



 **BUSINESS UPDATE**

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SIMON BRIDGES

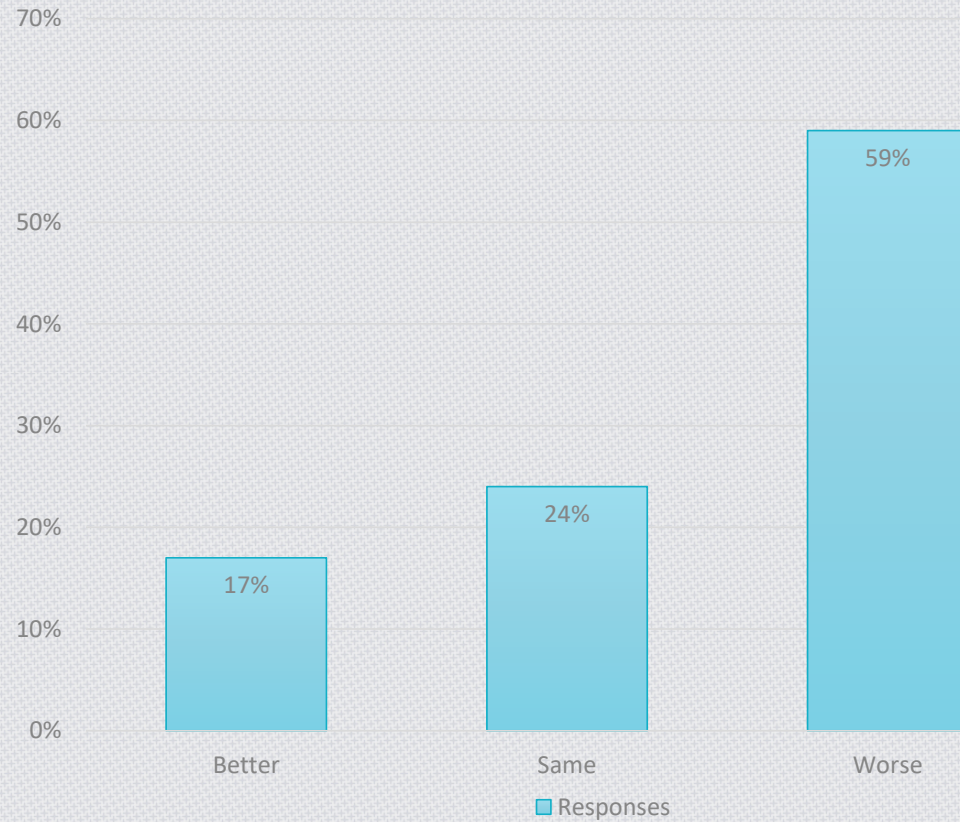
Auckland Business Chamber



■ Are the current business conditions compared to this time last year

OVERALL

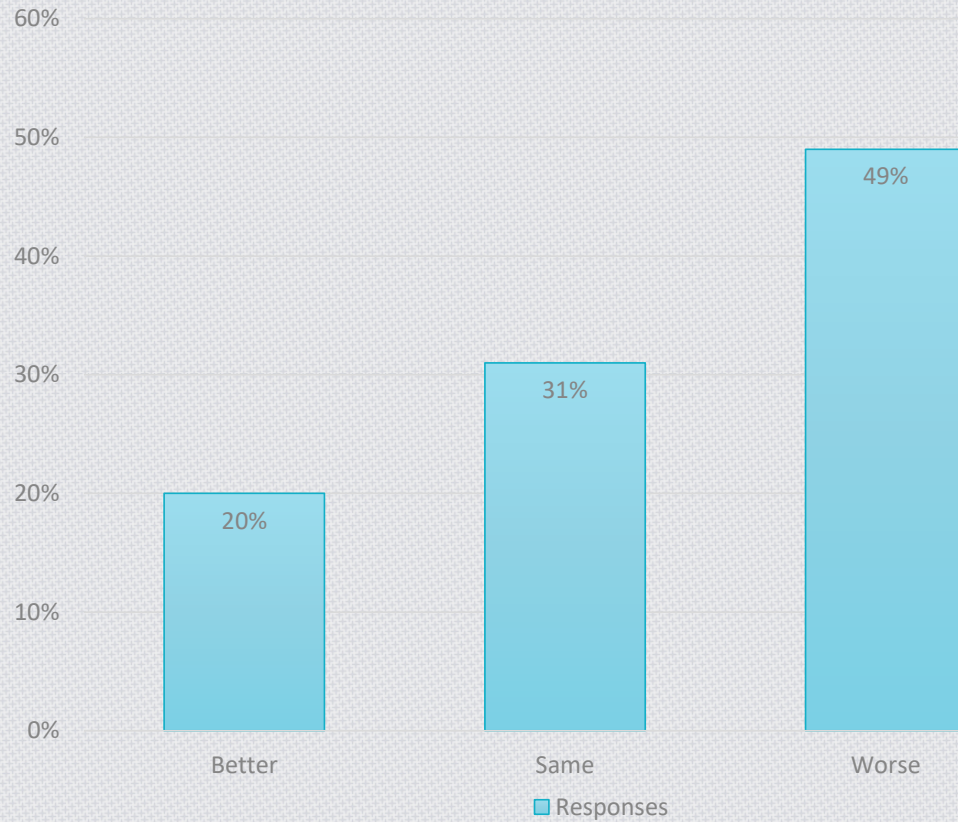
- **24%** SAME
- **17%** BETTER
- **59%** WORSE



