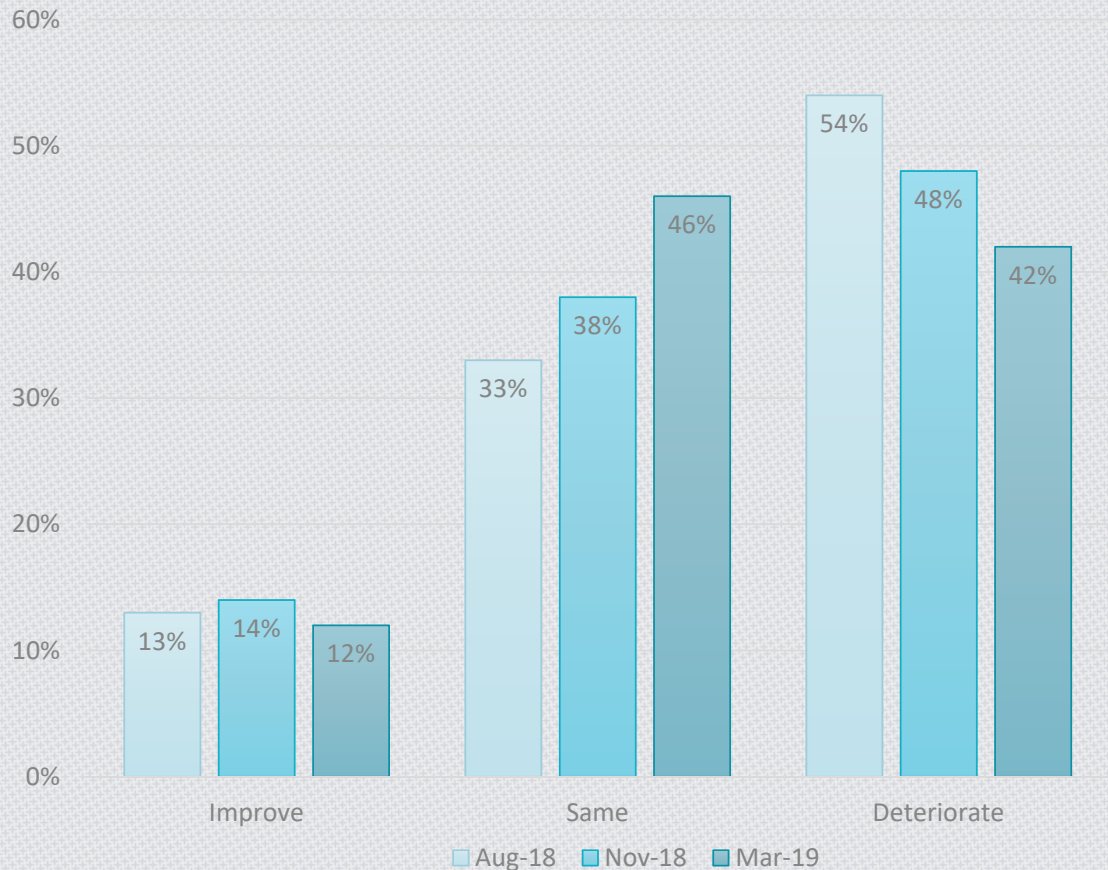




**MICHAEL BARNETT**

**CEO AUCKLAND CHAMBER**

# GENERAL BUSINESS SITUATION IN NZ



**MARCH 2019**

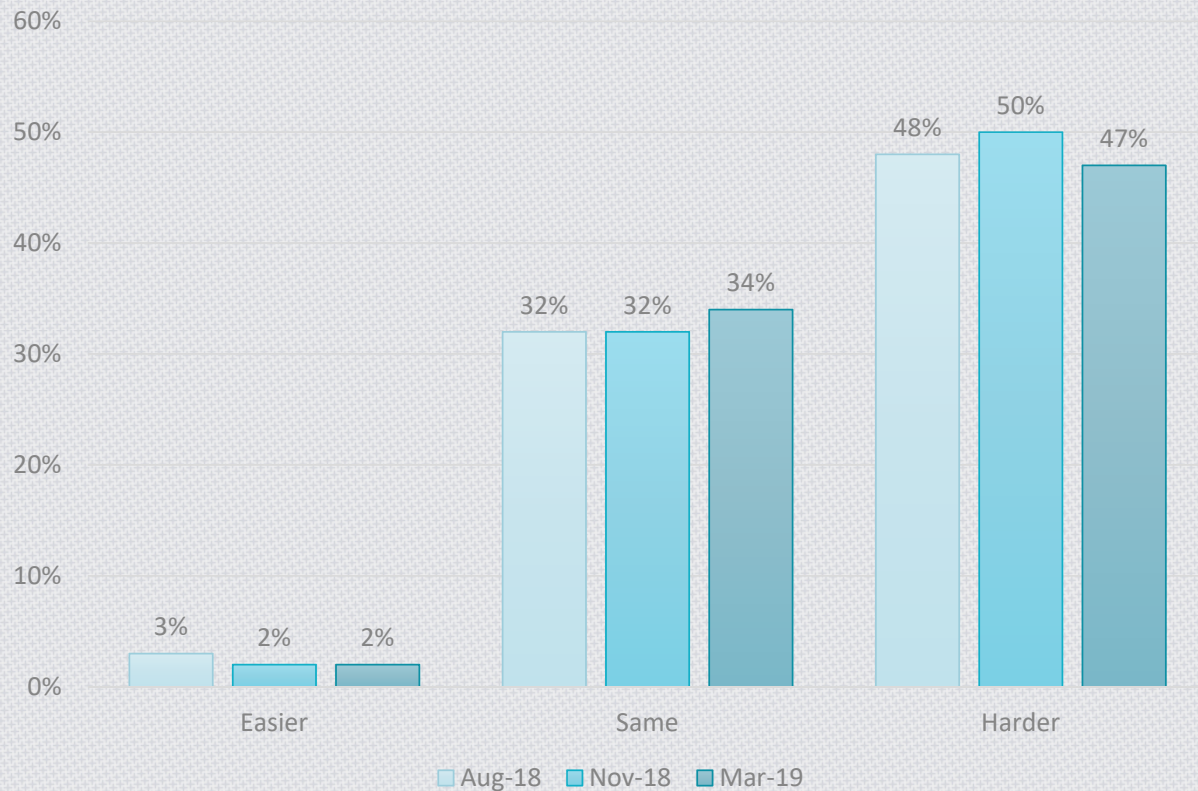
**12%** IMPROVE

**46%** SAME

**42%** DETERIORATE



# FINDING SKILLED STAFF



**MARCH 2019**

**2%** EASIER

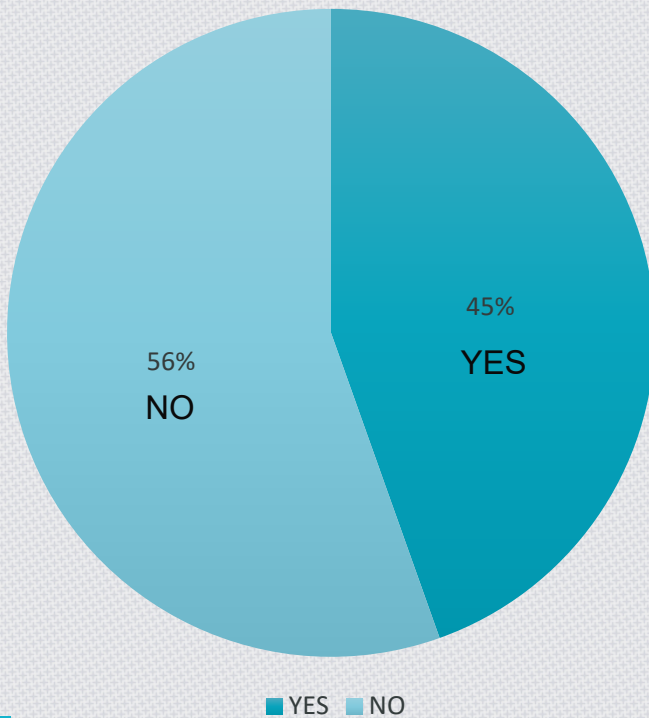
**34%** SAME

**47%** HARDER

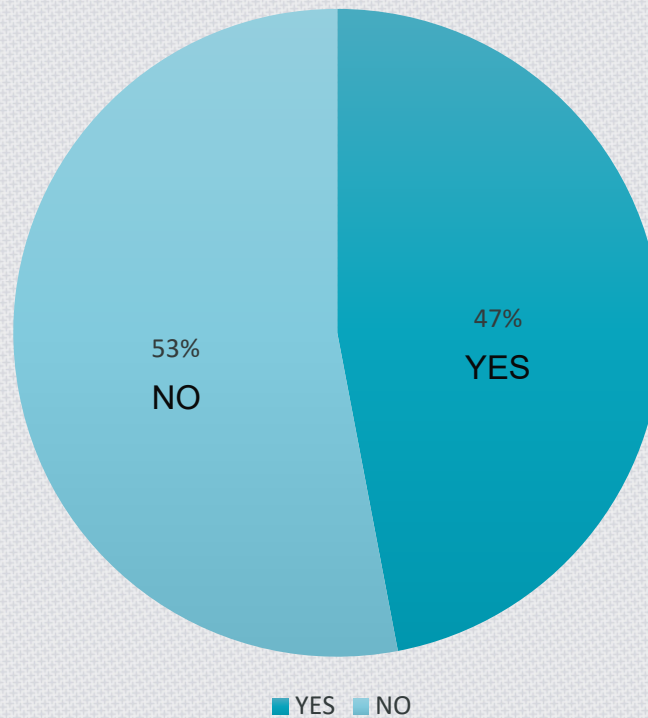


# RECRUITING NOW

Jun-18



Aug-18



MARCH 2019

47% YES

53% NO



**BERNARD HICKEY**

**newsroom.pro**

# CLEARING THE DECKS

## Live: No capital gains tax



4:08 PM PM Jacinda Ardern rules out a CGT, disappointing the Greens and Michael Cullen, with National saying it's a big win for NZ.

