

Input to your Strategy for Adapting to Challenges

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

ISSN: 2703-2825

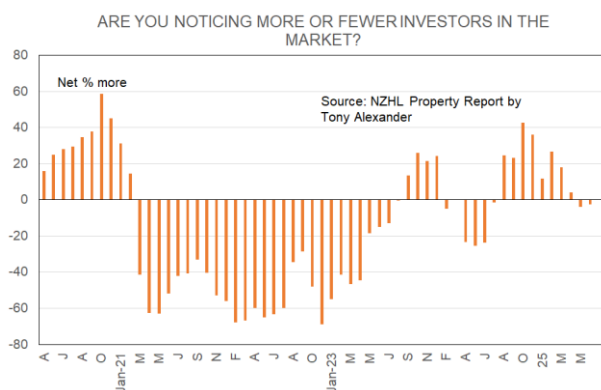
31 July 2025

Sign up for free at www.tonyalexander.nz

What the surveys show

We've reached the end of the month so here is a run-through of some of the main things which my five surveys have told us.

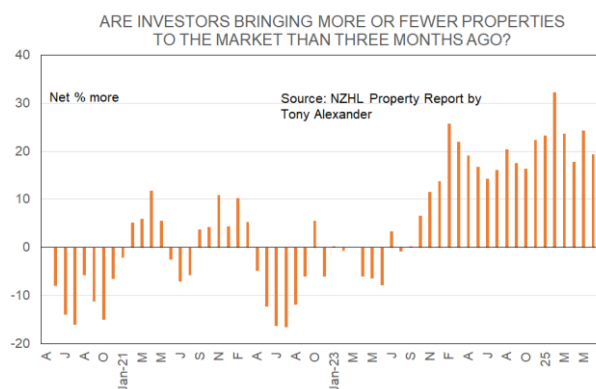
There is a lack of upward momentum in the residential property market especially when it comes to net activity by investors. The survey of real estate agents which I run with sponsorship from NZHL shows a net 3% of them are seeing fewer investors in the market looking to make a purchase. This is actually better than the five year average of -13%, but that average is distorted always downward by the investor-slamming policies of Labour and the Reserve Bank in 2021.



The survey of mortgage brokers which I run with sponsorship from mortgages.co.nz still shows that a net 21% are seeing more investors looking for advice.

So, on the demand side I feel there is still interest from investors - though it is mild. But it is on the selling side that things are more interestingly.

A net 19% of real estate agents are seeing more investors looking to sell. The average is 4%.



Kickstart your construction project

We fund projects up to \$20m, no quantity surveyor or project pre-sales required*

Call us today or visit cressida.co.nz

*Terms & conditions apply.



Naomi Yueh
+64 21 912 006



Warren Law
+64 21 483 666



Andrew Stevenson
+64 27 700 2708



Turns out, money *does* grow on trees

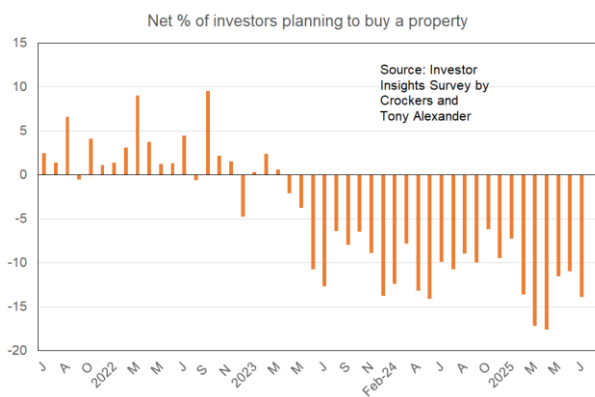
Join the decarbonisation megatrend.
The Awatea Forest Fund, delivering investors 11.25% p.a. since inception.
Visit www.rogerdickie.co.nz for more information.



Roger Dickie (N.Z.) Ltd is the issuer of the Fund.
Past performance is not indicative of future results.



