

WED 29 | 9.00-10.30

BRAD OLSEN

**How economic trends
will impact businesses in
2024**

How economic trends will impact businesses in 2024

WasteMINZ Conference 2024

Brad Olsen (Chief Executive & Principal Economist)

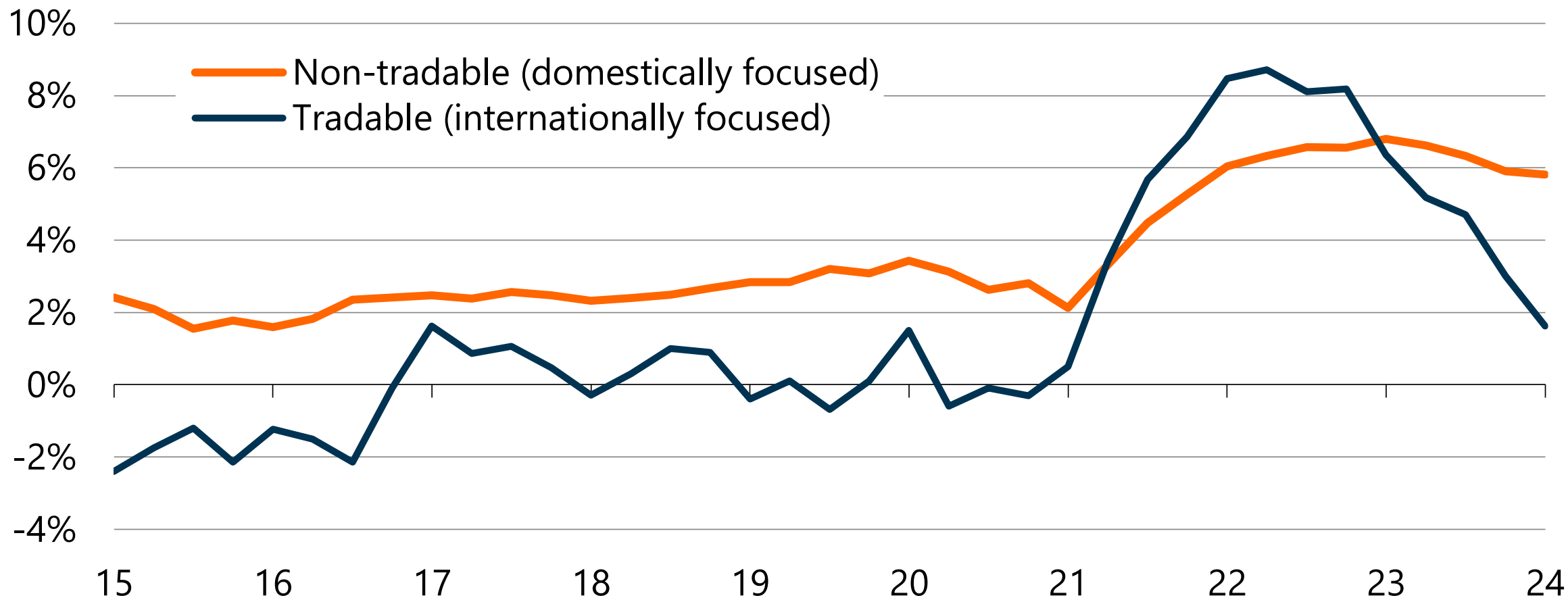
29 May 2024

**Inflation's improving, but it's still
too high, and still too slow**

Inflation

Still too much domestic price pressure

Annual inflation rate by component

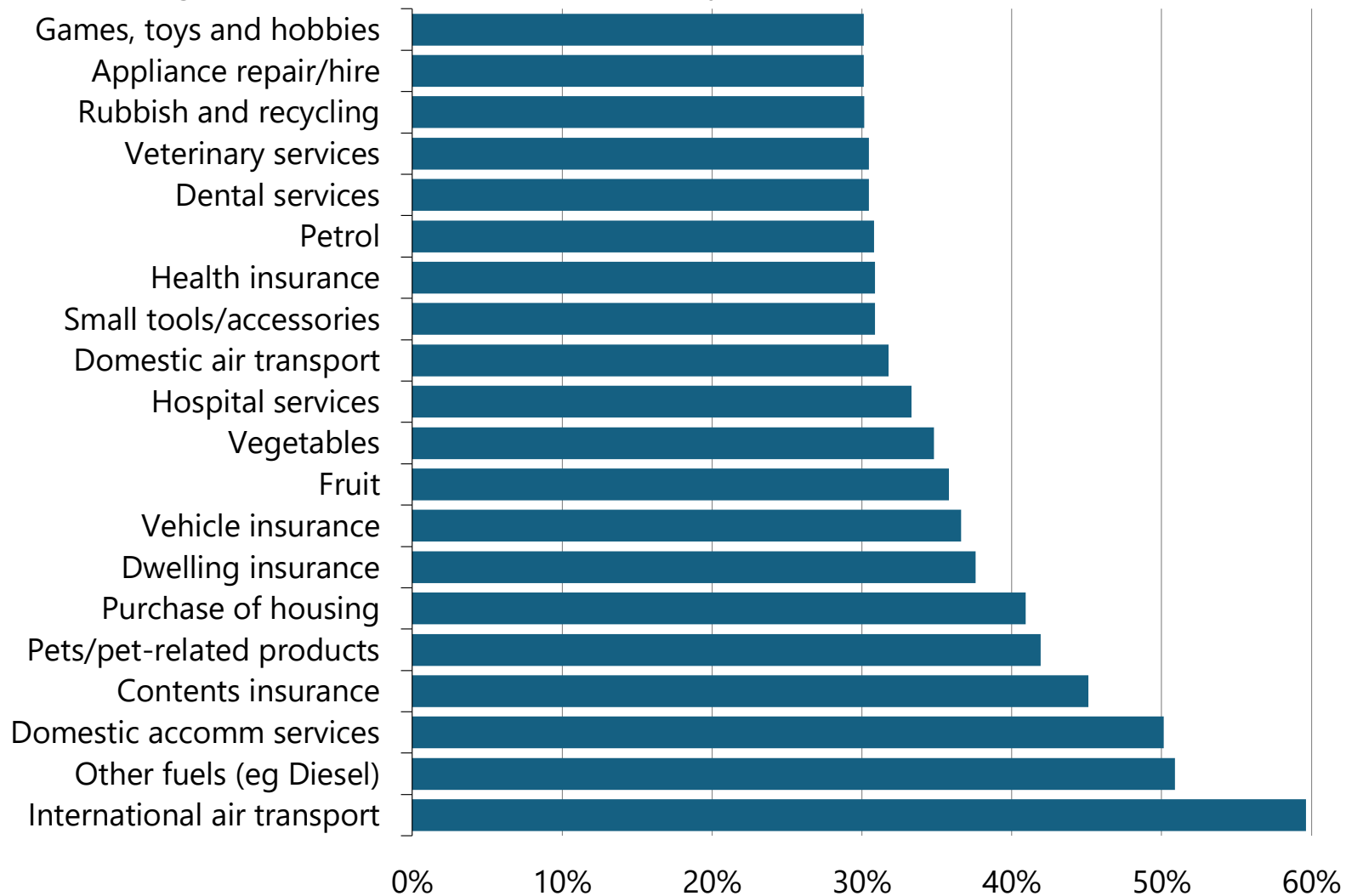


Inflation

The top 20 price rises since 2020

Price change between Mar-20 and Mar-24, by CPI Class

■ % Change since Mar-20



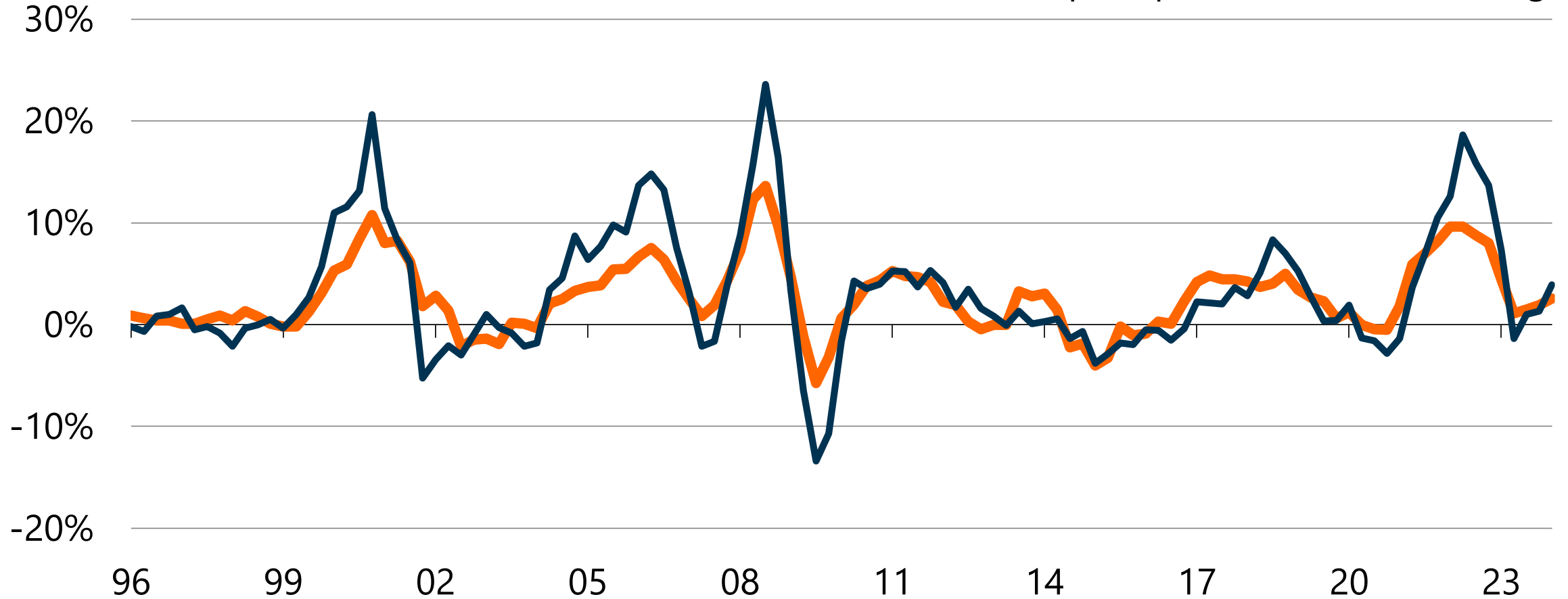
Inflation

Transport costs a risk to activity

Producer price input costs, annual % changes

