LOWER BY CONSTRUCTION

SUMMARY

- Both headline business confidence and firms’ views of their own activity dipped in April. The construction sector fell sharply despite perceived easing in credit availability.
- Key activity indicators fell, but capacity utilisation increased, especially for retail and services.
- Pricing indicators eased – retail sector pricing intentions fell sharply to their lowest level since 2004.

Headline business confidence eased further in April. A net 23% of businesses are pessimistic about the year ahead, down 3 points from March. All sectors are in the red, with services the least pessimistic and agriculture the most. Agriculture did manage a small gain on March, but construction plummeted to its lowest level since 2008. **Firms’ views of their own activity** (which has the stronger correlation with GDP growth), **eased from +22 to +18.**

Manufacturing and agriculture lifted; construction fell a startling 38 points – excluding this sector the aggregate eased only 1 point.

The survey was a mixed bag this month, consistent with an economy pushing its way through capacity constraints and some residual policy uncertainty but with some solid support from record-high terms of trade.

- A net 7% of firms are expecting to lift investment, reversing March’s lift.
- Employment intentions eased 1 point to +9%.
- Profit expectations reversed March’s lift, back from +6 to -1%.
- Export intentions remained solid at +23%, down 1 point.
- A net 26% of businesses expect it to be tougher to get credit, an improvement of 2 points.
- Firms’ pricing intentions eased from +29% to +22%, with retail sector pricing intentions dropping 15 points to +6%, their lowest since 2004. Inflation expectations were again unchanged at 2.1%.
- Residential construction intentions dropped sharply from +33% to +9%. Commercial construction intentions eased from +9.5% to +5%.
Our composite growth indicator, a combination of business and consumer confidence, has now dipped to around 2% y/y growth. We think the economy has more in the tank to keep growth above that, but with consumer confidence dipping and business growth indicators still languishing, it won’t necessarily be as smooth sailing as it has been.

The construction sector stood out this month. In short: its confidence plummeted; own activity plunged; employment indicators were mixed; expected profitability plunged to the lowest level since 2009; pricing intentions eased; investment recovered; capacity utilisation was unremarkable; residential construction intentions fell to the lowest since mid-2015; commercial construction intentions fell 4 points but are still higher than November; perceived ease of credit continues to recover but remains negative.

Some of the construction sector data seems at odds with activity and pricing in the housing market having found a floor, not to mention the KiwiBuild pipeline on offer. The data is volatile, but expected profitability has been in decline for the past 18 months, perhaps reflecting that the sector is hitting resistance in terms of its ability to pass higher costs on.

Inflation expectations were little changed; pricing intentions fell, pulled down by the retail sector. Cost-push pressures are real but pushing through price increases clearly remains a difficult task.
ANZ BUSINESS OUTLOOK

Figure 1. Activity outlook index

Figure 2. Construction intentions

Figure 3. Activity outlook index

Figure 4. Labour market outlook

Figure 5. Export sales volumes

Figure 6. Financial outlook

Figure 7. Investment intentions

Figure 8. Inflation expectations

Source: ANZ, Statistics NZ
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).

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 3/2009). 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. This document is distributed in the PRC by ANZ or an Affiliate (other than ANZ China). 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 offering, marketing, issue and sale of financial products or services of an entity domiciled 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. In addition, ANZ has a representative office (ANZ Representative Office) in Abu Dhabi regulated by the Central Bank of the UAE. The ANZ Representative Office is not permitted by the Central Bank of the UAE to provide any banking services to clients in the UAE.

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 Industry Regulatory Authority (FINRA) (www.finra.org) and registered with the SEC. ANZ SI’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 10, 171 Featherston Street, Wellington 6011, New Zealand, Ph 64-9-357 4094, e-mail nzeconomics@anz.com, http://www.anz.co.nz

IMPORTANT NOTICE