ROLLING OVER

SUMMARY

- Both headline business confidence and firms’ views of their own activity eased 4 points in May. In terms of expectations regarding their own activity, retail and construction industries are dragging the chain.
- Aggregate activity indicators fell across the board.
- Pricing indicators were pretty steady, though retail industry pricing intentions bounced back from last month’s sharp fall.

Headline business confidence dipped in May. A net 27% of businesses are pessimistic about the year ahead, down 4 points from April. Firms’ views of their own activity (which has the stronger correlation with GDP growth), dipped from +18 to +14, the lowest reading since November. Agriculture lifted; construction was flat at low levels and retail fell 10 points to match it as the equal lowest-confidence industry.

The survey made for fairly uninspiring reading this month, with all aggregate activity indicators flat to falling. The economy still has good tailwinds in the form of fiscal stimulus and the record-high terms of trade, but may be tiring nonetheless.

- A net 3% of firms are expecting to lift investment, down 4 points. Investment intentions have been in single digits for 5 of the past 6 months.
- Employment intentions eased from +9% to +7%. Construction industry employment intentions fell sharply – excluding this industry the data was flat.
- Profit expectations fell 8 points to -9%, firmly in the red.
- Export intentions fell 10 points to +13% despite the lower NZD.
- A net 28% of businesses expect it to be tougher to get credit, from 26%.
- Firms’ pricing intentions lifted from +22% to +26%, remaining in recent ranges. Retail industry pricing intentions bounced back to much more typical levels. Inflation expectations were unchanged at 2.1% for a fourth consecutive month.
- Residential construction intentions bounced 8 points to +17%. Commercial construction intentions were unchanged at +5%.
Our composite growth indicator, a combination of business and consumer confidence, is consistent with around 2% y/y growth. It suggests the economy may continue gently losing steam, though fiscal stimulus and the record-high terms of trade are providing crucial support.

Last month the construction industry stood out for its sharp decline in its activity indicators. This month the industry’s own activity measure remained downbeat at +4% and its capacity utilisation dropped sharply. Employment intentions in the industry plunged to the lowest since 2009, and investment intentions also dropped markedly. The construction industry is clearly facing significant challenges.

The retail industry is also navigating headwinds. Despite sharply lower profit expectations and employment intentions, the industry’s investment intentions rebounded, to be the strongest of all industries. It may be that the sector is seeking productivity enhancements in the face of looming minimum wage increases.

On the inflation front there was once more little to report. Inflation expectations were flat and pricing intentions remain range bound.

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<th>Net Balance</th>
<th>Total</th>
<th>Previous</th>
<th>Retail</th>
<th>Mfg</th>
<th>Agric</th>
<th>Constrn</th>
<th>Services</th>
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Source: ANZ, Roy Morgan, Statistics NZ
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
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ANZ Business Outlook / May 2018 / 4 of 5
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