■ Do you expect the business conditions in the six months to be?

OVERALL

- **31%** SAME
- **20%** BETTER
- **49%** WORSE

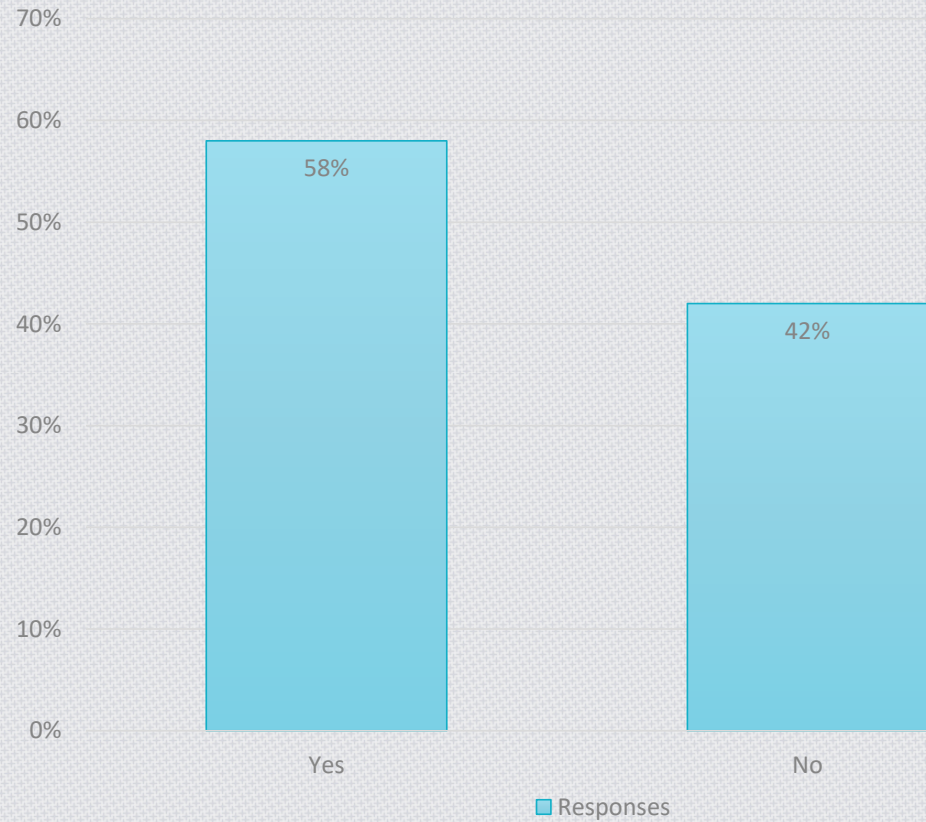


■ Is your business suffering from a skills shortage?

