

ANZ New Zealand Business Outlook

31 August 2021



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Contact

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See [page 6](#).

The next release of the ANZ *Business Outlook* (a preliminary read) is due on 13 September at 1pm.

The next standard full-month release of the ANZ *Business Outlook* is due on 30 September at 1pm.

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Sitting tight

Key points

- Initial responses after level 4 lockdown look encouragingly robust, but it's early days. Business confidence fell 10 points; own activity 7.
- We will once more publish preliminary survey results from next month.

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



Source: Macrobond, ANZ Research

This month we divide the survey into before and after lockdown. The two samples account for roughly 75% and 25% of the responses respectively.

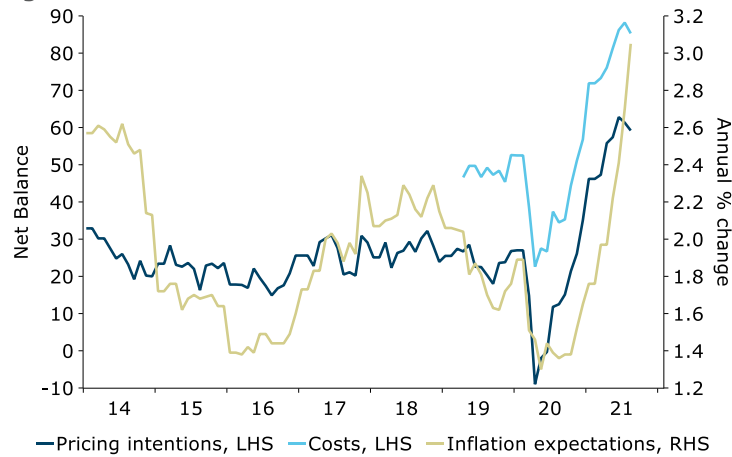
Table 1: Before and after level 4 lockdown

Net Balance	Pre L4	Post L4	July	Comment
Business Confidence	-14.5	-13.4	-3.8	The fall predates lockdown
Own Activity Outlook	20.2	16.0	26.3	Was already easing before lockdown
Export Intentions	8.4	4.8	7.6	Lockdown impact evident
Investment Intentions	15.4	11.1	17.4	Well off its June peak pre-lockdown
Cost Expectations	85.0	86.4	88.2	No relief
Capacity Utilisation	22.8	6.3	19.2	Even more stretched pre-lockdown
Residential Construction	7.7		41.7	Sample too small to split
Commercial Construction	11.5		24.0	Sample too small to split
Employment Intentions	17.9	13.9	21.4	Some easing before lockdown
Profit Expectations	-9.5	7.4	0.0	Counterintuitive but reassuring?
Pricing Intentions	58.8	60.5	61.3	No easing evident here
Ease of Credit Expectations	-52.1	-54.3	-51.0	Still weak
Inflation Expectations	3.06%	3.04%	2.70%	Through the top of the target band
Activity – vs. same month one year ago	36.6	16.0	33.3	Was still rising pre-lockdown
Employment – vs. same month one year ago	20.3	21.8	21.2	No drop as lockdown kicked off

While it's obviously very early days, some key themes are evident:

- The inevitable lockdown impact is clear. But it's worth noting that many activity indicators, including own activity and investment intentions, were easing (from high levels) before lockdown.
- Employment intentions are so far looking robust, but time will tell.
- Inflation pressures remain intense (figure 2).

