

# ANZ New Zealand Business Outlook

30 July 2020



This is not personal advice. It does not consider your objectives or circumstances. Please refer to the Important Notice.

## CONTACT:

**Sharon Zollner**  
**Chief Economist**  
 Telephone: 027 664 3554  
 Sharon.Zollner@anz.com

The next preliminary Business Outlook comprising early-August results at an economy-wide level will be released on 10 August at 1pm. The next standard full-month release of the ANZ *Business Outlook* is due on 31 August at 1pm.

Contact  
[research@anz.com](mailto:research@anz.com)

Follow us on Twitter  
 @sharon\_zollner  
 @ANZ\_Research (global)

## Pause or stall?

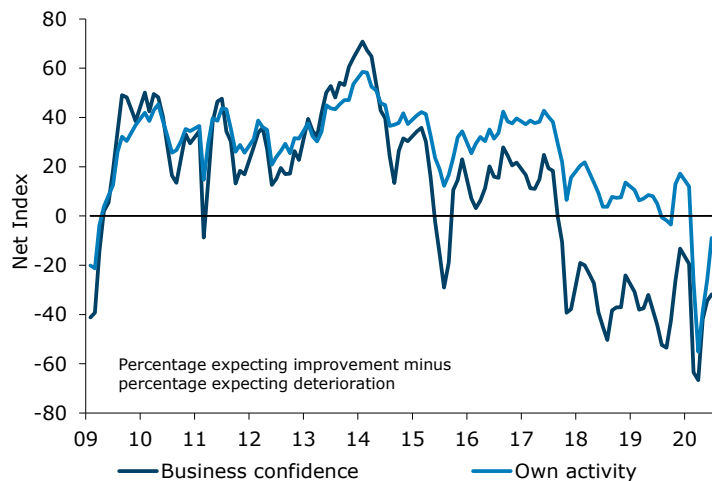
### Key points

- The vigorous bounce out of lockdown appears to be topping out, with most activity indicators in the ANZ Business Outlook survey slipping slightly from their early-July preliminary reads, albeit still well up on June.
- Headline business confidence was at -32%, slightly lower than the preliminary read of -30% but better than June's -34%.
- A net 9% of firms expect weaker activity for their own business, well up on June's -26%, but the improvement has stalled (preliminary read: -7%).
- The retail sector has driven much of the rebound since June. The export-focused agriculture sector is now the most negative regarding expected activity, export intentions, profitability, credit availability, investment intentions and employment intentions.
- 31% of firms say they intend to lay off staff, and 24% say they have fewer staff than a year ago (some of these will be the same firms). These numbers have improved significantly from their lows.

The full-month July ANZ Business Outlook Survey overall continued to show a bounce versus June (figure 1), but the bounce appears to be running out of steam, with some slippage compared to the [preliminary July read](#):

- **Slightly weaker than the preliminary read:** business confidence, own activity, expected profitability, investment intentions, capacity utilisation, pricing intentions, ease of credit, activity vs. a year ago, employment vs. a year ago.
- **Similar to the preliminary read:** expected costs, employment intentions, inflation expectations.
- **Stronger than the preliminary read:** export intentions, residential construction intentions, commercial construction intentions.

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



Source: ANZ Research

The full month data comprises a large enough sample to examine the data by sector. Below is a heat map of both changes and levels.

