

## ANZ BUSINESS OUTLOOK THE BOARDWALK

November 2016

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The next issue of the ANZ *Business Outlook* is scheduled for release on 19 December 2016 at 1pm.

### SUMMARY

- Businesses confidence eased 4 points in November.
- The economy is still riding the wave: the level of **firms' own activity** and profit expectations, together with employment and investment intentions, all flag strong growth.
- The tide is still out when it comes to inflation, though some lift occurred in key measures this month.

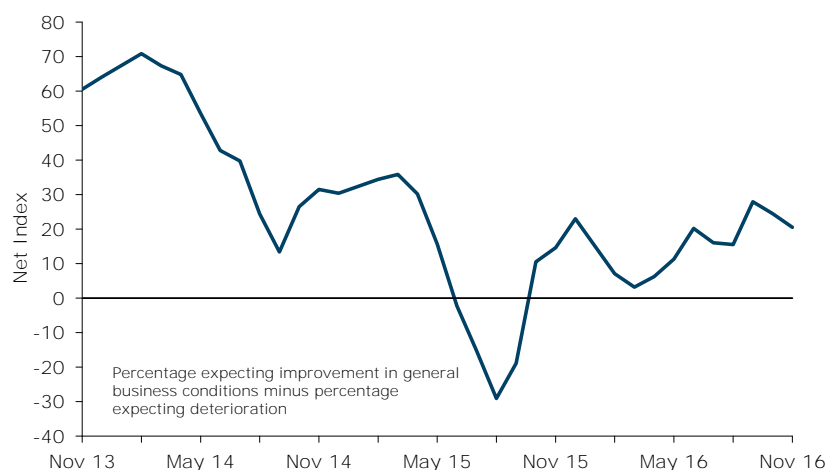
**The business confidence tide ebbed in November.** A net 21% of businesses are optimistic about the year ahead, down 4 points on the month prior. That is a small move; **it's** still the third-highest confidence reading of 2016. Agriculture firms are on the crest of the wave while manufacturing is in the chop.

**The sun is still shining down when businesses consider the outlook for their own firms.** A net 38% of businesses expect better times for their own business (10 points above the long-run average), with positivity across all the five major sectors. Activity expectations within the construction sector surged to the highest reading since May 2014 while agriculture rose to a 20-month high.

### Other key survey results included:

- Investment intentions were unchanged at +19; still in the sun and well above the historical average of +13.
- Employment intentions remain strong at +25, led by the construction sector and backed up by agriculture, which surged to its highest result ever. More firms expect the unemployment rate to decline.
- Profit expectations are basking at +29.
- Export intentions barely budged, moving from +25 to +23. Agriculture led with +36, its highest result in 10 years.
- Residential and commercial building intentions eased lower.
- **Firms' pricing intentions** rose from +18 to +21 – still low. Inflation expectations rose from 1.4% to 1.5%. For the first time in nearly two years, a majority of firms expect interest rates to rise (+18).

### ANZ BUSINESS CONFIDENCE INDEX



Source: ANZ

# ANZ BUSINESS OUTLOOK

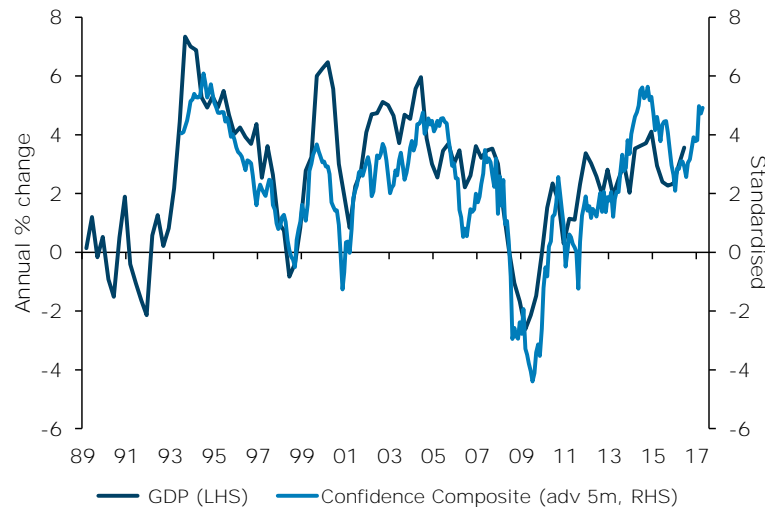
**The survey results have a good undercurrent.** Activity expectations are positive across all regions but one. The same applies for employment. “Red” numbers are few and far between. Agriculture firms are coming off extreme lows, responding positively to recent commodity price lifts.

**Firms are reporting that it is getting more difficult to get credit – across all sectors.** A net 22% report sand in the gears. That’s the highest result we’ve seen since this question started being asked in 2009. It is midnight at the beach bar and the RBNZ is playing bouncer (via LVR restrictions), and banks the responsible bartenders. Drinks are now being rationed and that’s a good thing. New Zealand’s history is littered with boom-bust cycles, and credit sits at the centre of such dynamics.

