

ANZ BUSINESS OUTLOOK MORE ZIG THAN ZAG

May 2016

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The next issue of the ANZ *Business Outlook* is scheduled for release on 30 June 2016 at 1pm.

SUMMARY

- Business confidence continues to recover lost ground.
- The survey indicators that matter most for GDP growth continue to flag solid economic momentum, and annual growth of around 3%.

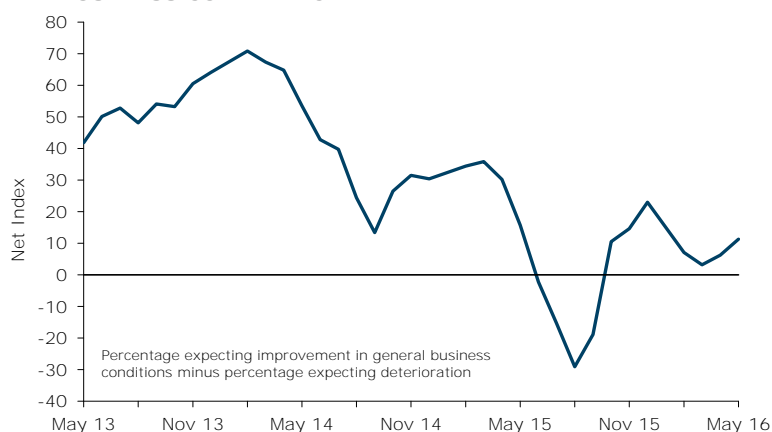
Business confidence continued its half-pipe lift, rising further in May – the third monthly rise in a row. A net 11% of businesses are optimistic about prospects over the coming year. Gains were evident across all the sub-sectors. Construction remains the most upbeat sector and agriculture the least.

It's champagne powder for firms' own activity expectations, which remain above average. A net 30% of businesses are upbeat about their own prospects over the year ahead. That's down a couple of points on last month but barely a wobble really.

G-forces from firms' own activity expectations are reflected in the broader survey. It's when own activity expectations go off-piste that the employment and investment posse often follow. We're going at a decent clip with a solid base under us.

- Profit expectations rose from +16 to +20. That's the fourth month on the magic carpet higher.
- Employment intentions increased from +13 to +18. Sentiment is broadly balanced as to whether the unemployment rate will move up or down. Construction and services sectors say down, with both leading the charge. Construction sector employment intentions hit a 2-year high.
- Investment intentions were up from +11 to +15.
- Export intentions were a tad lower (+21 versus +22). No news here. Exports have been in the moguls for a while.
- Residential investment intentions were unchanged at +36 while commercial construction rose from +24 to +29.
- Inflation expectations were unchanged at 1.4%, although pricing intentions moved from +17 to +22. Still on the bunny slopes.
- The picture, after adjusting for seasonality, is largely the same.

ANZ BUSINESS CONFIDENCE INDEX

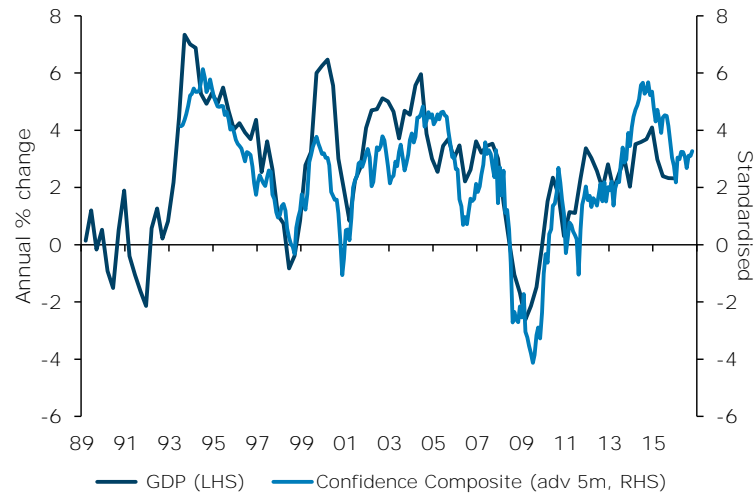


Source: ANZ

ANZ BUSINESS OUTLOOK

The economic trail remains well groomed. Migration is strong. House prices are booming (so much so that it's turning into a challenging chute run with some nasty rocks to avoid down the trail). The construction and tourism sector are slaloming incredibly well. Financial conditions are still supportive despite the still-high NZD causing some slushiness. There are few sectors we can point to as being on the rocks. New Zealand is in the enviable position of having credibility, competency and stability in the Government arena. It's something we can take for granted, and is a missing base in many countries around the globe.

CONFIDENCE COMPOSITE VERSUS GDP



Source: ANZ, Roy Morgan, Statistics NZ

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.** Construction and service sector sentiment remains very strong. The agriculture sector has collected its skis and trudging back to the lodge to recover. Parts of regional New Zealand (Nelson-Marlborough, Hawke's Bay and Bay of Plenty) are traversing well across a range of survey measures including activity expectations and employment.

