

# ANZ New Zealand Business Outlook

28 February 2022



This is not personal advice nor financial advice about any product or service. It does not take into account your financial situation or goals. Please refer to the Important Notice.



## Contact

Sharon Zollner for more details.

See [page 5](#).

The next release of the ANZ *Business Outlook* is due on **30 March at 1pm**.

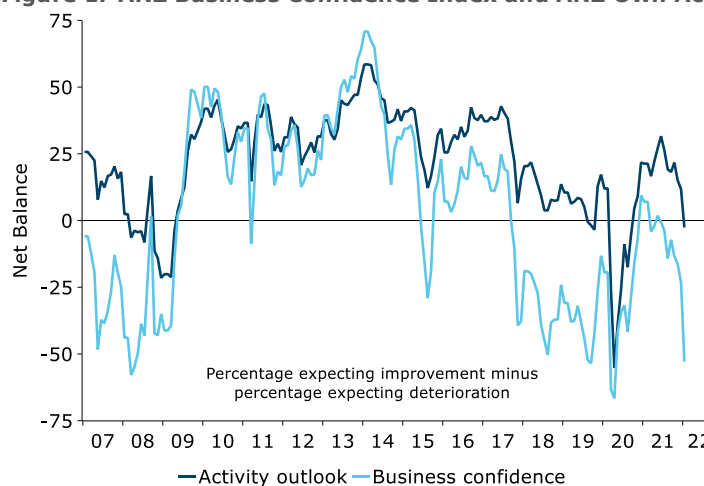
If you would like to be a part of our survey, please click [here](#).

## Worst of both worlds

### Key points

- Headline business confidence tanked 28 points, while own activity fell a more modest 14 points, compared to December.
- Activity indicators were weaker across the board.
- Inflation pressures continue to intensify, with inflation expectations and pricing intentions hitting fresh record highs.

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

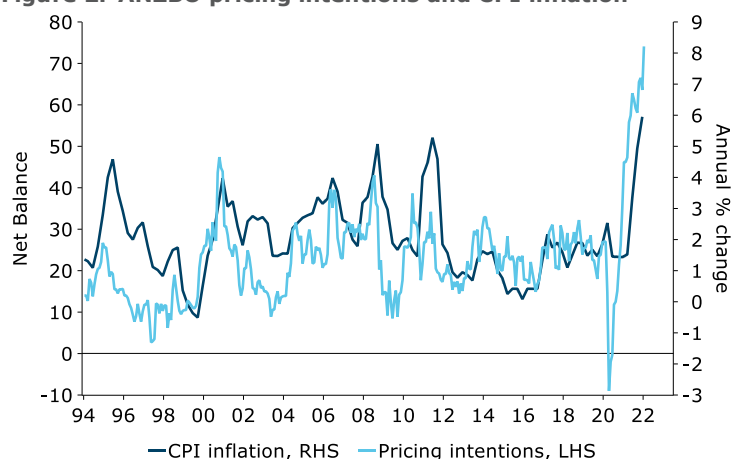


**Table 1: Results versus recent history**

Net Balance	Feb	Dec	Comment
Business Confidence	-51.8	-23.2	Clobbered. Big Omicron hit anticipated.
Own Activity Outlook	-2.2	11.8	More sanguine about own outlook.
Export Intentions	0.9	8.8	Global woes weighing.
Investment Intentions	4.5	11.4	Still in the black, but not by much.
Cost Expectations	92.0	88.2	We can call that a consensus.
Capacity Utilisation	5.8	9.2	Best GDP indicator: hanging in there.
Residential Construction	-5.0	0	First negative read since Sep-20.
Commercial Construction	-9.5	19.2	First negative read since Aug-20.
Employment Intentions	2.3	10.5	Still positive, but a meaningful hit.
Profit Expectations	-32.7	-13.1	Profitability under severe pressure.
Pricing Intentions	74.1	63.6	A fresh record high – by some way!
Ease of Credit	-74.0	-70.6	A bottomless pit of a question.
Inflation Expectations	5.29%	4.42%	Doing a good impression of exponential.
Activity – vs. same month one year ago	7.4	14.8	Still in the black.
Employment – vs. same month one year ago	5.5	15.1	Weakest in a year.

