

Input to your Strategy for Adapting to Challenges

Feel free to pass on to friends and clients wanting independent economic commentary

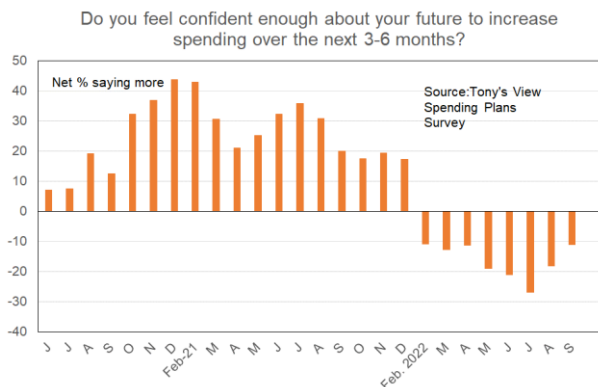
ISSN: 2703-2825

Sign up for free at www.tonyalexander.nz

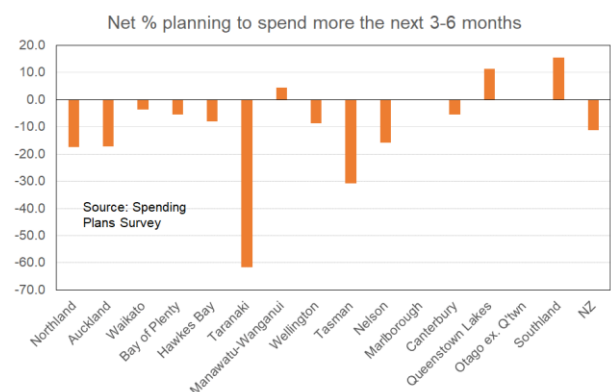
Thursday 15 September 2022

Regional spending insights

Here are some of the regional spending insights provided by the nearly 1,700 respondents to my monthly Spending Plans Survey. At the national level a net 11% of people say that they plan cutting back on buying stuff in the next 3-6 months. Plans have improved back to where they were in April.



At the regional level spending intentions are at their weakest in Taranaki followed by Tasman then the grouping of Nelson, Northland, and Auckland.



Plans are positive in Southland, Queenstown Lakes, and ManawatuWanganui. Are these good results blips or consistent through recent months?

Not for Southland, and because the graph looks silly with many months missing because of insufficient responses I won't print it.

Yes for Queenstown Lakes, lifted by the higher than expected number of Aussie skiers over winter one imagines, along with anticipation of more tourists visiting.

cressida capital

Construction Funding | Commercial Property | Residential Property | Bridging Finance

Funding opportunities since 2003

GET IN TOUCH

0800 500 144

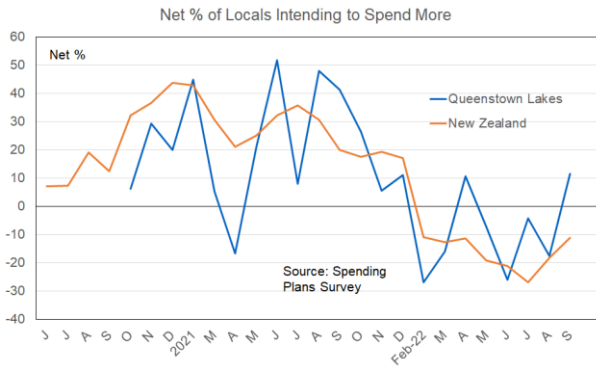
www.cressida.co.nz



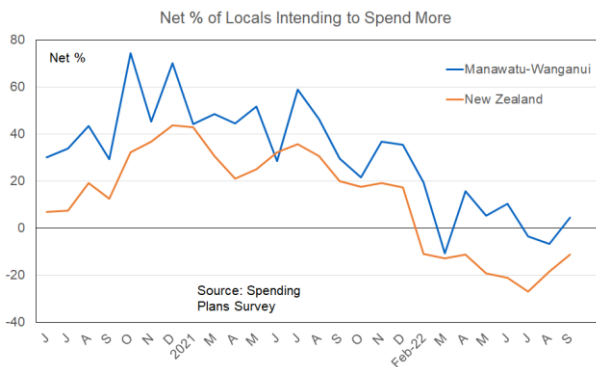
**Are you recession proof?
Or do you need to sell?
Your asset deserves an expert. Call us today.**

