

ANZ New Zealand Business Outlook

Preliminary data for June 2020

9 June 2020



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The full-month results for the
ANZ *Business Outlook* are
scheduled for release on 30
June 2020 at 1pm.

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Steady improvement

Key points

- Business confidence lifted another 9 points to -33% in the preliminary June read of the ANZ Business Outlook survey. Own activity lifted 10 points, with a net 29% of firms expecting lower activity for their firm in the year ahead.
- All forward-looking activity indicators lifted from May levels but they remain extremely weak. Nearly half of firms report having fewer staff than a year ago.

Reflecting New Zealand's continued steady progress out of lockdown, the preliminary ANZ Business Outlook data for June saw further increases across all forward-looking activity indicators. Levels remain very low, however.

Both business confidence and own activity saw large lifts, of 9 and 10 points respectively. A net 22% of firms expect to reduce investment (up 10); a net 51% expect lower profits (up 5), and a net 18% expect lower capacity utilisation (up 8).

A net 37% of firms expect to cut jobs. This is an improvement of 5 points, but it largely reflects that many firms have already acted. In line with news stories of redundancies, an increasing proportion of firms report having fewer staff than in the same month a year ago. Nearly half (49%) report having fewer staff, but 9% report having more, which (after rounding) gives a net result of -39% (down 3).

Deflationary pressures remain evident. Expected costs are increasing only slowly, pricing intentions are only just back in the black, and one-year-ahead inflation expectations are at just 1.35%, barely off their record lows.

As New Zealand emerges into the light of Level 1 from a lockdown that succeeded beyond any reasonable hope, disruption has waned, and normality beckons. This is fantastic news, but there's a huge tourism-shaped hole in our economy. The hardest-hit sectors – accommodation, hospitality, retail – are the biggest employers, and the resulting unemployment will have unpleasant feedback loops. People will feel comfortable going into a shop or restaurant – that's a huge win – but whether they'll feel comfortable spending money is another question again.

Preliminary Survey Results June 2020

Net Balance	Preliminary June	May
Business confidence	-33.0	-41.8
Own activity outlook	-29.1	-38.7
Export intentions	-17.1	-32.2
Investment intentions	-21.6	-31.7
Cost expectations	30.2	27.5
Capacity utilisation	-17.7	-26.3
Employment intentions	-37.0	-42.4
Profit expectations	-51.2	-55.6
Pricing intentions	1.4	-2.0
Ease of credit	-44.1	-43.6
Inflation expectations	1.35	1.30
Activity vs. same month one year ago	-46.6	-63.2
Employment vs. same month one year ago	-39.2	-35.5

Preliminary results for June cover the period from 1 May to midnight 7 June (282 respondents). These responses will be incorporated into the official ANZBO results to be released on 30 June.

