

ANZ New Zealand Business Outlook

Preliminary data for August 2020

10 August 2020



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Contact

Sharon Zollner for more details.

The full-month results for the ANZ *Business Outlook* are scheduled for release on 31 August 2020 at 1pm.

Teetering

Key points

- The preliminary August read of the ANZ Business Outlook adds to the evidence that the post-lockdown rebound may have run its course.
- Business confidence deteriorated 10 points to -42.4%, and own activity slipped 8 points to -17%. However, it wasn't all one-way traffic in the indicators.

The preliminary ANZ Business Outlook data for August saw most forward-looking activity indicators deteriorate from July, but not all.

Both business confidence and own activity deteriorated (by 10 and 8 points respectively). For own activity, a read of -17% can only be described as a dire level, but it remains well off its lockdown low of -55%. A net 15% of firms also expect to reduce investment (an 8-point deterioration) and a net 32% expect lower profits (5 points weaker). Conversely, capacity utilisation, which correlates pretty well with GDP, improved 5pts to -3%. Compared to the same month a year ago, 7% of businesses reported lower activity – this is a solid improvement of 11pts versus July, but is still a fair way from pre-crisis levels.

Near-term employment intentions deteriorated 6 points to a net 21% of firms expecting to cut jobs. About the same net percentage of firms report having fewer staff compared to a year earlier.

Deflationary pressures remain evident but with some mixed monthly moves. Expected costs and pricing intentions eked out small gains, but one-year-ahead inflation expectations fell slightly. All remain much lower than a year ago.

There are three prongs to this economic crisis: lockdown, closed borders, and an incredibly synchronised global slowdown that will hit exports. So far, we've navigated the first and managed to eliminate the virus in the process (go team!). But we're still a long way from the finish line. And with temporary fiscal support measures poised to roll off in coming months, and the impacts of a closed border to be fully felt only when the peak-tourism summer season arrives, there are plenty of economic hurdles to clear yet. Today's data is indicative of exactly that.

Preliminary Survey Results August 2020

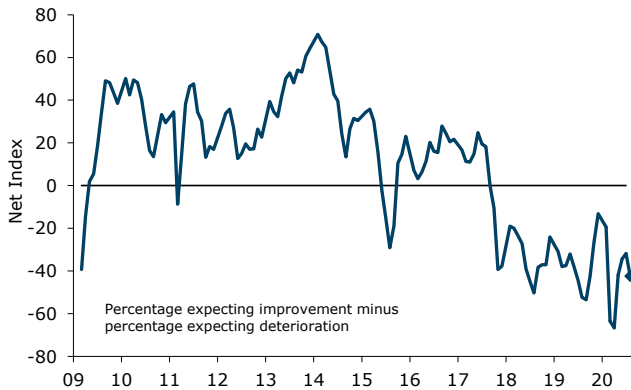
Net Balance	Preliminary August	July
Business confidence	-42.4	-31.8
Own activity outlook	-17.0	-8.9
Export intentions	-18.5	-12.7
Investment intentions	-15.1	-6.7
Cost expectations	38.4	37.4
Capacity utilisation	-2.8	-7.8
Employment intentions	-21.4	-15.1
Profit expectations	-32.2	-26.6
Pricing intentions	13.9	11.8
Ease of credit	-38.9	-42.9
Inflation expectations	1.37	1.39
Activity vs. same month one year ago	-6.6	-17.5
Employment vs. same month one year ago	-23.1	-23.7

Preliminary results for August cover the period from 1 August to midnight 8 August (230 respondents). These responses will be incorporated into the official ANZBO results to be released on 31 August.