— Total economy

— Transport, postal, and warehousing

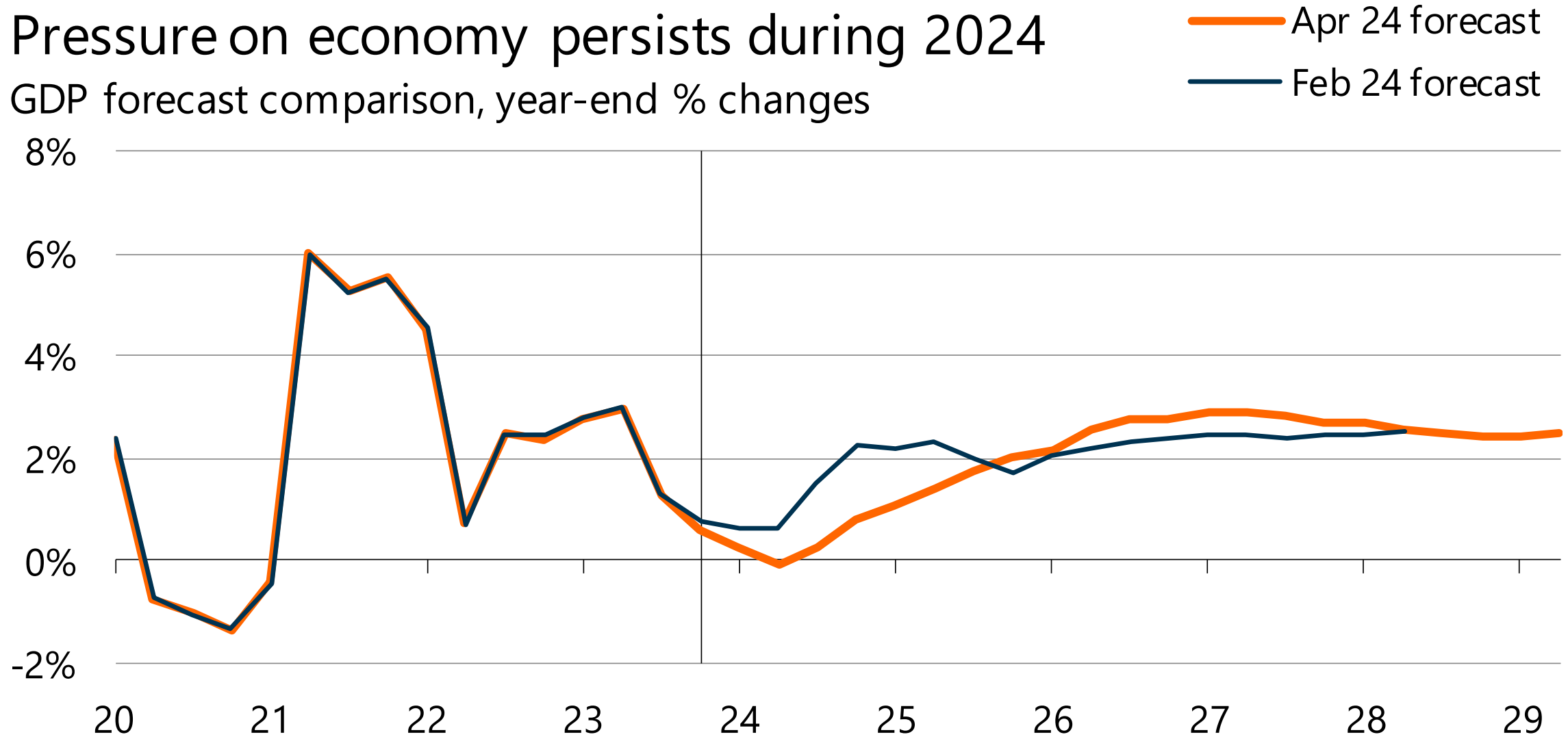


Hit harder, for longer

Economic activity

Pressure on economy persists during 2024

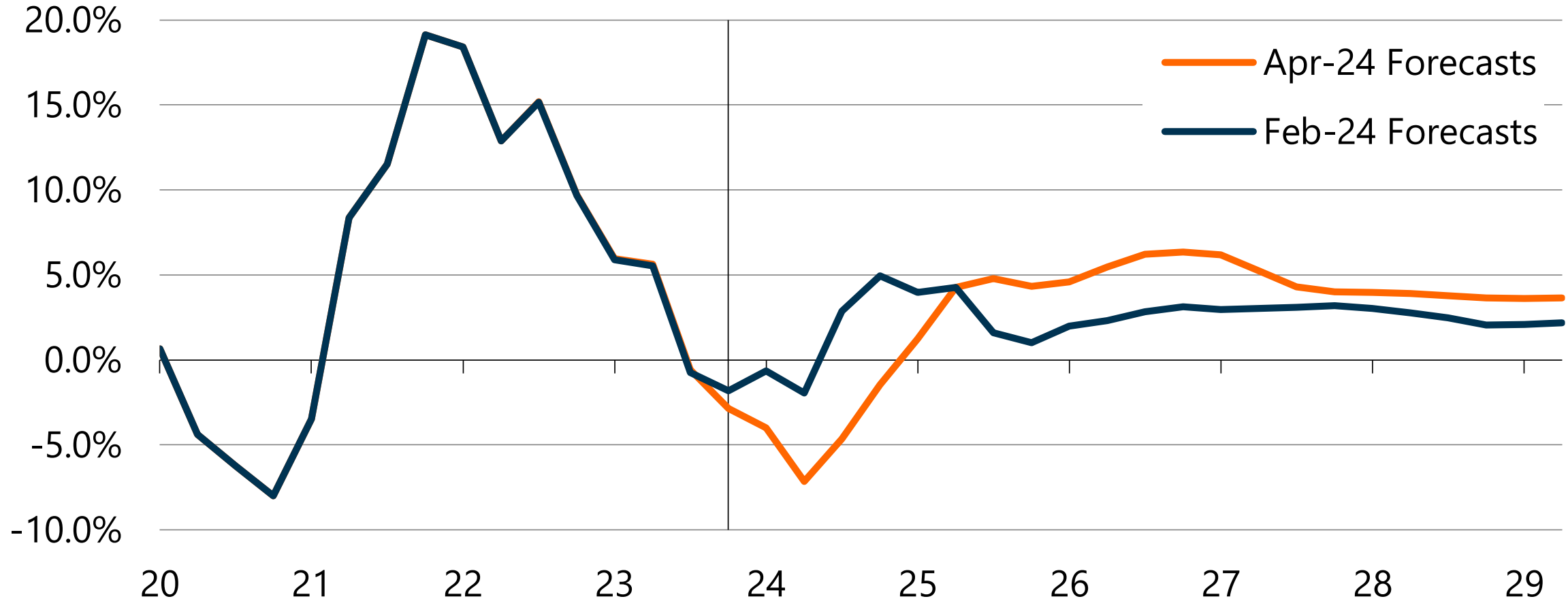
GDP forecast comparison, year-end % changes



Economic activity

Slow but steady current account rebalancing

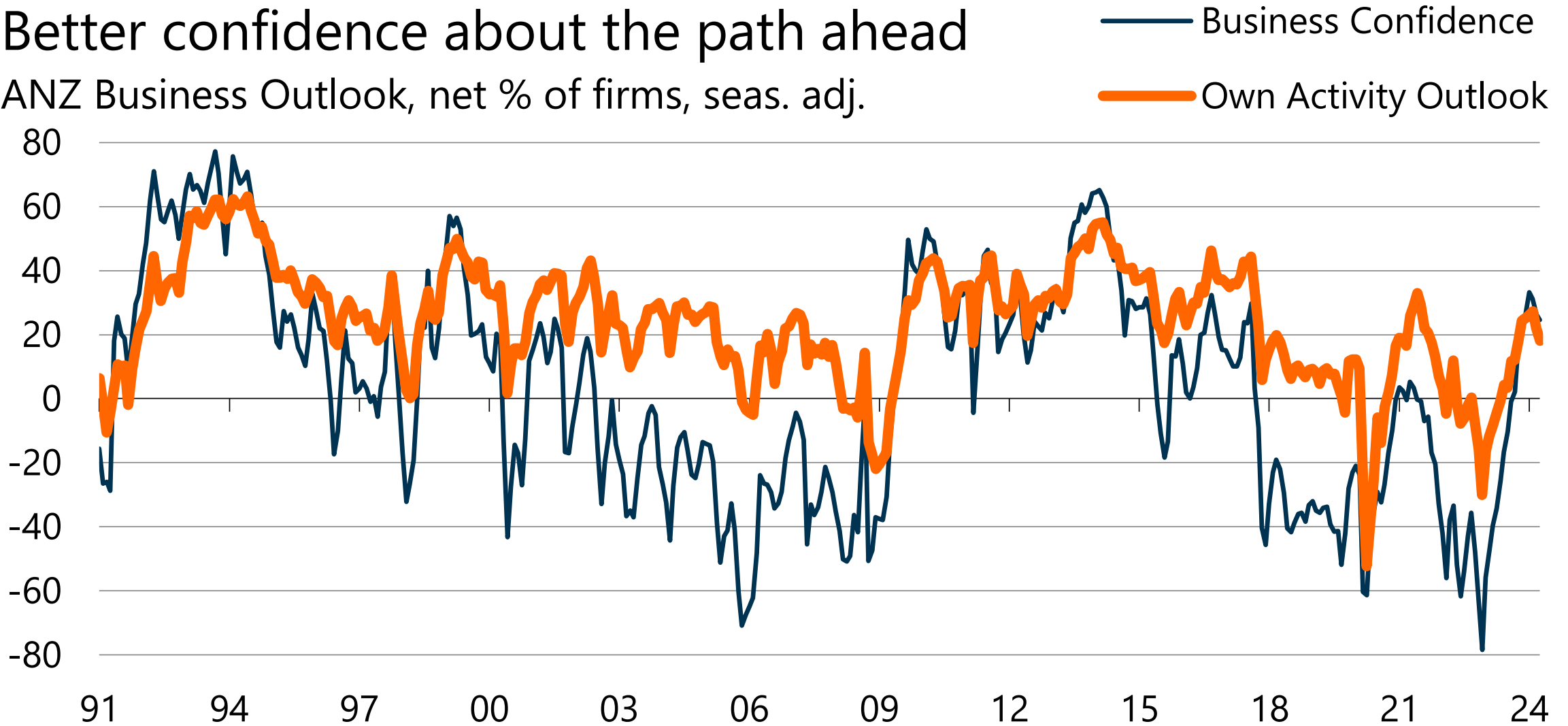
Private business investment (non-property), annual av. % change



Economic activity

Better confidence about the path ahead

ANZ Business Outlook, net % of firms, seas. adj.

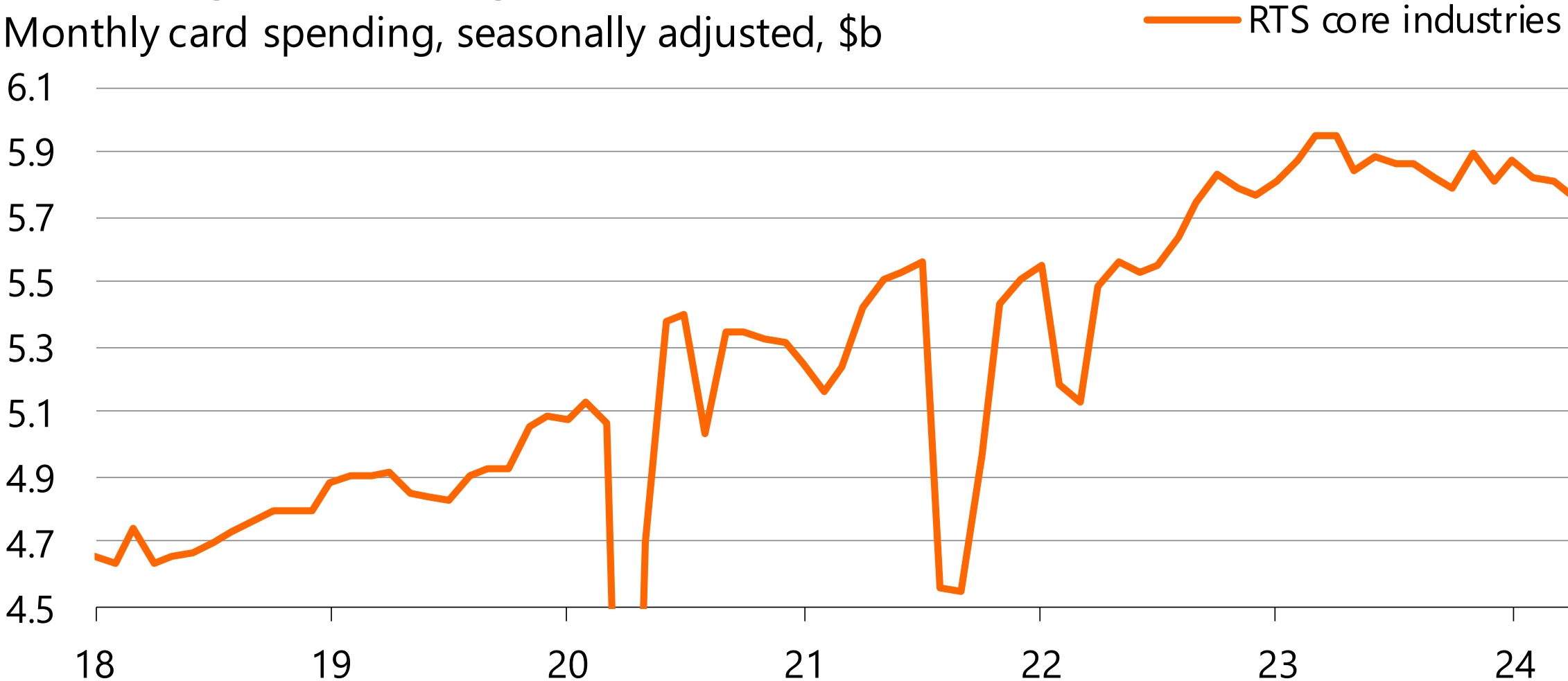


Households squeezed

Spending

Spending weakening

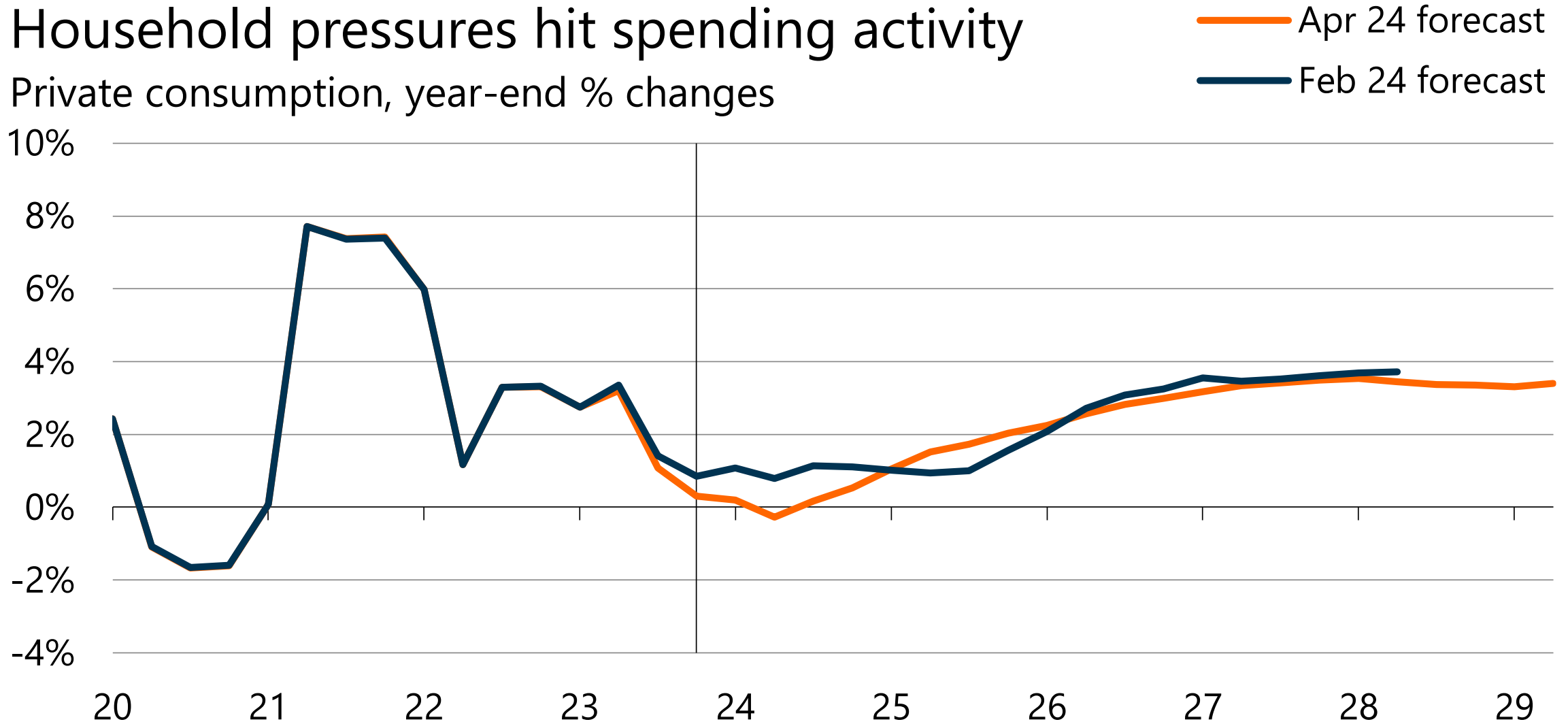
Monthly card spending, seasonally adjusted, \$b



