



 **BUSINESS UPDATE**

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CORDIS
HOTELS & RESORTS
AUCKLAND

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CEO, Auckland Business Chamber



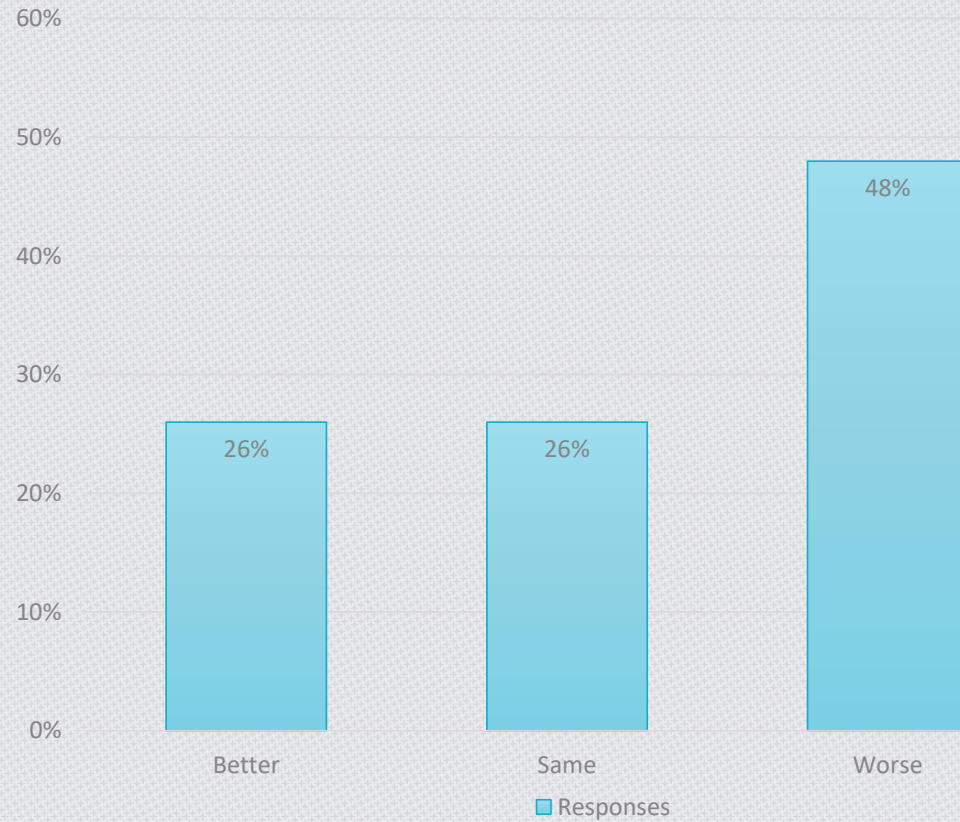
■ Are the current business conditions compared to this time last year

OVERALL

■ **26%** Better

■ **26%** Same

■ **48%** Worse



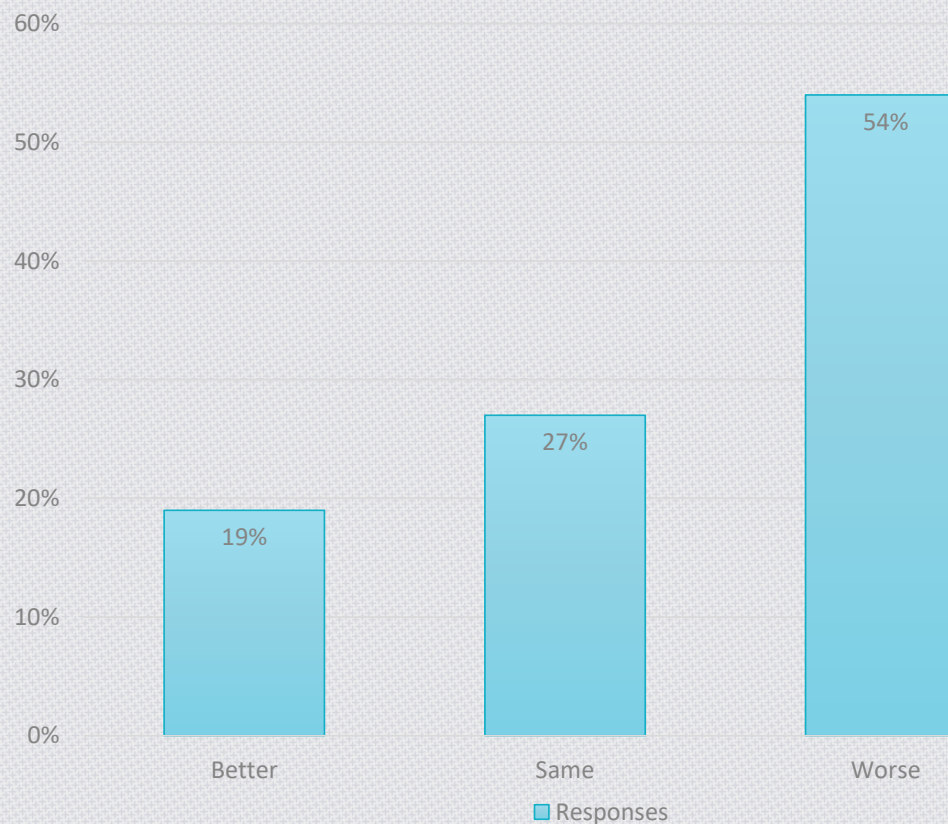
■ Do you expect the business conditions in the six months to be?