SURVEY RESULTS MAY 2016							
Net Balance	Total	Previous	Retail	Mfg	Agric	Constrn	Services
Business Confidence	11.3	6.2	6.1	2.9	-18.8	28.6	21.2
Activity Outlook	30.4	32.1	18.4	32.3	5.6	37.9	39.8
Exports	21.0	22.3	17.9	26.9	20.0	0.0	19.6
Investment	15.0	10.8	9.5	14.9	-18.9	6.9	26.6
Livestock	-6.9	-15.7	...	...	-6.9	...	...
Capacity Utilisation	20.7	20.5	6.8	15.1	13.1	21.4	28.0
Residential Construction	36.4	36.4	...	...	...	36.4	...
Commercial Construction	28.6	23.8	...	...	...	28.6	...
Employment	17.7	12.7	-1.5	20.5	-7.7	38.0	25.1
Unemployment Rate	6.6	12.2	21.6	11.8	43.4	-10.4	-11.9
Profits	20.3	16.1	6.2	17.7	-7.6	44.8	26.3
Interest Rates	-28.5	-35.1	-28.1	-25.7	-30.1	-20.7	-30.1
Pricing Intentions	22.1	16.9	26.6	23.5	9.4	31.0	21.1
Ease of Credit	-3.7	0.5	6.5	-6.6	-18.1	0.0	-1.9
Inflation Expectations	1.39	1.42	1.42	1.50	1.27	1.51	1.36