From my survey of property investors with Crockers Property Management we see that when we offset selling intentions against buying intentions, we get a result of negative 14%. That is worse than the 5% four year average which again has a 2021 downward bias.

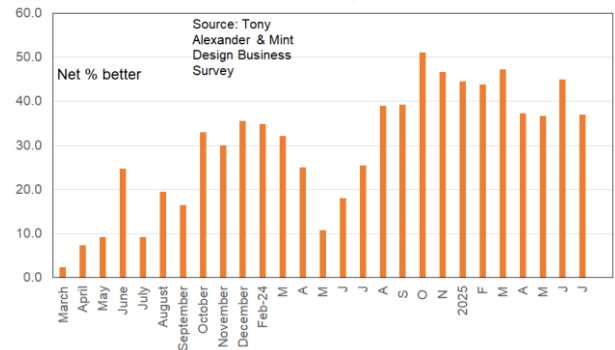


It is the selling from investors which I think other analysts are only now just realising is occurring.

Existing investors have seen the cost of running a rental business go up (rates, insurance etc.), they are struggling to replace departing tenants with new good ones, and they have higher household expenses to meet than they ever budgeted for. Many are looking to realise the value of the asset they may have purchased as long as 20-30 years ago.

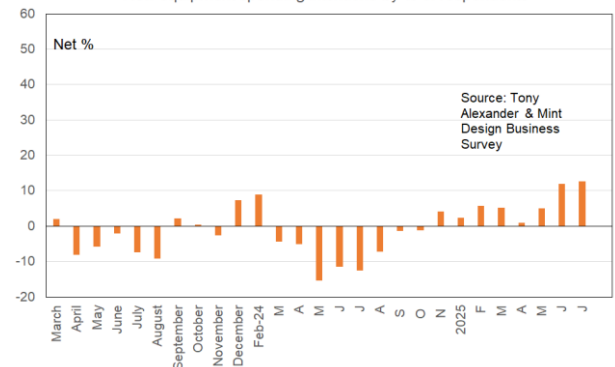
From the survey of businesses which I run with MintHC we can see that there is good optimism about 2026 being a lot better than 2025 even though there are many concerns about the immediate operating environment.

In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

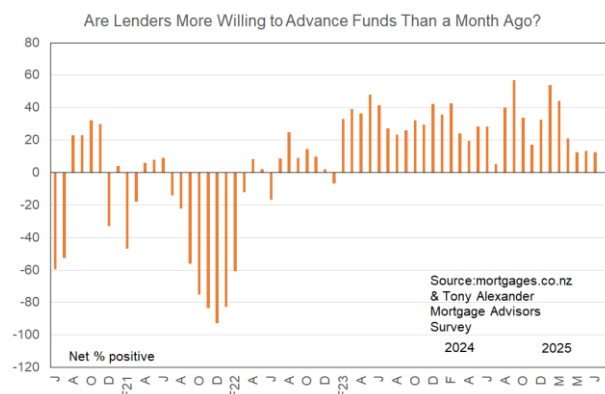


Of greatest importance is the fact that businesses are willing to back their view for better times by boosting levels of capital spending.

New equipment spending intentions by % of respondents



Across my surveys I garner a number of measures which tell us that access to bank credit is not generally seen as a problem, although the mortgage brokers report continuing major difficulties in getting timely responses from the banks. This may or may not reflect efforts by banks to reduce their reliance on broker channels by outright favouring people who make contact with them directly.



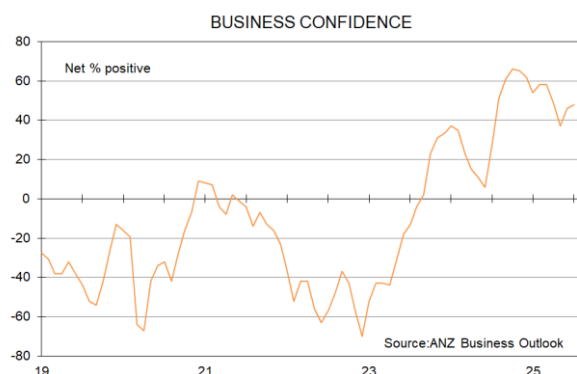
From my Spending Plans Survey we can see that the worst may be past for retailers in terms of people saying they will cut back on their spending. But intentions overall still remain poor (especially for domestic travel and investment property buying).