OVERALL

■ **19%** Better

■ **27%** Same

■ **54%** Worse

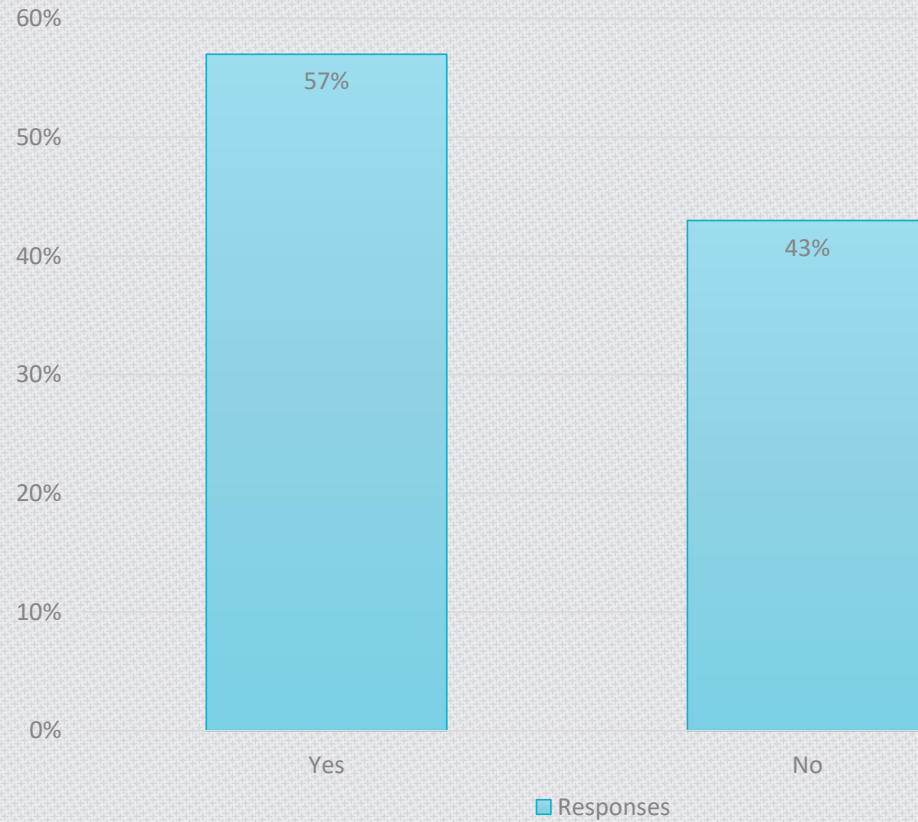


■ Is your business suffering from a skills shortage?

OVERALL

■ **57%** YES

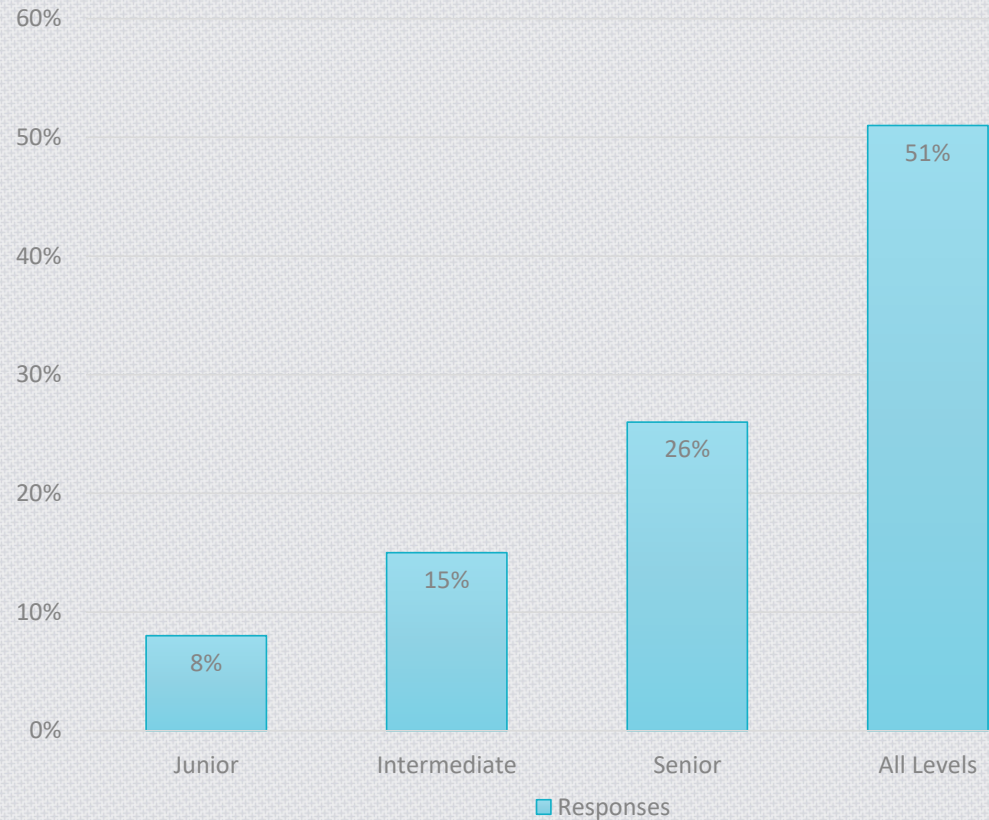
■ **43%** NO



■ What skill level are you finding difficult to obtain?

