

Quarterly Survey of Business Opinion – 2020 Q3

20 October 2020



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Contact

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Data summary

	Latest
Headline business confidence (actual)	-40
Headline business confidence (sa)	-39
Domestic trading activity (sa, past)	1
Domestic trading activity (sa, expected)	0
CUBO (actual)	92.6%
Avg selling price – next 3 months	10

Coming out the gate strong

The bottom line

The QSBO showed an improvement across business sentiment and activity indicators in Q3, reflecting the resumption of activity after lockdown disruption in Q2. The bounce has been supported by pent-up demand, fiscal support, strong housing and construction activity, and a cushion from domestic tourism through winter, plus the feel-good vibe from our COVID-free status. Although profit challenges remain and hiring has reduced, firms are feeling better about increasing headcount in the time ahead. Resilience in firm sentiment was a key reason we have [upgraded](#) our economic forecasts in the short term. But we remain of the view that the rebound will run out of puff, especially as we move into 2021. At that point, the challenges associated with the current downturn will become more apparent and current expectations and intentions may not be borne out.

Key points

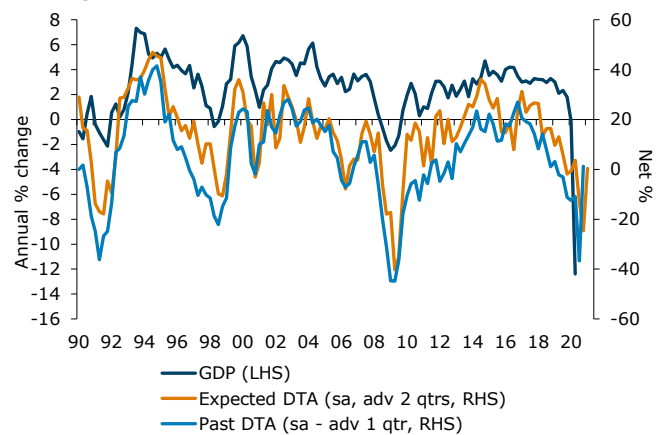
The QSBO for Q3 saw a solid lift in sentiment and activity indicators, telling much the same story as [ANZ Business Outlook](#):

- A net 39% of respondents felt pessimistic in Q3 (sa), up from 58% pessimistic last quarter. This is now back at levels seen through the middle of 2019 when firms weren't feeling great but the outlook was better than it is now. The construction industry is the most positive, services the least.
- A net 1% of firms report better activity in the last quarter. This correlates pretty well with annual GDP growth and is consistent with a solid quarterly bounce in GDP in Q3 as the economy recovered from lockdown disruption. Activity is expected to be unchanged in the quarter ahead.
- A net 25% of firms report profitability has reduced, considerably improved and back at 2019 levels. Cost pressures remain a concern and firms report low stock levels. Net 3% of firms report that prices fell in the last three months, but net 10% expect them to rise in the quarter ahead.
- A net 10% of firms reduced headcount last quarter, consistent with some deterioration in the labour market. But net 16% of firms expect to increase hiring in the quarter ahead. This maps less well with actual employment and may not be borne out, especially if the outlook disappoints. Investment intentions have also improved.

We have [upgraded our forecasts](#) in the short term in part due to the solid rebound in activity and resilience on the part of businesses, and the labour market is now expected to undergo a smaller deterioration. Monetary stimulus and measures like the wage subsidy have been a key support for spending and employment, seeing money in the economy continuing to flow.

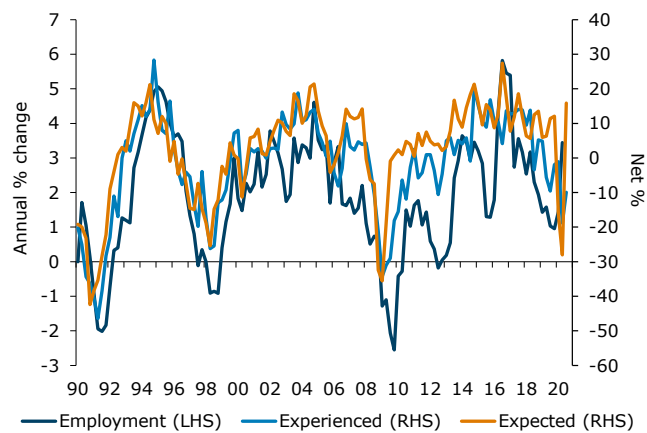
But beyond this year, the outlook still looks challenging. Closed border impacts are expected to become apparent, with domestic tourism [unable to fill the gap](#) from lost international tourism and pent-up demand and temporary fiscal supports dissipating. Fiscal and monetary stimulus will be a key part of the outlook ahead, but offsetting the current downturn isn't feasible. We expect that the pace of recovery will stagnate in 2021, even if we maintain our COVID-free status.

Figure 1. GDP vs QSBO expected domestic trading activity



Source: NZIER, Statistics NZ

Figure 2. Employment vs QSBO employment intentions





Contact us

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