

## Input to your Strategy for Adapting to Challenges

Feel free to pass on to friends and clients wanting independent economic commentary

ISSN: 2703-2825

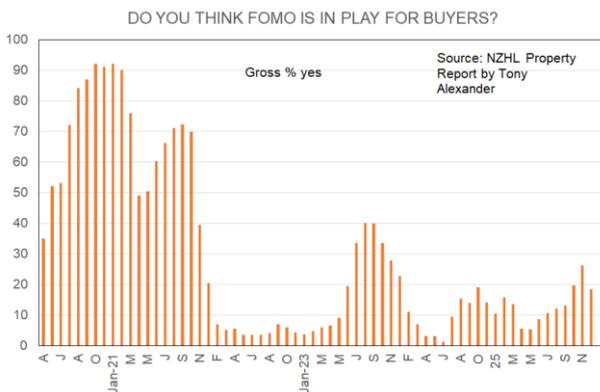
26 February 2026

Sign up for free at [www.tonyalexander.nz](http://www.tonyalexander.nz)

## Survey insights for February

I have completed my five monthly surveys for February and here are some of the main things which they show.

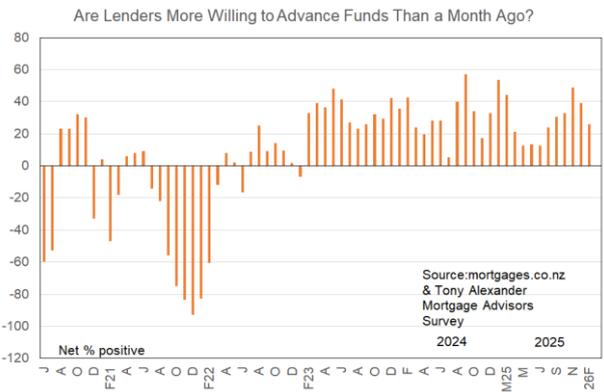
From my real estate agent survey sponsored by NZHL we see that the residential real estate market is showing only mild improvement. FOMO is off its lows but not at a strong level, first home buyers remain dominant while investors are present but not showing any great urgency to buy. Plenty of investors are in fact looking to exit their holdings.



People's worries about employment are easing but recent rises in mortgage rates have become a

strong focus for many. Overall, things are only slowly improving, and price momentum is minor if upward at all on average.

Mortgage advisors in my survey sponsored by mortgages.co.nz report that banks seem quite willing to lend money to home buyers and rules are bit by bit being eased. Interest rate worries have led borrowers to strongly favour fixing their mortgage interest rate now for two years rather than just one year.



From my property investors survey with Crockers Property Management we see that an above average proportion of investors are looking to sell

# Construction finance

## from 5.95% p.a.

### Call now.

Naomi Yueh  
+64 21 912 006

Warren Law  
+64 21 483 666

Andrew Stevenson  
+64 27 700 2708

\$2m to 5m Loan Facilities | No pre-sales, QS reports or RV required | For a limited time only | [cressida.co.nz](http://cressida.co.nz)



**Erskine Owen™ VERITAS PROPERTY FUND**  
Building Lasting Wealth

**6.5% P.A.\***  
Projected Cash Return

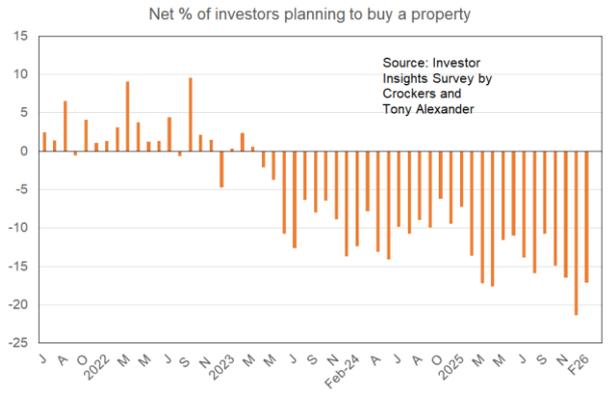
**MR APPLE**  
TENANT: OWNED BY AN NZX-LISTED COMPANY

**20-YEAR**  
TRIPLE NET LEASE (5+5+5)

**Invested Here**  
First asset:  
14 Groome Place,  
Hawke's Bay

\*Projected pre-tax return only is subject to change, and based on certain assumptions. Only available to "Wholesale Investors" under the Financial Markets Conduct Act 2013. Visit [erskiineowen.co.nz](http://erskiineowen.co.nz) for further information.

