

Input to your Strategy for Adapting to Challenges

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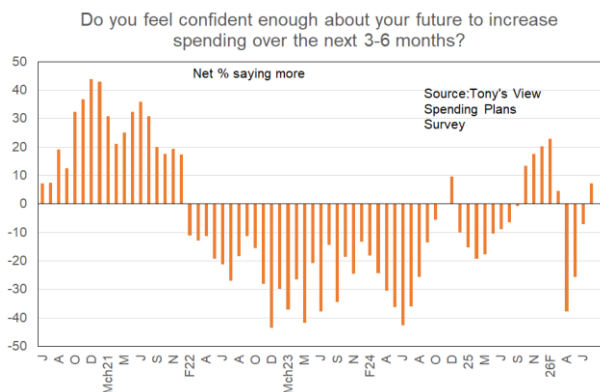
8 July 2026

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Retailing outlook improving

Last Friday I sent out the link to my monthly Spending Plans survey and the key results from the 525 responses include the following.

First, sentiment has improved for the third month in a row. A net 7% of people say they plan spending more over the next 3-6 months. Last month this was -7%, two months back -26%, and at the start of April a net 38% of people planned cutbacks.



So, we are back into positive territory but have yet to return to the net 23% positive spending plans revealed by people early in February before war broke out in the Middle East.

For retailers this is positive news but nothing stellar, and certainly nothing which yet suggests wonderful happy days are on the cusp of returning.

One factor behind better spending feelings is a lift in expectations about receiving wage rises to a net 2.9% positive from -0.4% negative last month. The numbers by themselves don't really mean much but the result hints that maybe people are feeling better about the jobs market and that is important for strength in not just retailing but the housing market later this year. Agents can perhaps have some hope of improving conditions come spring and almost certainly summer.



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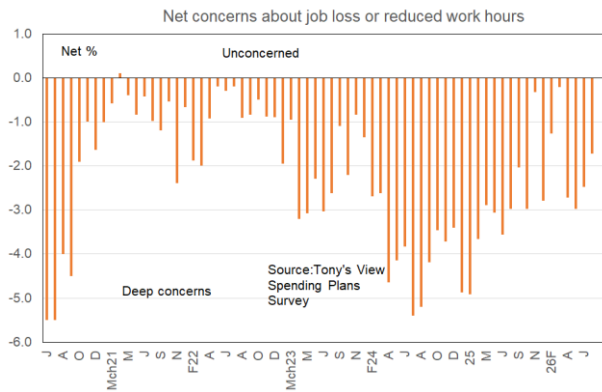


Ka Puta Ka Ora
Emerge Aotearoa

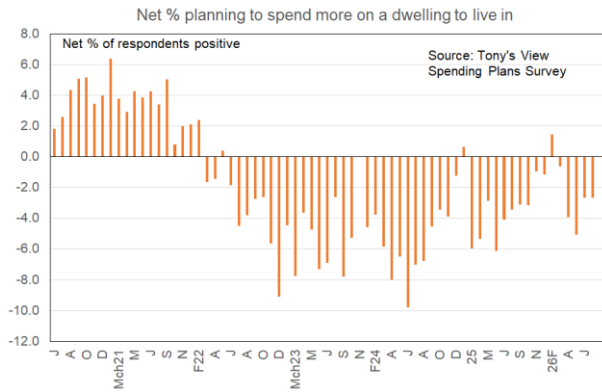


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But as a check on this measure I also enquire directly about feelings of job safety and work hours. The reading there has been improving for the past two months but remains in sad territory.

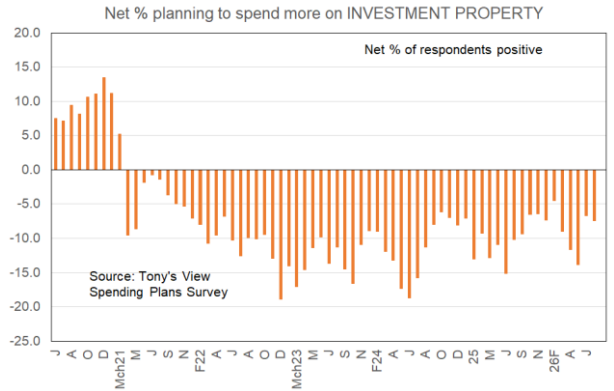


For the moment there is no improving trend underway in people's plans for buying a place to live in themselves.

