

ANZ New Zealand Business Outlook

29 May 2025

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Contact

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Improving under the hood

Key points

- Business confidence fell 12 points to +37 in May, and expected own activity fell 13 points to +35. However, late-month responses were higher than the early-month ones. Meanwhile past own activity (the best GDP indicator) fell from 11 to 5, while past employment fell back into negative territory at -10.
- Pricing and cost indicators eased. One-year-ahead inflation expectations lifted marginally from 2.65% to 2.71%; we'd call that pretty steady.

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



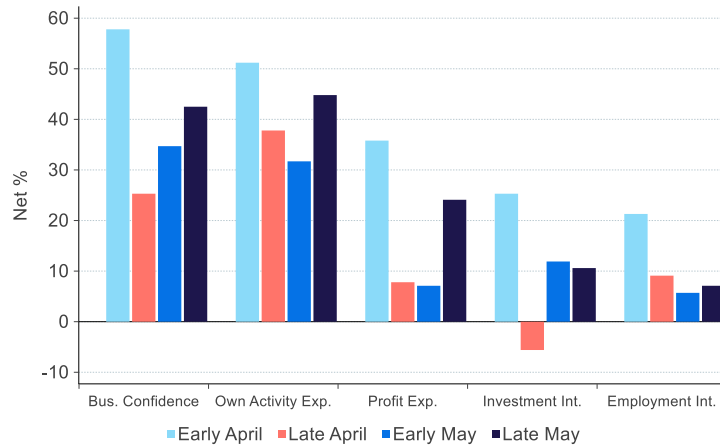
Source: Macrobond, ANZ Research

Table 1. Results versus last month

Net Balance	May	Apr	Comment
Business Confidence	36.6	49.3	Auckland and Canterbury north of 40, Wellington 11.
Own Activity Outlook	34.8	47.7	Fell particularly hard for construction and retail.
Export Intentions	11.8	12.2	Agriculture fell from 38 to 17.
Investment Intentions	11.6	17.2	Note virtually all responses were pre-Budget.
Employment Intentions	6.0	18.1	Retail (-7) and agriculture (-4) in the red.
Residential Construction	36.4	50.0	Still a strong level historically.
Commercial Construction	20.6	35.3	Lowest since September 2024.
Profit Expectations	11.1	28.5	Retail plummeted from +26 to -6.
Ease of Credit	8.6	18.2	Fell most for services, least for agri.
Activity vs. 1 year ago	5.1	11.3	Every sector fell. Retail has been negative for four months.
Employment vs. 1 yr ago	-9.9	1.5	Back in the red for every sector. Retail and construction the most negative.
Cost Expectations 3m out	72.8	77.9	Chunky fall. Only construction lifted.
Wage Expectations 12m out	75.3	81.3	Lowest since August 2024.
Pricing Intentions 3m out	45.4	49.4	Mix of rises and falls, but retail is the highest since March 2024, and the highest of all the sectors.
Inflation Expectations 1y out	2.71%	2.65%	Very slightly higher for most sectors.

Like last month, there were movements within the month that were masked by the headline figures – this time in a positive direction as the global turmoil settled down. There's still plenty of scope for more volatility, but for now, some of the initial hit to confidence, own activity expectations, profitability and investment intentions has dissipated, with these indicators well off their late-April lows. However, employment intentions continue to languish (figure 2).

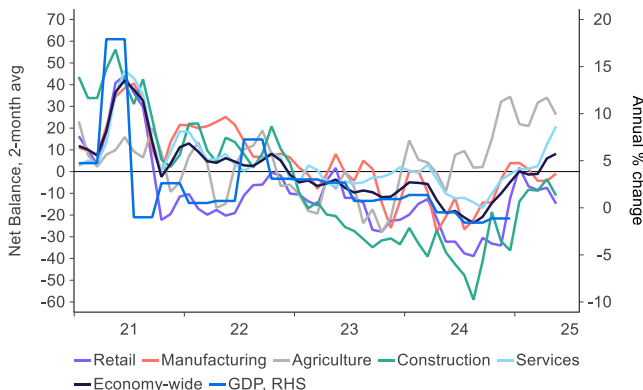
Figure 2. Intra-month developments



Source: ANZ Research

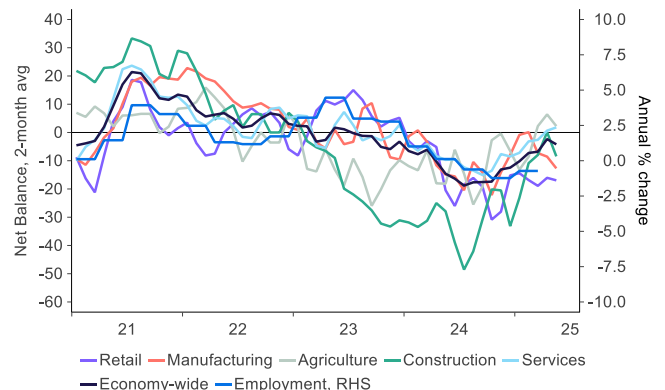
Reported past activity – the best GDP indicator – fell 6 points, with falls across every sector (note figure 3 shows a 2-month average). Past employment has lost momentum (figure 4), with retail the weakest sector.

