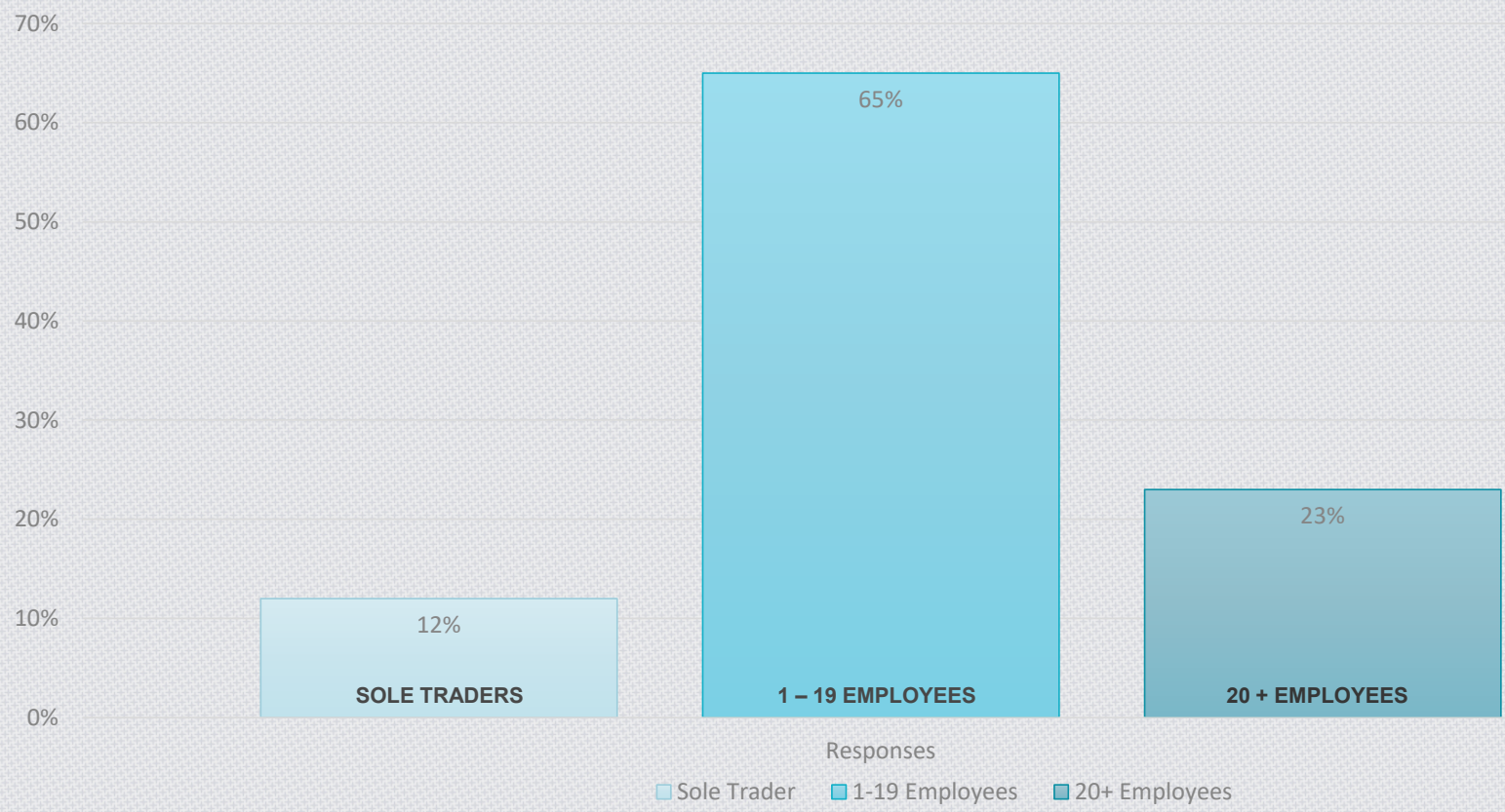




**MICHAEL BARNETT**

**CEO AUCKLAND CHAMBER**

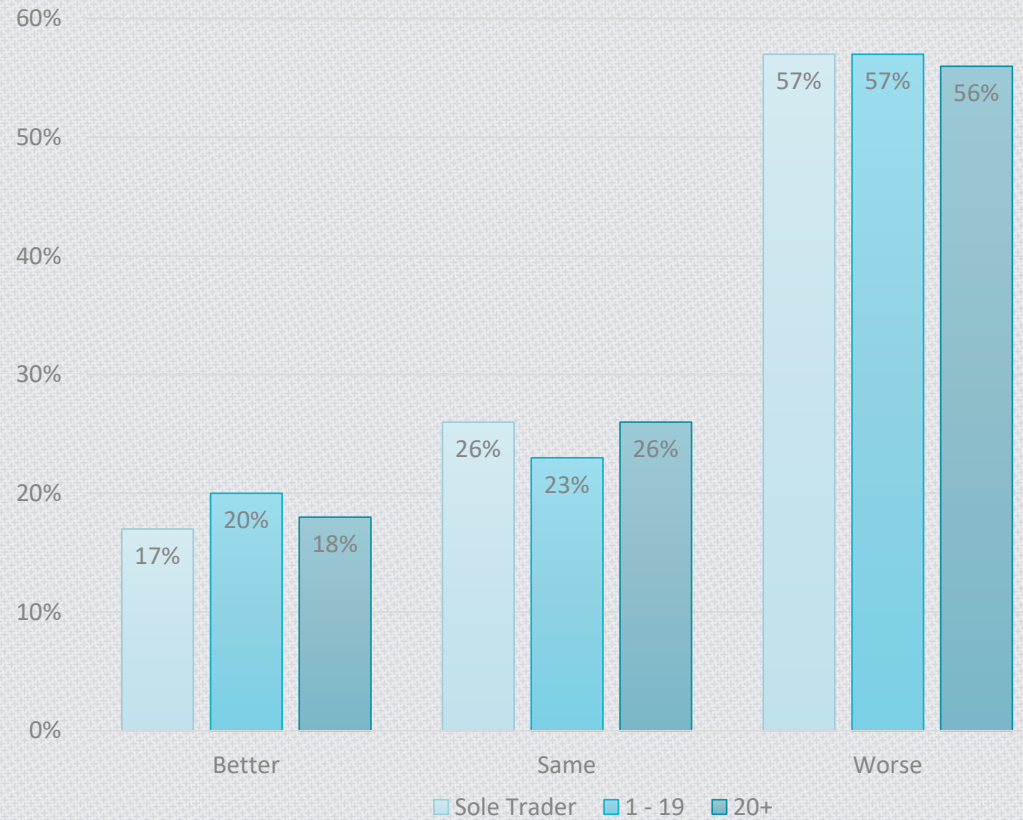
# Size of business surveyed:



■ The next six months compared to the last six months of 2020, the NZ economy will be:

**OVERALL**

- **19%** BETTER
- **24%** SAME
- **57%** WORSE

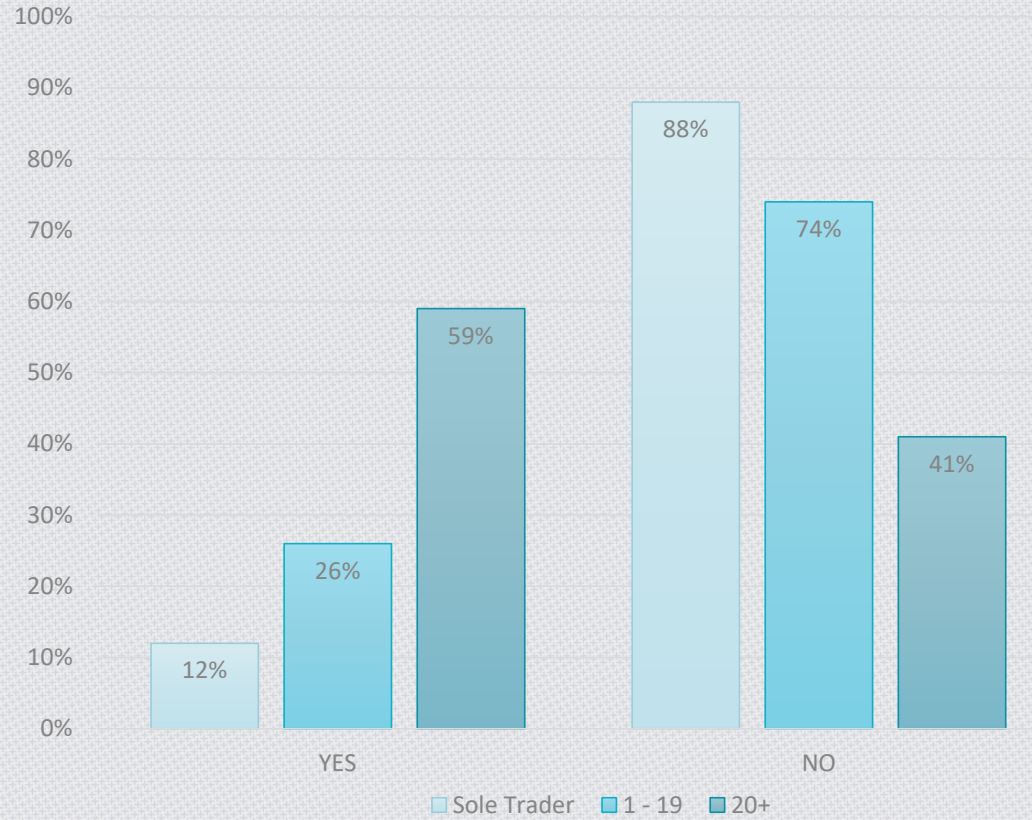


■ In the next three months, do you intend to hire?

**OVERALL**

■ **32%** YES

■ **68%** NO



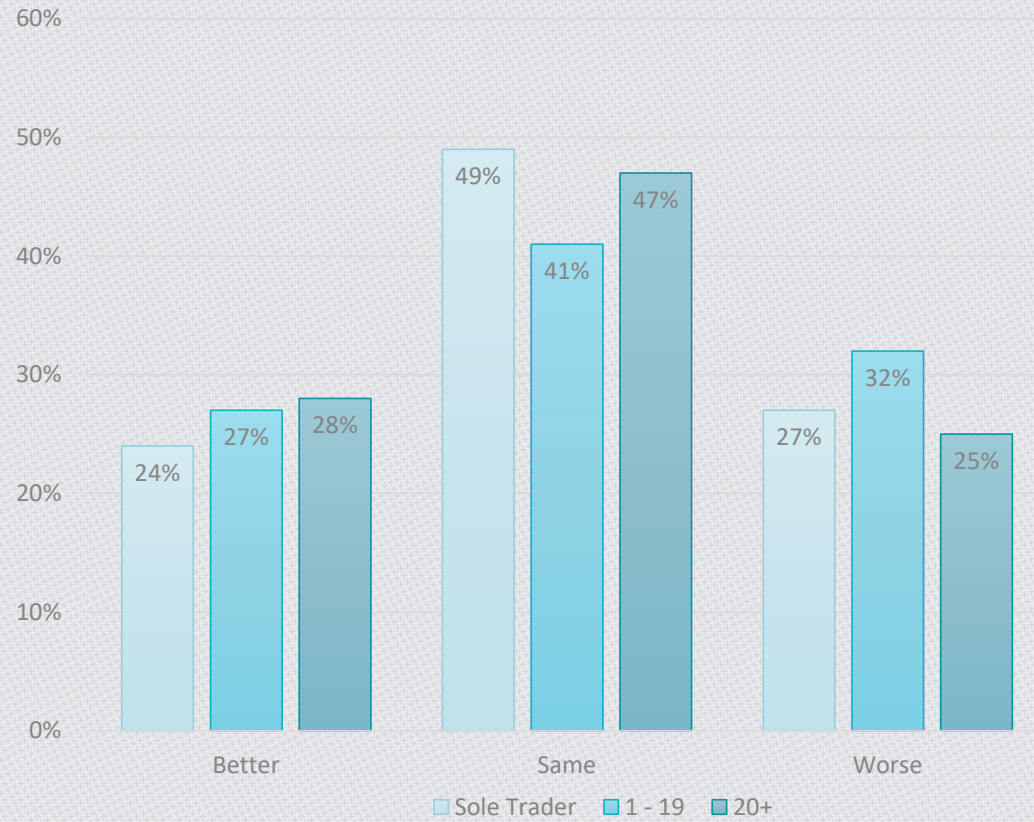
■ In the next six months my business activity will be:

