HUGO*vision*

Assessing the economic and political environment in New Zealand

July 22 2022 | Confidential to HUGO members

The future: cloudy with a greater chance of trouble

This edition of HUGO*vision* summarises the content of the 3 year projections presentations prepared for members this month. At a very high level, we see a global environment in which threats to democratic institutions remain high and globalisation remains in retreat, with post-covid challenges and the Ukraine war key medium term elements.

A recession with full employment

The key new variable in the next three years is that, unlike the 15 years since the GFC, the world economy is experiencing inflation and lower growth as governments and central banks unwind the stimulatory response to the pandemic. At the same time, however, labour markets remain historically tight. We are facing recessionary conditions in which jobs are safe, but asset prices are undergoing substantial correction. If central banks and governments "overdid" their response to covid, the risk must be that something similar will occur as they seek to unwind covid supports.

The pandemic is not over

Tempting as it has become to declare that most countries have "moved on" from covid-19, it is far from clear that covid-19 has moved on from us. The rising rates of infection in NZ and Australia, where it is winter, and in Europe, where it is summer but hospital systems are also reporting rising case numbers and capacity constraints, suggest that the next year will be challenging, politically, economically and medically. We have effectively entered a period in which there is a collective acceptance of high death tolls, now that the vaccines and anti-virals that were not previously available have been developed.

Clear trends as election year approaches

The polls have swung around a bit in the last few weeks. Christopher Luxon's early run seems to be faltering, but the steady erosion of support for Labour looks to be baked in.

James Shaw looks safe

Tempting as it has been to speculate that this weekend's Greens AGM could be an opportunity to oust co-leader James Shaw, a critical minimum of Green party membership recognise that Shaw helps make the Greens electable for middle NZ voters.

Mega-polytech trouble

Page 6

The government is in trouble not just because it's big reform of the polytech sector isn't anywhere near ready to go, but because it is the first likely failure of a reform that centralises provision of public services. Poor execution will be seen as a harbinger for other such reforms.

Note for Auckland members

We apologise again for the unavoidable cancellation of this morning's breakfast meeting, caused by storms that closed Wellington airport. This was the first breakfast cancellation in the time that Jo Wills and I have been running The Hugo Group and it is a real regret. We intend to present the 3 year projections at forthcoming breakfasts after the usual hour with our invited guest.

Text finalised July 22

3 YEAR PROJECTIONS – POLITICS

International political outlook

Four broad trends of recent years are likely to continue:

- challenges to democratic institutions in key democracies, especially the US and Britain, and in some EU states, eg, France and Hungary.
- an unwinding of globalisation and trade liberalisation as bellwethers of a broadly agreed international order.
- inequality of wealth and income will continue to strain societies within borders and between nations.
- increasing evidence of extreme weather events caused by climate change as a source of political instability and economic challenge. There is an observable correlation between countries most likely to be severely affected by climate change and those with high vulnerability to sovereign debt crisis.

The new overlay on these trends comes in the form of:

- ongoing global reaction to and gradual recovery from the covid-19 pandemic, with likely difficulty along the way caused by resurgence of new variants and declining social licence for government-ordered control measures.
- a bout of global inflation that will take central banks at least 18 months to tame and which will likely cause recession or near-recession conditions in many countries, exacerbate heavily indebted developing economies' economic challenges, and potentially create a new round of Eurozone instability.
- the war in Ukraine and its impact on any new emerging international order, particularly if Russia either prevails or achieves a stalemate in which it annexes substantial Ukrainian territory.
- the position of China in the world order. Where Russia is a force for instability, China is a force for a stable, rules-based international order, but one in which it seeks to bend that order to its geo-political ambitions.

Who vs who?

Democratic institutions and the post-WW2 international order continue to face unprecedented challenge.

However, the response of traditional Western allies to the Russian invasion of Ukraine has demonstrated a degree of resilience and solidarity that it may not have been reasonable to assume.

A key question now is how long that resolve will last.

The facts on the ground are that Russia has extended its current sphere of control in Ukraine, despite the failure of the initial push to decapitate the Ukrainian government in Kyiv.

Russia will continue to seek to extend its gains to include the whole of the Ukrainian Black Sea coast, effectively landlocking the Ukrainian economy.

