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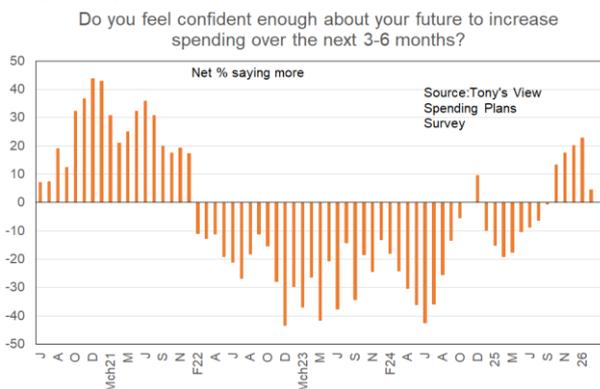
12 March 2026

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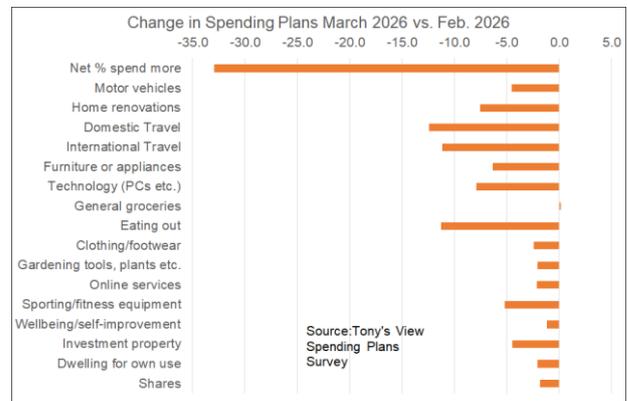
War hits consumer spending plans

This week I have run my monthly Spending Plans survey which gives insight into how NZ consumers are feeling about spending more or less on stuff of their choosing in the next 3-6 months. The timing is fortuitous because it allows us to answer the question of whether the events in Iran are having an impact on what has been a quite positive outlook for retailing in 2026. The answer is yes.

There has been a drop in the net proportion of people saying they will spend more to 4% from 23% last month. The graph here shows the abruptness of this move against what has been an improving trend in spending plans underway since May last year.



Spending plans have deteriorated in all areas except groceries.



The biggest declines this past month have been for domestic and international travel plus eating out. Note the investment property purchasing intentions decline compared with that for buying one's own house. This extra negative movement likely reflects the realisation sweeping through many quarters that potential for house price gains going forward both long-term and over this cycle is less than many people may have been thinking.



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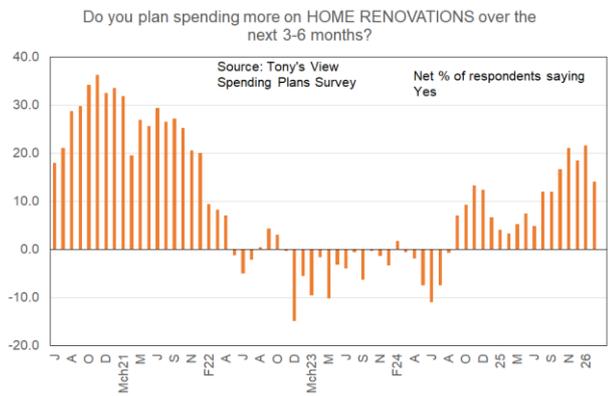
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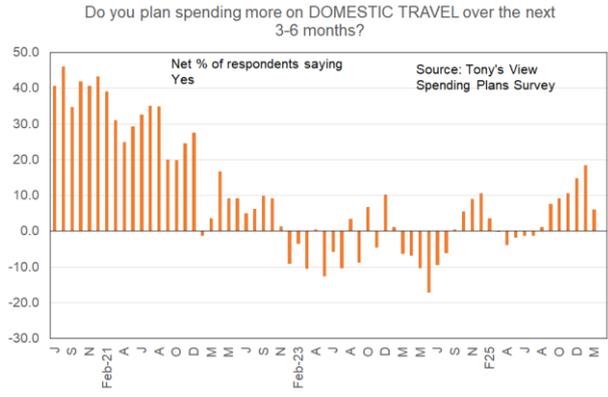
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Looking at individual categories we get this following set of graphs.

