

New Zealand Equity Monthly March 2025

New Zealand underperforms other markets amid global uncertainty

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New Zealand underperforms peers amid uncertainty and stock-specific issues

New Zealand's equity market struggled in the first three months of 2025, with the S&P/NZX 50 Index of the country's largest companies by market capitalisation underperforming other major indices and ending the period with a loss of approximately 6%. Given the global uncertainty due to trade tariffs imposed by the Trump administration, this weak performance is partly attributable to the NZX 50's tendency to take its lead from other major markets. It is true that the New Zealand market started falling in mid-February along with other areas, most notably the US and Australia. In addition to the broader trend, however, New Zealand's market saw large share price drops in reaction to individual, stock-specific issues announced during the February reporting season for the fiscal period ended December 2024. These pullbacks caused the New Zealand market to fall more extensively than other markets from around the end of February.

Drop in New Zealand market mostly driven by large-cap stocks

In our view, one interesting point to note is that New Zealand's underperformance in the first three months of the year was almost entirely driven by large-cap names. We think this is demonstrated by the performance of the S&P/NZX 10 Index of the country's 10 largest stocks, which declined by approximately 10% during the period. In addition to the stock-specific issues touched on above, selling of some of the New Zealand market's larger names appears to have been driven by broader uncertainty over the Trump administration's policy and tariff announcements.

Renewable energy key part of market news flow in March

Although the equity market news flow was quiet in March overall, some notable developments occurred in the area of renewable energy generation during the month. In wind energy, Contact Energy announced that its application to develop a wind farm in New Zealand's Southland region had been declined by the Environmental Protection Authority due to perceived effects on indigenous plants and animals. However, the company has indicated that it plans to appeal the decision and reapply through a fast-track consenting process. In solar energy, Meridian Energy announced that it had reached its final investment decision to proceed with the development of a solar farm in New Zealand's Northland region. These developments are noteworthy for us as we consider renewable generation to be essential for New Zealand to reduce its reliance on natural gas and imported coal, to preserve storage in the country's hydroelectric reservoirs, and to bring down the wholesale price of electricity.

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