



# The storm before the calm

Stephen Toplis  
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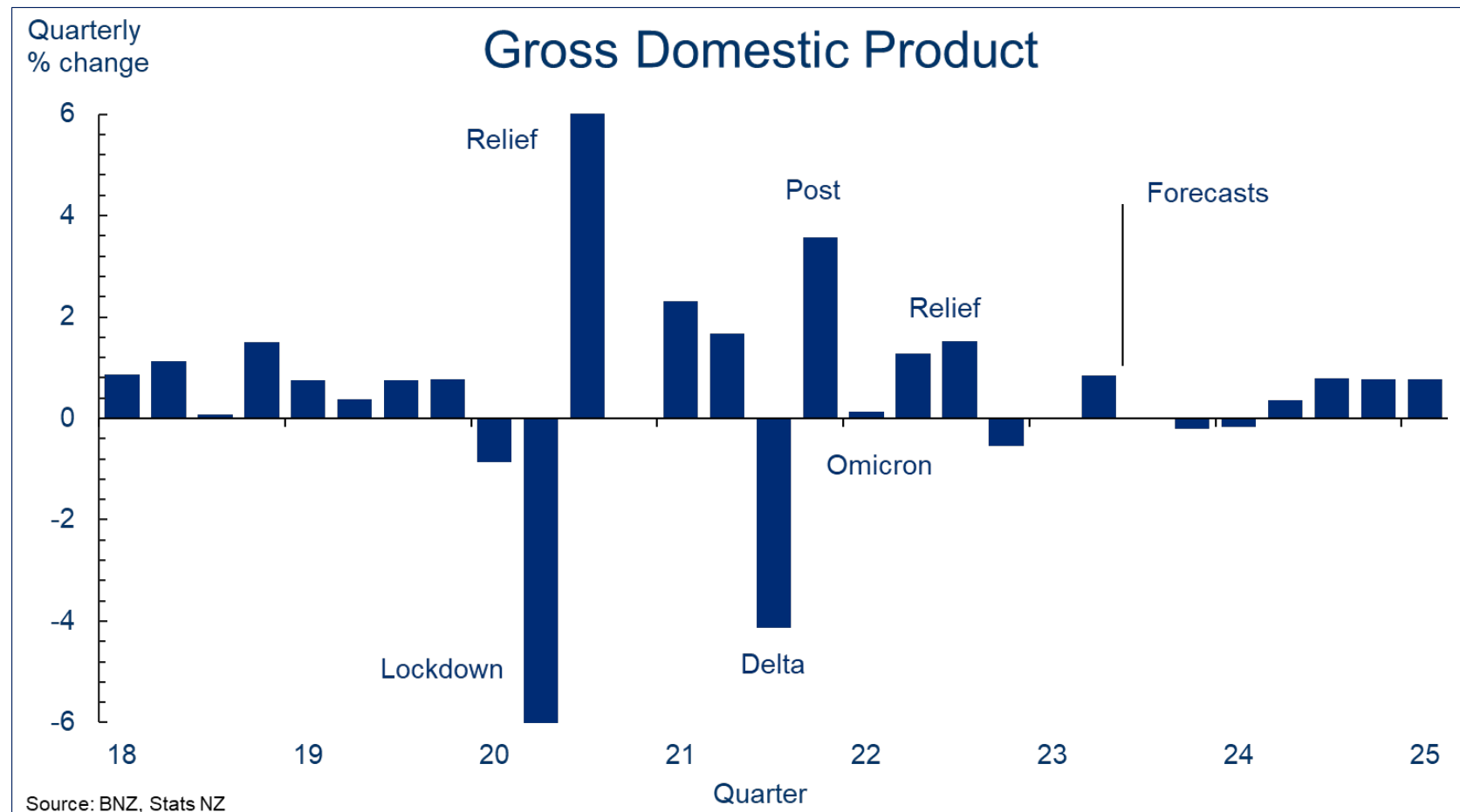
# The storm

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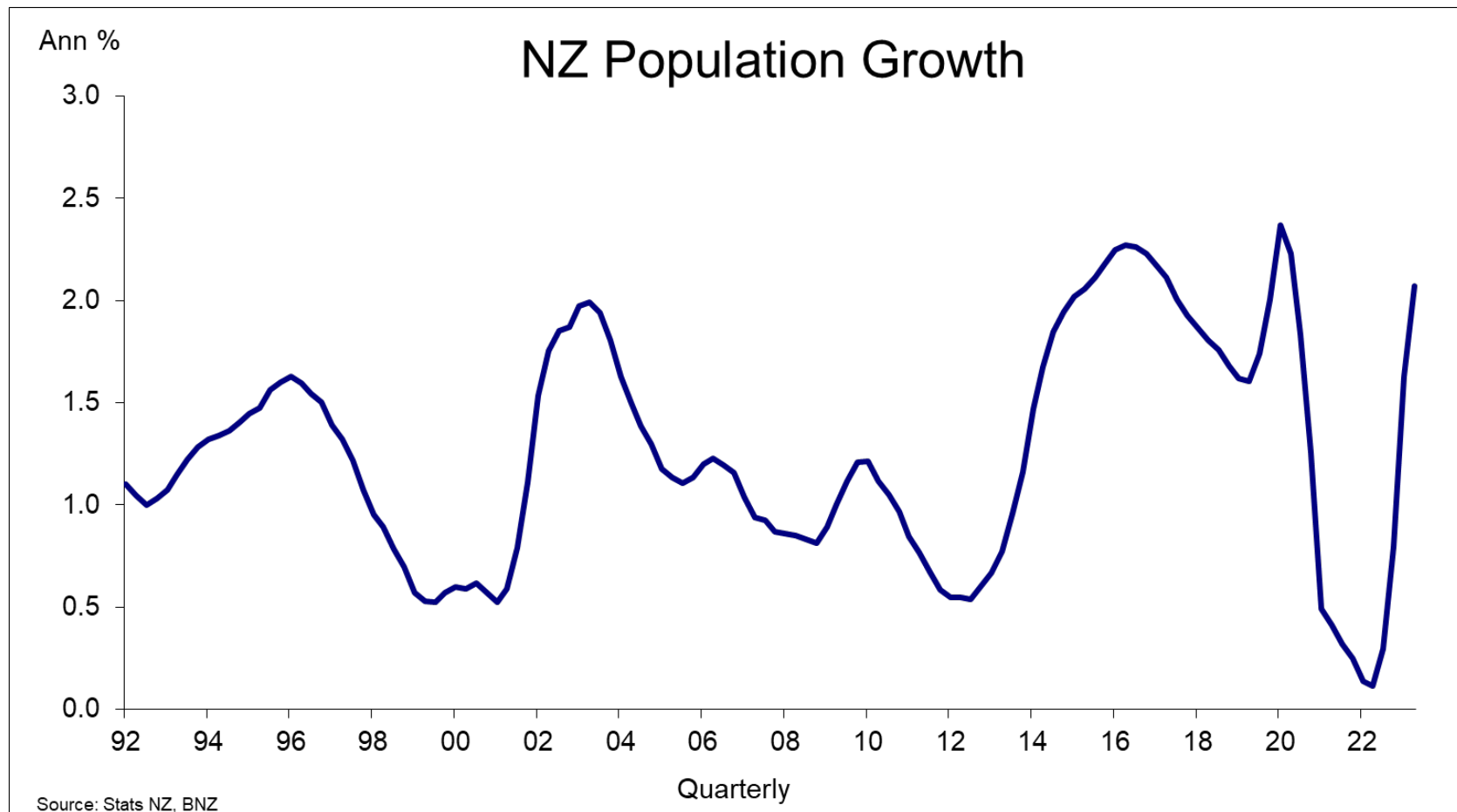
- Recession is real
- Demand remains under pressure
- International outlook weak
- Fiscal issues galore



