

AUCKLAND BUSINESS

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PRESENTS

# BUSINESS UPDATE

 BUSINESS UPDATE

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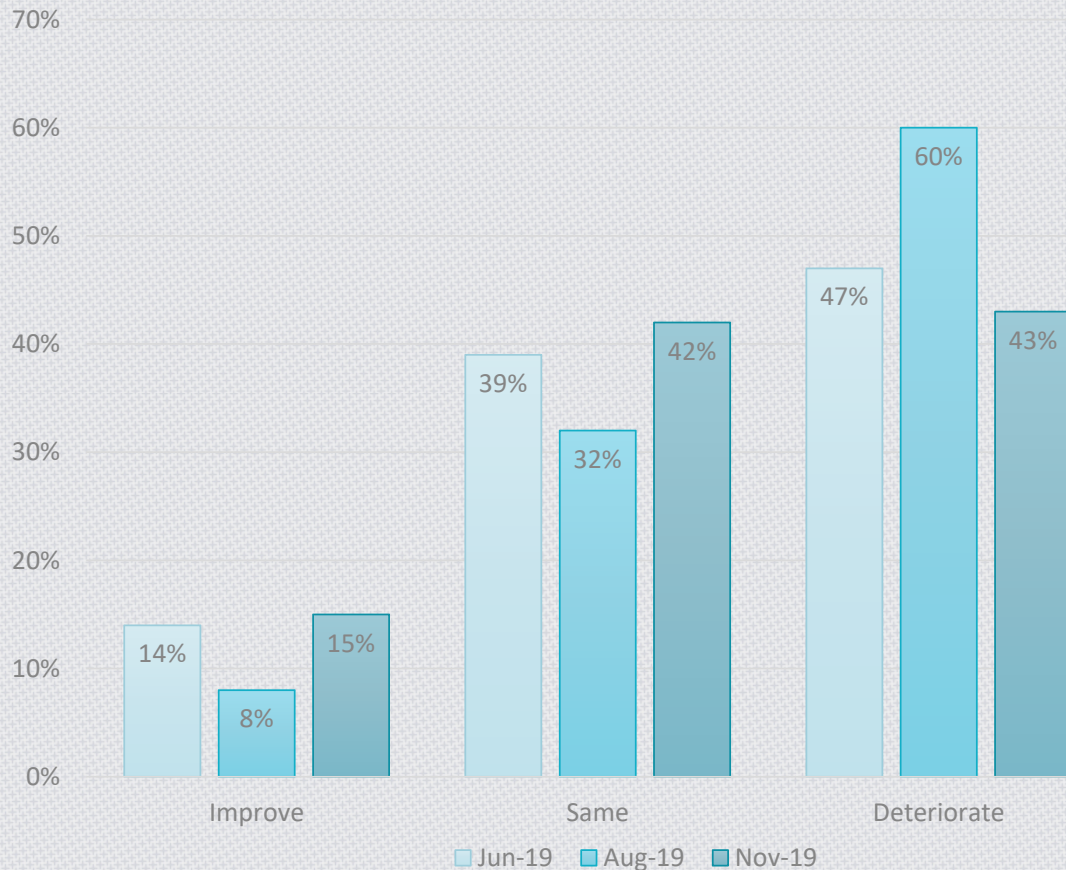
CORDIS  
HOTELS & RESORTS  
AUCKLAND