### CRL project cost hits \$4.4b



0 min ago The cost of Auckland's underground rail project has jumped by \$1 billion.

### Folau appeals sacking



3:16 PM Code of conduct hearing for Israel Folau as he contests his sacking.

### CGT out: 'NZ doesn't want it'



9 min ago Kiwis want to complain about inequality, but don't want taxes to address it, Sir Michael Cullen says.

### Who killed the CGT?



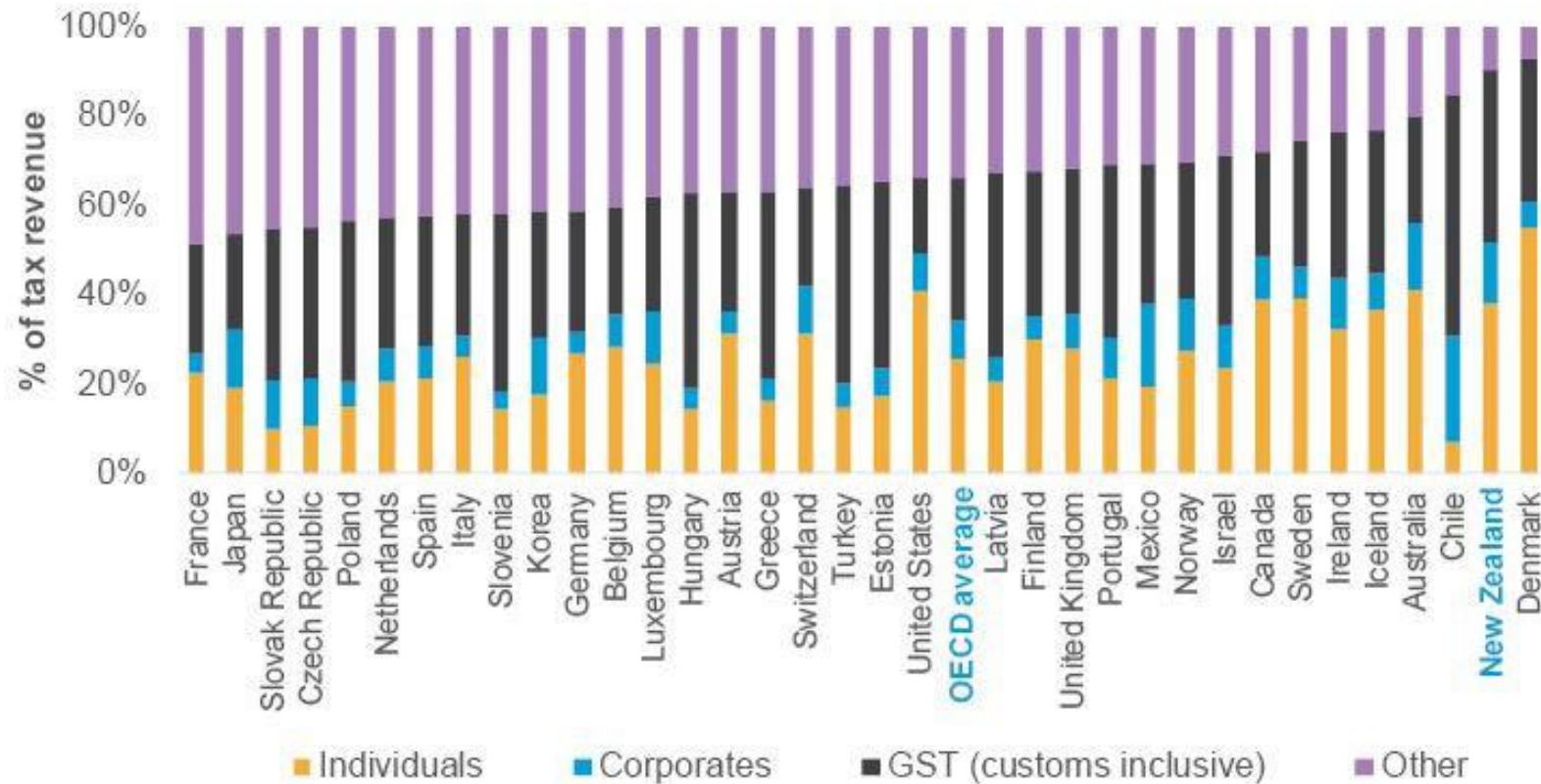
4:08 PM Simon Bridges and Winston Peters both claim credit for killing the capital gains tax.

