skyrocketed. On a seasonally adjusted basis, a net 22% of firms intend to increase numbers employed in Q4.

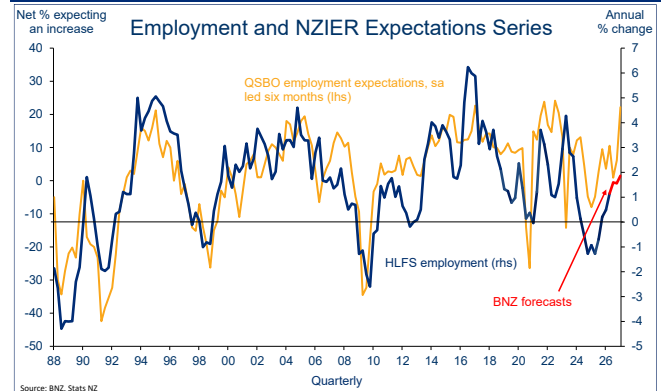
Employment intentions seldom get stronger than this. At face value, it would be consistent with annual employment growth above 4%. No one is forecasting anything close to that sort of employment expansion. This may reflect

signs that firms are already reporting difficulty in finding the labour that they require.

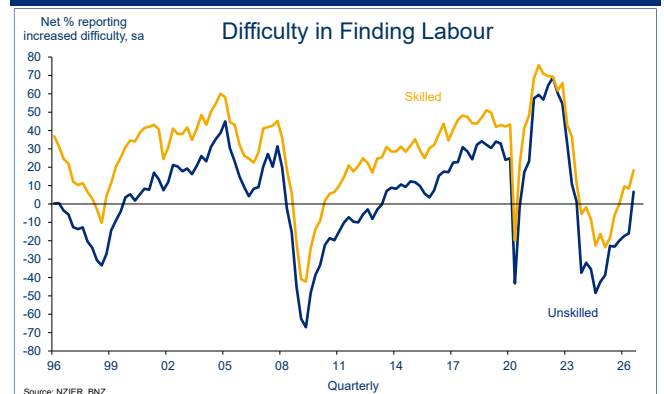
Difficulty finding requisite labour may well be a reason that the firms' reported employment indicator didn't lift as much as employment intentions.

Regardless, reported employment and employment intentions point to solid employment growth ahead that is likely to see some easing in the unemployment rate.

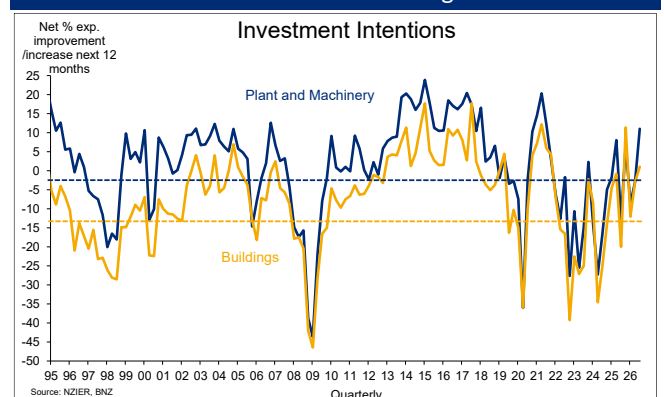
Employment intentions skyrocket



But required labour is difficult to find



Investment intentions well above average

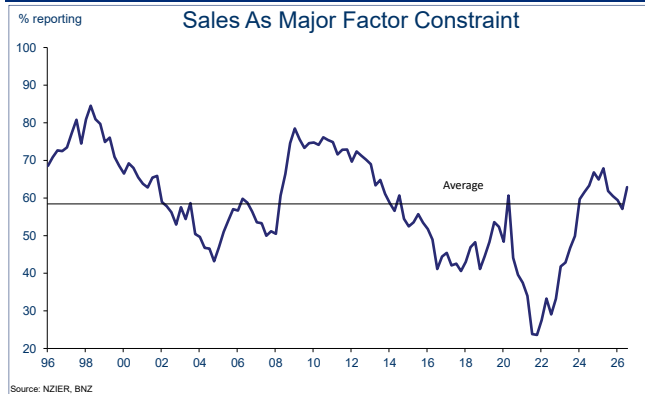


Firms' investment intentions completed a set of strong forward-looking indicators. Intentions to invest in both buildings and plant and machinery both pushed well above

historical norms. That fits with positive profit expectations and a strong lift in general business confidence.

For all the positivity in today's business survey, there was a cautionary note from firms' responses to factors that are constraining output at present. Sales as a constraint pushed a bit higher, after falling for four consecutive quarters.

Sales as a constraint on output lift



It raises a question around the current strength of demand and is one to watch. That said, given strength elsewhere in the survey it does not seem businesses are particularly phased by it.

While the sales constraint indicator by itself suggests an easing in the balance between demand and supply, other tightness indicators moved in the opposite direction. Firms clearly reported more difficulty in finding labour, there was another nudge higher in supplies as a factor constraint, and capacity utilisation edged upwards. The balance of these suggests the output gap continues to close as does the strength in activity and employment indicators compared to what is normal.

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