Interest rates biting, for longer

Household pressures hit spending activity

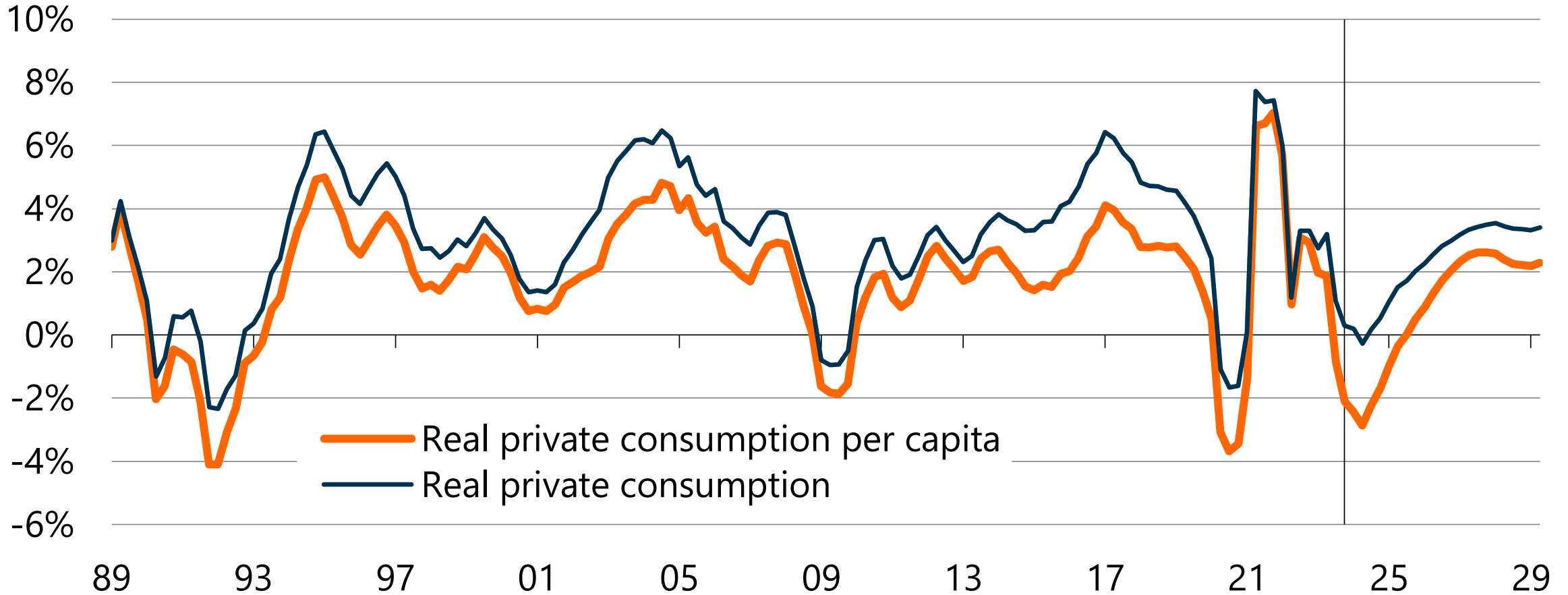
Private consumption, year-end % changes



Per capita spending hit much worse

Per-capita figures reveal squeeze on households

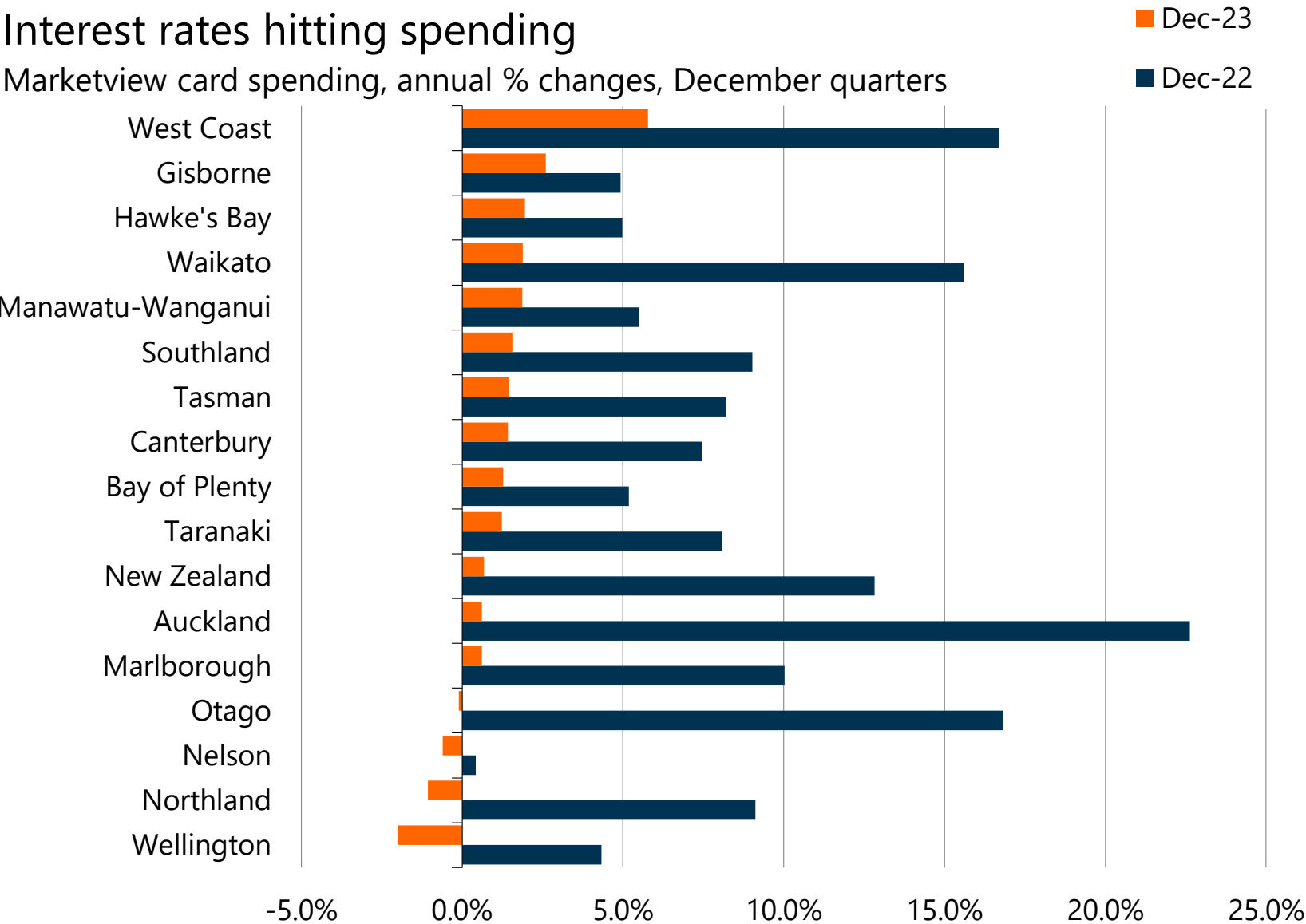
Private consumption spending volumes, year-end % changes



Intense spending pull-back

Interest rates hitting spending

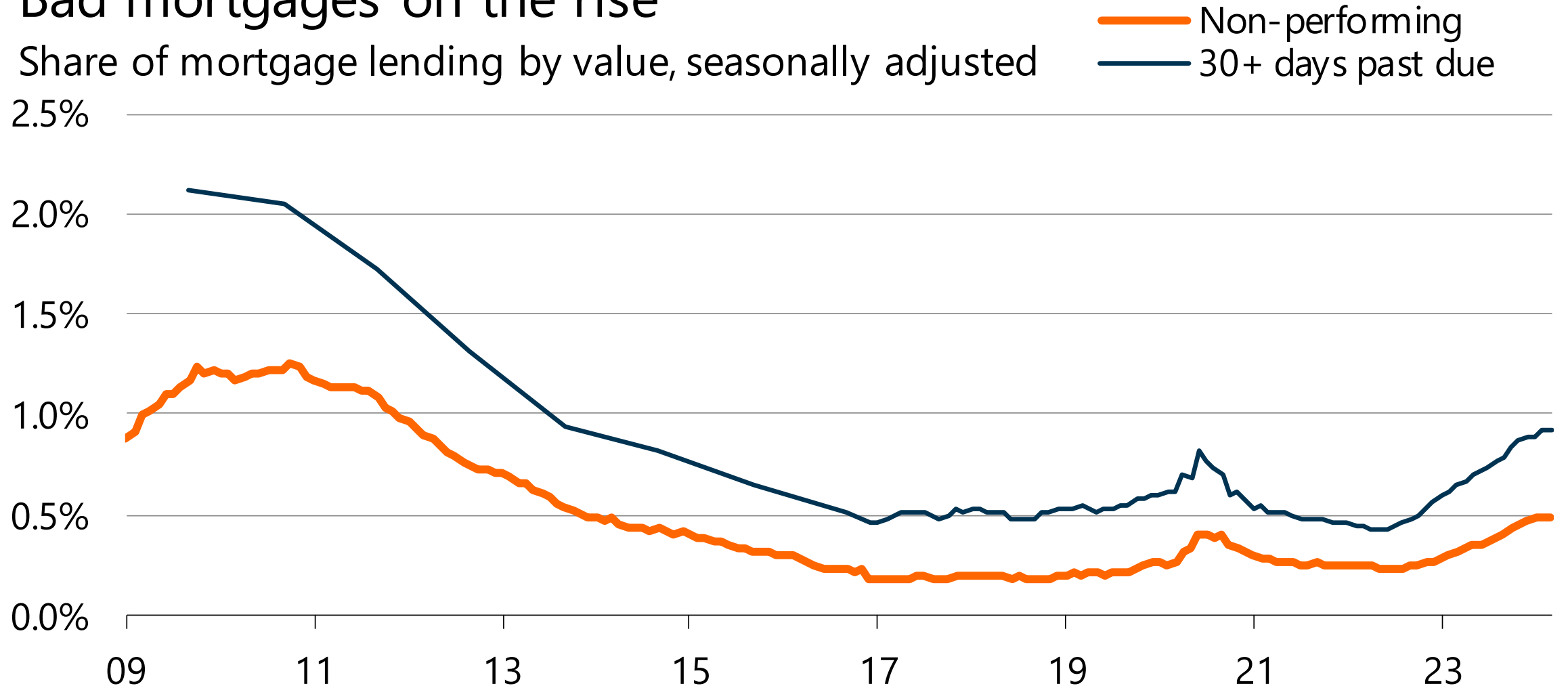
Marketview card spending, annual % changes, December quarters



