

ANZ New Zealand Business Outlook

31 August 2020



This is not personal advice. It does not consider your objectives or circumstances. Please refer to the Important Notice.



Contact

Sharon Zollner for more details.
See [page 6](#).

The next preliminary *Business Outlook* comprising early-September results at an economy-wide level will be released on 9 September at 1pm. The next standard full-month release of the ANZ *Business Outlook* is due on 30 September at 1pm.

If you would like to be a part of our business survey, we'd love to hear from you.

Email: kyle.uerata@anz.com

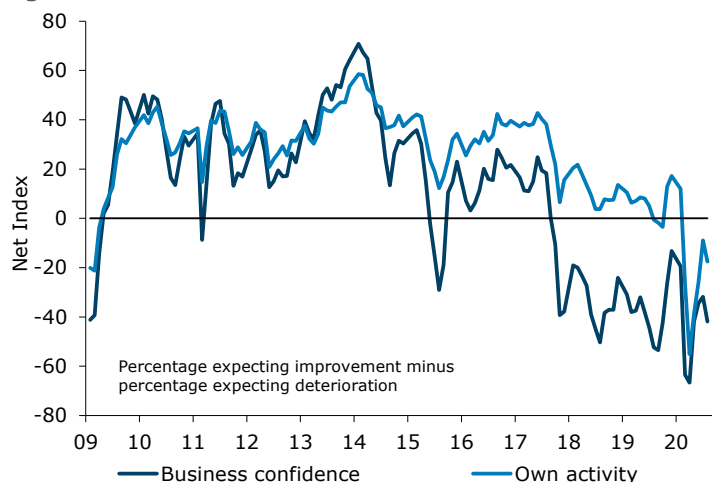
Feeling the pressure

Key points

- Activity indicators in the ANZ Business Outlook survey slipped a little from their early-August preliminary reads, but on the whole, were relatively robust to the re-emergence of COVID-19 in the community on 12 August.
- Headline business confidence, at -41.8%, was little changed from the early-month read, as was own activity, at -17.5%. Both of these reads are weaker than July, but didn't deteriorate markedly as August progressed.
- However, Auckland businesses are much more downbeat than elsewhere, particularly regarding current activity, unsurprisingly, but also the outlook.
- The retail sector has driven much of the rebound in ANZBO activity indicators since June, but is losing heart rapidly.

The full-month August ANZ Business Outlook survey overall confirmed the decline evident in the preliminary data in business sentiment and intentions versus July. This includes business confidence and own activity expectations (figure 1).

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

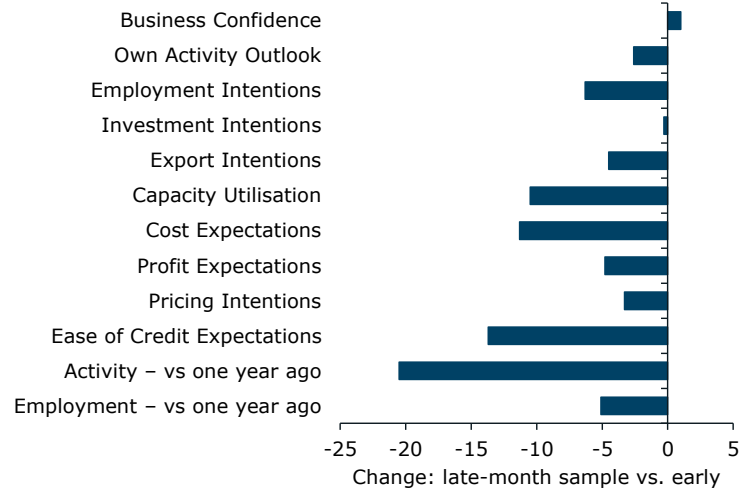


Source: ANZ Research

Just a few days after the publication of the [preliminary August Business Outlook](#), COVID-19 was discovered in the Auckland community. Only five responses came in between the two events, meaning that the later responses provide a pretty clean read on the impact of the news.

Overall, business sentiment and activity expectations have held up better than one might expect, to take a glass half-full view of things. The largest falls were in experienced activity, perceived credit availability, how busy firms say they are (capacity utilisation), and cost expectations. Smaller falls were seen for employment intentions, export intentions, profit expectations and employment versus a year earlier. And there was little change over the month for headline business confidence, firms' own activity outlook, investment intentions and pricing intentions. See figure 2 (over).

