

ANZ New Zealand Business Outlook

30 September 2021



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Contact

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See [page 6](#).

The next release of the ANZ *Business Outlook* (a preliminary read) is due on 13 October at 1pm.

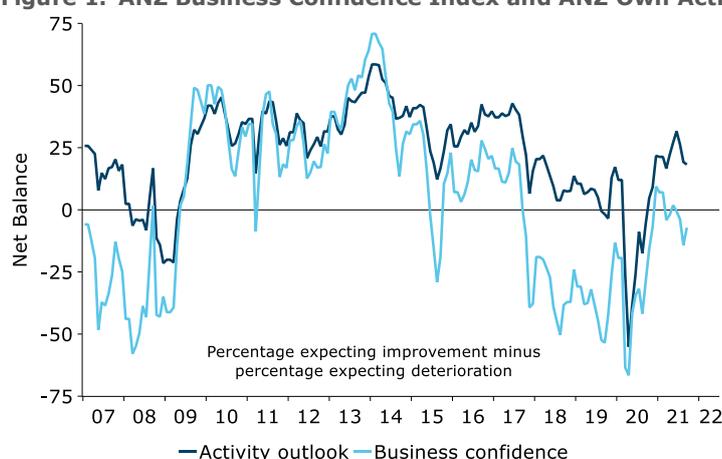
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Holding on

Key points

- Forward-looking activity indicators remain remarkably robust, including in Auckland.
- Inflation pressures remain intense.

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



Source: Macrobond, ANZ Research

Table 1 compares the full-month September result with the preliminary read, and also with the early-August results that precede the outbreak.

Table 1: Comparing snap reads

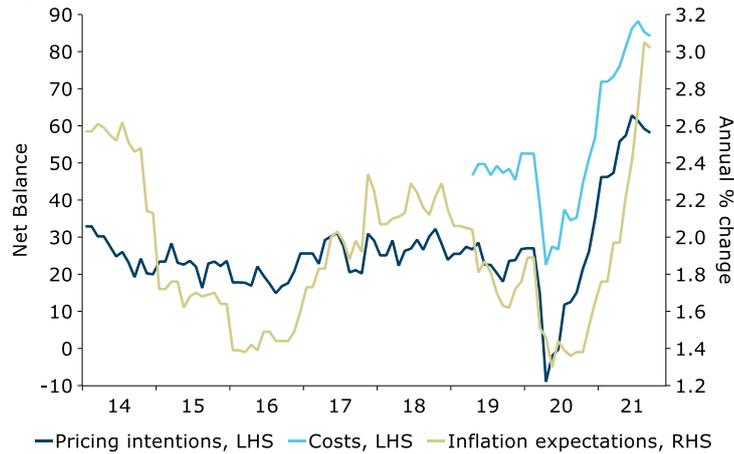
Net Balance	Full Sep	Prelim Sep	Early Aug	Comment
Business Confidence	-7.2	-6.8	-14.5	Higher than pre-outbreak
Own Activity Outlook	18.2	18.2	20.2	Remarkably robust
Export Intentions	7.4	5.7	8.4	Bouncing back
Investment Intentions	9.2	12.2	15.4	Slipping
Cost Expectations	84.2	82.7	85.0	No relief
Capacity Utilisation	16.8	16.3	22.8	Steady
Residential Construction	9.5	--	7.7*	Recovering
Commercial Construction	0.0	--	11.5*	Volatile
Employment Intentions	14.1	14.7	17.9	Steady
Profit Expectations	-15.6	-13.1	-9.5	Slipping
Pricing Intentions	58.1	55.4	58.8	Back near highs
Ease of Credit Expectations	-50.3	-49.2	-52.1	Steady
Inflation Expectations	3.02%	2.97%	3.06%	Steady at top of band
Activity – vs. same month one year ago	-4.5	-4.3	36.6	Steady
Employment – vs. same month one year ago	12.8	14.0	20.3	Slipping slightly

*Full-August result

Overall, while current activity is being crimped by lockdown restrictions, medium-term indicators are broadly robust. However, the slippage in profit expectations and investment intentions in the face of relentless cost pressure highlights that business conditions are anything but easy at present.

Cost and inflation pressures remain intense (figure 2).

Figure 2. ANZBO inflation indicators



Source: Macrobond, ANZ Research

Our heat map of levels and changes on a standardised basis (Table 2) compares full-month data in September versus August. There’s a good deal of blue (falls) in the monthly changes – except agriculture, an essential industry, and retail, where the relief of the move from level 4 to level 3 in Auckland, and level 3 to 2 elsewhere, dominates.

