

ANZ New Zealand Business Outlook

Preliminary data for May 2020

11 May 2020



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The full-month results for the ANZ *Business Outlook* are scheduled for release on 28 May 2020 at 1pm.

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Dusting ourselves off

Key points

- Business confidence jumped 21 points to -46% in the preliminary May read of the ANZ Business Outlook survey. Own activity lifted 13 points, with a net 42% of firms expecting lower activity for their firm in the year ahead.
- All forward-looking activity indicators lifted from April levels but they remain extremely weak. Backward-looking indicators are deteriorating.
- Pricing and cost indicators remain very subdued.

The preliminary ANZ Business Outlook data for May saw a small bounce across all forward-looking activity indicators, but levels remain extremely low.

A net 45% of firms expect to cut jobs and a net 38% expect to reduce investment. Cutting costs makes sense, given a net 60% of firms expect lower profits. A net 30% of firms expect lower capacity utilisation.

Unsurprisingly, the backward-looking indicators continue to deteriorate. Compared to the same month a year ago, a net 61% of firms report lower activity, and a net 36% already report having fewer employees.

Deflationary pressures remain evident. Expected costs remain near lows, pricing intentions are still negative, and one-year-ahead inflation expectations are at just 1.28%, a record low.

As New Zealand emerges from a highly successful lockdown there's a glimmer of light, but it's at the end of a very long tunnel. Reducing virus cases to negligible levels sharply reduces a huge downside risk for businesses, but it's clear that very tough times nonetheless lie ahead. The economic damage wrought by the lockdown is only starting to emerge; Level 2 still isn't 'normal' for many businesses; and the global situation remains dire.

Preliminary Survey Results May 2020

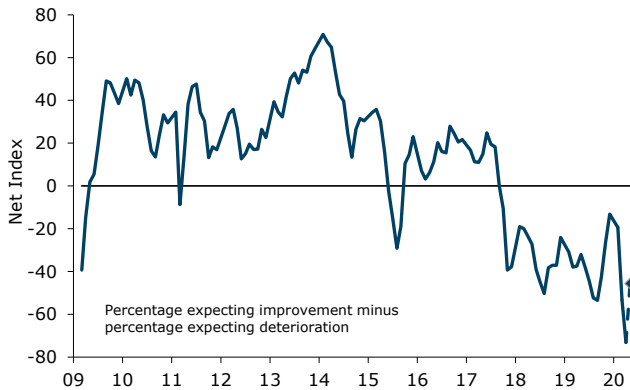
Net Balance	Preliminary May	April
Business confidence	-45.6	-66.6
Own activity outlook	-42.0	-55.1
Export intentions	-34.7	-42.1
Investment intentions	-37.5	-44.9
Cost expectations	23.0	22.6
Capacity utilisation	-29.7	-35.9
Employment intentions	-45.0	-50.8
Profit expectations	-59.3	-70.4
Pricing intentions	-9.5	-9.0
Ease of credit	-44.6	-46.1
Inflation expectations	1.28	1.46
Activity vs. same month one year ago	-61.1	-59.1
Employment vs. same month one year ago	-35.6	-31.2

Preliminary results for the May survey cover the period 5pm 30 April to midnight 9 May (287 respondents). These responses will be incorporated into the official ANZBO results to be released on 28 May. We were made aware this month that respondents were not able to enter negative numbers in the inflation expectations question. This problem was corrected before most of the responses were submitted.

