Economic outlook

Mastercraft 2024

Auckland

18 October 2024



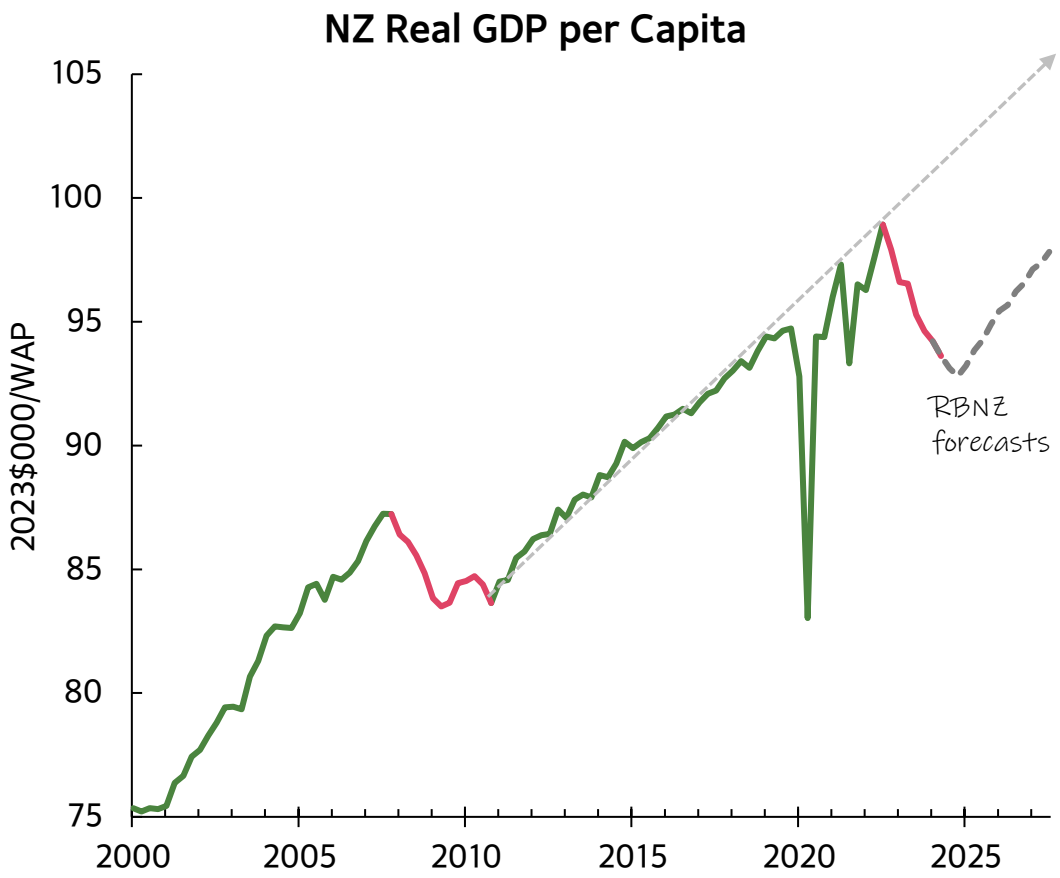
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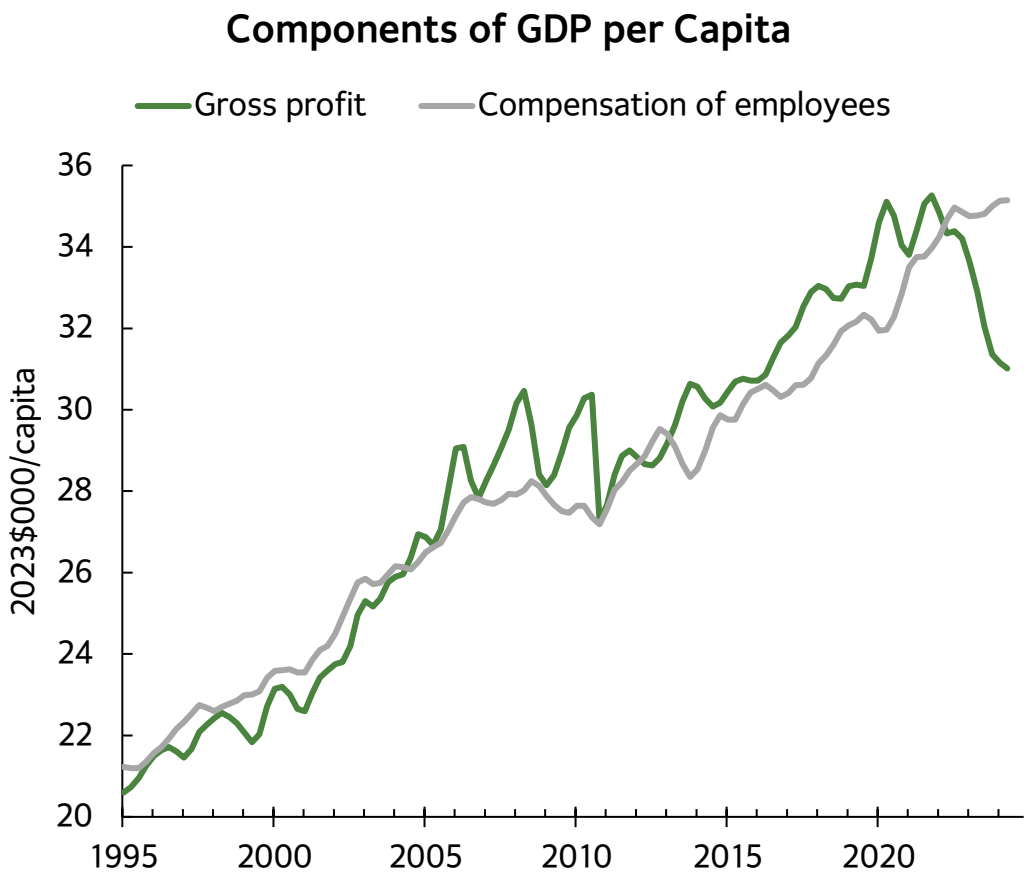
Big themes

Recession	Cycle will turn But some difficult waters to navigate Interest rate cuts to speed up
Sector outlook	Economic cycle Structural forces Segment, segment, segment
Business implications	Focus on your people & customers Right size & ready for rebound: marketing, training, operations.

Recession

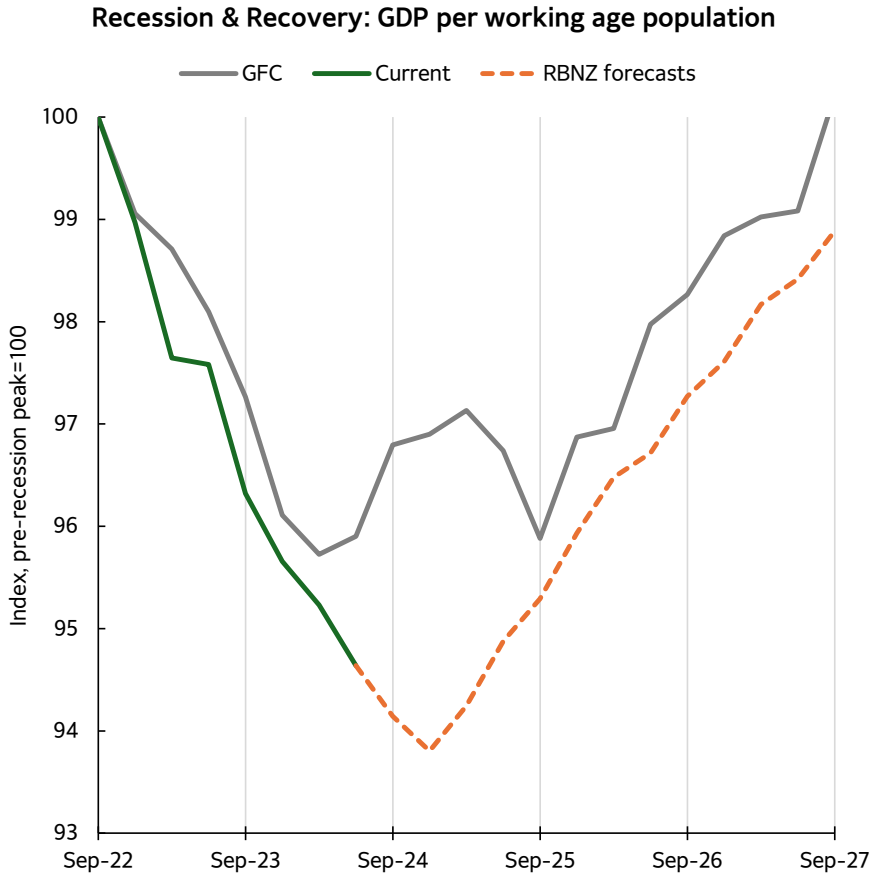


Source: Statistics NZ, S Eaqub



Source: Statistics NZ, S Eaqub

Deeper and longer than GFC



Source: Statistics NZ, RBNZ, S Eaqub

GDP per capita by industry, change versus 2019Q4

Agriculture
Forestry and logging
Primary sector support services
Mining

Manufacturing
Electricity, gas, water, and waste services
Construction

Wholesale trade
Retail trade
Accommodation and food services
Transport, postal, and warehousing

Information media and telecommunications
Financial and insurance services
Rental, hiring, and real estate services
Professional, scientific, and technical services
Administrative and support services

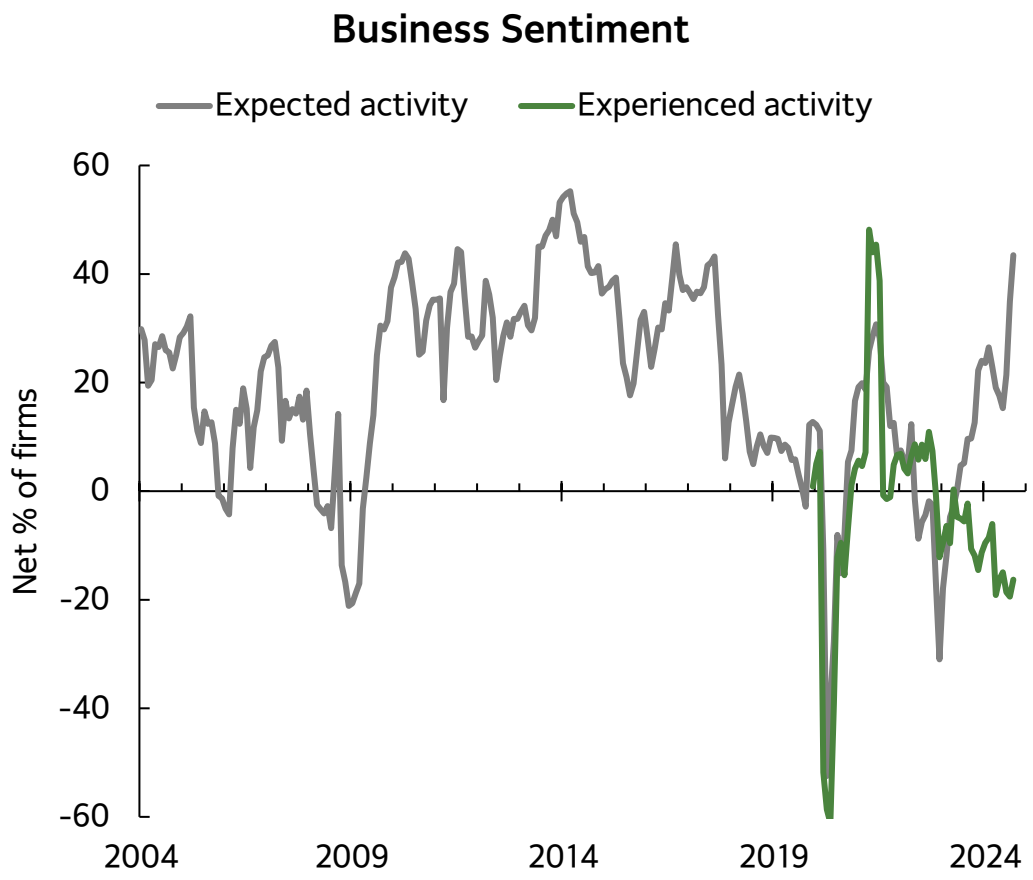
Local government administration
Central government
Education and training
Health care and social assistance

