When it rains it pours

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> Topics

- Global/external
- NZ macro overview
- Inflation and interest rates



Global and NZ activity

- Tourism, international education starting to recover
- Consumer spending and construction set to contract, pulling NZ into a potential recession. Disaster recovery could blunt any decline.



Global growth and NZ GDP growth

NZ & NZ Trading Partner
Annual Average GDP Growth

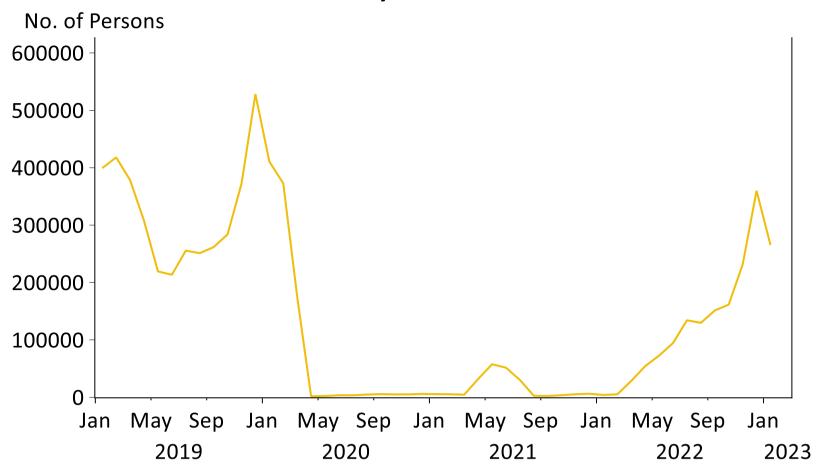


== NZ trading partner GDP forecast == NZ Production GDP



Nascent tourism recovery

NZ Monthly Visitor Arrivals

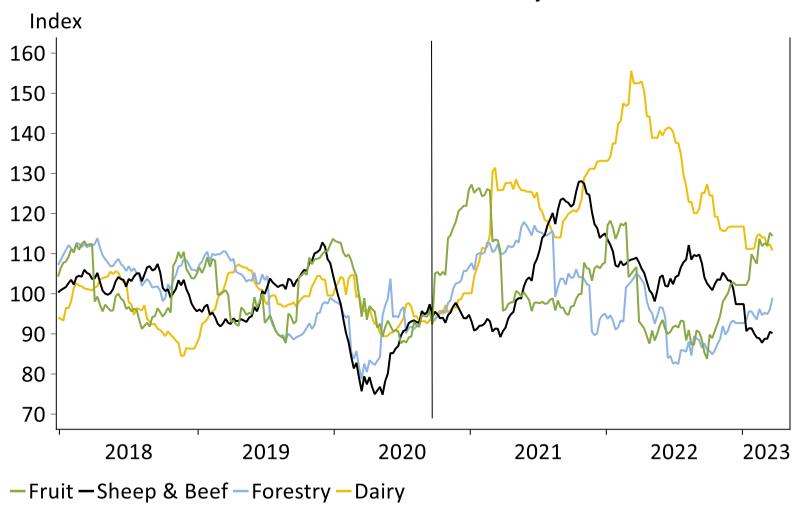


-New Zealand, Arrivals, By Country, All Countries of Residence, Actual Counts



NZ commodity export prices off highs

New Zealand USD Commodity Prices

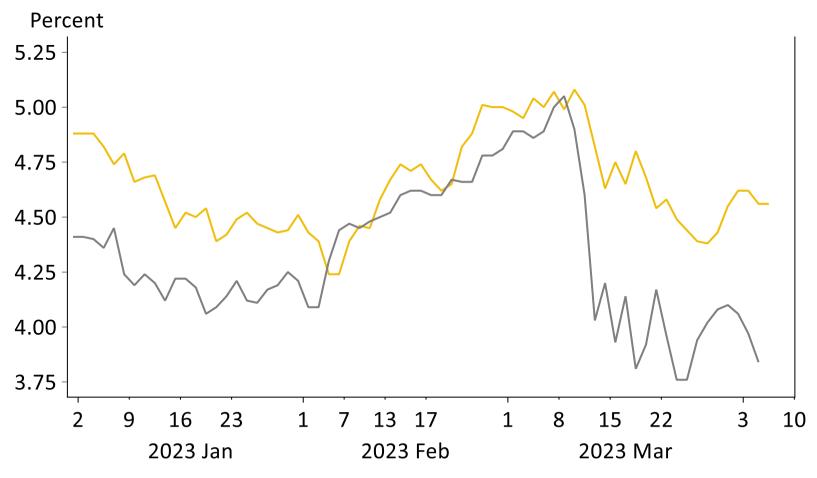






Bank worries flaring up

Government Benchmarks, 2 Year, Yield

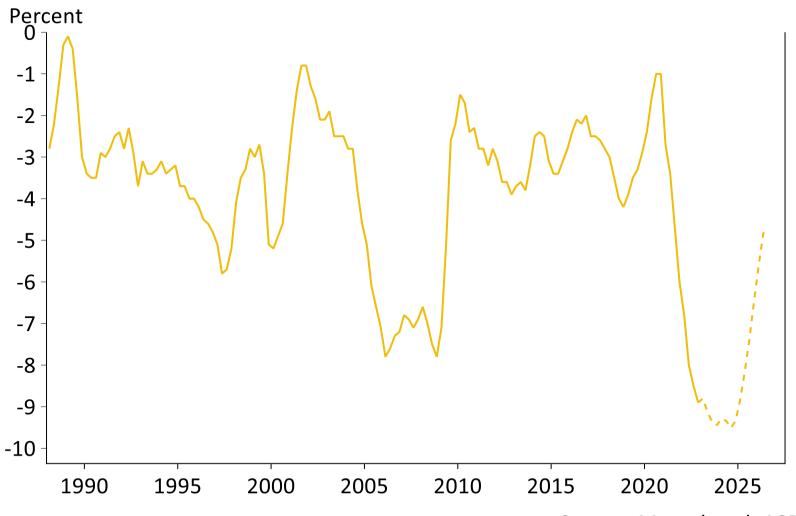