Auckland Chamber, April 18, Auckland, Bernard Hickey

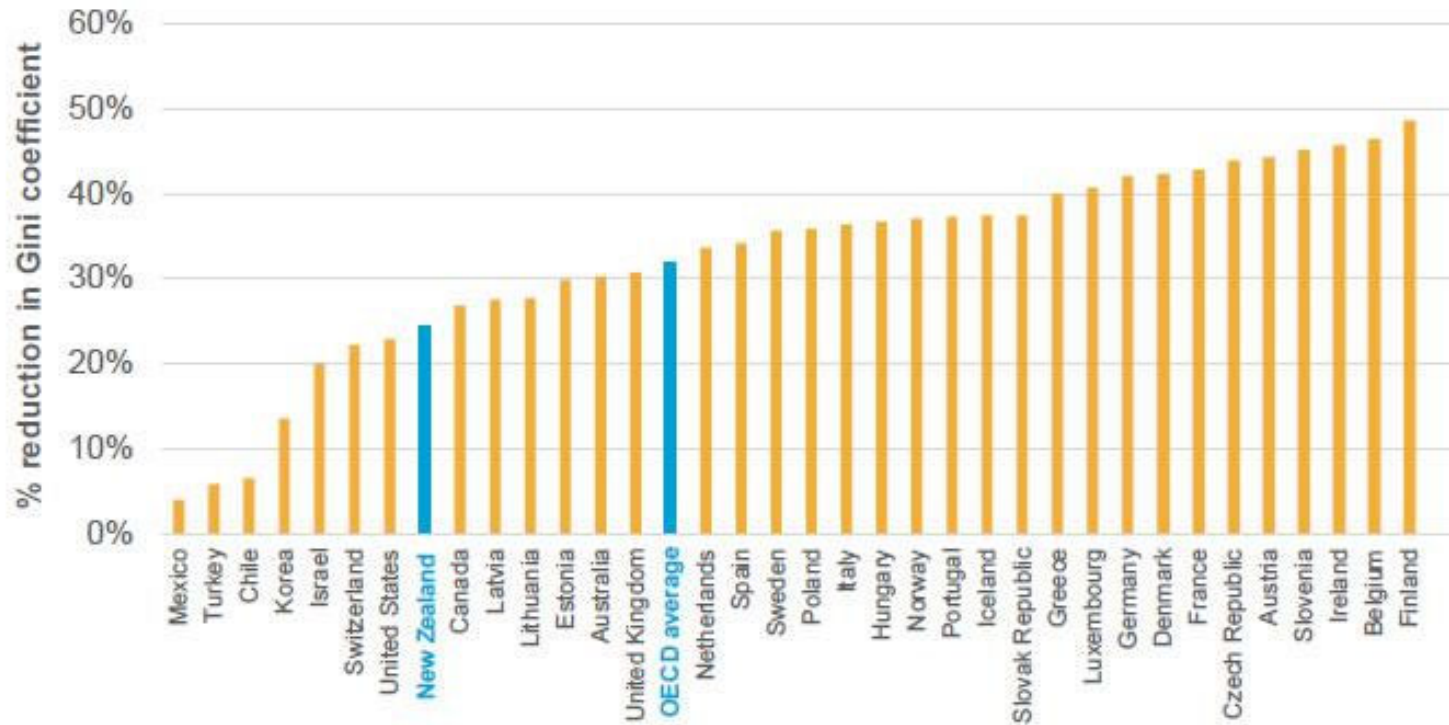
- Jacinda capitulated to Winston
- Totally. For a decade or more
- Why? Does she think Winston will outlive her?
- The Gold Card Generation won
- Generation Rent lost
- But they really lost in 2017
- By not voting in line with their numbers
- But there will be a reckoning
- Look for a new balance-holding party
- The anti-Gold Card party

- A strengthening Labour leader...
- ...without a mandate for change
- But Jacinda may get that in 2020
- If Winston can't revive NZ First
- And National falls below 40%
- Possibly with a new leader
- What new mandate?
- Not a capital gains tax
- But maybe a higher debt target
- For big infrastructure, housing & transport
- And some serious Zero Carbon moves