Household pressure

Bad mortgages on the rise

Share of mortgage lending by value, seasonally adjusted

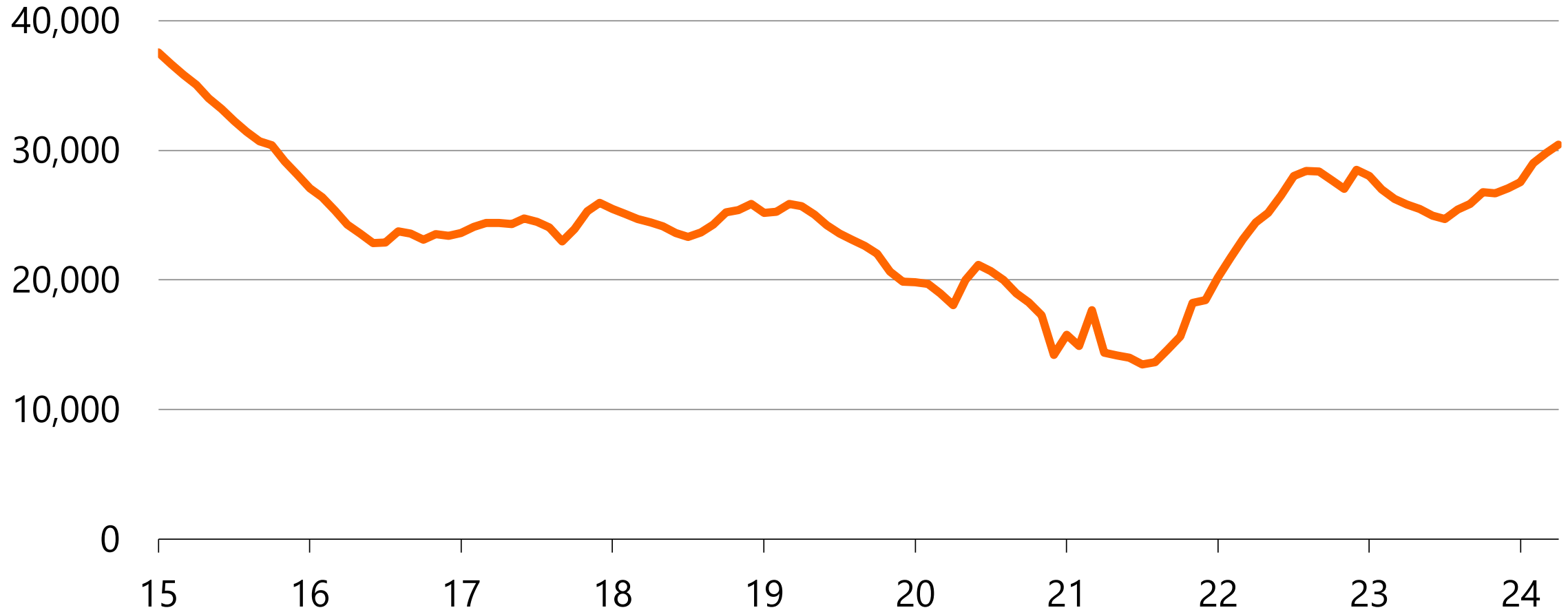


**Housing activity subdued
and we're still expecting restraint**

Housing

More people putting their properties on the market

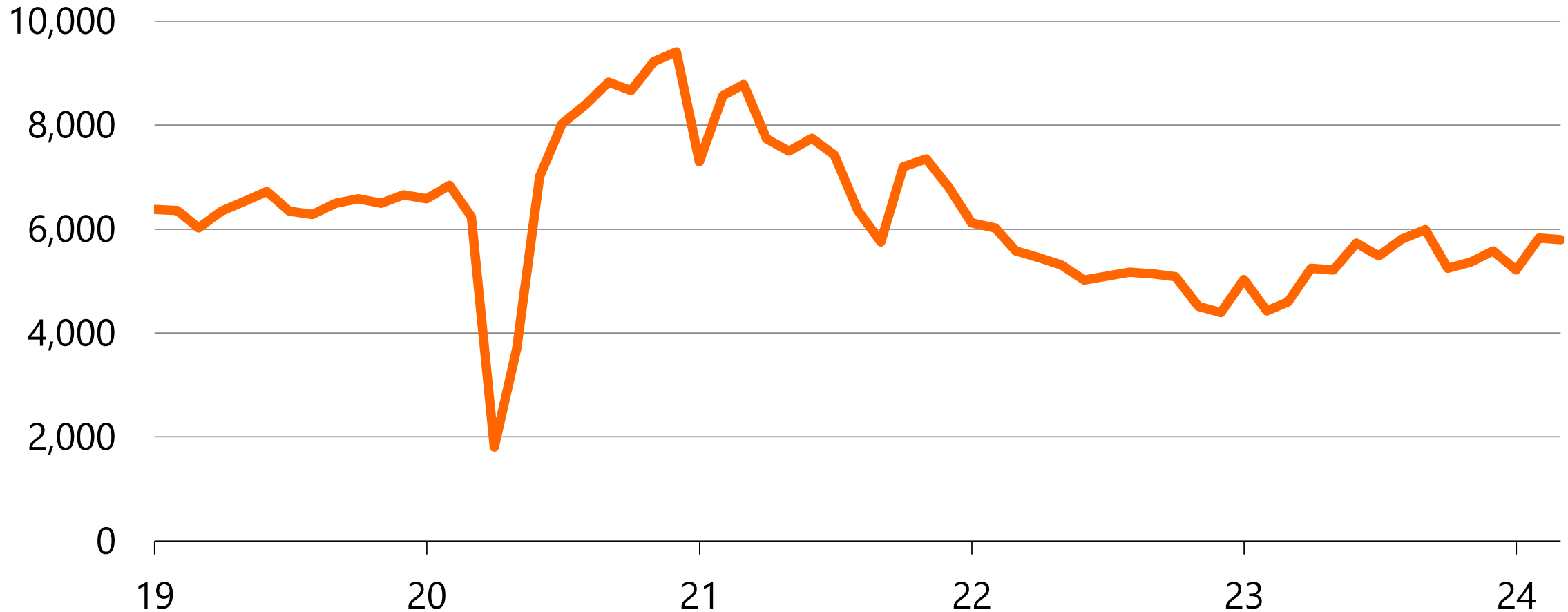
Number of homes for sale on realestate.co.nz, seasonally adjusted



Housing

House sales limited by shallow buyer pool

Monthly house sales, seasonally adjusted

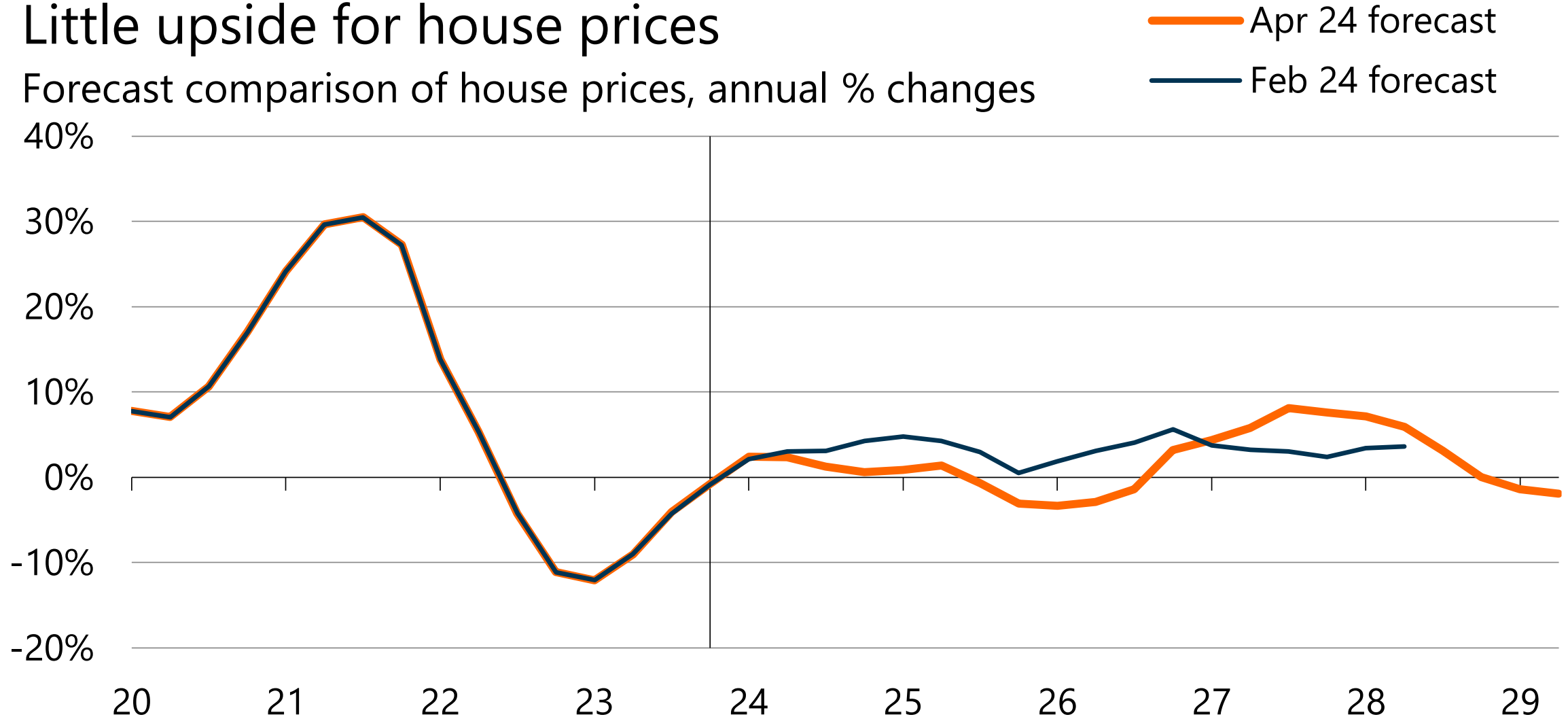


New Zealand

Housing

Little upside for house prices

Forecast comparison of house prices, annual % changes

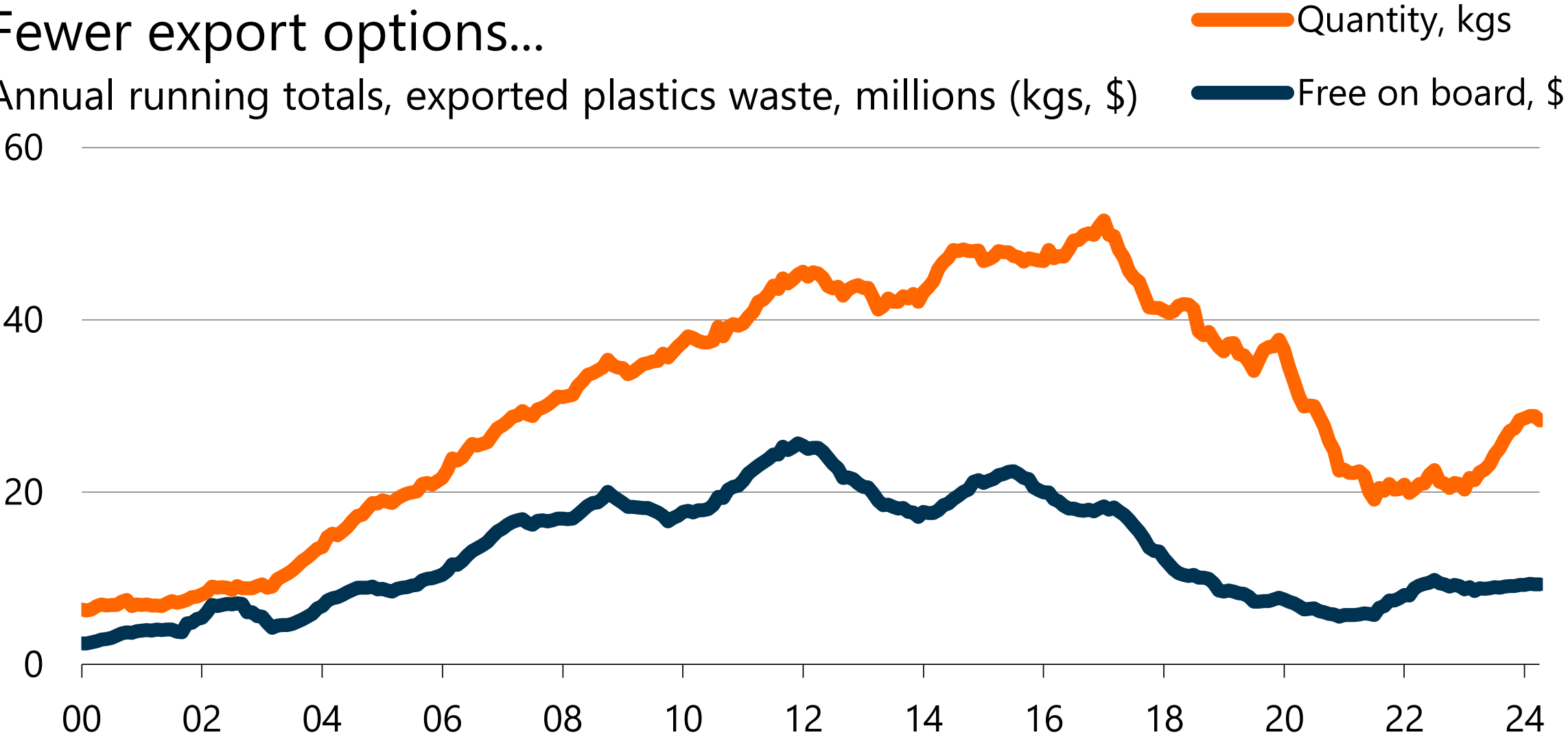


Global challenges remain too

Global factors

Fewer export options...

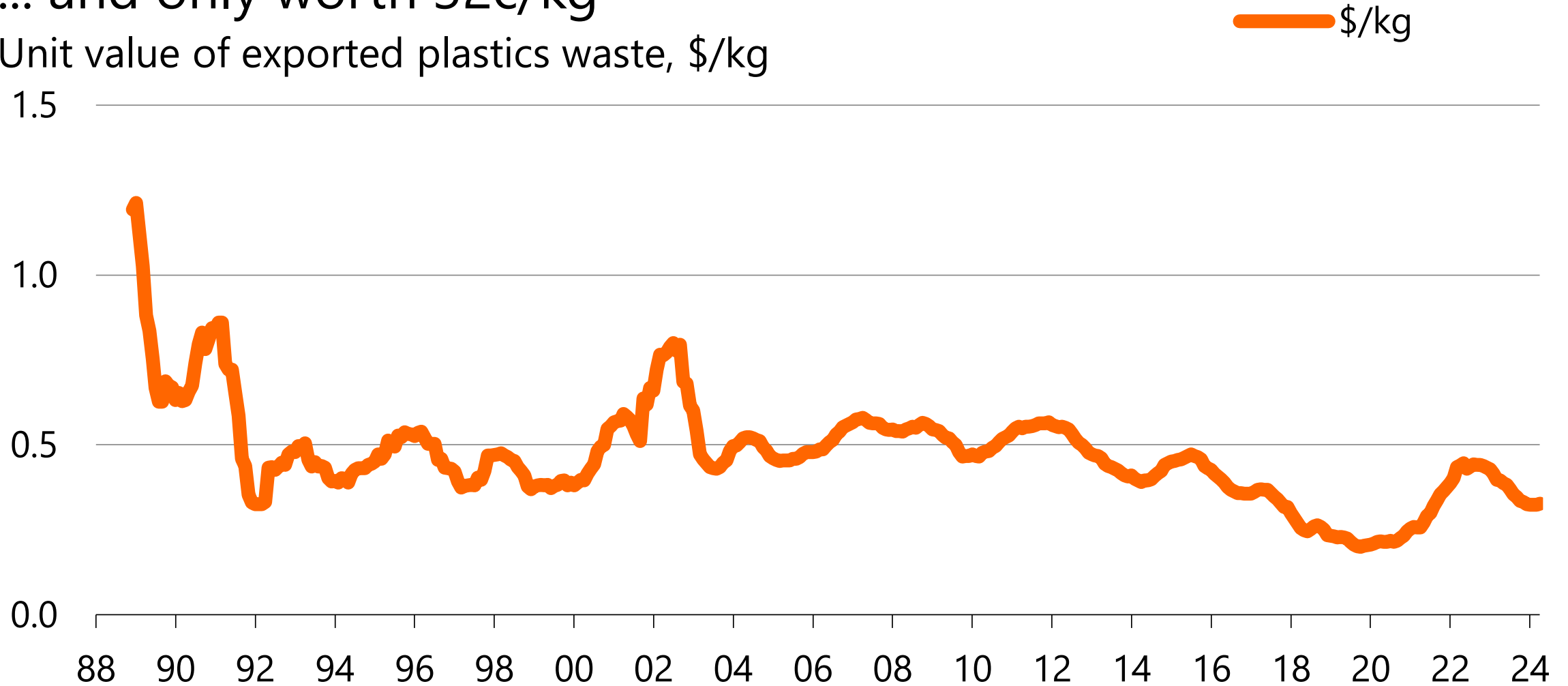
Annual running totals, exported plastics waste, millions (kgs, \$)