**The economy has a healthy glow.** Our confidence composite indicator – which combines both business and consumer sentiment (capturing both the production and consumption sides of the economic equation) – is pointing to GDP growth accelerating from its current pace of 3½%.

**Most survey responses were received prior to the 14<sup>th</sup> November earthquake.** We’ll wait until next month to see if it causes any rip currents. **For now, surf’s up as the economy continues to ride historically low interest rates, solid confidence, improving commodity prices and an exchange rate that’s taken a quick dip.**

## CONFIDENCE COMPOSITE VERSUS GDP

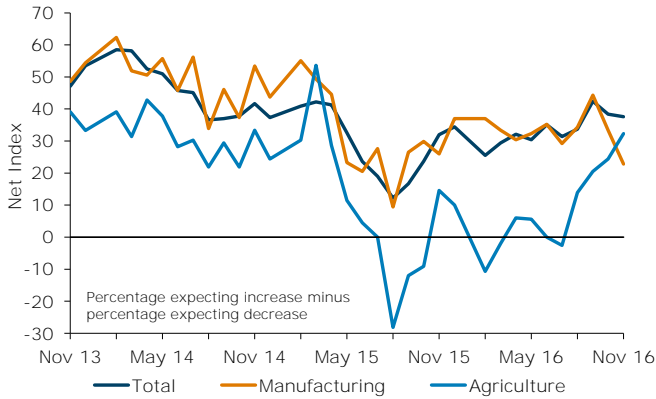


Source: ANZ, Roy Morgan, Statistics NZ

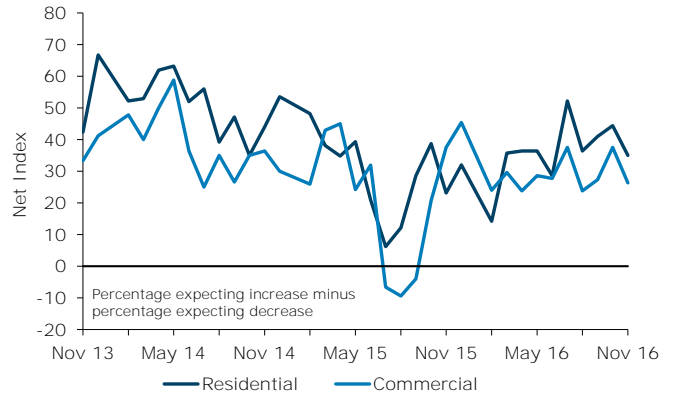
SURVEY RESULTS NOVEMBER 2016							
Net Balance	Total	Previous	Retail	Mfg	Agric	Constrn	Services
Business Confidence	20.5	24.5	14.6	-1.7	27.2	25.9	25.1
Activity Outlook	37.6	38.4	31.6	22.8	32.3	63.0	36.1
Exports	23.0	25.0	16.7	16.6	36.4	28.6	27.1
Investment	18.7	18.9	16.3	5.2	5.8	23.1	25.0
Livestock	7.7	-15.2	...	...	7.7	...	...
Capacity Utilisation	26.1	22.3	20.0	22.0	3.8	35.7	26.6
Residential Construction	35.0	44.4	...	...	...	35.0	...
Commercial Construction	26.3	37.5	...	...	...	26.3	...
Employment	24.8	20.7	21.4	17.5	23.5	33.3	24.8
Unemployment Rate	-16.3	-14.2	-14.0	-7.0	-5.9	-18.5	-21.5
Profits	29.4	30.3	33.4	14.1	29.4	55.6	23.7
Interest Rates	18.2	-13.5	7.1	21.0	-5.9	33.3	21.8
Pricing Intentions	20.8	17.6	22.8	17.9	5.9	59.3	18.8
Ease of Credit	-22.4	-18.9	-18.4	-23.6	-18.8	-7.4	-22.3
Inflation Expectations	1.49	1.44	1.52	1.58	1.27	1.33	1.52