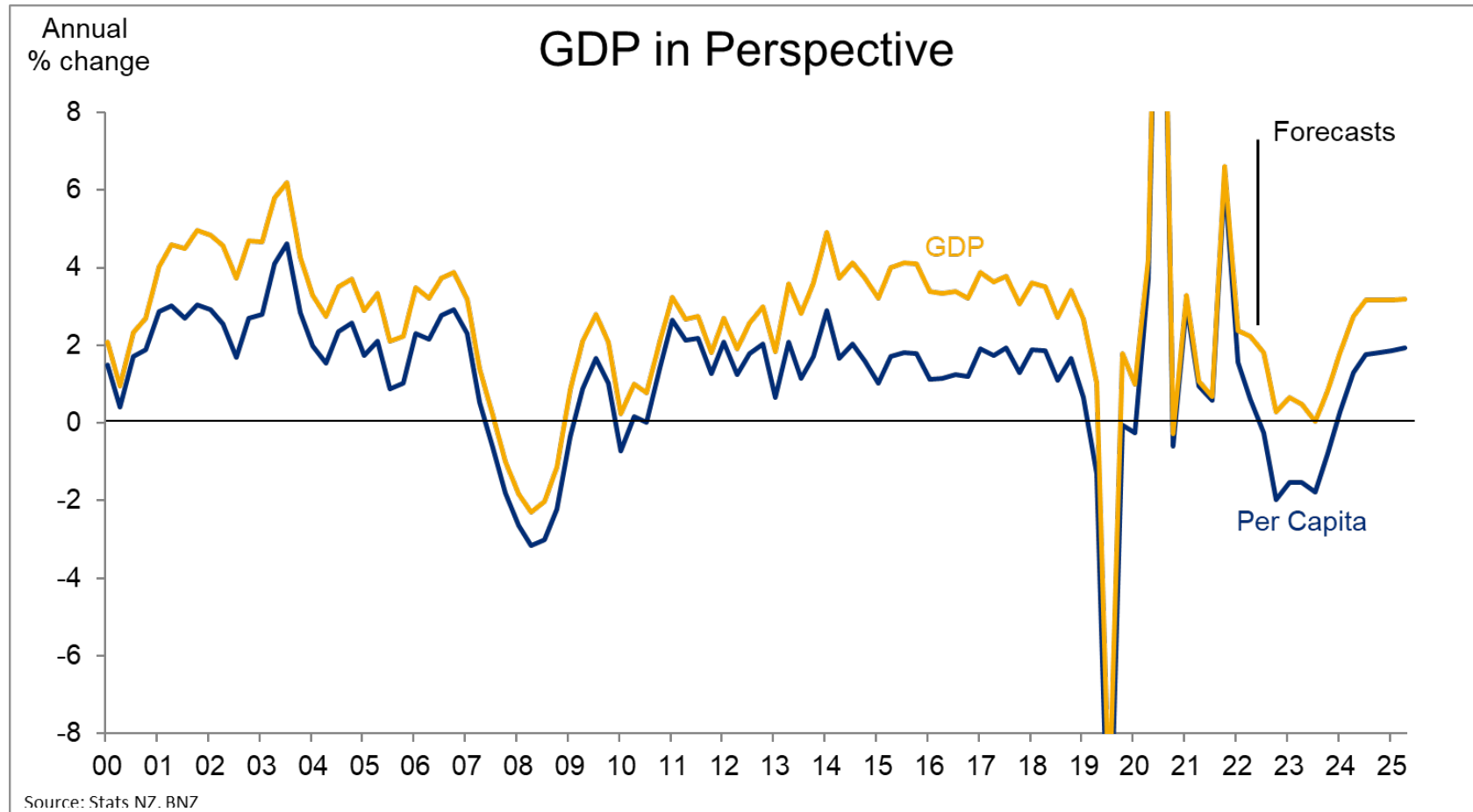
# Recession remains intact



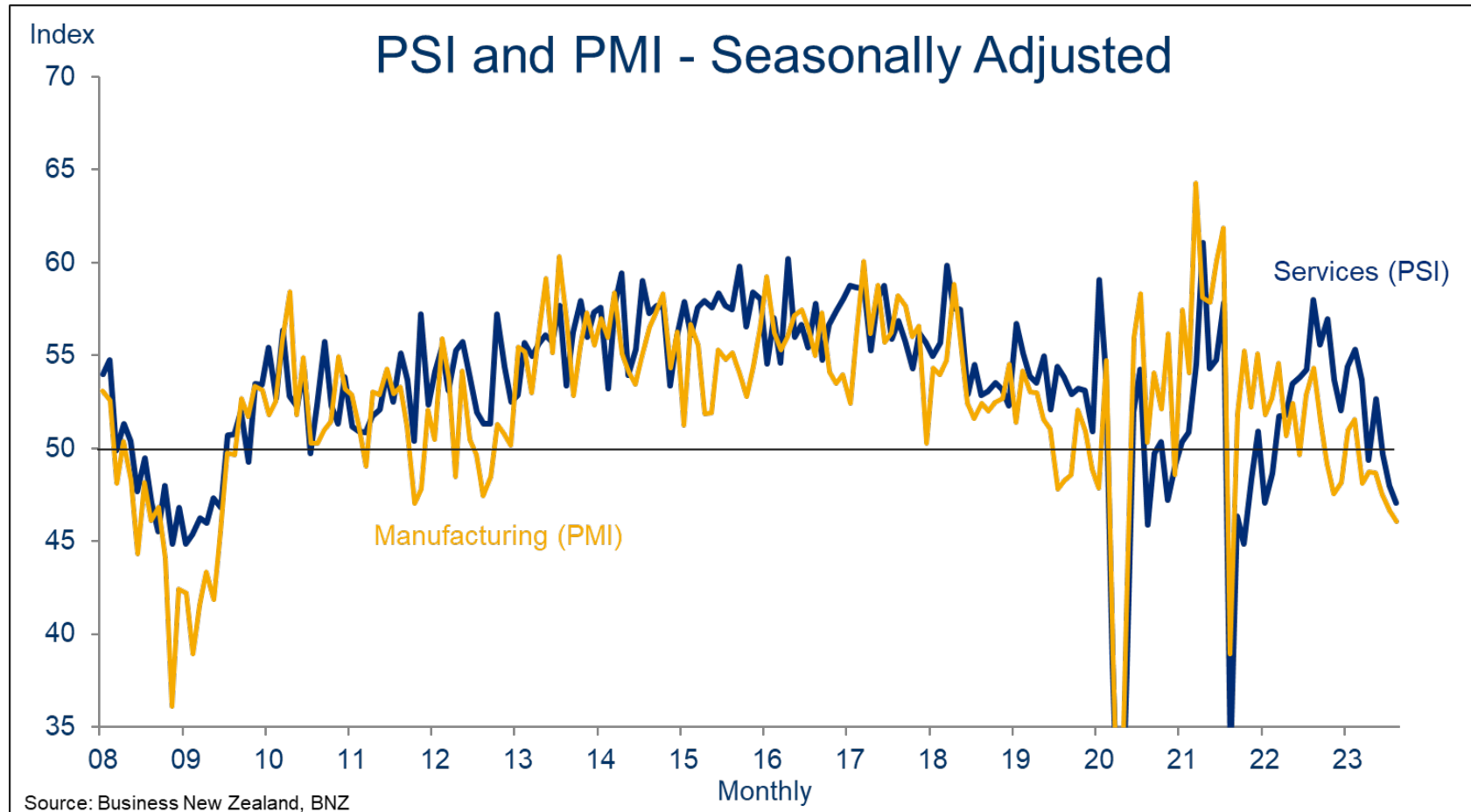
## Despite surging population growth



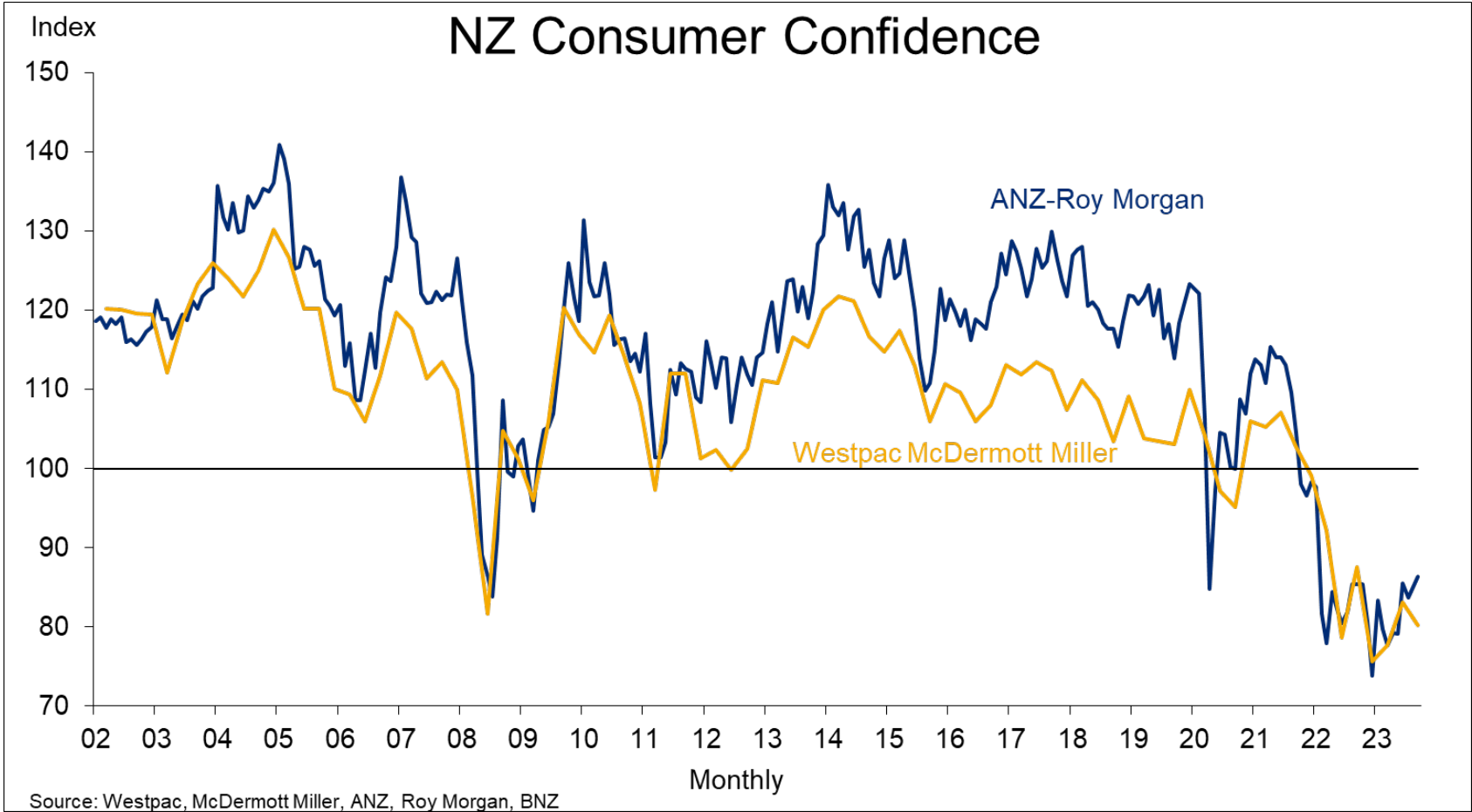
# The REAL picture ain't good