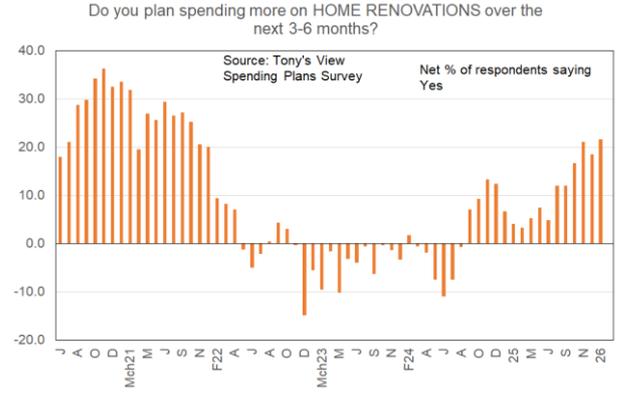
and a below average proportion are looking to buy. The result is firmly net negative purchasing intentions.



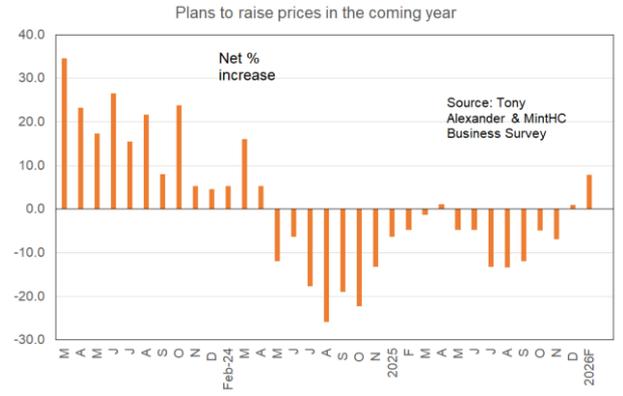
Finding good tenants is harder than usual with a net 30% of investors saying they are having difficulties. Concerns are slowly easing about insurance costs though they remain high overall. Worries have just jumped up regarding interest rates and there is a firm upward trend in worries about tenant regulations, perhaps reflecting concerns about this year's general election outcome.

From my Spending Plans Survey we see that consumers are showing an increasing willingness to spend with a net 23% having positive purchasing plans compared with a net 18% in May last year planning to cut back.

One particularly positive area of spending intentions is home renovations alongside other areas of durable goods such as motor vehicles and furniture & appliances.



Finally, from my survey of businesses sponsored by MintHC we can see increasing plans for raising prices, difficulties beginning to emerge in sourcing good staff, and positive expectations for improvements in revenues this coming year.

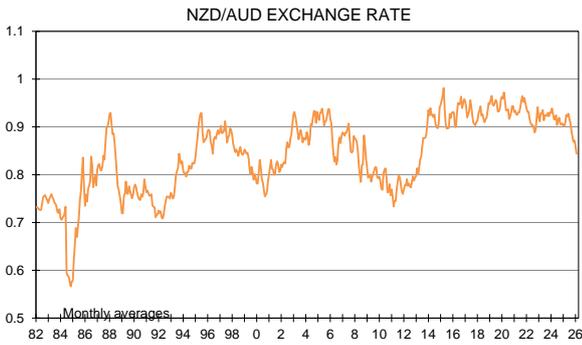


Worries are growing about the political environment and what the general election may bring. Investment plans are slowly rising, and an upward trend is underway in plans for spending in areas of technology.

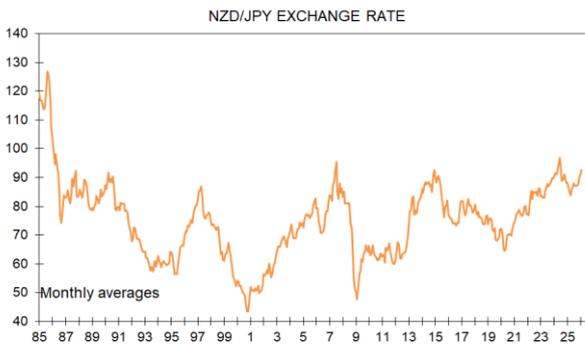
Basically, an economic upturn is underway and anticipated to continue but there are pricing risks outside of the housing market which will be only a tagalong participant for this cycle.

