

# ANZ New Zealand Business Outlook

29 April 2021



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## Contact

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See [page 6](#).

The next preliminary *Business Outlook* comprising early-month results at an economy-wide level will be released on 6 May 2021 at 1pm. The next standard full-month release of the ANZ *Business Outlook* is due on 31 May at 1pm.

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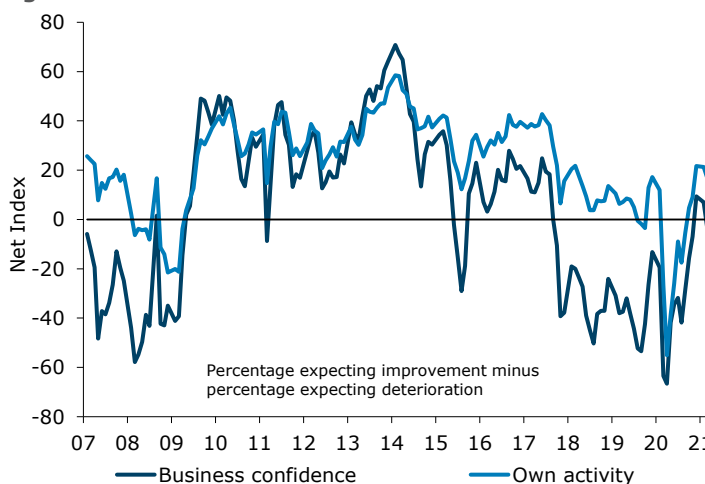
## Bouncing back

### Key points

- Compared to the preliminary read, headline business confidence jumped 6 points in April to a net -2%, and firms' own activity lifted 6 points to +22%.
- All activity indicators were much higher in the late-month sample than in the preliminary read. The early results may have been affected by the newly released housing policy, while the later sample may have been boosted by the trans-Tasman bubble news.
- The construction sector has fallen back into the pack.
- Cost-push inflation pressures continue to intensify.

Business sentiment and activity indicators were much higher in the late-month April sample, seeing nearly all indicators higher than the previous month. The jump relative to the early-April read was likely influenced by a fading of the initial reaction to the new housing policies, plus the announcement of the trans-Tasman bubble, a welcome step back towards normality.

**Figure 1. ANZ Business Confidence Index and ANZ Own Activity Index**



Source: ANZ Research

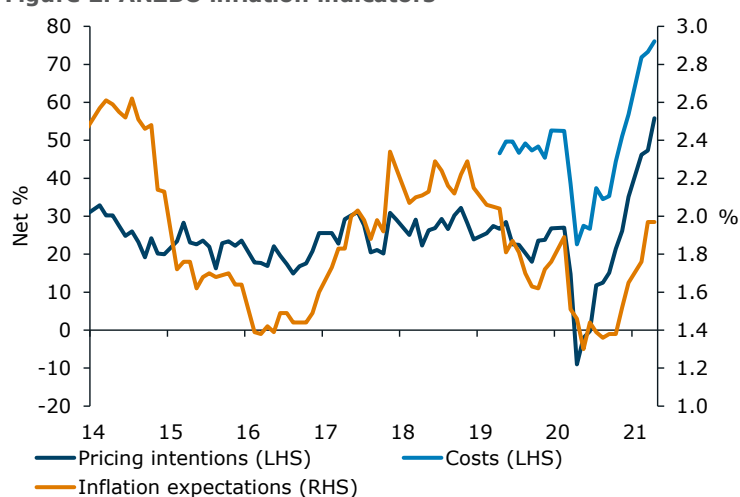
Turning to the detail, compared to March:

- Business confidence rose 2 points to net -2.0% (prelim: -8.4%).
- Firms' own activity outlook rose 5 points to 22.2% (prelim: 16.4%).
- Investment intentions rose 5 points to 17.1% (prelim: 12.4%).
- Employment intentions lifted 2 points to 16.4% (prelim: 14.1%).
- Capacity utilisation rose 2 points to 16.5% (prelim: 12.0%).
- Inflation pressures continue to lift. Cost expectations rose 3 points to a net 76.1% of respondents reporting higher costs (prelim: 75.1%). A net 55.8% of respondents intend to raise their prices (prelim: 52.9%). General inflation expectations were steady at 1.97% (prelim: 1.96%).

