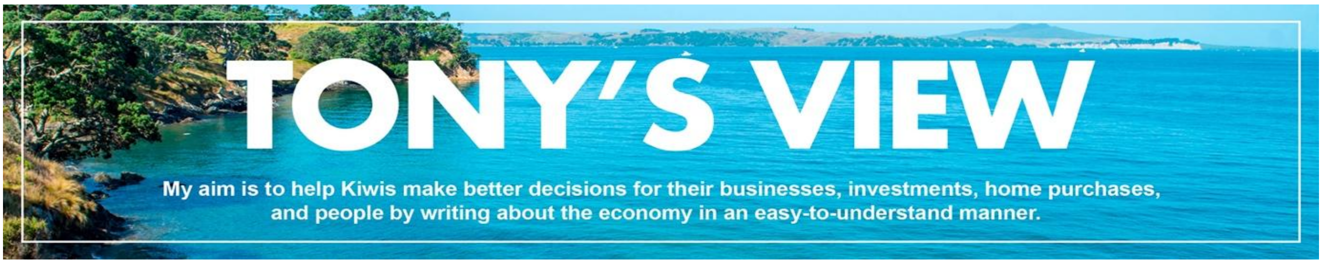


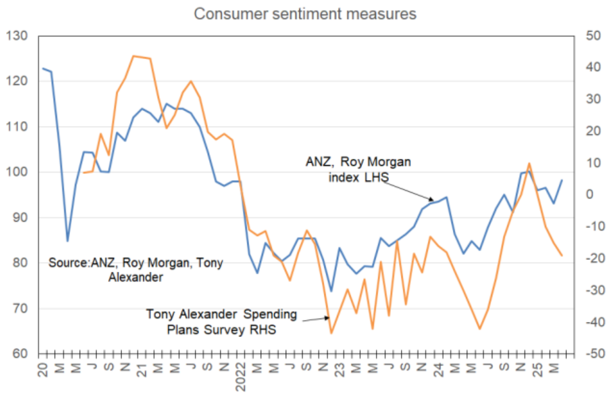
Input to your Strategy for Adapting to Challenges
Feel free to pass on to friends and clients wanting independent economic commentary

ISSN: 2703-2825
1 May 2025
Sign up for free at www.tonyalexander.nz

Are consumers really more optimistic?

A week ago ANZ Roy Morgan released their monthly gauge of consumer sentiment, and it showed an improvement to a reading of 98.3 in April from 93.2 in March.

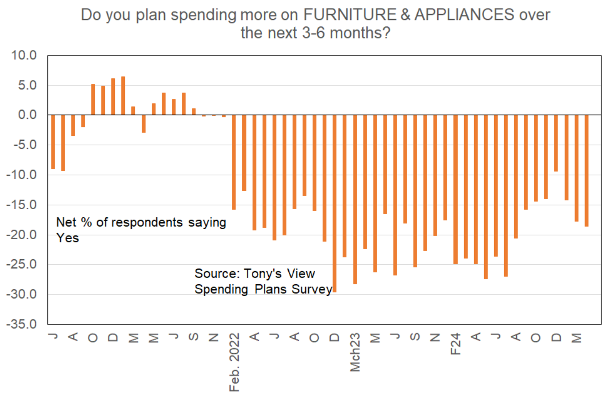
This graph shows their index in blue plus the one from my monthly Spending Plans Survey in orange. They generally track together over three or so month periods but have split apart a bit recently.



I'd put this down to my survey being run immediately after the massive tariffs announced by the US President on April 2 when the Dow Jones Index was in the process of falling almost 8%. The ANZ Roy Morgan survey probably captured some of the subsequent pausing of tariffs and sharemarket rebound and backing away from the global large downturn story.

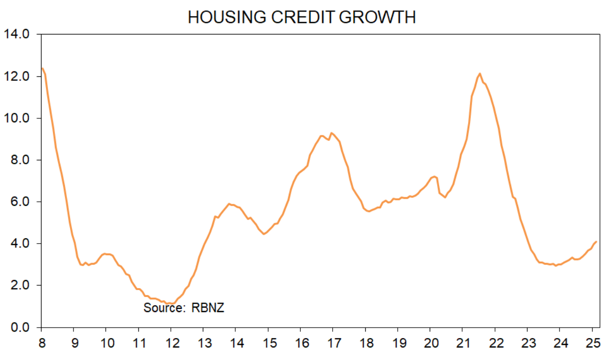
Nonetheless, the main point to note is that both surveys show sentiment at net pessimistic levels and if I were a retailer I'd be running below average inventories for now. Maybe I'd also be worrying whether China will dump goods not sold in the US into other parts of the world including NZ over the rest of this year. These would likely be cheaper than imports of the same things already brought in by some importers so margins could be squeezed further than they already are.