Russia continues to hold the whip hand on globally significant supplies of basic foodstuffs and oil and gas.

European countries that depend on Russian gas will not be able to replace those supplies from other sources at a price or in quantities to avoid an energy-constrained winter of 2022/23.

European governments may struggle to exercise strategic patience in the face of public discontent over energy and food shortages and price spikes. Moscow will be depending on being able to hold out for longer and in its ability to continue to use its population as shock troops in Ukraine itself and to weather economic hardship because of its capacity to quell political dissent.

However, Russia cannot count on unalloyed support from China. Despite recommitting to a friendship "without limits" in February, the fact remains that China and Russia are not military allies. Rather, they share common interests and a huge border.

For Xi Xinping, the Ukraine invasion is unwelcome for many reasons, not least that if it fails, it sets back China's ambition to impose a more autocratic, anti-democratic order in international relations. If Russia fails in Ukraine, it sets back China's standing and influence.

This is recognised in Western capitals, as is the importance of seeking to ensure that Russia "loses" in Ukraine. However, Western nations show no sign of fighting a war in Ukraine and will instead only supply weapons in increasing quantity and sophistication.

The scene is therefore set for a prolonged continuation of the Ukrainian war, for as long as Vladimir Putin remains in power. To the extent that the war has, in effect, been underway since 2014, when Russia annexed the Crimean peninsula, the war is already eight years old.

In this semi-stalemate, the 2024 US presidential election looms as a potentially disruptive factor. The re-election of Donald Trump or a Trumpist candidate - currently the most likely apparent outcome - would inevitably destabilise assumptions of Western solidarity. While Trump or a successor might never return to his previous overt support for Putin, his political constituency is animated by the long-standing tendency for isolationism as a strand in US foreign policy.

While there is much discussion of China's potential to see opportunities to seize Taiwan, there is no direct correlation between Russia/Ukraine and China/Taiwan. While the US is committed to defending Taiwan by military alliance, Taipei also remains unrecognised in most foreign capitals.

NZ's foreign policy stance with respect to China appears likely to remain as neutral as possible, although NZ's social and political values mean an inevitable shift more firmly into the camp of traditional allies.

A new warmth in relations between the new Australian and current NZ governments is likely to manifest as pressure for stronger military ties and for NZ to spend more on defence than it does currently.

Both countries have their work cut out re-establishing influence in the Pacific, where the Chinese cheque book is large and Beijing's influence has only been curbed because its diplomacy has lacked subtlety.

Domestic political outlook

At the mid-point of the second term of the Jacinda Ardern-led government, the NZ popular mood is gloomy, uncertain and unusually politically polarised.

While the government was rewarded with an outright majority at the 2020 election for its handling of the early part of the covid-19 pandemic, it faces defeat in 2023 in part because of weariness both with pandemic response and with Ardern herself and her government.

A turning point appeared to occur in March, during the unruly occupation of Parliament grounds by a motley group of anti-vax and conspiracy theorists.

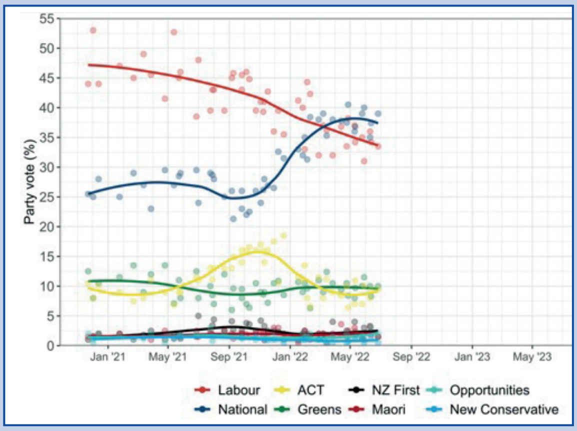
Derided by the political elite, the protests nonetheless tapped a political vein of support which saw up to a quarter of NZers saying they supported the pushback against what many saw as over-reach into daily life of government-imposed covid rules.

The result is what we see now - a government reluctant to reimpose covid controls despite evidence that poor compliance with basic measures is contributing to high levels of infection with consequent work, education and other social disruption.

This reluctance to act on covid restrictions has a mirror in Labour's increasing willingness to make pragmatic political decisions that target its base and are intended to reduce recession impacts.

