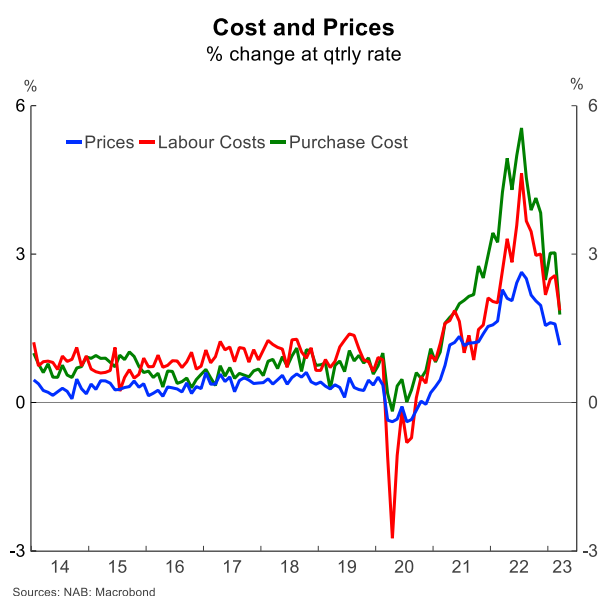
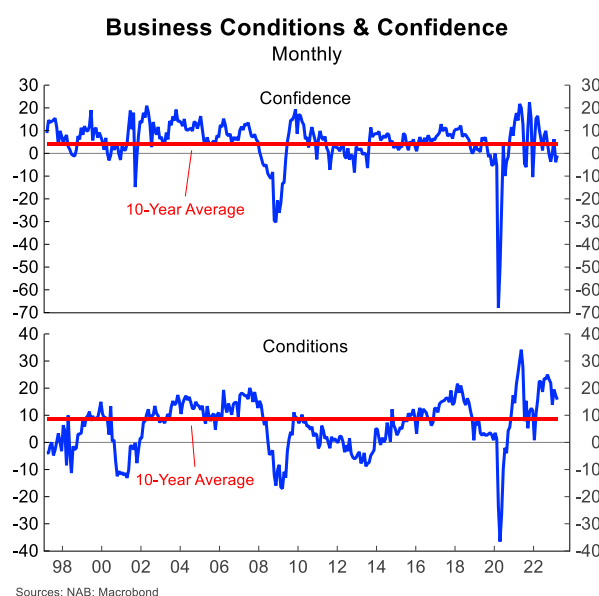


Business Confidence & Conditions

Conditions Solid As Price Pressures Ease

- Business conditions remained elevated in March (+16 index points), despite slipping for a second consecutive month (-2 index points). Conditions remain well-above the 10-year average of 8.7. This suggests that momentum in the economy, while slowing, remains robust.
- Confidence rose 3 index points, to -1. This reflected a partial rebound from the large February drop. The survey was undertaken between 21 and 31 March, prior to the Reserve Bank (RBA) pausing rate hikes in April. However, talk of a pause was widespread ahead of the meeting, which may have buoyed confidence, in addition to continued robust conditions.
- Trading conditions improved, while profitability and employment conditions slipped. Forward orders, a leading indicator, rose and remained above average. Capacity utilisation held well-above average, suggesting that businesses are continuing to see robust demand.
- Quarterly cost growth declined materially. Labour costs slowed to 1.9% in March, from the 2.5% and 2.6% pace in the prior two months. Purchase costs also dropped sharply, to 1.8%, from 3.0% – suggesting that supply-side pressures have eased markedly.
- Reductions in upstream pressures flowed through to final prices. Final product prices growth slipped to 1.2% (from 1.6%), and the retail component slowed to 1.6% (from 2.0%).
- This is further evidence that inflation peaked in the December quarter, ahead of the March quarter CPI release on 26 April. The question going forward will be how quickly inflationary pressures decline as the RBA seeks to return inflation to the 2-3% target band.



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