Figure 2. Change in indicators: late-month sample vs. preliminary August

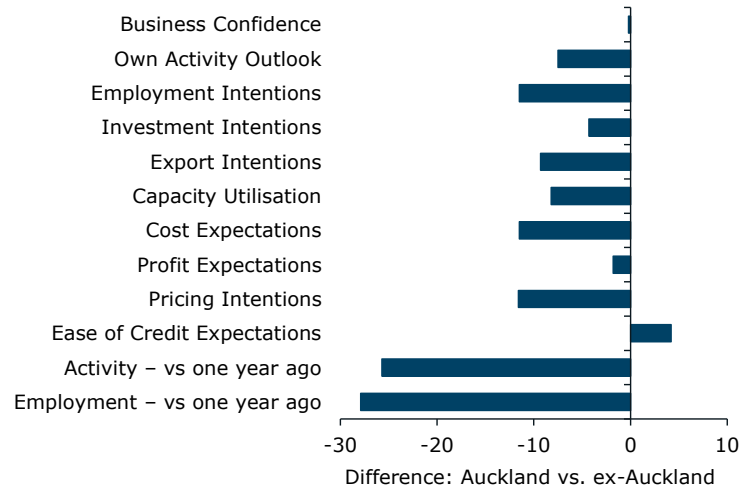


Source: ANZ

However, the Alert levels differed between Auckland and the rest of New Zealand. Figure 3 shows the difference between Auckland and the rest of the country for the key indicators out of the survey.

Unsurprisingly, there was a hefty impact on current levels of both activity and employment compared to the same month a year earlier. But Auckland firms are broadly more downbeat compared to their peers elsewhere when it comes to the outlook as well. We'll be keeping a close eye on what happens to this gap as the alert level in Auckland normalises.

Figure 3. ANZBO indicators: Auckland vs. ex-Auckland

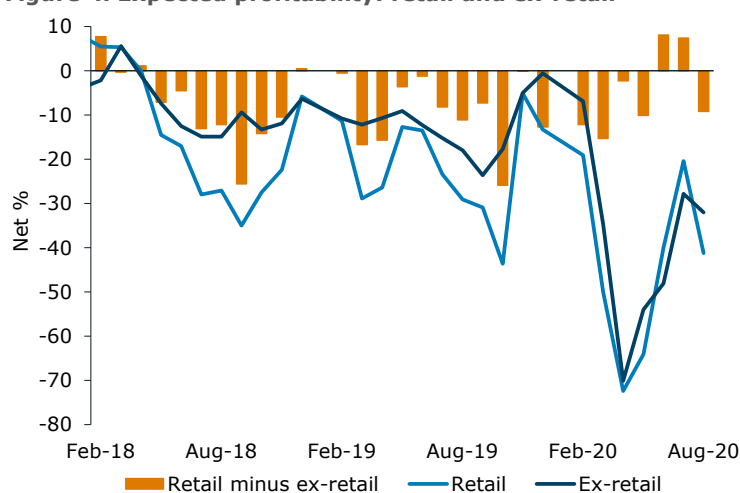


Source: ANZ

Having a full month of data enables us to examine the data by sector. The retail sector is worthy of particular attention. It has been on a wild ride in recent times. Let's zoom in on expected profitability, though similar trends are evident across most indicators.

The retail sector has typically been less optimistic about profitability than the rest of the economy over the past couple of years – and further back too. Retail is a tough gig, with relatively low barriers to entry and the move to online retail and increasingly indebted consumers making for a downbeat sector in a relative sense. But in June and July, for a brief period, retail was relatively optimistic, as the bounce out of the initial lockdown period was more vigorous than anticipated. However, in August the sector fell back below the other sectors (figure 4).

Figure 4. Expected profitability: retail and ex-retail



Source: ANZ

That's consistent with our consumer confidence survey, indicating households' wariness about spending is increasing in this uncertain environment.

Looking more broadly at the sector breakdown, a heat map of both levels and changes on a standardised basis shows:

- The decline in retail fortunes is clear to see (lots of orange in the monthly change column). However, agriculture is more downbeat (compared to history) in both level and change terms. They are the sector most exposed to the global outlook, which hardly inspires confidence. Services is also particularly glum, reflecting their outsized exposure to tourism and lockdown.
- The construction sector is now a relative bright spot, and broadly lifting.
- Despite tough times, pricing intentions for the retail sector are not low, and nor are costs, particularly.