—United States, Federal Reserve — New Zealand, Reserve Bank of New Zealand



Large external deficit

New Zealand, Current Account % of GDP







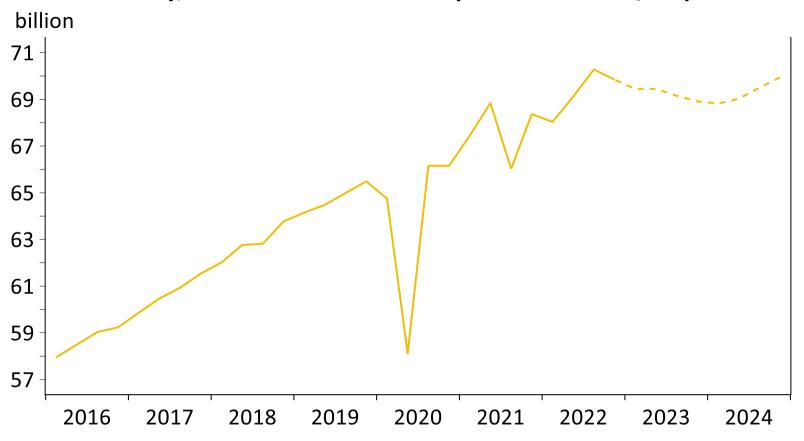
Impact of Auckland floods and Cyclone Gabrielle

- Damage unclear still: guesstimate ~\$10-20bn (~4% of GDP). Canterbury earthquakes ~\$40bn in 2011 \$ (~20% of 2011 GDP).
- Contrasts: Canterbury a huge damage bill but geographically concentrated. Storms affected bigger land area; land remediation challenges; land routes impacted
- Short-term disruption to normal commercial activities.
- Rebuild could add 1% to GDP over next few years.
- Short-term shortages of food, household items, cars.
- Construction sector pressures will be prolonged.
- Agriculture/horticulture/viticulture output hit for potentially years.
- To what extent will land use change? Industry impacts?
- Climate change adaption, engineering resilience to weather.



