



Media Release

Building a platform for growth

Business confidence has soared to a level it touched briefly in early 2010 but otherwise hasn't seen since the late 1990s. Confidence across the business sector is very high. A net 50 percent of businesses expect general business conditions to get better over the year ahead, up 8 points on the month prior. Sentiment is highest in the construction sector (+73). Agriculture has rebounded strongly, leaving manufacturing as the laggard, but at a net 39 percent even that sector's reading is more than respectable, and dramatically higher than a year ago (+6).

Firms remain upbeat about prospects for their own business. A net 45 percent of firms expect better times over the year ahead for themselves, up 11 points. It is what firms think about their own prospects that matters most.

Profit expectations, employment and investment intentions all lifted, led by the construction sector. Pricing measures remain benign but are creeping up. Inflation expectations lifted slightly to 2.3 percent. Residential investment intentions rebounded from +33 to +48. Export intentions remain subdued but are lifting.

While the booming construction sector is leading the charge, the optimism is widespread. Excluding the construction sector, a net 48 percent of firms (rather than 50) expect better times ahead for general business conditions (+41 in May). Ex-construction own activity expectations rose from +33 to +44.

Our combined composite growth indicator – combining indicators from both the *Business Outlook* survey and *Consumer Confidence* (a survey we also produce) – is flagging 4.4 percent growth by the end of the year. This may prove a case of “the spirit is willing but the body is weak.” Given the skill and broader resource mismatches in the NZ economy, we are sceptical that such a growth rate is achievable – it's certainly not sustainable.

The Goldilocks economy's porridge may be starting to get a little too warm. We don't want to pour too much cold milk on it. After years of stop-start slog, it is genuinely good news to see confidence lifting in a more sustained fashion. The putative lift in the labour market is especially welcome. The challenge will be achieving growth without generating inflation pressures and worsening the nation's external imbalances, given the construction-centric mix of activity ahead. In the end we need to earn money as well as spend it..

The next issue of *Business Outlook* will be released on 31 July 2013, at 1pm.

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ANZ BUSINESS OUTLOOK BUILDING A PLATFORM FOR GROWTH

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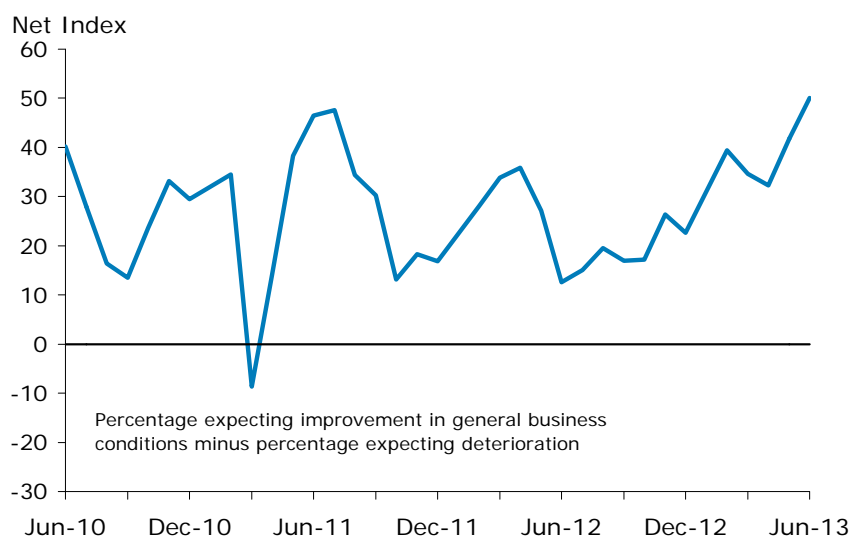
SUMMARY

- Business confidence continues to lift across all sectors, and is now at historically very high levels. The majority of components are also rising.
- Inflation expectations and pricing intentions are creeping up, led – not surprisingly – by the construction sector. However, retail pricing intentions remain subdued.
- Our composite indicator is pointing to the potential for 4.4 percent growth by the end of the year. Whether the economy has the capacity to grow this fast is the key question.

