

ANZ BUSINESS OUTLOOK UNBOWED, UNBENT, UNBROKEN

April 2016

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The next issue of the ANZ
Business Outlook is scheduled
for release on 31 May 2016 at
1pm.

SUMMARY

- Business confidence lifted a touch in April, though the level remains low.
- The broader survey continues to point to solid economic momentum of around 3% growth.
- Pricing gauges remain low.

Business confidence ticked up in April. A net 6% of businesses are optimistic about prospects over the coming year. The level is hardly anything to crow about, but a lift is a lift; **we'll take it.** Gains were evident in retail, construction and services sentiment. Business confidence in agriculture improved, but remains weak.

Winter may be coming but it's business as usual across the broader survey; firms continue to get on with it despite low headline confidence. The lion doesn't concern itself with the opinion of the sheep.

- **Firms' own activity expectations** lifted from +29 to +32. The historical average is +27. **That's** an economy with some backbone. Construction is lord commander and even agriculture popped into the black.
- Profit expectations nudged up from +13 to +16. The master of coin should be happy.
- Employment intentions eased from +16 to +13.
- Investment intentions were unchanged at +11.
- Export intentions were a tad higher (+22 versus +21).
- Residential investment intentions were unchanged at +36; housing in general sits on the economic throne. Commercial construction intentions eased from +30 to +24.
- Inflation is contained. Inflation expectations were unchanged at 1.4% and pricing intentions hardly moved (+17).
- The picture, after adjusting for seasonality, is largely the same.

ANZ BUSINESS CONFIDENCE INDEX



Source: ANZ

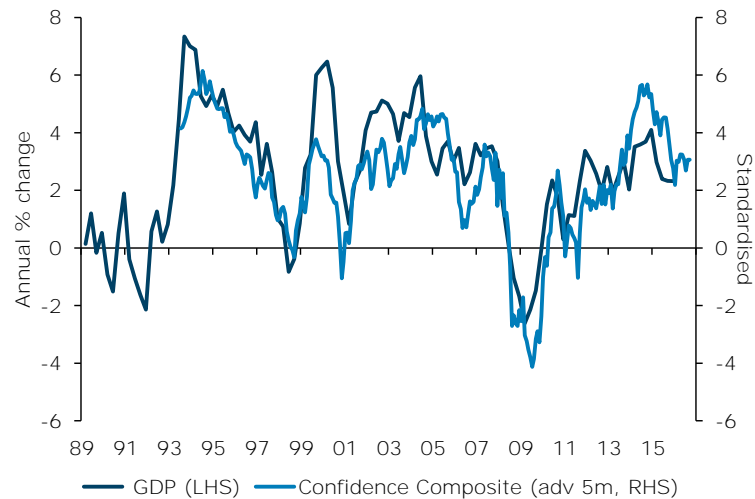
ANZ BUSINESS OUTLOOK

Survey indicators that matter directly for growth (activity, employment, investment, profits) **are generally into the sixth season of positive reviews.** There has been the odd blip, sacrificial lamb (or rather “cow” in the current instance, with agriculture weighed down by weak dairy prices), and plot twist but it’s been a pretty good performance nonetheless.

Our composite growth indicator (which combines business and consumer sentiment so we get both the producers’ and the ultimate buyers’ perspective) **is flagging growth in a 2½-3½% range over the year ahead.** Economic maesters are generally forecasting the same.

The economy has a solid head of steam up; Unbowed, Unbent, Unbroken. However, after Growing Strong for a period, the mix of growth now looks less sustainable, with household re-leveraging becoming an issue for future growth. A Lannister always pays his debts, and New Zealand homebuyers will have to in time as well. This will dampen future activity.

CONFIDENCE COMPOSITE VERSUS GDP



Source: ANZ, Roy Morgan, Statistics NZ

On the inflation front, the RBNZ as pyromancer is stoking little more than embers. R’hallor has little to work with. We’re not concerned. Deflation is not around the corner, nor inflation.