**NZD/AUD exchange rate**

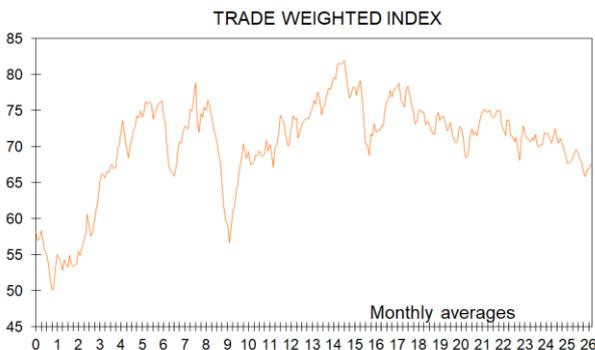
You might not have noticed unless you trade with Australia, but the rate of exchange between our currency and theirs has recently fallen to near 84.4 cents. This is the lowest cross rate since the middle of 2013.



The cause of the NZD's sharp decline is not a unilateral repricing of our currency because we are sitting at a relatively firm level against the Japanese Yen.



We have also only edged slightly downward on a trade weighted basis.



As discussed here a few weeks back, the main cause of our sharp decline against the AUD from levels over 92 cents just seven months ago is rising Aussie interest rates at a time when our central bank is showing a bias towards not wanting to raise interest rates this year.

For manufacturers the low NZD against the AUD is good news as many of our manufactured exports go there. But for Kiwis travelling for a sunny break across the Tasman costs have substantially increase.

This might spur some movement towards holidaying in other destinations with perhaps flavour of the moment Japan attracting a few more of us. People love nodding deer.

When might the exchange rate go back up again? Probably only when the monetary policy bias in NZ shifts firmly to the upside. When might that happen?

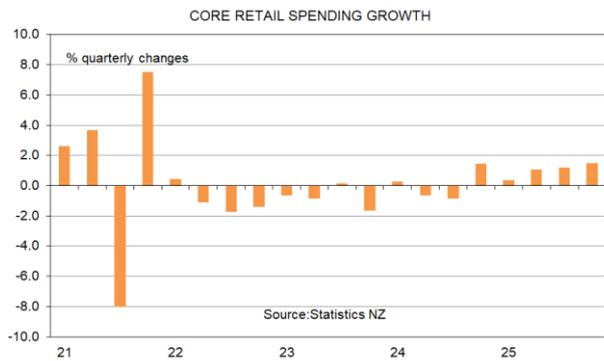
Answering this question requires taking a view not just on the economy and inflationary pressures but Reserve Bank bias. The high and rising level of business pricing intentions suggests a rise in New Zealand's cash rate will occur later this year.

But when you have one member of the monetary policy committee of the Reserve Bank weirdly believing that raising interest rates will increase inflation rather than decrease it, you have to take a view that tightening lies well down the track.

Our central bank has become a source of instability in the New Zealand economy unfortunately and there is no indication for the moment that they realise that or that they are changing their behavioural patterns. The case for radical reform at our central bank grows day by day but it is impossible to know when outside forces will bring such reform. Indications to date suggest that there is little chance of it coming from within the Reserve Bank itself.

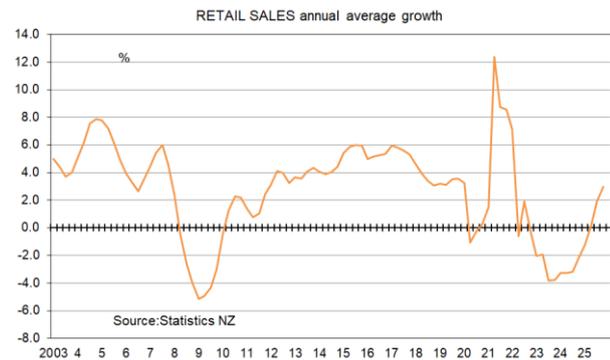
## Strong growth in household spending

After adjusting for changes in prices and a best guess at what the seasonal impact is, Statistics NZ estimate that during the December quarter the volume of retail sales in New Zealand rose by 1.5%. This refers to the core spending element which excludes petrol and motor vehicle sales which can be highly volatile.



