

ANZ New Zealand Business Outlook

30 November 2021



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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 17 December at 1pm.

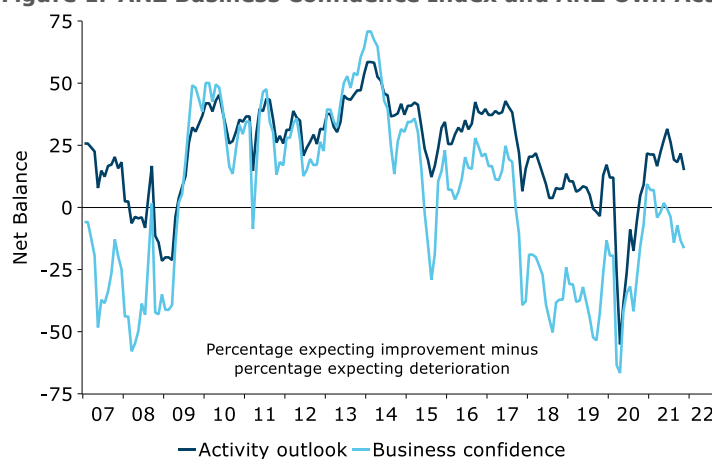
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Mixed bag

Key points

- Headline business confidence fell 3 points, while own activity fell 7 points, compared to October.
- However, some activity measures improved slightly compared to the preliminary November results.
- Inflation pressures remain intense.

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



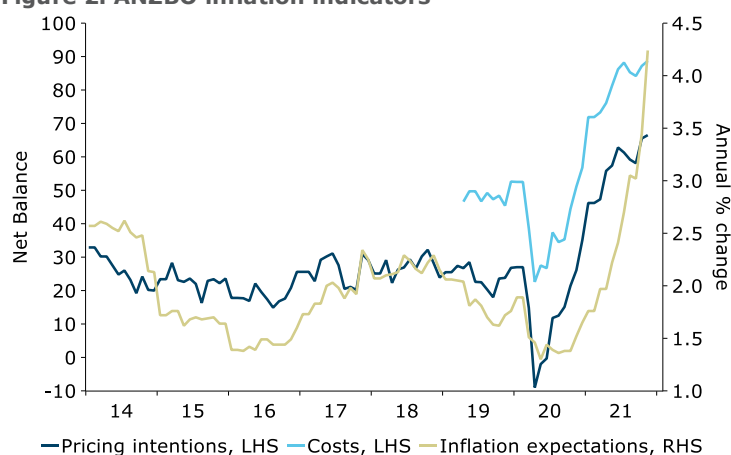
Source: Macrobond, ANZ Research

Table 1: Results versus recent history

Net Balance	Full Nov	Prelim Nov	Oct	Comment
Business Confidence	-16.4	-18.1	-13.4	Slight improvement on prelim
Own Activity Outlook	15.0	15.6	21.7	Trending down
Export Intentions	9.5	8.0	8.6	Steady
Investment Intentions	16.3	11.6	13.8	Slight lift
Cost Expectations	88.7	89.0	87.2	Still extremely high
Capacity Utilisation	14.1	14.6	20.6	Still busy
Residential Construction	4.5	--	7.1	Noisy but trending lower
Commercial Construction	16.7	--	3.4	Noisy but trending lower
Employment Intentions	15.8	16.1	10.9	Recovering
Profit Expectations	-9.7	-8.9	-6.2	Times are tougher
Pricing Intentions	66.5	64.6	65.5	No easing of pressure here
Ease of Credit	-64.9	-64.6	-57.1	Anticipating difficulty
Inflation Expectations	4.24%	4.33%	3.45%	Still sky-high
Activity – vs. same month one year ago	7.6	3.8	-0.3	Recovering
Employment – vs. same month one year ago	11.7	9.7	11.4	Steady

Overall, the full-month November ANZBO results show relatively small changes compared to the preliminary result. Business confidence, export intentions, and investment intentions were all a little higher, but own activity, and capacity utilisation dipped. Overall, the theme continues to be gradually easing activity indicators but cost and inflation pressures remain extreme (figure 2).