Arts and recreation services
Other services

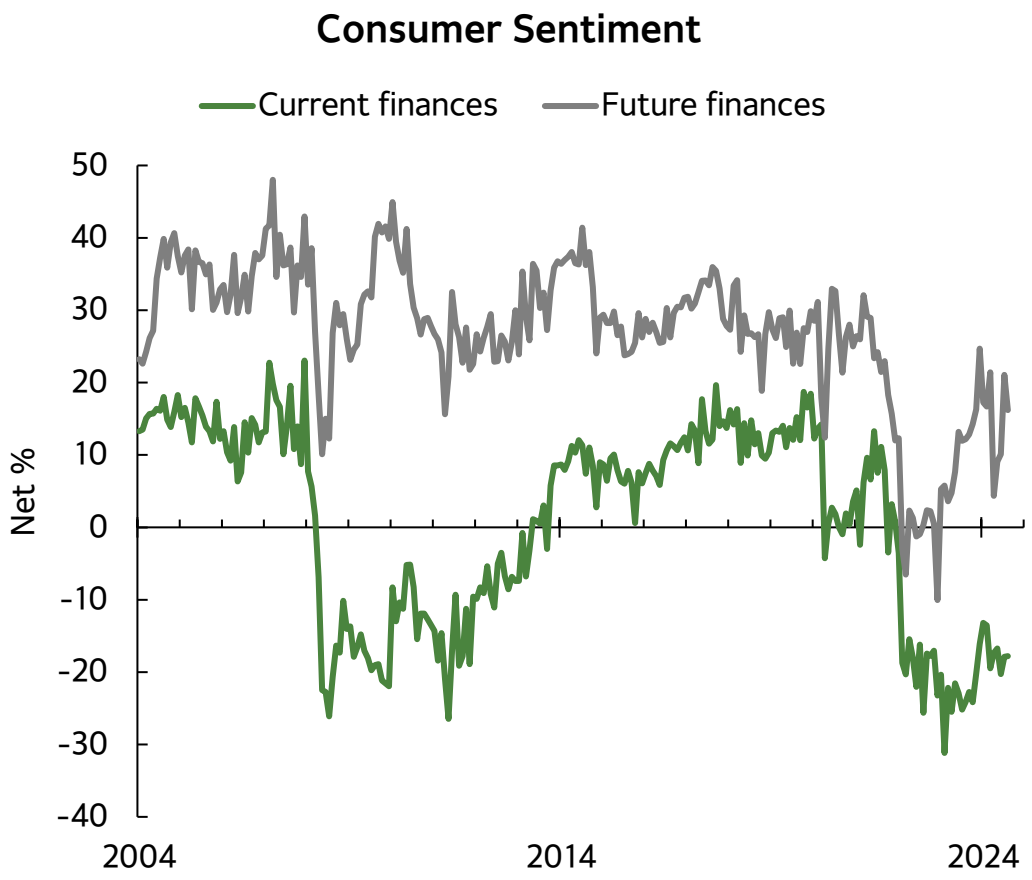
Gross domestic product



Gloom vs hope

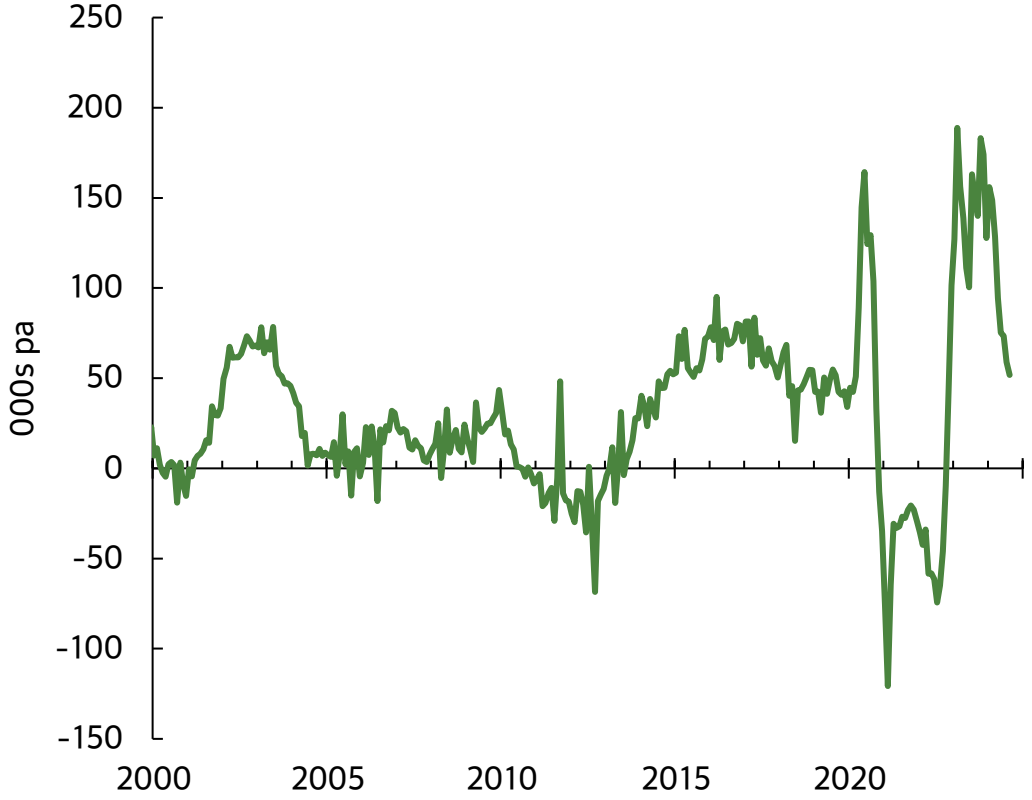


Source: ANZ Bank, S Eaqub

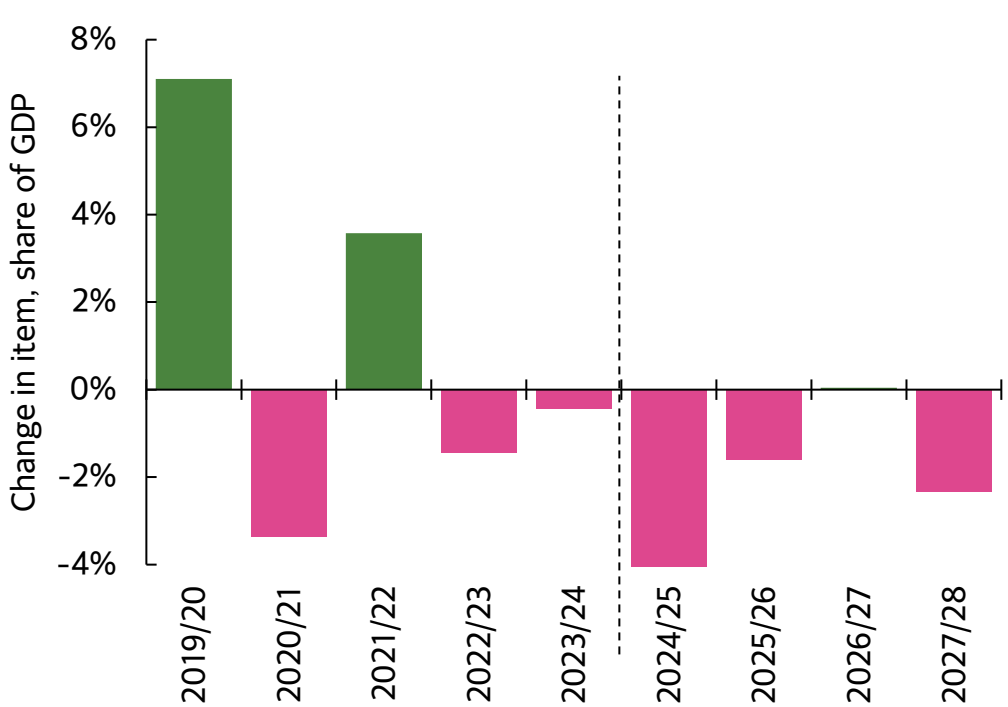


Source: ANZ Bank, S Eaqub

Slowing migration & fiscal austerity

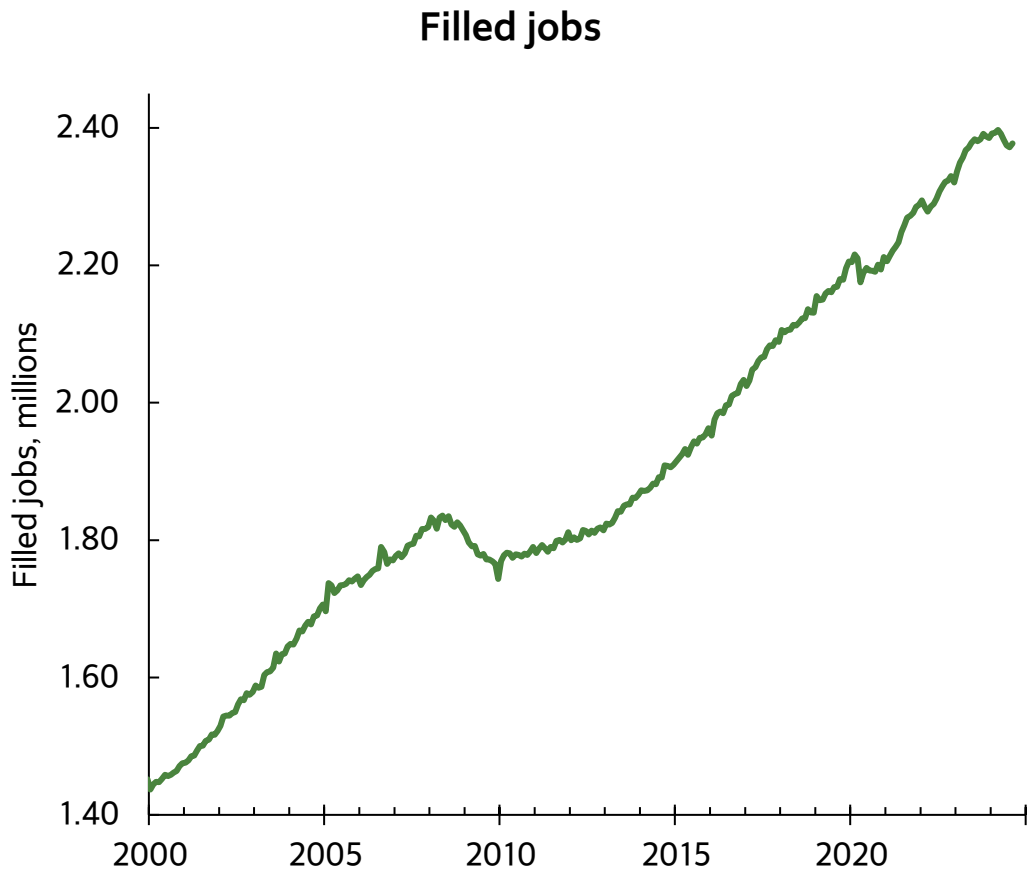


Source: Statistics NZ, S Eaqub

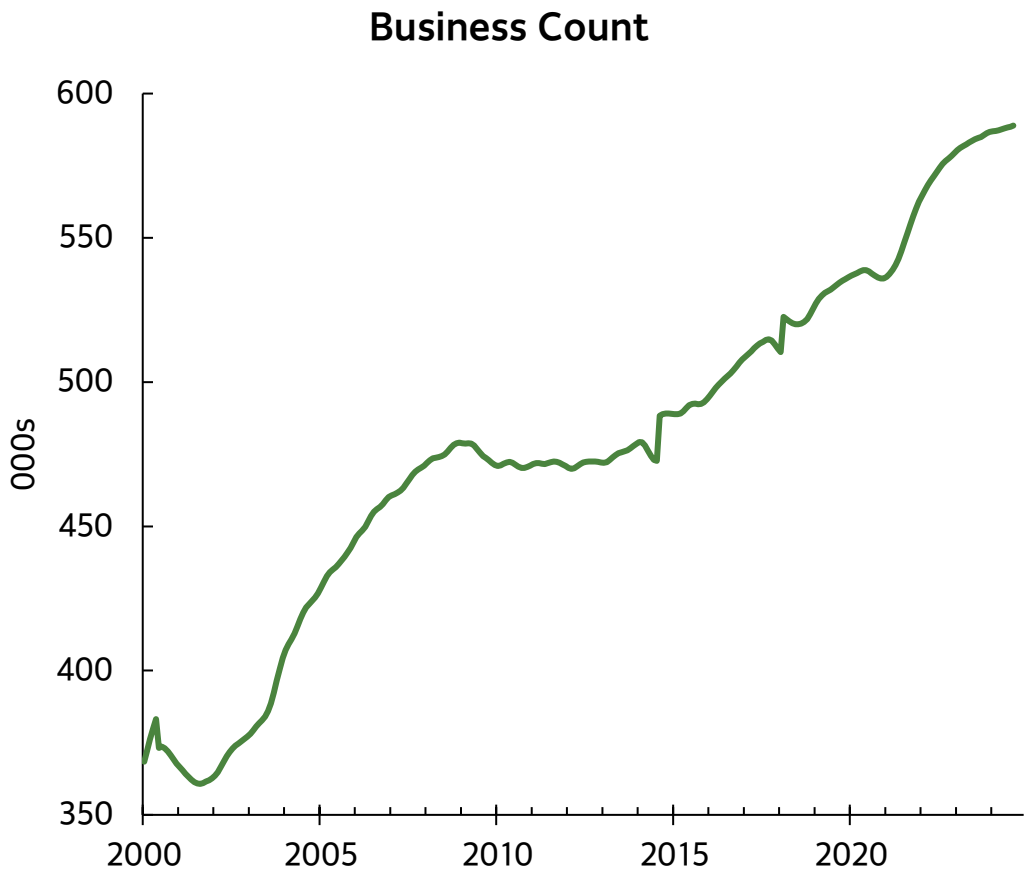