In terms of the levels, expected costs and pricing intentions remain extreme. Employment intentions are robust so far (levels are still above average), though the monthly fall in experienced employment across all sectors suggests some jobs have been lost during lockdown. Own activity, business confidence and export intentions remain strong relative to history.

Table 2. Heatmap

	Levels					Monthly changes				
	Retail	Mfg	Agric	Constrn	Serv	Retail	Mfg	Agric	Constrn	Serv
Business Confidence	-1.8	-4.9	-18.2	3.4	-10.4	27.3	7.2	12.2	6.4	-0.6
Own activity outlook	14.3	19.7	13.6	16.7	19.4	3.4	-2.7	-16.8	1.5	-0.1
Activity vs. same month one year ago	-21.4	-6.6	22.7	0.0	-2.4	-52.3	-33.9	5.3	-48.5	-34.7
Exports	10.8	4.1	18.2	-7.1	6.5	6.0	-5.0	-6.8	3.4	0.0
Investment	18.5	16.7	9.1	-3.3	5.6	9.2	-18.1	13.4	-18.5	-4.9
Capacity Utilisation	17.0	19.3	9.5	13.3	17.6	7.7	-3.8	-16.6	-9.3	-1.2
Residential Construction	...	...	...	9.5	...	...	...	...	1.8	...
Commercial Construction	...	...	...	0.0	...	...	...	...	-11.5	...
Employment	19.6	4.9	4.5	10.0	17.8	-0.4	-2.6	0.2	-8.8	-3.7
Employment vs. same month one year ago	1.8	15.0	4.5	30.0	13.8	-12.7	-3.2	-4.2	-1.2	-9.9
Profits	-12.7	-21.3	-22.7	-23.3	-12.1	7.3	-19.8	-18.4	-5.1	-12.7
Ease of Credit	-50.0	-50.0	-36.4	-46.7	-53.3	7.4	0.0	28.8	-4.3	-0.9
Costs	87.3	91.4	90.9	86.7	79.3	-5.4	9.3	-9.1	-7.1	-1.1
Pricing Intentions	66.1	78.0	22.7	66.7	51.8	-19.4	9.3	-3.4	-8.3	3.0

Note: Shades of orange indicate high, and shades of blue, low, becoming more intense at the extremes. The colour coding is based on standardised values that take into account the historical average and variation in each series. For example, a series may be low compared to others but if that’s not unusual, it may not be in blue. The history of the activity and employment versus a year ago is unfortunately too short for historical comparisons to be particularly meaningful but the data is included for completeness.

Auckland vs the rest

Once again, Auckland is in lockdown while the rest of the country is enjoying the freedoms of level 2. It's been nearly 50 days of lockdown in the Greater Auckland Remand Centre – how is the mood holding up?

In short, remarkably well. The “current activity” measures, asking about employment and activity versus a year ago, certainly show a hit, but in terms of expectations, the region is remarkably upbeat.

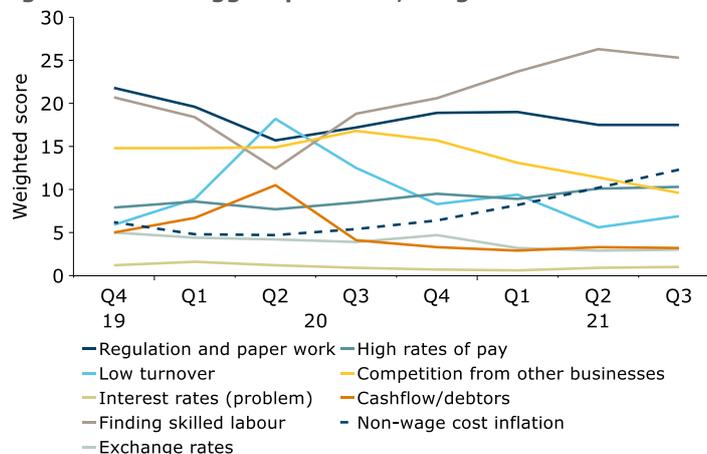
Table 3. Auckland versus the rest of NZ

	Auckland	Ex-Auckland
Business Confidence	-2.9	-9.2
Own Activity	18.9	17.9
Capacity Utilisation	21.6	14.6
Employment	15.1	13.7
Investment	11.7	8
Exports	5.4	8.5
Profits	-11.3	-17.5
Employment 1-year ago	5.8	16.1
Activity 1-year ago	-14.2	0

Source: Macrobond, ANZ Research

Every three months we also ask firms what their biggest problems are. Finding skilled labour continues to be the largest problem, followed by regulation and paperwork. Non-wage cost inflation is rising steadily as an issue, while competition is declining. Cash flow and debtors remain negligible problems in aggregate.