OVERALL

■ **58%** YES

■ **42%** NO

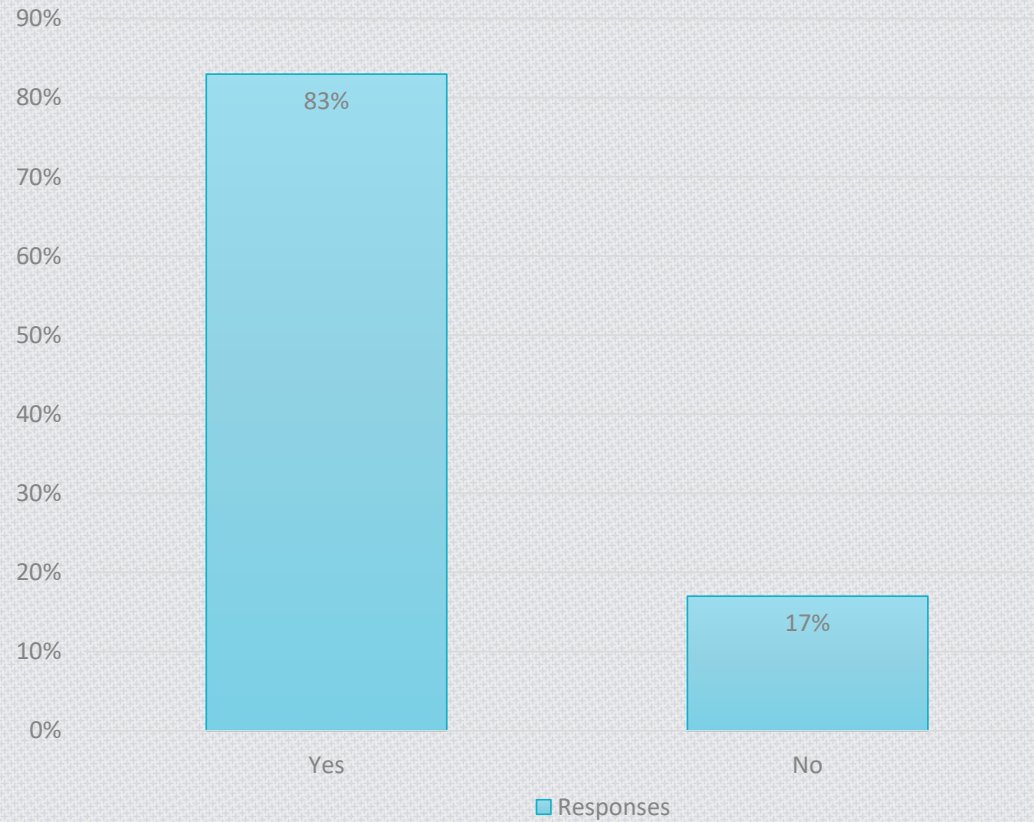


- As a result of fuel, labour or supply chain price increases, will you or have you needed to increase prices?

OVERALL

- **83%** Yes

- **17%** No

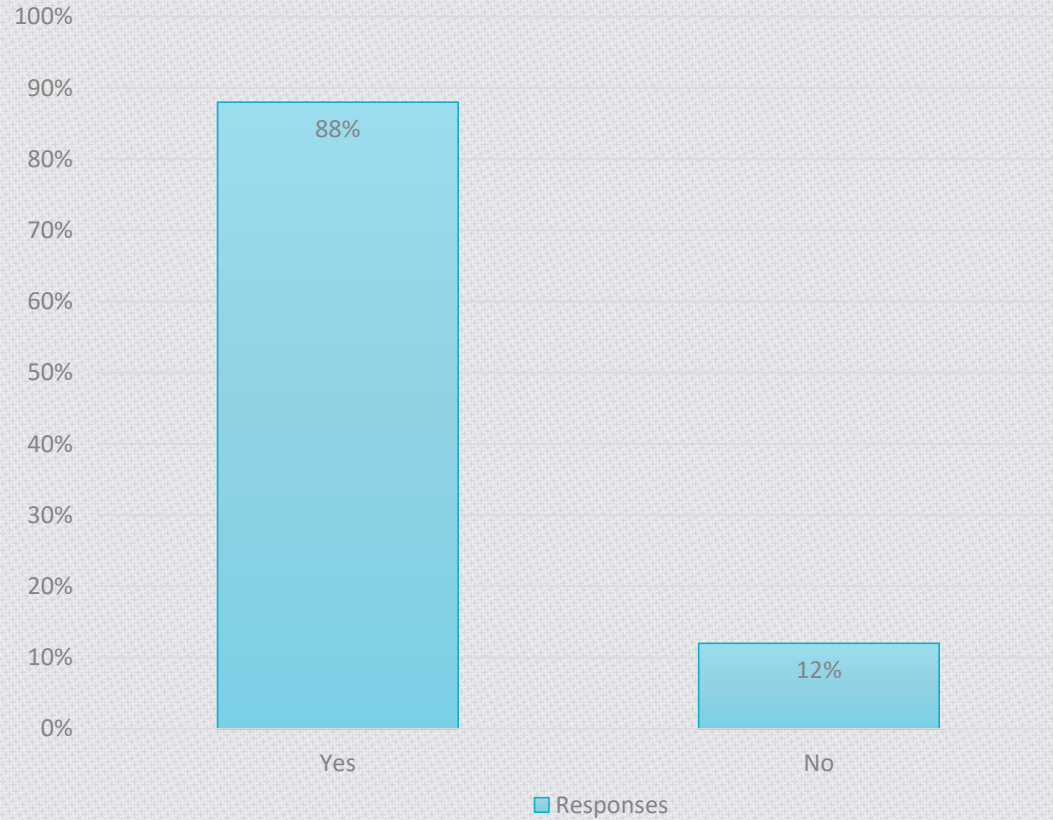


■ Is the cost of doing business putting pressure on your profitability?