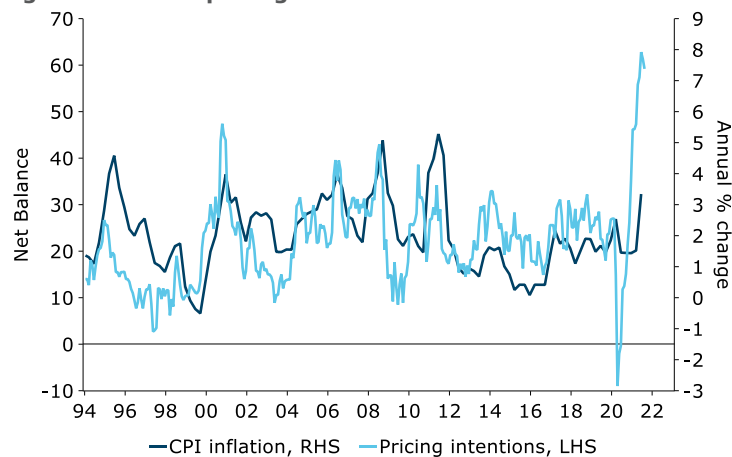
Figure 2. ANZBO inflation indicators



Source: Macrobond, ANZ Research

Inflation expectations at 3.05% (whole month sample) mark the first time since late 2011 they've been out the top of the RBNZ's target range of 1-3%. Pricing intentions also remain extremely high (figure 3), as do expected costs. The RBNZ has been keen to make the point that it does not view lockdowns (and COVID disruptions more generally) as deflationary – that the impact on supply is at least as significant, and more persistent, than the impact on demand. Our survey will help disentangle those effects over coming months.

Figure 3. ANZBO pricing intentions and CPI inflation



Source: Stats NZ, Macrobond, ANZ Research

Our usual heat map of levels and changes on a standardised basis (Table 2, over) uses the full-month data. The lockdown is clear here too, with a good deal of blue in the monthly changes (falls) – except agriculture, an essential industry. Expected costs and pricing intentions remain very high. But also, encouragingly, employment intentions are robust so far (levels are still above average). The sharp fall in manufacturing employment intentions was off a spike the month before, so isn't concerning at this stage.

Table 2. Heatmap:

	Levels					Monthly changes				
	Retail	Mfg	Agric	Constrn	Serv	Retail	Mfg	Agric	Constrn	Serv
Business Confidence	-29.1	-12.1	-30.4	-3.0	-9.8	-17.0	-2.2	15.1	-24.2	-11.1
Own activity outlook	10.9	22.4	30.4	15.2	19.5	4.0	-0.1	12.2	-21.2	-13.8
Activity vs. same month one year ago	30.9	27.3	17.4	48.5	32.3	2.3	-11.3	21.9	12.1	-6.2
Exports	4.8	9.1	25.0	-10.5	6.5	4.8	-0.9	20.2	-16.1	-1.5
Investment	9.3	34.8	-4.3	15.2	10.5	-9.6	17.7	-22.5	-15.1	-3.2
Capacity Utilisation	9.3	23.1	26.1	22.6	18.8	-7.7	6.0	26.1	-18.0	-0.6
Residential Construction	...	...	...	7.7	...	...	...	...	-34.0	...
Commercial Construction	...	...	...	11.5	...	...	...	...	-12.5	...
Employment	20.0	7.5	4.3	18.8	21.5	4.5	-15.4	13.4	-9.3	-4.0
Employment vs. same month one year ago	14.5	18.2	8.7	31.2	23.7	-6.6	-2.4	4.2	-2.1	2.8
Profits	-20.0	-1.5	-4.3	-18.2	0.6	-2.5	11.2	9.3	-27.3	-11.0
Ease of Credit	-57.4	-50.0	-65.2	-42.4	-52.4	-11.0	-4.3	-10.2	15.2	0.8
Costs	92.7	82.1	100.0	93.8	80.4	1.6	-12.3	13.6	2.9	-3.4
Pricing Intentions	85.5	68.7	26.1	75.0	48.8	10.1	-5.9	-19.4	5.3	-3.1

Source: Macrobond, ANZ Research

Note: Shades of orange indicate high, and shades of blue, low, becoming more intense at the extremes. The colour coding is based on standardised values that take into account the historical average and variation in each series. For example, a series may be low compared to others but if that's not unusual, it may not be in blue. The history of the activity and employment versus a year ago is unfortunately too short for historical comparisons to be particularly meaningful but the data is included for completeness.

Our take

Here we go again. Once more the country has been plunged into Level 4 and businesses into the Lockdown Lottery, the arbitrary redistribution of spending across goods and services, and across time, that disrupts the cash-flow of a myriad of businesses small and large across the nation.

