

ANZ New Zealand Business Outlook

Preliminary data for October 2020

8 October 2020



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Contact

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The full-month results for the ANZ *Business Outlook* are scheduled for release on 29 October 2020 at 1pm.

Party like it's 2019

Key points

- The preliminary October read of the ANZ Business Outlook continued to show solid improvement across the board.
- Business confidence lifted 14 points to -15%, while own activity lifted 9 points to +4%. Many activity indicators are now back in their 2019 ranges – when we were discussing what was ailing firms, to be fair. But still, we'll take it.

The preliminary ANZ Business Outlook data for October saw another widespread improvement in the forward-looking activity indicators. Both business confidence and own activity lifted (by 14 and 9 points respectively). For own activity, a read of +4% still doesn't count as 'strong', but it's a remarkable turnaround from -55% in April, and higher than a year ago! Of course, the question asks whether things will rise or fall, and the bar for that comparison has dropped, but still, it's impressive. The preliminary sample is too small to report sector data, but suffice it to say that the recent theme of goods-producing sectors outdoing services has continued.

Investment intentions were little changed and remain subdued. But employment intentions lifted again, up 9 points to just a net 3% of firms intending to reduce employment. In light of the wage subsidies rolling off, this is very encouraging.

Profitability expectations were up another 9 points, with expected costs 7 points higher, but pricing intentions up by slightly more, and expected 'busy-ness' (capacity utilisation) very slightly higher. With expected profitability at net -15% firms are hardly expecting to be rolling in clover, but hey, it was -70% in April.

The backward-looking indicators are still showing the impact of the renewed Alert Level restrictions. Compared to the same month a year ago, a net 9% of businesses reported lower activity, but this is up 10, and a net 17% reported lower staff numbers than a year ago, an improvement of 4 points.

Key tests for the economy lie ahead: the winding down of the wage subsidy and the lost summer for tourism. But we're facing into those challenges in much better heart than looked likely a few months ago.

Preliminary Survey Results October 2020

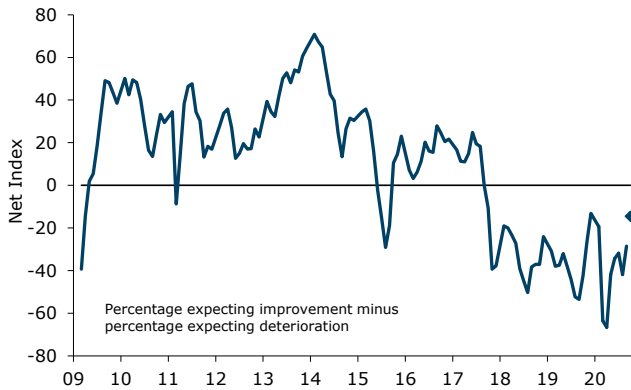
Net Balance	Preliminary Oct	September
Business confidence	-14.5	-28.5
Own activity outlook	3.6	-5.4
Export intentions	2.1	-4.7
Investment intentions	1.4	0.3
Cost expectations	42.4	35.3
Capacity utilisation	1.4	1.2
Employment intentions	-3.2	-11.8
Profit expectations	-15.2	-24.4
Pricing intentions	24.1	15.1
Ease of credit	-33.6	-36.0
Inflation expectations	1.33	1.38
Activity vs. same month one year ago	-8.9	-18.7
Employment vs. same month one year ago	-16.8	-20.7

Preliminary results cover the period from 1 October to midnight 6 October (224 respondents). These responses will be incorporated into the official ANZBO results to be released on 29 October.

