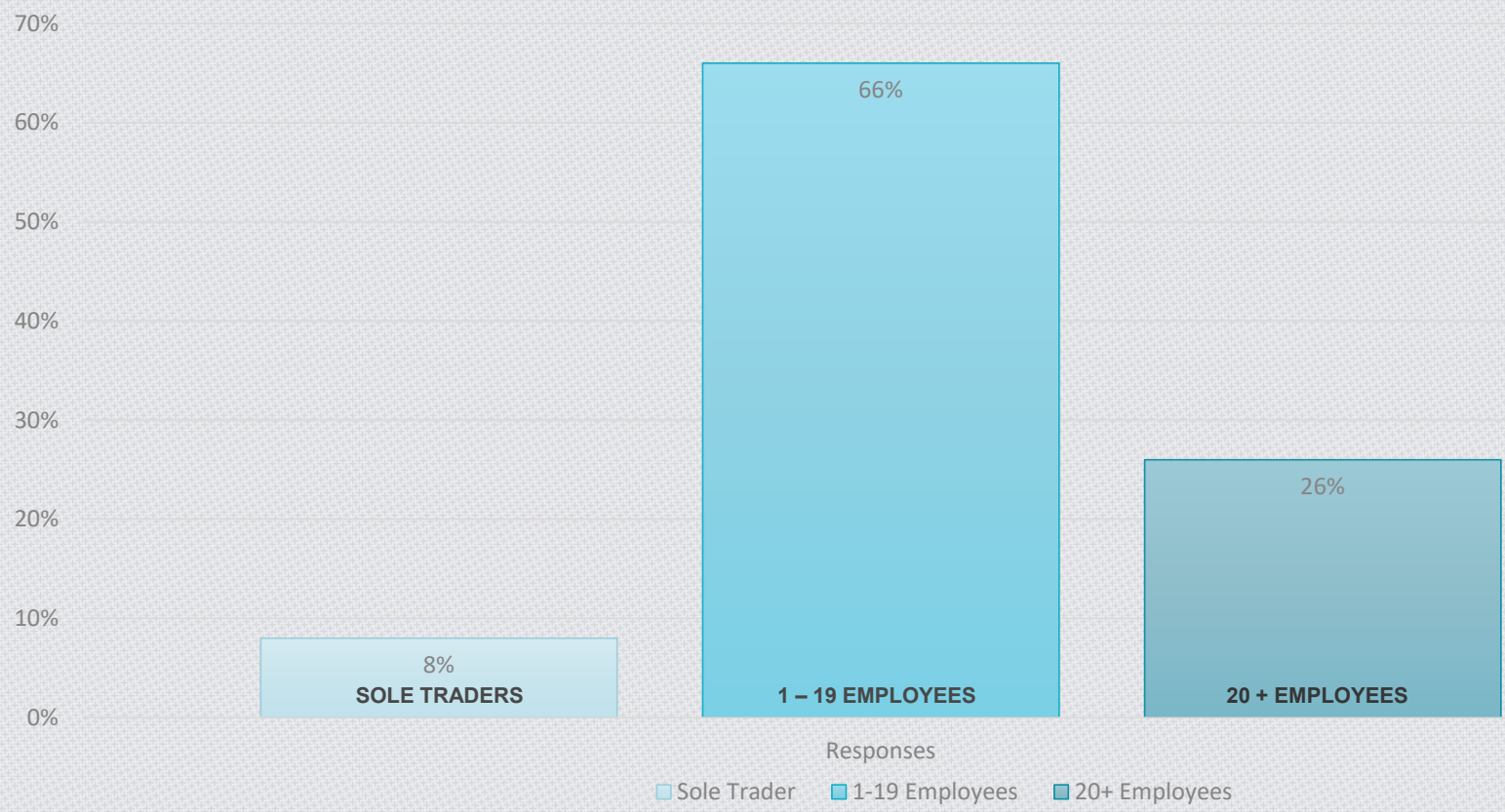




MICHAEL BARNETT

CEO AUCKLAND CHAMBER

■ Size of business surveyed:



■ What capacity is your business operating at?

OVERALL

- **76%** of business operating at 75% or more
- Close on **90%** of businesses sized 20+ employees operating at 75% or more
- **74%** of businesses sized 1 – 19 employees operating at 75% or more



■ Expectations of my business:

OVERALL

- **83%** Remain the same or grow
- Plus a further **5%** said 'grow rapidly'

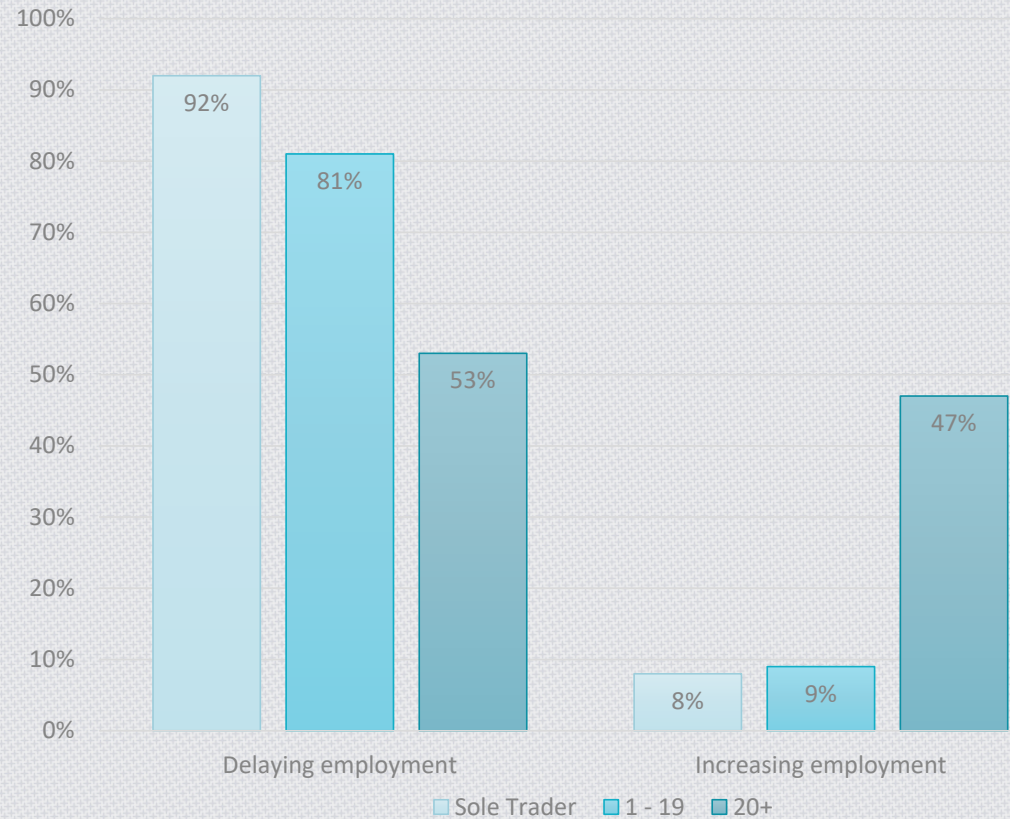


■ Employment in the current conditions:

OVERALL

■ **74%** are delaying employment

■ **26%** are employing now



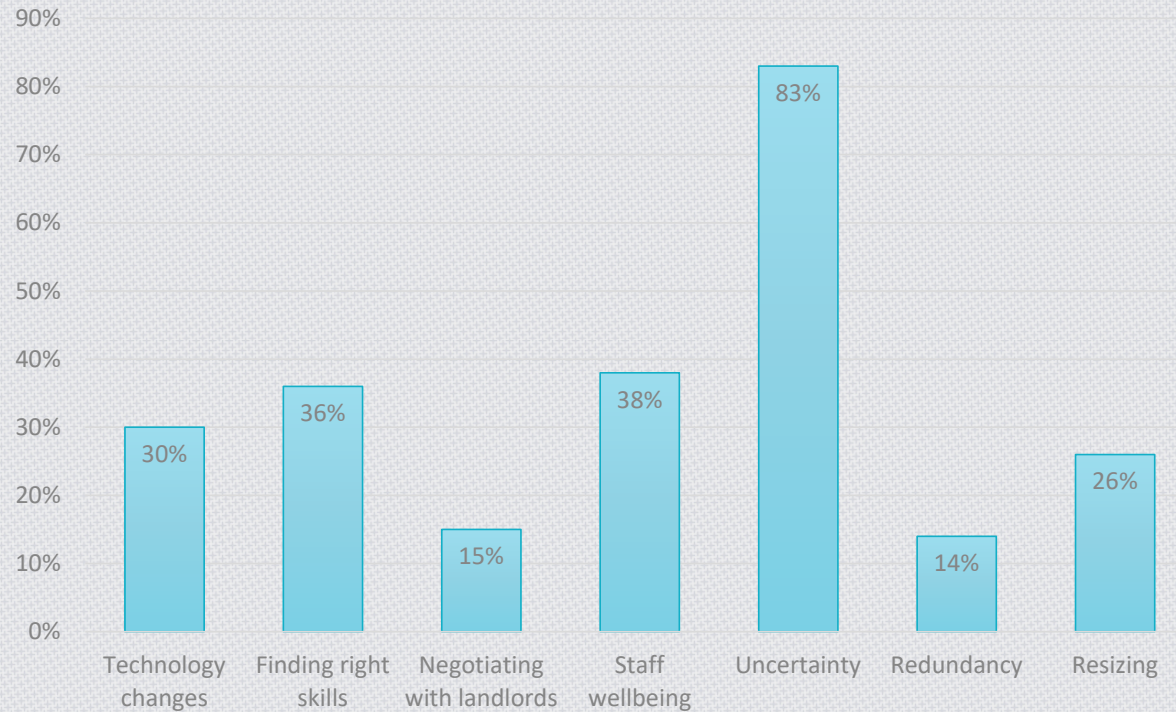
■ Issues for business:

Select all that apply

■ **83%** uncertainty

■ **38%** staff wellbeing

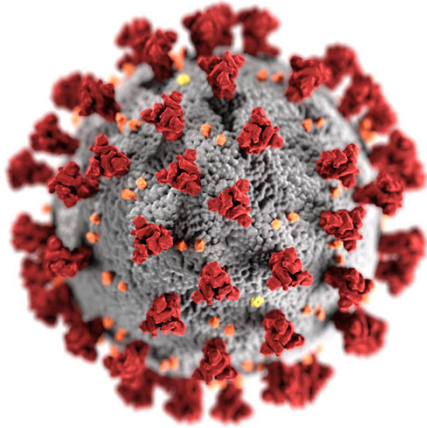
■ **36%** skills



BERNARD HICKEY

Economic Update

What's happening & what might happen next



How much did this used car sell for last week?



1971 Falcon 351 GTHO XY Phase III. Some KMs



‘One (not so careful) owner. As is, where is...’



‘Full inspection recommended’



‘No key, owner’s manual, service history or...engine’



‘But the tow rope is included’



Guess how much it sold for?



A\$400,000 + you tow it away



Everything has changed...



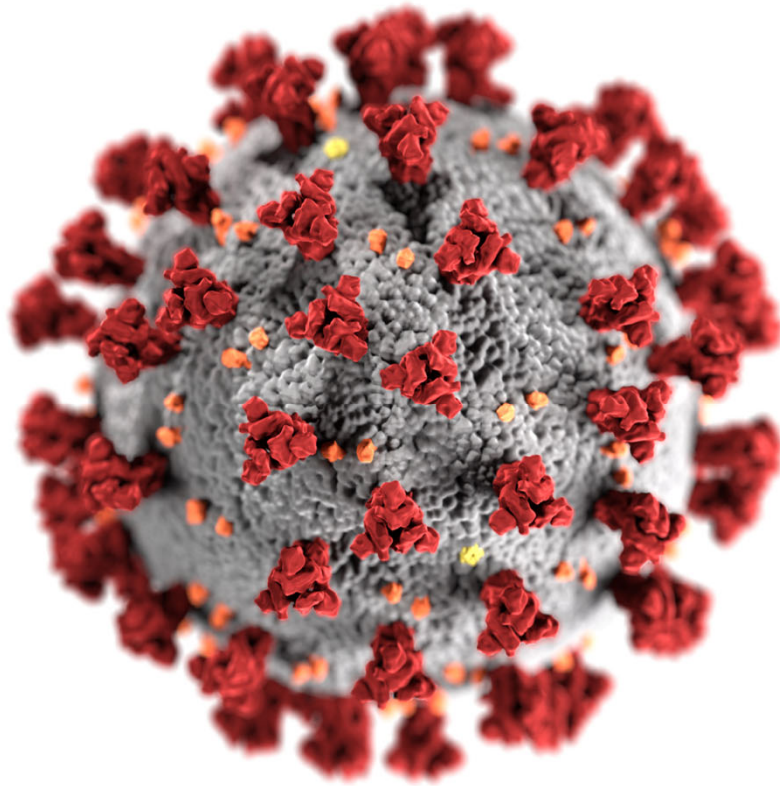
Yet nothing has really...