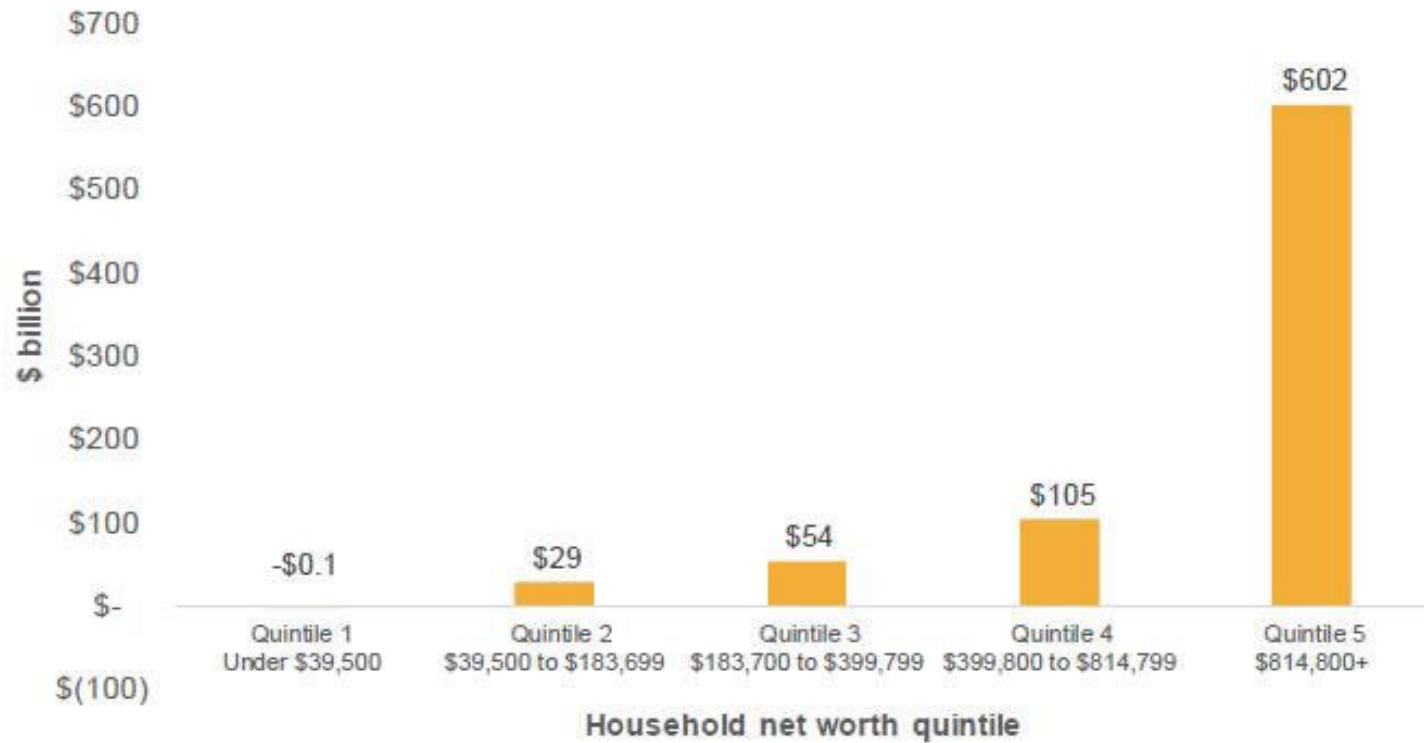
# REVISITING THE PROBLEM



# NOT MUCH REDISTRIBUTION

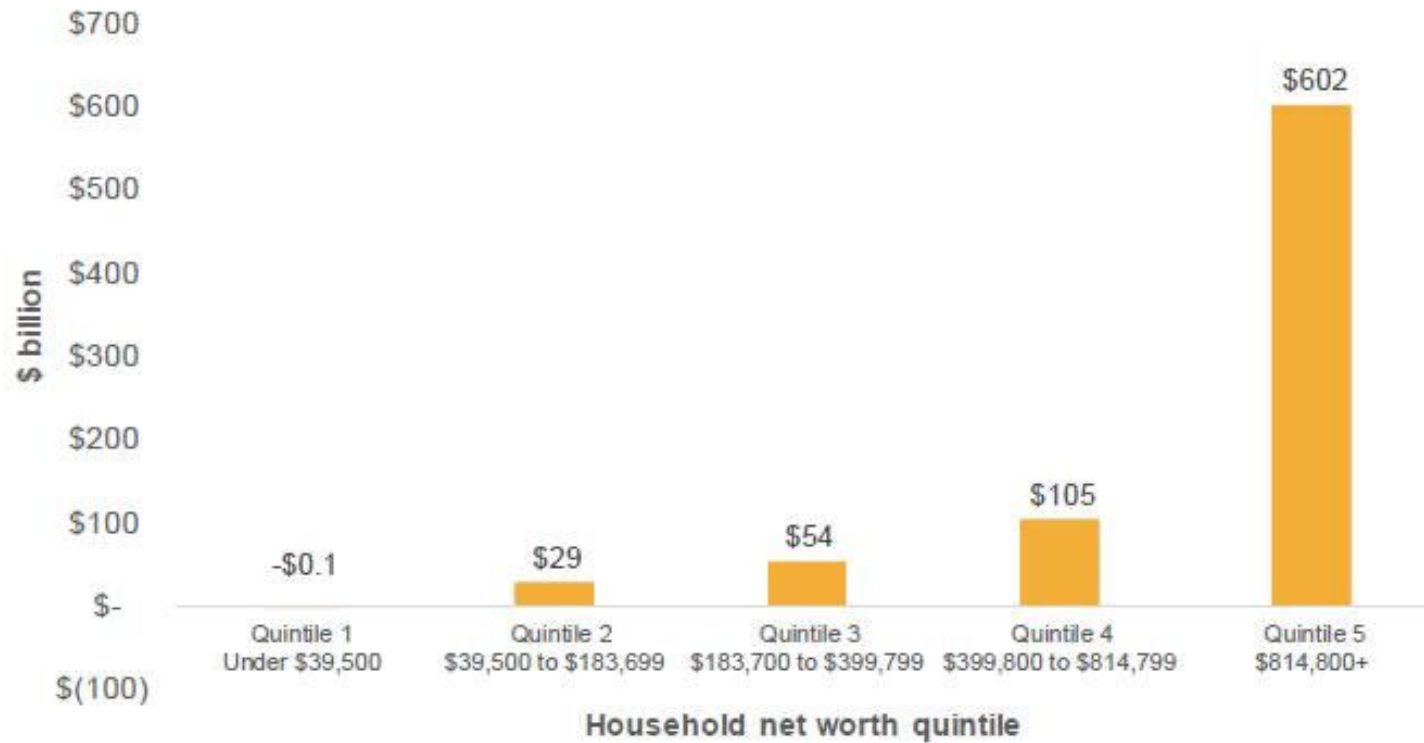


# WEALTH INEQUALITY



- Total net worth by age group at June 2018
- 15-24 yr olds worth \$5b Down 24% vs 2015
- 25-34 yr olds worth \$56b Up 0.7%
- 35-44 yr olds worth \$142b Up 11.2%
- 45-54 yr olds worth \$301b Up 25%
- 55-64 yr olds worth \$381b Up 30.7%
- 65 and overs \$494b Up 25% or \$99b in 3 yrs
- 2/3rds of that rise in wealth was untaxed
- >65 net worth rose 20 times more than total net worth of 15-24s in three years
- Over 65s 100 times wealthier than 15-24s
- >65s wealth rise 2 times total wealth <35s

# WEALTH INEQUALITY



- 941,000 missing voters
- 271,000 didn't enrol
- 670,000 enrolled but didn't vote
- Youth tremor started in 2017 +52k <30 voters
- Enough to change election result
- Younger voters will overwhelm boomers
- If they start voting, and if more boomers die
- How will they feel when they win in 2026/9?
- What will they want? And do?
- Will they vote for a new party?
- There will be a reckoning
- Universal pension/hips/gold card