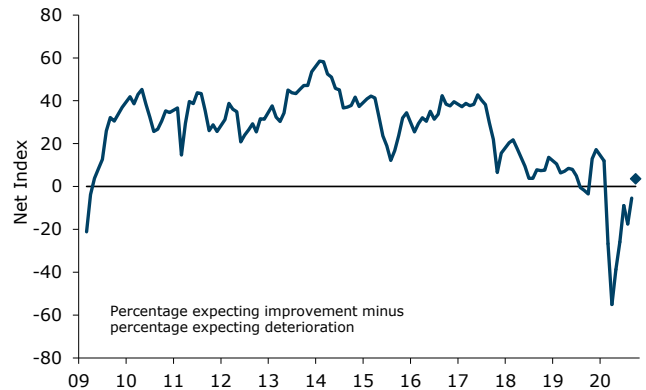


Charts

Business confidence



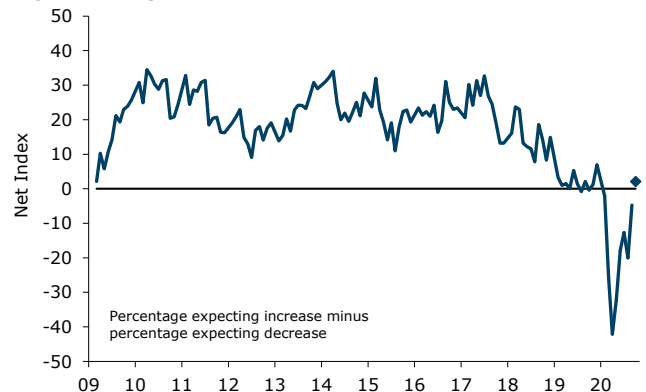
Own activity outlook



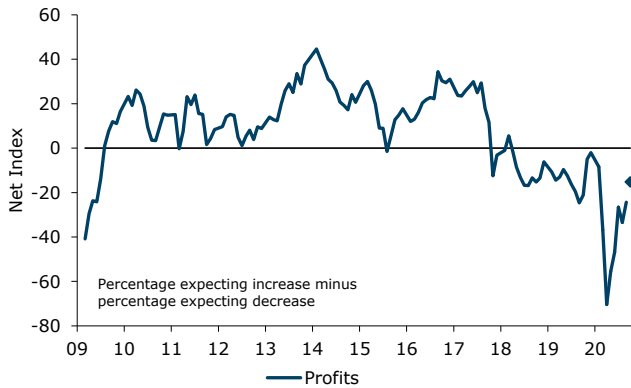
Employment intentions



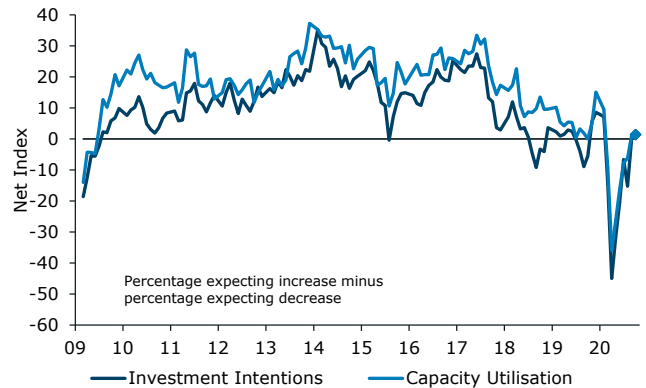
Expected export sales volumes



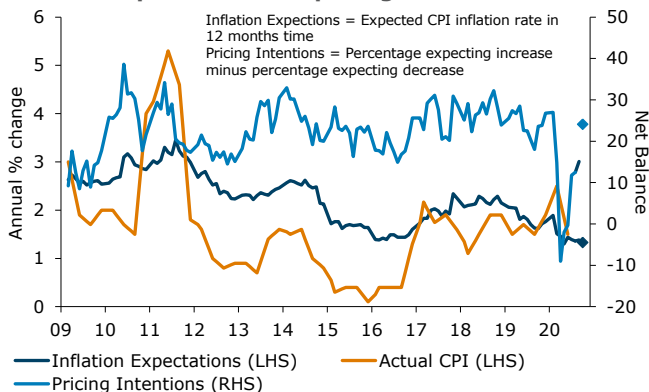
Profit expectations



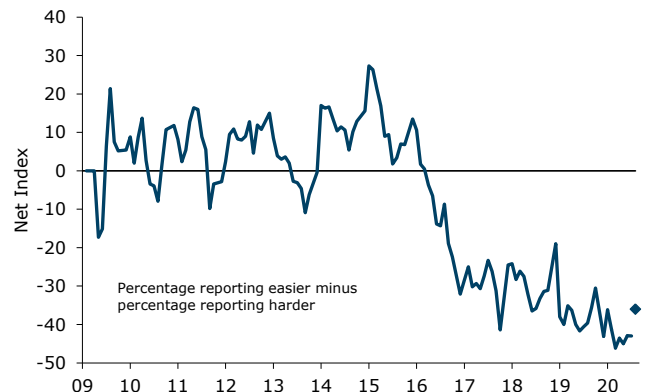
Investment intentions and capacity utilisation



Inflation expectations and pricing intentions



Ease of credit



Source: ANZ, Statistics NZ



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