Figure 3. Past activity (2-month avg) vs GDP



Source: Stats NZ, Macrobond, ANZ Research

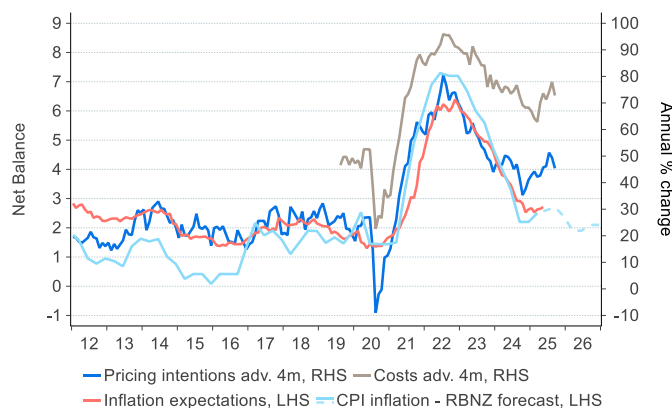
Figure 4. Past employment (2-month avg) vs actual



Source: Stats NZ, Macrobond, ANZ Research

Pricing and cost indicators eased (figure 5). Inflation expectations are of particular interest, given the small lift seen in other surveys. They lifted very slightly in the month, but it's marginal stuff and consistent with the RBNZ's own inflation forecast.

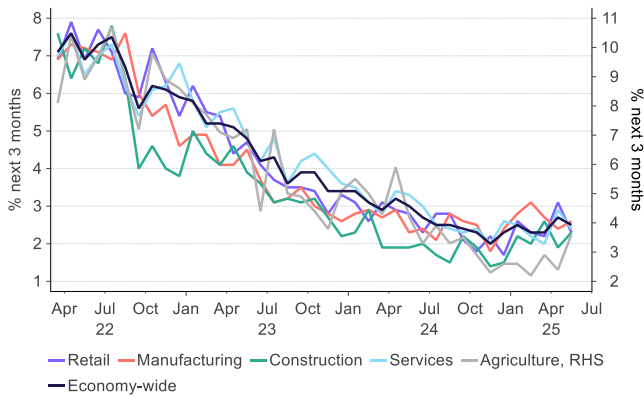
Figure 5. ANZBO inflation indicators



Source: Stats NZ, Macrobond, ANZ Research

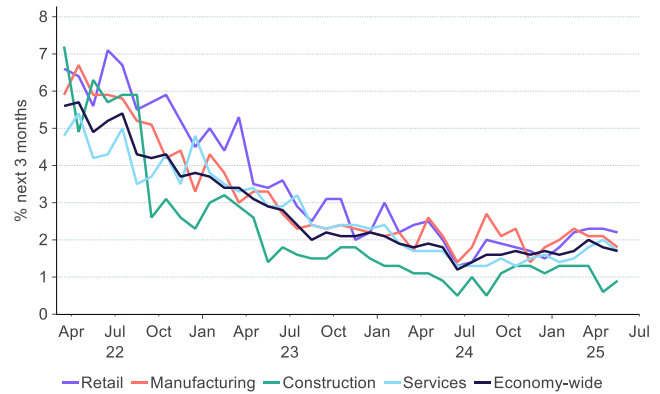
The above charts are the net percent of firms saying costs and prices will be higher. Looking at the detail, firms on average expect costs to rise 2.5% over the next three months (down from 2.7%), while they expect to raise prices by just 1.7% over the same period (previous 1.8%). There are mixed messages out of the retail sector: more firms say they'll raise prices (a net 62% vs 57%), but by slightly less on average (2.2% vs 2.3%).