OVERALL

■ **88%** Yes

■ **12%** No



BERNARD HICKEY

Economic Update

Summer is coming



- Mortgage rates have peaked around 5.5%
- House prices are bottoming out
- Weekly incomes are rising 9-10% p/a

We're much healthier than we feel

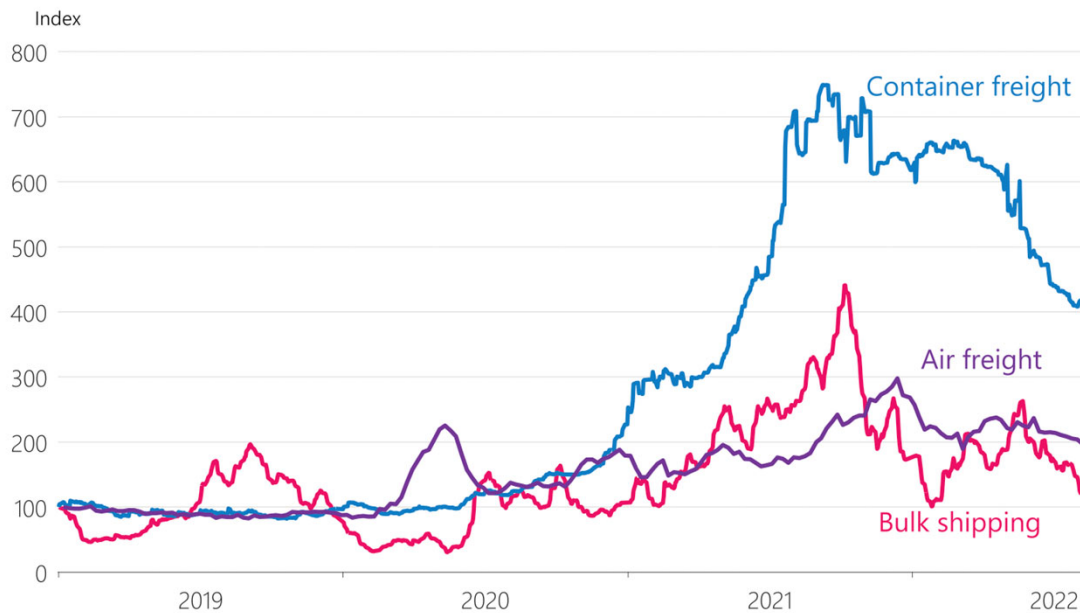


- We tell pollsters we're down, but we're still spending
- Home-owners are cash and equity rich
- Household, business & govt debt is low

The horizon is brightening

Global cross-border transportation costs

(Index = 100 at 1 Jan 2019)



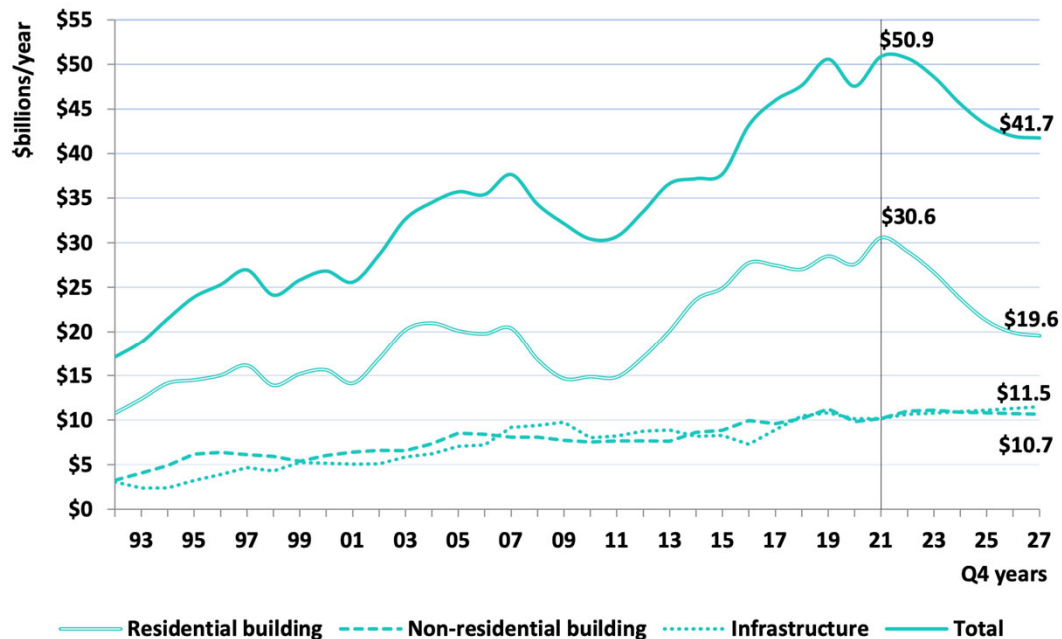
Source: Refinitiv.

Note: Baltic airfreight index, Baltic dry index, and Baltic container index.