OVERALL

- **8%** Junior
- **15%** Intermediate
- **26%** Senior
- **51%** All Levels

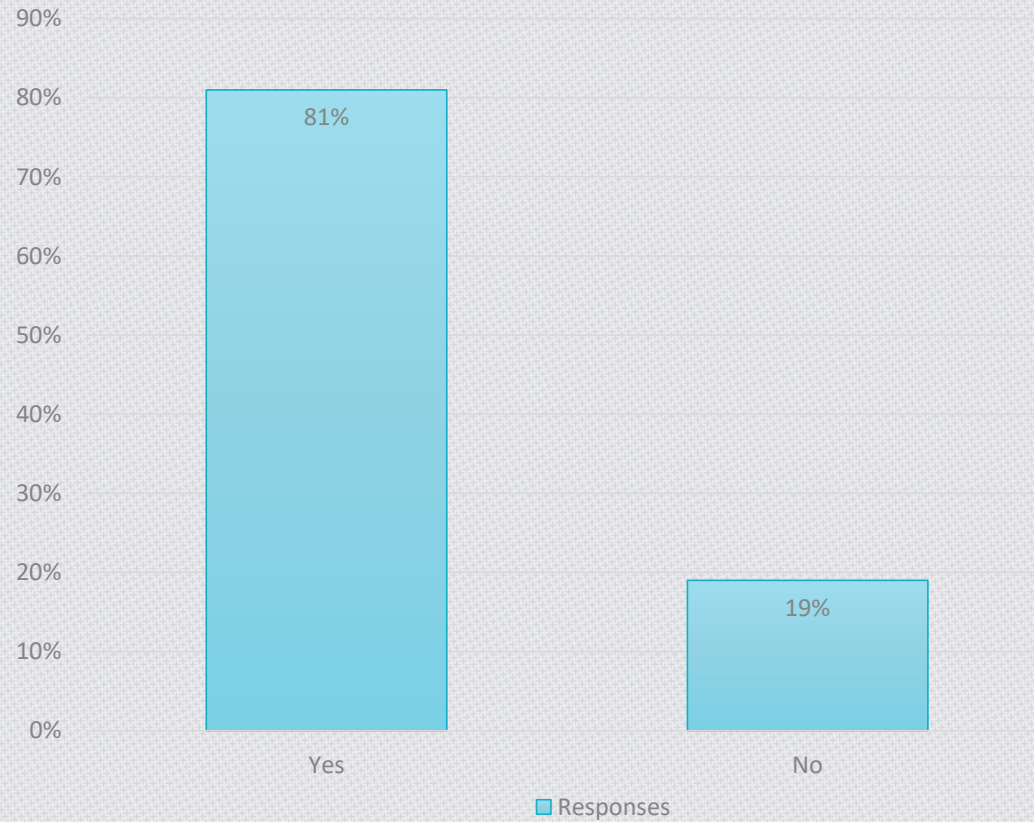


■ As a result of fuel, labour or supply chain price increases, will you or have you needed to increase prices?