Global factors

... and only worth 32c/kg

Unit value of exported plastics waste, \$/kg

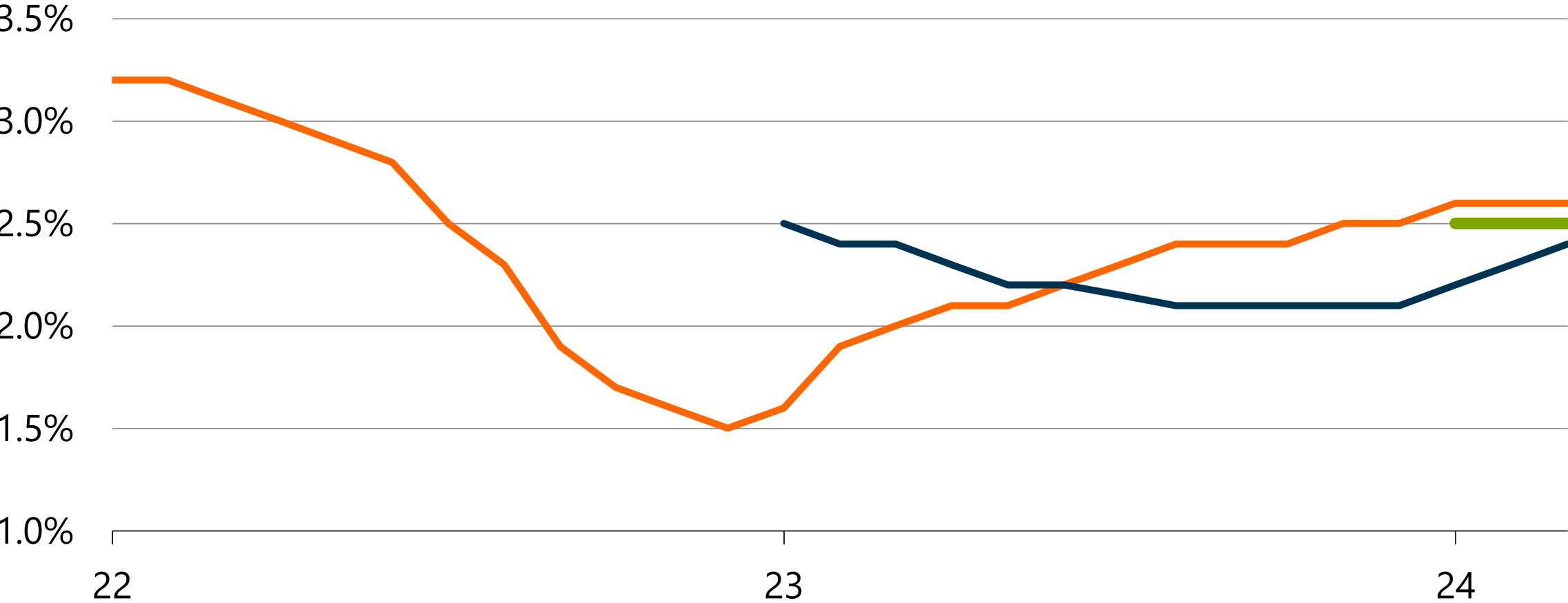


Global factors

Global growth expectations capped at present

Annual global growth, Consensus forecasts over time

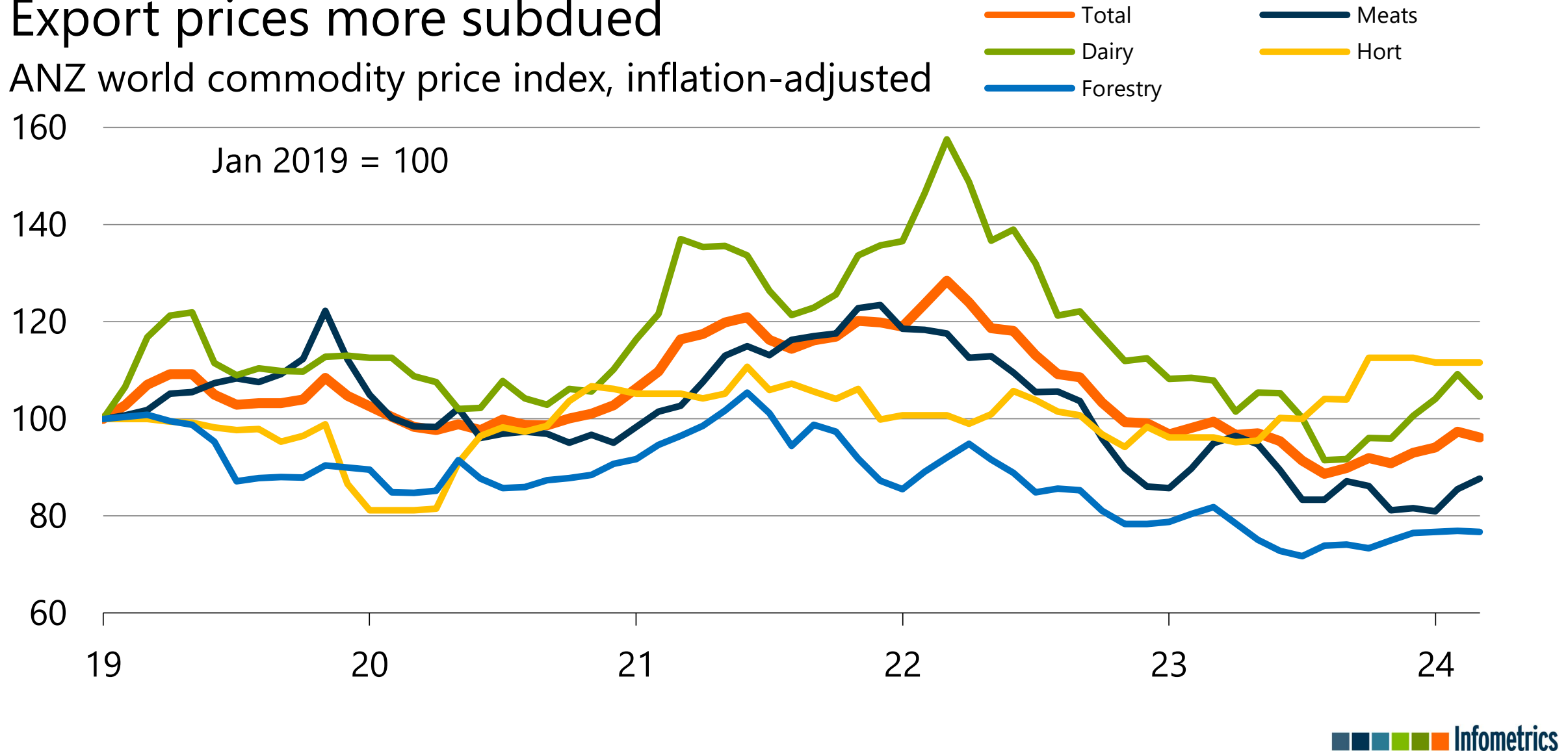
2023
2024
2025



Global factors

Export prices more subdued

ANZ world commodity price index, inflation-adjusted



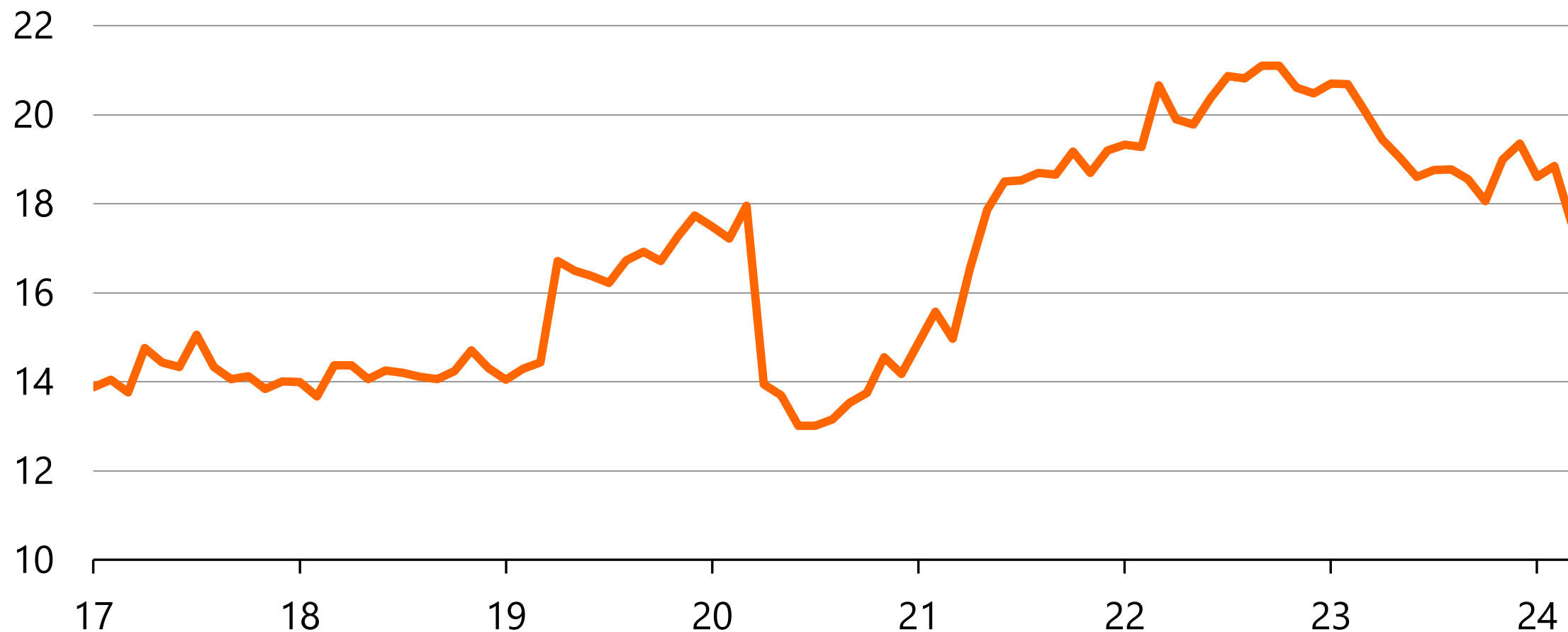
New government

Same challenges

Government finances

Corporate tax down 12%pa in Mar-24 year

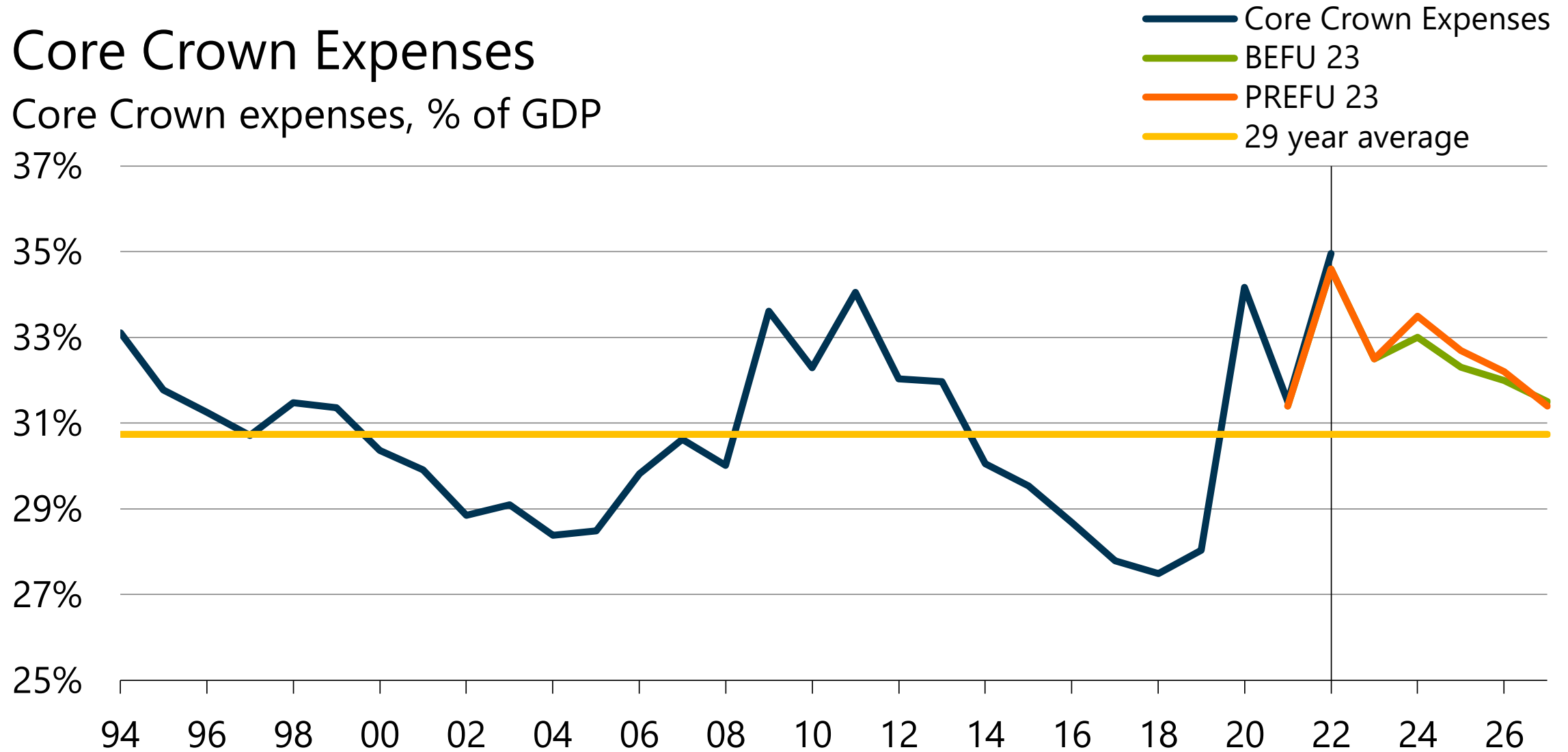
\$b, corporate tax take, annual running totals



