

ANZ New Zealand Business Outlook

30 April 2025

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Contact

[Sharon Zollner](#) for more details.

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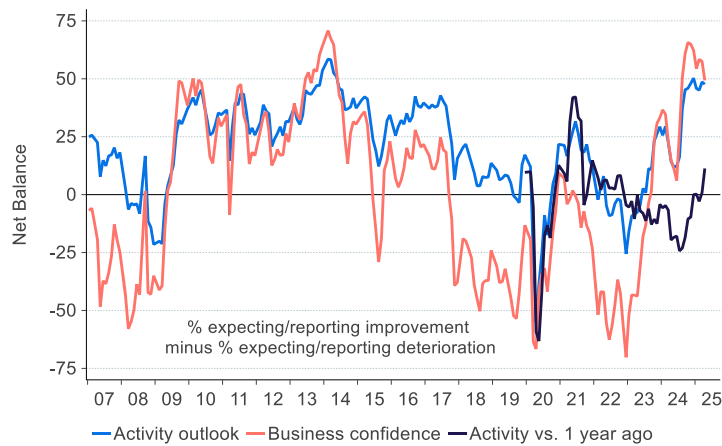


Better here and now, but nervous

Key points

- Business confidence fell 9 points to +49 in April, while expected own activity fell just 1 point to 48. More positively, past own activity (the best GDP indicator in the survey) jumped 10 points from 1 to 11, while past employment jumped 8 points, from -6 to 2. Most forward-looking activity indicators were sharply lower in the late-month responses.
- Pricing and cost indicators indicate margin squeeze from ongoing cost pressures. One-year-ahead inflation expectations were little changed at 2.65%.

Figure 1. ANZ Business Confidence, Own Activity and Past Activity



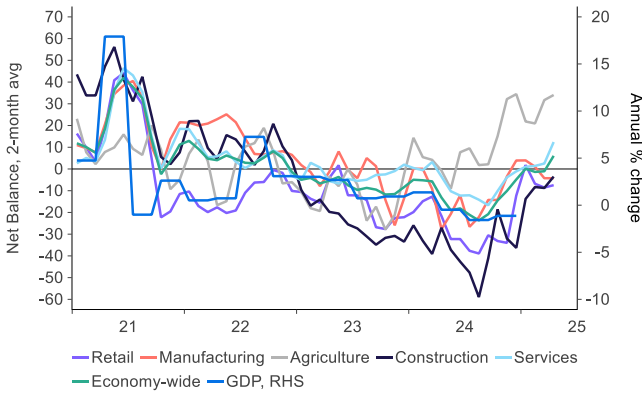
Source: Macrobond, ANZ Research

Table 1. Results versus last month

Net Balance	Apr	Mar	Comment
Business Confidence	49.3	57.5	Agriculture sector most confident.
Own Activity Outlook	47.7	48.6	Services most upbeat, construction the least.
Export Intentions	12.2	17.3	Manufacturing fell from 17.9 to 10.3.
Investment Intentions	17.2	17.3	Strongest for agriculture (29.2).
Employment Intentions	18.1	15.6	Retail fell back into the red, from 6.8 to -5.7.
Residential Construction	50.0	47.2	Standing strong.
Commercial Construction	35.3	33.3	Has also been remarkably steady lately.
Profit Expectations	28.5	29.4	Highest for services and agriculture.
Ease of Credit	18.2	23.7	Sharply lower in the late-month sample.
Activity vs. 1 year ago	11.3	0.8	Big jump for services in April, from 2.7 to 22.1, but retail fell from -1.7 to -13.2.
Employment vs. 1 yr ago	1.5	-6.2	Agri, construction, services now all in the black.
Cost Expectations 3m out	77.9	74.1	Highest since September 2023.
Wage Expectations 12m out	81.3	80.0	Lowest for retail by far
Pricing Intentions 3m out	49.4	51.3	Highest for manufacturing and retail.
Inflation Expectations 1y out	2.65%	2.63%	Steady as a rock.