OVERALL

■ **81%** YES

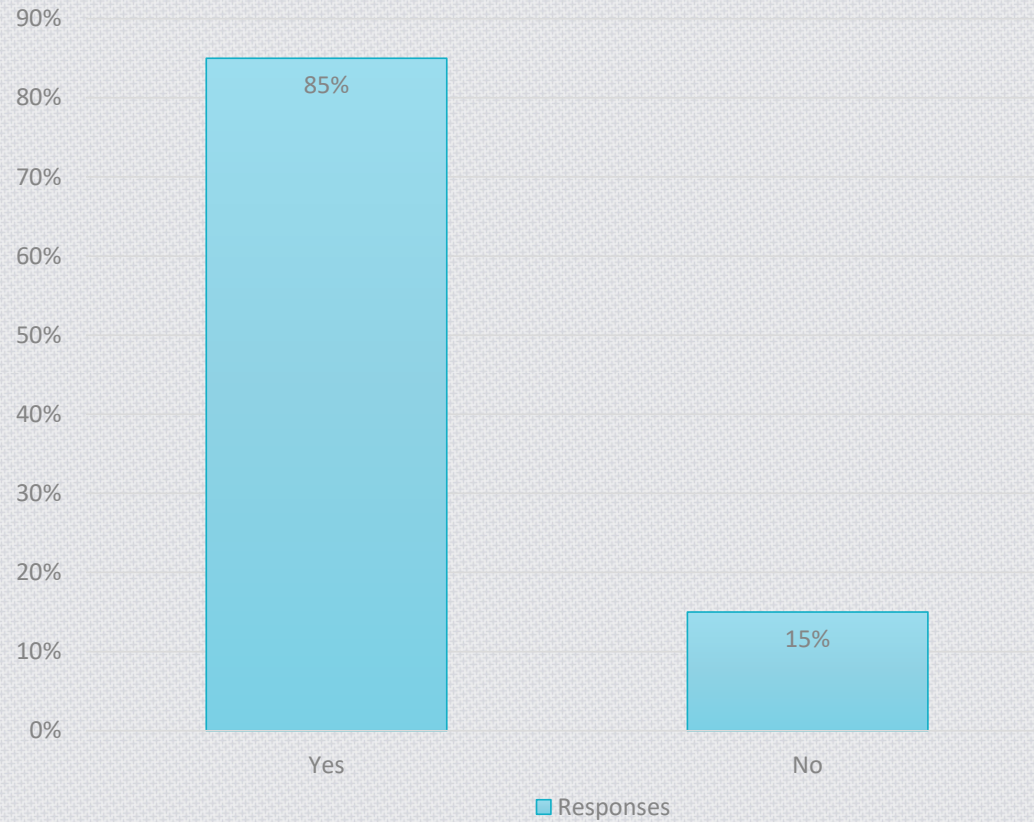
■ **19%** NO



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

OVERALL

- **85%** YES
- **15%** NO

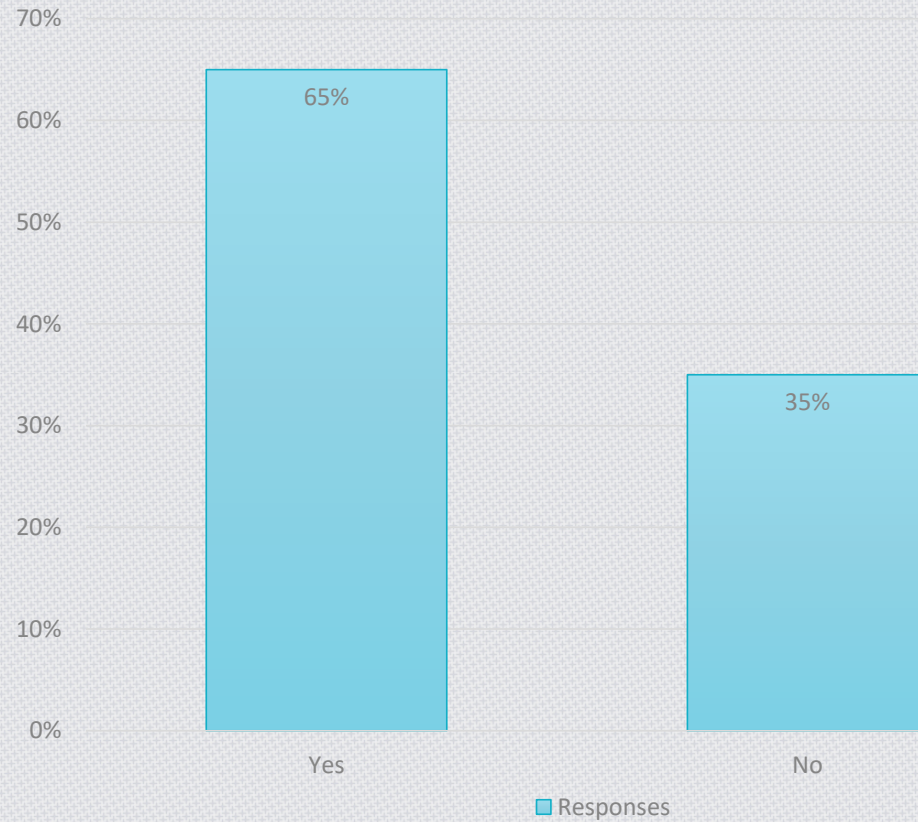


■ Are your clients paying on time?