Figure 6. Cost expectations by sector



Source: ANZ Research

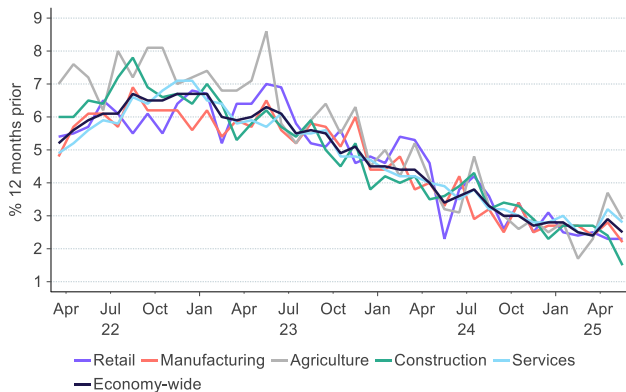
Figure 7. Pricing intentions by sector



Source: ANZ Research

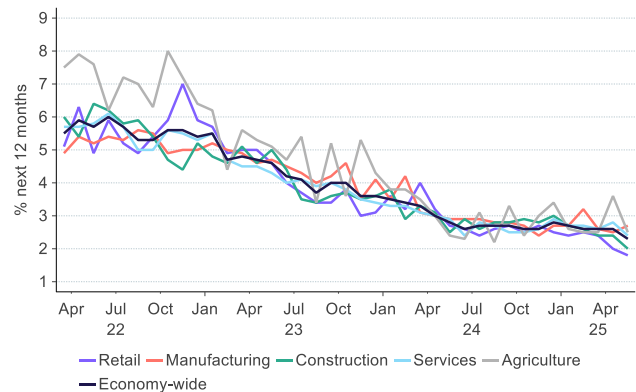
Expected and reported wage increases were also benign (figures 8 and 9). Overall, there are not any obvious grounds in this survey for the RBNZ to be overly concerned about the recent tick higher in some surveys of inflation expectations.

Figure 8. Past (last 12m) own wage growth



Source: ANZ Research

Figure 9. Expected (next 12m) own wage growth



Source: ANZ Research

Our take

The RBNZ yesterday cut the Official Cash Rate another 25bp, noting downside risks to the growth outlook (primarily due to global uncertainty) but also some upside risks to inflation.

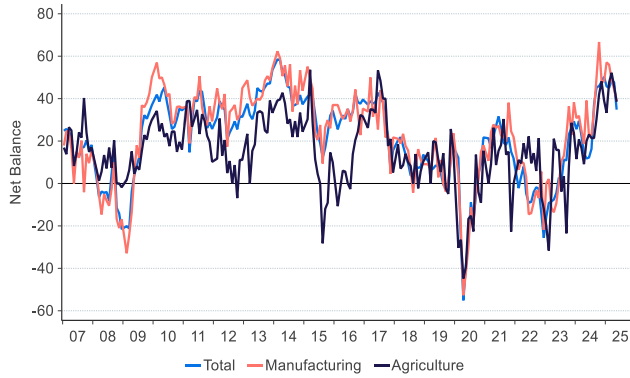
The main messages coming out of our Business Outlook survey are that the economy is recovering, but that it's still hard going here and now, and that it's still difficult to pass cost increases through to prices. That's an environment in which the RBNZ can afford to support growth. If we start to get upward surprises on domestic data or inflation then that's a different story, and that's certainly not a scenario we'd rule out. But failing that, we expect the RBNZ will ultimately take the Official Cash Rate to a low of 2.5% to shore up the economic recovery as it faces into global headwinds.

Survey Results May 2025

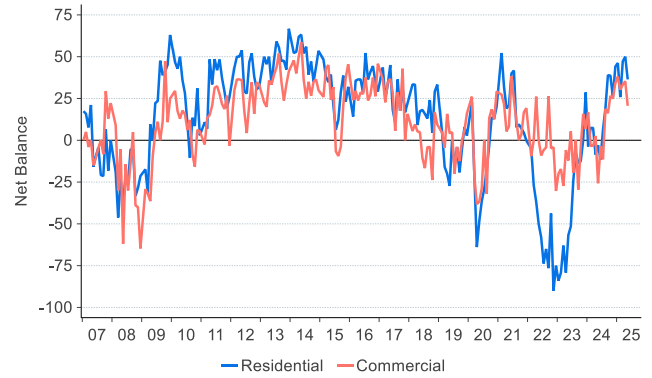
Net Balance	May	Previous (Apr)	Retail	Mfg	Agric	Constrn	Services
Business Confidence	36.6	49.3	43.6	44.4	34.6	24.4	36.8
Own Activity Outlook	34.8	47.7	29.6	38.9	38.5	22.0	38.2
Export Intentions	11.8	12.2	12.8	11.4	17.4	-10.7	16.4
Investment Intentions	11.6	17.2	9.6	5.7	34.6	-7.3	16.0
Cost Expectations	72.8	77.9	74.1	74.1	84.0	74.4	70.2
Residential Construction	36.4	50.0	36.4	...
Commercial Construction	20.6	35.3	20.6	...
Employment Intentions	6.0	18.1	-7.4	11.1	-3.8	7.3	10.4
Profit Expectations	11.1	28.5	-5.6	7.4	11.5	-4.9	20.0
Pricing Intentions	45.4	49.4	61.8	50.0	24.0	42.5	41.8
Ease of Credit Expectations	8.6	18.2	3.7	0.0	15.4	17.1	10.2
Inflation Expectations (%)	2.71	2.65	2.77	2.78	2.70	2.48	2.70
Activity – same month one year ago	5.1	11.3	-16.4	-1.9	19.2	-22.0	19.6
Employment – same month one year ago	-9.9	1.5	-20.4	-18.9	-3.8	-19.5	-1.1
Price Expectations – 3 months from now (%)	1.7	1.8	2.2	1.8	1.6	0.9	1.7
Cost Expectations – 3 months from now (%)	2.5	2.7	2.3	2.6	3.6	2.3	2.4
Wages/Salaries – next 12 months (%)	2.3	2.6	1.8	2.7	2.5	2.0	2.4
Wages/Salaries – same month a year ago (%)	2.5	2.9	2.3	2.2	2.9	1.5	2.8