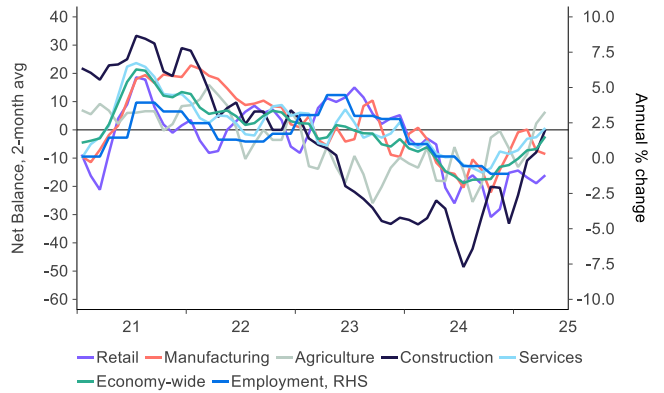
Activity indicators overall continue to tell a tale of an economy that's recovering. Economy-wide reported past activity – the best indicator of GDP – jumped 10 points (figure 2). Past employment is also (just) back in the black (figure 3). For the first time since June 2023, more firms (26%) said they have more staff versus a year ago than said they have fewer (24%). (50% reported no change).

Figure 2. Past activity (2-month avg) vs GDP



Source: Stats NZ, Macrobond, ANZ Research

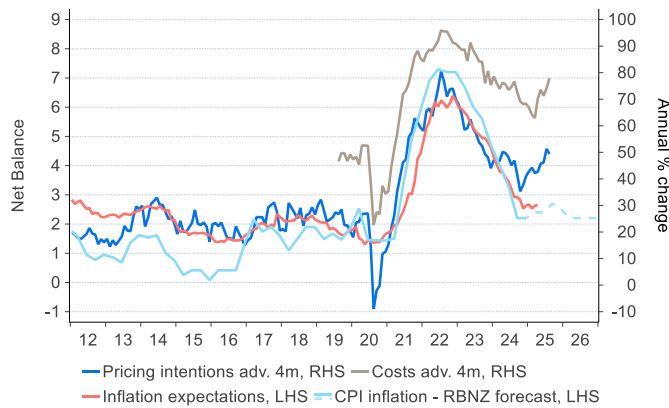
Figure 3. Past employment (2-month avg) vs actual



Source: Stats NZ, Macrobond, ANZ Research

Pricing and cost indicators remain decidedly contrary (figure 4). However, inflation expectations remain well behaved, at 2.65%.

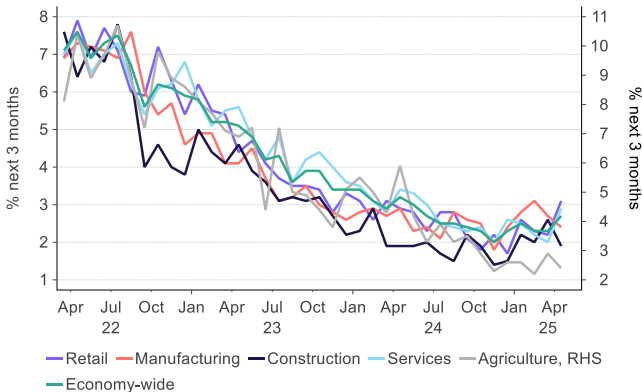
Figure 4. ANZBO inflation indicators



Source: Stats NZ, Macrobond, ANZ Research

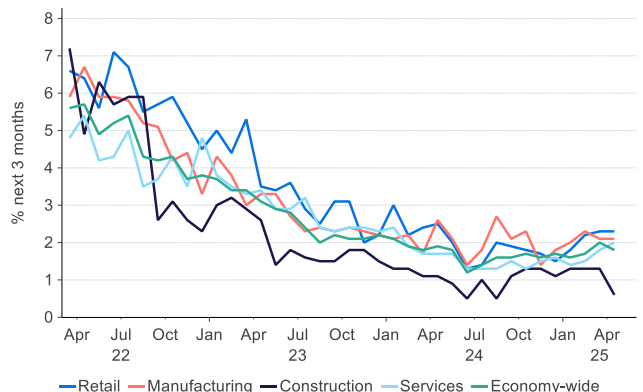
The above charts are the net percent of firms saying costs and prices will be higher. Looking at the detail, firms on average expect costs to rise 2.7% over the next three months, while they expect to raise prices by just 1.8% over the same period. That indicates margin squeeze – a long-running theme – amidst persistent cost pressures.

