



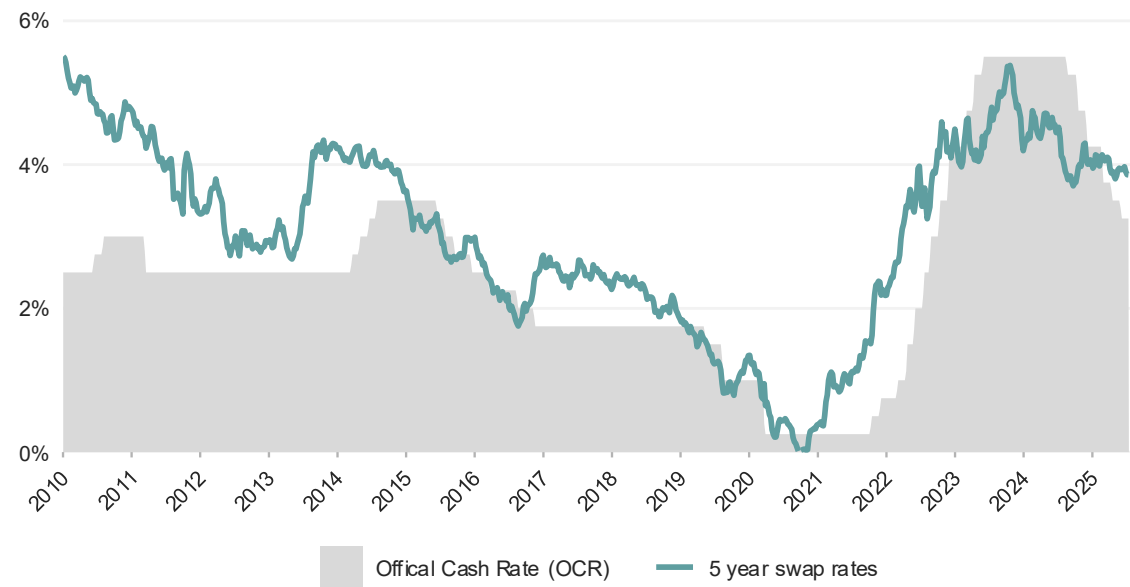
Economic Update



Interest Rates: Inflation is under control, but interest rates are expected to remain elevated, continuing to suppress consumer demand.

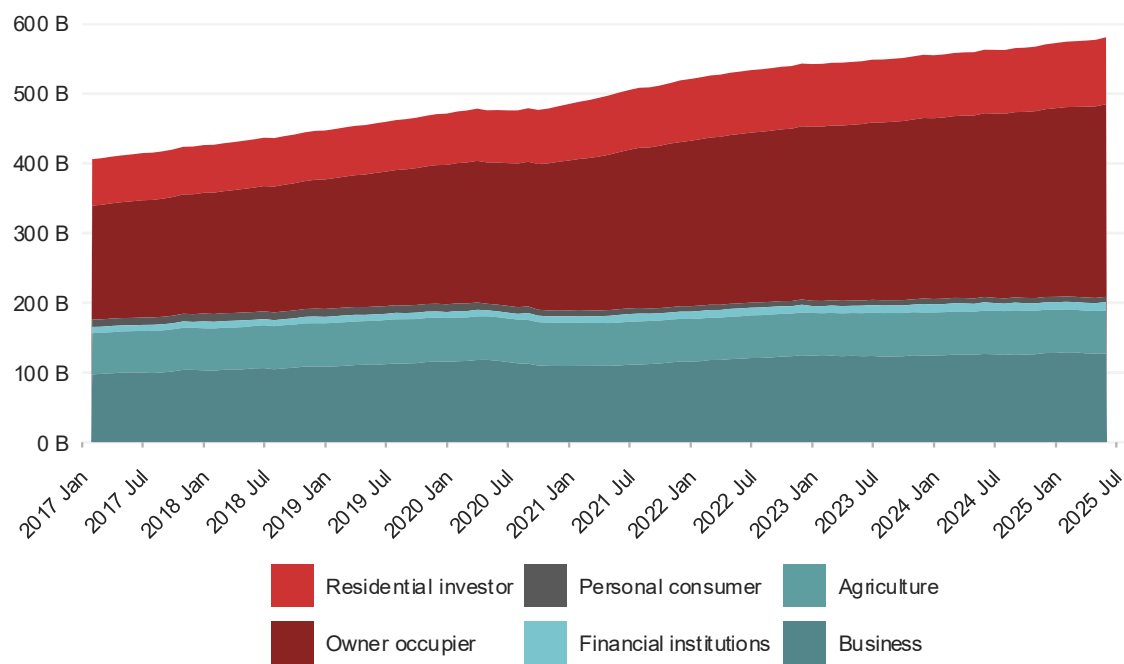
Interest Rates – New Zealand

Official cash rate and 5-year swap rate



- Post-COVID inflation surged. Reserve Banks around the world increased interest rates to cool the economy, increasing the borrowing cost for new mortgages & those refixing.
- NZ mortgages are typically fixed for short terms (2 years), unlike the US where 30-year fixed rates dominate. As a result, rate changes flow quickly through the NZ economy, whereas the US Fed must hold rates higher for longer to shift demand.
- From 2010 and into COVID, low interest rates flowed through the NZ economy encouraging housing investment.

New Zealand Debt levels

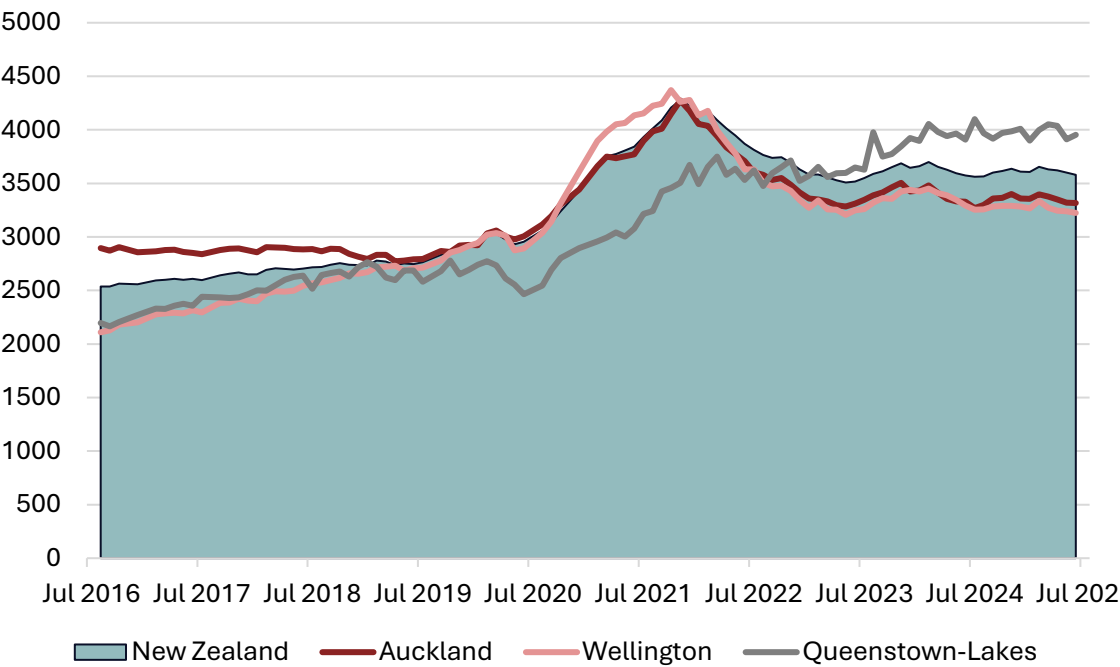


- As of May 2025, New Zealand's housing debt stood at \$37b, equivalent to 87% of GDP, compared to just 57% in the U.S. (US\$16.7t / US\$29t).
- NZ mortgages are typically fixed for short terms (2 years), unlike the US where 30-year fixed rates dominate.
- As a result, rate changes flow quickly through the NZ economy, whereas the US Fed must hold rates higher for longer to shift demand.