It's really tough. And Delta is a formidable opponent. But there are some reasons to be glass-half-full about the situation:

- The economy had significant momentum going into this, and we know the wage subsidy works. People will be a lot more confident than last time that their job will be there for them on the other side of this.
- Evidence both here and overseas suggests that the bounce out of lockdowns tends to be vigorous.

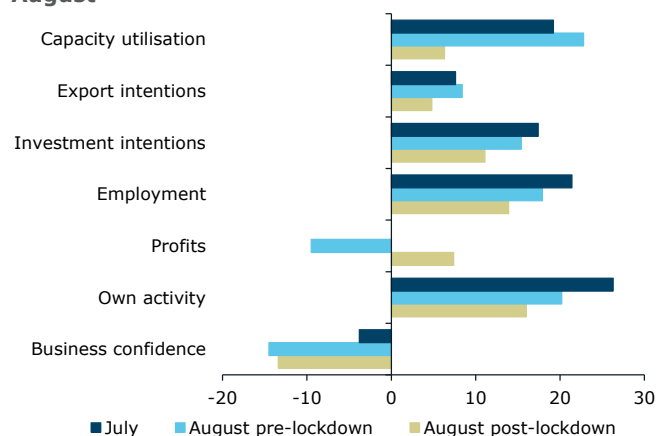
On the other hand, it's too soon to be sure that level 4 restrictions will stamp out Delta in an acceptable timeframe. Also, the outlook for the housing market is tough to pick, but we are most certainly not looking at another 30% lift in house prices over the next 12 months. That increase has had all kinds of nasty consequences, but one thing it did unquestionably do is boost confidence and spending amongst the roughly two thirds of households who already owned a house. We'll see what a post-lockdown bounce-back looks like without that, but we're optimistic that strong job security this time round will provide a valuable offset.

The RBNZ has made it clear that they expect confidence to fall, but they also anticipate a rapid bounce-back. During this time of turmoil, we will once more report preliminary ANZBO results. For now, the results are reassuring. Activity indicators have of course taken a hit, but employment intentions have barely budged. On the other hand, the data does confirm that key activity indicators were already peaking (at very strong levels) before this COVID outbreak occurred.

Firms' balance sheets are generally in pretty good shape to weather this storm (outside of hospitality and those exposed to international tourism), and a strong bounce-back is a good base case. But it's not a given. We'll be watching both business and consumer sentiment indicators closely for any signs that people are altering their medium-term decisions, as opposed to just hitting pause.

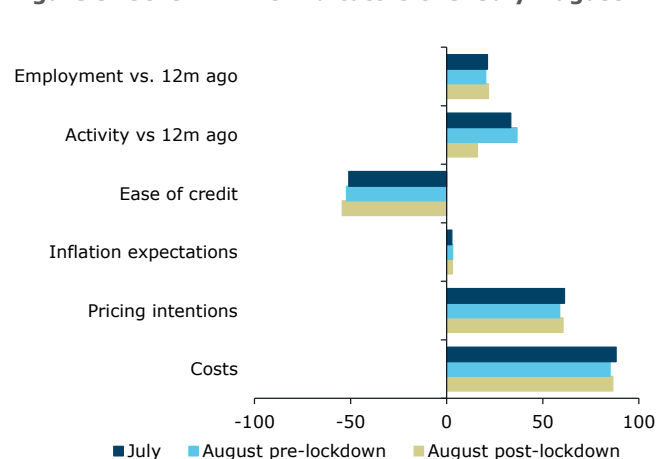
Hang in there.

