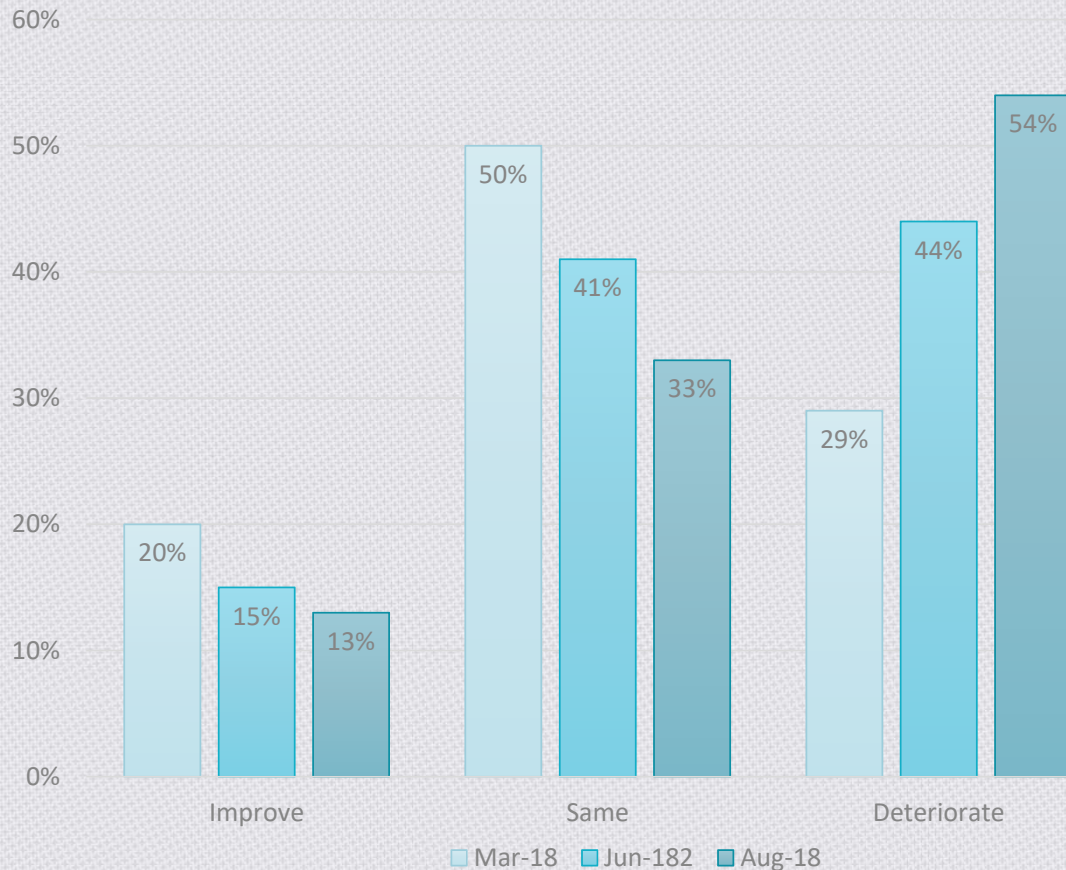




MICHAEL BARNETT

CEO AUCKLAND CHAMBER

GENERAL BUSINESS SITUATION IN NZ



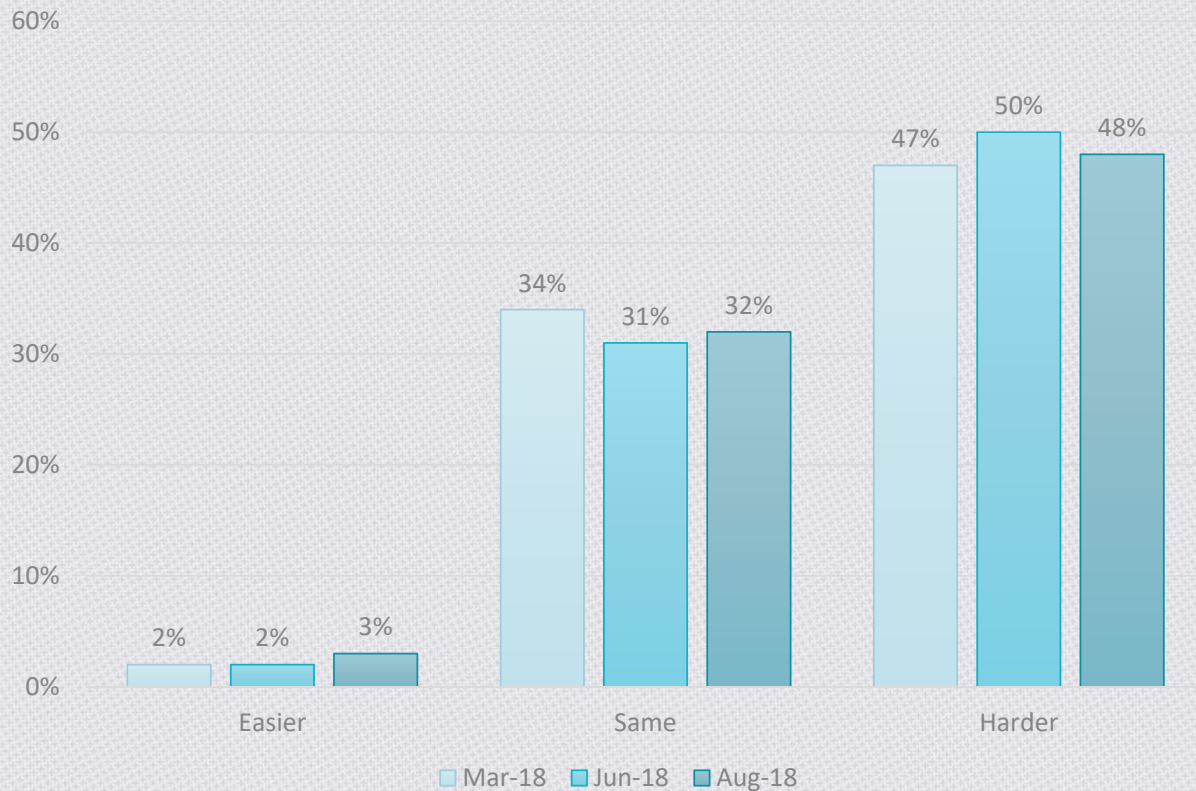
AUGUST 18

13% IMPROVE

33% SAME

54% DETERIORATE

FINDING SKILLED STAFF



AUGUST 18

3% EASIER

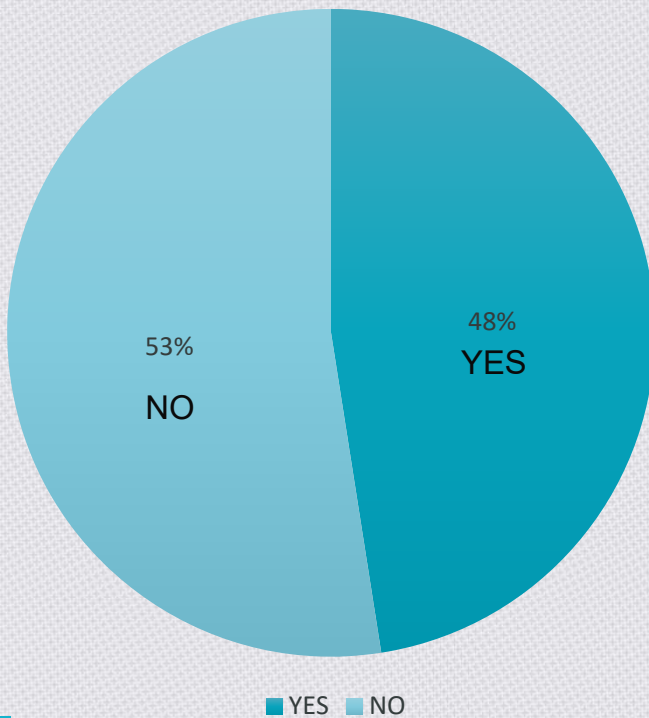
32% SAME

48% HARDER

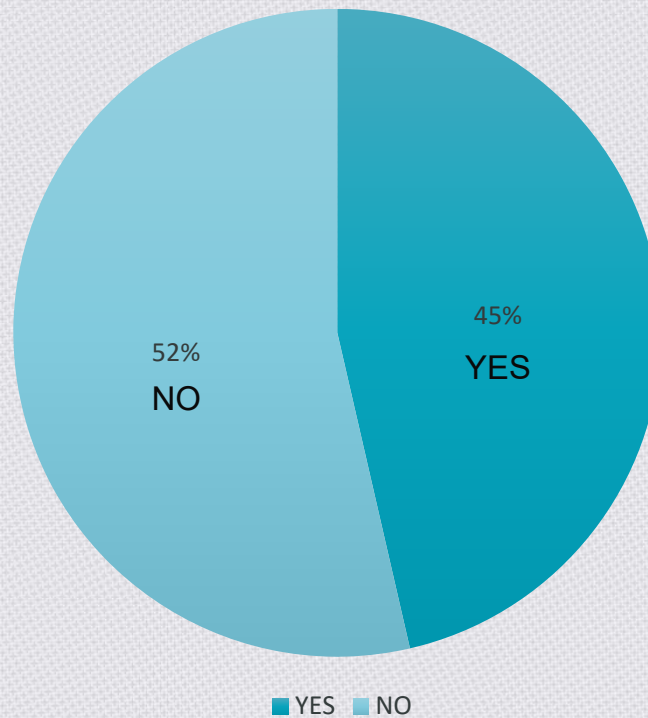


RECRUITING NOW

Jun-18