Figure 3. Firms biggest problems, weighted



Source: Macrobond, ANZ Research

Our take

The Auckland COVID outbreak drags on but businesses so far appear to be keeping their eyes on the prize. Spending has already bounced back quite a lot, particularly outside Auckland, and experience has shown momentum tends to recover quickly. In that context, interest rate increases may well prove more of a challenge. The housing market is vulnerable, with headwinds gathering, and there's no question the housing market and construction more generally have been key drivers of growth over the past 18 months – for what's definitely been a mix of better and worse.

Survey Results September 2021

Net Balance	Final September	Prelim September ¹	Previous (August)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	-7.2	-6.8	-14.2	-1.8	-4.9	-18.2	3.4	-10.4
Own Activity Outlook	18.2	18.2	19.2	14.3	19.7	13.6	16.7	19.4
Export Intentions	7.4	5.7	7.4	10.8	4.1	18.2	-7.1	6.5
Investment Intentions	9.2	12.2	14.4	18.5	16.7	9.1	-3.3	5.6
Cost Expectations	84.2	82.7	85.3	87.3	91.4	90.9	86.7	79.3
Capacity Utilisation	16.8	16.3	18.8	17.0	19.3	9.5	13.3	17.6
Residential Construction	9.5	5.9	7.7	...	...	...	9.5	...
Commercial Construction	0.0	-15.8	11.5	...	...	...	0.0	...
Employment Intentions	14.1	14.7	17.0	19.6	4.9	4.5	10.0	17.8
Profit Expectations	-15.6	-13.1	-5.5	-12.7	-21.3	-22.7	-23.3	-12.1
Pricing Intentions	58.1	55.4	59.2	66.1	78.0	22.7	66.7	51.8
Ease of Credit Expectations	-50.3	-49.2	-52.6	-50.0	-50.0	-36.4	-46.7	-53.3
Inflation Expectations (%)	3.02	3.0	3.05	3.34	3.10	2.97	3.00	2.89
Activity – same month one year ago	-4.5	-4.3	31.8	-21.4	-6.6	22.7	0.0	-2.4
Employment – same month one year ago	12.8	14.0	20.7	1.8	15.0	4.5	30.0	13.8

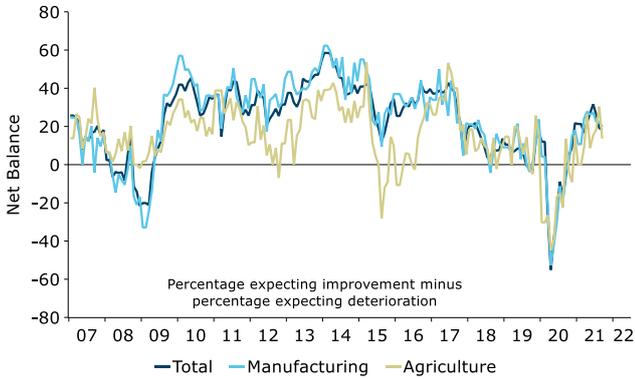
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¹ These results include data collected in the first week of the September survey and were published on 13 September.

