

ANZ New Zealand Business Outlook

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The next issue of the ANZ *Business Outlook* is scheduled for release on 31 July 2019 at 1pm.

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Consistent

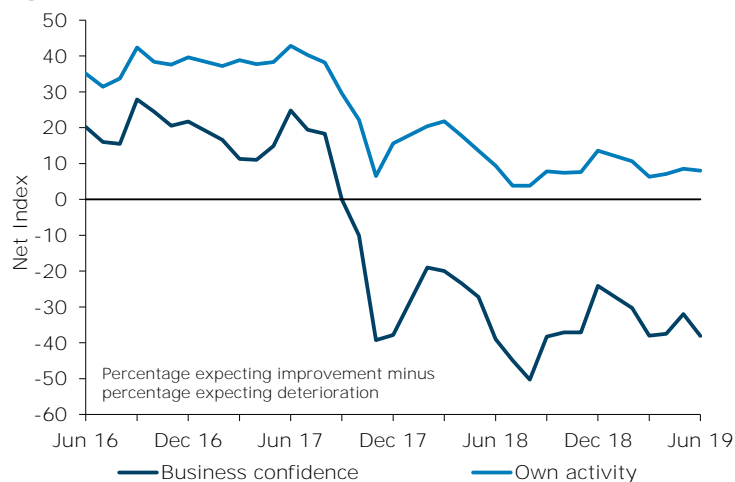
Key points

- Headline business confidence **reversed May's lift, down 6 points to net -38% in June's ANZ Business Outlook**. However, **firms' views of their own activity** fell just 1 point to +8%. Other activity indicators were also fairly steady.
- Inflation indicators were mixed: pricing intentions fell, reported cost pressures were unchanged, and inflation expectations lifted slightly.
- Residential construction intentions bounced. However, the construction sector has the weakest employment and profitability intentions across the economy.

In the June ANZ Business Outlook Survey headline business confidence fell 6 points, with a net 38% of respondents reporting that they expect general business conditions to deteriorate in the year ahead, as in April.

Firms' expectations for their own activity fell 1 point to a net 8% expecting a lift. The spread across sectors is relatively narrow (+3% - +11%).

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



Source: ANZ Research

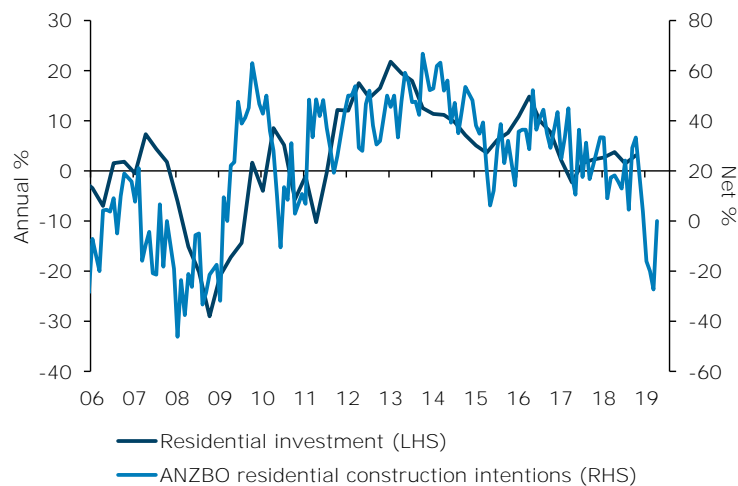
Turning to the detail:

- Employment intentions, investment intentions and capacity utilisation were all unchanged at 0, +3 and +5 respectively.
- Profit expectations fell 3 points to a net 13% expecting profit to decline.
- A net 40% of firms expect it to be tougher to get credit, down 4 points. Agriculture fell to -62%, with no respondents expecting it to get easier.
- **Firms' pricing intentions** fell 6 points to +23%, the lowest since April 2018. A net 50% of firms expect higher costs, unchanged. Inflation expectations lifted 0.1%pts to 1.9%.
- Commercial construction intentions rose 1 point while residential intentions bounced back to flat, but signals out of the sector remain grim.
- Export intentions rose 5 points to a net 5% of firms intending to lift exports.

Most ANZ Business Outlook activity indicators were little changed in June, at relatively weak levels.

Residential building intentions rebounded to zero, but looking through the volatility associated with the small sample size, continue to suggest a marked fall in building activity. A net 12% of firms in the construction sector are intending to cut jobs, and the sector has the weakest profitability expectations across the economy too.