**OVERALL**

■ **27%** BETTER

■ **43%** SAME

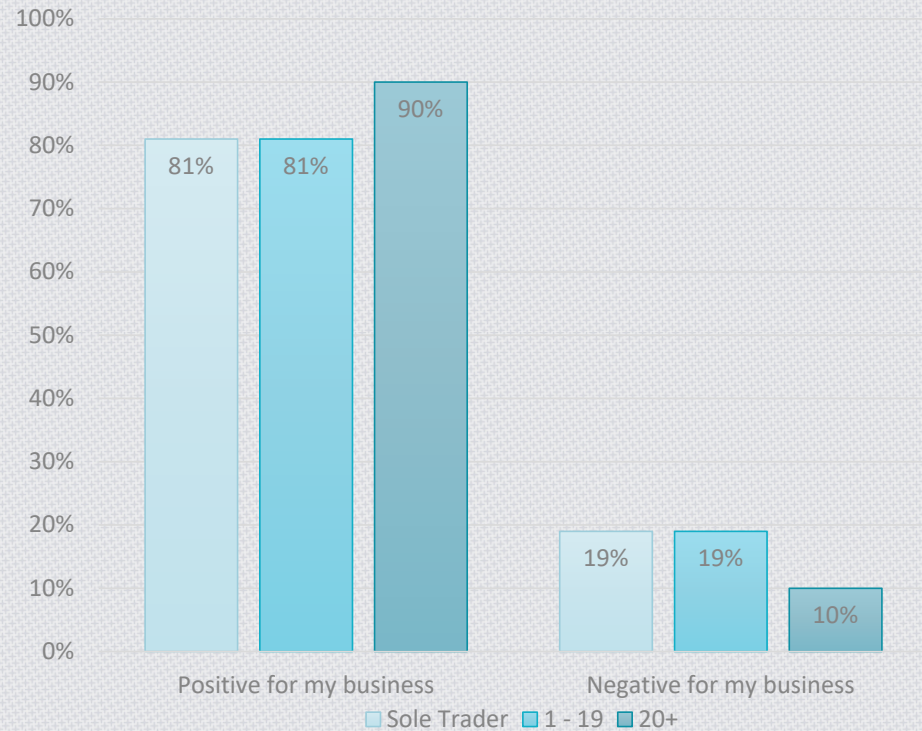
■ **30%** WORSE



■ The proposed opening of the NZ/Australia border will be:

**OVERALL**

- **83%** Positive for my business
- **17%** Negative for my business



**BERNARD HICKEY**

**Economic Update**

**Keeping it real...Banksy sold in Parnell for NZ\$1.7m**



**£16.7m (NZ\$32.8m) for Banksy's 'Game Changer'**



**1 bed (42sq m) in Miramar for NZ\$745k (NZ\$600/week)**



# 12 Fife Lane Miramar (100 sq m) worth \$950k

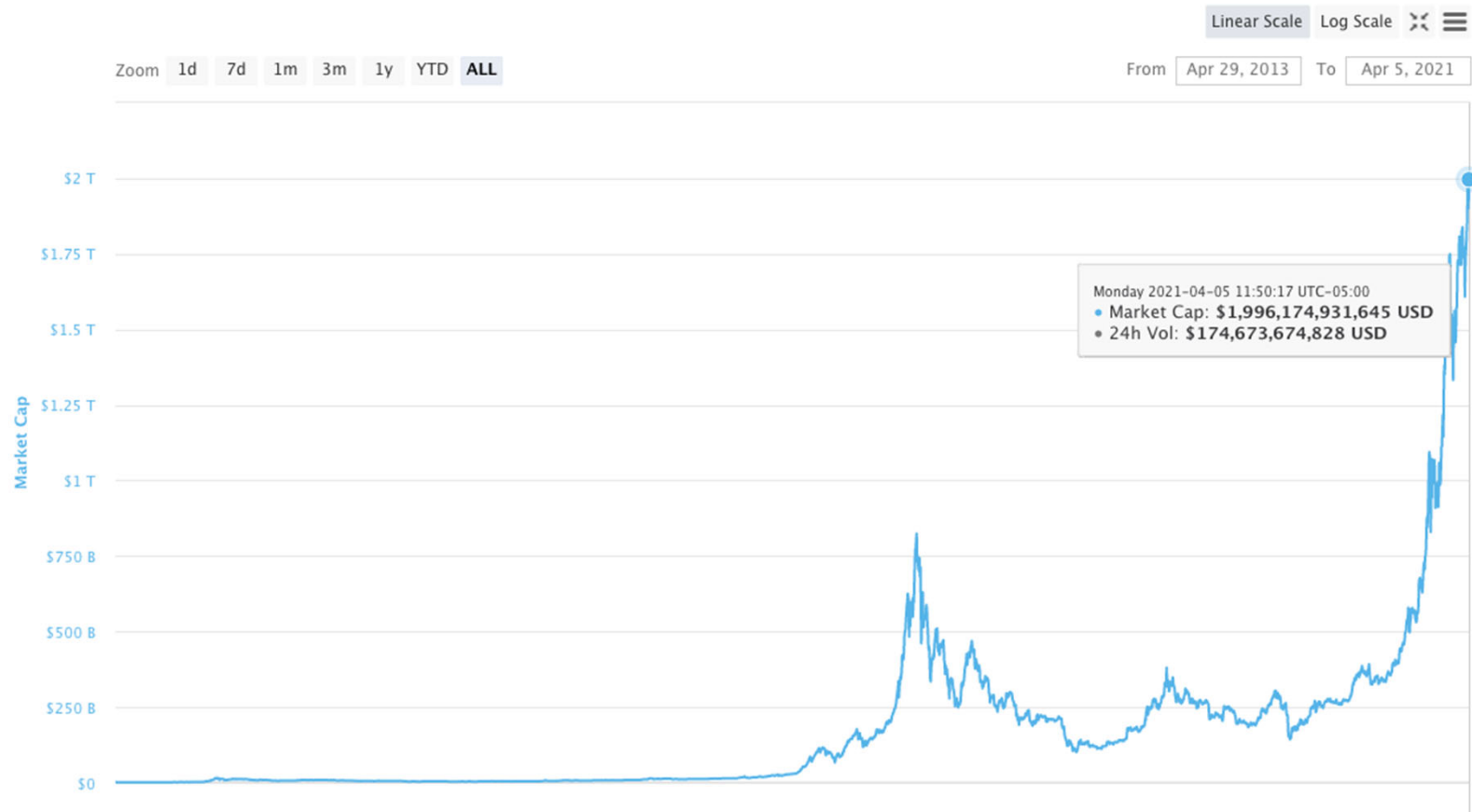


# 1970 Ford Falcon GTHO Phase III sold for A\$1.15m

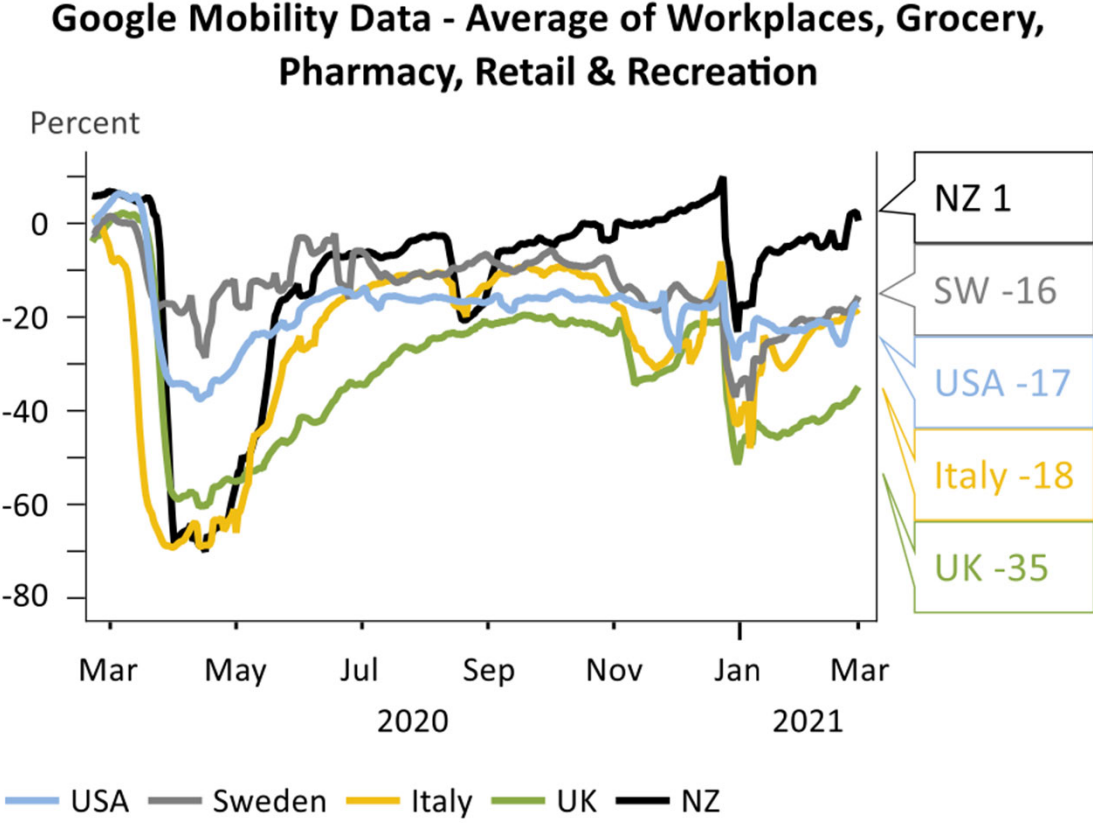


# Total value of cryptocurrencies hit US\$2t

Total Market Capitalization



# There wasn't an economy vs health tradeoff

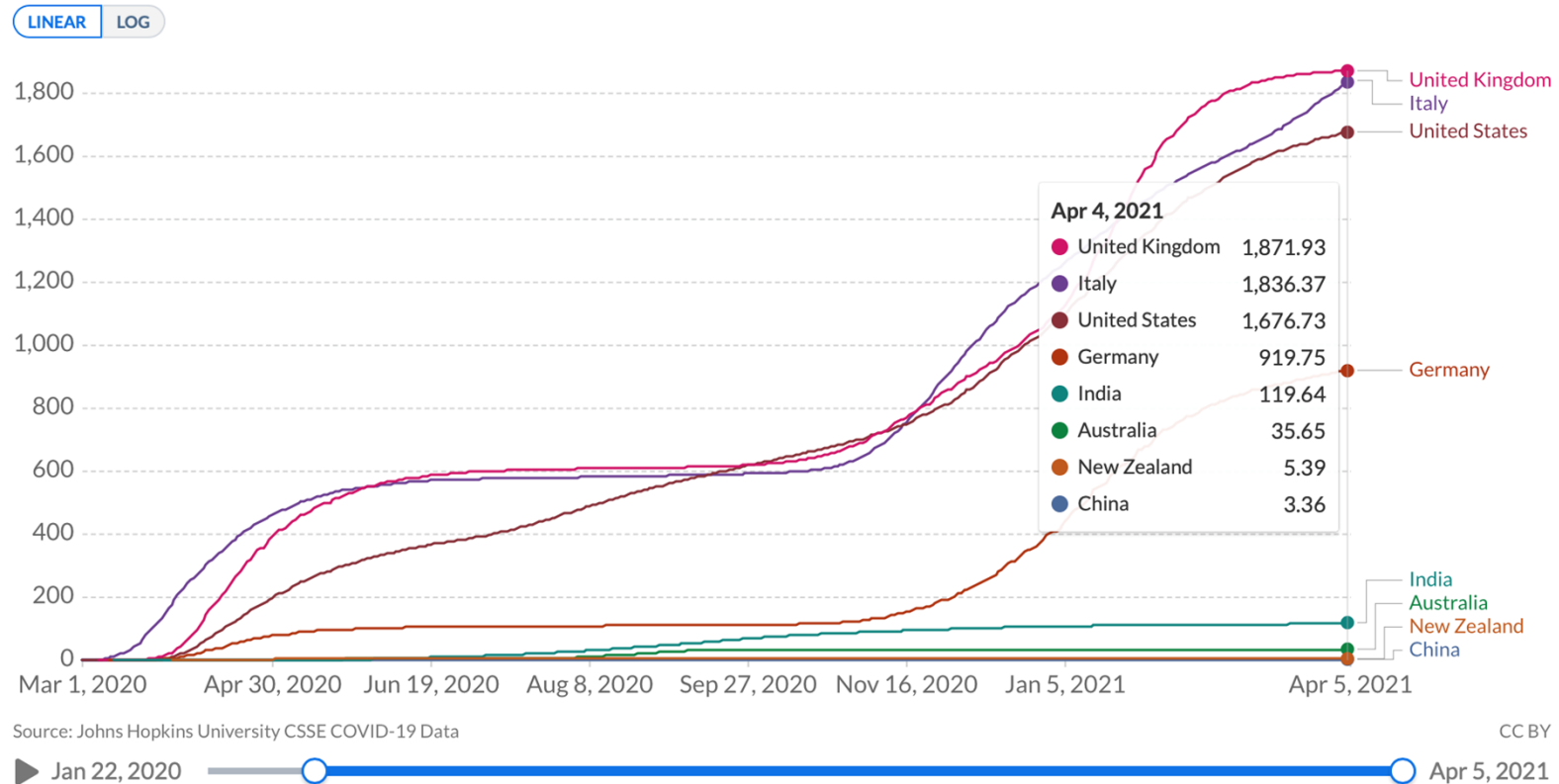


Source: Macrobond, ASB

# A US, UK and European catastrophe

## Cumulative confirmed COVID-19 deaths per million people

Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.



