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The next issue of the ANZ *Business Outlook* is scheduled for release on 31 May 2017 at 1pm.

THE AGEING PROCESS

SUMMARY

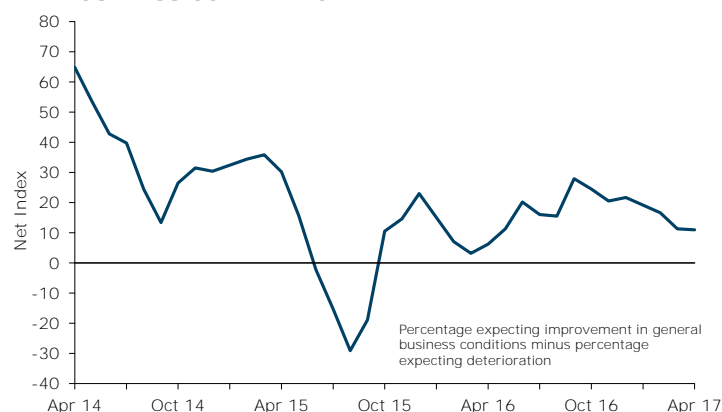
- The economy is into its eighth year of economic expansion and while business confidence is well off its peak, survey indicators are still pointing to solid growth.
- Firms are optimistic about their own businesses, and still want to hire and invest. Readings remain elevated.
- Our composite growth indicator is pointing to 3½-4% growth.

A net 11% of businesses are optimistic about the year ahead. That's unchanged from March and "average". Sentiment was down in retailing and manufacturing but up in agriculture, construction and the service sector.

While headline confidence is "average", there are few wrinkles across the broader survey; other indicators remain elevated.

- A net 38% of businesses expect better times for their own business – this indicator tracks growth more closely than headline confidence does. This series has a long-run average of +28. Sentiment is fairly consistent across sectors: the service sector is top at +43 while retailing lags, but is at a more than respectable +29.
- Investment intentions lifted from +21 to +24 (average 13); **that's** not over the hill.
- Employment intentions remain strong. A net +22 (average 9) of firms are looking at hiring more staff, down 1 point. All sectors bar agriculture are expecting to lift employment.
- Profit expectations lifted from +23 to +26 (average 10), led by increases for the construction and retail sectors.
- Export intentions eased from +30 to +24, undoing much of **March's** rise.
- Residential construction intentions lifted from +25 to +33. Commercial construction intentions rose to +35 from +23.
- **Firms' pricing intentions** lifted from +23 to +29. Inflation expectations were unchanged at 1.8%.
- A net 30% of businesses expect it to be **tougher to get credit in 12 months'** time. **It's universal across all sectors but led** particularly by agriculture.

ANZ BUSINESS CONFIDENCE INDEX



Source: ANZ

ANZ BUSINESS OUTLOOK

Our confidence composite indicator combines both business and consumer sentiment (capturing both the production and consumption sides of the economic equation). **It is still pointing to pace-setting GDP growth of 3½-4%.**

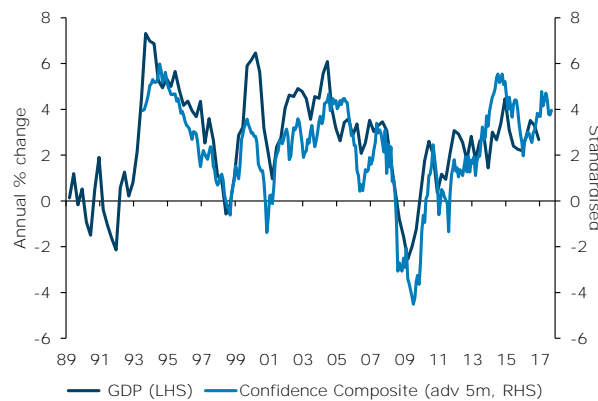
Yes, business confidence is down from its lofty peak of +71 in February 2014. Firms' own activity expectations were a heady +59 in that month. **But the mellowing trend across the survey is consistent with the business cycle becoming more mature.** The economy is now into the hard-yards where strong growth off a low base is replaced by a slightly slower rate of growth but off a higher base. It's dancing more elegantly to a slower tempo.

While growth is respectable, and we expect more of the same going forward if readings from the survey are anything to go by, a common criticism is the lacklustre performance from both productivity and GDP per capita. Growth is being delivered by working harder, not necessarily smarter. Migration is becoming the scapegoat.