Business confidence has soared to a level it touched briefly in early 2010 but otherwise hasn't seen since the late 1990s. Confidence across the business sector is very high. A net 50 percent of businesses expect general business conditions to get better over the year ahead, up 8 points on the month prior. Sentiment is highest in the construction sector (+73). Agriculture has rebounded strongly, leaving manufacturing as the laggard, but at a net 39 percent even that sector's reading is more than respectable, and dramatically higher than a year ago (+6).

Firms remain upbeat about prospects for their own business. A net 45 percent of firms expect better times over the year ahead for themselves, up 11 points. It is what firms think about their own prospects that matters most.

Business Confidence Index



Similar themes are apparent across the remainder of the survey.

- Profit expectations are the highest since April 2010 – led by construction.
- A net 17 percent of firms expect to lift employment, the highest in 2 years – led by construction.

ANZ BUSINESS OUTLOOK

- Investment intentions are the highest since late 2003 – led by construction.
- Pricing measures remain benign but are creeping up – led by construction. Inflation expectations lifted slightly to 2.3 percent. Last month's fall in construction sector inflation expectations was unwound. Pricing intentions lifted to their highest level in 2 years with a net 26 percent expecting to raise prices: that's a modest level but the trend is unmistakable. A net 43 percent of those in the construction sector expect to raise their prices.
- Residential investment intentions rebounded from +33 to +48.
- Export intentions remain subdued but are lifting. A net 23 percent expect an improvement.

While the booming construction sector is leading the charge, the optimism is widespread. Excluding the construction sector, a net 48 percent of firms (rather than 50) expect better times ahead for general business conditions (+41 in May). Ex-construction own activity expectations rose from +33 to +44 (versus +45 including construction).

Business confidence also rose on a seasonally adjusted basis, as did all of the components.

Our **combined composite growth indicator** – combining indicators from both the *Business Outlook* survey and *Consumer Confidence* (a survey we also produce) – **is flagging 4.4 percent growth by the end of the year**. This may prove a case of “the spirit is willing but the body is weak.” Given the skill and broader resource mismatches in the New Zealand economy, we are sceptical that such a growth rate is achievable – it's certainly not sustainable.

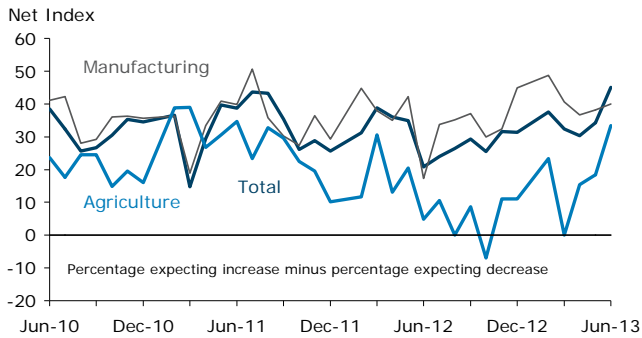
The Goldilocks economy's porridge may be starting to get a little too warm. We don't want to pour too much cold milk on it. After years of stop-start slog, it is genuinely good news to see confidence lifting in a more sustained fashion. The putative lift in the labour market is especially welcome. The challenge will be achieving growth without generating inflation pressures and worsening the nation's external imbalances, given the construction-centric mix of activity ahead. In the end we need to earn money as well as spend it.