Housing: Repayments have surged, while falling house prices have flipped the wealth effect.

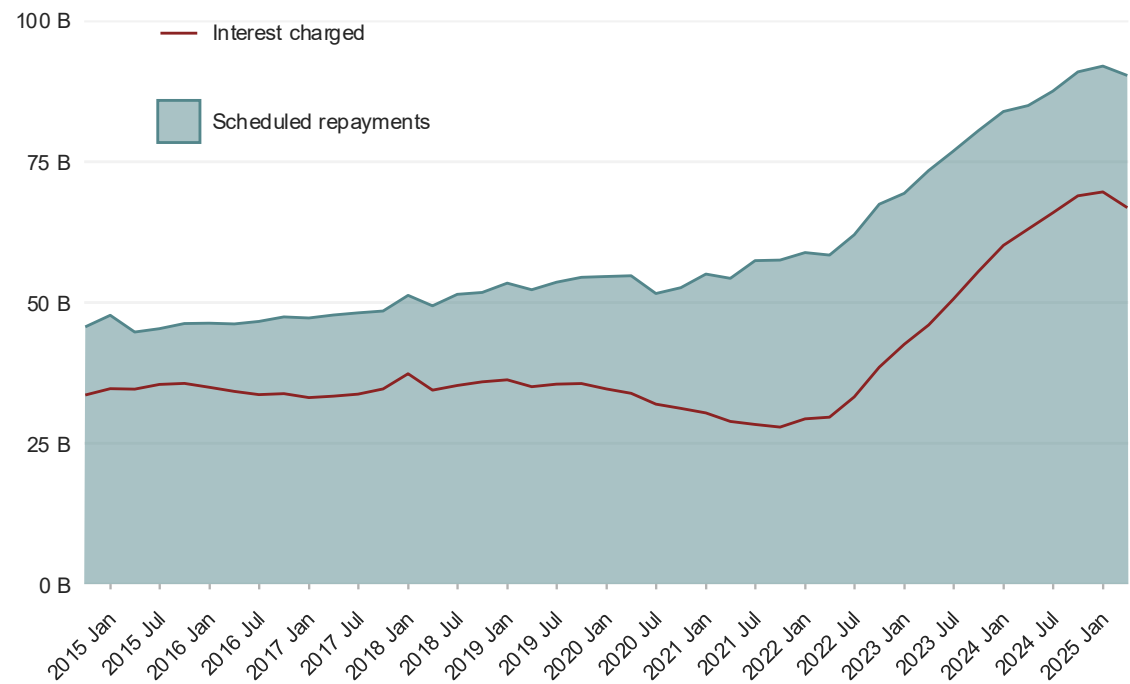
REINZ House Price Index

REINZ adjusts for type and mix of houses to create an index.



Monthly mortgage repayments

Residential mortgage loan repayments to June 24



House Prices:

- Queenstown prices have held up, but elsewhere the declines have been sharp: national house prices fell 18% from peak, Auckland 24%, and Wellington 27%, all before inflation.
- The loss in housing wealth has left households feeling poorer and spending less.



Repayments:

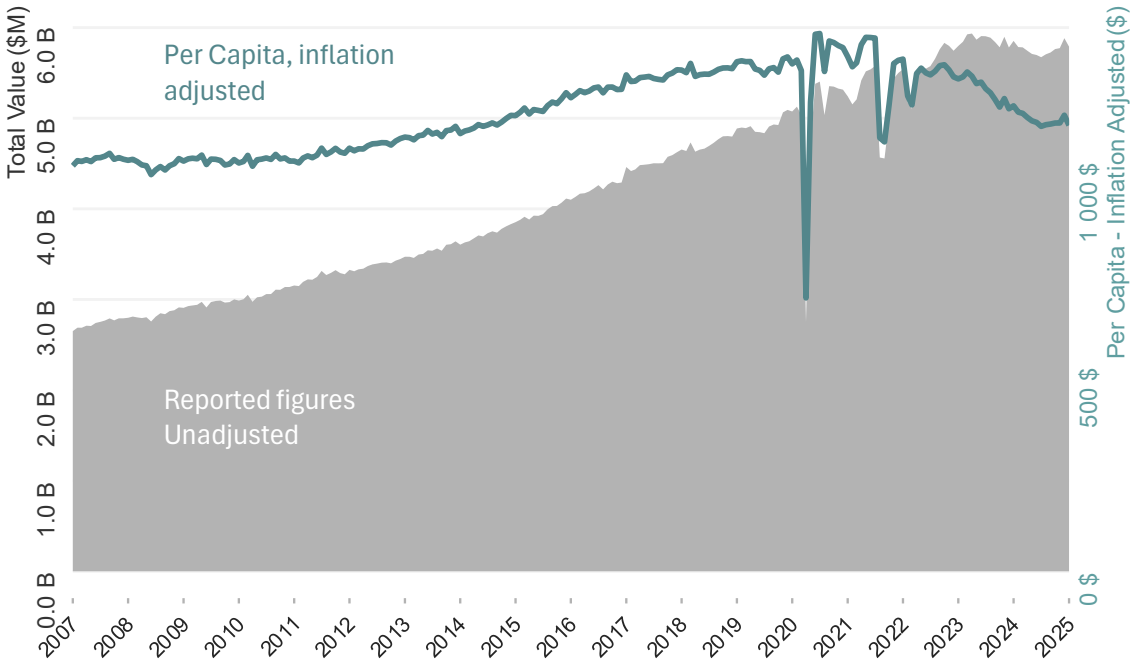
- Meanwhile scheduled mortgage repayments have skyrocketed on the back of higher interest rates.
- Kiwis are spending \$7.5b per month (\$90.3b per year) on mortgage repayments. This burden is not spread evenly.




Economic Strength: Underlying demand has sunk since 2022. Job advertisements have fallen as businesses respond to a weaker consumer.