Overall, the surveys paint of a picture of an economy still going through some tough times, and with some structural shifts underway in the residential property market adding up to reduced net holdings by investors.



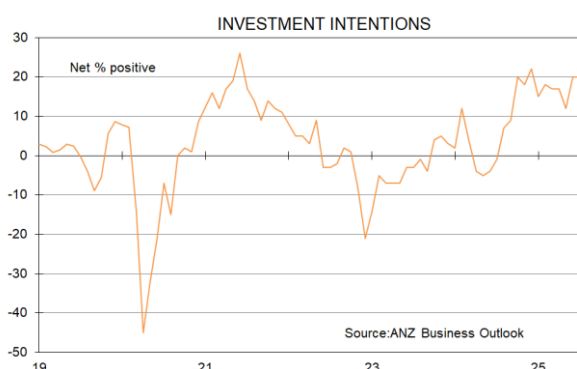
Business confidence remains for 2026

Despite the generally depressed feelings people have about the environment around them at the moment, a net 48% of businesses surveyed in the ANZ's monthly Business Outlook survey still expect a better economy in the coming year. The recent peak for this measure was 66% in October and the measure has been close to the latest number since the start of this year.



A net 17% of businesses expect their profits to improve as compared with a 3% average and 23% at the start of the year.

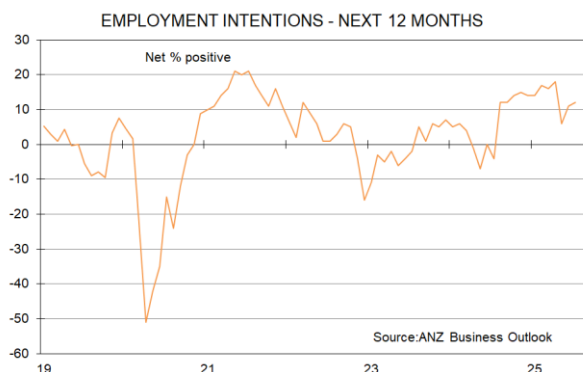
Of good import is the net 20% who say they intend boosting their capital spending. This is important because it means businesses are willing to back their expectation of better times next year with solid money. A net 29% (average 11%) of firms in the commercial construction sector expect to be busier and a net 17% of house builders (average 8%) expect to be more active.



The house builder gauge was a strong 45% however in the June survey and it will be interesting to see next month whether this drop to 17% is a blip or a strong pullback in optimism.

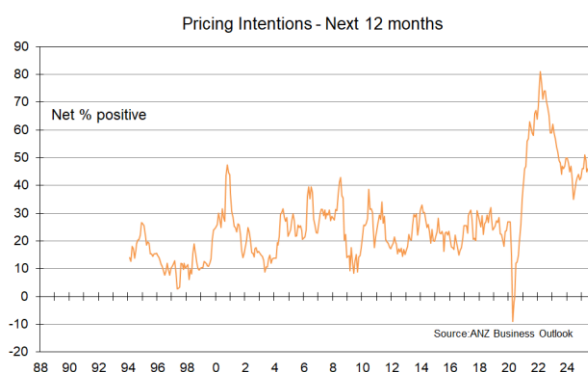
A net 12% of businesses expect to hire more staff in the coming year compared with an average of 6% and 14% at the start of the year. This tells us that the employment situation is not all bad. It is just that at the moment there are some sectors still having to rationalise their activities which got a bit bloated during the pandemic and post-pandemic

periods. Hopefully their weeding out phases will be over by the end of this year.



