

New Zealand Institute of Economic Research (Inc)  
Media release, 14 January 2014

Embargoed until 10am 14 January 2014

## The NZIER Quarterly Survey of Business Opinion

### Stronger growth likely as firms boost investment and employment plans

Economic activity accelerated in the second half of 2013, according to the NZIER's December 2013 quarter *Quarterly Survey of Business Opinion* (QSBO).

"Businesses are the most optimistic they've been for 20 years and economic activity is strong. Optimism and activity are being realised into better profits, higher investment and more jobs," said Shamubeel Eaqub, Principal Economist at NZIER.

In December 2013, businesses were the most optimistic since June 1994 (52% from 33% in September). Domestic trading activity strengthened to the highest level since March 2005 (net 15% of firms reported increasing activity, up from 12% in September). Reported hiring rose to the highest level since December 2006, and firms expect to hire more staff at the start of 2014. This suggests an improved outlook for jobs and wages.

### Recovery spreading across regions and industries

The recovery is broadening across regions. Until recently much of the recovery was concentrated in Canterbury. This has now broadened to most regions across New Zealand, which points towards a more sustainable and stable recovery. Activity also accelerated across all sectors.

### Price pressures low but likely to lift

Price increases are currently subdued. However, firms intend to raise prices in coming quarters due to increasing capacity pressures and strengthening economic growth. Capacity constraints are most pronounced in Canterbury, but are starting to emerge in other regions too.

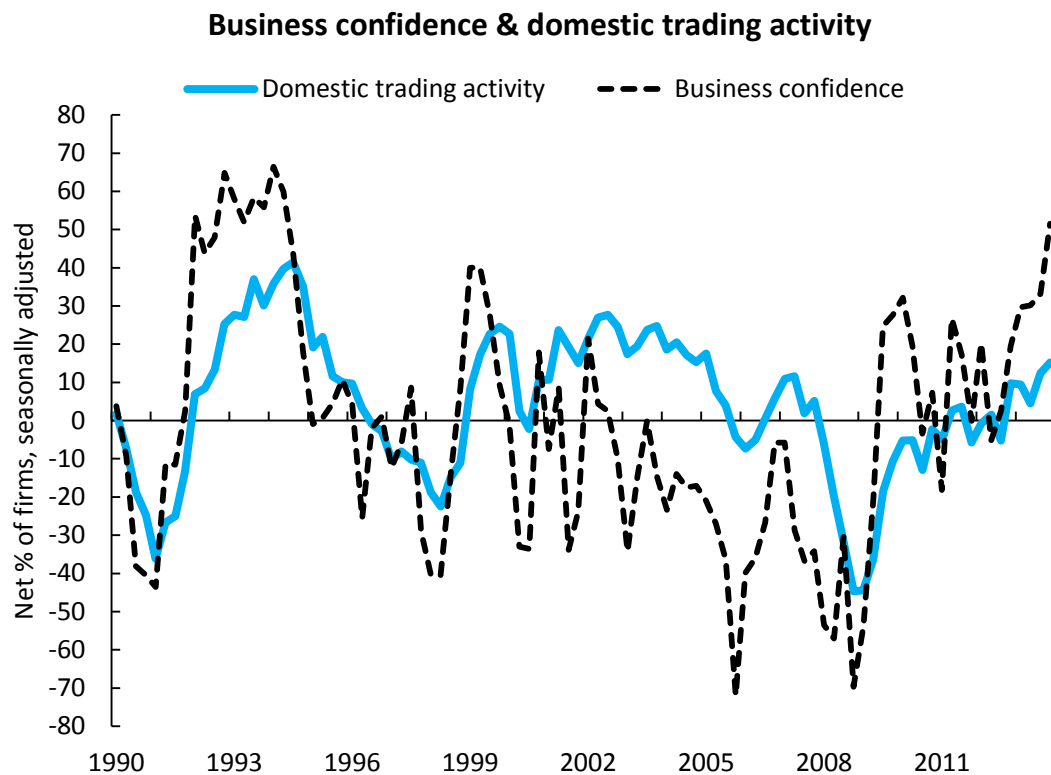
### Interest rates to rise

More financial services sector firms expect interest rates will rise (a net 71%, up from 30% in June). This is consistent with economists' expectations in the December 2013 *NZIER Consensus Forecasts*.

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**Figure 1 Businesses are the most optimistic since mid-1994**



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 2,500 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).