Aug-18



AUGUST 18

45% YES

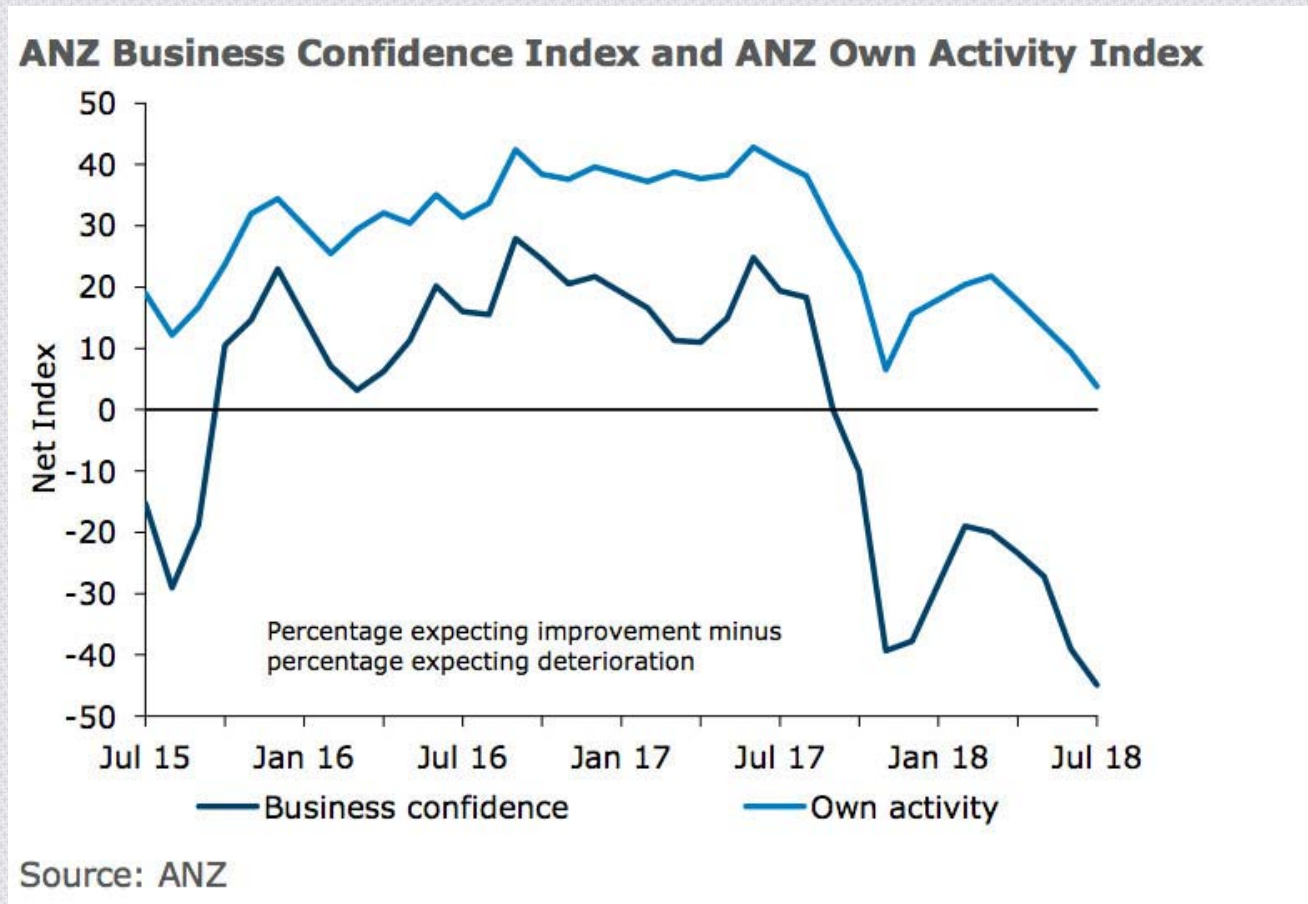
55% NO



BERNARD HICKEY

newsroom.pro

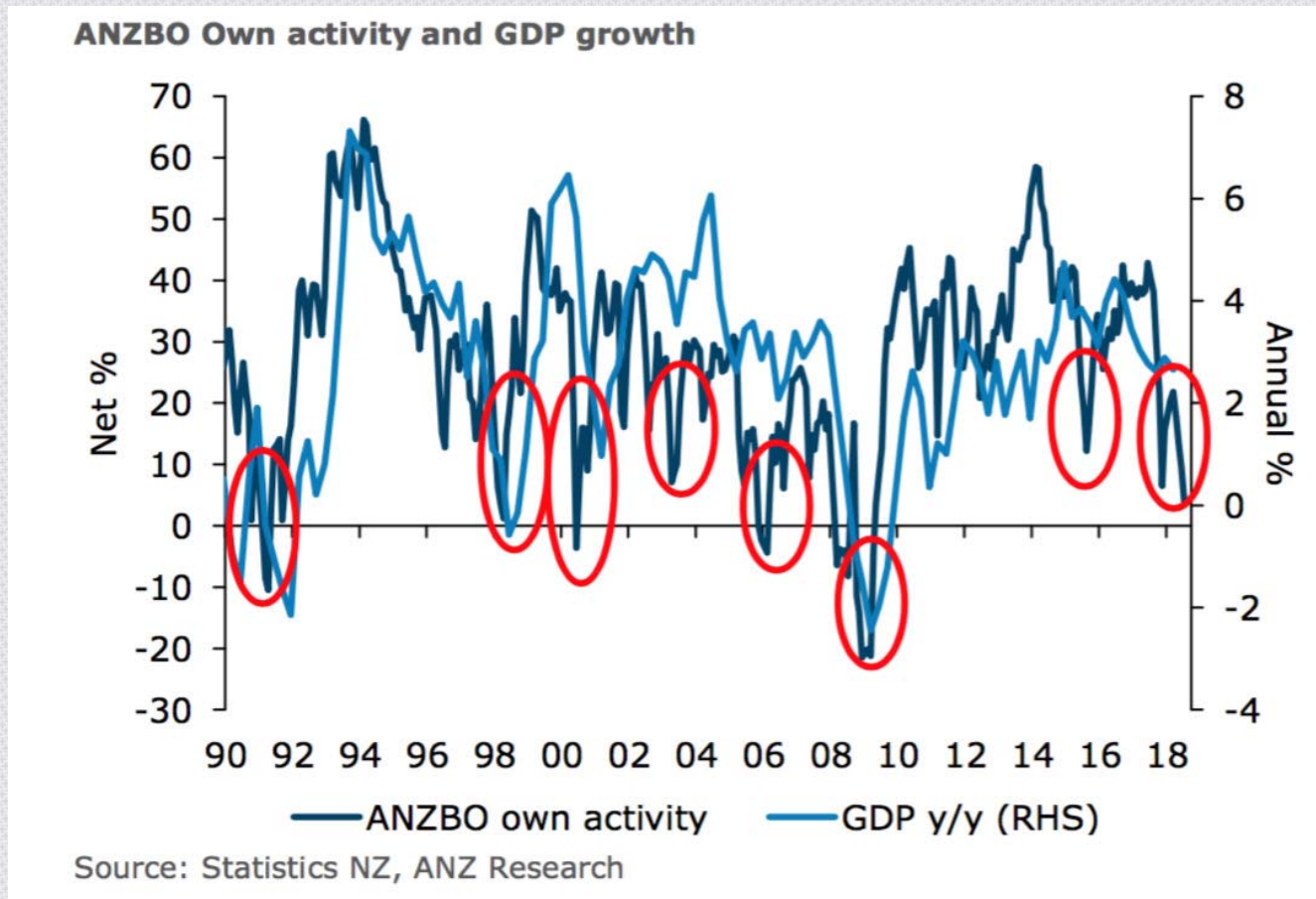
The elephant in the room



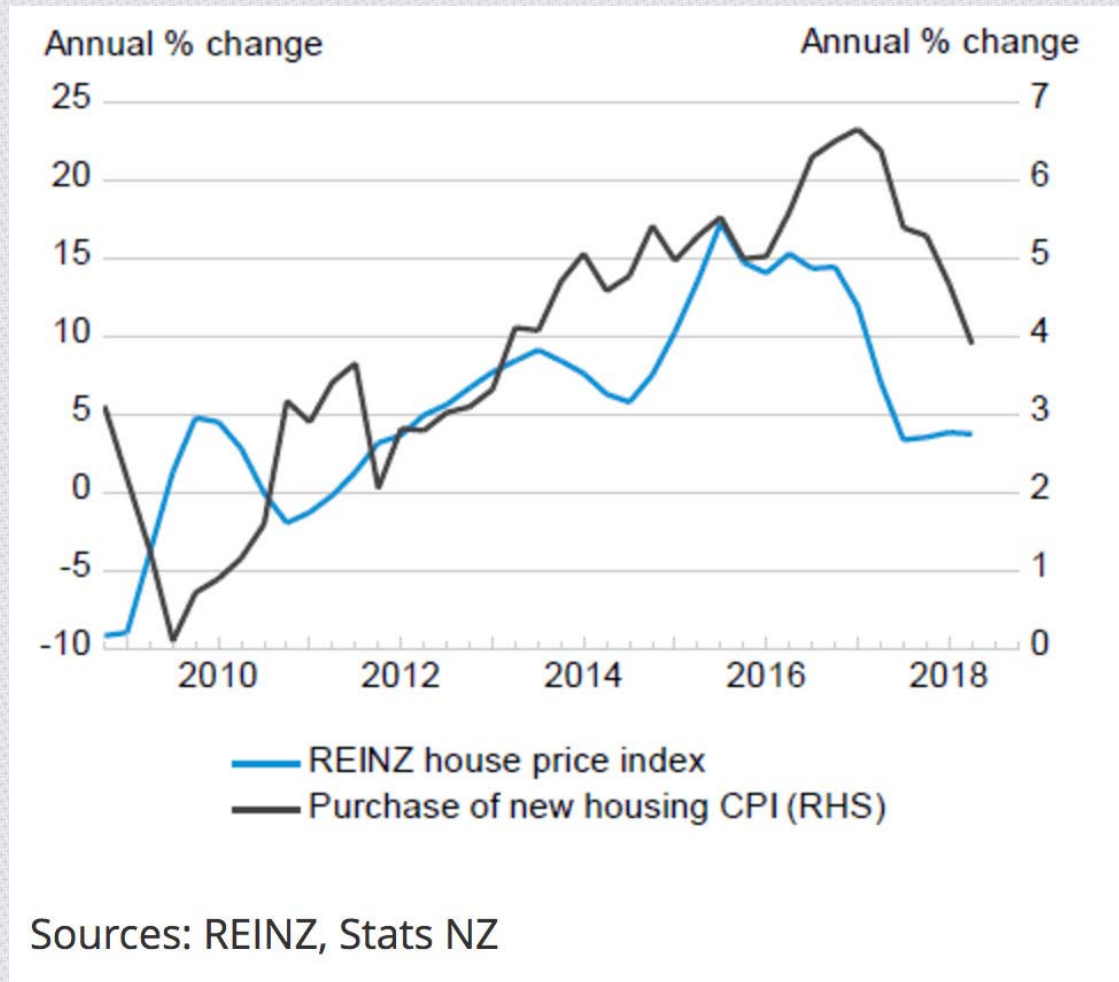
- Business confidence's slump
- Just perception? Or is it real?
- Will the Government respond?
- Not with any policy change
- Some more speeches
- Growth slowing from 3% to 2%
- But still momentum in most areas
- Exports, house-building, services
- Not in retail or non-residential construction.

- Interest rates are not rising
- Global growth still near 4%
- Big families package going through
- Still solid migration with little change
- House prices not falling
- Inflation still benign
- Regulated wages rising
- But not widespread yet

Is it real this time?