## Current conditions poor

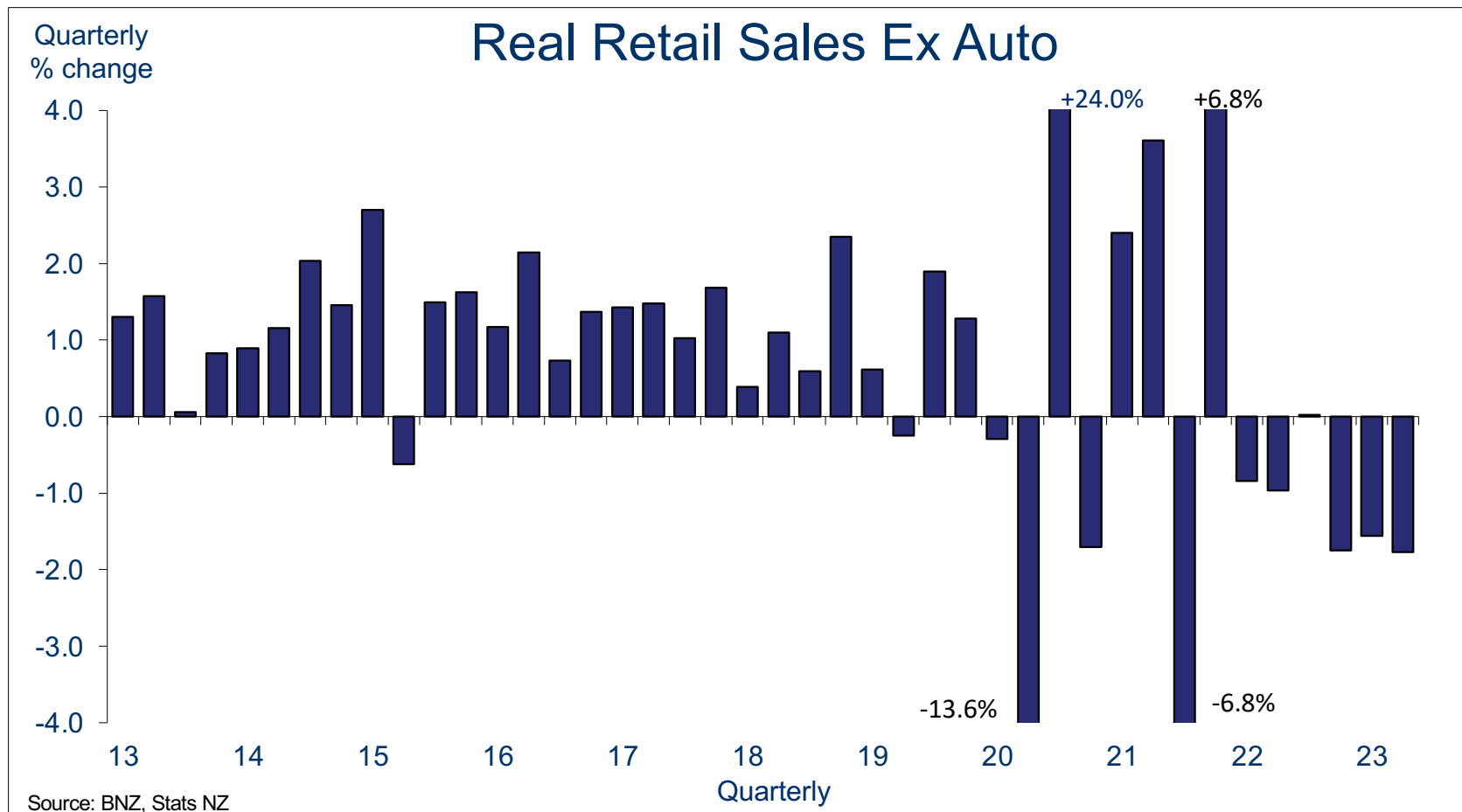


# Consumer confidence recessionary

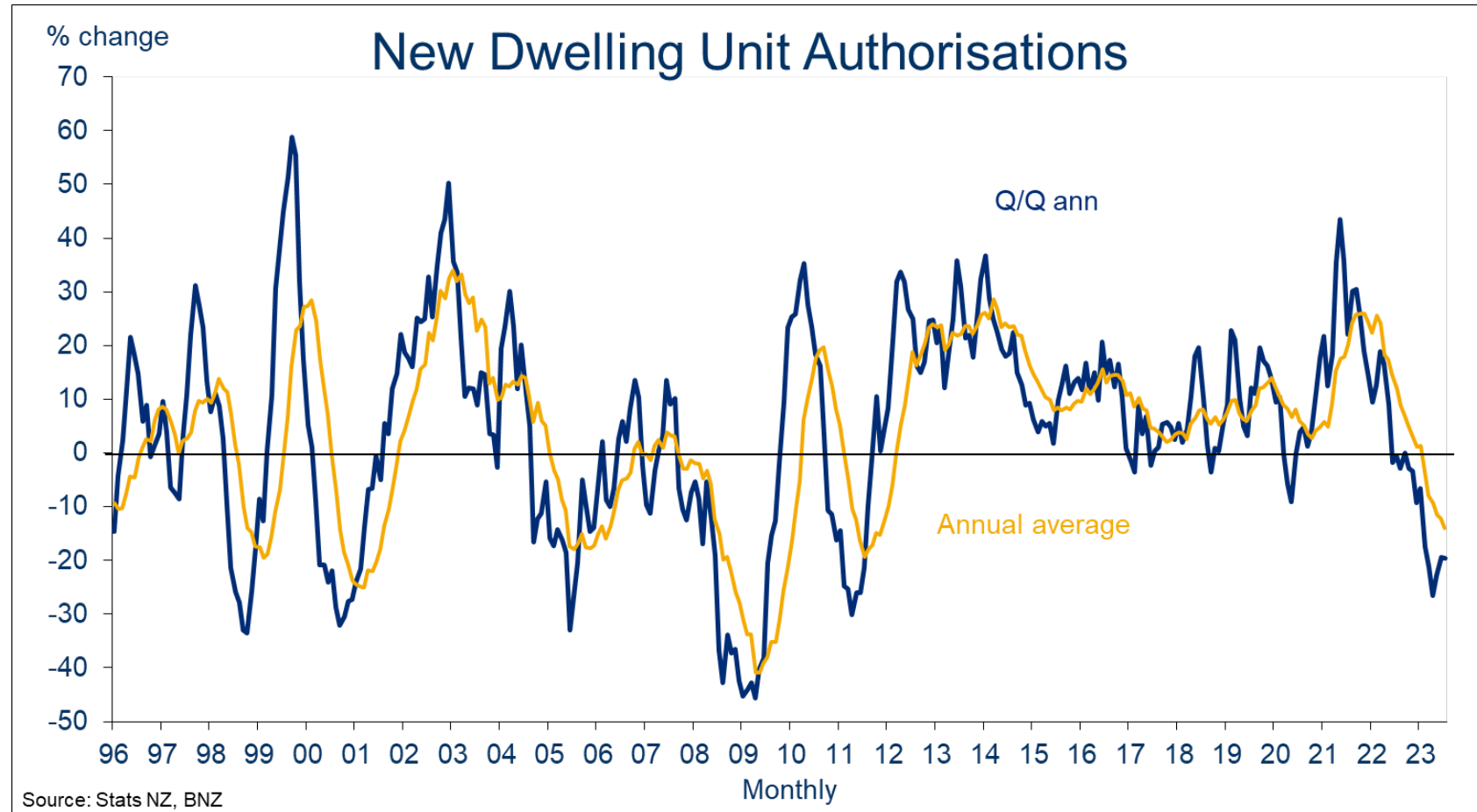




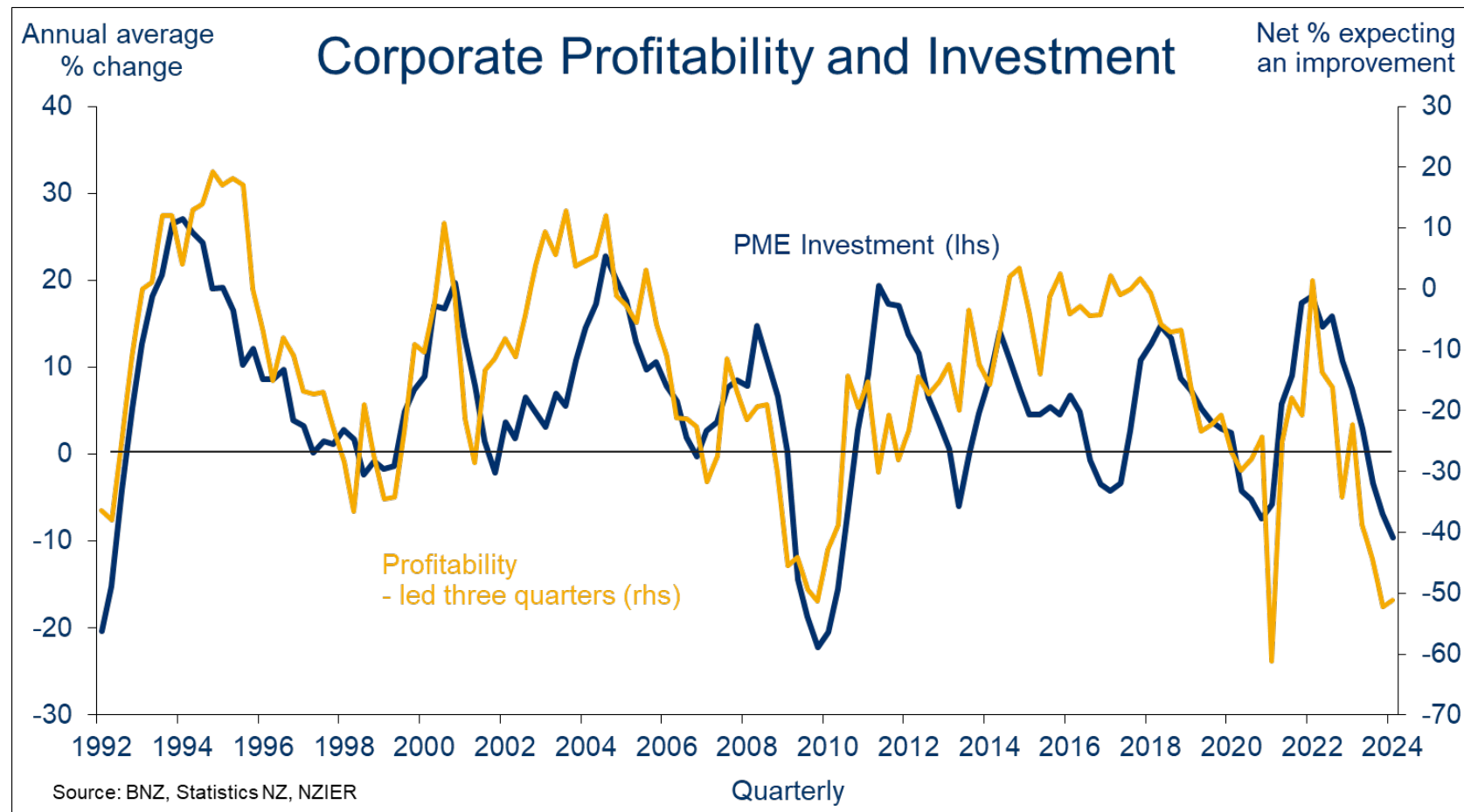
## So they are not spending



# Building