**MICHAEL BARNETT**

**CEO AUCKLAND CHAMBER**



# GENERAL BUSINESS SITUATION IN NZ



**NOVEMBER 2019**

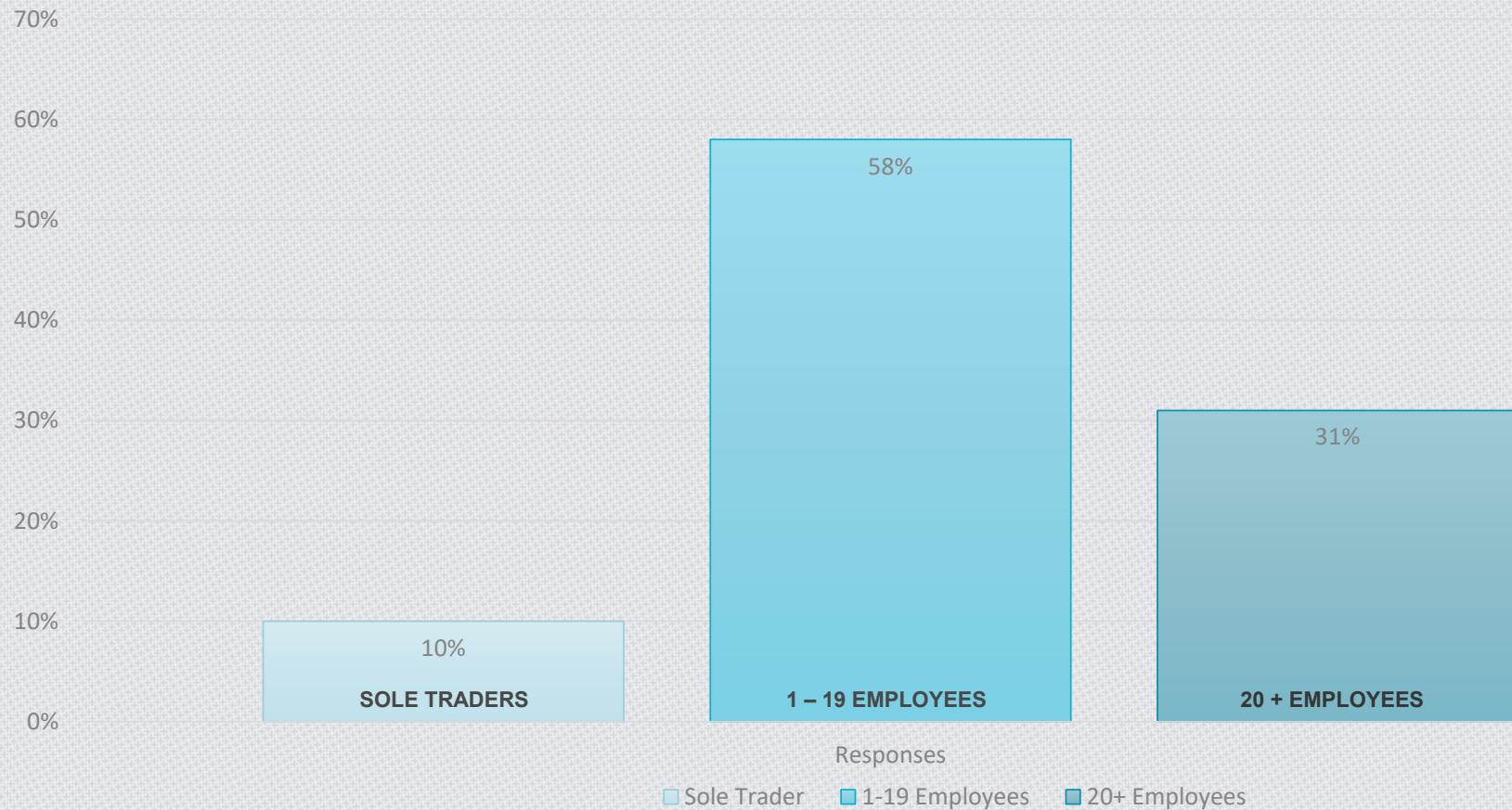
**15%** IMPROVE

**42%** SAME

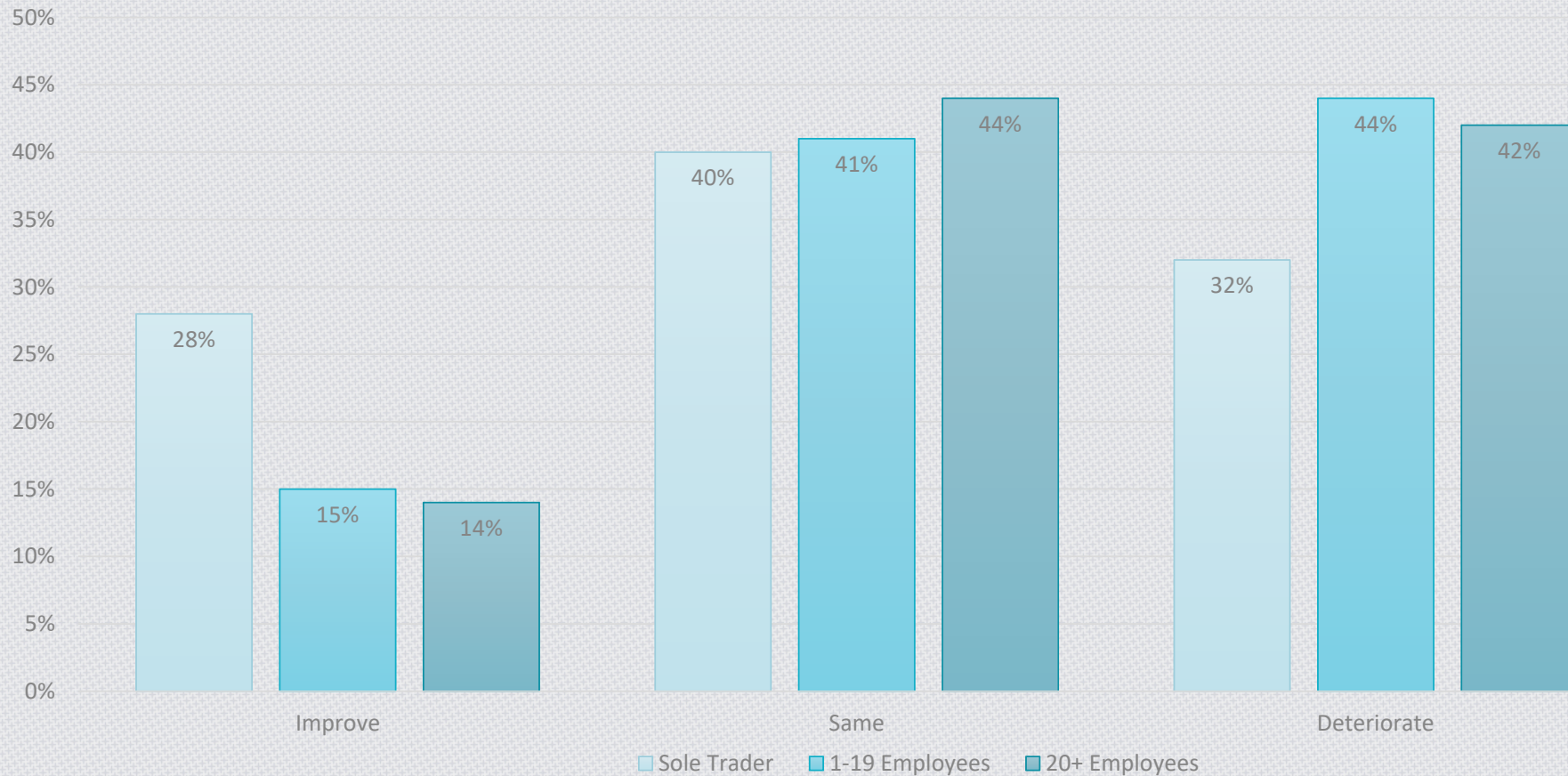
**43%** DETERIORATE



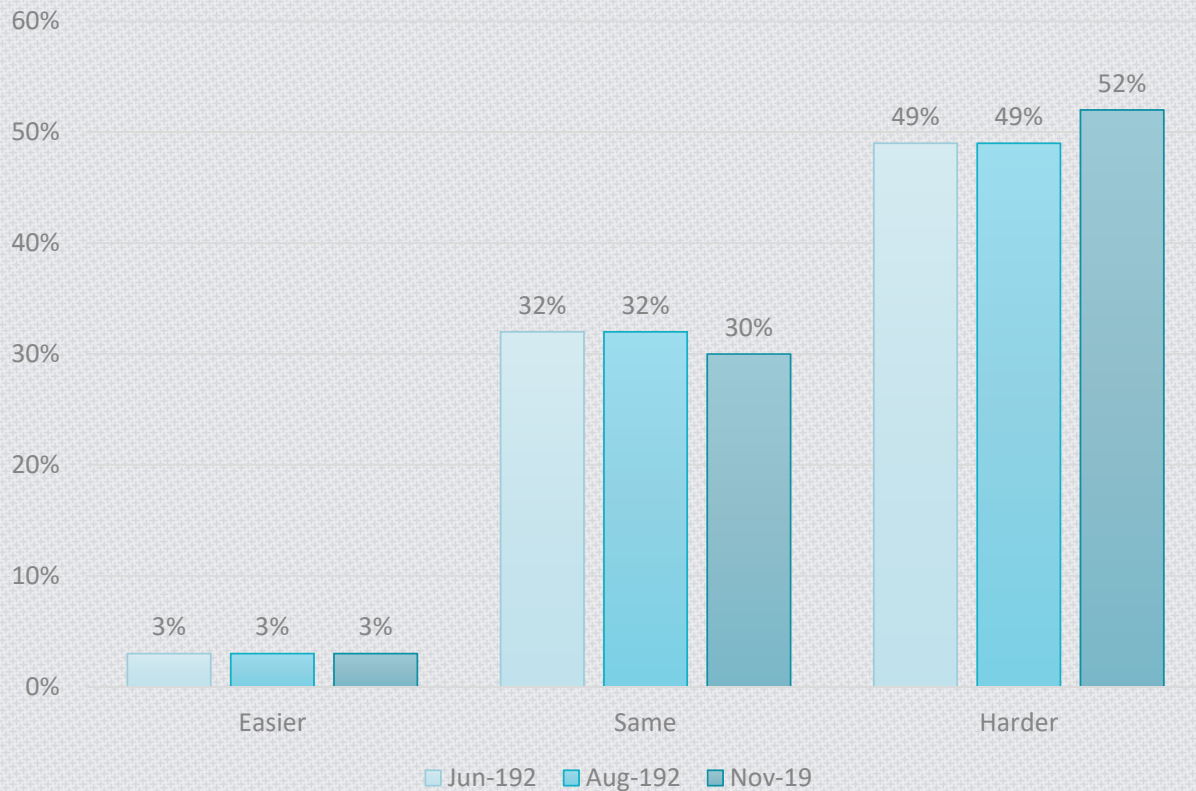
# ■ SIZE OF BUSINESS SURVEYED



# BREAKDOWN BY BUSINESS SIZE



# FINDING SKILLED STAFF



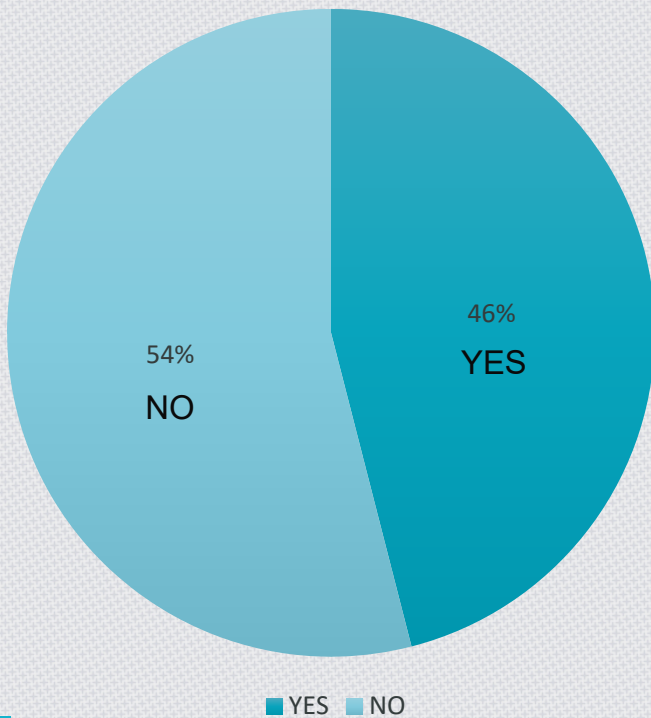
**NOVEMBER 2019**

**3%** EASIER  
**30%** SAME  
**52%** HARDER

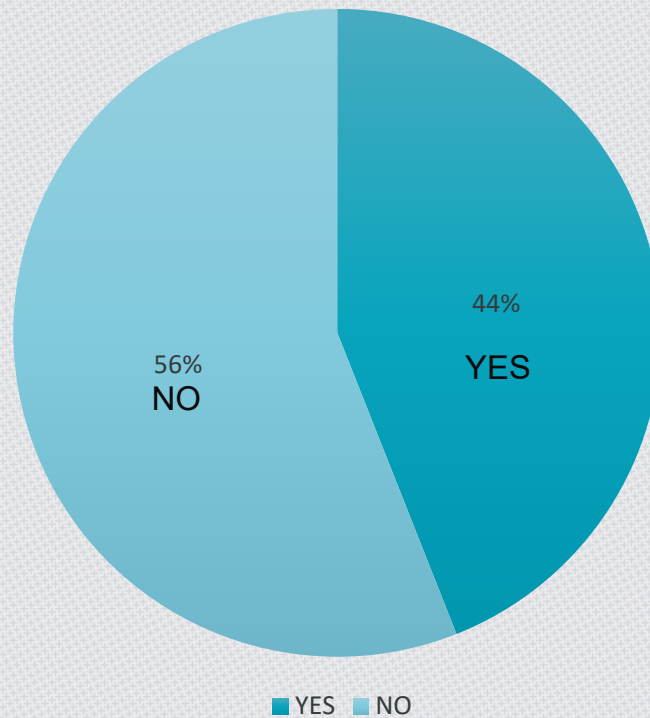


# RECRUITING NOW

Mar-19



Jun-19



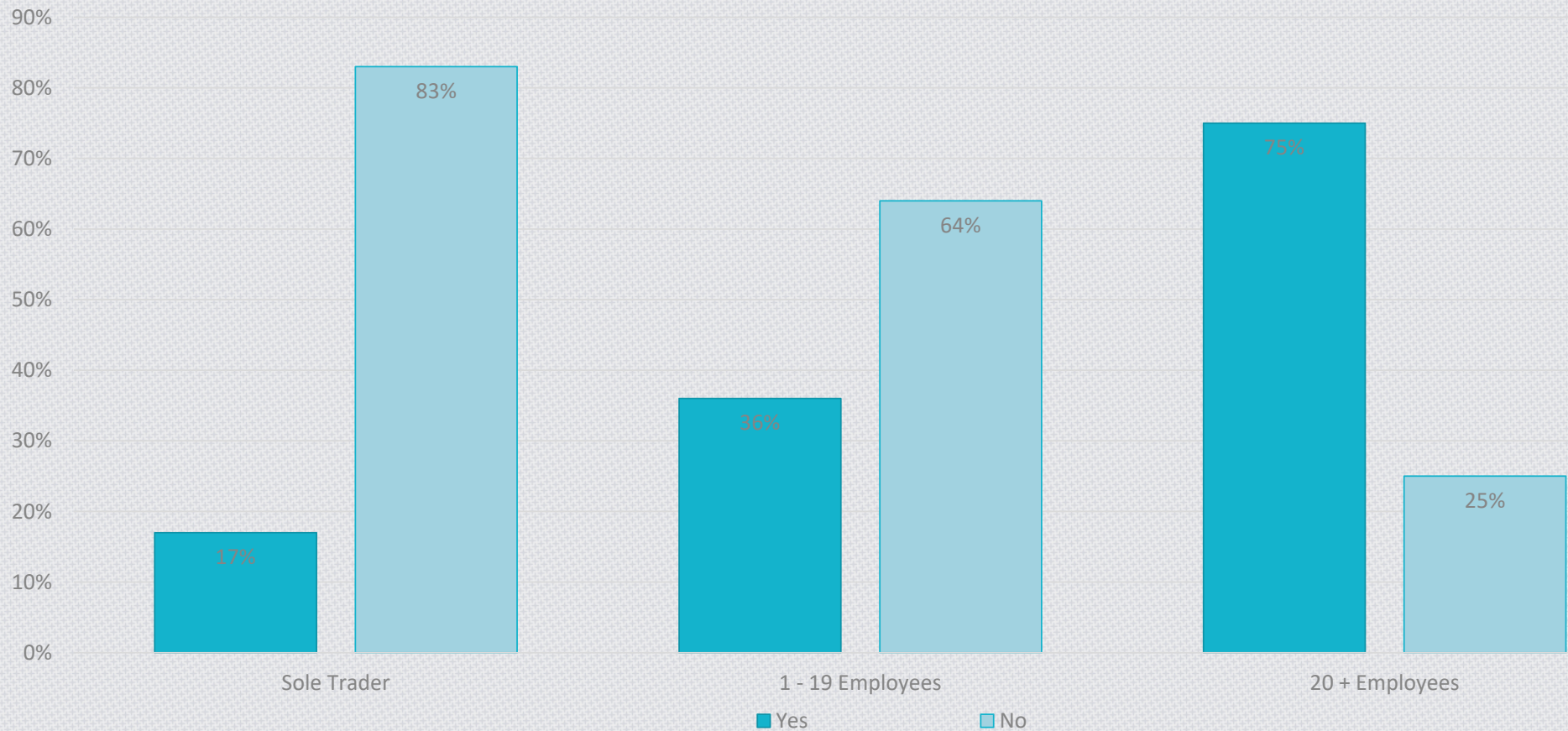
**NOVEMBER 2019**

**47% YES**

**53% NO**



# RECRUITING NOW - BY SIZE

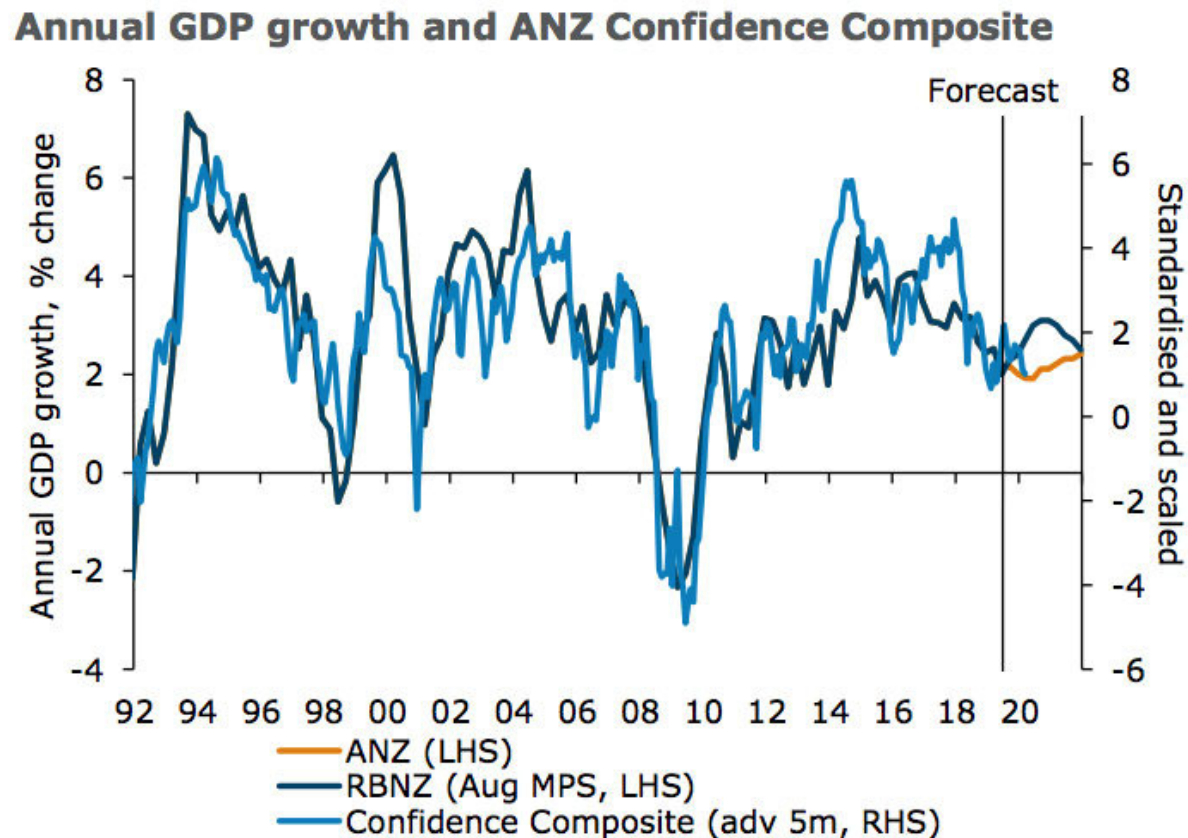


**BERNARD HICKEY**

**newsroom.pro**



# A slight re-heating ahead of summer



Source: Statistics NZ, Roy Morgan, RBNZ, ANZ Research

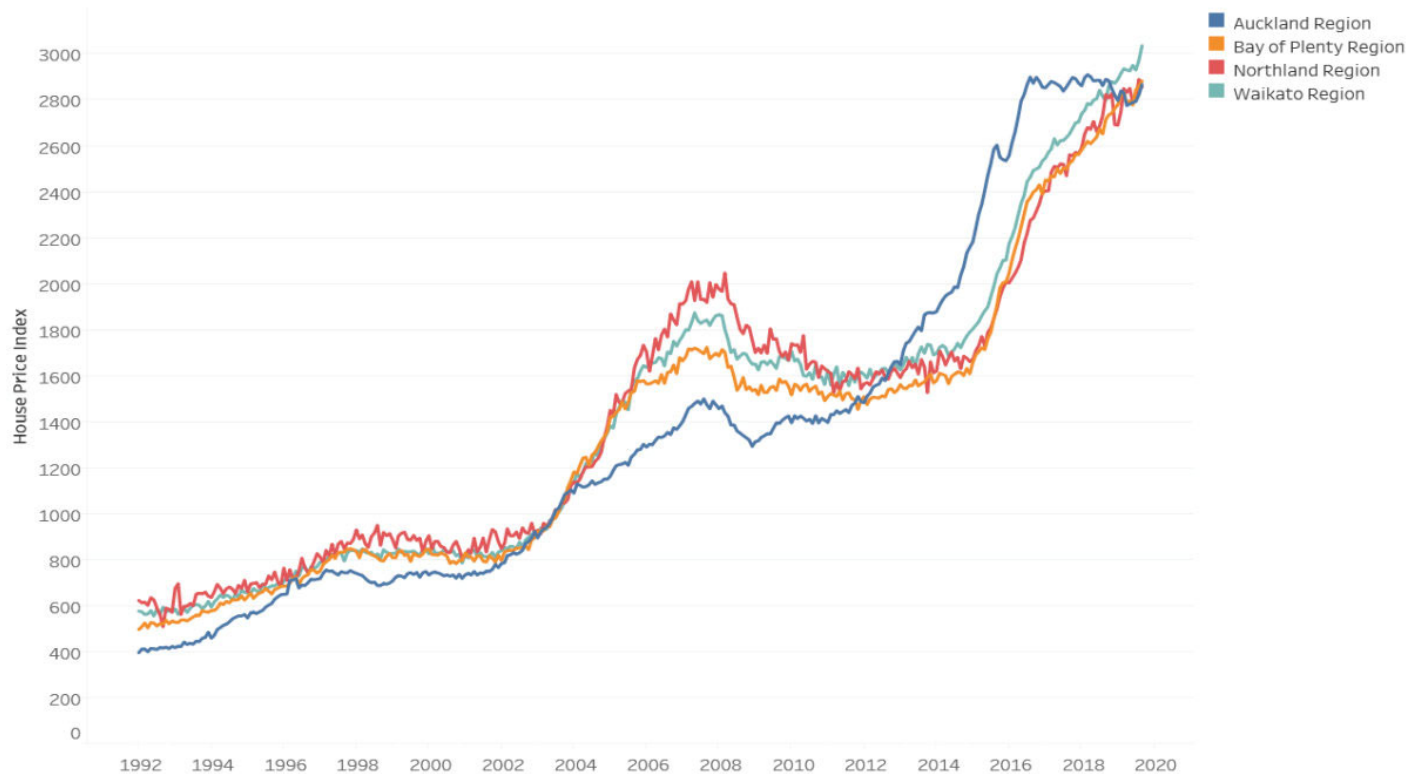
- Lower interest rates
- Likely LVR loosening
- US rate cut
- Lull in America vs China trade dispute
- NZ does China FTA (mini) upgrade
- RCEP deal done, although without India
- Better than a kick in the teeth
- Brexit hanging around like a bad smell
- That will NEVER blow away
- Now a soap opera with no happy ending
- Watch for RBNZ cut/HYEFU stimuli