Figure 2. ANZBO inflation indicators



Source: Macrobond, ANZ Research

Table 2 shows that pressure clearly, with a sea of orange at the bottom of the table. Business confidence and the own activity outlook remain clearly under par, and profitability under some pressure. Expectations of credit availability are very subdued. By sector, services and agriculture are relatively downbeat versus their historical norm, while manufacturing is positive. Versus a month earlier, the manufacturing and retail sectors have dropped quite a bit, while the construction and services sectors have lifted compared to October.

Table 2. Heatmap

	Levels					Monthly changes				
	Retail	Mfg	Agric	Constrn	Serv	Retail	Mfg	Agric	Constrn	Serv
Business Confidence	-26.0	-15.8	-40.9	-3.4	-12.9	-4.8	-14.2	4.1	16.0	-1.5
Own activity outlook	8.0	24.6	-22.7	23.3	17.8	-3.5	-13.5	-37.7	15.0	-4.2
Activity vs. same month one year ago	-16.0	21.1	-13.6	-6.7	15.5	7.1	14.8	-8.6	-17.8	12.8
Exports	3.1	17.8	-11.8	-16.7	16.3	-4.6	4.1	-18.0	-0.9	6.7
Investment	22.9	23.2	0.0	13.3	13.6	20.9	-8.5	0.0	10.4	-0.5
Capacity Utilisation	-2.1	21.8	0.0	6.7	21.2	-26.1	-9.9	-5.0	-21.9	6.2
Residential Construction	...	...	...	4.5	...	...	...	...	-2.6	...
Commercial Construction	...	...	...	16.7	...	...	...	...	13.3	...
Employment	10.0	22.8	-4.5	20.7	17.3	4.2	13.3	5.5	9.3	2.0
Employment vs. same month one year ago	-4.0	14.0	9.1	26.7	13.0	-6.0	-10.2	14.1	15.3	1.4
Profits	-8.2	3.5	-27.3	-13.3	-10.8	13.4	1.9	7.7	-13.3	-8.8
Ease of Credit	-76.0	-61.4	-59.1	-56.7	-65.6	-17.2	-11.4	-9.1	-1.1	-4.5
Costs	92.0	89.5	90.9	93.1	86.0	-2.2	-5.7	0.9	1.4	6.3
Pricing Intentions	78.0	75.4	27.3	83.3	62.4	-4.7	-4.0	12.3	9.0	3.1

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.

The difference between Auckland and the rest of the country was not particularly notable across either activity or inflation indicators.

Our take

It's an uncertain time for the New Zealand economy. COVID is about to spread throughout new regions, the housing market has turned, and interest rates have risen sharply. And now the global COVID situation has taken a turn as well with the uncertain implications of the new Omicron variant. Costs are rising and firms aren't confident they'll be able to maintain their profit margins. But in the bigger picture, demand is solid with jobs plentiful, Auckland is nearly out of lockdown, and there's a plan to reopen the border, as long as the new variant doesn't turn out to be a game changer. The Delta outbreak, meanwhile, hasn't exploded, hospital systems have coped, and New Zealand has achieved impressive rates of vaccination with hopefully more to come. It's a mixed bag, yes, but overall things are still ticking along pretty well. Here's hoping COVID doesn't throw a curve ball.

