

ANZ New Zealand Business Outlook

Preliminary data for February 2021

4 February 2021



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Contact

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The full-month results for the ANZ *Business Outlook* are scheduled for release on 25 February 2021 at 1pm.

Activity up – but costs and prices up more

Key points

- The preliminary February read of the ANZ Business Outlook showed a further lift in activity indicators – but a sharp lift in costs, dampening profitability.

The preliminary ANZ Business Outlook data for February improved further. Business confidence lifted 3 points to +12% while the activity outlook inched over +22%.

Some of the details were strong too, with investment intentions up 9 points, employment intentions up 2 points, and capacity utilisation up 7 points – all are sitting well above where they ranged in 2019, pre-COVID.

Expected costs rose 14 points. It's quite telling that a net 71% of firms expect higher costs ahead (with the net figure comprising 72% expecting higher costs, 27% expecting no change, and just 1% expecting lower costs). Firms are intending to pass the costs on where they can, with a net 49% of firms intending to raise their prices, up 13%pts. But that's a lot fewer firms than are experiencing higher costs, no doubt going a long way to explaining why expected profits dropped 6 points to 1%. Inflation expectations lifted too, from 1.65% to 1.78%, another step closer to the 2% RBNZ CPI target midpoint.

We are forecasting a wobble in demand in the first few months of this year as the true cost of the closed border for the tourism industry starts to become apparent. But it's fair to say there's not much sign of it yet, with the roaring housing and construction sectors filling the void, albeit fuelled by credit rather than foreign exchange earnings. Further monetary stimulus is looking less necessary by the week, and we no longer expect any more OCR cuts this cycle.

The RBNZ has taken the line for a few years now that too much inflation would be a 'quality' problem, after years of undershooting the target. At the rate things are going, they might just get what they wish for. But a lot of it is likely due to temporary factors and can be expected to unwind. There should be some awesome 'Boxing Day' sales once all that Christmas retail stock finally arrives.

Preliminary Survey Results February 2021

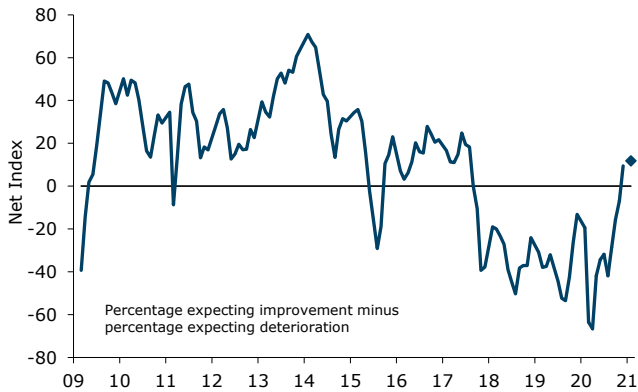
Net Balance	Preliminary Feb	December
Business confidence	11.8	9.4
Own activity outlook	22.3	21.7
Export intentions	6.3	10.3
Investment intentions	17.8	8.6
Cost expectations	71.1	56.8
Capacity utilisation	16.2	9.3
Employment intentions	10.6	8.8
Profit expectations	0.5	6.8
Pricing intentions	47.9	35.1
Ease of credit	-28.8	-40.1
Inflation expectations	1.78	1.65
Activity vs. same month one year ago	12.3	12.7
Employment vs. same month one year ago	-4.6	-4.9

Preliminary results cover the period from 27 January to midnight 3 February (220 respondents). These responses will be incorporated into the official ANZBO results to be released on 25 February.