Source: Statistics NZ, S Eaqub

Cause for optimism



Source: Statistics NZ, S Eaqub



Source: Statistics NZ, S Eaqub

Fewer options

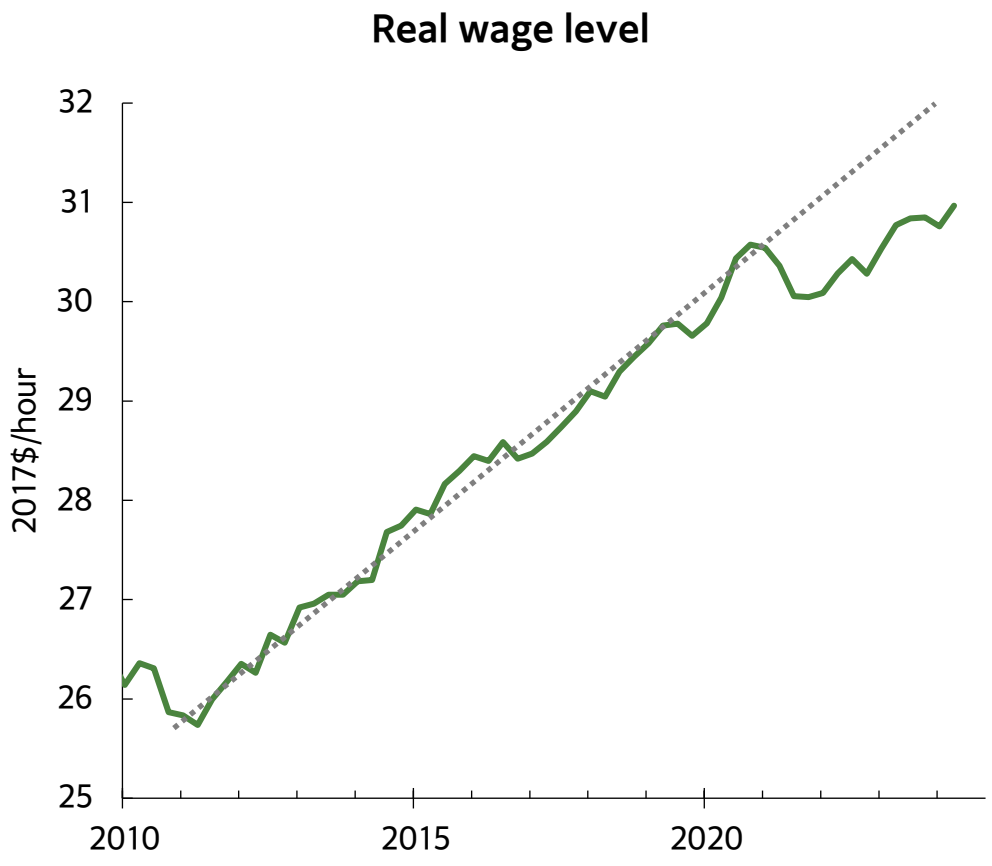


Source: Statistics NZ, S Eaqub

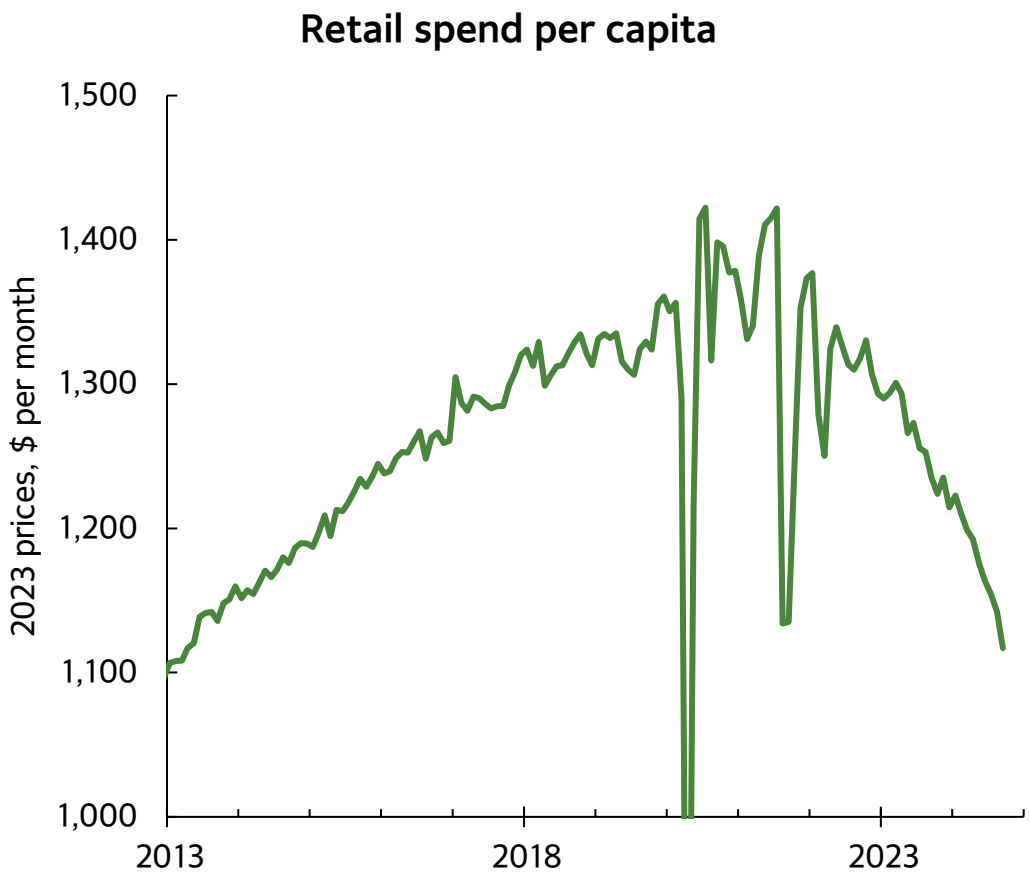


Source: MBIE, Statistics NZ, S Eaqub

Reason for weakness

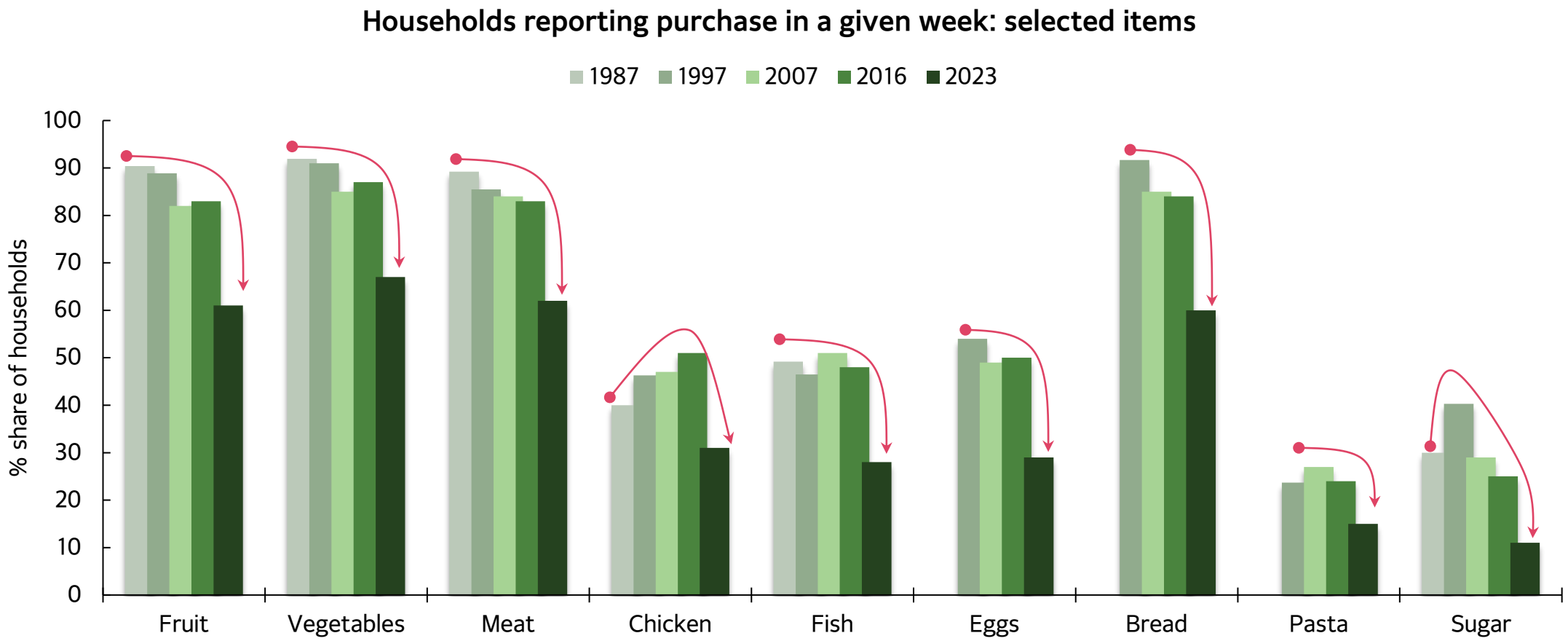


Source: Statistics NZ, S Eaqub



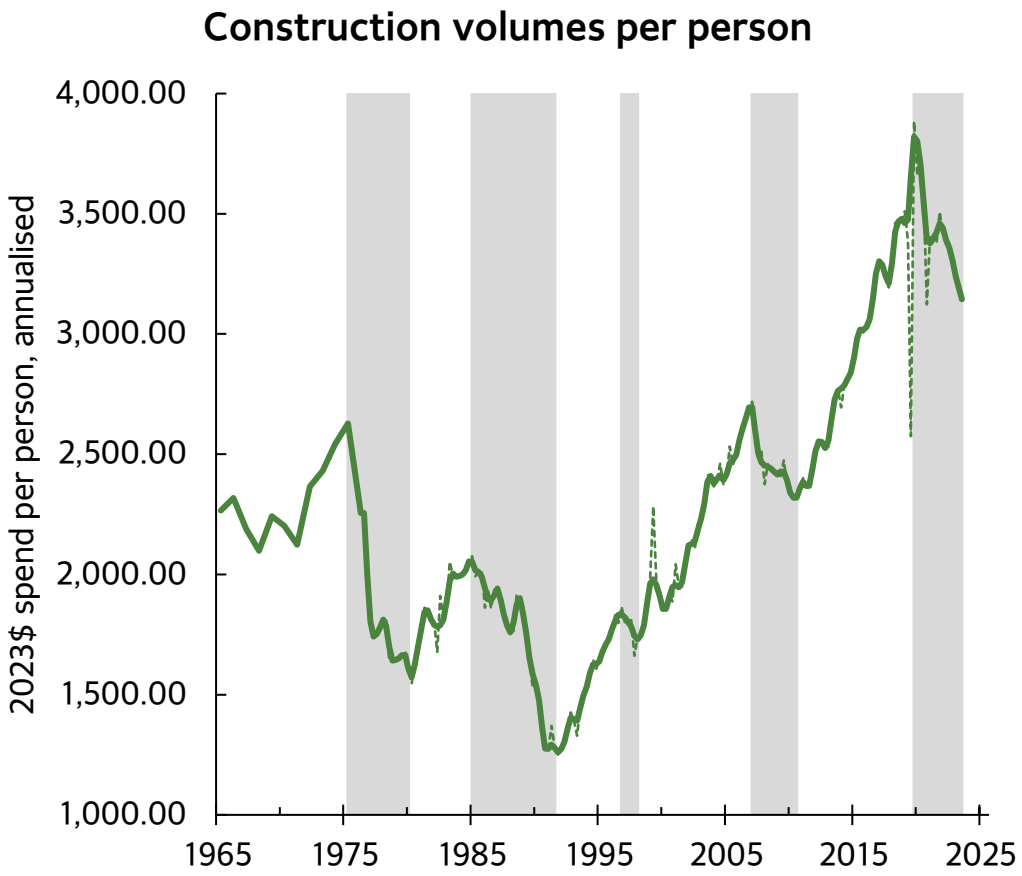