Figure 2: Residential construction intentions and residential investment



Source: Statistics NZ, ANZ Research

Inflation indicators out of the survey could not have been more mixed. Pricing intentions fell, reported cost pressures were unchanged, and inflation expectations lifted from 1.81% to 1.87%.

The outlook for the economy is murky. As things stand, there is no reason for the economy to fall into a deep hole. Commodity prices are good, interest rates are at record lows, and the labour market is tight. But the economy is facing credit and cost headwinds and the global outlook is deteriorating. On the latter, for all that our commodity prices have been resilient, the risks are looking decidedly one-sided. Upside risks to growth appear few and far between and with the inflation outlook not consistent with the target midpoint we expect two more OCR cuts this year.

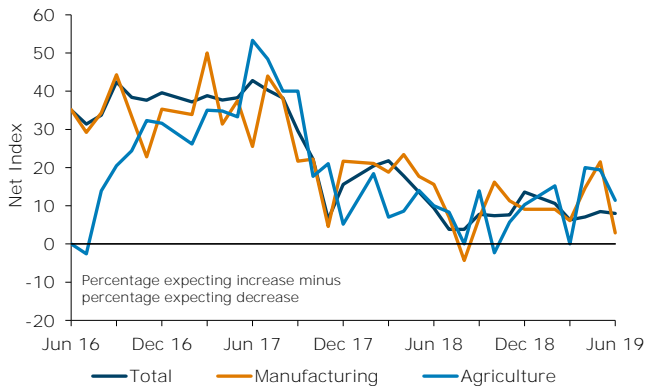
Survey Results June 2019

Net Balance	Total	Previous	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-38.1	-32.0	-29.4	-41.4	-54.5	-42.3	-34.3
Activity Outlook	8.0	8.5	3.8	2.9	11.4	8.0	9.9
Exports	5.3	0.0	6.7	4.0	15.6	-27.3	5.0
Investment	2.5	2.9	8.0	0.0	-9.1	0.0	5.1
Costs	49.7	49.7	58.8	50.0	65.1	46.2	44.4
Capacity Utilisation	5.3	5.4	2.6	16.9	5.6	0.0	1.4
Residential Construction	0.0	-27.3	0.0	...
Commercial Construction	4.8	4.2	4.8	...
Employment	0.0	-0.3	-7.7	-1.4	-4.5	-11.5	5.6
Unemployment Rate	35.9	31.9	42.0	41.4	29.5	30.8	34.4
Profits	-12.5	-9.6	-13.5	-12.9	-11.4	-23.1	-11.5
Interest Rates	-30.1	-26.7	-26.0	-15.7	-18.6	-26.9	-40.0
Pricing Intentions	22.6	28.5	41.2	20.0	22.7	19.2	18.4
Ease of Credit	-40.0	-36.3	-33.3	-33.3	-61.9	-23.1	-41.6
Inflation Expectations	1.87	1.81	1.83	2.04	2.00	1.76	1.79

