

# ANZ New Zealand Business Outlook

31 March 2020



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The next preliminary Business Outlook comprising early-April results at an economy-wide level will be released on 8 April at 1pm. The next standard full-month release of the ANZ *Business Outlook* is due on 30 April at 1pm.

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## Steep slide

### Key points

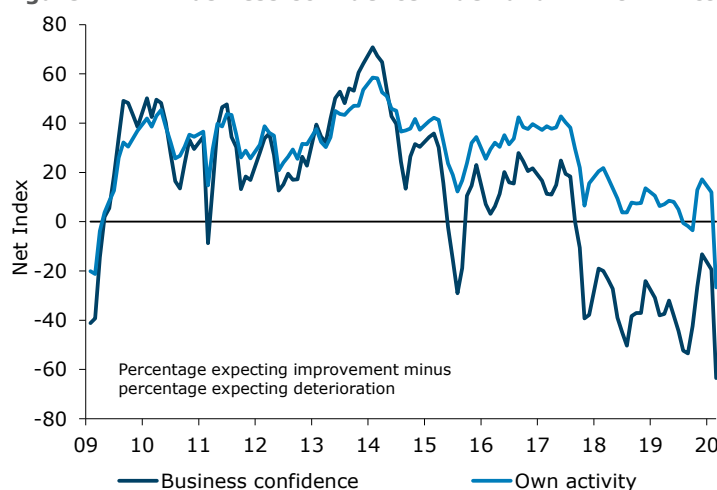
- **Headline business confidence plummeted 45 points to -64 in March, close to a record low. A net 27% of firms expect weaker activity for their own business (down 39), the lowest read ever (the survey began in 1988).**
- **Survey responses received in the second half of the month (about a third of all responses) were more negative.**
- **Retail sector own activity collapsed 56 points from +15 to -41. Services and construction also plummeted by more than 40 points.**
- **Expected profitability, investment and employment intentions fell sharply. A net 23% of firms intend on laying off staff, including a net 35% of retailers.**
- **Inflation expectations dropped another 38bp to 1.51%, the lowest in 3 years.**

The March ANZ Business Outlook Survey made for dreadful reading.

Taking the month as a whole, headline business confidence plunged 45 points to a net 64% of respondents reporting that they expect general business conditions to deteriorate. Firms' expectations for their own activity fell 39 points to a net 28% expecting lower activity over the year ahead, a record low.

About two thirds of responses were received at the very start of the month, and were reported in our preliminary Flash release on 10 March. The results reported here include those results plus the one third following a reminder email sent on 19 March. The first sample group scored -55% for business confidence; the second sample reported -81%. Similarly, 15% of firms responding early in the month expected weaker activity ahead for their own firm; 55% of the later sample did. We're on a very steep slide indeed.

**Figure 1. ANZ Business Confidence Index and ANZ Own Activity Index**



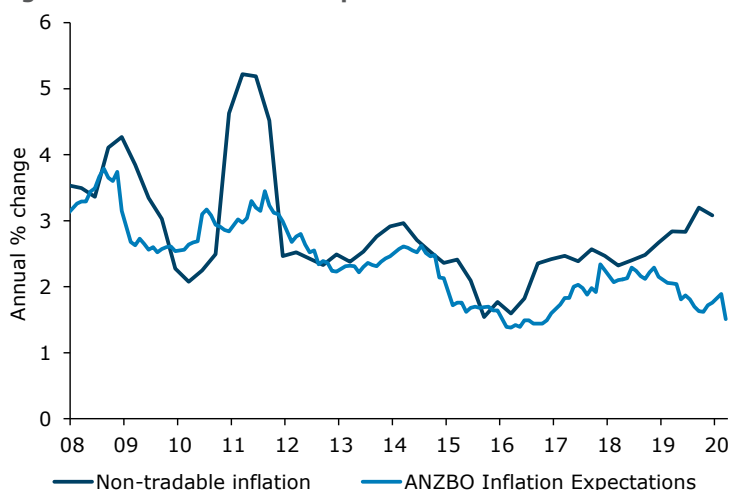
Source: ANZ Research

Inflation is on the skids, with cost and inflation expectations sharply lower, and retail pricing intentions plummeting.

Turning to the detail:

- **Employment** intentions fell 24 points to a net 23% of firms intending to reduce employment. Every sector is deeply in the red, but retail (-35) is the bleakest.
- **Investment** intentions fell 21 points to net negative 14%, and remain lowest for agriculture, with retail close behind. Investment intentions overall were -6 in the early sample and -37 in the later sample.
- **Capacity utilisation**, one of the best GDP indicators in the survey, crashed from +10 to -9, and was -26 for the retail sector.
- **Profit** expectations fell 29 points to a net 37% expecting lower profitability.
- **Commercial construction** intentions fell 43 points from +26 to -22; **residential** plummeted almost as much from +23 to -21.
- **Export** intentions fell another 24 points to -26, from what was already a record low. Export intentions were -23 in the early sample and -38 in the later sample.
- Expected **availability of credit** fell 5 points to a net 41% of firms expecting credit to be harder to get. This data also declined as the month went on.
- A net 39% of firms expect higher **costs**, down 14 points. Cost expectations dropped in every sector, most sharply for construction.
- **Pricing intentions** fell 12 points to a net 15% of firms expecting to raise prices. They plummeted 30 points for the retail sector, to +24. **Inflation expectations** fell 0.38%pts to 1.51%, slipping further away from the 2% inflation target midpoint.