The February ANZ Business Outlook results show widespread anxiety about the impact of Omicron. Activity indicators fell across the board. But that has done nothing to ease inflation pressures, which remain extreme. Inflation expectations, cost expectations, and pricing intentions all hit fresh record highs. Indeed, the latter suggest CPI inflation could hit 8%, rather than the mid-6s the RBNZ and we are currently forecasting (figure 2).

**Figure 2. ANZBO pricing intentions and CPI inflation**



Source: Stats NZ, Macrobond, ANZ Research

Our usual heatmap is a sea of blue across activity indicators in both change and level terms, indicating broad-based falls and weakness respectively. Only agriculture improved, likely reflecting the rise in commodity prices. Inflation indicators are one-way traffic in the other direction, with a sea of intense orange. The monthly change in pricing intentions was particularly dramatic, with absolutely no sign of a turn in inflation pressures. And those record-high pricing intentions came despite expectations of weaker activity. Recent weakness in the NZD probably hasn't helped, though every type of cost is going up. It supports our contention that while Omicron will be enormously disruptive, it won't do anything to ease inflation pressures.

**Table 2. Heatmap**

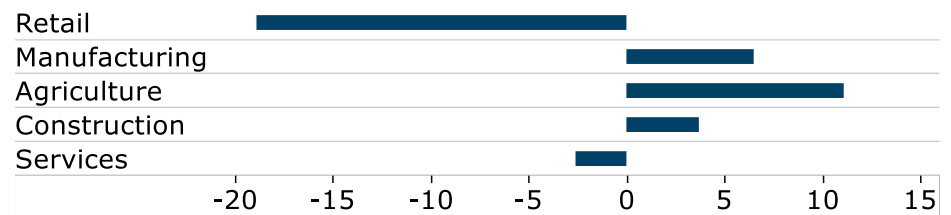
	Levels					Monthly changes				
	Retail	Mfg	Agric	Constrn	Serv	Retail	Mfg	Agric	Constrn	Serv
Business Confidence	-64.2	-45.2	-66.7	-48.1	-49.0	-42.8	-29.3	-32.1	-28.7	-21.5
Own activity outlook	-18.9	6.5	11.1	3.7	-2.6	-25.9	-15.4	11.1	-11.9	-12.7
Activity vs. same month one year ago	-20.4	19.4	16.7	22.2	8.7	-13.4	-2.5	12.9	0.3	-12.8
Exports	0.0	0.0	16.7	0.0	-1.1	-2.6	-22.2	12.4	0.0	-4.8
Investment	-1.9	18.0	5.6	11.1	0.0	-13.0	-7.4	13.3	-1.4	-8.2
Capacity Utilisation	-13.7	5.0	5.6	4.3	13.4	-26.7	0.2	5.6	-15.1	4.0
Residential Construction	...	...	...	-5.0	...	...	...	...	-5.0	...
Commercial Construction	...	...	...	-9.5	...	...	...	...	-28.7	...
Employment	-5.7	11.3	-16.7	15.4	1.4	-9.3	-4.3	-28.7	-0.2	-8.3
Employment vs. same month one year ago	-7.4	21.0	11.8	18.5	1.4	-14.5	-2.4	4.1	-12.7	-11.0
Profits	-35.8	-27.4	-16.7	-37.0	-35.1	-18.3	-19.6	-1.3	-21.4	-22.3
Ease of Credit	-84.9	-70.5	-83.3	-66.7	-71.7	-16.5	2.9	-14.1	2.1	-0.6
Costs	88.9	93.4	100.0	100.0	90.1	-0.6	-3.5	7.7	3.1	8.2
Pricing Intentions	83.3	75.4	50.0	92.6	69.7	9.6	-2.7	19.2	14.5	12.0

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 survey makes grim reading, certainly. But this isn't March 2020 and we do have an idea of the storm that we are heading into. Other countries have been through the Omicron wave already, and have seen a sharp bounce-back in spending on the other side. The disruption will be intense, but relatively short-lived. But the question of when cost pressure will ease is anyone's guess, with wages yet to really get going. And the cash flow pressures on households won't subside with the Omicron wave. Retailers seem to be aware of that, with the weakest own activity expectations.