OVERALL

■ **65%** YES

■ **35%** NO



BERNARD HICKEY

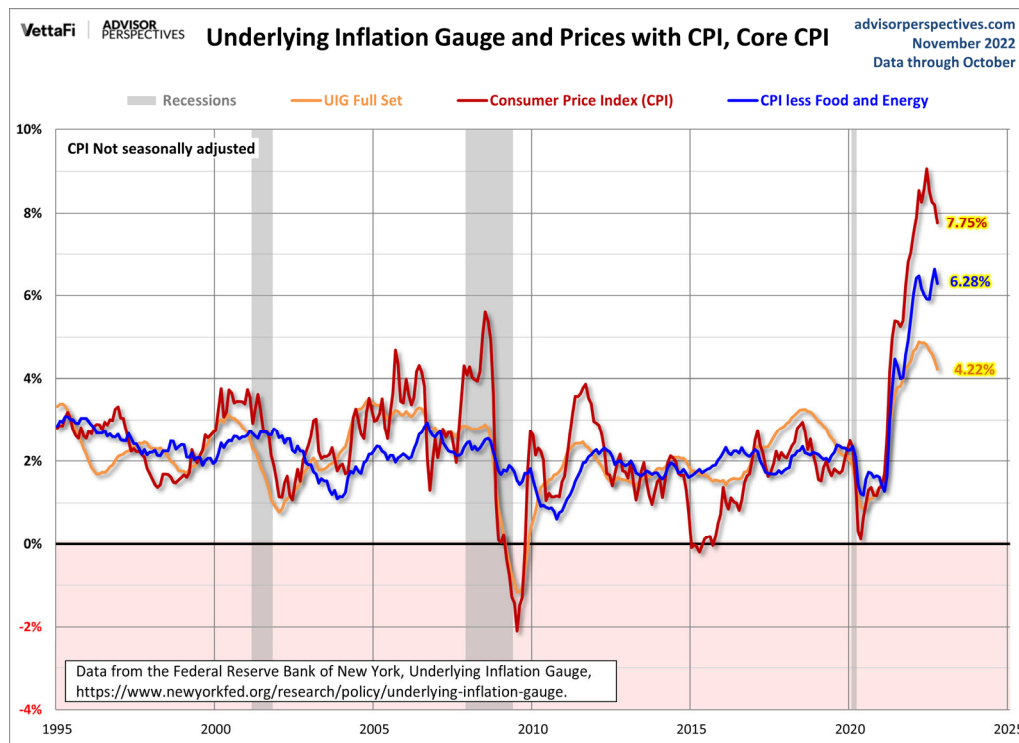
Economic Update

At an inflationary stalling point



- Global inflation pressure easing fast
- Mortgage rates peaking around 6%
- House prices to trough ↓15-20%

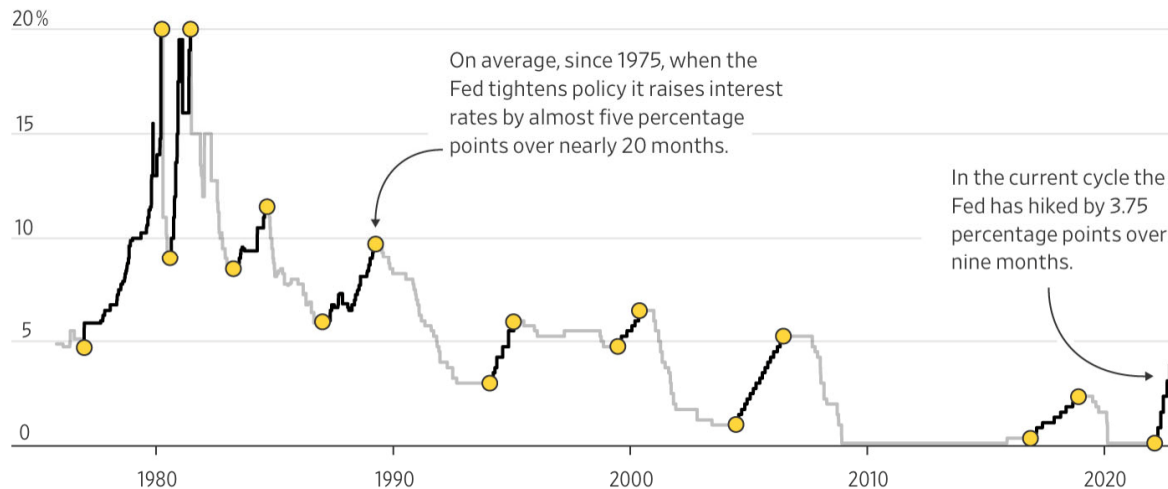
Are we there yet? Really? Really really?



- US inflation finally rolling over
- Fuel, imports, rents & house building
- Fed near the top
- US, EU recessions are coming

A very, very fast tightening

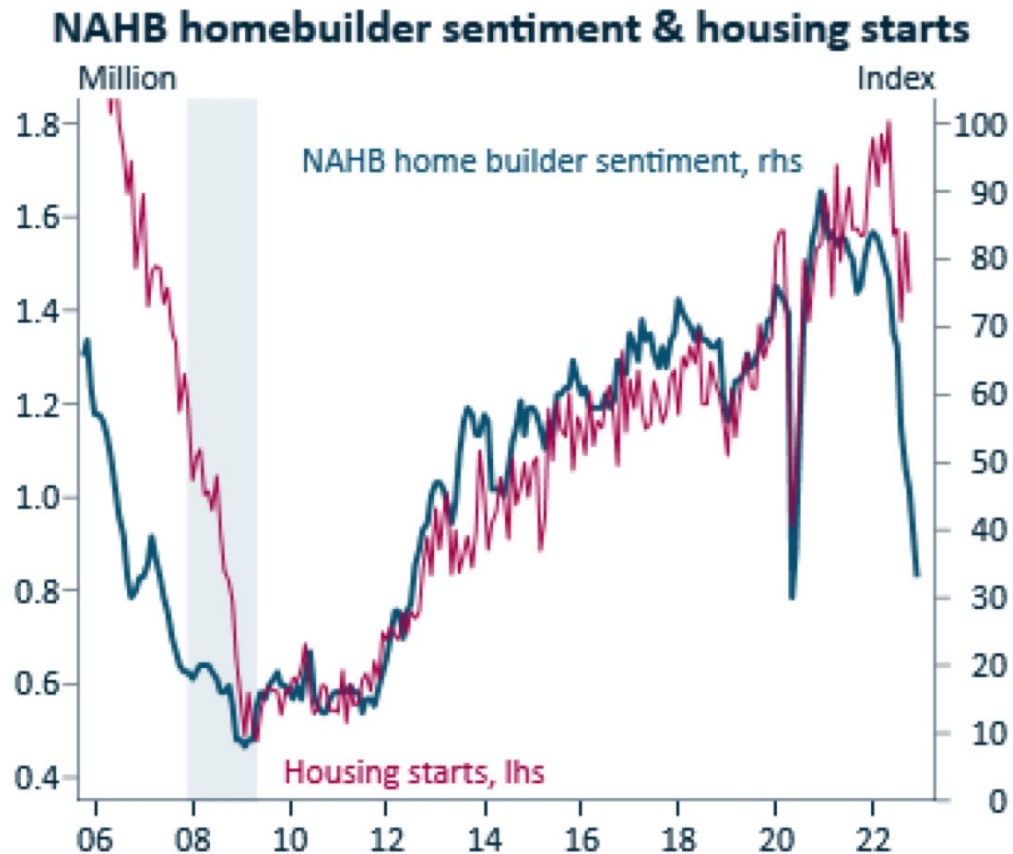
Federal-funds rate target during hiking cycles