Core Industries – Inflation adjusted

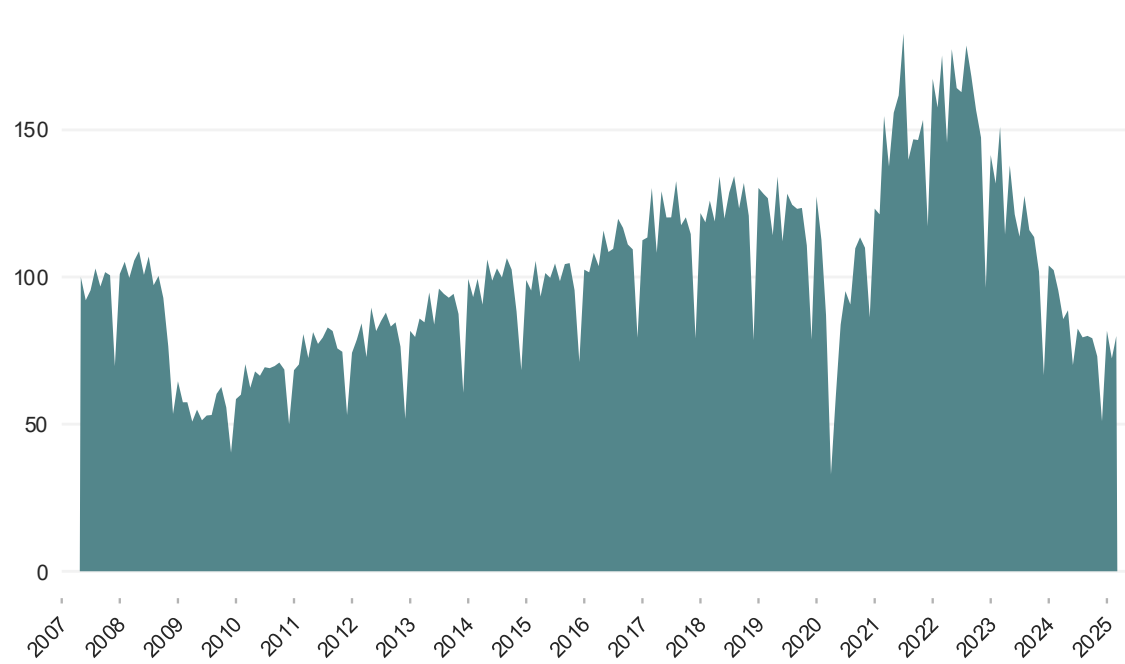
Retail – inflation adjusted




- Retail spending appears stable in nominal terms, but adjusting for inflation and population, per-capita spend is falling.
 - Above is the monthly Eftpos & credit-card data for core sectors (consumables, durables, hospitality, apparel). Grey is the reported data; green is measure adjusted for population and inflation.
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Job advertisements online – Adjusted for population

Job posting index as published by Stats NZ

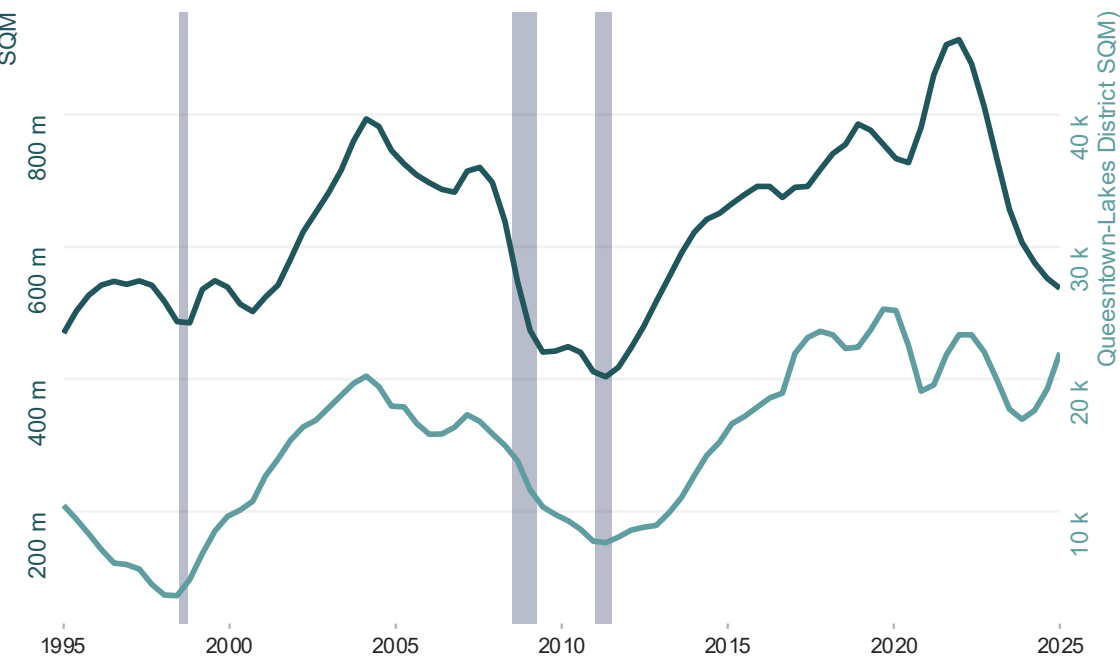


- Online job ads have collapsed since 2022. Adjusted for population, MBIE’s index shows a stark fall from peak hiring levels.
 - Despite low headline unemployment, the market is no longer absorbing new workers exposing weak underlying demand.
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Construction: Activity has collapsed — costs are up, but less is being built.

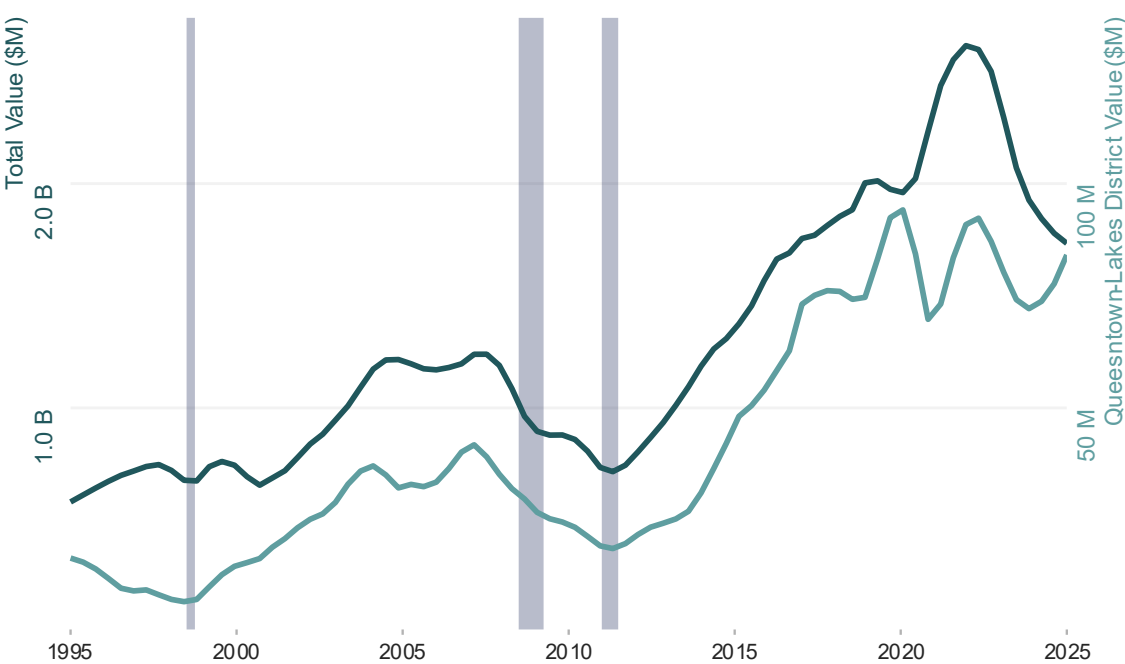
Floor area for new building consents – May 25

StatsNZ monthly building consents by sqm for new buildings



Adjusted value of new building consents – May 25

StatsNZ monthly building consents by \$ value (adjusted for inflation)



National Trends

- Construction activity is at a 15-year low. Interest rates have sharply reduced the amount of floor space being consented.
- Yet inflation-adjusted consent values remain high suggesting fewer buildings, but at significantly higher per-metre costs.