**YES, WE ARE IN A
PROPERTY BOOM.**

WHAT'S HAPPENING?
CALL US TODAY

The little bastard wreaking so much havoc...



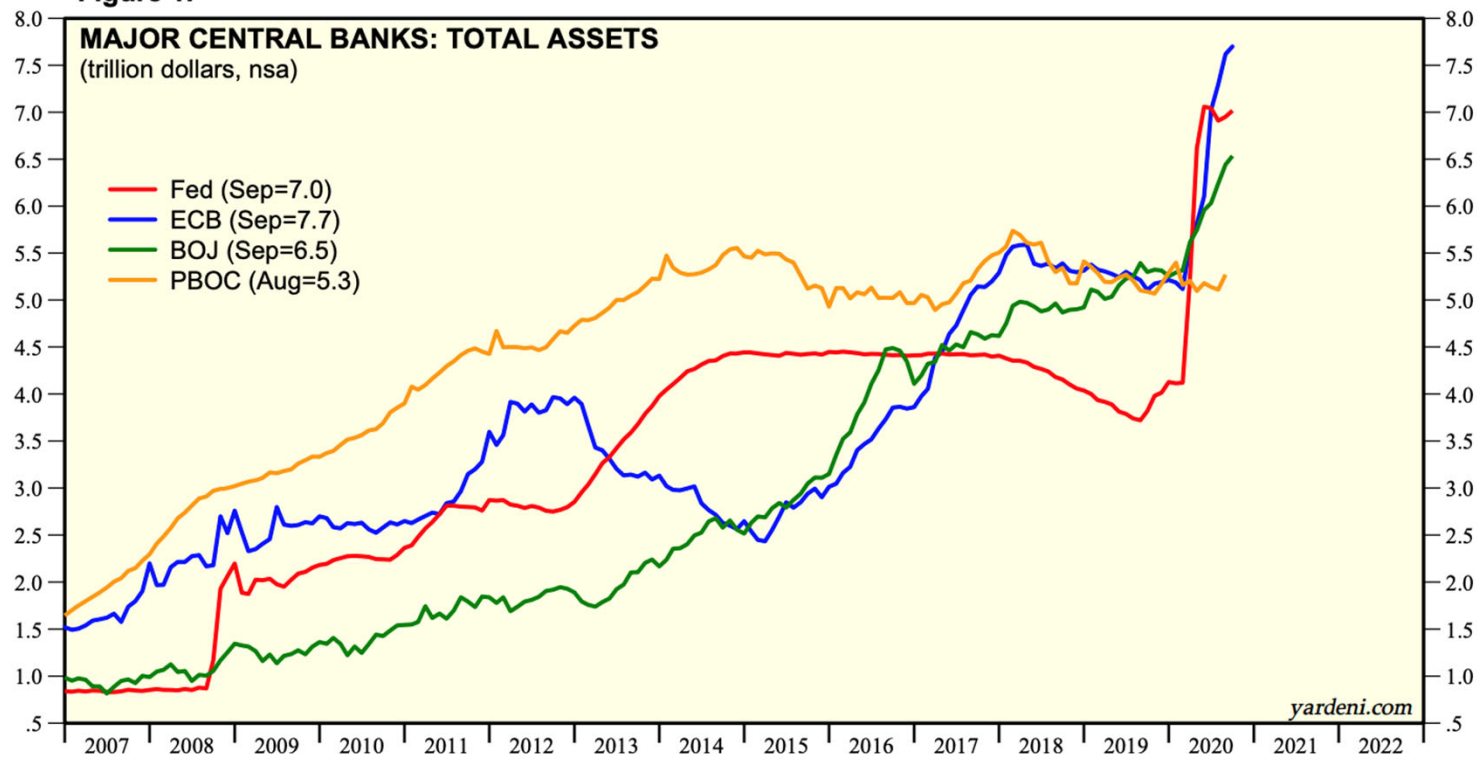
...so there's a lot of this going on



Really. An awful lot

Total Assets of Major Central Banks

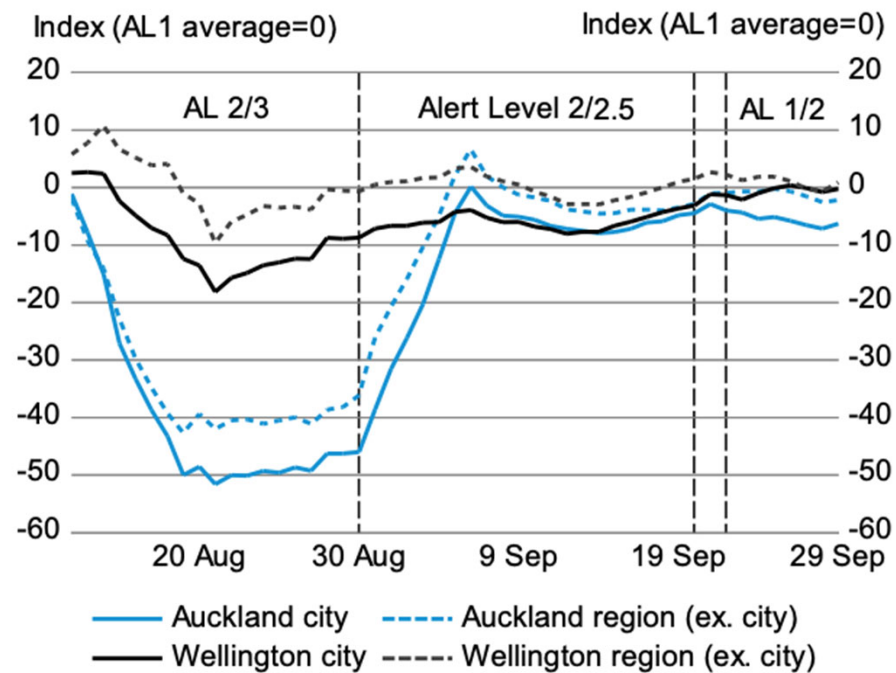
Figure 1.



Source: Haver Analytics.

The spending bounced, then dipped, and is bouncing again

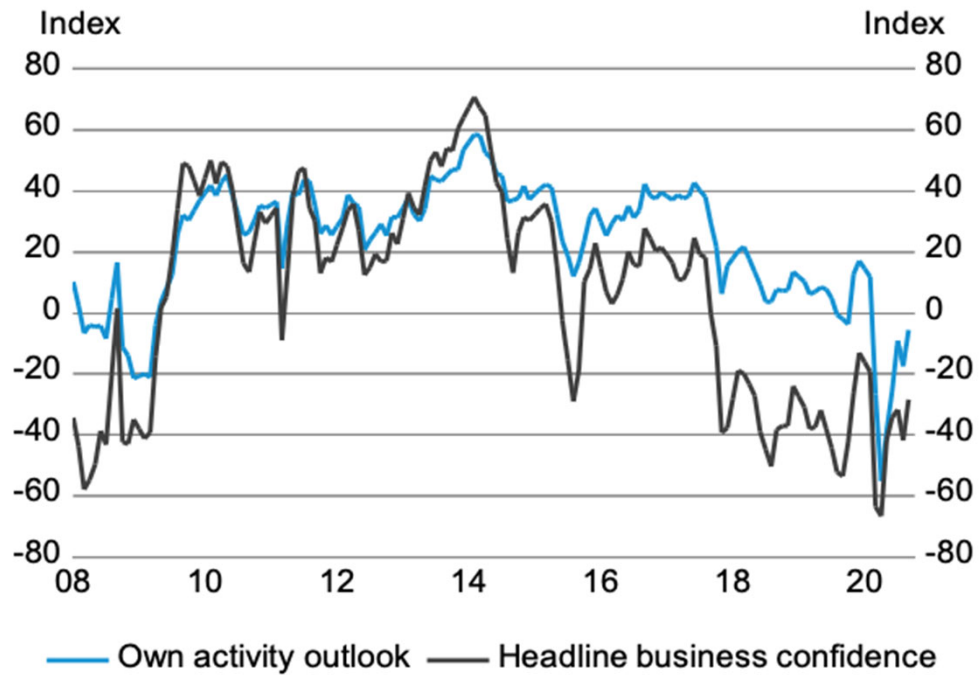
Figure 2: Card spending in city vs regional areas