Figure 4: Key ANZBO activity indicators over July-August



Source: ANZ Research

Figure 5: Other ANZBO indicators over July-August



Survey Results August 2021

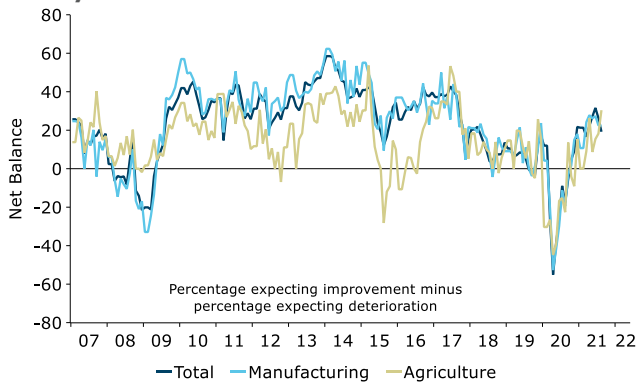
Net Balance	August	Previous (July)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-14.2	-3.8	-29.1	-12.1	-30.4	-3.0	-9.8
Own Activity Outlook	19.2	26.3	10.9	22.4	30.4	15.2	19.5
Export Intentions	7.4	7.6	4.8	9.1	25.0	-10.5	6.5
Investment Intentions	14.4	17.4	9.3	34.8	-4.3	15.2	10.5
Cost Expectations	85.3	88.2	92.7	82.1	100.0	93.8	80.4
Capacity Utilisation	18.8	19.2	9.3	23.1	26.1	22.6	18.8
Residential Construction	7.7	41.7	...	...	...	7.7	...
Commercial Construction	11.5	24.0	...	...	...	11.5	...
Employment Intentions	17.0	21.4	20.0	7.5	4.3	18.8	21.5
Profit Expectations	-5.5	0.0	-20.0	-1.5	-4.3	-18.2	0.6
Pricing Intentions	59.2	61.3	85.5	68.7	26.1	75.0	48.8
Ease of Credit Expectations	-52.6	-51.0	-57.4	-50.0	-65.2	-42.4	-52.4
Inflation Expectations (%)	3.05	2.70	3.22	3.10	2.92	3.00	3.01
Activity – vs. same month one year ago	31.8	33.3	30.9	27.3	17.4	48.5	32.3
Employment – vs. same month one year ago	20.7	21.2	14.5	18.2	8.7	31.2	23.7

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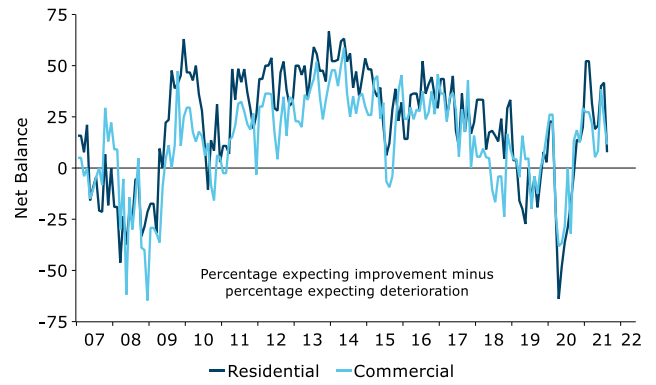