Survey Results November 2021

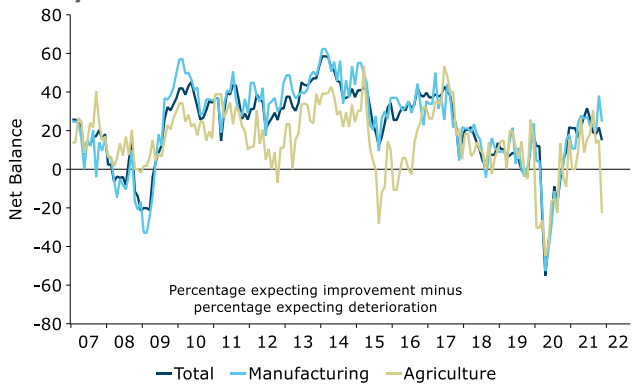
Net Balance	Final November	Prelim November ¹	Previous (Oct)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-16.4	-18.1	-13.4	-26.0	-15.8	-40.9	-3.4	-12.9
Own Activity Outlook	15.0	15.6	21.7	8.0	24.6	-22.7	23.3	17.8
Export Intentions	9.5	8.0	8.6	3.1	17.8	-11.8	-16.7	16.3
Investment Intentions	16.3	11.6	13.8	22.9	23.2	0.0	13.3	13.6
Cost Expectations	88.7	89.0	87.2	92.0	89.5	90.9	93.1	86.0
Capacity Utilisation	14.1	14.6	20.6	-2.1	21.8	0.0	6.7	21.2
Residential Construction	4.5	...	7.1	...	...	...	4.5	...
Commercial Construction	16.7	...	3.4	...	...	...	16.7	...
Employment Intentions	15.8	16.1	10.9	10.0	22.8	-4.5	20.7	17.3
Profit Expectations	-9.7	-8.9	-6.2	-8.2	3.5	-27.3	-13.3	-10.8
Pricing Intentions	66.5	64.6	65.5	78.0	75.4	27.3	83.3	62.4
Ease of Credit Expectations	-64.9	-64.6	-57.1	-76.0	-61.4	-59.1	-56.7	-65.6
Inflation Expectations (%)	4.24	4.33	3.45	4.72	4.53	4.57	4.11	3.97
Activity – same month one year ago	7.6	3.8	-0.3	-16.0	21.1	-13.6	-6.7	15.5
Employment – same month one year ago	11.7	9.7	11.4	-4.0	14.0	9.1	26.7	13.0

¹ These results include data collected in the first week of the November survey that were published on 10 November.