NZ GDP level

NZ Gross Domestic Product
Quarterly, chain-volume series expressed in 2009/10 prices



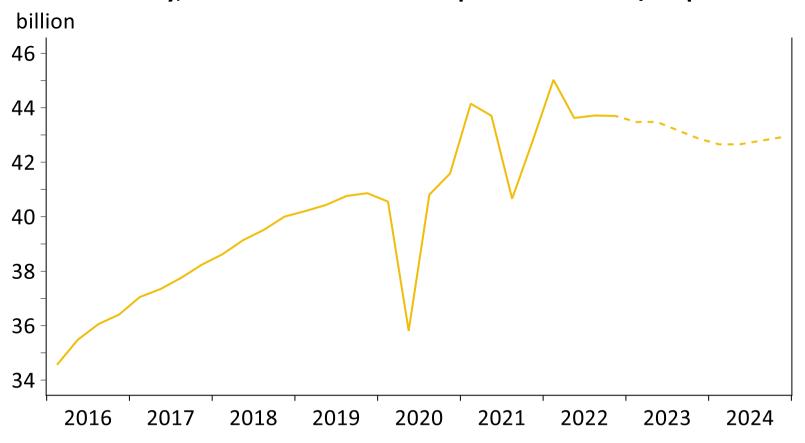
-- New Zealand, Production GDP (2009/10 \$m)