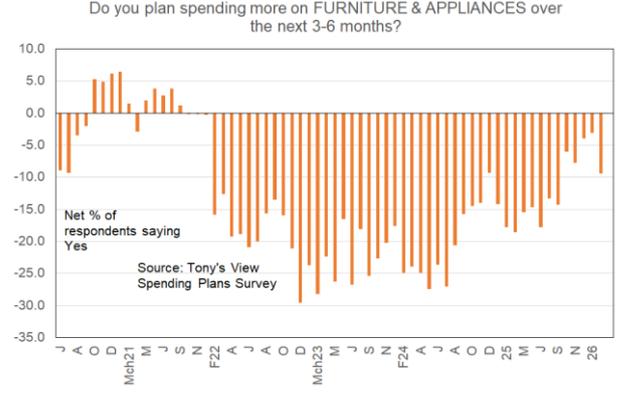
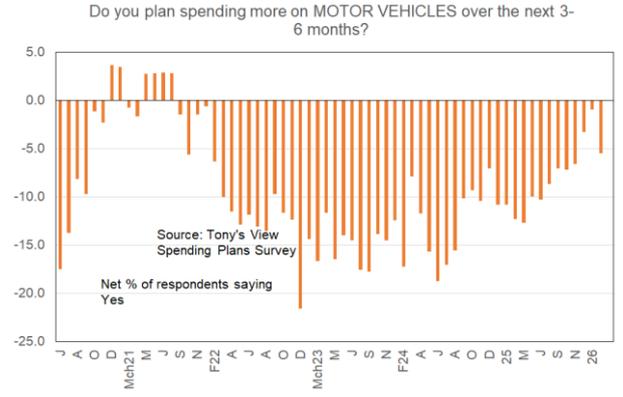
Plans for spending on home renovations have eased off but still remain quite firm.

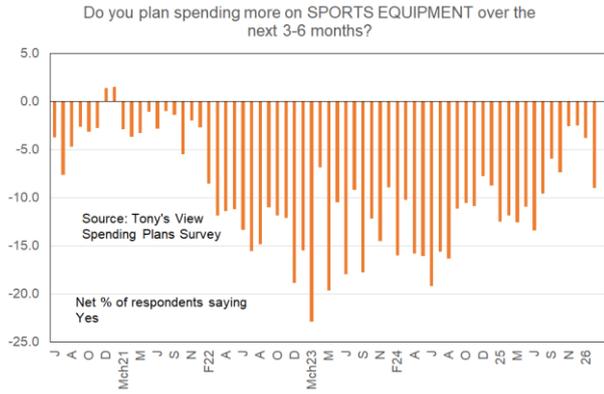


These two graphs show the easing of travel plans. The greater fall in domestic than international travel plans is a bit hard to fathom. Possibly seasonal.

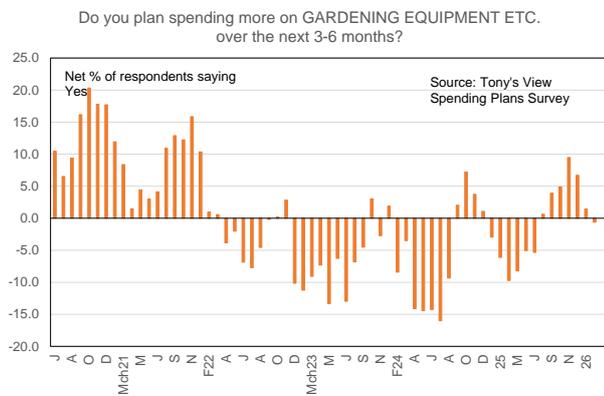


Plans for spending on durable items have eased off but remain a lot better than most other months since late-2021.