# THE 2008 POPULATION STRUCTURE

## New Zealand

### Age structure in 2008

#### Estimated resident population



Auckland Chamber, April 18, Auckland, Bernard Hickey

# THE 2017 POPULATION STRUCTURE

## New Zealand

### Age structure in 2017

#### Projected resident population



# THE 2026 POPULATION STRUCTURE

## New Zealand

### Age structure in 2026

#### Projected resident population



Auckland Chamber, April 18, Auckland, Bernard Hickey

# THE 2032 POPULATION STRUCTURE

New Zealand

Age structure in 2032

Projected resident population



Auckland Chamber, April 18, Auckland, Bernard Hickey

- In 2032 PM Jacinda Ardern will be 56
- In 2032 Deputy PM Peters will be 87
- And still no Capital Gains Tax
- Who thinks the <40 year olds of 2032 will just sit there and take it?
- Look out for protests against free hips
- Gold card burnings
- Repeated referendums on the pension age
- Means testing of health/pensions
- Free education and public transport
- Many, many more state houses

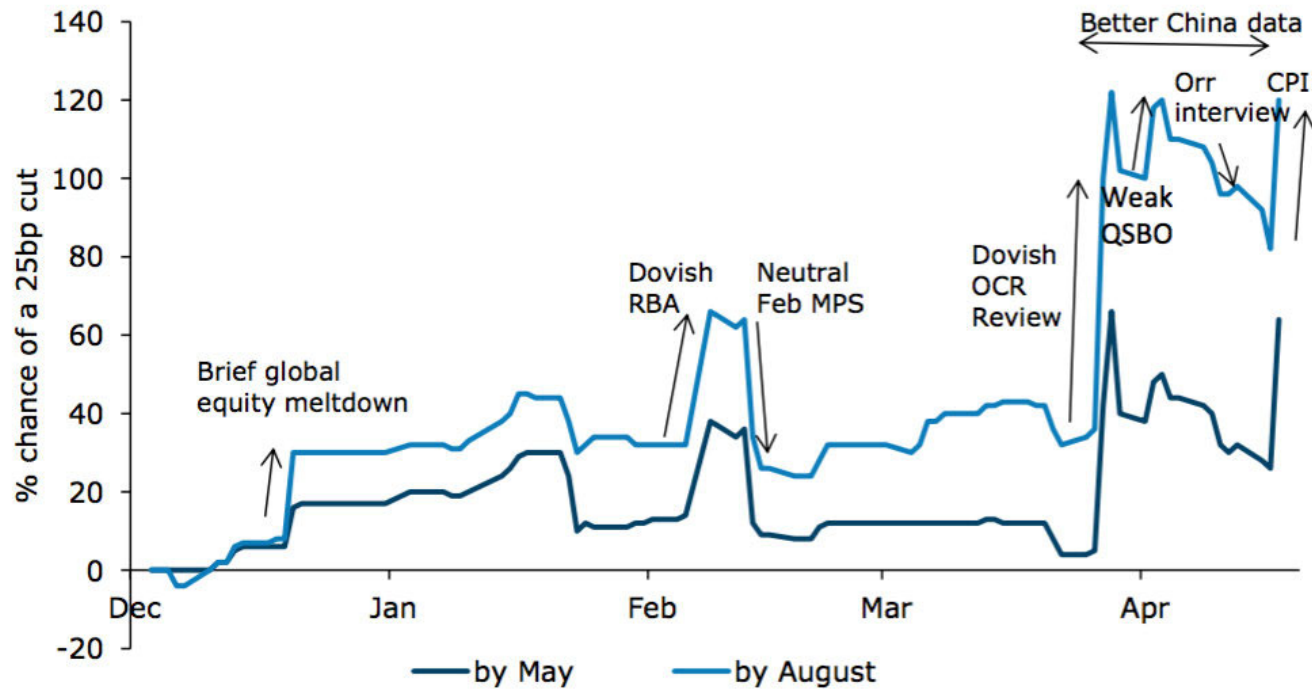
# THE MOST AMAZING CHART IN NZ



Auckland Chamber, April 18, Auckland, Bernard Hickey

# A RATE CUT IN 3 WEEKS

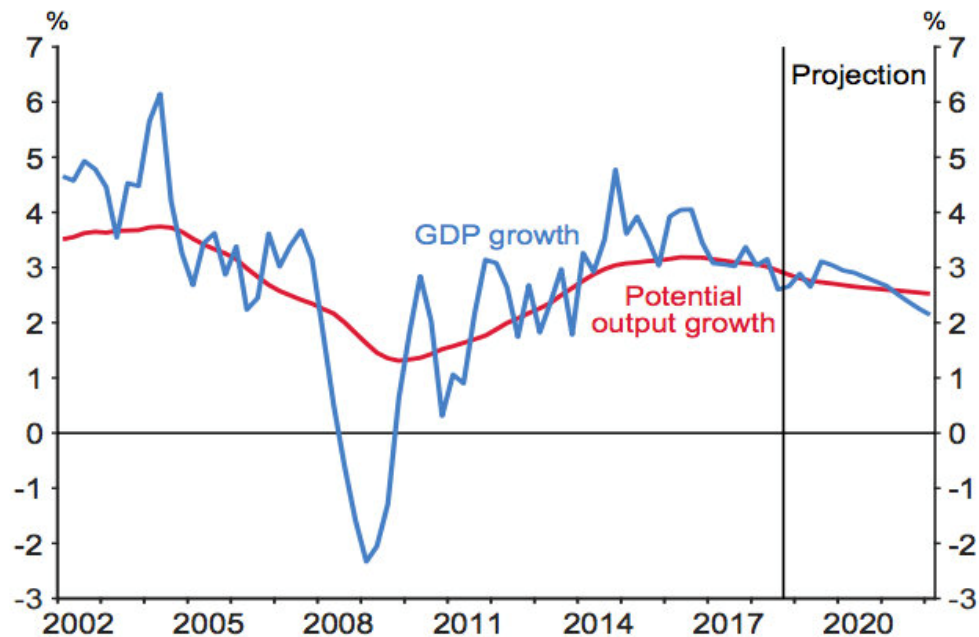
Market pricing for a rate cut by May and by August



Source: Bloomberg, ANZ Research

# AFTER 10 YEARS OF EXPANSION

**Figure 2.4**  
**GDP growth**  
*(annual)*

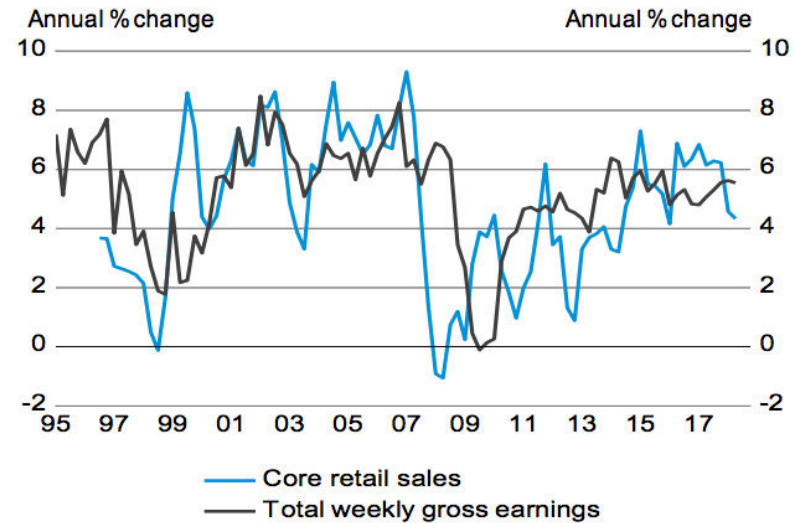


Source: Stats NZ, RBNZ estimates.