Table 1. Heatmap of monthly levels and changes

	Levels					Monthly change				
	Retail	Mfg	Agri	Constrn	Services	Retail	Mfg	Agri	Constrn	Services
Business Confidence	-33.3	-37.3	-80.6	-16.1	-43.3	-10.7	9.5	-26.1	10.2	-18.1
Activity Outlook	-27.5	-19.4	-22.6	-12.1	-13.9	-18.2	-8.1	-7.4	-1.6	-8.9
Activity – vs one year ago	-2.0	-10.9	-3.2	-9.1	-21.2	1.7	7.1	2.9	-19.6	10.2
Exports	0.0	-18.2	-33.3	-16.7	-23.5	2.8	-10.2	-12.6	-3.1	-6.6
Investment	-4.1	-3.1	-38.7	-21.9	-17.6	-13.7	1.9	-14.5	-27.2	-6.1
Capacity Utilisation	-8.5	-4.5	-6.5	6.2	-8.6	-0.8	10.5	-0.4	3.5	-1.8
Residential Construction	...	...	...	-17.2	...	...	...	...	11.8	...
Commercial Construction	...	...	...	-32.0	...	...	...	...	-32.0	...
Employment	-23.5	-21.2	-38.7	-9.4	-24.5	-17.8	-0.2	-14.5	1.1	-9.8
Employment – vs 1 year ago	-36.0	-20.6	-6.5	-18.8	-28.8	-1.4	7.3	5.6	-10.9	-3.0
Profits	-41.2	-31.3	-67.7	-9.1	-30.2	-20.8	2.6	-10.1	20.6	-12.1
Ease of Credit	-45.1	-43.3	-56.7	-30.3	-42.0	-9.9	1.9	-2.2	1.3	2.4
Costs	45.1	44.8	29.0	21.9	31.1	-10.5	1.3	-19.5	3.0	-0.3
Pricing Intentions	35.3	9.0	-22.6	6.2	14.5	-5.4	-5.5	-10.5	-7.3	7.6

Note: the colour coding is based on standardised values that take into account the historical average and variation in each series, eg "agriculture sector employment intentions". So if, for example, a series is low compared to others but that's not unusual, it is less likely to be marked in red. The history of the activity and employment versus a year ago is unfortunately too short for historical comparisons to be meaningful but the data is included for completeness.

Our take

The recent re-emergence of COVID-19 is disheartening, and has taken a real toll on businesses, particularly in Auckland. However, it appears that firms are looking through it to some extent, in that intentions and expectations saw relatively modest falls compared to the first half of the month. Should daily cases and hence restrictions drag on longer than expected, the negative impacts will accumulate. And the significant fall in experienced activity shouldn't be downplayed, as it demonstrates that businesses' balance sheets have taken a hit, even if firms appear relatively optimistic that activity levels will normalise once the renewed lockdown ends.

Also, although the changes in the data after COVID reappeared were relatively muted, the fact remains that activity indicators are sitting at levels consistent with recession. The post-lockdown bounce was already showing signs of running out of puff in July as pent-up demand was inevitably starting to wane. The pain from the loss of international tourism will be felt most keenly once summer arrives and some of the fiscal support measures start to ease off, highlighting that it is still early days in terms of the economic impact of this pandemic. The fiscal response is slowing the impact but can't prevent it; the monetary response is boosting the housing market but will have a very limited impact on business investment as long as such extreme uncertainty remains.

A challenging road lies ahead for the economy, but New Zealand has advantages and choices that other countries would love to have. There are no 'good' outcomes for a tourism-dependent economy in a global pandemic, but there are certainly worse ones.