Queenstown Exception

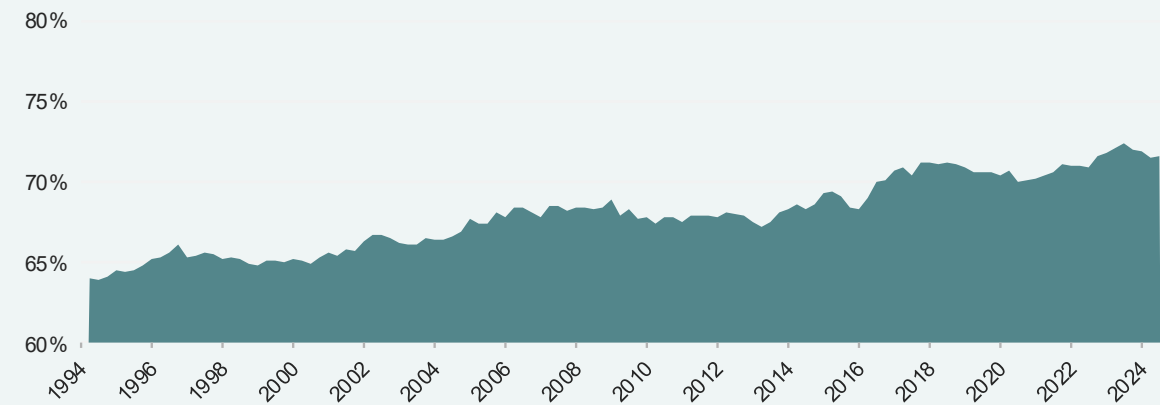
- Queenstown has seen less of a boom and bust. Likely as a limited supply of land has constrained both the upswing and left latent demand for the bust.



Wages: Participation is high, but real wages are falling. More people are working but earning less in real terms.

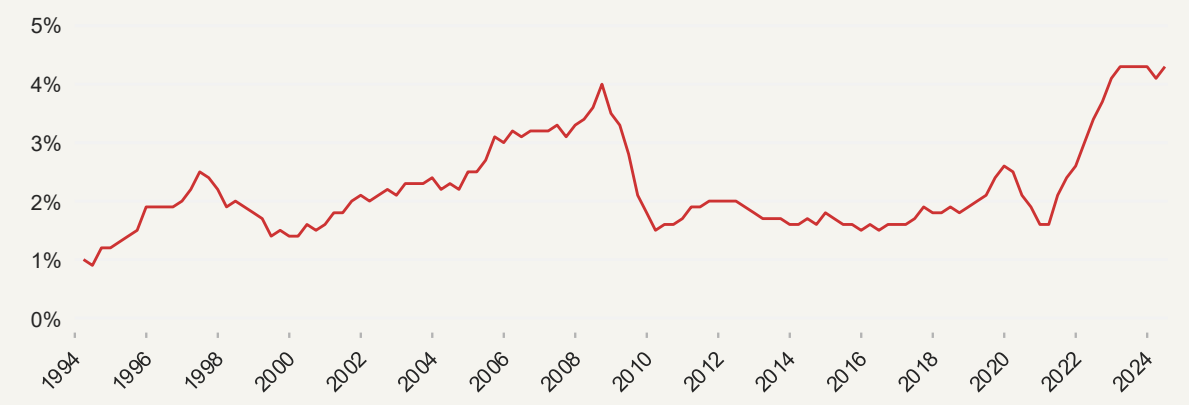
Labor participation rate – Jun 24

% of working-age people who are employed or are actively seeking work



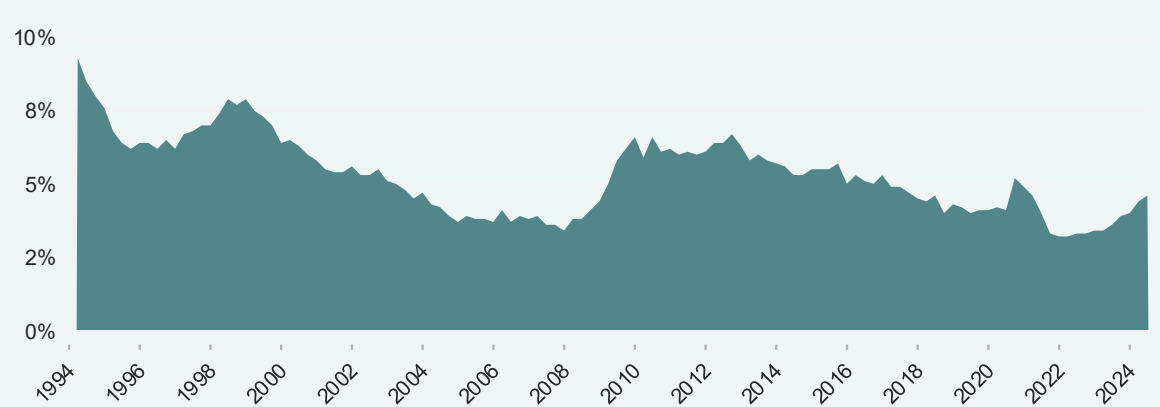
Labor cost index – Jun 24

% changes in wages and salaries over time, excluding changes in job mix or quality



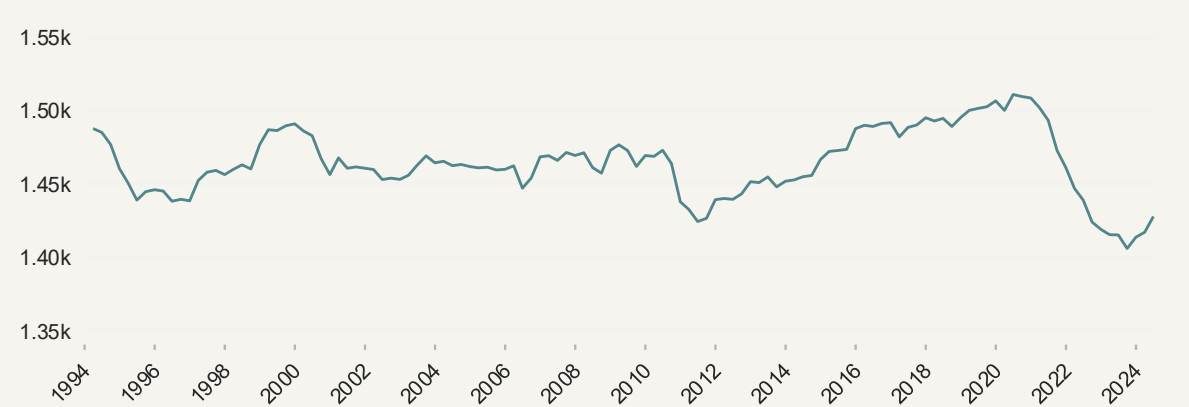
Unemployment rate - Jun 24

% of the labor force that is without jobs.



Labor cost index – Inflation Adjusted – Jun 24

Relative wages and salaries over time, excluding changes in job mix or quality



Outlook: Businesses expect another year ahead; rising unemployment, sluggish growth, and muted wage expectations.

GDP – Expectations next year

Expectation of what the GDP growth rate will be in one years' time.