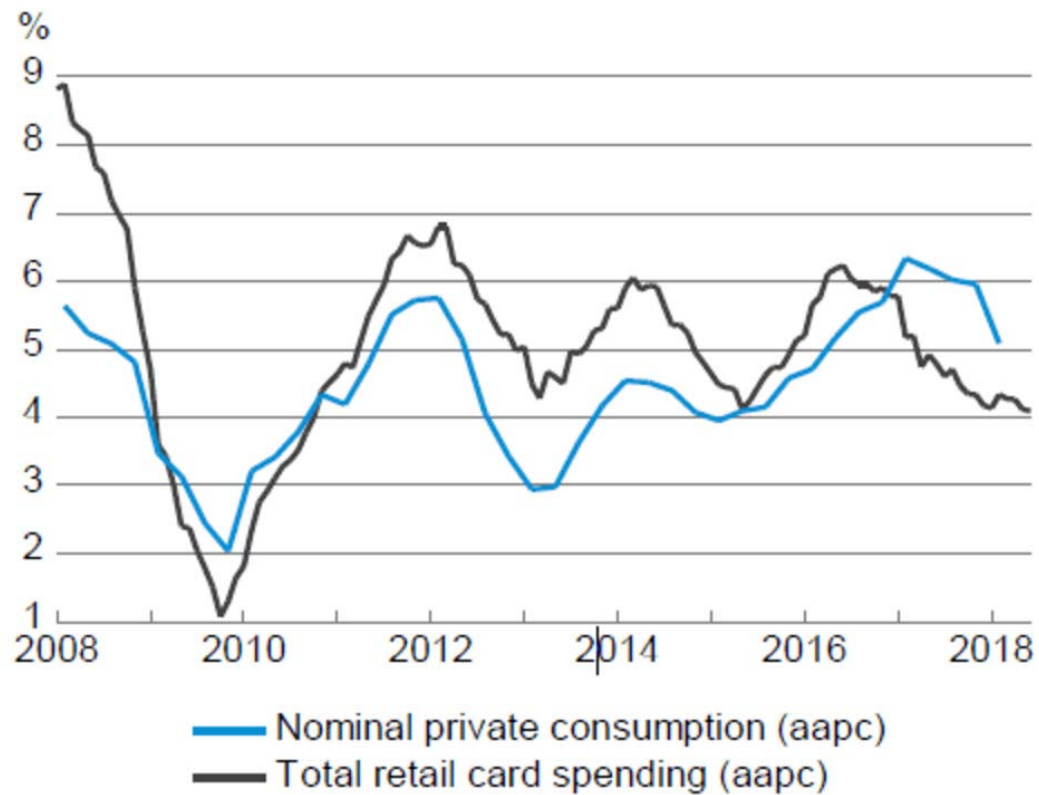


House prices flat to falling



Auckland Chamber, August 8, 2018

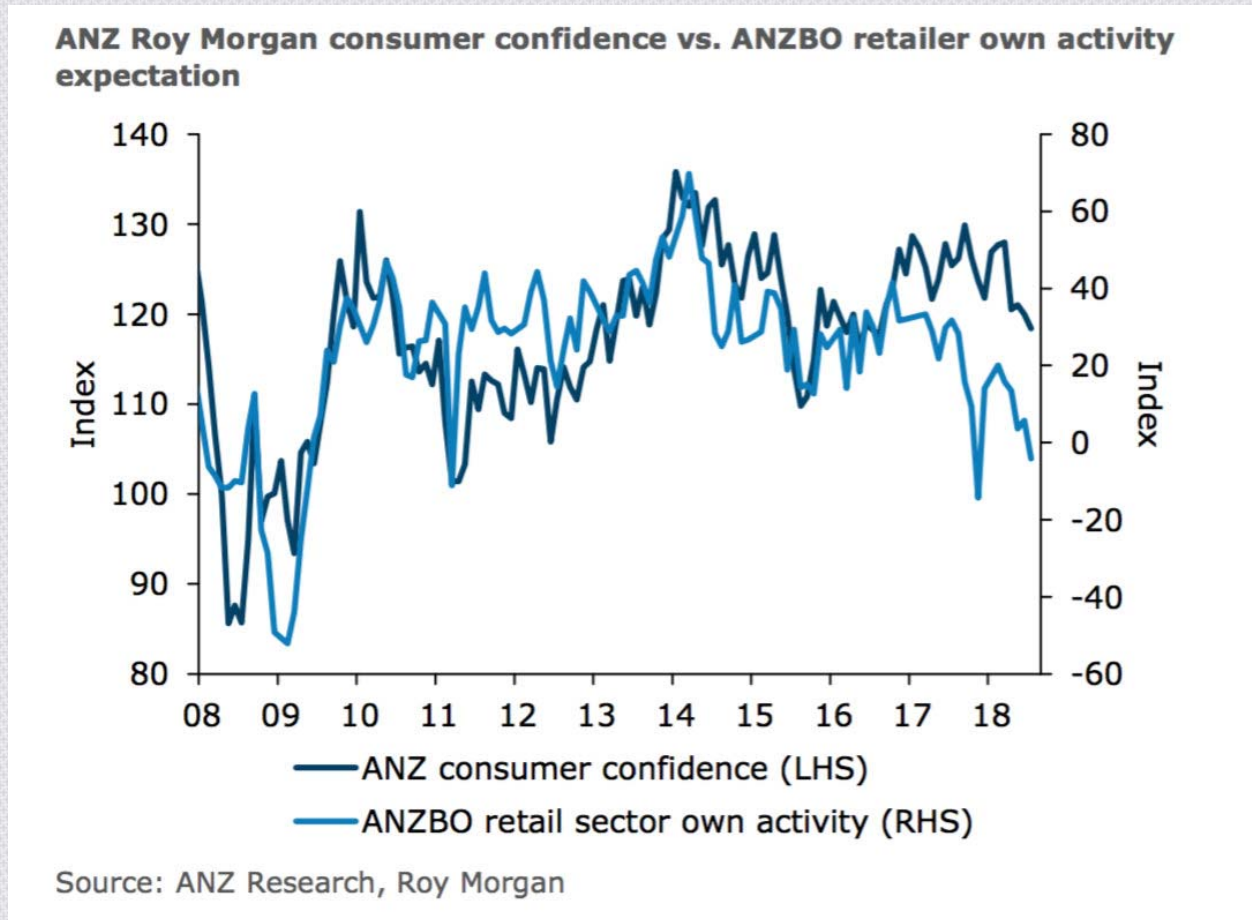
Retail spending growth halved



Source: Stats NZ

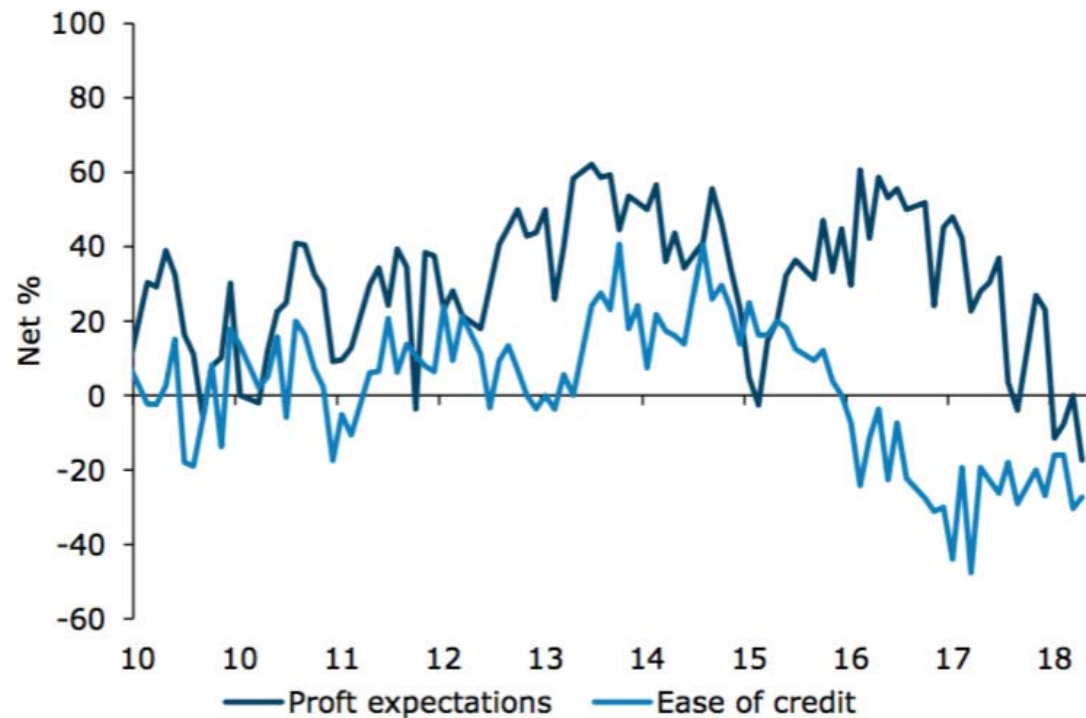
Auckland Chamber, August 6, 2018

Retailer confidence < customers



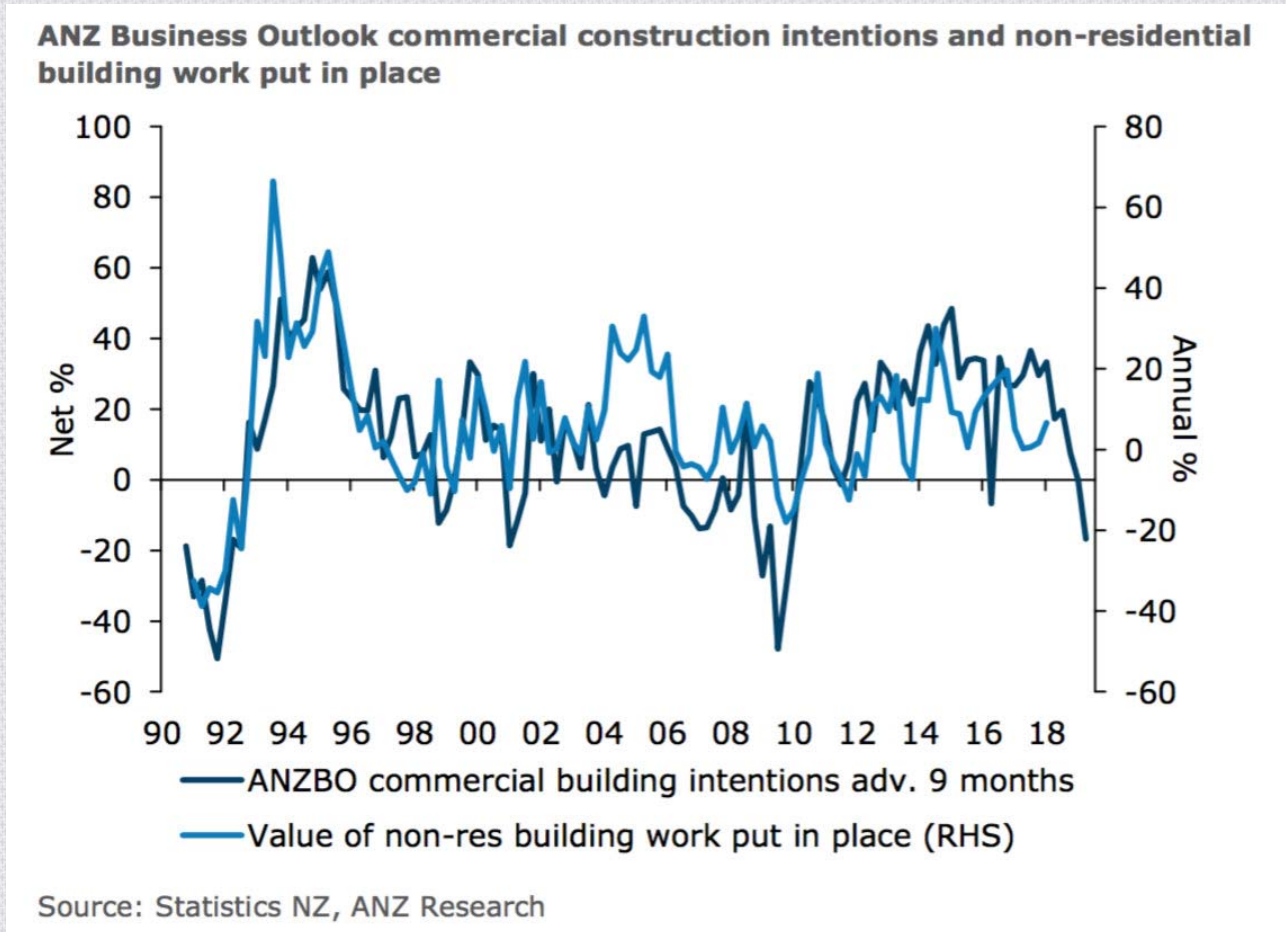
And don't forget the banks...