Spending more as a share of the economy

Core Crown Expenses

Core Crown expenses, % of GDP



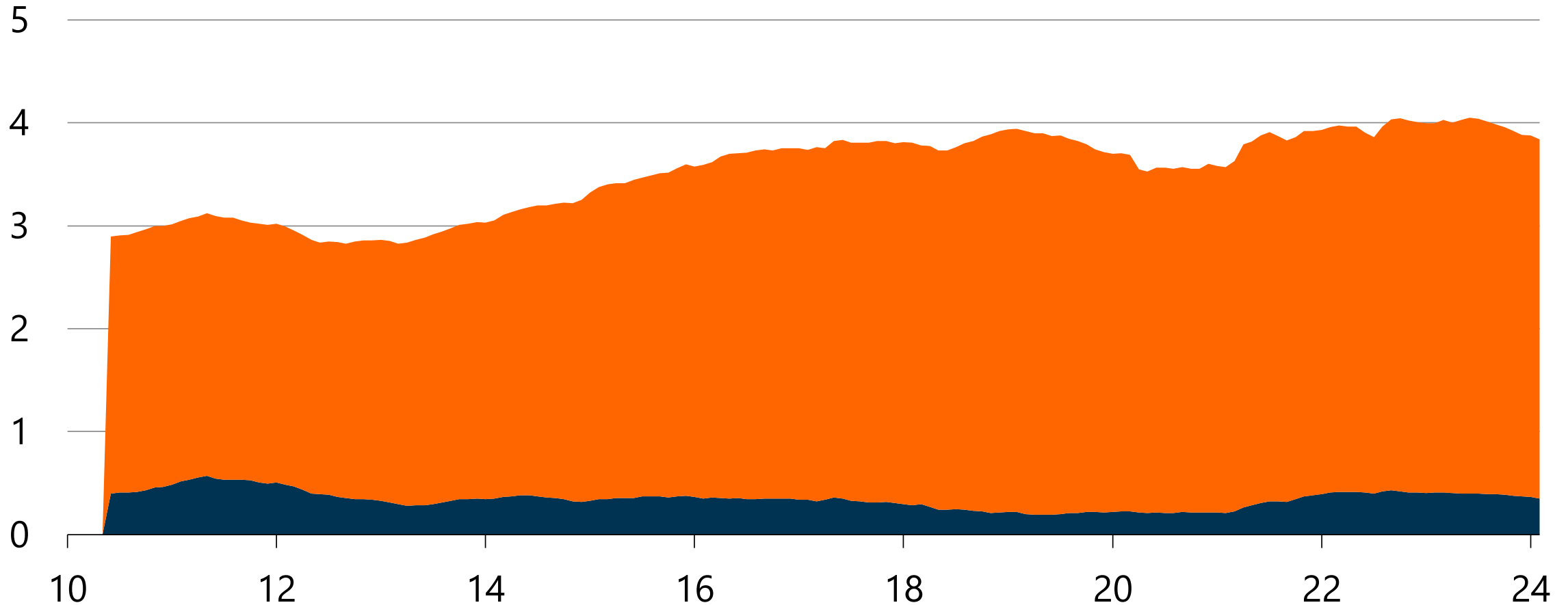
Changing waste situation

Waste

Waste volumes down 4%pa as economy slows

Millions of tonnes, Class 1 waste volumes, annual running totals

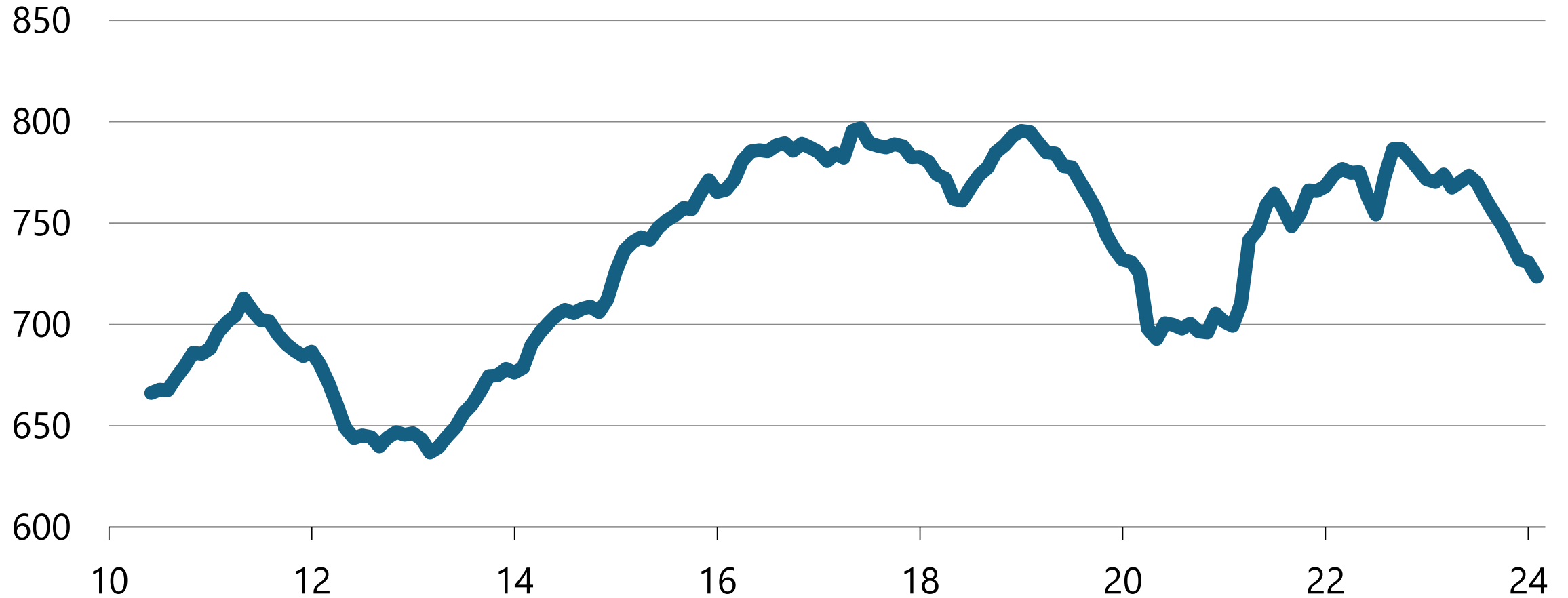
■ Diverted
■ Not Diverted



Waste

Shifting retail and waste trends

Annual waste, kgs per person



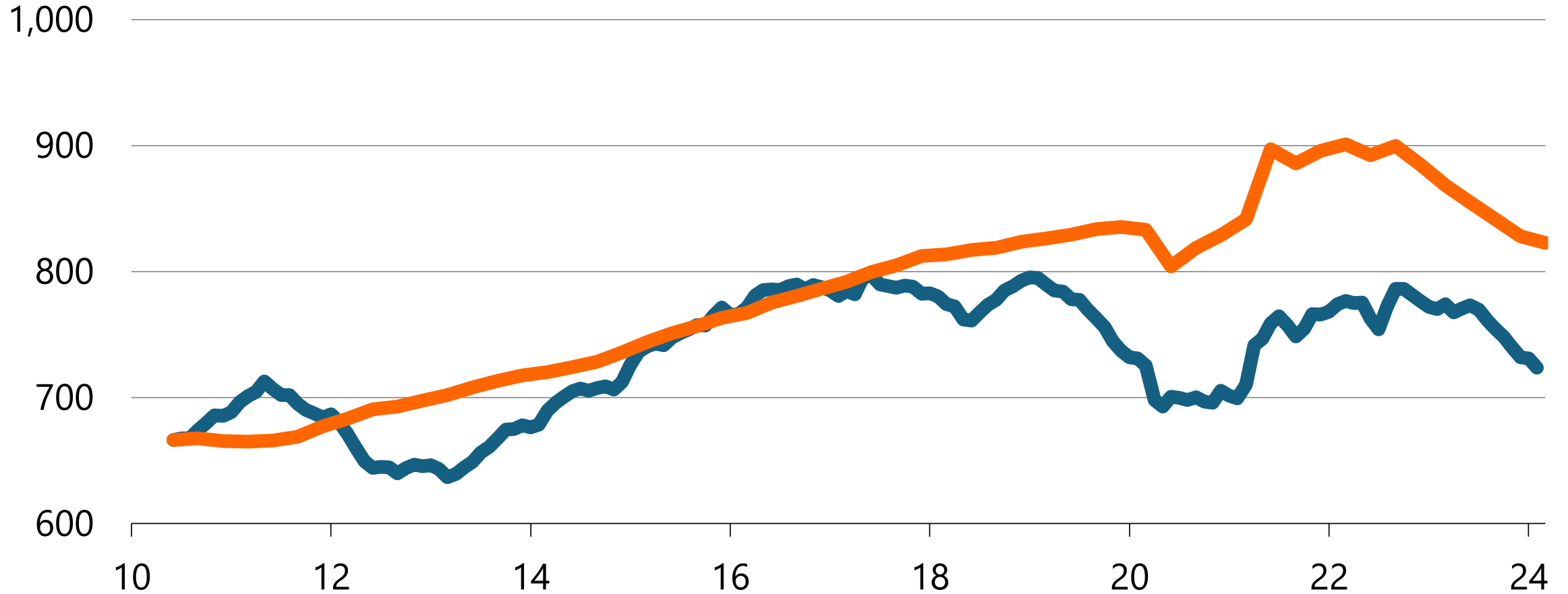
Waste

Shifting retail and waste trends

Annual waste, kgs per person (blue), retail trade volumes equiv.