# Upper North Island House Price Indices

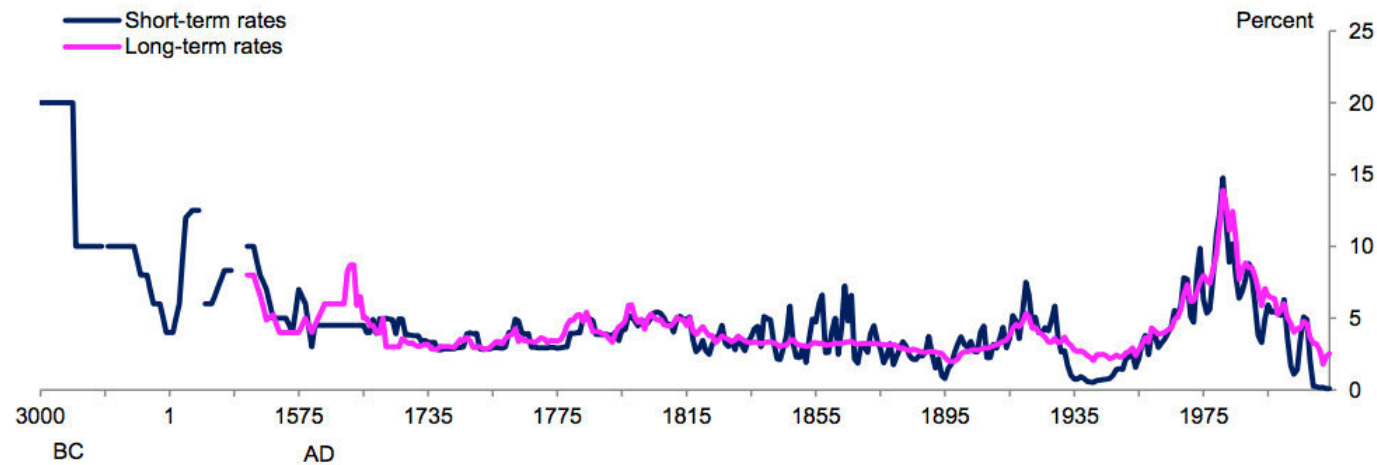


## UPPER NORTH ISLAND REGIONAL HOUSE PRICE INDICIES



# Maybe not so amazing actually

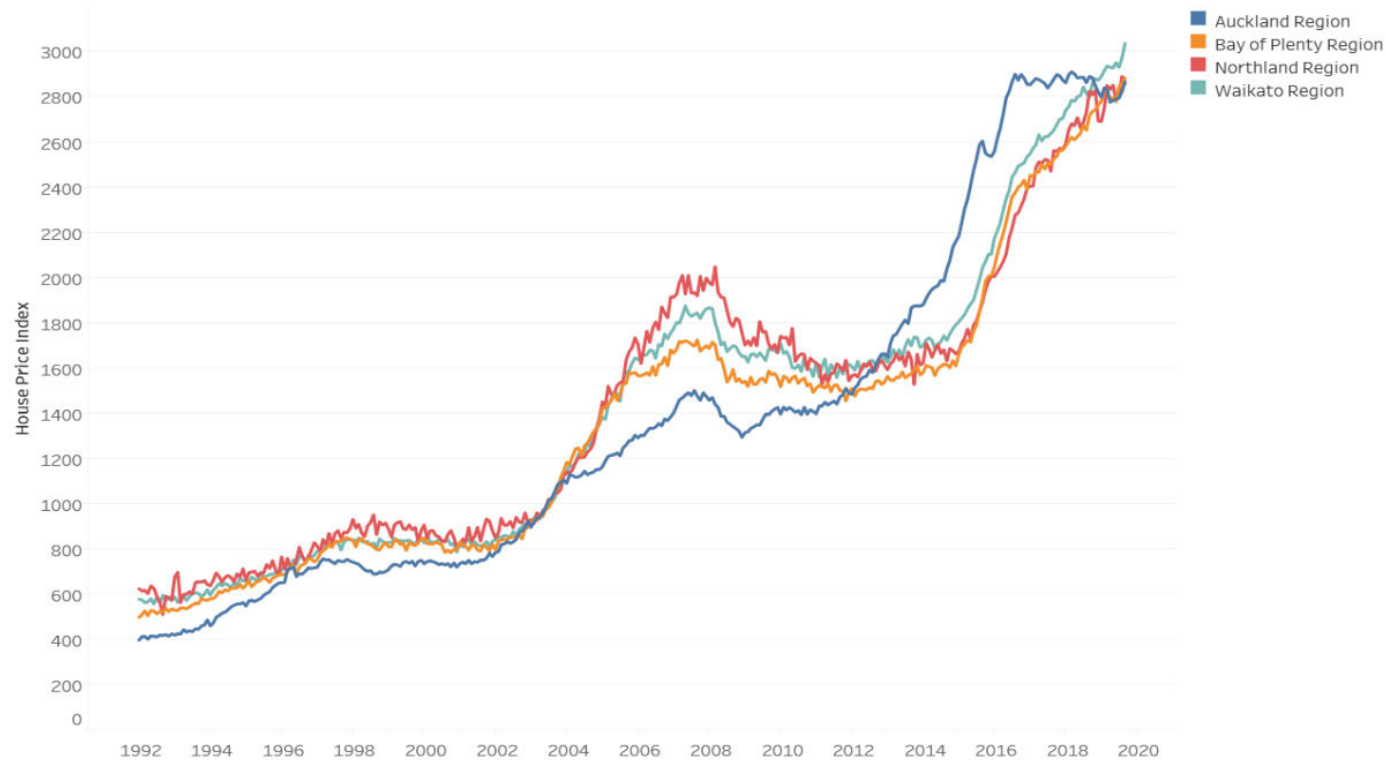
Chart 5: Short and long-term interest rates



# Upper North Island House Price Indices



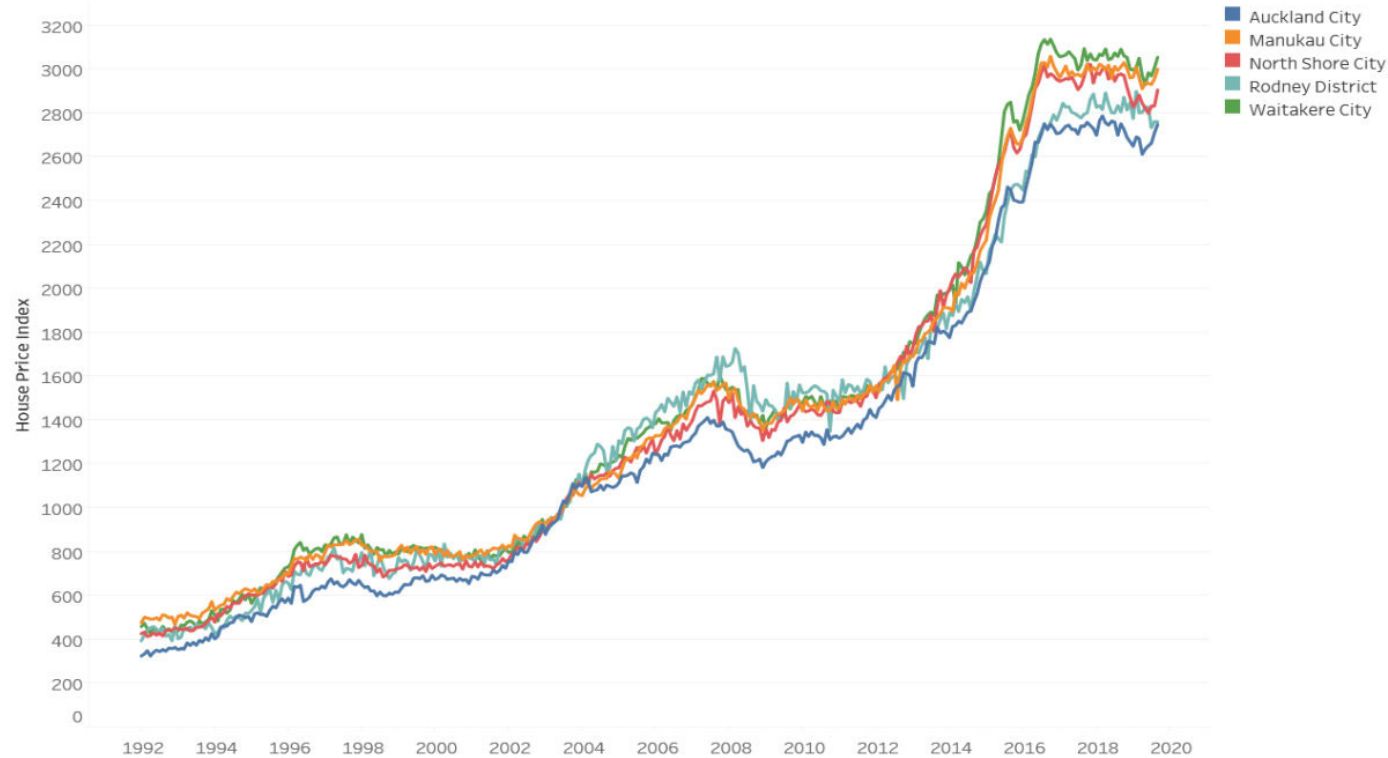
## UPPER NORTH ISLAND REGIONAL HOUSE PRICE INDICIES



# Auckland City is where it stalled



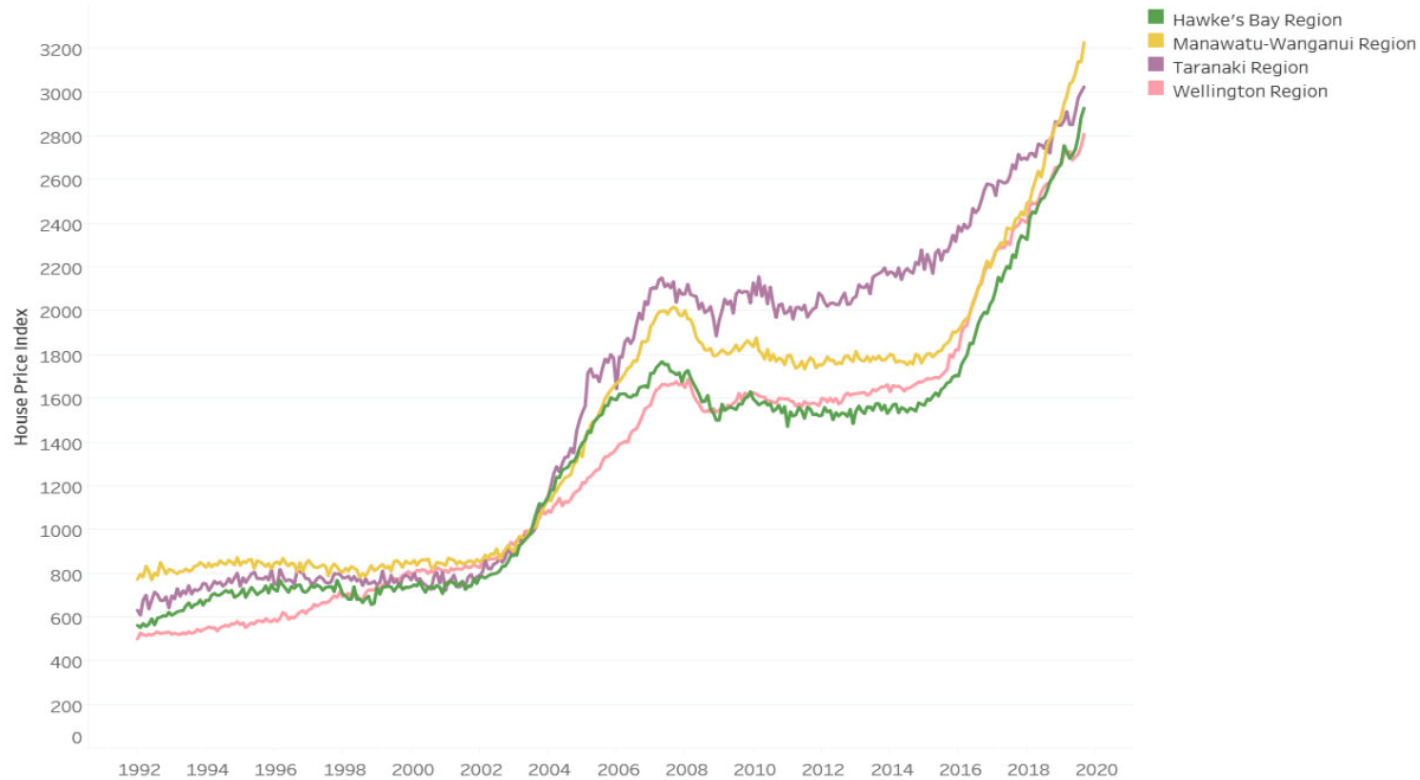
## AUCKLAND COUNCILS HOUSE PRICE INDICIES



# Lower North Island House Price Indices



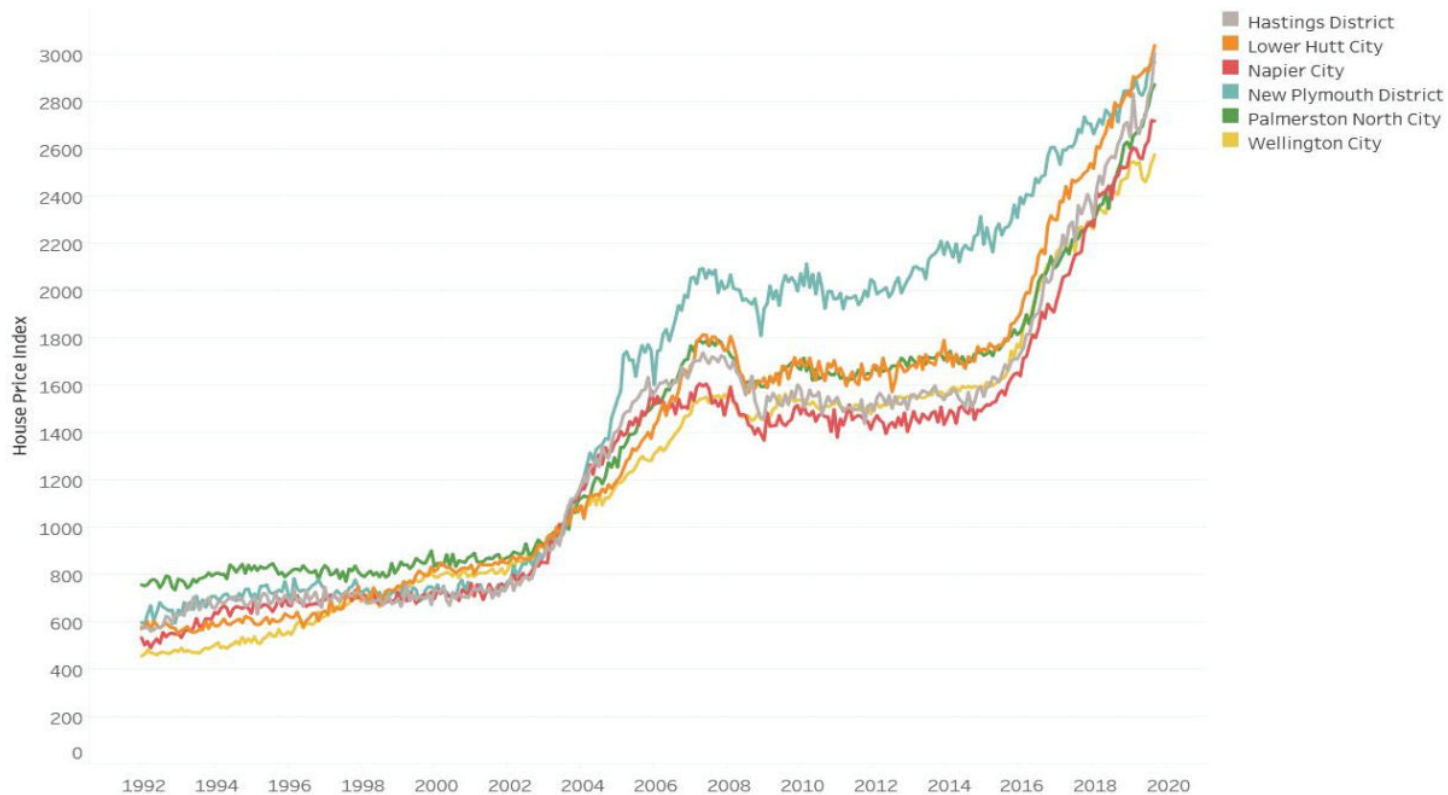
## LOWER NORTH ISLAND REGIONAL HOUSE PRICE INDICIES