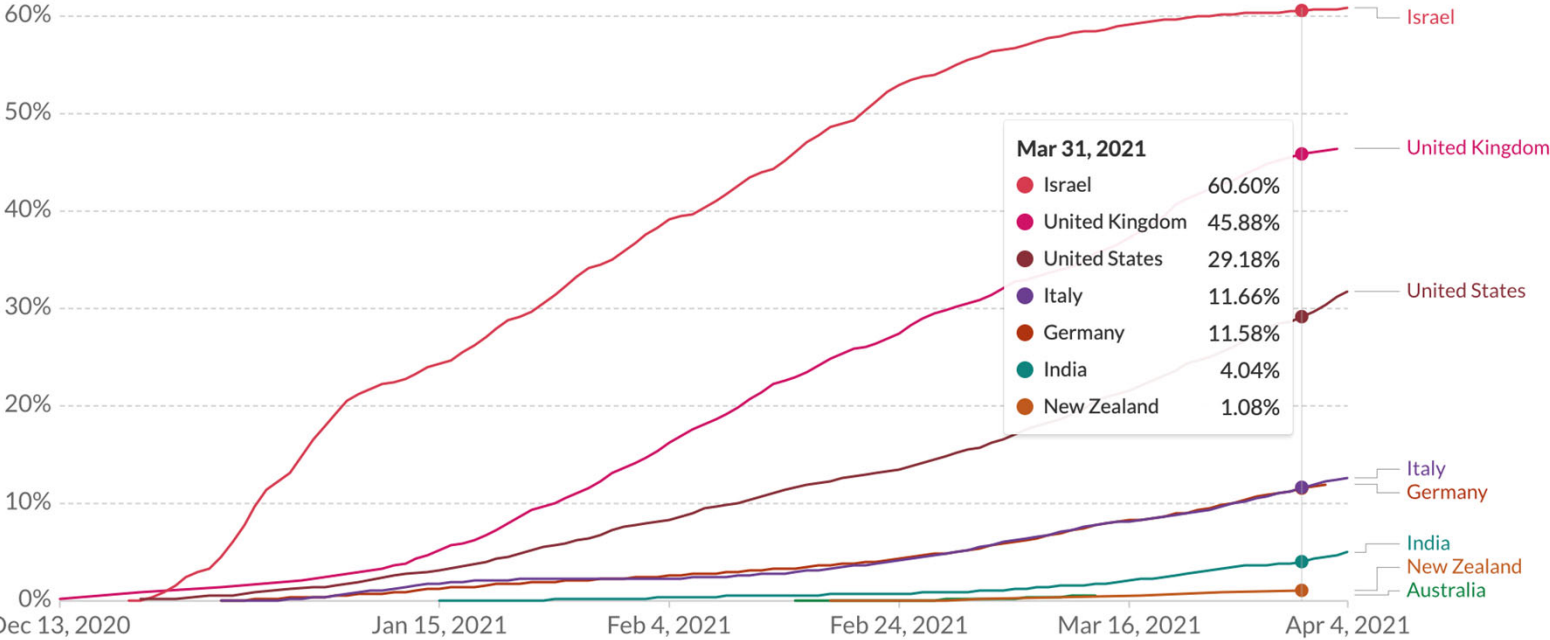
# UK and US doing better with vaccinations

## Share of people who received at least one dose of COVID-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.



**LINEAR** LOG



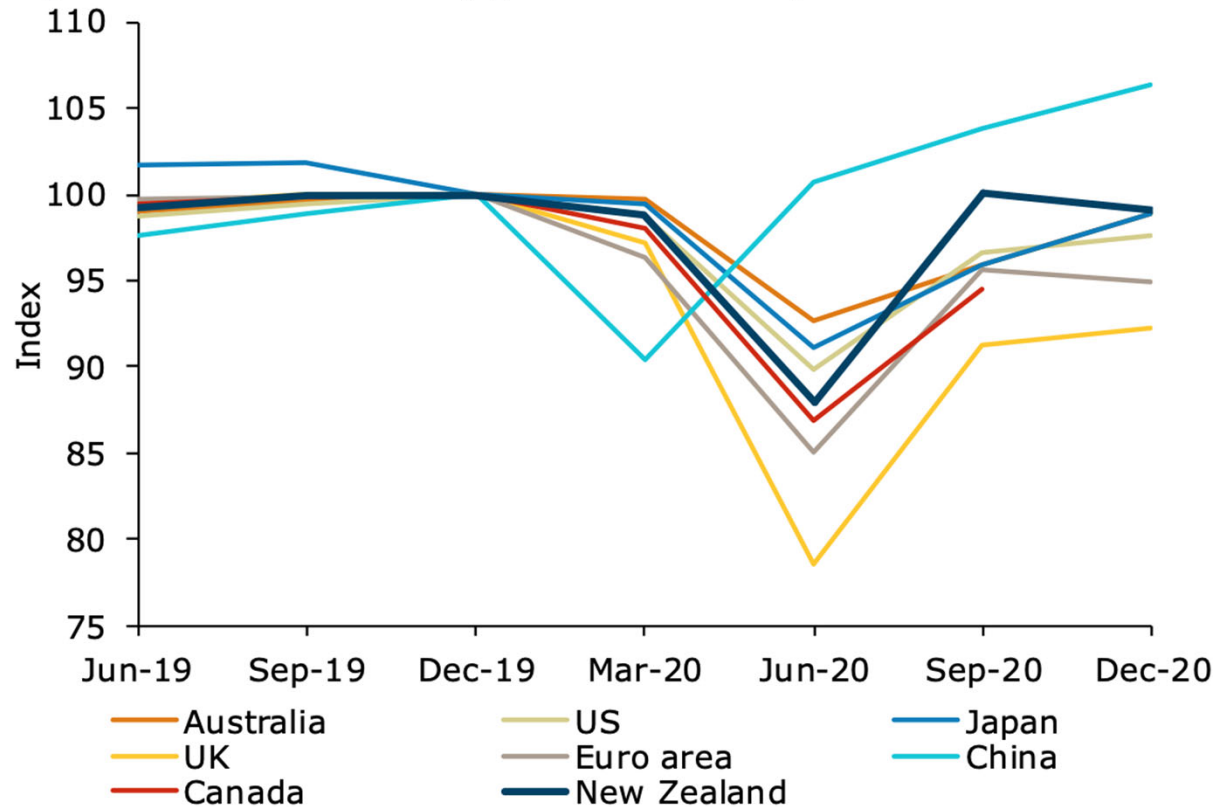
Source: Official data collated by Our World in Data

CC BY

▶ Dec 13, 2020 Apr 4, 2021

# China above pre-Covid levels. NZ ahead of rest

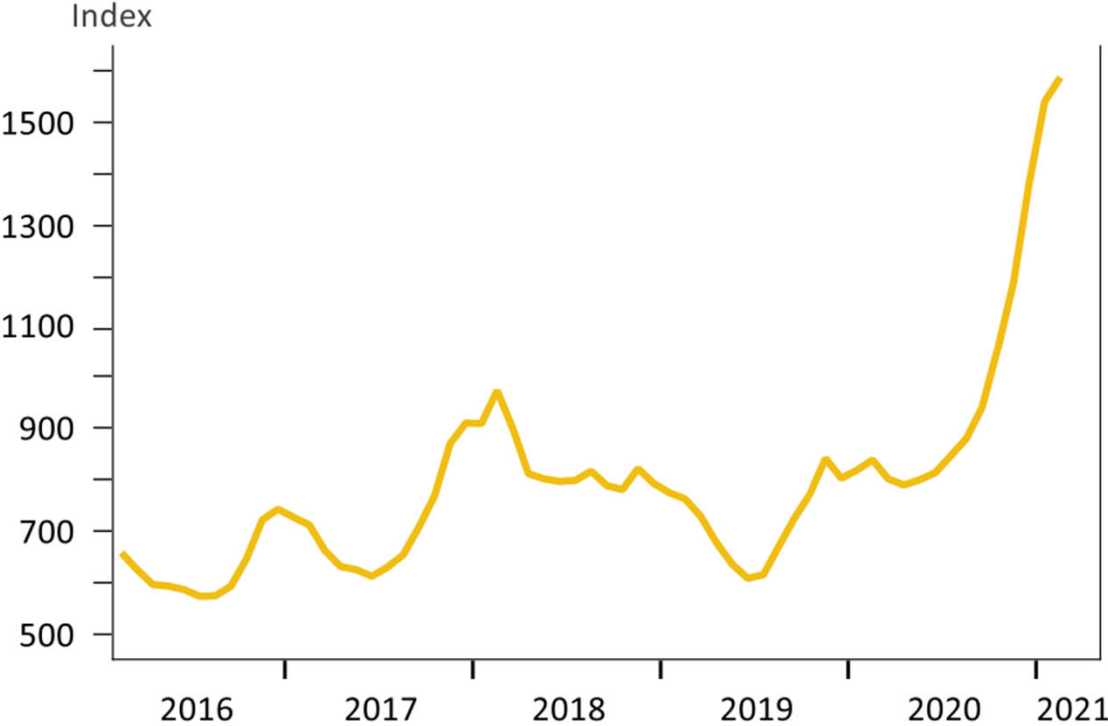
Figure 3. GDP levels (Q4 2019= 100)



Source: Macrobond, Statistics NZ, ANZ Research

# But not everything is shipping easily or cheaply

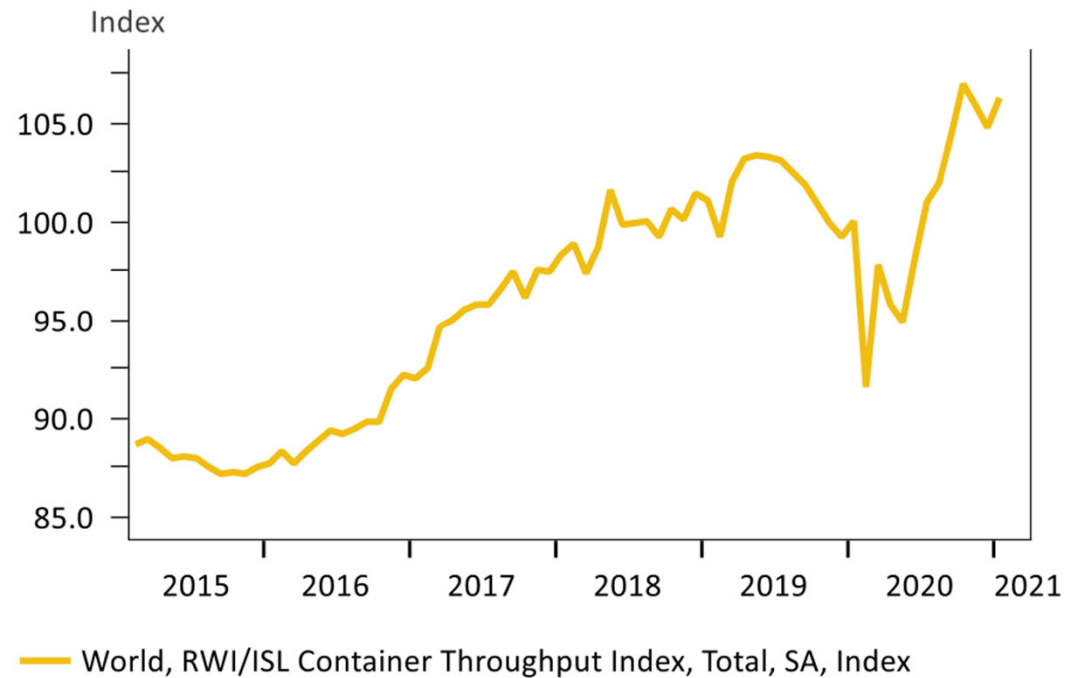
China, Freight Indicators, China Container Freight Rate, Australia/New Zealand Service, Index



