

# BNZ Weekly Overview

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## Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy and its implications in a language they can understand.

## Little New

We've learnt nothing truly new about the state of the NZ economy this week or where we are headed. A few indicators emerged putting the lie to depressed sentiment about the business environment revealed in sentiment surveys (retail spending, manufacturing, bill payments). Monthly real estate sector data showed Auckland stalled and the rest of the country, while still firm, on the way to easing off in traditional lagged fashion as well.

There was confirmation that pursuit of a capital gains tax is not really a high priority for the Tax Working Group and that will come as a pleasant surprise for some property investors and business/farm owners. There was talk from Labour about yet another tax hike, this time on sugar. There were more signs of discord between Labour and its coalition partners.

Offshore we saw OECD data suggesting global growth is easing to a slightly below average pace but not by all that much. In the United States economic data remain firm and with wages growth picking up expectations remain strong for a couple more rate rises this year from the Federal Reserve. The trade war between the US and China continues in on and off fashion and will probably result in a negotiated compromise which the US President will be able to sell as a victory to his supporters.

In the UK Brexit discord continues with talk of the ruling party copying Australia's Liberals and perhaps having another leadership spill.

Locally, while the slowly accelerating pace of US wages growth implies some upward pressure on fixed lending rates, this is nothing new and there has arrived in recent months some offset from Reserve Bank caution about the true impact which depressed business sentiment may have on economic activity. So far there is no solid evidence to suggest businesses are doing what they say in surveys and laying people off while slashing borrowing to cut investment. We shall

wait and see and probably not buy into their politically motivated survey responses unless consumer confidence collapse – then they will have true reason to be depressed. In the absence of that happening, the longer businesses fret about the (NZ First-constrained Labour-led coalition) government the harder will be their adjustment to the new world of limited pricing ability, faster change, and increasing competition from offshore.

## If I Were A Borrower What Would I Do?

### Are You Seeing Something We Are Not?

If so, email me at [tony.alexander@bnz.co.nz](mailto:tony.alexander@bnz.co.nz) and let me know.

Nothing new. No change in the outlook. I'd personally fix most of my mortgage at the two year term.

The Weekly Overview is written by Tony Alexander, Chief Economist at the Bank of New Zealand. The views expressed are my own and do not purport to represent the views of the BNZ. **This edition has been solely moderated by Tony Alexander.** To receive the Weekly Overview each Thursday night please sign up at [www.tonyalexander.co.nz](http://www.tonyalexander.co.nz)  
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