Figure 5. Cost expectations by sector



Source: Macrobond, ANZ Research

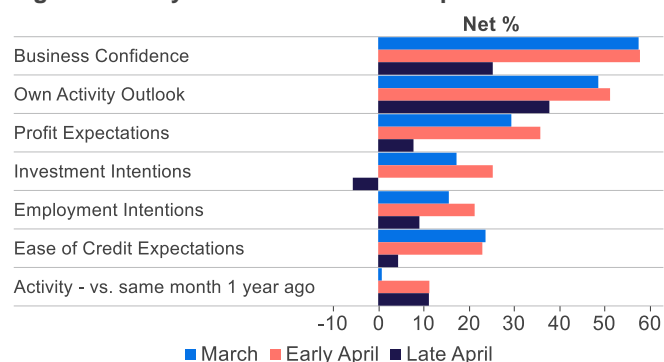
Figure 6. Pricing intentions by sector



Source: Macrobond, ANZ Research

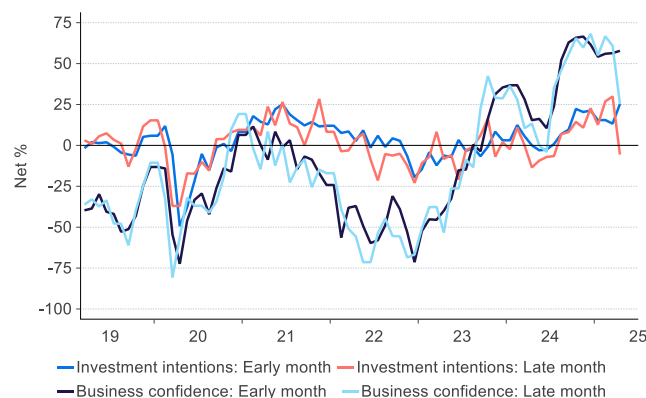
The month of April was punctuated by global market turmoil precipitated by US tariff announcements. We can divide our sample into those received early in the month (mostly between 1 and 4 April) and those received late in the month (primarily 22-24 April). The latter sample is smaller and therefore subject to more statistical noise and volatility, and we would take it as a directional signal rather than taking the numbers as gospel. However, the data does support the idea that the turmoil has had a marked negative impact on most forward-looking indicators, and particularly on headline business confidence and businesses' plans to invest (figures 7 and 8). Time will tell whether the impact is lasting.

Figure 7. Early versus late-month responses



Source: Macrobond, ANZ Research

Figure 8. Investment intentions & business confidence: early vs late month



Source: Macrobond, ANZ Research

Our take

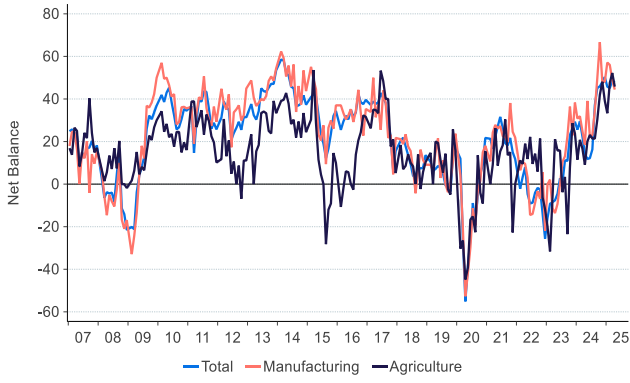
We recently revised down our forecast for growth and the Official Cash Rate, partly because some of the high-frequency data has started to stutter a little, but also because we suspected that the uncertainty around the global outlook engendered by the ongoing trade war between China and the US and broader policy moves by the US administration would lead some firms to put their investment and employment plans back on the shelf. This month's survey results suggest that could well be the case. But we'll have to wait and see whether the impact is short-lived or lasting. That in itself will depend not least on whether trade spats de-escalate or worsen from here.

