

Input to your Strategy for Adapting to Challenges

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Thursday 10 November 2022

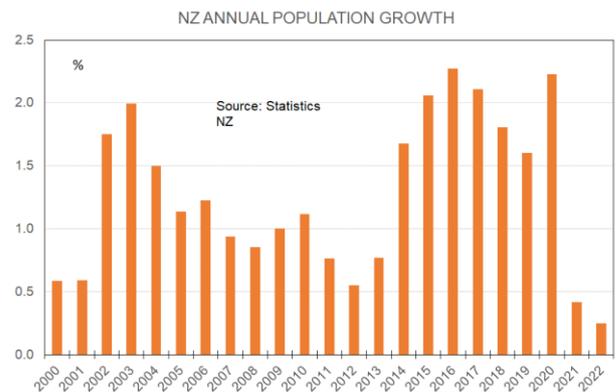
Regional population changes

A few days ago, I gave a talk to some people in the home building business and promised that in this week's Tony's View I would include data showing some interesting regional population shifts. So, here they are.

On average in the 20 year period before the pandemic of 2020 our population grew 1.3% a year. The immediate impact of the pandemic was to boost population growth to 2.2% in June 2020 from June 2019. But since then growth has been well below average at 0.4% then 0.2% in the 2021 and 2022 June years.

In the past three years the NZ population has grown by 2.9%. Had growth been the two decade average it would have been about 4.4%. As a result of the pandemic we are missing maybe 1.5% growth or some 75,000 people.

I can do this calculation for every territorial authority around the country and calculate to what extent the population in June this year was higher or lower than one could have reasonably expected based on long-term average annual growth. So, I have.



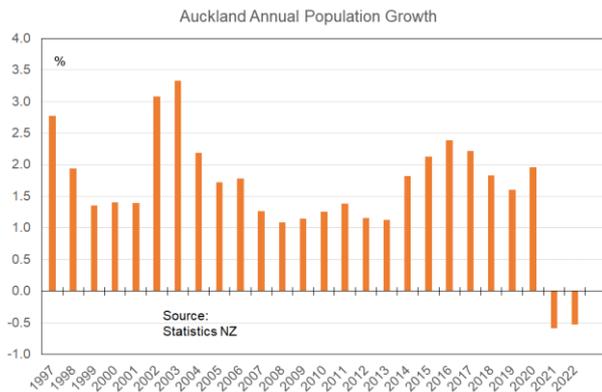
The following table ranks NZ territorial authorities from the one with the greatest percentage population boost above long-term expectations to the lowest. We see for instance that the Chatham Islands enjoyed 9.4% greater than expected population growth, or about 67 extra people.

The Kaipara District enjoyed 5% population growth above expectations or an extra 1,217 people.

At the other end of the spectrum the Queenstown Lakes District population was 5.3% smaller than might otherwise have been the



case, involving some 2,374 people not being there. Auckland's population is missing about 71,453 people.



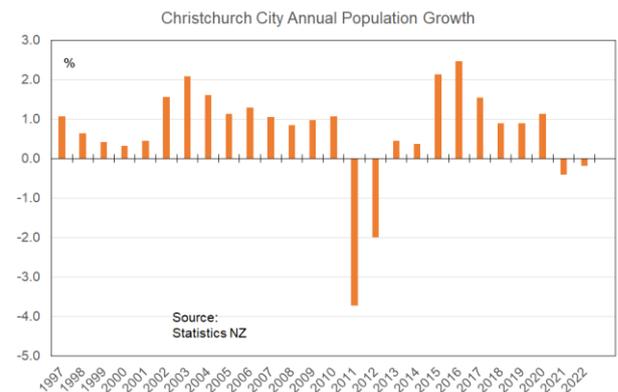
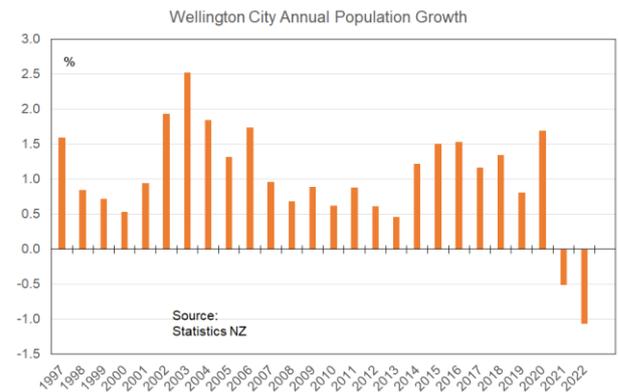
In other words, almost all of the lack of NZ population growth has occurred in Auckland in net terms.