The outlook for retailers around the country remains weak.



Muted housing upturn underway

Here is an interesting graph. It shows the annual rate of growth in lending for housing purposes. The latest growth rate is 4.1% for February versus a year ago which is the strongest pace of growth in lending for housing since January 2023. The low was 3% for most of the second half of 2023.

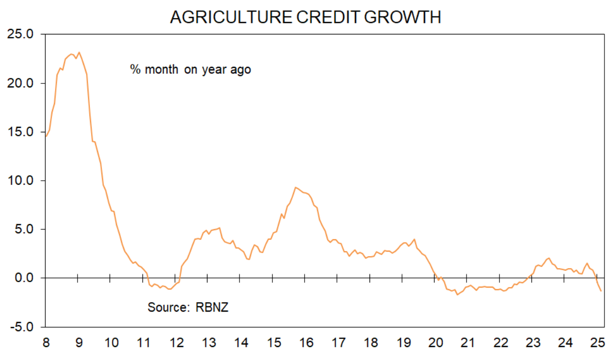


There are two things worth noting. First, there is a recovery underway. This gels with the improvement in housing market indicators including the rise in annual dwelling sales numbers to 74,000 recently from the low of 58,000 in the middle of 2023.

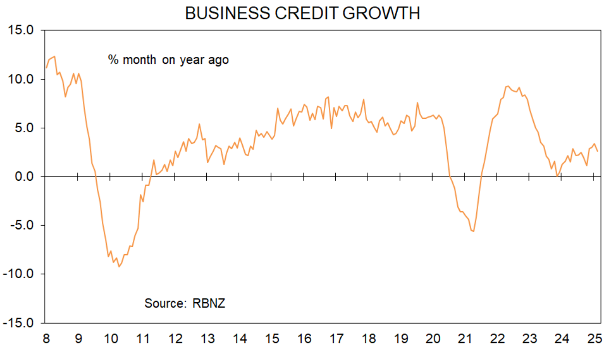
Second, the pace with which home lending is accelerating is quite slow compared with previous upturns. This is seen as the curve moving upward with lesser slope now than we can see over 2012, 2015, and 2020.

As noted here quite a bit recently, there is an upturn in the housing market occurring, but it is relatively muted by standards people may have become used to over recent years.

Note that much as many people are trying to talk of our economic recovery being export-led, there is no rise underway in the pace of growth of lending to the agricultural sector. In fact, in February farm debt was down 1.3% from a year earlier.



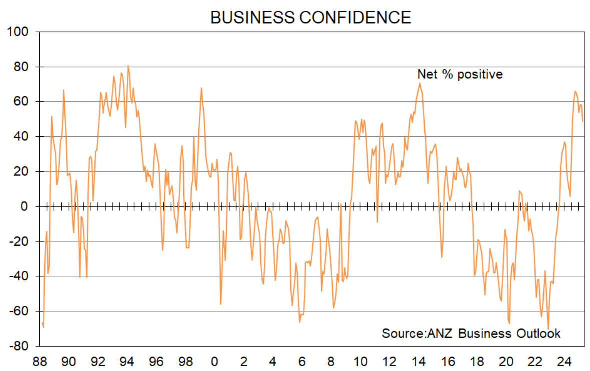
There is a recovery underway in lending to the business (non-rural) sector. But as is the case for housing the improvement is relatively muted.



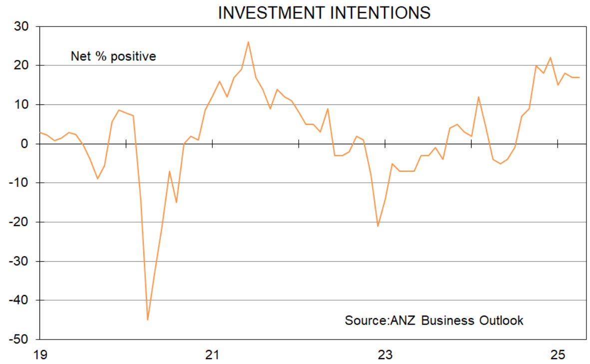
Businesses still very confident

ANZ released the results of their monthly Business Outlook Survey this week and the readings for almost all measures have barely changed from a month earlier. A net 49% of businesses expect the economy to improve which is down slightly from a net 58% last month. It looks like only a slight nod has been given to heightened global growth risks associated with the US-initiated trade war.