# Napier and Hastings are hot, hot, hot



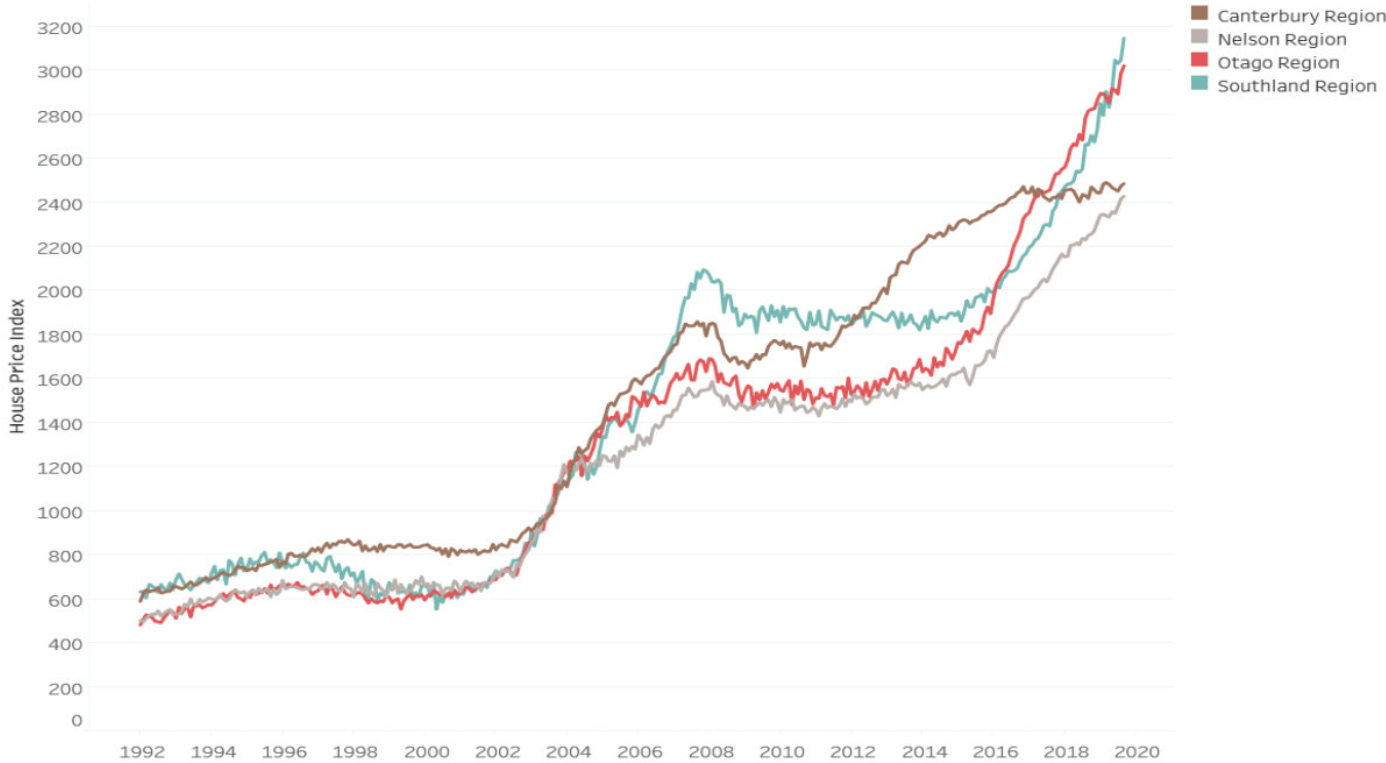
## LOWER NORTH ISLAND COUNCIL HOUSE PRICE INDICIES



# South Island House Price Indices



## SOUTH ISLAND REGIONAL HOUSE PRICE INDICIES



# NZ (up 3%) Ex-AKL 17% up since election

House Price Index	Index Level	1 Month	3 Months	1 Year	5 Years*
New Zealand	2761	0.2%	0.7%	1.5%	8.0%
NZ excl. Auckland	2739	0.4%	0.8%	5.9%	8.9%
<b>Auckland</b>	2789	0.1%	0.5%	-3.3%	7.0%
Rodney District	2732	-3.5%	-2.5%	-2.4%	6.9%
North Shore City	2826	1.3%	-0.6%	-4.0%	6.3%
Waitakere City	2964	-0.6%	-0.1%	-3.5%	7.1%
Auckland City	2654	0.2%	1.7%	-3.7%	7.0%
Manukau City	2935	0.0%	0.9%	-2.5%	7.5%
Papakura District	3030	2.4%	-0.6%	-2.0%	9.0%
Franklin District	3077	0.9%	0.1%	-0.4%	7.6%
<b>Other North Island</b>					
Whangarei District	2877	0.5%	-1.5%	5.8%	11.1%
Hamilton City	2970	-0.1%	1.4%	3.0%	10.3%
Tauranga City	2704	2.3%	2.5%	5.8%	11.3%
Rotorua District	3317	4.4%	5.5%	9.5%	14.7%
Hastings District	2835	3.4%	6.5%	10.4%	13.5%
Napier City	2637	0.9%	3.0%	10.6%	12.1%
New Plymouth District	2964	3.6%	4.6%	9.2%	6.2%
Palmerston North City	2797	1.7%	4.2%	14.5%	10.5%
<b>Wellington</b>	2715	0.1%	-0.5%	5.8%	10.5%
Porirua City	2645	-5.6%	-1.9%	3.0%	10.3%
Upper Hutt City	3141	0.0%	1.0%	12.2%	11.9%
Lower Hutt City	2919	-1.1%	0.4%	8.6%	11.8%
Wellington City	2490	1.0%	-2.1%	2.7%	9.4%
<b>South Island</b>					
Nelson City	2306	-0.6%	-0.2%	8.6%	9.5%
Christchurch City	2335	-0.6%	-1.3%	0.6%	1.3%
Queenstown-Lakes District	2553	-5.0%	-1.7%	1.6%	13.4%
Dunedin City	3206	1.4%	3.7%	15.1%	11.1%
Invercargill City	3043	2.3%	7.9%	21.7%	11.0%

Source: REINZ

\* = Compound Growth Rate

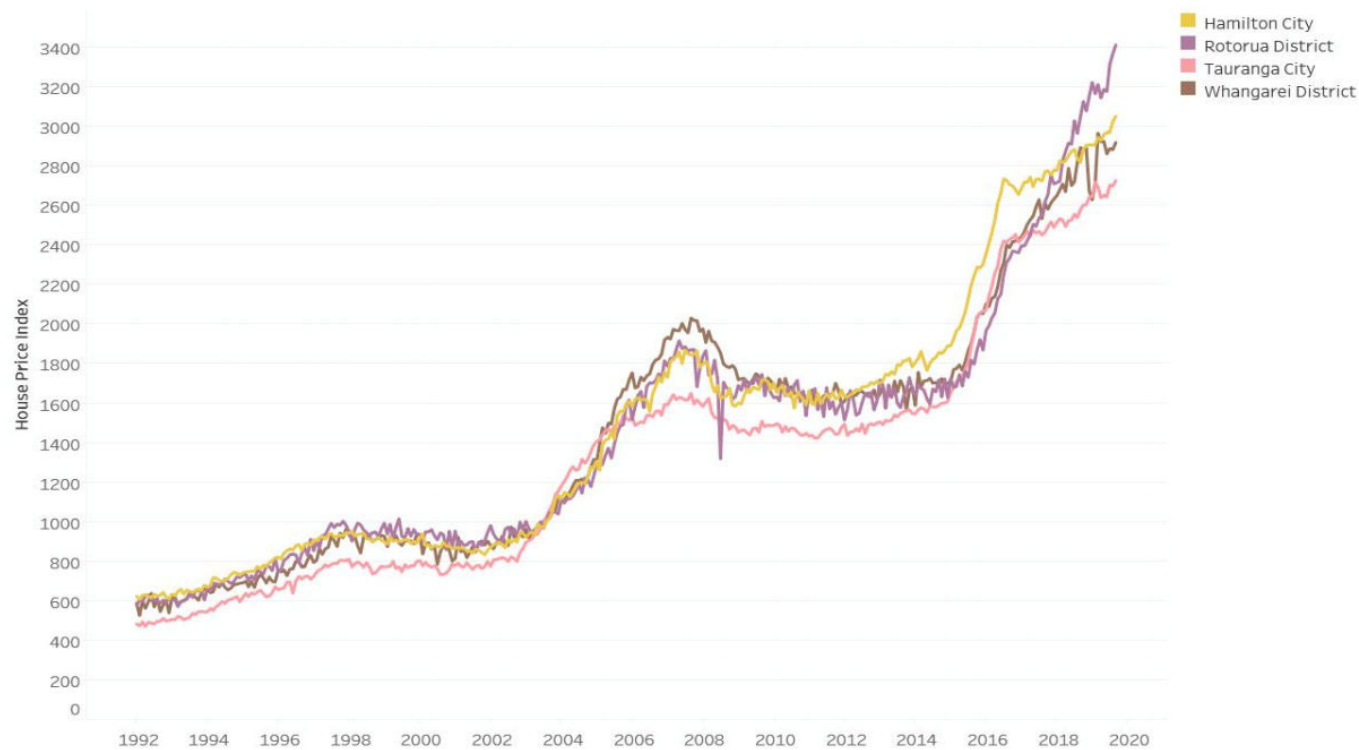
- Ardern abandoned CGT for all time
- Kiwibuild didn't get started
- Light rail is delayed, along with new homes
- Councils don't want more debt
- To build infrastructure for housing
- Ratepayers who vote hate rate increases
- Not keen on extra people
- But love the tax-free capital gains
- Results in no infrastructure + new people
- Good chance asset prices keep rising



# Rotorua is on (real estate) fire



UPPER NORTH ISLAND (EX-AUCKLAND) COUNCIL HOUSE PRICE INDICIES



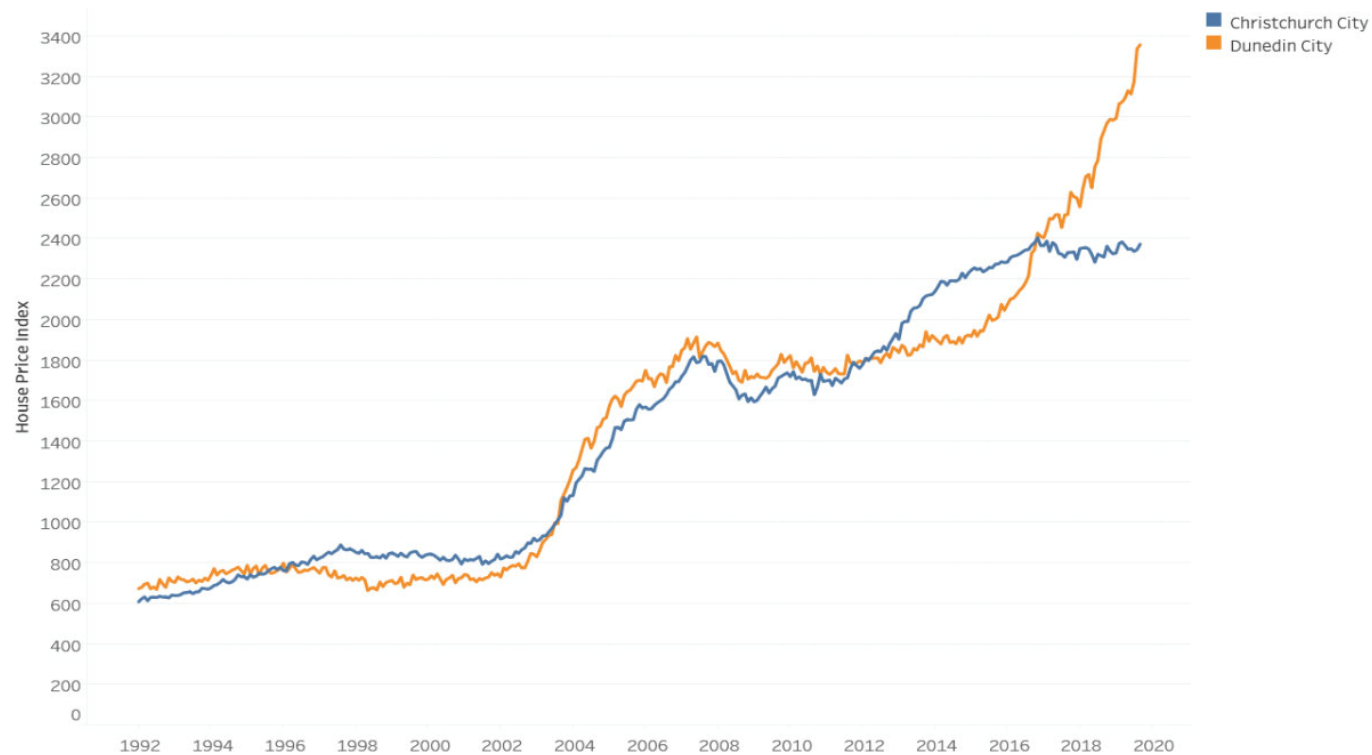
# Rotorua motel for \$4.1m. MSD paid \$5.2m for Rotovegas rooms Jan-June



# Dunedin hotter than Christchurch



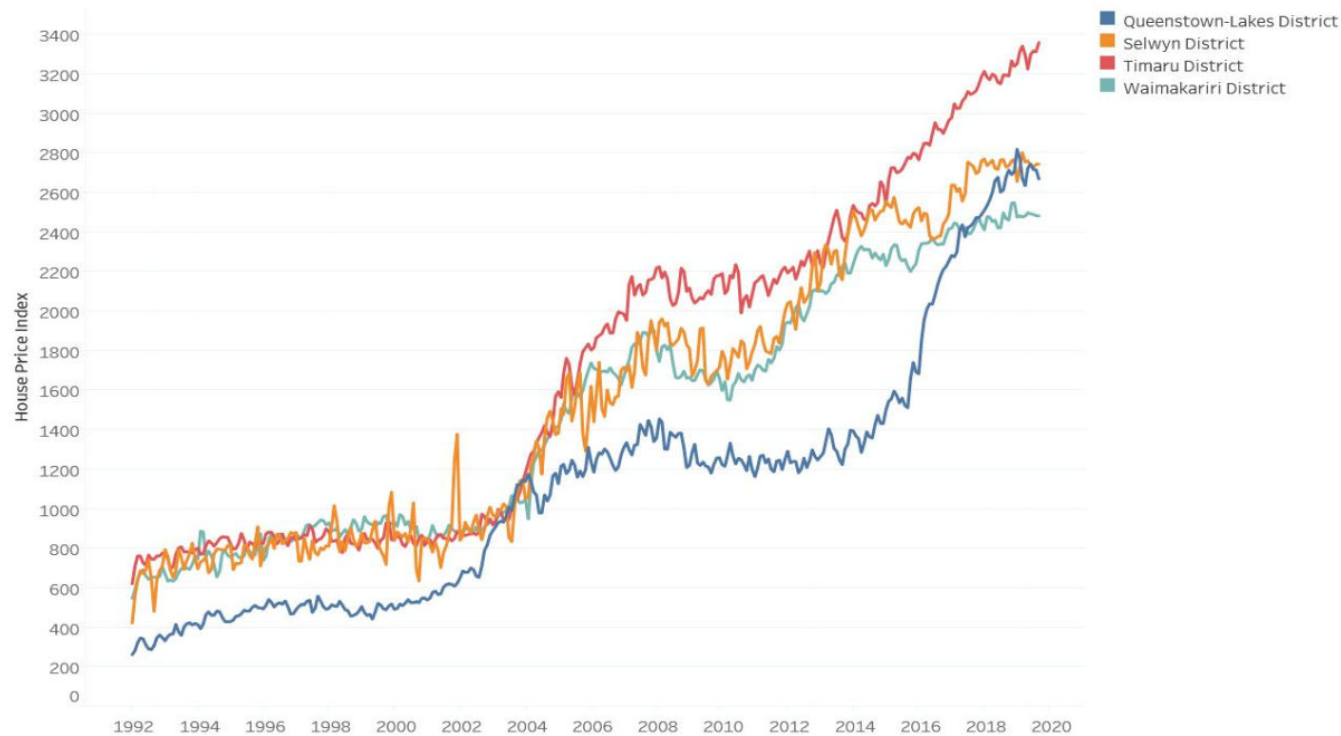
## SOUTH ISLAND COUNCIL HOUSE PRICE INDICIES