What can you do with this list? Maybe just this one thing. Ask yourself if it seems reasonable to expect the relative out-performance of the locations in the upper part of the list to continue. Then, if you are familiar with any of these locations ask yourself if perhaps there has been a house building boom which might not be sustainable now the pandemic effect is ending.

Or the opposite. Look at locations with people missing and ask if the current downward correction in house prices reasonably reflects the likelihood that population growth will soon improve.

Good luck. This is just one of the things you'd want to throw into the mix of the many you might look at when considering your investment portfolio.

To make the table easier to read, here are some filler graphs to push it onto the next page.





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	Excess population	
	3 year %	Number of people
Chatham Islands Territory	9.4	67
Kaipara District	5.0	1217
Selwyn District	3.7	2468
Masterton District	3.7	1000
Central Hawke's Bay	3.7	553
Thames-Coromandel	3.5	1097
Waioira District	3.4	303
Central Otago District	3.0	701
Waikato District	3.0	2394
Ruapehu District	2.8	359
Opotiki District	2.8	275
Western Bay of Plenty	2.7	1462
Manawatu District	2.5	803
Grey District	2.3	319
Tasman District	2.2	1183
Marlborough District	2.1	1039
South Taranaki District	1.9	536
Far North District	1.8	1256
Hauraki District	1.7	359
Horowhenua District	1.5	511
Clutha District	1.4	253
Gisborne District	1.3	675
Rangitikei District	1.3	201
Waipa District	1.2	650
Buller District	1.1	111
Hastings District	1.1	934
South Wairarapa District	0.8	91
Wanganui District	0.7	335
Waitomo District	0.7	66
South Waikato District	0.7	170
Taupo District	0.4	171
Tauranga City	0.3	512
Kawerau District	0.3	25
Waitaki District	0.3	69

Stratford District	0.2	21
Tararua District	0.2	39
Matamata-Piako District	0.1	53
Gore District	0.0	-4
Lower Hutt City	-0.1	-107
ex Auckland	-0.1	-3884
Hurunui District	-0.3	-39
Whangarei District	-0.3	-297
Whakatane District	-0.6	-212
Christchurch City	-0.7	-2656
Westland District	-0.7	-62
Carterton District	-0.8	-75
Waimakariri District	-0.8	-490
Upper Hutt City	-0.8	-376
Waimate District	-0.8	-68
New Plymouth District	-0.8	-700
Napier City	-0.9	-604
Ashburton District	-1.0	-341
Timaru District	-1.2	-561
Kapiti Coast District	-1.4	-760
Porirua City	-1.4	-832
Southland District	-1.4	-450
Otorohanga District	-1.4	-152
New Zealand	-1.5	-75124
Palmerston North City	-1.5	-1361
Rotorua District	-1.7	-1324
Kaikoura District	-1.8	-75
Hamilton City	-1.8	-3182
Invercargill City	-2.1	-1214
Nelson City	-2.6	-1379
Wellington City	-2.9	-6270
Dunedin City	-3.7	-4901
Auckland	-4.2	-71453
Mackenzie District	-4.6	-243
Queenstown-Lakes	-5.3	-2374




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If I were a borrower, what would I do?