ANZ BUSINESS OUTLOOK

FIGURE 1. ACTIVITY OUTLOOK INDEX

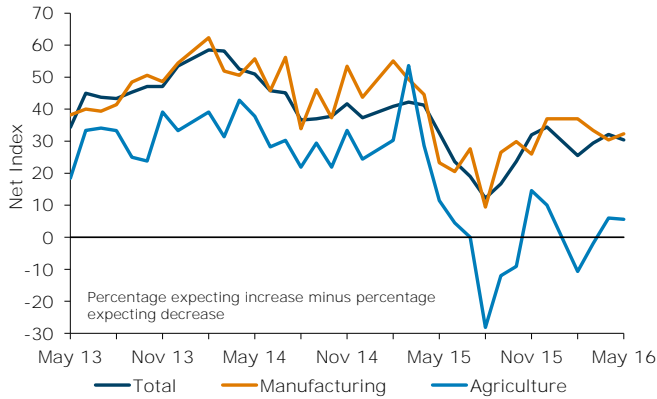


FIGURE 2. CONSTRUCTION INTENTIONS

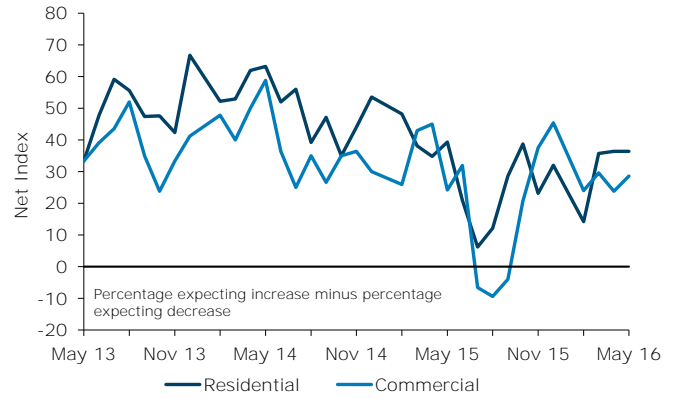


FIGURE 3. ACTIVITY OUTLOOK INDEX

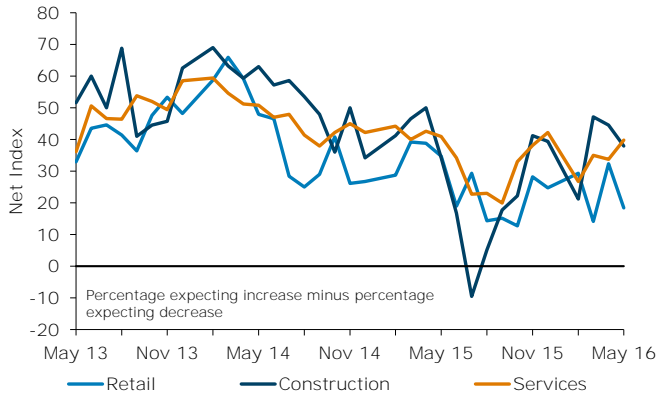


FIGURE 4. LABOUR MARKET OUTLOOK

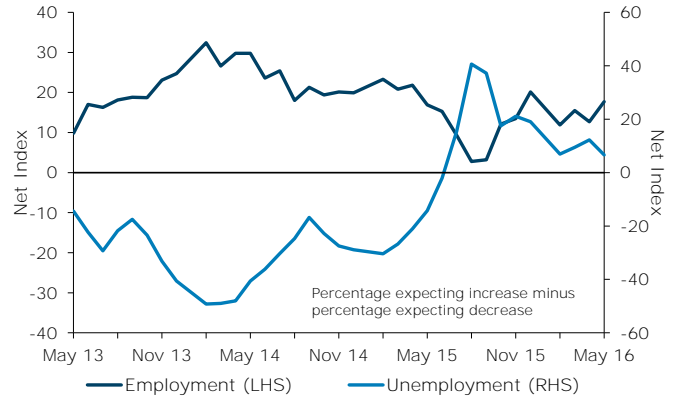


FIGURE 5. EXPORT SALES VOLUMES

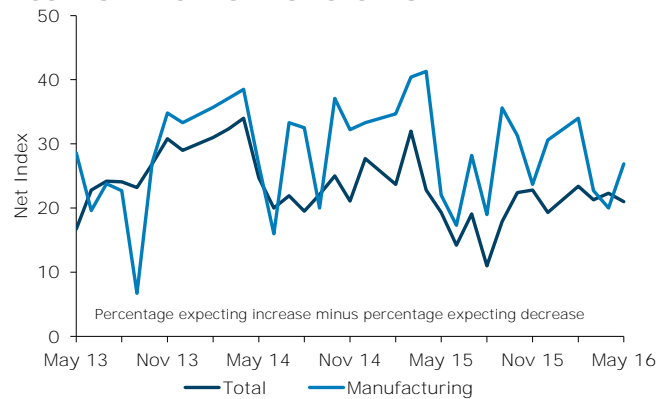


FIGURE 6. FINANCIAL OUTLOOK

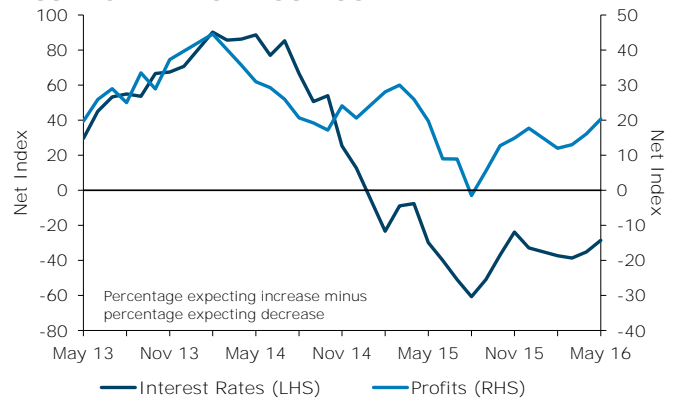


FIGURE 7. INVESTMENT INTENTIONS

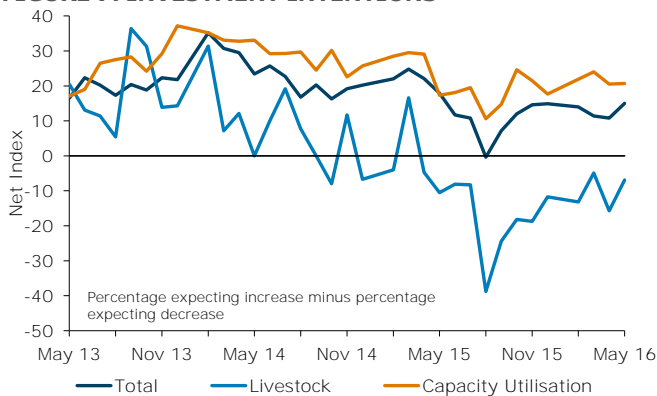
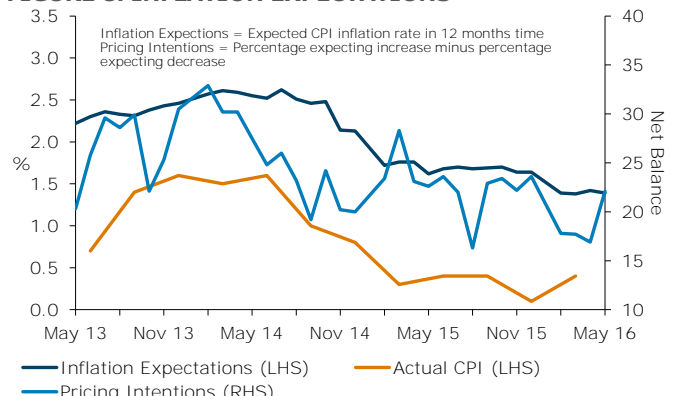


FIGURE 8. INFLATION EXPECTATIONS



Source: ANZ, Statistics NZ



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