

New Zealand Equity Monthly June 2025

Sector variation seen amid weak economy, albeit with bright signs

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Return levels vary in June amid weakness in economy

In June, New Zealand's equity market performance largely reflected ongoing weakness in the country's economy, with defensive stocks acting as the main drivers of performance and cyclical names weighing the market down. The range of performance levels was demonstrated by stock-specific returns for the S&P/NZX 50 Index of New Zealand's largest companies by market capitalisation up to the end of 25 June, with 32 index names showing positive returns for the month to date and 18 posting negative returns. The index itself was up by 0.6% for the month. Given this background, the country's economic performance has been a significant theme in our recent engagement, with several companies commenting that the economy has bottomed out but with few signs of an upswing. However, we also found evidence of a more nuanced picture, for example with a suggestion that New Zealand's South Island is under less financial stress than some regions of the North Island, and that most of the pain is being felt in the economically significant "Golden Triangle" area between the cities of Auckland, Hamilton and Tauranga. In terms of the global picture, we think that pessimism driven by the recent turmoil surrounding US tariffs and overseas wars has already been largely priced into New Zealand's equities.

Proposal of strategic energy reserve among key developments in June

One notable development for New Zealand's equity market occurred on 19 June when several major electricity generators agreed in principle to establish a strategic energy reserve to provide national security of supply. The proposal is intended to be in place from 1 January 2026 and is expected to cover a period of up to 10 years. The initiative has been proposed in response to market conditions in the winter of 2024, when a faster-than-expected drop in New Zealand's supply of national gas, low hydro lake levels and weak wind levels combined to cause a spike in wholesale electricity prices. It is one of a number of actions currently underway to prevent a repeat of the disruption seen in 2024. New Zealand also saw a significant amount of M&A activity in June, one example of which was a vote by the shareholders of a wind farm operator to accept a takeover by a major electricity generator and retailer.

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