As anticipated last week the Fed. raised its funds rate 0.75% but there are expectations now that the pace of tightening will slow as the central bank awaits some further information on how much grip the tightening so far is achieving on the economy and inflationary pressures. In that regard the labour market data on Friday night was a mixed bag with slightly stronger than expected jobs growth but rise in the unemployment rate to 3.7% from 3.5% and slowing of the pace of wages growth.

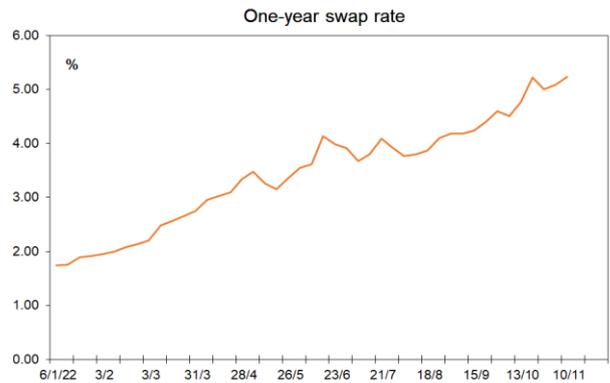


Week to week we are going to see some potentially big moves in wholesale funding costs for NZ banks as we go through some months where data are examined to see if inflation restraint is appearing and looking strong enough here and offshore.

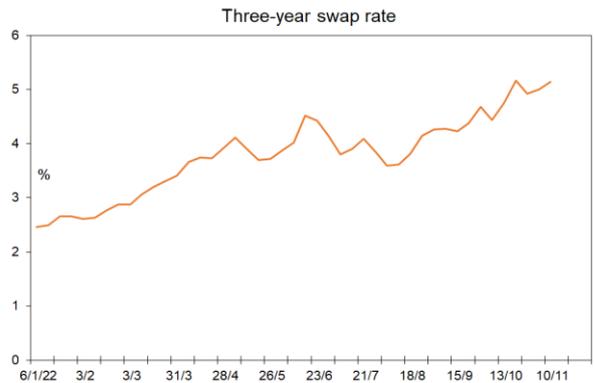
Locally we have the weak results from my monthly Spending Plans Survey telling us that the recent round of bank mortgage rate rises here has dented consumer outlooks and spending prospects for summer look fairly bleak. That is good news from a monetary policy impact point of view.

But debit and credit card data released yesterday were on the strong side. I don't often look at those numbers however as they can be highly volatile and sometimes give poor leads as to what quarterly retail trade data eventually reveal.

The one-year swap rate at which banks borrow to lend to you and I fixed for one year has this week moved higher to around 5.25% from 5.08% last week and 4.76% a month ago.



The three year swap rate has edged up to 5.14% from 5% last week and 4.75% a month ago.



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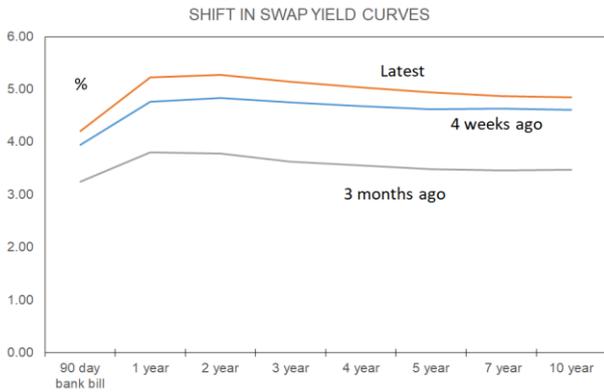
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The wholesale yield curve is only slowly going inverse. That tells us that the markets are well off being firmly convinced that inflationary pressures will be easing off enough to allow much easing of monetary policy come 2024. For the moment prices reflect an expectation that the official cash rate will reach 5.5% from the current 3.5%. The next review is in just under two weeks time on November 23 and at least a 0.5% rise is likely with a good chance of 0.75%.



I remain a personal fan of the one and two year rates.

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.

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