Source: Statistics NZ, S Eaqub

Pockets of intense pain

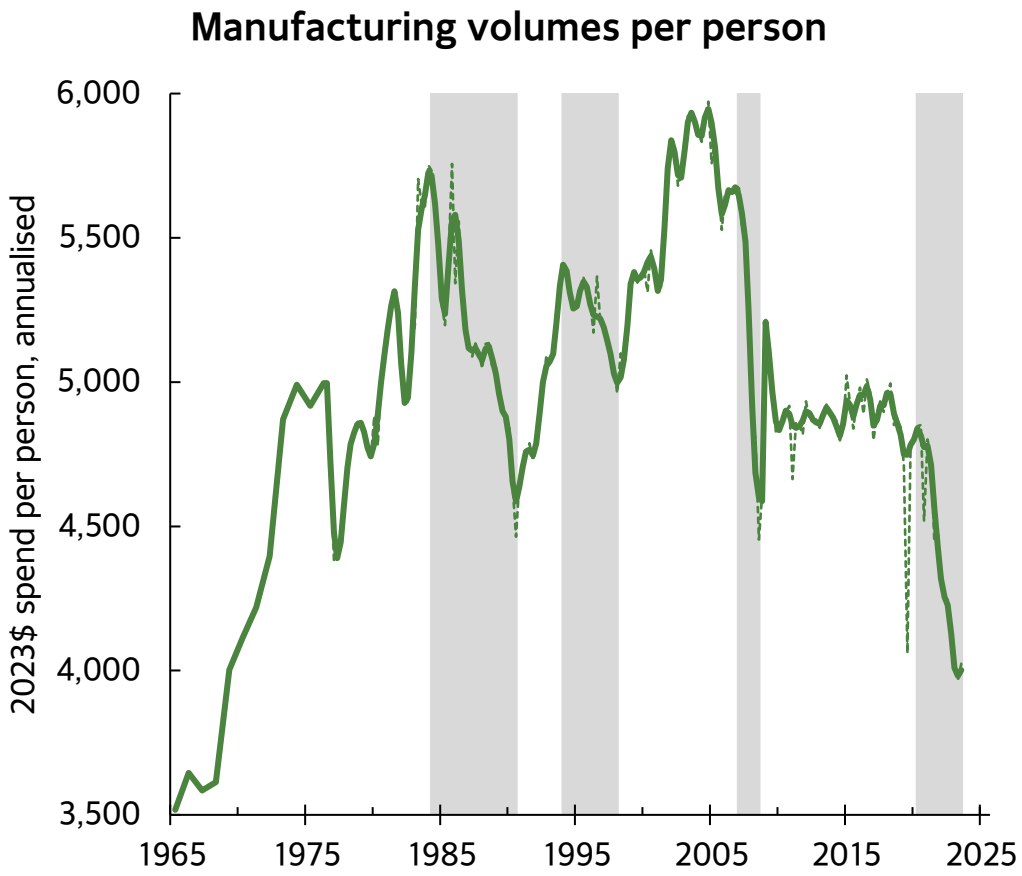


Source: Statistics NZ, S Eaqub

Cycles aren't the same for all sectors

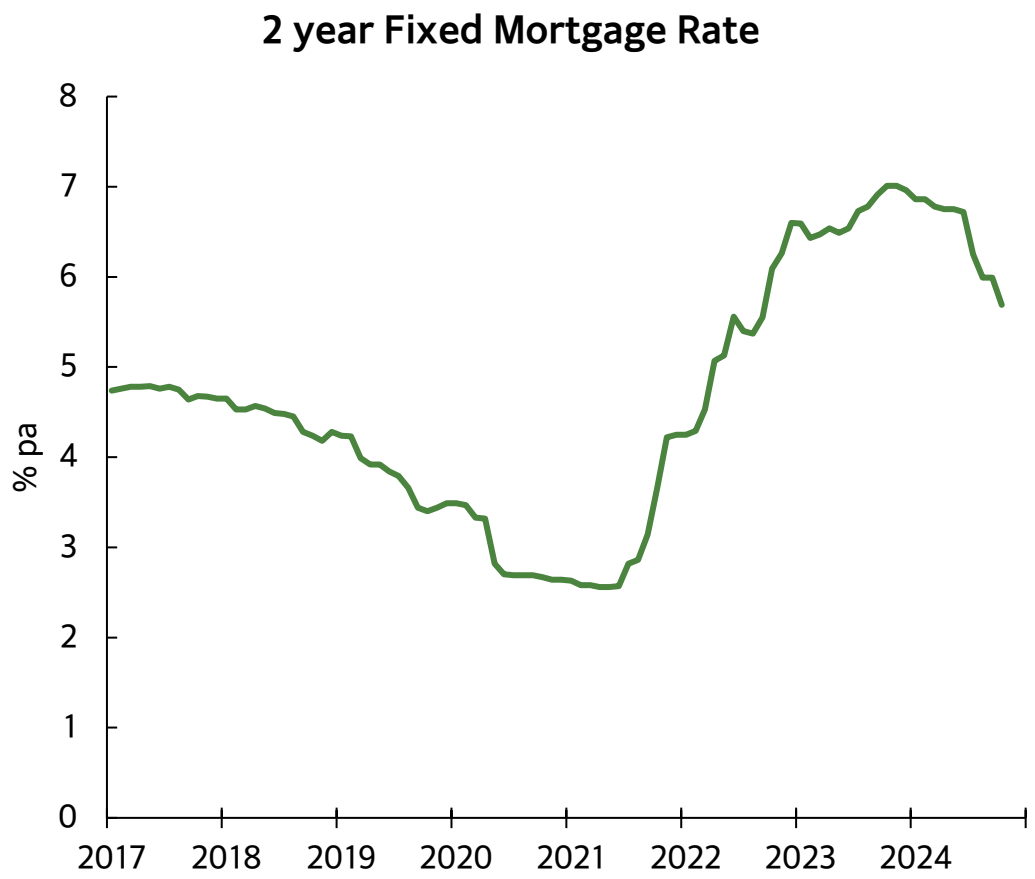


Source: Statistics NZ, S Eaqub

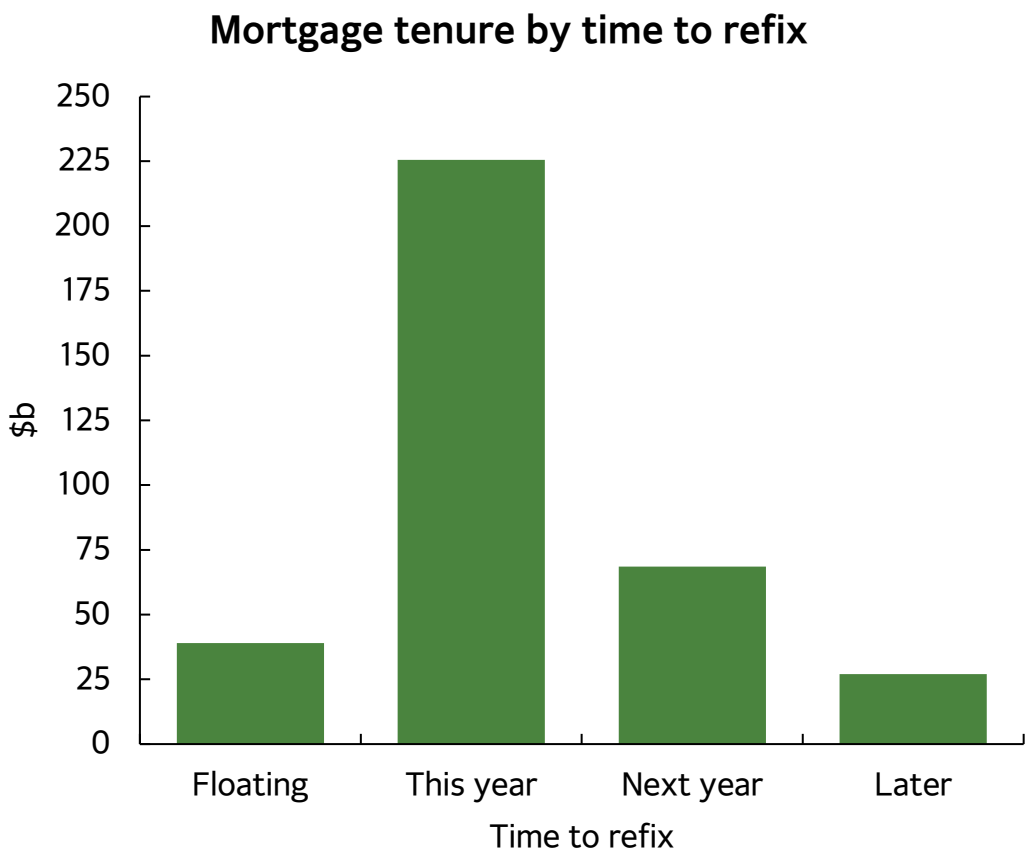


Source: Statistics NZ, S Eaqub

Mortgage relief on way

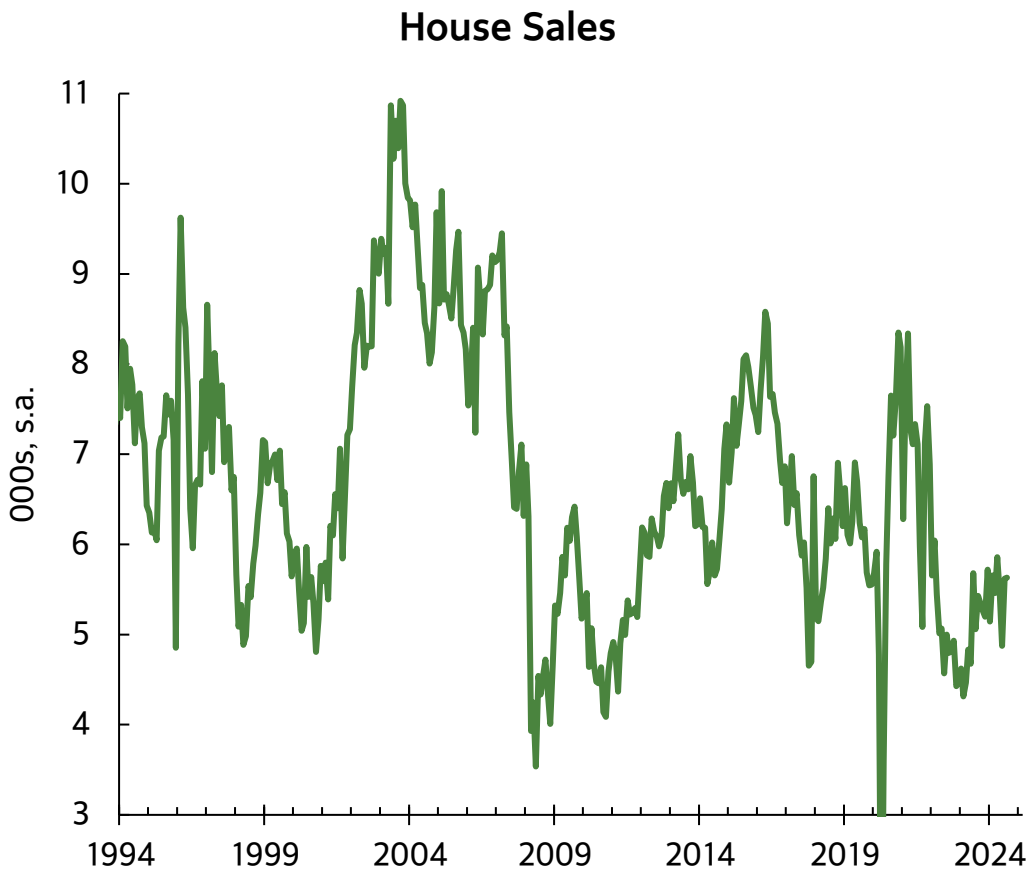


Source: RBNZ, interest.co.nz, S Eaqub