consents in retreat

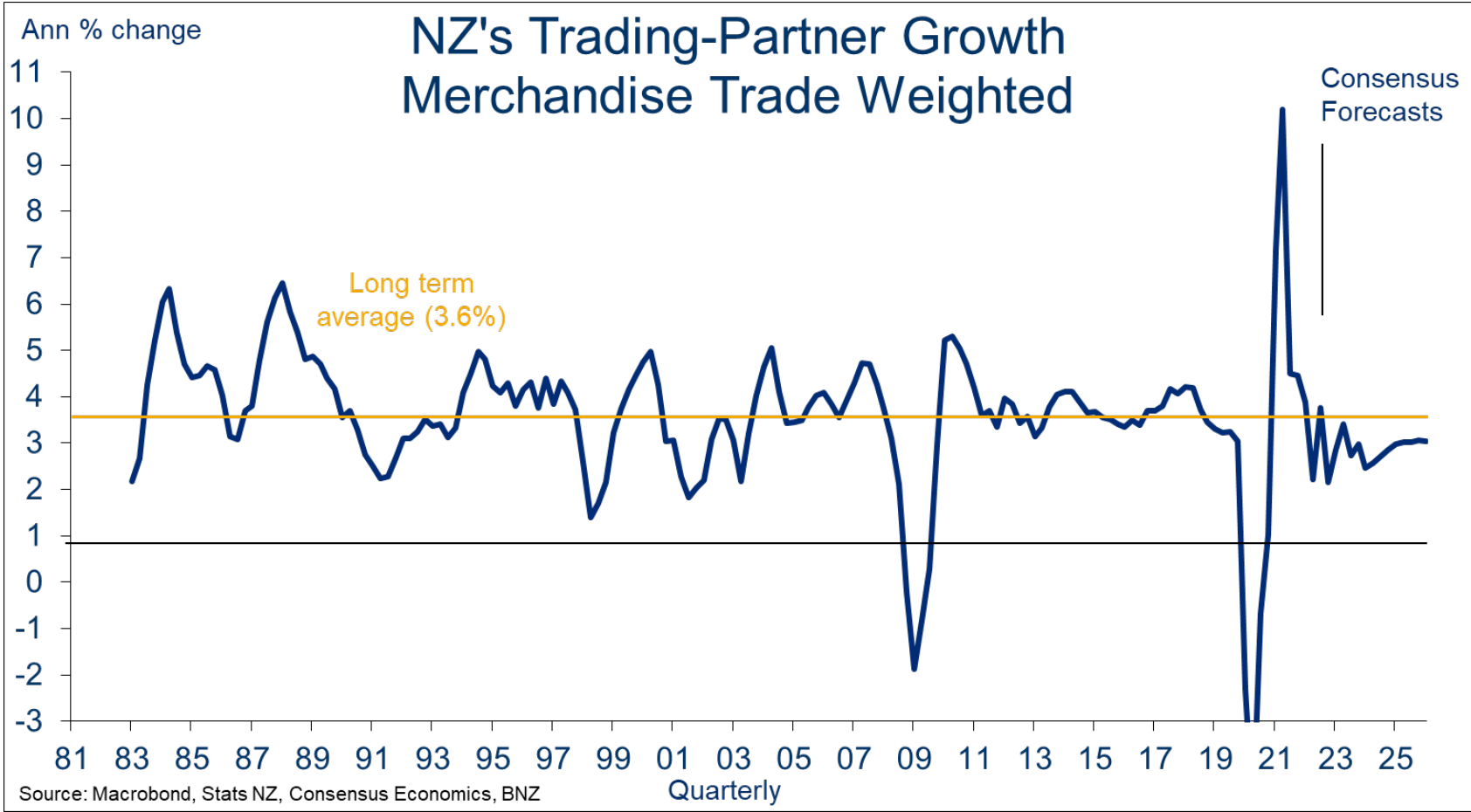


# Investment under pressure





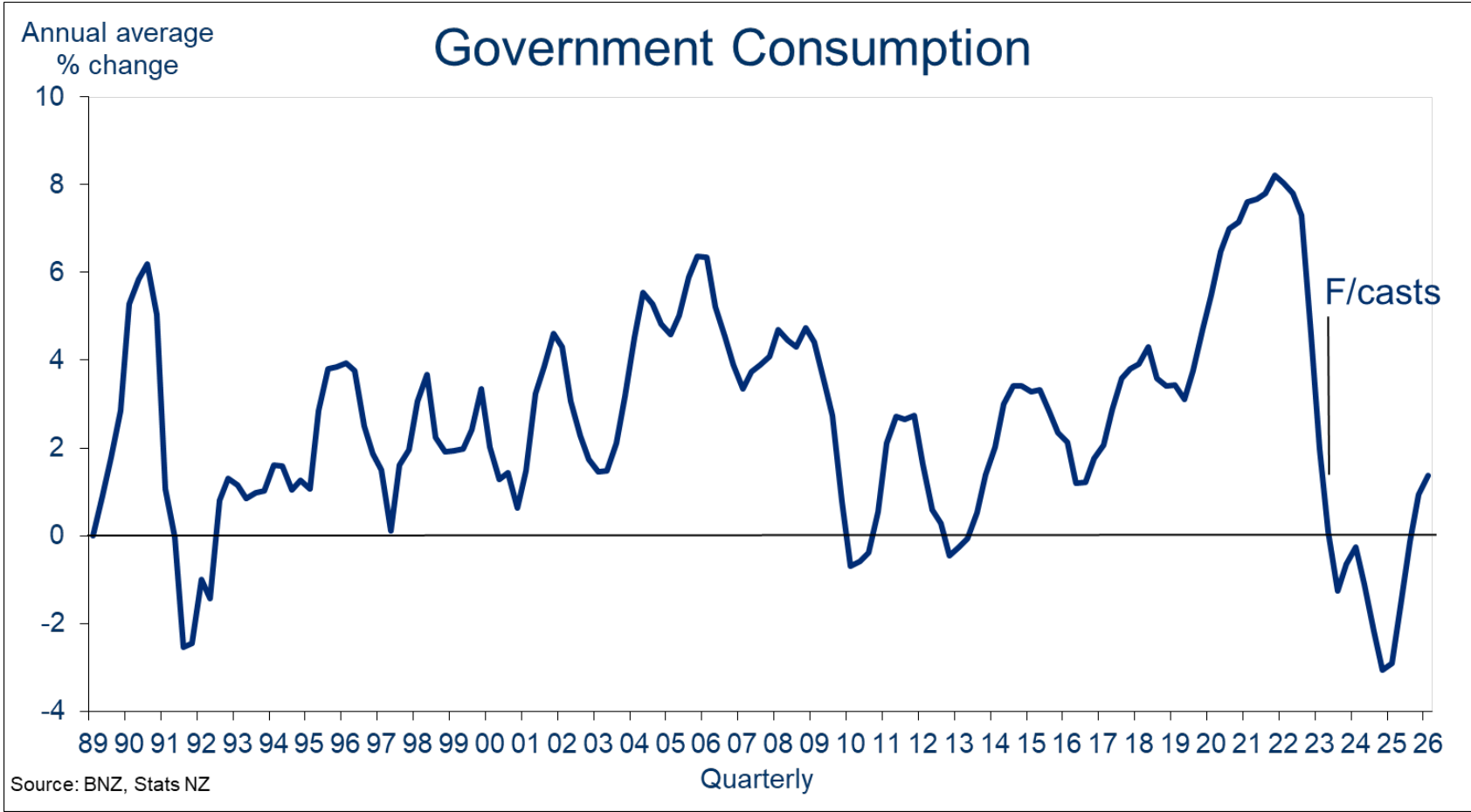
# Global growth sub par



# China's downshift

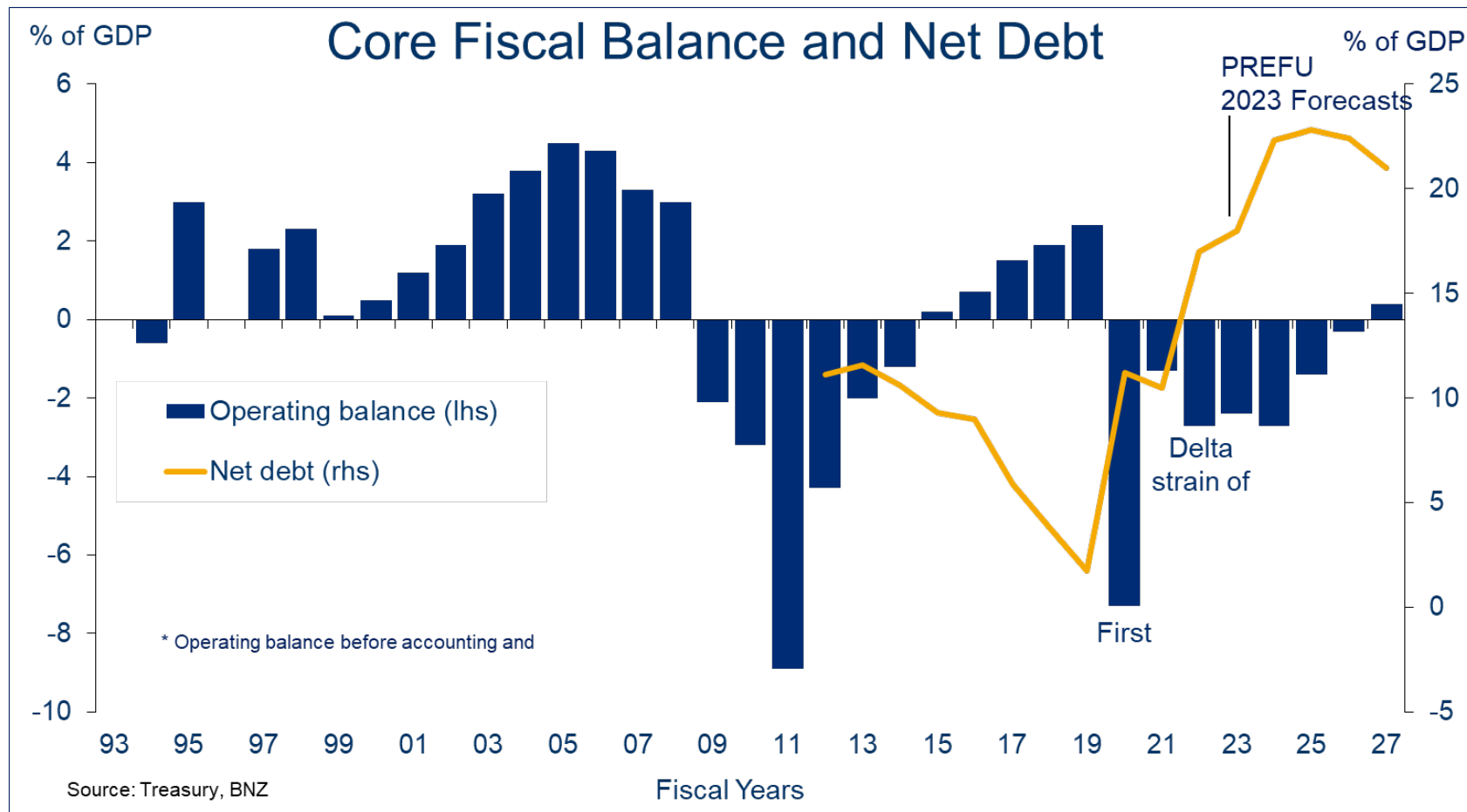