Figure 1: Profit expectations and ease of credit – construction firms



Source: ANZ Research

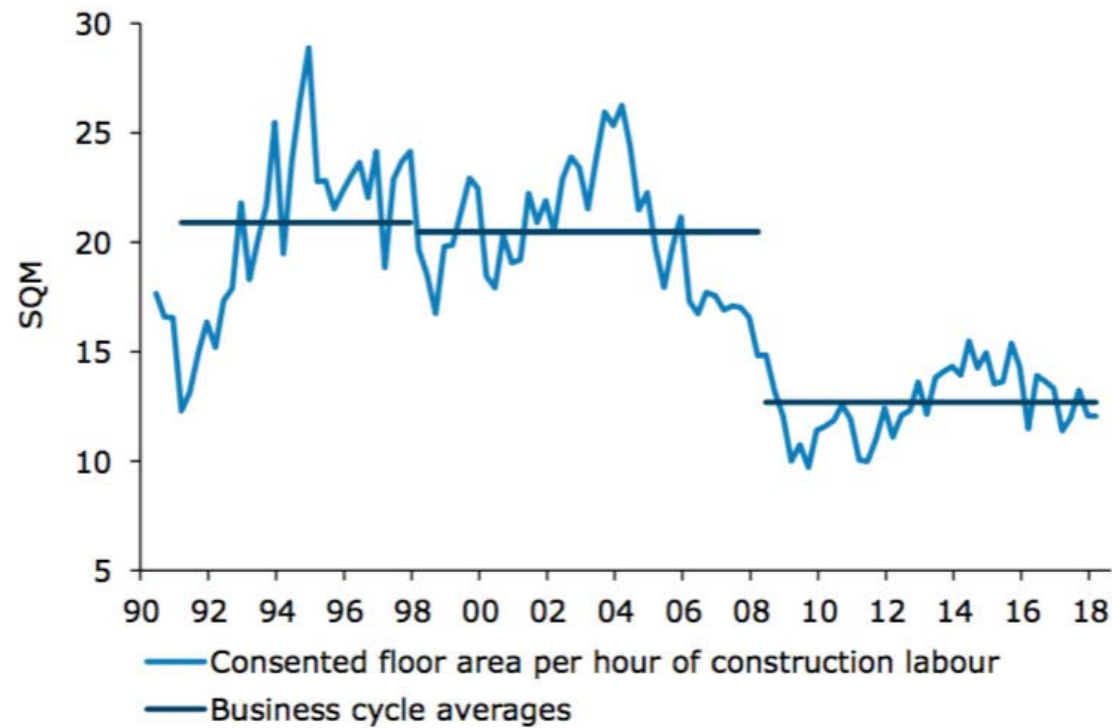
Fletcher, Hawkins, Ebert shocks



Auckland Chamber, August 8, Cordis

Construction productivity crash

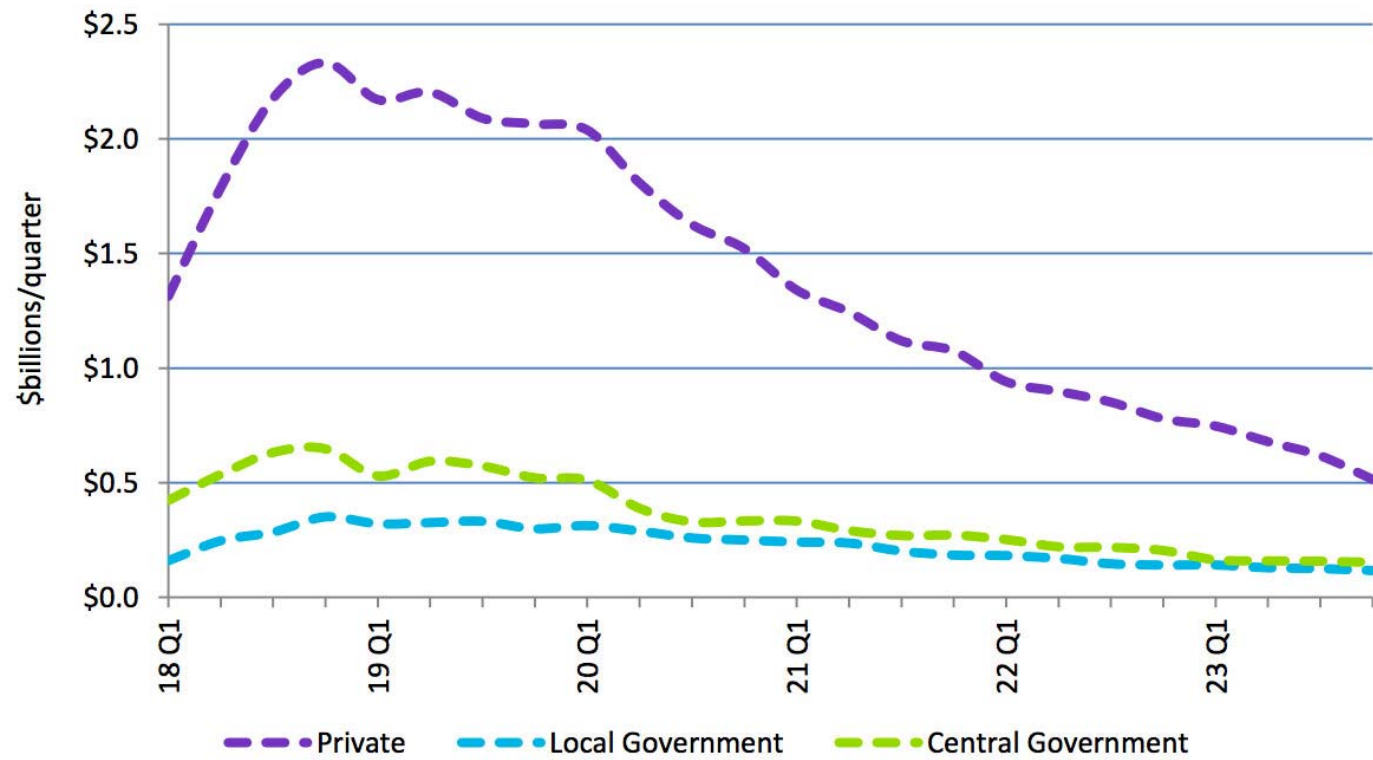
**Figure 2: Floor area per hour of construction work
(based on residential and non-residential consents)**