- An opportunity of a lifetime
- That the Government should grab now
- Instead, they will wait until after 2020
- We have an infrastructure deficit
- At least \$100b over 10 years needed
- Our deeper structural issues
- A infrastructure funding Catch 22
- What the Government is doing
- What it should do (hint: Borrow 10% GDP)

# INCOMES AND SPENDING SOLID

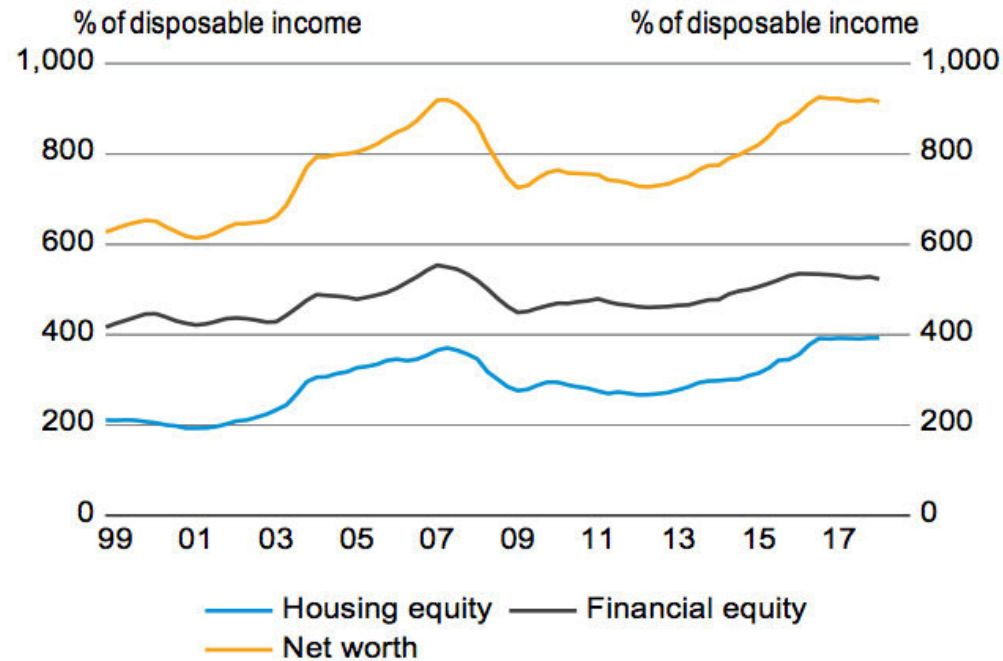
Nominal Retail Sales & Gross Earnings Growth



Source: Statistics New Zealand

# WEALTHY HOME OWNERS

## Household Equity



Source: RBNZ, The Treasury

# KIWIBUILD WON'T SWAMP PRICES

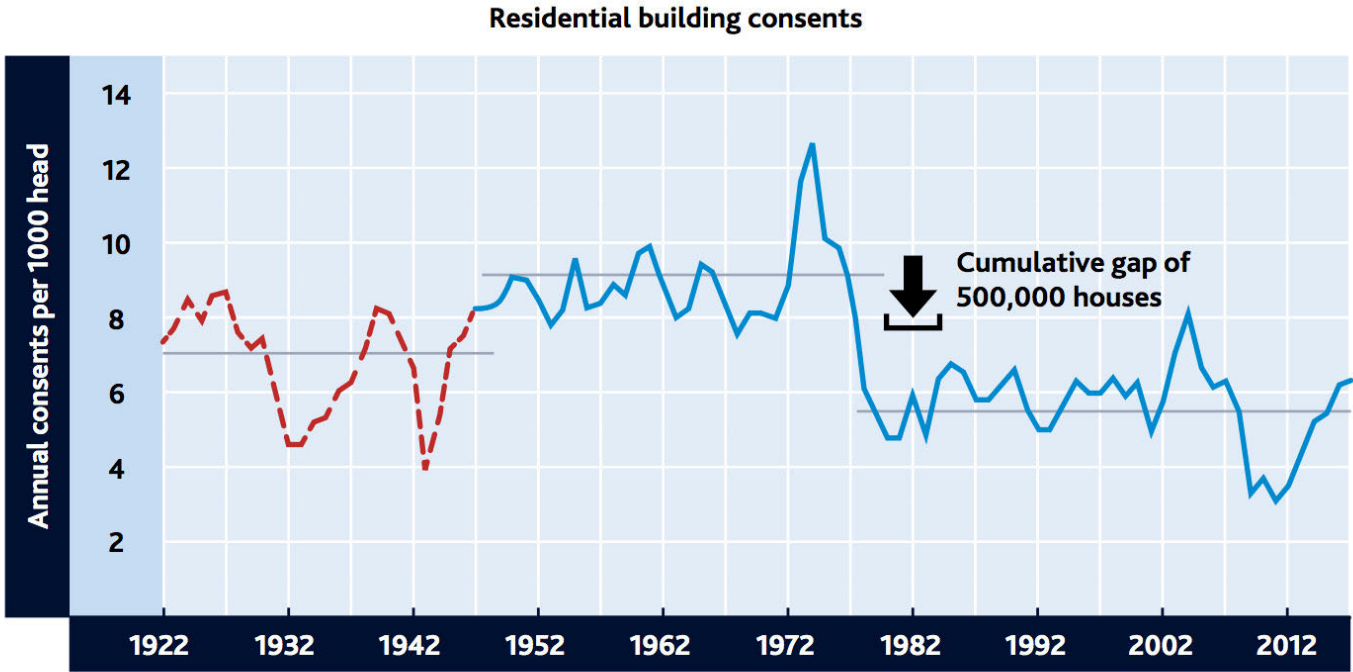
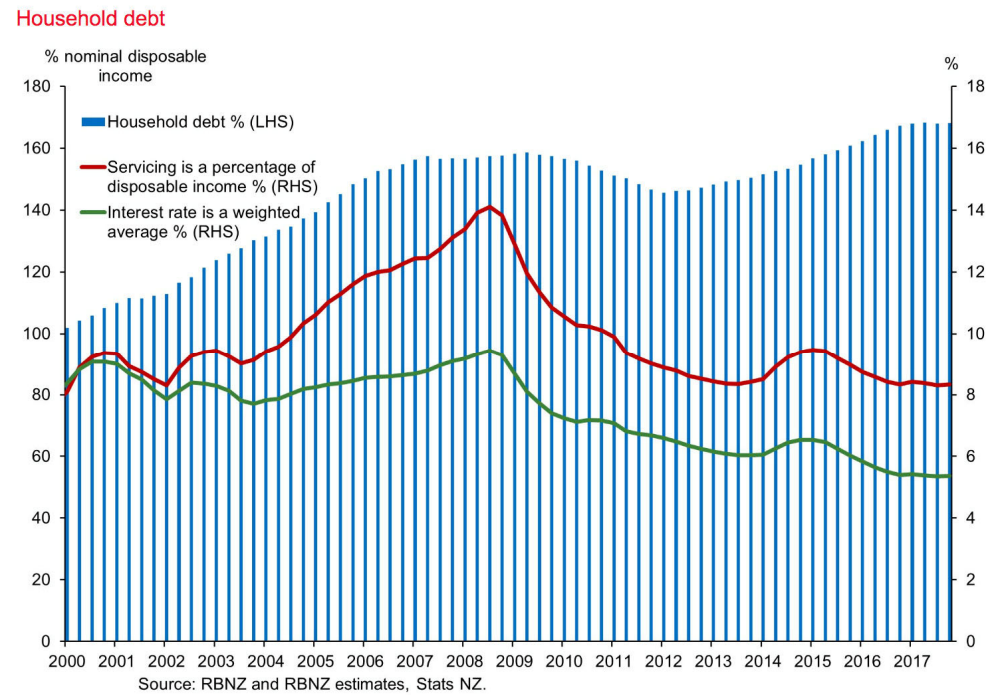


