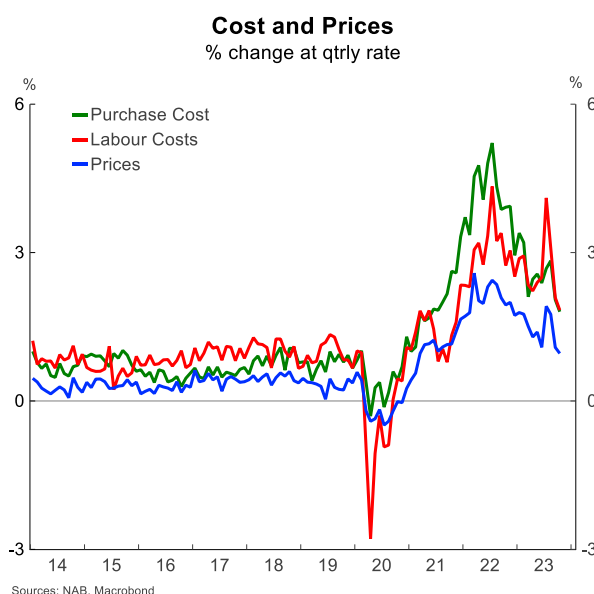
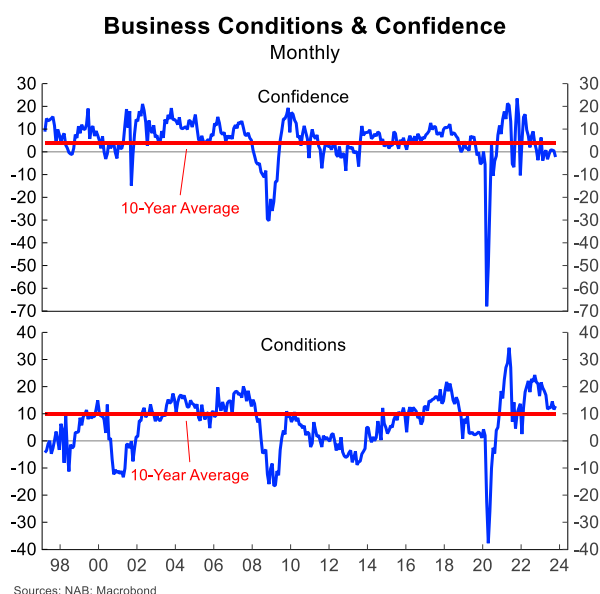


Business Confidence & Conditions

Pessimism Rising But Conditions Resilient

- Business confidence fell into negative territory in October for the first time in four months, falling 3 points to -2 index points. Confidence has been hovering around or just below the zero level (which separates optimists from pessimists) for most of 2023.
- However, despite falling confidence, business conditions rose 1 point to +13 index points and remained above the long-run average. Taken together with today's consumer sentiment release, the dichotomy between the aggregate and per capita economy and current conditions compared to the outlook remains. This has been a key theme through 2023.
- Looking at the sub-indices, profitability and trading conditions rose. Employment conditions fell for the second consecutive month but remain above average – consistent with a still tight but gradually easing labour market.
- Capacity utilisation was broadly unchanged and remains well-above average, reflecting resilient demand and conditions. This is supporting business investment and credit growth. Other leading indicators point to a slowdown in the period ahead. Forward orders fell to be just in negative territory and have been negative for four of the past six months.
- Encouragingly, the survey points to a continued easing in cost pressures. Quarterly growth in labour and purchase costs both slowed to 1.8% in October, from 2.1% and 2.0%, respectively, in September. Growth in final prices also slowed to 1.0% – the slowest pace since February 2021. A key question for the inflation outlook remains how quickly cost pressures ease through the rest of 2023 and into 2024.



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