Source: Paymark and Verifone data via Data Ventures

Business confidence bouncing

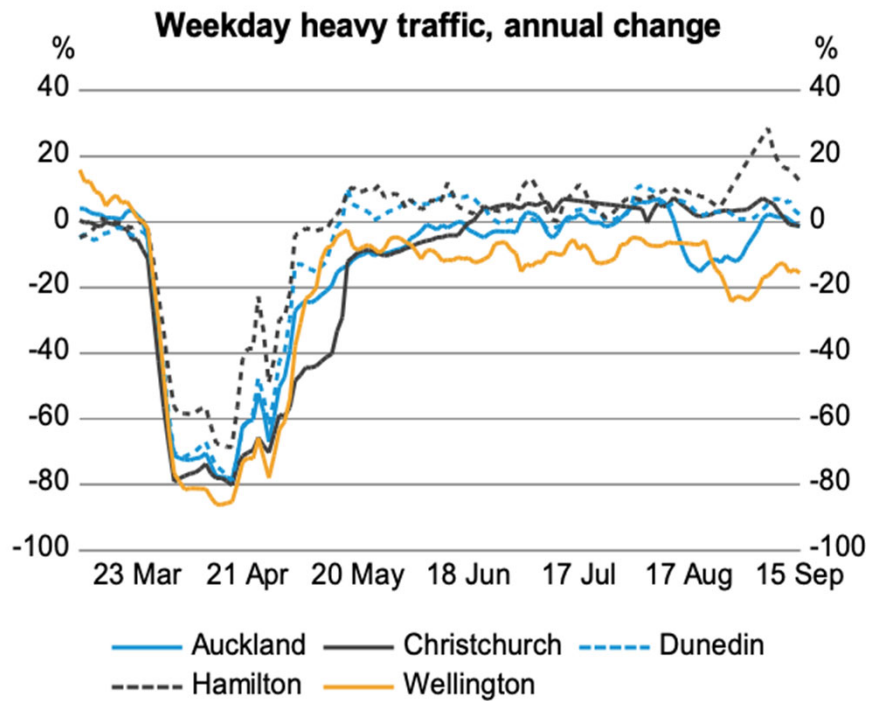
Figure 4: Business confidence



Source: ANZ

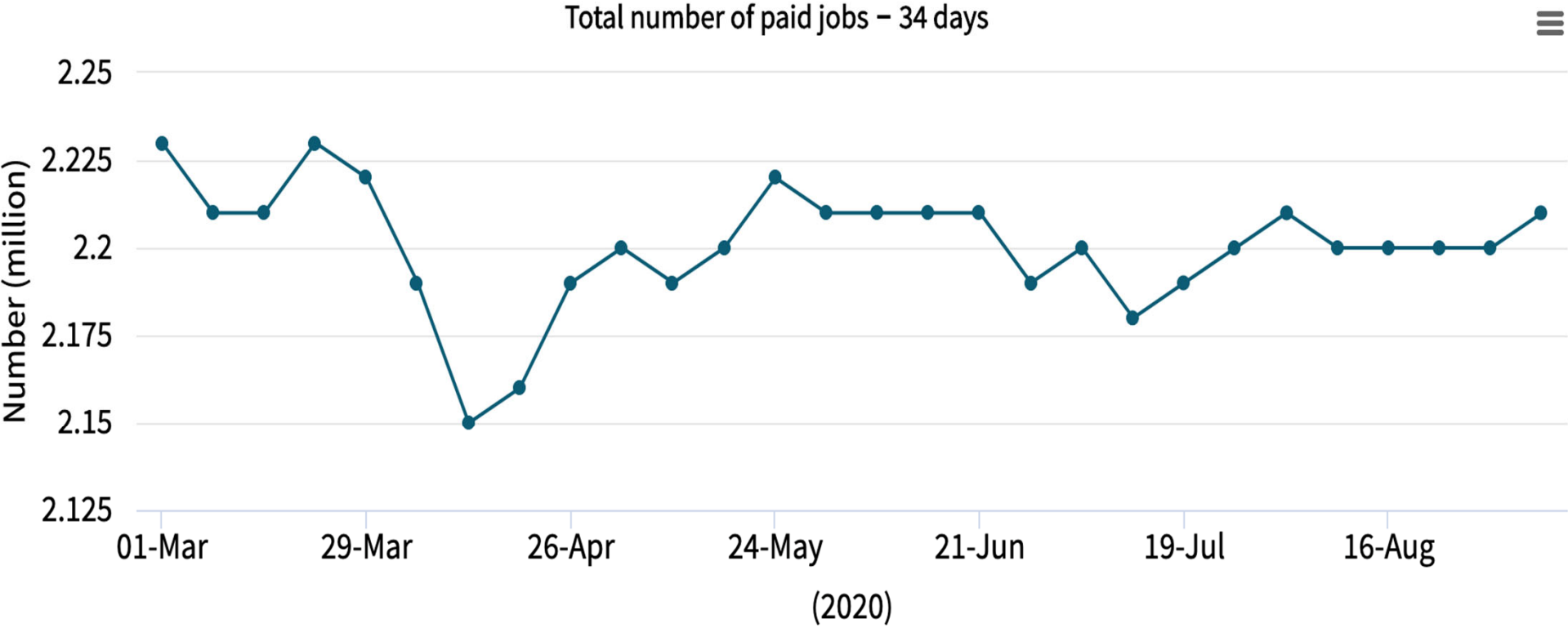
Lots of trucks through Hamilton

Freight Movement



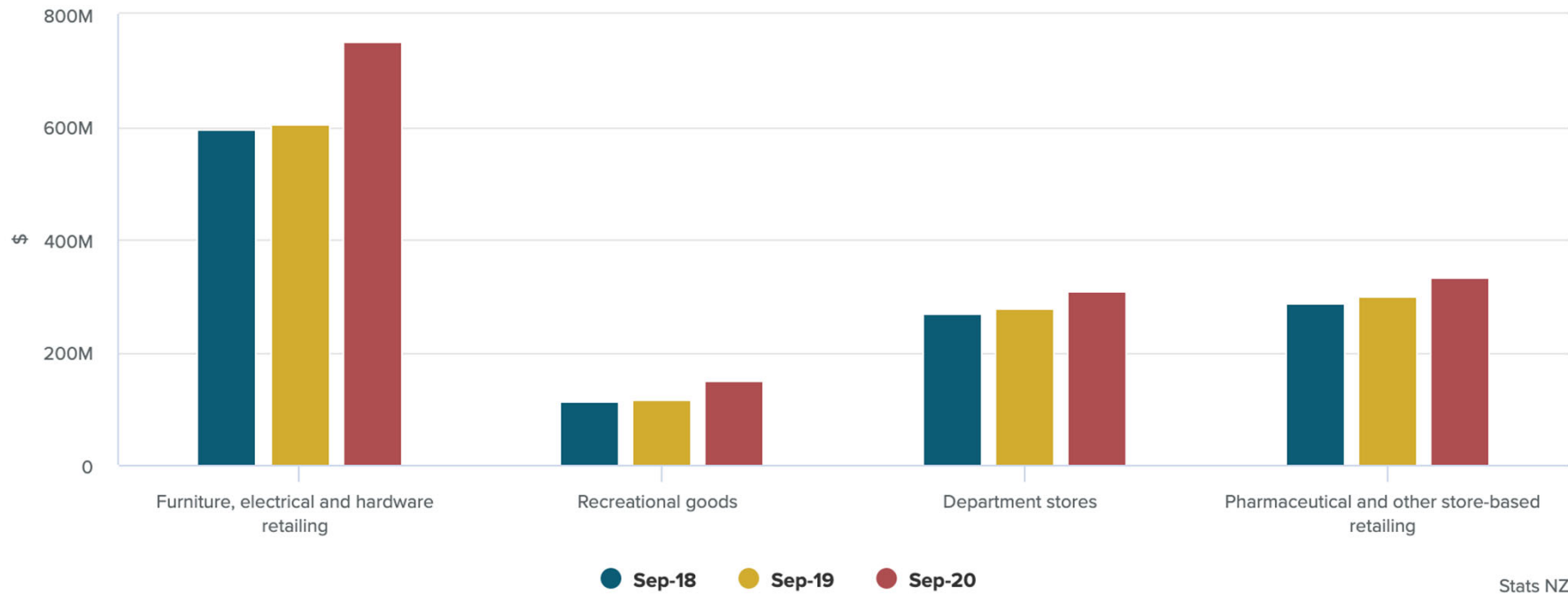
Source: Waka Kotahi NZ Transport Agency

Weekly jobs numbers holding up surprisingly well

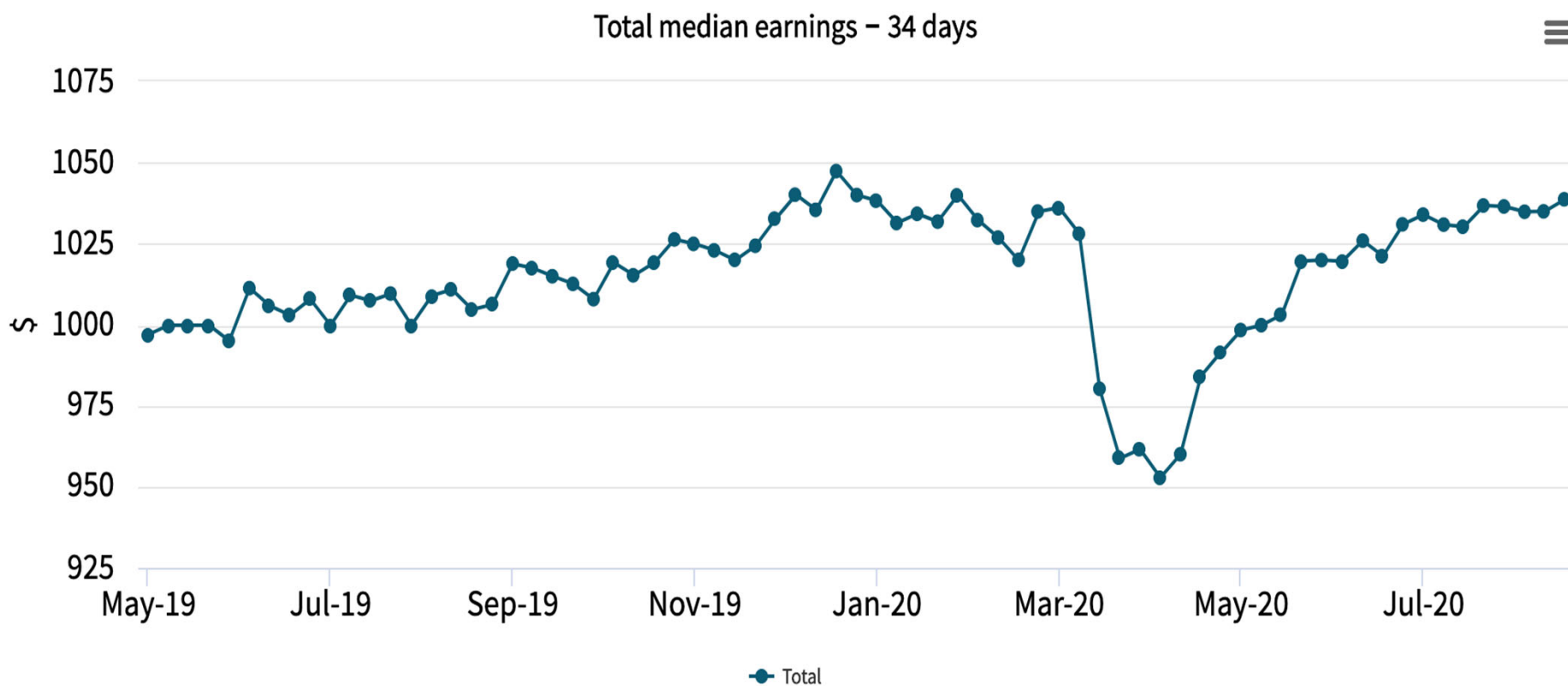


Boom time for nesting in suburbs

Actual card spending on durables industries, September months, 2018–2020

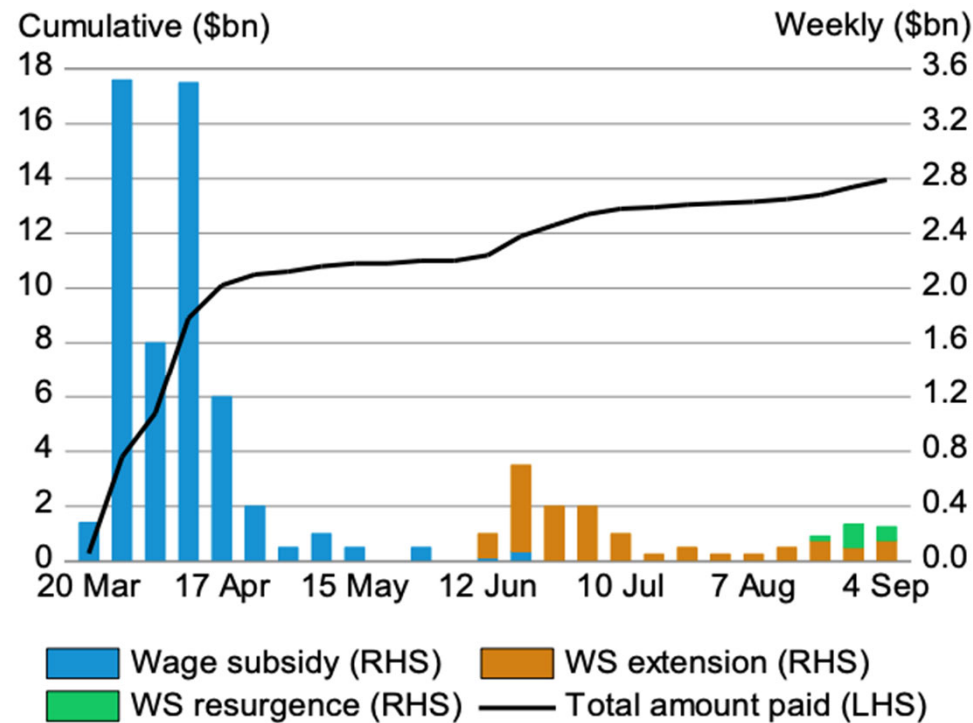


Median weekly income still v. robust



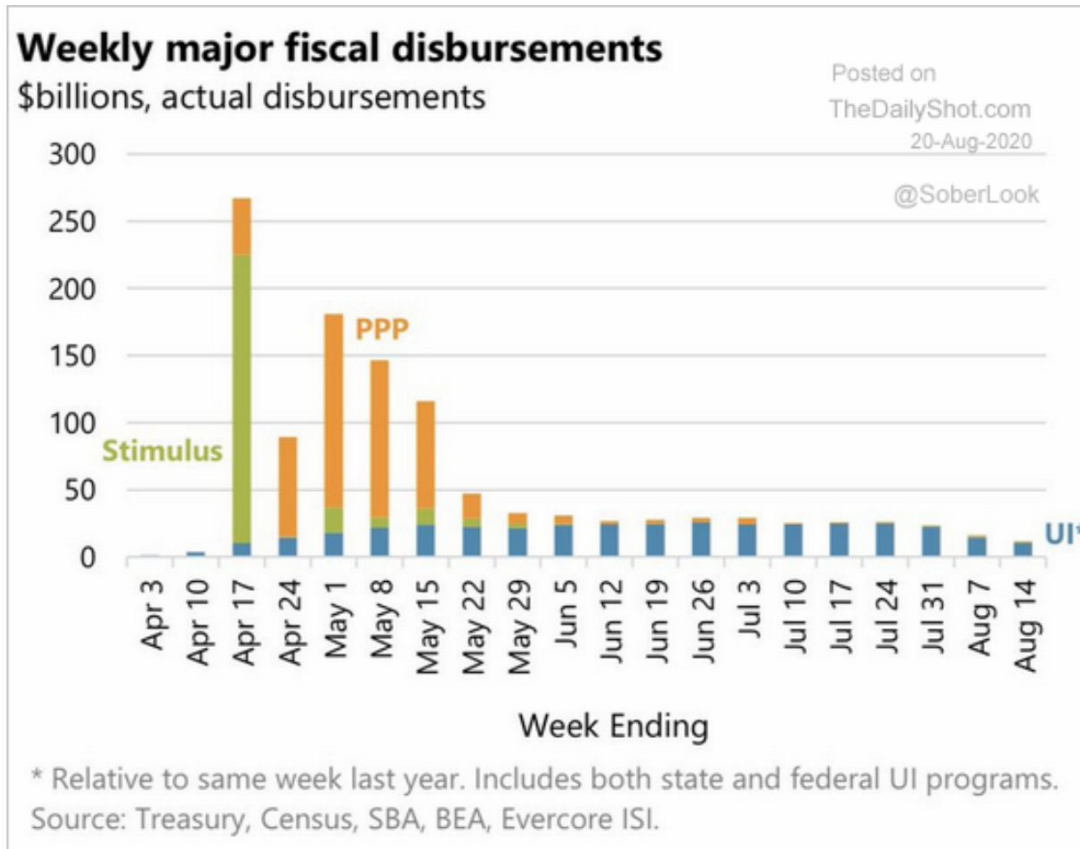
But the stimulus is dribbling away

Fiscal Support: Wage Subsidy (paid)