Source: Macrobond, ASB

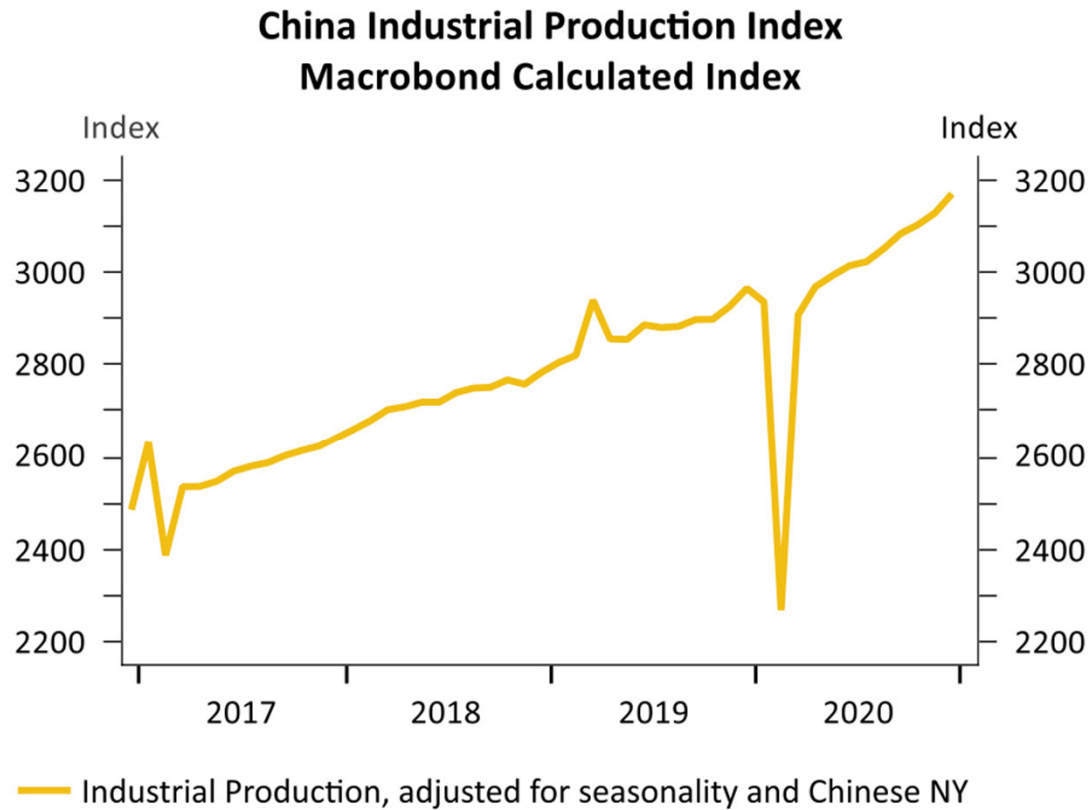
# Global trade is surprisingly robust

World, RWI/ISL Container Throughput Index  
Seasonally Adjusted, Jan 2020 = 100



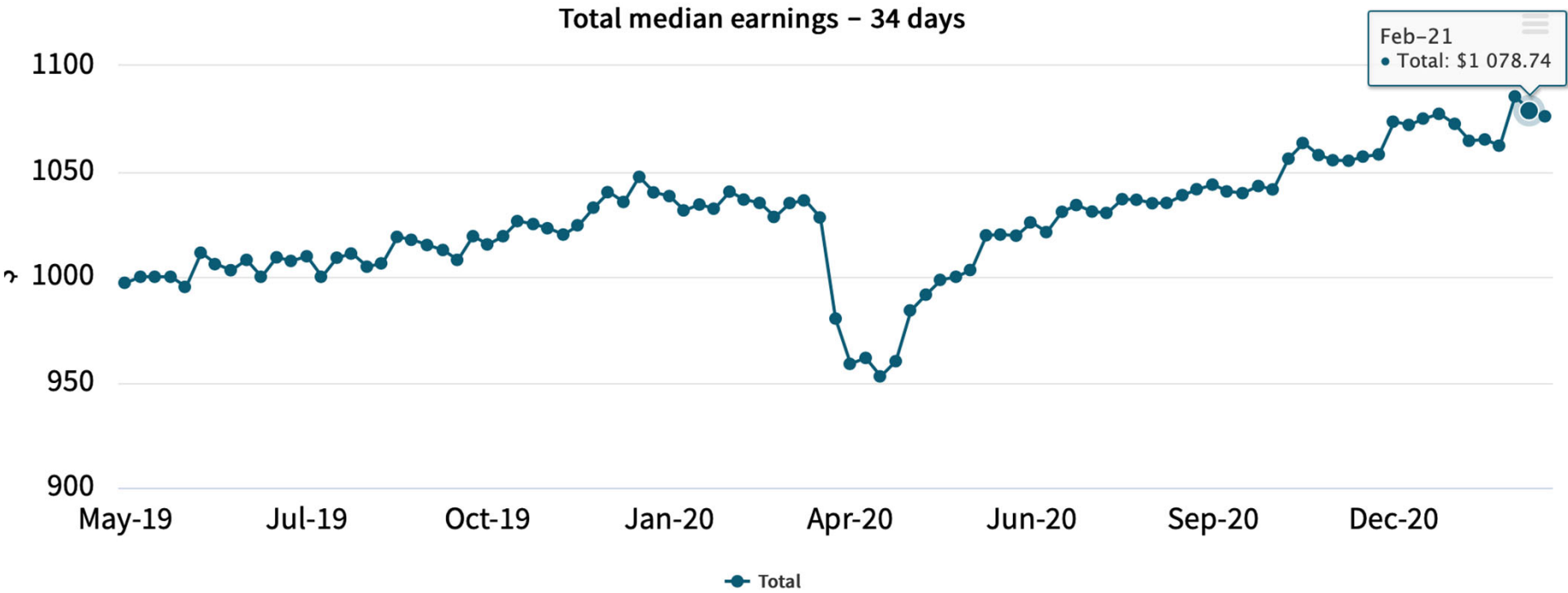
Source: Macrobond, ASB

# China's factories fired right back up again



Source: Macrobond, ASB

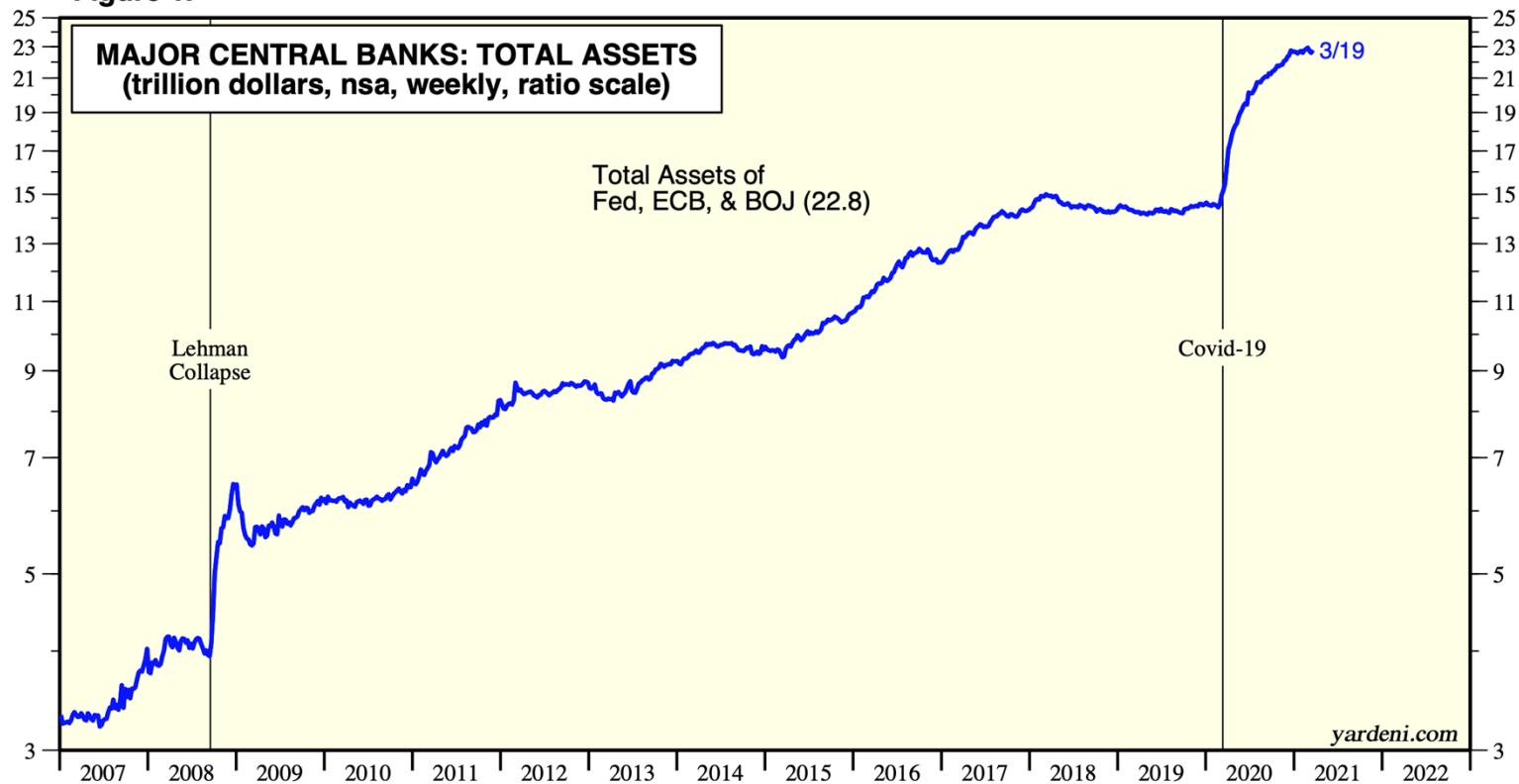
# NZ employment barely skipped a beat



# An awful lot of cash is being printed

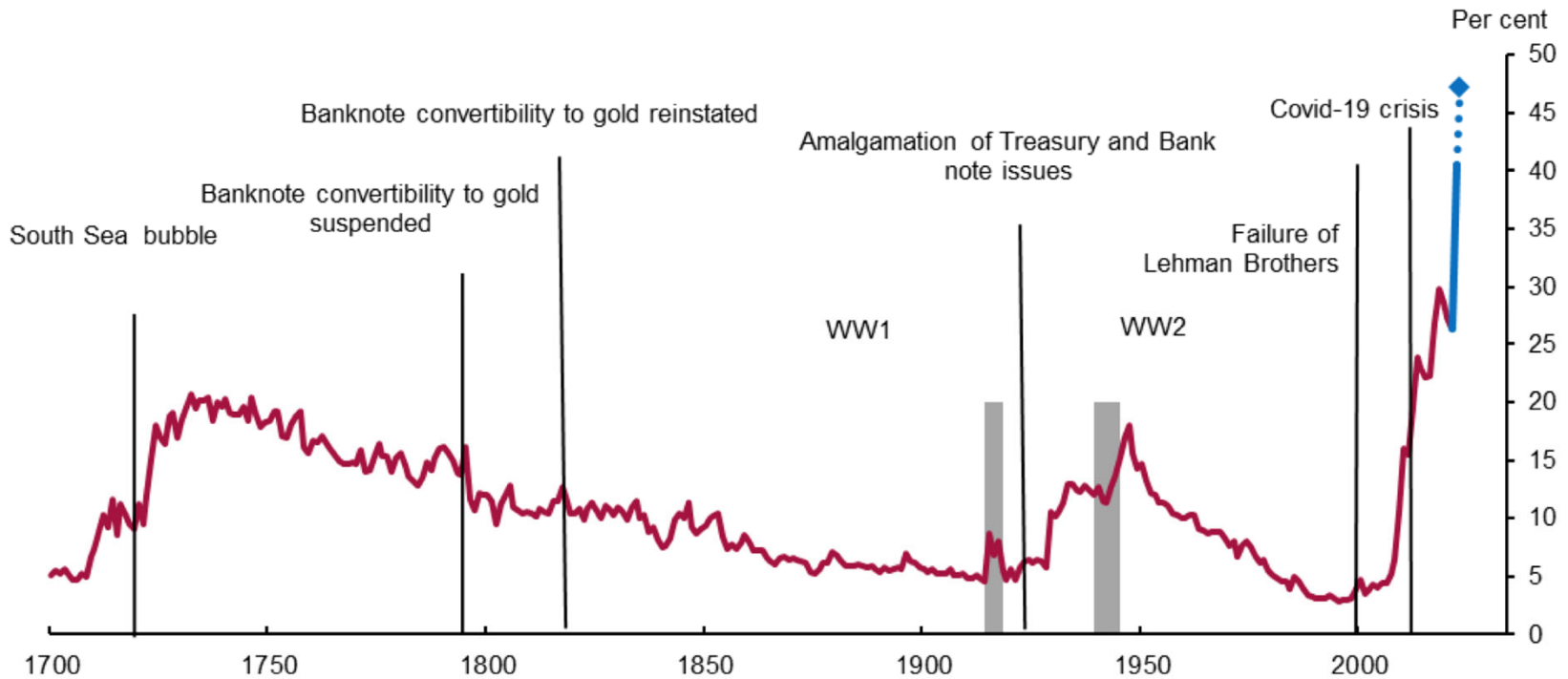
## Fed+ECB+BOJ in Dollars

Figure 1.