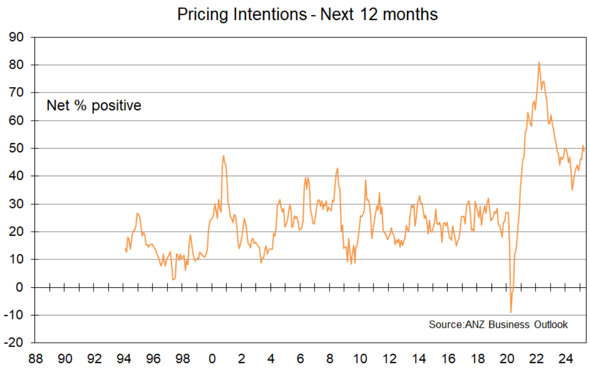
However, the report's authors note that results received towards the end of the survey period were noticeably more downbeat than those received early on. So, next month's results are likely to show greater weakness.



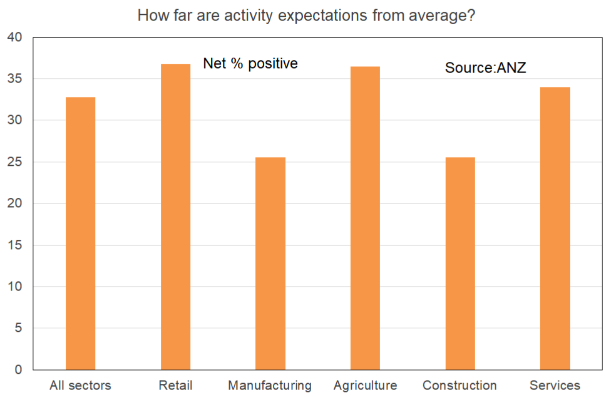
A net 18% of businesses plan hiring more staff, little changed from 16% a month ago. An unchanged net 17% plan increased investment.



The net proportion of businesses saying they plan raising their selling prices eased back slightly from 51% last month to a still well above average 49%.

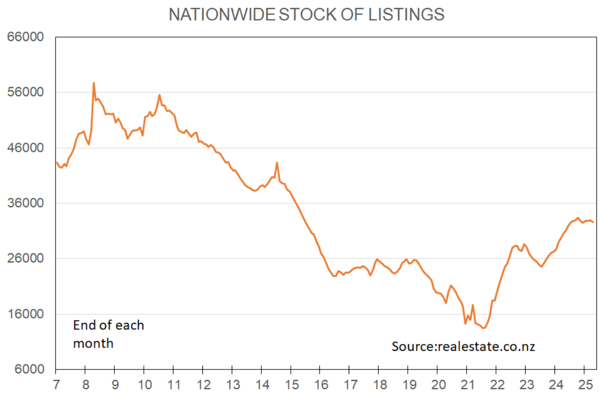


This following graph shows the extent to which expectations of one's own level of activity are above average. Across all sectors these expectations are a strong 33% above average. Retailing and agriculture are both about 37% above average. The retailing reading I find hard to understand considering below average consumer sentiment levels and still rising unemployment. Hope springs eternal I guess.