**Figure 2. ANZBO inflation expectations and non-tradable CPI inflation**



Source: Statistics NZ, ANZ Research

When asked about activity versus the same month a year earlier, a net 5% reported it to be lower (but a net 21% of retailers). A net 2% of firms report having cut employment over the same period.

## Our take

Times are grim. We've never seen such a broad economic shock strike with such ferocity. Firms are right to be alarmed. Both fiscal and policy are leaping into action but a severe recession is guaranteed. The days when we were wondering why firms were so unsure about the outlook feel very long ago. The problem is front and centre, and it's a whopper. The full-month versus early-sample results show that we are still on the slide – even with some series at record lows it seems unlikely we've seen the bottom.

This will end. But with no one able to tell businesses when that will be, any attempts to shore up confidence are likely to get little traction in the near term. It's going to get worse before it gets better, and firms know that. Rock-bottom confidence is the symptom, not the cause, of the woes in the New Zealand (and global) economy.

### Survey Results March 2020

Net Balance	Total	Prelim March <sup>1</sup>	Previous (Feb)	Retail	Mfg	Agric	Constn	Services
Business Confidence	-63.5	-53.3	-19.4	-65.4	-46.2	-79.4	-67.6	-66.5
Activity Outlook	-26.7	-12.8	12.0	-40.7	-21.0	-26.5	-23.7	-26.8
Exports	-25.8	-21.5	-2.1	-24.2	-19.7	-6.5	-47.4	-33.9
Investment	-14.4	-5.0	7.2	-22.6	-8.8	-23.5	-15.8	-12.8
Costs	38.6	41.8	52.5	42.6	48.1	36.4	21.1	37.9
Capacity Utilisation	-9.4	0.9	9.5	-26.4	-11.5	-9.4	-10.5	-3.0
Residential Construction	-20.7	...	22.7	...	...	...	-20.7	...
Commercial Construction	-21.9	...	26.1	...	...	...	-21.9	...
Employment	-22.5	-12.1	1.7	-35.2	-18.5	-15.6	-21.1	-22.3
Profits	-36.8	-22.3	-8.4	-50.0	-33.3	-50.0	-26.3	-34.8
Pricing Intentions	14.8	19.5	27.0	24.1	23.5	-6.1	7.9	14.3
Ease of Credit	-41.3	-41.4	-36.2	-25.9	-37.5	-48.5	-37.8	-47.2
Inflation Expectations	1.51	1.62	1.89	1.50	1.68	1.44	1.14	1.53
Activity outlook – same month one year ago	-5.4	5.4	9.9	-20.8	-1.2	-2.9	10.5	-8.3
Employment – same month one year ago	-2.4	0.4	4.8	-17.0	2.6	6.2	18.4	-6.8

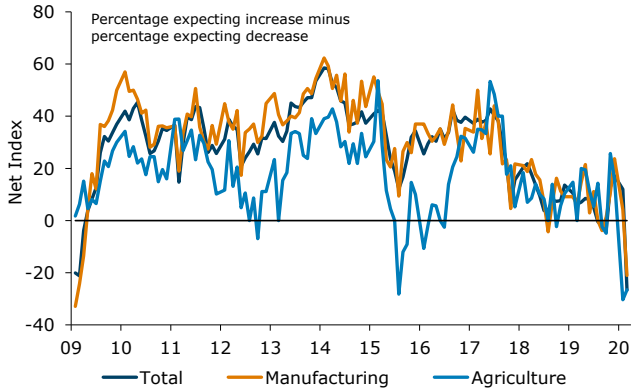
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<sup>1</sup> These results include data collected in the first week of the March survey and were published on March 10.