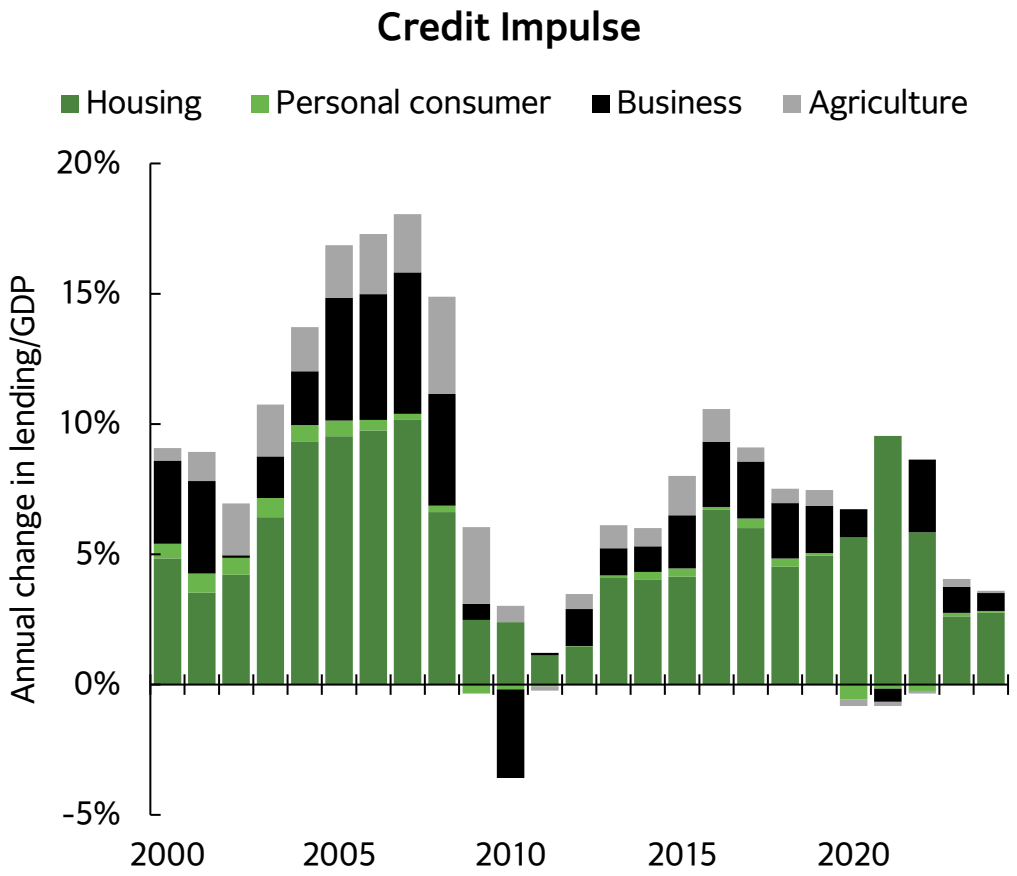


Source: RBNZ, S Eaqub

Fair weather friends are coming

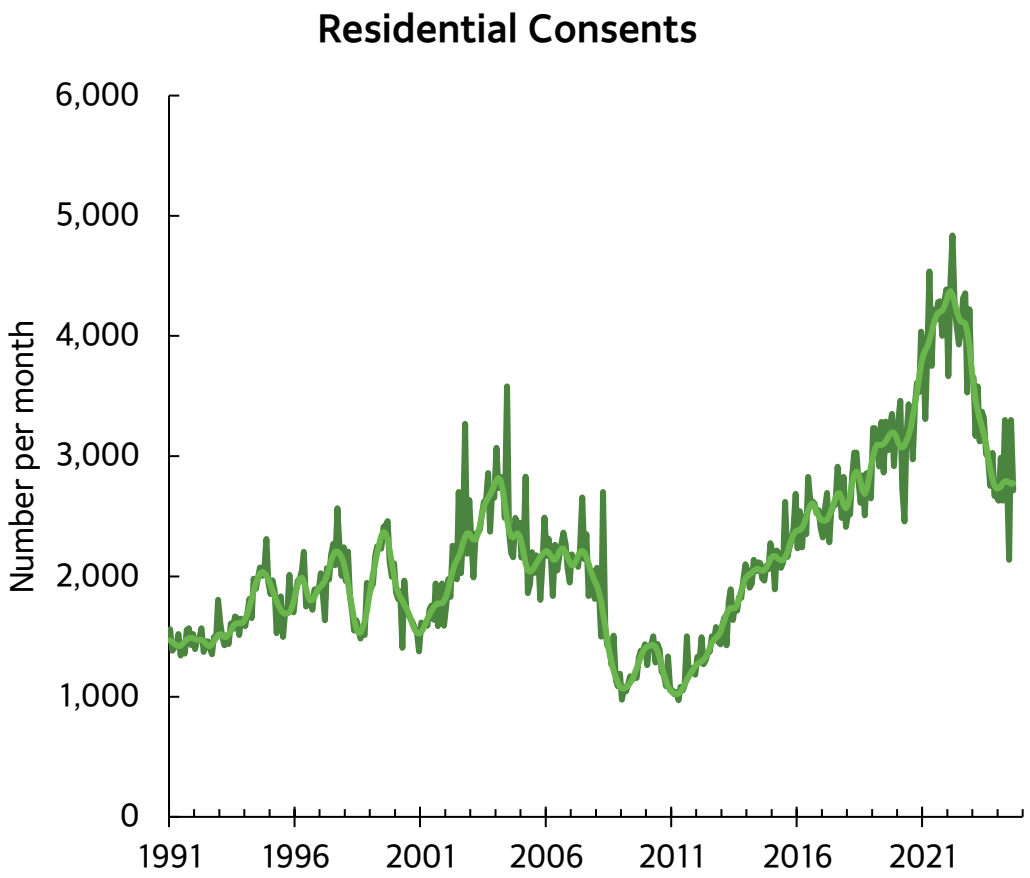


Source: REINZ, S Eaqub

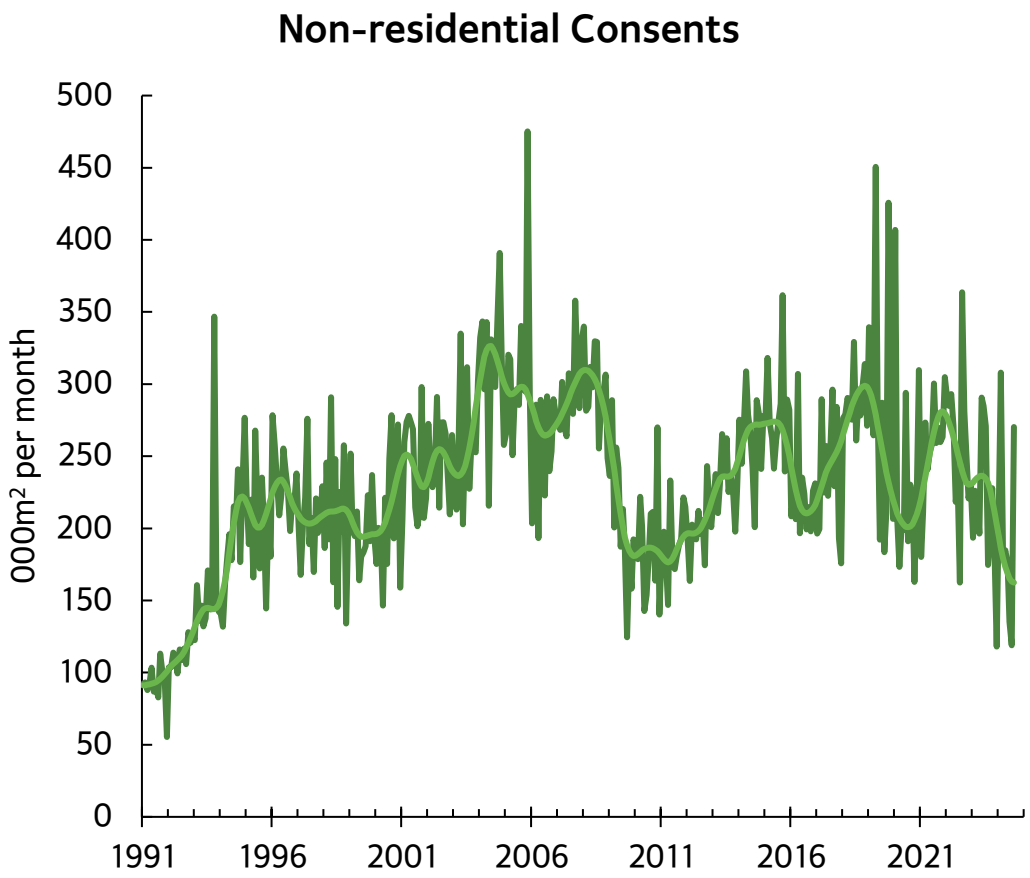


Source: RBNZ, S Eaqub

Investment decisions delayed

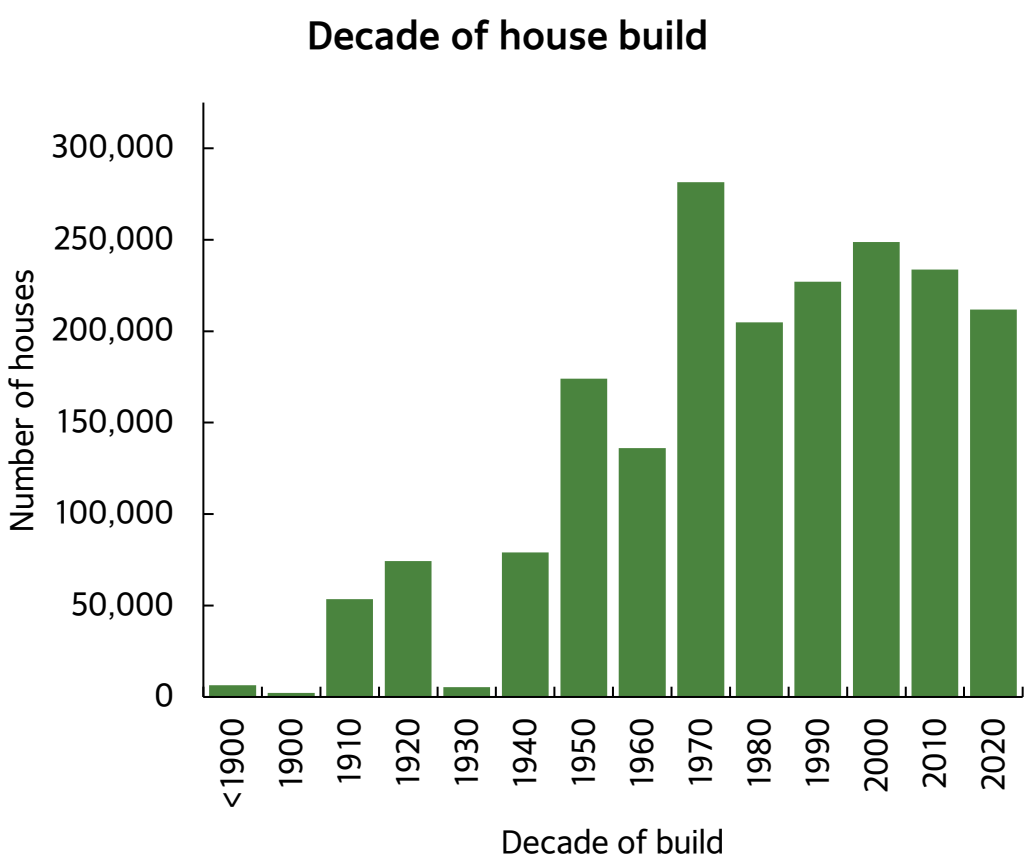


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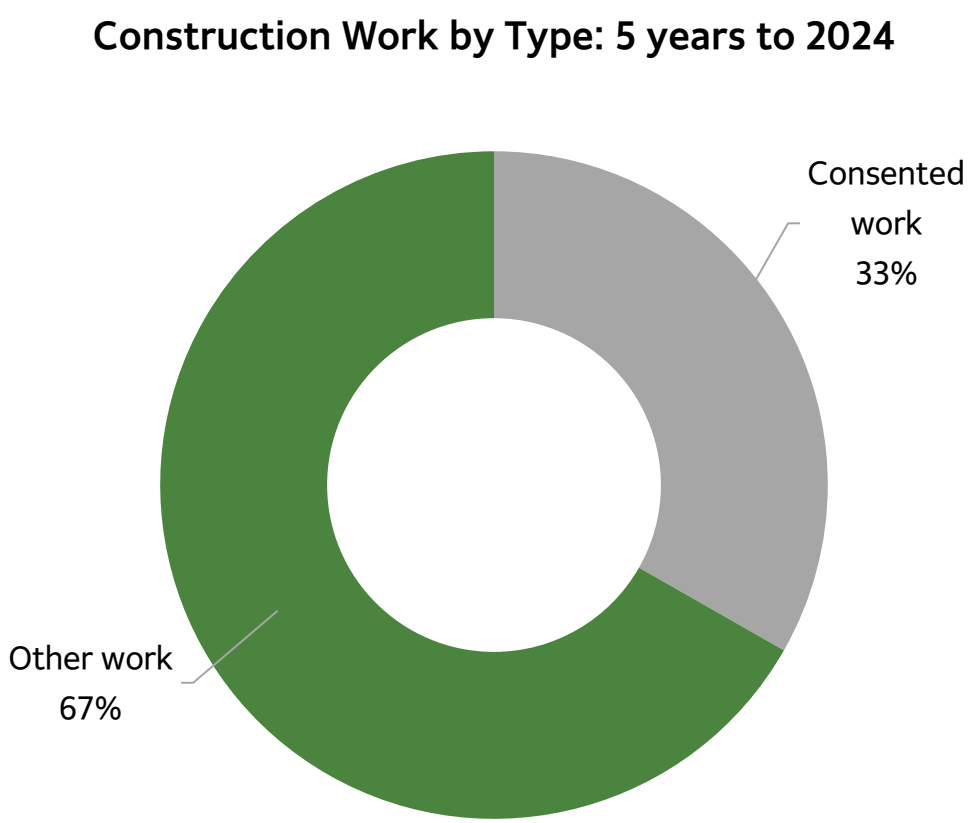


Source: Statistics NZ, S Eaqub

Not all about new!