West Auckland Property Specialists
Ying Li Howe & Chris Howe

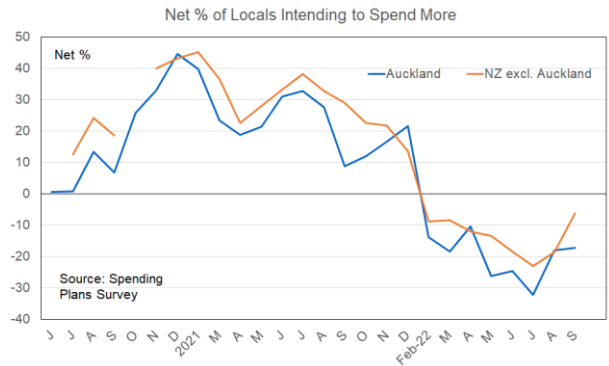
BARFOOT THOMPSON & CO
www.barfoot.co.nz/y.lihowe
021 132 9199 y.lihowe@barfoot.co.nz



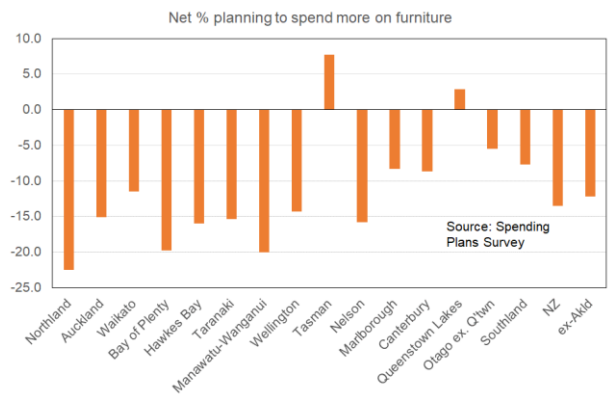
Definitely yes for Manawatu-Wanganui.



Auckland continues to show weaker spending intentions than the rest of the country. The city is lagging.



Plans for spending on furniture are weak everywhere except Tasman and Queenstown Lakes.



Plans for spending on home renovations are unusually firm and improving at the national level. They are firmest in Queenstown then Nelson and Marlborough. Of interest is the weakness in Manawatu-Wanganui which stands in contrast to


CLICK HERE

GLENGARRY


Superb weekly wine deals that won't break the bank. Freight is included | 0800 733 505

Planning Changes are on their Way.
Find out what it could mean for your Auckland property.

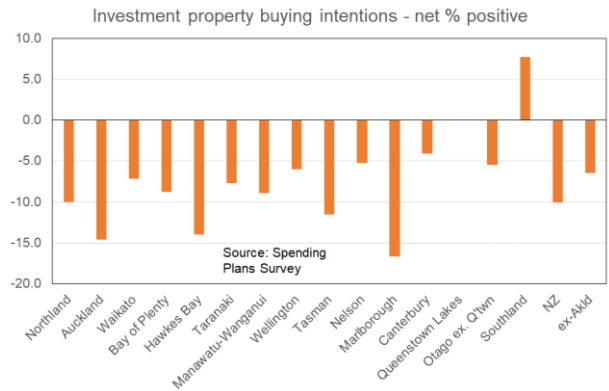
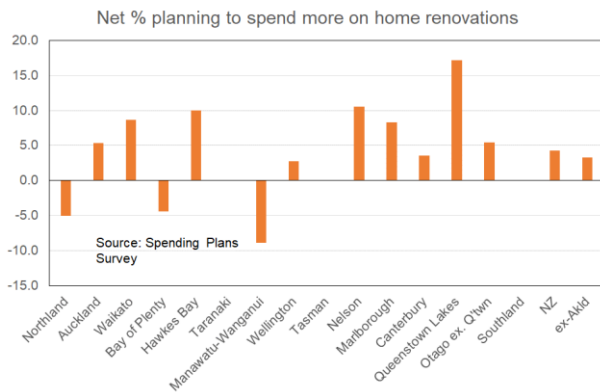
Download your Free Guide
at ashcrofthomes.co.nz