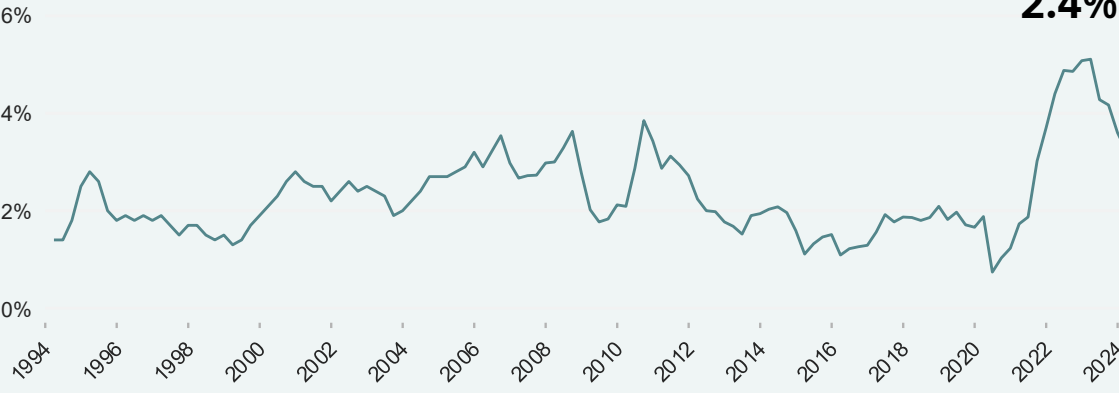
Unemployment – Expectations next year

Expectation of what unemployment will be in one years' time.



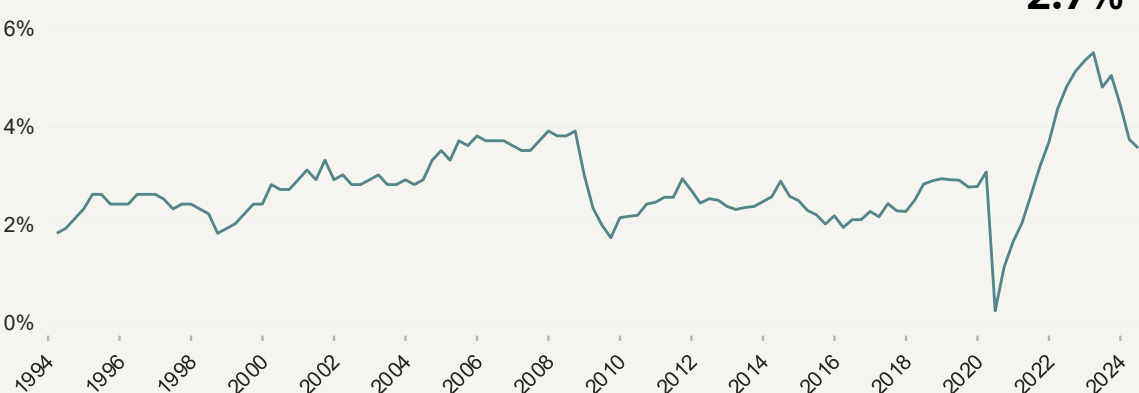
Inflation – Expectations next year

Expectation of what the CPI will be in one years' time.

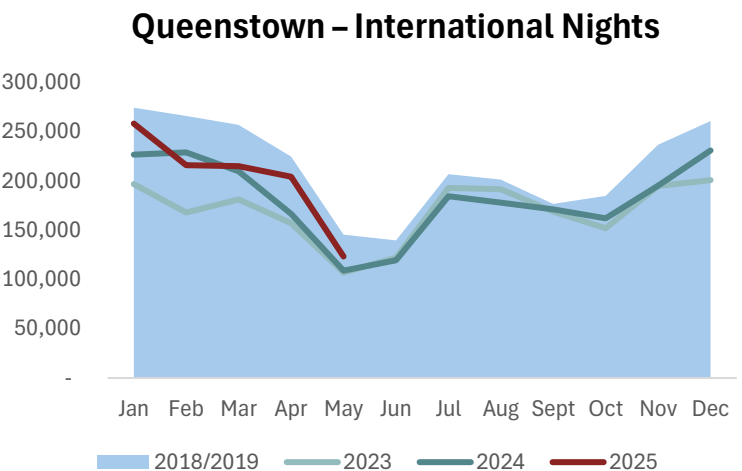
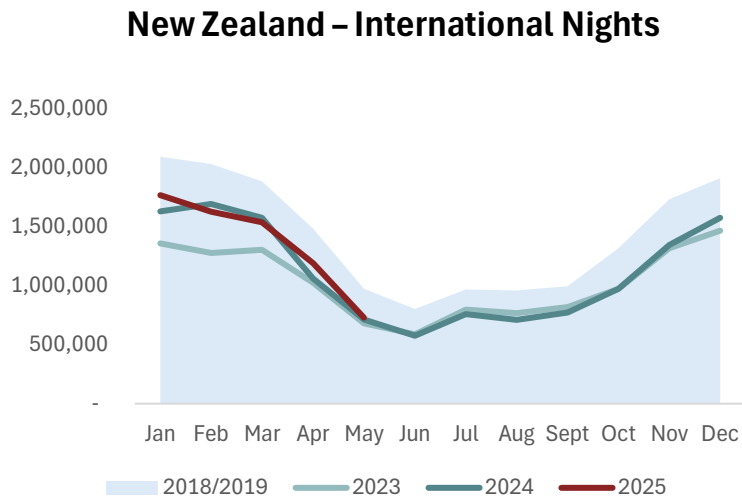
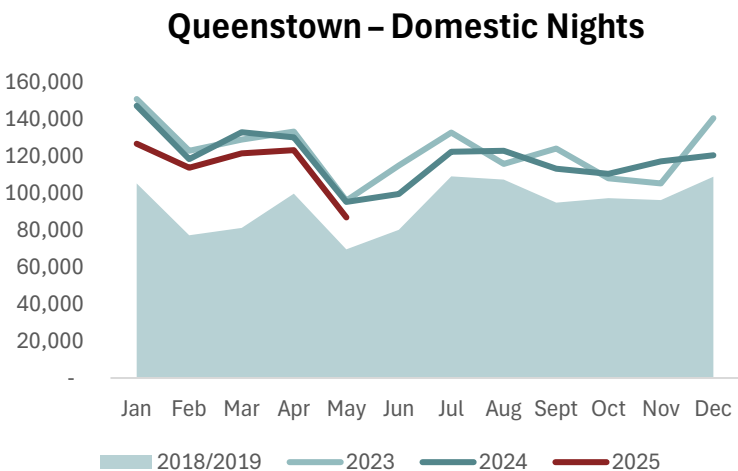
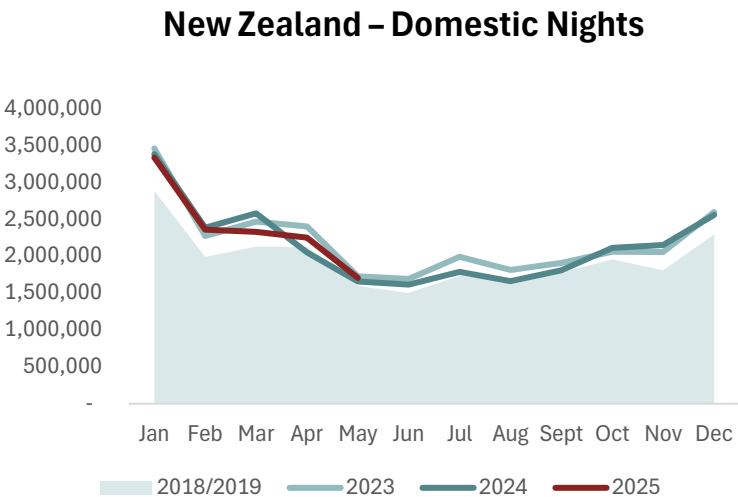


Wages – Expectations next year

Annual hourly wage growth expectation one year out



Visitor Nights: Domestic nights are up, especially in Queenstown but international visitation remains well below pre-COVID levels.