Some key issues are being overlooked. The first is global. Almost all OECD countries have recorded slower productivity growth following the global financial crisis than they did before it. **New Zealand's performance has actually been less bad.** So whether you consider the glass half full (stronger GDP growth than most) or half empty (weaker per capita GDP growth than most), **New Zealand's economic performance has been underpinned by global themes.**

The second is a lack of appreciation of the impact natural disasters have had on the workings of the economy. They have chewed up resources that could have been used for other endeavours, and disrupted infrastructure and the passage of business. **Such hits have carried a productivity cost.** New Zealand has not suddenly become less smart, deciding to work harder instead. **We've had to work even smarter just to stand still amidst some huge challenges.**

CONFIDENCE COMPOSITE VERSUS GDP



Source: ANZ, Roy Morgan, Statistics NZ

SURVEY RESULTS APRIL 2017							
Net Balance	Total	Previous	Retail	Mfg	Agric	Constrn	Services
Business Confidence	11.0	11.3	2.3	-4.0	4.8	12.9	21.4
Activity Outlook	37.7	38.8	28.9	31.4	34.8	38.7	43.4
Exports	24.2	30.2	18.8	25.8	26.6	-11.1	26.8
Investment	23.5	21.4	26.6	2.0	14.3	25.8	28.6
Livestock	18.2	25.8	...	...	18.2	...	...
Capacity Utilisation	27.4	28.6	15.0	25.7	11.4	33.3	31.7
Residential Construction	33.4	25.0	...	...	...	33.4	...
Commercial Construction	34.8	22.7	...	...	...	34.8	...
Employment	21.5	22.7	16.0	12.0	0.0	22.6	31.2
Unemployment Rate	-1.7	-4.0	-8.9	9.8	4.8	-9.7	-6.0
Profits	25.8	23.4	25.0	17.7	9.3	45.2	28.4
Interest Rates	64.3	65.2	66.7	64.7	63.4	71.0	59.4
Pricing Intentions	29.2	22.8	24.4	23.5	22.0	45.2	34.0
Ease of Credit	-30.2	-25.0	-29.3	-24.5	-41.0	-30.0	-26.4
Inflation Expectations	1.83	1.83	1.84	1.89	1.70	1.86	1.80