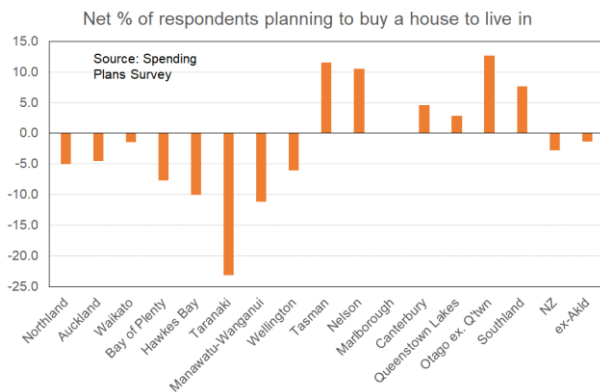
Ashcroft Homes
SMARTER THINKING, GREATER RETURNS.



the good reading for spending overall in the region.



Now here's an interesting graph. It shows regional intentions for purchasing a house to live in. Note the clear difference between the North Island and the South Island.



With regard to purchasing an investment property plans are negative everywhere except Southland.

PODCAST BY
OPES PARTNERS

Property Academy DAILY SHOW



**NZ's #1
property
podcast**

Equipping today's leaders for tomorrow's challenges.

The Kellogg Rural Leadership Programme develops Food and Fibre Sector leaders with skills to think and act strategically. 3 short phases that fit around your work.

Programme One 2023 starts 24 January. Apply by 30 October. To find out more visit ruralleaders.co.nz/kellogg/



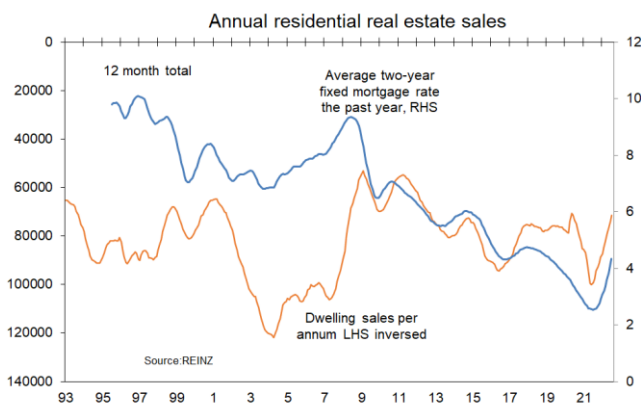
KELLOGG
RURAL LEADERSHIP
PROGRAMME



**RURAL
LEADERS**

Interest rates and dwelling sales

Here is an interesting graph. The orange line measures the total number of dwellings sold by licenced real estate agents for each 12 month period. It is measured on the left axis which is upside down. Why? Because the blue line shows the average two-year fixed mortgage rate which is measured on the right side.



When interest rates rise we would expect sales numbers to fall away. That is represented by the blue line going up and the orange line following suit. The relationship is reasonably good.

The latest data show dwelling sales adding up to just over 70,000 in the year to July. But the data also show the average two year fixed mortgage rate sitting at 4.3%. This is a full percentage point below where the rate commonly sits currently.

So, what you need to do is in your head extend the blue line up another 1% and make a similar move to the sales total. You'll see maybe we end up with annual sales at around 65,000 or so. Maybe less.

The more important point is that one shouldn't really expect much of a recovery in dwelling sales until interest rates are heading back down again. That might not happen in a sustained manner until the latter part of 2023 all going well (best guess in this uncertain world). That means still challenging times for real estate agencies around the country over the coming 12 months with rationalisation in the sector to continue.