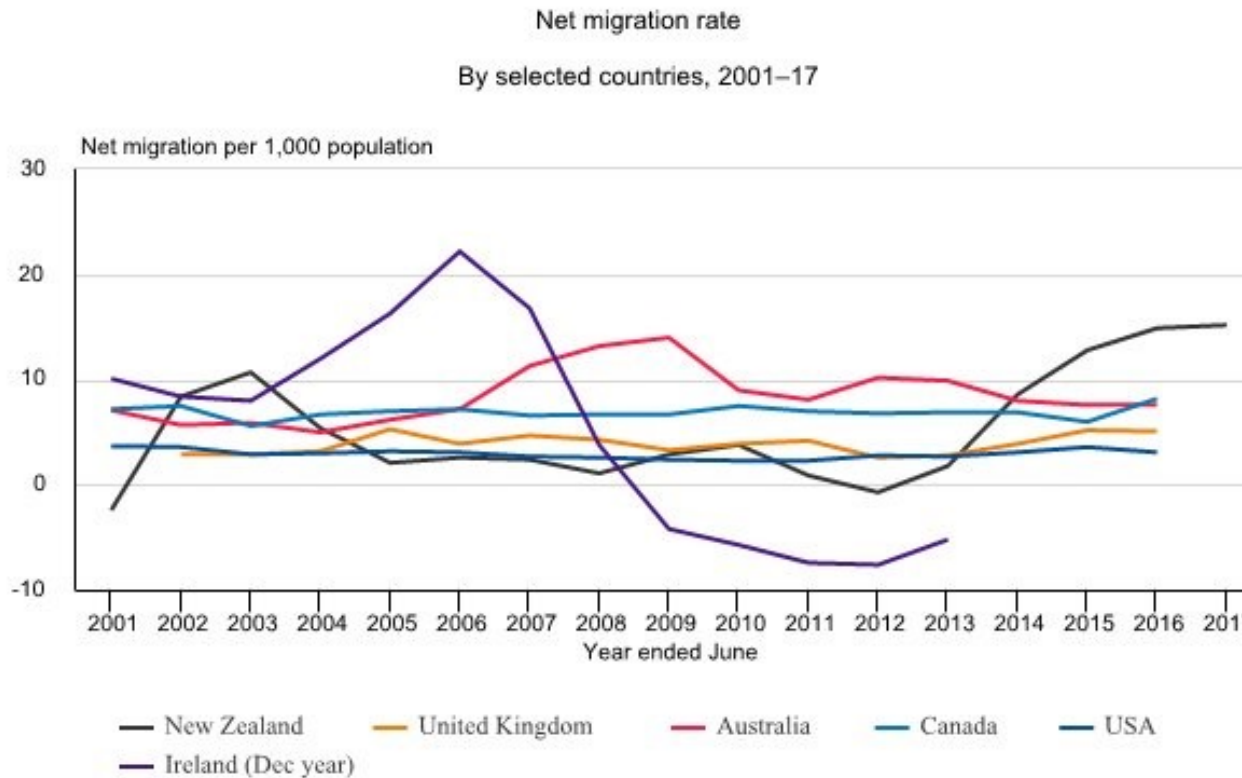
# Timaru and Queenstown outperform



## LOWER SOUTH ISLAND COUNCIL HOUSE PRICE INDICIES



# Population growth is exceptional

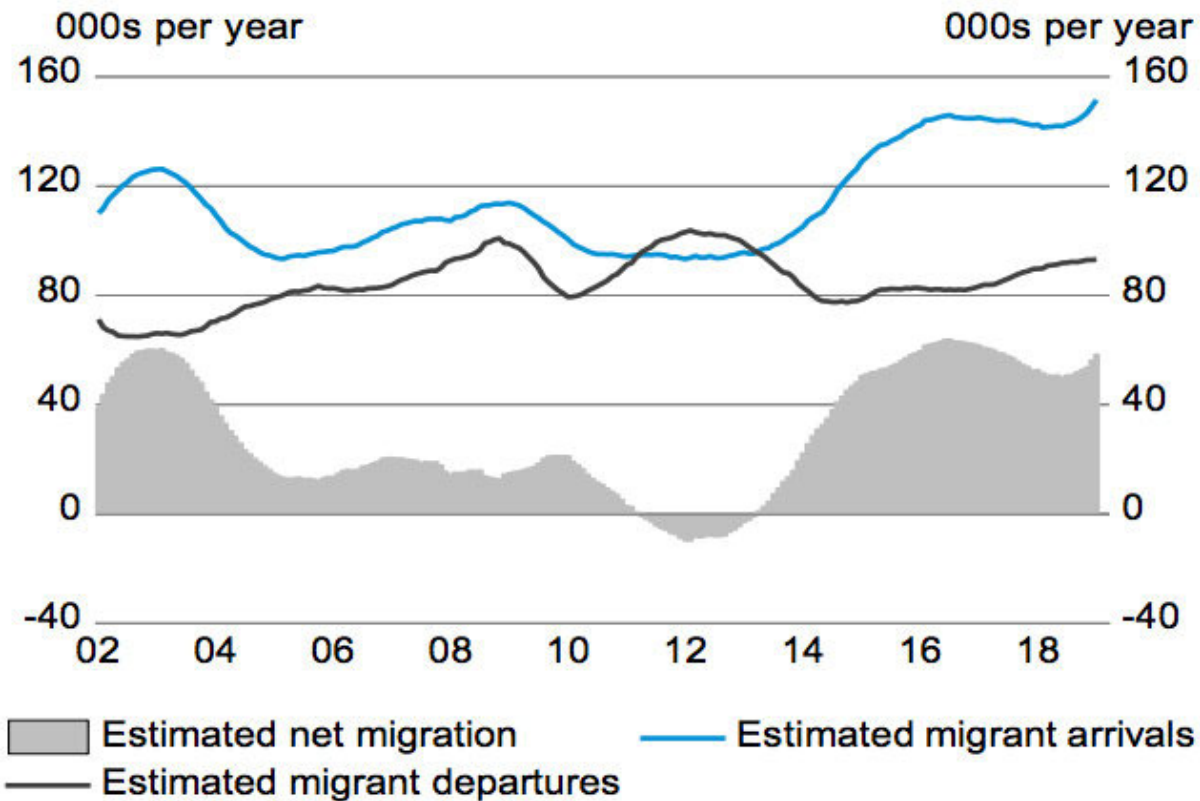


Source: Stats NZ, various national statistical websites, and OECD (December years)