- Firms are evenly split on whether profits will rise or fall from here at 0.3% (prelim: -4.3%).
- Export intentions rose 4 points to +9.1% (prelim: +6.6%).
- A net 41.7% of firms expect credit to be harder to get (prelim: -45.5%).
- Residential construction intentions fell 13 points to 19%. Commercial construction intentions fell 17 points, to net 5%.

Compared to the preliminary April results, all activity indicators were higher. Inflationary pressures are not receding (figure 2) but inflation expectations remain locked on the RBNZ's target range midpoint of 2%. Retailers' pricing intentions jumped back up to 65%, while the manufacturing (72%), construction (67%) and services (48%) sectors all hit record highs in pricing intentions data that goes back to 1993. Expected costs jumped the most for retailers (up 9 points to 79%) but eased for construction (down 17 points to 70%).

**Figure 2: ANZBO inflation indicators**



Source: ANZ Research

**Table 1. Heatmap of monthly levels and changes**

	Levels					Monthly change				
	Retail	Mfg	Agri	Constrn	Services	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-1.9	5.7	10.5	7.4	-7.4	2.2	0.9	33.2	7.4	-1.4
Activity Outlook	13.5	27.8	26.3	37.0	19.7	-0.8	3.6	17.2	4.7	7.9
Activity – vs one year ago	37.3	34.6	11.1	55.6	26.0	37.3	28.1	6.6	16.9	25.3
Exports	8.8	24.4	5.6	-6.7	4.8	5.4	12.2	5.6	1.0	1.3
Investment	14.3	18.5	-5.3	11.1	21.2	-0.3	1.8	-18.9	1.1	12.4
Capacity Utilisation	12.5	14.8	5.6	7.7	21.3	8.2	-5.5	-3.9	-6.1	4.3
Residential Construction	...	...	...	19.0	...	...	...	...	-12.8	...
Commercial Construction	...	...	...	5.3	...	...	...	...	-16.4	...
Employment	15.4	14.8	0.0	14.8	19.6	2.9	-4.9	0.0	-11.9	7.4
Employment – vs one year ago	6.0	-2.0	0.0	29.6	5.6	28.4	-0.4	-13.6	13.5	8.3
Profits	-3.8	-1.9	-10.5	3.7	4.1	10.5	-1.9	-19.6	-19.6	6.7
Ease of Credit	-32.7	-27.8	-31.6	-44.4	-51.0	0.0	6.1	-4.3	-15.4	-1.7
Costs	78.8	88.9	78.9	70.4	71.2	9.4	5.3	-2.9	-16.7	3.7
Pricing Intentions	64.7	72.2	26.3	66.7	47.6	15.7	7.7	-5.5	8.6	7.2

Note: the colour coding is based on standardised values that take into account the historical average and variation in each series, eg "agriculture sector employment intentions". So if, for example, a series is low compared to others but that's not unusual, it is less likely to be marked in red. The history of the activity and employment versus a year ago is unfortunately too short for historical comparisons to be meaningful but the data is included for completeness.