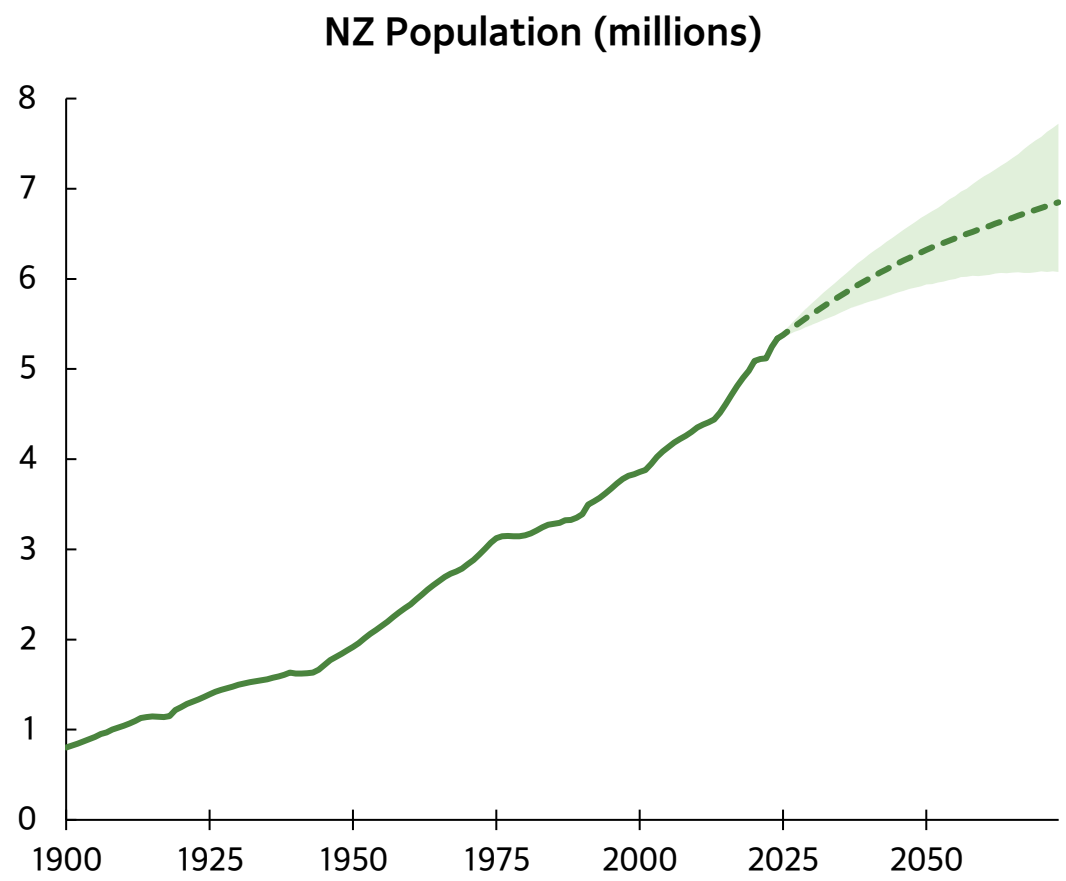


Source: Statistics NZ, S Eaqub

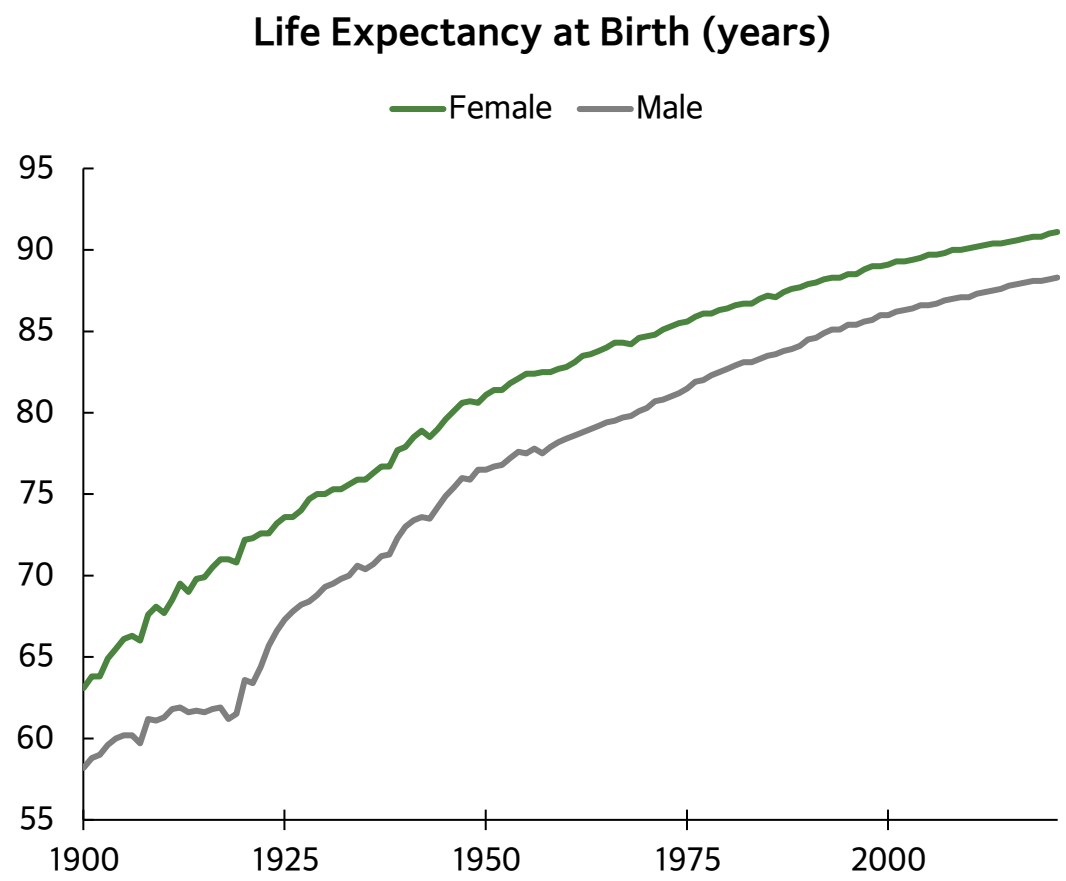


Source: Statistics NZ, S Eaqub

A growing & ageing population

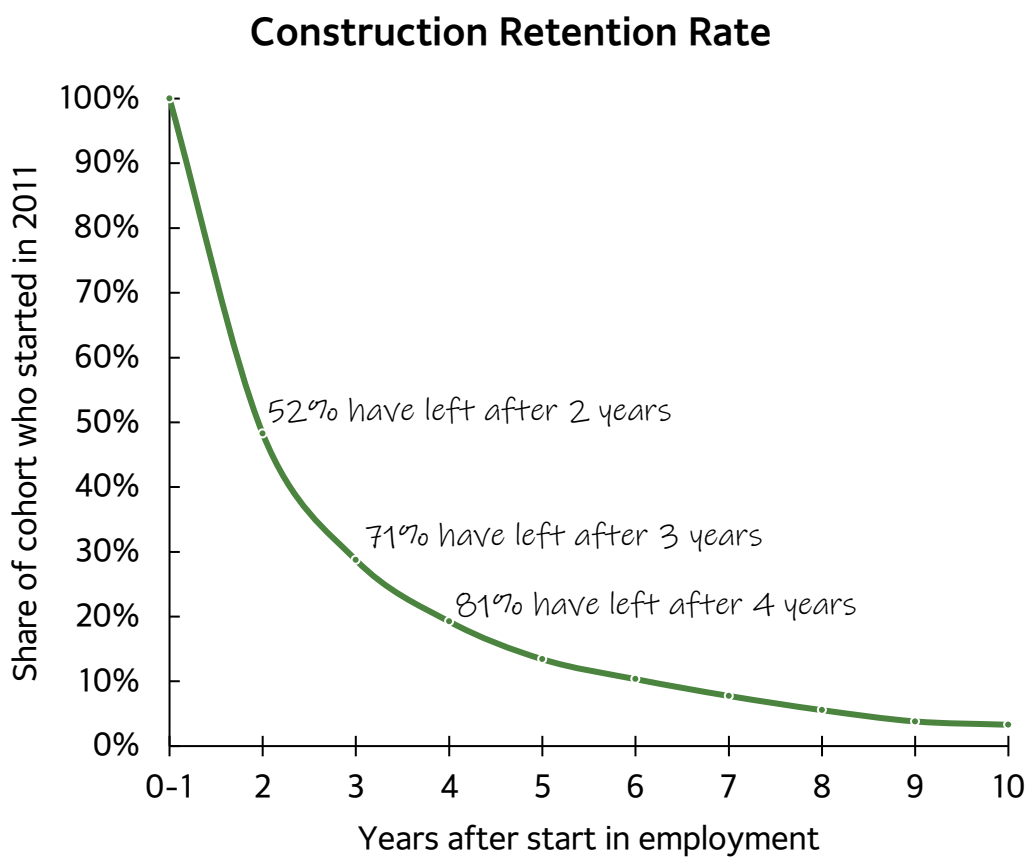


Source: Statistics NZ, S Eaqub

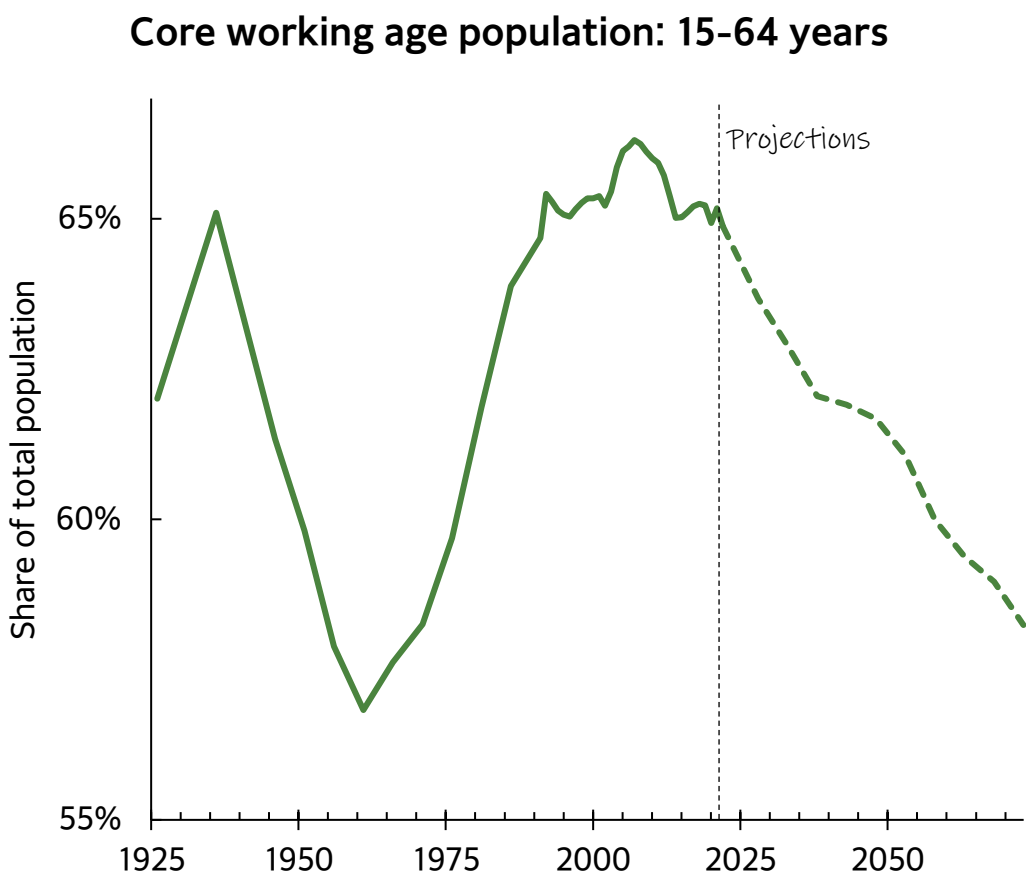


Source: Statistics NZ, S Eaqub

Where will our workers come from?