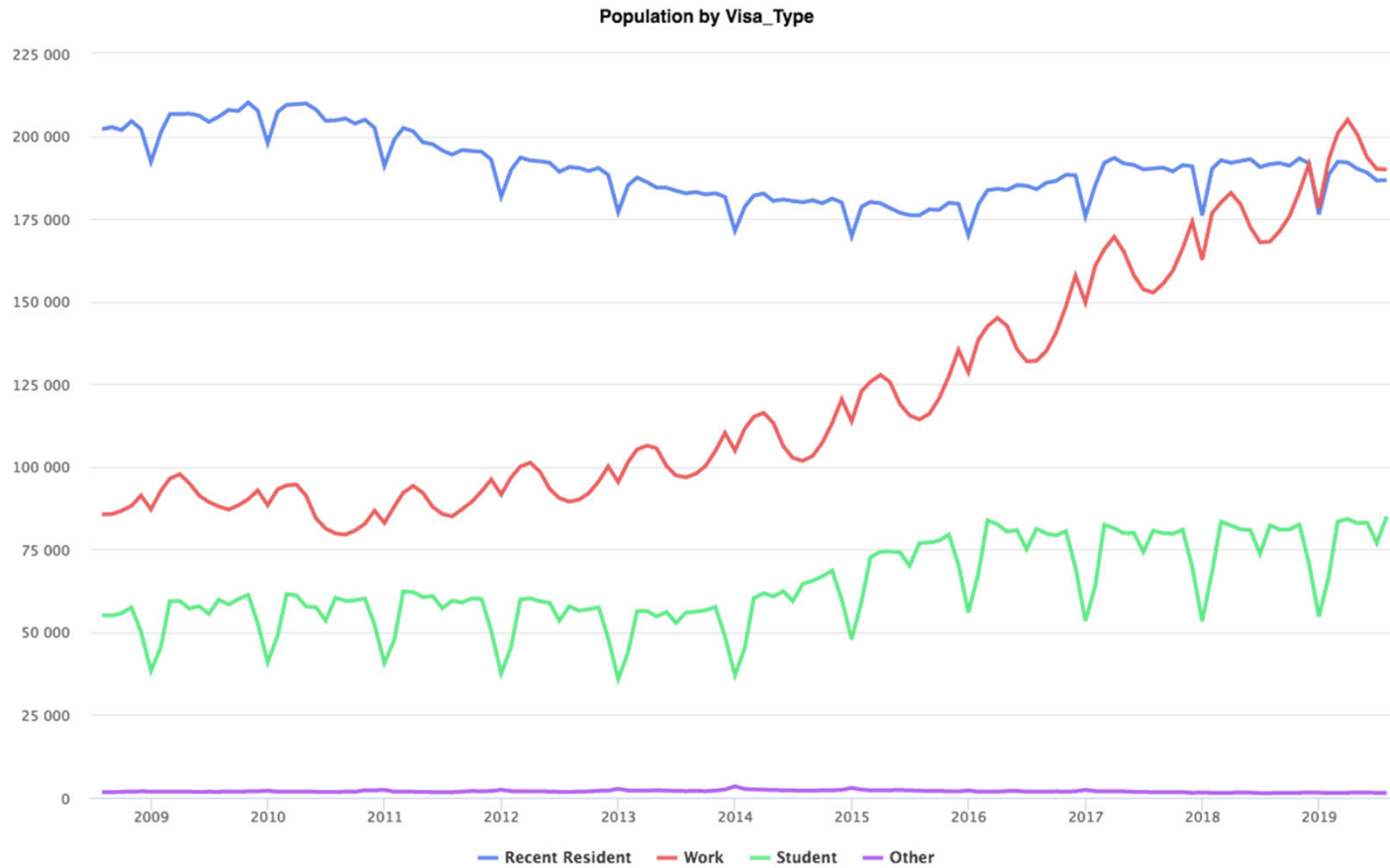


# Net migration still near record highs

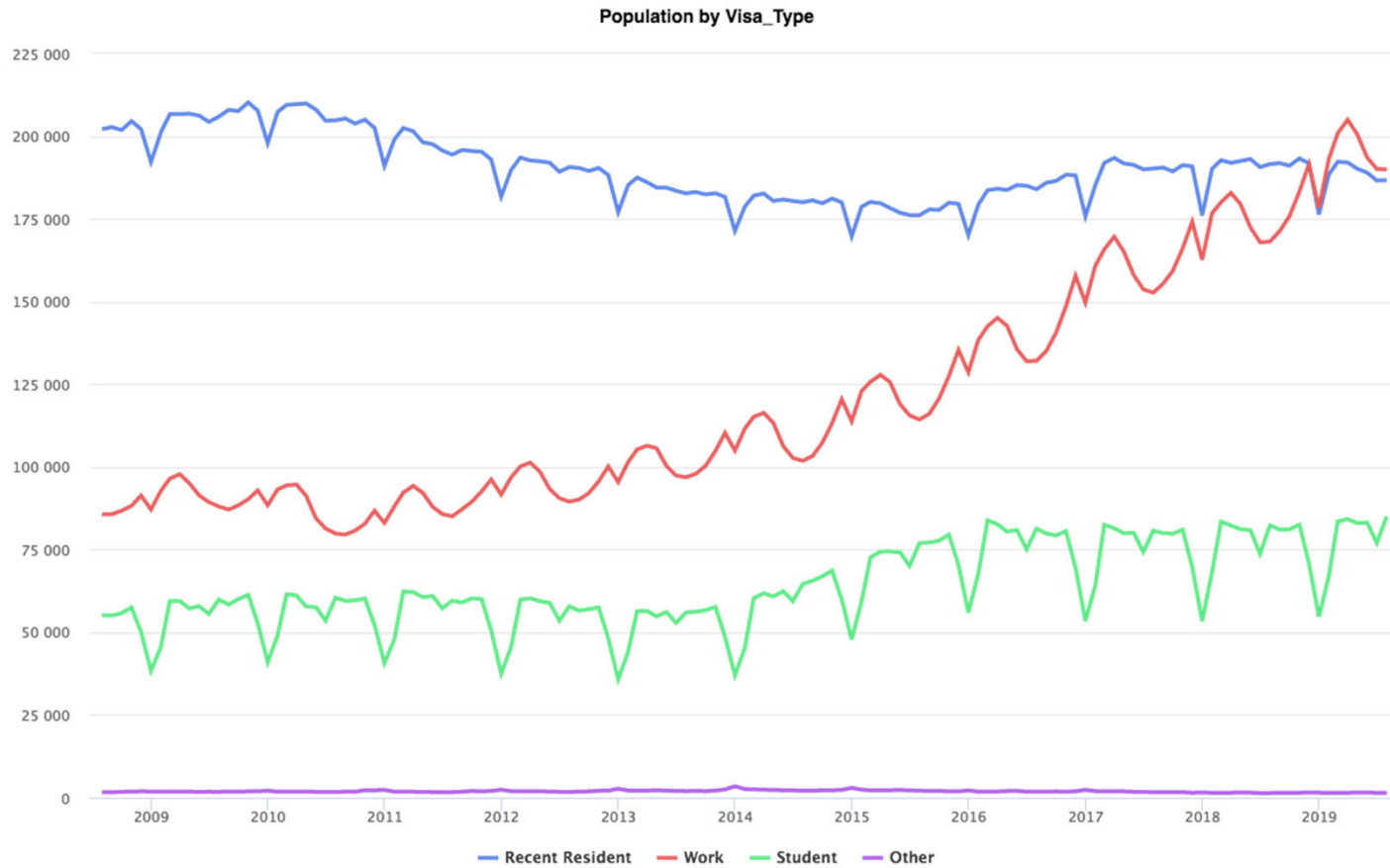
## International Migration



# New work visa settings no tighter

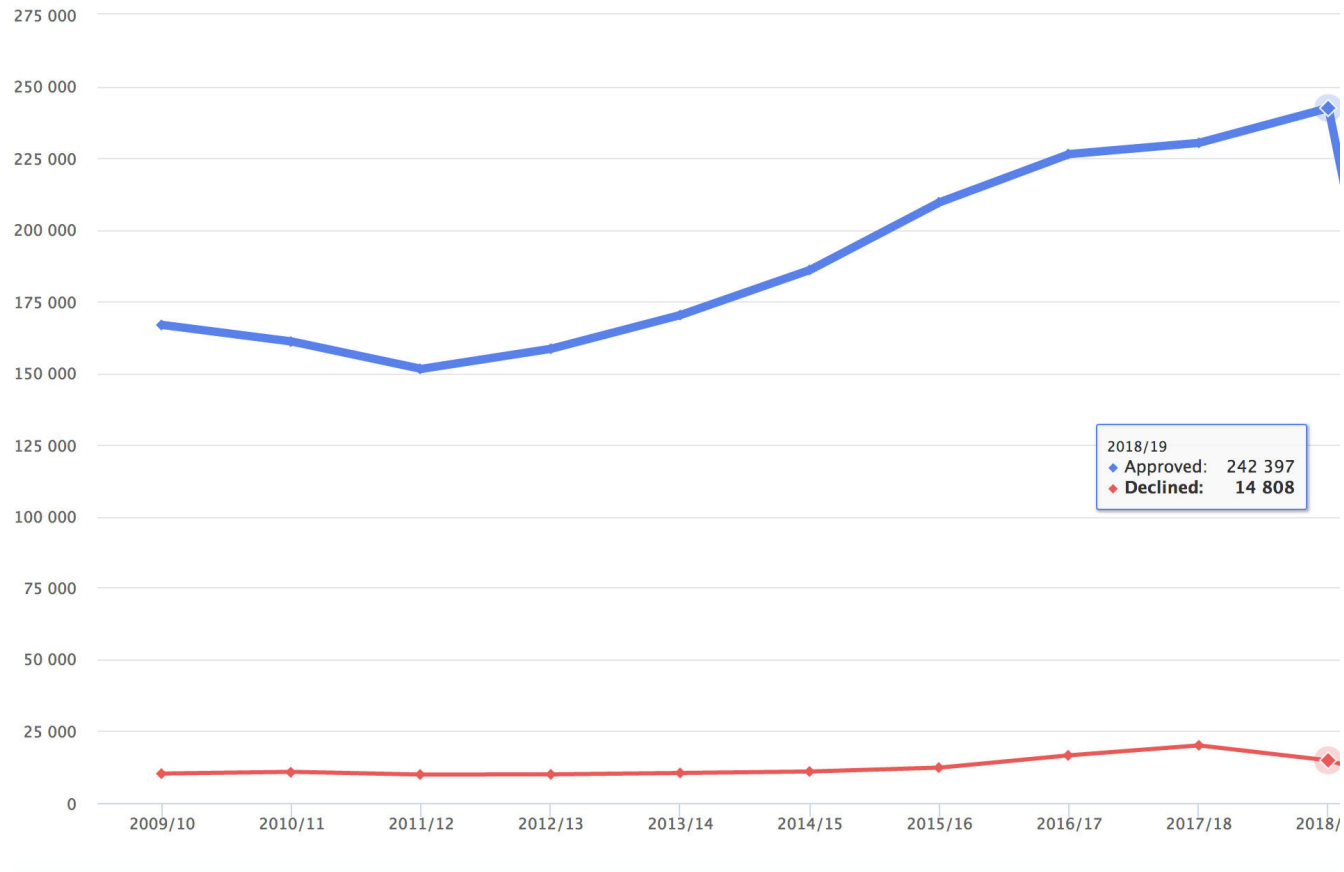


# Slight tightening in residency approvals

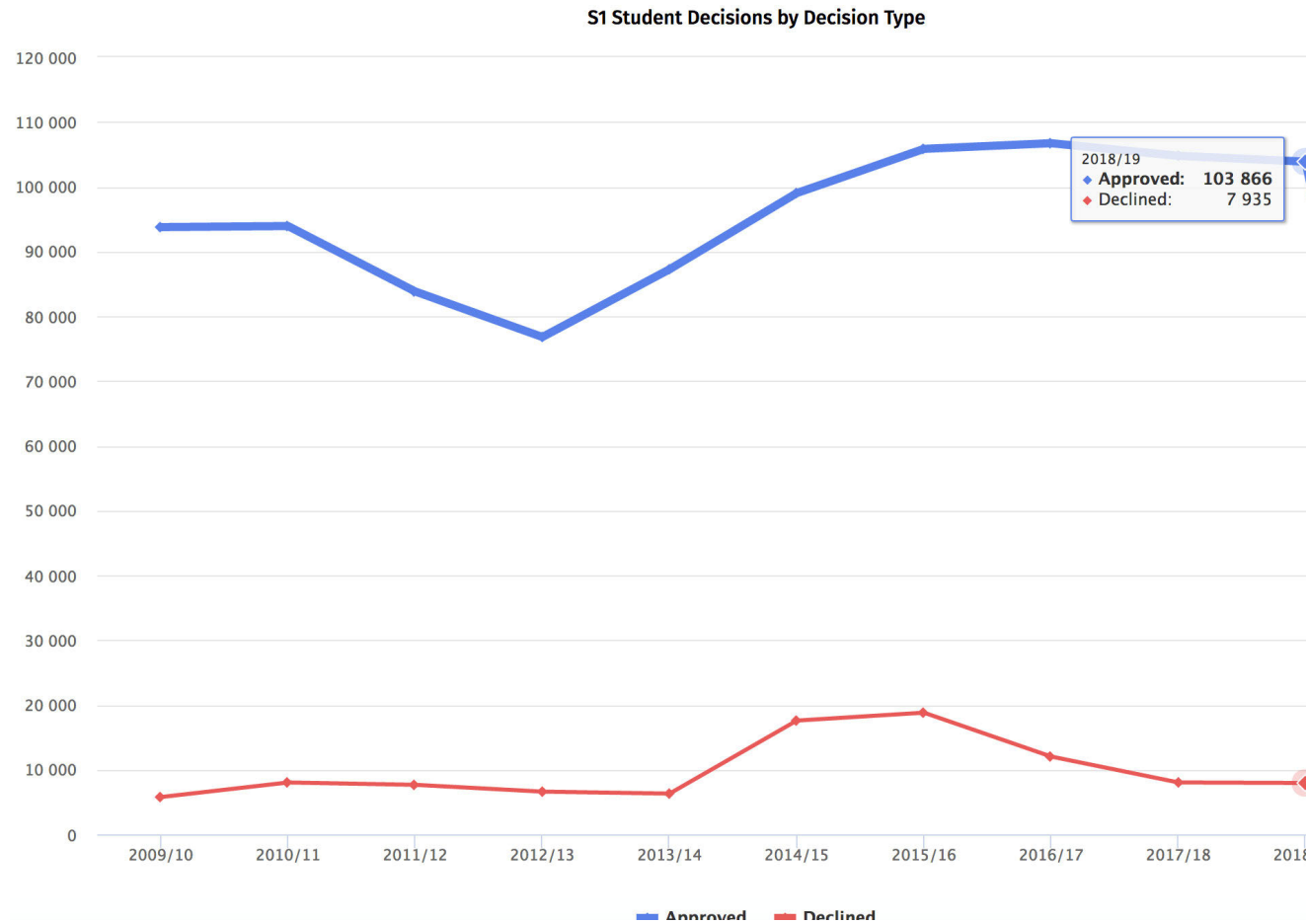


# Even more work visa approvals

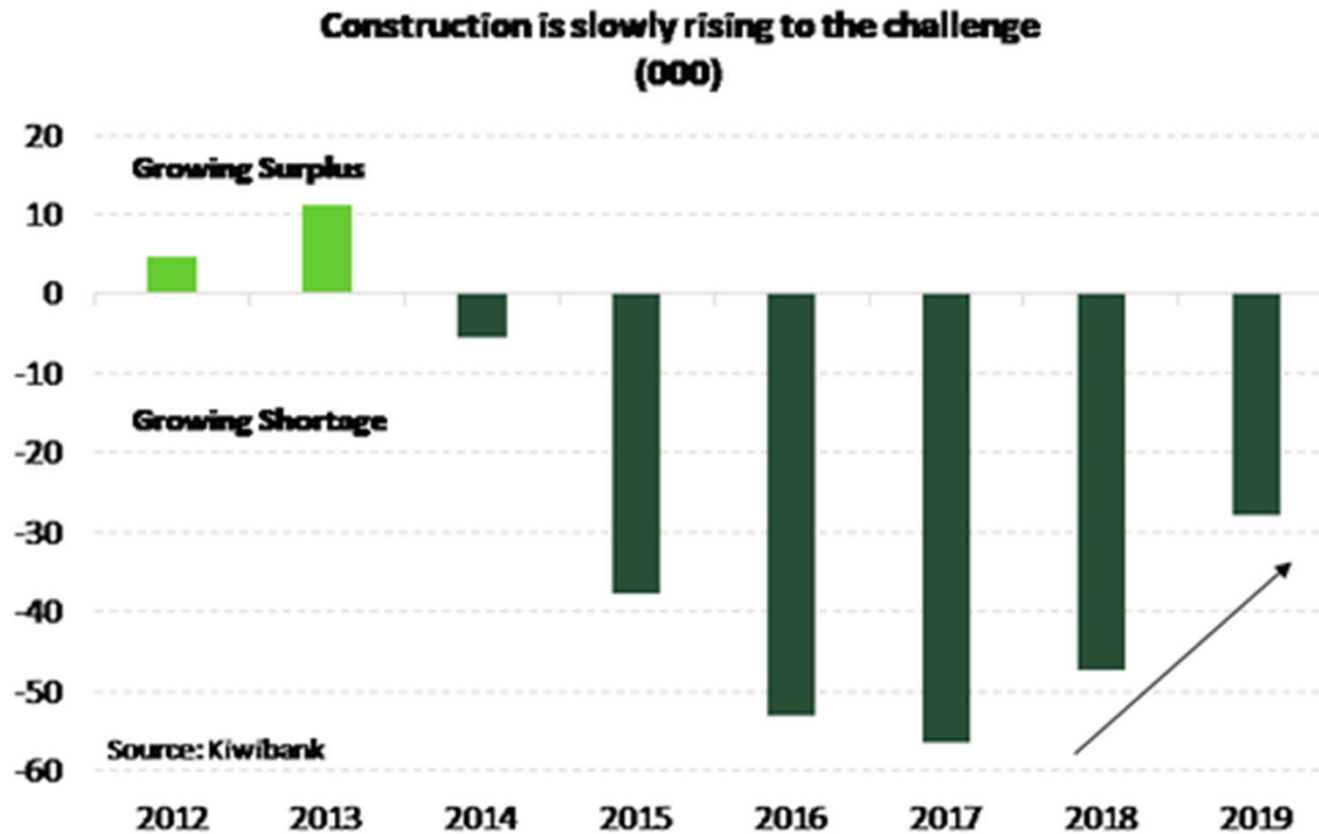
W1 Work Decisions by Decision Type



# Student visas barely changed



# Housing shortage 200k and rising

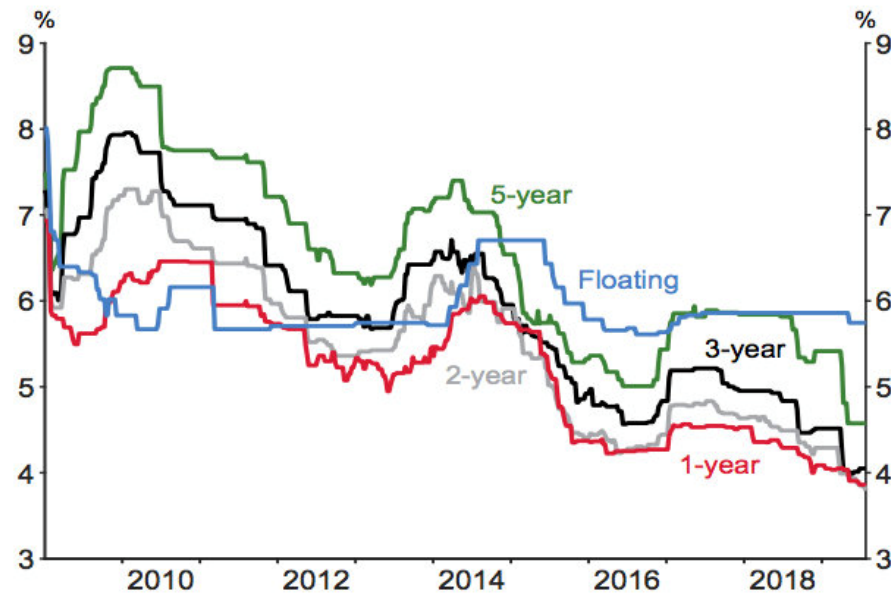


# Mr Shock and Orr-some



# Mr Shock and Mr Orr-some

**Figure 5.10**  
**Mortgage rates**



Source: interest.co.nz, RBNZ estimates.

Note: The rates shown for each term are the average of the latest rates on offer from ANZ, ASB, BNZ, and Westpac.