SURVEY RESULTS JUNE 2013

Net Balance	Total	Previous	Retail	Mfg	Agric	Constrn	Services
Business Confidence	50.1	41.8	51.5	38.7	39.6	73.4	55.2
Activity Outlook	45.0	34.3	43.5	40.0	33.4	60.0	50.6
Exports	22.8	16.7	33.3	19.6	11.1	33.3	37.8
Investment	22.3	16.5	19.4	13.4	23.0	33.3	24.7
Livestock	13.1	20.5	...	...	13.1	...	...
Capacity Utilisation	19.0	17.1	23.1	16.9	10.8	46.7	20.0
Residential Construction	47.8	33.3	...	...	...	47.8	...
Commercial Construction	39.1	33.3	...	...	...	39.1	...
Employment	17.0	9.8	5.8	14.6	14.5	33.3	22.8
Unemployment Rate	-22.3	-14.4	-8.7	-27.0	-14.6	-33.3	-30.1
Profits	25.9	19.7	20.3	24.0	23.4	50.0	28.5
Interest Rates	45.1	29.5	45.6	42.7	37.5	40.0	47.3
Pricing Intentions	25.8	20.3	17.7	24.0	33.3	43.3	23.9
Ease of Credit	2.0	3.6	2.0	3.0	9.3	6.9	3.1
Inflation Expectations	2.30	2.22	2.29	2.29	2.14	2.48	2.28

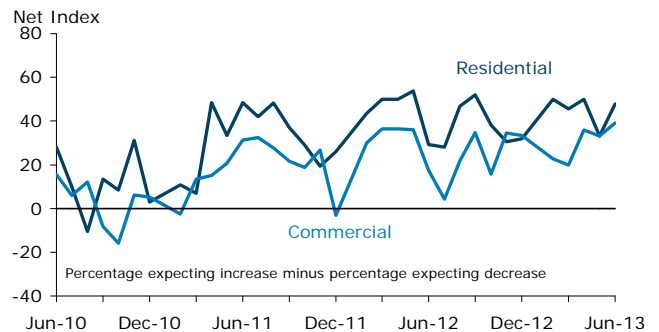
ANZ BUSINESS OUTLOOK

Activity Outlook Index



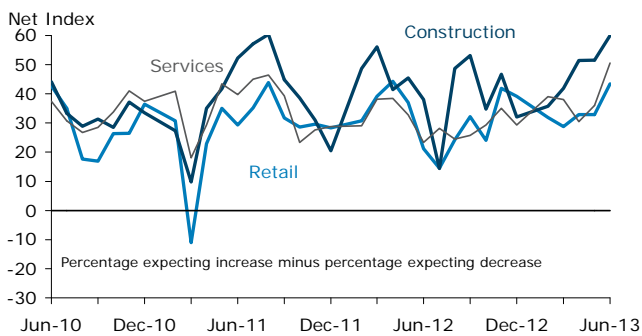
Source: ANZ

Construction Intentions



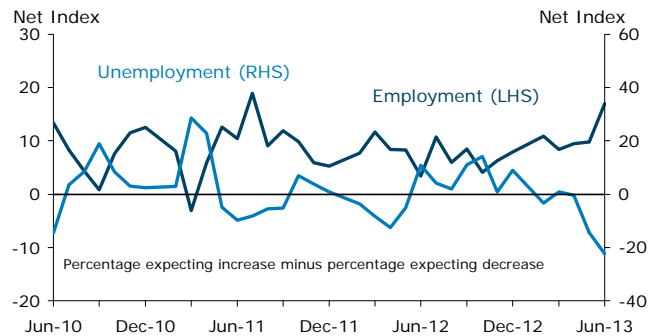
Source: ANZ

Activity Outlook Index



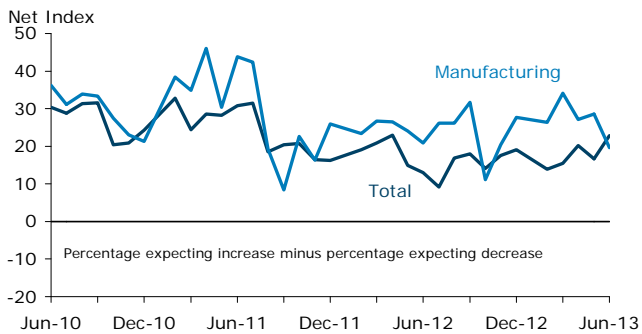
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Labour Market Outlook