Charts

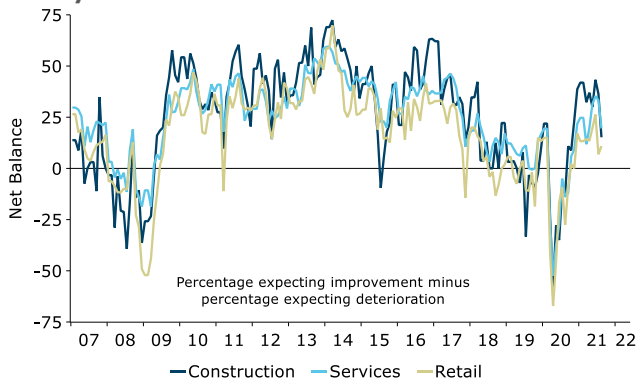
Activity outlook index



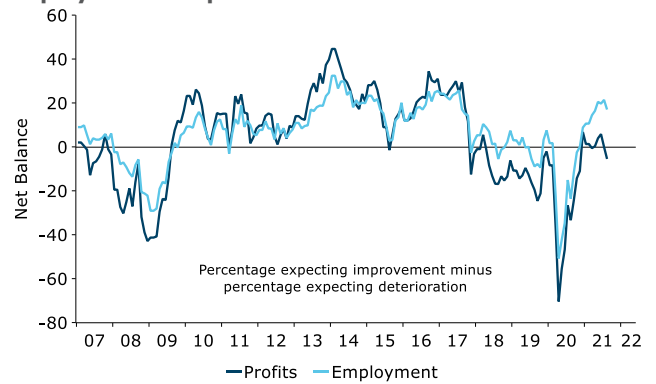
Construction intentions



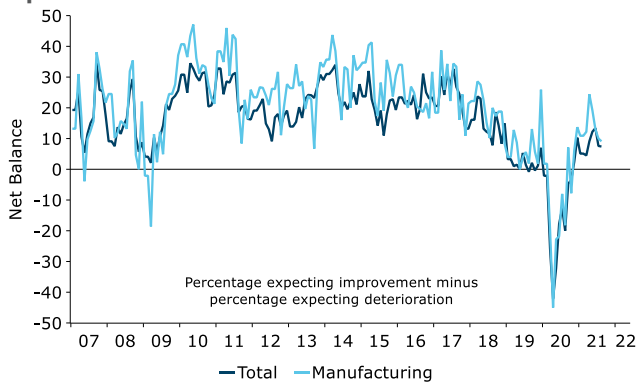
Activity outlook index



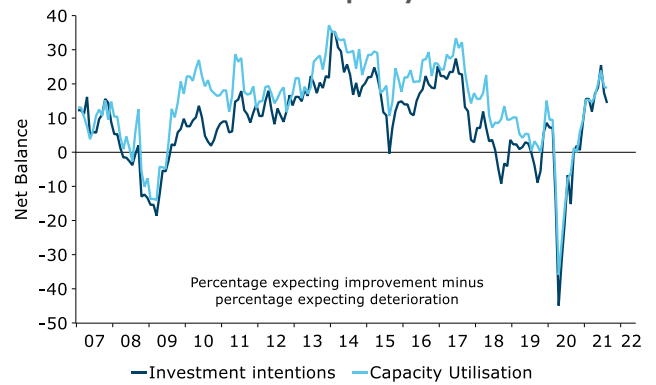
Employment and profit outlook



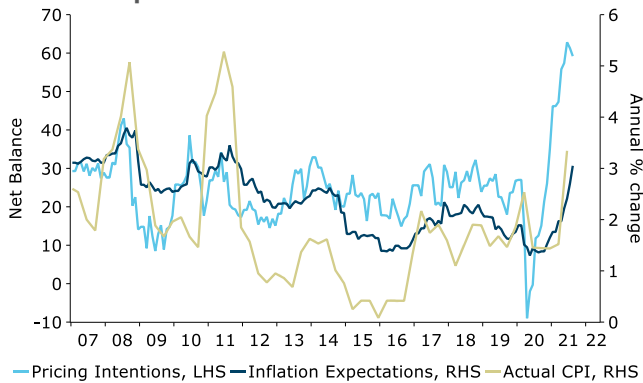
Export sales volumes



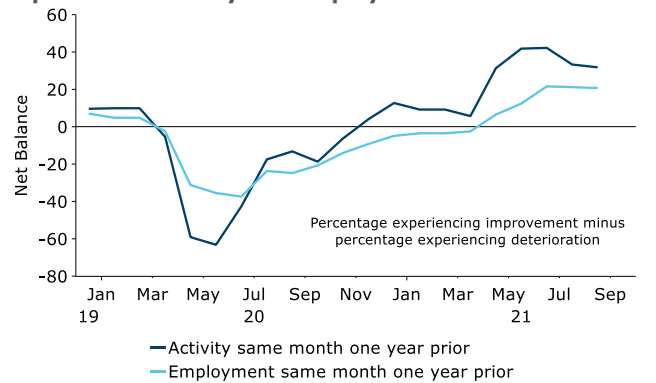
Investment intentions and capacity utilisation



Inflation expectations



Experienced activity and employment



Source: ANZ, Statistics NZ, Macrobond



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