# ANZ BUSINESS OUTLOOK

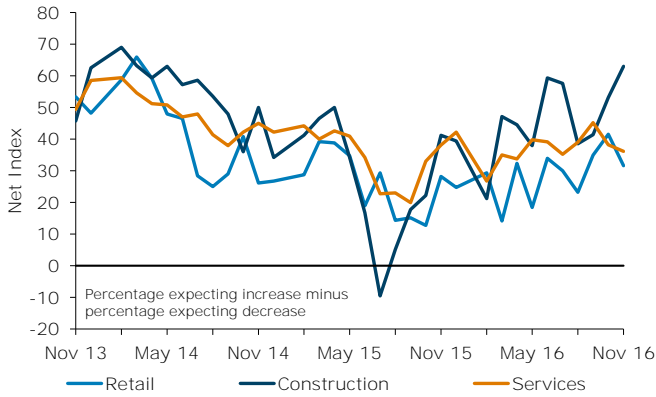
**FIGURE 1. ACTIVITY OUTLOOK INDEX**



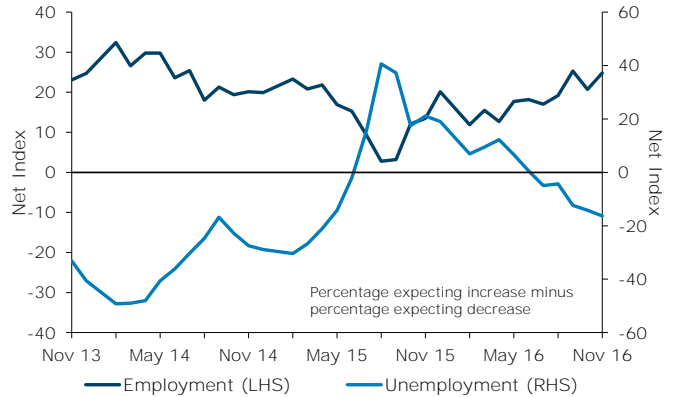
**FIGURE 2. CONSTRUCTION INTENTIONS**



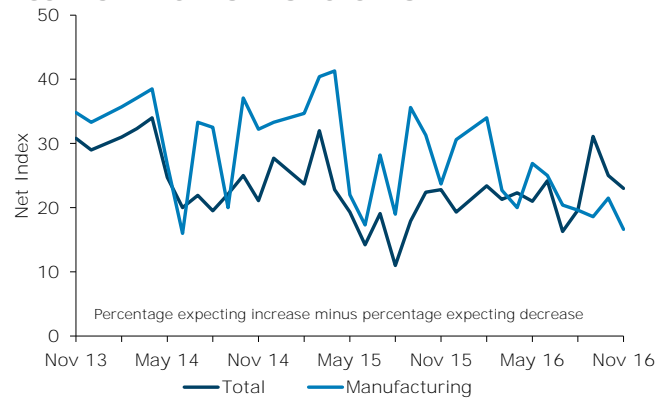
**FIGURE 3. ACTIVITY OUTLOOK INDEX**



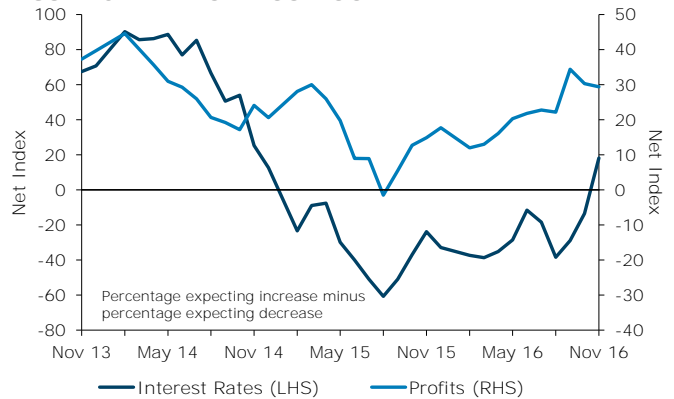
**FIGURE 4. LABOUR MARKET OUTLOOK**



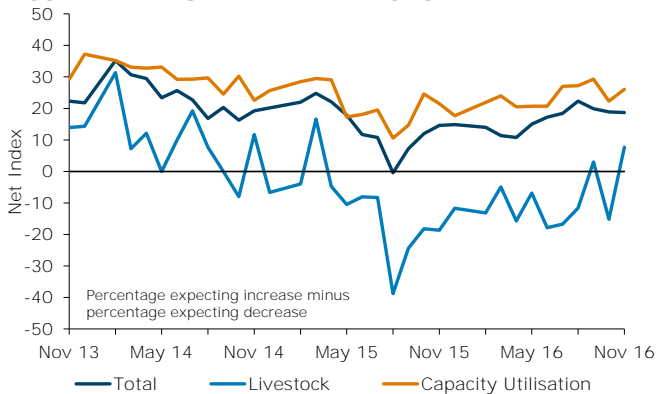
**FIGURE 5. EXPORT SALES VOLUMES**



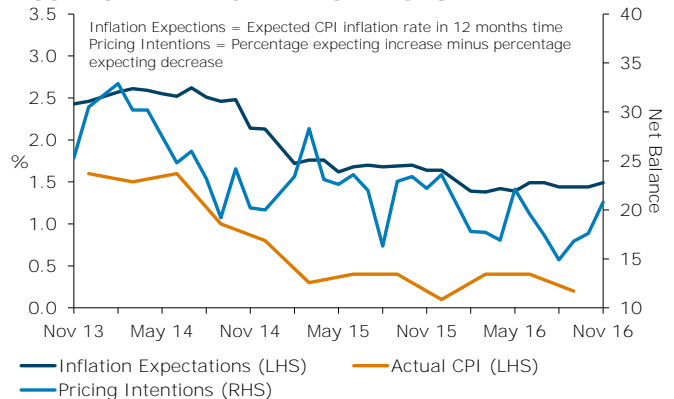
**FIGURE 6. FINANCIAL OUTLOOK**



**FIGURE 7. INVESTMENT INTENTIONS**



**FIGURE 8. INFLATION EXPECTATIONS**



Source: ANZ, Statistics NZ

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