SURVEY RESULTS April 2016							
Net Balance	Total	Previous	Retail	Mfg	Agric	Constrn	Services
Business Confidence	6.2	3.2	1.6	-4.5	-26.5	22.2	17.8
Activity Outlook	32.1	29.4	32.3	30.4	6.0	44.5	33.7
Exports	22.3	21.3	27.0	20.0	3.0	12.5	27.0
Investment	10.8	11.4	9.6	1.5	-28.6	3.7	25.3
Livestock	-15.7	-4.9	...	...	-15.7	...	...
Capacity Utilisation	20.5	24.0	14.3	18.9	-9.8	18.2	31.5
Residential Construction	36.4	35.7	...	...	...	36.4	...
Commercial Construction	23.8	29.6	...	...	...	23.8	...
Employment	12.7	15.5	8.0	16.0	-12.2	14.8	17.7
Unemployment Rate	12.2	9.5	25.8	24.7	40.0	-3.7	-2.1
Profits	16.1	13.0	17.8	20.6	-18.0	33.3	17.8
Interest Rates	-35.1	-38.6	-38.7	-40.6	-36.7	-29.6	-32.1
Pricing Intentions	16.9	17.7	25.8	7.2	6.0	30.8	19.3
Ease of Credit	0.5	1.7	-6.9	7.7	-15.9	3.9	5.4
Inflation Expectations	1.42	1.38	1.54	1.50	1.22	1.48	1.40