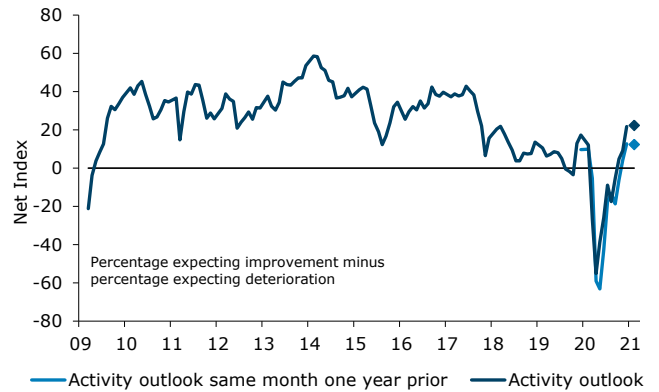


Charts

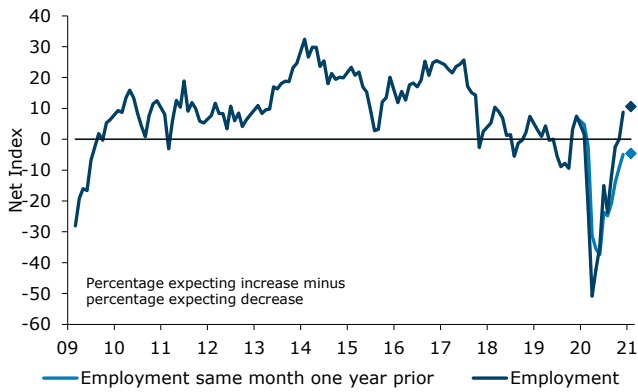
Business confidence



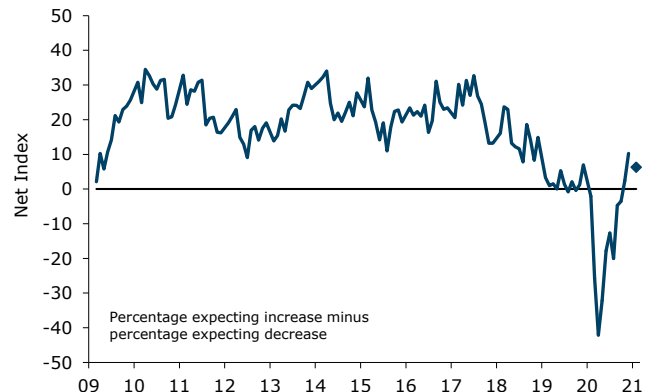
Own activity



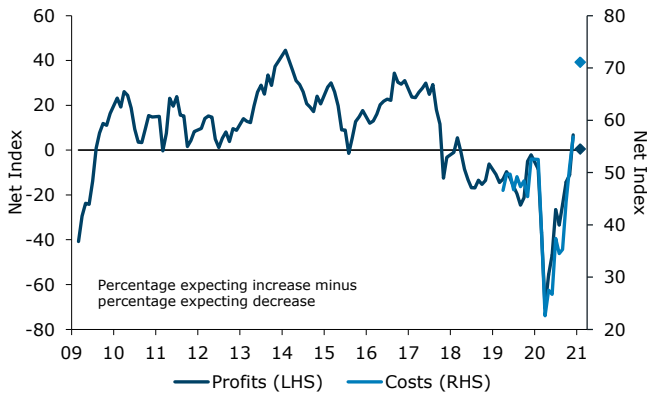
Employment



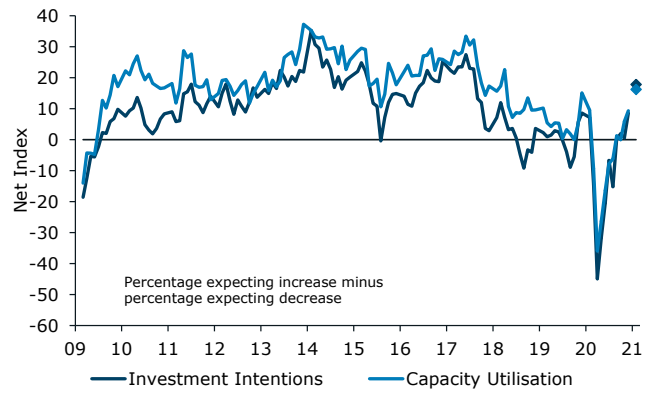
Expected export sales volumes



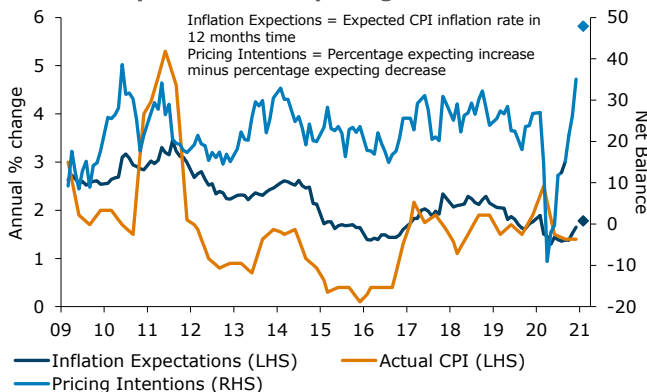
Profit and cost expectations



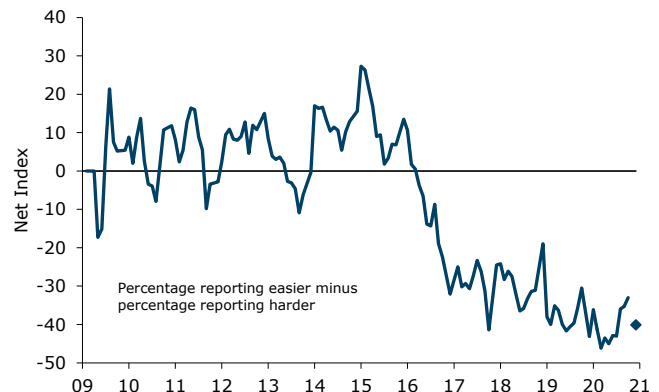
Investment intentions and capacity utilisation



Inflation expectations and pricing intentions



Ease of credit



Source: ANZ, Statistics NZ



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