By sector, the most confident regarding their own activity outlook is agriculture, while retail is the most pessimistic by a country mile, and services are also negative.

**Table 3. Own activity by sector**



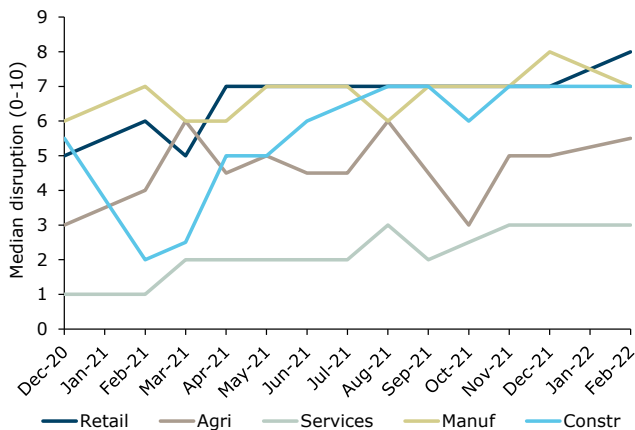
Source: Macrobond, ANZ Research

### Our take

The Omicron wave represents more stress, more cash-flow pressure and more interrupted revenue, and the cumulative damage to some firms' balance sheets, particularly in hospitality, will likely prove too much.

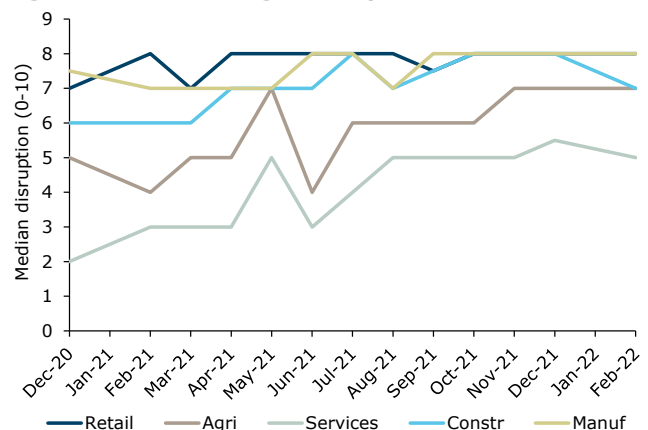
The intense stage of Omicron will pass quite quickly. But both before and after this outbreak, firms face skyrocketing costs, extreme labour shortages, and shipping disruptions that continue to worsen (figures 3 and 4). And on the demand side, households are facing into higher interest rates, falling house prices, and a vicious increase in the cost of living. All up, 2022 is shaping up to be a challenging year economically, and getting on top of super-charged inflation without an outright recession is looking increasingly difficult. But with CPI inflation heading well over 6% the RBNZ has no choice but keep right on hiking. And now global geopolitical developments threaten yet more imported inflation via energy markets. Buckle up.