The Budget announcement of blanket cash payments to low income households and the extension fuel excise, RUC and public transport fare cuts are key examples. The government has significant fiscal firepower, notwithstanding potential inflationary impacts and because of the low Crown debt-to-GDP ratio to try and "buy" the election.

However, the trend against Labour is unmistakable.



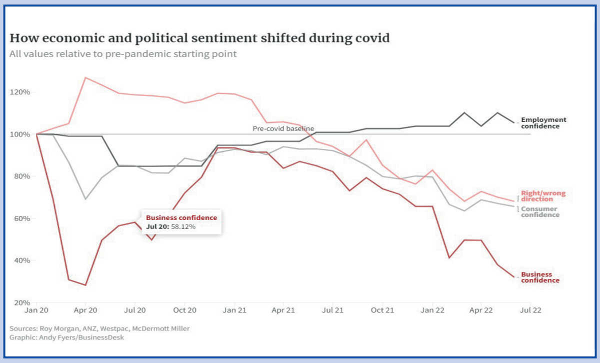
While National under Christopher Luxon appears to have stalled in the most recent polling, National is now as well-placed to win the 2023 election as at any time since its defeat in 2017.

The PM is massively over-exposed in local media, as evidenced by the fact that her approval ratings have risen since spending much of the last three months offshore. Her star power on the international stage remains a domestic political asset, but day-to-day domestic political management is no longer her strong suit.

The scale of the problem for Labour is most clearly seen in the long term trends in 'right track/wrong track' polling.

This indicator has been as reliable a bellwether for changing political fortunes as party polling for several decades. The national mood is demonstrably bleak.

In this environment, the position of the minor parties becomes potentially decisive.



Note, in particular, the steady performance of the Greens at around 10% throughout the current parliamentary term. That is strong by historical standards and suggests that, to the extent that NZ has an Australian-style 'teal' vote, it is sticking with the Green party.

Our read is therefore that for all the talk of the left(er) wing of the Green party plotting to replace James Shaw, probably with Chloe Swarbrick, this will not happen.

Shaw makes the Greens electable to a small but important group of middle-NZ voters who would likely jump ship if he were gone. Labour might benefit, but it would risk losing some support elsewhere and be less able to form a government.

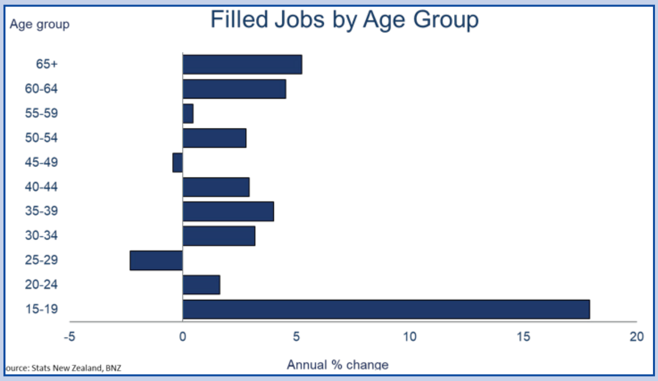
For National, Act will clearly be important and looks likely to poll at similar levels to the Greens. If National has the numbers on election night, that will give a strongly centre-right cast to a Luxon-led government. In particular, a significant Act presence would likely embolden National to roll back the tide of "wokeness" - ie, the range of areas in which Labour's social progressivism has been creating increasing discontent amongst older and more conservative voters.

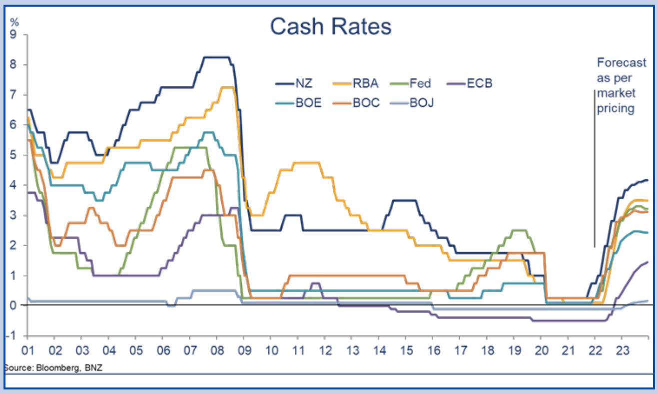
In our judgement, neither the Maori party nor the Greens would work with National, despite recent history and wishful thinking among urban liberal National voters.