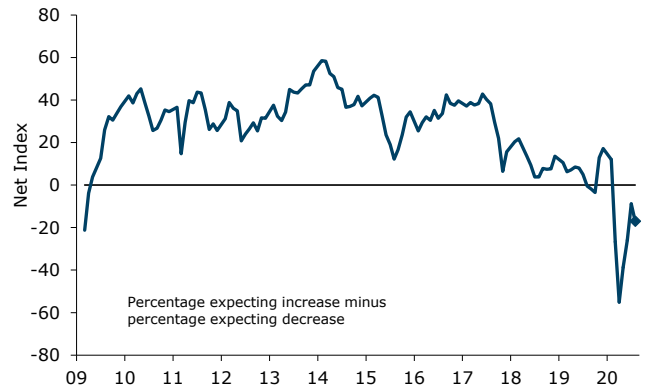


Charts

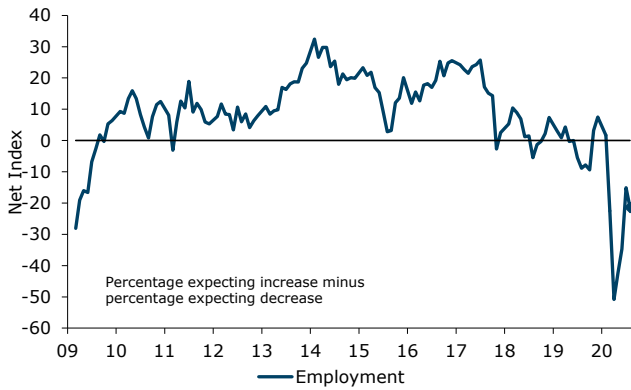
Business confidence



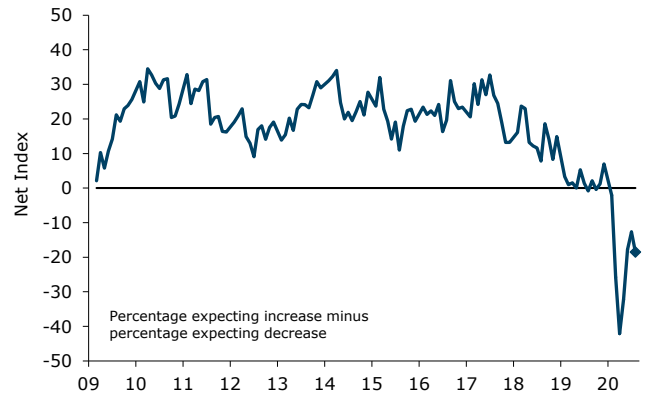
Own activity outlook



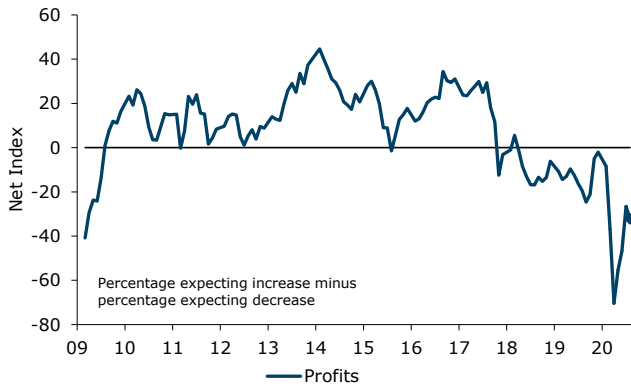
Employment intentions



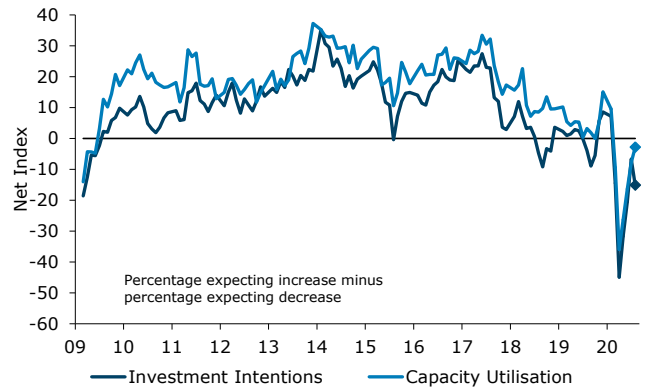
Expected export sales volumes



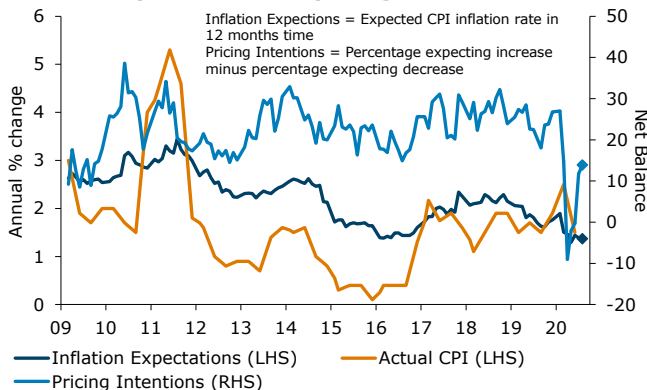
Profit expectations



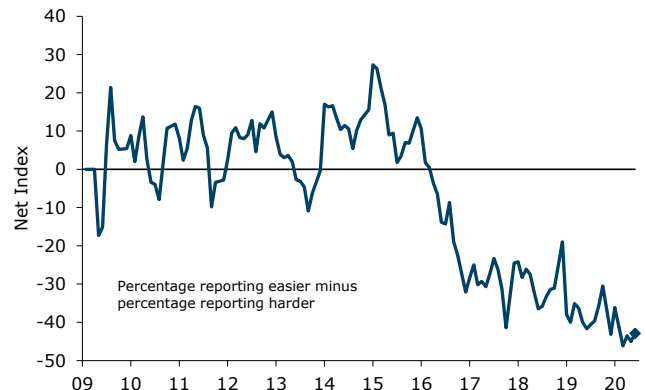
Investment intentions and capacity utilisation



Inflation expectations and pricing intentions



Ease of credit



Source: ANZ, Statistics NZ



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