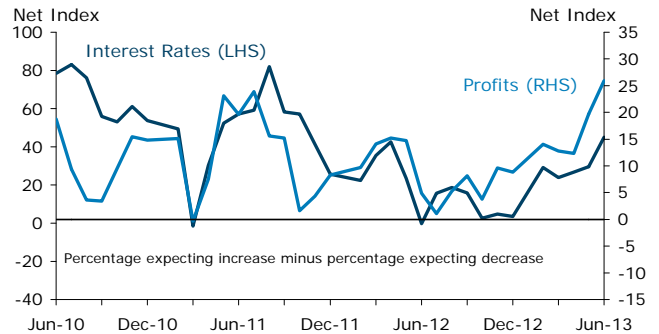
Source: ANZ

Export Sales Volume



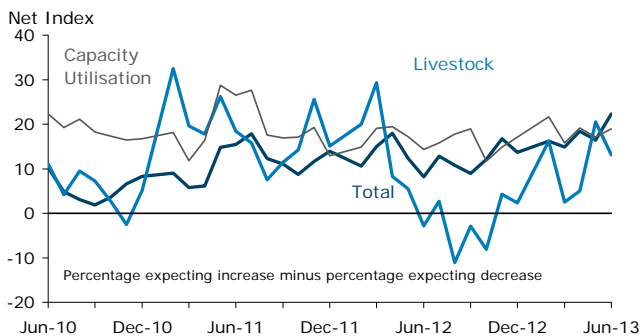
Source: ANZ

Financial Outlook



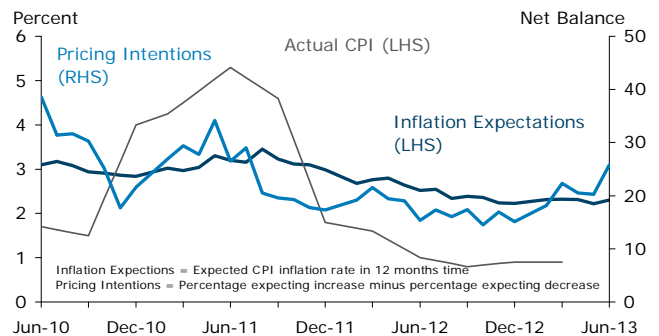
Source: ANZ

Investment Intentions



Source: ANZ

Inflation Expectations



Source: ANZ, Statistics NZ

Survey Summary

JUNE 2013	Total All Sectors	Retail	Manufacturing	Agriculture	Construction	Services
No. of Respondents	414	69	75	48	30	166
General Business Conditions						
Improve	55.5	54.4	46.7	50.0	76.7	58.9
Remain the Same	39.2	42.6	45.3	39.6	20.0	37.4
Deteriorate	5.4	2.9	8.0	10.4	3.3	3.7
Net Index	50.1	51.5	38.7	39.6	73.4	55.2
Expected Inflation (%)	2.30	2.29	2.29	2.14	2.48	2.28
Unemployment Rate						
Increase	17.1	27.5	10.8	16.7	6.7	15.7
Remain the Same	43.5	36.2	51.4	52.1	53.3	38.6
Decrease	39.4	36.2	37.8	31.3	40.0	45.8
Net Index	-22.3	-8.7	-27.0	-14.6	-33.3	-30.1
Interest Rates						
Increase	48.2	47.1	46.7	41.7	40.0	50.9
Remain the Same	48.7	51.5	49.3	54.2	60.0	45.5
Decrease	3.1	1.5	4.0	4.2	0.0	3.6
Net Index	45.1	45.6	42.7	37.5	40.0	47.3
Real Business Activity						
Increase	51.8	49.3	50.7	41.7	60.0	55.5
Remain the Same	41.4	44.9	38.7	50.0	40.0	39.6
Decrease	6.8	5.8	10.7	8.3	0.0	4.9
Net Index	45.0	43.5	40.0	33.4	60.0	50.6
Real Profits						
Increase	39.0	31.9	37.3	36.2	56.7	41.2
Remain the Same	47.9	56.5	49.3	51.1	36.7	46.1
Decrease	13.1	11.6	13.3	12.8	6.7	12.7
Net Index	25.9	20.3	24.0	23.4	50.0	28.5
Employment						
Increase	23.8	13.0	21.3	20.8	33.3	29.6
Remain the Same	69.3	79.7	72.0	72.9	66.7	63.6
Decrease	6.8	7.2	6.7	6.3	0.0	6.8
Net Index	17.0	5.8	14.6	14.5	33.3	22.8

Net Indices are calculated as the percentage expecting an improvement minus the percentage expecting a deterioration.