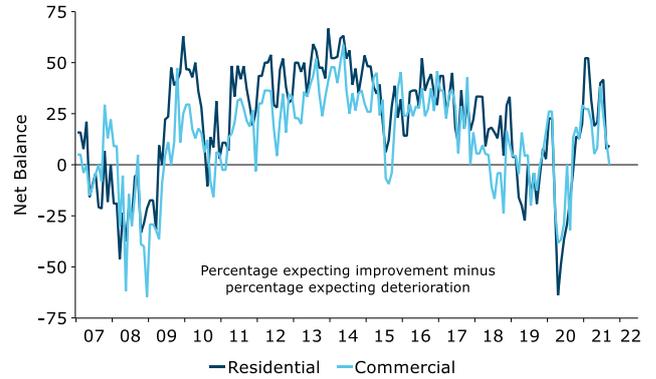


Charts

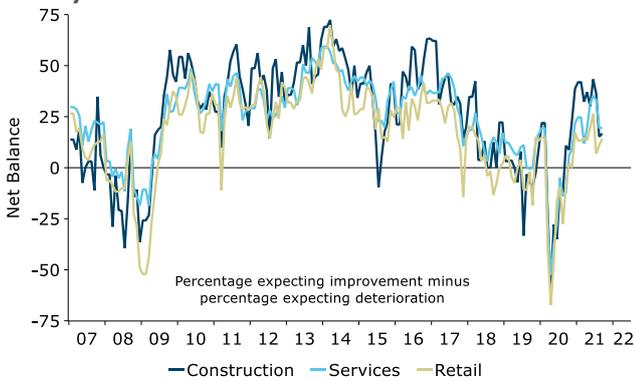
Activity outlook index



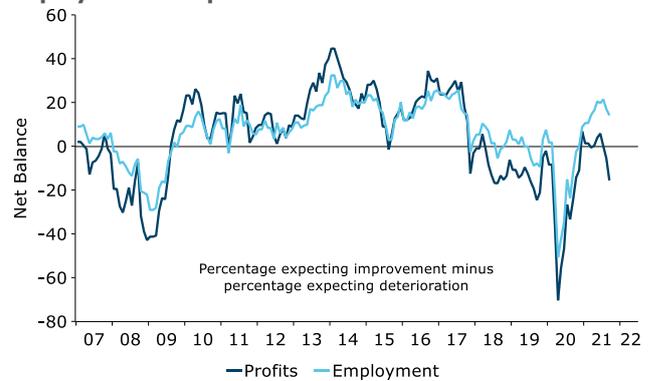
Construction intentions



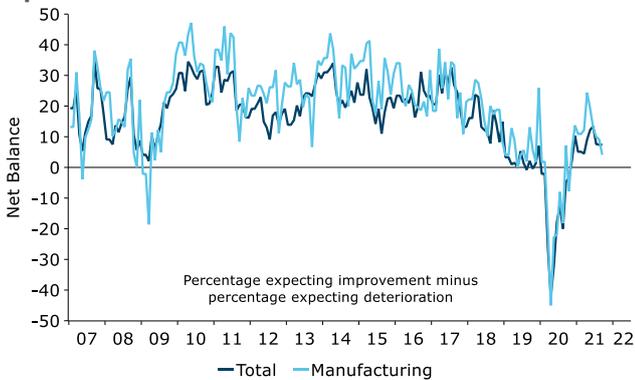
Activity outlook index



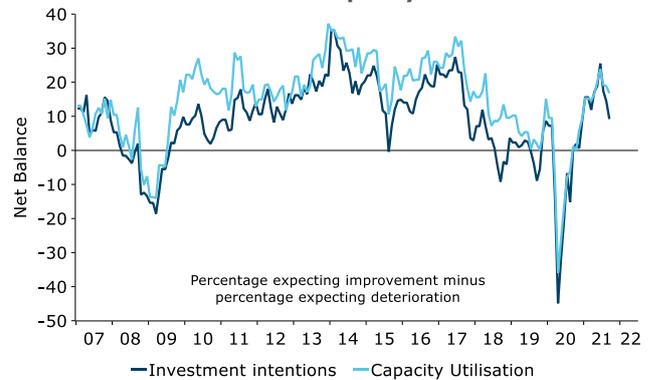
Employment and profit outlook



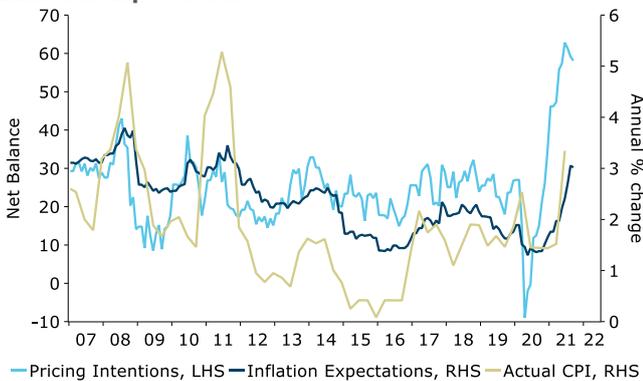
Export sales volumes



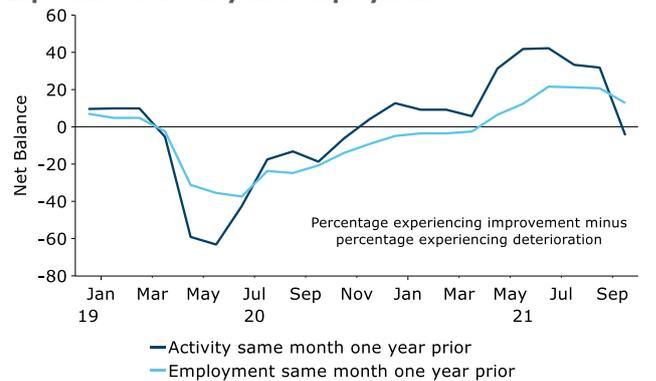
Investment intentions and capacity utilisation



Inflation expectations



Experienced activity and employment



Source: ANZ, Statistics NZ, Macrobond



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