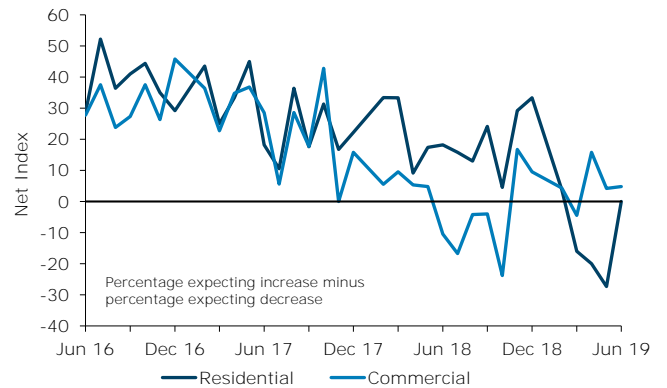


Charts

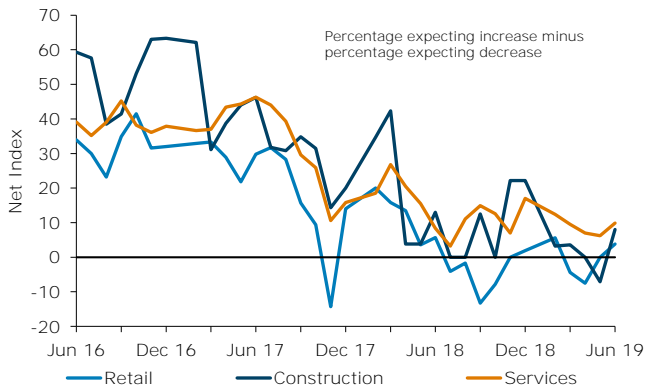
Activity outlook index



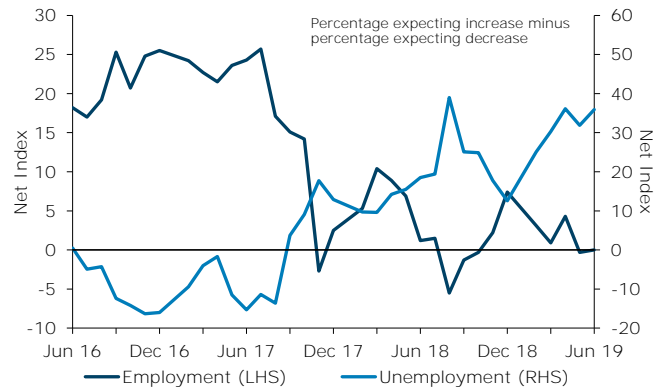
Construction intentions



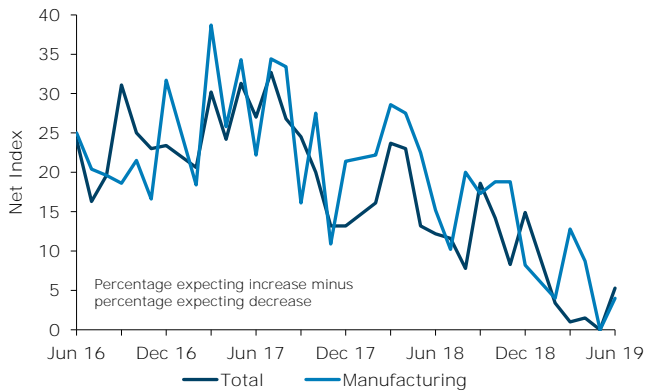
Activity outlook index



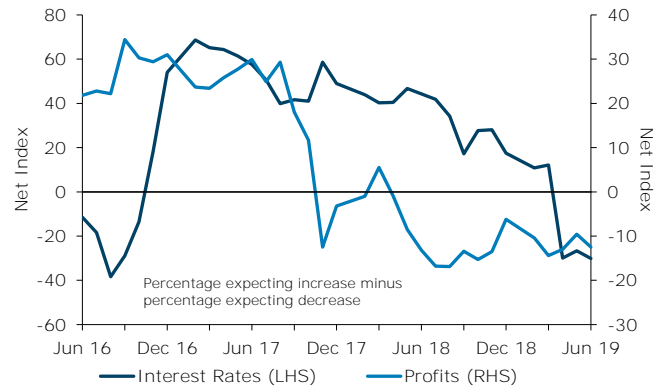
Labour market outlook



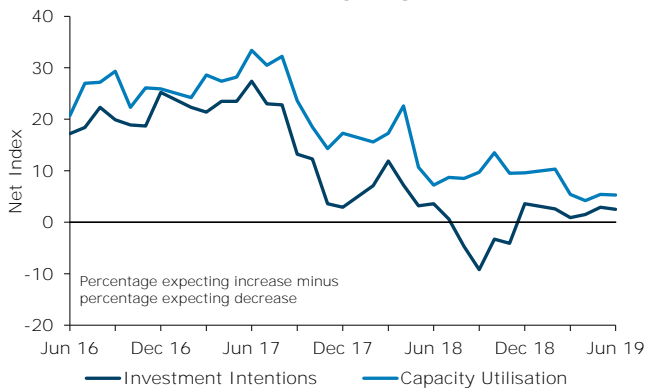
Export sales volumes



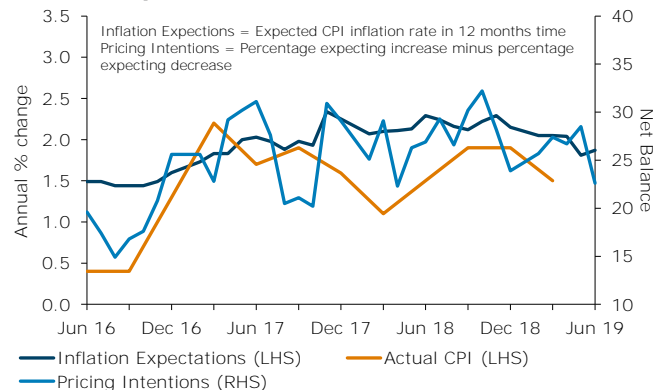
Financial outlook



Investment intentions and capacity utilisation



Inflation expectations



Source: ANZ, Statistics NZ



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