Survey Results April 2025

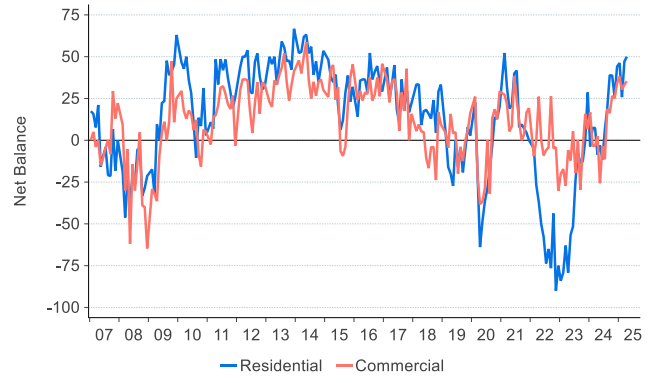
Net Balance	April	Previous (Mar)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	49.3	57.5	50.9	43.5	75.0	68.4	43.1
Own Activity Outlook	47.7	48.6	45.3	44.4	45.8	42.1	50.9
Export Intentions	12.2	17.3	-4.8	10.3	38.1	-3.7	16.7
Investment Intentions	17.2	17.3	0.0	6.7	29.2	21.1	22.8
Cost Expectations	77.9	74.1	81.1	76.1	91.7	64.9	77.8
Residential Construction	50.0	47.2	50.0	...
Commercial Construction	35.3	33.3	35.3	...
Employment Intentions	18.1	15.6	-5.7	17.8	0.0	27.0	24.1
Profit Expectations	28.5	29.4	26.4	26.1	33.3	13.2	32.9
Pricing Intentions	49.4	51.3	56.6	56.5	45.8	32.4	52.1
Ease of Credit Expectations	18.2	23.7	15.1	6.7	16.7	26.3	20.8
Inflation Expectations (%)	2.65	2.63	2.65	2.72	2.52	2.48	2.65
Activity – same month one year ago	11.3	0.8	-13.2	0.0	33.3	0.0	22.1
Employment – same month one year ago	1.5	-6.2	-13.5	-6.5	8.3	2.6	4.7
Price Expectations – 3 months from now (%)	1.8	2.0	2.3	2.1	1.7	0.6	2.0
Cost Expectations – 3 months from now (%)	2.7	2.3	3.1	2.4	2.4	1.9	2.9
Wages/Salaries – next 12 months (%)	2.6	2.6	2.0	2.5	3.6	2.4	2.8
Wages/Salaries – same month a year ago (%)	2.9	2.4	2.3	2.8	3.7	2.4	3.2