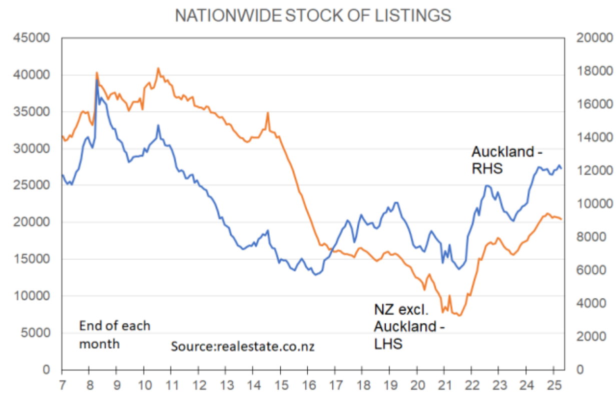


Property listings flat

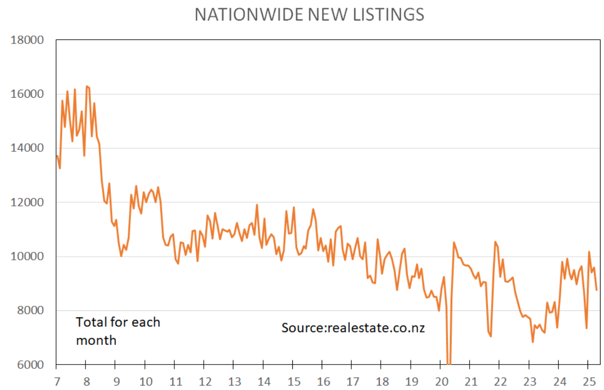
Yesterday realestate.co.nz released their monthly data on listings. At the end of April their stock of listings stood just over 32,500 which is consistent with all other months since July last year. There is no trend up or down, just a flattening out after the stock of listings rose strongly from unusually low levels mid-2021.



However, at the margin one might be able to run an argument that the stock of listings is edging up still in Auckland while creeping slightly lower in the rest of the country. But if these two trends are in place they are very minor.

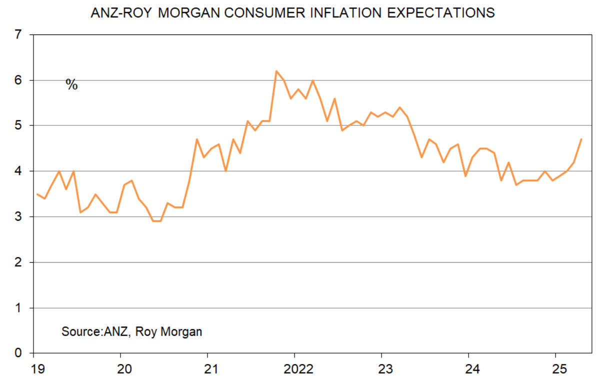


In seasonally adjusted terms the number of properties freshly listed with realestate.co.nz in April was down by 12% from a year earlier and 9% from March. Maybe some potential vendors are backing away from the market in light of the absence of price gains and strong awareness that it is currently the buyers who have the upper hand.



If I were a borrower, what would I do?

The ANZ Roy Morgan NZ Consumer Confidence Index release last Thursday showed a rather large jump in consumer expectations for where inflation will be in a year's time. The gauge rose to 4.7% from 4.2% in March and now sits at the highest level since July 2023.



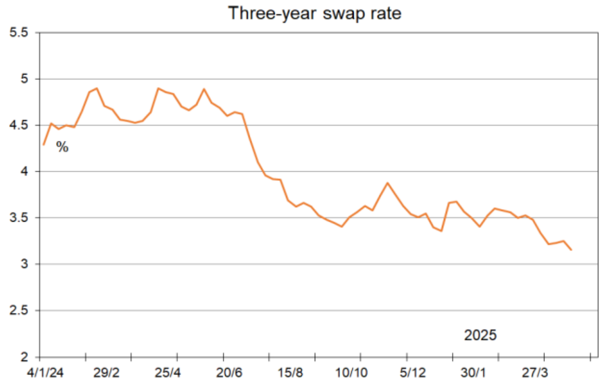
I'm going to take this worrying lift with a grain of salt for the moment. The jump is too big to truly reflect what consumers may be seeing on the ground around them and probably has been driven by worries about the inflation effect of higher tariffs overseas.

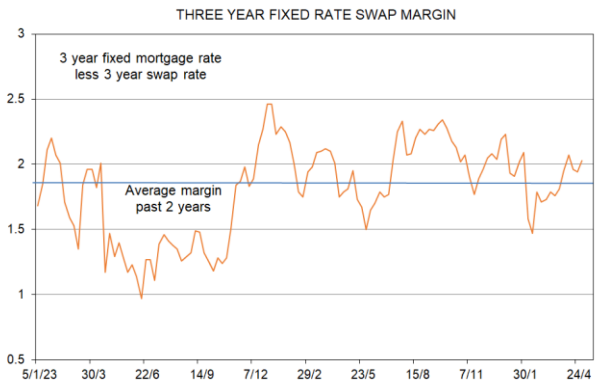
Nonetheless, the jump leaves me still willing to suggest people treat carefully any predictions they may see of our central bank reacting quickly and aggressively to counter unknown weakness coming from offshore. Inflation is still present in the NZ economy and business margins are tight and getting tighter. The risk of a period of catch-up price rises down the track continues to grow.