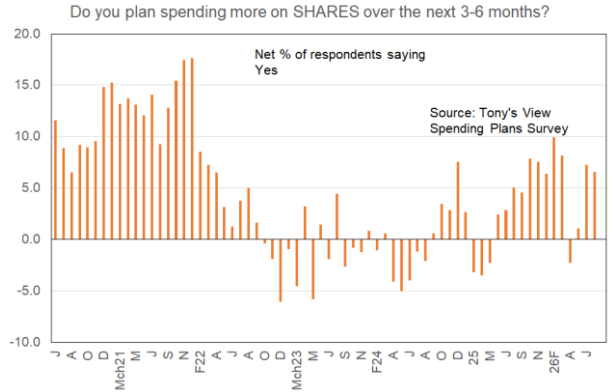


We can sort of say the same when it comes to people's thoughts about buying an investment property. The situation has been one of a structural downshift in investment property interest by the masses since the rule changes of early-2021. But the oscillations in this measure have been towards reduced negativity since the middle of 2024. A structural adjustment towards

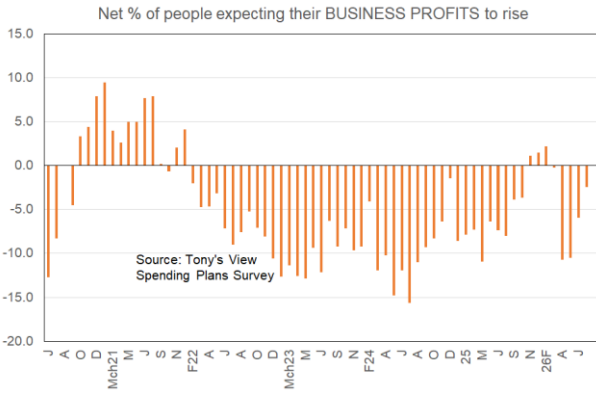
more professionalism with regard to property investment is underway.



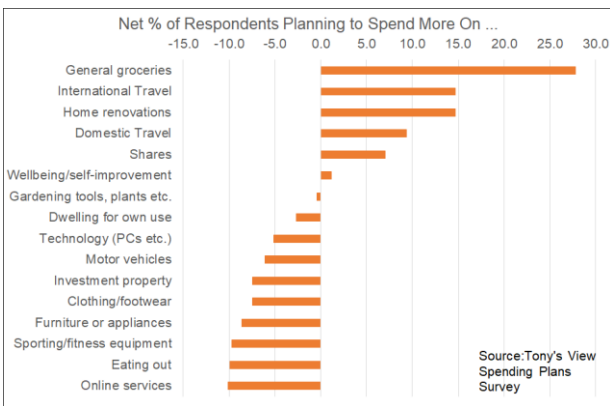
Strength in sharemarkets will help explain positive net interest from people in purchasing equities.



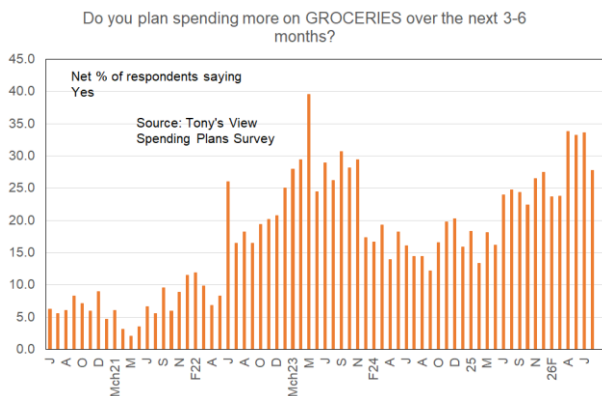
Back to why sentiment has gone up, we should also note some slight improvement in expectations for business profits. But the situation still seems to be on the weak side for now – especially as wage growth expectations suggest businesses need to prepare for higher wage bills.



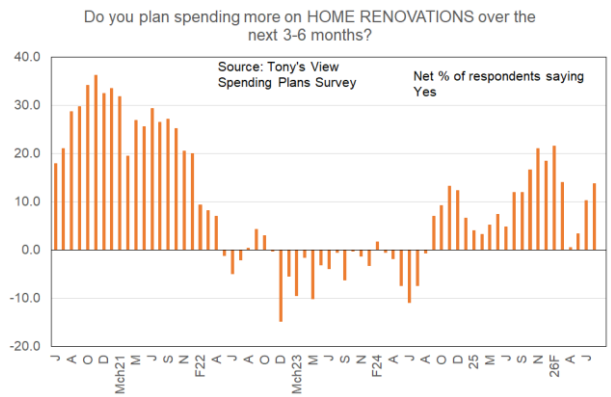
Switching over now to have a look at specific areas of consumer spending plans we see that intentions are positive across six categories led as usual by groceries for which the high prices are in our faces every week.