Charts

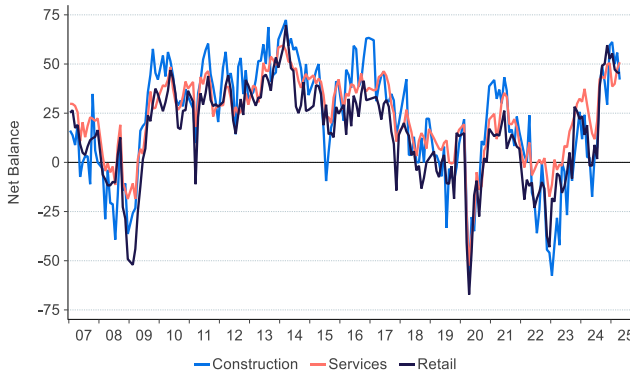
Activity outlook index



Construction intentions



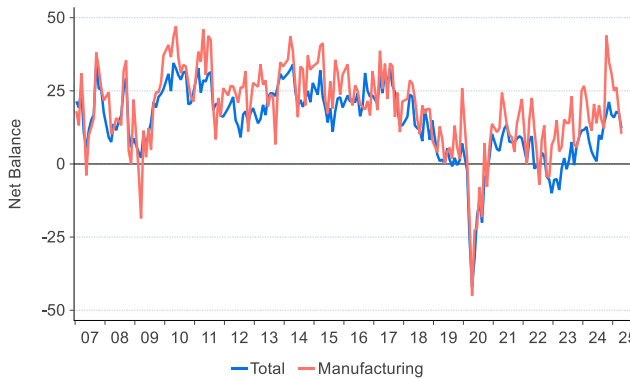
Activity outlook index



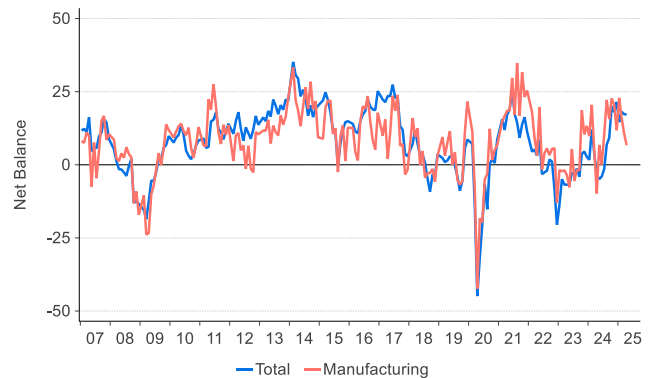
Employment and profit outlook



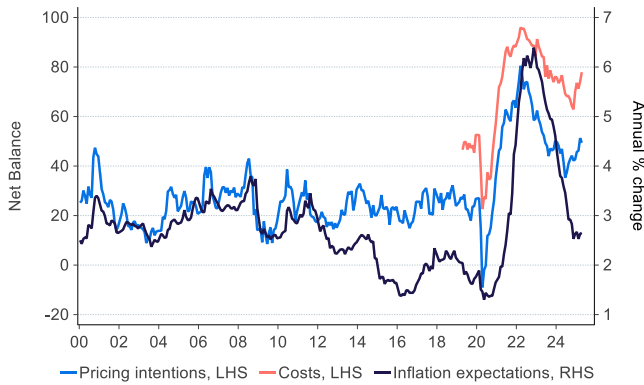
Export sales volumes



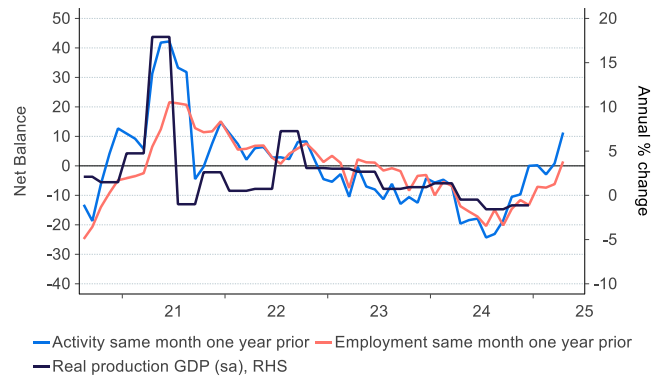
Investment intentions



Cost and inflation pressures



Experienced activity and employment vs GDP



Source: Statistics NZ, Macrobond, ANZ Research

Net balance: Percentage expecting improvement minus percentage expecting deterioration.

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Sharon Zollner
Chief Economist

Follow Sharon on Twitter
@sharon_zollner

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)



David Croy
Senior Strategist

Market developments, interest rates,
FX, unconventional monetary policy,
liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast
co-ordinator, economic developments,
labour market dynamics, inflation,
fiscal and monetary policy.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary
data (including ANZ Business
Outlook), data capability and
infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general
enquiries, mailing lists, publications,
chief economist's diary.

Telephone: +64 21 221 7438
Email: natalie.denne@anz.com

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