**Figure 3. Outward freight disruption**



Source: ANZ Research

**Figure 4. Inward freight disruption**



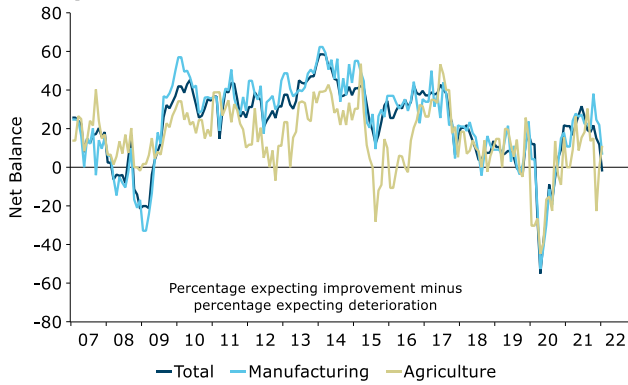
## Survey Results February 2022

Net Balance	February	Previous (Dec)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-51.8	-23.2	-64.2	-45.2	-66.7	-48.1	-49.0
Own Activity Outlook	-2.2	11.8	-18.9	6.5	11.1	3.7	-2.6
Export Intentions	0.9	8.8	0.0	0.0	16.7	0.0	-1.1
Investment Intentions	4.5	11.4	-1.9	18.0	5.6	11.1	0.0
Cost Expectations	92.0	88.2	88.9	93.4	100.0	100.0	90.1
Capacity Utilisation	5.8	9.2	-13.7	5.0	5.6	4.3	13.4
Residential Construction	-5.0	0.0	...	...	...	-5.0	...
Commercial Construction	-9.5	19.2	...	...	...	-9.5	...
Employment Intentions	2.3	10.5	-5.7	11.3	-16.7	15.4	1.4
Profit Expectations	-32.7	-13.1	-35.8	-27.4	-16.7	-37.0	-35.1
Pricing Intentions	74.1	63.6	83.3	75.4	50.0	92.6	69.7
Ease of Credit Expectations	-74.0	-70.6	-84.9	-70.5	-83.3	-66.7	-71.7
Inflation Expectations (%)	5.29	4.42	5.57	5.51	5.87	5.33	5.03
Activity – same month one year ago	7.4	14.8	-20.4	19.4	16.7	22.2	8.7
Employment – same month one year ago	5.5	15.1	-7.4	21.0	11.8	18.5	1.4