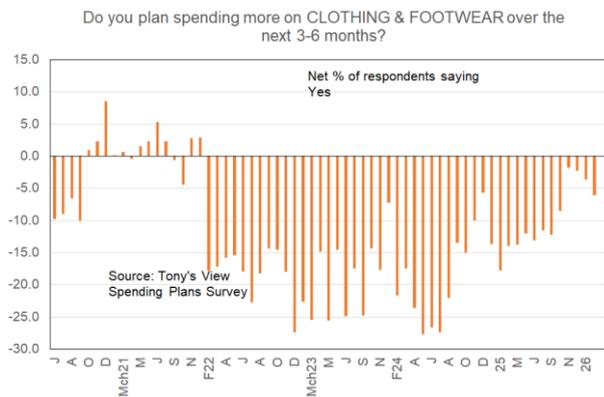




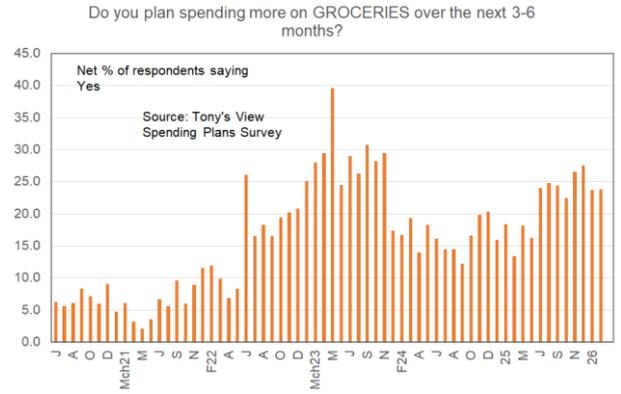
There has been a decline in plans for spending in the garden which is probably mainly seasonal.



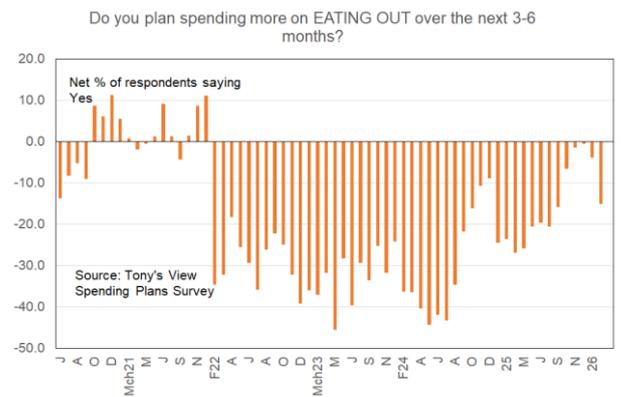
Spending plans for clothing and footwear have eased off.



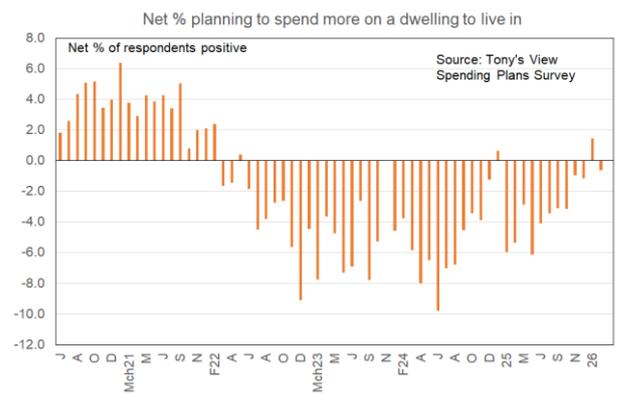
As ever, plans for grocery spending remain strongly positive, probably as the general narrative of prices rising strongly continues even if that is not necessarily the case.