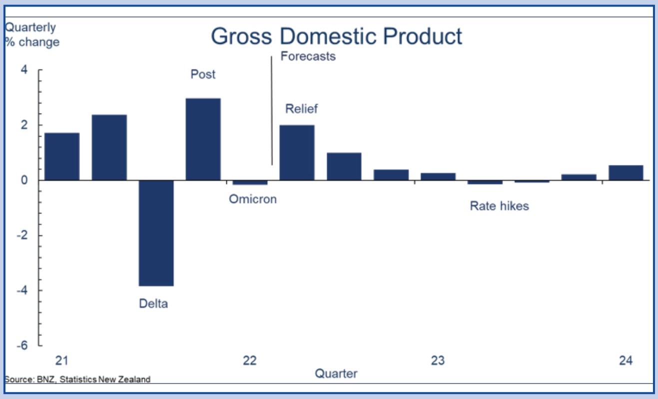
The Maori party would also be unlikely to be part of a coalition but would likely be a hard-to-please support party for a weak Labour government, should the numbers fall that way.

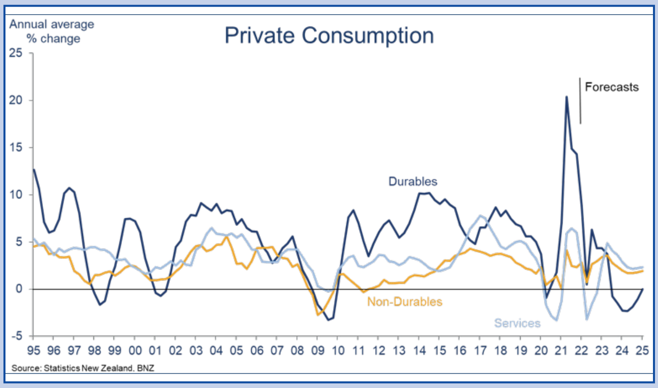
Overall, however, the scene is set for a typical MMP election, with a small group in the centre delivering a small working majority to coalition or minority government with support partners. Most likely is that National will be in the box seat to form that government.

3 YEAR PROJECTIONS – ECONOMY









Economic outlook

While the highest inflation in more than a generation is the headline-grabber, the exceedingly tight labour market represents one of the biggest challenges to employers in the medium term.

It can be assumed that the aggressive application of higher interest rates will tame inflation, come what may, because there is a clear RBNZ mandate to achieve that outcome.

Compared to the last substantial hiking cycle, under RBNZ governor Alan Bollard a decade ago, the current cycle looks remarkably aggressive. There is little doubt that the RBNZ left monetary conditions too loose for too long. However, it is now apparently making up for that with a very sharp tightening cycle.

A key question for the next year to 18 months is whether the process of tightening overshoots in the same way as the loosening cycle did. The potential for a more significant recession than that projected in the GDP graphic at left is real.

To the extent that this sharp tightening is occurring in a synchronised fashion around the world, the prospects for weaker than anticipated world growth are significant.

In the last week, the IMF has indicated it intends to “substantially” cut its projections for global growth.

Its April forecasts were for growth of 3.6% in both 2022 and 2023. This was driven more by relatively robust growth in emerging economies, where inflation and covid-inspired fiscal policy largesse has created the seeds for a debt crisis.

One key determinant will be the ongoing impact of China’s ‘zero-covid’ policy, which is creating a political and economic cul-de-sac for Xi Xin Ping. Controlling covid is damaging for the Chinese economy, but so is not controlling it. To the extent that China remains disrupted, supply chains, aviation and demand from that enormous market for non-essentials will remain disrupted too.

On the upside, if signs of inflation pressures weakening is upside, there is emerging evidence that prices for key hard and soft commodities, and oil, are falling.