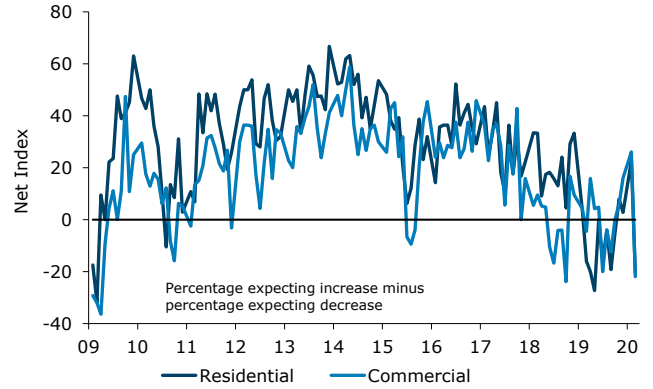


# Charts

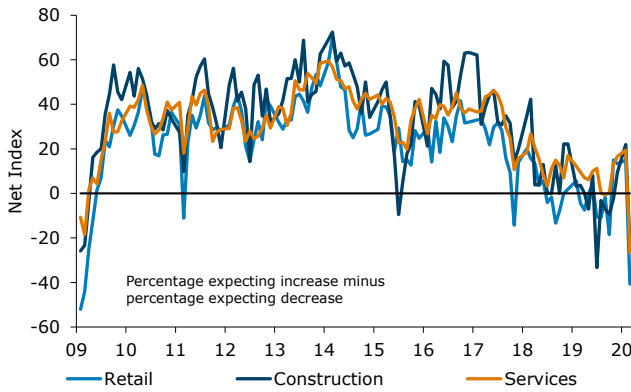
**Activity outlook index**



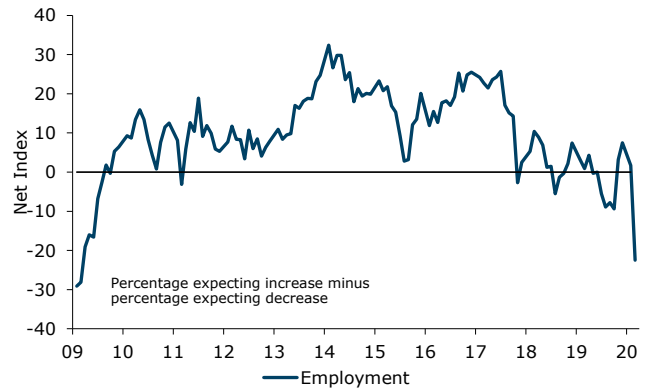
**Construction intentions**



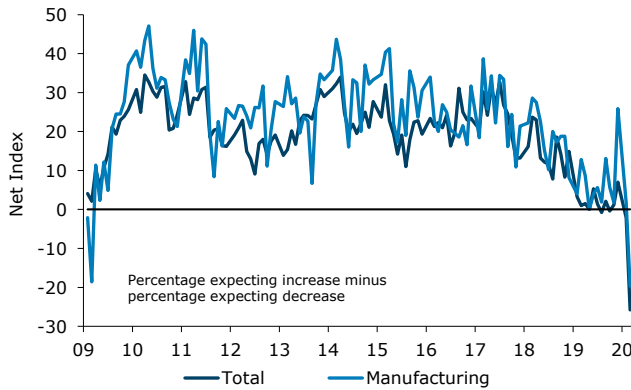
**Activity outlook index**



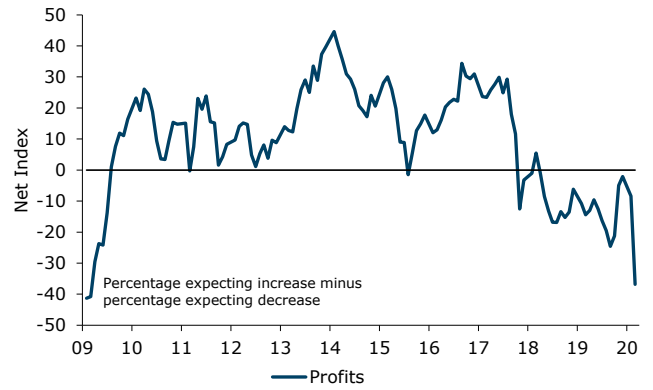
**Labour market outlook**



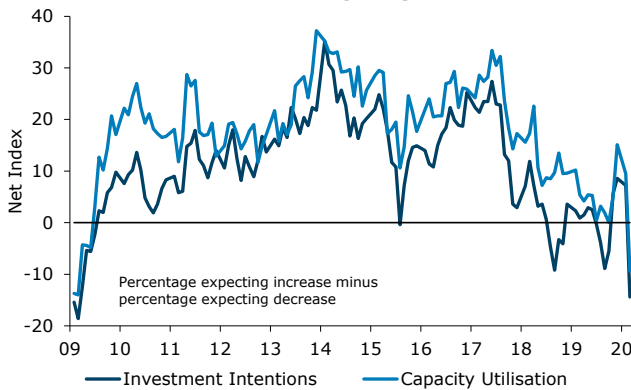
**Export sales volumes**



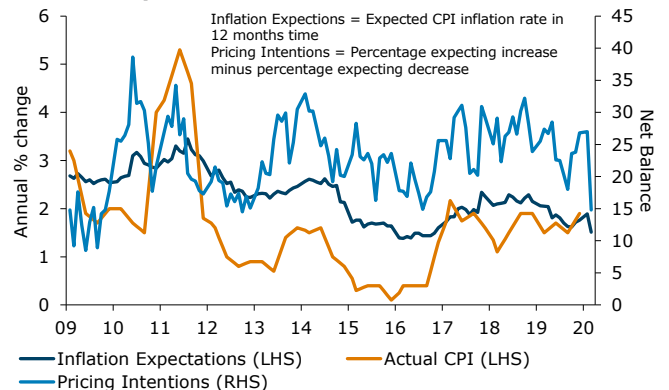
**Financial outlook**



**Investment intentions and capacity utilisation**



**Inflation expectations**



Source: ANZ, Statistics NZ



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