|                              | Levels |       |       |         |          | Monthly change |       |       |         |          |
|------------------------------|--------|-------|-------|---------|----------|----------------|-------|-------|---------|----------|
|                              | Retail | Mfg   | Agric | Constrn | Services | Retail         | Mfg   | Agric | Constrn | Services |
| Business Confidence          | -22.6  | -46.8 | -54.5 | -26.3   | -25.2    | -1.1           | -23.3 | 8.8   | 21.2    | 9.4      |
| Activity Outlook             | -9.3   | -11.3 | -15.2 | -10.5   | -5.0     | 7.4            | 18.6  | 1.5   | 24.5    | 22.9     |
| Activity – vs one year ago   | -3.7   | -18.0 | -6.1  | 10.5    | -31.4    | 47.1           | 26.1  | -19.4 | 23.0    | 24.2     |
| Exports                      | -2.8   | -8.0  | -20.7 | -13.6   | -16.9    | 9.4            | 13.8  | 4.3   | 3.1     | 0.7      |
| Investment                   | 9.6    | -5.0  | -24.2 | 5.3     | -11.5    | 14.1           | 14.7  | 9.1   | 17.8    | 14.2     |
| Capacity Utilisation         | -7.7   | -15.0 | -6.1  | 2.7     | -6.8     | 4.8            | 15.2  | -2.7  | 24.3    | 6.8      |
| Residential Construction     | ...    | ...   | ...   | -29.0   | ...      | ...            | ...   | ...   | 7.4     | ...      |
| Commercial Construction      | ...    | ...   | ...   | 0.0     | ...      | ...            | ...   | ...   | 28.6    | ...      |
| Employment                   | -5.7   | -21.0 | -24.2 | -10.5   | -14.7    | 22.0           | 17.8  | 2.5   | 12.0    | 24.2     |
| Employment – vs one year ago | -34.6  | -27.9 | -12.1 | -7.9    | -25.8    | 10.7           | -1.0  | 4.6   | 9.6     | 20.0     |
| Profits                      | -20.4  | -33.9 | -57.6 | -29.7   | -18.1    | 19.6           | 13.9  | 12.4  | 27.8    | 25.1     |
| Ease of Credit               | -35.2  | -45.2 | -54.5 | -31.6   | -44.4    | 4.8            | 10.7  | 0.7   | -4.1    | -0.2     |
| Costs                        | 55.6   | 43.5  | 48.5  | 18.9    | 31.4     | 14.7           | 11.7  | 25.2  | 13.9    | 6.3      |
| Pricing Intentions           | 40.7   | 14.5  | -12.1 | 13.5    | 6.9      | 18.0           | 13.0  | 24.6  | 33.5    | 6.4      |

Note: the colour coding is based on standardised values that take into account the historical average and variation in each series, eg “agriculture sector employment intentions”. So if, for example, a series is low compared to others but that’s not unusual, it is less likely to be marked in red.

Some themes that emerge from this:

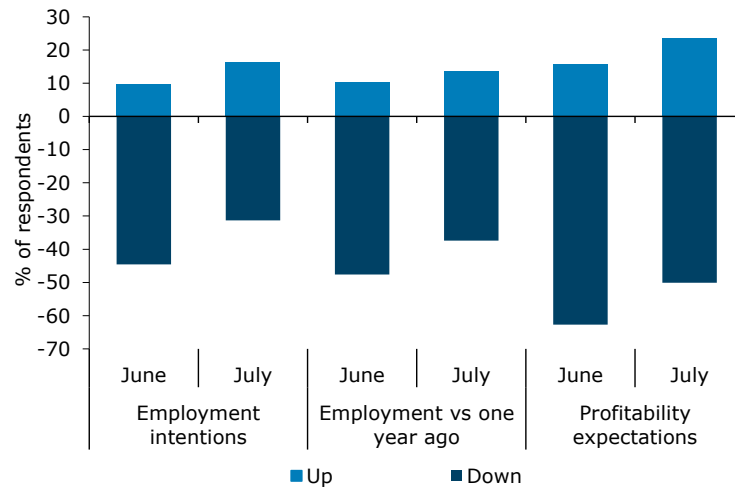
- On the activity side, a particular weak spot is agriculture export intentions, while more broadly, the weaker sectors are manufacturing, agriculture and services. Retail is now one of the more optimistic sectors, as is construction.
- Looking at how the data has changed compared to June, increasing pressures on the agriculture sector are again evident. Business confidence in the manufacturing sector also fell unusually sharply, which may be related to renewed Covid-19 troubles in the key market of Australia.
- Cost pressures and pricing intentions are continuing to lift off their lows, though to a lesser extent in the services sector.
- The labour market is looking a little better – employment intentions in the services sector bounced back considerably, though levels remain weak, with hospitality and tourism under extreme pressure. Retail sector employment intentions have also bounced back, and to stronger levels, presumably as a result of the sharp bounce in spending seen post-lockdown. However, on net the sector is still intending to reduce employment.

