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New Zealand Equity Monthly (August 2026)

All-time market highs seen indicating resilience despite narrow earnings recovery

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August reporting season showed corporate earnings weathering external challenges

New Zealand's closely watched August earnings reporting season appeared to confirm that the external shocks experienced over the past six months have not derailed the recent recovery seen in earnings. The previous major reporting season in February had ended on an optimistic note, with the economy seeming to improve from a very low base, profit forecasts being revised upwards and management outlook statements becoming more positive. However, subsequent uncertainty in the Middle East led to higher oil and fuel prices, increased global uncertainty and greater market volatility. August is New Zealand's most important reporting period, with most listed firms releasing their full-year results during the season. As a consequence, investors entered the month looking for evidence that the earnings recovery could withstand those pressures. On the surface, the news appears to be positive, with the results broadly delivering the earnings growth forecast by the market. This suggests that the recovery has survived, albeit by meeting rather than exceeding expectations.

Dominance of utilities points to narrower recovery than headline figure suggests

The headline recovery in earnings was driven largely by the utility sector, in which companies delivered dramatic growth and, given their large presence in the equity market, made a material contribution to the broader result. However, this also means that the headline figure could have masked a narrower underlying picture. In our view, the strong utility sector result mainly reflected a rebound from an unusually weak prior period, when a drought had weighed heavily on hydrogeneration and earnings, making the growth non-cyclical and non-recurring. Excluding utilities, the market looked more subdued. The overall picture appears to be that fuel costs have interrupted momentum, consumers remain under pressure and the underlying economy has yet to take off. In addition, management commentary seemed more cautious than in February, with firms generally constructive on the medium term but expecting earnings growth in fiscal year 2027 to be gradual and weighted towards the year's second half. On the positive side, the reporting season did not produce the wave of earnings setbacks some had feared.

Market highs seen reflecting investor confidence in companies' resilience

We feel it is significant that the August earnings season ended with the S&P/NZX 50 Index of New Zealand's largest companies by market capitalisation reaching all-time highs. Based on a three-year view going back to 2023, New Zealand's equity market has gained 25% and reached record peaks despite encountering war, higher fuel prices, greater uncertainty and more cautious management teams. The rally suggests that investors continue to believe in the resilience of New Zealand's earnings recovery.

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