# Government contraction a biggie

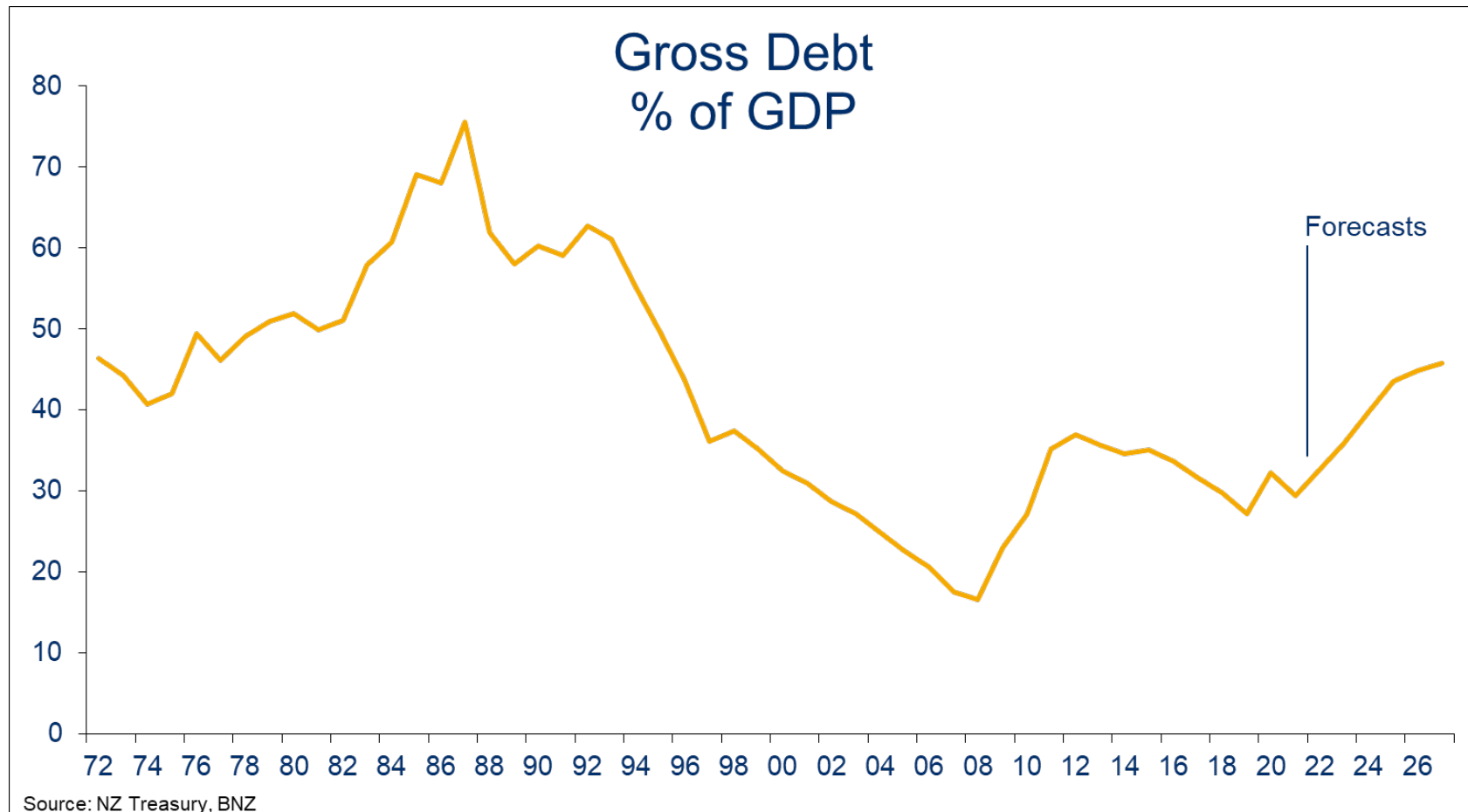




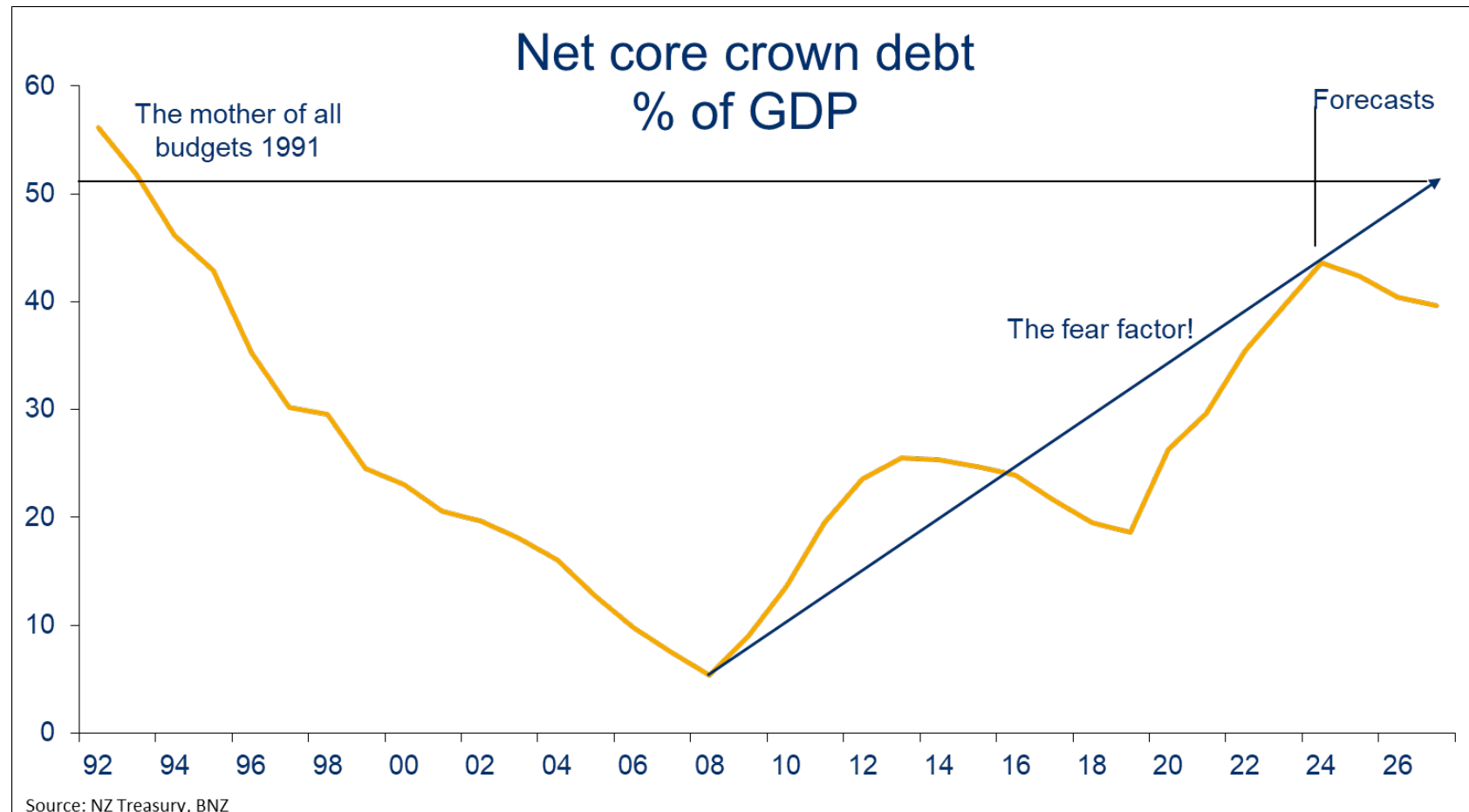
# They need to



## Gross debt climbing

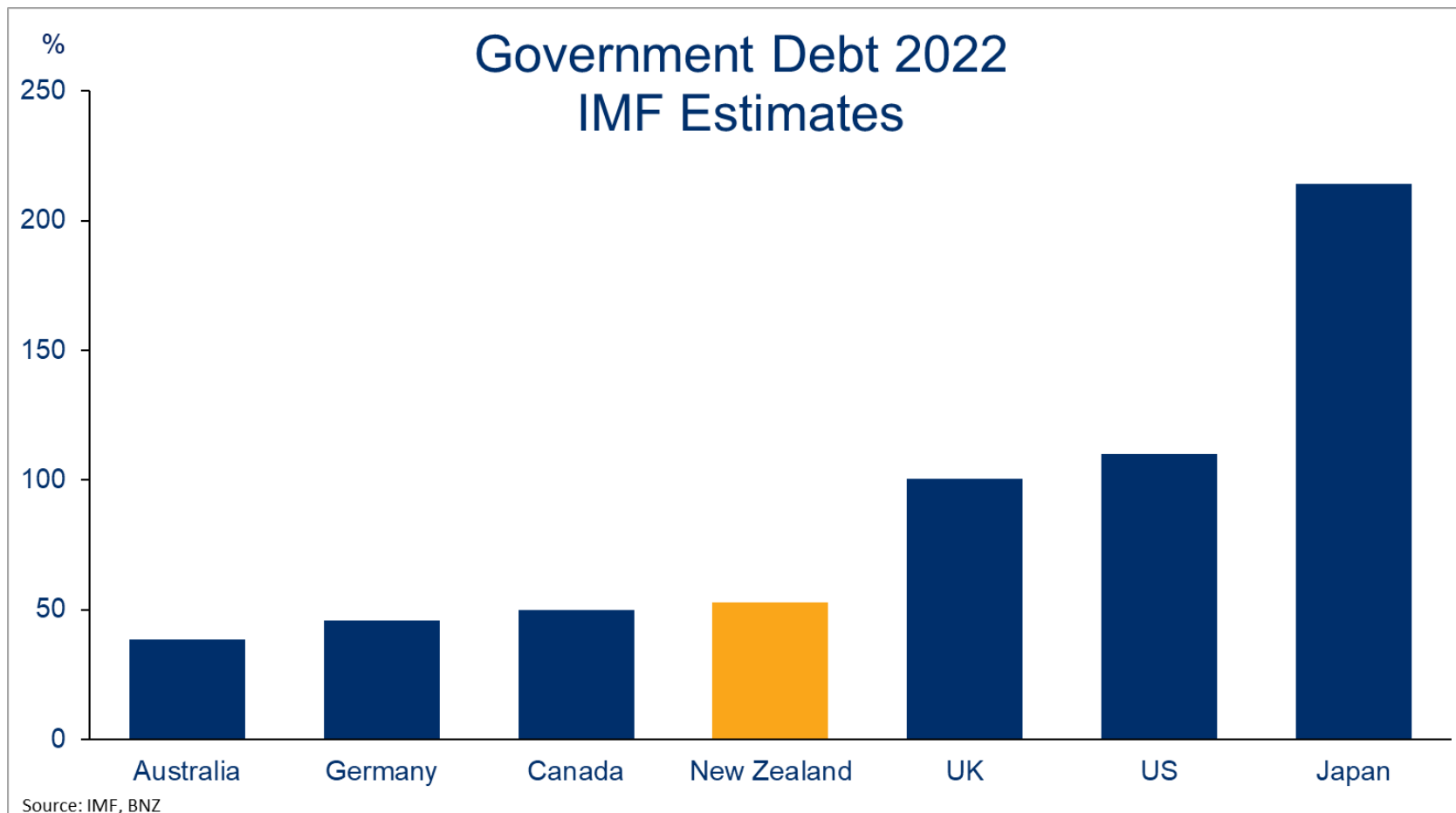