We typically report numbers on a net basis, but at times of turmoil it can be useful to delve into the nuance. Figure 2 (over) shows that for employment data, compared to June:

- a higher proportion of firms say they intend to take on staff;
- a lower proportion say they intend to let staff go;
- a higher proportion of firms say they have more staff than a year ago; and
- a lower proportion say they have fewer staff than a year ago.

And every sector reported higher employment intentions. The improvement is therefore certainly not a statistical quirk. However, the weight of the responses is still towards a weakening labour market, in line with still-weak profitability expectations.

**Figure 2. The employment picture**



Source: ANZ Research

### Our take

The New Zealand economy is in a relative sweet spot. Of course there's the massively important fact that we don't have community transmission of Covid-19 and therefore have fewer restrictions on our lives than almost anywhere else in the world. But also, we're in a sweet spot in terms of the evolution of activity. Bounces are fun, but this one has probably nearly run its course.

The rebound out of lockdown has been enthusiastic for retail, domestic tourism, and the housing market. Households have had a very happy time spending their holiday savings and the money that they would have spent during lockdown, if the shops had been open. And the economic pain arising from the closed border and sharply weaker global growth is yet to be fully felt – partly because an economy is just a slow ship to turn, but partly because of the enormous fiscal stimulus such as the wage subsidy scheme that is masking the real income hit that the economy is experiencing.

Unfortunately, that blow is coming; it's inevitable. That the border will remain closed for the rest of the year is one of the few certainties in our economic forecasts at the moment. And that fact, in and of itself, means a big hole in economic activity, centred on tourism and the foreign education sector.

The blow won't be felt evenly – the country will effectively split into two economies – the tourism-dependent regions and the rest. But the blow will be felt, and looking at the full-July Business Outlook data versus the more-optimistic take at the beginning of the month, the post-lockdown bounce may be running out of puff. Gravity is calling.

All up, this might be as good as it gets for a while. Still, looking at what's happening abroad, we can count our lucky stars.

## Survey Results July 2020

| Net Balance                                | Total | Prelim July <sup>4</sup> | Previous (June) | Retail | Mfg   | Agric | Constrn | Services |
|--|-------|--------------------------|-----------------|--------|-------|-------|---------|----------|
| Business Confidence                        | -31.8 | -29.8                    | -34.4           | -22.6  | -46.8 | -54.5 | -26.3   | -25.2    |
| Own Activity Outlook                       | -8.9  | -6.8                     | -25.9           | -9.3   | -11.3 | -15.2 | -10.5   | -5.0     |
| Export Intentions                          | -12.7 | -14.7                    | -17.8           | -2.8   | -8.0  | -20.7 | -13.6   | -16.9    |
| Investment Intentions                      | -6.7  | -4.5                     | -20.5           | 9.6    | -5.0  | -24.2 | 5.3     | -11.5    |
| Cost Expectations                          | 37.4  | 37.5                     | 26.7            | 55.6   | 43.5  | 48.5  | 18.9    | 31.4     |
| Capacity Utilisation                       | -7.8  | -3.4                     | -16.4           | -7.7   | -15.0 | -6.1  | 2.7     | -6.8     |
| Residential Construction                   | -29.0 | -34.8                    | -36.4           | ...    | ...   | ...   | -29.0   | ...      |
| Commercial Construction                    | 0.0   | 4.3                      | -28.6           | ...    | ...   | ...   | 0.0     | ...      |
| Employment Intentions                      | -15.1 | -15.3                    | -34.7           | -5.7   | -21.0 | -24.2 | -10.5   | -14.7    |
| Profit Expectations                        | -26.6 | -25.8                    | -46.8           | -20.4  | -33.9 | -57.6 | -29.7   | -18.1    |
| Pricing Intentions                         | 11.8  | 14.1                     | -0.3            | 40.7   | 14.5  | -12.1 | 13.5    | 6.9      |
| Ease of Credit Expectations                | -42.9 | -36.5                    | -45.0           | -35.2  | -45.2 | -54.5 | -31.6   | -44.4    |
| Inflation Expectations (%)                 | 1.39  | 1.4                      | 1.44            | 1.47   | 1.65  | 1.22  | 1.33    | 1.34     |
| Activity outlook – same month one year ago | -17.5 | -14.2                    | -42.6           | -3.7   | -18.0 | -6.1  | 10.5    | -31.4    |
| Employment – same month one year ago       | -23.7 | -21.4                    | -37.4           | -34.6  | -27.9 | -12.1 | -7.9    | -25.8    |