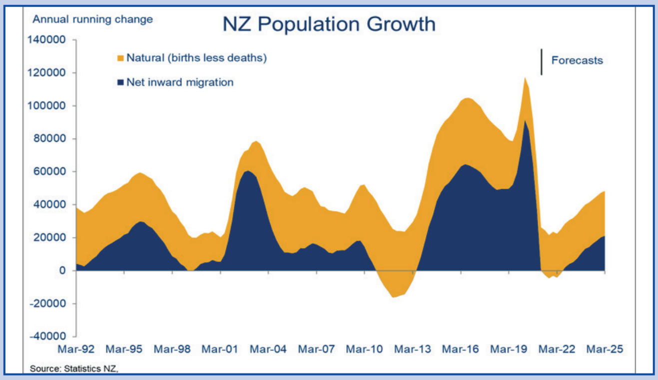
That said, the NZ dollar has weakened substantially and may yet fall below US60 cents, offsetting any easing in imported commodity and manufactured input prices while assisting exporters.

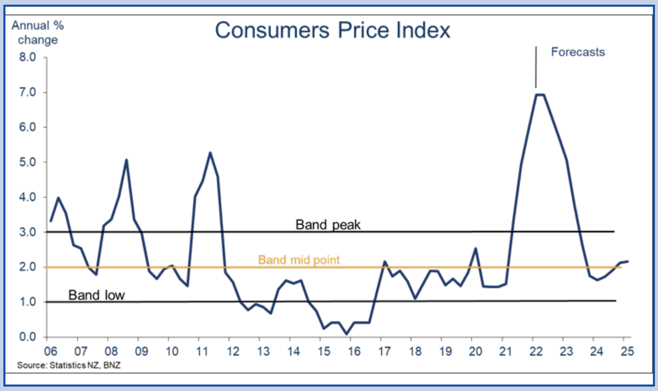
No easy labour market fix

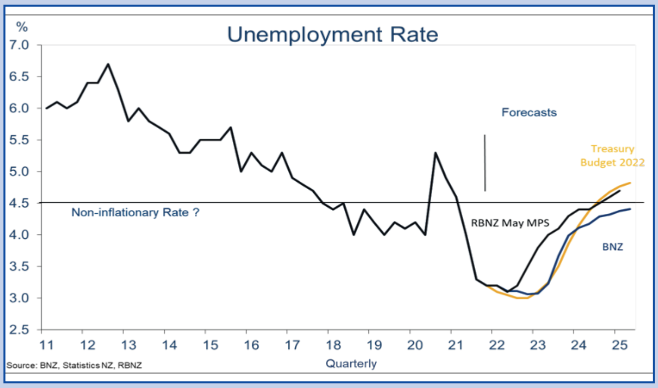
However, there is no policy instrument as clear as the RBNZ Act for solving the labour shortage issue.

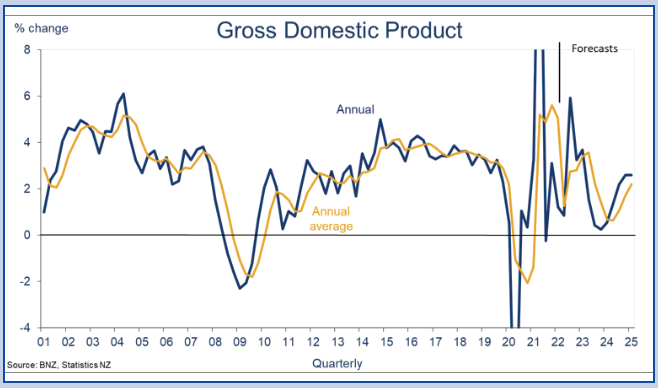
The current government can be assumed to be unwilling to loosen immigration restrictions that might lessen current constraints. Doing so

3 YEAR PROJECTIONS – ECONOMY









might even be politically wise because it would likely demonstrate that labour shortages are an international rather than a NZ problem.

Greater access to migrant workers might have limited impact on all but a few industries, with at least some of current tightness reflecting high levels of absenteeism caused by resurgent covid variants and a 'normal' flu season. However, the government appears increasingly willing to make pragmatic political decisions and could yet relent, albeit in stages, on immigration settings.

The result is most starkly presented in the graphic depicting the annual percentage change in jobs filled by age group (top left). A flood of relatively unskilled young people is entering the labour market. It is not unreasonable to see this as a workforce replacing temporary tourist workers in the hospitality and retail sectors, and may go some way to explaining declining trades training enrolments (see p6).

At the same time, there is some evidence in the same graphic of the anticipated pent-up desire to depart in the 25-29 year-old group, whose representation in filled jobs has been falling.