ANZ BUSINESS OUTLOOK

FIGURE 1. ACTIVITY OUTLOOK INDEX

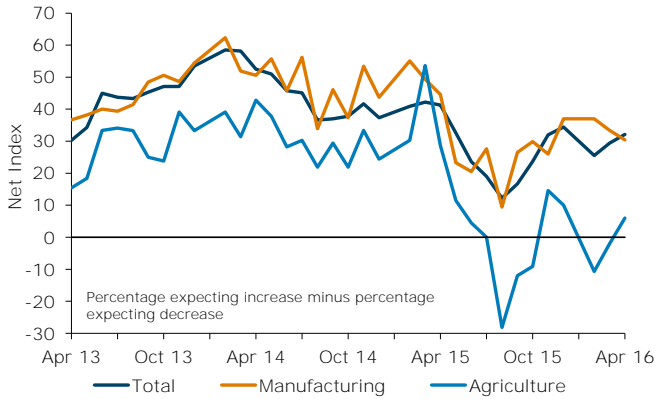


FIGURE 2. CONSTRUCTION INTENTIONS

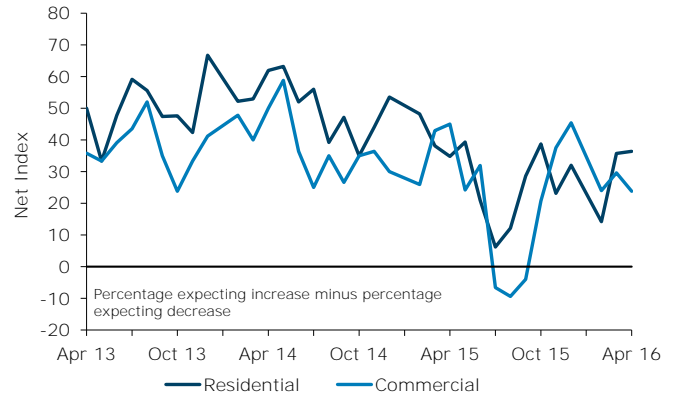


FIGURE 3. ACTIVITY OUTLOOK INDEX

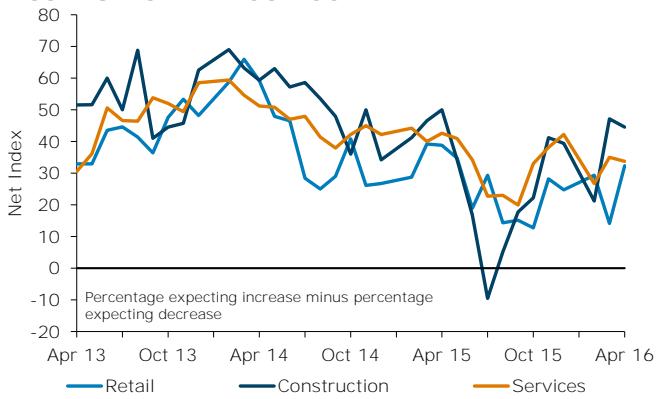


FIGURE 4. LABOUR MARKET OUTLOOK

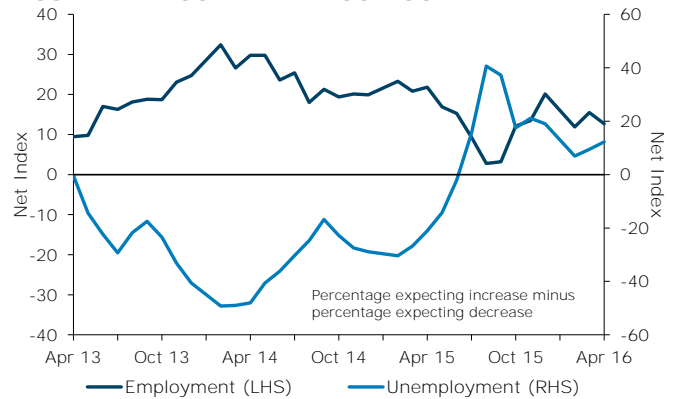


FIGURE 5. EXPORT SALES VOLUMES



FIGURE 6. FINANCIAL OUTLOOK

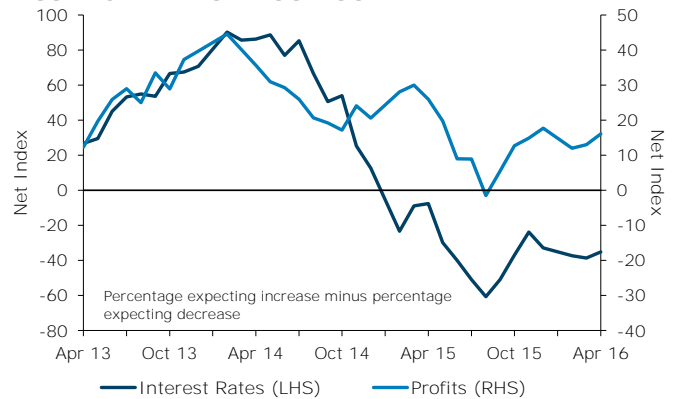


FIGURE 7. INVESTMENT INTENTIONS

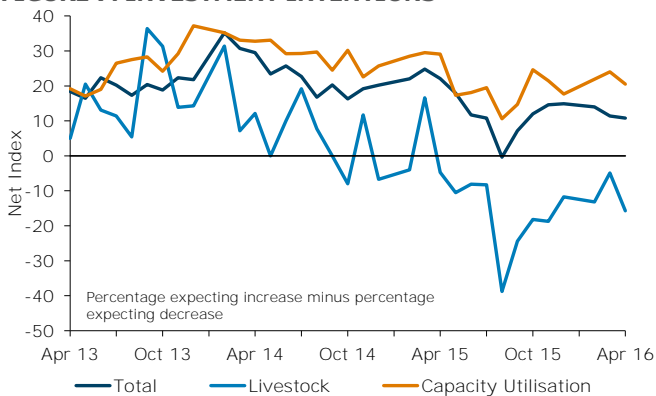
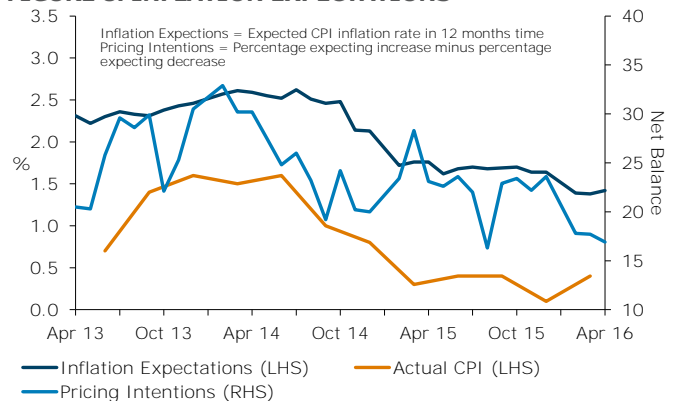


FIGURE 8. INFLATION EXPECTATIONS



Source: ANZ, Statistics NZ



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