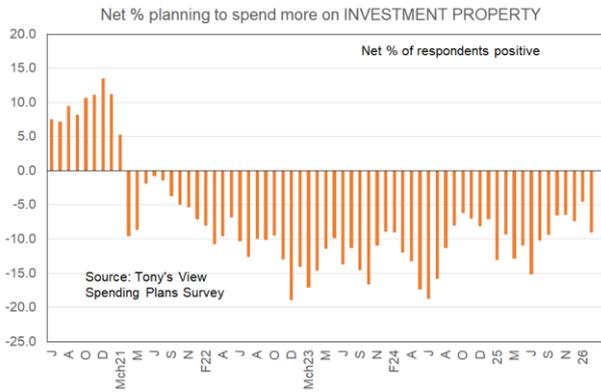
For the hospitality sector the war in Iran has reversed what was a move almost to positive spending plans overall.



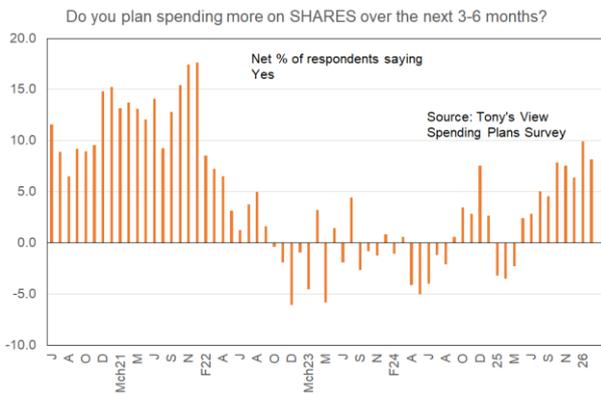
Although plans for spending on a place to live in have weakened, the result this month actually looks more consistent with the underlying trend than the unusually high February reading.



For investment property the extra move negative mainly looks consistent with the weak readings in place since the middle of 2021.



Finally, when it comes to shares the events offshore and weakness in equity markets have had only a small dissuasive impact on people's net buying plans.



None of us know how long the war in Iran will last and for how long oil prices will be at elevated levels. Therefore one would be unwise to make any especially strong statements on the basis of this or any other sentiment/economic data reading for the next few weeks. All we can do is note that the longer things go on the greater is the dent going to be to New Zealand's economic upturn this year.

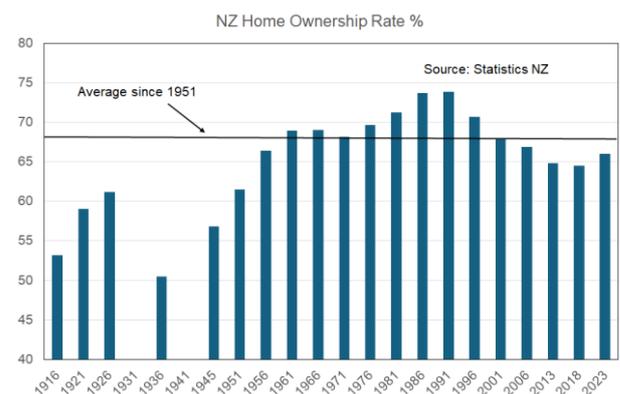
But it pays to remember that positive forces overall such as higher farm incomes and low interest rates are likely to dominate still. Anticipation of the likes of a stronger labour market remains a reasonable expectation – until it doesn't. We wait.

	Net % positive Spending plans
Motor vehicles	-5
Home renovations	14
Domestic Travel	6
International Travel	11
Furniture or appliances	-9
Technology (PCs etc.)	-10
General groceries	24
Eating out	-15
Clothing/footwear	-6
Gardening tools, plants etc.	-1
Online services	-12
Sporting/fitness equipment	-9
Wellbeing/self-improvement	2
Investment property	-9
Dwelling for own use	-1
Shares	8

Rising home ownership

As people begin to accept the lower prospects for long-term capital gain, the reduced presence of lowly informed investors in the market, reduced feelings of investment FOMO for property, and continuation of high purchasing by first time buyers, speculation will arise as to where our home ownership rate will head.