Source: ANZ Research, Stats NZ

Not much Government help

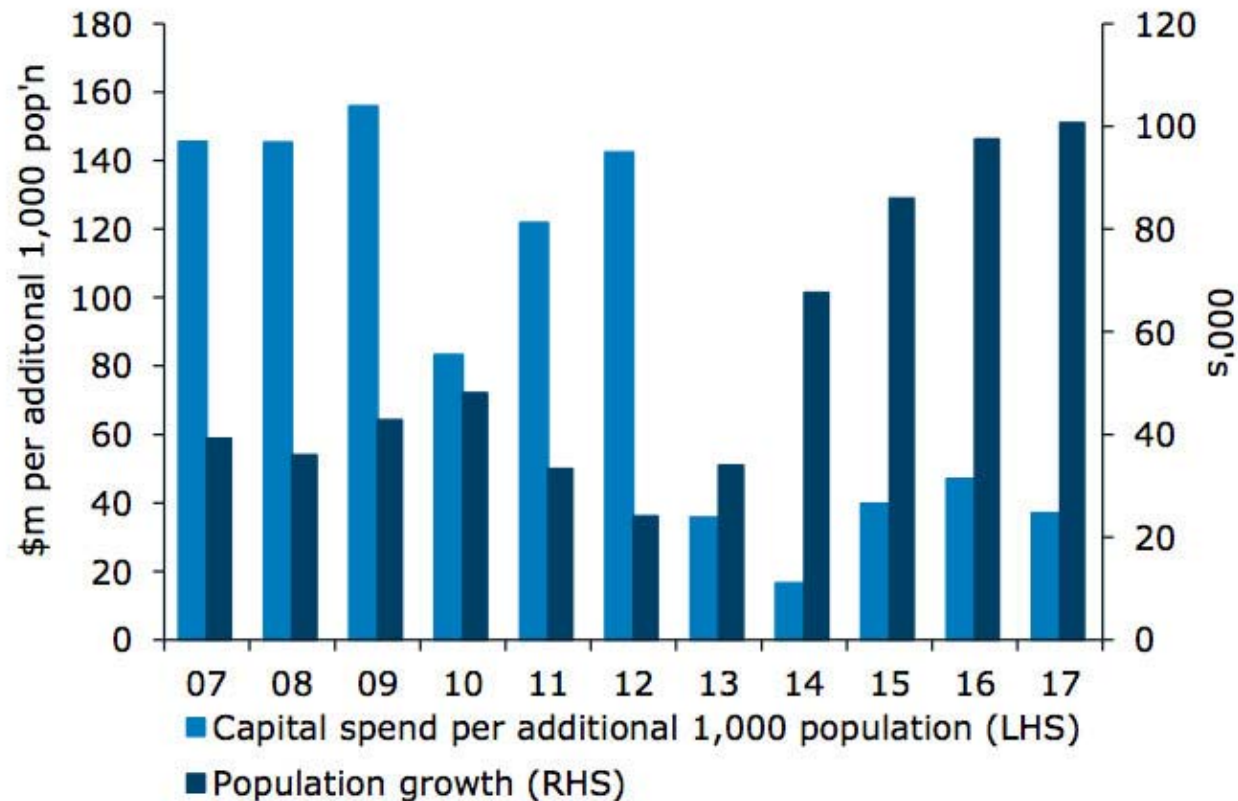
Figure 3-6 Non-residential building intentions, by sector initiator and start date



Source: Pacifecon

So far behind the curve

Figure 1: Net core Crown capital spend per additional 1,000 people and population growth (fiscal years)