Note: From December 2008, midpoint of target range. December 2015 hike excluded from 2016-18 cycle
Source: Federal Reserve

- Back To The Future
- Fastest tightening
- Since mid-1980s
- Combined with money de-printing and a big US\$ jump

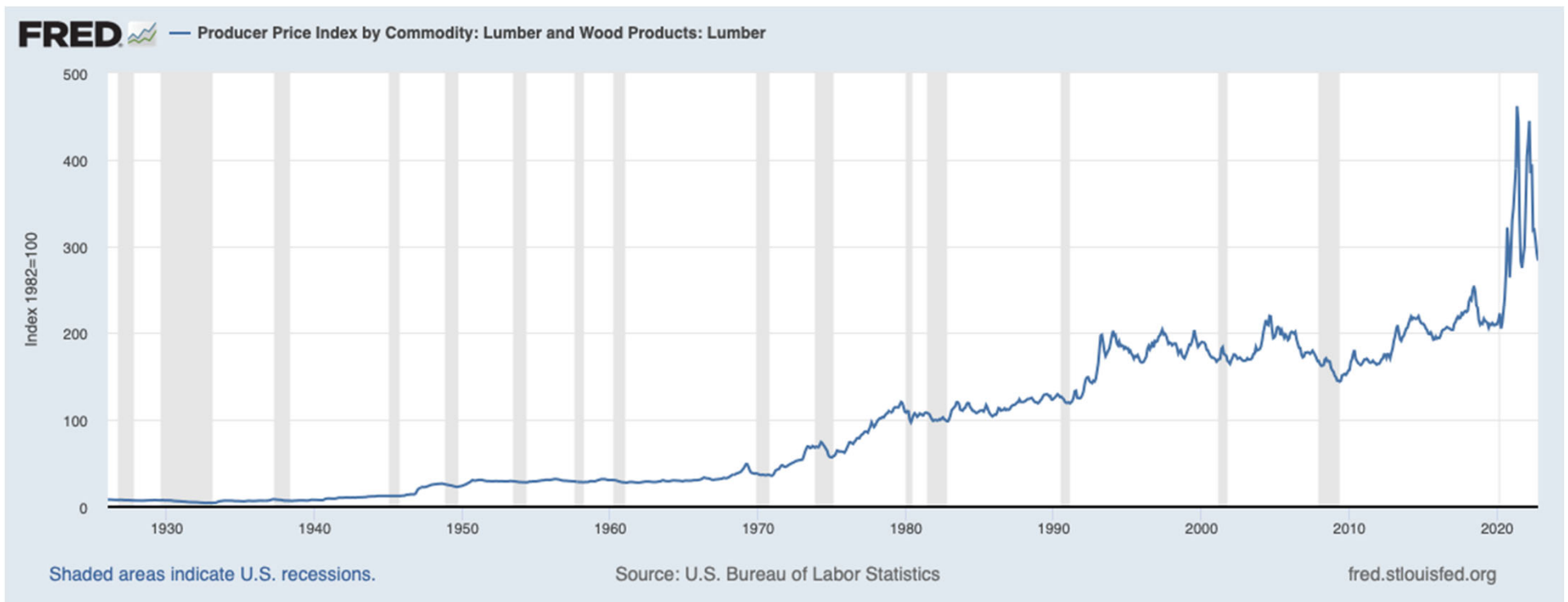
US housebuilding now slumping fast



Auckland Chamber briefing, Nov 23, Bernard Hickey

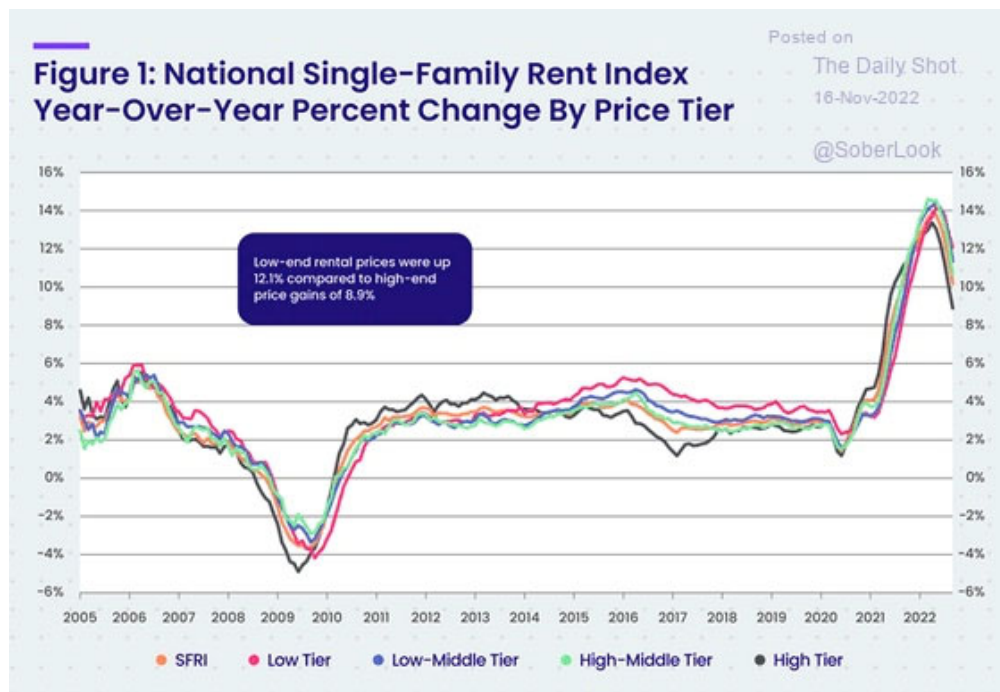