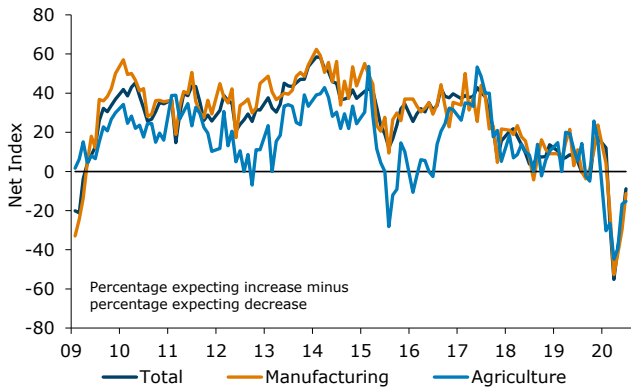
The next preliminary Business Outlook comprising early-August results at an economy-wide level will be released on 10 August at 1pm. The next standard full-month release of the ANZ *Business Outlook* is due on 31 August at 1pm.

<sup>4</sup> These results include data collected in the first week of the July survey and were published on 9 July.

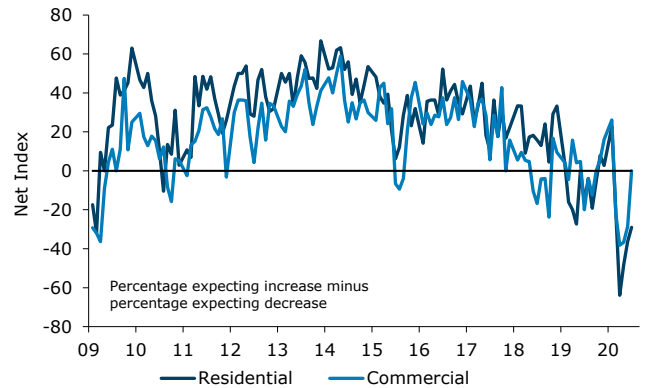


# Charts

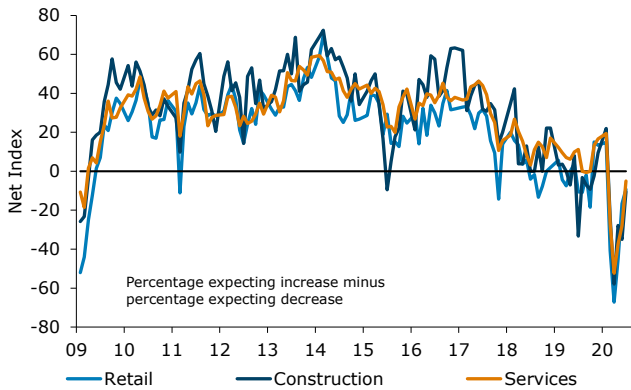
**Activity outlook index**



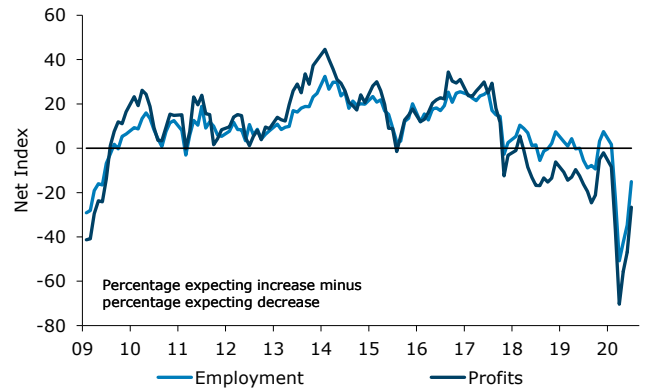
**Construction intentions**



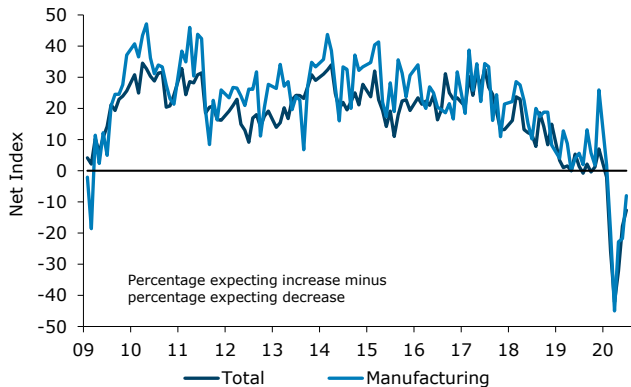
**Activity outlook index**



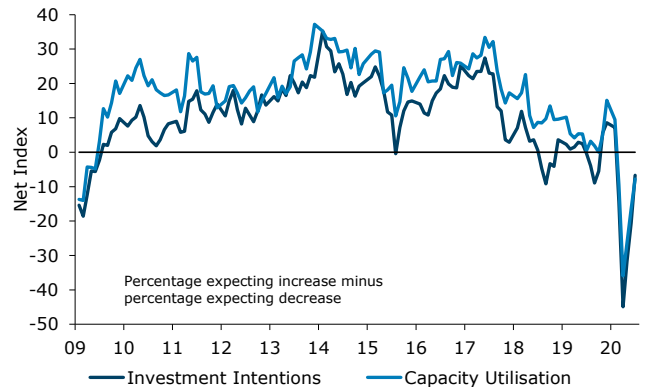
**Employment and profit outlook**



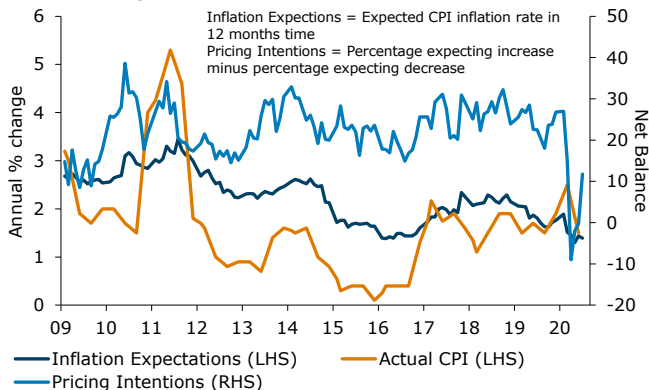
**Export sales volumes**



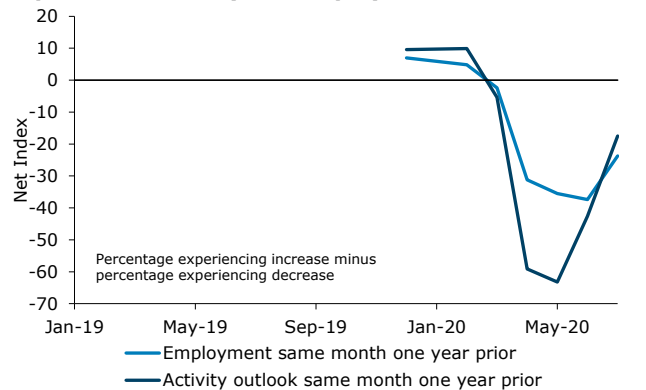
**Investment intentions and capacity utilisation**



**Inflation expectations**



**Experienced activity and employment**



Source: ANZ, Statistics NZ



## Important notice

**This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.**

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

**European Economic Area (EEA): United Kingdom.** ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. 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 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.

**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 publication 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 publication 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.

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

**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**).



## 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 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 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. 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 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 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 9160 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>