Consumer spending to contract

NZ Private Consumption

Quarterly, Chain-volume series expressed in 2009/10 prices

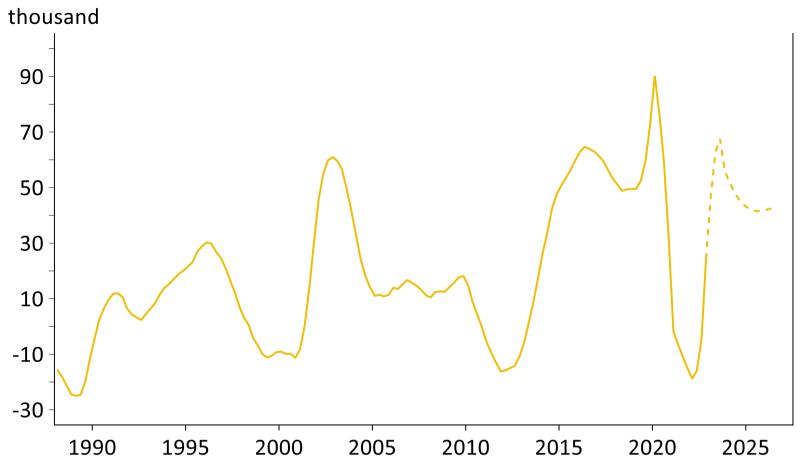


-- New Zealand, GDP Private Consumer Spending



Net migration is lifting and revised up

NZ Annual Net PLT Immigration

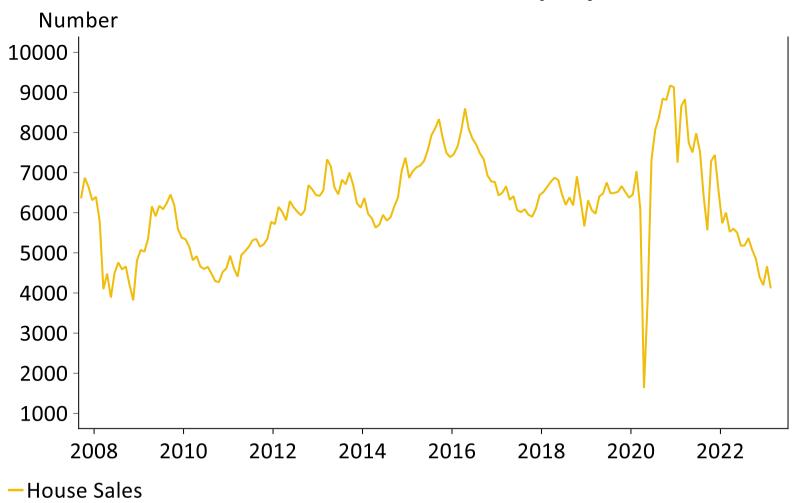


-- New Zealand, Net Migration



NZ house sales weak

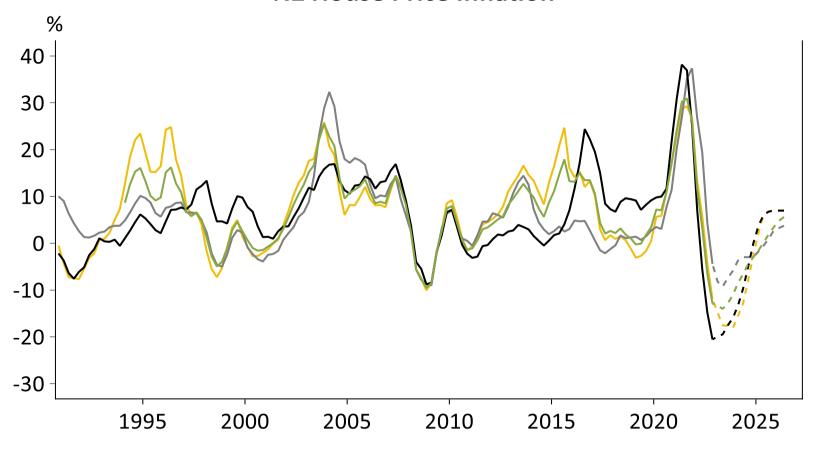
REINZ NZ House Sales - Seasonally Adjusted





NZ house price inflation

NZ House Price Inflation

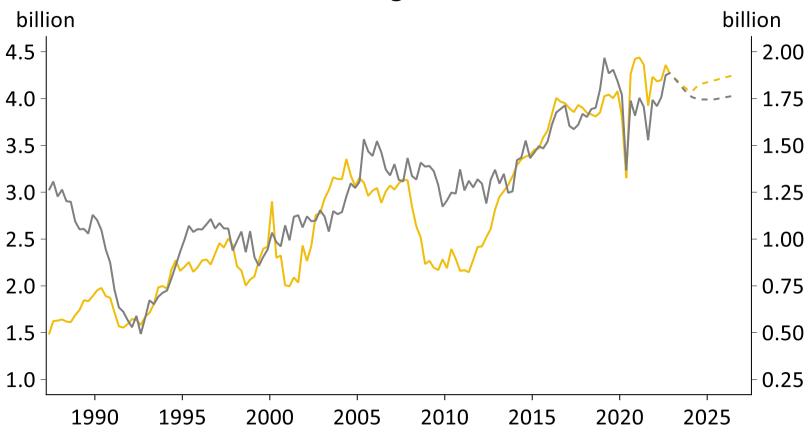


- --- Auckland =- Christchurch --- Wellington
- == NZ excluding Auckland, Wellington & Christchurch



NZ construction

New Zealand Building Construction Outlook



==GDP Non-Residential Building Investment, rhs

--GDP Residential Investment, lhs

ASB ONE STEP) AHEAD

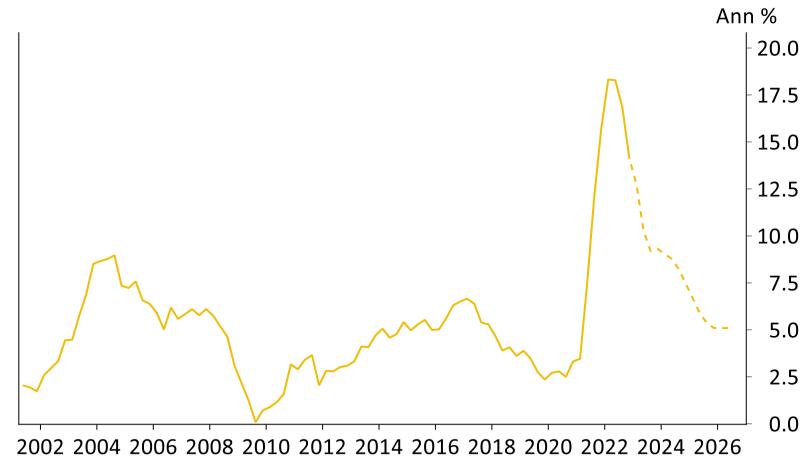
Inflation, interest rates

- Lingering labour shortages and wage costs
- Inflation proving quite sticky at the peak
- Short-term boost from disaster impacts
- Wage-related inflation pressure key to duration of high interest rates