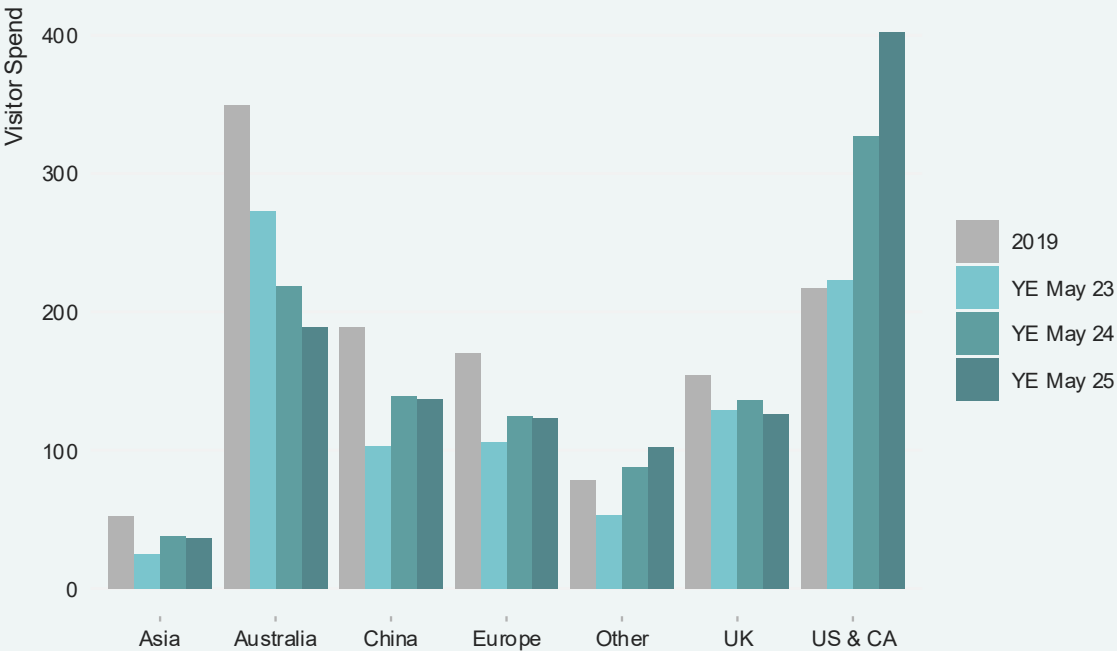
Visitor Nights

- Data is collected from accommodation providers on how many ‘nights’ are stayed and whether these are Domestic or International.
- Domestic nights are slightly up nationwide and up strongly in Queenstown. But with spending down, it suggests visitors are staying longer but spending less.
- International nights remain weak, with Queenstown mirroring national declines.
- The summer peak has seen the steepest declines. Winter, especially Queenstown’s ski season, has held up better.

International Spend: Australia has slumped while the US has surged but Queenstown remains heavily reliant on Australian visitors.

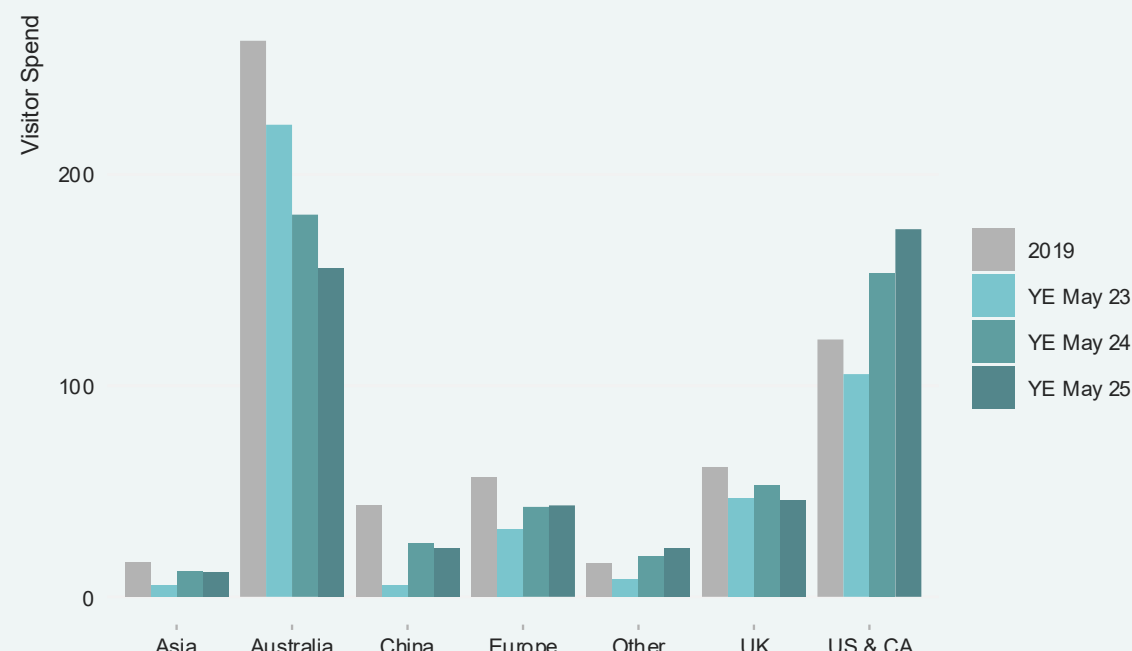
International Spend

Electronic Spend – Attributable to tourists – Inflation Adjusted



Queenstown RTO Spend

Residential mortgage loan repayments to June 24



Saved by the US

- Since 2019, Australian spend has plunged. Europe and Asia remain soft.
- The US is the standout, a strong dollar has made NZ an attractive, affordable destination.



Australian Dependence

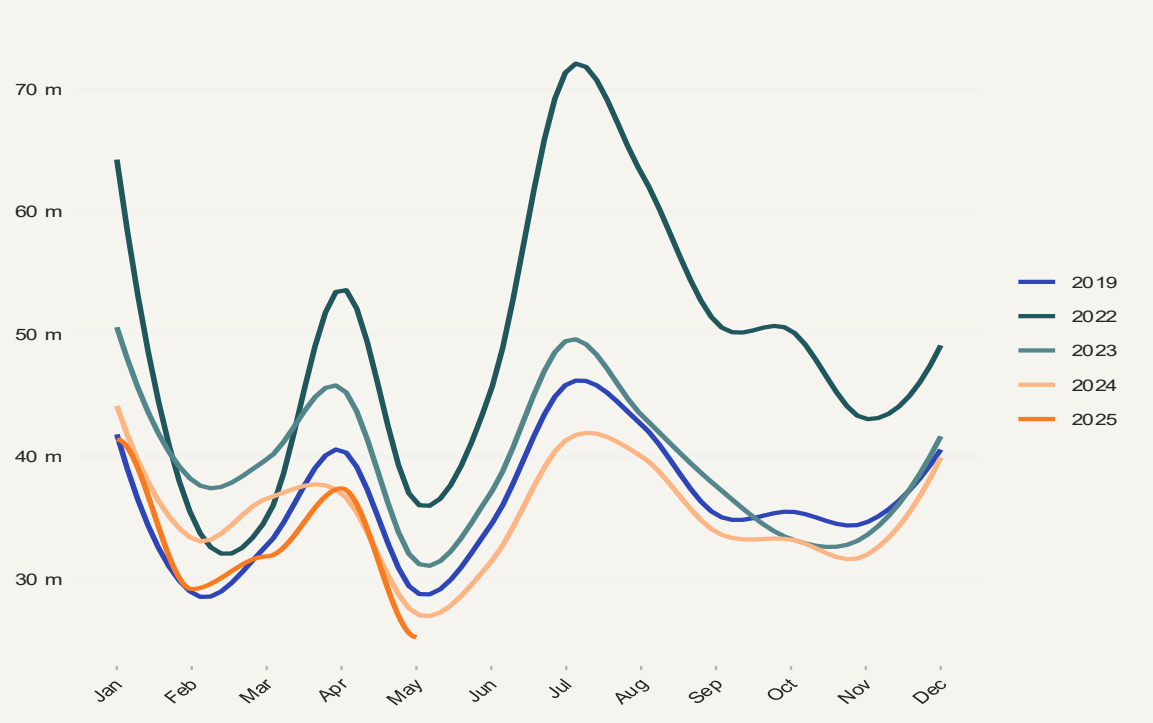
- Queenstown sees strong US traffic in summer, but winter remains reliant on Australian visitors, where demand is notably weaker.