There may be some relief on labour market pressure that comes from the RBNZ's tightening cycle. As the graphic depicting unemployment forecasts shows, a higher rate of unemployment is one of the inevitable targets for the RBNZ if it is to get inflation back into the 1-to-3% range.

This will be as a result of the economy slowing and does not necessarily give any guide to whether skilled employees will become any easier to find.

We are very sceptical of Treasury forecasts suggesting that NZ will return to positive net migration of 20,000 p.a. anytime soon. In the short to medium term, a net outflow looks the more likely trend.

In short, the next two years at least look to remain a period in which the suppliers of labour will have the upper hand in negotiations. Employers will need not only to ensure that remuneration is competitive, but that corporate culture and an open approach to permanently adopting more flexible working arrangements is entrenched. Workers who may be tempted for purely financial reasons to switch jobs or leave the country are only likely to be persuaded otherwise if their current employer makes work an excellent place to be.

Household wealth

For as long as house and other capital asset prices are falling, consumer confidence will remain soft.

While household balance sheets are in reasonable shape, the most recent savings statistics indicate that households have moved from a net savings to neutral position. We do not, at this stage, expect significant mortgage-holder distress.

Mega-polytech mega-headache

The government has perhaps been lucky that Parliament hasn't been sitting in the last fortnight, when the scale of the problems with Te Pukenga, the entity into which the country's 16 polytechs are being rolled into.

A damning mid-May report from the Tertiary Education Commission appears to have precipitated the departure - officially described as unanticipated leave - by TP's ceo, former Auckand Council ceo Stephen Town.

The litany of problems is long and comprehensive five months out from the start date of Jan 1 2023. It includes: no agreed business case at Cabinet level; no agreed organisational plan; no ability to consult staff until late August or September on employment in the new year; no capacity to determine current cash position and poor financial forecasting capacity.

On top of this, the combined polytechs being bundled into the new entity are forecasting a collective deficit of $110m this year. They have averaged a $60m deficit in recent years and the projected under-shoot is the highest on record.

Hipkins is clearly frustrated but hamstrung.

It appears one of the options being actively pursued is to fund more "in-the-workplace" learning places because they attract less funding and could help to reduce forecast losses. However, this is likely to have a more damaging impact on private training establishments than the reforms were already to have. Only PTEs of scale are likely to survive and specialist private and remote learning centres will be particularly under threat.

The Tertiary Education Union is so far backing the minister, claiming the reforms are essential to ridding the sector of "unnecessary competition". We expect that tune to change if the ultimate response to this cash crunch and its cause - falling enrolments and a lack of international students - lead to large-scale redundancies.

The issue is a major opportunity for first-term Natonal MP **Penny Simmonds**, who was ceo at the fees-free Southland Institute of Technology before entering politics.

As well as representing a serious risk to the national training system at a time of major skills shortages that the government does not wish to fill with migrants, the issue will be used as a potent weapon to suggest **the government's other major centralising reforms - health and three waters - also face big execution risks.**

Polls

The latest Taxpayers' Union-Curia poll put National support at 37%, down 0.4 points. Labour was up half a point to 34.7%. Act was up 0.6 to 10%, with the Greens up 0.2 points to 8.5%. Te Pati Māori was up 1.9 points to 3.7%, with NZ First up half a point to 2.8%. The poll of 1,200 was conducted between July 3 and July 10.

National Leader Christopher Luxon's personal support fell 5.6 points down to 22.4% as the preferred PM, with Jacinda Ardern up 1.5 points to 41.2%. A commentary released with the poll suggested Luxon's personal support fell after his comments following the US Supreme Court's abortion ruling.

The latest Roy Morgan poll said support for National was down by 1 point in June to 39% since the last in the series. Labour support increased 2% points to 33.5% while support for the Greens was down by 1.5 points to 10%. Act fell by 0.5 of a point to 9.5%, while the Māori Party increased by 0.5 to 1.5%. The poll was taken throughout the month.

The Roy Morgan Govt Confidence Rating fell by 2.5pts in June to 87.5, down 36.5pts from a year ago in June 2021. In June, only 39% (down 1 point) of electors said NZ was 'heading in the right direction' compared to 51.5% (up 1.5 points) who said NZ was 'heading in the wrong direction'.