The ANZ Business Outlook survey.

JUNE 2013	Total All Sectors	Retail	Manufacturing	Agriculture	Construction	Services
Price of Good/Service						
Increase	29.2	20.6	30.7	37.5	43.3	26.4
Remain the Same	67.4	76.5	62.7	58.3	56.7	71.2
Decrease	3.4	2.9	6.7	4.2	0.0	2.5
-----	-----	-----	-----	-----	-----	-----
Net Index	25.8	17.7	24.0	33.3	43.3	23.9
=====	=====	=====	=====	=====	=====	=====
Investment						
Increase	29.1	22.4	22.7	31.3	40.0	30.9
Remain the Same	64.1	74.6	68.0	60.4	53.3	63.0
Decrease	6.8	3.0	9.3	8.3	6.7	6.2
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Net Index	22.3	19.4	13.4	23.0	33.3	24.7
=====	=====	=====	=====	=====	=====	=====
Real Exports						
Increase	37.4	33.3	45.1	33.3	33.3	40.0
Remain the Same	48.0	66.7	29.4	44.4	66.7	57.8
Decrease	14.6	0.0	25.5	22.2	0.0	2.2
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Net Index	22.8	33.3	19.6	11.1	33.3	37.8
=====	=====	=====	=====	=====	=====	=====
Capacity Utilisation						
Increase	26.1	23.1	27.1	18.9	46.7	25.7
Remain the Same	66.8	76.9	62.7	73.0	53.3	68.6
Decrease	7.1	0.0	10.2	8.1	0.0	5.7
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Net Index	19.0	23.1	16.9	10.8	46.7	20.0
=====	=====	=====	=====	=====	=====	=====
Livestock Investment						
Increase	18.4	0.0	0.0	18.4	0.0	0.0
Remain the Same	76.3	0.0	0.0	76.3	0.0	0.0
Decrease	5.3	0.0	0.0	5.3	0.0	0.0
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Net Index	13.1	#N/A	#N/A	13.1	#N/A	#N/A
=====	=====	=====	=====	=====	=====	=====
Residential Building						
Increase	47.8	0.0	0.0	0.0	47.8	0.0
Remain the Same	52.2	0.0	0.0	0.0	52.2	0.0
Decrease	0.0	0.0	0.0	0.0	0.0	0.0
-----	-----	-----	-----	-----	-----	-----
Net Index	47.8	#N/A	#N/A	#N/A	47.8	#N/A
=====	=====	=====	=====	=====	=====	=====
Non-Residential Construction						
Increase	39.1	0.0	0.0	0.0	39.1	0.0
Remain the Same	60.9	0.0	0.0	0.0	60.9	0.0
Decrease	0.0	0.0	0.0	0.0	0.0	0.0
-----	-----	-----	-----	-----	-----	-----
Net Index	39.1	#N/A	#N/A	#N/A	39.1	#N/A
=====	=====	=====	=====	=====	=====	=====
Ease of Getting Credit						
Easier	16.7	15.7	13.8	23.3	17.2	17.7
Remain the Same	68.6	70.6	75.4	62.8	72.4	67.7
Harder	14.7	13.7	10.8	14.0	10.3	14.6
-----	-----	-----	-----	-----	-----	-----
Net Index	2.0	2.0	3.0	9.3	6.9	3.1
=====	=====	=====	=====	=====	=====	=====

Net Indices are calculated as the percentage expecting an improvement minus the percentage expecting a deterioration.

The ANZ Business Outlook survey.

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