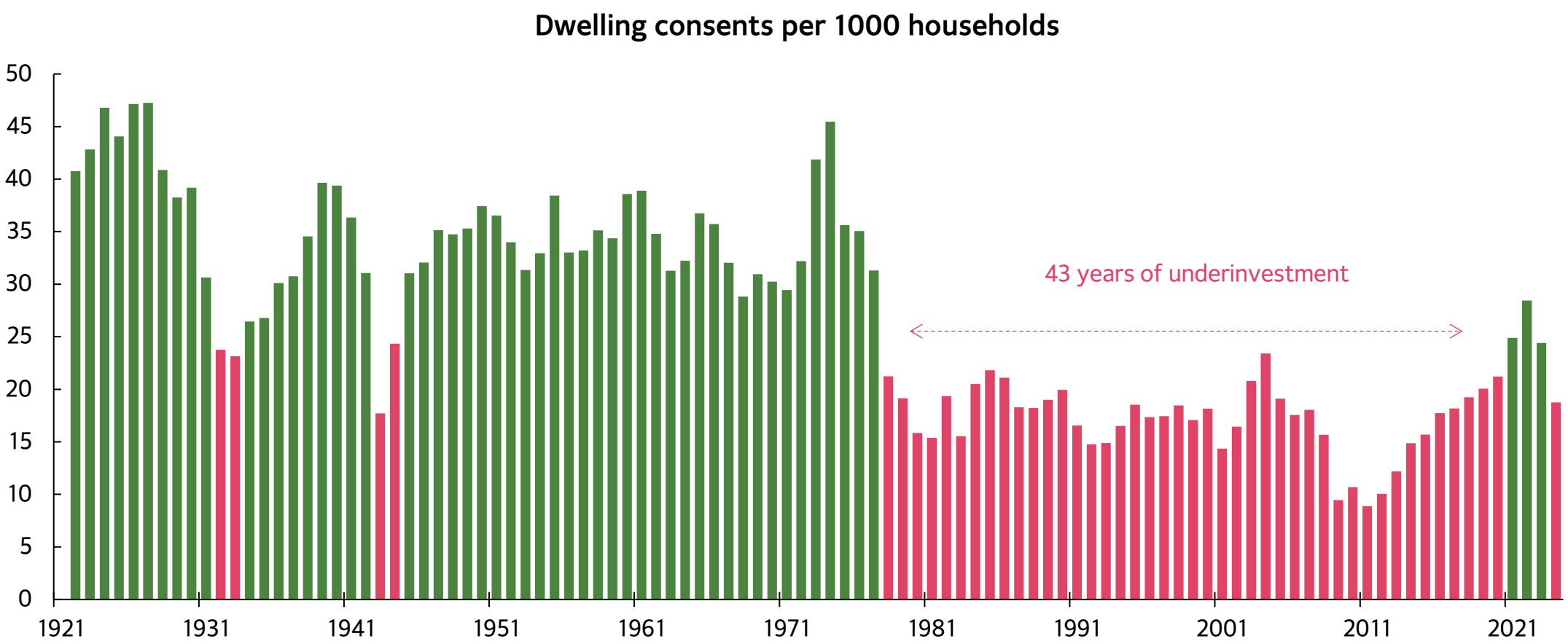


Source: Statistics NZ, S Eaqub



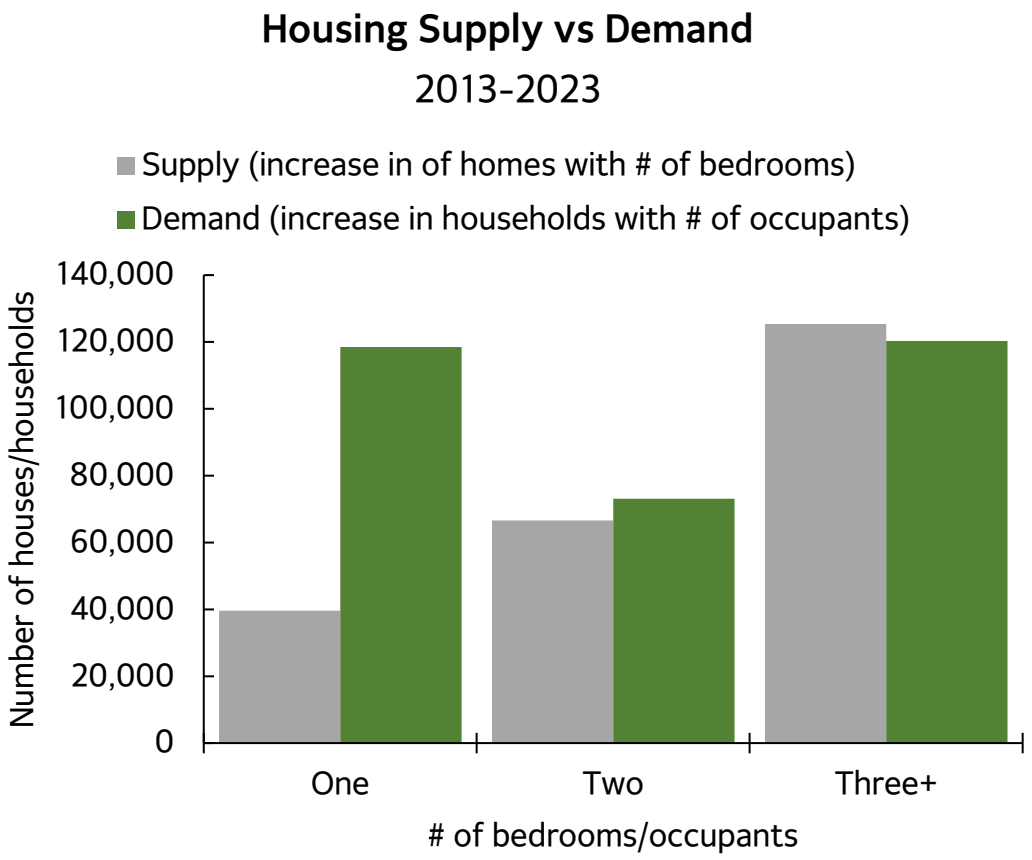
Source: Statistics NZ, S Eaqub

A lot of catching up to do

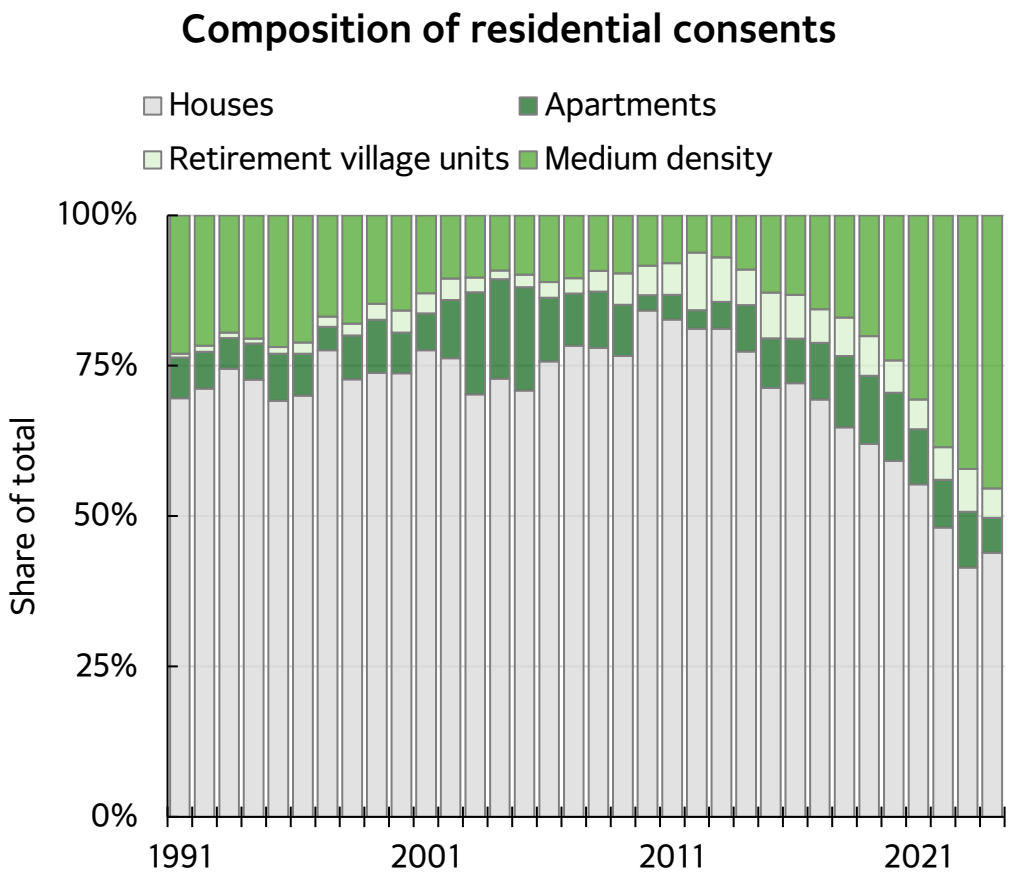


Source: Statistics NZ, S Eaqub

Future builds are different

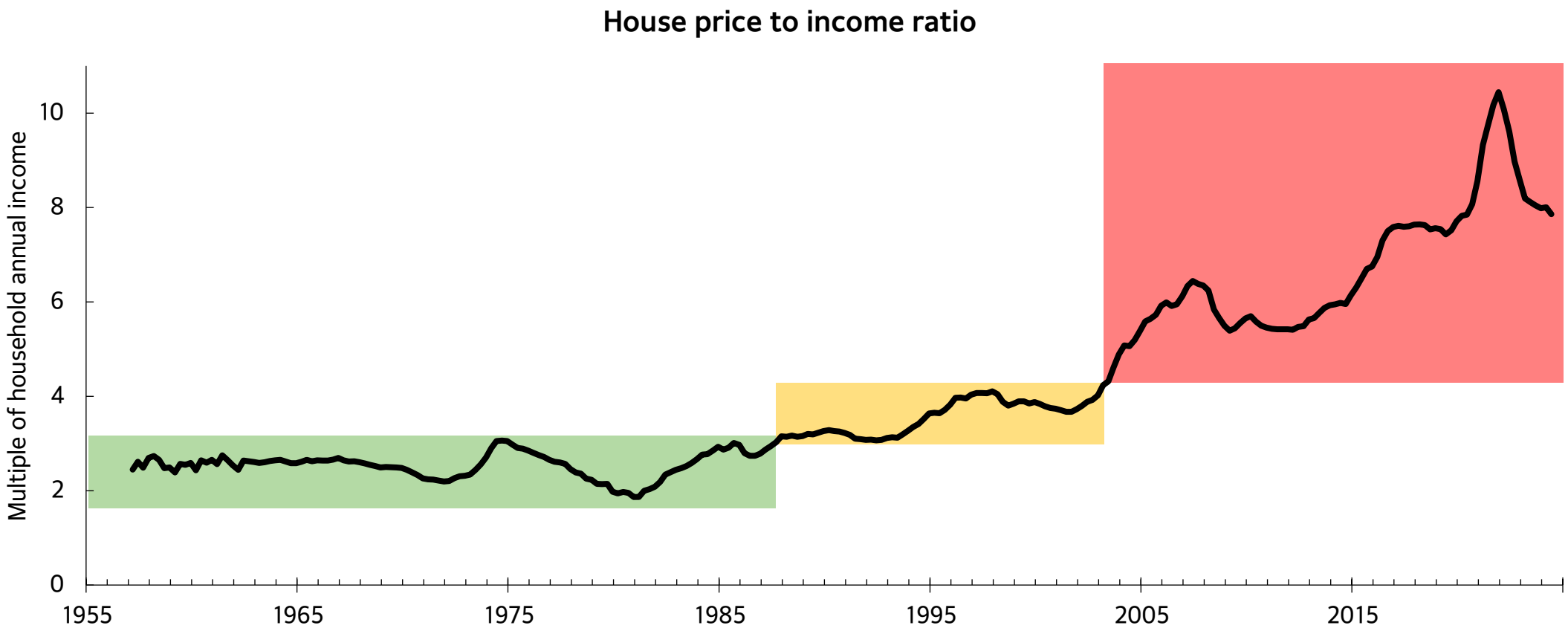


Source: Statistics NZ, S Eaqub



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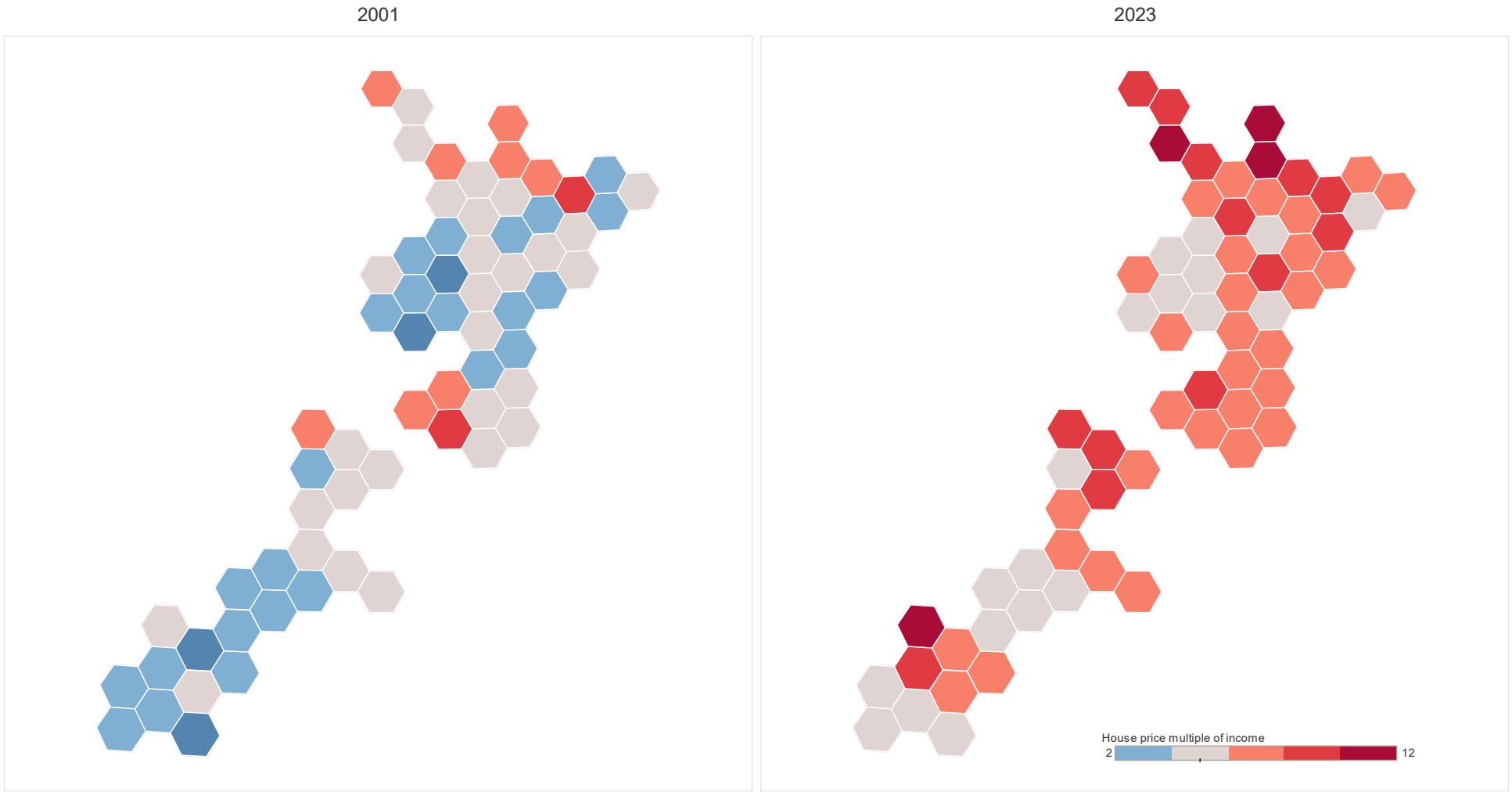
Will take decades to fix…



Source: REINZ, QVNZ, RBNZ, Statistics NZ, S Eaqub

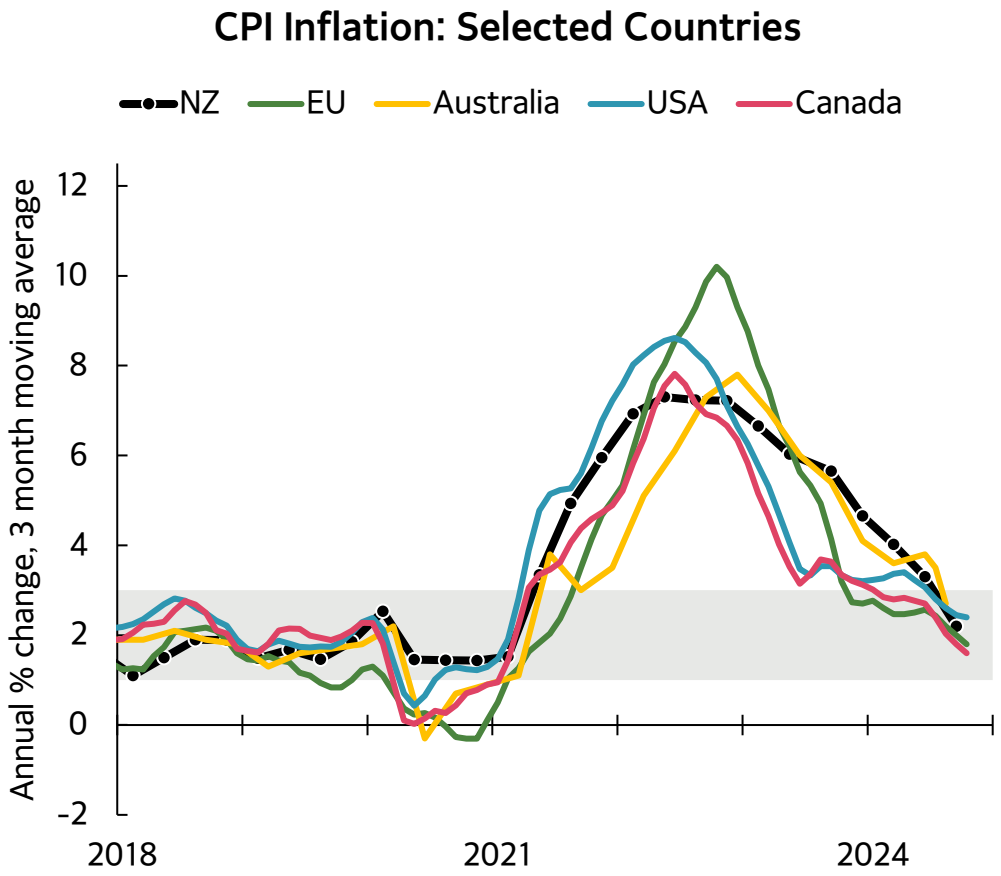
…almost everywhere in NZ

House price to income ratio

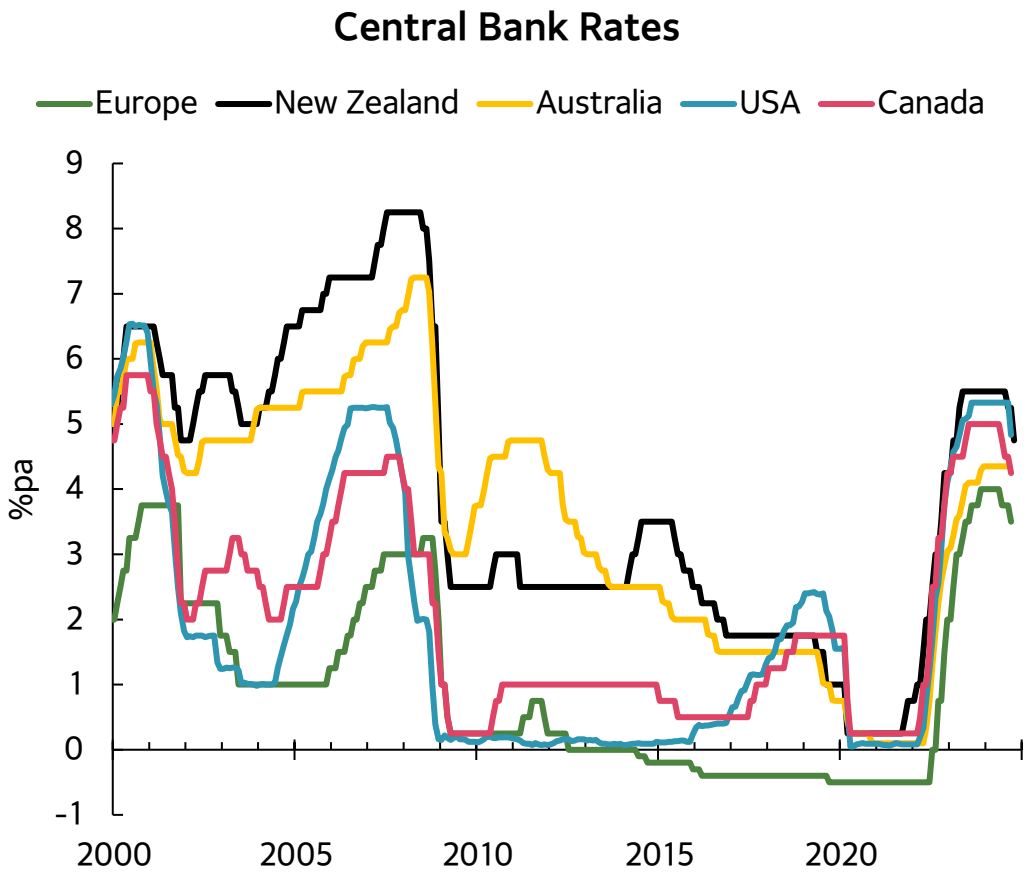


Source: QVNZ, Statistics NZ, S Eaqub

Green light for more rate cuts



Source: ECB, Federal Reserve of St. Louis, ABS, Statistics NZ, S Eaqub



Source: RBNZ, Federal Reserve, ECB, RBA, S Eaqub

Avoid short termism trap

- Easy to be too busy during booms
- Easy to be too cautious during busts
- Critical to invest (right sized)
- Without investment, upturns a missed opportunity
- Most critical: do the basics right.

Final thoughts



Economic context

Understanding market

- The overall cycle matters
- Each segment has its own drivers

Understanding customer

- Their why, hopes & fears
- Segmentation

Prepare for a 2025 recovery, timing to vary

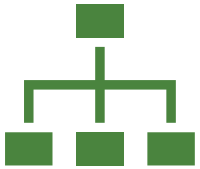


Making the sale: back to basics

Retention - cheaper and more effective

Customer acquisition – competitive!

Market share is the main game



Managing the business

People

Operations

Capital.

Thank You.

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