Figure 3: Residential building consents, 1922-2016 (Sense Partners)

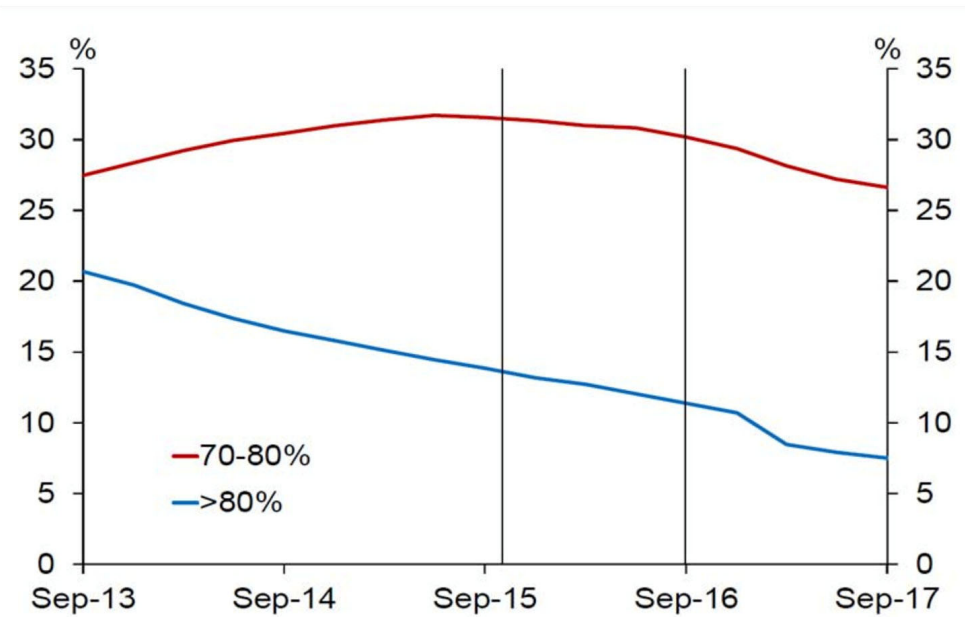
**Key:**  
— Current definition  
- - - Estimated from Urban data

# WHY INTEREST RATES AREN'T THE PIN



# PLENTY OF EQUITY. LVRS WAY DOWN

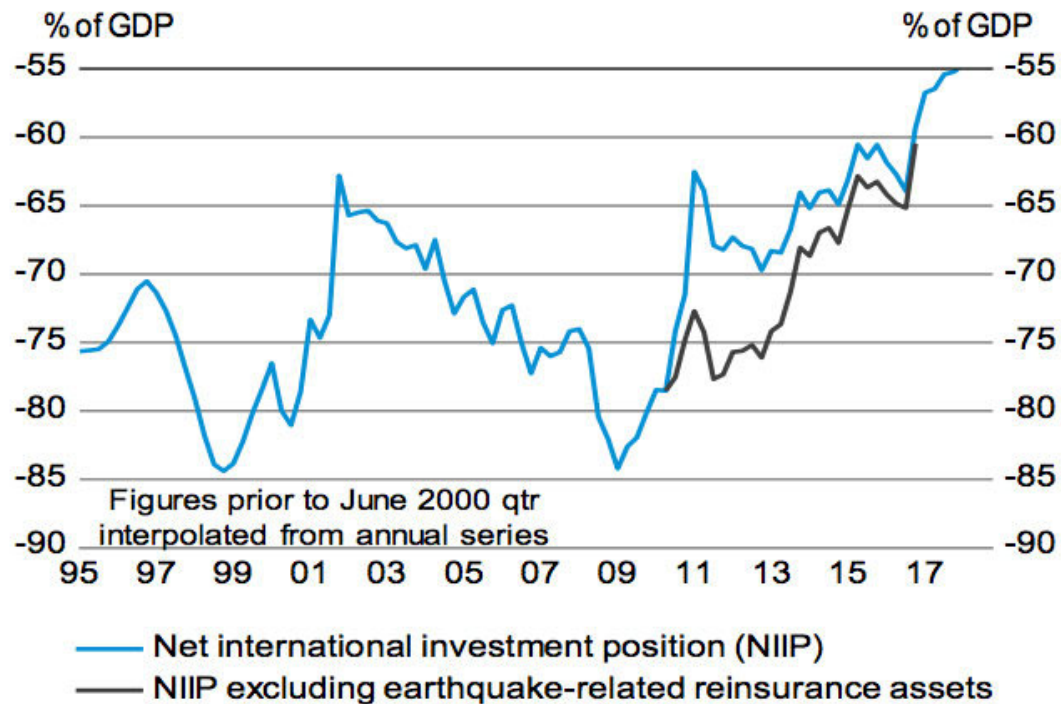
Figure A1 Share of outstanding mortgages by LVR



