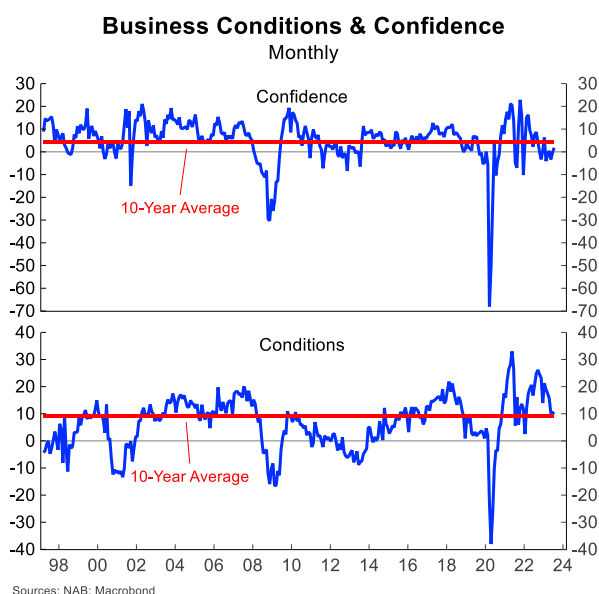
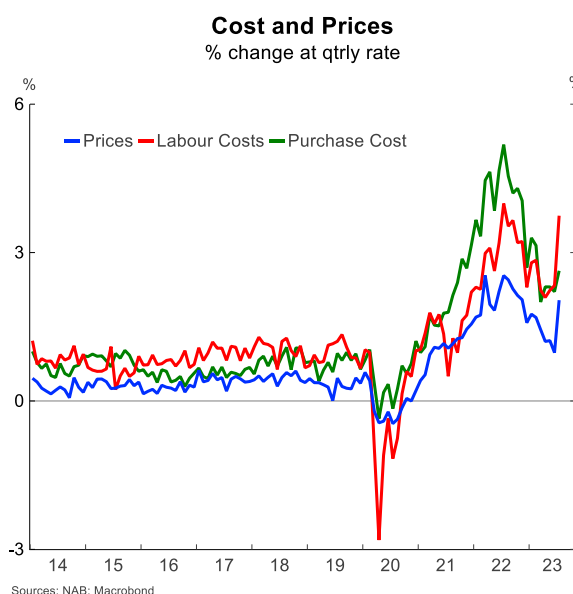


## Consumer and Business Surveys

### Cost Pressures Re-emerging for Biz

- Key measures of business confidence and conditions remained resilient in July. Business confidence jumped 2.4 points to a 6-month high of 1.8 and conditions moved a tad lower but stayed above the long-run average at 9.8. It's consistent with our new quarterly business snapshot published last month, which underscored that in aggregate businesses are in a strong financial position heading into the next part of the economic cycle.
- Capacity utilisation lifted from 83.6% in June to 84.5% in July – an elevated level and not far from the all-time high of 86.2%, suggesting the moderation in business credit growth should stay gradual in coming months.
- Most interesting was what the business survey revealed about prices and costs. Growth in final prices appears to have re-accelerated – stepping up to a quarterly pace of 2.0% in July, from 1.0% in June – the monthly change was the biggest in the series (dating back to the late 1990s). Labour costs also accelerated to 3.7% in July, from 2.3% in the previous month.
- The possible re-emergence of cost pressures deserves watching, especially if it turns into an underlying trend and shows up in other indicators. It possibly jeopardises the swap market's idea that the Reserve Bank rate-hiking cycle is done in this cycle.
- The economic slowdown is being led by consumers tightening their belts. The entrenched pessimism of consumers is reflected in the outcomes of the latest Westpac-Melbourne Institute consumer survey. Confidence dipped 0.4% to 81.0 in August, around the average of the past 6 months and well under the 100.0 that separates the optimists from the pessimists.



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