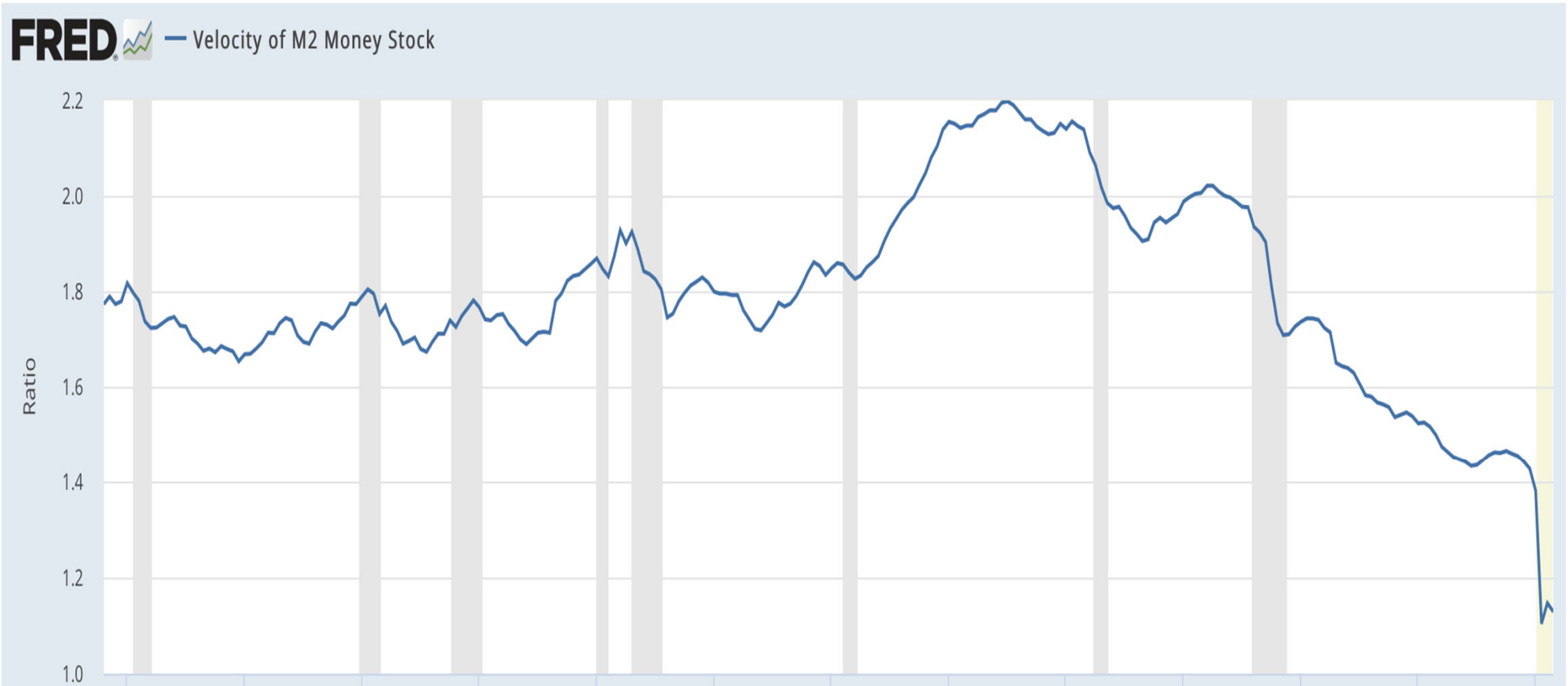


# Historically astonishing amounts of printing

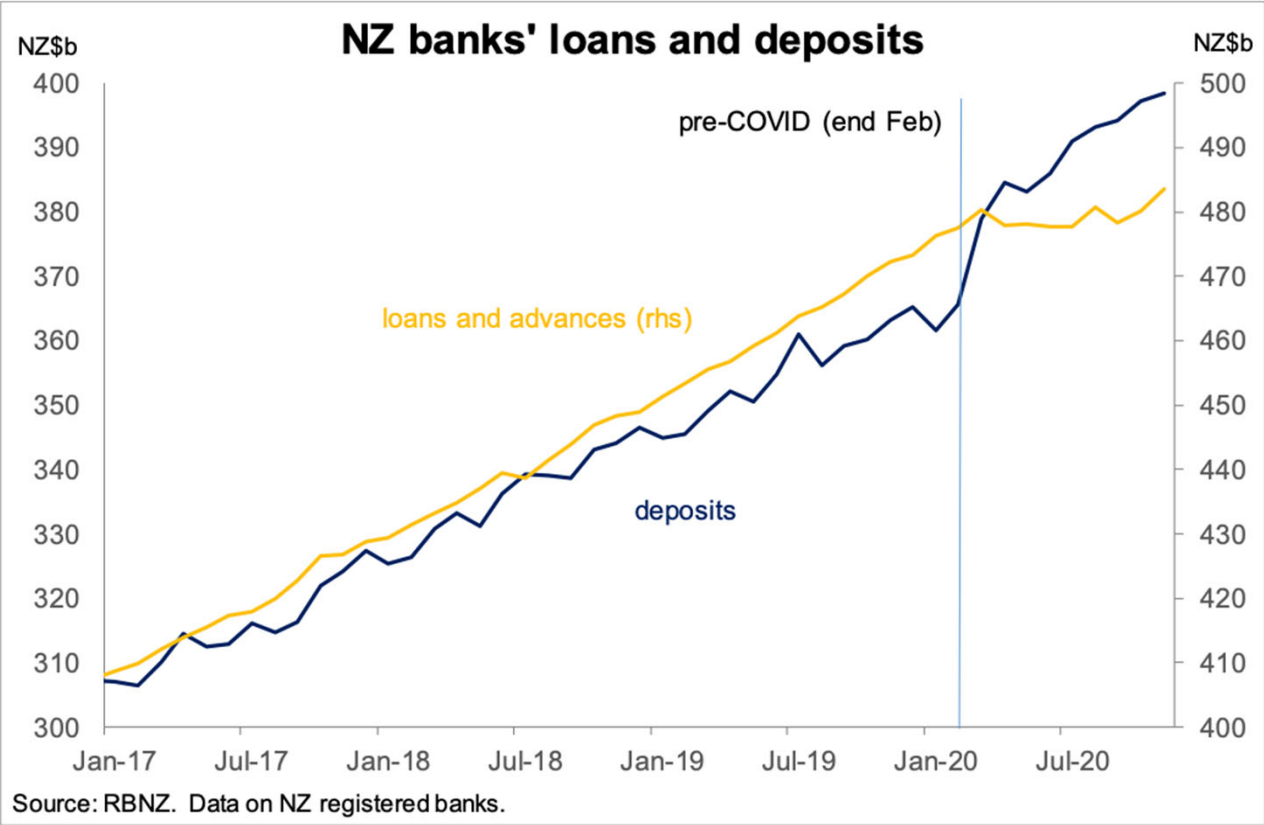
Figure 3: Bank of England balance sheet as a % of GDP



# But it's just not circulating. It's being stashed

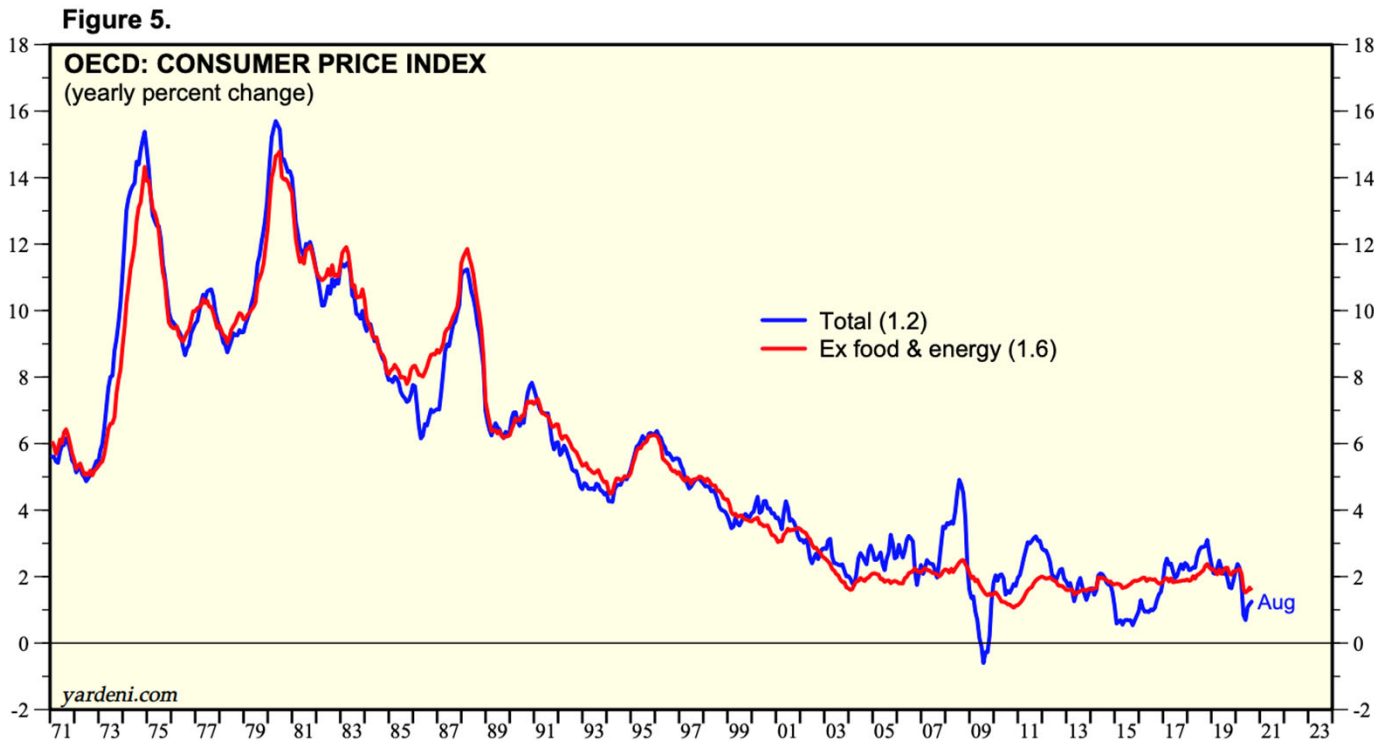


# Also in NZ



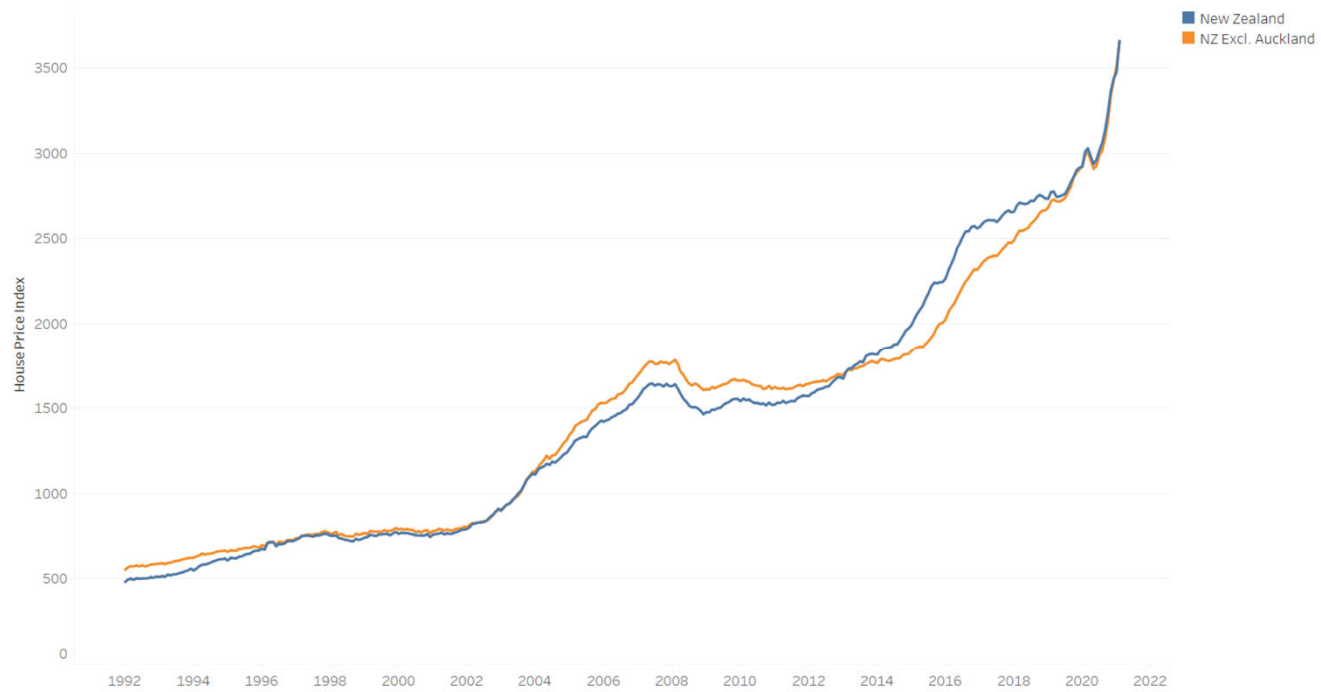
# That's why there's so little inflation