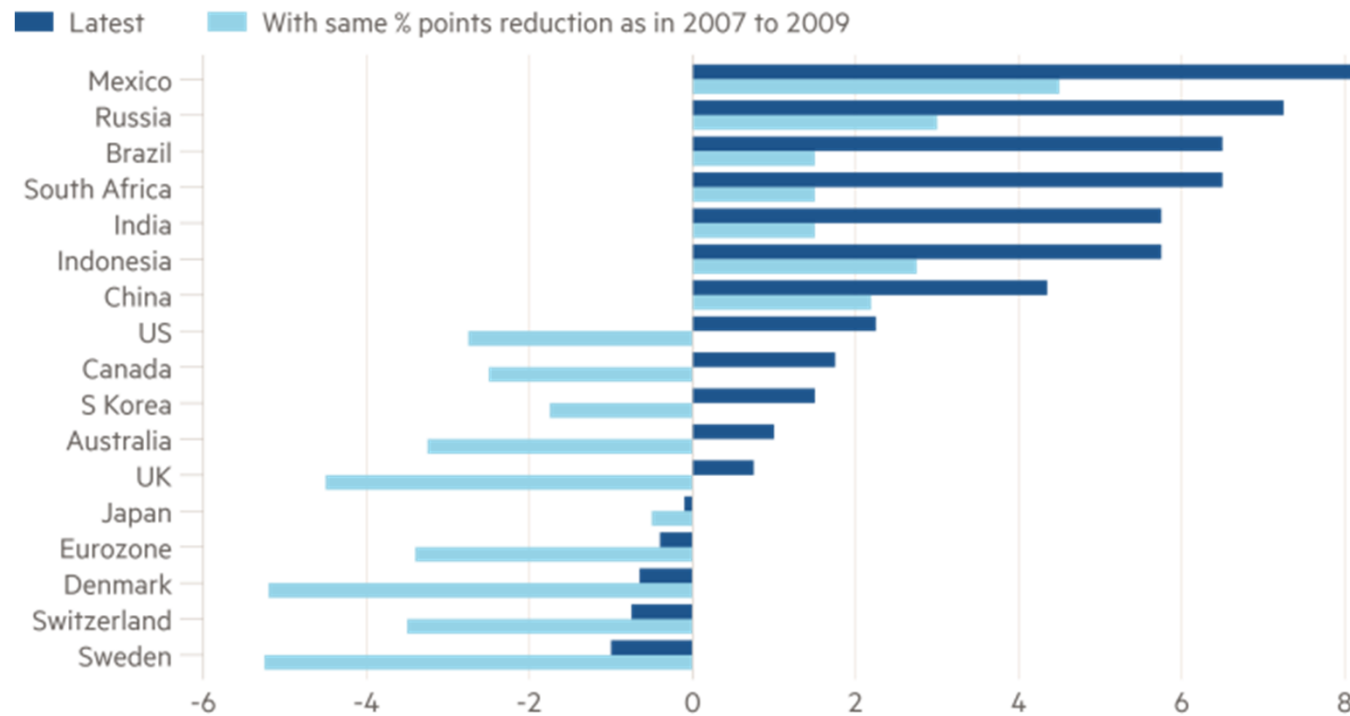
# How low can you go Adrian?



# Central banks running out of ammo

A global recession could push more countries into negative territory

Central bank policy rates (%)

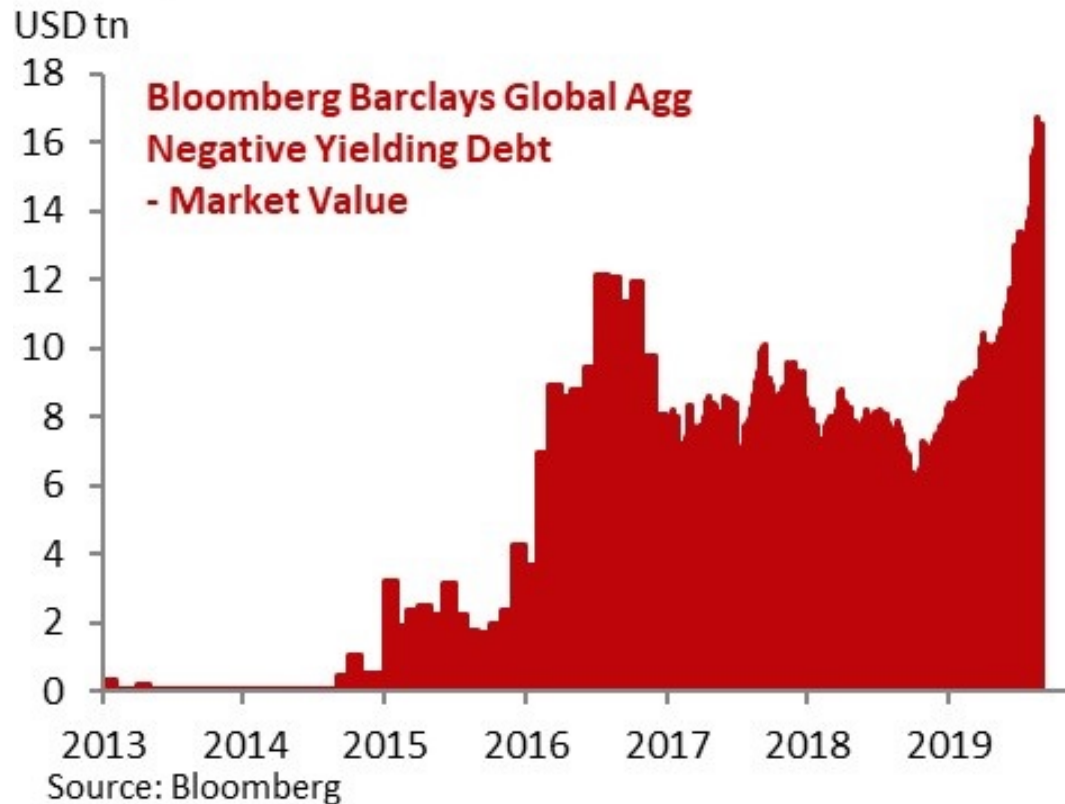


Source: Refinitiv  
© FT



# US\$17 trillion of negative yield bonds

Global negative-yielding debt at a record high and still climbing.

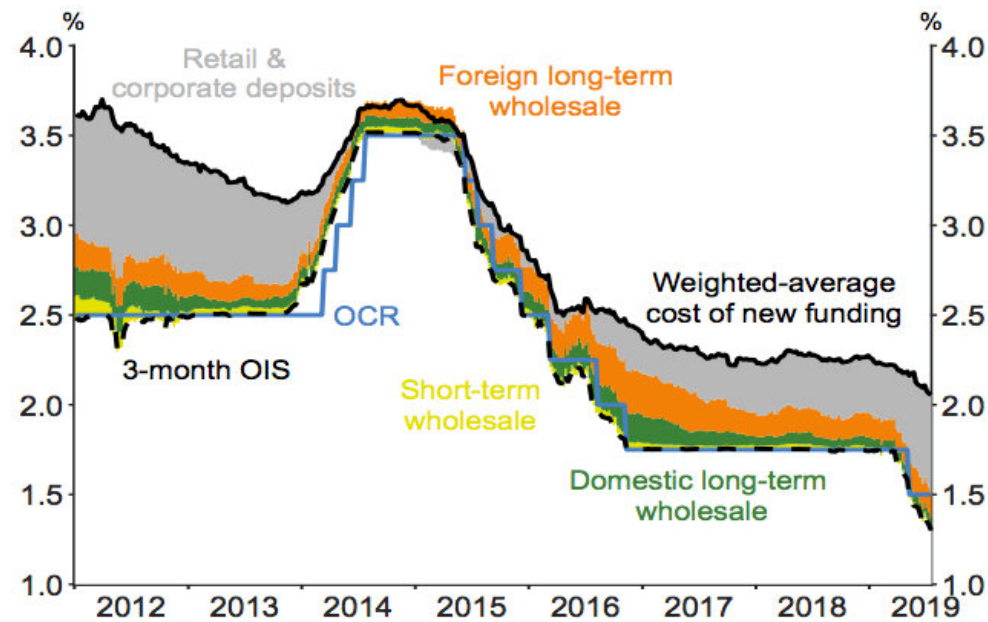


# Banks think he's not so Orr-some



# Banks won't pass much of it on

**Figure 3.10**  
**Estimates of banks' new funding costs**

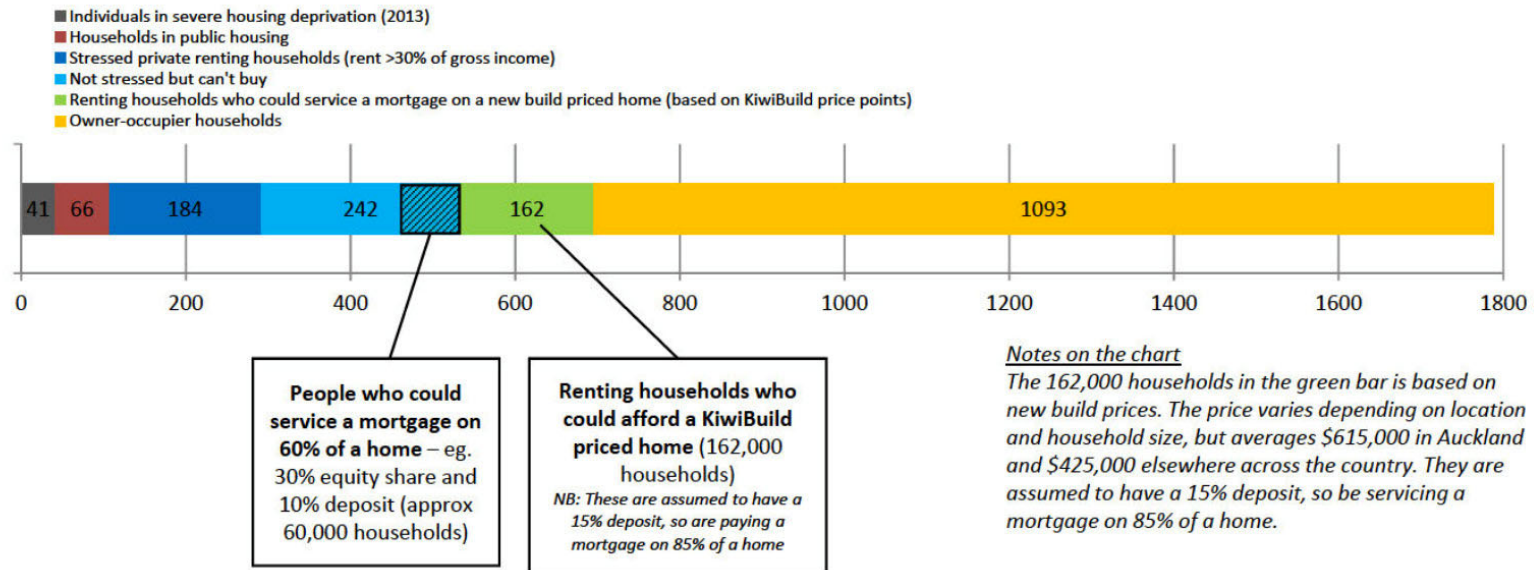


Source: Bloomberg, interest.co.nz, RBNZ estimates.

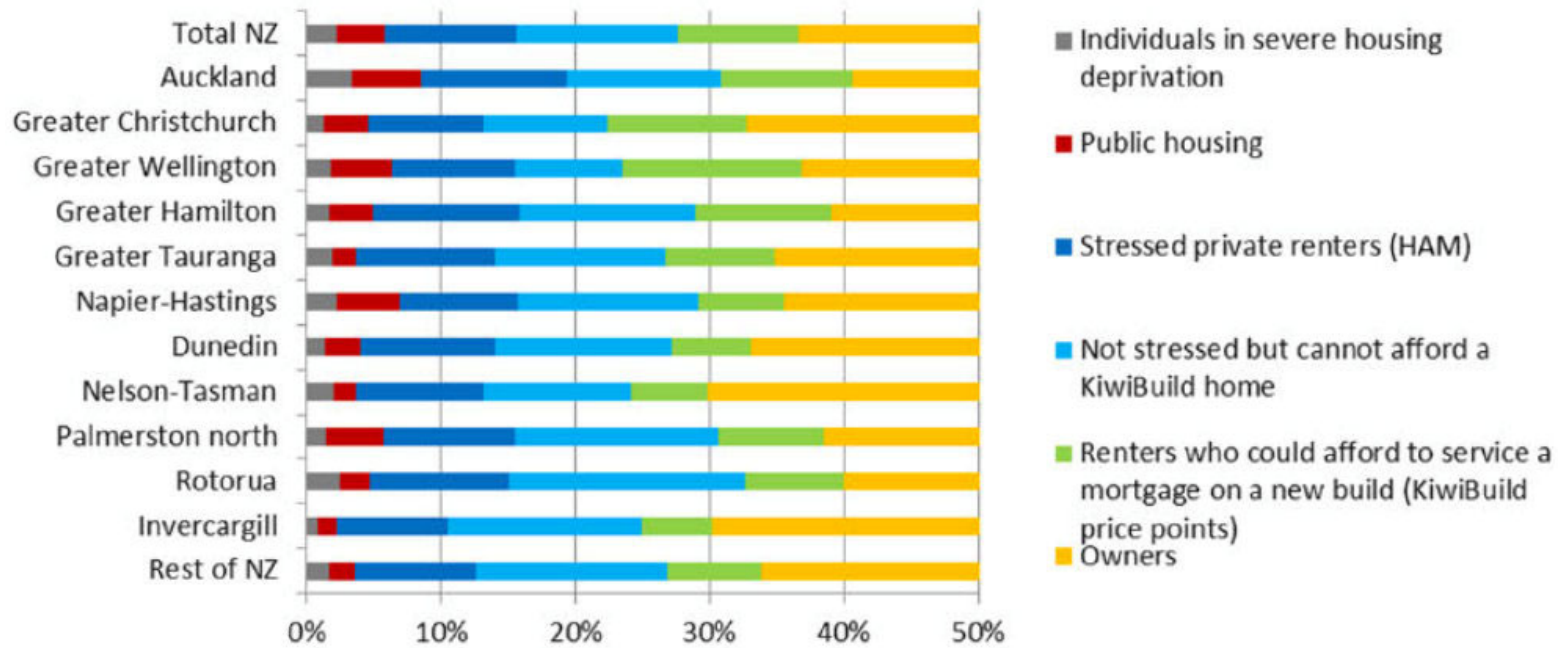
Note: Shaded areas measure the contribution of each funding source to overall new funding costs.