Domestic Spend: After booming during COVID, spend is now down 9.4% year-on-year (inflation adjusted). Kiwis are still visiting but spending far less.

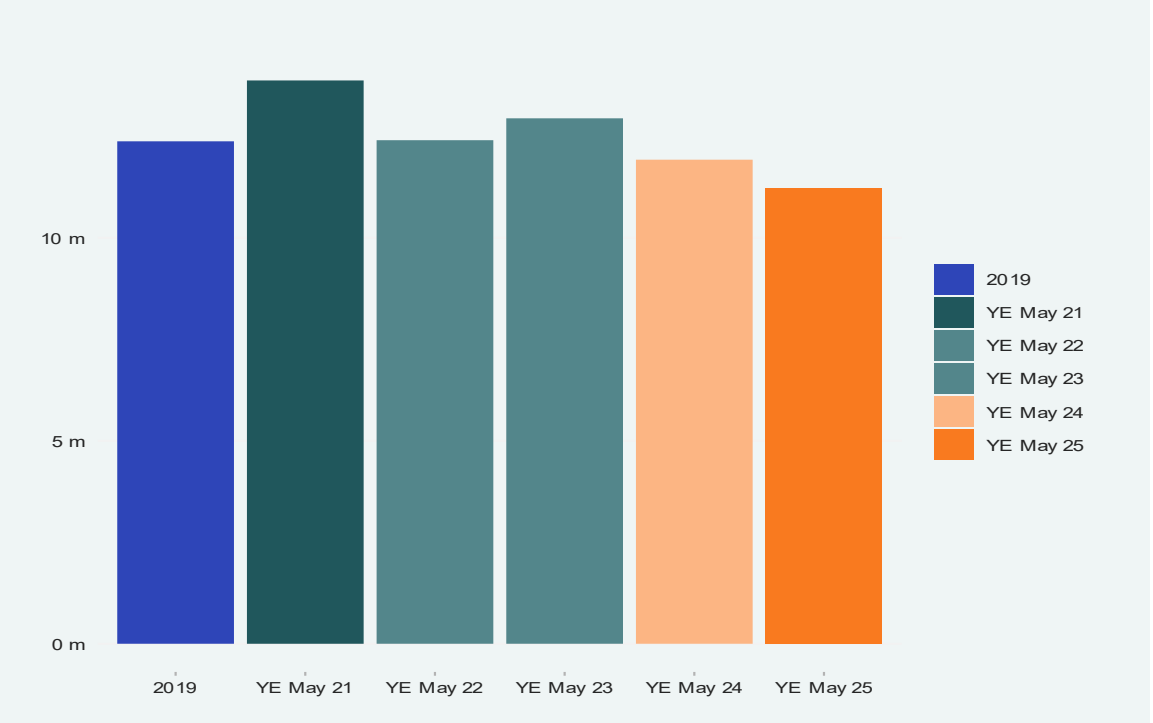
Domestic Tourism Spend

Monthly Spend in the Queenstown lakes RTO – Inflation Adjusted



Domestic Tourism Spend

Yearly Spend in the Queenstown lakes RTO – Inflation Adjusted



Locked In

- During COVID, when domestic borders reopened, kiwis had spare cash and could not go over-seas to spend it.
- Many came to Queenstown, propping up the local economy during covid.



Broke Kiwis

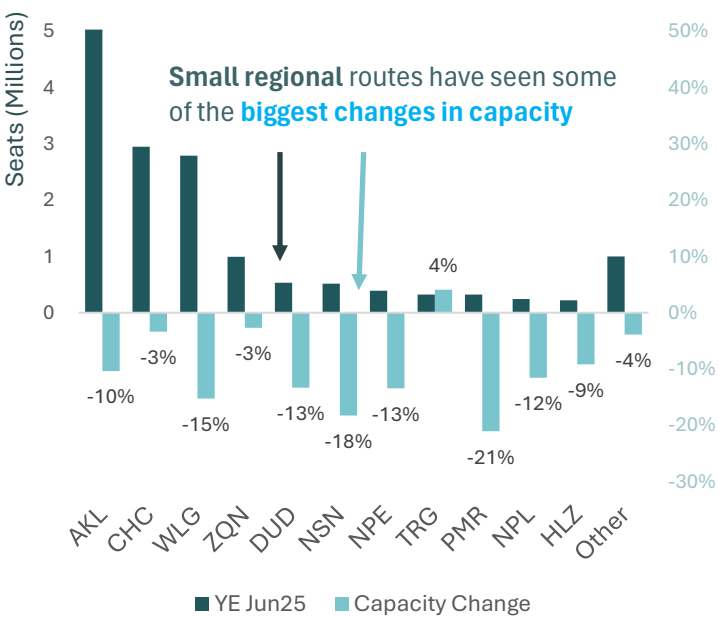
- Now spend is lower than 2019 after adjusting for inflation
- Kiwis are coming to Queenstown but spending less.



Capacity: Much of the down turn in Australian tourism is explained by VA exiting the market. Domestic is being severely impacted by Air New Zealand capacity reductions.


Domestic Capacity

Jul 24-Jun 25 vs 2019



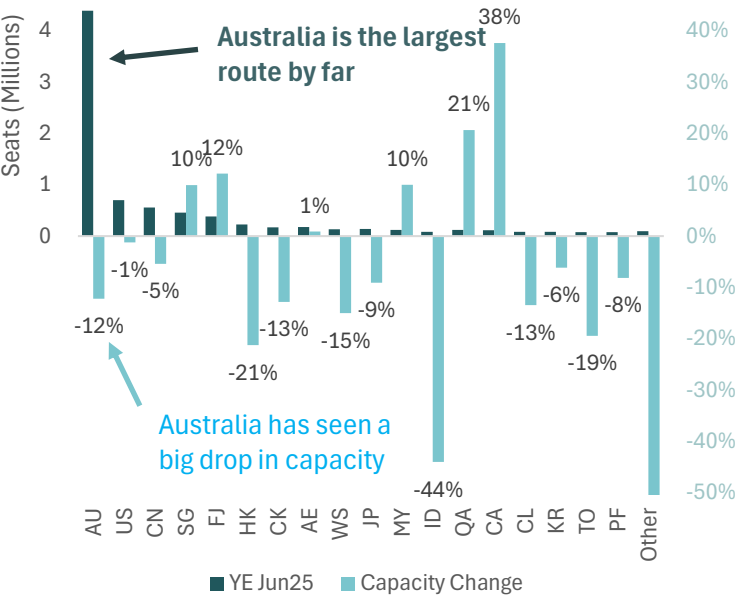
Domestic:

- Domestic Capacity is down 10% vs 2019 primarily driven by Air New Zealand due to aircraft engine issues.
- Queenstown has seen similar reductions. Wellington and the Regions facing large cuts.