ANZ BUSINESS OUTLOOK

FIGURE 1. ACTIVITY OUTLOOK INDEX

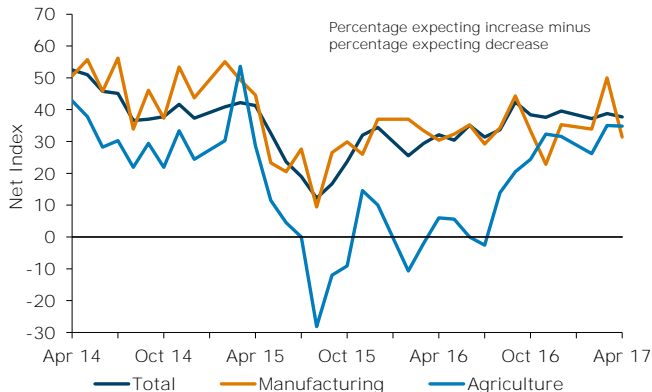


FIGURE 2. CONSTRUCTION INTENTIONS

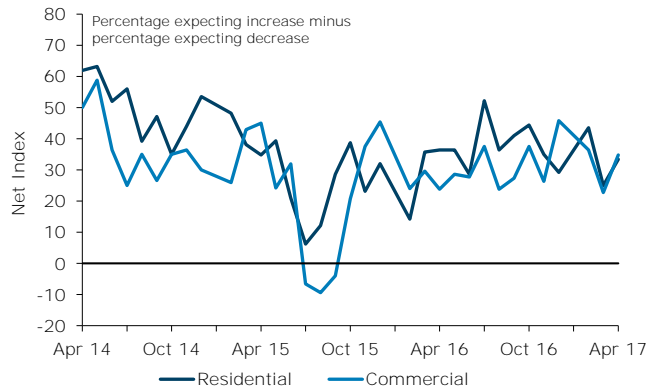


FIGURE 3. ACTIVITY OUTLOOK INDEX

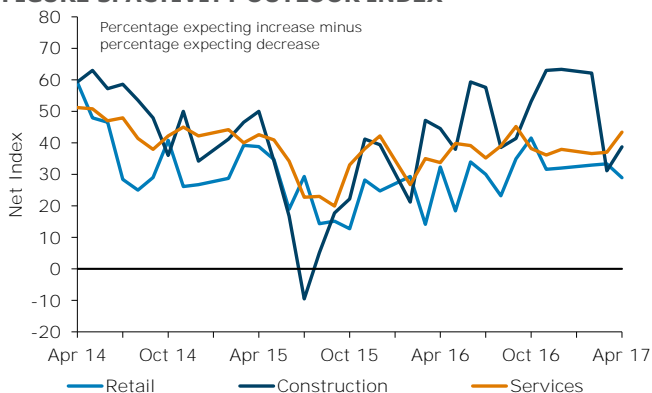


FIGURE 4. LABOUR MARKET OUTLOOK

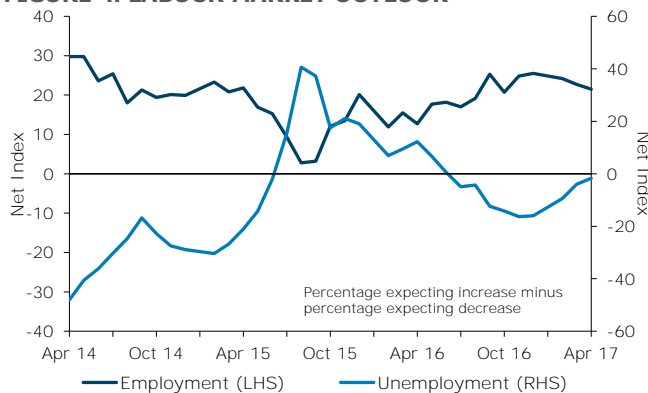


FIGURE 5. EXPORT SALES VOLUMES

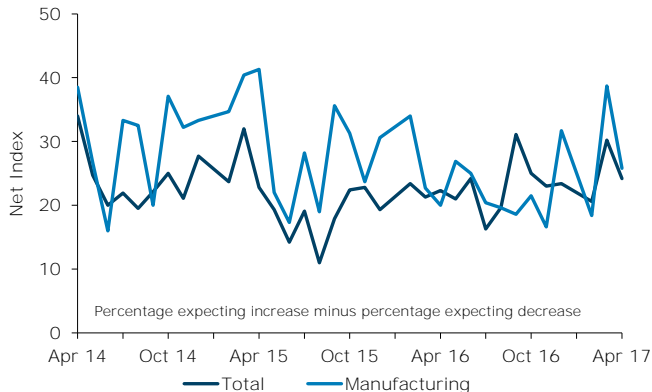


FIGURE 6. FINANCIAL OUTLOOK

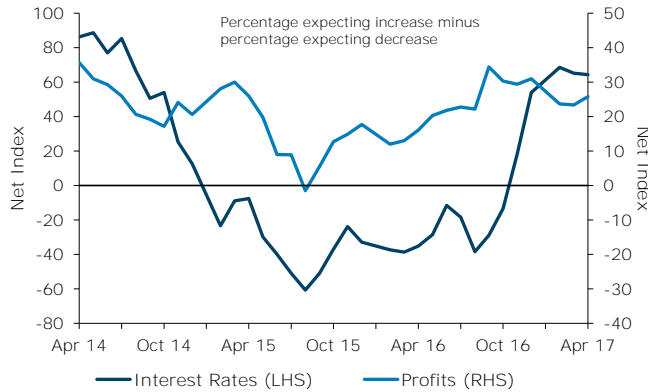


FIGURE 7. INVESTMENT INTENTIONS

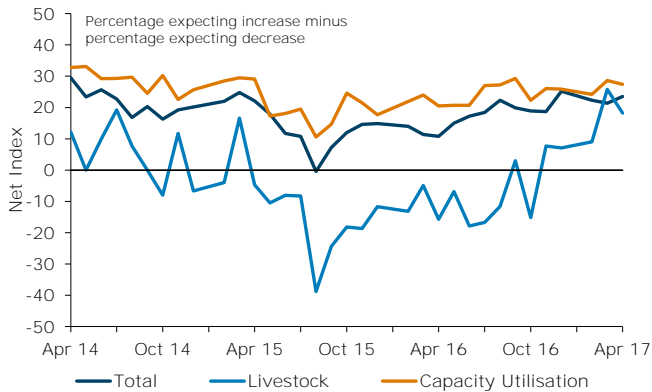
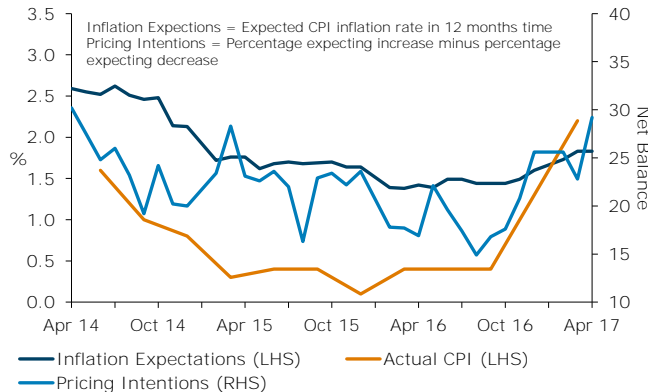


FIGURE 8. INFLATION EXPECTATIONS



Source: ANZ, Statistics NZ



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