Source: MSD

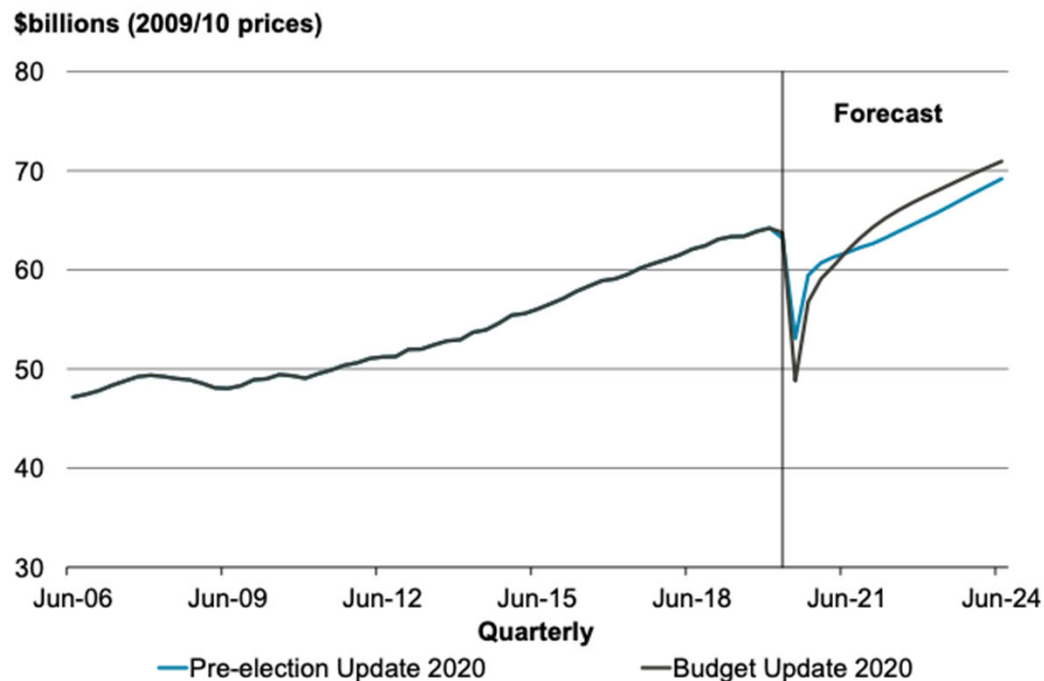
Just like in America



Source: [Evercore ISI](#), [@LizAnnSonders](#)

A couple of years to recover

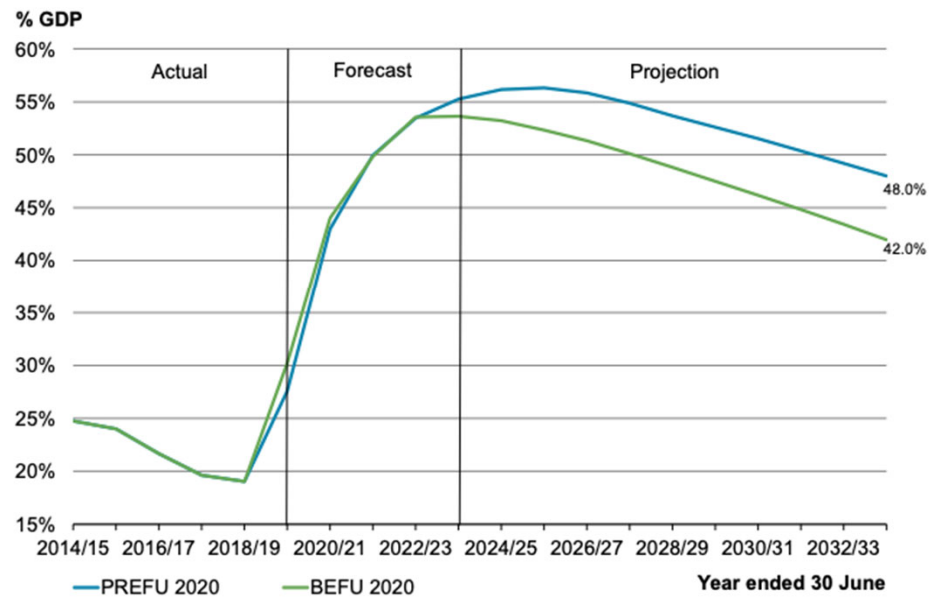
Figure 1.1 – Real production GDP



Sources: Stats NZ, the Treasury

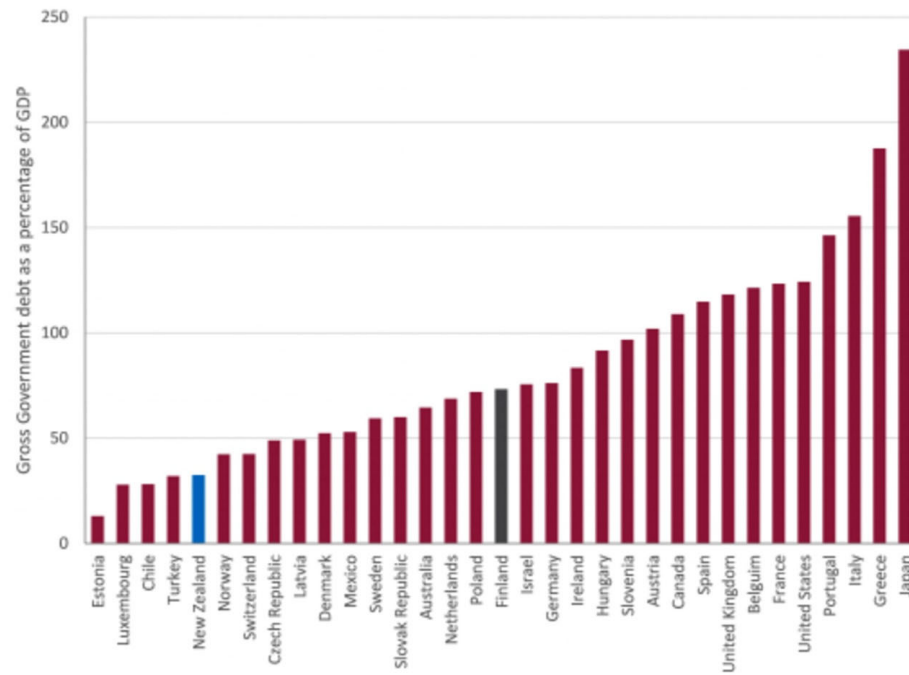
Govt debt to double, but still low

Figure 2.21 – Net core Crown debt (excluding NZS Fund and advances)



Source: The Treasury

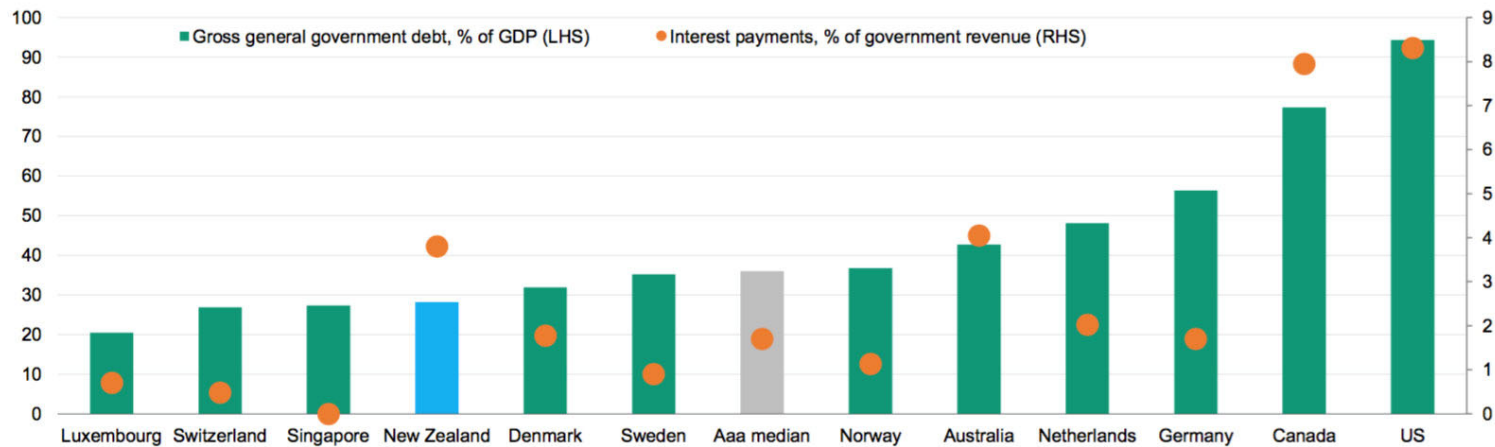
Debt much lower than the rest



BDO, March 11, Auckland

Even lower than our AAA peers

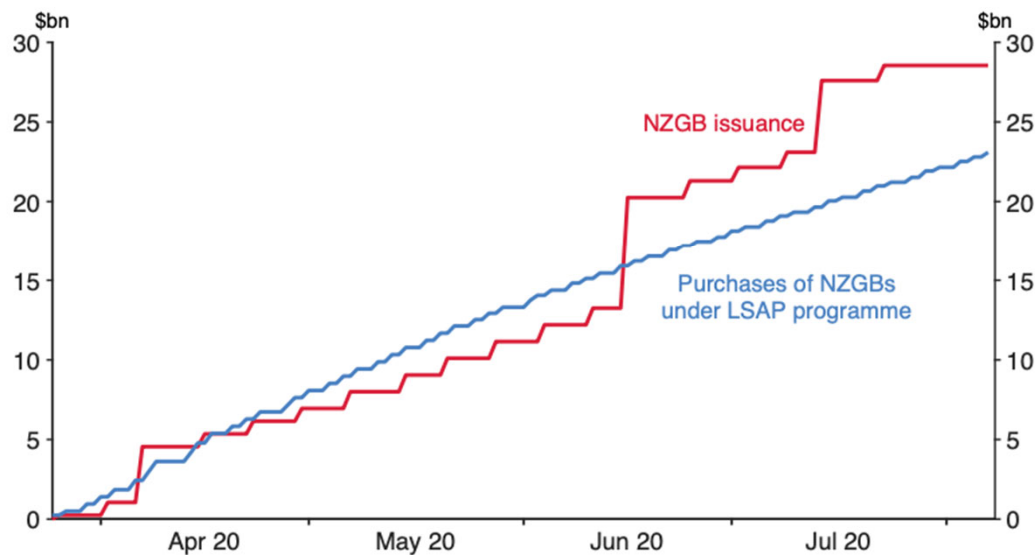
New Zealand maintains a stronger fiscal position than many Aaa-rated sovereigns
(Key fiscal metrics, average over 2019 and 2020)



Sources: National authorities, IMF, Moody's Investors Service forecasts

RBNZ 'lending' Govt all the cash

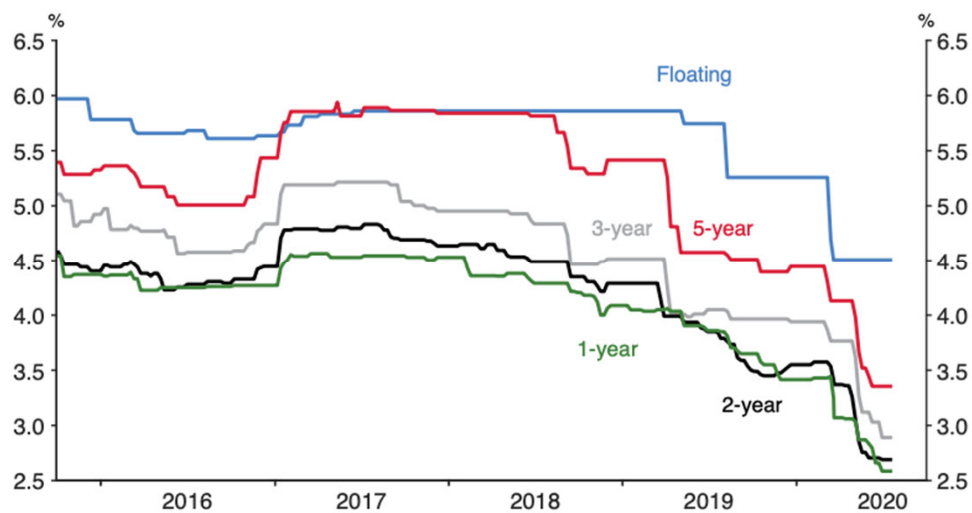
Figure 3.3
Cumulative LSAP purchases and NZGB issuance



Source: RBNZ, Treasury.