- Inflation rates are falling globally
- Freight rates 40% down from peaks
- China, Europe & US sucking inflation down

Construction more robust than 2009

Figure 3.1.1 All construction nationally, by value

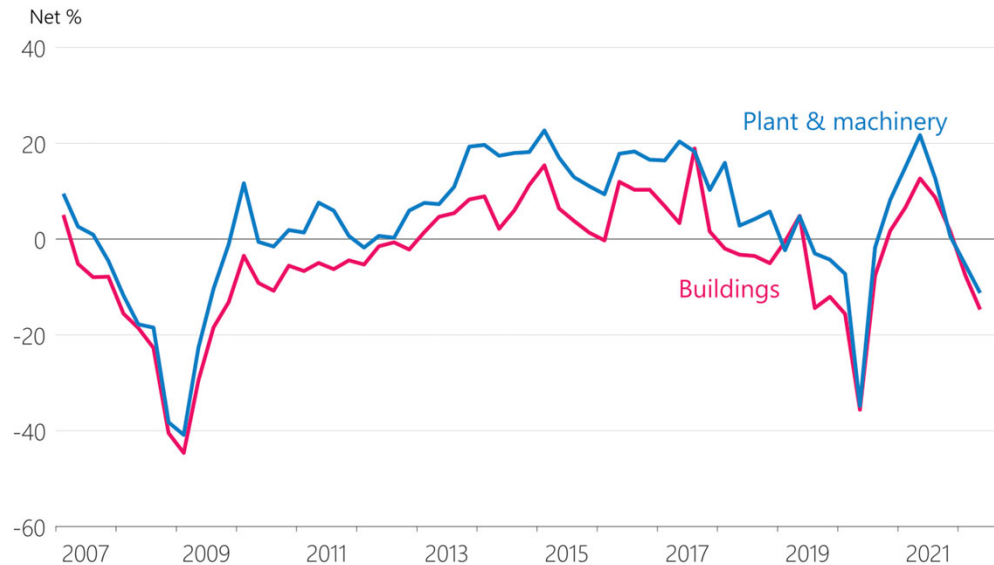


Source: BRANZ/Pacifecon/Stats NZ

- No 2009-style slump
- Infrastructure & non-residential very solid
- Balance sheets strong
- Labour the restraint
- Not demand or finance

Fundamentals more robust than 2009

Investment intentions (seasonally adjusted)

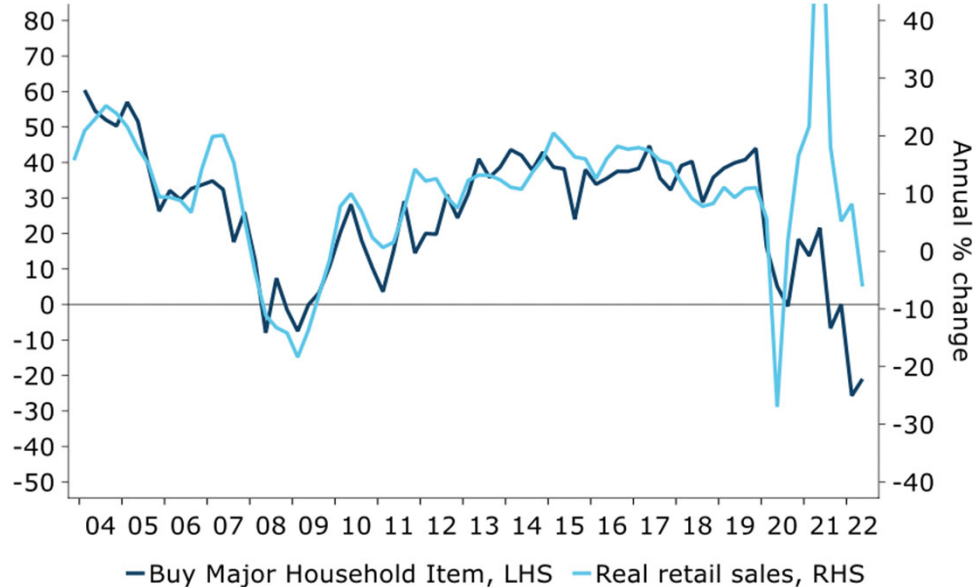


Source: NZIER.

- Investment intentions down but not out
- Development attitudes more aggressive
- Tolerance for RMA, NIMBY, financing limits much lower

Fundamentals more robust than 2009

Figure 3. Good time to buy a major household item versus retail sales



Source: Roy Morgan, Macrobond, ANZ Research

- Unemployment just 3.3%
- Not 7% or 11%
- We say we're not buying
- But we actually are
- I blame winter and angry doom scrolling