I always pay close attention in the ANZ survey to the net proportion of businesses saying they plan raising their selling prices in the coming year. This measure peaked above 80% three years ago when inflation was above 7%. It fell to 35% last year then rose to 51% this March and now sits at 44% which is consistent with 46% a month back and 45% two months ago.

The problem is that this measure has averaged 26% since inflation started averaging just above 2% in 1992 and one would have thought that after a period of tight monetary policy it would be a lot lower.



My interpretation of the numbers is that they tell us businesses intend recovering lost margins via higher prices once customer flows are a lot stronger – which they expect next year.

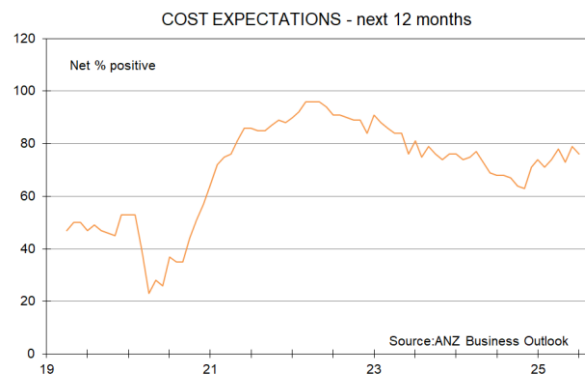
Given that the Reserve Bank sets monetary policy for where they expect inflation to be in 18 or so

months time rather than just responding to emotive conditions of the moment, the case is not actually made for monetary policy to be eased further.

Yet many commentators are strongly calling for much lower interest rates. This is a reflection of the way in which productivity levels have fallen in New Zealand, the post-reform dynamic period has well and truly gone, and New Zealand has settled into a new low growth paradigm which people feel can only be alleviated by inflation-boosting discounted borrowing costs. It's sad.

Inflation is currently 2.7% with the economy having shrunk 1% this past year and the unemployment rate risen to 5.1%. Once growth returns the pressure on inflation will naturally be upward and that is why scope for extra interest rate cuts after the 0.25% reduction priced in for August 20 is not large.

Note that a net 76% of businesses in the ANZ survey expect their costs to rise in the next 12 months. This measure has experienced an upward trend since the end of last year.



If I were on the Monetary Policy Committee I would vote against cutting interest rates any further. A strong point I would argue in discussions is that there are lagged processes running through the economy, as discussed last week. There is the lagged effect to come of sharply higher farm incomes and of the monetary policy easing from August last year. I would throw in the recent upward revision to world growth forecasts from the IMF, and the continuing rises in the US sharemarket despite tariff uncertainty.

I know much emphasis is placed by many on the inflation restraint from excess resources in the economy – unemployed people. But with a 4.3% unemployment rate across the ditch many people are going there. When growth returns more solidly to our economy from the lagged processes underway our labour supply risks drying up relatively quickly.

But that is a story for the future. For now there is upward pressure on our unemployment rate and increasing frequency of articles in mainstream media regarding people struggling to find jobs, mortgage sales, and businesses closing down.

For the moment we are wholeheartedly embracing a glass half-full view of the economy and willingly wallowing in the dystopia. But we have been through this period many times before and it does not last. Step back from the fray and you may recognise business opportunities not readily apparent to those enmeshed in the pessimism pile-on.



apm property management

all taken care of

- Residential
- Commercial
- Bodies Corporate
- Residents' Associations
- Facilities Management

www.apm.kiwi
09 638 2500

If I were a borrower, what would I do?

This week wholesale borrowing costs for banks have ended about where they were a week ago. We are not receiving any data which suggest either new worries about inflation jumping back up again in NZ or falling away to threaten the lower end of the 1% - 3% target range.

Most of the numbers show an economy still generally struggling at the moment with no big changes in gauges of inflation.

But if we switch across to the United States, we find economic data tending to come in slightly better than expected. That implies less scope for monetary policy to be eased than has generally been the feeling in recent months. Couple this tendency with the coming blowout in the US Federal deficit and debt level and we get a strong argument in favour of a structural shift upward in bond yields in the United States.