Sales growth is likely to be improving on a sustained basis over the second half of next year.

INDUSTRIAL & COMMERCIAL | Auckland PROPERTY MANAGEMENT

**Commercial
Realty**
LICENSED REAA 2008

027 9501 500

Your Property. Our Priority.

Established 1990.

**CLICK
HERE!**

If I were a borrower, what would I do?

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.

Rates up a tad more

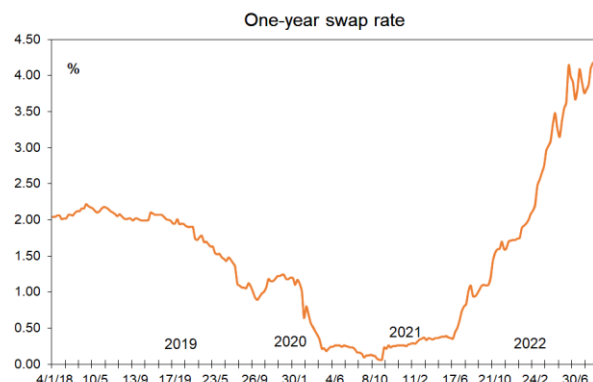
Wholesale borrowing costs which banks face here in New Zealand have increased a tad this week in response to a jump in rates in the United States. Over there expectations had been high that a good (low) inflation number would be released on Tuesday night. Instead, it turned out to be higher than commonly expected.



The result suggests that there is more work for the Fed. to do in fighting inflation than previously thought and that means US monetary policy potentially tighter for longer than hoped.

The US ten year Treasury bond yield has lifted to around 3.41% from 3.26% last week and 2.9% four weeks ago. The rate is basically back almost to where it was in June.

Locally, the cost to banks of borrowing at a fixed rate to lend to you and me at a fixed rate for one year has lifted to around 4.24% from 4.18% last week and 3.9% four weeks ago. The increase in this rate has placed pressure on bank lending margins and they have responded by lifting their lending rates 0.2% or so over the past three weeks.



The cost to NZ banks of borrowing to lend fixed for three years has risen to around 4.23% from 4.27% last week and 3.8% four weeks ago. The cost peaked at over 4.5% in June.

We continue to live through a period of huge uncertainty about where interest rates will go and the speed with which they will get there. Practically no-one on the planet has any forecasting record to be proud of for interest rates since just before the 2008 Global Financial Crisis.

Worse than that, this is the most inflationary period we have seen globally since the 1980s with some inflation rates sitting at levels not seen since even just before then.

FREE Appraisal

RayWhite **Wellington**

- 🏠 Special Advertising Offers
- 🏠 Digital Targeting
- 🏠 Competitive Rates
- 🏠 Top Results!

halina@wellingtonresidential.co.nz
john@wellingtonresidential.co.nz

HalinaSellsHouses.co.nz **Call: 0212263917**

Thinking of Selling?

People should not base an interest rate risk management strategy on a firm view about where interest rates are likely to go. We economists know the huge unknowns in play and right in your face will change our "forecast" for where rates are headed before we finish

travelling in the elevator together if (when) we receive new information.

All I can say is that I am still sticking with my view that fixed mortgage rates here peaked back in June. But thank goodness a few weeks back my headline article was a warning not to expect rapid rate declines over 2023. My view currently is that late in 2023 we may see some interest rate reductions. But between now and then the changes are likely to be small and as we have just seen, down then up again at times.

If I were a borrower, what would I do?

Personally, I would fix one year – maybe with a bit fixed two years as well.

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



**An unwavering focus on
reducing your risk since 1991**

- Residential Property Management
- Body Corporate Management
- Commercial Property Management
- Waiheke Island Holiday Home Management

www.apm.kiwi | 09 638 2500

**AUCKLAND
PROPERTY
MANAGEMENT**
Protect your investment,
put your property in our hands

This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. We strongly recommend readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. No person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation, or omission, whether negligent or otherwise, contained in this publication.