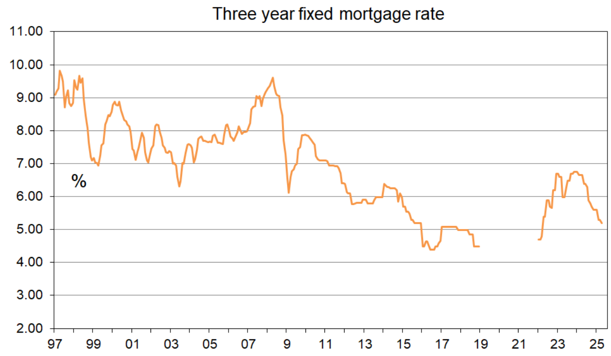
This week in the wholesale markets interest rates fell slightly in response to lower yields in the United States. Those lower yields were driven by weak economic data and some pulling back from the "sell US" trade involving a loss of confidence in the role of the United States in the world's economy and financial markets.

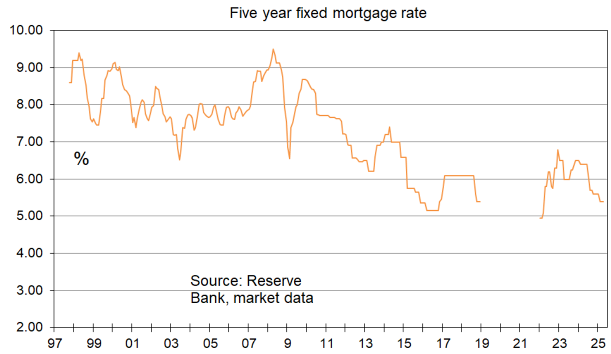
The one year swap rate in New Zealand at which banks borrow in order to lend at a fixed rate for one year has ended near 3.04% from 3.11% last week and 3.24% a month ago. Scope exists for banks to cut maybe 0.2% off their short-term fixed mortgage rates.

That applies also to the three year rate where the wholesale cost has fallen to 3.16% from 3.25% last week and 3.34% a month ago. A 4.99% three year rate looks quite possible again in the very near future and if I were borrowing at the moment that is a rate and term I would prefer.

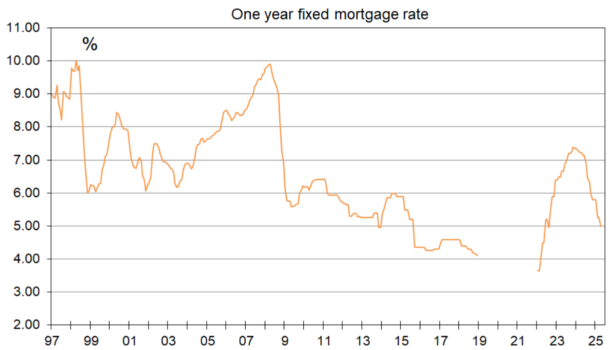




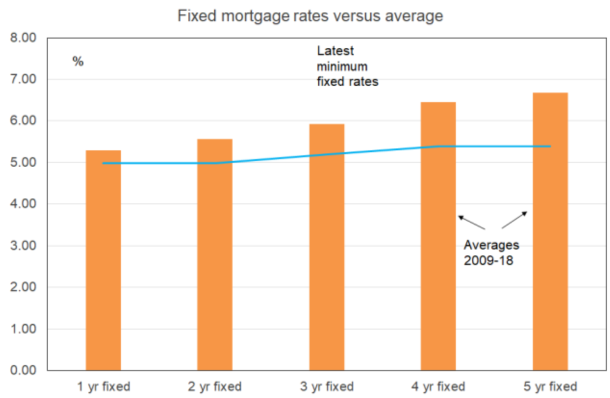




These three graphs show mortgage rates since 1997 excluding the period of deflation worries (2019) and the pandemic.



This graph shows how current rates compare with averages from 2009-19.



To see the interest rates currently charged by major lenders go to www.mortgages.co.nz

Nothing I write here or anywhere else in this publication is intended to be personal advice. You should discuss your financing options with a professional.