Survey Results August 2020

Net Balance	Final August	Prelim August ⁴	Previous (July)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-41.8	-42.4	-31.8	-33.3	-37.3	-80.6	-16.1	-43.3
Own Activity Outlook	-17.5	-17.0	-8.9	-27.5	-19.4	-22.6	-12.1	-13.9
Export Intentions	-20.0	-18.5	-12.7	0.0	-18.2	-33.3	-16.7	-23.5
Investment Intentions	-15.2	-15.1	-6.7	-4.1	-3.1	-38.7	-21.9	-17.6
Cost Expectations	34.5	38.4	37.4	45.1	44.8	29.0	21.9	31.1
Capacity Utilisation	-6.2	-2.8	-7.8	-8.5	-4.5	-6.5	6.2	-8.6
Residential Construction	-17.2	-13.6	-29.0	...	...	...	-17.2	...
Commercial Construction	-32.0	-38.9	0.0	...	...	...	-32.0	...
Employment Intentions	-23.6	-21.4	-15.1	-23.5	-21.2	-38.7	-9.4	-24.5
Profit Expectations	-33.4	-32.2	-26.6	-41.2	-31.3	-67.7	-9.1	-30.2
Pricing Intentions	12.5	13.9	11.8	35.3	9.0	-22.6	6.2	14.5
Ease of Credit Expectations	-43.0	-38.9	-42.9	-45.1	-43.3	-56.7	-30.3	-42.0
Inflation Expectations (%)	1.36	1.4	1.39	1.54	1.55	1.32	1.22	1.25
Activity – same month one year ago	-13.2	-6.6	-17.5	-2.0	-10.9	-3.2	-9.1	-21.2
Employment – same month one year ago	-24.8	-23.1	-23.7	-36.0	-20.6	-6.5	-18.8	-28.8

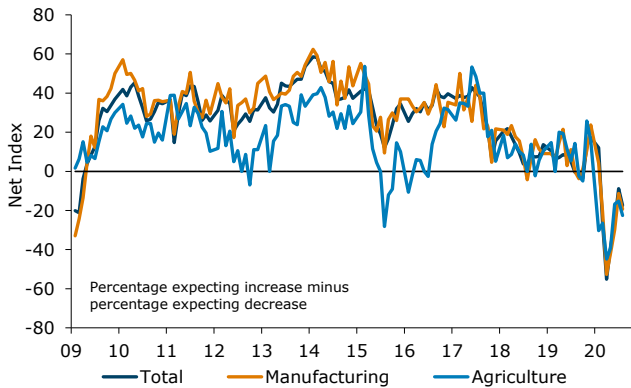
The next preliminary Business Outlook comprising early-September results at an economy-wide level will be released on 9 September at 1pm. The next standard full-month release of the ANZ *Business Outlook* is due on 30 September at 1pm.

⁴ These results include data collected in the first week of the August survey and were published on 10 August.