## Global Inflation Rates

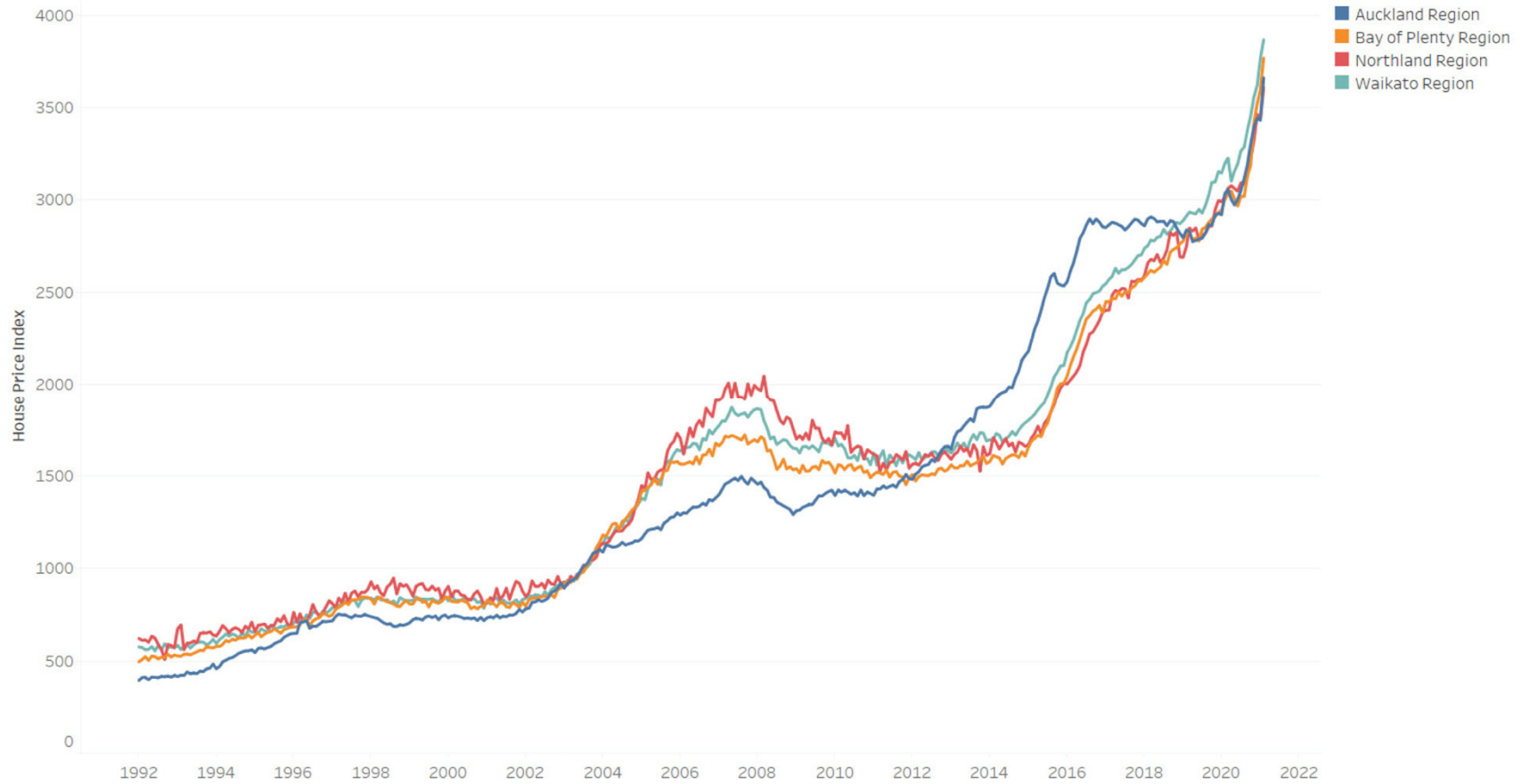


Source: Organization for Economic Cooperation & Development (OECD).

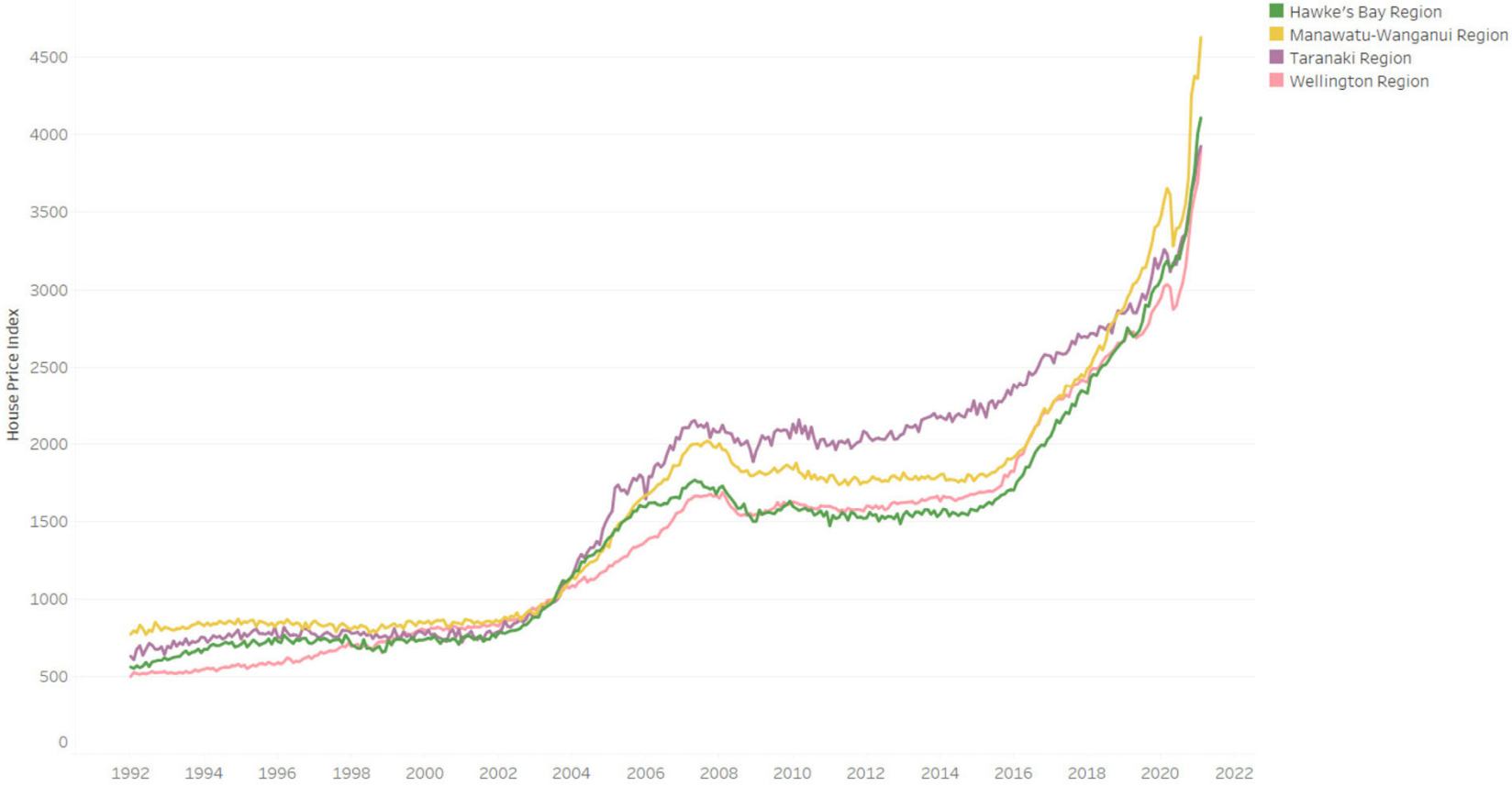
# Except for house prices



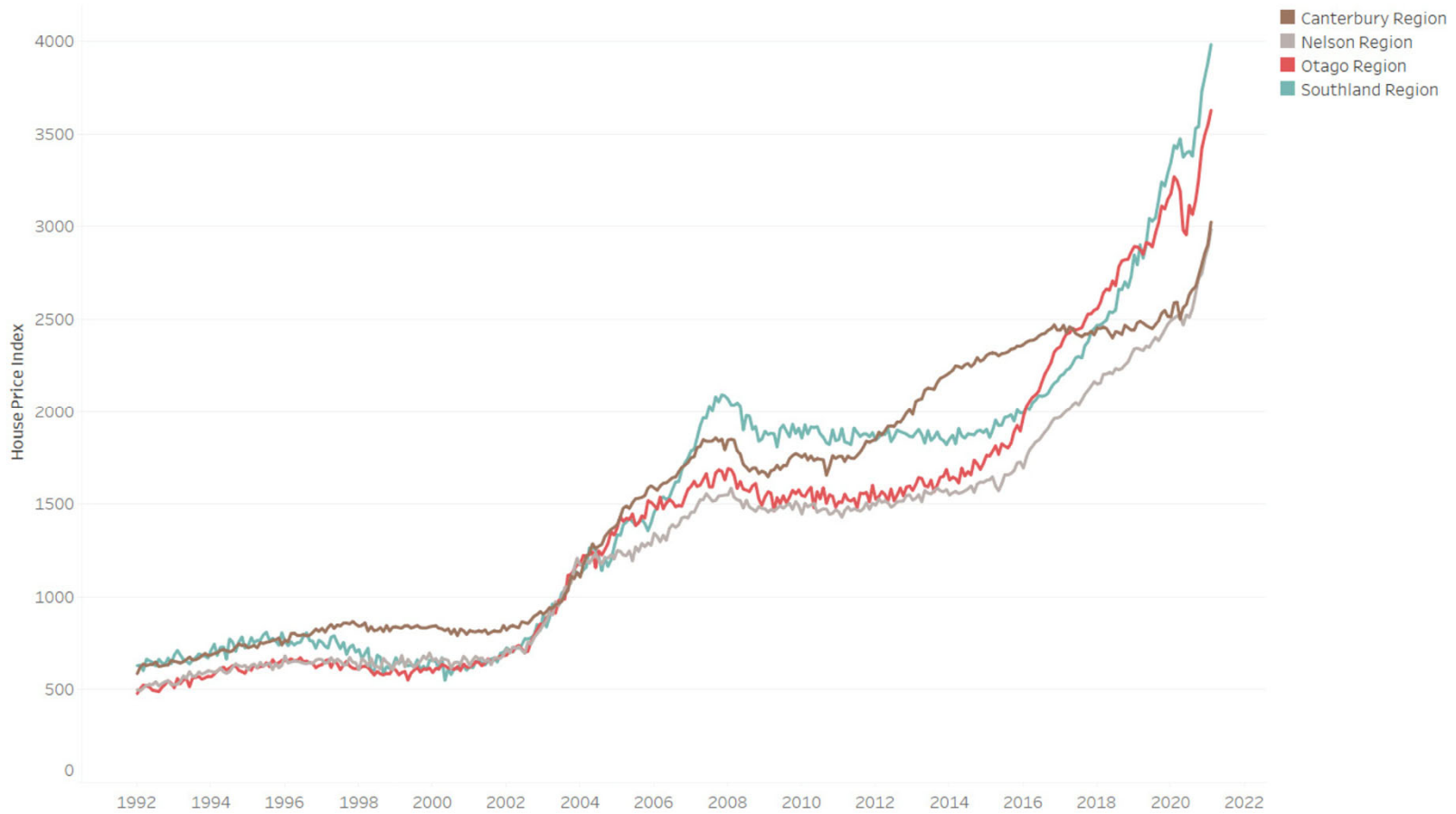
# No wonder the Govt panicked...