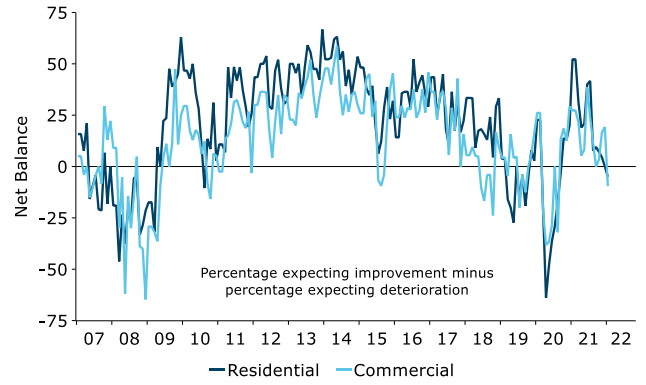


# Charts

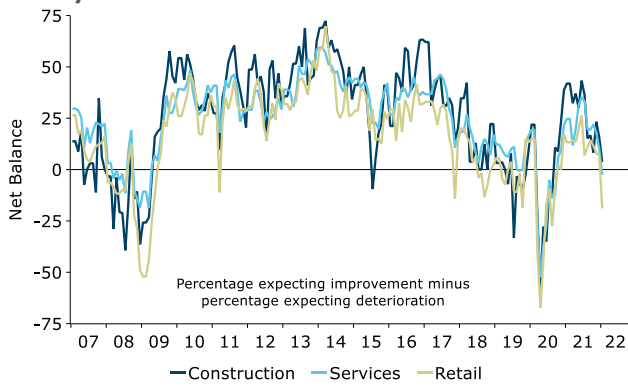
**Activity outlook index**



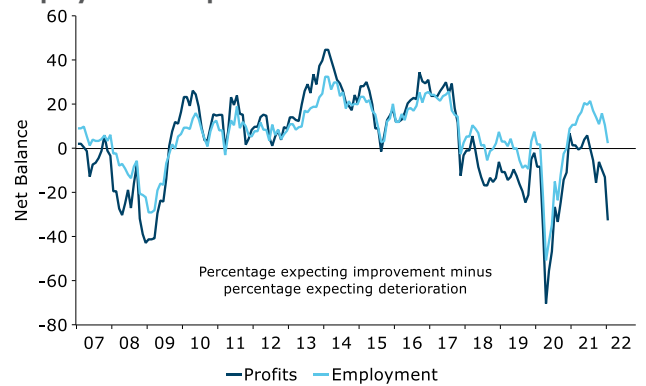
**Construction intentions**



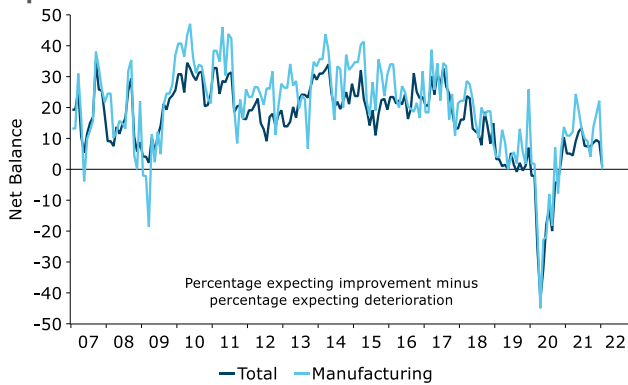
**Activity outlook index**



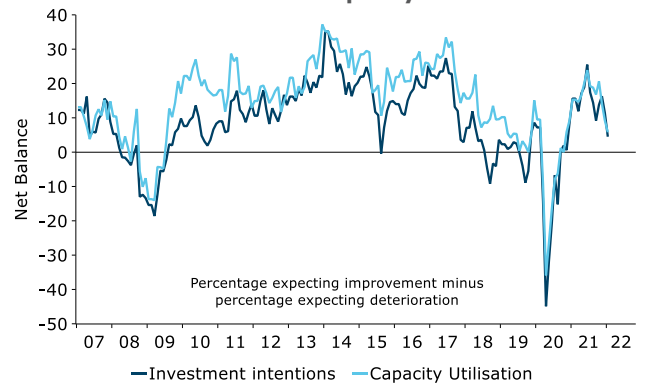
**Employment and profit outlook**



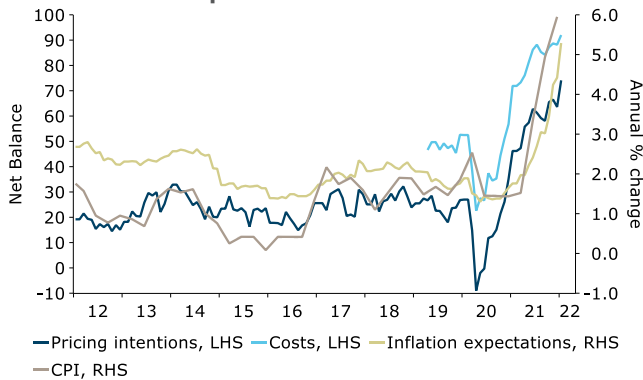
**Export sales volumes**



**Investment intentions and capacity utilisation**



**Cost and inflation pressures**



**Experienced activity and employment and GDP**



Source: ANZ, Statistics NZ, Macrobond



## 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](mailto:sharon.zollner@anz.com)

General enquiries:  
[research@anz.com](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:natalie.denne@anz.com)



## Important notice

---

Last updated: 27 January 2022

**This document (which may be in the form of text, image, video or audio) is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The opinions and research contained in this document are (a) not personal advice nor financial advice about any product or service; (b) provided for information only; and (c) intended to be general in nature and does not take into account your financial situation or goals.**

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.** This document is distributed on a cross border basis and only following request by the recipient.

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

**Cambodia.** The information contained in this document is confidential and is provided solely for your use upon your request. This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

**Chile.** You understand and agree that ANZ Banking Group Limited is not regulated by Chilean Authorities and that the provision of this document is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

**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 document 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 document 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.

**Macau.** Click [here](#) to read the disclaimer for all jurisdictions in Mandarin. 澳门. [点击此处](#) 阅读所有司法管辖区的免责声明的中文版。

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

**New Zealand.** This material is for information purposes only and is not financial advice about any product or service. We recommend seeking financial advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.



## 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 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. In respect of any matters arising from, or in connection with, the distribution of this document in Singapore, please speak to your usual ANZ contact in 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 Kingdom.** 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 Financial Conduct Authority (**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.

**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](http://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 our website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use our 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 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 a 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](mailto:nzeconomics@anz.com), <http://www.anz.co.nz>