The end result? Lower rates

Figure 3.4
Mortgage rates

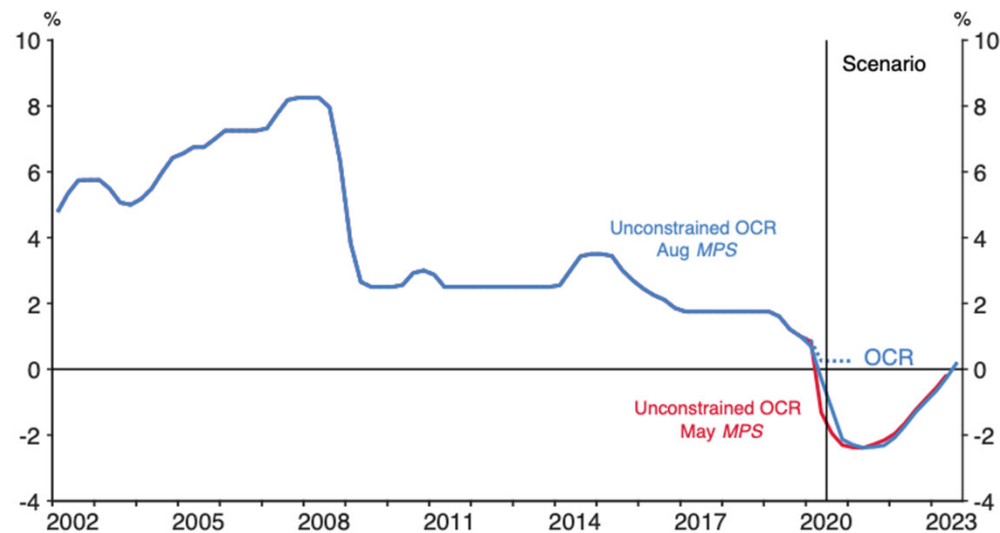


Source: interest.co.nz.

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

'Funding for lending' = 1.5% mortgages next year

Figure 5.7
Unconstrained OCR
(quarterly average)

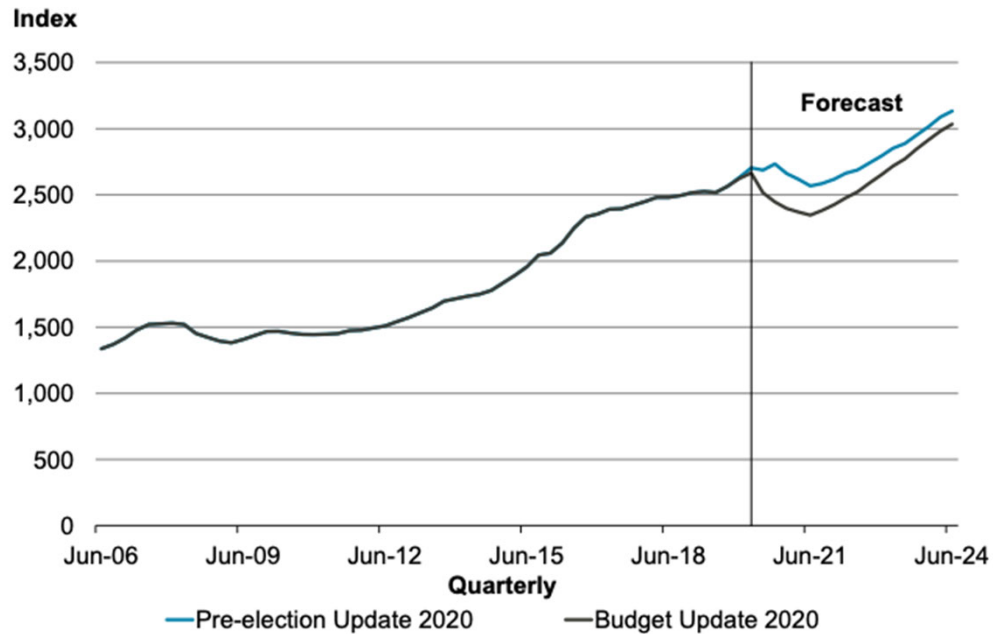


Source: RBNZ estimates.

Note: The unconstrained OCR demonstrates the broad level of stimulus provided by monetary policy.
Data for the unconstrained OCR from the March 2020 quarter are estimates.