Charts

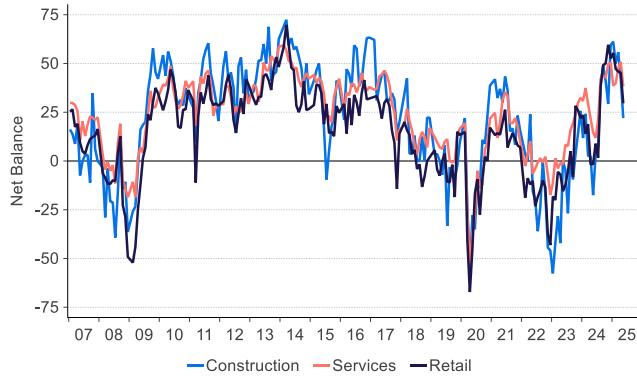
Activity outlook index



Construction intentions



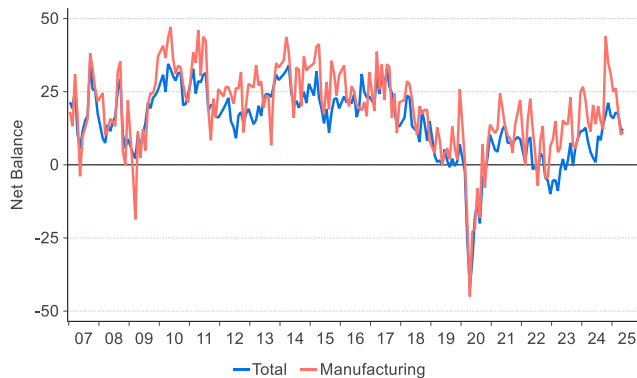
Activity outlook index



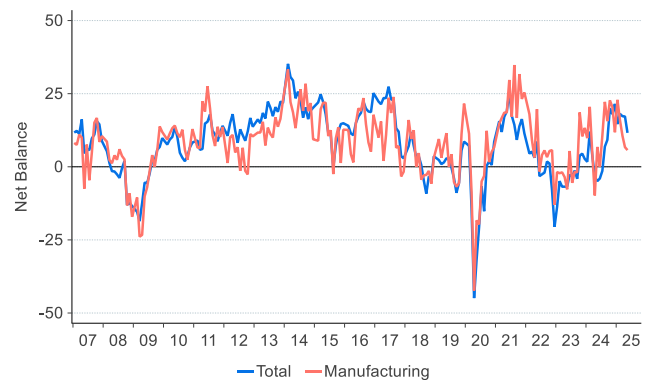
Employment and profit outlook



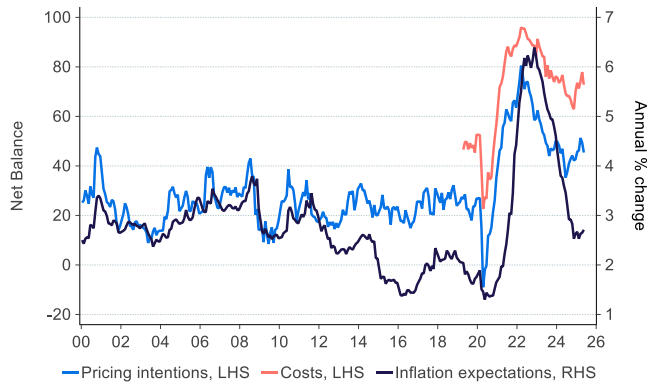
Export sales volumes



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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