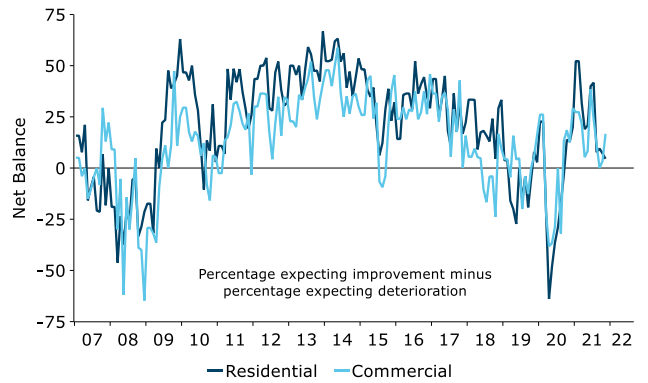


Charts

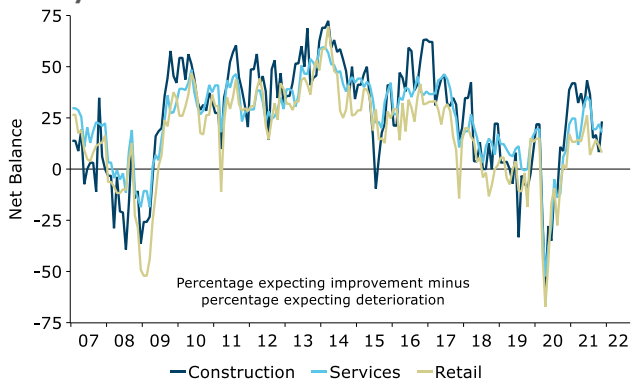
Activity outlook index



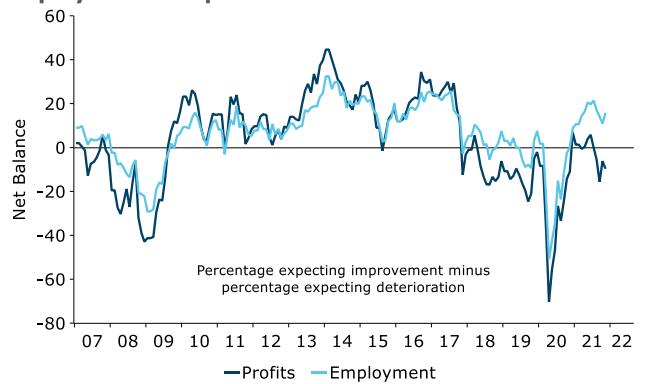
Construction intentions



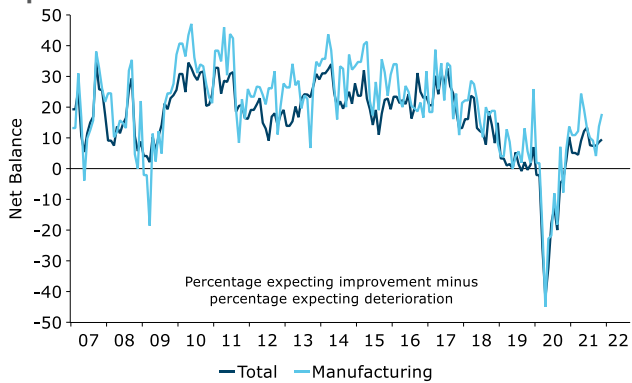
Activity outlook index



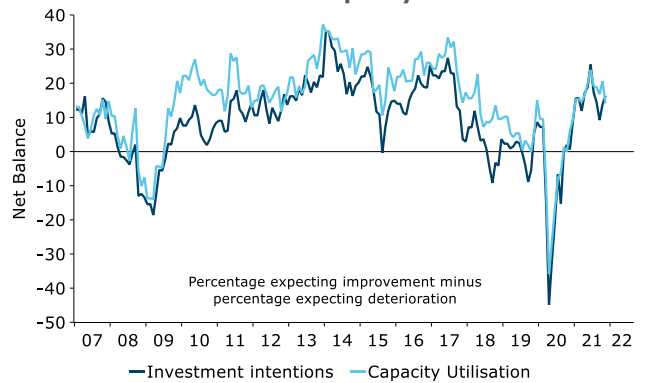
Employment and profit outlook



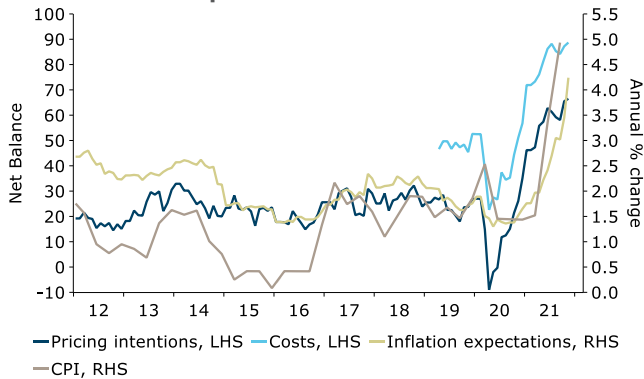
Export sales volumes



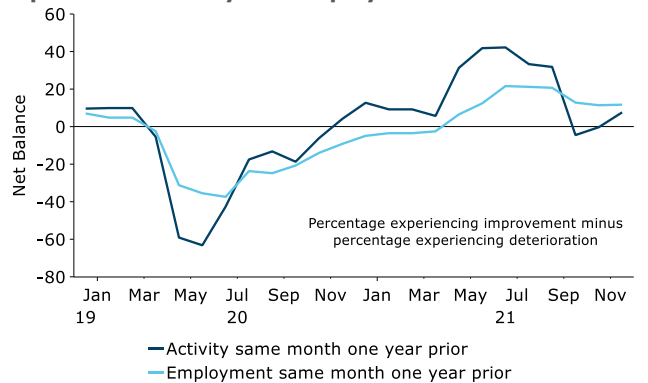
Investment intentions and capacity utilisation



Cost and inflation pressures



Experienced activity and employment



Source: ANZ, Statistics NZ, Macrobond



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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



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



Finn Robinson
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: finn.robinson@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



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