The Firestarter is turning Firefighter

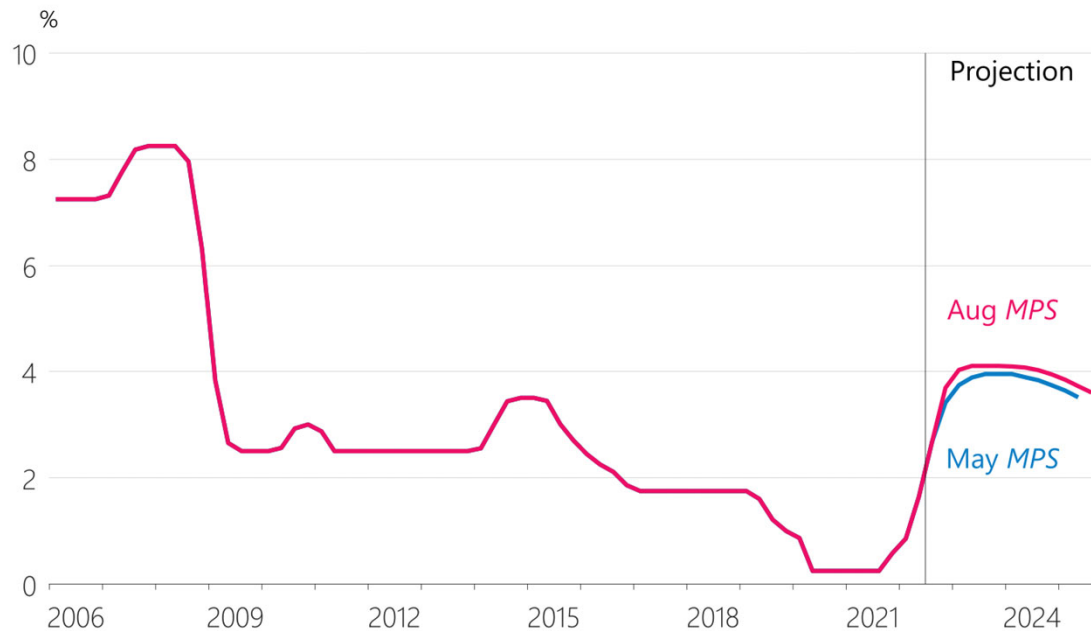


- OCR ↑ .5% to 3.0%
- Peak ↑ .1% to 4.1%
- House prices ↓ 20%
- Orr's second term?
- Overseas experts taking a look

What is the Reserve Bank doing?

OCR

(quarterly average)

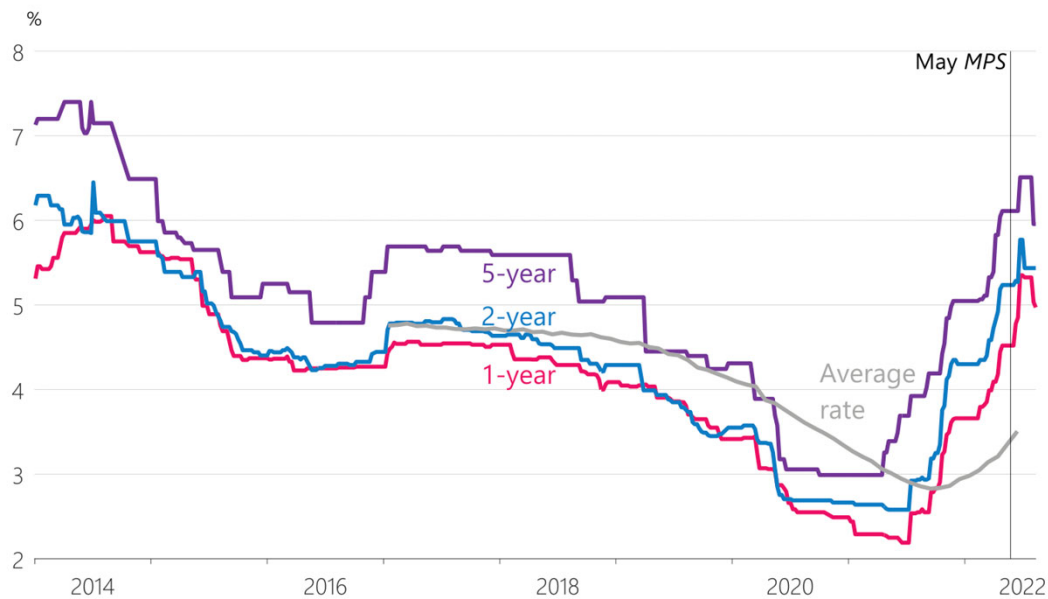


Source: RBNZ estimates.

- OCR \uparrow .5% to 3.0%
- Peak \uparrow .1% to 4.1%
- As expected
- Seen a tad hawkish
- GDP a bit slower
- CPI a bit faster

What happens next?