# Net core crown debt frightening





## Does it really matter?





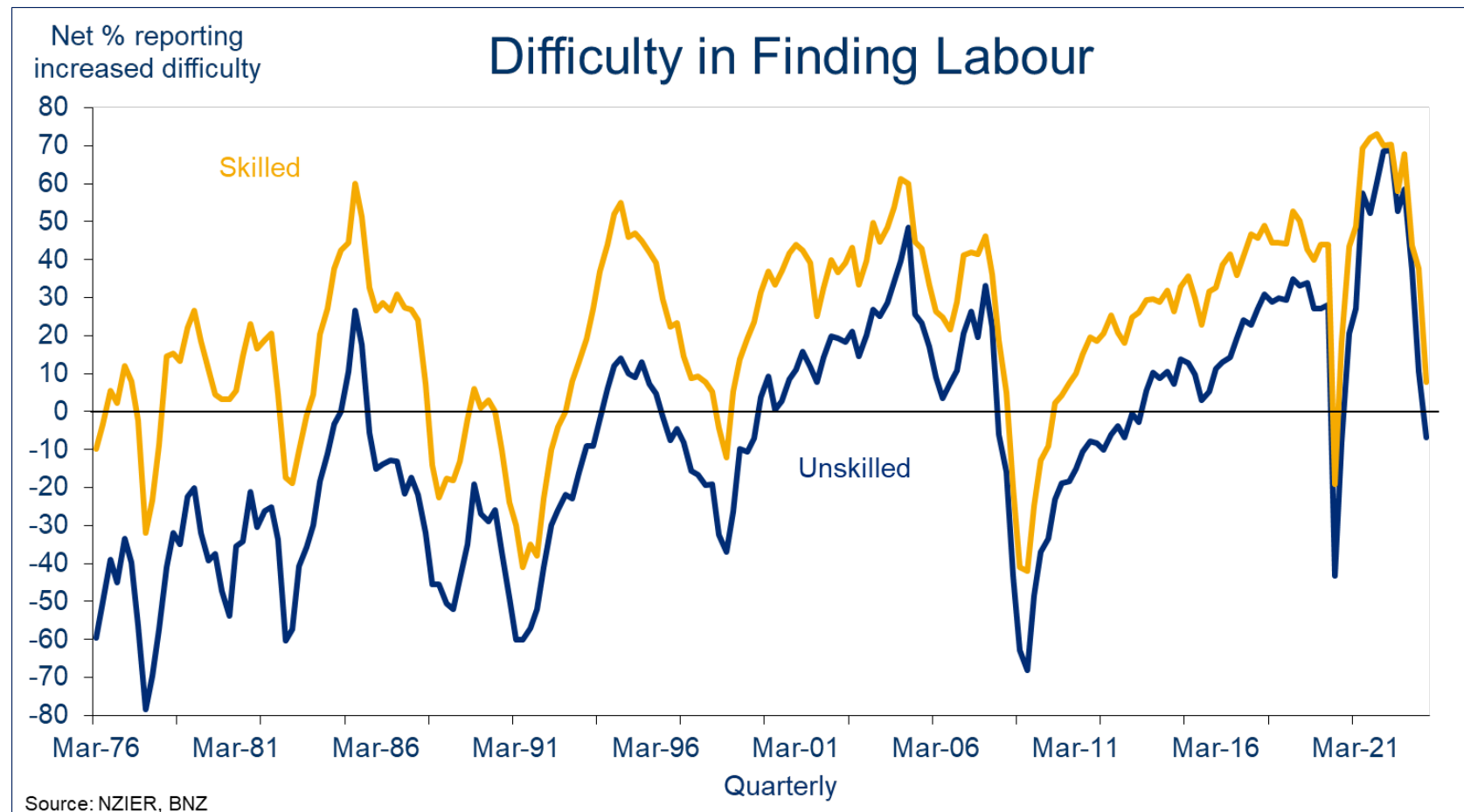
# The calm

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- Capacity constraints easing
- Inflation peaking
- Rates peaking