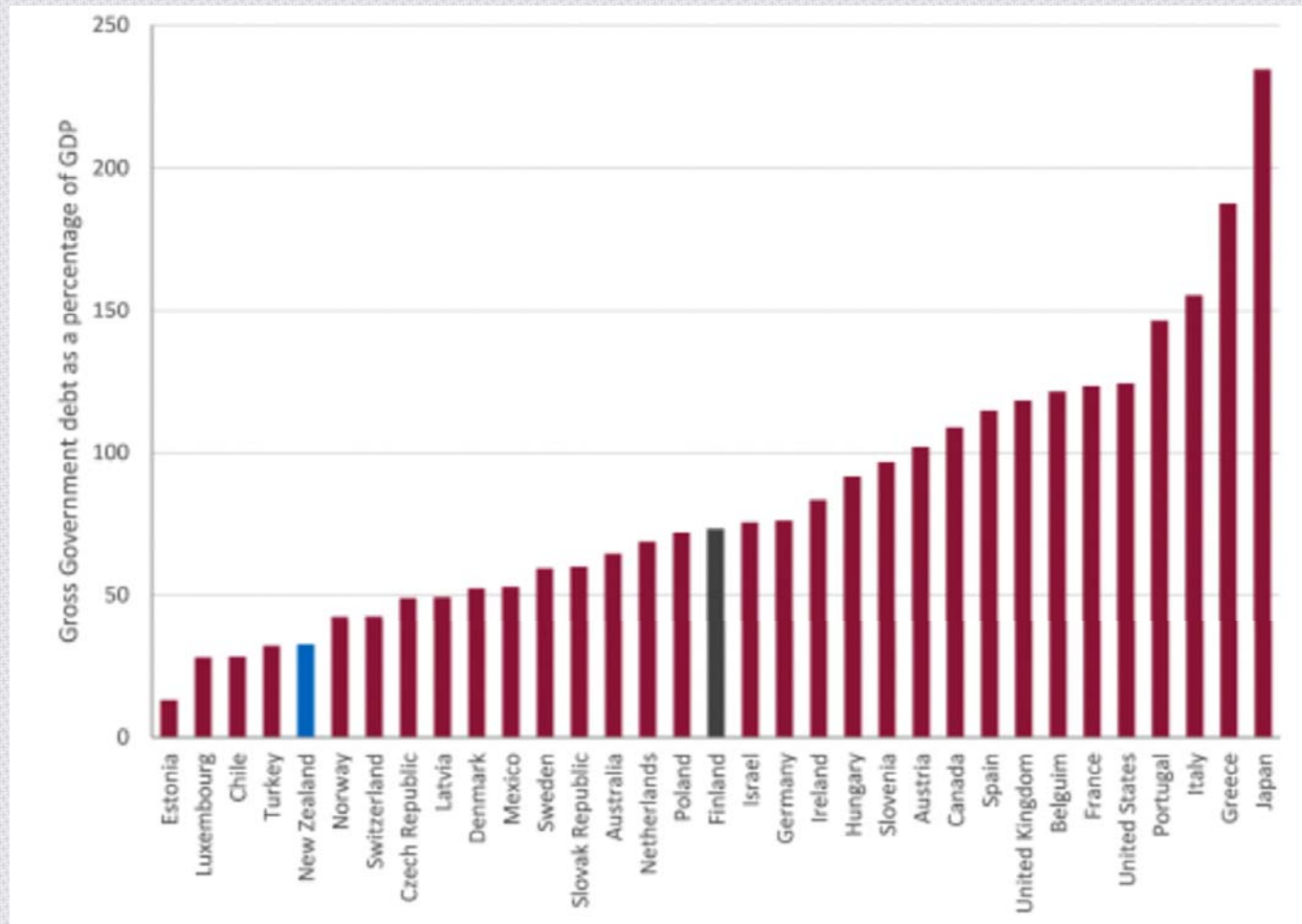


Source: The Treasury, ANZ Research

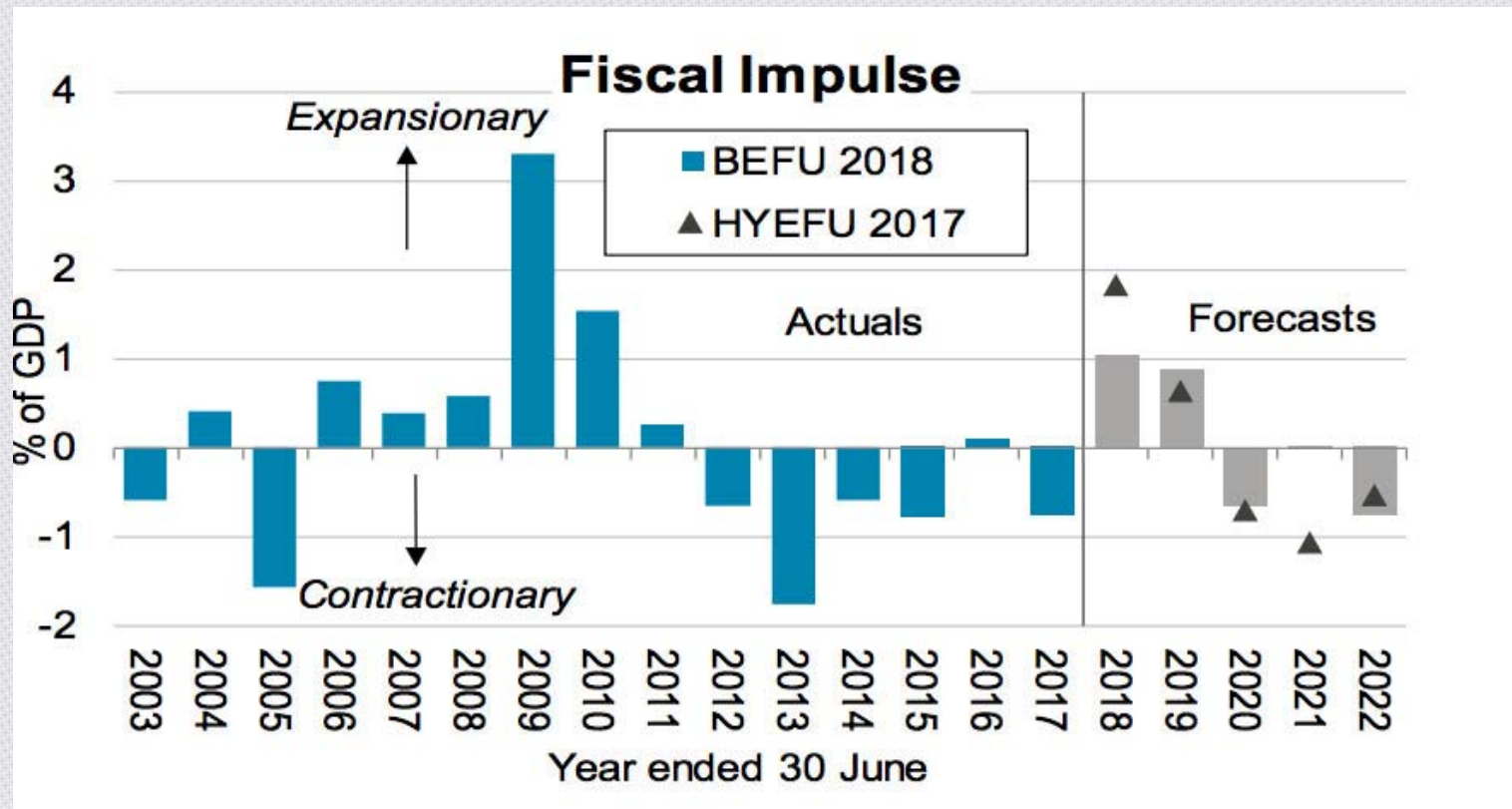
Unbroken promise = missed chance



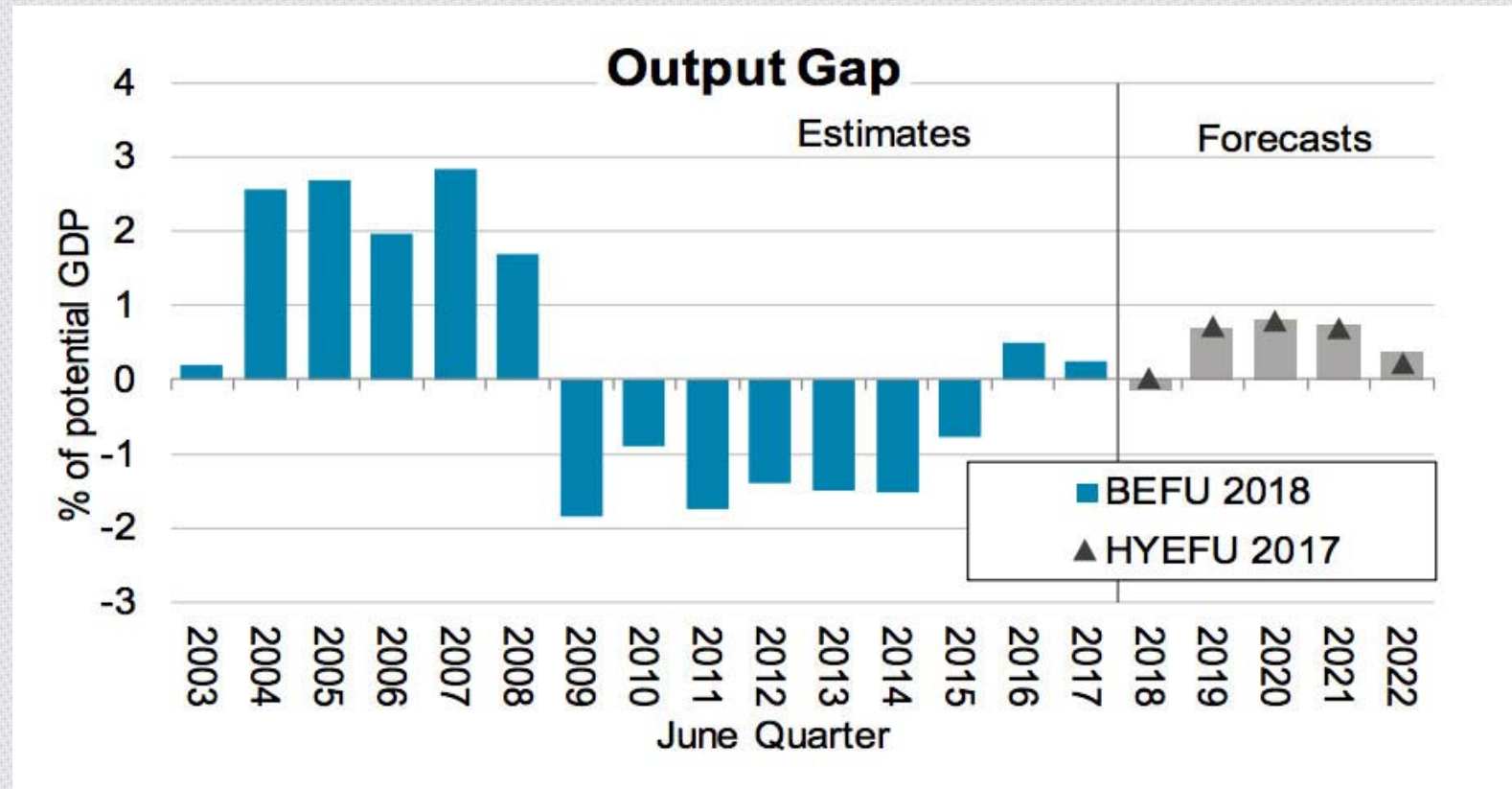
Debt much lower than the rest



A neutral fiscal impulse



Nowhere near as stimulatory

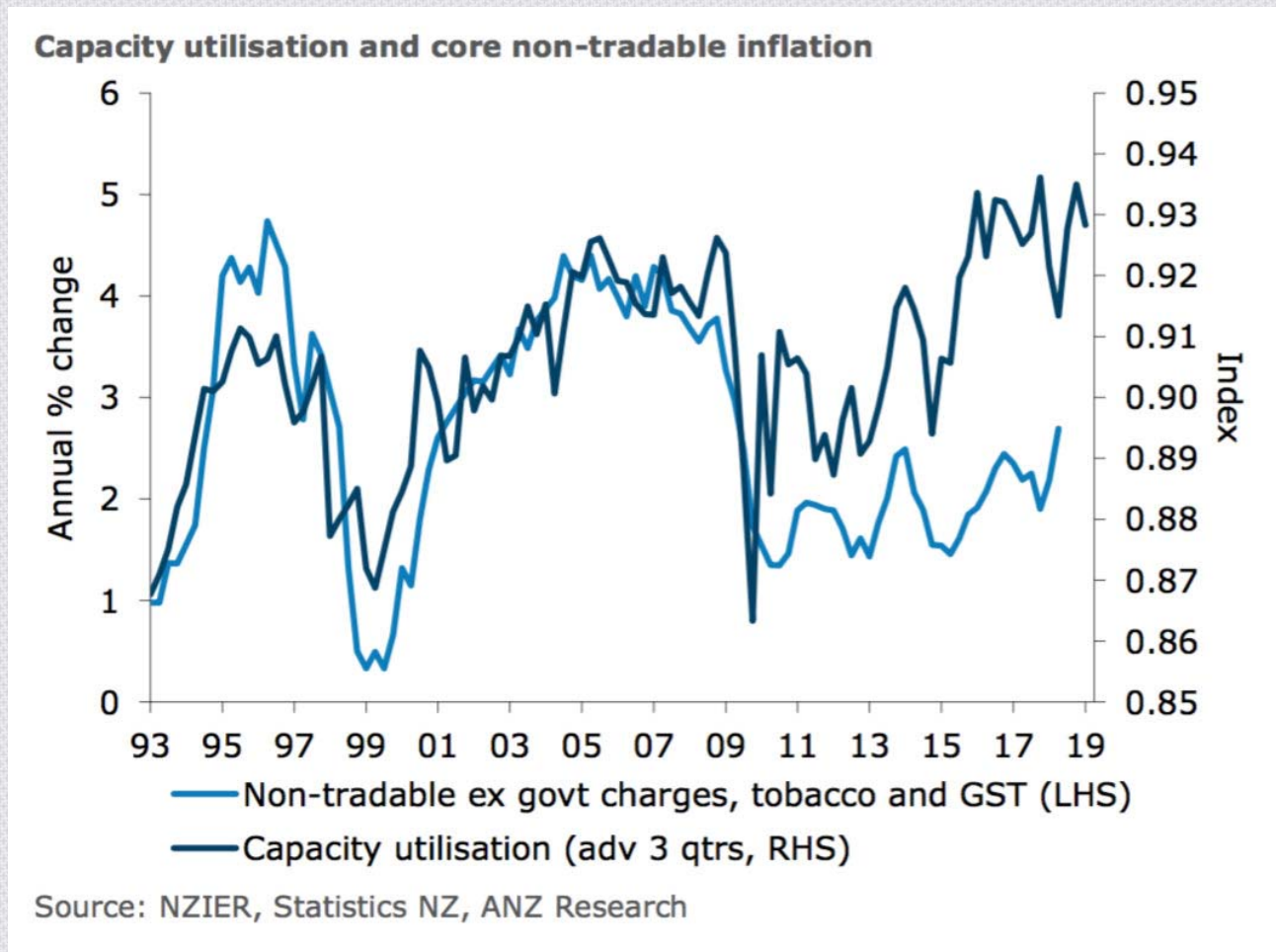


Money in and money out



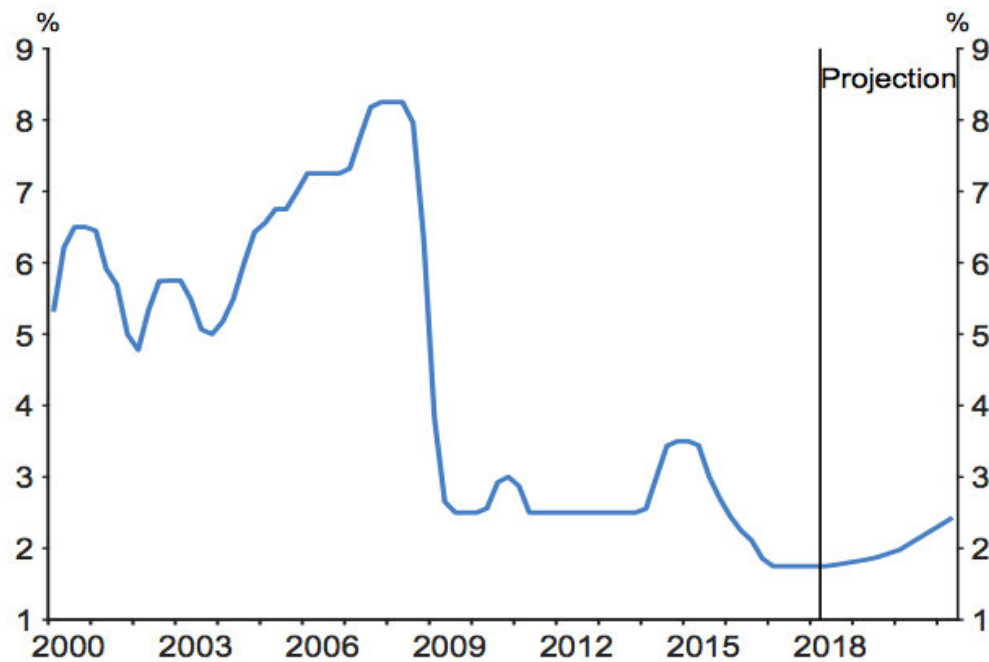
- Growth, inflation outlooks benign
- Asset prices well supported
- By money printing to buy bonds
- By starved infrastructure
- By too-big-to-fail policies
- By still-growing Asian middle class
- NZ in a global sweet spot
- Auckland in the sweetest core
- Timidity and fear the main risk

But still no inflation...



So no rate hikes til...2020?

Figure 2.4
Official Cash Rate



Source: RBNZ estimates.

- Barely any fiscal or monetary policy changes, or capital tax changes
- No plans for change before 2020
- Minimum wage rising to \$20/hour
- 3 percent of wages influenced
- Outside of minimum wage and pay equity settlements
- Wage inflation 1.6 % in June quarter vs 2.1% headline

What to watch:

- Growth slowing to 2% from 3%
- Trump's trade war rhetoric
- China's slowing economy, falling currency and indebted firms
- Wage inflation more broadly
- Brexit and the European mess
- Whether the Fed keeps hiking
- When Japan and EU stop printing

QUESTIONS

BERNARD HICKEY