Waste

Retail trade

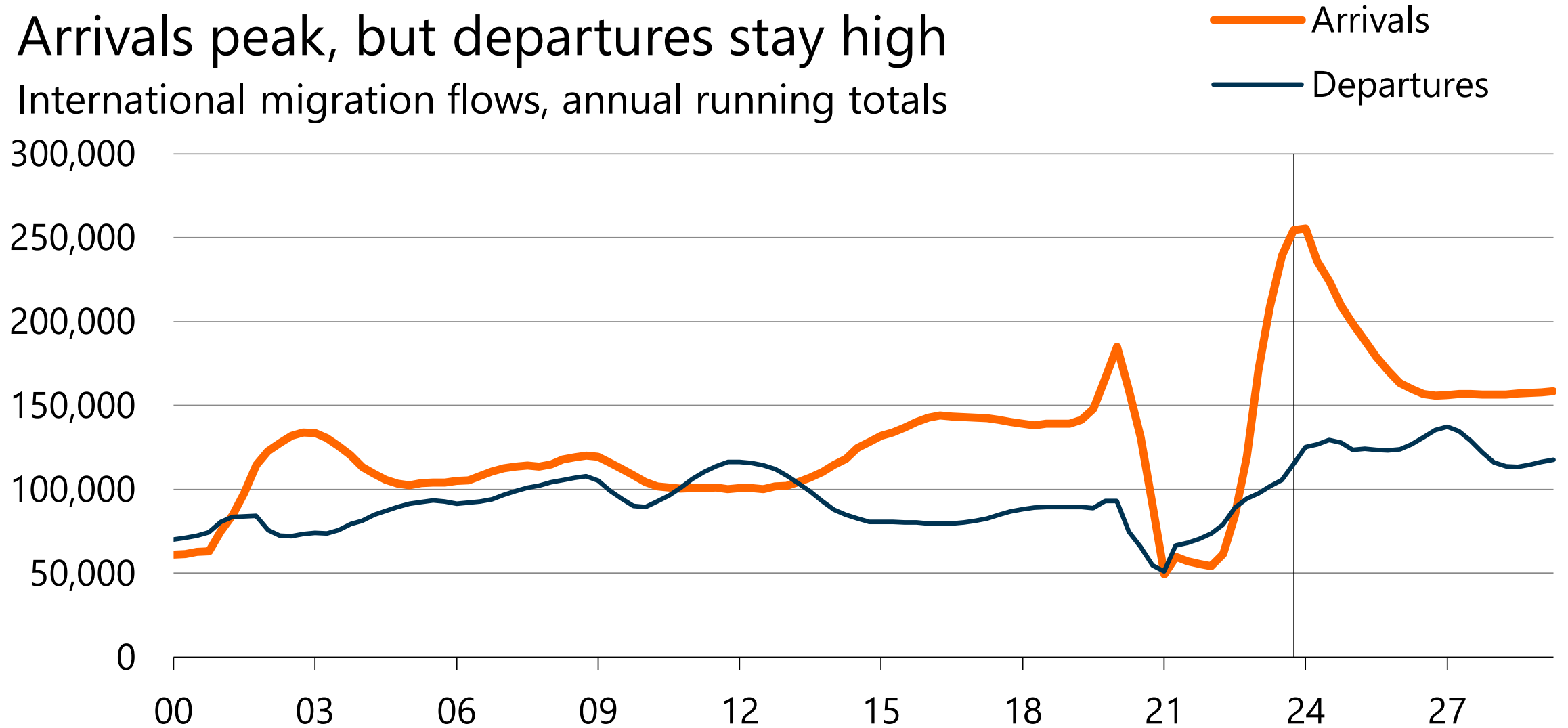


Shifting migration and employment trends

Migration

Arrivals peak, but departures stay high

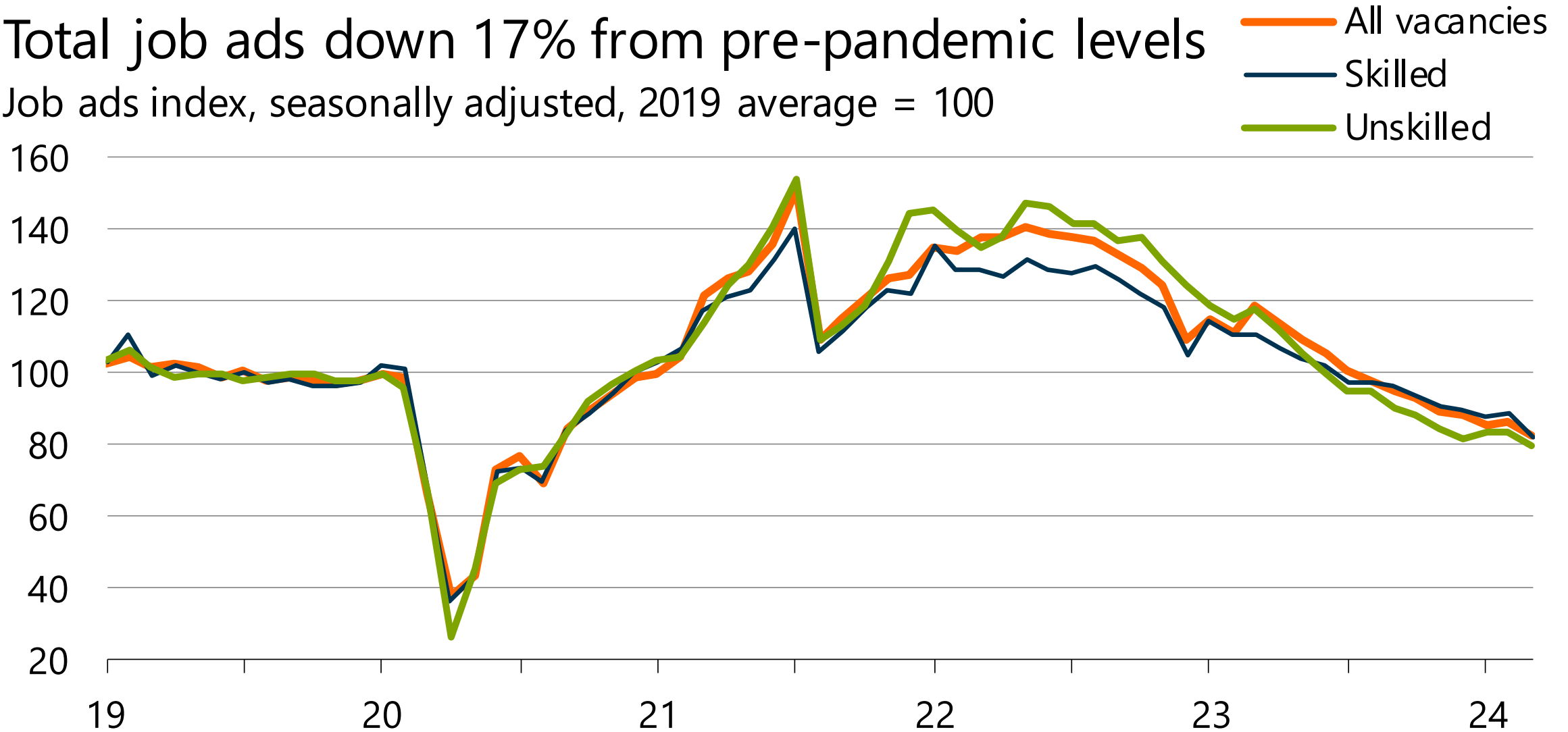
International migration flows, annual running totals



Labour market

Total job ads down 17% from pre-pandemic levels

Job ads index, seasonally adjusted, 2019 average = 100



Labour market

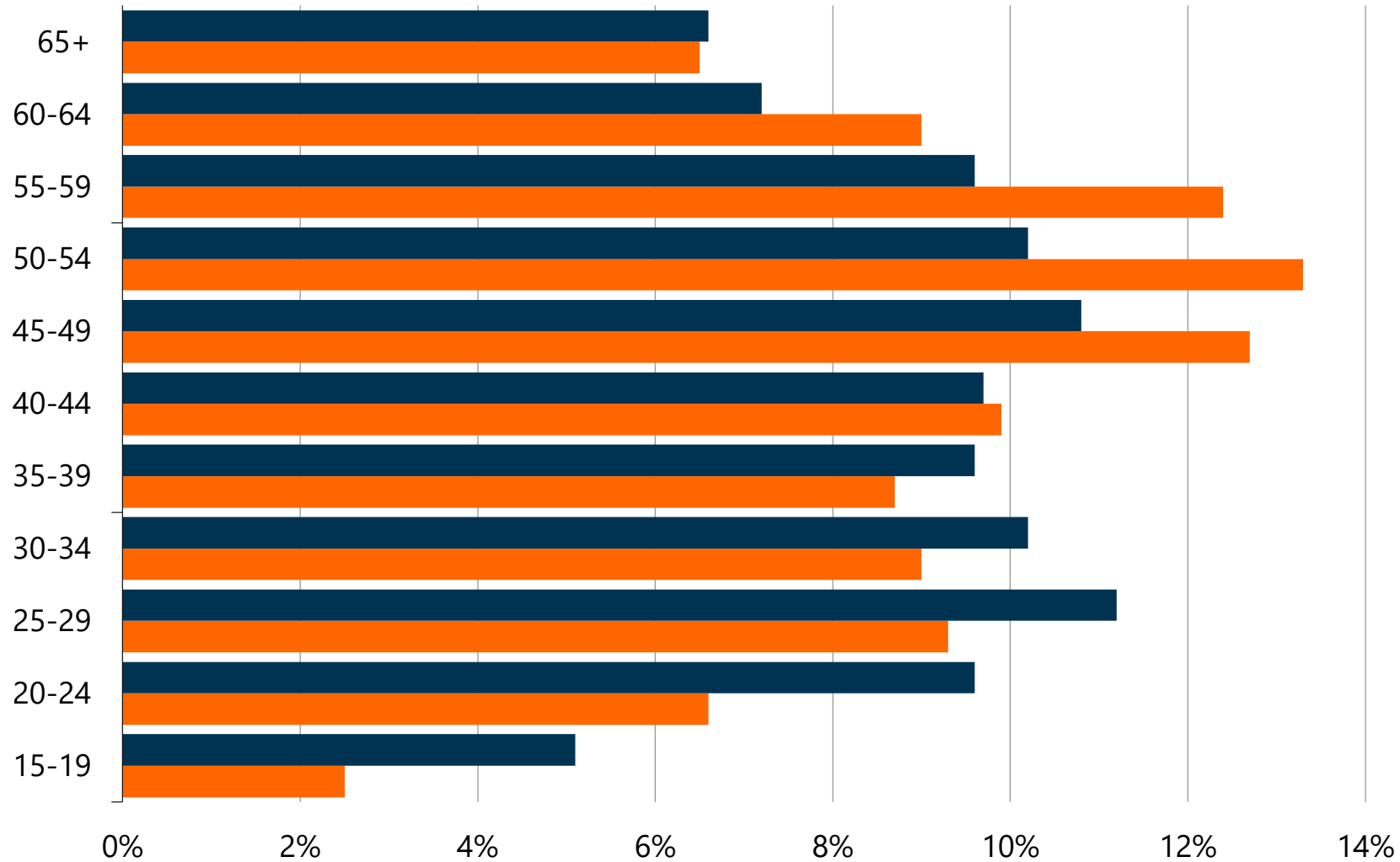
An older waste workforce

Share of employment, 2018

■ Total economy

■ Waste sector*

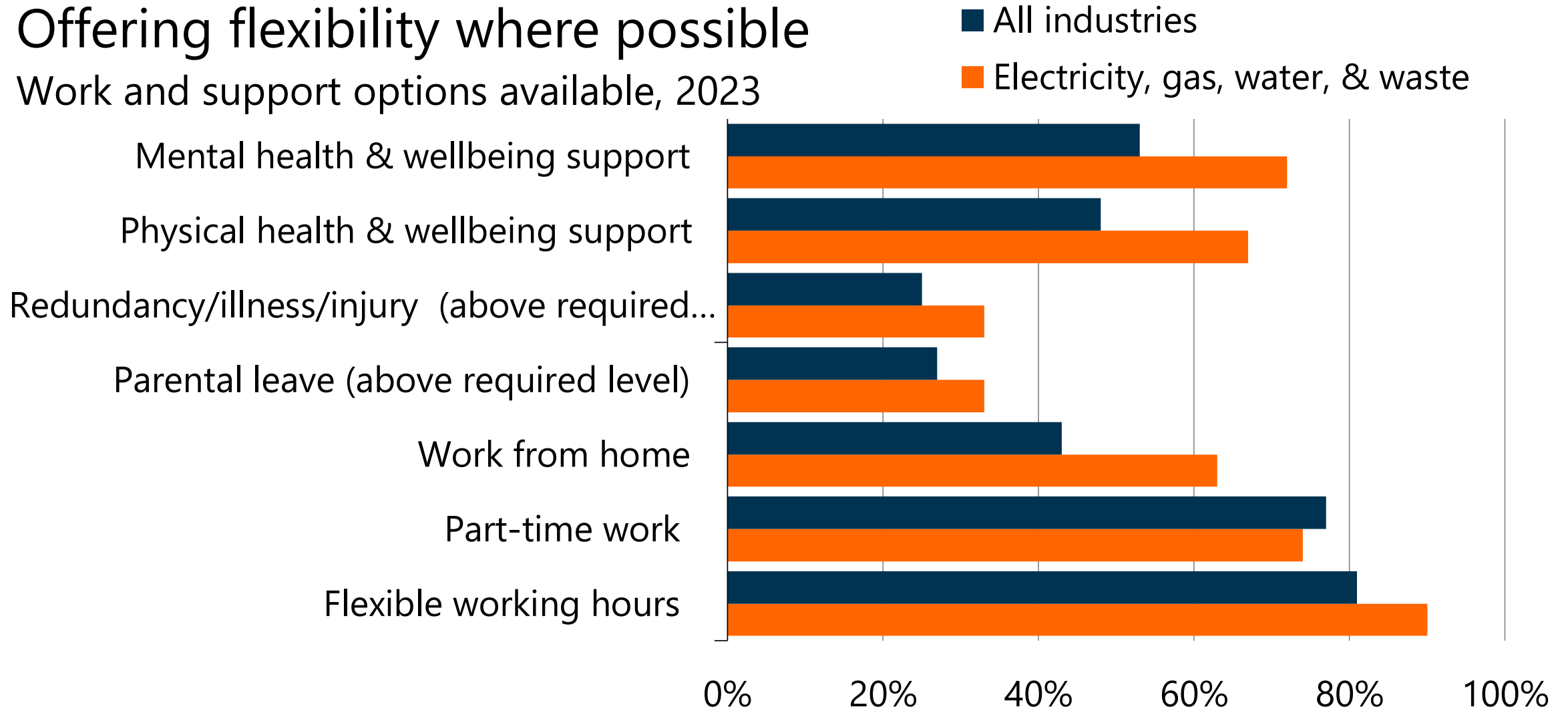
* includes collection, treatment and disposal services