Mortgage rates and average interest rate on outstanding mortgages



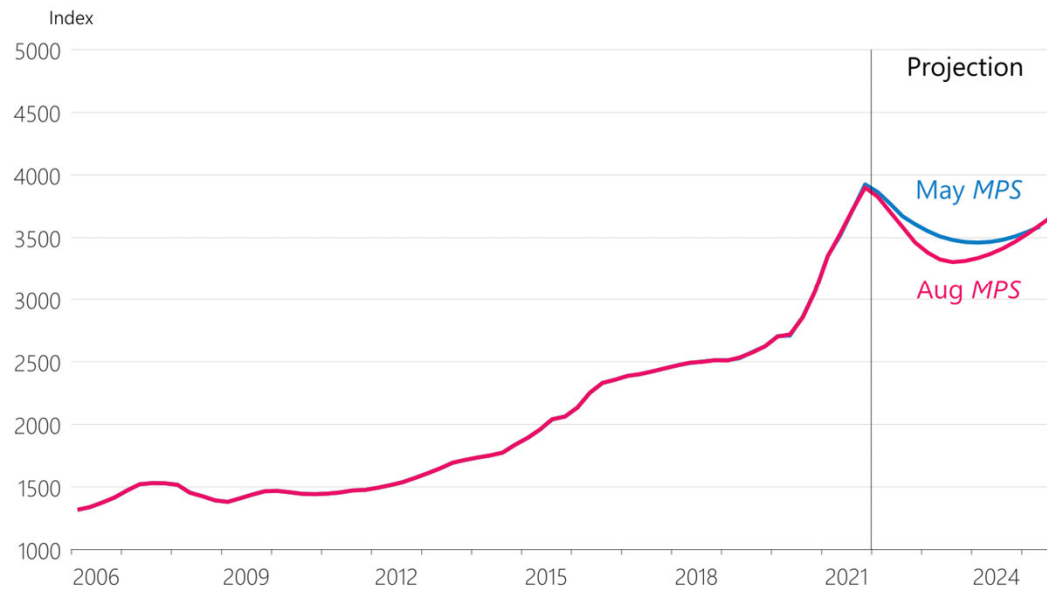
- Mortgage rates peak
- Average still rising
- But still at Feb 2020
- Peak was 5.5%
- Test rates were 6-7%

Source: interest.co.nz, RBNZ Income *Statement* survey.

Note: The mortgage rate shown for each term is the average of the latest 'special' fixed-term rates on offer from ANZ, ASB, BNZ, and Westpac. The average rate is the average interest rate paid on all outstanding mortgages.

RBNZ sees house prices falling 20% peak-to-trough

House prices
(nominal)



Source: CoreLogic, RBNZ estimates.

- Peak to trough fall
- RBNZ was at 10-15%
- Now at 15-20%
- Wealth effect works
- Slowing spending
- But still resilient