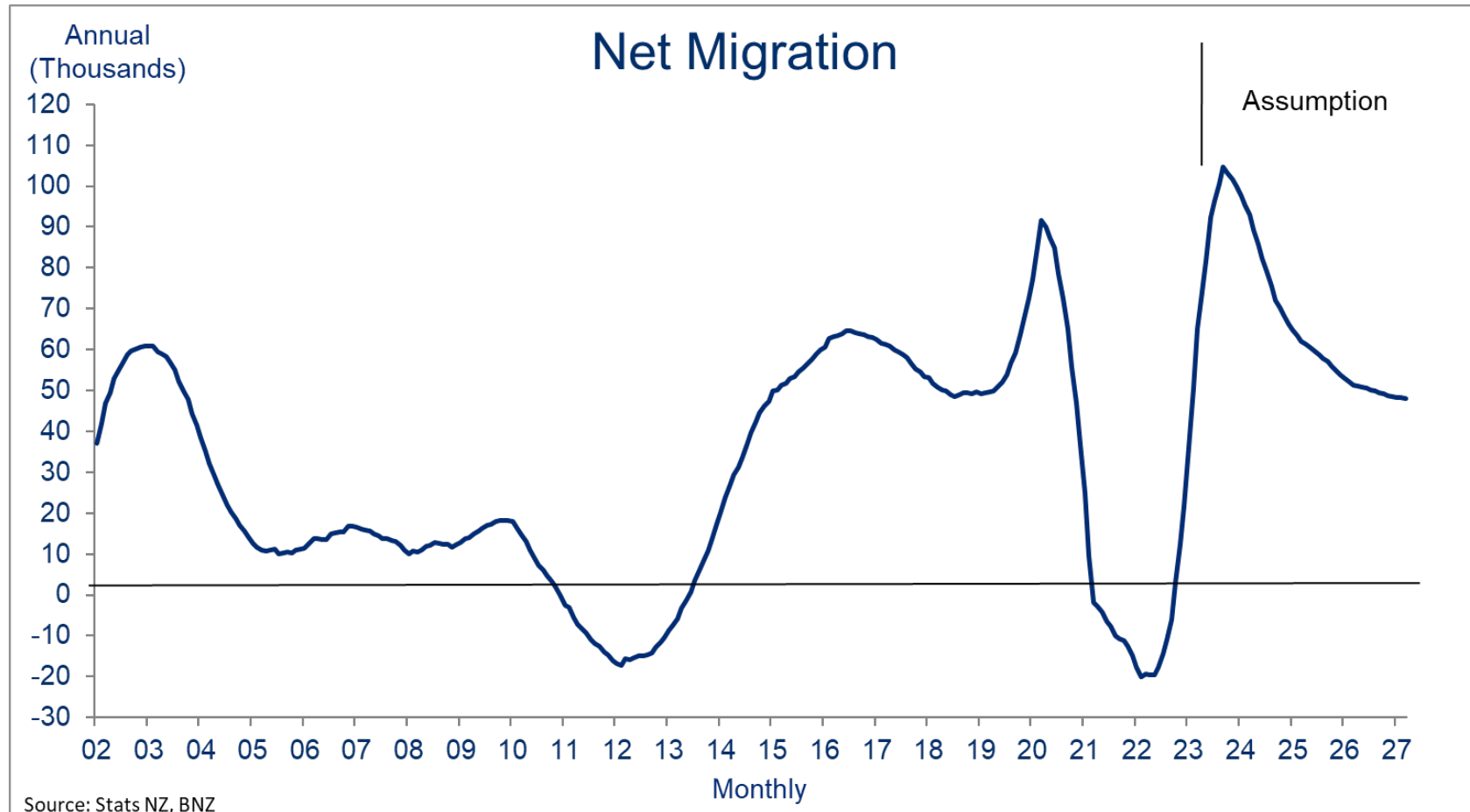


# Easier to find staff

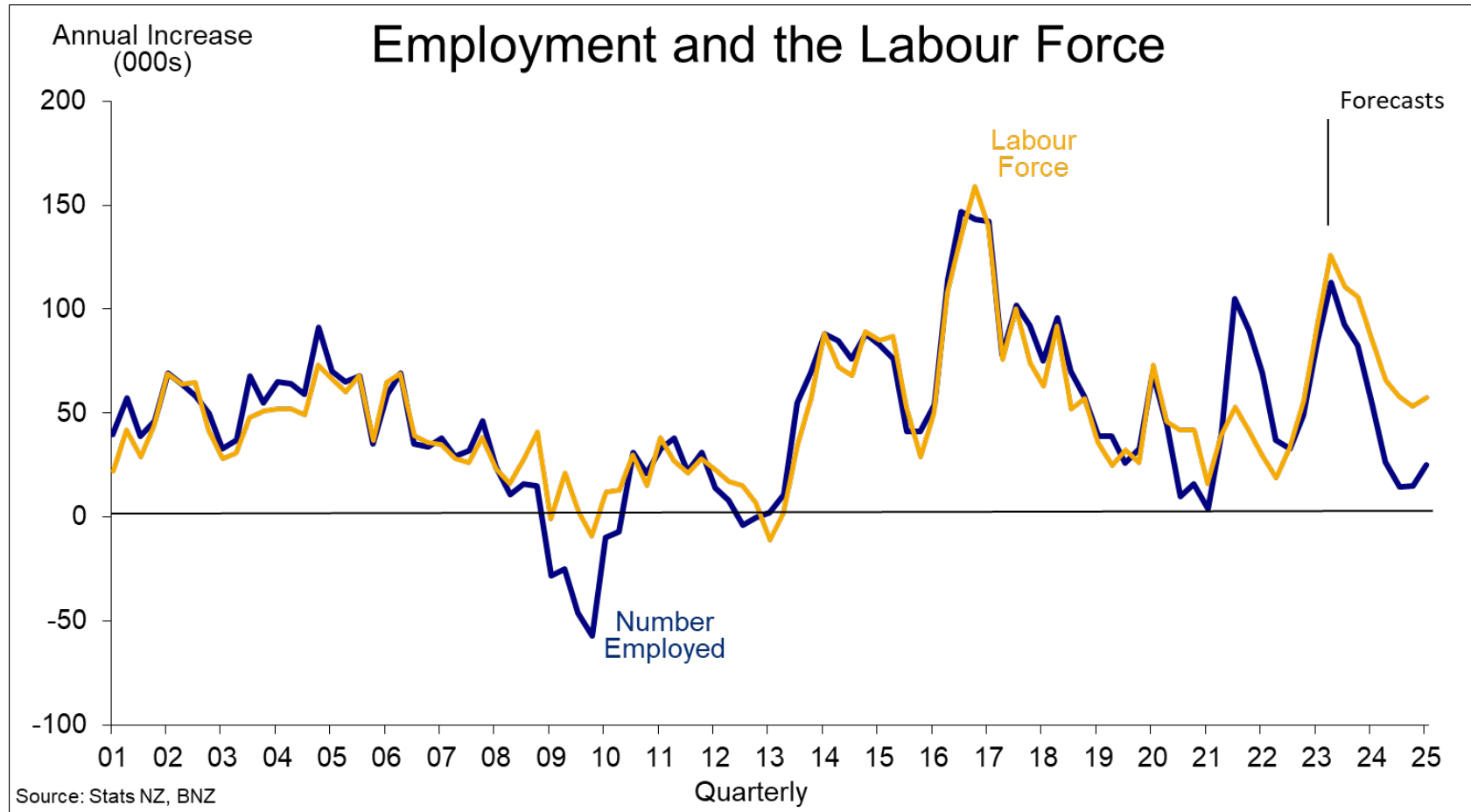




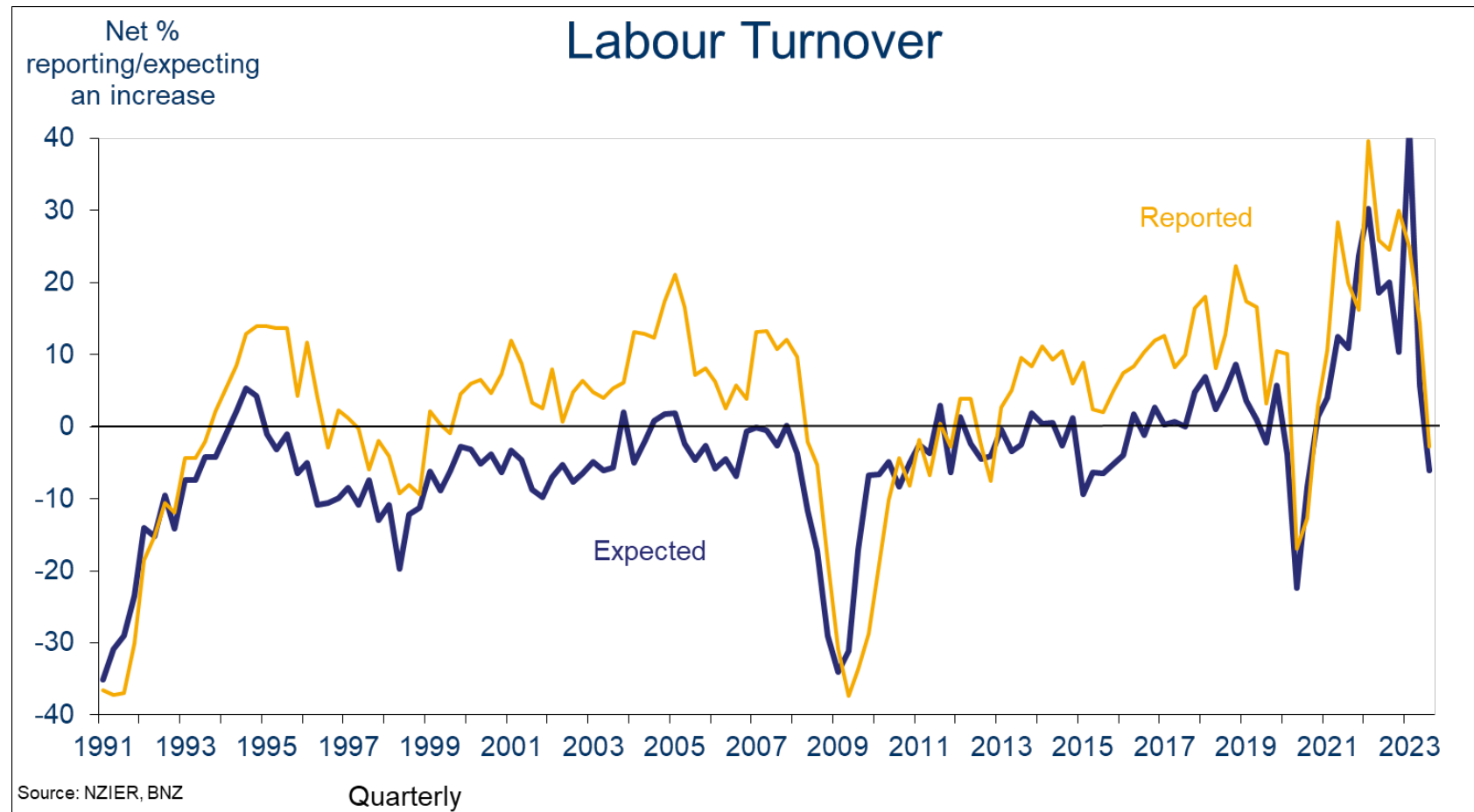
# As net migration soars



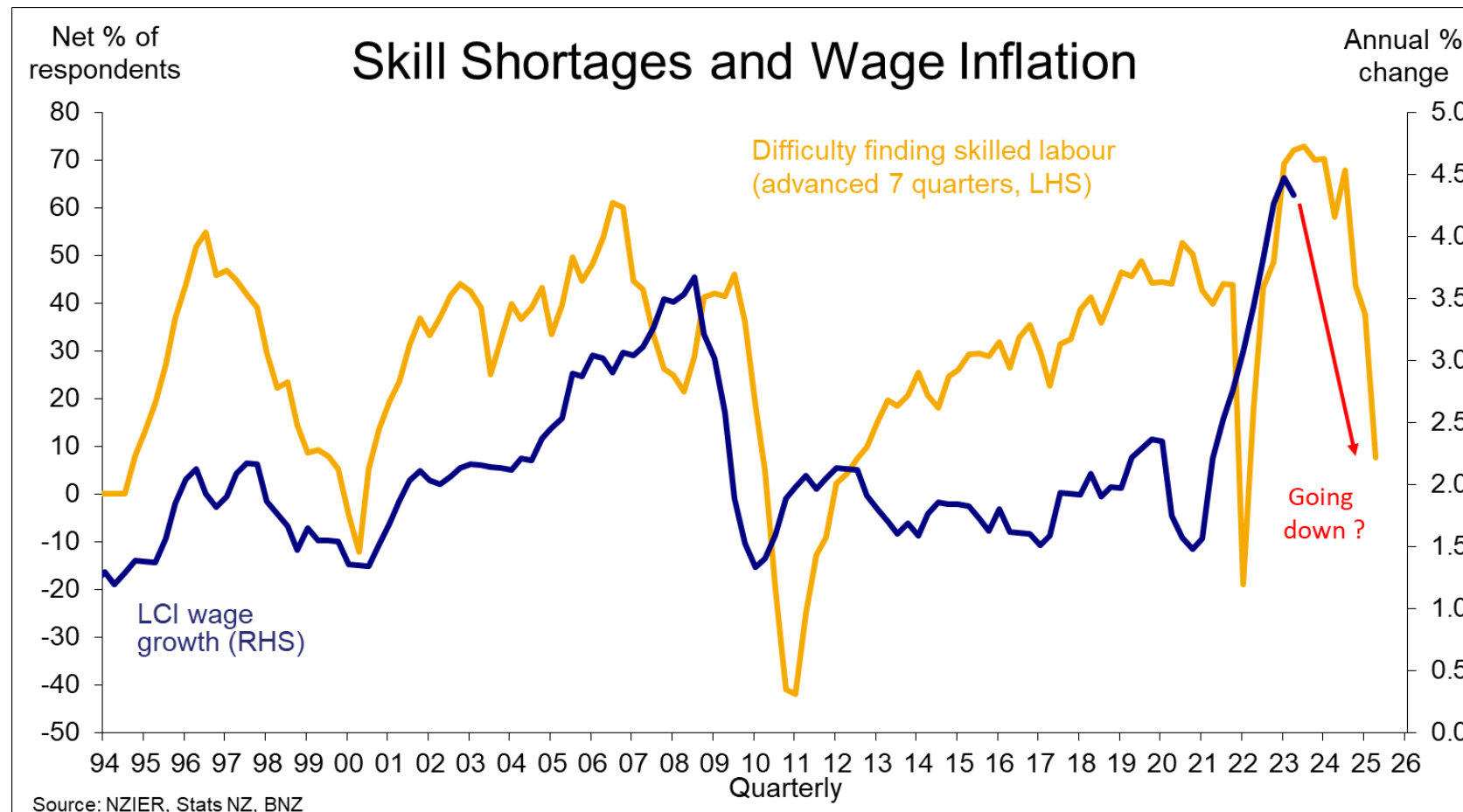
# Supply exceeding demand



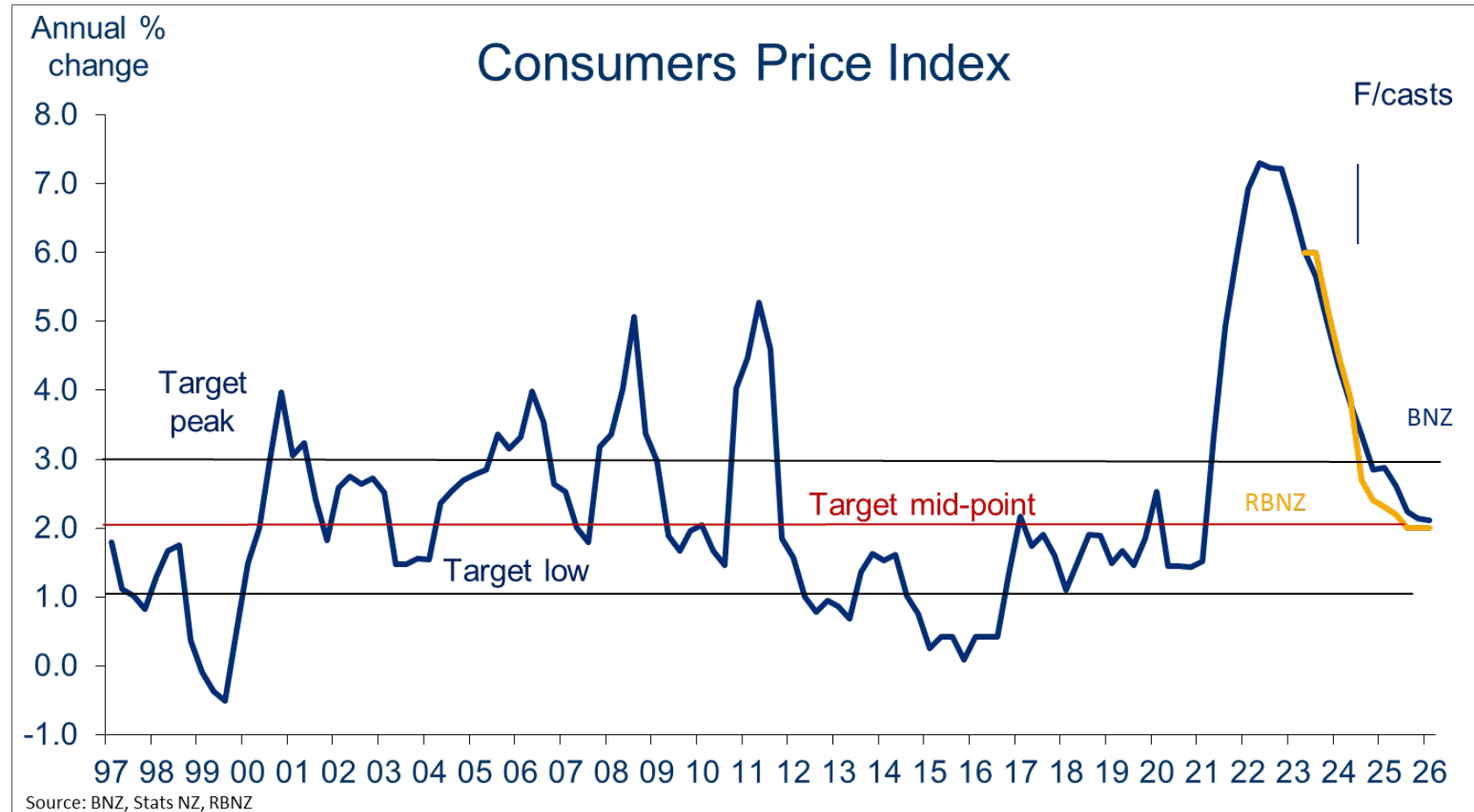
# Turnover dropping



## Wage pressures ease

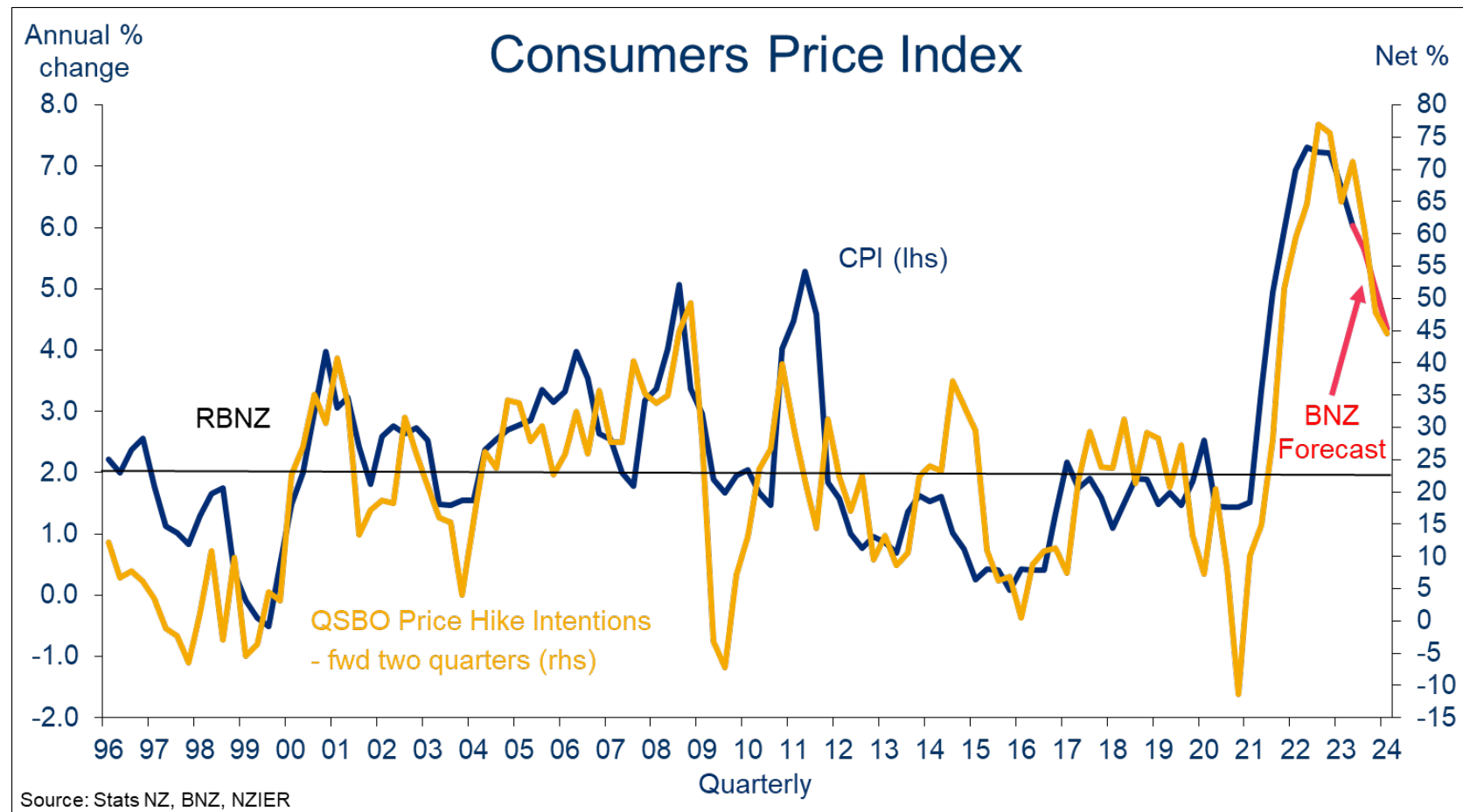


# Inflation falling

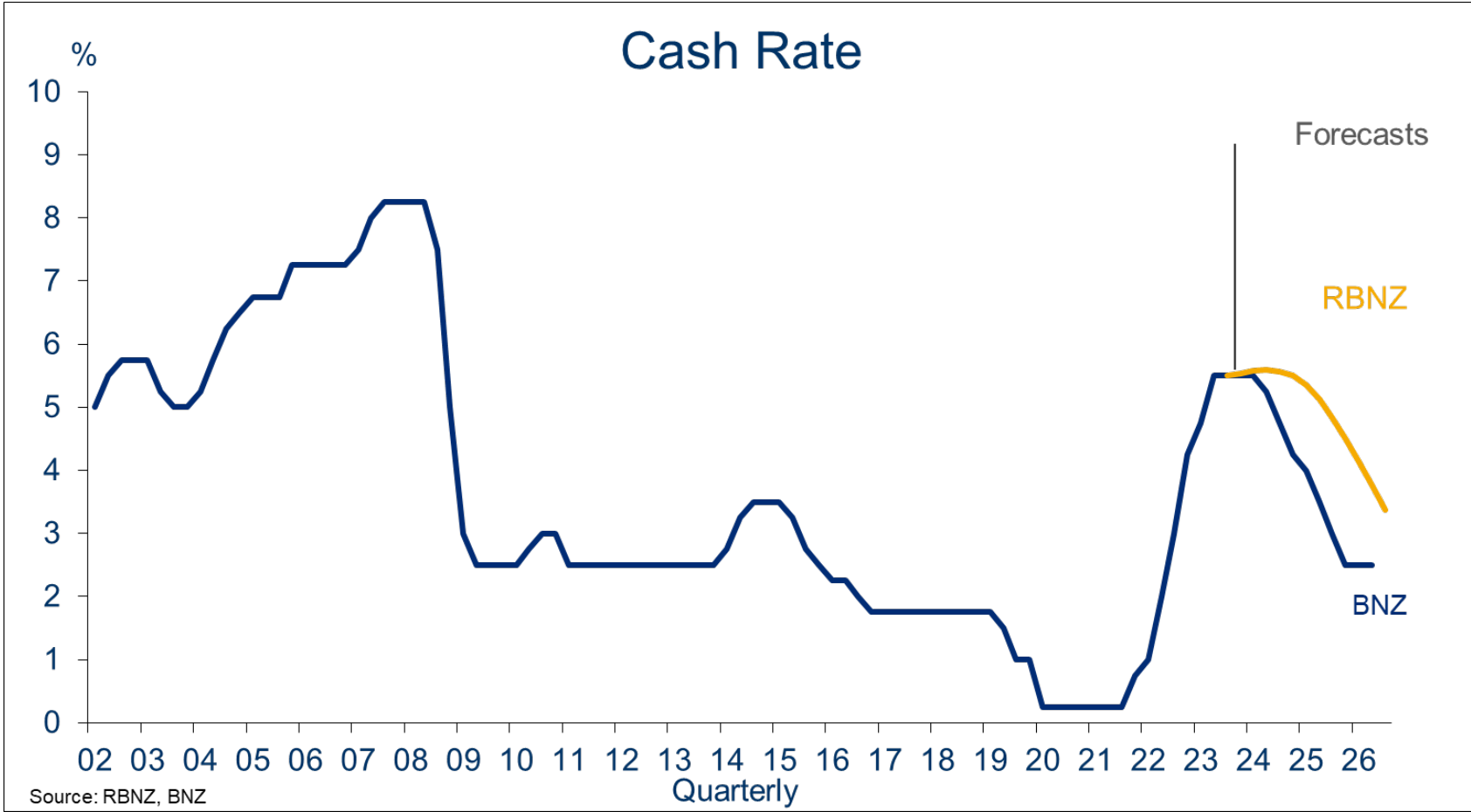




# Pricing intentions slump



# Our rate forecasts





# Policy shifts

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- Change RBNZ remit to abandon Maximum Sustainable Employment
- Tax threshold changes; other tax credits
- Remove large number of other taxes; reintroduce tax deductibility for landlords
- Labour market
  - Abandon plans for income insurance scheme
  - Make migration easier
  - Repeal fair pay legislation
  - Restore 90 day trial period
- Fiscal tightening
  - Can't be bigger than Labour was already forecasting
- Reduce climate change costs for farmers
  - But overseas consumer will drive this process
  - Fonterra maintains fight against emissions



# Likely outcomes

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- Business confidence up
- Investment activity up
- Landlords benefit
- SMEs benefit
- Agriculture thinks it will benefit, but not much
- Growth slightly higher
- Inflation less clear due to supply side changes and reduced taxes acting as an offset



# Conclusion

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- The worst is upon us
- But it will be some time before the world looks genuinely friendlier
- Keep flexible and informed