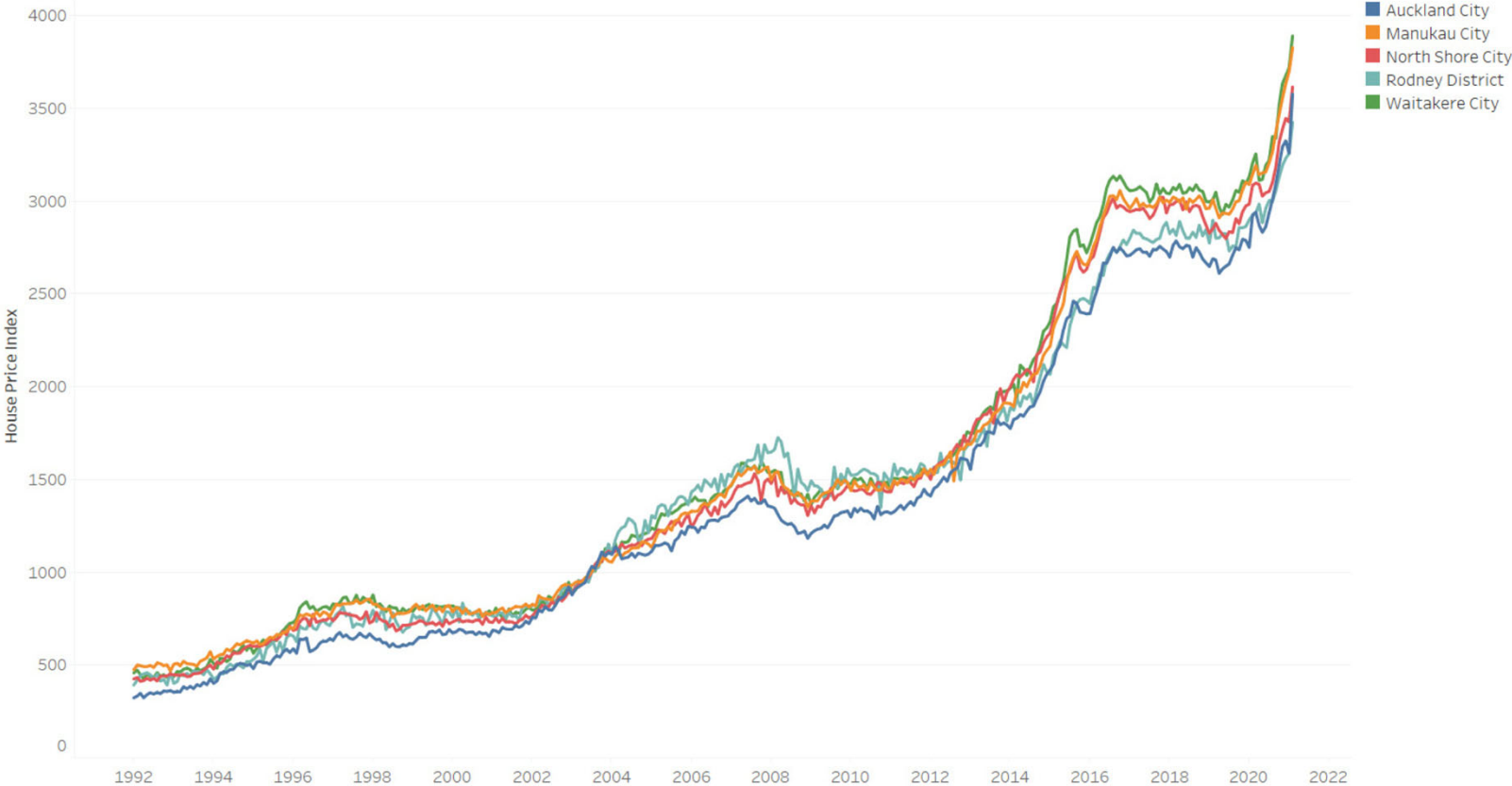
# Whoooooaar in Whanganui



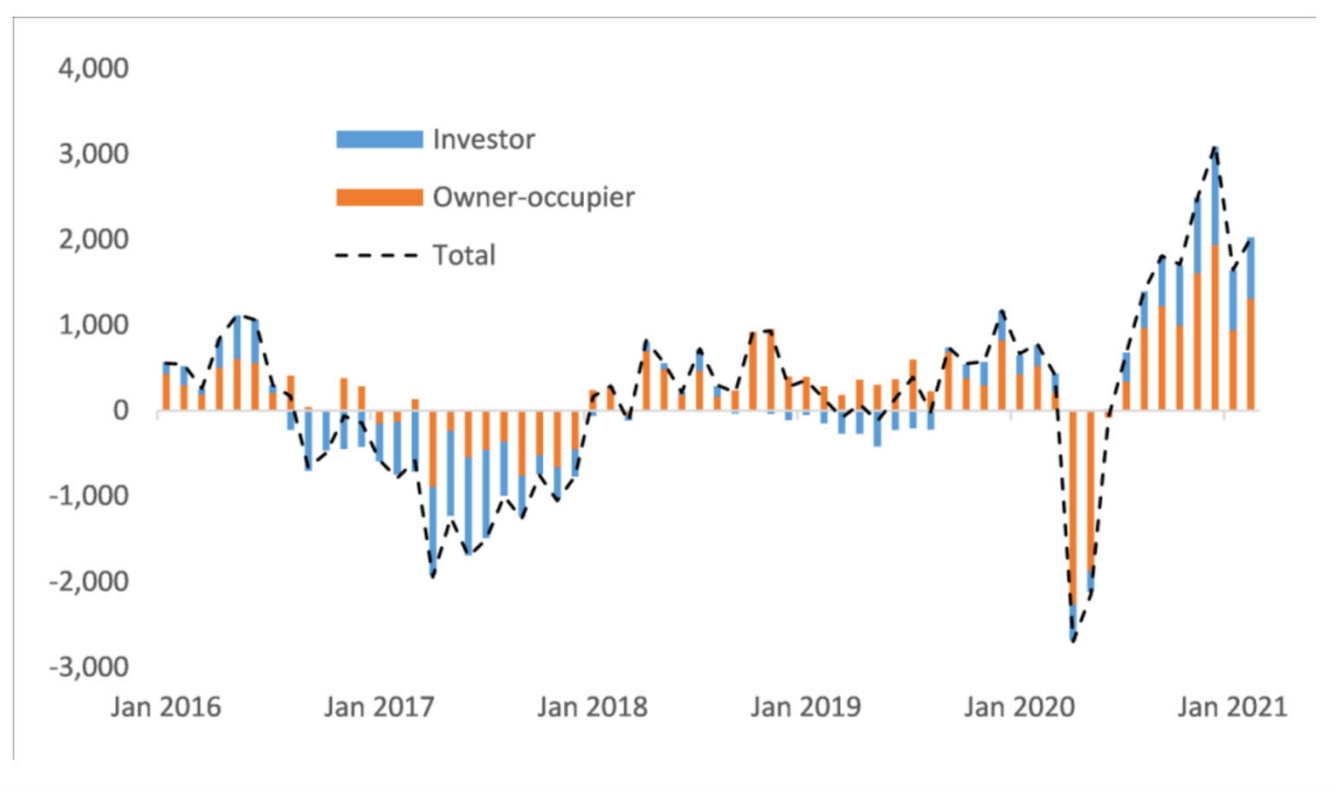
# Even Christchurch couldn't resist



# After years of calm, the explosion

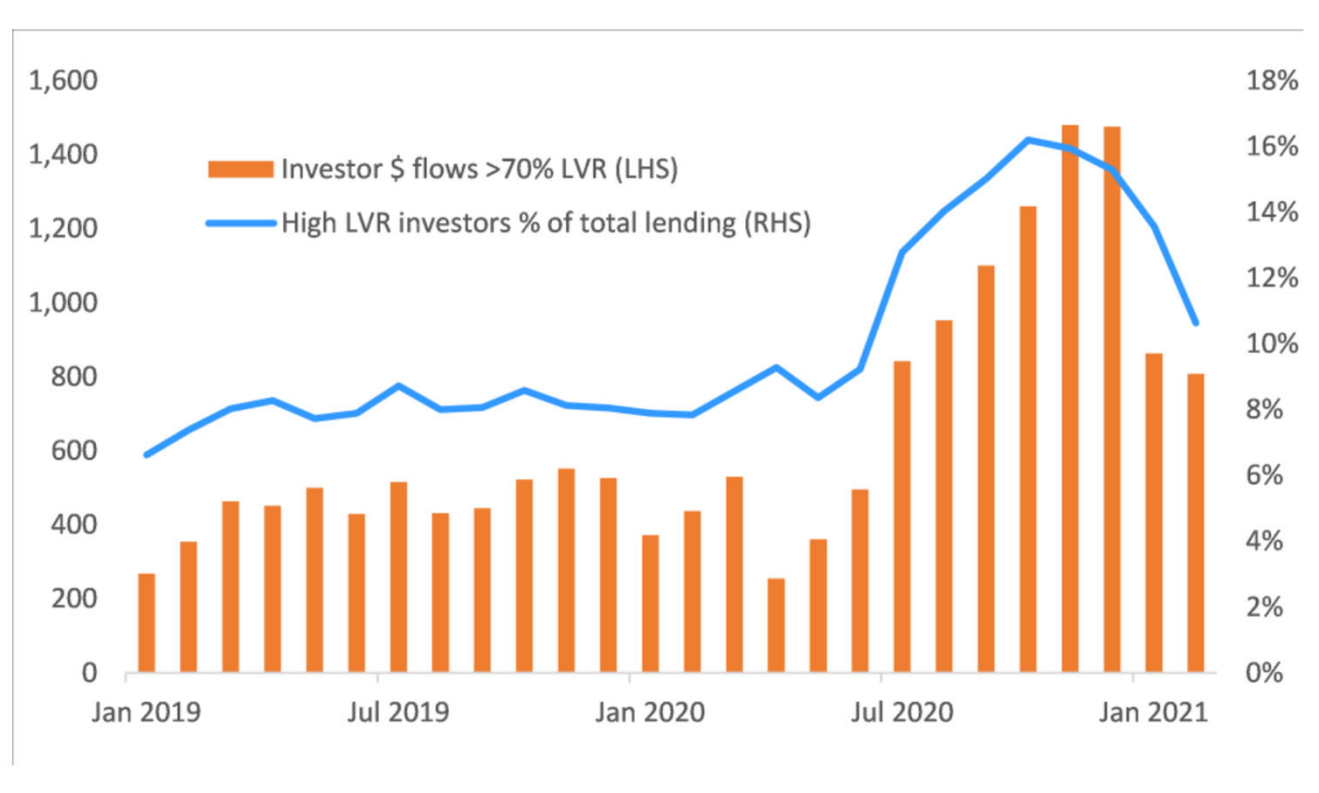


# The removal of LVRs did the trick



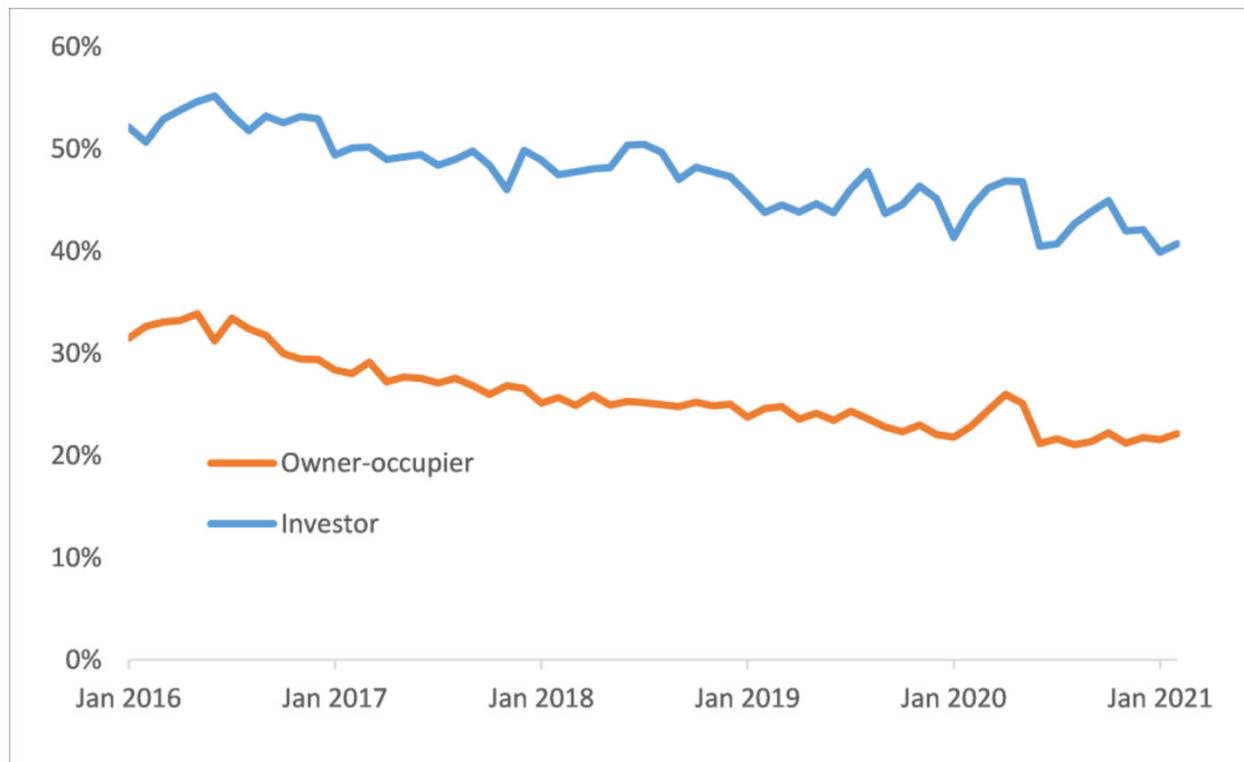
Annual change in lending, \$m (Source: RBNZ)

# \$1b extra lending/month at >70% LVR to investors did the trick



Investor lending >70% LVR (Source: RBNZ)

# An interest-only ban would hurt



Interest-only % of total lending (Source: RBNZ)

# Rental affordability disaster too

## NZ has most stressed poor renters in OECD

Share of the poorest fifth of pop'n spending over 40% of disposable income on rent (2019)