Labour market

Offering flexibility where possible

Work and support options available, 2023

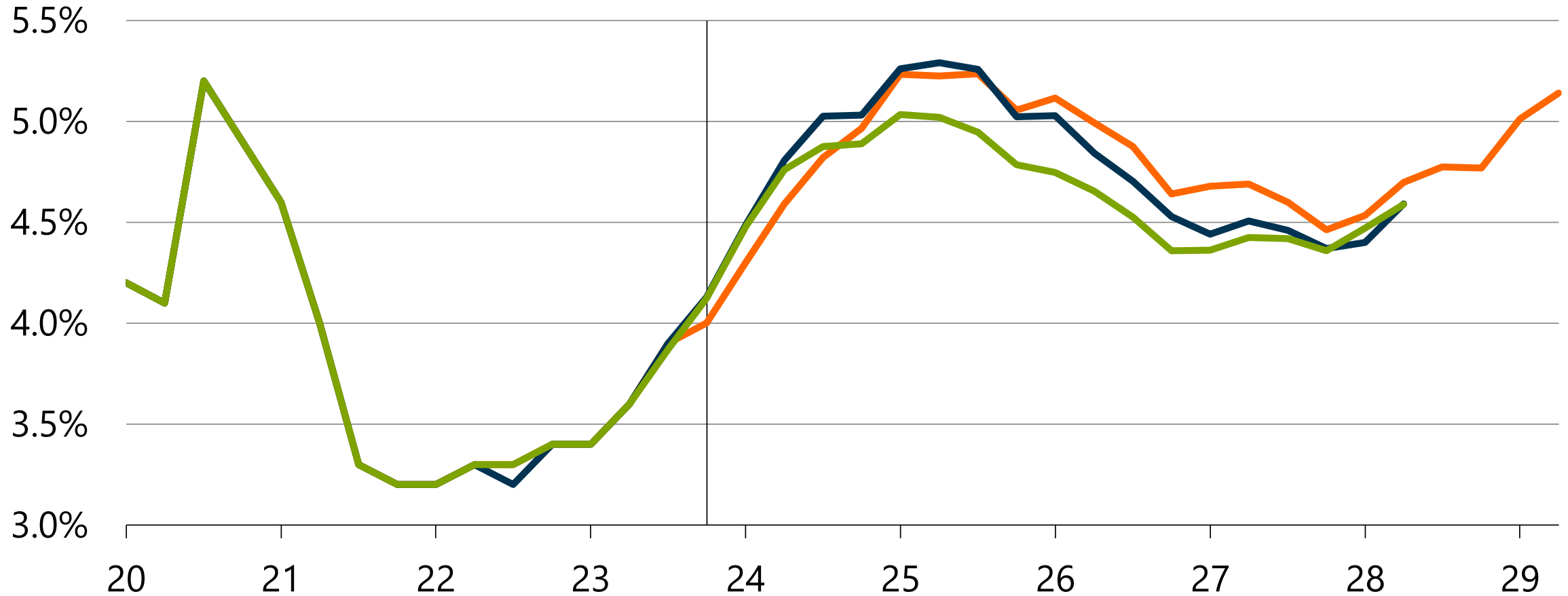


Labour market

Unemployment still expected to reach 5%

Forecast comparison of unemployment rate, % of labour force

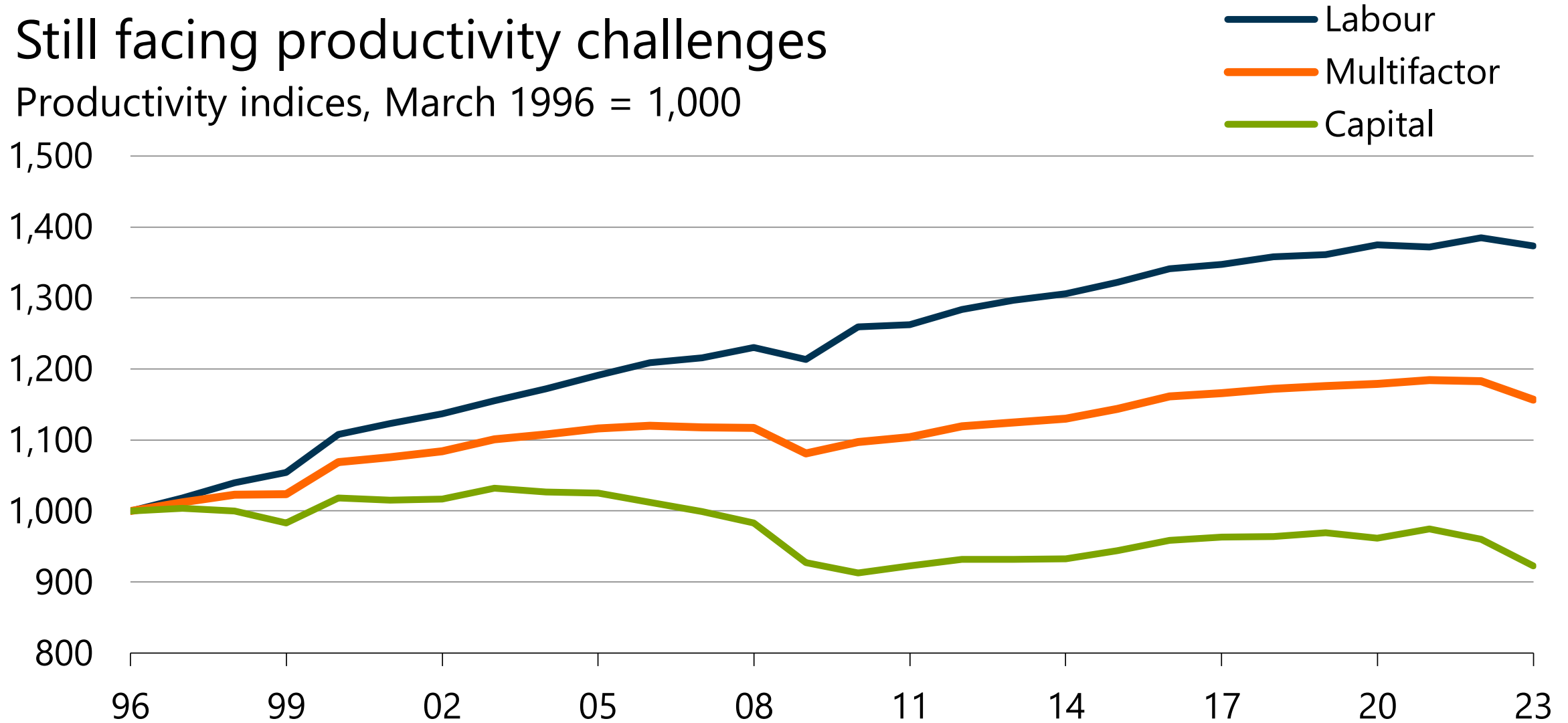
- Apr 24 forecast
- Feb24 forecast
- Oct 23 forecast



Labour market

Still facing productivity challenges

Productivity indices, March 1996 = 1,000

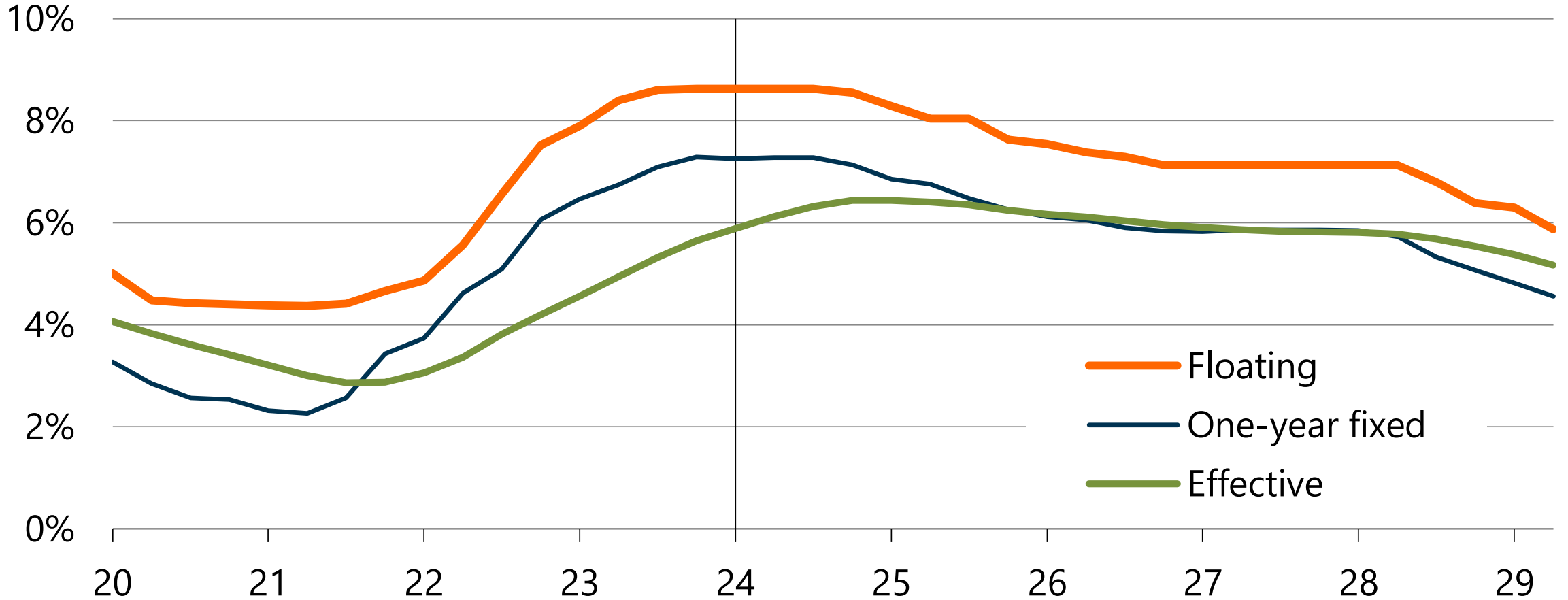


**Tougher for
longer in 2024**

Interest rates

Interest rates peak, but it's a slow road down

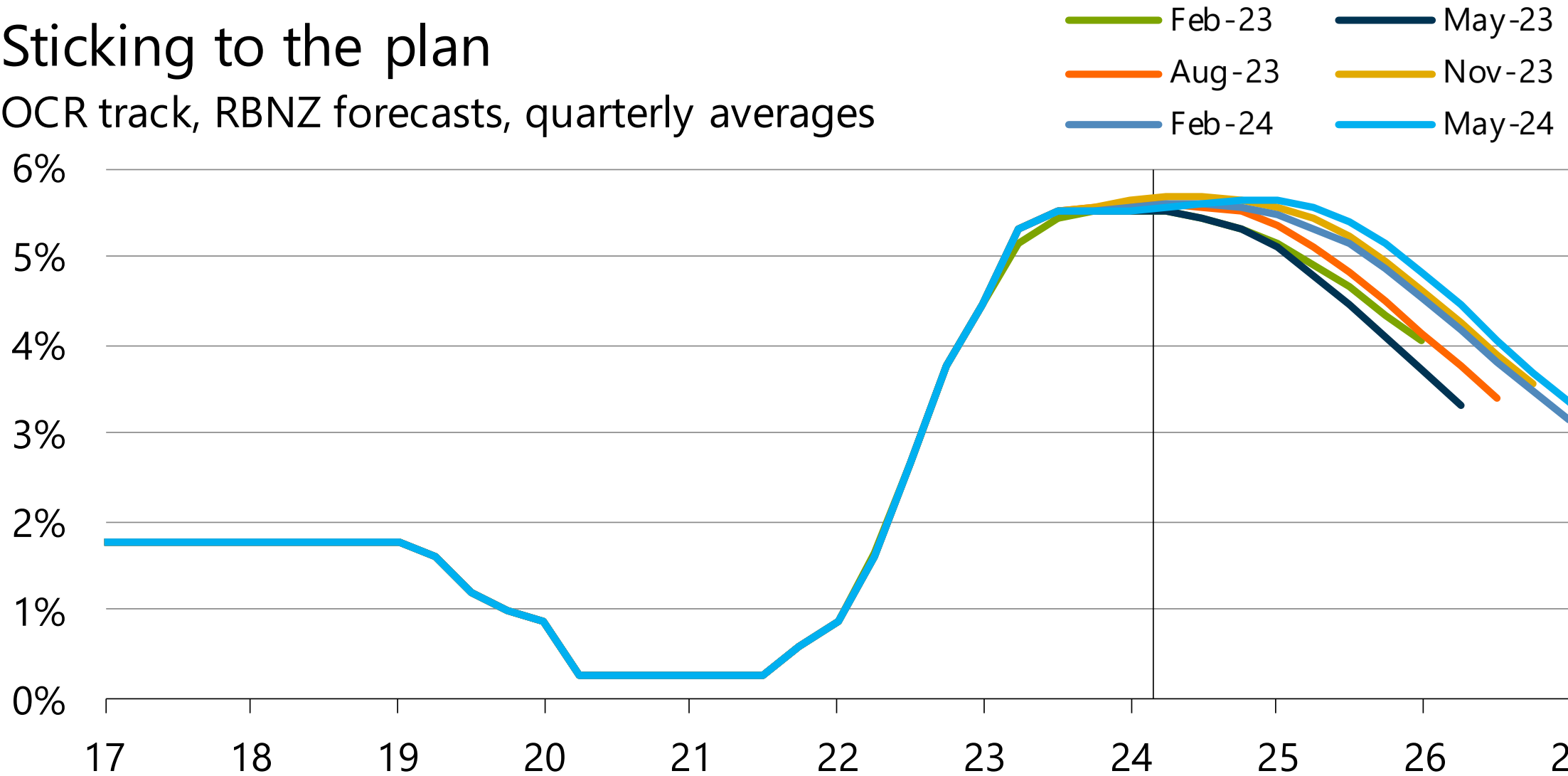
Mortgage rates, quarterly averages



Interest rates

Sticking to the plan

OCR track, RBNZ forecasts, quarterly averages

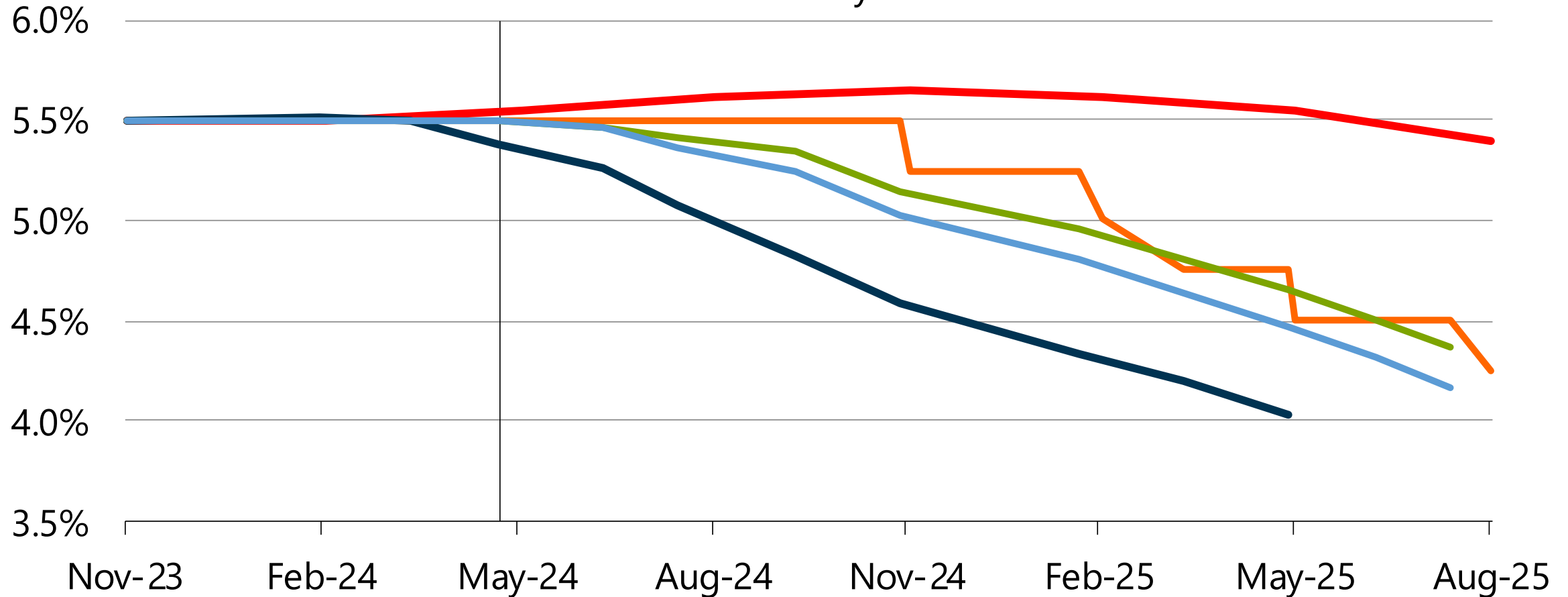


Interest rates

Markets vs RBNZ

OCR, market pricing by date

- RBNZ (May24)
- Infometrics (Apr24)
- 17-May-24
- 2-Feb-24
- 19-Apr-24



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