To assist understanding here is a graph starting in 1916 showing New Zealand's home ownership rate.



It is probably a matter of personal choice as to what one considers to be the normal situation. But if we take 1951 as a starting point then the average rate has been 68.2%. The rate recorded

in the 2023 census was 66%, up from the low of 64.5% in 2018.

We are not far off being back to average – but again, what average you choose probably depends on one's inbuilt bias regarding the desirability of home ownership. The ownership rate now in 2026 is likely to be higher than in 2023 given what my surveys show regarding falling net investment demand for property from the middle of that year. Maybe we are back at the 1956 66.4%.

This is the Statistics NZ url for the data up to 2018. Enjoy.

<https://www.stats.govt.nz/news/homeownership-rate-lowest-in-almost-70-years/>

If I were a borrower, what would I do?

My underlying belief is that as the economy strengthens businesses will take advantage of stronger customer flows to rebuild crunched margins by raising prices. The events in the Middle East suggest less growth this year than previously expected. Does this mean the inflation outlook is better? No, for two reasons.

First, higher oil prices will feed through into the prices of most things and add to both inflation and especially inflation expectations. Second, businesses are highly likely to use the widespread knowledge of higher oil prices and higher expectations for inflation as an opportunity to raise their prices. They will have the ready excuse of covering higher input costs and we will accept that excuse.

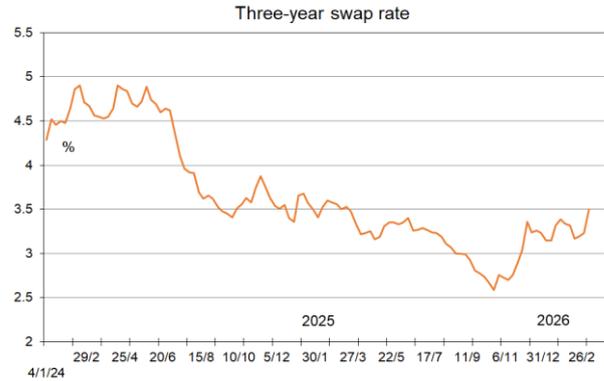
Does this mean the Reserve Bank will tighten monetary policy more this year than previously thought? Not necessarily. Their strong bias is towards tightening too late in the inflation cycle and evidence to date is that they retain that bias.

It is likely that they will focus on the dent to economic growth and resource demands from the deterioration in the world scene and the implied reduced capacity-driven pressure on inflation.

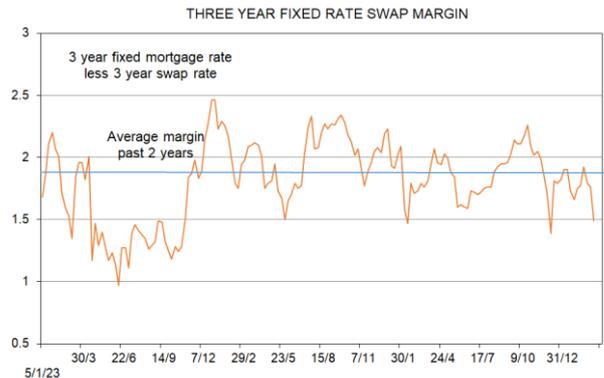
Nonetheless, in response to higher oil prices wholesale interest rates have climbed about 0.2% or so across the rates curve this week. This may cause some rises soon in medium to long-term fixed lending rates, but we cannot know how long banks will wait before concluding whether or not the rise in borrowing costs will be sustained.

This first graph shows the three year swap rate – the rate at which banks borrow at a fixed cost in

the wholesale markets for three years in order to lend to customers at a fixed rate for three years.



This graph shows the roughly calculated margin on three year fixed rate mortgage lending. There is pressure for a rates rise.



If I were borrowing at the moment my personal preference would still be the three year term.

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

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