# 220k households could buy

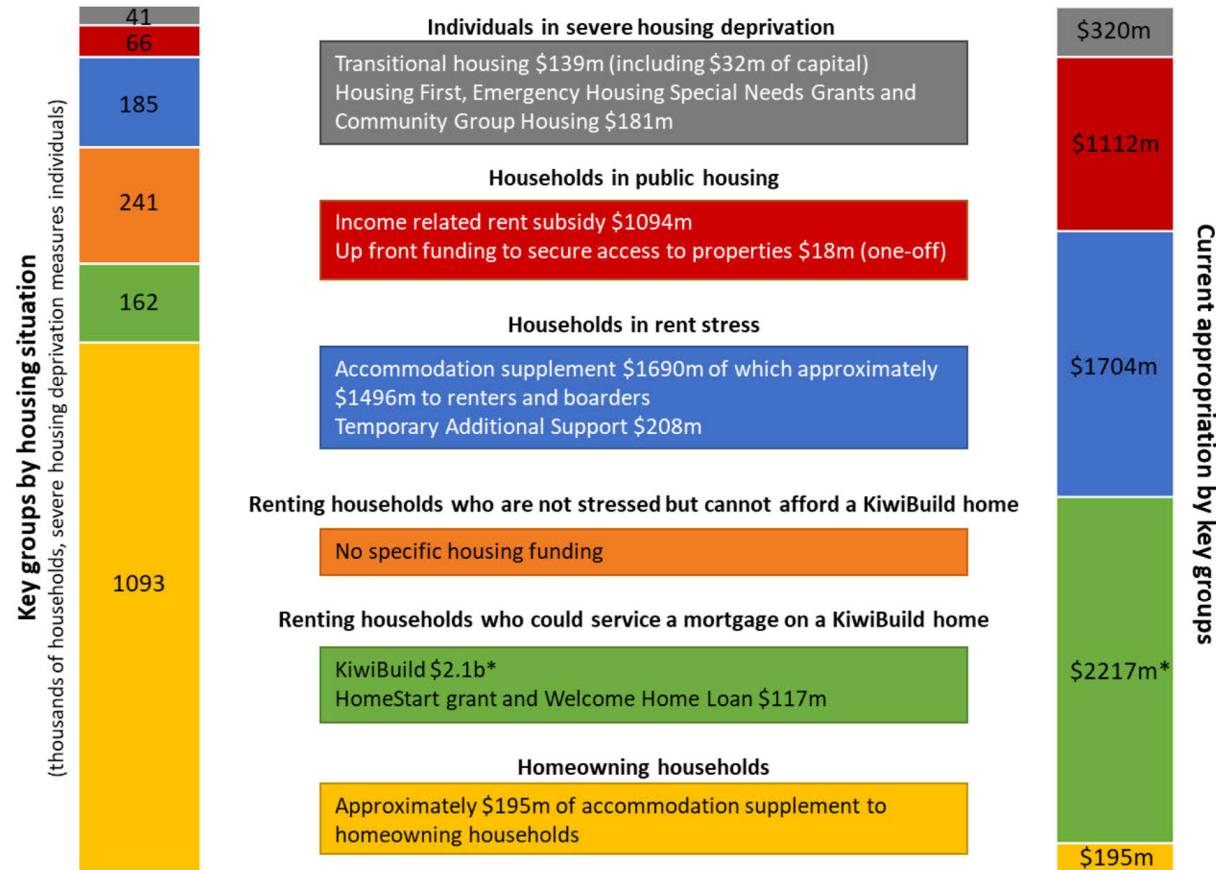
(Thousands of households, severe housing deprivation measures individuals)



# A desperate need for houses

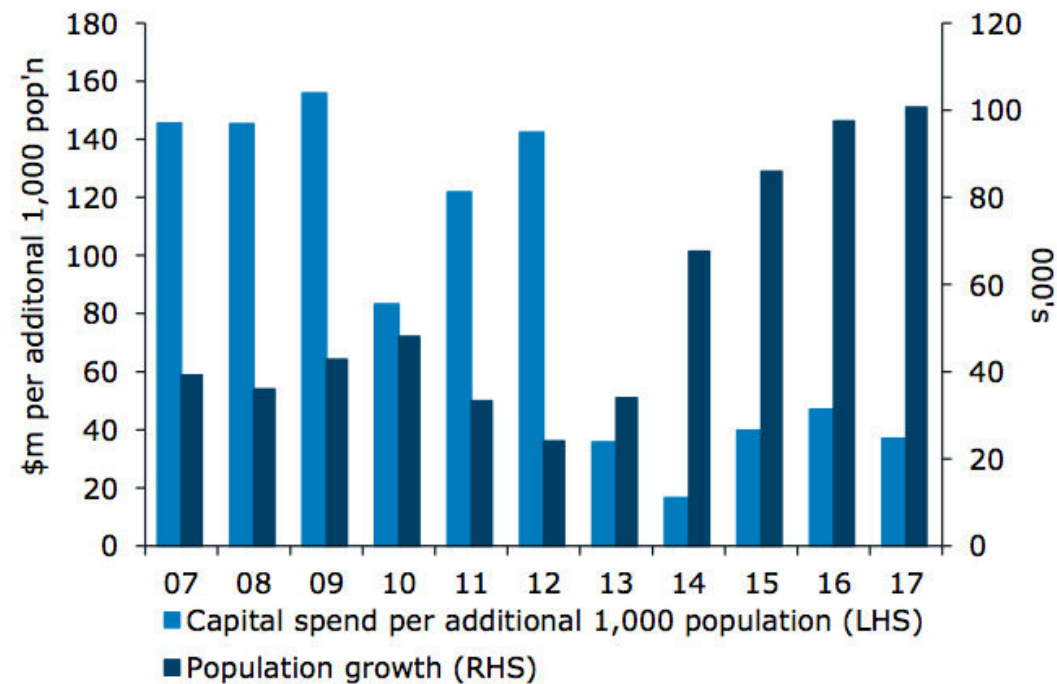


# \$5.5b of Govt housing support



# So far behind the curve

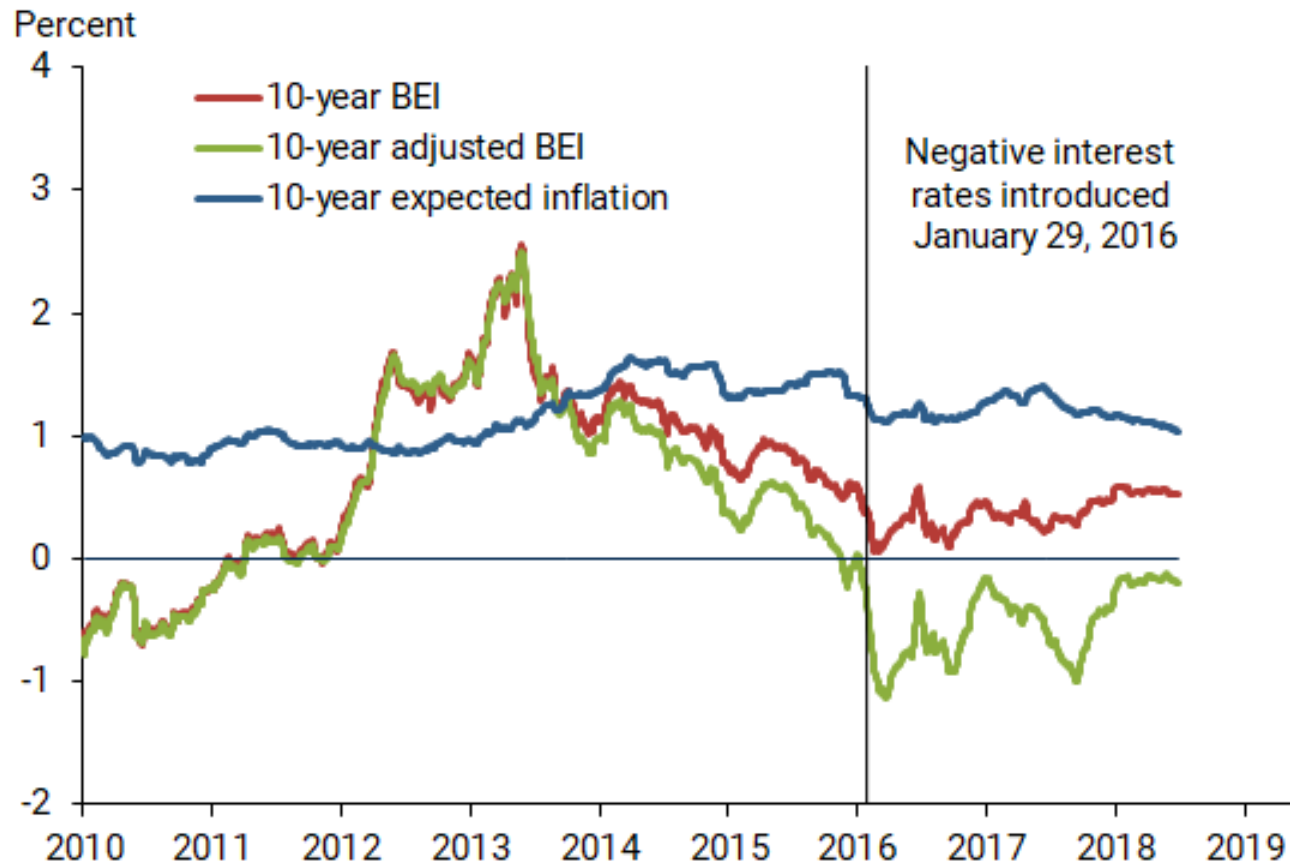
**Figure 1: Net core Crown capital spend per additional 1,000 people and population growth (fiscal years)**



Source: The Treasury, ANZ Research



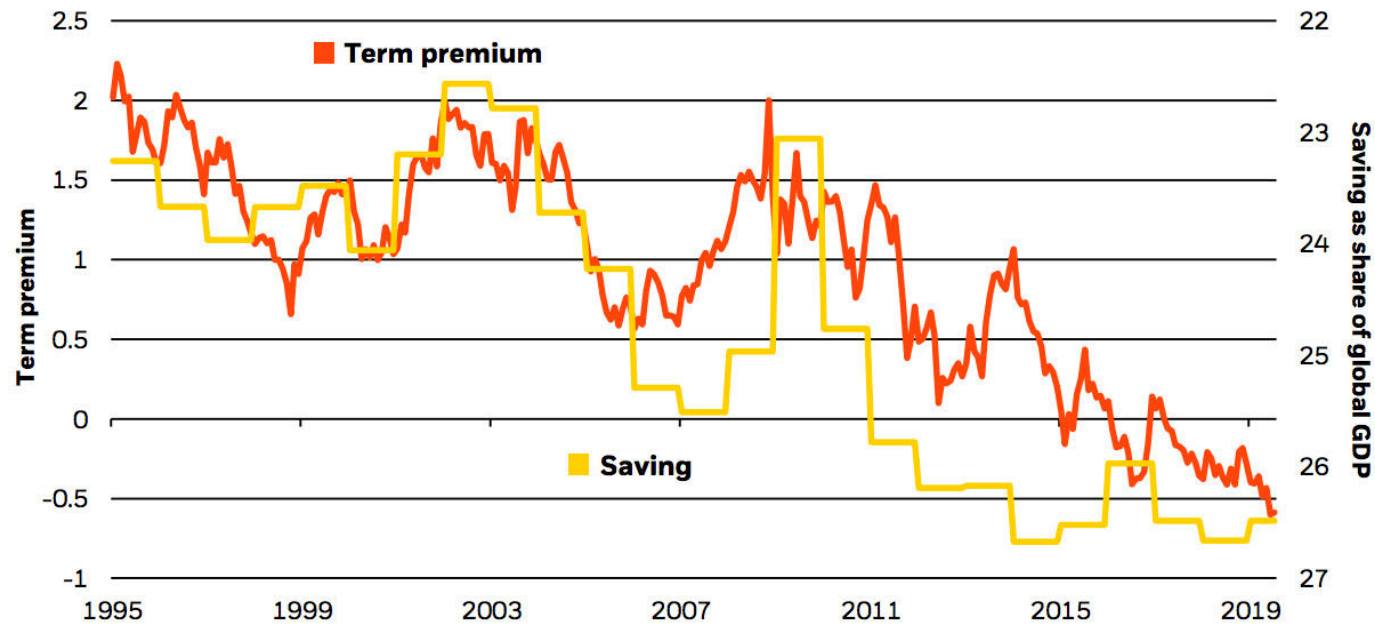
# QE also hasn't worked. Fire up the helos?



# Instead. Print money. Give it to Govt

## Fiscal expansion could absorb saving glut

BlackRock estimate of the G3 term premium global saving to GDP inverted, 1995-2019

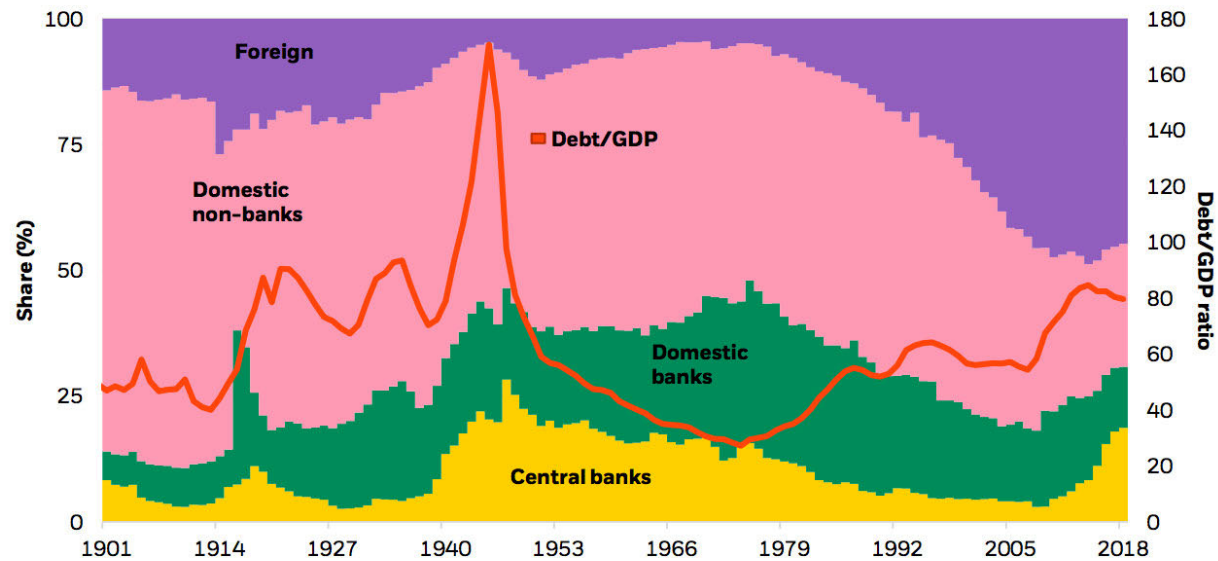


Sources: BlackRock Investment Institute, Federal Reserve Bank of New York and IMF, with data from Refinitiv Datastream, August 2019. Notes: This chart shows our estimate of the G3 term premium on 10-year sovereign yields and gross global savings. The G3 term premium is a GDP-weighted average of the US, German, and Japanese term premium, with each individual country estimated using a term structure model – based on the relationship between short- and long-term interest rates – similar to that of a New York Fed model. Global savings reflect gross savings, or output excluding final consumption relative to overall GDP.

# It's been done before. Here in 1935

## Bigger bank holdings

Different holders of DM government debt, 1901-2018



Sources: BlackRock Investment Institute and IMF, August 2019. Notes: The charts shows the historical breakdown of different holders of DM government bonds and overall DM debt-to-GDP.

1 As Bernanke said then: "In practice, the effectiveness of anti-deflation policy could be significantly enhanced by cooperation between the monetary and fiscal authorities.... A money-financed tax cut is essentially equivalent to Milton Friedman's famous 'helicopter drop' of money."

2 Former UK Financial Services Authority Chairman Adair Turner was one of the first in the post-crisis period to propose helicopter money because monetary stimulus had failed to generate adequate demand. One remaining risk with helicopter money is that people might be so concerned about the central bank printing money in such a way that they save rather than spend it, preventing the desired demand boost to the economy. In his 1916 book, Economist Silvio Gesell came up with the concept of "stamped money" as a way of getting around this problem – that new money would be "stamped", or taxed, each month to encourage spending over saving.

‘We will do, quote, whatever it takes’



- In, summary:
- House prices keep going up
- While migration is high and we don't build enough houses
- And interest rates keep falling
- And the LVR controls are loosened
- Lending more to buy existing homes
- Stock markets at record highs
- Money printing for asset owners
- Not money printing for the poor
- Buy a few motels?



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