- Home building at the bleeding edge
- 30-year mortgage rates over 7%
- Up from 3% in 2022
- Taking pressure off supply chains

US lumber prices down from peaks



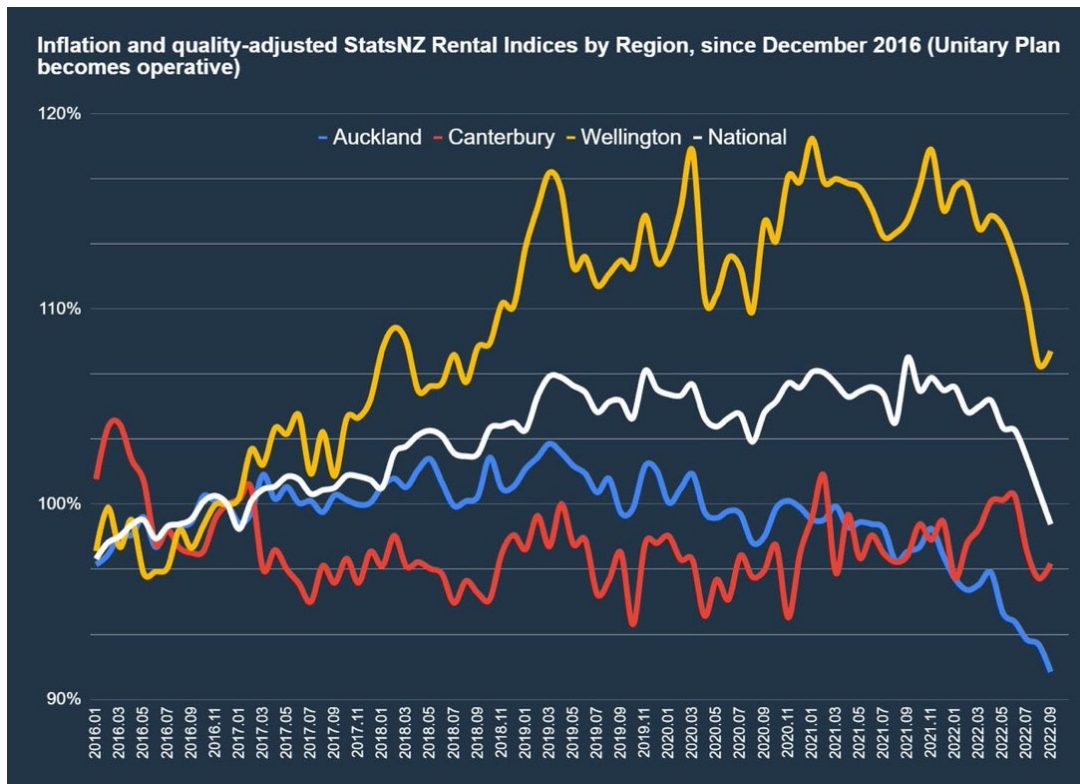
Auckland Chamber briefing, Nov 23, Bernard Hickey

US rents now rolling over too



- US rents biggest source of CPI inflation
- They are rolling over too, especially at the top
- Big lag between rents and CPI figures, sadly