For the moment that structural shift up is being kept in check by a view that surely the tariff uncertainty will crimp economic activity and surely the Fed. will partially accede to demands from the White House and ease monetary policy further.

But the fact that the sharemarket keeps rising despite the many uncertainties in play suggests that the degree of economic weakness required to allow much extra easing of monetary policy may not in fact come along.

RODNEY LIFESTYLE & RESIDENTIAL

SELL
WITH
LANI

PRECISION REAL ESTATE 021 281 8700

Licensed under the Real Estate Agents Act 2008

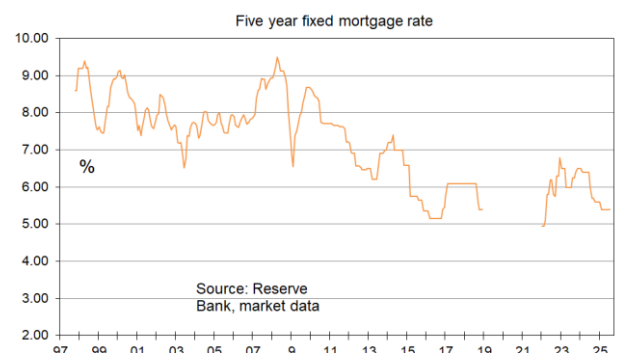
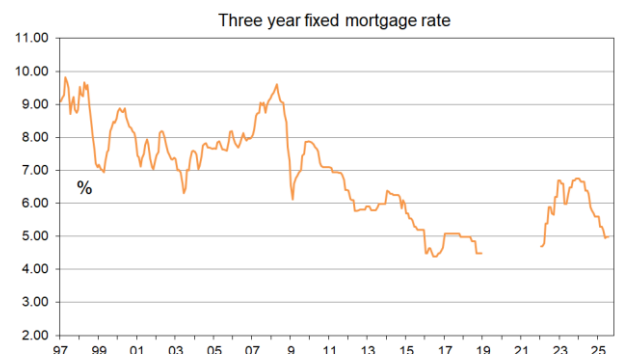
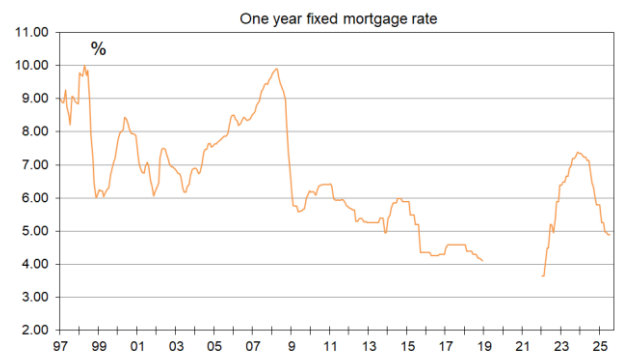


The upshot is that because NZ medium to long-term interest rates are heavily influenced by the same term rates in the United States (as is the

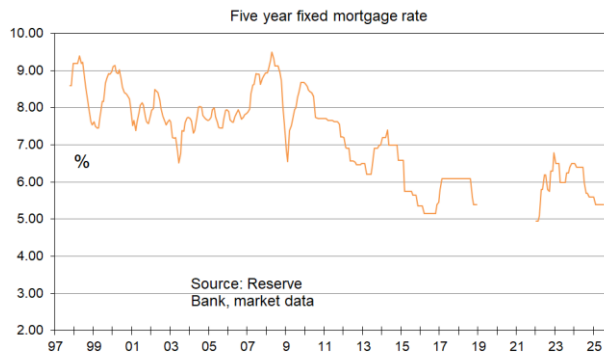
case the world over), there is limited scope for any additional easing of monetary policy in New Zealand to apply new downward pressure to NZ bank borrowing costs outside of floating rates and very short-term fixed rates.

If I were borrowing at the moment, I'd personally opt for fixing three years at 4.99%. But no particular term truly jumps out to me as looking like a great pick.

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 2009-18.



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.

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. No material in this publication was produced by AI.