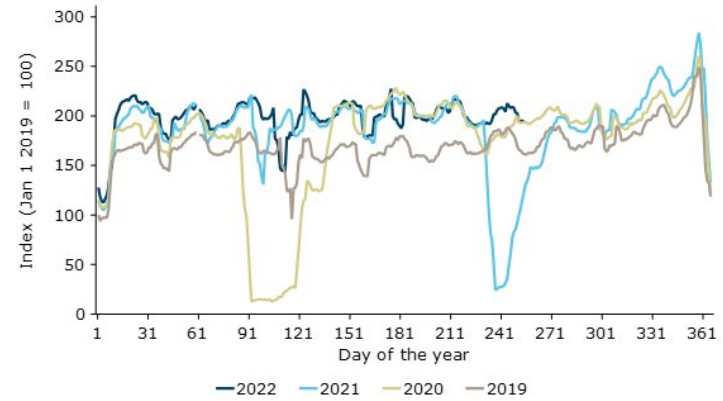
Grumpy, but still spending

Apparel



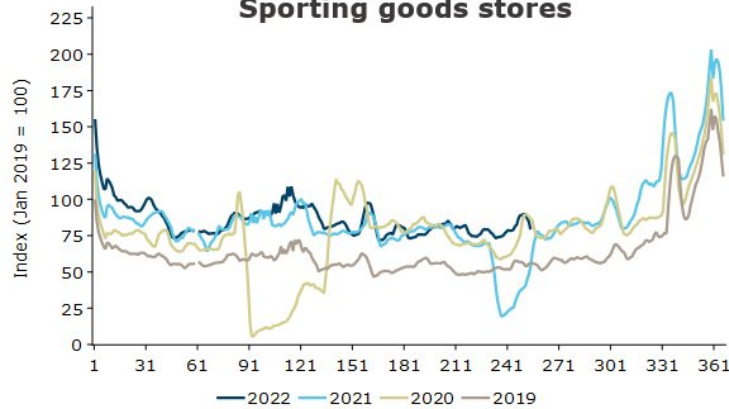
Source: Macrobond, ANZ Research

Motor vehicles ex fuel



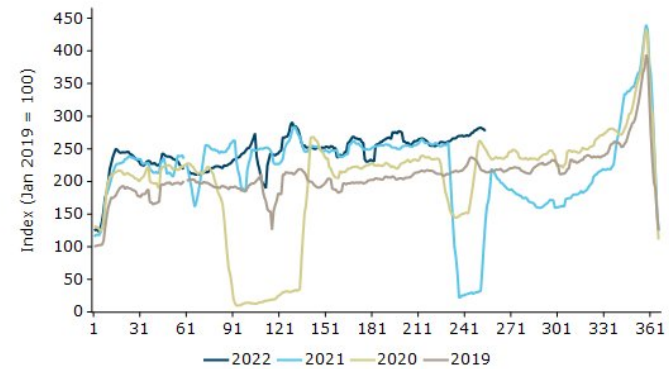
Source: Macrobond, ANZ Research

Sporting goods stores



Source: Macrobond, ANZ Research

Massage parlours, health & beauty spas



Source: Macrobond, ANZ Research

A second term for Orr?



- 5 years up in March
- Second term to 2028
- Awkward if Nats win
- Luxon wants review
- Danger of Governor vs Finance Minister

Auckland Chamber briefing, Sept 13, Bernard Hickey

Still up in the air



- Does he want it?
- “I don’t want to talk about it.”
- “Any other questions?”

Auckland Chamber briefing, Sept 13, Bernard Hickey

What about a review?



- ‘We’re doing one’
- Due by late 2023
- ‘We’re a learning institution’
- ‘We even have overseas experts’

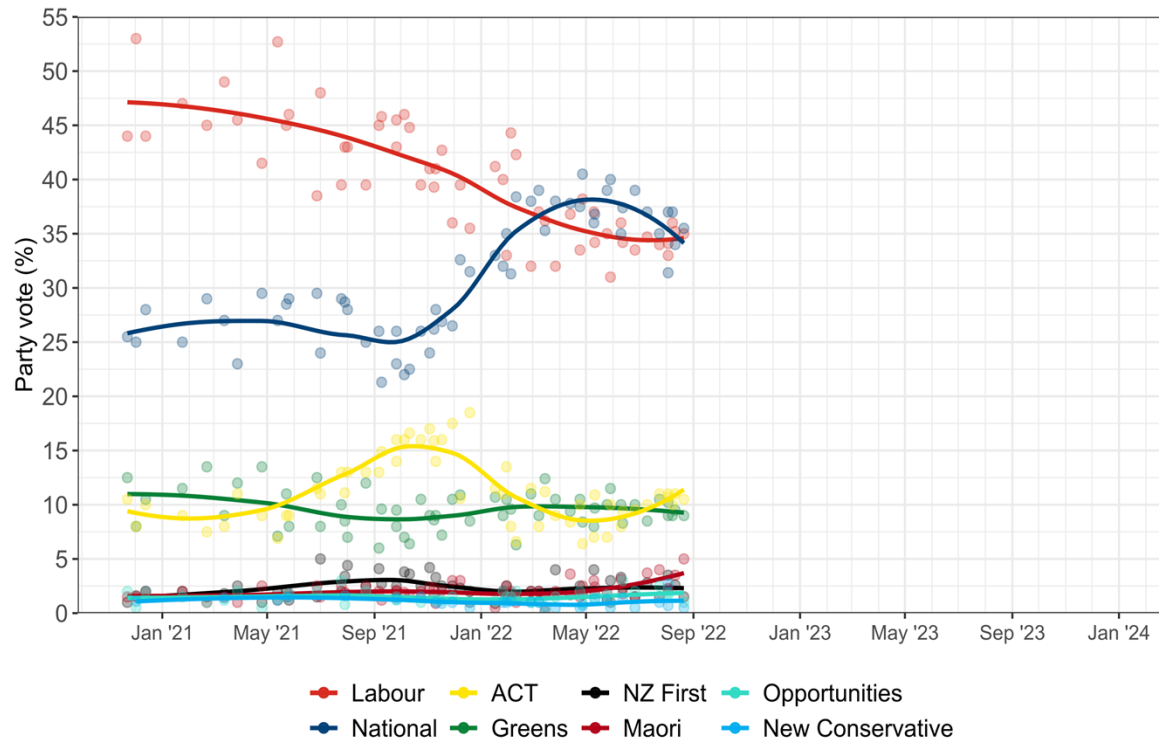
Auckland Chamber briefing, Sept 13, Bernard Hickey

What to watch for now



- Fiscal policy
- MPS warning nudge
- ‘Any further loosening would cause higher rates’
- Election year Budget
- Middle class welfare

2023 election is National's to lose



- November 3-30 pivot
- But >15 months away
- Budget bonanza?
- Inflation falling
- Luxon's foot vs mouth
- Ardern may retire

SIMON BRIDGES & BERNARD HICKEY

Q & A



SIMON BRIDGES

Auckland Business Chamber