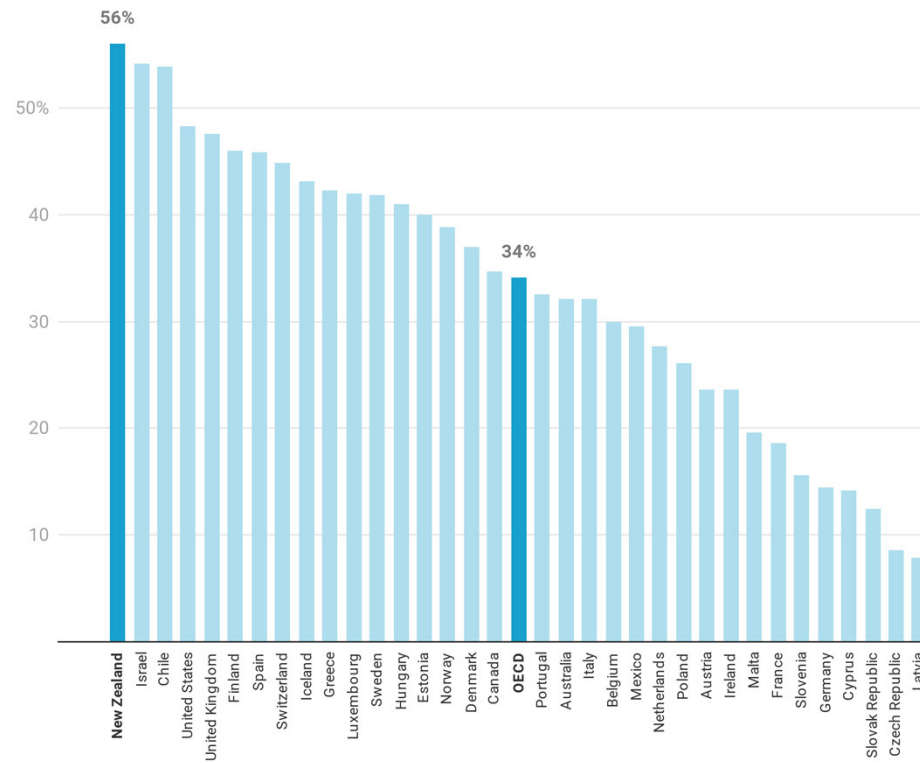
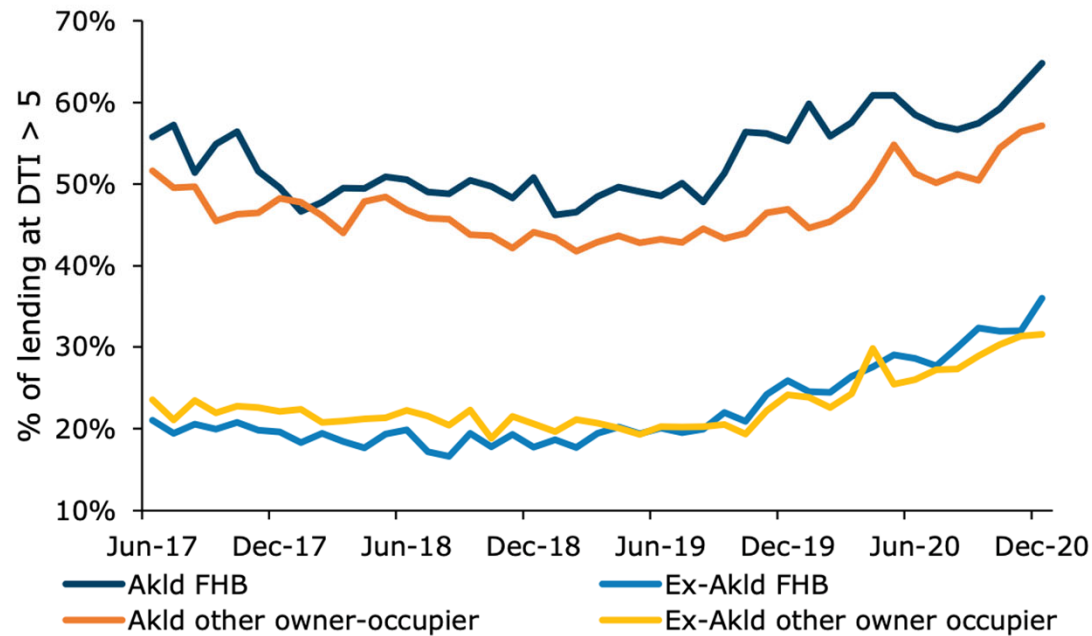


Chart: Bernard Hickey • Source: OECD • Created with Datawrapper

# So what now? Interest-only controls

**% of owner-occupier lending at:  
DTI > 5**



Source: RBNZ, ANZ Research

# But don't worry. It's too big to fail

Scenarios: impact on the financial value of a house to an investor

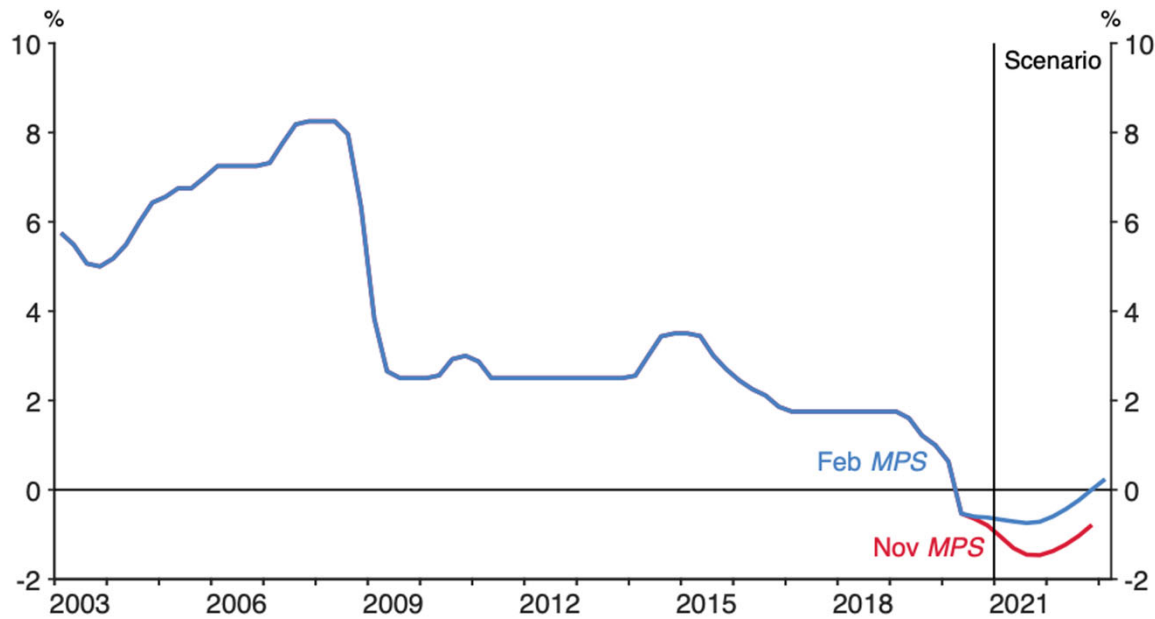
		Mortgage rate			
		2%	3%	4%	5%
LVR	40%	-1.7%	-2.7%	-3.7%	-4.7%
	50%	-2.2%	-3.4%	-4.6%	-5.9%
	60%	-2.6%	-4.0%	-5.5%	-7.1%
	70%	-3.1%	-4.7%	-6.5%	-8.3%
	80%	-3.5%	-5.4%	-7.4%	-9.5%

Assumptions: 33% tax rate, 8% discount rate on future cashflows, 4-year phase-in

Source: ANZ Research

# Low interest rates for...ever....

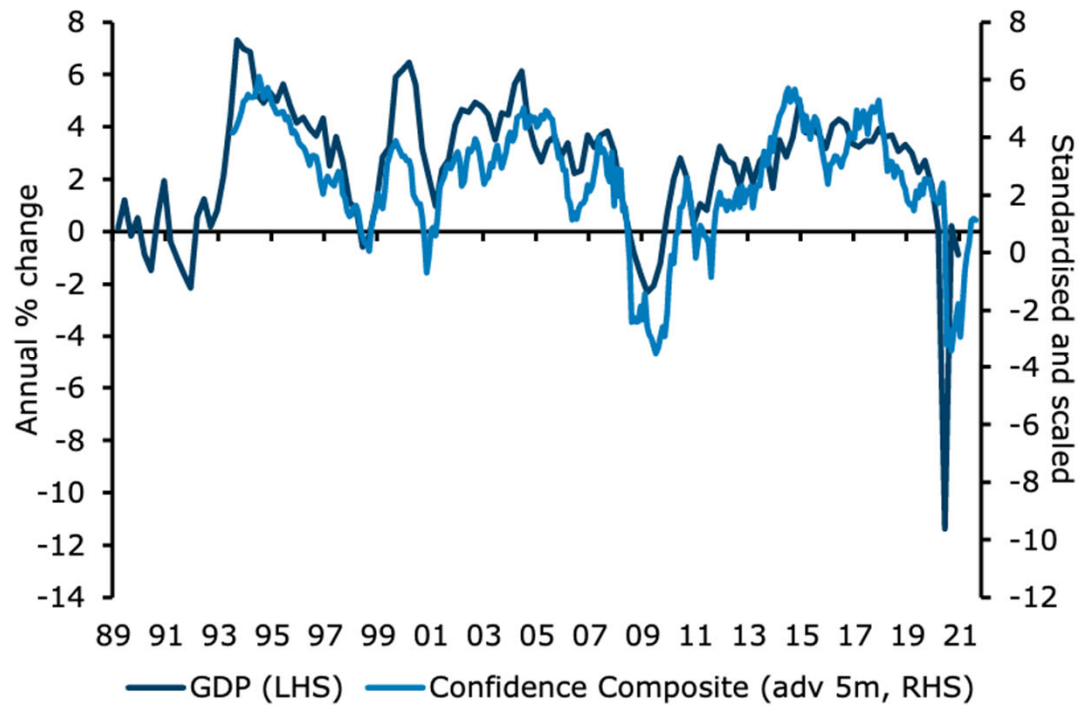
Figure 5.3  
Unconstrained OCR



Source: RBNZ estimates.

# So what now? A flat economy

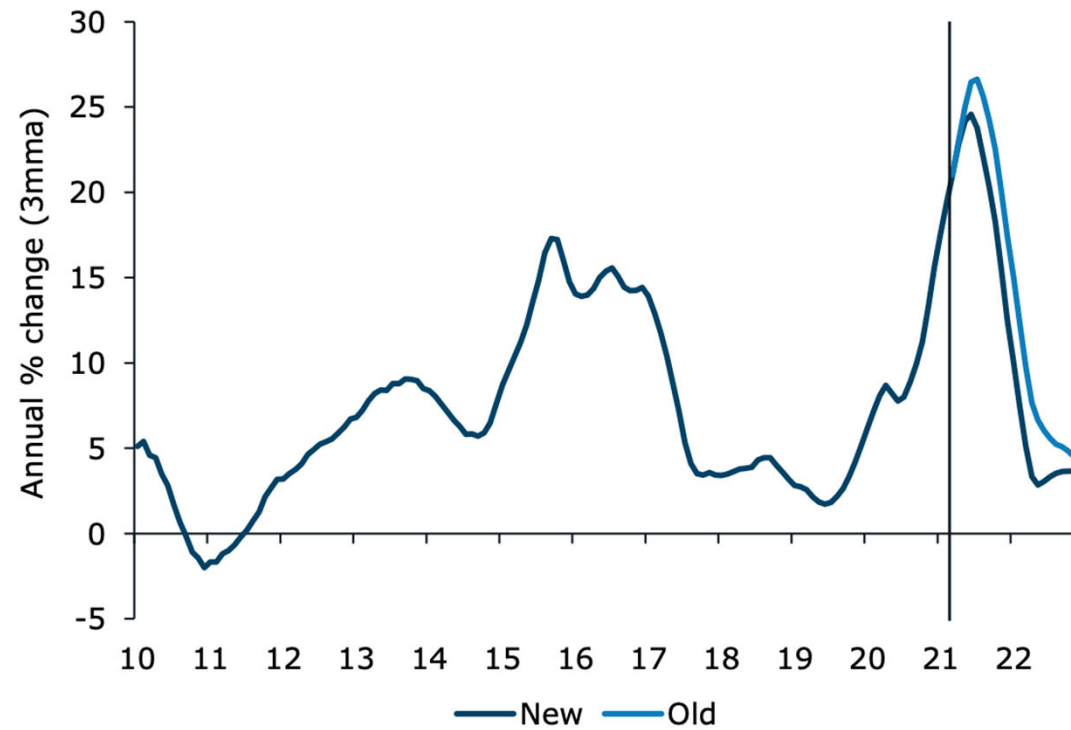
Figure 4. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ

# House prices still rise 10% in 2021...

Figure 1. House price outlook



Source: REINZ, ANZ Research