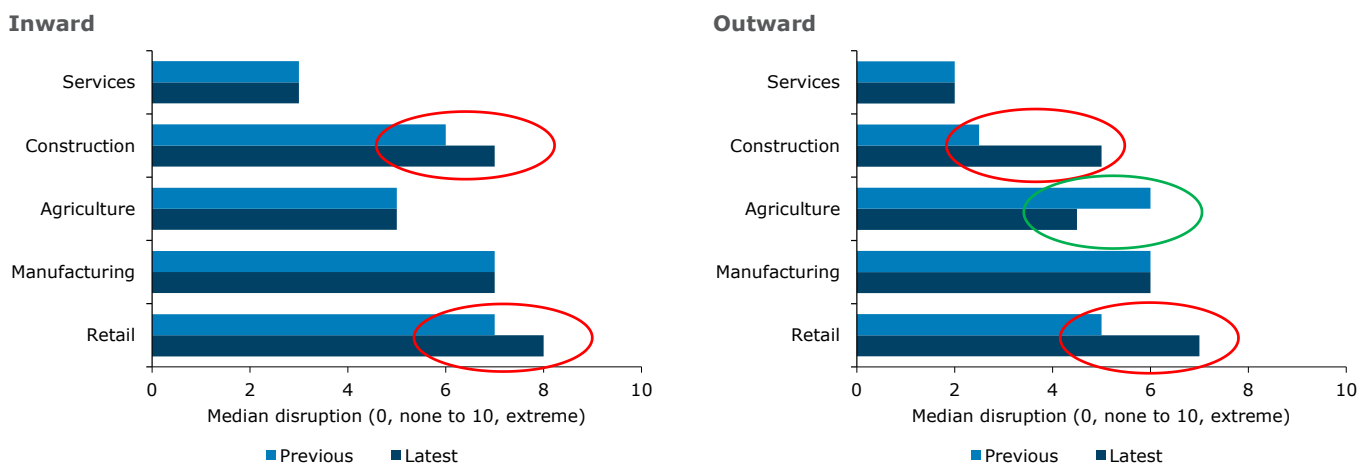
Our usual heat map of levels and changes on a standardised basis (Table 1, previous page) shows that the construction sector has now fallen back into the pack, after many of its activity indicators deteriorated again over April.

Agriculture remains relatively pessimistic, which is not at all unusual, but its business confidence and activity indicators saw decent bounces.

Across the economy, cost expectations and pricing intentions stand out for being elevated relative to history. Profitability remains relatively squeezed, no doubt hit by cost increases. Export intentions also remain an area of concern.

Freight disruptions remain problematic (figures 3 and 4) and have worsened for construction and retail, both inward and outward. Disruptions remain significant for manufacturing.

**Figures 3 and 4: Median reported freight disruption (0, none, to 10, extreme)**



Source: ANZ Research

### Our take

The solid bounce in the ANZ Business Outlook survey indicates that firms are feeling pretty upbeat, and that the recent housing market policy changes are not expected to dent broader activity. Overall, the robustness of the data is starting to challenge our view that the economy will go largely sideways this year. However, resource constraints mean willingness to grow, and the ability to actually do so, are not the same thing. Firms are reporting worsening freight disruption – that’ll dent production – and the softening in construction indicators is a concern too. And finally, it’s worth noting that one should downplay the improvement in the year-ago measures as it merely reflects that a year ago we were in Level 4 lockdown.

Although firms are very busy, they’re not necessarily having an easy time of it, as broad-based cost increases and freight disruptions take their toll. Indeed, given supply-side constraints are biting so hard, the confidence and robust employment intentions of firms may represent greater upside to wages and prices than to actual growth. It’s looking like a pretty inflationary soup. The RBNZ will be keen to look through cost-push inflation as far as possible, because it’s temporary (though it may stick around longer than expected) and not growth-friendly. Well-anchored inflation expectations provide headroom for this strategy to run a while yet. But there’s clearly plenty of demand and risk-taking out there, amongst both firms and households, and that does grease the wheels for a more persistent lift in inflation to potentially get established. The notion that the RBNZ might be overcooking things may well gain some traction in the months ahead, especially with headline inflation expected to rise above 2% in mid-2021.