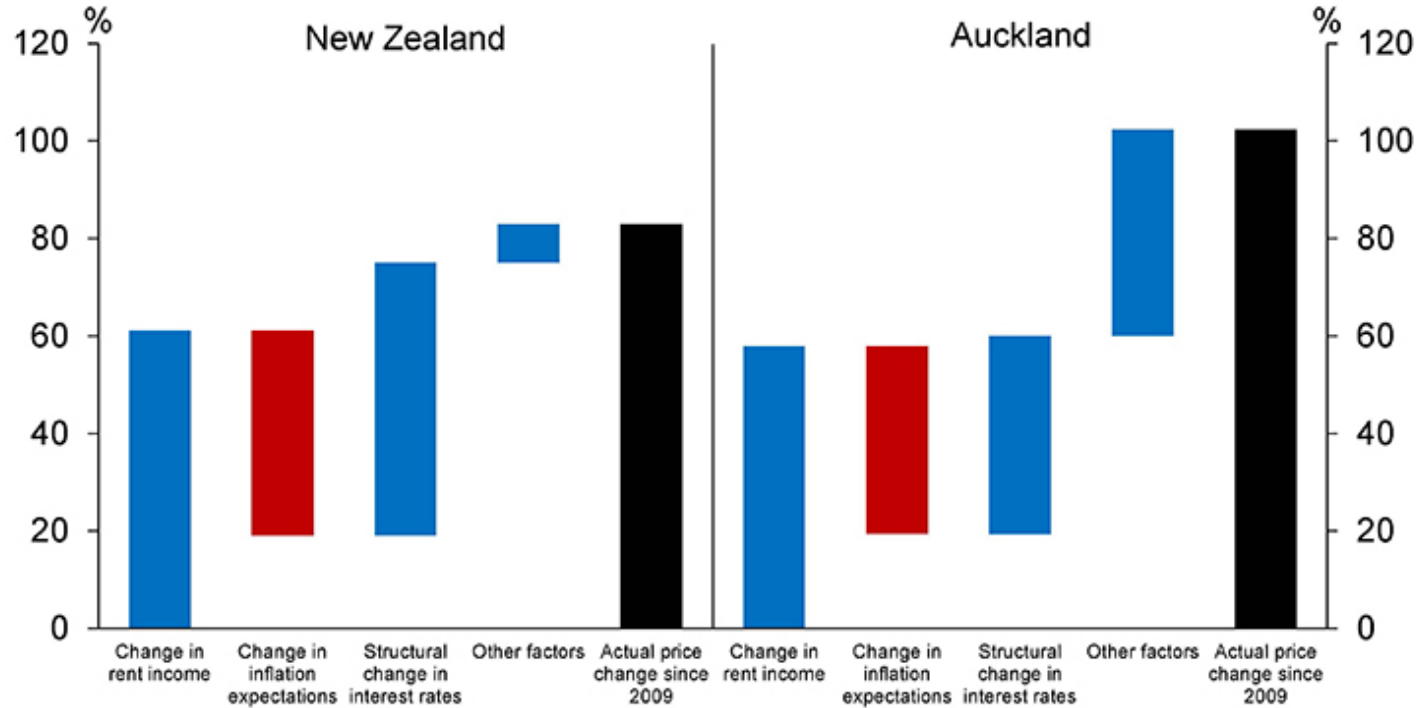
Surprisingly robust housing market

Figure 1.7 – House prices



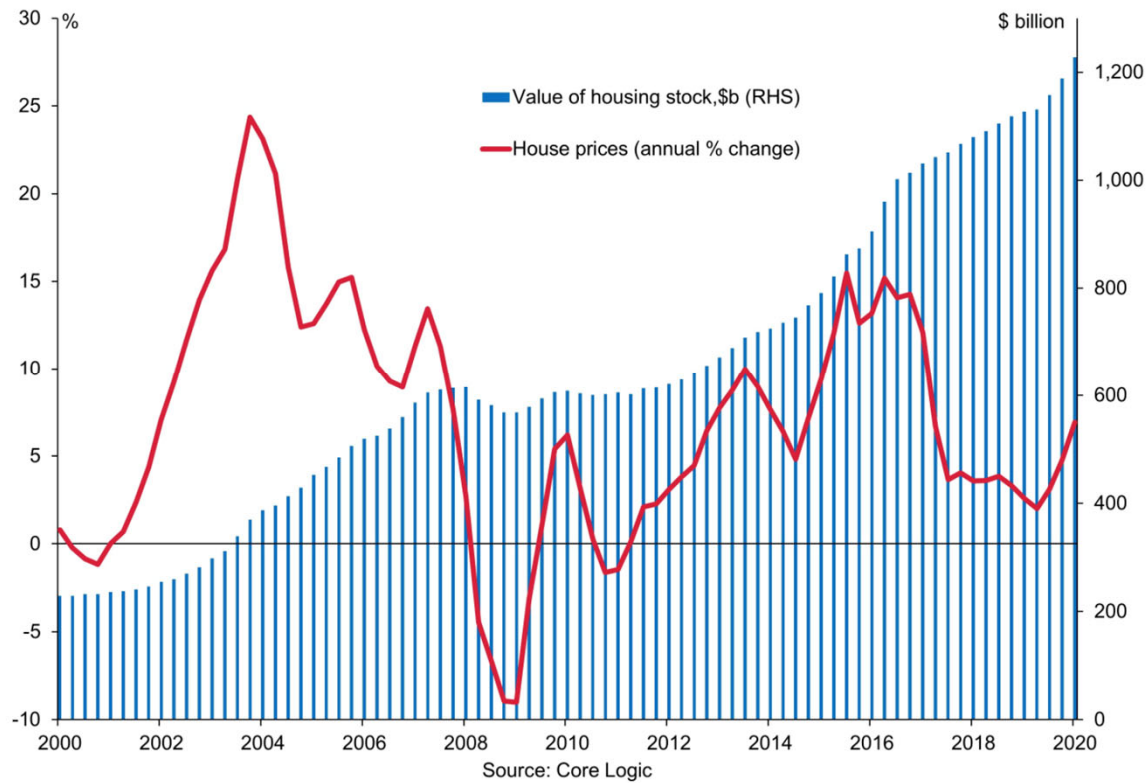
Sources: CoreLogic, the Treasury

1% rates fall = 20% price rise

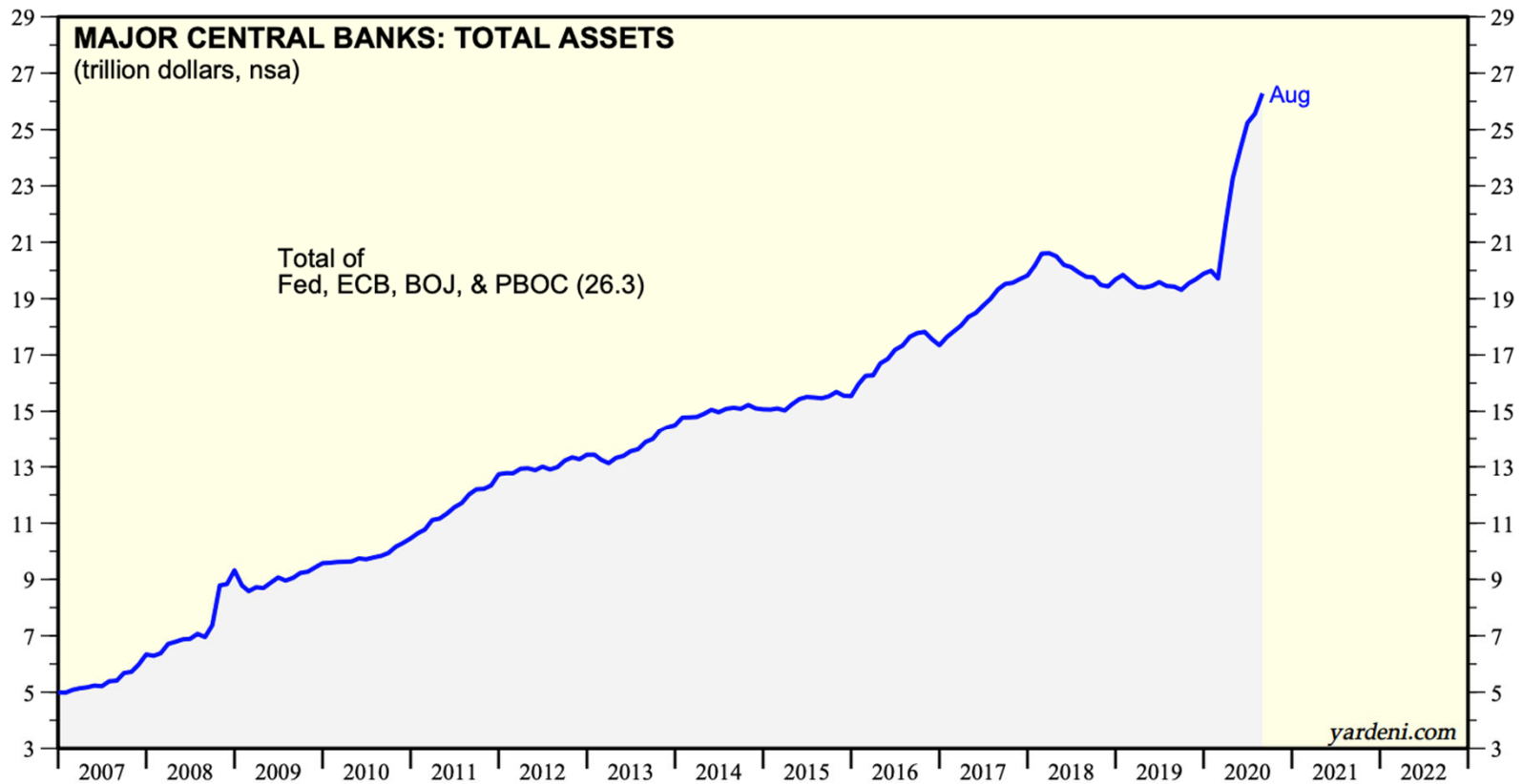


House values to rise another \$200 billion

House prices & value of housing stock

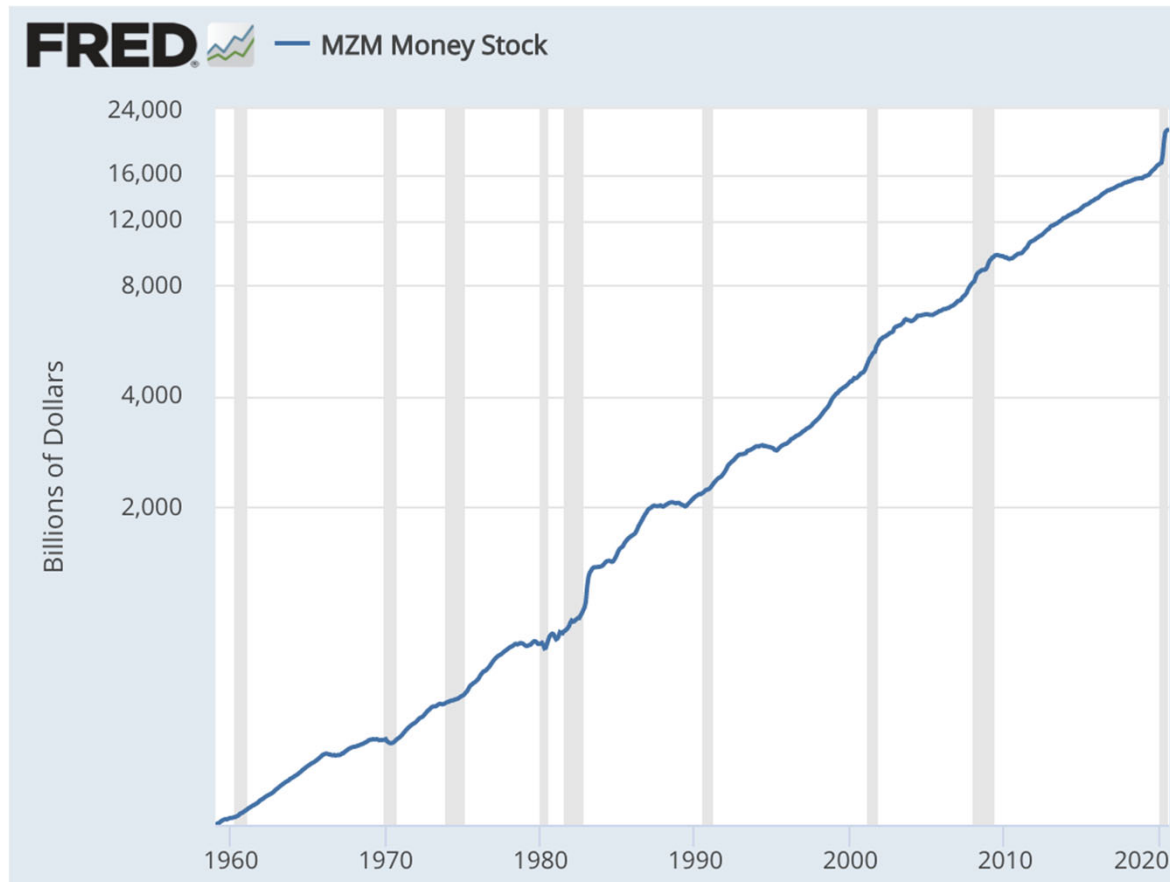


Plenty of cash around



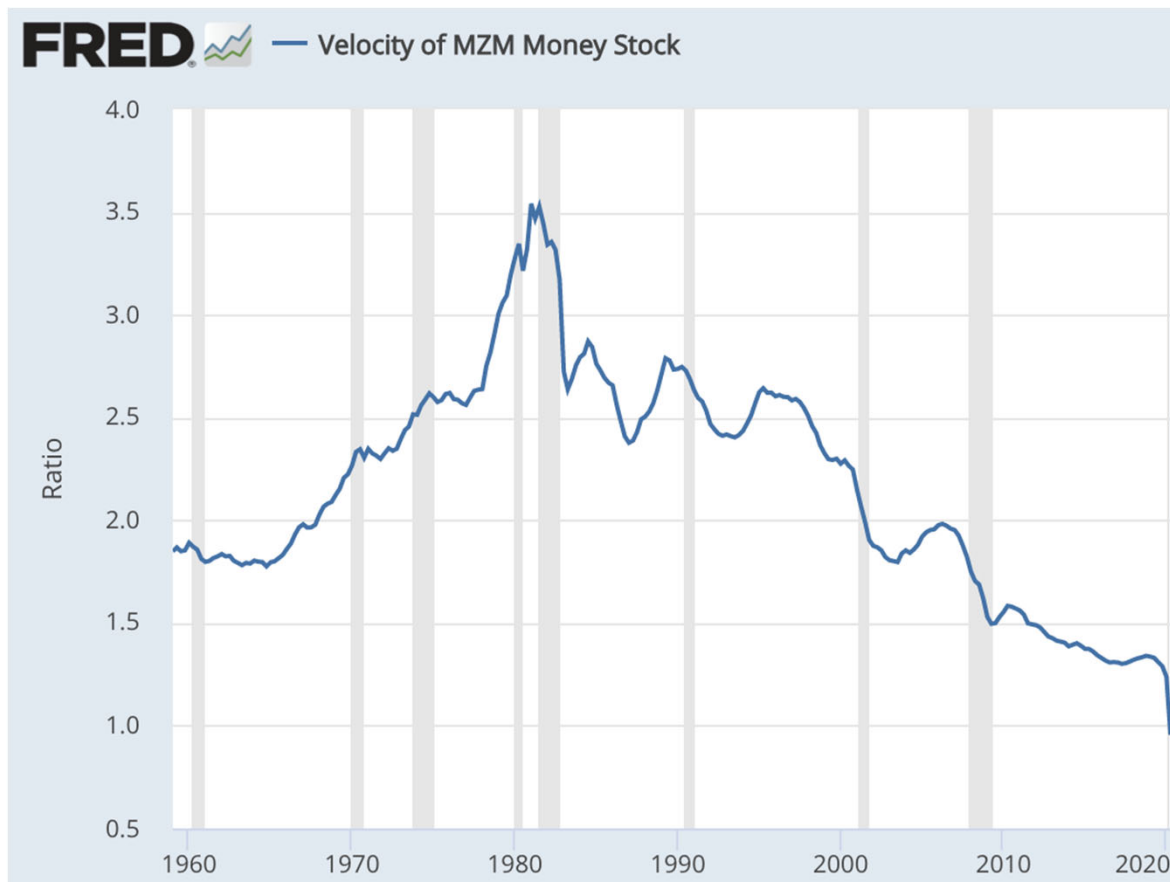
Source: Haver Analytics.

US money supply

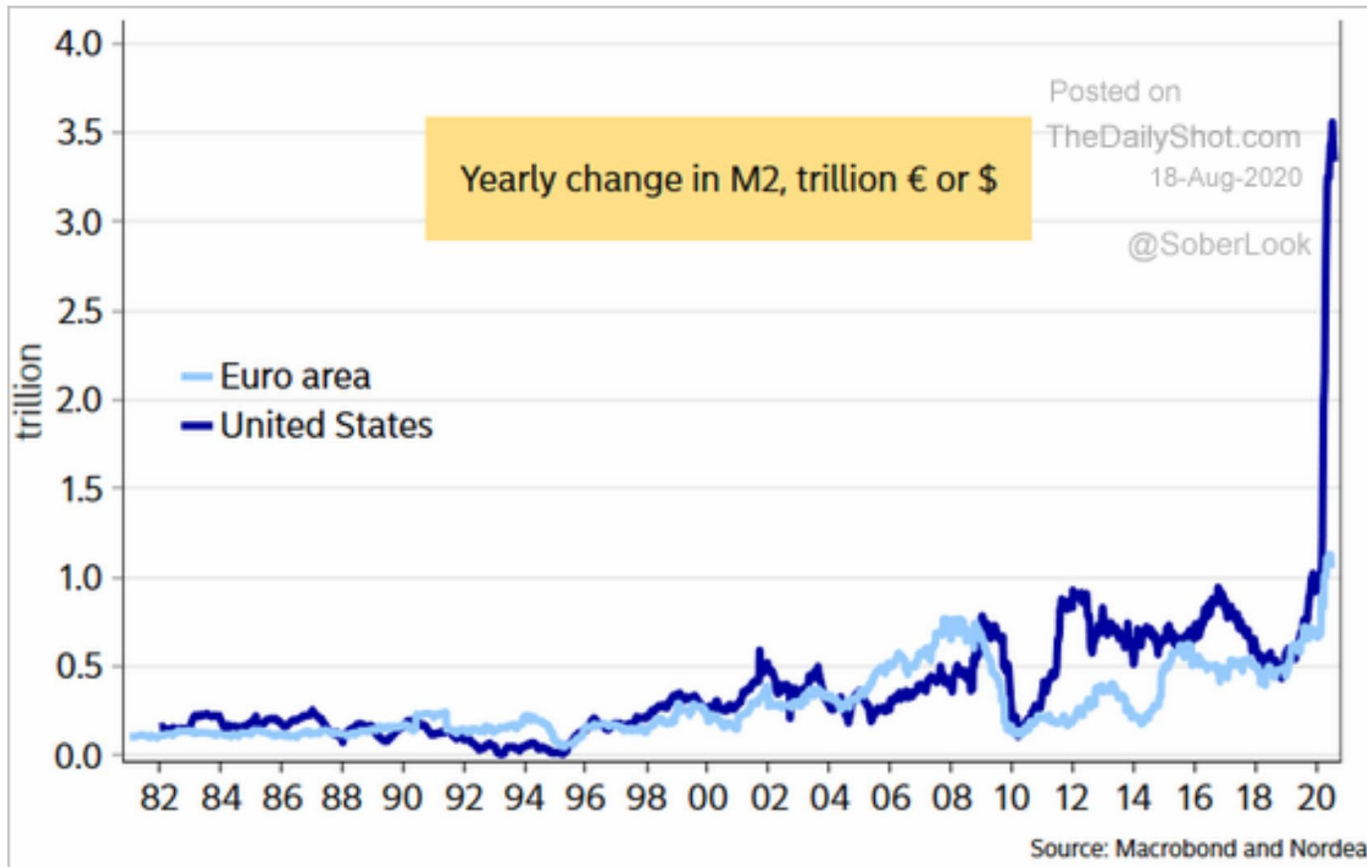


But it's just being stashed away

$MV = PQ$: Money supply \times Velocity = Price Level \times GDP



Money printer go brrrrrrrrr

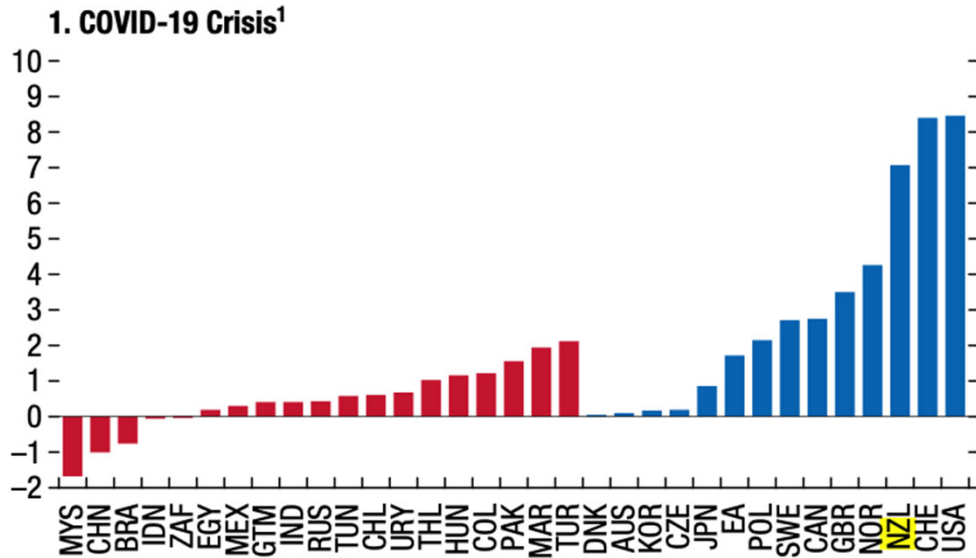


Source: @AndreasSteno

Money printer go brrrrrr herrrrre tooo

Figure 1.17. Selected Economies: Monetary Base Expansion
(Change in first three months of the episode, in percent of previous year's GDP)