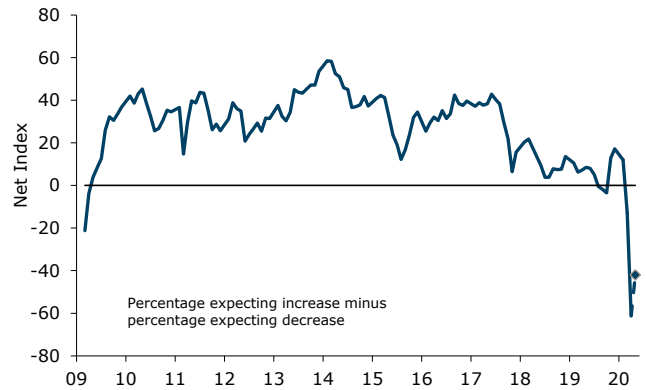


Charts

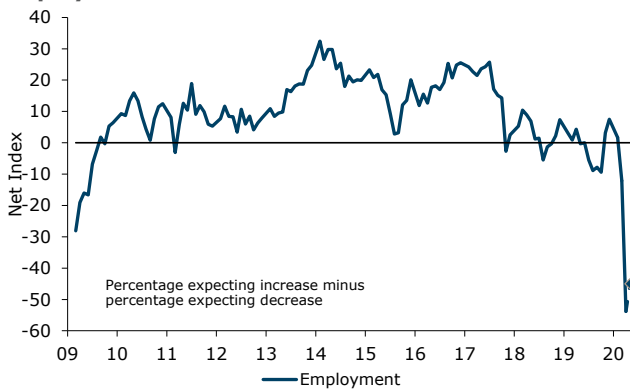
Business confidence



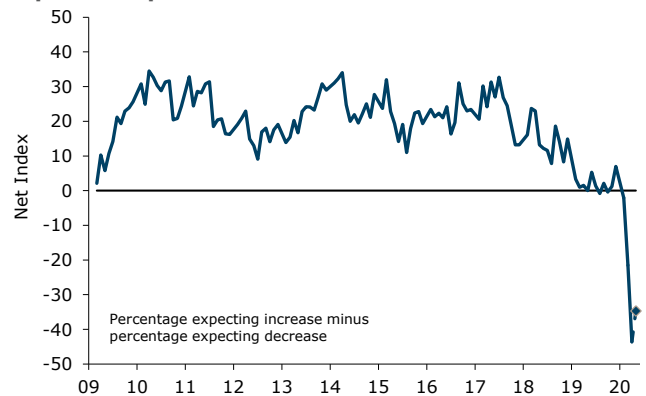
Own activity outlook



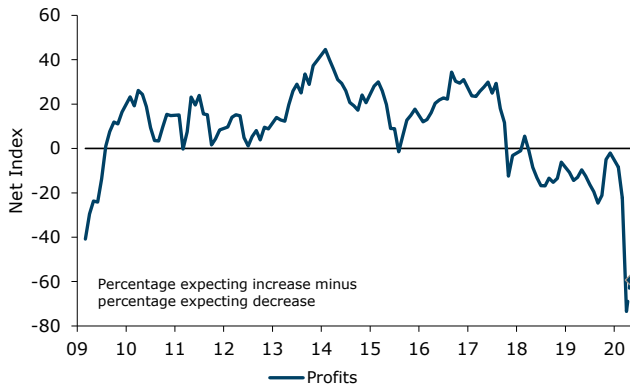
Employment intentions



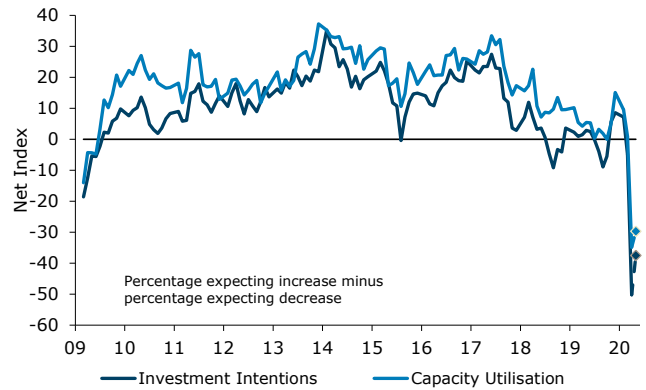
Expected export sales volumes



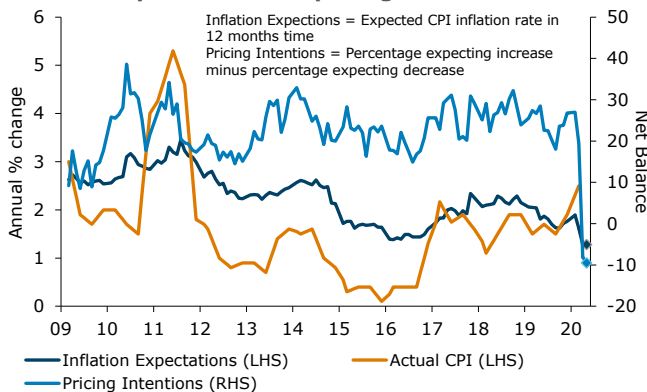
Profit expectations



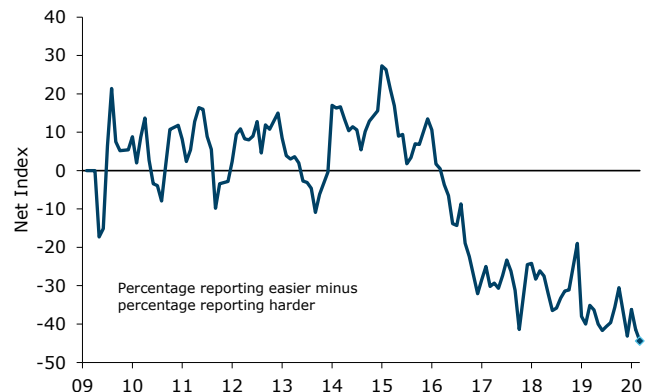
Investment intentions and capacity utilisation



Inflation expectations and pricing intentions



Ease of credit



Source: ANZ, Statistics NZ



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