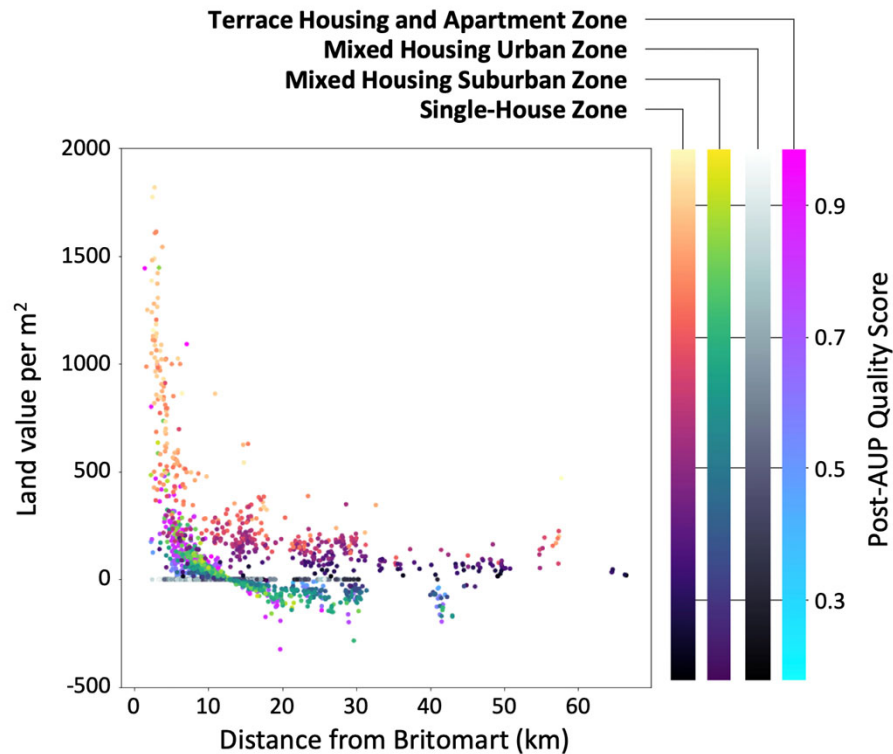
Turns out supply does matter



- Auckland Unitary Plan
- More medium density
- Rents falling in real terms in AKL, WLG
- Falling rents does not equal falling land prices near the centre

What Townhouse Nation means

Figure 19: Simulated post-MDRS land value shock in Auckland by zone and quality score



- Land prices to rise near CBD, but fall further out
- All depends on whether the rules stick & whether we invest

Source: Authors' analysis.

Note: The chart shows a random sample of 500 plots from each zone.

Keep an eye on these people



- Anthony Albanese
- Full citizenship?
- By Anzac Day 2023
- A net exodus risk
- Australia, Canada on a global labour hunt

Especially this guy



- Jerome Powell
- US Fed Reserve Chair
- How high will he go?
- When will he pivot?
- Powell to Mr Market
- ‘Feeling lucky punk?’

And this guy at 2pm today



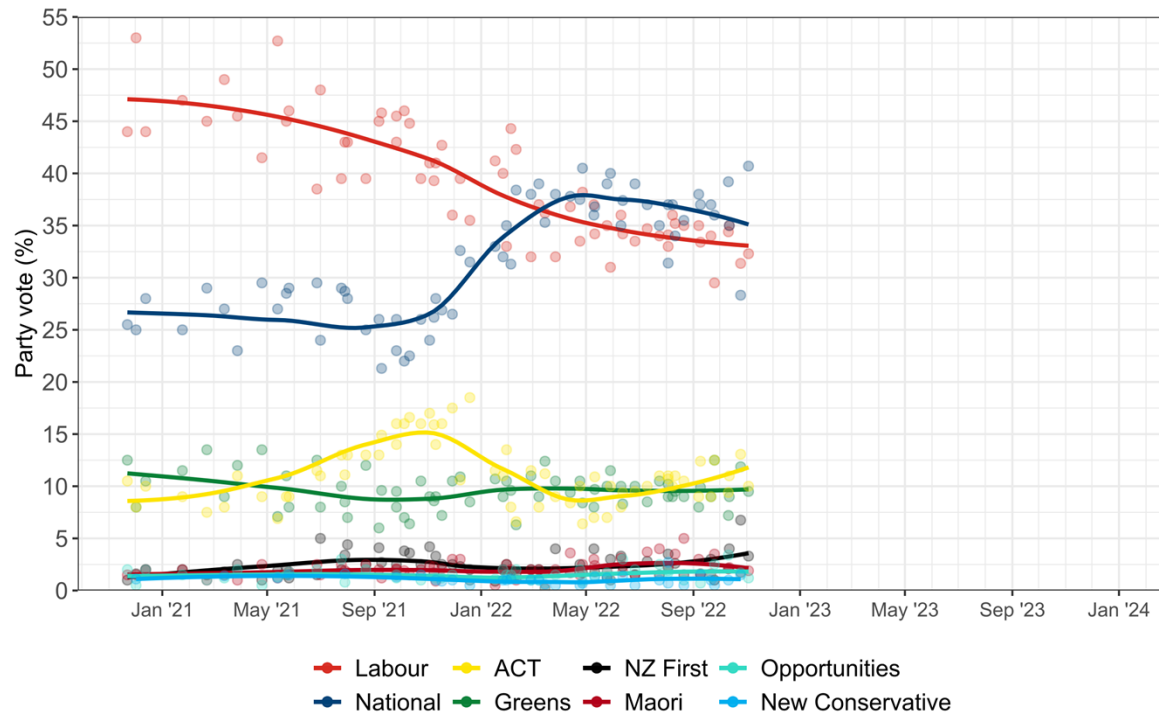
- OCR ↑ .75% to 4.25%
- Peak ↑ to 5.0%?
- Still house prices ↓
20% peak to trough?
- Will he serve a full term? We'll see.

Then this guy next year



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

2023 election still National's to lose



- November 3-30 pivot
- But <12 months away
- Budget bonanza?
- Inflation falling
- Luxon + policies = ?
- Remember 2005

