

ANZ New Zealand Business Outlook

30 November 2020



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Contact

Sharon Zollner for more details. See [page 5](#).

There will be no preliminary *Business Outlook* report in December. The next full-month release of the ANZ *Business Outlook* is due on 18 December 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

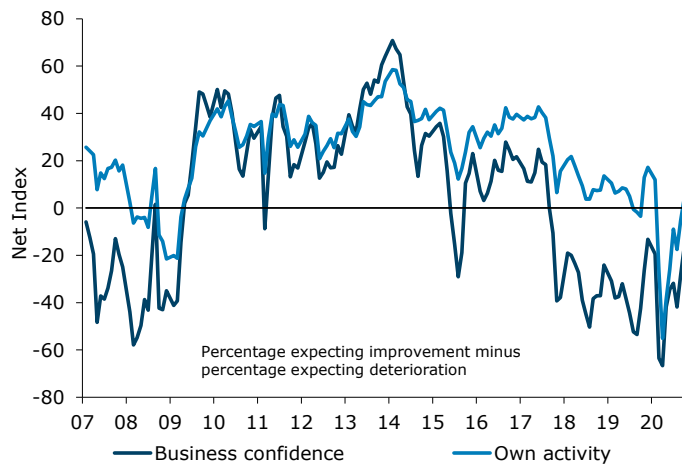
Upswing

Key points

- Headline business confidence, at -6.9%, was 9 points higher than the early-month November read, while own activity was 4 points higher, at +9.1%.
- Indicators relating to investment, employment and profit were also higher.
- Construction is the most optimistic sector; agriculture the least.

The full-month November ANZ Business Outlook survey was more positive than the preliminary data, with growth indicators including own activity expectations and headline business confidence lifting as the month went on, and showing a solid increase versus October (figure 1).

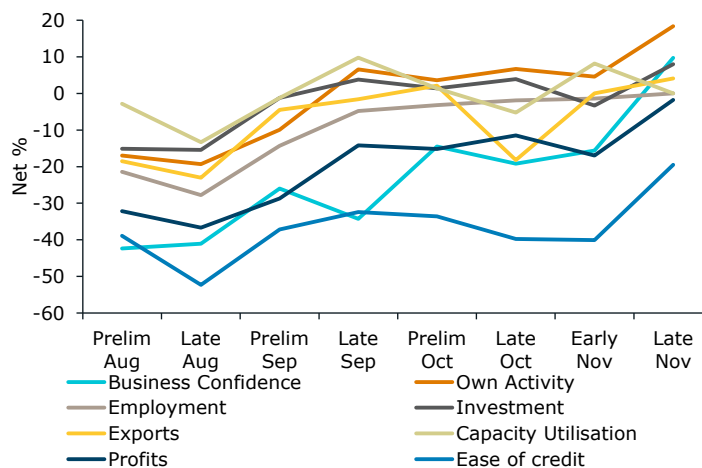
Figure 1. ANZ Business Confidence Index and ANZ Own Activity Index



Source: ANZ Research

Figure 2 shows how the activity indicators have evolved over the two reads each month since August. A broad, renewed lift was seen in the second half of November, with the only exceptions being still-flattish trends in capacity utilisation and employment intentions.

Figure 2. Key indicators since early-August



Source: ANZ Research

Having a full month of data enables us to examine the data by sector. Our usual heat map of both levels and changes on a standardised basis (Table 1) shows a mixed picture.

- Construction remains largely a sea of green, and is by far the most positive sector. However, there was a mix of ups and downs in the survey components over the month.
- The services sector is finding the going easier after improvements across the board this month.
- Retailers are experiencing stronger activity than a year ago but remain very wary about the outlook.
- Manufacturers are doing okay but costs are high, and so are pricing intentions. Generally, activity indicators improved on last month, however.
- Agriculture is by far the most pessimistic sector relative to history, and most of its surveyed answers were weaker than October. Investment, employment and export intentions remain particular weak spots.