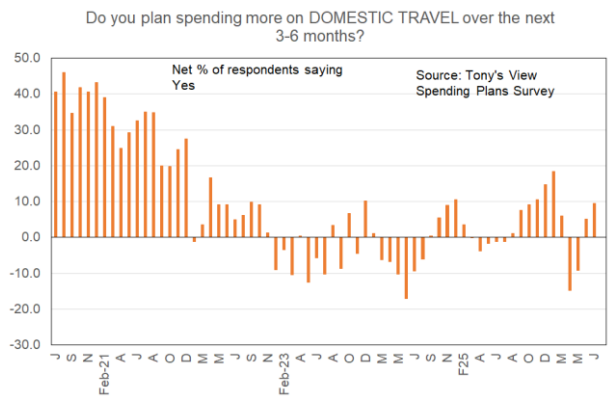
Net plans (expectations) for spending more on groceries lifted strongly over 2022 as inflation surged to over 7% but have held high even though inflation as recently printed is just 3.1%. The justification for our angst about grocery prices is not really there. But this seems to be the area we have chosen to focus our anger on.



However, we are showing high voluntary willingness to spend more on home renovations which is good news for the operators in that sector. The question however is how much the cost of such renovations will rise if the surging number of dwelling consents does in fact lead to higher construction and reduces availability of tradies for reno jobs.

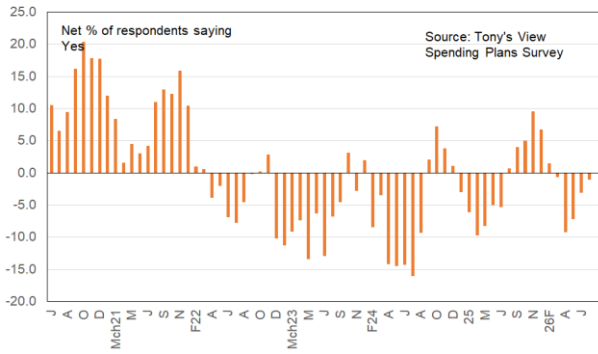


Our domestic and international travel intentions are positive but not especially high.



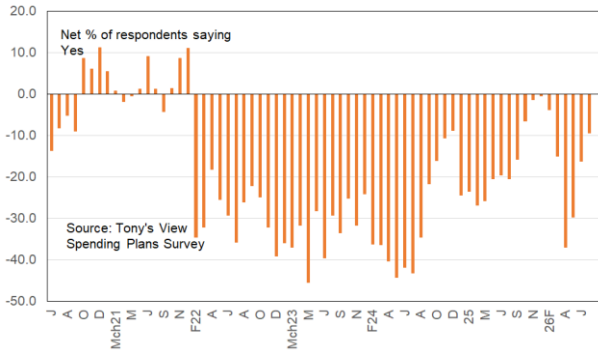
In the garden we are perhaps starting to think about spring.

Do you plan spending more on GARDENING EQUIPMENT ETC. over the next 3-6 months?



Our net eating out plans remain negative, but the improving trend which was underway then shattered by the Middle East war is close to coming back again.

Do you plan spending more on EATING OUT over the next 3-6 months?



Net % spend more	7.0
Motor vehicles	-6.1
Home renovations	14.7
Domestic Travel	9.3
International Travel	14.7
Furniture or appliances	-8.6
Technology (PCs etc.)	-5.1
General groceries	27.8
Eating out	-9.7
Clothing/footwear	-7.4
Gardening tools, plants etc.	-0.4
Online services	-10.1
Sporting/fitness equipment	-9.9
Wellbeing/self-improvement	1.1
Investment property	-7.4
Dwelling for own use	-2.7
Shares	7.0



If I were a borrower, what would I do?

It was the toss of a coin this afternoon but as it turns out the Reserve Bank have decided to get the upward leg of the policy cycle started by raising the official cash rate 0.25% to 2.5%.

This is still a very low rate (Australia is at 4.35%) and the impact on the economy of the resulting small rises in bank lending rates will be fairly minimal.

In fact the overall view currently is that because of spare capacity in the economy (unemployed people), the extent to which the cash rate needs to get pushed up this cycle will be very small. Some predict a peak lower than 3.5% and in fact the RB themselves have pencilled in a top of 3.25% in their most recent set of economic predictions released in May.

The trouble here is that the last time a tightening cycle started late in 2021 the Reserve Bank predicted a cash rate peak of just 2.5% and it turned out to be 5.5%.

Such a 3% error is very unlikely this time around. But there does seem to be an air of complacency about where borrowing costs may go this cycle.

Our economy has a good head of steam developing and although many may take comfort from the 5.3% unemployment rate restraining wages growth and inflation, there are a couple of key things to note.

First, the number of hours worked in recent quarters have increased a lot more than job numbers. There is catch-up hiring to do and once the general election is out of the way the labour market might tighten up quite quickly.

Second, businesses need to rebuild crunched margins and have well above average intentions of raising their selling prices.

So, inflation risks remain though these risks apply mainly to 2027 and 2028 rather than this year when any upward surprises will be written off as temporary and due to the Middle East conflict.

If I were borrowing at the moment, I would still favour fixing three years.

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

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