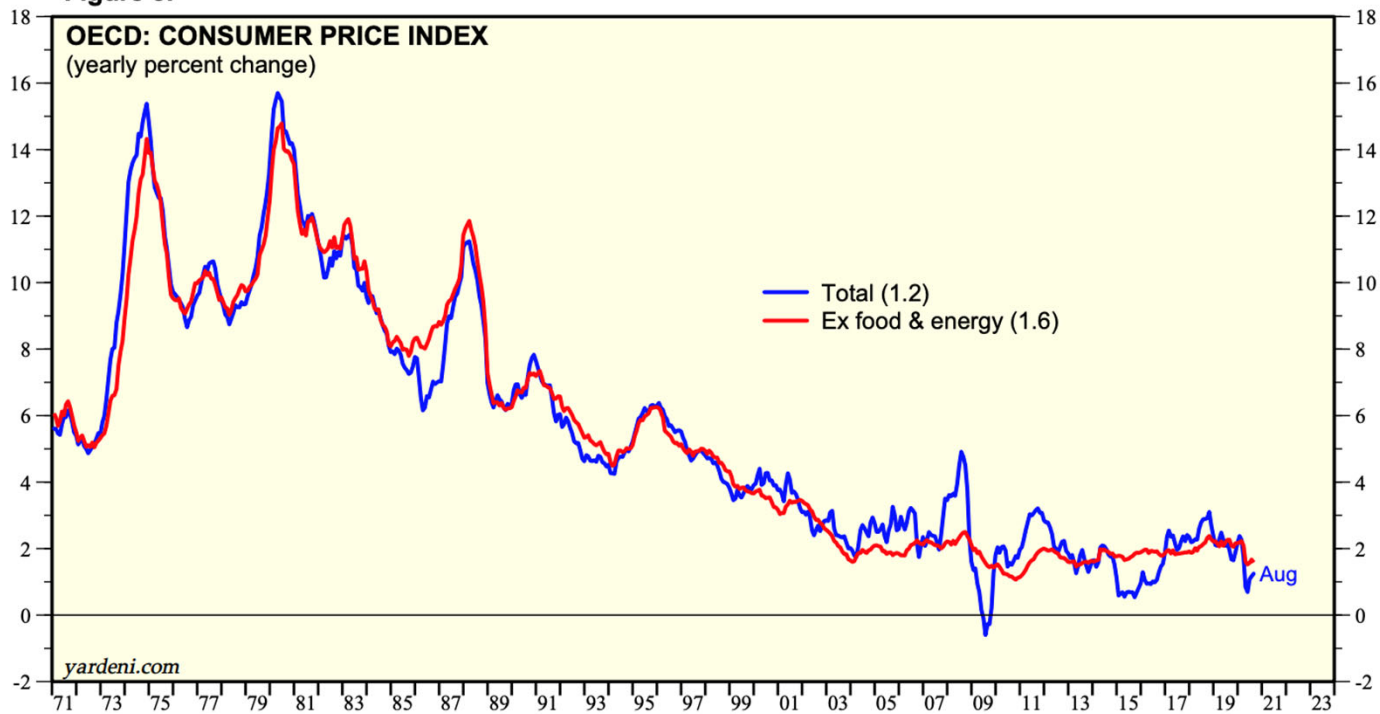
Central banks have provided a significant expansion in liquidity, including through asset purchase programs, especially in advanced economies where the expansion has been stronger than during the global financial crisis.



So where's the inflation?

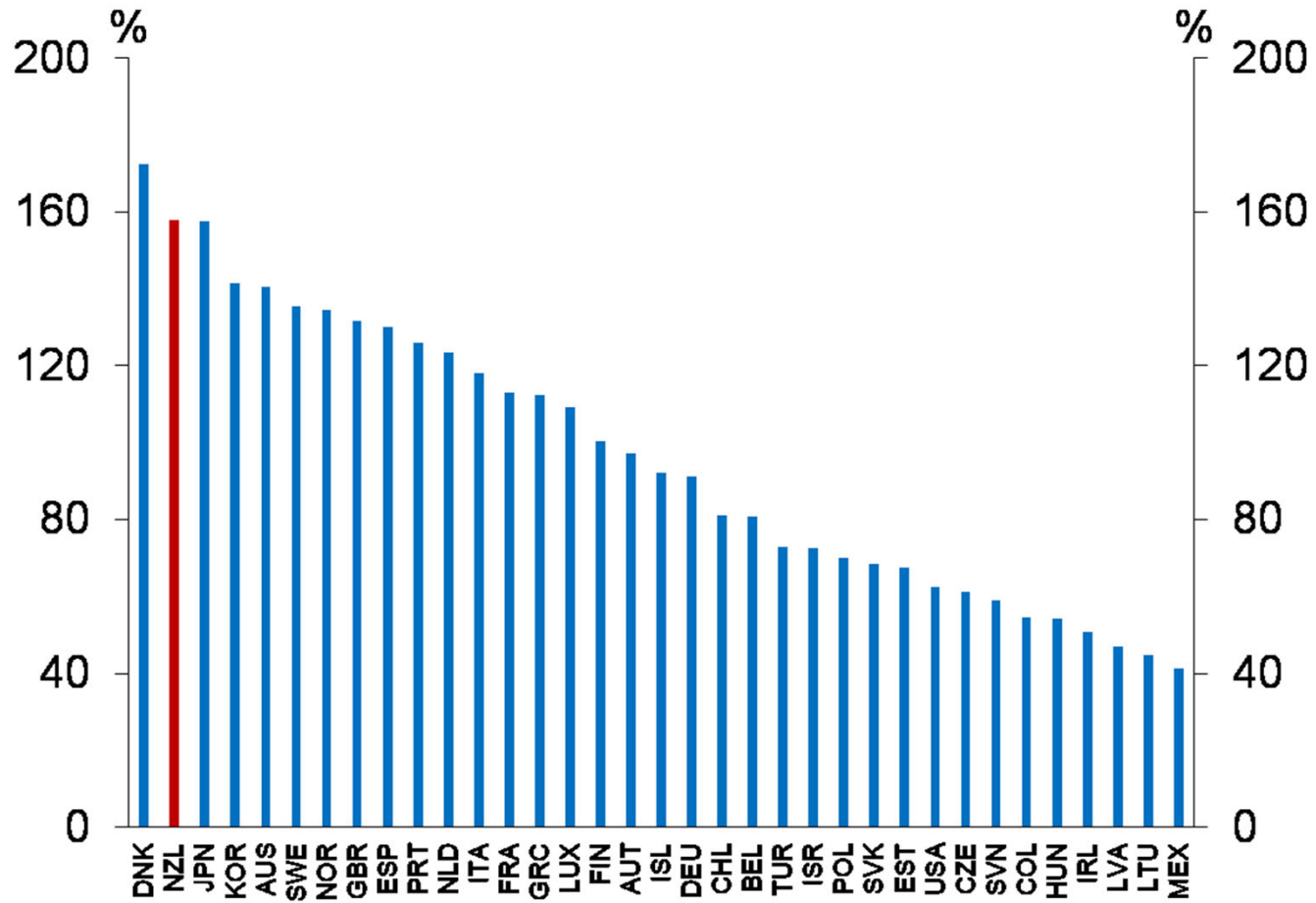
Global Inflation Rates

Figure 5.



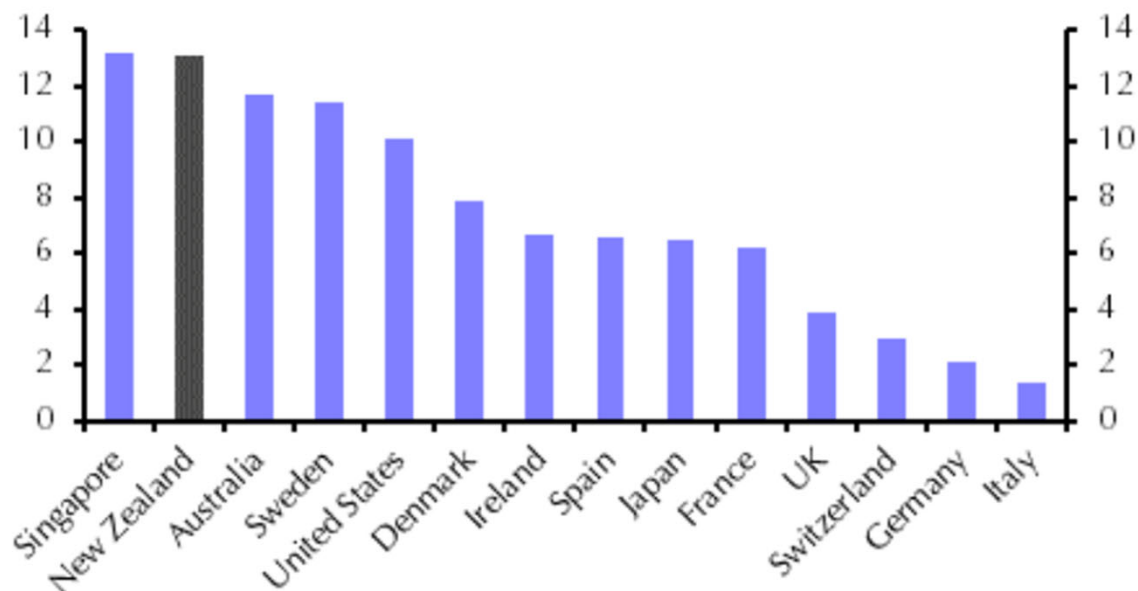
Source: Organization for Economic Cooperation & Development (OECD).

Our banks do the printing and lending



Bank profits go wheeeee.....