In brief

Wellington's former deputy mayor **Jill Day will become the next Labour Party president** when the incumbent, Claire Szabó, stands down in Nov after no other candidates were put forward.

Immigration application fees increased, with the skilled migrant category, for applicants outside of NZ or the Pacific, increasing 48% from $3,310 to $4,890. The residence from work category increased 136% from $1,800 to $4,240. Meanwhile, the investor visa category has been reformed, with a **requirement that investor migrants invest at least $5m** to be eligible. The new visa class will replace the existing investor 1 and investor 2 visa categories, with applications for the new active investor category opening on September 19. Applicants will have to invest at least $15m over three years or just $5m if the funds go directly to a NZ business. Investors will also **have to spend roughly four months over four years in the country**, about a month longer than now.

The **Christchurch City Council** voted to lock in a fixed price of **$683m for the city's new multi-use arena** - Te Kaha, with an extra $150m to be recouped.

Primary Sector

Fonterra chair **Peter McBride** is not concerned by the majority of the government's proposals for Dairy Industry Restructuring Act reform but opposes making the Commerce Commission milk price review binding.

The latest **Rabobank Rural Confidence Survey** found net farmer confidence was significantly lower than last quarter, with the net reading dropping to –35%, from –3% previously, partly driven by higher costs.

Cannasouth signed a deal with German company, Weeco Pharma, for the supply of cannabis flower into Europe in a deal estimated to worth between $12m and $15m in the second and third years.

Energy and resources

NZ's probable **oil and gas reserves** have fallen by an estimated 5.1% with about 10 years supply left on current demand-and-supply patterns.

Wholesale electricity prices are undergoing a 9% fundamental lift in price that will flow through to residential household bills, says **Forsyth Barr**.

Electricity Authority ceo **James Stevenson-Wallace** will leave in Oct to join Landcare Research.

Minority shareholders in **Flinders Mines**, the ASX-listed WA iron ore prospect majority-controlled by **Todd Corp**, have asked **ASIC** to look into four key areas to determine whether there was any breach of **ASX Listing Rules** over the last six years.

Banking, finance and insurance

ANZ will raise A$3.5b to help fund its purchase of Queensland rival **Suncorp Bank**, and it ended talks about a purchase of **MYOB**. The Suncorp transaction was greeted in Australian media as meaning ANZ was buying back four years of lost market share and would take four to five years to capitalise on synergies.

ASB and **Kiwibank** both lifted their mortgage and deposit rates in response to the Reserve Bank's OCR hike. ASB's housing variable rate will move from 5.85% to 6.35%. Kiwibank's variable home lending rate will move from 5.5% to 6%. One year TD rates are settling around 4%.

The Reserve Bank formally warned BNZ for failing to report the correct location of about 50,000 cash transactions caught by anti-money laundering law. It also announced a facility to anchor wholesale short-term interest rates at the OCR, allowing eligible counterparties to lend NZ dollars through a standing repurchase facility.

Telecommunications, media and entertainment

Vodafone and **Spark** sold their mobile phone towers in the same week, Vodafone to UK-based **InfraRed Capital Partners,** part of the **Sun Life** insurance group, and Canada's **Northleaf Capital Partners**, each taking 40%, with Vodafone half-owner Infratil retaining 20%. That transaction was valued at $1.7b.

Spark sold TowerCo to the **Ontario Teachers' Pension Plan Board** for $900m for 70% of the company and retaining a 30% stake. The deal with TowerCo includes a commitment to build 670 additional passive tower sites over the next 10 years.

Wholesale and retail

Michael Hill International reported full year trading all-store sales were up 7.3% and record digital sales exceeding $40m.

KMD Brands expects its total sales for the year to July 31 2022 to be in the range of $955m to $965m, up from the $922.8m in its full year to July 31 last year. It expects underlying earnings in the range of $88m to $94m.

Costco said it will only open more stores in NZ if its Auckland mega-store at Westgate succeeds, with expansion to Christchurch, then Wellington, on the cards and consideration of a second Auckland site after that.

Manufacturing and construction

MBIE extended the time to comply with new wall, floor, and roof insulation requirements in new homes by a further six months to May 2023.