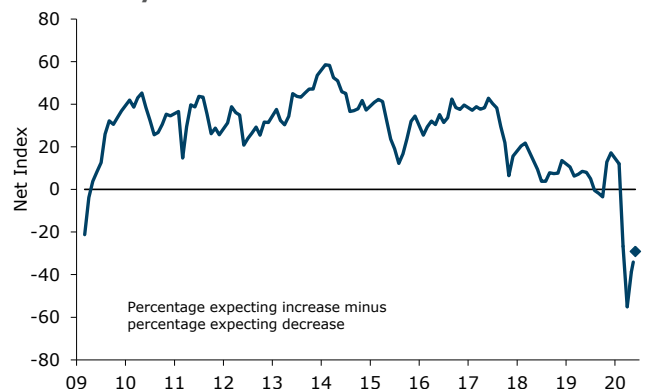


Charts

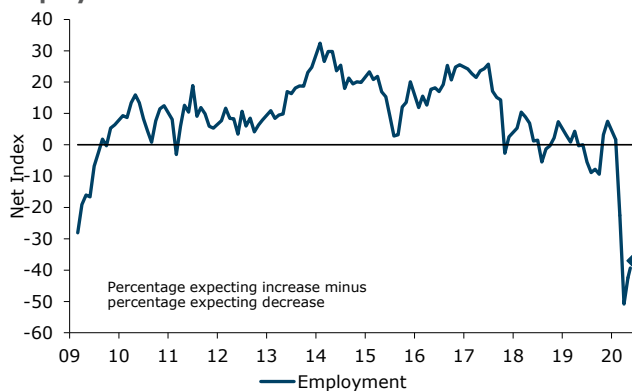
Business confidence



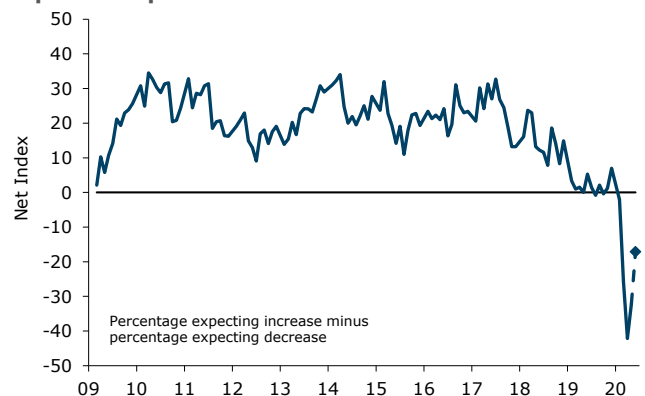
Own activity outlook



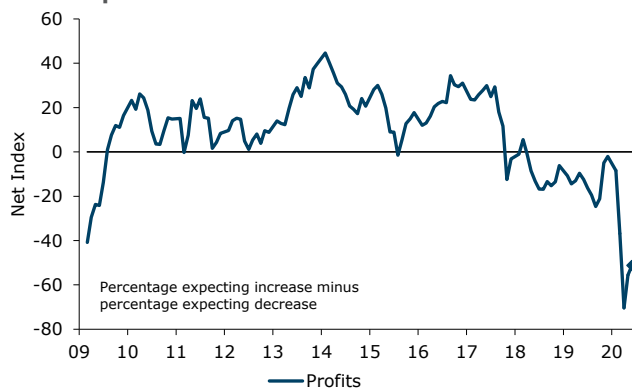
Employment intentions



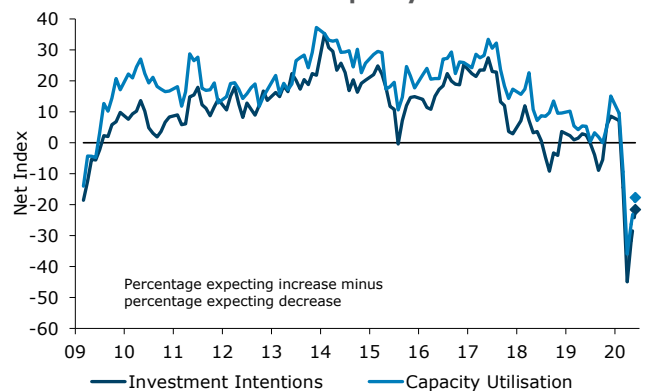
Expected export sales volumes



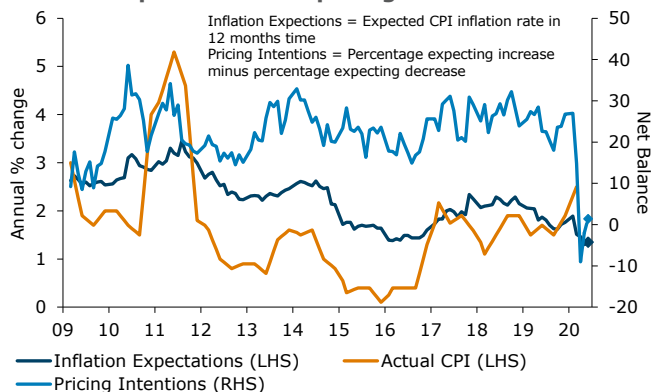
Profit expectations



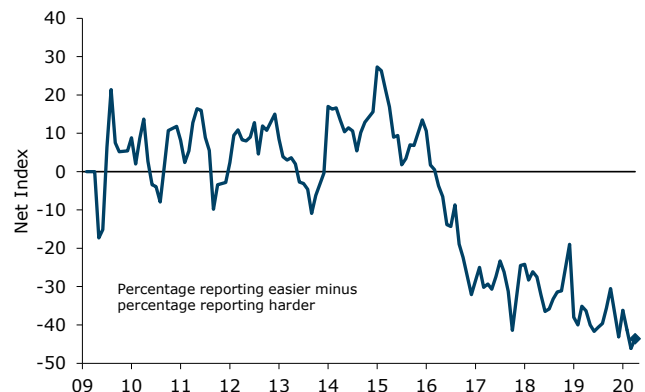
Investment intentions and capacity utilisation



Inflation expectations and pricing intentions



Ease of credit



Source: ANZ, Statistics NZ



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