Table 1. Heatmap of monthly levels and changes

	Levels					Monthly change				
	Retail	Mfg	Agri	Constrn	Services	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-3.8	6.7	-52.4	-3.3	-6.6	17.9	14.5	-2.4	-15.8	10.2
Activity Outlook	0.0	15.0	-9.1	23.3	9.2	-2.2	13.4	-5.1	14.5	3.2
Activity – vs one year ago	9.4	-10.0	9.1	43.3	0.0	18.1	4.1	-6.9	-0.8	17.3
Exports	-6.5	6.1	-18.2	-7.1	10.3	-6.5	13.9	-18.2	-7.1	15.4
Investment	-1.9	5.1	-33.3	3.3	4.0	-11.0	3.5	-17.3	-20.2	6.0
Capacity Utilisation	-10.0	-1.7	0.0	28.6	9.8	-12.3	-1.7	-8.3	19.5	14.9
Residential Construction	...	...	...	13.0	...	...	...	...	-0.8	...
Commercial Construction	...	...	...	12.5	...	...	...	...	-6.0	...
Employment	-3.8	-8.3	-22.7	6.7	5.3	-12.5	1.2	-14.7	-5.1	11.4
Employment – vs one year ago	-11.5	-15.0	0.0	10.0	-10.8	16.8	10.0	-4.0	-14.2	7.3
Profits	-17.0	-6.7	-54.5	10.3	-8.6	-1.8	13.6	-26.5	4.4	6.2
Ease of Credit	-42.3	-21.7	-36.4	-10.3	-37.5	-15.6	18.0	-0.4	-4.4	4.5
Costs	58.5	65.5	57.1	50.0	42.0	4.2	12.4	13.1	17.6	0.7
Pricing Intentions	39.6	32.2	-18.2	23.3	25.2	9.2	-0.6	-6.2	11.5	3.9

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.

Export intentions are a pressure point, and firms are also reporting some unused capacity, outside of the construction sector. However, there is not a great deal of evidence of deflationary pressure in the survey. Costs are generally rising across the board, and are not low relative to history. Pricing intentions are also not low, outside of agriculture. Inflation expectations remain too low at 1.52%, but are off their lows.

Residential construction intentions were similar to October, with 13% of firms expecting higher activity. Commercial construction firms' expected activity remains in the black, with a net 13% of firms expecting higher activity.

Our take

The New Zealand business sector is feeling increasingly upbeat. Business confidence is the highest since late 2017 – albeit still negative! Excellent vaccine news may have had something to do with the lift seen across the survey this month, and very likely the spending vibe associated with the still-buoyant housing market.

Tests lie ahead for the economy, still – in particular, the fallout from struggling tourism businesses, significantly disrupted freight (we'll ask firms about that specifically in next month's survey), labour shortages in pockets, and volatility in trading partner economies. It's not all fun and games out there by any means – there are pockets of extreme hardship and stress. This shock has pulled the rug out completely from a small proportion of people while leaving most others unscathed. But there's no question that the New Zealand economy in aggregate has much more momentum than seemed likely only a few months ago.

Monetary and fiscal policy have undoubtedly done their jobs this year. But it's worth remembering that both work by bringing forward spending from the future. There's no free lunch, and they need to be used judiciously. The true underlying momentum of the economy should become clearer over the next few months as the impact of one-offs fade, but the case for further life-support measures is becoming less clear by the day. And that's certainly something to celebrate.