International Capacity

Jul 24-Jun 25 vs 2019



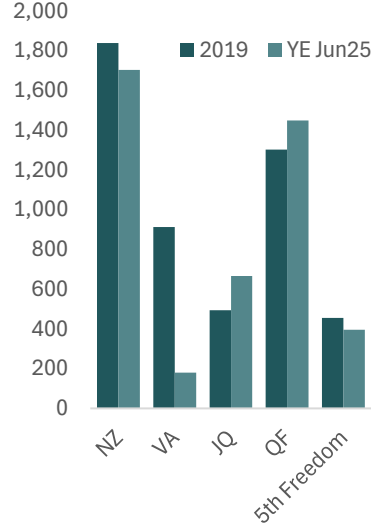
International

- While there have been falls in capacity from Asia and South America, New Zealand's biggest market by far is Australia which has seen a large reduction in capacity.



Tasman

Jul 24-Jun 25 vs 2019



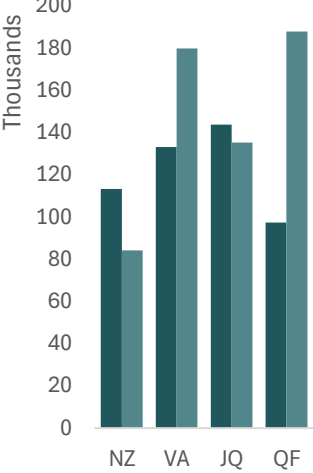
Tasman

- The pullback on the Tasman is largely driven by the exit of VA. VA however returned to Queenstown after covid, offset by the reduction in capacity from Air New Zealand.



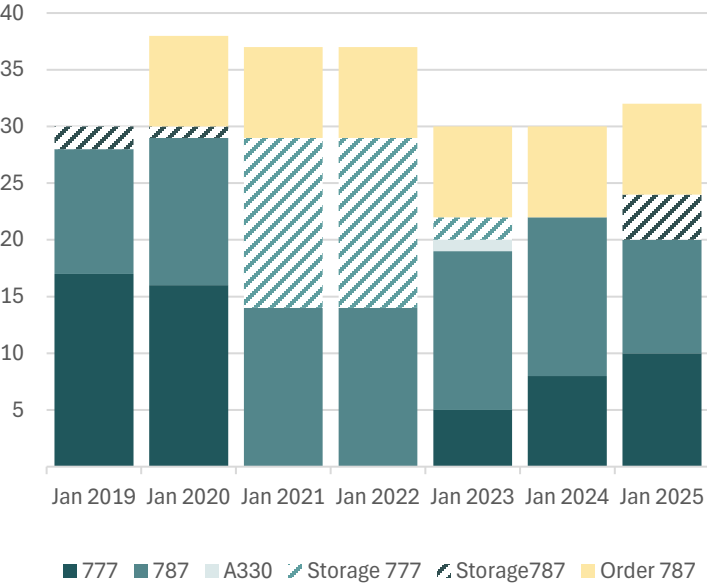
ZQN

Tasman



Air New Zealand fleet: A decade of no-growth expected. Severely constrained capacity.

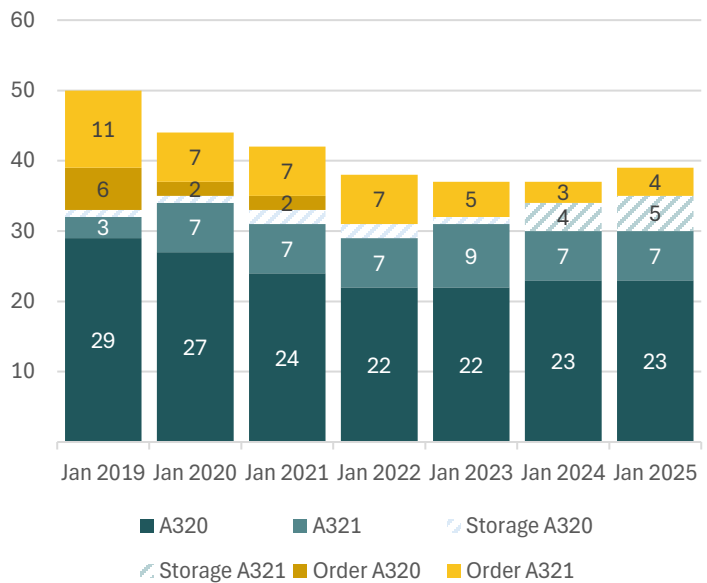
Long-Haul



Long Haul

- The delayed 787 deliveries (2026–2029) will eventually restore growth. Air NZ retired its 777-200s during COVID but has postponed retiring the 777-300s to maintain capacity.
- By FY29 long-haul capacity could be up 23% from 2019 (2.1% p.a.). However, the 773's arrived 2009-2014 and will be 18 years old by 2029.

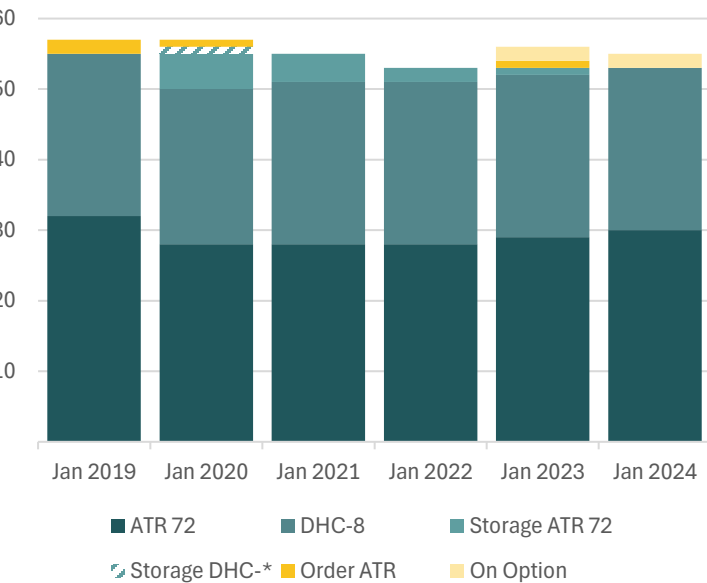
Short Haul / Domestic



Domestic / Short Haul

- Engine issues continue to disrupt the NEO fleet. Shortages in Long-haul aircraft that used to 'tag' the Tasman have seen jets pulled off domestic to support the Tasman.
- Even under an optimistic scenario with engine issues resolved, deliveries on time, and no retirements domestic capacity grows just 24% over a decade (~3% p.a.).

Turbo Props



Regional: The aging DHC-8 fleet (average age ~19 years) is expected to remain in service for another decade with no replacement plan in sight.

Summary: NZ will likely end 2029 with less capacity than 2019. With a ~10/11 year wait for new aircraft and no changes to Air NZ plans, the domestic network will likely face severe capacity constraints for decades to come.