

New Zealand Institute of Economic Research (Inc)  
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## The NZIER Quarterly Survey of Business Opinion

### Strong and broadening recovery

NZIER's *Quarterly Survey of Business Opinion* (QSBO) shows that economic activity was strong in the March 2013 quarter, maintaining the momentum set in the December 2012 quarter. The recovery is broadening from Canterbury and Auckland to other regions. Businesses are optimistic and are hiring and investing more.

Business optimism rose over the past three months (32% net optimists from 19%, excluding seasonality), the highest level since March 2010. Domestic trading activity, which is a very good indicator of GDP growth, inched up from an already strong 10% in December 2012 to 11%. This is the strongest reading since June 2007.

The QSBO does not survey the agriculture sector directly, so it will not incorporate the impact of the drought. The survey includes suppliers to the sector (like fertiliser sellers) and users of agriculture output (food manufacturers), so it still presents a reliable read on the economy.

"There are encouraging signs of a broadening and strengthening economic recovery across regions and industries. Businesses are hiring and investing more. This is the most broad based strength seen in the survey since the recession began in 2008" said Shamubeel Eaquad, Principal Economist at NZIER.

### Hiring and investment lift

The lift in activity and optimism is flowing through to new hiring (4% from -3%) and investment intentions for buildings (3% from -3%) and plant and machinery (8% from 5%). Canterbury has been driving much of this, but there is emerging evidence of a broadening lift in hiring and investment in other regions too.

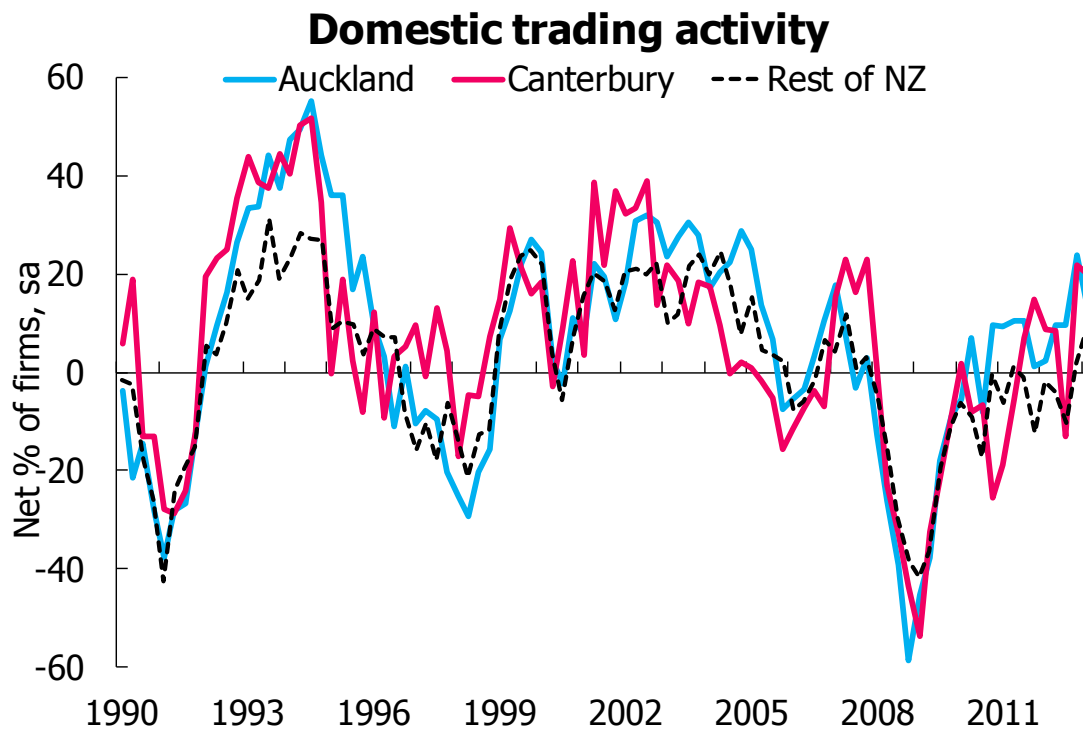
### Little inflation

Firms are barely raising prices, consistent with official inflation remaining low. There are some capacity pressures, but these are mainly concentrated in Canterbury. Exporters also reported tighter capacity; this may be related to fast-tracked meat processing due to the drought. Survey respondents expect the RBNZ to hold interest rates at a low level.

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**Figure 1 Canterbury and Auckland are growing strongly; this strength is broadening to other regions**



Source: NZIER

### Background

The New Zealand Institute of Economic Research has conducted its Quarterly Survey of Business Opinion since 1961. It is New Zealand's longest-running business opinion survey. Each quarter we ask around 2500 firms about whether business conditions will deteriorate, stay the same, or improve. The responses yield information about business trends much faster than official statistics and act as valuable leading indicators about the future state of the New Zealand economy. Long term series derived from the survey are held at the NZIER and are available to NZIER members via our website at [www.nzier.org.nz](http://www.nzier.org.nz).