Survey Results November 2020

Net Balance	Final November	Prelim November ⁴	Previous (October)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-6.9	-15.6	-15.7	-3.8	6.7	-52.4	-3.3	-6.6
Own Activity Outlook	9.1	4.6	4.7	0.0	15.0	-9.1	23.3	9.2
Export Intentions	2.4	0.0	-3.5	-6.5	6.1	-18.2	-7.1	10.3
Investment Intentions	0.6	-3.3	1.9	-1.9	5.1	-33.3	3.3	4.0
Cost Expectations	51.1	49.8	44.4	58.5	65.5	57.1	50.0	42.0
Capacity Utilisation	5.9	8.2	0.0	-10.0	-1.7	0.0	28.6	9.8
Residential Construction	13.0	-6.2	13.8	...	...	...	13.0	...
Commercial Construction	12.5	12.5	18.5	...	...	...	12.5	...
Employment Intentions	0.0	-1.4	-2.5	-3.8	-8.3	-22.7	6.7	5.3
Profit Expectations	-11.0	-17.0	-14.3	-17.0	-6.7	-54.5	10.3	-8.6
Pricing Intentions	26.1	25.0	21.4	39.6	32.2	-18.2	23.3	25.2
Ease of Credit Expectations	-33.0	-40.1	-35.3	-42.3	-21.7	-36.4	-10.3	-37.5
Inflation Expectations (%)	1.52	1.6	1.38	1.75	1.71	1.40	1.37	1.42
Activity – same month one year ago	4.1	3.2	-6.2	9.4	-10.0	9.1	43.3	0.0
Employment – same month one year ago	-9.2	-10.3	-14.0	-11.5	-15.0	0.0	10.0	-10.8

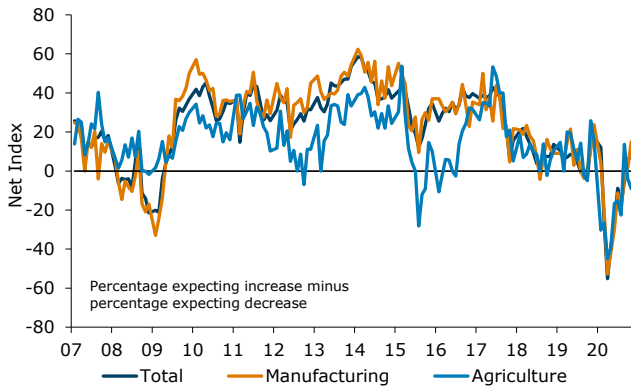
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⁴ These results include data collected in the first week of the November survey and were published on 5 November.