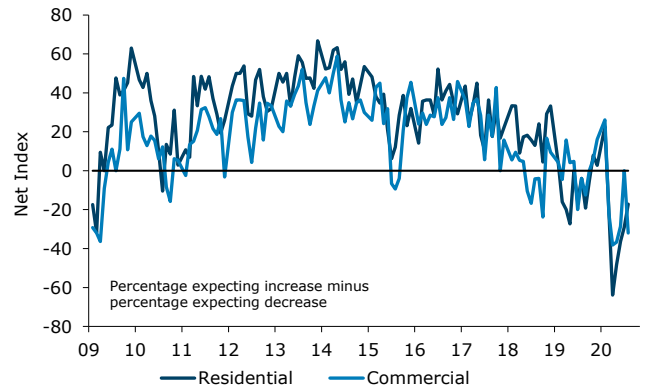


Charts

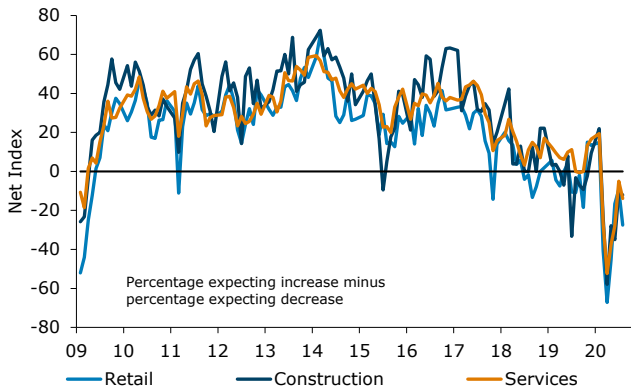
Activity outlook index



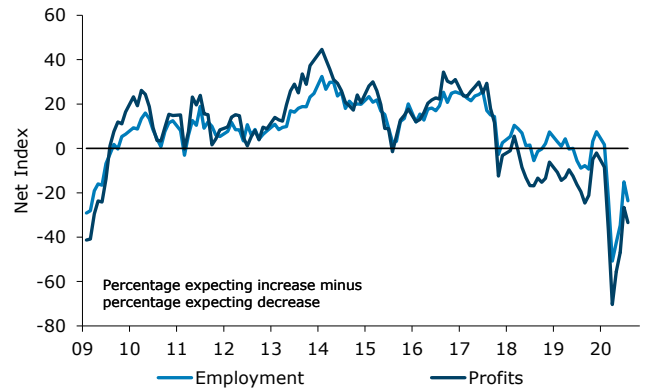
Construction intentions



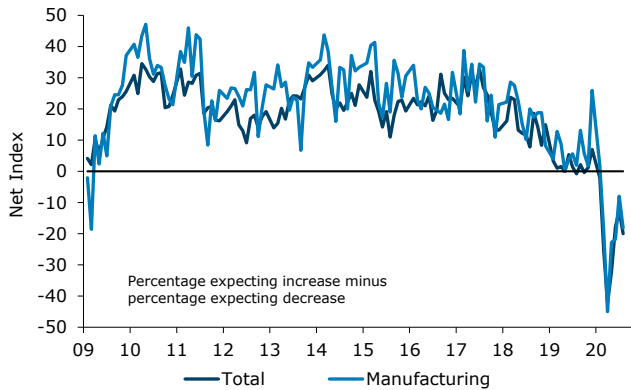
Activity outlook index



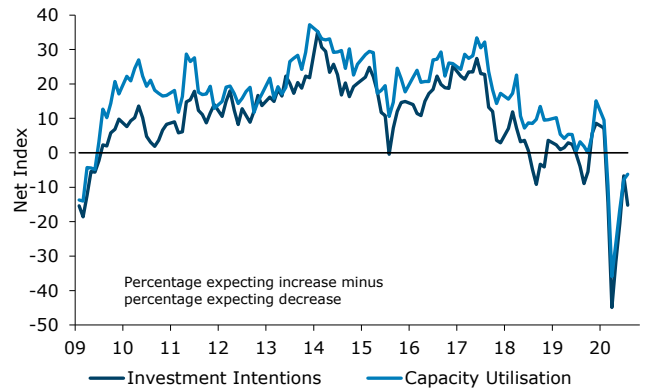
Employment and profit outlook



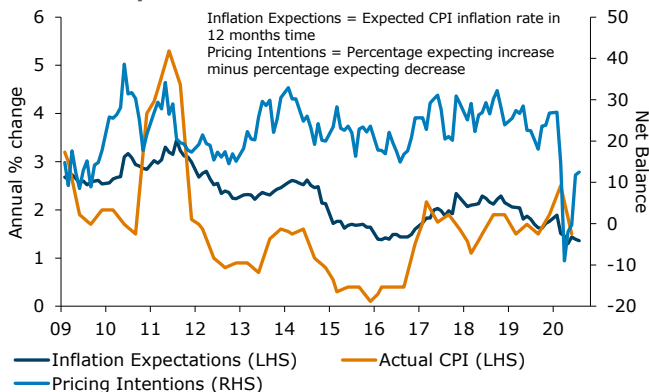
Export sales volumes



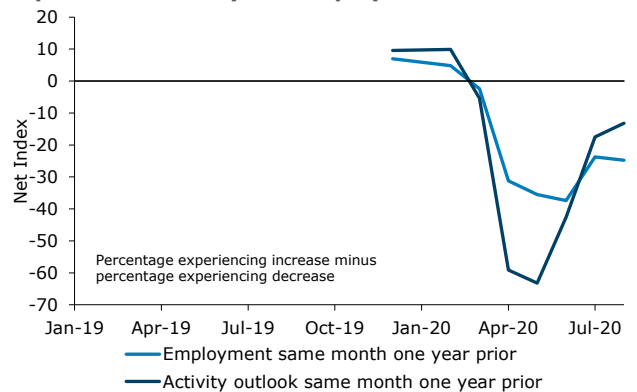
Investment intentions and capacity utilisation



Inflation expectations



Experienced activity and employment



Source: ANZ, Statistics NZ



Contact us

Meet the team

We welcome your questions and feedback. Click [here](#) for more information about our team.



Sharon Zollner
Chief Economist

Follow Sharon on Twitter
[@sharon_zollner](#)

Telephone: +64 27 664 3554
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
[@ANZ_Research](#) (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Liz Kendall
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969
Email: elizabeth.kendall@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com



Important notice

This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ does not represent or warrant the accuracy or completeness of the information. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please [click here](#) or request from your ANZ point of contact.

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

European Economic Area (EEA): United Kingdom. ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (**FAA**).



Important notice

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64 9 357 4094, e-mail nzeconomics@anz.com, <http://www.anz.co.nz>