Leaked briefing documents show housing minister **Megan Woods** was urged to reject new funding requests from **Kāinga Ora** as the public housing agency faces an unmanageable debt blowout.

Courts, legal and regulation

Russell McVeagh gave all employees a 7.5% salary increase as **Lane Neave** gave 7% due to inflation.

Transport and logistics

Malaysian budget carrier **Air Asia X** is returning to NZ, flying from Auckland to Sydney from Nov 1 with connecting flights on to Kuala Lumpur. It is part of 13 routes the company will restart this year after a pandemic hiatus.

Zuru fights back

NZ-founded global toymaker **Zuru** won the right in a US court to know the identity of former employees who posted anonymous negative reviews on the US website **Glassdoor** saying, in the judge's words, that Zuru was a "horrible place to work". Zuru has not confirmed whether it will pursue identified individuals.

This may be a test case for Glassdoor outside the US.

CORPORATE ROUND-UP

Auckland International Airport said international passenger volumes in June were up 11% from the prior month, and total passenger volumes were up 38% from June last year. Both are still down from pre-covid times. The airport said international flights load factors were at their highest level since 2015, a combination of strong passenger demand and a shortage of airline capacity.

Singapore Airlines is bringing back aircraft with first-class cabins for the first time since the pandemic with four cabin classes between Singapore and Auckland from Oct 30.

Auckland Transport will for the first time own seven ferries, spending $80m on five electric hybrids, to be run under a 12-year contract with operator Fullers360, on four routes.

The Hamilton section of the Waikato Expressway opened.

Technology and IT

TradeWindow raised $9m from institutional investors and said its agreement to buy Auckland-based software company Rfider went unconditional.

Startup Cetogenix raised $4.5m in seed funding to scale up its technology for turning organic waste into natural gas and nutrients for fertiliser.

Carbon tracking tech developer **Cogo** is planning a capital raising round of up to US$30m (NZ$48.5m).

Service industries and healthcare

Blis Technologies is changing its business model following its net loss of $2.7m by narrowing its focus on business-to-business, away from direct consumer selling except in NZ and the US, as well as laying off staff.

Corporate actions

The board of **NZ Automotive Investments** tendered its resignation and co-founder **David Yusuke Sena**, the NZX-listed second hand car dealer's largest shareholder (45.9%) , proposed three new directors for election.

Capital markets

Rangatira is undertaking a $50m capital raise to help fund future acquisitions.

Economic indicators

Inflation may have peaked at an annual rate of 7.3% in the year to June - slightly higher than official forecasts - with prices rising 1.7% in the June quarter. The rate was the highest since the year to June 1990. The housing and household utilities group was the main driver of inflation, up 9.1% due to rising prices for construction and rentals for housing rising. Imported inflation hit 8.7% in June, with petrol and diesel prices surging. Domestically generated inflation also rose above expectations at 6.3%.

There was a **provisional net migration loss** of 10,700 in the year ended May 2022, made up of 47,500 migrant arrivals and 58,200 migrant departures, both well below historical levels. The **government pre-empted the CPI release by extending petrol excise and road user charges cuts** by a further five months, to Jan 31 2023, along with continuing half-price public transport fares.

The **BNZ - BusinessNZ Performance of Manufacturing Index** for June was 49.7 (a PMI reading above 50 indicates that manufacturing is generally expanding; below 50 declining). This was 2.9 points lower than May, and below the long-term average of 53.1.

The **BNZ - BusinessNZ Performance of Services Index** rose 0.1 points in June to 55.4 points, after jumping to its highest level in nearly a year in May. The long-term average is 53.6. Supply chain disruptions continued in the services sector, which rated at below the 50-breakeven point at 47.8.

Retail card spending rose 0.1% with in June 2022 with spending fell across most retail industries. The only increase came from the fuel industry, which was up $18m (2.9%).

The Real Estate Institute's house price index rose just 0.7% in June from a year earlier, slowing from a 3.7% pace in May, while the volume of properties sold sank 38.1% to 4,721.

Quotable Value's house price index showed average values fell 3.4% in the three months ended June to $1.01m, compared with the 2.2% fall in the May quarter. The average property value was up 7.2% from a year ago, down from the 10.5% growth last month. In Auckland, the average value was $1.44m, a drop of 4.1% over the last three-month period, with annual growth of 7%.