## Survey Results April 2021

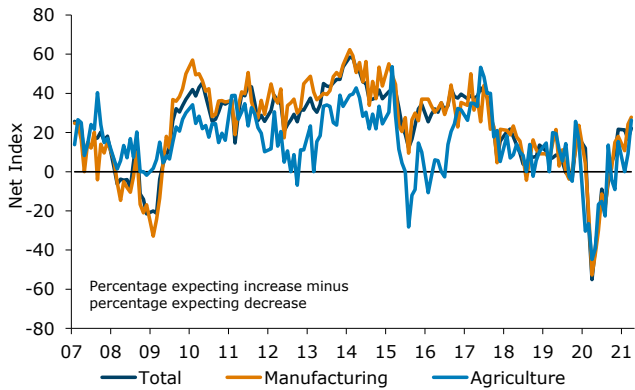
Net Balance	April	Prelim. April	Previous (March)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-2.0	-8.4	-4.1	-1.9	5.7	10.5	7.4	-7.4
Own Activity Outlook	22.2	16.4	16.6	13.5	27.8	26.3	37.0	19.7
Export Intentions	9.1	6.6	4.5	8.8	24.4	5.6	-6.7	4.8
Investment Intentions	17.1	12.4	11.9	14.3	18.5	-5.3	11.1	21.2
Cost Expectations	76.1	75.1	73.3	78.8	88.9	78.9	70.4	71.2
Capacity Utilisation	16.5	12.0	14.6	12.5	14.8	5.6	7.7	21.3
Residential Construction	19.0	...	31.8	...	...	...	19.0	...
Commercial Construction	5.3	...	21.7	...	...	...	5.3	...
Employment Intentions	16.4	14.1	14.4	15.4	14.8	0.0	14.8	19.6
Profit Expectations	0.3	-4.3	-0.6	-3.8	-1.9	-10.5	3.7	4.1
Pricing Intentions	55.8	52.9	47.3	64.7	72.2	26.3	66.7	47.6
Ease of Credit Expectations	-41.7	-45.5	-40.3	-32.7	-27.8	-31.6	-44.4	-51.0
Inflation Expectations (%)	1.97	1.96	1.97	2.06	2.14	1.84	1.85	1.90
Activity – vs. same month one year ago	31.3	21.7	5.7	37.3	34.6	11.1	55.6	26.0
Employment – vs. same month one year ago	6.5	-4.4	-2.5	6.0	-2.0	0.0	29.6	5.6

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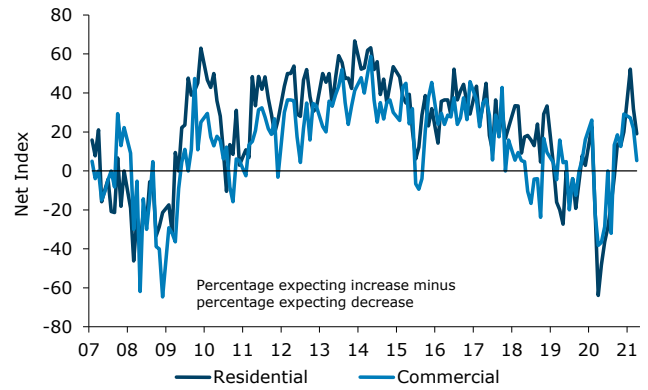