This strong growth followed a gain of 1.2% in the September quarter and 1.1% in the June quarter. So, it is safe to say that consumer spending was rising at a firm clip over at least the second half of last year with even some strength through winter.

This upturn is seen in the following graph showing the annual average change in all retail sales including autos and petrol. A good recovery is underway.

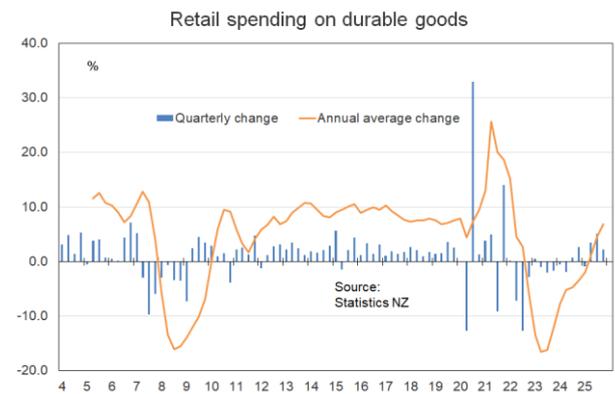


There has been good growth recently across most categories of stores and of interest to us economists is always the extent to which spending has changed on what we call durables.

These are things we tend to buy more of when we have a good outlook for the future and fewer of when we are worried.

Changes in spending on durables are one of the things which cause an economy to move in cycles with the current phase being an upward leg boosted by people catching up on spending they did not do earlier on because things were tough. Now, we have worn out couches etc. to replace.

Spending on durables rose by 2.2% in the December quarter after jumping 5.5% in the September quarter and 3.5% in the June quarter.



These numbers might make one think that a spending boom is underway. But this is where having a look at a graph can be useful. The one above shows the annual average change in durables goods (storetypes) sales and we can see the recent upturn in the orange line.

However, it is rising from a very depressed place which followed the unusual pandemic boom. This means one has to be very careful not to make any strong statements about the true underlying strength in consumer spending.

There is a spending recovery underway from a low base which for the moment is delivering an upward bias to quarterly growth numbers which will not be sustained. But at least the environment is better for retailers.

## If I were a borrower, what would I do?

Wholesale interest rates have not moved much this week but risks to the upside remain. Yesterday the Australian inflation number came in higher than expected and the retail trade data for NZ released a few days ago was also on the strong side.



There is an upturn in the economy underway, and theory and experience tell us that this will place upward pressure on inflation eventually from two main sources.

One is growing shortages of key resources such as labour. We are a ways off yet from that factor kicking into action but I see a risk of our labour market tightening up quite quickly over the second half of this year.

The other key factor is business pricing decisions, and I have long highlighted the way that even

during the most depressed parts of our recent economic downturn businesses kept saying they plan raising their prices to an above average degree.

The Reserve Bank have finally admitted that this risk exists but their warnings to businesses to not raise prices come across as preparation of a scapegoat for their poor conduct of monetary policy in recent times rather than a much too belated attempt to massage pricing decisions.

This week a couple of the big lenders have cut their 3-5 year fixed rates in response to some slight declines in funding costs plus simple competition one suspects. One could now fix three years at 4.99% or five years at 5.29%. If I were borrowing at the moment, I'd probably choose the three year rate. Fixing one year at 4.49% I would strongly avoid as 12 months from now I think the rates environment will be decreasingly kind to borrowers. Fixing two years at 4.69% is probably what most people will opt for and that is okay though it is not what I would do.

To see the interest rates currently charged by major lenders go to [www.mortgages.co.nz](http://www.mortgages.co.nz)

**Nothing I write here or anywhere else in this publication is intended to be personal advice. You should discuss your financing options with a professional.**

This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. We strongly recommend readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. No person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation, or omission, whether negligent or otherwise, contained in this publication. No material in this publication was produced by AI.