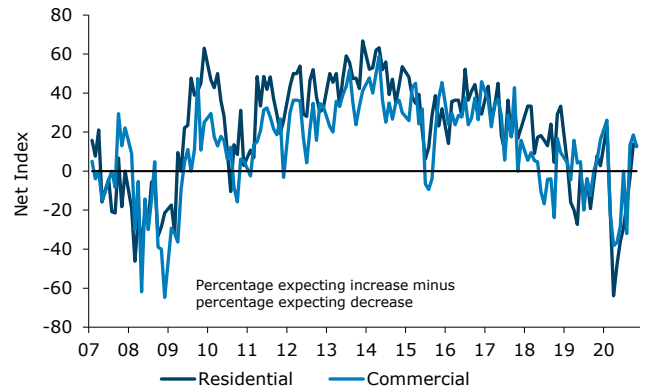


Charts

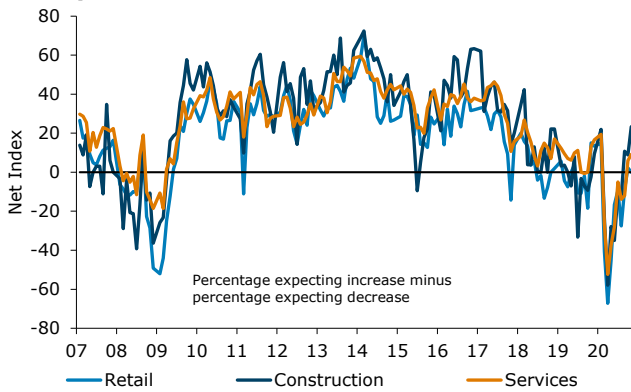
Activity outlook index



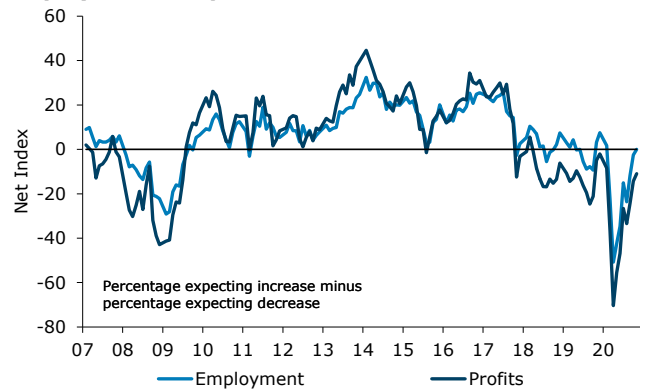
Construction intentions



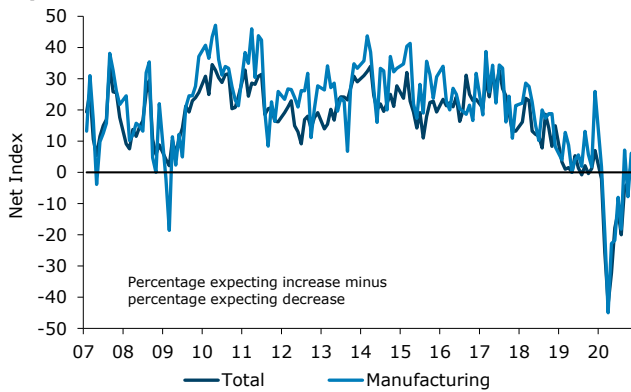
Activity outlook index



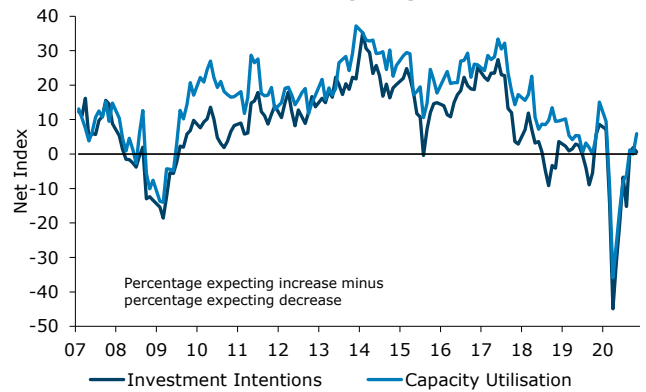
Employment and profit outlook



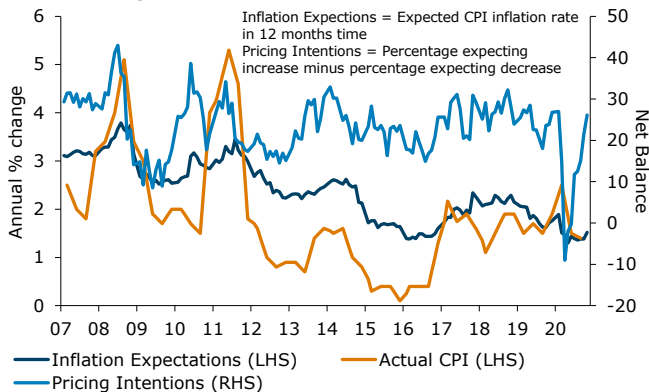
Export sales volumes



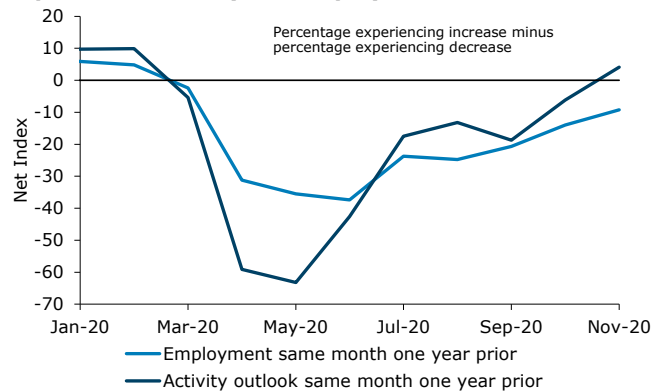
Investment intentions and capacity utilisation



Inflation expectations



Experienced activity and employment



Source: ANZ, Statistics NZ



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