Housing construction costs

CPI Housing Construction Costs

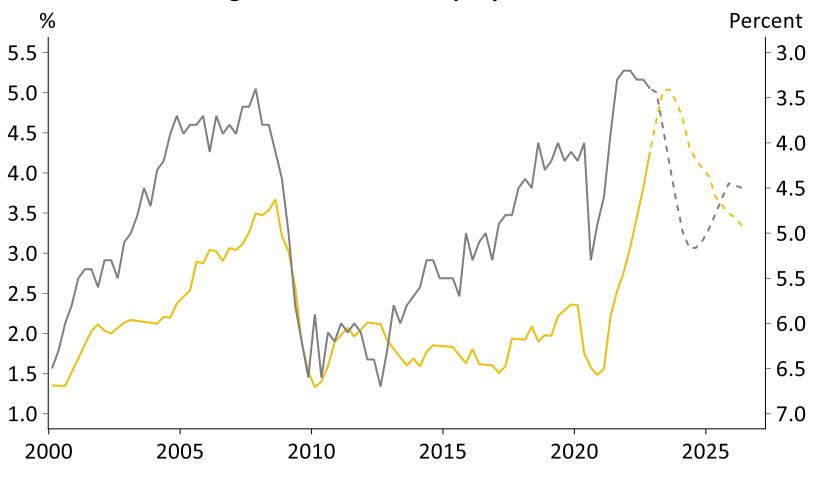


-- CPI Housing Construction Costs



Wage inflation rising

Wage Growth & Unemployment Rate

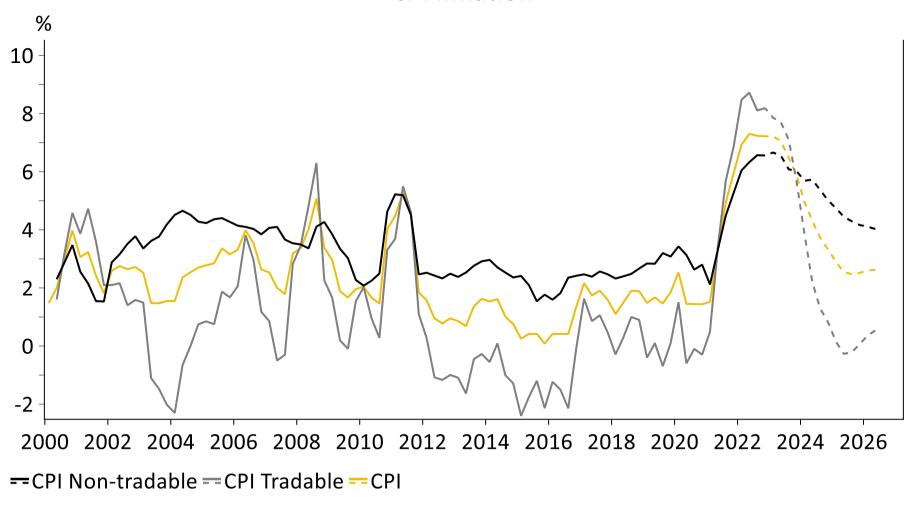


== New Zealand, Unemployment Rate, rhs == Labour Cost Index, lhs



Inflation: high and persistent

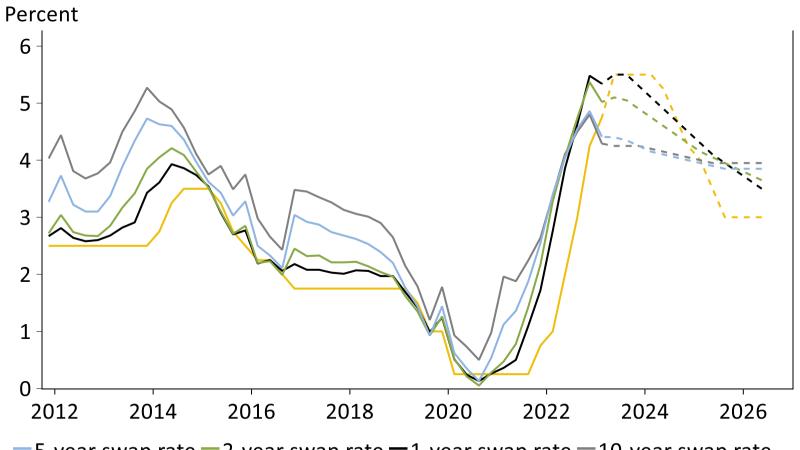
CPI Inflation





Interest rates

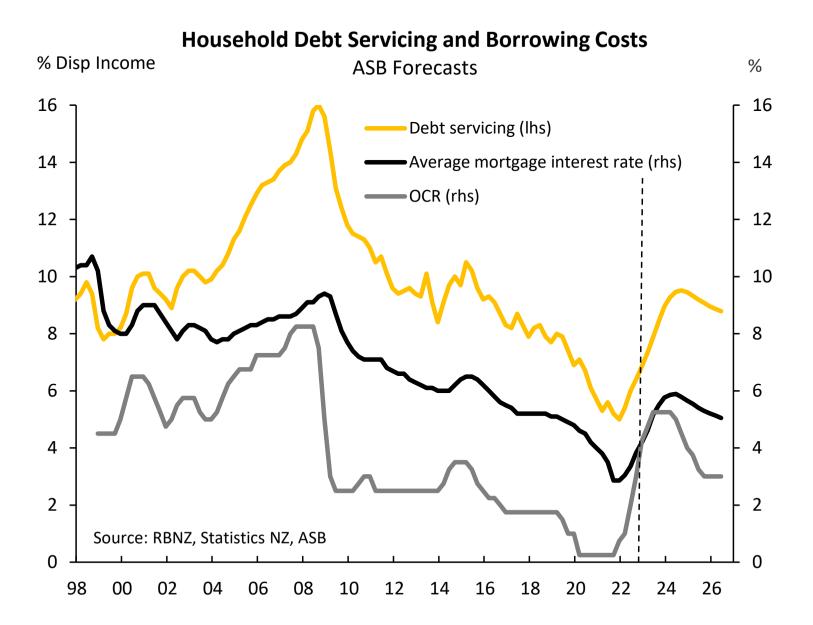
New Zealand Interest Rates



== 5-year swap rate == 2-year swap rate == 10-year swap rate

■ Official Cash Rate

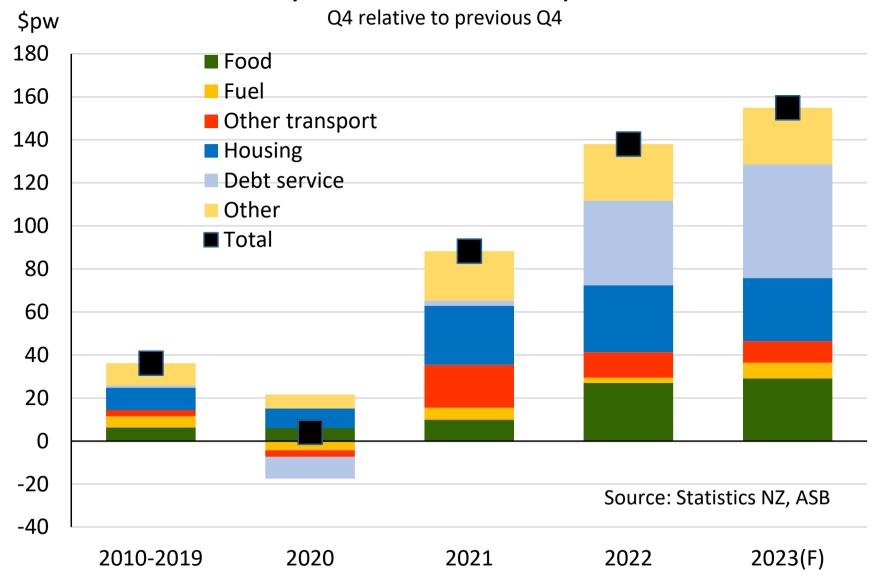
Debt servicing manageable overall





Household cost of living impacts

Weekly Increases in household expenditure





Summary

- Households feeling the pinch: consumer spending volumes to contract
- > Tourism recovering: Asia now lifting; but airline route constraints
- Weather disaster: disruption, added inflation, slight rebuild boost, rethinking of weather risks and vulnerabilities
- Labour market tight, with further wage pressure (and higher living costs). Inbound immigration now picking up strongly, will help ease labour tightness
- OCR peak of 5.5% expected; OCR cuts from first half of 2024