Chart 6: Banks' Return on Equity (5-Year Ave., %)



Sources: Refinitiv, Central Banks, FDIC, CEIC, IMF, Capital Economics

Bond markets go brrrrr...it's cold

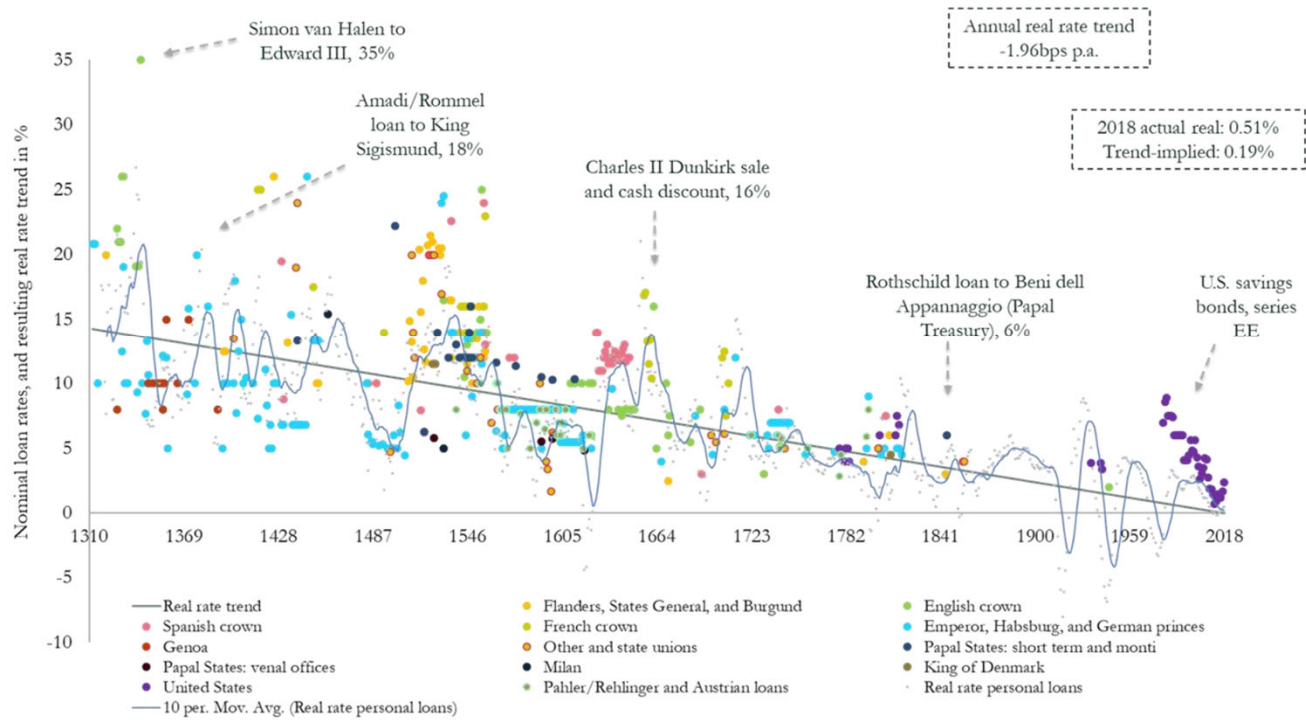
Good Time to Borrow

Nearly \$15 trillion of debt is trading at a negative yield



Source: Bloomberg

Interest rates over the long run



Everything has changed...



Yet nothing really has...



Judith is still Judith



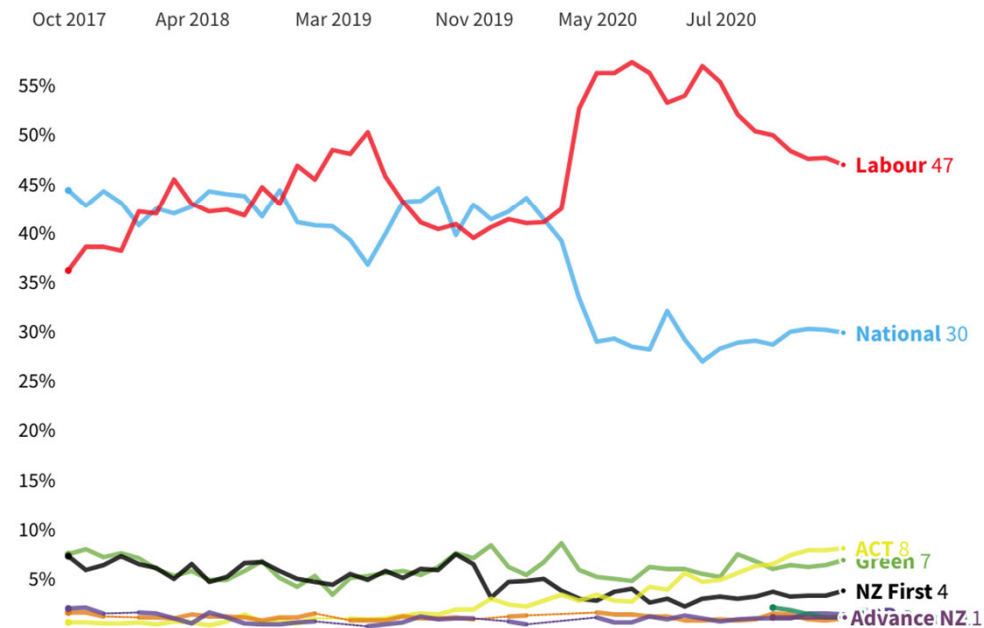
95% likely a Labour-led 2nd term

BusinessDesk Poll Tracker

Labour 48% | National 30% | ACT 7% | Green 6% | NZ First 3% | New Conservative 1% | Māori 1% | TOP 1% | Advance NZ 1%

Updated: October 15, 2020

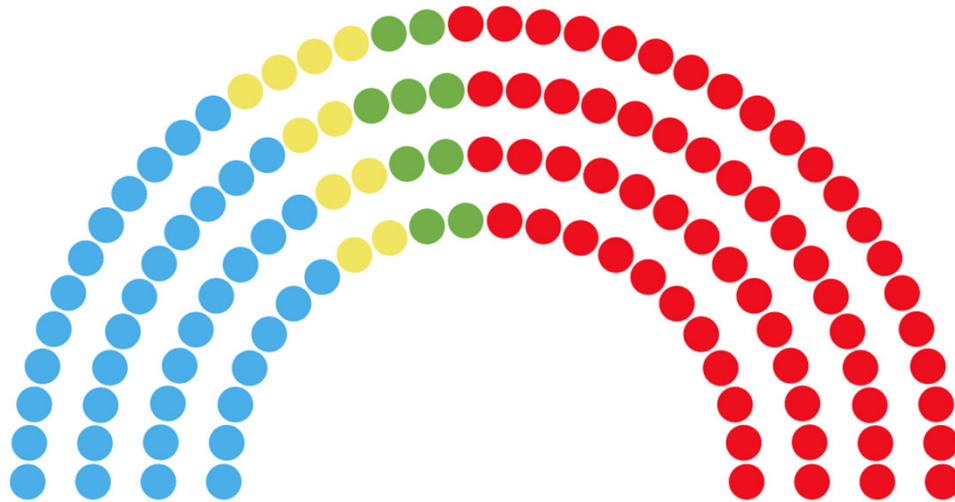
Replay



60% likely Labour with the Greens



45% likely Labour on its own



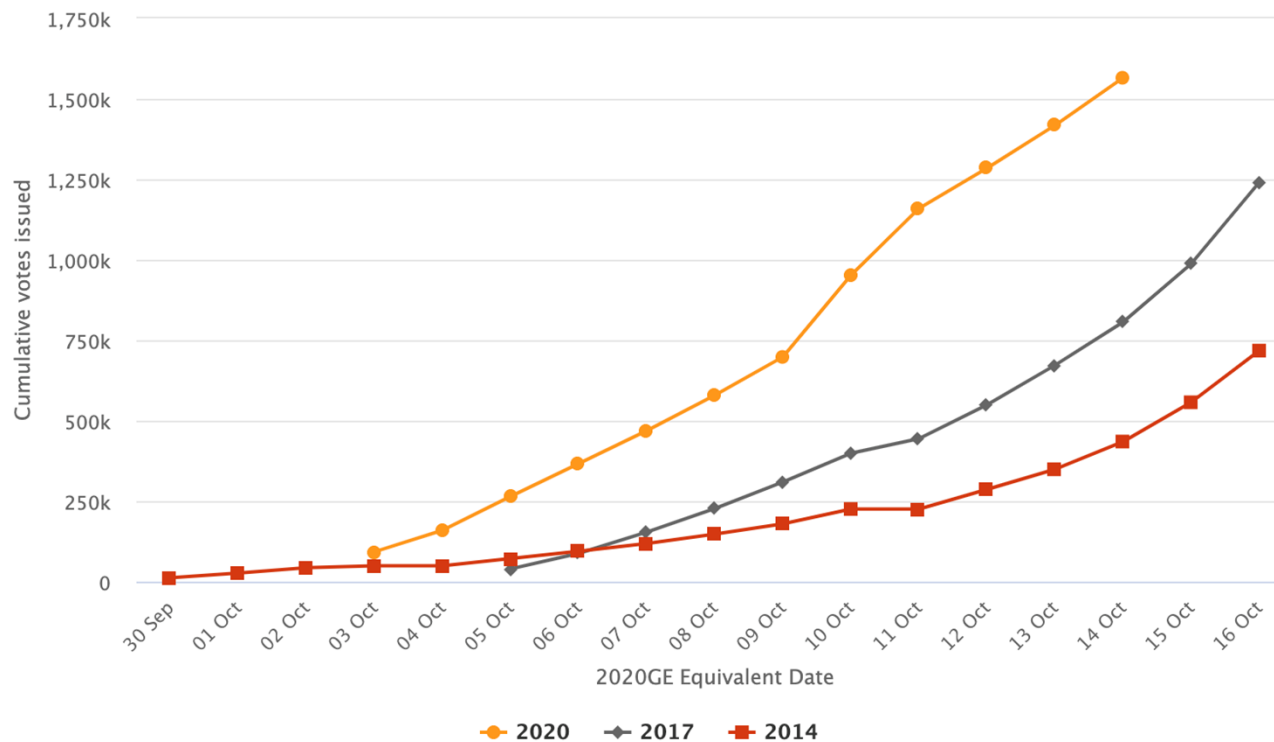
Party	PollTracker	2017	Change
● National	39	56	↓17
● ACT	10	1	↑9
● NZ First	0	9	↓9
● Greens	9	8	↑1
● Labour	62	46	↑16

5% likely Deputy PM David Seymour

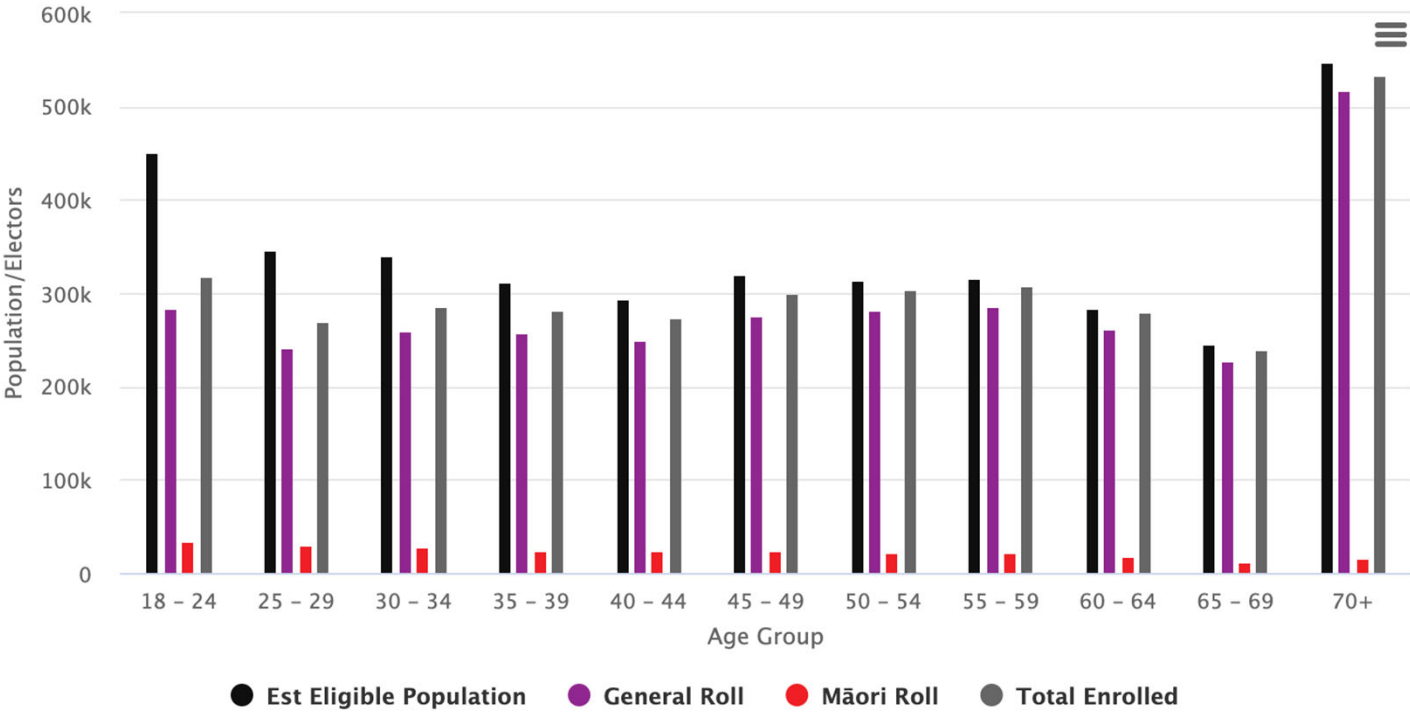


Not 'Let's do this'. More 'Let's get this over with' 2m of 2.8m likely to vote by 5pm today

Cumulative advance votes



But still about 600k of missing young voters



So no CGT or wealth tax...ever...?