Source: RBNZ

# A WEALTHIER NATION

## Net Foreign Assets



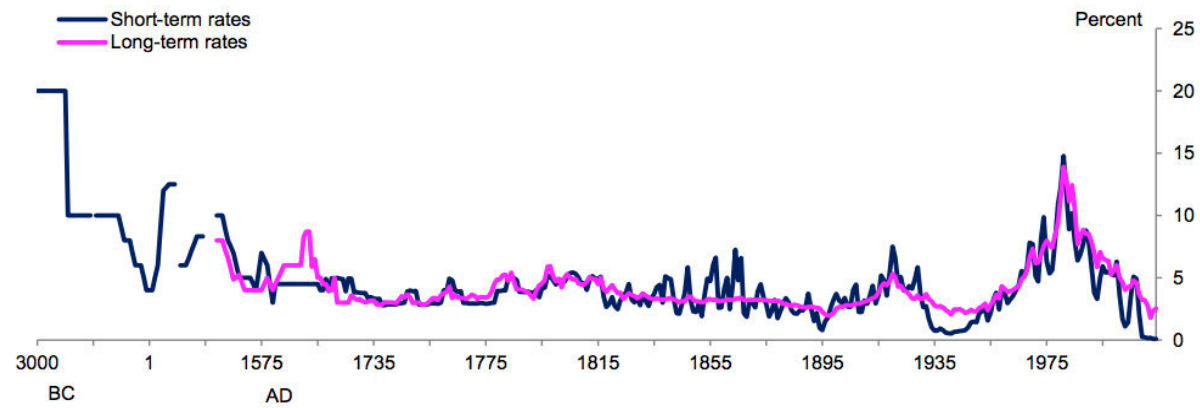
Source: Statistics New Zealand, The Treasury

Auckland Chamber, April 18, Auckland, Bernard Hickey

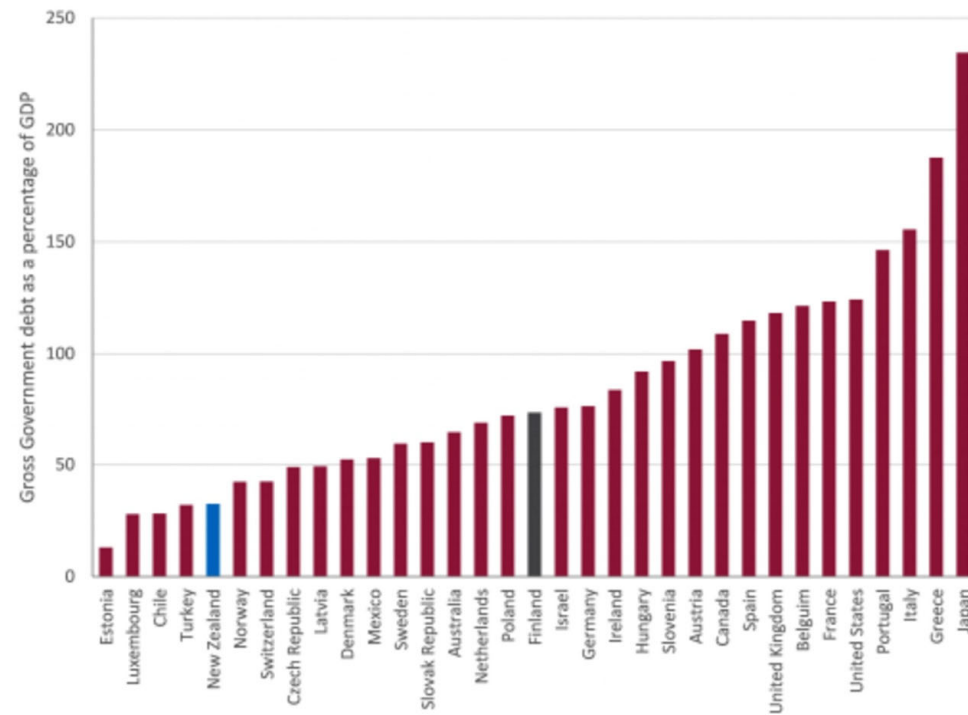
- The LVR restrictions worked
- Plenty of headroom for rate spike
- Or any slump in prices
- Banks have much more capital
- And they are much more liquid
- Stress tests show could hand
- A 40% fall in Auckland prices
- Without breaking a sweat
- No NZ-wide or housing debt issue

# The actual long term rates track

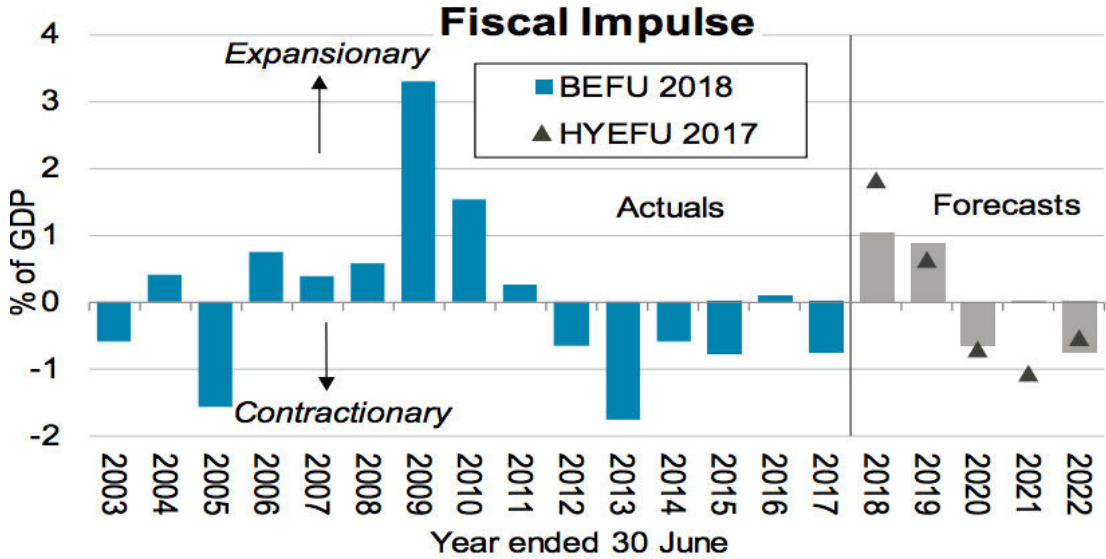
Chart 5: Short and long-term interest rates



# DEBT MUCH LOWER THAN THE REST



# A NEUTRAL FISCAL IMPULSE



- Fund two light rail lines
- Auckland hospitals, schools, roads
- Golden triangle rail upgrade
- A new port at Firth of Thames
- A just transition for public transport
- \$1 bus and train fares
- Electric cars/bikes/scooters
- Substituted for Isuzu Bighorns
- One car, two bikes, three scooters
- Only cost \$15k