# Charts

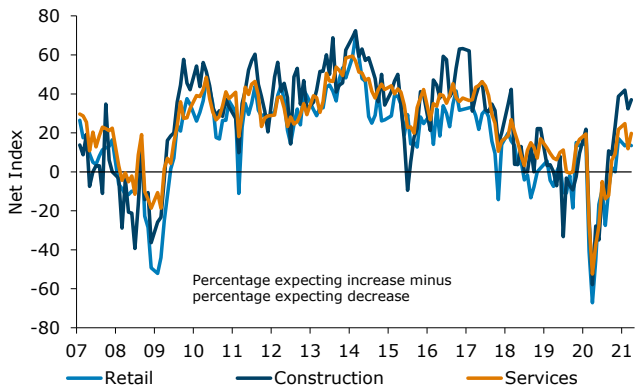
**Activity outlook index**



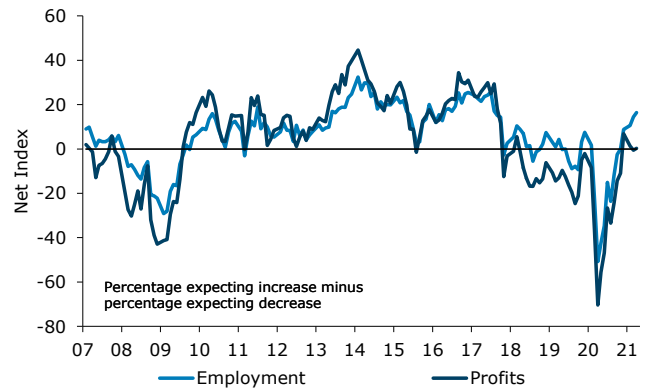
**Construction intentions**



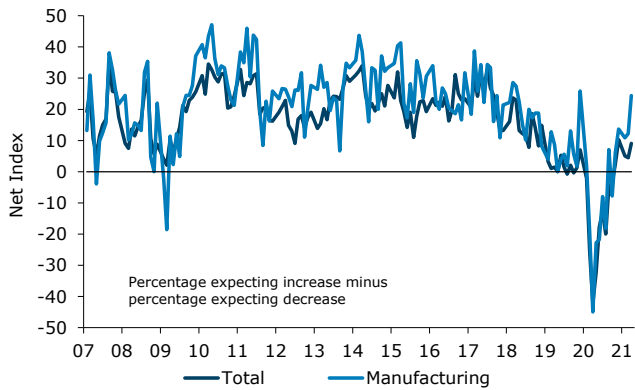
**Activity outlook index**



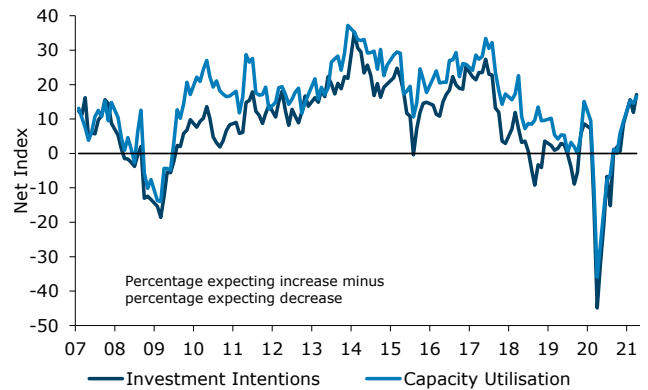
**Employment and profit outlook**



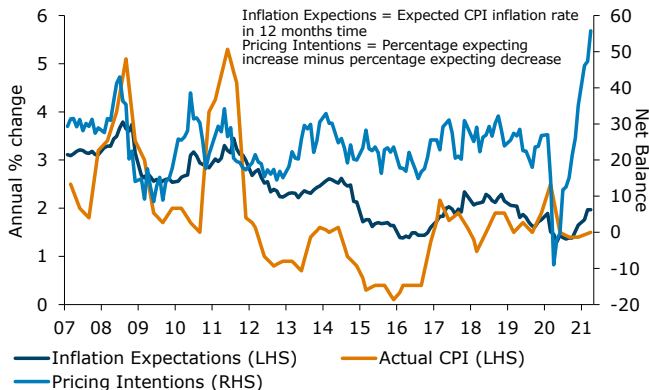
**Export sales volumes**



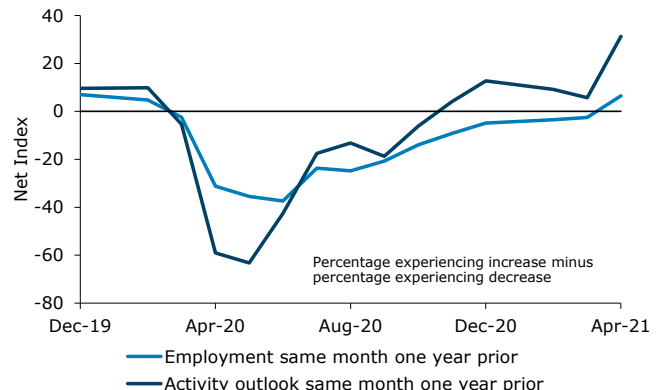
**Investment intentions and capacity utilisation**



**Inflation expectations**



**Experienced activity and employment**



Source: ANZ, Statistics NZ



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